

# THE CANADIAN TECHNICIAN



**U.S. Edition**

**2020 Is Behind Us**

Weekly Market Review  
January 2, 2021



WITH  
**GREG SCHNELL**

## MARKET COMMENTARY

The markets pushed up early Monday, traded sideways until Thursday afternoon. With 2 hours to go, someone put in a 2-hour buy order, pushing the markets to close in the top right corner of the charts for the day, the week and the year. The US markets closed the year at the highest levels after incurring a 35% drop in the first quarter of 2020. It has been a remarkable year as names like Peleton and Zoom soared, while main street America struggled to get past the 2019 highs.



The week ahead brings more political swagger with the Georgian elections deciding how smoothly the incoming administration policies get passed. Next week, the protests planned for Washington by the outgoing president come to the fore. I am not sure if this is one of the reasons for the rise in the Put/Call ratio. We'll see how it gets absorbed by the investing world. Outside America, I think it is all about global indexes, which had a strong week to close out the year. That's bullish!

Bitcoin continues to delight after breaking out to fresh highs two months ago. Bitcoin had a 25% week -again-, but it's not hard to think that multiple 25% weeks in December leads to some sort of pause sooner than later. I am focused on the US Dollar here, expecting a start-the-year reversal, moving the dollar higher against world currencies. The setup is there, watch to see if it plays out. A surge in the dollar would probably roll over the commodities so be aware of that. The industrial metals like copper were down a smidge, but the rare earths and lithium had another strong week.

The Schnell Strength Indexes continue to weaken, with the two fastest indicators (Chart 2 below) both below 50 and the SSIH down 20% from the highs of this rally. I expect further weakness. The picture of the frozen lake at the cabin this morning is a bit like what we have seen for December with relatively quiet flat markets, and a few stocks gliding quickly across clean tech and commodities.

Summary: I am now cautious as my strength indicators suggest. I've raised cash to 70%, but still hold some investments. My larger time frames suggest this pullback is a blip, but other big caution signs loom like the lower PPO right now on the Nasdaq.

Let's hit the charts.

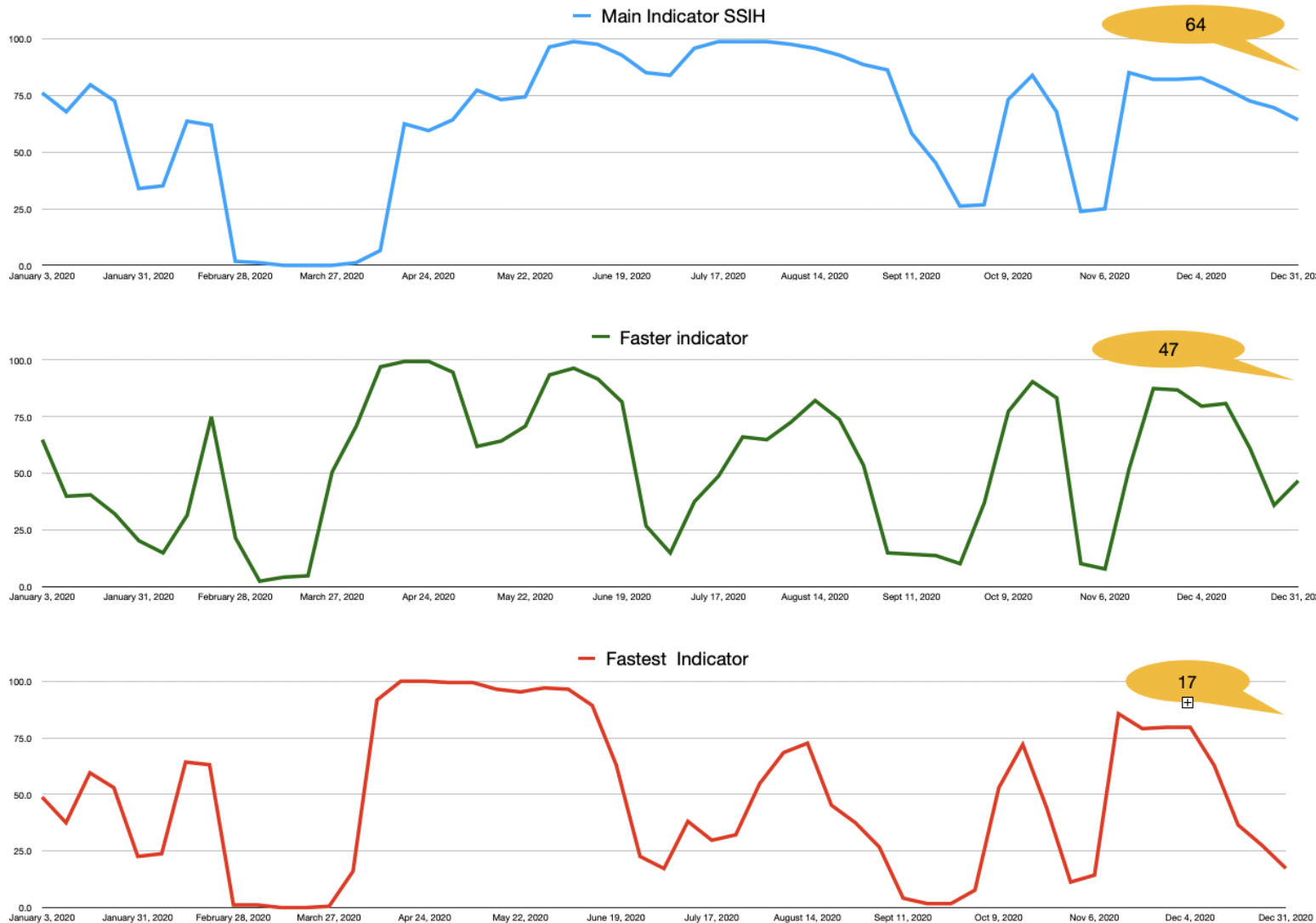
@SSIH - WEAK - ADD CAUTION

The Schnell Strength Index dropped to 64.3%. 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 65%, the headwinds are starting to show. On Wednesday's close it was below 60% so the market run up on Thursday afternoon helped a lot. I think it also suggests that more industry groups are slowing and of those, some are close to rolling over as a 2-hour rally changed the momentum, from down to up. We can call those flat!

