



Market Observations - as of Feb. 17, 2023

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

Last week we saw a decline overall with Oscillations up and down mostly driven by market over reactions to Jay Powell's comments. Last Thursday saw the strongest selling most all day with lower lows seen last Friday before the markets paused.

This week we saw a rally the first half of Monday then a pause the rest of the day. This pause area tended to be near the middle of the brief and volatile reactions we saw to CPI on Tuesday and PPI on Thursday. Strong selling was seen the last hour on Thursday to new lows for the week. Friday saw a gap down and selling the first hour to find support and new lows for the week. We saw a small bounce the last 2 hours on Friday that failed to fill much (if any) of the opening gap that day.

We have seen about 2 weeks of 'Consolidation' for most of February as the January bullish trend takes a rest and markets react to 'news' events. With most all of the 'news' events over the past 2 weeks we have seen the market return to its 'pre-event' levels soon after the event is over and the dust has time to settle. Sometimes it takes an hour or two for the dust to settle, and sometimes it takes a day or so, but odds tend to be stronger for markets to 'return' to the level they were at just before that event.

This week we saw the Dow Industrials and the S&P decline by a small amount while the Nasdaq and Russell increased. So far in February, we have seen the big rally from the first 2 days be given back in part (50%) or in full. Most Indexes are showing a 'consolidation' pattern forming in February that is remaining 'Inside' the range seen on Feb. 1st and 2nd.

The US Dollar Index paused last week and increased this week, putting pressure on USD priced commodities. Oil prices drifted lower most of this week while Gold also drifted lower.

We saw strong selling of the 10 year Treasuries (with volume) this week as money moved into shorter term bonds for higher returns.

The market continues to 'react' to key Economic reports and to comments made by Jay Powell and other key Fed personnel. It appears that the March 22 Fed Meeting rate change odds are increasing from 3% a month ago to now 18% for a 50 basis points increase in March while the odds for a 25 basis points increase have declined from 91% to 81% over the past week. The CME Group keeps data on the fed rate 'futures' and the odds this data represents for the next rate change.

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



S&P 500 weekly chart as of Feb 17, 2023 - We see a second week of decline with lower lows, lower highs and a lower close. The S&P remains above its 50 week SMA.



S&P 500 daily chart as of Feb 17, 2023 - We saw a small bounce Monday and Tuesday this week after the lows from last Friday just above the 20 day SMA (Yellow). However, this week's bounce failed to reach the prior week's highs and was followed with a sharp decline Thursday to its 20 day SMA. Friday gapped open below the 20 day SMA and sold lower to exceed the lows from the prior week. The small bounce the last 2 hours Friday only recovered a portion of that day's losses, ending the week down - 0.28% and now below its 20 day SMA.



S&P 500 15 min. chart as of Feb 17, 2023 - We drew two Trend Lines (Green lines) for the month of February. The Support TL is drawn from Feb. 1st lows to the Feb. 10th lows and the Resistance TL is drawn between the Feb. 2nd highs to the Feb. 7th highs that was later replaced with the Feb. 14th highs this week. These two TL show a 'Consolidation' pattern with declining Resistance and ascending Support. Note the break below the Support Trend Line on Friday of this week, with several tests of that Trend Line as new Resistance during the day. The S&P ended the week below this 2-week Support Trend Line (green line) but has not yet broken below the Feb. 1st lows. This gives us a bearish hint, but without any follow thru so far.

We saw brief reactions to Economic reports this week, the CPI Tuesday and the PPI on Thursday. In each case, after the wild reaction settled, the S&P soon returned to where it was just before the 'News' event occurred.

The Prior Resistance at the Jan. 27th highs (Yellow line) provided new Support most of this week up until the break down on Friday.

Not shown is a 15 min chart of the Nasdaq. It too has formed a consolidation pattern this month since the Feb. 1st and 2nd rally. The Nasdaq has not yet exceeded its Feb. 1st lows or its Feb. 2nd highs. Trend lines during Feb. show us that the 2-week Support Trend Line was briefly exceeded part of the day on Friday this week, but rallied and closed back above this support Trend line at the close on Friday.



DJIA weekly chart as of Feb 17, 2023 - We now see 3 weeks of a quiet horizontal pause in the Industrials with little change this week.



DJIA daily chart as of Feb 17, 2023 - We saw a bounce Monday then a slow drift lower the rest of this week, crossing below its 20 day SMA on Thursday and briefly testing its 50 day SMA on Friday. Both the 20 day and 50 day SMAs are close together and nearly with a flat slope showing us little of any current trend. The Industrials ended this week down -0.13%.



