



TFR

Trading Floor Research

Welcome to the
— Trading Floor —

07/23/23



This Trading Floor Research report contains:

Technology Sector Update

Small Caps (IWM) & Regional Banks (KRE) Update

Nikola (NKLA)

Sportrader Group (SRAD)

AvidXchange (AVDX)

Market Comments

Small Cap Russell 2000 Index & Regional Banks (KRE) Update

Last week most of my focus was on the reversal the **NASDAQ QQQ** made at the weak bear market 7/8 number and the potential downside move it created. The weak 7/8 number should not affect rising prices. When a price reversal is made at the soft 7/8 number, the move lower can be harsh. The QQQs confirmed a move lower on Thursday and saw a dramatic drop.

Stocks that have reversed at their 7/8 numbers have moved down as low as their 1/2 numbers. In this case, the QQQ 1/2 number is 331.58. The second most likely target lower is the 5/8 number at 349.78.

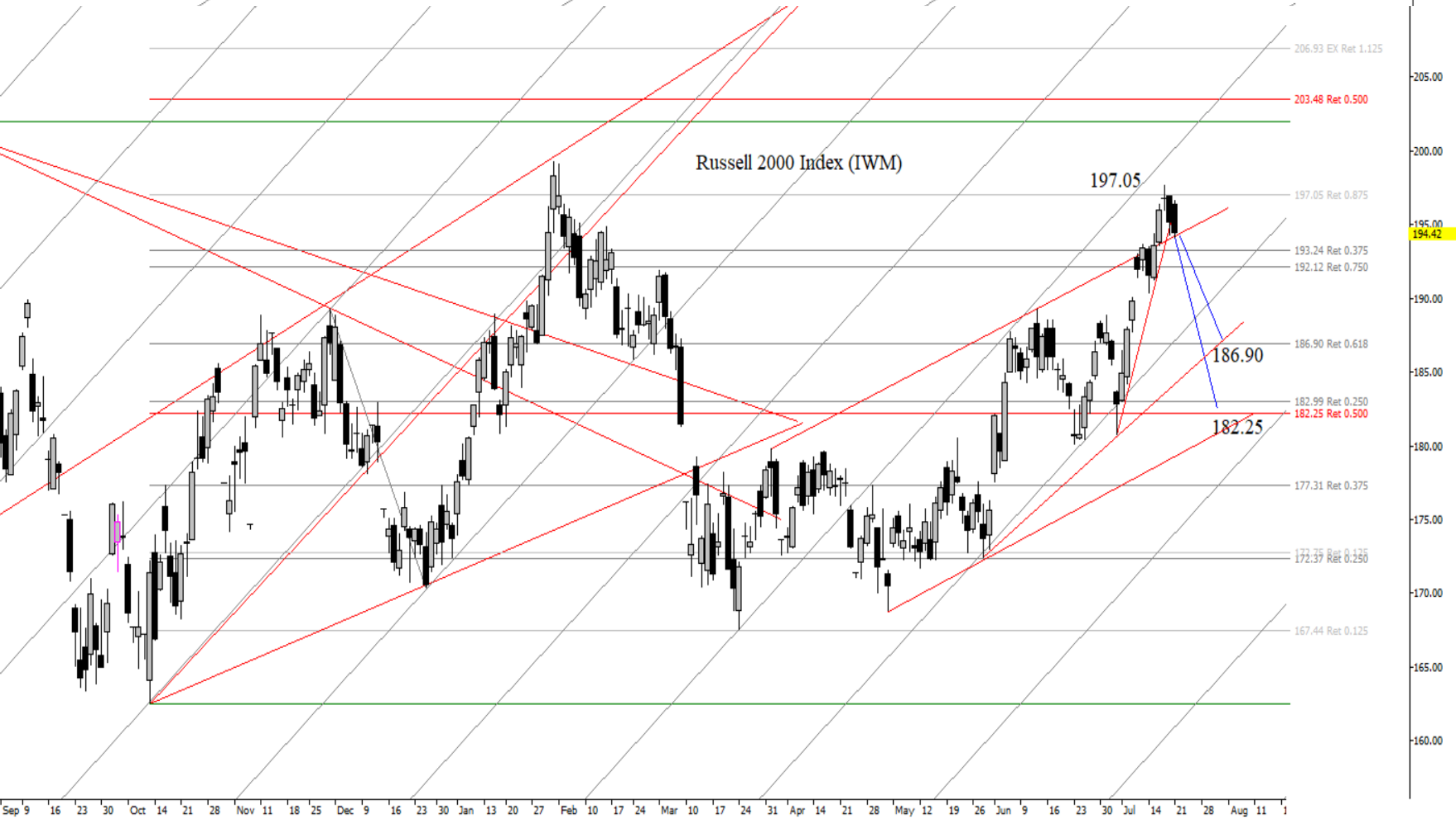
On Wednesday, the other index that reversed at its bear market 7/8 number is the Russell 2000 (IWM) at 197.05.

