

# Stocks Improve with Local Breakouts & Bullish Backing Up Action

July 25, 2022



Marcus Aurelius

Jul 25

## Executive Summary

The Business Cycle remains in Stage 1 as Bonds consolidate, Stocks improve as the Q3 Bear Market Rally unfolds, and Commodities work off oversold conditions.

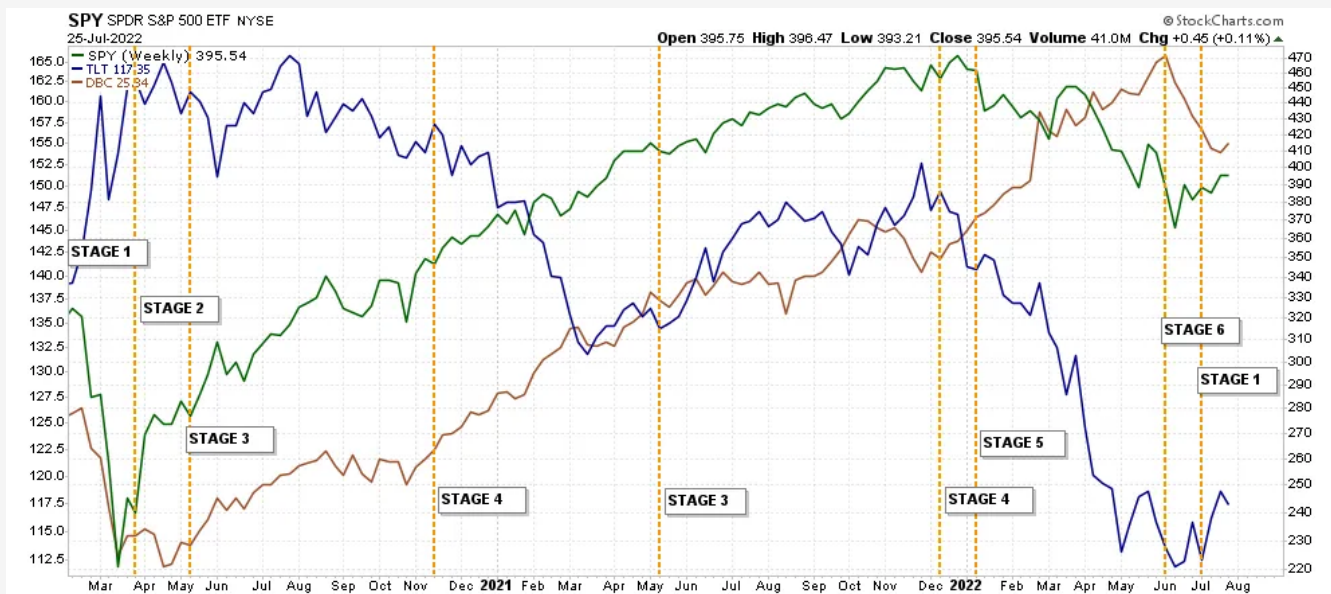
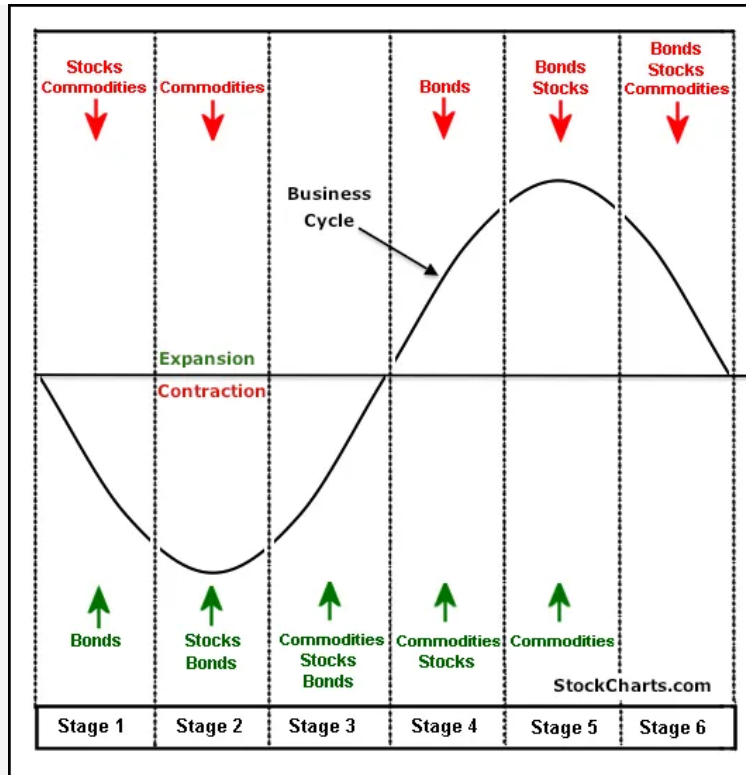
Sector rotation was unchanged over last week as early cycle sectors continue to improve and mid to late cycle sectors weaken.

