

THE CANADIAN TECHNICIAN



U.S. Edition

US Markets Close On The Highs

US Market Weekly Review
July 31, 2020



With
GREG SCHNELL

MARKET COMMENTARY

The US markets closed higher, with a big lift on Friday afternoon. This closed out the day, the week and the month almost at the top of the \$SPX bar. Thursday, four of the big cap tech names reported and three of four beat the numbers. The Nasdaq 100 had its highest weekly close, but slightly below the July highs. Let's not split hairs here. It was a big bullish finish to the month.



While the Nasdaq composite advance/decline line cracked below the uptrend line, the market rose. That means that more stocks were going down than up, but the big names carried us higher. With negative divergence on the daily charts, and some names starting to come in, that is a little more negative. The number of stocks with big percentage drops have been rising for the last three weeks. Each week, we see a little more weakness, but we make higher closes. Hard to argue with higher closes and the advance/decline line is still intact for the top 1500 stocks.

The bond market yields imploded this week after the Fed meeting. Yields moved drastically lower, especially in the short durations 1,2,3 and 5-year. With a dropping dollar to finish the month, I would have expected more response from the commodities. Oil has been stuck in a sideways range for 2 months. Industrial metals paused this week, while precious metals exploded. Cash gold traded at an all time high.

The Yen broke through resistance but a big reversal took place on Friday so it finished back inside the rangebound sideways market from the last two years. Japan and Europe had a bad week, and the Japanese car companies dropped precipitously on a higher Yen. I'd look for fireworks around the Yen in August as the chart tension in the Yen, the Nikkei stock market, and export stocks like Japanese autos is very noticable.

Summary: The market keeps working its way higher. While the Nasdaq 100 weekly chart has been consolidating sideways, the \$SPX pushed up above the June highs and closed at the top of the month! The first part of this weeks' video shows the drastic difference in some of the world indexes to the \$SPX. Eventually that is a clue that the US market cracks, but the high finish on the \$SPX is real.

Let's jump into the charts.

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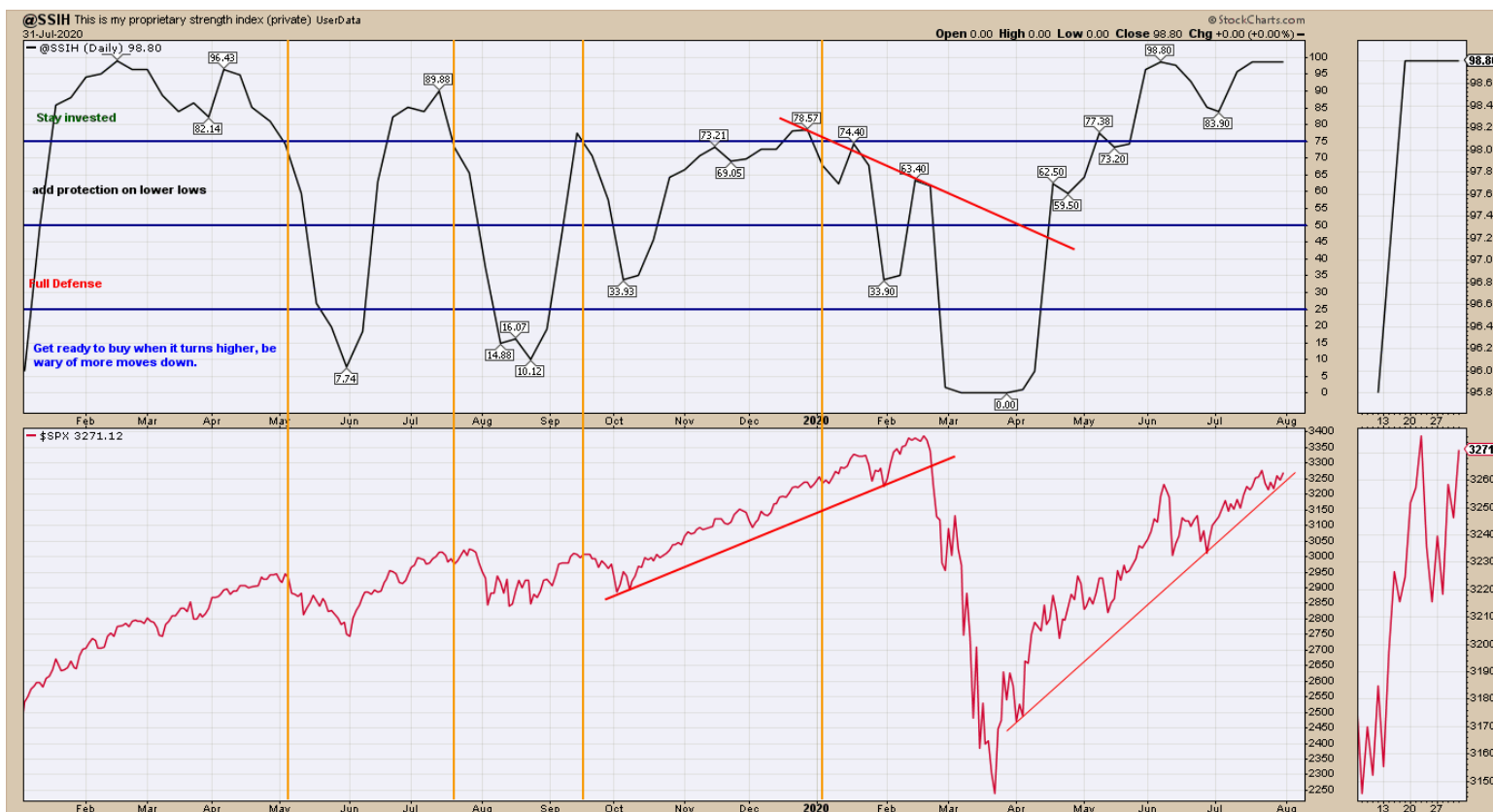
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@SSIH - STILL VERY STRONG