As the NASDAQ and the **Russell 2000** moved lower on Thursday, the relative weakness favored the NASDAQ QQQ, but Friday, the relative weakness shifted to the Russell 2000. With relative weakness now leaning toward the small caps, I am focusing on the potential losses in the **Russell 2000 Index (IWM)**.

The ETF I will be purchasing to take advantage of the small caps moving lower is the **Direxion Small Cap Bear 3x (TZA)**. I want the Regional Banks to confirm the move before I buy the Direxion Small Cap Bear 3x (TZA). Earlier this year, most of the weakness in the small caps centered around the Regional Bank Index (KRE) moving lower.

The **Regional Bank Index (KRE)** rally that started in early May helped the small caps move higher for the past two and a half months, but the advance ran into a brick wall this past week. The Regional Bank advance was stopped at the 50% number from the March 2009 low to the January 2022 high at **46.62**. This is the 1/2 number of more than a decade of price movement, which is very significant.

Friday, the Regional Bank Index (KRE) came close to confirming a move lower. Establishing a move lower in KRE will give downward momentum to the Russell 2000. With KRE confirmation, I will purchase the Direxion Small Cap Bear 3x (TZA). The Fibonacci 1/2 number target on the Small Cap Russell 2000 Index (IWM) is **182.25**. The 5/8 target number is **186.90**.



Industry Group & Sector Analysis

Technology Sector Update

I pointed out in Wednesday's TFR Newsletter, "The Technology sector has reached a Bullish Percent level that has signaled major tops for the past 30 years. The Bullish Percent at this historically high-level points to the risk of buying technology stocks."

Thursday, the Technology sector demonstrated that risk as tech stocks crumbled. This week has many big tech earnings releases, and I expect more days like Thursday in tech stocks at incredibly high Bullish Percent levels.

*Many blamed **Tesla (TSLA)** and **Netflix (NFLX)** for the technology drop, but the industry group that actually led on the downside was **Semiconductor Equipment**. It was the only Tech industry group that gave a sell signal.*

As tech starts to unwind, it is good to know the stocks that will lead on the way down. It is also good to carefully watch all technology stock positions in your portfolio.

Industry Group & Sector Analysis

As technology saw money leave this past week, it was interesting to see where the funds flowed.

