



Market Observations - as of Nov. 18, 2022

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

Last week we saw a mild rally on Monday and the first half of Tuesday, that then saw some volatile whip saws the last half of Tuesday. Wednesday saw a slow and steady decline all day that gave back any small gains for the week. CPI data came out one hour before the open on Thursday to see markets gap up at the open and continued higher all day to deliver a very large range day in most indexes. Friday saw the rally continue higher most of the day with only minor pull backs to end the week up strong in most indexes.

This week seemed to be mostly a 'pause' as the rally from last Thursday and Friday stalled out. Most markets remained mostly horizontal for the week with a small gap up and failed rally Tuesday and a small gap down and a gap fill Thursday. Friday was November Options expiration day with some typical minor oscillations as the day and week formed a consolidation pattern with little overall change to a small decline for the week.

It is common to see a 'pause' for a few days after a strong move and the wide range day we saw last Thursday (Nov. 10th) was certainly a bigger than normal move.

We continue to see a 'divergence' in some of the market Breadth indicators (below) with the McClellan Summation Index showing a more bullish trend for four weeks in a row, while the NYSE Percent above 50 day SMA shows the past four weeks as a rally, pause, rally, pause. I could be due to the different ways these indicators are calculated, where the McClellan Oscillator and Summation Index tend to smooth out some of the daily swings. It could also be due to the large number of small cap. stocks (e.g. Russell 2000) showing a bit less volatility and a bit more bullish trend over the past four weeks. We will keep an eye on this divergence since it could be a clue.

This market has shown us over the past month that its biggest reactions appear to be driven by key economic news events, such as the FOMC rate hike Nov. 2nd and the CPI report Nov. 10th. Observing this, we choose to keep a close eye on key News events going forward, prepared for strong reactions. The last FOMC meeting this year is scheduled to release its decision on Dec. 14th and the market is currently expecting a +0.50% rate hike on that day.

As a Technical Trader, we base most of our trade decisions upon behaviors we recognize in the charts to provide us with higher odds opportunities. At the current state of the markets, we could just as likely see a Santa Clause rally the last month of the year, as the markets have shown us a desire to rally over the past few weeks. We could also see another failed rally (possibly Tuesday of this week) that is followed with lower lows.

We also know that the markets have reacted both positively and negatively to key Earnings reports this past week, with a strong reaction rally in Wal-Mart and a strong reaction decline in Target this week. Lots of eyes are on the consumer to see if they are cutting back their retail spending at this key Seasonal time.

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



S&P 500 weekly chart as of Nov 18, 2022 - After a strong rally last week above the 20 week SMA we see a much smaller range week this week that remained above its 20 week SMA and closed a little lower.



S&P 500 daily chart as of Nov 18, 2022 - Here we see a pause this week that was mostly inside of last Friday's range (Nov. 11th) with brief higher break on early Tuesday and a dip early on Thursday. The S&P ended the week down -0.69%.



S&P 500 15 min. chart as of Nov 18, 2022 - The rally last week (Nov. 10-11th) stalled out Monday of this week as we saw steady selling the last half of the day. Tuesday saw a gap up at the open that paused before drifting lower mid day then being slammed down on news of a stray missile that hit Poland. After the news reaction we saw a slow rally back up the last two hours of Tuesday to end the day near the mid-point of this week so far. Wednesday saw a very quiet narrow range day that hovered just above the lows from Tuesday. Thursday gapped down, paused, and then rallied back up to about fill the gap by mid day. We saw a mild dip and bounce the last hour. Friday saw a small gap up the drifted lower by mid day then rallied a little the last hour.

Note the Consolidation Pattern formed this week (dark blue lines) with the high early on Tuesday and the lows early Thursday that both consolidated towards the end of the week near the lows seen Monday and Tuesday as the mid-point of this consolidation triangle.

A consolidation pattern shows a 'pause' in the Trend. By drawing support and resistance Trend Line we can help expose a useful clue for the timing and direction of a 'break out' from this pattern.

