

THE CANADIAN TECHNICIAN



U.S. Edition

Two Get Approved

Weekly Market Review
December 18, 2020



WITH
GREG SCHNELL

MARKET COMMENTARY

The Pfizer vaccine rollout continues. The Moderna vaccine got approved. More vaccines are in the approval pipeline but look to be later in January. [JNJ](#). [Astrazeneca](#). With my strength indicators weakening and the majority of good news out about the vaccines, it seems like the market wants to pause here. Until you look at Tesla stock. The roaring 2000's 2020's.



Energy is really whippy here. Energy was the only 'down sector' this week, even though crude oil was up 5.7% to \$49. Contrast that with last week when it was the only sector that was up. Joe's climate plan, Justin Trudeau's climate plan, the EU's climate plan, it all sounds imminent. We need something like 22 new hydro dams per year for the next 15 years to keep up with the demand for electricity in North America. Copper continues to run.

I have focused on the setup in Gold and Silver in the charts below. While Friday was a big down day for the XME (metals and mining) and a weak day for gold miners, the precious metal charts are aligned for a big breakout, potentially this week. With a little bit of nostalgia, the picture to the left was taken in Kaslo, British Columbia, which proclaimed itself as the Mineral Metropolis of the World. If these precious metal names start to lift with the rest of the mining stocks, the mineral stocks might just be the best investing metropolis for 2021. Let's check in!

I am wrestling with weakness in Canada and my expectation for continued strength in commodities. For the most part, it was an up world globally. However, Canada had a lot of red sectors as it tries to take out the prior highs. If Canada starts to weaken, it is another clue that strong markets like the US could weaken as smaller markets start to crack before big ones like the US do.

The Schnell Strength Indexes have moved into the cautious zone, with the fastest indicator very, very weak. Banks will be up on Monday as they received permission to buy back shares and Tesla will join the S&P 500. We have just finished a strong investing year, as hospitals start to turn away COVID clients due to overcrowding.

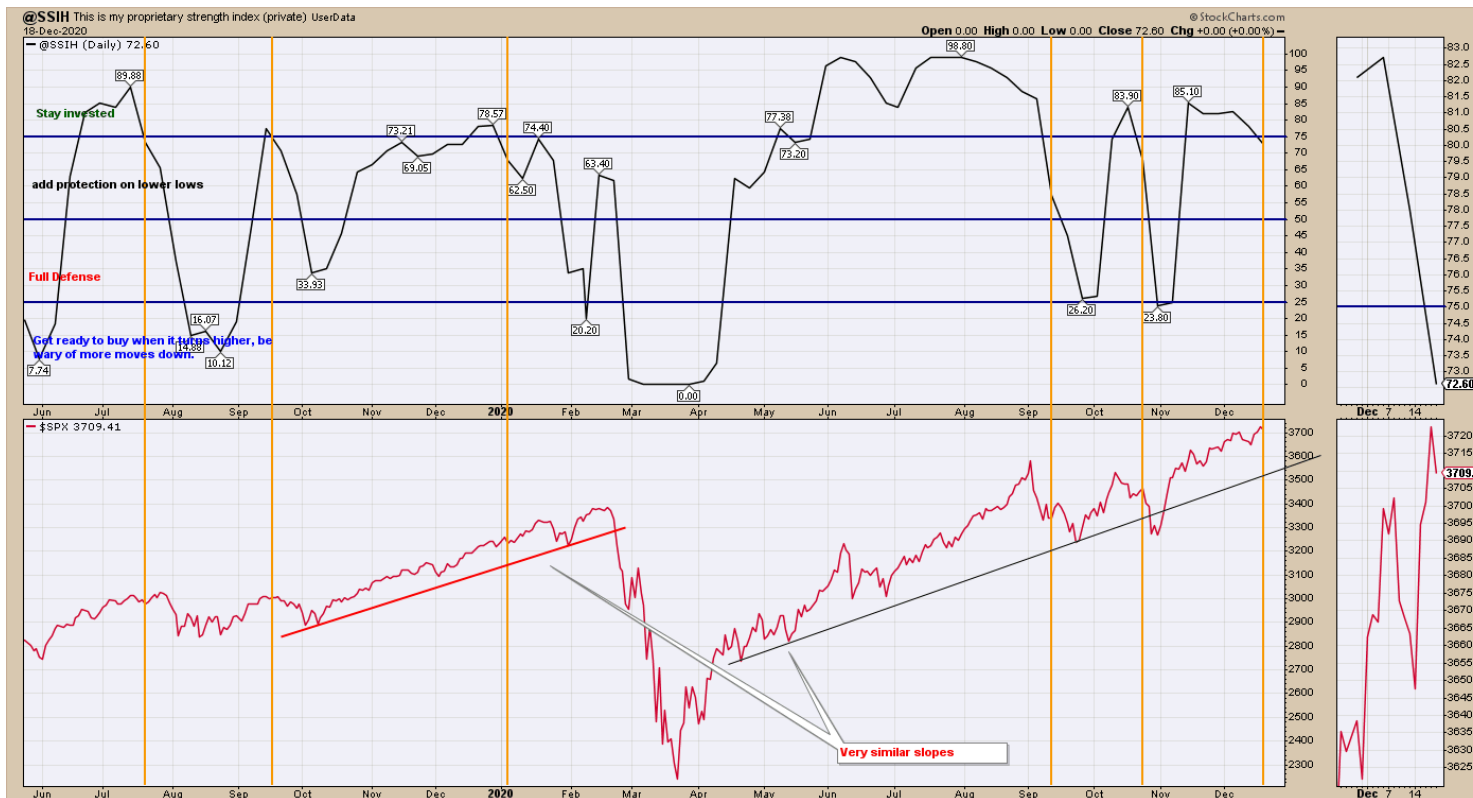
Summary: I am now cautious as my strength indicators suggest. I've raised cash, but still hold some investments.

Let's hit the charts.

