

# THE CANADIAN TECHNICIAN



U.S. Edition

## Bouncing Banks?

US Market Weekly Review  
August 8, 2020



With  
**GREG SCHNELL**

## MARKET COMMENTARY

The US markets closed higher on the week with the IWM small caps ETF joining the party and moving above the June highs. With all of my breadth data, absolutely everything is positive here. My SSIH indicator moderated marginally, still at a blazingly solid 97.6 %. I here all the noise around me about topping but the price and momentum action continue to say higher.



Breadth is currently rock solid. Bonds made a very important hammer candle this week giving some reasons to be bullish the banks. The Bank ETF was up on the week nicely. This bond hammer follows last week's Fed meeting, so this is a bullish time to look for changes.

Oil names were resilient this week with oil bouncing around. After BP and Exxon announced, the markets had lots to talk about. I have been discussing Natural Gas and it had a furiously good week, up 24%!

Last week I mentioned the Yen, but nothing happened on that front this week. The Nikkei didn't go anywhere so no news on either Japanese front after the big moves last week to close out the month. I was impressed with the Shanghai bouncing nicely this week, but that didn't seem to

encourage copper. We'll be watching for copper to get back in sync this week.

Summary: The market keeps working its way higher. The Canadian market moved up against resistance, but it looks like the commodities and the banks could roll forward this week, which should give it the momentum to go higher. The US markets continue to rage forward. Transports, oil, Natgas, banks, utilities, semi's, tech, utilities were all pushing higher. Like the natural lazy river ride in the photo above, it's a nice place to be participating.

Let's jump into the charts.

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## @SSIH - STILL VERY STRONG

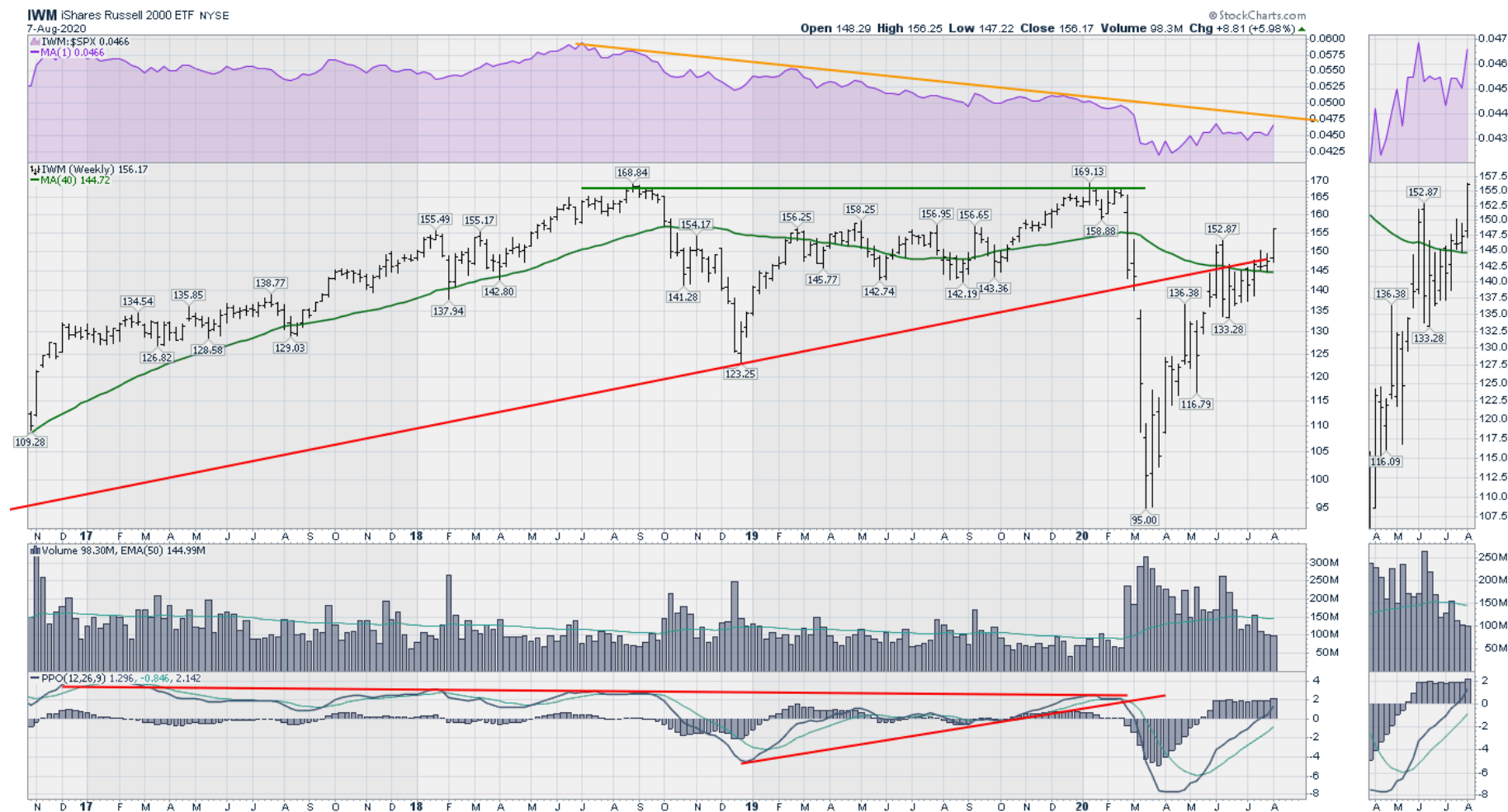
The Schnell Strength Index held this week at 97.6%. The market is still very strong. As we work our way through earnings, tech names have held up well. The SSIH is still suggesting higher levels and we hit more weekly closing highs this week.

