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Trading Floor Research

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10/09/22

This Trading Floor Research report contains:

- **S&P 500 (SPX).** Update on orderly decline and successive target lows for the Index
- **Direxion Daily GOOGL Bear 1X (GGLS).** This trade is designed to move inverse the daily performance of Alphabet Inc. Class A (GOOGL).
GGLS was a candidate in the September 25, 2022, newsletter but needed to rally to the Fibonacci target at 102.19 before the short could confirm. Last week the stock completed the retracement and confirmed a buy on Friday. The complete report is included in this newsletter.
- **Gold & Silver Industry Group.** A buy signal in the groups, but individual stocks need longer to set up.



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Sectors, Industry Groups & Leadership Stocks

S&P 500

Friday's decline and close below necessary Fibonacci support at 3742.02 indicated that the rhythmic downtrend of the S&P 500 is ready to take its next leg lower.

In my last report, I highlighted the perfect rhythmic pattern of the S&P 500 as it continues to descend.

After the market's most recent top on August 22, 2022, the S&P 500 went lower for 14 days and bounced back for four days to a high on September 12, 2022. This move higher was enough to alleviate the short-term oversold conditions. Then, the index pushed lower again for 14 days before it started to rally- the same time as the previous 14-day cycle.

The S&P 500 spiked higher Thursday morning, the fourth day of the rhythmic rally attempt, and sold off to 3744.52 at the close. It couldn't close below Fibonacci support at 3742.02. Friday morning, the index gapped below 3742.02, putting a cap on the four-day relief rally as the market took back almost all the weekly gains by Friday's close.

The 4-day rally came within 10 points of matching the advance of the previous 4-day rally. The market had removed the oversold conditions as the S&P 500 topped at 3806.91, two points shy of the substantial $\frac{1}{4}$ number at 3808.97.

Friday's selloff indicated that a top was made on October 6, 2022, that completes two identical symmetrical patterns.

Sectors, Industry Groups & Leadership Stocks

S&P 500

Unfortunately, the markets orderly decline indicates that institutions are still in the early distribution stages, and rhythm such as this highlights the lack of panic selling necessary to hit a market bottom.

As the market was making lows 20 minutes before the close on Friday, I expected to see the VIX spike higher with the realization that the rally had been completely erased.

To my astonishment, I saw buyers step in at the bottom. These buyers don't know enough that this price behavior should have caused panic, not bullishly buying the dip. Erasing a rally attempt like this is very bearish, and fear should have overcome most knowledgeable traders.

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The bad behavior is another warning that the market has more to go on the downside.

Using the same distance that the price traveled lower in the past two 14-day declines, we can approximate where the next move will take us if the market continues its orderly decline. A measured move indicates a target at 3271.76 and lines up very well with the significant Fibonacci targets I have highlighted between 3261.69 and 3211.43.

Of course, if fear enters the market, my lower Fibonacci targets at the minor extension to 50% at 3002.20 or 50% at 2742.27 will come into play. The Volatility Index (VIX) or fear index will hit the 62-66 range as a meaningful bottom comes into sight. But Friday's bad behavior tells me we might have to wait a bit longer.

