



## Market Observations - as of October 20, 2023

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

Last week we saw a reaction to the attack on Israel last with a gap down at the open on Monday that soon rallied to higher highs for the day. Tuesday saw the rally continue with higher highs and higher lows. Wednesday saw higher highs and higher lows in the Nasdaq while the S&P delivered an 'Inside Day' (with lower highs and higher lows). Thursday saw new highs for the week in both the Nasdaq and S&P in the first half of the day before the markets saw a 'no show' for the Bond Auction at about 1pm ET with a fast and strong decline in the markets that followed for an hour when a bounce recovered about 1/3 of the sharp decline in the last 2 hours of the day. Friday saw a small gap up and failed rally in the first 30 min. that was followed with steady selling most all day.

By the end of last week the Nasdaq Composite had given back all of its gains that week and ended the week with a very small loss. The S&P ended last week by giving back about  $\frac{3}{4}$  of its gains for the week, ending last week with a small gain.

This week we saw the markets pause Monday and Tuesday inside of last week's range. The S&P briefly made a higher high mid day that was quickly giving back the next hour. By Tuesday's close we saw few clues as to what may be next, other than more inside days and a continued Pause. Wednesday saw strong selling all day to give us an answer to the 'pause' question, the Trend was clearly down and headed lower. Thursday saw continued selling lower most of the day with a brief 1 hour whip-saw as Jay Powell was speaking. Friday saw strong selling the first 2 hours, a failed bounce for the next 2 hours that was followed by more selling to new lows the last 2.5 hours of the day.

The failed rally mid day on Tuesday this week was quickly followed by strong selling Wednesday to deliver lower lows that continued lower the rest of this week.

Oil prices paused the first 3 days this week then shot up on Thursday to over \$89 before pulling back a little on Friday to \$88.

Gold prices paused Monday and Tuesday then resumed its strong rally higher the rest of this week, breaking above \$2000 on Friday. The US Dollar Index saw little change this week.

The US 10 year Treasury saw strong selling every day this week except on Friday. The 10 year Yields rose as a result every day (except on Friday) to reach 4.996% on Thursday and pull back to 4.924% on Friday. The high Yields on Thursday were more new 16 year highs.

The VIX made new highs this week at 21.83 on Friday, a level not seen since March of this year.

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



S&P 500 weekly chart as of Oct 20, 2023 - After a mild 2 week bounce we see a large decline this week with a close near the lows that was back below the 12 month Trend Line Support (Orange line). The weekly range this week was the largest seen since March of this year.



S&P 500 daily chart as of Oct 20, 2023 - We saw a pause Monday and a failed rally Tuesday that failed to reach its 50 day SMA. The next 3 days saw strong declines, crossing below its 20 day SMA on Thursday and below the 12-month Support Trend Line (Orange line) and its 200 day SMA on Friday, ending the week down -2.39%. The S&P is now below all 3 of its key daily SMAs.



S&P 500 15 min. chart as of Oct 20, 2023 - Here we see a pause, non-trending chop zone most of last week that continued this week (grey box). We saw a rally mid day on Tuesday that failed and was followed by lower lows the next day. The decline was strong Wednesday, Thursday and Friday, crossing below the lower weekly Expected Move several times on Friday and ending the day below the Expected Move and below the 200 day SMA. The Expected Move acted like support Friday morning for a while, then was retested and clearly broken in the afternoon. It is not rare for the Expected Move to sometimes be an area of Support or Resistance. A clear break of the Expected Move shows us the relative strength of the Bears (or Bulls) to trade beyond the Expected Move.





DJIA weekly chart as of Oct 20, 2023 - The Dow Industrials saw a bounce last week followed by a Bearish Engulfing candle this week mostly below its 50 week SMA.



DJIA daily chart as of Oct 20, 2023 - Last week we saw a pause just below the 200 day SMA. This week we saw a rally Monday and Tuesday above the 200 day SMA. Wednesday saw strong selling back below the 200 day SMA and tested its 20 day SMA as Support. Thursday crossed below the 20 day SMA and continued Lower Friday on stronger volume, ending the week down -1.61% and now below all 3 of its key daily SMAs.



Nasdaq weekly chart as of Oct 20, 2023 - The Nasdaq Composite bounced the prior 3 weeks and gave back all of those gains this week.