This week the S&P closed 'Inside' it's Expected Move after the prior 4 weeks of closing 'Outside' each week.



DJIA weekly chart as of Nov 18, 2022 - The Dow Industrials saw a strong rally last week above its 50 week SMA. This week we see a much smaller range that remained above its 50 week SMA and closed the week with very little change.



DJIA daily chart as of Nov 18, 2022 - Here we see a pause this week as the Industrials remained near the highs from last week, ending this week down only -0.01%.



Nasdaq weekly chart as of Nov 18, 2022 - The Nasdaq composite saw a strong rally last week that crossed and closed above its 200 week SMA (Purple). This week we see a failed rally up to its 20 week SMA (Yellow) and a lower close back below the 200 week SMA.



Nasdaq daily chart as of Nov 18, 2022 - Here we see a pause Monday, a failed rally Tuesday, another pause Wednesday with a gap down and rally that nearly tested its 50 day SMA. Friday saw another pause to end the week down -1.57%. Note the narrow range days on Monday, Wednesday and Friday that were all within the same narrow range each time and was also near the middle of last Friday's (Nov. 11th) range.



Russell 2000 weekly chart as of Nov 18, 2022 - The Russell saw a smaller range week this week that remained between its 20 week SMA Support and its 50 week SMA Resistance.



Russell 2000 daily chart as of Nov 18, 2022 - Last Friday the Russell crossed above its 200 day SMA. Then next session (this Monday) the Russell dropped back below its 200 day SMA. Tuesday it was back above and Wednesday dropped lower for the week back below the 200 day SMA. Thursday saw a gap down and test of its 20 day SMA as Support and bounced. Friday saw a gap up and some selling to remain below its 200 day SMA and ended the week down -1.75%.

Next we will look at a few key 'Market Internals' to observe overall market breadth this week.



McClellan Summation Index weekly chart as of Nov 18, 2022 - Last week we saw this Index cross above its 50 week SMA and end the week at -179.84. This week we see the rise continue with a slightly smaller rise to end this week at -5.10.



McClellan Summation Index daily chart as of Nov 18, 2022 - Last week ended at -179.84. This week the rise continued hither but slowed a little to end this week at -5.10.



NYSE Percent above 200 day SMA daily chart as of Nov 18, 2022 - Last week we saw a sharp increase to end the week at 43.59%. This week we see oscillations in the 40% to 43% area with this week ending with a small decline to 41.53%.



NYSE Percent above 50 day SMA daily chart as of Nov 18, 2022 - Last week we saw a sharp increase to 74.81%. This week we see oscillations in the 70% to 75% area with this week ending at 71.75%.

Compare the McClellan Summation daily chart above to the NYSE Percent above its 50 day SMA chart. Note how the NYSE Percent chart has a lot more details and zigzags since the lows of late September while the McClellan Summation Index is a lot smoother with less detail since the lows of late September. This shows us that there is a lot more 'smoothing' of the data in the McClellan chart than in the NYSE Percent chart. You will find in Technical Analysis that the Smoothing of the data makes trends easier to see, but the price for that 'smoothing' is usually some degree of 'delay' then trends change. Each method and indicator has its own pros and cons, and one should understand both of those trade-offs before using and interpreting the messages in those studies.



VIX daily chart as of Nov 18, 2022 - We saw a pause this week in the VIX, with a brief pop higher Tuesday as news came out, and a drift lower after that news the rest of this week.



VVIX daily chart as of Nov 18, 2022 - Here too we see a brief pop on Tuesday and a drift lower towards Friday's close that was near the lows early this month.

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



Oil daily chart as of Nov 18, 2022 - Oil dropped below its 50 day SMA on Monday and straddled that SMA the next two days. Thursday and Friday saw a sharp decline to find support at \$77.59 and bounced to end the week at \$80.26.