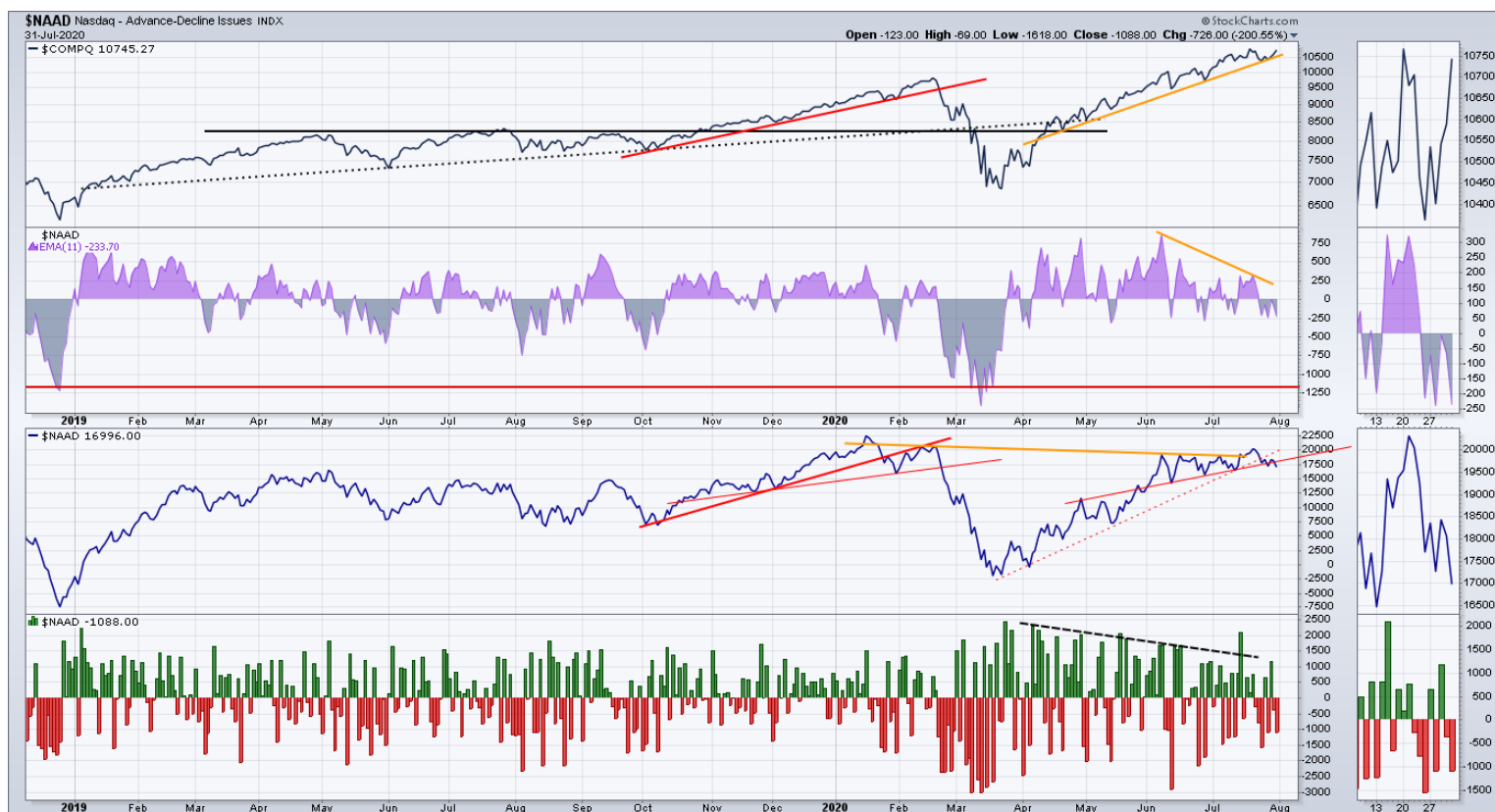
The Schnell Strength Index held this week at 99%. The market is still very strong. As we work our way through earnings, tech names have held up well. The SSIH is still suggesting higher levels and we hit more weekly closing highs this week.

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.



NASDAQ BREADTH

The Nasdaq advance/decline gave us another sign of weakness this week, with the lower-sloped red trend line break on panel 3 after breaking the dotted red line last week. There has to be a broad number of stocks going lower to change this line, not just a few. I have been highlighting this line through the newsletter on and off, because it is one of the best clues of weakness starting. We still have higher highs and higher lows, but a trend break is the first sign. Even though Friday was an up day, this dropped. Panel 2 is the two-week moving average, and we have been in negative space for the longest period since the rally began. That weakness will eventually envelop the indexes.



\$\$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 trend line has not broken. So the chart above is based on small and large stocks, but when the chart breaks through the slope of this 1500 stock advance/decline line is probably when we have a bigger correction.



