



Market Observations - as of Jan. 20, 2023

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

Last week we saw a failed rally on Monday that was followed by a rally the next four days. We saw break outs above the 14-day Darvas Box in the S&P that was followed by the Nasdaq a day or two later. Last week ended with a strong rally on Friday.

This week the US markets were closed on Monday for the MLK Holiday. Tuesday opened higher as if the rally would resume, but that quickly changed in the first hour to give back all the morning's gains plus some. Wednesday saw a small gap up that quickly failed and was followed by strong selling most all day. The selling continued Thursday with a gap down and lower lows until support was found mid-day. A bounce followed the 2nd half of Thursday that failed to fill that day's opening gap and saw selling resume the last hour of the day. Friday was January Options Expiration day and saw a strong rally most all day with the S&P recovering about 66% of the 130 point range seen this week. By the close on Friday we saw the Nasdaq composite recover about 80% of this week's 419 point range.

Most major Indexes ended this 4-day week 'below' the highs of this week and below the highs from December 2022. We saw 3 down days followed by one strong rally day on Friday this week. One day does not usually define a trend (depending upon your Time-Frame).

The US Dollar continued to show some weakness this week while Gold prices continued to rise.

On Wednesday we saw very strong 10 year Treasury buying that pulled back some on Thursday and Friday.

We saw some reactions to Earnings this week as Earnings season ramps up. NFLX and SLB reported this week and names like MSFT, BA, TSLA, VLO and many others report next week. Several of the biggest Tech stocks report the following week on Feb. 1st and 2nd. Also, remember that the next Fed Interest Rate announcement is scheduled for Feb. 1st as well.

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



S&P 500 weekly chart as of Jan 20, 2023 - We see a higher high and higher low this week as compared to the prior week, but we also see a lower Close this week. The key message is that the 1-year Trend Line (Dark Blue line) and the 50 week SMA continue to be respected as Resistance. The only bullish clue we see so far is a higher low in Dec. 2022. Price breaking above the 50 week SMA and the 1-year Trend Line will be the next key 'confirmation' signals followed by exceeding the Dec. 2022 highs, if the Bulls can show the strength of their convictions. So far in 2023 we see below average narrow range weeks.



S&P 500 daily chart as of Jan 20, 2023 - The rally last week broke above the 200 day SMA (Purple). This week saw that rally stall out on Tuesday then drop back below its 200 day SMA down to its 50 day SMA on Wednesday. Thursday saw a gap below the 50 day SMA to find support near its 20 day SMA (Yellow). Friday saw a strong rally back above its 50 day and 200 day SMAs, ending the week down -0.66%.



S&P 500 15 min. chart as of Jan 20, 2023 - Here we see the failed rally early Tuesday that gave back all of the opening gains and stalled out (flat) the rest of the day. Wednesday saw a gap up that soon failed in the first hour and sold off strong the rest of the day, ending the day below the weekly Expected Move in the last 20 min. of the day. Thursday saw a gap down and continued selling the first half to find support near the prior Sept. 6th Lows then bounced the new few hours that failed to fill the opening gap and sold off the last hour. Friday saw a rally the first 2 hours back up to the Expected Move, then paused for 90 min before resuming a rally the last hours of the day. The S&P recovered about 66% of this week's range (drop) to end this week down from last week. Note that the 1.5 day drop (Wed. and ½ Thur.) was larger than the 1.5 day rally (½ Thur. and Friday).



DJIA weekly chart as of Jan 20, 2023 - After two mild up weeks in 2023 we see a stronger down week this week that gave back a large portion of this year's gains. Note the Jan. 2023 highs are lower than the Dec. 2022 highs. This suggests a period of consolidation could be forming.



DJIA daily chart as of Jan 20, 2023 - Here we see the rally last week ended last week with a decline Tuesday, Wednesday and Thursday this week, crossing below its 50 day and 20 day SMAs on Wednesday. Friday saw a bounce that failed to reach its 20 day SMA. The Dow Industrials ended the week down - 2.70% showing much more weakness than most other major indexes this week.



