



Market Observations - as of Oct. 14, 2022

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

Last week we saw a three day rally that reversed and gave back most of those gains the last 2 days of last week with last Friday being the strongest decline last week.

This week the decline continued at a slower pace Monday and Tuesday and 'confirmed' last week's Rally as a 'Failed Rally' when we saw new 52 week lows delivered early this week. On Wednesday we saw a narrow range day and pause just before the CPI data was due to come out Thursday morning one hour before the markets opened. The Dow Futures rallied +200 pts the hour before the CPI data came out and then dropped quickly over 800 pts after the CPI data came out and before the US markets opened. At the open on Thursday the selling paused as prices stabilized for a few min before a strong rally began about 15-20 min. after the open. The Bears saw that there was no more follow through lower and the Bulls saw a Dip Buying opportunity at support, so a rally began. A large number of Shorts were forced to cover to protect their profits. Also, the very large amount of Puts bought by Fund Managers & Institutions the prior week were being sold that also added to the buying power as market makers had to hedge the other side of this Put selling. All of these participants were 'buying' at the same time: Shorts were covering to keep their profits, market makers were hedging (buying) against the Put liquidating going on and the 'Dip Buyers' were actively buying once they saw support. When everyone is doing the same thing at the same time, markets can really move, and we saw this on Thursday with the very large range swing up all day.

The following day (Friday) saw a small rally higher the hour before the open as key Financial sector companies reported strong Earnings. This gap up was immediately reversed at the open on Friday and we saw selling all day, reversing over half of the prior day's gains and returning the S&P to where it had closed on Wednesday 'before' the CPI data came out, as if Thursday had never happened. The Nasdaq closed Friday below the lows of the first 3 days of this week, giving back more of Thursday's range than the S&P did. On Thursday we saw all sectors (18) end the day up and on Friday we saw all sectors end the day down. This shows us that most of the market (breadth) participated in the whip-saw this week.

This week was a good example of how markets tend to be more Emotional than Rational. The wild swings after the CPI data on Thursday were just a one day flash and by the next day all of those wild reactions were nullified. If you are a longer term trader, then you must be patient with these wild swings (noise) and stick with the longer term trends. If you are a day trader, then Thursday (and Friday) gave you ample opportunities for quick profits.

Oil and Gold declined this week as the US Dollar strengthened. Monday was a holiday for the Bond markets, but the rest of this week saw Yields increase again.

Several key Financial Sector companies reported Earnings on Friday this week, with several names seeing strong positive reactions in Friday's session. As Earnings season ramps up, keep an eye on those dates for any of your current holdings.

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



S&P 500 weekly chart as of Oct 14, 2022 - This week we see a lower low, lower high and a lower close just below the 200 week SMA (Purple) and below the Sept 2nd 2020 highs (Grey line). New 52 week lows were delivered this week as well.



S&P 500 daily chart as of Oct 14, 2022 - Last week's rally confirmed as a 'Failed Rally' on Tuesday this week as new 52 week lows were seen. Wednesday saw a narrow range 'pause' day as markets waited for the CPI data. The one day True Range seen on Thursday was the 3rd largest range seen in the S&P over the past year. Note that we have now seen 4 tests of the 20 day SMA (Yellow) as Resistance since the mid August highs, and 3 have also been confirmed as 'Failed Rallies'. This week's rally also found Resistance at the 20 day SMA on Friday but has not yet confirmed as a 'Failed Rally' with a lower low. The S&P ended this week down -1.55%.



S&P 500 15 min. chart as of Oct 14, 2022 - Here we can see the decline from last Friday continue lower on Monday and Tuesday of this week. Wednesday saw a pause before the CPI data reactions seen on Thursday. The open on Thursday saw a brief break below the lower weekly Expected Move before the rally crossed back above this level 19 minutes after the open and rallied the rest of the day. Friday saw a brief gap up at the open then immediately sold off to give back at least half of the prior day's gains as the S&P ended the week near its Wednesday's close level prior to the CPI whip-saw over reactions.



