



## Market Observations - as of Aug. 26, 2022

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

Last week we saw a rally continue early in the week then sellers stepped in the last 2 hours on Tuesday that was followed with a gap down Wednesday and narrow range oscillations through Thursday. Friday saw a gap down with strong selling most of the day to end the week down as the 4 week rally had ended.

This week we saw strong selling continue on Monday most of the day followed by a pause on Tuesday and Wednesday. Thursday saw a failed rally that could not recover the losses so far this week. Friday saw some volatile swings then a very strong and large drop most of the day as Jay Powell spoke at Jackson Hole in the morning. The drop Friday was significant in that it was the largest range day seen since mid June and the S&P made a 2 standard deviation move downward (as measured by the Options Market's 'Expected Move' on Friday Aug. 19<sup>th</sup>).

With such a significant move on Friday this week, the odds increase that there are more 'slower to react' investors that saw the drop after the markets closed on Friday (or during the weekend) and make decisions to sell on Monday. We don't count on this reaction, but we have seen it often occur over the weekend after a big drop on a Friday, unless there is other bigger news during the weekend.

The US Dollar remained strong this week near its 2022 highs as Gold and Oil saw a small rally this week that was given back later this week.

Economic reports this week seemed to be close to the 'estimates' with little to no reactions seen in the markets. It seemed as if everyone was waiting for Jay Powell to speak Friday Morning, and all the anticipation just fueled the reactions we saw on Friday.

In many of the charts below we will see the change in Trend from Bullish to Bearish on Friday, or earlier on some charts. As you look at these charts, see if you can identify the strongest sectors or stocks that either remained positive on this down week, or have seen the least decline this week and last week. That is one way to identify relative strength even on a strong Bearish day and week.

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



S&P 500 weekly chart as of Aug 26, 2022 - Last week we saw a small decline as the S&P found Resistance near its 50 week SMA. This week continued lower to end nearly on its 20 week SMA.



S&P 500 daily chart as of Aug 26, 2022 - Here we can see the break of Support Trend Line (Yellow line) last Friday that continued lower with a gap down and cross below its 20 day SMA on Monday. Tuesday and Wednesday saw a pause near Monday's lows. Thursday saw a failed rally that crossed back above its 20 day SMA but could not fill Monday's gap or recover all of this week's losses so far. Friday saw a very strong selloff below its 20 day SMA and delivering new lows for August, ending this week down - 4.04% and now below its 200 day and 20 day SMAs.



S&P 500 15 min. chart as of Aug 26, 2022 - Here we can see the gap down and continued decline on Monday that crossed below the weekly 'Expected Move' mid day on Monday. Tuesday and Wednesday were narrow range horizontal days that were mostly below the weekly Expected Move (E.M.). Thursday saw a rally early and late in the day that failed to fill much of Monday's gap. Friday saw a steep decline most of the day, ending the day below twice its weekly Expected Move, or 2 standard deviations below the S&P closes on Friday Aug. 19<sup>th</sup>.

A 2-standard deviation move has about 4.5% odds of occurring and we have seen it occur 3 times so far in 2022 along with one 3-standard deviation move in Jan. this year. This is one clue that shows us that the Options Markets are 'Under pricing' actual Risk more often this year.



DJIA weekly chart as of Aug 26, 2022 - We see a pause last week near the 50 week SMA and a strong decline this week below its 20 week SMA.



DJIA daily chart as of Aug 26, 2022 - We saw the decline below the 200 day SMA (Purple) late last week that continued lower Monday to its 20 day SMA (Yellow). Tuesday and Wednesday remained just below its 20 day SMA. Thursday saw a rally above its 20 day SMA that failed to recover Monday's losses. Friday saw a large range day decline below its 20 day SMA on above average volume, ending the day down - 4.22% and now below its 200 day and 20 day SMAs.



Nasdaq weekly chart as of Aug 26, 2022 - Here we see a second down week that nearly fell to its 20 week SMA this week.



