

# All Eyes on Retest of Recent Highs

September 12, 2022



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Sep 12



## Executive Summary

The Business Cycle remains in Stage 1 as Stocks and Bonds remain in the Improving quadrant and move towards the Leading quadrant. Commodities look to have found their footing for now in the Lagging quadrant and attempt to build momentum towards Improving.

Sector Rotation is starting to show some potential defensive signs with Technology and Industrials turning towards Weakening, and Utilities turning back towards Leading. No major cause for concern yet though as Discretionary and Financials continue to Improve toward Leading.

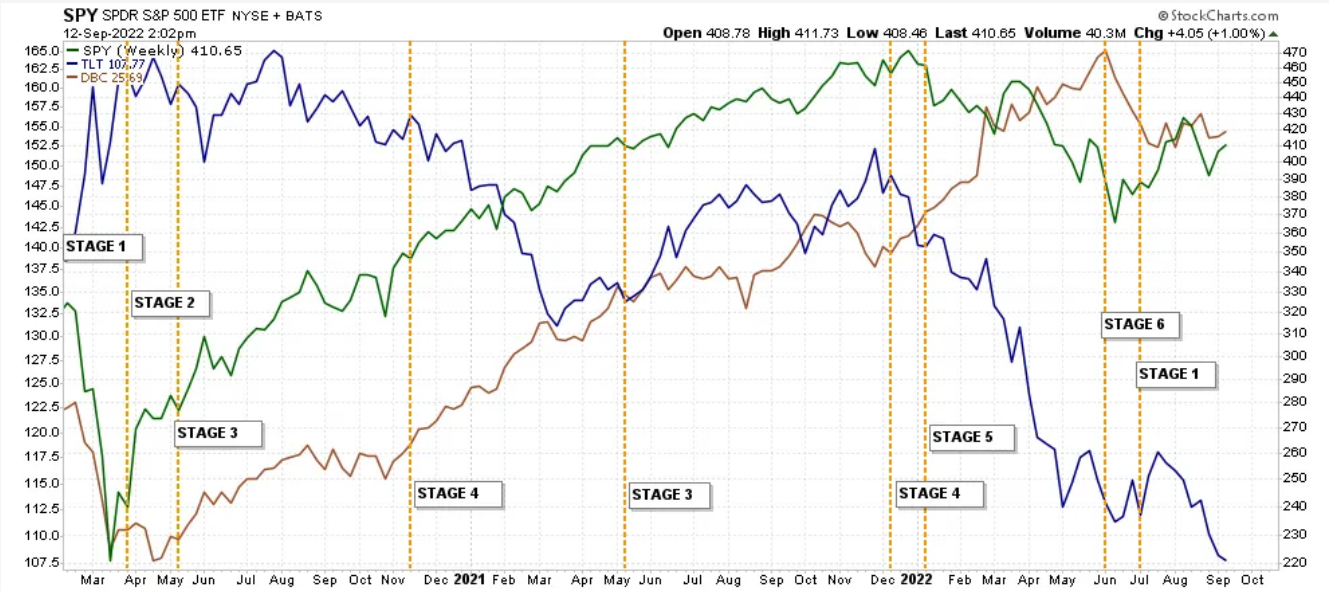
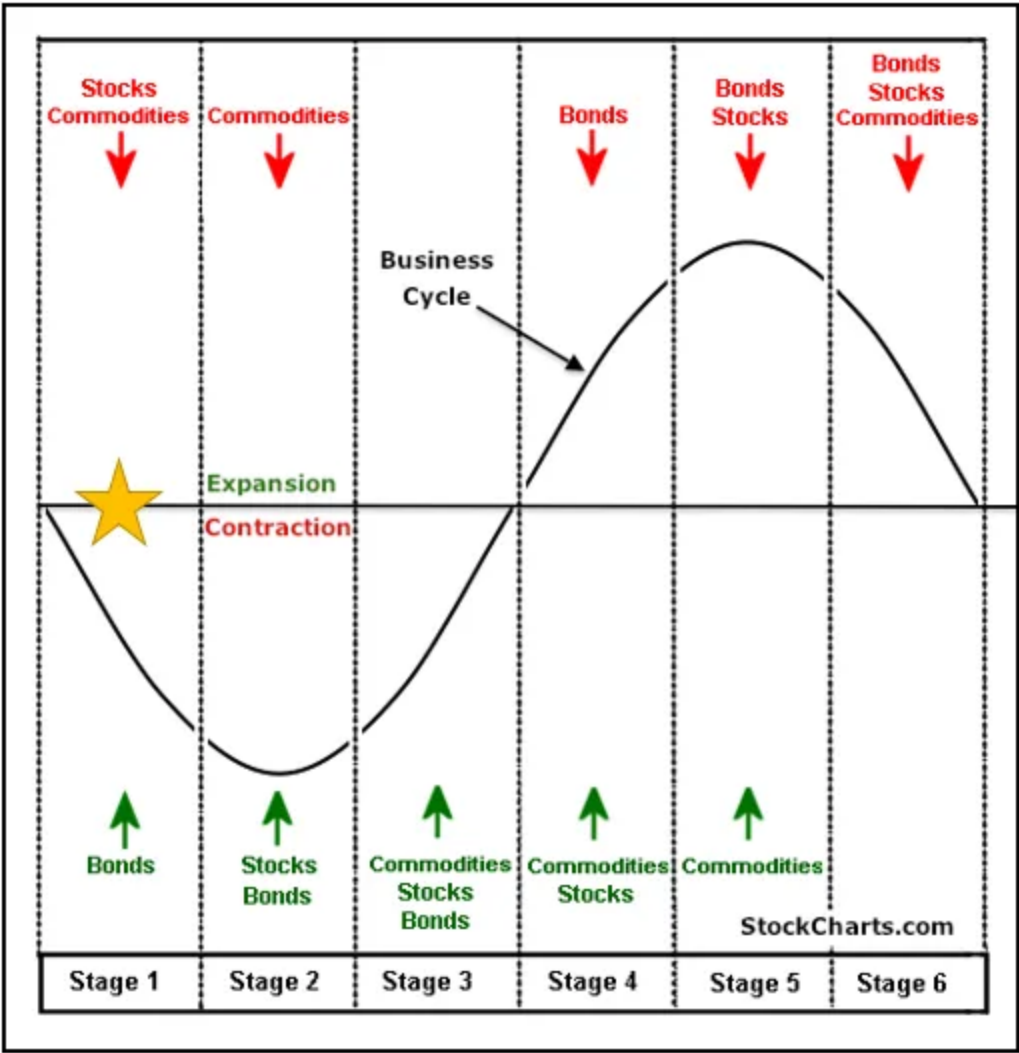
The Charts for the US Dollar, Stocks, Bonds, and Commodities are all in interesting positions as we near the end of Q3. Stocks are currently looking to retest recent highs with PnF counts confirming. See Technical Analysis below for the Bearish Scenario and Bullish Scenario on how this might play out.

