

THE CANADIAN TECHNICIAN



U.S. Edition

Its Up For Debate

Weekly Market Review
Oct 23, 2020



WITH
GREG SCHNELL



MARKET COMMENTARY

Another meager week. Feels like we are on the road to nowhere. Barely a ripple on the Nasdaq between the 5 closes. Flat water. The Advance/decline data are positive for the week. My Schnell Strength Index fell back below 75 adding caution. I have one chart that keeps track of wide differences in my momentum data. It is giving a signal like the March lows! So be open to the upside. With



the second COVID wave accelerating, is the market going to price in a second shutdown or just a massive prevention plan of masks and distancing? It is up for debate as to which way we break.

One week was a pause, but I certainly didn't want to see more weakness this week. It wasn't much, and we didn't have big down days (Monday was 1%). But you can't go up without momentum either. Big tech reports this week. Thursday night is the elephant on the agenda with AAPL, AMZN, GOOGL, and FB. MSFT is Tuesday night.

Financials were up a little, but yields were up big. Banks and brokers are both trying to work higher. I spent a little time on yields on the video, but they were up bigly.

Industrials pulled back, and the rails broke the uptrend. The last three of those rail chart trend breaks coincided with multi month weakness, so I'm

choking on that chart. Oil names rallied 3% even though crude moved down on the week. As we hunt for the secondary low in oil stocks, I've broken that strategy out in detail this week. It's up for debate if they are ready to go.

Summary: With the pullback on my strength indicators, it adds caution. The dropping US dollar may continue to help commodities. It was nice to see \$USD continue lower. Another down week on the dollar could really give commodities a lift as charts like Copper, Steel, EEM, URA, XOP are set up. Not so much in gold, but in the other names. The equity activity this week was as muted as at this ferry ramp. Nothing exciting on a dead end road.

Let's jump into the charts.

GREGSCHNELL.COM

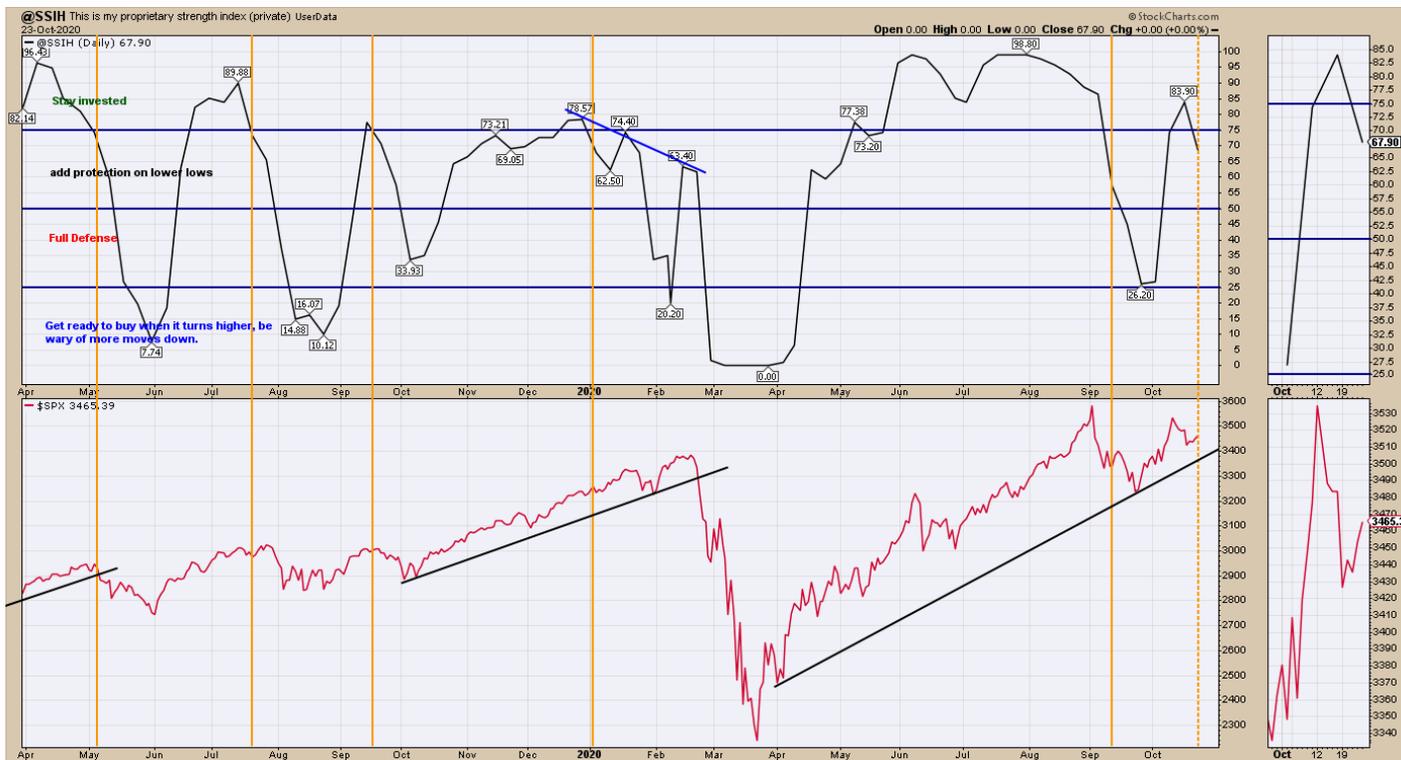
THE CANADIAN TECHNICIAN

2

@SSIH - PULLED BACK INTO CAUTION ZONE

The Schnell Strength Index closed the week at 67.9%. The \$SPX dropped Monday then idled slightly higher through the week. But the Nasdaq dropped Monday and stayed flat all week. If we continue to make lower lows here, that would be concerning. Last week I mentioned we need to rally this week. We didn't and the chart is losing upside momentum. Concerning but not definitive.

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 tab this week for more updates.