Nasdaq weekly chart as of Jan 20, 2023 - The Nasdaq composite shows three weeks of rally so far in 2023, with higher highs, higher lows and a higher close this week. The Nasdaq crossed above its 20 week SMA last week but has not yet: reached its 1-year Trend Line (Dark Blue line), its 200 week SMA (Purple) or has it exceed its prior highs from Dec. 2022.



Nasdaq daily chart as of Jan 20, 2023 - The Nasdaq continued last week's rally with higher highs on Tuesday and briefly early Wednesday before selling off. Thursday saw a gap down and close below its 50 day SMA. Friday saw a strong rally from the 50 day SMA to recover about 80% of this week's range, ending this week up +0.55% but failing to exceed this week's highs on Friday. The Nasdaq has not yet reached its 1-year Trend Line (Dark blue) its 200 day SMA (Purple) or exceeds its prior Dec. highs.



Russell 2000 weekly chart as of Jan 20, 2023 - The Russell saw a strong rally last week above its 50 week SMA. This week we see a dip and bounce to end the week down but still above its 50 week SMA.



Russell 2000 daily chart as of Jan 20, 2023 - The strong rally last week stalled out Tuesday this week and reversed lower Wednesday and Thursday where it found support at its 200 day SMA. Friday saw a gap up and rally that recovered about 53% of this week's range, ending the week down -1.04% but still 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 20, 2023 - Last week we saw a strong increase up to 384.78. This week we see a smaller increase up to 615.46.



McClellan Summation Index daily chart as of Jan 20, 2023 - Here we see the increase from last week continued but with a slightly shallower slope up to 615.46.



NYSE Percent above 200 day SMA daily chart as of Jan 20, 2023 - Last week we saw an increase up to 61.91%. This week we see some oscillations with a pullback Wed. and Thur. then a bounce Friday to end this week slightly lower at 61.18%.



NYSE Percent above 50 day SMA daily chart as of Jan 20, 2023 - Last week we saw an increase up to 79.12%. This week we saw a pause Tuesday, a dip Wednesday and Thursday down to about 67% then a bounce Friday to end this week with a decline down to 74.51%.



VIX daily chart as of Jan 20, 2023 - This week we saw a rally higher the first 3 days followed by a decline on Friday. This is normal behavior, inverse to the S&P market action.



VVIX daily chart as of Jan 20, 2023 - This week we saw a rally higher the VVIX the first 3 days followed by a decline on Friday. This is normal behavior when compared to the S&P.

Last week we pointed out how the VIX and VVIX were diverging from each other in an abnormal way. This week we see the VIX and VVIX return to being in sync with each other. It seems that the VVIX was indeed giving us a warning last week even as the markets were in a strong rally. The VVIX continued its warning this week as the VIX returned to 'normal' behavior. This is a key observation we should keep in mind for any future 'divergences' between the VIX and VVIX.

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



Oil daily chart as of Jan 20, 2023 - Oil prices saw a mild rally this week, higher Tue. Thur. and Fri. with a pull back to the 50 day SMA seen on Wednesday.



Gold daily chart as of Jan 20, 2023 - Gold continues its rally with most of this week's gains seen on Thursday and new 8-month highs seen on Friday.



US Dollar Index daily chart as of Jan 20, 2023 - The US Dollar continued to drift a little lower this week, with a wide range swing seen on Wednesday with new 7-month lows.