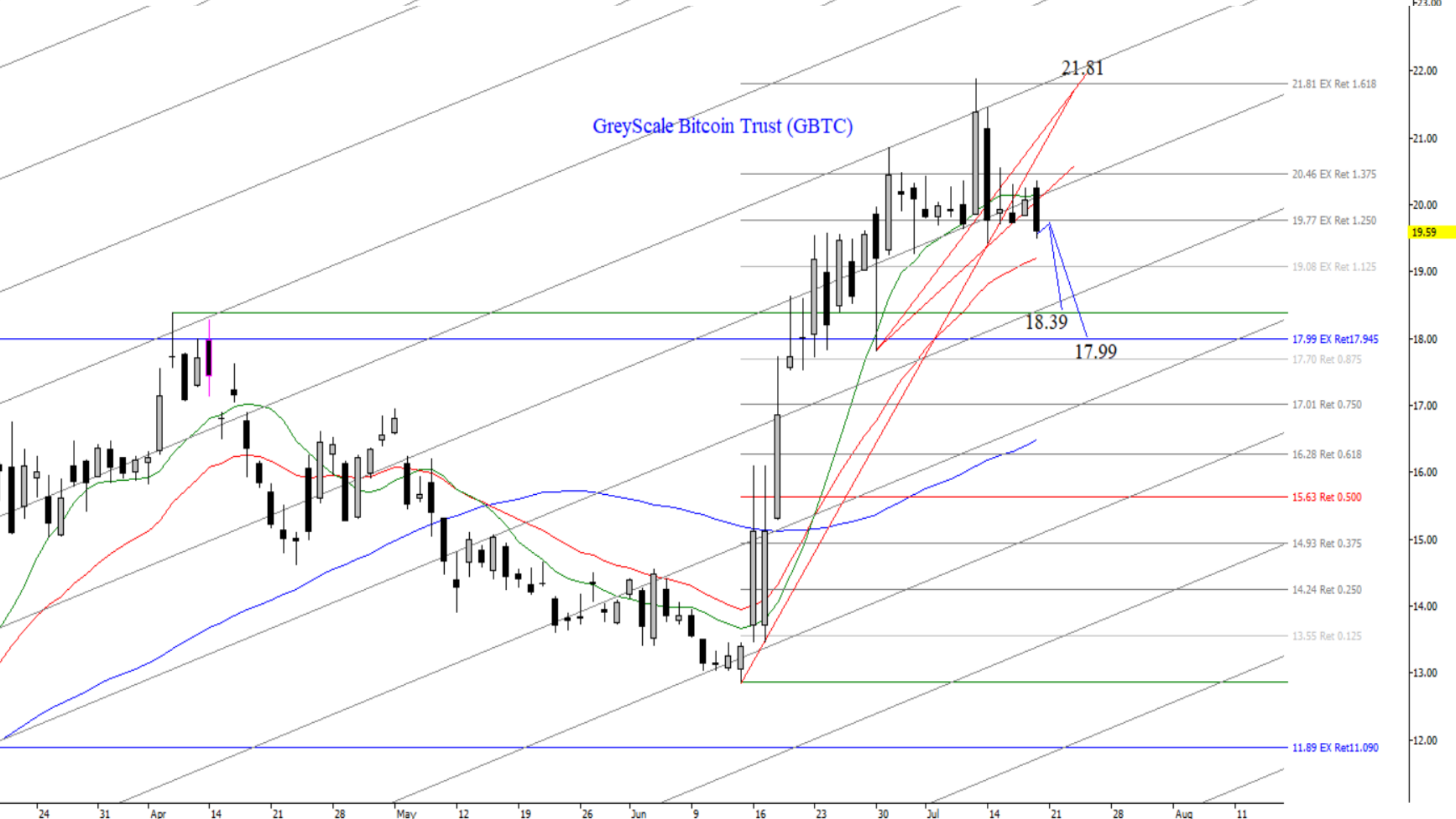
*The **Industrial** sector was seeing a mass exodus, but the gains in **Waste Management** stocks and **Aerospace and Defense** were so strong that they kept the Industrial sector from crumbling. I continue to like the way Aerospace stocks are set up.*

*One of my favorites is **Ehang Holdings (EH)**. The orderly pullback is setting up a great buying opportunity that should get confirmation soon.*

*The **Financial** sector is holding up, but banks are not the leading industry group.*

*The **Capital Markets** industry group is leading with bitcoin-related stocks like **Marathon Digital Holding Inc. (MARA)**, **HIVE Digital Technologies (HIVE)**, **Hut 8 Mining Corp (HUT)**, **TeraWulf Inc. (WULF)**, **Riot Platforms (RIOT)**, and **Cleanspark (CLSK)**.*

I will be returning to these market leaders once the retracement is complete.



