



Market Observations - as of May 12, 2023

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

Last week we saw a rally continue and peak mid-day on Monday followed by a 3 day decline then a one day strong rally on Friday. The range of last week's swing in the S&P was wider than any of the 4 prior weeks and closed last week with a small decline. The Nasdaq composite ended last week with a very small gain as it began to show signs of its bullish bias with a higher high Friday.

This week we saw the S&P deliver a quiet horizontal pause by remaining inside a narrow range all week and well inside the prior week's range. The Nasdaq composite (and the Nasdaq-100), however, showed their bullish bias by delivering new 2023 highs every day this week except on Tuesday when we saw a very small pullback.

This 'Divergence' between the S&P-500 and the Nasdaq is not new and was on display in March of this year. The January rally that peaked on February 2nd was nearly fully given back by the S&P at the lows of mid March while the Nasdaq gave back only about half of its January rally by mid March.

Another clue showing this Divergence between these indexes is the current 6 week pause that the S&P has seen while it has remained inside a range since the end of March (31st) and is now near the middle of that range. The Nasdaq, however, ended last week at the highs of its 5 week range and delivered higher highs (new 2023 highs) on 4 of the 5 days this week, closing the week not far from these new highs and above the prior 5-week range.

There are many other clues we will see in the charts below that will show us how the Nasdaq rally this week is on very Narrow Breadth, with only a few very big stocks driving this rally while most stocks were not participating this week. As you look at the various Market Breadth charts below, look at that charts range for 2023 and where we are currently within that range. Do your observations suggest wide or narrow participation in this week's rally seen in the Nasdaq?

The US Dollar paused the first 3 days this week then surged higher on Thursday and Friday. Oil prices rose Monday, paused Tuesday and Wednesday then declined on Thursday and Friday. Gold prices saw a similar move with a small bounce the first 2 days then a decline the last 3 days this week.

The US 10 year Yield saw a decline on Wednesday and Thursday as Treasuries were bought up.

The VIX drifted lower this week while the VVIX rose, suggesting upcoming increase in Volatility expected. We saw new 2023 highs in Options SKEW on Wednesday and Friday this week as hedging activities increased.

Next we will look at the charts to see what they are telling us about the character of this market.



S&P 500 weekly chart as of May 12, 2023 - The S&P saw a 6th week of a non-trending pause this week, delivering an 'Inside' week this week and closing near the middle of its pause range (Grey box).



S&P 500 daily chart as of May 12, 2023 - Here we see the 20 day SMA (Yellow) become flat with price straddling this SMA nearly every day this week. The 4126 area seems to act like a magnet near the middle of this box. The S&P ended this week down -0.29%.



S&P 500 15 min. chart as of May 12, 2023 - Here you can see the 4126 level identified with a horizontal Yellow line and how often it seems to act like Support, Resistance, or a magnet where price has not moved far from this level all of this week. A long term chart of the S&P would show us this same level at 4126 has acted like a magnet, Support or Resistance multiple times in 2021 and in 2022.



DJIA weekly chart as of May 12, 2023 - The Dow Industrials continue to pause for a 6th week with an 'Inside' week this week that closed near the lower part of its range and just below its 20 week SMA.



DJIA daily chart as of May 12, 2023 - The Industrials remained just below its 20 day SMA the first 3 days this week with a wider range dip and bounce seen on Wednesday. Thursday gapped down and tested support at its 50 day SMA. Friday was a repeat of Thursday with another test of its 50 day SMA, ending the week down -1.11%.



Nasdaq weekly chart as of May 12, 2023 - The Nasdaq composite closed last week at the top of its range the prior 5 weeks. This week we see a very narrow range but with a higher high, higher low and higher close.



Nasdaq daily chart as of May 12, 2023 - The Nasdaq composite broke above its range last Friday and continued higher this week with new 2023 highs seen every day this week but on Tuesday. Friday delivered a new 2023 high early in the day then sold off most of the day with a rally the last 90 min. to close the week up +0.40%.



Nasdaq 15 min. chart as of May 12, 2023 - Here we see the chop range in Grey as the Nasdaq composite broke above this range late last Friday. Monday this week saw a dip back into this range then a rally most of the day to end the day with higher highs above this range. Tuesday saw a gap down and horizontal pause back inside the chop range. Wednesday saw a gap up to new 2023 highs at the open, a whippy-decline until a strong rally the last 2 hours delivered higher highs. Thursday saw a small decline at the open followed by a rally most of the day to even more new 2023 highs late in the day. Friday saw new 2023 highs at the open then sold lower most of the day until the last 90 min. rally to recover about half of the day's decline at the close. The Nasdaq composite closed this week well above its 'box' from the prior 5 weeks.



Russell 2000 weekly chart as of May 12, 2023 - The Russell delivered a 9th week near the lows of this year and remained 'Inside' the range of the prior week this week.



Russell 2000 daily chart as of May 12, 2023 - The Russell saw a failed rally Monday and Wednesday and closed below its 20 day SMA every day this week, ending the week down -1.08%.

