



Market Observations - as of January 5, 2024

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

This week was a short 4-day week with the Markets Closed on Monday for New Years Day.

Last week began on Tuesday when we saw a mild rally to new 52 week highs late in the day. Both the S&P-500 and Nasdaq Composite delivered new 52 week highs on Tuesday, Wednesday and early on Thursday last week. On Friday we saw a pause for the first hour then strong selling the next two hours that gave back all of last week's gains plus some. Markets bounced the last half of Friday to recover about 2/3 of the day's drop to end last week with small gains in the major indexes. Last Friday saw a surge in volume at the Liquidation Break in the morning and at the closing bell to end 2023.

This week began on Tuesday when we saw the decline from last Friday morning continue lower with a gap down that was not filled. The Trend Line break we saw last Friday was confirmed with a gap down and continued selling Tuesday and with a series of failed rallies, lower highs and lower lows each day this week. We also saw lower closes every day this week except on Friday when we saw a very small higher close in the S&P and Nasdaq.

After 9 consecutive weeks of advances in the S&P and Nasdaq, we saw the first down week this week. We were given a hint last week with the smallest advances in the Nasdaq Composite over the 9 week period was last week's advance of +0.12%. We also saw hints of the change in Trend with the breaking of the Support Trend Line in the S&P and Nasdaq early last Friday.

Volume returned to the markets this week after the Holidays.

We saw a small increase in volatility this week on Wednesday after the Fed Minutes were released and on Friday as the Jobs data was digested.

The very small bounce we saw on Friday of this week could be a hint of a bounce continuing next week, or it could be just the impact of the 'shorts' covering at the end of this bearish week. Anything can happen next week, so we prepare with imagining at least 3 scenarios, Bullish, Bearish and Neutral, and think through what evidence would we need to see next week to confirm each scenario.

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



S&P 500 weekly chart as of Jan 5, 2024 - After a 9-week Rally we see a Decline this week. The 9-week rally came close but did not reach the all time highs seen in Jan 2022.



S&P 500 daily chart as of Jan 5, 2024 - We saw the S&P break below its Support Trend Line (Orange line) last Friday and this week we see the decline continue lower with lower highs and lower lows every day this week, crossing below the 20 day SMA on Thursday. The slightly higher close on Friday remained below the 20 day SMA to end the week down -1.52%.



S&P 500 15 min. chart as of Jan 5, 2024 - With the gap down on Tuesday we confirmed the failed rally late last Friday. We see a series of failed rallies this week with lower highs followed by lower lows. I see at least 6 failed rallies in the 15 min. S&P chart above. The S&P crossed below its lower weekly Expected Move early on Wednesday and remained below the majority of Wednesday, Thursday and Friday. The lows on Friday came within 16 points of the -2x Expected Move. Crossing the Expected Move early in the week is one way to show the strength of the move. The first week of 2024 saw the S&P close below its weekly Expected Move.

Next week's S&P Expected Move is +/- \$60.84 from Friday's close at \$4697.24.



DJIA weekly chart as of Jan 5, 2024 - After 9 weeks in a row of advances we see the first down week this week after delivering a new all time high.



DJIA daily chart as of Jan 5, 2024 - Mid day on Tuesday we saw a new all time high before the selling began on Wednesday. Wednesday, Thursday and Friday saw failed rallies that were followed by lower lows. Friday saw a lower low but closed a little higher to end the week down only -0.59%.



Nasdaq weekly chart as of Jan 5, 2024 -After 9 weeks in a row of higher highs and higher closes this week we saw a very small advance last week (+0.12%) as a clue of slowing momentum. The decline this week was significant in since in that it gave back about 75% of the gains seen over the prior 3 weeks.



Nasdaq daily chart as of Jan 5, 2024 - We saw the Nasdaq composite break below its Support Trend Line (Orange line) last Friday. This week began Tuesday with a big gap down and no filling of the gap as prices continued lower Tuesday, touching its 20 day SMA. Wednesday gapped below the 20 day SMA and continued lower. We saw lower highs and lower lows every day this week. Friday closed only a little higher to end the week down -3.25%.



