

# Continue to avoid Homebuilders. 10/19/23

## Continue to avoid Homebuilders.

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 3<sup>rd</sup> 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 T	Cloud Computing	19.53	102.82	99.92	Weakening	-2.08
ІТВ	Home Construction	81.41	105.09	99.19	Weakening	-2.09
SMH	SEMI	146.81	104.01	97.66	Weakening	-2.09
XLK T	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.

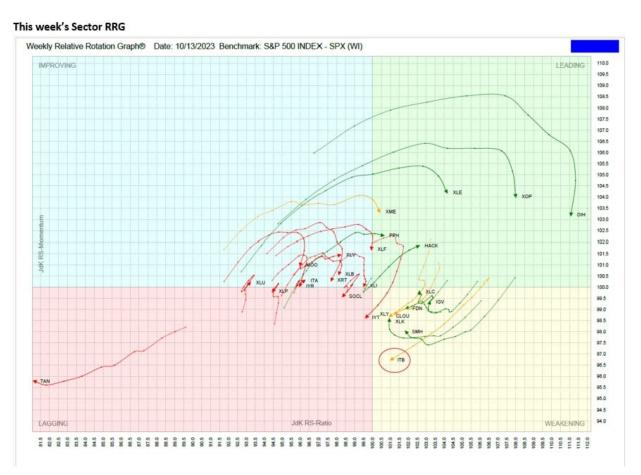
Below is the chart for the Home Construction ETF ITB. IT fell below its steep 10-month uptrend line in mid-September and has established a consistent pattern of lower highs and lower lows; a downtrend.



The table below is from this week?s TPA-RRG report, showing that ITB has been among the 5 worst ranked sectors for the past 7 weeks.

