

ENGINEERING THE MARKETS:

PRECISION, PATTERNS, & PROFITABILITY

Harnessing Economic Insight
and Technical Precision

December 9, 2024



POWERED BY:



by TERRY LONG

INTRO and BACKGROUND

Hey Traders!

Terry here with TradingAnalysis.com, Todd and I have been brainstorming about starting a new process for me to deliver some additional content to our clients beyond what Todd produces every week. Let me first give you a little background I started following Todd Gordon a couple of years before I retired from ExxonMobil.

After retirement, I engaged myself in all of his courses on Elliott Wave and Fibonacci and continued to hone and refine my skills.



As an engineer, I was searching for a method that could consistently and reliably model the dynamics of market analysis. Throughout my 34-year career at ExxonMobil, I had modeled complex chemical processes and in my role there as Chemical's Senior Economist, I developed and used advanced modeling programs to optimize the economics of one of ExxonMobil's largest petrochemical facilities. Perhaps it is this passion that led me to my retirement "hobby job" here at TradingAnalysis.

I've been an investor and student of the market for over 30 years, but the responsibility of my family and my career gave me limited time to do the "deep dive" needed to truly understand and deploy the Elliott Wave Theory. Once I saw Todd Gordon demonstrating Elliott Wave on the MotiveWave platform, I knew that I had finally found a tool that could accelerate my understanding of this fantastic market analysis mechanism. With MotiveWave, I found the platform that would reduce the time needed to not only create a wave count from scratch but one that made it simple and efficient to update and analyze alternatives without needing to redraw the whole chart by hand.



Honestly, I don't know how R.N. Elliott had the patience to do this manually. Worse, back then, all the data had to be manually charted as well. Like others, I likely would never have had the patience to explore the depths of price patterns as he did. I'm thankful for the years of effort he applied to develop this and also for those who followed, such as Bob Prechter, who not only kept this theory in practice but sought to further R.N. Elliott's research and advance this theory into modern-day application.

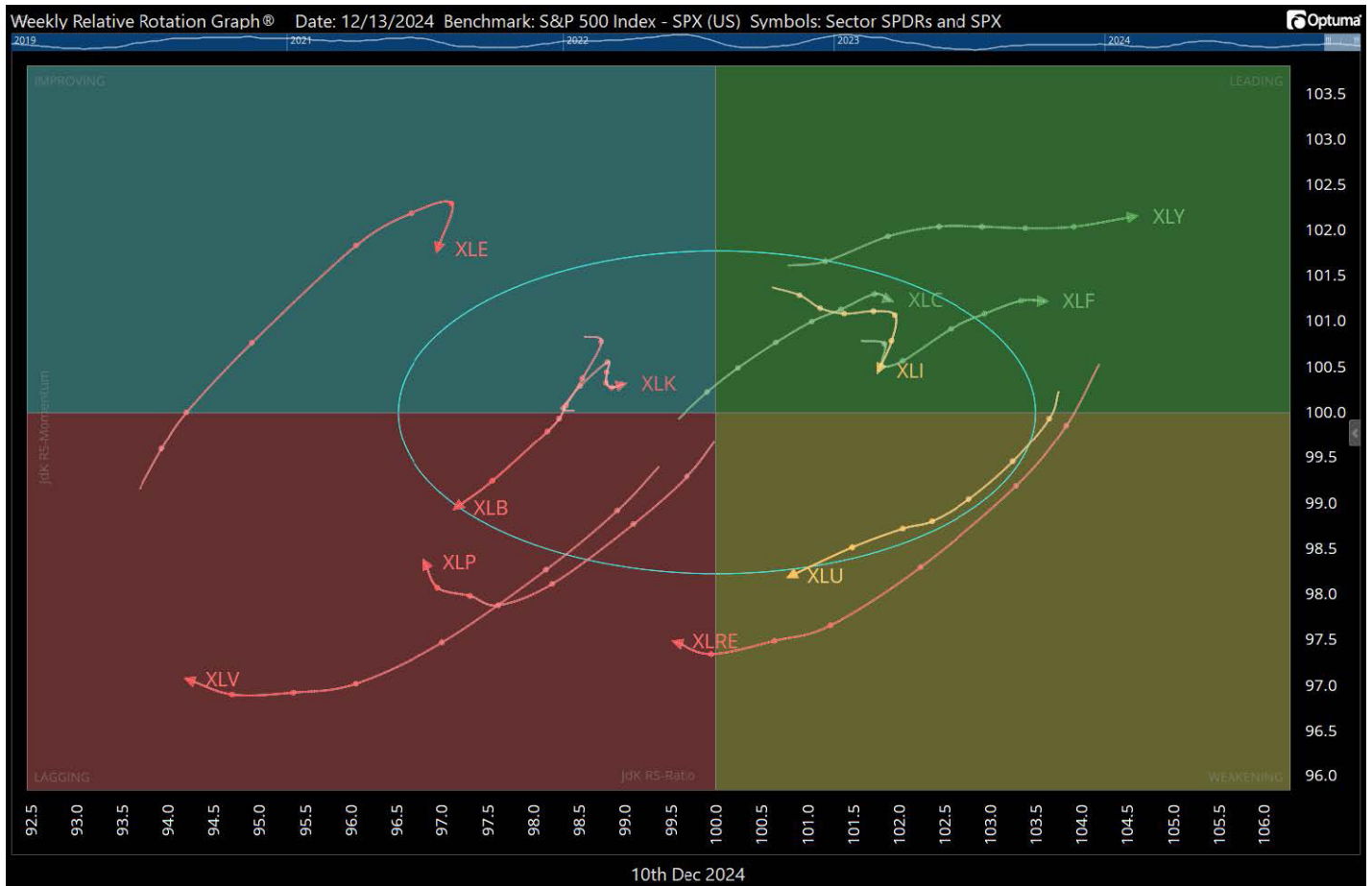
OK, enough with that. Just suffice it to say that I was sold on the practical application of Elliott Wave Theory, MotiveWave gave me the platform to make learning easier, and Todd Gordon taught me the intricacies of market analysis to a point where I now work alongside to provide Todd Gordon our clients with a quality technical analysis of trending markets.

