



Market Observations - as of June 23, 2023

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

Last week we saw the rally continue higher each day with a brief dip after the Fed meeting on Wednesday, a show of strength on Thursday and a pull back during the last half of Friday.

This week we saw the bears continue last Friday's half day decline on Tuesday with the S&P delivering lower lows and lower highs every day this Holiday week. The Nasdaq Composite delivered lower lows on Tuesday, Wednesday and Thursday and lower highs each day this week.

The Russell 2000 was up the least last week and was down the most this week, out of the Indexes I track.

The US dollar found some strength late this week while Oil prices oscillated within a range and Gold and Silver prices declined.

Longer term US Treasury Yields changed very little this week while shorter terms increased their Yields a little, increasing the 'Inversion' between the 10 year and 2 year Yields from $-\$0.83$ to $-\$0.97$ this week.

Options volatility remains low and declined lower this week to deliver new 52 week lows in the VIX. We also see a 'complacent' market in the VVIX and SKEW this week.

The S&P closed last week above its upper weekly Expected Move (after briefly breaking above its +2x Expected Move) and closed this week below its lower weekly Expected Move. The size of the weekly Expected Moves last week and this week are the smallest we have seen this year, also showing us a 'complacent' market where Options have 'Under Priced' actual risk.

Depending upon your trading Time-Frame, we saw a short term change in Trends this week, with Tuesday's decline testing the June Trend Line Support and Wednesday's open breaking below this Support in both the S&P and Nasdaq Composite. We did 'NOT' see strong selling this week, but a slow and steady decline each day. The Bears may not have found their strong convictions yet and the Dip Buyers keep trying a little re-entry each day without follow through the next day. Both sides seem to be pausing this week, with the Bears only slightly over powering the Bulls this week.

Anything can happen next week, as the Monthly, 2nd Quarter and half-year all come to an end on Friday. We may see some 'window dressing' next week as the end of the Quarter nears or some re-hedging activities by major fund managers before the end of the week.

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



S&P 500 weekly chart as of June 23, 2023 - We saw a strong advance last week and a smaller decline this week with an 'Inside' weekly candle. This could either be a pause in a larger up trend, OR, the beginning of a decline.



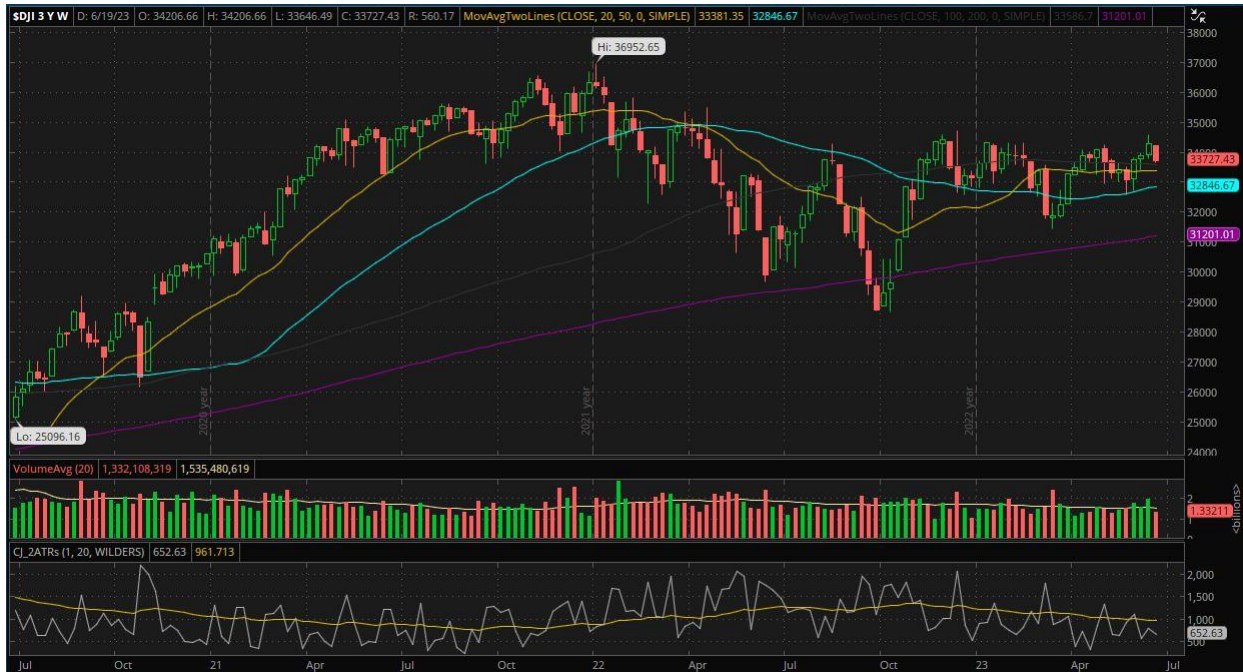
S&P 500 daily chart as of June 23, 2023 - We saw a pull back last Friday that continued lower this week with lower lows and lower highs seen every day this week. Thursday closed near its highs for the day but did not see any follow through Friday as the decline continued with lower lows, ending the week down -1.39%.



