

THE CANADIAN TECHNICIAN



U.S. Edition

Uptrend Continues

Weekly Market Review
February 13, 2021



WITH
GREG SCHNELL

MARKET COMMENTARY

The market soared through the presidential election, the storming of the capitol, the second impeachment, and the subsequent finalization of that 3-month period. Amazing in hindsight. Since the first day of November, the markets have been very bouyant. The Nasdaq volume, particularly bouyant. Record setting in fact. Again! While the Nasdaq volume and price continues to soar, the \$SPX had it's lowest volume since August, with the Christmas and Thanksgiving period lower * but we see those periods as normally low volume. The current rift between large cap volume and Nasdaq bizarre volumes goes into my analysis as cautionary for the current memes of clean-tech and biotech. We might also find the news media focusing more on the economy, rather than the gamification of stocks here.

You really have to be from Canada to get this one..



The US rollout is going extremely well now, with a 7-day average of 1.66 Million/day (11Million/week). Just to help understand how good that is, the Canadian population is increasingly frustrated, falling to #52 on the world ranking for vaccine rollout. Tim Horton's, the Canadian Coffee company, used to have an annual promotion called "Rol-l-l up the rim to win". The Cdn vaccine rollout is now a joke as the picture suggests. Congrats for the rollout speed in the USA. I think the strong performance of the US vaccine is supplying the continued strength in the markets even at high sales/stock price ratios.

Crude oil made another new 52-week high and energy was the top sector of the week. While I am bullish liquid energy (oil, gas, diesel, natgas) over the near term, I am also bullish over the annual time frame as long as we don't get a new virus strain that roils the world. A dramatic shortage of capital is constraining new drilling as old reservoirs deplete. This will eventually balance (2022?) but currently it looks very supportive of higher prices. So does OPEC throttling production.

Financials had another big week on the back of the move in yields. Broker/dealers soared. The KBE bank ETF is close to new 5 year highs. As the move in yields still has room to move, this might be a nice area to think about as it breaks above recent consolidation.

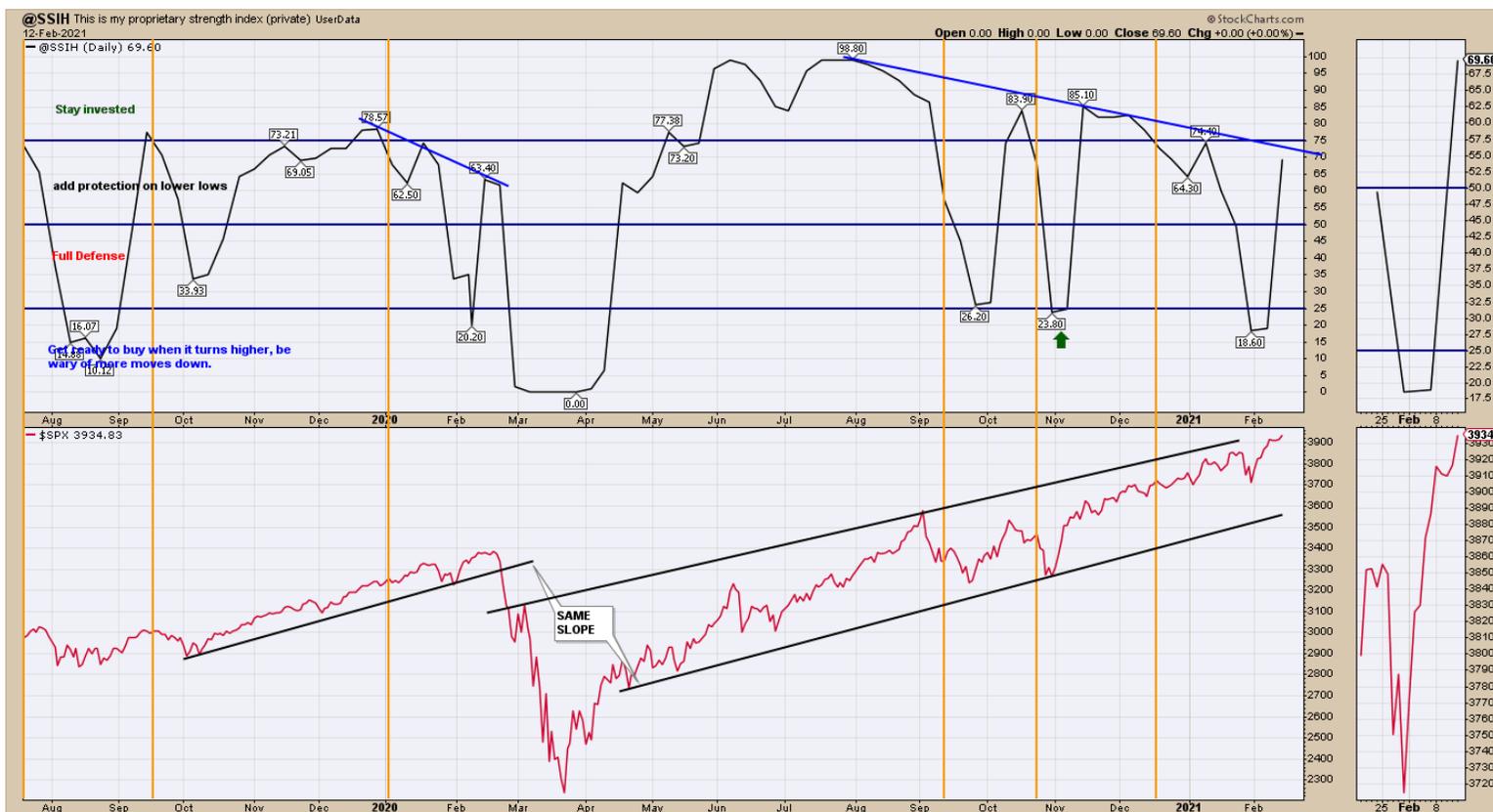
Summary: I continue to like the commodity trades as that matches with the inflation the Fed is trying to create. The backdrop in the USA is bullish, as things are improving. It also sounds like more stimulus is coming. Happily, the political focus will diminish for now.

I spent the Sunday with the family for Valentine's Day. That created a newsletter delay. Let's hit the charts.

