



The StockCharts.com Market Message

Featuring our commentators, John Murphy and Arthur Hill

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MAJOR STOCK INDEXES NEAR RECORD HIGHS -- NYSE COMPOSITE INDEX NEARS UPSIDE BREAKOUT -- SMALL CAPS TURN HIGHER -- CONSUMER DISCRETIONARY AND INDUSTRIAL ETFS ACHIEVE BULLISH BREAKOUTS -- INTEL AND SEMICONDUCTRS LEAD NASDAQ HIGHER

By John Murphy

MAJOR STOCK INDEXES NEAR NEW RECORDS... A strong job report on Friday helped push stocks close to record highs. Chart 1 shows the **Dow Jones Industrial Average** jumping 250 points (1.4%) on Friday to reach a two-month high. A test of its April high is imminent. The **S&P 500** looks even stronger. The daily bars in Chart 2 show the SPX rising above its June/October highs to end at the highest level since last July. That leaves the SPX just points away from a new record. My Thursday message featured the **NYSE Composite Index** nearing an upside breakout from a bottoming pattern. Chart 3 shows the NYSE climbing 1.5% on Friday to end just shy of its "neckline" drawn over eight month highs. I continue to believe that an upside breakout is likely. Market breadth was also positive on Friday with big board advances leading declines by a 7 to 1 margin. That was enough to push advance-decline lines to new records. Higher prices usually follow. One of the factors holding back the NYSE Index is that it includes more smaller stocks. That may start working in its favor.



Chart 1



Chart 2

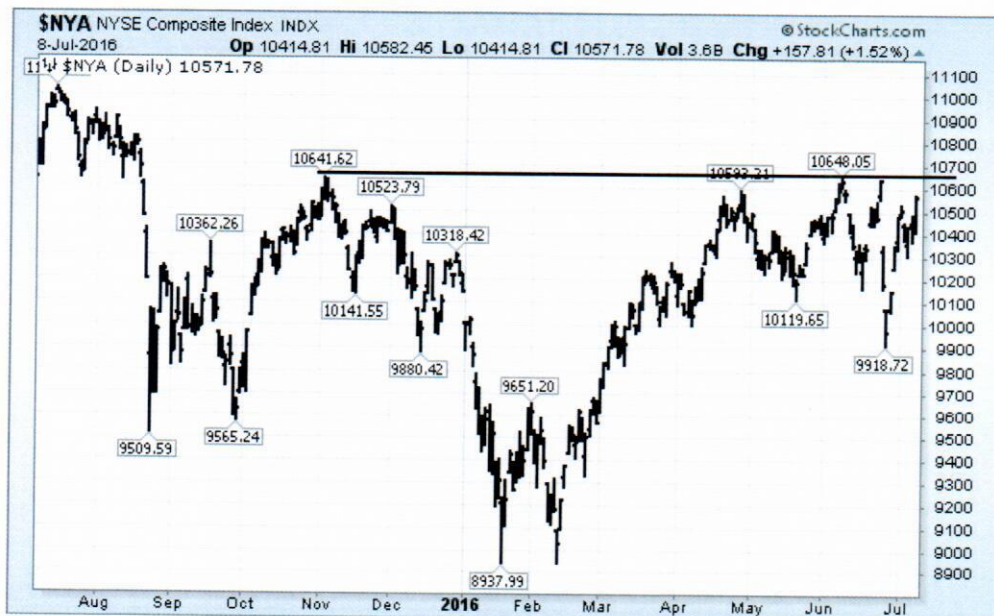


Chart 3

SMALL STOCKS ARE ALSO TURNING UP... Another good sign for the market is stronger action in small cap stocks. Chart 4 shows the **Russell 2000 Small Cap Index (\$RUT)** jumping 2.4% on Friday to end just shy of a new 2016 high. During May the RUT rose decisively above a falling trendline extending back to last summer. It bounced off that new support line during June before turning higher this month. The **S&P 600 Small Cap Index (\$SML)** in Chart 5 looks even stronger. That chart shows the \$SML having already exceeded its November high and close to a new 52-week high. That's very encouraging for smaller stocks (and the market) because the \$SML has a history of leading the Russell 2000 Index higher during uptrends.

