



Market Observations - as of Dec. 23, 2022

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

Last week we saw a failed rally on Tuesday that was followed by 3 days of lower lows and lower highs in most all of the major indexes that broke below the prior 5-week Support either on Thursday or Friday.

This week we saw the decline continue lower on Monday and Tuesday with a brief failed rally Wednesday that was followed by lower lows for the week on Thursday. Friday saw a mild drift higher to end the week near the middle of this week's range.

The low for the week on Thursday in the S&P was within 10 cents of the weekly Expected Move as defined by options prices on Friday Dec. 16th.

Volume was mostly light this week with the Holiday approaching. However we saw an exception on Thursday with above average volume in the most liquid instruments on the widest range day of this week.

Most of the major indexes ended this week down with the exception of the Dow Industrials that ended the week up less than +1%. We have noted in the past several months the relative 'strength' of the Dow Industrials compared to the other indexes.

Many times this year we have seen the relative strength of the Energy (XLE) and Mining (XME) sectors. It should be no surprise that these same two sectors again lead the markets up this week.

One can improve their odds by trading 'with' the trend and 'with' the strongest stocks within the strongest sectors. We again see several examples of this 'probability advantage' this week in a number of stocks we will look at below.

Now let's look at the charts to see what they are telling us this week. We will start with longer term charts (weekly) and then follow with shorter term charts (daily) to help keep in mind the overall market 'context' of the major indexes.



S&P 500 weekly chart as of Dec 23, 2022 - We see a 3rd week with lower lows and a failed rally last week that found Resistance at the 50 week SMA (light Blue) and the Trend Line (Dark Blue). Note how long the S&P has remained below its 50 week SMA this year.



S&P 500 daily chart as of Dec 23, 2022 - The S&P broke below its 5-week Support and Darvas Box last week and crossed below its 50 day SMA (Blue). This week the S&P remained mostly within the range from 3795 to 3889 to form a new lower Darvas box. Wednesday closed about 1 point above its 50 day SMA that could not hold over the next two days. The S&P ended the week down -0.20% and is now below all 3 of its key DAILY SMAs.



S&P 500 15 min. chart as of Dec 23, 2022 - Here we see lower lows on Monday and Tuesday with a failed rally Wednesday that found Resistance at the prior Sept 6th lows. Thursday saw a wide range day and drop the first half of the day that found support within 10 cents of the lower weekly Expected Move then bounce the last half of the day. Friday saw the bounce continue and then slow the first hours to then pause the last half of the day as volume dried up before the Holiday. The S&P ended this week near the middle of its range for this week.

The USA markets will be closed on Monday (Dec. 26th) for the Holiday and resume normal hours the last 4 days of next week.



DJIA weekly chart as of Dec 23, 2022 - The Dow Industrials saw a lower low and lower high this week but delivered a higher close to remain above its 50 week SMA. If you compare the Industrials weekly chart to the S&P weekly chart you will see that one key difference is that the Industrials have been above its 50 week SMA for the past seven weeks. Another difference is that the Industrials are now above all 3 of its key WEEKLY SMAs. (Hints)



DJIA daily chart as of Dec 23, 2022 - The Industrials found support last week at the 50 day SMA and continued to mostly respect that support this week, without a single 'close' this week below the 50 day SMA. The Industrials ended this week up +0.86% and still above 2 of its 3 key DAILY SMAs.



Nasdaq weekly chart as of Dec 23, 2022 - The Nasdaq delivered a 3rd week of lower lows this week and is now below all 3 of its key WEEKLY SMAs.



Nasdaq daily chart as of Dec 23, 2022 - The Nasdaq broke below its 5-week Support and its 50 day SMA last Thursday and continued lower Friday. This week we see lower lows on Monday and Tuesday with a failed rally Wednesday that was followed with lower lows for this week on Thursday. Friday saw an 'Inside' day to end the week down -1.94% as the Nasdaq remains below all 3 of its key Daily SMAs.



Russell 2000 weekly chart as of Dec 23, 2022 - We see a 3rd week of lower lows as the Russell remains below its 50 week SMA Resistance and below all 3 of its key WEEKLY SMAs.



