



Trading

Floor Research

12/18/22



This Trading Floor Research report contains:

- S&P 500 (SPX). Update
- NASDAQ (QQQ) Update
- ProShares UltraPro Short 3X ETF (SQQQ)

S&P 500/VIX

Thursday, the S&P 500 closed below the critical Fibonacci support at 3908.43 and completed a double-top continuation pattern. I warned last week that breaking 3908.43 would send the market lower. The next leg of the downtrend has started, and closing below this necessary Fibonacci support has increased the probability of a more meaningful decline.

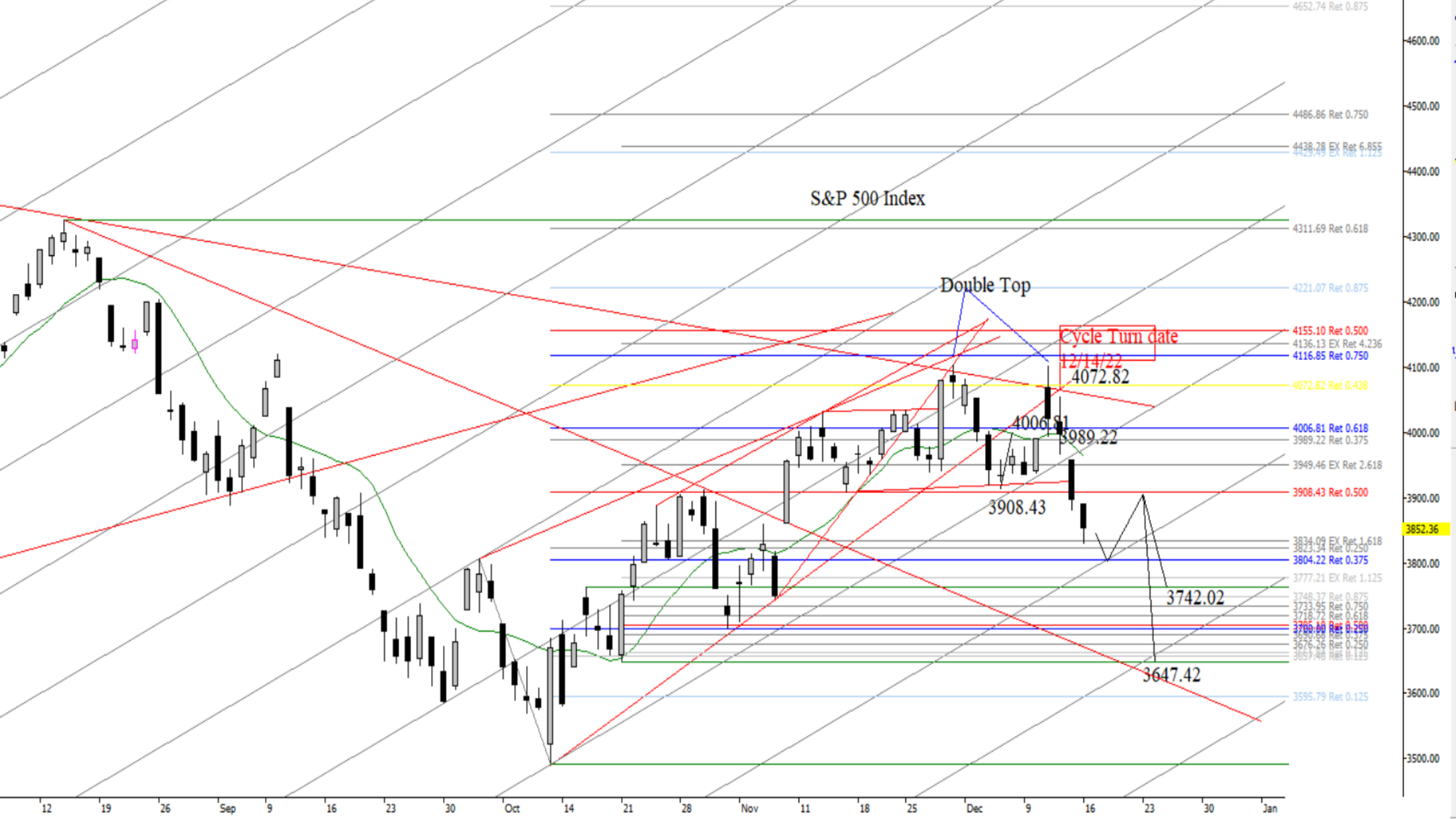
A swing rule of the double top points to 3712.12 as a short-term target. This is in line with the 3742.02 Fibonacci target I have pointed out as the next area of support from the long-term chart. Overshooting 3742.02 will send the index to the 3647.42 throwback of the descending trendline from the August high.

