



## Market Observations - as of July 1, 2022

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

Last week we saw a rally that failed early this week and was followed by a decline to higher lows on Thursday this week with a small bounce seen on Friday. Within the context of the month of June, we have seen both lower highs and higher lows this week which spells 'Consolidation' for me. The first half of June saw a large decline, followed by a smaller bounce last week and a smaller decline this week.

With June and the 2<sup>nd</sup> Quarter ending on Thursday this week, we captured 'Monthly' charts to help us see the big picture context of the markets, like we do at the end of each month. Monthly charts for the 4 major indexes we follow are included in this week's 'Market Observations'. I feel it is important to keep the overall market context in mind since the monthly charts help to clarify moves we see in shorter term charts as being 'with' or 'against' the primary long term Trends.

There tends to be far less noise on the longer term charts than what we see on shorter term charts. If you every feel 'lost' as to what is the current market context and Trend, then step back and look at a longer time frame charts until to get a clear 'context' in mind. That context will help you discern the moves you see on the shorter time frame charts.

It is not uncommon to have 'mixed' trends for a brief period of time. For example: you may see a Bear Trend on the Monthly chart, a Daily chart shows a Bull trend, and a 15 min. chart shows a Bear trend, ALL at the same time. Who is correct? What does this mean? How might these conflicts eventually resolve? As you study charts and improve your skills of observation you will likely learn to 'enjoy' these conflicts since they often lead to higher odds trading opportunities as those conflicts eventually resolve with either a Trend 'Continuation' or a Trend 'Reversal'.

We again saw the S&P challenge its weekly 'Expected Move' this week, as Options have consistently been under-pricing actual Risk over the past two months. We have pointed out how SPX Options have been consistently under-pricing risks in the prior 3 to 4 weeks of 'Market Observations' with the high frequency of moves that exceed 1 standard deviation, and even 2 standard deviations.

Oil prices oscillated this week while the US Dollar grew stronger and Gold prices faded. We saw strong 10 year Treasury buying the late this week as the Yields dropped.

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



S&P 500 monthly chart as of Jun 30, 2022 - Here we see strong declines in Jan. Feb. Apr. and Jun. with a pause in Mar. and May. The S&P June lows were well above its 50 month SMA (Blue).



S&P 500 weekly chart as of Jul 1, 2022 - We saw two strong declining weeks in the first half of June, with a bounce last week that failed and was followed with a smaller decline this week. Note this week delivered a higher low and a higher high than last week but with a negative close.



S&P 500 daily chart as of Jul 1, 2022 - The Rally last week stalled at the 20 day SMA on Monday this week, failing to retest or exceed the prior highs from early June. Tuesday saw a strong drop from the 20 day SMA to return all of last Friday's gains. Wednesday saw a pause with a test of support and lower lows on Thursday. Friday saw a bounce to end the week down -2.21% and still below all 3 of its key SMAs (20d, 50d and 200d).



S&P 500 15 min. chart as of Jul 1, 2022 - Last Friday (June 24<sup>th</sup>) after the close the Options were pricing a +/- \$112.64 'Expected Move' from that day's close at \$3911.74. This priced the weekly Expected Move (1 standard deviation) at \$3799.10 for the lower E.M. and \$4024.38 for the upper E.M. for this week expiring on July 1 2022. With the \$3799 level in mind, look at the above chart and note the two tests of this level on Wednesday this week that held as support. Then note that the S&P broke below this E.M. level with a gap down on Thursday and remained below this level most of the day with a few brief pops above this level mid day. Friday again was mostly spent below this E.M. level with a rally the last 2 hrs that crossed back above this E.M. level to end the day and week above the lower E.M. or 'Inside' its weekly Expected Move.

The behavior we saw this week is common to see when the S&P tests it's weekly 'Expected Move' and those first tests often act like a Support or Resistance level.

