



## Market Observations - as of May 19, 2023

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

Last week we saw a significant Divergence between the S&P and the Nasdaq. The S&P continued to 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 last week except on Tuesday when we saw a very small pullback.

This week we saw this Divergence continue for two days while the S&P remained inside a narrow horizontal range on Monday and Tuesday while the Nasdaq continued its rally. On Wednesday day we saw a strong rally in the S&P that continued higher on Thursday to deliver new 2023 highs and close above its weekly Expected Move. The Nasdaq delivered new 2023 highs every day this week. Friday saw both the S&P and Nasdaq briefly deliver new 2023 highs right after the open then a pull back the first 2 hours before becoming quiet and horizontal for the rest of the Options Expiration Day.

Last week's Divergence was resolved on Wednesday this week as the behavior of the S&P and Nasdaq changed from different to similar. The fact that the Nasdaq began its rally to new 2023 highs a week before the S&P did, also gives us a clue as to where 'Leadership' may be found. Another clue comes from the fact that at the close on Thursday of this week, 6 out of the 7 biggest stocks delivered new 2023 highs that day.

The US Dollar paused Monday and Tuesday then rallied Wednesday and Thursday and paused again on Friday this week.

Oil prices paused for 2 days rallied for a day then pulled back for 2 days.

Gold prices paused Monday, then declined for 3 days and saw a small bounce on Friday.

The US 10 year Treasuries sold off lower each day this week with increasing volume as the week progressed. US 10 year Yield rates increased each day this week.

The NYSE saw more new highs than new lows on Thursday and Friday of this week.

Breadth increased this week as we saw more stocks participating in this week's rally. All of the major Indexes delivered gains this week as compared to only the Nasdaq did last week.

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



S&P 500 weekly chart as of May 19, 2023 - Here we see about 6 weeks of the S&P remaining within a range and then breaking above that range this week. The prior rally in March-April 'Resumed' this week after a 6+ week pause.



S&P 500 daily chart as of May 19, 2023 - Here we see the prior rally from mid March to mid April, followed by over a 6 week pause then a break out Thursday this week. The S&P delivered new 2023 highs on both Thursday and Friday this week, ending the week up +1.65%.

