

THE CANADIAN TECHNICIAN



U.S. Edition

Currencies Start To Move

Weekly Market Review
December 4, 2020



WITH
GREG SCHNELL

MARKET COMMENTARY

The pandemic continues to be front page news with the potential for vaccinations to start this week. The FDA is to meet to decide the emergency use application for Pfizer's vaccine on Dec. 10. The Operation Warp Speed group said they will be ready to have the vaccine for front line workers within 1-2 days after, potentially meaning December 12-15 to start vaccinations if the FDA decides quickly. A giant risk is if the FDA does not approve the vaccine. All the pre-selling by the FDA, both government parties, the Pfizer and BioNTech companies, suggest smooth sailing. This could be a sniper bullet that comes out of nowhere but it would be one hell of a turn, [considering the UK has approved it](#). There is immense pressure to approve. Let's hope this goes well, because a lot of lives depend on an early vaccine.



This week the bond charts and currency charts jumped on the commodity bull market bandwagon. The long end of the bond market saw prices drop; yields rise as money moved away. The currency markets also showed new breakouts on the commodity currencies (British Pound, Canadian Dollar, Aussie Dollar). This newsletter does not show the commodity charts. They are on this weeks' video. I used a set of charts from the other three asset classes to confirm the commodity move. Bonds, currencies and commodity country equity markets.

OPEC held their meetings this week and added more drama to an already volatile oil price. In the end, they agreed to increase oil production by a ½ of 1% per month through the first quarter. That means 500,000 barrels a day coming back onstream. I am in the camp of \$50 oil at year end (high COVID infections make this harder), \$60 by April and a potential rosy scenario of even higher for the back half of the year 2021. I am not alone. [Incoming Oil Bull Market](#). On the video I talked about CNQ and what \$1/barrel/year means in terms of revenue, approximately 500 Million/\$1. \$10 price change is \$5 Billion. I should have clarified that government royalties reduce that.

Summary: I am bullish and continue to be. While the much publicized, Fear and Greed Index on CNN's site might register a high reading of 92, that does not mean the bull market run is ending. Merely that a lot of investors are optimistic. With three COVID vaccines all showing high efficacy in trials, it has only been 4 weeks with the good news. Hardly a reason to see the world markets sell off. The bears appear to be asleep. People shorting stocks like TSLA are taking the hard road until there is at least a signal of weakness. Let's jump into the charts.

@SSIH - BULLISH

The Schnell Strength Index closed up a smidge this week at a very bullish 82.7%. Above 75% is bullish.

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



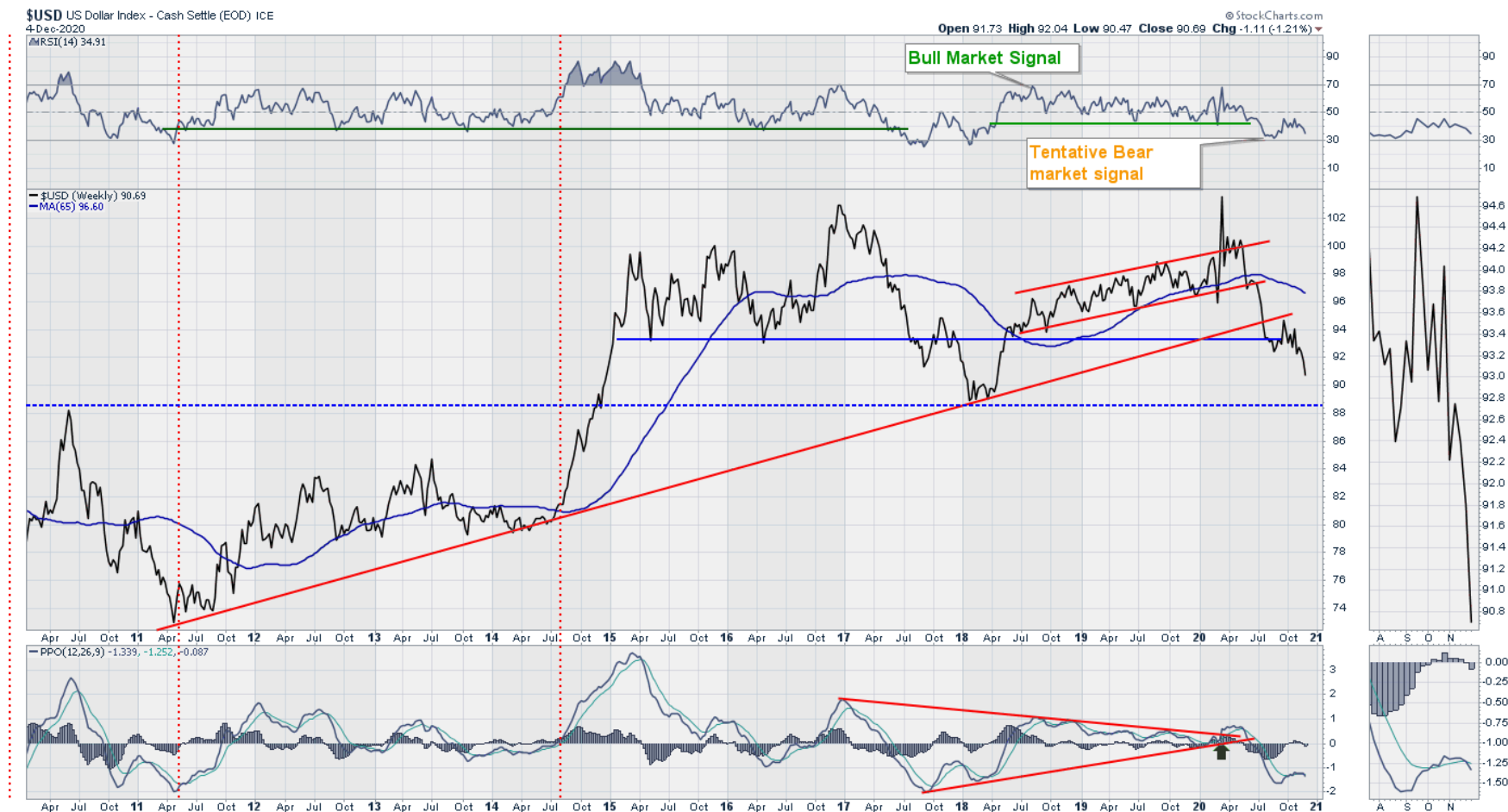
The chart shows the SSIH in the top panel. The post-election scenario is playing out. There is little doubt that the vaccine news in the face of rising COVID counts helped mute some of the fear.

While this is bullish, as all three are pointed north, we continue to monitor week in and week out.

All three indexes are moving away from the prior highs. This is a bullish backdrop.

