

THE CANADIAN TECHNICIAN



U.S. Edition

Market Weakness?

Weekly Market Review
September 19, 2020



WITH
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MARKET COMMENTARY

The US markets closed lower with a small drop in the technology names. Energy was broadly up 3% but exploration and production was up 6%. Crude moved up almost 10%. More moves in the ag space occurred with the solid moves in Corn and Soybeans. Materials including industrial metals held up fairly well. Semiconductors held up on the back of a big acquisition bid by Nvidia.



The trend line on the \$SPX broke and the Nasdaq 100 continued lower. Small caps were up on the week and to round it all out, the S&P 1500 held its trend line. This mixed picture is weakening. While market drops are rarely easy to trade as volatility picks up, the mixed results this week make it more difficult.

An explanation of how tricky the market is, the indexes were down 1-2%. Stocks up 10% or more outpaced stocks down 10% or more by **8x**. For stocks up more than 5%, it was **2.5x** more up than down.

Commodities were up on the week, with oil rising 10%. Oil moved up more than \$3 and closed at \$41.32. Copper moved up along with lithium and the rare earth metals. Steel stocks rose, coal stocks rose, agriculture names had a big week.

In currencies the Yen had a strong week. On the video, I cover off a relationship of Gold and the Yen. Essentially, when the Yen goes higher, I might expect Gold to go higher. We'll watch for that this week.

The relationship has broken down over the past year so I am watching to see if it reasserts itself.

As the market steps lower, the first part of the index waterfall was rather quick. It appears we are starting another drop down with Friday's move below support. Because Friday was Quadruple Options Expiration, my caution level is high. But the selling did not intensify as we broke lower. I would be very cautious taking aggressive index positions either way. Watch for an upside reversal.

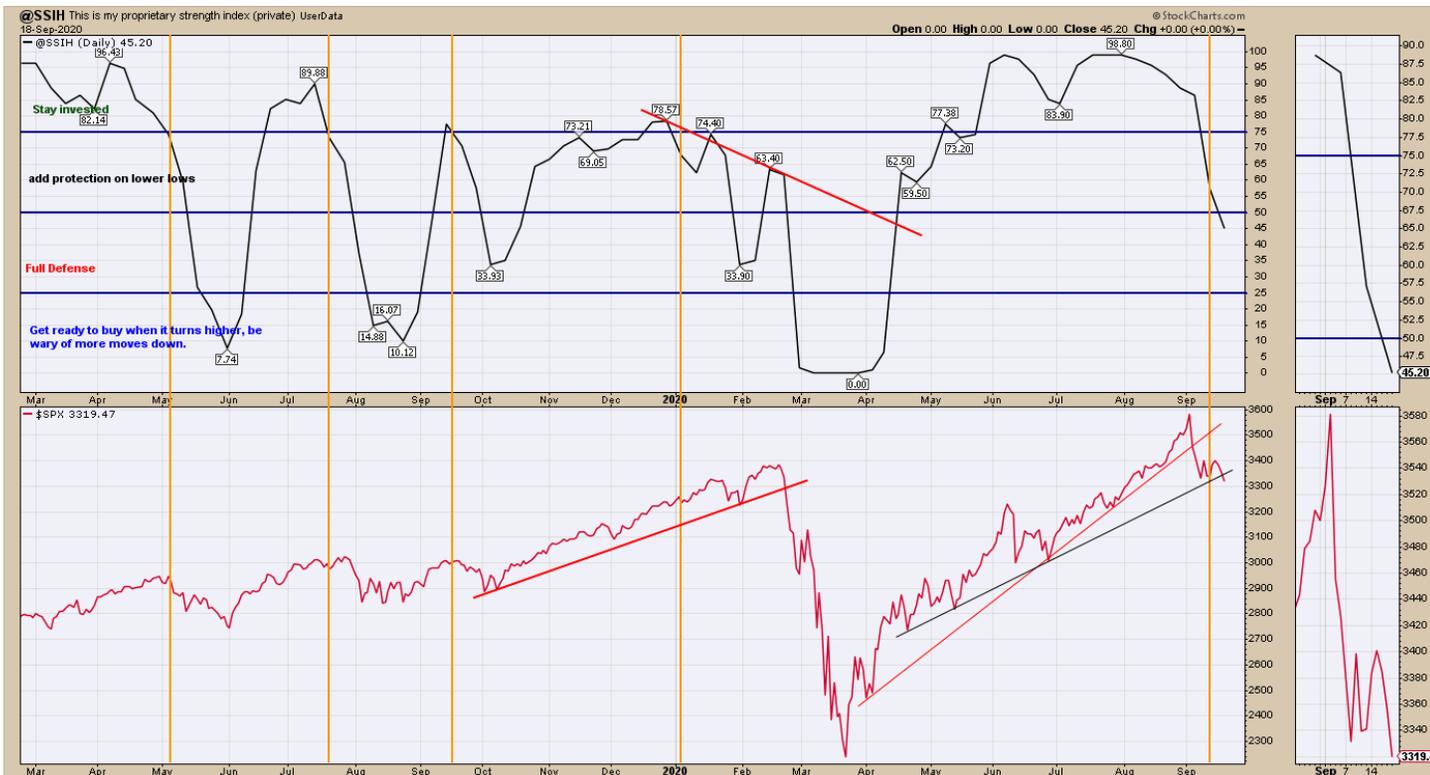
Summary: Ahead of the election, some patience is needed here. But it is a good time to stalk the names you want to own. Watch the charts for bottoming patterns. Some of the big names are off 20%. I did buy some commodity related names. It definitely seems to be a rotation going on from high fliers to cyclical economy stocks so far.

Let's jump into the charts.

