



Market Observations - as of Sep. 23, 2022

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

Last week we did not publish a 'Market Observations' so we will include a brief description of market action in both the week ending Sept. 16th and this past week.

We continue to see failed rallies that are followed by lower lows. This pattern is very common to see in a Bearish market context. The brief rally we saw from Sept. 7-12 failed to test prior highs, and was quickly followed by a decline to lower lows for the month. Note how often you may see this pattern of failed rallies, and on what time frame charts you see them.

Over the past month we have seen a sharp decline in most markets, from the mid August highs to testing the 2022 (June) lows. Some Indexes, Sectors and Stocks have already broken below their June lows to deliver new 2022 lows last week and this week. As you look at the various charts below, make note of the weaker charts that have delivered new 2022 lows this week. Also note those charts that have given back the least percentage since the mid August highs. These can be useful clues to help identify both the weakest and relatively strongest names.

The US Dollar Index continued stronger this week, delivering new 20 year highs Wednesday, Thursday and Friday. The Stronger Dollar put pressure on Gold and Oil prices this week, with sizeable declines seen on Friday. Treasuries sold off as the 10 yr Yield Rates increased each day this week to peak at 3.773% on Friday. The Yield Curve 'Inversion' continues to Increase.

Another indication of the Breadth of selling, every Sector on my list (below) was down both last week and this week.

Significant selling stimulus appears to have been triggered by: the CPI data an hour before the open on Sept. 13th, an Earnings warning from FDX after the close on Sept. 15th and the Fed's increase in the Fed Funds Rate 2 hrs before the close on Wednesday Sept. 21st. Based upon these observations, we will continue to watch for reactions to major News Events.

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



S&P 500 weekly chart as of Sep 23, 2022 - Last week we saw a large Bearish Engulfing candle that crossed back below its 20 week SMA. Strong selling continued lower this week to nearly test the June 2022 lows.



S&P 500 daily chart as of Sep 23, 2022 - Last week we saw the S&P cross above its 20 day SMA on Monday on a small range day that closed above the 20 day SMA. This was a failed rally as we saw Tuesday a gap down below the 50 day SMA that continued lower to exceed the lows of the prior week and ending last week down -4.77%. This week we again saw a failed rally Monday that reversed and delivered a lower low Tuesday, exceeding the lows of the prior week. Wednesday saw another failed rally and large selling to new lows for the month. Selling continued Thursday and Friday to come within 11 points of the June lows before bouncing 48 points the last hour to end the week down -4.65%.



S&P 500 15 min. chart as of Sep 23, 2022 - Here we can see the weekly 'Expected Move' levels as well as levels that are two times the weekly Expected Move. We saw a rally from Tuesday Sept. 6th that ended the week (Sept. 9th) above its weekly Expected Move. The rally continued Monday (Sept. 12th) the first hour then paused the rest of the day. CPI data came out Tuesday (Sept. 13th) an hour before the open with strong negative reactions creating a gap down at the open that 'continued' lower most all day, crossing below its weekly Expected Move mid day. The decline continued slower Wednesday and Thursday (Sept. 14-15) then gapped down Friday (Sept. 16th) (after FDX gave an Earnings Warning) to dip below the -2x Expected Move where it remained most all day and was a few points below this level at the close on Friday last week.

This week (Sept. 19th) began with a small rally, a pause most of the day with a small rally the last hour back above its Sept. 6th Lows (Yellow line). Housing data came out before the Open on Tuesday (Sept. 20th) with a small gap down and selling to lower lows, exceeding the prior week's lows. Wednesday saw a pause until the Fed announced of its +0.75% Fed Funds Rate Hike. The wild reactions after the Fed announcement were down -60 pts, up +85 pts then down -118 points the last hour of the day. Thursday continued lower the first 2 hours then oscillated most of the day with a brief failed rally the last hour the broke down and closed the day nearly right on the lower weekly Expected Move. Friday saw a strong gap down and continued selling most of the day that came within 8 points of its -2x Expected Move before the last hour +48 pt bounce that ended the day about mid way between the lower weekly Expected Move and -2x the Expected Move.

We continue to see an overall Bearish Market, with failed rallies that are followed by lower lows. Reactions to Economic News seem to continue to trigger the strongest reactions and surges of selling. On Friday (Sept. 23rd) we saw some of the strongest breadth of selling since mid June this year. HOWEVER, we have not seen 'Panic' selling, just strong systematic selling. This is one observation that suggests that the 'Bottom' has not yet been seen and selling could continue lower.



