



Market Observations - as of July 21, 2023

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

Last week we saw a pause Monday followed by a slow rally Tuesday. Wednesday and Thursday saw big gaps up at the open each day with mild follow through Wednesday and strong follow through higher on Thursday. Friday saw higher highs in the first hour then slowly sold off the rest of the day.

This Week we saw the rally resume Monday and Tuesday with growing strength seen Tuesday. Wednesday delivered higher highs then paused near those highs most of the day. Thursday saw a strong decline most all day with the S&P giving back 1 ½ prior days of gains while the Nasdaq gave back 5 days of gains. Friday saw a pause near the prior day's close as typical Options Expiration settlement oscillations saw little change that day.

We saw both positive and negative reactions to Earnings this week. Names like MS and GS saw strong positive reactions while TSLA and NFLX saw strong negative reactions. Several big names report Earnings next week, so stay alert to any names that you may have positions in and when they are scheduled to report.

Earnings news is a scheduled event that can drive reactions in those stocks that report Quarterly Earnings. There are also Un-Scheduled news events, often in the form of a Press Release or some key news story. We saw two examples of these Un-Scheduled events this week and their 'Over Reactions'. A large amount of automated (robot) trading volume occurs every day and some of these 'Bots' are programmed to react to news. These Bots can very quickly scan news and press releases as they come out and drive orders in reaction within seconds. We will look at two examples below.

Also, there is a high odds tendency for a stock reaction to be reversed and return to the price it was at just before the news event. The News Event initial reaction may take 3 to 10 minutes typically, but can take hours to days to drift back to where it started. This is a very common behavior we see in more surprise news event reactions than not.

Some traders may try to ride the initial news reaction, but that requires being very fast and having some automated tools to do so. Other traders may chose to trade the Event by fading the initial reaction and riding the 'Return' to pre-news price levels. Either way, KNOW the risks in these strategies before every trying to trade them.

"A.I." has been the buzz word this year and has gained a lot attention with traders as it could be a theme for the next Industrial/Technology Economic wave. It is no surprise that both of the News releases that triggered the 'Over Reactions' (below) this week were about "AI".

On Tuesday at 8:30 am PT a press release came out announcing MSFT price increases for AI based tools in their office suite. The same minute we saw a huge rally in MSFT. Below is a 3min chart of MSFT.



MSFT 3 min. chart as of July 21, 2023 - On Tuesday at 8:30am PT a press release came out (regarding the pricing of an 'AI' add on in Office 365 of \$30 per month per user) and we saw an explosive move up in MSFT. The size of the 1 hour rally was about 3.7 times the Average daily True Range (ATR). It took a little over 3 days for MSFT to drift back down to the level it was at just before the News Event.

On the very next day (Wednesday) we saw a similar reaction in AAPL at 9:05am PT when a press release from Bloomberg came out regarding AAPL developing its own AI tools. See the chart below.



AAPL 3 min. chart as of July 21, 2023 - Note the very fast 6 min. rally that gained about $+2.0 \times \text{ATR}$. Apple quickly gave back over 80% of those gains in the next 90 min. and then gave back 100% of those gains about 26.5 hours after the 'Event'.

In both the MSFT and AAPL examples above, the quick gains from an 'Over Reaction' to some surprise News Event were entirely given back in the following day or two (or three). The press releases that came out at the same minute also included text about "AI" that likely triggered the Bots.

The US Dollar saw a sharp decline last week, paused Monday and Tuesday of this week and then began to rally the last 3 days of this week to only recover about half of the prior week's decline.

Oil decline Monday, recovered Tuesday the prior day's decline, paused for two days then rallied Friday. The US 10 year Treasury saw a mild rally for 3 days this week, then gave it all back plus more on Thursday. Friday remained near the prior day's close.

