

THE CANADIAN TECHNICIAN



U.S. Edition

Chilling Charts

US Market Weekly Review
June 27, 2020



With
GREG SCHNELL

MARKET COMMENTARY

The markets closed lower on all the indexes this week. After seeing some all time record volumes, we started to see changes in the index performance. While the herd is still huddled in the US large caps, selling was more pronounced as you look down the size scale of market capitalization. (How large the company is based on multiplying the number of shares by the price per share).



There were notable differences this week. Canada, a smaller market, broke the advance/decline line for the uptrend and this is a caution flag for the US. Weaker, smaller markets typically break before the US does. Sweden is a good clue for Europe, and it held up better than I expected. I covered world indexes in the commodity video. So many cyclical (they cycle up and down with the economy) charts have started to decline after touching their 200 DMA. Just scrolling through the Dow 30, JPM, PG, MCD, MRK, IBM, VZ, KO, DIS, TRV, AXP, GS, MMM, DD, UTX, CVX, RTX, CAT, XOM have all failed at the 200 DMA. You can big banks like C and BAC to the list.

The Nasdaq Composite recorded the highest volume ever on Friday. The SPX also recorded a high volume day. We have had extreme volume days in each of the last three weeks. One after the Fed meeting, Quad options, and now the final Friday before quarter end. This is a twitchy market, slowly showing that times are changing from the controlled uptrend.

From last week's newsletter : "From a high level, the SSIH indicator moved lower by another 5%. That level of movement can happen within an uptrend. The big thing for me is the 5% down day on the \$SPX the prior week after the Fed. Those days don't usually show up in uptrends. So caution is creeping in. Now that we have pushed through options expiration on really high volume, I'm watching to see are people starting to price in the weak earnings for the second quarter? Or is the market starting to focus on the COVID 19 resurgence in some of the more populated states like Texas, Florida, and Arizona? We are about to find out."

Summary: The COVID surge is changing the market as is the move towards earnings season in July. Caution is warranted. Tighten stops. Serious storm clouds on the horizon.

Let's jump into the charts.

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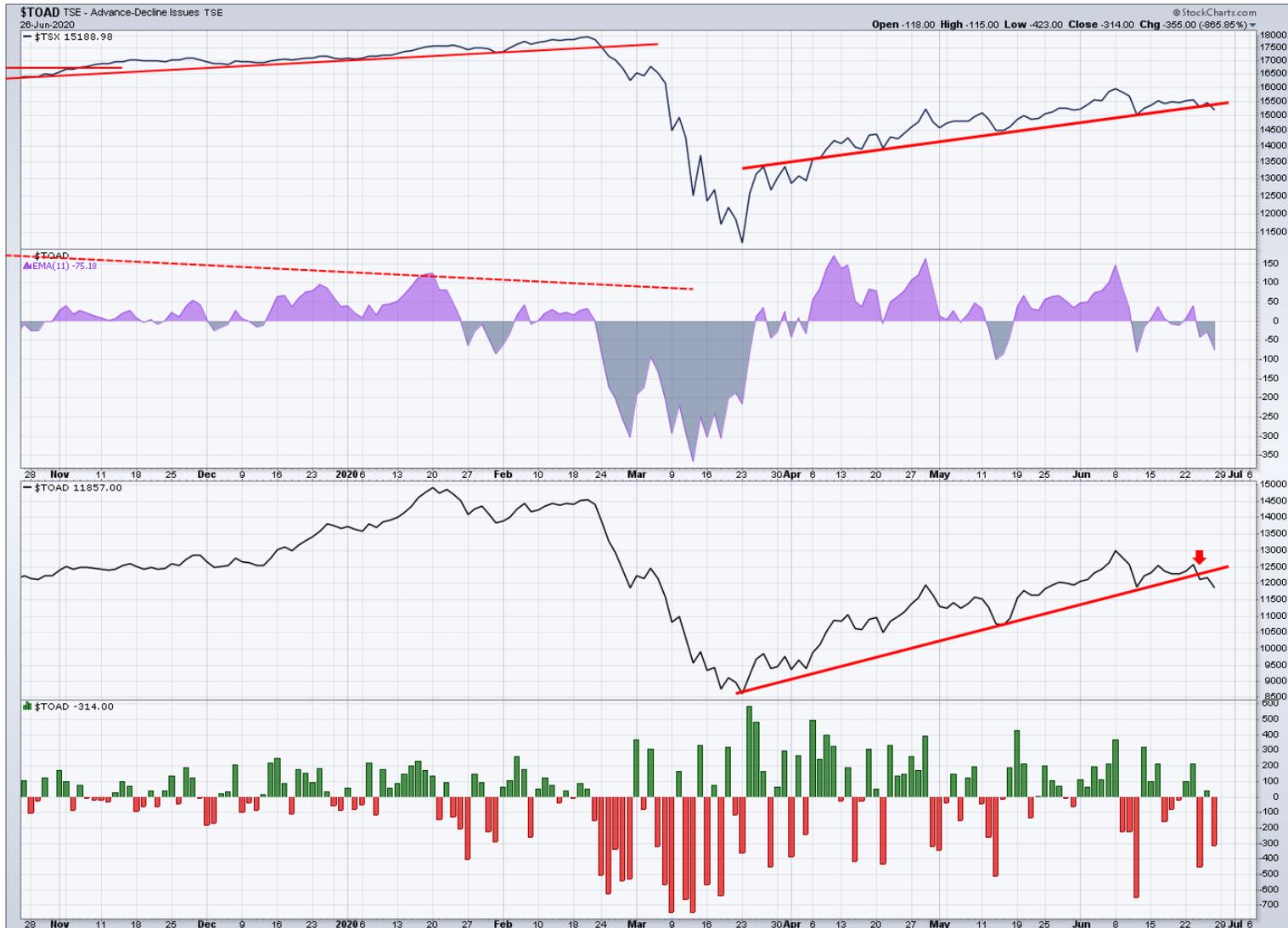
@SSIH - SLOWING

The Schnell Strength Index is still bullish but declining for the third week. The additional drop this week was more significant after the markets closed lower again with less momentum. It is the change in breadth that we would expect as the market softens. Looking left, we can see this is still bullish but starting to decline at an increasing pace.(3%, then 5%, then 7%)

When the SSIH starts dropping below 75%, we'll definitely be cautious. I post a preliminary SSIH reading in daily setups from Thursdays close at the request of the members on Thursday night or Friday morning. It doesn't bounce a lot, but weekend closes matter. This will allow you to position before weekends.