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



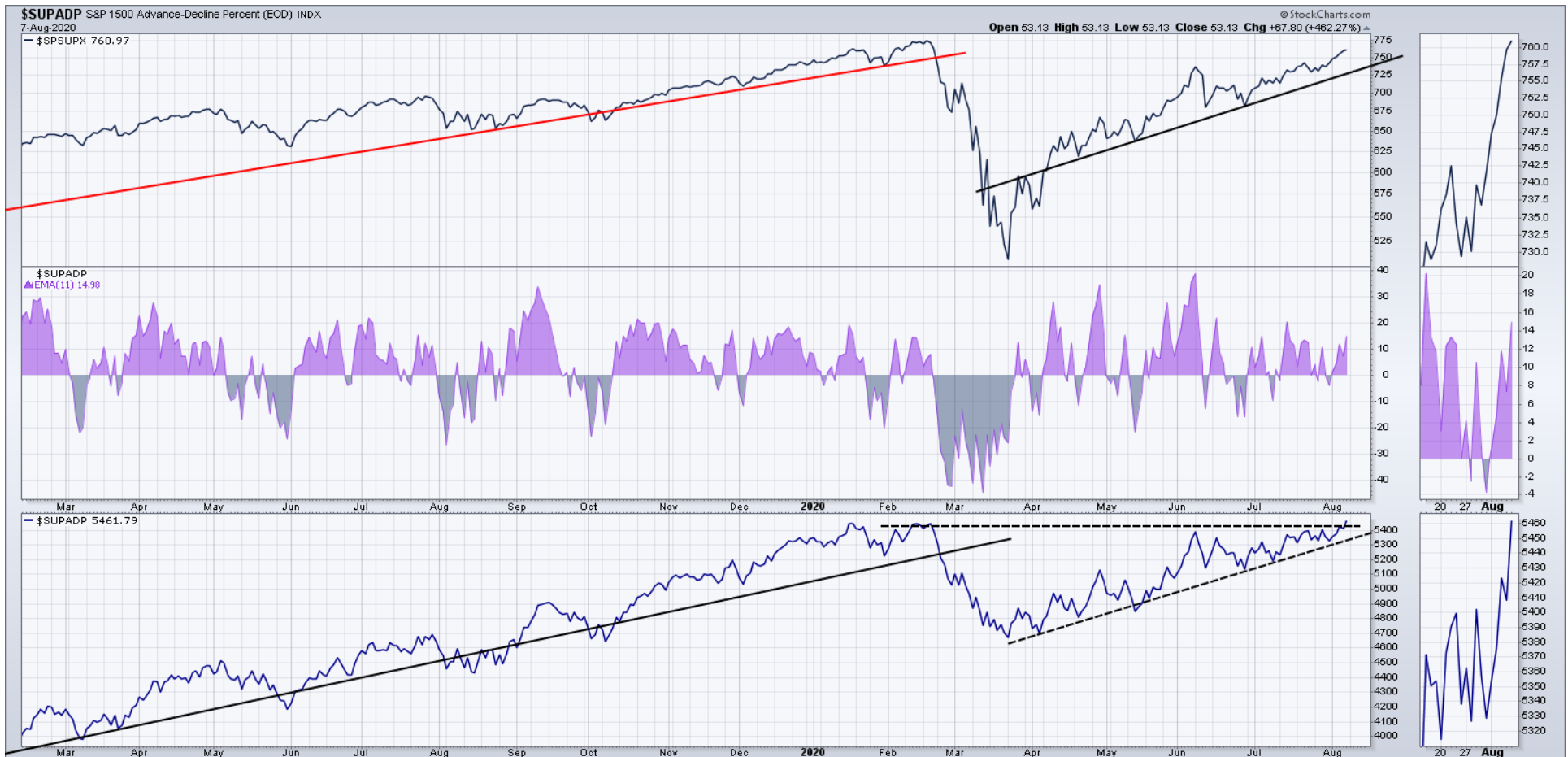
## IWM JOINS THE PARTY

The **IWM** broke out above the June highs this week. The small caps, mid caps, and the large caps all made higher highs. Bullish.