Key Events this week include CPI Report tomorrow (9/13), Retail Sales Thursday (9/15), and Q3 Options Expiration Friday (9/16). It should be a busy week.

**“All of us are working together toward one great end, some knowingly and purposefully, others blindly.”**

**- Marcus Aurelius -**

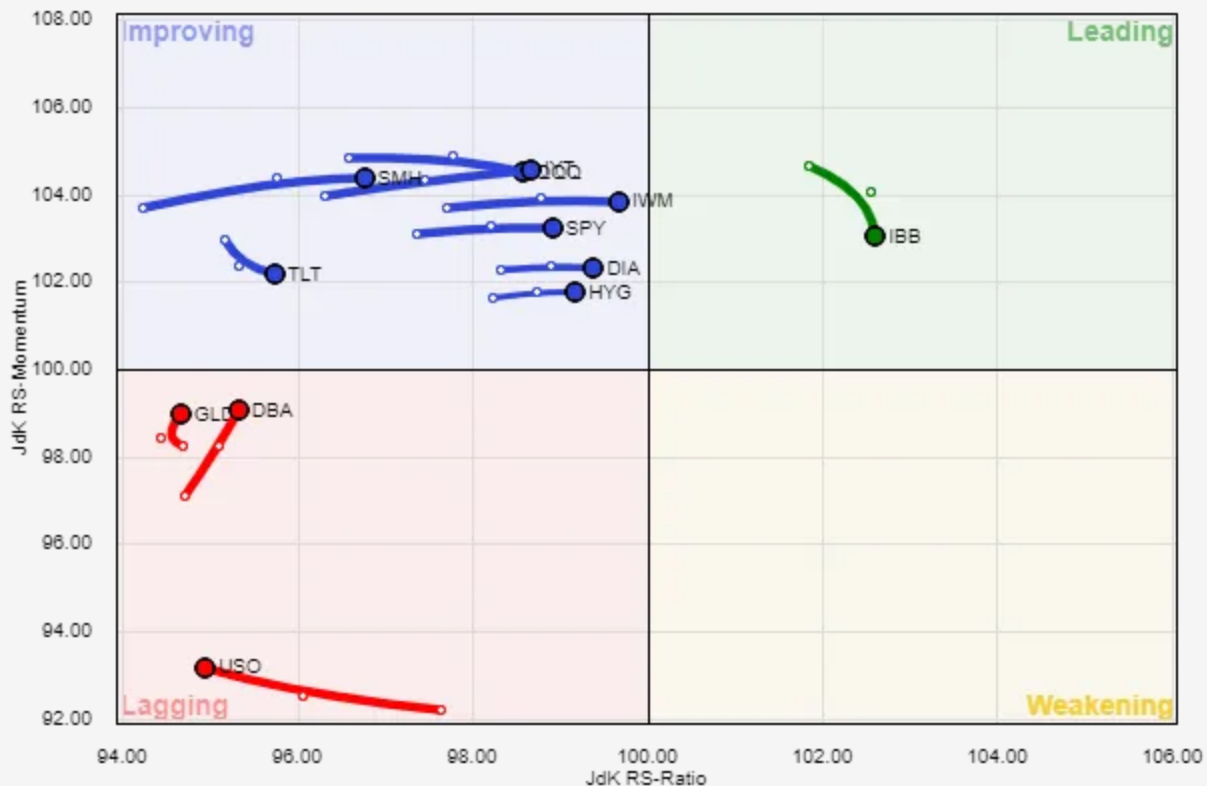
## Business Cycle



Bonds (Blue). Stocks (Green). Commodities (Gold).

**Stage 1** - Commodities are falling as global economies begin to weaken. Bonds stop their decline and start to improve in anticipation of monetary loosening and accommodative policies.

