



TFR

Trading Floor Research

Welcome to the
— Trading Floor —



09/25/22

This Trading Floor Research report contains:

- **S&P 500 (SPX).** The next target lows for the Index
- **CBOE Volatility Index (VIX).** What is the CBOE Volatility Index (VIX) saying about the market's next move?
- **Direxion Daily GOOGL Bear 1X (GGLS).** This trade is designed to move inverse the daily performance of Alphabet Inc. Class A (GOOGL).



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With this watch for *new members only* features:

Ability to track TFR positions

See what I am currently holding at the price I purchased and its current returns

A 30-minute chart to view where the confirmed buy signal occurred

Sectors, Industry Groups & Leadership Stocks

S&P 500

After the Fed announcement Wednesday, the S&P 500 took another dive, dropping a total of 260 from Wednesday's high of 3907.07 to Friday's low. The index seemed to have found some temporary support at the June low, but the markets are oversold, and this low could serve as a place for a bounce.

The size of this bounce will give me some insight into the intensity of the market decline. A bounce to even shallower Fibonacci target numbers indicates greater power to move lower.

Another reason for a bounce can be seen in the measured move from the August 16 high to the September 6 low of 439 points and the almost identical September 12 high to Friday's low of 472 points. (Refer to the S&P 500 chart of the measured move)

A measured move is to be expected in an orderly decline. If panic overcomes the market, however, it will lose the measured orderly behavior and continue to drop or provide a shallow bounce. This is an indicator that we are getting closer to a true market bottom. The Volatility Index (VIX) racing to 62-66 range is also a good indicator. (Refer to VIX writeup in this newsletter)

On Friday, the S&P 500 gapped below 3742.02. This gap has added another Fibonacci target, 3743.55, which is 50% of the range of the gap. The confluence of the two Fibonacci numbers creates a more significant obstacle for the market to overcome and solid Fibonacci resistance. The most likely area for a market bounce to terminate and my primary focus is on a shallow bounce to the high probability Fibonacci resistance at 3742.02.

If the market can get through 3742.02, there is potential to hit the $\frac{1}{8}$ number of the year-to-date decline at 3784.59. Repelling from the weak $\frac{1}{8}$ number will send the market tumbling. A low probability target, but still a possibility, could be a measured move bounce in the S&P 500 to as high as 3880. (Refer to S&P 500 short-term Fib target chart)

Once the bounce is ended, the next Fibonacci downside target is at $\frac{3}{8}$ from the long-term Chart at 3261.69. If that is broken, the market will complete the bear market move at 2742.27.

Sectors, Industry Groups & Leadership Stocks

S&P 500

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 point for the next two weeks.

