

# THE CANADIAN TECHNICIAN



**U.S. Edition**

**Market Declines**

Weekly Market Review  
January 29, 2021



WITH  
**GREG SCHNELL**

## MARKET COMMENTARY

The market took a while to break down, but in its first week of correction we are already close to the levels when the early warning triggered from the SSIH. The market confirming the SSIH breaking down is comforting but not richly profitable. It's avoiding the carnage. When the market keeps pushing higher as my strength indexes fall, it makes me ponder a lot more about my work. The 49% level last week looked terrible, only to watch the market make higher highs Monday. By weeks end, we wiped out all of the gains for 2021 and the group of charts I rely on confirmed the break. The SSIH data spoke as bluntly as the cowboy on a sunny day.



“Careful. We’ve seen these storm clouds before, even though we are currently in the sun.”

Last week’s move into tech was short lived as big names that popped up, all pulled back. However Tesla, which marginally (2%) followed the big surge up the week of the 15<sup>th</sup>, dropped 13 % from an all time high (\$900) this week. Tesla has been a market darling but it has a lot of weak attributes on the chart after a significant run. I have put a daily chart of Tesla in the newsletter, as the change of character on the chart suggests Monday’s high might be a significant high. I don’t own it so its easy for me to say. These story stocks can be good indicators of major changes.

Anyone who had a great year in 2020 expects the good times to continue. The way I analyze data, I don’t see it being as smooth as that, but I do expect a big commodity run in 2021.

The index breakouts from around the world starting the month all failed by the end of the month. That is a daunting view of global weakness. The challenge is for the vaccine to get rolled out. While the US is vaccinating 1.25 Million a day, Canada has no vaccine available and it appears to be at least another 2 weeks for a minimal shipment. This will be the next area of concern, as some countries are vaccinating quite quickly while others have no access to vaccines. This drags out the recovery.

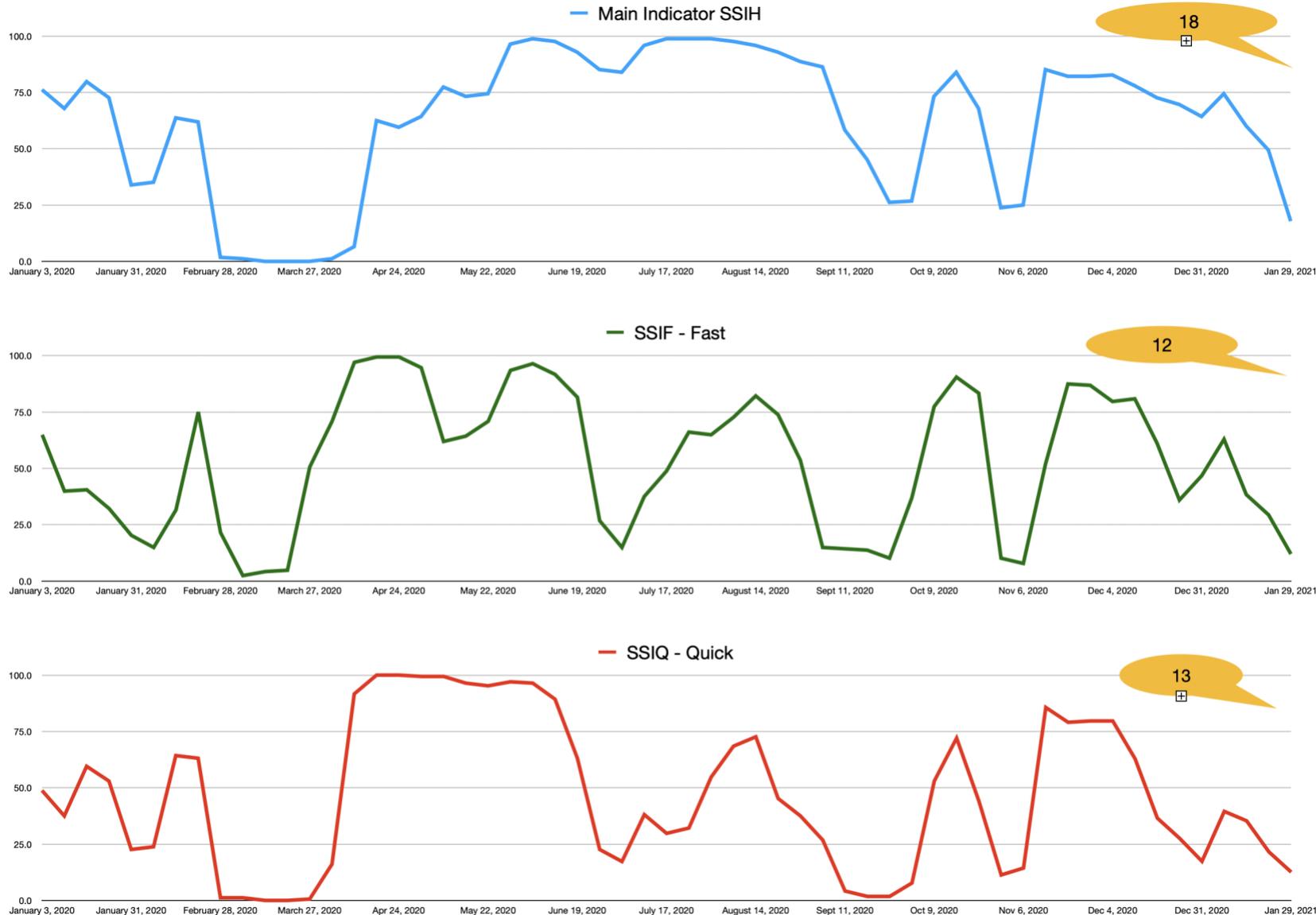
Summary: I will continue to protect capital. As the SSIH drops even lower, it validates my bias. We are now looking for the market to turn up as all three are below 25, but quite frankly, I expect it to take a little more time for the correction. I’ll move to shorter timeframe scans to help us find buyable dips like the early November low. Let’s hit the charts.

## @SSIH - CHILLY LOW LEVELS

The Schnell Strength Index dropped 31 points to 18%. That is another drop continuing from the 74 level.