\$US DOLLAR

The US Dollar continues to move lower. Meaningfully lower. The most important thing to catch over the series of charts shown here is that they all point to a massive bull run for commodities. A lower US Dollar is bullish for commodities and for US companies that get a lot of revenue from outside the US. This weekly chart shows the PPO pointed down again. Will we fall all the way to 2018 lows?



\$USD DAILY

The [US Dollar Daily](#) chart shows an RSI below 30. We'll see how weak this gets before a bounce.



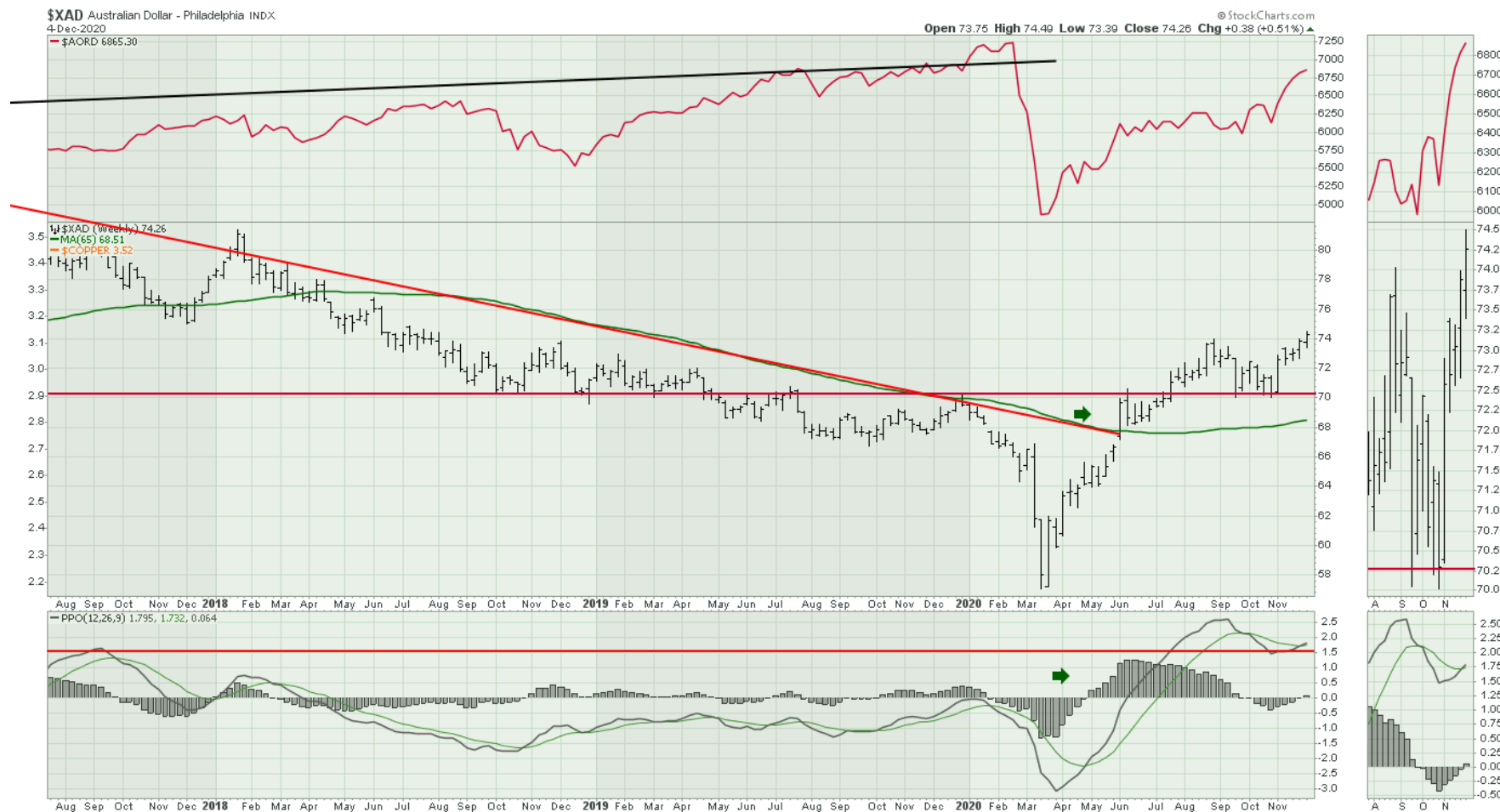
\$CDW - CANADIAN DOLLAR WEEKLY

The Canadian Dollar broke above 77. What makes that level interesting is both surges (2004, 2009) for the big bull markets in crude and commodities both surged from this level. The zoom panel shows the week's action in closer detail. The muted production increase by OPEC sent this chart meaningfully higher on Friday but it was climbing from Tuesday to Friday. This chart is usually in an uptrend when oil is moving higher.



\$XAD AUSTRALIA DOLLAR

The Aussie Dollar broke above horizontal resistance at 70 a while ago. Now it is making a higher high, along with all these commodity break outs. Its first breakout above 70 coincided with Coppers break, now this higher high with oil's new push. I like the PPO turning up again while still above zero. That does not happen in bear markets.



\$XBP BRITISH POUND

The **British Pound** is even breaking out. With Brexit and everything going on, the pound is rising. London has a lot of commodity listings on the exchange as well as metals trading. A rising GB Pound usually coincides with rising commodities. I say usually because after the Brexit drop in 2016, it was plummeting while commodities were rising. The PPO just turned up while above zero! Nice.



CEW - EMERGING MARKET CURRENCY ETF

The emerging markets currency ETF (CEW). This week, the ETF broke above the three-year downtrend. I have shown COPPER in orange to help display how the currency ETF moves in concert with commodities. I like the PPO breaking the momentum downtrend and pushing above zero.



