



Market Observations - as of Nov. 25, 2022

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

Last week we saw mostly a pause in most trends as markets remained mostly horizontal and range bound. As is often seen, there were a few 'exceptions' last week with a few trending stocks and sectors.

This week was a shortened Holiday week (3 ½ days) where we again mostly saw a pause in most trends with some notable variations and exceptions. While the Nasdaq and S&P were mostly range bound this week, we saw the Nasdaq composite end the week near the middle of its range while the S&P ended this Holiday week near the highs of this range. An exception was seen in the Dow Industrials that broke out to higher highs this week.

These Divergences seen between the major indexes gives us a clue (and reminder) as to where the relative strength for this week, this month and this year. So far this year, we now see that the Dow Industrials are down about -6% for the year, the S&P is down about -16% and the Nasdaq Composite is down about -29%. We saw this same relationship exposed in the weekly percentages last week and this week, even when there was mostly a 'pause' in the markets during this period.

Clues about Trends can come from daily changes, weekly and monthly observations. The clues tend to be more significant when they agree between multiple time-frames.

Volume was rather weak this Holiday week as it normal. However, we saw some clues in the Options markets with a change in Hedging behavior this week.

We saw a divergence between the VIX and the VVIX as well as a major increase in the SKEW. These clues show us that there is more aggressive hedging activity this week. SKEW increases as Hedging activity gets more aggressive, since a common Hedging strategy is buying out-of-the-money Puts and paying for them by selling out-of-the-money Calls. The more aggressive this activity, the more Demand for Puts lifts their prices and the greater Supply of Calls tends to lower their prices that in turn shifts the Implied Volatility for these out-of-the-money Options that will show up in the IV SKEW between strikes.

The options market participants do not know what may happen next in the markets. However, their actions do show us an increase in their 'concern' such they are willing to pay for some insurance to protect their portfolios.

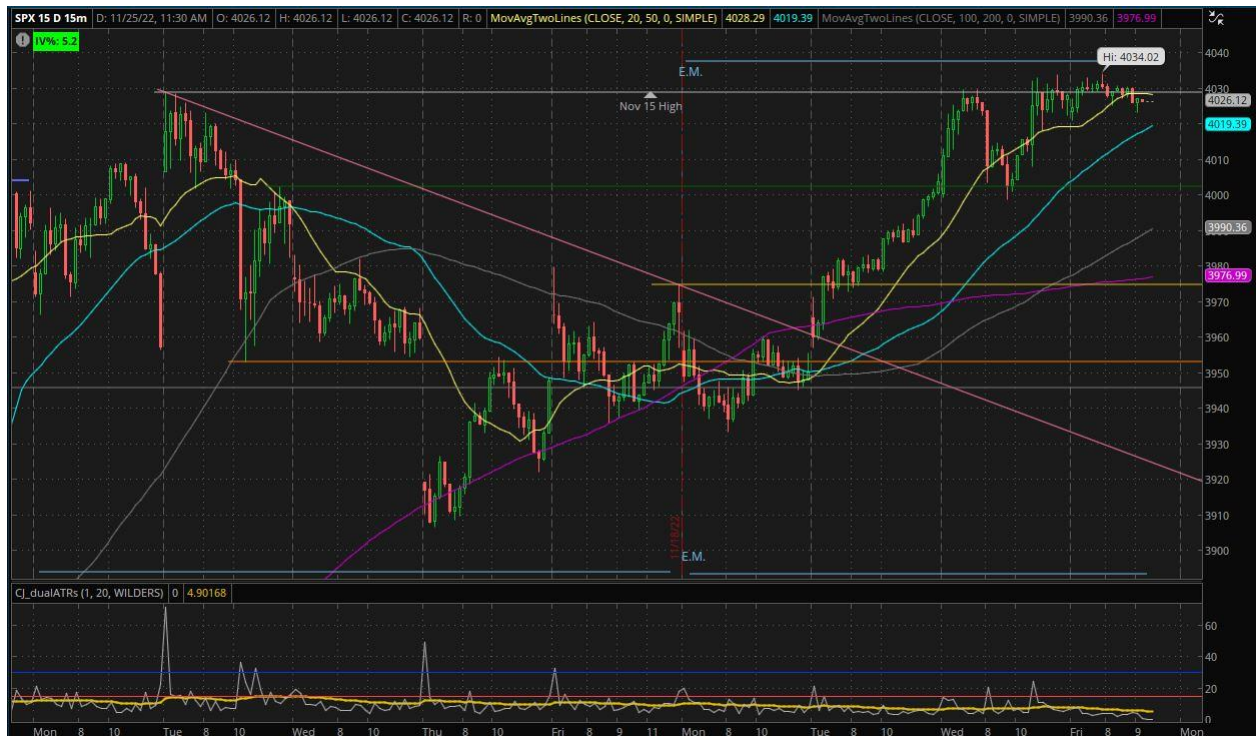
Now, let's look at the charts to see what they are telling us.