The market is short-term oversold, and the S&P 500 could find temporary support where Fibonacci support crosses the Andrew Pitchfork line at 3804.22. After a pause, the market should resume the downtrend.

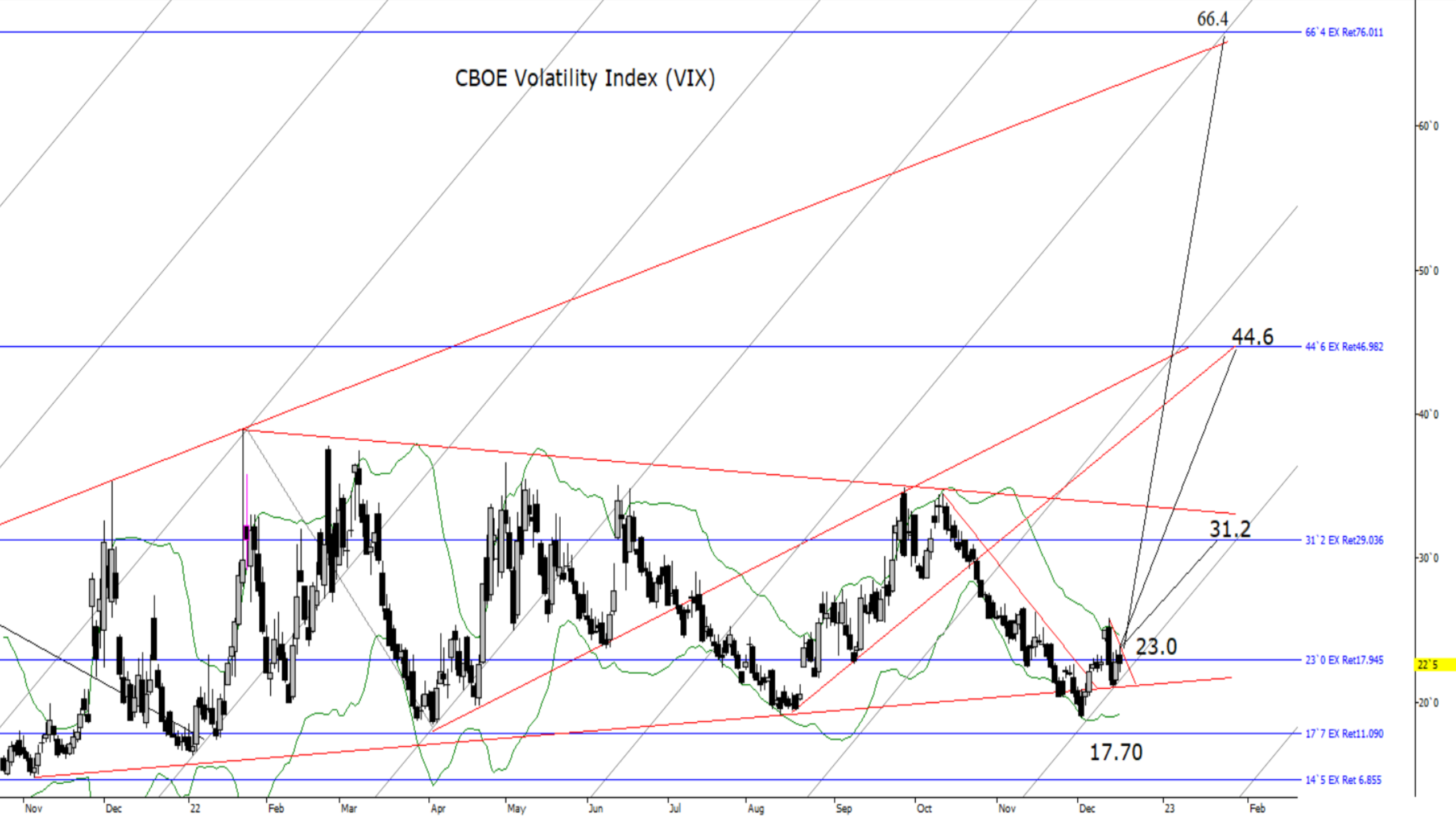
The most troubling aspect of this decline continues to be the lack of fear. The CBOE Volatility Index (VIX), or fear index, closed lower on Friday and below the critical Fibonacci resistance at 23.00. All year, every drop has been a buying opportunity for too many eager investors trying to pick up their favorite stock at lower prices.