Nasdaq daily chart as of Oct 20, 2023 - This week began with a bounce and test of the 50 day SMA on Monday and Tuesday that failed to close above the 50 day SMA on both days. Wednesday saw strong selling below its 20 day SMA that continued lower Thursday and Friday, ending the week down -3.16%. Friday's close was the lowest close seen since the end of May.





Russell 2000 weekly chart as of Oct 20, 2023 - The Russell has been stuck within a range for over 18 months and this week's decline is nearing a test of the bottom of that range. We see 3 declining weeks in a row that is a continuation of the decline we have seen since the end of July.



Russell 2000 daily chart as of Oct 20, 2023 - Last week saw a drop Thursday and Friday that reversed this week on Monday and Tuesday. Tuesday crossed and closed above its 20 day SMA. Wednesday gave back the prior two days gains and continued lower Thursday, breaking below the prior week's lows. Friday saw the decline continued to new 52 week Lows, ending this week down -2.26% and still below all 3 of its key daily SMAs.

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



McClellan Summation Index weekly chart as of Oct 20, 2023 - Last week we saw a rather small bounce up to -582.92. This week peaked then declined lower to -615.07.



McClellan Summation Index daily chart as of Oct 20, 2023 - This week we saw a small increase Tuesday to about -535 then a sharp decline to Friday's close at -615.07.

This Index seems to more closely correlate with the Russell 2000 since there are a large number of stocks included in each study.

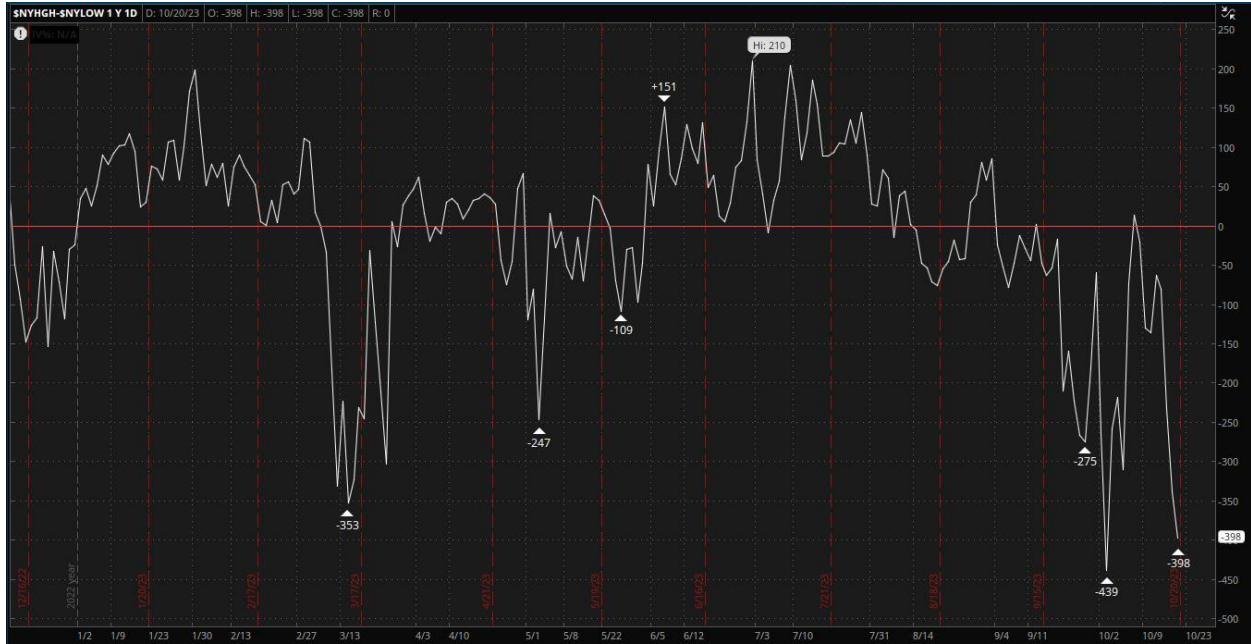


NYSE Percent above 200 day SMA daily chart as of Oct 20, 2023 - Last week we saw a decline to 36.97%. This week we saw a small bounce up to 41% on Tuesday followed by a strong decline to Friday's close at 31.10%.



