



Market Observations - as of Sep. 9, 2022

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

Last week we saw selling continue each day with Tuesday and Thursday showing the greatest strength from the bears. Friday saw a failed rally in the opening hour that sold off the rest of the day.

This week was a short Holiday week with the markets closed on Monday for Labor Day. Tuesday saw selling continue the first hour to deliver lower lows than were lower than the prior week in most indexes. A 'failed rally' is often followed with a lower low. After establishing a lower low and lower high early Tuesday, the remainder of the day saw a consolidation pattern that remained inside the morning's highs and lows. Wednesday saw a slow positive rally all day that ended the day with most major indexes up from 1.5% to over 2%. However, the daily volume on Wednesday was some of the lightest daily volume seen in 8 days. Thursday delivered a slightly higher high and higher low early in the day to then calm down to form a consolidation pattern the rest of the day. Friday saw a gap up and rally that was strong the first hour and a half that continued higher but with less momentum the rest of the day. Unlike Wednesday, Friday's rally did show stronger volume and much stronger volume breadth.

On Friday the S&P gapped above and remained above its upper weekly 'Expected Move' all day, ending the week again 'outside' of its Expected Move. We have now seen 6 out of the last 8 weeks close 'Outside' the weekly Expected Move.

The US Dollar again delivered new 20 year highs on both Tuesday and Wednesday this week. Oil prices declined on Tuesday and Wednesday then rallied a little on Thursday and Friday.

Gold prices dipped to nearly 1700 late Tuesday evening then rallied slowly the next 3 days to end the week nearly unchanged.

The US 10 year Yields peaked on Tuesday at 3.353% then pulled back only a little the following days to remain near 3.30% most of this week.

Expectations for the Sept 21st Fed meeting rate increase of +0.75% rose from 57% odds to 90% odds this week, while the odds of a +0.50% rate increase decreased from 43% to 10%.

After the Market's Decline from Aug 16th to Sep 6th (with two failed rallies) we finally see a rally (or bounce) the last 3 days this week. The Convictions of the buyers seemed weak on Wednesday and Thursday, but Friday showed stronger convictions with the buyers. This could become another failed rally, or could be the beginning of a stronger rally. Anything can happen, so we prepare for multiple scenarios: Bullish, Bearish and Neutral.

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



S&P 500 weekly chart as of Sep 9, 2022 - After a 3 week decline we see a bullish engulfing candle this week that crossed above its 20 week SMA. Note: this week's lows are higher than the prior lows seen mid June or mid July.



S&P 500 daily chart as of Sep 9, 2022 - We see the lower low on Tuesday this week followed by a rally the next three days, crossing above its 50 day SMA at the open and crossing above its Resistance Trend Line on Friday, ending the week up +3.65%.



S&P 500 15 min. chart as of Sep 9, 2022 - The Failed rally last Friday saw lower lows delivered on Tuesday this week in the opening hour. Tuesday and Thursday saw 'consolidation' days this week while Wednesday and Friday saw rallies. The Wednesday rally was on rather light volume, where the Friday rally saw stronger volume and volume breadth. Friday also saw the S&P gap above its upper weekly Expected Move (at \$4018.47) and remain above all day. The Resistance Trend Line (Green line) was broken above in the opening hour as well on Friday.



DJIA weekly chart as of Sep 9, 2022 - We saw a pause week at the 50 week SMA (Blue) followed by 2 weeks of decline, crossing below its 20 week SMA last week. This week we see a rally back above the 20 week SMA. Note that this week's lows are 'higher' than the prior lows seen in mid June or mid July.



DJIA daily chart as of Sep 9, 2022 - Here we see the lower low on Tuesday followed by 3 rally days this week up to the 50 day SMA (Blue), ending the week up +2.66%. Also, the Industrials broke above their Resistance Trend Line (Green line) late on Wednesday.



Nasdaq weekly chart as of Sep 9, 2022 - Here we see three weeks of decline crossing below its 20 week SMA (Yellow) last week. This week we see a Bullish Engulfing candle that crossed back above its 20 week SMA. This week's lows were higher than the prior lows seen in mid June (below the 200 week SMA).



Nasdaq daily chart as of Sep 9, 2022 - Here we see the lower lows on Tuesday followed by 3 days of rally, crossing above its Resistance Trend Line (Green line) on Wednesday and above its 50 day SMA on Friday, ending the week up +4.14%.



