



Market Observations - as of June 10, 2022

By Carl Jorgensen - For Objective Traders - For educational purposes only. Not Financial Advice.

Two weeks ago we saw the markets rally after the FOMC meeting minutes release (May 25th) for two days on light volume. Last week was a 4-day Holiday where we saw the markets pause within a range all that week. This week we saw the pause continue for a total of 8-days before breaking down below support late on Thursday and gapping down and selling lower on Friday to give back all the gains since the May 25th FOMC meeting rally.

The FOMC rally two weeks ago ended on Friday May 27th with a weekly close in the S&P above two times its weekly 'Expected Move'. The odds of a two standard deviation move occurring are less than 4.5%. After the 8-day pause last week and this week, the selling kicked in Thursday and continued Friday to end this week with the S&P 'Below' two times its weekly 'Expected Move'. The weekly 'Expected Move' is a value derived from the Options Markets that are pricing the risk of a one standard deviation move in the S&P over 1 week. We described some of the details of how the 'Expected Move' is found and used several weeks ago in the 'Market Observations' on April 29th 2022. It is interesting that the 8-day pause in the markets began and ended with a pair of two standard deviation moves.

The break down and selling late this week was broad and included nearly all sectors. There was little market reaction to the Jobs data release early Thursday this week, but selling kicked in the last hour or two of Thursday, possibly in anticipation of weak CPI data on Friday. The CPI data released Friday before the open saw the Futures drop to create a gap down opening Friday that was continued with selling for at least two hours before some support was found. The small rally late in the day was all given back in the last half hour on Friday to close the S&P with new lows for the week, and the Nasdaq closed near its lows for the week.

Oil saw a small pull back on Monday, a rally Tue. and Wed., then a small pull back Thur. and Friday. Gold dropped to its 20 day SMA Monday then stayed within a narrow range all week until a mild rally on Friday. The US Dollar strengthened each day this week with a pause on Wednesday. The US 10 year Yield stayed within a range the first 3 days this week then raised higher on Thursday and Friday to end the week with new highs.

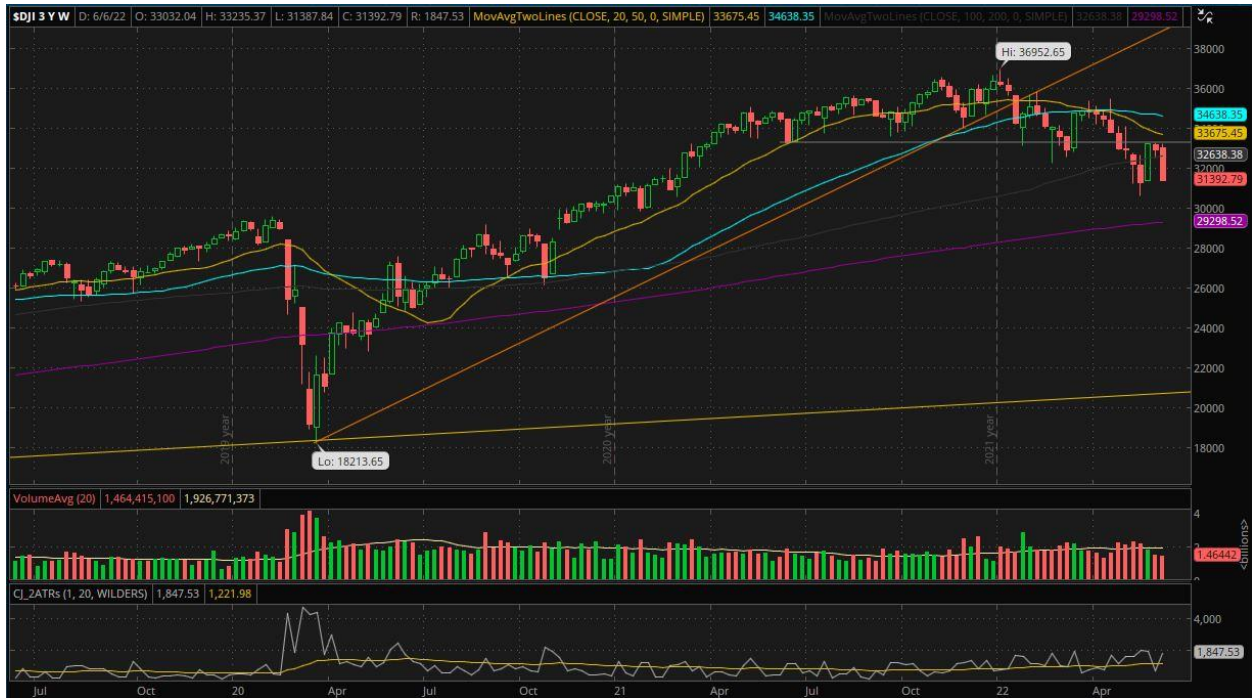
Let's look at the charts to see what they are telling us this week.



