

# THE CANADIAN TECHNICIAN



U.S. Edition

Welcome To The Underground

US Market Weekly Review  
August 22, 2020



With  
**GREG SCHNELL**

## MARKET COMMENTARY

The US markets closed higher on the week with the \$SPX breaking out and closing at new all-time highs a smidgeon under 3400. Breadth indicators weakened considerably in the face of the new highs on the index as Apple soared to a \$2 Trillion market cap.



My bullish optimism is now being tempered with the changes I am seeing in behind the glamour of the lofty index. The Schnell Strength Index is still in the 90's but it weakened 3% intraday on Friday, an Options Expiration day with a new high for the market. 3% is no big deal, but the last 4 days of this week saw more decliners than advancers on both exchanges as the market pushed higher. This week, we saw a drop below the trend line for the advance/decline line measured on many different markets. The Nasdaq Composite, the NYSE Composite, the Canadian market, the mid caps, small caps and the S&P 1500.

On my other breadth indicators, my early signal market scan for weakness triggered again this week. It also triggered in late June, but the broad picture was still bullish. There were almost a 1000 stocks down more than 5% this week, while the indexes

closed higher. A normal level is 200. So digging into the underground statistics of this market, I saw considerable weakness as the \$SPX closed slightly above the prior high. The weakness is amplified by the fact that it was an options expiration Friday with very low volume. The failure of banks, brokers, energy and industrials to continue to rally this week was concerning. One of the big factors I expect to see happen soon is the US Dollar start to rally for 4-6 weeks. Not a prediction of that time period but a countertrend rally (USD moving higher) setup is sitting on the dollar chart discussed below.

Summary: The US market keeps working its way higher. The Canadian market is still stalled up against resistance. Is this the sunset for the current market rally? It has all the setups suggesting that we are about to roll over. For the week ahead, we'll need to see spirited buying to fix the conditions that showed up. It's not over until it starts to break down, but my opinion would be keep stops tight to protect profits. If we close higher again next week, no harm done.

Let's jump into the charts.

@SSIH - SOME MORE WEAKNESS

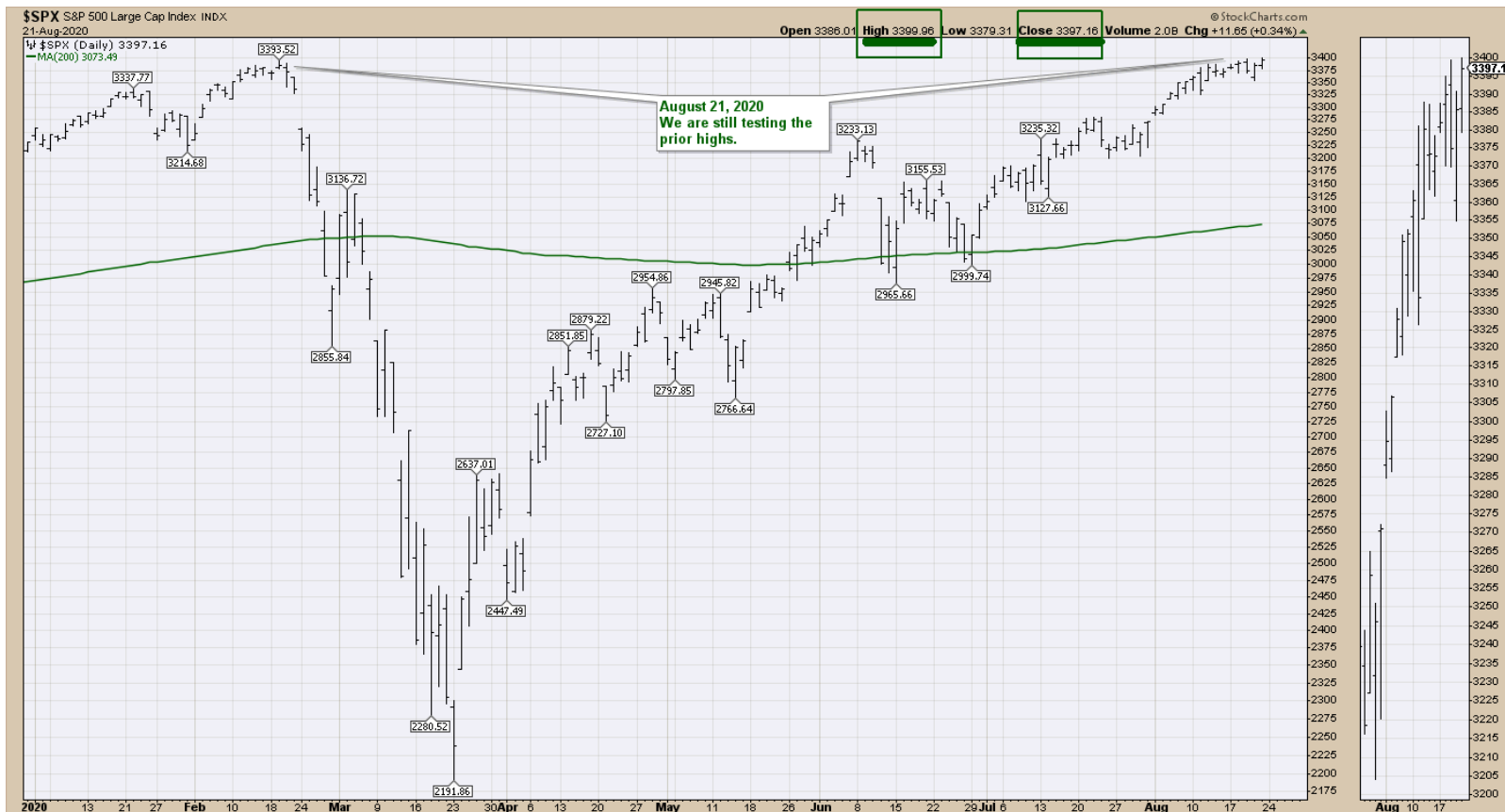
The Schnell Strength Index fell this week to 92.8%. The SSIH is still suggesting higher levels and we hit more weekly closing highs this week. It has declined for four weeks suggesting some softening, and now it is starting to damage the outlook. We could continue to rally with a few names like FANMAG (Facebook etcetera) as the broader market weakens.

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. Watch the daily setups this week for more updates if we have down days.