S&P 500 weekly chart as of Nov 25, 2022 - Last week we saw a close near the middle of its narrow range. This week we see a similar range but a close near the top of this week's range as the S&P remains above its 20 week SMA.



S&P 500 daily chart as of Nov 25, 2022 - Here we see a 'pause' on Monday then a rally Tuesday and Wednesday that exceeded the prior week's highs by about \$5. Friday saw another 'pause' to end the week up +1.53%. Friday was a half day and saw the narrowest True Range day since August 2021.



S&P 500 15 min. chart as of Nov 25, 2022 - Here we see the pause on Monday and the rally all day Tuesday that continued higher the first 90 min. of Wednesday before a dip mid day. The dip recovered as FOMC meeting minutes came out and delivered new highs for the day and week, exceeding the highs from last week. Thursday the markets were closed for the Thanksgiving Holiday. Friday was a short session that closed at 1pm ET. We saw a narrow range on Friday that briefly delivered a new high for the week. The high this week was about 3 points shy of touching the upper weekly Expected Move for this week. The S&P ended last week and this week 'Inside' its weekly Expected Move. .

FYI, the S&P weekly 'Expected Move' for next week is +/- \$76.23 from Friday's close at \$4026.12.



DJIA weekly chart as of Nov 25, 2022 - The Dow Industrials continue to rally this week after a pause last week.



DJIA daily chart as of Nov 25, 2022 - Here we see a pause on Monday followed by a rally to higher highs Tuesday, Wednesday and Friday, ending the week up +1.78%.



Nasdaq weekly chart as of Nov 25, 2022 - The Nasdaq composite delivered a lower high and a lower low this week with a slightly higher close than last week as it continues to straddle its 200 week SMA.



Nasdaq daily chart as of Nov 25, 2022 - The Nasdaq delivered a lower low Monday and Tuesday this week, below the lows from the prior week. The higher close Tuesday and Wednesday failed to reach the highs from last week. Friday saw a narrow 'Inside' day to end the week up +0.72%.



Russell 2000 weekly chart as of Nov 25, 2022 - The Russell saw a smaller 'Inside' range this week than last week as it remains between its 20 week and 50 week SMAs.



Russell 2000 daily chart as of Nov 25, 2022 - Monday we saw a retest of its 20 day SMA support with a rally Tuesday and Wednesday up to its 200 day SMA. Friday saw a higher high and a close just above its 200 day SMA to end the week up 1.05%.

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



McClellan Summation Index weekly chart as of Nov 25, 2022 - Last week we saw this Index end the week at -5.10. The rally continues higher to end this week at 148.18.



McClellan Summation Index daily chart as of Nov 25, 2022 - We see the increasing values in this index continue this week from -5.10 to +148.18.

NOTE: the 'Divergence' between the 'pause' we saw last week and this week in the major indexes while the McClellan Summation Index continues upward the past 2 weeks. We may not know what is next in the markets, but we do know from history that 'divergences' like this are usually soon resolved one way or the other. Remember that this Index looks at all NYSE listed stocks and weighs them all the same.



NYSE Percent above 200 day SMA daily chart as of Nov 25, 2022 - Last week we saw oscillations in the 40% to 43% area with last week ending at 41.53%. This week we see an increase above 43% to end this week at 47.00%.