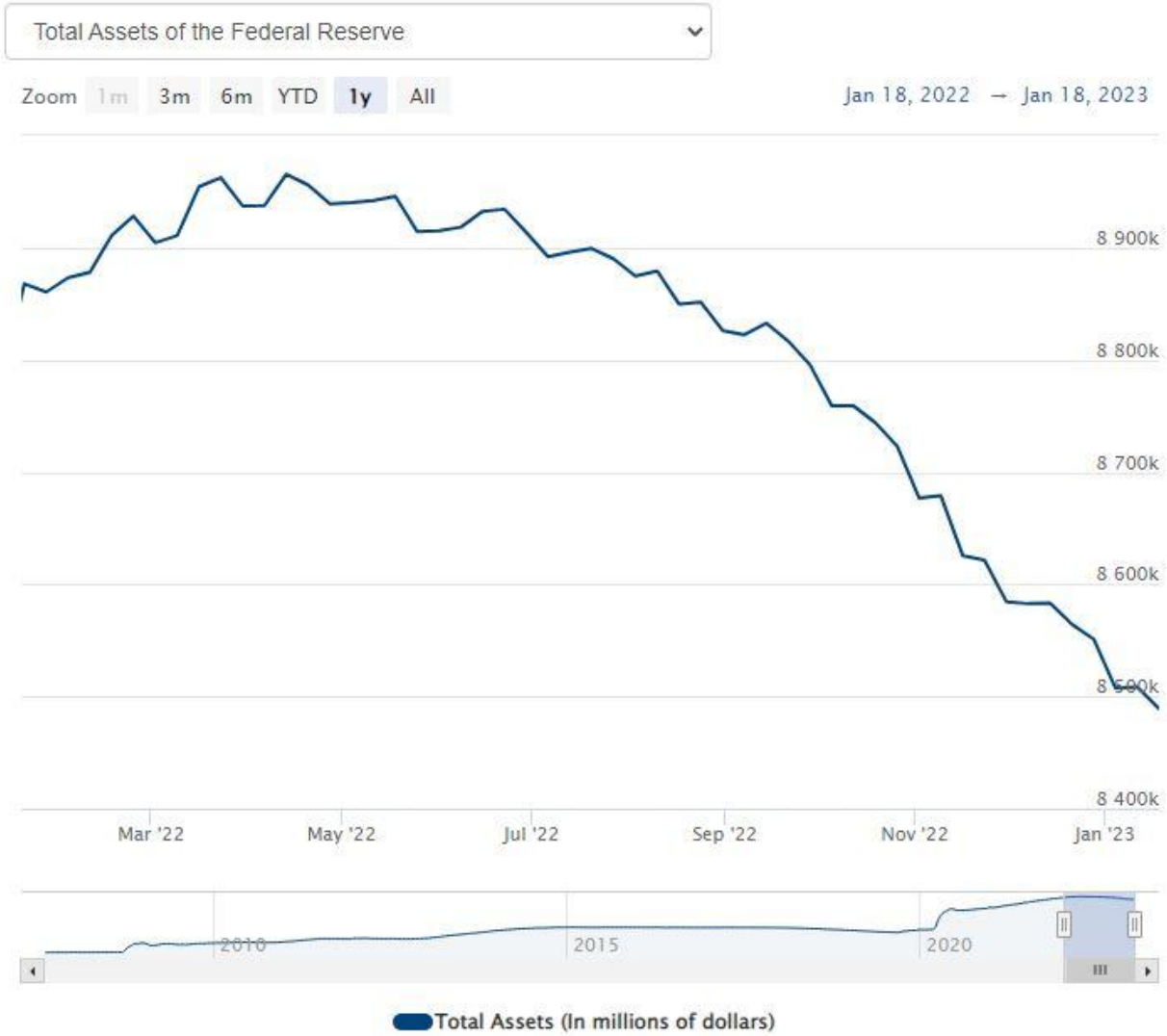
US 10 year Treasury daily chart as of Jan 20, 2023 - The US 10 year Treasury drifted a little lower on Tuesday, Thursday and Friday this week with a very strong rally seen on Wednesday with above average volume. Remember the strong selling we saw Wednesday in the major indexes, this chart suggests that there could be some serious money flow out of stocks and into Treasuries on Wednesday this week.



US 10 year Yield daily chart as of Jan 20, 2023 - As Treasuries were bought up on Wednesday, we see the corresponding drop in Yields that day.

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
01/17/2023	4.60	4.63	4.71	4.74	4.82	4.67	4.18	3.86	3.60	3.57	3.53	3.81	3.64
01/18/2023	4.59	4.62	4.69	4.74	4.79	4.63	4.06	3.72	3.43	3.40	3.37	3.65	3.54
01/19/2023	4.69	4.66	4.71	4.74	4.79	4.65	4.09	3.76	3.48	3.43	3.39	3.69	3.57
01/20/2023	4.69	4.64	4.72	4.75	4.80	4.68	4.14	3.83	3.56	3.51	3.48	3.77	3.66

US Treasury Yield Rates daily table as of Jan 20, 2023 - Here we see a dip in longer term Treasury Yields this week that returned to slightly higher by the end of the week. Short terms continued to increase this week. The Inversion between the 10 year and 2 year Yield continues every day this week and every day since July 6th 2022.