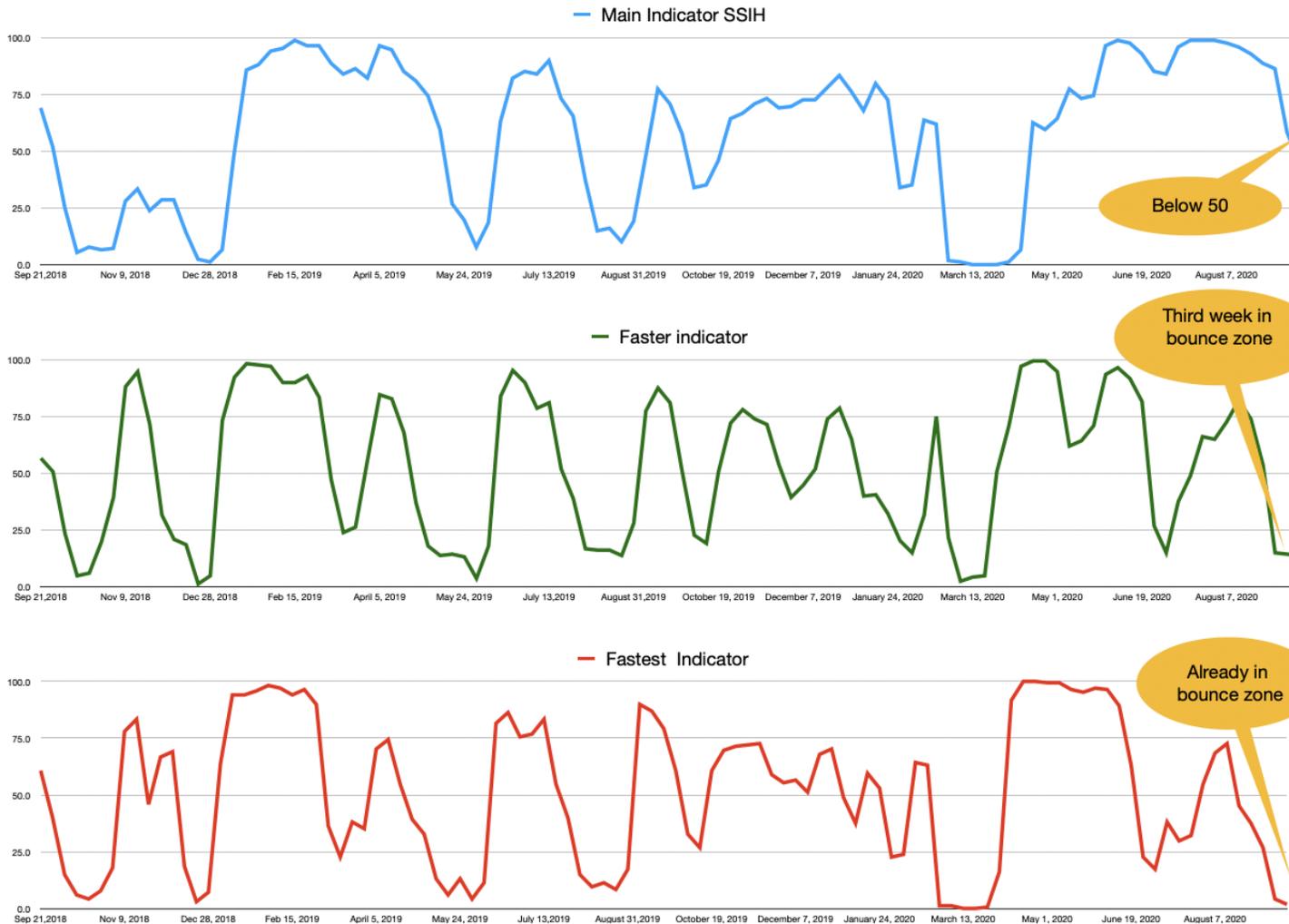
@SSIH - SOME MORE WEAKNESS

The Schnell Strength Index dropped below 50% suggesting full defensive mode. The market was split this week, with industrials, energy, materials, semi's, retail positive, but the tech names dropped a little more. I want to get clues from the banks this week, after the Fed meeting.

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.



