



TFR

# Trading Floor Research

Welcome to the  
— Trading Floor —

02/12/23



## This Trading Floor Research report contains:

- S&P 500 (SPX). Update
- 2X Long VIX Futures (UVIX)
- Diageo PLC ADS (DEO) –Shorting opportunity

## S&P 500

### As the S&P 500 struggles at 4155.10 the VIX indicates its time to go long volatility

The S&P 500 bull and bear struggle at 4155.10 was fierce last week. Trying to cross the substantial 50% Fibonacci number from January 2022 high to October 2022 low has presented problems for the overly optimistic bulls. Three attempts to reclaim 4155.10 were met with a swift rebuttal. The Final attempt on Thursday spent seconds above the number before the bears sent the market tumbling on higher volume. After the dust settled, the index was left with another distribution day. 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.

Each time the S&P 500 tried to cross 4155.10, it made progressively lower highs showing a noticeable loss of momentum over the past six trading sessions.

I can't emphasize the importance of continuing the rally for the S&P 500 to hold above 4155.10. This is the most decisive number in the entire price range the index has traveled through the bear market of 2022.

If the index can establish a foothold above 4155.10, the next leg higher should hit the Fibonacci target at 4308.90. Although, last week's price action has made a move higher less likely.

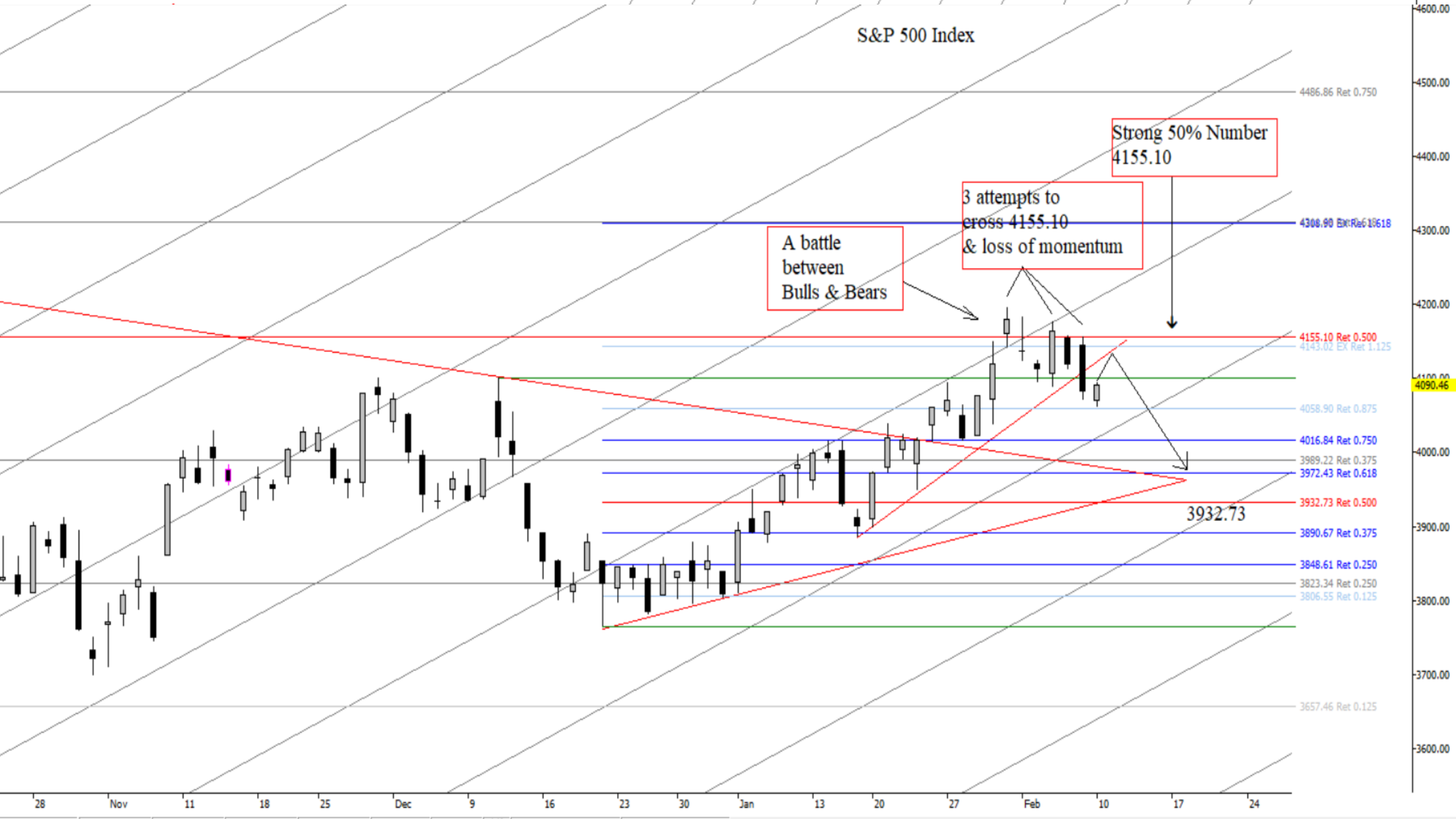
More doubt of a continued rally occurred with last week's buy signal in the **CBOE Volatility Index (VIX)**. The VIX gave two similar buy signals the previous year that led to significant market declines. Each signal started at higher VIX levels indicating a higher level of fear than our current signal. The current market complacency could add strength to the recent buy signal and a more significant adverse reaction from the S&P 500.

