



Market Observations - as of June 24, 2022

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

Last week we saw the market decline continue after the Fed's meeting minutes were released on Wednesday with new 2022 lows seen the following Thursday and Friday.

This week was a short 4-day week with the USA Markets closed on Monday for a Holiday. Tuesday saw a gap up and rally that did not go far and stalled out after an hour and became range-bound the rest of the day. Wednesday and Thursday saw the range bound market continue with little to no change. Friday saw a gap up and strong rally the first hour, a pause for most of the day followed by a burst at the closing minutes to end the week above the prior week's highs.

The Breadth studies showed us wide participation the first hour or so on Tuesday, and most of the day on Friday, with very little volume during the period in between these to rally surges this week.

This week ended on a positive surge, so the odds increased a little that the rally could continue next week. However, we are still in a Bearish Context, so the odds also remain elevated for another failed rally.

Going forward, it is wise to prepare for multiple scenarios. One scenario would be Bullish as if last week's lows (Jun 16 & 17) were the 'bottom' and a rally continues, with minor pull backs to higher lows along the way. A second scenario would be Bearish with a failed rally followed by lower lows that could take out last week's lows. A third scenario would be a range bound market that remains mostly horizontal for a while.

By imagining each scenario one can mentally rehearse and visualize each scenario to determine their appropriate actions (if any) and what conditions would be needed to be observed in order to take those actions. Rehearsing each scenario is a great way to be prepared to take the Right action when the charts confirm that scenario and be far less likely to make emotional decisions or error. Your imagination is a powerful tool, if you choose to use it.

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



S&P 500 weekly chart as of Jun 24, 2022 - This week we see a reversal with a higher low and a higher high than the prior week. The S&P however remains below its 50 week and 20 week SMAs.



S&P 500 daily chart as of Jun 24, 2022 - The S&P saw a small gap up Tuesday with little of any follow through. Wednesday and Thursday were mostly a pause. Friday saw a gap up and rally to end the week above last week's highs, filling the June 13th opening gap and ending the week up +6.45%. The S&P remains below all 3 of its key SMAs.



S&P 500 15 min. chart as of Jun 24, 2022 - Last week opened with a gap down on Monday into a range bound zone that persisted on Tue. and Wednesday. Post Fed, we see a gap down last Thursday with new 2022 lows on Friday. This week we see the gap up on Tuesday without much follow through to return to the same range-bounce zone as seen the prior week. The S&P remained within this zone most all of Tue. Wed. and Thursday with only a tiny breakout at the close on Thursday. Friday saw a gap up above the chop-zone and a rally for an hour that slowed to a mild drift upward most of the day followed by a quick rally the last 15 min. of the day.

We described the weekly 'Expected Move' in this publication in prior weeks, how its value comes from the Options market and how often the S&P has exceeded this + or - 1-standard deviation move this year, as well as exceeded its 2-standard deviation and 3-standard deviation this year. This week we again saw the upper weekly 'Expected Move' for the S&P (\$3794.7) act like Resistance on Wednesday and Thursday this week with the S&P closing Thursday a point above this key level. Friday was entirely above its upper weekly Expected Move and even came within 2 points of touching its +2x Expected Move (2-standard deviations).

With the S&P exceeding and closing outside of its weekly Expected Move 7 out of the past 11 weeks, this shows us that the Options Markets have been often 'Under Pricing' actual risk. This fact can make it very difficult for Option Premium sellers, but can benefit Options buyers when Options are underpricing actual risk.



DJIA weekly chart as of Jun 24, 2022 - This week we see a reversal with a higher low and a higher high than the prior week. The Industrials remain below their 50 week and 20 week SMAs.



DJIA daily chart as of Jun 24, 2022 - Here we see a small gap up Tuesday, a pause Wed. and Thur. followed by a gap up and rally on Friday that exceeded the prior week's highs and ended the week up +5.39%.



