



TFR

# Trading Floor Research

Welcome to the  
— Trading Floor —

02/19/23



This Trading Floor Research report contains:

- S&P 500 (SPX). Update
- Warrior Metallurgical Coal Inc. (HCC)
- Direxion Energy Bear 2X (ERY)

## S&P 500

### Loss of momentum and mounting distribution days at 4155.10 point toward S&P 500 selloff.

*The bears moved toward victory as the S&P 500 battle at 4155.10 is nearing completion on a new market sell signal.*

*I warned in last week's newsletter that "Adding three more distribution days as the S&P 500 fails to cross 4155.10 will signal the end of the rally and a resumption of the downtrend."*

*By Friday's close, the bears added three additional distribution days. Five distribution days have been added to the S&P 500 over the past 20 trading sessions, and four of the five occurred as the index was trying to cross 4155.10.*

*When five distribution days occur in 20 trading days, it often leads to an end of a bull market. This has happened at the most decisive number in the entire price range the index has traveled through the bear market of 2022. The S&P 500 needed to clear 4155.10 and mounting distribution days have made it less likely.*

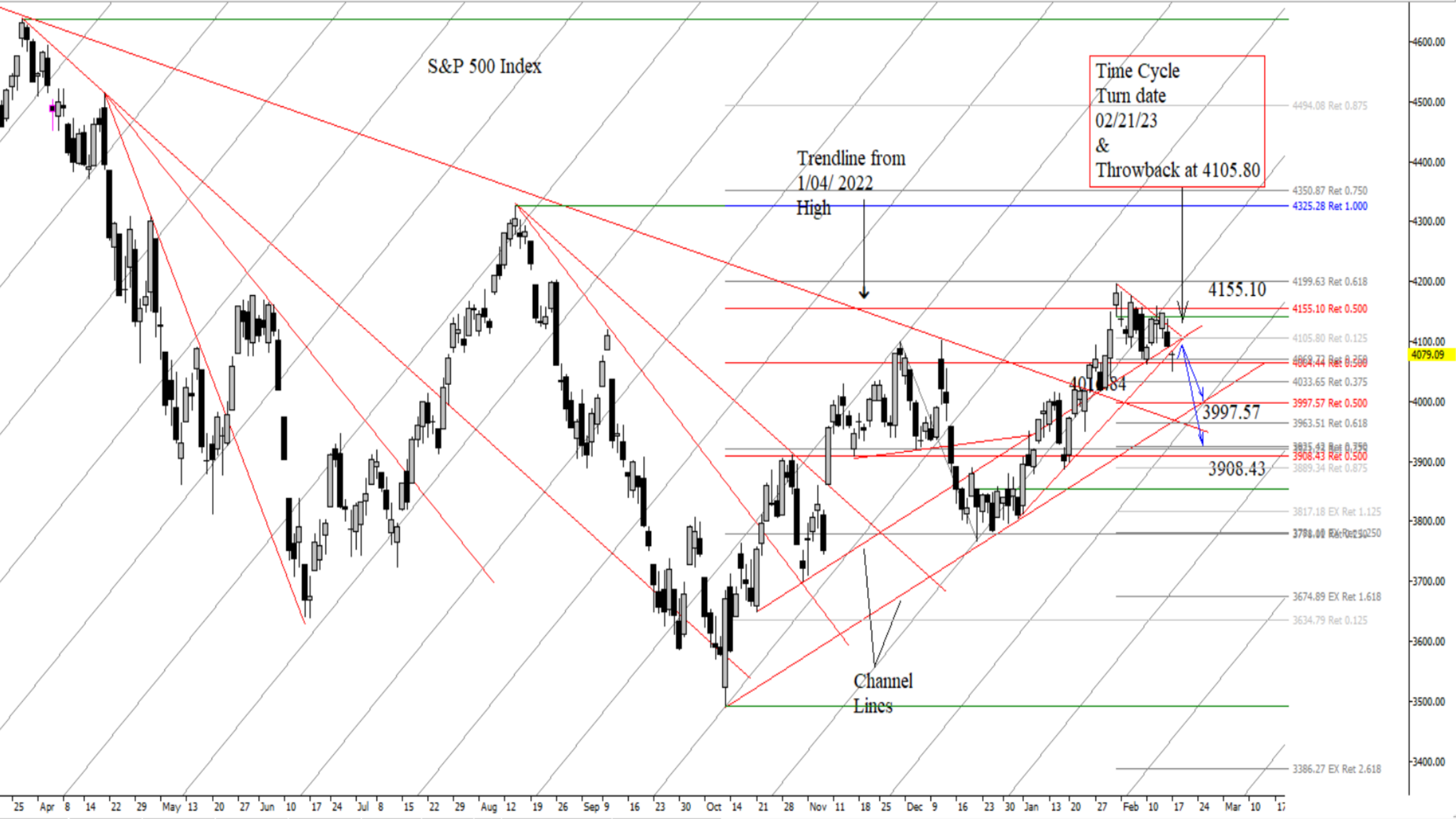
*The loss of momentum in the S&P 500 at 4155.10 was noticeable again this past week. Tuesday's high was the only attempt to cross the critical number. The S&P 500 showed price deterioration for the remainder of the week.*

