



Market Observations - as of June 9, 2023

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

Last week began with a Holiday on Monday then we saw a gap up on Tuesday at the open followed by steady selling most all of Tuesday and Wednesday. We saw a broader based rally on Thursday and Friday with most Indexes and Sectors ending last week up.

This week we saw a pause near the prior week's close that continued for four days in the S&P with a Break out above its range on Friday.

The Nasdaq paused for two days this week, and then saw a failed rally early on Wednesday that was followed with strong selling most all day to deliver new lows for the week. Thursday saw a bounce that failed to recover all of the prior day's losses. Friday saw a gap up and rally in the first 40 minutes of the day that sold off and filled its gap by mid day. A bounce for 90 min. followed the mid-day lows but failed and was mostly sold off the last 2 hours of the day.

We saw different behaviors this week between the S&P and the Nasdaq, mostly on Wednesday and Thursday. As we look at the charts below, look for clues to what may have caused this brief divergence between these major Indexes.

The Russell 2000 was the strongest index on our list this week, and we will see how that impacted the various 'Breadth' indicators this week in the 'Market Internals' charts below. We saw both a few days with broad breadth participation and days with narrow participation this week.

The US Dollar Index changed very little the first 3 days this week then dropped on Thursday and bounced on Friday to recover less than half of the prior day's decline. Gold saw some small oscillations this week to end the week nearly unchanged. Silver was flat for 3 days then rallied Thursday and continued a little higher on Friday. Oil prices oscillated a little and ended the week down about \$1.50.

The VIX delivered new 52 week lows several times this week while the VVIX increased a little on Thursday and Friday. Options SKEW saw another peak on Thursday this week that was not as high as the one seen last week.

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



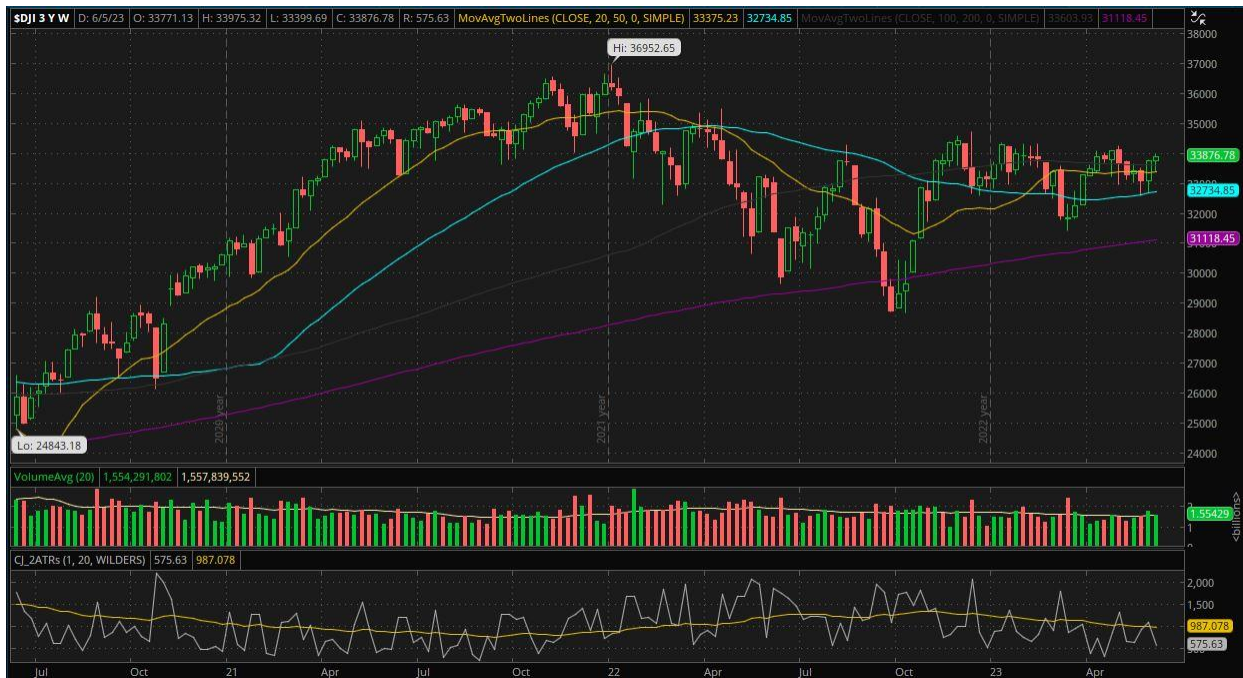
S&P 500 weekly chart as of June 9, 2023 - We see a continuation higher this week with a smaller size gain than what we saw last week. So far in 2023 we see a pattern of higher lows and higher highs.



