

Q3 Bear Market Rally gaining steam with bullish internals

August 1, 2022



Marcus Aurelius

Aug 1

Executive Summary

The Q3 Bear Market Rally gained steam last week as Stocks and Bonds continue to improve and Commodities continue to weaken. The business cycle still remains in Stage 1.

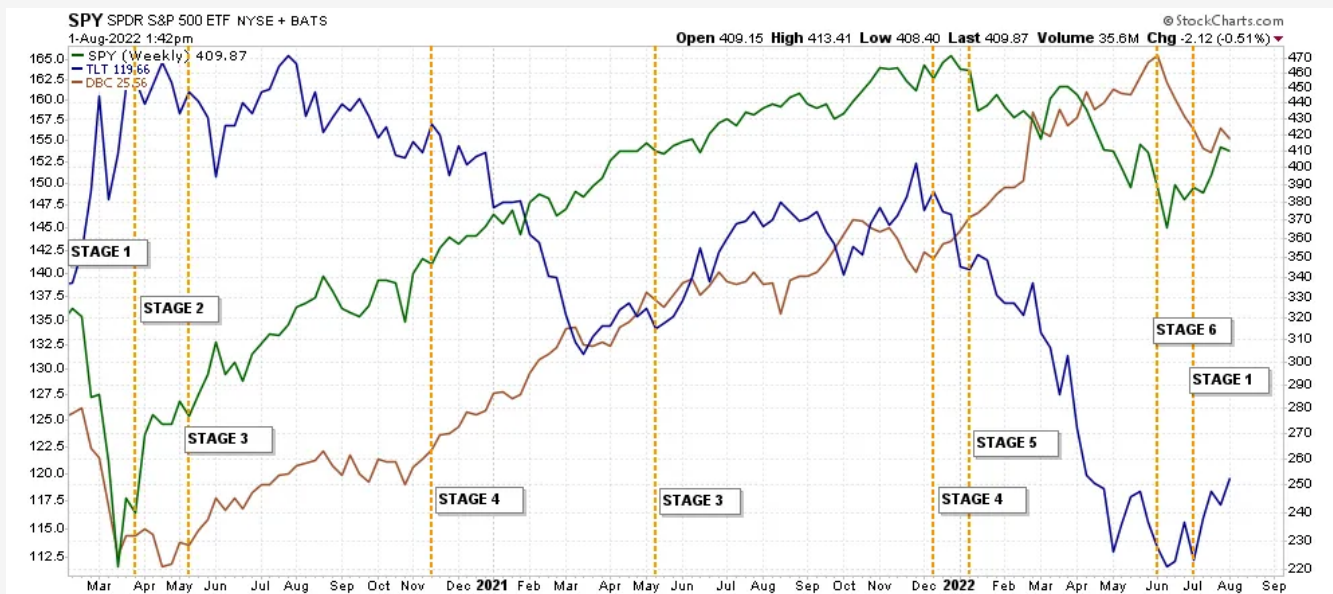
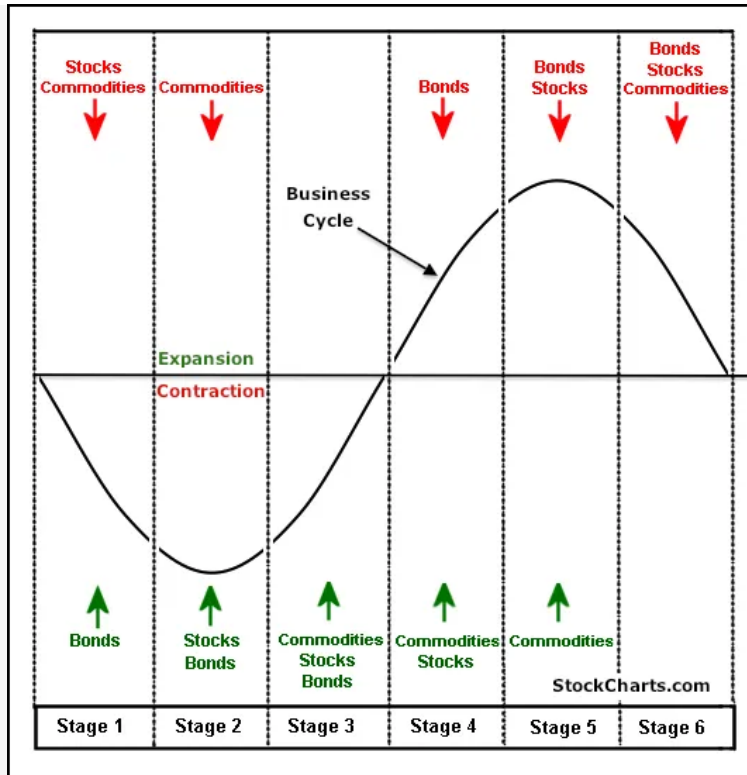
There was minimal change on sector rotation from last week as Industrials move to Leading and Materials move to Lagging. No cause for concern in terms of the Q3 Bear Market Rally.