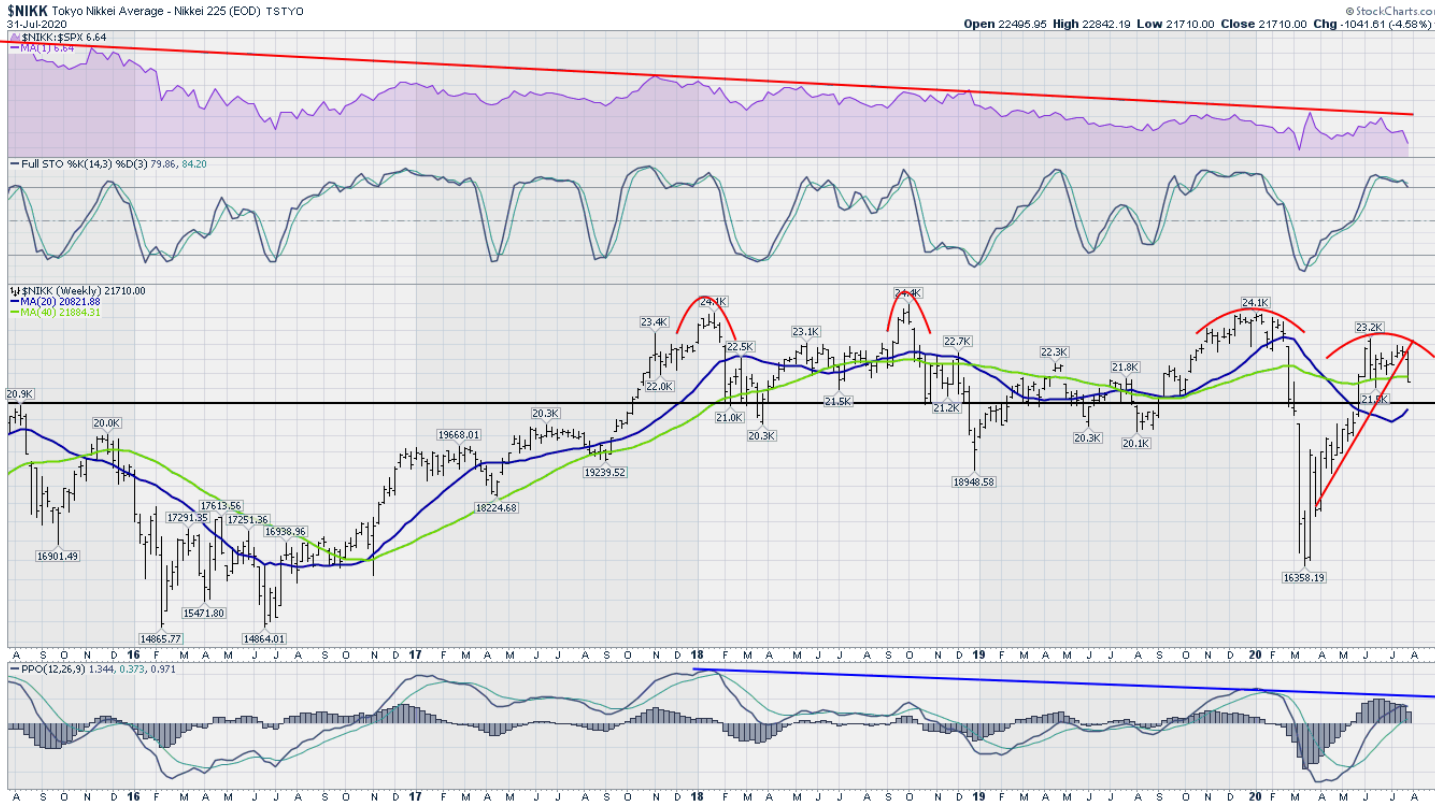
\$NDX - NASDAQ 100 TREND CHANGE

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.



\$/NIKK

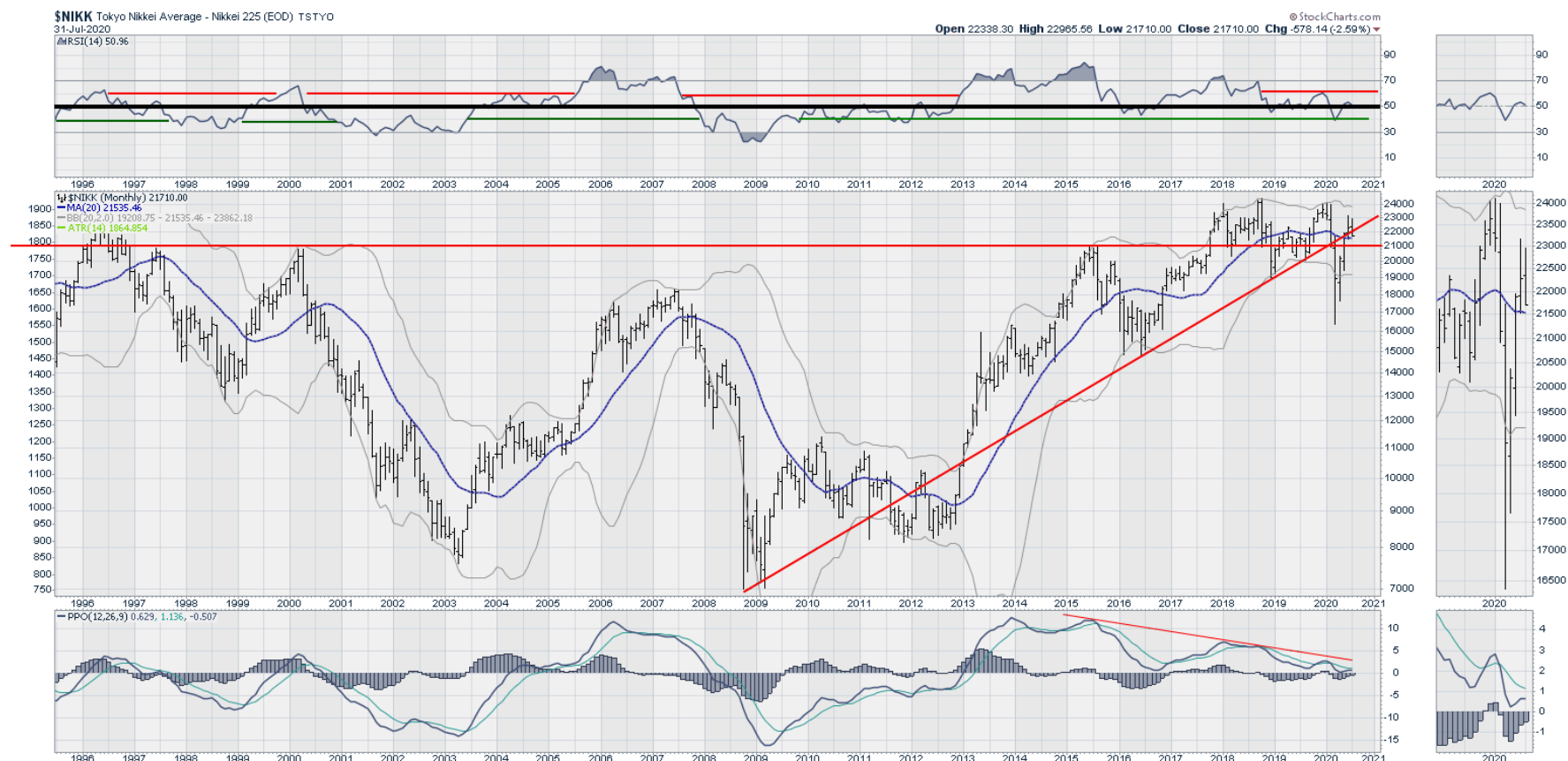
The Japanese stock market fell 4.5% this week, wiping out 2 months of sideways markets and closing on the lows of the week. This sudden departure of the Japanese market can be a warning for a plummeting US dollar. As one of the markets that I portray as weak, I worry about a major G7 country imploding after COVID19. With Japan's extreme debt to GDP, aging population, poor demographic profile, immigration resistant, export oriented market, some day it will mark the final highs as the global central banks lose control of the situation. The currency will wildly swing, and hyper-inflation sets in. It is in the best interests of world markets that this never happens, but a dramatic drop in GDP to a country with high debt is always a risk. With Japanese Debt to GDP double what would force a weaker nation into a crisis, it is a risk. Nothing like an unexpected, GDP-plummeting, pandemic to bring the