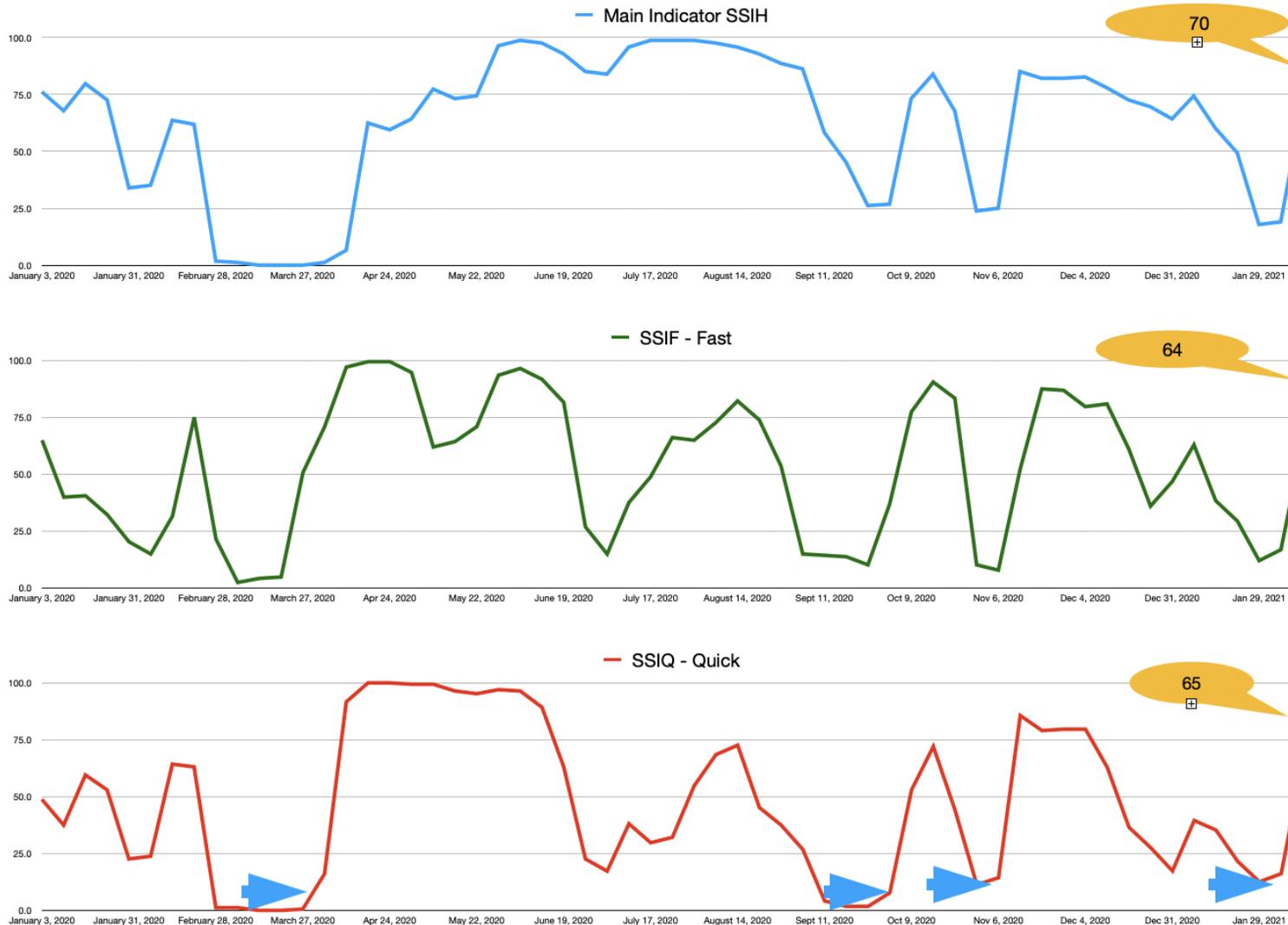
@SSIH - RALLIED NICELY ALL WEEK

The Schnell Strength Index rocketed higher to 70%. It takes a lot to turn it higher, especially from the level of weakness it was at. Could this be the week we finally break the downtrend of lower highs? With the oils, travel, and financials working their way higher, the most shorted areas of the market are now supportive.

