



Market Observations - as of June 17, 2022

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

Three weeks ago we saw the markets rally after the FOMC meeting minutes release (May 25th) for two days on light volume to see the S&P end that week above its +2x 'Expected Move'. The following week and a half saw markets stuck within a narrow range with not trend for 8 days.

Late last week we saw the markets break below their 8-day range on Thursday and gap down and continue to sell hard on Friday with above average volume with the S&P ending last week below its -2x 'Expected Move'.

This week the selling was even stronger Monday with another gap down and broad based selling in all sectors with strong volume. Tuesday saw mostly a pause in the strong selling with a slightly lower low late in the day. Wednesday saw a small gap up and pause until the FOMC meeting minutes came out with a 0.75% rate hike. After the FOMC news trading was volatile with only a mild upward movement. Wednesday's mild rally 'failed' as Thursday gapped open lower with another round of Strong selling with breadth and volume, but not as intense as was seen on Monday this week. Thursday saw the S&P come within 2.5 points of testing its -2x 'Expected Move'. Friday saw more selling early in the day to new 2022 lows then a bit on consolidation as Quadruple Witching expiration was processed to end the week down significantly. The S&P touched its -2x 'Expected Move' on Friday and seemed to find support there, closing the week below its -1x 'Expected Move'.

For three of the last four weeks we have seen the S&P close each week 'outside' its 'Expected Move' and twice we also saw the S&P close the week outside its 2x 'Expected Move'. Two Standard Deviation moves are expected to occur only about 4.5% of the time, but we have seen it occur 50% of the time over the past 4 weeks. To me this is a significant clue as it shows that the Options Markets seem to be significantly 'Under Pricing' actual risk over the past 4 weeks. This has occurred in a market context of strong bearish moves and new 2022 lows on high volume. Usually Options Volatility would spike to new highs for 2022 when we see this happen, but not in this market.

We described the 'Expected Move' in the April 29th 'Market Observations' as well as pointed out the 2-standard deviation moves seen the week ending May 27th and June 10th in our prior 'Market Observations' those weeks. The recent high frequency of the S&P breaking outside its weekly 'Expected Move' is one method of measuring how Options Prices are under pricing actual risk. Other signs of a 'less' volatile Options Market have been seen in the VIX, VVIX and SKEW charts. We will look at these charts below to see how they are not behaving in a 'normal' way giving the current market conditions, and what this may mean going forward.

With Options appearing to be 'Under Priced', this condition favors strategies where traders buy options (net long) while it makes very risky those strategies that focus on selling options (Premium sellers). When Actual market moves are larger than 'estimated' by the Options market, then it is more likely that the Premium seller is not being paid enough for the actual risks they are being exposed themselves to.

Not only were all the major indexes down significantly this week, so too were all the sectors I track with many making new 2022 lows and/or new 52 week lows.

The Michigan Consumer Sentiment survey came in at 50.2 last weekend, well below the 58 estimates and the Expectations gauge plunged to 46.8 the lowest since May of 1980.

Oil prices dropped this week. Gold dropped and bounced with little overall change for the week. The US Dollar rose then fell in strength and bounced Friday. Mortgage rates shot up quickly this week as the Fed increased its rates on Wednesday.