Nasdaq weekly chart as of Feb 17, 2023 - We see a 2nd week of nested 'Inside' weeks that straddle the 50 week SMA.



Nasdaq daily chart as of Feb 17, 2023 - The Jan. rally Trend Line (Orange line) was broken last Thursday and Friday. This week we saw 3 days with higher highs, higher lows and higher closes that changed on Thursday with a lower high, lower low and lower close day. Friday saw a gap down and selling lower crossing below its 20 day SMA most of the day before a late rally the last 2 hours saw the Nasdaq cross back above its 20 day SMA to end the week up +0.59%. The low this Friday failed to exceed the lows from last Friday, so consolidation continues.



Russell 2000 weekly chart as of Feb 17, 2023 - The Russell also shows a 2nd week of nested 'Inside' weeks that show little progress as the Jan. bullish trend takes a pause so far in Feb.



Russell 2000 daily chart as of Feb 17, 2023 - We saw the Russell break below its 1-month Support Trend Line (Grey line) last Thursday and dip to its 20 day SMA last Friday. This week we see rallies off of the 20 day SMA Support the first 3 days and higher highs delivered the first 4 days with a lower close seen on Thursday. Friday saw a lower high, lower low and higher close to end the week up +1.44%.

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



McClellan Summation Index weekly chart as of Feb 17, 2023 - We saw a decline last week down to 985.55. The decline continued this week to 849.32.



McClellan Summation Index daily chart as of Feb 17, 2023 - Here we see the decline continue in Feb. to end this week at 849.32.



NYSE Percent above 200 day SMA daily chart as of Feb 17, 2023 - Last week we saw some oscillations and a small decline down to 66.58%. This week we saw some more small oscillations that ended this week nearly flat at 66.65%.



NYSE Percent above 50 day SMA daily chart as of Feb 17, 2023 - We saw some oscillations and a decline to 74.93% last week. This week we saw some small gains early in the week that were mostly given back late in the week to end this week at 73.75%.



VIX daily chart as of Feb 17, 2023 - The VIX declined below its 50 day SMA on Monday and continued lower Tuesday below its 20 day SMA and Wednesday. Thursday saw a bounce back up above 20 that continued higher Friday above its 50 day SMA before pulling back late Friday to end the week at 20.02.



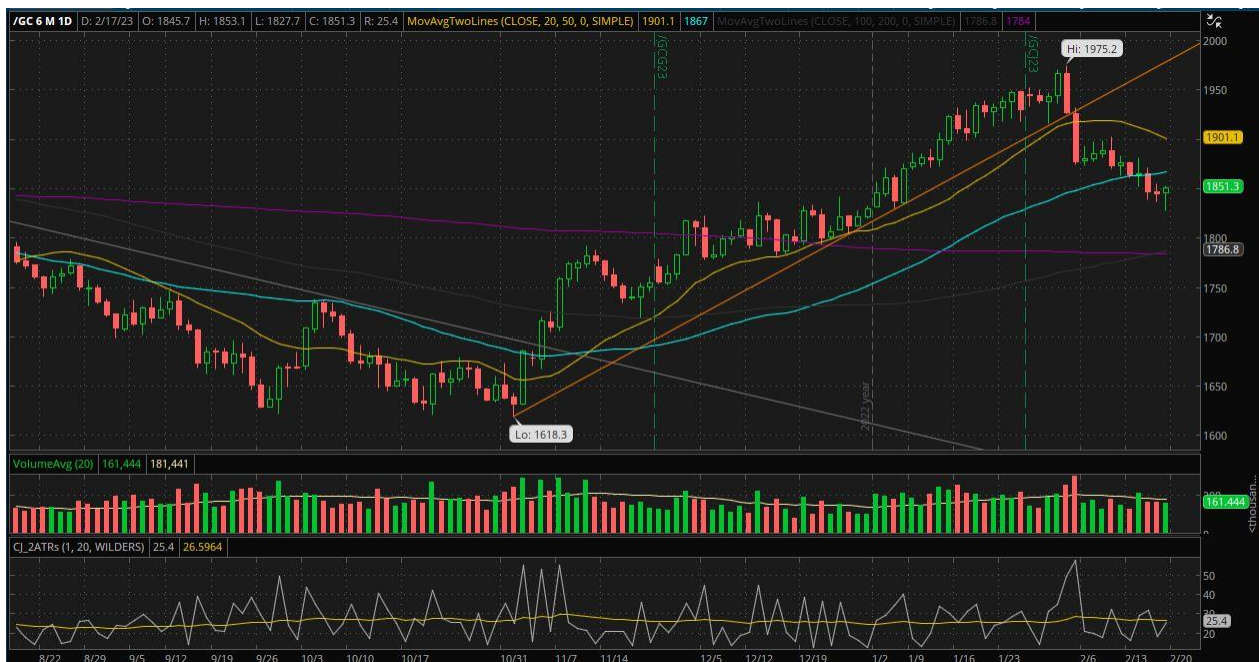
VVIX daily chart as of Feb 17, 2023 - The VVIX also declined the first 3 days this week then bounced Thursday. Friday saw an 'Inside' day with a higher open and lower close than the prior day.