Nasdaq daily chart as of Aug 26, 2022 - Last week we saw the Nasdaq break below its Support Trend Line (Yellow line) mid week with a sharp decline last Friday. This week we see the decline continue lower on Monday with a gap below its 20 day SMA. Tuesday and Wednesday saw a pause near Monday's lows. Thursday saw a rally that failed at its 20 day SMA. Friday saw a very large range decline to end the week down -4.44% and now below its 200 day and 20 day SMAs.



Russell 2000 weekly chart as of Aug 26, 2022 - Here we see a second down week in a row after the 4 week rally last month.



Russell 2000 daily chart as of Aug 26, 2022 - Last Friday we saw the Russell break below its Support Trend Line (Yellow line). This week we see a gap down to the 20 day SMA and more selling lower. Tuesday saw a pause near Monday's lows. Wednesday saw a small rally up to its 20 day SMA. Thursday saw a gap up above its 20 day SMA and small rally that about filled Monday's gap. Friday saw very strong selling back below the 20 day SMA to new lows for the week, down -2.94% for the week.

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



McClellan Summation Index weekly chart as of Aug 26, 2022 - Last week we saw the positive momentum slow dramatically to end the week at 830.17. This week we see a reversal lower to end this week at 610.87.



McClellan Summation Index daily chart as of Aug 26, 2022 - Here we see the positive momentum end last week on Thursday and began a downward decline last Friday that continued lower this week to 610.87. Remember, this Index measures the acceleration of changes in overall market Breadth.



NYSE Percent above 200 day SMA daily chart as of Aug 26, 2022 - Last week we saw a dip to the 200 day SMA (Red) ending last week at 38.50%. This week we see the decline continue lower, pause, bounce up to the 200 day SMA one day then drop back down on Friday to end this week at 33.29%.



NYSE Percent above 50 day SMA daily chart as of Aug 26, 2022 - Last week we began to see a small decline to 75.75%. This week the decline sharpened on Monday, paused, bounced Thursday just to decline again on Friday to end this week at 61.63%.





VIX daily chart as of Aug 26, 2022 - We saw the VIX gap higher on Monday, drift lower the next 3 days, and then pop higher on Friday to cross above its 50 day and 200 day SMAs. The VIX is now above all 3 of its key SMAs. However, Friday did not look like a 'capitulation' even since the VIX only rose to 25.5 and not up to 30 or 40 or 50 as it would in a real panic. Monday and Friday of this week looked more like systematic selling, without any 'surprise' aspect.



VVIX daily chart as of Aug 26, 2022 - Note the Volatility of the VIX tells are more 'complacent' story this week of no panic, just systematic selling, confirming what we saw this week in the VIX.

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



Oil daily chart as of Aug 26, 2022 - Oil rallied the first 3 days this week up to its 200 day SMA where it found Resistance. Thursday pulled back and was followed with a pause on Friday after a brief test of Support at its 20 day SMA.



Gold daily chart as of Aug 26, 2022 - Gold saw a small rally up to its 50 day SMA on Thursday and then gave back most of this week's gains on Friday.



US Dollar Index daily chart as of Aug 26, 2022 - The US Dollar oscillated this week near its 2022 highs. The US Dollar was also near or at parity with the Euro each day this week (1:1 value).