Gold daily chart as of Nov 18, 2022 - Gold slowly continued its rally from last week on Monday and Tuesday this week that was followed with an 'inside' day on Wednesday and lower lows Thursday and Friday, ending the week at \$1752, below last week's close at \$1774.20.



US Dollar Index daily chart as of Nov 18, 2022 - The US Dollar saw a large drop last Thursday and Friday, and then paused this week near the lows of last week.



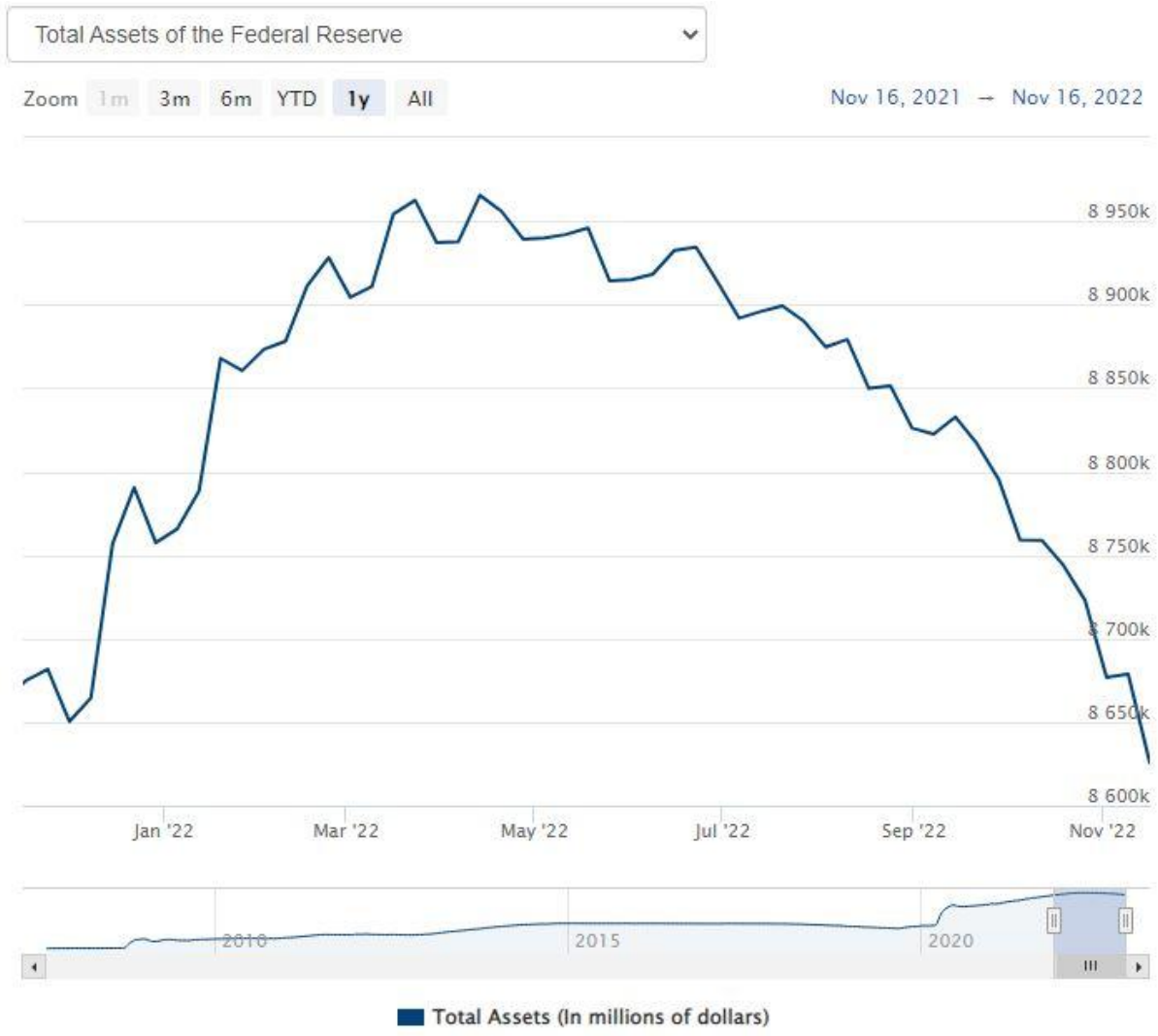
US 10 year Treasury daily chart as of Nov 18, 2022 - The 10 year shot up last Thursday and paused last Friday just above its 50 day SMA. This week we saw a pause Monday on its 50 day SMA with a small rally Tuesday and Wednesday that was given back on Thursday and Friday this week to end the week nearly unchanged.