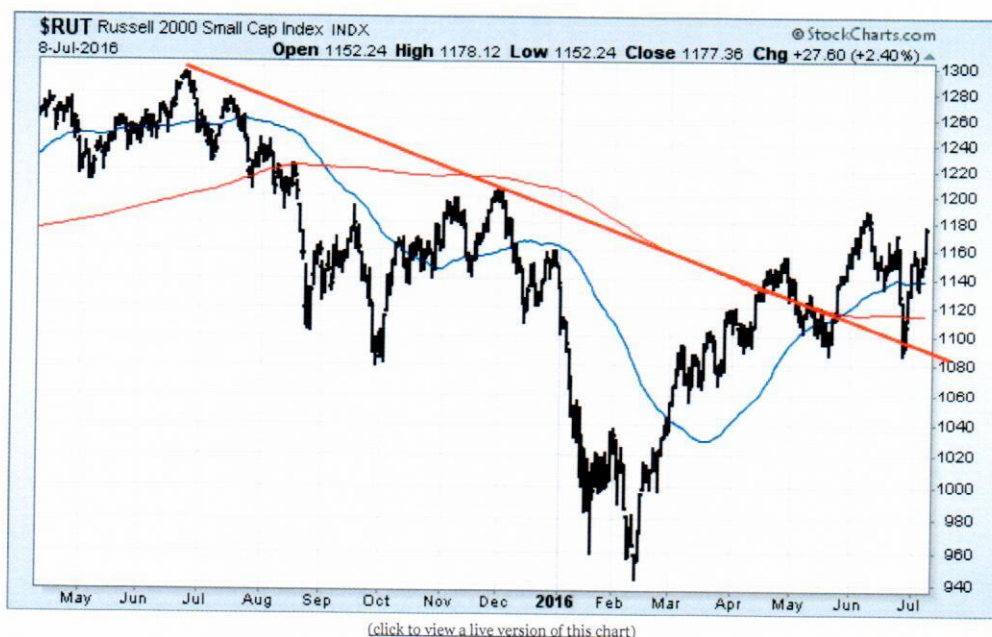


Chart 4



Chart 5

CYCLICALS AND INDUSTRIALS TURN LEAD... Another encouraging sign for the market is that this week's upturn was led by economically-sensitive stock groups for a change. Cyclical were the week's top percentage gainer. Chart 6 shows the **Consumer Discretionary Sector SPDR (XLY)** surging on Friday to the highest level since last December. Its relative strength ratio (top of chart) also rebounded for the first time in two months. An upside breakout in homebuilding stocks led the advance. Home improvement and apparel retailers also helped lead the XLY higher. Chart 7 shows the **Industrial Sector SPDR (XLI)** breaking out to a new record. The XLI was led by heavy construction stocks and rails. The XLI/SPX relative strength ratio (top of chart) turned up during February as the market bottomed. It looks like it's getting ready to lead the market higher again.