With that introduction out of the way, let's get down to business with some chart analysis. Throughout this program, I will endeavor to present you with a selection of stocks each week as I perform my own independent analysis and research. This may or may not include stocks that Todd has previously identified. Indeed, the selection will flow based on what I am seeing for intermediate-term trading opportunities. I'll mostly leave the fundamental and investing time horizon to Todd but I'll also avoid the extreme short day-trading scenario. My focus deliverable will continue to be in the Swing Trading time frame where trades will last a few weeks to a few months.

Sector rotation is one of my key techniques for tracking momentum opportunities, so you'll see me using it for many of my stock selections. For Sector Rotation, I'll be utilizing the Optuma Platform, applying techniques developed by Julius deKempnaer aptly named Relative Rotation Graphs. You've heard the saying, "a picture is worth a thousand words". This graphical representation of dynamic price action unlocked a missing piece of the puzzle for me when it came to identifying market trends rapidly enough to be able to participate in that trend.

I have other methods I periodically use to screen and scan stocks and I'll be sharing those concepts and ideas with you as this idea develops further. So, here we go

Weekly RRG Chart



For the week of December 9, 2024 this Weekly Relative Rotation Graph shows the eleven sectors that comprise the S&P 500. Along the X-axis is plotted the Relative Strength of the Sector benchmarked to the SPX. The Y-axis plots the Relative Momentum of the Sector vs this benchmark. Combined, these indicators are plotted in time, with the vector showing you here in this case, the past 7 week’s worth of these indicators.

Connecting the dots, we now have a visualization of path of movement for each of these sectors relative to the benchmark SPX. It is this path that gives us context to where we can find market outperformance and where to avoid market underperformance. When we see stocks gaining Relative Strength and Momentum this means the price action of the underlying instrument is rising and outperforming the respective benchmark. When we see instruments with declining Relative Strength and Relative Momentum, the underlying instrument is fading and underperforming the respective benchmark.