US 10 year Yield daily chart as of Nov 18, 2022 - The 10 year Yield rate paused on its 50 day SMA last Friday and saw a tiny bounce Monday this week. Rates decline a little on Tuesday and Wednesday down to 3.692%. Thursday and Friday saw a small increase to end the week at 3.818%.

Date	1 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
11/01/2022	3.72	4.00	4.23	4.35	4.58	4.75	4.54	4.48	4.27	4.18	4.07	4.37	4.14
11/02/2022	3.70	4.01	4.22	4.38	4.57	4.76	4.61	4.54	4.30	4.20	4.10	4.41	4.15
11/03/2022	3.75	4.04	4.25	4.38	4.57	4.78	4.71	4.63	4.36	4.26	4.14	4.42	4.18
11/04/2022	3.73	4.00	4.21	4.36	4.55	4.76	4.66	4.58	4.33	4.26	4.17	4.49	4.27
11/07/2022	3.78	4.04	4.29	4.39	4.62	4.80	4.72	4.63	4.39	4.31	4.22	4.55	4.34
11/08/2022	3.66	4.04	4.28	4.39	4.60	4.77	4.67	4.55	4.31	4.22	4.14	4.47	4.28
11/09/2022	3.65	4.05	4.29	4.40	4.59	4.75	4.61	4.49	4.27	4.20	4.12	4.50	4.31
11/10/2022	3.71	4.00	4.28	4.36	4.52	4.59	4.34	4.17	3.95	3.89	3.82	4.24	4.03
11/14/2022	3.72	4.05	4.34	4.38	4.55	4.63	4.40	4.24	4.00	3.95	3.88	4.28	4.07
11/15/2022	3.77	4.10	4.31	4.40	4.54	4.60	4.37	4.17	3.93	3.88	3.80	4.20	3.98
11/16/2022	3.81	4.15	4.32	4.43	4.54	4.62	4.35	4.13	3.83	3.77	3.67	4.03	3.85
11/17/2022	3.93	4.20	4.32	4.44	4.57	4.68	4.43	4.22	3.93	3.87	3.77	4.10	3.89
11/18/2022	3.93	4.23	4.34	4.46	4.61	4.74	4.51	4.28	3.99	3.92	3.82	4.13	3.92

US Yield Rates daily table as of Nov 18, 2022 - Longer term yields dipped a bit this week while shorter terms increased, causing the 10yr/2yr Inversion to increase even more.



FOMC Balance Sheet weekly chart as of Nov 16, 2022 - Last week we saw a small increase in the Fed's Balance Sheet to \$8.678886 Trillion. This week we see a \$53.266 Billion decrease in Total Assets to a new total of \$8.625620 Trillion.

The Fed's Balance Sheet peaked this year at \$8.965487 Trillion the week of April 13th 2022. Since the beginning of May through the end of October (6 months) we have seen an average monthly decline of \$43.850 Billion. This does not come close to the monthly average increases of \$110 to \$120 Billion we saw in most of 2020 and 2021.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Nov 18, 2022 - We saw a huge rally last week in this sector that slowed as it continued higher Monday of this week. Tuesday saw a pause and higher close. Wednesday saw a decline that continued lower below its 200 day SMA Thursday. Friday saw a small rally to end the week back above its 200 day SMA and down -2.06% for the week.



