



## Market Observations - as of Feb. 3, 2023

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

Last week we saw the rally continue higher on Monday, pause Tuesday then gap down and rally to fill the opening gap on Wednesday. On Thursday and Friday we saw the rally resume higher and deliver new 2023 highs each day.

This week began with a gap down and selling lower on Monday. Tuesday and most of Wednesday saw a slow mild rally that filled about half of Monday's gap when the FOMC rate hike announcement came out Wednesday afternoon. Initial reactions were scattered until Jay Powell began to speak and we saw a very quick rally the last 90 min. of the session. Thursday saw a small gap up and the rally continue higher to deliver new 2023 highs just before the sellers showed up with strong selling for one hour. The next hour was the last hour of Thursday's session and saw a partial recovery from the prior hour's selling. Friday saw a gap down that filled but struggled to exceed the prior day's close. Sellers stepped in the last half of Friday to deliver a lower low than the prior day. The week ended with Friday delivering a lower low, lower high and lower close.

We saw a positive reaction to Jay Powell's comments on Wednesday and a negative reaction to Friday's jobs report.

We also saw mixed reactions to Earnings this week with positive reactions to AMD, META and AAPL, negative reactions to AMZN and CAT, and some mixed reactions to GOOGL.

The US Dollar Index dropped sharply after the FOMC on Wednesday and Thursday then reversed Friday with a huge rally higher. The US 10 year Yields did a similar drop post FOMC Wednesday and Thursday that was followed by a huge jump higher on Friday. Gold prices made the Inverse moves this week with a rally post FOMC that was given back on Thursday. Friday saw a large drop in Gold to reverse nearly a month of gains and return back to Jan. 9<sup>th</sup> levels. Oil prices saw a steady decline this week.

The VIX delivered a new 52 week low on Thursday this week.

With January ending on Tuesday this week, we have included some monthly charts as of Jan. 31<sup>st</sup> 2023 in this report. We have also included some Year-To-Date comparison charts to see how the major indexes have performed so far, as well as comparison of the SPY to the key Sectors and a comparison of the NDX to the Biggest Tech names.

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



S&P 500 monthly chart as of Jan 31, 2023 - The Decline we saw in December was about fully recovered in January.



S&P 500 weekly chart as of Feb 3, 2023 - We see the rally continue this week with a higher high, higher low and higher close than last week. It looks like the S&P remained above the 1-yr Trend Line (Dark Blue) all of this week after breaking above this Trend Line last week.



S&P 500 daily chart as of Feb 3, 2023 - We saw the S&P break above the 1-yr Trend Line Resistance last week after 3 tests of the TL as resistance it broke above on Thursday and Friday last week. This week saw a classic 'TEST' on Monday of the prior Resistance Trend Line as new Support. The Rally resumed Tuesday, Wednesday and Thursday before pulling back on Friday, ending the week up +1.62%.



S&P 500 15 min. chart as of Feb 3, 2023 - Last week we saw new 2023 highs on Thursday and Friday. This week we saw new 2023 highs on Wednesday and Thursday. Note the S&P broke above its upper weekly Expected Move early on Thursday and remained above most of the day with a brief dip below late in the day but a close above at the end of the day. Friday saw a gap down below the E.M. with a rally and a brief break back above the E.M. before selling lower the last half of the day to end this week 'Inside' its Expected Move.