NYSE Percent above 50 day SMA daily chart as of Oct 20, 2023 - Last week we saw a bounce up to 31.8% then a decline to 24.91%. This week we saw a small bounce that peaked Tuesday at about 33% then was followed by a sharp decline to 19.61% at the end of this week.





NYSE New Highs minus New Lows daily chart as of Oct 20, 2023 - We saw the second lowest count this year on Friday of this week at -398.



VIX daily chart as of Oct 20, 2023 - The VIX saw an 'Inside' day Monday with a higher open and lower close below its 20 day and 200 day SMAs. Tuesday that reversed as the VIX crossed back above both the 20 day and 200 day SMAs and closed higher. Wednesday, Thursday and Friday each saw higher highs, higher lows and higher closes, peaking at 21.83 on Friday, the highest level seen since late March.



VVIX daily chart as of Oct 20, 2023 - The Volatility of the VIX saw a small decline on Monday and Tuesday then rallied higher on Wednesday and Thursday, crossing above the 112 Level. All of Friday saw the VVIX remain above 112. The 112 level provided Resistance where only major spikes in Volatility exceeded this level in 2019 and since the last half of 2022 and so far in 2023.

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



Oil daily chart as of Oct 20, 2023 - Oil paused near its highs last week and just below the 20 day SMA last Thursday and Friday and continued to pause on Monday of this week. Tuesday saw a swing between the 50 day and 20 day SMAs with a close nearly on the 20 day SMA. Wednesday saw a rally that crossed above its 20 day SMA but failed to close above. Thursday saw the rally continue with a close above the 20 day SMA. Friday saw a small pull back to end the week at \$88.30. In just two weeks we have seen Oil prices swing from lows of \$81.50 to highs of \$89.85. Oil is now above all 3 of its key daily SMAs.





Gold daily chart as of Oct 20, 2023 - Gold saw a huge rally last week that climaxed last Friday. This week began with a small pull back below the 200 day SMA and above the 50 day SMA on Monday. Tuesday saw a pause before the rally kicked back in on Wednesday with higher highs and higher closes the rest of this week, breaking above \$2000 on Friday. We saw strong volume each of the last 3 days this week as Gold peaked at \$2009.20 on Friday and closed this week at \$1993.10.



US Dollar Index daily chart as of Oct 20, 2023 - The US Dollar saw little change this week and remained within a narrow horizontal range.



US 10 year Treasury daily chart as of Oct 20, 2023 - The 10 year Treasury saw selling with lower lows and lower highs each day this week except on Friday. Volume was above average Tuesday, Wednesday and Thursday this week. Friday saw a small bounce on average volume.