PA-	RRG U.	S. SECTO	DR & SUB	SECTOR	ETES -	HISTOR	Y													
	4/27/23	5/5/23	5/12/23	5/19/22	5/26/23	6/2/23	6/9/23	6/16/23	6/23/23	6/30/23	7/7/23	7/14/23	7/21/23	7/28/23	8/4/23	8/11/23	8/18/23	8/25/23	9/1/23	9/8/2
ank	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code
1 2	XLP XIU	XLP XLU	XLP	XLY	XLY XLC	XLY	XLY XOP	XLY XOP	XLF	CLOU	CLOU	HACK	HACK	OIH	MT OIH	OT	OT	XOP XOP	XOP	HAO
3	HACK	KGV	XLV	FDN	XLK	FDN	XLC	XLK	IGV	XLY	INT	INT	OIH	XOP	XLI	XDP	XOP	XLE	XLE	OH
4	FDN	FDN	XLU	XLK	FDN	IGV	IGV	KGV	XLK	XOP	XU	OIH	XLI	XLI	XOP	XU	XLE	PPH	SOCL	500
5	IGV	XLK	XLC	XLV	IGV	XLK	XUK	INT	ITB	IGV	QH	XLI	XOP	XME	XME	XLE	PPH	INT	XRT	XLE
6	XLK	XLY	FDN	IGV	XLV	XLV	OIH	XLI	SMH	XLK	XLY	XOP	0.00	XRT	XLB	XRT	XME	XLF	XME	XLF
7	XLC	XLC	IGV	XLU	XLP	OIH	XLF	HACK	XOP	FDN	XLF	XLY	XLF	HACK	XRT	XLB	хц	XME	IYT	PPI
8	XLY	XLV ITB	XLK PPH	XLP TAN	XLF XOP	XLF XOP	XLE ITB	XLF FDN	0.0U	SMH	XLK IGV	XLF SMH	XRT SMH	CLOU XLF	XLE	XME MOO	XRT XLB	XLV XRT	XLF	MOO
10	ITB	HACK	ITB	HACK	XUP	TYI	XLP	ITB	XLI	ITB	FDN	IGV	FDN	XLY	MOO	XLF	XLB	MOO	XLB	IY'R
11	TAN	TAN	HACK	M00	HACK	XLE	XLU	SMH	XLE	HAOS	SM04	FDN	IGV	XLK	IYR	XLV	MOO	NR	MOO	XLU
12	MR	MOO	TAN	ITB	XLU	INR.	SMH	XLP	XLV	XLI	XDP	XLK	XLY	SMH	ITB	ITA	XLF	XLB	PPH	IYT
13	MOO	XOP	XDP	INR	PPH	XLP	XLV	XLV	XLP	OIH	XME	XME	XUK	IGV	SMH	IYR	IYR	ITA	ITA	0.0
4	XDP	IYR	MOO	XOP	SMH	XLU	TAN	XLU	XLU	XLV	XRT	TAN	XME	FDN	IGV	ITB	CLOU	CLOU	XLI	XM
5	SOCL	SOOL	IYR	XLE	TAN	PPH	PPH	PPH	TAN	XLP	XLE	XRT	XLE	SOCL	FDN	CLOU	XTA	XLI	COU	XRT
.6	SMH	XLF	XLE	SMH	MOO	HACK	MOO	XLE	FDN	XLU	XLV	ITB	XLB	XLE	CLOU	SOO.	SOCL	ITB	XLV	ITA
7.8	XLE ITA	XLE SMH	XLF SMH	XLF XR7	IYR	TAN	HACK FDN	MOO	MOO PPH	XLE XLC	XLP XLU	XLV XLC	MOO TAN	MOO XLB	XLY HACK	XLY PPH	ITB	HACK SOCL	FDN FDN	XLE
9	CLOU	0.0U	SOCL	PPH	XLB	SMH	NR	TAN	OIH	TAN	PPH	XLP	NR.	XLU	SOC	XLP	XLP	TAN	XLC	FDI
20	XLF	ITA	XRT	OIH	XRT	MOO	XLB	XLB	HACK	PPH	IYR	IYR	XLP	XEV	PPH	XU	HACK	XLC	XLU	XLO
1	XRT	XRT	OIH	SOCL	IYT	XLB	XME	XLC	IYR	MOO	MOO	XLU	ITB	IYR	ITA	HACK	TAN	XLU	XLP	TAI
2	XLB	fYT.	IYT	CLOU	OIH	XRT	XRT	XME	XLB	IYR	XLC	MOO	XLV	ITB	XLV	TAN	XLC	XLP	TAN	(G)
3	OIH	OIH	XLB	XLB	SOCL	XME	XLI	XRT	XME	XRT	TAN	XLE	XLU	TAN	XLP	XLC	XLU	FDN	KGV	XL
24	PPH	XLB	XLI	INT	XLI	XLI	INT	OIH	XLC	XLB	ITB	PPH	PPH	XLC	XIII	IGV	IGV	IGV	TID	SM
26	IVT XME	XME	TA	XLI XME	XME	SOCL	SOCL	ITA LOU	XRT	ITA XME	XLB ITA	XLB ITA	ITA XLC	XLP	TAN	FDN SMH	FDN SMH	XLY SMH	SMH XLK	CITE
27	XU	PPH	CLOU	ITA	ITA	aou	CLOU	SOCL	SOCL	SOCL	SOCL	SOCL	SOCL	PPH	XLK	XLK	XLX	XLK	XLY	XLY
			DR & SUB			HISTOR														
ank	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code	Code
1	HACK	XOP	XLE	XLE	XLE															
2	XLE	XLE	XDP	XME	XME															
3	PPH	OIH	XME	PPH	PPH															
4	XUF	PPH XME	OIH	XLF OIH	XOP															
5	XME	XLF	XLU	XOP	XRT															
7	SOCL	500.	XLF	HACK	MOO															
8	XLV	HACK	PPH	XRT	XLF															
9	XEU	XLV	MOO	M00	HACK															
10	IYT	MOD	IYR	XIV	XLU															
11	OIH XRT	Tri	XRT	INR	XLB															
		XRT XLU	XLB XLV	XLB ITA	XLV IYR															
2			ITA	201	XLI															
12	MOO				(186-1															
12		IYR XLP	XLI	XLC	ITA															
12 13 14	MOO XLB	IYR.			ITA XLC															
2 3 4 5	MOO XLB IYR	IYR XLP	XLI	XLC																
2 13 14 15 16 17 18	MOO XLB IYR ITA XU XLP	IYR XLP XLB XLI ITA	XLI SOCL XLP XLY	XLC XLP IGV XLY	XLC XLP IGV															
12 13 14 15 16 17 18 19	MOO XLB IYR ITA XU XLP XLC	IYR XLP XLB XLI ITA XLC	XLI SOCL XLP XLY FDN	XLC XLP KGV XLY XLU	XLC XLP IGV FDN															
2 13 14 15 16 17 18 19 10	MOO XLB IYR ITA XLI XLP XLC FDN	IYR XLP XLB XLI ITA XLC IGV	XLI SOCL XLP XLY FDN CLOU	XLC XLP IGV XLY XLU FDN	XLC XLP KGV FDN SOCL															
12 13 14 15 16 17 18 19 20 21	MDO XLB IYR ITA XU XLP XLC FDN IGV	NYR XLP XLB XLI ITA XLC IGV XLC	XLI SOCL XLP XLY FDN CLOU IGV	XLC XLP KGV XLY XLU FDN XLK	XLC XLP IGV FDN SOCL SMH															
12 13 14 15 16 17 18 19 20 21 21 22	MDD XLB IYR ITA XU XLP XLC FDN IGV TAN	NYR XLP XLB XLI ITA XLC IGV XLC XLY	XLI SOCL XLP XLY FDN CLOU IGV XLC	XLC XLP IGV XLY XLU FDN XLK SOCL	XLC XLP IGV FDN SOCL SMH XLK															
12 13 14 15 16 17 18 19 20 21 22 23 24	MDO XLB IYR ITA XU XLP XLC FDN IGV	NYR XLP XLB XLI ITA XLC IGV XLC	XLI SOCL XLP XLY FDN CLOU IGV	XLC XLP KGV XLY XLU FDN XLK	XLC XLP IGV FDN SOCL SMH															
12 13 14 15 16 17 18 19 20 21 22 23	MOO XLB IYR ITA XU XLP XLC FDN IGV TAN XLY	IYR XLP XLB XLI ITA XLC IGV XLC XLK XLY FDN	XLI SOCL XLP XLY FDN CLOU IGV XLC SMH	XLC XLP IGV XLY XLU FDN XLK SOCL QLOU	XLC XLP KGV FDN SOCL SMH XLK XLY															

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.



## 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.





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.



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.