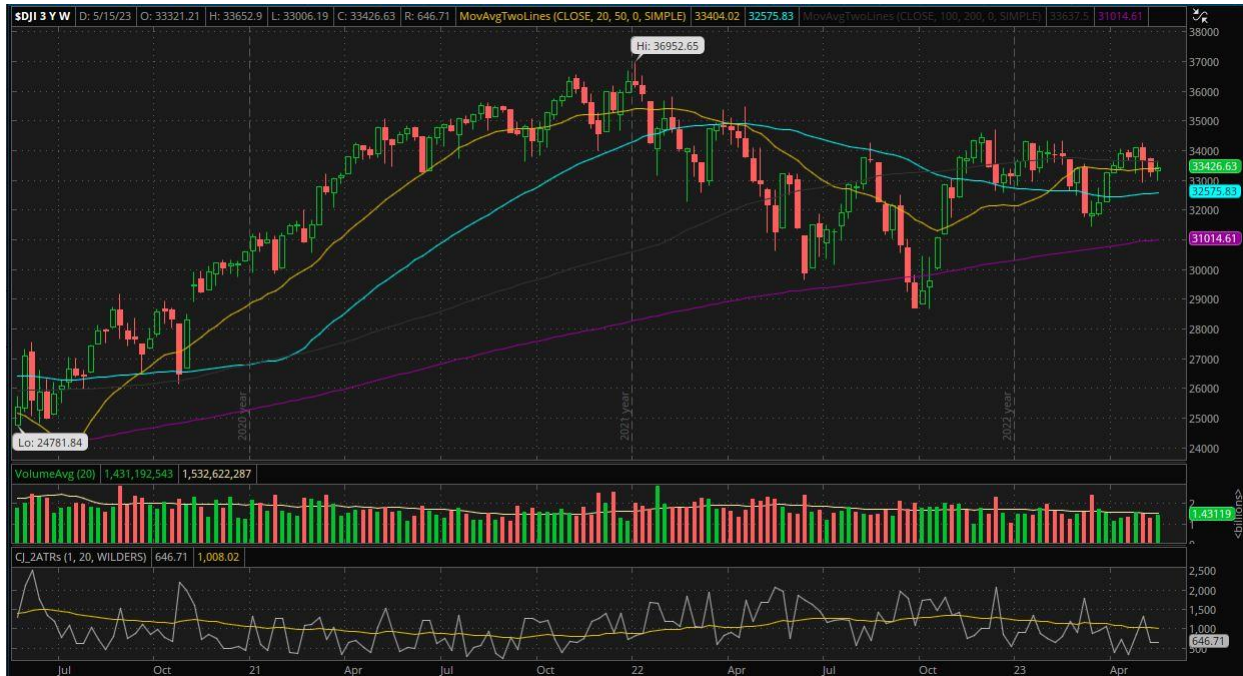


S&P 500 15 min. chart as of May 19, 2023 - Here we see the S&P remaining near its 4126 area (Horizontal Yellow Line) all of last week and on Monday and Tuesday of this week. Wednesday saw a strong rally 90 min. rally mid day that broke away from the 4126 area and paused the last 2 hours of the day.

Thursday the rally continued to break above the 6-week range (Grey Box) and come within 1.5 pts of the upper weekly Expected Move then pulled back the next 2 hours before a strong rally resumed the last 2 hours of the day to take the S&P above its weekly Expected Move and above its prior 2023 highs (from Feb. 2<sup>nd</sup>) to deliver new 2023 highs.

Friday saw the rally resume the opening minutes to again deliver a new 2023 high before pulling back 90 min. later. The rest of the day saw oscillations in the 4181 to 4195 range as May Options Expiration approached. The S&P ended the week above its upper weekly Expected Move but below 4200.





DJIA weekly chart as of May 19, 2023 - The Dow Industrials saw a narrow range week this week that again straddled the 20 week SMA. No new 2023 highs seen this week.



DJIA daily chart as of May 19, 2023 - Here we see a pause Monday, a decline Tuesday below its 50 day SMA (Blue) and a rally Wednesday and Thursday back above its 50 day SMA to find Resistance at the 20 day SMA (Yellow). Friday saw a small pull back after a brief venture above the 20 day SMA at the open, ending the week up +0.38%.



Nasdaq weekly chart as of May 19, 2023 - The Nasdaq composite broke above its prior Feb.2<sup>nd</sup> highs (Grey line) briefly last week then continued higher this week with a large rally to new 2023 highs.



Nasdaq daily chart as of May 19, 2023 - We saw the break out of the 5-week range last week that continued higher this week with new 2023 highs seen every day this week, ending the week up +3.04%.





Russell 2000 weekly chart as of May 19, 2023 - The Russell has been inside a narrow range for about 10 weeks just below its 50 week SMA (Blue). This week continued inside this range and below all 3 key weekly SMAs.



Russell 2000 daily chart as of May 19, 2023 - This week continued inside last week's range on Monday and Tuesday of this week. Wednesday and Thursday saw a rally above the 20 day and 50 day SMAs. Friday tested Resistance at 1800 and closed the day lower, ending the week up +1.89%.

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



McClellan Summation Index weekly chart as of May 19, 2023 - Last week we saw this index cross below its 50 week SMA to end the week at -29.14. This week we the decline continued lower by a smaller amount to end this week at -75.89.



McClellan Summation Index daily chart as of May 19, 2023 - Here we see this Index decline the first two days this week then become flat the last three days to end this week at -75.89.



NYSE Percent above 200 day SMA daily chart as of May 19, 2023 - Last week we saw the NYSE deliver 44.82%. This week began with a dip to about 43% followed by a bounce Wednesday and Thursday up to nearly 47% and a small decline on Friday to end this week at 46.41%.