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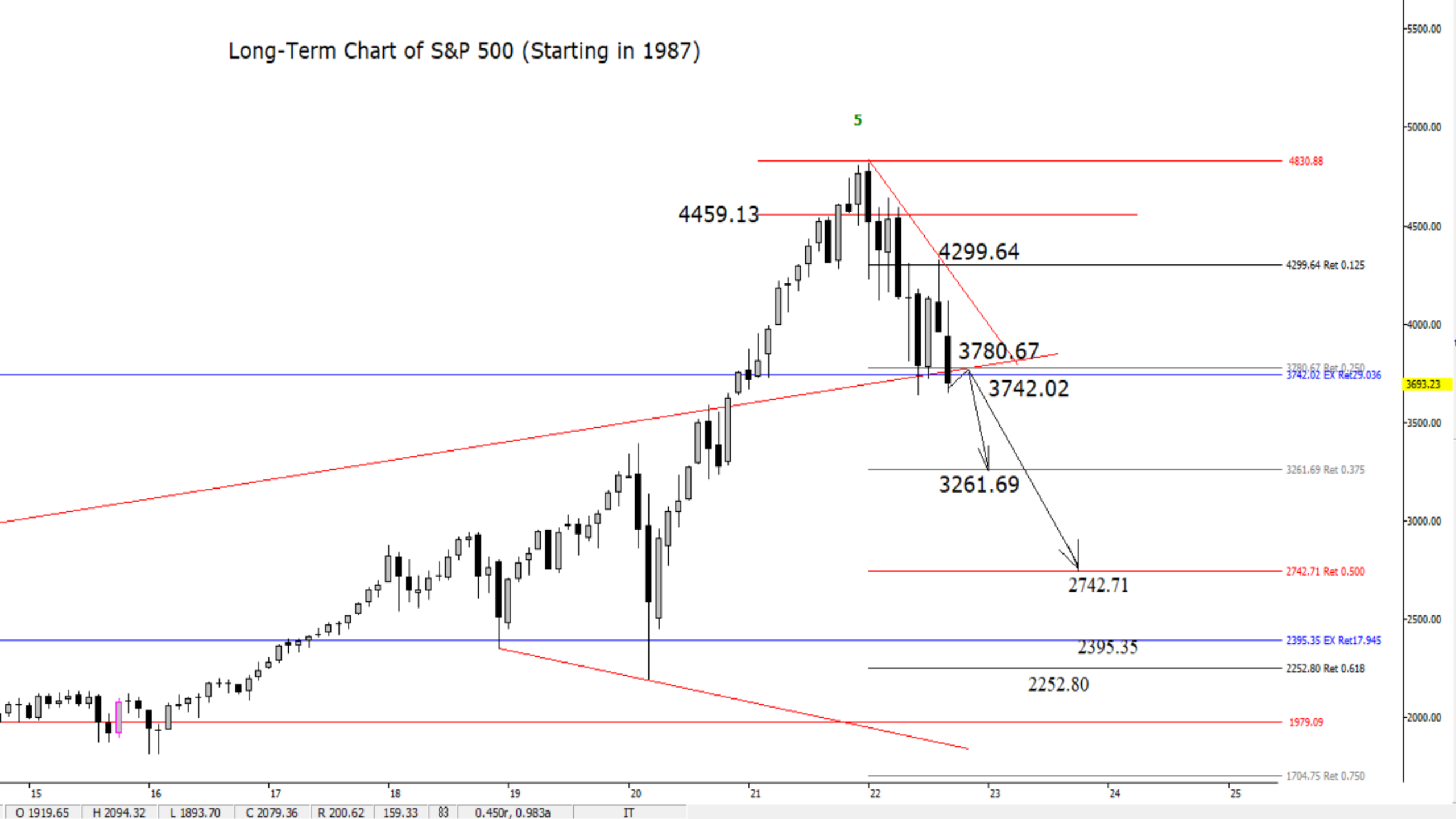
The S&P 500 downward momentum initiated by bouncing off 4300 like a brick wall provides a powerful signal that usually resolves at 50% of the entire move higher. In this case, the Fibonacci target number is 2742.27. (For more information, refer to my S&P 500 long-term chart).

Now that the S&P 500 has closed below the big Fibonacci target of 3742.02, downward momentum will likely continue after a shallow bounce. The next target is the significant 3261.69 Fibonacci number from my long-term chart. Closing below 3261.69 will only increase the probability of achieving the 2742.27 S&P 500 target number.