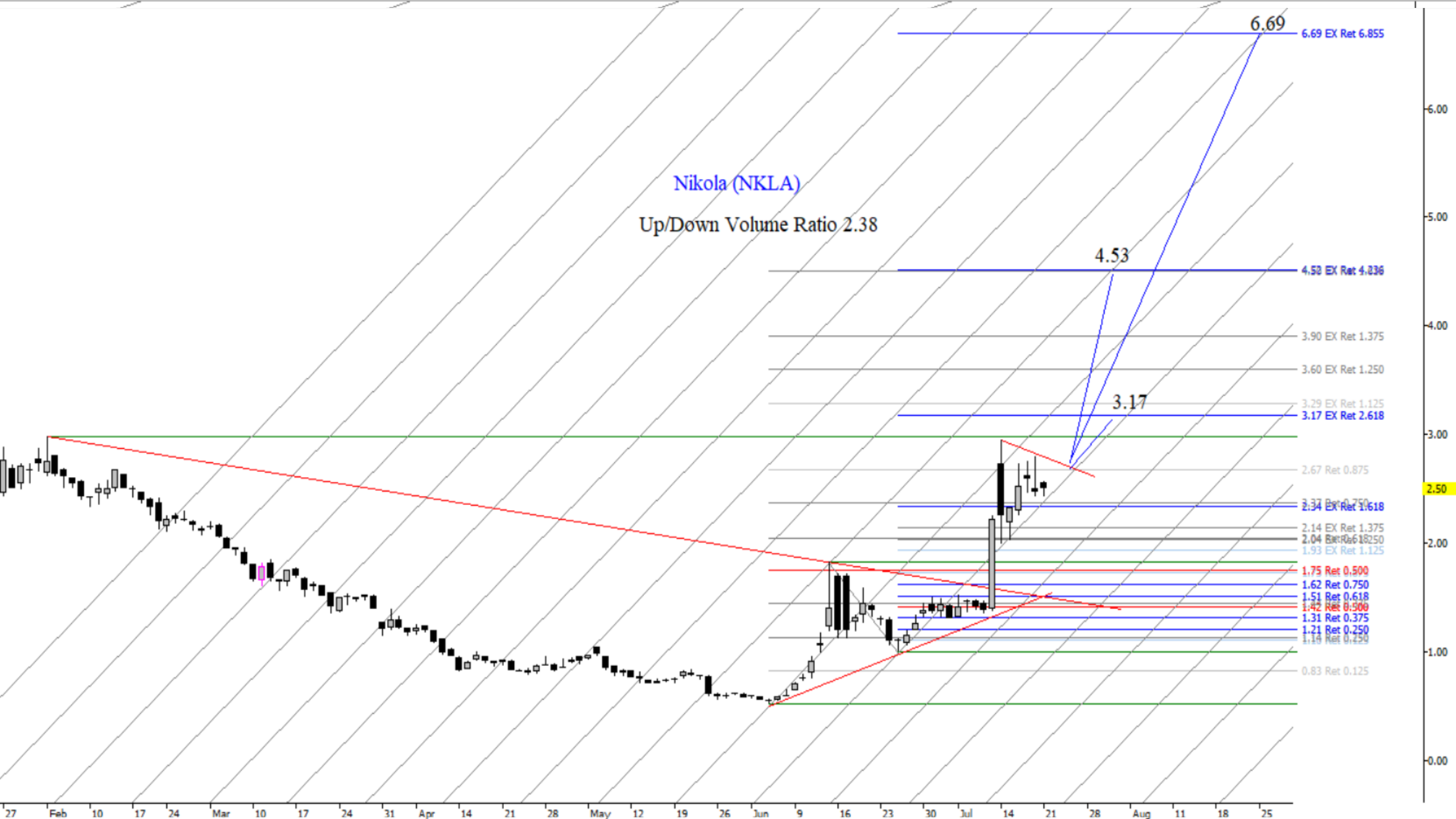
Buy Candidate: Nikola (NKLA)