If you look at each of the above four major Indexes and visualize the 2023 range for each index so far this year and note where each index is NOW relative to its range. What index is near the top of its 2023 range? What index is near the bottom of its 2023 range? This will give you an important market clue for the relative strength of each index and a clue as to where we may find the strongest stocks.

Next we will look at a few key 'Market Internals' to see what Breadth is doing. Visualize the same process as above, note the 2023 range for each chart and where it is NOW relative to its range.



McClellan Summation Index weekly chart as of May 12, 2023 - This Index declined from 76.65 last week to -29.14 this week, crossing below its 50 week SMA.



McClellan Summation Index daily chart as of May 12, 2023 - The Decline in this Index continues from late April to cross below its 50 day and 200 day SMAs late last week and end this week lower at -29.14. Where is this Index now relative to its 2023 range?



NYSE Percent above 200 day SMA daily chart as of May 12, 2023 - Last week this percentage bounced from 43% to end the week at 46.90%. This week we see a slow decline to 44.82%. Where is this Index now relative to its 2023 range?



NYSE Percent above 50 day SMA daily chart as of May 12, 2023 - Last week we saw more oscillations between 34% and 48% that ended last week at 44.26%. This week we see small oscillations that ended this week at 41.58%. Where is this Index now relative to its 2023 range?

I encourage you to look at your own favorite Breadth studies to see where that study is now relative to its 2023 range.

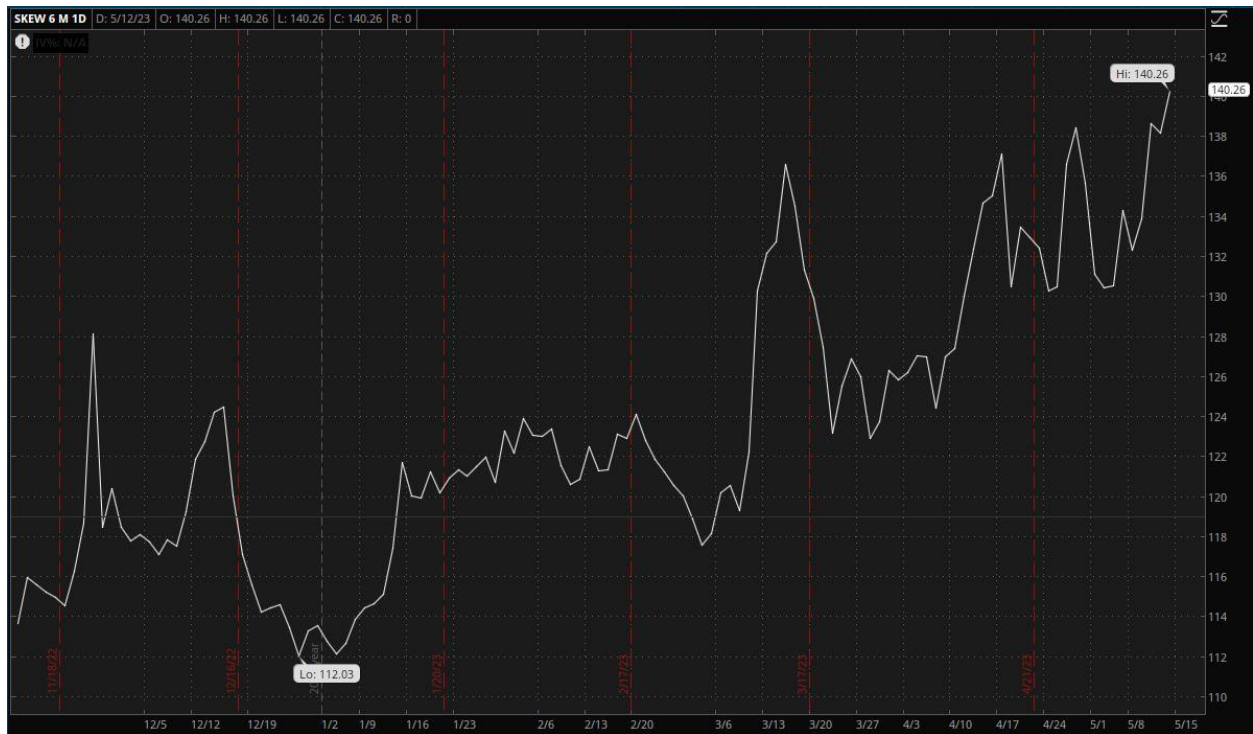
Do these Breadth studies show you Broad participation or Narrow participation in the Nasdaq rally this week?



VIX daily chart as of May 12, 2023 - The VIX slowly declined this week, ending each day but Tuesday below its 20 day SMA.



VVIX daily chart as of May 12, 2023 - The Volatility of the VIX paused near its 50 day SMA on Monday and Tuesday then surged higher Wednesday, paused Thursday and again rose higher Friday this week, ending the week above last week's close.



