



Trading Floor Research



This Trading Floor Research report contains:

- S&P 500 (SPX). Update
- NASDAQ (QQQ) and ProShares UltraPro Short (SQQQ) Update
- Borr Drilling Limited (BORR)
- Mammoth Energy Services Inc. (TUSK)

S&P 500

The last week of the year showed a successful S&P 500 test of 3804.22 Fibonacci support. Since the index came down to this level, it has had only one daily close below in the past nine trading sessions. Holding the support at 3804.22 indicates that the S&P 500 still wants to rally before starting its next descent. My rally targets are 3908.43 and 3949.46 Fibonacci resistance.

The sell confirmation on the S&P 500 points to a shallow rally or a continued pause. Another distribution day was added this past week. The distribution count is six in the past 25 trading sessions, as the price confirmed a sell signal on December 15.

The Up/Down Volume Ratio is currently at .77 and serves as another indicator of the intense institutional selling and the greater probability of a continued downtrend. The prevailing trend is down until the market gives a new buy signal.

*As we start the new year, the only sectors in a buy signal are **Consumer Defensive, Healthcare, and Utilities**. They all point to an early contraction in the business cycle. Overlaying the business cycle model on sectors in a buy signal sheds light on where the economy is headed. The model overlay points toward recession. (Refer to the sector business cycle chart.)*

*I start every new year using **W.D. Gann's "January Effect" indicator**. It gives me a road map for the yearly market trend. In the 2022 year, W.D. Gann's "January Effect" indicator pointed to a down year and was a factor for my continued bearishness. This year, I will use the indicator for a yearly road map of the trend in the 11 sectors I follow. As we progress through January, I will keep you updated on what the indicator tells me for this year.*

To start the new year, I am looking for a continued pause and potential rally in the S&P 500 to Fibonacci targets between 3908.43 and 3949.46.

