



## Market Observations - as of October 27, 2023

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

Last 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 on Tuesday that was quickly giving back the next hour. 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 last week was quickly followed by strong selling Wednesday to deliver lower lows that continued lower the rest of this week.

This week we saw a gap down Monday and a failed rally mid day that pulled back. Tuesday saw another failed rally in the morning and near the close that failed to reach last Friday's prior highs. Wednesday saw strong selling resume with lower lows and lower highs Wednesday, Thursday and Friday in the S&P. The Nasdaq saw strong selling Wednesday and Thursday with a pause and 'Inside' day on Friday.

The decline since the late July Highs continues. We have seen at least 3 waves of over a -1100 pt declines in the Nasdaq Composite (and over -270 pt declines in the S&P-500) with each successive wave we've seen both lower lows and lower highs. If the next rally fails to exceed the prior highs, then that rally is in question and odds are higher that a lower low may follow. We assume that the down trend will continue until we have clear evidence to confirm that the Bear Trend has changed.

The US Dollar dipped Monday then rallied the rest of this week. Oil prices declined Monday and Tuesday then paused the rest of this week. Gold prices paused Monday and Tuesday then rallied the rest of this week to break above \$2000.

The US 10 year Yield declined Monday, paused Tuesday then moved higher Wednesday and lower Thursday. Friday saw little change in the Yield rates.

Hundreds of stocks reported Earnings this week with four of the Biggest stocks also reporting this week, Microsoft, Alphabet, Met and Amazon with mixed reactions seen in the Markets. The bearish context of this market can make an Earnings 'Beat' and positive future 'Expectations' be received with negative stock movement. We saw examples of 'All news is bad news' with a few exceptions this week.

We saw new 52 week Lows in several of the 'Market Internals' this week and we continue to see the strongest Volume days on selling days and rather light volume on 'pause' or failed rally days.

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



SP&P 500 weekly chart as of Oct 27, 2023 - Last week we saw a strong decline that broke below the 12-month Support Trend Line (Orange line). The decline continued strong this week as the S&P broke below its 50 week SMA.



SP&P 500 daily chart as of Oct 27, 2023 - We saw a lower low and lower high every day this week except on Tuesday when we saw a failed rally above its 200 day SMA. Wednesday, Thursday and Friday saw the strong decline continue below its 200 day SMA and touching its prior Lows from May 24<sup>th</sup> (Pink line) on Friday, ending this week down -2.53%.