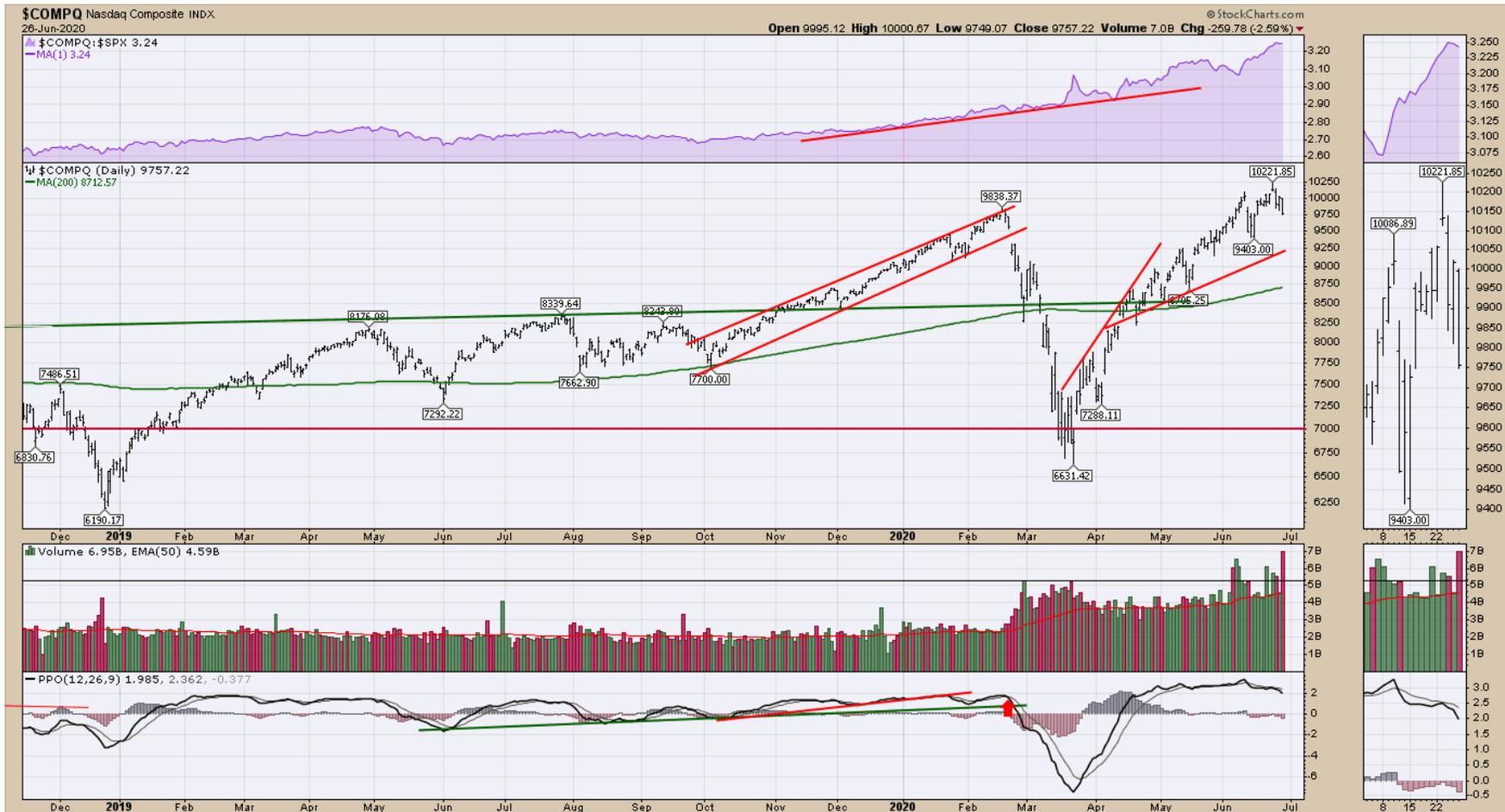
\$TOAD - TORONTO STOCK MARKET ADVANCE/DECLINE



Link. The US is almost always the strongest market. The Canadian market Advance/decline line shown on the left has broken this week. When we start seeing weaker markets start to fail, that can be a clue or at least put us on notice that we might start to see weakness in the USA. The purple area is the two-week average, whereas the trend line in the third panel is what failed (\$TOAD). On the lower panel, an increase of declines over advances this week.

\$COMPQ - NASDAQ COMPOSITE

Nasdaq Composite. [Link](#). Huge volume on the Nasdaq suggests something is changing meaningfully. Almost 7 Billion shares changed hands Friday which is a record for the Nasdaq. Note some of the volume levels in June were even more than the downtrend. At first this looked like accumulation, but the recent 4 of 6 days of extreme volume while the market goes nowhere suggests distribution.



