



Market Observations - as of July 22, 2022

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

Last week we saw mostly selling for four days in a row followed by a gap up and rally on Friday.

This week began with a gap up and failure to rally that sold off and filled Monday's gap. Tuesday's gap up did see follow through to higher highs that continued to rally on Wednesday and Thursday. Friday saw brief higher highs at the open then sold off most of the day with a tiny bounce seen the last hour.

This week showed us a brief return of the Bulls, but was not nearly as strong of a showing as was the rally week in June (ending on June 24th) that was nearly twice as strong on a weekly basis. Remember, it is common to see volatile rallies within a Bear market. In time we will see if this week's rally fails or continues.

The US Dollar slowly weakened this week as Gold saw a small rally late this week. Oil prices rallied early this week then pulled back the last part of the week to end the week at lower lows. The 10 year Treasuries saw very strong buying on Thursday and Friday this week that sent Yields lower in the process.

We saw mixed reactions to Earnings this week, with a rally following NFLX on Wednesday, a large drop following T on Thursday and large drops following VZ and SNAP on Friday. The impact of SNAP's (-39%) market reaction on Friday was also seen reflected in other related names in the same sector like GOOGL and META. GOOGL reports Earnings on Tuesday and META on Wednesday this next week.

With so many Big Tech names reporting this next week, there is plenty of fuel for volatile reactions. These big tech names represent about 40% of the total value of the Nasdaq-100 and about 20% of the value of the S&P so their reactions can make an overall market impact.

We also have some key Economic reports scheduled this next week such as: Consumer Confidence, New Home Sales, CPI, Durable Goods, FOMC announcement (interest rate hike), GDP, Jobless claims, PPI, Unemployment rate, and Consumer Sentiment, just to name a few.

Next week could be a volatile week with so many reports coming out and the market reactions that follow that are usually unpredictable. All the more reason to be prepared for just about anything this next week.

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



S&P 500 weekly chart as of Jul 22, 2022 - This week we see both a higher high and a higher low as compared to last week, breaking above the prior 5-week zone.



S&P 500 daily chart as of Jul 22, 2022 - Monday we saw a gap up that failed and sold back down to its 20 day SMA (Yellow) support. Tuesday we saw a gap up with follow through higher to break above its Trend Line Resistance (Green line) and end the day above its 50 day SMA (Blue). The rally continued Wednesday and Thursday with less momentum. Friday briefly saw a higher high then sold off to end the week up +2.55%. The S&P is now above its 20 day and 50 day SMAs.



S&P 500 15 min. chart as of Jul 22, 2022 - Last week the S&P dipped below its lower Expected Move briefly on Wednesday and all day on Thursday before gapping up Friday to end last week 'Inside' it's Expected Move. This week we saw a failed gap up Monday that briefly broke above its Trend Line Resistance (Green line). Tuesday the gap up above the Trend Line Resistance continued higher all day. Wednesday crossed above its upper weekly Expected Move several times and spent at least half the day above this level. Thursday saw a brief dip below the Expected Move before reversing and crossing back above as it continued its rally most of the day. Friday saw higher highs after the open then sold off most of the day with a small bounce the last hour to crossed back above the Expected Move where it closed the week about +11 points above its weekly Expected Move.

In prior 'Market Observations' we have described how the 'Expected Move' is defined by the weekly Options Prices for the SPX and represent a + or - 1 standard deviation move that is priced by the Options the Friday before the weekly expiration. This measure shows us how well (or not) the Options markets are pricing Risk for the S&P on a weekly Basis.

The VIX is different in that it is pricing Risk for the S&P on a rolling 30 day basis and not on a fixed 7 day basis. We can see the difference this week as the VIX closed at 24.23 on July 15th and closed lower on July 22nd at 23.03. However, the weekly Expected Move for the next week as seen on July 15th was +/- \$87.98 for July 22 expiration, and was higher at +/- \$96.63 on July 22nd for July 29th expiration. The VIX moved down -1.2% from last week to this week while the E.M moved up from \$87.98 to \$96.63 or up +9.8%.

