



Market Observations - as of January 26, 2024

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

Last week began with a Holiday on Monday with the markets closed. Tuesday saw little change in the major indexes as the pause from the prior Thursday and Friday continued last week. However both Tuesday and Wednesday saw some of the strongest Selling so far in 2024 with broad breadth including the Russell 2000 and the Dow Transports. Thursday and Friday saw a strong rally that was again led by a small number of big Tech names and the Semiconductor sector.

This week we saw a gap up on Monday's open without follow through higher but a pause most of Monday and Tuesday. Wednesday saw another gap up at the open with only a little bit of follow through higher in the first half of the day to new highs that then sold off most of the day's gains in the last half of the day. Thursday saw an 'Inside' day in the S&P while the Nasdaq delivered a lower high and lower low that day. Friday saw the Nasdaq deliver an 'Inside' day while the S&P delivered new all time highs and a higher low.

The Russell 2000 rallied Monday then remained mostly flat the rest of this week.

The Narrow leadership we saw in the prior two weeks (with big Tech leading the rally) began to fade this week as the S&P and DJIA outperformed the weaker Nasdaq on both Thursday and Friday this week.

We have added two comparison charts (below) to see how the Nasdaq-100 'weighting' of the biggest components has impacted that index so far this year and what stocks have made the most impact.

We saw both positive and negative reactions to Earnings this week with a few examples included in the charts below. Next week several of the biggest stocks are scheduled to release Earnings including:

Jan. 30	MSFT, GOOGL, AMD
Jan. 31	AAPL, BA
Feb. 1	AMZN, META

There are many other stocks also reporting next week so keep an eye on any of your holdings that could be impacted by 'Reactions' to Earnings.

Oil rallied this week while Gold and the US Dollar saw little change. The US Treasury Yields also saw little change this week.

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



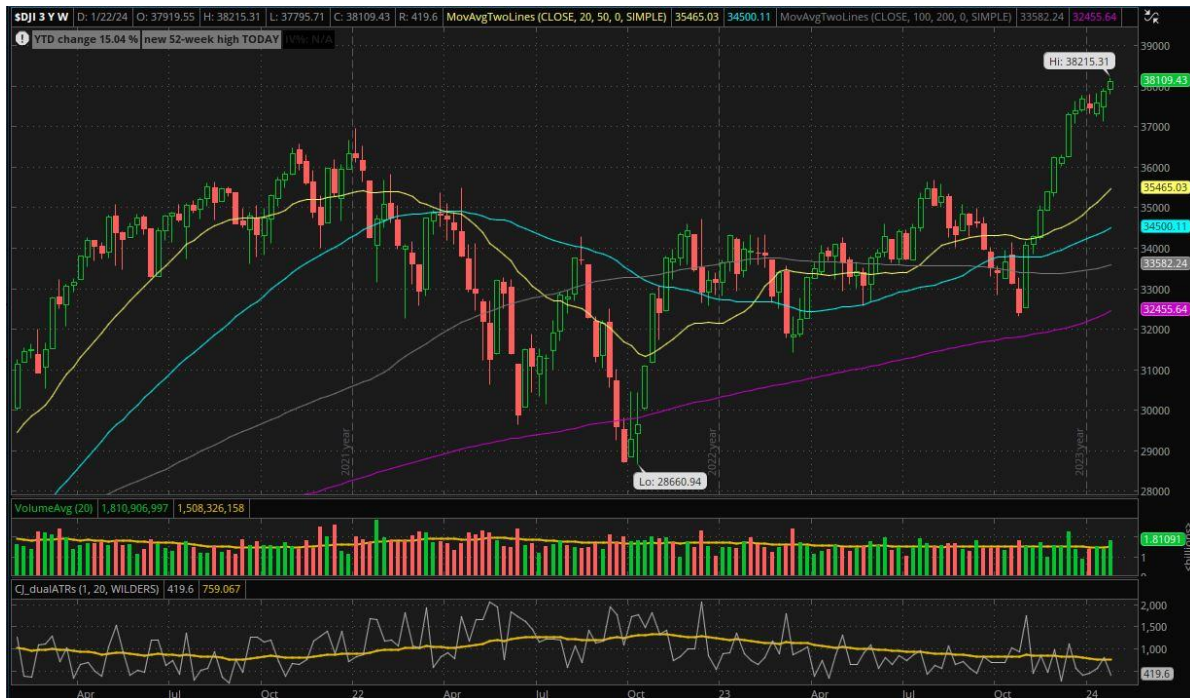
S&P 500 weekly chart as of Jan 26, 2024 - We see the S&P has again delivered new all time highs this week with its 3rd week of this year's rally.