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

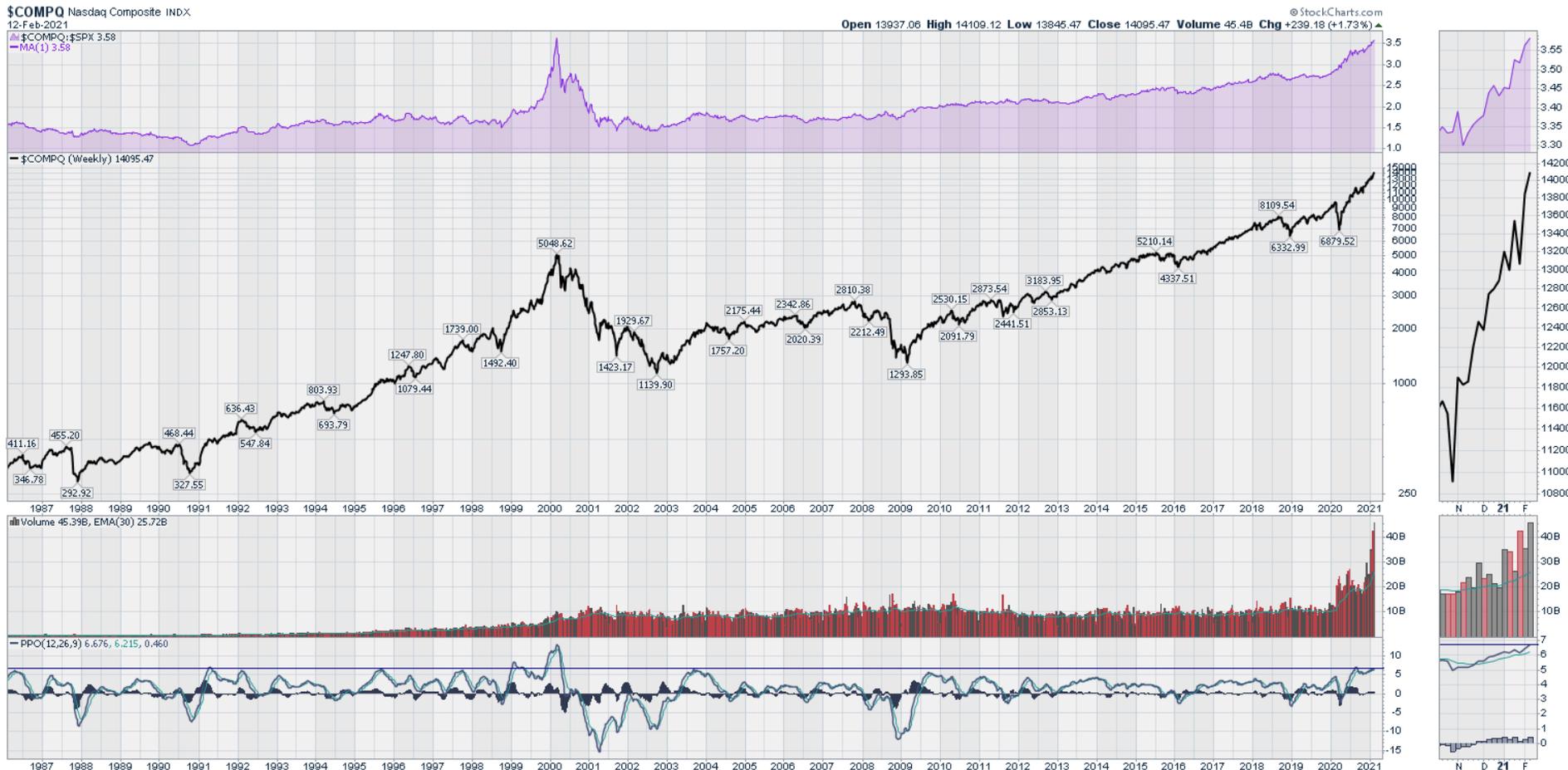


The chart shows the SSIH in the top panel. All three panels are under 25 but all three have turned up.

Backdrop is still improving. I continue to hold positions.

\$COMPQ - MASSIVE VOLUME CONTINUES

The Nasdaq Composite has had surging volume this year as mentioned last week on a daily chart. The volume in January is exceptional. A similar volume surge occurred in 1999 heading into the 2000 top. I set the volume average to 30 weeks. It is averaging a remarkable 25 billion shares. The weekly volume was by far the - moonshot - highest positive volume ever. [\\$COMPQ](#)



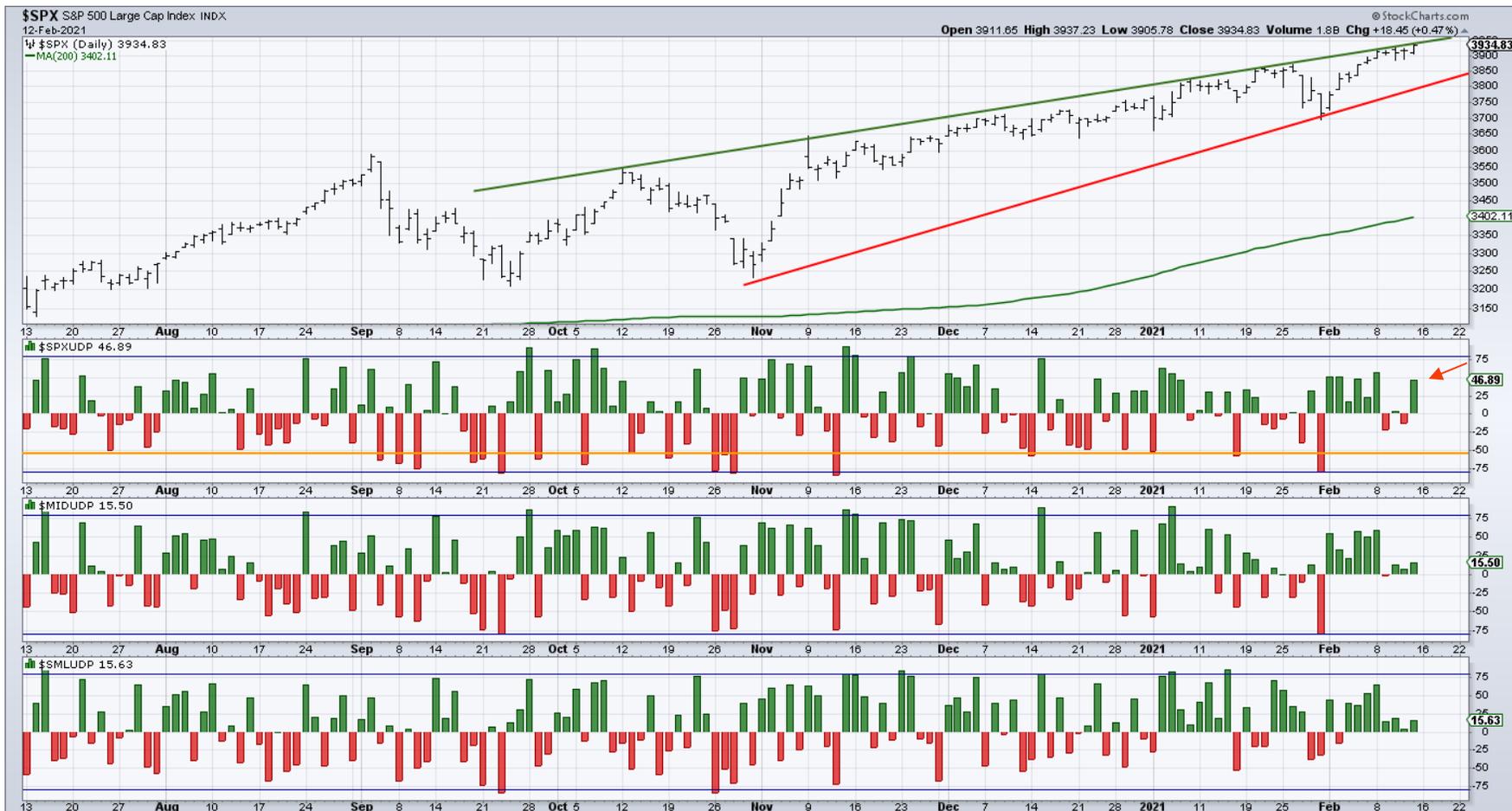
\$SPX - VOLUME PLUMMETING - OPPOSITE THE ABOVE

The chart below shows the daily (not weekly as above) volume plummeting in February. This is the lowest volume since August and there was only one day this low. Low volume or high volume is a warning signal. This divergence in volume is a warning as the focus has moved onto the most speculative names, away from the strength of the S&P 500 names. [\\$SPX](#) Please make sure to read this article regarding the divergence in volume. [The Two Questions I Have Are:](#) The second thing I notice is a rising put/call ratio (\$CPCE) into Friday as the \$SPX goes to new highs. Just odd. Options expiration is next Friday, torquing an awkward moment.



