

THE CANADIAN TECHNICIAN



U.S. Edition

Mining The Madness!

Weekly Market Review
September 12, 2020



With
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MARKET COMMENTARY

The US markets closed lower with another drop in the technology names. This week saw a decline in almost every sector. The materials were marginally positive, avoiding the downward suction. Materials includes fertilizers, chemicals, mining names to list a few. With the solid moves in Corn and Soybeans, the fertilizer names held up. Energy was the worst sector once again. Technology, Communications and Semiconductors were demonstrative of the technology weakness.



The former leaders were hit again. Most of the big names (FANMAG) are hovering around the 50-day moving average. That's significantly lower in 7 trading days, but the upside euphoria was also significant leading into the drop. Tesla was down another 10% trying to bounce off the 50-day. The week was a little chilling, much like snow showing up on the mountain peaks this week. As the season changes from summer to fall, it seems the market chill is upon us.

Commodities were down on the week, with oil falling hard. Oil moved down toward a support level around \$35 to finish at \$37.33. The weekly low was \$36.13. If the support at \$35-\$36 doesn't hold, \$29 would be a next stop target. Yecch!

In currencies the British Pound got smoked for 7 cents in a couple of weeks. The US dollar moved up, and most of the commodity currencies were weaker.

That's not great! The Euro and the Yen traded sideways. Both the European and Japanese stock markets were up this week, in a big contrast to the US drop.

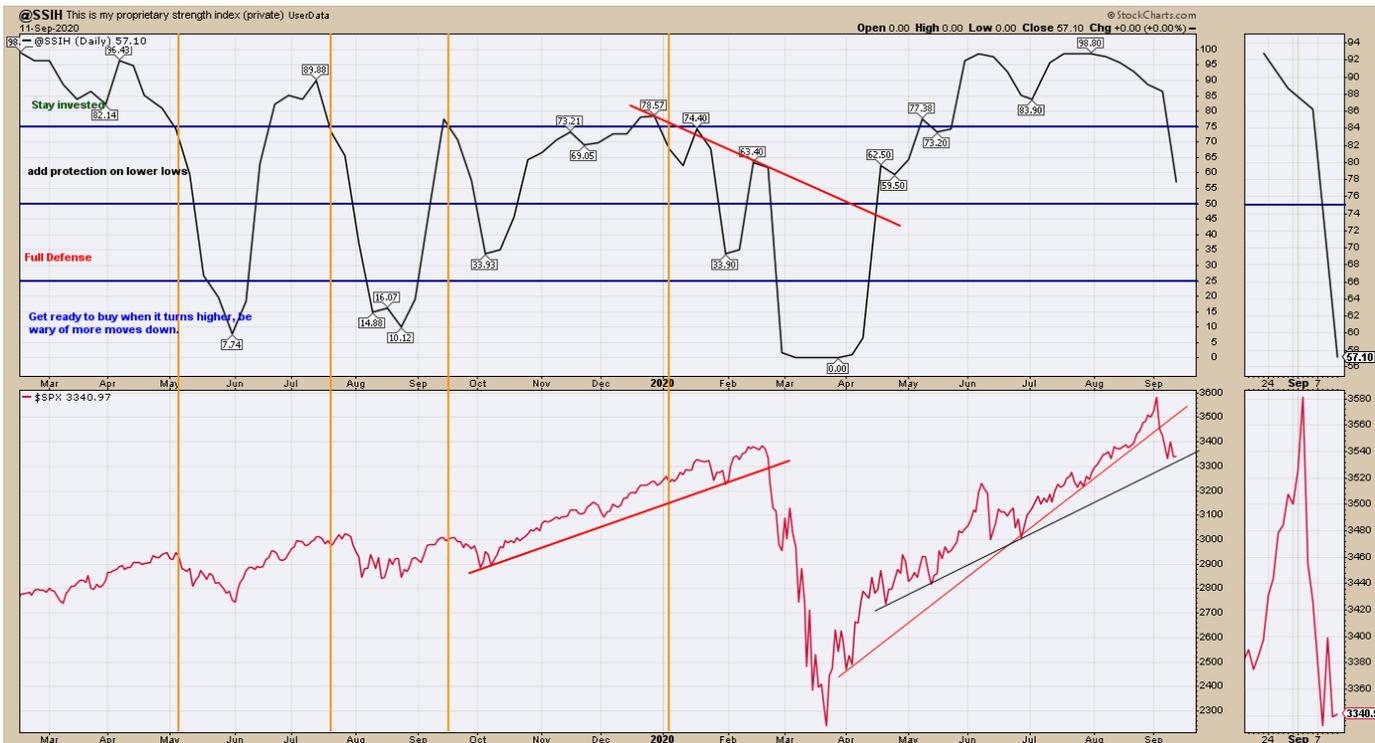
Summary: Tech continues to be sold. My courage to be long is suspended. Ahead of the election, some patience is needed here. But it is a good time to stalk the names you want to own. Watch the charts for bottoming patterns. Some of the big names are off 20%.

Let's jump into the charts.

