

THE CANADIAN TECHNICIAN



U.S. Edition

The Power Of The Vaccine

Weekly Market Review
February 06, 2021



WITH
GREG SCHNELL

MARKET COMMENTARY

After a bleak week, the market roared higher. As the number of people vaccinated surpassed the number of people who contracted the disease, that is a bullish inflection. Every sector surged and commodities had a big week. The US Dollar was up slightly on the week, and there are some important resistance levels across the currencies. I covered those off on the video. Bitcoin wants to break out to new highs and sits just below resistance. The long bond *yields* are just short of 52-week highs after a big move up. The two-year yields dropped, which is odd and we'll keep watching for more information from the move down.

After almost every chart showed major cracks last week, this week was a full reversal of fortune. Sectors and industry groups roared. Liquid energy (Oil etc) blasted higher. Most of the commodities were running hard. Natural Gas, Oil, Uranium, Copper, Lithium and rare earths all made nice moves. The pop expected in silver/silver miners happened but quickly reversed as the reddit traders got beat up. I covered the precious metals on the video this week.



Crude oil made a new 52-week high. I continue to like the oil trade, and the associated oil companies will be rerated higher by the analyst community. As the revenue of higher oil prices starts to add up, these companies have lots of room to move higher in price. Natural Gas had a good week on the back of the cold weather enveloping North America and looks set up for another one. I also like the setup in the uranium complex as it looks strong. Cameco and the other names mining uranium, all had nice runs. It does not appear to be at the end of trade. The volume piling up is compelling.

Financials had a big week on the back of the move in yields. Technology moved up in line with the indexes, but there was a wide dispersion of performance. Google and Microsoft hit new highs, the others - NFLX, AAPL, AMZN, FB, TSLA - did not. The markets closed on new highs, so that is bullish. The last chart in the newsletter shows the market swinging higher, then lower the last five weeks. Will that trend continue?

Summary: I continue to like the commodity trades as that matches with the inflation the Fed is trying to create. America continues to do a great job rolling out the vaccines, whereas other nations are struggling. Canada is in the struggling category. The backdrop in the USA is bullish, as things are improving. It also sounds like more stimulus is coming.

Let's hit the charts.

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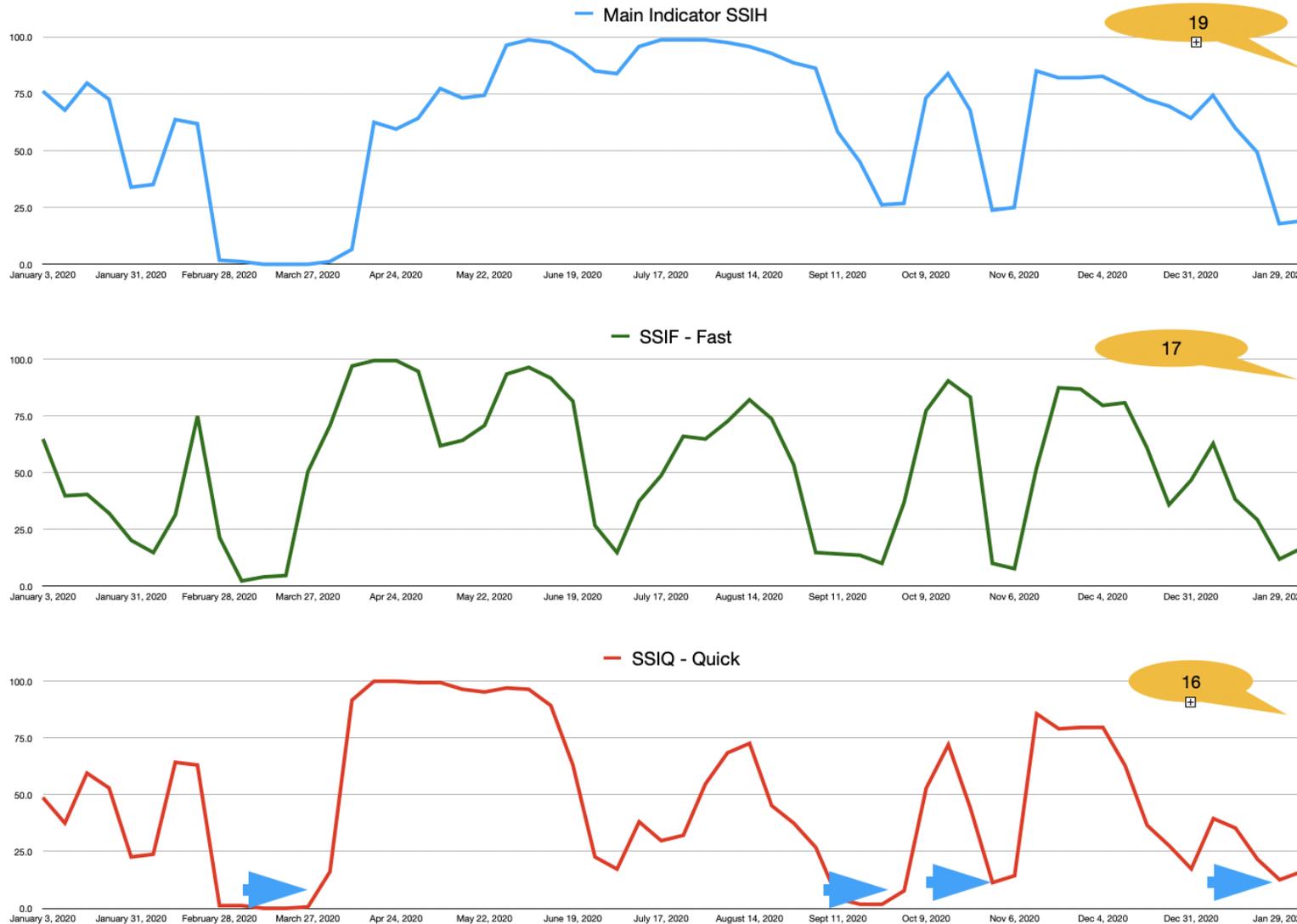
@SSIH - TURNED UP FROM A LOW LEVEL

The Schnell Strength Index turned up from 18 to 19%. It takes a lot to turn it higher, especially from the level of weakness it was at. On the chart below, only one event of the last 6, did not follow through higher from this level. It took all week to turn higher.

I post a preliminary SSIH reading Tuesdays after the close and 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 but all three have turned up.