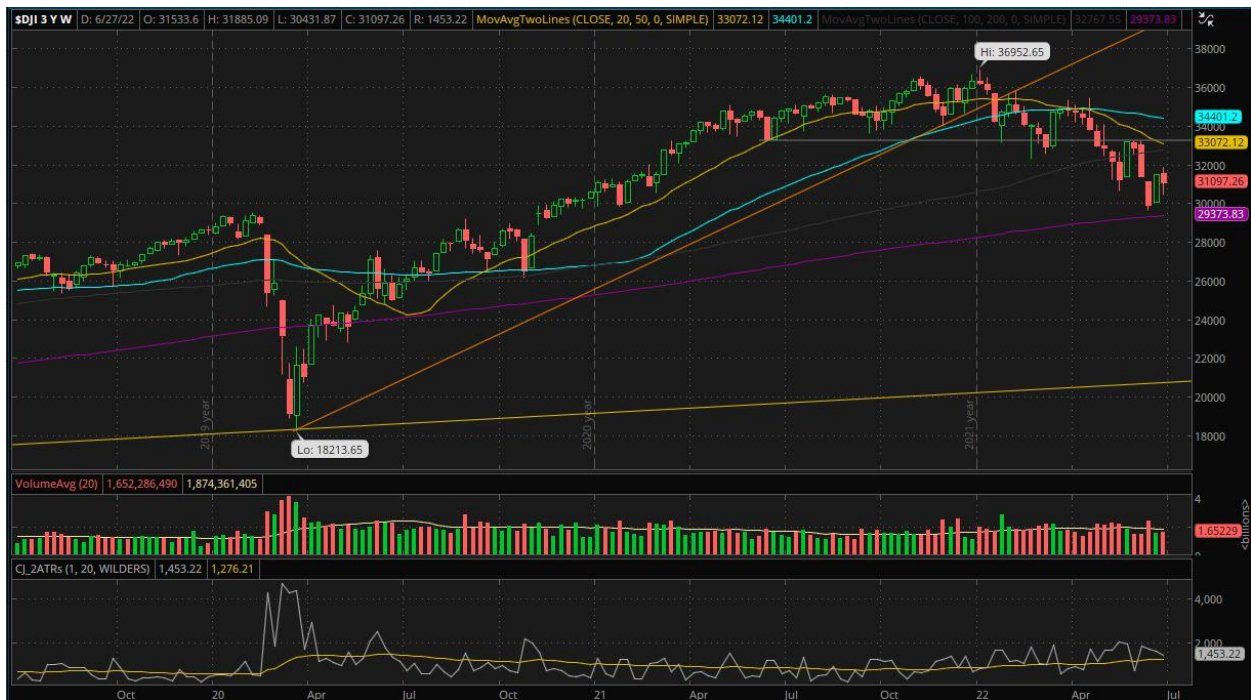
We have now seen 7 weeks out of the past 12 weeks that ended with the S&P 'Outside' of its Expected Move, suggesting that the Options markets have been 'Under-pricing' actual risks. 7 out of 12 weeks is over 58% when a 1 standard deviation suggests that 'outside' should only occur about 32% of the time.

This under-pricing of Options makes 'Options Premium Selling' strategies more risky since you are not being paid enough for the actual risks one takes. When Options are 'cheap' this can be an advantage for 'Options Buying' strategies. This also reinforces how very important a sound 'Risk Management' strategy is for all styles of trading and all trading instruments.





DJIA monthly chart as of Jun 30, 2022 - Here we see declines in Jan. Feb. Apr. and Jun. with a pause in Mar. and May. The DJIA June lows were well above its 50 month SMA (Blue).



DJIA weekly chart as of Jul 1, 2022 - We saw two strong declining weeks in the first half of June, with a bounce last week that failed and was followed with a smaller decline this week. Note this week delivered both a higher low and a higher high than last week.



DJIA daily chart as of Jul 1, 2022 - The rally last week paused Monday this week just below the 20 day SMA. Tuesday saw a brief pop above the 20 day SMA followed by a day of mostly strong selling to return most of last Friday's gains. Wednesday saw a pause near the prior day's lows. Thursday saw more selling to lower lows. Friday saw a mild rally that failed to reach its 20 day SMA, ending the week down -1.28% and still below all 3 of its key SMAs.



NASDAQ monthly chart as of Jun 30, 2022 - We see 5 out of 6 months showing a decline, with only March showing a pause so far in 2022. We also see a test of the 50 month SMA support in June. Note that the prior test of the 50 month SMA was in March 2020.



NASDAQ weekly chart as of Jul 1, 2022 - We saw a decline to the 200 week SMA (Purple) the first 2 weeks of June, a bounce last week that failed and pulled back nearly to its 200 week SMA this week.





NASDAQ daily chart as of Jul 1, 2022 - Last week's rally crossed above its 20 day SMA (Yellow) then continued to a higher high paused and pulled back Monday to its 20 day SMA. Tuesday saw a sharp decline below its 20 day SMA with a pause Wednesday. Thursday saw a smaller decline and pause. Friday saw a small bounce to end this week down -4.13% and back below all 3 of its key SMAs. Monday this week we saw a lower high in June while Thursday we saw a higher low, is we assume Thursday's lows hold as support next week. If they do not, then retesting the 2022 lows is more likely. This week ended with a 'consolidation' pattern near the 2022 lows.