S&P 500 daily chart as of Jan 26, 2024 - We see a gap up Monday and pause Monday and Tuesday. Wednesday again gapped higher to new all time highs then pulled back a bit. Thursday saw an 'Inside' day. Friday again saw new all time highs with also a higher low, ending the week up +1.06%.



S&P 500 15 min. chart as of Jan 26, 2024 - Here we see the gap up and pause Monday and Tuesday. Wednesday saw a stronger gap up and rallied above its upper Expected Move in the first half of the day then pulled back to fill part of the day's gap. Thursday was an 'Inside' day that retested the upper Expected Move. Friday saw a rally to new all time highs in the first 90 min. followed by a pause then a decline mid-day to end the day and week below its upper Expected Move.



DJIA weekly chart as of Jan 26, 2024 - We see a 3rd week of the 2024 rally this week to deliver more new all time highs.



DJIA daily chart as of Jan 26, 2024 - The strong rally we saw late last week continued on Monday to new all time highs then paused and pulled back a little on Tuesday and Wednesday. Thursday saw the rally resume and continued Friday to deliver more new all time highs, ending the week up +0.65%.



Nasdaq weekly chart as of Jan 26, 2024 - Here we see a 3rd week of the 2024 rally that has not yet reached its all time highs from Nov. 2021.



Nasdaq daily chart as of Jan 26, 2024 - The strong rally from late last week continued a little higher on Monday this week then paused Tuesday. Wednesday saw a strong gap up to new 52 week highs but closed lower on the day to fill part of its gap up that day. Thursday saw a lower high and lower low. Friday saw an 'Inside' day and a lower close to end the week up +0.9%.



Russell 2000 weekly chart as of Jan 26, 2024 - The first 3 weeks of 2024 saw the Russell decline to nearly its 200 week SMA (Purple). This week we see a bounce that recovered about half of this year's decline.



Russell 2000 daily chart as of Jan 26, 2024 - Monday saw a strong gap up and rally up to its 20 day SMA (Yellow) where it found Resistance. The Rest of this week was mostly horizontal as the Russell seemed to oscillate around Monday's close, ending the week up +1.74%.

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



McClellan Summation Index weekly chart as of Jan 26, 2024 - Last week saw a decline down to 645.76. This week saw a small decline down to 625.89.



McClellan Summation Index daily chart as of Jan 26, 2024 - The sharp decline we saw last week slowed this week with a small hook up on Thursday and Friday to end this week at 625.89.



NYSE Percent above 200 day SMA daily chart as of Jan 26, 2024 - Last week we saw a decline then small bounce up on Thursday and Friday to end last week at 65.59%. This week saw a pause on Monday and Tuesday followed by a small dip on Wednesday. Thursday and Friday saw a bounce up to end this week at 68.62%.



NYSE Percent above 50 day SMA daily chart as of Jan 26, 2024 - Last week ended at 65.68%. This week paused Monday and Tuesday, dipped a little on Wednesday then bounced back up on Thursday and remained nearly flat on Friday to end this week at 69.82%.



VIX daily chart as of Jan 26, 2024 - The VIX decline last week on Thursday and Friday and then paused on Monday this week at its 20 day and 50 day SMA support. Tuesday saw a decline below both the 20 day and 50 day SMAs. Wednesday saw an increase up to the 50 day SMA and Thursday continued higher. Friday saw higher highs then closed lower near the 20 day SMA.



VIXX daily chart as of Jan 26, 2024 - The Volatility of the VIX continued its decline on Monday and Tuesday this week then rallied Wednesday, Thursday and Friday.