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



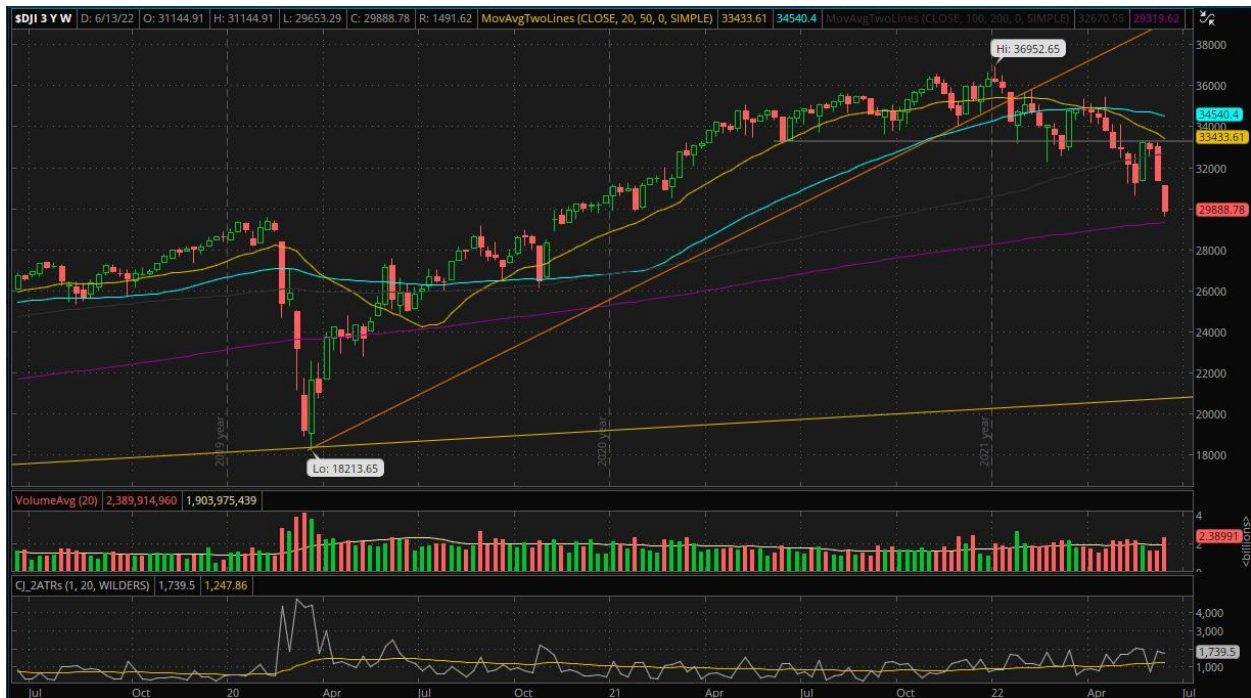
S&P 500 weekly chart as of Jun 17, 2022 - 10 out of the last 11 weeks we have seen declines in the S&P, with the past 2 weeks being some of the strongest moves down, below its 100 week SMA (Grey) and nearing its 200 week SMA (Purple). This week the S&P broke below the 2021 lows to deliver new 52 week lows.



S&P 500 daily chart as of Jun 17, 2022 - This week saw the strong selling continue Monday with a gap down and selling to new 2022 lows every day this week except on Wednesday when we saw a failed rally after the FOMC meeting. The S&P ended this week down -5.79%.



S&P 500 15 min. chart as of Jun 17, 2022 - Here we can see the break below the weekly Expected Move (E.M.) last week on Friday that testing the -2x E.M. and closed the day below the -2x E.M. This week the strong selling Monday broke below the weekly E.M. early Monday and closed the day below the E.M. as well. Tuesday drifted lower. Wednesday saw a pause near the E.M. then a volatile little rally after the Fed news. That little rally failed as Thursday gapped down and sold off strong to more ne 2022 lows and came with 2.5 points of its -2x E.M. later in the day. Friday was a dip in the morning that touched the -2x E.M. where it found support and bounced to end the week and Expiration day with some consolidation below the Expected Move for the week.



DJIA weekly chart as of Jun 17, 2022 - We see 11 out of the past 12 weeks with a decline that has grown in strength over time. This week the Dow Industrials broke below its 2021 lows to deliver new 52 week lows as it approaches its 200 week SMA (Purple).



DJIA daily chart as of Jun 17, 2022 - Here too we see new 2022 lows every day this week except for Wednesday (Fed day). The Industrials ended the week down -4.79% on very strong volume.



Nasdaq weekly chart as of Jun 17, 2022 - 10 of the past 11 weeks have shown a decline, with this week the Nasdaq composite breaking below its 200 week SMA and closing the week nearly on that SMA. The Nasdaq broke below its 2021 lows back on April 29th.



Nasdaq daily chart as of Jun 17, 2022 - The Nasdaq gapped down strong on Monday and delivered new 2022 lows (and new 52 week lows) on Mon. Tue. and Thursday this week, ending the week down - 4.78%.



Nasdaq 15 min. chart as of Jun 17, 2022 - Here we see the break below the 8-day support last Thursday in the last hour of the day. Friday saw a big gap down with continued selling, then again on Monday this week we saw another big gap down with even stronger selling. Tuesday drifted a little lower. Wednesday saw a failed rally post Fed. Thursday saw another significant gap down and strong selling. Friday saw a small rally to end the week near the middle of this week's range and the Oct. 30 2020 lows (blue line).



Russell 2000 weekly chart as of Jun 17, 2022 - This week and last week were some of the strongest declines seen in the Russell since mid January this year. The Russell gapped below and remained below its 200 week SMA all of this week as well as broke below prior Resistance from early 2020 (Grey line).



Russell 2000 daily chart as of Jun 17, 2022 - Here we see the Russell respect prior Resistance as new Support back in mid May (Grey line). This week tested this Support again on Monday then broke below on Tuesday. Wednesday saw a failed rally followed by Thursday's strong selling to new lows. Friday saw a small bounce and 'Inside day' to end the week down -7.48%.