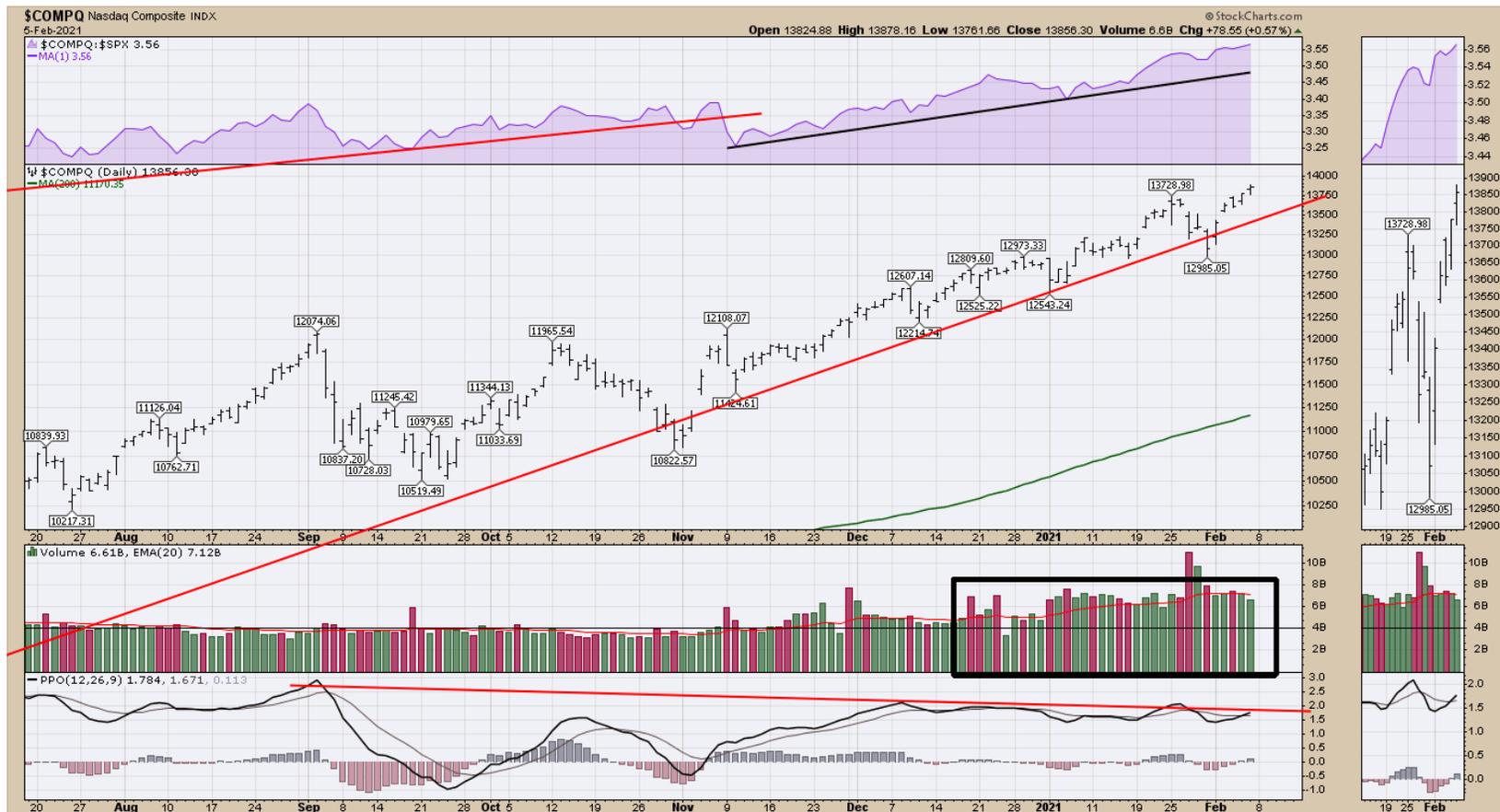
I have named the two other indicators SSIF and SSIQ for a simple reference in discussion.

All three indexes are below 25 and now they are trying to move higher.

When this turns up, I want to be ready to add positions. This is the signal I am waiting for and as long as the positive price action continues, I want to be taking new positions.

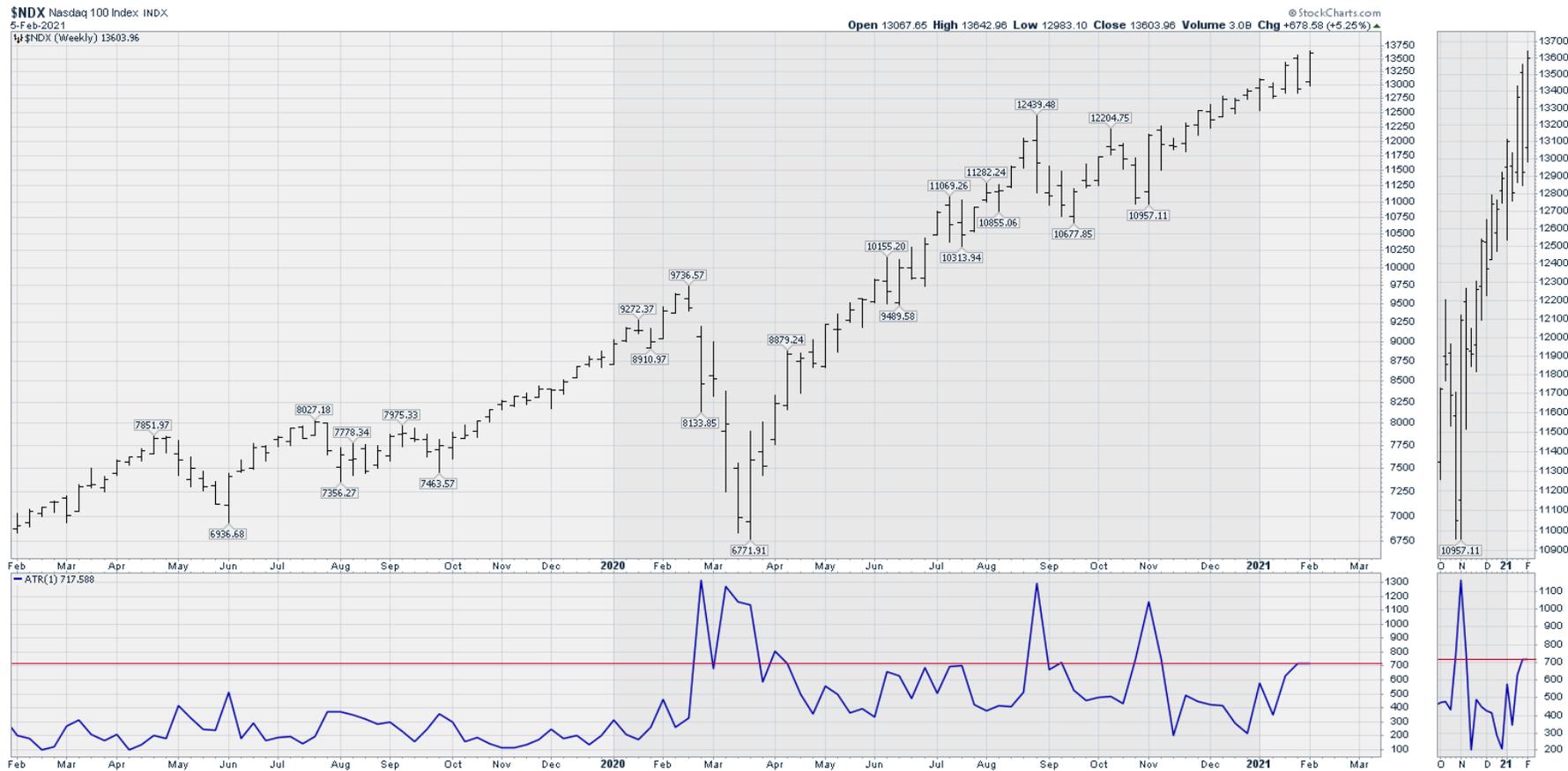
\$COMPQ - MASSIVE VOLUME CONTINUES

The Nasdaq Composite has had surging volume this year. The volume in January is exceptional. A similar volume surge occurred in 1999 heading into the 2000 top. We definitely don't know that answer, but without question, strange stuff like this should have us on high alert. I set the volume average to 20 days. It is averaging a remarkable 7 billion shares up from 4 billion in the fall, and this week was solidly up there. [\\$COMPQ](#)