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



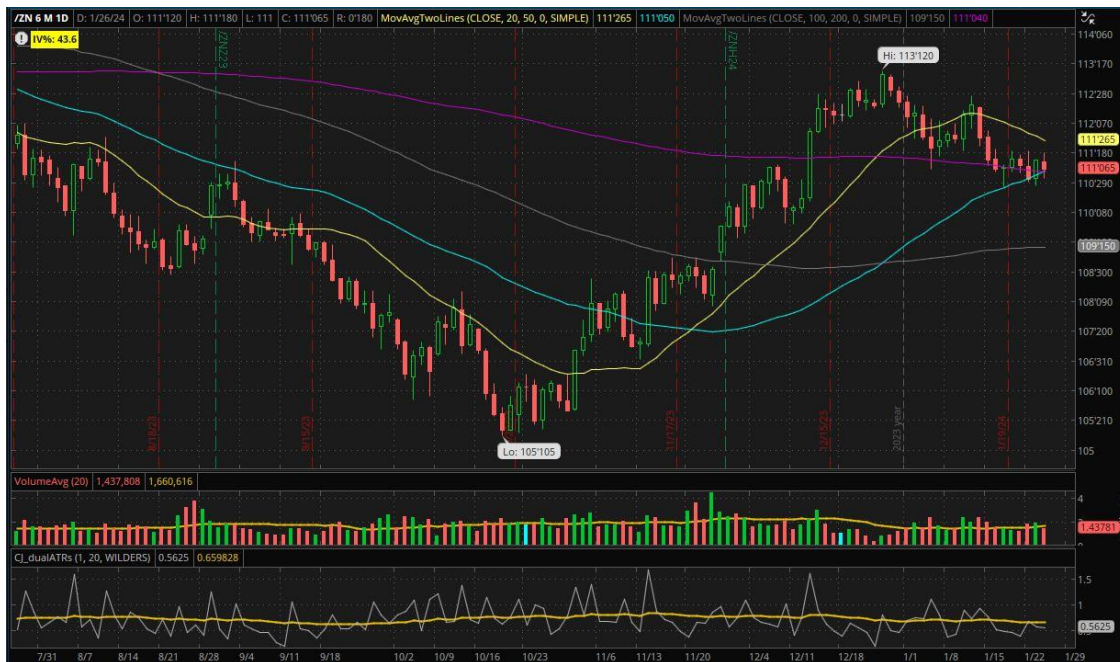
Oil daily chart as of Jan 26, 2024 - Oil prices rallied above its 50 day SMA on Monday then paused on Tuesday. Then next 3 days all saw higher highs, higher lows and higher closes, crossing above its 200 day SMA on Friday to end this week at \$78.23.



Gold daily chart as of Jan 26, 2024 - Gold prices straddled the 50 day SMA on Monday and Tuesday then declined Wednesday and early Thursday before bouncing back up. Friday saw a gap up above its 50 day SMA and straddled its 20 day SMA to end this week at \$2,037.10.



US Dollar Index daily chart as of Jan 26, 2024 - The US Dollar was mostly horizontal this week, straddling its 200 day SMA.



