



Market Observations - as of December 22, 2023

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

Last week we saw the prior Friday's rally continue most all of Monday, Tuesday and the first hour on Wednesday, delivering new highs along the way. After the first hour on Wednesday we saw a slow and quiet drift lower in anticipating of the Fed Rate announcement. The reaction Wednesday at 11:00am PT was strong and positive and continued higher as Jay Powell spoke 30 min. later. There was a small dip at 12:00 noon PT that lasted about a half hour before a bounce the last 30 min. of the day recovered most of that dip. Thursday saw a large gap up and slow drift lower to eventually fill that gap and bounce a little to end the day with a higher high, higher low and higher close. Friday was Quad Witching Expiration with the S&P consolidating most of the day near the middle of the prior day's range while the Nasdaq Composite consolidated most of the day near the prior day's highs.

This week we saw the rally continue higher at a slow and steady pace for most all of Monday, Tuesday and the first half of Wednesday with the S&P briefly crossing above its weekly Expected Move mid day then pulled back. The last 2 hours on Wednesday saw a violent Liquidation Break as most all of this week's gains so far were given back and then some. The Range seen on Wednesday was about twice the Average True Range (2x ATR) for several indexes. Thursday saw a small gap up, pause then selling back near the lows of the prior day then a mild bounce the last 2 hours to end the day not far from where the day opened. Friday saw a small gap up and some follow through higher the first half hour before stalling and drifting lower the next 2 hours. A small bounce the next hour failed to reach the highs seen that morning and was followed by a less violent Liquidation Break for 30 min that bounced in the last 90 min of the day to recover a little more than half of that quick drop. Friday closed not far from where it opened.

Volume faded this week as the Christmas Holiday approached and some folks left early for the Holiday. The exception was the Liquidation Break the last 2 hours on Wednesday that saw strong volume as profits were taken quickly and drew in more sellers. Since the rally that began in late October, this Wednesday brief selling was one of the strongest 'corrections' seen in seven weeks. Wednesday was a good reminder that Trends do not move in a straight line, but experience brief corrections along the way. This is also an example of how easy it is to move 'Thin' markets. It takes less volume to move a 'thin' market, to fully satisfy demand or to fully consume supply. We saw another smaller example of this for about 30 min. late on Friday.

The brief 'correction' on Wednesday also gave us an opportunity to see real strength in those stocks that saw the least decline and/or the quickest full recovery. As you look at the charts below, note what names were the least impacted and/or recovered the quickest.

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



S&P 500 weekly chart as of Dec 22, 2023 - We see an 8th week of higher highs and higher lows this week with a smaller gain than what was seen last week. We also see more new 52 week highs as the S&P nears its all time highs from two year ago.



S&P 500 daily chart as of Dec 22, 2023 - Here we see the rally continue on Monday and Tuesday this week, then after making a higher high we see a huge range candle on Wednesday that gave back the prior 4 day's of gains. Thursday saw an 'Inside' day that recovered about 2/3 of the prior day's drop. Friday saw a very small gain & failed to deliver a new high for the week to end the week up +0.75%.



S&P 500 15 min. chart as of Dec 22, 2023 - Here we can see the steady rally Monday, Tuesday and the first half of Wednesday this week that peaked at 4778.01 that was a new 52 week high and 4.29 points above the weekly Expected Move. We see the fast drop in the last 2 hours on Wednesday that closed near the lows of 4697.82 that was a little below last Wednesday's close (Dec. 13th). Thursday gapped up and stalled without any follow through higher or lower for 2 hours then saw a quick decline to the 4713 area. About an hour later a mild rally began to bounce back up to 4728 area that was followed with a little stronger rally the last hour on Thursday that recovered about 62% of the prior day's range. Friday saw a small gap up but with some positive follow through higher in the first 20 min. that stalled out less than 1 point below the weekly Expected Move before rolling over and selling a little lower the next hour. Friday saw a small rally mid day that failed to reach the prior highs and rolled over. At 2 hours before the close we saw another quick Liquidation Break that only lasted about 30 min. this time and saw a quick bounce the next 30 min. that recovered about 70% of the 30 min. drop. The last hour Friday was relatively quiet.

The first half of this week we saw the rally continue higher and delivered new 52 week highs Monday, Tuesday and Wednesday. The last half of this week we saw a strong Liquidation Break the last 2 hours on Wednesday and for 30 min. on Friday as the S&P formed a 'consolidation' pattern the last half of this week.