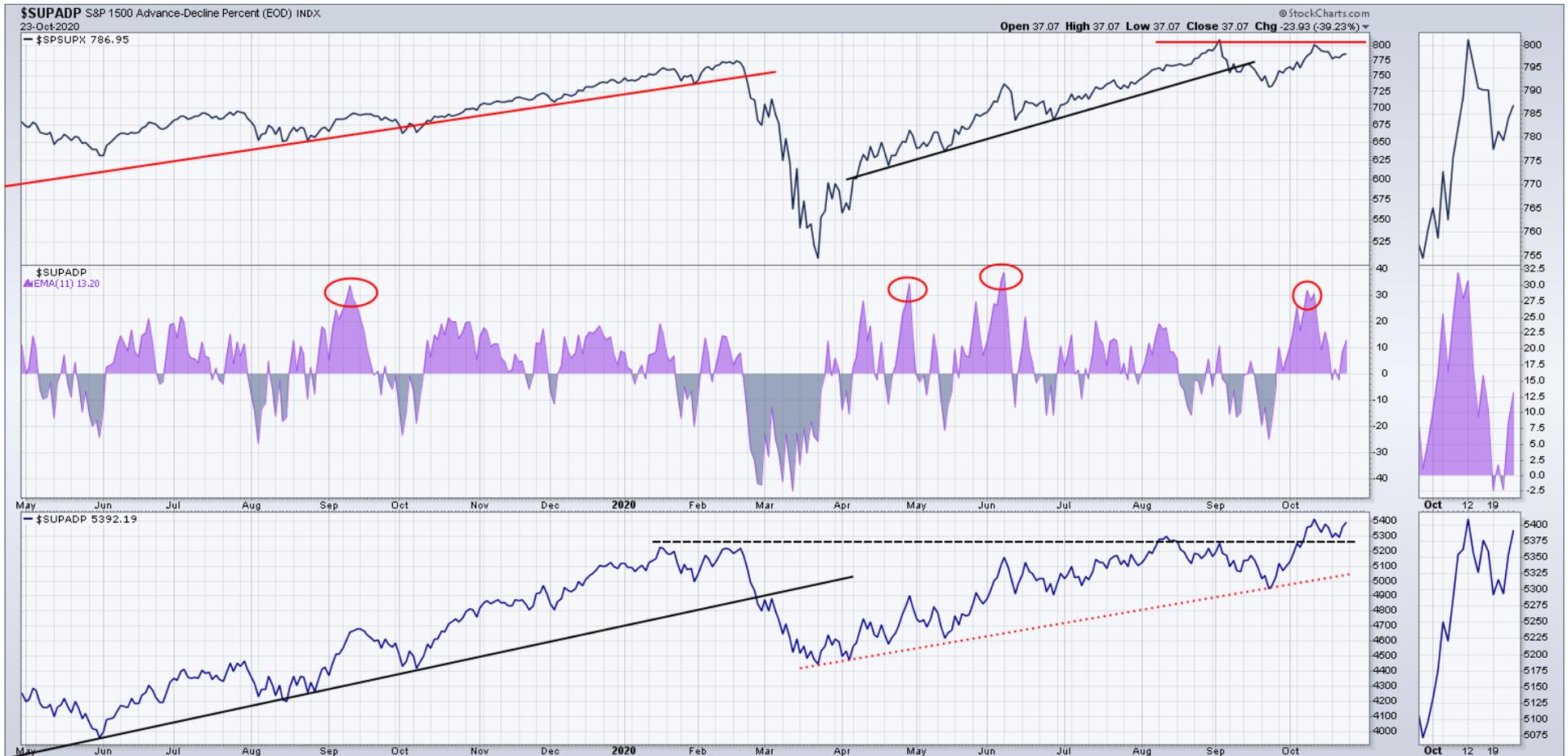
SSIH, MY FASTER AND FASTEST INDICATORS



The chart shows the SSIH in the top panel. The fastest indicator already dropped below 50% so that is uncomfortable! The mid speed suggests the rally still has enough breadth. The SSIH (top panel) is showing some caution here.

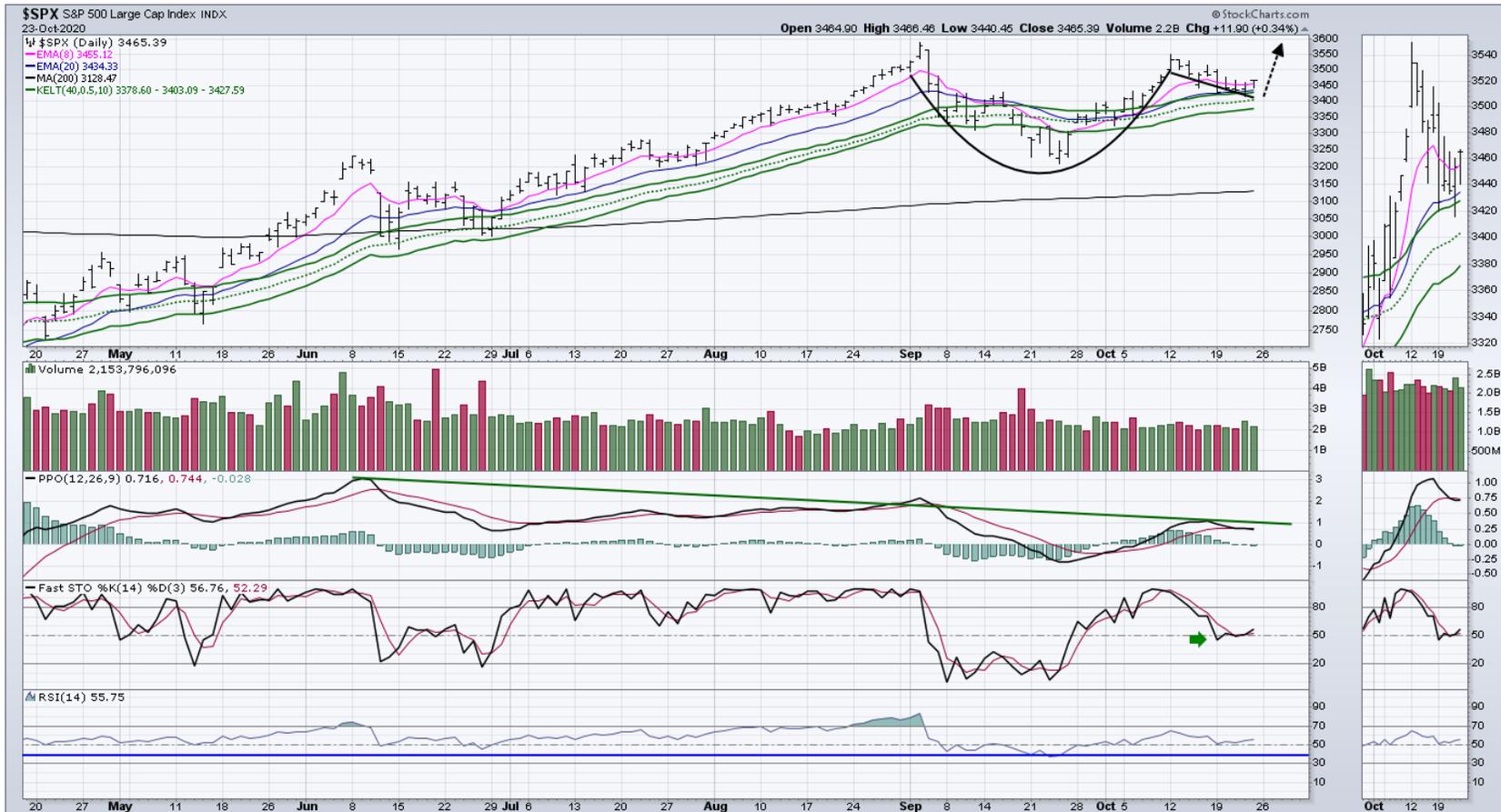
S&P 1500 BREADTH

Notice the **advance/decline line** in the lower panel. This indicator soared to a new high before price did. That is bullish. The 2-week moving average in the middle was at a very high level which is a bit cautionary. We got another soft week to reset the purple back to zero like after the other red circles. A nice push higher is expected based on the strength on the lower panel.