This difference is simply reflecting that there is higher volatility expected for this next week than is expected for the next 30 days. This is no surprise with so many big tech companies reporting Earnings as well as the Fed and other key Economic reports are all due to come out this next week. We see this anticipation of increased 'Volatility' next week in the Options data itself.



DJIA weekly chart as of Jul 22, 2022 - The Dow Industrials showed us a higher high and a higher low this week after about 5 weeks of a non-trending range.



DJIA daily chart as of Jul 22, 2022 - Here we see the gap up and failed rally on Monday that saw Resistance at its 50 day SMA. Tuesday did see a gap up and rally above its 50 day SMA that continued higher Wednesday and Thursday. Friday saw a higher high and pull back to end the week up +1.95%.



Nasdaq weekly chart as of Jul 22, 2022 - The Nasdaq composite delivered both higher highs and higher lows this week after 5 weeks of being stuck in a range.



Nasdaq daily chart as of Jul 22, 2022 - Monday's gap up above its 50 day SMA and Trend Line Resistance (Green line) failed as the gap was filled and all gains for the day were lost. Tuesday saw another gap up that was followed by a rally higher, above both its 50 day SMA and its Trend Line Resistance. The rally continued Wednesday and Thursday. Friday saw highs at the open that quickly reversed and sold off most of the day, ending the week up +3.33%. The Nasdaq is now above its 20 day and 50 day SMAs.



Russell 2000 weekly chart as of Jul 22, 2022 - After 5 weeks just below its 200 week SMA, the Russell broke above its 200 week SMA to deliver higher highs and higher lows this week.



Russell 2000 daily chart as of Jul 22, 2022 - Monday's gap up found resistance at its 50 day SMA and then sold off to return all of that day's gains. Tuesday saw a gap up with a follow through rally above its 50 day SMA. The rally continued Wednesday and Thursday. Friday briefly saw higher highs then sold off most of the day to end the week up +3.58%.

Next we will look at a few key 'Market Internals'.



McClellan Summation Index weekly chart as of Jul 22, 2022 - Last week there was very little change in this index as it ended the week at -398.35. This week we see a strong positive change to cross above its 50 week SMA and end this week at -158.78.



McClellan Summation Index daily chart as of Jul 22, 2022 - Here we see a strong positive advance in this index this week, crossing above its 200 day SMA and ending this week at -158.78.



NYSE Percent above 200 day SMA daily chart as of Jul 22, 2022 - Last week we saw a decline to about 16.25% then a bounce last Friday to end the week at 18.31%. This week we see a strong advance that slowed a little on Thursday and pulled back a little on Friday, near its 50 day SMA to end this week at 22.63%.