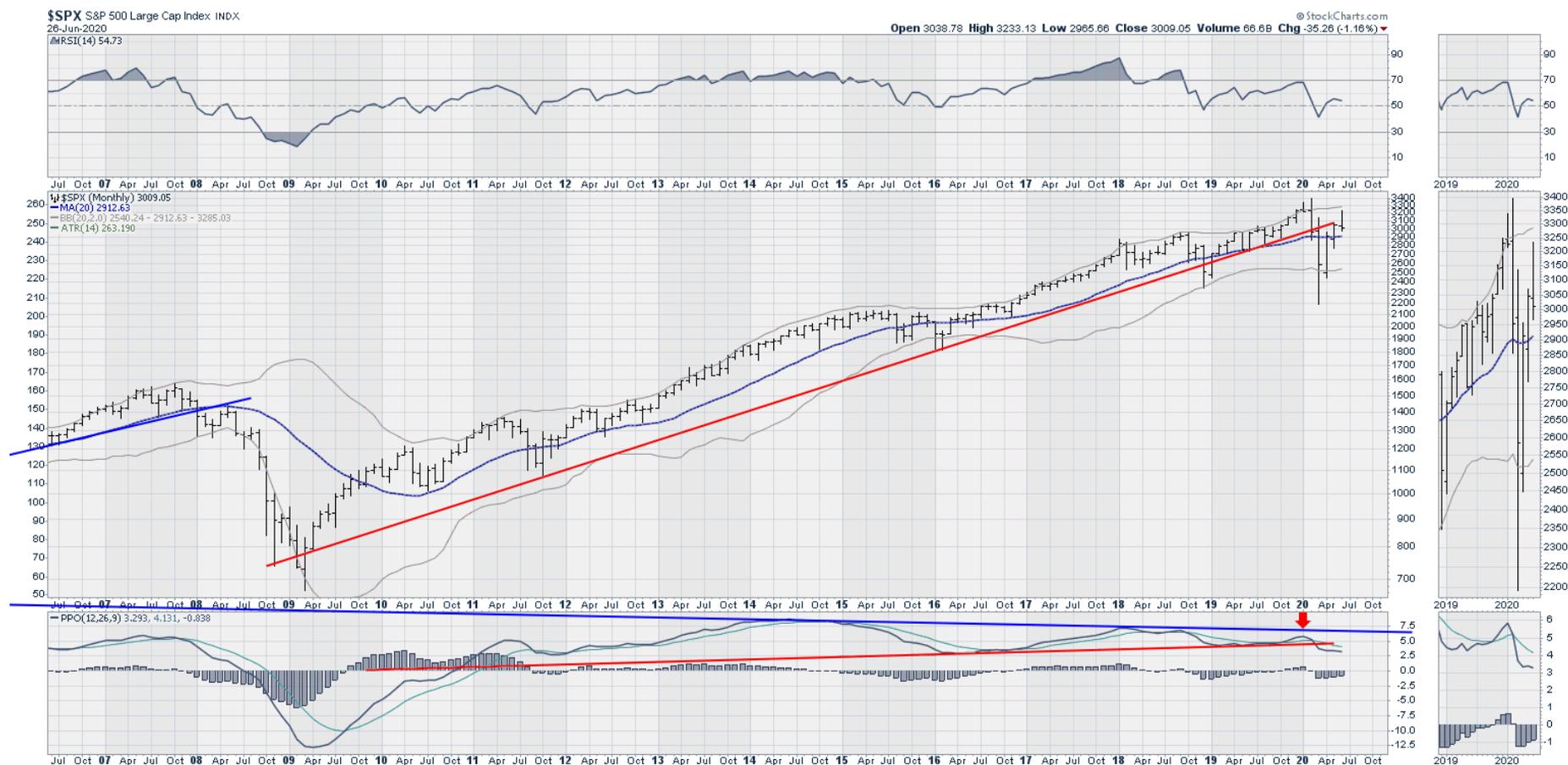
\$NDX - PPO MOMENTUM WAVE IS SERIOUSLY STRETCHED

The Nasdaq 100 (Nasdaq Composite is on the chart above) shows the PPO wave at the second highest level since 2012. If you can imagine herding buffaloes getting up to full stride, the PPO suggests we are there. The historical suggests grinding upward? [Link](#). Price is also at the top of the channel and closed on the lows for the week, suggesting upside exhaustion. Cautionary.