Nasdaq weekly chart as of Jun 24, 2022 - This week we see a reversal with a higher low and a higher high than the prior week that was entirely above its 200 week SMA (Purple). The Nasdaq composite remains below its 50 week and 20 week SMAs.



Nasdaq daily chart as of Jun 24, 2022 - Here we see the small gap up Tuesday, pause Wednesday, and very small rally on Thursday. Friday saw a strong gap up and rally to exceed its prior week's highs and close the day above its 20 day SMA, up +7.49% for the week.



Nasdaq 15 min. chart as of Jun 24, 2022 - Here we see a 'pause zone' this week on Tue, Wed. and Thur. that was similar to the range from last week on Wednesday June 15th (Fed day). We see the Nasdaq break above this zone late on Thursday and gap up and rally on Friday. Most of the positive move on Friday was seen in the gap, the first hour and the last 15 min.



Russell 2000 weekly chart as of Jun 24, 2022 - This week we see a reversal but with an 'Inside' week with a higher low and a lower high than the prior week. The Russell remains below its 200 week SMA this week.



Russell 2000 daily chart as of Jun 24, 2022 - Last Thursday (June 16th) the Russell saw a sharp one day decline that took the next 4 days (3-days this week) to recover that drop. Friday saw a rally above that level but failed to exceed last week's highs, ending this week up +6.01%.

Next we will look at a few key 'Market Internals' to observe market Breadth behavior this week.



McClellan Summation Index weekly chart as of Jun 24, 2022 - Last week we saw a rather sharp decline to -538.19. This week was very little change with only a small increase to end this week at -534.98.



McClellan Summation Index daily chart as of Jun 24, 2022 - We see a dip continue early this week followed by a small increase late this week to -534.98.



NYSE Percent above 200 day SMA daily chart as of Jun 24, 2022 - Last week we saw a decline and pause at 15.17%. This week we saw a small increase Tuesday, a pause and pull back Wed. and Thursday then a stronger advance on Friday to end this week at 20.27%.



NYSE Percent above 50 day SMA daily chart as of Jun 24, 2022 - Last week we saw a continued decline to end the week at 9.83%. This week we saw an increase Tuesday, a pause Wednesday and continued increases Thursday and Friday to end the week at 24.67%.



VIX daily chart as of Jun 24, 2022 - The VIX continued to drift lower this week, with a small bump seen on Wednesday. On Friday the VIX crossed below its 50 day and 20 day SMAs to end the week at 27.23.



VVIX daily chart as of Jun 24, 2022 - We saw a decline each day this week in the VVIX, crossing below its 20 day SMA on Thursday.

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



Oil daily chart as of Jun 24, 2022 - Oil paused at its 50 day SMA on Tuesday, and then dropped hard on Wednesday. Thursday paused near the prior day's lows. Friday saw a mild bounce that failed to reach its 50 day SMA.



Gold daily chart as of Jun 24, 2022 - Gold crossed below its 20 day SMA last Friday and continued to slowly drift lower this week, remaining below all 3 of its key SMAs.



US Dollar Index daily chart as of Jun 24, 2022 - The US Dollar Index move little this week as we see a 'consolidation' pattern this week.



US 10 year Treasury daily chart as of Jun 24, 2022 - The 10 year paused Tuesday then saw mild buying on Wed. and Thur. with increasing volume. Friday saw a small pull back and 'Inside' day to end the week still below all 3 of its key SMAs.



US 10 year Yield daily chart as of Jun 24, 2022 - The 10 year Yields saw a small increase Tuesday then declined the next two days to its 20 day SMA. Friday saw a small bounce to end the week at 3.125%.

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
06/21/2022	1.08	1.48	1.70	2.46	2.92	3.21	3.35	3.38	3.39	3.31	3.63	3.39
06/22/2022	0.98	1.42	1.61	2.40	2.79	3.06	3.20	3.22	3.24	3.16	3.49	3.25
06/23/2022	1.12	1.54	1.65	2.44	2.78	3.01	3.12	3.14	3.16	3.09	3.45	3.21
06/24/2022	1.19	1.60	1.73	2.51	2.83	3.04	3.13	3.18	3.19	3.13	3.51	3.26

US Yield rates daily table as of Jun 24, 2022 - Short terms saw increases this week while longer terms saw declines to 'Flatten' the yield curve this week.