S&P 500 daily chart as of June 9, 2023 - The gains from last week were mostly retained this week as this week began with a four day pause inside its narrow range. Friday saw a break out above this range to new 2023 highs, ending the week up +0.39%.



S&P 500 15 min. chart as of June 9, 2023 - Here we see the (grey) 'Box' that the S&P paused inside of for most of last Friday and all of the first 4 days this week. Friday saw a gap up and rally the first 40 min that delivered a new 2023 high before selling back down to fill the gap by mid day. The afternoon saw a failed rally bounce and selling the last 2 hours to end the week with a modest gain.



DJIA weekly chart as of June 9, 2023 - The Dow Industrials saw a bounce off of its 50 week SMA last week with a continuation higher this week but with a much smaller gain than last week. 2023 continues to show us a 'Consolidation' pattern of lower highs and higher lows.



DJIA daily chart as of June 9, 2023 - The large gains from last Friday was partially given back on Monday and Tuesday of this week where the 50 day SMA delivered support. The next 3 days saw higher highs and higher lows to end the week up +0.34%.



Nasdaq weekly chart as of June 9, 2023 - We see a continuation higher this week but with a much smaller gain than the prior 3 weeks. We also see new 52 week highs this week.



Nasdaq daily chart as of June 9, 2023 - Here we see the 'pause' from last Friday that continued Monday and Tuesday of this week before breaking down on Wednesday below its 'Box'. Thursday saw a bounce to return to inside the box without recovering all of the prior day's losses. Friday saw brief new 52 week high before pulling back inside the 'Box' to end the week nearly flat, up only +0.14%.



Russell 2000 weekly chart as of June 9, 2023 - The Russell was stuck inside a range for over 11 weeks before breaking out last Friday. This week saw a continuation higher with the Russell now above all 3 of its key Weekly SMAs.



Russell 2000 daily chart as of June 9, 2023 - Here we see the break out last Friday that pulled back below the 200 day SMA on Monday of this week. Tuesday saw another strong rally day that continued higher Wednesday. Thursday and Friday saw small pull backs to end the week up +1.90%.

Next we will look at several key 'Market Internals' to better understand the 'Breadth' of this week's moves.



McClellan Summation Index weekly chart as of June 9, 2023 - Last week we saw a very small gain of about 15 points to -144.94. This week we see a larger gain as this Index crossed above 'zero' and its 50 week SMA to end this week at +56.35.



McClellan Summation Index daily chart as of June 9, 2023 - Here we see the change to a positive slope early in June that continued higher this week, crossing above its 50 day and 200 day SMAs and ending the week at +56.35. This Index tends to smooth out some of the daily noise to make changes in trends more clearly visible.



NYSE Percent above 200 day SMA daily chart as of June 9, 2023 - Last week saw a strong increase from 43% to 52.64%. Monday of this week saw a small pull back then a resumption of the rally on Tuesday and Wednesday up over 58% before pulling back a little on Thursday and Friday to end the week at 57.17%.



NYSE Percent above 50 day SMA daily chart as of June 9, 2023 - Last week saw a strong increase from 38% to 58.85%. This week saw a pull back to 54% than the rally resumed higher Tuesday and Wednesday to nearly 68% before pulling back on Thursday and Friday to end this week at 63.82%.

Note that the above 2 daily Breadth Charts show us a very close correlation to the daily Russell 2000 chart this week, with a strong rally seen on Tuesday and Wednesday and pulling back a little on Thursday and Friday this week. With this in mind, what do you see in the next chart?