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

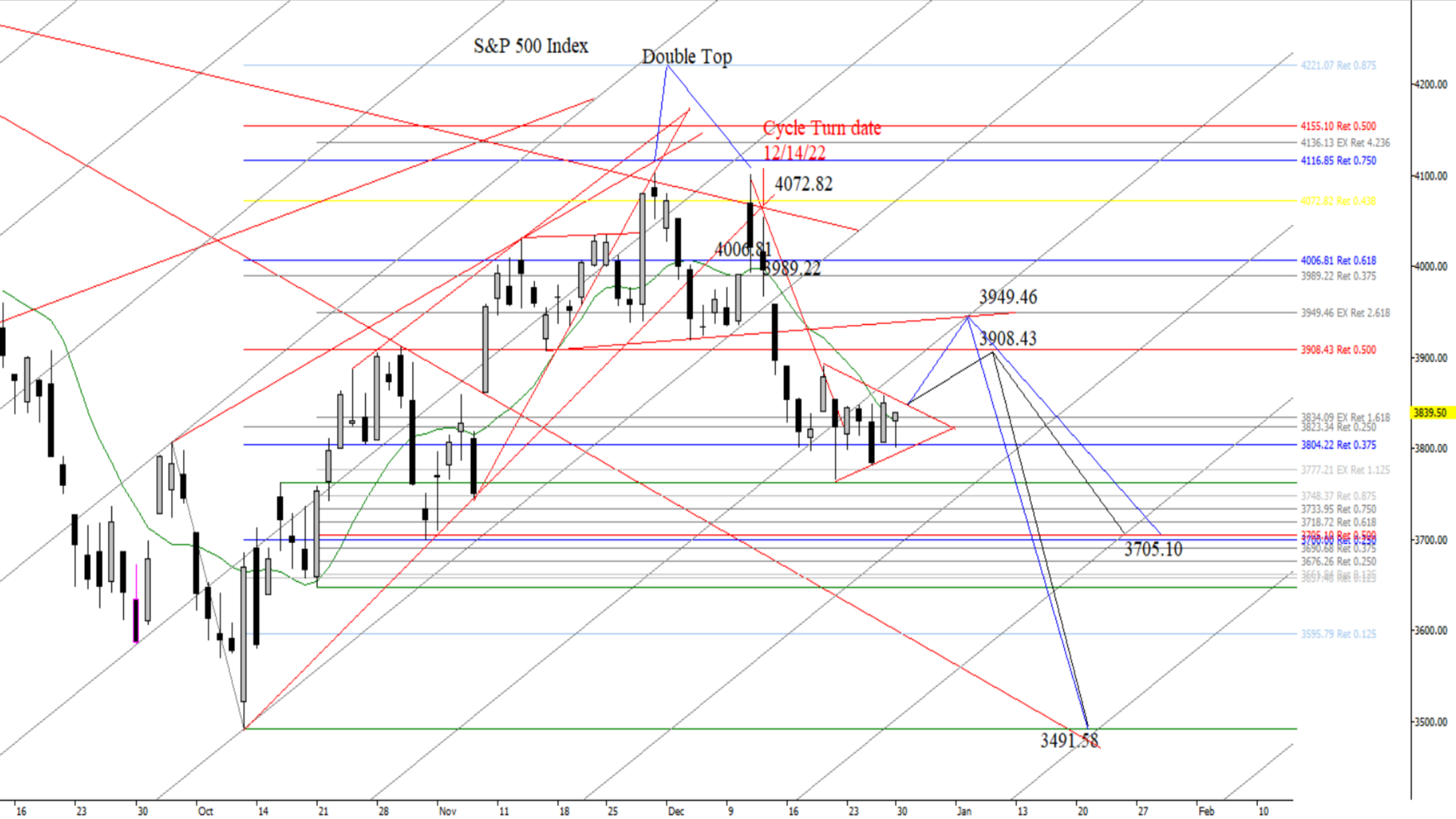
I recommend caution and 90% cash

S&P 500 Index

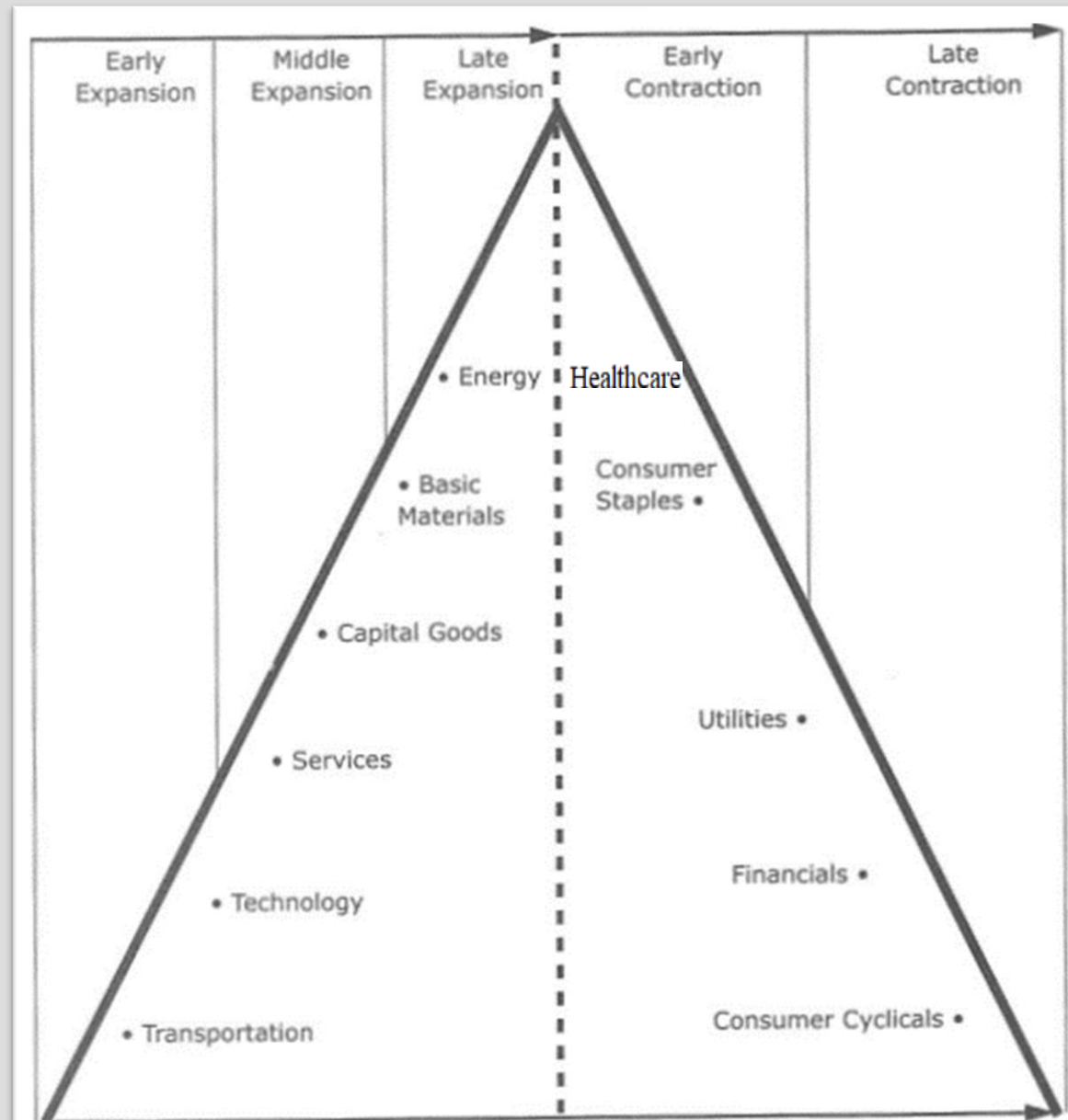
Double Top

Cycle Turn date

12/14/22



How Market Sectors Perform During the business Cycle.



NASDAQ (QQQ) and ProShares UltraPro Short (SQQQ)

Taking a little more time to initiate the trade

The ProShares UltraPro Short (SQQQ) rallied into the time cycle turn date on December 28, 2022. I was anticipating a low on the cycle date and an opportunity to buy the SQQQ position. A time cycle high means it will take a little more time to initiate the ProShares UltraPro Short (SQQQ) trade. I still need a pullback in the SQQQ and a rally in the NASDAQ QQQ.

Once the pullback in the SQQQ hits its Fibonacci target and throws back into the trendline between 48.85 and 48.34, I will purchase the ProShares UltraPro Short (SQQQ) shares. (Refer to ProShares UltraPro Short (SQQQ) write-up)

The NASDAQ completed the broadening formation or megaphone top two weeks ago.

