



## Market Observations - as of Aug. 19, 2022

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

Last week we saw a small gap up Monday that failed. Tuesday saw a slow drift lower. Wednesday gapped up on better than expected CPI numbers and continued higher during the day. Thursday gapped up on PPI numbers then reversed an hour later to sell off all of that day's gains plus more. Friday saw a gap up and strong rally most of the day.

This week we saw last Friday's rally continue on Monday and Tuesday until resistance was found at the S&P 200 day SMA and selling kicked in the last two hours on Tuesday. Wednesday saw a gap down and oscillations as UK Inflation numbers came out at double digits. Oscillations continued Thursday before the gap down on Friday as Germany reported its highest PPI numbers ever seen, up 37% year over year. Selling was strong at the open Friday then slowed as markets continued lower most of the day.

Oil prices dropped Monday and Tuesday before finding support, then bounced only a little on Thursday and Friday. The US Dollar Index rose sharply each day this week except on Wednesday as the 2022 highs from mid July are nearing a retest. Gold prices dropped each day this week as the US Dollar Strengthened. US 10 year Yields rose this week to 2.989% on Friday.

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



S&P 500 weekly chart as of Aug 19, 2022 - We see a higher high and higher low this week but with a lower close, suggesting a possible end of the 4+ week rally.



S&P 500 daily chart as of Aug 19, 2022 - Here we see the S&P came within \$0.90 of testing its 200 day SMA (Purple) Resistance on Tuesday and then pulled back on Wednesday. Thursday saw a quiet pause day. Friday saw a gap down and selling below the Trend Line Support (Yellow line) to end the week down -1.21%.



S&P 500 15 min. chart as of Aug 19, 2022 - Here we see the rally from last Friday continued on Monday and Tuesday this week until the 200 day SMA was nearly touched in sellers stepped in the last 2 hrs of Tuesday. We see the gap down Wednesday, choppy oscillations until the gap down Friday below the Trend Line with strong selling that followed lower to end this week at a loss.



DJIA weekly chart as of Aug 19, 2022 - The Industrials saw a higher high and higher low this week with a brief break above the 50 week SMA that failed and closed a little lower for this week.



DJIA daily chart as of Aug 19, 2022 - Last Friday's rally continued higher on Monday and Tuesday above its 200 day SMA. Wednesday saw a pull back followed with an 'Inside' day on Thursday, both above its 200 day SMA. Friday saw strong selling back below its 200 day SMA to end the week down -0.16%.



Nasdaq weekly chart as of Aug 19, 2022 - We see a higher high and higher low this week, but a lower close that gave back nearly all of last week's gains this week.



Nasdaq daily chart as of Aug 19, 2022 - Last Friday's rally continued on Monday and Tuesday until selling stepped in the last 2 hrs on Tuesday. Wednesday saw a drop and narrow chop below the Support Trend Line (Yellow line). Thursday saw an 'Inside' day that was followed by a gap down and strong selling Friday to end the week down -2.62%. The Nasdaq composite found Resistance on Tuesday well below its 200 day SMA, at the exact same time that the S&P was testing its 200 day SMA thus showing sympathy between these indexes.



Russell 2000 weekly chart as of Aug 19, 2022 - The Russell saw a higher high and higher low this week, but a much lower close, giving back about 2/3 of last week's gains as Resistance was found just below the 50 week SMA (Blue) this week.



Russell 2000 daily chart as of Aug 19, 2022 - The Russell saw higher highs Monday and Tuesday, above its 200day SMA before finding Resistance Tuesday the changed into selling the last 2 hrs. Wednesday dropped below its 200 day SMA, Thursday saw an 'Inside' day followed by Friday's gap down below the Support Trend Line (Yellow line) to end the week down -2.94%.

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



McClellan Summation Index weekly chart as of Aug 19, 2022 - Last week we saw a strong increase to 728.66. This week we see a much smaller increase to 830.17.



McClellan Summation Index daily chart as of Aug 19, 2022 - Here we see the slope up slow early this week and reverse a little the last part of this week.



NYSE Percent above 200 day SMA daily chart as of Aug 19, 2022 - Last week saw a strong increase above its 200 day SMA to 44.61%. This week we see a tiny increase Monday and Tuesday then a sharp decline Wednesday, pause Thursday and another decline Friday to end this week at 38.50%.