DJIA weekly chart as of Sep 23, 2022 - the Dow Industrials found Resistance at its 50 week SMA in mid August and declined 2 weeks, bounce one week up to its 20 week SMA then Declined last week and this week to cross below its 200 week SMA this week as it delivered new 2022 lows.



DJIA daily chart as of Sep 23, 2022 - The Dow Industrials saw a failed rally up to its 20 day SMA on Monday (Sept. 12th) then declined the next four days to close the week down -4.13%. This week we saw a failed rally on Monday (Sept. 19th) that was followed by lower lows the next day. Wednesday saw a large Bearish Engulfing candle decline that continued lower Thursday and Friday to end this week down -4.00% and delivered new 2022 lows on Friday (exceeding its June lows).



Nasdaq weekly chart as of Sep 23, 2022 - We see three weeks of decline from mid August highs, followed by a failed one week rally back above its 20 week SMA. Last week delivered a big Bearish Engulfing decline followed by another strong decline this week breaking below its 200 week SMA.



Nasdaq daily chart as of Sep 23, 2022 - The Nasdaq Composite saw a failed rally up to its 20 day SMA on Monday (Sept. 12th) then declined strong the next day, paused one day then continued lower Thursday and Friday to new Sept. lows, ending that week down -5.48%. This week began with a failed rally on Monday that saw an 'Inside Day' the next day. Wednesday saw strong selling kick in (after the FOMC meeting) that continued lower Thursday and Friday to end the week down -5.07%. Friday's lows came within 168 points of retesting the June lows.



Russell 2000 weekly chart as of Sep 23, 2022 - The Russell saw three weeks of decline after its mid August highs that found support at its 200 week SMA. The one week bounce was followed by a decline last week to retest the 200 week SMA support. This week we saw a break below the 200 week SMA and a strong decline that came close to retesting the 2022 lows from mid June.



Russell 2000 daily chart as of Sep 23, 2022 - We saw a failed rally up to its 20 day SMA on Monday (Sept. 12th) then declined strong the next day, paused a day before continuing lower Thursday and Friday to end last week down -4.50%. This week we saw another failed rally on Monday followed by an 'Inside Day' on Tuesday. Wednesday saw a strong decline that continued lower Thursday and Friday, ending the week down -6.60%. Friday's lows came within 17.19 points or retesting its June lows.

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



McClellan Summation Index weekly chart as of Sep 23, 2022 - Last week we saw a drop to -134.92 in this index. This week we saw a much larger drop to -514.32. This index measures the momentum of changes in breadth and is calculated by adding together each day's McClellan Oscillator values.



McClellan Summation Index daily chart as of Sep 23, 2022 - Last week we saw a drop to -134.92 in this index. This week we saw a much larger drop to -514.32 as this index crossed below its 200 day SMA (Red).



NYSE Percent above 200 day SMA daily chart as of Sep 23, 2022 - Last week we saw a decline from 32.40% to 25.62%. This week we see a larger decline down to 15.10% for a new 52 week low.



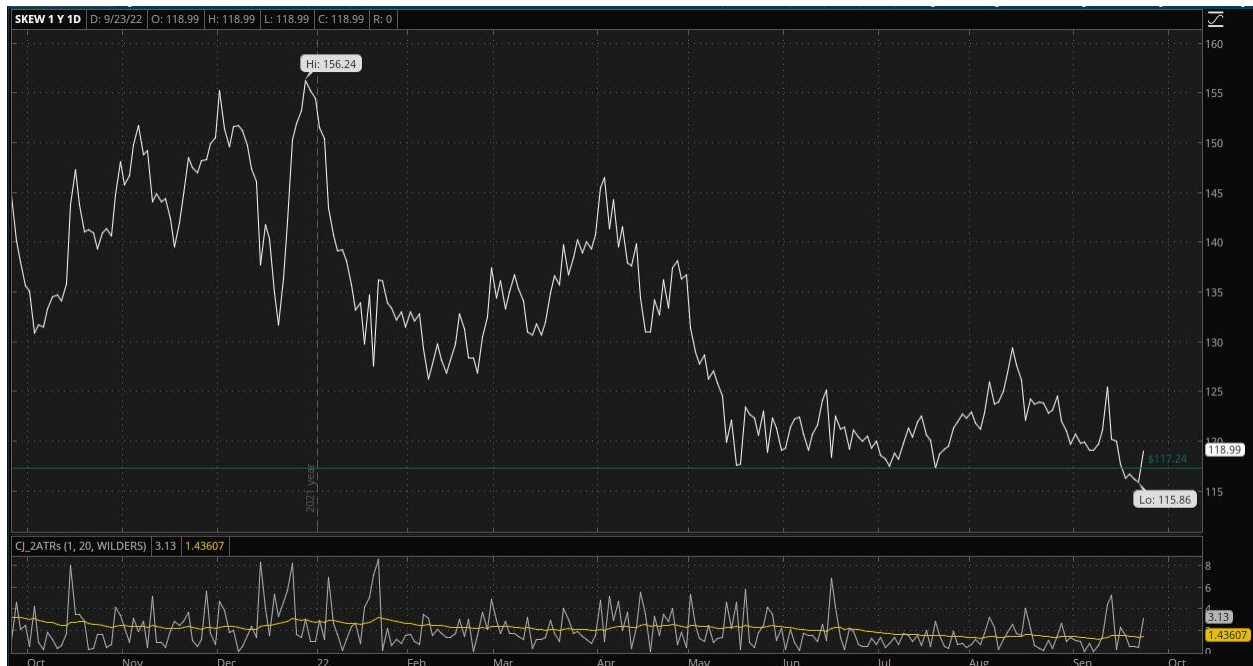
NYSE Percent above 50 day SMA daily chart as of Sep 23, 2022 - Last week we saw a decline from 52.92% to 28.28%. This week we saw a larger decline down to 8.92% for a new 52 week low.