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.



SSIH, MY FASTER AND FASTEST INDICATORS



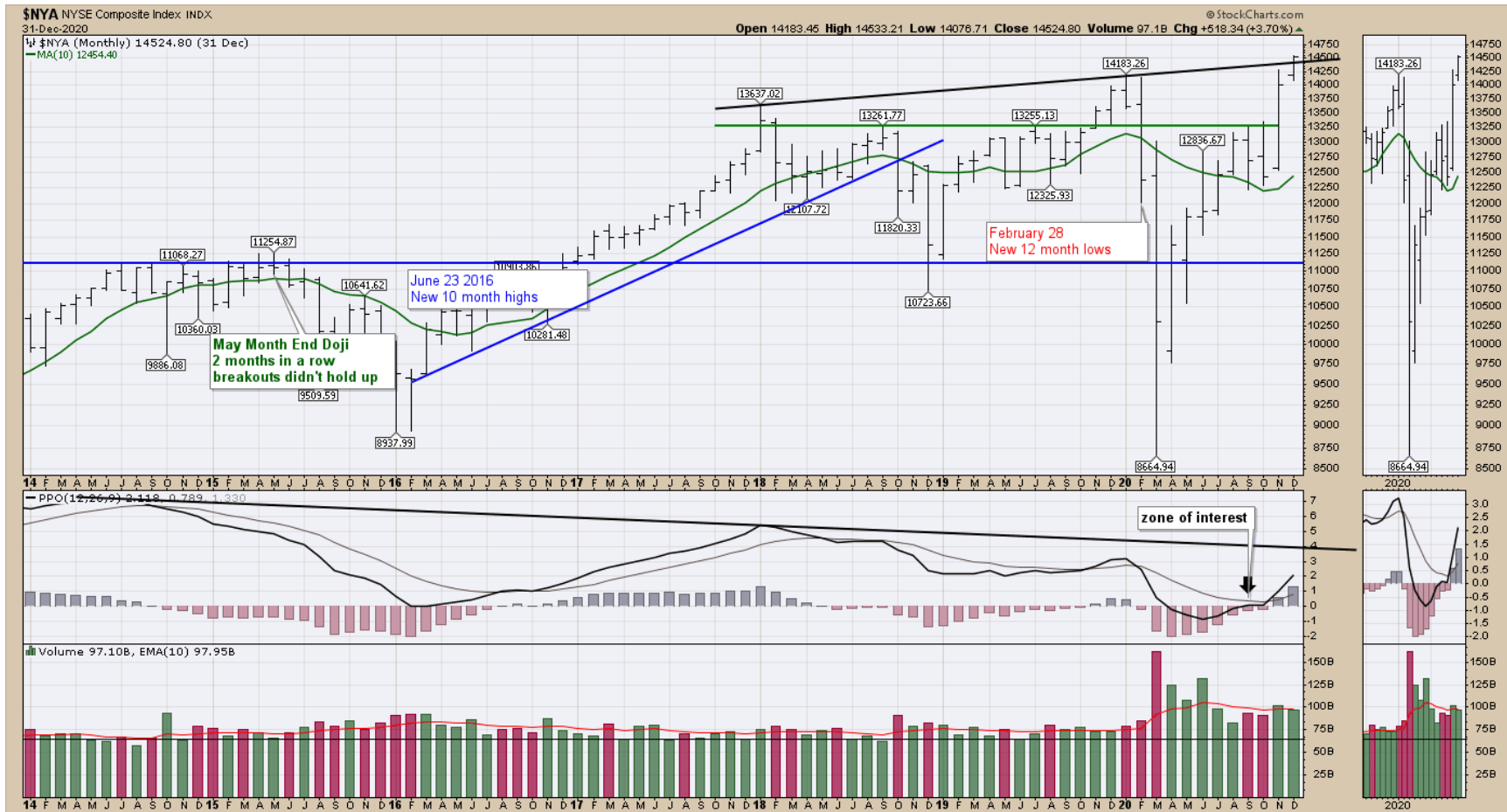
The chart shows the SSIH in the top panel. All three panels are showing weakness.

All three indexes are below 75, and the fastest two are below 50. That means the early signs of a slowdown in momentum are showing up.