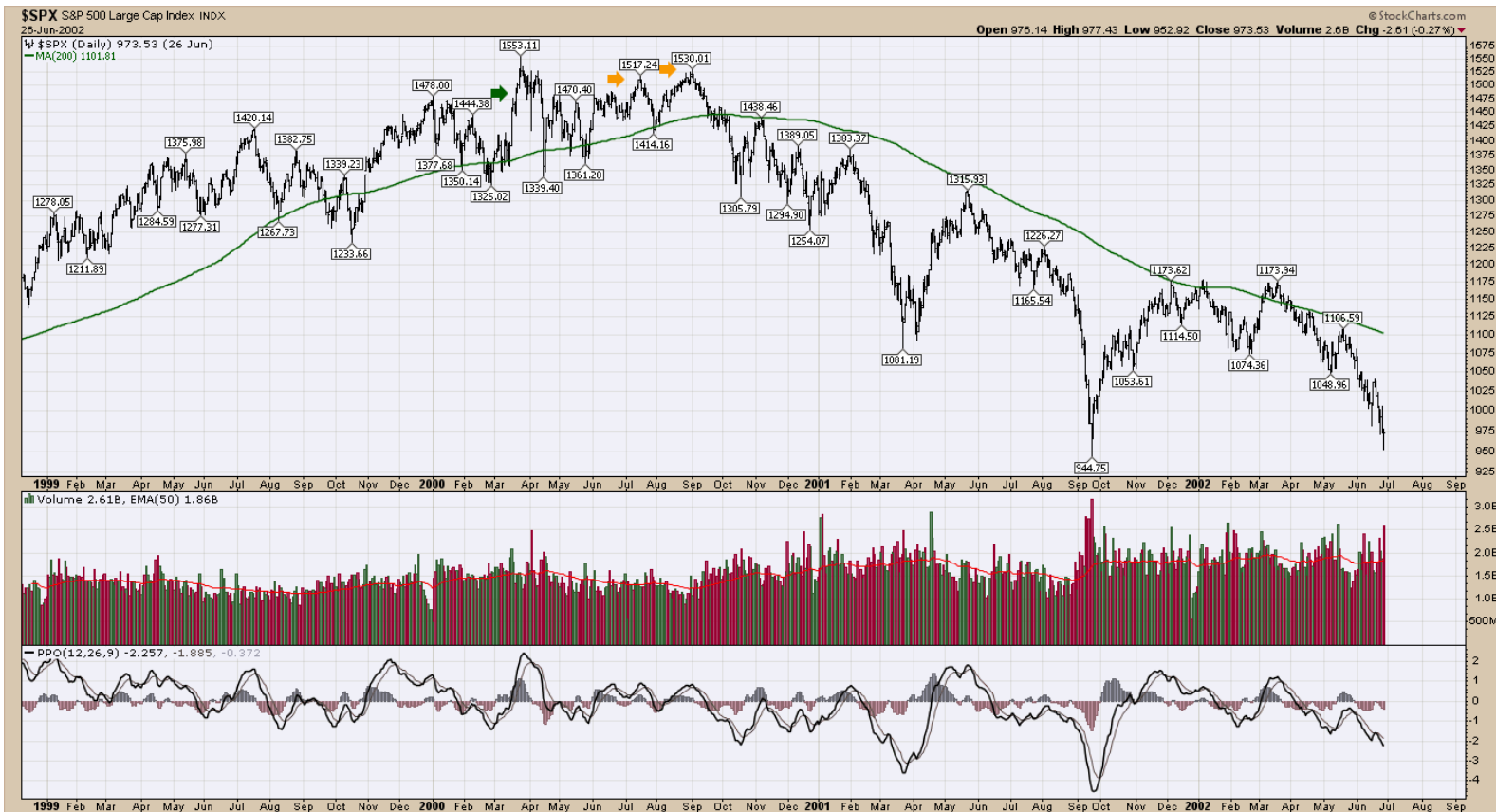
## \$SPX - S&P 500 MAKES NEW ALL TIME CLOSING HIGHS

The **\$SPX** made bullish all-time highs this week. We are testing the previous high on the \$SPX which means we should be careful of market resistance. Any time we test a prior high, be aware of the potential for the market to weaken. This week, we saw a lot of damage done under the surface while the pinpoint lights of the media shone on Apple hitting a \$2 trillion market cap. We still have massive Fed support, and most governments worldwide are spending money they don't have to stay elected. Let's not get bearish but discuss the damage in detail.