@SSIH - SOME MORE WEAKNESS

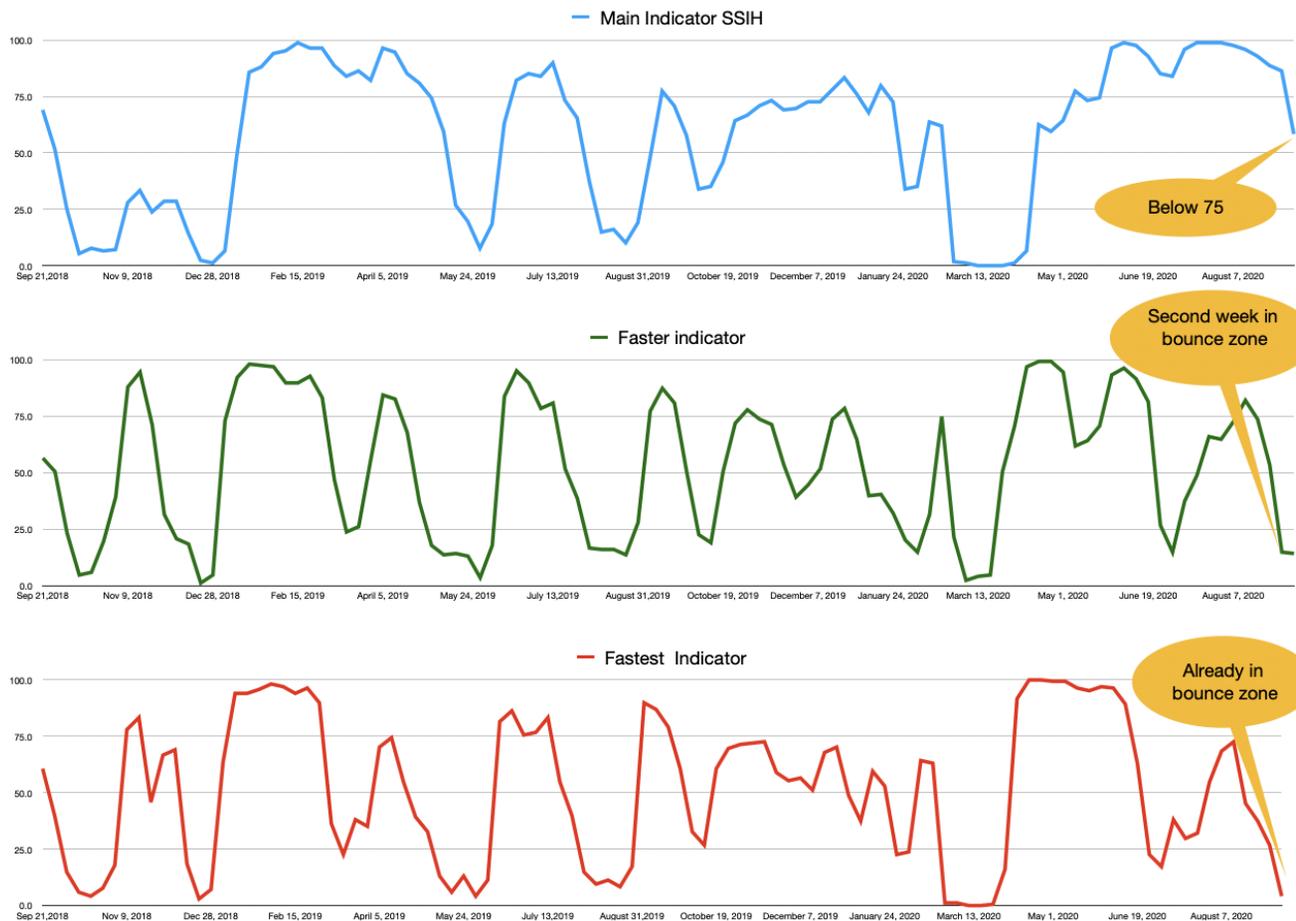
The Schnell Strength Index plummeted to 57%. We definitely saw continued weakness. Almost all the sectors were down this week but obviously the tech and communications sectors took the brunt of the selling. Energy continues to be unloved, or no, it's actually hated! With all the computers doing the momentum trading, they push trade both directions. Now that the SSIH is below 75%, we'll definitely be cautious. I would expect the \$SPX to at least bounce at the black trend line below.

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. The speed of the market drop is significant, down 7.75% on \$SPX, 12% on the \$NDX.