*Friday's selloff started with a gap below the rising trendline from the January 6, 2023, bottom and the upper channel line from the October 2022 low. A price gap below these significant trendlines adds an exclamation point to a market selloff and an end to the new year's rally. (Refer to S&P 500 chart)*

*Most of Friday's trading occurred below Fibonacci support at 4064.44, but a late-day rally brought the index back above this critical number. The index's ability to find a footing at 4064.44 indicates a small rally on Tuesday to **4105.80**. The rally should conclude with a throwback into Friday's broken trendlines before resuming the downtrend. Tuesday is a cycle turn date, and any rally attempt will indicate a market high into the cycle date.*

*Now that the bears have taken control at 4155.10, a close below 4064.44 will send the S&P 500 to the next downside targets at **3997.57** and **3908.43**.*

*I recommend caution and 85% cash*



## Industry Group & Sector Analysis

*As the S&P 500 signaled a sell, the bullish percent of individual stocks in many sectors continued to deteriorate. Bullish percent charts serve as a leading indicator for industry sells. Although the bullish percentage of most sectors is breaking down, The worst sector collapse comes from Energy. Friday's selloff in The Energy sector has taken the bullish percent into bear-market territory, and the **SPDRs Select Sector Energy ETF (XLE)** confirmed a sell signal.*

*A buy signal in the **Direxion Energy Bear 2X (ERY)** will be used to take advantage of the continued selloff in the Energy sector and the sell signal in the SPDRs Select Sector Energy ETF (XLE). The Direxion Energy Bear 2X (ERY) is featured in this report.*