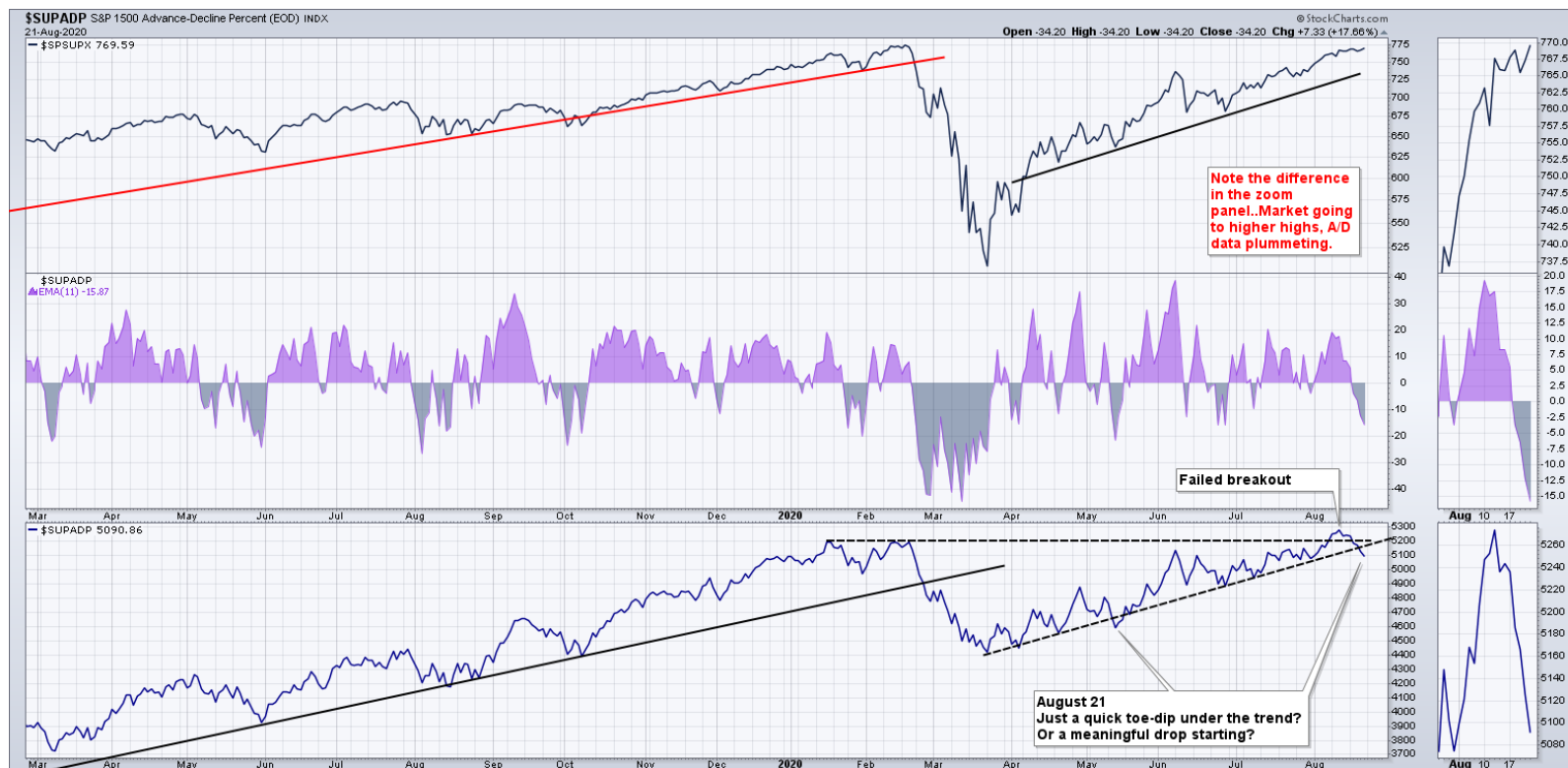
## \$SPX - BACK IN 2000

I want to use the current situation of the marginally higher high on the \$SPX index to reinforce the timing of watching price closely at prior highs. In March 2000(not 2020), the market surged to all-time highs. In mid-July and late August 2000, the market tried to break through the prior highs and quickly fell away. We had some large-cap tech names masking the indexes back then as well. This doesn't have to play out this way. We may pull back for a few weeks and charge on to higher highs, or we could retreat from here, marking a longer-term double top as in 2000. A double top is the test of the prior high and then the market falls back.



\$SUPADP - S&P 1500 ADVANCE/DECLINE DATA STUMBLES

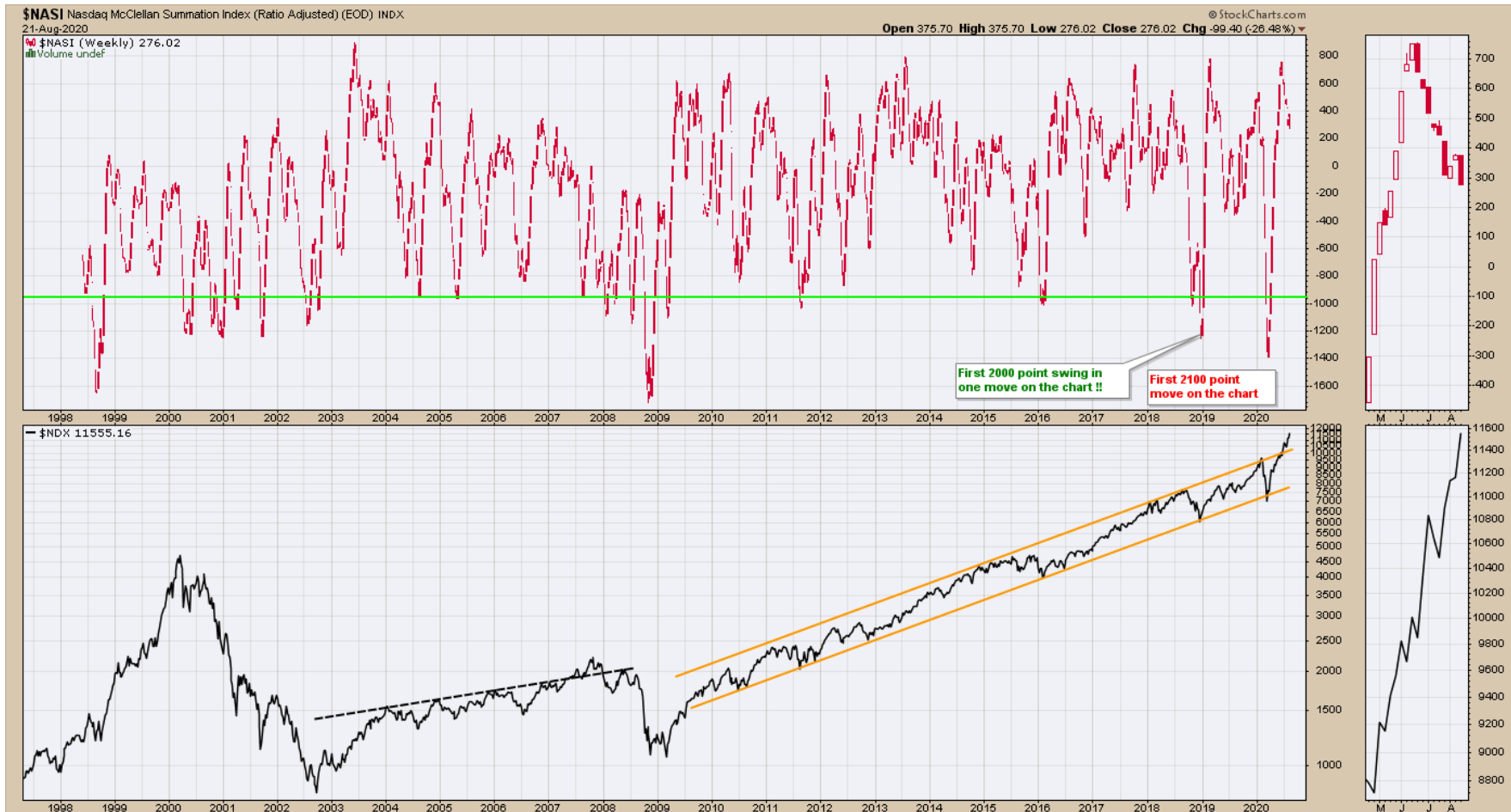
The advance/decline data for the S&P 1500 (fifteen hundred components) is below. This chart broke the upsloping trend line meaningfully this week. After surging to a new high last week, this week's drop marks a failed breakout on the chart. When we get a failed breakout, typically there is an above average move with even greater force the other way. While the indicator on the lower panel has not made a lower low yet, the break of the trend suggests caution to me. Notice in May, the market was pulling back with the declining move below the trend line. This time, breadth is declining but the market is pushing to new highs. At the top in February, the A/D line did not record a new high as the \$SPX did. The divergences are there now, so we'll watch to see how they play out. The Nasdaq Composite, NYSE Composite, mid caps, small caps, S&P 1500, and the Canadian market all broke



advance/decline trends this week. For more information on the Advance/decline line, I discussed it in my Chartwatchers article this weekend. [5 Charts to Think About](#). The video covers off different forms of breadth this week.

## THE NASDAQ SUMMATION INDEX ROLLS OVER WHILE THE MARKET HITS A NEW HIGH

The [Nasdaq Summation Index](#) moved down significantly this week as shown in the zoom panel. After dropping for 6 weeks, it meekly rallied for 2 weeks and has now resumed the downtrend. Moves below the 200 level are where I watch for corrections to start. Another week like this week (down 100) and we would be there. [More information on Summation Indexes](#) here.