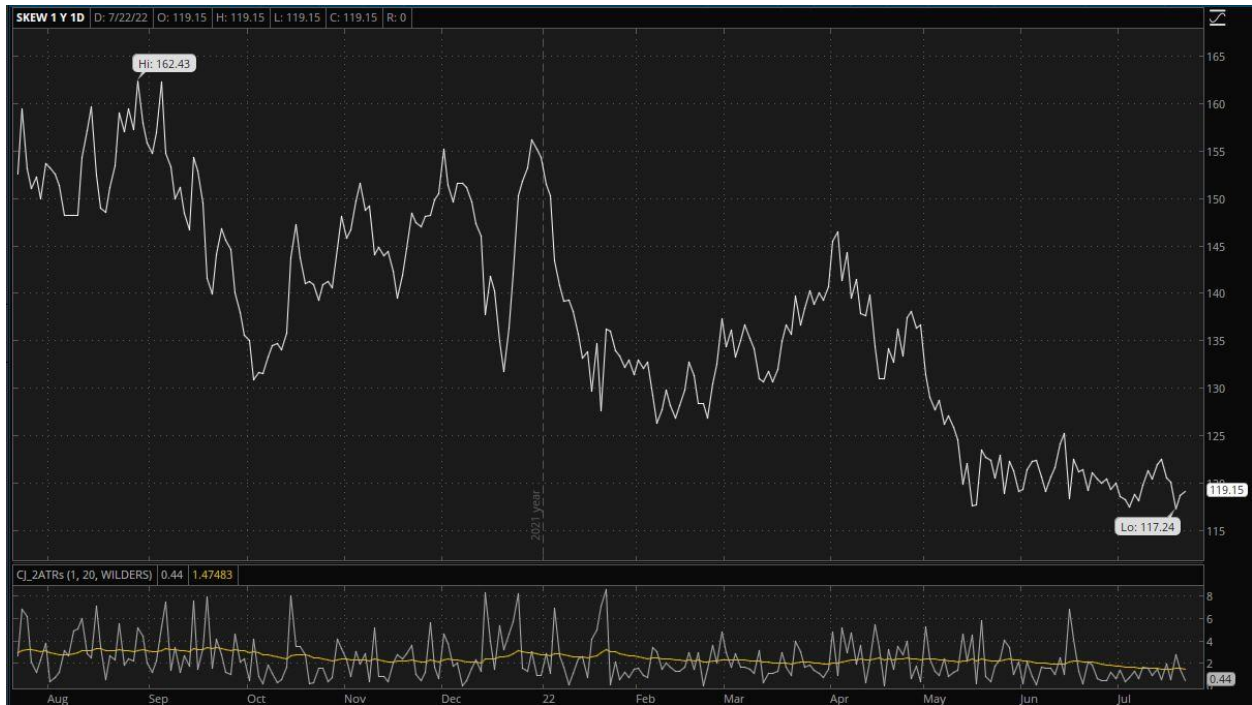
NYSE Percent above 50 day SMA daily chart as of Jul 22, 2022 - Last week we saw a decline to about 25% then a bounce last Friday up to 30.85%. This week we saw a pause Monday then a strong advance 3 days to nearly reach 55% on Thursday followed by a pull back on Friday to end this week at 50.21%.



VIX daily chart as of Jul 22, 2022 - The VIX saw a small bounce on Monday followed by 4 days of both lower highs and lower lows, crossing below its 200 day SMA (Purple) on Wednesday. The VIX is now lower than the prior dip seen on June 8th.



VVIX daily chart as of Jul 22, 2022 - The VVIX briefly crossed above its 20 day SMA (Yellow) on Monday then crossed back below on Tuesday and declined each day the rest of this week, nearly retesting the lows from July 8th, which were new lows not seen since July 2019.



SKEW daily chart as of Jul 22, 2022 - On Wednesday of this week we saw a new Low in the SKEW, the lowest value seen since April 1st 2020. This low shows us an extreme in 'complacency' in the Options markets, with little fear or demand for hedging protection.

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



Oil daily chart as of Jul 22, 2022 - Oil prices rallied on Monday and Tuesday, paused on Wednesday before giving back all of this week's gains on Thursday and Friday. Oil remains just above its 200 day SMA.



Gold daily chart as of Jul 22, 2022 - Gold remained in a narrow range Monday and Tuesday, dipped a little on Wednesday and then rallied on Thursday and Friday to end the week up a little.



US Dollar Index daily chart as of Jul 22, 2022 - The US Dollar weakened significantly on Monday and Tuesday then slowed its decline Wednesday and Thursday as it found support at its 20 day SMA. Friday saw a wider range swing that broke below its 20 day SMA, bounced then ended the day nearly on its 20 day SMA.