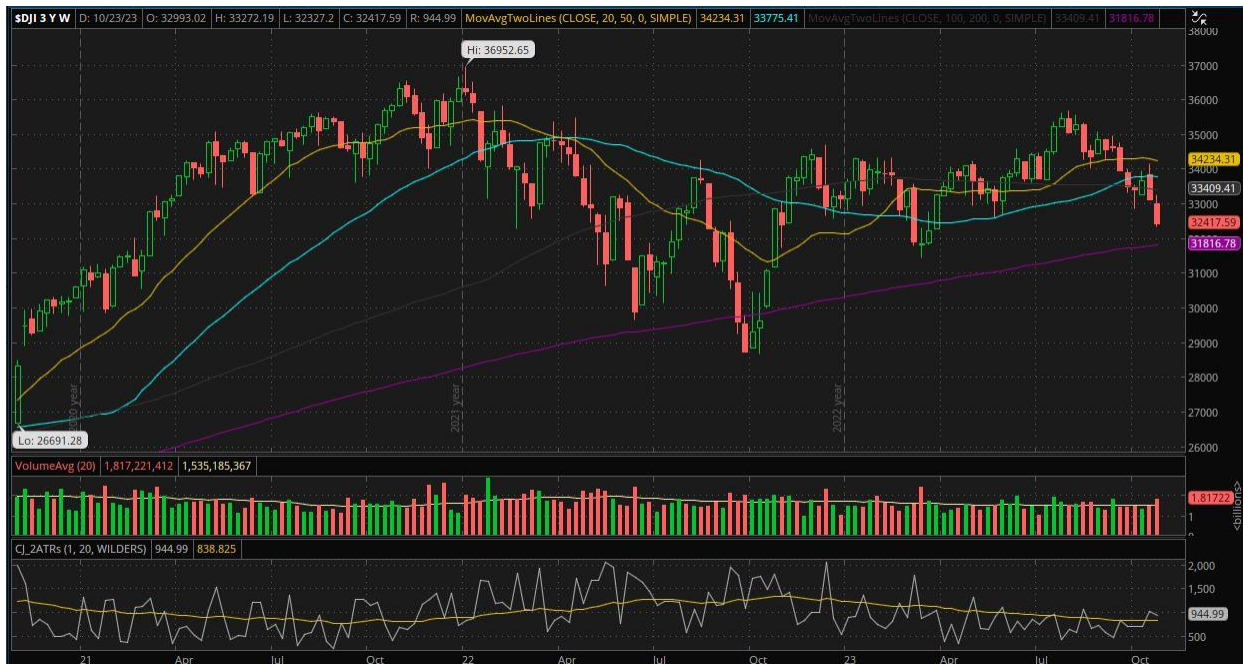


S&P 500 15 min. chart as of Oct 27, 2023 - Here we see the gap down Monday at the open that rallied to fill the gap but could not exceed the prior day's (Friday's) highs and sold off the last half of the day back down to the Oct. 3<sup>rd</sup> Lows. Tuesday saw 2 failed rallies, one in the morning and one at the close that failed to exceed last Friday's highs and only exceeded Monday's highs by less than 4 points. Wednesday saw a gap down that 'Continued' lower nearly all day on strong volume. Thursday saw lower lows and lower highs with a few tests of the lower weekly Expected Move mid-day. Friday also saw lower lows and lower highs with another test of the Expected Move in the morning and a break below the Expected Move mid-day that remained below the E.M. the rest of the day. Late Friday we saw a brief test and break of the prior May 24<sup>th</sup> Lows.

We saw both last week and this week end with the S&P below its lower weekly Expected Move. Over the prior 13 weeks we have seen 6 weeks that closed below their lower Expected Move and one week that closed above its Expected Move. We have also seen the size of the weekly Expected Move grow over the past 4 weeks as Volatility has increased.

The S&P Expected Move for next week (Nov. 3<sup>rd</sup>) is +/- \$96.75 from Friday's close at \$4117.37.





DJIA weekly chart as of Oct 27, 2023 - The Dow Industrials saw a 2<sup>nd</sup> strong decline this week. Last week ended nearly at the 2022 Close and this week ended nearly 730 points below the 2022 Close. Note the stronger volume this week than last week.



DJIA daily chart as of Oct 27, 2023 - The Industrials continued lower Monday, bounced a little on Tuesday then resumed the decline Wednesday, Thursday and Friday, with larger range declines each day on stronger volume, ending this week down -2.14%. Friday saw the Industrials break below the May 25<sup>th</sup> prior Lows to new lows not seen since March of this year.



Nasdaq weekly chart as of Oct 27, 2023 - The Nasdaq Composite broke below its 9-month Trend Line (Orange line) and its 20 week SMA in late September and straddled that Trend Line for 2 weeks, broke above for a week then back below last week. This week we see the decline continue and nearly reached its 50 week SMA.



Nasdaq daily chart as of Oct 27, 2023 - Here we see 3 Declines since the July 19<sup>th</sup> Highs marked with yellow asterisks. Each decline and the following rally delivered a series of lower highs and lower lows and each had a decline of over -1100 points. This week the decline continued Monday, saw a small failed rally Tuesday, then resumed with strong declines on Wednesday and Thursday, breaking below its 200 day SMA on Thursday. Friday saw an 'Inside' day to end the week down -2.62%.





Russell 2000 weekly chart as of Oct 27, 2023 - The Russell 2000 has been within a range for over 18 months. This week we saw the decline continue and break below the prior lows from June 16<sup>th</sup> 2022 (Pink line).



Russell 2000 daily chart as of Oct 27, 2023 - Here we see the decline continue Monday, Wednesday and Friday with a failed rally on Tuesday and a pause on Thursday. Friday saw the Russell break and close below the prior lows from June 16<sup>th</sup> 2022, ending this week down -2.61% with new 2-year Lows.

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



McClellan Summation Index weekly chart as of Oct 27, 2023 - Last week we saw the decline resume lower to -615.07. This week we saw a stronger decline to -817.36 that appear to be new 52 week lows.