DJIA weekly chart as of Oct 14, 2022 - The Dow Industrials saw a slightly lower high and lower low this week but a higher close that continues to be just below its 200 week SMA.



DJIA daily chart as of Oct 14, 2022 - We see 3 failed rallies up to the 20 day SMA since the mid Aug. highs. The rally last week saw lower lows and confirmed as a 'Failed Rally' on Thursday of this week. However, the rally on Thursday also closed above the 20 day SMA. Friday saw a higher high and a close just below the 20 day SMA, ending the week up +1.15%. The Industrials kept more of Thursday's range and gains than did most other major Indexes this week.



Nasdaq weekly chart as of Oct 14, 2022 - The Nasdaq composite delivered new 2-year lows, a lower high and a lower close this week as well as exceeded the lows from mid June.



Nasdaq daily chart as of Oct 14, 2022 - On Monday the Nasdaq exceeded the lows from mid June and from Sept. 30th to deliver new 52 week lows and confirm last week's rally as a 'Failed Rally'. Tuesday saw lower lows and lower highs. Wednesday saw an 'Inside' day and pause in the decline. Thursday saw a large gap down at the open (power CPI data) with a larger rally to recover all of this week's losses. Friday saw a small gap up and selling most all day to give back over half of the prior day's gains and end the week down -3.11% and below the lows of the first 3 days of this week. The highs on Friday failed to reach the 20 day SMA.



Russell 2000 weekly chart as of Oct 14, 2022 - The Russell delivered a lower low, lower high and lower closed this week but did not deliver new 2022 lows.



Russell 2000 daily chart as of Oct 14, 2022 - Last Friday's decline continued lower on Monday and Tuesday this week, followed by a pause on Wednesday. Thursday gapped down and found support \$0.47 above the mid June lows and then rallied all day to close above its 20 day SMA. Friday saw a gap up to its Trend Line (Green line) then reversed and sold off below its 20 day SMA to give back over half of the prior day's range, ending the week below Wednesday's close and down -1.16% for the week.

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



McClellan Summation Index weekly chart as of Oct 14, 2022 - Last week we saw a small decline in this index to -974.25. This week we see a larger decline to end this week at -1138.43.



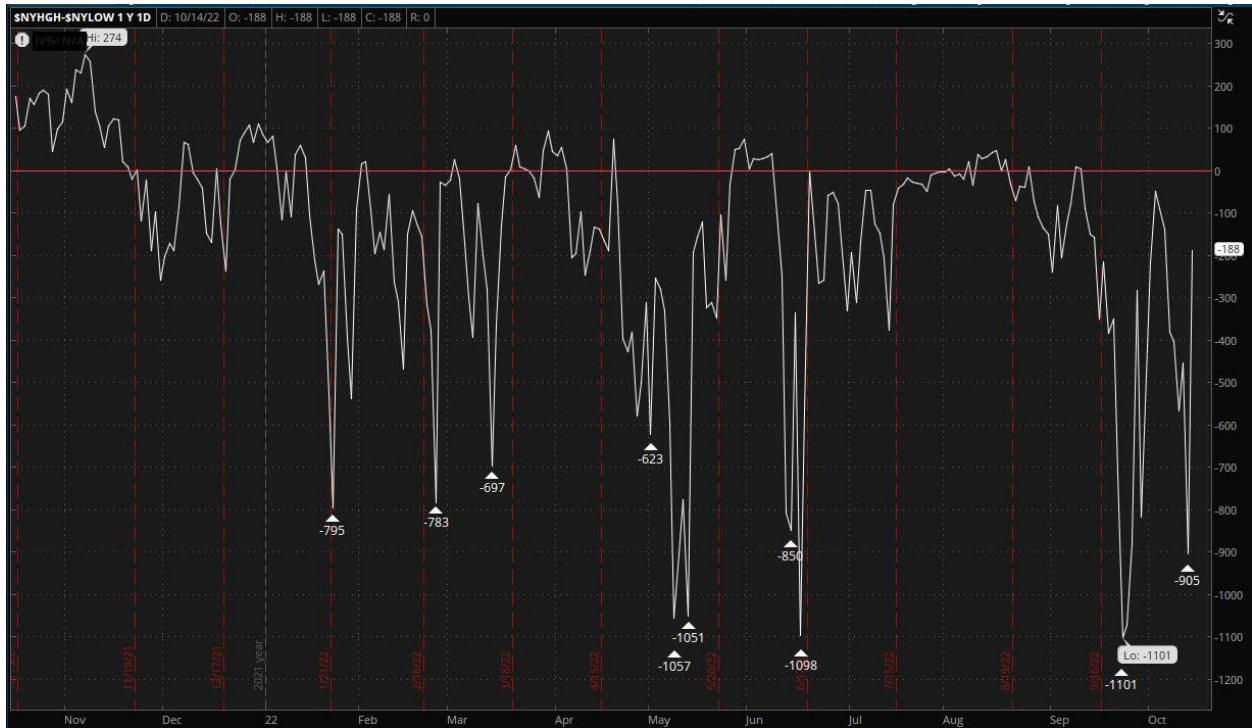
McClellan Summation Index daily chart as of Oct 14, 2022 - Here we see the steady decline this week to -1138.43, without the Thursday whip-saw making much of an overall impact in this trend.