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

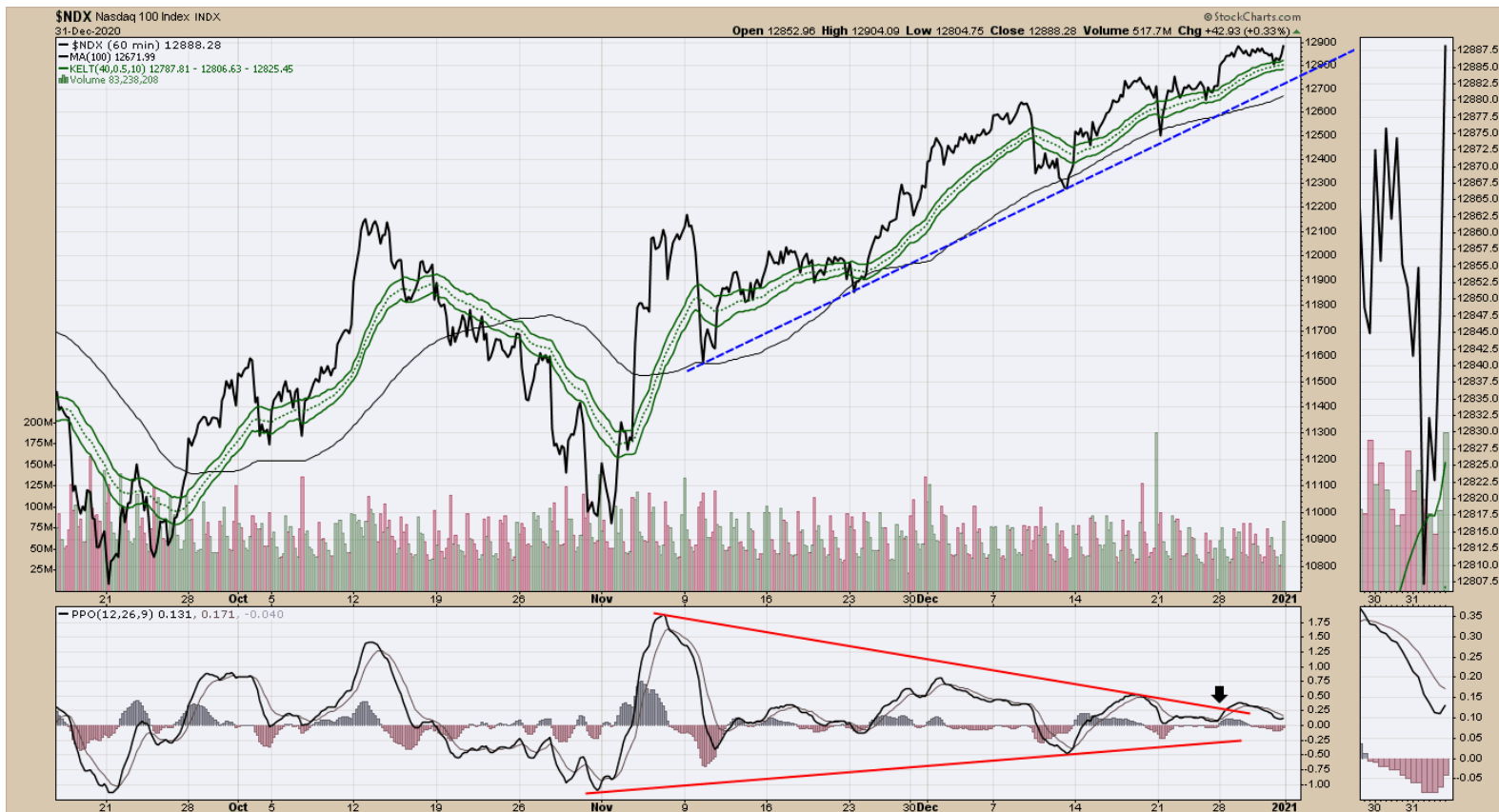
\$NYA - NEW YORK COMPOSITE

The New York Composite Index monthly chart closed out the year slightly higher than the uptrend line off the 2018 highs. With that being said, it can resume a more aggressive slope similar to 2016 to 2018. [\\$NYA](#). The range of movement this year travelled the range of the past 6 years. That is quite an accomplishment.