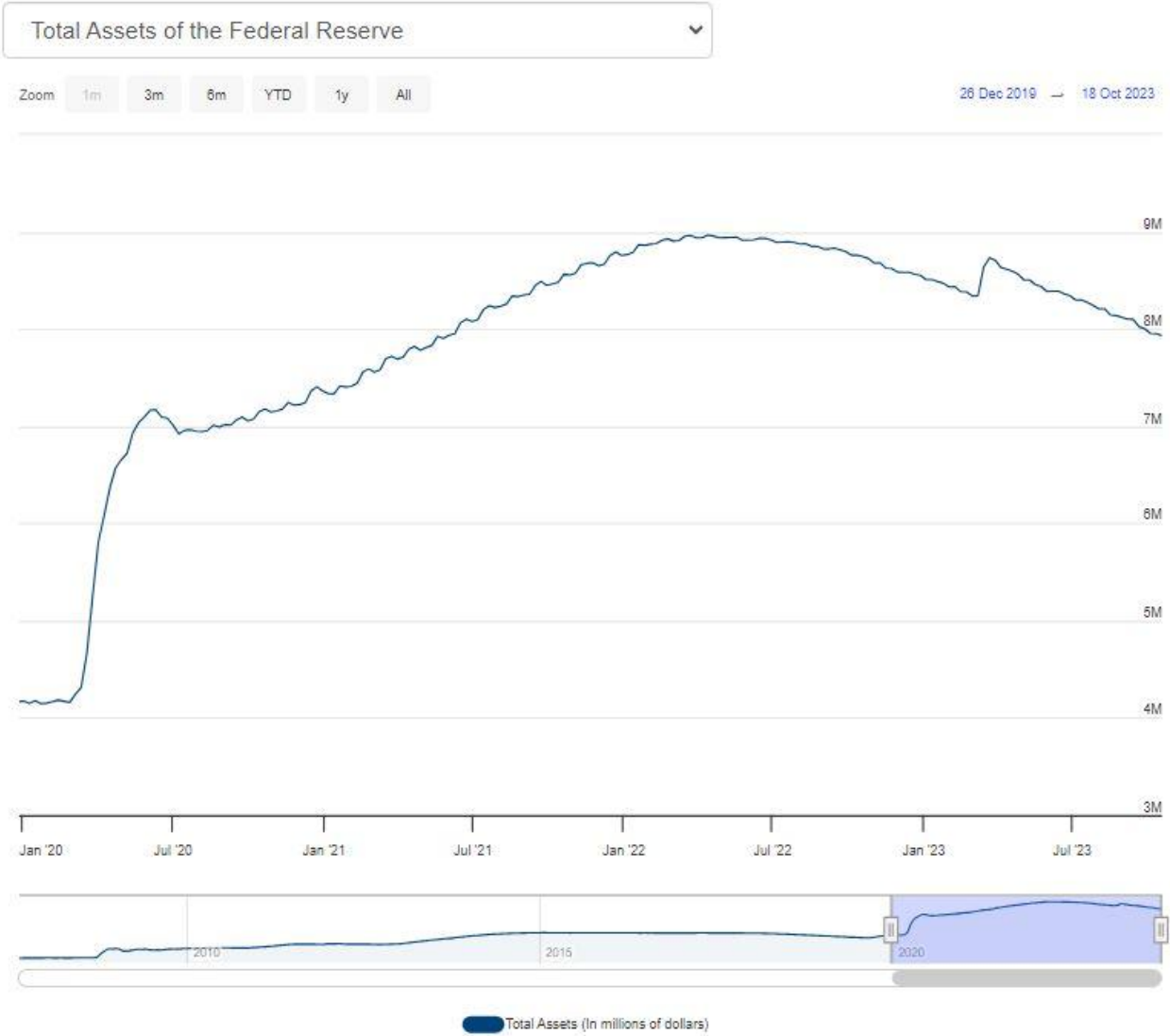


US 10 year Yield daily chart as of Oct 20, 2023 - As the 10 year was sold off this week the Yields rose sharply from 4.71% on Monday to a peak of 4.996% on Thursday as we saw new 16 year highs. Friday saw a small pull back to 4.92%.

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
10/02/2023	5.56	5.60	5.62	5.62	5.58	5.49	5.12	4.88	4.72	4.73	4.69	5.00	4.81
10/03/2023	5.55	5.60	5.62	5.62	5.58	5.49	5.15	4.95	4.80	4.84	4.81	5.13	4.95
10/04/2023	5.56	5.58	5.61	5.62	5.57	5.42	5.05	4.85	4.72	4.75	4.73	5.05	4.87
10/05/2023	5.57	5.59	5.61	5.62	5.56	5.39	5.03	4.82	4.68	4.73	4.72	5.06	4.89
10/06/2023	5.59	5.60	5.63	5.64	5.59	5.43	5.08	4.87	4.75	4.79	4.78	5.13	4.95
10/10/2023	5.60	5.61	5.61	5.63	5.57	5.37	4.96	4.74	4.62	4.66	4.66	5.03	4.85
10/11/2023	5.58	5.59	5.61	5.63	5.56	5.38	4.99	4.73	4.59	4.61	4.58	4.92	4.73
10/12/2023	5.61	5.59	5.63	5.63	5.58	5.43	5.06	4.82	4.69	4.73	4.70	5.05	4.86
10/13/2023	5.60	5.58	5.62	5.62	5.57	5.41	5.04	4.80	4.65	4.66	4.63	4.97	4.78
10/16/2023	5.57	5.58	5.61	5.63	5.58	5.42	5.09	4.87	4.72	4.74	4.71	5.06	4.87
10/17/2023	5.58	5.58	5.62	5.64	5.60	5.48	5.19	5.01	4.86	4.88	4.83	5.14	4.94
10/18/2023	5.57	5.56	5.61	5.62	5.58	5.47	5.19	5.03	4.92	4.95	4.91	5.20	5.00
10/19/2023	5.58	5.57	5.60	5.62	5.56	5.44	5.14	5.01	4.95	5.00	4.98	5.30	5.11
10/20/2023	5.56	5.56	5.58	5.61	5.54	5.41	5.07	4.93	4.86	4.93	4.93	5.27	5.09