NYSE Percent above 200 day SMA daily chart as of Oct 14, 2022 - Last week ended at 18.87%. This week we saw a slow decline early this week, then the whip-saw Thursday up to about 20% and a decline Friday back down to 17.00% for a small overall decline for this week.



NYSE Percent above 50 day SMA daily chart as of Oct 14, 2022 - We saw a decline late last week to 16.67% that continued lower below 15% the first few days of this week. Thursday saw a spike up to about 19% followed by a decline Friday to end this week at 14.14% for an overall small decline for the week.



NYSE New Highs minus New Lows daily chart as of Oct 14, 2022 - Thursday's gap down did briefly see -905 more new lows than new highs in the NYSE that day.



VIX daily chart as of Oct 14, 2022 - We saw a small increase in the VIX on Monday and Tuesday this week with a narrow pause on Wednesday. That is normal behavior for the VIX during a slow decline in the S&P. However, the large gap down and rally on Thursday did NOT send the VIX up huge at the open

as would be 'normal' behavior for the VIX. The VIX opened flat on Thursday. This is NOT normal. As we often say, big clues can come from when we do NOT SEE what we should normally see. A huge Negative pre-market open reaction to news should normally spike the VIX up very high at the open. We did see the VIX decline during Thursday, as is normal during a market rally. Also, Friday saw lower lows and lower highs and nearly a flat close on the day, when the markets were selling off most all day that day. This too is not Normal. We normally would have seen the VIX drift higher during a selling market day. The 'abnormal' VIX reaction are clues that maybe the big players were expecting this whip saw move this week, and there was 'no surprise' or uncertainty that would normally drive up the VIX.



VVIX daily chart as of Oct 14, 2022 - The VVIX shows a mild increase the first 3 days this week, then a large drop on Thursday without an opening spike higher. Friday shows a narrow range day that straddled the 20 day SMA. Both the VIX and VVIX give us some clues this week that Thursday was 'NOT' a big surprise.



SKEW daily chart as of Oct 14, 2022 - In addition to what we saw above in the VIX and VVIX, here we have a 1 year chart of the options 'SKEW' that helps identify extremes in the pricing of out of the money options. We saw an extreme low on Thursday at 117.82 and a small bounce on Friday to 119.3.

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



Oil daily chart as of Oct 14, 2022 - Oil rallied last week then drifted lower each day this week with the exception of a small bounce on Thursday. Oil ended the week on Friday back below its 50 day SMA.



Gold daily chart as of Oct 14, 2022 - Gold prices continued to decline on Monday crossing below its 20 day SMA. Tuesday and Wednesday saw a pause in the decline as prices remained below the 20 day SMA. Thursday saw a wide swing but again closed just below its 20 day SMA but on big volume. Friday saw a decline to end the week down near the lows of the week.