## OPTIONS EXPIRATION WAS FRIDAY

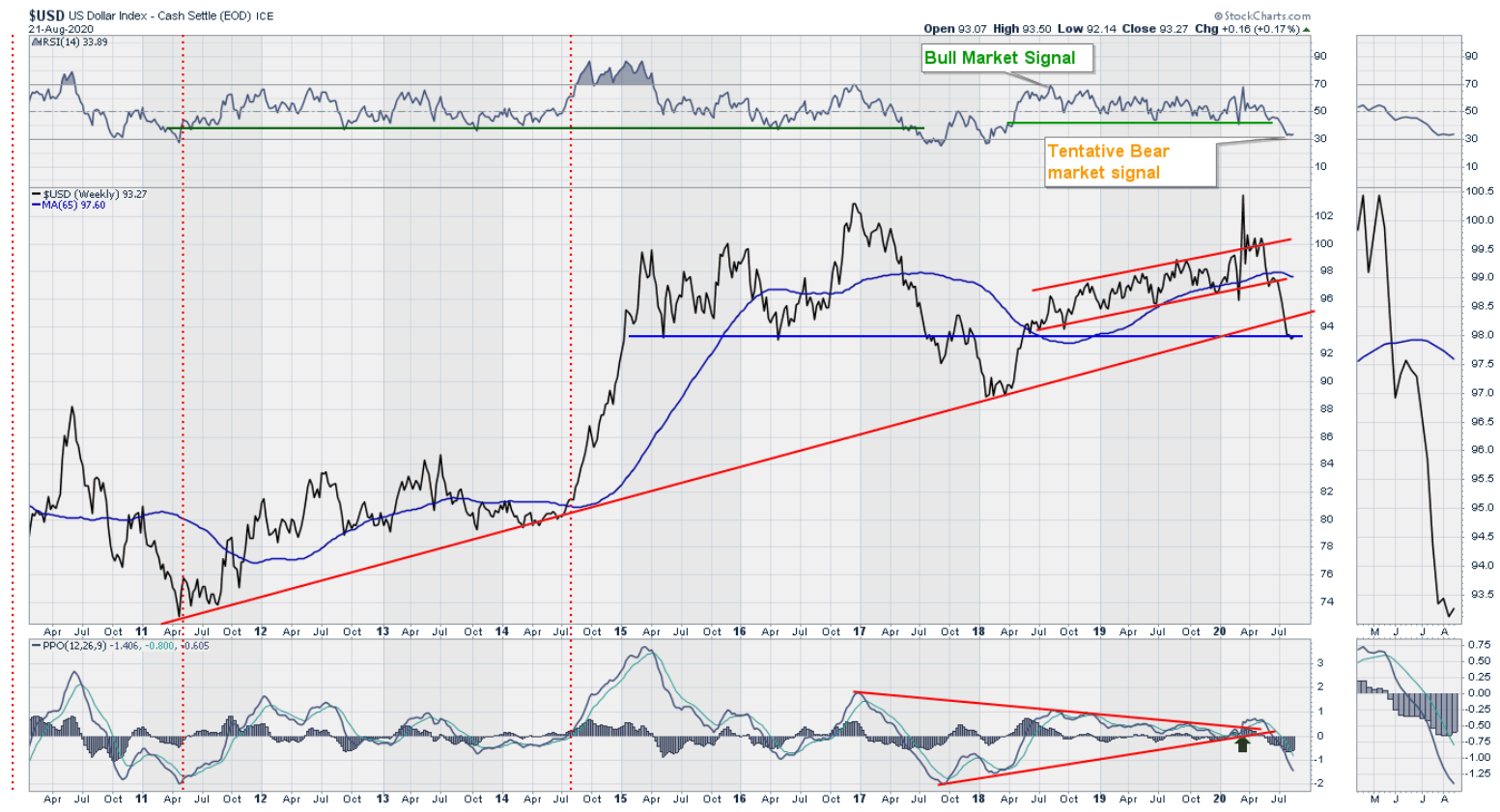
The **Options Expiration -OE- dates** are marked on the chart as vertical lines. OE happens on the third Friday of every month. In February, the market traced sideways for almost two weeks, after making a new marginal high over January. It started imploding on OE Friday in February. The market bottomed on the Monday after OE Friday in March. Some months OE means nothing, but other months they mark important reversals, like the May 15<sup>th</sup> OE. The blue verticals are Quarterly OE. The volume this week was very quiet and was the first week where we had low volumes all week like in February. Watch the price action this week for more clues.





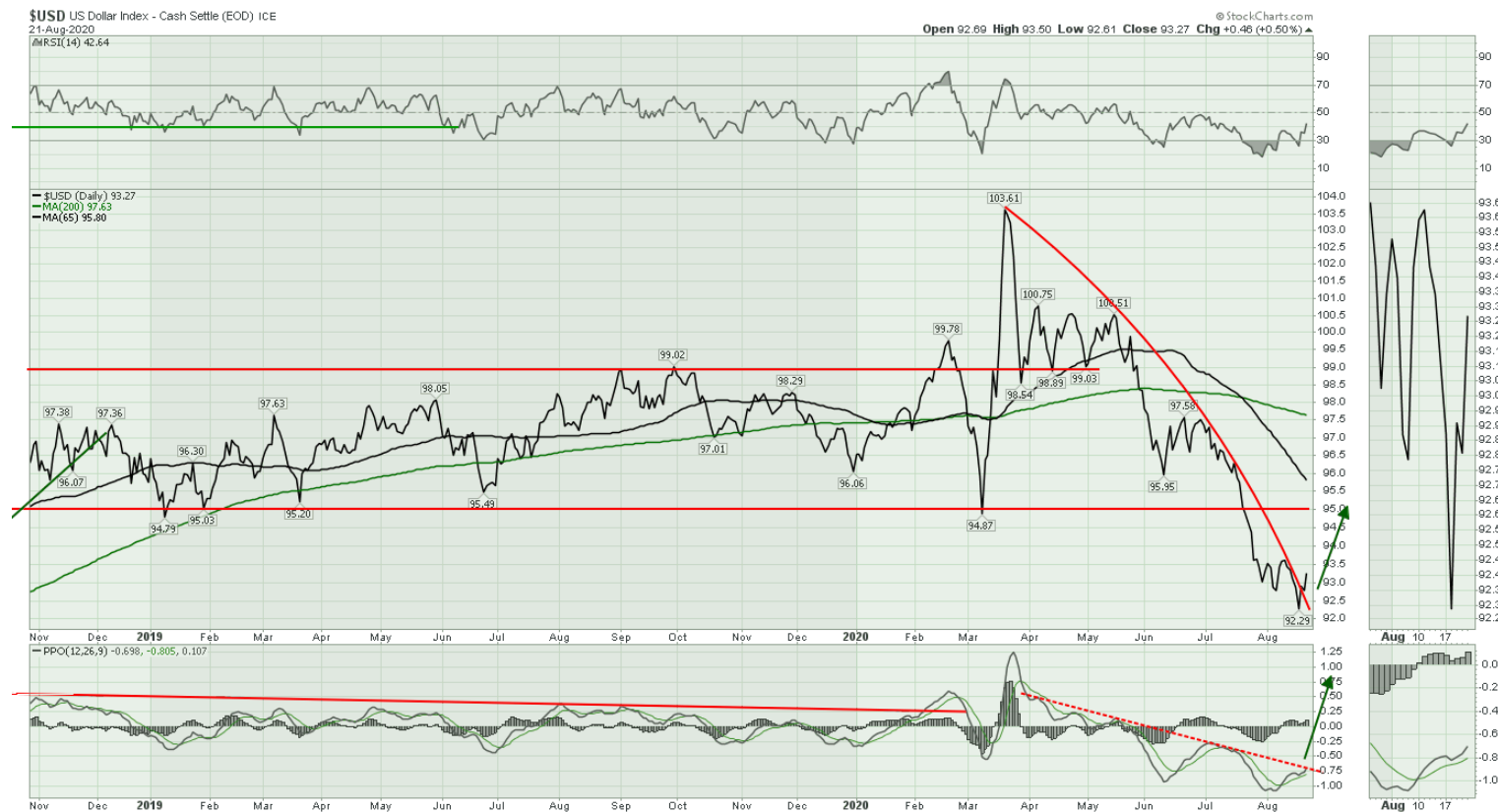
## \$USD - THE USD TRIES TO BOUNCE AT SUPPORT

