

# Q4 Clear Sky Rally Underway

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Marcus Aurelius

1 min ago

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## Executive Summary

The Business Cycle is in **Stage 6** as Bonds, Stocks, and Commodities remain in downtrends.

All assets remain in the Lagging quadrant overall, but Stocks are attempting turn the corner back towards Improving, and Bonds are in the process of creating a trading range which would be the first step in moving to Stage 1 of the Business Cycle.

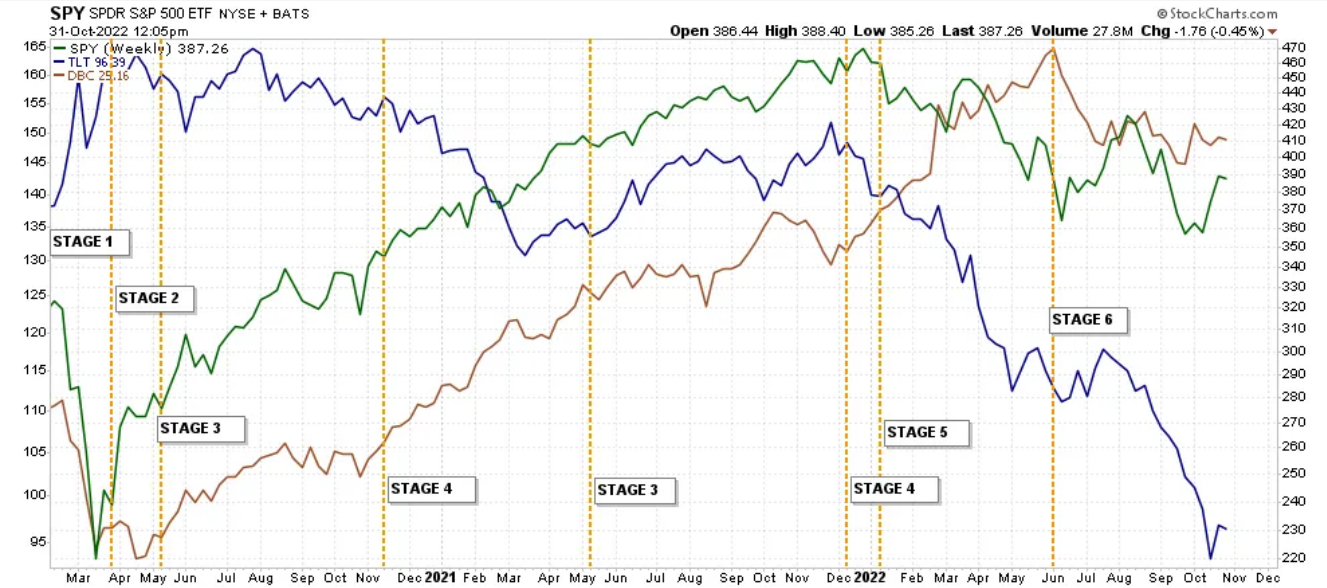
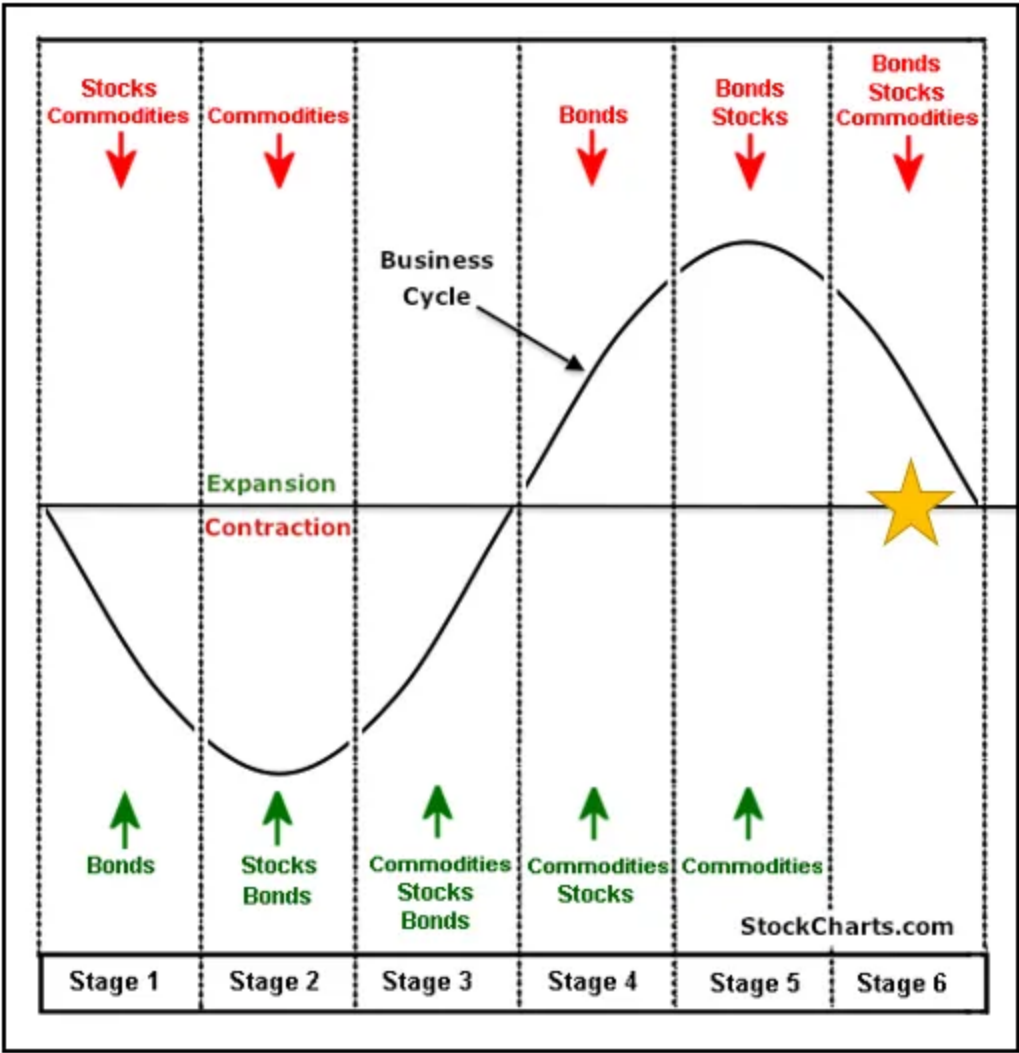
Healthcare, specifically Biotechs, are gaining bullish momentum and relative strength as the Q4 Clear Sky Rally develops. Technology is the lone early cycle sector that needs to show some bullish momentum to provide further confirmation that we are heading into Stage 1.