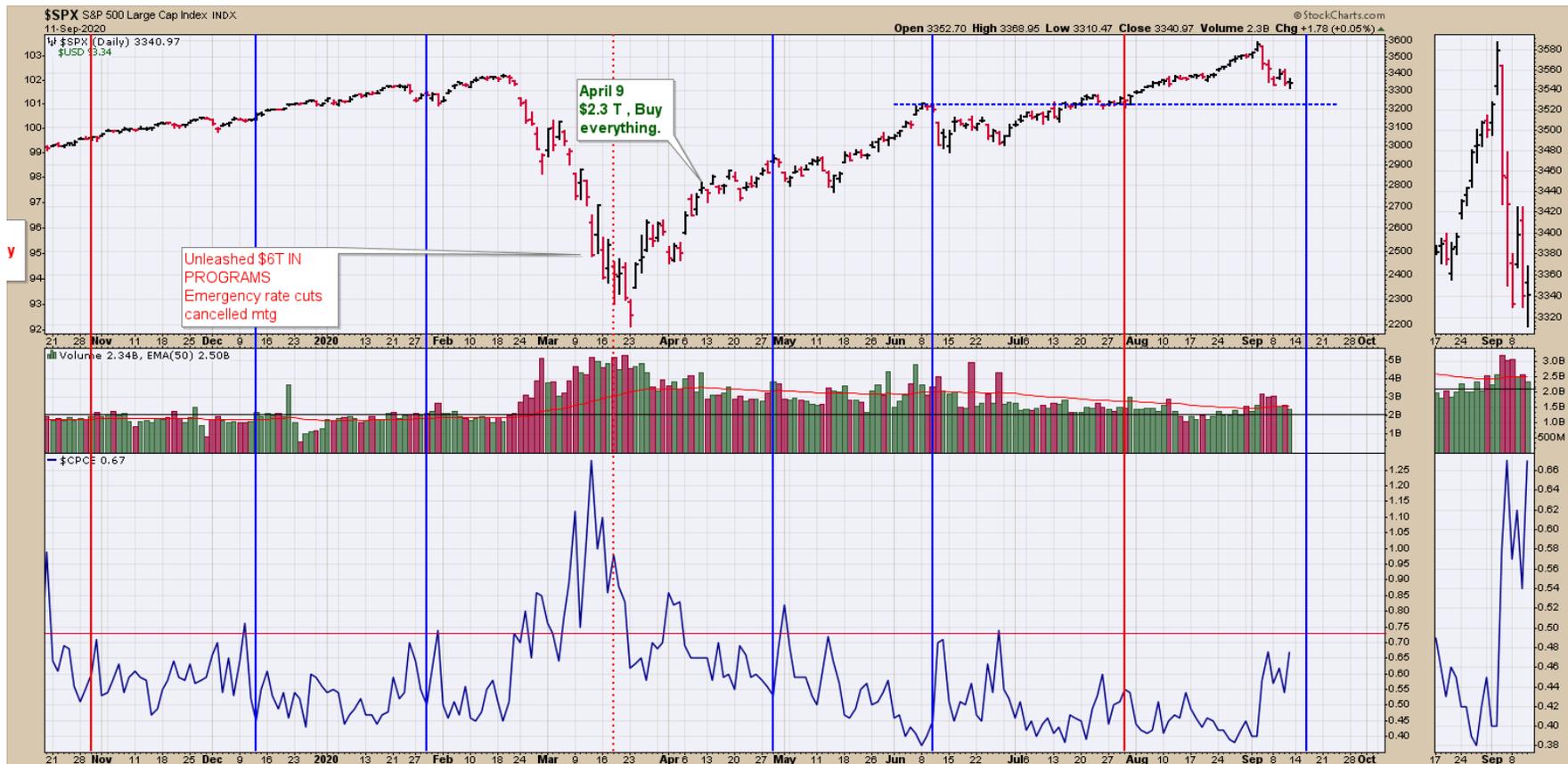
SSIH, MY FASTER AND FASTEST INDICATORS

The chart below 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. There are a few examples of brief stays of 1-2 weeks, so have your shopping list ready.



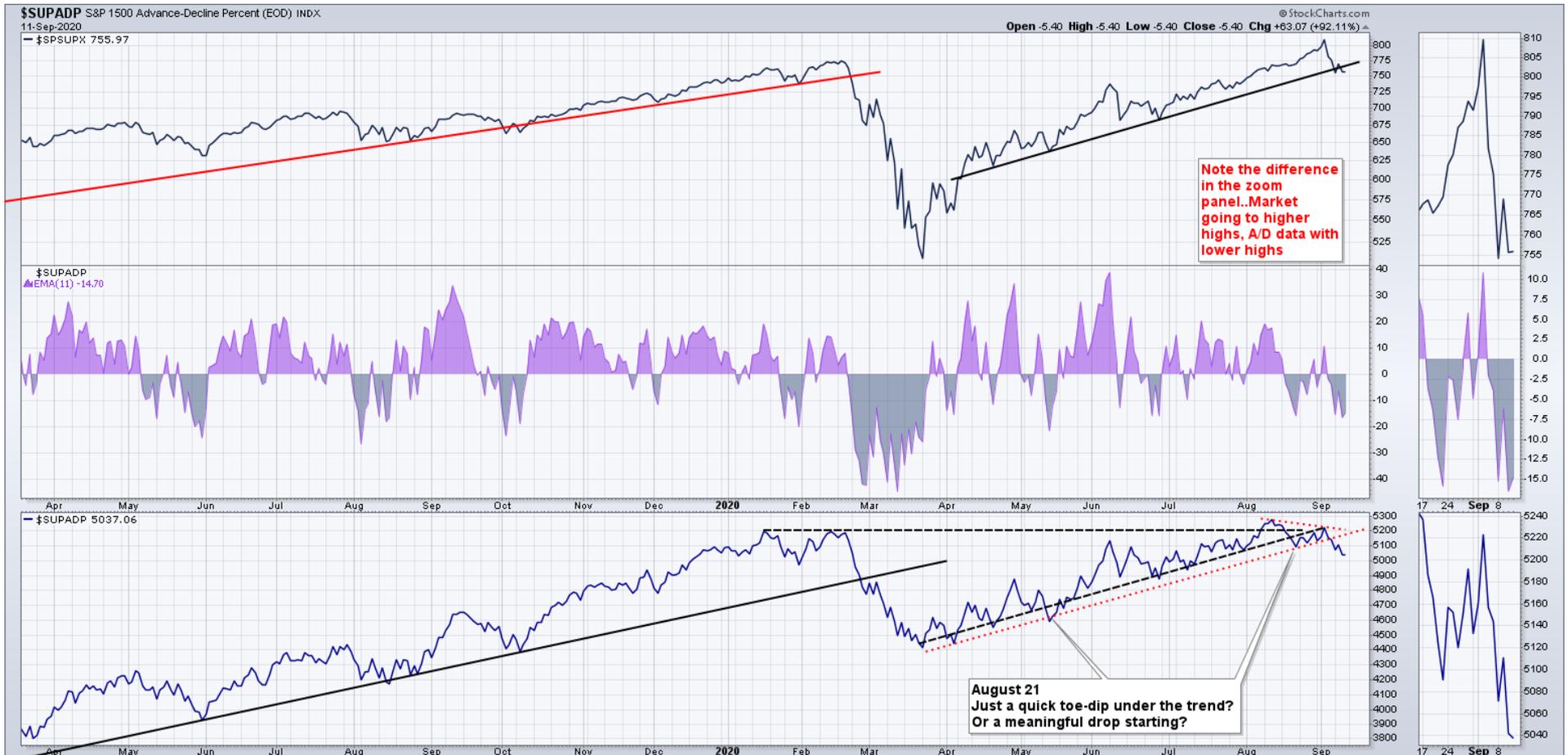
\$SPX MAKES LOWER LOWS WITH FED AND OE AHEAD

The **\$SPX** made lower lows this week closing down 2.5%. We still have massive Fed support, and most governments worldwide are spending money they don't have to stay elected. One of those factors will speak to the market this week and that is the Fed. I have a dotted horizontal line that lines up where the market was at for the previous two Fed meetings. That line is about 100 points lower. We also have Quarterly Options Expiration (OE) on Friday which is a high volume day. Lots of reasons for volatility. In the lower panel, the equity put/call ratio is close to where it peaks out (0.73) in normal pullbacks.