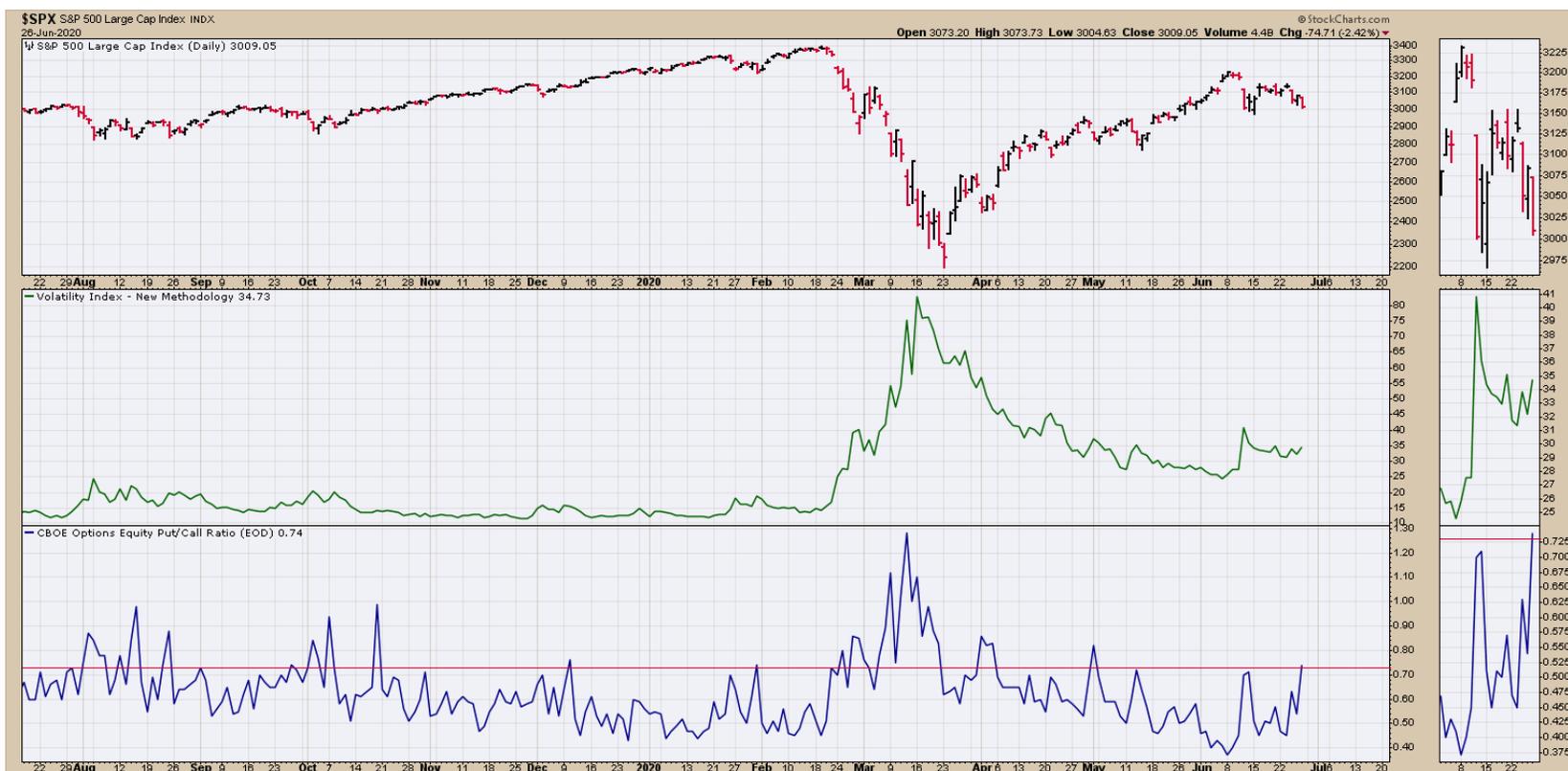
\$SPX MONTHLY CANDLE LOOKS VERY WEAK

The \$SPX monthly shows a price bar that tested higher but looks to close at the low end of the range, suggesting little support at higher levels. With two trading days left, we are down 7% from the highs for the month. [Link](#). 2912 is the 20-month moving average as potential support. The RSI reading on the top panel needs to stay above 50. Notice the bear market pick up speed in 2008 as the RSI was dropping below 50.