Both the VIX and VVIX acted mostly 'Normal' this week as the S&P rallied 3 days and dropped Thursday and Friday.

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



Oil daily chart as of Feb 17, 2023 - Oil prices drifted lower each day this week, with the greatest decline seen on Friday from its 20 day SMA to below its 50 day SMA.



Gold daily chart as of Feb 17, 2023 - Gold continued to drift lower each day this week, crossing and closing below its 50 day SMA on Wednesday.



US Dollar Index daily chart as of Feb 17, 2023 - The US Dollar continued its pause Monday and Tuesday then rallied above its 50 day SMA on Wednesday and continued higher with higher highs seen both Thursday and Friday.

Remember, a stronger US Dollar usually puts pressure on dollar priced commodities.



US 10 year Treasury daily chart as of Feb 17, 2023 - We saw a pause Monday before strong selling resumed the next 3 days with above average volume and lower lows each day for the rest of this week.

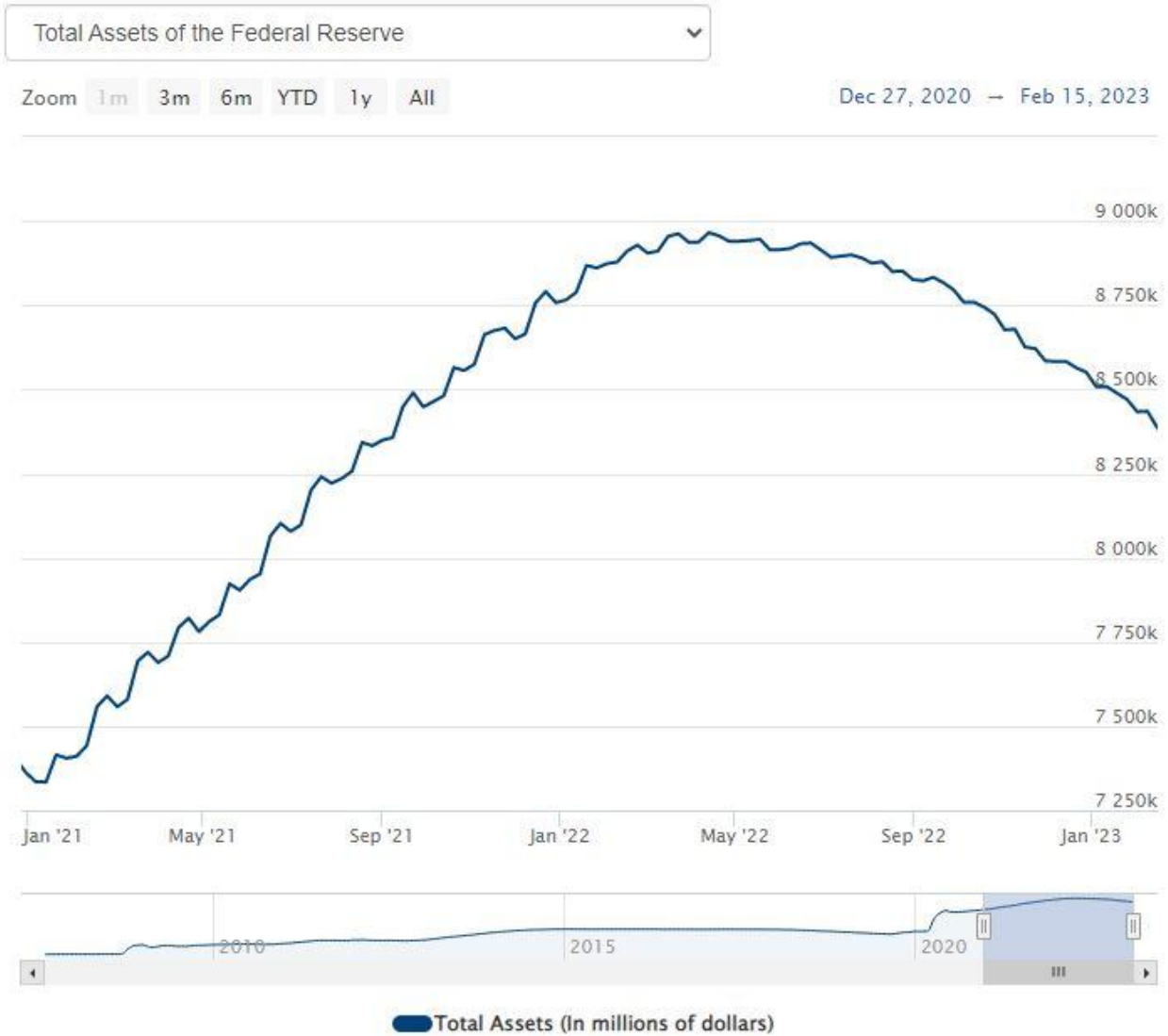
Clearly we see some amount of Money flow exiting the 10 year Treasuries and moving into the 6 month (and other shorter terms) for higher annual returns. Wouldn't you rather be paid 4.99% a year or 3.82 % per year for a relatively risk free investment? Enough said.