NYSE Percent above 50 day SMA daily chart as of Nov 25, 2022 - Last week we saw oscillations in the 70% to 75% area with last week ending at 71.75%. This week we see a break above 75% to end this week at 77.11%.



VIX daily chart as of Nov 25, 2022 - Here we see a steady decline in the VIX each day this week with a close on Wednesday below the Trend Line Support (Grey line). This Trend Line Support was drawn between the VIX low on Nov. 4th 2021 and the low on Aug. 12th 2022. We see a narrow range 'Inside' day on Friday to end the week at 20.5.



VVIX daily chart as of Nov 25, 2022 - We see lower lows in the VVIX on Monday and Tuesday but a higher close on Tuesday. Both Wednesday and Friday saw higher highs, higher lows and a higher close at the VVIX crossed above its 20 day SMA and 'Diverged' from the VIX on the last 3 days of this week. This 'Divergence' between the VIX and the VVIX is a 'clue'.



SKEW daily chart as of Nov 25, 2022 - We saw record lows in SKEW back on Nov. 3rd this month. Last week we saw a small decline Monday then a jump up to 115.9 Tuesday that slowly declined to 114.9 last Friday. Monday of this week saw the slow decline continue to 114.5 and then changed character Tuesday to increase to 116.2, continued higher Wednesday to 118.6 and after the Thursday Holiday, increased Friday to 128.11. SKEW does not use volume in its calculation, but uses changes in Implied Volatility between Options strikes.

That is a very dramatic change for SKEW for one day, so we will watch it going forward to see if this was due to just a few odd Options Trades, or, represents a major change in Hedging activity. Friday being a quiet half day after a Holiday, it could be somebody's fat finger trade? We will soon see.

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



Oil daily chart as of Nov 25, 2022 - Oil dipped to \$75.27 and bounced Monday to close the day back near \$80. Tuesday oscillated in the \$80 to \$82 area. Wednesday saw a decline to \$77.45 that continued Friday lower to end the week at \$76.55.



Gold daily chart as of Nov 25, 2022 - Gold continued to decline Monday then paused Tuesday with an 'Inside' day. Wednesday saw a brief dip at the open and a rally to end the day at \$1,750.5. Friday saw a small rally to end the week at \$1,755.



US Dollar Index daily chart as of Nov 25, 2022 - The US Dollar Index strengthened a bit on Monday then declined on Tuesday, Wednesday and Friday this week to nearly retest the lows of the prior week and end the week lower.



US 10 year Treasury daily chart as of Nov 25, 2022 - The 10 year Note saw little change Monday, and then rallied a little Tuesday and Wednesday. Friday saw a higher high and higher low to end the week up near the highs of the prior week.