The high probability buy signal in the CBOE Volatility Index (VIX) is setting up an opportunity to go long volatility. I am using an ETF that corresponds to **2X Long VIX Futures (UVIX)** to take advantage of the move. The setup for the 2X Long VIX Futures (UVIX) trade is featured in today's research report.

# CBOE Volatility Index (VIX)



# S&P 500 Index



## Industry Group & Sector Analysis

Even though the **Utility** and **Communication Services** sectors were the only two that gave sell signals this past week, other sectors showed tremendous weakness. The breakdown of good stock charts was most evident in **Basic Materials**, **Real Estate**, and **big-cap technology** stocks.

The **NASDAQ 100 (QQQ)** again leads the market on the downside. Stocks that are set up as good shorts from the NASDAQ 100 include Netflix (NFLX), Meta Platforms Inc. (META), and **Alphabet Inc. (GOOG)**.

With the use of the **Direxion Daily GOOGL Bear 1X Shares (GGLS)**, I am watching **Alphabet Inc. (GOOGL)** as a potential short in a future newsletter.

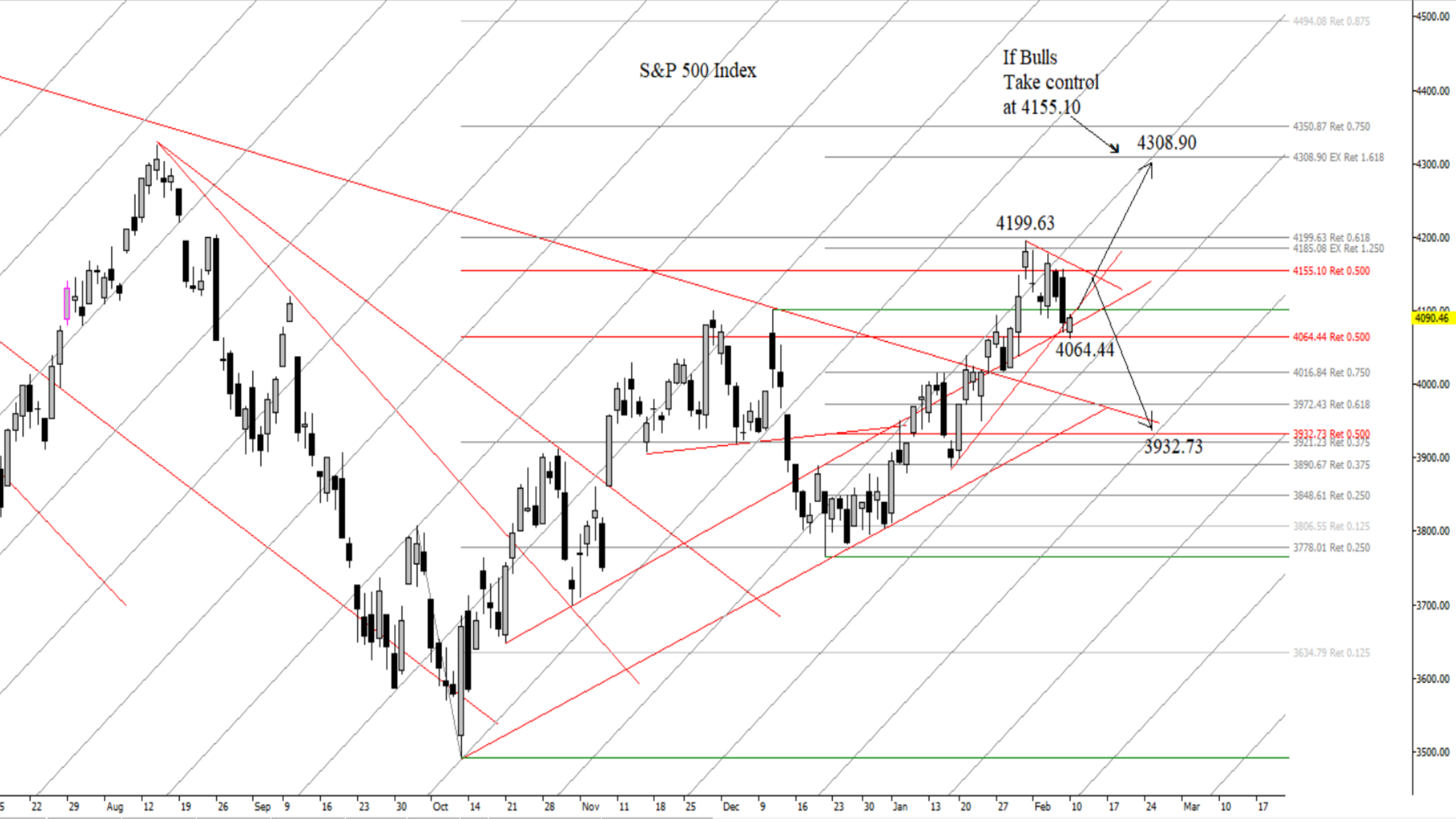
Although the NASDAQ 100 (QQQ) shows tremendous weakness, it has not confirmed a sell signal.