Next we will look at several 'Market Internals' to see better how the overall markets acted this week.



McClellan Summation Index weekly chart as of Jun 17, 2022 - Last week we saw a pause with the markets ending the week at -219.29. This week we see a sharp decline to -538.19 as the prior two weeks advances were returned.



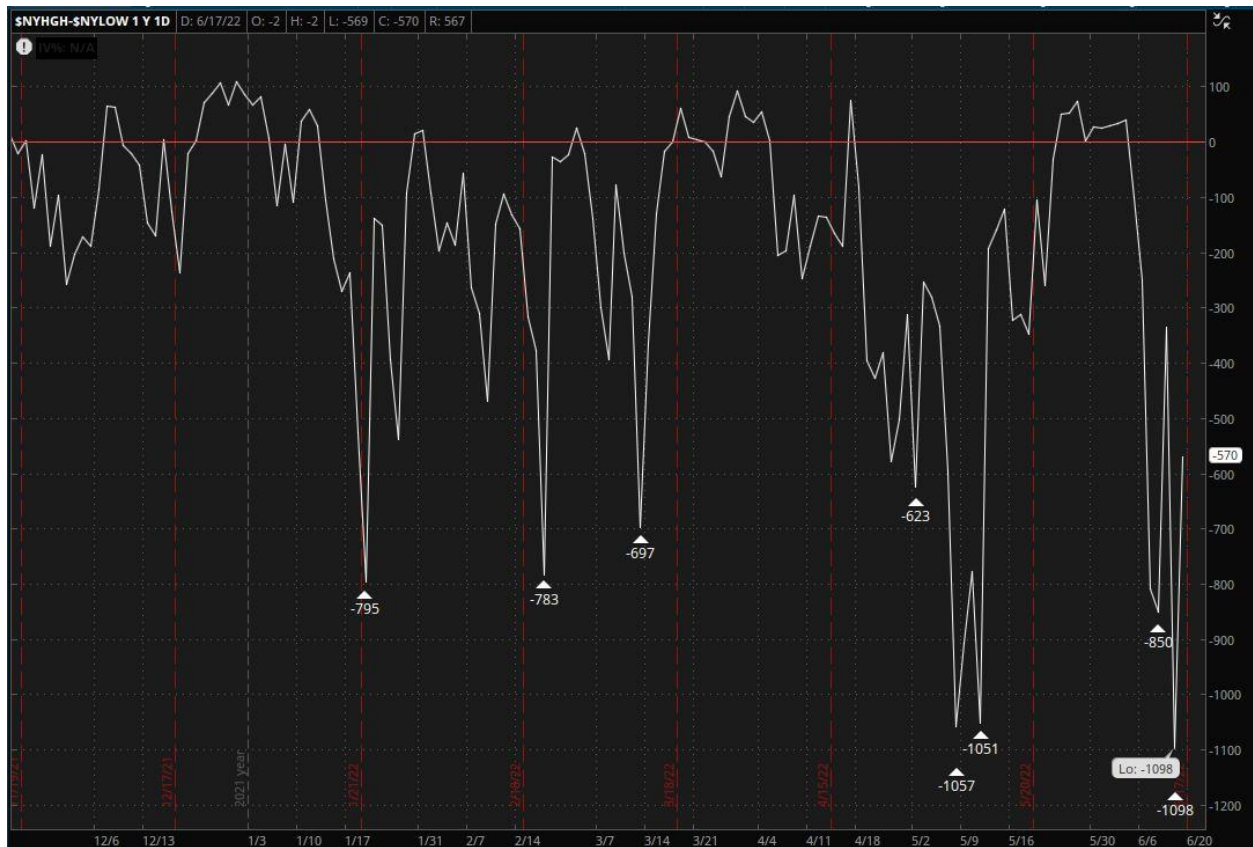
McClellan Summation Index daily chart as of Jun 17, 2022 - Last week we saw the peak roll over and end the week near its 200 day SMA. This week we see the decline continued, below its 50 day SMA to end this week at -538.19.



NYSE Percent above 200 day SMA daily chart as of Jun 17, 2022 - Last week we saw a drop to 25.34%. This week we saw the drop continued, with a brief pause on Wednesday, to end this week at 15.17%.



NYSE Percent above 50 day SMA daily chart as of Jun 17, 2022 - Last week we saw a sharp decline to at 24.11%. This week we saw the decline continue, after a brief pause Wednesday, to dip to below 9% on Thursday and saw a tiny bounce on Friday to end this week at 9.83%. This means that over 90% of all NYSE Listed stocks are now below their 50 day SMA.



