



Market Observations - as of Jan. 13, 2023

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

Last week we saw the horizontal pause continue with the Nasdaq and S&P remaining inside their Darvas Box ranges during the 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 week.

This week we saw the S&P continue higher above its Darvas Box on Monday then pull back to test for Support near prior Box Resistance then continued higher the rest of this week.

The Nasdaq only briefly broke above its Darvas Box on Monday for about 3 hours before returning inside the last 2.5 hours of Monday. Tuesday saw a small rally that could not break above its Box's Resistance. Wednesday saw the Nasdaq gap up and rally above its Box all day and continue higher the rest of this week.

Both the S&P and Nasdaq are now well above their prior Box range, with the S&P breaking out late last Friday (Jan. 6th) and the Nasdaq breaking out on Wednesday of this week (Jan. 11th).

Most major Indexes showed a failed rally on Monday morning that was all given back by the close on Monday. Tuesday saw a mild rally begin with higher closes each day this week.

The US Dollar Index saw sharp declines on Monday and Thursday this week. Gold continued higher this week with larger advances seen on Thursday and Friday. Oil prices also rose each day this week with a pause on Tuesday near \$75.

We saw brief volatile reactions to CPI data on Thursday morning and key Financial stocks reporting Earnings on Friday before the open. The markets seemed to absorb this data over the following hour or two then resume its desire to rally higher. Volume this week was mostly below or near average with the exception of strong volume seen on Thursday in many charts.

The rally this week has not yet broken above the Trend Line Resistance we have seen respected over the past year. That test will be a key indicator of the strength and persistence of the bulls.

Next week is a Holiday week with the US markets closed on Monday (Jan. 16th) for MLK day. We will need to wait for Tuesday to see if the rally this week 'continues' or not.

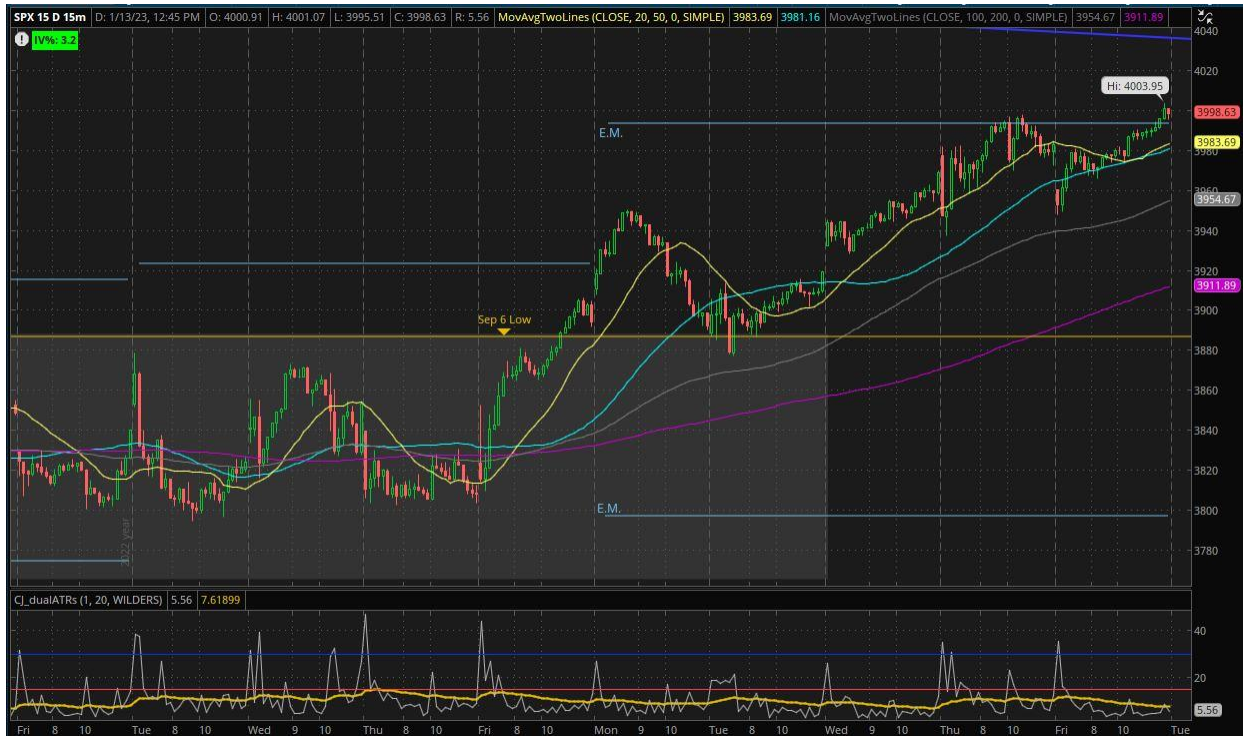
Let's look at the charts to see what they are telling us this week.