FOMC Balance Sheet weekly chart as of Jan 18, 2023 - The Fed decreased its Balance Sheet this week by \$19.548 Billion for a new Total Assets of \$8.489039 Trillion.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jan 20, 2023 - The Transports continued their 'pause' on Tuesday then saw a large rally the first 30 min on Wednesday followed by a sell off most all day down to lower lows for the day. Thursday saw a gap down and continued selling for 90 min. to find support near its 50 day SMA then bounced then next 3.5 hours then pulled back the last 90 min. on Wednesday to deliver a lower close. Friday saw a rally most of the day that recovered about 48% of this week's range and ended the week down -0.06% and still above all 3 of its key SMAs.



XLE daily chart as of Jan 20, 2023 - The Energy sector saw higher highs on Tue. and Wed. before selling down to its 50 day SMA on Wednesday. Thursday gapped open below its 50 day SMA and rallied to recover more than half of the prior day's losses. The rally continued Friday to end the week up +0.59% and back above all 3 of its key SMAs.



XLF daily chart as of Jan 20, 2023 - The Financial sector declined Tuesday and Wednesday then gapped below its 50 day SMA on Thursday to end the day near its 20 day SMA. Friday saw a rally back above its 50 day SMA to end the week down -2.13%.



QQQ daily chart as of Jan 20, 2023 - The Nasdaq-100 ETF rallied a little higher on Tuesday then sold off Wednesday after delivering a higher high at the open to end the day near its 50 day SMA Support. Thursday saw a gap below its 50 day SMA. Friday saw a rally back above its 50 day SMA that recovered a lot of this week's range, ending the week up +0.61% on very strong volume.



SOXX daily chart as of Jan 20, 2023 - The Semiconductor sector saw higher highs on Tuesday and Wednesday before selling off to a lower close. Thursday saw a gap down and selling below its 200 day SMA. Friday saw a strong recover that ended the week down -0.18%.



XLC daily chart as of Jan 20, 2023 - The Communication Services sector declined Tuesday and Wednesday then found support Thursday and recovered a little bit of the prior day's losses. Friday saw a gap up and strong rally to new highs for the week and exceeded the prior highs from Q4 2022, ending the week up +1.43%. Key stocks in this sector include NFLX (that reported Earnings on Thursday after the close), GOOGL, META and DIS.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	12/9/2022	12/16/2022	12/23/2022	12/30/2022	1/6/2023	1/13/2023	1/20/2023
\$SPX	-3.37%	-2.08%	-0.20%	-0.14%	1.45%	2.67%	-0.66%
\$INDU	-2.77%	-1.66%	0.86%	-0.17%	1.46%	2.00%	-2.70%
\$COMPQ	-3.99%	-2.72%	-1.94%	-0.30%	0.98%	4.82%	0.55%
\$RUT	-5.08%	-1.85%	-0.14%	0.02%	1.79%	5.26%	-1.04%
QQQ	-3.59%	-2.76%	-2.28%	-0.40%	0.95%	4.53%	0.61%
\$TRAN	-5.22%	-0.18%	-1.26%	-1.27%	3.62%	3.52%	-0.06%
XLE	-8.45%	2.03%	4.26%	0.47%	0.10%	2.73%	0.59%
XLF	-3.90%	-2.40%	1.37%	0.74%	3.45%	2.09%	-2.13%
XLK	-3.29%	-2.62%	-1.98%	-0.13%	0.23%	4.62%	0.65%
SOXX	-1.68%	-3.09%	-3.60%	-0.26%	4.51%	6.20%	-0.18%
XLV	-1.29%	-1.78%	0.83%	-0.18%	-0.13%	-0.16%	-1.14%
XLY	-4.47%	-3.96%	-3.08%	-0.21%	2.25%	5.78%	-0.52%
XRT	-4.19%	-4.14%	-1.01%	0.10%	3.80%	5.16%	-1.24%
XLI	-3.19%	-0.98%	0.77%	-0.18%	2.75%	1.54%	-3.39%
XLU	-0.28%	-0.49%	1.43%	-0.58%	0.71%	0.46%	-2.94%
XME	-6.39%	-2.57%	2.36%	-1.93%	6.14%	6.34%	-0.50%
XLP	-1.68%	-1.36%	1.15%	-0.84%	1.65%	-1.37%	-2.84%
XLB	-3.32%	-2.35%	-0.06%	-1.07%	3.46%	4.26%	-1.21%
XLC	-4.81%	-2.81%	-0.28%	0.40%	5.02%	3.87%	1.43%
XHB	-2.00%	0.36%	-0.94%	-0.84%	5.47%	4.64%	-2.39%