US 10 year Yield daily chart as of Feb 17, 2023 - As the 10 year sells off the Yields increase this week as expected.

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
02/06/2023	4.61	4.67	4.71	4.81	4.89	4.85	4.44	4.10	3.81	3.73	3.63	3.82	3.67
02/07/2023	4.62	4.68	4.71	4.80	4.89	4.88	4.47	4.11	3.85	3.78	3.67	3.87	3.72
02/08/2023	4.64	4.69	4.72	4.85	4.88	4.87	4.45	4.08	3.82	3.75	3.63	3.86	3.70
02/09/2023	4.66	4.77	4.77	4.87	4.90	4.88	4.48	4.15	3.87	3.79	3.67	3.90	3.75
02/10/2023	4.66	4.77	4.79	4.89	4.89	4.89	4.50	4.19	3.93	3.86	3.74	3.96	3.83
02/13/2023	4.66	4.78	4.81	4.90	4.99	4.91	4.52	4.22	3.93	3.84	3.72	3.92	3.79
02/14/2023	4.63	4.78	4.80	4.91	4.98	4.99	4.60	4.32	4.00	3.90	3.77	3.94	3.81
02/15/2023	4.64	4.79	4.79	4.94	4.97	4.96	4.62	4.35	4.04	3.94	3.81	3.97	3.85
02/16/2023	4.66	4.80	4.84	4.95	4.98	4.99	4.62	4.35	4.06	3.98	3.86	4.05	3.92
02/17/2023	4.64	4.81	4.84	4.95	4.99	5.00	4.60	4.33	4.03	3.95	3.82	4.01	3.88

US daily Yield Rates table as of Feb 17, 2023 - We see increases this week in most terms. The 10 year / 2 year Inversion grew to 83 basis points on Tuesday this week. The 1 year popped up to a 5.00% yield on Friday this week.