Russell 2000 weekly chart as of Sep 9, 2022 - Here we see three weeks of decline followed by a rally off of its 200 week SMA support this week and crossing back above its 20 week SMA.



Russell 2000 daily chart as of Sep 9, 2022 - Here we see the lower low on Tuesday followed by 3 days of rally this week, crossing above its Resistance Trend Line on Wednesday and above its 50 day SMA early on Friday, ending the week up +4.04%.

Out of the above 4 major Indexes, all but the DJIA is now above its 50 day SMA.

Next we will look at a few key 'Market Internals' to understand the overall breadth of the markets.



McClellan Summation Index weekly chart as of Sep 9, 2022 - The McClellan Summation Index continued to decline this week, but with a smaller decline from 179.76 to -34.06.



McClellan Summation Index daily chart as of Sep 9, 2022 - Here we see the decline continue this week and slow down to a nearly horizontal day on Friday to end the week at -34.06.

It is not uncommon to sometimes see a lag of a day or more in this Index when it responds to changes in trends.



NYSE Percent above 200 day SMA daily chart as of Sep 9, 2022 - Last week this percentage dropped to 25.95%. This week we saw a small dip on Tuesday to nearly 25% before a rally the last 3 days back above its 50 day SMA to end this week at 32.40%.



NYSE Percent above 50 day SMA daily chart as of Sep 9, 2022 - Last week we saw a decline to 36.12%. This week we saw a small decline on Tuesday to about 34% before the rally the last 3 days, above its 200 day SMA to end this week at 52.92%.



VIX daily chart as of Sep 9, 2022 - The VIX returned to its 25.3 to 27.7 range from last week on Tuesday this week as the markets made new lows Tuesday. The next three days saw a slow decline in the VIX from 27 to 22.8, crossing below its 50 day SMA on Thursday and below its 20 day SMA on Friday.



VVIX daily chart as of Sep 9, 2022 - The VVIX popped up only a little bit on Tuesday, then declined the rest of this week below its 20 day and 50 day SMAs.

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



Oil daily chart as of Sep 9, 2022 - Oil prices paused on Tuesday then declined sharply on Wednesday to \$81.50. Thursday briefly saw a lower low followed by a small rally that continued higher Friday to end this week at the prior week's lows.



Gold daily chart as of Sep 9, 2022 - Gold prices oscillated within a narrow range this week with a small \$5 increase in value for the week.



US Dollar Index daily chart as of Sep 9, 2022 - The US Dollar Index again grew stronger and delivered new 20 year highs again on Tuesday and Wednesday this week. Thursday saw a small decline that continued lower on Friday, briefly testing its 20 day SMA as support.



US 10 year Treasury daily chart as of Sep 9, 2022 - The US 10 year saw strong selling again on Tuesday that was followed with consolidation the rest of this week on lighter volume.



US 10 year Yield daily chart as of Sep 9, 2022 - The 10 year Yields popped to higher highs on Tuesday, then pulled back and consolidated the rest of this week.

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
09/01/2022	2.53	2.80	2.97	3.34	3.51	3.51	3.54	3.39	3.36	3.26	3.64	3.37
09/02/2022	2.49	2.79	2.94	3.33	3.47	3.40	3.44	3.30	3.29	3.20	3.61	3.35
09/06/2022	2.44	2.82	3.04	3.40	3.61	3.50	3.55	3.43	3.41	3.33	3.74	3.49
09/07/2022	2.30	2.80	3.07	3.42	3.60	3.45	3.50	3.37	3.35	3.27	3.67	3.42
09/08/2022	2.57	2.86	3.06	3.44	3.60	3.48	3.54	3.39	3.37	3.29	3.69	3.45
09/09/2022	2.57	2.88	3.08	3.52	3.67	3.56	3.61	3.45	3.42	3.33	3.71	3.47

US Yields daily table as of Sep 9, 2022 - Not only has the 10 year / 2 year Inversion continued every day this month, but so too has the 10 year / 6 month Inversion. The Yield Curve continues to 'flatten' out.

The Expectations for a +0.75% rate hike by the Fed on Sept. 21st have increased from 57% to 90% odds this week.