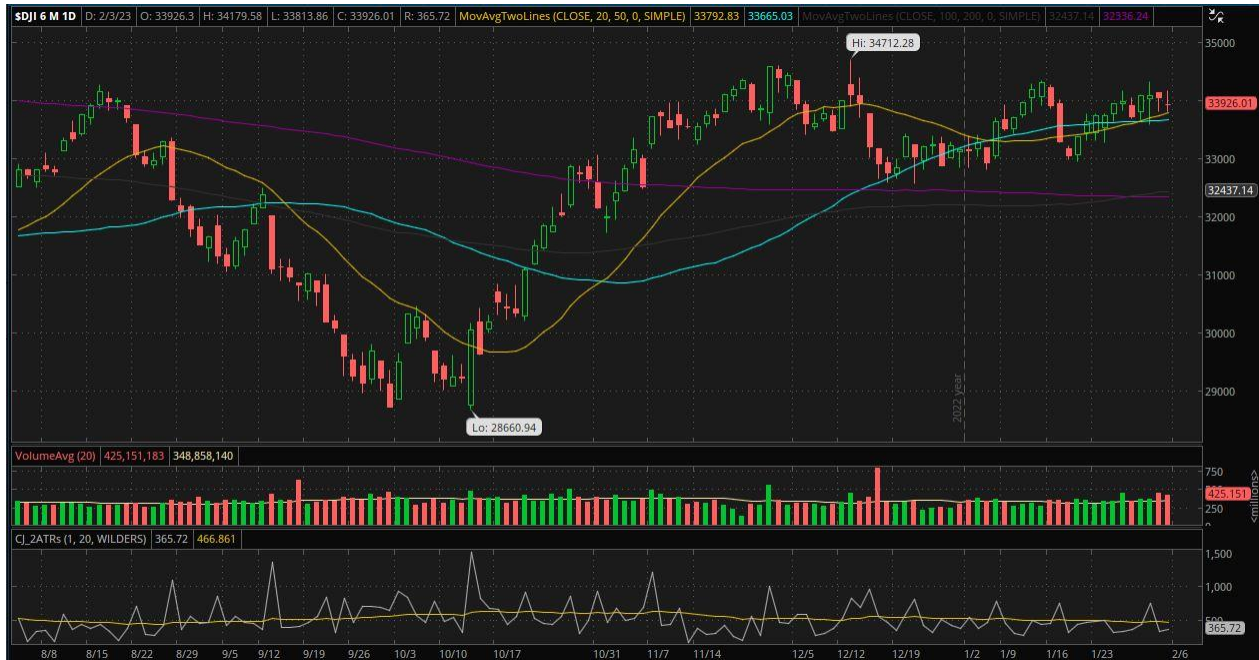
Friday saw a lower low, lower high and lower close than the prior day which could be either a pause before the rally resumes higher, or, a beginning of a decline. The answer to this question will likely be exposed next week as we see who shows stronger convictions, the Bulls or the Bears.



DJIA monthly chart as of Jan 31, 2023 - The Dow Industrials have straddled its 20 month SMA for 3 months, Nov., Dec. and Jan. as it continues to consolidate in this area.



DJIA weekly chart as of Feb 3, 2023 - we saw a higher high and higher low this week but also a lower close. Overall this chart remains mostly horizontal so far in 2023.



DJIA daily chart as of Feb 3, 2023 - The Industrials remained just above its 50 day and 20 day SMAs most of this week, with little overall change, ending the week down -0.15%.



Nasdaq monthly chart as of Jan 31, 2023 - The Nasdaq Composite recovered its Dec. losses plus a little in January, delivering a higher high, higher low and a higher close back above its 50 month SMA (blue).



Nasdaq weekly chart as of Feb 3, 2023 - Here we see the Nasdaq breaking above its 1-year Trend Line Resistance (Dark Blue) and its 200 week SMA (Purple) last week, and then it above its 50 week SMA (Blue) this week as the trend higher continues.



Nasdaq daily chart as of Feb 3, 2023 - Last week we saw the Nasdaq test its 200 day SMA (Purple) as Resistance on Thursday then break above this SMA on Friday. This week we saw a dip back below the 200 day SMA on Monday that found support and rallied back up above its 200 day SMA on Tuesday. Wednesday saw a big rally late in the day (after the FOMC) that tapped up on Thursday to more new 2023 highs. Friday saw a gap down and failed rally to deliver a lower high, lower low and lower close, ending the week up +3.31% and back above all 3 of its key SMAs.



Russell 2000 monthly chart as of Jan 31, 2023 - The Russell recovered its Dec. losses in Jan., crossed back above its 50 month SMA (Blue) and delivered a higher high, higher low and higher close this month.