BREADTH BREAKS DOWN TO THE WIDER MARKET

Breadth breaks lower for the S&P 1500. In the lower panel, the advance/decline percentage line for the S&P 1500 is breaking down. On Tuesday, it broke the red dotted line and closed the week on the lows. The trend line on the top panel for the 1500 stock index is being tested. The middle panel shows a 2-week average and this is a typical looking pullback so far. Will it extend?



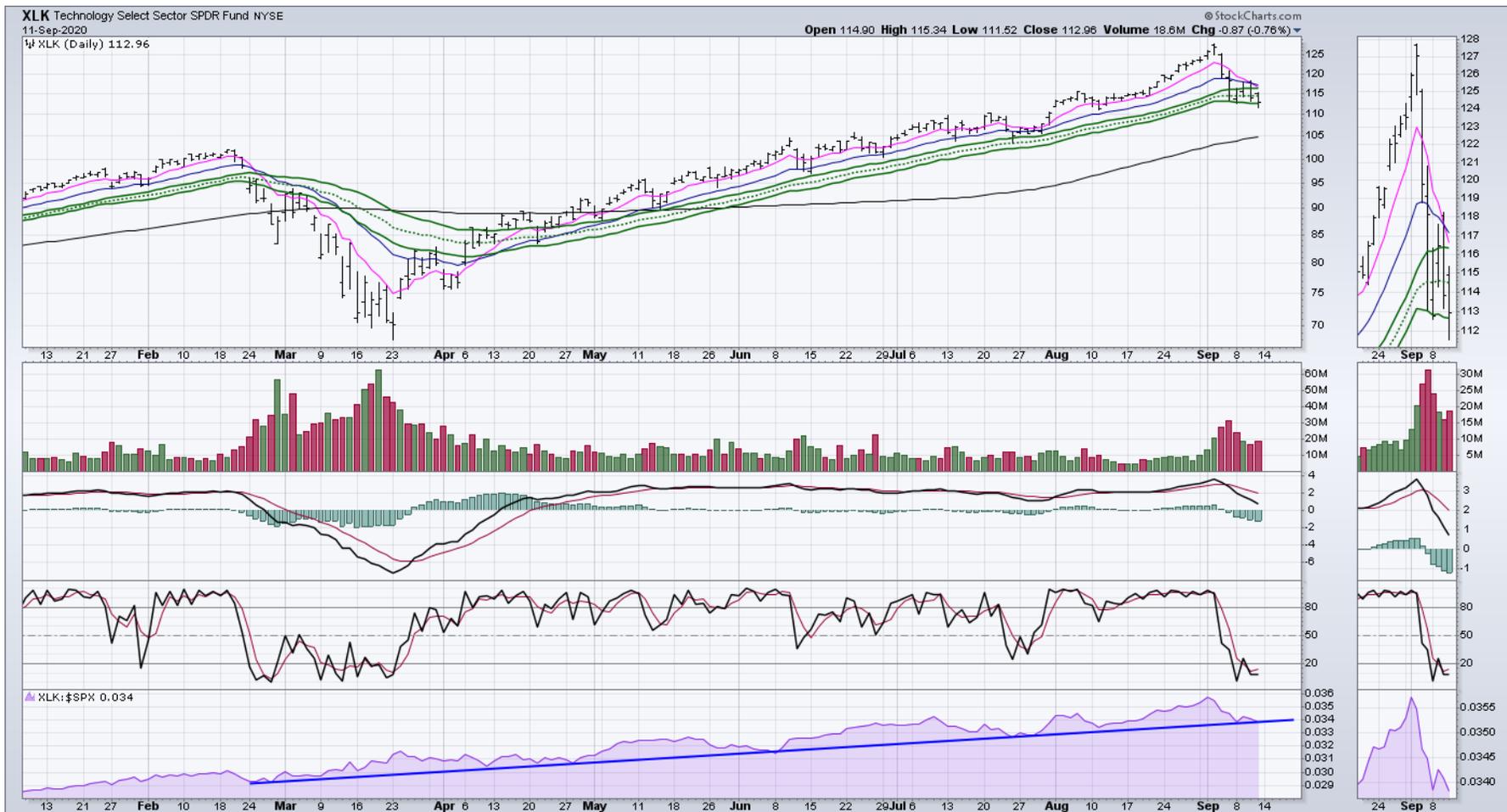
DOWNSIDE TARGETS

If this market breaks through the blue trend line, there is a high potential setup for a bounce at the zero % return for the year. As we can see the line is automatically drawn at zero, but it looks like a support/resistance line that I would place on a chart. That would also be near the dotted Fed line, two charts up! The range to watch on a price scale is 3220 (Fed meeting levels) to 3250 (start of the year).