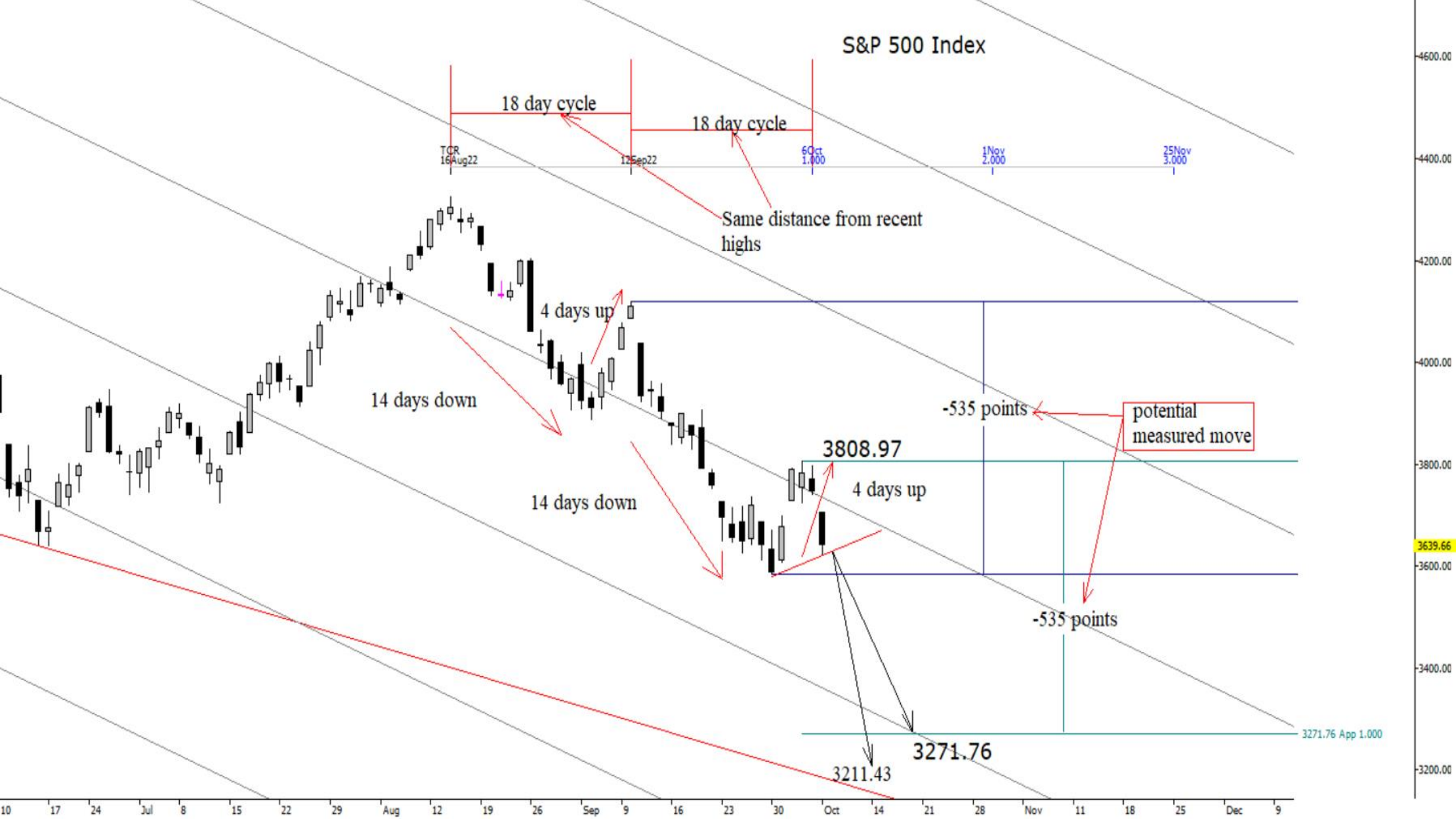
The markets are under massive distribution in a seasonally weak period.

I have recommended high cash levels for some time, but I am emphasizing this for the next week.