## Asset Rotation



**Bond ETFs** - HYG, TLT. **Stock ETFs** - DIA, IBB, IWM, IYT, QQQ, SMH, SPY. **Commodity ETFs** - DBA, GLD, USO.

## Asset Analysis

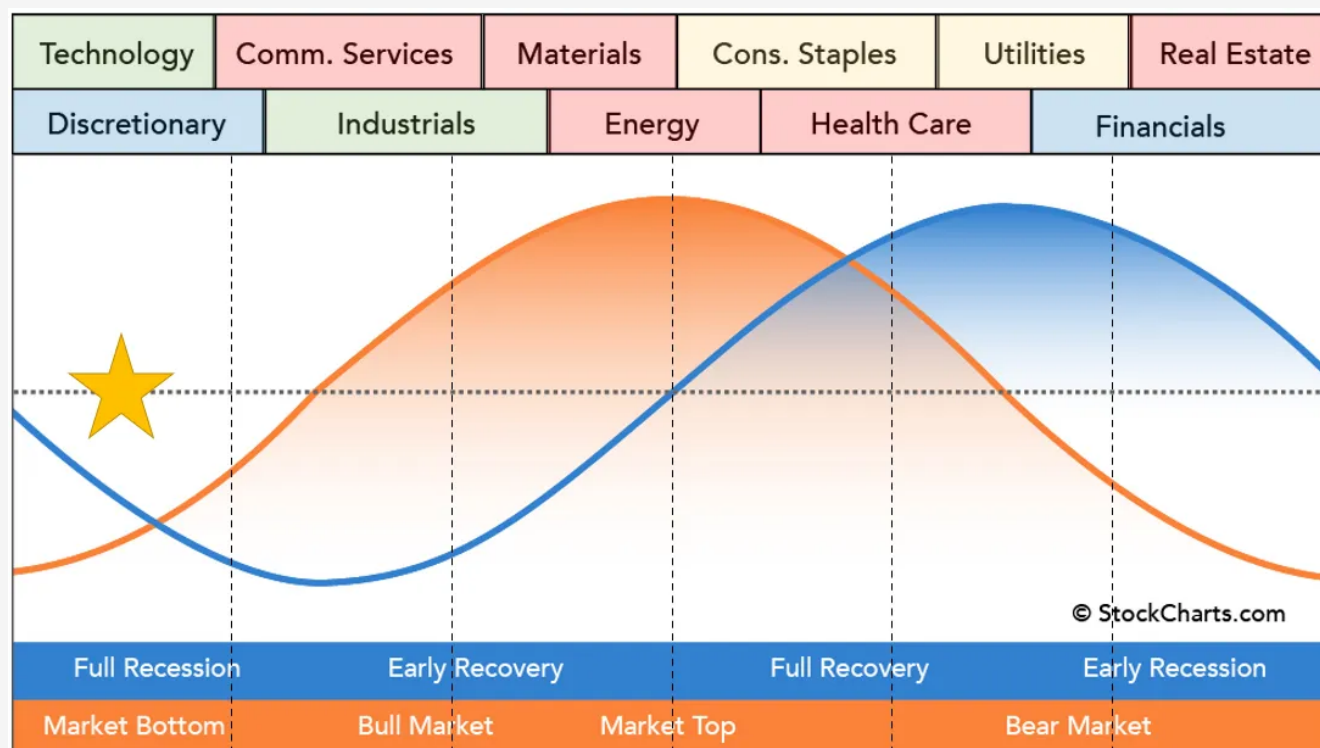
Stocks continue to move toward the Leading quadrant with no major change in momentum week over week. Biotech (IBB) has been in Leading ahead of the other Stock ETFs, but is starting to lose momentum quickly with a change in direction towards Weakening. This weakness is important to note as we will see if it is a precursor for the other Stock ETFs soon.