VIX daily chart as of Sep 23, 2022 - Note the wider range days since mid August as compared to the narrow range days from mid July to mid August. The white ATR-1 in the lower panel also shows this change to more volatile volatility the past 4 to 5 weeks. Since the dip in the VIX on Sept. 9th and 12th, we have seen the VIX above all 3 of its key SMAs with a peak above 32 on Friday Sept. 23rd. Note also how the 20 day SMA (Yellow) changed from a negative slope to a positive slope in late August, indicating increasing average Volatility. The 50 day SMA is lagging and just now changing its slope.



VVIX daily chart as of Sep 23, 2022 - Note how the VVIX has remained within a range from 83 to 95 since August 1st, and then broke out on Friday Sept. 23rd.



SKEW daily chart as of Sep 23, 2022 - Options SKEW dipped to deliver new 52 week lows on Monday, Wednesday and Thursday of this week. This shows us increased demand for out of the money Puts and more aggressive Hedging activity. Visit the CBOE web site for a description of Options SKEW and how it is calculated.

In addition to the Options SKEW above, we saw the VIX Futures market change from its normal 'Contango' condition into 'Backwardation' this week, where the shorter term contracts (25-30 days) traded at higher prices than the longer terms (60-75 days). This also shows us near term increased volatility from aggressive hedging activities.

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



Oil daily chart as of Sep 23, 2022 - Oil tested Resistance at its 20 day SMA (Yellow) last week and fell sharply last Thursday (Sept. 15th) as the monthly Futures contract expired. We saw a pause in prices for 3 days then a slow decline on Wednesday and Thursday this week followed by a sharp decline on Friday this week.



Gold daily chart as of Sep 23, 2022 - Gold prices saw a decline from the 20 day SMA Resistance last week then paused for 5 days before a sharp decline (with volume) on Friday (Sept. 23rd) to new 2 year lows as prices broke below its 200 week SMA this week.



US Dollar Index daily chart as of Sep 23, 2022 - Note the slope of the 20 day and 50 day SMAs over the past six months as the US Dollar saw a steady increase in strength. We saw an acceleration of this strengthening on Wednesday, Thursday and Friday as the US Dollar delivered new 20 year highs on each of these days this week.