SKEW daily chart as of May 12, 2023 - Options SKEW delivered new 2023 highs on Wednesday and Friday this week, showing much stronger Hedging activities on those two days. These were also the same days that we saw the VVIX increase this week (hint). Maybe fund managers are more aggressively buying hedges to protect their portfolios on these days? Remember, the charts only show us what is happening and not the 'Why' it is happening.

The 'Divergence' seen this week between the VIX and the VVIX gives us a 'warning' light that indicates activities in the Options market that could be expecting something soon. This is not a reliable indicator by itself, but does show us some of the sentiment seen with active Options Traders that are risking their \$s based upon their 'beliefs'.

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



Oil daily chart as of May 12, 2023 - Oil saw a small rally Monday and Tuesday then pulled back the last three days this week to close the week lower.



Gold daily chart as of May 12, 2023 - Gold prices rallied Monday and Tuesday, peaked Wednesday and began to pull back the rest of this week to end the week lower.



US Dollar Index daily chart as of May 12, 2023 - The Rally in the US Dollar Thursday and Friday, after a 3 day pause, put pressure on commodity prices.



US 10 year Treasury daily chart as of May 12, 2023 - We saw the 10 year Treasury sell Monday, pause Tuesday at its 20 day SMA then rallied Wednesday and Thursday. Friday saw stronger selling to end the week lower.



US 10 year Yield daily chart as of May 12, 2023 - The US 10 year Yield paused Monday and Tuesday, declined Wednesday and Thursday, then recovered Friday to end the week nearly flat.

| 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 |
|------------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| 05/01/2023 | 4.49 | 5.17 | 5.27 | 5.22 | 5.14 | 4.86 | 4.14 | 3.85 | 3.64 | 3.62 | 3.59 | 3.95 | 3.84 |
| 05/02/2023 | 4.56 | 5.33 | 5.24 | 5.19 | 5.06 | 4.74 | 3.97 | 3.67 | 3.46 | 3.44 | 3.44 | 3.82 | 3.72 |
| 05/03/2023 | 4.70 | 5.33 | 5.26 | 5.25 | 5.08 | 4.70 | 3.89 | 3.58 | 3.37 | 3.37 | 3.38 | 3.79 | 3.70 |
| 05/04/2023 | 5.76 | 5.24 | 5.26 | 5.23 | 5.04 | 4.59 | 3.75 | 3.47 | 3.29 | 3.32 | 3.37 | 3.80 | 3.73 |
| 05/05/2023 | 5.59 | 5.23 | 5.26 | 5.26 | 5.13 | 4.73 | 3.92 | 3.63 | 3.41 | 3.41 | 3.44 | 3.85 | 3.76 |
| 05/08/2023 | 5.51 | 5.17 | 5.31 | 5.26 | 5.14 | 4.79 | 4.00 | 3.70 | 3.49 | 3.50 | 3.52 | 3.92 | 3.84 |
| 05/09/2023 | 5.56 | 5.16 | 5.29 | 5.27 | 5.18 | 4.81 | 4.01 | 3.67 | 3.51 | 3.51 | 3.53 | 3.94 | 3.85 |
| 05/10/2023 | 5.50 | 4.99 | 5.24 | 5.24 | 5.13 | 4.70 | 3.90 | 3.55 | 3.37 | 3.40 | 3.43 | 3.88 | 3.80 |
| 05/11/2023 | 5.81 | 4.82 | 5.20 | 5.23 | 5.14 | 4.70 | 3.89 | 3.56 | 3.36 | 3.37 | 3.39 | 3.82 | 3.73 |
| 05/12/2023 | 5.79 | 4.87 | 5.25 | 5.27 | 5.16 | 4.75 | 3.98 | 3.65 | 3.45 | 3.45 | 3.46 | 3.87 | 3.78 |

US Yield Rates daily table as of May 12, 2023 - We saw some oscillations this week with Yield rates with very little overall weekly change. The 10 year minus 2 year remains Inverted.



FOMC Balance Sheet weekly chart as of May 10, 2023 - The Fed decreased its Balance sheet this week by \$977 Million, ending this week with Total Assets of \$8.503017 Trillion. The Total Balance Sheet reduction in April 2023 was \$143.174 Billion.

Next we will look at a few key Market **Sectors**. Again, visualize with each Sector below where that sector is NOW relative to its 2023 range.



Dow Transportation Index daily chart as of May 12, 2023 - The Transports dropped from its 20 day SMA to its 200 day SMA on Monday and gapped below its 200 day SMA on Tuesday. Wednesday saw a gap up to the 20 day SMA with selling back down below its 200 day SMA. Thursday saw lower lows, lower highs and a lower close. Friday saw a wider range with a lower close to end the week down -2.41%.



XLE daily chart as of May 12, 2023 - The Energy sector gapped up at the open on Monday then sold lower most of the day and week, delivering lower lows every day this week except on Friday. The XLE tested support near \$78 on Thursday and Friday, ending the week down -2.13%.