Weekly Percent Change US Indexes and Sectors table as of Jan 20, 2023 - Note the weakest Index last week and this week was the Dow Industrials. This Index was often the stronger Index in prior weeks. This is a clue as to weakness in the Industrials sector this week. The Nasdaq was the stronger index this week with a positive gain while most other indexes saw a small loss this week.

The Strongest sectors this week included: XLC, XLK, QQQ and XLE who all provided a positive advance this week.

The Weakest sectors this week included: XLI, XLU, XLP, XHB and XLF that all were down by over -2% this week.

We saw 12 out of 16 sectors that were down this week. We saw ALL sectors down on Wednesday this week and ALL sectors up on Friday, showing us the breadth of the down day and up day this week.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	Holiday 01/16/23	End of Day 01/17/23	End of Day 01/18/23	End of Day 01/19/23	End of Day 01/20/23
\$SPX	-0.08%	0.70%	1.28%	0.34%	0.40%	n/a	-0.20%	-1.56%	-0.76%	1.89%
\$INDU	-0.34%	0.56%	0.80%	0.64%	0.33%	n/a	-1.14%	-1.81%	-0.76%	1.00%
\$COMPQ	0.63%	1.01%	1.76%	0.64%	0.71%	n/a	0.14%	-1.24%	-0.96%	2.66%
\$RUT	0.17%	1.49%	1.17%	1.74%	0.58%	n/a	-0.15%	-1.59%	-0.97%	1.69%
QQQ	0.65%	0.85%	1.73%	0.54%	0.69%	n/a	0.20%	-1.30%	-0.98%	2.74%
\$TRAN	1.02%	0.26%	1.77%	0.69%	-0.27%	n/a	-0.04%	-0.43%	-1.30%	1.75%

Daily Percent Change US Indexes table as of Jan 20, 2023 - We saw the Dow Industrials as the weakest Index 3 out of 4 days this week. The QQQ showed its strength 2 days this week and the Transports flipped from Strong to Weak on Wednesday and Thursday this week.

Next we will look at a few key Stocks.



AAPL daily chart as of Jan 20, 2023 - Apple continued its rally with higher highs on Tuesday and the first 30 min. on Wednesday before selling the rest of the day. Apple continued a little lower the first half of Thursday then rallied the last half of the day. Friday again saw a dip at the open then a rally all day to end the week up +2.31%.



MSFT daily chart as of Jan 20, 2023 - Microsoft continued higher Tuesday and early Wednesday to briefly break above its 50 day SMA before selling lower most of the day down to its 20 day SMA. Thursday gapped below its 20 day SMA to find support near \$230. Friday saw a gap up and rally above its 20 day SMA up to nearly its 50 day SMA, ending the week up +0.41%. Microsoft reports Earnings next week on Tuesday.



GOOGL daily chart as of Jan 20, 2023 - Alphabet continued its paused just below its 50 day SMA on Tuesday and Wednesday. Thursday saw a rally above its 50 day SMA. Friday saw a big gap up and rally on very strong volume to end the week up +6.40%. Most of this week's gains were seen on Friday.



AMZN daily chart as of Jan 20, 2023 - Amazon declined the first 3 days this week to give back last Friday's gains. This Friday saw a rally that recovered some of this week's losses and ended the week down -0.89%.



TESLA daily chart as of Jan 20, 2023 - Tesla gapped up and rallied Tuesday then gapped up and sold off on Wednesday. Selling continued a little lower on Thursday but remained above its 20 day SMA. Friday saw a rally to recover most of this week's range, ending the week up +9.00%.