The Q4 Clear Sky Rally looks underway with minimum targets +5.5% higher from here.

“You may explode in rage, but men will still go on doing what they have always done.”

- Marcus Aurelius -

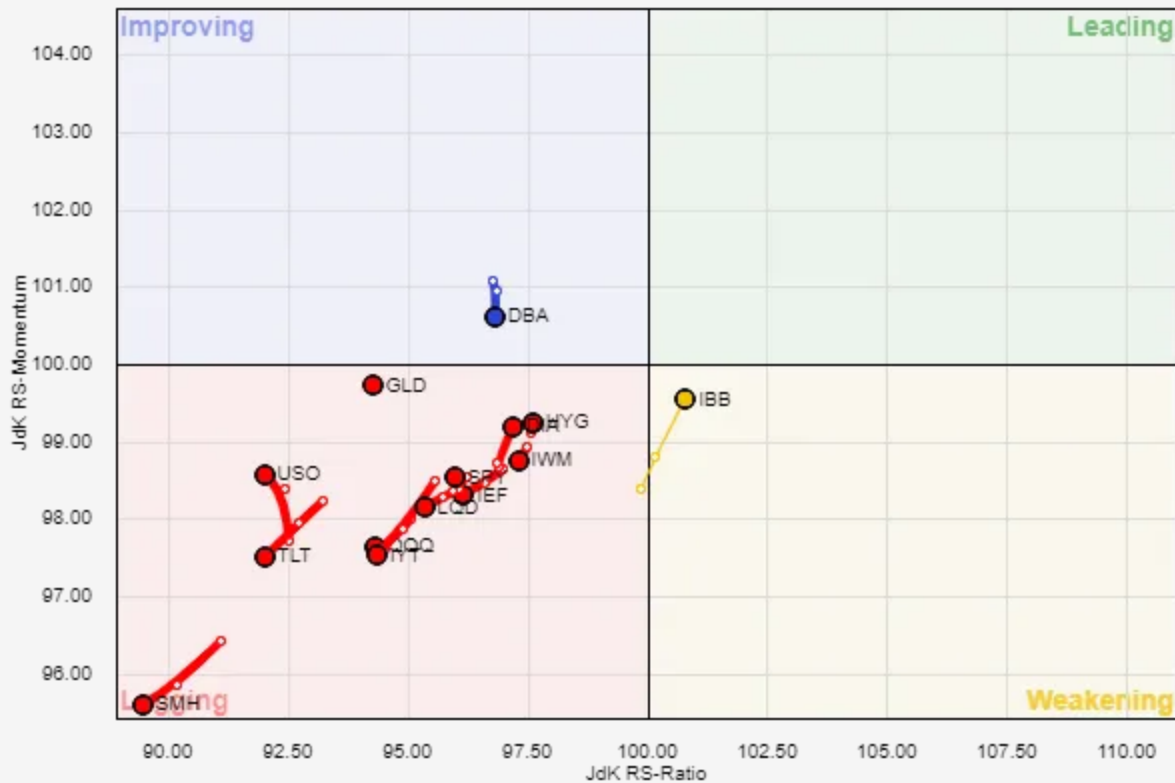
## Business Cycle



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