Russell 2000 monthly chart as of Jun 30, 2022 - We see declines in the Russell in Jan. Apr. and Jun. with a pause in Feb. Mar. and May. Note that June ended below its 50 month SMA (Blue).



Russell 2000 weekly chart as of Jul 1, 2022 - We see the first 2 weeks in June with sharp declines, crossing below its 200 week SMA (Purple) the 2<sup>nd</sup> week. Last week saw a bounce that remained below the 200 week SMA. This week we saw a decline that remained mostly below the 200 week SMA that gave back about half of last week's gains and closed this week near the Q1 2020 highs (Grey line).



Russell 2000 daily chart as of Jul 1, 2022 - The rally last week drifted a little higher on Monday and peaked early Tuesday before selling off from the 20 day SMA (Yellow) resistance. Wed. and Thur. both saw lower lows. Friday saw a small bounce to end the week down -2.15% and below all 3 of its key SMAs.

Over the past few weeks we have seen multiple economic reports released that have mostly confirmed the USA is likely already in a recession. The official definition of a recession used to be defined by two consecutive quarters of negative GDP. The Definition was changed to be a bit less precisely defined about 12 years ago, but most analysts still reference the prior method.

This week we saw the Q1 GDP finalized at -1.6%, ISM Manufacturing PMI was weak at 53.0, May CPI came in higher at +1.0% back on June 10<sup>th</sup>, Consumer Purchasing activity has slowed, Average Savings levels have decreased, Consumer Credit balances have increased, and the recent Michigan Univ. Consumer Sentiment survey came in with multiple decade lows. We've seen lots of confirmation from economic reports of a weak or contracting Economy. Several large companies announced major Job cuts this week which could lead to rising unemployment soon. All of these factors are common of prior recessions, so the data seems to be pointing to the USA could already be in a recession, regardless of what Jay Powell or Janet Yellen are saying. I trust the facts more than I do 'statements' from any expert, since they could be trying to prevent 'panic' by spinning the truth. I do not know their intentions, so I will focus on what the charts and data are telling me. We could be in for an ugly year or longer. I sure hope not, but I know that 'Anything can happen'.

In the next week or two we will see 'Earnings' season ramp up as companies report Q2 results and give Q3 guidance. Some companies have already pre-announced 'reductions' in forward looking outlook to likely head-off some expectations. The China shut downs in Q2 likely have far reaching impacts on many supply chains that have yet to be quantified.

Next we will look at a few key 'Market Internals' to better understand the breadth of the overall market this past week.



McClellan Summation Index weekly chart as of Jul 1, 2022 - Last week we saw a pause with this Index ending the week at -534.98. This week we see a small positive move to -466.50.



McClellan Summation Index daily chart as of Jul 1, 2022 - Last week this Index made a small positive move late in the week to close just below its 50 day SMA at -534.98. This week we see the small positive move continue above its 50 day SMA and pause, pull back a little, then resume higher Friday to end this week at -466.50.





NYSE Percent above 200 day SMA daily chart as of Jul 1, 2022 - Last week we saw a dip to 15% and a close at 20.27%. This week we see an oscillation up, down and up to end this week at 20.98%.



NYSE Percent above 50 day SMA daily chart as of Jul 1, 2022 - Last week we saw a rally from below 10% up to 24.67%. This week saw a small increase Monday, a decline Tue. and Wed., a pause Thursday and a rally Friday to end this week at 27.15% and just above its 50 day SMA.





VIX daily chart as of Jul 1, 2022 - We saw a mild decline Monday below its 20 day and 50 day SMAs that reversed Tuesday. Wed. and Thur. saw higher highs that drifted lower during the day to higher lows. Friday saw a lower high and a decline below both its 20 day and 50 day SMAs to end the week at 26.7.



VVIX daily chart as of Jul 1, 2022 - VVIX saw a small increase Tuesday that was all given back on Friday to end the week with new multi-year lows, not seen since Nov 1<sup>st</sup> 2019. Volatility of Volatility seems like it is dead to the current bearish market context.

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



Oil daily chart as of Jul 1, 2022 - Oil prices rallied Mon. and Tue. above its 50 day SMA and peaked early Wed. near its 20 day SMA before pulling back lower and closing back below its 50 day SMA. Thursday saw the decline continue to find support near \$105. Friday saw a small bounce that failed to reach its 50 day SMA to end the week at \$108.46.