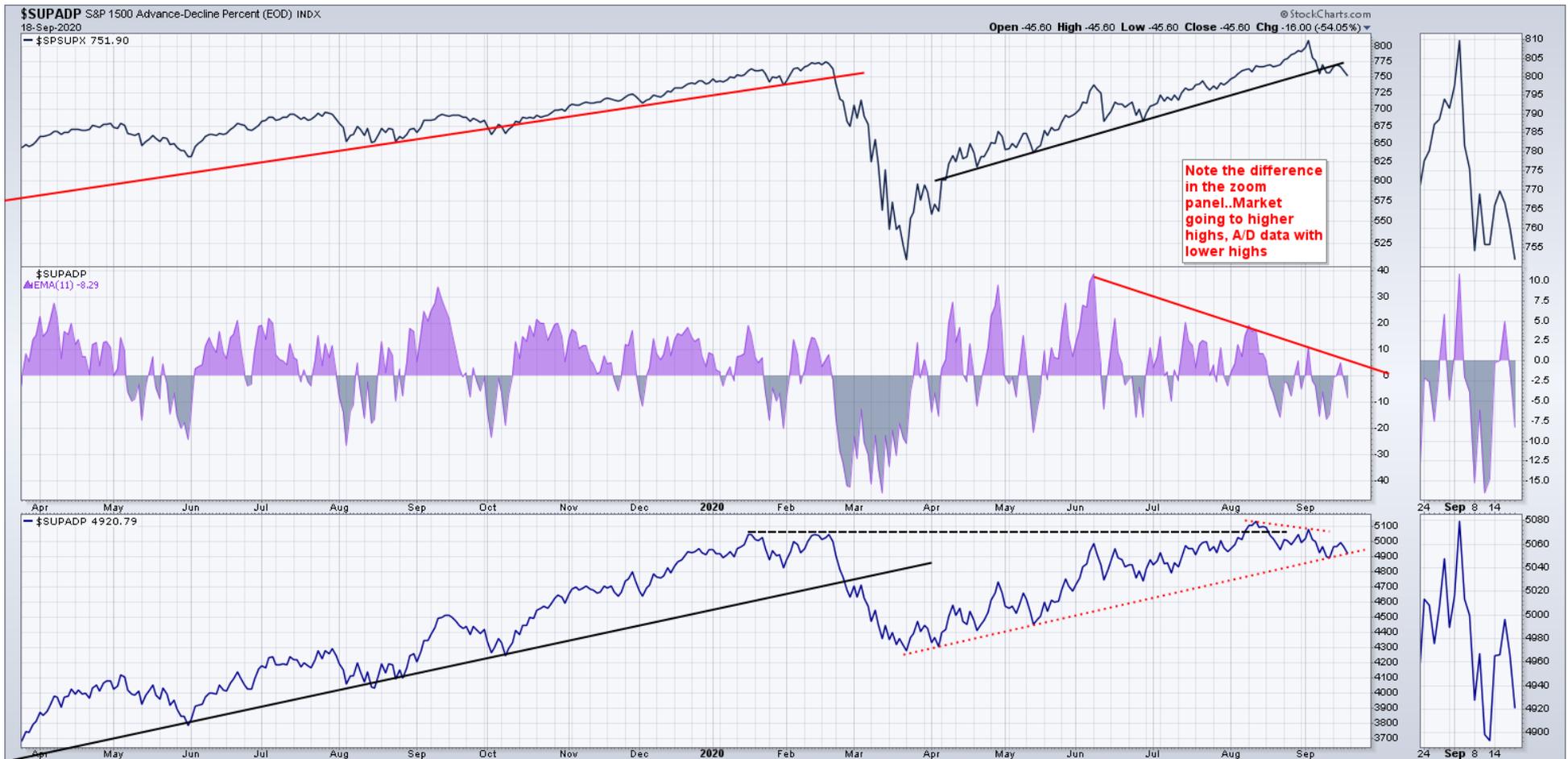
SSIH, MY FASTER AND FASTEST INDICATORS



The chart shows the SSIH in the top panel but the faster indicators on the lower panels are already down hard. For the big trend the SSIH is definitely the way to go. Both of the lower indicators are already in the bounce zone! How many weeks we spend down here below 25% is typically 4-6 weeks. We have been down here for 3 weeks already, so have your shopping list ready if you like to swing trade.

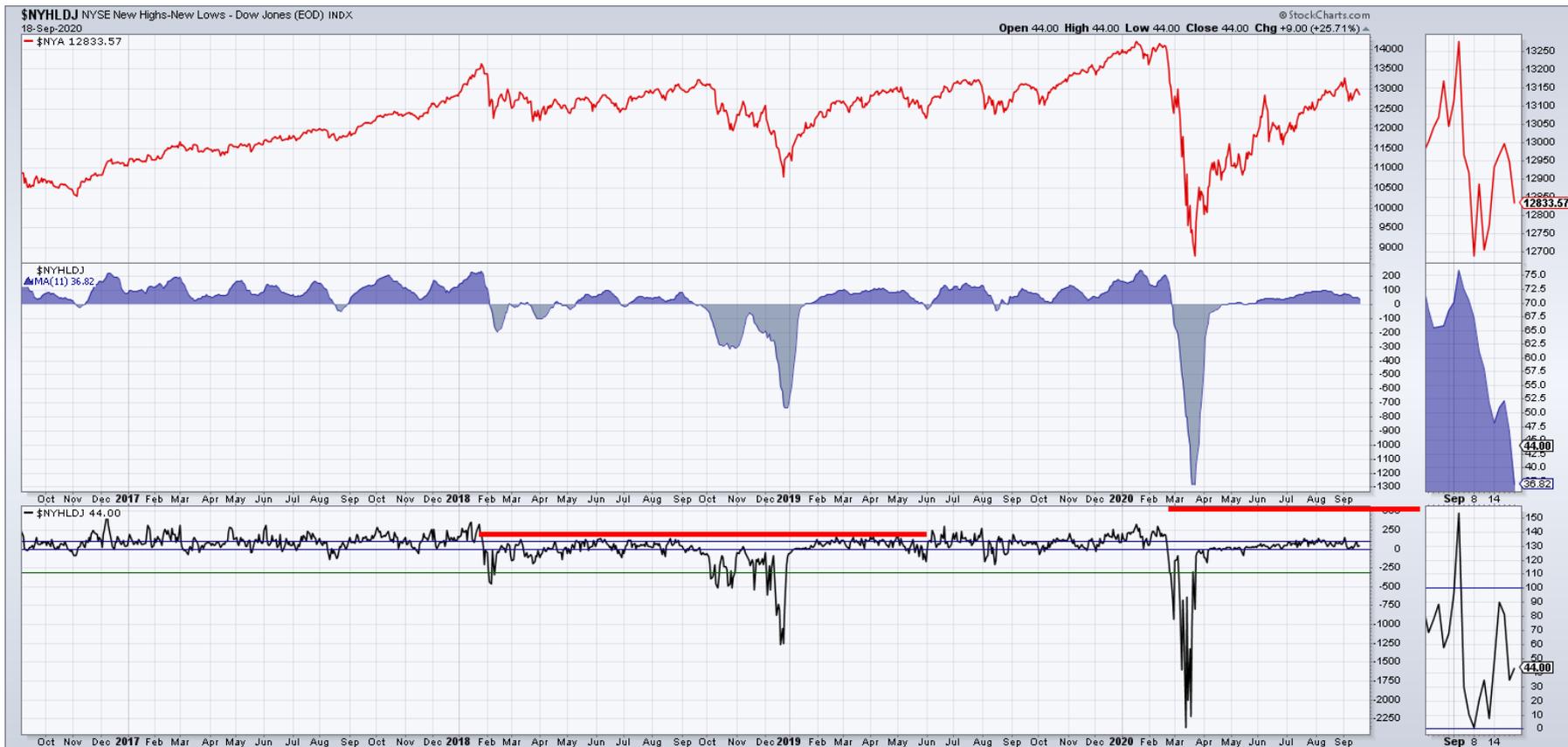
S&P 1500 BREADTH

Notice the **advance/decline line** in the lower panel. It is still holding the main uptrend. I had a line placed under the June, July, and August lows on the lower panel. We are now on the lower trend line which is the uptrend since the March lows. The middle panel is a two-week moving average. It has been working its way lower. A further breakdown would be very concerning.