Russell 2000 daily chart as of Dec 23, 2022 - The Russell broke below its 50 day SMA (Blue) last Thursday and continued lower Friday. This week the Russell delivered lower lows Monday and Tuesday. Wednesday saw a failed rally followed by lower lows for this week on Thursday. Friday saw an 'Inside' day to end the week down -0.14% as the Russell remains below all 3 of its key Daily SMAs.

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



McClellan Summation Index weekly chart as of Dec 23, 2022 - Last week we saw a decline to 142.34. This week the decline continued for a 3rd week down to -57.58.



McClellan Summation Index daily chart as of Dec 23, 2022 - This week we see the decline continue down to -57.58.



NYSE Percent above 200 day SMA daily chart as of Dec 23, 2022 - Last week we saw a decline down to 37.92%. This week we see some oscillations in the 36% to 40% area ending this week at 39.61%.



NYSE Percent above 50 day SMA daily chart as of Dec 23, 2022 - Last week we saw a decline to the 50 day SMA ending the week at 52.95%. This week we see some oscillations in the 48% to 50% area, ending this week at 49.56%. This now indicates that more than half of all stocks listed on the NYSE are now below their 50 day SMA.



VIX daily chart as of Dec 23, 2022 - The VIX continues to appear to be not very responsive to market moves. We see a narrow inside day Monday with a wider range decline on Tuesday. Wednesday saw a drop to 20 as markets rallied a little. Thursday saw a wide range swing as the VIX peaked at 24.3 before pulling back and closing the day at 21.97. Friday saw an Inside Day and decline to end the week at 20.87. So far in 2022 we have seen ‘Support’ for the VIX in the 19 to 20 area before the next market decline seems to kick off.



VVIX daily chart as of Dec 23, 2022 - We see the VVIX decline sharply Monday and Tuesday and pause Wednesday as the Options markets reflect ‘less’ uncertainty ahead. We saw a small spike on Thursday the returned to a narrow range on Friday near the lows of the year.

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



Oil daily chart as of Dec 23, 2022 - Oil prices paused Monday and Tuesday just under its 20 day SMA then rallied Wednesday above its 20 day SMA. The rally continued the rest of this week, peaking at \$80.33 on Friday before pulling back and closing the week at \$79.35.



Gold daily chart as of Dec 23, 2022 - Gold prices were quiet Monday then rallied Tuesday above \$1830, paused Wednesday then declined Thursday to its 200 day SMA (Purple). Friday saw an 'Inside' day to end the week at \$1806.



US Dollar Index daily chart as of Dec 23, 2022 - The US Dollar paused Monday then dropped Tuesday on news from the Bank of Japan. The US Dollar drifted up a little on Wednesday and Thursday then saw a quiet 'Inside' day on Friday.