S&P 500 weekly chart as of Jan 13, 2023 - We see a positive candle this week that nearly reached its 50 week SMA and 1-year Trend Line Resistance (Dark blue line).



S&P 500 daily chart as of Jan 13, 2023 - Here we see the S&P break above its Darvas Box late last Friday and closed just below its 50 day SMA (Blue). Monday saw a failed rally above then back below the 50 day SMA. Tuesday saw a rally and close above its 50 day SMA. Each day that followed this week closed higher with a close Thursday just 1 point below its 200 day SMA (Purple). Friday saw a close above the 200 day SMA to end the week up +2.67% and now above all 3 of its key SMAs.



S&P 500 15 min. chart as of Jan 13, 2023 - Here we can see the break out above the Darvas Box late last Friday. Monday saw a failed rally that remained above the Box. Tuesday saw a brief dip back into the Box that lasted only a few minutes before a rally took the S&P back above its Box. The S&P rallied from Tuesday on the rest of this week, with a test of Resistance on Thursday near its upper weekly 'Expected Move'. Friday saw a gap down that was soon recovered to deliver higher highs for the week on Friday as the S&P broke above its 'Expected Move' to end the week about 6 points above its weekly Expected Move.



DJIA weekly chart as of Jan 13, 2023 - The Dow Industrials bounced off of its 50 week SMA support in December and continued higher last week and this week in 2023. The Dow has not yet exceeded its Dec. 2022 highs, but is getting close.



DJIA daily chart as of Jan 13, 2023 - The Industrials broke above its 50 day SMA last Friday (Jan. 6th) and remained above all 3 of its key SMAs all of this week. Monday's failed rally remained above the 50 day SMA as was also the case on Tuesday. We saw higher closes every day this week after the failed rally on Monday. The Industrials ended the week up +2.00%.



Nasdaq weekly chart as of Jan 13, 2023 - Last week we saw a small bounce that remained inside its Darvas Box. This week we see a break out above the Box and above the 20 week SMA (Yellow). The 1-year Trend Line Resistance (Dark Blue line) has not yet been tested in 2023.



Nasdaq daily chart as of Jan 13, 2023 - Monday saw a gap up to the 20 day SMA and failed rally. Tuesday saw a lower low and rally that tested the top of the Darvas Box as Resistance. Wednesday saw a gap up and rally above the 50 day SMA that continued higher Thursday and Friday, ending the week up +4.82%. Note the location of the 1-year Trend Line and 200 day SMA are still higher above the current price.



Russell 2000 weekly chart as of Jan 13, 2023 - The Russell saw a strong rally this week that broke above its 50 week SMA and has come close to testing prior highs from Q4 2022.



Russell 2000 daily chart as of Jan 13, 2023 - Here we see higher closes every day this week, crossing above its 50 day SMA on Tuesday and above its 200 day SMA on Wednesday. The Russell is nearing a test of its prior highs from Q4 2022. The Russell ended this week up +5.26% and is now above all 3 of its key SMAs.

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



McClellan Summation Index weekly chart as of Jan 13, 2023 - Last week we saw a small bounce up to the -28.96 area. This week we see a larger increase up to 384.78.



McClellan Summation Index daily chart as of Jan 13, 2023 - Here we see the increase in the slope higher for this week, ending this week at 384.78.



NYSE Percent above 200 day SMA daily chart as of Jan 13, 2023 - Last week we saw an increase up to 48.95%. This week we see the increase continue higher above 50% to end this week at 61.91%.



NYSE Percent above 50 day SMA daily chart as of Jan 13, 2023 - Last week we saw an increase to the 50 day SMA level near to 61.72%. This week the increase continued to end this week at 79.12%.



VIX daily chart as of Jan 13, 2023 - We see a pause in the VIX on Monday and Wednesday this week with strong declines on Tuesday, Thursday and Friday. Friday delivered new 2023 lows for the VIX.