Russell 2000 weekly chart as of Feb 3, 2023 - The Russell rallied in Jan. and crossed above all 3 of its key weekly SMAs. This week we see a bigger gain than last week as we continue to see a higher high, higher low and higher close this week.





Russell 2000 daily chart as of Feb 3, 2023 - We saw a small pull back on Monday then the rally resumed with strength the next 3 days, delivering new 2023 highs each day. Friday saw a pull back, pause and 'Inside' day to end the week up +3.88%.



US Indexes Percent Change Year To Date chart as of Jan 31, 2023 - Using a simple comparison of the major US Indexes at the end of January we can see the relative increases in these 4 major indexes with the Nasdaq-100 (NDX) leading the month at +11.4%, the Russell 2000 (IWM) at +10.3%, the S&P-500 (SPY) at +6.7% and the Dow Industrials (DIA) at +2.9%.

Next we will look at a few key 'Market Internals' to better understand market breadth and sentiment.



McClellan Summation Index weekly chart as of Feb 3, 2023 - Last week we saw a positive increase up to 885.30. This week the positive breadth continues higher to end this week at 1104.45, the highest we have seen in over a year.



McClellan Summation Index daily chart as of Feb 3, 2023 - Here we see the rally continued from January into February, ending this week at 1104.45.



NYSE Percent above 200 day SMA daily chart as of Feb 3, 2023 - We saw last week end at 66.58%. This week we saw an increase up to about 73% on Thursday and a small decline Friday to end this week at 71.72%.



NYSE Percent above 50 day SMA daily chart as of Feb 3, 2023 - Last week ended at 81.27%. This week the percentage rose to about 85% on Wednesday and Thursday then pulled back on Friday to end this week at 81.87%.



VIX daily chart as of Feb 3, 2023 - The VIX popped up to its 20 day SMA on Monday then drifted lower the next 3 days, delivering new 52 week lows on Thursday at 17.06. Thursday closed higher with an increase the last half of the day. Friday closed the week a little lower at 18.33. The VIX being at new lows suggests little fear in the Option markets.



VVIX daily chart as of Feb 3, 2023 - The VVIX (the Volatility of the VIX) gapped up Monday then drifted lower the next 3 days just to rally up the last half of Thursday. Friday saw an 'Inside' day. Note that we did 'NOT' see new 52 week lows in the VVIX on Thursday morning, as the VVIX has been mostly horizontal the past 3 weeks. We see little change in the Options market regarding forward looking 'uncertainty'.

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



Oil daily chart as of Feb 3, 2023 - Oil prices saw a sharp decline every day this week except on Tuesday. Wednesday saw prices break below its 20 day and its 50 day SMAs. The stronger US Dollar on Thursday and Friday did not help Oil prices either.



Gold daily chart as of Feb 3, 2023 - Gold prices were mostly flat the first half of this week, until the FOMC on Wednesday where we saw a sharp spike higher from \$1940 to \$1970. Gold prices dropped sharply Thursday to \$1930 and Friday to \$1878 as Gold crossed below its 20 day SMA. Gold gave back 2/3 (66%) of its 2023 gains in the last 2 days this week.



US Dollar Index daily chart as of Feb 3, 2023 - The US Dollar moves this week were nearly the opposite of what we saw in Gold. We saw a pause and slow drift lower the first half of this week then a sharp drop after the FOMC on Wednesday. Thursday saw a recovery of the prior day's drop. Friday saw a large rally with the largest up day so far in 2023 back above its 20 day SMA and its 4-month Trend Line Resistance (Grey line).



US 10 year Treasury daily chart as of Feb 3, 2023 - The bond markets were quiet the first half of this week then shot up higher after the FOMC on Wednesday and continued a little higher Thursday, briefly breaking above its 200 day SMA before pulling back. Friday saw a large drop back below its 20 day SMA (Yellow) to nearly its 50 day SMA (Blue).