## \$SUPADP- TOP 1500 STOCKS ADVANCE /DECLINE LINE

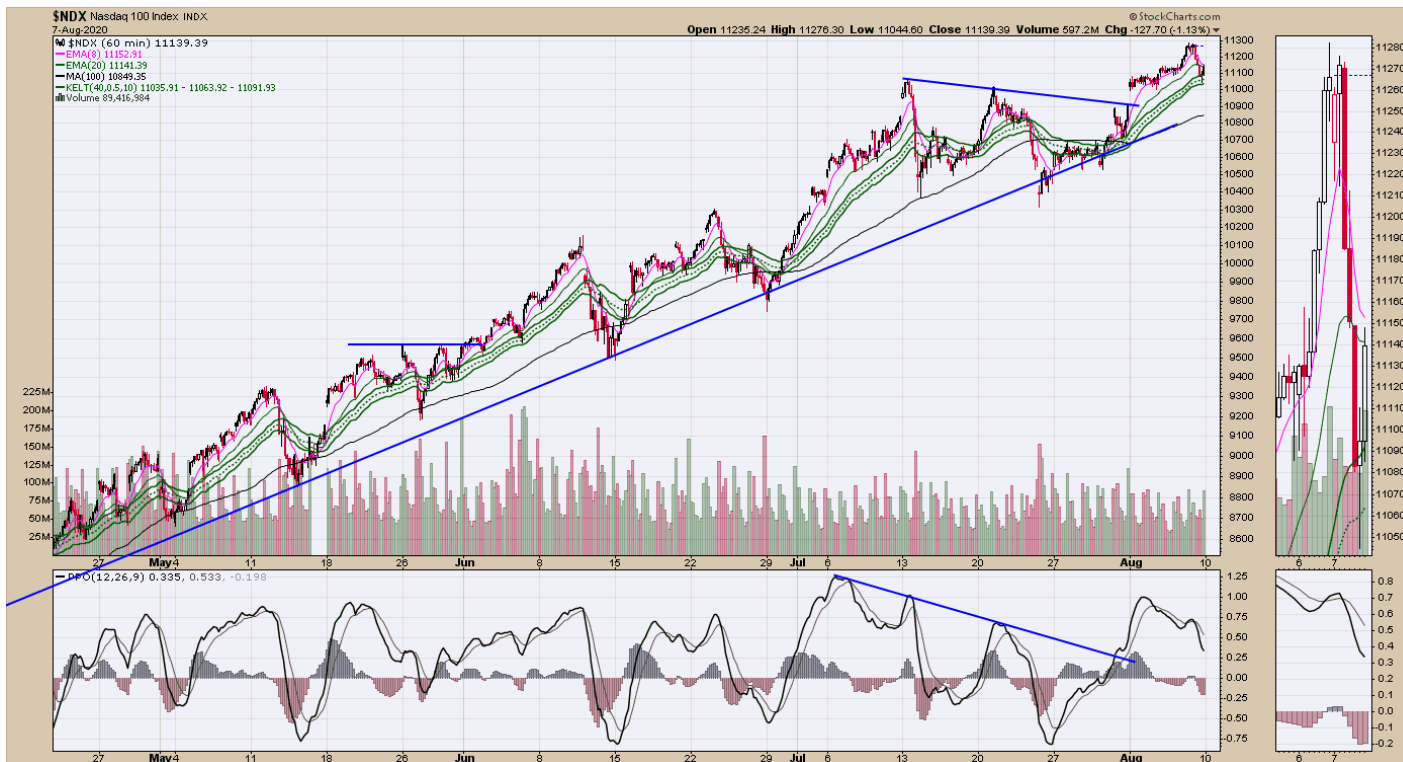
This chart is the [advance/decline line for the top 1500 stocks](#) which is an important gauge of the most powerful stocks. This broke out to a new high (third panel) which is very bullish. Just a huge push higher all week.