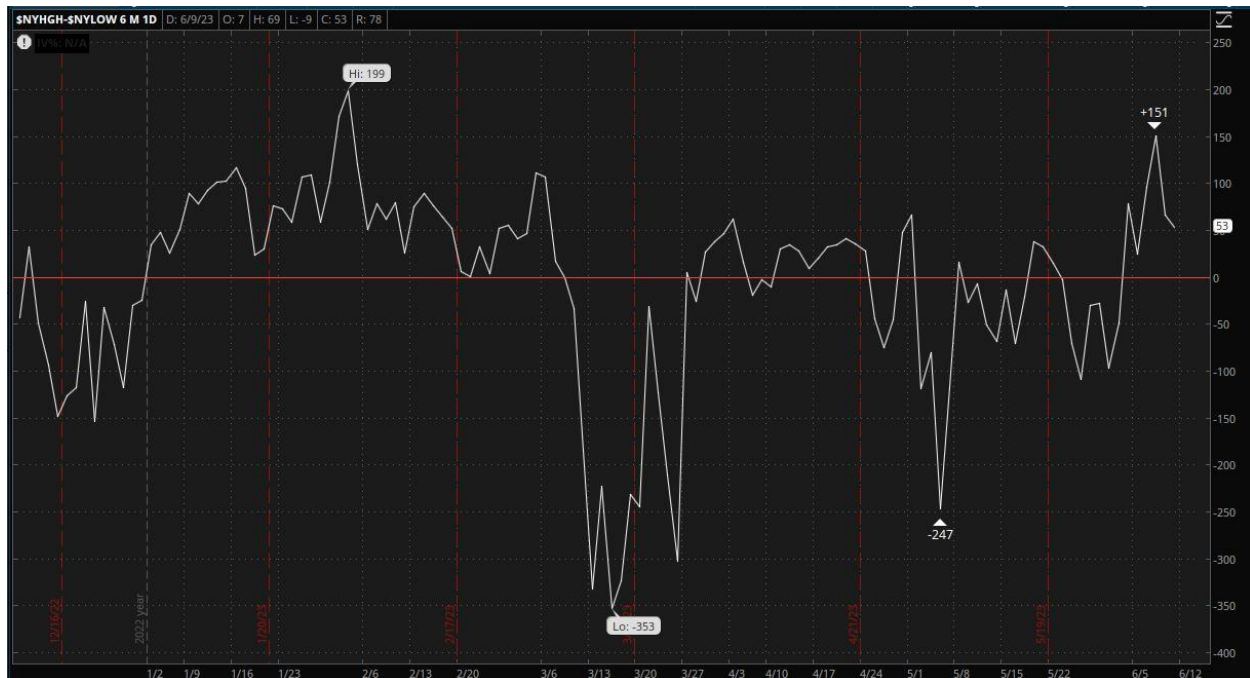


NYSE Advance-Decline 15 min. chart as of June 9, 2023 - There are about 2800 stocks listed on the NYSE, and a count is begun each day for how many listed stocks are advancing (up from the prior day's close) and subtracts the number of listed stocks that are declining (down from the prior day's close) and posts this difference.

On the 15 min. chart above we see a -500 to -1000 range on Monday, a rally from -800 to +1000 on Tuesday, a range from +900 to +1600 Wednesday, a decline from 0 to -900 Thursday and a mostly negative day Friday from 0 to -800.

What index best matches the moves we see this week in the Advance-Decline? Yes, the Russell 2000.

The Advance-Decline study has no weighting of stocks, so every listed stock gets one vote to count as either: 'Advancing', 'Declining' or 'Unchanged'. The Russell with 2000 (small cap) stocks represents a large portion of the overall 2800+ total listed stocks.



NYSE New Highs - New Lows daily chart as of June 9, 2023 - Of the 2800+ listed stocks on the NYSE, each day some may deliver a new 52 week High and some may deliver a new 52 week Low. The daily number of New Lows is subtracted from the number of new Highs to give a single number each day.

After a string of 7 days with negative numbers, last Friday we saw a positive number +78. This week remained positive all week with a +25 Monday, +96 Tuesday, +151 Wednesday, +66 Thursday and +53 Friday. Note that the days that saw 'Increases' in this level were on Tuesday and Wednesday this week and 'Decreases' were seen on Monday, Thursday and Friday. These days all correlate well with the Russell 2000 this week.

