



## Market Observations - as of Jan. 27, 2023

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

Last week we saw a failed rally Tuesday followed by 2 days of selling on Wednesday and Thursday. Last Friday we saw a change in character as the markets rallied with breadth on Expiration Friday.

This week began with last Friday's rally continuing strong and delivering new 2023 highs on Monday. Tuesday saw a pause without higher highs. Wednesday saw a strong gap down that rallied and recovered most of the day's losses by the close. Thursday saw a gap up, pullback for the first 90 minutes then the Bulls returned to rally the rest of the day to higher 2023 highs. Friday saw the rally continued and delivered more new 2023 highs.

Overall this week the rally from last Friday continued, with additional advances seen on Monday, Thursday and Friday. Both the Nasdaq composite and the S&P-500 broke above their 1-year Trend Line Resistance this week. The Nasdaq also broke above its December 2022 highs on Friday of this week. These are significant indications of the strength of the Bulls this week and this month.

With several key companies reporting Earnings this week, we saw some wild reactions at first, then as the following session proceeded most of those reactions were un-done as prices returned to nearly where there were just before reporting Earnings. MSFT is an example of this behavior.

TSLA Earning's reaction saw a very strong rally triggered post Earnings. STLD also saw a strong positive reaction to Earnings.

Oil prices saw a decline on Tuesday and Friday this week. Gold prices continued to drift higher this week. The US Dollar Index was mostly unchanged this week. The US 10 year Yields rose on Monday and Friday and dipped on Tuesday this week.

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



S&P 500 weekly chart as of Jan 27, 2023 - Here we see the S&P broke above its 50 week SMA (Light Blue) and its 1-year Trend Line (Dark Blue) this week.



S&P 500 daily chart as of Jan 27, 2023 - The first 3 days of this week saw tests of the 1-yr Trend Line as Resistance. Thursday gapped above this Trend Line and delivered higher highs. Friday again delivered higher highs to end the week up +2.47% and still above all 3 of its key SMAs.



S&P 500 15 min. chart as of Jan 27, 2023 - Monday saw the rally continue and broke above the 1-yr Trend Line before pulling back for 1 hour then bouncing the last hour of the day to close near this Trend Line. Tuesday saw a dip, bounce and mostly a pause near this Trend Line. Wednesday saw a strong gap down and rally that recovered most all of that day's losses by the end of the session and again ending the day near the Trend Line. Thursday saw a gap up, pull back to fill the gap in the first 90 minutes before resuming a rally for the rest of the day, remaining above the Trend Line all day, delivering new 2023 highs and breaking above the weekly upper Expected Move (E.M.) at the close. Friday saw the rally continue, remaining above the Trend Line and upper Expected Move all day. Friday saw the rally break above the prior Aug 2<sup>nd</sup> lows to deliver new 2023 highs before pulling back the last 30 min.

The S&P closed this week above its upper weekly Expected Move. This is the second week in 2023 that has closed above its Expected Move out of four weeks so far. Normal distribution for a 1 standard deviation move should be near 31.7%. So far this year (only 4 weeks) we see 50% closing outside the 1-standard deviation range. This suggests that Options continue to be 'Under Pricing' actual Risk.



DJIA weekly chart as of Jan 27, 2023 - The Dow Jones Industrials have been above their 50 week SMA since early November 2022. The Industrials did NOT deliver a new 2023 high this week nor did it exceed its prior highs from Dec. 2022.



DJIA daily chart as of Jan 27, 2023 - Last week we saw a strong drop below the 50 day and 20 day SMAs with a bounce last Friday up to its 20 day SMA. This week we see a bounce up to and above the 50 day SMA on Monday, a pause for 2 days then the rally resumed Thursday and Friday to end the week up +1.81% and back above all 3 key SMAs.



Nasdaq weekly chart as of Jan 27, 2023 - The Nasdaq composite broke above its 1-year Trend Line (Dark Blue) and its 200 week SMA this week to deliver new highs for 2023.