Greed is still the dominant force in the market. Portfolio Managers and individual investors are adding risk when they should be de-risking their portfolios. Many market participants claim they are bearish yet sit with losses in their portfolios and do nothing about the danger.

The indexes will continue to move much lower until the market reaches a point where the VIX expands instead of contracts.



CBOE Volatility Index (VIX)



NASDAQ (QQQ)

The NASDAQ market came into focus this week with Friday's completion of a broadening formation or megaphone top. The megaphone pattern indicates an unusually emotional market that is out of control. A crazy market like this attracts a lot of investor participation and usually comes at major market tops.

The problem is that NASDAQ is far from the top. It is down -31.6% YTD and the broadening formation at this stage of the NASDAQ decline indicates much lower prices. (Refer to NASDAQ QQQ chart).

The broadening formation as a continuation pattern rather than a market top underlines investors' appetite for risk at current prices. The complete disregard for risk comes from the feeling that the market always returns rather than what the market is trying to tell them.

The year-long price compression in the CBOE Volatility Index (VIX) and megaphone pattern highlight investors' lack of fear and are very ominous signs for the markets. The indexes will continue to move much lower until the market reaches a point where the VIX expands instead of contracts.

The completion of the megaphone pattern came with a new sell signal in the technology sector on Friday. This is not a time to buy tech stocks or average down on existing positions. In my January and February 2022 newsletters, I wrote, "Tech is Dead!" That advice has not changed. I am highlighting the **ProShares UltraPro Short (SQQQ)** trade to take advantage of the potential move lower in the NASDAQ.

My cash position is at 95% and watching long positions very closely.
The bears are in control of the Russell 2000 and indicate "Risk-Off" in the markets.