VVIX daily chart as of Jan 13, 2023 - As the VIX was declining most of this week (as markets rallied) we see the VVIX increasing this week. This divergence between the VIX and the VVIX could be a warning of increasing uncertainty ahead. It suggests the Options Markets may be comfortable now, but see increasing uncertainty in the near future. In time we will see how this divergence resolves itself and these two measures of Volatility resume some degree or correlation with each other.

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



Oil daily chart as of Jan 13, 2023 - Oil prices continued higher this week with a brief pause seen on Tuesday. Friday saw Oil prices close above its 50 day SMA.



Gold daily chart as of Jan 13, 2023 - Gold prices continued their rally this week, with a pause on Wednesday and strong increases seen on Thursday and Friday. Note the strong above average volume every day this week except on Tuesday. It has been over 8 months since we have seen Gold prices above \$1,900.



US Dollar Index daily chart as of Jan 13, 2023 - The US Dollar saw sharp declines this week on Monday and Thursday with lower lows for this week seen Friday. It has been over 7 months since we have seen the US Dollar Index at the current lows.



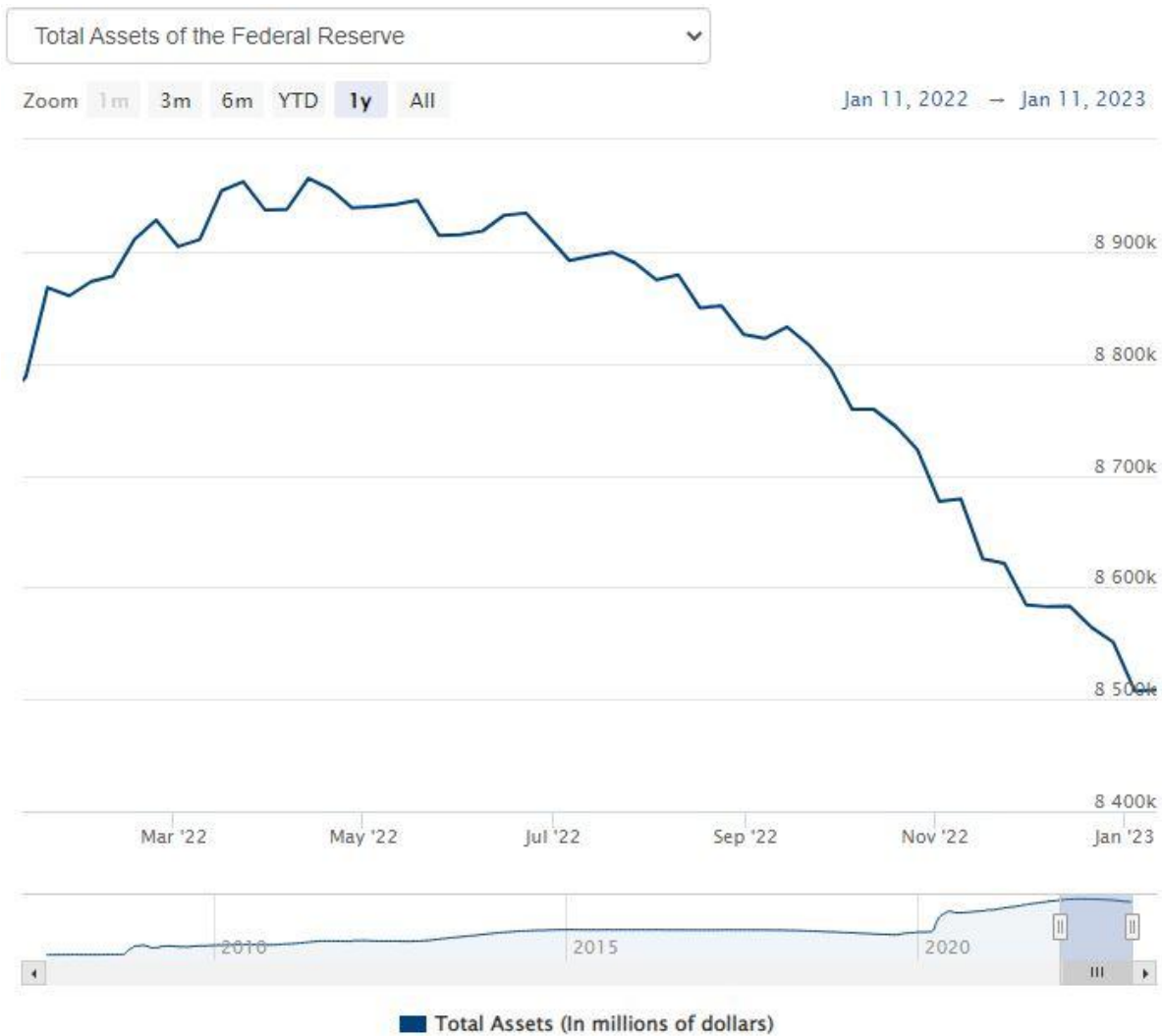
US 10 year Treasury daily chart as of Jan 13, 2023 - We saw strong 10 year Treasury buying on Monday and Thursday this week with above average volume.