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, SSIF, SSIQ INDICATOR

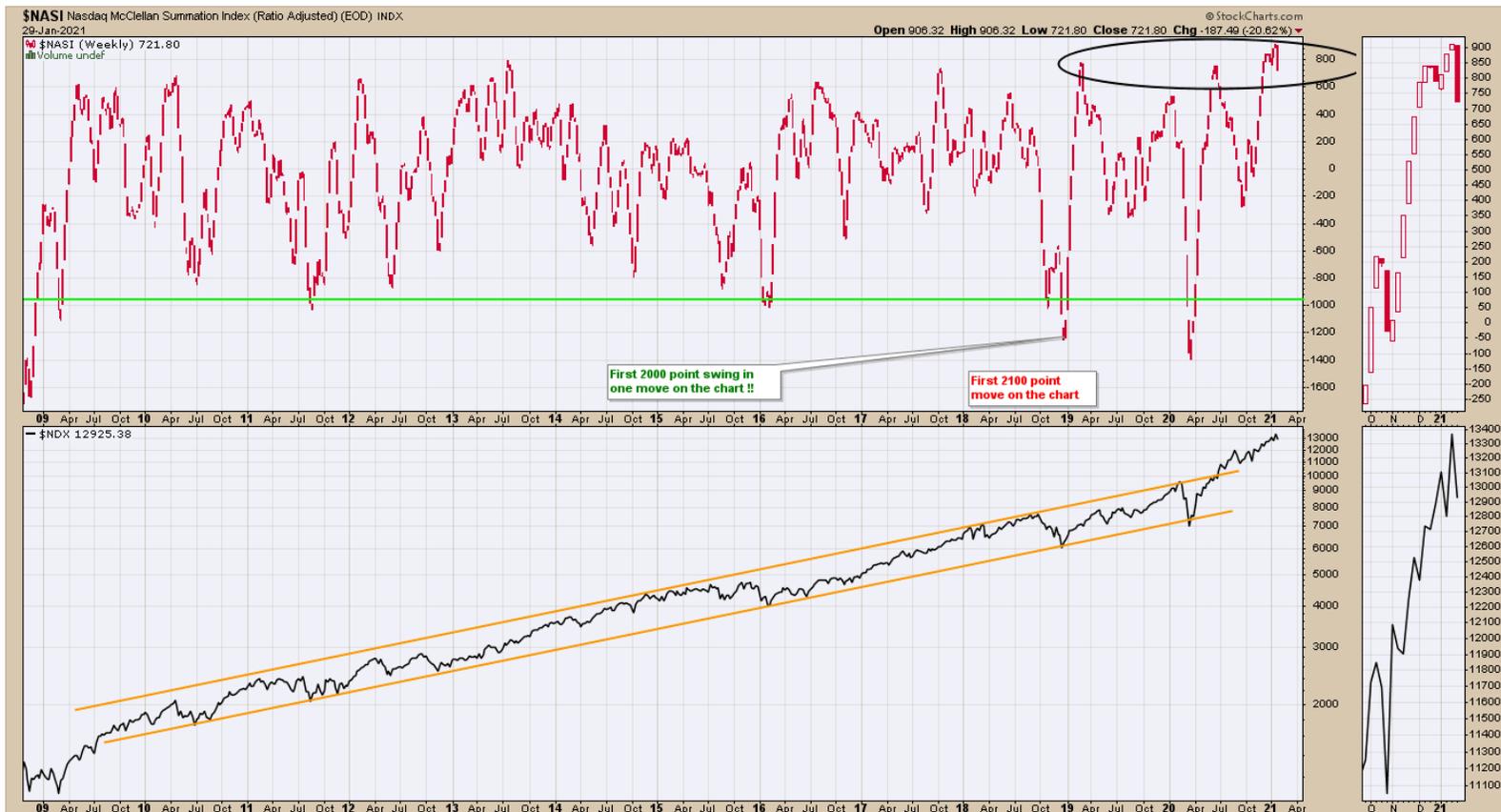
The chart shows the SSIH in the top panel. All three panels are under 25. I have named the two other indicators SSIF and SSIQ for a simple reference in discussion.

All three indexes are below 25 and all are making lower lows. All sell signals to me.

When this turns up, I want to be ready to add positions.

\$NASI - NASDAQ SUMMATION BREAKS DOWN FROM STRETCHED HIGHS

The Nasdaq Summation Index broke down from the extreme level and made the lowest close in 8 weeks. Looking at the \$NDX chart on the lower panel, this March to January move looks to be the fastest, most aggressive slope since 2009. Like 2009, is this the start of the next long rally? That seems quite odd, based on the valuations. In 2010, the market oscillated sideways for most of the year. But we still have grand political plans, fiscal stimulus and Fed candy in play, so maybe it will work out differently this time. The summation index was at nose-bleed levels and the highest for 20 years. We are starting 2021 with a record high. [\\$NASI](#)



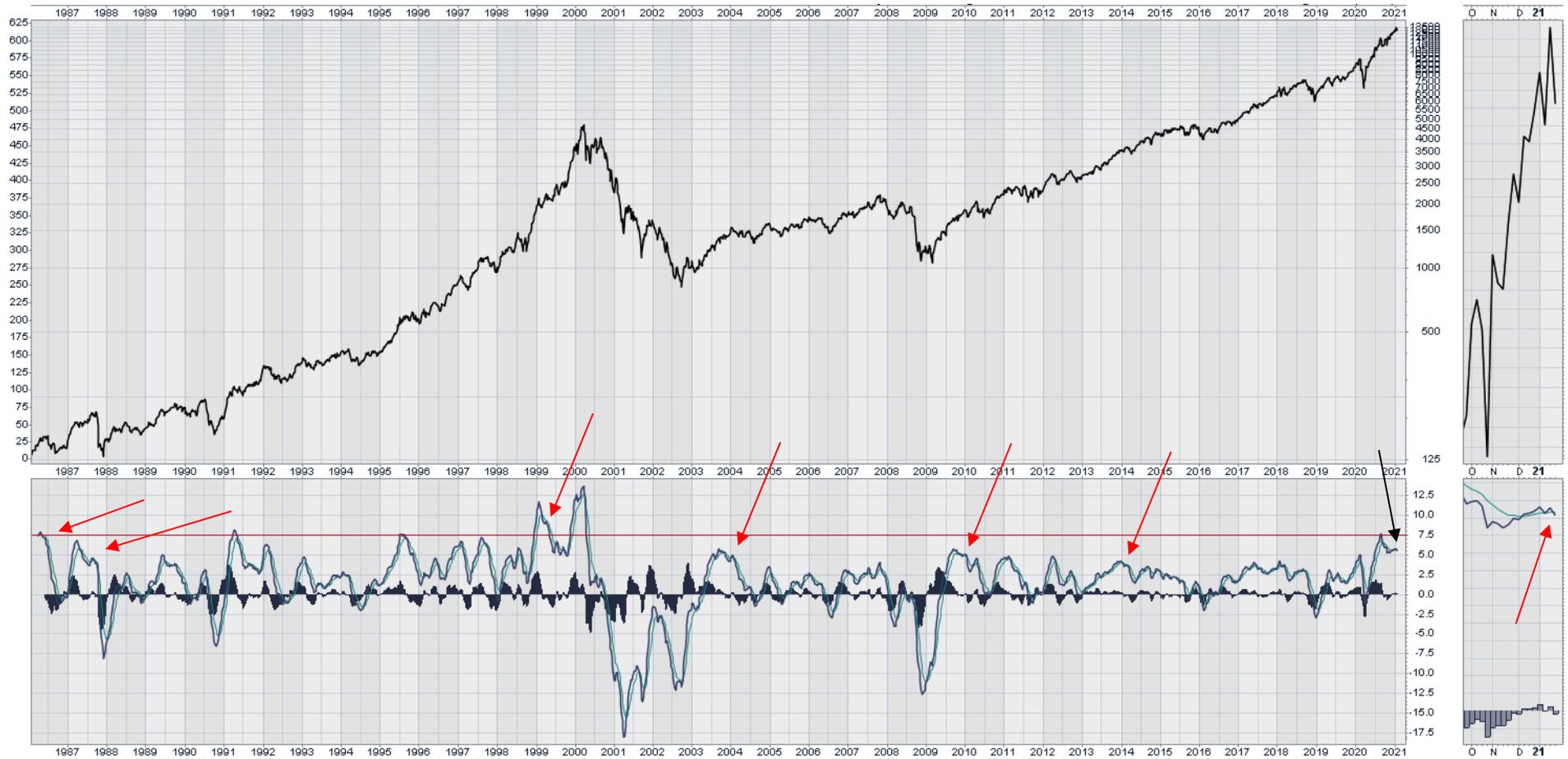
\$COMPQ - BLOWOFF VOLUME?