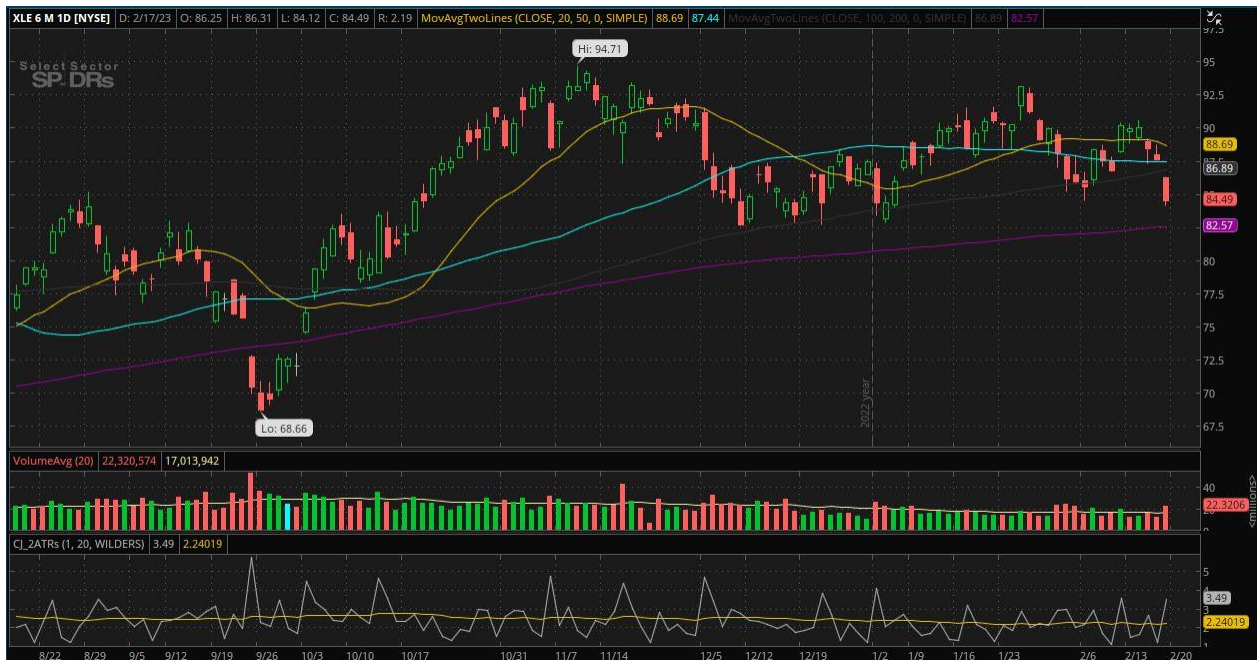


FOMC Balance Sheet weekly chart as of Feb 15, 2023 - The Fed decreased its Total Assets this week by \$50.602 Billion, bringing its Balance Sheet Total to \$8.384767 Trillion.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Feb 17, 2023 - The Transports saw a sharp decline last Thursday and Friday. This week we saw a bounce the first 3 days that was followed by a bit smaller decline on Thursday and Friday, ending the week up +0.62%.



XLE daily chart as of Feb 17, 2023 - We saw Oil prices drop each day this week, however, the XLE paused just above its 20 day SMA on Monday and Tuesday this week before declining below its 20 day SMA support on Wednesday when it tested its 50 day SMA as new support. Thursday saw another test of its 50 day SMA support. Friday saw a gap down with continued selling that exceeded the lows from the prior week and closing this week down -6.34%.



XLF daily chart as of Feb 17, 2023 - The Financial sector saw a horizontal pause continue Mon., Tue. and Wed. this week before testing its 20 day SMA support on Thursday and closing the day 1 cent below the 20 day SMA. Friday saw a drop and bounce that failed to reach the prior week's lows and ended this week down -0.27% and now below its 20 day SMA.



QQQ daily chart as of Feb 17, 2023 - The Nasdaq-100 ETF saw a 3 day rally this week with higher highs and higher lows that failed to reach or test the prior week's highs. The trend changed on Thursday with a lower high, lower low and lower close. Friday saw a gap down and selling below its 20 day SMA that failed to reach or exceed the prior week's lows. The bounce Friday recovered most of its dip but not its gap, ending the week up +0.49%. The QQQ 'failed' to exceed its prior week's highs or lows this week, so it remains inside a 'consolidation' pattern.



SOXX daily chart as of Feb 17, 2023 - The Semiconductor sector rallied the first 3 days this week where it failed to reach the prior week's highs. Sellers stepped in Thursday and continued Friday with a gap down and selling below its 20 day SMA and briefly below its prior week's lows, ending this week down - 0.39%.