US 10 year Yield daily chart as of Jan 13, 2023 - As the Treasuries were being bought we see the Yields decline, mostly on Monday and Thursday of this week.

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
01/09/2023	4.37	4.58	4.70	4.74	4.83	4.69	4.19	3.93	3.66	3.60	3.53	3.83	3.66
01/10/2023	4.41	4.62	4.73	4.77	4.85	4.74	4.24	3.94	3.72	3.67	3.61	3.91	3.74
01/11/2023	4.42	4.62	4.72	4.82	4.84	4.73	4.20	3.90	3.66	3.61	3.54	3.84	3.67
01/12/2023	4.57	4.59	4.66	4.74	4.76	4.66	4.12	3.79	3.53	3.48	3.43	3.73	3.56
01/13/2023	4.58	4.59	4.67	4.73	4.77	4.69	4.22	3.88	3.60	3.55	3.49	3.79	3.61

US Treasury Yield Rates daily table as of Jan 13, 2023 - Here we see the decline in the longer terms this week while the shorter terms increased in their yield rates. The 10 year - 2 year Inversion continues.



FOMC Balance Sheet weekly chart as of Jan 11, 2023 - The Fed 'Increased' their Balance Sheet this week by an additional \$1.158 Billion to a new Total Assets of \$8.508587 Trillion. The Fed has reduced their Balance Sheet by \$456.9 Billion since the peak in mid April 2022, for a net decline of -5.10%.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jan 13, 2023 - The Transports continued their rally every day this week with the exception of the 'Inside' day on Friday, ending the week up +3.52% and now above all 3 of its key SMAs.



XLE daily chart as of Jan 13, 2023 - The Energy sector saw a failed rally Monday that crossed but could not remain above its 50 day SMA. We saw a higher close on Tuesday and every day this week, crossing above its 50 day SMA on Thursday and ending the week up +2.73% on Friday, above all 3 of its key SMAs.



XLF daily chart as of Jan 13, 2023 - The Financial Sector saw a failed rally Monday then delivered higher closes every day this week. Friday saw a gap down on Earnings before the open but rallied to fill the gap and turn positive on the day by mid-day, end the day and week higher, up +2.09% for the week and remains above all 3 of its key SMAs.



QQQ daily chart as of Jan 13, 2023 - The Nasdaq-100 ETF saw a failed rally Monday briefly above its 20 day SMA. Tuesday saw a rally and close above its 20 day SMA that continued higher every day that followed, crossing above its 50 day SMA on Wednesday and ending the week Friday up +4.53%.



SOXX daily chart as of Jan 13, 2023 - The Semiconductor sector gapped up Monday and tested its 200 day SMA as Resistance. The SOXX delivered a higher close every day this week. Wednesday crossed above its 200 day SMA and Friday saw the SOXX end the week up +6.20%. The SOXX is now above all 3 of its key SMAs.