Index prices continue to show a sign of strength higher as breadth and growth vs value market internals suggest higher prices. Targets point to a roughly 5-10% expected move remaining in the Q3 Bear Market Rally.

“Look around you and see how everything is perpetually changing, and get used to the idea that nature loves nothing more than to change the things that are and to make more things like them come into being.”

- Marcus Aurelius -

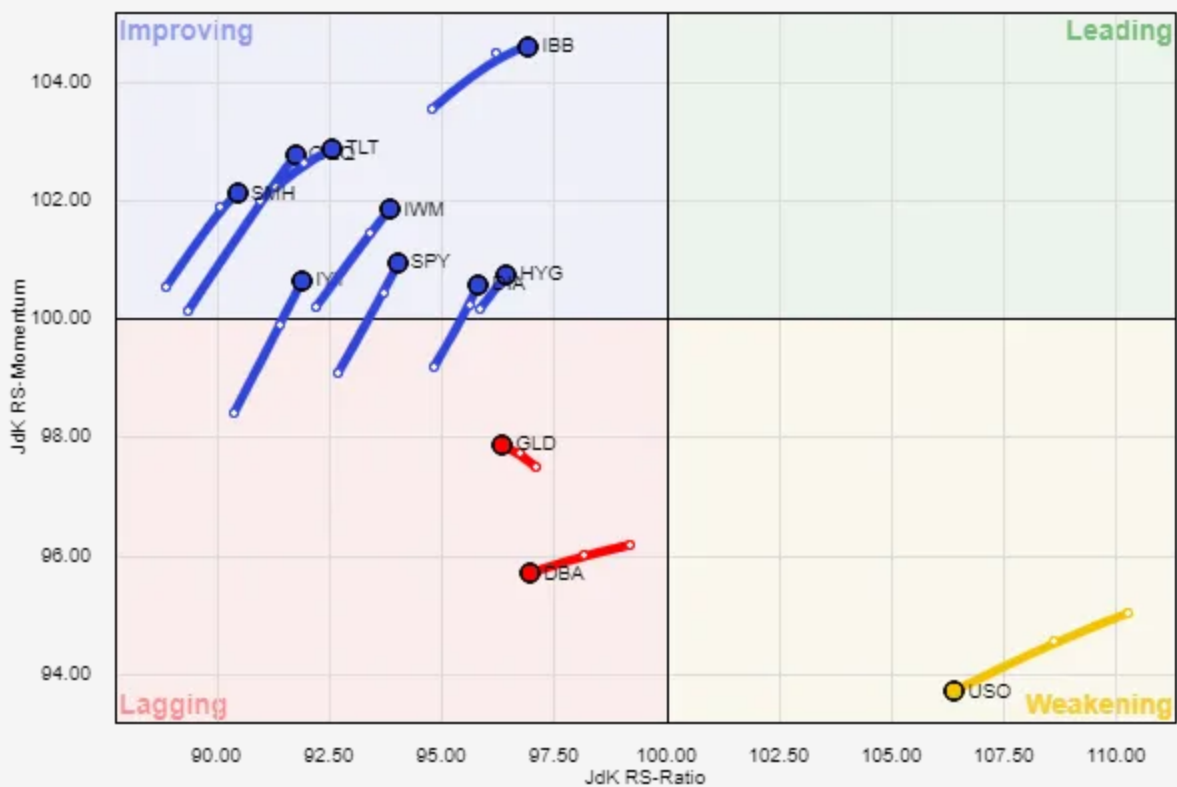
Business Cycle



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

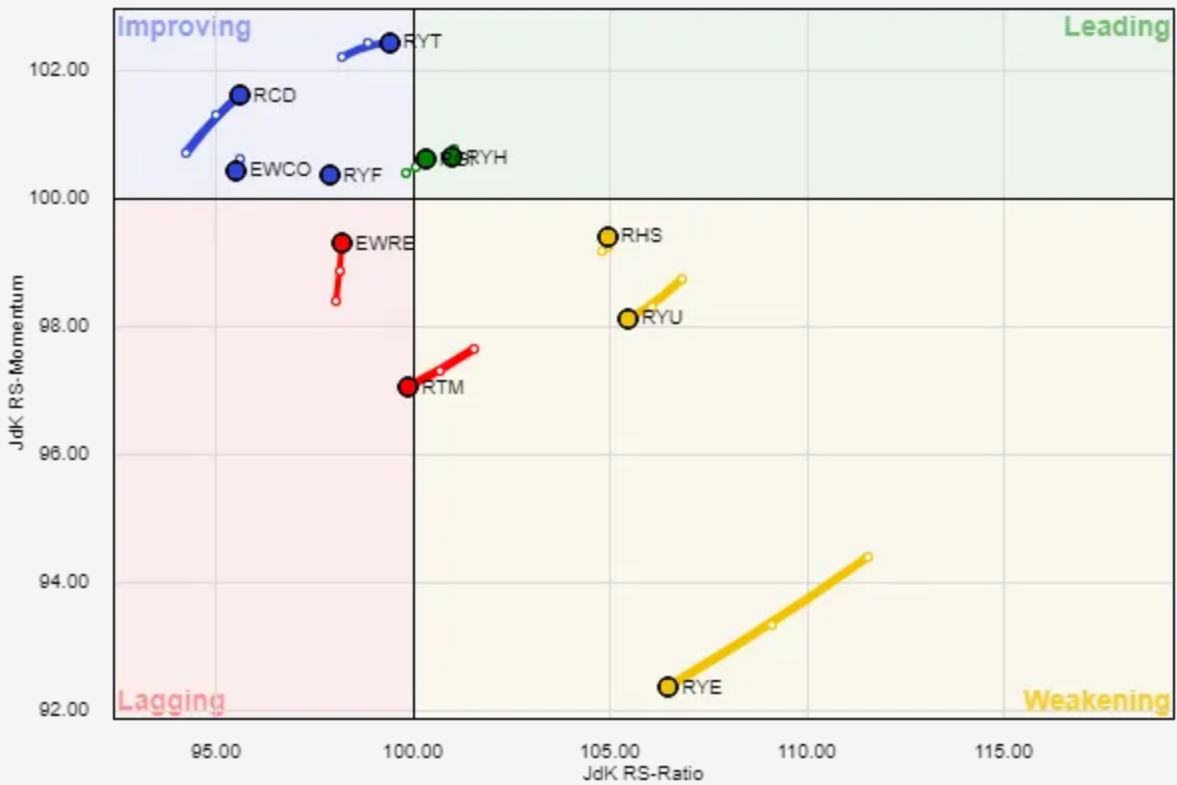
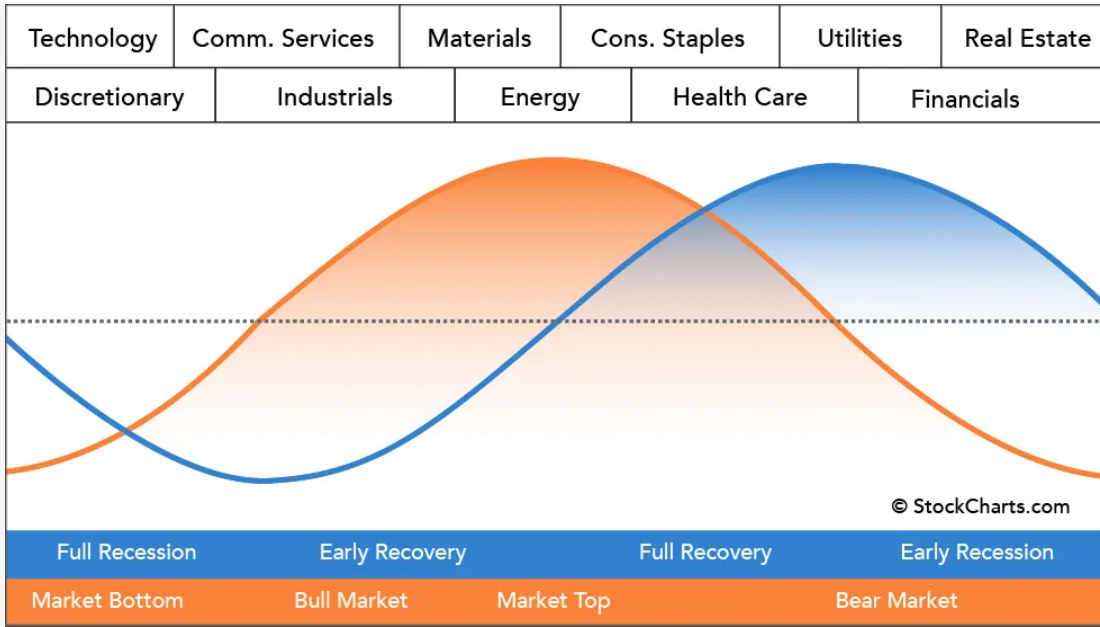