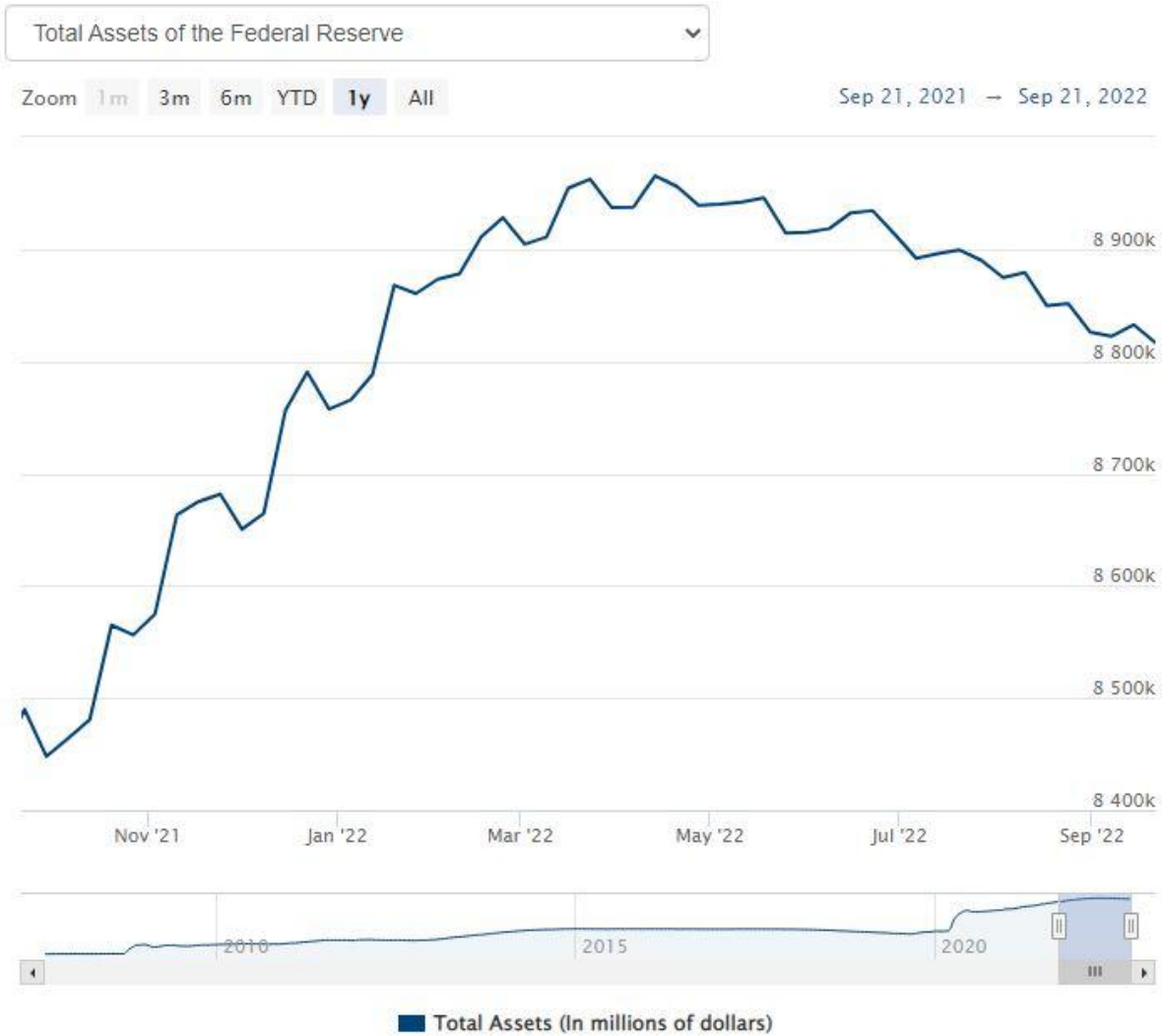
US 10 year Treasury daily chart as of Sep 23, 2022 - The US 10 year Treasury has seen steady selling since early August that peaked in Volume before expiration of contracts in late August. Volume increased each day this week, breaking above average volume on Wednesday, Thursday and Friday as selling strength increased those days. Both the Fed and the BOJ were liquidating significant holding in Treasuries this week.



US 10 year Yield daily chart as of Sep 23, 2022 - As the 10 year Treasuries were selling off since the beginning of August, we see the Yields rise at a rather steady pace. We see a large increase on Thursday this week and a peak of 3.773% yield on Friday before a small pull back to end the week at 3.697%. The 3.773% peak this week was the highest yield seen in the 10 year Treasury since May of 2010. Yes, over 12 years ago.

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
09/12/2022	2.62	2.93	3.17	3.56	3.70	3.58	3.60	3.47	3.45	3.37	3.76	3.53
09/13/2022	2.55	2.95	3.28	3.75	3.92	3.75	3.75	3.58	3.53	3.42	3.75	3.51
09/14/2022	2.54	2.95	3.24	3.76	3.95	3.78	3.79	3.60	3.52	3.41	3.73	3.47
09/15/2022	2.76	3.03	3.22	3.78	4.00	3.87	3.85	3.66	3.59	3.45	3.75	3.48
09/16/2022	2.68	3.01	3.20	3.77	3.96	3.85	3.81	3.62	3.56	3.45	3.79	3.52
09/19/2022	2.62	3.02	3.37	3.87	4.05	3.95	3.90	3.69	3.62	3.49	3.77	3.52
09/20/2022	2.57	3.05	3.35	3.86	4.03	3.96	3.94	3.75	3.69	3.57	3.83	3.59
09/21/2022	2.59	3.06	3.31	3.86	4.08	4.02	3.98	3.74	3.65	3.51	3.73	3.50
09/22/2022	2.73	3.09	3.29	3.87	4.08	4.11	4.12	3.91	3.84	3.70	3.90	3.65
09/23/2022	2.67	3.07	3.24	3.85	4.15	4.20	4.21	3.96	3.85	3.69	3.87	3.61