FOMC Balance Sheet weekly chart as of Jun 22, 2022 - The Fed increased its Balance sheet again this week for the fourth week in a row this month. This week the Fed added \$1.926 Billion in Assets to lift the Total from \$8.932420 Trillion to \$8.934346 Trillion. We do not see any signs of 'Tightening' so far in June.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jun 24, 2022 - The Transports saw a large drop last Thursday with some follow through lower last Friday. This week saw a mild gap up Tuesday that was given back the next day. Thursday saw a small bounce followed by Friday's huge rally on above average volume, ending the week up +5.28%. The Transports remain below all 3 of its key SMAs.



XLE daily chart as of Jun 24, 2022 - The Energy sector saw a failed bounce Tuesday that could not reach its prior day's highs. Wed. and Thursday saw declines to lower lows with an 'Inside day' Friday to end the week down -1.49%.



XLF daily chart as of Jun 24, 2022 - We saw a small gap up Tuesday without any follow through. Wed. and Thur. drifted lower. Friday saw a strong rally above the prior week's highs, ending this week up +5.12%.



QQQ daily chart as of Jun 24, 2022 - The Tech heavy Nasdaq-100 saw a gap up Tuesday into a pause 'zone' where it remained Wed. and Thursday. Friday saw a gap up and follow through rally up to its 20 day SMA, closing the day \$1 above its 20 day SMA, up +7.46% for the week.



SOXX daily chart as of Jun 24, 2022 - The Semiconductor sector saw a small gap up Tuesday without any follow through higher. Wed. and Thur. saw a drift lower. Friday saw a gap up with some follow through rally to end the week up +5.33%. The SOXX remains below all 3 of its key SMAs.



XLC daily chart as of Jun 24, 2022 - The Communications Services sector saw a tiny gap up Tuesday without follow through as the XLC was trapped within a chop zone for the next two days. Friday saw a gap up and rally to nearly reach its 20 day SMA (Yellow), ending the week up +6.01%.



XHB daily chart as of Jun 24, 2022 - The Home Builders remained near last week's lows on Tue and Wed. this week. Thursday saw a strong rally that continued higher on Friday ending the week up +7.92%. The XHB remains below all 3 of its key SMAs.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORS	5/13/2022	5/20/2022	5/27/2022	6/3/2022	6/10/2022	6/17/2022	6/24/2022
\$SPX	-2.41%	-3.05%	6.58%	-1.20%	-5.05%	-5.79%	6.45%
\$INDU	-2.14%	-2.90%	6.24%	-0.94%	-4.58%	-4.79%	5.39%
\$COMPQ	-2.80%	-3.82%	6.84%	-0.98%	-5.60%	-4.78%	7.49%
\$RUT	-2.55%	-1.08%	6.46%	-0.26%	-4.40%	-7.48%	6.01%
QQQ	-2.36%	-4.39%	7.07%	-0.94%	-5.67%	-4.90%	7.46%
\$TRAN	-2.98%	-6.68%	7.07%	0.00%	-7.45%	-3.74%	5.28%
XLE	-2.58%	1.23%	8.27%	1.11%	-0.89%	-17.16%	-1.49%
XLF	-3.48%	-1.82%	8.05%	-1.97%	-6.71%	-4.92%	5.12%
XLK	-3.35%	-3.53%	7.94%	-1.04%	-6.36%	-4.94%	7.36%
SOXX	-0.39%	-2.59%	7.91%	-1.71%	-7.39%	-9.06%	5.33%
XLV	-0.91%	0.92%	3.27%	-3.13%	-3.34%	-4.46%	8.22%
XLY	-3.69%	-7.82%	9.51%	-0.49%	-5.58%	-5.79%	8.25%
XRT	-2.49%	-9.44%	10.08%	-2.49%	-3.43%	-4.85%	7.31%
XLI	-2.53%	-3.61%	6.39%	0.08%	-4.93%	-5.81%	4.27%
XLU	-1.08%	0.43%	5.06%	-1.35%	-4.05%	-9.07%	7.23%
XME	-7.18%	0.58%	9.95%	-2.23%	-4.45%	-10.38%	-0.52%
XLP	0.30%	-8.12%	6.08%	-1.57%	-2.57%	-4.30%	6.64%
XLB	-2.41%	-0.08%	5.99%	-0.79%	-5.77%	-8.26%	2.76%
XLC	-0.61%	-1.68%	3.79%	-1.00%	-4.88%	-5.06%	6.01%
XHB	-0.10%	-3.56%	6.94%	-1.00%	-5.77%	-11.38%	7.92%