The breakdown in the **US Dollar** has been meaningful, breaking the 10-year uptrend. The dollar has been dropping since the equity rally started. The blue line represents weekly closing prices where the dollar has found support before. Currently, the dollar has completed a swift 10-cent move down. While it could extend lower, the daily chart suggests the dollar is setting up for an upside move. This would put pressure on commodities (forcing them down) for the near term if the countertrend rally starts here.



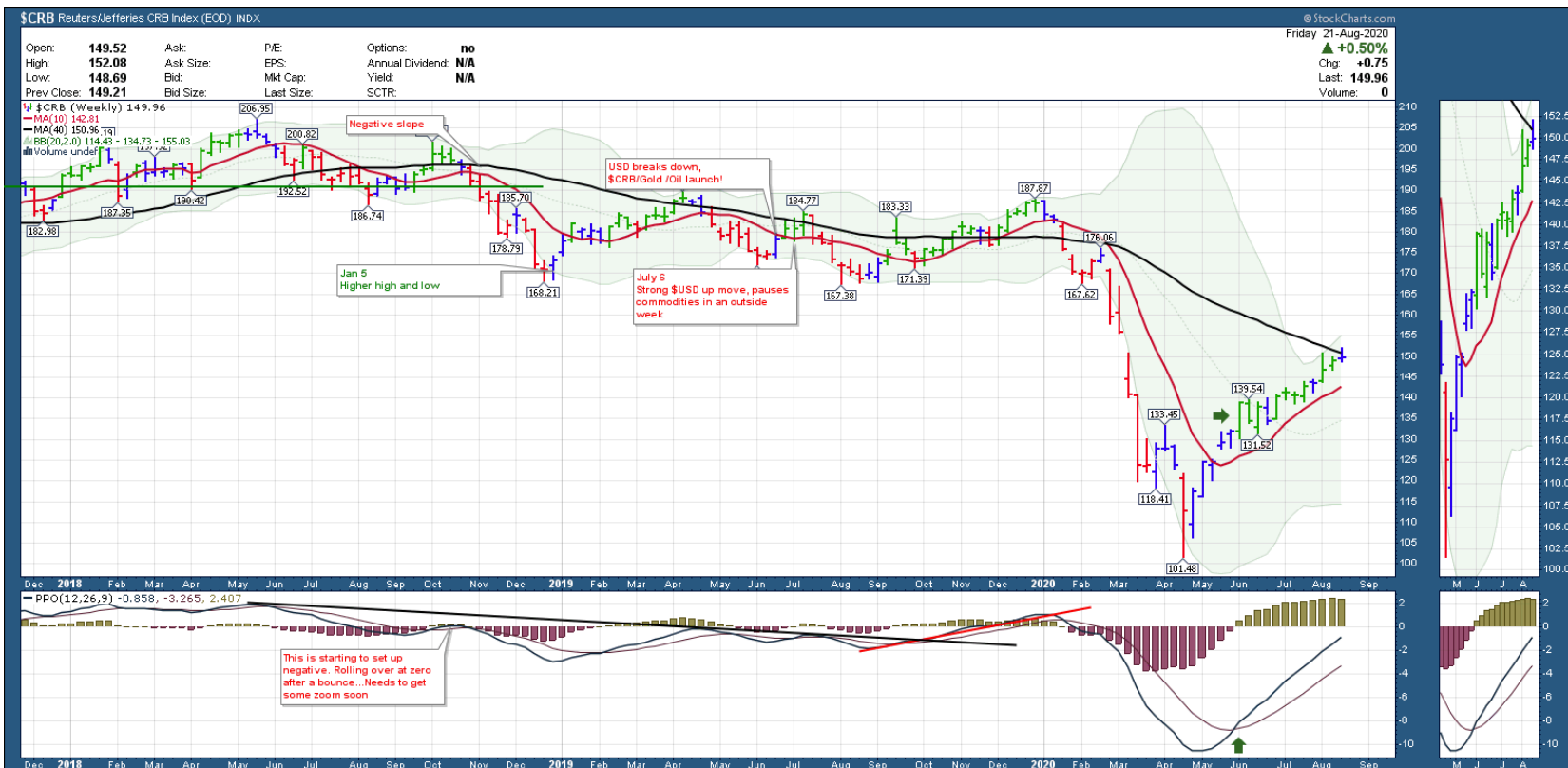
## \$USD - US DOLLAR DAILY CHART

The Daily chart of the US Dollar appears to be setting up for a move higher. Based on the large move down, this could be a 4 to 6-week spike (guesstimate) in the opposite direction. A break above the 93.5 level would probably initiate a broad hit to commodities. The down trend on the PPO indicator looks set to break, following some positive divergence on the indicator which is: as the price made a lower low this week, the indicator made a higher low. Until price breaks upward it is only a setup. Now waiting for confirmation. If the chart was flipped the other way, we would call this a blow off parabolic move. Seeing a change in the dollar trend may also be part of a change in the equity market direction like we saw in late February and late March.



## \$CRB - COMMODITIES STALL

The \$CRB stalled this week, creating a lower PPO histogram for the first time since the rally started. It was still an up week, but we closed where we opened the week after testing higher and lower. We can also see the index is right at the 40-week moving average -WMA-, a long-term trend indicator. On the far left of the chart, price is supported by the MA. Since November of 2018, price has largely stalled under the 40 WMA mostly due to the trade tennis between two large commodity users. I DO NOT want to see the PPO roll over below zero. That would confirm major fears of global weakness for me. If the USD starts to rally right here and now, the timing couldn't be worse for commodities in general.