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



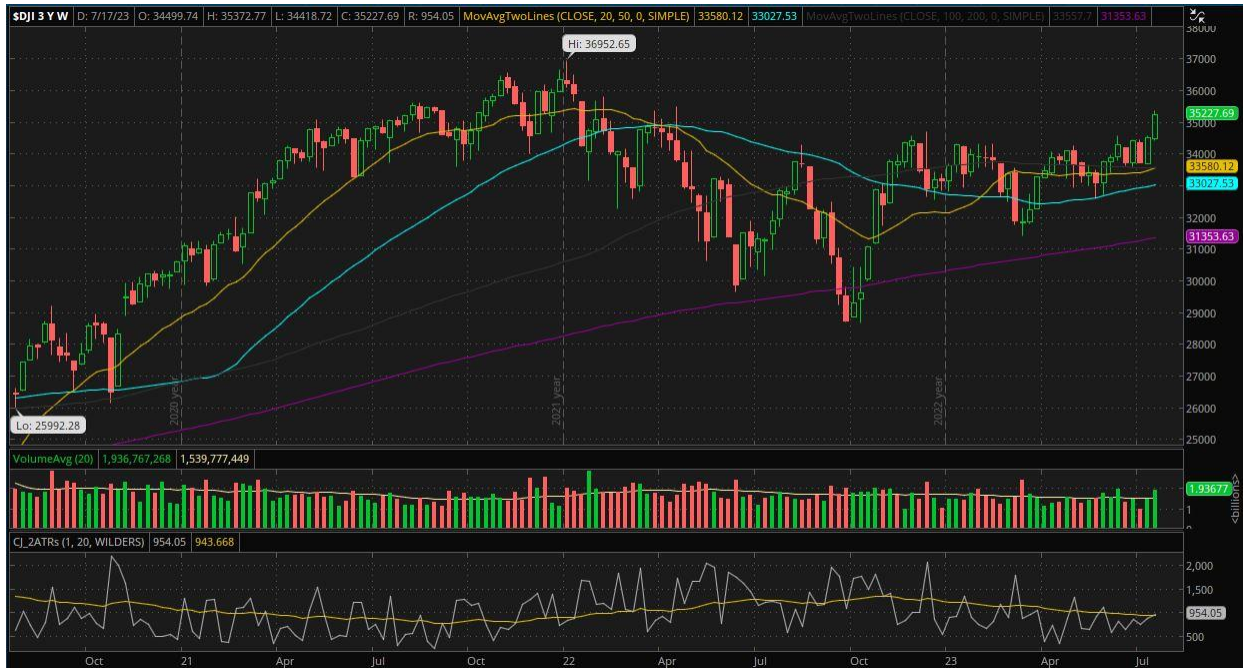
S&P 500 weekly chart as of July 21, 2023 - The S&P delivered another week with a higher high and a higher low. This week the gain is a lot smaller than what we saw in the prior week.



S&P 500 daily chart as of July 21, 2023 - We see higher highs and higher lows on Monday, Tuesday and Wednesday with a very narrow range day on Wednesday. Thursday saw a decline. Friday saw a pause with an 'Inside' day on Options Expiration, ending the week up +0.69%.



S&P 500 15 min. chart as of July 21, 2023 - Here we see a steady rally on Monday and Tuesday that reached its upper weekly Expected Move. On Wednesday we saw higher highs with most of the day remaining above the upper Expected Move. Thursday saw a decline back below the Expected Move that gave back most of the gains from the prior 2 days. Friday saw a gap up and consolidation. Consolidation is common to see on monthly Options Expiration Friday. The S&P ended this week 'Inside' its weekly Expected Move.



DJIA weekly chart as of July 21, 2023 - The Dow Industrials broke this week, breaking above the Resistance seen over the prior 5 weeks.



DJIA daily chart as of July 21, 2023 - The Industrials saw higher highs every day this week except on Friday. Tuesday, Wednesday and Thursday saw new 52 week highs. Friday saw a narrow 'Inside' day to end the week up +2.08%.



Nasdaq weekly chart as of July 21, 2023 - The Nasdaq composite saw a higher high and a higher low this week but also a lower close.



Nasdaq daily chart as of July 21, 2023 - The Nasdaq composite delivered both higher highs and higher lows on each of the first 3 days this week and new 52 week highs each day. Thursday saw a gap down and strong selling that gave back the prior 5 days of gains. Friday saw a lower low, lower high and lower close to end the week down -0.57%.



Russell 2000 weekly chart as of July 21, 2023 - The Russell delivered another week with a higher high and a higher low. This week the gain is smaller than was seen the prior week.