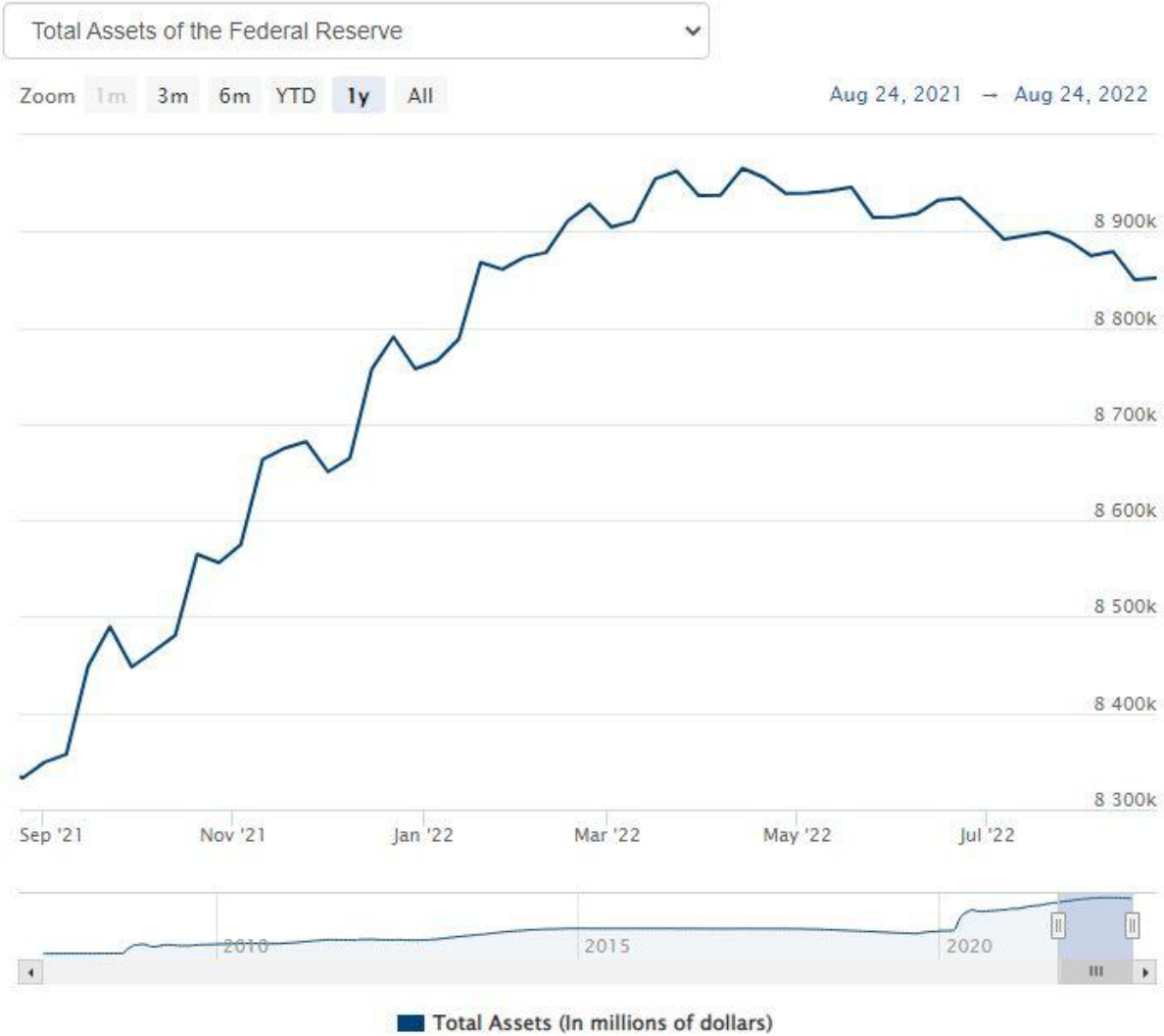
US 10 year Treasury daily chart as of Aug 26, 2022 - The 10 year Treasury saw increased selling volume each day this week that peaked Wednesday and reversed Thursday. Friday saw sellers step back in with volume.



US 10 year Yield daily chart as of Aug 26, 2022 - The 10 year Yields increase each day this week until peaking on Wednesday and pulled back a bit Thursday and Friday.

| 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  |
| 08/22/2022 | 2.27 | 2.60 | 2.82 | 3.23 | 3.32 | 3.32 | 3.36 | 3.17 | 3.12 | 3.03  | 3.48  | 3.24  |
| 08/23/2022 | 2.28 | 2.60 | 2.80 | 3.21 | 3.29 | 3.29 | 3.35 | 3.18 | 3.14 | 3.05  | 3.49  | 3.26  |
| 08/24/2022 | 2.29 | 2.62 | 2.82 | 3.28 | 3.35 | 3.36 | 3.40 | 3.20 | 3.20 | 3.11  | 3.55  | 3.32  |
| 08/25/2022 | 2.42 | 2.70 | 2.88 | 3.25 | 3.33 | 3.35 | 3.37 | 3.15 | 3.11 | 3.03  | 3.47  | 3.25  |
| 08/26/2022 | 2.39 | 2.69 | 2.89 | 3.26 | 3.36 | 3.37 | 3.40 | 3.20 | 3.14 | 3.04  | 3.44  | 3.21  |

US Yield Rates daily table as of Aug 26, 2022 - We continued to see the 10yr/2yr Yield Inversion nearly every day in July and every day so far in August. Note how the 2 month Yield has increased and is nearing the 10 year Yield this month.