## \$NDX - NASDAQ 100 TREND CHANGE

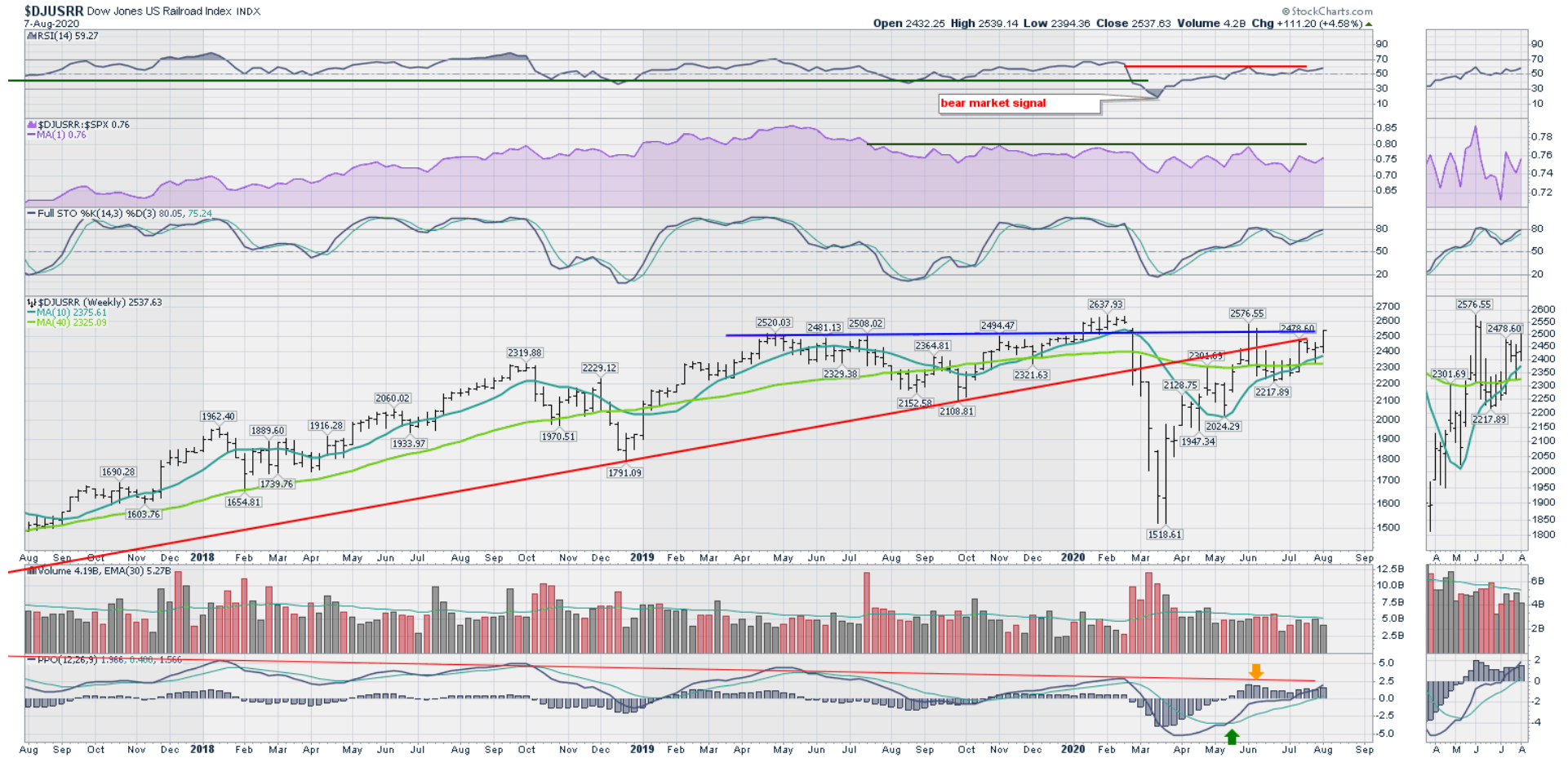
Last weeks commentary - “[Link](#). The Nasdaq 100 closed below this trend line last week. This week, it rallied to the top of the range and stopped right at the line representing lower highs. The PPO indicator rallied through the down trend line, so I consider that to be a bullish signal in the short term. A pop to new highs will have the people anxious to short this market, closing their positions, adding more fuel to a rising trend. That could add a little drama this week as this tries to make a higher high.”

Here is the updated chart with the lines from last week still on the chart. The wiggles are still wiggling higher. Bullish. Shorts were forced to cover, the market pushes higher.



## TRANSPORTS

The Transports had a solid week. **Railways were back on the rails!** Rollin' and rolling bigly. Up 4.5% and a close above my blue trend line. Volume was a little muted, but we won't split facts. This is the highest close since February and industrials rallied lock step.





## XLI - INDUSTRIALS

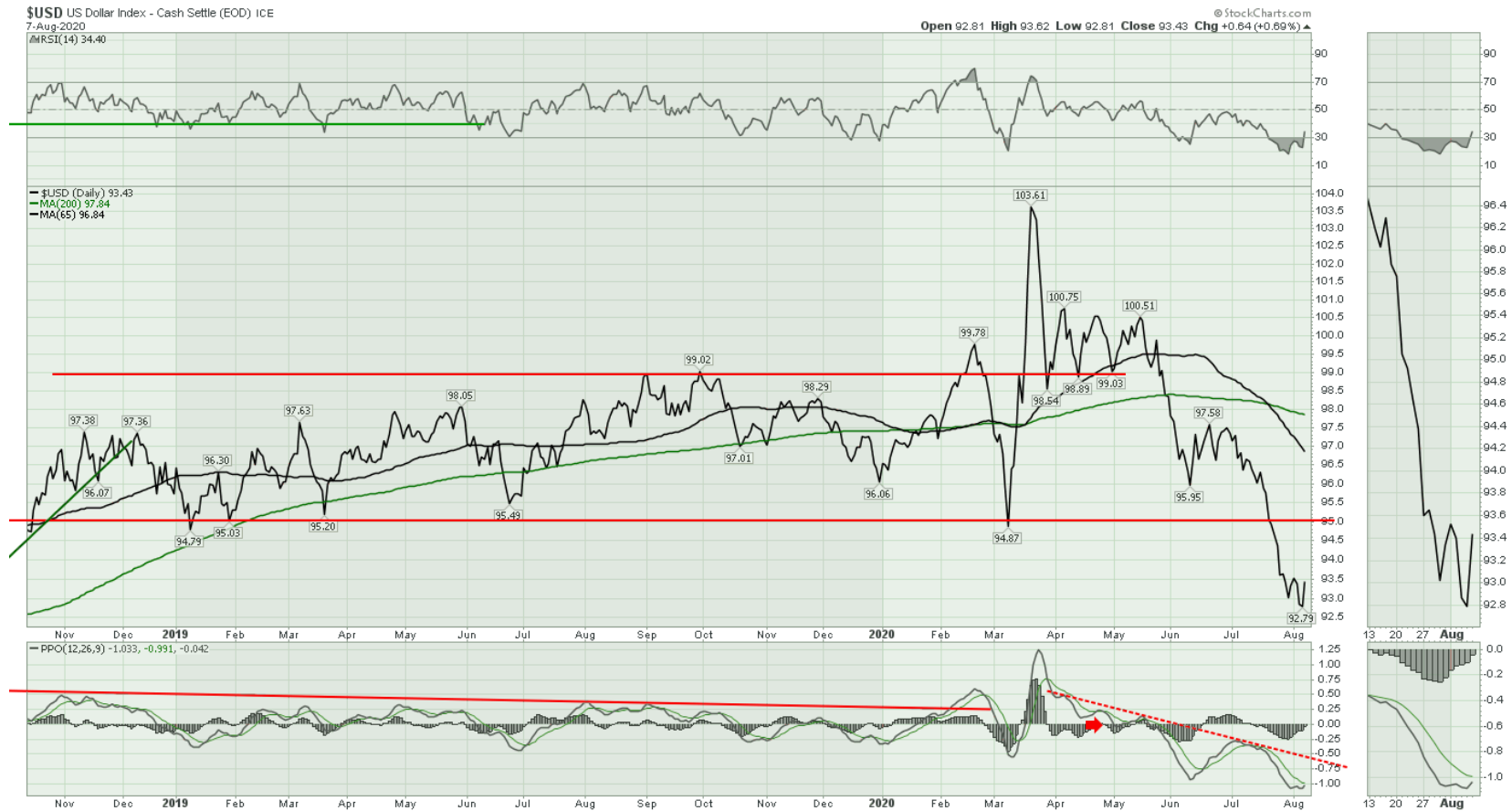
The Industrials broke through the downtrend line this week, in concert with many other indexes pushing higher. One major line of horizontal resistance lies ahead. This line has been there for two years. In June it provided resistance as everything topped on June 8th. The PPO is just moving into positive territory. Bullish.