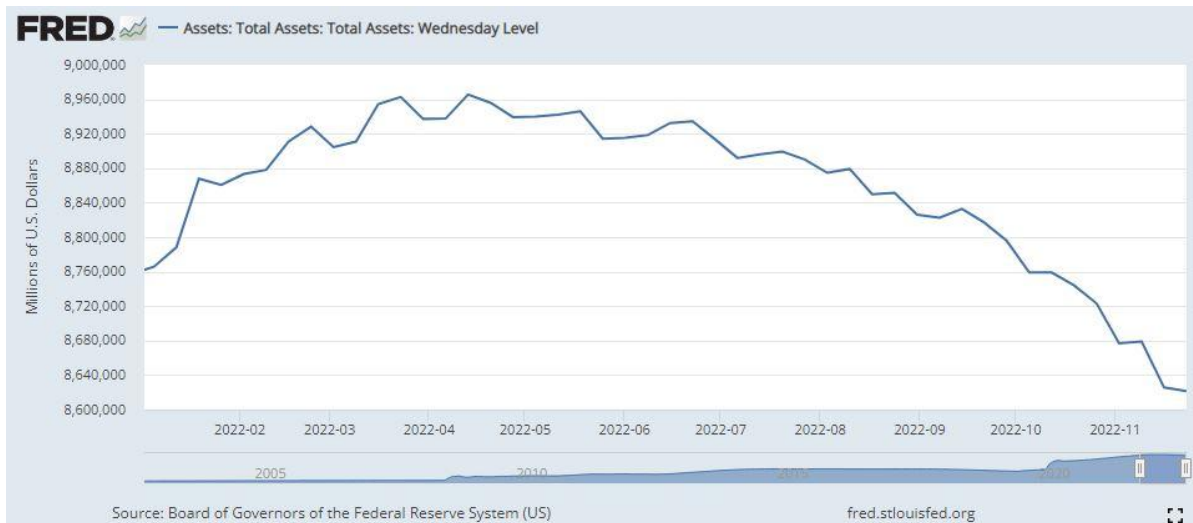


US 10 year Yield daily chart as of Nov 25, 2022 - The 10 year Yield is the inverse of the Treasury with a small increase Monday and decline in Yields the rest of this shortened week to end the week at 3.69%.

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
11/21/2022	3.97	4.24	4.41	4.47	4.65	4.75	4.48	4.32	3.97	3.94	3.83	4.14	3.91
11/22/2022	3.97	4.26	4.40	4.49	4.68	4.79	4.47	4.27	3.93	3.86	3.76	4.05	3.83
11/23/2022	4.12	4.29	4.40	4.50	4.67	4.75	4.46	4.23	3.88	3.81	3.71	3.97	3.74
11/25/2022	4.16	4.33	4.41	4.52	4.67	4.76	4.42	4.20	3.85	3.78	3.68	3.97	3.74

US Yield Rates daily table as of Nov 25, 2022 - The Yield Curve Inversion increased this week with higher short term Yields and lower long term Yields. A Yield Curve 'Inversion' exists when the short term Yield Rate is greater than the longer term Yield Rate. An easy way to measure the degree of Inversion is to find the difference between two yield rates.

A common pair is to subtract the 10 year yield minus the 2 year yield rate. The 10 year minus 2 year Yield difference has been 'Inverted' every day since July 6th this year, and remains inverted this week. This Inversion has increased from a peak difference of 0.68% last week to a peak of 0.75% difference on Wednesday of this week. The market is telling us that the Economy is either in a recession now or it expects a recession over the next year or more.



FOMC Balance Sheet weekly chart as of Nov 23, 2022 - The Fed decreased its Balance Sheet by \$4.23 Billion this week, from Total Assets of \$8.62562 Trillion on Nov. 16th to now \$8.62139 Trillion as of Nov. 23rd. So far this year we have seen smaller monthly decreases than what we saw as average monthly increases in 2020 and 2021. Restricting the available money supply is one way the Fed has to try to slow or stop economic growth.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Nov 25, 2022 - The Transports have rallied since late September with several brief 2 to 3 day pull backs along the way. We saw a sharp drop last week and a small bounce last Friday back above its 200 day SMA. This week the bounce slowly drifted higher to end the week up +1.32% as it remains above all 3 of its key SMAs.



XLE daily chart as of Nov 25, 2022 - The Energy sector remains one of the strongest sectors this year. The rally from late Sept. peaked last week and pulled back to its 20 day SMA. This week saw the pull back continue Monday below its 20 day SMA then gap up Tuesday back above its 20 day SMA. Wednesday saw an 'Inside' day above its 20 day SMA that was followed by a quiet day on Friday to end the week up +0.26% and near the middle of the prior week's range.



XLF daily chart as of Nov 25, 2022 - The Financial sector saw a small pull back last week with a bounce last Friday. This week we see a quiet 'Inside' day on Monday followed by a rally the next 3 days to new highs above last week's highs and ending the week up +2.09%.



QQQ daily chart as of Nov 25, 2022 - The range defined last week saw a test of support on Monday and Tuesday this week but the rally Tuesday and Wednesday failed to reach last week's highs. Friday saw a small pull back to end the week near the middle of last week's range, up only +0.74% this week. We now see two weeks of a 'pause' with little overall change.



SOXX daily chart as of Nov 25, 2022 - We see a dip Monday and Tuesday to find support this week above last week's lows. The Rally Tuesday and Wednesday failed to reach last week's highs. Friday saw a pull back to end the week up +1.13% and near the middle of last week's range.