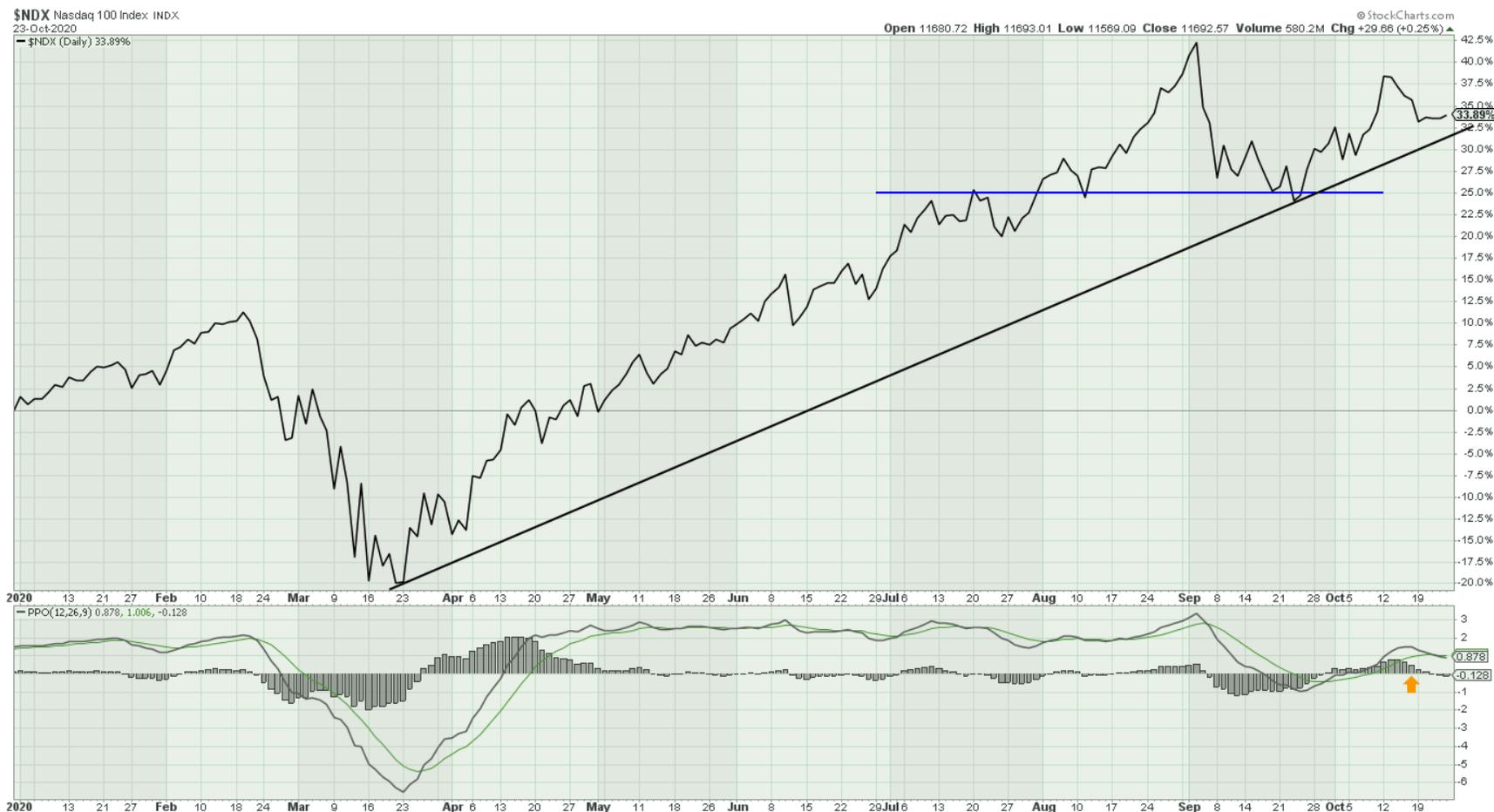
\$SPX DAILY CHART STILL SUPPORTED

The \$SPX daily chart has found support at my Keltner channel in green so far. That is good. We also have a full stochastic reading holding at 50% which is congruent with the rally continuing. On the chart I have drawn in a pattern commonly called a 'cup-with-handle'. The price action within the handle is very mild pullbacks, suggesting buyers are supporting, unlike early September. This week is packed with tech earnings and a cluster of big names (AAPL, FB, GOOGL, AMZN) are on the 29th. MSFT on the 27th.



\$NDX - GETTING CLOSER TO THE UPTREND LINE

The \$NDX pullback continued on Monday, then had 4 days of sleeping as it closed sideways every day. The black uptrend is 1st support and we got a lot closer to it this week. Will we touch it and bounce from there? I mentioned a few weeks ago that this can be a potential topping structure if we don't regain the momentum. Caution flag!