The Nasdaq Composite has the highest rising PPO reading since 1999. The volume in January is exceptional. A similar volume surge occurred in 1999 heading into the 2000 top. That's the way things end. Is the correction this week a pullback or is it the final high? We definitely don't know that answer, but without question, strange stuff like this should have us on high alert. [\\$COMPQ](#)



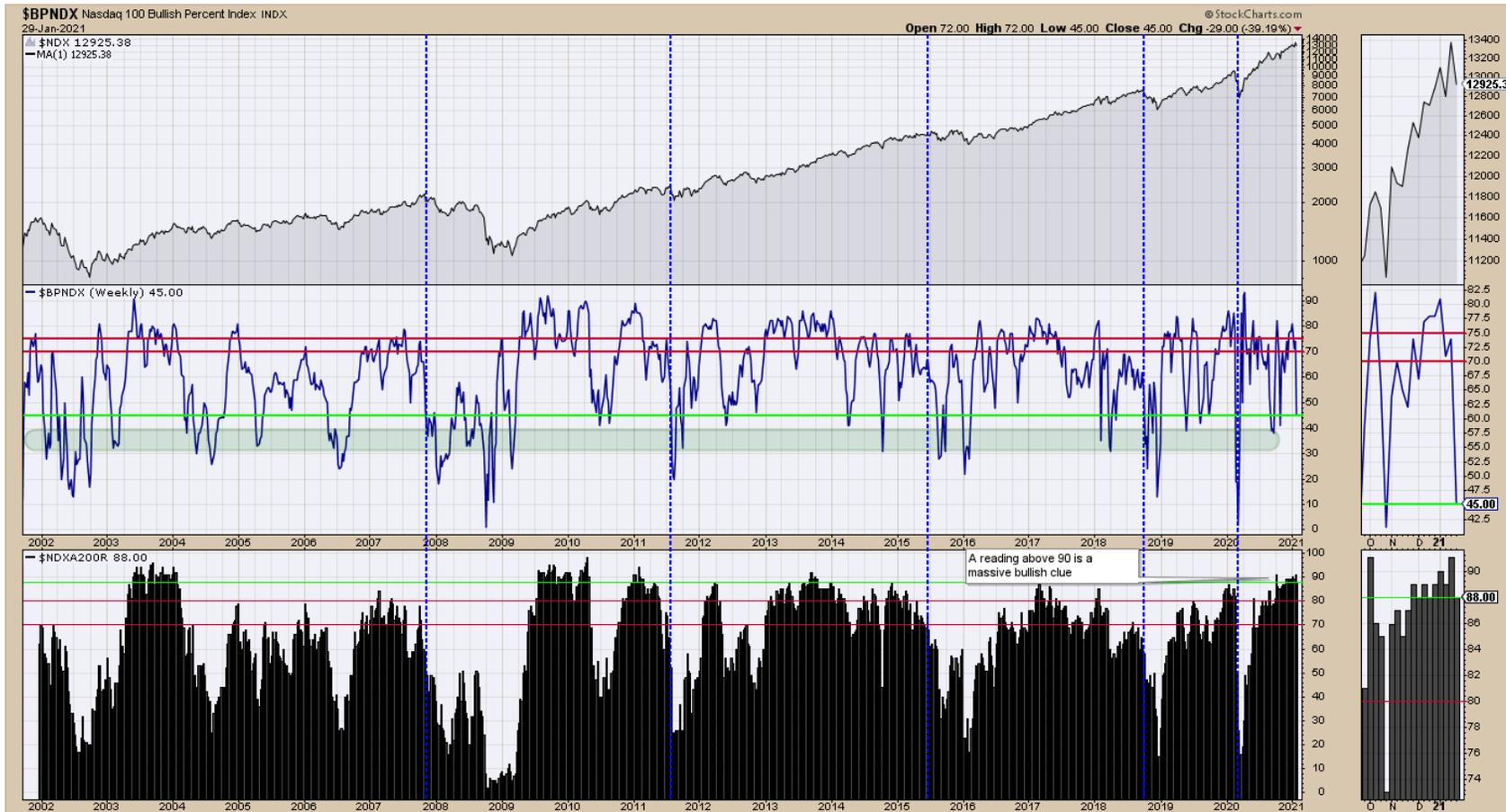
## NEGATIVE DIVERGENCE - HOW WILL IT PLAY OUT?

Looking at the chart below, seeing a significantly lower high on the momentum indicator while price makes a new high, is exactly the condition technicians look for to mark tops. Well, this week the PPO gave the sell signal which is visible in the zoom panel. Two weeks ago, it touched the line and bounced up, now down below. The arrows point to other similar conditions.