NET-NEW-HIGHS

This is a chart of new 52-week highs vs new 52-week lows (Net New Highs) for the New York Stock Exchange in the lower panel. One of the concerns is the red line in 2018-2019 time-frame. Notice that after the market topped (January 2018), the market struggled to make meaningful new highs and topped out under the red area. We have the same situation now. It is difficult to expect more until it makes higher highs. The middle panel is a 2-week average. Notice the small accumulation in June-August 2018. We have the same situation now. Are we about to start moving lower again?



\$JPYUSD

The Japanese Yen had its highest weekly close in almost 4 years. There have been some other intraweek highs, but this is the highest weekly close. A surging Yen has typically been seen with Gold rising but this relationship has broken down for the last year. Gold rose out of a 6-year base in 2019. Is the Yen finally going to start accelerating higher out of this 7-year base? The PPO says yes. New Prime Minister Suga Yoshihide has taken the reins in Japan.



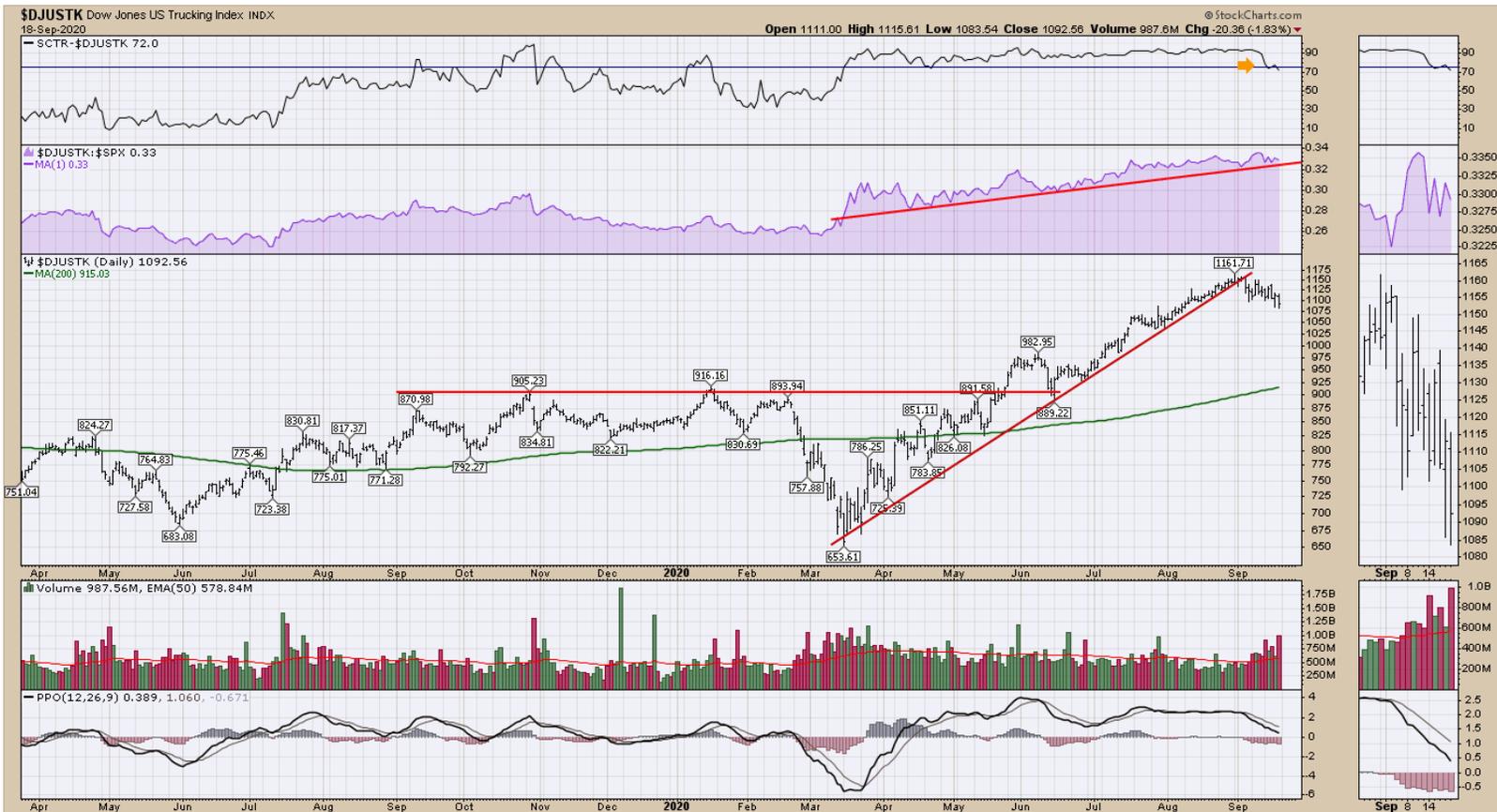
\$USD DAILY

The US Dollar has been working in a consolidation range. The RSI is at the peak level in the top panel for a weak rally and the PPO would roll over under zero if this is the start of the next leg lower. The price move over the last two weeks shown in the zoom panel suggests it doesn't have the strength to go higher and is now weakening.