problem to the fore. [Link](#). Notice the 24,000 ceiling on the chart continues to be in play, and now a second lower high. The PPO on this weekly chart is stalling. Debt takes time to explode. Are we there yet? For global repercussions, this is one of the charts to worry about.

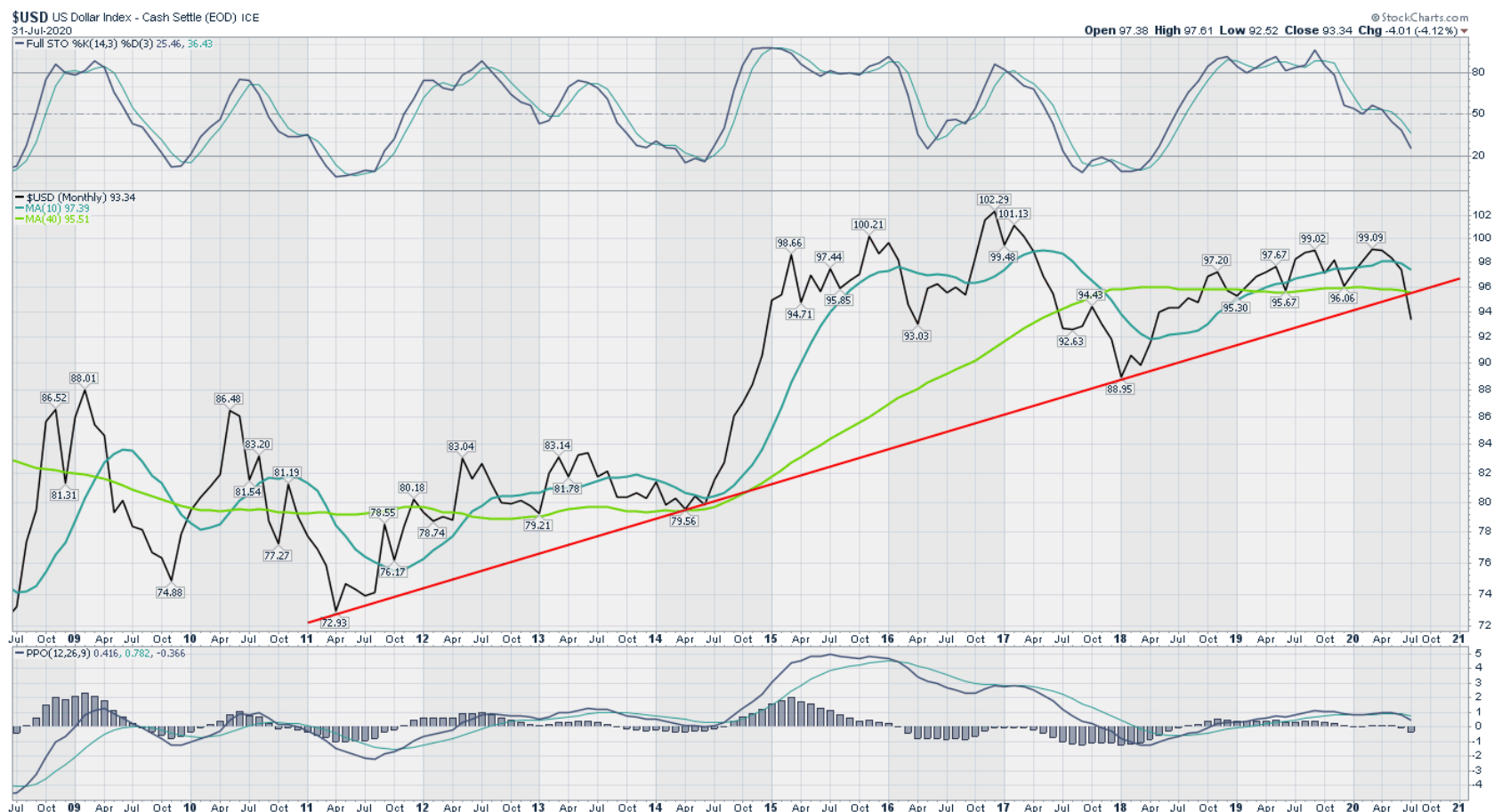
\$NIKK MONTHLY CHART

The monthly NIKKEI chart is one of the best clues to keep us on the right side of looming problems in Japan. The PPO is still positive, but every rally generates a lower high. When someone asks who saw it coming, you can say you did, by watching if this PPO swings into negative territory. A plummeting US dollar affects an export-oriented economy like Japan as it makes their exports more expensive compared to US products. That will add real pressure. Notice the long red uptrend in price is broken once again. From my work on the PPO, if this can't get back above the signal line and rolls over just above zero, that is a confirmation of the trend lower.