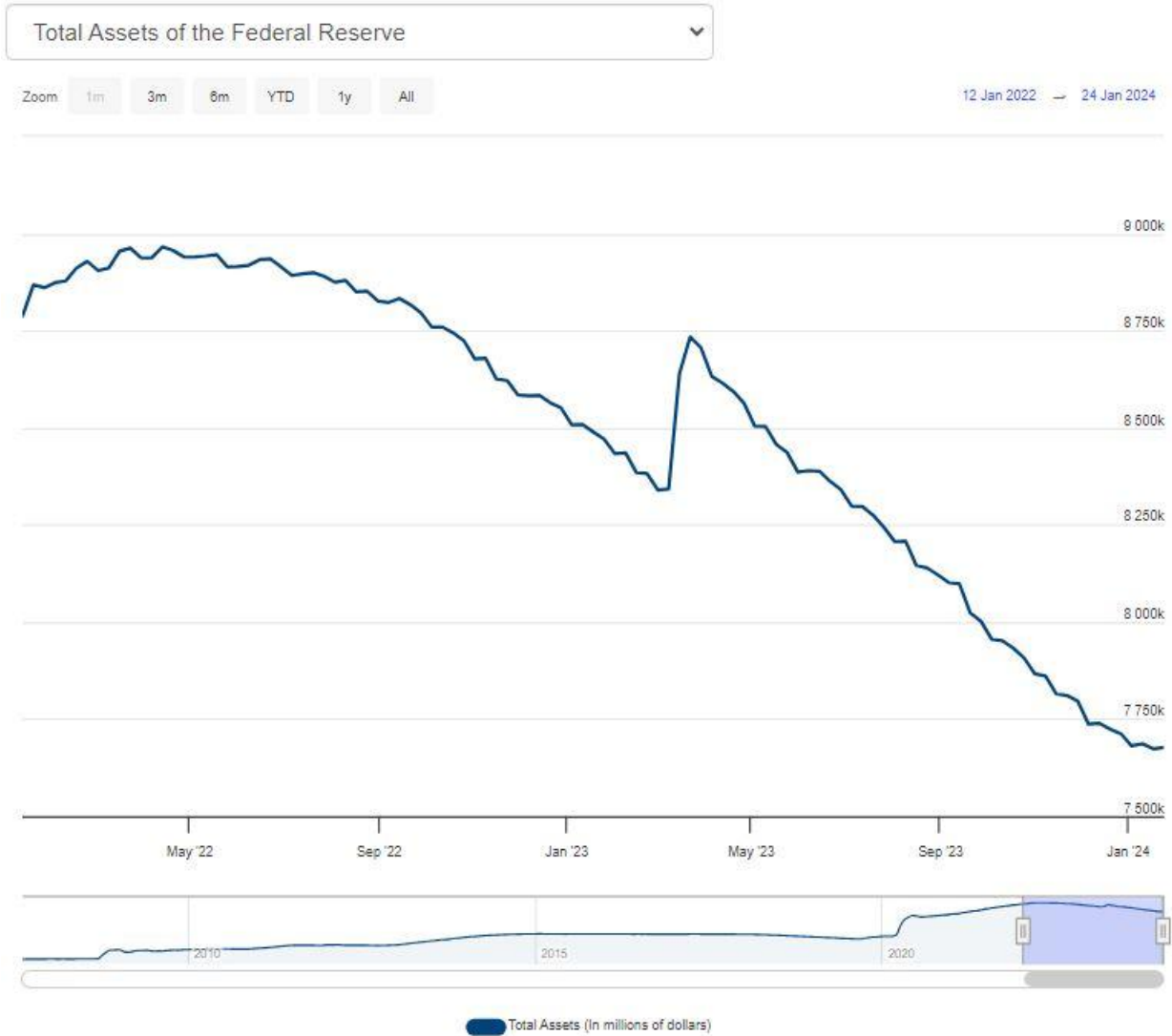
US 10 year Treasury daily chart as of Jan 26, 2024 - The US 10 year Treasury was also mostly horizontal this week as it straddled its 200 day SMA and the 50 day SMA rose to join the party.



US 10 year Yield daily chart as of Jan 26, 2024 - We saw little change in the 10 year Yields this week as the Yield remained mostly in the 4.08% to 4.17% range this week, just above its 200 day SMA as the 50 day SMA declined to join the party.

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
01/02/2024	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
01/03/2024	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
01/04/2024	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
01/05/2024	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
01/08/2024	5.54	5.48	5.49	5.39	5.24	4.82	4.36	4.11	3.97	3.99	4.01	4.33	4.17
01/09/2024	5.53	5.46	5.47	5.38	5.24	4.82	4.36	4.09	3.97	4.00	4.02	4.33	4.18
01/10/2024	5.53	5.46	5.46	5.39	5.23	4.82	4.37	4.10	3.99	4.01	4.04	4.35	4.20
01/11/2024	5.54	5.47	5.46	5.38	5.22	4.75	4.26	4.02	3.90	3.95	3.98	4.32	4.18
01/12/2024	5.55	5.47	5.45	5.37	5.16	4.65	4.14	3.92	3.84	3.91	3.96	4.32	4.20
01/16/2024	5.54	5.47	5.45	5.37	5.18	4.70	4.22	4.02	3.95	4.01	4.07	4.43	4.30
01/17/2024	5.54	5.47	5.47	5.40	5.20	4.80	4.34	4.12	4.02	4.07	4.10	4.42	4.31
01/18/2024	5.53	5.48	5.45	5.39	5.20	4.80	4.34	4.13	4.04	4.10	4.14	4.48	4.37
01/19/2024	5.54	5.47	5.45	5.39	5.21	4.84	4.39	4.18	4.08	4.12	4.15	4.47	4.36
01/22/2024	5.53	5.47	5.46	5.39	5.22	4.83	4.37	4.14	4.03	4.07	4.11	4.44	4.32
01/23/2024	5.53	5.46	5.45	5.38	5.21	4.81	4.31	4.16	4.06	4.11	4.14	4.48	4.38
01/24/2024	5.52	5.44	5.44	5.40	5.22	4.83	4.34	4.19	4.06	4.14	4.18	4.52	4.41
01/25/2024	5.54	5.48	5.44	5.39	5.19	4.76	4.28	4.12	4.01	4.07	4.14	4.49	4.38
01/26/2024	5.54	5.45	5.44	5.39	5.19	4.78	4.34	4.15	4.04	4.10	4.15	4.49	4.38