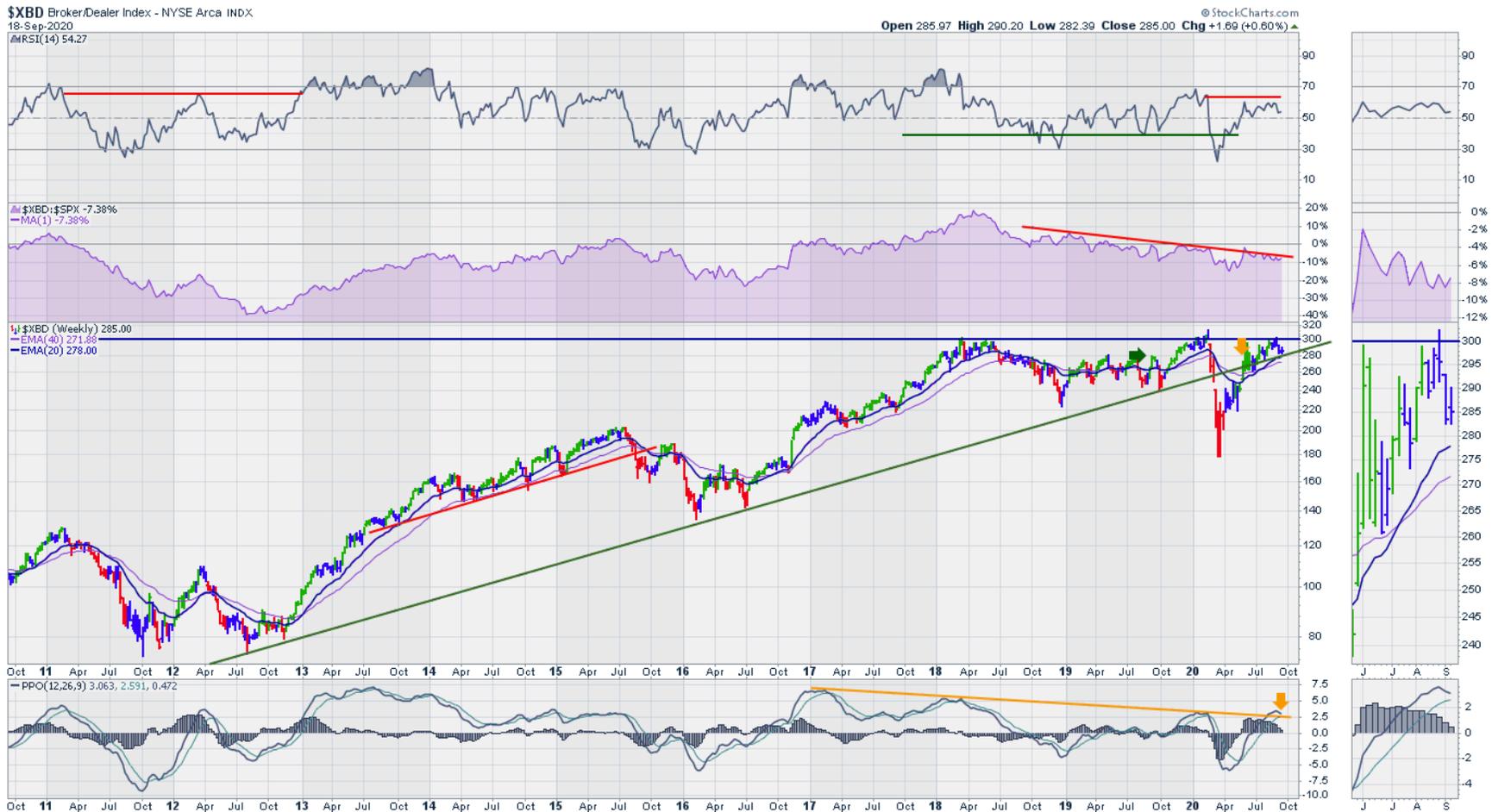
\$DJJUSTK - TRUCKING INDEX

The trucking index has been working lower since September 1st. While this is hardly a disaster, it does show signs of weakening after a very strong run. Notice the SCTR ranking starting to break below 75, giving us a clue that it is softening more than the other industry groups and sliding down the rankings. Nothing goes straight up, but if this starts to accelerate lower, we want to be aware of the change. Trucking volume has been strong, so a change here might tell us something about 4Q demand. My bias is demand should be high going into the holiday season for retail and increasing economic activity. Will it be right with higher unemployment?