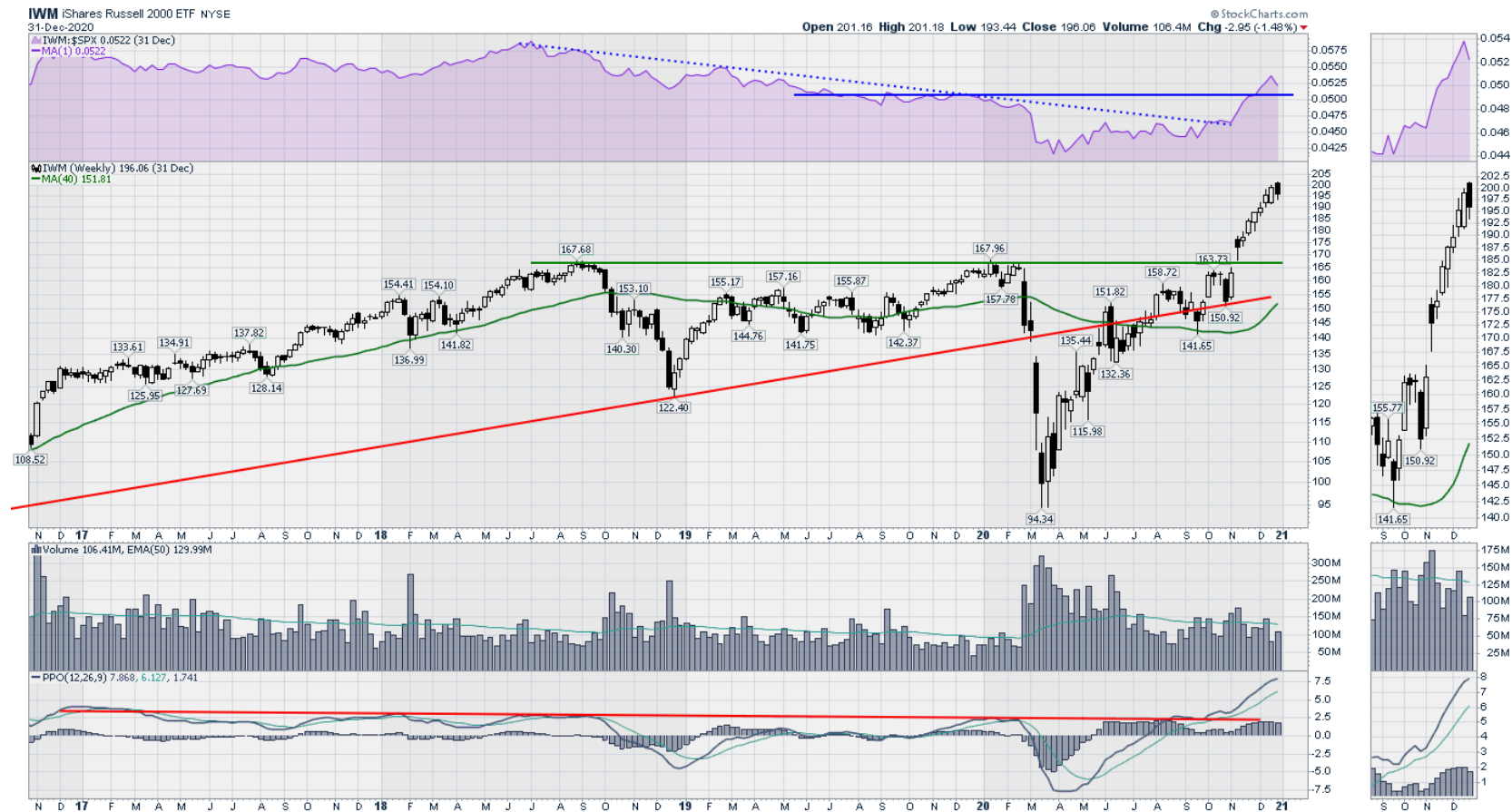
\$NDX - 60 MINUTE CHART

The Nasdaq 100 closed at the top of the range for the week. The last week of the year, proved out to be bullish again, as part of the Santa Claus rally, which typically lasts until January 5<sup>th</sup> according to the stock market almanac. [\\$NDX](#) A break below the blue trend line would probably start the correction I am expecting. Maybe everything starts to improve right away, but currently, fewer industries are participating as the rally continues. Nasdaq up about 600 points in December so better than flat like ice, Greg!



IWM - SMALL CAPS ETF

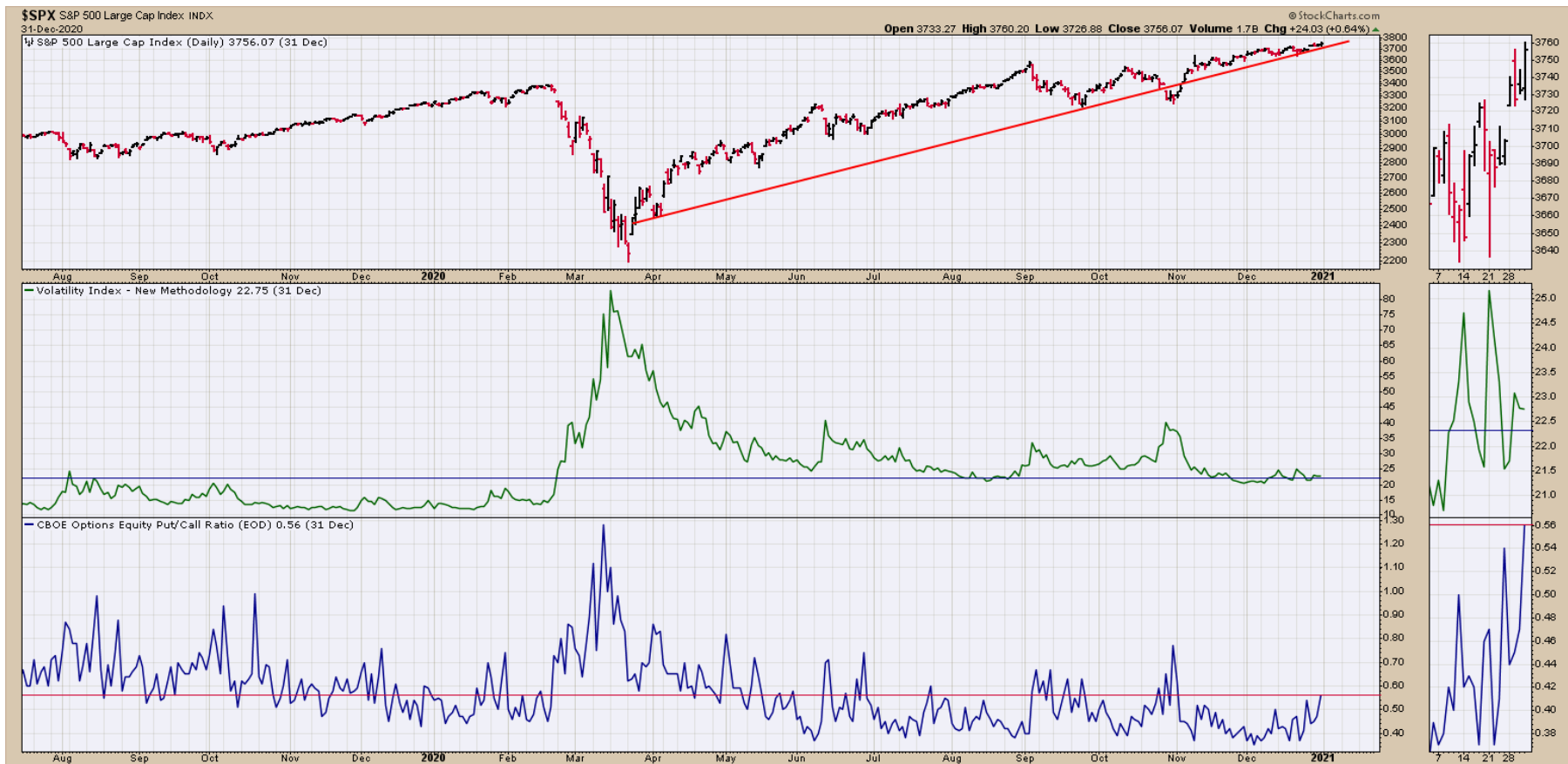
The IWM (small caps ETF) had a softer week than the large caps. The SPY and QQQ pushed to close higher near the top of the range. The IWM closed lower than the open of the week, creating a black candle. This was the first soft week for the small caps since early November. It has been a heady run, but similar in pace(slope) to the early 2019 run. The black candle back then gave notice to a 5-week lull and a 7% correction.