RANGE ACCELERATES

The chart below shows the change in the true range. Range is the difference between the high and low for each week. When markets start to swing wildly, it is typically associated with corrections. The last two weeks have had equally high ranges, but the June/July period had wide ranges as well. Any acceleration above this would probably suggest we were right to worry. This weeks' percentage gains for the indexes were the highest since early November, when the last correction ended. [\\$NDX ATR](#)



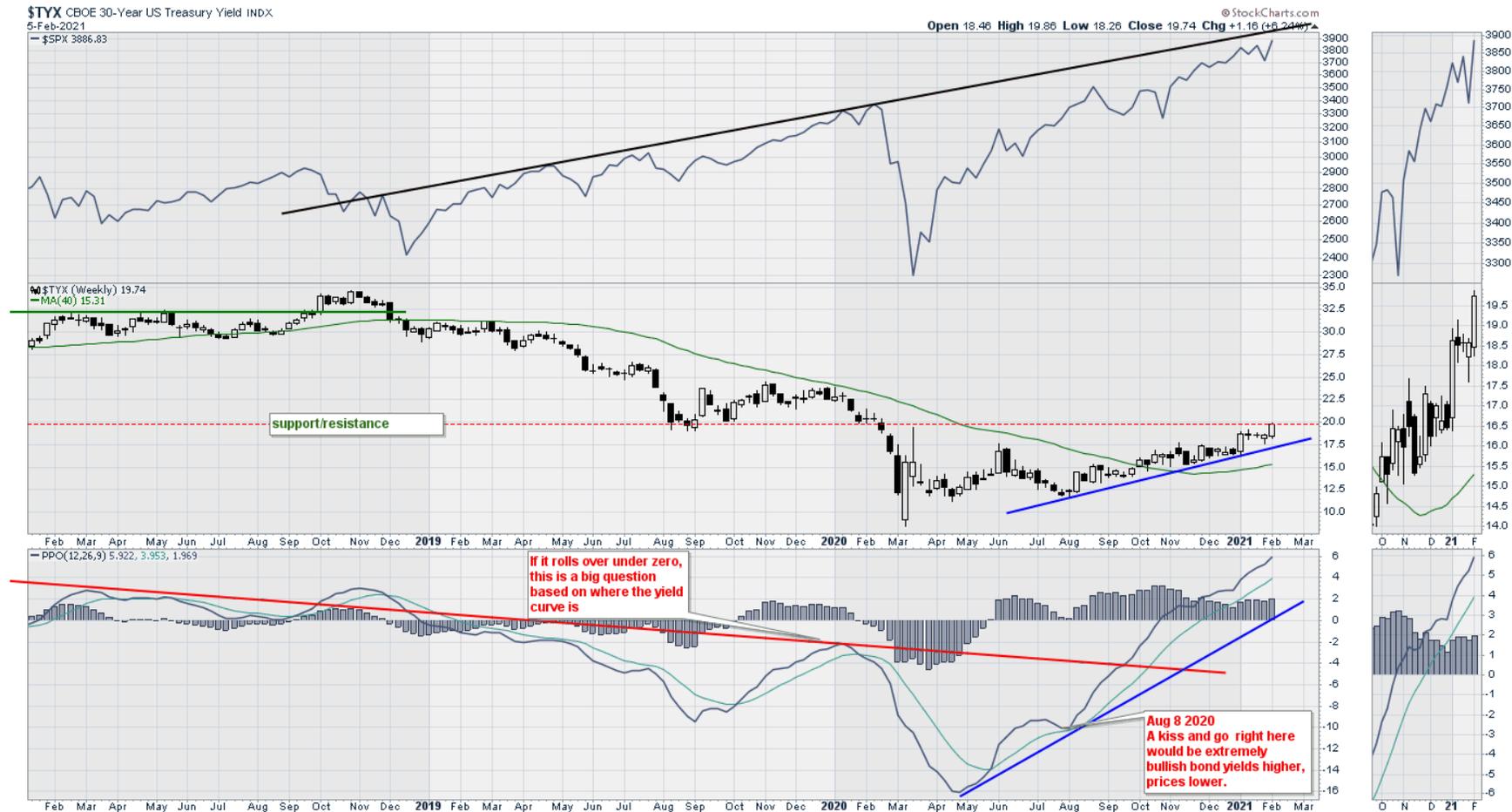
HYG - HIGH YIELD BONDS - RISK ON

The high yield bond is typically associated with risk taking and this surged to a new post-pandemic high. That is a bullish clue. As long as this chart trends higher, it is a first look at a risk on environment. The higher high this week is the first one in four. [HYG](#).



\$TYX - 30 YEAR BOND YIELD - CLOSE TO 52-WEEK HIGHS

The thirty-year bond is just under the 52-week highs from before the pandemic struck the markets. We have round tripped! This chart is also at a support/resistance line. Based on the strength of the trend it looks like the bond market wants to push through here. When investors sell bonds, (falling prices, rising yields) they see better opportunities elsewhere. [\\$TYX](#)



\$TNX MONTHLY

The monthly chart for the ten-year yield has given us a positive cross on the PPO. It's early in the month, but this is a good long-term signal. The chart identifies long trends, and the direction of the PPO is important. Having it in a rising momentum trend will reinforce selling of bonds, expecting money to move to other parts of the asset markets, namely equities and commodities. [\\$TNX](#)



