

Small Caps Lead Higher



DAILY MARKET UPDATE

It is incredibly surprising to not only see the Russell 2000 shake off Tuesday's selling, but also with such speed. Today's rally in small caps was so powerful that you could see a visible rotation of large-cap leaders into lesser-known names. It was driven primarily by a substantially weaker-than-expected retail sales number. However, what's most clear is that the market is screaming loud and clear that if only macro data can accommodate, it definitely wants to go higher. Think about how violent the sell-off was on Tuesday, yet how quickly IWM and ARKK recovered to new highs for the rally. It is rare to see and is clearly an example of an "expectation breaker." So, why do these expectation breaks usually lead to higher prices? Think about how everyone who sold in a panic two days ago feels. How do shorts and buyers on the fence feel? Everyone realizes the shock of such situations and is now more likely to be buyers than sellers.

Of course, volatility is present, but we need to keep sight of the objective facts at our disposal. New highs continue, prices are in an uptrend, and the market surprises to the upside. Anything can happen, but with what we know at this moment, we need to keep our positioning in line with conditions. In fact, if IWM truly breaks out, a whole new crop of buyers and stocks will enter the market.

The only short-term concern is this two-day surge has elevated the FOMO Index back to a more elevated, but not yet extreme, 75%. It's definitely something to monitor, but with a hard shakeout just two days ago, it is less likely to have the same impact in the short

term. Hard breaks usually happen with high levels of complacency. I would argue that markets likely need to trend for some time to build that up again to similar levels.

Indexes

QQQ Daily - The gap has been filled, which is definitely a positive step forward. However, to really cement the recent move higher, we'll need to see a break and close above the resistance created by the gap. Typically, the high of a gap down acts like a solid brick wall. So, it wouldn't be surprising to see a day or two of pullback from this point, but I'd prefer to see follow-through sooner rather than later.



IWM Daily- Small caps not only filled the gap but also surpassed the gap resistance! There's some serious power t this move. When you factor in that these lower liquidity stocks carry more risk for investors, it really adds a risk-on feel to the market. However, there's major resistance just above, the 52-week high set in December of last year. We could see a breakout as early as tomorrow if the market likes what it sees in terms of tomorrow's PPI report, which we'll get pre-market.



Stocks

TSLA/TSL Daily- Tesla screamed relative strength today having pushed higher by more than 6% despite the Q's inching up just 0.3% on the day. This relative strength in combination with a break through a key level made buying the stock an easy decision. I'd like to highlight a couple technical characteristics I see on the chart:

1. Notice the massive volume accompanying the huge gap down. At that moment, it's impossible to determine if it's capitulation. You need some sort of bounce and a test of that day's low to truly confirm. But now, I believe we can confidently say that was indeed capitulation. This phenomenon is often observed at the tail end of powerful downtrends and indicates seller exhaustion, typically serving as the floor for a stock. Take a look at the chart just below Tesla's chart for a prime example.
2. We undercut and recaptured that capitulation low, indicating that sellers were truly exhausted.
3. We built a higher low with this doji candlestick reversal, followed by the powerful reversal through resistance. Additionally, this pattern formed an inverted head and shoulders formation which is a bottoming formation.
4. Today, we officially triggered a base breakout buy signal, accompanied by above-average volume, but most importantly, standout relative strength. Tesla has been a major laggard, lacking strength for months. It's crucial for the current strength to continue.

