Market Edge® Weekly Market Update
Friday, June 30, 2023

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Market Recap (6/30/2023)

Index	Close	Week Chg	Week % Chg	YTD Chg	YTD % Chg
DJIA	34407.60	680.17	2.02	1260.35	3.80
DJ TRAN	15529.77	841.90	5.73	2137.86	15.96
DJ UTIL	906.66	4.20	0.47	-60.74	-6.28
NASDAQ	13787.92	295.40	2.19	3321.44	31.73
NYSE	15875.91	406.56	2.63	691.60	4.55
AMEX	4182.48	143.83	3.56	47.15	1.14
S&P 100	2074.49	38.65	1.90	365.32	21.37
S&P 500	4450.38	102.05	2.35	610.88	15.91
RUS 2000	1888.73	67.10	3.68	127.48	7.24
10 YR BOND	3.82	0.08	2.14	-0.60	-1.55

Bulls In Control

S&P 500 and NASDAQ close at new 52-week highs.

The surprise summer rally continued this week as better-than-expected economic data in the face of hawkish Fed officials negated recession fears. Despite Fed Chair Jerome Powell saying at least two more rate hikes were on the table, strong housing, manufacturing, and jobs numbers helped the major averages close a strong first-half of the year with the NASDAQ having its best start in 40 years. Stocks took a stutter step to start the week before a +12.2% surge in New Home sales and a +1.7% jump in May Durable Goods Orders sent the different indexes sharply higher on Tuesday. Wall Street wobbled on Wednesday after Fed Chair Powell said additional rate hikes beyond July were likely, but banks led a reversal on Thursday after they passed their annual stress test with JP Morgan Chase (JPM) and Bank of America (BAC) leading the run. The major averages closed the week with a bang on Friday as core-PCE, the Fed's preferred inflation gauge, eased to +0.3% as expected and +4.6% YoY, slightly less than +4.7% the prior month. Interest rates increased during the week with the 10-year Treasury closing the period at 3.819%, its highest level since March when it crossed above 4%, while the two-year rate flirted with 5% before landing at 4.875%. The move in equities continued to broaden out with every sector posting positive led by strength in REITs (XLRE), Energy (XLE), , Materials (XLB), Industrials (XLI) and Technology (XLK). The major averages bounced back from the previous week's set back with the NASDAQ higher nine weeks out of the last 10, the S&P 500 up on six of seven and the DJIA higher for a fourth week over the last five.

For the period, the DJIA gained 680.17 points (+2.0%) and settled at 34407.60. The S&P 500 added 102.05 points (+2.3%) and closed at 4450.38. The NASDAQ jumped 295.40 points (+2.2%) finishing at 13787.92, while the small cap Russell 2000 picked up 67.10 points (+3.7%) finishing at 1888.73.

The technical condition of the market improved this week as the major averages were able to reverse last week's dip leaving the S&P 500 and NASDAQ at new highs for the year. The technical indicators crossed back into mostly bullish ground with MACD, a short-term trend gauge, now bullish for the DJIA and S&P 500, but neutral for the NASDAQ. Momentum, as measured by the 14-day RSI, is bullish and rising. The secondary indexes, which market technicians would like to see lead the market higher and lower, outperformed which bodes well for the market going forward. While the DJ Transportation Index, small cap Russell 2000 and Philadelphia Semiconductor Index were up sharply on the week, their monthly performance was almost parabolic with the DJ Transports soaring +13.3% and the Russell 2000 up 7.9%.

Underlying breadth improved showing with the NYSE and NASDAQ Advance/Decline lines gaining ground and confirming the advance in the different indexes. New 52-week highs outpaced the new lows on the NYSE, however, new lows held the advantage on the NASDAQ. Investor Sentiment remains bullish with bears getting hard to find. The Percent of Bearish Investment Advisors fell to 18.6% this week which is the lowest level since January.

The summer rally rolls along but the inverted yield curve should keep investors somewhat defensive going forward. Next week we get monthly inflation data for June that should confirm the Fed's decision to hike rates another 0.25-point at the July FOMC meeting. While the market is looking for inflation to remain sticky but move lower, the strong economic data could hint that pricing pressures didn't get much relief in June. That would catch market participants off-balance and could temporarily trip up the bulls. The last time traders were this complacent about a rally in equities was in January 2020, when the VIX also traded at 13. The stock market closes at 1:00 PM ET on Monday and is closed on Tuesday for the July 4th Holiday.