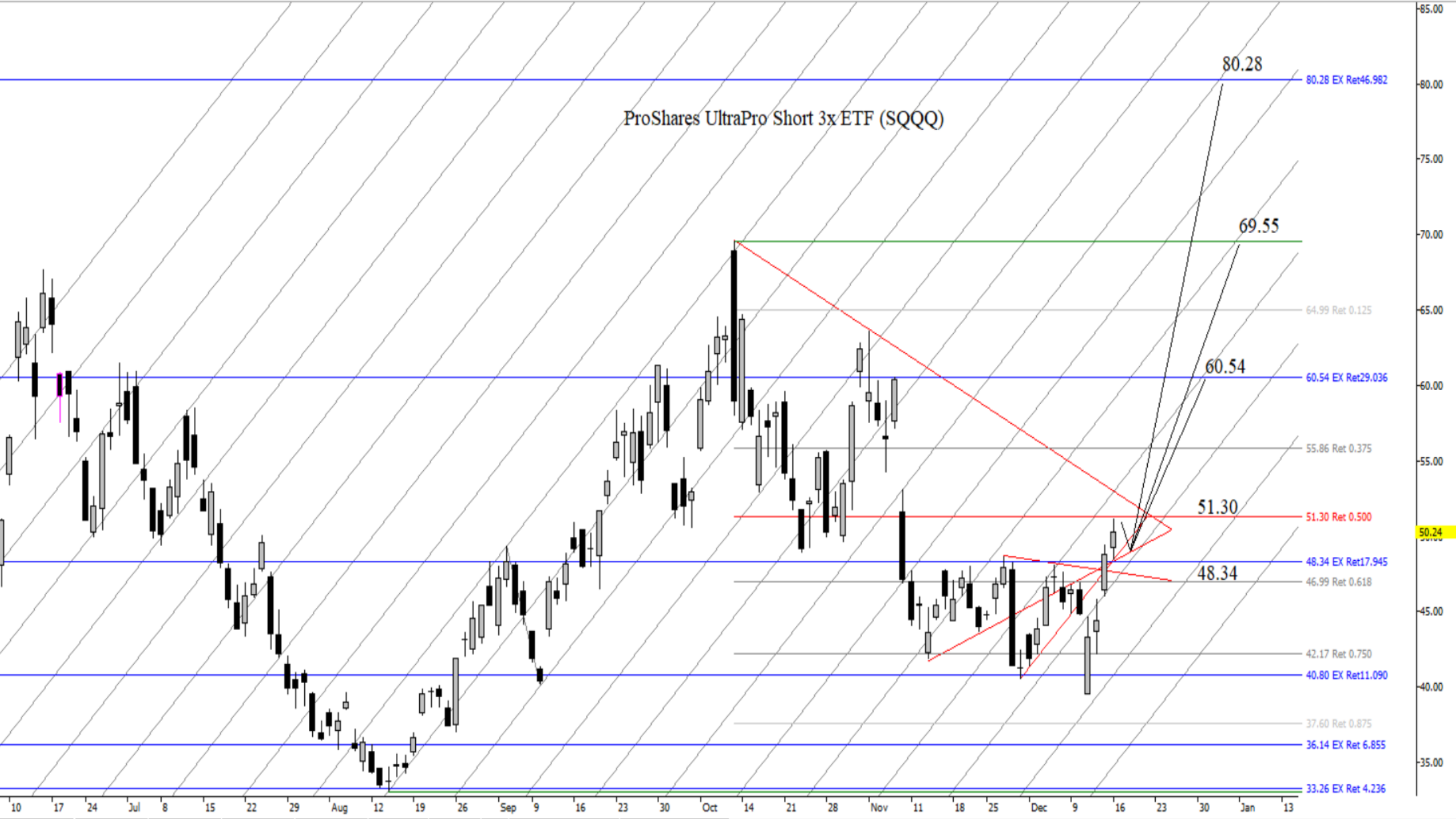
I recommend caution and 95% cash



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 on Friday. 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) closed at a 20-day high on Thursday and Friday on above-average volume. That was enough to trigger the buy signal, but SQQQ ran into the strong 50% Fibonacci resistance from the August low to the October high at 51.30. The ETF could throw back into a confluence of trendlines converging at Fibonacci support of 48.34 before going higher.*
- *ProShares UltraPro Short (SQQQ) will Confirm a Buy with a daily close above 51.30 and a break of the descending trendline from the October 13 high.*
- *Wait for text confirmation!*
- *Start position at 1-star(*).*
- *Accumulation is strong with an UP/Down Volume Ratio of 1.36*
- *ProShares UltraPro Short (SQQQ) closed at 50.24.*
- *ProShares UltraPro Short (SQQQ) VWAP is at 47.80.*
- *Sell target price: 1st target is 15.48; 2nd target is 69.55; 3rd target is 80.28*
- *Stop sell price: Close below 48.34.*

ProShares UltraPro Short 3x ETF (SQQQ)





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