US Dollar Index daily chart as of Oct 14, 2022 - The US Dollar continued to strengthen this week, pausing on Wednesday then seeing a large range swing and decline Thursday that was mostly all recovered on Friday to remain above its 20 day SMA all week.



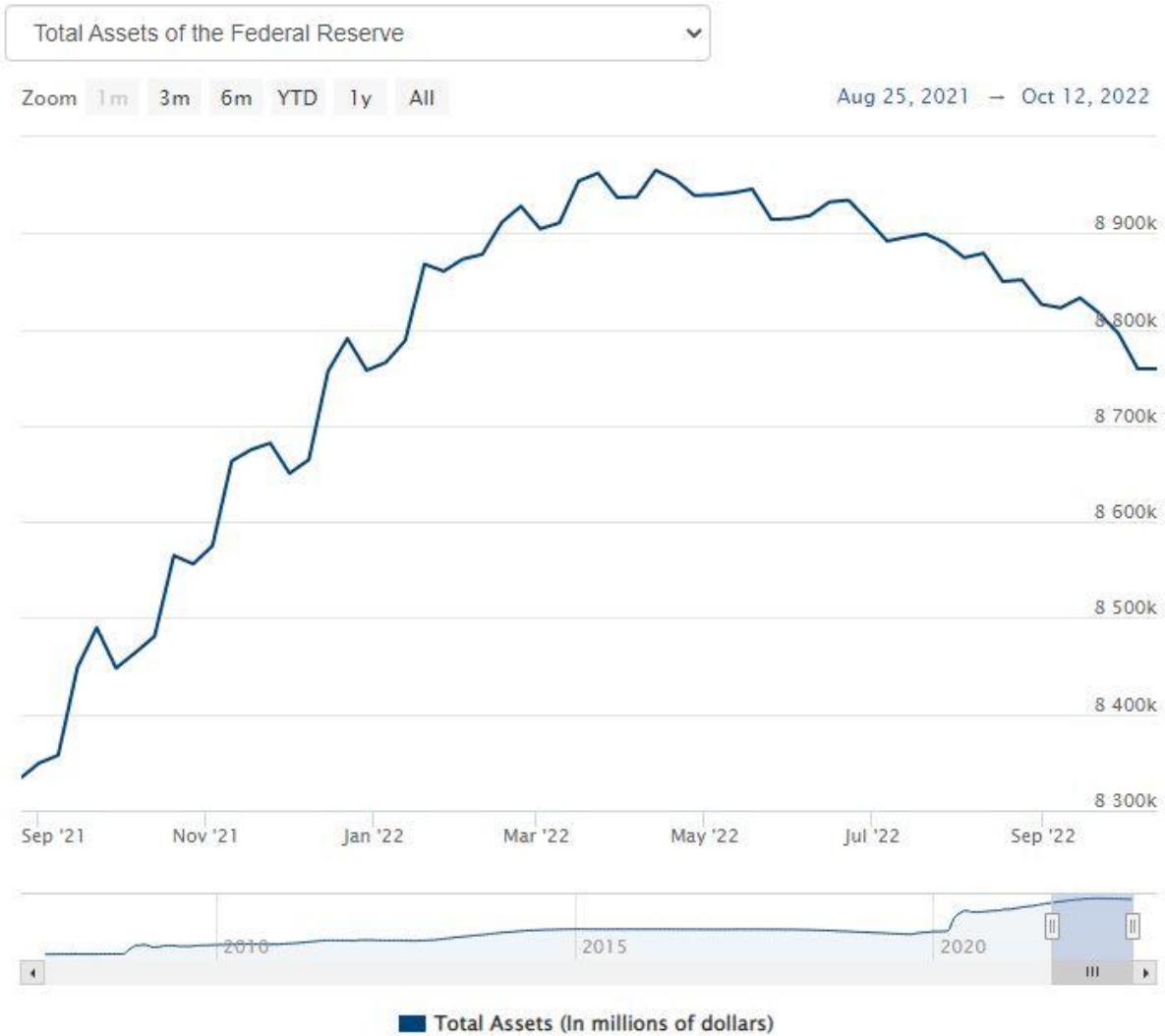
US 10 year Treasury daily chart as of Oct 14, 2022 - The Bond markets were closed on Monday then saw a horizontal pause Tuesday and Wednesday before a wide range drop and bounce Thursday. Friday saw strong selling to end the week down.