\$VIX AND PUT/CALL

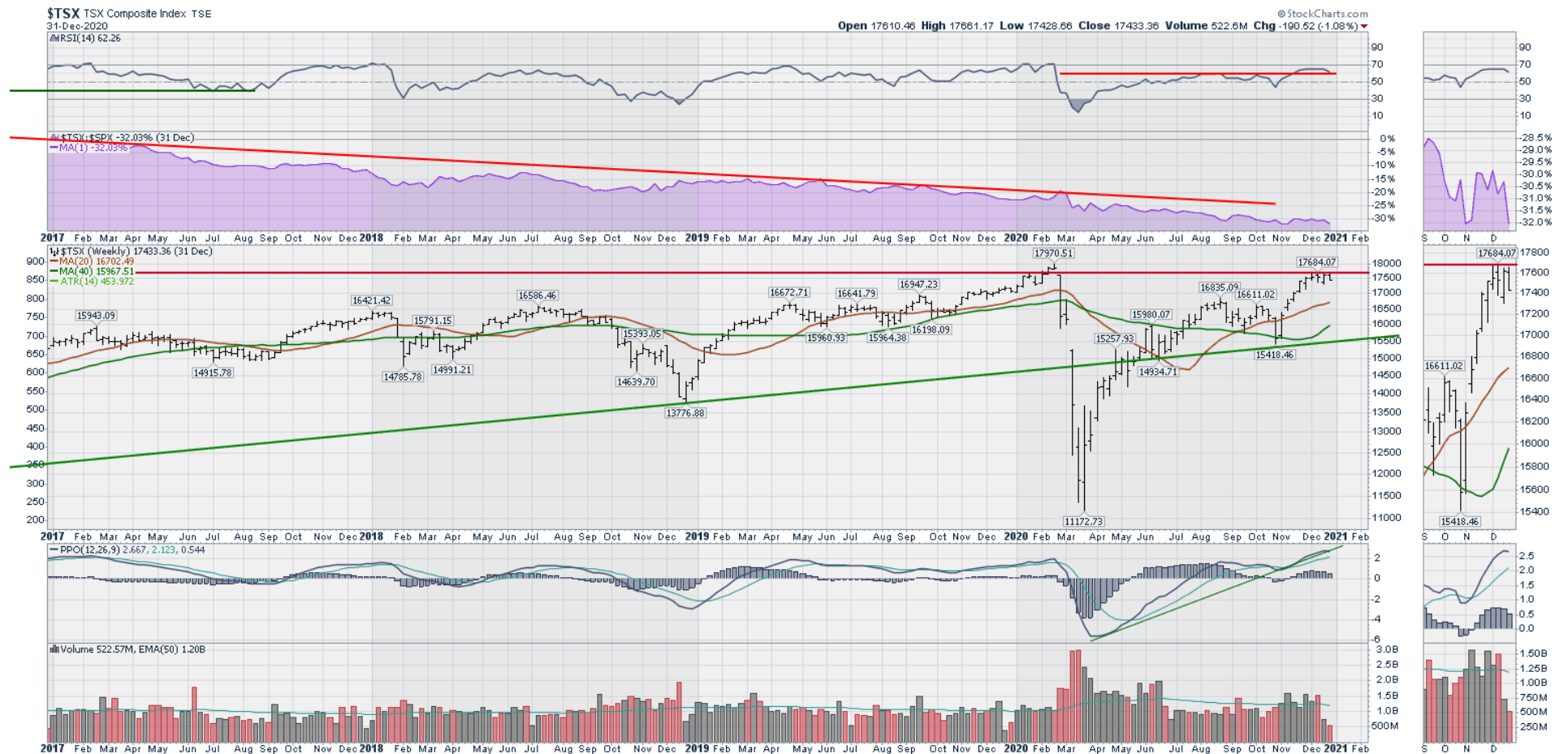
Last week I mentioned the Put/call ratio rising. The Put/call surge has not been matched on the \$VIX even though the ratio accelerated again this week. [Put/call](#). It is important to remember that a \$VIX hovering around 20 is still noticeably higher than it was before the COVID shutdowns started, suggesting fear is still there. This week the put/call rose to 0.56 which since June, has been a level where markets crack lower. The interesting part about this rise is that it has not coincided with a price drop at all yet.





