

THE CANADIAN TECHNICIAN



U.S. Edition

SPY On The New High

US Market Weekly Review
August 15, 2020



With
GREG SCHNELL

MARKET COMMENTARY

The US markets closed higher on the week with the SPY ETF breaking out to all time highs. With all of my breadth data, almost everything is positive here. My SSIH indicator drifted lower with the weakness in gold and a few other areas to 95.8 %. I hear all the noise around me about divergences but the price and momentum action continue to say higher.



Last week I mentioned “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.” Well, this week, bond yields soared. It was a massive change that bodes well for financials.

Oil names were strong this week with oil making a higher high. Natgas, gasoline and heating oil all worked higher. Industrials, transports, and autos all worked higher. I was watching for copper to get back in sync with everything moving higher. That did happen with copper moving up nicely this week. Commodities did well except for precious metals, down 5%.

China, Japan, South Korea all moved higher. The move higher was global for the most part, but Canada, Brazil and India slipped a bit. In the picture above, I saw a couple of bucks standing near my path. We

continue to see fresh breakouts in different groups adding a couple of bucks to the portfolio. Still a nice investing climate.

Summary: The US market keeps working its way higher. The Canadian market stalled up against resistance, but it looks like the commodities and the banks could move up this week, which should give it the momentum to go higher. Almost every chart in breadth (number of stocks participating in the rally) is near the top right corner. Examples of positive breadth include the advance/decline lines and bullish percent indexes holding up nicely. Gold’s bullish percent slipped this week as gold fell 5%.

Let’s jump into the charts.

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@SSIH - STILL VERY STRONG

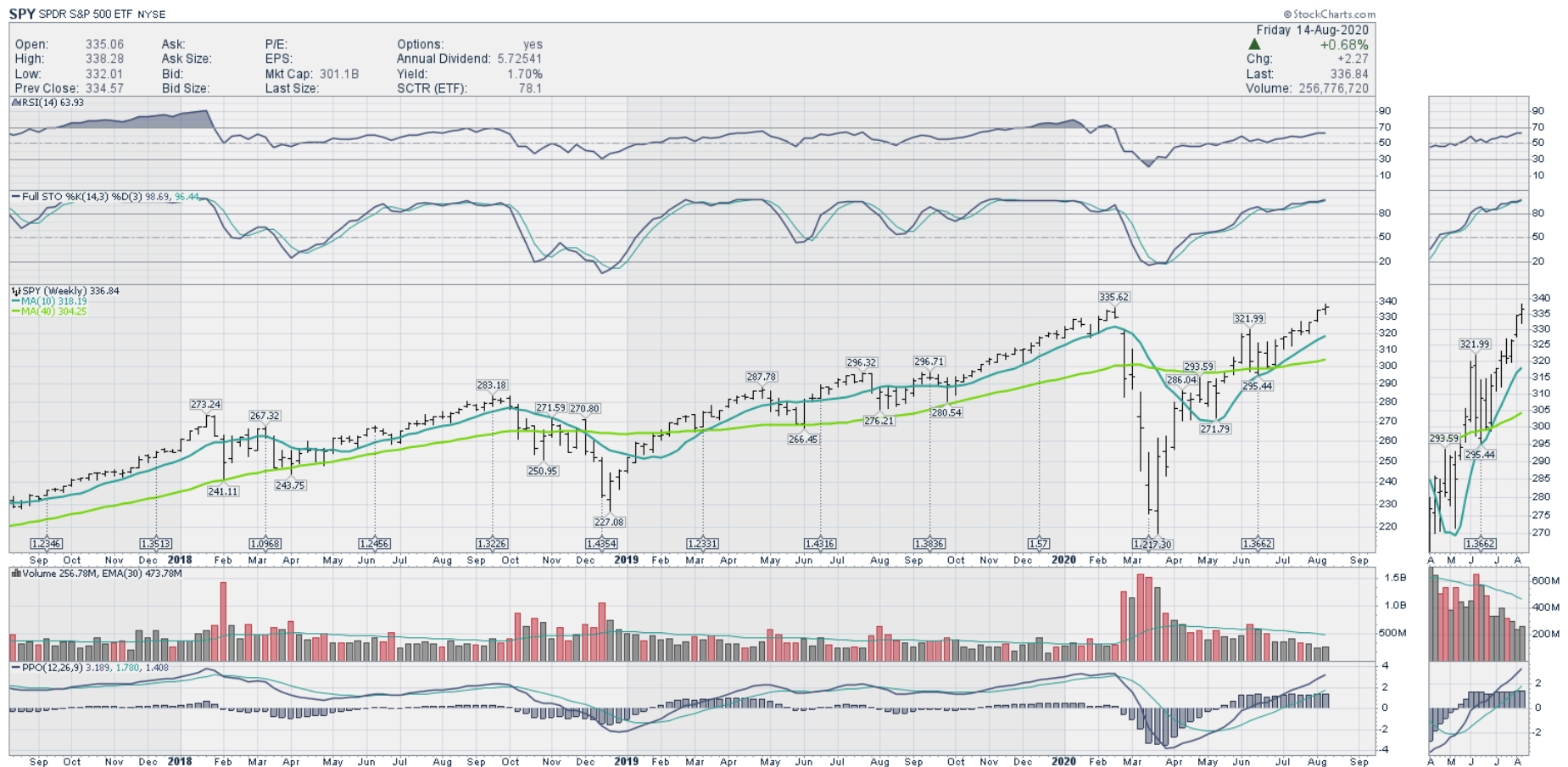
The Schnell Strength Index held this week at 95.8%. The market is still very strong. The SSIH is still suggesting higher levels and we hit more weekly closing highs this week. It's been very reliable through the market waves. It has declined for three weeks suggesting some softening, but not enough to damage the outlook. That will eventually cause the correction, but it is too early by my work.