FOMC Balance Sheet weekly chart as of Aug 24, 2022 - The Fed 'Increased' its Balance Sheet this week by \$1.674 Billion, from its Total Assets of \$8.849762 Trillion on Aug. 17<sup>th</sup> to \$8.851436 Trillion on Aug. 24<sup>th</sup>.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Aug 26, 2022 - The Transports continued lower on Monday below its 20 day SMA. The next 3 days saw a rally crossing above its 20 day SMA on Thursday. Friday saw a large range decline back below its 20 day SMA to end the week down -2.65%.



XLE daily chart as of Aug 26, 2022 - The Energy sector rallied with oil prices this week briefly peaking early on Friday before closing a little lower that day, ending the week up +4.25%



XLF daily chart as of Aug 26, 2022 - The Financial sector continued to deliver lower lows on each of the first 3 days this week with a higher close on Wednesday. Thursday saw a rally back above the 20 day SMA. Friday saw a bearish engulfing day crossing back below its 20 day SMA and ending the week at new lows, down -3.55% for the week.



QQQ daily chart as of Aug 26, 2022 - The Nasdaq-100 ETF gapped below its 20 day SMA and continued lower Monday. Tuesday and Wednesday saw a pause near Monday's lows. Thursday saw a gap up and rally that failed to reach its 20 day SMA. Friday saw a huge down day on very high volume to deliver new lows for the month, down -4.78% for the week.





SOXX daily chart as of Aug 26, 2022 - The Semiconductor sector broke below its Support Trend Line (Yellow line) late last Friday and gapped down lower Monday and remained near Monday's lows on Tuesday and Wednesday. Thursday saw a rally up to its 20 day SMA followed by strong selling on Friday from its 20 day SMA down to nearly its 50 day SMA, down -5.19% for the week.



XLC daily chart as of Aug 26, 2022 - The Communications Services sector continued lower on Monday below its 50 day SMA and continued lower on Tuesday to find some support on Wednesday. Thursday saw a gap up and rally back above its 50 day SMA. Friday saw strong selling back below its 50 day SMA to new lows for the week, down -4.39% for the week.



XME daily chart as of Aug 26, 2022 - The Metals and Mining sector crossed below its 200 day SMA on Monday to find support at its 20 day SMA. We saw a rally with higher highs each day this week until Friday reversed and closed lower, giving back on the prior day's gains. The XME ended the week up +3.54%.

| INDEXes | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| SECTORS | 7/22/2022   | 7/29/2022   | 8/5/2022    | 8/12/2022   | 8/19/2022   | 8/26/2022   |
| \$SPX   | 2.55%       | 4.26%       | 0.36%       | 3.26%       | -1.21%      | -4.04%      |
| \$INDU  | 1.95%       | 2.97%       | -0.13%      | 2.92%       | -0.16%      | -4.22%      |
| \$COMPQ | 3.33%       | 4.70%       | 2.15%       | 3.08%       | -2.62%      | -4.44%      |
| \$RUT   | 3.58%       | 4.34%       | 1.94%       | 4.93%       | -2.94%      | -2.94%      |
| QQQ     | 3.47%       | 4.46%       | 1.99%       | 2.69%       | -2.28%      | -4.78%      |
| \$TRAN  | 4.53%       | 5.78%       | -0.05%      | 3.74%       | -2.48%      | -2.65%      |
| XLE     | 3.73%       | 10.22%      | -6.81%      | 7.38%       | 1.26%       | 4.25%       |
| XLF     | 3.05%       | 2.93%       | -0.06%      | 5.55%       | -1.69%      | -3.55%      |
| XLK     | 3.66%       | 5.10%       | 1.94%       | 2.44%       | -1.66%      | -5.56%      |
| SOXX    | 5.80%       | 4.24%       | 2.91%       | 0.61%       | -3.52%      | -5.19%      |
| XLV     | -0.28%      | 1.98%       | -0.72%      | 1.65%       | -0.52%      | -4.24%      |
| XLY     | 6.84%       | 5.22%       | 0.91%       | 3.41%       | -1.40%      | -4.69%      |
| XRT     | 5.41%       | -0.24%      | 5.19%       | 6.74%       | -2.80%      | -5.57%      |
| XLI     | 4.16%       | 5.74%       | 0.50%       | 3.87%       | -1.00%      | -3.36%      |
| XLU     | -0.47%      | 6.51%       | 0.38%       | 3.35%       | 1.28%       | -2.56%      |
| XME     | 1.93%       | 10.29%      | 0.48%       | 8.29%       | -4.23%      | 3.54%       |
| XLP     | 0.36%       | 1.76%       | 0.20%       | 1.17%       | 1.85%       | -3.20%      |
| XLB     | 4.19%       | 4.09%       | -1.31%      | 5.20%       | -2.40%      | -1.26%      |
| XLC     | 1.05%       | 0.68%       | 1.28%       | 4.33%       | -3.14%      | -4.39%      |
| XHB     | 6.00%       | 2.93%       | 0.19%       | 4.02%       | -3.04%      | -5.07%      |