NYSE Percent above 50 day SMA daily chart as of Aug 19, 2022 - Last week we saw a strong increase up to 83.41%. This week we see several small declining days to end this week at 75.75%.



VIX daily chart as of Aug 19, 2022 - Here see mostly a horizontal zone for the VIX this week, with most days straddling the 20 level and with slightly higher ranges on Monday and Friday. The VIX remains below all 3 of its key SMAs.



VVIX daily chart as of Aug 19, 2022 - The Volatility of the VIX saw slow declining range days this week with a small pop higher on Friday. Most of this week remained above its 20 day SMA and below its 50 day SMA.



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



Oil daily chart as of Aug 19, 2022 - Oil prices drifted lower on Monday and Tuesday with Wednesday pausing with an 'Inside' day. Thursday and Friday saw a small increase to end this week at \$89.62.



Gold daily chart as of Aug 19, 2022 - Gold prices declined each day this week below its 50 day SMA on Wednesday and below its 20 day SMA on Thursday. Note the mirror image between Gold and the USD charts this week.



US Dollar Index daily chart as of Aug 19, 2022 - The US Dollar strengthened each day this week, crossing above its 20 day SMA on Monday and ending the week nearing its 2022 highs from July 14<sup>th</sup>.



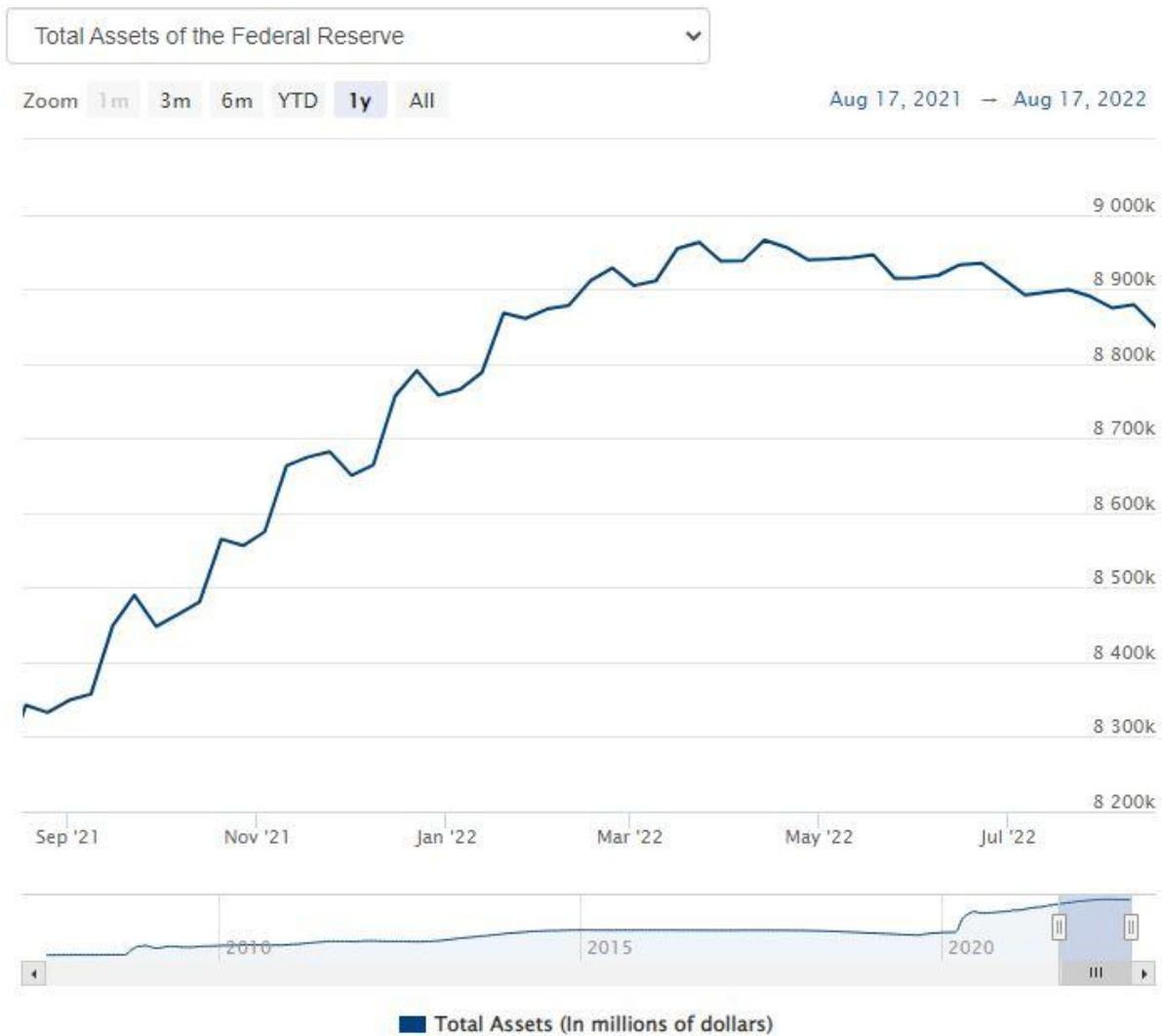
US 10 yr Treasury daily chart as of Aug 19, 2022 - The 10 yr Treasury saw some light buying Monday then sold lower the rest of this week, breaking below its 50 day SMA on Friday.