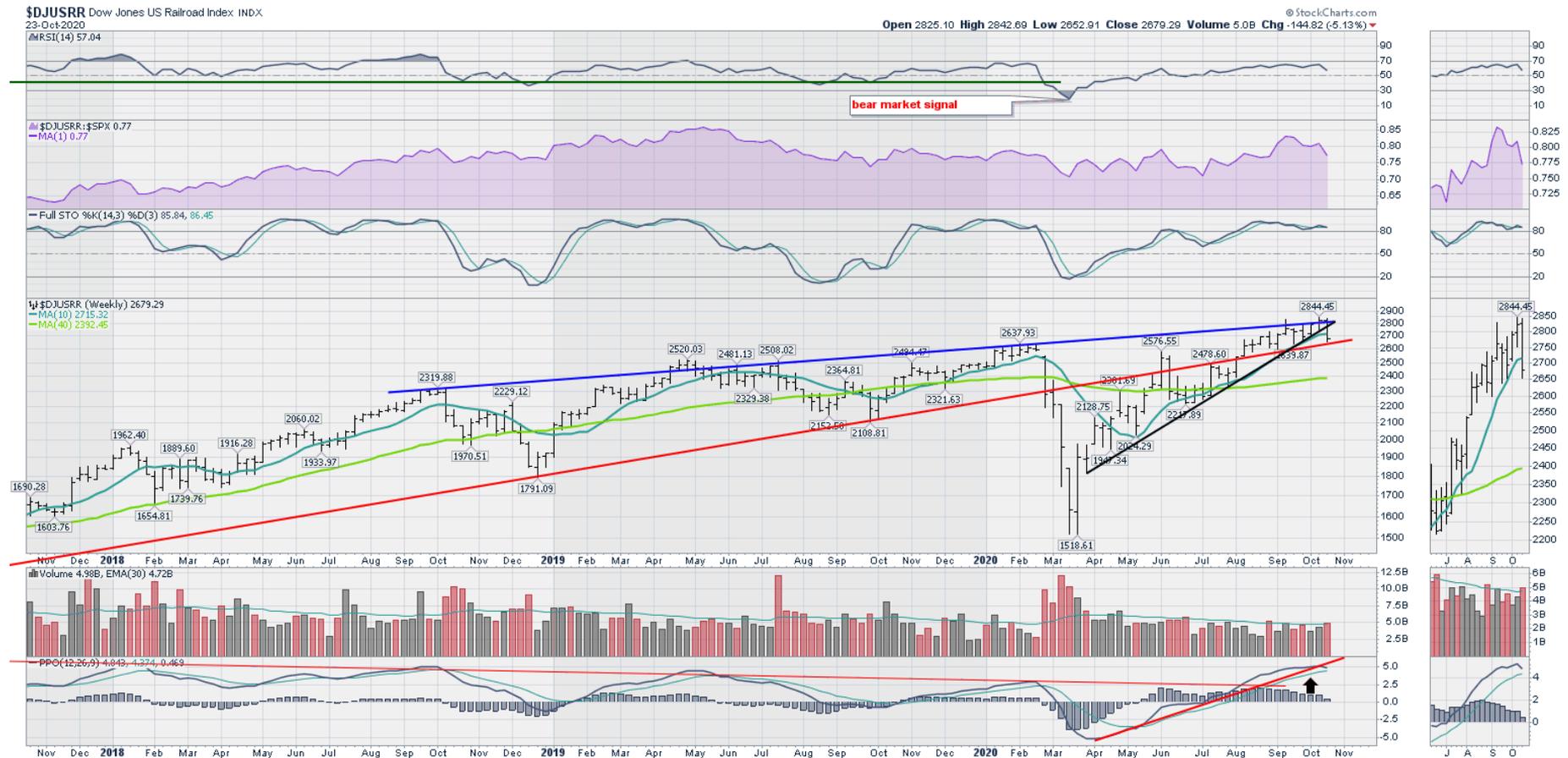
EEM - EMERGING MARKETS ARE ENCOURAGING

The emerging markets ETF (EEM) continues to hold above the trend line. It was also the highest closing high and was the first new 52-week closing high! That is a bullish signal for commodities. Agriculture commodities like wheat, corn and soybeans are doing well. Natural gas, copper and steel names are pushing higher. Oil is the commodity laggard so far.



RAILROADS SWITCH TRACKS

The railroad lines did make a decision. When the railways broke the uptrend in May 2019, the \$SPX market wandered sideways for 5 months until the October rally started. This week the railways broke the COVID bull market uptrend, which is not great. The last three trend line breaks (October 2018, May 2019, February 2020) have been an 'excellent' clue to broad market weakness, so this is not nearly as bullish as my interpretations of the charts above. Trucking broke last week... See a transport trend here? GULP.



XOP - EXPLORATION AND PRODUCTION ETF

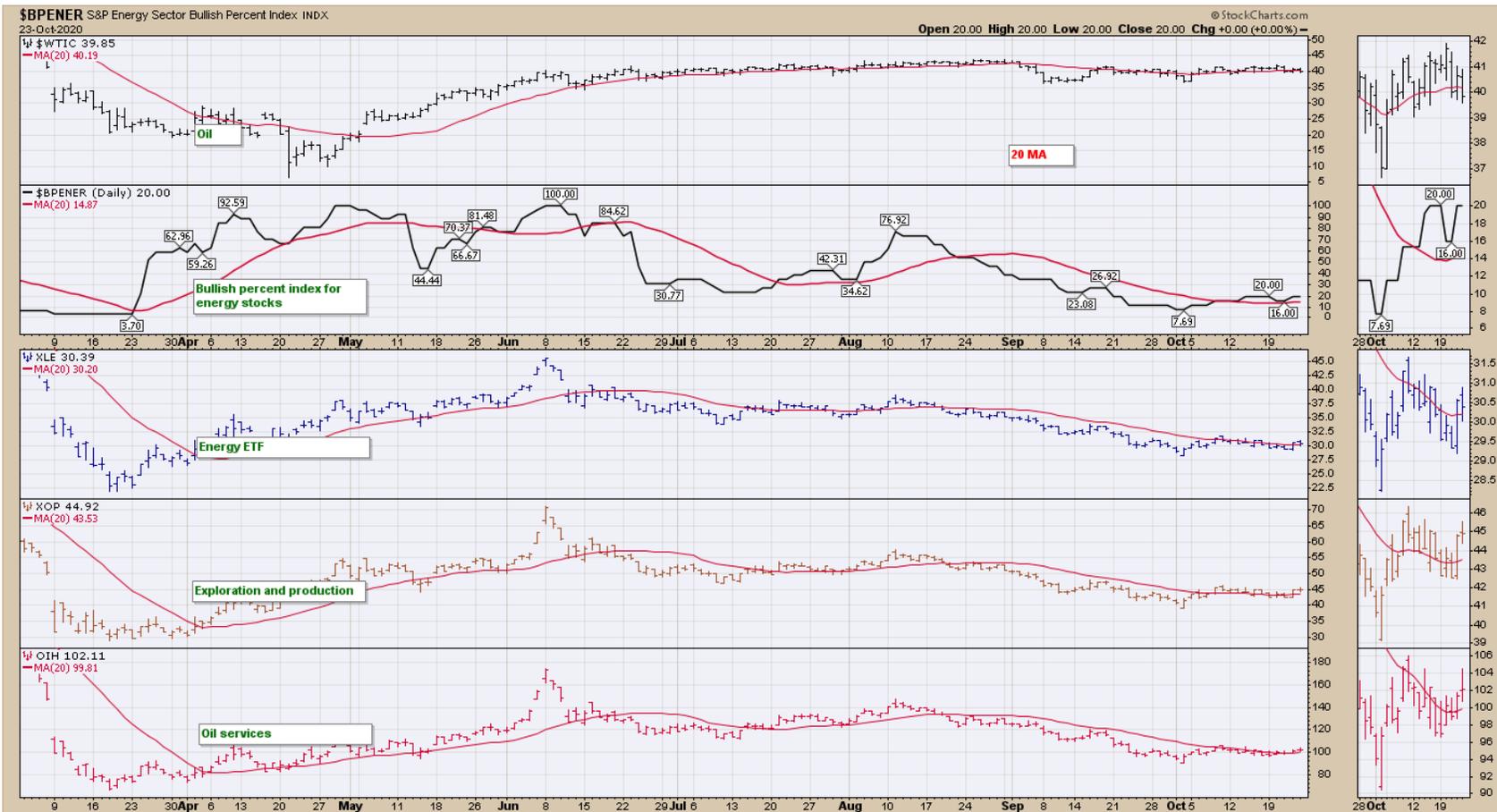
The oil area has been beaten up. Got the memo. Without a doubt, the industry has a political and philosophical headwind. [The XOP](#) has been down 90% from its highs 5-years ago, as every environmental critic continues to be writing in the death of the industry. At level 1 (just crude oil), it's an \$18 Trillion industry annually. In multiples after refining, manufacturing, plastics, employment related, it is probably \$100 Trillion. Should be no big deal turning that off instantly, globally. Using vision longer than the length of a toothpick might suggest it is a little early to be forecasting the final moments. Even with crude oil down on Friday, the oil names



broke the downtrend and the 20-day moving average. A small sign of life. We are also seeing mergers and acquisitions almost every week. On Sunday, another one with Cenovus buying Husky Energy. Industry insiders are starting to buy.