- *Industry Group: Auto Manufacturers/ Electric Vehicles.* The *Auto Manufacturers* industry group ranks as the 5th strongest industry group out of 197 and is up 59.95% YTD and has been in a buy signal since May 22.
- *Nikola (NKLA) manufactures hydrogen-electric vehicles.*
- *Nikola (NKLA) is completing the handle to its Cup-with-handle base above Fibonacci support at 2.34*
- *Nikola (NKLA) completed a Point & Figure Double Top Breakout.*
- *Nikola (NKLA) will confirm with a 30-minute buy signal at 2.57.*
- *Wait for text confirmation!*
- *Start Position at 2-star(**)*
- *Under massive institutional accumulation with an Up/Down Volume ratio of 2.38 hitting 100-day highs.*

- *Nikola (NKLA) closed at 2.50.*

- *Nikola (NKLA) VWAP is at 13.16.*

- *Sell target prices: 1st target is 3.17; 2nd target is 4.52; 3rd target is 6.69.*
- *Stop sell price: Close below 2.34.*



Nikola (NKLA)



Buy Candidate: Sportrader Group (SRAD)

- *Industry Group: Leisure Gaming Equipment.* The Leisure Gaming Equipment industry group ranks as the 72nd strongest industry group out of 197 and is up 23.75% YTD and has been in a buy signal since July 12.

- *Sportrader Group (SRAD) is a Swiss company that provides technology for sports betting.*

- *Sportrader Group (SRAD) is ready to break the handle of a cup-with-handle base that started in August of 2022. The handle has based on Fibonacci support at 14.52.*