Nasdaq daily chart as of Jan 27, 2023 - The rally from the 50 day SMA last Friday continued this week, crossing above its 1-yr Trend Line on Monday, pausing on Tuesday, pulling back and then recovering on Wednesday back above its Trend Line. Thursday saw higher highs for 2023 as the Nasdaq rallied up to its 200 day SMA. Friday continued higher above the 200 day SMA to end the week up +4.32% and is now above all 3 of its key SMAs.



Russell 2000 weekly chart as of Jan 27, 2023 - The Russell rallied up above its 50 week SMA two weeks ago, paused last week then rallied this week above its 50 week SMA to new 2023 highs.



Russell 2000 daily chart as of Jan 27, 2023 - Here we see advances on Monday, Thursday and Friday with a pause on Tuesday and a dip & recovery on Wednesday. We saw new 2023 highs on Thursday and Friday this week as the Russell also broke above its prior Nov. 2022 highs. The Russell ended the week up +2.36% and remains above all 3 of its key SMAs.

Next we will look at a few key 'Market Internals' to better understand market Breadth and Sentiment this week.



McClellan Summation Index weekly chart as of Jan 27, 2023 - Last week we saw an advance up to 615.46. This week we see the advance continue up to 885.30.



McClellan Summation Index daily chart as of Jan 27, 2023 - This week we see the advance continue up from its 50 day SMA at the beginning of this year, now up to 885.30.



NYSE Percent above 200 day SMA daily chart as of Jan 27, 2023 - Last week we saw some oscillations that ended the week at 61.18%. This week we see an advance, pause, advance that ended this week a bit higher at 66.58%.



NYSE Percent above 50 day SMA daily chart as of Jan 27, 2023 - Last week we saw some oscillations that ended the week at 74.51%. This week we saw the advance continue up to 81.27%.





VIX daily chart as of Jan 27, 2023 - The VIX declined each day this week, delivering new 2023 lows on Friday.



VVIX daily chart as of Jan 27, 2023 - The VVIX declined Monday and paused Tuesday, but then we see a small advance the last 3 days of this week. This forms a mild 'Divergence' with the VIX on Wed. Thur. and Friday of this week. As we saw in prior weeks, this divergence could be a 'clue' of some 'uncertainty' ahead that is anticipated in the Options Market.

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



Oil daily chart as of Jan 27, 2023 - Oil prices oscillated this week with a pause Monday, a decline on Tuesday, a pause on Wednesday, a small rally on Thursday and a gap up and selling on Friday.



Gold daily chart as of Jan 27, 2023 - Gold continued its slow and steady drift higher again this week, briefly breaking above \$1950 on Friday.



US Dollar Index daily chart as of Jan 27, 2023 - The US Dollar Index continued to drift a little lower this week within a narrow range each day.



US 10 year Treasury daily chart as of Jan 27, 2023 - We saw a bit of selling on Monday, Thursday and Friday this week as markets rallied those days.