XLF daily chart as of May 12, 2023 - The Financial sector saw a failed rally Monday and was followed with lower lows every day this week, ending the week down 1.33%.



QQQ daily chart as of May 12, 2023 - The Nasdaq-100 ETF paused for 5 weeks then broke above its range last Friday. This week saw new 2023 highs delivered every day but on Tuesday as the rally continued, ending the week up +0.66%.



SOXX daily chart as of May 12, 2023 - The Semiconductor Sector continued to consolidate just below its declining 20 day SMA (Yellow) with lower highs and higher lows to end this week down -1.03%.



XLC daily chart as of May 12, 2023 - The Communication Services sector rallied above its 20 day SMA on Monday, paused Tuesday and continued higher with higher highs Wednesday and Thursday followed by a pause and 'Inside' day on Friday, ending the week up +2.37%.

What Sectors ended this week near the top of their 2023 range and what sectors ended this week near the bottom of their 2023 range?

| INDEXes | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending | Week Ending |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| SECTORs | 3/31/2023 | 4/6/2023 | 4/14/2023 | 4/21/2023 | 4/28/2023 | 5/5/2023 | 5/12/2023 |
| \$SPX | 3.48% | -0.10% | 0.79% | -0.10% | 0.87% | -0.80% | -0.29% |
| \$INDU | 3.22% | 0.63% | 1.20% | -0.23% | 0.86% | -1.24% | -1.11% |
| \$COMPQ | 3.37% | -1.10% | 0.29% | -0.42% | 1.28% | 0.07% | 0.40% |
| \$RUT | 3.89% | -2.66% | 1.52% | 0.58% | -1.26% | -0.52% | -1.08% |
| | | | | | | | |
| QQQ | 3.23% | -0.90% | 0.16% | -0.62% | 1.88% | 0.10% | 0.66% |
| \$TRAN | 5.34% | -3.27% | 2.01% | 1.17% | -2.72% | 0.72% | -2.41% |
| XLE | 6.34% | 2.60% | 2.65% | -2.58% | 0.18% | -5.76% | -2.13% |
| XLF | 3.74% | -0.50% | 2.78% | 1.03% | -0.15% | -2.53% | -1.33% |
| XLK | 3.46% | -1.28% | -0.28% | -0.60% | 2.08% | 0.27% | -0.19% |
| SOXX | 3.54% | -4.89% | 0.04% | -1.49% | -1.12% | 0.67% | -1.03% |
| XLV | 1.70% | 3.14% | 0.79% | -0.20% | -0.57% | 0.04% | -1.05% |
| XLY | 5.62% | -3.08% | 1.36% | 0.32% | 0.33% | -0.45% | 0.43% |
| XRT | 5.33% | -3.01% | 1.17% | 0.03% | -1.32% | -0.42% | -0.69% |
| XLI | 4.41% | -3.37% | 2.11% | 0.78% | -0.61% | -0.49% | -1.04% |
| XLU | 3.04% | 3.13% | -1.32% | 1.06% | -0.92% | 0.07% | 0.00% |
| XME | 5.75% | -3.39% | 2.04% | -4.24% | -1.57% | -1.88% | -2.58% |
| XLP | 2.38% | 0.87% | -0.24% | 1.85% | 1.14% | -0.34% | -0.08% |
| XLB | 5.01% | -1.28% | 1.63% | -0.28% | -0.19% | -1.10% | -1.96% |
| XLC | 2.33% | 1.66% | 0.51% | -2.60% | 3.83% | -2.62% | 2.37% |
| XHB | 3.94% | -4.84% | 4.09% | 3.41% | 2.18% | -0.21% | 0.03% |

Weekly Percent Change US Indexes and Sectors table as of May 12, 2023 - The strongest Index above is again the Nasdaq composite for a 3rd week in a row (hint). The weakest Index last week and again this week was the Dow Industrials.

If we were looking for a Bullish trade opportunity, in what Index would that opportunity be more likely found? If we were looking for a Bearish trade opportunity, in what Index would that opportunity be more likely found?

The Strongest Sectors this week included: XLC, QQQ and XLY. The weakest sectors this week included: XME, Transports, XLE and XLB.

If we were looking for a Bullish trade opportunity, in what Sector would that opportunity be more likely found? If we were looking for a Bearish trade opportunity, in what Sector would that opportunity be more likely found?