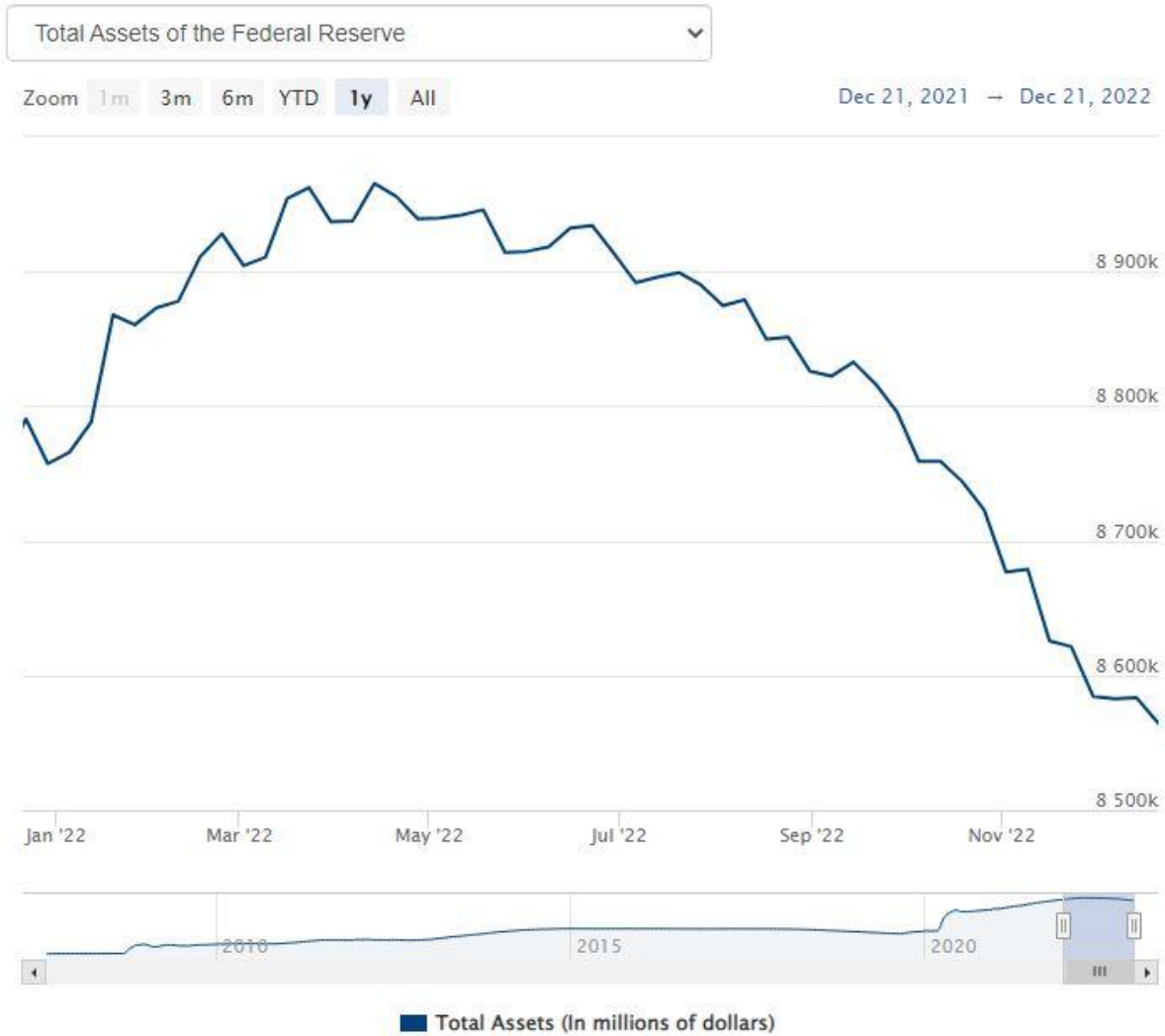
US 10 year Treasury daily chart as of Dec 23, 2022 - The 10 year Sold off on light volume this week, crossing below its 20 day SMA on Tuesday.



US 10 year Yield daily chart as of Dec 23, 2022 - We see the Yields increase this week as the Treasuries sold off, crossing above its 20 day SMA on Tuesday.

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
12/01/2022	4.04	4.24	4.33	4.52	4.65	4.66	4.25	3.98	3.68	3.62	3.53	3.85	3.64
12/02/2022	3.91	4.25	4.34	4.52	4.65	4.69	4.28	3.99	3.67	3.61	3.51	3.79	3.56
12/05/2022	3.93	4.25	4.36	4.56	4.73	4.77	4.41	4.13	3.80	3.72	3.60	3.84	3.62
12/06/2022	3.87	4.19	4.37	4.54	4.74	4.73	4.34	4.07	3.73	3.64	3.51	3.77	3.52
12/07/2022	3.79	4.10	4.29	4.53	4.72	4.67	4.26	3.97	3.62	3.54	3.42	3.66	3.42
12/08/2022	3.75	4.11	4.28	4.53	4.71	4.71	4.31	4.04	3.71	3.63	3.48	3.71	3.44
12/09/2022	3.81	4.13	4.31	4.54	4.72	4.72	4.33	4.07	3.75	3.69	3.57	3.82	3.56
12/12/2022	3.86	4.18	4.38	4.60	4.78	4.75	4.39	4.10	3.80	3.73	3.61	3.84	3.57
12/13/2022	3.89	4.16	4.35	4.58	4.70	4.64	4.22	3.96	3.66	3.60	3.51	3.74	3.53
12/14/2022	3.91	4.14	4.33	4.58	4.68	4.64	4.23	3.94	3.64	3.59	3.49	3.74	3.52
12/15/2022	3.95	4.24	4.34	4.56	4.70	4.65	4.23	3.96	3.62	3.56	3.44	3.69	3.48
12/16/2022	3.94	4.22	4.31	4.54	4.68	4.61	4.17	3.91	3.61	3.58	3.48	3.73	3.53
12/19/2022	3.95	4.24	4.37	4.57	4.71	4.64	4.25	3.99	3.70	3.67	3.57	3.82	3.62
12/20/2022	3.89	4.23	4.35	4.55	4.70	4.64	4.25	4.03	3.79	3.78	3.69	3.94	3.74
12/21/2022	3.90	4.23	4.33	4.57	4.67	4.60	4.21	4.00	3.78	3.77	3.68	3.93	3.74
12/22/2022	3.80	4.20	4.35	4.57	4.66	4.64	4.24	4.02	3.79	3.77	3.67	3.91	3.73
12/23/2022	3.80	4.20	4.34	4.59	4.67	4.66	4.31	4.09	3.86	3.83	3.75	3.99	3.82