Russell 2000 daily chart as of July 21, 2023 - Monday recovered the prior day's losses. Tuesday and Wednesday delivered higher highs and higher lows as the rally resumed. Thursday saw a decline that gave back the prior day and a half of gains. Friday saw a lower low, lower high and lower close to end the week up +1.51%.

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



McClellan Summation Index weekly chart as of July 21, 2023 - Last week we saw a strong gain up to +573.33. This week the gains continued to end this week at +751.35.



McClellan Summation Index daily chart as of July 21, 2023 - Last week's gains continued this week to end this week at 751.35.

We saw that the Russell 2000 was the strongest Index this week (above) and the Russell 2000 seems to more often correlate closely to the McClellan Summation Index.



NYSE Percent above 200 day SMA daily chart as of July 21, 2023 - Last week we saw a pull back the last 2 days to 66.61%. This week we see a small pull back Monday then a resumption of the rally Tuesday and Wednesday up to just over 70% then decline Thursday and Friday to end this week at 69.36%.



NYSE Percent above 50 day SMA daily chart as of July 21, 2023 - Last week we saw a pause Monday then a small rally Tuesday and Wednesday up to about nearly 82%. Thursday and Friday saw a small decline to end this week at 81.04%.



VIX daily chart as of July 21, 2023 - The VIX remained within a narrow range this week, between 13.2 and 14.2 and often centered near 13.5. The VIX remains near its lows for this year.



VVIX daily chart as of July 21, 2023 - The VVIX remains very horizontal with little change this week. We see that the trend has been horizontal for a long time since the 20 day, 50 day and 200 day SMAs are all clustered together with a horizontal slope.

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



Oil daily chart as of July 21, 2023 - Oil prices found Resistance at its 200 day SMA (Purple) last week. Monday of this week saw the decline continue then reverse and rally Tuesday. Wednesday and Thursday saw little change. Friday saw the rally resume to find Resistance again at its 200 day SMA.



Gold daily chart as of July 21, 2023 - Monday saw Gold prices pause near last Friday's close. Tuesday saw a strong rally above its 50 day SMA that did not show follow through but a slow decline Wednesday, Thursday and Friday to give back most of Tuesday's gains and return to the 50 day SMA.



US Dollar Index daily chart as of July 21, 2023 - The US Dollar Index paused Monday and Tuesday near its close last Friday. Wednesday, Thursday and Friday saw a mile rally to end this week with a slightly stronger dollar. Remember, a weaker Dollar tends to make Dollar Priced Commodities more expensive and a stronger Dollar makes them less expensive (if Supply and Demand forces remain unchanged).