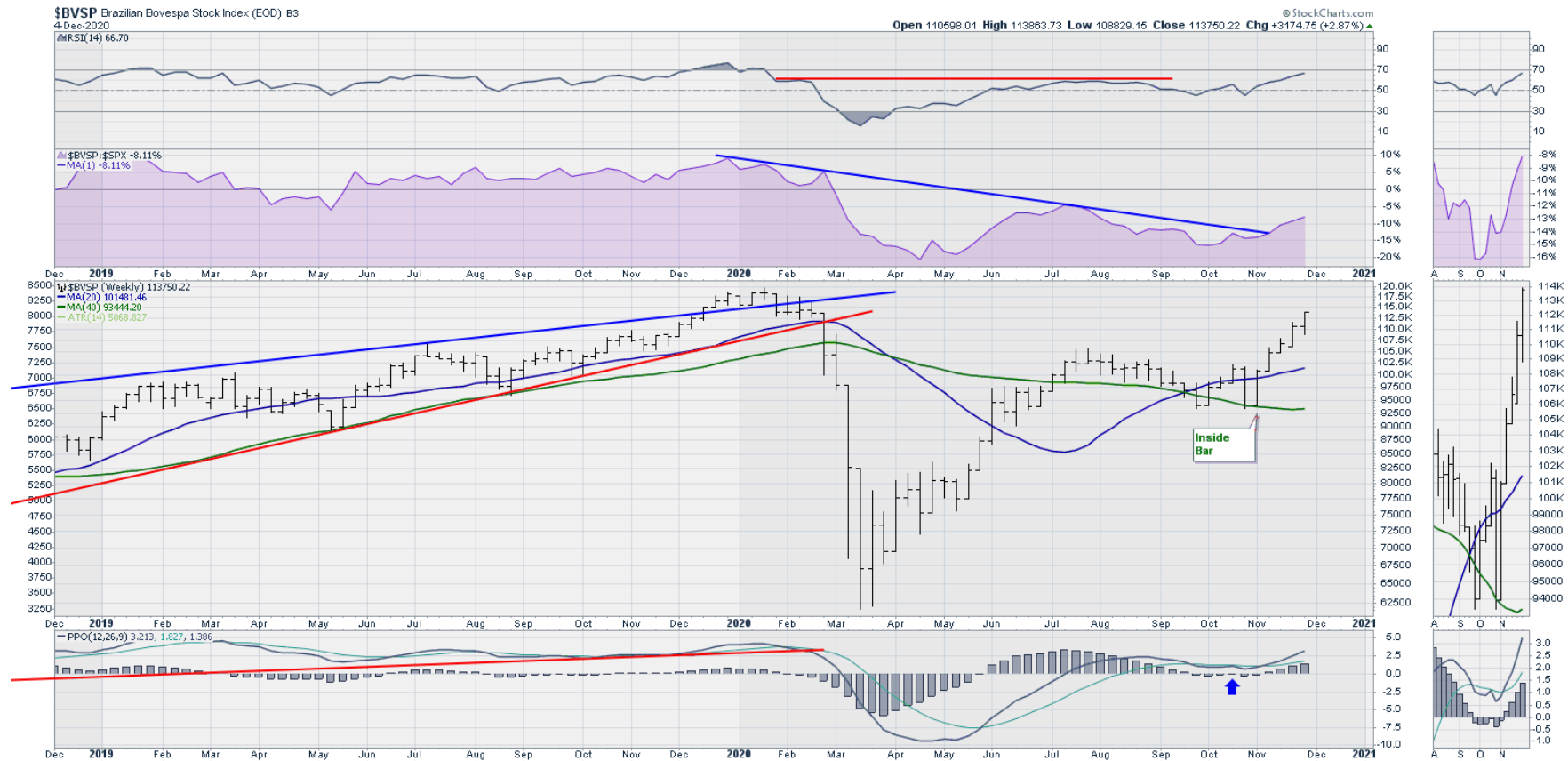
\$RTSI - RUSSIAN STOCK MARKET

Moving away from currencies to equity markets, Russia is a major commodity supplier to the world. The \$RTSI is breaking the downtrend from the 2008 high in oil. It started to break out in 2019, then COVID hit. With this weeks' surge in oil, Russia is breaking the 12-year downtrend. This monthly PPO is turning up above zero.



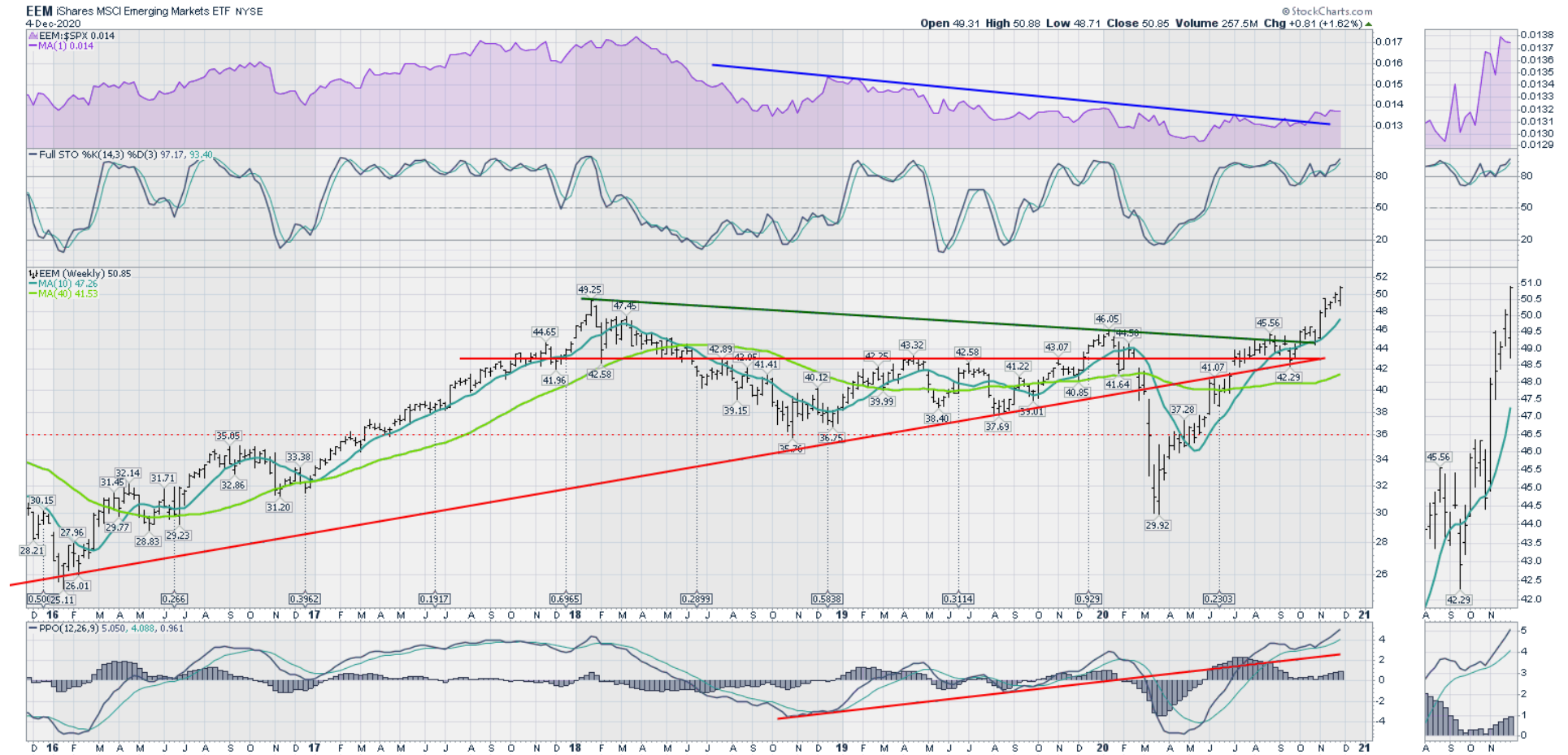
\$BVSP - BRAZIL

Brazil ([\\$BVSP](#)) is a big supplier of commodities. This chart is pushing through the July high and the chart shape looks similar to \$WTIC's shape post COVID. The PPO is turning up above zero. The PPO setup is a signature setup for a big bull market push. After coming up from below zero, the PPO relaxes a bit, then turns higher while around the zero level and makes a big thrust higher. This chart has the same PPO setup as we saw in gold in 2019 before its big surge. Uranium charts have the same bull market setup now.