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.



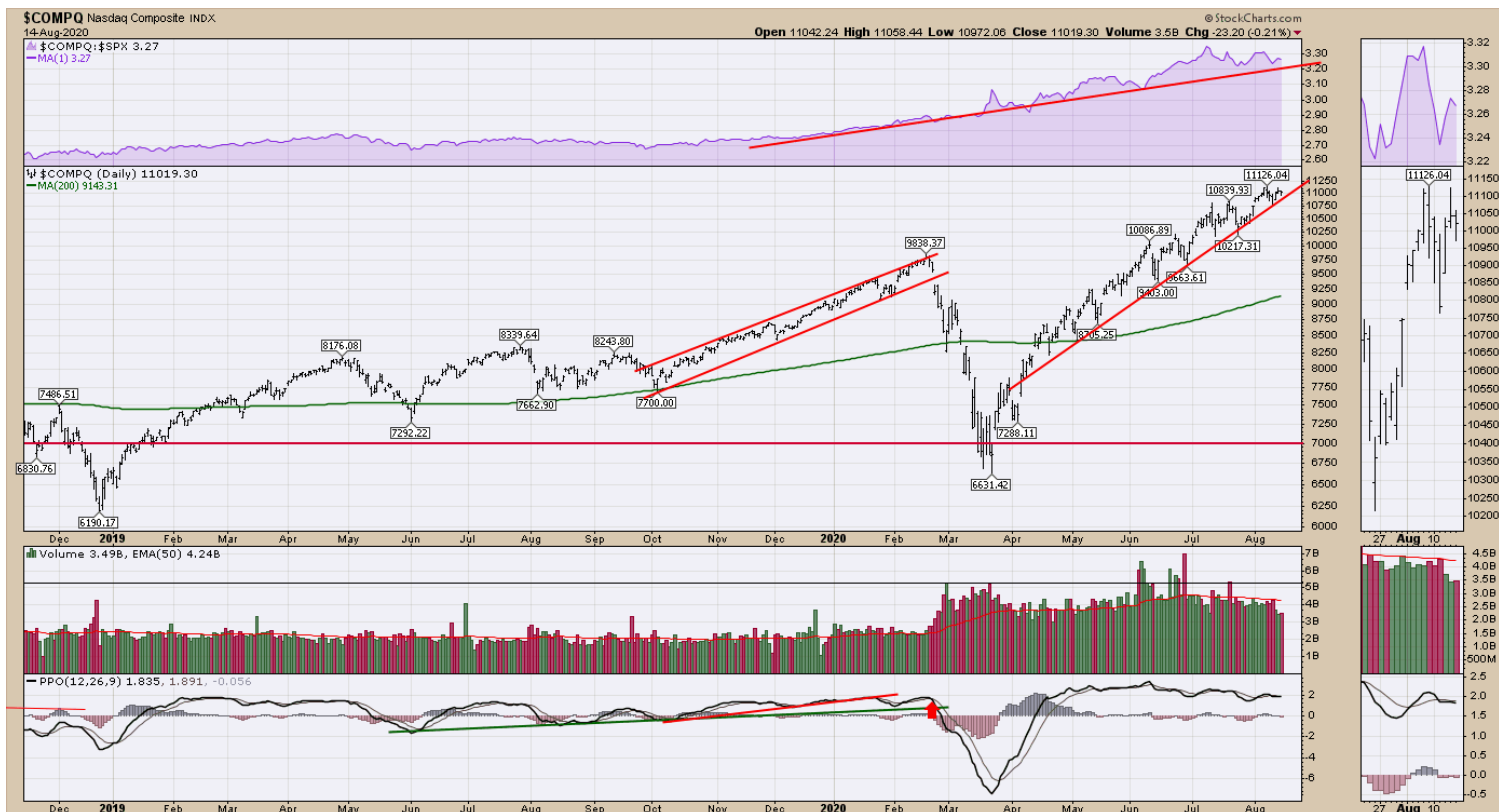
SPY - S&P 500 TRACKING ETF HITS NEW HIGHS

The **SPY ETF** made bullish all-time highs this week. The difference between the S&P 500 (\$SPX) and the SPY ETF which tracks the S&P 500 is dividends. The SPY includes dividend income, and it made a new high and a new weekly closing high but the \$SPX is still just a little short of that goal. We are testing the previous high on both the \$SPX or the SPY which means we should be careful of market resistance. Any time we test a prior high, be careful. An example of failing at a prior high is the **SIL silver miners ETF**. Ouch!