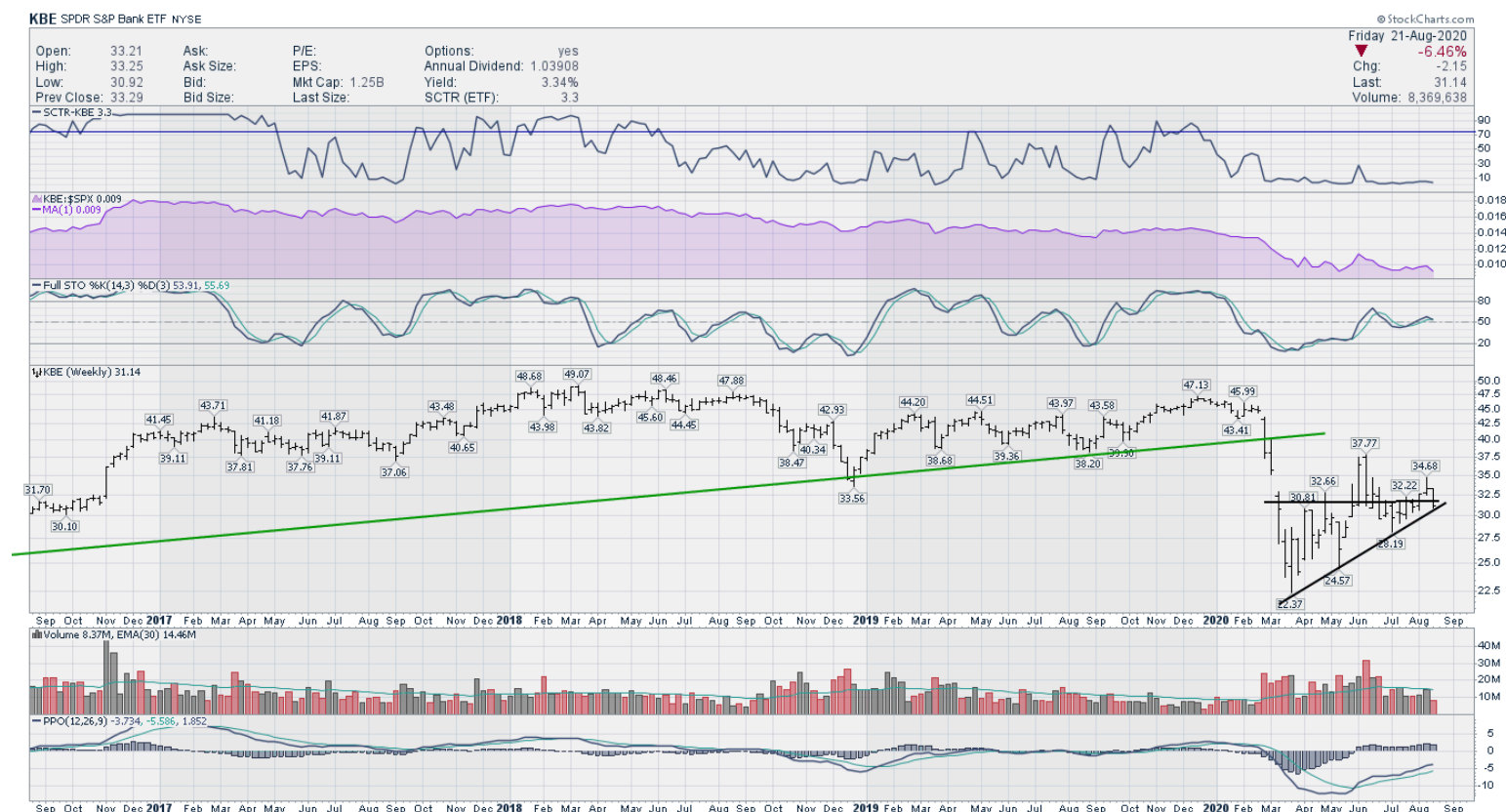
## \$BPENER - ENERGY GETS A SELL SIGNAL

The energy sector unloaded this week. Everything on this chart, with the exception of crude oil, moved below the 20-day MA. That is just a simple sell signal, but it reflects the hits the energy stocks took, especially on Wednesday, Thursday and Friday as the dollar rallied. Needless to say, the rally in the energy names might have to wait, again. Oddly, the Canadian Dollar was up which I will be watching for resolution next week. Natural Gas was positive this week so it wasn't all bearish.



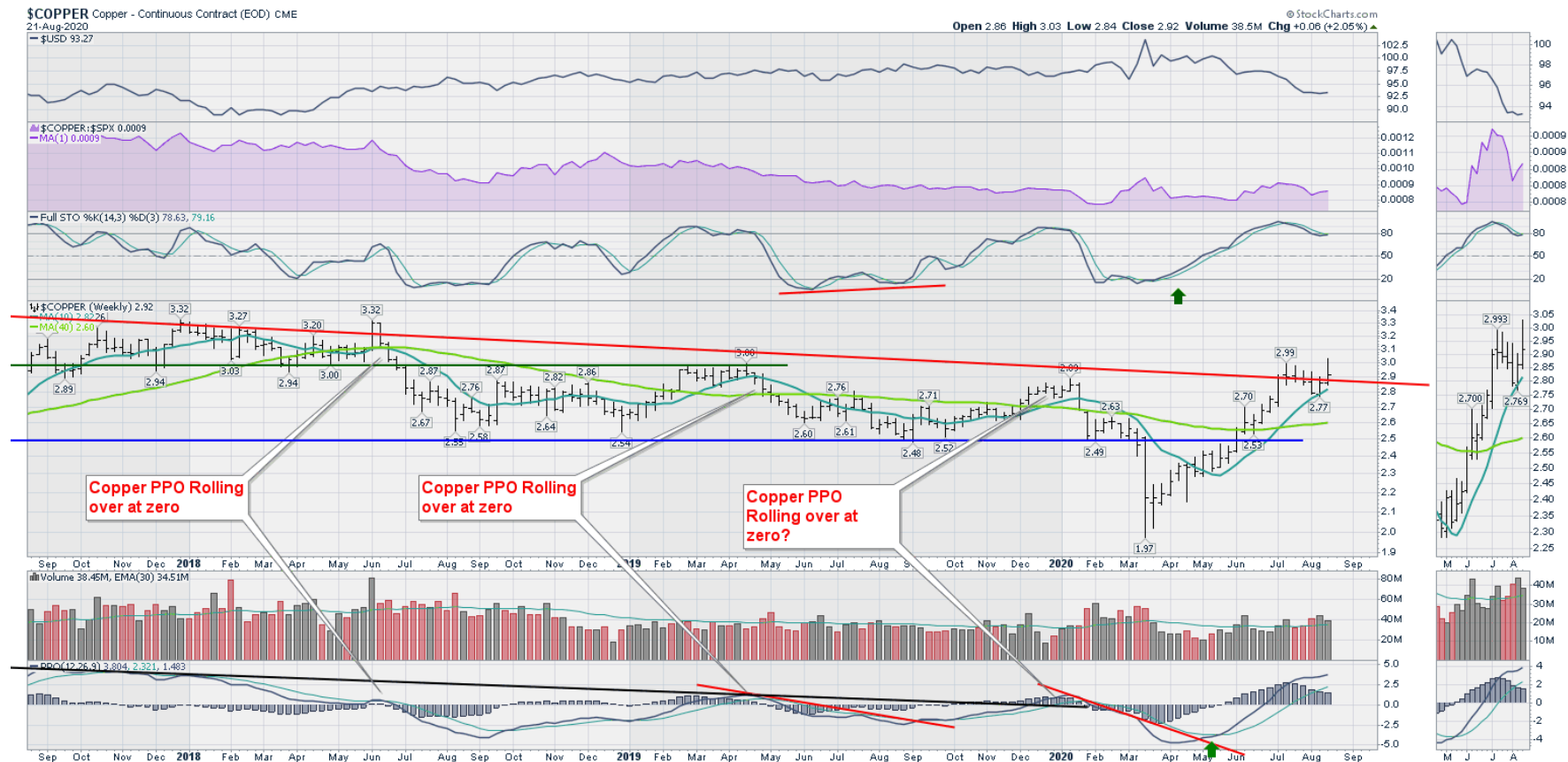
## KBE - BANK ETF MOVES BACK BELOW A RESISTANCE LEVEL