Bond ETFs - HYG, TLT. Stock ETFs - DIA, IBB, IWM, IYT, QQQ, SMH, SPY. Commodity ETFs - DBA, GLD, USO.

Asset Analysis

Stocks and Bonds continue to improve as they are all in the Improving quadrant now. No need to fight the short term trend right now. Commodities overall are trending toward lagging while Gold (GLD) is holding ground after its last downswing. No major week over week changes here as we remain in Stage 1 of the Business Cycle.

Sector Rotation



Improving

Discretionary, Communication Services, Technology, Financials.

Leading

Industrials, Health Care.

Weakening

Energy, Consumer Staples, Utilities.

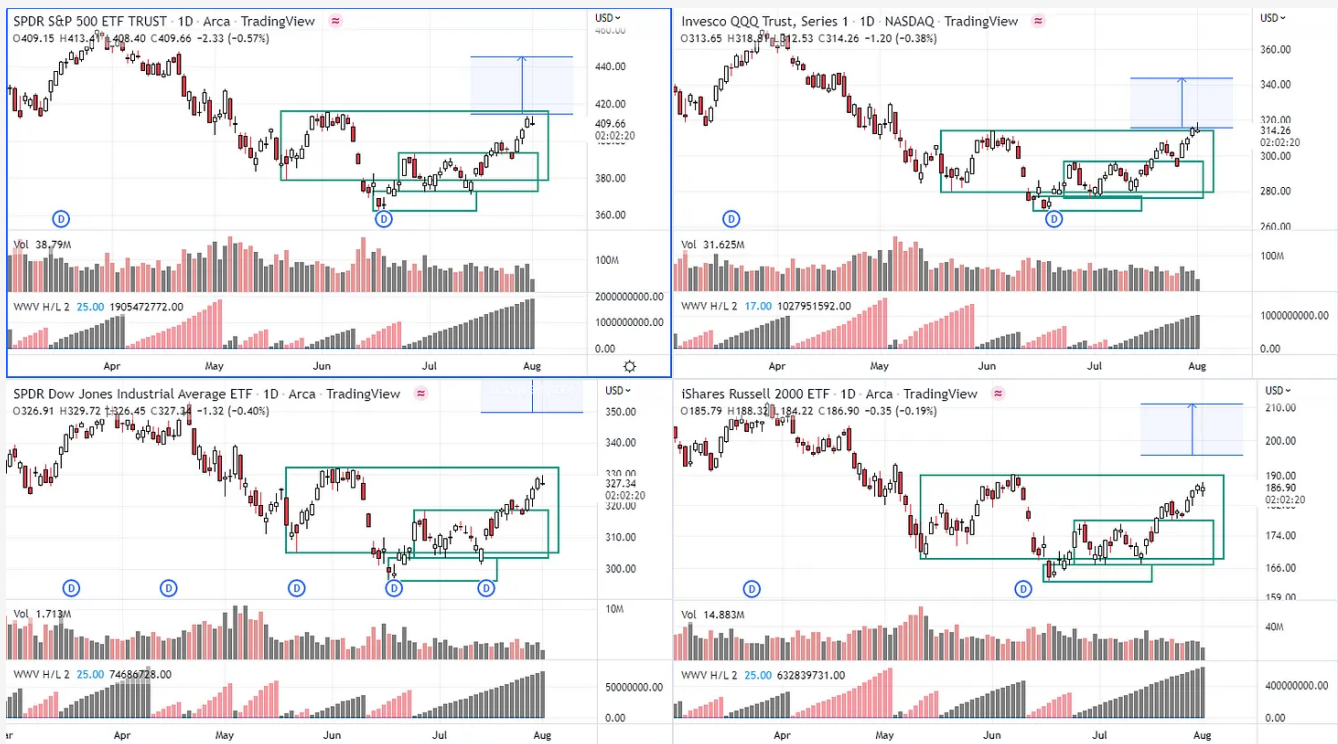
Lagging

Materials, Real Estate.

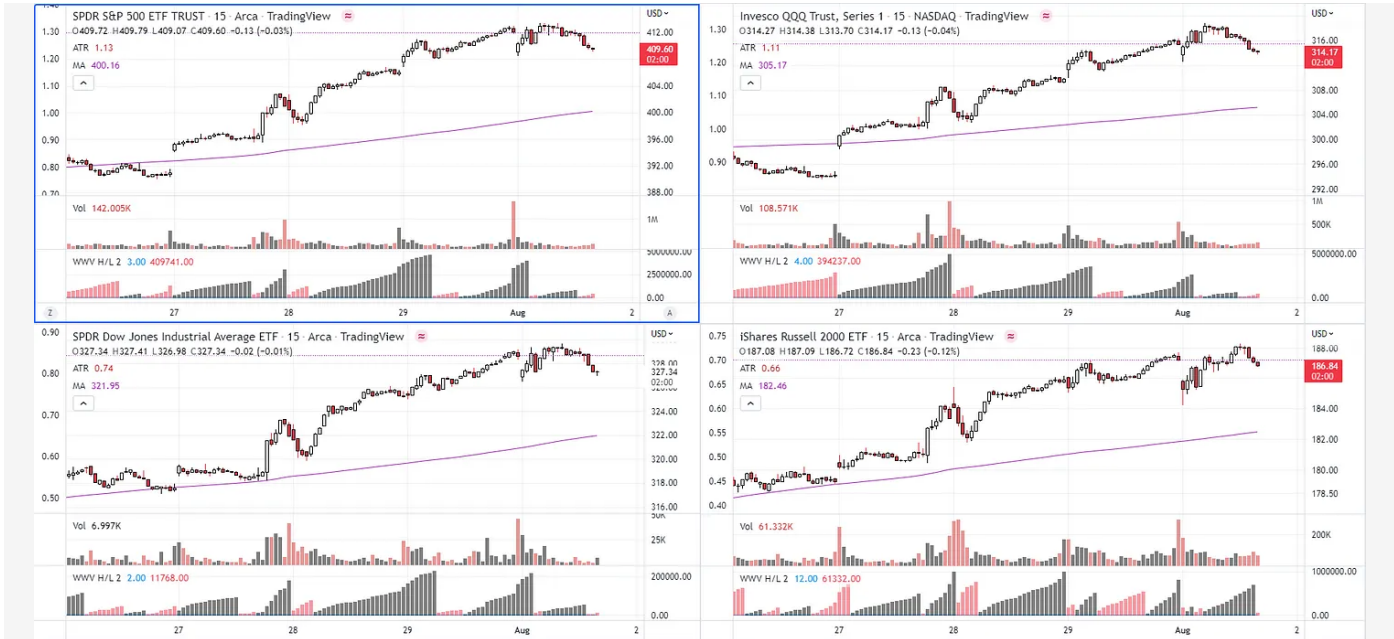
Sector Analysis

Two sectors moved quadrants this week with Industrials moving from Improving to Leading and Materials moving from Weakening to Lagging. Real Estate continues to gain ground as it closes in on the Improving quadrant. Overall, early cycle sectors improving continues to point to a bullish backdrop for the Q3 Bear Market Rally.

The Charts



Major Stock Index Daily Charts



Major Stock Index Intraday Charts

Technical Analysis

Indices really gained steam last week as they showed a sign of strength above the previous local trading range and now testing upper resistance of the larger trading range. Targets indicate price should move up and through resistance and we should expect some increasing momentum and climatic nature before the next trading range begins. Stock Breadth continues to show bullish behavior underneath the hood.