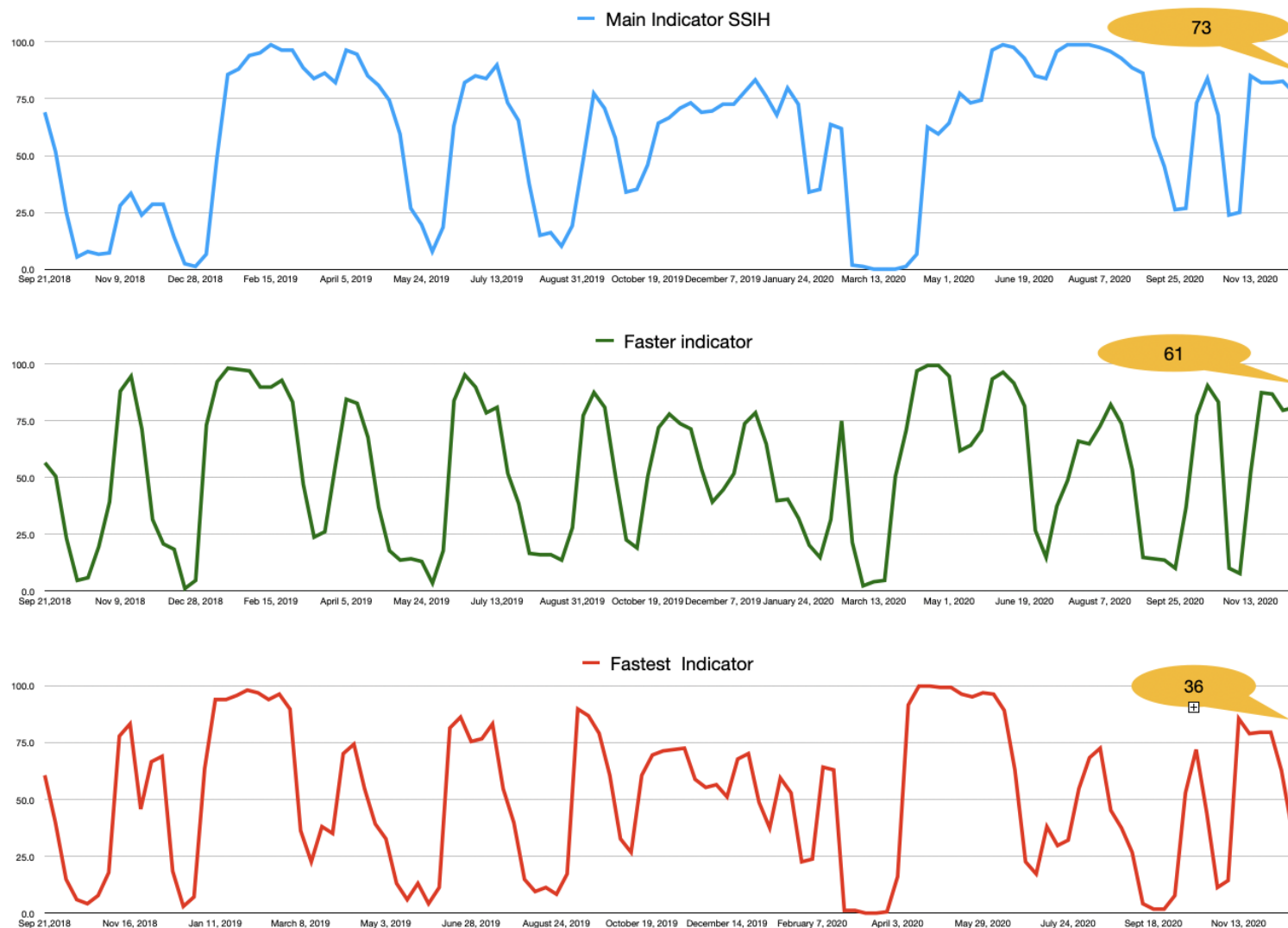
@SSI - BULLISH

The Schnell Strength Index dropped by 5% to 72.6%. This is weaker and we are in a position where caution is important. Above 75% is bullish. Now that this is making lower lows and moved below 75%, I am adding another orange line.

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. I expect a spike up on the open Monday from the financials, and I expect congress to get the stimulus done. What would be left for good news yet to come out? A Brexit deal - is this largely expected already?



SSIH, MY FASTER AND FASTEST INDICATORS



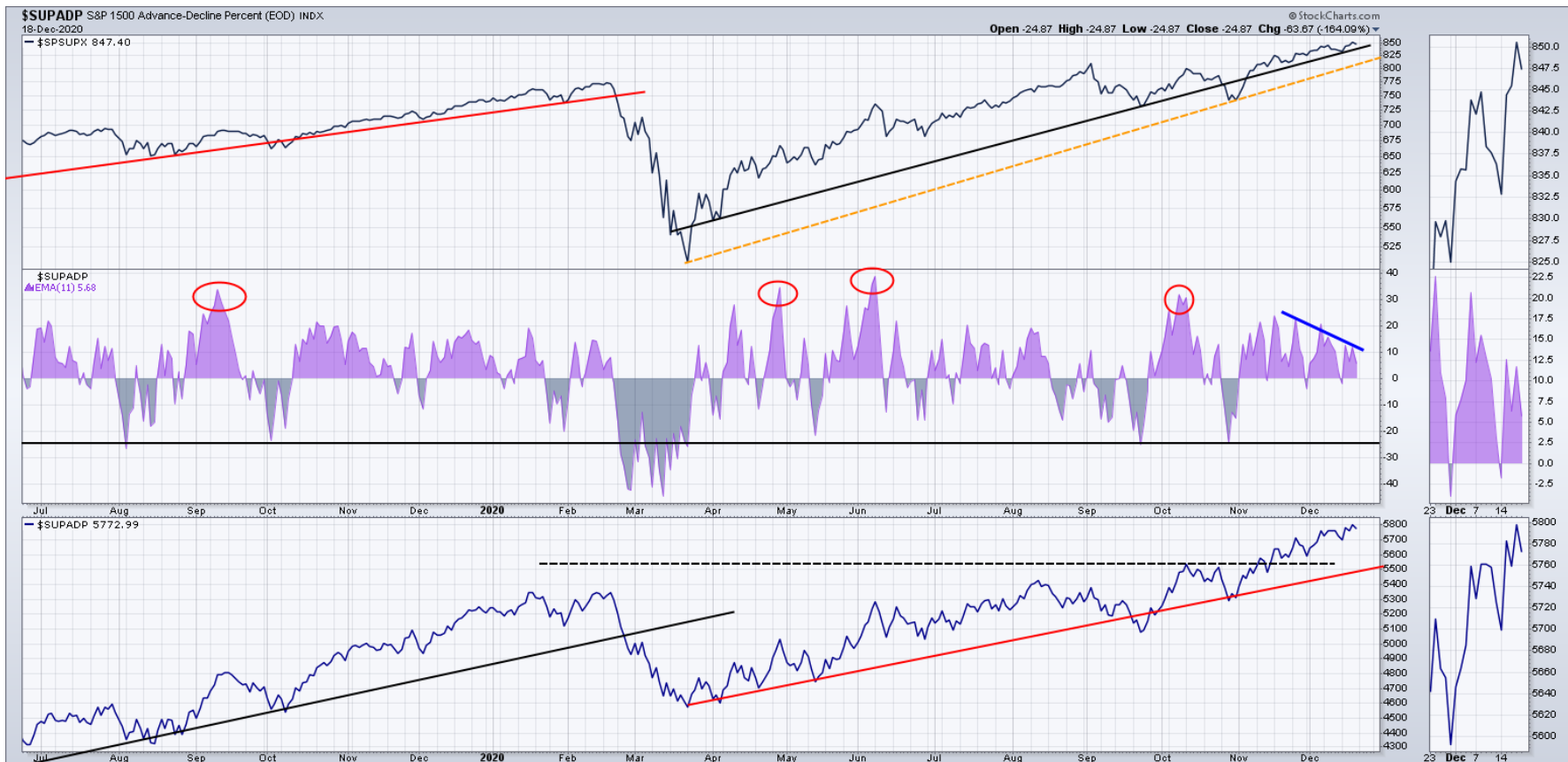
The chart shows the SSIH in the top panel. The bottom panel is clearly showing weakness.

All three indexes are below 75, and the fastest one is below 40. That means the early signs of a slowdown in momentum are showing up. It looks very similar to the December 2019 scenario which saw weakness in early January.

When both of the faster indicators got below 50 in early January 2020, it brought on the January pullback.

