

THE CANADIAN TECHNICIAN



U.S.
Edition

Headwinds Hammer Halloween

Weekly Market Review
Oct 30, 2020



With
GREG SCHNELL

MARKET COMMENTARY

The wicked witch of Halloween week definitely got on the broomstick this week. Casting spells of mayhem in global stocks, commodities, currencies and bond prices, it was a suspenseful week for anyone invested. As Covid soared globally, it seems no one can escape the grasp. With the election on Tuesday and the Fed on Wednesday, we can expect continued volatility. I don't want to be too pessimistic as the markets have made big rallies around elections before. Volatility is high, but so are infections. The high level of news flow right now swarmed over the large tech names as they reported earnings. Amazon, Apple and Facebook all traded lower. Twitter lost 20% Friday as subscriber growth was 10% of the expected gain.



The polls favor Biden to win, but everyone remembers Hilary having winning polls and losing. The polling firms say they have done more to find Trump's base. The President's fan base has been rallying and everyone wonders if another upset relative to the polls is in the offing. I would suggest American investors will roll with what's working as they always do. The week might require some rebalancing into the results versus polling expectations but it will set the path forward for the next 4 years.

Breadth was obviously ugly. The real problem is the advance decline line for the S&P 1500 broke the uptrend. That is meaningful. As the indexes test September support levels, can they hold and bounce higher? Commodities were struck down as global demand expectations dampened with economies closing.

Summary: The Schnell strength indicators have been very helpful as we got a signal last week highlighting caution. This week we saw a bounce between Thursday and Friday, even though Friday closed lower on the indexes. I still expect some election bounce, but the pandemic is global as countries struggle under the size of the problem relative to size of the hospitals. The weight of the world or the weight of the election?

Let's jump into the charts.

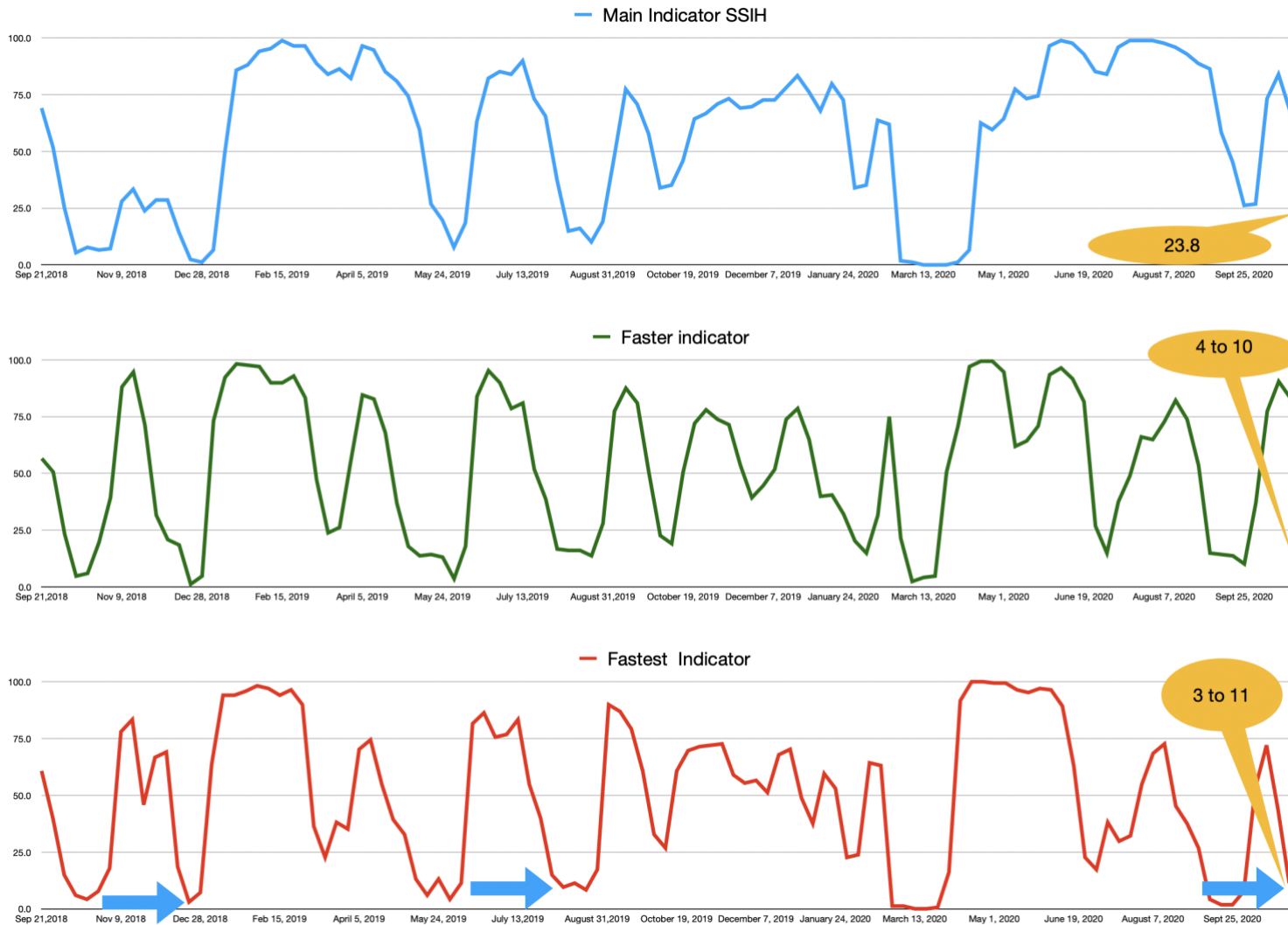
@SSIH - PULLED BACK INTO CAUTION ZONE

The Schnell Strength Index closed the week at 23.8%, down about 50%! The indexes dropped hard all week. The \$SPX line is a similar slope to the 2019 uptrend. Cracking that line is very concerning.

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.