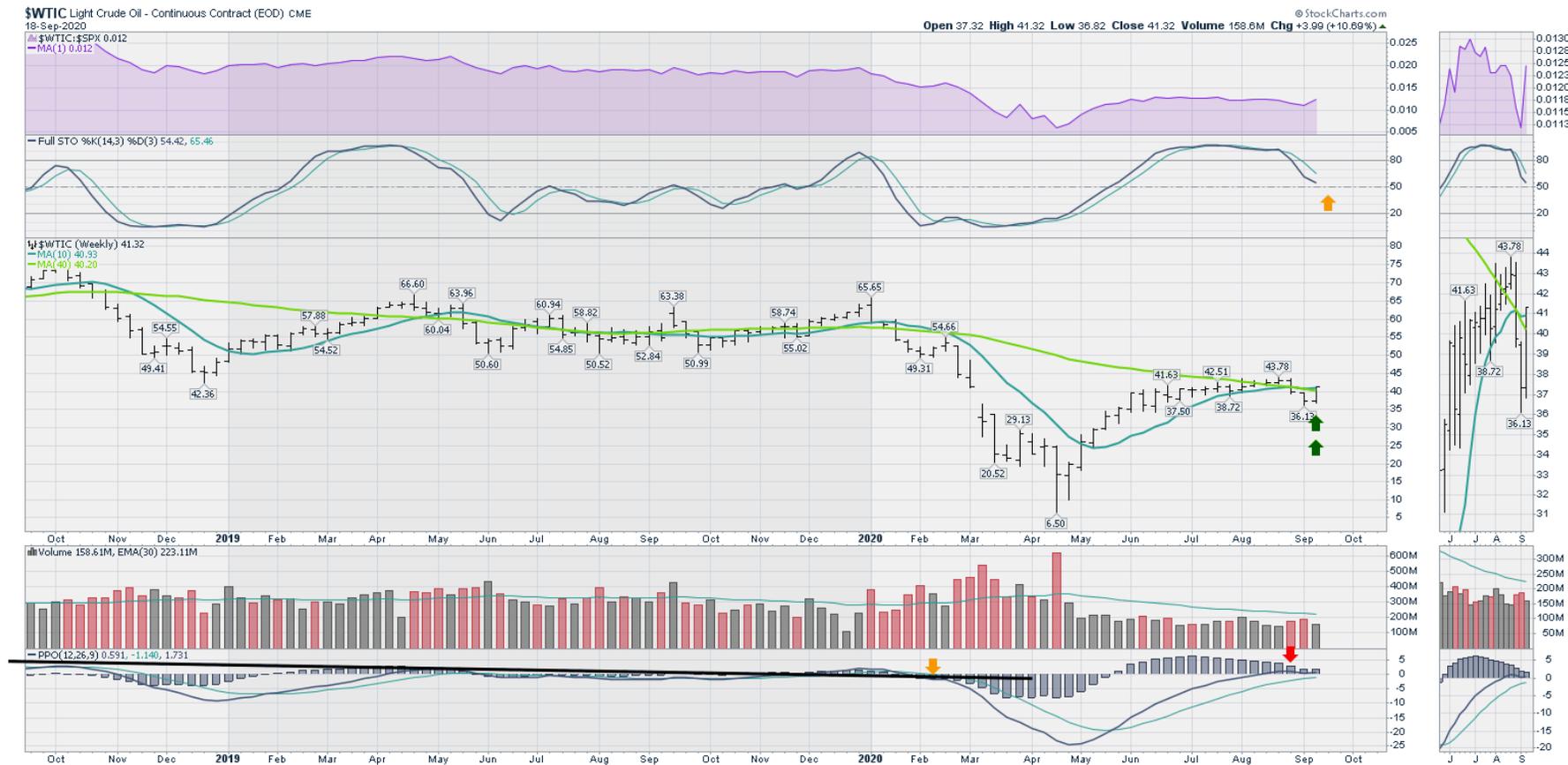
\$XBD - BROKER DEALERS

Broker Dealers were up marginally this week, but you can see the conundrum. Can this leadership group finally break out of a three-year resistance area or will they break down and take out the 9-year uptrend? The RSI on the top panel is behaving like a bear market, stalling below 60. The PPO has almost rolled over onto a sell signal. Stay tuned for the dramatic climax of this episode!



\$WTIC

Crude Oil had a massive week heading into and out of the OPEC meeting on Thursday. Crude oil is particularly important this week as we appear to have made a higher low with the 10% move. Price moved back above the 10-week moving average and the 40-week moving average and the moving averages crossed bullishly (10 WMA above the 40 WMA) this week. The 50% level on the full stochastic is a good place to get long in bull markets. If 50% doesn't hold, that tells us more time is needed for this rally to form. I did not draw the PPO trend line over to the current area, so you can see the PPO is flat at zero. A breakout here is very bullish.



SOYBEANS

Soybeans are a relatively boring subject for most retail investors. But the breakout on this 5-year trendline with volume suggests some horsepower here. Look at that volume pile! That's a Wake Up and Kick Ass moment! AG stocks.



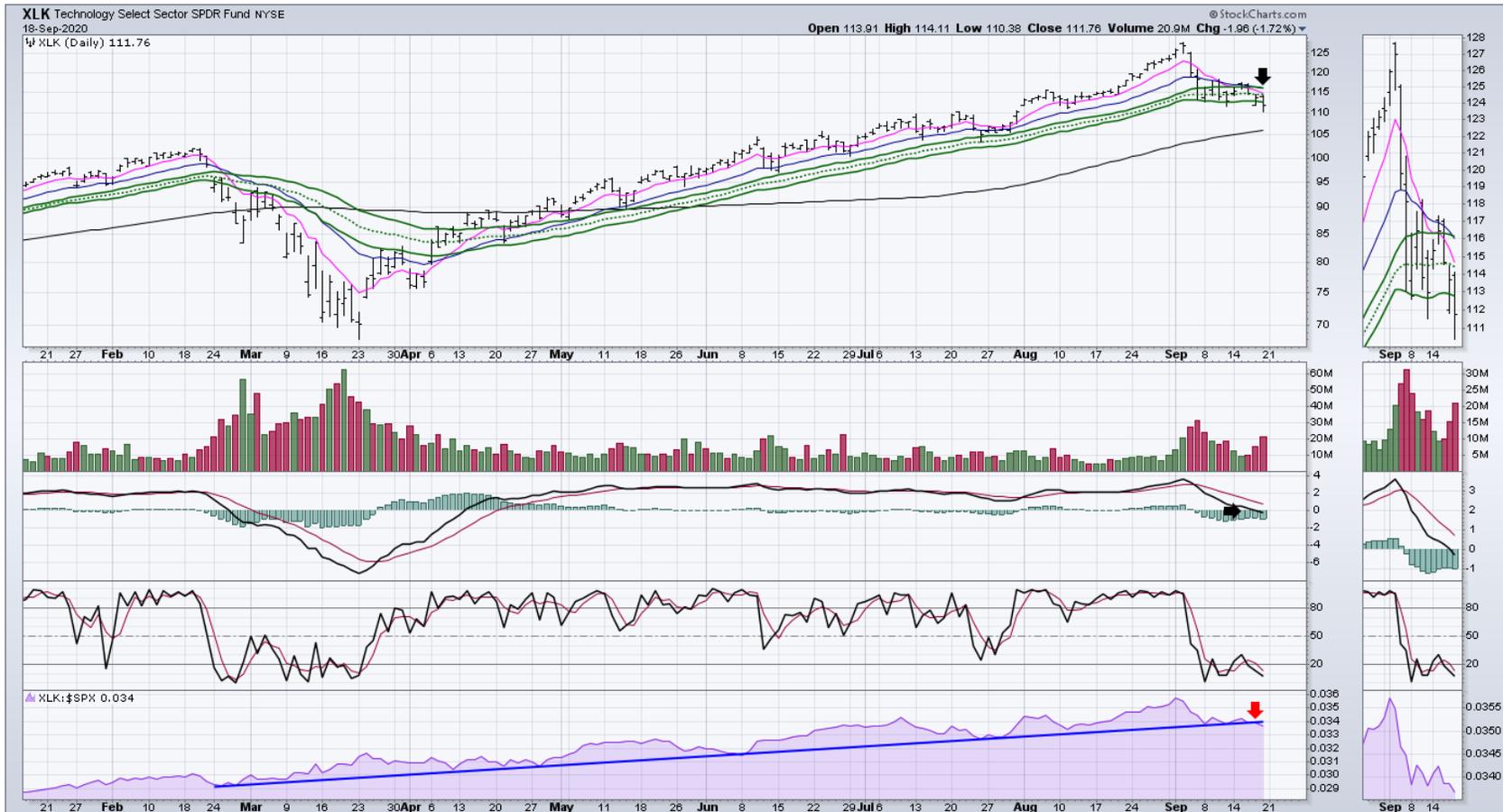
\$CRB - COMMODITIES

The \$CRB jumped higher to the highest close in three weeks. This is welcome news as we see the commodities and related companies accelerating. The PPO is pushing above zero. We also jumped back above both moving averages this week.