McClellan Summation Index daily chart as of Oct 27, 2023 - The decline that resumed last Wednesday (Oct. 18<sup>th</sup>) continued all of this week at a strong pace, ending this week at -817.36 for new 52 week lows.

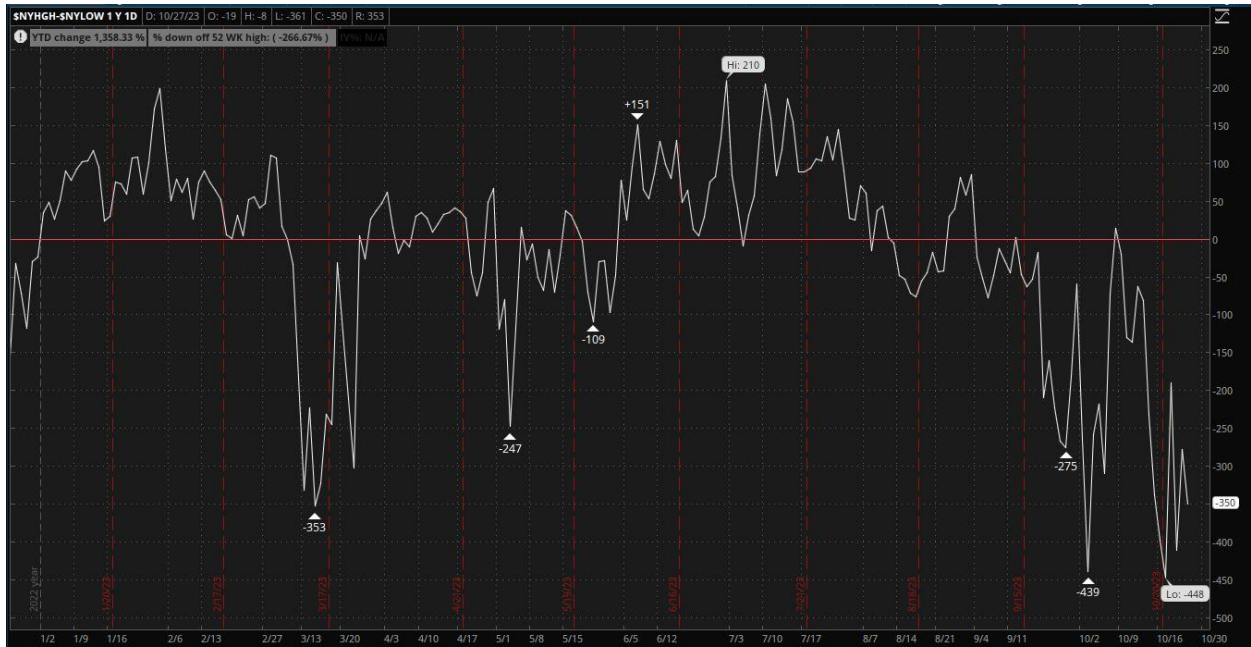


NYSE Percent above 200 day SMA daily chart as of Oct 27, 2023 - Last week we saw a decline to 31.10%. This week we saw a small bounce Tuesday to about 31.3% that quickly resumed the decline Wednesday and the rest of this week to end this week at 26.07%. 26.07% is a new 52 week Low for this Index.



NYSE Percent above 50 day SMA daily chart as of Oct 27, 2023 - Last week we saw a strong decline to 19.61%. This week we saw a drop to 17% on Monday, a small bounce up to 20% on Tuesday that was followed by a decline to 18.2% Wednesday, a pause Thursday and a decline Friday to end this week at 15.09%. With only 15% of NYSE Listed stocks now above their 50 day SMA, that means that 85% are now below their 50 day SMA. 15.09% is a new 52 week Low for this Index.





NYSE New Highs minus New Lows daily chart as of Oct 27, 2023 - The NYSE New Highs minus New Lows index delivered a new 52 week Low on Monday this week at -448.



VIX daily chart as of Oct 27, 2023 - The VIX saw a wide range Monday that peaked at 23.08 on Monday before closing the day at 20.37. Tuesday saw a small decline that then resumed higher Wednesday and Thursday. Friday was a wider range day to end this week at 21.27.