- *Sportrader Group (SRAD) gave a Point & Figure Spread Double Top Breakout.*

- *Sportrader Group (SRAD) will confirm with a 30-minute buy signal at 15.15.*

- *Wait for text confirmation!*

- *Start Position at 2-star(**)*

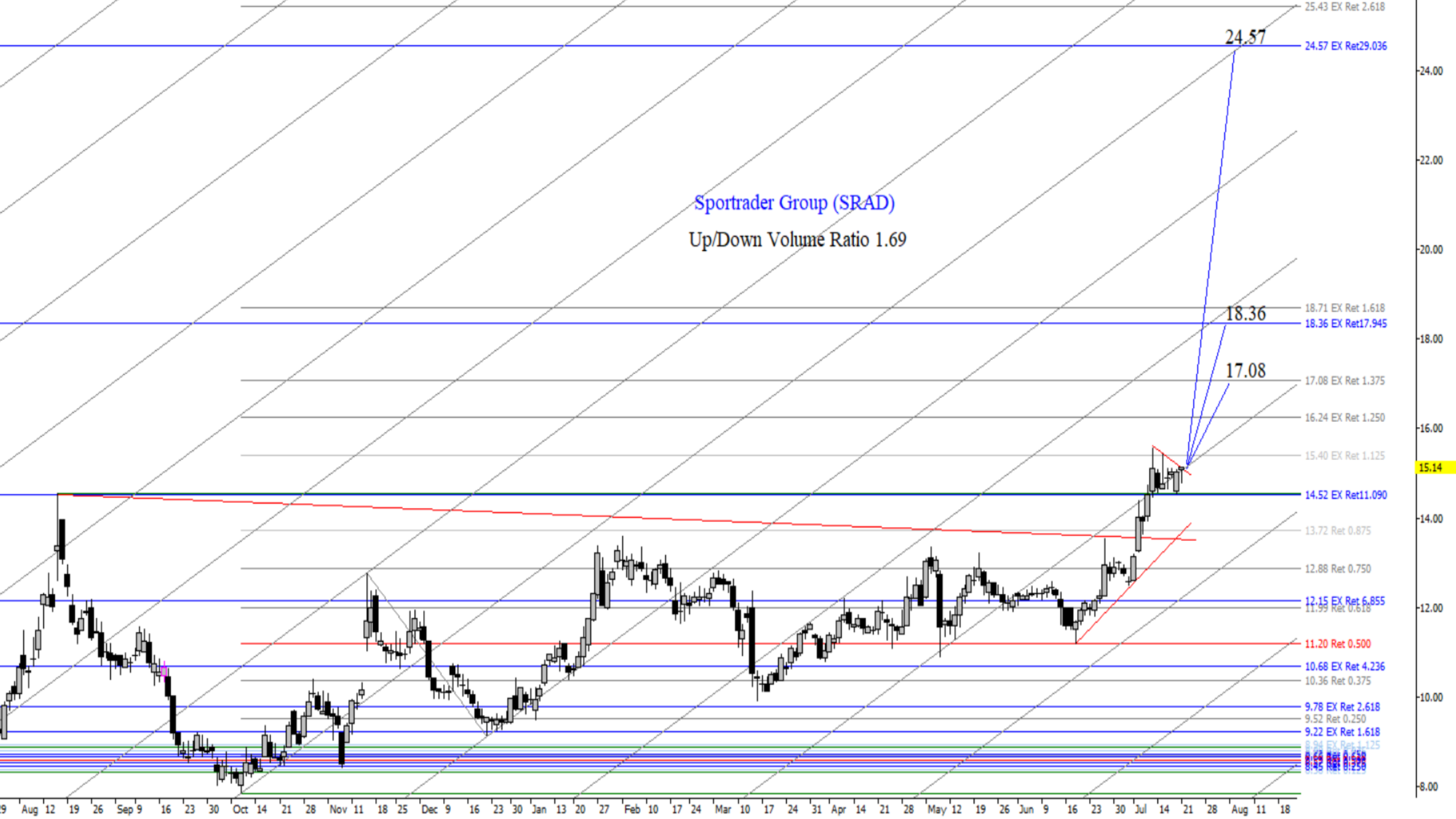
- *Under institutional accumulation with an Up/Down Volume ratio of 1.69.*

- *Sportrader Group (SRAD) closed at 15.13.*

- *Sportrader Group (SRAD) VWAP is at 15.41.*

- *Sell target prices: 1st target is 17.08; 2nd target is 18.36; 3rd target is 24.57.*

- *Stop sell price: Close below 14.52.*



Sportrader Group (SRAD)



Buy Candidate: AvidXchange (AVDX)