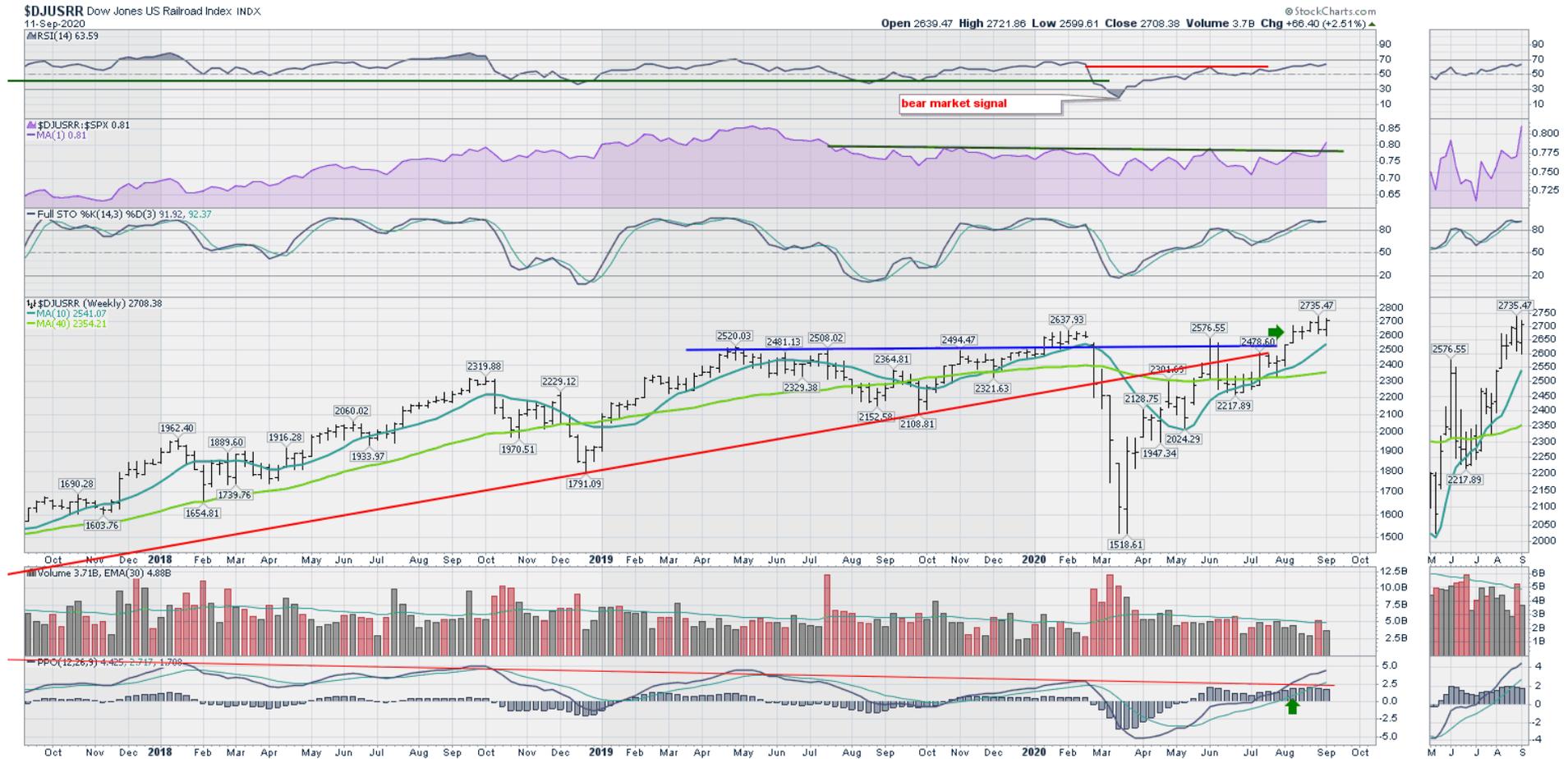
XLK - TECHNOLOGY TESTS MY SUPPORT LEVELS

The technology sector has been outperforming the \$SPX. This is shown by the upsloping trend line on the purple ratio panel at the bottom. On the price chart, I have used a Keltner channel as a support and resistance layer. So far, it is still inside. I would like to see this hold up. The 100-period moving average is down below at \$105. Keltner Channels are explained here.