VVIX daily chart as of Oct 27, 2023 - The Volatility of the VIX delivered a new high early Monday at 118.79 before pulling back and closing the day at 109. Tuesday saw a decline back to the 20 day SMA. The rest of this week saw a small range just above its 20 day SMA.

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



Oil daily chart as of Oct 27, 2023 - Oil declined Monday and Tuesday below its 50 day SMA and passed within a range the last 3 days of this week, testing its 20 day SMA as Resistance on Friday.



Gold daily chart as of Oct 27, 2023 - Gold saw a strong rally last week and paused the first 2 days of this week before resuming its rally, breaking above \$2000 and closing this week at \$2016.30. This week was similar to last week, with a pause Monday and Tuesday, then a rally Wednesday, Thursday and Friday.





US Dollar Index daily chart as of Oct 27, 2023 - The US Dollar dropped Monday and recovered that drop on Tuesday. Wednesday and Thursday saw a small increase with a pause on Friday.



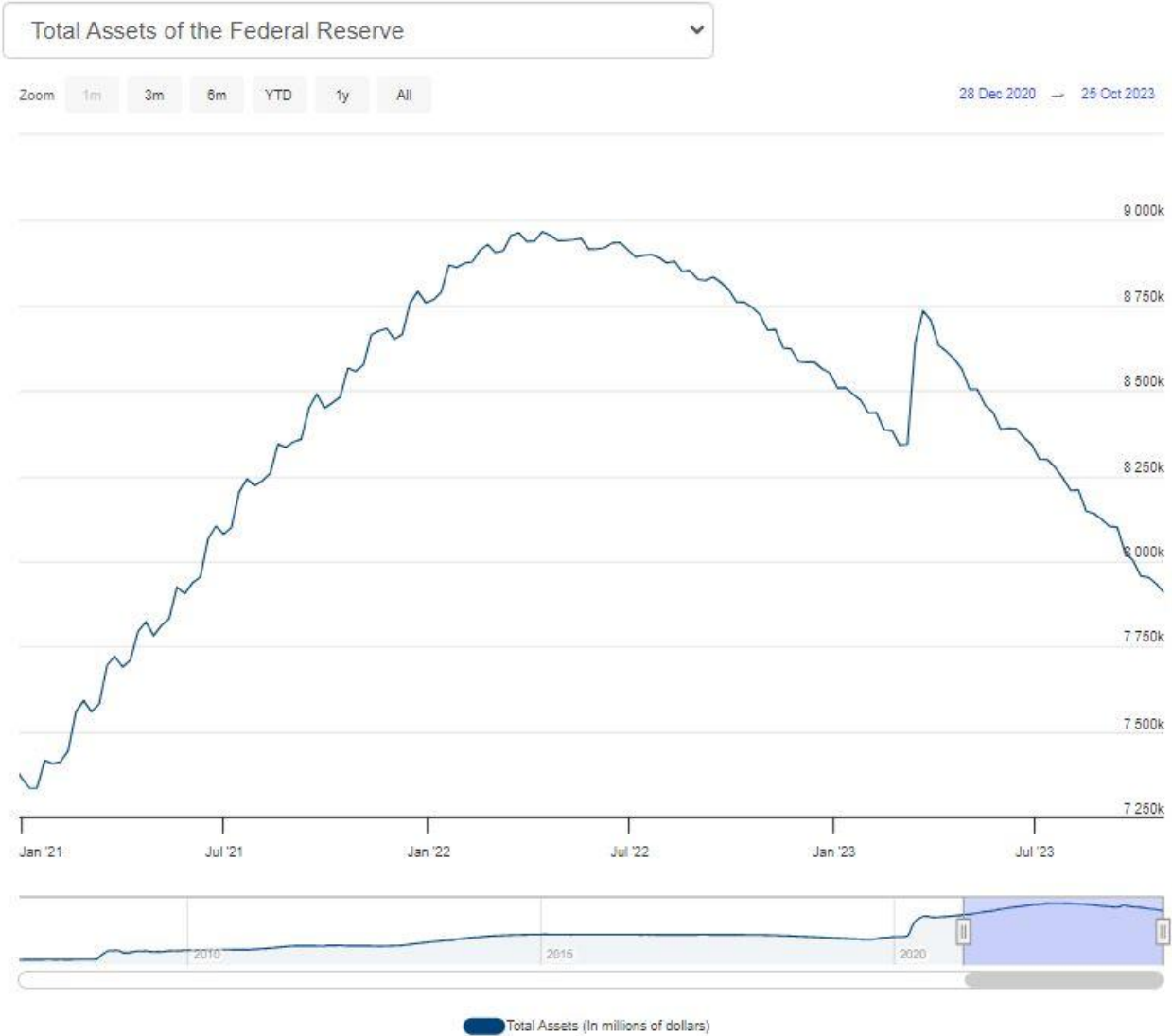
US 10 year Treasury daily chart as of Oct 27, 2023 - The 10 year Treasury remained within a range this week, above last week's lows and below the mid-point of last week's range, remaining below its 20 day SMA.