The markets momentum is measured by comparing the strength or weakness of several broad market indexes to the DJIA. Readings of -4 and lower are regarded as bearish since it is an indication that a majority of the broader based market indexes are weaker than the DJIA on a percentage basis. Conversely, readings of +4 or higher are regarded as bullish.

The Momentum Index is Positive at +8, up six notches from the previous week. Breadth was positive at the NYSE as the Advance/Decline line gained 4908 units while the number of new 52-week highs out did the new lows on all five sessions. Breadth was mixed at the NASDAQ as the A/D line added 2538 units while the number of new lows beat the new highs on four of the five days. Finally, the percentage of stocks above their 50-day moving average jumped to 63.2% vs. 56.7% the previous week, while those above their 200-day moving average rose to 54.8% vs. 51.7%. Readings above 70.0% denote an overbought condition, while below 20% is bullish.

Measuring the markets Bullish or Bearish sentiment is important when attempting to determine the markets future direction. Market Edge tracks nine technical indicators that measure excessive speculative or sentiment conditions prevalent in the market.

The Sentiment Index is Negative at -3, unchanged from the previous week. The Dividend Yield Spread (-2.52 vs. -2.46) is Bullish. NYSE short interest was down -1.6% and 3.7 days of average volume for the period ending 6/15/23 vs. being down -0.5% and 2.5 days average volume to cover at the end of May. Short interest at the NASDAQ was up +0.3% and 2.6 days of average volume mid-June vs. a +2.0% increase and 2.9 days average volume to cover on 5/31/23. The Percentage of Bullish Investment Advisors (50.0% vs. 54.3%), the Bullish-Bearish Investment Advisors Ratio (2.7 vs. 2.7), the NAAIM Exposure Index (83.6 vs. 83.6), and the VIX, a measurement of fear in the market, (13.59 vs. 13.44) are Neutral. The Total Put/Call Ratio (0.95 vs. 0.92), the Percentage of Bearish Investment Advisors (18.6% vs. 20.0%), the Fear and Greed Index (75.8 vs. 80.6) and the AAII Bull-Bear Ratio (1.5 vs. 1.5) are Bearish. VIX readings under 13.00 are regarded as bearish while those above 30.0 are bullish.

U.S equity funds, including ETF activity, had outflows of $16.5 billion for the reporting period ending 6/21/23 compared to inflows of $19.9 billion the previous week.

What's Hot (61) What's Not (30). Of the 91 Industry Groups that we track, 61 are rated as either Strong or Improving while 30 are regarded as Weak or Deteriorating. The previous week's totals were 65-26. The following are the strongest and weakest groups for the period ending 6/29/23. Strongest: Building Materials, Airlines, Heavy Construction and Automobile Manufacturing. Weakest: Health Care Products, Precious Metals, Retailers-Drug Based and Metals-Non Ferrous.

The top performing ETF categories for the week ending 6/29/23 were: Sector-Energy (+3.30%), Specialty Real Estate (+3.03%), Blend-Mid Cap (+2.49%), Specialty Financial (+2.23%) and Sector-Industrial (+2.18%). The weakest categories were: Commodity-Agriculture (-4.68%), Commodity-Base Metals (-3.20%), Commodity-Blend (-2.69%), Shorts (-2.58%) and Specialty Health (-1.82%).

By David L. Blake, CMT

Comments, feedback and e-mail requests for topics of future Weekly Commentary articles are welcome at dblake@marketedge.com.

Next week's Economic Calendar:

Monday - PMI Manufacturing Final, ISM Manufacturing Final and Construction Spending

Tuesday - July 4 Holiday

Wednesday - Mortgage Apps, Motor Vehicle Sales, factory Orders and FOMC Minutes

Thursday - Jobless Claims, ADP Employment Report, PMI Composite Final, ISM Services Index, JOLTS and EIA Petroleum Status Report

Friday - Employment Situation

Market At-A-Glance Charts (6/30/2023)

DJ Industrials

Close:	34407.60
Change:	285.18
% Change:	0.84
Open:	34269.92
High:	34467.35
Low:	34269.92

NASDAQ Composite

Close:	13787.92
Change:	196.59
% Change:	1.45
Open:	13719.98
High:	13816.68
Low:	13716.16

S&P 500

Close:	4450.38
Change:	53.94
% Change:	1.23
Open:	4422.44
High:	4458.48
Low:	4422.44