S&P 500 15 min. chart as of June 23, 2023 - Last week we saw the S&P break above twice its weekly Expected Move late on Thursday and on Friday before crossing below to end last week above its weekly Expected Move by below its +2x Expected Move.

This week we saw an opening gap down every day this week (Grey box) that was NOT filled on Tuesday, Wednesday or Friday, and only Thursday saw its gap filled in the first hour with a higher close also seen that one day. The S&P delivered both lower lows and lower highs every day this week. Thursday saw a brief break below its lower weekly Expected Move at the open that quickly crossed back above the E.M. Friday gapped down and opened the day below its lower weekly Expected Move and remained below the first 1/3 and last 1/3 of Friday, with a failed rally mid day on Friday that was followed with lower lows before the end of the day.

The size of each week's 'Expected Move' is derived from the SPX Options Prices after the close the prior Friday and represents how the Options Market is pricing the Risk of a 1 standard deviation move in the SPX the following week. If the Options Market 'Under Prices' expected Risk then the odds are high that the following Friday's SPX close could be 'Outside' the Expected Move. If the Options Market 'Over Prices' Risk, then the odds are high that the following Friday's SPX close will be 'Inside' the Expected Move. Options prices are based upon how the Option Market prices future Risk, a little like being an 'Insurance Actuary'. The Options market does not get it right every week. By tracking both the Options market 'Expected Move' and the ACTUAL move seen in SPX prices we get an indication as to how well the Options market is pricing Risk. As an Options Trader, we can realize a small advantage by focusing on strategies that 'buy' Options when they are cheap, and 'sell' Options when they are expensive.



DJIA weekly chart as of June 23, 2023 - The Dow Industrials saw a pull back this week with both a lower low and a lower high, ending the 3 week rally.



DJIA daily chart as of June 23, 2023 - We saw a pull back last Friday that continued lower Tuesday to give back all of last Thursday's gains. We see a brief pause Wednesday and Thursday near Tuesday's lows then a gap down to lower lows, briefly breaking below its 20 day SMA (Yellow) on Friday before closing back above the 20 day SMA, ending the week down -1.67%.



Nasdaq weekly chart as of June 23, 2023 - After a 6 week rally, we see a pullback with an 'Inside' candle this week. This could be a pause in the rally, or a change in trend. We will only know in time.



Nasdaq daily chart as of June 23, 2023 - We saw a strong rally last week with a pullback last Friday. The decline continued this week with lower lows the next 3 days and lower highs every day this week. Friday saw a pause with a small 'Inside' day, ending the week down -1.44%.



Russell 2000 weekly chart as of June 23, 2023 - The Russell saw a 2 week rally and a pause last week that was mostly giving back this week as we see a decline back below its 200 week and 50 week SMAs.



Russell 2000 daily chart as of June 23, 2023 - Here we see the pause last week followed by a decline this week with lower lows every day this week and lower highs Tuesday, Thursday and Friday. Friday saw a gap below its 20 day SMA to end the week down -2.87%.

