



Market Observations - as of Jan. 6, 2023

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

Last week we mostly saw a horizontal pause in most markets, with the S&P remaining inside its prior week's range all week and the Nasdaq only briefly broke below its range before returning inside.

This week we saw more of the same with the Nasdaq and S&P remaining inside their ranges this Holiday week until the last 2 hours on Friday where the S&P broke above its nearly 14-day range. The Nasdaq did test its 10,600 level late on Friday but remained inside its 14-day Box all this week.

Positive reactions to the Jobs reports on Friday seemed to encourage the bulls Friday as we saw stronger volume and stronger sectors rally most all day. A few names even saw large range days on Friday.

Oil prices sold off Tuesday and Wednesday then paused for the rest of this week. Gold continued its rally this week on even stronger volume. Gold miners showed strength this week as well. Rumors persist that central banks around the world are buying up Gold at greater volumes to hedge currency risks in international trade.

We continue to see strength in Energy, key Materials & Commodities, Defense and Industrial sectors.

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



S&P 500 weekly chart as of Jan 6, 2023 - The prior 2 weeks saw a pause and this week we see a small rally above its 20 week SMA. The Trend remains Bearish as the S&P is below its 50 week SMA (Blue) and its 2022 Trend Line Resistance (dark blue).



S&P 500 daily chart as of Jan 6, 2023 - Here we see the lower Darvas Box that provided nearly 14 days of horizontal pause. Note Friday broke above its 20 day SMA and touched its 50 day SMA. The S&P ended the week up +1.45%.



S&P 500 15 min. chart as of Jan 6, 2023 - Here we see the Darvas Box drawn below the Sept. 6th Lows and above the Dec. 22nd lows that contains all price action for nearly 14 days. The S&P broke above the Sept. 6th lows in the last 2 hours on Friday and continued higher to find resistance at its 50 day SMA.

The 'break out' late this week is still within a larger market context of a Bearish market, so odds of this rally failing are still significant. We will watch for signs of: a 'continued' rally next week, or a pause, or a failure back down to or below the Sept 6th lows. Anything can happen.

Friday's breadth indicators will help us see how much participation there was on Friday with different sectors, as will 'volume'.



DJIA weekly chart as of Jan 6, 2023 - The Dow Industrials remained above their 50 week SMA most all of Nov. and Dec. and rallied a little higher this week.



DJIA daily chart as of Jan 6, 2023 - We see about 14 days of the Dow inside a horizontal range that broke out on Friday this week as the Industrials crossed above its 20 day and 50 day SMAs to deliver higher highs above this prior range. The Industrials ended the week up +1.46% and is now above all 3 of its key daily SMAs.



Nasdaq weekly chart as of Jan 6, 2023 - The Nasdaq composite has paused for about 3 weeks inside its range.



Nasdaq daily chart as of Jan 6, 2023 - Here we can see the Nasdaq remains inside its 'Box' over the past 14 sessions. The Rally Friday failed to reach its 20 day SMA or the upper edge of the Box. The Nasdaq ended the week up +0.98% and remains below all 3 of its key daily SMAs.

You can draw a box anywhere you wish. To make my box useful, I chose to use key prior levels of support or resistance. The range the past 14 days is the 'same' as seen back on Nov. 3rd - 9th.



Russell 2000 weekly chart as of Jan 6, 2023 - After a two week pause, we see a small rally this week up to the 20 week SMA.



Russell 2000 daily chart as of Jan 6, 2023 - The Russell was also stuck inside a range until Friday's rally above its 20 day SMA to end the week up +1.79%.

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



McClellan Summation Index weekly chart as of Jan 6, 2023 - Last week we saw a dip down to -141.14. This week we saw a bounce up to -28.96.



McClellan Summation Index daily chart as of Jan 6, 2023 - We saw a pause at the 50 day SMA and rising Index this week, ending this week at -28.96.



NYSE Percent above 200 day SMA daily chart as of Jan 6, 2023 - Last week we saw some oscillations that ended the week at 39.09%. This week we saw a bounce to 43% Wednesday, a pull back to 41.5% Thursday and a bounce higher Friday to 48.95%.