Russell 2000 weekly chart as of Jan 5, 2024 - The Russell saw 7 weeks in a row of higher highs and higher lows. Last week briefly popped above its 20-month Resistance then ended last week back below this Resistance (Upper Green line). This week saw the decline continue back inside the 20-month zone.



Russell 2000 daily chart as of Jan 5, 2024 - We see lower highs and lower lows every day this week, crossing below its 20 day SMA on Wednesday and only seeing a small bounce late Friday to end the week down -3.75%.

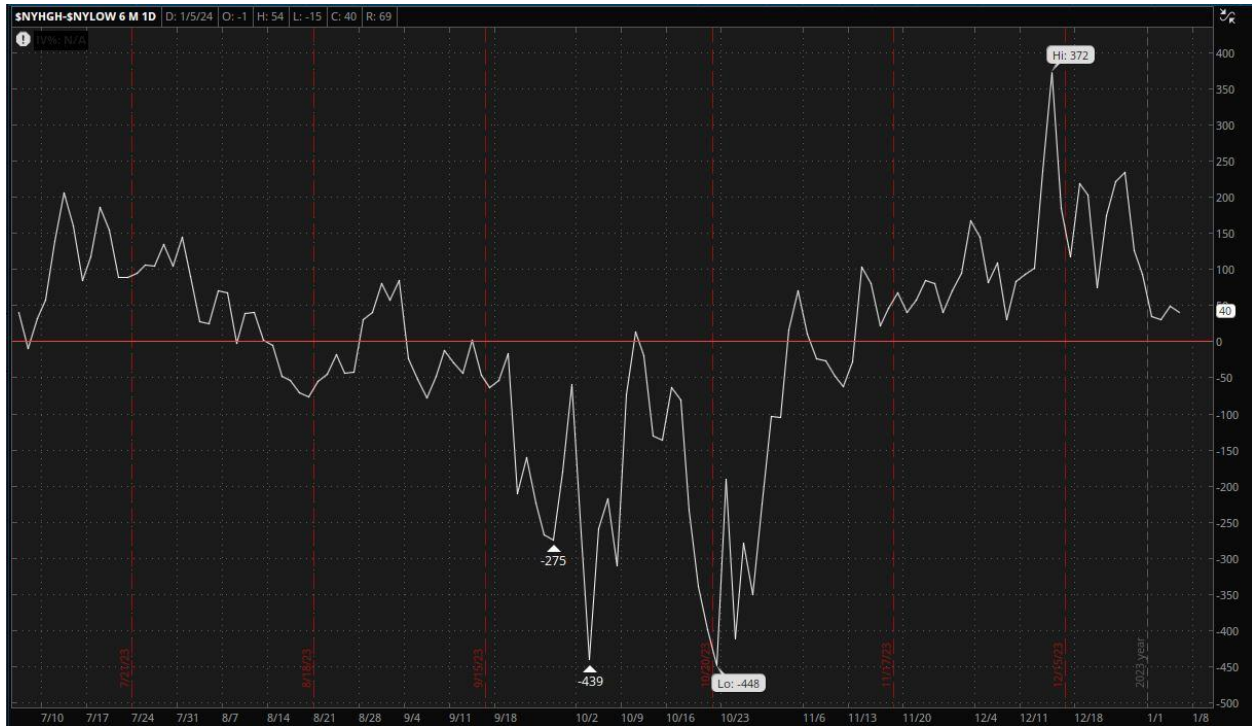
Next we will look at a few key 'Market Internals'.



McClellan Summation Index weekly chart as of Jan 5, 2024 - Last week we saw this index advanced to 1078.47 as then 9th week in a row of advances. This week we see the Trend change with a decline to 985.84.



McClellan Summation Index daily chart as of Jan 5, 2024 - Last week we saw this Index continue its advance then flatten out last Friday. This week we see a decline down to 985.84.



NYSE New Highs minus New Lows daily chart as of Jan 5, 2024 - The New Highs minus New Lows Index remained positive this week but with small positive values from +31 to +49 and ending this week at +40.