US 10 year Yield daily chart as of Oct 14, 2022 - Inverse to the 10 year Treasuries, the 10 year Yields rose this week with a wide range swing on Thursday that broke above the 4% level and pulled back. Friday saw a higher close to end the week above 4% at 4.01%.

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
10/03/2022	2.87	3.26	3.46	3.97	4.01	4.12	4.12	3.90	3.79	3.67	4.00	3.73
10/04/2022	2.91	3.23	3.45	3.98	4.15	4.10	4.08	3.84	3.73	3.62	3.95	3.70
10/05/2022	2.89	3.22	3.46	4.00	4.14	4.15	4.17	3.96	3.87	3.76	4.05	3.78
10/06/2022	3.05	3.34	3.46	4.04	4.19	4.23	4.24	4.05	3.95	3.83	4.08	3.81
10/07/2022	3.03	3.34	3.45	4.09	4.24	4.30	4.33	4.14	4.03	3.89	4.13	3.86
10/11/2022	3.07	3.43	3.67	4.17	4.28	4.30	4.31	4.14	4.06	3.93	4.19	3.92
10/12/2022	3.07	3.45	3.70	4.16	4.28	4.28	4.29	4.12	4.03	3.91	4.18	3.90
10/13/2022	3.35	3.60	3.79	4.30	4.46	4.47	4.44	4.21	4.11	3.97	4.25	3.97
10/14/2022	3.30	3.61	3.81	4.31	4.50	4.48	4.47	4.25	4.15	4.00	4.26	3.99

US Yield Rates Table as of Oct 14, 2022 - The 10yr/2yr Inversion continues with wider spreads up to 1/2 % wide. The short terms continue to increase to flatten the overall curve with the inversion broadening and now including the 10yr/6month terms. These Inversions continue to confirm evidence of a Recession as the Fed continues to raise short term rates.



FOMC Balance Sheet weekly chart as of Oct 12, 2022 - The Balance Sheet hardly declined this week, with only a \$84 Million decline from last week's Total Assets of \$8.759053 Trillion to this week's Total Assets of \$8.758969 Trillion. Also, this week saw no decline in the Mortgage Backed Securities. So far this month we see the Fed 'Tightening' by about half of their stated plan on the Balance Sheet and zero on their MBS. In Sept. we saw the Fed reduce their Balance Sheet by less than half of what they 'planned' to do and MBS was reduced by less than 1/3 of their 'plans'. We will continue to verify what they actually do.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Oct 14, 2022 - The Transports declined last Friday then paused near Friday's lows on Monday and Tuesday this week. Wednesday saw a small rally above the 20 day SMA that was followed by a very wide range day Thursday that closed higher. Friday saw a decline that closed back below its 20 day SMA, up +0.21% for the week. Note the higher lows seen on Thursday as compared to the new 52 week lows made in late Sept.



XLE daily chart as of Oct 14, 2022 - The Energy sector declined Monday and Tuesday (with oil prices) and found support Wednesday above its 50 day SMA. Thursday saw a strong rally that exceeded the prior week's highs. Friday saw a lot of the prior day's gains given back to end the week down -1.86%.



XLF daily chart as of Oct 14, 2022 - The Financial sector saw last week's decline continue the first 3 days of this week. Thursday saw a large gap down to new 52 week lows with a rally up above its 20 day SMA. Friday saw a gap up and selling back below its 20 day SMA to only give back a small portion of the prior day's gains, ending the week up +0.39%.



QQQ daily chart as of Oct 14, 2022 - The Nasdaq-100 ETF continued last week's decline the first 2 days of this week, confirming the 'failed rally' last week on Monday this week. Wednesday saw a pause followed by a large gap down to new 52 week lows Thursday and a rally to close the day nearly at last Friday's close. Friday saw a small gap higher with selling all day to give back more than half of the prior day's gains, ending the week down -3.11% and closing below the lows of the first 3 days this week.