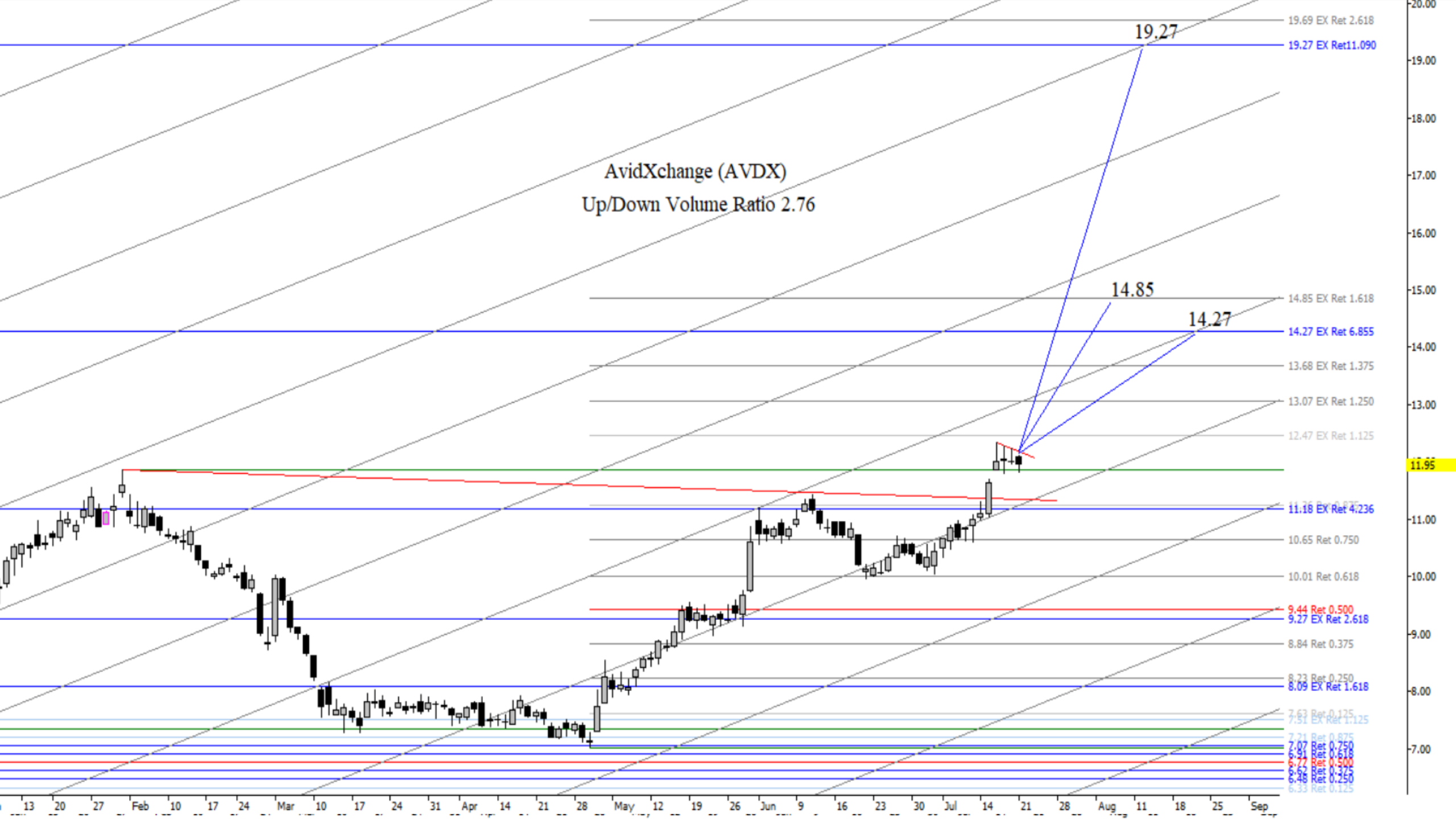
- *Industry Group: **Computer Software Financial**.* The Computer Software Financial industry group ranks as the 30th strongest industry group out of 197 and is up +29.43% YTD and is in a buy signal since July 20.

- **AvidXchange (AVDX)** is a software provider that automates accounts payable systems for business.
- **AvidXchange (AVDX)** broke out of a cup-with-handle base within its Primary base. The stock gapped above its strong 100% number at 11.86 on the breakout and held above for the past four trading sessions. It is demonstrating tremendous strength!
- **AvidXchange (AVDX)** gave a Point & Figure chart Double Top Breakout above its bearish resistance line.
- *AvidXchange (AVDX) will confirm with a 30-minute close above 12.12.*
- *Wait for text confirmation!*
- *Start Position at 2-star(**)*
- *Under massive institutional accumulation with an Up/Down Volume ratio of 2.76.*