**Stage 6** - Economic conditions are tightening which causes interest rates to rise and business conditions to start deteriorating. Stocks and Commodities fall as the economy begins to contract and demand decreases.

## Asset Rotation

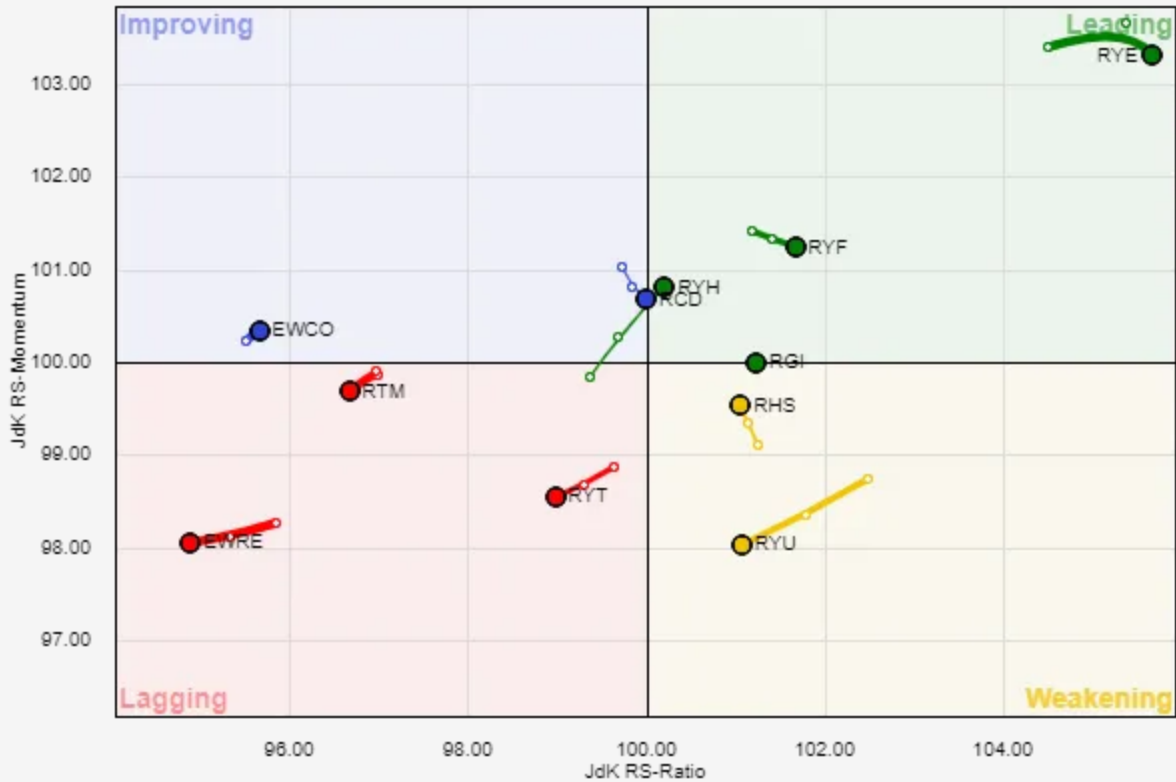
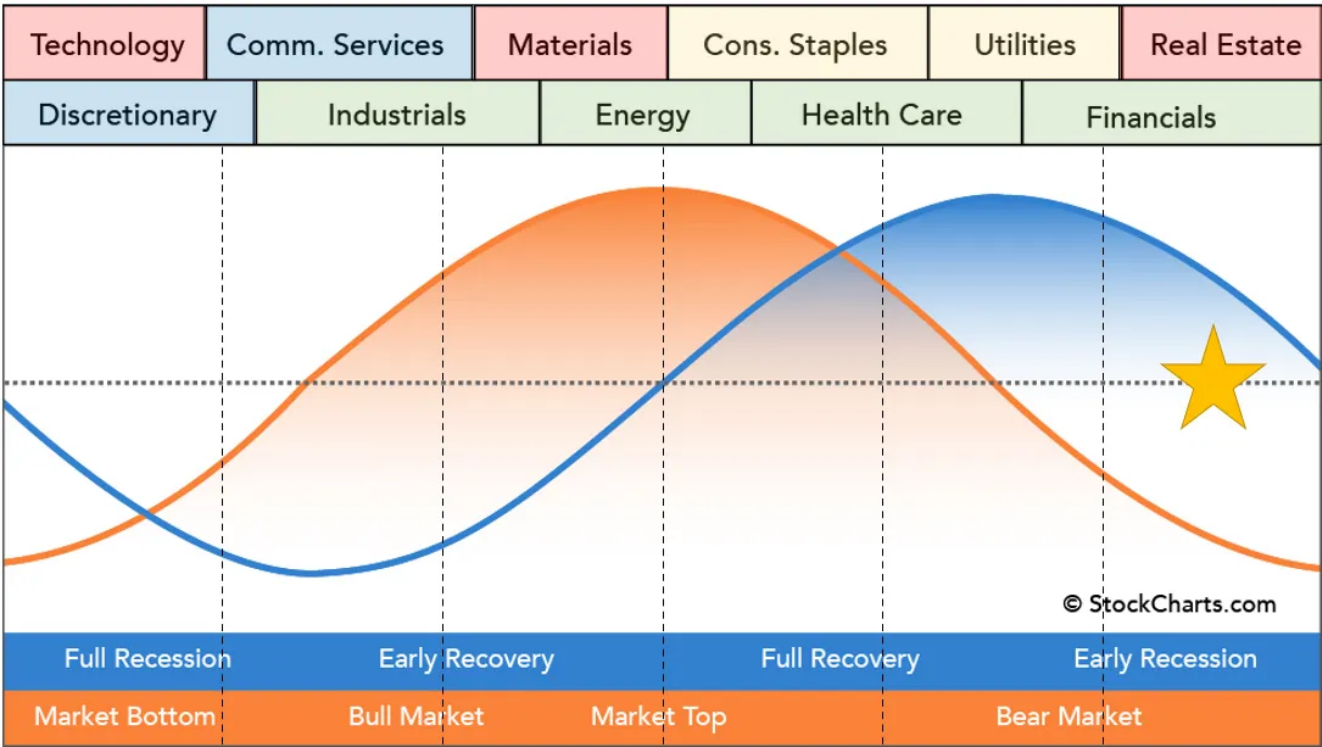