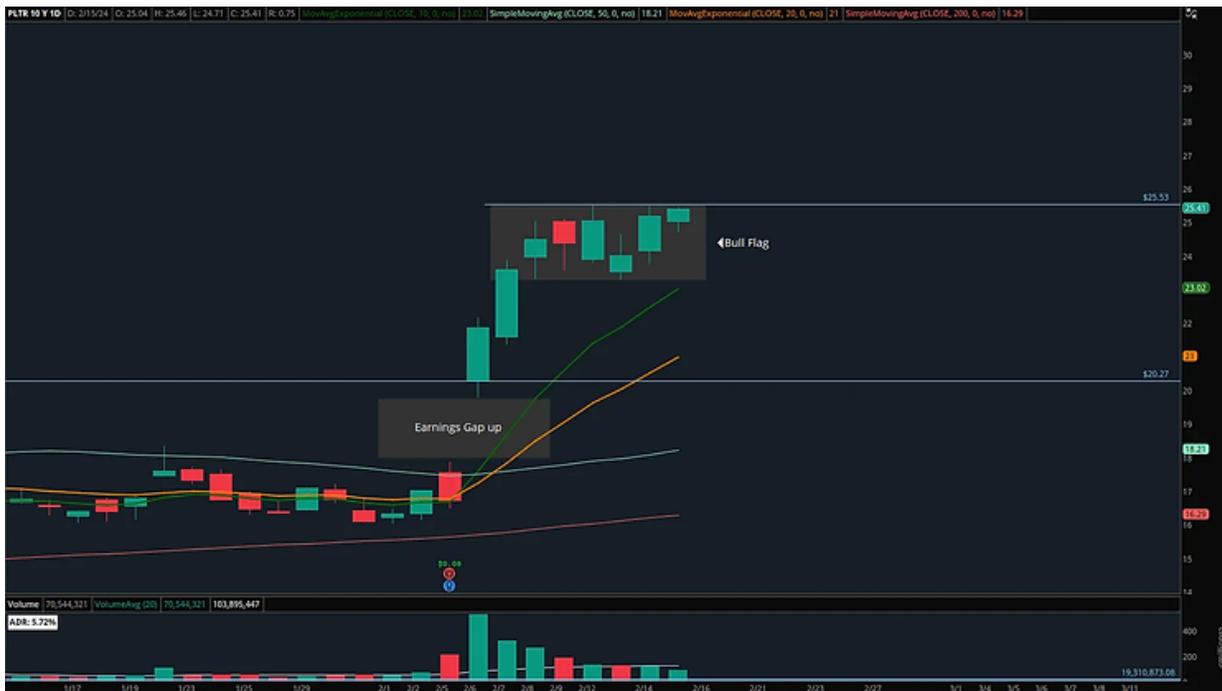
The big KEY for me here is going to be if it continues to show relative strength. During the October rally, it would have these one-day moves, but then it would start to act sluggish and puke back gains. Lets see how it plays and I will give thoughts as progresses.



KO Daily- Here's an example of a downtrend materializing into eventual capitulation.



PLTR Daily- Palantir is set for launch and will be tomorrow's prime focus.



MPC Weekly- This name broke out of a 6-month base following a strong earnings report late last month. This breakout occurred while the energy sector was still in a prolonged downtrend. When a stock is hitting new all-time highs while its sector is stuck at fresh 52-week lows, it tells you one thing: the stock is showing monstrous relative strength and craving higher prices!



TTD Daily- This will also be on my radar tomorrow. It had a powerful reaction to its earnings report after hours today, breaking it out of this long-term downtrend. This gives us a breakaway gap. Just like the earnings gap we see above on the Palantir chart got immediate follow-through. The same thing can play out in TTD.



Discord Alert Spreadsheet

ALERT SPREADSHEET								
OPTIONS - ACTIVE TRADES								
TICKER	ENTRY DATE	ENTRY PRICE	CURRENT PRICE	STOP LOSS	1ST TRIM	2ND TRIM	3RD TRIM	NOTES
DKNG	Jan 17th	\$3.25	\$3.78		3.53 (9%) - Sold half position	\$4.03 (25%) - Sold 1/3 of remaining position	\$5.40 (72%) - Sold half remaining position	Using 20EMA as trailing stop for rest of position
TSLI	Feb 15th	\$0.81	\$1.00					
SHARES - ACTIVE TRADES								
TICKER	ENTRY DATE	ENTRY PRICE	CURRENT PRICE	STOP LOSS	1ST TRIM	2ND TRIM	3RD TRIM	NOTES
DKNG	Jan 17th	\$34.09	\$44.46	\$34.09	\$34.77 - Sold 1/3 of position	\$35.42 - Sold 1/3 of position	\$37.10 - Sold 1/3 of position	Using 20EMA as trailing stop for rest of position
MPC	Feb 15th	\$171.70	\$171.38	\$168.70				
TRADES RECENTLY CLOSED								
TICKER	TRADE TYPE	ENTRY DATE	EXIT DATE	NET RESULT	NOTES			
CTWY	Options	Jan 23th	Jan 16th	Loss				

RISK-FREE: The stop loss has been raised, ensuring that if the rest of the position is stopped out, there is no longer any possibility of losing money on the trade.