DJIA weekly chart as of Dec 22, 2023 - Here we see an 8th week to the rally with new all time highs and much smaller gains this week than last week.



DJIA daily chart as of Dec 22, 2023 - Here we see the rally continue Monday, Tuesday and early Wednesday with new all time highs before dropping hard on Wednesday to give back the prior 4 days of gains. Thursday saw an 'Inside' day that recovered about 2/3 of the prior day's drop. Friday saw a smaller recovery with a higher high and higher low to end the week up +0.22%.



Nasdaq weekly chart as of Dec 22, 2023 - We see an 8th week of the rally continue this week with a smaller gain than last week and more new 52 week highs.



Nasdaq daily chart as of Dec 22, 2023 - We see the rally continue higher Monday, Tuesday and early Wednesday with more new highs. Wednesday's drop was nearly a 2x ATR move that gave back most of the gains from the prior 4 days. Thursday saw a strong bounce that recovered about 62% of the prior day's range. Friday saw a higher high, higher low and higher close but failed to retest the Highs from Wednesday, ending the week up +1.21%.



Russell 2000 weekly chart as of Dec 22, 2023 - We see a 6th week of the rally this week and new 52 week highs as the Russell breaks above its Aug. 2022 prior highs (Green line) and above its 20-month Range.



Russell 2000 daily chart as of Dec 22, 2023 - Monday saw a pull back then a rally to higher highs on Tuesday. Wednesday delivered a higher high before pulling back the last 2 hours of the day. Thursday saw an 'Inside' day that recovered about 60% of the prior day's range. Friday saw a gap up and rally above its Aug. 2022 highs (Green line) to new 52 week highs, ending the week up +2.46%.

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



McClellan Summation Index weekly chart as of Dec 22, 2023 - Last week saw this Index advance up to 745.58. This week the advance continues up to 920.70.



McClellan Summation Index daily chart as of Dec 22, 2023 - Here we see a steady advance in this Index from the end of October to a high of 920.70 this week.



NYSE Percent above 200 day SMA daily chart as of Dec 22, 2023 - Last week we saw a peak near 72% and last week ended at 69.21%. This week we see more oscillations between 70% and 72% that ended this week at 72.70%.



NYSE Percent above 50 day SMA daily chart as of Dec 22, 2023 - Last week peaked near 84% and pulled back to end last week at 82.03%. This week we saw more oscillations in the 82% to 85% area, ending this week at 85.86%.