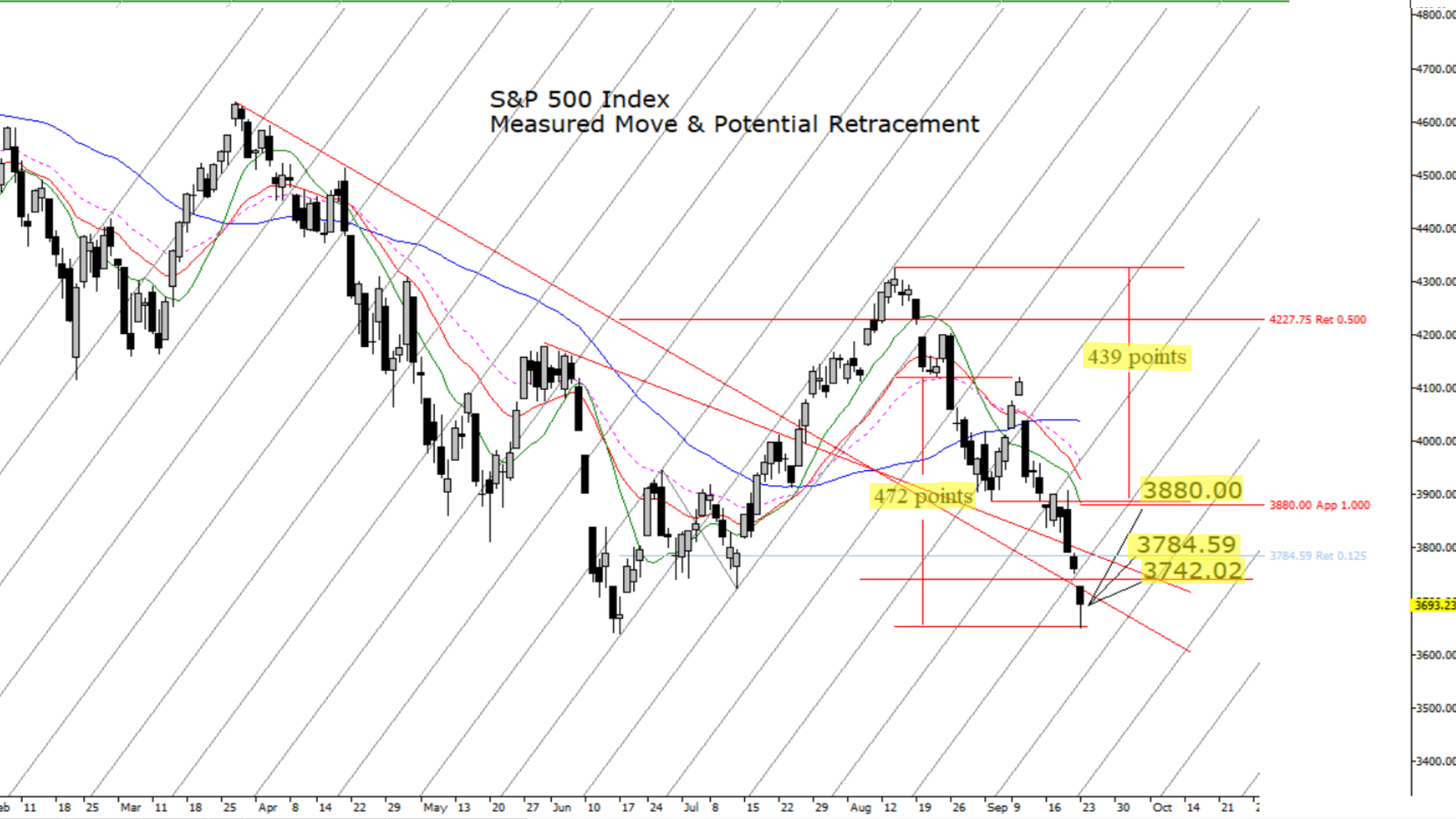
The bears are in control of the Russell 2000 and indicate “Risk-Off” in the markets.

I recommend caution and cash

Long-Term Chart of S&P 500 (Starting in 1987)



S&P 500 Index Measured Move & Potential Retracement



CBOE Volatility Index VIX

What is the CBOE Volatility Index (VIX) saying about the market's next move?

VIX has been the Index that I have looked to in order to confirm that fear has reached a high enough level to establish a market low. The challenge now is to identify the peak level of fear.

For most of 2022, the range-bound CBOE Volatility Index (VIX) has been between the Fibonacci target numbers of 31.2 and 17.70 on a closing basis. Friday saw VIX challenge the 31.2 Fibonacci target number once again. This resulted in trading as high as 32.2 before closing below the target at 29.70.