Bond ETFs - HYG, IEF, LQD, TLT. Stock ETFs - DIA, IBB, IWM, IYT, QQQ, SMH, SPY. Commodity ETFs - DBA, GLD, USO.

## Asset Analysis

Stocks, Bonds, and Commodities remain in the Lagging quadrant with downward momentum slowing. Stocks are showing the earliest signs of turning back towards Improving with Biotechs (IBB) gaining momentum back towards the Improving quadrant. Bonds are in the process of creating a trading range which would be the first step in moving to Stage 1 of the Business Cycle.

## Sector Rotation



Sector Analysis

There were two quadrant changes with Healthcare moving from Improving to Leading, and Industrials moving from Weakening to Leading.

Healthcare, specifically Biotech, have the strongest momentum combined with relative strength at this time. Materials were in a position last week to build momentum into the Improving quadrant, but have weakened back into the Lagging quadrant. Technology continues to lag with Semiconductors dragging the sector down. If Technology can show some signs of building bullish momentum back towards Improving, it will give us further confirmation that we are nearing Stage 1 type behavior.

## 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) remains in the trading range and we should expect price to continue trading sideways for now.

Stocks (SPY) broke out above the \$380 level and performed a backup action with the \$380 level holding. A short term trading range is developing between \$380 - \$390 and as long as price remains above \$380... the Q4 Clear Sky Rally is underway.

Bonds (TLT) made the Automatic Rally move since last week, and it now looks like we have a trading range between \$92-\$98. The testing action today suggests bullishness in this trading range as demand stepped in at the 7 Day Moving Average.

Commodities (DBC) continue in a trading range as the bullish change of behavior still holds. A shorter term trading range between \$25-\$26 seems likely here to build a cause for the next move, expecting higher unless a bearish change of behavior develops.

aureliuspnf@gmail.com



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