S&P 500 weekly chart as of Jun 10, 2022 - Here we see the rally 2 weeks ago, the pause last week and the decline this week that gave back nearly all of the gains seen 2 weeks ago.



S&P 500 daily chart as of Jun 10, 2022 - Here we see the rally 2 weeks ago, then the 8-day pause in a range above the Orange line Support. Thursday saw this support break in the last hour to end the day below the 20 day SMA. Friday saw a gap down and selling lower to end the week at 3900.86, below its - 2x Expected Move, down -5.05% for the week and back below all 3 key SMAs.



DJIA weekly chart as of Jun 10, 2022 - We see the rally two weeks ago, a pause last week, and a decline this week that gave back most all of the gains from two weeks ago.



DJIA daily chart as of Jun 10, 2022 - Here we see the 8-day pause followed by a break down on Thursday below its 20 day SMA. Friday gapped lower and sold down to end the week down -4.58% and back below all 3 key SMAs.



Nasdaq weekly chart as of Jun 10, 2022 - Here we can see the rally two weeks ago, a pause last week, and a decline this week that gave back most all of the gains from two weeks ago.



Nasdaq daily chart as of Jun 10, 2022 - We can see the 8-day horizontal pause followed by a break down below support (Orange line) on Thursday that closed near its 20 day SMA. Friday saw a gap down and selling to end the week down -5.60% and back below all 3 key SMAs.



Nasdaq 15 min. chart as of Jun 10, 2022 - Here we can see the FOMC rally that began the last 2 hours on Wed. May 25th and ended Friday May 27th within what would become the pause 'zone'. The grey box was defined last week as the prior week's rally did not follow through, and a non-trending range was defined. Note the failed rally last week on Thursday June 2nd as the next day saw a gap down back into the range. The 'pause' zone continued this week Mon. Tue. and Wednesday. Thursday saw most of the day remain within this 'pause' zone as selling began to be persistent the last two hours of the day, breaking below the Pause Zone Support (Orange line) in the last hour on Thursday. Friday gapped down after the CPI data and continued lower for 2 hours before finding support for the day. A mild rally the 2nd half of the day failed and was nearly all given back the last 30 min. on Friday.

Note: The Nasdaq level at the close this Friday (\$11,339) is very close to the same level seen just 'before' the FOMC minutes were released on May 25th (\$11,347).



Russell 2000 weekly chart as of Jun 10, 2022 - We see the rally two weeks ago, a pause last week, and a decline this week that gave back the majority of the gains from two weeks ago and nearly returned to the 200 week SMA (Purple).



Russell 2000 daily chart as of Jun 10, 2022 - The Russell paused Monday then rallied Tuesday up to just above its 50 day SMA. Wednesday saw an 'Inside' day followed by selling Thursday and a gap down with selling Friday below its 20 day SMA to end the week down -4.40% and back below all 3 of its key SMAs.

Next we will look at a few key 'Market Internals' to see the breadth of this week's moves.



McClellan Summation Index weekly chart as of Jun 10, 2022 - Last week we saw this Index continue to rally up to -308.16. This week we see a much smaller rally with an upper wick candle suggesting a pull back this week to end this week at -219.29.



McClellan Summation Index daily chart as of Jun 10, 2022 - This week began with the rally continuing higher, stalling and then pulling back the last two days to end this week at -219.29 near its 200 day SMA.



NYSE Percent above 200 day SMA daily chart as of Jun 10, 2022 - Last week we saw this percentage zigzag within a narrow range and end the week at 31.15%. This week we see a sharp drop to 25.34%.