XLC daily chart as of Nov 25, 2022 - The Communication Services sector also continued in a horizontal range this week with a test of last week's lows on Monday and Tuesday this week, and a rally Tuesday and Wednesday that failed to reach last week's highs. Friday saw a very quiet day to end the week up +1.35%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORS</i>	10/14/2022	10/21/2022	10/28/2022	11/4/2022	11/11/2022	11/18/2022	11/25/2022
\$SPX	-1.55%	4.74%	3.95%	-3.35%	5.90%	-0.69%	1.53%
\$INDU	1.15%	4.89%	5.72%	-1.40%	4.15%	-0.01%	1.78%
\$COMPQ	-3.11%	5.22%	2.24%	-5.65%	8.10%	-1.57%	0.72%
\$RUT	-1.16%	3.56%	6.01%	-2.55%	4.60%	-1.75%	1.05%
QQQ	-3.11%	5.63%	2.11%	-5.88%	8.80%	-1.09%	0.74%
\$TRAN	0.21%	1.51%	6.95%	-0.74%	8.02%	-2.06%	1.32%
XLE	-1.86%	8.28%	2.67%	2.43%	1.87%	-1.61%	0.26%
XLF	0.39%	3.81%	6.21%	-0.82%	5.78%	-1.39%	2.09%
XLK	-3.29%	6.46%	4.21%	-6.63%	10.04%	-0.79%	1.14%
SOXX	-8.34%	7.62%	3.83%	-1.42%	14.95%	-1.45%	1.13%
XLV	1.04%	2.13%	4.99%	-1.54%	1.77%	1.08%	1.92%
XLY	-3.83%	5.27%	1.80%	-5.15%	5.52%	-2.83%	1.16%
XRT	-1.60%	2.63%	7.36%	-3.72%	7.79%	-0.93%	2.54%
XLI	-0.49%	4.66%	6.69%	0.48%	4.69%	-0.09%	1.87%
XLU	-2.53%	1.87%	6.48%	-0.47%	1.48%	1.13%	3.04%
XME	-3.11%	9.03%	0.69%	1.98%	3.92%	-1.87%	4.03%
XLP	1.55%	2.04%	6.18%	-1.80%	2.32%	1.58%	2.10%
XLB	-1.84%	6.07%	3.36%	0.90%	7.73%	-1.55%	2.98%
XLC	-1.54%	4.52%	-2.23%	-6.75%	9.41%	-0.98%	1.35%
XHB	-4.16%	0.49%	7.12%	-4.97%	12.10%	-2.99%	1.84%

Weekly Percent Change US Indexes and Sectors table as of Nov 25, 2022 - Note the relative strength of the Dow Industrials last week and this week as compared to the other major indexes the same weeks. The Nasdaq composite shows as the weakest both weeks while the S&P is stronger but not as strong as the Industrials. This observation is one clue about leadership we mentioned at the beginning of this document.

Note: ALL Sectors delivered a positive change this week.

The Strongest sectors this week included: XME, XLU, XLB, XRT, XLP and XLP who each delivered over +2% this week, greater than the major indexes

The Weakest sectors included: XLE and QQQ (NDX) each delivered less than a +1% gain this week.

INDEXes SECTORs	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	End of Day 11/21/22	End of Day 11/22/22	End of Day 11/23/22	Holiday 11/24/22	End of Day 11/25/22
\$SPX	-0.89%	0.87%	-0.82%	-0.30%	0.48%	-0.39%	1.36%	0.59%	n/a	-0.03%
\$INDU	-0.63%	0.17%	-0.12%	-0.02%	0.59%	-0.13%	1.18%	0.28%	n/a	0.45%
\$COMPQ	-1.12%	1.45%	-1.54%	-0.35%	0.01%	-1.09%	1.36%	0.99%	n/a	-0.52%
\$RUT	-1.14%	1.50%	-1.91%	-0.76%	0.58%	-0.57%	1.16%	0.17%	n/a	0.30%
QQQ	-0.88%	1.38%	-1.36%	-0.22%	0.00%	-1.03%	1.44%	1.00%	n/a	-0.66%
\$STRAN	-0.15%	0.58%	-2.12%	-1.02%	0.67%	0.29%	0.27%	0.32%	n/a	0.43%

Daily Percent Change US Indexes table as of Nov 25, 2022 - We saw daily changes in leadership again this week with the QQQ showing relative strength on Tuesday and Wednesday this week. Weakness changed each day this week. The Industrials lead only on Friday this week with a significant gain while the S&P and Nasdaq showed small declines on Friday.