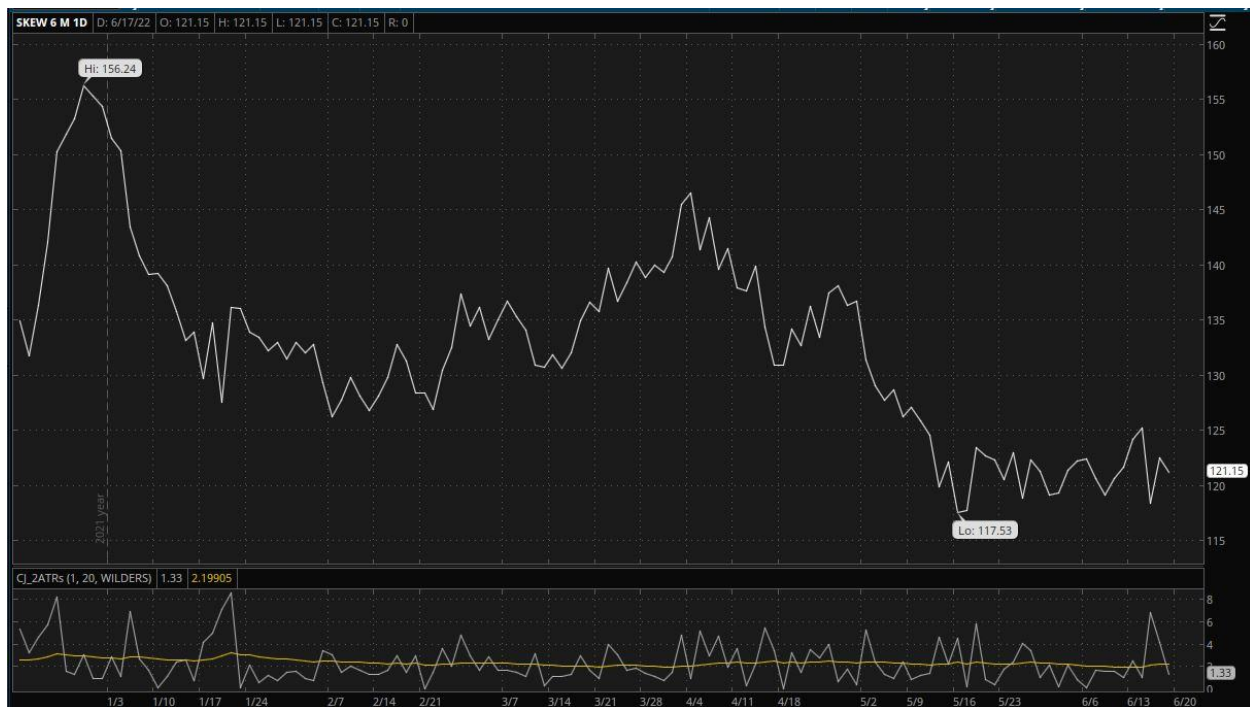
NYSE New Highs minus New Lows daily chart as of Jun 17, 2022 - We showed this chart about 4 weeks ago, as it highlights when more stocks are making new 52 week lows than those making new 52 week highs. We saw a dip to -850 on Tuesday this week, a bounce Wednesday then a dip to a new low on Thursday at -1098. I believe there are only about 2900 stocks currently listed on the NYSE, so a dip below -1000 is significant. This shows us the 'Breadth of selling' on Thursday this week.



VIX daily chart as of Jun 17, 2022 - The VIX bounced higher this week, as expected, but NOT as high as one would think or is seen historically on days when we see very broad selling with high volume. Monday should have shot up higher, but did not break much above 34. Note the Trend Line (Grey line) drawn between the highs seen in the VIX so far this year. It almost seems like the Options Markets are getting accustomed to these volatile moves to new 2022 lows. Looking back over 10 - 20 years, you will see very tall and sharp moves higher in the VIX when panic replaces fear on some big negative news event. Sometimes valuable clues in the markets come from what we DO NOT see.



VVIX daily chart as of Jun 17, 2022 - Just like what we saw in the VIX, the VVIX (the Volatility of the VIX) seems to also become used to this bearish market as new lows are made. Note the two Trend Lines (Grey lines) I've draw above the highs and below the lows over the past 5 months. Note how the strong selling seen this week has NOT broken above this upper trend line now near the 200 day SMA.



SKEW daily chart as of Jun 17, 2022 - Options SKEW is a way to measure stronger or weaker variations with Implied Volatility between strikes with Out-Of-The-Money Calls and Out-Of-The-Money Puts. The Low SKEW values the past four week seem to suggest less aggressive hedging with options.