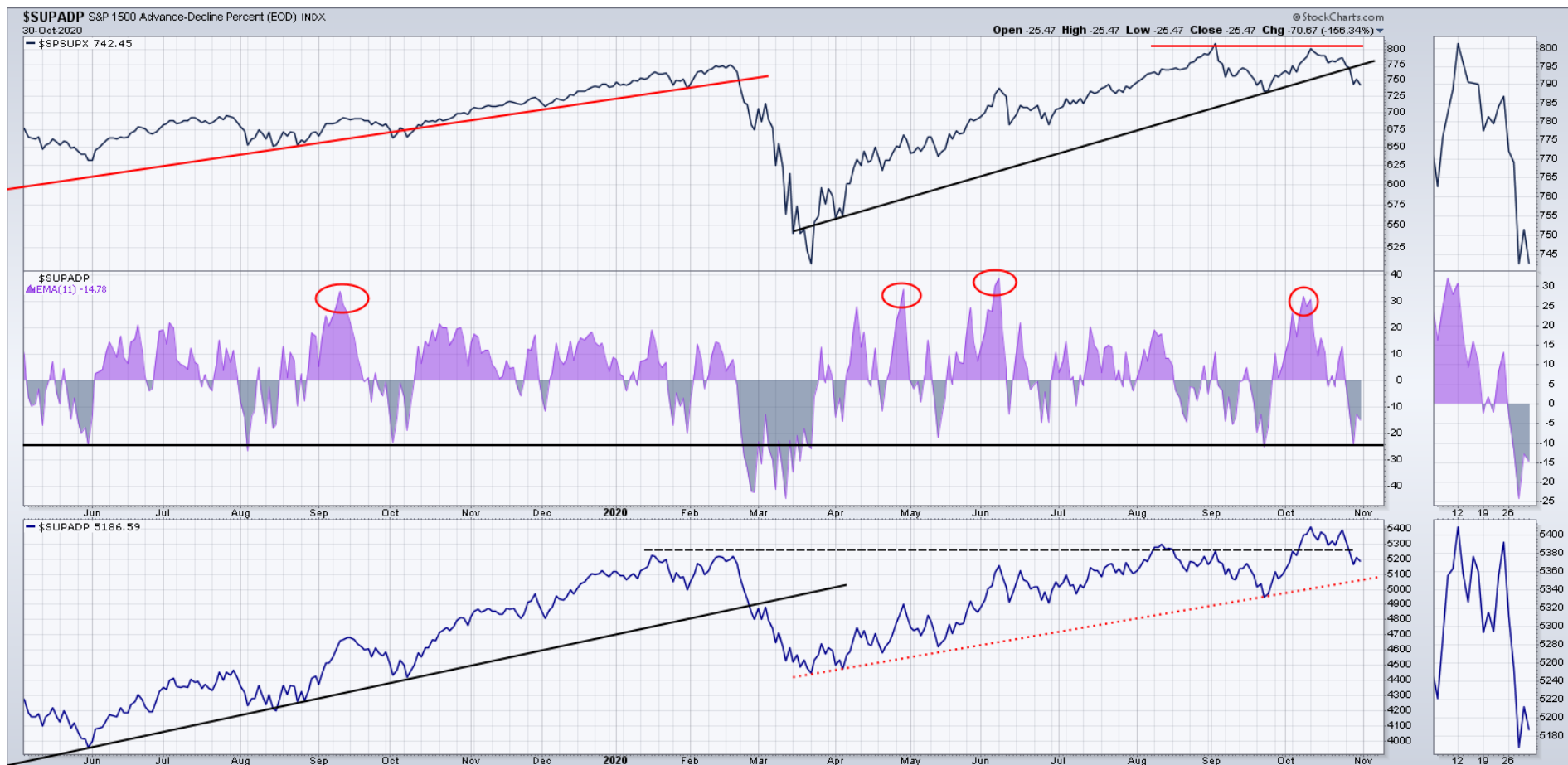
SSIH, MY FASTER AND FASTEST INDICATORS



The chart shows the SSIH in the top panel. It is on a full sell signal. The green indicator bounced from Thursday's low of 4 to 10 on Friday, even though the market closed broadly lower. The fastest indicator in red moved from 3 to 11. When these indicators turn up, it's excellent to get long. What could have helped? Energy and Financials closed positive on Friday. The election is Tuesday. In 2016, the market started to turn higher before the election, had a wild swing in the middle of the night, then soared and never looked back. Same game plan?

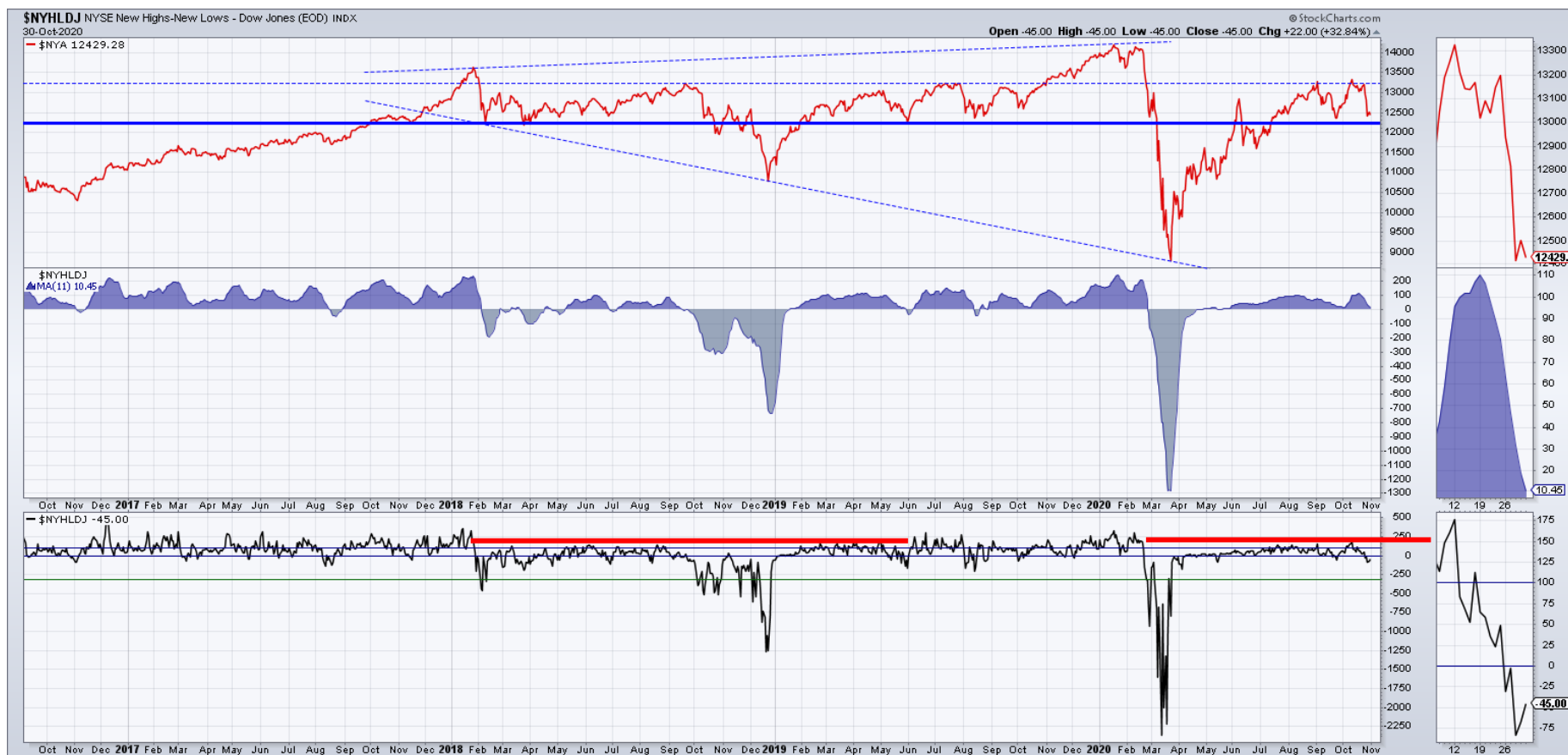
S&P 1500 BREADTH

Notice the **advance/decline line** in the lower panel. This indicator is now making lower highs and lows with the late October peak. The 2-week moving average in the middle is at the bounce level for a bull market bounce. This is for the top 1500 stocks, not the top 500. I will say that my strength indicators are doing a better job than the advance/decline line indicators right now.