US Yield rates daily table as of Dec 23, 2022 - Long term Yields increased a bit this week as the short terms declined a little. The widest 10 year - 2 year Inversion this year was seen on Dec. 7th at -0.84%. This week saw the 10 yr - 2 yr Inversion at -0.56% Friday. A 10 yr - 2 yr Inversion has been seen every day this year since July 6th.



FOMC Balance Sheet weekly chart as of Dec 21, 2022 - The Fed decreased its Balance Sheet this week by \$19.002 Billion to bring its Total Assets to \$8.564411 Trillion. The total 'reductions' to the Balance Sheet this year since the peak in Mid-April is now at \$401.076 Billion (out of \$8.965 Trillion).

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Dec 23, 2022 - The Transports found Support at its 50 day SMA last Friday. Monday of this week saw the Transports break below its 50 day SMA and deliver lower lows on both Monday and Tuesday. Wednesday saw a small failed rally followed by new lows for the week on Thursday. Friday saw a bounce to end the week down -1.26% and now below all 3 of its key SMAs.



XLE daily chart as of Dec 23, 2022 - The Energy sector dipped Monday to test support near its 100 day SMA (Grey). Tuesday and Wednesday saw a rally nearly up to its 20 day SMA. Thursday saw a wide range day and dip briefly below its 100 day SMA that bounced the last 2 hrs of the day. Friday saw the rally continue the first hour above its 20 day SMA then pause to end the week up +4.26%. XLE is now above 2 of its 3 key SMAs. The XLE was again the strongest sector on my list this week.



XLF daily chart as of Dec 23, 2022 - The Financial sector dropped below its 50 day SMA last week and remained below this week, testing its 50 day SMA as Resistance on Wednesday's failed rally. The XLF ended the week up +1.37% but remains below all 3 of its key SMAs.



QQQ daily chart as of Dec 23, 2022 - The Nasdaq-100 ETF broke below its 50 day SMA and 5-week support last Thursday and continued lower Friday. This week the QQQs continued lower Monday and Tuesday then saw a failed rally Wednesday that was followed with lower lows for the week on Thursday. Friday saw a small bounce and an 'Inside' day to end the week down -2.28% as the QQQs remain below all 3 of its key SMAs.



SOXX daily chart as of Dec 23, 2022 - The Semiconductor sector broke below its 5-week support late last week and continued lower Monday and Tuesday this week. Wednesday saw a failed bounce that was followed with lower lows for this week on Thursday below its 50 day SMA. Friday saw a small bounce that failed to reach its 50 day SMA ending the week down -3.60% as the SOXX is now below all 3 of its key SMAs. The SOXX was the weakest sector on my list this week.