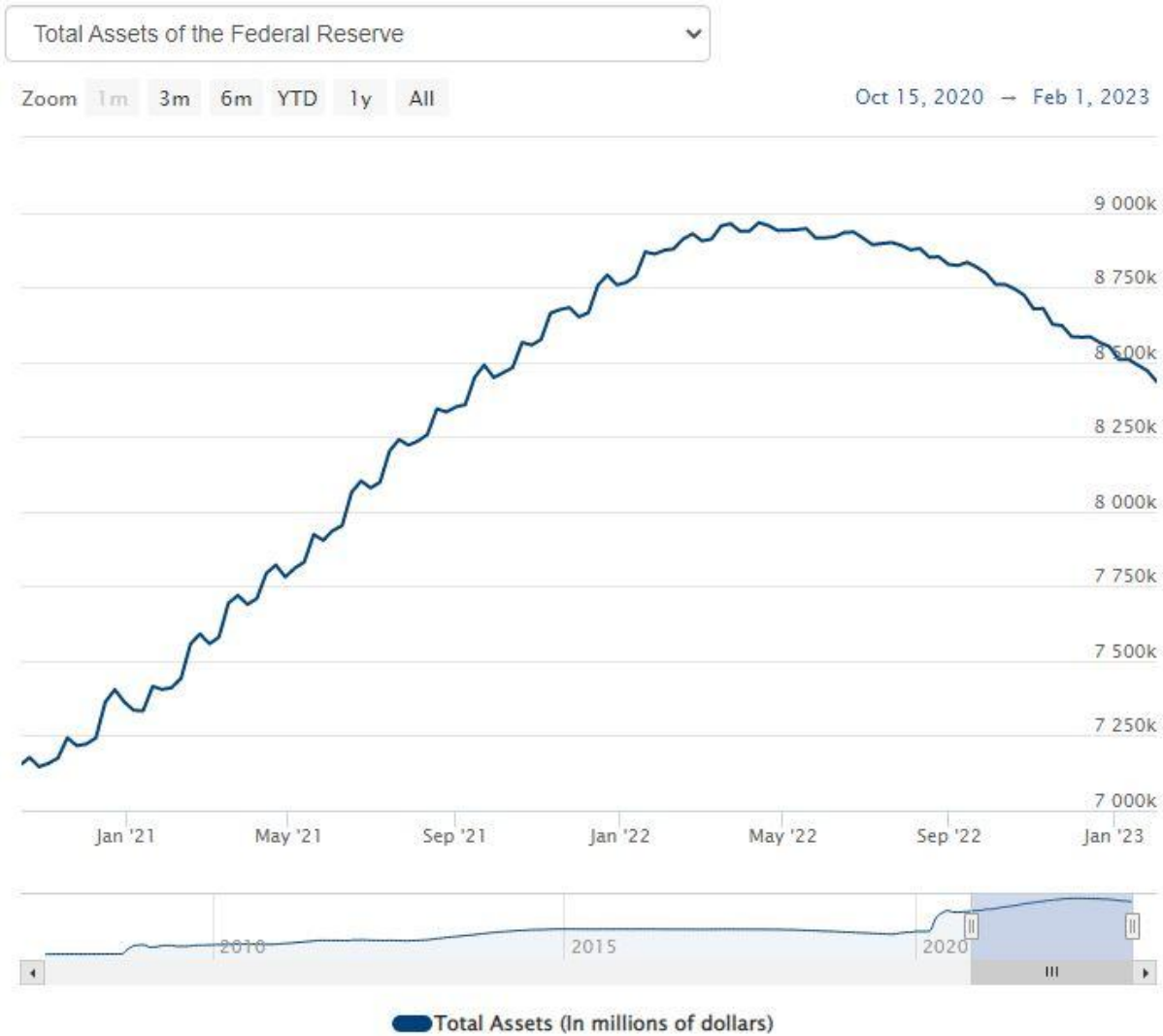


US 10 year Yield daily chart as of Feb 3, 2023 - The 10 year Yields chart is the opposite of the 10-year Treasury chart. We see a pause near the 20 day SMA, then a drop in Yields after the FOMC on Wednesday that continued a little lower to find support at its 200 day SMA Thursday. Friday saw a strong bounce back above its 20 day SMA to nearly close this week where rates were at the end of last 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
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
01/30/2023	4.60	4.64	4.72	4.76	4.82	4.71	4.25	3.96	3.68	3.62	3.55	3.79	3.66
01/31/2023	4.58	4.64	4.70	4.74	4.80	4.68	4.21	3.90	3.63	3.59	3.52	3.78	3.65
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
02/01/2023	4.59	4.63	4.66	4.77	4.79	4.66	4.09	3.75	3.48	3.43	3.39	3.67	3.55
02/02/2023	4.62	4.65	4.66	4.75	4.76	4.64	4.09	3.75	3.49	3.44	3.40	3.67	3.55
02/03/2023	4.61	4.67	4.70	4.80	4.82	4.79	4.30	3.96	3.67	3.61	3.53	3.77	3.63

US daily Yield Rates table as of Feb 3, 2023 - Here we see the 10 year Yield end last week at 3.52% and end this week at 3.53% with a dip this week. The short terms also ended this week about where they were at the end of last week. However, the mid-terms (1yr - 2yr) saw a bit of an increase this week from last week. The 10 year - 2 year 'Inversion' continues, where we see this Inversion EVERY DAY since July 7<sup>th</sup> of 2022. An 'Inversion' in the Yield Curve is one indicator Economists use to signal a potential recession.





FOMC Balance Sheet weekly chart as of Feb 1, 2023 - The FED decreased its Balance Sheet by \$36.947 Billion this week, bringing its Balance Sheet to \$8.433610 Trillion in Total Assets. The weekly chart above covers the past 2 years and helps to show how significant the reductions have been since the peak of \$8.965487 Trillion April 13<sup>th</sup> of 2022. The Fed announced its Stimulus Reduction plans in May of 2022. So far we have seen a reduction of \$531.877 Billion since the mid-April 2022 highs.