Weekly Percent Change US Indexes and Sectors table as of Aug 26, 2022 - The Nasdaq Composite and Nasdaq-100 were down the most this week with the Russell 2000 and Dow Transports down the least. We saw in prior weeks how the Transports and Russell 2k were relatively stronger indexes, so this is not a surprise this week.

The strongest and ONLY two positive sectors this week were XLE and XME. This is not a surprise since we have very often seen these same two sectors show their strength on daily and weekly sector lists this year.

The weakest sectors this week were: XRT, XLK, SOXX and XHB that were all down by over -5% this week. This too is not a surprise since we have often seen the Semiconductor and big Tech sectors lead markets both UP and Down this year.

By keeping track of relative strength and weakness, over time, we can improve our odds by trading the strongest (or weakest) stocks in those sectors, as leaders tend to often continue to be leaders, both in bullish and bearish markets. We will see some stock chart examples below of some names that have often lead markets and their sectors up and/or down this year.

| INDEXes<br>SECTORS | Mon                    | Tue                    | Wed                    | Thur                   | Fri                    | Mon                    | Tue                    | Wed                    | Thur                   | Fri                    |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                    | End of Day<br>08/15/22 | End of Day<br>08/16/22 | End of Day<br>08/17/22 | End of Day<br>08/18/22 | End of Day<br>08/19/22 | End of Day<br>08/22/22 | End of Day<br>08/23/22 | End of Day<br>08/24/22 | End of Day<br>08/25/22 | End of Day<br>08/26/22 |
| \$SPX              | 0.40%                  | 0.19%                  | -0.72%                 | 0.23%                  | -1.29%                 | -2.14%                 | -0.22%                 | 0.29%                  | 1.41%                  | -3.37%                 |
| \$INDU             | 0.45%                  | 0.71%                  | -0.50%                 | 0.06%                  | -0.86%                 | -1.91%                 | -0.47%                 | 0.18%                  | 0.98%                  | -3.03%                 |
| \$COMPQ            | 0.62%                  | -0.19%                 | -1.25%                 | 0.21%                  | -2.01%                 | -2.55%                 | 0.00%                  | 0.41%                  | 1.67%                  | -3.94%                 |
| \$RUT              | 0.23%                  | -0.04%                 | -1.64%                 | 0.68%                  | -2.17%                 | -2.13%                 | 0.18%                  | 0.84%                  | 1.52%                  | -3.30%                 |
| QQQ                | 0.81%                  | -0.23%                 | -1.14%                 | 0.25%                  | -1.95%                 | -2.63%                 | -0.08%                 | 0.29%                  | 1.77%                  | -4.10%                 |
| \$TRAN             | -0.32%                 | 0.74%                  | -1.94%                 | 0.80%                  | -1.76%                 | -1.58%                 | 0.65%                  | 0.47%                  | 1.73%                  | -3.86%                 |

Daily Percent Change US Indexes table as of Aug 26, 2022 - We saw several changes in leadership this week with the Industrials showing relative weakness 3 days this week yet changing to 'relative' strength on Friday. The Transports also showed relative strength on two days this week while the QQQ lead the markets down on Monday and Friday, the two biggest down days this week. The QQQ is heavily weighted by big Tech and Semiconductors so this too is not a surprise.