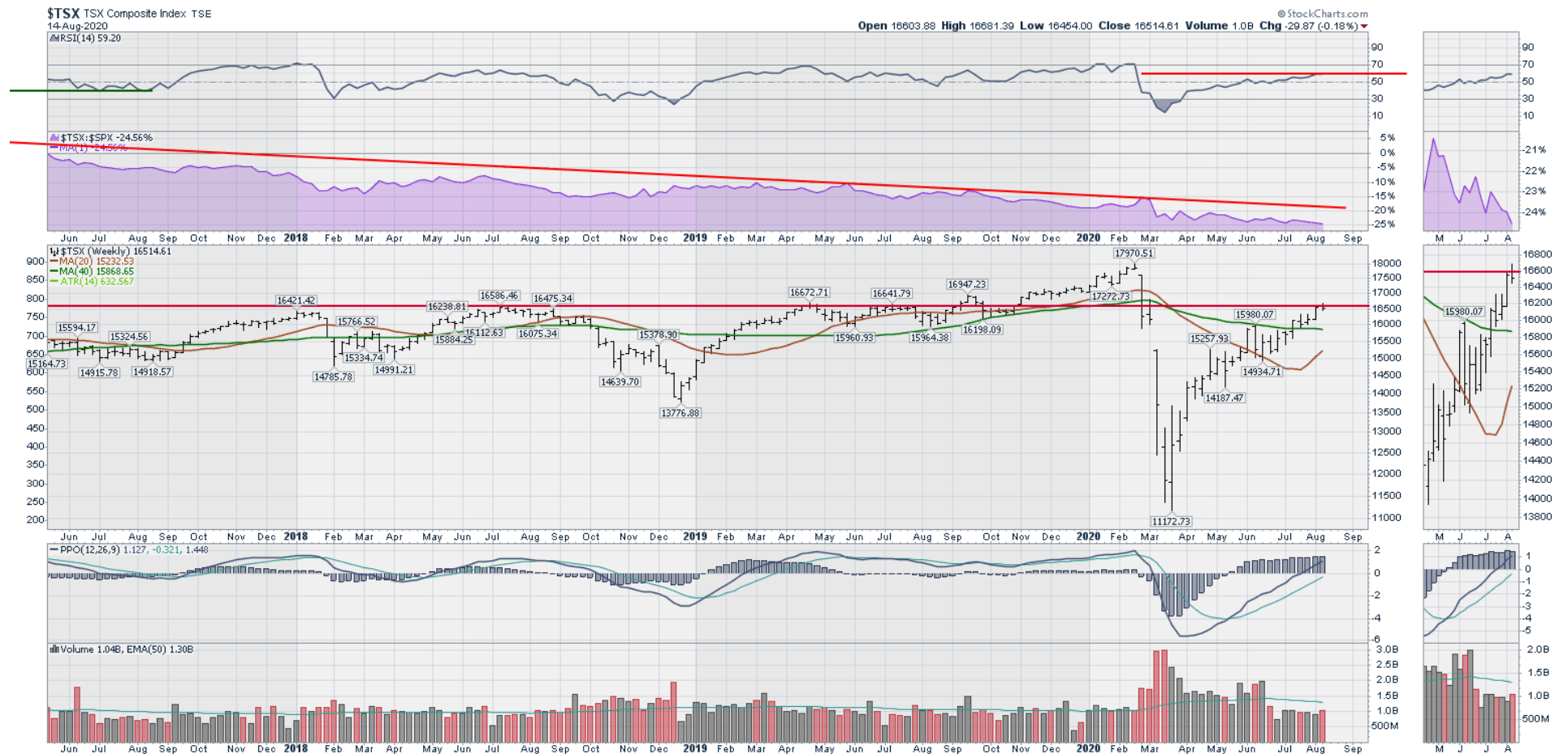
\$COMPQ - LIGHT VOLUME

The Nasdaq Composite (different than the Nasdaq 100 as the composite includes all stocks on the Nasdaq) is drifting lower in the purple relative strength chart but still holding the uptrend. It is usually bullish when the Nasdaq composite leads. The volume definitely fell off in the latter part of the week. The old saying - never short a dull market still holds true. I will point out that we had three distribution days in the last 6 days. A distribution day is a down day on higher volume compared to the day before. However, you want it to be more of a down day than just a dribble lower like Friday. Use days where the market drops 0.30% or more. 2 of the days were marginal down days. We'll watch the data for a breakdown, but it doesn't seem to be here yet.