The Fed increased its target Rate by 25 basis points on Wednesday this week, which was exactly what the markets were expecting this week. The next Fed Rate change meeting is March 22<sup>nd</sup> where the markets currently expect another 25 basis points rate hike.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Feb 3, 2023 - The Transports saw a pull back to test the 20 day SMA as support on Monday before breaking out with a rally the next 3 days to new 9-month highs. Friday saw a small pull back and 'Inside' day to end the week up +7.15%. The Transports were the strongest sector on my list this week.



XLE daily chart as of Feb 3, 2023 - The Energy sector declined with oil prices this week, down to nearly its 20 day SMA on Monday, a test of its 50 day SMA as support on Tuesday with a close back above its 20 day SMA. Wednesday and Thursday saw lower lows and a cross below its 50 day SMA. Friday saw an 'Inside' day to end the week down -5.78%. The Energy sector was the weakest sector on my list this week.



XLF daily chart as of Feb 3, 2023 - The Financial sector dipped a little on Monday then resumed its rally with higher highs Tuesday, Wednesday and Friday this week. Thursday saw a pause or 'Inside' day. Friday delivered a new 8-month high, ending the week up +0.94%. This sector has seen a slow and steady rally since Jan. 19<sup>th</sup>.



QQQ daily chart as of Feb 3, 2023 - The Nasdaq-100 ETF broke above its 200 day SMA and its Trend Line last week. This week began with a dip below the 200 day SMA on Monday that was followed with a recovery back above the 200 day SMA on Tuesday that continued higher with new 2023 highs on Wednesday and Thursday. Friday saw a small pull back with a lower high, lower low and a lower close to end the week up +3.35% and still above all 3 of its key SMAs.



SOXX daily chart as of Feb 3, 2023 - The Semiconductor sector saw a small pull back on Monday then recovered those losses on Tuesday. Wednesday and Thursday saw the rally resume with new 2023 highs both days on huge volume (thank you AMD). Friday saw a lower high, lower low and lower close to end the week up +4.66%.