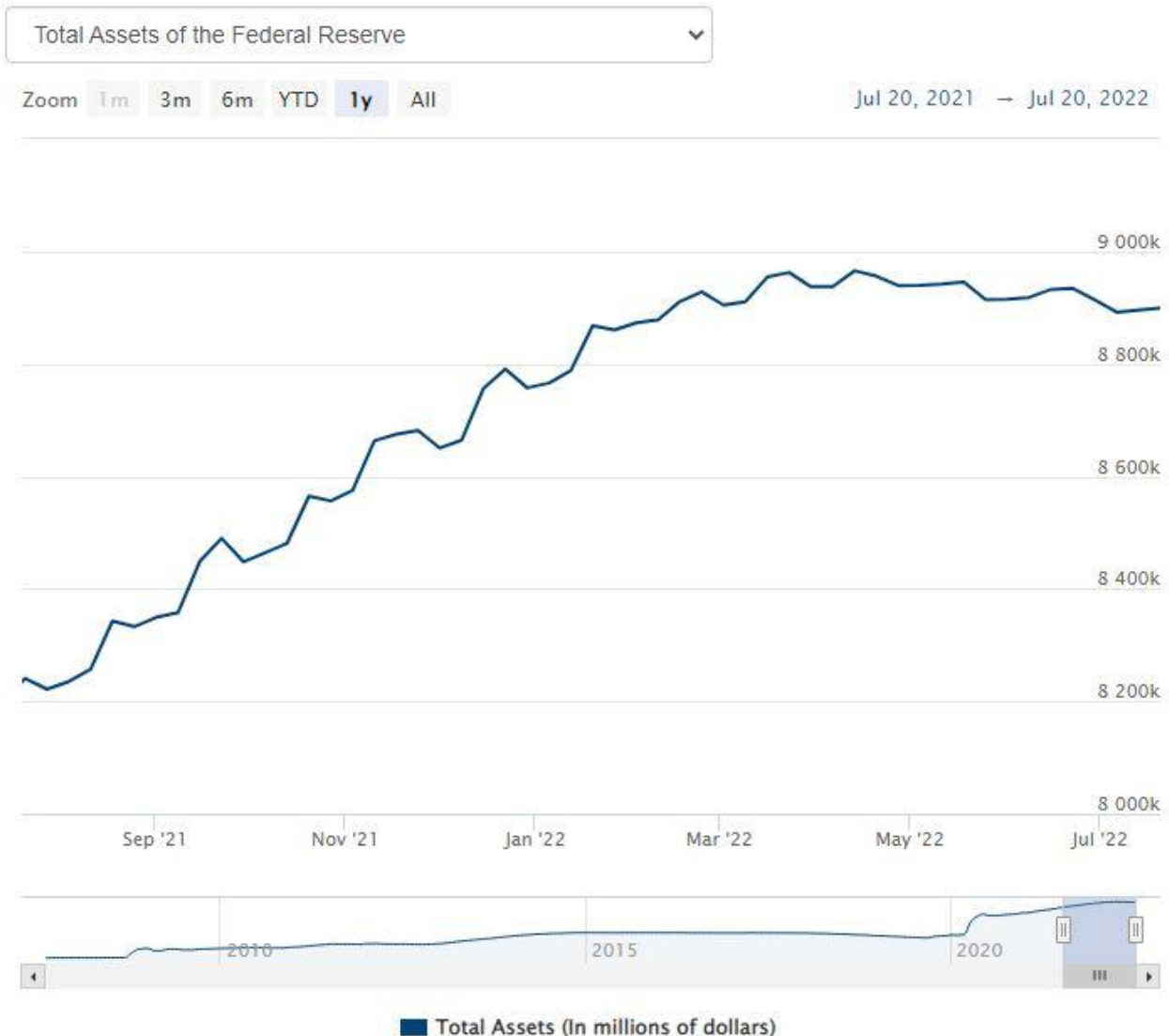
US 10 year Treasury daily chart as of Jul 22, 2022 - The 10 yr Treasuries saw low volume selling the first 3 days this week then very strong buying on Thursday and Friday.



US 10 year Yield daily chart as of Jul 22, 2022 - Here we see the inverse of the 10 year Treasuries, with the Yield drifting slowly higher the first 3 days of this week, and then strongly dropping Thursday and Friday as the Treasuries we bought up with volume.