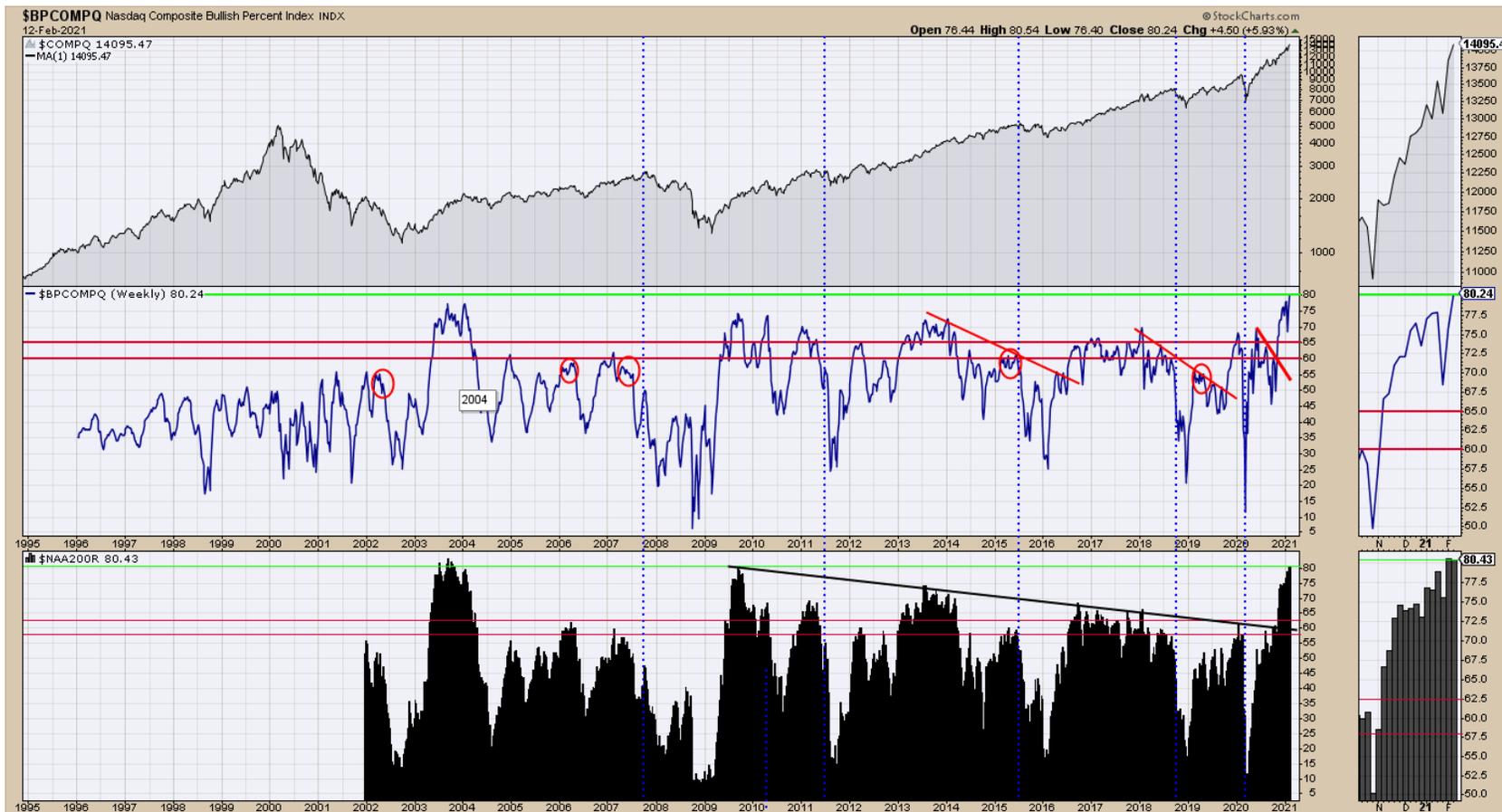
\$SUPUDP - ADVANCE/DECLINE PERCENTAGE

The last two weeks have seen similar price and a/d action but Friday the \$SPX surged for advance/decline but not the mid and small cap. Perhaps a change in the wild card status of the market from the surging Nasdaq volume but not the \$SPX. [\\$SUPADP](#). The SUPUDP is for the S&P 500 with the red arrow.