The purpose of following the markets, Indexes and Sectors is to improve our Trading Odds by identifying Trends with the strongest Stocks within the strongest Sectors (or weakest Stocks within the weakest Sectors). This top-down process is a very efficient way to narrow your watch list to higher probability candidates.

| INDEXes SECTORS | Mon | Tue | Wed | Thur | Fri | Mon | Tue | Wed | Thur | Fri |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | End of Day 05/01/23 | End of Day 05/02/23 | End of Day 05/03/23 | End of Day 05/04/23 | End of Day 05/05/23 | End of Day 05/08/23 | End of Day 05/09/23 | End of Day 05/10/23 | End of Day 05/11/23 | End of Day 05/12/23 |
| \$SPX | -0.04% | -1.16% | -0.70% | -0.72% | 1.85% | 0.05% | -0.46% | 0.45% | -0.17% | -0.16% |
| \$INDU | -0.14% | -1.08% | -0.80% | -0.86% | 1.65% | -0.17% | -0.17% | -0.09% | -0.66% | -0.03% |
| \$COMPQ | -0.11% | -1.08% | -0.46% | -0.49% | 2.25% | 0.18% | -0.63% | 1.04% | 0.18% | -0.35% |
| \$RUT | 0.01% | -2.10% | 0.41% | -1.18% | 2.39% | -0.31% | -0.27% | 0.56% | -0.84% | -0.22% |
| QQQ | -0.11% | -0.87% | -0.65% | -0.35% | 2.13% | 0.25% | -0.63% | 1.09% | 0.33% | -0.36% |
| \$TRAN | 1.01% | -1.25% | 0.16% | -1.29% | 2.13% | -0.76% | -0.41% | -0.30% | -0.59% | -0.37% |

Daily Percent Change US Indexes table as of May 12, 2023 - We see some daily changes in leadership but we also see some 'trends'. Note the QQQ was the strongest index 3 days this week and also the weakest 1 day this week. Also note the Transportation Index was the weakest 3 days this week. Leadership can sometimes both lead the markets up on some days and down on other days. That is a good sign of indeed being a 'Leader' in both directions that we should not ignore.

Let's look at the weighting of the biggest 20 stocks within the QQQ ETF.

Nasdaq QQQ Invesco ETF (QQQ)

325.03 -1.17 (-0.36%) 05/12/23 [NASDAQ]

324.30 x 115 324.39 x 5 POST-MARKET 324.35 -0.68 (-0.21%) 19:59 ET

ETF CONSTITUENTS for Fri, May 12th, 2023

Alerts Wat

| ETF Constituents | | flipcharts |
|------------------|-----------------------------|------------|
| Symbol | Name | % Holding |
| MSFT | Microsoft Corp | 13.45% |
| AAPL | Apple Inc | 12.83% |
| AMZN | Amazon.com Inc | 6.56% |
| NVDA | Nvidia Corp | 5.38% |
| GOOGL | Alphabet Cl A | 3.94% |
| META | Meta Platforms Inc | 3.91% |
| GOOG | Alphabet Cl C | 3.89% |
| TSLA | Tesla Inc | 3.10% |
| PEP | Pepsico Inc | 2.02% |
| AVGO | Broadcom Ltd | 1.97% |
| COST | Costco Wholesale | 1.67% |
| CSCO | Cisco Systems Inc | 1.44% |
| TMUS | T-Mobile US | 1.31% |
| CMCSA | Comcast Corp A | 1.26% |
| ADBE | Adobe Systems Inc | 1.19% |
| AMD | Adv Micro Devices | 1.18% |
| NFLX | Netflix Inc | 1.13% |
| TXN | Texas Instruments | 1.11% |
| HON | Honeywell International Inc | 0.99% |
| AMGN | Amgen Inc | 0.94% |
| INTC | Intel Corp | 0.93% |

| NASDAQ 100 | | |
|------------|-------------|--------|
| Symbol | Market Cap | Last |
| AAPL | 2,714,302 M | 172.57 |
| MSFT | 2,297,343 M | 308.97 |
| GOOG | 1,497,230 M | 117.92 |
| GOOGL | 1,492,024 M | 117.51 |
| AMZN | 1,131,307 M | 110.26 |
| NVDA | 700,885 M | 283.40 |
| META | 599,192 M | 233.81 |
| TSLA | 532,413 M | 167.98 |
| PEP | 270,193 M | 196.12 |
| AVGO | 263,141 M | 631.15 |
| ASML | 255,501 M | 647.51 |
| AZN | 231,642 M | 74.73 |
| COST | 223,547 M | 504.07 |
| CSCO | 191,316 M | 46.71 |
| TMUS | 172,929 M | 144.12 |
| CMCSA | 167,629 M | 40.21 |
| ADBE | 153,871 M | 335.45 |
| AMD | 153,403 M | 95.26 |
| NFLX | 151,095 M | 339.89 |
| TXN | 146,931 M | 161.88 |
| HON | 128,888 M | 193.62 |

Here are the Market Cap valuations of the biggest 20 stocks in the Nasdaq-100 ranked by Market Cap as of May 12, 2023. Note that from TSLA up we see over \$530 Billion in Valuation, and just below TSLA we see then next lower Market Cap is PEP at almost half the value of TSLA. The largest 7 stocks have a VERY significant impact on the Nasdaq-100, the Nasdaq Composite and the S&P-500 since these Major Indexes are Market Cap Weighted. This is why I keep an eye on these 7 stocks, since they can move the markets much more than smaller companies can.