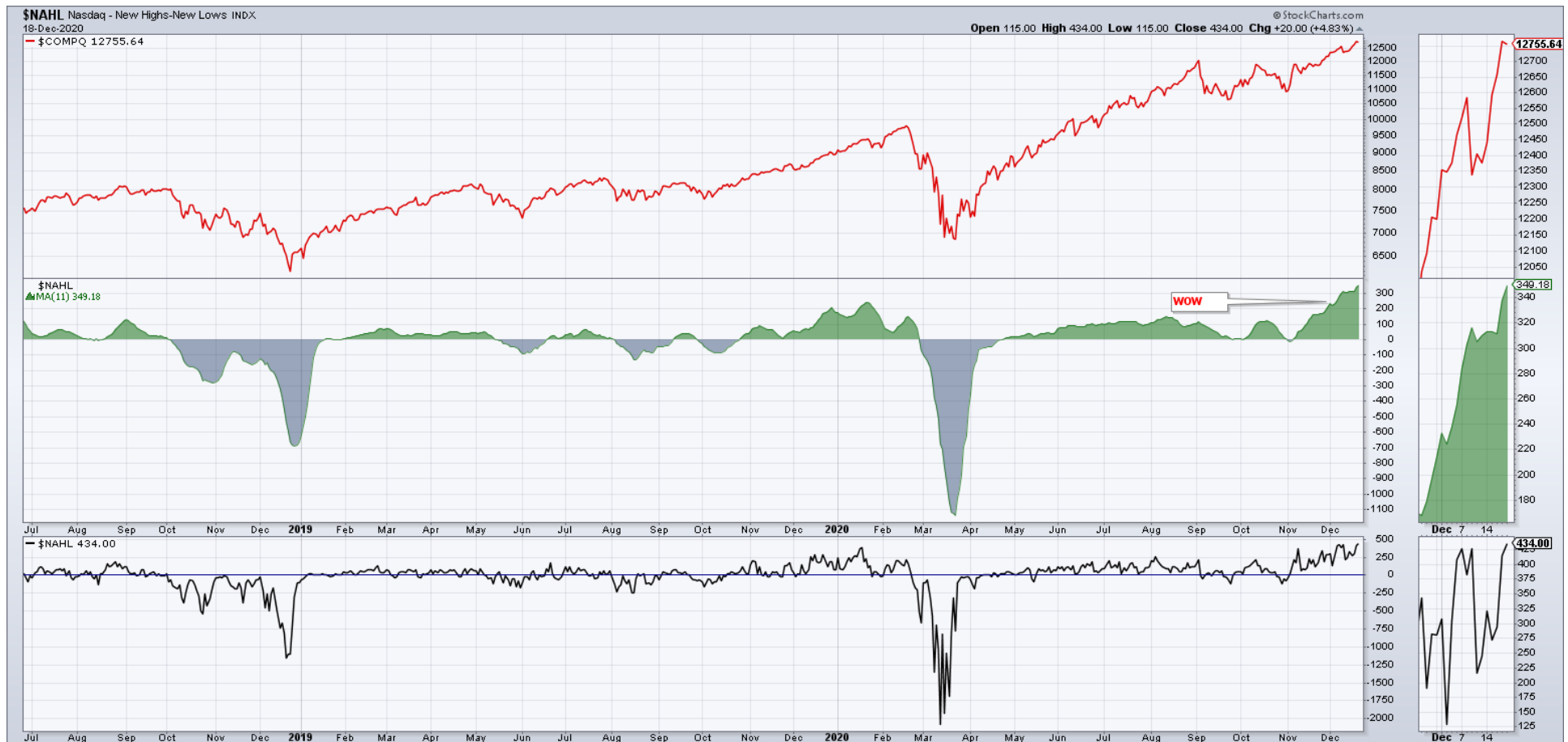
\$SUPADP - S&P 1500 ADVANCE/DECLINE

The advance / decline percentage for the S&P 1500 is still strong, hitting new highs this week. However, in the middle panel, the two-week moving average is making lower highs. In my mind, I do not see the pull back as something large, but the valuations on the tech names are seriously lofty! I will say the long-term charts do not show this is the final high for this COVID rally, except for the PPO on the Nasdaq 100 lagging. Will I be right on that call? [\\$SUPADP](#). The market momentum seems so high, but hospital crowding can manifest a change in opinion pretty fast. I am hearing a lot more reports of friends of friends suffering with COVID.



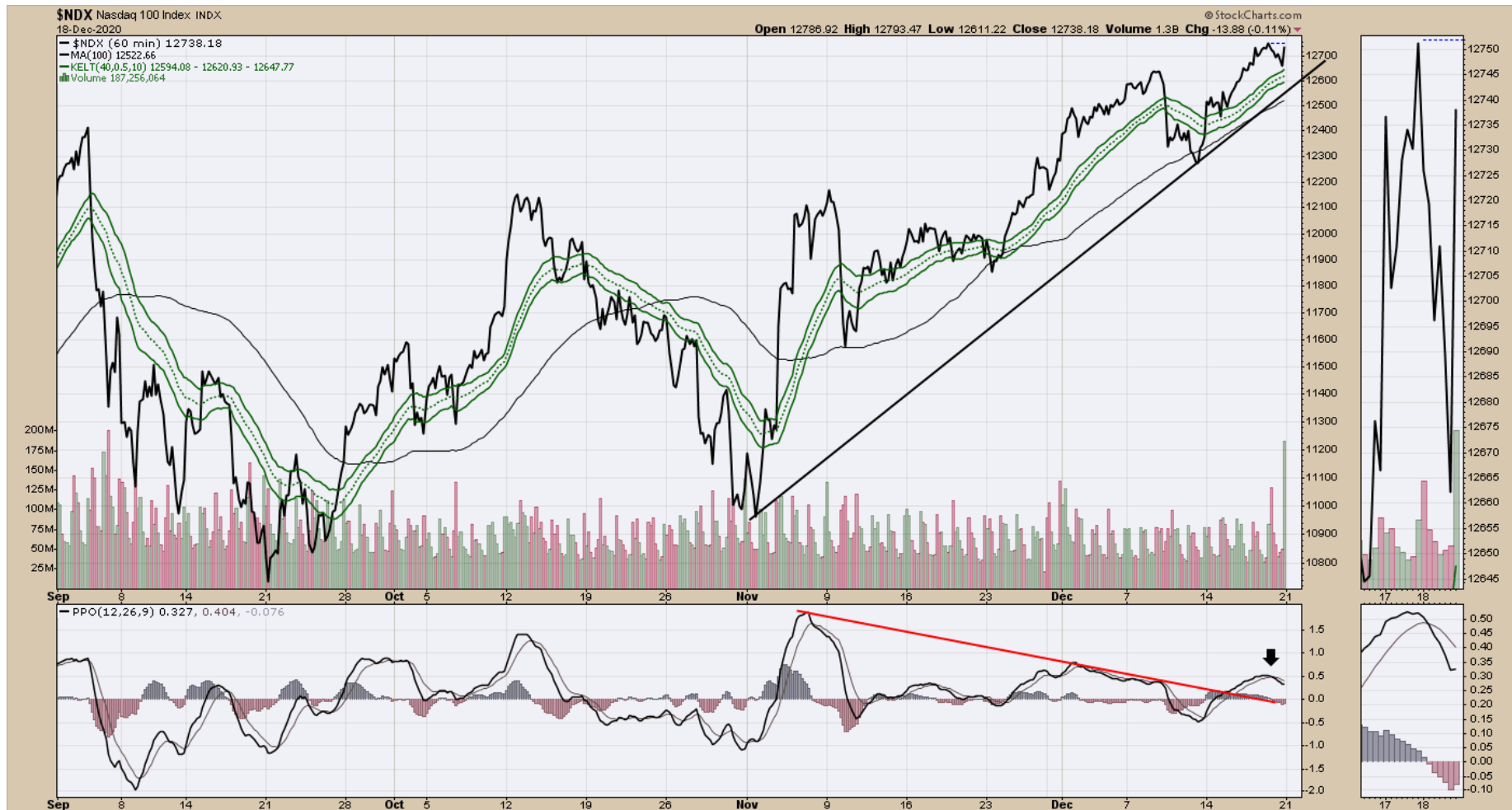
\$NAHL - NASDAQ HIGH LOW

The Nasdaq composite has just had a super surge in the two-week moving average of new highs. This is usually seen in concert with new bull markets, not final bull market highs. We have broken above the 200 level in the lower panel, suggesting a new bull market. The last bull started in late 2019 as Phase 1 of the China tariff talks were agreed to, only to be interrupted by COVID. [\\$NAHL](#)



\$NDX - NASDAQ 100 - 60 MINUTE CHART

So far, the 60-minute trend on the Nasdaq continues to drill into the top-right hand corner. The PPO momentum was rolling over on Friday. With the help from the banks can the PPO take out the December 9th high and start an uptrend in momentum? [\\$NDX](#)