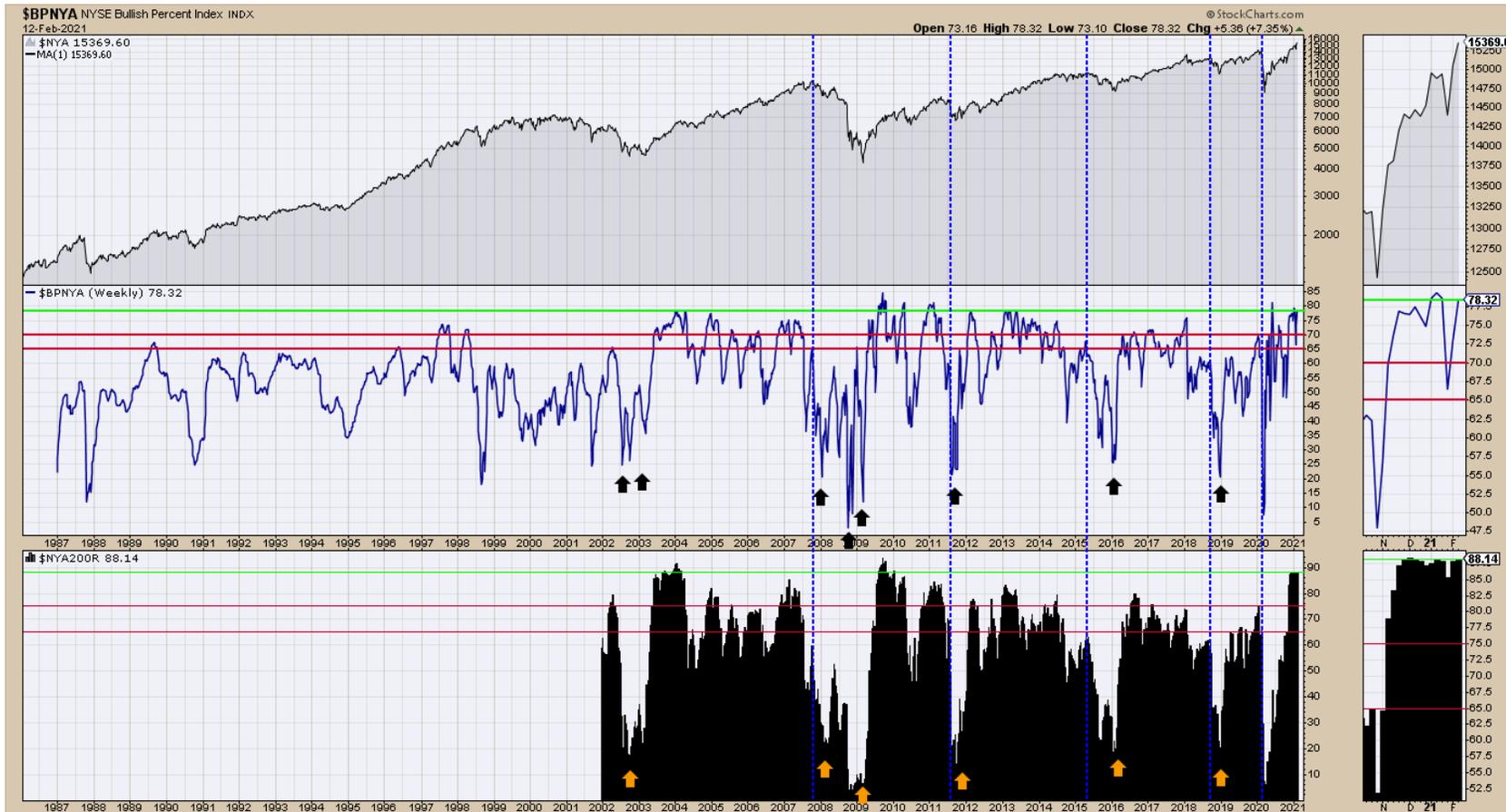
\$BPCOMPQ - HIGHEST LEVEL EVER

The [bullish percent index for the Nasdaq composite](#) reached the highest level since StockCharts first started recording it. We are higher than the euphoric stock peak in 2000, in 2003 bouncing off the lows, in 2009 on the resurgence, 2013 -2014 during the unlimited Quantitative Easing, and above all peaks in the last five years of government stimulus. This chart below suggests big freakin' bull market for a while. What I can't understand is the irrational volume above which matches 2000.