When we consider the Options market data that we have seen from: [1] The S&P Breaking outside the 'Expected Move' over the past 4 weeks, [2] The VIX not responding as usual to very strong selling days, [3] The VVIX not responding to very strong selling day, and [4] Options SKEW at low levels the past 4 weeks, it seems that the Options Market participants are not filled with any panic, but seem to expect more selling in this bear trend that they are comfortable with. What we DO NOT see, is any strong demand for hedging with Puts, where folks are willing to pay up for protection at any cost.

These combined observations suggest that what we have seen so far this year is mostly systematic or 'orderly selling' than any extreme or panic selling. Also, the market may not have seen the bottom yet. A VIX spike is not required for the bottom, but it is common to see one that correlates with selling exhaustion. We saw very strong selling days this week on Monday and Thursday with strong volume and very broad breadth of selling, but we did NOT SEE signs usually seen with a complete capitulation or selling exhaustion in the Options markets. Time will tell.

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



Oil daily chart as of Jun 17, 2022 - Oil saw lower lows every day this week with a lower close every day but Monday this week. Oil broke below its 20 day SMA on Thursday and below its 50 day SMA on Friday with Friday's close just a few cents below its 50 day SMA.



Gold daily chart as of Jun 17, 2022 - Gold gave back all of last Friday's gains on Monday plus some. Tuesday continued a little lower. Wednesday saw a rally that continued Thursday back above its 20 day and 200 day SMAs. Friday saw a pull back to end the week below all 3 of its key SMAs.



US Dollar Index daily chart as of Jun 17, 2022 - The US dollar continued its rally Monday and Tuesday, then sold lower on Wed. and Thursday to give back all of this week's gains plus some. Friday saw a bounce to end the week up a little. Note how the Moves in Gold this week were nearly a mirror opposite of the moves in the US Dollar this week. (Hint).



US 10 year Treasury daily chart as of Jun 17, 2022 - The 10 year saw above average Selling Volume last Friday that continued selling with volume Monday and Tuesday of this week. Wednesday saw a rally that continued higher Thursday. Friday saw a small pull back.



US 10 year Yield daily chart as of Jun 17, 2022 - The 10 year Yields gapped up Monday and continued higher Tuesday to peak at 3.483%. Wednesday saw an 'Inside' day followed by a decline on Thursday and Friday to end the week only slightly higher than when it ended last week.

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
06/13/2022	1.13	1.45	1.73	2.25	2.89	3.40	3.56	3.56	3.53	3.43	3.68	3.42
06/14/2022	1.19	1.55	1.83	2.43	3.15	3.45	3.60	3.61	3.60	3.49	3.72	3.45
06/15/2022	1.21	1.56	1.74	2.32	2.93	3.20	3.35	3.38	3.39	3.33	3.64	3.39
06/16/2022	1.19	1.47	1.59	2.24	2.88	3.14	3.33	3.35	3.36	3.28	3.59	3.35
06/17/2022	1.15	1.50	1.63	2.25	2.86	3.17	3.35	3.34	3.34	3.25	3.55	3.30

US Yields table as of Jun 17, 2022 - Yields on all terms moved higher this week, peaking on Tuesday then pulling back a little the following days.



FOMC Balance Sheet weekly chart as of Jun 15, 2022 - The Fed again increased its Balance Sheet this week by adding \$14.166 in Assets. Last week (June 8th) we saw a Total of \$8.918254 Trillion and this week (June 15th) we see a Total of \$8.932420. No June 'Tightening' seen yet, just more Liquidity for the markets.

Next we will look at a few key Sectors.



Dow Jones Transportation Index daily chart as of Jun 17, 2022 - The Transports saw a strong decline start last Wednesday, a day before most all other sectors began their decline. The strong decline continued on Monday of this week then saw a small bounce Tue. and Wed. that failed and sold down hard on Thursday. Friday saw lower lows for the week and year, ending the week down -3.74%, making it the strongest sector on my list this week. Note the high volume every day this week.



XLE daily chart as of Jun 17, 2022 - The Energy sector saw a break below its Support Trend Line (Grey line) last Friday. The decline continued with a big gap down Monday below its 20 day SMA, a pause Tuesday, then resuming the decline Wed. to its 50 day SMA, gapping down Thursday and Friday to end the week down -17.16%, making the XLE the weakest sector on my list this week. Note the above average volume every day this week.



XLF daily chart as of Jun 17, 2022 - The Financial sector broke down hard last week on Thursday and Friday. The Decline continued with a gap down on Monday this week to lower lows, breaking below Feb. 2020 Resistance (Yellow line) on Tuesday. Wednesday saw a pause then another gap down on Thursday to new 52 week lows with a tiny bounce on Friday to end the week down -4.92%. Note the high volume every day this week.