The markets may rally early next week before I sell any stocks short or buy ETFs that correspond to the inverse NASDAQ market & S&P 500. The bulls may try to take another swipe at 4155.10 on the S&P 500. If the bulls succeed, they will send the index to the 4308.90 Fibonacci target. If the bears can hold at 4155.10 and add a few more distribution days, the target on the S&P 500 is at 3932.73. (Refer to S&P 500 chart)

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

**I recommend caution and 85% cash**

# S&P 500 Index

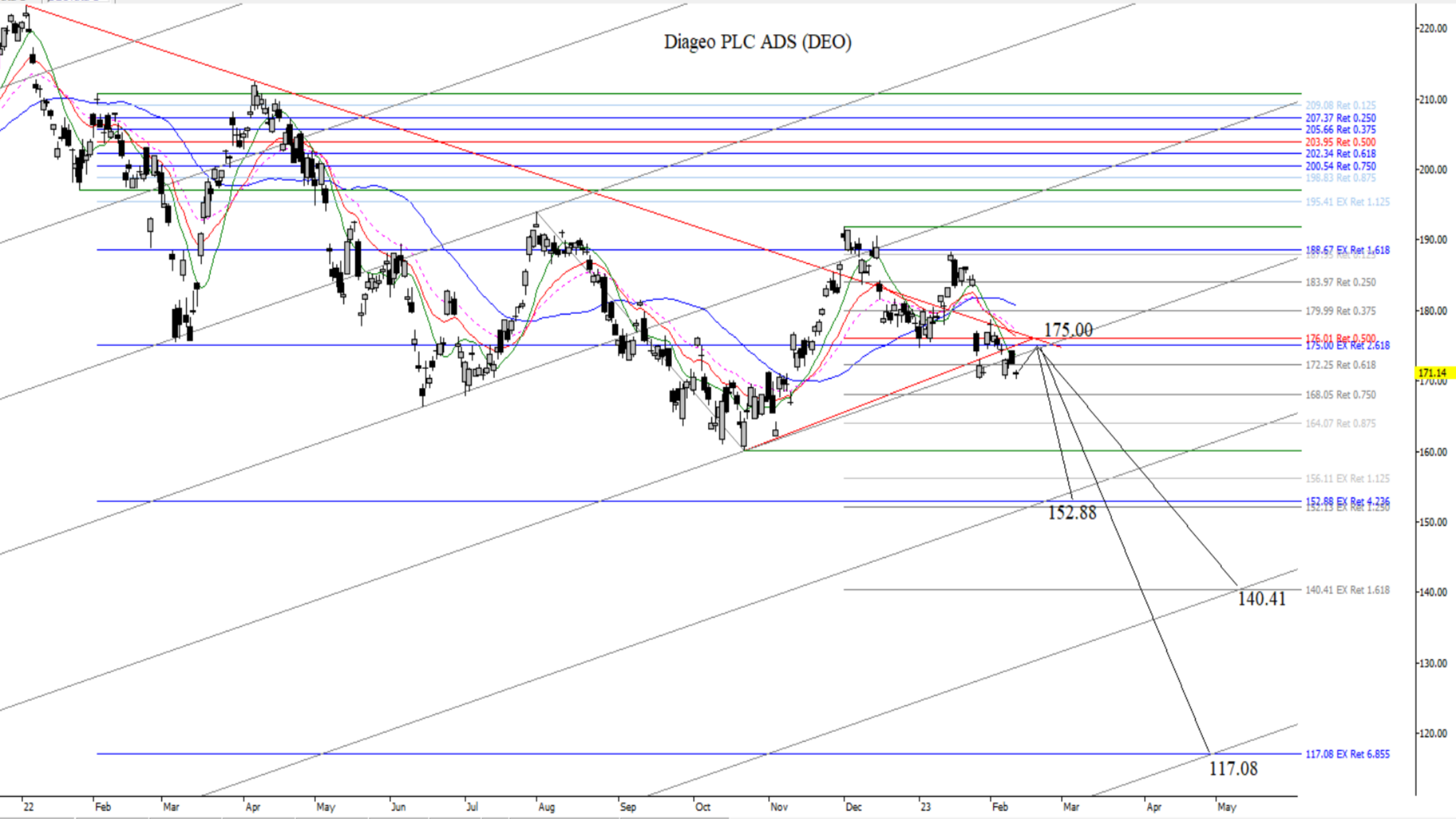


## SHORT candidate: Diageo PLC ADS (DEO)

- Industry Group: **Beverages Alcoholic**. The group currently ranks as the 180th industry group out of 197 and is up .08% YTD. The group gave its most recent sell signal on 12/07/22.
- **Diageo PLC ADS (DEO)** is a British based manufacturer of many brand-name alcoholic beverages, including Johnny Walker Scotch Whiskey, Guinness, Tanqueray Gin, Captain Morgan Rum, and Crown Royal.
- **Diageo PLC ADS (DEO)** started its downtrend at the top of the market in January 2022. Unfortunately, the Beverage Alcoholic industry group and the second largest cap stock in the group Diageo PLC have shown relative weakness in every bear market rally since the start of the downtrend.
- **Diageo's** most recent rally attempt took the stock just beyond the 50-day moving average and Fibonacci resistance at 188.67, where shares found institutional selling.