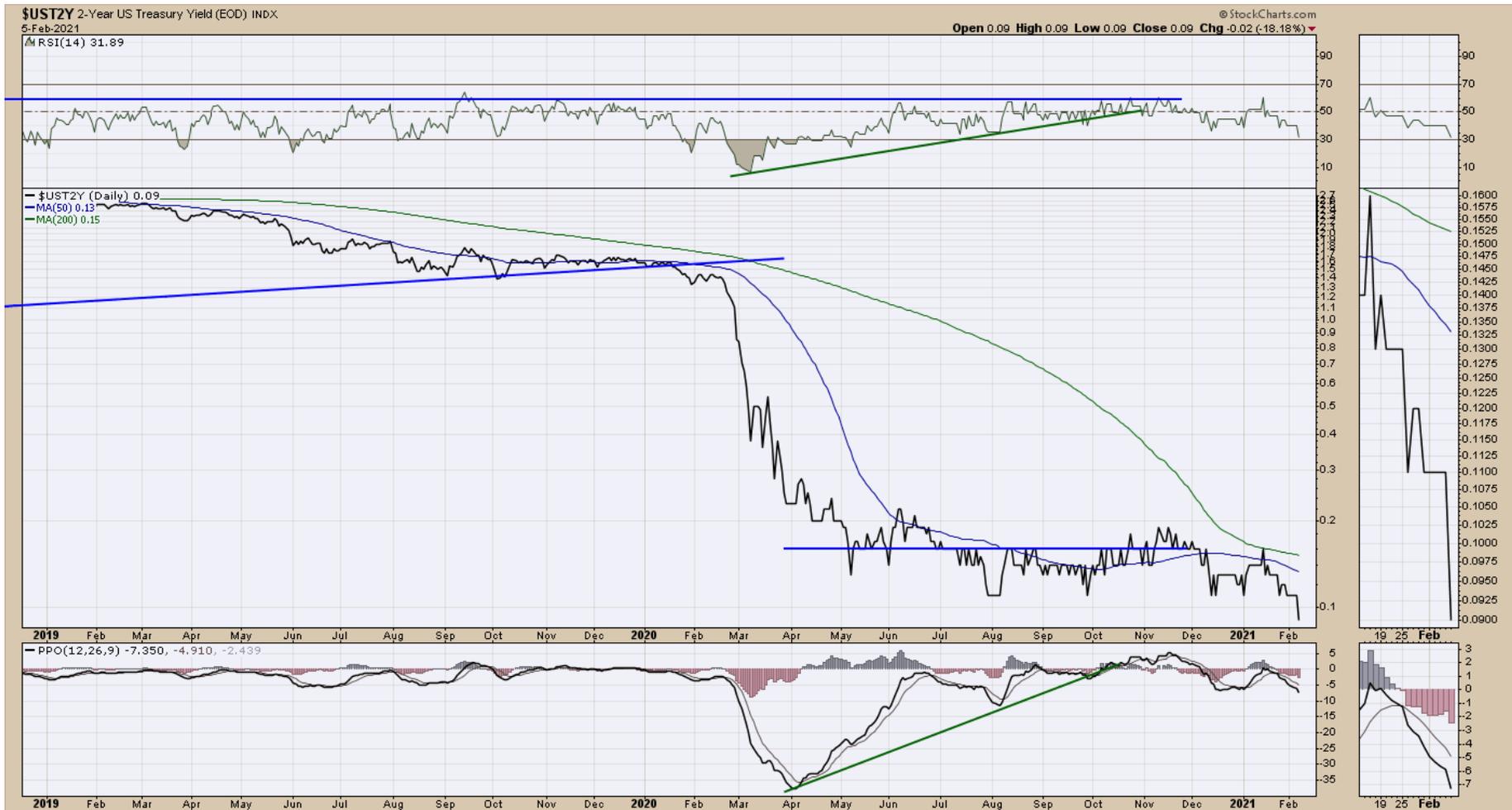
\$TNX WEEKLY - TEN YEAR YIELDS

The two-year down trend in the ten-year yields looks to be broken soon. This week, the yields moved up against the declining resistance line that had formed in the 2019 calendar year. The RSI is in bull market territory for the first time since March 2019. The full stochastic (80,3) on the lower panel has broken above the 20 level also suggesting a change in trend. [\\$TNX](#)



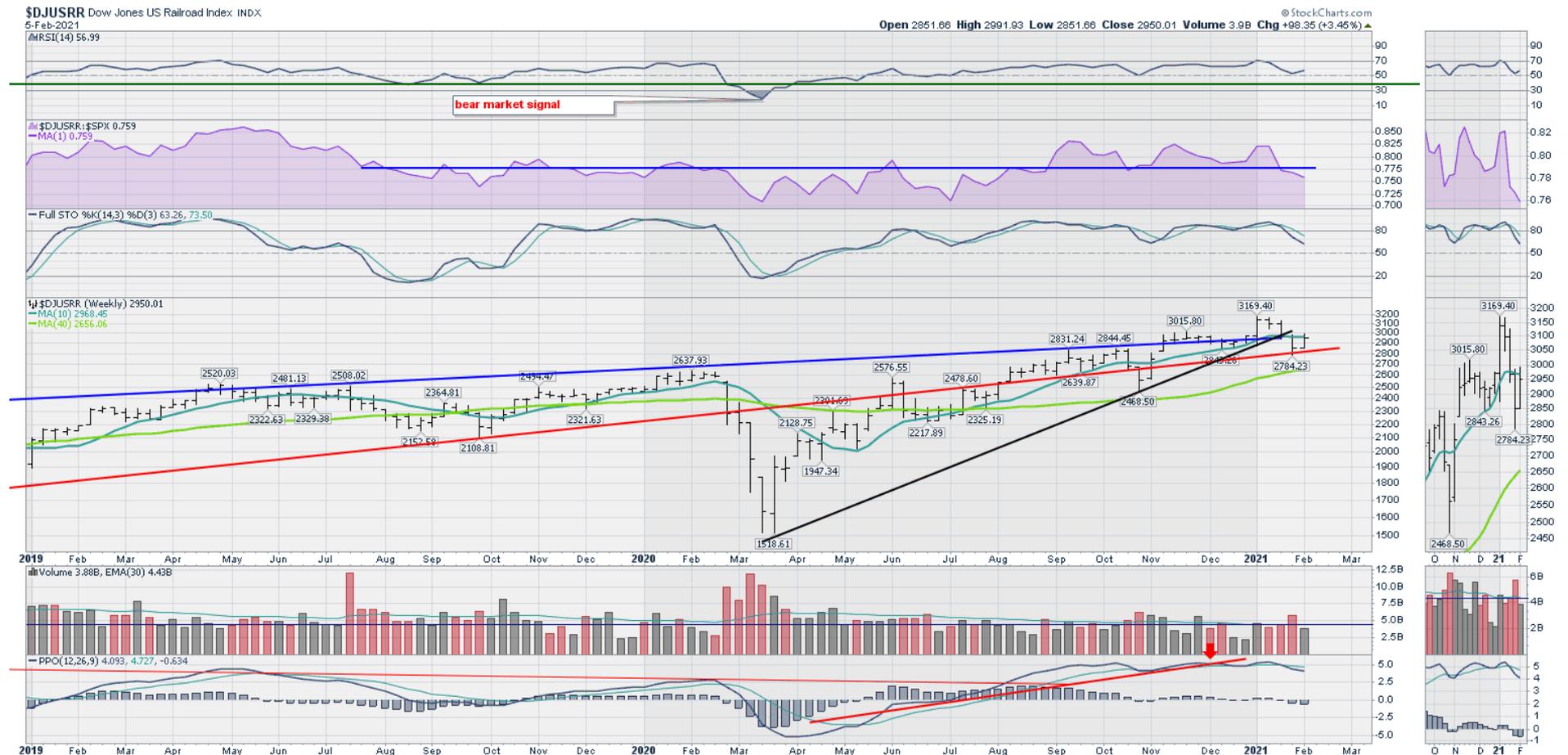
\$UST2Y - 2 YEAR TREASURY YIELDS

Oddly, the 2-year yield broke lower. This divergence is important to monitor, and why is the short-term yield bombing lower? I don't have the answer, but we'll want to keep monitoring this strange move. [\\$UST2Y](#)



\$DJUSRR - WEEKLY - BOUNCING

The railroads are bouncing on the red 2016 trend line. After breaking down below the black uptrend, the railroads bounced less than the indexes this week, but still made a nice bounce. Keep watching the rails for clues on the industrials. At this point, we'll be optimistic as the index tries to get back above the 10-week moving average. [\\$DJUSRR Weekly](#)



XLI - INDUSTRIALS

The industrials haven't done anything since mid-November. [XLI](#). We got a sell signal on the PPO a few weeks ago that aligns with the sell signal on the rails shown above. When both the rails and industrials break down, that confirms some more important weakness. While the range (distance between the low and the high) expands, it suggests more indecision. Price hovers around the 10-week moving average.