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
07/05/2022	1.33	1.71	1.90	2.59	2.77	2.82	2.82	2.82	2.87	2.82	3.31	3.05
07/06/2022	1.36	1.70	1.90	2.62	2.82	2.97	2.99	2.96	2.99	2.93	3.42	3.14
07/07/2022	1.55	1.90	1.95	2.64	2.87	3.03	3.05	3.05	3.07	3.01	3.45	3.20
07/08/2022	1.57	1.92	1.98	2.68	2.96	3.12	3.14	3.13	3.16	3.09	3.53	3.27
07/11/2022	1.58	1.95	2.18	2.79	2.97	3.07	3.09	3.05	3.06	2.99	3.43	3.18
07/12/2022	1.63	2.01	2.22	2.78	3.07	3.03	3.07	3.01	3.01	2.96	3.37	3.13
07/13/2022	1.78	2.20	2.39	2.96	3.21	3.13	3.14	3.02	3.00	2.91	3.35	3.08
07/14/2022	1.99	2.32	2.40	2.93	3.16	3.15	3.16	3.06	3.05	2.96	3.36	3.11
07/15/2022	1.98	2.26	2.37	2.94	3.12	3.13	3.14	3.05	3.03	2.93	3.34	3.10
07/18/2022	1.96	2.28	2.50	3.02	3.13	3.15	3.15	3.06	3.05	2.96	3.39	3.14
07/19/2022	1.93	2.29	2.52	3.06	3.18	3.23	3.22	3.14	3.11	3.01	3.42	3.17
07/20/2022	1.92	2.29	2.51	3.04	3.18	3.25	3.25	3.18	3.15	3.04	3.43	3.17
07/21/2022	2.15	2.30	2.48	3.00	3.11	3.10	3.07	3.00	2.99	2.91	3.33	3.08
07/22/2022	2.15	2.29	2.49	2.97	3.01	2.98	2.93	2.87	2.85	2.77	3.23	3.00

US Yield Rates table as of Jul 22, 2022 - We have seen a 10yr/2yr Yield Inversion every day since July 6th this month. We also see the Yield curve continue to flatten more this week as longer terms decline and shorter terms increase. These are additional signs that typically confirm that we are currently in a recession.



FOMC Balance Sheet weekly chart as of Jul 20, 2022 - Last week we saw an 'increase' of \$4.016 Billion to the Balance Sheet, and again this week we see another 'increase' of \$3.346 Billion. The current Total Assets are now at \$8.899213 Trillion. So much for the Fed's plan to reduce their Balance Sheet each month starting in June. With July now 2/3 over, we should have seen at least a \$50 to \$78 Billion decrease since the beginning of June (per their own plan). The Fed's Balance Sheet was at \$8.915050 Trillion on June 1st 2022, and now is at \$8.899213 Trillion showing only a \$15 Billion decrease in 7 weeks and that entire small decline happened in the last 2 weeks of June. It seems that reducing stimulus (QT) has been mostly talk so far. This leaves a major 'Risk' on the table for what may happen in the markets if and when the Fed does begin to actually 'Tighten' the money supply during a recession?

Next we will look at a few key Sectors.



Dow Jones Transportation Index daily chart as of Jul 22, 2022 - The rally that began late last week continued with higher highs on Monday, Tuesday and Wednesday this week, crossing above its 50 day SMA on Tuesday. Thursday saw an 'Inside' day and pause followed by Friday with a wider range day and lower close to end the week up +4.53%. Note the large volume on Thursday.



XLE daily chart as of Jul 22, 2022 - The Energy sector followed oil this week with a move higher Monday that continued Tuesday above its 20 day SMA and Wednesday. Thursday opened at its 20 day SMA, saw a lower low and lower high with a close up. Friday saw a failed rally and lower close just a few cents above its 20 day SMA, up 3.73% for the week.



XLF daily chart as of Jul 22, 2022 - The Financial sector saw a gap up and a failed rally Monday. Tuesday saw a gap up and rally that continued Wednesday to nearly its 50 day SMA. Thursday saw a cross above its 50 day SMA with a brief higher high early on Friday before pulling back and ending the week back below its 50 day SMA, up 3.05% for the week.