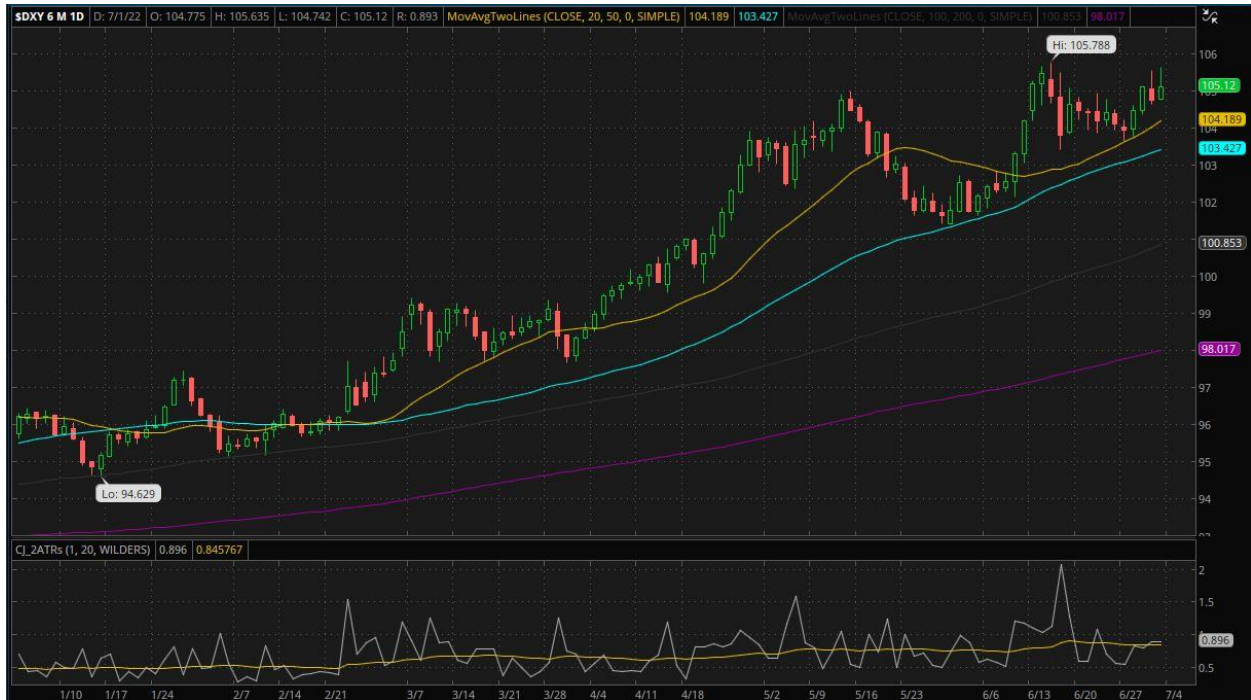
Gold weekly chart as of Jul 1, 2022 - Here we see a longer term Gold chart to point out the Declining Trend Line for 2020 and 2021 drawn at the highs at the yellow arrows. Gold broke above this Trend Line in Feb. of 2022 and has mostly remained above this Trend Line since.



Gold daily chart as of Jul 1, 2022 - Here we can see the break above the Trend Line on Feb. 11<sup>th</sup> this year followed by a rally up to 2078.8 in early March. Since that high we have seen a decline in Gold with a test of the yellow Trend Line in mid May and then this week the decline nearly retested that Trend Line support again on Friday. Note the slow decline in Gold each day this week as Gold remains



below all 3 of its key SMAs. Gold is a commodity priced in US Dollars, so as the Dollar gets stronger, Gold prices usually decline. Look at the next chart of the US Dollar to see this inverse correlation.



US Dollar Index daily chart as of Jul 1, 2022 - The US Dollar dipped to test support at its 20 day SMA on Monday then drifted higher each following day (except Thursday) to nearly retest its 2022 highs at 105.78. A stronger dollar usually puts a declining pressure on dollar priced commodities.