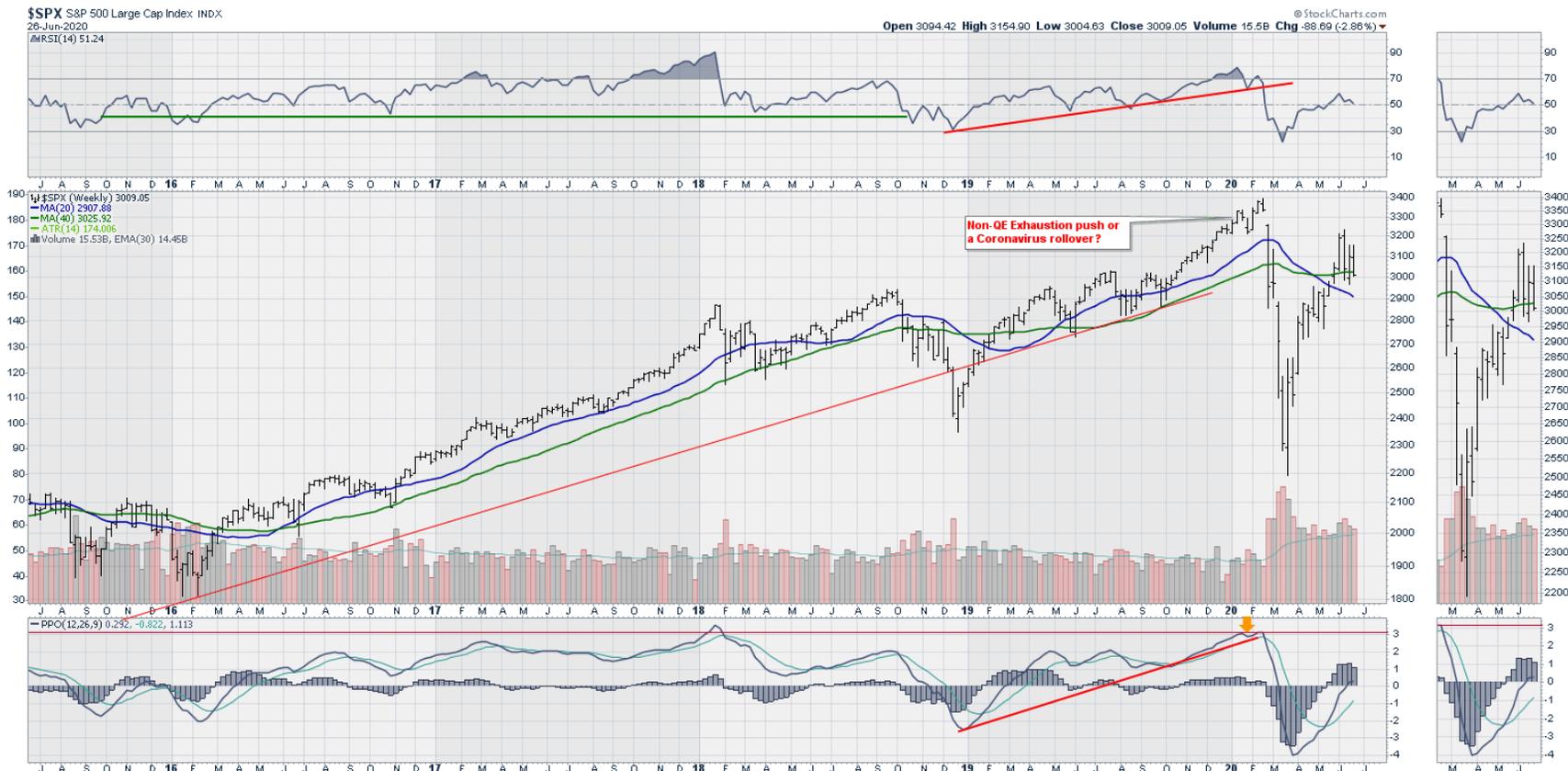
PUT-CALL RATIO

I have created this chart to demonstrate some of the linkages between the Put/Call ratio, the Volatility index and the market. In the big picture, the Put/Call ratio (\$CPCE) where a low ratio means people are optimistic, recently made very low lows (lower than 2019) and the \$VIX (Volatility Index) made higher lows on June 8th compared to 2019. Now both of the charts are making higher lows in the short term (June 16th compared to June 8th). We interpret higher volatility and higher put/call ratios with uncertainty. The put/call ratio is approaching high levels saying investors are getting concerned. At least let's be aware of the potential for bigger trouble. [Link](#).



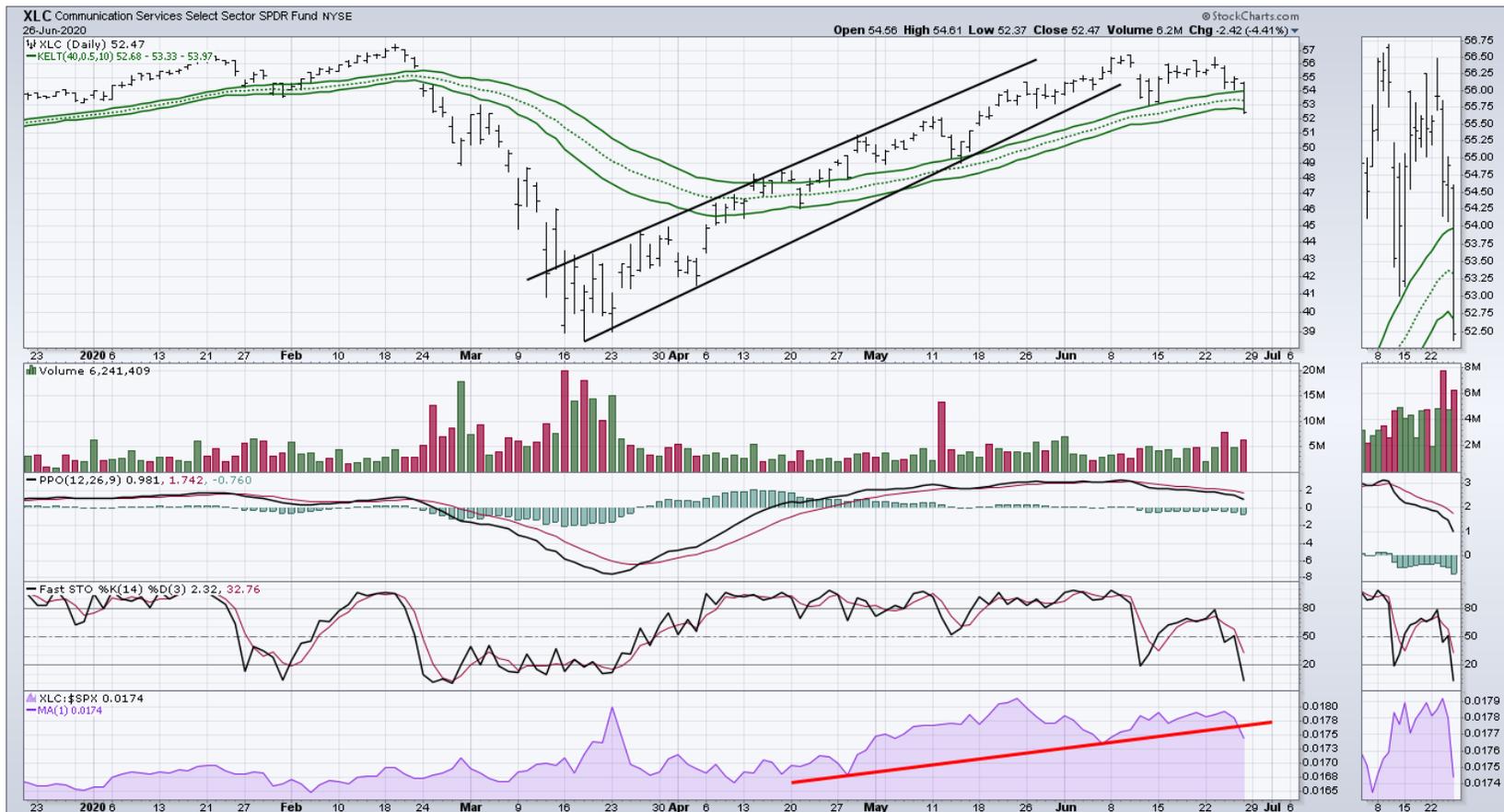
\$SPX AT A VULNERABLE LEVEL ON THE INDICATORS

After flipping everything to full on bullish with cash for trash bonds, currency swap windows for foreign nations, and immense policies to convert even the most strident bears, the Fed summoned cold water on the move after the Fed meeting. Now the weekly chart shows 4 weeks of choppy indecision. More importantly, both the RSI and the PPO histogram are starting to decline from typical bear market rally topping areas. (RSI stalls under 60, PPO stalls nears zero). With this weeks' PPO slowing near zero, and price closing below the 40-week moving average, this is a high potential fail area for a bear market rally. See November 2015.