NYSE Percent above 200 day SMA daily chart as of Jan 5, 2024 - Last week we saw this percentage decline a little to end last week at 72.66%. This week we see a bit more decline to below 70% then increased a little on Friday to end this week at 70.31%.



NYSE Percent above 50 day SMA daily chart as of Jan 5, 2024 -Last week we saw this percentage increase a little to end last week at 86.01%. This week we see a decline to end the week at 80.42%.



VIX daily chart as of Jan 5, 2024 - The VIX popped up Tuesday, Wednesday and Thursday, to test its 50 day SMA. Friday broke above then returned below the 50 day SMA. The VIX remained in the range from 13.1 to 14.5 most of this week, ending the week at 13.35.



VVIX daily chart as of Jan 5, 2024 - The VVIX popped above its 50 day SMA on Tuesday and remained above most of the next 2 days. Friday saw the VVIX gap down to its 20 day SMA and Decline most of the day back to the 82.87 area.

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



Oil daily chart as of Jan 5, 2024 - Oil prices dropped to nearly \$70 on Tuesday then rallied up to about \$73 on Wednesday crossing above its 20 day SMA. Thursday saw a small decline then a rally off of the 20 day SMA on Friday to end the week higher at \$73.95. This week we saw a higher low than the prior low in mid December. Rising Geo-Political risks near the Red Sea could easily increase, putting price pressure on Oil Exports from the region. Anything can happen.



Gold daily chart as of Jan 5, 2024 - Gold declined Tuesday and Wednesday down to its 20 day SMA where it paused on Thursday. Friday saw a wider range of swings but closed with little change.



US Dollar Index daily chart as of Jan 5, 2024 - The US Dollar Index rose up Tuesday and Wednesday to its 20 day SMA then paused Thursday. Friday saw a wider swing with little overall change.

Note how the above 2 charts look like a mirror of each other this week, both glued to their 20 day SMA.