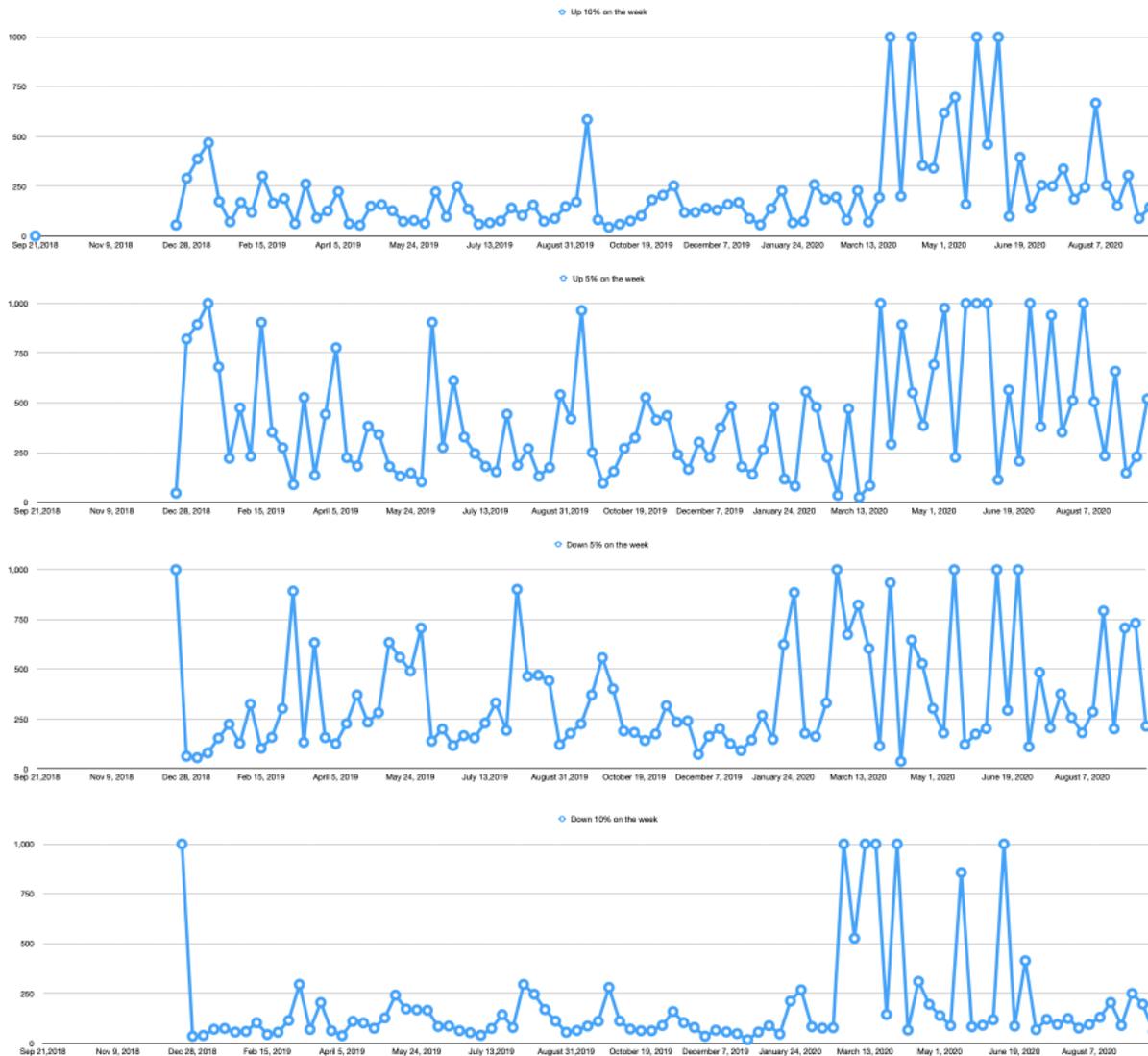


XLK - TECHNOLOGY

The Technology sector broke the relative strength uptrend compared to the \$SPX shown in purple. The momentum is waning slightly. As we can see the ETF is breaking below my Keltner channels for the first time since the rally started in March. I still wouldn't get too bearish on the sector. We are heading into earnings season and the tech area has been able to handle the pandemic better than any other. The support at \$105 is in play.



STOCKS UP VS. STOCKS DOWN



The image on the left shows number of stocks:

- Up more than 10% on the week
- Up between 5 and 10% on the week
- Down between 5 and 10% on the week
- Up more than 10% on the week

Remember the indexes were down on the week.

Compare the 10% up to down: 8X more

Compare the 5% up to down: 2.5x more

The point is there were LOTS of stocks accelerating higher while the tech names like Apple dragged down the index a little. The mega-caps masked the performance of other names on the way up and they are doing the same on the way down.

The Schnell strength index is finely balanced, but momentum is dropping. The message here is that not every sector is throwing in the towel.

MARKET SUMMARY

The Energy sector swings massively from week to week. It is crazy how many weeks it has reversed from the biggest up to the biggest down. Then to reverse the other extreme from down to up. Tech, Discretionary and Communications were weak, but not real weak as they moved down less than 2%. Canada had a surprising week. The Canadian energy sector was flat with crude up 10%! Healthcare and Income trusts were the best performers, which is just odd.