QQQ daily chart as of Jun 17, 2022 - The decline continued Monday with a large gap down to lower lows. New lows were seen on Tue, a failed rally Wed. and more new lows on Thursday this week. Friday saw a small bounce to end the week down -4.90%. Note the light volume from the prior 4 weeks and the heavy volume from last Friday through this week.



SOXX daily chart as of Jun 17, 2022 - The Semiconductor sector continued its decline with a large gap down Monday this week, a pause Tuesday, a failed Fed rally Wednesday then another gap down with strong selling on Thursday. Friday saw lower lows with a small bounce to end the week down -9.06%.



XLC daily chart as of Jun 17, 2022 - The Communication Services sector saw the decline continue this week with a gap down and strong selling Monday that continued lower Tuesday. Wednesday saw a failed rally then gapped down Thursday to lower lows. Friday saw a small bounce to end the week down -5.06%.



XHB daily chart as of Jun 17, 2022 - The Home Builders sector gapped below its 20 day SMA last Friday and continued lower with a gap down and strong selling on Monday. Tuesday saw lower lows and a pause that continued Wednesday. The Decline resumed strong on Thursday with lower lows delivered every day this week. The week ended with the XHB down -11.38%.

Mortgage rates saw a large increase this week, as the Fed rose its base rate by 0.75% on Wednesday. With higher mortgage rates some sellers will likely be priced out of the market and demand will naturally decline for new homes.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORS</i>	5/6/2022	5/13/2022	5/20/2022	5/27/2022	6/3/2022	6/10/2022	6/17/2022
\$SPX	-0.21%	-2.41%	-3.05%	6.58%	-1.20%	-5.05%	-5.79%
\$INDU	-0.24%	-2.14%	-2.90%	6.24%	-0.94%	-4.58%	-4.79%
\$COMPQ	-1.54%	-2.80%	-3.82%	6.84%	-0.98%	-5.60%	-4.78%
\$RUT	-1.32%	-2.55%	-1.08%	6.46%	-0.26%	-4.40%	-7.48%
QQQ	-1.28%	-2.36%	-4.39%	7.07%	-0.94%	-5.67%	-4.90%
\$TRAN	0.24%	-2.98%	-6.68%	7.07%	0.00%	-7.45%	-3.74%
XLE	10.34%	-2.58%	1.23%	8.27%	1.11%	-0.89%	-17.16%
XLF	0.67%	-3.48%	-1.82%	8.05%	-1.97%	-6.71%	-4.92%
XLK	-0.60%	-3.35%	-3.53%	7.94%	-1.04%	-6.36%	-4.94%
SOXX	2.08%	-0.39%	-2.59%	7.91%	-1.71%	-7.39%	-9.06%
XLV	-0.39%	-0.91%	0.92%	3.27%	-3.13%	-3.34%	-4.46%
XLY	-2.90%	-3.69%	-7.82%	9.51%	-0.49%	-5.58%	-5.79%
XRT	-1.17%	-2.49%	-9.44%	10.08%	-2.49%	-3.43%	-4.85%
XLI	0.40%	-2.53%	-3.61%	6.39%	0.08%	-4.93%	-5.81%
XLU	1.33%	-1.08%	0.43%	5.06%	-1.35%	-4.05%	-9.07%
XME	-3.65%	-7.18%	0.58%	9.95%	-2.23%	-4.45%	-10.38%
XLP	-1.18%	0.30%	-8.12%	6.08%	-1.57%	-2.57%	-4.30%
XLB	-0.59%	-2.41%	-0.08%	5.99%	-0.79%	-5.77%	-8.26%
XLC	0.52%	-0.61%	-1.68%	3.79%	-1.00%	-4.88%	-5.06%
XHB	0.11%	-0.10%	-3.56%	6.94%	-1.00%	-5.77%	-11.38%

Weekly percent change US Indexes and Sectors table as of Jun 17, 2022 - All the above major indexes saw stronger declines this week than last week with the exception of the Nasdaq. The Russell saw the largest weekly decline this week since Jan 21st 2022.

ALL of the above sectors were down last week and again this week, with the strongest (least negative) being the Dow Transportation Index at -3.74%, XLP and XLV. The weakest sectors this week included: XLE, XHB, XME and SOXX that were all down by over -9%. Weak stocks within these weak sectors provided plenty of bearish trade opportunities this week.

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 either 'Up' or 'Down'.