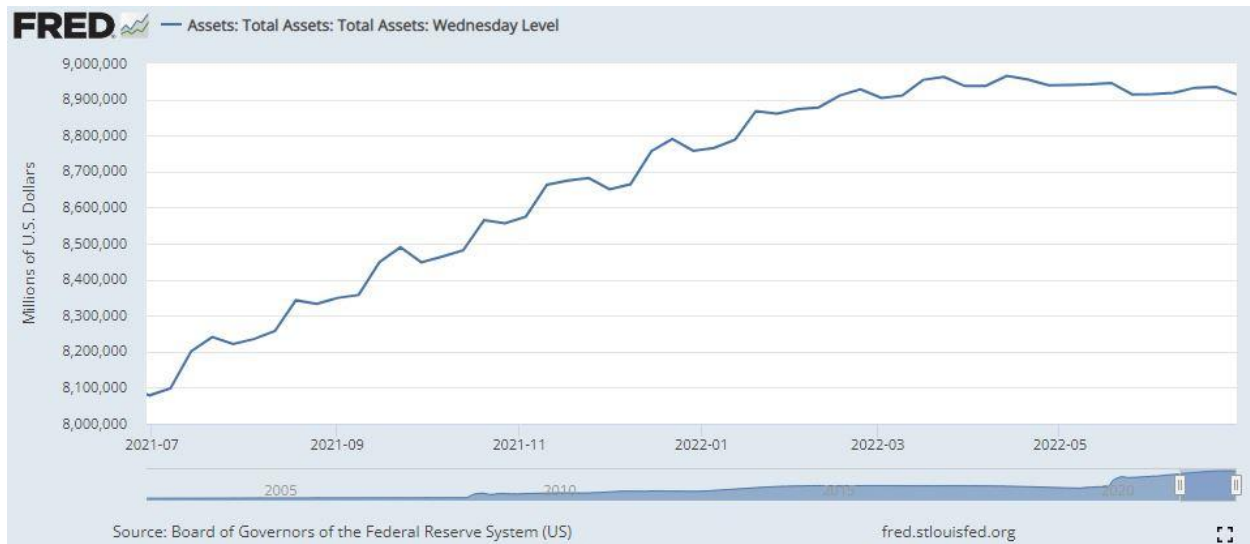
US 10 year Treasury daily chart as of Jul 1, 2022 - The 10 year Treasury dipped a little Monday, paused Tuesday then rallied the next 3 days, with strong volume and wider ranges each day. The 10 yr crossed above its 50 day SMA on Friday on strong volume as there was greater buying activity with above average volume on Thursday and Friday this week.



US 10 year Yield daily chart as of Jul 1, 2022 - As the Treasuries were bought up, the yields declined each day this week (except on Monday) to end the week at 2.889%.

| 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  |
| 06/27/2022 | 1.16 | 1.57 | 1.79 | 2.56 | 2.89 | 3.08 | 3.21 | 3.24 | 3.27 | 3.20  | 3.56  | 3.31  |
| 06/28/2022 | 1.12 | 1.59 | 1.79 | 2.55 | 2.88 | 3.10 | 3.21 | 3.25 | 3.27 | 3.20  | 3.55  | 3.30  |
| 06/29/2022 | 1.12 | 1.53 | 1.78 | 2.55 | 2.88 | 3.06 | 3.13 | 3.15 | 3.17 | 3.10  | 3.46  | 3.22  |
| 06/30/2022 | 1.28 | 1.68 | 1.72 | 2.51 | 2.80 | 2.92 | 2.99 | 3.01 | 3.04 | 2.98  | 3.38  | 3.14  |
| 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 |
| 07/01/2022 | 1.27 | 1.68 | 1.73 | 2.52 | 2.79 | 2.84 | 2.85 | 2.88 | 2.92 | 2.88  | 3.35  | 3.11  |

US Yields table as of Jul 1, 2022 - Here we see the Yield Curve flatten this week with longer term yields decreasing a bit and short term yields increasing. We even see some brief 'inversions' with the 10 year showing a lower Yield than the 7 year and the same yield as the 5 year on Friday.



FOMC Balance Sheet weekly chart as of Jun 29, 2022 - The Fed 'Increased' its balance sheet 4 weeks in a row in June, from \$8.915050 T on June 1<sup>st</sup> to \$8.934346T on June 22<sup>nd</sup> for an increase of \$19.296 Billion on its Balance Sheet over those four weeks. This week, as of June 29<sup>th</sup>, the Fed 'Decreased' its Balance Sheet from \$8.934346 T to \$8.913553 T for a decline of \$20.793 Billion. This reverses the gains from the prior 4 weeks with a Net total decline for June of \$1.497 Billion.

Technically speaking, -\$1.4 B is a decline for June, but its nowhere near the published plan of reducing by -\$30 Billion per month starting in June. We will continue to check the actual data each week as a more reliable source of information rather than rely on statements or published 'plans'.

Next we will look at a few key Sectors.





Dow Transportation Index daily chart as of Jul 1, 2022 - Monday the Transports tested resistance at its 20 day SMA and pulled back a little. We saw a brief pop above the 20 day SMA on Tuesday followed by strong selling most of the day back below the 20 day SMA. Wednesday continued with a lower low and again on Thursday with another lower low before the bounce on Friday to end the week down -1.91% and below all 3 of its key SMAs.