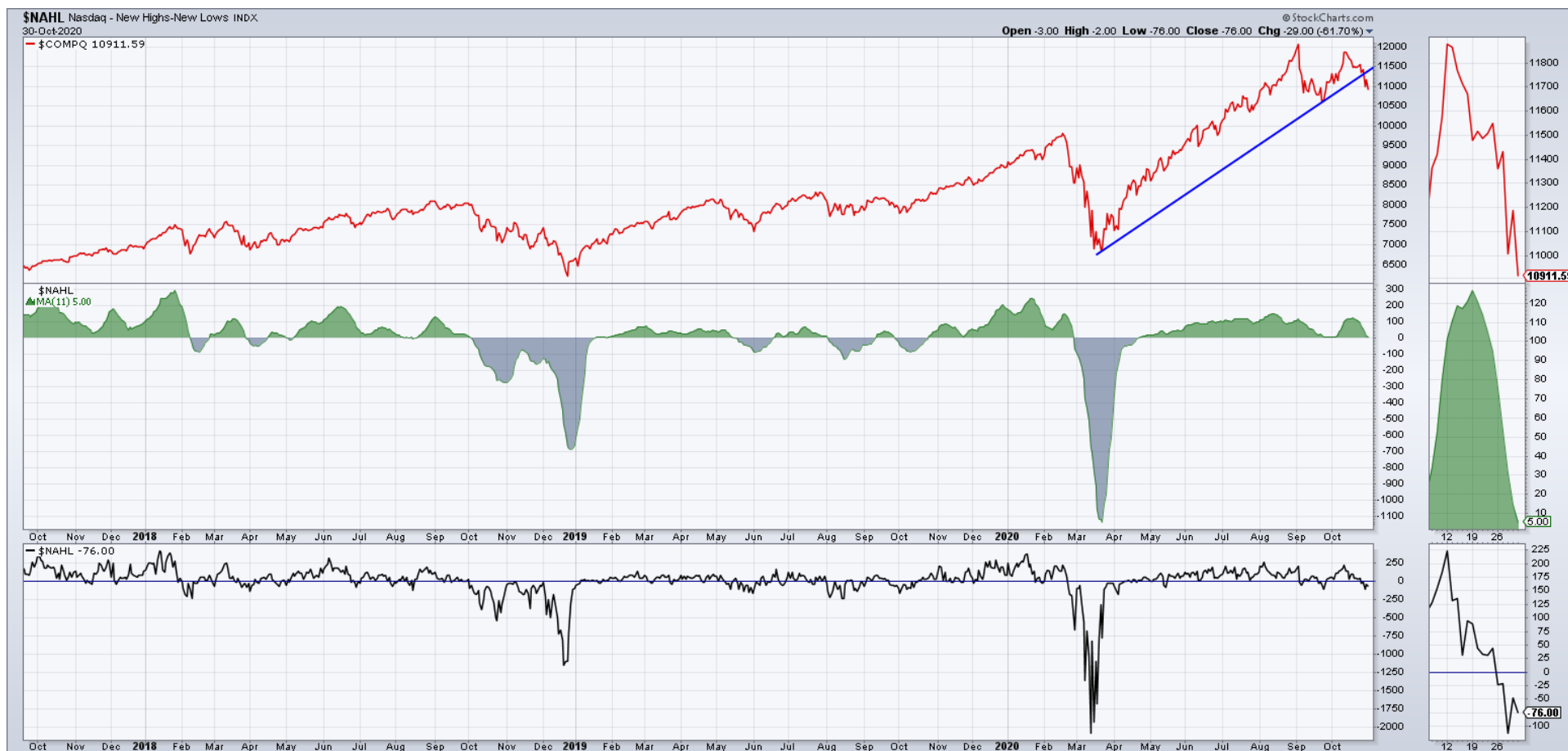
NYSE NET NEW HIGHS

Net new highs (\$NYHLDJ) measures the difference between the number of stocks making new 1-year highs vs 1-year lows. While the NYSE is not the most dynamic market as tech is focused on the Nasdaq for the most part, the bear market trend on the lower panel is still in place. Now more new lows than highs. The middle panel is a 2-week average and the area chart continues to show lackluster gains. The top panel shows the NYSE market trapped in the same range as it got into in 2017.



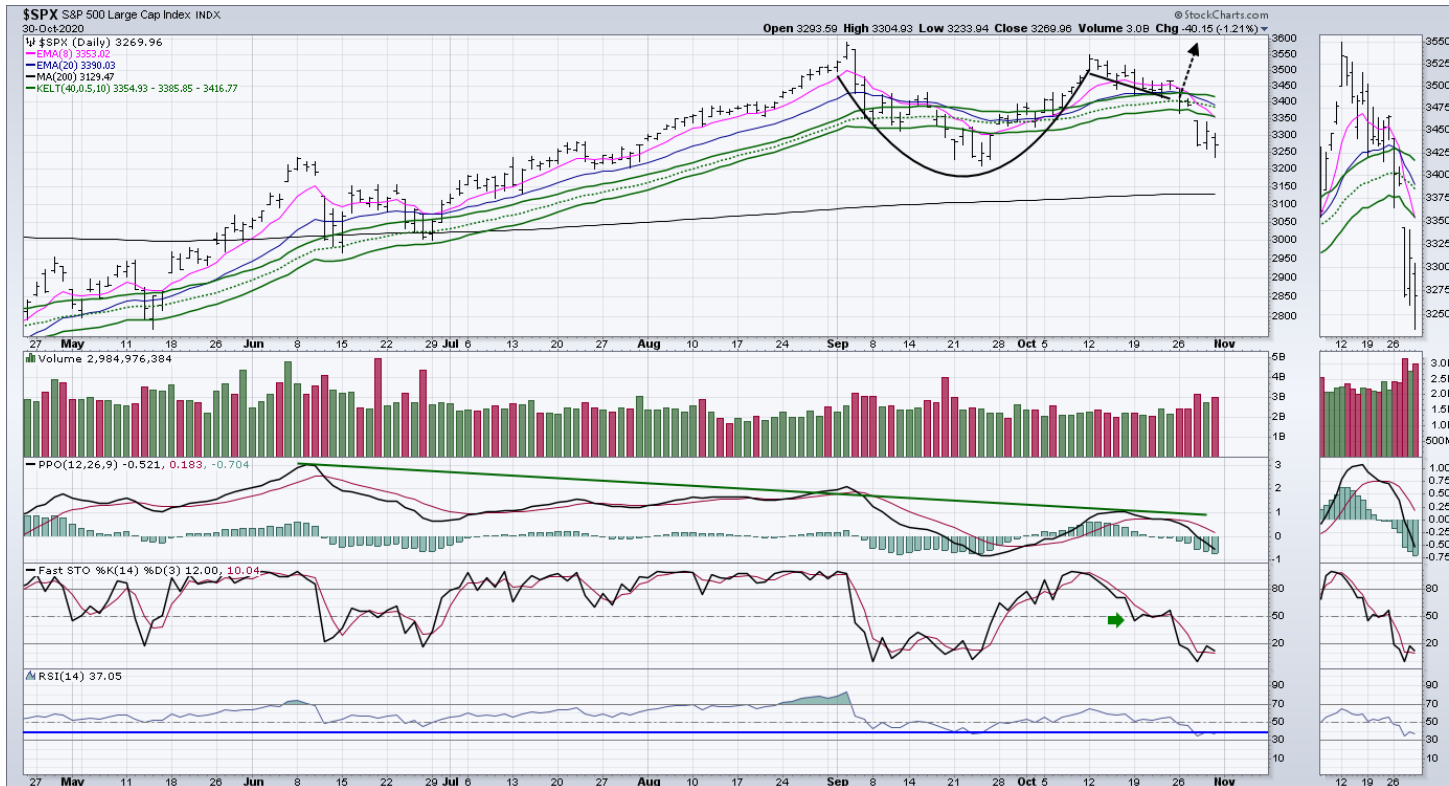
NASDAQ NET NEW HIGHS

One of the concerns I have, is the Nasdaq is already starting to make more lows than highs. We are still within the range of the first nine months of 2019 (above -250), but the market just ground sideways there. Apple is already down 20% from the highs. The middle panel is a 2-week average and the area chart continues to show lackluster gains. The highs have been focused in a tight group, but the broader Nasdaq has more than enough names making new lows to drag this indicator into negative space.