NYSE Percent above 50 day SMA daily chart as of May 19, 2023 - Last week ended at 41.58%. This week began with a dip to 39% followed by a bounce to 49% on Wednesday and Thursday and a small pull back on Friday to end this week at 48.12%.





VIX daily chart as of May 19, 2023 - The VIX rose a little on Monday and Tuesday then dropped sharply on Wednesday and Thursday as market rallied. Friday saw a small bounce to end the week at 16.81, down only -0.22 for the week.



VIXX daily chart as of May 19, 2023 - The Volatility of the VIX oscillated Monday and Tuesday then declined Wednesday and Thursday to its 200 day SMA. Friday saw a bounce back up to its 50 day SMA.

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



Oil daily chart as of May 19, 2023 - Oil prices oscillated within last Friday's range on Monday and Tuesday of this week. Wednesday saw a rally up to nearly its 20 day SMA. Thursday and Friday saw a slow decline to end the week at \$71.90.



Gold daily chart as of May 19, 2023 - Gold paused Monday as it straddled its 20 day SMA. Tuesday saw a strong decline to its 50 day SMA, and then crossed below its 50 day SMA on Wednesday and down



Thursday before it found support near \$1954.40. Friday saw a small bounce to end the week at \$1979.90.



US Dollar Index daily chart as of May 19, 2023 - The US Dollar paused Monday and Tuesday then rallied Wednesday and Thursday before pulling back a little on Friday.





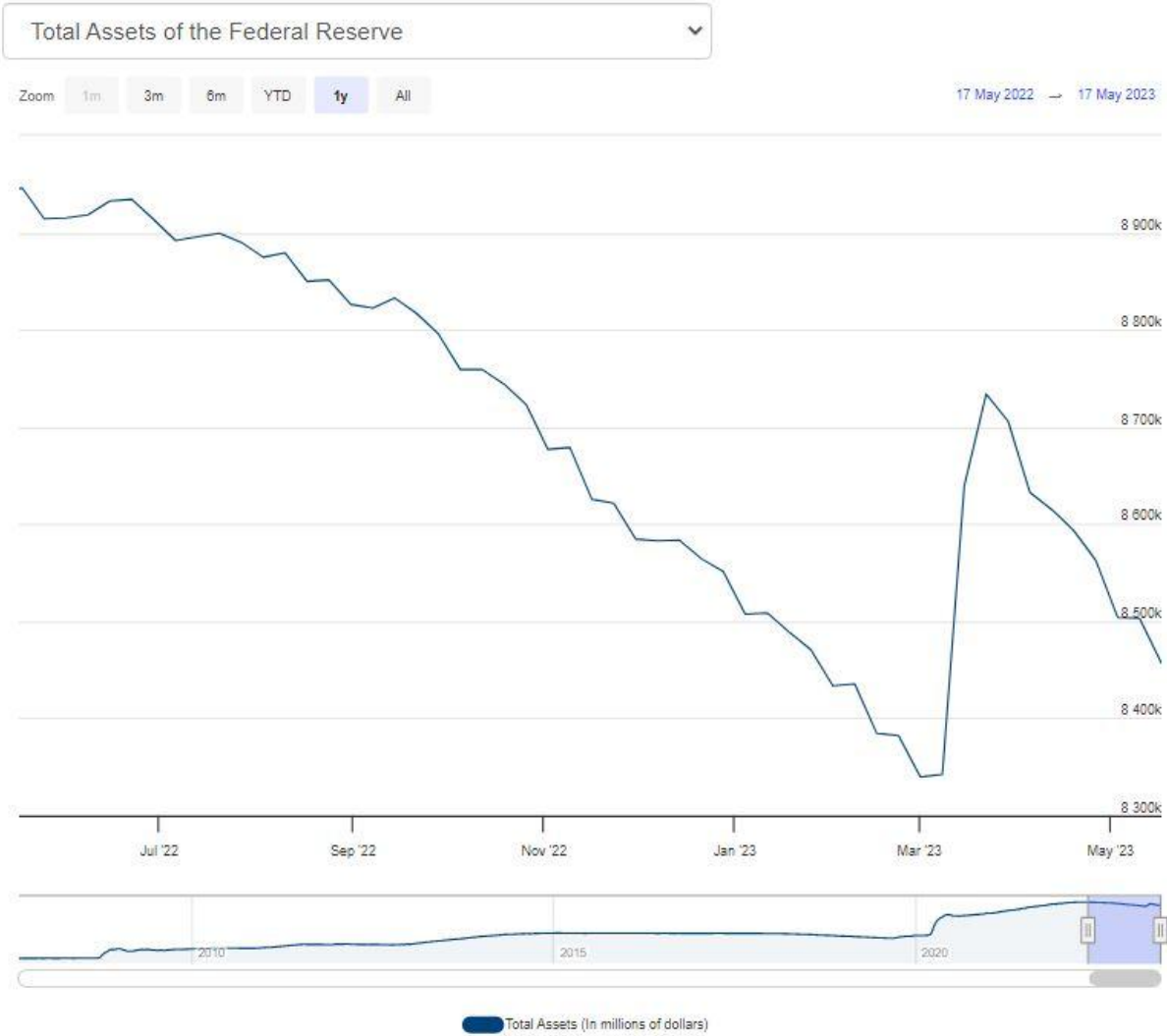
US 10 year Treasury daily chart as of May 19, 2023 - The 10 year sold lower each day this week from above all 3 key daily SMAs to below all 3 this week. Volume increased this week as the week progressed.