FOMC Balance Sheet weekly chart as of Sep 7, 2022 - The Fed decreased its Balance Sheet by a small amount this week, with a reduction of -\$3.692 Billion. This reduces the Balance Sheet Total Assets from \$8.826093 Trillion last week to \$8.822401 Trillion this week.

Next we will look at a few key Sectors.



Dow Jones Transportation Index daily chart as of Sep 9, 2022 - We saw lower lows on both Tuesday and Wednesday with a higher close on Wednesday. On Thursday we saw an 'Inside' day. Friday saw a gap up and rally up to nearly its 50 day SMA to end the week up +2.35%.



XLE daily chart as of Sep 9, 2022 - The Energy sector moved with Oil prices again this week, crossing below its 20 day SMA on Tuesday and gapping down lower on Wednesday. Thursday saw only a small rally. Friday saw a gap up and rally above its 20 day SMA to end the week up +0.80%.



XLF daily chart as of Sep 9, 2022 - The Financial sector saw a lower low Tuesday below its 50 day SMA. Wednesday saw a rally back above its 50 day SMA that continued higher Thursday. Friday saw a gap up and rally above its 20 day SMA to end the week up +4.47%.



QQQ daily chart as of Sep 9, 2022 - The Nasdaq-100 ETF delivered a lower low on Tuesday then rallied the next three days, crossing above its 50 day SMA (Blue) on Friday, ending the week up +4.04%.



SOXX daily chart as of Sep 9, 2022 - The Semiconductor sector saw a lower low Tuesday followed by a 3 day rally to end the week up +4.66% but still below all 3 of its key SMAs.



XLC daily chart as of Sep 9, 2022 - The Communication Services sector saw a lower low Tuesday and very strong volume followed by a rally the next three days, ending the week up +3.31% but still below all 3 of its key SMAs.



XME daily chart as of Sep 9, 2022 - Here we see a bounce off of its 50 day SMA support last week on Sept. 1st. This week saw a pause Tuesday followed by a decline and retest of the 50 day SMA support on Wednesday but with a higher close this time. The rally continued Thursday then gapped up Friday and rallied above its 200 day and 20 day SMAs to end the week up +6.13%. Most of this week's gains were realized on Friday.

Out of the major Indexes and Sector charts we have looked at so far (daily charts) most of these were below all 3 of their key SMAs (20 day, 50 day and 200 day) at the end of last week. Now take a look and make a note of what Indexes and Sectors closed this week 'above' one or more of their key 3 SMAs, or, what Indexes and Sectors remain below all 3 SMAs. This is one way to help identify relative strength. As you look at the Stock charts below, also make a similar note of what names are now above one or more of their 3 key SMAs, or, remain below all 3 MSAs.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	7/29/2022	8/5/2022	8/12/2022	8/19/2022	8/26/2022	9/2/2022	9/9/2022
\$SPX	4.26%	0.36%	3.26%	-1.21%	-4.04%	-3.29%	3.65%
\$INDU	2.97%	-0.13%	2.92%	-0.16%	-4.22%	-2.99%	2.66%
\$COMPQ	4.70%	2.15%	3.08%	-2.62%	-4.44%	-4.21%	4.14%
\$RUT	4.34%	1.94%	4.93%	-2.94%	-2.94%	-4.74%	4.04%
QQQ	4.46%	1.99%	2.69%	-2.28%	-4.78%	-3.99%	4.04%
\$STRAN	5.78%	-0.05%	3.74%	-2.48%	-2.65%	-4.47%	2.35%
XLE	10.22%	-6.81%	7.38%	1.26%	4.25%	-3.48%	0.80%
XLF	2.93%	-0.06%	5.55%	-1.69%	-3.55%	-2.46%	4.47%
XLK	5.10%	1.94%	2.44%	-1.66%	-5.56%	-5.03%	3.27%
SOXX	4.24%	2.91%	0.61%	-3.52%	-5.19%	-6.98%	4.66%
XLV	1.98%	-0.72%	1.65%	-0.52%	-4.24%	-1.81%	4.41%
XLY	5.22%	0.91%	3.41%	-1.40%	-4.69%	-2.62%	5.78%
XRT	-0.24%	5.19%	6.74%	-2.80%	-5.57%	-4.35%	5.28%
XLI	5.74%	0.50%	3.87%	-1.00%	-3.36%	-3.52%	3.40%
XLU	6.51%	0.38%	3.35%	1.28%	-2.56%	-1.47%	3.73%
XME	10.29%	0.48%	8.29%	-4.23%	3.54%	-8.43%	6.13%
XLP	1.76%	0.20%	1.17%	1.85%	-3.20%	-2.54%	1.96%
XLB	4.09%	-1.31%	5.20%	-2.40%	-1.26%	-4.89%	5.00%
XLC	0.68%	1.28%	4.33%	-3.14%	-4.39%	-2.39%	3.31%
XHB	2.93%	0.19%	4.02%	-3.04%	-5.07%	-3.27%	4.51%