XLE daily chart as of Nov 18, 2022 - The Energy sector saw a new 8-year high Monday followed by an 'Inside' day on Tuesday. Wednesday saw a small decline that continued Thursday with a test of its 20 day SMA as Support. On Friday we saw a lower low, lower high and a lower close to end the week down -1.61%.



XLF daily chart as of Nov 18, 2022 - The Financial sector pulled back Monday and paused Tuesday and Wednesday. Thursday saw a dip and bounce that was recovered Friday to end the week down -1.39%.

Note that all 3 of the above sectors (DJT, XLE and XLF) are still above all 3 of their key SMAs this week. Can we say the same about the 3 sector charts below?



QQQ daily chart as of Nov 18, 2022 - The Nasdaq-100 ETF saw an 'Inside' day Monday, a failed rally Tuesday and a pause Wednesday. Thursday saw a dip and bounce followed by a consolidation day Friday to end the week down -1.09%.



SOXX daily chart as of Nov 18, 2022 - The Semiconductor sector saw a huge rally late last week. This week we see a pause Monday, a failed rally Tuesday and a pause and small decline Wednesday. Thursday saw a gap down and rally to fill that gap to return to the pause zone. Friday saw a pause continued to end the week down -1.45%.



XLC daily chart as of Nov 18, 2022 - The Communication Services sector paused this week as it straddled its 50 day SMA this week, ending the week down -0.98%.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORS	10/7/2022	10/14/2022	10/21/2022	10/28/2022	11/4/2022	11/11/2022	11/18/2022
\$SPX	1.51%	-1.55%	4.74%	3.95%	-3.35%	5.90%	-0.69%
\$INDU	1.99%	1.15%	4.89%	5.72%	-1.40%	4.15%	-0.01%
\$COMPQ	0.73%	-3.11%	5.22%	2.24%	-5.65%	8.10%	-1.57%
\$RUT	2.25%	-1.16%	3.56%	6.01%	-2.55%	4.60%	-1.75%
QQQ	0.69%	-3.11%	5.63%	2.11%	-5.88%	8.80%	-1.09%
\$TRAN	3.48%	0.21%	1.51%	6.95%	-0.74%	8.02%	-2.06%
XLE	13.58%	-1.86%	8.28%	2.67%	2.43%	1.87%	-1.61%
XLF	1.75%	0.39%	3.81%	6.21%	-0.82%	5.78%	-1.39%
XLK	1.68%	-3.29%	6.46%	4.21%	-6.63%	10.04%	-0.79%
SOXX	2.23%	-8.34%	7.62%	3.83%	-1.42%	14.95%	-1.45%
XLV	1.25%	1.04%	2.13%	4.99%	-1.54%	1.77%	1.08%
XLY	-1.26%	-3.83%	5.27%	1.80%	-5.15%	5.52%	-2.83%
XRT	3.22%	-1.60%	2.63%	7.36%	-3.72%	7.79%	-0.93%
XLI	2.80%	-0.49%	4.66%	6.69%	0.48%	4.69%	-0.09%
XLU	-2.67%	-2.53%	1.87%	6.48%	-0.47%	1.48%	1.13%
XME	7.30%	-3.11%	9.03%	0.69%	1.98%	3.92%	-1.87%
XLP	-0.34%	1.55%	2.04%	6.18%	-1.80%	2.32%	1.58%
XLB	2.13%	-1.84%	6.07%	3.36%	0.90%	7.73%	-1.55%
XLC	1.75%	-1.54%	4.52%	-2.23%	-6.75%	9.41%	-0.98%
XHB	4.53%	-4.16%	0.49%	7.12%	-4.97%	12.10%	-2.99%

Weekly Percent change US Indexes and Sectors table as of Nov 18, 2022 - Looking at the Indexes above over the past 4 weeks we notice strong rallies the last week of October followed by smaller declines the following week (except for the Nasdaq). Last week we again saw strong rallies followed by small declines this week. The overall progress the past 4 weeks has been more positive than negative. (Clue)

The Strongest sectors this week included: XLP, XLU and XLV that were also the only 'positive' sectors this week. This is a clue since the XLP and XLU are classic 'flight to safety' sectors (Staples and Utilities).