NYSE Percent above 50 day SMA daily chart as of Jan 6, 2023 - Last week we saw some oscillations that ended the week at 44.86%. This week we saw a bounce to 54% on Wednesday, a pull back to below 50% on Thursday, and then a bounce higher Friday to 61.72% near its 50 day SMA.



VIX daily chart as of Jan 6, 2023 - The VIX seemed to find Resistance near its 50 day SMA each day this week, and support near its 20 day SMA on Wednesday and Thursday. Friday saw a drop below its 20 day SMA to end the week lower than last week.



VVIX daily chart as of Jan 6, 2023 - The VVIX declined each day this week, delivering new 5-year lows on Friday. There seems to be very little 'uncertainty' seen in the Options markets.

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



Oil daily chart as of Jan 6, 2023 - Oil dropped hard on Tuesday and Wednesday then paused Thursday and Friday this week. Note the above average daily volume each day this week.



Gold daily chart as of Jan 6, 2023 - Gold prices continue higher this week with very strong volume each day this week. The chart shows us a steady rally since the cross above the 50 day SMA on Nov. 4th and 8th.



US Dollar Index daily chart as of Jan 6, 2023 - The US Dollar strengthened a little on Tuesday and Thursday this week with a pullback on Friday that gave back all of this week's gains.



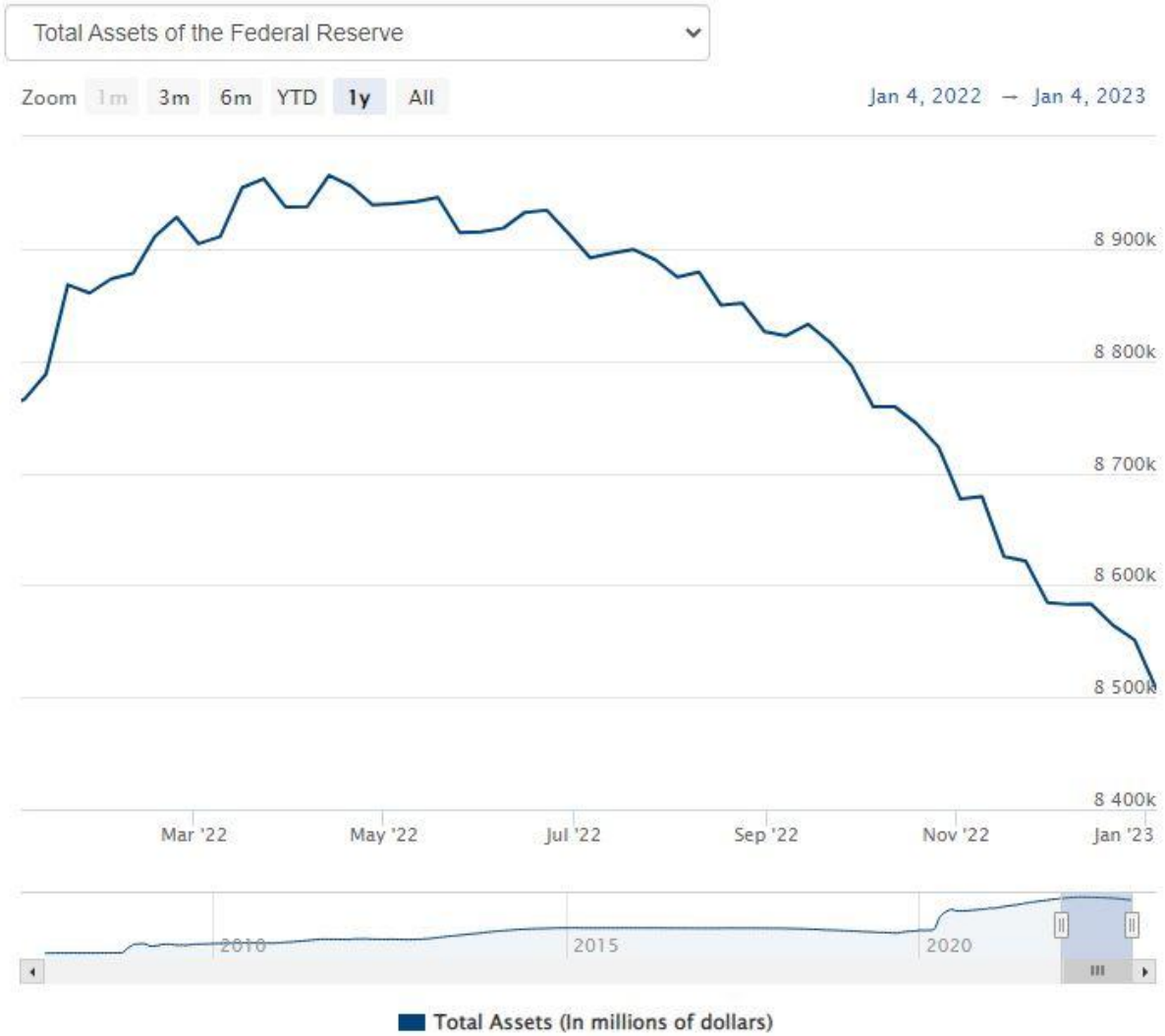
US 10 year Treasury daily chart as of Jan 6, 2023 - We see above average volume every day this week as the 10 year was bought up Tuesday, Wednesday and Friday, crossing above its 20 day SMA on Friday.