In the top right-hand quadrant of the chart, we have what we refer to as the “Leading Quadrant”, where outperformance is currently underway. In today’s chart, we see the Consumer Discretionary, Finance, Communications, and Industrial sectors inside this “Leading Quadrant”. Taking a closer look, we see that the Industrial sector’s heading has made a significant turn in the past two weeks and is now seeing a decline in Relative Momentum with a slight loss in Relative Strength. This pattern suggests the Sector is seeing a price consolidation move. More on that later.

Down in the Lower Right Quadrant, we call this the “Weakening Quadrant”, where Relative Momentum is now below that of the benchmark and where Relative Strength is seen fading over time. Here, the Utilities Sector has been fading for more than 7 weeks and the Real Estate Sector also had been fading where it now has entered the lower left quadrant known as the “Lagging Quadrant”.

The XLRE joins the XLB, XLP, and XLV sectors there in the Lagging Quadrant, all of these sectors are presently underperforming the benchmark SPX.

The top left quadrant is known as the “Improving Quadrant”. Here, past Lagging instruments have seen a return to rising Relative Momentum and some rising Relative Strength. This improving condition is an indication of potential future outperformance, though at this simplistic level, no guarantee is made that the rotation will continue over into the Leading Quadrant. Look at the XLE vector and you’ll see six strong weeks of increasing Relative Momentum and Relative Strength but a rapid reversal to the downside on Relative Momentum indicates that this sector is not yet ready to return to the Leading Quadrant and that another price consolidation within the Sector may be underway.

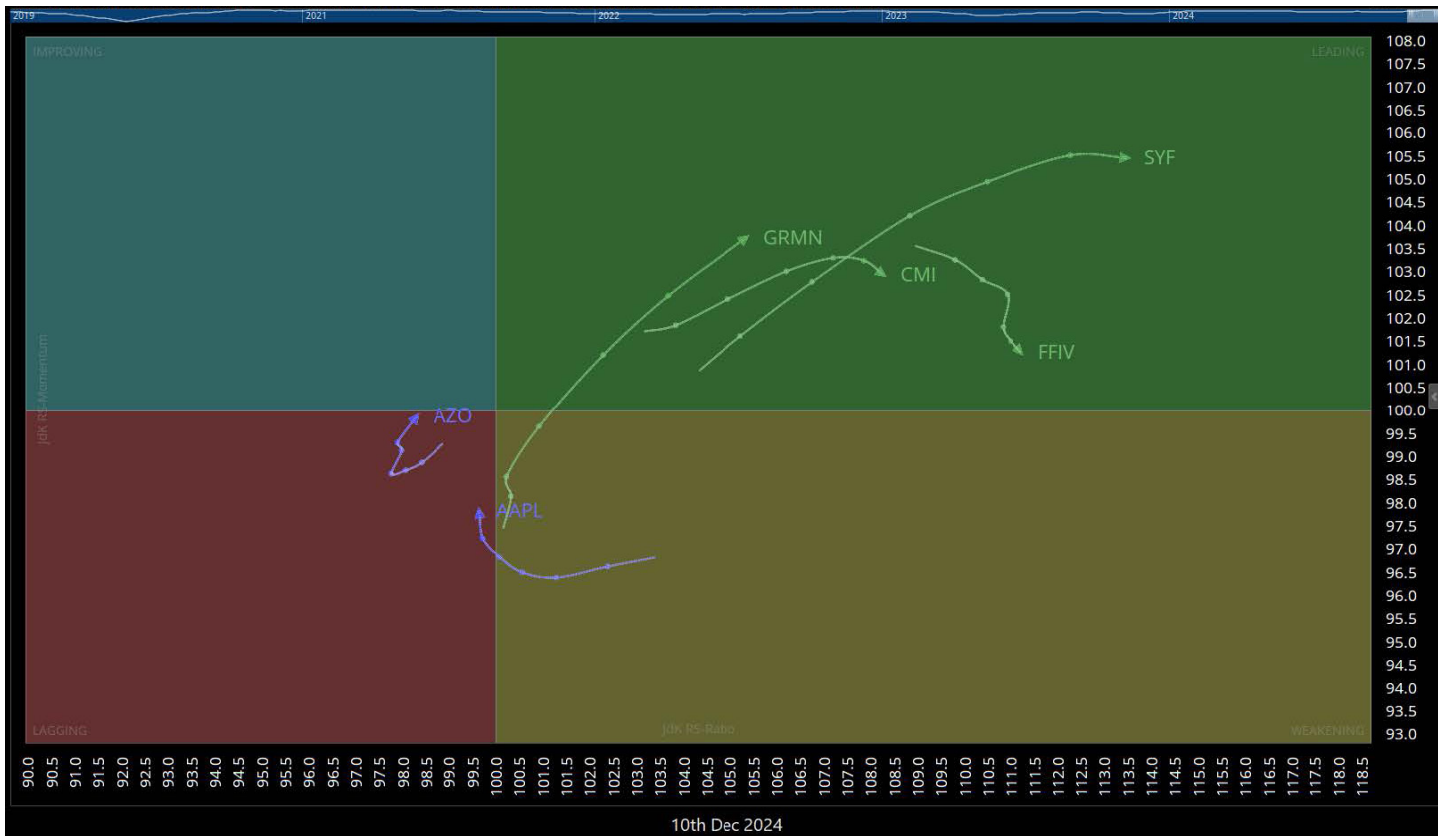
The Technology sector is also currently inside the Improving Quadrant. Technology, as we know, has been underperforming the benchmark SPX for quite some time and has been reluctant to show any true significant market outperformance. The latest heading on the XLK is showing a narrow gain in Relative Strength, which provides some hope that we could see a return to a Tech-dominated market movement into early next year. A deeper analysis of stocks that