US Yield Rates daily table as of Oct 20, 2023 - Longer terms saw a strong increase in Yields this week while shorter terms saw little change. The Yield Curve Inversion is increasing this week.





FOMC Balance Sheet weekly chart as of Oct 18, 2023 - The Fed decreased its Balance Sheet this week by \$18.892 Billion to a new Total Assets of \$7.933162 Trillion.

Next we will look at a few key Sectors.



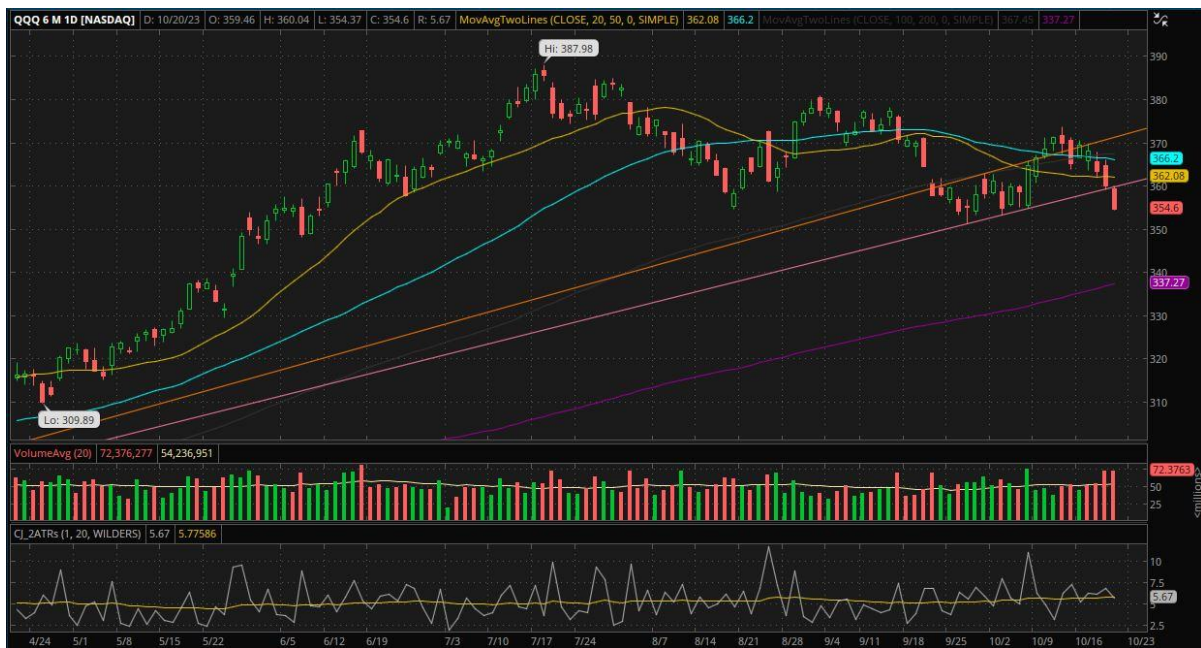
Dow Transportation Index daily chart as of Oct 20, 2023 - The Transports rallied Monday back above its 200 day and 20 day SMAs. Tuesday saw a higher high, higher low and higher close. Wednesday saw strong selling back below the 20 day and 200 day SMAs and exceeding the prior week's lows. Thursday and Friday saw lower lows and lower highs to end the week down -1.69% and now below all 3 of its key daily SMAs.



XLE daily chart as of Oct 20, 2023 - The Energy sector moved with Oil prices this week, above its 20 day and 50 day SMAs last Friday and continued higher with higher highs and higher closes Monday, Tuesday and Wednesday. Thursday saw a wider range day with a slightly lower close. Friday saw a lower high, lower low and lower close to end the week up +0.75% and above all 3 key SMAs.