NVDA daily chart as of Jan 20, 2023 - Nvidia continued its rally Tuesday then pulled back Wednesday and Thursday to give back all of Tuesday's gains. Friday saw a strong rally on strong volume to nearly retest the highs of this week, ending the week up +5.56% and still above all 3 of its key SMAs.



META daily chart as of Jan 20, 2023 - Meta pulled back with lower closes on Tuesday and Wednesday then rallied strong on Thursday and Friday to end the week up +1.74%.



NFLX daily chart as of Jan 20, 2023 - Netflix saw a decline the first 3 days this week then reported Earnings Thursday after the close. Friday saw a positive reaction gap up and rally to new 2023 highs, ending the week up +2.91% and still above all 3 of its key SMAs.



JPM daily chart as of Jan 20, 2023 - JP Morgan reported Earnings last Friday (Jan. 13th) as saw a huge swing that day and a close at new multi-month highs. This week saw selling lower each day, crossing below its 20 day SMA and testing its 50 day SMA to deliver new 2023 lows on Thursday. Friday saw more new lows for 2023 and another test of its 50 day SMA, a close above its 50 day SMA, below its 20 day SMA, ending the week down -5.55%.



COST daily chart as of Jan 20, 2023 - Costco saw a failed rally Tuesday above its 50 day SMA. Wednesday and Thursday saw strong selling down to nearly its 20 day SMA. Friday saw a bounce off of its 20 day SMA to recover part of this week's decline, ending the week down -1.06%.



DE daily chart as of Jan 20, 2023 - John Deere saw a failed rally Tuesday with a higher high and a lower close. Wednesday saw strong selling below its 20 day and 50 day SMAs. Friday saw a lower low but only a tiny bounce to end the week down -6.60%.



CAT daily chart as of Jan 20, 2023 - Caterpillar briefly saw a new all time high early on Tuesday before selling to a lower close. The Selling continued lower on Wednesday and Thursday down to its 20 day SMA. Friday saw a small bounce that failed to recover all of the prior day's losses, ending the week down -2.92%. We saw weakness in the Dow Industrials this week, and CAT is one part of that weakness.



SLB daily chart as of Jan 20, 2023 - SLB delivered a higher high on Tuesday and Wednesday before rolling over and selling off strong most of Wednesday. Thursday saw a lower low at the open then tried to rally the last half of the day. SLB reported Earnings before the open on Friday and saw some wild swings before settling down near the middle of its wide range that day, ending the week down -1.60%.



VLO daily chart as of Jan 20, 2023 - Valero saw a higher high and higher close on Tuesday then was followed with a 'Bear Engulfing' day Wednesday. Thursday saw a lower low at the open then rallied most all day. The rally continued the first half of Friday to nearly retest its 52 week highs. VLO ended the week up 4.85%, is above all 3 of its key SMAs, exceeded its prior highs from Nov. 2022 and is nearing a retest of its all time highs. VLO reports Earnings next week on Thursday.



BA daily chart as of Jan 20, 2023 - After Boeing peaked last Friday we saw lower closes every day this week with Boeing ending the week down -3.44%. BA is still above all 3 of its key SMAs and reports Earnings next week on Wednesday.

We saw a clue last week with the Divergence between the VIX and VVIX that was resolved this week in favor of the VVIX. We saw that the VVIX was giving us clues last week as to the market uncertainty this week. This is a behavior we should note for the next time we see a divergence between the VIX and VVIX.

We saw a strong selling day on Wednesday and a strong rally day on Friday this week. We now see higher lows in Dec. 2022 than earlier in 2022. However, we have not 'yet' seen confirmation from the bulls with a break out above key Resistance Levels (SMAs and Trend Lines) nor price exceeding prior highs (from Dec. 2022). We remain patient going into next week, watching for key evidence that will show us who has the stronger convictions, the bulls or the bears.

As always, we prepare for next week with a mental rehearsal of at least 3 scenarios: Bullish, Bearish and Neutral. We identify key criteria, that when met, will confirm what scenario is in play and what action (if any) is appropriate to take.

I hope you find my sharing of my chart observations helps you build your own chart reading skills. That is the primary objective I have in mind when sharing my Observations each week. Lots of practice is the key to building most any skills.

Trade Smart,

CJ