

FIVE YEAR PRICE WINDOWS FOR STOCK TRANSACTIONS INVOLVING ETFs

There are essentially two approaches one can use to determine what stock transactions to make in the stock market. The first of these involves fundamentals and relies on the fundamentals of a company whose stock one is interested in buying or shorting. It relies heavily on predicted earnings trends and accompanying dividend rates. The second approach is referred to as technical analysis and involves stock price trends based on historical data furnished in the form of graphs. Both of these investment approaches (or combinations thereof) have advantages and disadvantages. You can never be sure if an earning trend with rising dividends or a given price trend will continue. So both approaches have their risks. I have been involved in stock market transaction for nearly 70 years with reasonable success. In that time period I have come to rely more and more on technical analysis and particularly in the use involving five year historical price windows of ETFs combined with SBS channels. It is our purpose in this article to summarize this particular technical approach for stock transactions.

Let us begin by looking at the five year price record of the active exchange traded fund SPY. This fund represents a collection of S&P500 stocks. It trades on the New York Stock Exchange at a high daily volume of about fifty million shares making it easy to buy and sell. Its price window over the

last five years looks as follows-



I have added to the graph local points where the price is high (S=sell point) and where it is low (B=buy point). These Bs and Ss form what I have called an SBS channel. This type of channel is somewhat reminiscent of the well known Bollinger, Keitner, and Donchian Channels but superior to them in that it uses only local highs and lows and requires no major calculations. At the moment we are in an upward moving phase and the fund should thus be held long. When the next S appears it will be time to sell. One could also short the fund during a bear phase by using the shorting fund for SPY designated as SDS. Notice that using this five year window, short term price fluctuations of up to several weeks or so can be ignored by smoothing. Also one is not interested in price channels extending out earlier than five years. My typical holding period for both long and short transactions is about one year. Note that one should be long shortly after a B point is indicated and short shortly after an S point appears.

There are numerous other exchange traded funds which one can deal with. These include the following nineteen given in descending daily volume below-

Symbol	Name	Last	Change	%Chg	Volume	Price Vol
SPY	S&P 500 SPDR	461.85	+1.81	+0.39%	20,963,426	9,680,786
QQQ	Nasdaq 100 Invesco ETF	388.44	+1.01	+0.26%	13,238,065	5,141,266
IWM	Russell 2000 Ishares ETF	233.79	-0.17	-0.07%	13,482,294	3,152,026
HYG	High Yield Corp Bond Ishares Iboxx \$ ETF	86.79	+0.23	+0.27%	14,217,286	1,233,910
EEM	Emerging Markets Ishares MSCI ETF	50.81	-0.51	-0.99%	20,931,781	1,063,348
LQD	Invst Grade Corp Bond Ishares Iboxx \$ ETF	133.34	+0.36	+0.27%	6,499,359	865,544
XLV	S&P 500 Healthcare Sector SPDR	135.13	+1.47	+1.10%	6,354,457	858,203
XLY	S&P 500 Cons Disc Sector SPDR	202.57	-2.27	-1.11%	3,267,398	661,877
XLK	S&P 500 Technology Sector SPDR	162.91	+1.62	+1.00%	4,017,509	653,993
IVV	S&P 500 Ishares Core ETF	463.68	+1.74	+0.38%	1,335,540	618,890
TLT	20+ Year Treas Bond Ishares ETF	146.97	+0.53	+0.36%	4,197,786	616,949
VOO	S&P 500 ETF Vanguard	424.60	+1.55	+0.37%	1,388,602	589,275
DIA	Dow Industrials SPDR	360.66	+1.53	+0.43%	1,622,023	584,479
XLF	S&P 500 Financials Sector SPDR	40.43	+0.15	+0.37%	13,822,225	558,532
XLE	S&P 500 Energy Sector SPDR	57.89	-0.57	-0.98%	9,538,807	552,202
FXI	China Large-Cap Ishares ETF	39.92	-1.14	-2.78%	13,726,513	546,674
XLI	S&P 500 Industrial Sector SPDR	105.12	+0.34	+0.32%	4,374,888	459,888
IEF	7-10 Year Treas Bond Ishares ETF	114.75	+0.21	+0.18%	3,911,885	447,648
VTI	Total Stock Market ETF Vanguard	238.71	+0.62	+0.26%	1,834,803	437,766

In recent years I have confined myself to the following five ETFs-

SPY(S&P500), QQQ(Nasdaq 100), XLK(technology),VOO(Vanguard S&P500), and VTI(Vanguard Total Stocks).

These all fall into the most active exchange traded categories. I have marked them by red arrows in the above table. In the last few years I have avoided transactions involving individual stocks entirely as these can produce very large undesired daily price swings not present for ETFs.

Four more five year price windows of interest , with drawn in SBS channels, are-





All five of the above ETF windows show essentially identical trends as far as the S and B points for their SBS channels are concerned. They each show a new buy signal starting about two weeks ago after having produced a sell point in the middle of September. As to how long this latest uptrend will last

is anyone's guess. The trend will, to a large extent, depend on upcoming stock earnings and changes in the Federal Reserve 's monetary policy.

U.H.Kurzweg
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