XLC daily chart as of Dec 23, 2022 - The Communication Services sector also broke below its 50 day SMA last week and continued lower on Monday and Tuesday this week. Wednesday saw a failed rally that was followed by a retest of the lows for this week on Thursday. Friday saw a bounce to end the week down -0.28% as the XLC is still below all 3 of its key SMAs.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORS</i>	11/11/2022	11/18/2022	11/25/2022	12/2/2022	12/9/2022	12/16/2022	12/23/2022
\$SPX	5.90%	-0.69%	1.53%	1.13%	-3.37%	-2.08%	-0.20%
\$INDU	4.15%	-0.01%	1.78%	0.24%	-2.77%	-1.66%	0.86%
\$COMPQ	8.10%	-1.57%	0.72%	2.09%	-3.99%	-2.72%	-1.94%
\$RUT	4.60%	-1.75%	1.05%	1.27%	-5.08%	-1.85%	-0.14%
QQQ	8.80%	-1.09%	0.74%	1.96%	-3.59%	-2.76%	-2.28%
\$TRAN	8.02%	-2.06%	1.32%	0.54%	-5.22%	-0.18%	-1.26%
XLE	1.87%	-1.61%	0.26%	-1.70%	-8.45%	2.03%	4.26%
XLF	5.78%	-1.39%	2.09%	-0.50%	-3.90%	-2.40%	1.37%
XLK	10.04%	-0.79%	1.14%	1.32%	-3.29%	-2.62%	-1.98%
SOXX	14.95%	-1.45%	1.13%	1.06%	-1.68%	-3.09%	-3.60%
XLV	1.77%	1.08%	1.92%	1.92%	-1.29%	-1.78%	0.83%
XLY	5.52%	-2.83%	1.16%	2.33%	-4.47%	-3.96%	-3.08%
XRT	7.79%	-0.93%	2.54%	0.63%	-4.19%	-4.14%	-1.01%
XLI	4.69%	-0.09%	1.87%	1.02%	-3.19%	-0.98%	0.77%
XLU	1.48%	1.13%	3.04%	0.13%	-0.28%	-0.49%	1.43%
XME	3.92%	-1.87%	4.03%	4.44%	-6.39%	-2.57%	2.36%
XLP	2.32%	1.58%	2.10%	1.23%	-1.68%	-1.36%	1.15%
XLB	7.73%	-1.55%	2.98%	1.69%	-3.32%	-2.35%	-0.06%
XLC	9.41%	-0.98%	1.35%	3.47%	-4.81%	-2.81%	-0.28%
XHB	12.10%	-2.99%	1.84%	0.90%	-2.00%	0.36%	-0.94%

Weekly Percent Change US Indexes and Sectors table as of Dec 23, 2022 - The Dow Industrials have been the strongest Index on my list over the past 3 weeks and was the only positive index this week.

The strongest Sector last week and again this week was the Energy sector (XLE). The strongest sectors this week included: XLE, XME, XLU, XLF and XLP that all delivered over +1%.

The weakest sectors this week included: SOXX, XLY, QQQ, XLK, Dow Transports and XRT that all delivered more than a -1% loss this week.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 12/12/22	End of Day 12/13/22	End of Day 12/14/22	End of Day 12/15/22	End of Day 12/16/22	End of Day 12/19/22	End of Day 12/20/22	End of Day 12/21/22	End of Day 12/22/22	End of Day 12/23/22
\$SPX	1.43%	0.74%	-0.61%	-2.49%	-1.12%	-0.90%	0.10%	1.49%	-1.44%	0.59%
\$INDU	1.58%	0.31%	-0.42%	-2.25%	-0.85%	-0.49%	0.28%	1.60%	-1.05%	0.53%
\$COMPQ	1.26%	1.01%	-0.76%	-3.23%	-0.97%	-1.49%	0.01%	1.54%	-2.18%	0.21%
\$RUT	1.22%	0.76%	-0.65%	-2.52%	-0.63%	-1.41%	0.54%	1.65%	-1.29%	0.39%
QQQ	1.26%	1.08%	-0.74%	-3.36%	-0.95%	-1.64%	-0.08%	1.47%	-2.45%	0.22%
\$STRAN	3.03%	0.09%	0.60%	-2.71%	-1.10%	-1.25%	-1.34%	1.34%	-1.05%	1.07%

Daily Percent Change US Indexes table as of Dec 23, 2022 - We see daily changes in leadership this week with the exceptions of the Russell 2000 leading on both Tuesday and Wednesday this week, and the Dow Transports lagging on the same two days. The Dow Industrials showed leadership on both Monday and Thursday this week, days when most markets were down. The QQQ showed its weakness on Monday and Thursday this week.

Next we will look at a few key Stocks. The first half of the stocks listed below are the biggest companies with the greatest influence on the markets (indexes and sectors). The second half of the stocks listed below tend to be prior examples of leaders or laggards that we follow up on.