XLC daily chart as of Feb 17, 2023 - The Communication Services sector saw a huge drop last week and seemed to pause this week near the lows of last week. The XLC crossed below the rising 20 day SMA on Thursday and ended the week Friday up +0.71%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORS</i>	1/6/2023	1/13/2023	1/20/2023	1/27/2023	2/3/2023	2/10/2023	2/17/2023
\$SPX	1.45%	2.67%	-0.66%	2.47%	1.62%	-1.11%	-0.28%
\$INDU	1.46%	2.00%	-2.70%	1.81%	-0.15%	-0.17%	-0.13%
\$COMPQ	0.98%	4.82%	0.55%	4.32%	3.31%	-2.41%	0.59%
\$RUT	1.79%	5.26%	-1.04%	2.36%	3.88%	-3.36%	1.44%
QQQ	0.95%	4.53%	0.61%	4.80%	3.35%	-2.12%	0.49%
\$TRAN	3.62%	3.52%	-0.06%	0.88%	7.15%	-3.06%	0.62%
XLE	0.10%	2.73%	0.59%	0.83%	-5.78%	4.94%	-6.34%
XLF	3.45%	2.09%	-2.13%	2.55%	0.94%	-0.27%	-0.27%
XLK	0.23%	4.62%	0.65%	4.08%	3.71%	-0.98%	-0.40%
SOXX	4.51%	6.20%	-0.18%	5.59%	4.66%	-2.01%	-0.39%
XLV	-0.13%	-0.16%	-1.14%	-0.78%	-0.13%	-0.15%	-0.38%
XLY	2.25%	5.78%	-0.52%	6.41%	2.34%	-2.11%	1.63%
XRT	3.80%	5.16%	-1.24%	5.54%	6.95%	-6.39%	3.44%
XLI	2.75%	1.54%	-3.39%	2.17%	1.69%	-0.69%	0.87%
XLU	0.71%	0.46%	-2.94%	-0.49%	-1.42%	-0.29%	1.14%
XME	6.14%	6.34%	-0.50%	2.07%	1.45%	-4.61%	1.66%
XLP	1.65%	-1.37%	-2.84%	0.33%	0.74%	-0.59%	0.97%
XLB	3.46%	4.26%	-1.21%	0.75%	0.01%	-1.65%	-0.89%
XLC	5.02%	3.87%	1.43%	4.12%	5.26%	-5.57%	0.71%
XHB	5.47%	4.64%	-2.39%	3.34%	6.05%	-3.51%	0.36%

Weekly Percent Change US Indexes and Sectors table as of Feb 17, 2023 - The Russell 2000 was the strongest index this week after being the weakest index last week and the strongest the week before last. Most indexes remain inside a 'consolidation' pattern in Feb. 2023. The Dow Industrials and S&P both saw a small loss this week.

The Strongest Sectors this week included: XRT, XME, XLY and XLU that all delivered over +1% gains this week.

The weakest sector this week was XLE by a large measure (-6.34%). The next weakest sectors included: XLB, XLK and SOXX that were all less than a -1% decline this week.

We have seen the XLE oscillate between the strongest and weakest sector over the past 3 weeks.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 02/06/23	End of Day 02/07/23	End of Day 02/08/23	End of Day 02/09/23	End of Day 02/10/23	End of Day 02/13/23	End of Day 02/14/23	End of Day 02/15/23	End of Day 02/16/23	End of Day 02/17/23
\$SPX	-0.61%	1.29%	-1.11%	-0.88%	0.22%	1.14%	-0.03%	0.28%	-1.38%	-0.28%
\$INDU	-0.10%	0.78%	-0.61%	-0.73%	0.50%	1.11%	-0.46%	0.11%	-1.26%	0.39%
\$COMPQ	-1.00%	1.90%	-1.68%	-1.02%	-0.61%	1.48%	0.57%	0.92%	-1.78%	-0.58%
\$RUT	-1.40%	0.76%	-1.52%	-1.40%	0.18%	1.16%	-0.06%	1.09%	-0.96%	0.21%
QQQ	-0.85%	2.07%	-1.78%	-0.88%	-0.66%	1.60%	0.74%	0.77%	-1.88%	-0.71%
\$STRAN	-0.99%	0.82%	-0.61%	-2.12%	-0.17%	0.93%	1.11%	0.31%	-1.23%	-0.48%

Daily Percent Change US Indexes table as of Feb 17, 2023 - The Industrials were weakest on Tue. and Wed. then the strongest index on Friday this week. The Russell 2000 was the strongest index on both Wed. and Thur. this week. The QQQ began the week as the strongest then ended the last 2 days this week as the weakest. This gives us some clues that the Big Tech names may likely lead on both up days and down days, and get reflected in the QQQ due to their stronger 'weighting' in this ETF. The Nasdaq composite is often close behind the QQQ on both up days and down days, as this larger index is still heavily weighted by the same biggest 5-7 Tech names.

Next we will look at a few key Stocks.



AAPL daily chart as of Feb 17, 2023 - Apple returned to last week's range on Monday and Tuesday this week. Wednesday and Thursday saw a higher high than last week before closing lower on Thursday. Friday saw a gap down and bounce to return to the prior week's range, ending this week up +1.02% with a second week of 'consolidation'.