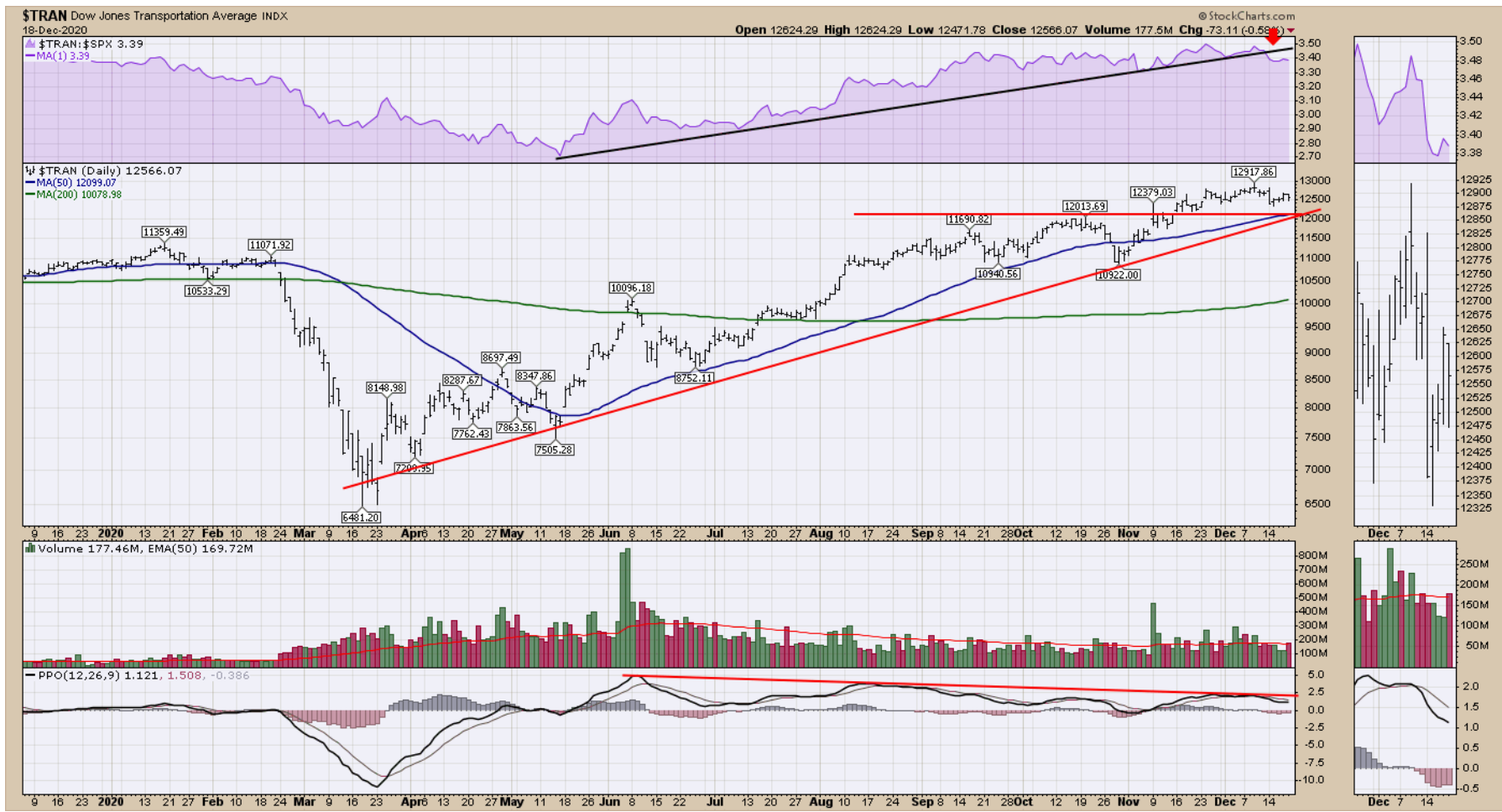
\$XVG - THE MEDIAN STOCK

The median stock index, which is usually more like an individual portfolio is shown below. Each stock has the same weight. I would like to point to the PPO on this 30-year chart. The lofty peaks on the PPO do not represent final highs, especially when the momentum is still rising as it approaches the 5 % level. [\\$XVG](#). Coming down the other side is what we'll watch for. The long-period full stochastic has just moved above 98, which usually implies significant strength on the first thrust up. Hardly an area to short. Notice this full stochastic starting weakening in early 2018, coinciding with the tariff talks.



\$TRAN - TRANSPORTS

The transportation index is starting to slip in relative strength on the purple chart. I showed this on the weekly last week. So far, the purple relative performance is 'in-line' for the last four months if we just look sideways, but the uptrend is breaking. 12000 is support. When transportation slows, that can be a big clue to wider issues. [\\$TRAN](#)



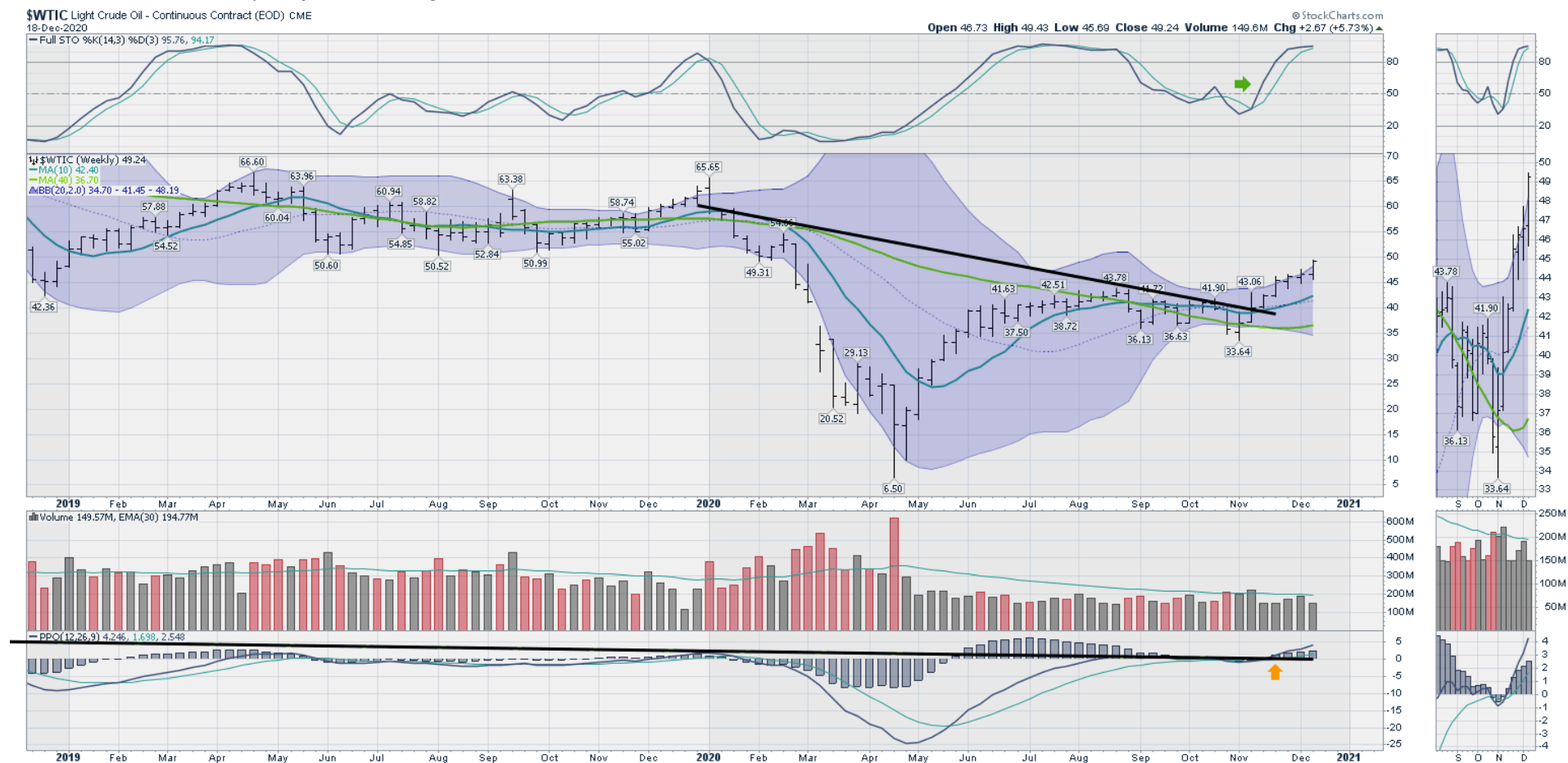
\$USD - US DOLLAR

The US Dollar plummeted this week almost a full penny. That red cycle wave at the bottom suggests an April bottom. [\\$USD](#)