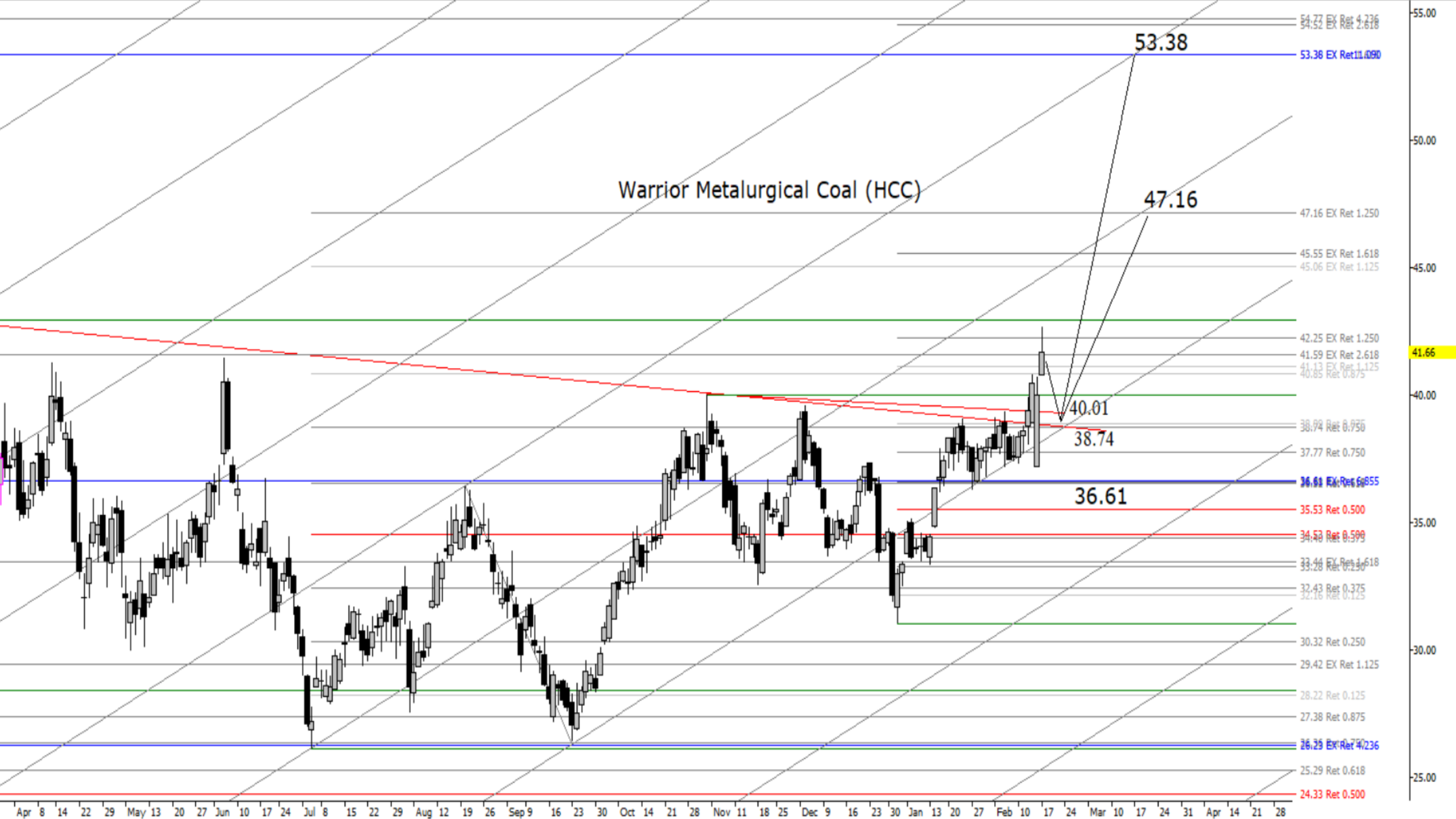
*This past Thursday, a significant **BUY** signal occurred in the **Coal industry group**. Individual stocks in the group are emerging as leaders and supporting the move. My favorite is under intense institutional accumulation with an Up/Down Volume Ratio of 2.03 and was a TFR buy recommendation in February last year that led to a 51% gain in five weeks. **Warrior Metallurgical Coal (HCC)** is the industry group leader I am focused on and is highlighted in today's report.*