SCREEN of the WEEK

Let’s start with a screen that looks at stocks setting new ATHs from the S&P 500.

Daily - New ATHs - 52 Week Layout										
Name	Code	ATH	Last	52 Wk High	%Chg	RS Ratio	RSI Value	Close > 52 Wk Hi	Mkt Cap, \$M	
Summary		CNT: 6			AVG: 0.62%				AVG: 653,716	
XLF		CNT: 1			AVG: 0.01%				AVG: 26,448	
<input type="checkbox"/>	Synchrony Financial	SYF	\$ 69.39	\$ 67.93	\$ 67.92	0.01%	113.5	71.0		26,448
XLI		CNT: 1			AVG: 1.01%				AVG: 52,598	
<input type="checkbox"/>	Cummins Inc	CMI	\$ 387.90	\$ 383.42	\$ 379.60	1.01%	108.2	72.9		52,598
XLK		CNT: 2			AVG: 0.96%				AVG: 1,872,471	
<input type="checkbox"/>	F5 Inc	FFIV	\$ 260.01	\$ 257.92	\$ 257.14	0.30%	111.2	74.5		15,118
<input type="checkbox"/>	Apple Inc	AAPL	\$ 247.24	\$ 246.75	\$ 243.04	1.61%	99.6	76.9		3,729,824
XLY		CNT: 2			AVG: 0.39%				AVG: 49,153	
<input type="checkbox"/>	Garmin Ltd	GRMN	\$ 220.50	\$ 219.33	\$ 218.58	0.34%	105.3	73.3		42,117
<input type="checkbox"/>	Autozone Inc.	AZO	\$3,345.28	\$3,324.01	\$ 3,309.44	0.44%	98.3	68.6		56,190

As of the close on Monday Dec 9th, this screen found six stocks from the S&P500 breaking to new ATHs. Four Sectors are represented here. Let’s look at a [Weekly RRG from this group](#):