US Yield Rates daily table as of Jan 26, 2024 - Most Yields changed very little this week, nearly ending this week at the levels we saw at the end of last week.



FOMC Balance Sheet weekly chart as of Jan 24, 2024 - The Fed 'Increased' its Balance Sheet this week by adding \$3.489 Billion in stimulus to a new 'Total Assets' of \$7.677230 Trillion.

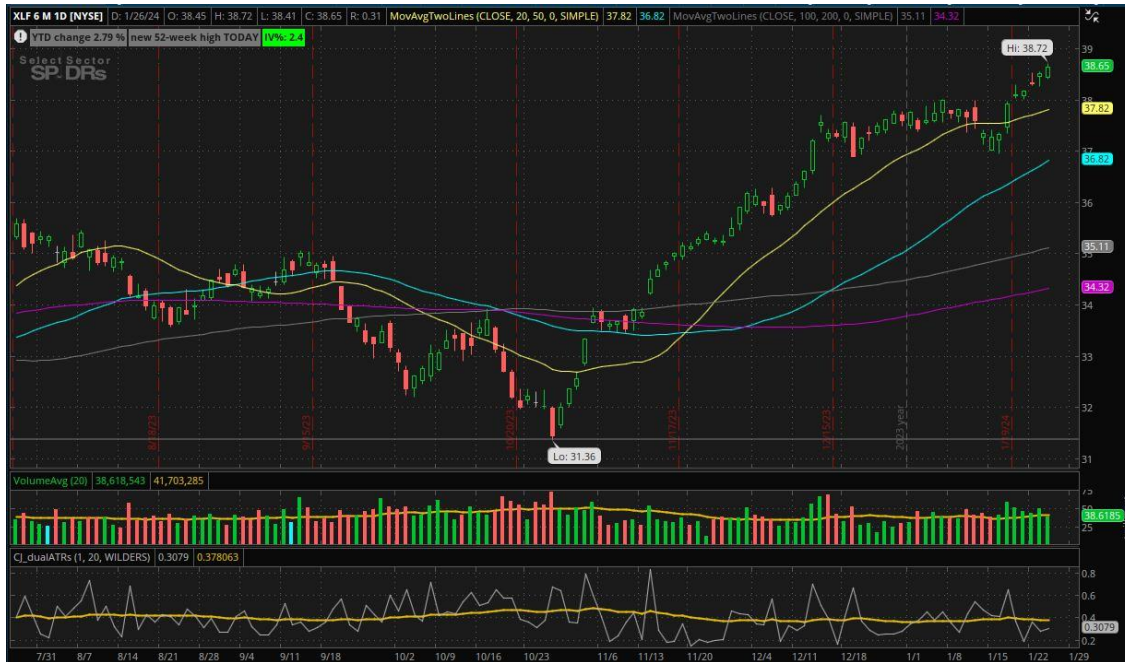
Next we will look at a few key 'Sectors'.



Dow Transportation Index daily chart as of Jan 26, 2024 - The Transports saw a strong rally on Monday above its 20 day SMA. After higher highs early on Tuesday we saw a small decline Tuesday and Wednesday that remained above the 20 day SMA. Thursday saw a bounce back to the prior day's close. Friday saw an 'Inside' day to end the week up +1.98%. Most all of this week's gains were realized on Monday.



XLE daily chart as of Jan 26, 2024 - The Energy sector rose with Oil prices and saw strong gains this week with higher highs and a higher close every day, ending the week up +5.09%. In addition to strong Oil prices this week, positive Earnings Reactions to two components helped as well (ie. HAL and VLO).