US Yield rates daily table as of Sep 23, 2022 - The 10 year - 2 year Yield Inverse we have seen every day since early July, has increased its spread again this week to about ½ a percent. We can also see the Yield curve Inversion grow to now also include the 10yr / 6 month Inversion.



FOMC Balance Sheet weekly chart as of Sep 21, 2022 - The Fed's Balance sheet 'Total Assets' declined by \$3.692 Billion the first week of Sept. The second week of Sept. we saw the Balance Sheet increase by \$10.358 Billion to a Total of \$8.832759 Trillion on Sept. 14th. The third week of Sept. we saw a decline of \$15.957 Billion to a Total of \$8.816802 Trillion on Sept. 21st 2022. The declining Balance sheet has been slow this summer as compared to the rate of increases from July 2020 through Jan. 2022. Also, the Fed has not yet begun to reduce its Mortgage Backed Securities per its 'plan' published in May this year, and we saw an increase in Sept. so far of +9.2 Billion in MBS.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Sep 23, 2022 - The Dow Transports gapped down after the FDX news and briefly broke below their 2022 lows last Friday before closing last week down -8.79% for the week. This week we saw a failed rally Monday followed by lower lows, closing with new lows for 2022 on Wednesday, Thursday and Friday this week, ending this week down -5.43% on strong volume.



XLE daily chart as of Sep 23, 2022 - The Energy sector Declined last week below its 20 day SMA, down -2.68% last week. This week the sector gapped below its 50 day SMA and straddled that SMA most of the week before breaking down hard on Friday below its 200 day SMA to end this week down -9.17% on huge volume Friday.



XLF daily chart as of Sep 23, 2022 - The Financial sector crossed below its 20 day and 50 day SMAs last week to end the week down -3.78%. This week the failed rally on Monday was followed by an 'Inside day' then strong selling Wed. Thur. and Friday on increasing volume. Friday's lows came within 23 cents of testing the 2022 lows ending this week down -5.59%.



QQQ daily chart as of Sep 23, 2022 - The Nasdaq-100 ETF saw a rally Monday (Sept. 12th) above its 50 day SMA that failed and gapped down the next day, paused Wednesday then resumed the decline on Thursday and Friday last week, ending the week down -5.79%. This week we saw a failed rally Monday followed by an 'Inside Day' on Tuesday. Wednesday saw a large decline to new Sept. lows on strong volume. The decline continued Thurs. and Friday to end this week down -4.60%.



SOXX daily chart as of Sep 23, 2022 - The Semiconductor sector saw a large gap down last Tuesday (Sept. 13th) that slowly drifted lower the rest of last week, ending the week down -5.70%. This week saw a pause near last Friday's range on Monday and Tuesday before a failed rally and drop Wednesday the continued lower Thursday and Friday this week, to end this week down -5.76%. Friday's lows came within \$1 of retesting the 2022 prior lows.