XLE daily chart as of Jul 1, 2022 - Energy saw a gap up Monday and Tuesday followed by strong selling on Wednesday. Thursday gapped down to give back most of the week's gains. Friday saw a small rally to end the week up +1.38%.





XLF daily chart as of Jul 1, 2022 - The Financial sector saw a small gain Monday that was given back, and a brief test of its 20 day SMA early on Tuesday before selling off the rest of the day. Wednesday and Thursday saw lower lows with a mild bounce on Friday to end the week down -1.42%.



QQQ daily chart as of Jul 1, 2022 - The Nasdaq-100 ETF saw a rally above its 20 day SMA last Friday that continued a little higher Monday this week before pulling back. Tuesday saw a sell off below the 20 day SMA followed by a pause on Wednesday. Thursday saw a lower low test of support followed by a small bounce on Friday to end the week down -4.24%.



SOXX daily chart as of Jul 1, 2022 - The Semiconductor sector saw a brief higher high on Monday and Tuesday before selling off the rest of this week, including lower on Friday to new 52 week lows, down - 9.56% for the week. This chart clearly shows lower highs and lower lows continuing.



XLC daily chart as of Jul 1, 2022 - The Communications Services sector tested its 20 day SMA Resistance on Monday and Tuesday before selling off strong Tuesday. Wednesday saw a pause that resumed a little lower on Thursday. Friday saw a small bounce to end the week down -3.72%.



XHB daily chart as of Jul 1, 2022 - The Home Builders sector rallied last week, paused Monday this week, then pulled back on Tuesday, paused Wednesday and delivered a lower low on Thursday before beginning to rally back up to its 20 day SMA on Friday, ending the week up +0.53%.



| INDEXes | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| SECTORS | 5/20/2022   | 5/27/2022   | 6/3/2022    | 6/10/2022   | 6/17/2022   | 6/24/2022   | 7/1/2022    |
| \$SPX   | -3.05%      | 6.58%       | -1.20%      | -5.05%      | -5.79%      | 6.45%       | -2.21%      |
| \$INDU  | -2.90%      | 6.24%       | -0.94%      | -4.58%      | -4.79%      | 5.39%       | -1.28%      |
| \$COMPQ | -3.82%      | 6.84%       | -0.98%      | -5.60%      | -4.78%      | 7.49%       | -4.13%      |
| \$RUT   | -1.08%      | 6.46%       | -0.26%      | -4.40%      | -7.48%      | 6.01%       | -2.15%      |
| QQQ     | -4.39%      | 7.07%       | -0.94%      | -5.67%      | -4.90%      | 7.46%       | -4.24%      |
| \$STRAN | -6.68%      | 7.07%       | 0.00%       | -7.45%      | -3.74%      | 5.28%       | -1.91%      |
| XLE     | 1.23%       | 8.27%       | 1.11%       | -0.89%      | -17.16%     | -1.49%      | 1.38%       |
| XLF     | -1.82%      | 8.05%       | -1.97%      | -6.71%      | -4.92%      | 5.12%       | -1.42%      |
| XLK     | -3.53%      | 7.94%       | -1.04%      | -6.36%      | -4.94%      | 7.36%       | -4.53%      |
| SOXX    | -2.59%      | 7.91%       | -1.71%      | -7.39%      | -9.06%      | 5.33%       | -9.56%      |
| XLV     | 0.92%       | 3.27%       | -3.13%      | -3.34%      | -4.46%      | 8.22%       | 0.37%       |
| XLY     | -7.82%      | 9.51%       | -0.49%      | -5.58%      | -5.79%      | 8.25%       | -4.75%      |
| XRT     | -9.44%      | 10.08%      | -2.49%      | -3.43%      | -4.85%      | 7.31%       | -9.04%      |
| XLI     | -3.61%      | 6.39%       | 0.08%       | -4.93%      | -5.81%      | 4.27%       | -0.81%      |
| XLU     | 0.43%       | 5.06%       | -1.35%      | -4.05%      | -9.07%      | 7.23%       | 4.12%       |
| XME     | 0.58%       | 9.95%       | -2.23%      | -4.45%      | -10.38%     | -0.52%      | -5.38%      |
| XLP     | -8.12%      | 6.08%       | -1.57%      | -2.57%      | -4.30%      | 6.64%       | 0.51%       |
| XLB     | -0.08%      | 5.99%       | -0.79%      | -5.77%      | -8.26%      | 2.76%       | -3.06%      |
| XLC     | -1.68%      | 3.79%       | -1.00%      | -4.88%      | -5.06%      | 6.01%       | -3.72%      |
| XHB     | -3.56%      | 6.94%       | -1.00%      | -5.77%      | -11.38%     | 7.92%       | 0.53%       |