XLC daily chart as of Feb 3, 2023 - The Communication Services sector also saw a small pull back on Monday then recovered those losses on Tuesday. Wednesday and Thursday saw the rally resume on strong volume with new 2023 highs on both days and a large gap up on Thursday (thanks to META). Friday saw a lower high, lower low and lower close to end the week up +5.26%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	12/23/2022	12/30/2022	1/6/2023	1/13/2023	1/20/2023	1/27/2023	2/3/2023
\$SPX	-0.20%	-0.14%	1.45%	2.67%	-0.66%	2.47%	1.62%
\$INDU	0.86%	-0.17%	1.46%	2.00%	-2.70%	1.81%	-0.15%
\$COMPQ	-1.94%	-0.30%	0.98%	4.82%	0.55%	4.32%	3.31%
\$RUT	-0.14%	0.02%	1.79%	5.26%	-1.04%	2.36%	3.88%
QQQ	-2.28%	-0.40%	0.95%	4.53%	0.61%	4.80%	3.35%
\$TRAN	-1.26%	-1.27%	3.62%	3.52%	-0.06%	0.88%	7.15%
XLE	4.26%	0.47%	0.10%	2.73%	0.59%	0.83%	-5.78%
XLF	1.37%	0.74%	3.45%	2.09%	-2.13%	2.55%	0.94%
XLK	-1.98%	-0.13%	0.23%	4.62%	0.65%	4.08%	3.71%
SOXX	-3.60%	-0.26%	4.51%	6.20%	-0.18%	5.59%	4.66%
XLV	0.83%	-0.18%	-0.13%	-0.16%	-1.14%	-0.78%	-0.13%
XLY	-3.08%	-0.21%	2.25%	5.78%	-0.52%	6.41%	2.34%
XRT	-1.01%	0.10%	3.80%	5.16%	-1.24%	5.54%	6.95%
XLI	0.77%	-0.18%	2.75%	1.54%	-3.39%	2.17%	1.69%
XLU	1.43%	-0.58%	0.71%	0.46%	-2.94%	-0.49%	-1.42%
XME	2.36%	-1.93%	6.14%	6.34%	-0.50%	2.07%	1.45%
XLP	1.15%	-0.84%	1.65%	-1.37%	-2.84%	0.33%	0.74%
XLB	-0.06%	-1.07%	3.46%	4.26%	-1.21%	0.75%	0.01%
XLC	-0.28%	0.40%	5.02%	3.87%	1.43%	4.12%	5.26%
XHB	-0.94%	-0.84%	5.47%	4.64%	-2.39%	3.34%	6.05%

Weekly Percent Change US Indexes and Sectors table as of Feb 3, 2023 - The Russell showed its strength this week with the Nasdaq close behind. Last week the Nasdaq led the Indexes higher.

The Strongest sectors this week included: Transports, XRT, XHB, XLC and SOXX that all delivered well over +4% this week.

The Weakest sectors this week included: XLE, XLU, XLV and XLB.

Let's compare these sectors visually with a Percent Change so far in 2023 as of the end of Jan. 31 2023.



SPY vs. Sectors YTD % change chart as of Jan 31, 2023 - This chart shows the percentage change since the beginning of 2023 as of the end of Jan. 2023. This one month period helps us rank the sectors so far this year. The SOXX has been the strongest and is closely followed by XME and XLY. We have seen this past year how identifying the strongest sectors helps our odds in finding bullish trades in those sectors, and finding the weakest stocks in the weakest sectors can help our odds at finding Bearish trade opportunities. We know that leadership can be always changing (rotation) so we keep monitoring leaders and laggards on a daily basis to help notice 'changes'.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	End of Day 01/30/23	End of Day 01/31/23	End of Day 02/01/23	End of Day 02/02/23	End of Day 02/03/23
\$SPX	1.19%	-0.07%	-0.02%	1.10%	0.25%	-1.30%	1.46%	1.05%	1.47%	-1.04%
\$INDU	0.76%	0.31%	0.03%	0.61%	0.08%	-0.77%	1.09%	0.02%	-0.12%	-0.38%
\$COMPQ	2.01%	-0.27%	-0.18%	1.76%	0.95%	-1.96%	1.67%	2.00%	3.25%	-1.59%
\$RUT	1.25%	-0.27%	0.25%	0.67%	0.44%	-1.35%	2.45%	1.49%	2.06%	-0.78%
QQQ	2.22%	-0.20%	-0.22%	1.95%	1.00%	-2.02%	1.50%	2.14%	3.59%	-1.78%
\$TRAN	1.49%	-0.82%	-1.10%	0.01%	1.34%	-2.25%	3.47%	3.75%	2.91%	-0.78%