Next we will look at a few 'Market Internals' to better understand breadth this week.



McClellan Summation Index weekly chart as of June 23, 2023 - Last week we saw an increase up to its 200 week SMA to end last week at +218.64. This week we see a small decline to +178.63.



McClellan Summation Index daily chart as of June 23, 2023 - Last week we saw an increase up to +218.64. This week began nearly flat on Tuesday and then we saw a decline the rest of this week, ending this week at +178.63.



NYSE Percent above 200 day SMA daily chart as of June 23, 2023 - Last week we saw a peak near 61.5% and a pull back last Friday to end last week at 60.26%. This week we see the decline continue lower each day to end this week at 52.43%.



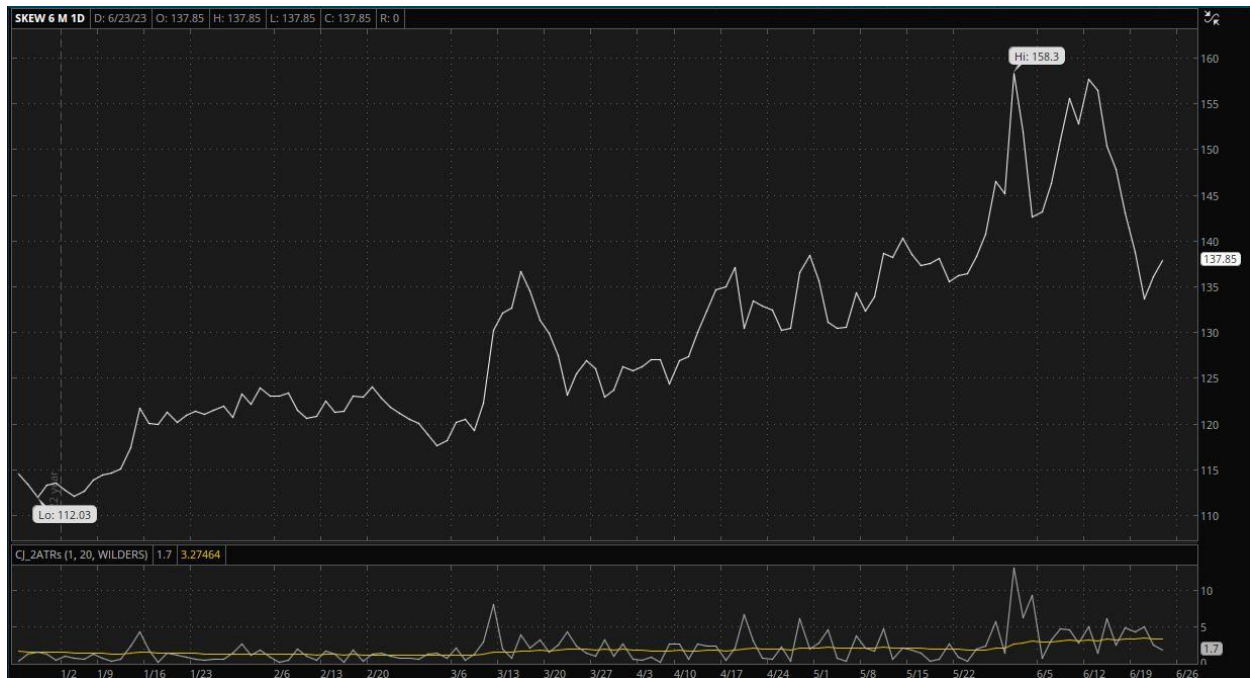
NYSE Percent above 50 day SMA daily chart as of June 23, 2023 - Last week we oscillations and an increase that ended at 68.03%. This week we saw a pause on Tuesday then a decline each day that followed to end this week at 52.77%.



VIX daily chart as of June 23, 2023 - The VIX saw a slightly higher close on Tuesday then lower closes and new 52 week lows on both Wednesday and Thursday. Friday saw an 'Inside' day to end the week lower.