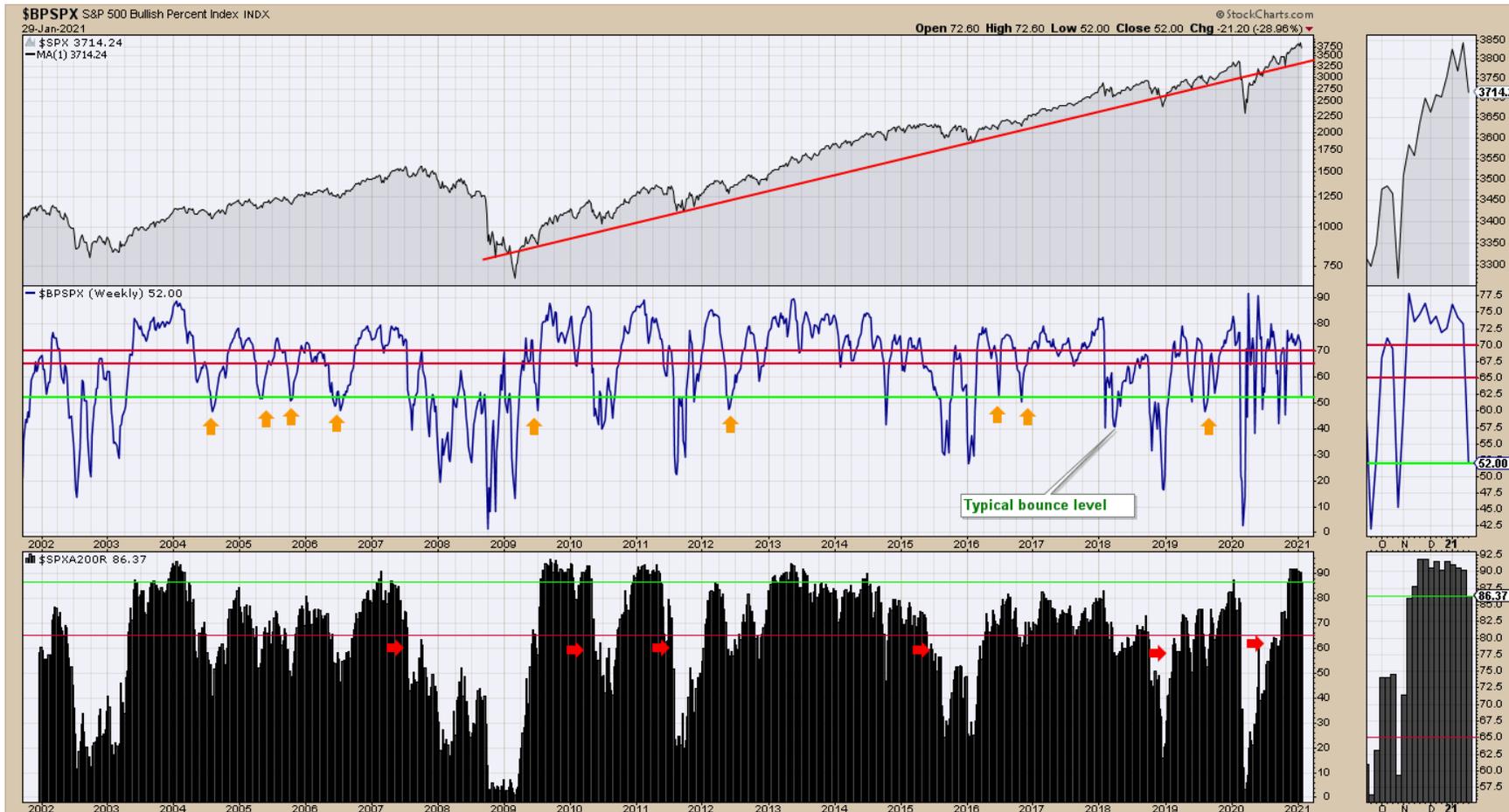
\$BPNDX - SUDDEN DROP

The Bullish Percent Index plummeted on the Nasdaq 100. It is down to 45, which means 28 stocks of the top 100 went on a sell signal this week. That is huge. We saw the same sort of plummet in 2004, 2007, 2011, 2012, 2014, 2018, 2019. They created meaningful drops that took multiple weeks to correct. But it looks like it is at a bounceable level (shaded green area). Because of the sudden drop, I don't expect it to go higher right away. [\\$BPNDX](#) The unknown chart on the page above was the Nasdaq 100.



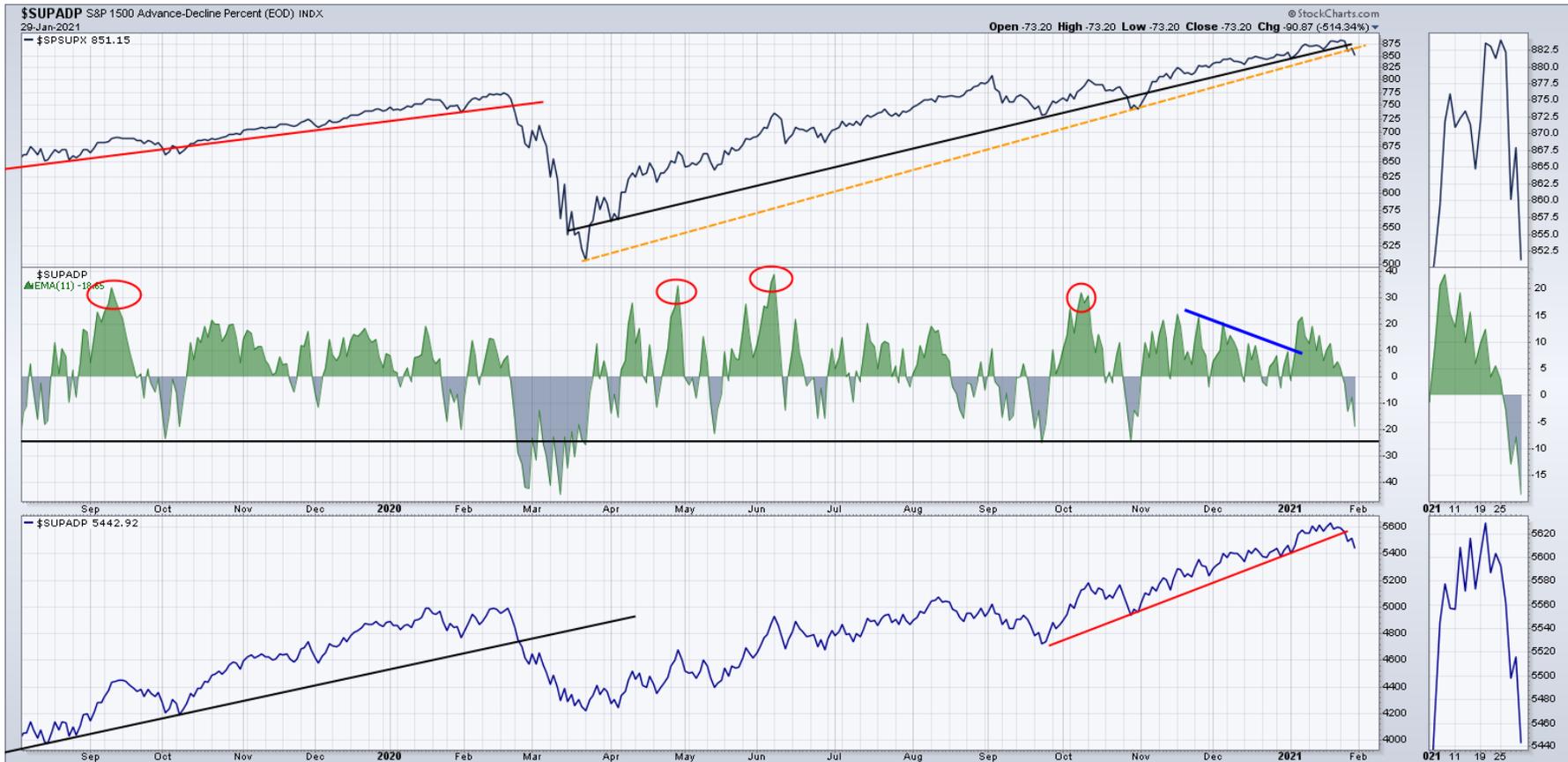
\$BPSPX - PLUMMETS

The Bullish Percent for the S&P 500 also dropped meaningfully. It has bounced up from around this level (50%). I think what I am surprised at is these drops have happened the same week the market made new highs. That's dramatic. In 2018, we saw a similar drop in January (*Typical bounce level* arrow near the drop) that took months to resolve. [\\$BPSPX](#)