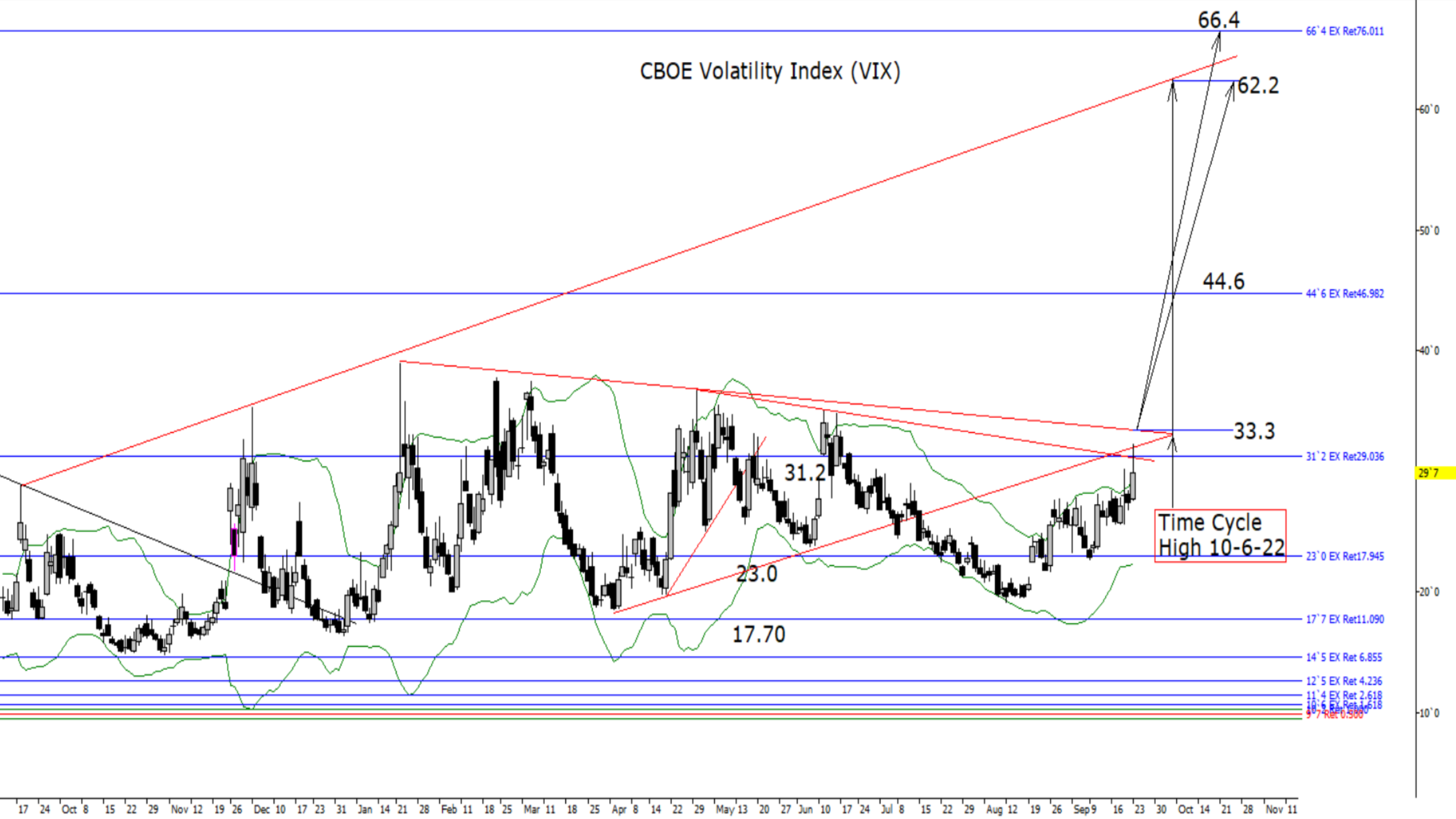
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Price compression has also occurred since January 24, 2022, which was the VIX high at 39. Looking at the VIX chart, we can see the compression being highlighted with a declining trendline. VIX expansion will accelerate with a close above the trendline at 33.3. The market will not provide a substantial bottom until the VIX has reflected investor's fear with an expansion that starts with a close above Fibonacci resistance at 31.2 and the declining trendline at 33.3.

Technical analysis will be able to measure the expansion target in both time and price once this move has started. Analyzing crossing trendlines will be both effective and a high-probability way to locate the next time cycle high. October 6, 2022, is the next time cycle date where two critical trendlines cross. (Refer to VIX Chart).

The expanding trendline that began with the September 20, 2021, high, terminates at 62.2 on the October 6 time cycle turn date. The squaring of time and price gives a high probability target close to the Fibonacci target of 66.4. (Refer to VIX Chart) Once the VIX expansion begins, I will look for the move to terminate between 62.2 and 66.4 on or around October 6, 2022. To take advantage of this analysis, speculators could purchase VIX calls once the index closes above 33.3.

CBOE Volatility Index (VIX)



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. The GGLS ETF entered the market as an IPO on September 7, 2022. AAPD may pull back to 26.59 tomorrow morning before resuming the uptrend in shares. The sell-off in GOOGL sent GGLS soaring from a 5-day IPO base. GGLS closed at 26.90 and is trading above Fibonacci support at 26.49 and 25.57. A pullback to Fibonacci support may happen before the next move higher. (Refer to GGLS chart)*

Alphabet Inc. (GOOGL) could move a little higher before making its next move lower. The retracements I am watching are 102.19, 104.07, and 106.36. (Refer to GOOGL chart)