XLC daily chart as of Sep 23, 2022 - The Communication Services sector saw a failed rally up to its 50 day SMA on Monday (Sept. 12th) followed by a large gap down and sell off to new 2022 lows the next day. The next 2 days saw a narrow range near these new lows before breaking down to lower lows on Friday, ending last week down -6.26%. This week drifted lower after the failed rally Monday. Selling strengthened on Wednesday and Friday to end this week down -5.61% with new 2022 lows on Friday.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	8/12/2022	8/19/2022	8/26/2022	9/2/2022	9/9/2022	9/16/2022	9/23/2022
\$SPX	3.26%	-1.21%	-4.04%	-3.29%	3.65%	-4.77%	-4.65%
\$INDU	2.92%	-0.16%	-4.22%	-2.99%	2.66%	-4.13%	-4.00%
\$COMPQ	3.08%	-2.62%	-4.44%	-4.21%	4.14%	-5.48%	-5.07%
\$RUT	4.93%	-2.94%	-2.94%	-4.74%	4.04%	-4.50%	-6.60%
QQQ	2.69%	-2.28%	-4.78%	-3.99%	4.04%	-5.79%	-4.60%
\$TRAN	3.74%	-2.48%	-2.65%	-4.47%	2.35%	-8.79%	-5.43%
XLE	7.38%	1.26%	4.25%	-3.48%	0.80%	-2.68%	-9.17%
XLF	5.55%	-1.69%	-3.55%	-2.46%	4.47%	-3.78%	-5.59%
XLK	2.44%	-1.66%	-5.56%	-5.03%	3.27%	-6.19%	-3.62%
SOXX	0.61%	-3.52%	-5.19%	-6.98%	4.66%	-5.70%	-5.76%
XLV	1.65%	-0.52%	-4.24%	-1.81%	4.41%	-2.34%	-3.32%
XLY	3.41%	-1.40%	-4.69%	-2.62%	5.78%	-3.98%	-7.10%
XRT	6.74%	-2.80%	-5.57%	-4.35%	5.28%	-5.33%	-6.06%
XLI	3.87%	-1.00%	-3.36%	-3.52%	3.40%	-6.38%	-4.54%
XLU	3.35%	1.28%	-2.56%	-1.47%	3.73%	-3.76%	-2.99%
XME	8.29%	-4.23%	3.54%	-8.43%	6.13%	-10.32%	-7.91%
XLP	1.17%	1.85%	-3.20%	-2.54%	1.96%	-3.58%	-2.10%
XLB	5.20%	-2.40%	-1.26%	-4.89%	5.00%	-6.62%	-5.60%
XLC	4.33%	-3.14%	-4.39%	-2.39%	3.31%	-6.26%	-5.61%
XHB	4.02%	-3.04%	-5.07%	-3.27%	4.51%	-6.88%	-3.96%

Weekly Percent Change US Indexes and Sectors table as of Sep 23, 2022 - Last week (Ending Sept. 16th) saw the Nasdaq lead the decline with all sectors delivering a negative change. The stronger sectors last week were: XLV, XLE, XLP and XLU. The weakest sectors last week were: XME, Transports, XHB and XLB.

This week saw the decline continue with the Russell 2000 leading the decline and all sector were again negative for the week. The strongest sectors this week included: XLP, XLU and XLV. The weakest sectors included: XLE, XME, XLY and XRT.

Note how the XLE and XME sectors have alternated as strongest and weakest over the past several weeks. These sectors could offer high beta and higher volatility stocks for short term moves for the very active short term trader. Sector leadership can work both ways to help one quickly find bullish and bearish trading opportunities.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 09/12/22	End of Day 09/13/22	End of Day 09/14/22	End of Day 09/15/22	End of Day 09/16/22	End of Day 09/19/22	End of Day 09/20/22	End of Day 09/21/22	End of Day 09/22/22	End of Day 09/23/22
\$SPX	1.07%	-4.32%	0.34%	-1.13%	-0.72%	0.69%	-1.13%	-1.71%	-0.84%	-1.72%
\$INDU	0.72%	-3.94%	0.10%	-0.56%	-0.45%	0.64%	-1.01%	-1.70%	-0.35%	-1.62%
\$COMPQ	1.27%	-5.16%	0.74%	-1.43%	-0.90%	0.76%	-0.95%	-1.79%	-1.37%	-1.80%
\$RUT	1.23%	-3.91%	0.38%	-0.72%	-1.48%	0.81%	-1.40%	-1.42%	-2.26%	-2.48%
QQQ	1.19%	-5.48%	0.79%	-1.67%	-0.61%	0.60%	-0.80%	-1.79%	-1.23%	-1.63%
\$STRAN	1.37%	-3.79%	-0.41%	-1.06%	-5.07%	1.95%	-2.27%	-1.01%	-2.34%	-1.83%

Daily Percent Change US Indexes table as of Sep 23, 2022 - Here we see daily changes in leadership with the Dow Transportation Index is showing us elevated volatility as it alternates in leadership up and down over the past two weeks. These Top-Down analysis tools are just a way to help 'see' trends and to more quickly identify where one may look next to find valid trading opportunities that meet your criteria.

Next we will look at a few key Stocks.