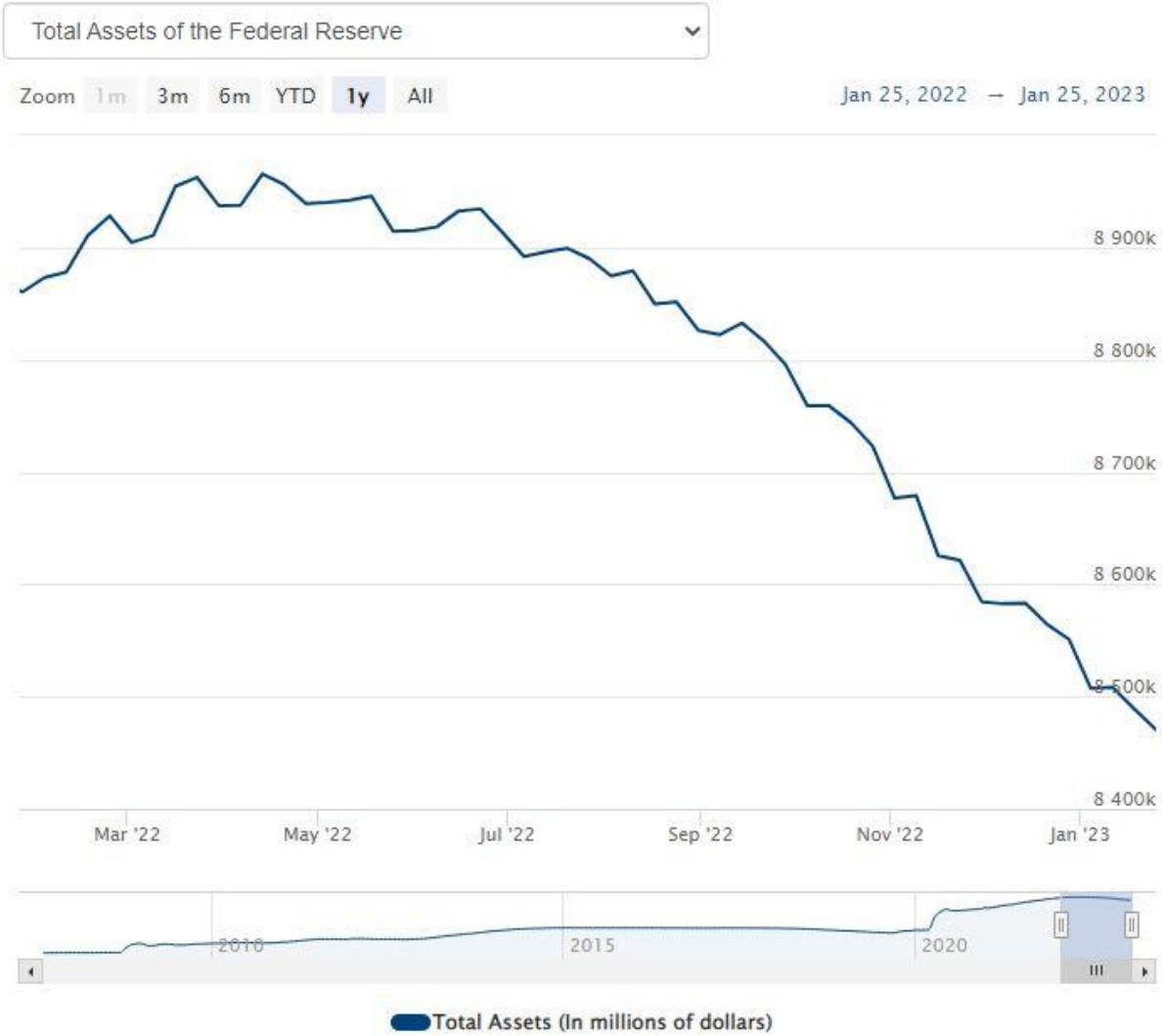


US 10 year Yield daily chart as of Jan 27, 2023 - We see small increases in the Yields on selling days this week (Mon. Thur. and Fri.)

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
01/23/2023	4.69	4.65	4.73	4.76	4.82	4.70	4.21	3.88	3.61	3.56	3.52	3.80	3.69
01/24/2023	4.70	4.67	4.72	4.75	4.84	4.70	4.12	3.86	3.58	3.52	3.46	3.73	3.62
01/25/2023	4.67	4.65	4.72	4.75	4.79	4.67	4.11	3.84	3.54	3.51	3.46	3.74	3.62
01/26/2023	4.61	4.65	4.71	4.76	4.79	4.68	4.17	3.88	3.58	3.54	3.49	3.75	3.62
01/27/2023	4.61	4.64	4.73	4.76	4.81	4.68	4.19	3.90	3.62	3.58	3.52	3.77	3.64

US Yield Rates daily table as of Jan 27, 2023 - We see some small oscillations in the Yield rates this week as longer term and short term Yields fluctuate. The 10 yr - 2 yr remains inverted every day since early July 2022.

Next week the Fed is scheduled to announce a possible change in rates on Wednesday Feb. 1<sup>st</sup>. The markets seem to expect a +0.25% rate increase next week.



FOMC Balance Sheet weekly chart as of Jan 25, 2023 - The Federal Reserve decreased its Balance Sheet this week by \$18.482 Billion, bringing its Balance Sheet of Total Assets down to \$8.470557 Trillion.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jan 27, 2023 - The Transports saw last Friday's rally continue on Monday this week. Tuesday saw a small decline and 'Inside' day. Wednesday and Thursday saw a decline and test of support near the 50 day SMA. Friday saw a rally to end the week up +0.88%.