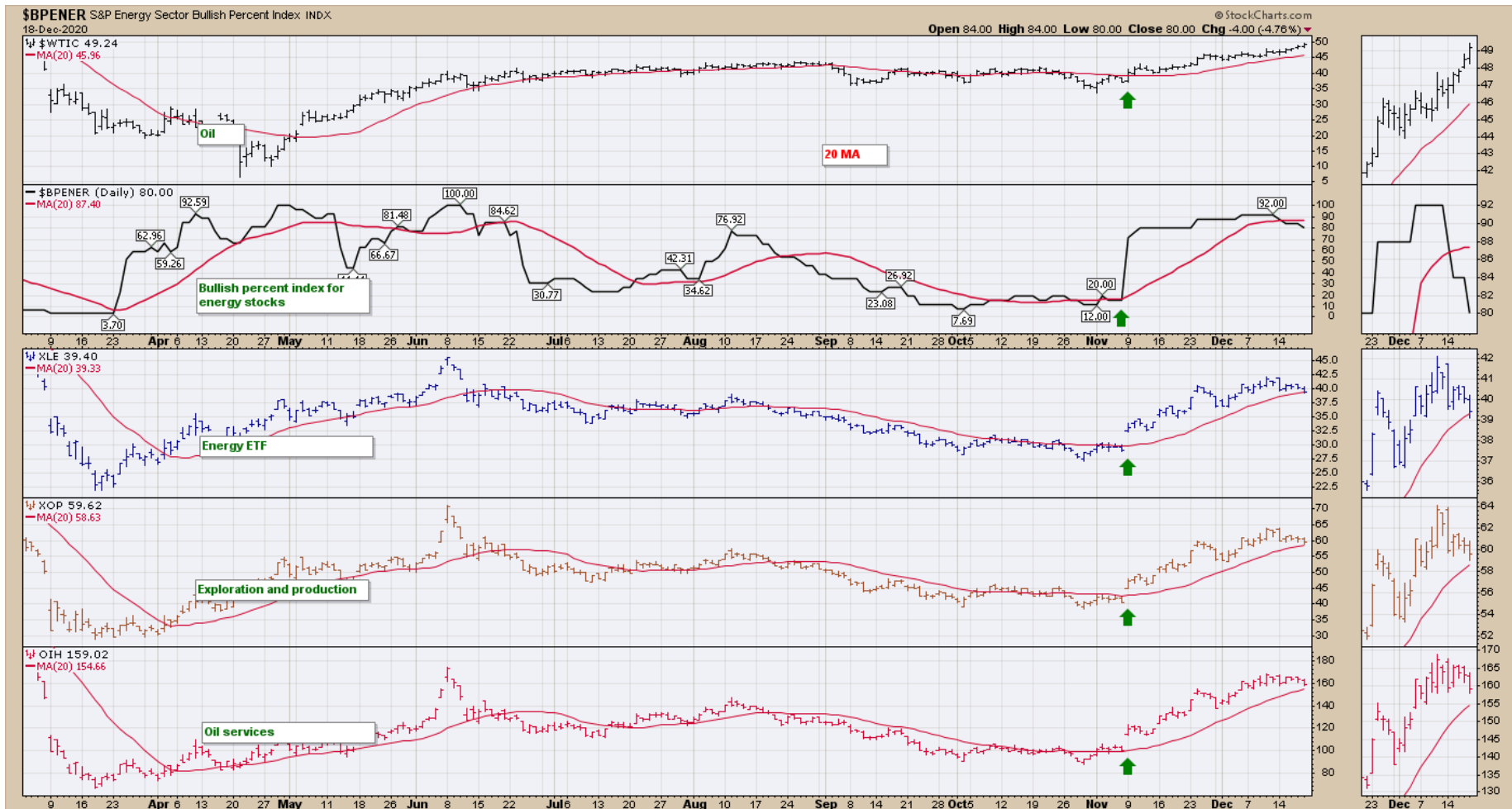
\$WTIC - WEST TEXAS CRUDE

Only the energy sector was down this week, while crude oil was soaring up 5%. The pressure from the COVID counts is assumed to be affecting short term demand. Keep an eye on inventory data. Crude oil highs in 2019 were \$66.60, with a 2020 (yes, this year!) at \$65.65. **\$WTIC**. I fully expect us to get back there in 2021.



\$BPENER - BULLISH PERCENT INDEX - ENERGY

The Energy Bullish Percent Index has dropped below the 20 period MA. It wouldn't take much more weakness for the lower three ETF's to do the same. That would be a sell signal for energy stocks for those thinking short term. [\\$BPENER](#).



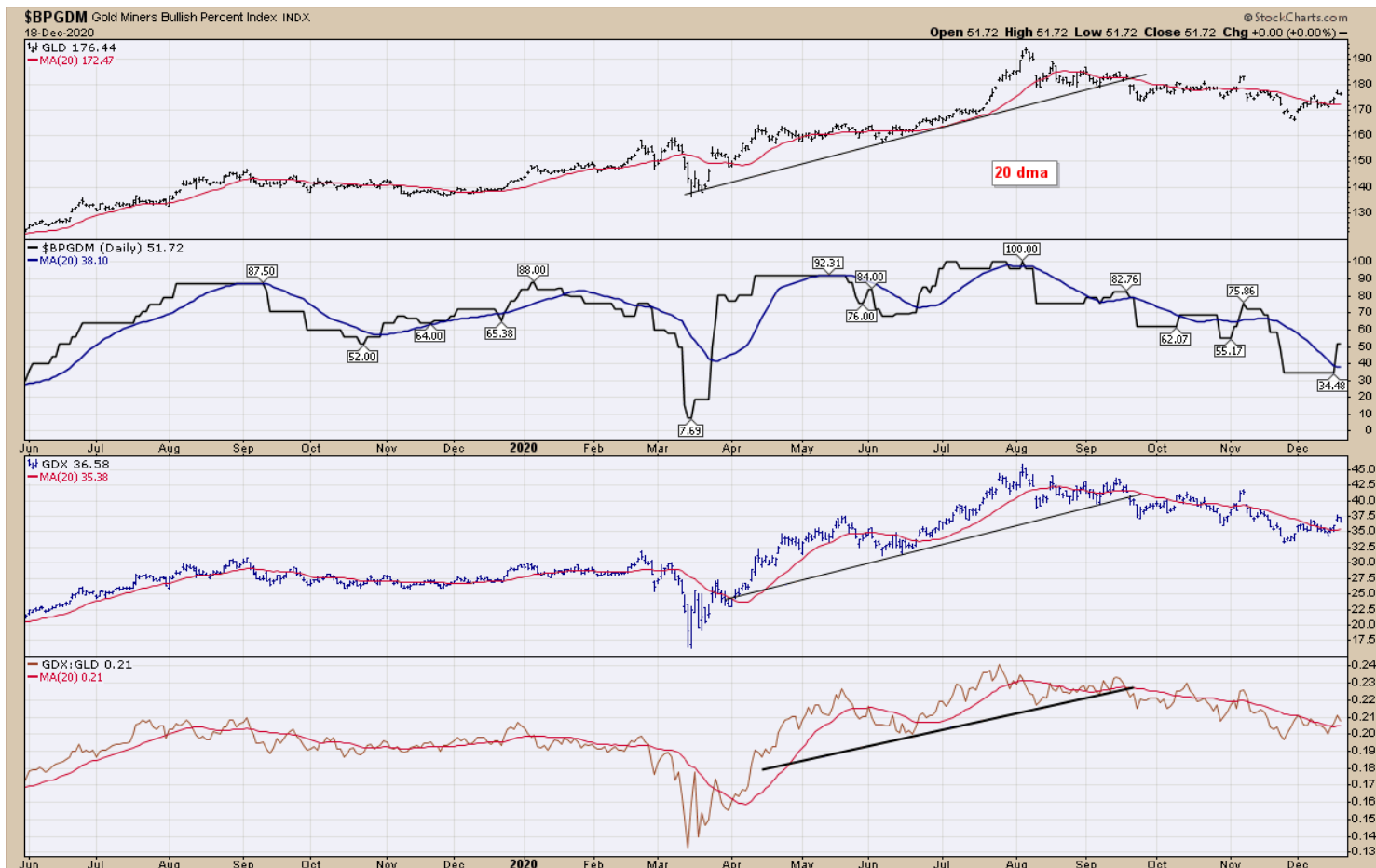
\$NATGAS - NATURAL GAS

Natural Gas bounced off a horizontal support line at \$2.50 that has been on the chart for a while. The current series of higher highs and higher lows off the bottom suggests this could be the next leg higher starting. In bull markets, the full-sto bounces around 50.