SOXX daily chart as of Oct 14, 2022 - The Semiconductor sector continued last week's decline the first 3 days this week, confirming last week's failed rally on Monday this week. Thursday saw a large gap down to new 52 week lows with a strong rally above the prior 2 day's highs. Friday saw most of the prior day's gains returned to end the week down -8.34% with the lowest close in over 52 weeks.



XLC daily chart as of Oct 14, 2022 - The Communication Services sector continued its decline the first 3 days of this week than saw a large gap down on Thursday's open to new 52 week lows with a strong rally all day. Friday saw a small gap up to nearly its 20 day SMA and selling most of the day to return nearly half of the prior day's gains, ending the week down -1.54%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORS</i>	9/2/2022	9/9/2022	9/16/2022	9/23/2022	9/30/2022	10/7/2022	10/14/2022
\$SPX	-3.29%	3.65%	-4.77%	-4.65%	-2.91%	1.51%	-1.55%
\$INDU	-2.99%	2.66%	-4.13%	-4.00%	-2.92%	1.99%	1.15%
\$COMPQ	-4.21%	4.14%	-5.48%	-5.07%	-2.69%	0.73%	-3.11%
\$RUT	-4.74%	4.04%	-4.50%	-6.60%	-0.89%	2.25%	-1.16%
QQQ	-3.99%	4.04%	-5.79%	-4.60%	-2.99%	0.69%	-3.11%
\$TRAN	-4.47%	2.35%	-8.79%	-5.43%	-0.59%	3.48%	0.21%
XLE	-3.48%	0.80%	-2.68%	-9.17%	2.19%	13.58%	-1.86%
XLF	-2.46%	4.47%	-3.78%	-5.59%	-2.22%	1.75%	0.39%
XLK	-5.03%	3.27%	-6.19%	-3.62%	-4.01%	1.68%	-3.29%
SOXX	-6.98%	4.66%	-5.70%	-5.76%	-3.98%	2.23%	-8.34%
XLV	-1.81%	4.41%	-2.34%	-3.32%	-1.32%	1.25%	1.04%
XLY	-2.62%	5.78%	-3.98%	-7.10%	-2.71%	-1.26%	-3.83%
XRT	-4.35%	5.28%	-5.33%	-6.06%	-3.32%	3.22%	-1.60%
XLI	-3.52%	3.40%	-6.38%	-4.54%	-2.25%	2.80%	-0.49%
XLU	-1.47%	3.73%	-3.76%	-2.99%	-8.71%	-2.67%	-2.53%
XME	-8.43%	6.13%	-10.32%	-7.91%	2.16%	7.30%	-3.11%
XLP	-2.54%	1.96%	-3.58%	-2.10%	-3.82%	-0.34%	1.55%
XLB	-4.89%	5.00%	-6.62%	-5.60%	-0.61%	2.13%	-1.84%
XLC	-2.39%	3.31%	-6.26%	-5.61%	-2.48%	1.75%	-1.54%
XHB	-3.27%	4.51%	-6.88%	-3.96%	-1.21%	4.53%	-4.16%

Weekly Percent Change US Indexes and Sectors table as of Oct 14, 2022 - Here we can see the Dow Industrials and Transports ended this week up a little while most of the other indexes ended the week down with the Nasdaq leading the losses this week.

The strongest sectors this week included: XLP, XLV, XLF and the Transports that all had positive changes this week while all of the other sectors listed declined this week. The weakest sectors this week included: SOXX, XHB, XLY and XLK that were all down by over -3.2% (more than the Nasdaq).