MONTHLY CONFERENCE CALL LINK

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

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Getting Vaccines Rolled Out = Job 1

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

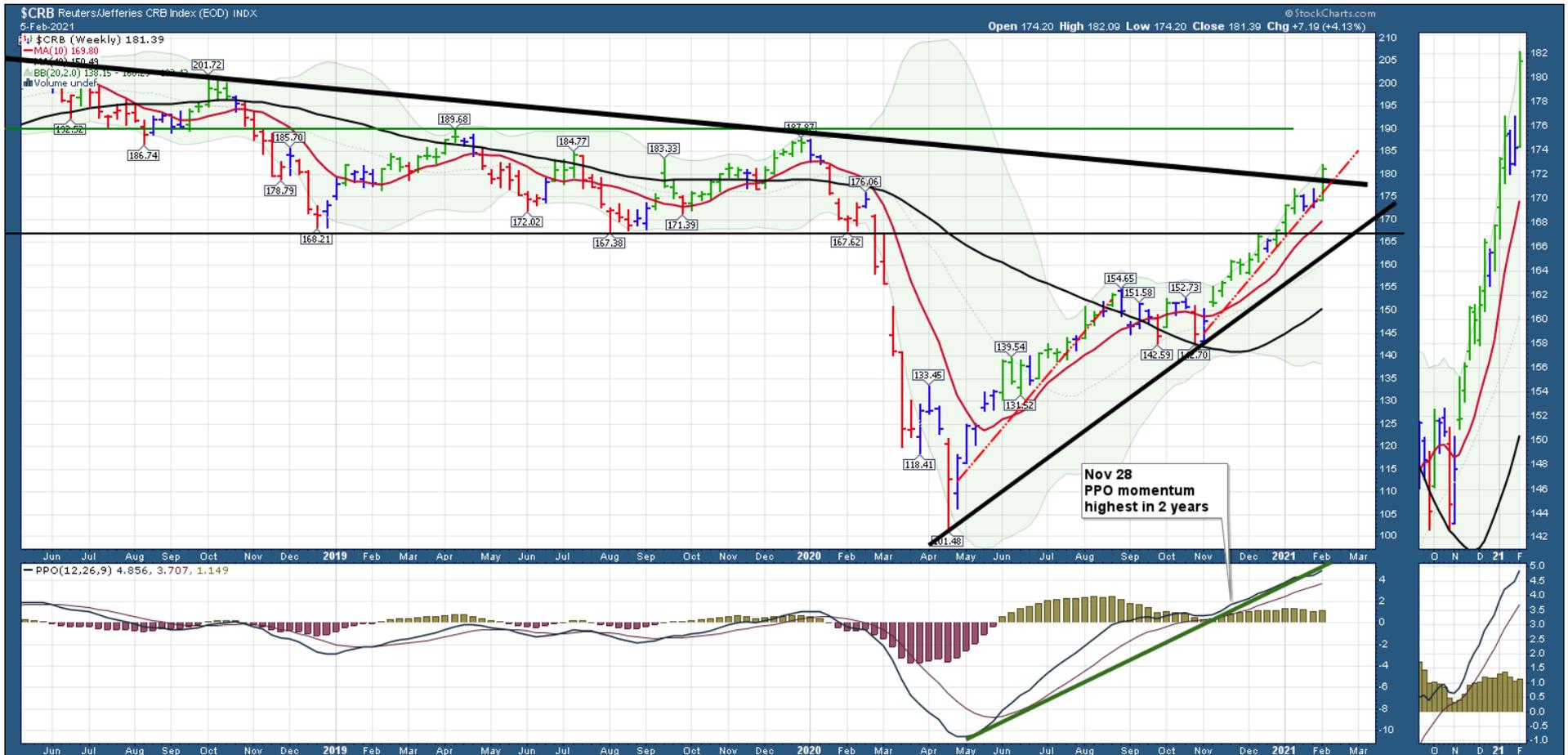


WITH
GREG SCHNELL

AND
DWIGHT GALUSHA

\$CRB -BREAKING THE THREE-YEAR DOWNTREND

The Commodities Research Bureau index broke above the three year down trend this week. That's a big deal. There are two dashed red lines showing an equal move off the April lows. That line ends at 185. The close this week is at new 52-week highs. If governments are trying to generate inflation, commodities usually reflect that. So far, this is behaving as expected. [\\$CRB](#)