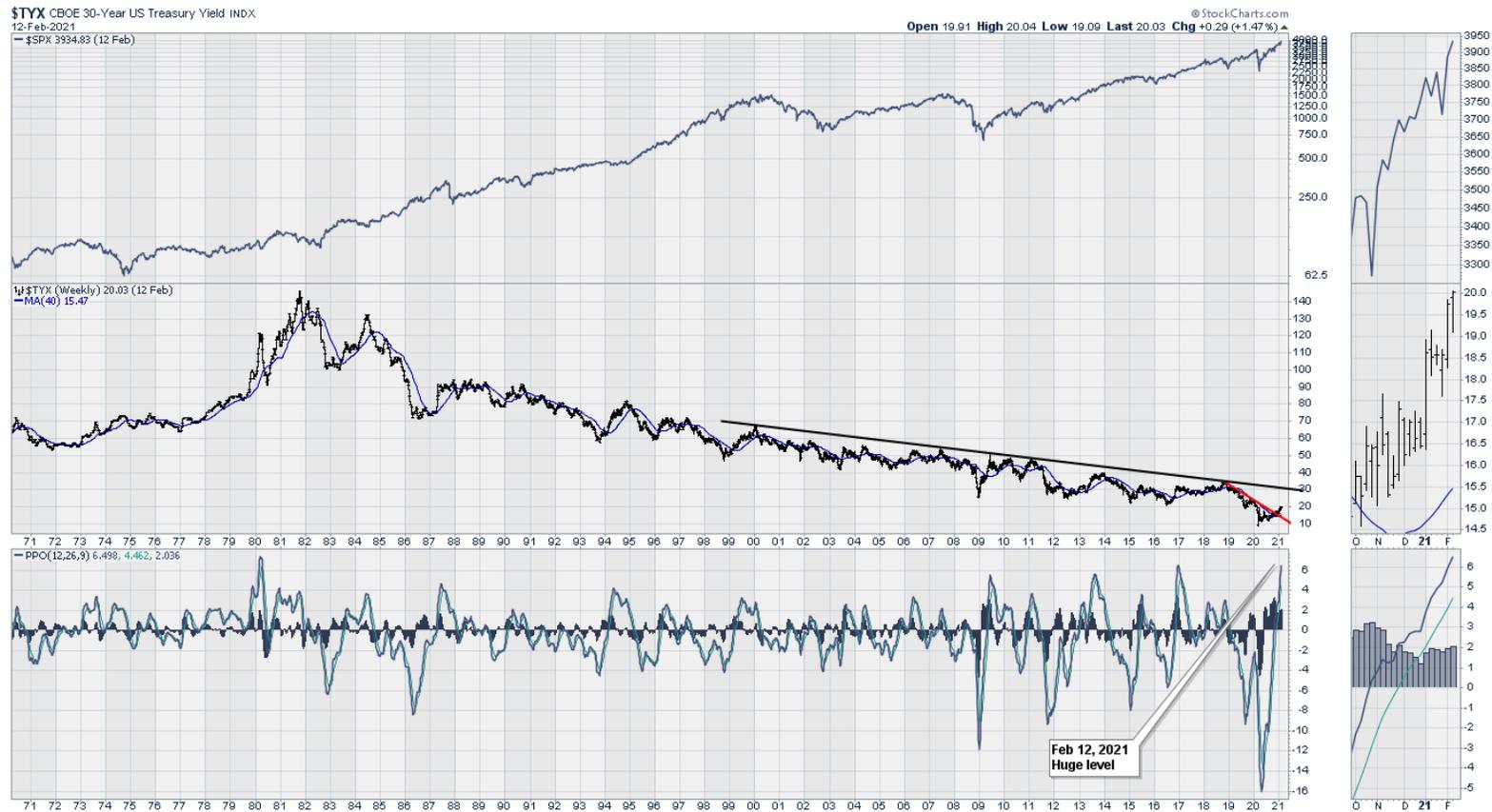
\$BPNYA - NEW YORK COMPOSITE

The bullish percent index for the other major market - the NYSE - is also extremely bullish. The push for higher markets continues. It is at one of the highest levels ever in 35 years. I see no reason to not be bullish when I look at both the middle and bottom panel. A flood of liquidity by central banks worldwide, just assume the hysteria can continue. The highest prices ever to higher prices. When my data points so strongly one way, experience tells me to expect the unexpected. So I am invested, with caution signals.



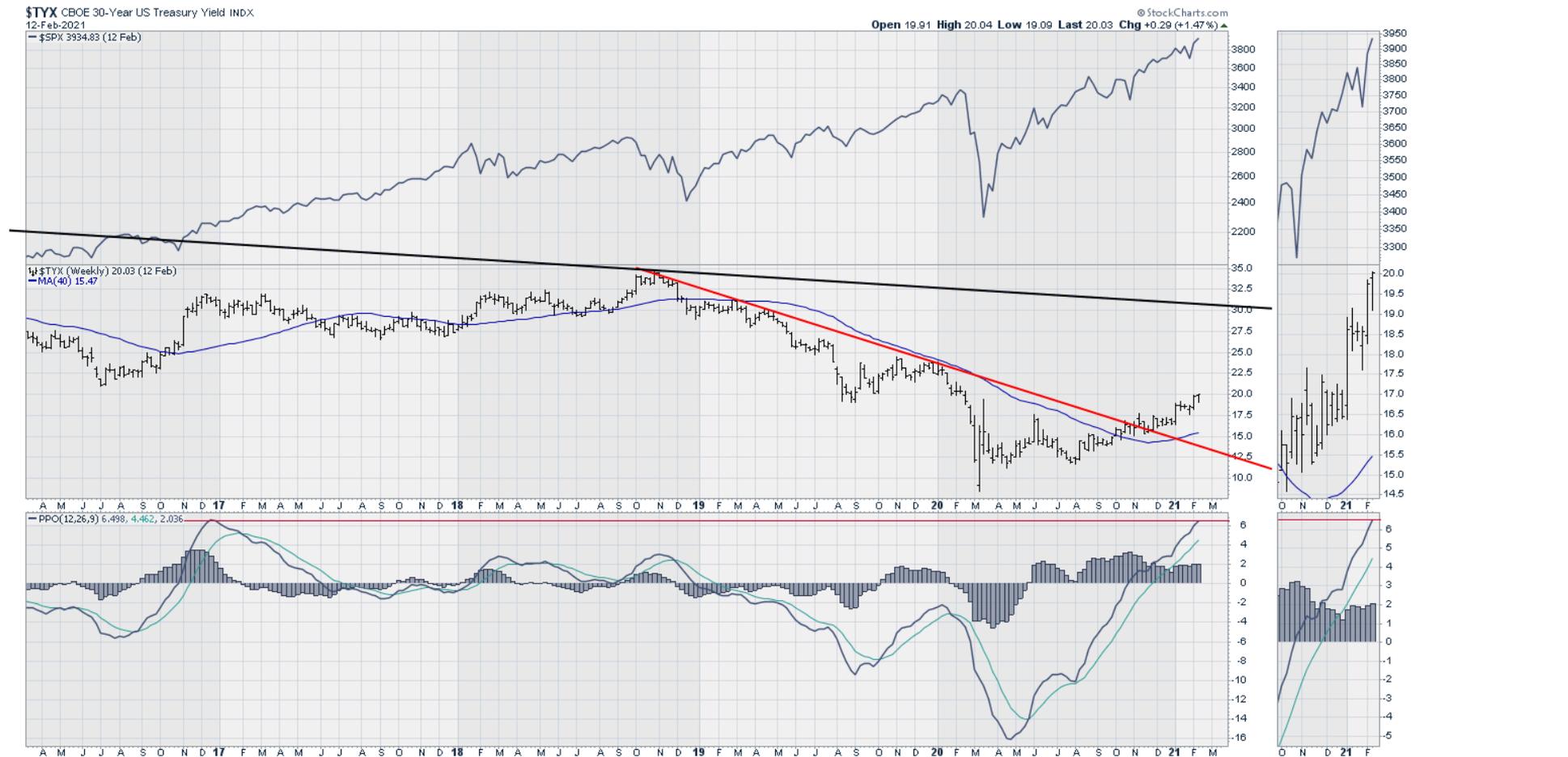
\$TYX WEEKLY - THIRTY YEAR YIELDS

The 30-year bond yields shown in the middle panel reached 2% for the first time since the pandemic. My guess for the level the Fed and the government will be focused around is the 3.0% level. [\\$TYX](#) When yields rise too fast it can be a problem. What the PPO shows is that this is some of the biggest momentum we have seen in the last 50 years. We have seen it twice before in 1980 & 2017. As the interest rate gets smaller, a 10% change occurs more often. The real awe is from how deeply negative the momentum was in March 2020 to the level of positivity currently seen; has never been seen before. The interest rate has doubled in just under a year.