VVIX daily chart as of June 23, 2023 - The Volatility of the VIX saw a small increase Tuesday then a decline Wednesday and Thursday with a slightly higher close on Friday near its 50 day SMA. Not how there is little to no trend in the VVIX as all 3 of the key SMAs are clustered together, suggesting little to no change expected in the VIX.



SKEW daily chart as of June 23, 2023 - The Options SKEW peaked last week on Monday (June 12th) then has seen a sharp decline all of last week that continued this week with a small bounce on Thursday and Friday of this week. This shows us that aggressive hedging activities have significantly decline over the past 1 to 2 weeks. This could be an additional sign of a 'complacent' market.

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



Oil daily chart as of June 23, 2023 - Oil prices oscillated within a range on Tuesday and Wednesday then declined Thursday and Friday below its 20 day SMA. Tuesday and Thursday saw strong volume.



Gold daily chart as of June 23, 2023 - Gold prices drifted lower this week, from its 20 day SMA Tuesday to deliver lower lows every day this week, and closing only slightly higher on Friday.



US Dollar Index daily chart as of June 23, 2023 - The US Dollar bounced up to its 50 day SMA on Tuesday then fell back down towards 102 on Wednesday and Thursday. Friday was a higher range back above its 50 day SMA to end the week up a little.



US 10 year Treasury daily chart as of June 23, 2023 - The US 10 year Treasury remained within a narrow range this week, below its 20 day and 200 day SMAs with only light volume.



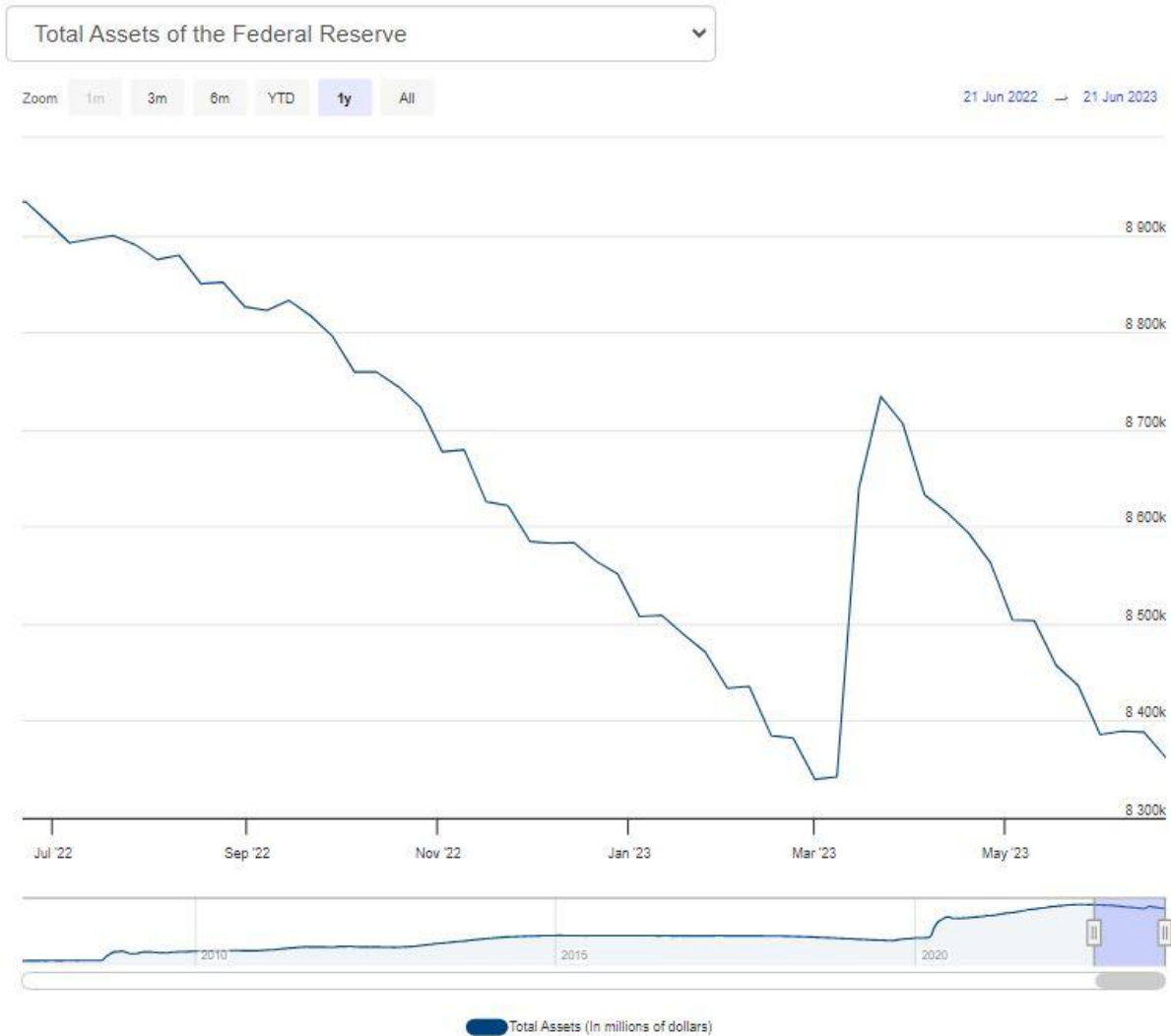
US 10 year Yield daily chart as of June 23, 2023 - The 10 year Yields also remained within a narrow range this week, touching its 20 day SMA every day this week and closing Friday on its 20 day SMA.