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
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
10/23/2023	5.57	5.57	5.58	5.59	5.56	5.42	5.05	4.89	4.81	4.87	4.86	5.19	5.01
10/24/2023	5.57	5.57	5.58	5.60	5.57	5.41	5.02	4.91	4.82	4.86	4.83	5.15	4.96
10/25/2023	5.56	5.57	5.59	5.61	5.57	5.43	5.08	4.98	4.89	4.98	4.95	5.27	5.09
10/26/2023	5.57	5.57	5.59	5.60	5.55	5.39	5.02	4.89	4.79	4.86	4.86	5.19	5.01
10/27/2023	5.57	5.57	5.59	5.60	5.55	5.39	4.99	4.84	4.76	4.83	4.84	5.19	5.03

US Yield Rates daily table as of Oct 27, 2023 - The mid and longer terms peaked on Wednesday this week while the short terms saw little change. This week's peak was a little below last week's peak in Yields.





FOMC Balance Sheet weekly chart as of Oct 25, 2023 - The Fed decreased its Balance Sheet this week by \$25.3321 Billion for a new Total Assets of \$7.907830 Trillion. The 'Tightening' we have seen over the past 17 months (in 2022 and 2023) has been a lot slower and smaller than was the added Liquidity seen in 2021.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Oct 27, 2023 - The Transports decline we saw last week continued even faster this week with lower lows, lower highs and lower closes every day this week, ending this week down -6.19% and getting closer to delivering new 52 week lows.



XLE daily chart as of Oct 27, 2023 - The Energy sector decline we saw last Friday continued lower Monday crossing below its 50 day and 20 day SMAs. Every day this week saw lower lows, lower highs and lower closes. Friday crossed and closed below its 200 day SMA to end the week down -6.24%. XLE is now below all 3 of its key SMAs and was the weakest sector on my list this week.



XLF daily chart as of Oct 27, 2023 - The Financial sector saw a strong decline last week that continued lower on Monday then paused for 3 days. Friday saw the largest decline this week on very strong volume, ending the week down -2.33%.



QQQ daily chart as of Oct 27, 2023 - The Nasdaq-100 ETF continued lower Monday then saw a failed rally Tuesday that was followed by lower lows Wednesday and continued lower Thursday. The strongest volume days were on down days this week (Wednesday and Thursday). Friday saw a narrow 'Inside' day to end the week down -2.62%.





SOXX daily chart as of Oct 27, 2023 - The Semiconductor sector continued lower Monday below its 200 day SMA. Tuesday saw a failed rally back above its 200 day SMA. Wednesday gapped back below its 200 day SMA and saw strong selling that continued a little lower on Thursday. Friday saw a narrow 'Inside' day to end the week down -2.83% and now below all 3 of its key SMAs.