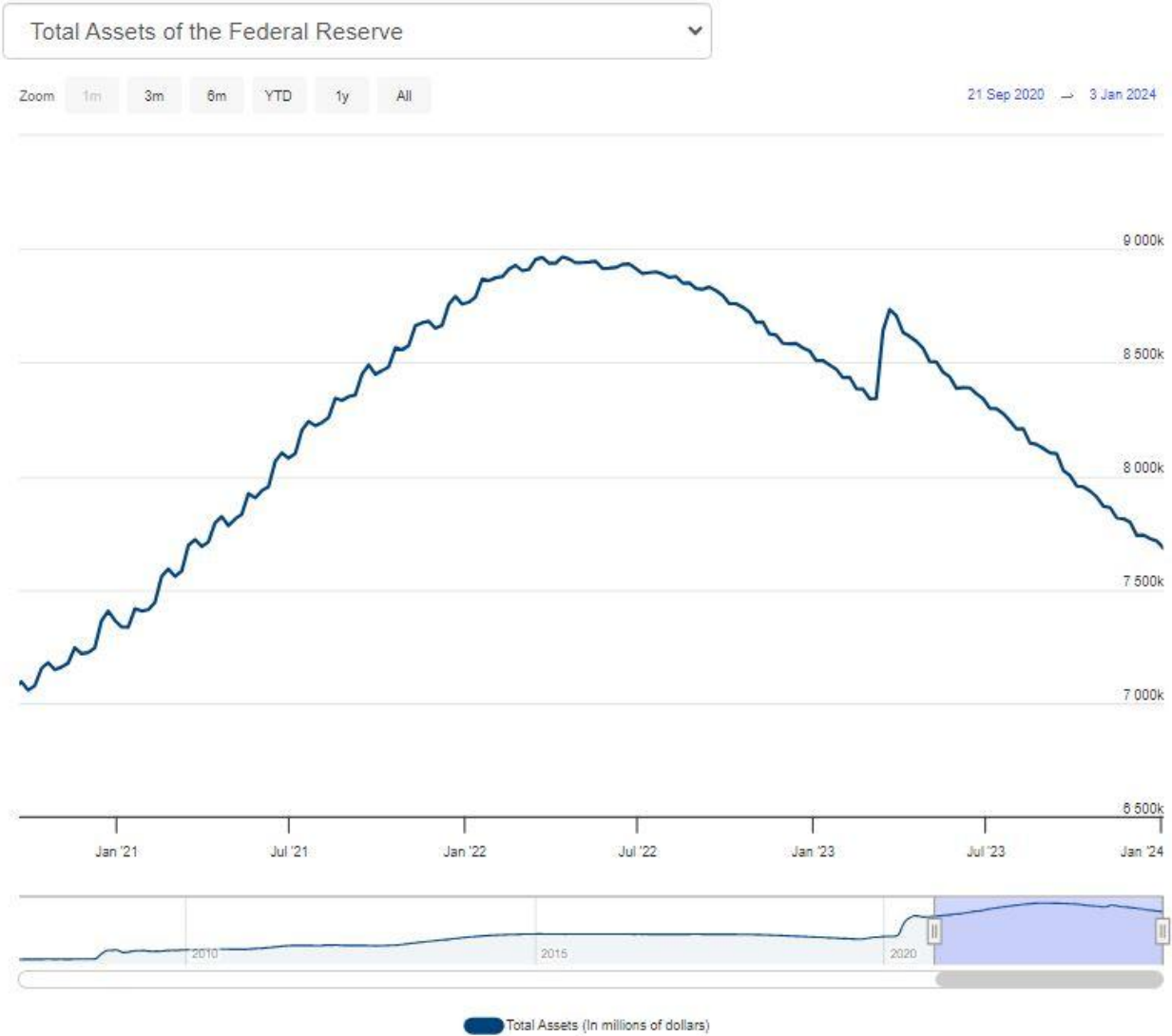
US 10 year Treasury daily chart as of Jan 5, 2024 - The Treasury peaked last week on Wednesday then has declined the next 3 days, including Tuesday of this week. Wednesday saw a pause before the decline continued Thursday below its 20 day SMA and lower Friday, testing its 200 day SMA briefly before bouncing.



US 10 year Yield daily chart as of Jan 5, 2024 - The 10 yr Yields bottomed last Wednesday and then rose the next 4 days up to its 20 day SMA where it paused on Thursday. Friday saw the rise in Yields continued, crossing above and then closing nearly on its 200 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
12/1/2023	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
12/4/2023	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
12/5/2023	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
12/6/2023	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
12/7/2023	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
12/8/2023	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
12/26/2023	5.53	5.52	5.45	5.44	5.28	4.83	4.26	4.05	3.89	3.91	3.89	4.20	4.04
12/27/2023	5.55	5.53	5.44	5.42	5.26	4.79	4.20	3.97	3.78	3.81	3.79	4.10	3.95
12/28/2023	5.57	5.55	5.45	5.42	5.28	4.82	4.26	4.02	3.83	3.84	3.84	4.14	3.98
12/29/2023	5.60	5.59	5.40	5.41	5.26	4.79	4.23	4.01	3.84	3.88	3.88	4.20	4.03
1/2/2024	5.55	5.54	5.46	5.41	5.24	4.80	4.33	4.09	3.93	3.95	3.95	4.25	4.08
1/3/2024	5.54	5.54	5.48	5.41	5.25	4.81	4.33	4.07	3.90	3.92	3.91	4.21	4.05
1/4/2024	5.56	5.48	5.48	5.41	5.25	4.85	4.38	4.14	3.97	3.99	3.99	4.30	4.13
1/5/2024	5.54	5.48	5.47	5.41	5.24	4.84	4.40	4.17	4.02	4.04	4.05	4.37	4.21

US Yield Rates daily table as of Jan 5, 2024 - The Mid-Term and Long-Term Yields declined most of December until Dec. 27th then bounced higher since that date, continuing their bounce this week. The Short-Terms changed very little this week.