XLF daily chart as of Jan 26, 2024 - The Financial sector continued its rally this week with a small gap up Monday and pause Tuesday. Wednesday saw another small gap up that continued higher Thursday and Friday to new 52 week highs, ending the week up +1.90%.



QQQ daily chart as of Jan 26, 2024 - The Nasdaq-100 ETF continued its rally with a small gap up on Monday followed by a pause on Tuesday. Wednesday saw a strong gap up and rally to new all time highs before rolling over mid day and declining lower to then close the day lower than the open. Thursday and Friday saw lower lows and lower closes to end the week up +0.62%.



SOXX daily chart as of Jan 26, 2024 - The Semiconductor sector continued higher Monday then paused on Tuesday. Wednesday saw a gap up and rally that continued higher at the open on Thursday with a new all time highs before selling lower all day. The decline continued lower on Friday to end the week down -0.58%.



XLC daily chart as of Jan 26, 2024 - The Communication Services sector continued its rally this week with higher highs, higher lows and higher close every day this week as well as delivering new 52 week highs every day this week, ending the week up +3.81%. Positive Earnings reactions to some of this sector's key components helped drive gains this week (ie. VZ, NFLX, CMCSA).

<i>INDEXes</i>	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
<i>SECTORs</i>	12/15/2023	12/22/2023	12/29/2023	1/5/2024	1/12/2024	1/19/2024	1/26/2024
\$SPX	2.49%	0.75%	0.32%	-1.52%	1.84%	1.17%	1.06%
\$INDU	2.92%	0.22%	0.81%	-0.59%	0.34%	0.72%	0.65%
\$COMPQ	2.85%	1.21%	0.12%	-3.25%	3.09%	2.26%	0.94%
\$NDX				-3.09%	3.23%	2.86%	0.62%
\$RUT	5.55%	2.46%	-0.34%	-3.75%	-0.01%	-0.34%	1.74%
QQQ	3.36%	0.95%	0.33%	-3.12%	3.23%	2.84%	0.62%
\$TRAN	5.29%	0.30%	-1.03%	-2.45%	-0.25%	0.79%	1.98%
XLE	2.52%	1.78%	-1.34%	1.00%	-2.36%	-3.04%	5.09%
XLF	3.38%	0.47%	0.70%	0.40%	-0.40%	0.88%	1.90%
XLK	2.70%	0.40%	0.22%	-4.34%	4.41%	4.13%	0.79%
SOXX	9.10%	0.30%	1.09%	-5.95%	2.87%	7.87%	-0.58%
XLV	1.58%	1.09%	1.01%	2.01%	1.01%	-0.75%	-0.14%
XLY	3.48%	0.33%	-0.37%	-3.46%	0.78%	0.53%	-1.84%
XRT	5.62%	2.15%	0.39%	-4.04%	-0.84%	-0.20%	1.83%
XLI	3.73%	0.64%	0.76%	-2.25%	0.61%	0.30%	0.87%
XLU	0.88%	-1.19%	1.13%	1.89%	-1.88%	-3.70%	0.38%
XME	6.04%	6.29%	-1.55%	-2.77%	-1.10%	-1.95%	1.15%
XLP	1.61%	0.73%	1.14%	-0.03%	1.10%	-1.03%	0.80%
XLB	3.95%	1.21%	-0.07%	-1.40%	-1.06%	-1.46%	0.34%
XLC	0.77%	2.49%	0.07%	-0.85%	2.46%	1.38%	3.81%
XHB	7.05%	1.14%	0.06%	-3.39%	2.16%	1.33%	-1.02%

Weekly Percent Change US Indexes and Sectors table as of Jan 26, 2024 - All indexes were up this week, with the strongest being the Dow Transports, Russell 2000 and the S&P-500. The Nasdaq had led the prior two week showed some weakness this week.

The Strongest Sectors this week included: XLE and XLC that delivered over +3.8% gains for the week. Both of these two sectors had components that reported Earnings this week that saw positive reactions.

The Weakest Sectors this week all saw a decline for the week and included: XLY, XHB, SOXX and XLV. TSLA negatively impacted the XLY this week while TXN, INTC & KLAC negatively impacted the SOXX as we saw negative reactions to Earnings this week impact their sectors.