\$SPX DAILY CHART LOSES SUPPORT - TESTING SEPTEMBER

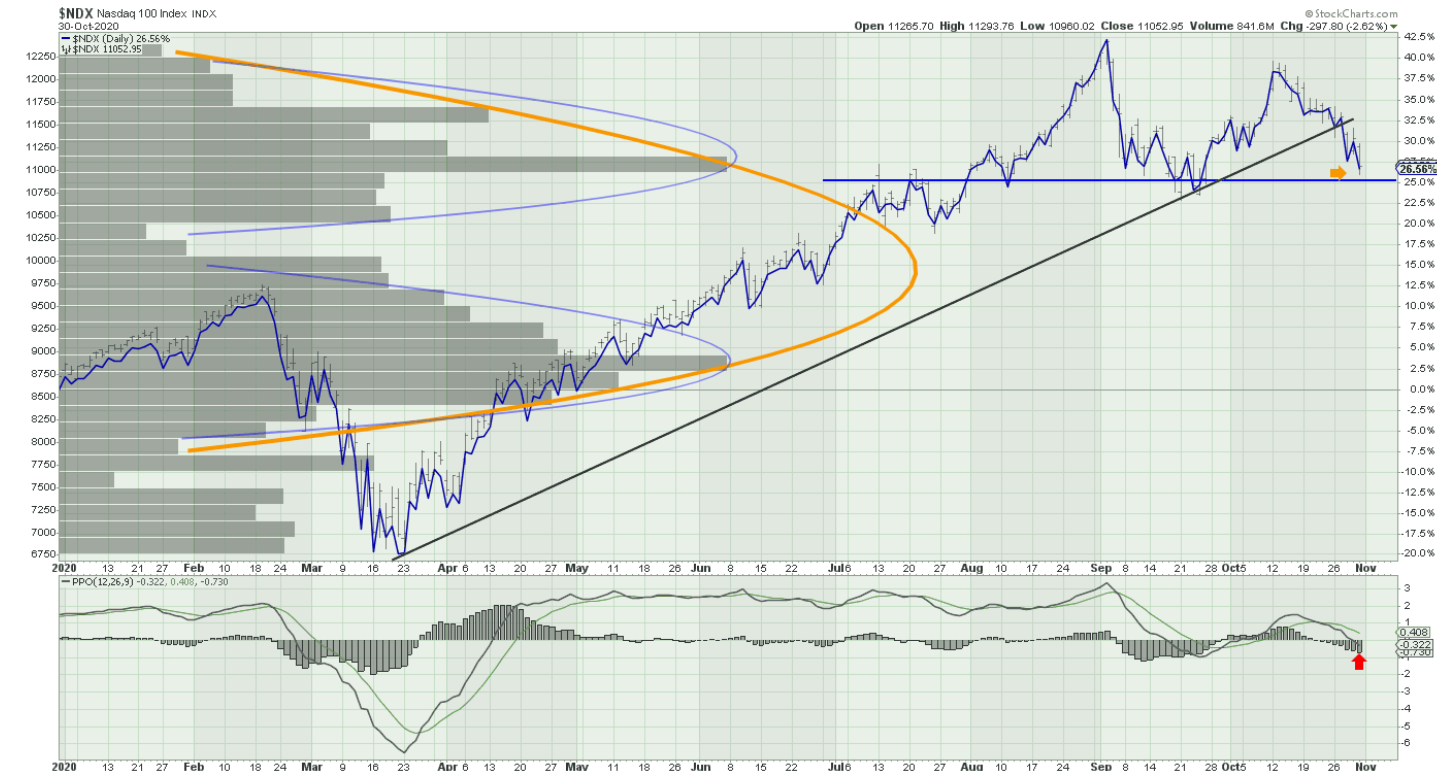
Last week → "The \$SPX daily chart has found support at my Keltner channel in green so far. That is good. We also have a full stochastic reading holding at 50% which is congruent with the rally continuing. On the chart I have drawn in a pattern commonly called a 'cup-with-handle'. The price action within 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." ← last week. OK, that didn't hold! Monday moved down, Tuesday paused, markets fell on Wednesday. Then they overlapped Wednesday's action on Thursday and dropped again Friday. Just ouch. Chart is broken at this point. RSI is right at the bounce line. Can it bounce here? Three distribution days this week. (Higher volume than the day before on a down day).



\$NDX - BREAKS THE UPTREND LINE

The \$NDX fell hard all week. We are back to levels of early August. The horizontal support and resistance line (BLUE) is a reasonable place to look for a bounce again and Friday's low was pretty much there. The line chart shows the closing price each day, the light bars in the background show the extremes. Even a brief move below the September lows, would get the bears aggressive. That's probably the most dangerous place on the chart for both parties. Can Covid plummet us into despair again?

I want to talk about the 'volume by price' bars which show the volume at each price level. The current price is one of the most contested levels on the chart (long bar). Interestingly, close to the 0% level for the year is the other area of big volume. Back then, as the Nasdaq went positive/negative on the year, volume came soaring in. *I am not a volume by price analyst by any means.* I



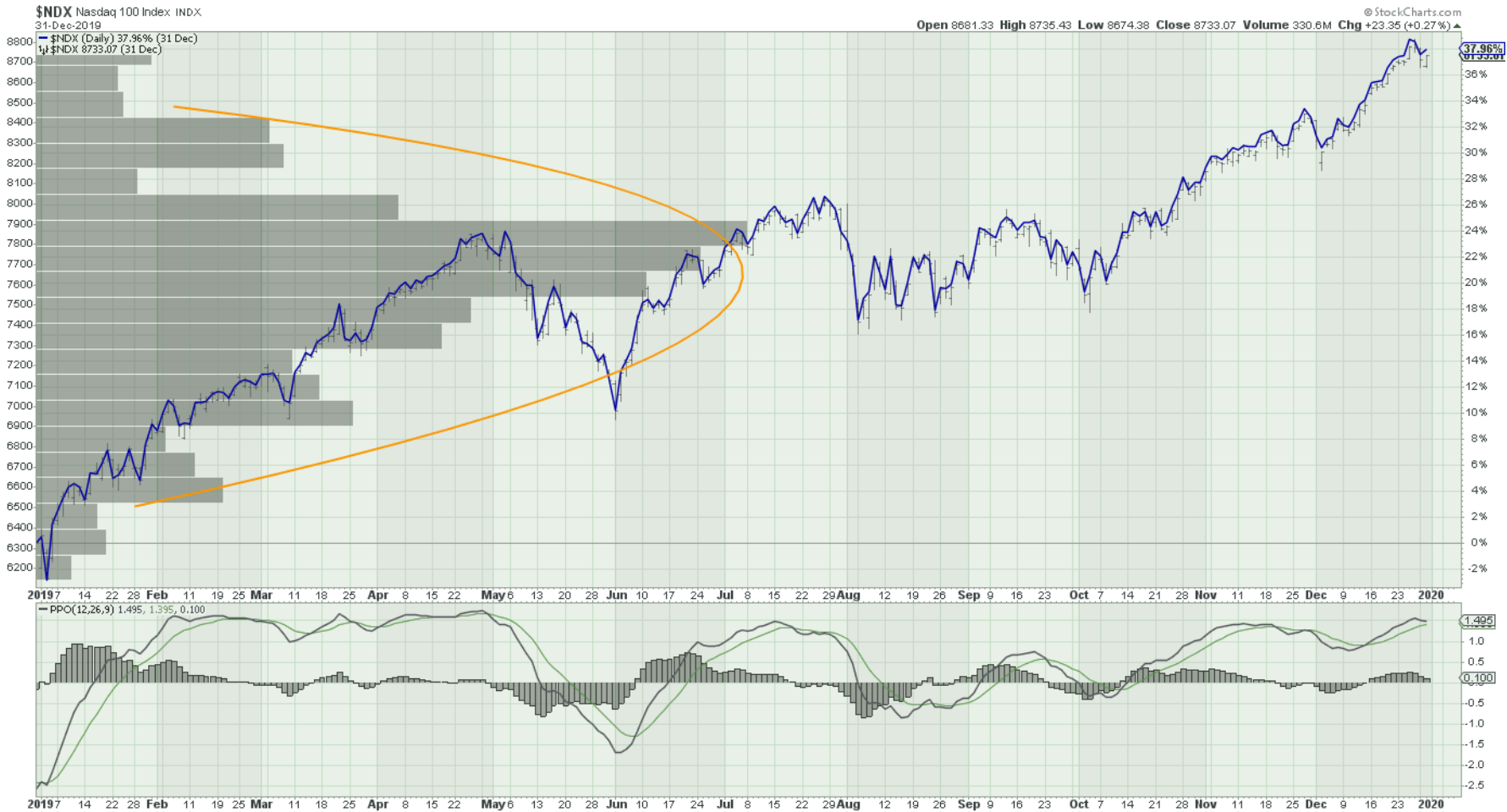
have seen great work by others using this tool in the past. Will we wait for this to fill in between the two high bars? (orange parabola). It would fill in as a nice parabola shape, which would put the level 10% below this as the high-volume support eventually. It is also the 10,000 level. Pretty interesting if that plays out. I'll put it out here and we can revisit it over time.