XLF daily chart as of Oct 20, 2023 - The Financial sector Rallied above its 20 day SMA on Monday and Tuesday to find Resistance near its 200 day SMA. Wednesday saw strong selling back below its 20 day SMA that continued lower Thursday and Friday, breaking below the Oct. 4<sup>th</sup> prior lows and ending this week down -3.04%. The XLF is now below all 3 of its key daily SMAs.



QQQ daily chart as of Oct 20, 2023 - Last week the QQQ broke above then back below the 9-month Support Trend Line (Orange line). That fake out caused us to draw a 2<sup>nd</sup> Trend Line between the Jan. lows and the Oct. 3<sup>rd</sup> lows (Pink line). The QQQ rallied above its 50 day SMA on Monday then delivered lower highs and lower lows every day that followed this week, crossing and closing below its 50 day SMA on Wednesday and below its 20 day SMA on Thursday. Friday broke below the new Pink Trend Line to end this week down 2.92%.





SOXX daily chart as of Oct 20, 2023 - The Semiconductor sector saw a strong rally last week that was mostly given back last Friday. We saw an 'Inside' day on Monday with a small bounce. Tuesday saw a lower low, lower highs with a close back above the 20 day SMA. Wednesday saw an 'Inside' day below the 20 day SMA. Thursday and Friday saw strong selling below the 20 day SMA and nearly touched the 200 day SMA Friday, ending the week down -4.07%.



XLC daily chart as of Oct 20, 2023 - The Communication Services sector saw a small rally Monday and Tuesday that failed and was all given back the next 3 days, crossing below the 50 day and 20 day SMAs on Friday, ending the week down -0.82%.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORs	9/8/2023	9/15/2023	9/22/2023	9/29/2023	10/6/2023	10/13/2023	10/20/2023
\$SPX	-1.29%	-0.16%	-2.93%	-0.74%	0.48%	0.45%	-2.39%
\$INDU	-0.75%	0.12%	-1.89%	-1.34%	-0.30%	0.79%	-1.61%
\$COMPQ	-1.93%	-0.39%	-3.62%	0.06%	1.60%	-0.18%	-3.16%
\$RUT	-3.61%	-0.24%	-3.82%	0.48%	-2.22%	-1.48%	-2.26%
QQQ	-1.33%	-0.48%	-3.34%	0.10%	1.79%	0.16%	-2.92%
\$STRAN	-3.96%	0.86%	-2.29%	-0.13%	-1.08%	-0.73%	-1.69%
XLE	1.44%	-0.04%	-2.22%	1.21%	-5.16%	4.50%	0.75%
XLF	-1.12%	1.55%	-2.93%	-1.46%	-0.39%	0.51%	-3.04%
XLK	-1.94%	-2.25%	-2.45%	-0.29%	2.62%	0.24%	-2.78%
SOXX	-3.53%	-2.58%	-3.14%	1.99%	1.38%	-0.73%	-4.07%
XLV	-1.13%	0.10%	-1.14%	-1.08%	0.99%	0.14%	-1.64%
XLY	-0.54%	1.80%	-6.15%	0.03%	-0.23%	-1.02%	-4.58%
XRT	-4.07%	0.40%	-3.98%	2.13%	-3.35%	-0.32%	1.04%
XLI	-2.91%	-0.60%	-2.66%	-0.40%	-0.59%	0.96%	-3.00%
XLU	0.86%	2.79%	-1.75%	-6.89%	-2.85%	3.58%	-2.14%
XME	-3.29%	3.71%	-3.03%	1.84%	-3.22%	-0.73%	-3.07%
XLP	-0.61%	0.49%	-1.99%	-1.90%	-3.11%	0.19%	0.70%
XLB	-2.41%	-0.11%	-3.62%	0.23%	-0.71%	-0.45%	-3.01%
XLC	-0.21%	0.82%	-2.56%	-0.08%	2.04%	0.24%	-0.82%
XHB	-3.57%	-2.89%	-3.21%	0.51%	-2.12%	-1.04%	-4.46%

Weekly Percent Change US Indexes and Sectors table as of Oct 20, 2023 - The Nasdaq Composite led this week's decline with the QQQ close behind. The S&P and Russell saw similar declines this week while the Dow Industrials and Transports saw smaller declines.