SYMBOL	NAME	SCTR	CLOSE	CHG	% CHG	+/-
XOP	E & P	28.0	47.52	2.91	6.52	
XLE	Energy	17.4	33.61	0.99	3.03	
XLI	Industrials	89.2	78.78	1.17	1.51	
SMH	Semiconductors	88.0	168.27	2.21	1.33	
XRT	Retail	96.3	50.41	0.64	1.29	
XLB	Materials	94.5	65.72	0.65	1.00	
XLV	Healthcare	50.0	105.54	0.95	0.91	
IYR	Real Estate	39.8	80.79	0.21	0.26	
XLF	Financials	41.2	24.68	-0.03	-0.12	
XLU	Utilities	24.8	58.52	-0.41	-0.70	
XLK	Technology	82.6	111.76	-1.20	-1.06	
XLP	Staples	35.2	63.69	-0.96	-1.48	
XLY	Discretionary	88.7	143.89	-2.18	-1.49	
XLC	Communications	53.8	58.74	-1.04	-1.74	

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$SPTHC	HealthCare	50.61	2.14	4.42	
\$RTRM	Income Trusts	196.91	6.79	3.57	
\$SPTRE	Real Estate	275.74	5.41	2.00	
\$SPTUT	Utilities	296.59	4.86	1.67	
\$SPTMT	Materials	350.65	4.73	1.37	
\$SPTIN	Industrials	300.01	1.69	0.57	
\$SPTEN	Energy	70.93	0.00	0.00	
\$SPTCS	Staples	647.61	-0.69	-0.11	
\$TSX	\$TSX	16198.97	-23.49	-0.14	
\$SPTCD	Discretionary	188.13	-0.85	-0.45	
\$SPTFS	Financials	269.29	-2.09	-0.77	
\$SPTGD	Gold Miners	376.42	-4.25	-1.12	
\$SPTTK	Technology	157.69	-2.19	-1.37	
\$SPTTS	Telecom	158.37	-2.71	-1.68	

GLOBAL VIEW

Globally, it was a tepid week. The Shanghai Composite had a surprising week, but everything else was sideways. Some moves in agriculture are supportive with Soybean rallying. The precious metals were flat again. Natural gas dropped hard along with lumber.

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$SSEC	Shanghai	3338.09	77.74	2.38	
\$KOSPI	South Korea	2412.40	15.71	0.66	
\$RTSI	Russia	1228.64	5.59	0.46	
\$AORD	Australia	6057.60	18.70	0.31	
\$BSE	India	38845.82	-8.73	-0.02	
\$INDU	Dow ----	27657.42	-8.22	-0.03	
\$BVSP	Brazil	98289.71	-73.51	-0.07	
\$IDDOW	Indonesia	1080.35	-0.80	-0.07	
\$TSX	Canada	16198.97	-23.49	-0.14	
\$IBEX	Spain	6929.80	-13.40	-0.19	
\$HSI	Hong Kong	24455.41	-47.90	-0.20	
\$NIKK	Japan	23360.30	-46.19	-0.20	
\$GBDOW	London	266.83	-0.93	-0.35	
\$SPX	S&P 500 ----	3319.47	-21.50	-0.64	
\$DAX	Germany	13116.25	-86.59	-0.66	
\$MXX	Mexico	36017.35	-340.85	-0.94	
\$CAC	France	4978.18	-55.96	-1.11	
\$NDX	Nasdaq 100 ----	10936.98	-150.42	-1.36	

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$SUGAR	Sugar	0.13	0.01	12.25	
\$WTIC	WTI Crude	41.32	3.99	10.69	
\$GASO	Gasoline	1.21	0.11	10.48	
\$BRENT	Brent Crude	43.68	3.85	9.67	
LIT	Lithium	40.85	3.46	9.25	
\$HOIL	Heating Oil	1.17	0.08	7.39	
REMX	Rare Earth Metals	41.78	2.19	5.53	
SLX	Steel	32.56	1.52	4.90	
\$SOYB	Soybean	1043.50	47.50	4.77	
\$COCOA	Cocoa	2641.00	93.00	3.65	
\$COPPER	Copper	3.12	0.08	2.52	
\$SILVER	Silver	27.13	0.27	1.01	
\$GOLD	Gold	1962.10	14.20	0.73	
GDX	Gold Miners	41.36	0.20	0.49	
JJNTF	Nickel ETN	17.95	0.00	0.00	
SIL	Silver Miners	47.09	-0.22	-0.47	
HMMJ.TO	Marijuana Stocks	6.18	-0.03	-0.48	
\$NATGAS	Natural Gas	2.05	-0.22	-9.74	
\$LUMBER	Lumber	523.00	-67.00	-11.36	

VIDEO OF THE WEEK

The monthly conference call for members was held Sept 3rd at 5 PM EDT. [Monthly Conference Call Sept 3rd](#).

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

Here is a link to this week’s video. [Market Weakness?](#)

We also held a Q & A session September 1st. [Q & A](#).



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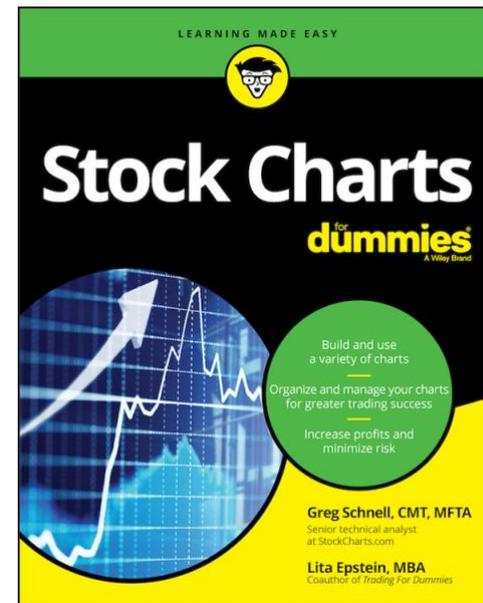
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Good trading,
Greg Schnell, CMT, MFTA.

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.