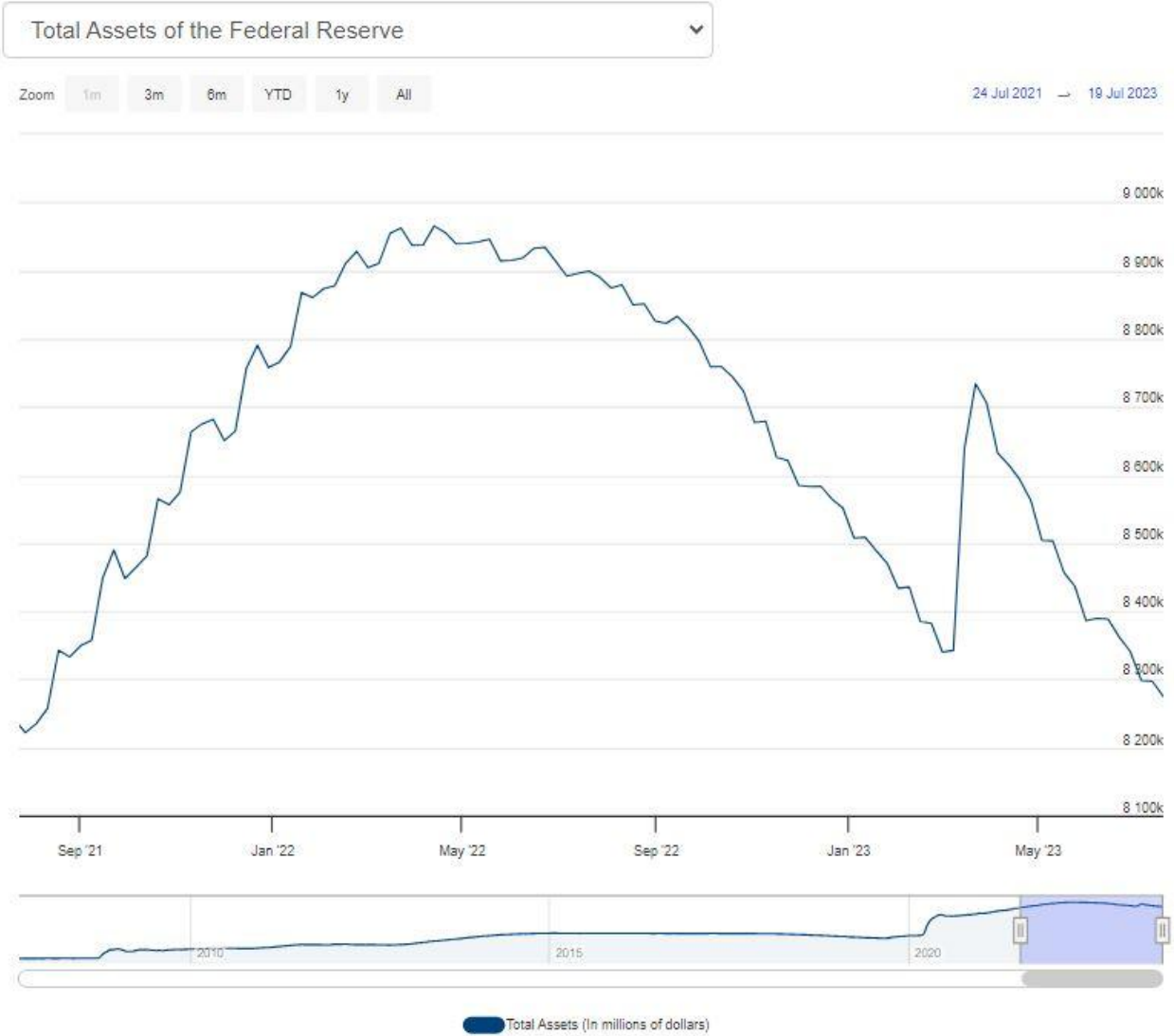
US 10 year Treasury daily chart as of July 21, 2023 - The 10 year saw a strong rally last week that paused this week for 3 days within the range seen last Friday. Thursday saw a sharp decline crossing below its 20 day SMA. Friday saw a tiny bounce that just barely closed back above its 20 day SMA.



US 10 year Yield daily chart as of July 21, 2023 - The 10 year Yield paused Monday and declined slightly Tuesday and Wednesday. Thursday saw a spike up back above its 20 day SMA with a narrow 'Inside' day seen on Friday.

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
07/03/2023	5.27	5.40	5.44	5.52	5.53	5.43	4.94	4.56	4.19	4.03	3.86	4.08	3.87
07/05/2023	5.28	5.38	5.44	5.51	5.52	5.40	4.94	4.59	4.25	4.11	3.95	4.17	3.95
07/06/2023	5.32	5.47	5.46	5.52	5.54	5.44	4.99	4.68	4.37	4.22	4.05	4.23	4.01
07/07/2023	5.32	5.47	5.46	5.52	5.53	5.41	4.94	4.64	4.35	4.23	4.06	4.27	4.05
07/10/2023	5.34	5.47	5.48	5.53	5.54	5.38	4.85	4.54	4.25	4.14	4.01	4.24	4.05
07/11/2023	5.35	5.48	5.49	5.53	5.55	5.44	4.88	4.52	4.24	4.13	3.99	4.22	4.03
07/12/2023	5.36	5.49	5.47	5.52	5.53	5.35	4.72	4.36	4.07	3.97	3.86	4.14	3.96
07/13/2023	5.37	5.50	5.47	5.51	5.49	5.27	4.59	4.21	3.93	3.85	3.76	4.07	3.90
07/14/2023	5.37	5.49	5.49	5.53	5.52	5.34	4.74	4.35	4.04	3.94	3.83	4.11	3.93
07/17/2023	5.37	5.51	5.49	5.53	5.52	5.33	4.74	4.34	4.02	3.91	3.81	4.10	3.94
07/18/2023	5.37	5.50	5.49	5.53	5.51	5.32	4.74	4.35	4.00	3.90	3.80	4.08	3.91
07/19/2023	5.37	5.51	5.49	5.54	5.51	5.32	4.74	4.34	3.98	3.87	3.75	4.01	3.84
07/20/2023	5.44	5.53	5.49	5.54	5.52	5.35	4.80	4.43	4.08	3.98	3.85	4.10	3.91
07/21/2023	5.43	5.54	5.50	5.54	5.53	5.35	4.82	4.44	4.09	3.97	3.84	4.10	3.91