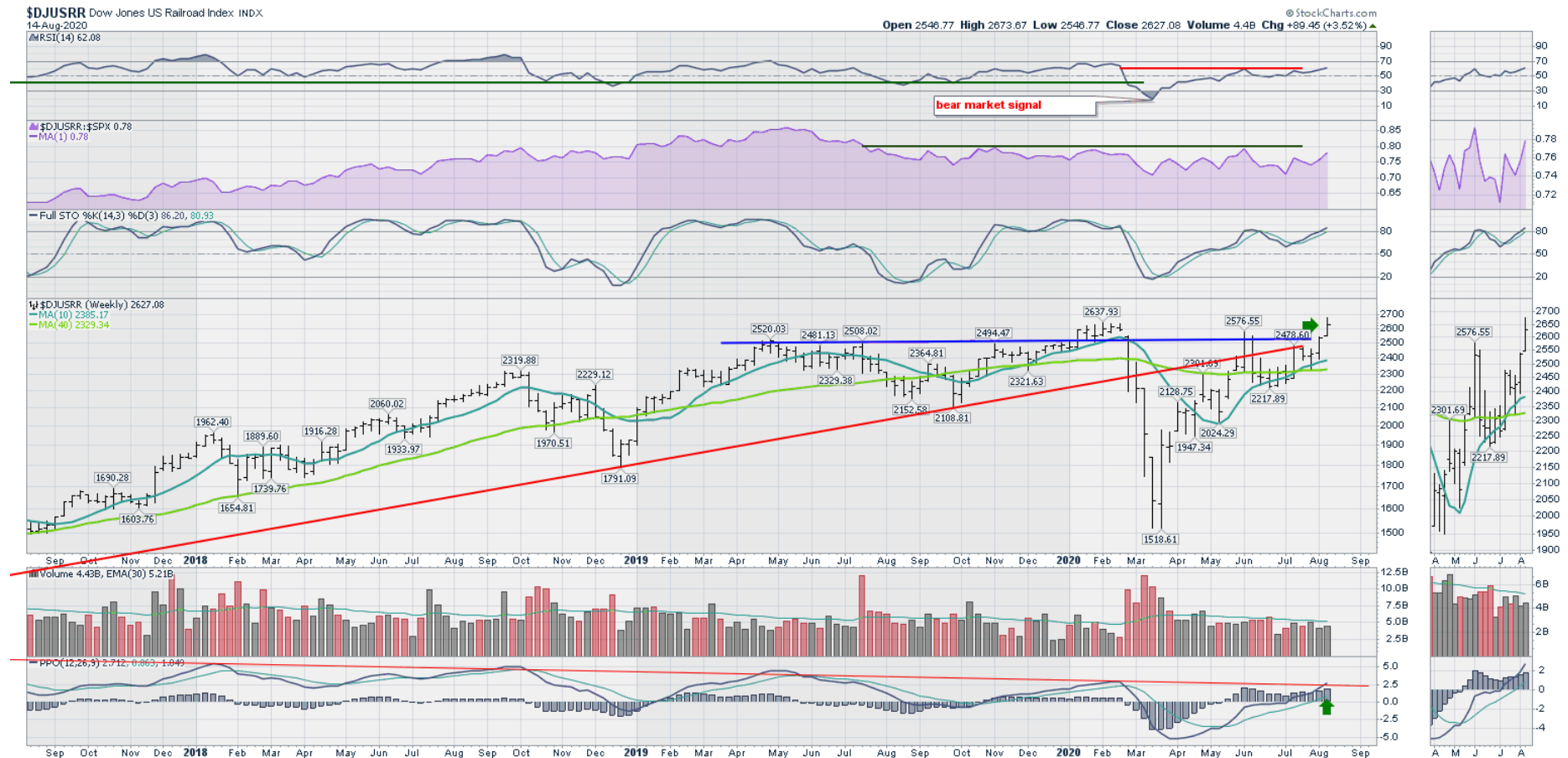
\$TSX - CANADA'S MARKET STALLS AT RESISTANCE

The \$TSX is stalled at resistance. We want to make sure it breaks out to rise above the level. If interest rate spreads improve, that should help banks and Canada's index has a large weighting in banks. Between oil and banks, I would expect the market to break through. Watching foreign markets for breakdowns can help American market investors as smaller markets usually break down first.



TRANSPORTS CONTINUE THEIR MOVING WAYS

The Transports had another solid week. **Railways were back on the rails!** Rollin' and rolling bigly. Up *another* 4.5% and a close above the prior closing highs! And once again, the industrials rallied along for the ride! Yahoo! This is typical bull market mode for the 'old economy'. Now that tech is such a large part of the \$SPX, some feel the old economy doesn't matter, but I am not there. This is a nice bullish push, and bodes well for the overall market rally to continue.



XLI - INDUSTRIALS

The Industrials broke through the horizontal trend after breaking the downtrend last week. The horizontal line has been there for two years. This move also pushed XLI above the June highs. It is a very important price level, but this looks set to go higher. With the transports above supporting the move, this looks very good. The PPO is in positive territory in the summer position. Bullish.