XLC daily chart as of Jan 13, 2023 - The Communication Services sector continued its rally this week with higher highs and higher close each day this week, ending the week up +3.87%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	12/2/2022	12/9/2022	12/16/2022	12/23/2022	12/30/2022	1/6/2023	1/13/2023
\$SPX	1.13%	-3.37%	-2.08%	-0.20%	-0.14%	1.45%	2.67%
\$INDU	0.24%	-2.77%	-1.66%	0.86%	-0.17%	1.46%	2.00%
\$COMPQ	2.09%	-3.99%	-2.72%	-1.94%	-0.30%	0.98%	4.82%
\$RUT	1.27%	-5.08%	-1.85%	-0.14%	0.02%	1.79%	5.26%
QQQ	1.96%	-3.59%	-2.76%	-2.28%	-0.40%	0.95%	4.53%
\$STRAN	0.54%	-5.22%	-0.18%	-1.26%	-1.27%	3.62%	3.52%
XLE	-1.70%	-8.45%	2.03%	4.26%	0.47%	0.10%	2.73%
XLF	-0.50%	-3.90%	-2.40%	1.37%	0.74%	3.45%	2.09%
XLK	1.32%	-3.29%	-2.62%	-1.98%	-0.13%	0.23%	4.62%
SOXX	1.06%	-1.68%	-3.09%	-3.60%	-0.26%	4.51%	6.20%
XLV	1.92%	-1.29%	-1.78%	0.83%	-0.18%	-0.13%	-0.16%
XLY	2.33%	-4.47%	-3.96%	-3.08%	-0.21%	2.25%	5.78%
XRT	0.63%	-4.19%	-4.14%	-1.01%	0.10%	3.80%	5.16%
XLI	1.02%	-3.19%	-0.98%	0.77%	-0.18%	2.75%	1.54%
XLU	0.13%	-0.28%	-0.49%	1.43%	-0.58%	0.71%	0.46%
XME	4.44%	-6.39%	-2.57%	2.36%	-1.93%	6.14%	6.34%
XLP	1.23%	-1.68%	-1.36%	1.15%	-0.84%	1.65%	-1.37%
XLB	1.69%	-3.32%	-2.35%	-0.06%	-1.07%	3.46%	4.26%
XLC	3.47%	-4.81%	-2.81%	-0.28%	0.40%	5.02%	3.87%
XHB	0.90%	-2.00%	0.36%	-0.94%	-0.84%	5.47%	4.64%

Weekly Percent Change US Indexes and Sectors table as of Jan 13, 2023 - Note the relative Strength with the Russell 2000 the past 3 weeks.

This week the strongest sectors included: XME, SOXX, XLY and XRT that all delivered over +5% gains this week. Some of the strongest stocks in the XME this week were Gold Miners. The XME was the strongest sector on my list both last week and this week.

The weakest sectors this week included: XLP and XLV that both had negative declines this week. Also XLU showed weakness this week with a small gain of +0.46%.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	Holiday 01/02/23	End of Day 01/03/23	End of Day 01/04/23	End of Day 01/05/23	End of Day 01/06/23	End of Day 01/09/23	End of Day 01/10/23	End of Day 01/11/23	End of Day 01/12/23	End of Day 01/13/23
\$SPX	n/a	-0.41%	0.75%	-1.16%	2.28%	-0.08%	0.70%	1.28%	0.34%	0.40%
\$INDU	n/a	-0.04%	0.40%	-1.02%	2.13%	-0.34%	0.56%	0.80%	0.64%	0.33%
\$COMPQ	n/a	-0.76%	0.69%	-1.47%	2.56%	0.63%	1.01%	1.76%	0.64%	0.71%
\$RUT	n/a	-0.60%	1.25%	-1.09%	2.26%	0.17%	1.49%	1.17%	1.74%	0.58%
QQQ	n/a	-0.68%	0.48%	-1.57%	2.76%	0.65%	0.85%	1.73%	0.54%	0.69%
\$STRAN	n/a	0.04%	1.72%	-1.51%	3.38%	1.02%	0.26%	1.77%	0.69%	-0.27%

Daily Percent Change US Indexes table as of Jan 13, 2023 - We saw daily changes in leadership this week with the Russell showing strength on both Tuesday and Thursday this week. The Transports showed strength Monday and Wednesday, then weakness on Tuesday and Friday.

Next we will look at a few key Stocks.



AAPL daily chart as of Jan 13, 2023 - Apple delivered new 52 week lows on the first trading day of 2023 (Jan. 3rd) then bounce a bit last Friday (Jan. 6th). This week we saw a failed rally up to its 20 day SMA on Monday followed by a higher close on Tuesday, Wednesday and Friday, crossing above its 20 day SMA on Wednesday. Apple ended the week Friday up +3.97%. Volume was below average every day this week.



MSFT daily chart as of Jan 13, 2023 - Microsoft delivered a higher high and a higher close every day this week, crossing above its 20 day SMA on Thursday and testing the 50 day SMA as Resistance on Thursday and Friday. Microsoft ended week up +6.36%. Volume was below average every day this week.