Russell 2000

Close:	1888.73
Change:	7.14
% Change:	0.38
Open:	1889.20
High:	1898.40
Low:	1887.55

DJ Transport

Close:	15529.77
Change:	10.95
% Change:	0.07
Open:	15557.49
High:	15581.13
Low:	15386.66

DJ Utilities

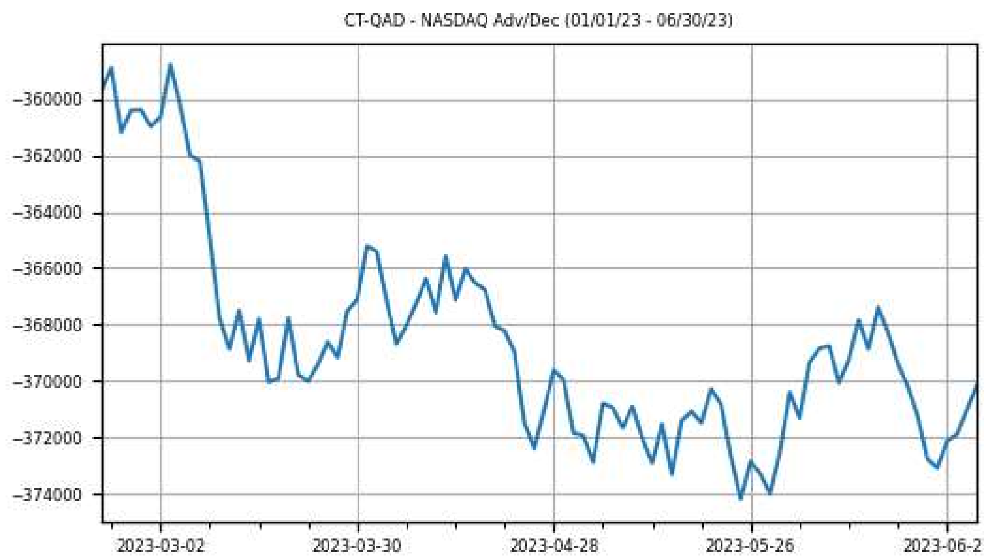
Close:	906.66
Change:	9.74
% Change:	1.09
Open:	897.65
High:	907.54
Low:	897.44