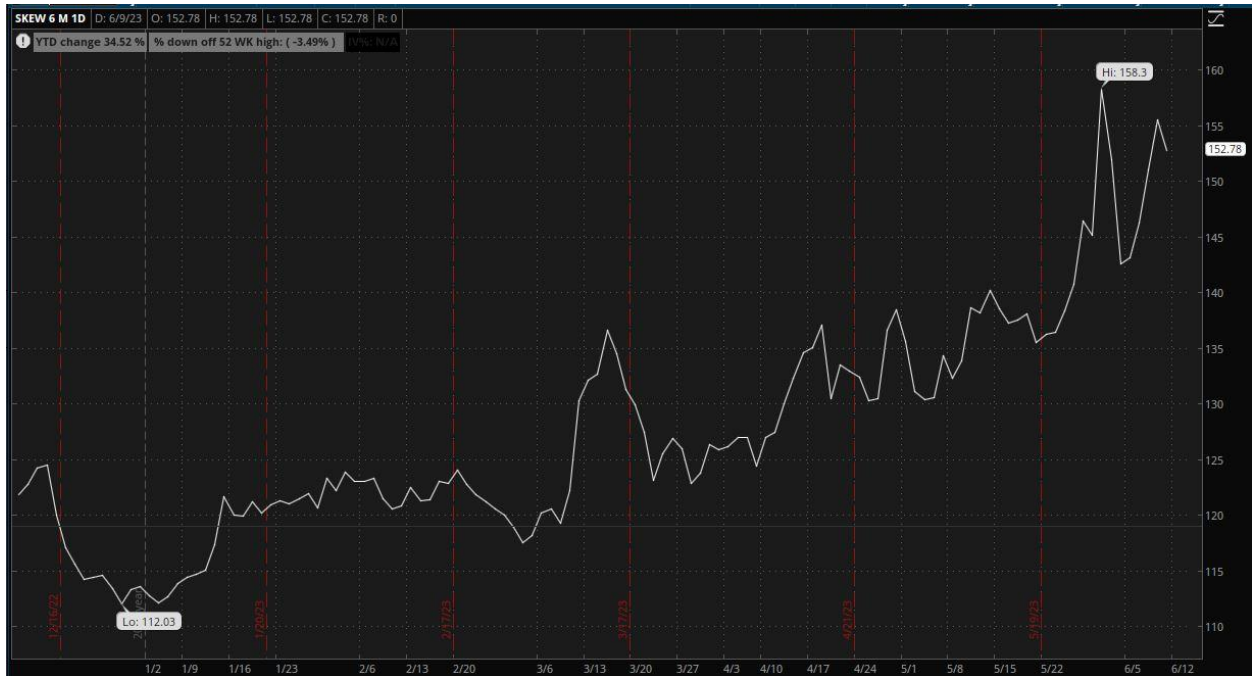
You should now be asking: if the Russell 2000 was weak on Thursday and Friday this week, why did we see the strongest positive moves in the Nasdaq and S&P on Thursday and Friday? Good question. As we look at the charts below, see if you can identify a possible source of strength on Thursday and Friday to help answer this question.



VIX daily chart as of June 9, 2023 - The VIX saw an 'Inside' day (pause) on Monday then continued lower each day that followed, delivering new 52 week lows each day. These new lows show us a level of complacency in the S&P.



VVIX daily chart as of June 9, 2023 - The VVIX remained low for 3 days then began to move a little higher on Thursday and Friday, suggesting some expanded volatility may be expected soon.



SKEW daily chart as of June 9, 2023 - Options SKEW peaked again this week on Thursday as out-of-the-money Options saw some elevated Volatility. We may see some evidence of significant hedging activity in other charts below.

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



Oil daily chart as of June 9, 2023 - Oil prices saw a failed rally Monday up to its 50 day SMA. The next 3 days straddled the 20 day SMA area with a wider swing on Thursday. Friday saw a lower close to end the week down about -\$1.50.



Gold daily chart as of June 9, 2023 - Gold prices oscillated within a range between \$1955 and \$1985 this week, closing Friday about \$2.30 below its 20 day SMA.



US Dollar Index daily chart as of June 9, 2023 - The US Dollar Index changed very little the first 3 days of this week then saw a sharp decline on Thursday. Friday saw a small bounce to close the day just below its 20 day SMA.