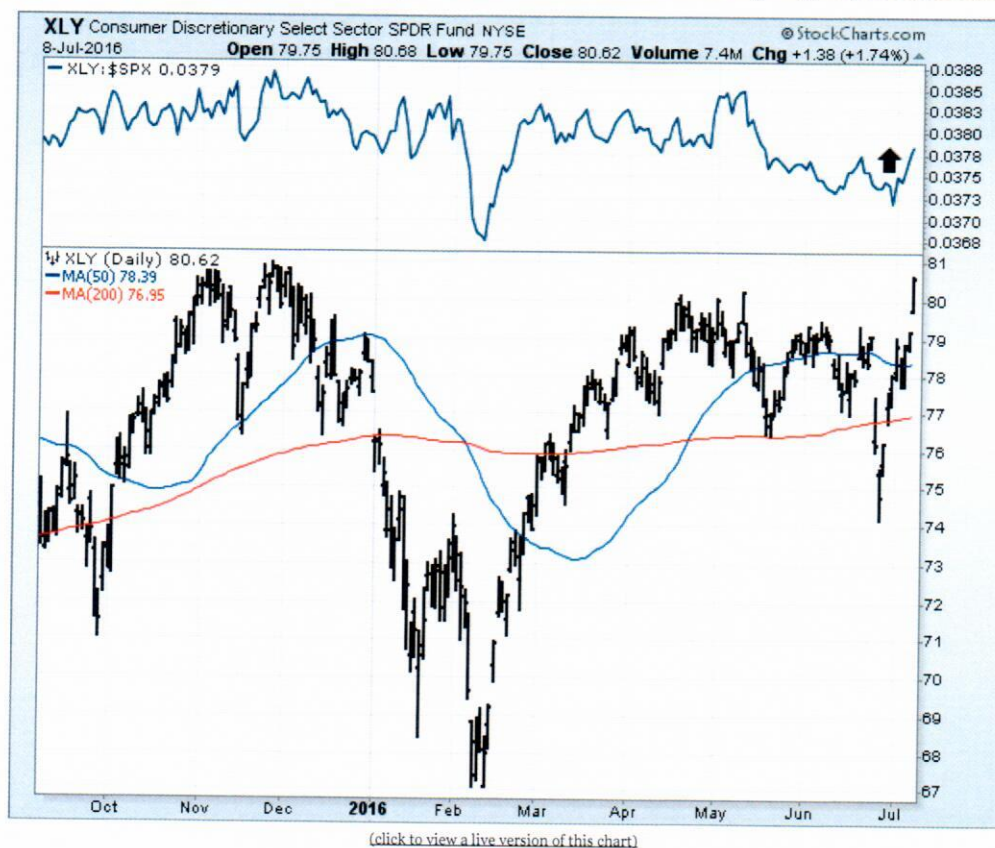
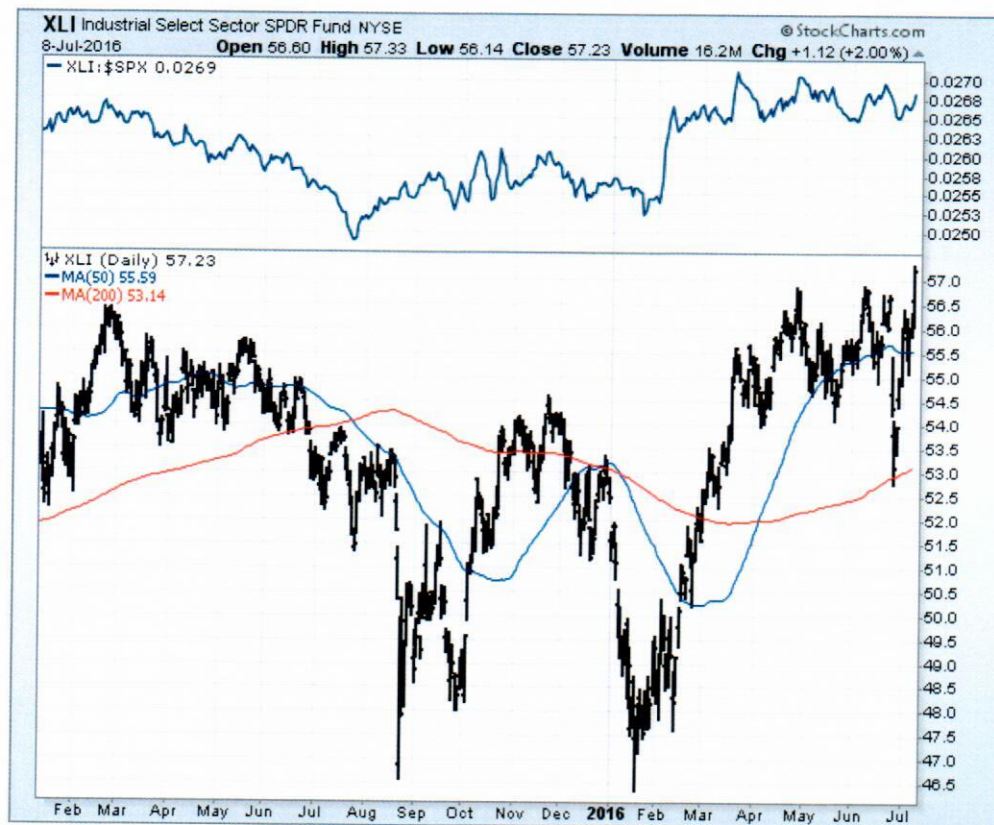