QQQ daily chart as of Jul 22, 2022 - The Nasdaq-100 ETF saw a gap up Monday that briefly crossed above its Trend Line Resistance (Green line) and its 50 day SMA before it pulled back and filled its gap. Tuesday saw a gap up above both its Trend Line and 50 day SMA that rallied higher and continued higher Wednesday and Thursday. Friday saw a high open then sold off most of the day to end the week up +3.47%.



SOXX daily chart as of Jul 22, 2022 - The Semiconductor sector saw a gap up Monday that failed. Tuesday the gap up did rally above its 50 day SMA and continued higher Wednesday and Thursday. Friday saw a pull back to end the week up +5.80%.



XLC daily chart as of Jul 22, 2022 - The Communication Services sector saw a gap up Monday that failed. Tuesday's gap up did see follow through higher up to its 50 day SMA. The rally continued Wednesday with a pause seen on Thursday. Friday saw a pull back below the 50 day SMA and a test of the 20 day SMA Support (thanks to SNAP) to end the week up +1.05%.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORS	6/10/2022	6/17/2022	6/24/2022	7/1/2022	7/8/2022	7/15/2022	7/22/2022
\$SPX	-5.05%	-5.79%	6.45%	-2.21%	1.94%	-0.93%	2.55%
\$INDU	-4.58%	-4.79%	5.39%	-1.28%	0.77%	-0.16%	1.95%
\$COMPQ	-5.60%	-4.78%	7.49%	-4.13%	4.56%	-1.57%	3.33%
\$RUT	-4.40%	-7.48%	6.01%	-2.15%	2.41%	-1.41%	3.58%
QQQ	-5.67%	-4.90%	7.46%	-4.24%	4.69%	-1.18%	3.47%
\$STRAN	-7.45%	-3.74%	5.28%	-1.91%	0.81%	-1.38%	4.53%
XLE	-0.89%	-17.16%	-1.49%	1.38%	-2.25%	-3.33%	3.73%
XLF	-6.71%	-4.92%	5.12%	-1.42%	0.63%	-0.94%	3.05%
XLK	-6.36%	-4.94%	7.36%	-4.53%	4.29%	-0.37%	3.66%
SOXX	-7.39%	-9.06%	5.33%	-9.56%	6.32%	3.01%	5.80%
XLV	-3.34%	-4.46%	8.22%	0.37%	0.82%	-0.41%	-0.28%
XLY	-5.58%	-5.79%	8.25%	-4.75%	4.54%	-1.05%	6.84%
XRT	-3.43%	-4.85%	7.31%	-9.04%	4.26%	-1.21%	5.41%
XLI	-4.93%	-5.81%	4.27%	-0.81%	-0.22%	-1.22%	4.16%
XLU	-4.05%	-9.07%	7.23%	4.12%	-2.83%	-0.09%	-0.47%
XME	-4.45%	-10.38%	-0.52%	-5.38%	-1.49%	-0.12%	1.93%
XLP	-2.57%	-4.30%	6.64%	0.51%	-0.44%	0.05%	0.36%
XLB	-5.77%	-8.26%	2.76%	-3.06%	-1.48%	-1.34%	4.19%
XLC	-4.88%	-5.06%	6.01%	-3.72%	3.45%	-2.29%	1.05%
XHB	-5.77%	-11.38%	7.92%	0.53%	3.22%	0.48%	6.00%

Weekly Percent Change US Indexes and Sectors table as of Jul 22, 2022 - Note the strong showing of the Russell this week along with the Nasdaq. However this was not nearly as strong as what was seen on the week ending June 24th. The strong week this week was also seen in the Breadth indicators above (Market Internals) as the Russell 2000 also reflected this week.

The strongest sector this week was the XLY which is mostly weighted by two stocks: 23.5% AMZN and 19% TSLA. The strongest sectors this week included: XLY, XHB, SOXX XRT and the Dow Transports.