\$TSX - 4 WEEKS AT RESISTANCE

The Toronto stock market is stalled for the last 4 weeks, unlike the US market. The PPO trend line is breaking this week. I discuss the shape of the PPO trend line in detail on the video. Weaker markets than the US typically roll over before the US market, so this is a clue, that momentum is waning. [\\$TSX](#)



**\$SSEC - SHANGHAI COMPOSITE**

The Shanghai market has been chopping sideways for 7 weeks. This week, a nice push occurred, marking the highest weekly close since the trade tariffs of 2018 started. We are still in the range of the 2<sup>nd</sup> half of 2020, but a breakout here would be an extremely bullish message for 2021 and the commodities trade generally. **\$SSEC** The battle for commodities takes place between a \$USD rally (negative) and a surging Shanghai(positive). This makes the trade direction for the 2021 commodities investor take notice with some battlegrounds marked out. Does the Shanghai stall if the USD rallies?



\$BTCUSD

Bitcoin is the run that never ends! It was moving up 1000 points a day, almost doubling in under a month! While the chart continues to surge, those are three massive bars this month. I have no courage to buy after a double in 4 weeks, so I'll leave that purchase for others. [\\$BTCUSD](#)



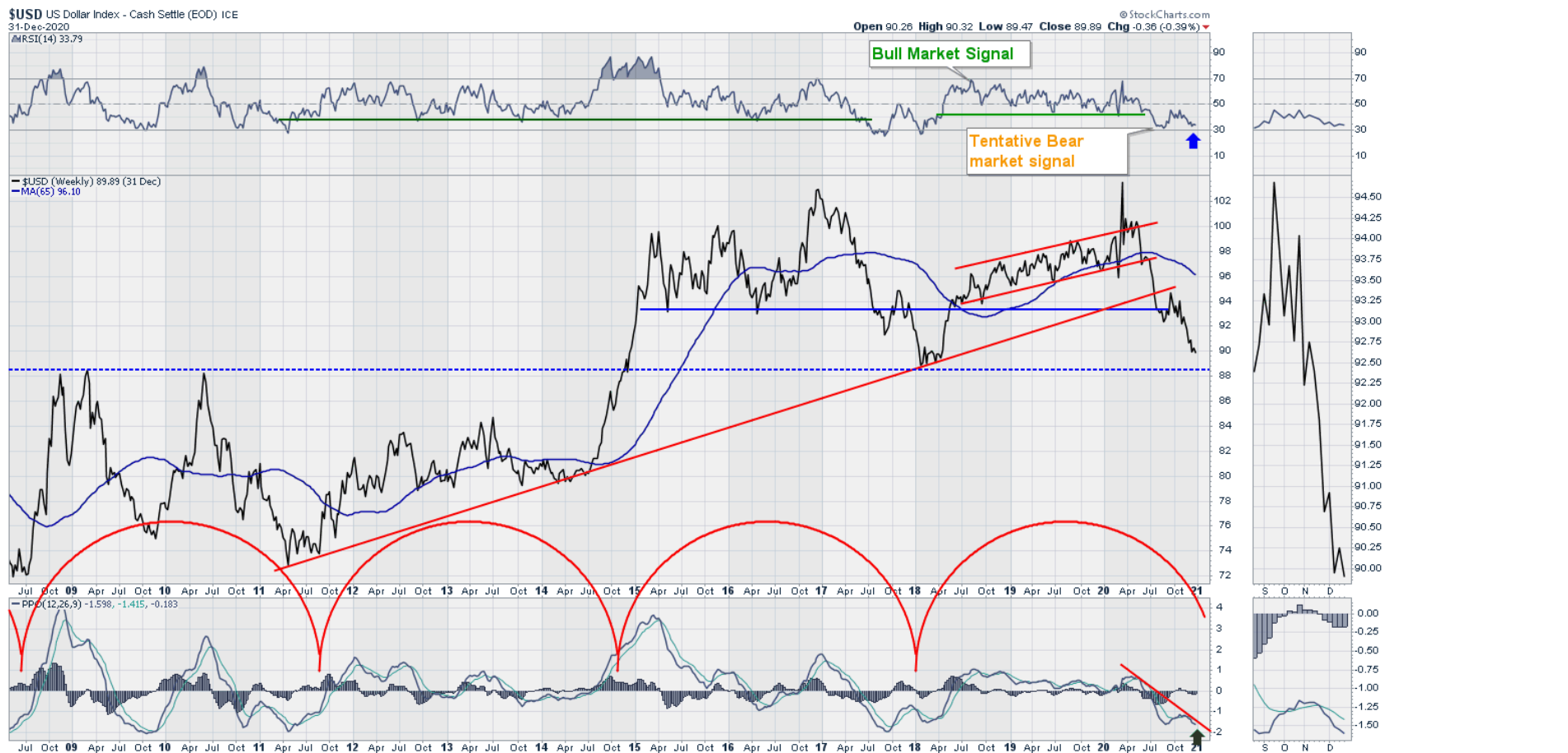
\$USD - US DOLLAR DAILY

On the Shanghai chart, I mentioned the battle with the \$USD. Here is the explanation for that comment. Commodities rally when the US dollar drops, and we have seen that play out. Commodities are heavily used in China, so a surging China is bullish for commodities demand. The PPO momentum trend since the start of November is breaking even though price has not broken above the trend line yet. This PPO low is also higher than the August low, suggesting the selling momentum is running out of steam. [\\$USD](#)



\$USD WEEKLY

One of the final things I reviewed at the end of the weekly video was the currencies. Going back quite a few years, the dollar has a lot of significant direction changes occurring near the start of the year. [\\$USD Weekly](#) While it is not down to the horizontal support level of 88, we are close enough to be watching for a multi-month bounce at least. The second low on the PPO also suggests that this should not be ignored. Industrial metals have slowed recently at resistance, so my spider senses are tingling.