US 10 yr Yield daily chart as of Aug 19, 2022 - As the US Treasury sold lower this week the Yields increased, gapping above its 50 day SMA on Friday to end this week at 2.989%.

| 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 |
|------------|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| 08/01/2022 | 2.22 | 2.33 | 2.56 | 2.96 | 2.98 | 2.90 | 2.82 | 2.66 | 2.64 | 2.60  | 3.12  | 2.92  |
| 08/02/2022 | 2.22 | 2.33 | 2.56 | 3.00 | 3.09 | 3.06 | 3.02 | 2.85 | 2.82 | 2.75  | 3.22  | 3.00  |
| 08/03/2022 | 2.20 | 2.29 | 2.52 | 3.00 | 3.14 | 3.10 | 3.04 | 2.86 | 2.81 | 2.73  | 3.17  | 2.96  |
| 08/04/2022 | 2.19 | 2.36 | 2.50 | 2.98 | 3.11 | 3.03 | 2.95 | 2.76 | 2.73 | 2.68  | 3.15  | 2.97  |
| 08/05/2022 | 2.21 | 2.39 | 2.58 | 3.10 | 3.29 | 3.24 | 3.18 | 2.97 | 2.91 | 2.83  | 3.27  | 3.06  |
| 08/08/2022 | 2.23 | 2.43 | 2.65 | 3.15 | 3.30 | 3.21 | 3.14 | 2.91 | 2.85 | 2.77  | 3.22  | 3.00  |
| 08/09/2022 | 2.23 | 2.43 | 2.67 | 3.16 | 3.33 | 3.28 | 3.20 | 2.97 | 2.89 | 2.80  | 3.24  | 3.01  |
| 08/10/2022 | 2.24 | 2.43 | 2.65 | 3.13 | 3.26 | 3.23 | 3.13 | 2.93 | 2.86 | 2.78  | 3.27  | 3.04  |
| 08/11/2022 | 2.24 | 2.51 | 2.62 | 3.08 | 3.25 | 3.23 | 3.16 | 2.98 | 2.94 | 2.87  | 3.38  | 3.15  |
| 08/12/2022 | 2.23 | 2.50 | 2.63 | 3.13 | 3.26 | 3.25 | 3.18 | 2.97 | 2.92 | 2.84  | 3.34  | 3.12  |
| 08/15/2022 | 2.27 | 2.53 | 2.72 | 3.13 | 3.23 | 3.20 | 3.14 | 2.91 | 2.86 | 2.79  | 3.31  | 3.10  |
| 08/16/2022 | 2.26 | 2.51 | 2.70 | 3.12 | 3.26 | 3.25 | 3.19 | 2.95 | 2.90 | 2.82  | 3.31  | 3.11  |
| 08/17/2022 | 2.22 | 2.51 | 2.68 | 3.15 | 3.27 | 3.28 | 3.27 | 3.04 | 2.99 | 2.89  | 3.37  | 3.15  |
| 08/18/2022 | 2.23 | 2.56 | 2.71 | 3.12 | 3.24 | 3.22 | 3.23 | 3.02 | 2.97 | 2.88  | 3.35  | 3.14  |
| 08/19/2022 | 2.23 | 2.60 | 2.74 | 3.16 | 3.26 | 3.25 | 3.28 | 3.11 | 3.06 | 2.98  | 3.44  | 3.22  |

US Yield Rates daily table as of Aug 19, 2022 - The short term Yields changed little this week while the longer term yields increased on Wednesday and Friday this week. The 10 year / 2 year Inversion has been persistent and has continued every day since July 6<sup>th</sup> last month.