Or do we just make a smoother volume profile between 10250 and 12250? Light blue arc.

2019 example below.

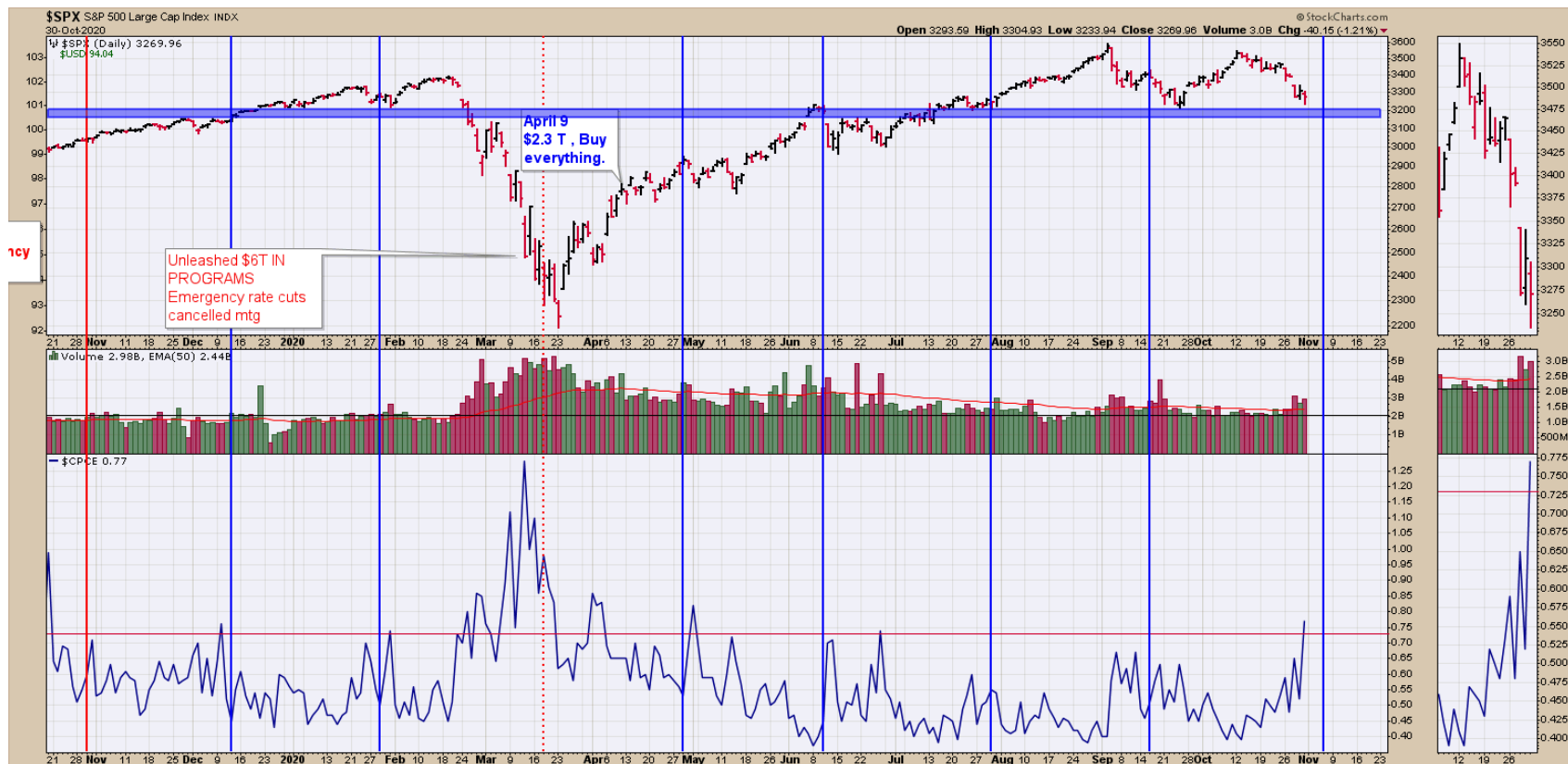
\$NDX - 2019 VOLUME BY PRICE

This is the 2019 version of volume by price. The 7900-price-bar is a little long, but other than that, this volume by price chart has a lot of symmetry. Because of the wide volatility in 2020, do we have to go back and fill in as I guesstimate above?