XLE daily chart as of Jan 27, 2023 - The Energy sector saw a small rally Monday that pulled back and tested its support at its 50 day SMA on Tuesday and Wednesday. Thursday saw a gap up and rally that was partially given back on Friday to end the week up +0.83%.



XLF daily chart as of Jan 27, 2023 - The Financial sector saw last Friday's rally continue this week with a higher high every day. On Friday the XLF was within 3 cents of retesting the Dec. 2022 prior highs. The XLF ended the week up +2.55% and is above all 3 of its key SMAs.



QQQ daily chart as of Jan 27, 2023 - The Nasdaq-100 ETF continued last Friday's rally on Monday this week, breaking above its 5-month Trend Line Resistance (Dark Blue line) and delivering new 2023 highs. Tuesday saw a pause that was followed with a gap down and recovery on Wednesday. Thursday again saw new 2023 highs as the QQQ closed above its 200 day SMA (Purple). Friday saw more new 2023 highs as the QQQ briefly exceeded its Dec. 2022 highs, ending the week up +4.80% and is now above all 3 of its key SMAs.





SOXX daily chart as of Jan 27, 2023 - The Semiconductor sector continued last Friday's rally on Monday this week with a strong rally. Tuesday saw a pause that was followed by a dip and recovery on Wednesday. Thursday saw another advance to new 2023 highs that was followed with a higher high but also a lower close on Friday to end the week up +5.59%.



XLC daily chart as of Jan 27, 2023 - The Communications Services sector continued last Friday's rally with higher highs every day this week except on Wednesday. Thursday saw a gap above the 200 day SMA that continued higher Friday to new 2023 highs, ending the week up +4.12% and now above 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>	12/16/2022	12/23/2022	12/30/2022	1/6/2023	1/13/2023	1/20/2023	1/27/2023
\$SPX	-2.08%	-0.20%	-0.14%	1.45%	2.67%	-0.66%	2.47%
\$INDU	-1.66%	0.86%	-0.17%	1.46%	2.00%	-2.70%	1.81%
\$COMPQ	-2.72%	-1.94%	-0.30%	0.98%	4.82%	0.55%	4.32%
\$RUT	-1.85%	-0.14%	0.02%	1.79%	5.26%	-1.04%	2.36%
QQQ	-2.76%	-2.28%	-0.40%	0.95%	4.53%	0.61%	4.80%
\$TRAN	-0.18%	-1.26%	-1.27%	3.62%	3.52%	-0.06%	0.88%
XLE	2.03%	4.26%	0.47%	0.10%	2.73%	0.59%	0.83%
XLF	-2.40%	1.37%	0.74%	3.45%	2.09%	-2.13%	2.55%
XLK	-2.62%	-1.98%	-0.13%	0.23%	4.62%	0.65%	4.08%
SOXX	-3.09%	-3.60%	-0.26%	4.51%	6.20%	-0.18%	5.59%
XLV	-1.78%	0.83%	-0.18%	-0.13%	-0.16%	-1.14%	-0.78%
XLY	-3.96%	-3.08%	-0.21%	2.25%	5.78%	-0.52%	6.41%
XRT	-4.14%	-1.01%	0.10%	3.80%	5.16%	-1.24%	5.54%
XLI	-0.98%	0.77%	-0.18%	2.75%	1.54%	-3.39%	2.17%
XLU	-0.49%	1.43%	-0.58%	0.71%	0.46%	-2.94%	-0.49%
XME	-2.57%	2.36%	-1.93%	6.14%	6.34%	-0.50%	2.07%
XLP	-1.36%	1.15%	-0.84%	1.65%	-1.37%	-2.84%	0.33%
XLB	-2.35%	-0.06%	-1.07%	3.46%	4.26%	-1.21%	0.75%
XLC	-2.81%	-0.28%	0.40%	5.02%	3.87%	1.43%	4.12%
XHB	0.36%	-0.94%	-0.84%	5.47%	4.64%	-2.39%	3.34%

Weekly Percent Change US Indexes and Sectors table as of Jan 27, 2023 - The Nasdaq was clearly the strongest index this week, with the QQQ doing better than the Composite. This suggests that 'Big' Tech could have delivered a significant portion of this week's gains.