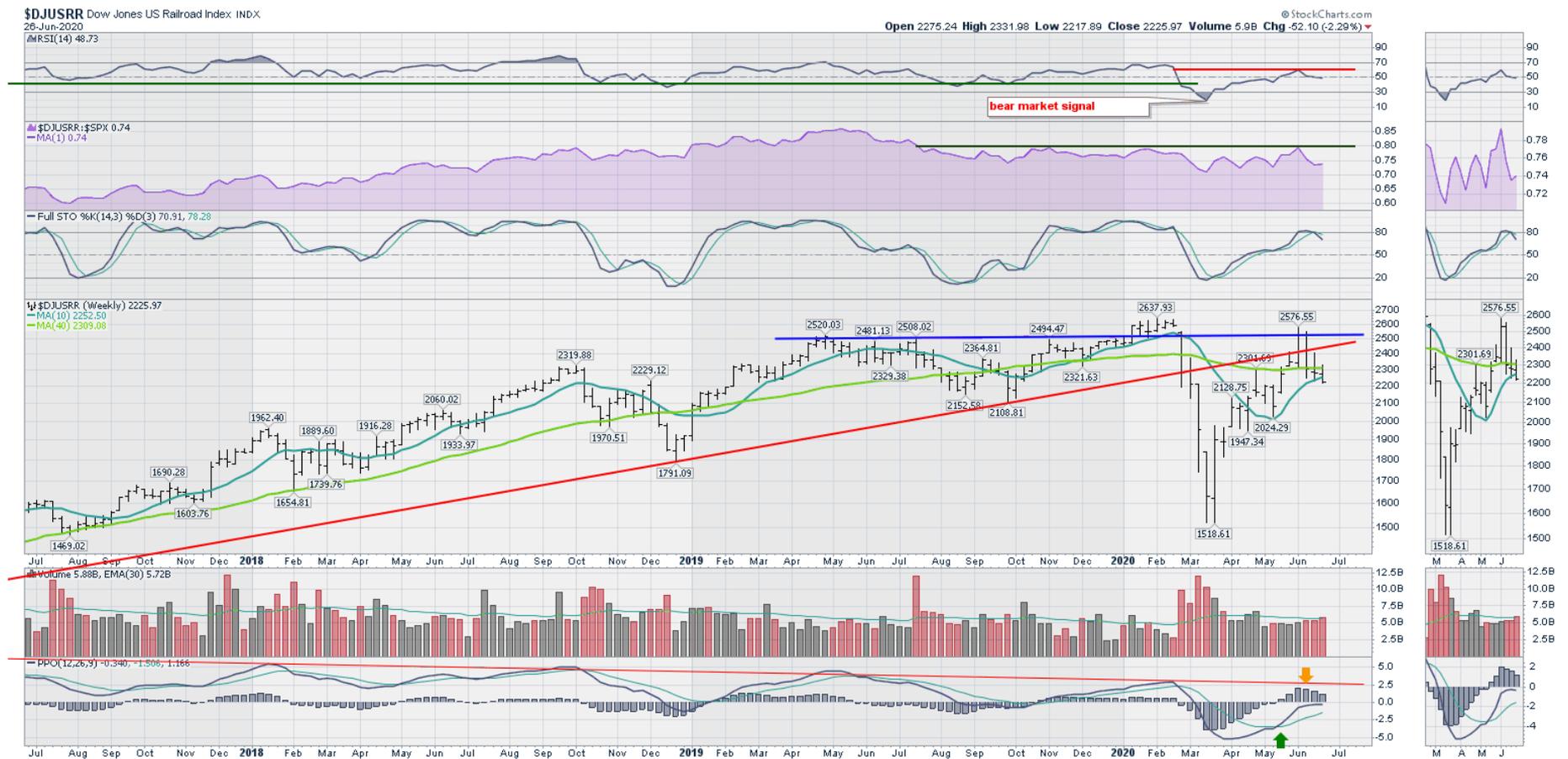
SECTOR CRACKS

Lots of the sectors broke below my uptrend models on the daily charts. [Link](#). 8 of 11 are now below the green channel with a Friday close emphasizing this weakness. Positioning over a weekend is considered more important than overnight. The fact that so many groups are starting to break down is more concerning. Technology (XLK), Discretionary (XLY), and Materials (XLB) are still above the lower boundary. In the lower panel, we can see the relative strength trend compared to the \$SPX breaking.



RAILROADS

The railroad index is back below both the 40-week and 10-week moving averages. [Link](#). On the top panel, the RSI kicked a bear market signal with a move below 30 in March. Usually the rallies stall out below 60 or 65. So far that is true. The price failure at prior highs is concerning. The PPO rolling over at zero started three weeks ago according to the histogram. Serious bear market warning for me suggests checking to see if the industrials and energy are also rolling over. That review is true. [XLI](#), [XLE](#).



NATURAL GAS

The Natural Gas chart made the lowest 'weekly' close in 25 years. The best cure for low prices to reverse, is the lack of production that low prices create. However, the utilities chart is also breaking down which worries me even more. That suggests there is little demand for utilities consumption in heating, cooling or power production. When the world is optimistic that demand is improving, that will push up prices on the stocks related to these industries, but that investment thesis is in withdrawal currently. [Link](#). If that PPO reversed quickly and turned up, I would too! Until then, caution prevails.



UTILITIES

Utilities are back below the long term trendline this week, which is why I am suggesting this investment thesis around Natural Gas might need more time. Natural gas at 25-year lows, suggests watching for a reversal. But I think we'll need to see all of these demand views to reverse up. The Utilities PPO rolled over under zero this week, which is particularly bearish. [Link](#). More caution.