Weekly Percent Change US Indexes and Sectors table as of Jun 24, 2022 - Here we see a stronger bounce this week than was the decline last week with each index other than the Russell 2000. The Nasdaq composite saw a +7.49% rally this week which was the strongest rally seen since the week ending March 18th this year.

The Strongest sectors this week included: XLY, XLV, XHB, QQQ, XLK, XRT and XLU that all saw a greater than a +7% increase this week.

The Weakest sectors this week included: XLE and XME which were the only negative losses 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'.

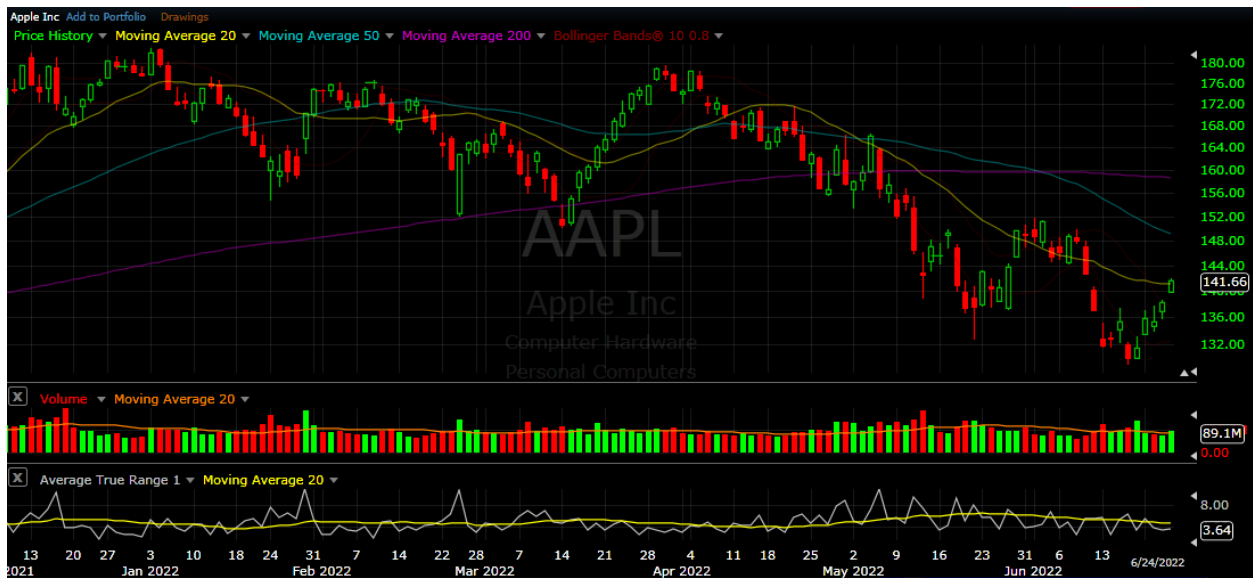
	<u>UP</u>	<u>DOWN</u>
Monday:	-	-
Tuesday:	18	0
Wednesday:	5	13
Thursday:	11	7
Friday:	18	0