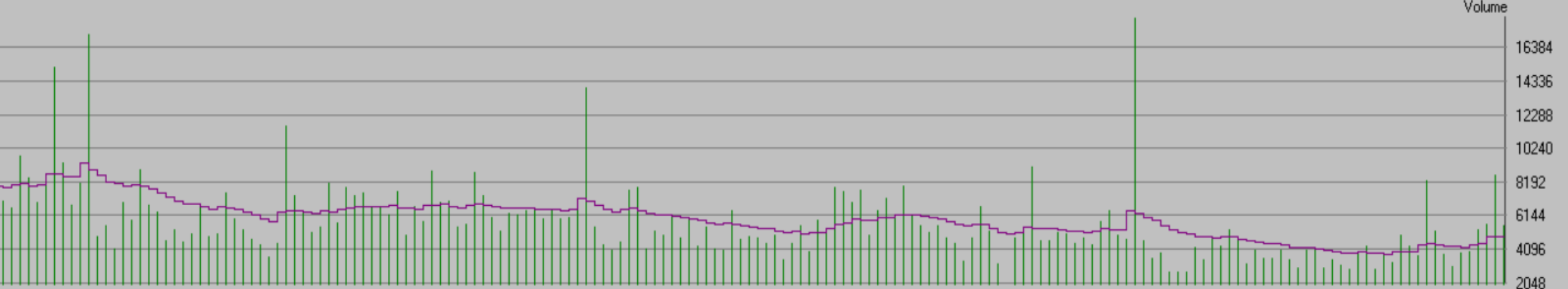
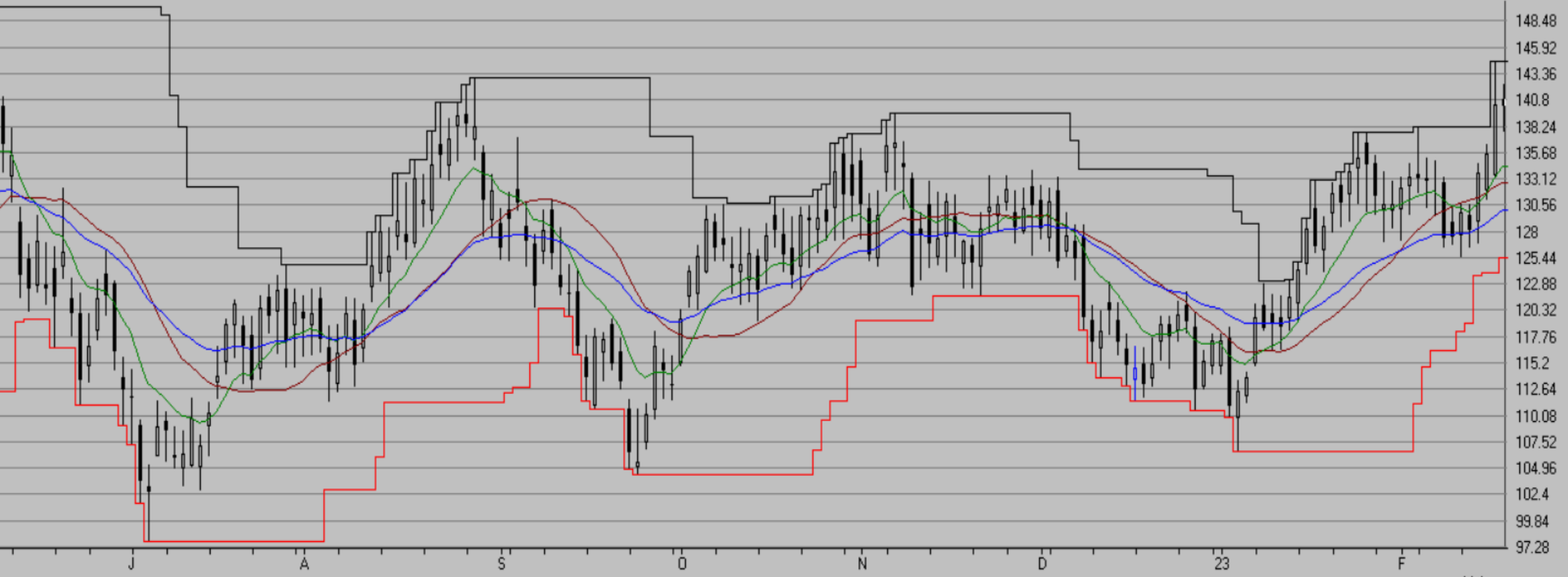
*The bears are in control Of the Russell 2000 and indicate “**Risk-Off**” in the markets.*