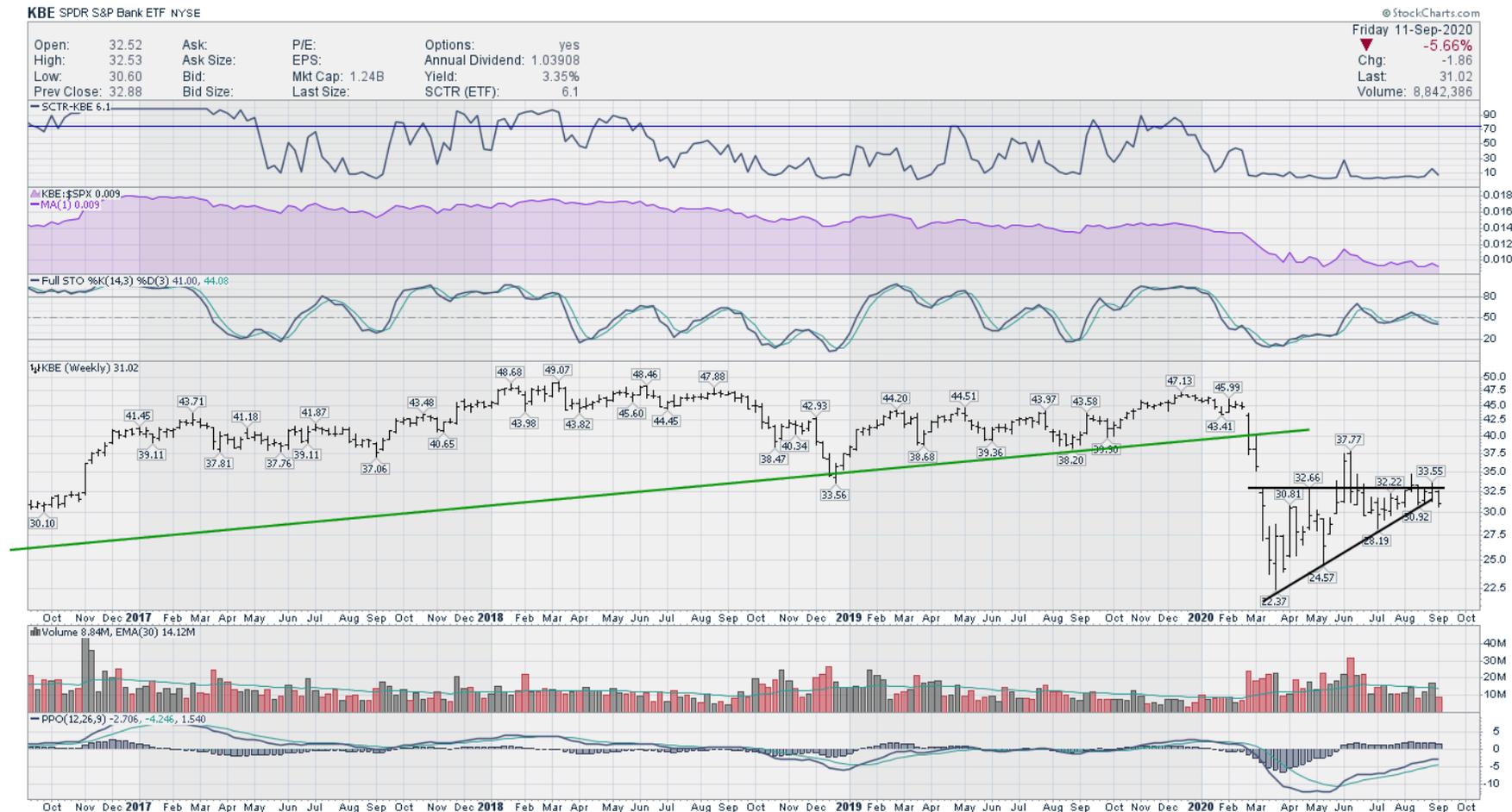
\$DJUSRR - RAILROADS

The Railroads (\$DJUSRR) are looking great actually. One of the things I really like is the railroads relative strength line on the purple panel, starting to break above the downtrend. When railroads outperform, that is very positive for an indication about the economy.



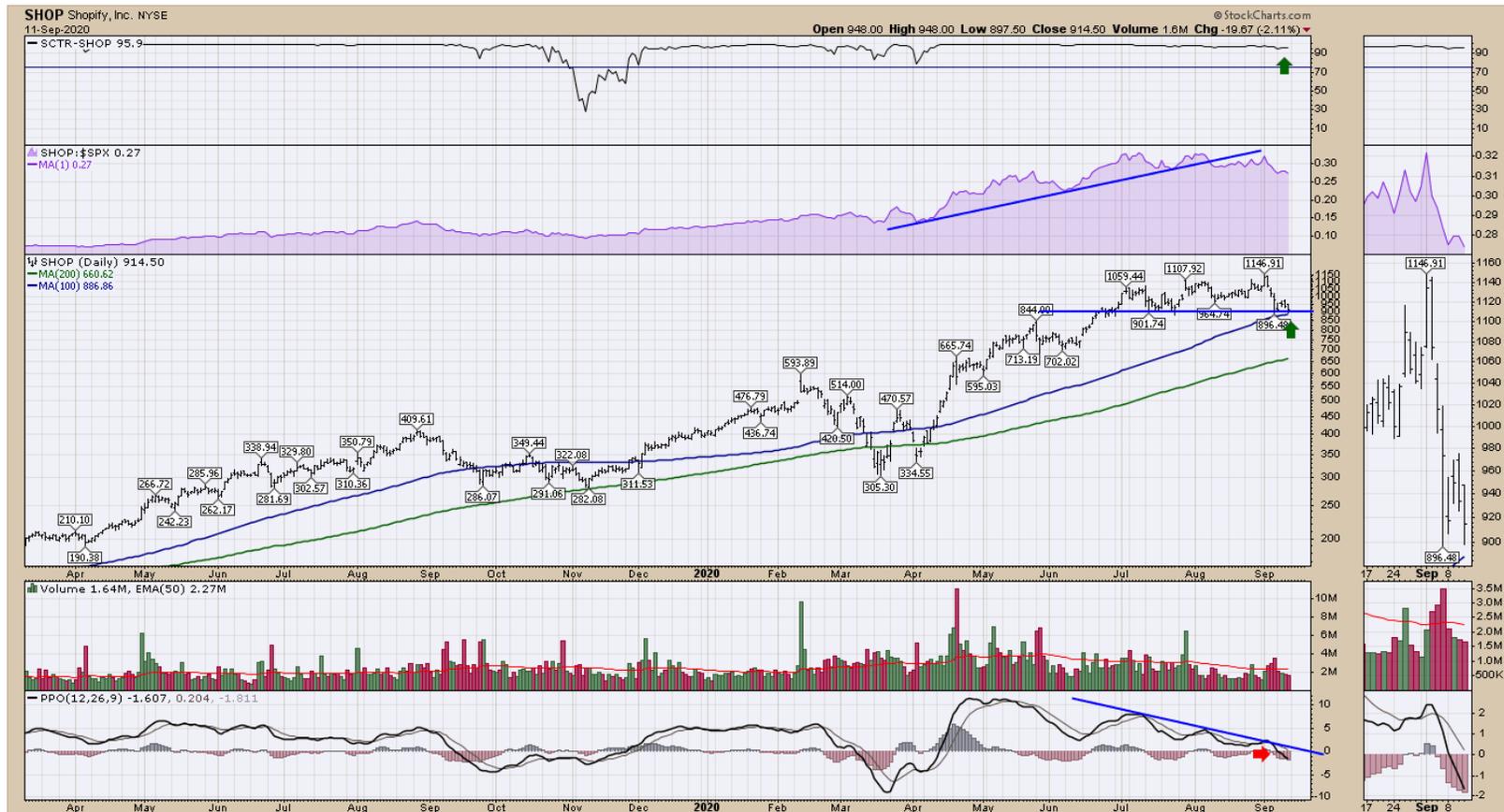
FINANCIALS TAKE ANOTHER SWING LOWER

Banks got hit this week, down 5.5%. One of the concerns is the break of the uptrend in price. Clearly it is still in the range of the last 10 weeks, but the threats to break out to the upside keep stalling. The rest of the indicators are weak at best, so the concern level is elevated.



WHAT I'LL LOOK FOR TO BUY

Some of the high-flying names are already down 20% off the highs of a few weeks ago. I'll use [Shopify](#) as an example, but it is just an *example*. First of all, the SCTR suggests SHOP is a top ranked stock living in the 90's. The purple uptrend relative to the SPX broke, suggesting the upside momentum is waning. Looking at the price, the stock is trying to hold the \$900 level. The PPO, showing momentum, has been trending down and is near the zero level. Strong stocks typically stay in positive PPO territory. The collection of price at support and the momentum resetting near zero, is where I would look for more buyers to step in. The 100-day moving



average is approximately at the center of the weekly Bollinger bands or the center of most price channel models on weekly charts. In March, the stock found support near the previous lows from November. In March, it was also below the 200-day moving average which is a rare moment as well. Below is a short-term look.