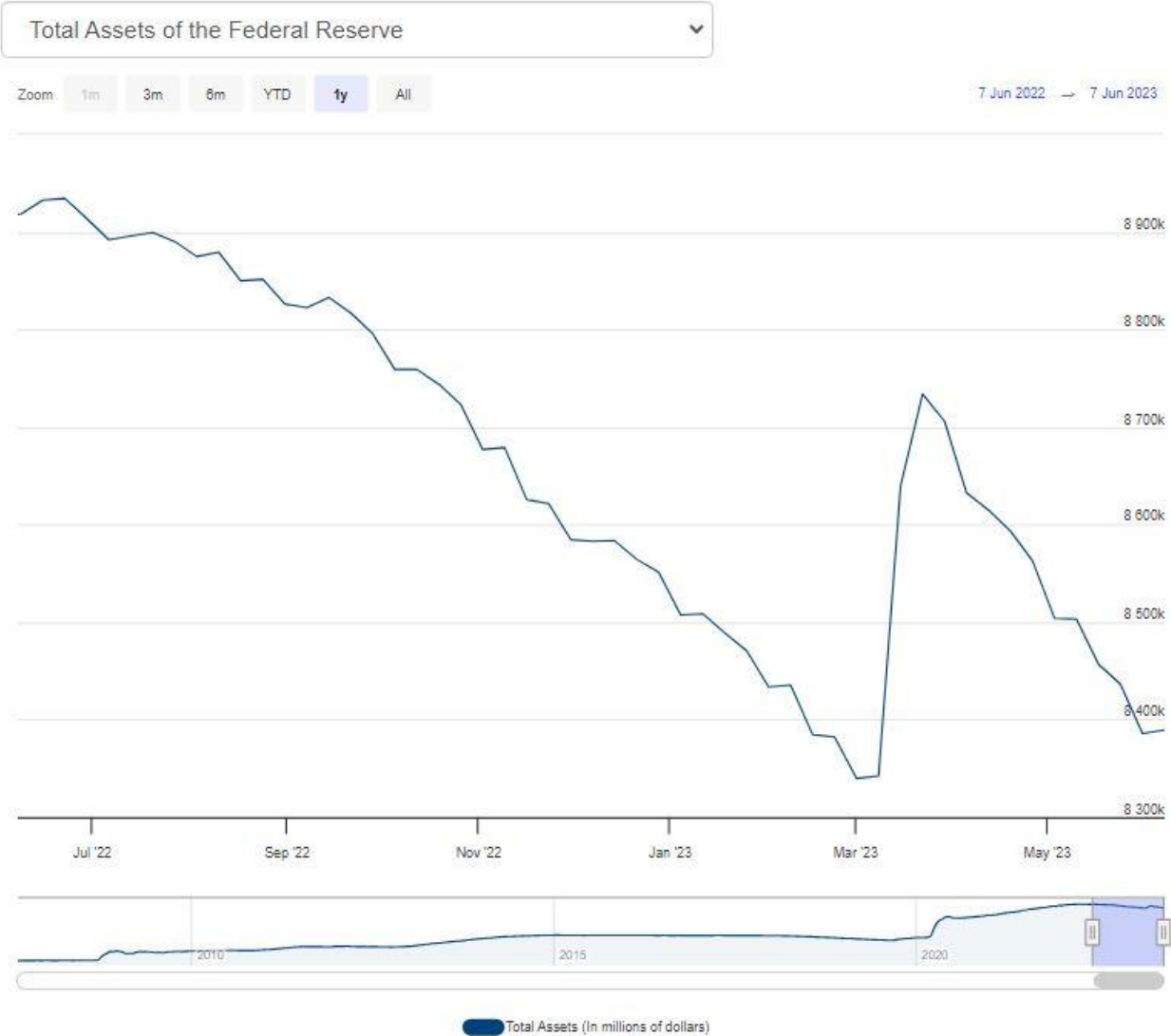
US 10 year Treasury daily chart as of June 9, 2023 - The 10 year Treasury saw a small bounce Monday and Tuesday off of its 200 day SMA. Wednesday saw selling to new lows for the week and lower lows on Thursday tested the prior week's lows before its bounce back up to its 200 day SMA. Friday saw a decline to return about half of the prior day's gains.



US 10 year Yield daily chart as of June 9, 2023 - The 10 year Yields dropped Monday and rallied the next 3 days before dropping Thursday. On Friday we saw an Inside day.

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
06/01/2023	5.30	5.39	5.50	5.50	5.44	5.11	4.33	3.98	3.70	3.66	3.61	3.98	3.84
06/02/2023	5.28	5.39	5.50	5.52	5.50	5.22	4.50	4.13	3.84	3.78	3.69	4.03	3.88
06/05/2023	5.25	5.35	5.46	5.47	5.46	5.17	4.46	4.10	3.82	3.77	3.69	4.03	3.89
06/06/2023	5.15	5.26	5.44	5.44	5.44	5.20	4.51	4.15	3.85	3.78	3.70	4.02	3.87
06/07/2023	5.07	5.26	5.42	5.42	5.43	5.16	4.56	4.21	3.93	3.88	3.79	4.12	3.95
06/08/2023	5.25	5.29	5.38	5.42	5.39	5.12	4.52	4.17	3.87	3.80	3.73	4.05	3.89
06/09/2023	5.25	5.32	5.37	5.45	5.39	5.17	4.59	4.23	3.92	3.84	3.75	4.05	3.89

US Yield Rates daily table as of June 9, 2023 - Most short term and mid term yields saw a small decline this week while longer terms (longer than 1 year) saw small increases this week. This week saw the 10yr-2yr inversion increase a bit as a result.