Weekly Percent Change US Indexes and Sectors table as of Jul 1, 2022 - Last week the Nasdaq composite lead the rally and this week it lead the decline as we can see with the above Indexes this week. (Hint) The Strongest sectors this week (and only positive changes this week) included: XLU, XLE, XHB, XLP and XLV. The Utilities sector XLU is a classic flight to safety as well as what we saw in the Strong Treasury buying late this week (hint). The weakest sectors included: SOXX, XRT, XME, XLY, XLK and QQQ that all delivered at least a -4% or greater decline this week.

| INDEXes | Mon      | Tue        | Wed        | Thur       | Fri        | Mon        | Tue        | Wed        | Thur       | Fri        |
|---------|----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SECTORS | Holiday  | End of Day | End of Day | End of Day | End of Day | End of Day | End of Day | End of Day | End of Day | End of Day |
|         | 06/20/22 | 06/21/22   | 06/22/22   | 06/23/22   | 06/24/22   | 06/27/22   | 06/28/22   | 06/29/22   | 06/30/22   | 07/01/22   |
| \$SPX   | n/a      | 2.45%      | -0.13%     | 0.95%      | 3.06%      | -0.30%     | -2.01%     | -0.07%     | -0.87%     | 1.06%      |
| \$INDU  | n/a      | 2.15%      | -0.15%     | 0.64%      | 2.69%      | -0.20%     | -1.56%     | 0.26%      | -0.82%     | 1.05%      |
| \$COMPQ | n/a      | 2.51%      | -0.15%     | 1.62%      | 3.34%      | -0.83%     | -2.98%     | -0.03%     | -1.33%     | 0.90%      |
| \$RUT   | n/a      | 1.70%      | -0.22%     | 1.27%      | 3.16%      | 0.34%      | -1.86%     | -1.12%     | -0.66%     | 1.16%      |
| QQQ     | n/a      | 2.33%      | -0.15%     | 1.49%      | 3.43%      | -0.73%     | -3.05%     | 0.09%      | -1.24%     | 0.66%      |
| \$STRAN | n/a      | 1.50%      | -1.12%     | 0.91%      | 3.96%      | -0.26%     | -1.73%     | -0.44%     | -0.48%     | 1.01%      |

Daily Percent Change US Indexes table as of Jul 1, 2022 - The Dow Industrials lead on Tue and Wed. this week as the Nasdaq Composite declined more significantly on Monday and Thursday this week and the Nasdaq-100 declined more significantly on Tuesday and Friday.

Next we will look at a few key Stocks, the same names we looked at last week to see how they reacted this week.





AAPL daily chart as of Jul 1, 2022 - Apple tested its Trend Line Resistance (Orange line) on Monday and Tuesday before selling strong on Tuesday breaking below its 20 day SMA. Wednesday saw a bounce back above its 20 day SMA but closed below this SMA. Thursday saw lower lows and lower highs. Friday saw a rally up to and close 19 cents above its 20 day SMA, down -1.93% for the week.



MSFT daily chart as of Jul 1, 2022 - Microsoft rallied up to its 50 day SMA last Friday. No follow through higher this week as MSFT pulled back a little on Monday and saw stronger selling on Tuesday to break below its 20 day SMA. Wednesday saw a bounce up to its 20 day SMA followed by lower lows and lower highs on Thursday. Friday saw a small rally back above its 20 day SMA to end the week down -3.03%.



GOOGL daily chart as of Jul 1, 2022 - Alphabet rallied above its 50 day SMA last Friday and pulled back down to its 50 day SMA on Monday this week. Tuesday was stronger selling below its 50 day and 20 day SMAs. Wednesday saw a pause near the prior day's close. Thursday saw a gap down and decline to lower lows followed by a small bounce on Friday to end the week down -7.83% and now below all 3 of its key SMAs.



AMZN daily chart as of Jul 1, 2022 - Amazon sold down below its 20 day SMA on Monday, and saw stronger selling Tuesday. Wednesday saw a pause followed by more selling Thursday to lower lows. Friday saw a bounce that failed to reach its 20 day SMA, ending the week down -5.92%.



TSLA daily chart as of Jul 1, 2022 - Tesla briefly saw a higher high Monday before selling lower. The selling was stronger Tuesday and broke below its 20 day SMA. Wednesday gapped lower with a narrow range day that continued lower on Thursday. Friday saw only a tiny bounce to end the week down - 7.51%.