US Yield Rates daily table as of July 21, 2023 - This week we saw a small increase in both the short-term and mid-term yields with little change in the longer term yields.



FOMC Balance Sheet weekly chart as of July 19, 2023 - The Fed decreased its Balance Sheet this week by \$22.371 Billion to a new Total Assets of \$8.27452 Trillion. The Fed's Balance Sheet has show a Total of over \$8.2 Trillion for two years now.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of July 21, 2023 - The Transports saw a small decline on Monday then a gap up and rally Tuesday to deliver new 52 week highs every day this week except on Monday. The Transports ended the week up +2.56% with strong volume seen on Thursday and Friday.



XLE daily chart as of July 21, 2023 - The Energy sector saw a lower low and lower high on Monday then resumed its rally on Tuesday with higher highs and higher lows each day that followed ending the week near the highs from the prior week and near its 200 day SMA, up +3.50% for the week.



XLF daily chart as of July 21, 2023 - The Financial sector resumed its rally on Monday and recovered a lot of its prior day's losses. The rally continued with higher highs and higher lows the rest of this week with a lower close seen on Friday to end the week up +2.95%.



QQQ daily chart as of July 21, 2023 - The Nasdaq-100 ETF continued its rally with higher highs (new 52 week highs) and higher lows the first 3 days of this week. Thursday saw a gap down and strong selling breaking below its Support Trend Line (Orange line) at the open and giving back the prior 5 days of gains. Friday continued with a lower low, lower high and lower close to end the week down -0.91%.



SOXX daily chart as of July 21, 2023 - The Semiconductor sector continued its rally Monday and Tuesday with new 52 week highs. Wednesday saw a lower high, lower low and lower close. Thursday saw a strong gap down and selling all day, crossing below its 20 day SMA and giving back the prior 6 days of gains. Friday saw a small gap up above the 20 day SMA and narrow range day to end the week down - 1.44%.



XLC daily chart as of July 21, 2023 - The Communication Services sector continued its decline Monday then saw a small bounce Tuesday. Wednesday saw new 52 week highs and a narrow range day. Thursday saw a gap down and selling most of the day. Selling continued Friday with lower lows, lower highs and a lower close to end the week down -2.37%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	6/9/2023	6/16/2023	6/23/2023	6/30/2023	7/7/2023	7/14/2023	7/21/2023
\$SPX	0.39%	2.58%	-1.39%	2.35%	-1.16%	2.42%	0.69%
\$INDU	0.34%	1.25%	-1.67%	2.02%	-1.96%	2.29%	2.08%
\$COMPQ	0.14%	3.25%	-1.44%	2.19%	-0.92%	3.32%	-0.57%
\$RUT	1.90%	0.52%	-2.87%	3.68%	-1.27%	3.56%	1.51%
QQQ	-0.04%	3.79%	-1.33%	1.90%	-0.86%	3.50%	-0.91%
\$TRAN	0.66%	3.86%	-0.71%	5.73%	0.19%	1.72%	2.56%
XLE	1.79%	-0.58%	-3.49%	4.93%	-0.47%	0.82%	3.50%
XLF	1.07%	1.30%	-2.06%	2.96%	-0.36%	1.96%	2.95%
XLK	-0.53%	4.33%	-2.42%	3.09%	-1.52%	2.79%	0.08%
SOXX	0.78%	4.24%	-4.49%	4.65%	-2.54%	4.81%	-1.44%
XLV	0.08%	1.37%	0.25%	0.55%	-2.81%	2.09%	3.45%
XLY	2.68%	3.21%	-0.36%	2.64%	-0.26%	3.28%	-2.25%
XRT	3.16%	2.12%	-0.83%	3.11%	0.19%	2.10%	1.27%
XLI	1.45%	2.98%	-1.67%	3.91%	-1.04%	2.27%	0.87%
XLU	1.95%	1.37%	-2.60%	0.63%	-0.08%	2.23%	2.41%
XME	1.70%	2.86%	-1.73%	4.37%	-0.57%	2.04%	0.16%
XLP	-0.68%	2.13%	-0.49%	0.53%	-0.96%	1.12%	1.82%
XLB	0.55%	3.48%	-2.07%	4.02%	-1.97%	2.49%	0.59%
XLC	0.08%	2.45%	-0.92%	1.59%	-0.05%	3.23%	-2.37%
XHB	2.79%	2.38%	0.75%	4.48%	-2.93%	7.12%	-1.21%