The Weakest sectors this week included: XHB, XLY and the Dow Transports, each declined by over - 2.0% this week. This too is a clue as consumers could be 'tightening' their spending for big ticket items (i.e. houses and cars) as mortgage rates rise and economic 'uncertainty' ahead can cause some to put off major purchases.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 11/07/22	End of Day 11/08/22	End of Day 11/09/22	End of Day 11/10/22	End of Day 11/11/22	End of Day 11/14/22	End of Day 11/15/22	End of Day 11/16/22	End of Day 11/17/22	End of Day 11/18/22
\$SPX	0.96%	0.56%	-2.08%	5.54%	0.92%	-0.89%	0.87%	-0.82%	-0.30%	0.48%
\$INDU	1.31%	1.02%	-1.95%	3.70%	0.10%	-0.63%	0.17%	-0.12%	-0.02%	0.59%
\$COMPQ	0.85%	0.49%	-2.48%	7.35%	1.88%	-1.12%	1.45%	-1.54%	-0.35%	0.01%
\$RUT	0.55%	-0.05%	-2.68%	6.11%	0.79%	-1.14%	1.50%	-1.91%	-0.76%	0.58%
QQQ	1.10%	0.73%	-2.31%	7.38%	1.84%	-0.88%	1.38%	-1.36%	-0.22%	0.00%
\$STRAN	1.97%	0.77%	-2.47%	5.56%	2.11%	-0.15%	0.58%	-2.12%	-1.02%	0.67%

Daily Percent change US Indexes table as of Nov 18, 2022 - The Dow Industrials saw small gains Tuesday but lead the following two days this week. The Dow Transports saw relative strength Monday and Friday while also showed weakness Wednesday and Thursday this week.

Note that both the Dow Industrials and Transports are above all 3 of their key daily SMAs both last week and this week, and these two Indexes are down only -7.7% and -12.5% Year to Date. At the same time the S&P-500 is now down -17.1% and Nasdaq-100 is down -29.2% Year to Date and both Indexes are still below their 200 day SMAs.

Next we will look at a few key Stocks.



AAPL daily chart as of Nov 18, 2022 - Apple saw an 'Inside' day Monday just above its 50 day SMA. Tuesday saw a failed rally and pull back. Wednesday saw another pause just above its 50 day SMA. Thursday saw a gap down to its 20 day SMA support and a rally to deliver the highest close of the month. Friday saw a small gap up and pull back to end the week up +1.06%.



MSFT daily chart as of Nov 18, 2022 - Microsoft saw a pull back to its 50 day SMA support on Monday followed by a failed rally Tuesday. Wednesday saw a narrow range 'Inside' day. Thursday saw another test of its 50 day SMA Support. Friday saw another narrow range pause day to end the week down - 2.11%.



GOOGL daily chart as of Nov 18, 2022 - Alphabet saw a pause and 'Inside' day on Monday followed by a gap up to its 50 day SMA on Tuesday. The rest of the week remained in a narrow range near Tuesday's close and straddling its 50 day SMA. GOOGL ended the week up +1.06%.



AMZN daily chart as of Nov 18, 2022 - Amazon saw an 'Inside' day Monday followed by a failed rally up to its 20 day SMA Tuesday. Wednesday saw a slightly lower narrow range day. The decline continued Thursday and Friday with lower lows and lower highs to end the week down -6.60%.



TSLA daily chart as of Nov 18, 2022 - Tesla saw new 52 week lows last week then bounce a little last Thursday and Friday. This week began with an 'Inside' day Monday followed by a failed rally Tuesday. Wednesday saw a decline begin that continued Thursday and Friday with lower low with a new 52 week low seen on Friday. TSLA ended the week down -8.05%.