\$NATGAS

\$BPGDM - BULLISH PERCENT INDEX - GOLD MINERS

The gold-miners bullish-percent-index chart complete with the supporting ETF's all broke *above* the 20-day moving average which is a buy signal for me. The real problem was Friday showed a bunch of reversals. Is this a false breakout or just a brief pullback before the run? [\\$BPGDM](#) The next few charts cover off the various things I look at for Gold.



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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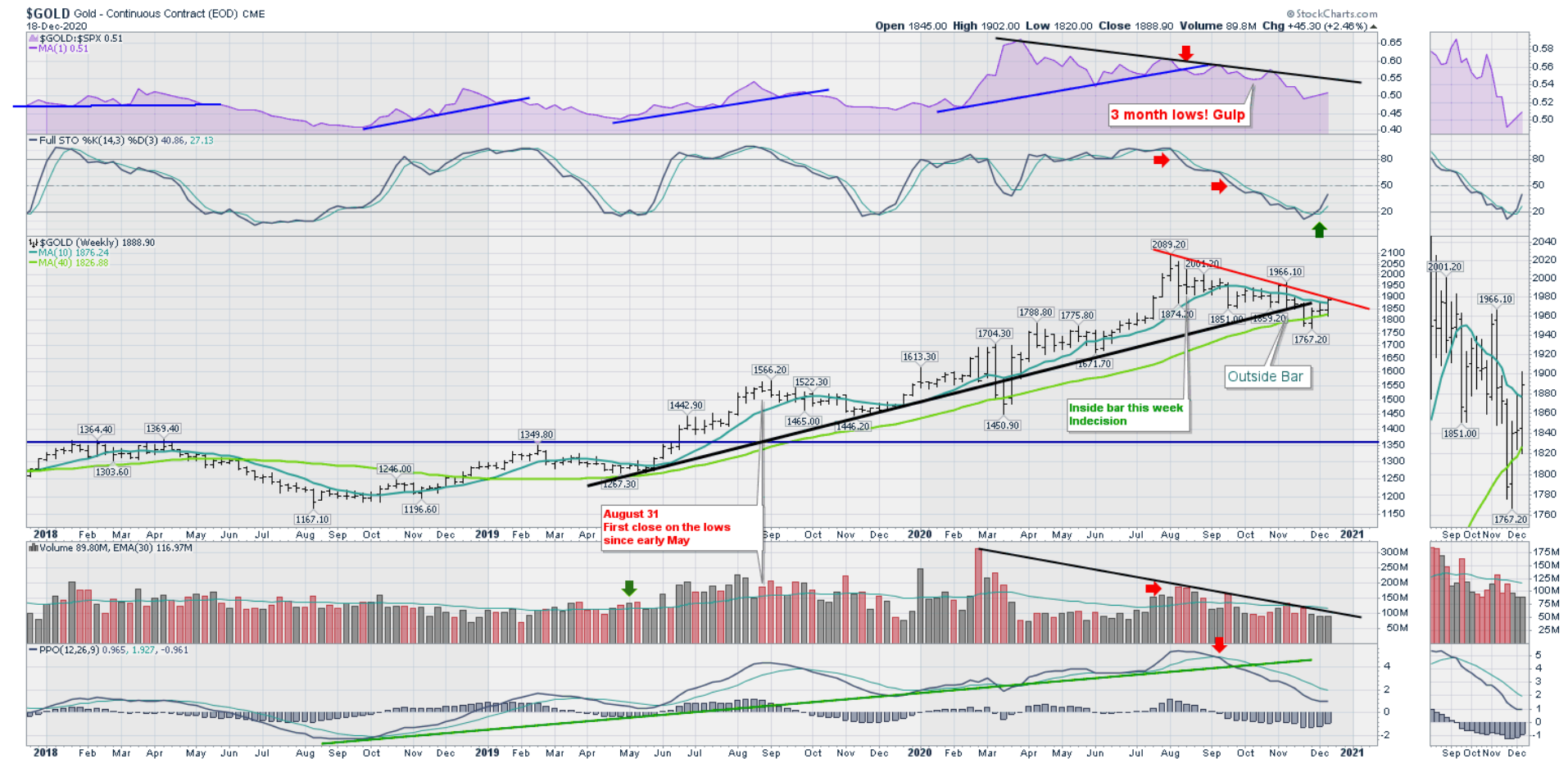
A Shot In The Arm - Three Vaccines

Monthly Conference Call
December 2, 2020



\$GOLD

Gold closed near the top of the weekly price bar and tested the downtrend line. I like the full stochastic turning up from a level near 20 after drifting lower for 5 months. The PPO is starting to turn up while above zero, another bullish clue. The price closed above the 20-week moving average that you can see in the zoom panel. [\\$GOLD](#)



\$GOLD - GOLD DAILY

The daily chart shows a huge run on the left side in the month of July. The price drifted lower over the next five months, retracing the whole surge. Price had one false break above the 50-day moving average. The PPO is just at zero, the same level it was at for the last false breakout. A pop higher here, suggests to me the gold trade is set up to run. [\\$GOLD Daily.](#)



\$GOLD - PVO

The big picture on Gold is encouraging. After breaking above the prior highs, gold has gently pulled back to the resistance level created from the late 2011 and 2012 highs. Bull markets have a PPO staying in positive territory. Only the financial crisis in 2008 had the PPO go negative from 2002 to 2011! The **GOLD PVO** deep lows are marked by the red lines from below 10%. The majority of vertical lines are in bull markets. The PVO is not quite down to 10% yet. I am still learning on my interpretation from the PVO.



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**.