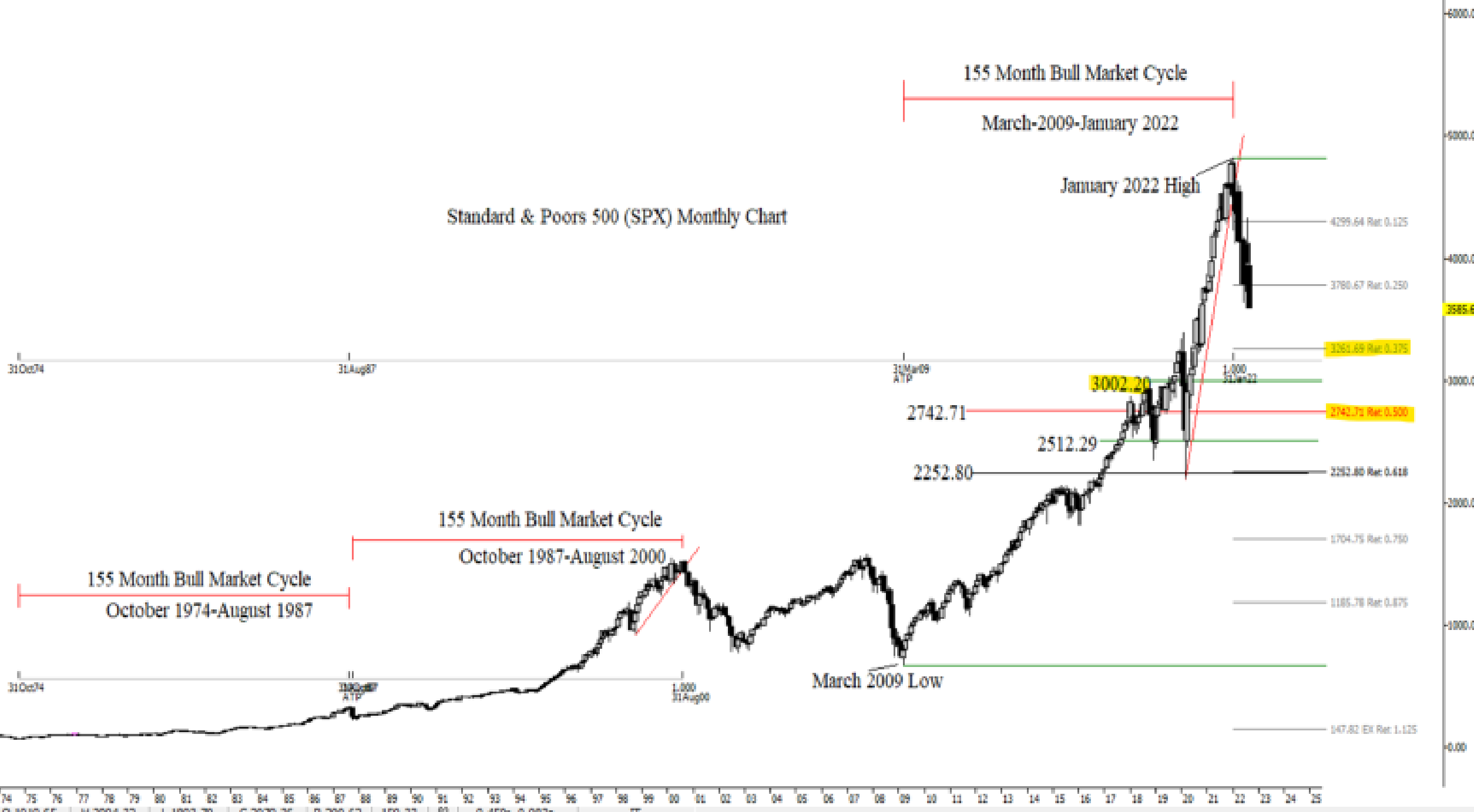
The bears are in control of the Russell 2000 and indicate “Risk-Off” in the markets.