FOMC Balance Sheet weekly chart as of Aug 17, 2022 - Last week the Fed actually 'Increased' its Balance Sheet by \$4.518 Billion. This week we see a decrease in the Balance Sheet of \$29.376 Billion, from a Total Assets of \$8.879138 Trillion on Aug. 10<sup>th</sup> to \$8.849762 Trillion on Aug. 17<sup>th</sup> 2022.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Aug 19, 2022 - The Transports oscillated near its 200 day SMA for 4 days then declined sharply Wednesday, saw an 'Inside' day on Thursday followed by strong selling on Friday, breaking below its Trend Line Support (Yellow line) and ending the week down - 2.48%.



XLE daily chart as of Aug 19, 2022 - The Energy sector dipped below its 50 day SMA briefly on Monday, paused Tuesday, then rallied the last 3 days of this week to end the week up +1.26%.



XLF daily chart as of Aug 19, 2022 - The Financial sector continued higher Monday and Tuesday, then paused with 'Inside' days on Wednesday and Thursday. Friday was a sharp decline to give back all of this week's gains and ending this week down -1.69%.



QQQ daily chart as of Aug 19, 2022 - The Nasdaq-100 ETF continued higher on Monday and Tuesday then saw selling the last 2 hours on Tuesday. Wednesday saw a gap down and pause followed by an 'Inside' day on Thursday and another gap down with stronger selling Friday to end the week down -2.28%. If you were to draw a Support Trend Line below the prior 4 weeks you will likely see Friday break below that support.



SOXX daily chart as of Aug 19, 2022 - The Semiconductor sector paused Monday and Tuesday, then gapped down Wednesday to briefly break below then close the day at its 20 day SMA. Thursday saw a failed rally that gapped lower Friday and closed the week below its 20 day SMA, down -3.52% for the week.



XLC daily chart as of Aug 19, 2022 - The Communication Services sector saw the rally continue Monday and Tuesday before reversing the last 2 hrs on Tuesday. Wednesday saw a gap down the continued lower Thursday. Friday saw another gap down and selling down to its 20 day SMA, down -3.14% for the week.



| INDEXes | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| SECTORS | 7/8/2022    | 7/15/2022   | 7/22/2022   | 7/29/2022   | 8/5/2022    | 8/12/2022   | 8/19/2022   |
| \$SPX   | 1.94%       | -0.93%      | 2.55%       | 4.26%       | 0.36%       | 3.26%       | -1.21%      |
| \$INDU  | 0.77%       | -0.16%      | 1.95%       | 2.97%       | -0.13%      | 2.92%       | -0.16%      |
| \$COMPQ | 4.56%       | -1.57%      | 3.33%       | 4.70%       | 2.15%       | 3.08%       | -2.62%      |
| \$RUT   | 2.41%       | -1.41%      | 3.58%       | 4.34%       | 1.94%       | 4.93%       | -2.94%      |
|         |             |             |             |             |             |             |             |
| QQQ     | 4.69%       | -1.18%      | 3.47%       | 4.46%       | 1.99%       | 2.69%       | -2.28%      |
| \$TRAN  | 0.81%       | -1.38%      | 4.53%       | 5.78%       | -0.05%      | 3.74%       | -2.48%      |
| XLE     | -2.25%      | -3.33%      | 3.73%       | 10.22%      | -6.81%      | 7.38%       | 1.26%       |
| XLF     | 0.63%       | -0.94%      | 3.05%       | 2.93%       | -0.06%      | 5.55%       | -1.69%      |
| XLK     | 4.29%       | -0.37%      | 3.66%       | 5.10%       | 1.94%       | 2.44%       | -1.66%      |
| SOXX    | 6.32%       | 3.01%       | 5.80%       | 4.24%       | 2.91%       | 0.61%       | -3.52%      |
| XLV     | 0.82%       | -0.41%      | -0.28%      | 1.98%       | -0.72%      | 1.65%       | -0.52%      |
| XLY     | 4.54%       | -1.05%      | 6.84%       | 5.22%       | 0.91%       | 3.41%       | -1.40%      |
| XRT     | 4.26%       | -1.21%      | 5.41%       | -0.24%      | 5.19%       | 6.74%       | -2.80%      |
| XLI     | -0.22%      | -1.22%      | 4.16%       | 5.74%       | 0.50%       | 3.87%       | -1.00%      |
| XLU     | -2.83%      | -0.09%      | -0.47%      | 6.51%       | 0.38%       | 3.35%       | 1.28%       |
| XME     | -1.49%      | -0.12%      | 1.93%       | 10.29%      | 0.48%       | 8.29%       | -4.23%      |
| XLP     | -0.44%      | 0.05%       | 0.36%       | 1.76%       | 0.20%       | 1.17%       | 1.85%       |
| XLB     | -1.48%      | -1.34%      | 4.19%       | 4.09%       | -1.31%      | 5.20%       | -2.40%      |
| XLC     | 3.45%       | -2.29%      | 1.05%       | 0.68%       | 1.28%       | 4.33%       | -3.14%      |
| XHB     | 3.22%       | 0.48%       | 6.00%       | 2.93%       | 0.19%       | 4.02%       | -3.04%      |