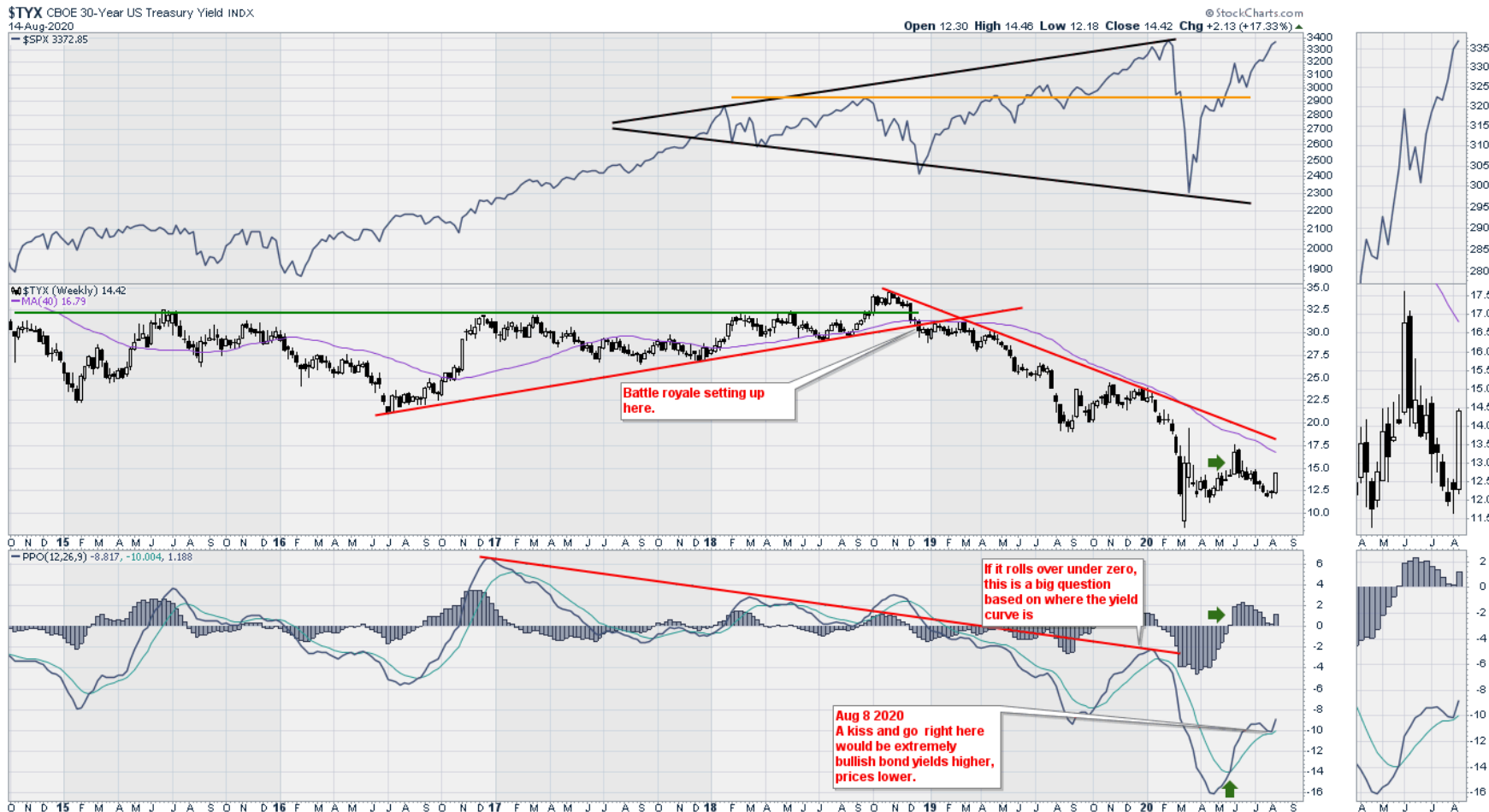
\$TNX - 10-YEAR BOND YIELDS

The **\$TNX (10-year bond yields)** soared this week. It was memorable in many respects. Last week's hammer candle led to a gigantic surge. The pop in yield was 25% this week! But a few other things of note happened. We broke the 2020 trend line since January, suggesting a change in trend for the rest of the year. The PPO momentum in May was at its low but made a higher low recently. But price made a lower low in July compared to May. This improving momentum (positive divergence) while price moves lower is another good clue of potential trend change. With the trend line break, this looks very positive for higher yields.