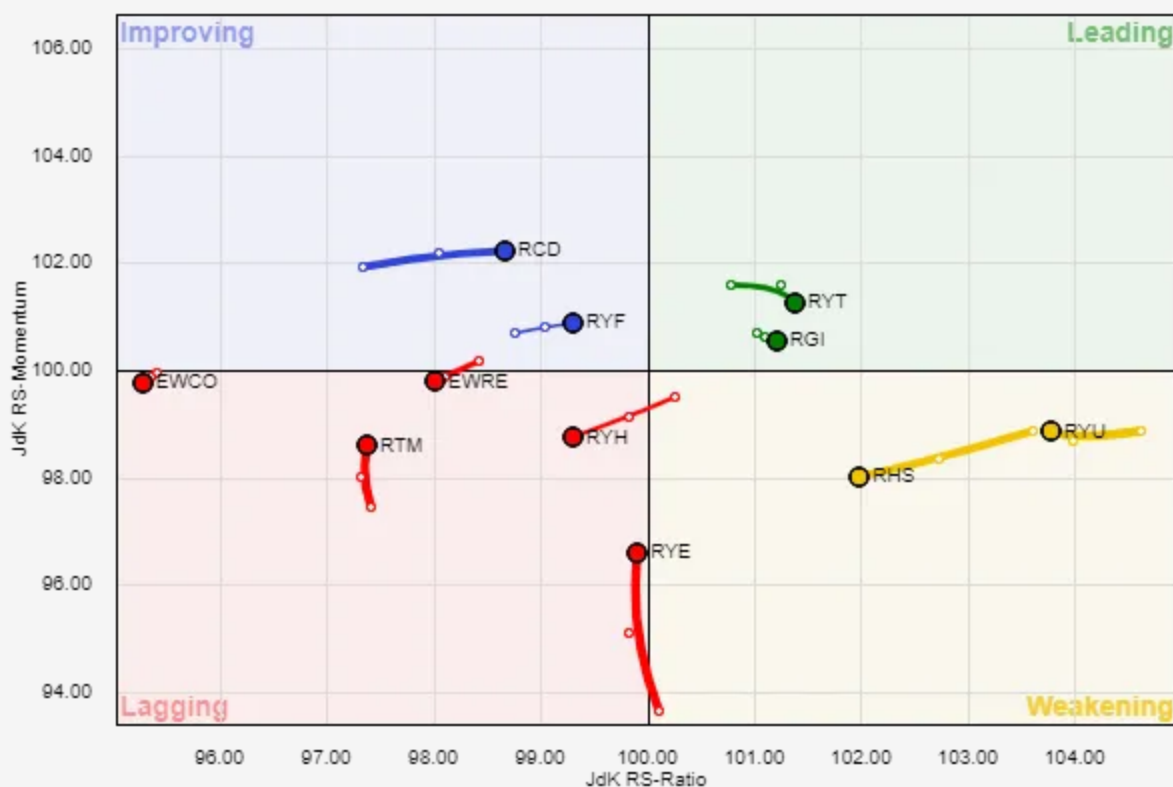
Bonds point to no real change week over week as TLT tries to hold key support and build new momentum for a move higher.

Commodities remain in the Lagging quadrant, but Gold (GLD) and Agriculture (DBA) are making turns toward Improving. The CPI report on inflation will be released tomorrow morning and it should be expected to move markets.

Markets are all in interesting positions as we head into the Q3 Options Expiration on Friday (9/16) and the end of Q3 two weeks later (9/30), See Technical Analysis below.

## Sector Rotation





## Sector Analysis

There was one quadrant change this week as Energy moved from Weakening to Lagging. Energy has been straddling the Lagging & Weakening line for the past few weeks as price appears to be in Phase C type behavior.

We are starting to see momentum come out of Technology (RYT) and Industrials (RGI) as they turn towards the weakening quadrant. Discretionary (RCD) and Financials (RYF) are showing the strongest bullish behavior at this time as they move from Improving toward Leading.

Consumer Staples (RHS) and Utilities (RYU) have been in the Weakening quadrant for 10+ weeks now, but due to their previous strong moves from Improving to Leading, they have remained resilient staying in Weakening and not moving into Lagging. Utilities are attempting to turn back towards Leading which would be a cause for concern for Stocks. Consumer Staples still have momentum towards the Lagging quadrant which doesn't suggest any immediate bearish rotation for stocks yet.

Stocks are currently in an interesting position with potential Phase C type behavior, see Technical Analysis below.



# The Charts



Daily Charts: UUP - US Dollar, SPY - Stocks, TLT - Bonds, DBC - Commodities



Intraday Charts: UUP - US Dollar, SPY - Stocks, TLT - Bonds, DBC - Commodities

## Technical Analysis

The Dollar (UUP) is retracing into the previous trading range in potential Phase C behavior. The bias remains to the upside until we see how price action reacts in this

current downswing and trading range.