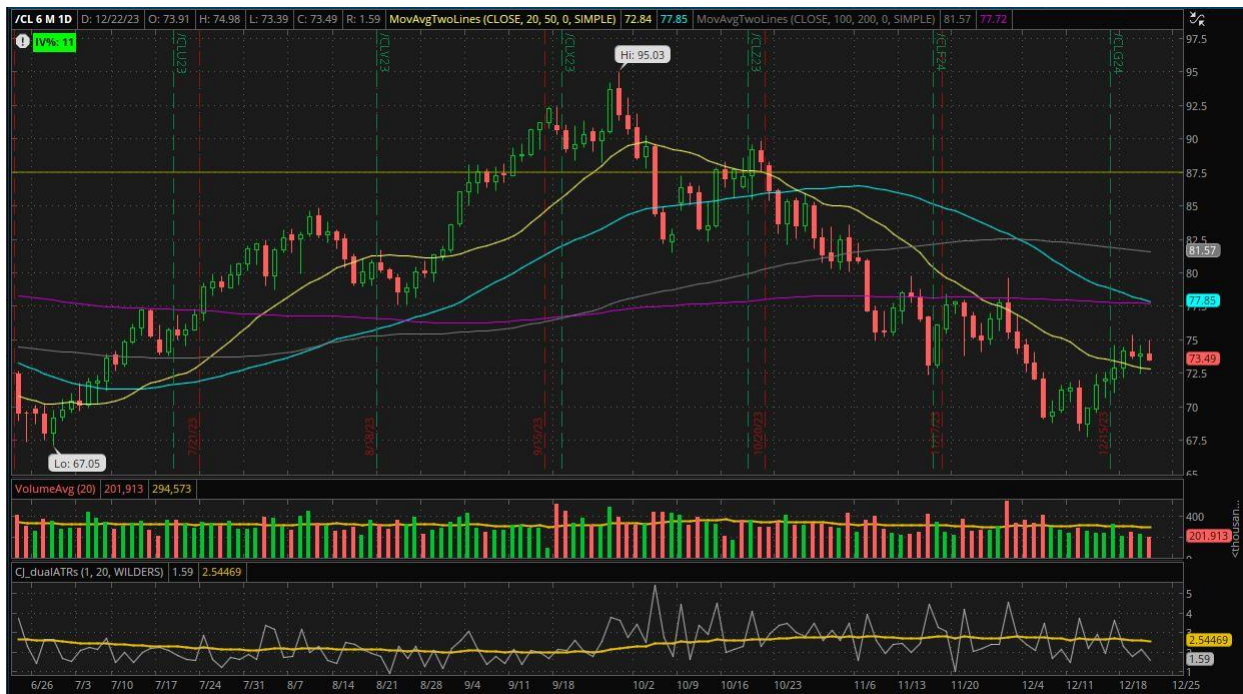


VIX daily chart as of Dec 22, 2023 - The VIX remained relatively Low Monday, Tuesday and Wednesday until the last 2 hours on Wednesday when the VIX shot up to a peak of 13.93. Thursday saw the VIX rise from 13.4 to 14.49 mid day then drifted a little lower to end the day at 13.55. Friday briefly peaked at 13.9 early in the day then drifted lower. There was a brief 30 min. spike up to 13.69 at about 90 min. before the close that drifted lower to end the day near 13.09.



VVIX daily chart as of Dec 22, 2023 - The Volatility of the VIX gave us a warning last Friday and Monday continued higher up to its 50 day SMA where it remained most of this week. Wednesday and Thursday saw some wider swings but returned to near the 50 day SMA on Thursday and Friday.

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



Oil daily chart as of Dec 22, 2023 - Oil prices moved higher on Monday, Tuesday and Wednesday morning on news from OPEC and growing risks shipping via the Red Sea impacting supply. Prices closed above the 20 day SMA on Tuesday and remained above the rest of this week. Prices flattened out in the \$73 - \$75 range.



Gold daily chart as of Dec 22, 2023 - Gold remained above its 20 day SMA this week in the \$2034 to \$2060 range until Friday when it rose higher to peak at \$2083 and then drop to close the week at \$2064.50. Note the low volumes every day this week.



US Dollar Index daily chart as of Dec 22, 2023 - The US Dollar saw a lower close each day this week except on Wednesday when it saw an 'Inside' day. Friday saw new 4-month lows.



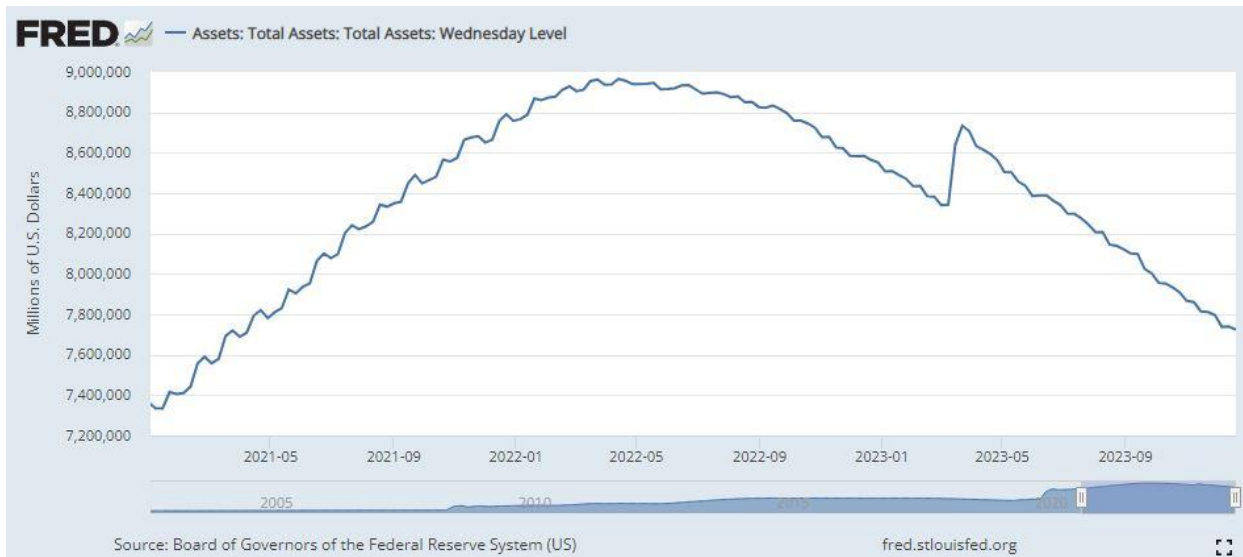
US 10 year Treasury daily chart as of Dec 22, 2023 - The 10 year saw little change Monday and Tuesday then shot up on Wednesday as a typical flight to 'safety'. Thursday saw a small decline that continued Friday. Note the low volumes every day this week.