The Strongest Sector this week was the XRT with the XLE and XLP also delivering small gains this week.

The Weakest sectors this week included: XLY, XHB and the SOXX that all delivered more than a -4% decline this week.

INDEXes	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	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	10/09/23	10/10/23	10/11/23	10/12/23	10/13/23	10/16/23	10/17/23	10/18/23	10/19/23	10/20/23
\$SPX	0.63%	0.52%	0.43%	-0.62%	-0.50%	1.06%	-0.01%	-1.34%	-0.85%	-1.26%
\$INDU	0.59%	0.40%	0.19%	-0.51%	0.12%	0.93%	0.04%	-0.98%	-0.75%	-0.86%
\$COMPQ	0.39%	0.58%	0.71%	-0.63%	-1.23%	1.20%	-0.25%	-1.62%	-0.96%	-1.53%
\$RUT	0.60%	1.14%	-0.15%	-2.20%	-0.84%	1.59%	1.09%	-2.11%	-1.51%	-1.29%
QQQ	0.51%	0.55%	0.71%	-0.35%	-1.26%	1.13%	-0.33%	-1.31%	-0.94%	-1.49%
\$STRAN	0.90%	0.89%	0.34%	-1.07%	-1.76%	1.88%	0.85%	-3.44%	-1.01%	0.10%

Daily Percent Change US Indexes table as of Oct 20, 2023 - We see daily changes in leadership, with the Industrials and Transports showing leadership on two days each this week. Weakness changed each day and no single Index saw more than one day of weakness this week.

Next we will look at a few key Stocks.



AAPL daily chart as of Oct 20, 2023 - Apple saw a strong rally last week with a decline last Friday. Monday saw a gap down a rally above the 50 day SMA with a lower close. Every day this week saw lower closes. Tuesday closed below the 50 day SMA. Wednesday closed just above the 20 day SMA. Thursday closed just below the 20 day SMA and Friday saw a large decline below the 20 day SMA to end this week down -3.34%. Apple reports Earnings next month on Nov. 2<sup>nd</sup>.



MSFT daily chart as of Oct 20, 2023 - Microsoft saw a mostly horizontal week, closing not far from \$331 each day this week except on Friday where we saw a strong decline to its 50 day SMA support, ending this week down -0.32%. MSFT reports Earnings next Tuesday (Oct. 24<sup>th</sup>) after the close.





GOOGL daily chart as of Oct 20, 2023 - Alphabet was mostly horizontal this week until Friday's strong selling to close nearly on its 20 day SMA, down -1.28% for the week. GOOGL reports Earnings next Tuesday (Oct. 24<sup>th</sup>) after the close.



AMZN daily chart as of Oct 20, 2023 - Amazon saw a failed rally last Thursday that failed to break above its 50 day SMA and has been followed by lower lows. This week we saw a small bounce and 'Inside' day on Monday that was followed with a lower close every day this week except on Thursday. Wednesday and every day the rest of this week saw each day close below the 20 day SMA. Friday saw new lows for this week, ending the week down -3.56%. AMZN reports Earnings next Thursday (Oct. 26<sup>th</sup>) after the close.



TSLA daily chart as of Oct 20, 2023 - Tesla straddled its 50 day and 20 day SMAs on Monday and Tuesday then broke below both on Wednesday before reporting Earnings after the close. Thursday saw a large gap down that continued lower Friday below its 200 day SMA to end this week down -15.58% exceeding the Aug. 18<sup>th</sup> lows on strong volume. TSLA is now below all 3 of its key daily SMAs.



NVDA daily chart as of Oct 20, 2023 - Nvidia saw a rally that peaked last Thursday and was followed with strong selling last Friday. This week we see lower lows and lower highs each day except on Thursday. The 15 day rally we saw from the lows on Sept. 21<sup>st</sup> to the highs last Thursday was nearly all given back in the past 6 sessions. NVDA ended this week down -8.96%.