META daily chart as of Jul 1, 2022 - Meta gave back last Friday's gains on Monday and Tuesday this week. Wednesday saw a pause followed by lower lows and Thursday and Friday to end the week down - 5.95%.





NVDA daily chart as of Jul 1, 2022 - Nvidia tested resistance Monday at its 20 day SMA and began to sell off. Selling increased Tuesday and continued every day this week with lower lows every day. Volume was strongest on Thursday. Friday sold down to new 52 week lows, down -15.20% for the week.

We saw above how the Semiconductor sector was the weakest this week and NVDA delivered new 52 week lows.

Out of the above 7 biggest companies, what names did better than the NDX did this week (-4.3%) and what names did worse?

What names out of the above 7 are now below all 3 of their key SMAs and what names are now above at least one of their key SMAs?

Answers to questions like these can help identify relative strength, and that strength could make these names perform better when the market overall trend changes. (hint)



GS daily chart as of Jul 1, 2022 - Goldman Sachs saw a large rally last Friday and paused near those highs the first three days this week as the 20 day SMA descended below this range. Thursday saw a gap below the 20 day SMA without any follow through lower. Friday saw a small rally to close back above its 20 day SMA and down only -1.16% for the week.



HD daily chart as of Jul 1, 2022 - Home Depot rallied late last week but did not follow through higher this week, failing to reach its 20 day SMA on Monday and Tuesday this week. Tuesday saw strong selling to give back the prior 3 days of gains. Wednesday and Thursday saw a pause with a small rally on Friday that also failed to reach its 20 day SMA, ending the week down -1.39%.



COST daily chart as of Jul 1, 2022 - Costco paused Monday and sold off on Tuesday down to its 20 day SMA where it found support. Wednesday saw a pause just above the 20 day SMA. Thursday saw a rally off of its 20 day SMA support that continued higher Friday up to its 50 day SMA, closing just 7 cents below its 50 day SMA and up +0.29% for the week. We noted last week how this stock saw its 2022 lows in May and delivered a higher low in June, setting the stage for a more likely rally above its June highs which it did on Friday this week, breaking higher by 13 cents.



BA daily chart as of Jul 1, 2022 - Boeing mostly consolidated in a narrow horizontal range this week as the 20 day and 50 day SMAs converged. BA ended the week down -1.19%.





SLB daily chart as of Jul 1, 2022 - Schlumberger saw a large decline in June to below its 200 day SMA last week. This week saw a small rally Monday and gap up Tuesday to briefly straddle its 200 day SMA before selling back below on Wednesday. Thursday and Friday saw lower lows to end the week up +1.68%.



HAL daily chart as of Jul 1, 2022 - Halliburton tested its 200 day SMA support last week and rallied Monday and Tuesday this week. Wednesday peaked before selling off lower forming a bearish engulfing candle that day. Thursday and Friday continued lower to again test its 200 day SMA, ending the week up +1.55%.

The Energy sector was one of the few positive sectors this week.



AMD daily chart as of Jul 1, 2022 - AMD rallied a little last Friday, but stalled out Monday this week and sold lower each day this week, with the largest decline seen on Tuesday. AMD delivered new 52 week lows Wed. Thur. and Fri. this week, ending the week down -15.40%.



MU daily chart as of Jul 1, 2022 - Micron stalled out Monday and sold down lower each day this week, delivering new 52 week lows on Friday, ending the week down -8.20%.

We saw above how the Semiconductor sector was the weakest sector this week (SOXX) and this was also reflected in several charts above (NVDA, AMD and MU). Did you notice what was common with the

charts of these 3 semiconductor names? We see no rally on Friday this week as well as some lower lows and new 52 week lows. This sector provided some excellent bearish swing trades this week for those who are looking to sell failed rallies.

We saw on the Monthly charts how all of the major indexes are down this year, and have delivered more down months than up months this year. In fact, we did not see any up months, just months that recovered some or most of the prior month's decline but no more than that. Patterns of Lower Lows and Lower Highs confirm a Bear Trend no matter what time frame chart you are looking at. We see this same pattern on Monthly, Weekly and Daily charts.

We will 'assume' that this Bear Trend will continue until we see evidence that it has changed. We know the odds favor the 'Continuation' of a Trend over a 'Reversal' of Trend. So we trade in the direction of the Trend. The end of the Bear Trend will be confirmed with higher highs and higher lows. Until we see that confirmation, we continue to favor the Bearish trades by selling failed rallies.

Trade Smart,

CJ