THE CONFLUENCE OF RELATED CHARTS FOR OIL

I have charts like this set up for different commodity themes like gold or copper. Friday saw all of [these oil-related tickers](#) close above the 20-day moving average for the first time since August 19th with one exception. Crude (top panel) closed below. It's worth watching this week to see if we can build on this. The investors aren't going to wait for oil to be moving higher, they'll be building their positions in companies before that happens. We've been basing for 6 weeks. In the zoom panel on the right, you can see the

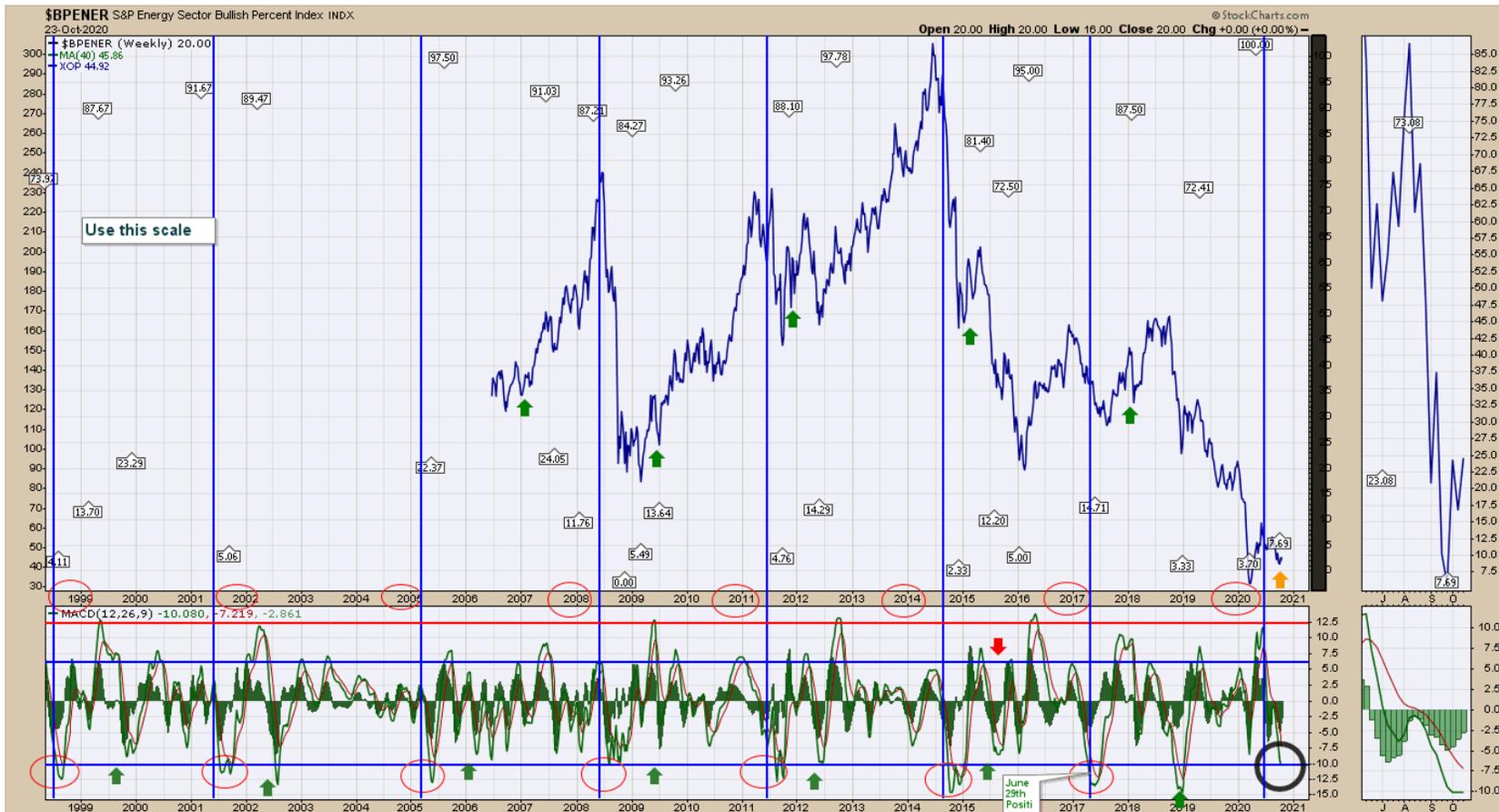


move with higher lows.

I saw a Bloomberg chart on twitter highlighting fund flows from energy ETFs. The fund flow of investors withdrawing funds from oil related ETF's in the last couple of months has been extremely high.

THE BIG PICTURE FOR OIL

I think every reader knows I live in an oil-related city, so I am biased towards the industry improving. Full disclosure. On this \$BPENER chart, momentum is bottoming out at the -10% level. The blue lines are placed to the left of the actual MACD momentum lows so you can see the momentum indicator bottoming out and turning up. We get these momentum lows once every three years as indicated by the red circles on the date line. [On the chart](#), we are looking for the secondary lows after the blue lines on the XOP



ETF. The expanding Covid situation might slow the recovery, but what I am looking for is this secondary, higher low. The scale for the blue XOP graph is on the left. Yes, the ETF was over \$300 5 years ago and in March hit \$30. Even Peter Lynch thinks the energy space looks attractive.

MONTHLY CONFERENCE CALL LINK

I cover the monthly charts on the monthly conference call. I also cover the foreign markets. The link for the video is below. Here is the link. [October Conference Call](#).