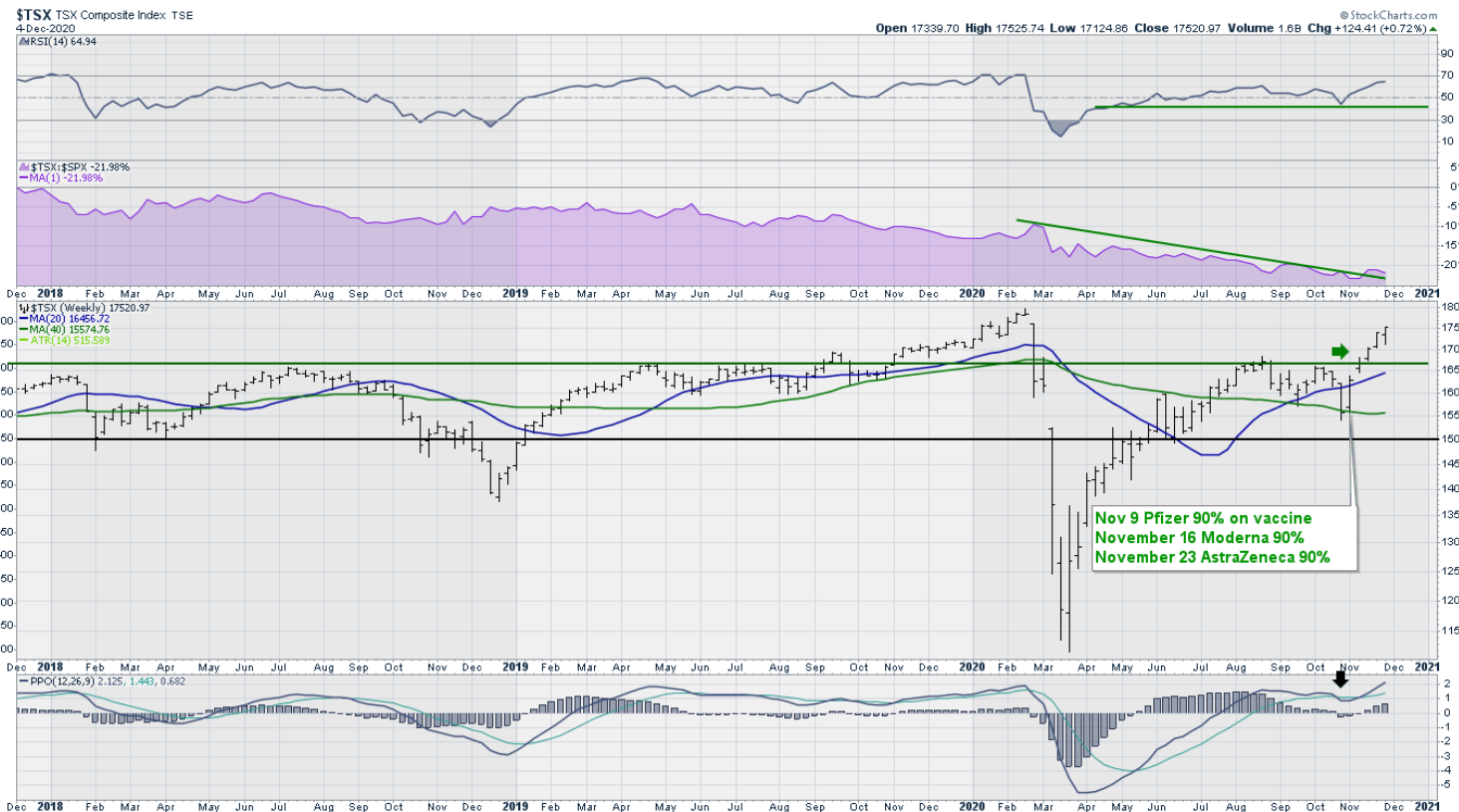
EEM - EMERGING MARKET ETF

From the emerging markets, we are breaking to an all-time high. Commodities are an economic engine for emerging markets. This chart is breaking to new highs! The smooth run in 2017 was great.



\$TSX - CANADA STOCK MARKET

Commodity bullishness is reflected in the Canadian stock market. While gold plays a part, the majority of influence is the energy business. Oil and gas, mines and minerals, together make up a 1/3. That percentage has dwindled over the years with increases in technology and declines in commodities. The bullish turn on the PPO has just started here as well. I mentioned in the EV Newsletter to watch Uranium names. Canada has some big Uranium deposits and CCJ is just breaking out. Another extension of commodities. The Toronto market has been breaking out since the vaccine announcement. Canada supplies a lot of commodities to the rest of the world. The breakout on the vaccine news started the move but the charts above all seem to point to the beginning of a major move.



Having both the currency and the \$TSX stock market rally together, is usually a sign of a commodities run. At the present rate of progress, the Canadian market could be at new all-time highs in December, even with commodities just rounding the bottom.

MONTHLY CONFERENCE CALL LINK

Dwight and I hosted the [monthly conference call](#) on December 2, 2020. Click on the link for an hour of ideas. Dwight does a fantastic job of showing some of his setups and how they build momentum and then break out. If you are not reviewing the daily setups, I would encourage you to look there for ideas.