US 10 year Yield daily chart as of May 19, 2023 - As the Treasuries sold off each day this week, Yields increased.

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
05/15/2023	5.64	4.97	5.21	5.26	5.24	4.73	3.99	3.67	3.46	3.48	3.50	3.92	3.84
05/16/2023	5.58	4.98	5.23	5.24	5.26	4.88	4.06	3.74	3.52	3.53	3.54	3.96	3.87
05/17/2023	5.50	5.06	5.26	5.36	5.30	4.92	4.12	3.80	3.58	3.58	3.57	3.96	3.88
05/18/2023	5.59	5.22	5.31	5.43	5.38	5.02	4.24	3.94	3.69	3.67	3.65	4.02	3.91
05/19/2023	5.62	5.27	5.29	5.46	5.36	5.02	4.28	3.98	3.76	3.74	3.70	4.07	3.95

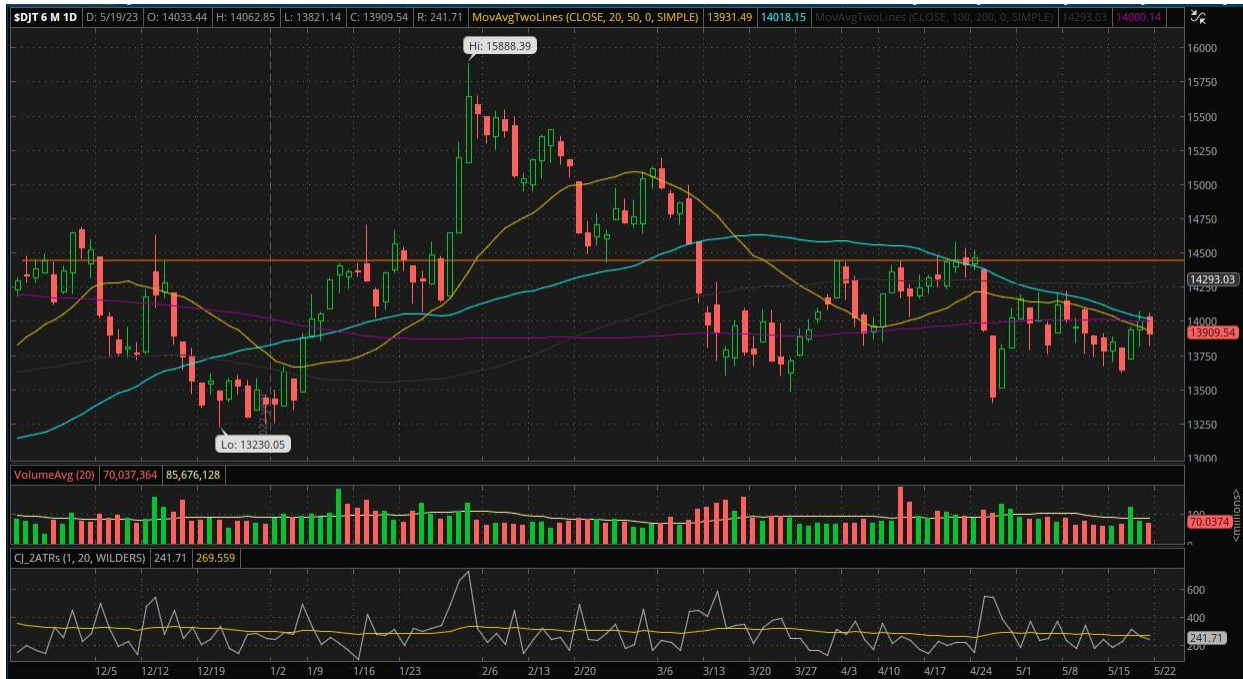
US Yield Rates table as of May 19, 2023 - Most terms saw their Yields increase this week as money moved out of Treasuries and back into Stocks.