US 10 year Yield daily chart as of Dec 22, 2023 - The 10 year Yields drifted lower every day this week except on Friday when is bounced a little.

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
12/01/2023	5.55	5.53	5.43	5.45	5.33	5.05	4.56	4.31	4.14	4.22	4.22	4.58	4.40
12/04/2023	5.55	5.53	5.46	5.47	5.41	5.10	4.64	4.40	4.23	4.30	4.28	4.61	4.43
12/05/2023	5.54	5.51	5.45	5.46	5.37	5.06	4.57	4.33	4.14	4.20	4.18	4.48	4.30
12/06/2023	5.54	5.50	5.45	5.47	5.38	5.07	4.60	4.33	4.12	4.16	4.12	4.40	4.22
12/07/2023	5.53	5.54	5.44	5.47	5.36	5.05	4.58	4.31	4.11	4.16	4.14	4.42	4.25
12/08/2023	5.54	5.53	5.44	5.49	5.39	5.13	4.71	4.45	4.24	4.28	4.23	4.49	4.31
12/11/2023	5.55	5.54	5.47	5.48	5.40	5.14	4.71	4.42	4.25	4.27	4.23	4.51	4.32
12/12/2023	5.53	5.53	5.46	5.48	5.41	5.14	4.73	4.42	4.23	4.24	4.20	4.48	4.30
12/13/2023	5.52	5.52	5.44	5.45	5.33	4.94	4.46	4.18	4.00	4.04	4.04	4.36	4.19
12/14/2023	5.54	5.54	5.43	5.45	5.31	4.90	4.37	4.09	3.90	3.93	3.92	4.21	4.03
12/15/2023	5.54	5.54	5.44	5.47	5.33	4.95	4.44	4.13	3.91	3.94	3.91	4.19	4.00
12/18/2023	5.52	5.52	5.46	5.47	5.36	4.95	4.43	4.15	3.94	3.97	3.95	4.23	4.05
12/19/2023	5.51	5.51	5.43	5.45	5.35	4.93	4.41	4.15	3.94	3.96	3.93	4.23	4.03
12/20/2023	5.50	5.49	5.44	5.45	5.33	4.88	4.34	4.06	3.86	3.88	3.86	4.17	3.98
12/21/2023	5.54	5.53	5.42	5.45	5.31	4.84	4.33	4.06	3.87	3.91	3.89	4.19	4.03
12/22/2023	5.54	5.52	5.44	5.45	5.31	4.82	4.31	4.04	3.87	3.92	3.90	4.21	4.05

US Yield Rates daily table as of Dec 22, 2023 - The longer Terms continued to decline this week while the mid Terms and short Terms saw little change.



FOMC Balance Sheet weekly chart as of Dec 20, 2023 - The Fed decreased its Balance Sheet this week by \$15.503 Billion to a new Total Assets of \$7.724063 Trillion.

Next we will look at a few key Sectors.