Only two sectors were negative this week, XLU and XLV. XLP was positive this week but was also associated with the weakest sectors.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 07/11/22	End of Day 07/12/22	End of Day 07/13/22	End of Day 07/14/22	End of Day 07/15/22	End of Day 07/18/22	End of Day 07/19/22	End of Day 07/20/22	End of Day 07/21/22	End of Day 07/22/22
\$SPX	-1.15%	-0.92%	-0.45%	-0.30%	1.92%	-0.84%	2.76%	0.59%	0.99%	-0.93%
\$INDU	-0.52%	-0.62%	-0.67%	-0.46%	2.15%	-0.69%	2.43%	0.15%	0.51%	-0.43%
\$COMPQ	-2.26%	-0.95%	-0.15%	0.03%	1.79%	-0.81%	3.11%	1.58%	1.36%	-1.87%
\$RUT	-2.11%	-0.22%	-0.12%	-1.07%	2.16%	-0.34%	3.50%	1.59%	0.48%	-1.62%
QQQ	-2.14%	-0.97%	-0.21%	0.36%	1.81%	-0.85%	3.08%	1.57%	1.44%	-1.75%
\$TRAN	-1.13%	-0.56%	-1.30%	-0.27%	1.90%	0.52%	3.88%	0.89%	-0.39%	-0.39%

Daily Percent Change US Indexes table as of Jul 22, 2022 - The Dow Industrials were weakest twice this week while the Dow Transports were the strongest 3 days this week. On negative days this week the QQQ was the weakest on Monday and the Nasdaq composite was the weakest on Friday, showing us leadership on those down days.

Next we will look at a few key Stocks (mostly the same names we looked at last week) to see how they did this week.



AAPL daily chart as of Jul 22, 2022 - Apple broke above its 20 day SMA and its Trend Line Resistance (Orange line) on July 5th and has continued its rally since. There was a pause near the 50 day SMA last week where we saw the rally continue last Thursday and Friday. This week we saw a pull back on Monday then the rally resumed Tuesday, Wednesday and Thursday, then pulled back a little on Friday to end this week up +2.61%. Apple broke above the June 1st prior highs this week and is now above its 20 day and 50 day SMAs. Apple reports Earnings next week on Thursday after the close.



MSFT daily chart as of Jul 22, 2022 - Microsoft gapped up to its 20 day SMA Monday and failed to rally, pulling back to below last Friday's lows. Tuesday saw a gap up and rally to its 20 day SMA. Wednesday saw a rally above its 20 day and 50 day SMAs that continued higher Thursday with a bullish engulfing candle. Friday saw a pull back to end the week below its 20 day SMA, and nearly on its 50 day SMA, up +1.42% for the week. Microsoft reports Earnings on Tuesday next week, after the close.



GOOGL daily chart as of Jul 22, 2022 - Alphabet saw strong selling Monday to nearly retest last week's lows. Tuesday saw a gap up and rally above its 50 day and 20 day SMAs. Wednesday saw higher highs and higher lows. Thursday saw lower highs and lower lows but a higher close. Friday saw a gap down below both its 20day and 50day SMAs to deliver new lows for this week and last week, down -3.47% for this week and now below all 3 of its key SMAs. Alphabet reports Earnings on Tuesday next week.



AMZN daily chart as of Jul 22, 2022 - Amazon rallied last Friday and saw higher highs and higher lows on Monday but with a close below its open. Tuesday, Wednesday and Thursday saw a rally with a small pull back on Friday to end the week up +7.81%. Amazon reports Earnings on Thursday next week.



TSLA daily chart as of Jul 22, 2022 - Tesla saw a gap up and pull back down to its 50 day SMA support on Monday. Tuesday saw a gap up and higher close that crossed above its Trend Line Resistance (Yellow line). Wednesday was a higher high and higher low with a narrow range day. After reporting Earnings, TSLA saw a strong gap up and rally on very strong volume on Thursday. Friday saw a higher high and very small pull back to end the week up +13.40%.