FOMC Balance Sheet weekly chart as of May 17, 2023 - The Fed decreased their Balance Sheet this week by \$46.257 Billion to a new Total Assets this week of \$8.45676 Trillion.

Next we will look at a few key Sectors.





Dow Transportation Index daily chart as of May 19, 2023 - We saw a pause on Monday and a decline Tuesday below the prior week's lows. Wednesday and Thursday saw a rally up to its 50 day SMA followed by a pullback Friday to end the week back below its 20 day SMA, up +0.92% for the week.



XLE daily chart as of May 19, 2023 - The Energy sector paused Monday and declined Tuesday below its prior week's lows. Wednesday and Thursday saw a rally followed by a gap up Friday to end the week up +1.43%.



XLF daily chart as of May 19, 2023 - The Financial sector saw a pause continue on Monday and Tuesday then a rally above its 50 day and 20 day SMAs on Wednesday that continued higher Thursday. Friday saw a higher high at the open then declined to end the week up +2.19%.



QQQ daily chart as of May 19, 2023 - The Nasdaq-100 ETF saw new 2023 highs every day this week, with larger range days on both Wednesday and Thursday. The QQQ closed above its weekly Expected Move on Wednesday and above 2x its upper Expected Move on Thursday. The QQQ ended the week up +3.53%.





SOXX daily chart as of May 19, 2023 - The Semiconductor sector saw a strong rally Monday above its 20 day and 50 day SMAs with higher highs every day this week and new 2023 highs seen on Thursday. Friday saw a small pullback to end the week up +7.82% making it the strongest sector this week on my list.



XLC daily chart as of May 19, 2023 - The Communication Services sector retested the 2023 highs on Monday then delivered higher 2023 highs every day since, ending the week up +2.85%.