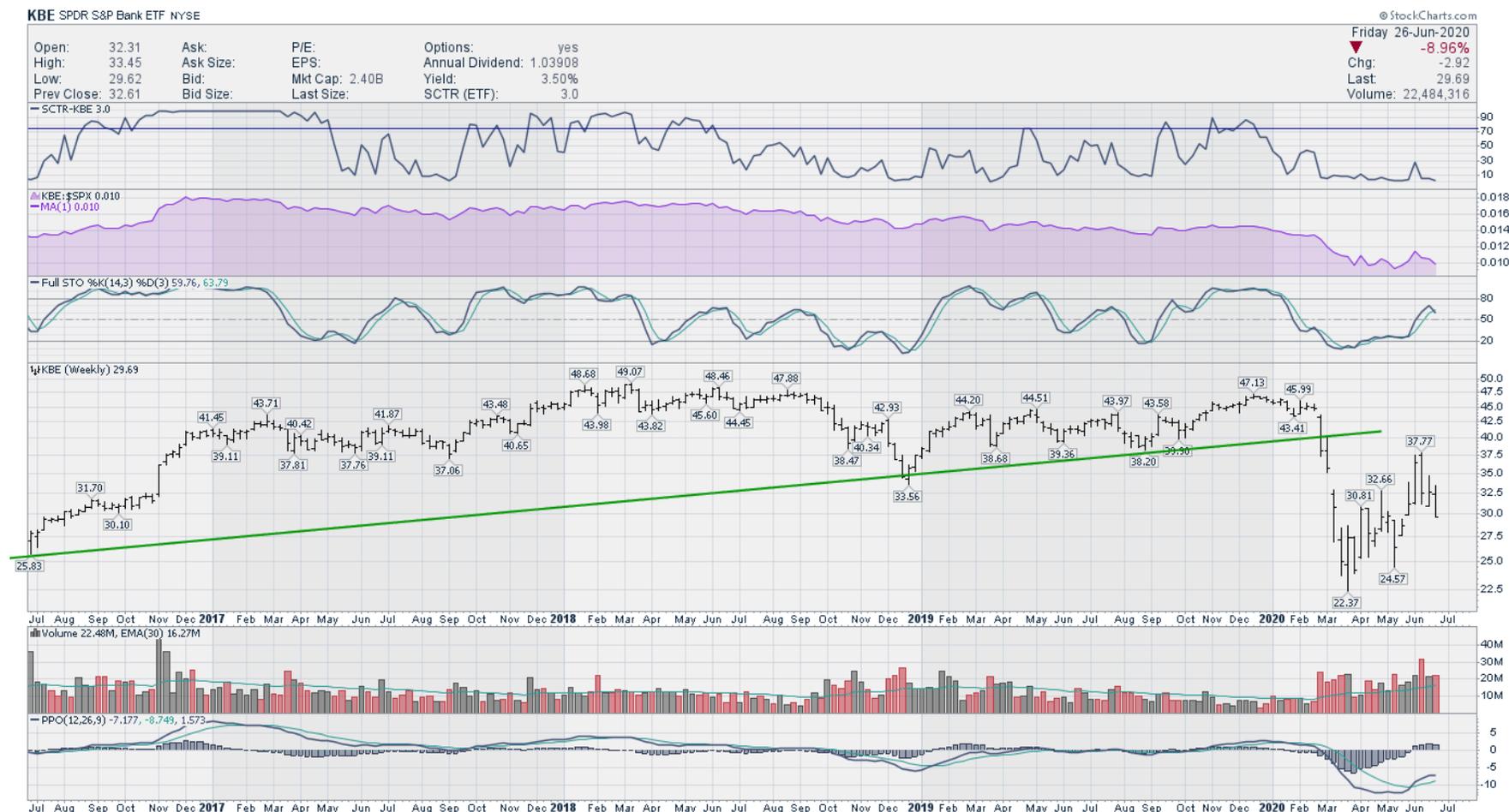
LUMBER VS. LUMBER STOCKS

Lumber had a positive weekly candle and price finished higher in the middle of the bar. However, the wood ETF, closed down on the week creating a divergence. The price is up near a down-trending line across the price tops. The PPO is also near one. Keep a close eye to make sure this breakout happens, and the lumber stocks confirm the move. [Link](#). More caution.



BANKS SHOW WEAKNESS AS WELL

Banks made new 1-month lows this week, punctuating the end of the week with a low close. [Link](#). Notice the PPO histogram started to decline for the first time since the rally started. There is a significant resistance layer at \$38 and the price stalled on the way up there. The banks dropped almost 9% this week. Hardly comforting.



MARKET SUMMARY

I covered off much more in the index video, and this newsletter highlights the top charts for the week. I could easily have added double the number of charts, outlining my concern for the current market softening. We still have a Fed who can utter words of encouragement and jam the market higher, so I would maintain some ballast here on being too negative. The US market is on the left and the Canadian market is on the right. Gold miners had a good week.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XLK	Technology	94.2	101.54	-0.41	↓
XRT	Retail	59.3	41.24	-2.06	↓
SMH	Semiconductors	91.8	147.67	-2.07	↓
XLB	Materials	49.7	54.49	-2.48	↓
XLY	Discretionary	73.5	123.75	-2.62	↓
XLV	Healthcare	56.4	97.51	-2.81	↓
XLU	Utilities	21.6	55.18	-3.22	↓
XLP	Staples	40.3	57.13	-3.43	↓
XLI	Industrials	22.2	66.14	-4.04	↓
IYR	Real Estate	24.4	76.49	-4.09	↓
XLF	Financials	9.1	22.58	-5.24	↓
XLC	Communications	61.9	52.47	-5.34	↓
XLE	Energy	2.9	36.51	-6.55	↓
XOP	E & P	0.6	49.74	-10.81	↓