***I recommend caution and 85% cash***

## New buy candidate: Warrior Metallurgical Coal Inc. (HCC)

- Industry Group: **Coal**. The Energy Coal industry group gave its most recent buy signal on February 16, 2023. The group is up +7.62% YTD and is ranked 106th out of 197. Warrior Metallurgical Coal Inc. (HCC) is also part of the Coal Metallurgical Stock Subgroup, which gave its buy signal on February 16, 2023. The Coal Metallurgical Subgroup is pushing the overall Coal group higher. The actual group leadership is highlighted by the fact that the Coal Power Generation Subgroup of stocks is still in a sell signal occurring on January 3, 2023.
- **Warrior Metallurgical Coal Inc. (HCC)** is a producer and exporter of metallurgical coal used in steel production. The Steel Producers and Coal industry groups are the only two groups left in a buy signal in the Basic Materials sector. They are supporting each other in a sector that is losing momentum.
- **Thursday, Warrior Metallurgical Coal Inc. (HCC) gapped lower on earnings and finished at the top of the days trading range on massive volume. The stock is demonstrating strong technical behavior as it prepares to break out of a high handle in its Primary Base. After hitting technical resistance at 42.95, I am looking for the stock to throwback into its trendline between 40.01 and 38.74.**
- **Warrior Metallurgical Coal Inc. (HCC) will confirm with a 30-minute buy on increased volume after a throwback to Fibonacci support between 40.01 and 38.74.**
- Initiate position with at 2-star(\*\*).
- Under institutional accumulation with an Up/Down Volume ratio of 2.03 at 100-day highs.
- Warrior Metallurgical Coal Inc. (HCC) closed at **41.66**.
- Warrior Metallurgical Coal Inc. (HCC) VWAP is at 23.60
- Sell target prices: **Resistance at 42.95; 1<sup>st</sup> target is 47.16; 2<sup>nd</sup> target is 53.36; 3<sup>rd</sup> target is 69.04-70.20**
- Stop sell price: **Close** below **36.61**.