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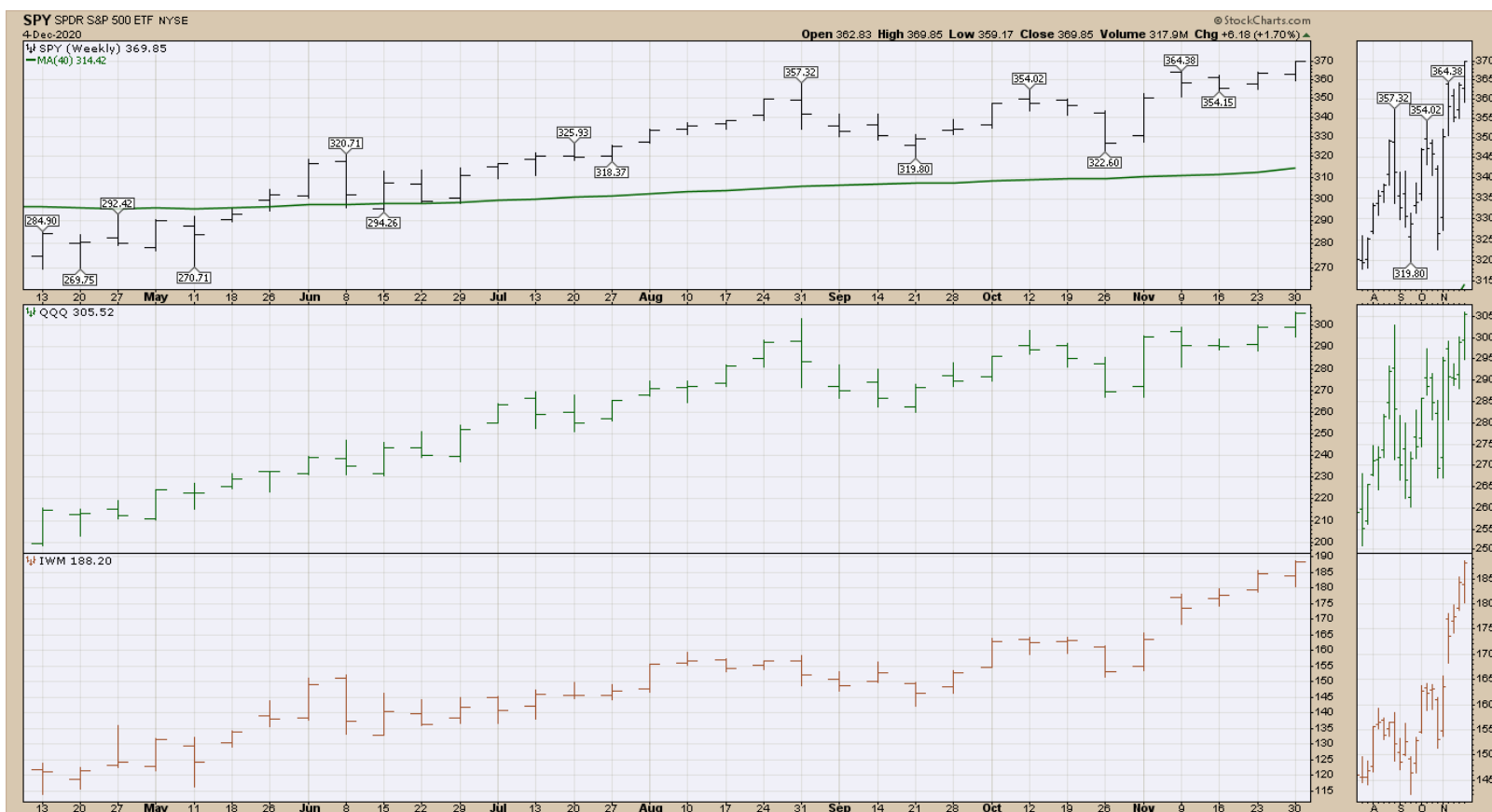
A Shot In The Arm - Three Vaccines

Monthly Conference Call
December 2, 2020



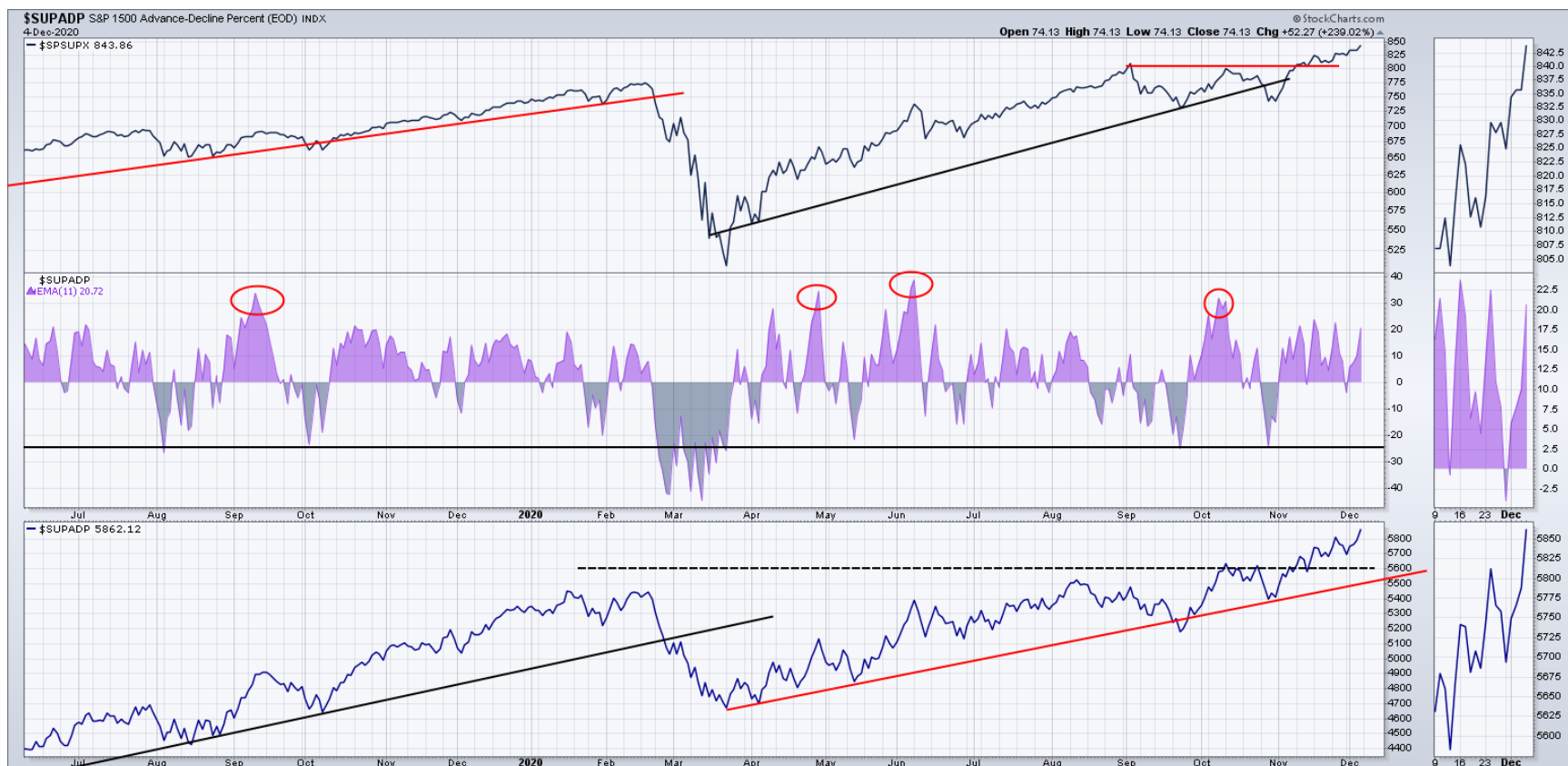
THREE INDEXES CLOSE AT HIGHS

I've made my case for the big global commodity bull market with currencies and commodity equity markets. Let me talk about the index rotation. The **S&P 500**, the **Nasdaq 100**, and the **small caps** all closed at their highest weekly close. The Nasdaq 100 price bar is a bullish bar, thrusting above the prior highs. The Nasdaq and the \$SPX are moving away from prior highs and the small caps left 4 weeks ago. This rotation to small caps and cyclicals is also a sign of commodity companies as many of the commodity companies have been crushed to single digit stock prices. Oil names could double just to get back to 2020 highs.