\$NATGAS

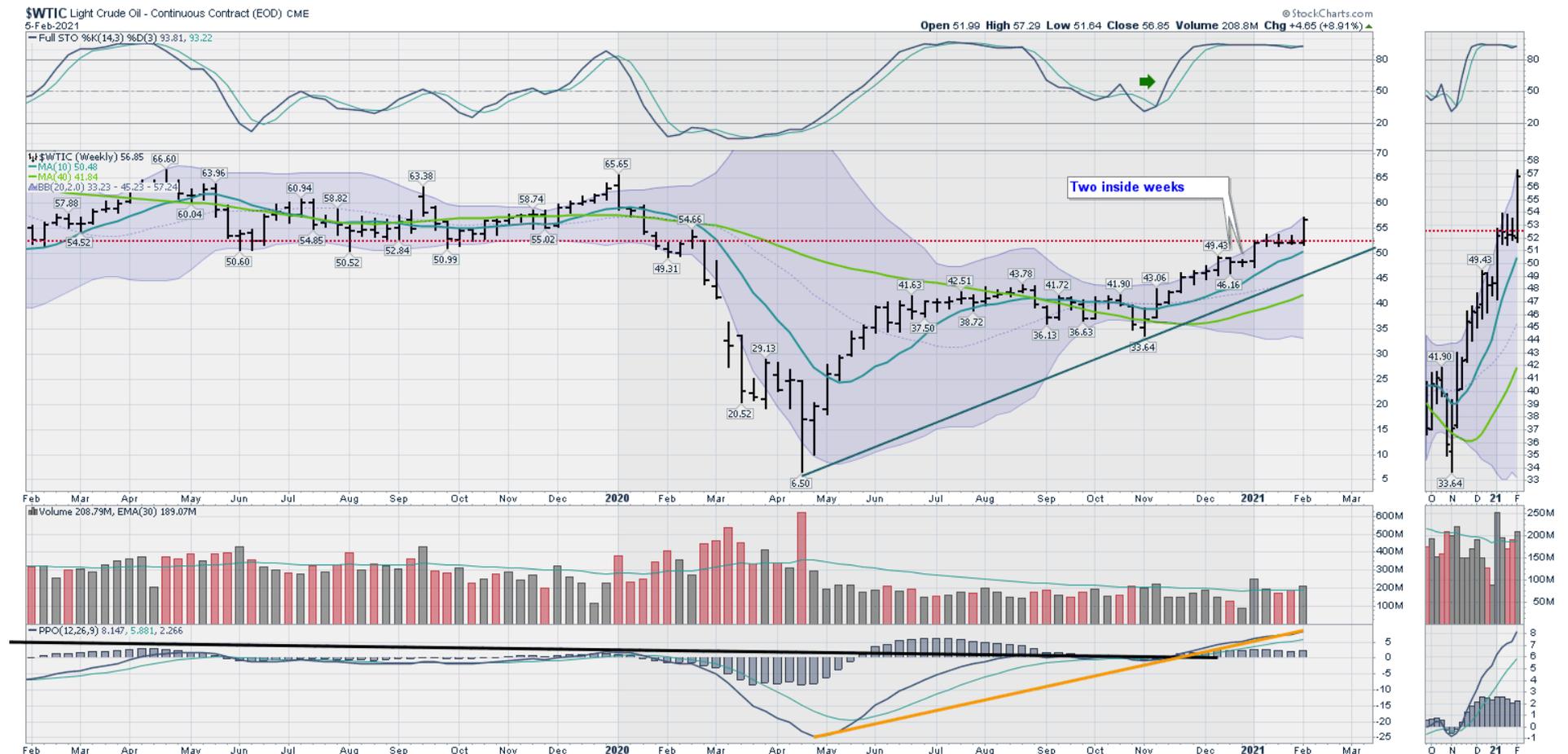
The cold weather enveloping North America is causing the price of Natural Gas to surge. It is cold where I am, and I drove through the mountains this weekend with cold temperatures, snow and blowing snow. It is the coldest weather of the winter for us so far.

\$NATGAS This does look like a large multi-year head/shoulders base. Volume was excellent at the second highest level since the lows of June. The larger positive weekly surge in volume kicked off the August push.



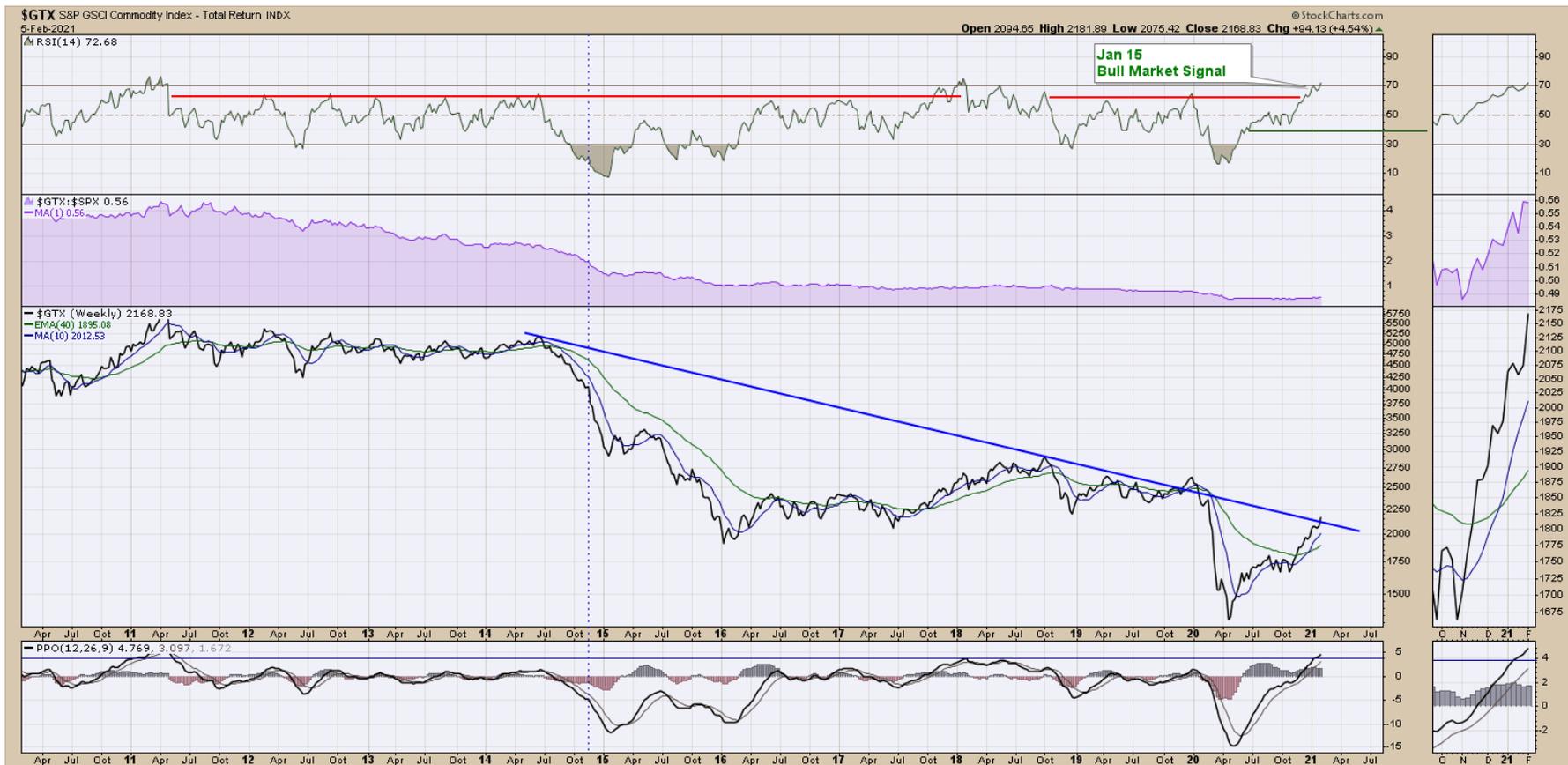
\$WTIC - BIG WEEK TO 52 WEEK HIGHS

Oil had a huge week, breaking above horizontal resistance. Crude closed at new 52-week highs. One of the big stories in crude oil is the rapid drop in global inventories which are 'normalizing'. The US inventories are well inside the 5-year range. Drilling activity is picking up, but it is far below 2018-2019 levels. [\\$WTIC](#)



\$GTX - GOLDMAN SACHS COMMODITY INDEX

The bigger picture for Commodities might best be shown by the Goldman Sachs Total Commodity Index. There was a long downtrend that started to break out in late 2019 after the Phase 1 China-USA agreement. COVID reversed the breakout. The PPO momentum has moved up to the highest level since the commodity top in 2011 as we break out. Oil is a big part of all these commodity indexes, and this is very bullish for the big picture. [\\$GTX](#)