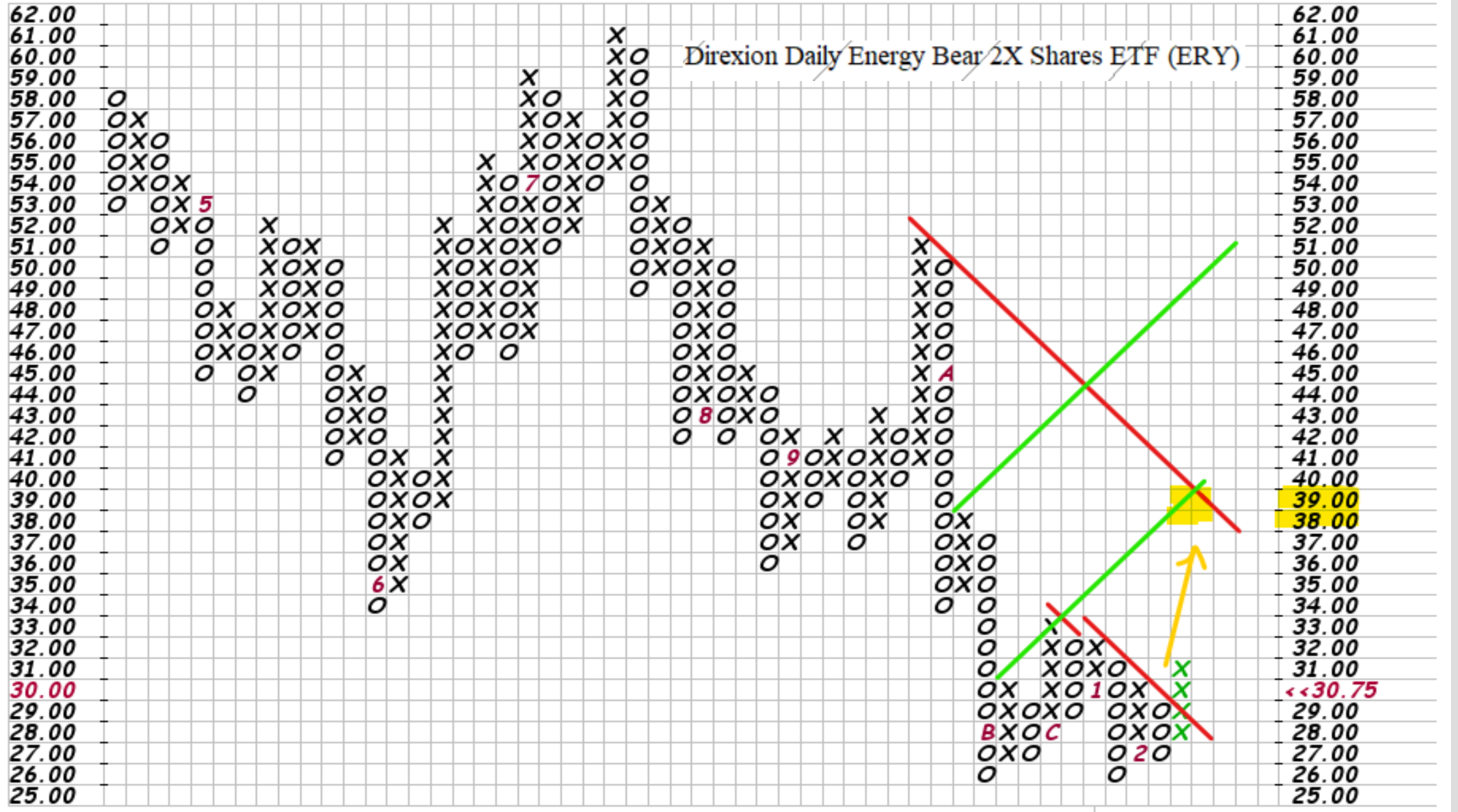


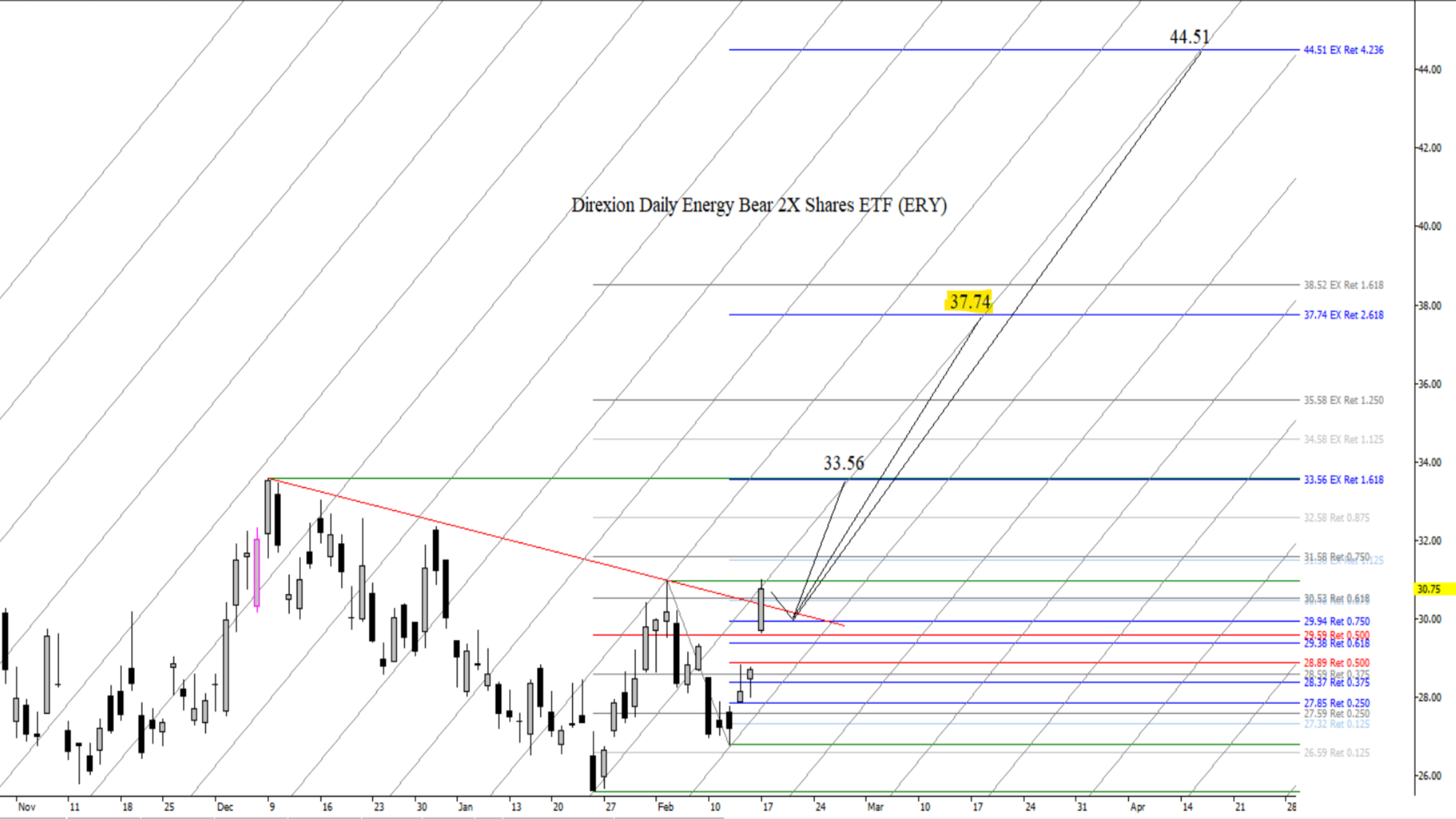




## Buy candidate: Direxion Energy Bear 2X (ERY)

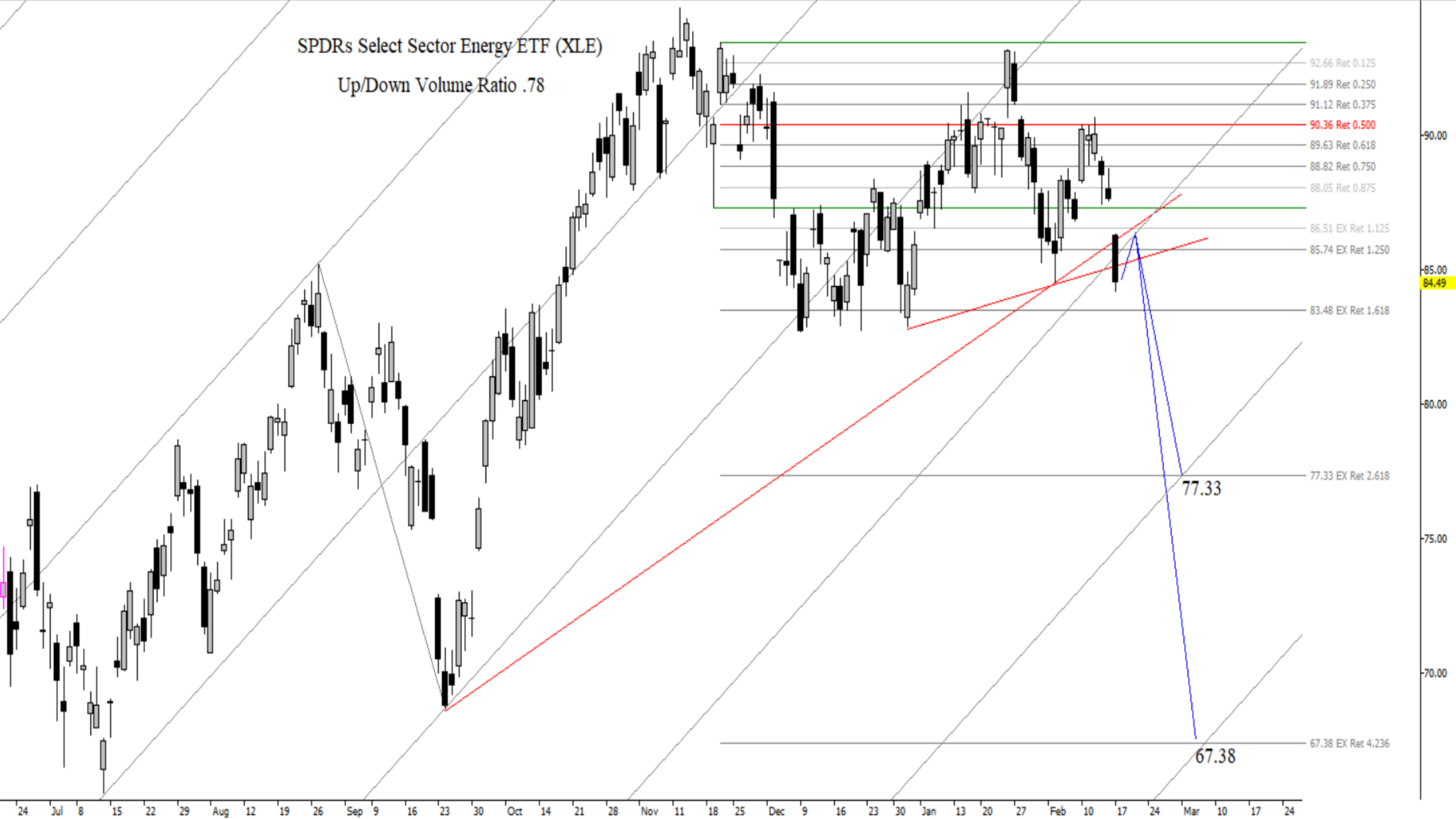
- *Portfolio: Short-Energy Select Sector Index and SPDRs Select Sector Energy ETF (XLE).* This ETF corresponds to the move 2X the inverse move of the Energy Select Sector Index
- *Direxion Energy Bear 2X (ERY) trade is designed to move higher at 2x the rate of the Energy Select Sector Index moving lower.*
- *The Energy Sector is short-term oversold after the 3% move lower on Friday. I will initiate the position after a throwback into the trendline and rally to Fibonacci resistance between 85.74 and 86.51 on the SPDRs Select Sector Energy ETF (XLE). (Refer to XLE Chart)*
- *Direxion Energy Bear 2X (ERY) will Confirm a Buy after a pullback 29.94 and 30-minute confirmation.*
- *I will send a text confirmation*
- *Start position at 2-star(\*\*).*
- *Under institutional accumulation with an Up/Down Volume ratio of 1.26 hitting 100-day highs earlier in the week.*
  
- *Direxion Energy Bear 2X (ERY) closed at 30.75.*
  
- *Direxion Energy Bear 2X (ERY) VWAP is at 109.33*
  
- *Sell target price on the Direxion Energy Bear 2X (ERY): 1<sup>st</sup> target is 33.56; 2<sup>nd</sup> target is 37.74; 3<sup>rd</sup> target is 44.51*
  
- *Stop sell price: Close below 28.89.*





# SPDRs Select Sector Energy ETF (XLE)

Up/Down Volume Ratio .78





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