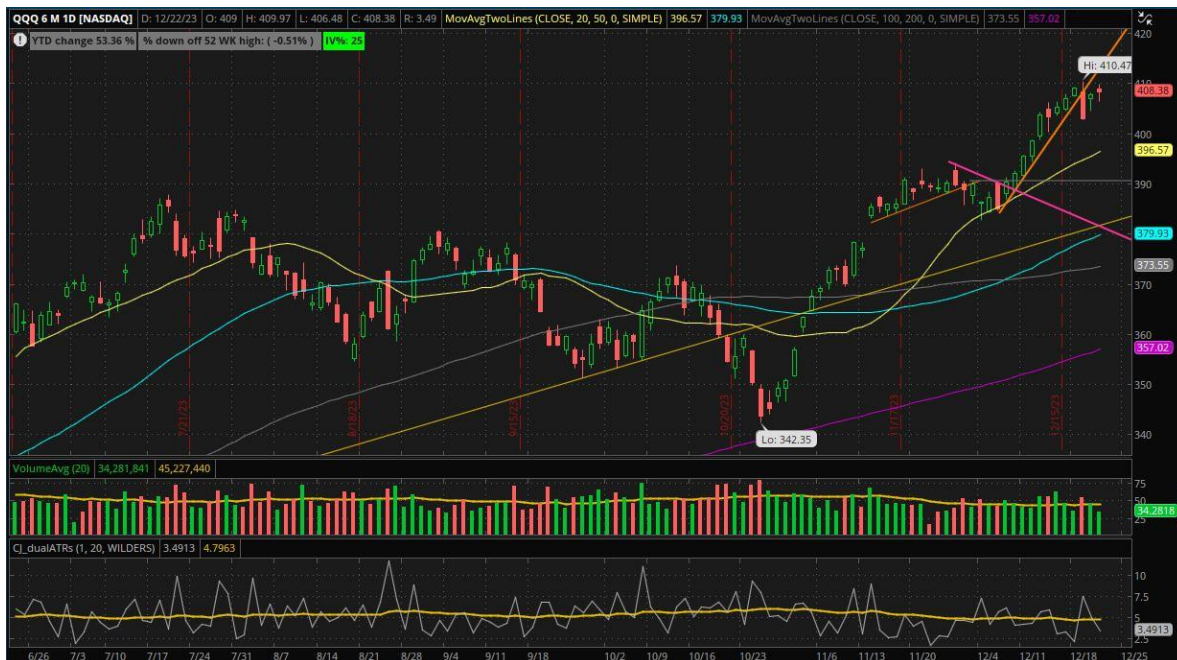
Dow Transportation Index daily chart as of Dec 22, 2023 - The Transports paused Monday and drifted a little higher Tuesday. Wednesday saw a large move down. Thursday saw an 'Inside' day that recovered a lot of the prior day's decline. Friday gapped up and delivered a new 4-month high and paused the rest of the day to end the week up +0.30%.



XLE daily chart as of Dec 22, 2023 - Monday saw a failed rally up to the 50 day SMA that closed the day back below its 200 day SMA. Tuesday rallied nearly to its 50 day SMA. Wednesday delivered a higher high before dropping back below its 200 day SMA. Thursday saw dip and rally above the 200 day SMA. Friday gapped up above its 50 day SMA then sold off below this SMA to end the week up +1.78%.



XLF daily chart as of Dec 22, 2023 - The Financial sector saw an 'Inside' day Monday and a small rally Tuesday. Wednesday saw a strong decline followed by a bounce Thursday to recover about half of the prior day's decline. Friday saw a small gap up and pause to end the week up +0.47%.



QQQ daily chart as of Dec 22, 2023 - The Nasdaq-100 ETF continued its rally on Monday, Tuesday and early Wednesday to deliver new all time highs. The last 2 hours saw strong selling Wednesday that gave back more than the prior 4 days of gains. Thursday saw a small gap up and failed rally with a bounce the last hour to end the day by recovering about 62% of the prior day's range. Friday saw a gap up and tiny rally that failed to deliver new highs for this week, ending this week up +0.95%.



SOXX daily chart as of Dec 22, 2023 - The Semiconductor sector saw a huge rally last week but ‘paused’ on Monday and Tuesday of this week with a sharp decline seen on Wednesday. Thursday saw a big gap up and recovered most all of the prior day’s decline. Friday saw a higher high and higher low that failed to exceed last week’s highs, ending this week up +0.30%.



XLC daily chart as of Dec 22, 2023 - The Communication Services sector continued its rally Monday, Tuesday and early Wednesday, delivering new 52 week highs before the strong selling the last 2 hours on Wednesday. Thursday gapped up and recovered the prior day’s entire decline. Friday saw a higher high, higher low and higher close to end the week up +2.49%.