NYSE Percent above 50 day SMA daily chart as of Jun 10, 2022 - Last week we saw some zigzag in a range near and just below 50% with the week ending at 43.56%. This week we see a sharp decline to end the week at 24.11%.



VIX daily chart as of Jun 10, 2022 - We can see an overall decline over the past 3 weeks with a sharp change upward on Thursday and Friday this week to end the week back above all 3 of its key SMAs.



VVIX daily chart as of Jun 10, 2022 - The VVIX also saw a slow decline over the prior 3 weeks that ended with a small increase on Wednesday, followed by a larger move higher on Thursday and Friday to end the week back above its 20 day SMA.

Next we will look at a few key Commodities, Currency and Treasuries.



Oil daily chart as of Jun 10, 2022 - Oils saw a higher high Monday with a lower close. Tuesday was mostly within the same range as the prior day. Wednesday saw a strong rally to new highs at \$123.18. Thursday and Friday saw a small pull back.



Gold daily chart as of Jun 10, 2022 - Gold remained within a narrow range most of this week just above its 20 day SMA support. Friday saw a wide range day with new June highs. Note the strong volume Friday as money flowed out of equities and some money appears to have flowed into Gold.



US Dollar Index daily chart as of Jun 10, 2022 - The US Dollar strengthened nearly every day this week, testing resistance at its 20 day SMA on Tue. and Wed. then breaking above with a wide range day on Thursday and Friday.



US 10 year Treasury daily chart as of Jun 10, 2022 - Here we see a steady decline in the 10 year Treasury continue this week with a large decline seen on Friday. Note the Volume on Friday. Strong selling Friday may have been caused in part by margin calls forcing some to liquidate Treasuries to fund those margin calls.



US 10 year Yield daily chart as of Jun 10, 2022 - As the 10 year was sold this week, we see Yields go up nearly each day this week, peaking at 3.178% on Friday.

Date	1 Mo	2 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
06/01/2022	0.77	0.90	1.15	1.63	2.16	2.66	2.84	2.94	2.98	2.94	3.31	3.09
06/02/2022	0.85	1.05	1.17	1.64	2.15	2.65	2.83	2.92	2.95	2.92	3.30	3.09
06/03/2022	0.87	1.05	1.21	1.68	2.18	2.66	2.87	2.95	2.99	2.96	3.33	3.11
06/06/2022	0.88	1.07	1.26	1.74	2.23	2.73	2.94	3.03	3.07	3.04	3.41	3.19
06/07/2022	0.87	1.08	1.26	1.75	2.26	2.75	2.91	2.99	3.02	2.98	3.35	3.13
06/08/2022	0.89	1.10	1.28	1.77	2.29	2.78	2.94	3.03	3.06	3.03	3.40	3.18
06/09/2022	1.05	1.17	1.30	1.81	2.35	2.83	2.99	3.07	3.08	3.04	3.40	3.18
06/10/2022	1.10	1.25	1.39	1.98	2.58	3.06	3.21	3.25	3.24	3.15	3.45	3.20

US Yield rates daily table as of Jun 10, 2022 - Here we can see most Yields increased most days this week, both short term and long term rose together.



FOMC Balance Sheet weekly chart as of Jun 8, 2022 - So much for the Fed saying that they were going to 'Tighten' starting June 1st. Last week we saw a small increase in the Fed's Balance Sheet and again this week we see a \$3.204 Billion increase, from the June 1st Total Assets of \$8.915050 Trillion to the June 8th Total Assets of \$8.918254 Trillion. We do not see any 'tightening' yet.

The last time the Fed tried to do some mild 'Tighten' it did not go so well (late 2018).

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jun 10, 2022 - The Transports saw a mild rally continue Monday, and then Tuesday saw an early dip and rally. Wednesday saw strong selling below its 20 day SMA that continued lower Thursday and Friday, ending the week down -7.45% making it the weakest sector on my list this week.



XLE daily chart as of Jun 10, 2022 - The Energy sector saw a pause Monday, rally Tuesday, higher highs Wednesday then pulled back Thursday to its Trend Line (Grey line) and gapped lower Friday to end the week down only -0.89% making the XLE the strongest sector on my list this week (again). The XLE remains above all 3 of its key SMAs.