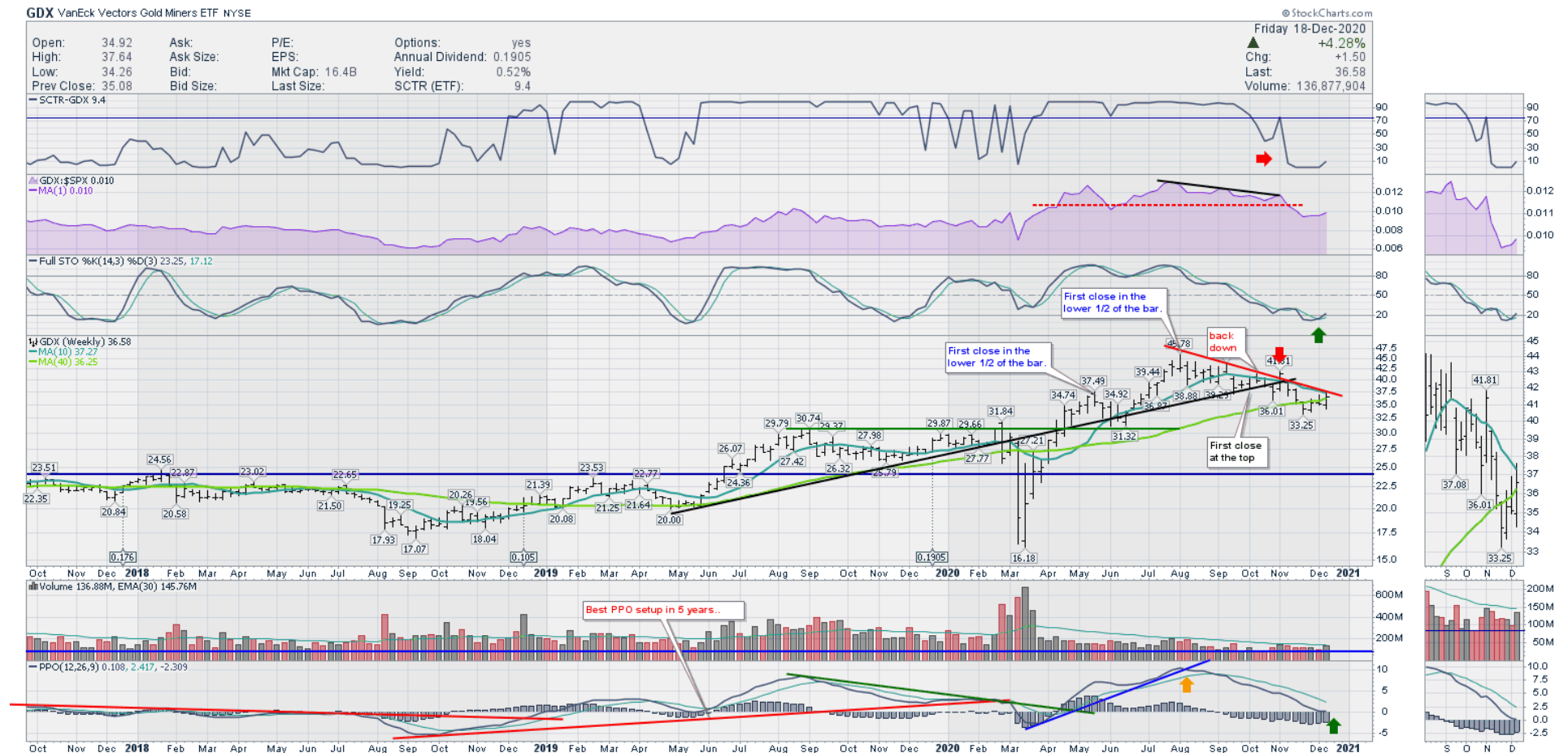


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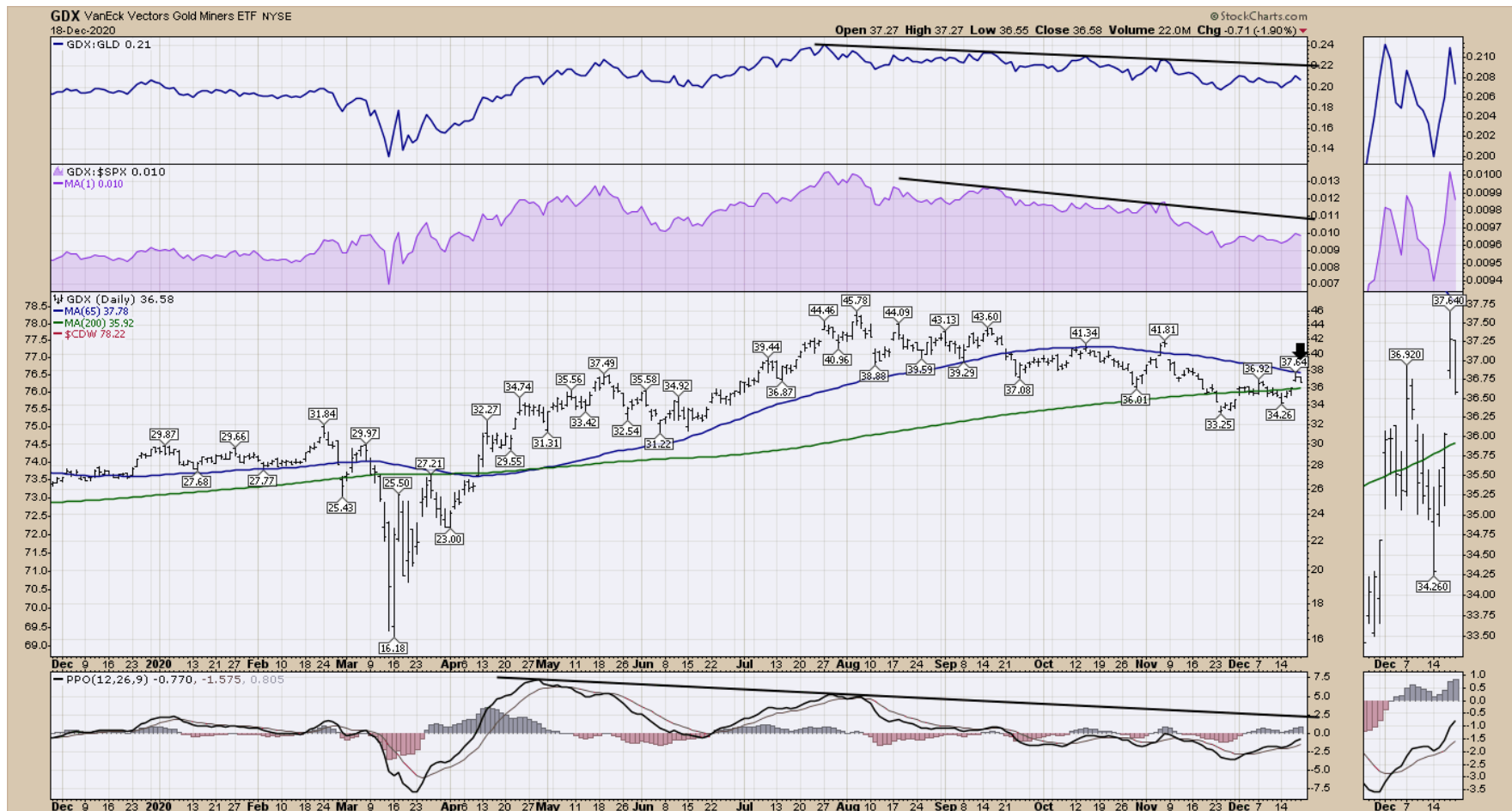
GDX - GOLD MINERS ETF

The charts above analyze gold. I am more interested in buying gold mining stocks. The [GDX](#) ETF is a high-volume trading vehicle for the gold miners. The price action has not moved above the 10-week moving average, but it did get above the 40-wma this week. With the PPO trying to turn up at the zero level, this would be a nice place to start the next rally.