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	11/10/2023	11/17/2023	11/24/2023	12/1/2023	12/8/2023	12/15/2023	12/22/2023
\$SPX	1.31%	2.24%	1.00%	0.77%	0.21%	2.49%	0.75%
\$INDU	0.65%	1.94%	1.27%	2.42%	0.01%	2.92%	0.22%
\$COMPQ	2.37%	2.37%	0.89%	0.38%	0.69%	2.85%	1.21%
\$RUT	-3.15%	5.42%	0.54%	3.05%	0.98%	5.55%	2.46%
QQQ	2.90%	2.02%	0.90%	0.11%	0.57%	3.36%	0.95%
\$TRAN	-0.59%	3.51%	1.08%	2.45%	-1.63%	5.29%	0.30%
XLE	-3.77%	1.53%	0.28%	0.11%	-3.28%	2.52%	1.78%
XLF	0.38%	3.24%	1.06%	2.23%	-0.11%	3.38%	0.47%
XLK	4.52%	1.83%	0.88%	0.63%	0.58%	2.70%	0.40%
SOXX	4.11%	4.21%	-0.03%	0.12%	1.12%	9.10%	0.30%
XLV	-0.89%	1.57%	2.25%	0.53%	0.18%	1.58%	1.09%
XLY	0.74%	3.56%	0.66%	1.69%	1.23%	3.48%	0.33%
XRT	-3.61%	5.70%	1.01%	4.95%	0.04%	5.62%	2.15%
XLI	0.94%	2.98%	0.69%	2.26%	0.20%	3.73%	0.64%
XLU	-2.49%	3.27%	0.64%	1.34%	-0.19%	0.88%	-1.19%
XME	-3.55%	6.44%	1.48%	5.46%	-3.98%	6.04%	6.29%
XLP	0.31%	0.77%	1.32%	0.77%	-1.18%	1.61%	0.73%
XLB	-1.81%	3.76%	1.06%	2.75%	-1.70%	3.95%	1.21%
XLC	1.35%	2.34%	1.27%	-1.48%	0.82%	0.77%	2.49%
XHB	0.09%	6.31%	0.18%	3.51%	3.52%	7.05%	1.14%

Weekly Percent change US Indexes and Sectors table as of Dec 22, 2023 - Note that the Russell 2000 has led these major Indexes for 4 weeks in a row. This week the second strongest index was the Nasdaq Composite. Also note that all indexes saw smaller gains this week than last week.

The Strongest sector this week was again the XME, with the XLC, XRT and XLE all delivering over +1.5% gains this week. The XME was the strongest sector on Monday and Tuesday this week and was the 2nd strongest sector on Thursday and Friday. That shows us some consistency.

The Weakest sector this week was the XLU which was the only sector on my list that showed a loss this week. The SOXX and Transports also showed small gains this week less than +0.33%. On Wednesday this week we saw the SOXX was the weakest sector at the end of that day with a -3.16% decline. This suggests that the ‘Liquidation Break’ we saw in the last 2 hours on Wednesday saw semiconductor names more heavily sold off than other sectors. This makes sense, since over the past several months we have often seen this sector both lead the markets higher and lower.

INDEXes SECTORs	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	End of Day 12/11/23	End of Day 12/12/23	End of Day 12/13/23	End of Day 12/14/23	End of Day 12/15/23	End of Day 12/18/23	End of Day 12/19/23	End of Day 12/20/23	End of Day 12/21/23	End of Day 12/22/23
\$SPX	0.39%	0.46%	1.37%	0.26%	-0.01%	0.45%	0.59%	-1.47%	1.03%	0.17%
\$INDU	0.43%	0.48%	1.40%	0.43%	0.15%	0.00%	0.68%	-1.27%	0.87%	-0.05%
\$COMPQ	0.20%	0.70%	1.38%	0.19%	0.35%	0.61%	0.66%	-1.50%	1.26%	0.19%
\$RUT	0.15%	-0.13%	3.52%	2.72%	-0.77%	-0.14%	1.94%	-1.89%	1.73%	0.84%
QQQ	0.85%	0.80%	1.27%	-0.09%	0.48%	0.43%	0.51%	-1.49%	1.17%	0.15%
\$TRAN	1.23%	0.13%	1.28%	1.90%	0.65%	-0.33%	0.89%	-2.35%	1.69%	0.45%

Daily Percent change US Indexes table as of Dec 22, 2023 - Note how the Industrial both let market higher Wednesday then lower Thursday and Friday. Note that the Russell led markets higher on Tuesday, Thursday and Friday this week.