AAPL daily chart as of Sep 23, 2022 - Apple saw a failed rally Monday (Sept. 12th) as it crossed above its 200 day SMA (Purple) and found Resistance at its 20 day SMA (Yellow). The next day saw a gap below its 200 day SMA and selling continued below its 50 day SMA to nearly test its prior week's lows. Wednesday saw a pause near the prior day's lows. Thursday saw selling resume to break below the prior week's lows that continued lower on Friday to deliver new Sept. lows and end last week down -4.24%. This week saw a rally up to its 20 day SMA Resistance on Monday and Tuesday, then failed Wednesday and sold off. Thursday saw lower lows than the prior day and again on Friday we saw lower lows than the prior day but did not exceed the prior week's lows, ending this week down -0.18%.



MSFT daily chart as of Sep 23, 2022 - Microsoft saw a failed rally Monday (Sept. 12th) that was followed with a large gap down Tuesday and sold down to lower lows below the lows of the prior week. Each of the next 3 days delivered lower lows to end last week down -7.46%. This week saw lower lows every day that were also new 2022 lows each day, ending this week down -2.79%.



GOOGL daily chart as of Sep 23, 2022 - Alphabet saw a failed rally Monday (Sept. 12th) that was followed with a gap down and strong selling Tuesday. Selling continued each day that followed with a new 2022 low on Friday (Sept. 16th) to end last week down -7.09%. This week saw the steady selling continue as more new 2022 lows were delivered, ending this week down -3.95%.



AMZN daily chart as of Sep 23, 2022 - Amazon began last week with a rally above its 20 day SMA on Monday (Sept. 12th) just to gap down below its 20 day SMA and sell off below its 50 day SMA on Tuesday. The next 2 days straddled the 50 day SMA then another gap down on Friday delivered new lows for the month, ending last week down -7.31%. This week saw another failed rally on Monday followed by lower lows every day this week to end this week down -7.89%.



TSLA daily chart as of Sep 23, 2022 - Tesla saw a failed rally last Monday (Sept. 12th) with a gap down the next day where TSLA found support at its 20 day SMA that held. Wednesday and Thursday saw a rally to higher highs for the week. Friday saw a lower low and lower high but a close just above the prior week to end last week up +1.22%. This week we saw a rally to higher highs on Monday and Tuesday that reversed Wednesday as selling kicked in. Thursday saw stronger selling to cross below its 200 day and 20 day SMAs with the 50 day SMA providing support. Friday gapped below the 50 day SMA and sold lower to end this week down -9.24% and now below all 3 of its key SMAs.



META daily chart as of Sep 23, 2022 - Meta saw a failed rally on Monday (Sept. 12th) above its 50 day SMA support. The next day saw a large gap down below its 50 day and 20 day SMAs and sold down to new 2022 lows. The next 3 days continued lower to end last week down -13.51%. This week saw a failed rally Monday that was followed by an 'Inside day' Tuesday. Wednesday saw strong selling that continued with lower lows Thursday and Friday to end this week down -4.02%.



NVDA daily chart as of Sep 23, 2022 - Nvidia delivered new 2022 lows on Sept. 1st. Last week NVDA saw a failed rally Monday (Sept. 12th) that was followed by a gap down and selling to new 2022 lows. The next 3 days saw selling continue with lower lows each day, ending last week down -8.26%. This week saw a failed rally Monday followed by an 'Inside day' Tuesday. Wednesday saw another failed rally on stronger volume. Thursday and Friday both saw new 2022 lows to end the week down -5.17%.



JPM daily chart as of Sep 23, 2022 - JP Morgan saw a failed rally Monday (Sept. 12th) that was followed with a gap down the next day to the 50 day SMA. The rest of last week saw no trend as price remained near the horizontal 20 day and 50 day SMAs. Last week saw a decline of -1.75% in JPM. The horizontal range continued the first 2 days of this week before the strong selling began Wednesday and continued Thursday and Friday to end this week down -6.78%. Friday's lows came within \$1.10 of the July 2022 lows. JPM has been mostly horizontal for 3 months until it saw a strong break down the last 3 days.



COST daily chart as of Sep 23, 2022 - Costco saw a failed rally above its 20 day SMA on Monday (Sept. 12th) that gapped below its 20 day SMA and crossed below its 50 day SMA the next day. COST continued lower each of the next 3 days to end last week down -6.05%. This week saw another failed rally Monday (Sept. 19th) that was followed by 4 days of lower lows on increasing volume to end this week down -7.49% with Friday seeing the largest decline this week.