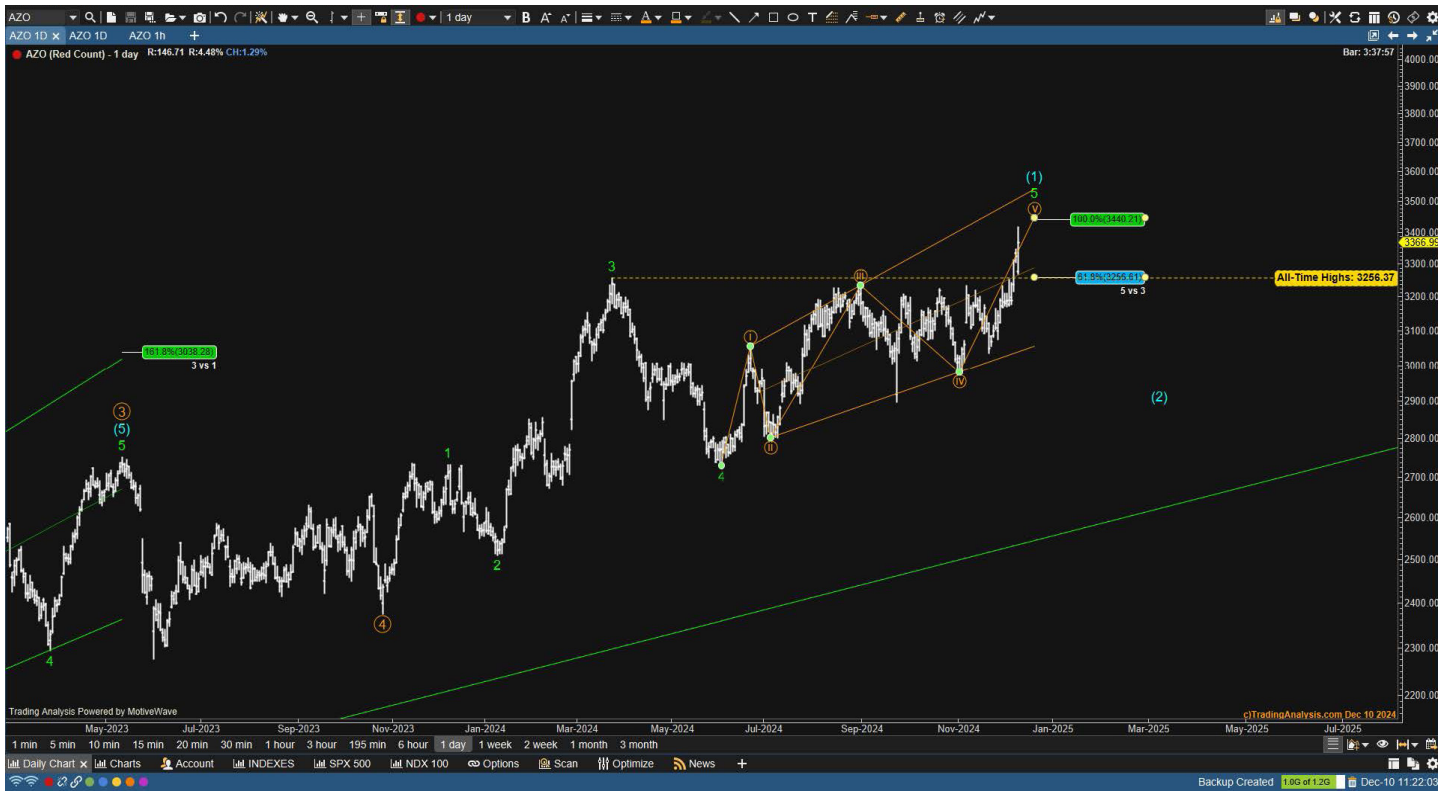
This is a weekly rotation graph of the six stocks setting new all-time highs yesterday we have in this list Synchrony Financial, F5 Inc, Cummins, Garmin, AutoZone, and Apple. Four of the six clearly have been demonstrating outperformance to the Benchmark while Apple and AutoZone have been recently underperforming the S&P. Looking at the vectors, I like what I'm seeing on AAPL and AZO with the "hook-reversal" pattern coming from down in the Lagging Quadrant that has identified a new pattern of rising Relative Strength in both of these stocks suggesting that these stocks are likely to resume a period of outperformance relative to the benchmark SPX

Let's flip over to MotiveWave and look at the wave counts on these. [Starting with AAPL](#)



You can now clearly see the new uptrend in place, breaking above the prior July 2024 ATHs. Our bullish count suggests that AAPL should continue to move higher towards the first target 3v1 100% at \$266.22