I recommend caution and cash

S&P 500 Index



Standard & Poors 500 (SPX) Monthly Chart



Sectors, Industry Groups & Leadership Stocks

Gold and Silver stocks give buy signals

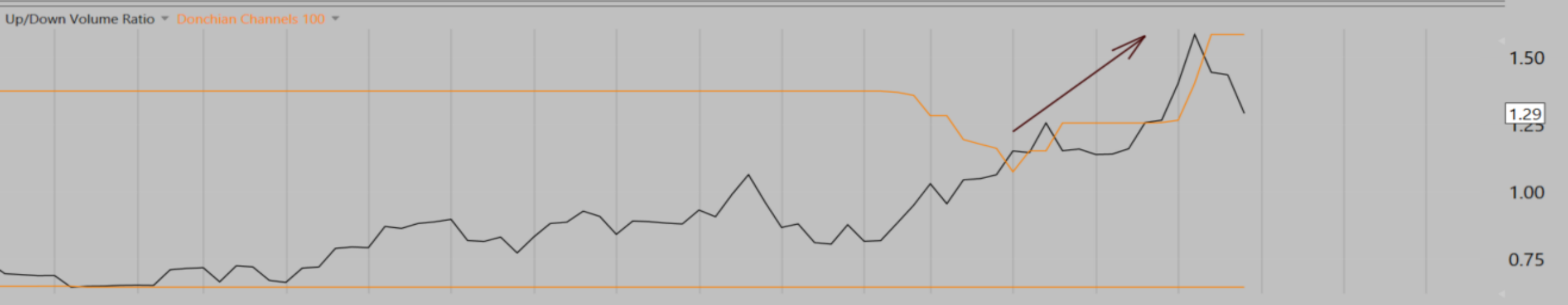
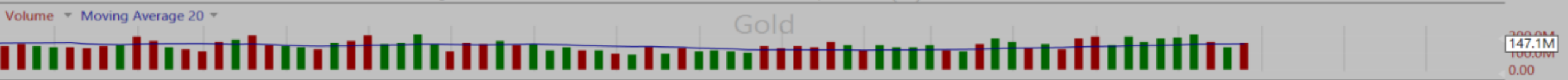
The Gold and Silver stock industry groups gave buy signals on Tuesday, October 4, 2022. Both industry groups are under institutional accumulation, and their Up/Down Volume Ratios hit 100-day highs. Most stocks in the groups are still struggling, but leaders are starting to emerge.

After giving the buy signals, the Gold and Silver industry groups spent the rest of the week consolidating the overbought conditions. As they consolidated, leadership stocks that held up the best with the highest accumulation became a tiny list.

*My favorite gold stock under institutional accumulation is **New Gold Inc. (NGD)**. This stock will be highlighted in this Wednesday's Weekly Follow-up Report. It could use a little more time to set up and prove itself.*

*Gold stocks have attracted most institutional buying, although the **silver commodity is the only one to get a buy signal**. The gold commodity did not give a buy signal and is still under institutional distribution. Price will need a buy signal in the metal to send the gold stocks considerably higher.*

*I am taking a closer look at the **iShares Silver Trust ETF (SLV)** and **ProShares Ultra Silver ETF (AGQ)** with the silver buy signal. Although the Up/Down volume ratios hit 100-day highs, overall accumulation still needs work. When accumulation improves, I will provide a complete report.*