FOMC Balance Sheet weekly chart as of June 7, 2023 - The Fed 'Increased' its Balance Sheet this week by \$3.471 Billion to a new Total Assets of \$8.389325 Trillion. The Balance sheet has not yet returned to the level seen in early March this year, before the 'Bank Failures' injection of liquidity in March.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of June 9, 2023 - The Transports pulled back to its 200 day SMA on Monday and briefly traded below its 20 day SMA early Tuesday before its rally above all 3 of its key daily SMAs. Wednesday continued higher to test it prior Resistance near \$14,445 (Orange line). Thursday saw a retest of this Resistance and a pause day. Friday saw a decline to give back about half of Wednesday's gains, ending the week up +0.66%. Note what days this week were the strong up days for the Transports, Tuesday and Wednesday, just like the Russell 2000.



XLE daily chart as of June 9, 2023 - The Energy sector saw a failed rally Monday, an open Tuesday below the 20 day SMA that rallied back above and continued higher Wednesday up to its 50 day SMA. Thursday saw a pause and a small decline Friday to end the week up +1.79%. What were the strongest 2 days this week in the XLE?



XLF daily chart as of June 9, 2023 - The Financial sector saw a small pull back on Monday then a rally Tuesday that continued a little higher Wednesday and paused Thursday and Friday to end the week up +1.07%.



QQQ daily chart as of June 9, 2023 - The range that the Nasdaq-100 ETF saw last Friday continued to be respected Monday and Tuesday. Wednesday saw a break below this 'Box' that bounced Thursday back inside this 'Box'. Friday briefly saw a new 52 week High before returning inside the box to end the week nearly flat, down -0.04%.



QQQ 15 min. chart as of June 9, 2023 - Here we see the 'Box' this week that was broken below about one hour into Wednesday and found support near its -1 standard deviation level for this week. Thursday saw a bounce that found Resistance at the lower edge of the 'Box' that was tested twice that day. Friday saw a gap up and rally to briefly break above the 'box' to deliver a new 52 week high before selling off and filling the gap by mid day. The 90 min. rally failed to deliver a higher high and sold off the last 2 hours of the day to end the week nearly flat. QQQ strength was seen ONLY on Thursday and the first 45 minutes on Friday this week.



SOXX daily chart as of June 9, 2023 - The Semiconductor sector has remained mostly horizontal since the huge move two weeks ago. Friday saw a slightly higher high for this week with a lower close for the day, ending the week up +0.78%.



XLC daily chart as of June 9, 2023 - The Communication Services sector rally from last week continued Monday and Tuesday this week, with a new 52 week high seen briefly at the open on Wednesday before selling lower all day. Thursday continued lower at the open then rallied to recover less than half of the prior day's decline. Friday saw a pause to end the week nearly flat, up +0.08%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORS</i>	4/28/2023	5/5/2023	5/12/2023	5/19/2023	5/26/2023	6/2/2023	6/9/2023
\$SPX	0.87%	-0.80%	-0.29%	1.65%	0.32%	1.83%	0.39%
\$INDU	0.86%	-1.24%	-1.11%	0.38%	-1.00%	2.02%	0.34%
\$COMPQ	1.28%	0.07%	0.40%	3.04%	2.51%	2.04%	0.14%
\$RUT	-1.26%	-0.52%	-1.08%	1.89%	-0.04%	3.27%	1.90%
QQQ	1.88%	0.10%	0.66%	3.53%	3.53%	1.79%	-0.04%
\$TRAN	-2.72%	0.72%	-2.41%	0.92%	-0.04%	1.78%	0.66%
XLE	0.18%	-5.76%	-2.13%	1.43%	-1.09%	1.43%	1.79%
XLF	-0.15%	-2.53%	-1.33%	2.19%	-1.50%	2.15%	1.07%
XLK	2.08%	0.27%	-0.19%	4.33%	4.64%	1.29%	-0.53%
SOXX	-1.12%	0.67%	-1.03%	7.82%	10.60%	-1.21%	0.78%
XLV	-0.57%	0.04%	-1.05%	-0.67%	-2.88%	2.19%	0.08%
XLY	0.33%	-0.45%	0.43%	2.52%	0.28%	3.31%	2.68%
XRT	-1.32%	-0.42%	-0.69%	-2.09%	-1.56%	1.59%	3.16%
XLI	-0.61%	-0.49%	-1.04%	1.32%	-1.44%	2.64%	1.45%
XLU	-0.92%	0.07%	0.00%	-4.23%	-2.30%	0.82%	1.95%
XME	-1.57%	-1.88%	-2.58%	-0.51%	-2.89%	4.16%	1.70%
XLP	1.14%	-0.34%	-0.08%	-1.56%	-3.28%	0.25%	-0.68%
XLB	-0.19%	-1.10%	-1.96%	0.68%	-3.04%	3.06%	0.55%
XLC	3.83%	-2.62%	2.37%	2.85%	1.22%	1.61%	0.08%
XHB	2.18%	-0.21%	0.03%	1.20%	-2.01%	3.50%	2.79%