\$USD

The US Dollar closed well below the monthly trendline for the first time since 2011. US products got comparatively more expensive since 2011 with a rising US Dollar, so that helped Japan's exports. If that trend is reversing, I would expect a massive problem for exporting higher-priced Japanese products. This hit to Japanese GDP further complicates the slowdown from COVID19. We have seen the massive initial hit from COVID19 on the world, but the real issues start to show up later after the initial wave of responses.



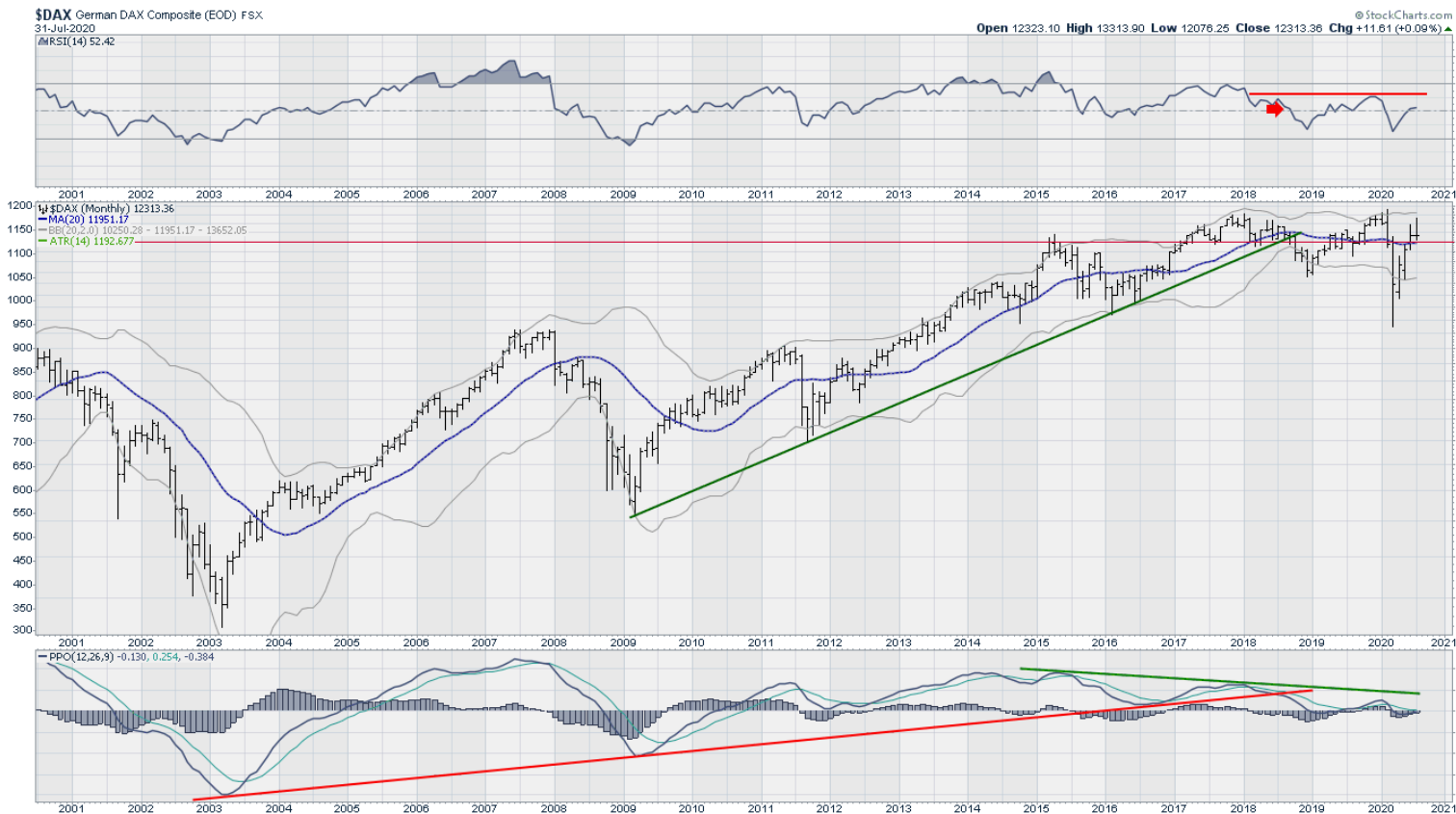
\$XEU - THE EURO

Last week I mentioned the Euro broke a 7-year trend line this week but has some work to do to break the bigger 13-year trend. [Link](#). As the US dollar weakness persists, some European markets also plummeted to close on the lows for the month. [German DAX](#). A very weak candle on the German DAX chart followed a failed test of the prior highs and a quick retreat from the 13500 level, now dropping almost 1000 points (7%) in two weeks. No big deal, until we see the next chart.