FOMC Balance Sheet weekly chart as of Jan 3, 2024 - The Fed decreased its Balance Sheet by \$31.757 Billion this week to a new Total Assets of \$7.681024 Trillion.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of Jan 5, 2024 - The Transports declined last week and continued their decline this week on Tuesday, Wednesday and Thursday, gapping below its 20 day SMA on Wednesday and pausing near support on Thursday. Friday saw a small bounce to end the week down -2.45%.



XLE daily chart as of Jan 5, 2024 - The Energy sector rallied Tuesday above its 200 day and 50 day SMAs, continued higher Wednesday and early Thursday before dropping back down to its 200 day SMA Thursday. Friday saw a failed bounce and close again near the 200 day SMA to end the week up +1.00%.



XLF daily chart as of Jan 5, 2024 - The Financial sector paused its 9-week rally on Tuesday and Wednesday then resumed the rally with new 52 week highs and higher closes on both Thursday and Friday, ending the week up +0.40%.



QQQ daily chart as of Jan 5, 2024 - The Nasdaq-100 ETF broke below its Support Trend Line (Orange line) last Friday and continued lower with lower highs and lower lows every day this week, crossing below its 20 day SMA Wednesday and ending the week down -3.12%.



SOXX daily chart as of Jan 5, 2024 - The Semiconductor sector delivered new all time highs last Thursday then closed lower that day and the next. This week we see the decline accelerate with a gap down Tuesday, a gap down Wednesday below its 20 day SMA and lower Thursday. Friday saw a small bounce to end the week down -5.95%.



XLC daily chart as of Jan 5, 2024 - The Communication Services sector declined last Friday and continued lower with a gap down on Tuesday this week. Wednesday and Thursday saw lower closes with a small bounce on Friday off of its 20 day SMA support to end the week down -0.85%.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORs	11/24/2023	12/1/2023	12/8/2023	12/15/2023	12/22/2023	12/29/2023	1/5/2024
\$SPX	1.00%	0.77%	0.21%	2.49%	0.75%	0.32%	-1.52%
\$INDU	1.27%	2.42%	0.01%	2.92%	0.22%	0.81%	-0.59%
\$COMPQ	0.89%	0.38%	0.69%	2.85%	1.21%	0.12%	-3.25%
\$RUT	0.54%	3.05%	0.98%	5.55%	2.46%	-0.34%	-3.75%
QQQ	0.90%	0.11%	0.57%	3.36%	0.95%	0.33%	-3.12%
\$TRAN	1.08%	2.45%	-1.63%	5.29%	0.30%	-1.03%	-2.45%
XLE	0.28%	0.11%	-3.28%	2.52%	1.78%	-1.34%	1.00%
XLF	1.06%	2.23%	-0.11%	3.38%	0.47%	0.70%	0.40%
XLK	0.88%	0.63%	0.58%	2.70%	0.40%	0.22%	-4.34%
SOXX	-0.03%	0.12%	1.12%	9.10%	0.30%	1.09%	-5.95%
XLV	2.25%	0.53%	0.18%	1.58%	1.09%	1.01%	2.01%
XLY	0.66%	1.69%	1.23%	3.48%	0.33%	-0.37%	-3.46%
XRT	1.01%	4.95%	0.04%	5.62%	2.15%	0.39%	-4.04%
XLI	0.69%	2.26%	0.20%	3.73%	0.64%	0.76%	-2.25%
XLU	0.64%	1.34%	-0.19%	0.88%	-1.19%	1.13%	1.89%
XME	1.48%	5.46%	-3.98%	6.04%	6.29%	-1.55%	-2.77%
XLP	1.32%	0.77%	-1.18%	1.61%	0.73%	1.14%	-0.03%
XLB	1.06%	2.75%	-1.70%	3.95%	1.21%	-0.07%	-1.40%
XLC	1.27%	-1.48%	0.82%	0.77%	2.49%	0.07%	-0.85%
XHB	0.18%	3.51%	3.52%	7.05%	1.14%	0.06%	-3.39%

Weekly Percent Change US Indexes and Sectors table as of Jan 5, 2024 - All major indexes were down this week with the Dow Industrials down the least and the Russell 2000 was down the most. Remember last week when the Dow Industrials were the strongest? Maybe that was a clue that they continue to be relatively strong even this week?