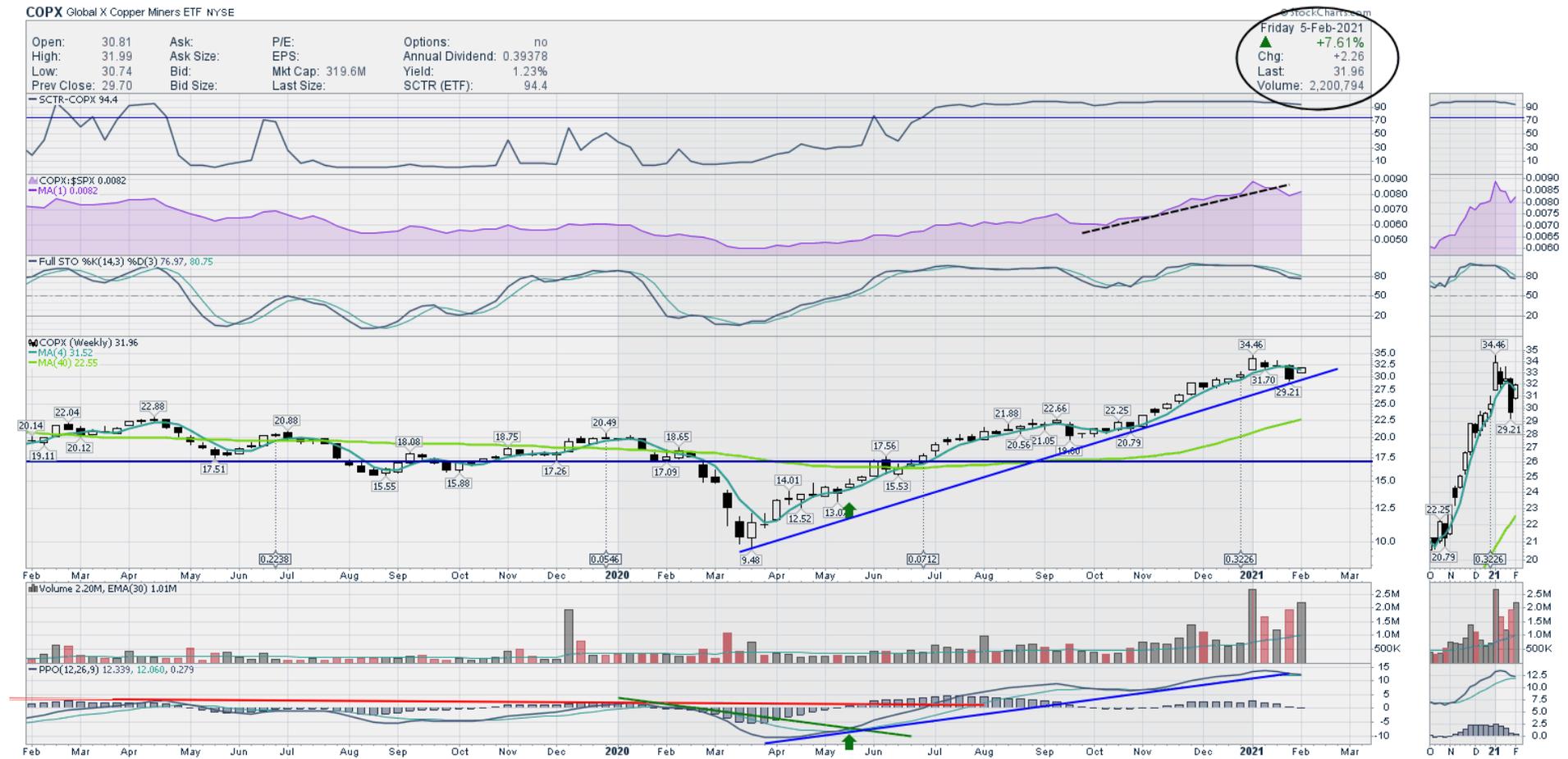
URANIUM NAMES

Uranium has been unloved for years. In late November, the URA chart made new 52-week highs. After the recent pullback in January, the Uranium ETF soared this week. The volume has been surging of late, suggesting renewed interest. Cameco is reopening their Cigar Lake mine. In my opinion, there is some heat in the world of uranium. [URA](#).