Next we will look at a few key Stocks.



AAPL daily chart as of Nov 25, 2022 - Apple spent a second week in a horizontal range just above its 20 day and 50 day SMAs, ending the week down -2.10%. Note how close price is to the 20 day and 50 day SMAs and how 'flat' or horizontal these two SMAs are sloped currently.



MSFT daily chart as of Nov 25, 2022 - Microsoft continued last week's 'pause' on Monday this week before slowly drifting higher each of the last 3 days this week, ending the week up +2.60%.



GOOGL daily chart as of Nov 25, 2022 - Alphabet sold off below its 50 day SMA most of Monday and continued lower the first half hour on Tuesday breaking below last week's lows to find support and rallied the rest of the day up to its 50 day SMA. Wednesday the rally continued above its 50 day SMA but failed to reach last week's highs. Friday saw a small pull back to end the week up only +0.03%.



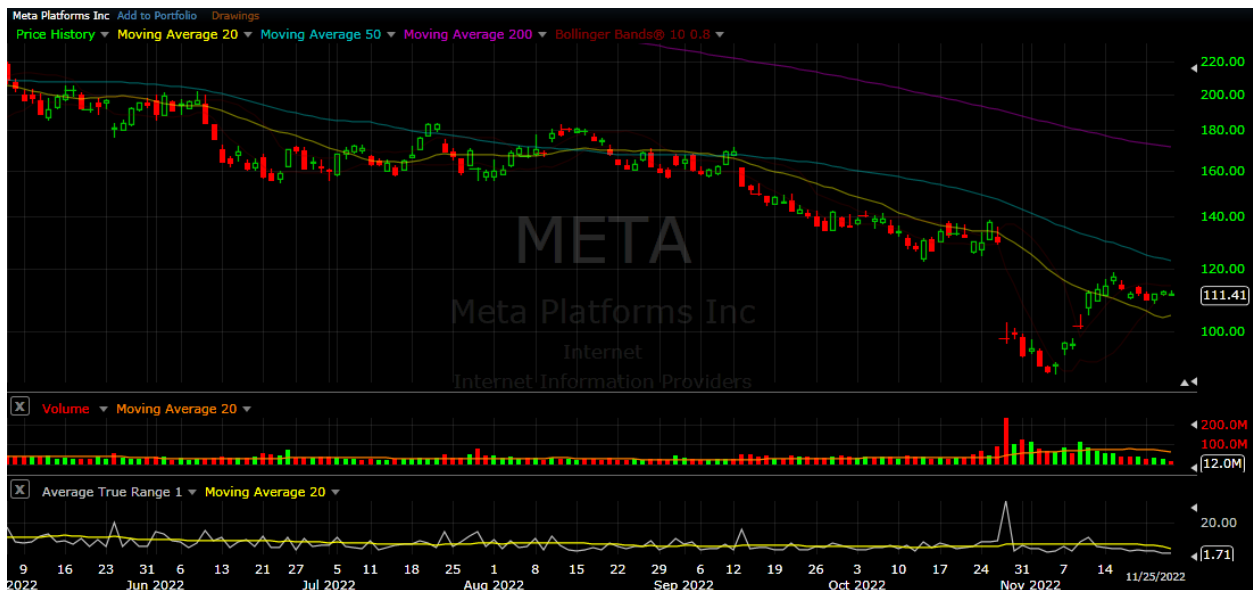
AMZN daily chart as of Nov 25, 2022 - Amazon declined last week and continued lower on Monday of this week. Tuesday saw an 'Inside' day. Wednesday saw a small rally that failed to reach its 20 day SMA Resistance. Friday saw a small pull back to end the week down -0.78%.