MONTHLY CONFERENCE CALL LINK

Dwight and I will host the [monthly conference call](#) on January 3, 2021 at 7:30 PM ET, 4:30 PM PT. Click on the link for an hour of ideas. Pass code 633707.

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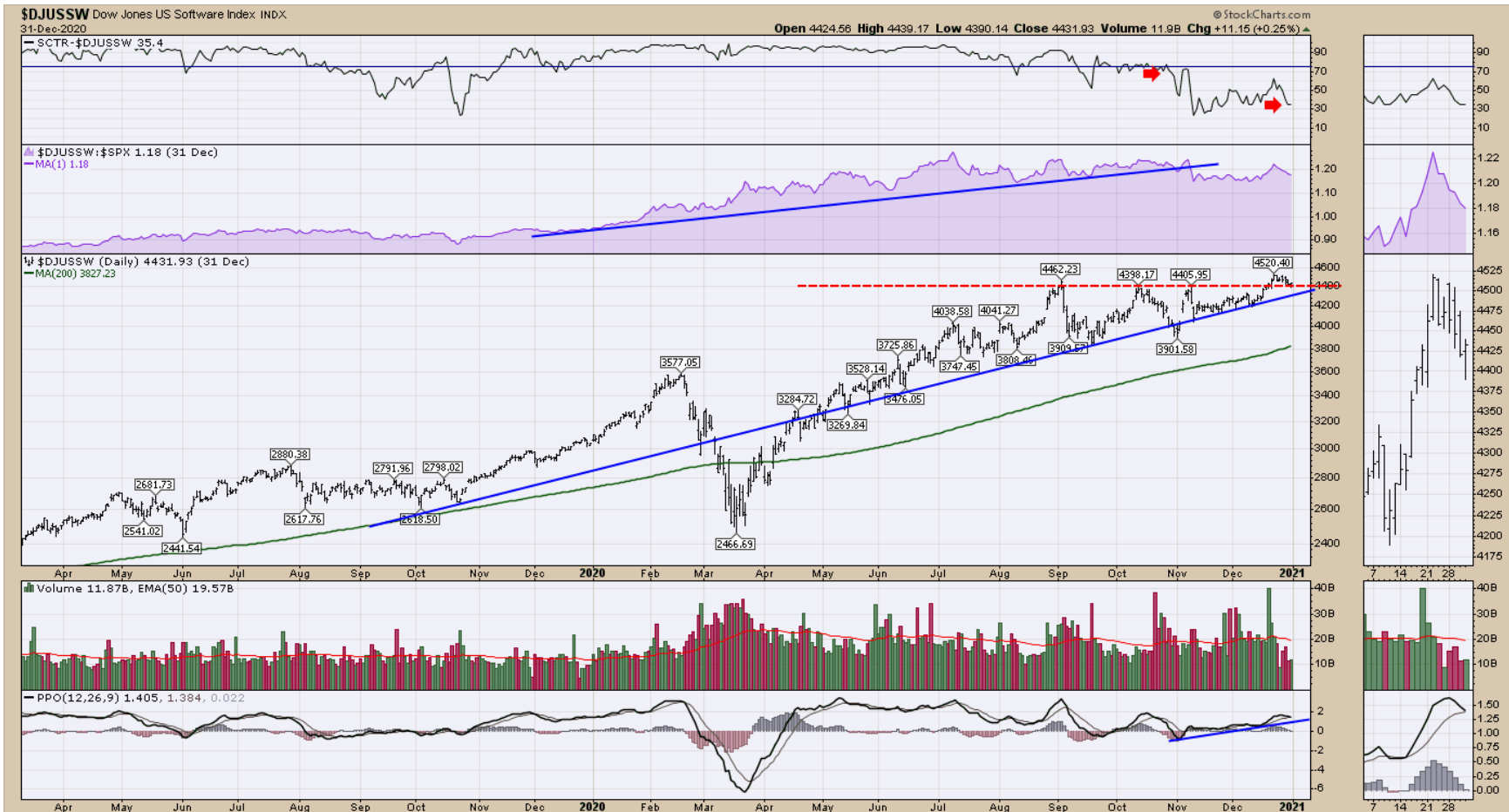
## The Year Of The Vaccine Rollout

Monthly Conference Call  
January 3, 2021



\$DJUSSW - SOFTWARE

The software industry chart is at a major junction. Is this a false breakout? As software has been one of the prominent industries fueling the rise in the indexes, it could be a clue of more weakness showing up if this breaks down. The SCTR has the software price action slowing to being one of the weaker industry groups since the November rally started. [\\$DJUSSW](#). One to watch!