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
06/12/2023	5.24	5.31	5.40	5.43	5.38	5.18	4.55	4.16	3.89	3.82	3.73	4.04	3.87
06/13/2023	5.19	5.24	5.36	5.37	5.36	5.26	4.67	4.30	4.01	3.94	3.84	4.12	3.94
06/14/2023	5.18	5.25	5.36	5.37	5.36	5.27	4.74	4.37	4.06	3.95	3.83	4.09	3.90
06/15/2023	5.18	5.25	5.33	5.37	5.33	5.21	4.62	4.23	3.91	3.82	3.72	4.02	3.85
06/16/2023	5.18	5.27	5.34	5.38	5.35	5.24	4.70	4.32	3.99	3.88	3.77	4.05	3.86
06/20/2023	5.17	5.26	5.39	5.39	5.41	5.24	4.68	4.29	3.96	3.85	3.74	4.01	3.83
06/21/2023	5.16	5.27	5.40	5.44	5.41	5.25	4.68	4.29	3.95	3.84	3.72	3.99	3.81
06/22/2023	5.18	5.31	5.40	5.44	5.41	5.29	4.77	4.37	4.03	3.92	3.80	4.06	3.88
06/23/2023	5.17	5.30	5.41	5.44	5.41	5.25	4.71	4.32	3.99	3.88	3.74	4.01	3.82

US Yield Rates daily table as of June 23, 2023 - Longer term yields saw little change this week while mid-term and shorter term yields saw a small increase. The difference between the 10 year and 2 year yields increased a little this week, from 80 to 97 basis points of 'Inversion'. The peak Inversion was 107 basis points March 8th of this year, and this week's 97 basis points is getting close to that peak.

An 'Inversion' is when the shorter term Yield is 'Larger' than the longer term Yield, or opposite of its normal condition. The 10 year Yield (minus) the 2 year Yield has been 'Inverted' every day since July 6th of 2022. This 'Inversion' condition has pre-ceded each economic recession over the prior 90 years, and typically occurs 12 to 24 months before the economy turns downward with negative GDP and high Un-Employment.

This 'Inversion' can also catch banks that may be at risk with significant outstanding loans based upon much lower interest rates. We have found out this year that the bank 'Stress Tests' the Fed uses does not test of this interest rate exposure at banks. This can be a significant exposure for some small to mid size banks that may not have liquidity to survive this interest rate squeeze. Time will tell.



FOMC Balance Sheet weekly chart as of June 21, 2023 - The Fed decreased its Balance Sheet by \$26.263 Billion this week, lowering its 'Total Asset' to \$8.362060 Trillion. Back in early March this year, the Fed's Balance Sheet got down to \$8.342283 Trillion just before providing \$394.504 Billion over two weeks to bail out failing banks. We have yet to see a return to this prior Balance Sheet level over the past 13 weeks.