By following the money flow into and out of various sectors, we can better identify the changing market moods and what sector(s) may be favored at any time. However, we need to keep track of these changes in order to recognize their trends and changes in behavior. My Tables (above) are one way to do so. You may want to create your own method that can help you track these changes over time.

Next we will look at a few key Stocks.



AAPL daily chart as of Aug 26, 2022 - Apple has shows a slow and steady rally since early July. We saw a small pull back last Friday. On Monday this week we saw a gap down below its Support Trend Line (Yellow line) that nearly sold down to the 20 day SMA. Tuesday and Wednesday saw a pause near the 20 day SMA. Thursday saw a rally above the 20 day SMA that failed to change the week into a positive gain. Friday saw strong selling back below the 20 day SMA, with above average volume and the widest range day since May 20<sup>th</sup>. Apple ended the week down -4.61%.



MSFT daily chart as of Aug 26, 2022 - Microsoft gapped below its 20 day SMA on Monday and continued lower Monday, Tuesday and Wednesday. Thursday saw a small rally that failed and could only recover a small portion of Monday's losses and found Resistance at prior Support (Grey line) from Oct. 2021 lows. Friday saw strong selling on high volume to cross below its 50 day SMA, ending the week down -6.31% and now below all 3 of its key SMAs.



GOOGL daily chart as of Aug 26, 2022 - Alphabet gapped below its 20 day SMA on Monday and sold down to find support at its 50 day SMA. Tuesday and Wednesday saw narrow range days that straddled the 50 day SMA. Thursday saw a rally above its 50 day SMA that failed to reach its 20 day SMA. Friday saw a gap down and strong selling below its 50 day SMA, on strong volume and ended the week down -5.86% and now below all 3 of its key SMAs.



AMZN daily chart as of Aug 26, 2022 - Amazon gapped below its 20 day SMA on Monday and continued lower. Tuesday saw a pause near the prior day's lows. Wednesday saw lower lows and a slightly higher close. Thursday saw a gap up and rally that failed to reach its 20 day SMA or fill Monday's gap. Friday saw strong selling to new lows for the month, ending the week down -5.41%. AMZN is now below its 200 day and 20 day SMAs.



TSLA daily chart as of Aug 26, 2022 - Tesla continued lower Monday, below its 20 day SMA. Tuesday saw a drift higher then continued faster the first hour on Wednesday then reversed and drifted lower to give back that day's early gains before the 3-for-1 stock split effective Thursday. Thursday and Friday saw a drift lower with brief over-reactions at the open Thursday and early Friday. Tesla ended the week down -2.89% and is now below its 200 day and 20 day SMAs.



META daily chart as of Aug 26, 2022 - Meta gapped below its 50 day SMA on Monday and continued lower Tuesday and early Wednesday before reversing and drifting higher Wednesday and Thursday back above its 50 day SMA. Friday saw strong selling from its 20 day SMA Resistance, back below its 50 day SMA and did not deliver new lows for the week Friday, ending the week down -3.68%. Meta is now below all 3 of its Key SMAs.



NVDA daily chart as of Aug 26, 2022 - Nvidia gapped lower Monday to find support at its 50 day SMA. The 50 day SMA support held the next 3 days as Thursday saw a rally that failed to reach its 20 day SMA. Friday saw strong selling back below its 50 day SM to new lows for the month, down -8.90% for the week. Nvidia is now below all 3 of its key SMAs.

Out of the above 7 biggest tech names, what names are now below all 3 of their key SMAs (20d, 50d and 200d)? What names are still above one or more of these key SMAs? What names saw the biggest declines this week (%) and what names saw the least decline (%)? What names appear to be 'Trending' to you and what names appear to not be trending now? These types of questions are examples of how you may help determine what stocks might be better candidates for capturing a Trending Move in the current context of the markets. Also, because these are the biggest companies in the Nasdaq-100 they tend to have the most influence on the major indexes and sectors due to their size and Market Cap Weighting of most Indexes.