Stocks (SPY) are moving towards a test of recent highs which will be a key data point in determining if this is Re-Distribution or Accumulation. The current short term PnF count is to \$417 - \$429 which aligns right with a retest of recent highs. Below are the potential Bearish Scenario and Bullish Scenario for how this might play out.

Bonds (TLT) are holding key support with potential spring type action today. The next upswing needs to make a decisive move up and through the \$110 - \$112 range to negate the idea that the ice is cracking underneath Bond's feet right now.

Commodities (DBC) are rebounding after a potential LPS and local spring type action the past week. The previous downswing was fast with increased supply which suggests some distribution characteristics. A 50% retracement of the previous downswing would be \$25.76 which price is currently sitting at right now.

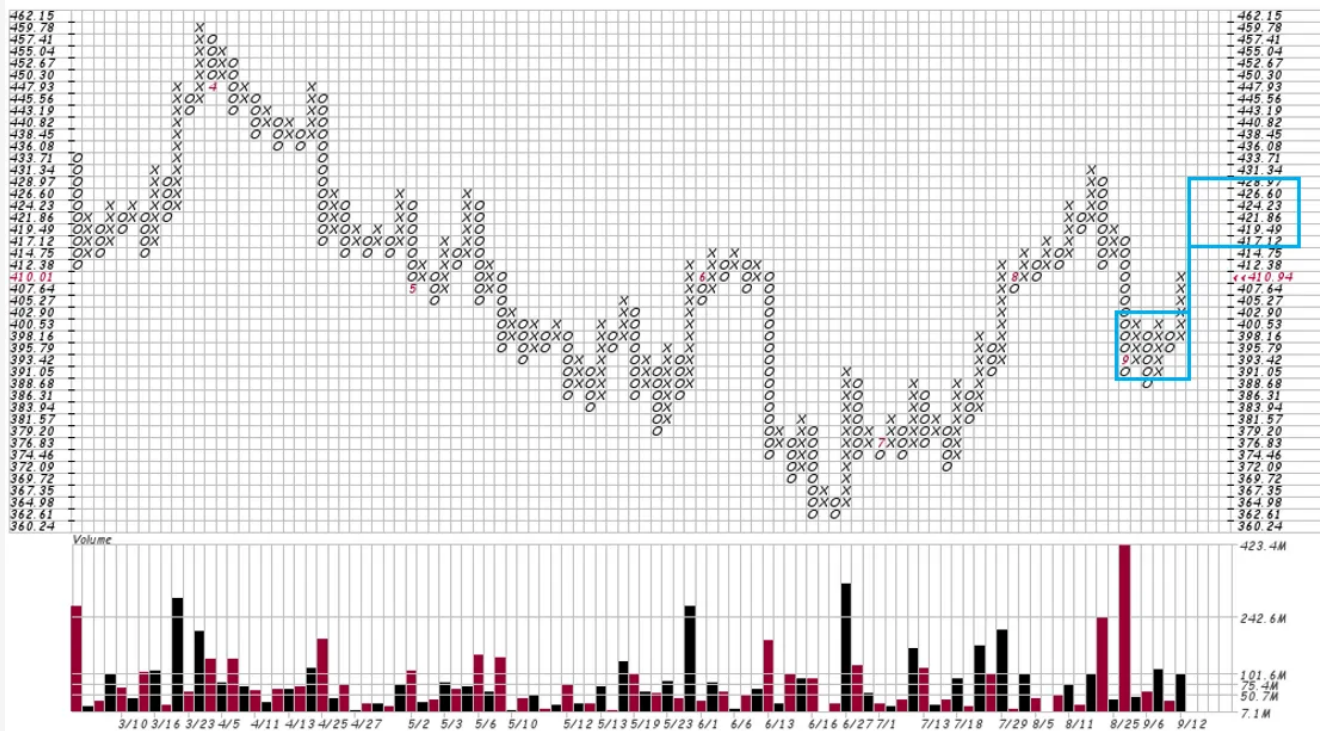
SPY SPDR S&P 500 ETF NYSE

12-Sep-2022, 16:00 ET, 60MN, O: 410.28, H: 411.05, L: 409.79, C: 410.94, V: 9960897, Chg: +0.65 (0.16%)