If you do the math from the above QQQ components table, you will see that these 7 biggest companies currently represent 49.96% of the overall value of the QQQ. Alphabet is listed twice due to two classes of shares included in its valuation (GOOGL and GOOG).

As you look at these seven charts below, compare what each did this week (up, down, or horizontal?). Also visualize where each is NOW relative to their 2023 range.

Next we will look at a few key **Stocks**.



AAPL daily chart as of May 12, 2023 - Apple saw a large rally last week after reporting Earnings then paused this week with little change as it kept its gains from last week, ending this week down -0.44%. Apple briefly delivered a new 2023 high late on Thursday this week.



MSFT daily chart as of May 12, 2023 - Microsoft saw a large gap up on Earnings 2 weeks ago, that paused last week until a rally last Friday to new 2023 highs. This week saw a pause with 'Inside days' on Monday and Tuesday, then a rally last Wednesday to new 2023 highs. Thursday saw a gap down and pause the rest of the week to end this week down -0.54%.



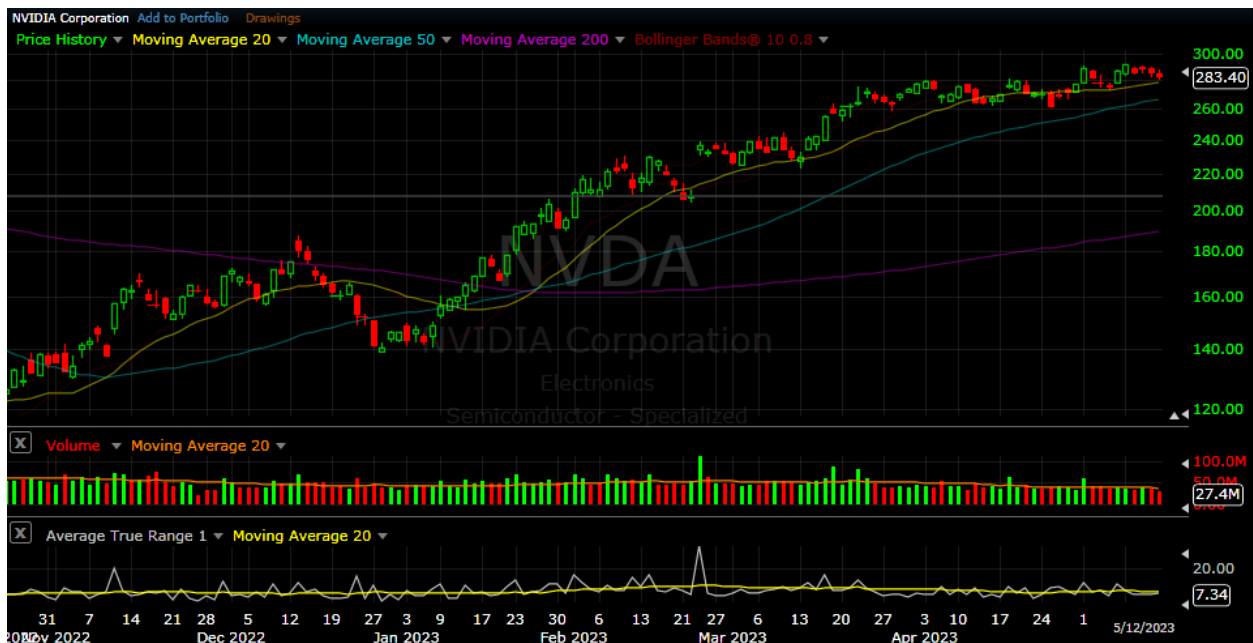
GOOGL daily chart as of May 12, 2023 - Alphabet saw a rally above its 20 day SMA on Monday with new 2023 highs on Tuesday with a slightly lower close. Wednesday saw another huge rally on very strong volume to new 2023 highs. Thursday saw a gap up and rally to more new 2023 highs on very strong volume. Friday again delivered new 2023 highs on strong volume to end the week up +11.31%. Alphabet saw new 2023 highs every day this week except on Monday.



AMZN daily chart as of May 12, 2023 - Amazon delivered higher highs every day this week except on Friday, crossing above its 200 day SMA on Tuesday. Both Wednesday and Thursday saw a gap up with follow through higher. Friday saw a lower high, lower low and lower close to end the week up +4.36%.



TSLA daily chart as of May 12, 2023 - Tesla continued last Friday's rally on Monday this week above its 20 day SMA. Tuesday saw a gap down dip to test Support near \$166.56 then a bounce that failed to close above its 20 day SMA. Wednesday saw a wider range day above its 20 day SMA but again failed to close above this SMA. Thursday saw a small rally that did close above its 20 day SMA. Friday saw a strong gap up at the open but then sold lower all day to end the week down -1.22% but just above its 20 day SMA.