Last week [the Bank ETF \(KBE\)](#) rallied smaller than I expected based on the yield moves in the bond market. This week, banks shipwrecked on the new wind direction *and fell 6.46% on average!* The KBE closed almost on the lows for the week and now we need the uptrend to hold. It also made a lower high compared to June. After touting the nice shape of the full stochastic turning up at 50, we got a complete reversal and it moved below the full stochastic signal line. See August 2018 for a similar setup. [The broker dealer chart](#) looks a lot more bullish than the bank ETF, but it reversed at resistance too. This is an important chart to watch, as banks-breaking-bad is not a look I like. Watch closely to see if buyers can take control of this chart.



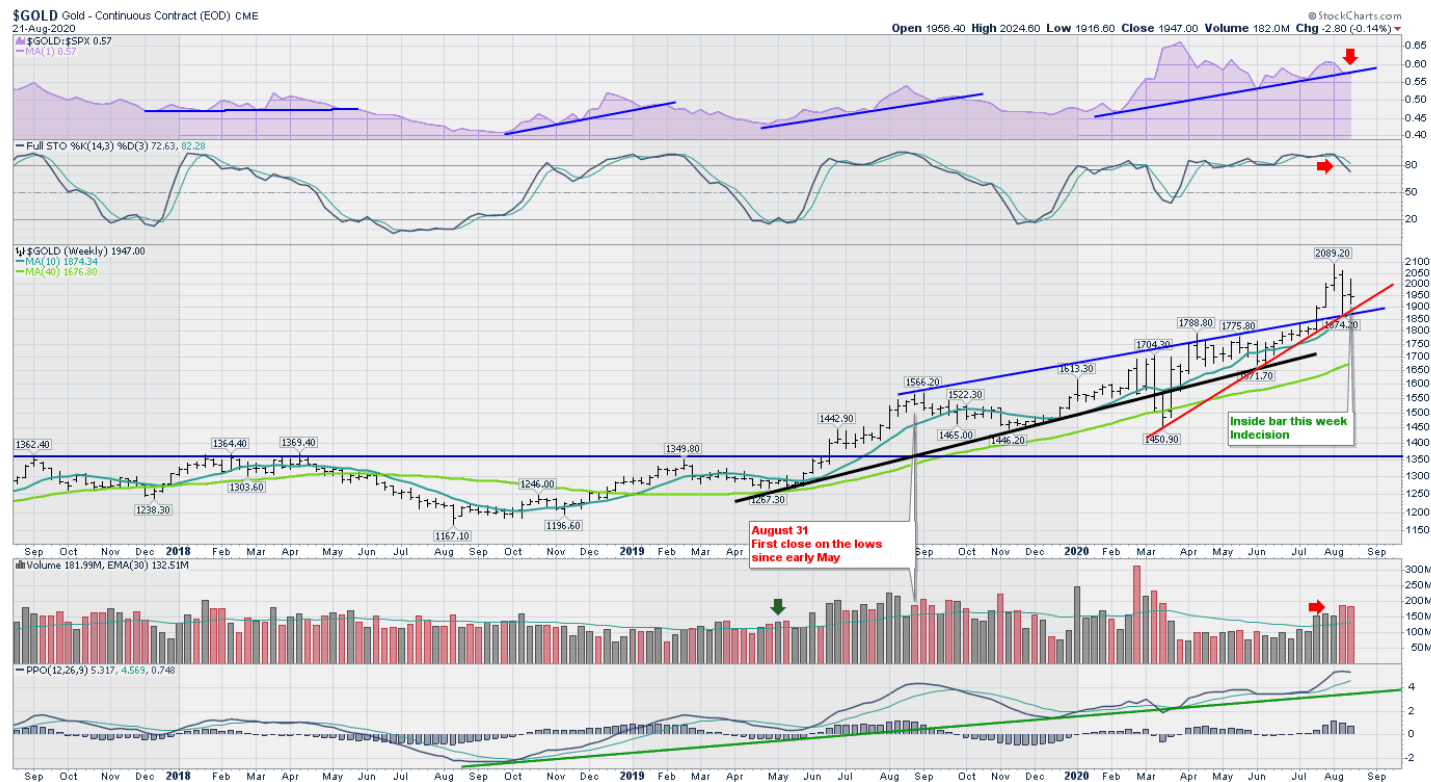
## COPPER QUAGMIRE

The chart of Copper this week shows a new high in this rally. However, the price fell back meaningfully before the end of the week, suggesting little support for \$COPPER at \$3. I was enthused by the break of the 5-week downtrend, but it seemed almost like a last gasp to get there. I'll take the higher close above the downtrend as bullish, but I want to see price close in the top 1/2 of the price bar in the coming weeks. Right now, it looks more like a caution flag than a big bullish surge. Copper Miners built a gravestone doji but still finished up 2%. A rising US dollar won't help, nor will trade tennis with China so watch if we close below the red line.