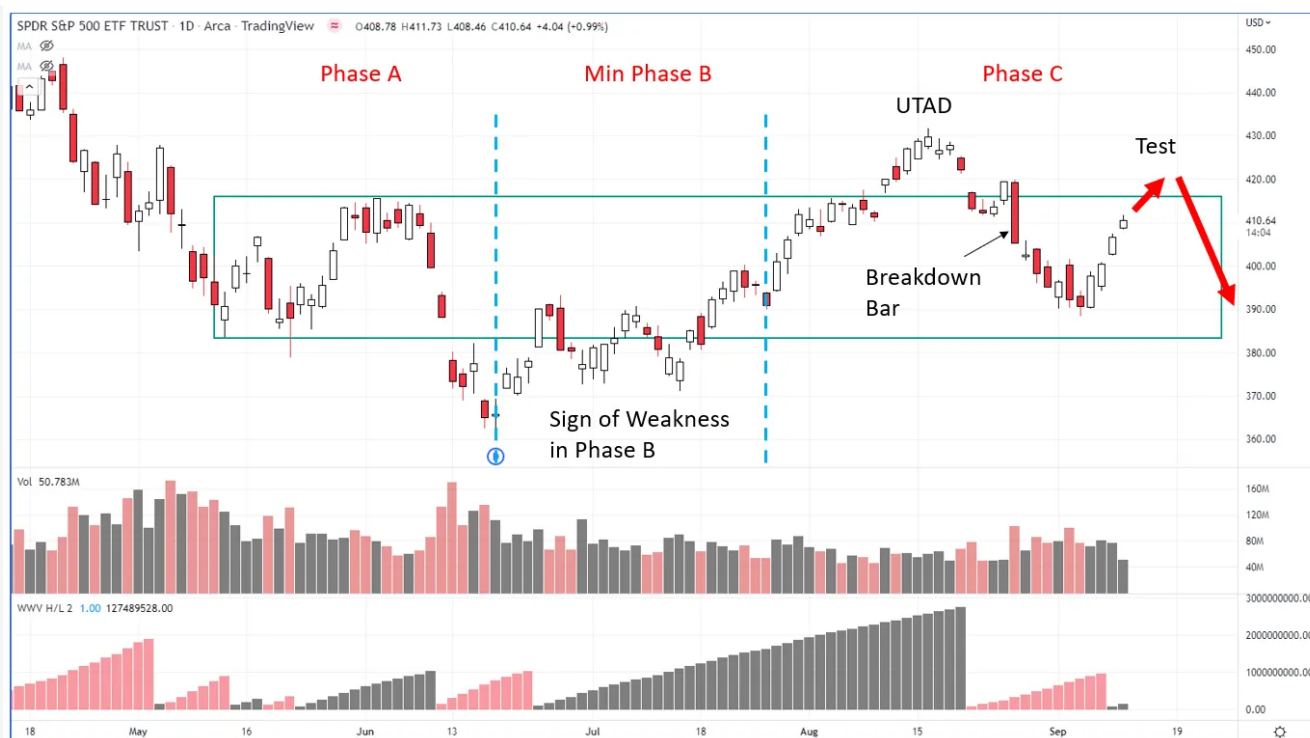
P&F Pattern Triple Top Breakout on 09-Sep-2022

Scaling: Dynamic [Reversal: 2, ATR(63) Box Size:2.37]

(c) StockCharts.com



Short Term PnF Count



## Bearish Stocks Scenario



## Bullish Stocks Scenario

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