Weekly Percent Change US Indexes and Sectors table as of Sep 9, 2022 - After three weeks of declines we see a rally this week in each of the major indexes above and all of the Sectors listed above. The Strongest Index is the Nasdaq Composite this week followed by the Russell 2000.

The strongest Sectors this week include: XME, XLY, XRT and XLB, all of which advanced by +5% or more this week. The SOXX advanced by +4.66% this week which is greater than the Nasdaq Composite or Nasdaq-100 this week.

The weakest sectors this week included: XLE, XLP and the Transports. All sectors advanced this week but these weaker sectors saw the least advances.

INDEXes SECTORs	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 08/29/22	End of Day 08/30/22	End of Day 08/31/22	End of Day 09/01/22	End of Day 09/02/22	Holiday 09/05/22	End of Day 09/06/22	End of Day 09/07/22	End of Day 09/08/22	End of Day 09/09/22
\$SPX	-0.67%	-1.10%	-0.78%	0.30%	-1.07%	n/a	-0.41%	1.84%	0.66%	1.53%
\$INDU	-0.57%	-0.96%	-0.88%	0.46%	-1.07%	n/a	-0.55%	1.40%	0.61%	1.19%
\$COMPQ	-1.02%	-1.12%	-0.56%	-0.26%	-1.31%	n/a	-0.74%	2.14%	0.60%	2.11%
\$RUT	-0.89%	-1.45%	-0.62%	-1.15%	-0.72%	n/a	-0.96%	2.21%	0.81%	1.95%
QQQ	-0.99%	-1.11%	-0.58%	0.04%	-1.41%	n/a	-0.72%	2.02%	0.52%	2.17%
\$TRAN	-1.03%	-1.59%	-1.04%	0.38%	-1.26%	n/a	-0.53%	0.54%	-0.09%	2.44%

Daily Percent Change US Indexes table as of Sep 9, 2022 - Leadership changed often this week, with the Russell 2000 changing from the weakest on Tuesday to the strongest on Wednesday and Thursday. The Transportation Index was the weakest on Wednesday and Thursday yet became the strongest on Friday. One should always look at the charts, since the charts can tell us a lot more about the Index (or sector) when it confirms Support or Resistance etc. that you CAN NOT see on a table or list like the above.

Next we will look at a few key Stocks. We usually look at the 6 to 7 biggest companies on the Nasdaq-100 index since these names have such a significant influence on the overall markets due to their size. We also look at a few key charts of stocks that may represent leading (or lagging) sectors.



AAPL daily chart as of Sep 9, 2022 - Apple crossed below its 50 day SMA (Blue) last week and remained below all of this week. Apple saw lower lows and lower highs the first 3 days this week, then saw a rally on Friday that failed to reach its 50 day SMA, ending the week up +1.00%.



MSFT daily chart as of Sep 9, 2022 - Microsoft continued lower Tuesday, then rallied the next 3 days to end the week up +3.28%.



GOOGL daily chart as of Sep 9, 2022 - Alphabet delivered a lower low and lower high on Tuesday, then rallied Wednesday, saw an 'Inside' day Thursday and rallied Friday to end the week up +2.60%.



AMZN daily chart as of Sep 9, 2022 - Amazon saw a lower low and lower high and closed below its 50 day SMA on Tuesday. Wednesday saw a rally back above its 50 day SMA. Thursday saw a mile increase with a higher low and higher high. Friday saw a strong gap up and rally nearly to its 20 day SMA to end the week up +4.52%.