DE daily chart as of Sep 23, 2022 - John Deere saw a failed rally Monday (Sept. 12th) with the 20 day SMA providing support. Then next day gapped below the 20 day SMA and crossed below the 200 day SMA. Wednesday sold off lower followed by a pause on Thursday. Friday saw another gap down to end last week down -4.77%. This week saw a failed rally Monday (Sept. 19th) up to its 200 day SMA that was followed with an 'Inside day'. Wednesday saw stronger selling down to its 50 day SMA support. Selling continued lower Thursday below its 50 day SMA with a gap down Friday to new Sept. lows, ending this week down -5.72% and now below all 3 of its key SMAs.



SLB daily chart as of Sep 23, 2022 - Schlumberger has remained near its 20 day SMA since July 19th as it continued to straddle this SMA. Last week saw a failed rally up Monday (Sept. 12th) that pulled back to its 20 day SMA the next day. Another failed rally Wednesday followed by an 'Inside day' and a sell off Friday below its 20 day SMA to end last week down -3.23%. This week saw horizontal swings mostly below its 20 day SMA with a gap down below its 50 day SMA with strong selling and volume on Friday, ending this week down -8.78% and now below all 3 of its key SMAs.



HAL daily chart as of Sep 23, 2022 - Halliburton has also been mostly horizontal since early July. Last week HAL straddled its 20 day SMA as its 50 day SMA provided support until Friday (Sept. 16th) when HAL broke below its 50 day SMA and delivered new Sept. lows ending last week down -4.96%. This week saw HAL remain horizontal for 4 days near or just below the prior week's lows. Friday (Sept. 23rd) saw a gap down and sell off to nearly new lows for 2022 (Jan. 3rd 2022 was the only day this year that was lower) to end this week down -12.81%.



X daily chart as of Sep 23, 2022 - US Steel saw a huge decline last week from above its 200 day SMA (Sept. 12th) to \$20 support on Wednesday. Thursday saw an 'Inside day' that was followed with lower lows on Friday on strong volume to end last week down -20.14%. This week we saw a pause near \$20 that closed lower Wednesday and Thursday then gapped down Friday to end this week down -7.70%.



WMT daily chart as of Sep 23, 2022 - Walmart has been slowly drifting higher since mid June and that seems to have ended with the failed rally last Monday (Sept. 12th) that could not remain above its 200 day SMA. Tuesday saw selling back down to its 20 day SMA that continued lower the next three days below its 20 day SMA and finding support Friday near its 50 day SMA to end last week down -2.67%. This week saw a test of 20 day SMA as Resistance on Monday, and Inside day on Tuesday, then a failed rally Wednesday that tested its 200 day SMA Resistance again and returned to end the day at its 20 day SMA. Thursday crossed below its 20 day SMA and Friday gapped down and crossed below its 50 day SMA on strong volume to end this week down -2.35%. WMT is now below all 3 of its key SMAs.



FDX daily chart as of Sep 23, 2022 - FedEx saw a failed rally Monday (Sept. 12th) that pulled back the next two days. After the close on Thursday FedEx issued an Earnings Warning a week before their scheduled Earnings release. They see worldwide declining demand which sent a shock through the markets as this another broad based observation that confirms the depth and duration of a recession. FDX shared gapped down huge on Friday (Sept. 16th) to end last week down -22.98%. This week saw a failed rally Monday followed by more selling and lower lows each day. FDX reported Earnings on Sept. 22nd and saw a small decline on Friday to end this week down -7.26%.

What makes the FedEx warning significant is that its business can see and feel changes in demand that confirms the recession. Remember, FedEx provides services to most manufacturing companies for incoming raw materials and outgoing finished goods, as well as services to the final customers. So if they see a significant drop in demand, that's really saying something.

We have seen a Bearish market most of this year. Rallies this year have been brief and volatile, and have been followed with lower lows. The Rally from mid July to mid August has nearly all been giving back now, with some indexes already delivering new lows for 2022 (the Dow Industrials) and other Indexes coming very close to doing so this week.

Economic news continues to reinforce the fact we are currently in a recession, and the depth and duration of this recession could be larger and last longer than most have estimated. We have not yet seen a classic bottom exhaustion event, so the odds continue to favor more declines ahead. Anything can happen. However, we pay attention to the market generated data to reduce the impact of our opinions and rely primarily on market facts for our trade decisions.

The breadth of selling that we saw on Friday (Sept. 23rd) was significant but it was not nearly as strong as what we saw in mid June. Selling the past two weeks has been mostly systematic and persistent. We will continue to watch for a full on 'Panic' as a sign of capitulation that often coincides with market bottoms. We have yet to see such a panic this year. Anything can happen so be prepared.

Trade Smart,
CJ