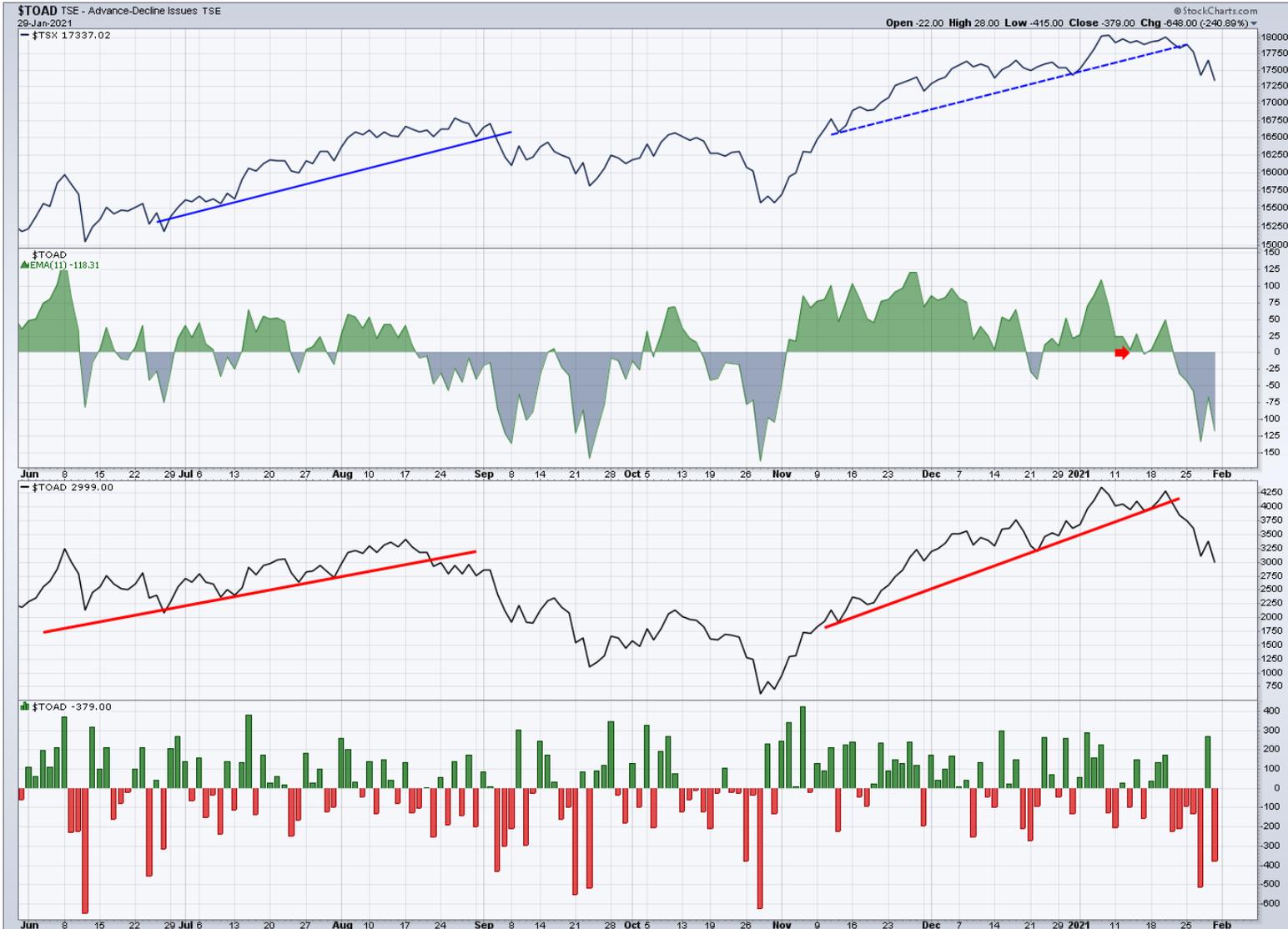


\$SUPADP - ADVANCE/DECLINE PERCENTAGE

The advance/decline and the price both broke the trend line this week. This is what we expect to happen when larger trend breaks occur. [\\$SUPADP](#)



\$TOAD - CANADIAN ADVANCE/DECLINE LINE BREAKS



I watch to see if weaker markets start to break down before the US market does. Canada typically cracks before or with the US market.

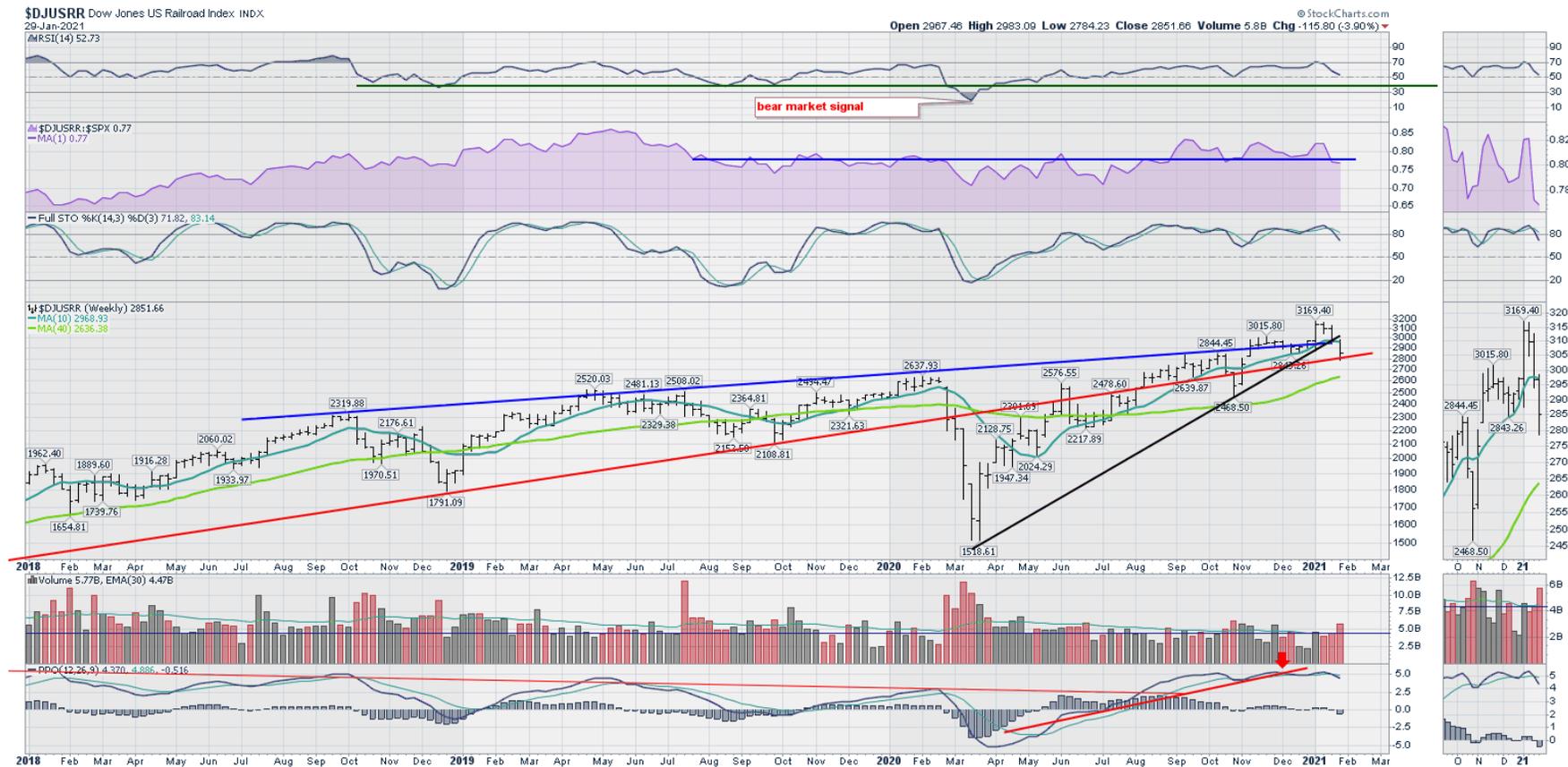
Last week the Canadian markets advance/decline line broke the uptrend.