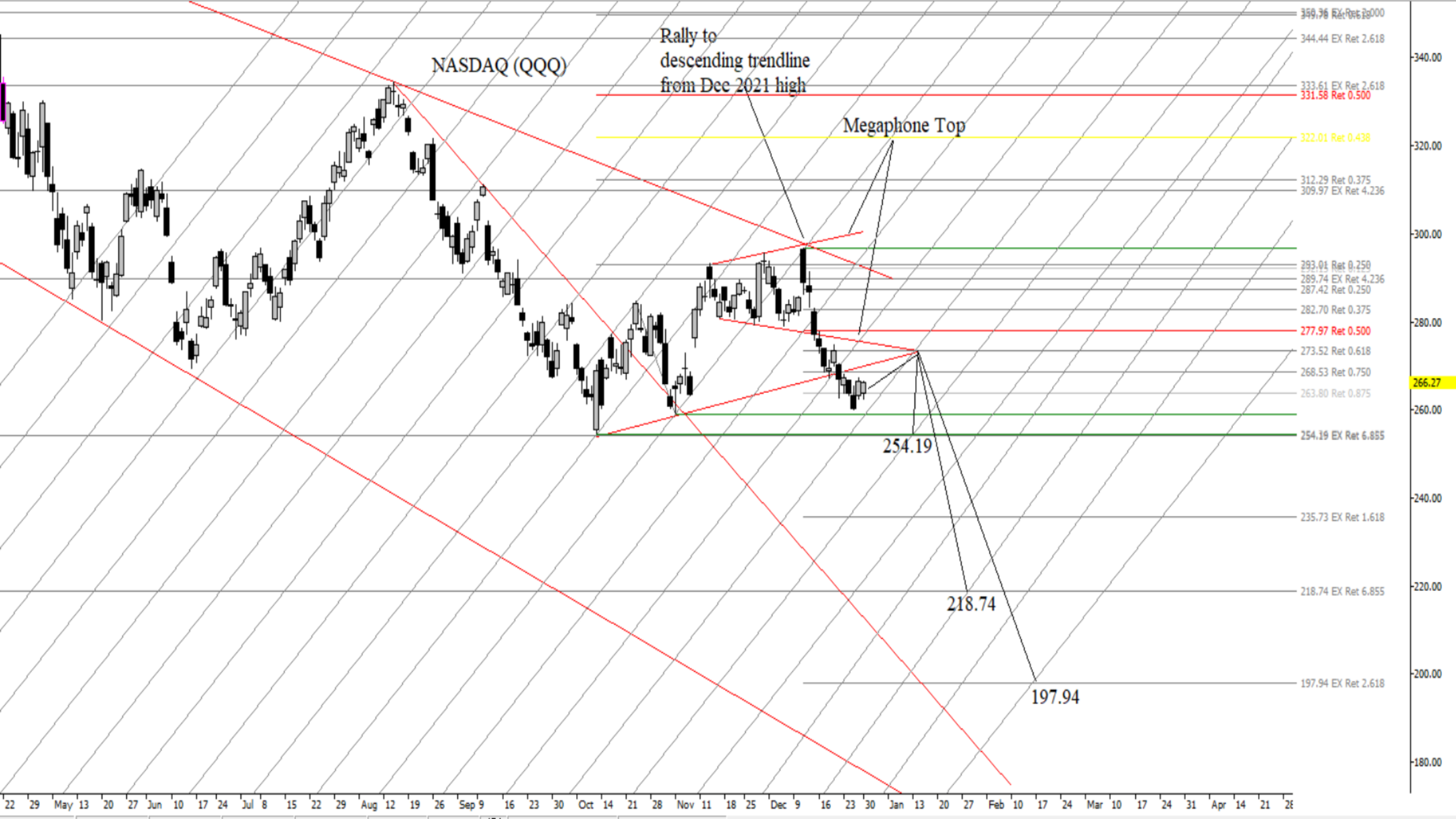
After drawing the last bull in the megaphone pattern, the NASDAQ sold off hard and closed below its ascending trendline from the October 13 low. Closing below the trendline increases the probability of further NASDAQ decline after a rally attempt.

The descending trendline of the megaphone pattern is slightly above Fibonacci resistance at 273.52 on the QQQs.

If the QQQs can **close** above the ascending trendline from the October lows and Fibonacci resistance at 268.53, it will rally into the descending trendline of the megaphone pattern. Any rally attempt past 268.53 should stop between the lower megaphone trendline and Fibonacci resistance in the 273.52 to 277.95 range.

I will take advantage of any rally between 273.52 and 277.95 and buy the ProShares UltraPro Short (SQQQ) for the next move lower in the NASDAQ.