US 10 year Yield daily chart as of Jan 6, 2023 - 10 year Yields declined on Tuesday, Wednesday and Friday as the 10 year Treasuries were bought up.

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
01/03/2023	4.17	4.42	4.53	4.70	4.77	4.72	4.40	4.18	3.94	3.89	3.79	4.06	3.88
01/04/2023	4.20	4.42	4.55	4.69	4.77	4.71	4.36	4.11	3.85	3.79	3.69	3.97	3.81
01/05/2023	4.30	4.55	4.66	4.75	4.81	4.78	4.45	4.18	3.90	3.82	3.71	3.96	3.78
01/06/2023	4.32	4.55	4.67	4.74	4.79	4.71	4.24	3.96	3.69	3.63	3.55	3.84	3.67

US Yield Rates daily table as of Jan 6, 2023 - The longer terms declined a little this week as the short terms increased, increasing the 'Inversion'. We continue to see a 10 year / 2 year Inversion every day since early July 2022.



FOMC Balance Sheet daily chart as of Jan 6, 2023 - The Fed decreased its balance sheet this week by \$43.740 Billion to a new 'Total Assets' of \$8.507429 Trillion. We have now seen a total reduction of \$458 Billion from the Balance Sheet peak in mid April 2022 of over \$8.965 Trillion.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jan 6, 2023 - The Transports also remained inside a range for 12 days before breaking above its 20 day SMA on Friday and finding resistance at its 50 day SMA. The Transports ended the week up +3.62%.



XLE daily chart as of Jan 6, 2023 - The Energy sector dropped (with oil) Tuesday and Wednesday this week then rallied Thursday back above its 20 day SMA and Friday up to its 50 day SMA, ending the week up +0.10%. Like the S&P, the Transports and Energy sectors also found Resistance near its 50 day SMA this week.



XLF daily chart as of Jan 6, 2023 - The Financial sector rallied Tuesday between its 20 day and 50 day SMAs, then above its 50 day SMA on Wednesday. Thursday saw a pull back to the 50 day SMA. Friday saw the rally resume to new highs for the week, ending the week up +3.45% and now above all 3 of its key daily SMAs.



QQQ daily chart as of Jan 6, 2023 - The Nasdaq-100 ETF saw a failed gap up Tuesday followed by lower highs and lower lows. Friday saw a gap up, gap fill, then a rally most of the day to end the week up +0.95%. The QQQ remains below all 3 of its key SMAs.



SOXX daily chart as of Jan 6, 2023 - The Semiconductor sector remained below all 3 key SMAs for 9 days then rallied above its 50 day and 20 day SMAs on Friday to end the week up +4.51%.