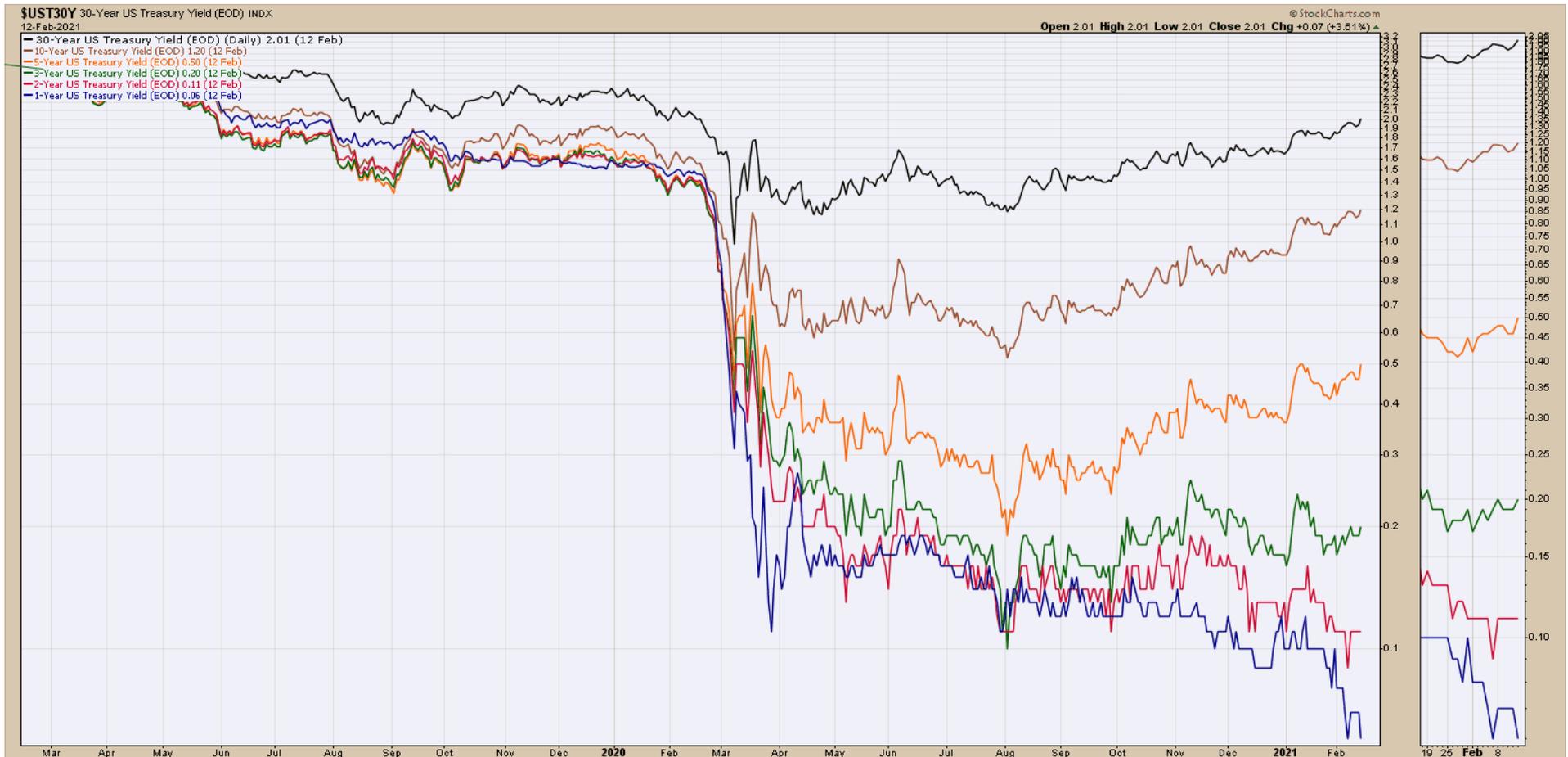
\$TYX - 30 YEAR YIELD - LAST FIVE YEARS

Zooming in, 1% yield was briefly hit in March, and the Fed moved swiftly to stop the slide. The base was around 12 or 1.2%. A double off the 1.2% level is 2.4% and that is where the trend line was tested to start 2020. This current move still seems well motivated so I'm expecting to see the 'shelf level' at 2.4% from 2019 for an area of consolidation. Moves 'too far, too fast' don't end well. [\\$TYX](#).