\$DAX - GERMAN DAX MONTHLY CHART

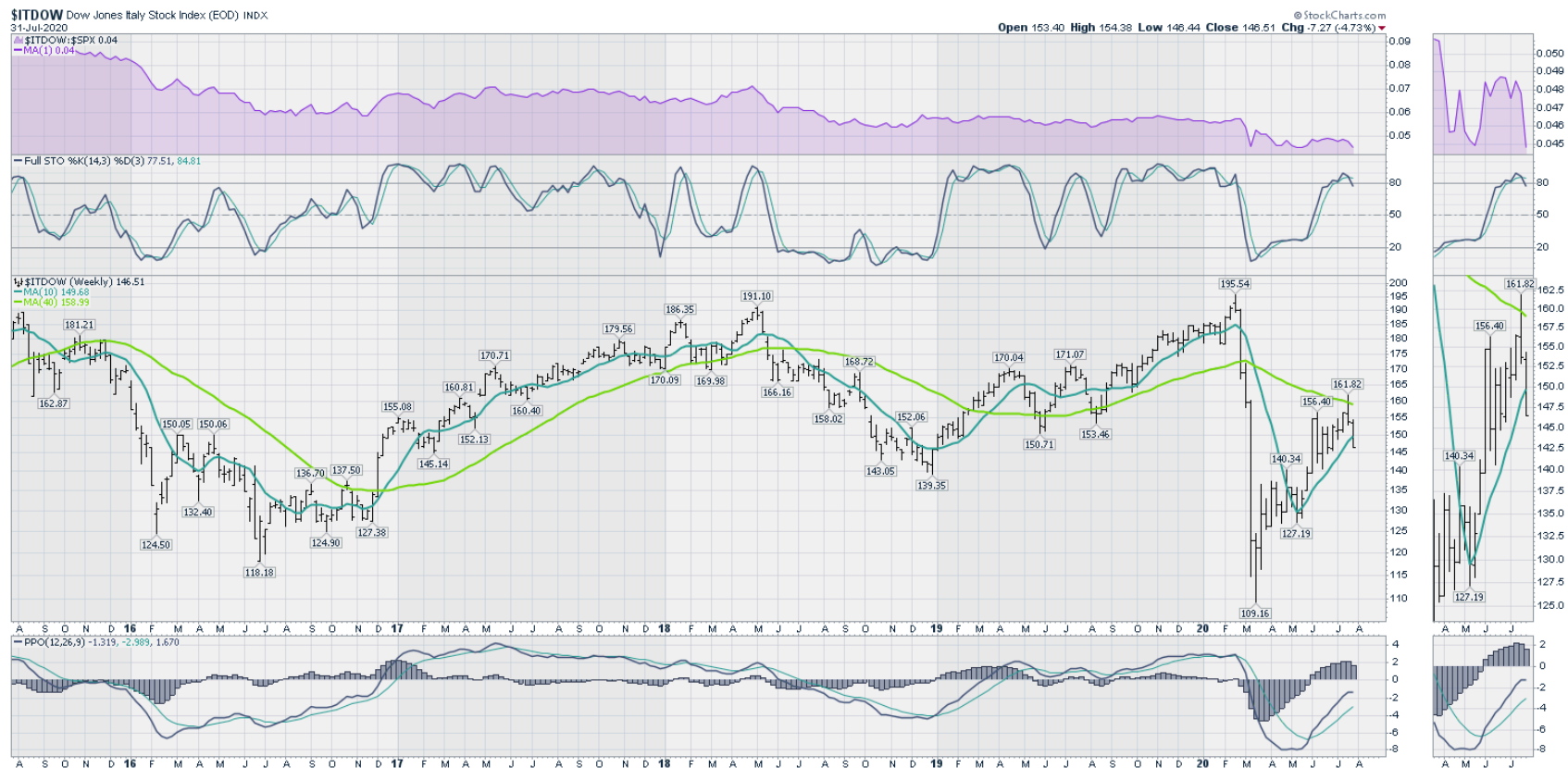
The German Dax monthly is another one of the charts that makes me worry about the aftershocks of the COVID recession. One of the institutional investors who subscribes to my newsletter, called me after the COVID drop started, and I mentioned that a global recession was a real risk because of the weakness on monthly charts from around the globe. An example is this Germany chart priced in Euros. [Link](#). The 12000 level is very important as it marks support for the current double top as this market is at levels seen back in 2017. For me, the clue resides in the PPO, where the indicator is below zero and trying to rally above. If this PPO rolls over at



zero, that would confirm the macro weakness, and create more selling. Germany is the strongest market in Europe but a weak US dollar hinders that export strength.