Technical improved as prices broke out of recent local trading ranges. Backing up action has taken place today and last Friday as buyers hold new support over the previous local trading range. This remains bullish action for the Q3 Bear Market Rally.

**“It is not enough to watch the days we’ve already lived pile up on one side and those that remain melt away on the other.”**

**- Marcus Aurelius -**

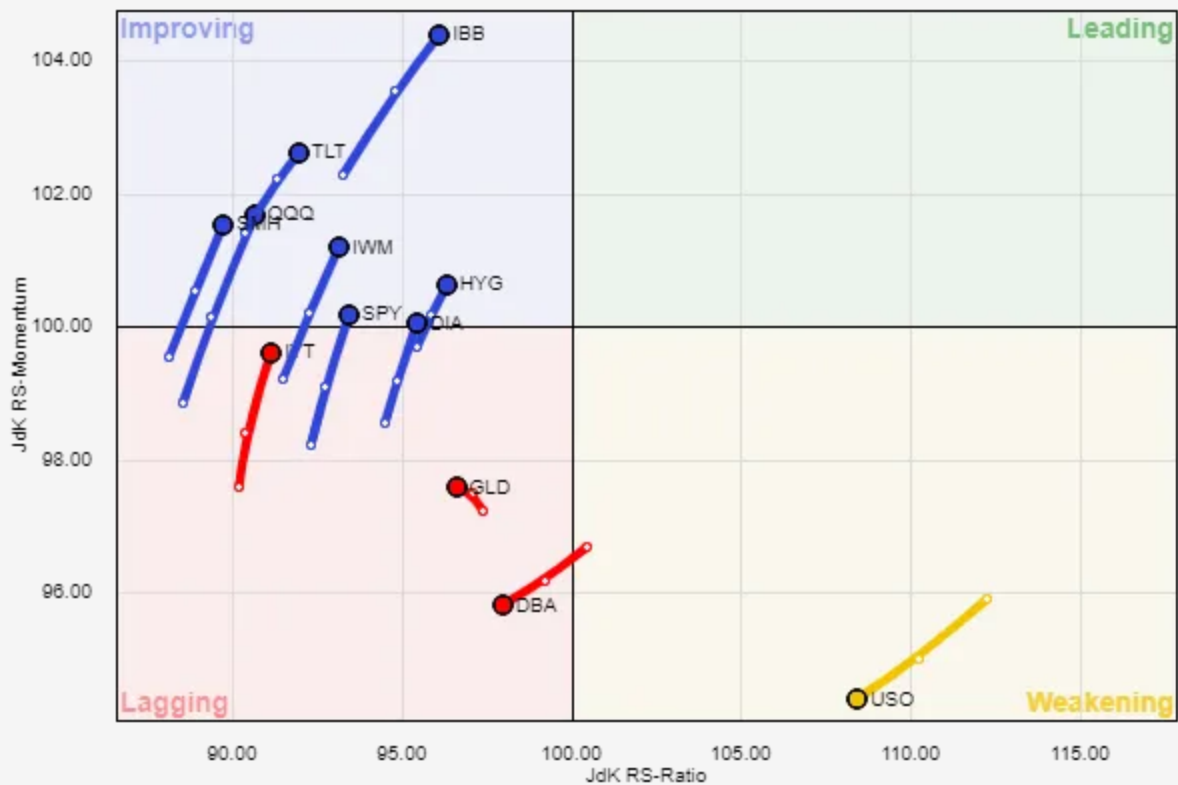
## Business Cycle



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



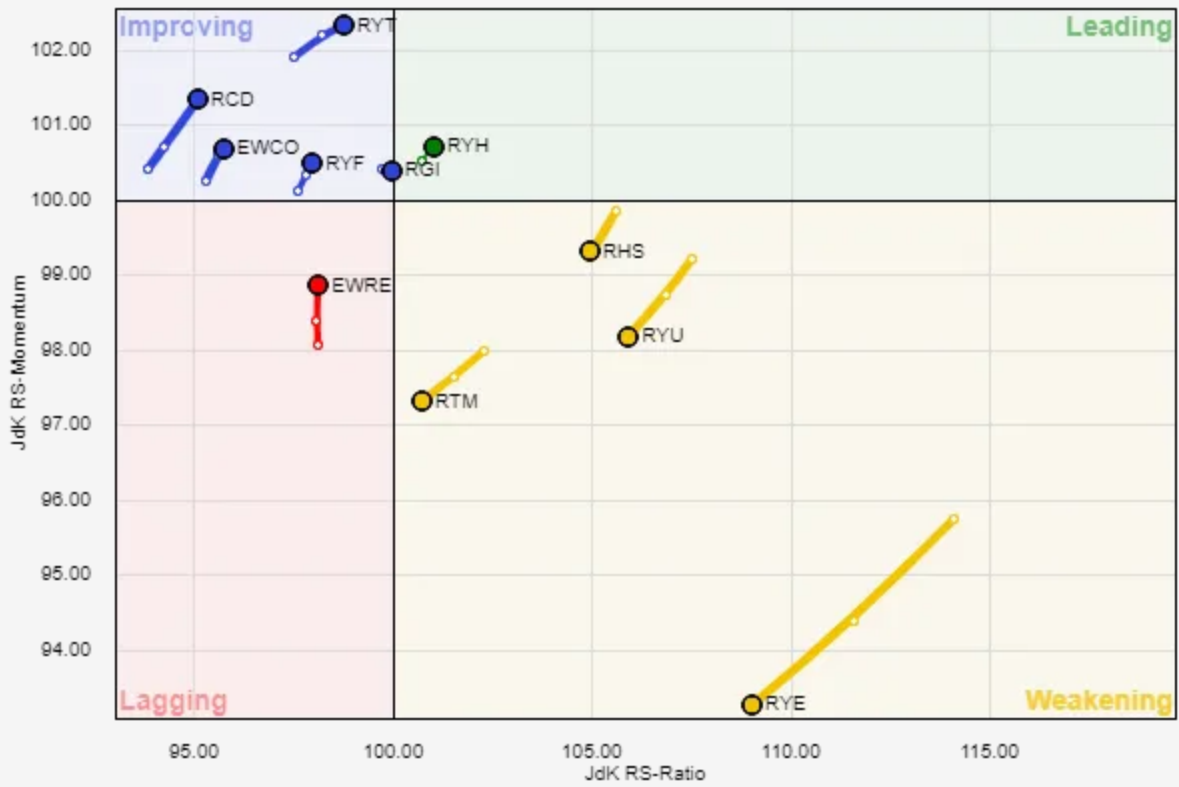
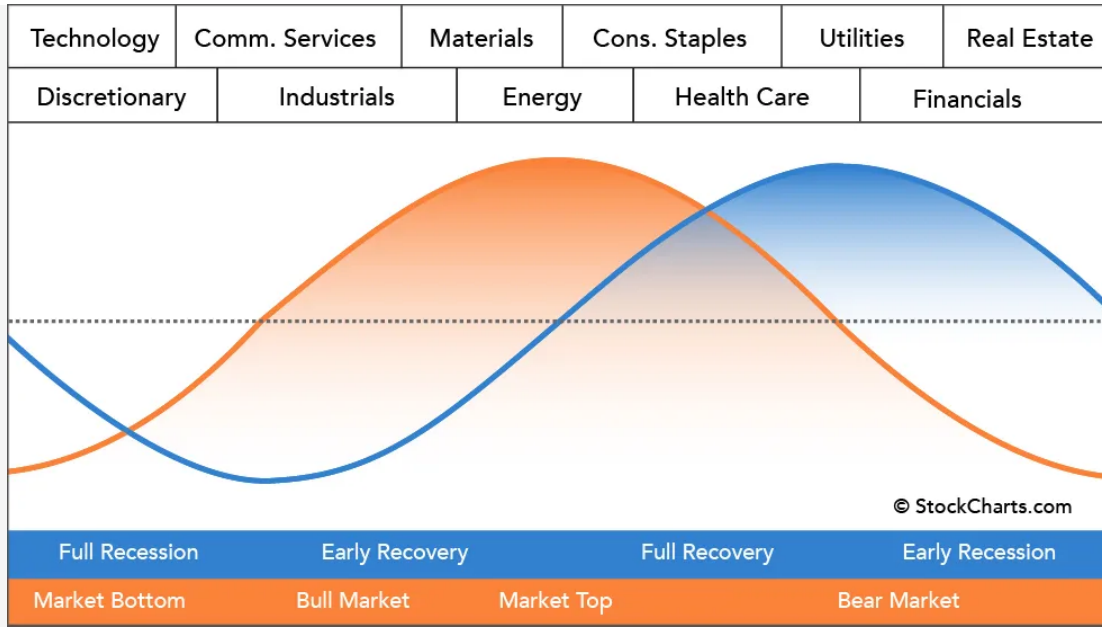
Bond ETFs - HYG, TLT. Stock ETFs - DIA, IBB, IWM, IYT, QQQ, SMH, SPY. Commodity ETFs - DBA, GLD, USO.