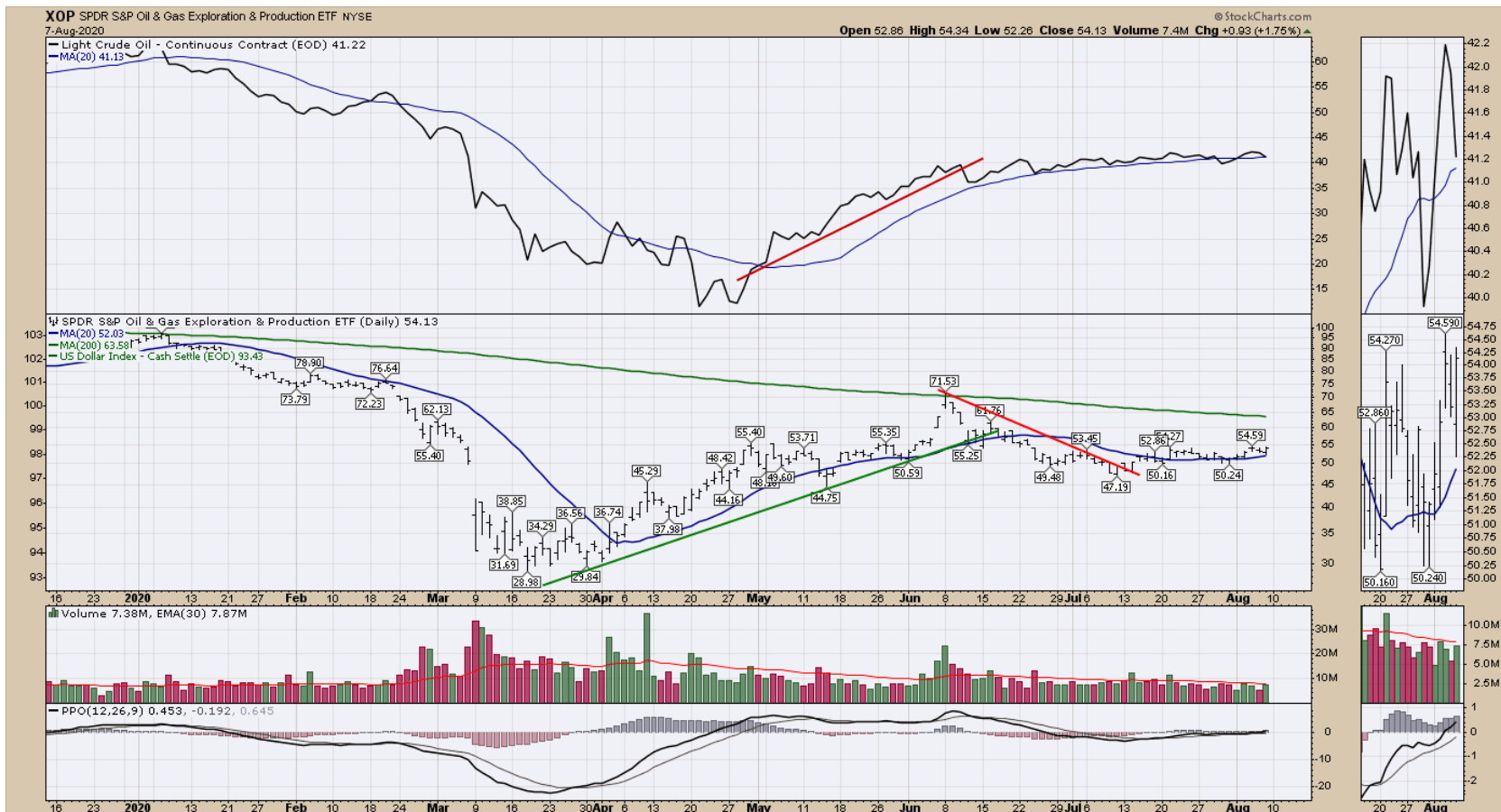
## \$USD

The US Dollar wobbled this week as it tried to stop the slide. The daily chart of the dollar shows the back and forth action this week as it tries to firm up. The down sloping line on the PPO shows the momentum steadily declining and we don't have any positive divergence yet. In my opinion this sets up well, to keep commodities cooking for the next little while.