- **Diageo PLC ADS (DEO) will confirm a sell with a rally back to 175.00 and a 30-minute sell confirmation.**
- Wait for a text confirmation!
- Initiate SHORT position at 1-star(\*)
- Under institutional distribution with an Up/Down Volume ratio of 0.84.
- Diageo PLC ADS (DEO) closed at 171.14.
- Diageo PLC ADS (DEO) VWAP is at 156.80
- Target prices: 1st target is 152.88; 2<sup>nd</sup> target is 140.41; 3<sup>rd</sup> target is 117.08.
- Stop BUY price: Close above 176.01.



# Diageo PLC ADS (DEO)



Buy candidate: 2X Long VIX Futures (UVIX)

- **Portfolio: 2X Long VIX Futures (UVIX)** . This ETF corresponds to the move in 2X the VIX Futures Index and CBOE Volatility Index (VIX)

Be aware that the 2X Long VIX Futures (UVIX) ETF generates a K-1 for tax purposes.

• **2X Long VIX Futures (UVIX)** trade is designed to expand when the VIX Futures contract moves higher. The UVIX has a high correlation to the move in the CBOE Volatility Index (VIX), but it is not an exact 2 beta relationship.

• **2X Long VIX Futures (UVIX)** will Confirm a Buy after a pullback in the CBOE Volatility Index (VIX) to Fibonacci support at 20.35. The pullback is also a throwback into the downward sloping trendline from the October high. The throwback in the CBOE Volatility Index (VIX) should align with a pullback in the 2X Long VIX Futures (UVIX) at 19.55.