	<u>UP</u>	<u>DOWN</u>
Monday:	0	18
Tuesday:	7	11
Wednesday:	16	2
Thursday:	0	18
Friday:	10	8

Note the strength of the decline seen on Monday and Thursday this week, with all sectors down on those strong selling days.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	End of Day 06/13/22	End of Day 06/14/22	End of Day 06/15/22	End of Day 06/16/22	End of Day 06/17/22
\$SPX	0.31%	0.95%	-1.08%	-2.38%	-2.91%	-3.88%	-0.37%	1.46%	-3.25%	0.22%
\$INDU	0.05%	0.80%	-0.81%	-1.94%	-2.73%	-2.79%	-0.50%	1.00%	-2.42%	-0.13%
\$COMPQ	0.40%	0.94%	-0.73%	-2.75%	-3.52%	-4.68%	0.18%	2.50%	-4.08%	1.43%
\$RUT	0.36%	1.57%	-1.49%	-2.12%	-2.73%	-4.76%	-0.39%	1.36%	-4.70%	0.96%
QQQ	0.33%	0.86%	-0.72%	-2.68%	-3.53%	-4.65%	0.18%	2.50%	-4.03%	1.22%
\$TRAN	0.76%	0.13%	-3.82%	-2.06%	-2.62%	-3.03%	2.12%	1.07%	-3.40%	-0.43%

Daily percent change US Indexes table as of Jun 17, 2022 - The Dow Industrials alternated twice this week between leader, laggard and leader. The Nasdaq showed relative strength on Wed and Friday, the only small up days this week. The Russell showed its strong declines on Monday and Thursday this week, the same days we saw huge selling volume breadth numbers.

Next we will look at a few key Stocks.



AAPL daily chart as of Jun 17, 2022 - Apple continued its decline with a gap down Monday, a pause Tuesday, a failed rally Wednesday with another gap down Thursday to new lows for 2022. Friday saw a small bounce to end the week down -4.06%.



MSFT daily chart as of Jun 17, 2022 - Microsoft continued its decline with a gap down Monday to new 52 week lows. Tuesday saw a small bounce. Wednesday saw a failed rally followed by a gap down on Thursday but without delivering lower lows for this week. Friday saw a small bounce to end the week down -2.11%.



GOOGL daily chart as of Jun 17, 2022 - Alphabet saw a large gap down Monday, a pause Tuesday, a failed rally Wednesday with a gap down Thursday to new lows for this week. Friday saw a small bounce to end the week down -3.61%.



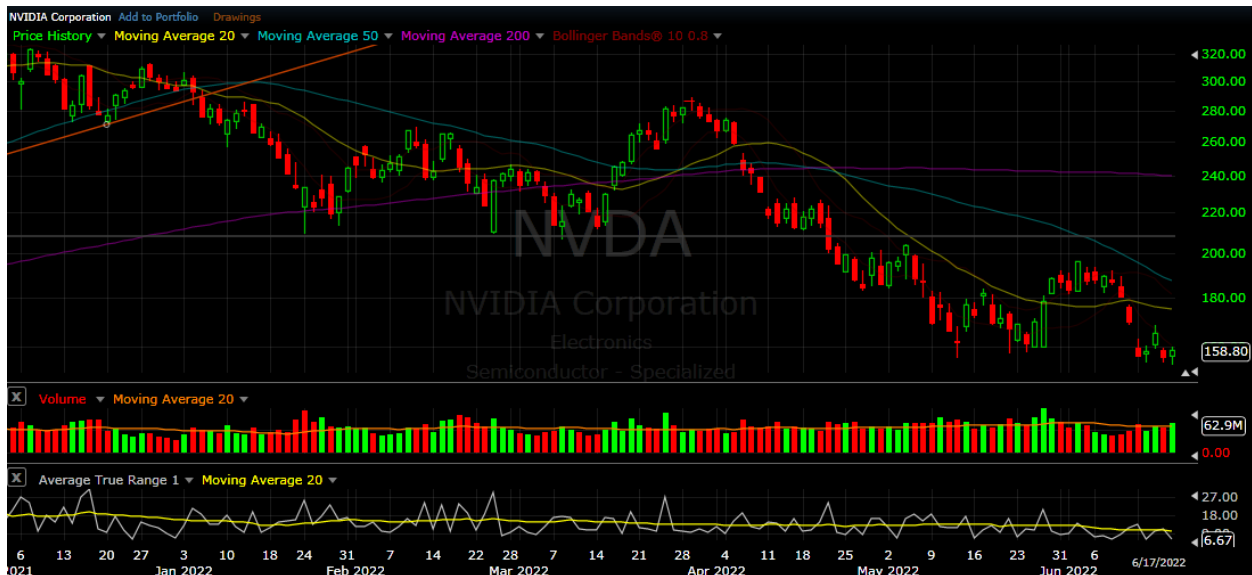
AMZN daily chart as of Jun 17, 2022 - Amazon gapped down Monday and slid a bit lower Tuesday to retest Support at its May lows. Wednesday saw a failed rally. Thursday gapped down to retest Support. Friday saw a rally to end the week down -3.13%.