NVDA daily chart as of May 12, 2023 - Nvidia continued last Friday's rally on Monday to deliver new 2023 highs. Tuesday saw an 'Inside' day with a lower close. Wednesday saw a failed rally with lower lows on Thursday and Friday to end the week down -1.19%. Nvidia reports Earnings on May 24th after the close.



META daily chart as of May 12, 2023 - Meta delivered a new 2023 high early last week then declined to end last week down -3.14%. This week we see a mostly horizontal pause with slightly higher highs every day this week except on Friday, ending the week up +0.44%.



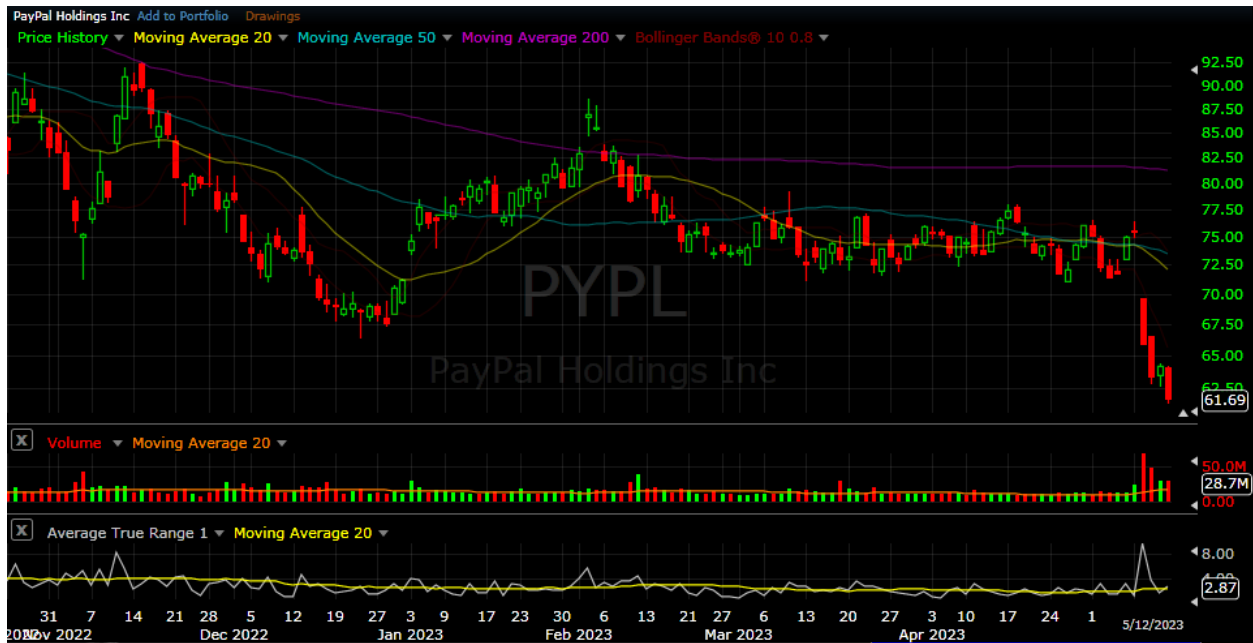
JPM daily chart as of May 12, 2023 - JP Morgan saw a failed rally Monday that closed on its 20 day SMA. Tuesday saw a bounce that failed Wednesday at its 20 day SMA to close the day lower. Thursday saw a failed bounce again that was followed by Friday with lower lows, briefly dipping below its 50 day SMA then closing back above the 50 day SMA to end the week down -1.93%.



COST daily chart as of May 12, 2023 - Costco continued last Friday's rally on Monday this week with a higher high but failed to close above its 200 day SMA. Tuesday continued higher and closed above its 200 day SMA. Wednesday saw a wide range swing from higher highs to lower lows then closed back above its 200 day SMA. Thursday saw an 'Inside' day but with a higher close. Friday delivered higher highs for the week with a higher close to end the week up +1.00%. Costco reports Earnings on May 25th.