INDEXes SECTORs	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
	Holiday 01/15/24	End of Day 01/16/24	End of Day 01/17/24	End of Day 01/18/24	End of Day 01/19/24	End of Day 01/22/24	End of Day 01/23/24	End of Day 01/24/24	End of Day 01/25/24	End of Day 01/26/24
\$SPX	n/a	-0.37%	-0.56%	0.88%	1.23%	0.22%	0.29%	0.08%	0.53%	-0.07%
\$INDU	n/a	-0.62%	-0.25%	0.54%	1.05%	0.36%	-0.25%	-0.26%	0.64%	0.16%
\$COMPQ	n/a	-0.19%	-0.59%	1.35%	1.70%	0.32%	0.43%	0.36%	0.18%	-0.36%
\$RUT	n/a	-1.21%	-0.73%	0.55%	1.08%	2.01%	-0.36%	-0.73%	0.71%	0.12%
QQQ	n/a	-0.01%	-0.56%	1.42%	1.98%	0.13%	0.41%	0.55%	0.12%	-0.60%
\$STRAN	n/a	-0.83%	-0.72%	1.70%	0.66%	2.21%	-0.28%	-0.86%	1.25%	-0.32%

Daily Percent Change US Indexes table as of Jan 26, 2024 - The strength we saw in the Nasdaq Composite on Tuesday and the Nasdaq-100 (QQQ) on Wednesday became weakness on Thursday and Friday. The Transports alternated between strength Monday, weakness Wednesday and strength Thursday.

Since the 7 biggest stocks within the Nasdaq-100 are weighted in that index to represent nearly 45% of the total value of that index, we can see the impact of this weighting by comparing the Nasdaq-100 Index (NDX) to the Equal Weighted Nasdaq-100 (NDXE). The chart below shows this comparison.



NDX vs. NDXE Year-To-Date daily chart as of Jan 26, 2024 - This chart shows the percent change so far this year between these two Indexes. The Green area in the background shows the 'difference' between these two indexes but is NOT to any scale. It shows how these two Indexes saw little difference the first week of this year, then a growing 'Divergence' over the next 3 weeks as the NDX grew much more than the Equal Weighted NDXE.



NDX vs. Biggest 7 stocks Year-To-Date daily chart as of Jan 26, 2024 - This chart shows us the Percent change so far in 2024 for the NDX and for each of the seven biggest components of the NDX. We can clearly see that NVDA and META have provided significantly greater gains so far this year and TSLA with losses while the other four stocks are not far away from the NDX Index that is up +5.3% so far this year.

Next we will look at a few key Stocks.



AAPL daily chart as of Jan 26, 2024 - Apple continued its rally Monday and Tuesday this week. Wednesday saw higher highs early then rolled over and sold off the rest of the day. Thursday nearly saw a retest of the prior day's highs before declining lower the rest of the day. The Decline continued lower Friday to end the week up +0.45%. Apple reports Earnings next week on Thursday.



MSFT daily chart as of Jan 26, 2024 - Microsoft continued its rally this week after a pause Monday and Tuesday. Wednesday and Thursday saw new all time highs and a higher close. Friday saw a lower high, lower low and lower close to end the week up +1.32%. Microsoft reports Earnings next week on Tuesday.



GOOGL daily chart as of Jan 26, 2024 - Alphabet paused Monday and Tuesday then resumed its rally Wednesday and Thursday, delivering new all time highs on Thursday. Friday saw an 'Inside' day with a higher close to end the week up +3.97%. Alphabet reports Earnings next week on Tuesday.



AMZN daily chart as of Jan 26, 2024 - Amazon continued its rally this week, with a small pull back late Monday and Tuesday, followed by new 52 week highs on Wednesday and Friday, ending the week up +2.43%. Amazon reports Earnings next week on Thursday.



NVDA daily chart as of Jan 26, 2024 - Nvidia continued its rally this week with new all time highs on Monday and Wednesday. Thursday saw an 'Inside' day with a higher close. Friday saw a lower high, lower low and lower close to end the week up +2.59%.



META daily chart as of Jan 26, 2024 - Meta continued its rally with new all time highs on Monday, Wednesday and Friday and a higher close every day this week except on Monday. META ended this week up +2.79%. Meta reports Earnings next week on Thursday.