XLF daily chart as of Jun 10, 2022 - The Financial sector saw a pause the first 3 days this week then broke below support (Grey line) and below its 20 day SMA on Thursday. Friday saw a gap down and strong selling (not the volume) to end the week down -6.71% and back below all 3 of its key SMAs.



QQQ daily chart as of Jun 10, 2022 - The Nasdaq-100 ETF saw a pause for 8 days then broke below its support (Orange line) late on Thursday and closed below its 20 day SMA. Friday saw a gap down and selling to end the week down -5.67% and back below all 3 of its key SMAs.



SOXX daily chart as of Jun 10, 2022 - The Semiconductor sector saw a pause for 8 days then opened Thursday below its support (Grey line) and closed below its 20 day SMA. Friday saw a gap down and strong selling to end the week down -7.39% and back below all 3 of its key SMAs.



XLC daily chart as of Jun 10, 2022 - The Communications Services sector saw a 8-day pause then broke below its 20 day SMA on Thursday and gapped lower Friday to end the week down -4.88%.



XME daily chart as of Jun 10, 2022 - The Metals and Mining sector saw a pause Monday, a rally up to its 50 day SMA on Tuesday that was all given back on Wednesday. Thursday saw a break below its Trend Line Support (Grey line) and below its 20 day SMA. Friday saw a gap down and only a tiny bounce to end the week down -4.45% and back below all 3 of its key SMAs.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORs	4/29/2022	5/6/2022	5/13/2022	5/20/2022	5/27/2022	6/3/2022	6/10/2022
\$SPX	-3.27%	-0.21%	-2.41%	-3.05%	6.58%	-1.20%	-5.05%
\$INDU	-2.47%	-0.24%	-2.14%	-2.90%	6.24%	-0.94%	-4.58%
\$COMPQ	-3.93%	-1.54%	-2.80%	-3.82%	6.84%	-0.98%	-5.60%
\$RUT	-3.95%	-1.32%	-2.55%	-1.08%	6.46%	-0.26%	-4.40%
QQQ	-3.73%	-1.28%	-2.36%	-4.39%	7.07%	-0.94%	-5.67%
\$TRAN	-1.34%	0.24%	-2.98%	-6.68%	7.07%	0.00%	-7.45%
XLE	-1.38%	10.34%	-2.58%	1.23%	8.27%	1.11%	-0.89%
XLF	-4.59%	0.67%	-3.48%	-1.82%	8.05%	-1.97%	-6.71%
XLK	-1.16%	-0.60%	-3.35%	-3.53%	7.94%	-1.04%	-6.36%
SOXX	-2.38%	2.08%	-0.39%	-2.59%	7.91%	-1.71%	-7.39%
XLV	-2.53%	-0.39%	-0.91%	0.92%	3.27%	-3.13%	-3.34%
XLY	-7.36%	-2.90%	-3.69%	-7.82%	9.51%	-0.49%	-5.58%
XRT	-3.79%	-1.17%	-2.49%	-9.44%	10.08%	-2.49%	-3.43%
XLI	-3.34%	0.40%	-2.53%	-3.61%	6.39%	0.08%	-4.93%
XLU	-4.03%	1.33%	-1.08%	0.43%	5.06%	-1.35%	-4.05%
XME	-3.78%	-3.65%	-7.18%	0.58%	9.95%	-2.23%	-4.45%
XLP	-2.02%	-1.18%	0.30%	-8.12%	6.08%	-1.57%	-2.57%
XLB	-0.83%	-0.59%	-2.41%	-0.08%	5.99%	-0.79%	-5.77%
XLC	-3.69%	0.52%	-0.61%	-1.68%	3.79%	-1.00%	-4.88%
XHB	-0.08%	0.11%	-0.10%	-3.56%	6.94%	-1.00%	-5.77%

Weekly Percent Change US Indexes and Sectors table as of Jun 10, 2022 - Note how two weeks ago the strongest Index was the Nasdaq Composite (+6.84%) then after the pause last week the weakest Index this week was the Nasdaq Composite (-5.60%). This reminds us how the Nasdaq often sees bigger swings both up and down, leading both the Bull and Bear trends. [If you are an index trader and you seek more volatile moves for trading, then maybe the Nasdaq is a better choice for your consideration.]