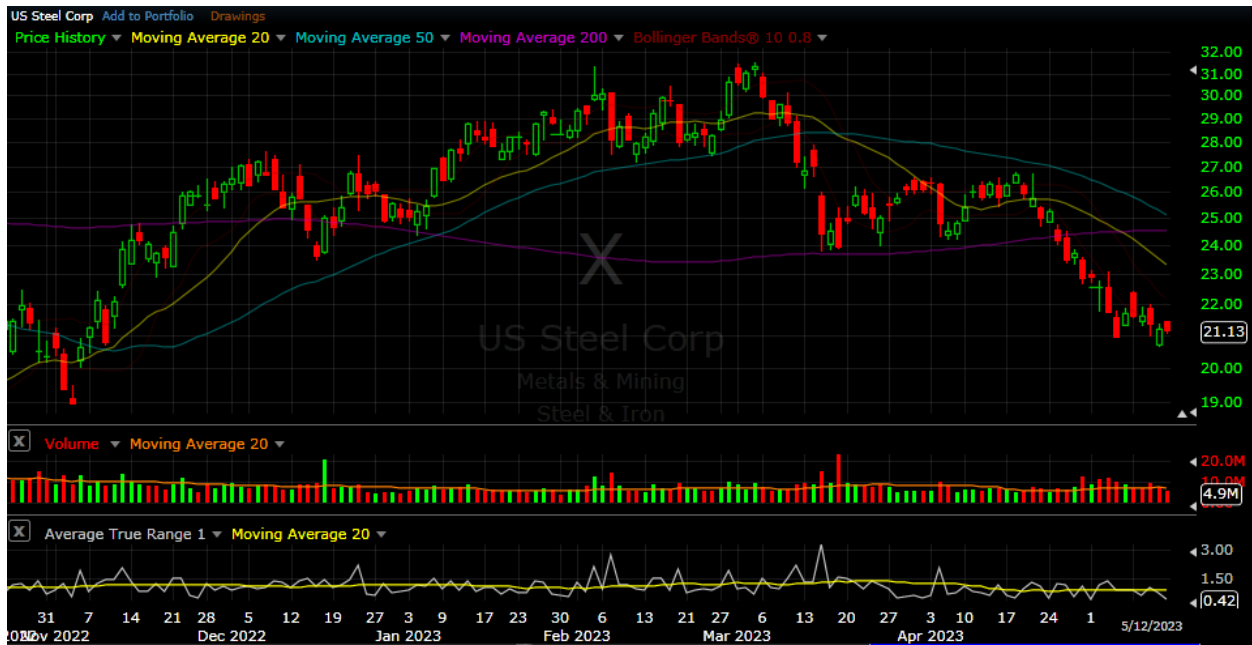
WMT daily chart as of May 12, 2023 - Walmart continued last Friday's rally on Monday this week with a higher high that continued higher Tuesday and early Wednesday before selling lower to nearly its 20 day SMA before bouncing the last 2 hours. Thursday saw an 'Inside' day with a higher close. Friday saw a gap up but a lower close to end the week up +0.86%.



PYPL daily chart as of May 12, 2023 - PayPal saw a slightly higher close Monday before reporting Earnings after the close. Tuesday saw a large gap down with continuation lower to new 2023 lows. Lower lows continued each day this week on strong volume. Thursday saw a slight pause and higher close before strong selling resumed Friday to more new 2023 lows, ending the week down -17.71%.



AMD daily chart as of May 12, 2023 - AMD reported Earnings last week to see a gap down Wednesday followed by a strong rally Thursday and Friday back up to its 50 day SMA. The rally continued this Monday, paused Tuesday then saw higher highs Wednesday that nearly touched \$100 before pulling back. Thursday saw an 'Inside' day with a lower close followed by lower lows, lower highs and a lower close on Friday to end the week up +6.03%.



X daily chart as of May 12, 2023 - US Steel continues its decline from the break below its 200 day SMA support on April 25th. On Monday of this week we saw a failed rally followed by lower lows Tuesday. Wednesday saw another failed rally with lower lows that day and new 2023 lows on Thursday. Friday saw another failed rally and pull back to end the week down -2.54%.

On page one of this publication we described the ‘Divergence’ we have seen this year between the Nasdaq and the S&P. After looking at the charts above, what do you think caused the Nasdaq to deliver higher highs this week while most other indexes were flat or declining a little?

We saw most Breadth studies are now near the middle of their 2023 range or even in the lower 1/3 of their 2023 range.

Let’s see if the following data makes this week a bit clearer.

| Stock | % Change | Weekly change |
|-------|----------|---------------|
| AAPL | -0.44% | Small down |
| MSFT | -0.54% | Small down |
| GOOGL | +11.31% | <<Very Big Up |
| AMZN | + 4.36% | < Big Up |
| TSLA | -1.22% | Down |
| NVDA | -1.19% | Down |
| META | 0.44% | Small up |

Note how just two stocks delivered most of the gains seen this week in the Nasdaq, Alphabet and Amazon. Other companies also contributed to the Nasdaq's gains this week, but these two were the most significant due to their Market Cap Weighting in most Indexes and Sectors.

The Strongest Sector this week was the XLC, and the weighting of that ETF contains over 26% Alphabet and 24% Meta. The QQQ table above shows us that Alphabet is weighted as 7.83% of the QQQ. The XLY was the 3rd strongest sector this week and Amazon is weighted at 24.69% of that ETF.

Two stocks can make a very big impact, due to their size.

The Nasdaq rally this week is reason to be cautious since it appears to be on such narrow 'Breadth'. Divergences will eventually return to being correlated, with one side or the other changing to resume convergence. We do now know 'when' this may happen, but historically it always does, eventually.

We saw a warning flag this week from the Options markets with both an increase in the VVIX and new highs in SKEW. The Options market does not always get it right, but it is worth being prepared for a possible big move soon, either up or down.

Hope this helps.

Trade Smart,

CJ Trader