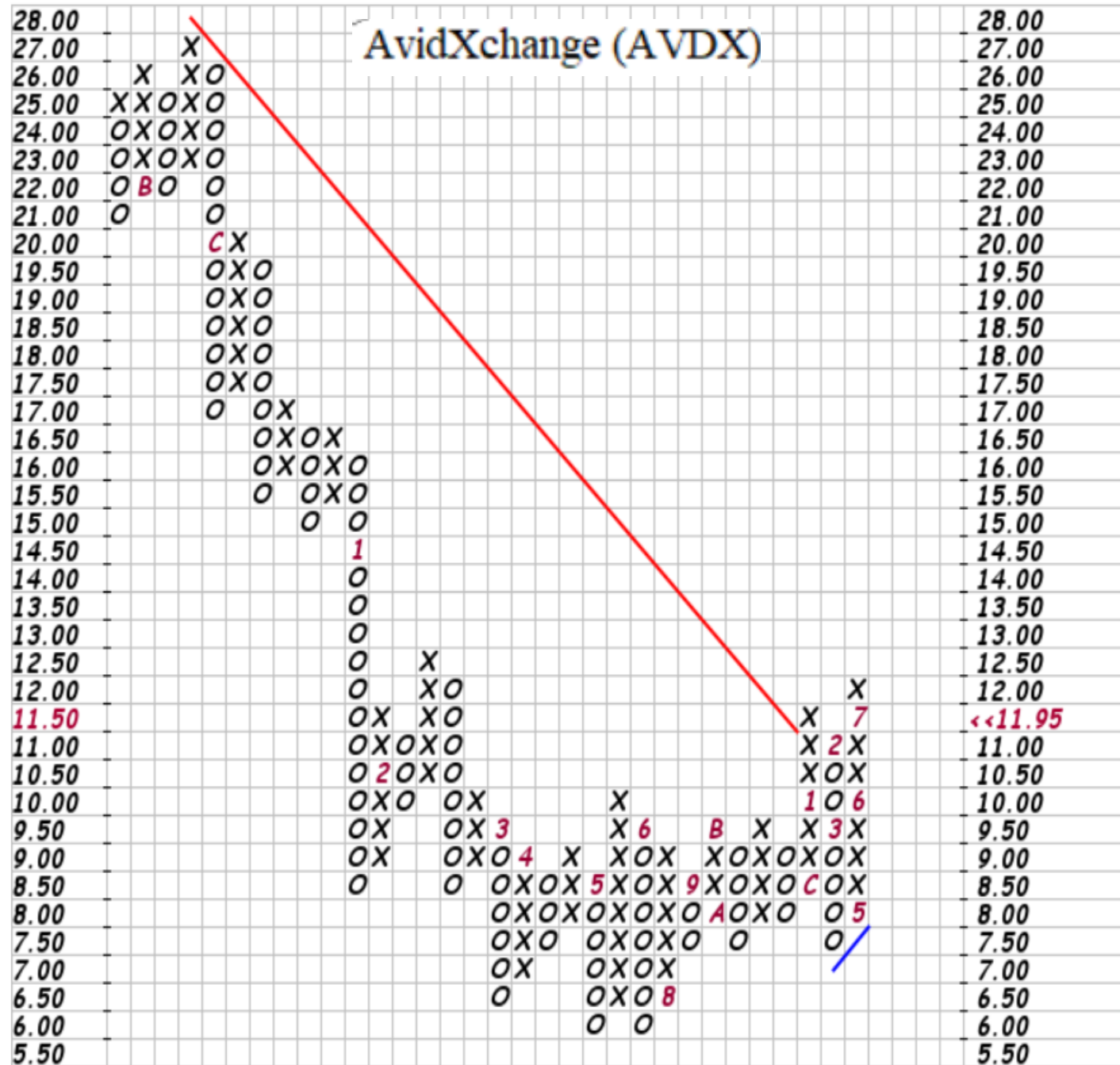
- *AvidXchange (AVDX) closed at 11.85.*

- *AvidXchange (AVDX) VWAP is at 10.17.*

- *Sell target prices: 1st target is 14.27; 2nd target is 14.85; 3rd target is 19.27.*
- *Stop sell price: Close below 11.18.*



AvidXchange (AVDX)



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