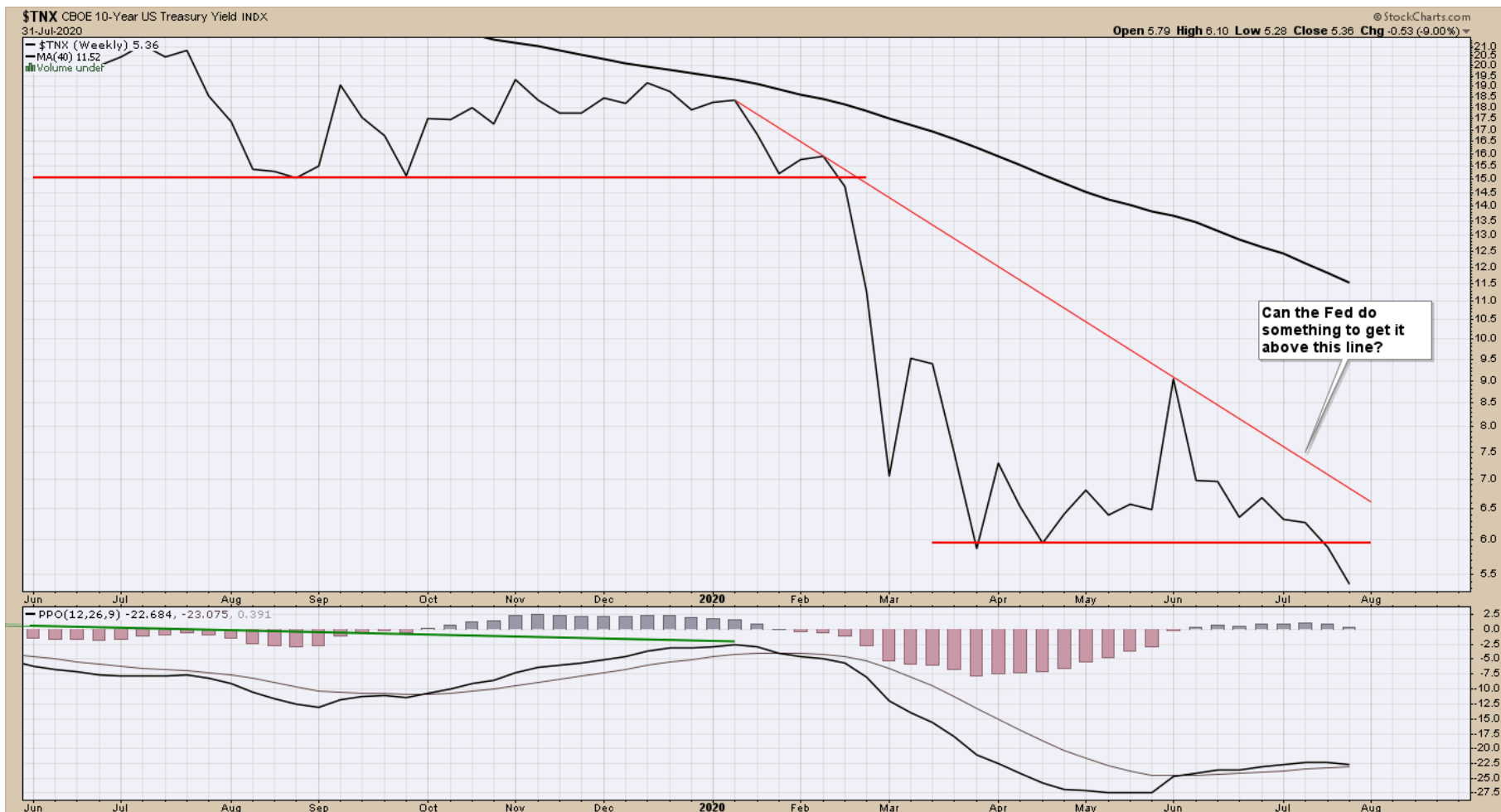
\$ITDOW - ITALY

Italy is one of the larger populations with a very weak economy in Europe. It does not have the breadth of German manufacturing exports and the economy relies on a lot of tourism due to wonderful food, wines, weather and locations. [Link](#). It is hard to imagine the devastation for Italy's economy, missing a summer season of US travelers. The Italian market closed below the 10-week moving average for the first time since the rally began, and the PPO is stalling well below zero, which is not great. Italy is also a G7 country with a massive Debt to GDP ratio, partially held together by the European strategy of helping each other. Seeing both of the two [worst Debt to GDP countries](#) in the G7 (Japan and Italy), start to weaken here as the US Dollar breaks down is ominous.



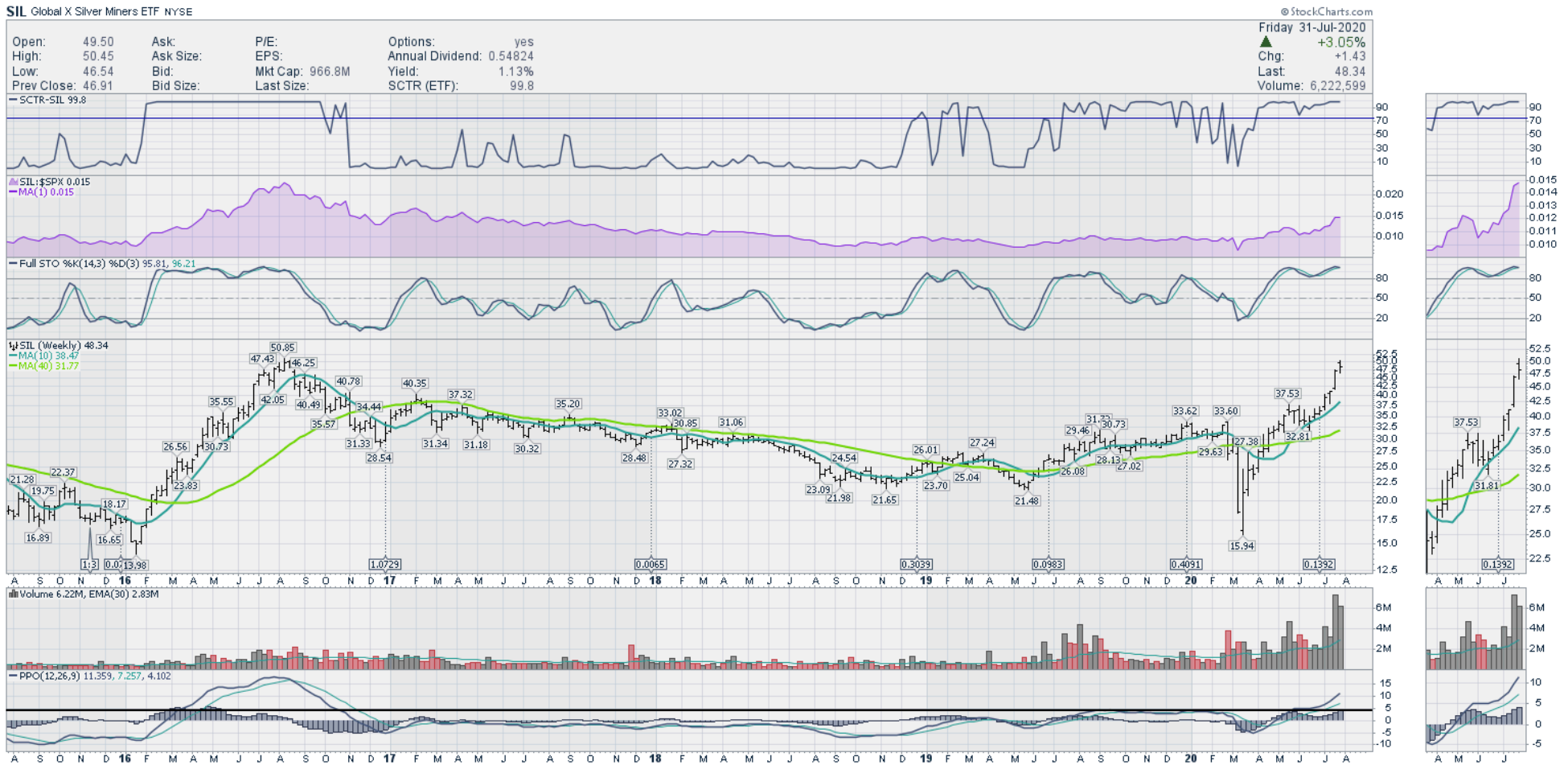
BOND MARKET PROBLEMS

The bond market continued to have prices move higher and yields move lower, which is not a positive development. The Fed meeting exacerbated the plummeting yields. [Link](#). This week we took out the lows of the COVID crash. Ouch!