Nest we will look at a few key Sectors to help identify leadership up or down.



Dow Transportation Index daily chart as of June 23, 2023 - The decline we saw start last Friday continued on Tuesday this week with lower lows and lower highs on both Tuesday and Wednesday this week. Thursday saw a failed rally and lower lows followed on Friday to end the week down -0.71%.



XLE daily chart as of June 23, 2023 - The Energy sector saw a gap down below its 20 day SMA Tuesday, a failed rally Wednesday that was followed with lower lows on Thursday and Friday, ending the week down -3.49%.



XLF daily chart as of June 23, 2023 - The Financial sector gapped down Tuesday near the prior week's lows and paused there on Wednesday. Thursday saw selling down to the 20 day SMA that continued lower Friday below its 50 day SMA before bouncing and closing just above its 50 day SMA (but below its 20 day SMA) to end the week down -2.06%.



QQQ daily chart as of June 23, 2023 - The Nasdaq-100 ETF broke below its support Trend Line (Orange loin) Tuesday and delivered lower lows every day but Friday this week. Friday was an 'Inside' day to end the week down -1.33%. Volume was light all of this week.



SOXX daily chart as of June 23, 2023 - The Semiconductor sector dropped last Friday and continued lower this week with lower lows and lower highs every day this week, crossing below its 20 day SMA on Friday and ending this week down -4.49% making this the weakest sector on my list this week.



XLC daily chart as of June 23, 2023 - The Communication Services sector gapped lower Tuesday and paused. Wednesday and Thursday each saw lower lows with a higher close on Thursday. Friday saw an 'Inside' day to end the week down -0.92%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	5/12/2023	5/19/2023	5/26/2023	6/2/2023	6/9/2023	6/16/2023	6/23/2023
\$SPX	-0.29%	1.65%	0.32%	1.83%	0.39%	2.58%	-1.39%
\$INDU	-1.11%	0.38%	-1.00%	2.02%	0.34%	1.25%	-1.67%
\$COMPQ	0.40%	3.04%	2.51%	2.04%	0.14%	3.25%	-1.44%
\$RUT	-1.08%	1.89%	-0.04%	3.27%	1.90%	0.52%	-2.87%
QQQ	0.66%	3.53%	3.53%	1.79%	-0.04%	3.79%	-1.33%
\$TRAN	-2.41%	0.92%	-0.04%	1.78%	0.66%	3.86%	-0.71%
XLE	-2.13%	1.43%	-1.09%	1.43%	1.79%	-0.58%	-3.49%
XLF	-1.33%	2.19%	-1.50%	2.15%	1.07%	1.30%	-2.06%
XLK	-0.19%	4.33%	4.64%	1.29%	-0.53%	4.33%	-2.42%
SOXX	-1.03%	7.82%	10.60%	-1.21%	0.78%	4.24%	-4.49%
XLV	-1.05%	-0.67%	-2.88%	2.19%	0.08%	1.37%	0.25%
XLY	0.43%	2.52%	0.28%	3.31%	2.68%	3.21%	-0.36%
XRT	-0.69%	-2.09%	-1.56%	1.59%	3.16%	2.12%	-0.83%
XLI	-1.04%	1.32%	-1.44%	2.64%	1.45%	2.98%	-1.67%
XLU	0.00%	-4.23%	-2.30%	0.82%	1.95%	1.37%	-2.60%
XME	-2.58%	-0.51%	-2.89%	4.16%	1.70%	2.86%	-1.73%
XLP	-0.08%	-1.56%	-3.28%	0.25%	-0.68%	2.13%	-0.49%
XLB	-1.96%	0.68%	-3.04%	3.06%	0.55%	3.48%	-2.07%
XLC	2.37%	2.85%	1.22%	1.61%	0.08%	2.45%	-0.92%
XHB	0.03%	1.20%	-2.01%	3.50%	2.79%	2.38%	0.75%

Weekly Percent Change US indexes and Sectors table as of June 23, 2023 - All of the above Indexes were down this week, with the S&P down the least and the Russell 2000 down the most. If you included the Down Transports and QQQ then those two were down less this week than the other 'Indexes'.