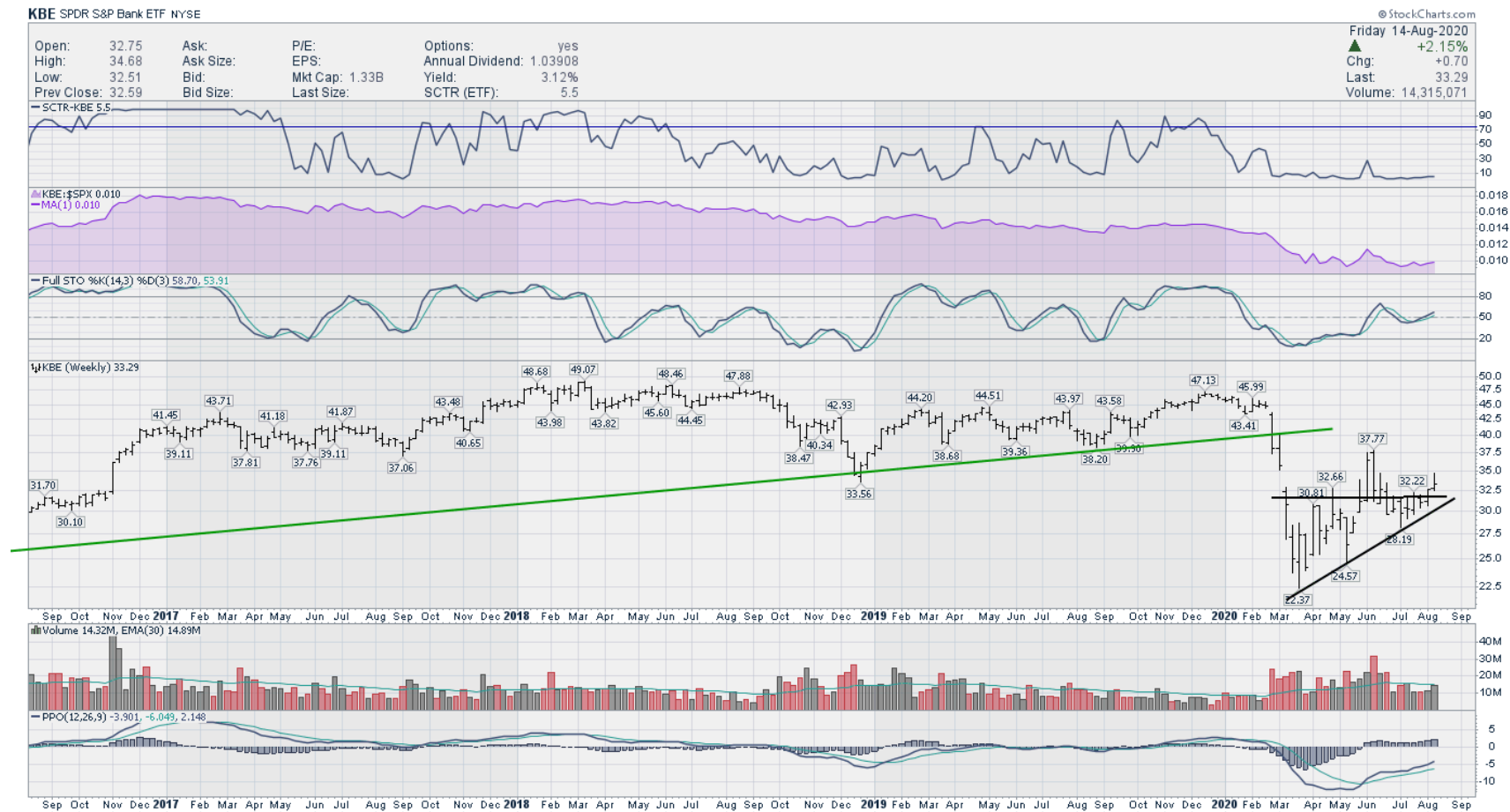
\$TYX - 30 YEAR BOND WAS ALSO SETTING UP A NICE CLUE

The \$TYX setup last week had a real nice follow-through this week. For those that watched the last video, we discussed the 'kiss and go' setup on the PPO for the thirty-year yield. The move up was 17% this week! Lots more on the video this week about the setup in bonds. Rising bond yields mean lower prices for bonds. That money should move somewhere, most likely equities.



KBE - BANK ETF MOVES ABOVE A RESISTANCE LEVEL

The Bank ETF (KBE) rallied smaller than I expected based on the yield moves in the bond market but there is nothing wrong with a 2% gain. The broker dealer chart looks a lot more bullish than the bank ETF, but it still needs to break out to new highs too. This is an important chart to watch, as the banks look set up as they break above the triangle base.