XLC daily chart as of Oct 27, 2023 - The Communication Services sector has remained near its 20 day and 50 day SMAs for many weeks, and continued near these SMAs on Monday and Tuesday of this week. Wednesday saw a strong gap down and follow through lower that was repeated on Thursday. Friday saw a smaller 'Inside' day to end the week down -5.16%. Earnings this week impacted the XLC since META is 24% weighted and Alphabet is about 23% of the total value of the XLC ETF.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	9/15/2023	9/22/2023	9/29/2023	10/6/2023	10/13/2023	10/20/2023	10/27/2023
\$SPX	-0.16%	-2.93%	-0.74%	0.48%	0.45%	-2.39%	-2.53%
\$INDU	0.12%	-1.89%	-1.34%	-0.30%	0.79%	-1.61%	-2.14%
\$COMPQ	-0.39%	-3.62%	0.06%	1.60%	-0.18%	-3.16%	-2.62%
\$RUT	-0.24%	-3.82%	0.48%	-2.22%	-1.48%	-2.26%	-2.61%
QQQ	-0.48%	-3.34%	0.10%	1.79%	0.16%	-2.92%	-2.62%
\$TRAN	0.86%	-2.29%	-0.13%	-1.08%	-0.73%	-1.69%	-6.19%
XLE	-0.04%	-2.22%	1.21%	-5.16%	4.50%	0.75%	-6.24%
XLF	1.55%	-2.93%	-1.46%	-0.39%	0.51%	-3.04%	-2.33%
XLK	-2.25%	-2.45%	-0.29%	2.62%	0.24%	-2.78%	-1.72%
SOXX	-2.58%	-3.14%	1.99%	1.38%	-0.73%	-4.07%	-2.83%
XLV	0.10%	-1.14%	-1.08%	0.99%	0.14%	-1.64%	-3.84%
XLY	1.80%	-6.15%	0.03%	-0.23%	-1.02%	-4.58%	-1.38%
XRT	0.40%	-3.98%	2.13%	-3.35%	-0.32%	1.04%	-2.25%
XLI	-0.60%	-2.66%	-0.40%	-0.59%	0.96%	-3.00%	-2.29%
XLU	2.79%	-1.75%	-6.89%	-2.85%	3.58%	-2.14%	1.21%
XME	3.71%	-3.03%	1.84%	-3.22%	-0.73%	-3.07%	1.00%
XLP	0.49%	-1.99%	-1.90%	-3.11%	0.19%	0.70%	-1.03%
XLB	-0.11%	-3.62%	0.23%	-0.71%	-0.45%	-3.01%	-0.46%
XLC	0.82%	-2.56%	-0.08%	2.04%	0.24%	-0.82%	-5.16%
XHB	-2.89%	-3.21%	0.51%	-2.12%	-1.04%	-4.46%	-1.52%

Weekly Percent Change US Indexes and Sectors table as of Oct 27, 2023 - Note that all indexes were down this week, and except for the Nasdaq, these indexes were down more this week than they were last week. The Nasdaq Composite and Nasdaq-100 ETF (QQQ) were down less this week than last week. This could be due to 4 'Big' stocks that reported Earnings this week.

The Strongest sectors and only positive sectors this week were XLU and XME. All other sectors were down this week.