Weekly Percent Change US Indexes and Sectors table as of Aug 19, 2022 - This week saw the strongest decline in the Russell 2000 index right after that same index showed the strongest increase last week.

The Strongest sectors this week included: XLP, XLU and XLE, that were also the only sectors with a positive change this week. The Weakest sectors this week included: XME, SOXX, XLC and XHB that all were down by more than -3% this week.

| INDEXes | Mon        | Tue        | Wed        | Thur       | Fri        | Mon        | Tue        | Wed        | Thur       | Fri        |
|---------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SECTORS | 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 | End of Day |
|         | 08/08/22   | 08/09/22   | 08/10/22   | 08/11/22   | 08/12/22   | 08/15/22   | 08/16/22   | 08/17/22   | 08/18/22   | 08/19/22   |
| \$SPX   | -0.12%     | -0.42%     | 2.13%      | -0.07%     | 1.73%      | 0.40%      | 0.19%      | -0.72%     | 0.23%      | -1.29%     |
| \$INDU  | 0.09%      | -0.18%     | 1.63%      | 0.08%      | 1.27%      | 0.45%      | 0.71%      | -0.50%     | 0.06%      | -0.86%     |
| \$COMPQ | -0.10%     | -1.19%     | 2.89%      | -0.58%     | 2.09%      | 0.62%      | -0.19%     | -1.25%     | 0.21%      | -2.01%     |
| \$RUT   | 1.01%      | -1.46%     | 2.95%      | 0.31%      | 2.09%      | 0.23%      | -0.04%     | -1.64%     | 0.68%      | -2.17%     |
| QQQ     | -0.32%     | -1.13%     | 2.79%      | -0.57%     | 1.95%      | 0.81%      | -0.23%     | -1.14%     | 0.25%      | -1.95%     |
| \$TRAN  | 0.35%      | -0.87%     | 3.09%      | 0.66%      | 0.49%      | -0.32%     | 0.74%      | -1.94%     | 0.80%      | -1.76%     |

Daily Percent Change US Indexes table as of Aug 19, 2022 - We saw daily changes in leadership with the Transports showing alternating leadership 4 days this week. The Dow Industrials showed relative strength on both Wednesday and Friday this week, on the two strongest market down days by the way.

Next we will look at a few key Stocks.



AAPL daily chart as of Aug 19, 2022 - Apple continued its rally this week, peaking on Wednesday and followed by a pause 'Inside' day on Thursday. Friday saw a sharp decline as the news of an updated recommended by Apple that's needed to block a know weakness. Apple ended the week down -0.34%.



MSFT daily chart as of Aug 19, 2022 - Microsoft rallied Monday to find Resistance at its 200 day SMA. Tuesday saw an 'Inside' day. Wednesday saw a lower low and lower high. Thursday saw a quiet pause followed by a sharp decline on Friday to end the week down -1.77%.



GOOGL daily chart as of Aug 19, 2022 - Alphabet continued its rally Monday and then paused Tuesday. Wednesday saw a gap down. Thursday saw a small bounce. Friday saw another gap down that continued lower to find support at its 20 day SMA ending the week down -3.67%.