\$SUPADP - ADVANCE /DECLINE FOR THE S&P 1500

While I am on the US markets, let me discuss breadth briefly. The [S&P 1500 breadth](#) continues to be excellent. The advance decline line is at new highs while the stock market is as well. Notice in the middle panel, I have shown the two-week moving average as an area chart. It seems the red circle surges mark exhaustion. The middle level around 20 seems to be similar to the ride of October to January 2019 so far. That was also a smooth ride for the markets.



THE MOVE TO ELECTRIC VIDEO

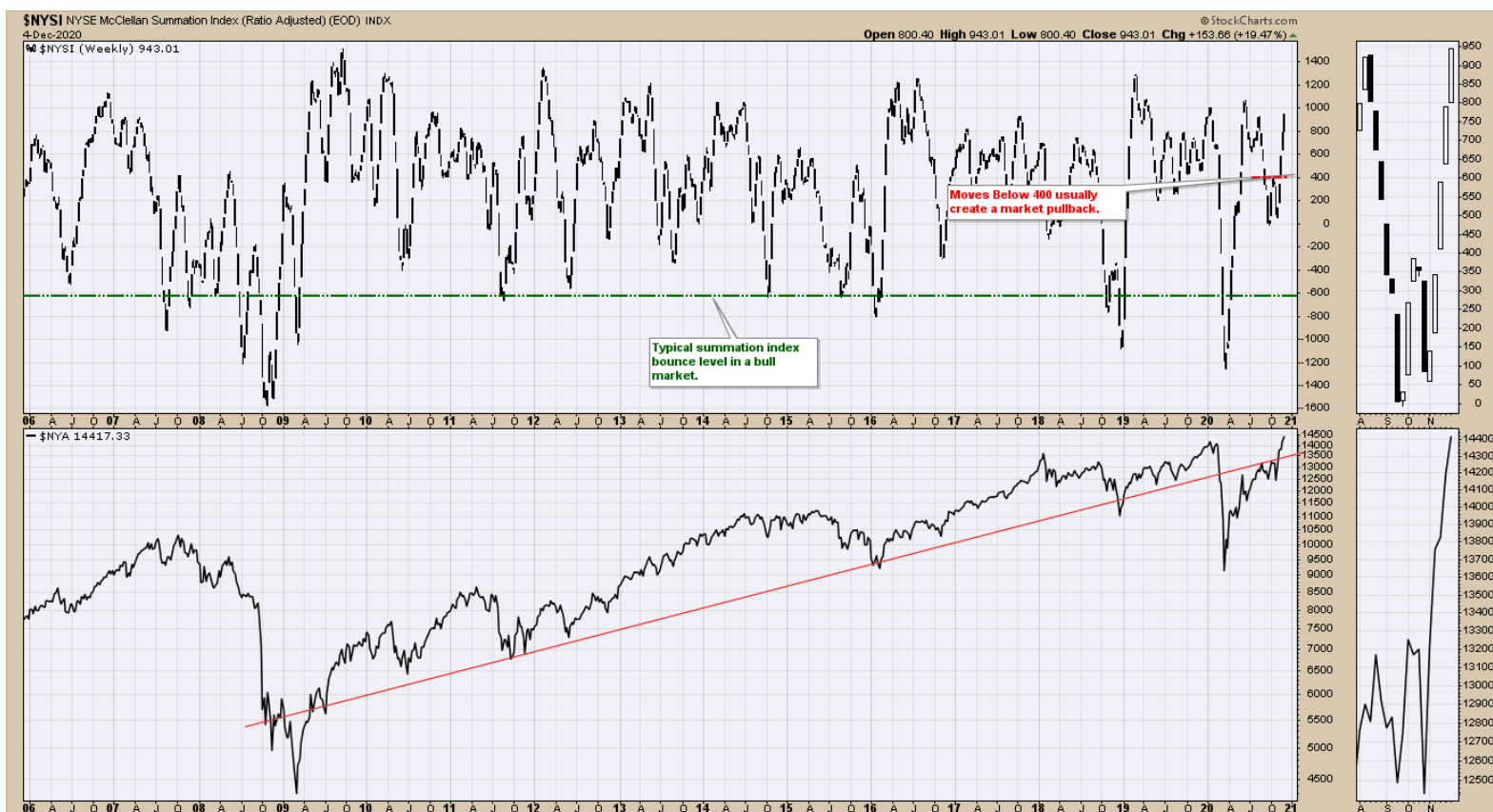
[The Move to Electric video](#). Register here for [the EV newsletter!](#) Gold membership level clients of GregSchnell.com will **receive the subscription EV content as part of their membership.**

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



\$NYSI - MCCLELLAN SUMMATION INDEX

The McClellan oscillators are a different method of calculating breadth. The \$NYMO McClellan oscillator is not shown on this chart but varies daily. The \$NYSI (summation index) is a cumulative running total of the daily \$NYMO readings. My interpretation is when \$NYSI gets weak enough to move below 400, we are entering into a corrective market. We are still accelerating higher. Even after we roll over the top on this indicator, it needs to weaken. This topped around January 1, 2020 and declined for weeks before the February 2020 market top. With all my various breadth charts, I don't have any weakness in breadth.



\$USB - 30 YEAR BOND PRICE

The **\$USB** represents the **30-year bond price**. In my analysis, bonds have been undecided on direction for the last month. This week, the \$USB chart broke the 2-year uptrend. \$USB also broke in Q4 2016 (US Election) and the bond market sold off meaningfully. Look on the chart above for how the equity market responded in 2017-2018 when money was leaving the bond market. My interpretation is a meaningful move up in stocks through 2017 and I expect to see that again. This fits with my current chart analysis that we are entering a fabulous 2021. The COVID backdrop coming out of the economy appears to be giving us a bullish run for the roses.