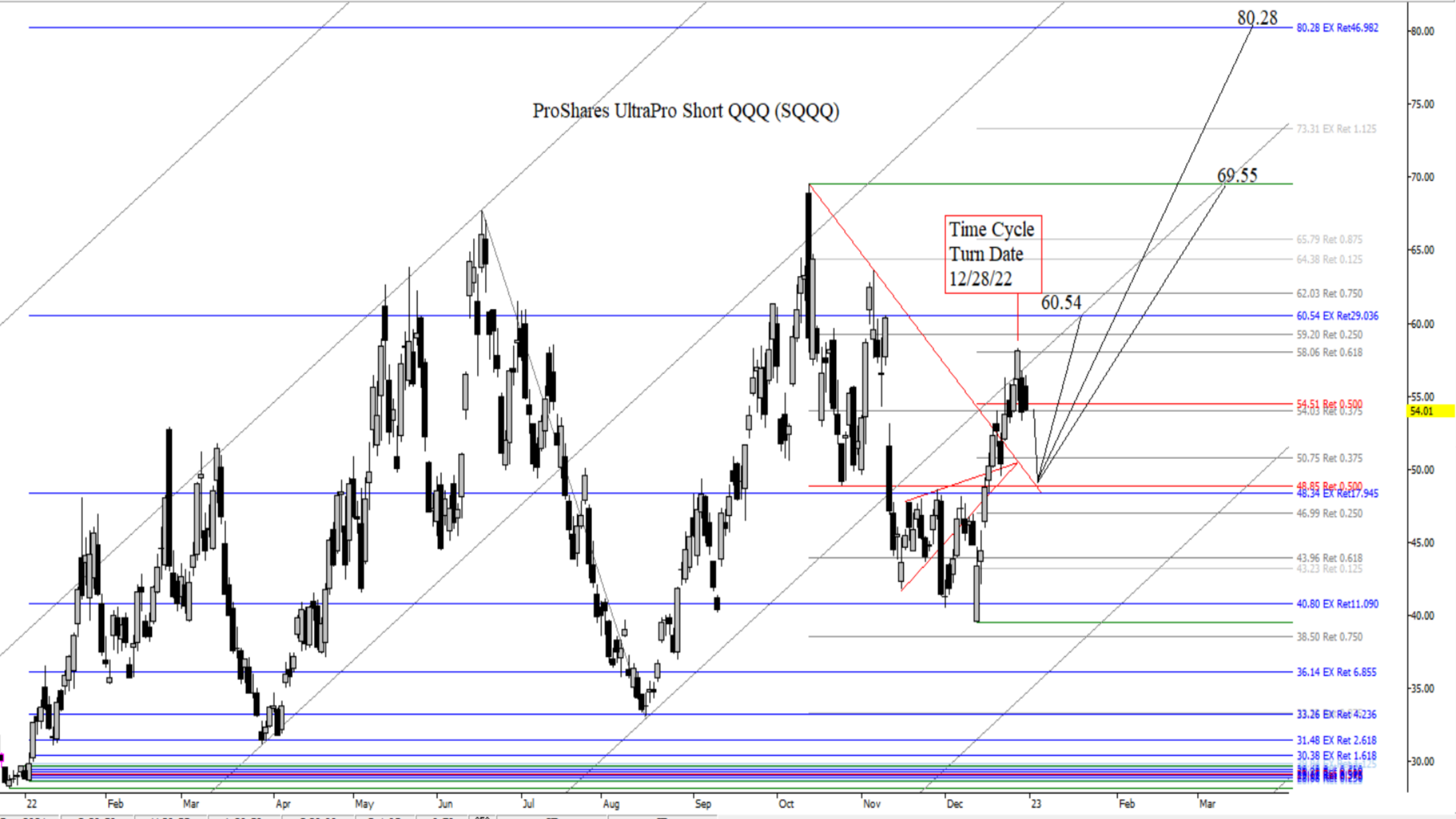
(Refer to NASDAQ QQQ chart)



Buy candidate: ProShares UltraPro Short 3X ETF (SQQQ)