The strongest sectors this week included: XLV, XLU, XLE and XLF that were all up this week.

Q4 Earnings begins next week with several big Financial names reporting on Friday before the markets open. The XLF also is a sector that saw a strong rally over the past two months.

The weakest sectors this week included: SOXX, XLK and XRT that were all down by over -4%. We have seen Semiconductors and big tech lead the markets both higher and lower this past year, so it seem they continued to lead (lower) this week. This could be a clue that leadership may not have changed that much so far in 2024.

INDEXes SECTORS	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	Holiday 12/25/23	End of Day 12/26/23	End of Day 12/27/23	End of Day 12/28/23	End of Day 12/29/23	Holiday 01/01/24	End of Day 01/02/24	End of Day 01/03/24	End of Day 01/04/24	End of Day 01/05/24
\$SPX	n/a	0.42%	0.14%	0.04%	-0.28%	n/a	-0.57%	-0.80%	-0.34%	0.18%
\$INDU	n/a	0.43%	0.30%	0.14%	-0.05%	n/a	0.07%	-0.76%	0.03%	0.07%
\$COMPQ	n/a	0.54%	0.16%	-0.03%	-0.56%	n/a	-1.63%	-1.18%	-0.56%	0.09%
\$RUT	n/a	1.24%	0.34%	-0.38%	-1.52%	n/a	-0.70%	-2.66%	-0.08%	-0.34%
QQQ	n/a	0.61%	0.15%	-0.05%	-0.44%	n/a	-1.69%	-1.06%	-0.51%	0.12%
\$TRAN	n/a	0.25%	-0.49%	-0.15%	-0.65%	n/a	-0.78%	-1.71%	-0.04%	0.07%

Daily Percent Change US Indexes table as of Jan 5, 2024 - Note how the Dow Industrials led in 3 out of 4 days this week. Also note that the only positive Index on Tuesday and Thursday was the Industrials. Weakness rotated each day this week between the QQQ, Russell and Nasdaq Composite. Also note that the size of the gains on Friday were rather small as compared to the losses seen earlier this week for each Index.

This week is another example of how a table of numbers can give us clues, if we study its trends.

Next we will look at a few key Stocks.



AAPL daily chart as of Jan 5, 2024 - Apple saw a large gap down Tuesday and continued lower below its 50 day SMA. Every day this week Apple saw lower highs, lower lows and a loser close, nearly reaching its 200 day SMA on Friday, ending the week down -5.90%.



MSFT daily chart as of Jan 5, 2024 - Microsoft continues to be mostly horizontal for about 7 weeks, crossing below its 20 day SMA on Tuesday and closing lower every day this week, testing its 50 day SMA as support on Friday and ending the week down -2.20%.



GOOGL daily chart as of Jan 5, 2024 - Alphabet continued its decline on Tuesday, saw a failed rally Wednesday and lower lows Thursday below its 20 day SMA. Friday continued lower to end the week down -2.83%.



AMZN daily chart as of Jan 5, 2024 - Amazon paused last week then began its decline last Friday. The decline continued on Tuesday below its 20 day SMA. Wednesday and Thursday closed lower after testing its 50 day SMA as support. Friday saw a small bounce off of its 50 day SMA to end the week down -4.41%.



NVDA daily chart as of Jan 5, 2024 - Nvidia saw a dip last Friday. This week we see a large decline on Tuesday to its 20 day SMA. Wednesday gapped below its 20 day SMA to find support near \$473.20. Thursday saw a small bounce that continued higher Friday back above its 20 day SMA to end the week down only -0.86%.



META daily chart as of Jan 5, 2024 - The decline seen last Friday continued Tuesday and Wednesday this week with the 20 day SMA providing support Tuesday and Thursday. Thursday and Friday saw a small bounce to end the week down only -0.57%.