\$GOLD - GOLD'S LAST STAND

To change it up, I covered Silver for the precious metals last week. This week I would like to cover off Gold. Gold closed unchanged on the week and built an inside bar, suggesting indecision. The chart indicators agree with that. The relative strength line (RS) on the top panel is being tested. A break there would be meaningful as you can see looking left and is commonly a clue I use to exit positions. The full stochastic is making its lowest level in 4 months so that also means something is adrift. Volume was massive both weeks, but the wide-ranging price bars show a lot of indecision. Gold is up 50% from the breakout level of \$1375, which isn't a bad place to expect consolidation. On the PPO, the uptrend line in green suggests things are fine, but upward momentum is starting to slow, as shown by the histogram on the PPO. [Link](#). Price needs to hold above the red uptrend line and the blue line on the RS.



## MARKET SUMMARY

The Energy space continues to swing wildly. After leading for 2-weeks, energy names got crushed this week. Financials were not any better. Apple and Tesla worked to carry the top sectors higher. There still is no real strength in the defensive sectors, but the industrials were weak, adding caution to the bullish breakout. In Canada, gold miners did better than the actual price of gold. Semi's were flat on the week. Retail continues to be on the upside of the list.

SYMBOL	NAME	SCTR	CLOSE	CHG	% CHG	+/-
XLK	Technology	96.7	117.94	4.06	3.57	
XLY	Discretionary	93.2	146.18	2.59	1.80	
XLC	Communications	89.1	60.75	0.92	1.54	
XRT	Retail	95.4	51.96	0.41	0.80	
XLP	Staples	70.6	64.30	0.14	0.22	
SMH	Semiconductors	94.3	170.91	0.23	0.13	
XLV	Healthcare	74.0	106.82	0.02	0.02	
IYR	Real Estate	13.3	81.31	-0.37	-0.45	
XLB	Materials	77.8	61.89	-0.74	-1.18	
XLI	Industrials	63.5	76.45	-1.08	-1.39	
XLU	Utilities	12.6	59.42	-0.96	-1.59	
XLF	Financials	9.9	24.31	-0.87	-3.46	
XLE	Energy	1.3	36.03	-2.16	-5.66	
XOP	E & P	1.8	51.74	-4.42	-7.87	

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$SPTGD	Gold Miners	376.18	6.93	1.88	
\$SPTTK	Technology	168.88	2.86	1.72	
\$SPTMT	Materials	340.27	5.51	1.65	
\$SPTUT	Utilities	295.20	3.24	1.11	
\$SPTTS	Telecom	164.71	1.44	0.88	
\$SPTRE	Real Estate	278.79	2.35	0.85	
\$RTCM	Income Trusts	196.01	1.57	0.81	
\$SPTIN	Industrials	300.44	2.31	0.77	
\$SPTCD	Discretionary	192.86	0.20	0.10	
\$TSX	\$TSX	16517.85	3.24	0.02	
\$SPTCS	Staples	659.18	-1.57	-0.24	
\$SPTFS	Financials	269.69	-3.29	-1.21	
\$SPTHG	HealthCare	50.10	-2.15	-4.11	
\$SPTEN	Energy	79.89	-5.29	-6.21	



## GLOBAL VIEW

Globally, it was a big push lower as the table on the left shows. The US markets were higher with the vitamin boost from Apple. Europe's charts were down and most of them have yet to take out the June highs which I will cover on the monthly call. Most commodities stalled, but Lumber and Natural Gas were surging hard. Caution for commodities if the US dollar surges.

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$NDX	Nasdaq 100 ----	11555.16	390.72	3.50	
\$BSE	India	38434.72	557.38	1.47	
\$SPX	S&P 500 ----	3397.16	24.31	0.72	
\$IDDOW	Indonesia	1162.84	7.07	0.61	
\$SSEC	Shanghai	3380.68	20.58	0.61	
\$BVSP	Brazil	101521.29	167.84	0.17	
\$AORD	Australia	6270.70	9.00	0.14	
\$TSX	Canada	16517.85	3.24	0.02	
\$INDU	Dow ----	27930.33	-0.69	0.00	
\$HSI	Hong Kong	25113.84	-69.17	-0.27	
\$DAX	Germany	12785.80	-115.54	-0.90	
\$CAC	France	4896.33	-66.60	-1.34	
\$GBDOW	London	266.85	-3.94	-1.46	
\$NIKK	Japan	22920.30	-369.06	-1.58	
\$MXX	Mexico	38095.88	-854.00	-2.19	
\$IBEX	Spain	6982.10	-172.20	-2.41	
\$KOSPI	South Korea	2304.59	-102.90	-4.27	
\$RTSI	Russia	1262.01	-61.79	-4.67	

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$LUMBER	Lumber	762.70	104.90	15.95	
\$NATGAS	Natural Gas	2.57	0.22	9.21	
\$SILVER	Silver	26.73	0.64	2.46	
\$COPPER	Copper	2.92	0.06	2.05	
GDX	Gold Miners	40.89	0.54	1.34	
\$WTIC	WTI Crude	42.34	0.33	0.79	
\$SOYB	Soybean	904.75	6.00	0.67	
\$GOLD	Gold	1947.00	-2.80	-0.14	
\$HOIL	Heating Oil	1.23	-0.01	-0.68	
SIL	Silver Miners	46.74	-0.43	-0.91	
\$BRENT	Brent Crude	44.35	-0.45	-1.00	
REMX	Rare Earth Metals	41.32	-0.57	-1.36	
JJNTF	Nickel ETN	16.09	-0.25	-1.53	
LIT	Lithium	37.74	-0.62	-1.62	
\$COCOA	Cocoa	2409.00	-45.00	-1.83	
SLX	Steel	30.33	-0.62	-2.00	
\$SUGAR	Sugar	0.13	-0.00	-2.06	
\$GASO	Gasoline	1.21	-0.03	-2.54	
HMMJ.TO	Marijuana Stocks	6.60	-0.26	-3.79	

## 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. [Welcome To The Underground](#)

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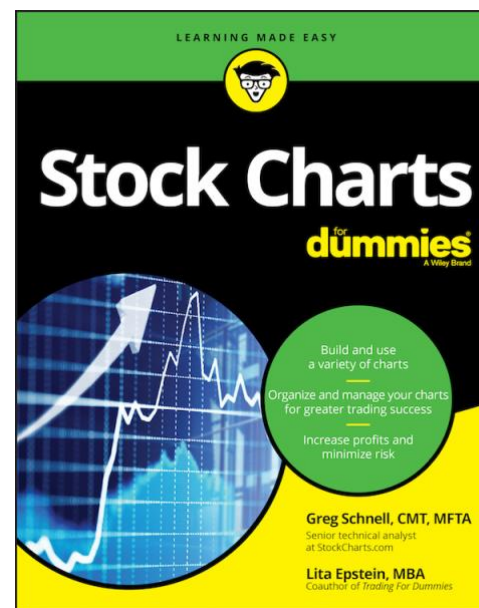
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Good trading,  
Greg Schnell, CMT, MFTA.

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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.