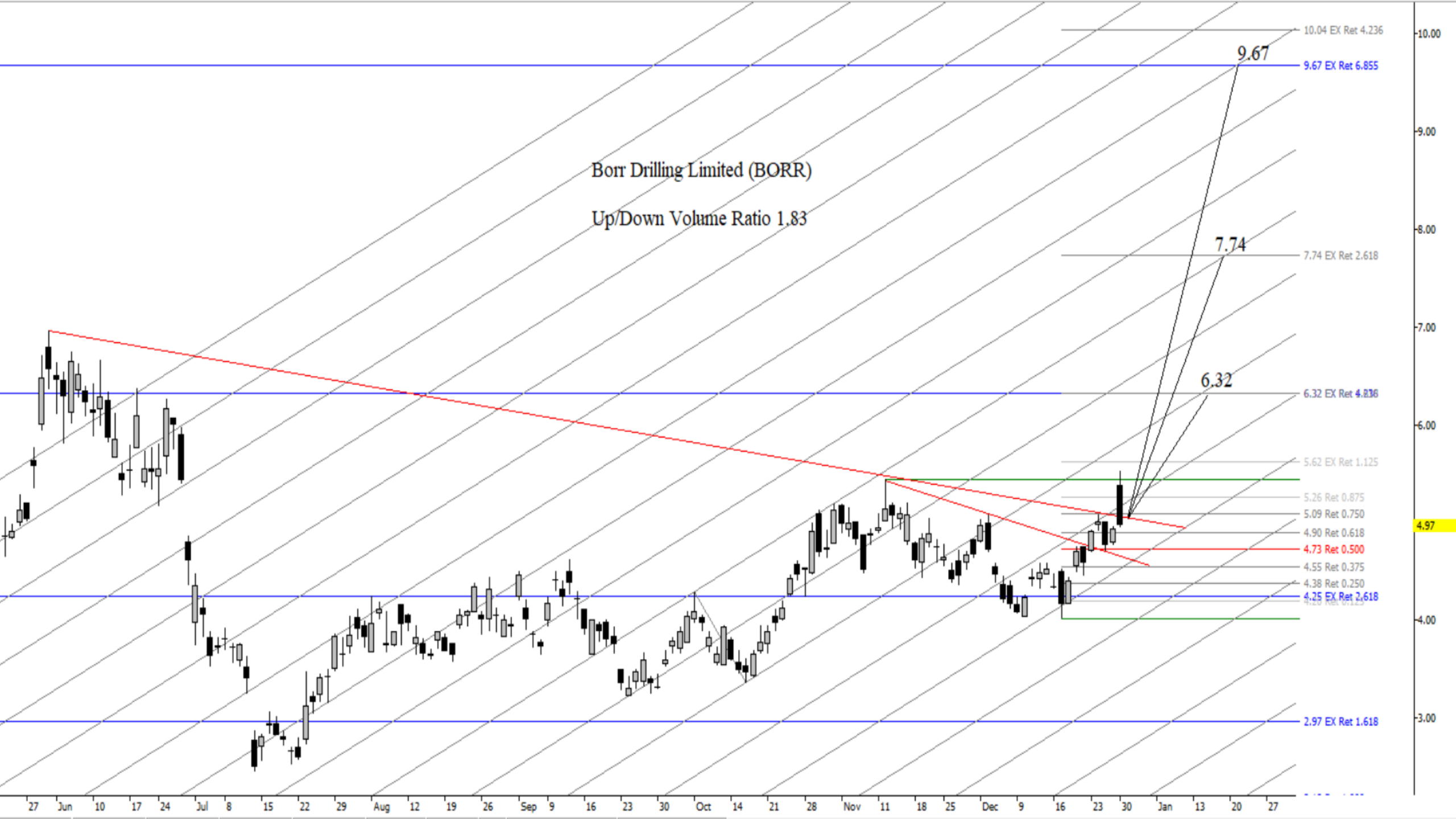
- **Portfolio: NASDAQ (QQQ).** The NASDAQ QQQs completed a megaphone top by closing below the trendline of the widening triangle. The pattern points to a market that could move considerably lower. I am using the ProShares UltraPro Short 3x ETF (SQQQ) to take advantage of the potential move. This ETF corresponds to the three times the inverse move in the NASDAQ QQQ.
- *ProShares UltraPro Short (SQQQ) rallied into the time cycle turn date on December 28, 2022. A time cycle high on the turn date indicates that the pullback in the SQQQ will continue this week. The pullback in the SQQQ means the QQQ's are set for a short-term rally.*
- *ProShares UltraPro Short (SQQQ) will Confirm with a pullback to the Fibonacci target and a throws back into the trendline between 48.85 and 48.34.*
- *Wait for text confirmation!*
- *Start position at 1-star(*).*
- *Accumulation is strong with an UP/Down Volume Ratio of 1.37*
- *ProShares UltraPro Short (SQQQ) closed at 53.50.*
- *ProShares UltraPro Short (SQQQ) VWAP is at 47.80.*
- *Sell target price: 1st target is 60.54; 2nd target is 69.55; 3rd target is 80.28*
- *Stop sell price: Close below 48.34.*