<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	4/6/2023	4/14/2023	4/21/2023	4/28/2023	5/5/2023	5/12/2023	5/19/2023
\$SPX	-0.10%	0.79%	-0.10%	0.87%	-0.80%	-0.29%	1.65%
\$INDU	0.63%	1.20%	-0.23%	0.86%	-1.24%	-1.11%	0.38%
\$COMPQ	-1.10%	0.29%	-0.42%	1.28%	0.07%	0.40%	3.04%
\$RUT	-2.66%	1.52%	0.58%	-1.26%	-0.52%	-1.08%	1.89%
QQQ	-0.90%	0.16%	-0.62%	1.88%	0.10%	0.66%	3.53%
\$TRAN	-3.27%	2.01%	1.17%	-2.72%	0.72%	-2.41%	0.92%
XLE	2.60%	2.65%	-2.58%	0.18%	-5.76%	-2.13%	1.43%
XLF	-0.50%	2.78%	1.03%	-0.15%	-2.53%	-1.33%	2.19%
XLK	-1.28%	-0.28%	-0.60%	2.08%	0.27%	-0.19%	4.33%
SOXX	-4.89%	0.04%	-1.49%	-1.12%	0.67%	-1.03%	7.82%
XLV	3.14%	0.79%	-0.20%	-0.57%	0.04%	-1.05%	-0.67%
XLY	-3.08%	1.36%	0.32%	0.33%	-0.45%	0.43%	2.52%
XRT	-3.01%	1.17%	0.03%	-1.32%	-0.42%	-0.69%	-2.09%
XLI	-3.37%	2.11%	0.78%	-0.61%	-0.49%	-1.04%	1.32%
XLU	3.13%	-1.32%	1.06%	-0.92%	0.07%	0.00%	-4.23%
XME	-3.39%	2.04%	-4.24%	-1.57%	-1.88%	-2.58%	-0.51%
XLP	0.87%	-0.24%	1.85%	1.14%	-0.34%	-0.08%	-1.56%
XLB	-1.28%	1.63%	-0.28%	-0.19%	-1.10%	-1.96%	0.68%
XLC	1.66%	0.51%	-2.60%	3.83%	-2.62%	2.37%	2.85%
XHB	-4.84%	4.09%	3.41%	2.18%	-0.21%	0.03%	1.20%

Weekly Percent Change US Indexes and Sectors table as of May 19, 2023 - For four weeks in a row we have seen the Nasdaq as the strongest Index each week. The Dow Industrials have been the weakest Index on my table above for 3 weeks in a row.

The strongest sectors this week included: SOXX, XLK, QQQ, XLC and XLY. The SOXX was also the strongest sector on Monday and Thursday, the second strongest on Wednesday and the fourth strongest on Tuesday this week.

The weakest sectors this week included: XLU, XRT and XLP. This shows us a flow of money out of 'Safe' sectors in Utilities and Staples (XLU and XLP) and out of Treasuries this week and likely into key growth and tech stocks.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	End of Day 05/15/23	End of Day 05/16/23	End of Day 05/17/23	End of Day 05/18/23	End of Day 05/19/23
\$SPX	0.05%	-0.46%	0.45%	-0.17%	-0.16%	0.30%	-0.64%	1.19%	0.94%	-0.14%
\$INDU	-0.17%	-0.17%	-0.09%	-0.66%	-0.03%	0.14%	-1.01%	1.24%	0.34%	-0.33%
\$COMPQ	0.18%	-0.63%	1.04%	0.18%	-0.35%	0.66%	-0.18%	1.28%	1.51%	-0.24%
\$RUT	-0.31%	-0.27%	0.56%	-0.84%	-0.22%	1.19%	-1.44%	2.21%	0.58%	-0.62%
QQQ	0.25%	-0.63%	1.09%	0.33%	-0.36%	0.54%	0.11%	1.21%	1.86%	-0.23%
\$TRAN	-0.76%	-0.41%	-0.30%	-0.59%	-0.37%	0.46%	-1.45%	2.16%	0.46%	-0.67%

Daily Percent Change US Indexes table as of May 19, 2023 - We saw daily changes in leadership this week with the Russell 2000 showing strength on Monday and Wednesday and the QQQ showing strength on Tuesday and Wednesday. The Dow Industrials showed weakness on Monday and Thursday and the Dow Transports showed weakness on Tuesday and Friday.

Over the past two weeks (10 days) the QQQ showed strength on 5 days and weakness on 1 day.

Next we will look at a few key Stocks.



AAPL daily chart as of May 19, 2023 - Apple paused with Inside days on Monday and Tuesday then drop early Wednesday below the prior week's lows before a rally recovered all of that day's decline. Thursday and Friday continued higher and delivered new 2023 highs both days, ending the week up +1.50%.