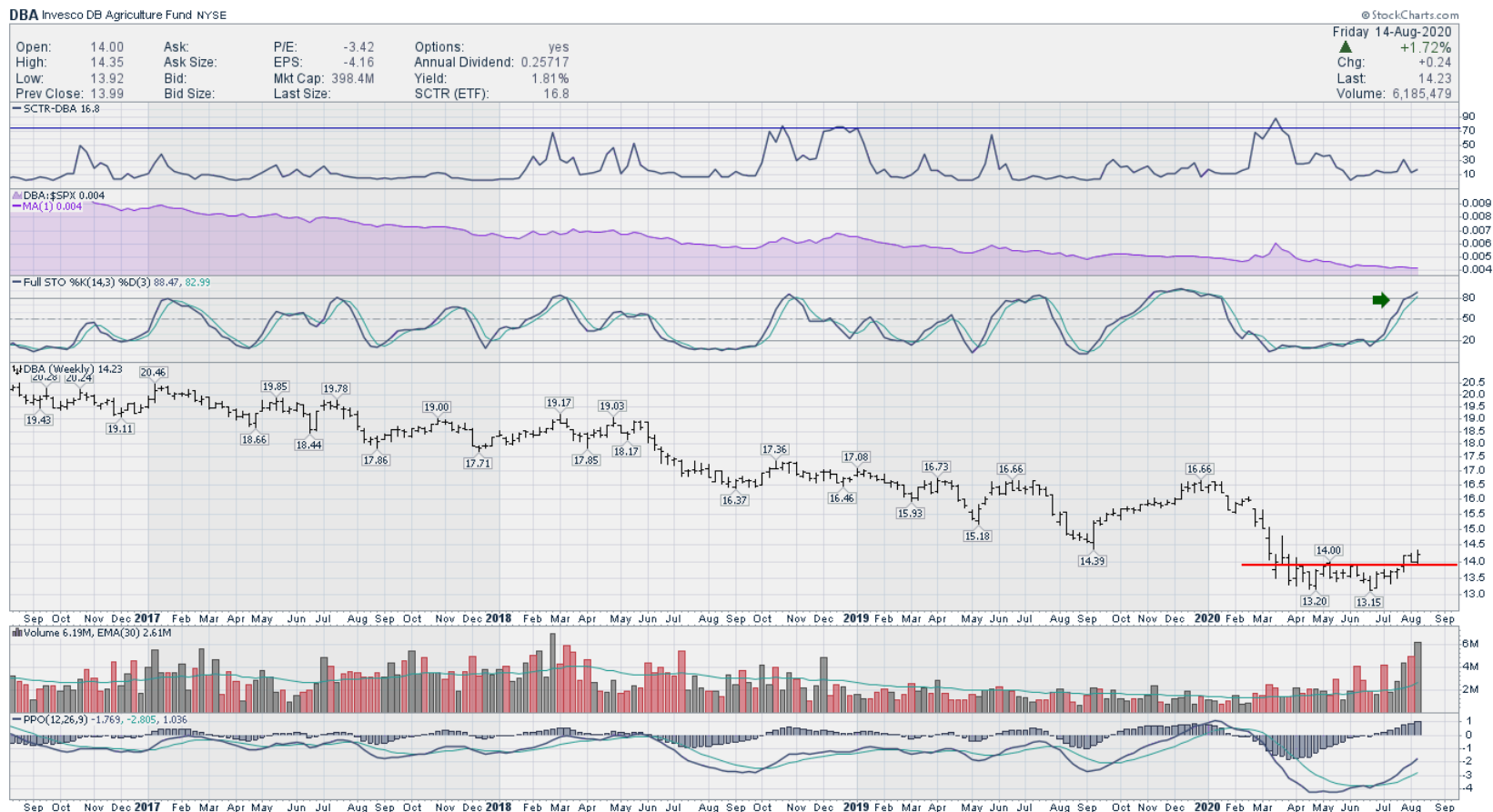
\$CDW - CDN DOLLAR SUGGESTING A POSITIVE MOVE COMING FOR COMMODITIES

Moving onto currencies, the Canadian Dollar spent the whole week working above the green 10-year trend line and the 65-week moving average. The PPO has moved into the summer position which is rising above zero. The PPO has also broken the three year down trend. Line shown in dotted red, marking a major change in momentum. The price of oil has a major influence on the Canadian dollar, so this break out is suggesting higher oil and perhaps wider commodity strength. The fact that the USD broke down below its trend line against most other currencies suggests more room for the Canadian dollar to move higher.



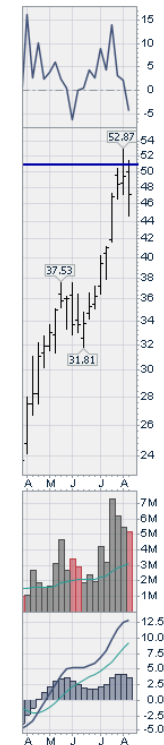
AGRICULTURE HAD A STRONG WEEK

The Ag space has been unloved for a while but has started to perk up recently. [The DBA](#) ETF tracks agriculture related stuff. It is finally breaking out of this base. Related names in Ag are performing even better. MOS, CF, DE are examples of names moving higher. If you like to buy on base breakouts, check out the opportunities in Ag right now. Check my articles on the website this week.



SIL - SILVER MINERS

Silver and silver miners both dropped this week. SIL dropped 15% from the highs but closed the week above the lows. Right now, it looks like a reversal, and with the froth in the move that I mentioned last week, it might need more time to settle out. Volume was exceptional again. What is concerning is the Rate-Of-Change indicator at the top with a setting of 1 week. This measures the percentage change week to week. With so many 10% weeks this year and on last weeks' video I showed a lot of 6 % daily moves, we are getting very frothy. It is your account, do what you think is best. [Link](#).



MARKET SUMMARY

The Energy space held the top position again on the moves this week. Nice to see energy, financials and industrials in such a strong position. The difference between US materials and Canadian materials is the weighting of precious metals and industrial metals in Canada. They are a lot more influential on the Canadian sector. Consumer discretionary held up nicely, and part of that might have been autos with a big move in Tesla and others. Keep an eye on financials. Positive bond moves should help them. There still is no real strength in the defensive sectors, affirming the overall positive prognosis from my charts for the market.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XOP	E & P	4.4	56.16	3.75	
XLI	Industrials	67.9	77.53	3.19	
XLE	Energy	2.2	38.19	2.72	
XLY	Discretionary	92.4	143.59	2.29	
XRT	Retail	96.9	51.55	1.64	
XLB	Materials	83.8	62.63	1.49	
XLF	Financials	15.3	25.18	1.37	
XLP	Staples	72.8	64.16	1.02	
SMH	Semiconductors	95.0	170.68	0.68	
XLV	Healthcare	71.6	106.80	0.37	
XLK	Technology	93.8	113.88	0.12	
XLC	Communications	85.2	59.83	-0.17	
IYR	Real Estate	10.3	81.68	-1.38	
XLU	Utilities	13.7	60.38	-1.81	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTEN	Energy	85.18	3.59	
\$SPTFS	Financials	272.98	2.43	
\$SPTCD	Discretionary	192.66	2.34	
\$SPTIN	Industrials	298.13	1.47	
\$SPTTS	Telecom	163.27	0.70	
\$SPTCS	Staples	660.75	0.43	
\$RTCM	Income Trusts	194.44	0.04	
\$TSX	\$TSX	16514.61	-0.18	
\$SPTHC	HealthCare	52.25	-0.40	
\$SPTUT	Utilities	291.96	-0.68	
\$SPTRE	Real Estate	276.44	-0.81	
\$SPTMT	Materials	334.76	-4.09	
\$SPTTK	Technology	166.02	-4.77	
\$SPTGD	Gold Miners	369.25	-6.32	