- *The Direxion Daily GOOGL Bear 1X (GGLS) will Confirm a Buy with a rally in GOOGL to 102.19, 104.07 or 106.36, and 30-minute confirmation.*
- *Wait for text confirmation!*
- *Start position at 1-star(*)*
- *Up/Down Volume Ratio on Alphabet Inc. (GOOGL) of .80 indicates institutional distribution*

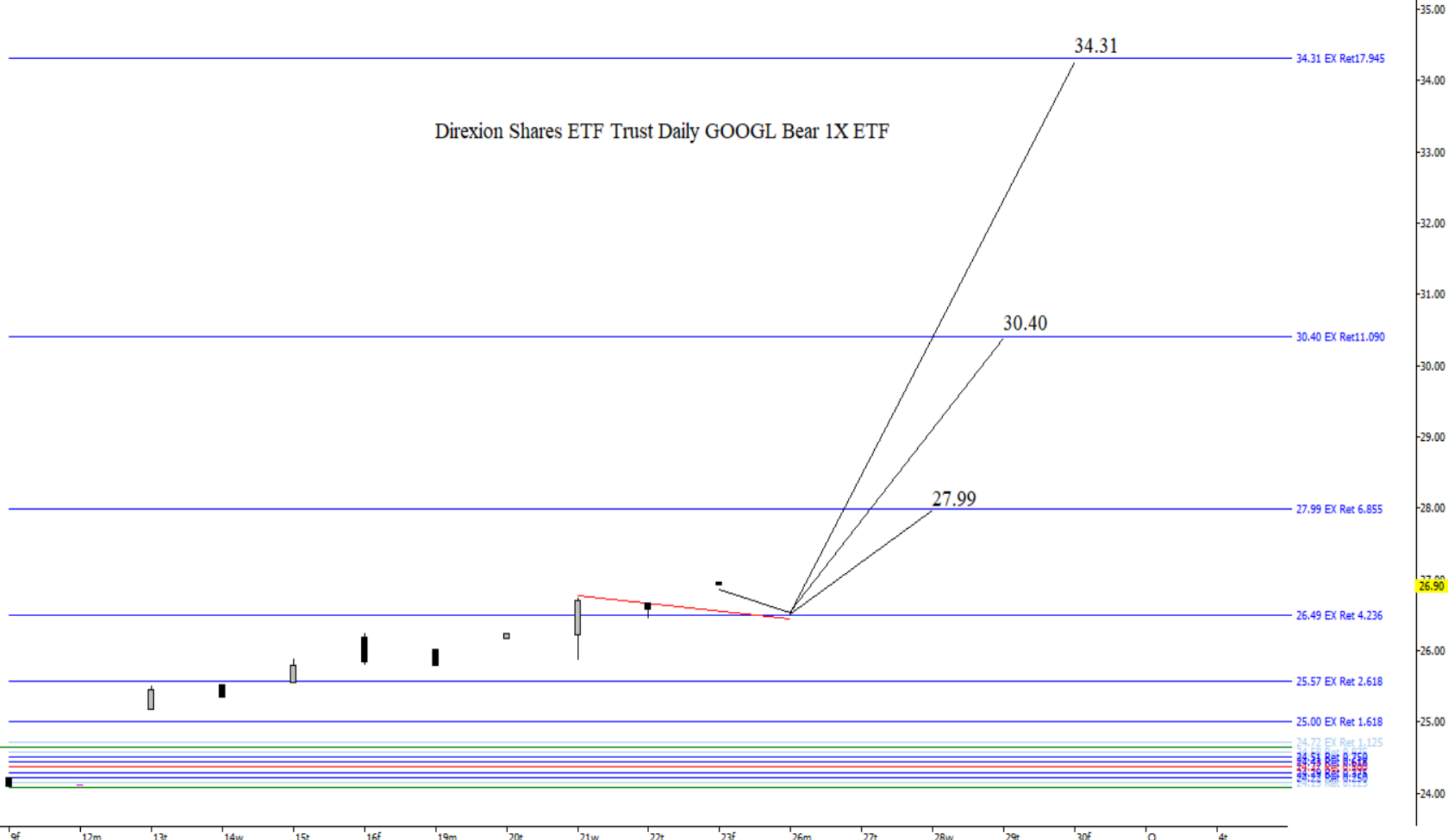
- *Direxion Daily GOOGL Bear 1X (GGLS) closed at 26.90.*

- *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 ETF Trust Daily GOOGL Bear 1X ETF



Alphabet Inc. CL A (GOOGL)
Up/Down Volume Ratio .80





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