GOOGL daily chart as of Jan 13, 2023 - Alphabet saw a failed rally Monday. Tuesday gapped down and then rallied all day. The rally continued Wednesday above its 20 day SMA, paused Thursday and resumed higher Friday to approach its 50 day SMA as Resistance, ending the week up 5.47%.



AMZN daily chart as of Jan 13, 2023 - Amazon delivered a new 2-year low last Friday then rallied up to its 20 day SMA. On Monday we saw AMZN gap up above its 20 day SMA and deliver higher highs and higher closes every day this week, crossing above its 50 day SMA on Wednesday. AMZN ended the week up +13.99%. We see strong volume the last 3 days of this week.



TESLA daily chart as of Jan 13, 2023 - Tesla gapped up a little on Monday then paused in the \$120 area the rest of this week, remaining below its 20 day SMA and ending the week up +8.26%.



NVDA daily chart as of Jan 13, 2023 - Nvidia gapped up and rallied Monday above its 50 day SMA. NVDA delivered a higher close every day this week, crossing above its 20 day SMA on Tuesday and above its 200 day SMA on Friday, ending the week up +13.73%.



META daily chart as of Jan 13, 2023 - Meta continued its rally this week with a higher high seen every day but Friday this week. Meta ended the week Friday with an 'Inside' day, up +5.35% for the week.



JPM daily chart as of Jan 13, 2023 - JP Morgan continued its rally this week, then reported Earnings Friday before the open. We saw a wild drop and rally Friday in reaction to Earnings that filled the gap in the first hour of trading then continued to rally most of the day, ending the week up +3.68% and still above all 3 of its key SMAs.



COST daily chart as of Jan 13, 2023 - Costco saw a large rally last Friday then was mostly horizontal this week, ending the week up +0.49%.



DE daily chart as of Jan 13, 2023 - John Deere rallied above its 50 day SMA last Friday and continued with higher highs Monday, Tuesday and Wednesday, crossing above its 20 day SMA on Tuesday then pulling back to the 20 day SMA as Support on Wednesday after delivering a higher high. DE saw a higher high and higher close on Thursday and Friday to end the week up +3.09% and is now above all 3 of its key SMAs.



CAT daily chart as of Jan 13, 2023 - Caterpillar saw a failed rally Monday with a higher high and a lower close. CAT delivered new all time highs every day this week except on Tuesday when CAT saw a higher close. Friday CAT delivered another new all time high with a +3.86% gain for the week.



SLB daily chart as of Jan 13, 2023 - SLB continued its rally with a higher close every day this week, delivering new 4-year highs on Thursday, and ending the week Friday up +6.94%.



HAL daily chart as of Jan 13, 2023 - Halliburton continued its rally with a higher close every day this week, ending the week up +6.09% on Friday.

Note: both the SLB and HAL charts above show us: [1] A ‘break out’ above Resistance last Friday (Jan. 6th), [2] both were above all 3 of their key SMAs when that ‘break out’ occurred and [3] both are members of the XLE sector that has often shown strength over the past year. These are examples of combining factors that work together to improve the odds of a ‘break out’ opportunity.



BA daily chart as of Jan 13, 2023 - Boeing saw a huge rally last week (+11.82%) that paused Monday of this week with brief higher high at the open followed by selling most all day. Tuesday gapped lower and rallied to fill most of that gap. Wednesday saw a small gap up and fill. Thursday and Friday saw strong openings with higher highs each day but a slightly lower close on Friday to end the week up +0.53%.

We saw the markets absorb news this week, with CPI data on Thursday and key Financial Earnings on Friday. In each case, we saw the markets dip then rally to fill the gap and continue higher during the day. This is a clue that shows us the mood of the markets as they shook off the data quickly and resumed their intent, with a rally. However, the rally this week was on relatively light volume, with a few exceptions we have noted above.

We saw a 'divergence' form this week between the VIX and the VVIX that is worth keeping an eye on since the VVIX could be giving us a 'warning flag'. We will only know in time as this divergence resolves itself one way or another.

We will prepare for next week by performing a mental rehearsal of at least 3 different scenarios: Bullish (continuation), Bearish (reversal), or Neutral (pause). This way we can identify key confirmation signals in advance to identify what scenario is in play, and what actions (if any) are justified. This is how we 'stick to our plan'.

Hope this helps.

Trade Smart;

CJ.