XLC daily chart as of Jan 6, 2023 - The Communication Services sector was stuck in a range for about 10 days then rallied Tuesday up to its 20 day SMA and Wednesday above its 50 day SMA. Thursday saw a pause then the rally resumed higher Friday to end the week up +5.02%.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORS	11/25/2022	12/2/2022	12/9/2022	12/16/2022	12/23/2022	12/30/2022	1/6/2023
\$SPX	1.53%	1.13%	-3.37%	-2.08%	-0.20%	-0.14%	1.45%
\$INDU	1.78%	0.24%	-2.77%	-1.66%	0.86%	-0.17%	1.46%
\$COMPQ	0.72%	2.09%	-3.99%	-2.72%	-1.94%	-0.30%	0.98%
\$RUT	1.05%	1.27%	-5.08%	-1.85%	-0.14%	0.02%	1.79%
QQQ	0.74%	1.96%	-3.59%	-2.76%	-2.28%	-0.40%	0.95%
\$TRAN	1.32%	0.54%	-5.22%	-0.18%	-1.26%	-1.27%	3.62%
XLE	0.26%	-1.70%	-8.45%	2.03%	4.26%	0.47%	0.10%
XLF	2.09%	-0.50%	-3.90%	-2.40%	1.37%	0.74%	3.45%
XLK	1.14%	1.32%	-3.29%	-2.62%	-1.98%	-0.13%	0.23%
SOXX	1.13%	1.06%	-1.68%	-3.09%	-3.60%	-0.26%	4.51%
XLV	1.92%	1.92%	-1.29%	-1.78%	0.83%	-0.18%	-0.13%
XLY	1.16%	2.33%	-4.47%	-3.96%	-3.08%	-0.21%	2.25%
XRT	2.54%	0.63%	-4.19%	-4.14%	-1.01%	0.10%	3.80%
XLI	1.87%	1.02%	-3.19%	-0.98%	0.77%	-0.18%	2.75%
XLU	3.04%	0.13%	-0.28%	-0.49%	1.43%	-0.58%	0.71%
XME	4.03%	4.44%	-6.39%	-2.57%	2.36%	-1.93%	6.14%
XLP	2.10%	1.23%	-1.68%	-1.36%	1.15%	-0.84%	1.65%
XLB	2.98%	1.69%	-3.32%	-2.35%	-0.06%	-1.07%	3.46%
XLC	1.35%	3.47%	-4.81%	-2.81%	-0.28%	0.40%	5.02%
XHB	1.84%	0.90%	-2.00%	0.36%	-0.94%	-0.84%	5.47%

Weekly Percent Change US Indexes and Sectors table as of Jan 6, 2023 - The Russell 2000 was the strongest index last week and again this week.

The Strongest sectors this week included: XME, XHB, XLC and SOXX, each delivered over +4% gains this week. Some sectors saw strength on Friday this week while others saw advances several days this week.

The only sector (on my list) that was down this week was the XLV sector. Other weak sectors this week included: XLE, XLK and XLU.

INDEXes	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
SECTORS	Holiday	End of Day	End of Day	End of Day	End of Day	Holiday	End of Day	End of Day	End of Day	End of Day
	12/26/22	12/27/22	12/28/22	12/29/22	12/30/22	01/02/23	01/03/23	01/04/23	01/05/23	01/06/23
\$SPX	n/a	-0.40%	-1.20%	1.75%	-0.25%	n/a	-0.41%	0.75%	-1.16%	2.28%
\$INDU	n/a	0.11%	-1.10%	1.05%	-0.22%	n/a	-0.04%	0.40%	-1.02%	2.13%
\$COMPQ	n/a	-1.38%	-1.35%	2.59%	-0.11%	n/a	-0.76%	0.69%	-1.47%	2.56%
\$RUT	n/a	-0.65%	-1.57%	2.57%	-0.28%	n/a	-0.60%	1.25%	-1.09%	2.26%
QQQ	n/a	-1.41%	-1.32%	2.44%	-0.06%	n/a	-0.68%	0.48%	-1.57%	2.76%
\$TRAN	n/a	-0.25%	-1.71%	1.49%	-0.77%	n/a	0.04%	1.72%	-1.51%	3.38%

Daily Percent Change US Indexes table as of Jan 6, 2023 - Note the Transports saw strength 3 out of 4 days this week. The Dow Industrials saw relative weakness on Wed. and Friday this week, with smaller positive daily percentage gains.

Next we will look at a few key Stocks.



AAPL daily chart as of Jan 6, 2023 - Apple saw a sharp decline Tuesday to new 52 week lows, then a pause for two days near the new lows. Friday saw a rally to recover most of the week's losses, ending the week down -0.24%.