There were only two sectors on my list that were up this week, the XHB and XLV. Other relatively strong sectors that were down less than -0.50% this week include: XLY (-0.36%) and XLP (-0.49%).

The weakest sectors this week included: SOXX (-4.49%), XLE, XLU, XLK, XLB and XLF that were all down by over -2.0% this week, down more than either the Nasdaq Composite or the Nasdaq-100.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 06/12/23	End of Day 06/13/23	End of Day 06/14/23	End of Day 06/15/23	End of Day 06/16/23	Holiday 06/19/23	End of Day 06/20/23	End of Day 06/21/23	End of Day 06/22/23	End of Day 06/23/23
\$SPX	0.93%	0.69%	0.08%	1.22%	-0.37%	n/a	-0.47%	-0.52%	0.37%	-0.77%
\$INDU	0.56%	0.43%	-0.68%	1.26%	-0.32%	n/a	-0.71%	-0.30%	-0.01%	-0.65%
\$COMPQ	1.53%	0.83%	0.39%	1.15%	-0.68%	n/a	-0.16%	-1.21%	0.95%	-1.01%
\$RUT	0.40%	1.23%	-1.17%	0.81%	-0.73%	n/a	-0.47%	-0.20%	-0.80%	-1.44%
QQQ	1.69%	0.77%	0.73%	1.19%	-0.63%	n/a	-0.28%	-1.36%	1.18%	-0.99%
\$STRAN	0.43%	1.00%	1.34%	1.55%	-0.51%	n/a	-0.39%	0.02%	0.40%	-0.74%

Daily Percent Change US Indexes table as of June 23, 2023 - We saw daily changes in leadership, with the Russell showing significant weakness on both Thursday and Friday this week. (The Russell also often showed weakness last week.) The Nasdaq composite saw a small decline Tuesday and the QQQ saw greater strength on Thursday.

Next we will look at a few key Stocks, the same names we looked at last week. We will start with the 7 biggest names in the Nasdaq.



AAPL daily chart as of June 23, 2023 - Apple paused Tuesday then saw a small decline Wednesday before showing a strong rally on Thursday to new all time highs. Friday saw more new all time highs before pulling back late in the day to end the week up +0.95%.



MSFT daily chart as of June 23, 2023 - Microsoft declined last Friday and continued lower Tuesday and Wednesday this week to nearly touch its 20 day SMA. Thursday saw a failed rally. Friday dipped to test for support at its 20 day SMA and ended the week down -2.14%.



GOOGL daily chart as of June 23, 2023 - Alphabet paused below its 20 day SMA on Tuesday then declined Wednesday and delivered more lower lows on Thursday before its rally nearly up to its 20 day SMA. Friday saw an 'Inside' day below its 20 day SMA to end the week down -0.96%.



AMZN daily chart as of June 23, 2023 - Amazon saw lower lows and lower highs on Tuesday and Wednesday then rallied strong on Thursday to deliver new 2023 highs. Friday saw more new 2023 highs before pulling back a little to end the week up +3.06%.



TSLA daily chart as of June 23, 2023 - Tesla continued higher Tuesday to deliver new 2023 highs. Wednesday saw more new 2023 highs at the open before selling lower most of the day to return all of the prior day's gains. Thursday opened much lower then rallied quickly to fill that gap and end the day up a little from the prior day's close. Friday saw a drop at the open to higher lows than seen the prior day followed by a rally that failed to fill the gap by mid day and sold lower the last 2 hours to end the week down -1.51%.



NVDA daily chart as of June 23, 2023 - Nvidia continued its rally on Tuesday to deliver new all time highs late that day. Wednesday saw a sharp decline to lower lows in the first hour that rallied the rest of the day to recover about half of the prior day's gains. Thursday saw a gap down to a higher low followed by a rally that failed to exceed the prior day's highs and sold lower the last half of the day to close Thursday near unchanged. Friday saw strong selling at the open that delivered a lower low for the week. The rally mid day on Friday failed to fill its gap and sold off the last 3 hours of the day to end the week down -1.13%.