NVDA daily chart as of Nov 18, 2022 - Nvidia saw a rally the prior 4 weeks that peaked on Tuesday of this week. Wednesday, Thursday and Friday all saw lower lows and lower closes to end the week down -5.62%.



META daily chart as of Nov 18, 2022 - Meta saw a strong bounce last week that continued higher on Monday and Tuesday of this week, crossing above its 20 day SMA. Wednesday saw a pull back that continued lower Thursday. Friday saw a bounce and consolidation that ended the week down -0.86%.



JPM daily chart as of Nov 18, 2022 - JP Morgan saw a strong rally the past four and a half week that peaked last Friday. Monday and Tuesday of this week saw a pull back with an 'Inside' day on Wednesday. Thursday saw a lower low and lower high followed by a gap up and consolidation Friday to end the week down -1.08%.



COST daily chart as of Nov 18, 2022 - Costco gapped up and rallied above its 200 day SMA late last week. This week we saw a gap up to higher highs with selling down to close Monday below its 200 day SMA. Tuesday saw a gap up and rally to higher highs. Wednesday saw an 'Inside' day pause. Thursday saw a dip to test support at its 200 day SMA and bounced. Friday gapped up and sold off to consolidate the day and week, ending the week up +1.59%.



DE daily chart as of Nov 18, 2022 - John Deere has seen a slow and steady rally since the end of September. This week saw a pause continue for 3 days that was followed by a strong rally day on Thursday. Friday saw the rally deliver higher highs to end the week up +2.03%.



SLB daily chart as of Nov 18, 2022 - SLB saw a pause last week near its new highs then we saw a higher high delivered briefly on Monday. After Monday we saw lower lows each day this week as SLB drifted lower and crossed below its 20 day SMA on both Thursday and Friday but was able to close above the 20 day SMA on each day, ending the week down -2.52%.



WMT daily chart as of Nov 18, 2022 - Wal-Mart paused the prior 2 weeks and sold lower below its 20 day SMA on Monday this week before reporting Earnings Tuesday morning before the open. Tuesday saw a strong gap up and rally that filled the May 17th gap (Orange line - which was a negative reaction to Earnings 6 months ago). Tuesday saw a rally up to \$150.27 then pulled back a little. The Next 3 days were 'Inside' days within Tuesday's range and near the top of that range. WMT ended the week up +5.37%.



TGT daily chart as of Nov 18, 2022 - Target rallied strong last Thursday and Friday and continued higher Monday and Tuesday of this week to test Resistance near its 200 day SMA Tuesday. Target reported Earnings Wednesday morning before the open and saw a strong gap down below its 20 day and 50 day SMA at Wednesday's open. The small bounce Wednesday failed to reach its 50 day SMA. Thursday saw a bounce that did cross above its 50 day SMA. Friday saw a bit more bounce that found Resistance at its 20 day SMA, ending the week down -5.43%.

We saw different reactions to Wal-Mart's and Target's Earnings this week, as the markets received forward looking outlook statements differently. At this time of the year, with Black Friday coming up this next week, lots of eyes are watching for evidence of consumer behavior changes that may indicate their sentiment and spending habits this season. Will inflation curb consumer spending, or will we see similar amounts of dollars spent but for fewer goods? Time will tell.

We saw some mixed clues this week. Even with most charts showing a pause this week, it is not clear if this pause will end with a resumption of a rally, or, will it end with more selling to lower lows? We can use simple Trend Lines to help identify which way the break happens.

Until the break out or break down happens, we remain patient, not willing to take a trade (or risk) unless we see our 'Edge' (statistical advantage) appear. Cash is a very valid position when a Trend is not clear. Patience can be difficult to learn, since you cannot learn it fast. However, patience can save you a fortune. We ONLY take trades that meet our criteria, and have a proven 'Edge' per our well tested system.

Remember, the USA Markets are closed on Thursday this week for Thanksgiving (Nov. 24th) with a short hours session (1pm ET Close) on the following Friday (Nov. 25th).

Hope this helps.

Trade Smart,

CJ