NYSE Adv/Dec

Close: **506302.00**

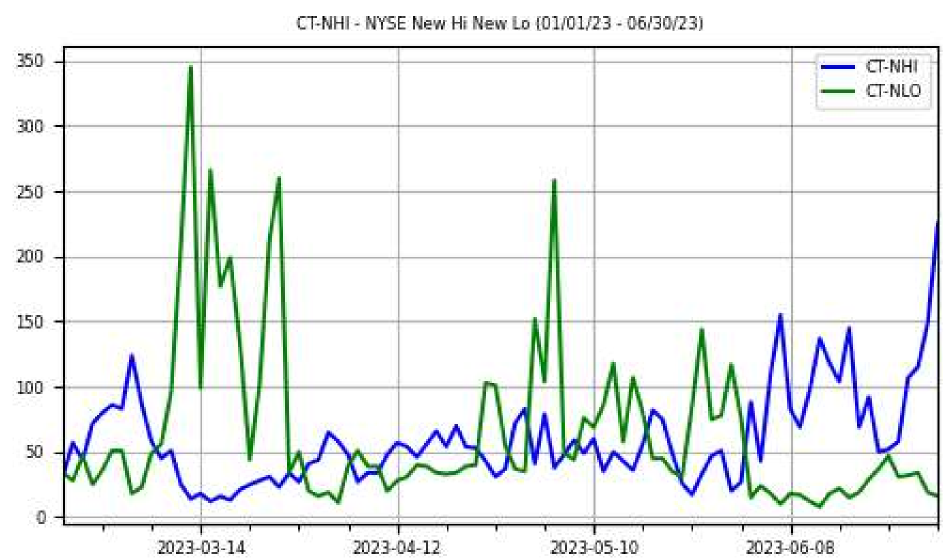
NASDAQ Adv/Dec

Close: **-370148.00**



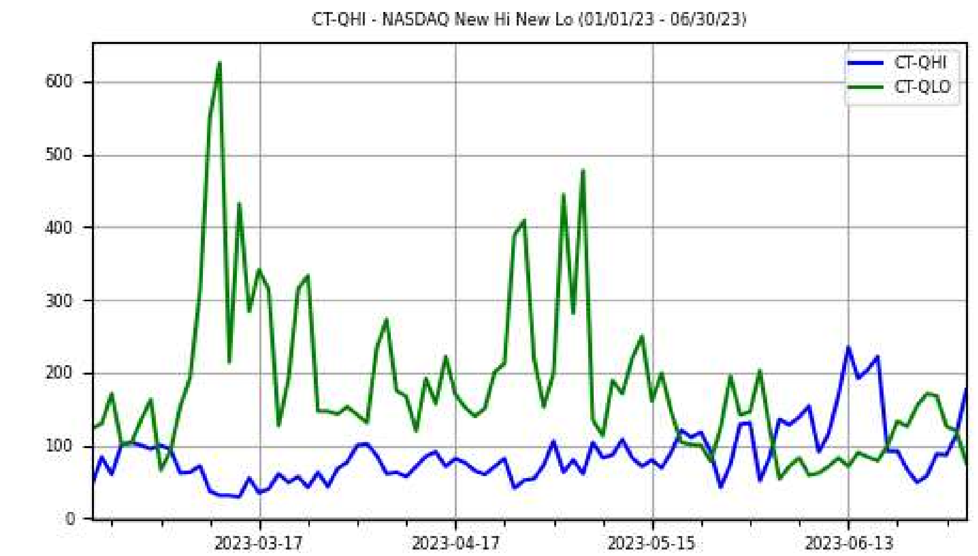
NYSE New Hi New Lo

New High: **225.00**
New Low: **16.00**



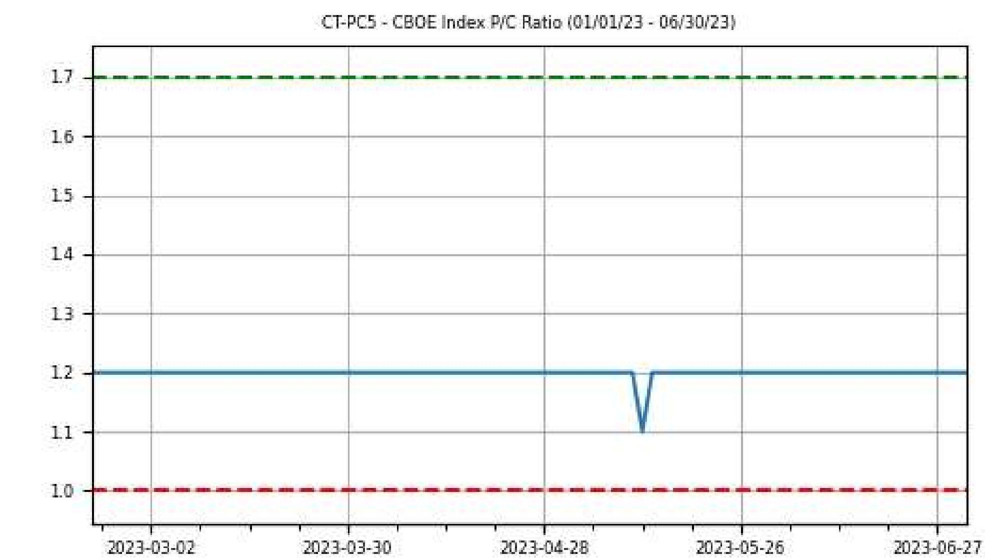
NASDAQ New Hi New Lo

New High:	**176.00**
New Low:	**76.00**



CBOE Index P/C Ratio (SMA5)
(> 1.70 Bullish, < 1.00 Bearish)