Weekly Percent Change US Indexes and Sectors table as of June 9, 2023 - The Russell 2000 was the strongest Index on my list last week and again this week, while the Nasdaq Composite ended this week nearly flat (+0.14%).

The Strongest sectors this week included: XRT, XHB, XLY, XLU, XLE, XME and XLI who all delivered +1.45% or more in gains this week.

The Weakest sectors this week included: XLP, XLK and QQQ that who all delivered a loss this week. NOTE: that both the XLK and QQQ were relatively strong in each of the prior 3 weeks and are both heavily weighted by the biggest 7 stocks in the Nasdaq-100. This week we see weakness in these sectors. We need to dig deeper to see what happened to the prior 7 big 'Leaders' this week.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	Holiday 05/29/23	End of Day 05/30/23	End of Day 05/31/23	End of Day 06/01/23	End of Day 06/02/23	End of Day 06/05/23	End of Day 06/06/23	End of Day 06/07/23	End of Day 06/08/23	End of Day 06/09/23
\$SPX	n/a	0.00%	-0.61%	0.99%	1.45%	-0.20%	0.24%	-0.38%	0.62%	0.11%
\$INDU	n/a	-0.15%	-0.41%	0.47%	2.12%	-0.59%	0.03%	0.27%	0.50%	0.13%
\$COMPQ	n/a	0.32%	-0.63%	1.28%	1.07%	-0.09%	0.36%	-1.29%	1.02%	0.16%
\$RUT	n/a	-0.32%	-1.00%	1.05%	3.56%	-1.32%	2.69%	1.78%	-0.41%	-0.80%
QQQ	n/a	0.45%	-0.57%	1.16%	0.75%	0.07%	-0.02%	-1.70%	1.24%	0.38%
\$TRAN	n/a	0.45%	-1.83%	1.24%	1.95%	-1.14%	0.51%	2.45%	-0.04%	-1.10%

Daily Percent Change US Indexes table as of June 9, 2023 - Here we see the Russell show its strength last Friday and this week on Tuesday (and as 2nd place on Wednesday). The Transports beat the Russell on Wednesday this week. Note how the QQQ is showing either Strength or Weakness EVERY DAY this week yet still ended the week nearly flat (-0.04%). The big loss in the QQQ on Wednesday was not fully recovered in the rally on Thursday and Friday, even with the QQQ as the strongest index on both of those days. This is a clue, even as the QQQ lead on both Thursday and Friday, it did not seem to have 'Breadth' in its favor those two days.

Next we will look at a few key Stocks.



AAPL daily chart as of June 9, 2023 - Apple remains above all 3 of its key daily SMAs, but made little progress this week as it mostly remained inside a flat range, ending the week nearly flat, up only +0.01%.



MSFT daily chart as of June 9, 2023 - Microsoft paused Monday, declined a little Tuesday then dropped hard on Wednesday to nearly its 20 day SMA. Thursday and Friday remained above the 20 day SMA but with only a very small bounce to end the week down -2.57%.



GOOGL daily chart as of June 9, 2023 - Alphabet saw a rally continue higher on Monday and Tuesday then saw a sharp decline on Wednesday after briefly delivering a new 52 week highs at the open that day. Thursday and Friday paused near Wednesday's lows and closed below its 20 day SMA, ending the week down -1.96%.



AMZN daily chart as of June 9, 2023 - Amazon continued higher Monday and Tuesday then sold off strong on Wednesday. Thursday saw a small bounce to recover about half of the prior day's losses. Friday saw an 'Inside' day to end the week down -0.66%.