## Asset Analysis

The S&P 500 (SPY), Nasdaq (QQQ), and Dow Jones Industrial Average (DIA) have all moved into the Improving quadrant from last week which continues to point to the underlying strength of this Q3 Bear Market Rally. Only Transports (IYT) continue to lag, but are trending in the right direction.

Bonds move further into the improving quadrant, while Commodities continue to weaken as Agriculture (DBA) and Oil (USO) have a steep slope pointing to the lagging quadrant.

## Sector Rotation



**Improving**

Discretionary, Communication Services, Technology, Industrials, Financials.

**Leading**

Health Care.

**Weakening**

Energy, Consumer Staples, Materials, Utilities.

Lagging

Real Estate.

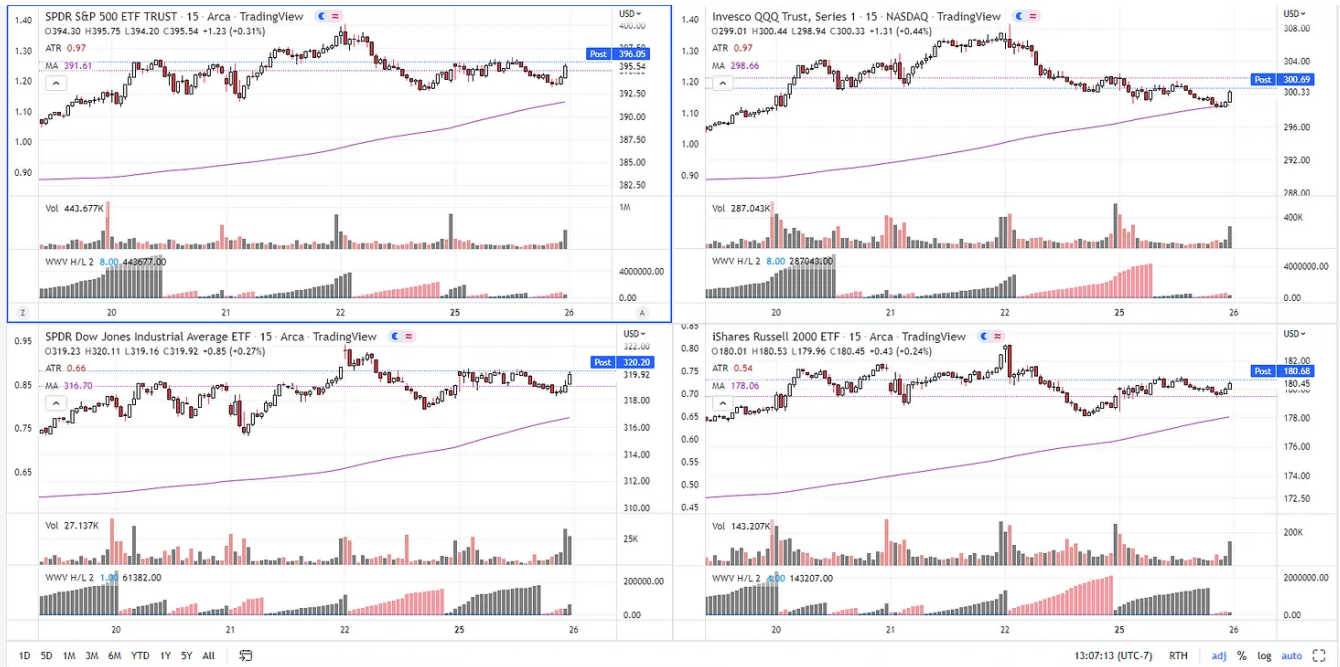
### Sector Analysis

No change from last week as early cycle sectors remain in the improving quadrant and mid to late cycle sectors remain in the weakening quadrant. Real Estate is worth keeping an eye on as it is showing signs of improvement with it's week over week change pointing directly upward.

### The Charts



Major Stock Index Daily Charts



Major Stock Index Intraday Charts

## Technical Analysis

Indices broke out of local trading ranges last week and currently are performing backing up action. Price and volume continues to point toward the upswing being in tact and the current back up action as non-threatening, so far.

The blue price range targets on the Daily Chart are P&F count targets based on the recent local trading range. These targets align with the likely expectation that we break out of the larger trading range before sellers enter creating some back up action and the beginning of a new local trading range.

On the Intraday, price is holding above the 7 day moving average and building a new cause through this backup action for the next leg of the Q3 Bear Market Rally.

## Targets

- SPY \$414 - \$445 (~8.5% higher from today)
- QQQ \$316 - \$344 (~9.9% higher from today)
- DIA \$349 - \$372 (~12.6% higher from today, *this count might be a bit stretched*)
- IWM \$195 - \$211 (~12.4% higher from today)

# The Trades

## Holds

Holding onto PCAR (Industrials) as price is back above \$84 and showing a sign of strength move. Earnings report tomorrow, July 26.



Holding onto BABA (Discretionary) as price stopped the downswing at the bottom of the current trading range. With an increase in demand on the spring attempt on July 15th, and the diminished supply on the test of the spring attempt today, this trading range still points to a bullish bias and prices moving higher.