Note the strength seen in the Breadth this week on Tuesday and on Friday. However, only Friday saw any follow through higher after the gap up open.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	Holiday 06/20/22	End of Day 06/21/22	End of Day 06/22/22	End of Day 06/23/22	End of Day 06/24/22
\$SPX	-3.88%	-0.37%	1.46%	-3.25%	0.22%	n/a	2.45%	-0.13%	0.95%	3.06%
\$INDU	-2.79%	-0.50%	1.00%	-2.42%	-0.13%	n/a	2.15%	-0.15%	0.64%	2.69%
\$COMPQ	-4.68%	0.18%	2.50%	-4.08%	1.43%	n/a	2.51%	-0.15%	1.62%	3.34%
\$RUT	-4.76%	-0.39%	1.36%	-4.70%	0.96%	n/a	1.70%	-0.22%	1.27%	3.16%
QQQ	-4.65%	0.18%	2.50%	-4.03%	1.22%	n/a	2.33%	-0.15%	1.49%	3.43%
\$TRAN	-3.03%	2.12%	1.07%	-3.40%	-0.43%	n/a	1.50%	-1.12%	0.91%	3.96%

Daily Percent Change US Indexes table as of Jun 24, 2022 - Note the weakness in the Transports on both Tue. and Wed. as well as the weakness in the Industrials on Thur. and Fri. this week. The Nasdaq composite shows leadership on Tue. and Thursday this week while the Transports saw a large bounce on Friday.

Next we will look at a few key Stocks.



AAPL daily chart as of Jun 24, 2022 - Apple saw a gap up Tue., a pause Wed. and a mild rally Thursday. Friday saw a strong gap up with follow through higher, crossing above its 20 day SMA and ending the week up +7.68%. Note that Apple saw higher highs and higher lows every day in this brief 4-day week.



MSFT daily chart as of Jun 24, 2022 - Microsoft saw higher highs and higher lows every day this week, gapping above its 20 day SMA (Yellow) on Friday and ending the week on its 50 day SMA (Blue), up +8.10% for the week.



GOOGL daily chart as of Jun 24, 2022 - Alphabet saw higher lows every day this week and higher highs every day but on Thursday. Alphabet crossed above its 20 day SMA on Tuesday and straddled it the next two days. Friday's gap up and rally crossed above its 50 day SMA, ending the week up +10.11%.



AMZN daily chart as of Jun 24, 2022 - Amazon saw higher highs and higher lows every day this week, crossing above its 20 day SMA on Friday to end the week up +9.64%.



TSLA daily chart as of Jun 24, 2022 - Tesla saw a strong gap up and rally on Tuesday, crossing above its 20 day SMA. Wednesday saw higher highs and a higher low that remained mostly all above its 20 day SMA. Thursday saw a mild pull back to straddle its 20 day SMA but close about \$1 above it. Friday saw a rally from its 20 day SMA to end the week with the highest close of the week, up +13.35% for the week.



META daily chart as of Jun 24, 2022 - Meta saw a bearish engulfing day Tuesday followed with lower lows for 2022 on both Wednesday and Thursday. Friday saw a gap up and rally that recovered this week's losses but failed to reach last week's highs. META ended the week up +3.92% and remains below all 3 of its key SMAs.



NVDA daily chart as of Jun 24, 2022 - Nvidia saw a small gap up Tuesday without any follow through. Wednesday and Thursday saw a drift lower. Friday saw a gap up and rally that failed to reach its 20 day SMA, ending the week up +7.85%.

Comparing the above 7 biggest names in the Nasdaq-100, what names remain below all 3 of their key SMAs and what names are above one or more of their key SMAs? (Key SMAs are the 20 day, 50 day and 200 day.) What names saw the biggest percentage gains this week? Comparing these 'Big' influential names can help us see who may be leading these markets higher this week since these 7 stocks represent a very large portion of the overall markets.