ELECTION AND THE FED MEETING

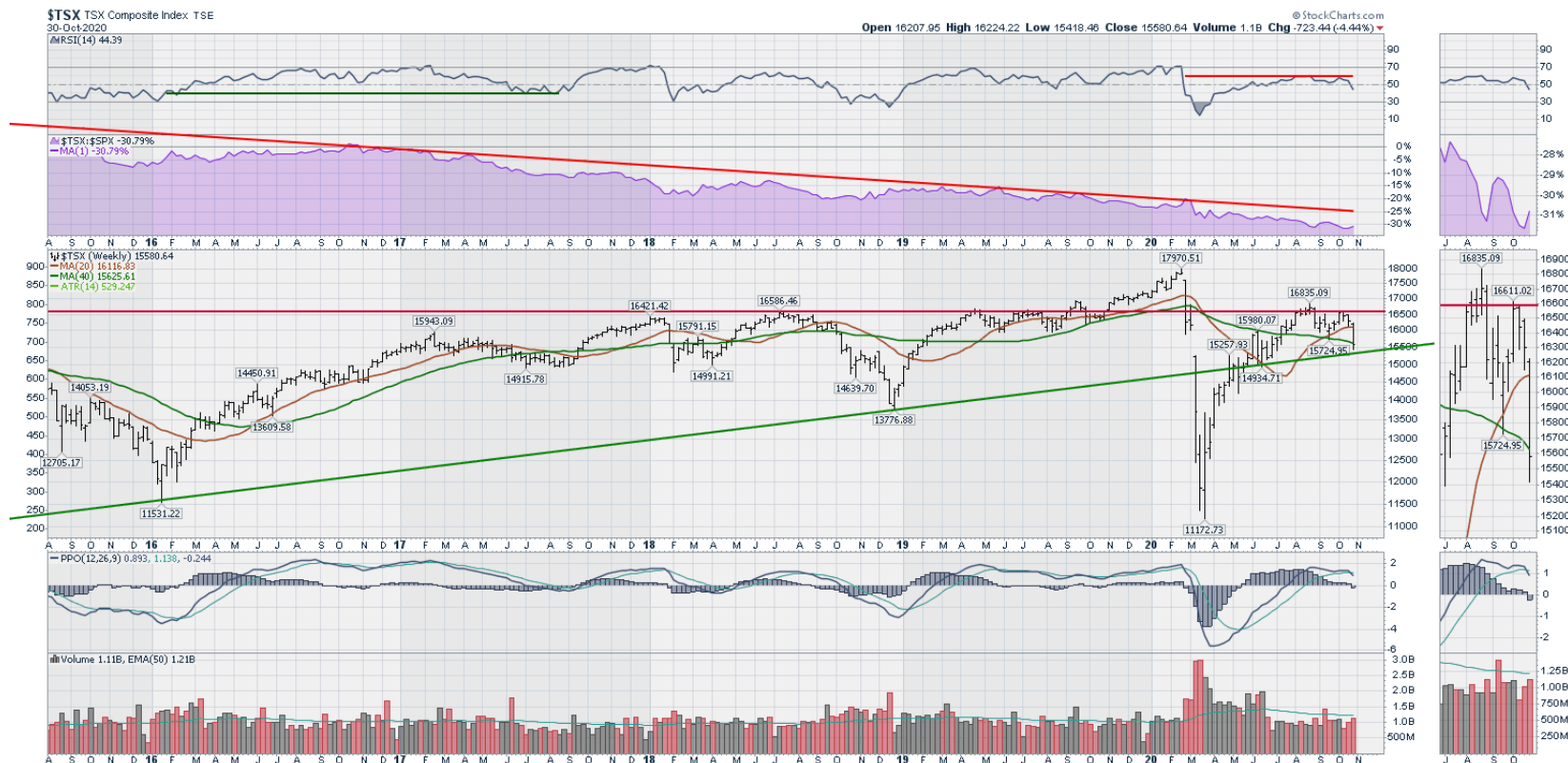
The vertical lines represent the [Fed Meeting dates](#) (next is Nov 4). JP and the Federal zamboni crew (ice smoothing machine for hockey rinks) have flattened yields as much as possible with promises to let inflation run, while keeping yields low for years. They have been doing a bit of flooding (that's what zamboni's do) with Asset purchase programs as labeled. This blue line is becoming the Fed line. Another push below puts us off-side. The blue horizontal shows the market revisiting this 3150-3200 over and over just before or after the meetings. Interestingly, the \$SPX topped out at \$1575 back on October 9, 2007. Here we are, oscillating around the level that is a double on that (3150) for the 6th time. Another measure of volatility is the Put/Call ratio in the lower panel



(PCPCE). This ratio goes higher (people buy more puts) when fear is higher. Some of this should subside by late in the week after the election and the Fed meeting. The rising volume last week is not bullish.

\$TSX - THE FOUR YEAR CEILING HOLDS

The [Toronto Stock Exchange](#) continues to bang its head on the 4-year ceiling. This market is smaller and is usually a good clue for the US as the smaller Canadian market weakens before the strength of the US market gives in. The Canadian market closed below both the 10-week moving average and the 40-week moving average this week. The RSI is stalled at 60 which is one signal of a bear market after falling below 30. The PPO kicked off a sell signal this week. We also see the size of the price bar is associated with down markets. This is the 2nd biggest (Feb 2020) rejection bar at the red line (16,500), slightly larger than both the 2018 stalling prices.



RAILROADS BUILD AN OUTSIDE DAY/INSIDE DAY

One of the odd charts to end this week was the [railroad chart](#). On Thursday it made an outside day (lower low, higher high). Friday it opened slightly lower, pushed up and closed at the top of the price bar. Friday ended up being an inside day, suggesting indecision but I like this combination. Is this a start of a multi-day rally as we go through the election? Strong considering the index behavior. It's also a bounce just above the 200 DMA.



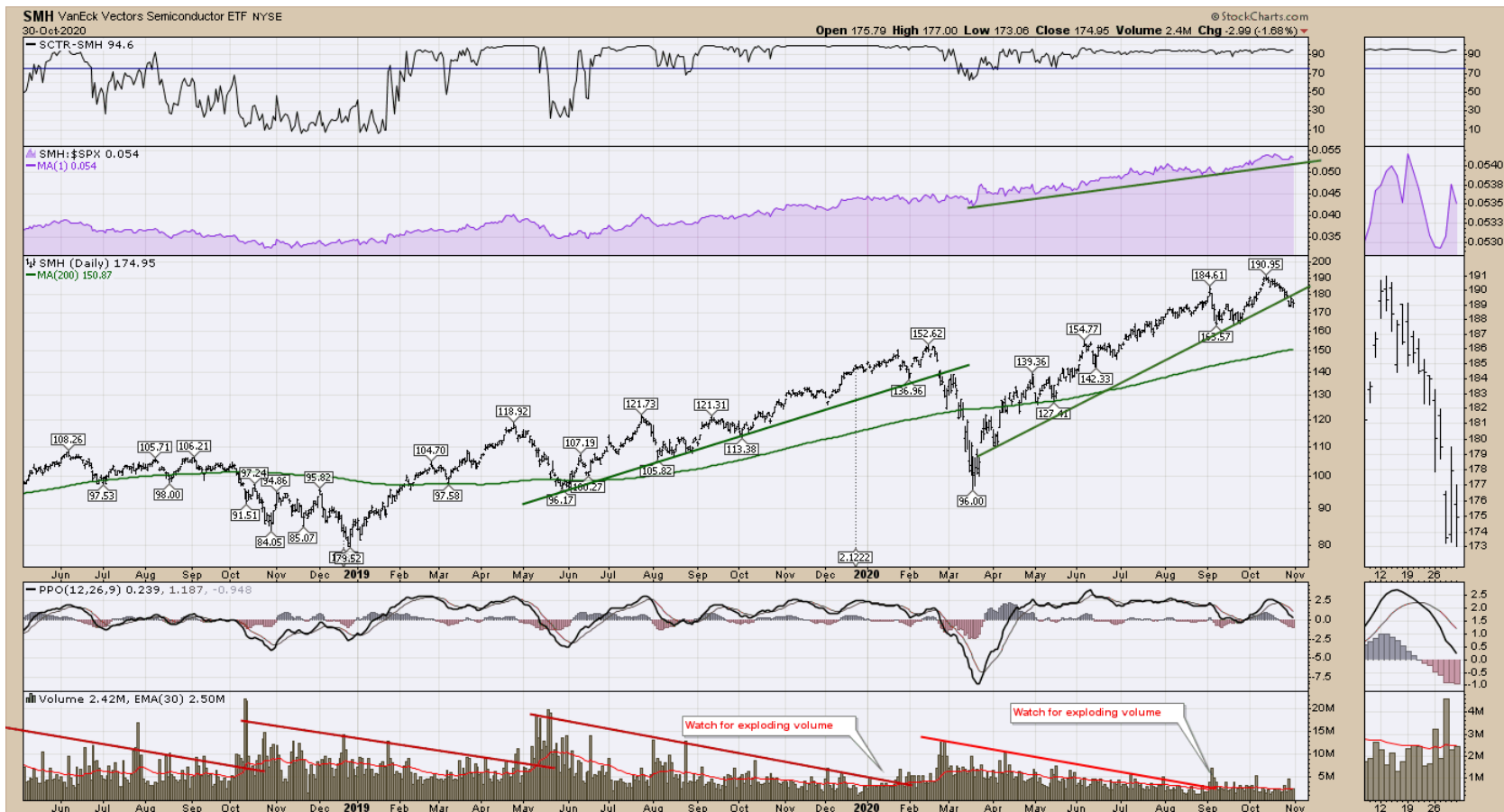
\$STRAN - TRANSPORTS

I watched the [transports break](#) out to new highs in early October. That is bullish. Unfortunately, it didn't do anything for 3 weeks and then it let go. We broke the 2 year slightly up-trending highs (call it support) as well as the uptrend off the COVID lows. 10000 is now support. I do like the RSI hitting 70, which is bullish. If this plays out lower, the RSI can drop to 40 and still be a bull market.