ProShares UltraPro Short QQQ (SQQQ)



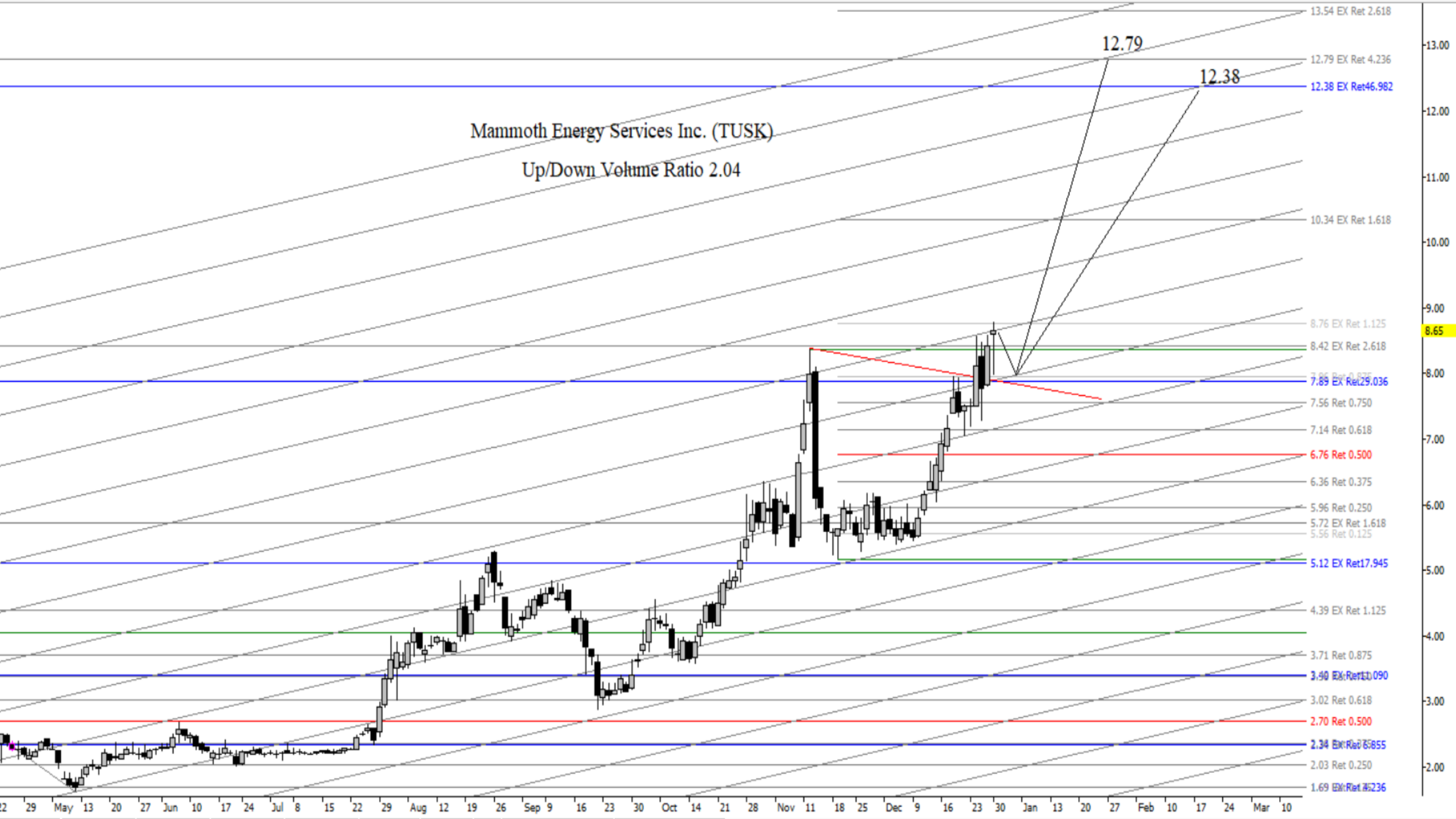
New buy candidate: Borr Drilling Limited (BORR)