<i>INDEXes</i>	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
<i>SECTORS</i>	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
	10/03/22	10/04/22	10/05/22	10/06/22	10/07/22	10/10/22	10/11/22	10/12/22	10/13/22	10/14/22
\$SPX	2.59%	3.06%	-0.20%	-1.03%	-2.80%	-0.75%	-0.65%	-0.33%	2.60%	-2.37%
\$INDU	2.66%	2.80%	-0.14%	-1.15%	-2.11%	-0.32%	0.12%	-0.10%	2.83%	-1.34%
\$COMPQ	2.27%	3.34%	-0.25%	-0.68%	-3.80%	-1.04%	-1.10%	-0.09%	2.23%	-3.08%
\$RUT	2.65%	3.91%	-0.74%	-0.58%	-2.87%	-0.60%	0.06%	-0.30%	2.41%	-2.66%
QQQ	2.35%	3.14%	-0.05%	-0.79%	-3.81%	-1.00%	-1.37%	-0.03%	2.35%	-3.01%
\$TRAN	3.37%	3.64%	-0.50%	-0.12%	-2.82%	0.47%	0.03%	0.63%	1.00%	-1.89%

Daily Percent Change US Indexes table as of Oct 14, 2022 - We saw nearly daily changes in leadership with the Dow Industrials leading higher on 3 days this week and the Transports led on 2 days this week. The Laggards changed daily between the Nasdaq, S&P and Transports. The largest daily change seen this week was seen in the Nasdaq composite on Friday.

Next we will look at a few key Stocks.



AAPL daily chart as of Oct 14, 2022 - Apple continued its decline the first 3 days this week, then saw a very wide range day Thursday that was mostly given back on Friday, ending the week down -1.22%.



MSFT daily chart as of Oct 14, 2022 - Microsoft continued its decline the first 3 days of this week, then saw a very wide range day Thursday that failed to reach its 20 day SMA. Friday gapped up a little and nearly reached its 20 day SMA before selling off all day and giving back about half of Thursday's gains to end the week down -2.42%.



GOOGL daily chart as of Oct 14, 2022 - Alphabet continued its decline the first 2 days of this week then saw an 'Inside' day on Wednesday. Thursday saw a gap down to new 52 week lows and a rally all day up to its 20 day SMA. Friday saw a small gap up above its 20 day SMA just to sell off all day back below its 20 day SMA and return most of the prior day's gains, ending the week down -2.15%.



AMZN daily chart as of Oct 14, 2022 - Amazon continued lower on Monday and Tuesday then paused on Wednesday. Thursday saw a large gap down and rally back up to nearly the prior day's close. Friday saw a small gap up and strong selling all day to return most of the prior day's gains, ending this week down -6.69%.



TSLA daily chart as of Oct 14, 2022 - Tesla continued lower and delivered lower lows every day this week. Thursday's rally was FULLY given back with a Bearish Engulfing candle on Friday, ending the week down -8.11% with new 52 week lows. Tesla reports Earnings next week on Wednesday after the close.



META daily chart as of Oct 14, 2022 - Meta continued lower with lower lows every day this week except on Friday. Meta ended the week down -5.01% with new 52 week lows on Thursday.



NVDA daily chart as of Oct 14, 2022 - Nvidia continued lower Monday and Tuesday then paused on Wednesday with an 'Inside' day. Thursday saw a gap down to new 52 week lows with a rally all day to nearly retest the highs of the week. Friday saw a small gap up and selling all day to return most of the prior day's gains, ending the week down -7.03%.

POP QUIZ: Out of the seven biggest tech stocks above, what one saw the smallest decline this week? What one saw the largest decline this week? What one did NOT make new 52 week lows this week? Answering questions like these can help identify relative strength in an otherwise very bearish market where all of these 7 stocks are below all 3 of their key SMAs. Identifying relative strength during bear markets can help identify potential strong candidates to watch for when the Trends change to Bullish.

FYI, most of these big tech names report Earnings the week after next with Tesla reporting this next week on Wednesday.



JPM daily chart as of Oct 14, 2022 - JP Morgan continued its decline the first 3 days of this week with a small positive close on Wednesday. Thursday saw a very large rally on strong volume up to its 20 day SMA. JPM reported strong Earnings on Friday before the open and saw a positive gap up on Friday's open with a brief rally above its 50 day SMA that quickly crossed back below the 50 day SMA and oscillated most of the day near where it closed. JPM ended the week up +4.92% and is now above its 20 day SMA.