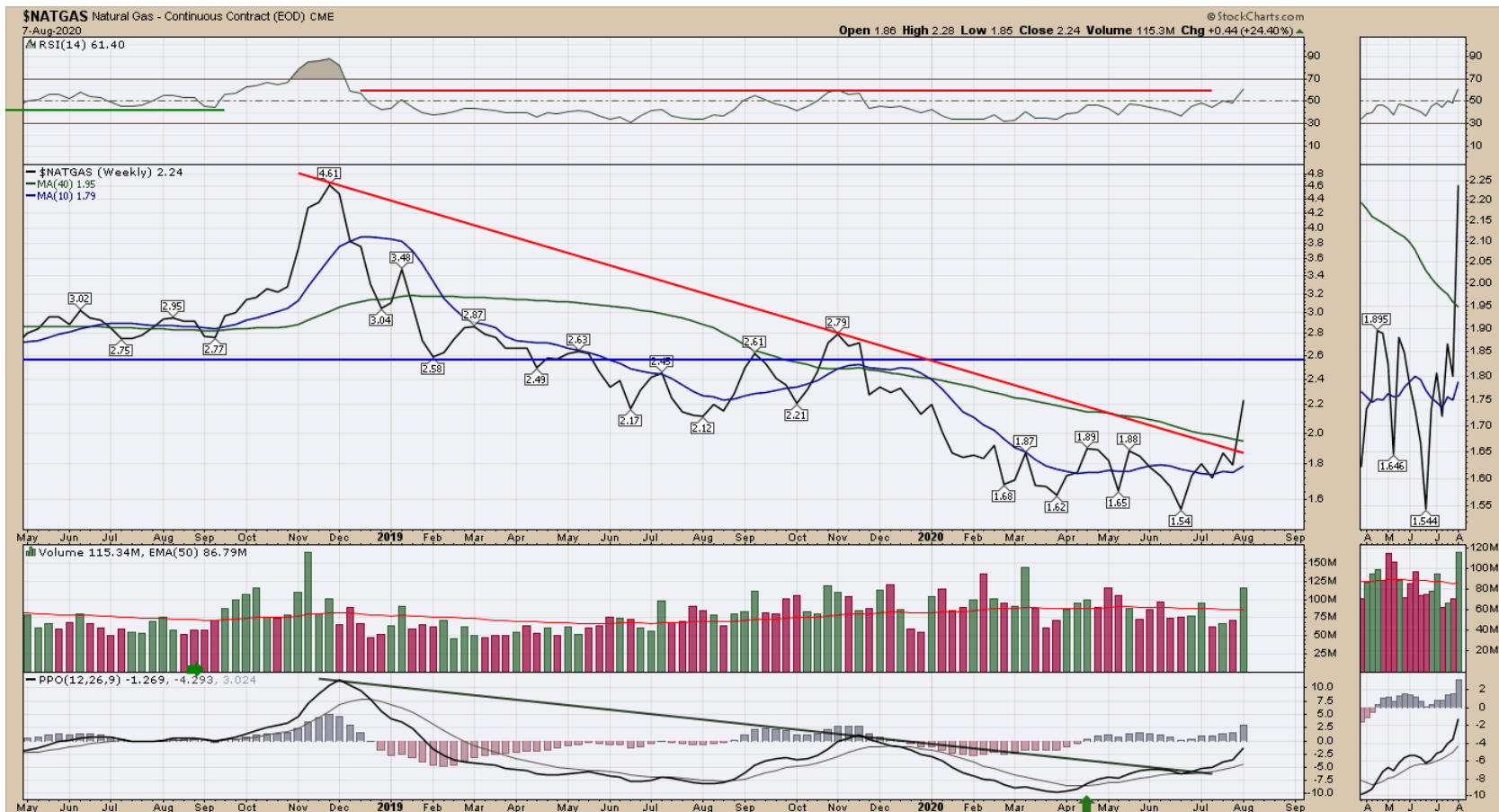
## XOP - EXPLORATION AND PRODUCTION ETF

The exploration and production ETF (middle panel) closed up nicely on Friday, but we are still trying to break above \$55. The PPO is pushing above zero and if we are going to see these names start to break out as demand comes back, this chart is set up right now. Oil is in a squeeze and eventually we'll get a breakout. My expectation is to the upside as the shut-in production starts to affect the storage levels.