AMZN daily chart as of Aug 19, 2022 - Amazon continued its pause on Monday then saw a rally briefly above its 200 day SMA on Tuesday before the selling kicked in the last 2 hours. Wednesday saw a gap down and narrow range day followed by another narrow range day on Thursday. Friday saw another gap down with selling lower to end the week down -3.71%.



TSLA daily chart as of Aug 19, 2022 - Tesla continued its rally Monday above its 200 day SMA. Tuesday pulled back but stayed above its 200 day SMA. Wednesday gapped lower and delivered both lower lows and lower highs, but again closed just above its 200 day SMA. Thursday saw an 'Inside' day above its 200 day SMA. Friday saw a gap down below its 200 day SMA and sold down to find support at its 20 day SMA and bounced a little to end the week down -1.12%.



META daily chart as of Aug 19, 2022 - Meta paused Monday and Tuesday then gapped down and sold off lower Wednesday. Thursday saw lower lows and lower highs. Friday saw another gap down and selling below its 20 day and 50 day SMAs to end the week down -6.95% and now below all 3 of its key SMAs.



NVDA daily chart as of Aug 19, 2022 - Nvidia continued its rally Monday, and then pulled back a little on Tuesday. Wednesday saw a gap down and test of Support at its 20 day SMA. Thursday saw another test of its 20 day SMA as support and a small rally higher. Friday saw another gap down with continued selling that crossed below its 20 day SMA and ended the week down -4.60%.

\*\* Out of the above seven 'Big' Tech names, all closed lower this week with the smallest declines seen in AAPL, TSLA and MSFT. Out of these seven only Apple remains above all 3 of its key SMAs now.



GS daily chart as of Aug 19, 2022 - Goldman Sachs continued to pause four days this week then gapped down on Friday to end the week down -1.29%.



COST daily chart as of Aug 19, 2022 - Costco found support at its 20 day SMA late last week and rallied off of that support every day this week except on Friday where it saw a small pull back, ending the week up +3.22%.



DE daily chart as of Aug 19, 2022 - John Deere paused just above its 200 day SMA this week before reporting Earnings on Friday before the markets opened. Initial reaction was negative as DE opened Friday well below its 200 day SMA and rallied to fill its gap and ended the day up and the week up +0.41%. DE remains above all 3 of its key SMAs.



LMT daily chart as of Aug 19, 2022 - Lockheed continued its rally Monday, Tuesday and Wednesday this week followed by an 'Inside' day on Thursday with a lower close. Friday saw a lower low, a lower high and a higher close to end the week up +1.33%.



CAT daily chart as of Aug 19, 2022 - Caterpillar paused this week near the highs from last week, changing very little and ending the week down -0.63%.



X daily chart as of Aug 19, 2022 - US Steel tested Resistance at its 200 day SMA last week and saw a small dip on Monday. Tuesday saw a failed rally that could not reach its 200 day SMA. Wednesday saw a gap down and selling nearly to its 20 day SMA. Thursday saw a narrow 'Inside' day. Friday saw a gap below its 20 day SMA to end the week down n-8.36%.



WMT daily chart as of Aug 19, 2022 - Wal-Mart continued a little higher on Monday before reporting Earnings Tuesday before the open. Tuesday opened with a strong gap up above its 200 day SMA where WMT remained the next two days. Friday saw a gap down and selling below its 200 day SMA to give back a small portion of Tuesday's gains, ending the week up +3.63%.



As we can see from several of the above charts (those stocks that we looked at last week and again this week) we can see some with 'positive gains' this week. This happened within the context of a week where all the major indexes were down and seven of the biggest names were all down.

This is an example of how we can improve our odds by identifying some of the strongest names in the strongest sectors over prior days & weeks, and then follow those names with 'Trending' behaviors to see if a trading opportunity is revealed. Trends can end at any time, so we keep an eye on these names and use tools like Trend Lines to help identify when the Trend might be coming to an end. We also saw examples (above) of Trend Lines being broken this week, mostly on Friday. We do not know what may happen next week. What we do know that this week ended on a mostly bearish note, and that bearish behavior could continue into next week. We just have to watch and see.

I hope sharing these charts helps others learn to 'Read' the charts and begin to see the behavior as it changes.

Trade Smart,

CJ