The Strongest sectors this week included: XLY, SOXX and XRT that all delivered better gains than the QQQ. Remember that the XLY is mostly driven by AMZN and TSLA that combined make up over 35.7% of the value of this ETF.

The Weakest sectors this week included: XLV, XLU and XLP that delivered either declines this week or an advance of less than +0.34% (XLP) this week

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	End of Day 01/23/23	End of Day 01/24/23	End of Day 01/25/23	End of Day 01/26/23	End of Day 01/27/23
\$SPX	n/a	-0.20%	-1.56%	-0.76%	1.89%	1.19%	-0.07%	-0.02%	1.10%	0.25%
\$INDU	n/a	-1.14%	-1.81%	-0.76%	1.00%	0.76%	0.31%	0.03%	0.61%	0.08%
\$COMPQ	n/a	0.14%	-1.24%	-0.96%	2.66%	2.01%	-0.27%	-0.18%	1.76%	0.95%
\$RUT	n/a	-0.15%	-1.59%	-0.97%	1.69%	1.25%	-0.27%	0.25%	0.67%	0.44%
QQQ	n/a	0.20%	-1.30%	-0.98%	2.74%	2.22%	-0.20%	-0.22%	1.95%	1.00%
\$TRAN	n/a	-0.04%	-0.43%	-1.30%	1.75%	1.49%	-0.82%	-1.10%	0.01%	1.34%

Daily Percent Change US Indexes table as of Jan 27, 2023 - We saw the Transports show weakness 3 days this week while the Industrials showed weakness 2 days this week. The QQQ showed its strength on Monday and Thursday this week, the two strongest days seen this week.

Next we will look at a few key Stocks.



AAPL daily chart as of Jan 27, 2023 - Apple continued last Friday's rally on Monday this week crossing above its 50 day SMA. Tuesday saw a higher close on an 'Inside' day. Wednesday saw a lower low and a lower high but still closed above its 50 day SMA. Thursday saw a gap up and rally that continued higher Friday to end the week up +5.85%. Apple is approaching but has not yet reached its 200 day SMA nor exceed its prior Dec. highs. Apple reports Earnings next week on Thursday.



MSFT daily chart as of Jan 27, 2023 - Microsoft straddled its 50 day SMA on Monday and Tuesday before reporting Earnings Tuesday after the close. Reaction were up \$11 and opened Wednesday down \$11 to rally all day back up to its 50 day SMA to negate most of the wild reactions. Thursday saw a gap above its 50day SMA that was followed by a pause on Friday, ending the week up +3.31%.



GOOGL daily chart as of Jan 27, 2023 - Alphabet continued last Friday's rally on Monday then pulled back on Tuesday. Wednesday saw a gap down a selling down to its 50 day SMA with a small bounce off of that support. Thursday saw the rally resume and continued Friday to recover most of this week's decline, ending the week up +1.38%. Alphabet reports Earnings next week on Thursday.



AMZN daily chart as of Jan 27, 2023 - Amazon saw a pause Monday and Tuesday then a gap down to test support at its 50 day SMA and rallied all day to recover all of the day's losses. Thursday saw a gap up and rally that continued stronger on Friday to end the week up +5.13%. Amazon reports Earnings next week on Thursday.



TSLA daily chart as of Jan 27, 2023 - Tesla saw a rally Monday then a pause Tuesday and Wednesday before reporting Earnings on Wednesday after the close. Tesla gapped up Thursday \$14, above its 50 day SMA in reaction to Earnings and paused there most of the day. Friday saw Tesla really find some acceleration (with volume) and increased 11% on that one day, ending the week up +33.34%.



NVDA daily chart as of Jan 27, 2023 - Nvidia continued last Friday's rally with a strong move on Monday this week that exceeded its prior Dec. 2022 highs. Tuesday and Wednesday saw a pause before the next strong move higher on Thursday. Friday saw higher highs to end the week up +14.16%.