THE CANADIAN TECHNICIAN



U.S. Edition

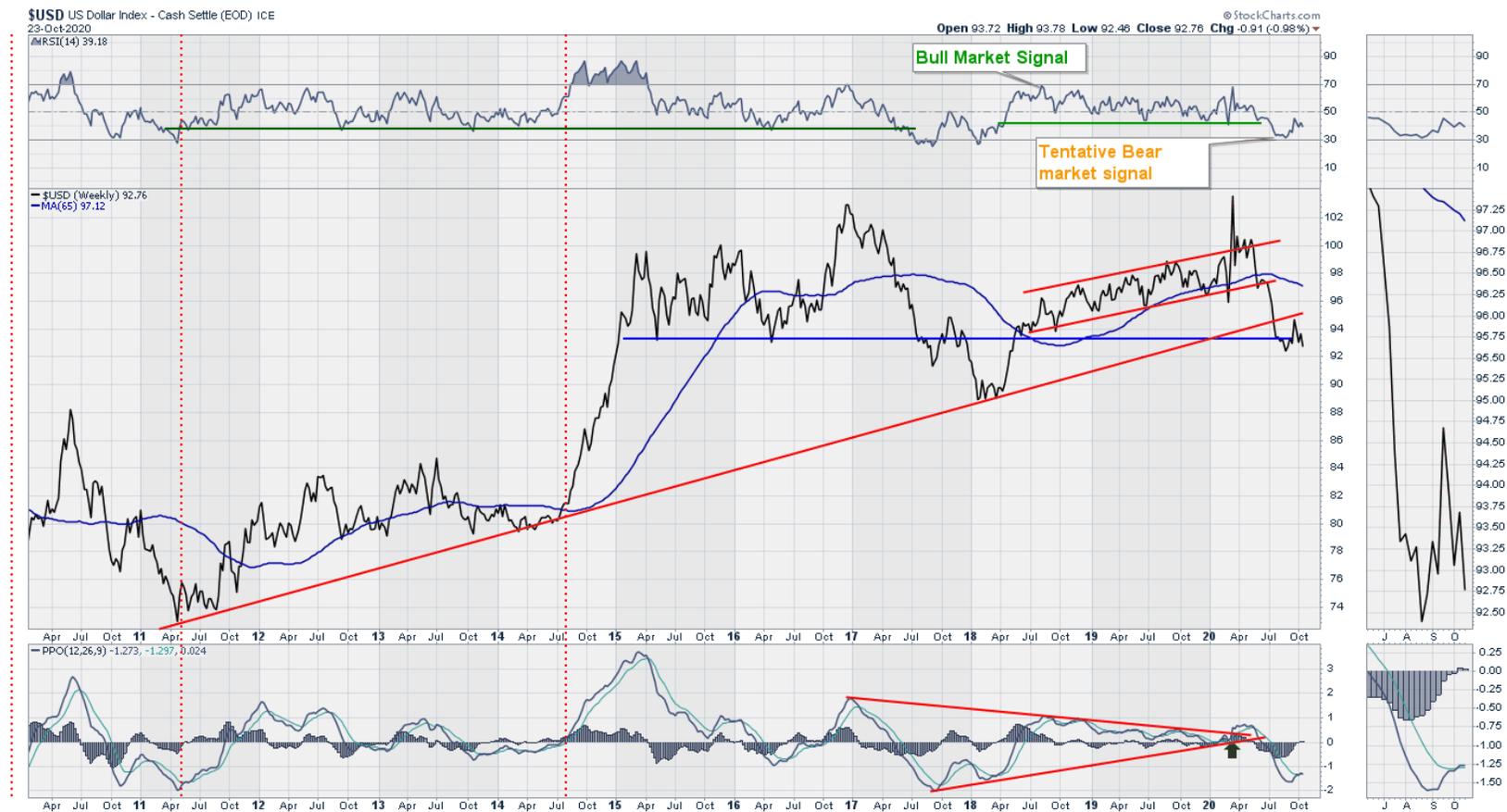
Thinking Differently

October Conference Call
October 3, 2020



\$USD - DRIPS LOWER

The **\$USD** looks like it wants to make a leg higher as the momentum is trying to turn up on the PPO. This makes optimism towards commodities more difficult. Last week I mentioned it as an important week globally, to watch the action of the dollar. It can be a pivotal clue if this market is starting to break down and we get a move into the dollar and away from emerging markets. The good news is the dollar dropped 1%, the EEM closed at 52-week closing highs, and copper also rose. If that continues, we should see the move higher in commodity names.



THE MOVE TO ELECTRIC VIDEO

[The Move to Electric video](#). Register here for [the EV newsletter!](#) Clients of [gregschnell.com](#) will receive the subscription EV content free.