GLOBAL VIEW

Globally, it was a big bullish push as the table on the left shows. I continue to like the moves higher in Asia, supporting commodities like copper. Japan had a stellar week, breaking downtrend lines and slicing through my pessimism towards their chart. Copper was back on a positive trend, which helps confirm the optimism in Industrial products. I continue to like oil and natgas related trades.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$NIKK	Japan	23289.36	4.30	
\$RTSI	Russia	1323.80	4.12	
\$IBEX	Spain	7154.30	2.93	
\$IDDOW	Indonesia	1155.77	2.87	
\$HSI	Hong Kong	25183.01	2.66	
\$MXX	Mexico	38949.88	2.46	
\$KOSPI	South Korea	2407.49	2.37	
\$AORD	Australia	6261.70	1.90	
\$INDU	Dow ----	27931.02	1.81	
\$DAX	Germany	12901.34	1.79	
\$CAC	France	4962.93	1.50	
\$GBDOW	London	270.79	1.01	
\$SPX	S&P 500 ----	3372.85	0.64	
\$NDX	Nasdaq 100 ----	11164.45	0.22	
\$SSEC	Shanghai	3360.10	0.18	
\$TSX	Canada	16514.61	-0.18	
\$BSE	India	37877.34	-0.43	
\$BVSP	Brazil	101353.45	-1.38	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$LUMBER	Lumber	657.80	13.32	
\$NATGAS	Natural Gas	2.36	5.27	
\$SOYB	Soybean	898.75	3.60	
SLX	Steel	30.95	3.51	
\$SUGAR	Sugar	0.13	3.39	
\$GASO	Gasoline	1.24	3.06	
\$COPPER	Copper	2.86	2.38	
\$WTIC	WTI Crude	42.01	1.92	
\$HOIL	Heating Oil	1.24	1.38	
HMMJ.TO	Marijuana Stocks	6.86	1.03	
\$BRENT	Brent Crude	44.80	0.90	
LIT	Lithium	38.36	0.52	
JJNTF	Nickel ETN	16.34	0.00	
\$COCOA	Cocoa	2454.00	-2.73	
REMX	Rare Earth Metals	41.89	-3.81	
\$GOLD	Gold	1949.80	-3.86	
SIL	Silver Miners	47.17	-4.40	
\$SILVER	Silver	26.09	-5.27	
GDX	Gold Miners	40.35	-5.59	

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. [SPY On The New Highs](#)



The image shows the cover of a video titled "THE CANADIAN TECHNICIAN U.S. Edition". The title is in large, bold, red letters with a red maple leaf graphic. Below the title is a small American flag icon and the text "U.S. Edition". The main title "THE CANADIAN TECHNICIAN" is in a large, bold, red font. Below the title, the text "SPY On The New High" is written in a smaller, black font. Underneath that, it says "US Market Weekly Review" and "August 15, 2020". On the right side of the cover, there is a portrait of Greg Schnell, a man with glasses and a dark jacket, with the text "WITH GREG SCHNELL" below it.

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Good trading,
Greg Schnell, CMT, MFTA.

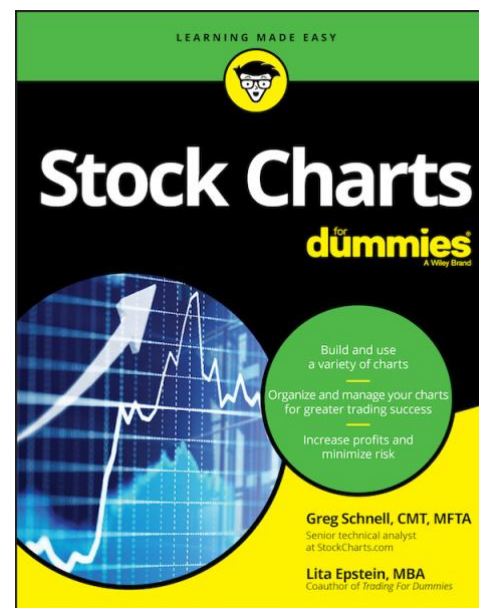
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BIOGRAPHY GREG SCHNELL, CMT, MFTA.

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.