Even with ALL sectors down this week, the XLE again shows its relative strength this week. The Strongest sectors (smallest declines) this week include: XLE and XLP. The weakest sectors this week include: Dow Transportation Index, SOXX, XLF and XLK.

Out of the 18 Sectors I track, you can see how they reflect the market's daily changes in overall Breadth by counting the number of sectors at the end of each day that are closing the day 'Up' or 'Down'.

	UP	DOWN
Monday:	16	2
Tuesday:	17	1
Wednesday:	2	16
Thursday:	0	18
Friday:	0	18

Note the strength of the decline in the charts for Thursday and Friday this week and that correlates with days when we saw ALL sectors moving in the same direction together.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	Holiday 05/30/22	End of Day 05/31/22	End of Day 06/01/22	End of Day 06/02/22	End of Day 06/03/22	End of Day 06/06/22	End of Day 06/07/22	End of Day 06/08/22	End of Day 06/09/22	End of Day 06/10/22
\$SPX	n/a	-0.63%	-0.75%	1.84%	-1.64%	0.31%	0.95%	-1.08%	-2.38%	-2.91%
\$INDU	n/a	-0.67%	-0.54%	1.33%	-1.05%	0.05%	0.80%	-0.81%	-1.94%	-2.73%
\$COMPQ	n/a	-0.41%	-0.72%	2.69%	-2.47%	0.40%	0.94%	-0.73%	-2.75%	-3.52%
\$RUT	n/a	-1.26%	-0.49%	2.31%	-0.77%	0.36%	1.57%	-1.49%	-2.12%	-2.73%
QQQ	n/a	-0.27%	-0.74%	2.74%	-2.60%	0.33%	0.86%	-0.72%	-2.68%	-3.53%
\$STRAN	n/a	-0.98%	-0.75%	2.08%	-0.32%	0.76%	0.13%	-3.82%	-2.06%	-2.62%

Daily Percent Change US Indexes table as of Jun 10, 2022 - Even though the Transports began this week with strength, we see a strong drop began Wed. and continued Thur. and Friday for this Index, making the weakest this week overall. Note the small overall increases on Monday that were a little stronger Tuesday. Then they all turned negative on Wednesday as a potential warning. Friday saw stronger declines than seen on Thursday. The generalities observed in just the above Indexes give us another view of this week's changes in momentum.

Next we will look at a few key Stocks.



AAPL daily chart as of Jun 10, 2022 - Monday saw a narrow range day mostly above its 20 day SMA. Tuesday saw a rally that failed to reach the prior week's highs. Wednesday saw a pause with not follow through higher. Thursday saw a decline back below its 20 day SMA. Friday saw a gap down and selling lower to retest support at the lows from May 23rd - 26th ending the week down -5.67% and back below all 3 of its key SMAs.



MSFT daily chart as of Jun 10, 2022 - Microsoft saw a pause for 9 days that was mostly just above its 20 day SMA. Thursday saw a decline and test of its 20 day SMA support. Friday saw a gap down and selling lower to retest support from its May 23rd and 24th lows. MSFT ended the week down -6.31% and back below all 3 of its key SMAs.



GOOGL daily chart as of Jun 10, 2022 - Alphabet saw a pause for 8 days above its 20 day SMA then gapped below on Friday to end the week down -2.95% and back below all 3 of its key SMAs.



AMZN daily chart as of Jun 10, 2022 - Amazon began this week with a 20:1 stock split before the open on Monday. The split anticipation rally reversed and sold off each day this week, gapping below its 20 day SMA on Friday to end the week down -10.38% and back below all 3 of its key SMAs. A Stock split has no affect on a company's book value, but it does seem to have a psychological affect on market participants.



TSLA daily chart as of Jun 10, 2022 - Tesla continued to straddle its declining 20 day SMA all this week, ending the week down -0.98% and now below all 3 of its key SMAs.



META daily chart as of Jun 10, 2022 - Face Book changed its name to Meta and the stock symbol changed from FB to META this week as well. Meta continued to straddled its 20 day SMA for the first 3 days of this week, then broke down Thursday and Friday to new May and June lows, ending the week down -7.97% and below all 3 of its key SMAs.