SIL - SILV

Silver and silver miners both soared this week. Volume was exceptional again. While the move looks out of scale, in 2016 when the PPO started to accelerate, this was sustainable for months. [Link](#). We are up 30% in 4 weeks which is remarkable. Caution.



MARKET SUMMARY

The Energy space dropped from the top to the bottom of the list. The high fliers reasserted their power this week with AMD leading the semis and large cap tech popping on earnings. Financials could not rally on the Fed, as yields dropped. Still no strong moves into the defensive sectors.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XLK	Technology	92.5	110.43	4.97	
IYR	Real Estate	28.8	82.06	4.52	
SMH	Semiconductors	94.6	166.22	4.24	
XRT	Retail	89.9	47.33	2.53	
XLC	Communications	84.5	58.13	2.25	
XLY	Discretionary	87.2	137.00	1.08	
XLP	Staples	71.4	62.70	0.92	
XLU	Utilities	35.8	60.83	0.91	
XLV	Healthcare	78.3	105.53	0.41	
XLI	Industrials	31.0	71.73	-0.15	
XLF	Financials	13.0	24.03	-0.99	
XLB	Materials	76.8	60.36	-1.81	
XOP	E & P	1.5	51.37	-2.67	
XLE	Energy	1.9	36.03	-3.95	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTTK	Technology	172.87	6.14	
\$SPTH	HealthCare	54.67	4.27	
\$SPTGD	Gold Miners	397.68	2.86	
\$SPTMT	Materials	347.58	2.40	
\$SPTUT	Utilities	294.43	2.12	
\$SPTRE	Real Estate	275.29	2.07	
\$SPTTS	Telecom	158.83	1.59	
\$TSX	\$TSX	16169.20	1.08	
\$SPTCS	Staples	652.52	1.02	
\$SPTIN	Industrials	284.63	0.74	
\$RTCM	Income Trusts	191.14	0.60	
\$SPTCD	Discretionary	185.32	0.17	
\$SPTFS	Financials	258.43	-1.19	
\$SPTEN	Energy	74.88	-5.07	

GLOBAL VIEW

China and South Korea rallied. I mentioned South Korea on the video as that chart looks different than most. The broad weakness in Europe is not helpful as mentioned above. Liquid energy was the hardest hit in the commodity space, even with a weak US Dollar.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$NDX	Nasdaq 100 ----	10905.88	4.03	
\$SSEC	Shanghai	3310.01	3.54	
\$KOSPI	South Korea	2249.37	2.22	
\$SPX	S&P 500 ----	3271.12	1.73	
\$IDDOW	Indonesia	1122.55	1.39	
\$TSX	Canada	16169.20	1.08	
\$BVSP	Brazil	102912.24	0.52	
\$INDU	Dow ----	1.00	0.00	
\$HSI	Hong Kong	24595.35	-0.45	
\$MXX	Mexico	37019.68	-0.87	
\$BSE	India	37606.89	-1.37	
\$AORD	Australia	6058.30	-1.46	
\$RTSI	Russia	1234.44	-1.71	
\$CAC	France	4783.69	-3.49	
\$GBDOW	London	262.05	-3.53	
\$DAX	Germany	12313.36	-4.09	
\$NIKK	Japan	21710.00	-4.58	
\$IBEX	Spain	6877.40	-5.72	

SYMBOL	NAME	CLOSE	% CHG	+/-
JJNTF	Nickel ETN	15.61	14.61	
\$SUGAR	Sugar	0.13	10.01	
\$COCOA	Cocoa	2400.00	7.91	
\$LUMBER	Lumber	528.00	7.58	
\$SILVER	Silver	24.22	5.98	
\$GOLD	Gold	1985.90	4.66	
SIL	Silver Miners	48.34	3.05	
LIT	Lithium	35.91	2.89	
GDJ	Gold Miners	42.94	2.65	
HMMJ.TO	Marijuana Stocks	7.09	2.31	
REMX	Rare Earth Metals	40.06	0.12	
\$BRENT	Brent Crude	43.52	-0.59	
\$SOYB	Soybean	892.50	-0.75	
\$COPPER	Copper	2.87	-0.85	
SLX	Steel	28.57	-1.21	
\$WTIC	WTI Crude	40.27	-2.47	
\$HOIL	Heating Oil	1.22	-3.15	
\$NATGAS	Natural Gas	1.80	-3.64	
\$GASO	Gasoline	1.17	-6.76	

VIDEO OF THE WEEK

The monthly conference call for members will be 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. [US Markets Close On The Highs.](#)

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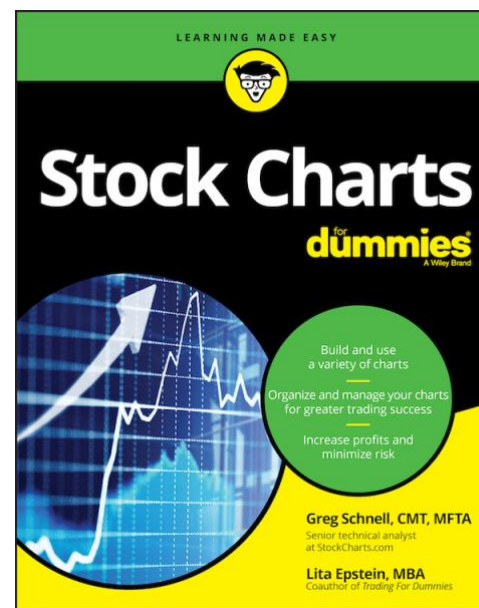
Good trading,
Greg Schnell, CMT, MFTA.

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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.