SEMICONDUCTORS REFUSE TO DROP

The semiconductor space held firm the last few days. While large cap tech breaks down, we are not seeing the semiconductor chart fail yet. The trend line broke on Wednesday, but we don't have aggressive downside moves showing up since. However, we saw this same behavior in February. I would suggest that everyone is expecting us to manage the second wave better than the first. The real issue is the larger base from which we are starting.



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 to join Thursday at 5 ET. [November Conference Call](#). Password is 075182. Lots to discuss.

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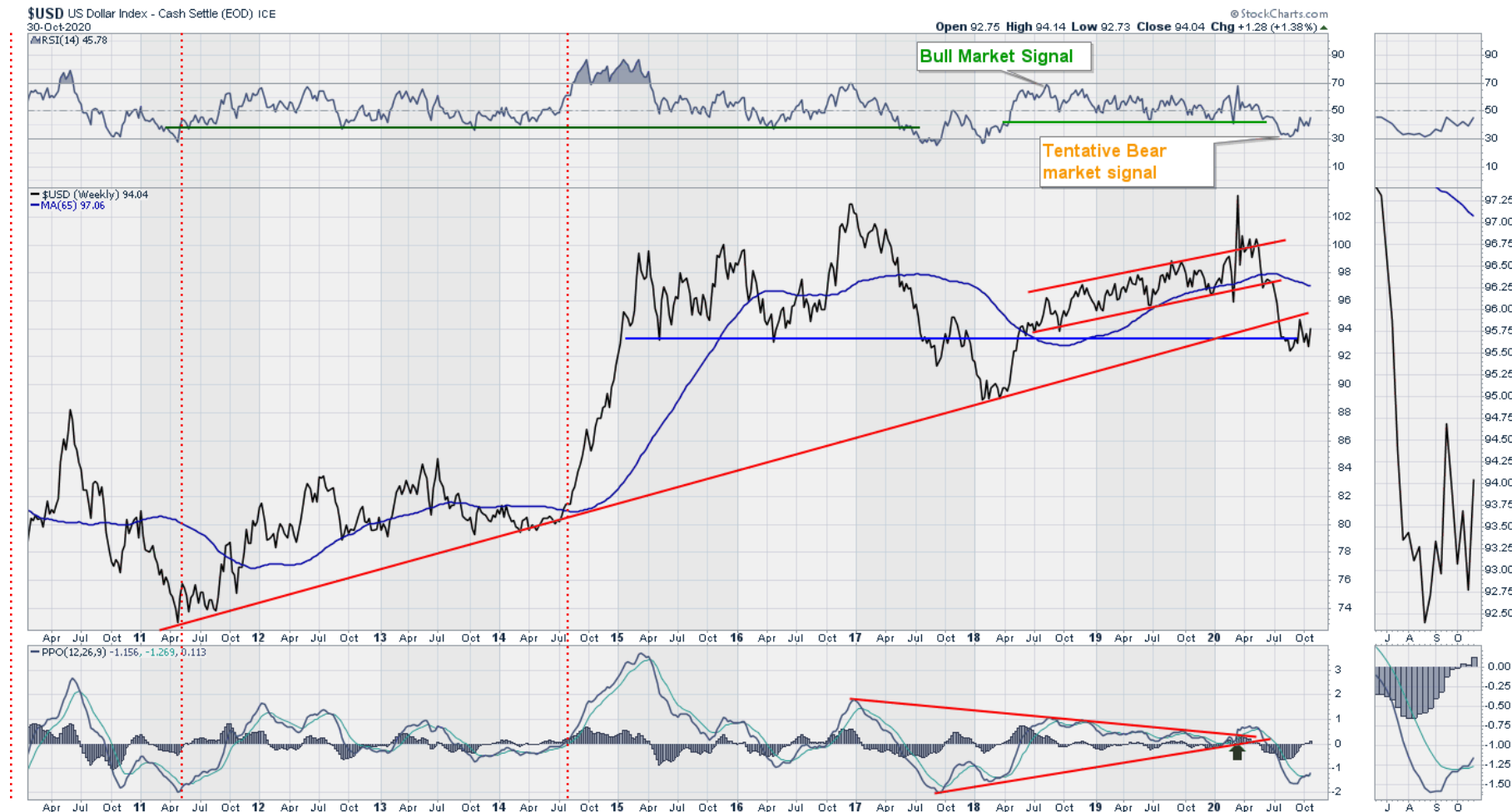
Slippery Slope

Monthly Conference Call
November 5, 2020 At 5 ET



\$USD - CAN'T DEFY THE PPO

The **\$USD** just continues to chop. It's very difficult to call as every week it swings around without trending. This week looks like support again as it makes a higher low. The PPO continues to point higher.



THE MOVE TO ELECTRIC VIDEO

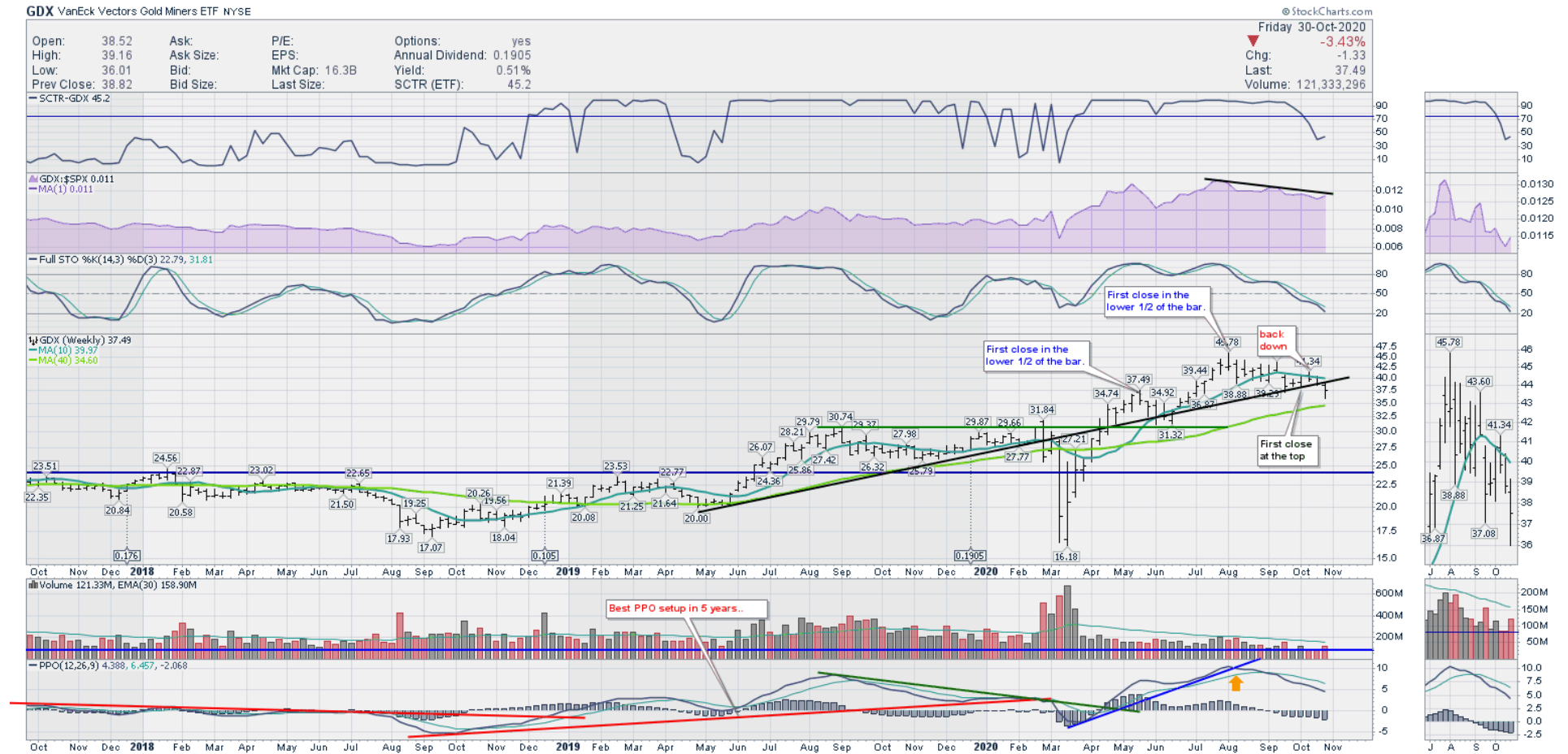
[The Move to Electric video](#). Register here for [the EV newsletter!](#) Clients of gregschnell.com will receive the subscription EV content free.