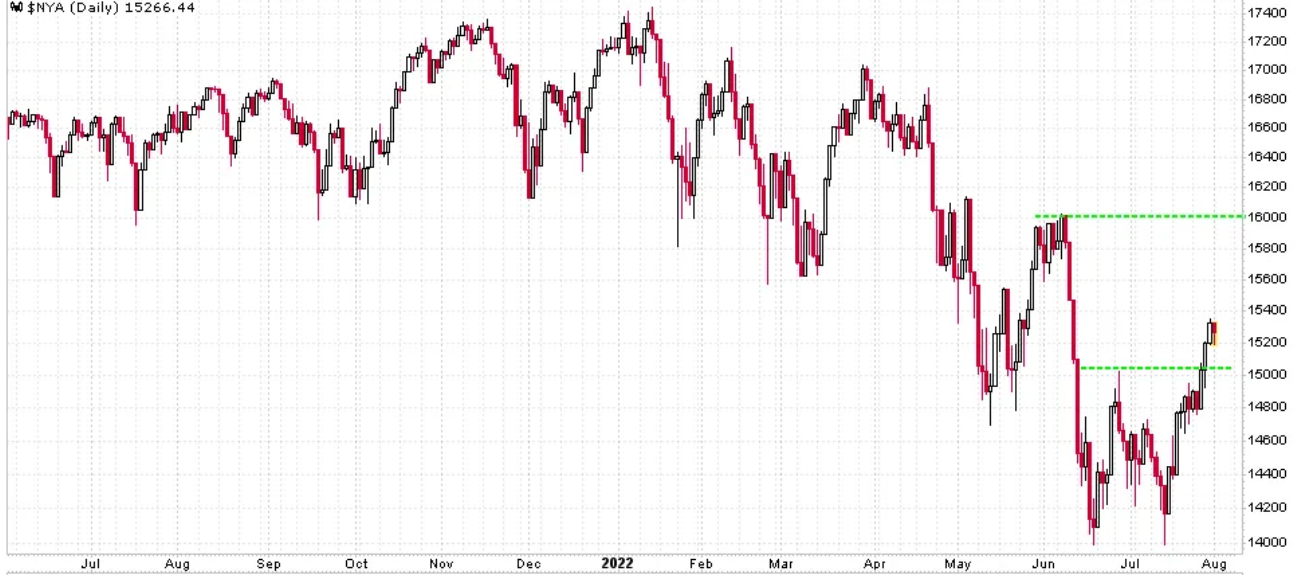
\$NYA NYSE Composite Index: INDX

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Open: 15327.71 Ask: 0.00 P/E: Options: no
High: 15327.71 Ask Size: 0 EPS: Annual Dividend: N/A
Low: 15192.31 Bid: 0.00 Mkt Cap: Yield: N/A
Prev Close: 15327.71 Bid Size: 0 Last Size: SCTR:

Monday 1-Aug-2022 2:29 pm
▼ -0.40%
Chg: -61.27
Last: 15266.44
Volume: 0

\$NYA (Daily) 15266.44



\$NYAD -6320.00



The trend for growth over value continues to improve as Large Cap growth leads over Small Cap growth. This could be related to the idea that an economic slowdown will remain, but big tech will be better situated to ride out the storm. In context of the Q3 Bear Market Rally, this continues to point toward a short term bullish background.

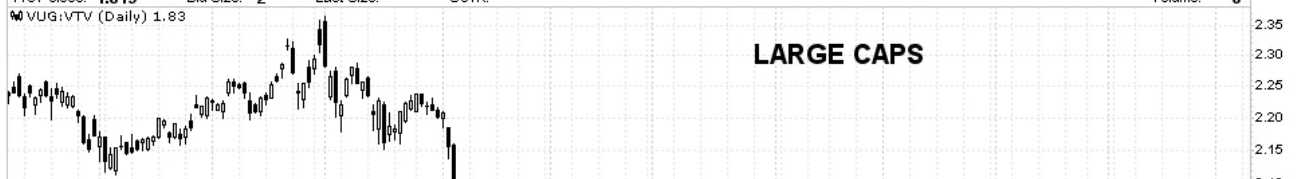
VUG:VTV Vanguard Growth ETF/Vanguard Value ETF NYSE + BATS