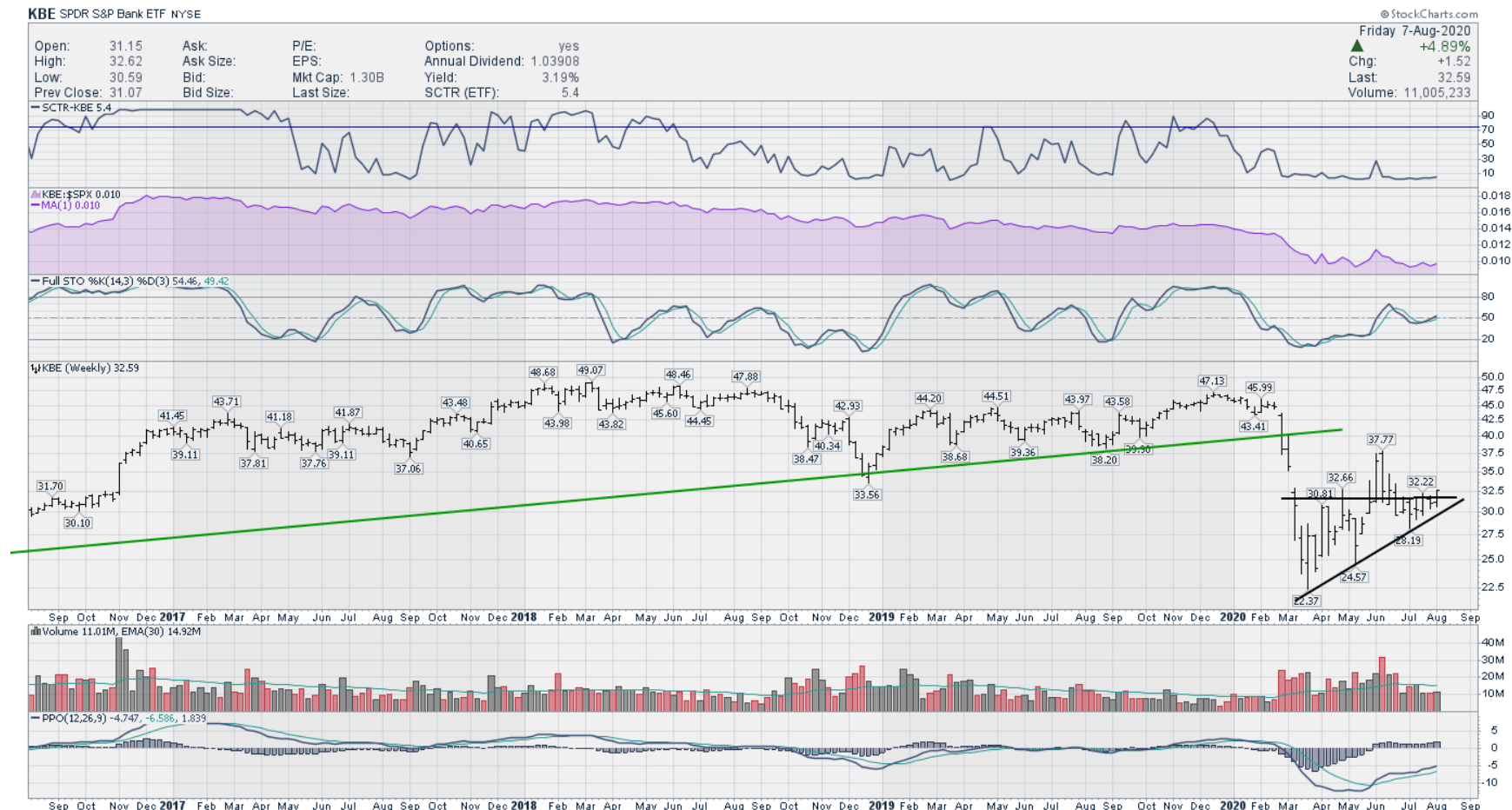
## \$NATGAS - NATURAL GAS

The [Natural Gas chart](#) soared this week with a beautiful breakout above the \$1.90 level which has been the friction level. The break out this week, moved above the 40-week moving average and the down sloping trend line. From the recent newsletters, I have mentioned why this particular move in Natural Gas is so important in the long term. This is the initiation thrust we have been waiting for. The PPO breaking out was a wonderful clue.



## KRE - BANK ETF

The Bank ETF (KBE) rallied nicely this week in concert with other major industry indexes. On the chart below, we closed at 6-week highs and up 4.89%. I like the full stochastic turning higher at this 50 % level. That is usually associated with bullish price trends, not bearish ones. If banks can start to run, that will really help the rally confidence.



## BOND MARKET PRINTS A HAMMER

The bond market changed this week with a very important hammer candle. After closing below the horizontal support level (Black Line) last week, the yield level opened higher than last weeks' close. Then it pushed lower, taking out last weeks' low. What makes this really bullish is the yield level bounced off these freshly printed lows and closed above last weeks' close, and the resistance level. It then kept going and made it all the way back up to this weeks' open. [Link](#). This is typically a bullish reversal signal. One to watch!



## SIL - SILVER MINERS

Silver and silver miners both soared this week. Volume was exceptional again. We made a higher high and a higher low and closed higher. What is concerning is the Rate-Of-Change indicator at the bottom with a setting of 1. This measures the percentage change week to week. With so many 10% weeks this year and on the video I showed a lot of 6% daily moves, we are getting very frothy. Suggestions include taking some profits or moving stops up. [Link](#). We are up massively. Caution.