You can see how AMZN and TSLA both lifted the XLY sector this week with these strong rallies.



META daily chart as of Jul 22, 2022 - Meta rallied on each of the first 3 days this week, crossing above its 50 day SMA on Wednesday. Thursday saw a higher high, higher low and a slightly higher close. Friday saw a gap down and selling to nearly its 20 day SMA thanks to SNAP. Meta ended the week up 2.77%. Meta reports Earnings on Wednesday next week.



NVDA daily chart as of Jul 22, 2022 - Nvidia saw a gap up and stalled at its 50 day SMA Resistance Monday. Tuesday saw a gap up and rally above its 50 day SMA that continued higher Wednesday and Thursday. Friday saw a pull back to end the week up +9.88%.



GS daily chart as of Jul 22, 2022 - Goldman reported Earnings on Monday before the open and gapped up at the open Monday and briefly rallied above its 50 day SMA and Trend Line Resistance before pulling back. Tuesday saw a rally off of its 50 day SMA support that continued Wednesday and Thursday to reach its prior Support (Grey line from Jan 24th lows) as new Resistance. GS briefly broke above this Resistance then sold down back below on Friday to end the week up +10.23%.



COST daily chart as of Jul 22, 2022 - The Costco gains from last Thursday and Friday were kept as COST paused near last week's highs the first 3 days this week. Thursday saw a rally followed by higher highs and higher lows on Friday to end the week up +1.29%.



BA daily chart as of Jul 22, 2022 - Boeing broke above the \$141 area last week and continued its rally with higher highs and higher lows every day this week, even with the lower close on Monday and Friday, ending the week up +7.05%. BA reports Earnings on Wednesday next week before the open.



SLB daily chart as of Jul 22, 2022 - Schlumberger gapped up to its Trend Line Resistance (Yellow line) on Monday and paused there. Tuesday saw a rally up to its 20 day SMA that was retested as Resistance on Wednesday. Thursday saw both a lower low and lower highs. SLB reported Earnings on Friday before the open and saw a gap up above its 20 day SMA at the open and a swing up at the open with mild selling during the day to end the week up +8.58%.



HAL daily chart as of Jul 22, 2022 - Halliburton gapped above its Trend Line Resistance (Yellow line) on Monday and paused. Tuesday HAL reported Earnings before the open and saw a rally Tuesday up to nearly its 20 day SMA. Wednesday saw an 'Inside' day. Thursday saw a gap down and pause. Friday was a wider range day and lower close to end the week down -1.44% and still below all 3 of its key SMAs.



AMD daily chart as of Jul 22, 2022 - AMD crossed above its 20 day SMA last Friday. AMD continued its rally with higher highs and higher lows on each of the first 4 days this week, crossing above its 50 day SMA on both Wednesday and Thursday. Friday saw a small pull back below its 50 day SMA to end the week up +8.62%. AMD reports Earnings on Aug. 2nd after the close.



MU daily chart as of Jul 22, 2022 - Micron crossed above its 20 day SMA on July 7th and was range bound there for over a week before gapping higher last Friday. This week MU delivered higher highs and higher lows each day but on Friday even after its lower close on Monday. Thursday found Resistance at its 50 day SMA. Friday saw a gap down to end the week down -0.39%.

We've seen both bullish and bearish reactions to Earnings this week, and several times those reactions were regardless of the Earnings beating or missing estimates. We also saw sympathetic moves this week within a sector with other names that have yet to report Earnings.

With so many large companies reporting Earnings this week and with so many key Economic news events, it is important to be prepared for volatile moves as they are more likely this week.

Preparing strategies for Bullish, Bearish and Neutral reactions this next week, and mentally rehearsing what evidence you will need to observe before taking the appropriate action (if any) in each scenario is an excellent way to reduce mistakes. Being prepared goes a long way to help make decisions far easier to make as data comes at you each moment.

Trade Smart,

CJ