TSLA daily chart as of June 9, 2023 - Tesla continued its rally this week with higher highs and a higher close seen every day this week. Tesla ended this week up +14.22% and above its +1.5 standard deviation level for the week. Options volatility SKEW and contract Volume exploded this week with well over 4x typical daily volume. The gap up Friday was likely fueled in part by a Gamma Squeeze driven by the huge number of Options contract short position hedges.



NVDA daily chart as of June 9, 2023 - Nvidia continued its horizontal pause this week, remaining near the highs from the huge move 2 weeks ago. Nvidia ended this week down -1.41%.



META daily chart as of June 9, 2023 - Meta delivered new 52 week highs on Monday and Tuesday this week then saw a sharp decline on Wednesday. Thursday saw a lower low that remained well above its 20 day SMA. Friday saw an 'Inside' day to end the week down -2.81%

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

Stock	% Change Last week	% Change This week
AAPL	3.15%	0.01%
MSFT	0.75%	-2.57%
GOOGL	0.05%	-1.96%
AMZN	3.45%	-0.66%
TSLA	10.77%	14.22%
NVDA	0.98%	-1.41%
META	4.03%	-2.81%

In this table we can see the ONLY 'Big' stock that helped to drive the QQQ and Nasdaq higher this week was Tesla. All of the other 6 stocks were either down this week or flat like Apple. This clearly shows us the 'Narrow' leadership in the Nasdaq on both Thursday and Friday this week. And we saw previously how the 'weighting' of these Big seven stocks has a very significant impact on many Indexes that are Market Cap weighted.



JPM daily chart as of June 9, 2023 - JP Morgan saw a small dip Monday then a mild bounce the next 4 days to recover all of Monday's decline plus a little, ending the week up +0.38%.



COST daily chart as of June 9, 2023 - Costco continued its post Earnings rally on Monday then pulled back Tuesday and Wednesday to below last week's close. Thursday saw a strong rally to new highs for this week and continued a little higher early on Friday before pulling back to end the week up +0.91%.



AMD daily chart as of June 9, 2023 - AMD dipped lower early Monday then rallied Tuesday to recover about half of the prior week's decline. Wednesday saw selling take back all of the prior day's gains. Thursday saw a small bounce then a gap up Friday to end the week up +5.99%.



INTC daily chart as of June 9, 2023 - Intel saw strong selling Monday below its 50 day SMA and tested support at its 20 day SMA. Tuesday saw a rally from the 20 day SMA back above its 50 day SMA. Wednesday and Thursday saw higher closes then selling returned Friday to test support at its 50 day SMA and bouncing to end the week up only +0.10%.



ADBE daily chart as of June 9, 2023 - Adobe paused last week's rally on Monday and Tuesday this week then saw selling kick in on Wednesday to test support at \$417.74. Thursday saw a rally to recover all of the prior day's losses. Friday saw a big gap up and new 52 week highs, ending the week up +4.04%.



CAT daily chart as of June 9, 2023 - Caterpillar saw a huge rally last Friday. This week started with a pull back on Monday then a rally on Tuesday and Wednesday to new 2-month highs. Thursday and Friday saw a pause near Wednesday's highs, ending the week up +3.71%.



MMM daily chart as of June 9, 2023 - 3M has seen a major decline all this year that changed last Friday with a huge rally day. Monday of this week saw a lot of those one day gains given back and was followed with a lower low on Tuesday. Wednesday saw a rally back above its 20 day SMA that did NOT follow through on Thursday. Thursday saw a pause and a decline Friday to end the week down -2.57%.

The Breadth charts above showed us 'Broad' participation in the rally higher on Tuesday and Wednesday this week but 'Narrow' participation on Thursday and Friday as Breadth declined significantly on the last 2 days of this week. The 'Broad' participation we did see closely correlated with the Russell 2000 and the Dow Transportation Index this week. The 'Narrow' participation we saw Thursday and Friday this week was lead by the QQQ that showed us the impact a few key names like Tesla and Adobe had late this week.

We also saw some wild Options activity in Tesla this week that helped to fuel the large moves in that stock this week, while the overall S&P volatility (VIX) showed us new Lows in Volatility this year.

I hope this week's charts helped provide you with an example of 'Observing' market behavior beyond the lines on the screen. Markets are driven by its participants, and those participants all have different beliefs of what may happen in the future. These differences are what make a market. We simple need to learn to read the charts to recognize when there are higher odds opportunities to participate, per our well tested 'Trading Plan', and take on Risk only when the odds are in our favor. Trading is simple. But it is also NOT Easy.

Hope this helps.

Trade Smart,

CJ