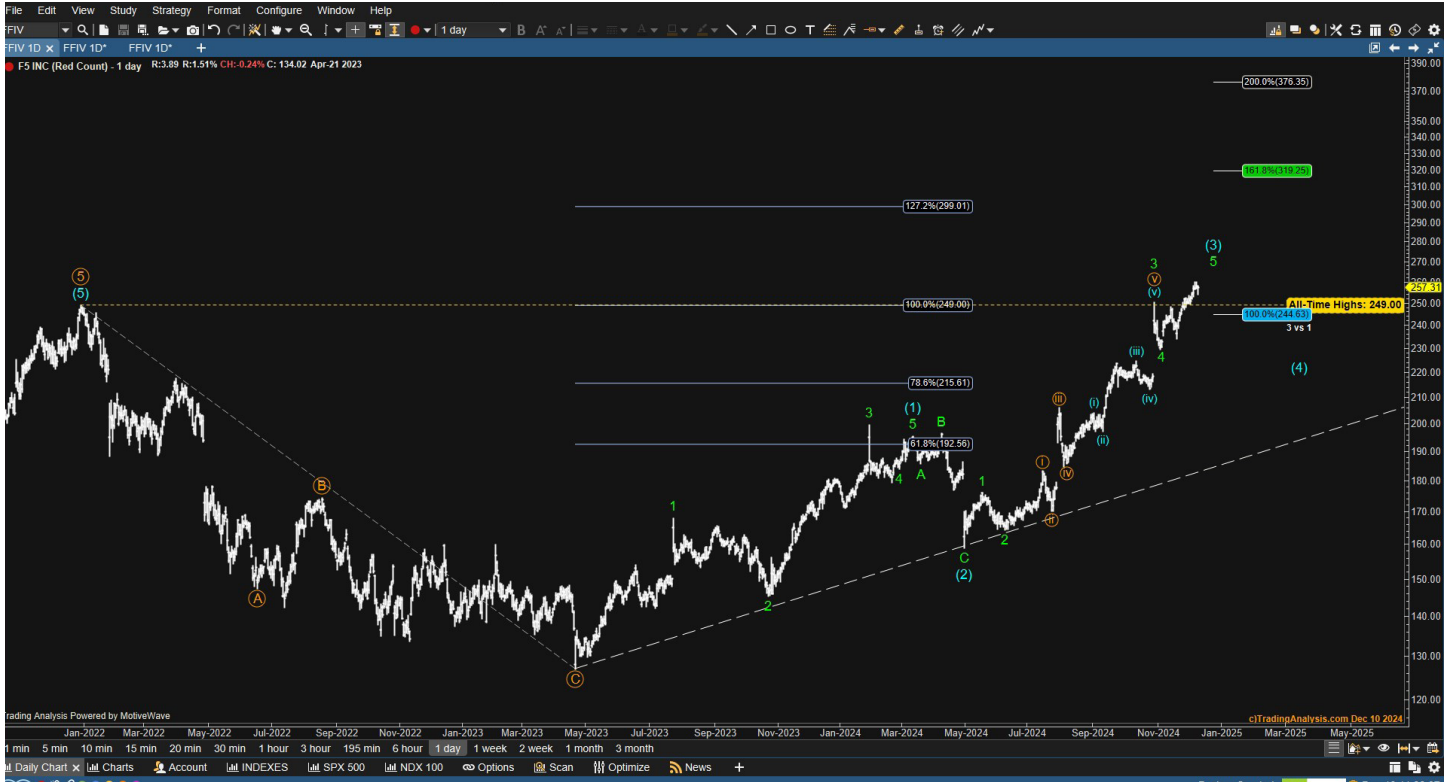
[Our Chart of AZO](#) suggests a more hesitant uptrend and possibly a bit of correction to unfold before advancing further.