## MARKET SUMMARY

The Energy space oscillated from the worst to best this week, after doing the opposite last week. The yoyo continues. Nice to see energy, financials and industrials in such a strong position. The weakness in gold miners was discussed on the video. Technology still held up well, and defensives were near the bottom.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XRT	Retail	95.7	50.72	7.16	
XOP	E & P	2.9	54.13	5.37	
XLI	Industrials	48.9	75.13	4.74	
XLF	Financials	14.4	24.84	3.37	
XLE	Energy	1.7	37.18	3.19	
XLC	Communications	86.7	59.93	3.10	
XLK	Technology	93.3	113.74	3.00	
XLY	Discretionary	88.7	140.38	2.47	
XLB	Materials	79.2	61.71	2.24	
SMH	Semiconductors	94.1	169.52	1.99	
XLP	Staples	66.4	63.51	1.29	
XLU	Utilities	31.7	61.49	1.08	
IYR	Real Estate	20.7	82.82	0.93	
XLV	Healthcare	71.5	106.41	0.83	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTEN	Energy	82.23	9.82	
\$SPTIN	Industrials	293.82	3.23	
\$SPTFS	Financials	266.51	3.13	
\$TSX	\$TSX	16544.48	2.32	
\$SPTTS	Telecom	162.14	2.08	
\$RTCM	Income Trusts	194.37	1.69	
\$SPTCD	Discretionary	188.26	1.59	
\$SPTRE	Real Estate	278.70	1.24	
\$SPTTK	Technology	174.34	0.85	
\$SPTCS	Staples	657.94	0.83	
\$SPTMT	Materials	349.03	0.42	
\$SPTUT	Utilities	293.96	-0.16	
\$SPTGD	Gold Miners	394.16	-0.89	
\$SPTHC	HealthCare	52.46	-4.04	

## GLOBAL VIEW

Globally, it was a big bullish push as the table on the left shows. For commodities, it is very bullish. Copper was down on the week, which didn't really fit anything else going on, So I would like copper to get back in the groove this week.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$KOSPI	South Korea	2351.67	4.55	
\$INDU	Dow ----	27433.48	3.80	
\$RTSI	Russia	1271.43	3.00	
\$DAX	Germany	12674.88	2.94	
\$NIKK	Japan	22329.94	2.86	
\$MXX	Mexico	38016.06	2.69	
\$SPX	S&P 500 ----	3351.28	2.45	
\$TSX	Canada	16544.48	2.32	
\$GBDOW	London	268.07	2.30	
\$CAC	France	4889.52	2.21	
\$NDX	Nasdaq 100 ----	11139.39	2.14	
\$AORD	Australia	6144.90	1.43	
\$SSEC	Shanghai	3354.04	1.33	
\$BSE	India	38040.57	1.15	
\$IBEX	Spain	6950.50	1.06	
\$IDDOW	Indonesia	1123.50	0.08	
\$BVSP	Brazil	102775.55	-0.13	
\$HSI	Hong Kong	24531.62	-0.26	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$NATGAS	Natural Gas	2.24	24.40	
\$SILVER	Silver	27.54	13.73	
\$LUMBER	Lumber	580.50	9.94	
REMX	Rare Earth Metals	43.55	8.71	
LIT	Lithium	38.16	6.27	
\$COCOA	Cocoa	2523.00	5.13	
JJNTF	Nickel ETN	16.34	4.68	
SLX	Steel	29.90	4.66	
\$GASO	Gasoline	1.21	3.12	
\$WTIC	WTI Crude	41.22	2.36	
\$GOLD	Gold	2028.00	2.12	
SIL	Silver Miners	49.34	2.07	
\$BRENT	Brent Crude	44.40	2.02	
\$SUGAR	Sugar	0.13	0.24	
\$HOIL	Heating Oil	1.22	-0.33	
GDX	Gold Miners	42.74	-0.47	
\$COPPER	Copper	2.79	-2.63	
\$SOYB	Soybean	867.50	-2.80	
HMMJ.TO	Marijuana Stocks	6.79	-4.23	

## VIDEO OF THE WEEK

The monthly conference call for members was held August 5th at 5 PM EDT. [August 2020 conference call](#).

Here is the link to the chart list. [Weekly Charts](#)

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

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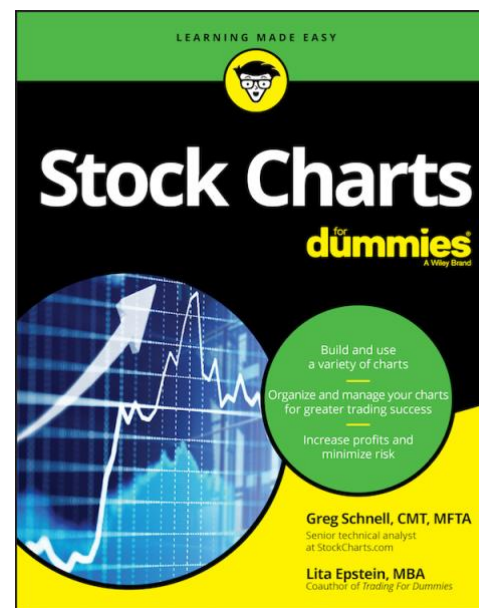
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Good trading,  
Greg Schnell, CMT, MFTA.

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