TSLA daily chart as of Sep 9, 2022 - Tesla closed just 46 cents below its 50 day SMA last Friday. This week TSLA saw a lower low Tuesday with a higher close back above its 50 day SMA. Wednesday saw a rally from its 50 day SMA support that continued higher Thursday up to its 20 day SMA. Friday saw a gap above its 20 day SMA and rally above its 200 day SMA to end the week up +10.91%. Tesla is now above all 3 of its key SMAs as it crossed above each SMA this week.



META daily chart as of Sep 9, 2022 - Meta continued lower with lower lows and lower highs on both Tuesday and Wednesday this week with a higher close on Wednesday. Thursday saw a higher low and higher high followed by a gap up and rally Friday crossing above its 20 day and 50 day SMAs, ending the week up +5.51%.



NVDA daily chart as of Sep 9, 2022 - Nvidia continued lower Tuesday and Wednesday with lower lows then saw a higher close on Wednesday. Thursday saw a higher low and higher high that continued higher on Friday to end the week up +5.45%.

Out of the 7 biggest names above: What names are now below all 3 key SMAs? What names are above one or two key SMAs? What names are above all 3 key SMAs? This is a simple way to help expose 'Leadership'. Ask these same questions about each of the stocks we look at below.



JPM daily chart as of Sep 9, 2022 - Tuesday saw a lower low and lower high then was followed by 3 days of rally back above its 50 day SMA and above its 20 day SMA, ending the week up +4.80%.



COST daily chart as of Sep 9, 2022 - Costco saw lower lows and lower highs on Tuesday below its 50 day and 200 day SMAs. Wednesday saw a rally back above its 200 day and 50 day SMAs. Thursday was a higher low and higher high but a slightly lower close. Friday saw a rally up to its 20 day SMA to end the week up +3.37%.



DE daily chart as of Sep 9, 2022 - Deere saw a lower low and lower high on Tuesday, mostly below its 200 day SMA. Wednesday saw a rally back above its 200 day SMA that continued up to its 20 day SMA on Thursday. Friday saw a gap above its 20 day SMA and a narrow range day to end the week up +2.77%.



SLB daily chart as of Sep 9, 2022 - Schlumberger saw a lower low and lower high Tuesday, crossing and closing below its 200 day and 20 day SMAs. Wednesday saw a drop to test its 50 day SMA as Support and rallied up at the close. Thursday saw the rally continued up above its 20 day and 200 day SMAs. Friday saw another gap up and rally to end the week up +4.63% and now above all 3 of its key SMAs.



HAL daily chart as of Sep 9, 2022 - Halliburton saw a lower low and lower high to cross and close below its 20 day SMA Tuesday. Wednesday saw a gap down below its 50 day SMA. Thursday saw a similar range day as the prior day. Friday saw a gap up above its 50 day SMA and rally to nearly its 20 day SMA to end the week down -0.77%.



X daily chart as of Sep 9, 2022 - US Steel saw a lower low and lower high Tuesday, but a higher close and a test of its 50 day SMA as Support that was respected. Wednesday saw another test of its 50 day SMA Support and a strong rally that continued higher Thursday above its 20 day SMA. Friday saw the rally continued higher to test Resistance at its 200 day SMA, ending the week up +16.17%.

Remember, the XME was the strongest sector this week and has often been a leading sector this year.



WMT daily chart as of Sep 9, 2022 - Walmart closed below its 20 day SMA last Friday and continued lower on Tuesday. Wednesday saw a rally back above its 20 day SMA that continued higher Thursday and Friday to nearly reach its 200 day SMA, ending the week up +2.89%.

We have seen how various sectors have led the markets higher and lower this year, and often that has been the same sector leading the bulls and then the bears. We also have seen how keeping a close eye on those stocks that are either the strongest or weakest in their sector, can lead to catching some strong moves. We saw that again this week with the XME (Metals and Mining) sector as it rallied in the last 3 days this week and especially on Friday. Move can happen fast in this volatile market, so keeping a small list of key names can really help one focus on finding these 'leaders'.

Take some of the ideas I've shared this week and look at your charts to see what you can see in the behavior this week. Compare them to expose relative strength. Keep a small list of key names to watch each day to see if YOUR trade opportunity may show up.

Hope this helps.

Trade Smart,

CJ