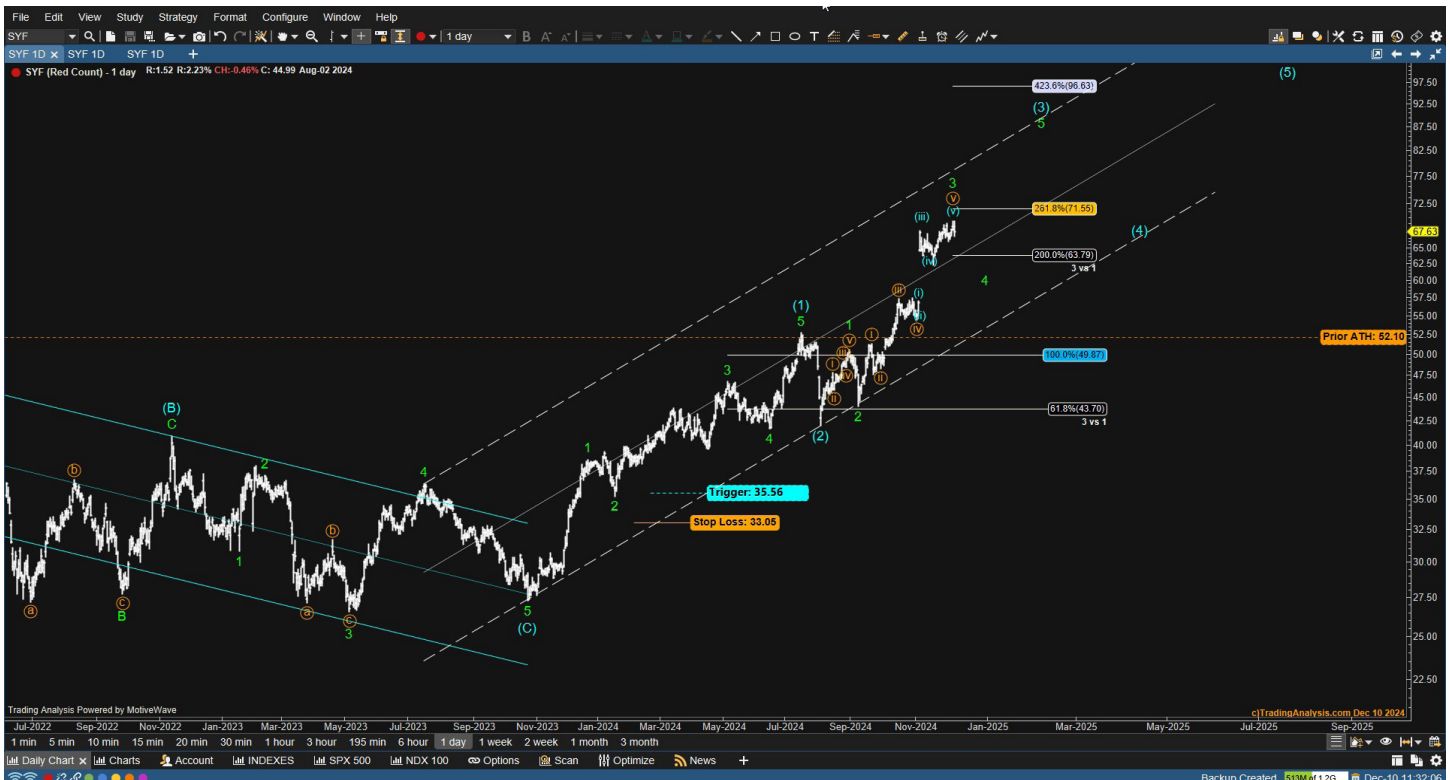
As you can see here on the chart of [GRMN](#), it has been moving steadily higher since a year ago November and could continue higher into next year. Recent price action shows the breakout to new ATHs came with a strong gap move higher on Oct 30, 2024 .