Next we will look at a few key Stocks.



AAPL daily chart as of Dec 22, 2023 - Apple paused its rally last Friday then declined every day this week except on Tuesday. The small bounce on Tuesday failed to reach last Friday's close. Thursday saw a test of the 20 day SMA as support and Friday closed 7 cents below the 20 day SMA, ending the week down -2.01%.



MSFT daily chart as of Dec 22, 2023 - Microsoft remained mostly horizontal again this week, just below its 20 day SMA until Friday when it crossed above this SMA to end the week up +1.04%.



GOOGL daily chart as of Dec 22, 2023 - Alphabet saw a huge rally Monday crossing above its 50 day and 20 day SMAs. GOOGL saw a higher close every day this week. Tuesday saw a pause near the prior day's highs. Wednesday saw a failed rally with but with a higher close. Thursday and Friday delivered higher closes with a new 52 week high on Friday, ending the week up +6.70%.



AMZN daily chart as of Dec 22, 2023 - Amazon continued its rally with a big move higher on Monday this week. Tuesday saw a pause near the prior day's close. Wednesday saw a new 52 week high before selling lower the last 2 hours of the day. Thursday saw an 'Inside' day and small bounce. Friday saw a pause to end the week up +2.30%.



NVDA daily chart as of Dec 22, 2023 - Nvidia continued its rally on Monday this week then declined Tuesday and Wednesday. Thursday saw a quiet 'Inside' day. Friday saw another quiet pause day to end the week down -0.12%.



META daily chart as of Dec 22, 2023 - Meta continued its rally with higher highs every day this week, delivering a new 52 week high on Friday to end the week up +5.51%.



TSLA daily chart as of Dec 22, 2023 - Tesla saw a strong rally late last week then paused this week with a close each day this week within 5 points of \$252. TSLA ended this week down -0.38%.

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

Stock	% Change Last week	% Change This week
QQQ	3.36%	0.95%
AAPL	0.95%	-2.01%
MSFT	-0.94%	1.04%
GOOGL	-1.77%	6.70%
AMZN	1.73%	2.30%
NVDA	2.91%	-0.12%
META	0.65%	5.51%
TSLA	3.96%	-0.38%

In the table above the green highlighted values are where the gains were greater than were the QQQ's gains for that week.

GOOGL and META each provided significant gains this week while the indexes only showed minor gains. MSFT and AMZN also did better than the QQQ this week. Tesla was the strongest last week but was a small loss this week. AAPL was the biggest loser this week.



JPM daily chart as of Dec 22, 2023 - JP Morgan continued its rally the first half of this week, Monday, Tuesday and early Wednesday with new 52 week highs. The lower close on Wednesday did NOT give back all of the prior day's gains. Thursday saw a bounce that recovered a lot of the prior day's decline. Friday saw a quiet pause to end the week up +1.31%.



BA daily chart as of Dec 22, 2023 - Boeing paused its rally on Monday and Tuesday this week before delivering new 2-year highs on Wednesday and Thursday. BA closed just a few cents above \$260 on Monday, Wednesday and Friday this week, ending the week down -1.45%. Prior to this week, BA saw 7 weeks in a row with weekly gains between +0.82% and +8.55%.