## MARKET SUMMARY

The US market had Utilities lead for the first time in a while! It was still a positive week for growth sectors, but on the video, I pointed out some of the sector changes. While energy was weak, it was not slamming lower like it has been doing back in October. The Canadian market on the right was a lot weaker, perhaps on the back of some of the economic plans from the government. The broad weakness in Canada may be a clue for upcoming weakness in the US as smaller markets weaken before the US titans do.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XLU	Utilities	21.4	62.70	2.43	
XLC	Communications	54.9	67.48	1.84	
XLY	Discretionary	60.6	160.78	1.84	
XLF	Financials	75.9	29.48	1.83	
XLV	Healthcare	33.1	113.44	1.77	
SMH	Semiconductors	93.8	218.42	1.65	
IYR	Real Estate	21.8	85.65	1.61	
XLB	Materials	69.7	72.39	1.13	
XLP	Staples	34.1	67.45	1.09	
XLK	Technology	70.1	130.02	0.74	
XLI	Industrials	67.4	88.55	0.62	
XLE	Energy	12.3	37.90	-0.58	
XRT	Retail	97.0	64.32	-0.68	
XOP	E & P	36.0	58.50	-0.85	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTUT	Utilities	319.50	0.11	
\$SPTFS	Financials	306.27	0.01	
\$SPTIN	Industrials	328.83	-0.24	
\$SPTEN	Energy	91.01	-0.50	
\$SPTCD	Discretionary	233.15	-0.72	
\$SPTMT	Materials	320.62	-0.72	
\$RTRCM	Income Trusts	215.77	-0.76	
\$SPTTS	Telecom	163.74	-0.85	
\$SPTRE	Real Estate	298.45	-0.90	
\$TSX	\$TSX	17433.36	-1.08	
\$SPTCS	Staples	632.76	-1.44	
\$SPTGD	Gold Miners	315.29	-1.66	
\$SPTHC	HealthCare	60.15	-2.00	
\$SPTTK	Technology	182.36	-2.95	

## GLOBAL VIEW

Here is the global view on the left. The majority of the world rallied meaningfully this week to wrap up a bizarre year. The US markets were middle of the pack. Commodity indexes were the weakest ones, as another clue of a potential rally in the US Dollar puzzle. Commodities on the right saw Ag related go higher. Lumber stalled and dropped at resistance. Oil continues to hold up well.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$KOSPI	South Korea	2873.47	4.12	
\$NIKK	Japan	27444.17	3.47	
\$SSEC	Shanghai	3473.07	3.27	
\$HSI	Hong Kong	27231.13	3.20	
\$BSE	India	47868.98	1.91	
\$MXX	Mexico	44087.63	1.65	
\$RTSI	Russia	1387.46	1.51	
\$SPX	S&P 500 ----	3756.07	1.43	
\$NDX	Nasdaq 100 ----	12888.28	1.39	
\$INDU	Dow ----	30606.48	1.35	
\$BVSP	Brazil	119017.24	1.03	
\$DAX	Germany	13718.78	0.97	
\$CAC	France	5551.41	0.53	
\$IBEX	Spain	8073.70	0.00	
\$IDDO	Indonesia	1311.52	-0.43	
\$GBDOW	London	289.70	-0.69	
\$AORD	Australia	6850.60	-0.97	
\$TSX	Canada	17433.36	-1.08	

SYMBOL	NAME	CLOSE	% CHG	+/-
REMX	Rare Earth Metals	65.82	4.74	
LIT	Lithium	61.89	4.63	
\$SUGAR	Sugar	0.15	3.96	
\$SOYB	Soybean	1311.00	3.68	
\$GASO	Gasoline	1.41	2.76	
SIL	Silver Miners	45.62	2.18	
\$SILVER	Silver	26.41	1.95	
\$NATGAS	Natural Gas	2.54	1.07	
\$BRENT	Brent Crude	51.80	0.90	
\$GOLD	Gold	1895.10	0.63	
\$WTIC	WTI Crude	48.52	0.60	
SLX	Steel	44.63	0.52	
\$COCOA	Cocoa	2603.00	0.39	
GDX	Gold Miners	36.02	-0.03	
\$HOIL	Heating Oil	1.48	-0.42	
\$COPPER	Copper	3.52	-1.22	
HMMJ.TO	Marijuana Stocks	7.88	-5.31	
\$LUMBER	Lumber	716.90	-8.54	

VIDEO OF THE WEEK

The January monthly conference call link is here. [Monthly Conference Call Link](#) - Passcode - 633707 - January 3, 7:30 ET Sunday.

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

Here is a link to this week's video. [2020 Is Behind Us](#)

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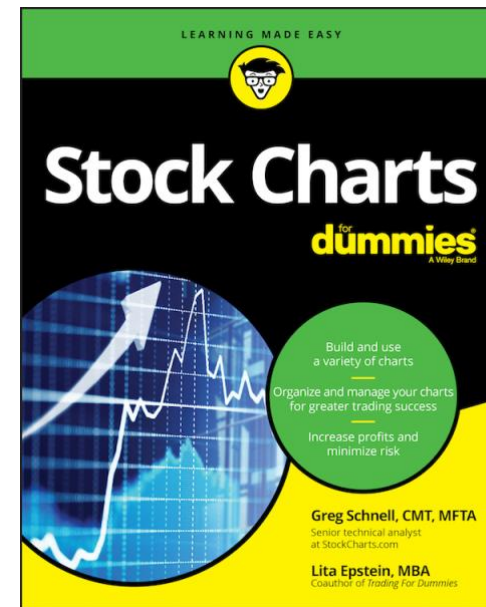
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Good trading,  
Greg Schnell, CMT, MFTA.

**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.