Daily Percent Change US Indexes table as of Feb 3, 2023 - We saw weakness in the Industrials on bullish days this week and saw strength on bearish days (Monday and Friday). We saw the QQQ lead with strength on Thursday and then lead the losers on Friday. Transports showed weakness Monday but then flipped to the strongest on Tuesday and Wednesday. We saw these same changes this week in the charts above.

Next we will look at a few key Stocks.



NDX vs. Big Tech Stocks YTD % change chart as of Jan 31, 2023 - Let's look at a comparison of some of the Biggest names so far this year. TSLA and NVDA have clearly shown their strength so far this year. Not shown in this chart are the first 3 days in Feb. where we saw dramatic moves in several of these names, usually due to Earnings reactions or stock buy-back announcements (Meta). Below we will see these Stock Charts through the end of this week where we will see the moves in Feb.



AAPL daily chart as of Feb 3, 2023 - Apple paused the first 3 days of this week then gapped up on Thursday above its 200 day SMA. After the close on Thursday Apple reported Earnings and we saw a positive reaction Friday. Apple ended the week up +5.87% and is now above all 3 of its key SMAs.



MSFT daily chart as of Feb 3, 2023 - Microsoft reported Earnings last week and saw a brief dip before a rally the next day saw a positive reaction. This week began with a dip to test support near its 50 Day SMA on Monday followed by a strong rally the next 3 days, delivering new 2023 highs on Wed. and Thur. and gapping above its 200 day SMA on Thursday. Friday saw a small pull back to end the week up +4.11% and is now above all 3 of its key SMAs.



GOOGL daily chart as of Feb 3, 2023 - Alphabet saw a range bound pause for the first 3 days this week, and then gapped up above its 200 day SMA on Thursday to new 2023 highs. Alphabet reported Earnings after the close on Thursday. Friday gapped down at the open but recovered all of those losses in the next 2 hours. Mid-day on Friday we saw selling kick in that filled about half of Thursday's gap then bounced to end the day and week at the 200 day SMA, up +5.44% for the week.





AMZN daily chart as of Feb 3, 2023 - Amazon saw a pause Monday and Tuesday then a small rally higher Wednesday. Thursday saw a big gap up and rally above the 200 day SMA. Amazon reported Earnings Thursday after the close and saw a negative reaction with a gap down on Friday below the 200 day SMA that held flat for the first half of the day then sold lower the 2<sup>nd</sup> half of the day to end the week up +1.12%.



TSLA daily chart as of Feb 3, 2023 - Tesla saw a pullback Monday with an 'Inside' day. The rally resumed Tuesday with a partial recovery of the prior day's losses. The rally continued with higher highs, higher lows and higher closes the rest of this week, ending the week Friday up +6.79%.



NVDA daily chart as of Feb 3, 2023 - The 2023 rally paused Monday with a pull back to \$191 area with a small bounce seen on Tuesday. The rally resumed higher with strength (and volume) Wednesday and Thursday with new 2023 highs each day. Friday saw an 'Inside' day with a lower close to end the week up +3.61% and still above all 3 of its key SMAs.



META daily chart as of Feb 3, 2023 - Meta paused on Monday and Tuesday this week then saw a small drift higher crossing above its 200 day SMA the last hour on Wednesday before reporting Earnings after the close. Earnings reactions were positive with a HUGE gap up at the open on Thursday that continued higher during the day. Friday saw a pause and 'Inside' day to end the week up +22.93%. Meta announcing a large stock buy-back program certainly helped to fuel the reactions.



NFLX daily chart as of Feb 3, 2023 - Netflix saw the dip continued lower Monday then found support near \$349 Tuesday before closing higher. The next 3 days all saw higher highs with new 2023 highs seen briefly mid day on Friday before the sellers began their work. NFLX ended the week up +1.42%.