**MARKET
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GOLD MINERS

Gold miners broke the big trend this week. It continues make lower lows than highs. We are getting close to the 40-week moving average.



BITCOIN

We can debate [bitcoin](#) all day, but the bottom line is its breaking out. Everything about this chart is bullish. The Full-sto bounced at 50. New 2-year highs, new 2-year closing high. The PPO is breaking the 2-year trend line. It looks good here.



MARKET SUMMARY

A very messy week. All the sectors were down on the week. Canada is on the right, but it was the same story, different country. The small drop in the gold miners might suggest another potential rally setting up. Hard to be optimistic with the red paint on this page. As Covid explodes, will it be a speed bump or a wall for the indexes to pass over? The C19 numbers are over 100,000 a day. In Europe we are seeing the run rate blossom in some countries (France, Belgium) to what would be over 250,000 a day in America. Is that coming to North American shores? Canada is experiencing a Covid surge after Canadian Thanksgiving two weeks ago. America's biggest holiday is 4 weeks away. This has all the potential to supercharge the current Covid acceleration. Election Tuesday!

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XLU	Utilities	71.2	62.38	-3.66	
XLB	Materials	87.8	63.18	-4.27	
IYR	Real Estate	14.2	77.51	-4.32	
XLC	Communications	79.8	59.20	-4.69	
XLP	Staples	37.6	62.26	-4.79	
SMH	Semiconductors	94.6	174.95	-4.92	
XLE	Energy	0.3	28.72	-5.50	
XLF	Financials	34.3	23.86	-5.50	
XLV	Healthcare	16.1	101.66	-5.71	
XLK	Technology	78.2	110.86	-6.40	
XLI	Industrials	79.0	75.87	-6.53	
XLY	Discretionary	86.0	142.97	-6.55	
XRT	Retail	93.3	49.84	-8.45	
XOP	E & P	0.0	40.58	-9.66	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTGD	Gold Miners	349.98	-0.79	
\$SPTMT	Materials	327.24	-1.71	
\$SPTRE	Real Estate	272.85	-2.15	
\$SPTCS	Staples	627.88	-3.38	
\$RTCM	Income Trusts	191.81	-3.42	
\$SPTUT	Utilities	301.62	-3.47	
\$SPTIN	Industrials	295.79	-4.43	
\$TSX	\$TSX	15580.64	-4.44	
\$SPTFS	Financials	259.13	-4.61	
\$SPTHC	HealthCare	49.66	-5.14	
\$SPTTS	Telecom	153.69	-5.51	
\$SPTTK	Technology	153.53	-6.42	
\$SPTEN	Energy	64.03	-6.47	
\$SPTCD	Discretionary	192.66	-6.58	

GLOBAL VIEW

Here is the global view on the left. The world was awash in red this week. Europe outpaced America to the downside. Germany was the worst global market I follow. Asia wasn't quite as bad. The slowdown threat is crushing commodities. I didn't post the marijuana chart this week, but it looks set to soar. Even agriculture names like corn, soybean and wheat pulled back this week on the pessimism.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$IDDOW	Indonesia	1103.37	0.04	↑
\$SSEC	Shanghai	3224.53	-1.63	↓
\$NIKK	Japan	22977.13	-2.29	↓
\$BSE	India	39614.07	-2.63	↓
\$HSI	Hong Kong	24107.42	-3.26	↓
\$AORD	Australia	6133.20	-3.77	↓
\$KOSPI	South Korea	2267.15	-3.97	↓
\$MXX	Mexico	36987.86	-4.34	↓
\$TSX	Canada	15580.64	-4.44	↓
\$GBDOW	London	248.18	-5.04	↓
\$NDX	Nasdaq 100 ----	11052.95	-5.47	↓
\$SPX	S&P 500 ----	3269.96	-5.64	↓
\$IBEX	Spain	6452.20	-6.40	↓
\$CAC	France	4594.24	-6.42	↓
\$INDU	Dow ----	26501.60	-6.47	↓
\$BVSP	Brazil	93952.40	-7.22	↓
\$RTSI	Russia	1066.60	-8.37	↓
\$DAX	Germany	11556.48	-8.61	↓

SYMBOL	NAME	CLOSE	% CHG	+/-
\$LUMBER	Lumber	481.00	5.46	↑
\$NATGAS	Natural Gas	3.35	4.98	↑
LIT	Lithium	43.13	2.23	↑
\$GOLD	Gold	1879.90	-1.33	↓
REMX	Rare Earth Metals	40.29	-2.28	↓
\$SUGAR	Sugar	0.14	-2.45	↓
\$SOYB	Soybean	1056.25	-2.54	↓
\$COPPER	Copper	3.05	-2.60	↓
GDX	Gold Miners	37.49	-3.43	↓
\$SILVER	Silver	23.65	-4.17	↓
HMMJ.TO	Marijuana Stocks	5.95	-4.95	↓
SLX	Steel	31.98	-5.47	↓
\$HOIL	Heating Oil	1.09	-6.26	↓
SIL	Silver Miners	42.29	-6.44	↓
\$COCOA	Cocoa	2305.00	-7.02	↓
\$GASO	Gasoline	1.03	-8.41	↓
\$BRENT	Brent Crude	37.94	-9.82	↓
\$WTIC	WTI Crude	35.79	-10.19	↓

VIDEO OF THE WEEK

The Monthly conference call link is here. [October link](#). The November link is here. [November link](#). Password = 075182

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

Here is a link to this week's video. [Headwinds Hammer Halloween](#)

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Headwinds Hammer Halloween

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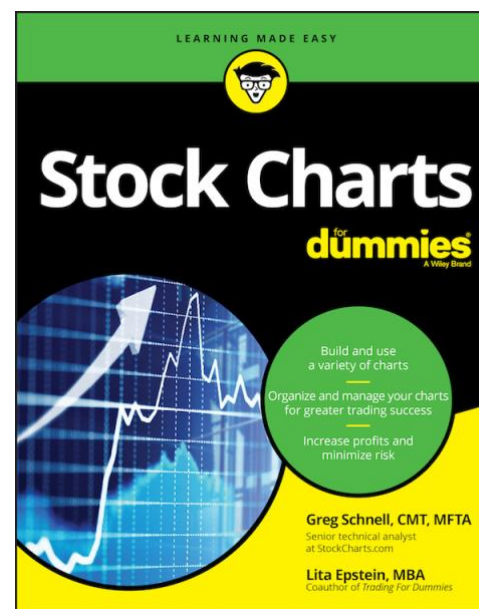
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Good trading,
Greg Schnell, CMT, MFTA.
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BIOGRAPHY GREG SCHNELL, CMT, MFTA.

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.