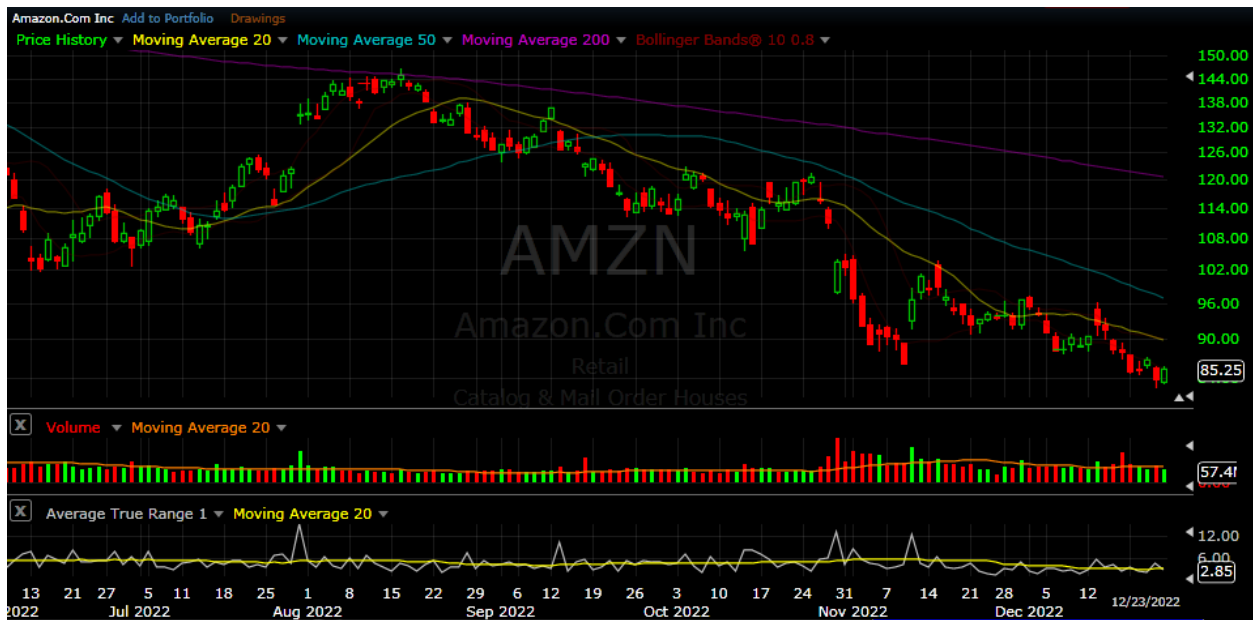
AAPL daily chart as of Dec 23, 2022 - Apple broke down last week and continued lower Monday and Tuesday of this week. Wednesday saw a failed rally that was followed by lower lows on Thursday and Friday, ending the week down -1.97%. Apple is nearing its 52 week lows at \$129.04.



MSFT daily chart as of Dec 23, 2022 - Microsoft continued lower on Monday and Tuesday this week with a bounce Wednesday as MSFT closed each of these days above its 50 day SMA. Thursday saw a break below its 50 day SMA and new lows for the month followed by a small bounce and 'Inside' day on Friday to end the week down -2.44%.



GOOGL daily chart as of Dec 23, 2022 - Alphabet continued lower Monday and Tuesday then saw a small bounce that failed to rally on Wednesday. Thursday saw new lows for the month followed by a bounce Friday to recover less than half of this week's range, ending the week down -1.14%.



AMZN daily chart as of Dec 23, 2022 - Amazon sold off last week and continued lower on Monday and Tuesday this week. Wednesday saw a small bounce that failed to rally and was followed with new 52 week lows on Thursday. Friday saw a bounce to recover part of this week's losses, ending the week down -2.97%.



TSLA daily chart as of Dec 23, 2022 - Tesla continued its heavy selling this week with new 52 week lows delivered each day, lower highs each day and on strong volume. TSLA ended the week down -18.03%.



NVDA daily chart as of Dec 23, 2022 - Nvidia continued last week's selling with lower lows and lower highs on Monday and Tuesday this week, crossing below its 20 day SMA on Monday. Wednesday saw a small bounce that failed to reach its 20 day SMA and was followed with much lower lows below its 50 day SMA on Thursday before a small bounce the last 2 hrs closed the day back above its 50 day SMA. Friday saw an 'Inside' day to end the week down -8.24%, ending the week just 91 cents above its 50 day SMA.