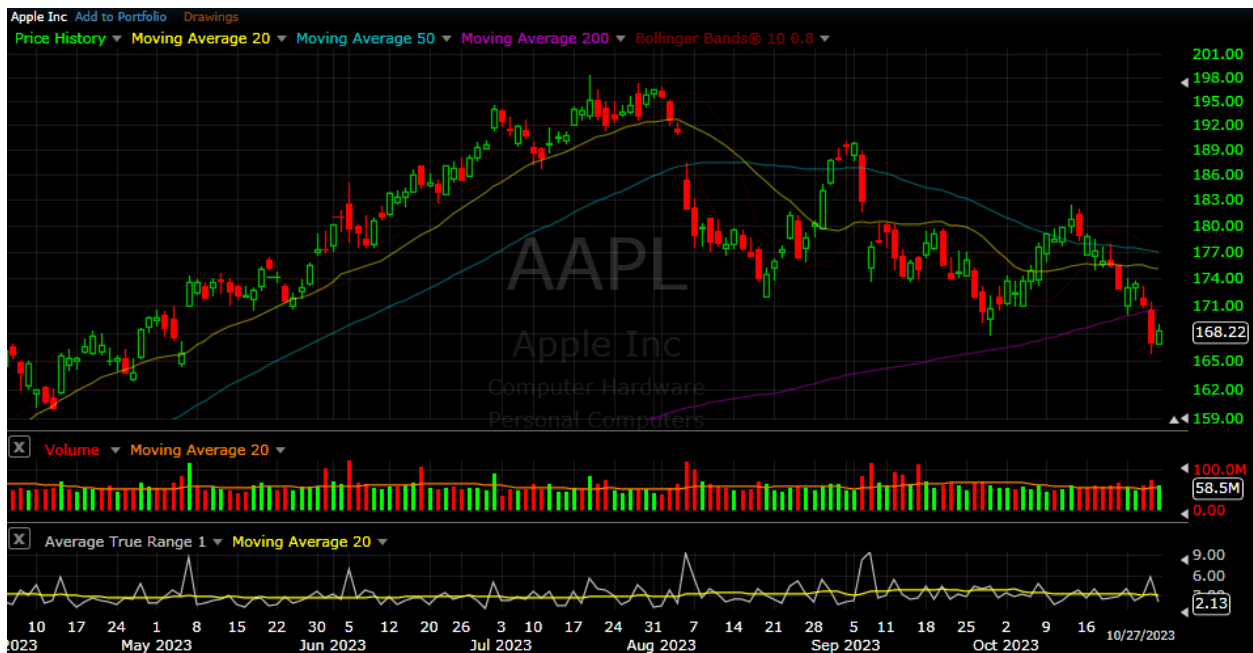
The Weakest sectors this week included: XLE, Transports, XLC and XLV that were all down by over -3%.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 10/16/23	End of Day 10/17/23	End of Day 10/18/23	End of Day 10/19/23	End of Day 10/20/23	End of Day 10/23/23	End of Day 10/24/23	End of Day 10/25/23	End of Day 10/26/23	End of Day 10/27/23
\$SPX	1.06%	-0.01%	-1.34%	-0.85%	-1.26%	-0.17%	0.73%	-1.43%	-1.18%	-0.48%
\$INDU	0.93%	0.04%	-0.98%	-0.75%	-0.86%	-0.58%	0.62%	-0.32%	-0.76%	-1.12%
\$COMPQ	1.20%	-0.25%	-1.62%	-0.96%	-1.53%	0.27%	0.93%	-2.43%	-1.76%	0.38%
\$RUT	1.59%	1.09%	-2.11%	-1.51%	-1.29%	-0.89%	0.82%	-1.67%	0.34%	-1.21%
QQQ	1.13%	-0.33%	-1.31%	-0.94%	-1.49%	0.30%	0.97%	-2.45%	-1.91%	0.48%
\$TRAN	1.88%	0.85%	-3.44%	-1.01%	0.10%	-1.46%	-0.01%	-2.44%	-1.70%	-0.72%

Daily Percent Change US Indexes table as of Oct 27, 2023 - Note that on both Monday and Tuesday the QQQ was the strongest and the Transports were the weakest those days. The QQQ then became the weakest on Wednesday and Thursday, before returning to leading on Friday. The Industrials showed less decline on Wednesday this week. The Russell went from Strong on Thursday to the weakest on Friday.

With 4 'Big' stocks reporting Earnings this week, it should not be a surprise that the QQQ saw oscillations up and down and up, since the biggest 7 stocks represent nearly half of the value of the QQQ.

Next we will look at a few key Stocks.



AAPL daily chart as of Oct 27, 2023 - Apple continued its decline on Monday then saw a failed rally on Tuesday before resuming its decline on Wednesday. Thursday saw a gap below its 200 day SMA with the largest range day this week on strong volume. Friday saw a small bounce and 'Inside' day to end the week down -2.70%. Apple is now below all 3 of its key SMAs. Apple reports Earnings next week on Thursday (Nov. 2<sup>nd</sup>) after the close.





MSFT daily chart as of Oct 27, 2023 - Microsoft saw a test of its 20 day SMA support Monday and bounced to close the day higher. Tuesday saw a narrow 'Inside' day before reporting Earnings after the close. The Reaction Wednesday was a large gap up (+4.7%) and then selling down about \$5. Thursday saw strong selling back down to the 20 day SMA, giving back all of its Earnings reaction gains from the prior day. Friday saw an 'Inside' day to end the week up only +0.96%.



GOOGL daily chart as of Oct 27, 2023 - Alphabet bounced off of its 50 day SMA on Monday and close just above its 20 day SMA. Tuesday saw a gap up and rally that failed to reach the prior week's highs. Earnings were reported after the close Tuesday, Wednesday saw a large gap down and follow through lower. Thursday saw another gap down and lower close. Friday saw the decline continue lower to end the week down -9.90% and now below 2 of its 3 key SMAs. Note the strong volume this week.



