

Continue to avoid Homebuilders. 10/19/23

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TPA has been telling clients to avoid the homebuilders for a month, and we reiterate that negative stance.

Below is an excerpt from the TPA-RRG Report of 9/22/23.

TPA-RRG Weekly Commentary

Top 20-Bottom 20

Home Builders have broken down after long rallies. See the comments below.

Sectors

Home Builders are a great example of why investors of all sizes should pay attention to TPA-RRG. Home Builders have been weak for a couple of weeks; witnessed by the sell rating in TPA for DHI on 9/12/23 and DHI and LEN in the Bottom 20 in the TPA-RRG reports.

Last week, the Homebuilder sector came in with the 3rd weakest rating of all sectors (a portion of the sector ranking below)...

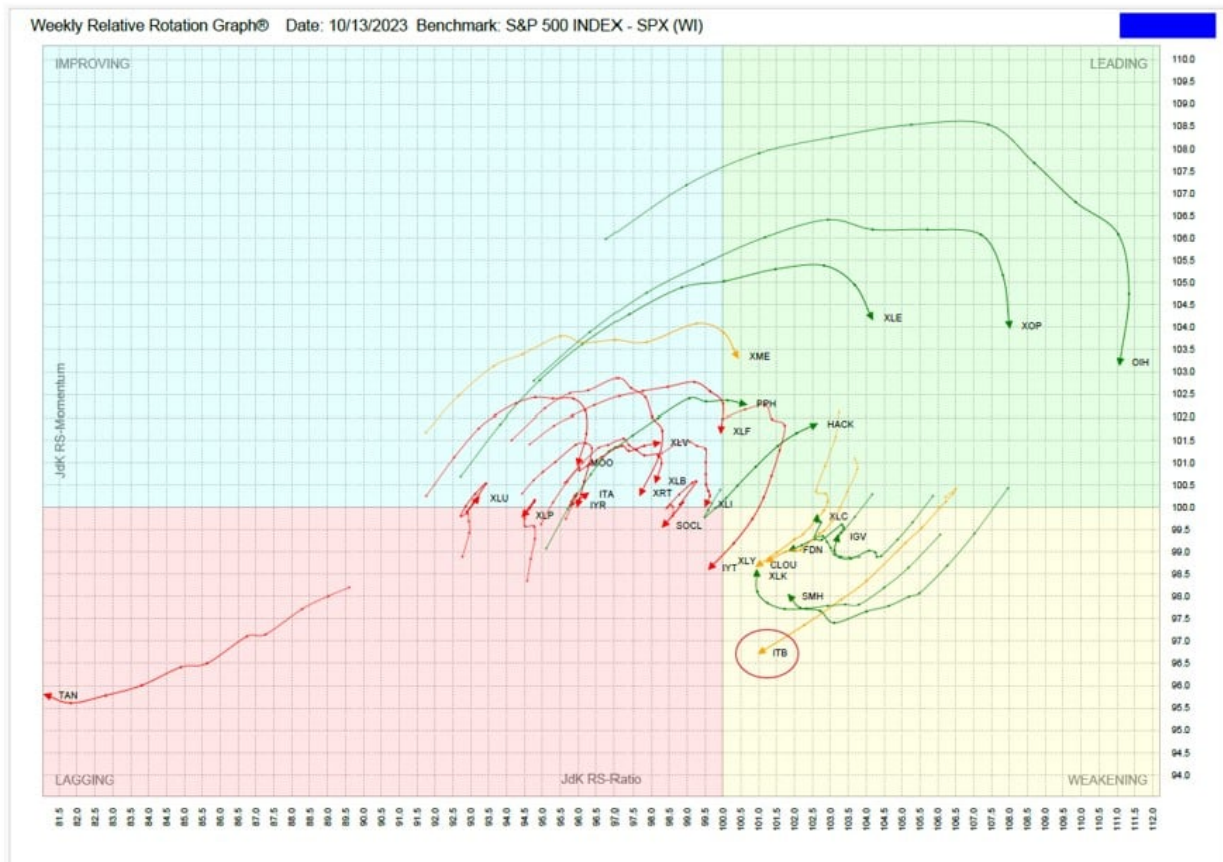
TAN	Solar	55.92	84.90	96.41	Lagging	-2.01
XLY	Consumer Discretionary	171.79	102.69	99.41	Weakening	-2.03
CLOU	Cloud Computing	19.53	102.82	99.92	Weakening	-2.08
ITB	Home Construction	81.41	105.09	99.19	Weakening	-2.09
SMH	SEMI	146.81	104.01	97.66	Weakening	-2.09
XLK	TECH	168.90	102.33	97.73	Weakening	-2.14

All of this served as productive warnings to the readers of TPA-RRG that they should not be in or be reducing exposure to the Home Builders.

Below is the chart for the Home Construction ETF ITB. IT fell below its steep 10-month uptrend line in mid-September and has established a consistent pattern of lower highs and lower lows; a downtrend.

The sector RRG from this week's report shows that ITB has weak relative strength and relative momentum. ITB has dropped out of the Leading quadrant into the Weakening quadrant and is headed toward the Lagging quadrant.

This week's Sector RRG



When will it be time to think about buying Homebuilders?

The right time to consider buying Homebuilders is when the Weekly RSI becomes oversold (RSI 30 or lower).

The 2-year weekly chart below shows ITB's weekly RSI is now 42. The chart also shows that lows in ITB in 2020 and 2022 coincided with weekly RSI's at or below 30.

ITB WEEKLY – 2 YEARS



The 16-year weekly chart below shows the same pattern. Lows in ITB coincided with weekly RSI at or below 30 in 2009, 2011, 2018, 2020 and 2022.

ITB WEEKLY – 16 YEARS



Finally, everyone seems to be waiting for interest rate weakness to signal a time for Homebuilders to reverse course. The 16-year chart below shows that interest levels and direction do not affect Homebuilder stock performance.

ITB and 10-year yield – 16 years