TSLA daily chart as of Jun 17, 2022 - Tesla gapped down Monday, paused Tuesday, rallied up to its 20 day SMA on Wednesday then gapped down low lower lows for this week on Thursday. Friday saw an 'Inside' day to end the week down -6.66%.



META daily chart as of Jun 17, 2022 - Meta gapped down Monday, paused Tuesday, saw a failed rally Wednesday then gapped to lower to new 52 week lows on Thursday. Friday saw a small bounce to end the week down -4.10%.



NVDA daily chart as of Jun 17, 2022 - Nvidia gapped down Monday, paused Tuesday, saw a failed rally Wednesday then gapped down Thursday and briefly saw new 52 week lows on Friday before bouncing a little to end the week down -6.45%.



JPM daily chart as of Jun 17, 2022 - JP Morgan continued its selling with lower lows every day this week except on Friday. JPM ended the week down -5.45%.



HD daily chart as of Jun 17, 2022 - Home Depot gapped down Monday and continued lower as it delivered lower lows every day this week except on Friday, and most of those were also new 52 week lows. HD ended the week down -6.40%.



COST daily chart as of Jun 17, 2022 - Costco gapped down Monday but did not come anywhere near to a retest of its 2022 lows this week (hint). We saw a small rally Tue. and Wed. above its 20 day SMA and a small decline Thur. and Friday back below its 20 day SMA, ending the week down -3.59%.



BA daily chart as of Jun 17, 2022 - Boeing gapped down Monday to new 2-year lows, bounced Tuesday and gapped up Wednesday to rally back above its 20 day SMA. Thursday saw a pause then continued higher on Friday to end the week up +7.72%. Positive news this week about resuming Dreamliner deliveries helped move BA up likely. One of the 'few' rallies this week.



SLB daily chart as of Jun 17, 2022 - Schlumberger gapped below its 20 day SMA on Monday and sold down hard every day this week, crossing below its 50 day SMA on Wednesday and ending the week at its 200 day SMA. Note the wide range days this week and the increase in volume as SLB ended the week down -22.39%.



HAL daily chart as of Jun 17, 2022 - Halliburton gapped below its Trend Line Support (Pink line) last week on Friday. HAL gapped below its 20 day SMA on Monday and sold down below its 50 day SMA the same day. HAL saw lower lows every day this week and ended the week down -21.73%.

The Energy sector has lead during most of 2022, but we saw that change late last week and continued with strong selling this week. Leaders do not stay leaders forever, so we always manage our risks and adjust as the market adjusts.



AMD daily chart as of Jun 17, 2022 - AMD broke below its 20 day SMA and its Support Trend line (Yellow line) last Friday and continued lower this week with a gap down Monday, pause Tuesday, failed rally Wednesday and strong selling Thursday that continued lower on Friday to end the week down -13.97%. If you missed a bearish entry at the 20 day SMA break last week, then you were given another entry opportunity with the failed rally on Wednesday.



MU daily chart as of Jun 17, 2022 - Micron broke below its May support lows (Yellow line) last Friday and gapped down hard on Monday this week. Tuesday and Wednesday saw a pause, then resumed with a gap down Thursday and lower lows on Friday to end the week down -10.97%.

We have often seen the Semiconductor Sector both lead the markets higher as well as lead on the way down. Having observed that behavior, keeping the strongest & weakest semiconductor stock names on a watch list, and checking each day for a valid entry opportunity is an easy way to improve your odds when markets quickly change.

In a bearish market context, we mostly focus on Bearish trade opportunities that are based upon selling a failed rally. It's the opposite of the strategy of 'buying the dips' as is appropriate for a Bullish market. Selling a failed rally is not limited to shorting stocks, but can also include Buying Puts on a stock you expect will drop in price soon. One of the advantages of trading Put Options over shorting stock, is that you will never be denied the trade due to 'Hard to Borrow' stocks not having shares available to borrow in order to short.

Just like with any trading instrument, one should FULLLY learn and understand all of the pros and cons of trading that instrument BEFORE you take your first trade. Every instrument has risks, and you should know them very well and be comfortable taking limited risk that you define before you trade.

Developing the skills to profitably trade in a Bearish Market is very empowering when you add that skill set to your Bullish Market strategies, you then have multiple ways to adapt to nearly any market condition. Hope this helps.

Trade Smart,

Carl