META daily chart as of Dec 23, 2022 - Meta has been mostly horizontal since mid November. This week saw only small range days near its 20 day and 50 day SMAs. Meta remains well below its 200 day SMA. Meta ended the week down -1.16%.

Looking at the above seven big tech Stock names, how many are now below all 3 of their key SMAs (20 day, 50 day and 200 day)?

What names delivered smaller losses this week than the QQQ (-2.28%) or even a gain, and what names saw bigger losses than the QQQ this week?

These observations can help identify relative strength (and weakness) amongst this group of big tech names that can help identify potential trade opportunities or at least key 'sectors' to watch.



JPM daily chart as of Dec 23, 2022 - JP Morgan did 'not' continue lower Monday and Tuesday this week but rallied the first 3 days of this week. However, this rally failed to reach its 20 day SMA on Wednesday and saw a gap down and drop below its 50 day SMA on Thursday with a bounce the last 2 hours of the day to close back above its 50 day SMA. Friday saw the bounce continue with a higher low and a higher high to end the week up +1.54%.



COST daily chart as of Dec 23, 2022 - Costco saw a large drop last week that continued a little lower on Monday and Tuesday before finding support. Wednesday saw a bounce that failed and was followed by a pull back on Thursday that did NOT retest the lows from Tuesday. Friday saw a bounce to end the week near the highs of this week's range, up +0.26% for the week.



DE daily chart as of Dec 23, 2022 - John Deere has been mostly flat and horizontal for about a month after reporting Earnings on Nov. 23rd. This week saw a small rally for 3 days above its 20 day SMA then a pullback Thursday back below its 20 day SMA. Friday saw an 'Inside' day to end the week up +1.35%.



CAT daily chart as of Dec 23, 2022 - Caterpillar has been mostly horizontal for six weeks, crossing above its 20 day SMA on Tuesday this week and delivering new highs on Wednesday before pulling back and testing its 20 day SMA as Support on Thursday. Friday saw an 'Inside' day to end the week up +3.07%.



SLB daily chart as of Dec 23, 2022 - SLB has been mostly horizontal for about two months and saw a dip last week that it partially recovered. This week saw a bounce continued 3 days, crossing above its 50 day and 20 day SMAs on Tuesday and delivering highs for this week on Wednesday. Thursday saw a wide range dip below its 20 day and 50 day SMAs that rallied the last 2 hours of the day back above both SMAs. Friday saw an 'Inside' day that ended the week near the highs of the week, up +7.31% for the week.



HAL daily chart as of Dec 23, 2022 - Halliburton looks similar to SLB, with a dip last week that was partially recovered. The bounce continued this week from its 50 day SMA support Monday, crossing above its 20 day SMA Tuesday and delivering higher highs each day that followed this week. Thursday saw a wide range swing that did not touch its 20 day SMA support and was followed with higher highs Friday to end the week up +9.04%.



BA daily chart as of Dec 23, 2022 - Boeing continues its slow rally with higher highs the first 3 days of this week. Thursday saw a pull back that was followed with lower lows on Friday to end the week up +2.36%.

Note that BA, HAL, SLB and CAT above are all now above all 3 of their key SMAs.

Note that BA, CAT, JPM, AAPL and MSFT are all members of the Dow Jones Industrial Average.

Note that HAL and SLB are members of the XLE sector ETF.

Note that NVDA is one of the weakest members of the SOXX sector ETF.

As a Trend Following Trader that trades both bullish and bearish patterns, we can improve our odds over the long term by combining the improved odds from trading the leading stocks in the leading sectors as well as the weakest stocks in the weakest sectors. We actively monitor the overall market context and sector performance to try to capture any advantage that appears to be in our favor.

We also know that 'Anything can happen'; so we prepare by mentally rehearsing at least 3 scenarios. We imagine what will we do (based upon pre-identified confirmation signals) if markets act: Bullish, Bearish or Neutral. We also manage RISKS carefully by never exposing any position to more \$ risk than what we have identified as our maximum loss before putting on any trade. Calculating a stop location and position size to stay within (and never over) our max. loss amount is key to long term survival.

Hope this helps.

Trade Smart,

CJ