COST daily chart as of Oct 14, 2022 - Costco continued lower Monday then bounced Tuesday and early Wednesday before declining most of the day on Wednesday. Thursday saw a gap down, dip and then a rally to recover most all of that day's losses by the close. Friday saw a small gap up with selling most all day to end the week down -2.88%.



DE daily chart as of Oct 14, 2022 - John Deere opened the week above its 50 day SMA and rallied both Monday and Tuesday to briefly cross above its 200 day SMA on Tuesday. Wednesday saw an 'Inside' day bracketed by 50 day SMA support and 200 day SMA resistance. Thursday saw a gap down and dip briefly below its 20 day SMA with a rally most of the day to close well above its 200 day SMA and above all 3 of its key SMAs that have converged. Friday saw a brief spike up at the open followed by selling all day back below its 200 day and 50 day SMAs, ending the week up +0.28%. Over the past 6 months we see a large 'consolidation' pattern forming (Triangle).

When you see multiple period Simple Moving Averages (SMAs) cluster together, that is an indication of a lack of a Trend on both shorter and longer time frames.



SLB daily chart as of Oct 14, 2022 - Schlumberger rallied strong last week then pulled back a little Monday and paused Tuesday and Wednesday this week. Thursday saw a strong rally (with volume) to new 3-month highs that was followed with an 'Inside' day on Friday that returned most of the prior day's gains, ending the week down -1.01%. SLB is still well above all 3 of its key SMAs.



HAL daily chart as of Oct 14, 2022 - Halliburton saw a strong rally last week that saw a small pull back Monday and bounce off of its 50 day SMA support Tuesday. Wednesday saw an 'Inside' day with a higher close. Thursday saw a strong rally (with volume) to new 6-week highs. Friday saw a gap down and selling to return all of the prior day's gains, ending the week down -3.29%.



X daily chart as of Oct 14, 2022 - US Steel was mostly horizontal this week oscillating above and below its 20 day SMA, ending the week up +0.21%.



HD daily chart as of Oct 14, 2022 - Home Depot continued lower Monday then paused Tuesday and Wednesday before a large gap down on Thursday below its 20 day SMA that bounced and closed the day back above its 20 day SMA and above the prior day's close. Friday saw a gap up an selling most all day back below its 20 day SMA to end the week down -2.78%.

We saw a week that continued lower after last Friday's large decline that drifted lower 2 to 3 days as it waited for the CPI data on Thursday morning. The over reactions to CPI showed us some extreme actions (swings) while the Options market suggested this was not a surprise. Friday saw most of the prior day's large gains returned almost as if Thursday never happened. Overall we see the bearish trend continue this week with only a few exceptions.

The Dow Industrials gave us a clue with its positive weekly change and names like CAT and DE were up this week. Also, several of the big banks were up this week as many reported strong Earnings on Friday. By paying attention to the exceptions, one can find a few bullish opportunities within a mostly bearish market. The strongest sectors this week is another source for such clues.

With Earnings season ramping up now, and a lot of companies gave reduced guidance in prior weeks, we may find more 'Beats' than usual since they've lower the bar (expectations).

Recession has not gone away and CPI data shows inflation is not retreating yet, so economic reports remain a key stimulus to cause market reactions. Earnings is another source for data that may trigger more specific stock reactions.

As winter comes and Energy still has restricted supply, we know the odds favor higher prices ahead. Also, as interest rates continue to rise we will see demand for Home Sales decline and with it the decline of demand for Home Builders. These changes are the normal part of lagging reactions in Food and Energy prices, housing, employment, etc. as a result of a tighter money supply, higher interest rates and high inflation. A study of past economic cycles can better prepare us for what phases are likely to follow in the cycle. Then we can look for evidence in those sectors to indicate when the next phase kicks in.

As Traders, we want to learn to think ahead a step or two to be better prepared for what is more likely.

Hope this helps.

Trade Smart,

CJ