- *I intend to purchase the 2X Long VIX Futures (UVIX) at 19.55.*
- *I will send a text confirmation*
- *Start position at 2-star(\*\*).*

• *2X Long VIX Futures (UVIX) closed at 20.95. The CBOE Volatility Index (VIX) closed at 20.53*

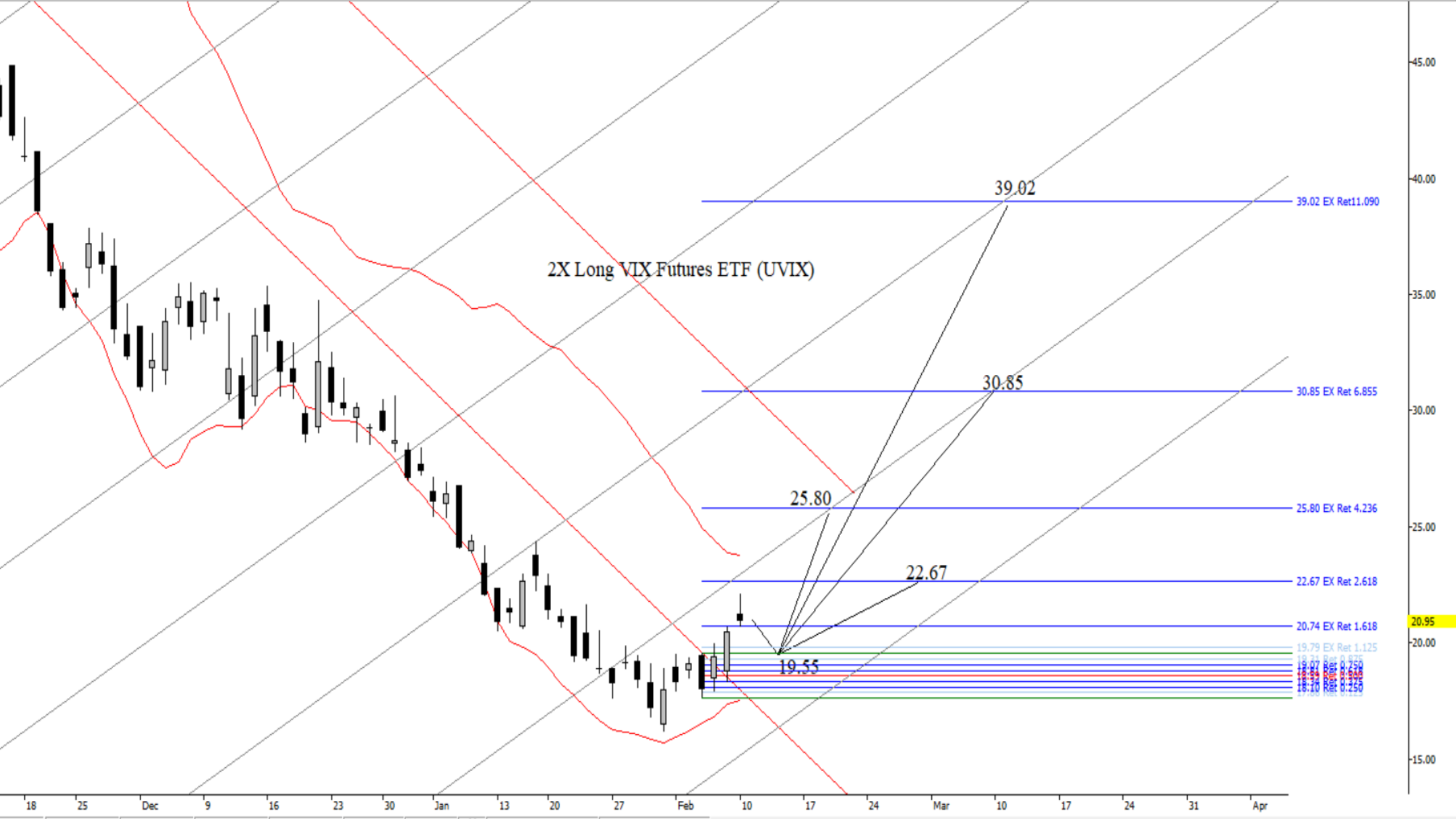
• *2X Long VIX Futures (UVIX) VWAP is at 49.56.*

• *Sell target price on the 2X Long VIX Futures (UVIX) : 1<sup>st</sup> target is 22.67; 2<sup>nd</sup> target is 25.80; 3<sup>rd</sup> target is 30.85; 4<sup>th</sup> target is 39.02.*

*Stop sell price: Close below 17.70 on the CBOE Volatility Index (VIX) .*

# 2X Long VIX Futures ETF (UVIX)







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