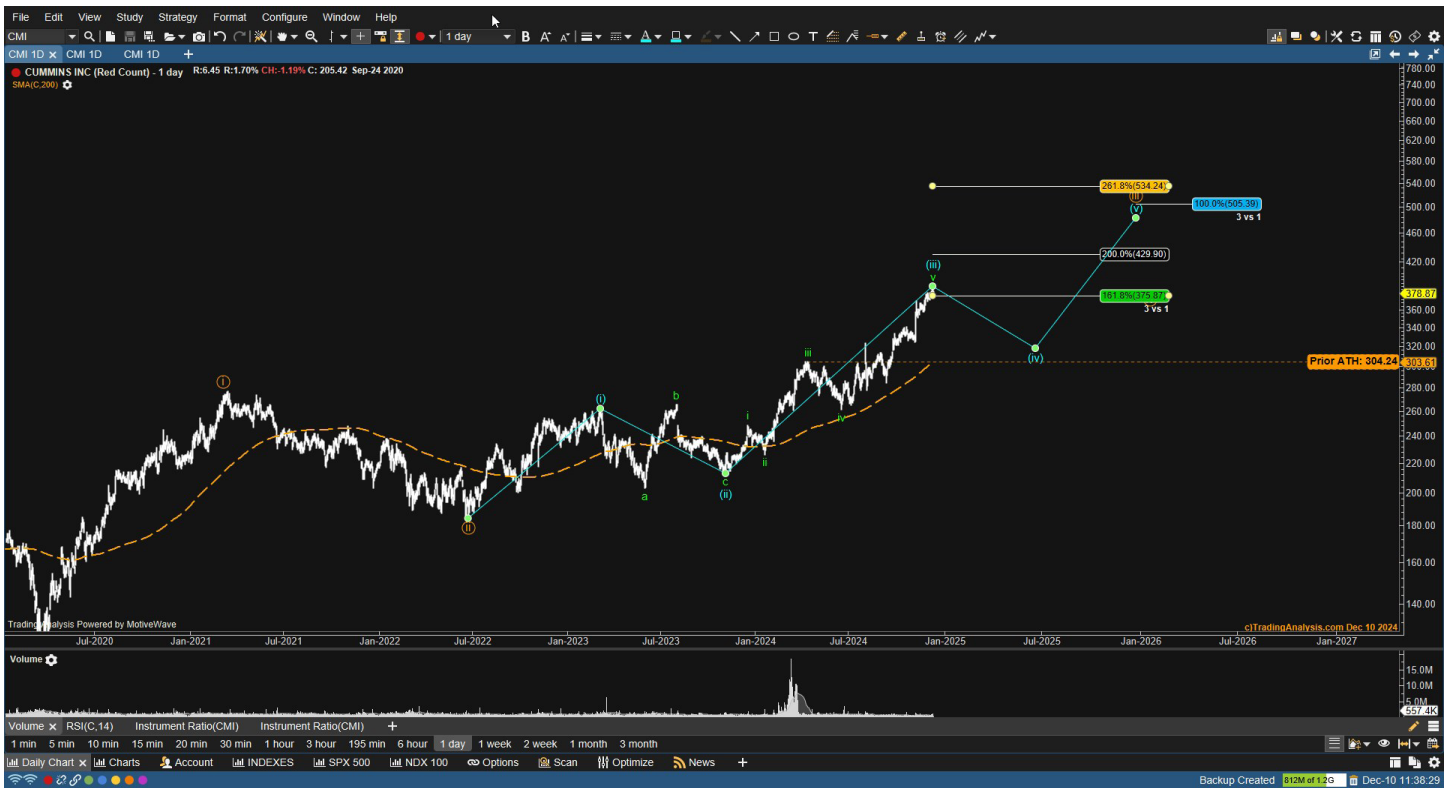
FFIV has also been a strong outperformer, though it recently broke to new ATHs, the EW pattern suggests a period of consolidation may soon unfold before a resumption of the uptrend here



Synchrony Financial broke to new ATHs back in October. The current pattern says the uptrend continues but near-term 3,4,3,4 choppy price action could be upcoming.



[Cummins CMI](#) broke out to new ATHs late September 2024 and has continued to show a rising trend. Room for more upside exists but the current wave count shows price reached the 161.8% of minuette (iii) v (i) from where consolidation is



That's all I have for you this week. I'm looking forward to bringing you more quality technical analysis each week as we move into the new 2025 trading year.

Cheers, and happy trading!

Terry Long
Director of Research, [TradingAnalysis.com](#)

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