**MARKET
BUZZ**
SPECIAL PRESENTATION
**THE MOVE
TO ELECTRIC**



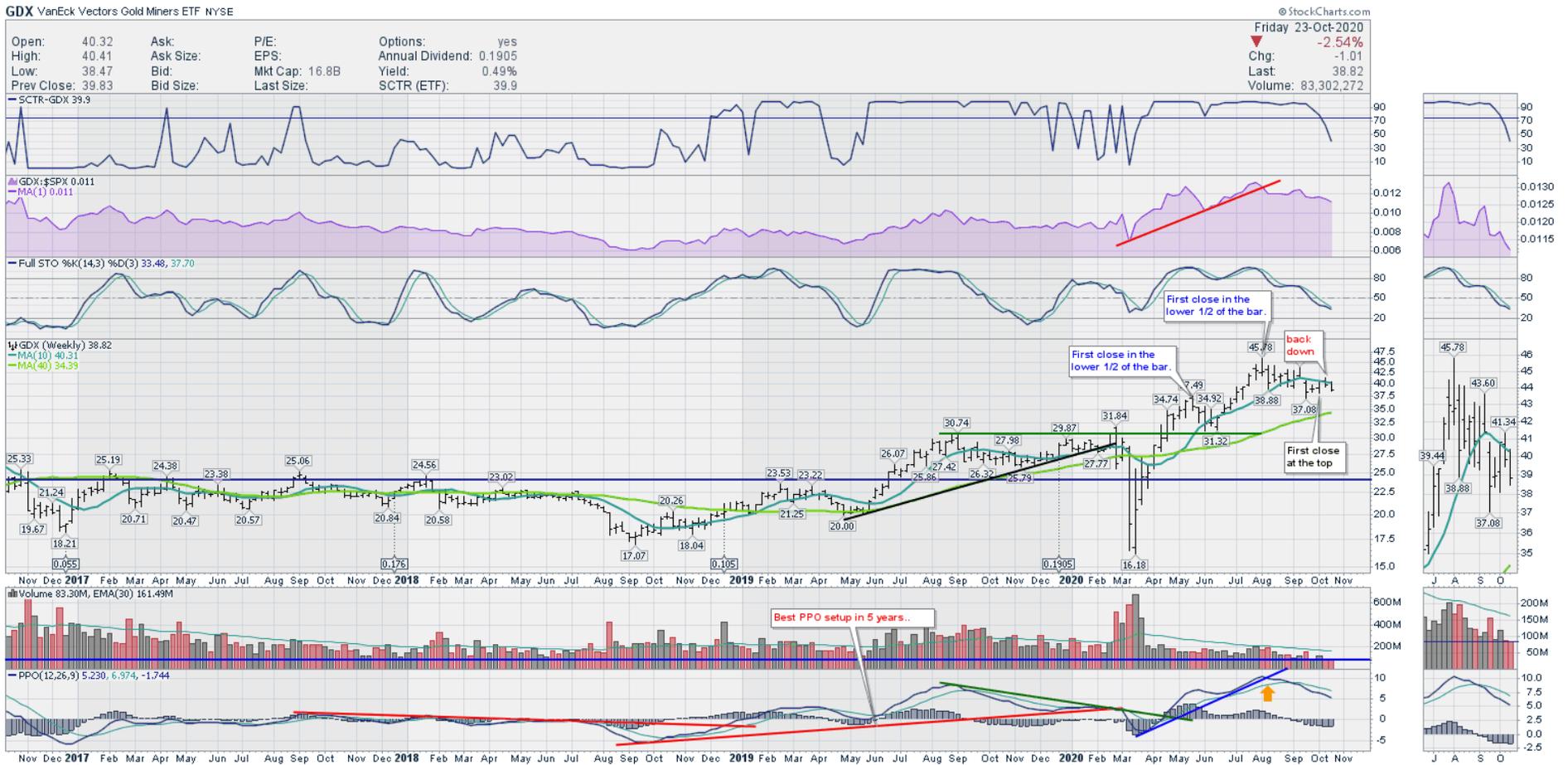
URANIUM AND CAMECO

The URA Uranium miner ETF is trying to move. I discussed it on the video. The big player [is Cameco](#) and the chart is trying to bounce off horizontal support. With increasing electrical power demand, this chart could start moving in a sustained way. The chart looks very boring and marginal interest at best.



GDX - GOLD MINERS

The gold miners have been stuck under the 50 day-moving-average for five weeks. While there are a few gold stocks breaking out to new highs, this ETF suggests the average gold miner is stalling. Weak behavior. Bearish.



BONDS MASSIVE MOVE

Bond yields soared this week, up 13% on the ten-year. This is the first close above the 200-day moving average in almost 2 years. The PPO is up against the green down trend line. A break thru the momentum downtrend would confirm the trend change. There is room for a move up 80% to the 1.4% level or 14 on the main panel.



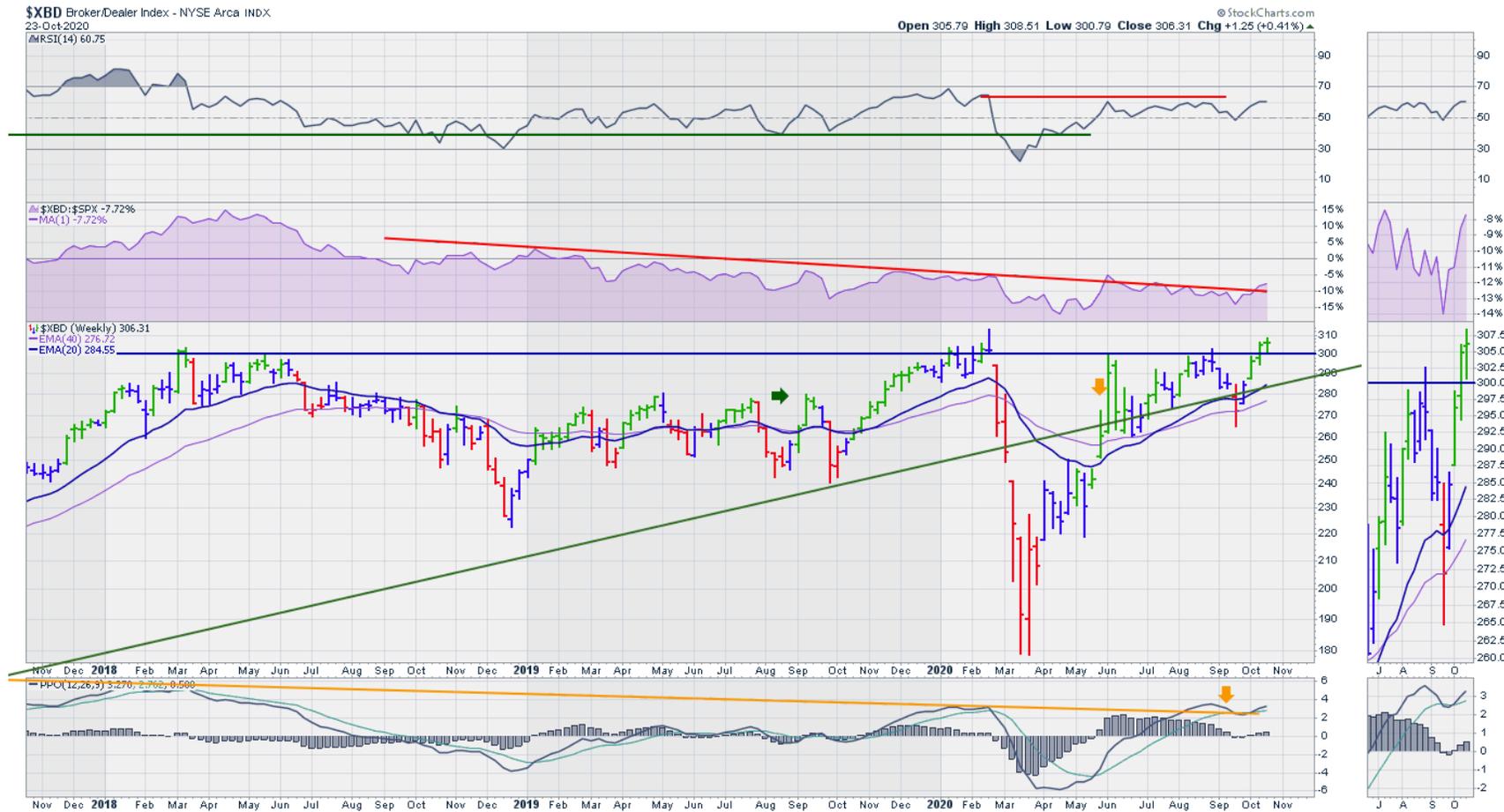
\$TNX - 10-YEAR YIELD BIG PICTURE

This monthly chart of the 10-year yield shows the sudden surge this month and a clear breakout of the range that is not as obvious on the chart above. It is a lot easier to see the resistance layer around 1.4% or 14 on this scale.



BROKER DEALERS RISE UP!

Broker/Dealers finally broke out with the highest close in years last week. They tested lower and closed up on the week, even though the indexes were down. I like that breakout confirmation price bar. Broker/Dealers are a leading group and usually indicate a positive shift in the market. February was a false signal (understatement!). Notice the PPO turning back up while above zero.



BANKS AFTER EARNINGS

The Banks were muted last week after reporting earnings, but they made a nice move this week. With the big open area above in the yields breakout, that can be very supportive for banks. Now that earnings are over, this could be a nice break. The volume was strong too. I like the banks here.