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTGD	Gold Miners	334.47	5.60	↑
\$SPTMT	Materials	298.11	3.41	↑
\$SPTTK	Technology	159.96	1.08	↑
\$SPTIN	Industrials	265.17	-1.45	↓
\$TSX	\$TSX	15188.98	-1.84	↓
\$SPTRE	Real Estate	263.11	-2.66	↓
\$SPTCS	Staples	612.82	-2.88	↓
\$SPTCD	Discretionary	173.07	-2.97	↓
\$SPTUT	Utilities	270.01	-3.46	↓
\$SPTFS	Financials	253.72	-3.47	↓
\$SPTEN	Energy	74.47	-3.49	↓
\$RTCM	Income Trusts	184.66	-3.58	↓
\$SPTTS	Telecom	153.98	-4.62	↓
\$SPTHG	HealthCare	53.34	-6.54	↓

GLOBAL VIEW

On the left, the world indexes retreated. With Friday's weakness, we'll watch to see if the Asian markets follow the US lead down on Monday. Industrial metals were pretty much unchanged, but liquid energy products (oil, gas, diesel) were markedly lower. If we are on the precipice of a bear market move down, this retraction of product demand should send the commodities lower. Lots more on the commodity video.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SSEC	Shanghai	2979.55	1.49	
\$BSE	India	35171.27	1.27	
\$NIKK	Japan	22512.08	0.15	
\$RTSI	Russia	1246.74	-0.23	
\$KOSPI	South Korea	2134.65	-0.31	
\$HSI	Hong Kong	24549.99	-0.38	
\$IDDOW	Indonesia	1059.80	-0.81	
\$AORD	Australia	6011.80	-0.91	
\$CAC	France	4909.64	-1.40	
\$NDX	Nasdaq 100 ----	9849.36	-1.59	
\$TSX	Canada	15188.98	-1.84	
\$DAX	Germany	12072.10	-1.95	
\$GBDOW	London	273.53	-2.30	
\$MXX	Mexico	37431.95	-2.53	
\$BVSP	Brazil	93834.49	-2.83	
\$SPX	S&P 500 ----	3009.05	-2.86	
\$IBEX	Spain	7178.40	-3.18	
\$INDU	Dow ----	25015.55	-3.31	

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
GDX	Gold Miners	98.0	35.19	4.89	
SIL	Silver Miners	94.0	35.46	4.36	
JJNTF	Nickel ETN		14.60	4.29	
\$COPPER	Copper		2.68	2.60	
\$GOLD	Gold		1780.30	1.56	
\$COCOA	Cocoa		2277.00	1.11	
\$SILVER	Silver		18.04	1.05	
\$LUMBER	Lumber		424.10	0.64	
LIT	Lithium	96.8	31.24	-0.29	
\$SOYB	Soybean		861.25	-1.74	
\$BRENT	Brent Crude		40.93	-2.99	
REMX	Rare Earth Metals	25.3	33.53	-3.09	
SLX	Steel	11.4	26.75	-3.36	
\$WTIC	WTI Crude		38.49	-3.36	
\$SUGAR	Sugar		0.12	-4.60	
\$HOIL	Heating Oil		1.15	-5.74	
HMMJ.TO	Marijuana Stocks	19.6	6.95	-6.21	
\$NATGAS	Natural Gas		1.54	-7.49	
\$GASO	Gasoline		1.16	-8.98	

VIDEO OF THE WEEK

The monthly conference call for members will be held July 2nd at 5 PM EDT. [July 2020 conference call recording](#). Please follow this link on Thursday to connect into the meeting.

Here is the link to this week's chart list. [Weekly Charts](#)

Here is a link to this week's video. [Chilling Charts](#)

Here is a link to this week's commodity and foreign markets video. [Chilling Commodity Charts](#).

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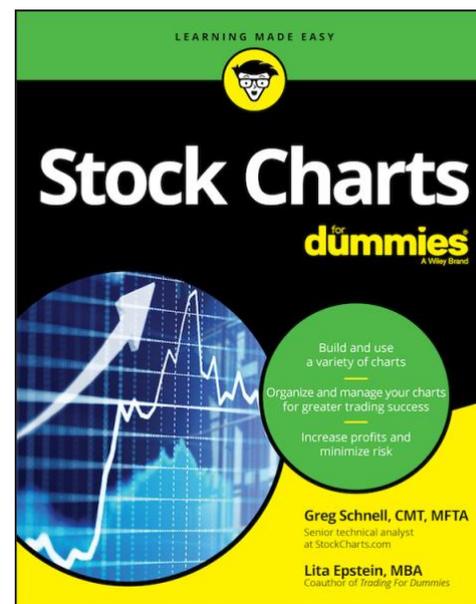
Good trading,
Greg Schnell, CMT, MFTA.

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BIOGRAPHY GREG SCHNELL, CMT, MFTA.

Greg Schnell, CMT, is the chief technical strategist at gregschnell.com specializing in intermarket and commodities analysis. Greg's work has been regular reading on the world-leading StockCharts.com platform for thousands of investors. Hedge funds, RIA's, portfolio managers, technicians and private investors consider the charts Greg displays. Greg Schnell is valued for his timely, in-depth, unique analysis that generates a valued perspective. Greg has won multiple awards as the Top Independent Analyst of the Year in Canada.



Based in Calgary, Canada, he is a past board member of the Canadian Society of Technical Analysts (CSTA) and past chairman of the CSTA Calgary chapter. As an active member of CMT Association, Greg speaks throughout North America on technical analysis. Greg is the co-author of Stock Charts for Dummies.