GS daily chart as of Aug 26, 2022 - Goldman Sachs saw a strong rally 2 weeks ago and a pause at new highs last week before beginning to pull back last Friday. On Monday this week we saw a big gap down to the 200 day SMA in Goldman. Tuesday saw more selling below the 20 day SMA (Yellow). Wednesday saw a lower low then a mild rally back up to the convergence of the 200 day and 20 day SMAs. Thursday saw a small rally that failed to fill Monday's gap. Friday saw strong selling to new lows for the week, ending the week down -3.68% and now below its 200 day and 20 day SMAs.





COST daily chart as of Aug 26, 2022 - Costco has seen a series of stair-step rallies higher with small pull backs in between each rally since 2022 lows in May. Last week saw a higher high on Thursday with a small pull back on Friday. This week we saw a decline continue Monday and Tuesday, crossing below its 20 day SMA on Tuesday. Wednesday saw an 'Inside' day and pause near the 20 day SMA. Thursday saw a rally that failed to turn the week into a positive gain. Friday saw strong selling back below the 20 day SMA to deliver new lows for the month, down -4.10% for the week. The Rally that was mostly above the 20 day SMA seems to have ended this week.



DE daily chart as of Aug 26, 2022 - John Deere paused last week just above its 200 day SMA after a four week rally in July and Aug. This week the rally resumed with higher highs every day this week except on Wednesday which was an 'Inside' day. Friday saw a higher high early at the open before reversing an hour into the day to decline, giving back only a small portion of this week's gains, ending the week up +2.63% and still above all 3 of its key SMAs.



SLB daily chart as of Aug 26, 2022 - Schlumberger formed a Cup-and-handle-and-handle just below \$37.60 (March 16<sup>th</sup> Support - Orange line) over the past two months. On Tuesday this week we saw a break out above that Resistance level that continued higher Wednesday and Thursday. Friday saw a relatively small pull back to end the week up +6.20%. SLB is now above all 3 of its key SMAs.



HAL daily chart as of Aug 26, 2022 - Halliburton is similar to SLB, as it retested Resistance at its June 23<sup>rd</sup> lows (Grey line) several times over the past two month, breaking above this Resistance on Tuesday this week, and continuing higher above its 200 day SMA on Wednesday with higher highs seen on Thursday. Friday saw a small pull back below the 200 day SMA to end the week up +5.82%.

Both SLB and HAL are part of the Energy sector and tend to often move with Oil prices.



X daily chart as of Aug 26, 2022 - US Steel saw a pull back from its 200 day SMA last week. That decline continued Monday this week. Tuesday saw a small rally above the Resistance Trend Line (Green line) to remain below its 20 day SMA. Wednesday saw a rally above its 20 day SMA that continued higher Thursday above its 200 day SMA. Friday saw a very small pull back to end the week up +9.59%, above 2 of its 3 SMAs and just 8 cents below its 200 day SMA.



STLD daily chart as of Aug 26, 2022 - Steel Dynamics saw a strong rally in the last half of July and early August, paused last week and pulled back only a little last Friday. This week we saw the decline continue as the 20 day SMA provided support on Monday and Tuesday. Wednesday saw a brief dip below the 20 day SMA with a higher close. Thursday saw a break above the Resistance Trend Line (Yellow line) and a strong rally on strong volume to deliver new August highs. Friday saw even higher highs in the first hour before pulling back and ending the day nearly flat, up +6.20% for the week. STLD is still above all 3 of its key SMAs.

The VIX, VVIX and the 'Expected Move' this week showed us how the Options Market continues to under price actual risk 'often' this year and did so again this week. We did NOT see a full blow panic on Friday with the VIX only rising to 25.5 on a very strong selling day. This suggests we have NOT YET seen a bottom or an exhaustion event that has gotten all the selling done. This also suggests that there is likely more selling yet to come. A 'full capitulation' day is often a sign of a bottom and we have not yet seen that kind of an event so far this year. Therefore, we remain agile, knowing that volatile decline and volatile rallies often happen in Bearish markets.

Trade Smart,

CJ