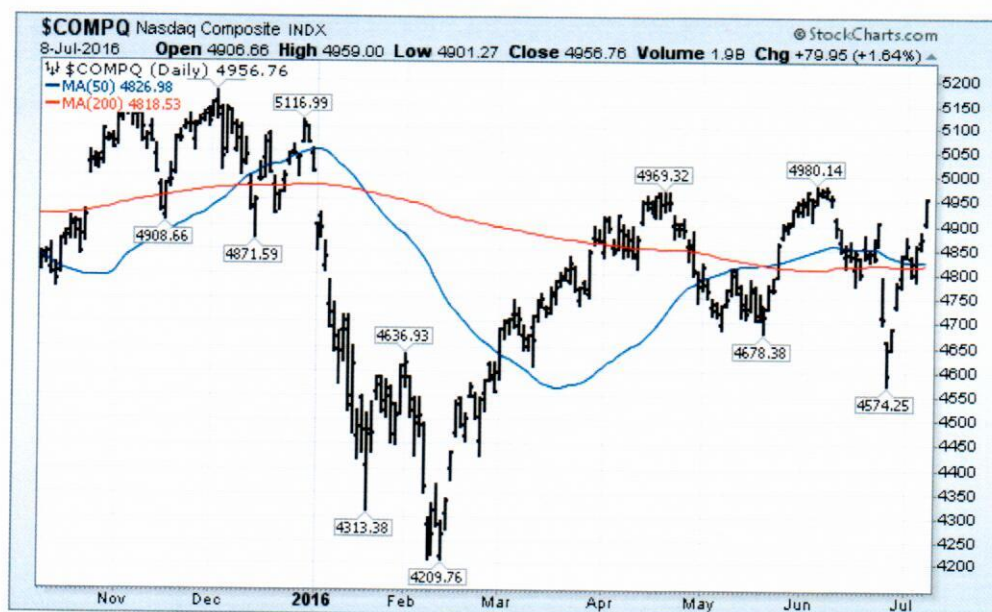
Chart 6



(click to view a live version of this chart)

Chart 7

INTEL HELPS LEAD NASDAQ HIGHER... The Nasdaq gained 1.9% this week to outpace both the Dow and S&P 500. The daily bars in Chart 8 show the **Nasdaq Composite Index** gapping higher on Friday and in position to challenge its spring highs. An upside breakout appears likely. Most of the Nasdaq gains came from a stronger technology sector, and especially semiconductors which were its strongest group. Chart 9 shows the **VanEck Vectors Semiconductor ETF (SMH)** nearing a test of the previous high hit last May. A move above that previous peak would put the SMH at the highest level in six years. It's usually a good sign for the Nasdaq market when chip stocks are leading it higher -- as they are now. Intel was one of the standout performers in the SMH. Chart 10 shows **Intel (INTC)** surging on Friday to a new 2016 high. It's relative strength line (top of chart) is rising as well. Intel is often viewed as a bellwether for semiconductors. It's also the biggest stock in the SMH and one of the biggest on the Nasdaq. That adds to the importance of this week's upturn. My Thursday message emphasized that the stock market still has unfinished business on the upside. This week's strong price action appears to support that positive view.



(click to view a live version of this chart)

Chart 8



Chart 9

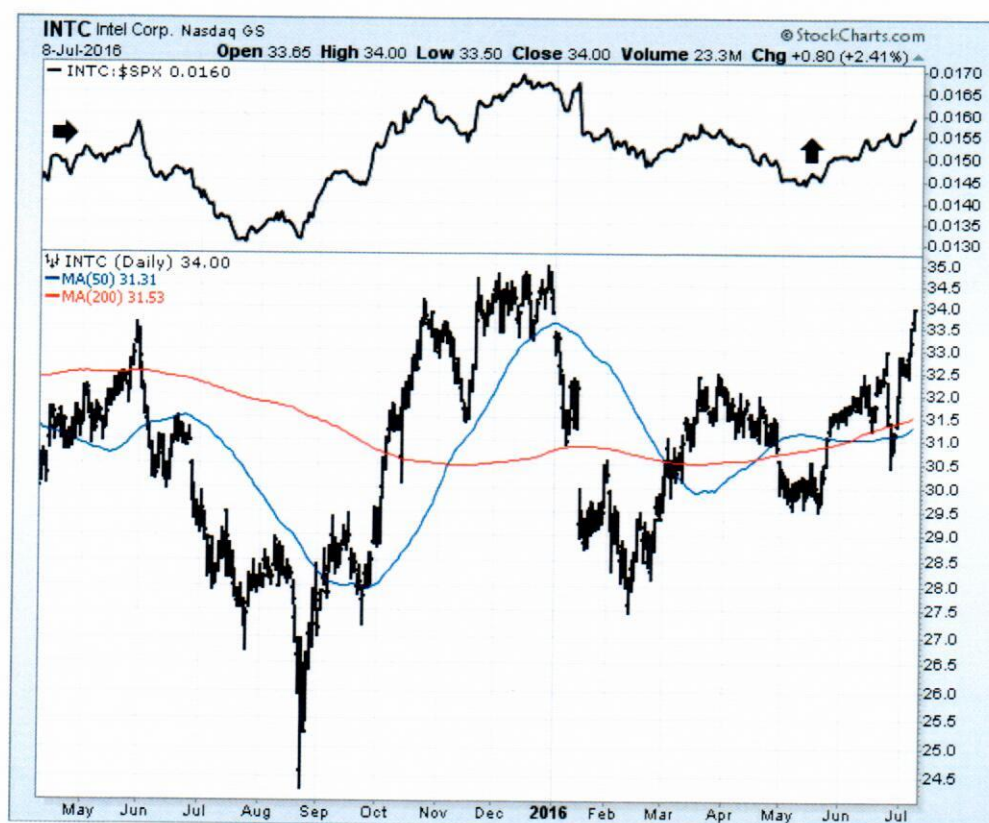


Chart 10

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