META daily chart as of Jan 27, 2023 - Meta continued last Friday's rally with higher highs every day this week except on Wednesday. Friday saw a test of the 200 day SMA to end the week up +8.88%. Meta reports Earnings next week on Wednesday.



NFLX daily chart as of Jan 27, 2023 - Netflix saw a strong reaction last Friday after reporting Earnings. The rally accelerated on Monday this week and delivered a higher high and higher close Tuesday and Wednesday. Thursday saw a higher high and higher low but a lower close. Friday saw a lower high and lower low and lower close to end the week up +5.33%.



MU daily chart as of Jan 27, 2023 - Micron saw a monster rally on Monday crossing above its 200 day SMA on big volume. Tuesday and Wednesday saw a pause. Thursday saw a gap up to higher highs that was followed with higher highs Friday that came within 10 cents of the prior Dec. highs. Micron ended the week up +9.25% and is now above all 3 of its key SMAs.



JPM daily chart as of Jan 27, 2023 - JP Morgan saw a decline and pause last week. Monday saw a bounce back above its 20 day SMA that continued higher Tuesday. (The wide swing Tuesday is a data error.) Wednesday saw a small pull back the first hour before resuming a rally higher. The slow and steady rally continued Thursday and Friday with a minor pull back the last 30 min. on Friday, ending the week up +3.88%.



COST daily chart as of Jan 27, 2023 - Costco shot up Monday above its 50 day SMA then paused Tuesday and Wednesday. Thursday saw the rally resume, crossing above its 200 day SMA on Friday to end the week up +4.83% and is now above all 3 of its key SMAs.





DE daily chart as of Jan 27, 2023 - John Deere saw a pause Monday, a small rally Tuesday followed by an 'Inside' day Wednesday. Thursday saw a rally to a higher high for this week that was partially given back on Friday, ending the week up +1.85%.



CAT daily chart as of Jan 27, 2023 - Caterpillar saw a bounce off of its 20 day SMA last Friday and continued its rally with higher highs and a higher close every day this week, delivering new 2023 highs on Thursday and Friday, ending the week up +5.94%. CAT reports Earnings next week on Tuesday.



STLD daily chart as of Jan 27, 2023 - Steel Dynamics formed a Cup-n-handle pattern this week, with the pull back last week and pause the first 3 days this week before reporting Earnings. Thursday saw a positive reaction that gapped up and broke above Resistance (Pink line) at the open on Thursday. Friday saw higher highs then a pull back to end the week up +10.10%.



BA daily chart as of Jan 27, 2023 - Boeing saw a mild drift higher Monday and Tuesday before reporting Earnings Wednesday before the open. BA saw a gap down, rally, and selling down \$8.6 for the day in the first 90 min. of the day. We see wild reactions to Earnings and then the Conference call. The rest of the day saw a rally that recovered all of the day's losses and ended the day up \$1. Thursday saw another whip saw down at the open that fully recovered by 90 min. after the open and paused the rest of the day. Friday saw another smaller whip saw in the opening 90 min. that was mostly recovered. BA ended the week up +2.13%.

The NYSE had a data incident on Tuesday this week with errant opening data that produced wide swings on the charts of a lot of different symbols at the opening minute. We have to ignore these wild single ticks at Tuesday's open when we see them.

We saw the Bulls show some strength of their convictions this week. This was seen in the breadth charts, volume and with a number of 'Big Tech' companies that did better than the Nasdaq this week.

Look at the first 7 'big tech' stock charts above, or rather, how about all 15 of the stock charts shared above, and note what names delivered gains greater than the QQQ (+4.80%) this week. What stocks are now above all 3 of their key SMAs (20 day, 50 day and 200 day)? What sector is each Stock within, and how well did that sector do this week?

These are simple ways to 'expose' the strongest leaders and sectors each day and each week. Then, once you have a small list of strong stocks, what charts are setting up for a high odds Bullish pattern? This is a simple and effective way to improve your trading odds as long as you also always use disciplined risk management when you identify stops and position size before you enter.

Hope this helps.

Trade Smart,

CJ