Weekly Percent Change US Indexes and Sectors table as of July 21, 2023 - Note the strongest Index this week was the Dow Industrials at +2.08% followed by the Russell 2000 at +1.51%. The Nasdaq (Nasdaq composite and Nasdaq-100) was the weakest Index this week with losses.

The strongest sector this week was the XLE Energy sector that was followed by XLV, XLF, Transports, and XLU sectors. Each of these sectors delivered over +2% of gains this week.

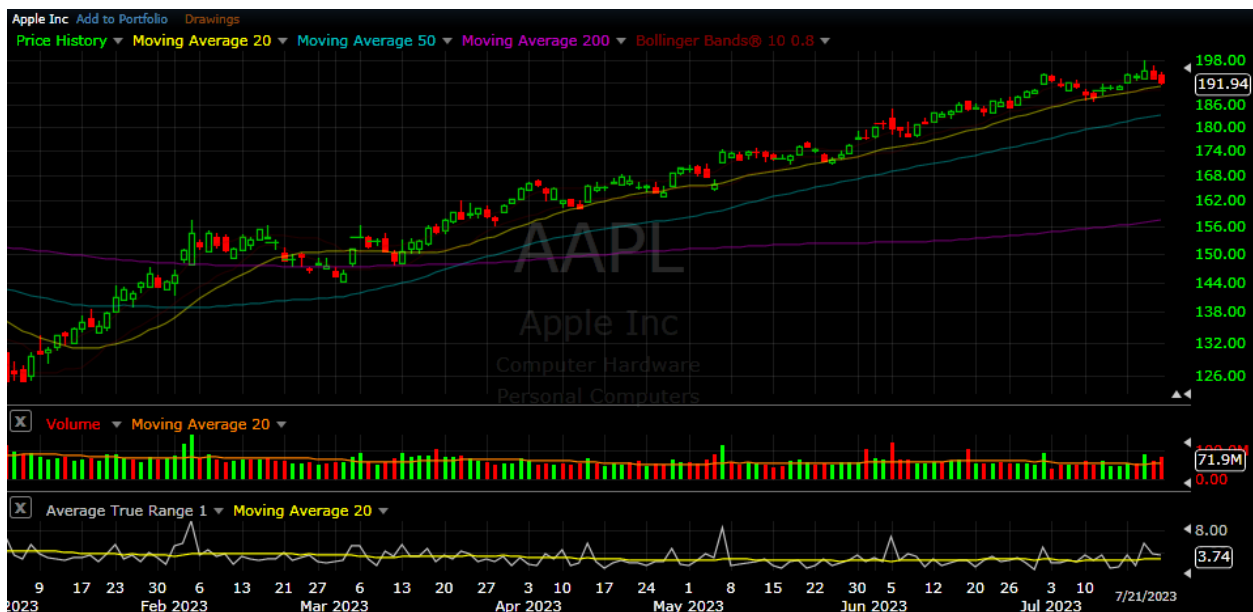
The weakest sectors this week were: XLC, XLY, SOXX, XHB and QQQ that all had losses this week.