MSFT daily chart as of May 19, 2023 - Microsoft saw an 'Inside' day on Monday then resumed its rally with higher 2023 highs on Tuesday, Wednesday and Thursday. Friday saw another 'Inside' day to end the week up +3.26%.



GOOGL daily chart as of May 19, 2023 - Alphabet continued its rally and delivered new 2023 highs every day this week, ending the week up +4.47%.

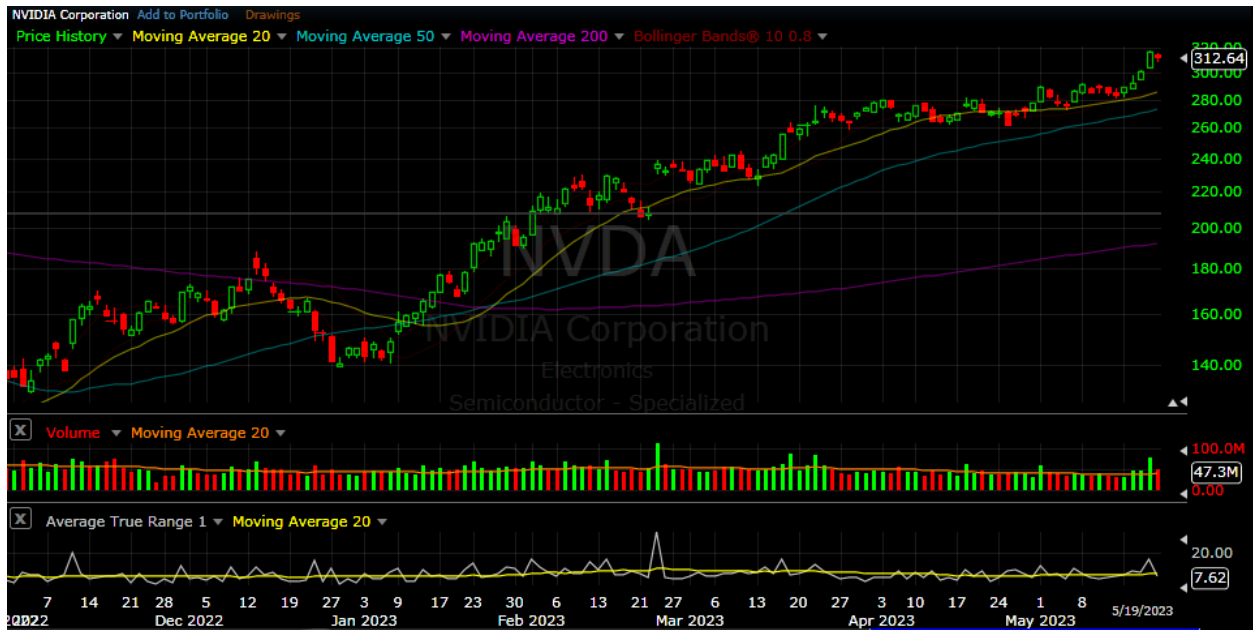




AMZN daily chart as of May 19, 2023 - Amazon saw a pause on Monday and was followed with new 2023 highs on Tuesday, Wednesday and Thursday. Friday saw a pullback to end the week up +5.43%.



TSLA daily chart as of May 19, 2023 - Tesla saw a small decline Monday to its 20 day SMA and a pause near its 20 day SMA on Tuesday. Wednesday, Thursday and Friday saw a rally above its 50 day SMA to end the week up +7.24%.



NVDA daily chart as of May 19, 2023 - Nvidia on Monday (and last week) tested long term Resistance near \$289.46 (from March 29 2022 highs) again. Tuesday saw a break above this Resistance level and new 2023 highs on Tuesday, Wednesday and Thursday. Friday saw a small pullback and 'Inside' day to end the week up +10.32%. Nvidia reports Earnings next week on Wednesday after the close.