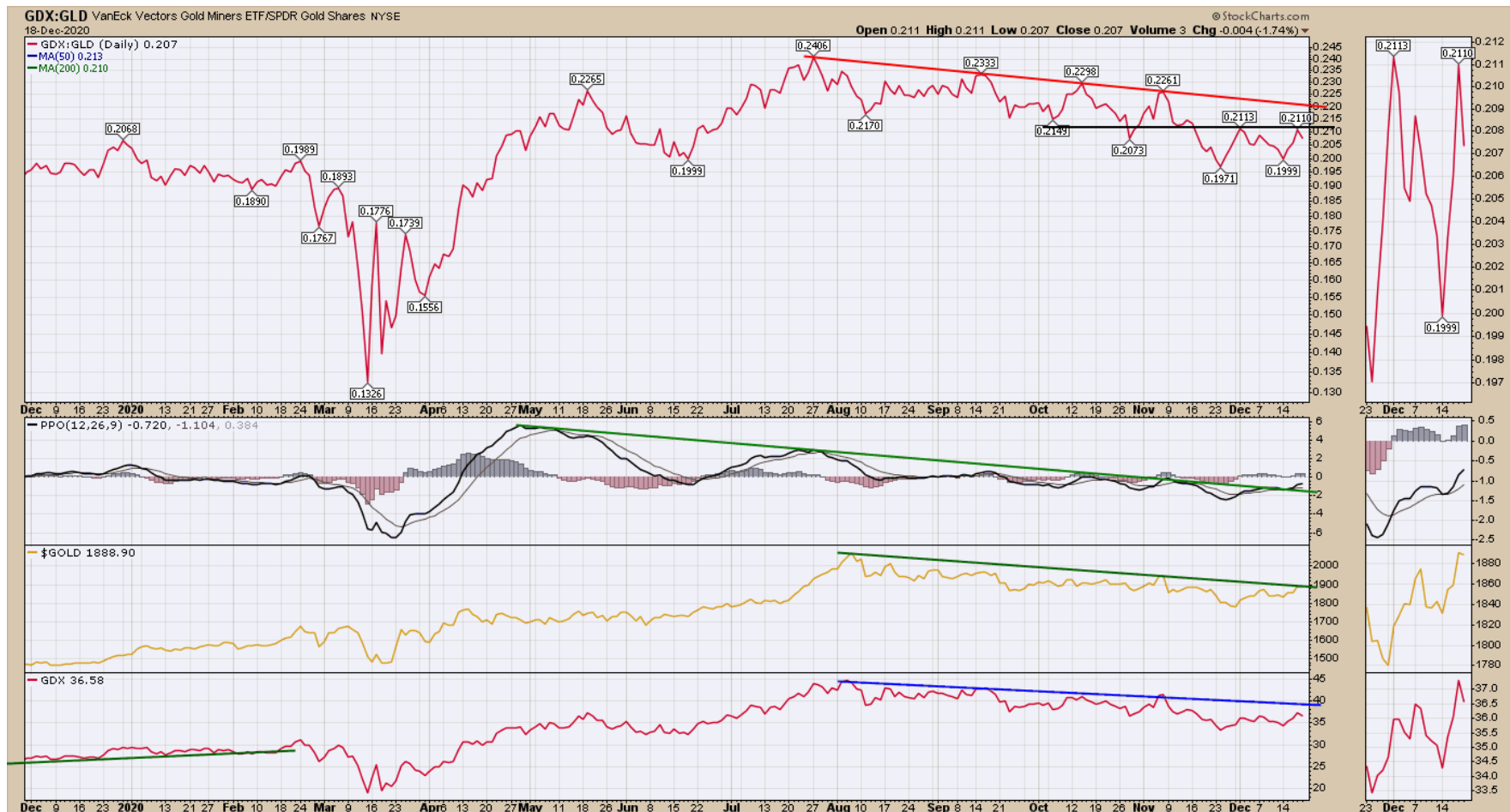
GDX DAILY

I have zoomed in on the GDX daily. Currently it is stranded under the 50-day moving average which is sloping down. To keep this bull market going, we need to turn up soon. Back in April, the moving averages got close together as price accelerated above to start the rally. I do not like the price action on Friday, so the breakout is suspect. But be ready if it does break out topside this week.



GDX:GLD = GOLD MINERS - GOLD RATIO

When this ratio trends higher, it is a much better place to own the miners. [GDX:GLD](#) I do like the fact that the downward momentum trend shown on the PPO is breaking. The red ratio at the top has made a higher low, so I am watching for a higher high. A break of this downtrend would be a great clue for big gains coming in the miners.



\$SILVER

The **\$SILVER** chart broke out of the pennant pattern to the upside this week. That's beautiful! This 3-year weekly chart is quite impressive. If you envision the big base break out in July, a huge surge and then a consolidation above the breakout, this looks set to fly higher in the next major wave up.















SILVER MINERS

The Silver miners' ETF stalled at prior highs in late July. The silver miners' chart is bouncing off the big uptrend. I have ignored the COVID break on the drawing of the trend line, but it does represent the trend with multiple touchpoints. The PPO turning up just above zero is very bullish. [SIL](#)



MARKET SUMMARY

The US market still had growth industries leading the way, with the exception of the big down week in energy. Our good friend Tesla is in the Discretionary sector so with the massive price bump of 13% this week on an ever-soaring market cap, that helps! The financials should have a nice week coming up. The Canadian market on the right was not nearly as bullish but growth sectors like tech were solid. This is one of the first times Gold led since July.

SYMBOL	NAME	CLOSE	% CHG	+/-	SYMBOL	NAME	CLOSE	% CHG	+/-
XRT	Retail	63.35	3.41		\$SPTGD	Gold Miners	322.36	3.69	
XLK	Technology	128.25	3.18		\$SPTCD	Discretionary	230.87	3.27	
XLY	Discretionary	159.99	2.36		\$SPTTK	Technology	182.39	3.14	
SMH	Semiconductors	217.16	2.19		\$SPTMT	Materials	323.32	2.63	
XLB	Materials	72.21	1.85		\$SPTIN	Industrials	327.70	-0.05	
XLV	Healthcare	113.00	1.18		\$TSX	\$TSX	17534.63	-0.08	
XLP	Staples	67.93	0.91		\$SPTRE	Real Estate	302.11	-0.45	
IYR	Real Estate	84.08	0.76		\$SPTUT	Utilities	313.32	-0.93	
XLC	Communications	67.11	0.25		\$RTCM	Income Trusts	216.89	-1.13	
XLF	Financials	28.49	0.11		\$SPTHC	HealthCare	62.48	-1.22	
XLI	Industrials	88.84	0.08		\$SPTCS	Staples	645.27	-1.33	
XLU	Utilities	62.29	0.08		\$SPTFS	Financials	304.16	-1.52	
XLE	Energy	39.40	-4.18		\$SPTTS	Telecom	165.62	-2.26	
XOP	E & P	59.62	-4.58		\$SPTEN	Energy	92.37	-4.13	

GLOBAL VIEW

Here is the global view on the left. Germany was the lone European nation in the top ½ of the nations I follow. Nasdaq had a solid week and Brazil is close to new all-time highs. In commodities - on the right - it was very bullish except I was the only one eating chocolate based on the Cocoa move. Lithium, rare earths, copper, steel, and the precious metals were all strong.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$DAX	Germany	13630.51	3.94	
\$IDDOW	Indonesia	1347.14	3.20	
\$NDX	Nasdaq 100 ----	12738.18	2.93	
\$BVSP	Brazil	118023.67	2.52	
\$BSE	India	46960.69	1.87	
\$SSEC	Shanghai	3394.90	1.43	
\$SPX	S&P 500 ----	3709.41	1.25	
\$MXR	Mexico	43873.81	0.60	
\$AORD	Australia	6924.10	0.55	
\$INDU	Dow ----	30179.05	0.44	
\$NIKK	Japan	26763.39	0.42	
\$CAC	France	5527.84	0.37	
\$KOSPI	South Korea	2772.18	0.08	
\$HSI	Hong Kong	26498.60	-0.03	
\$TSX	Canada	17534.63	-0.08	
\$GBDOW	London	292.03	-0.12	
\$IBEX	Spain	8037.40	-0.32	
\$RTSI	Russia	1402.50	-0.73	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SILVER	Silver	26.03	8.06	
SIL	Silver Miners	45.24	7.87	
REMX	Rare Earth Metals	60.49	6.97	
\$GASO	Gasoline	1.39	6.37	
LIT	Lithium	57.27	5.98	
\$WTIC	WTI Crude	49.24	5.73	
\$HOIL	Heating Oil	1.51	5.30	
\$SOYB	Soybean	1220.00	5.13	
\$BRENT	Brent Crude	52.37	4.74	
GDH	Gold Miners	36.58	4.28	
\$NATGAS	Natural Gas	2.70	4.21	
\$COPPER	Copper	3.63	2.96	
\$GOLD	Gold	1888.90	2.46	
\$LUMBER	Lumber	734.20	1.69	
HMMJ.TO	Marijuana Stocks	8.41	1.20	
SLX	Steel	45.28	0.89	
\$SUGAR	Sugar	0.14	0.07	
\$COCOA	Cocoa	2506.00	-4.42	

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. [Two Are Approved](#)



Two Get Approved

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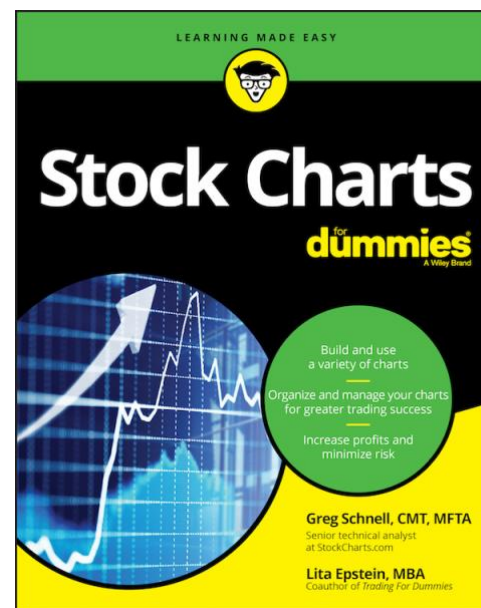
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Good trading,
Greg Schnell, CMT, MFTA.

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.