Close:	**1.20**

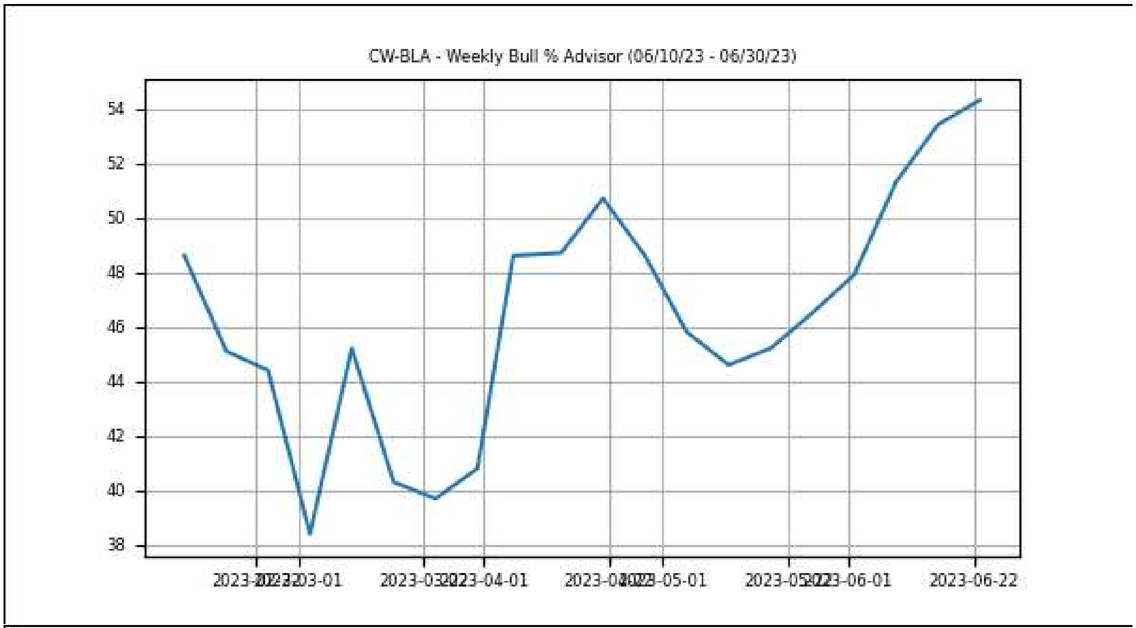


CBOE Mkt Volatility
(> 30 Bullish)

Close:	**13.59**
Change:	**0.05**
% Change:	**0.37**
Open:	**13.51**
High:	**13.59**
Low:	**12.96**

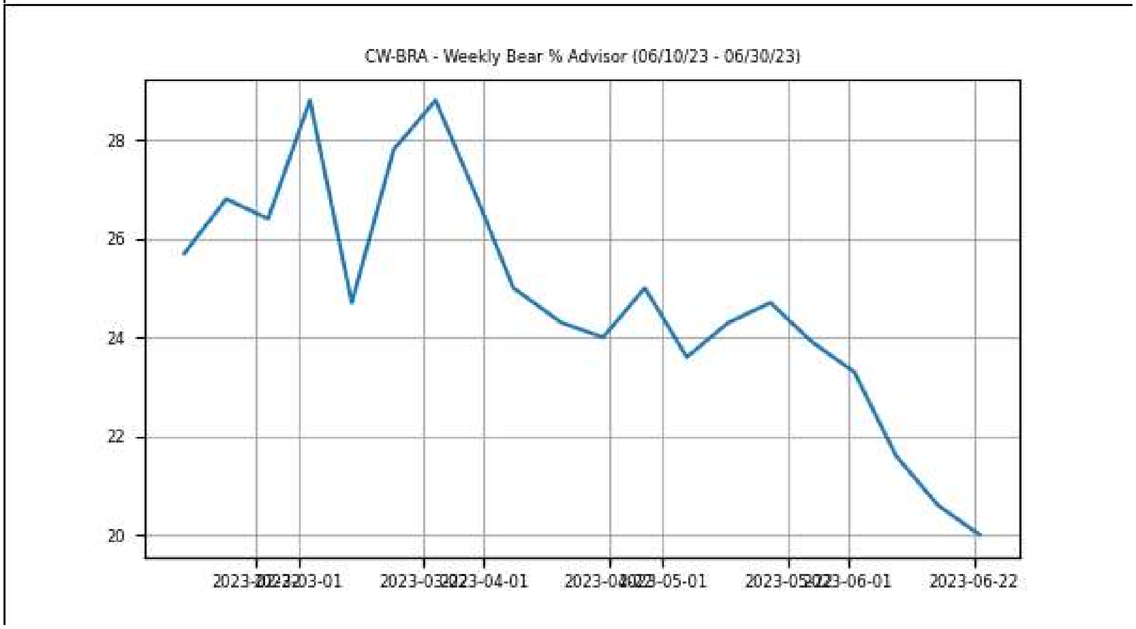
Weekly Bull % Advisor
(< 40 Bullish, > 55 Bearish)

Current % Bullish: **50.00**



Weekly Bear % Advisor
(< 21 Bearish, > 50 Bullish)

Close: **18.60**



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