The trend line that broke in August, was a few weeks before the market crack on the US side showed up September 3.

The same early warning clue arrived last week, and helped be ready for the US large caps break that occurred. [\\$TOAD](#)

\$DJUSRR - WEEKLY - PPO SELL SIGNAL

From last week → The weekly railroad chart has a convergence of three lines. The red line marks the 5-year uptrend with a COVID19 rip below briefly. The PPO gave us a sell signal this week, but the late October and late December sell signals quickly turned higher. Having this sell signal coincide with weakness on my SSIH indicator, suggests a week to watch! On the purple relative strength indicator, the rails are close to six-month lows. [\\$DJUSRR Weekly](#) ← .... Update: this week it needs to hold the red 5-year uptrend. This is a failed breakout. It broke out to start January, now it is breaking down. Bearish





MONTHLY CONFERENCE CALL LINK

Dwight and I hosted the February [monthly conference call](#) on January 29, 2021.

# THE CANADIAN TECHNICIAN



Getting Vaccines Rolled Out = Job 1

February Monthly Conference Call  
January 29, 2021 at 5 PM ET



WITH  
**GREG SCHNELL**

AND  
**DWIGHT GALUSHA**

TSLA - A REMARKABLE CHART

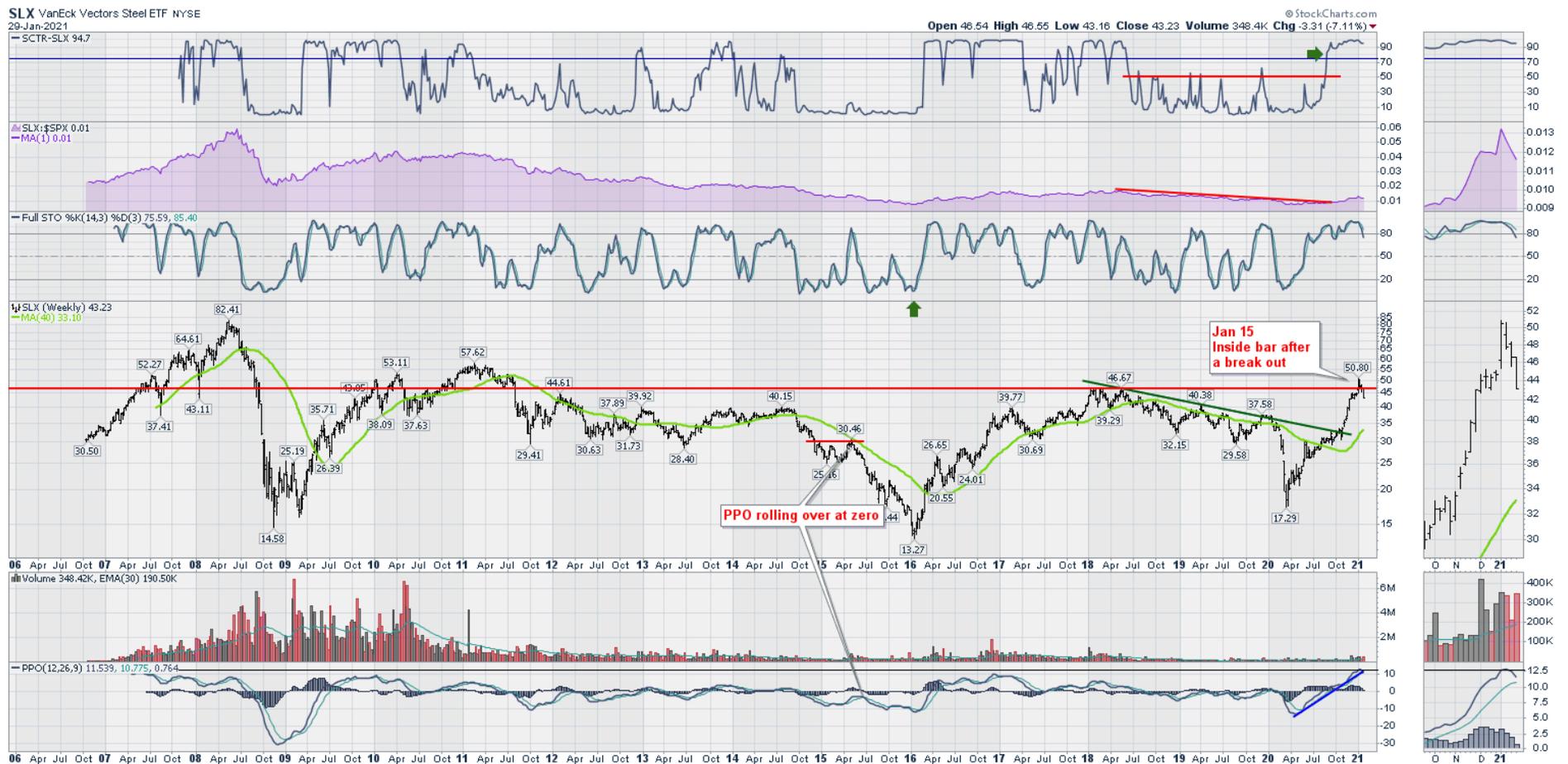
The chart of Tesla broke the uptrend back in October for 2 whole weeks (eyes rolling) before going on a ballistic ascent to \$900. Price dropped 13% (\$120) off Monday's high, creating an 'outside bar' for this week. This makes a failed breakout above the January 8<sup>th</sup> high volume bar. That Jan 8 date marked the top of the move *after* the inclusion in the S&P 500 on December 21. You can see that date (Dec 21) using the volume chart! (eyes popping out). There are potential top clues here 1) purple trend break 2) [Tesla PnF](#) - The PnF denotes a change in price action. [Link to TSLA Chart below](#) 3) The low volume in Tesla (well below the average in the



zoom panel) while the \$COMPQ (2nd Chart) share volume and options volumes are soaring is very odd. Is this an interim top in the green energy euphoria? Just Tesla? Overall market? Signature stocks can be some of the best clues like MSFT in 1999. Watch this.

SLX - STEEL

Last week → Recognizing the rails and the industrials are kicking off sell signals on their momentum indicators, I like to look at the metals. Steel appears to be sporting a failed breakout on the chart. ← This week, that breakdown looks confirmed. The stretched PPO, price resistance, and a failed breakout all seem to confirm an intermediate top. [SLX](#). Matches rails and XLI above.



SILVER SETS UP

Silver rallied this week and is testing the down trend again. It was the biggest positive volume candle since August. I have a percentage volume oscillator that is also turning up on the lower panel. The PPO is close to giving a buy signal which would also be turning up while above zero. Bullish! This volume is not associated with the Reddit short squeeze that people are talking about for silver. That would probably occur on SLV. [\\$SILVER](#) Its expected Silver will break \$30 in overnight trading Sunday.



SILVER MINERS

The silver miner ETF is bouncing off the trend line this week. SIL The overhead resistance line (\$50) is in play. There is some discussion that the Reddit community is targeting to push silver higher. This will probably be shut down by the SEC as they won't take well to swamping one particular target and running the price up. However, silver is poised to move higher and some names like First Majestic made big moves this week. If the PPO can turn up while above zero, that is particularly bullish.