GS daily chart as of Jun 24, 2022 - Goldman Sachs remained near last week's lows for 3 more days this week before gapping up with follow through higher on Friday, up to within 79 cents of its 20 day SMA. GS ended the week up +8.21% with most of those gains seen on Friday.



HD daily chart as of Jun 24, 2022 - Home Depot continued its decline on Tuesday and Wednesday this week with lower lows and lower highs. Thursday saw a rally that continued with stronger volume on Friday to end the week up +4.53%.



COST daily chart as of Jun 24, 2022 - Costco rallied above its 20 day SMA on Tuesday, paused just below on Wednesday, and then gapped above with follow through higher on Thursday. Friday saw another gap with less follow through higher but on stronger volume, ending the week up +8.44%. Note the higher low seen last week that is clearly higher than the low seen in May this year. A higher low is one way to confirm a bullish trend. Costco saw higher lows every day this week and higher highs all but Wednesday.



BA daily chart as of Jun 24, 2022 - Boeing saw a strong rally last week above its 20 day SMA. Tuesday saw a higher high and higher low this week, but drifted lower the next two days. Friday BA saw a rally from above its 20 day SMA to nearly its 50 day SMA, ending the week up +3.46%.



SLB daily chart as of Jun 24, 2022 - Last week ended nearly on its 200 day SMA. Tuesday saw gap up that failed and was followed with lower highs the next 3 days and lower lows Wed. and Thursday. Thursday saw very strong selling volume as SLB broke below its 200 day SMA. Friday saw an 'Inside day' that closed near the lows of the prior day, ending the week down -4.31%. The bearish trend from the gap below its 20 day SMA on June 13th continued this week as SLB is now below all 3 of its key SMAs.



HAL daily chart as of Jun 24, 2022 - Halliburton also continued lower this week after gapping below its 20 day SMA on June 13th. Thursday HAL tested support at its 200 day SMA (Purple) and saw an 'Inside day' on Friday to end the week down -2.34%.



AMD daily chart as of Jun 24, 2022 - AMD broke below its 20 day SMA, 50 day SMA and its Trend Line support (Yellow line) all on June 10th. Last week ended with new 2022 lows. This week we saw a small gap up Tuesday with no follow through. Wednesday saw a pause followed by a small decline on Thursday. Friday saw a gap up and rally to break above its Resistance Trend Line (Dark Green line) to end the week up +6.75%. AMD remains below all 3 of its key SMAs.



MU daily chart as of Jun 24, 2022 - Micron looks similar to AMD, with a gap up Tuesday that failed to rally. A drift lower the next 2 days followed by a gap up and Rally on Friday breaking above its Resistance Trend Line (Dark Green line) on Friday to end the week up +4.83% but still below all 3 of its key SMS.

If you are looking for Bearish Trades, then this week was mostly limited to the Energy sector.

If you are looking for Bullish Trades, then we saw a lot of names show some strength this week, mostly on Thursday and Friday.

By using a top-down Market Analysis, we identify the strongest sectors, and then the strongest names in those sectors as a way to improve our odds on finding Bullish Opportunities. The key to finding opportunities is developing your own process you can repeat every day to narrow your search to a small list of higher odds opportunities. Your process does not need to look like mine, but should fit your Trading Style and Objectives. I share my process as an example for others to learn from. As you implement and practice your own process, feel free to change it to make it fit your Trading style. Use your charting tools and watch lists to make your process fast and efficient to execute.

Nobody knows what the markets will do next week. Therefore, we prepare by imaging and rehearsing multiple scenarios as described above. This way we are less likely to make a poor decision or error.

We have no idea if the lows seen last week were the market bottoms for this year or not. So we prepare for any possibility, much lower lows, or a continued rally. Only in time will we know for sure. Until then, we take action based upon the current trend and what our experience has show are the higher odds behaviors going forward, managing RISK as all times.

Hope this helps.

Trade Smart,

CJ