TSLA daily chart as of Jan 26, 2024 - Tesla continued its decline this week with a lower close on Monday and Wednesday before reporting Earnings on Wednesday after the close. The Reaction to Earnings was negative with a large gap down Thursday that found support near \$180. Friday saw an 'Inside' day to end the week down -13.64%.

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	2.84%	0.62%
AAPL	3.03%	0.45%
MSFT	2.63%	1.32%
GOOGL	2.61%	3.97%
AMZN	0.47%	2.43%
NVDA	8.74%	2.59%
META	2.39%	2.79%
TSLA	-3.06%	-13.64%

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).

Five stocks outperformed the QQQ this week, with AAPL lagging and TSLA continuing its decline.



JPM daily chart as of Jan 26, 2024 - JP Morgan straddled its 20 day SMA for 3 days this week then gapped up on Thursday and rallied to find Resistance near \$173. Friday saw a small pull back to end the week up +1.16%.



BA daily chart as of Jan 26, 2024 - The small bounce last week up to its 200 day SMA stalled out near the 200 day SMA for 3 days this week then we saw strong selling return Thursday with new 2024 lows. Friday saw an 'Inside' day to end the week down -4.44%. Boeing reports Earnings next week on Wednesday.



COST daily chart as of Jan 26, 2024 - Costco continued higher Monday to deliver new all time highs mid-day before beginning to sell off lower. The Decline continued Tuesday, Wednesday and Thursday to find support near \$676. Friday saw a bounce to end the week down -1.16%.



INTC daily chart as of Jan 26, 2024 - Intel continued its rally above its 20 day SMA this week until Thursday when it reported Earnings after the close. The reaction was significantly negative with a gap below its 20 day and 50 day SMAs on Friday and selling down to \$43.35 where it found support. Intel closed Friday at \$43.65 to end the week down -9.35%. We saw other semiconductor names also decline on Friday in sympathy with Intel.



NFLX daily chart as of Jan 26, 2024 - Netflix paused most of last week as it straddled its 20 day SMA. This week we saw a small rally above the 20 day SMA on Monday and Tuesday before reporting Earnings on Tuesday after the close. Wednesday saw a large gap up reaction that continued higher Thursday and Friday to new 52 week highs to end the week up +18.11%.



PYPL daily chart as of Jan 26, 2024 - Paypal has been nearly dead for well over a year, mostly below its 200 day SMA that whole time (since Oct. 2021). Last week saw a spark of life as PayPal broke above its 200 day SMA last Friday. This week we saw a gap open higher on Monday that quickly sold off back down to its 200 day SMA. Tuesday saw a narrow 'Inside' day. Wednesday saw a repeat and retest of the 200 day SMA that was broken. Thursday saw the selling continue below the 20 day and 50 day SMAs to find Support near \$58.90. Friday saw a small bounce off of its 50 day SMA support and a close just above the 20 day SMA, ending the week down -6.14%. PayPal reports Earnings in 2 weeks, on Feb. 7th.



SLB daily chart as of Jan 26, 2024 - Schlumberger reported Earnings last Friday before the open and saw a positive reaction last Friday with a gap up. SLB continued its rally this week, briefly crossing above its 20 day SMA on Monday, pausing Tuesday then crossing above its 50 day SMA on Wednesday and continued with higher highs and higher closes the rest of this week, testing its 200 day SMA Resistance on Friday before ending the week up +6.61%.

We saw examples of both Positive and Negative reactions to Earnings this week. With lots of the biggest names reporting Earnings next week, it's important to be prepared for these 'Reactions'.

We saw NFLX react positively and moved higher far more than what the Options Market had expected. We also saw TSLA react negatively and moved far lower than what the Options Market had expected. These examples remind us that the Options Market seems to continue to 'Under-price' actual Risk. This can create added risks for Options Traders that may choose to sell premium in front of Earnings and expect to capitalize on the high odds Volatility Crush. The Volatility does crush, but in these two examples, that Volatility Crush failed to be sufficient since the underlying Asset moved far more than what the Options Premium had priced as Risk.

With lots of big names reporting next week, Options Traders should keep in mind 'ALL' the Risks, and account for them. As an Options buyer, large moves in the underlying can provide huge profits when the timing, Delta and Gamma work in your favor and more than compensate for any decline in Volatility.

As always, be prepared for just about anything next week, as Anything CAN happen.

Trade Smart,

CJ