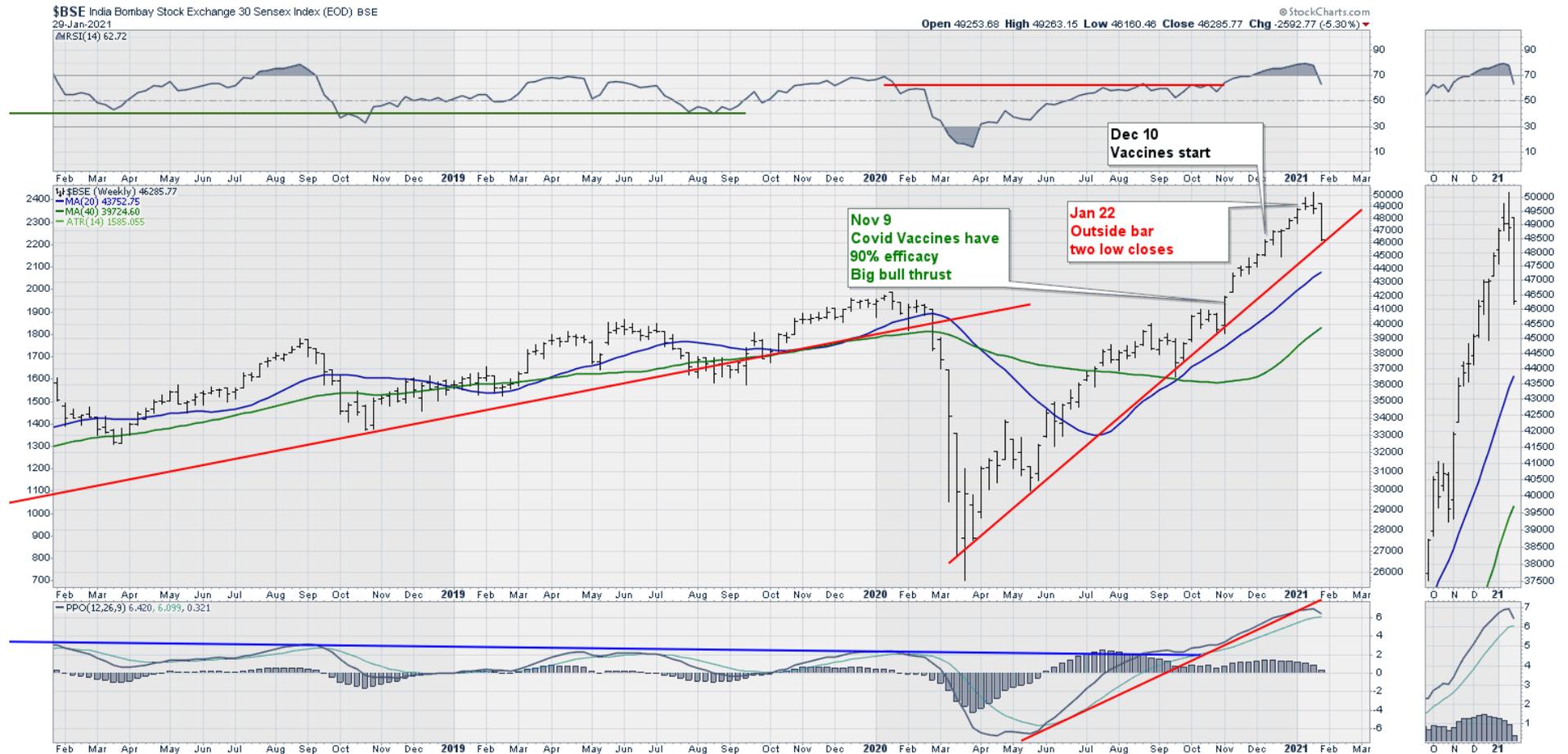
XLK - TECHNOLOGY ETF WOBBLES AFTER THE BREAKOUT

The technology chart is holding above a failed breakout this week - \$127. There are so many failed breakouts getting marked this week that I am watching all my charts for that condition. [XLK](#) One thing that was odd was the SCTR ranking dropped to the lowest level in almost two years before getting the lightning bolt last week. It was short lived as the SCTR points down again this week. The weak SCTR resolved itself over time back in 2018. That was a 20% drop in the markets over three months. We need to hold the 10-week moving average as you can see on the zoom panel.