MSFT daily chart as of Feb 17, 2023 - Microsoft saw a gap up and rally Monday that continued a little higher on Tuesday but failed to exceed the prior week's highs. Selling followed with lower lows, lower highs and lower closes the rest of this week, testing 20 day SMA support on Friday, ending the week down -1.67%.



GOOGL daily chart as of Feb 17, 2023 - Alphabet saw a huge drop to its 50 day SMA last week. This week we see a pause near the 50 day SMA on Monday, a brief test Tuesday below its 50 day SMA that bounced and a rally on Wednesday that failed to reach its 20 day SMA. Thursday saw a lower close that gapped down Friday with another brief test of the 50 day SMA before ending the day back above the 50 day SMA, down -0.23% for the week.



AMZN daily chart as of Feb 17, 2023 - Amazon saw a sharp decline last week. We saw a bounce with higher highs the first 3 days of this week, crossing above its 20 day SMA on Wednesday. However, this rally failed to reach the prior week's highs and was followed by a gap down Thursday below its 20 day SMA that continued lower Friday where it briefly exceeded the prior week's lows before a bounce before the close Friday, ending the week down -0.42%.



TSLA daily chart as of Feb 17, 2023 - Tesla saw a small dip on Monday followed by a strong rally Tuesday that continued higher Wednesday to exceed the prior week's highs. Thursday briefly saw a higher highs before it pulled back to give back about half of Tuesday's gains. Friday saw a bounce that recovered most of Tuesday's gains, ending the week up +5.80%.



NVDA daily chart as of Feb 17, 2023 - Nvidia saw a pause 'Inside' day on Monday then rallied Tuesday to deliver a higher high than the prior week's high. Wednesday saw an 'Inside' day and small pull back. Thursday saw a gap down, lower low, lower high and lower close that was repeated on Friday where NVDA tested its 20 day SMA as support, ending the week up +0.58%. NVDA reports Earnings next Wed.

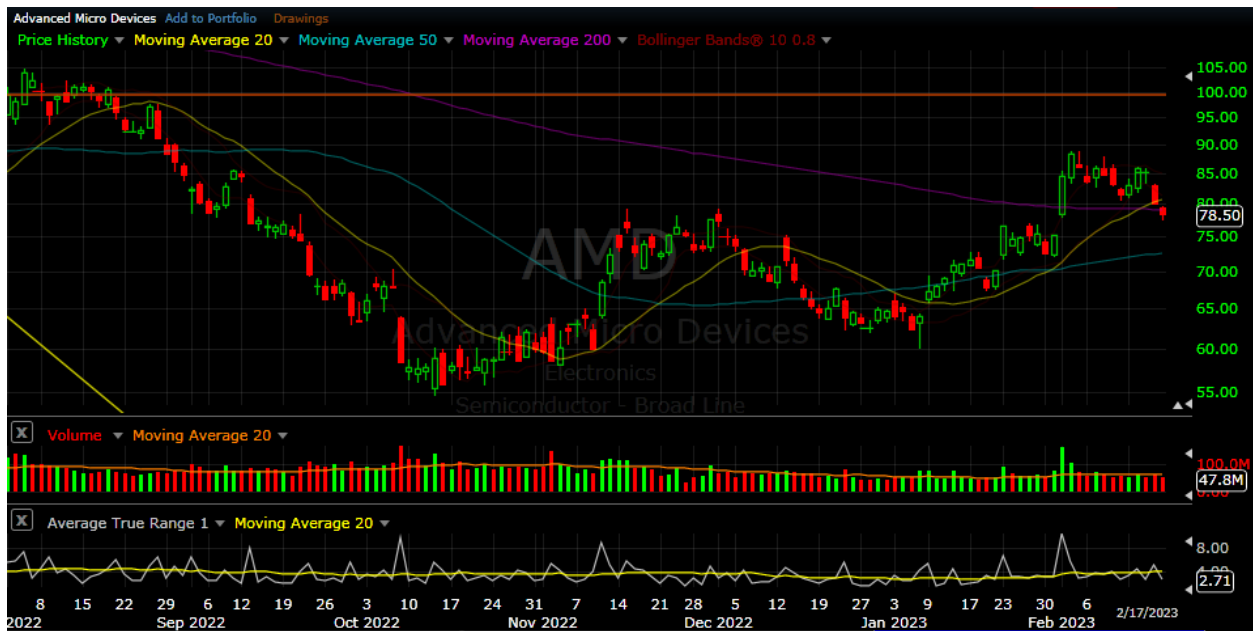


META daily chart as of Feb 17, 2023 - Meta saw a small bounce Monday and a pause Tue. and Wed. before gapping down Thursday and exceeding the prior week's lows. Friday saw a gap down to lower lows and a bounce to end the week down -0.73%.