TESLA daily chart as of Jan 5, 2024 - Tesla saw a mild rally early last week then strong selling last Thursday and Friday. The selling continued with a lower close every day this week, ending the week down -4.42%.

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	0.33%	-3.12%
AAPL	-0.55%	-5.90%
MSFT	0.39%	-2.20%
GOOGL	-1.27%	-2.83%
AMZN	-0.96%	-4.41%
NVDA	1.42%	-0.86%
META	0.16%	-0.57%
TSLA	-1.61%	-4.42%

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

AAPL, TSLA and AMZN saw strong selling this week while NVDA and META saw the smallest declines this week. In the charts above we saw that both NVDA and META saw a mild rally on Thursday and Friday this week. One way to use these clues will be by keeping a close eye on NVDA and META next week to see if their relative strength continues or not.



JPM daily chart as of Jan 5, 2024 - JP Morgan continues its steady climb this week with a strong advance Tuesday, a pause Wednesday then new all time highs on both Thursday and Friday, ending the week up +1.90%. JPM reports Earnings next week on Jan. 12th before the open.



BA daily chart as of Jan 5, 2024 - Boeing saw a pause last week then a decline Tuesday below its 20 day SMA and continued lower on Wednesday of this week. Thursday saw a pause then a small bounce on Friday to end the week down -4.47%.



COST daily chart as of Jan 5, 2024 - Costco saw a small decline late last week that continued this week on Tuesday, Wednesday and Thursday, nearly reaching its 20 day SMA. Friday saw a gap up and pause to end the week down -0.62%.



INTC daily chart as of Jan 5, 2024 - Intel saw a small pull back last Thursday and Friday. This week the decline accelerated lower with lower lows, lower highs and lower closes on Tuesday, Wednesday and Thursday when Intel briefly broke below its 20 day SMA but then bounced to close the day back above this SMA. Friday saw a pause above the 20 day SMA to end the week down -6.69%.



AMD daily chart as of Jan 5, 2024 - AMD saw a small pull back last Friday. This week the decline accelerated Tuesday and gapped below its 20 day SMA on Wednesday. Thursday saw a small bounce that continued Friday to close the day 6 cents above its 20 day SMA and down -5.99% for the week.



CAT daily chart as of Jan 5, 2024 - Caterpillar saw a rally last week with a small pull back on last Friday. This week saw the decline continue Tuesday then gapped down strong on Wednesday. Thursday saw a small bounce that continued on Friday to end the week down -2.28% and still above all 3 of its key daily SMAs.



DE daily chart as of Jan 5, 2024 - John Deere saw a pause last week then a failed rally on Tuesday that was followed on Wednesday with a gap down and selling that continued lower Thursday nearly to its 200 day SMA. Friday saw a wide swing from below its 200 day SMA to close higher on the day, ending the week down -0.98%.



TGT daily chart as of Jan 5, 2024 - Target saw a mild rally continue last week that continued on Tuesday of this week with a higher high and higher close. Wednesday saw strong selling down to its 20 day SMA. Thursday saw a lower low with a higher close back above its 20 day SMA. Friday saw the bounce continue to end the week down -1.17%.



C daily chart as of Jan 5, 2024 - Citigroup saw a mild rally continue last week. That rally accelerated higher this week with a strong advance Tuesday that continued higher with new 52 week highs on both Wednesday and Thursday. Friday saw an 'Inside' day with a higher close to end the week up +5.62%. Citigroup reports Earnings next week on Jan. 12th before the open.

We saw some clues above as to where there was Strength or Weakness this week and we will watch these areas next week to see if that Strength or Weakness persists or changes.

This is how we can improve our odds of finding a potential trading opportunity with the strongest stocks in the strongest sectors, or look for Bearish opportunities with the weakest stocks in the weakest sectors.

The key is to have a written Trading plan, and then stick to it. With good record keeping you will find out over time what works and what does not, and can then improve your plan based upon data collected and not just a guess or un-proven belief.

I hope this helps.

Trade Smart,

CJ