AMZN daily chart as of Oct 27, 2023 - Amazon saw a lower low and higher close Monday followed by a failed rally up to its 20 day SMA on Tuesday. Wednesday saw a strong decline that continued lower Thursday, nearly to its 200 day SMA. Amazon reported Earnings Thursday after the close. Friday's reaction was positive up to its 20 day SMA to end the week up +2.05%.



TSLA daily chart as of Oct 27, 2023 - Tesla reported Earnings last week and saw a strong negative reaction last Thursday and Friday. The decline continued Monday with lower lows but a slightly higher close. Tuesday saw a failed rally up to its 200 day SMA. Wednesday crossed back below its 200 day SMA and delivered lower lows. Thursday continued lower to deliver the lowest close this week. Friday saw an 'Inside' day to end the week down -2.21%. TSLA is now below all 3 of its key daily SMAs.



NVDA daily chart as of Oct 27, 2023 - Nvidia saw a sharp decline last week. This week we saw a bounce Monday and Tuesday that nearly reached its 20 day SMA. Wednesday saw the selling resume with lower lows both Wednesday and Thursday, touching the prior Lows from June 26<sup>th</sup>. Friday saw an 'Inside' day to end the week down -2.14%. Nvidia is scheduled to report Earnings on Nov. 21<sup>st</sup>.



META daily chart as of Oct 27, 2023 - Meta straddled its 20 day SMA on Monday and saw a small bounce higher Tuesday that closed nearly on its 20 day SMA. Wednesday saw a strong decline below its 20 day and 50 day SMAs before reporting Earnings after the close. Thursday's reaction was negative and dropped to find support near \$279.40 before bouncing and closing near \$288. Friday saw a small gain to end the week down -3.86%.





JPM daily chart as of Oct 27, 2023 - JP Morgan saw a strong decline last week that continued lower Monday, crossing below its 200 day SMA. We saw lower lows and lower highs every day this week except on Thursday. Friday saw a huge decline on news that Jamie Dimon was selling a large amount of JPM shares. JPM ended the week down -5.08% and now below all 3 of its key daily SMAs.



COST daily chart as of Oct 27, 2023 - Costco saw a strong decline last Thursday and Friday. That decline continued lower this week with lower lows and lower closes every day except on Tuesday. Costco ended the week down -1.79%.



INTC daily chart as of Oct 27, 2023 - Intel continued its decline on Monday, saw a failed rally Tuesday then resumed its decline Wednesday and Thursday, nearly reaching its 200 day SMA. Intel reported Earnings on Thursday after the close. Intel saw a strong positive reaction Friday and rally that closed a few cents above its 20 day and 50 day SMAs, ending the week up +1.78%.



SLB daily chart as of Oct 27, 2023 - Schlumberger reported Earnings last Friday before the open with a negative reaction during the market hours that day. This week we saw a bounce Monday up to its 50 day SMA that failed and gave back all of those gains the next day, Tuesday. The selling continued lower Wednesday, Thursday and Friday to end the week down -4.09%.







LMT daily chart as of Oct 27, 2023 - Lockheed saw a big gap up after news of the attack on Israel. Last week we saw LMT continue a little higher. This week we saw a pause, oscillation Tuesday and pause most of this week to end the week down -0.18%.

We saw a brief pause Monday and failed rally on Tuesday this week before strong selling resumed Wednesday and Thursday. Friday either continued lower in some indexes or saw an 'Inside' day (Pause) for the Nasdaq. We saw how the negative Alphabet (GOOGL) Earnings reaction (-9.90%) made a significant impact on the XLC sector this week, overpowering the positive reactions to META (+3.86%).

We also saw how the Nasdaq-100 ( NDX and QQQ ) saw more significant impacts from Earnings this week from 4 of the 7 biggest stocks. 'Size' matters.

Since the July highs this year, we have seen a series of lower lows and lower highs. We will assume this bear trend continues until we have clear confirmation it is over. That confirmation can come from breaking above a Resistance Trend Line, or delivering a higher high than the prior swing high, or from a higher low than the prior swing Low, or from a combination of these observations.

In a Bear Market Trend, we look for failed rallies to sell. Highs that are lower Highs than the prior Highs.

In a Bull Market Trend, we look for Dips to Buy. Dips with higher Lows than the prior Lows.

Keep it simple. Hope this helps.

Trade Smart,

CJ