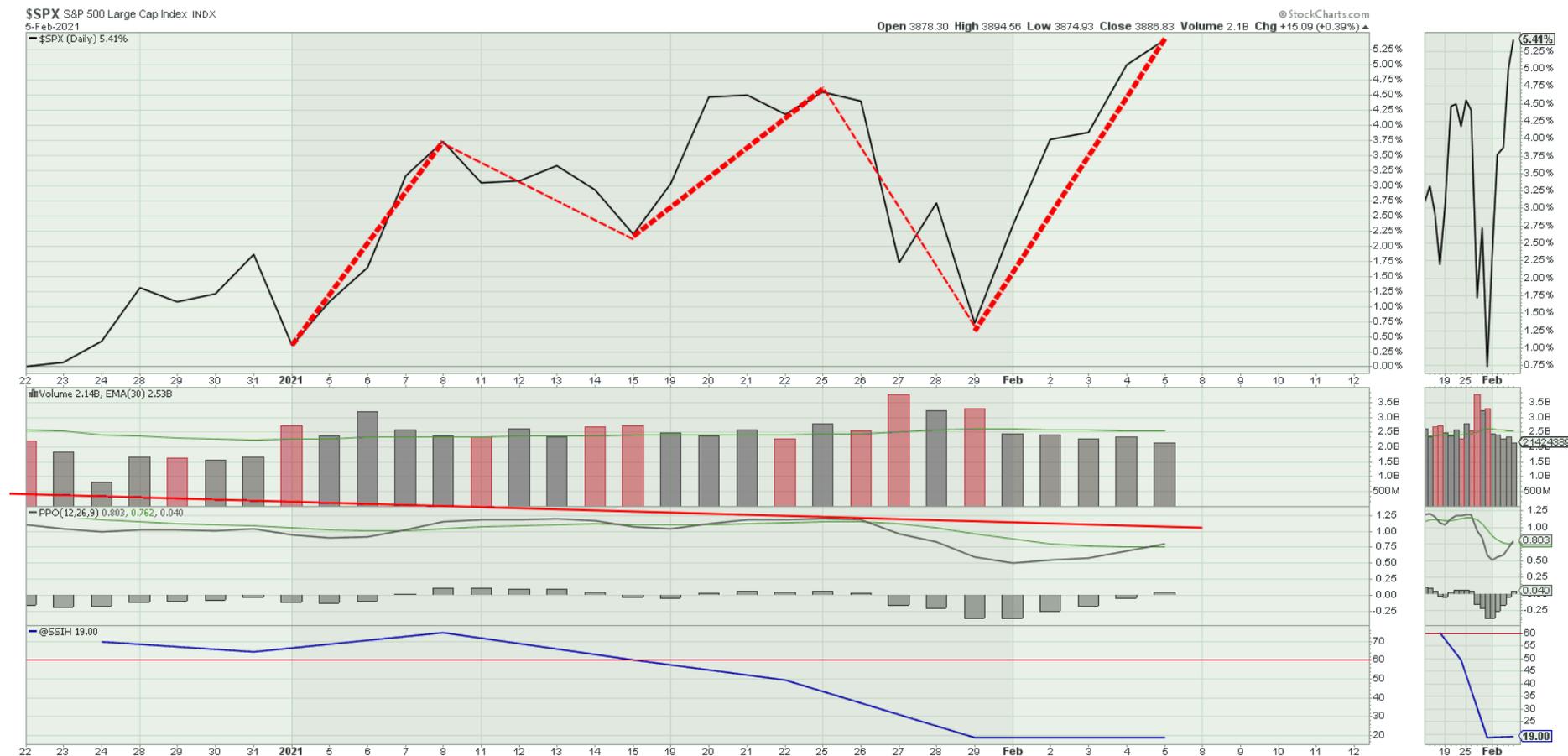
COPX- COPPER MINERS

After a big drop last week, the copper miners rallied. They still finished below the 10-week moving average, but if markets are going to rally on, I would expect this fundamental metal to keep improving. Contrarily, we are close to a sell signal on the PPO. [COPX](#).



\$SPX - UP-DOWN-UP-DOWN-UP-?

Last week the market made its' biggest positive push since November. The chart below shows three up weeks and two down weeks to start the year. The length (range) of each surge is also widening out. While my strength indicators are turning higher, which I associate as bullish, we need to make sure the follow through occurs. Don't be complacent here, but I will be trying to add long positions with tighter stops. One oddity is most of the MAGFANT (Facebook, Apple etc) names have not joined the new highs. [\\$SPX](#)



MARKET SUMMARY

Retail went from first last week to worst this week. Energy went from worst to first. Semiconductors were up, slightly less than the indexes. Defensive sectors were clearly lagging. Canada had big moves higher in the energy and marijuana area. US financials outperformed Canadian Financials. Canada's tech sector is led by Shopify which looks ready to pop and closed just above all-time highs on Friday.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XOP	E & P	82.8	70.01	8.85	
XLE	Energy	54.5	42.56	8.24	
XLC	Communications	65.9	71.41	6.77	
XLF	Financials	66.9	30.89	6.70	
XLY	Discretionary	68.1	172.23	6.31	
XLI	Industrials	44.6	88.99	4.98	
XLK	Technology	63.3	135.32	4.96	
XLB	Materials	45.1	73.53	4.09	
SMH	Semiconductors	87.2	235.21	3.80	
IYR	Real Estate	29.7	88.24	3.47	
XLP	Staples	16.0	65.76	2.61	
XLU	Utilities	20.8	63.59	2.32	
XLV	Healthcare	26.1	115.67	0.56	
XRT	Retail	97.4	78.86	-10.40	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTHC	HealthCare	89.99	10.96	
\$SPTEN	Energy	99.22	10.00	
\$SPTTK	Technology	197.25	6.60	
\$SPTCD	Discretionary	240.72	6.04	
\$SPTIN	Industrials	335.94	4.73	
\$TSX	\$TSX	18135.90	4.61	
\$SPTFS	Financials	314.01	3.32	
\$SPTMT	Materials	317.82	2.71	
\$SPTRE	Real Estate	310.39	2.69	
\$SPTTS	Telecom	168.00	2.45	
\$RTCM	Income Trusts	226.96	2.43	
\$SPTCS	Staples	620.55	2.40	
\$SPTUT	Utilities	334.01	1.88	
\$SPTGD	Gold Miners	306.55	0.94	

GLOBAL VIEW

India was terrible last week, only to respond massively with a 9.6% move. China was very timid on its advance, but the rest of the world was soaring. Precious metals were flat after an exuberant start to the week. Liquid energy had a nice surge, and the industrial metals were strong. Lumber made higher highs. Commodities continue to be performing.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$BSE	India	50731.63	9.61	
\$IBEX	Spain	8214.70	5.89	
\$NDX	Nasdaq 100 ----	13603.96	5.25	
\$KOSPI	South Korea	3120.63	4.85	
\$CAC	France	5659.26	4.82	
\$IDDOW	Indonesia	1339.08	4.73	
\$RTSI	Russia	1431.76	4.69	
\$SPX	S&P 500 ----	3886.83	4.65	
\$DAX	Germany	14056.72	4.64	
\$TSX	Canada	18135.90	4.61	
\$BVSP	Brazil	120240.26	4.50	
\$NIKK	Japan	28779.19	4.03	
\$INDU	Dow ----	31148.24	3.89	
\$HSI	Hong Kong	29288.68	3.55	
\$AORD	Australia	7112.90	3.52	
\$MXX	Mexico	44145.70	2.70	
\$GBDOW	London	292.09	1.62	
\$SSEC	Shanghai	3496.33	0.38	

SYMBOL	NAME	CLOSE	% CHG	+/-
HMMJ.TO	Marijuana Stocks	13.70	22.21	
\$NATGAS	Natural Gas	2.86	11.66	
\$WTIC	WTI Crude	56.85	8.91	
\$BRENT	Brent Crude	59.62	8.20	
\$HOIL	Heating Oil	1.71	7.21	
SLX	Steel	46.07	6.57	
\$GASO	Gasoline	1.65	6.22	
\$SUGAR	Sugar	0.16	3.73	
\$LUMBER	Lumber	915.60	3.22	
LIT	Lithium	67.65	3.16	
REMX	Rare Earth Metals	76.40	2.98	
\$COPPER	Copper	3.63	1.97	
SIL	Silver Miners	43.96	0.41	
\$SILVER	Silver	27.02	0.39	
GDJ	Gold Miners	34.61	0.29	
\$SOYB	Soybean	1366.75	-0.24	
\$GOLD	Gold	1813.00	-2.02	
\$COCOA	Cocoa	2472.00	-2.33	

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. [Power Of The Vaccine](#)

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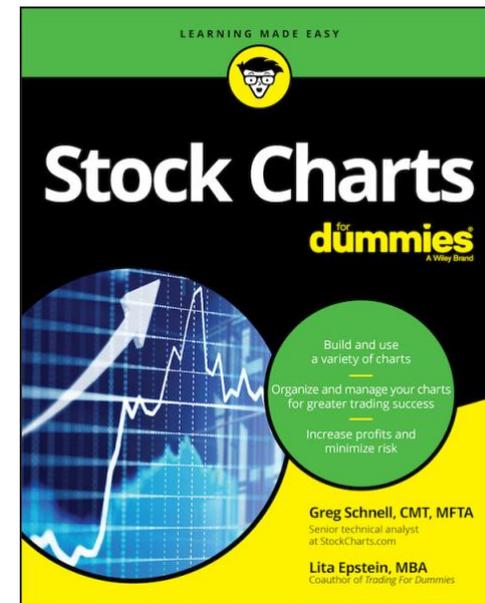
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Good trading,
Greg Schnell, CMT, MFTA.

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.