MARKET SUMMARY

The US market was split but we were a little heavier on the sector losses than the gains. The indexes have a large weighting of technology so that would keep the tech index in negative territory. With big tech reporting this week, we'll want to see technology pop to the top. The financial sector rallied this week which is a positive. For Canada on the right, energy and financials were good, but the healthcare performed well. The weakness in rails and industrials, adds caution.

| SYMBOL | NAME | SCTR | CLOSE | % CHG | +/- |
|--------|----------------|------|--------|-------|-----|
| XOP | E & P | 1.1 | 44.92 | 3.12 | |
| XLC | Communications | 82.0 | 62.11 | 2.19 | |
| XLU | Utilities | 59.3 | 64.75 | 1.17 | |
| XLF | Financials | 41.1 | 25.25 | 1.04 | |
| XLE | Energy | 0.4 | 30.39 | 0.66 | |
| XRT | Retail | 97.0 | 54.44 | 0.29 | |
| XLY | Discretionary | 89.7 | 152.99 | 0.09 | |
| XLV | Healthcare | 38.2 | 107.82 | -0.09 | |
| XLB | Materials | 79.2 | 66.00 | -0.41 | |
| XLI | Industrials | 77.6 | 81.17 | -0.53 | |
| IYR | Real Estate | 20.1 | 81.01 | -0.80 | |
| XLP | Staples | 41.9 | 65.39 | -1.18 | |
| SMH | Semiconductors | 94.4 | 184.00 | -1.32 | |
| XLK | Technology | 86.9 | 118.44 | -2.21 | |

| SYMBOL | NAME | CLOSE | % CHG | +/- |
|---------|---------------|----------|-------|-----|
| \$SPTHC | HealthCare | 52.35 | 4.37 | |
| \$SPTEN | Energy | 68.46 | 2.44 | |
| \$SPTTS | Telecom | 162.66 | 1.98 | |
| \$SPTRE | Real Estate | 278.84 | 0.85 | |
| \$SPTFS | Financials | 271.64 | 0.77 | |
| \$RTCM | Income Trusts | 198.61 | 0.71 | |
| \$SPTCD | Discretionary | 206.22 | 0.46 | |
| \$TSX | \$TSX | 16304.08 | -0.82 | |
| \$SPTUT | Utilities | 312.46 | -0.99 | |
| \$SPTMT | Materials | 332.92 | -1.11 | |
| \$SPTCS | Staples | 649.84 | -1.99 | |
| \$SPTIN | Industrials | 309.49 | -2.57 | |
| \$SPTGD | Gold Miners | 352.77 | -3.28 | |
| \$SPTTK | Technology | 164.06 | -3.42 | |

GLOBAL VIEW

Here is the global view on the left. A mixed view globally once again. Commodity countries of Brazil and Russia were near the top, but the Shanghai as the biggest commodity buyer, is at the bottom. In commodities, the slipping US Dollar, supported commodities but oil and gas were weaker. The 2% move in copper to fresh highs was very nice to see.

| SYMBOL | NAME | CLOSE | % CHG | +/- |
|---------|-----------------|-----------|-------|-----|
| \$BVSP | Brazil | 101259.75 | 3.00 | |
| \$RTSI | Russia | 1164.06 | 2.76 | |
| \$HSI | Hong Kong | 24918.78 | 2.18 | |
| \$MXX | Mexico | 38666.69 | 2.09 | |
| \$BSE | India | 40685.50 | 1.76 | |
| \$KOSPI | South Korea | 2360.81 | 0.82 | |
| \$IDDOW | Indonesia | 1102.95 | 0.76 | |
| \$IBEX | Spain | 6893.40 | 0.64 | |
| \$NIKK | Japan | 23516.59 | 0.45 | |
| \$AORD | Australia | 6373.70 | -0.18 | |
| \$CAC | France | 4909.64 | -0.53 | |
| \$GBDOW | London | 261.36 | -0.53 | |
| \$SPX | S&P 500 ---- | 3465.39 | -0.53 | |
| \$TSX | Canada | 16304.08 | -0.82 | |
| \$INDU | Dow ---- | 28335.57 | -0.95 | |
| \$NDX | Nasdaq 100 ---- | 11692.57 | -1.35 | |
| \$SSEC | Shanghai | 3278.00 | -1.75 | |
| \$DAX | Germany | 12645.75 | -2.04 | |

| SYMBOL | NAME | CLOSE | % CHG | +/- |
|----------|-------------------|---------|-------|-----|
| \$NATGAS | Natural Gas | 3.19 | 15.22 | |
| \$COCOA | Cocoa | 2479.00 | 5.00 | |
| \$LUMBER | Lumber | 456.10 | 3.21 | |
| \$SOYB | Soybean | 1083.75 | 3.21 | |
| SLX | Steel | 33.83 | 3.01 | |
| \$SUGAR | Sugar | 0.15 | 2.01 | |
| \$COPPER | Copper | 3.13 | 2.00 | |
| REMX | Rare Earth Metals | 41.23 | 1.28 | |
| HMMJ.TO | Marijuana Stocks | 6.26 | 1.13 | |
| \$SILVER | Silver | 24.68 | 1.11 | |
| LIT | Lithium | 42.19 | 0.29 | |
| \$GOLD | Gold | 1905.20 | -0.06 | |
| SIL | Silver Miners | 45.20 | -0.70 | |
| \$HOIL | Heating Oil | 1.16 | -1.76 | |
| \$BRENT | Brent Crude | 42.07 | -2.00 | |
| \$GASO | Gasoline | 1.13 | -2.30 | |
| GDJ | Gold Miners | 38.82 | -2.54 | |
| \$WTIC | WTI Crude | 39.85 | -3.09 | |

VIDEO OF THE WEEK

The Monthly conference call link is here. [October link](#).

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

Here is a link to this week's video. [It's Up For Debate](#)



THE CANADIAN TECHNICIAN



 **U.S. Edition**

Its Up For Debate

Weekly Market Review
Oct 23, 2020


WITH
GREG SCHNELL

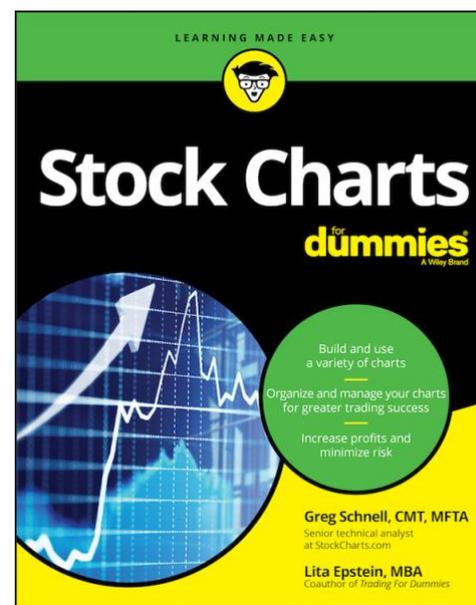
Disclaimer:

Greg Schnell is an independent analyst and does not invest for clients. Greg Schnell does not collaborate to create a positive/negative market bias, nor is he paid to promote any particular stock or perspective. These charts and descriptions are not an instruction to buy or sell. You as a reader, are solely responsible for every investing decision you make. Greg Schnell and any of his companies or relationships with other companies, are not responsible for trades. The ideas presented here are opinion. Trading and investing involves risk to you and is solely yours.

Good trading,
Greg Schnell, CMT, MFTA.
GREGSCHNELL.COM

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.