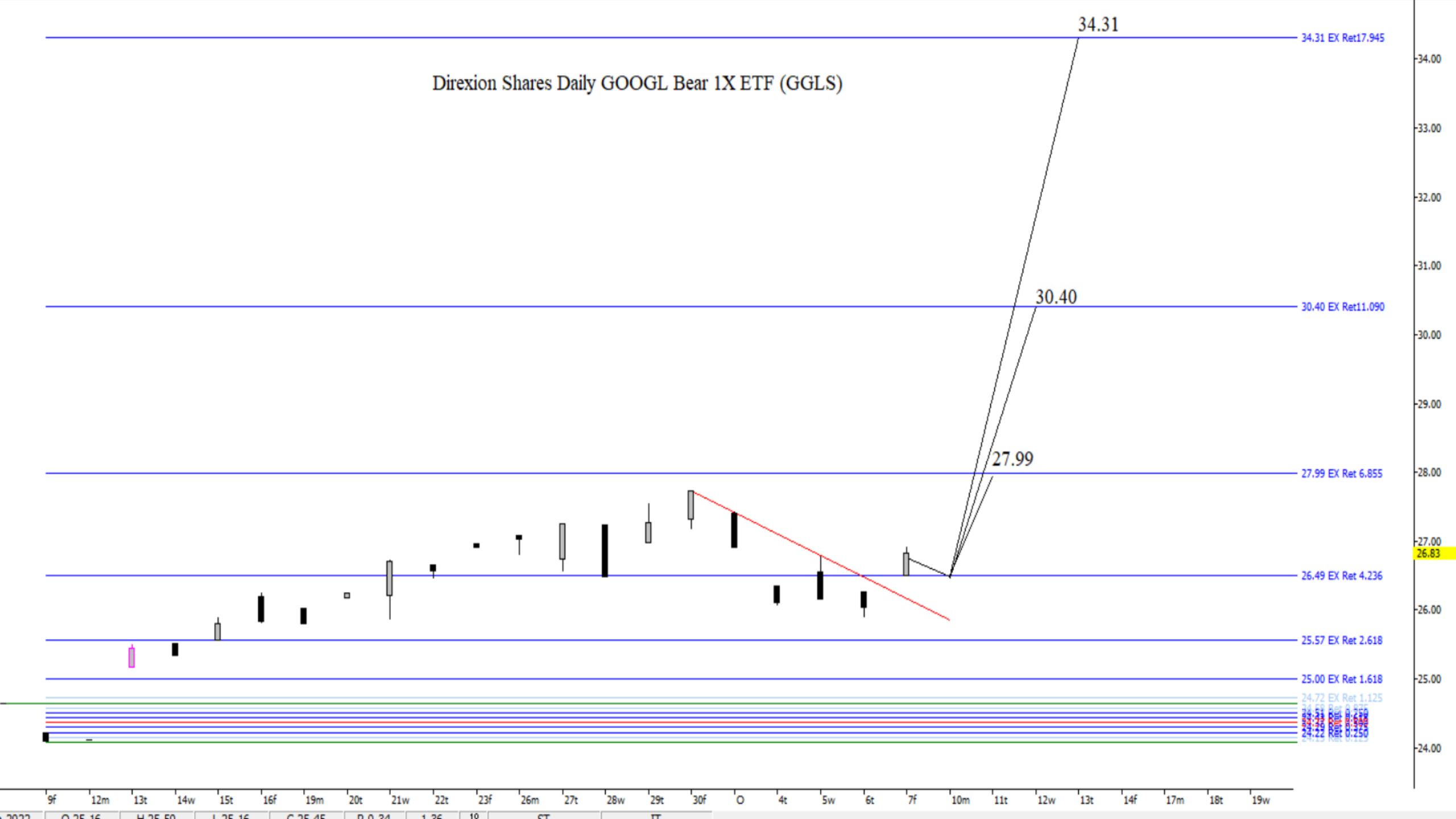


Buy candidate: Direxion Daily GOOGL Bear 1X (GGLS)

- **Portfolio: Short Alphabet Inc. Class A Inc. (GGLS).** This trade is designed to move inverse the daily performance of Alphabet Inc. Class A (GOOGL).
- **Direxion Daily GOOGL Bear 1X (GGLS)** trade is designed to take advantage of the next potential move lower in Alphabet Inc. (GOOGL). GOOGL needed to retrace to Fibonacci resistance at 102.19 before resuming its downtrend. Last Thursday, the stock hit a high of 102.93 but could never close above 102.19. Friday, the stock confirmed its sell signal, and GGLS can be bought Monday morning. I will send a text confirmation Monday morning.
- **The Direxion Daily GOOGL Bear 1X (GGLS) confirmed a Buy with a close above 26.49.**
- **Buy as close to 26.49 Monday morning.**
- **Start position at 1-star(*).**
- **Up/Down Volume Ratio on Alphabet Inc. (GOOGL) of .92 indicates institutional distribution**
- **Direxion Daily GOOGL Bear 1X (GGLS) closed at 26.83.**
- **Direxion Daily GOOGL Bear 1X (GGLS) VWAP is at 26.13.**
- **Sell target price: 1st target is 27.99; 2nd target is 30.40; 3rd target is 34.31.**
- **Stop sell price: Close below 26.13**



Direxion Shares Daily GOOGL Bear 1X ETF (GGLS)





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