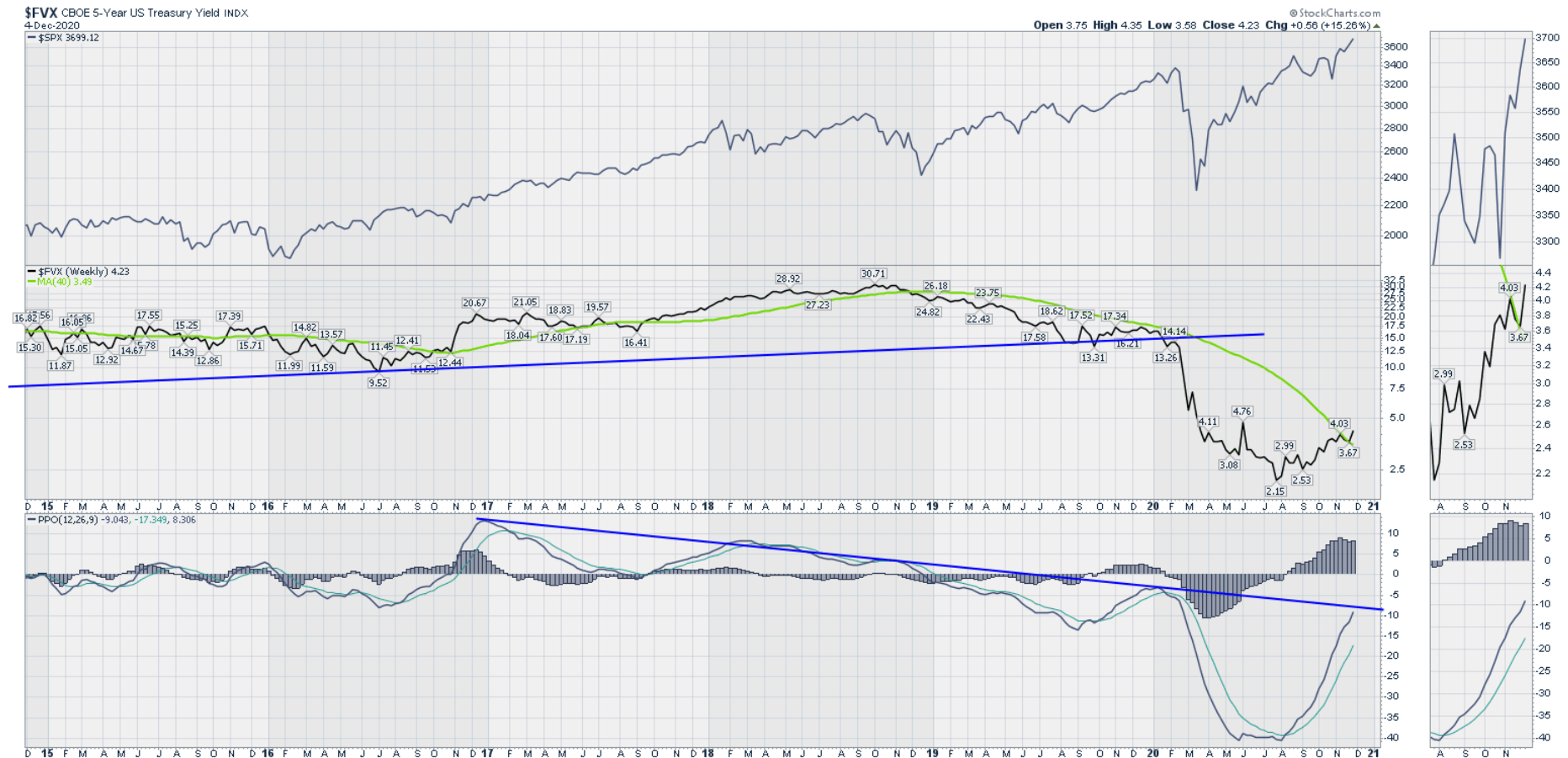
\$TNX - 10-YEAR BOND YIELDS

The chart above is bond price, so it is the opposite of bond yields. Yields head higher as prices fall. The chart below is yield so it goes up as prices fall. Yields on the 10-year rose 15% this week. Gulp! The PPO indicator has broken the 4-year downtrend in momentum and is now turning positive above zero! Boom baby! This chart could run all the way up to the red line without much resistance. That means money leaving the bond market, looking for a new home. Probably commodities or equities in general.



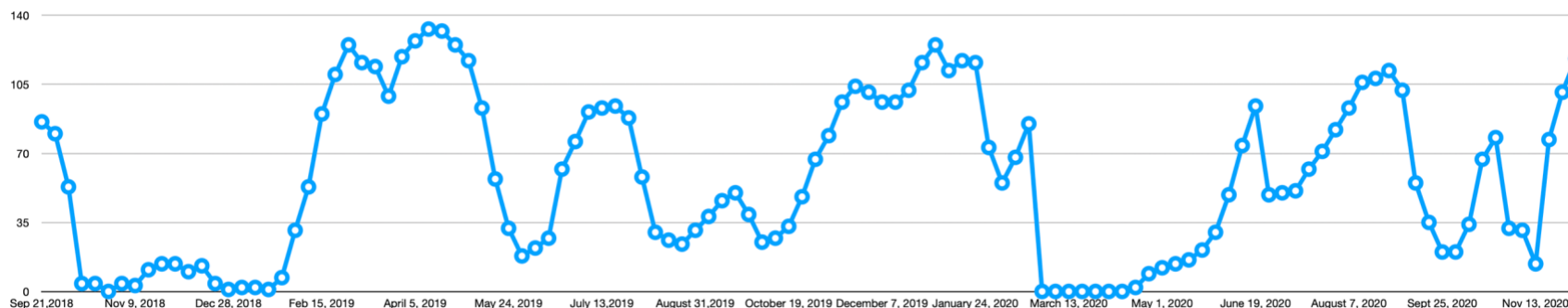
\$FVX - FIVE YEAR YIELD

The five-year yield is breaking above the 40-week moving average this week. What I find interesting, is my PPO trend line is about to break as well. Busting the 4-year downtrend in momentum is such a bullish sign. This is happening across the long end of the bond market. The 2-year is not moving yet so it is just the long end of the bond market changing. More opportunity for a bull market to run in equities and commodities as people leave the bond market.

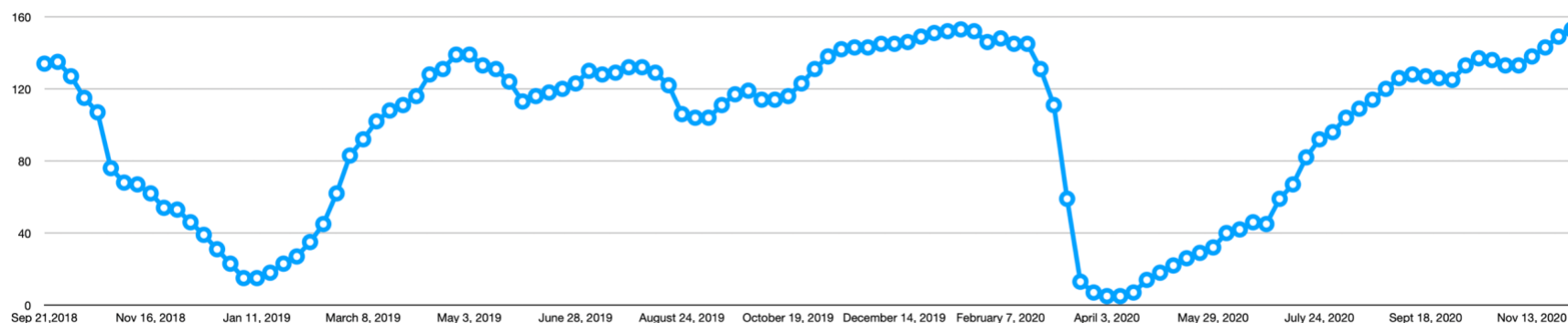


PRIVATE INDICATORS

I want to leave you with two other weekly indicators that I use behind the scenes in my analysis. The top one is a shorter look at the market, but we have just surged into the top quartile. Just because we are up here, does not mean this has to end soon. We watch the charts every week for a reason, but the longer we stay up here, the higher the market goes. This is just bullish!