META daily chart as of Oct 20, 2023 - Meta delivered new 52 week highs last Thursday and pulled back last Friday. This week began with an 'Inside' day on Monday and a small rally Tuesday the was followed by lower lows and lower closes Wednesday, Thursday and Friday, crossing below its 20 day SMA on Friday to end the week down -1.92%. META reports Earnings next Wednesday (Oct. 25<sup>th</sup>) after the close.



JPM daily chart as of Oct 20, 2023 - JP Morgan reported Earnings last Friday before the open and saw a large rally that was mostly given back by the close that day, closing near its 50 day SMA. This week we see the selling continue with a lower close every day this week, closing below its 50 day SMA on Wednesday and below its 20 day SMA on Thursday. Friday nearly reached its 200 day SMA and saw a very small bounce before closing the week down -3.41%.





COST daily chart as of Oct 20, 2023 - Costco saw a small rally last Friday off of its 20 day SMA support. The rally continued this week with higher highs, higher lows and higher closes for 3 days, peaking Wednesday with new 52 week highs. Thursday saw strong selling down to its 20 day SMA that continued lower Friday, crossing below its 50 day SMA and ending the week down -2.45%.



AMD daily chart as of Oct 20, 2023 - AMD peaked last Thursday and saw a strong decline last Friday below its 50 day SMA. This week we see a rally above the 50 day SMA on Monday that formed an 'Inside' day. Tuesday saw a wide range swing between its 20 day and 50 day SMAs. Wednesday saw a lower close below the 20 day SMA with an 'Inside' day. Thursday saw a failed rally above both its 20 day and 50 day SMAs that closed below both SMAs. Friday saw a lower high, lower low and lower close to end the week down -3.12%. Note how the 3 SMAs are converging together, indicating little Trend and mostly Consolidation for several months. AMD reports Earnings on Oct. 31<sup>st</sup>.



SLB daily chart as of Oct 20, 2023 - Schlumberger has been in a horizontal zone for 3 months with no Trend other than Consolidation. This week we see a pause Monday followed by a rally Tuesday and Wednesday. Thursday saw a drop lower before reporting Earnings Friday before the open. Friday saw prices continue lower, crossing below its 50 day and 20 day SMAs to end the week down -1.27%.



CVX daily chart as of Oct 20, 2023 - Chevron rallied with oil prices this week, with higher highs and higher closes each day this week except on Friday where we see a decline that tested the 20 day SMA as Support, ending the week up +1.69% and above all 3 of its key daily SMAs.



TGT daily chart as of Oct 20, 2023 - Target saw a bounce last week above its downward sloping 20 day SMA. TGT paused Monday and Tuesday this week before continuing its decline Wednesday and Thursday crossing back below its 20 day SMA. Friday saw a lower low, lower high and a higher close that still closed below its 20 day SMA, ending the week down -2.81%. We have seen weekly declines in 9 out of the past 12 weeks.



LMT daily chart as of Oct 20, 2023 - Lockheed saw a big gap up on Monday (Oct. 9<sup>th</sup>) in reaction to news of the attack on Israel. LMT slowly continued a little higher last week. This week we saw a pause Monday before reporting Earnings Tuesday before the open. The reaction Tuesday was first positive, then negative as all of the day's gains were giving back mid day with only a small positive gain at the close that day. Wednesday, Thursday and Friday all saw higher highs and higher lows with a higher close 2 days and a lower close on Friday, ending the week up +0.71%.



We saw a mild rally Monday and Tuesday that failed and was followed by strong selling the next 3 days. We saw 10 year Yields hit new 16 year highs again this week as markets sold off. We saw Gold break above \$2000 this week. We saw Oil rally to nearly \$90. The VIX hit new 6-month highs this week as did the VVIX.

Lots of uncertainty remains in the markets with 2 wars, a lack of a Speaker in the House of Representatives, and with Oil and Gold prices reaching higher.

The key strategy in ALL markets conditions is to STICK TO YOUR PLAN. In a Bearish market context, we look for failed rallies to sell. We were given an opportunity this week with the failed rally mid day on Tuesday. By Wednesday's open we saw plenty of confirmation of the selling pressure to follow, and it did.

Nobody knows what the market will do next. However, if you pay attention to the current conditions, and keep those in context of recent market behaviors, you can be prepared for when your valid opportunity next shows up. Until then, there is nothing wrong with sitting on cash.

Trade Smart,

CJ