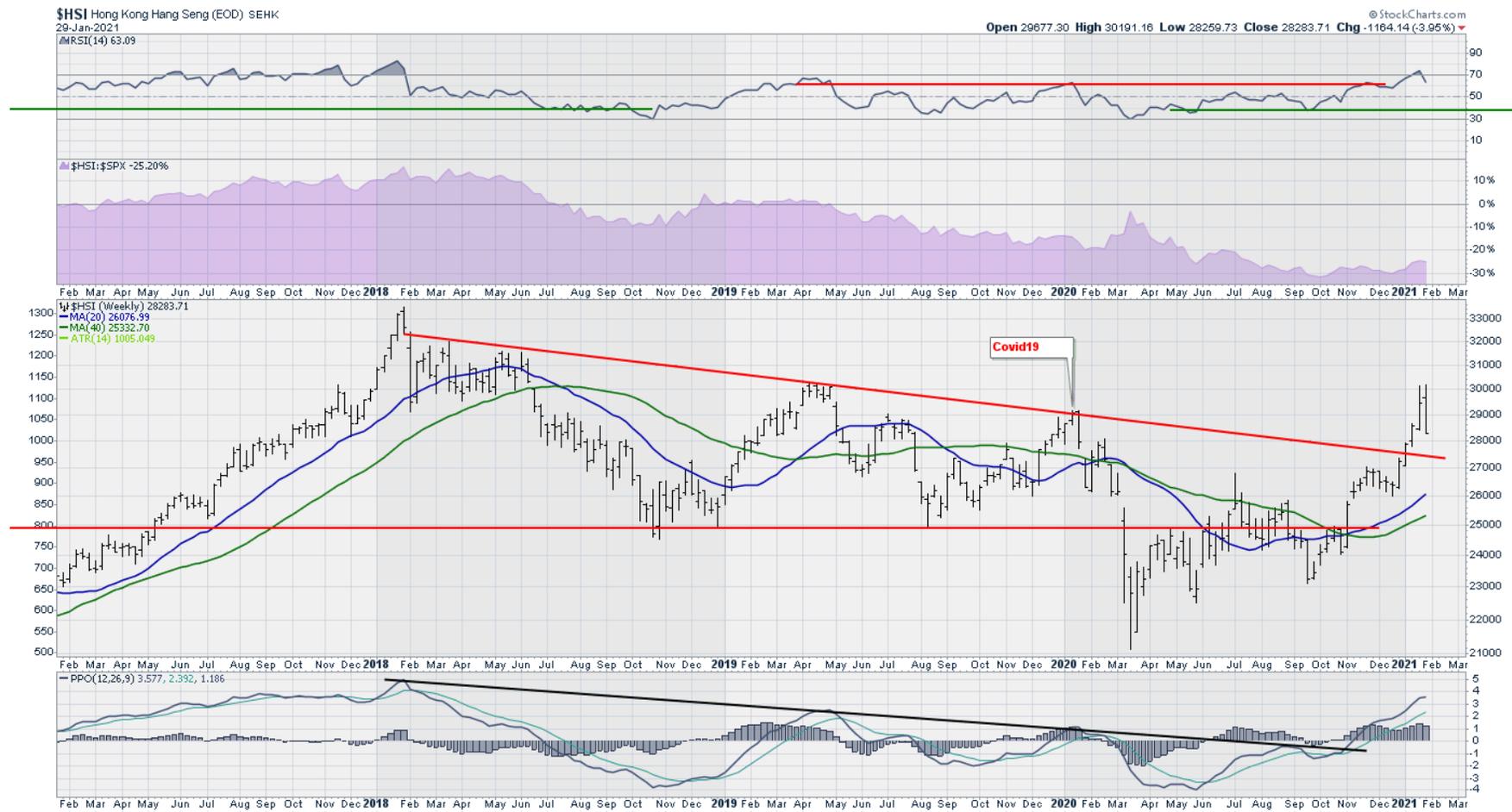
\$BSE - INDIA

Last week → The charts around the world are changing too, and we'll cover some of those on the monthly conference call. We had the first bearish outside bar on India's index this week. I show the uptrend on the PPO cracking, but it has not cut through the signal line yet. The price is 20% above the 40-week moving average which is pretty heady. [\\$BSE](#) ← Below is the result!



\$HSI - HONG KONG HANG SENG

Last week → *The Hong Kong market has been on a mystery tour of lower highs and lows for a few years. Most of that coincided with the tariff talks. The chart started 2021 breaking the downtrend and had a nice move of 3% this week. It was also the first 52-week high in years.* [\\$HSI](#) ← Now - Failed breakout - Tweezer price bars - typically short-term exhaustion. Bearish. (that was quick!)



MARKET SUMMARY

Retail was outstanding, as suggested by the Reddit Short Squeezers. The lack of available shares forced hedge funds to buy the stocks back meaningfully higher. The short squeeze estimate currently is a \$70 Billion loss for the broader hedge fund community. Energy stocks moved down really hard, considering crude oil was flat, while gasoline and heating oil were up marginally. The growth sectors dominated the hardest hit on the list, while the defensives were hit but only marginally.

SYMBOL	NAME	CLOSE	% CHG	+/-
XRT	Retail	88.01	17.55	
IYR	Real Estate	85.28	-0.80	
XLU	Utilities	62.15	-1.10	
XLP	Staples	64.09	-1.51	
XLV	Healthcare	115.03	-2.18	
XLC	Communications	66.88	-2.85	
XLK	Technology	128.93	-2.94	
XLI	Industrials	84.77	-4.23	
XLF	Financials	28.95	-4.58	
XLY	Discretionary	162.01	-4.76	
XLB	Materials	70.64	-5.03	
XOP	E & P	64.32	-5.48	
SMH	Semiconductors	226.61	-5.94	
XLE	Energy	39.32	-6.54	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTHC	HealthCare	81.10	3.58	
\$SPTCS	Staples	605.98	-1.38	
\$SPTRE	Real Estate	302.27	-1.87	
\$SPTTS	Telecom	163.98	-1.99	
\$SPTFS	Financials	303.93	-2.16	
\$SPTGD	Gold Miners	303.69	-2.33	
\$SPTIN	Industrials	320.77	-2.42	
\$RTCM	Income Trusts	221.57	-2.56	
\$SPTUT	Utilities	327.86	-2.65	
\$SPTMT	Materials	309.42	-2.71	
\$TSX	\$TSX	17337.02	-2.85	
\$SPTTK	Technology	185.03	-3.95	
\$SPTCD	Discretionary	227.01	-4.43	
\$SPTEN	Energy	90.20	-5.39	

GLOBAL VIEW

The whole world melted down this week. Asia had been leading to the upside, but the group of Asian countries were well down the list this week. India's big move down was notable. The commodity countries of Brazil, Canada and Australia were the least hit and looking at the list to the right, the positive moves in commodities might have supported them. Crude oil was flat, but industrial metals were down hard. Lumber made new highs and was covered on the video.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$BVSP	Brazil	115067.55	-1.97	
\$TSX	Canada	17337.02	-2.85	
\$CAC	France	5399.21	-2.88	
\$AORD	Australia	6870.90	-2.94	
\$DAX	Germany	13432.87	-3.18	
\$INDU	Dow ----	29982.62	-3.27	
\$NDX	Nasdaq 100 ----	12925.38	-3.30	
\$SPX	S&P 500 ----	3714.24	-3.31	
\$NIKK	Japan	27663.39	-3.38	
\$SSEC	Shanghai	3483.07	-3.43	
\$IBEX	Spain	7757.50	-3.47	
\$RTSI	Russia	1367.64	-3.57	
\$MXX	Mexico	42985.73	-3.80	
\$HSI	Hong Kong	28283.71	-3.95	
\$GBDOW	London	287.43	-3.96	
\$KOSPI	South Korea	2976.21	-5.24	
\$BSE	India	46285.77	-5.30	
\$IDDOW	Indonesia	1278.58	-7.68	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$LUMBER	Lumber	887.00	11.43	
\$SILVER	Silver	26.91	5.31	
\$SOYB	Soybean	1370.00	4.44	
\$NATGAS	Natural Gas	2.56	4.40	
SIL	Silver Miners	43.78	2.72	
\$HOIL	Heating Oil	1.60	1.28	
HMMJ.TO	Marijuana Stocks	11.21	0.99	
\$GASO	Gasoline	1.55	0.50	
\$COCOA	Cocoa	2531.00	0.08	
\$WTIC	WTI Crude	52.20	-0.13	
\$BRENT	Brent Crude	55.10	-0.25	
\$SUGAR	Sugar	0.16	-0.25	
\$GOLD	Gold	1850.30	-0.32	
\$COPPER	Copper	3.56	-1.93	
GDJ	Gold Miners	34.51	-2.04	
SLX	Steel	43.23	-7.11	
REMX	Rare Earth Metals	74.19	-8.66	
LIT	Lithium	65.58	-8.70	

## VIDEO OF THE WEEK

The February monthly conference call link is here. [February Conference Call](#)

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

Here is a link to this week's video. [Market Declines](#)

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## Market Declines

Weekly Market Review  
January 29, 2021



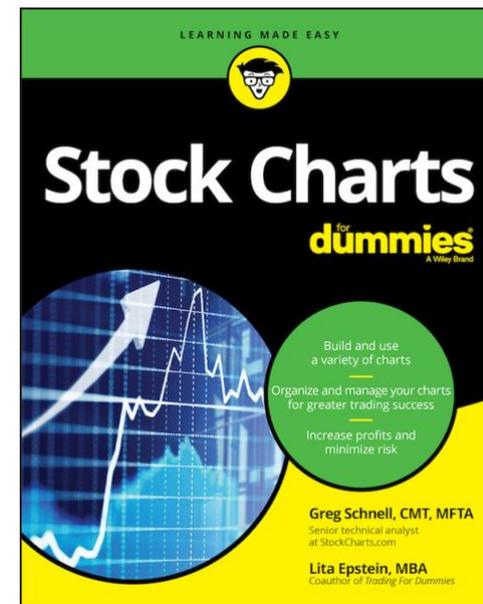
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Good trading,  
Greg Schnell, CMT, MFTA.

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.