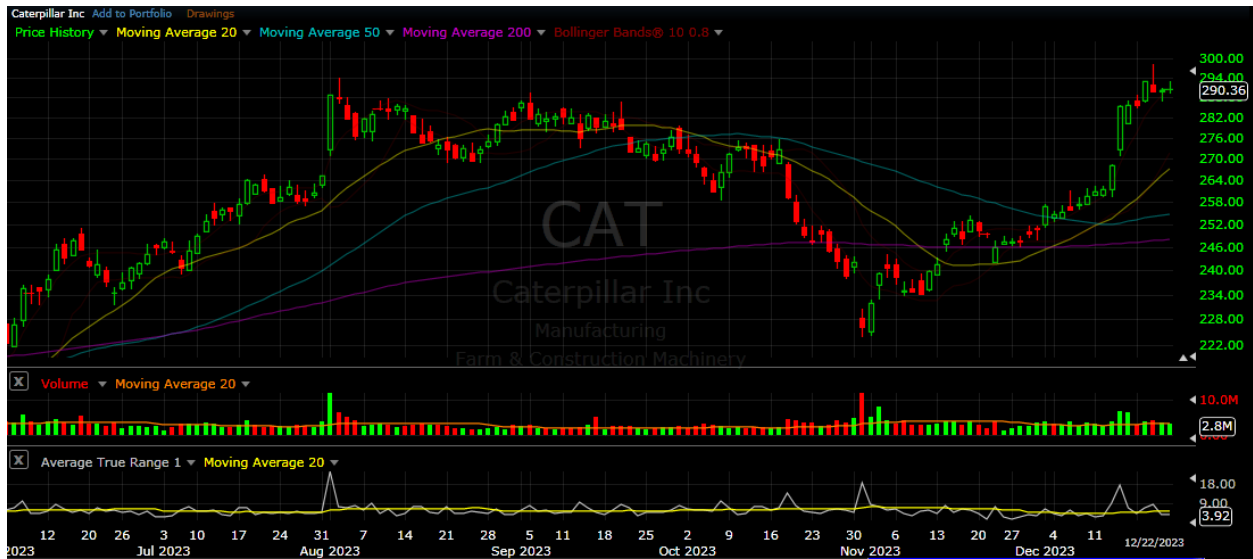
COST daily chart as of Dec 22, 2023 - Costco saw gains accelerate last week and continue higher on Monday of this week with new all time highs. Tuesday saw a small pull back and an 'Inside' day. Wednesday saw a drop that gave back the prior two days of gains. Thursday saw a small bounce. Friday saw the bounce continue higher to end the week up +1.94%.



INTC daily chart as of Dec 22, 2023 - Intel paused its rally on Monday, Tuesday and Wednesday of this week then resumed the rally Thursday with a higher close. Friday saw new 52 week highs and a higher close to end the week up +3.99%.



AMD daily chart as of Dec 22, 2023 - AMD saw a strong rally last week that paused last Friday. That pause continued on Monday of this week then Tuesday we saw a new 52 week high and higher close. Wednesday gave back all of this week's gains plus more. Thursday gapped up and fully recovered the prior day's decline. Friday saw a higher high, higher low and a lower close to end the week up +0.32%.



CAT daily chart as of Dec 22, 2023 - Caterpillar saw a large gain last week and continued higher this week with higher highs on Monday, Tuesday and new all time highs on Wednesday before selling lower the last 2 hours. Thursday and Friday saw a pause and closes near \$290 to end the week up +1.62%.



DE daily chart as of Dec 22, 2023 - John Deere saw a large gain last week and then paused last Friday. This week we see a pause and small decline on Monday followed by a rally Tuesday above its 200 day SMA. Wednesday saw a decline back below the 200 day SMA but did not give back all of the prior day's gains. Thursday saw a rally back above the 200 day SMA that continued higher Friday to new highs for the week, ending the week up +2.78%.



TGT daily chart as of Dec 22, 2023 - Target has slowly rallied since the Earnings release in mid November. Last week we saw large gains last Wednesday and Thursday that was partially given back last Friday. This week we see the decline continue on Monday followed by a small rally on Tuesday. Wednesday saw a decline to new lows for this week. Thursday saw a rally that recovered the prior day's entire decline and continued higher on Friday to end the week up +1.32%.



X daily chart as of Dec 22, 2023 - US Steel received an offer to be purchased by Japan's Nippon Steel on Monday and we see a big gap up to the \$50 area on the news. Once an acquisition is announce, the purchase price and terms are often announced and a stock quickly moves to a value defined by those terms. We see that in this chart. From that point on, price changes very little unless there are rumors of the deal not being approved or falling apart for some reason, and if enough people believe those rumors and feel it is very likely to be true, then the stock price could drop towards prior levels.

We saw a week of quiet markets as volume faded to well below average levels unless there is some big news. The 2-hour Liquidation Break we saw late Wednesday and the smaller 30 min. Liquidation Break we saw on Friday were examples of waves of volume and of profit taking that gets amplified due to the thin markets before the Holiday. Thin markets are easier to move as Supply or Demand can be more easily overwhelmed.

Next week the Markets are closed on Monday for Christmas and re-open on Tuesday. Next week will also likely be a thin volume environment so if you are active in the markets, be prepared for 'Anything'.

I would like to wish you all a very Merry Christmas and a prosperous New Year.

Trade Smart,
CJ