### Closes

None at this time.

### New Longs

TCOM (Discretionary) has broken out of a trading range that developed from March to June. Price is currently performing backing up action and creating a new trading range on top of the previous trading range. Bullish action. TCOM is a great growth vehicle with 55%+ EBITDA growth expectations which are much higher than peers and past performance. *(Key word expectations, which is fine for this Q3 Bear Market Rally).*





**TCOM Growth Grade** A-

	Sector Relative Grade	TCOM	Sector Median	% Diff. to Sector	TCOM 5Y Avg.	% Diff. to 5Y Avg.
Revenue Growth (YoY)	<span style="background-color: orange; color: white; padding: 2px 5px;">C-</span>	13.17%	22.48%	-41.38%	4.41%	198.53%
Revenue Growth (FWD)	<span style="background-color: orange; color: white; padding: 2px 5px;">C+</span>	15.60%	14.20%	9.88%	14.22%	9.65%
EBITDA Growth (YoY)	<span style="background-color: gray; color: white; padding: 2px 5px;">-</span>	NM	26.92%	NM	NM	NM
EBITDA Growth (FWD)	<span style="background-color: green; color: white; padding: 2px 5px;">A</span>	55.34%	18.25%	203.27%	26.67%	107.53%

## New Shorts

None at this time.

Subscribe

**We are not registered as a securities broker-dealer or an investment adviser either with the U.S. Securities and Exchange Commission (the "SEC") or with any state securities regulatory authority. We are neither licensed nor qualified to provide investment advice. Any individual who chooses to invest in any securities should do so with caution. Investing in securities is speculative and carries a high degree of risk; you may lose some or all of the money that is invested. Always research your own investments and consult with a registered investment advisor or licensed stock broker before investing. Past performance is not indicative of future results. To the fullest extent of the law, we will not be liable to any person or entity for the quality, accuracy, completeness, reliability, or timeliness of the information provided in this website, or for any direct, indirect, consequential, incidental, special or punitive damages that may arise out of the use of information we provide to any person or entity (including, but not limited to, lost profits, loss of opportunities, trading losses, and damages that may result from any inaccuracy or incompleteness of this information).**

## Comments



Write a comment...

© 2022 Marcus Aurelius · [Privacy](#) · [Terms](#) · [Collection notice](#)  
[Substack](#) is the home for great writing