The second graph is just a very smooth indicator that shows how many charts in my market cluster have positive momentum. In 2019, the market was starting to rally and as COVID came onto the scene, this chart declined for 5 weeks before the drop. COVID seemed to come out of nowhere, but we were out of the market as it came in. Use different sensitivities for different time frames.



MARKET SUMMARY

The sector performance was focused on the growth sectors and cyclicals. Discretionary / Retail were solid. Technology, Semiconductors and energy roared forward. Energy was stronger in the US. Retail continues to perform well, suggesting either the holiday season or the promise of better days ahead with multiple vaccines. Think about cooped up teenagers getting out and about with friends spending money in 2021. Apparel, restaurants, cars and gasoline as they surge into the economy once again. Staples and Utilities still low on the US list. Bullish. A little surprising to see Industrials flat. Canada is on the right.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
SMH	Semiconductors	97.7	219.39	6.28	
XOP	E & P	60.9	61.00	5.39	
XLE	Energy	42.7	40.63	4.42	
XLV	Healthcare	30.6	112.54	2.83	
XLK	Technology	72.1	126.04	2.76	
XLC	Communications	64.1	66.98	2.06	
XLF	Financials	60.8	28.98	1.79	
XRT	Retail	97.4	62.21	1.63	
IYR	Real Estate	18.1	86.24	1.58	
XLP	Staples	32.3	67.63	1.06	
XLI	Industrials	73.0	89.21	0.44	
XLB	Materials	69.6	71.78	0.10	
XLY	Discretionary	54.5	158.03	-0.12	
XLU	Utilities	5.2	62.41	-2.12	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTMT	Materials	317.75	2.58	
\$SPTCD	Discretionary	226.96	1.74	
\$SPTEN	Energy	92.84	1.64	
\$SPTGD	Gold Miners	312.42	1.37	
\$SPTCS	Staples	647.92	0.98	
\$SPTTK	Technology	177.53	0.88	
\$TSX	\$TSX	17520.97	0.72	
\$SPTTS	Telecom	168.15	0.63	
\$SPTFS	Financials	308.64	0.43	
\$SPTIN	Industrials	325.35	0.04	
\$SPTHC	HealthCare	66.45	-1.03	
\$SPTUT	Utilities	316.28	-1.21	
\$RTCM	Income Trusts	220.77	-1.38	
\$SPTRE	Real Estate	306.73	-1.48	

GLOBAL VIEW

Here is the global view on the left. The world moved up well with the top performer up 4.7%. The USA was middle of the pack. Some commodity countries did better than Canada and Australia. This looks like a lower US Dollar scenario; lifting commodities, emerging markets, and Asia broadly. Gold out shone Energy after OPEC took a week to pick direction. Commodities table on the right.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$MXX	Mexico	43646.03	4.73	
\$RTSI	Russia	1357.39	4.22	
\$KOSPI	South Korea	2731.45	3.72	
\$GBDOW	London	293.26	3.06	
\$BVSP	Brazil	113750.22	2.87	
\$NDX	Nasdaq 100 ----	12528.48	2.20	
\$BSE	India	45079.55	2.11	
\$SPX	S&P 500 ----	3699.12	1.67	
\$IBEX	Spain	8322.90	1.61	
\$SSEC	Shanghai	3444.58	1.06	
\$INDU	Dow ----	30218.26	1.03	
\$TSX	Canada	17520.97	0.72	
\$AORD	Australia	6865.30	0.71	
\$NIKK	Japan	26751.24	0.40	
\$CAC	France	5609.15	0.20	
\$IDDOW	Indonesia	1277.75	-0.08	
\$HSI	Hong Kong	26835.92	-0.22	
\$DAX	Germany	13298.96	-0.28	

SYMBOL	NAME	CLOSE	% CHG	+/-
SLX	Steel	43.84	8.11	
\$LUMBER	Lumber	678.60	7.56	
\$SILVER	Silver	24.25	7.13	
SIL	Silver Miners	42.08	5.36	
GDJ	Gold Miners	35.31	3.16	
\$COPPER	Copper	3.52	3.13	
\$GOLD	Gold	1840.00	2.90	
\$BRENT	Brent Crude	49.25	2.07	
REMX	Rare Earth Metals	57.09	1.76	
\$WTIC	WTI Crude	46.26	1.60	
\$HOIL	Heating Oil	1.40	1.31	
HMMJ.TO	Marijuana Stocks	8.80	1.15	
LIT	Lithium	53.71	0.90	
\$GASO	Gasoline	1.27	0.20	
\$SOYB	Soybean	1163.00	-2.41	
\$SUGAR	Sugar	0.14	-2.56	
\$COCOA	Cocoa	2654.00	-4.05	
\$NATGAS	Natural Gas	2.58	-9.43	

VIDEO OF THE WEEK

The Monthly conference call link is here. [Monthly Conference Call Link](#) - lots of ideas presented on Dec 2.

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

Here is a link to this week's video. [Currencies Start To Move](#)

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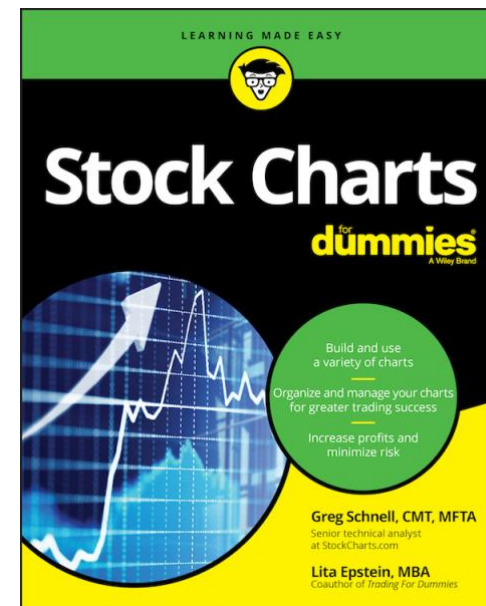
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Good trading,
Greg Schnell, CMT, MFTA.

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.