- Industry Group: **Oil & Gas Drilling** . On November 13, 2022, newsletter, I advised that the Energy sector gave a sell signal but added, “Institutional accumulation indicates that energy will be an excellent place for new purchases after a well-needed rest.” The Energy sector has not given a buy signal, but the **Oil & Gas Field Services** and **Oil & Gas Drilling** industry groups are very close. I am watching a stock from each industry group in preparation for the industry group confirmation.
- **Borr Drilling Limited (BORR)** Borr Drilling Limited (BORR) is an offshore oil drilling service company based in Bermuda. On Friday, the stock gapped higher on news of a long-term contract from a Middle-East customer.
- **After Borr Drilling Limited (BORR) gapped higher on Friday’s opening, the stock threw back into the trendline of its base. BORR has been forming a cup-with-handle base since topping out in June. Breaking out of the handle on Friday indicates the stock is ready to move higher.**
- **Borr Drilling Limited (BORR) will confirm with a 30-minute buy on increased volume.**
- Initiate position with at 2-star(**).
- Under institutional accumulation with an Up/Down Volume ratio of 1.83 at 100-day highs.
- Borr Drilling Limited (BORR) closed at **4.97**.
- Borr Drilling Limited (BORR) VWAP is at 2.82
- Sell target prices: **Resistance at 5.44; 1st target is 6.32; 2nd target is 7.74; 3rd target is 9.67**
- Stop sell price: **Close** below **4.73**.



New buy candidate: Mammoth Energy Services Inc. (TUSK)

- Industry Group: **Oil & Gas Field Services**. On November 13, 2022, newsletter, I advised that the Energy sector gave a sell signal but added, “Institutional accumulation indicates that energy will be an excellent place for new purchases after a well-needed rest.” The Energy sector has not given a buy signal, but the **Oil & Gas Field Services** and **Oil & Gas Drilling** industry groups are very close. I am watching a stock from each industry group in preparation for the industry group confirmation.
- **Mammoth Energy Services Inc. (TUSK)** is a hydraulic Fracturing services company. Their services include pressurized pumping, trucking, water transfer, and directional drilling.
- **Mammoth Energy Services Inc. (TUSK)** broke out of a cup-with-handle base that started as the energy sector was topping in mid-November. Closing above Fibonacci resistance at 8.42 on above-average volume was very significant on Friday. Pulling back to Fibonacci support at 7.89 in the next few days would offer a good point to buy shares.
- **Mammoth Energy Services Inc. (TUSK) will confirm with a pullback to 7.89.**
- Initiate position with at 2-star(**).
- Under institutional accumulation with an Up/Down Volume ratio of 2.04.
- Mammoth Energy Services Inc. (TUSK) closed at **8.65**.
- Mammoth Energy Services Inc. (TUSK) VWAP is at 11.32
- Sell target prices: **VWAP at 11.32; 1st target is 12.38-12.79; 2nd target is 19.63-19.86**
- Stop sell price: **Close** below **6.76**.





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