TSLA daily chart as of Nov 25, 2022 - Tesla continued lower Monday and early Tuesday to find support near \$166.19 before pausing in the \$169 area the rest of the day. Wednesday saw a gap up and rally up to the \$183 area. Friday saw some oscillations in this same area before ending the shortened week up +1.48%.



NVDA daily chart as of Nov 25, 2022 - Nvidia saw a pull back last week and retested last week's support on Monday and Tuesday this week before a rally Tuesday and Wednesday took NVDA above \$165. Friday saw a small pull back to end the week up +5.59%.



META daily chart as of Nov 25, 2022 - Meta paused this week near the lows of the prior week to see very little change this week, ending the week down -0.57%.

Out of the seven big tech stocks above, what name was the strongest this week and what name was the weakest?



JPM daily chart as of Nov 25, 2022 - JP Morgan saw a small pull back last week that continued a little lower on Monday this week. The rally 'resumed' Tuesday, Wednesday and Friday this week to deliver higher highs than last week and highs that have not been seen since April 1st 2020. JPM ended this week up +2.17%.



COST daily chart as of Nov 25, 2022 - We drew a horizontal Yellow line back in Jan. of this year at a key area of Support and Resistance (at \$534.25) and left that line on our chart because it often acted like Resistance or Support several times since. This week we saw an 'Inside' day on Monday that was followed by a 'resumption' of the rally on Tuesday and Wednesday to exceed the highs from the prior week and reach the Yellow horizontal line. Friday saw an 'Inside' day to end the week up +1.91%. We will watch next week to see if this yellow line area acts like resistance or not.



DE daily chart as of Nov 25, 2022 - John Deere has seen a steady rally since late September. Deere reported Earnings on Wednesday morning before the open and saw a strong gap up and rally in reaction. Friday saw an Inside day to end the week up +6.57%.



SLB daily chart as of Nov 25, 2022 - SLB saw a pull back last week and continued lower Monday this week to find support and bounce. The bounce continued Tuesday back above its 20 day SMA. Wednesday saw a decline back below its 20 day SMA that continued lower Friday to end the week down -4.88%. It looks like the 20 day SMA (Yellow) would have given both a good Entry signal in early October and an Exit signal last week. SLB continues to appear in a horizontal range since Oct. 24th.



WMT daily chart as of Nov 25, 2022 - Wal-Mart gapped up after Earnings last week and continued its rally this week, ending this week up +1.89%.



TGT daily chart as of Nov 25, 2022 - Target has been stuck in a horizontal range since mid May. Target reported Earnings last week and saw a gap down in reaction with a bounce rally up to its 20 day SMA last week. We saw a dip below its 50 day SMA on Monday and Tuesday this week with a rally Wednesday back up to its 20 day SMA. Friday saw a pause near its 20 day SMA to end the week up +0.31%. It appears that 'hope' may have driven the failed rally last week before Earnings came out.



X daily chart as of Nov 25, 2022 - We saw a pull back in US Steel last week that formed a possible Cup-n-Handle pattern. Monday this week we saw a rally back up to the 200 day SMA resistance to complete the pattern. Tuesday's open saw a 'break out' above the 200 day SMA that was followed with higher highs on Wednesday and Friday, ending the week up +9.67%.

We saw in the charts above clues from comparing the major Indexes to each other, over multiple time frames as well as the performance of key Sectors. With the Metals and Mining Sector (XME) leading this week, and with the break out in US Steel chart as an example within this sector, we can see how the odds tend to favor the strongest names in the strongest sectors (for bullish trades). Likewise, finding the weakest names in the weakest sectors can improve the odds for Bearish trades.

By taking the time to develop your own process of top-down market analysis you can quickly find higher odds opportunities to consider. You still must evaluate each opportunity on its own merits. Having a top-down process give you a way to spend less time looking, and more time evaluating the 'best' opportunities to see if they meet your criteria for 'YOUR EDGE'. I hope this helps.

Trade Smart,

CJ