MU daily chart as of Feb 3, 2023 - Micron saw a small decline on Monday followed by a gap down below its 200 day SMA on Tuesday with a small bounce that only recovered less than 1/3 of the gap down. The rally kicked into gear on Wednesday with a full recovery of the prior two days of losses. Thursday saw a higher high but failed to retest the prior week's highs. Friday saw another failed rally and a decline to end the week down -2.29%.



AMD daily chart as of Feb 3, 2023 - AMD saw a small decline Monday and a bounce and recovery on Tuesday before reporting Earnings after the close. The reaction was positive with a gap and rally above its 200 day SMA on Wednesday that continued higher Thursday. Friday saw an 'Inside' day to end the week up +14.18% and is now above all 3 of its key SMAs.



JPM daily chart as of Feb 3, 2023 - JP Morgan saw a horizontal pause most of this week remaining mostly above its 20 day SMA. Friday saw a small rally to end the week up +0.55%.



COST daily chart as of Feb 3, 2023 - Costco saw an 'Inside' day on Monday then resumed its rally with higher highs and higher closes the next 3 days and finding Resistance near \$530 on Thursday. A 90 cent dividend was paid out Thursday. Friday saw a small gap down and selling to end the week up +2.47%.



DE daily chart as of Feb 3, 2023 - John Deere resumed its slow rally the Mon. Tue. and Wed. finding Resistance at its 50 day SMA on Wednesday and pulling back a little. Thursday saw huge selling the first hour taking DE down to the \$402 area and pausing in that area the rest of the day. Friday saw a small bounce the first two hours that sold back down the rest of the day to end the week down -2.90%.



CAT daily chart as of Feb 3, 2023 - Cat saw a strong rally last week then saw a small decline on Monday this week. CAT reported Earnings Tuesday before the open and saw a negative reaction with a gap down and strong selling that broke below its 20 day SMS and bounced to close near the 20 day SMA on Tuesday. Wednesday saw an open below the 20 day SMA that continued lower Thursday to test support at its 50 day SMA. Friday saw a higher high, higher low and higher close to end the week down -6.34%.



STLD daily chart as of Feb 3, 2023 - Steel Dynamics saw a strong rally last week after reporting Earnings. This week we saw a pause on Monday and Tuesday then a resumption of the rally on Wednesday. Both Wednesday and Friday delivered new 2023 highs to end the week up +7.78%.



BA daily chart as of Feb 3, 2023 - Boeing reported Earnings last week. This week we see a mild rally continued for 3 days then selling kicked in on Thursday and Friday to take BA back below its 20 day SMA support, ending the week down -2.44%.

We saw a mix of reactions to Earnings this week, and to key Economic Data (Fed Rate Hike on Wednesday and a VERY Strong Jobs report on Friday).

One way to reduce risk from Earnings or News 'Surprises' is to not open a new position right before that scheduled event, or close it out right before the event. If you have had a position open already for a while and have unrealized profits in it, then you could sell part of that position to reduce risk, or hedge it before the 'News' event. However, hedging right before that event is usually the most expensive time to buy 'Insurance'.

Hedging is more efficient if you do it when insurance is cheap. As an Options Trader, this can be implemented by 'buying Options' when the Implied Volatility is low (and you think it may go up over time) or by 'selling Options' when the Implied Volatility is high (and you think it may go down over time). Options traders must form an opinion not only about the future of the Underlying asset, but also have an Opinion about Implied Volatility, and an Opinion about 'Time' (how long might this take to happen) in order to structure an appropriate Options Strategy.

Stock traders generally just need an opinion about the future value of a stock in order to decide to buy it or short its. Usually the value of time has little impact as a stock trader.

We saw the rally continue this week, with higher highs seen mostly on Wed. and Thur. with a failed rally early on Friday that was followed with a bit of selling the last half of Friday to end this week on a little bit of a Bearish note. The odds continue to favor the 2023 rally continues next week, but we have a clue Friday of a possible change. Next week we will watch for more clues to see if either the Bulls or the Bears show us stronger convictions.

Trade Smart,

CJ