META daily chart as of June 23, 2023 - Meta paused last week's rally this week with oscillations on Tuesday, Wednesday and Thursday within a range. Friday saw a rally to deliver higher highs with new 52 week highs, ending the week up +2.75%.

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
QQQ	3.79%	-1.33%
AAPL	2.19%	0.95%
MSFT	4.76%	-2.14%
GOOGL	1.06%	-0.96%
AMZN	1.67%	3.06%
TSLA	6.60%	-1.51%
NVDA	10.12%	-1.13%
META	6.06%	2.75%

In the table above the green highlighted values are where the gains were greater than were the QQQ's gains for that week. Last week we saw 4 stocks perform better than the QQQ and this week we see 5 stocks that performed better. Two of this week's 5 were down this week but down less than was the QQQ this week. This is one way to help 'see' the impact of the biggest stocks on the markets as well as identify 'leadership' week to week.



JPM daily chart as of June 23, 2023 - JP Morgan paused Tuesday and Wednesday inside of the prior week's range then broke down lower on Thursday crossing below its 20 day SMA. Friday continued lower crossing below its 50 day SMA to end the week down -3.08%.



COST daily chart as of June 23, 2023 - Costco dropped last Friday and continued lower Tuesday and Wednesday this week before finding support. Thursday saw a bounce that continued a little higher Friday to end the week up +0.15%.



AMD daily chart as of June 23, 2023 - AMD continued last week's decline this week crossing below its 20 day SMA Tuesday and delivering lower lows and lower highs every day this week, ending the week down -8.39%.



INTC daily chart as of June 23, 2023 - Intel saw a strong rally last week that only continued at the open on Tuesday with new 2023 highs and immediately sold lower all day. The selling continued strong Wednesday and Thursday until support was found near its 20 day SMA and bounced. Friday saw a retest of support at the 20 day SMA with a slightly higher close to end the week down -9.27%.



ADBE daily chart as of June 23, 2023 - Adobe delivered new 52 week highs last Friday before selling off that day. This week opened lower on Tuesday with a pause followed by a failed rally and a bearish engulfing day on Wednesday. Every day this week we saw lower lows with a small bounce on Friday to end the week down -2.11%.



CAT daily chart as of June 23, 2023 - Caterpillar saw a strong rally the past two weeks that ended last Friday. Tuesday saw a lower open and selling that was followed with lower lows every day this week. Wednesday saw a failed rally that was followed with lower lows. Friday nearly reached its 20 day SMA to end the week down -4.42%.



MMM daily chart as of June 23, 2023 - 3M ended its rally last week with a gap down Tuesday that crossed below its 50 day SMA and bounce back above at the close. 3M delivered lower lows every day this week with a failed rally above and back below its 50 day SMA on Friday to end the week down - 3.65%.

Similar to how we showed a table above with the 7 'biggest' stocks and comparing their performance this week to the QQQ, we can do a comparison of the second set of 7 stock charts above (JPM, COST, AMD, INTC, ADBE, CAT and MMM) to the S&P-500 this week.

The S&P was down -1.39% this week and 6 out of the 7 above stocks did worse than the S&P this week. What was the only stock above that did better than the S&P this week?

Did you see that COST was up this week by +0.15%?

The other 6 were all down this week by -2.11% to -9.27%.

These simple comparisons are an example of a way to find relative strength even on days (or weeks) that are mostly down. That relative strength might be a good candidate for a bullish trade when the overall market change to bullish and that stock continues to show its relative strength.

We have seen lots of Bearish opportunities this week. When we are in a Bearish market context, I am looking for a failed rally to short and when in a Bullish market context, I am looking for a dip to buy.

Keep your mind open to ALL possibilities next week, as we could see: [A] a market rally resume, [B] selling could continue lower, or [C] we may see some horizontal chop and a pause in trends for a while.

I hope this helps.

Trade Smart,

CJ