	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
INDEXes	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day
SECTORS	07/10/23	07/11/23	07/12/23	07/13/23	07/14/23	07/17/23	07/18/23	07/19/23	07/20/23	07/21/23
\$SPX	0.24%	0.67%	0.74%	0.85%	-0.10%	0.39%	0.71%	0.24%	-0.68%	0.03%
\$INDU	0.63%	0.93%	0.25%	0.14%	0.33%	0.22%	1.06%	0.31%	0.47%	0.01%
\$COMPQ	0.18%	0.55%	1.15%	1.58%	-0.18%	0.93%	0.76%	0.03%	-2.05%	-0.22%
\$RUT	1.64%	0.96%	1.05%	0.91%	-1.01%	1.05%	1.27%	0.45%	-0.89%	-0.35%
QQQ	0.03%	0.49%	1.26%	1.70%	-0.02%	0.93%	0.82%	-0.02%	-2.31%	-0.30%
\$TRAN	1.03%	1.40%	-0.16%	-0.01%	-0.55%	-0.01%	2.01%	0.79%	-0.03%	-0.20%

Daily Percent Change US Indexes table as of July 21, 2023 - We again see daily changes in leadership with the Transports showing strength this week on both Tuesday and Wednesday. The QQQ showed its weakness on both Wednesday and Thursday.

If you were looking for bullish opportunities, then looking at key components within the Transports sector on Tuesday and Wednesday were one area to look. If you were looking for bearish opportunities, then looking at key components within the Nasdaq-100 would be an area to explore.

Next we will look at a few key Stocks.



AAPL daily chart as of July 21, 2023 - Apple saw some consolidation last week and opened this week with a gap up Monday and a pause Tuesday. The pause continued Wednesday until the 'news' Over-Reaction occurred to deliver new all time highs before returning those reaction gains. (We covered these details above on page 2 of this report.) Thursday and Friday saw a decline to end the week up +0.66%.



MSFT daily chart as of July 21, 2023 - Microsoft paused its rally on Monday this week and continued its pause early Tuesday before the 'News' event and over reaction occurred to deliver new all time highs. (Covered in detail on the first 2 pages of this report.) Wednesday, Thursday and Friday saw a decline to test support near its 20 day SMA and ending the week down -0.43%. MSFT reports Earnings next week on the 25th.



GOOGL daily chart as of July 21, 2023 - On Monday Alphabet delivered a higher high, higher low but a lower close. The next three days saw a decline with lower highs and lower lows, crossing below its 50 day and 20 day SMAs on Thursday. Friday saw a narrow 'Inside' day that remained below its 20 day SMA, ending the week down -4.31%. Alphabet reports Earnings next week on the 25th.



AMZN daily chart as of July 21, 2023 - Amazon saw lower lows and lower highs on Monday and Tuesday then saw a rally Wednesday that failed to retest the prior highs from last Friday. Thursday saw strong selling, crossing below its 20 day SMA that continued lower Friday to end the week down -3.47%.



TSLA daily chart as of July 21, 2023 - Tesla continued its rally Monday, Tuesday and Wednesday before reporting Earnings after the close on Wednesday. The reaction to Earnings was negative with a gap down and selling below its 20 day SMA on Thursday on very strong volume. Friday saw continued selling lower on strong volume to end the week down -7.59%.

NFLX also saw a negative reaction to Earnings Wednesday night this week.



NVDA daily chart as of July 21, 2023 - Nvidia saw a higher high and higher close on Monday and Tuesday this week that failed to retest last week's all time highs. Wednesday saw a narrow 'Inside' day with a lower close that continued lower Thursday and Friday to end the week down -2.55%.



META daily chart as of July 21, 2023 - Meta saw a lower low, lower high but a higher close on Monday. The rally continued Tuesday and Wednesday to deliver new 52 week highs on Wednesday. A strong decline was seen Thursday and Friday, crossing below its 20 day SMA and ending the week down -4.73%. Meta also reports Earnings next week on the 25th.