NVDA daily chart as of Jun 10, 2022 - Nvidia paused for 8 days and broke below support Thursday, gapping below its 20 day SMA on Friday and selling down to \$169.74 to end the week down -9.31% and back below all 3 of its key SMAs.

Out of the above seven big names, all seven are now below all 3 of their key SMAs (20 day, 50day and 200 day). That is a rather bearish confirmation for these key names.



JPM daily chart as of Jun 10, 2022 - JP Morgan remained just above its 50 day SMA for 8 days then broke below on Thursday to test support at its 20 day SMA. Friday saw a large gap down and strong selling below \$120 to end the week down -8.15% and now below all 3 of its key SMAs.



HD daily chart as of Jun 10, 2022 - Home Depot has been below its 50 day SMA most of the time since breaking below on Jan 7th this year. Monday saw a narrow range day above the 50 day SMA that broke below both the 20 day and 50 day on a wide swing Tuesday. Wednesday saw an 'Inside' day between the 20 day and 50 day SMAs. Thursday saw a failed rally attempt. Friday saw a gap down and selling to new lows for June, ending the week down -5.19% and below all 3 of its key SMAs.



COST daily chart as of Jun 10, 2022 - Costco saw a strong rally two weeks ago, then a pause last week with a one day failed rally on June 2nd. This week saw a slow decline as most of the June 2nd gains were given back and HD straddled the descending 20 day SMA, ending the week about \$2 above its 20 day SMA and down -5.19% for the week. Note that COST held up relatively well this week as compared to most of the charts that we have seen for this week. Most charts show a decline this week that is approaching their 2022 lows. COST is an interesting chart that we will keep our eyes on going forward.



WMT daily chart as of Jun 10, 2022 - Wal-Mart gapped lower Tuesday as it continued its decline. The small bounce Tue and Friday failed to change the declining trend, ending this week down -2.89%.



SLB daily chart as of Jun 10, 2022 - Schlumberger continued higher this week with higher highs Mon. Tue. and Wednesday with Wednesday delivering new 3-year highs. Thursday saw a small pull back that gapped lower Friday to end the week down only -0.55% and still above all 3 of its key SMAs.



HAL daily chart as of Jun 10, 2022 - Halliburton continued its rally this week, peaking Wednesday with new 3-year highs. Thursday saw a small pull back that remained above the ascending Trend Line Support (Pink line). Friday saw a gap down to give back this week's gains plus more, ending the week down -3.48% but still above all 3 of its key SMAs.

After such an ugly week in most sectors, we see the above 2 Energy sector components (SLB and HAL) did rather well this week, all things considered.



AMD daily chart as of Jun 10, 2022 - AMD saw a strong one day rally last week on June 2nd that did not see any follow through the next day. This week began with a retest of last week's highs that began a decline every day this week, breaking below prior support (Orange line) on Thursday and below its 20 day and 50 day SMAs on Friday, ending the week down -10.80% and now below all 3 of its key SMAs.



MU daily chart as of Jun 10, 2022 - Micron broke below its 50 day SMA last Friday and continued its decline every day this week, below its 20 day SMA from Tuesday on, retesting 2022 lows on Thursday then gapping lower to new 2022 lows on Friday, ending the week down -10.47% and below all 3 of its key SMAs.

As you can see from the 3 charts we have looked at above in the Semiconductor sector (NVDA, AMD and MU) that all 3 of these names did worse this week than did the SOXX sector ETF (-7.39%). We have often seen this year how the Semiconductor sector has lead the markets up on up days and down on down days. This sector has also provided us with lots of Bearish (and Bullish) swing trade opportunities this year as this sector has often seen bigger relative moves.

Next week we have a Fed Meeting on June 15th and 'Quad witching' expiration on Friday June 17th.

Nobody knows if the selling is done or not. We will prepare for next week as we usually do, imagining Bullish, Bearish and Neutral scenarios, what would be appropriate to do in each case and what criteria we will use to confirm which scenario is in play.

For most of 2022 we have seen a Bearish market, with only brief (but violent) rallies that have each failed to follow through. We will assume that this trend will continue until we see ample evidence that the trend has changed.

Trade Smart,

CJ