MSFT daily chart as of Jan 6, 2023 - Microsoft was a failed rally Tuesday up to its 20 day SMA. Wednesday saw a large gap down and selling that continued lower Thursday and Friday. The rally Friday only recovered part of the prior day's losses, ending the week down -6.21%.



GOOGL daily chart as of Jan 6, 2023 - Alphabet saw a failed rally up to its 20 day SMA on Tuesday and Wednesday that continued lower on Thursday. Friday saw a bullish engulfing day that ended the week down -1.01%.



AMZN daily chart as of Jan 6, 2023 - Amazon tested its 20 day SMA resistance Tuesday and Wednesday then continued lower Thursday. Friday saw a bullish engulfing day back up to nearly its 20 day SMA to end the week up +2.48%.



TSLA daily chart as of Jan 6, 2023 - Tesla dropped to new 52 week lows on Tuesday, paused Wednesday and Thursday then again delivered new 52 week lows Friday at the open before rallying most of the day to end the week down -8.22%.



NVDA daily chart as of Jan 6, 2023 - Nvidia continued its pause this week by remaining 'Inside' last week's range all week. Friday saw a rally to end the week up +1.68%.



META daily chart as of Jan 6, 2023 - Meta saw a horizontal pause for over seven week that broke out higher Tuesday this week and continued higher Wednesday and Friday, ending the week up +8.04%.

Out of the above seven tech stocks we just looked at, what stock (if any) is now above one or more of the key 3 daily SMAs (20d, 50d, 200d)? What stocks are now below all 3 of their key SMAs? What stocks showed gains this week on a day other than Friday? What sector is each stock a member of and how have other stocks in that same sector done this week?

Answers to these questions help one identify relative strength and weakness that provide clues going forward. Ask yourself these same questions as you look at the additional charts below.



JPM daily chart as of Jan 6, 2023 - JP Morgan continued higher Tuesday and Wednesday this week then pulled back a bit on Thursday. Friday saw the rally resume to higher highs, ending the week up +3.62%.



COST daily chart as of Jan 6, 2023 - Costco drifted a little lower as its pause near its lows continued this week. News of Dec. sales results spiked prices on Friday to gap up and rally above its 20 day SMA, ending the week up +5.78%.



DE daily chart as of Jan 6, 2023 - John Deere continued to drift lower Tuesday and Wednesday to its 50 day SMA support. Thursday saw a break below the 50 day SMA that was reversed on the rally Friday back above its 50 day SMA, ending the week down -0.53%.



CAT daily chart as of Jan 6, 2023 - Caterpillar continued its horizontal pause near its highs the first 3 days this week, then gapped up and rallied Friday to end the week up +3.88%.



SLB daily chart as of Jan 6, 2023 - SLB dropped Tuesday below its 50 day SMA and Wednesday below its 20 day SMA then bounced to close back above its 20 day SMA. Thursday saw the rally continue higher above its 50 day SMA and Friday with higher highs, ending the week up +1.95%.



HAL daily chart as of Jan 6, 2023 - Halliburton dipped Tuesday to its 20 day and 50 day SMA support and retested that support Wednesday before closing the day higher. The rally continued Thursday and Friday to new 6-month highs, ending the week up +2.19%.



BA daily chart as of Jan 6, 2023 - Boeing saw a pause last week that held above its 20 day SMA then rallied higher every day this week on strong volume, ending the week up +11.82%.

Out of the above seven stocks, did you ask yourself the key questions we posted above (page 21) about each chart? What chart delivered the greatest gains this week? Was that chart above any or all of its 3 key SMAs? Were this week's gains delivered all on Friday, or some on each day this week?

Having questions like this in mind as you look at each chart help you make key observations. These questions may help you better focus on what makes that chart unique or special as compared to others.

We have no idea what will happen in the markets next week. All we know is what happened this week. By keeping in mind the current market behavior we've given ourselves a 'reference' point that is a useful tool for making comparisons. The tool helps us see if behavior 'Continues' the same or 'Changes' in some way. It is these observations that give us clues. Some clues may satisfy our pre-defined criteria for confirming a key 'Change' in Trend, and if it is time to take some pre-defined action.

Hope this helps with your chart reading skills development.

Trade Smart,

CJ