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	3.50%	-0.91%
AAPL	0.01%	0.66%
MSFT	2.38%	-0.43%
GOOGL	4.97%	-4.31%
AMZN	3.78%	-3.47%
TSLA	2.53%	-7.59%
NVDA	6.98%	-2.55%
META	6.31%	-4.73%

In the table above the green highlighted values are where the gains were greater than were the QQQ's gains for that week. Note that the biggest declines this week were seen in 5 big names: TSLA, META, GOOGL, AMZN and NVDA.

The Nasdaq is doing a 'Special' Re-Balancing of their NDX Index this weekend due to the excessive weighting of the 5 to 7 biggest names in the NDX. They have only done a 'Special' Re-balancing twice before in history, in 1998 and 2011. These 7 big companies represent about 55% of the total value of the 100 companies that make up the Nasdaq-100 index. The new weighting will go into effect at the Market Open on Monday July 24th.

Since the goal of the Nasdaq is to reduce the weighting of these 'Big' components, this will likely force a number of Fund Managers (and others) to re-adjust the weighting of their holding in these same names in their funds, funds that are supposed to track the Nasdaq-100.

We will see Monday what the impact of this re-balancing may be.



JPM daily chart as of July 21, 2023 - JP Morgan reported Earnings last Friday and after a dip and pause last Friday the positive reaction kicked in this week with new 52 week highs every day this week except on Friday. Friday saw an 'Inside' day to end the week up +3.46%.



WFC daily chart as of July 21, 2023 - Similar to JPM, Wells Fargo reported Earnings last Friday and saw a dip and pause last Friday that was followed by a rally each day this week with a pull back on Friday to end the week up +5.51%.

Both JPM and WFC provided a 'buyable dip' opportunity after Earnings and after support was found on last Friday.



MS daily chart as of July 21, 2023 - Morgan Stanley paused for 4 days before reporting Earnings on Tuesday this week before the open. The very strong positive reaction was seen Tuesday crossing above its 200 day SMA. The rally continued higher each day this week to end the week up +9.59%.



GS daily chart as of July 21, 2023 - Goldman Sachs saw a pause near its 50 day SMA on Monday then saw a sympathetic rally (in sympathy with MS) on Tuesday. GS reported Earnings on Wednesday before the open and saw a rally above its 200 day SMA Wednesday that continued higher Thursday and Friday, ending the week up +7.90%.



COST daily chart as of July 21, 2023 - The strong rally we saw last week in Costco continued this week with higher highs and higher lows every day this week, ending the week up 2.04%. Costco is nearing its prior highs from Aug. 2022.



INTC daily chart as of July 21, 2023 - Intel saw a small pull back late last week that reversed Monday this week with a resumption of a strong rally that recovered all of the losses from the prior 2 days. Tuesday and Wednesday saw higher highs and higher lows. Thursday saw a gap down and selling down to its 20 day SMA. Friday saw a bounce off of its 20 day SMA and a higher close to end the week up +2.62%.



WMT daily chart as of July 21, 2023 - Wal-Mart saw a pause last week that continued the first 3 days of this week. Thursday saw a strong rally above its 20 day SMA that continued higher Friday to nearly reach its prior highs from July 5th. WMT ended the week up +2.40%.



FDX daily chart as of July 21, 2023 - FDX continued its pullback on Monday this week then gapped up to new 52 week highs on Tuesday. The rest of this week saw little change as price remained near its new highs ending this week up +0.86%.



SLB daily chart as of July 21, 2023 - Schlumberger paused this week near the close from last Friday and changed little until Earnings on Friday before the markets open. Friday saw a gap down and bounce to end the week down -1.96%.

Next week we have plenty of events that could drive some reactions in the markets.

1. The Re-Balancing of the Nasdaq-100
2. Big names reporting Earnings: on Tuesday after the close GOOGL & MSFT followed by META on Wednesday.
3. The Fed's rate change Wednesday, with markets expecting another 25 basis points increase.

It will be interesting to see the impact of the Nasdaq's re-balancing this next week. The impact could be minor with little impact, or it could be significant. We will need a little time to see if the character of the Nasdaq-100 changes with less influence by the Magnificent Seven.

Regardless of the events this week, we always prepare by using our imagination to visualize what we would do "if" the markets: [A] Rallies, [B] Declines, or [C] chops in a horizontal range for a while.

Trade Smart,
CJ