Out of the above 7 biggest stocks in the Nasdaq-100, what names were up on Friday? What names were up for this week? Were they up by more than +0.49% this week (ref. QQQ) or down by any amount this week? Since these 7 stocks carry so much weight in the overall markets, indexes and sectors, using these as a comparison is one way to find what names seem to be leading the markets Up or Down.



JPM daily chart as of Feb 17, 2023 - JP Morgan saw a pause and 'Inside' that did not exceed the prior week's highs or lows. JPM ended the week up +0.85%.



AMD daily chart as of Feb 17, 2023 - AMD saw a rally the first 2 days this week that failed to test or exceed the prior week's highs. Wednesday saw an 'Inside' day followed by gap down and strong selling on Thursday crossing below its 20 day SMA and exceeding the prior week's lows. Friday saw a gap below its 20 day SMA and crossed below its 200 day SMA to end the week down -3.66%. Remember, the SOXX was one of the weaker sectors this week.



COST daily chart as of Feb 17, 2023 - Costco saw a sharp decline last week. Monday saw a small bounce back above its 20 day SMA with higher highs seen the next 2 days. Thursday saw an 'Inside' day and a close just below its 20 day SMA. Friday saw a bounce and close back above its 20 day SMA, ending the week up +1.50%.



DE daily chart as of Feb 17, 2023 - John Deere saw a gap up and slow decline Monday that continued Tuesday below its 20 day SMA. Wednesday saw a small bounce and 'Inside day'. Thursday saw selling to a lower high, lower low and the lowest close for the week. Earnings came out Friday before the open and the reaction was positive with DE opening up about +\$16, gapping above its 20 day SMA and rallied higher to cross above its 50 day SMA, ending the week up +3.71% and is now above all 3 of its key SMAs.



CAT daily chart as of Feb 17, 2023 - Caterpillar paused again this week, remaining inside a narrow range mostly just above its 50 day SMA and below its 20 day SMA. Friday saw a higher high to end the week up +0.05%.



SLB daily chart as of Feb 17, 2023 - SLB saw a mild rally continue Monday and continued a little on Tuesday with a higher high but a lower close. Wednesday saw a pull back that straddled its 20 day SMA. Thursday saw a higher high, higher low, but a lower close. Friday saw a gap below its 20 day SMA that continued selling, crossing below its 50 day SMA. SLB ended the week down -5.36% and is now below its 20 day and 50 day SMAs.



XOM daily chart as of Feb 17, 2023 - Exxon declined this week with lower highs each day but Thursday, and lower closes each day this week, ending the week down -5.90%.

The Energy sector was by far the weakest sector this week as it tracked Oil price declines this week.



STLD daily chart as of Feb 17, 2023 - Steel Dynamics bounce a bit on Monday and Tuesday this week, paused Wednesday then saw a brief higher high on Thursday that exceeded the prior week's highs by a few cents before pulling back. Friday saw a small decline to end the week up +2.17%.



BA daily chart as of Feb 17, 2023 - Boeing saw a bounce Monday that exceeded the prior week's highs. Tuesday saw a stronger rally to deliver a new 52 week high. Wednesday saw an 'Inside' day followed by a decline to the 20 day SMA on Thursday. Friday saw a gap below the 20 day SMA and dip that failed to exceed the prior week's lows and bounced to end the day still below its 20 day SMA, down -0.58% for the week.

Most of the charts we've looked at above show us that most markets remain inside a 'consolidation' pattern that exists below the Feb. 2nd highs and above the Feb. 1st lows. This is a natural process for the markets, to pause in between Trending moves. We do not know how long this pause will persist, but we can use various technical studies (Trend Lines, prior Support and Resistance) to find clues, that will eventually show us 'when' and 'in what direction' we may see the January Trend resume or reverse. We know that no signal is perfect, and we can get some false signals as the markets try to 'fake out' folks looking for 'break outs'. This too is normal market behavior.

In the mean time, we continue to monitor the charts for these clues, and prepare by mentally rehearsing at least 3 scenarios, Bullish, Bearish and Neutral. As the late Mark Douglas reminds us, 'Anything can Happen', to we prepare with that in mind. Hope this helps.

Trade Smart,

CJ