META daily chart as of May 19, 2023 - Meta resumed its rally on Monday, and then paused Tuesday for an 'Inside' day. Wednesday, Thursday and Friday saw higher highs with new 2023 highs delivered on Thursday and Friday, ending the week up +5.06%

Let's compare the above 7 biggest stocks in the table below to help see relative strength this week.

Stock	% Change	Weekly change
AAPL	1.50%	Mild Up
MSFT	3.26%	Strong Up
GOOGL	4.47%	Strong Up
AMZN	5.43%	Strong Up
TSLA	7.24%	Very Strong Up
NVDA	10.32%	Extremely Strong Up
META	5.06%	Strong Up

The QQQ was up +3.53% this week, and 5 of the above 7 names did better than the QQQs this week, exposing their leadership and weighted impact to multiple Indexes and Sectors.



JPM daily chart as of May 19, 2023 - JP Morgan paused Monday and Tuesday then rallied above its 20 day SMA on Wednesday. Thursday and Friday saw higher highs with a lower close Friday to end the week up +3.79%.





COST daily chart as of May 19, 2023 - Costco has been in a consolidation pattern all this year, with price now near the clustered 3 key SMAs. Costco declined Monday, Tuesday and Wednesday to test its 50 day SMA Support. Thursday saw a bounce up to its 200 day SMA followed by a decline through all 3 SMAs on Friday to end the week down -1.50%. Costco reports Earnings next week on Thursday.



WMT daily chart as of May 19, 2023 - Wal-Mart saw a decline Monday, Tuesday and Wednesday before reporting Earnings on Thursday before the open. Thursday saw a wide swing that retraced last week's range and closed near the 20 day SMA. Friday saw a decline to end the week down -2.06%.



PYPL daily chart as of May 19, 2023 - PayPal released Earnings early last week with a large gap down and selling that followed. This week saw a pause Monday then the decline continued lower Tuesday and Wednesday to new multi year lows. Thursday saw an 'Inside' day followed by a higher high, higher low and lower close on Friday to end the week down -1.25%.



AMD daily chart as of May 19, 2023 - AMD saw a strong rally last week with a minor pullback on Thursday and Friday. This week AMD resumed its rally Monday and delivered new 2023 highs on Tuesday, Wednesday and Thursday. Friday saw an 'Inside' day to end the week up +11.09%.



MU daily chart as of May 19, 2023 - Micron tested its prior Resistance (Yellow line) near \$64.36 on Monday and Tuesday, and then broke above Wednesday. Thursday saw a gap up and strong follow through higher followed by an 'Inside' day on Friday to end the week up +11.90%.



BA daily chart as of May 19, 2023 - Boeing paused on Monday and Tuesday then rallied above its 20 day and 50 day SMAs on Wednesday. Thursday and Friday saw 'Inside' days that remained above its 50 day SMA ending the week up +2.39%.



Last week we saw a 'Divergence' between the S&P and the Nasdaq that was resolved by Wednesday of this week. Divergences eventually get resolved one way or the other. This week we saw the S&P join the Nasdaq in its rally it started last week.

This is also an example of a continuation pattern, where the rally from mid March to mid April paused for 5 to 6 weeks then 'resumed' the prior rally after the pause. I have observed that Trend 'Continuation' patterns seem to occur more often than do Trend 'Reversal' patterns. The current rally seems to be an example of a 'Continuation' pattern. This does not mean that this rally will continue for the next 3-4 weeks. We only know what has already happened. With the current chart conditions we have observed this week, we only 'Believe' that the odds for next week lean a bit more for a rally than they do for a decline. BOTH are still very possible. Our beliefs impact our trading decisions in that we may choose to need to observe more evidence for a Trend Reversal than what we need for a Trend Continuation. This is a choice one may make based upon their 'beliefs' of the odds going forward in time.

Regardless of what we believe, we will ALWAYS be prepared for the next trading session by having a plan for what we will do if we see a 'Bullish', 'Bearish' or 'Neutral' scenario ahead.

I hope this helps.

Trade Smart,

CJ