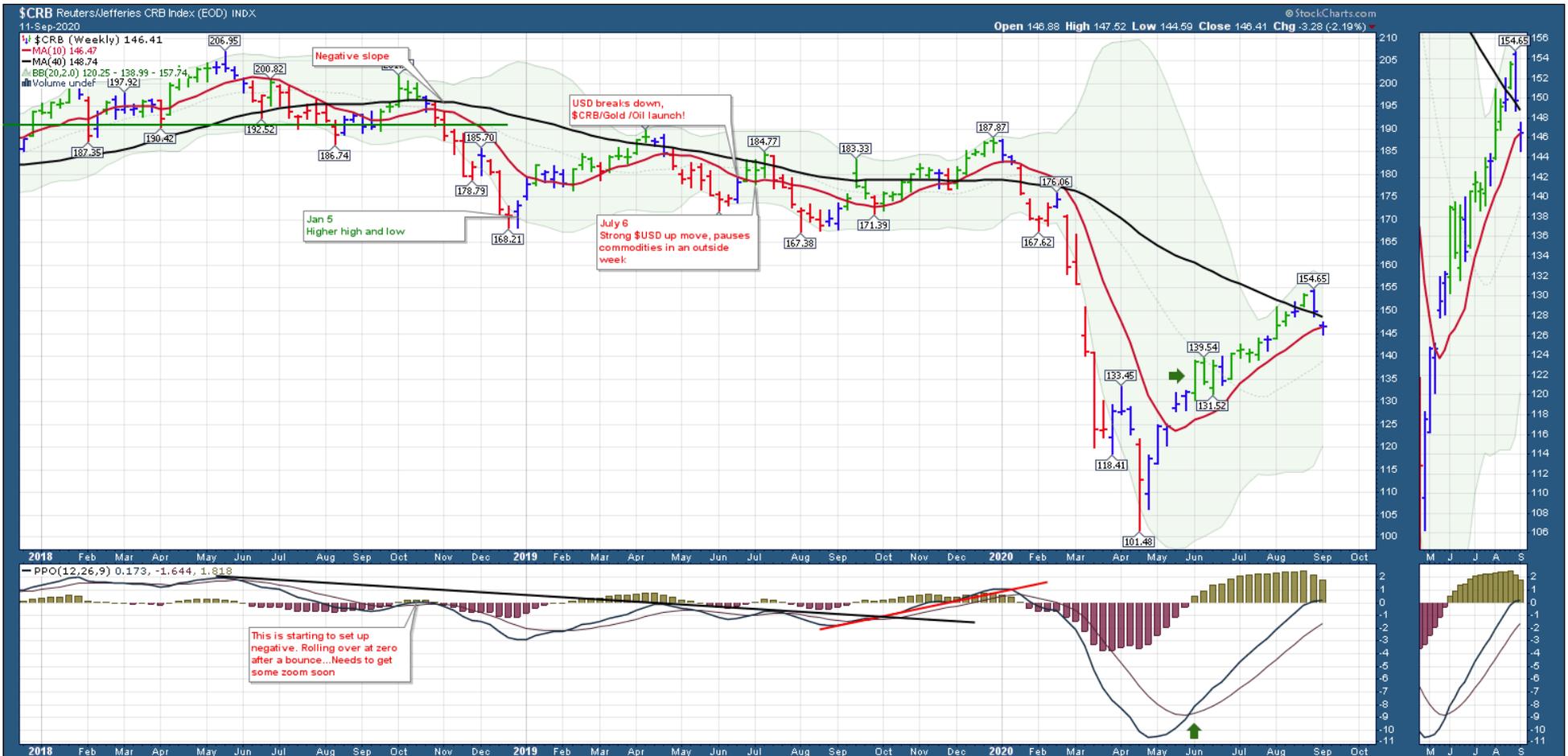
SHOPIFY - SHORT TERM

Shopify also looks good on the short term. First of all, the stock is down 20% from the highs. The PPO indicator is making a higher low as price makes a lower low. This is positive divergence. The closer you buy to support, the nicer the entry. The stop can go close, but you still need some improvement in price to enter. A swing higher right away is what I would look for with a stop at \$875.



\$CRB - COMMODITIES

The **\$CRB** reversed lower last week with an outside bar and fell to one-month lows this week. The pullback is worrisome, as I continue to mention we do not want the commodities PPO to roll over below zero. The PPO histogram made a lower high this week, suggesting we are losing our acceleration. Notice historically when the PPO line keeps failing at zero. Gulp.



\$WTIC - OIL

Crude oil moved down near 3-month lows. That is extremely concerning. I am looking for support to hold in the \$35 area. The next level is under \$30 and I definitely don't want to see that. With the continued lack of drilling and investment, I am interested in trying to buy oil companies near the upcoming low. Is it this week? I'll use similar pullbacks like the Shopify setup to find them. Some of the names are already down 30% in a month. I like the upside risk/reward.



\$\$SSEC - SHANGHAI COMPOSITE

The Shanghai Composite broke lower this week, and that looks particularly distressing as commodities typically follow the Shanghai. Not only did the \$\$SSEC drop 2.8% this week, it also failed to hold above the 2019 top. This adds to commodity uncertainty so stay prepared. We also have a rising US dollar adding pressure.



MARKET SUMMARY

The Energy sector continues its slide. Technology tried to be the worst sector again this week but was unable to unseat energy. As you can see, it wasn't close! We continue to see the leading sectors (XLK,XLC) suffer this week. Canada on the right, USA on the left. A reminder of the last election cycle. September and October were noisy and volatile with no real progress (see last weeks video). With the pullback we have already seen, we could just migrate sideways. I mentioned a reason another 2-3% down for the \$SPX so we can watch for that potential setup.