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Open: 1.817 Ask: 1.826 P/E: Options: no
High: 1.846 Ask Size: 2 EPS: Annual Dividend: 0.42167735
Low: 1.811 Bid: 1.826 Mkt Cap: Yield: 23.09%
Prev Close: 1.819 Bid Size: 2 Last Size: SCTR:

Monday 1-Aug-2022 2:26 pm
▲ +0.43%
Chg: +0.008
Last: 1.826
Volume: 0

VUG:VTV (Daily) 1.83





Targets

- SPY \$414 - \$445 (~4.7% higher from today)
- QQQ \$316 - \$344 (~5.0% higher from today)

- DIA \$349 - \$372 (~10.1% higher from today, *this count might be a bit stretched*)
- IWM \$195 - \$211 (~8.6% higher from today)

The Trades

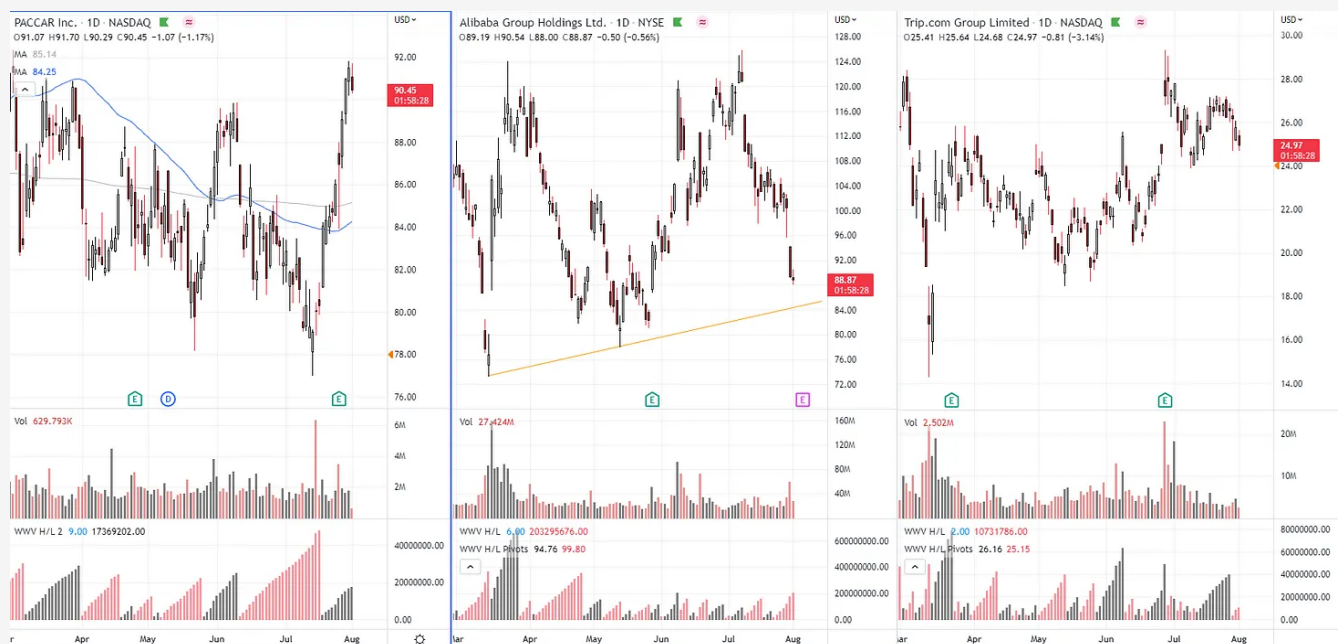
Holds

Holding onto PCAR (Industrials), BABA (Discretionary), and TCOM (Discretionary).

PCAR has had an impressive run since the July 14 spring low. It has created a local high and some backing up action should be expected at these levels.

BABA has had a tough go with Jack Ma news and possible NYSE delisting. BABA states they are committed to meeting requirements to remain listed on NYSE. There is an upsloping trend line (orange on chart) that could bring in value buyers. They report earnings on August 4 so expect more volatility this week.

TCOM is holding in its current backing up trading range.



Closes

None at this time.

New Longs

There are multiple names that are beginning to look encouraging which offer interesting potential entry points this week:

RBLX (Communication Services), CHWY (Discretionary), LCID (Discretionary), FTNT (Technology), and CPNG (Discretionary).



New Shorts

None at this time.

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