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
XLB	Materials	65.07	0.63	0.98	■
XLI	Industrials	77.61	-0.23	-0.30	
XLY	Discretionary	146.07	-1.09	-0.74	■
XLU	Utilities	58.93	-0.44	-0.74	■
XLV	Healthcare	104.59	-1.11	-1.05	■
XLP	Staples	64.65	-0.89	-1.36	■
IYR	Real Estate	80.58	-1.84	-2.23	■
XRT	Retail	49.77	-1.15	-2.26	■
XLF	Financials	24.71	-0.58	-2.29	■
SMH	Semiconductors	166.06	-5.35	-3.12	■
XLC	Communications	59.78	-2.00	-3.24	■
XLK	Technology	112.96	-5.16	-4.37	■
XLE	Energy	32.62	-2.25	-6.45	■
XOP	E & P	44.61	-4.84	-9.79	■

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$SPTMT	Materials	345.92	9.03	2.68	■
\$SPTCS	Staples	648.30	16.79	2.66	■
\$SPTGD	Gold Miners	380.67	8.12	2.18	■
\$SPTIN	Industrials	298.32	5.86	2.00	■
\$SPTUT	Utilities	291.73	3.30	1.14	■
\$TSX	\$TSX	16222.46	4.45	0.03	
\$SPTFS	Financials	271.38	-0.10	-0.04	
\$SPTTS	Telecom	161.08	-0.53	-0.33	
\$RTCM	Income Trusts	190.12	-0.91	-0.48	
\$SPTRE	Real Estate	270.33	-1.77	-0.65	■
\$SPTCD	Discretionary	188.98	-1.78	-0.93	■
\$SPTHC	HealthCare	48.47	-0.83	-1.68	■
\$SPTTK	Technology	159.88	-3.41	-2.09	■
\$SPTEN	Energy	70.93	-6.67	-8.60	■

GLOBAL VIEW

Globally, it was a mixed picture as the table on the left shows. Europe was the leading area. Most of the commodity countries were in the lower half. Lumber and the liquid energy names were trounced this week. Most industrial metals were weaker. Some moves in agriculture are supportive with Soybean rallying. The precious metals were flat. Marijuana has failed to rally so far.

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$GBDOW	London	267.76	9.24	3.57	
\$DAX	Germany	13202.84	360.18	2.80	
\$CAC	France	5034.14	69.07	1.39	
\$BSE	India	38854.55	497.37	1.30	
\$KOSPI	South Korea	2396.69	28.44	1.20	
\$NIKK	Japan	23406.49	201.06	0.87	
\$RTSI	Russia	1223.05	3.04	0.25	
\$TSX	Canada	16222.46	4.45	0.03	
\$MXX	Mexico	36358.20	-90.30	-0.25	
\$IBEX	Spain	6943.20	-46.50	-0.67	
\$HSI	Hong Kong	24503.31	-192.14	-0.78	
\$AORD	Australia	6038.90	-69.90	-1.14	
\$INDU	Dow ----	27665.64	-467.67	-1.66	
\$SPX	S&P 500 ----	3340.97	-85.99	-2.51	
\$BVSP	Brazil	98363.22	-2862.64	-2.83	
\$SSEC	Shanghai	3260.35	-95.02	-2.83	
\$NDX	Nasdaq 100 ----	11087.40	-534.73	-4.60	
\$IDDOW	Indonesia	1081.15	-69.18	-6.01	

SYMBOL	NAME	CLOSE	CHG	% CHG	+/-
\$SOYB	Soybean	996.00	28.00	2.89	
GDJ	Gold Miners	41.16	0.30	0.73	
\$GOLD	Gold	1947.90	13.60	0.70	
\$SILVER	Silver	26.86	0.14	0.54	
JJNTF	Nickel ETN	17.95	0.00	0.00	
\$SUGAR	Sugar	0.12	-0.00	-0.08	
\$COPPER	Copper	3.04	-0.02	-0.73	
SLX	Steel	31.04	-0.29	-0.93	
SIL	Silver Miners	47.31	-0.55	-1.15	
\$COCOA	Cocoa	2548.00	-47.00	-1.81	
HMMJ.TO	Marijuana Stocks	6.21	-0.15	-2.36	
REMX	Rare Earth Metals	39.59	-1.40	-3.42	
LIT	Lithium	37.39	-1.37	-3.53	
\$HOIL	Heating Oil	1.09	-0.06	-5.38	
\$WTIC	WTI Crude	37.33	-2.44	-6.14	
\$BRENT	Brent Crude	39.83	-2.83	-6.63	
\$GASO	Gasoline	1.09	-0.08	-6.99	
\$LUMBER	Lumber	590.00	-51.50	-8.03	
\$NATGAS	Natural Gas	2.27	-0.32	-12.33	

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. [Mining The Madness.](#)

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

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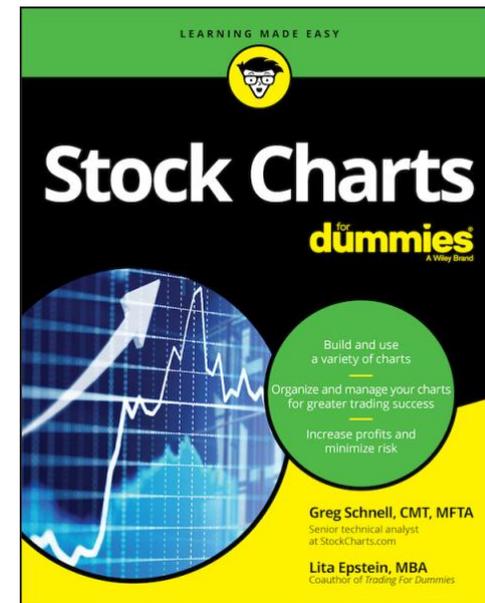
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Good trading,
Greg Schnell, CMT, MFTA.

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.