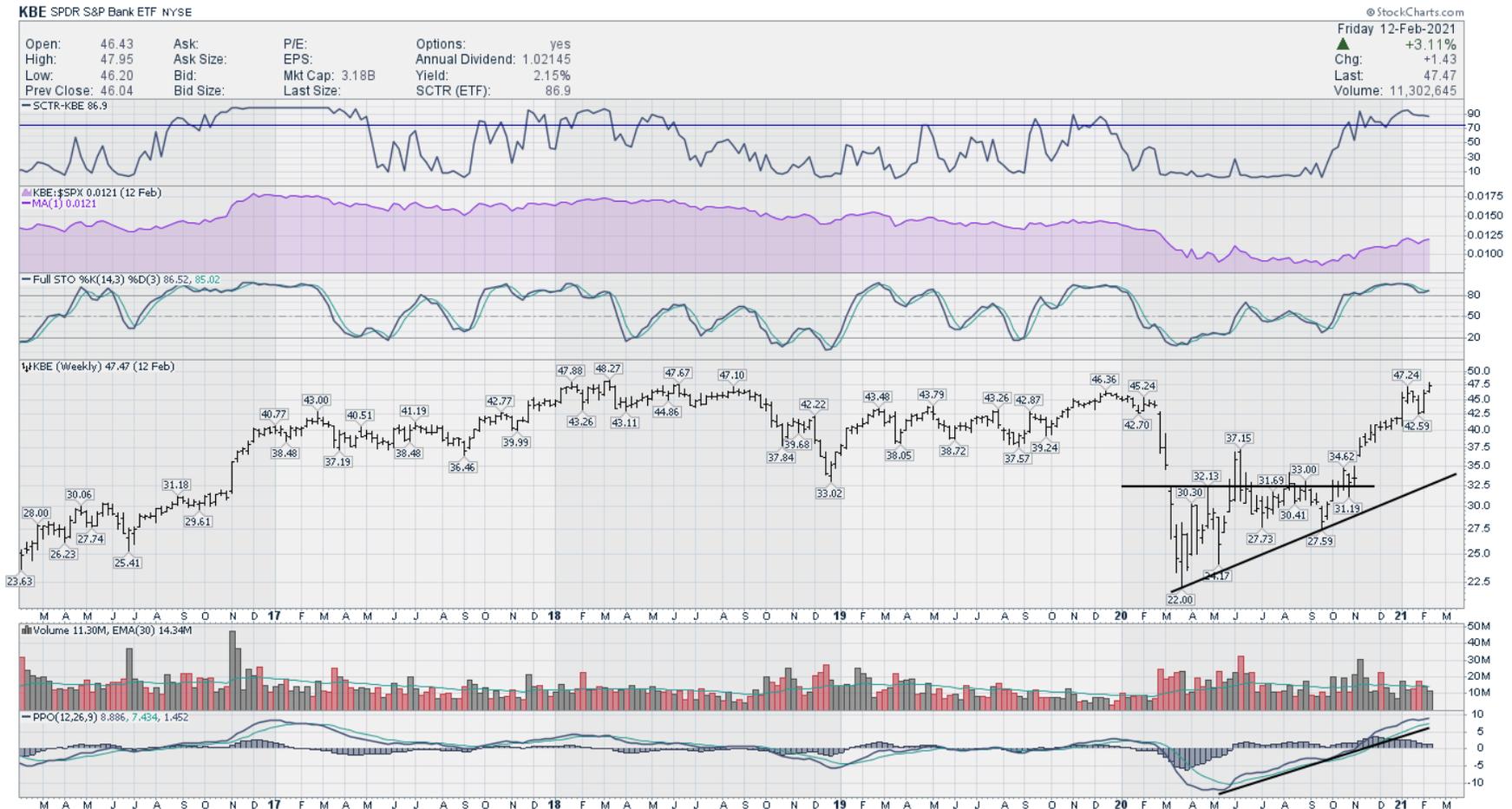
BOND YIELD SPREADS CONTINUE TO WIDEN

The spread between the short end (2Y) and the long end (30Y) continues to widen. This helps banks in a big way as this spread is how they make money. It continues to point to a good backdrop for owning financials like dividend paying banks. [Yield spreads](#).



KBE - BANK ETF

The Banks ETF **KBE** closed above the recent consolidation and at multi-year highs. This could generate another nice push up in bank stocks. It is not too much farther to get to 5-year breakouts which would be all-time highs. On the video I showed broker/dealers which are a leading indicator, and they are flying. [Broker/dealer chart](#).



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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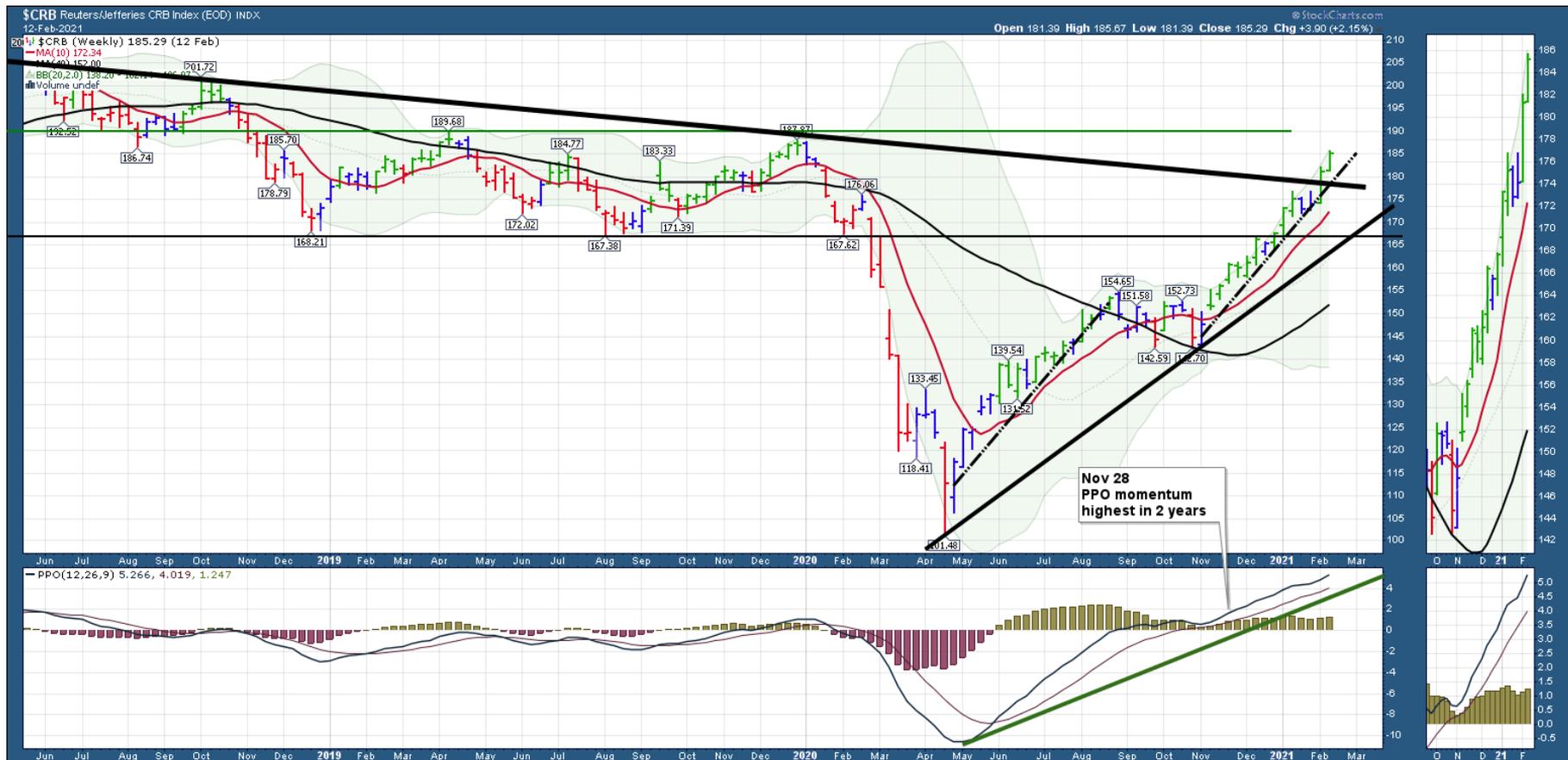
Getting Vaccines Rolled Out = Job 1

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



\$CRB - BREAKING THE THREE-YEAR DOWNTREND

The Commodities Research Bureau index continued to push higher this week. On the black dotted lines, we now have two equal moves higher. This chart is busy with trendlines, previous ranges, and moving averages as we break through various prior levels. Both moving averages are pointing higher and the PPO continues to show strength. Oil is above \$60 as I write this. Remember back in November, with crude at \$34 and we were looking for higher prices? [\\$CRB](#)



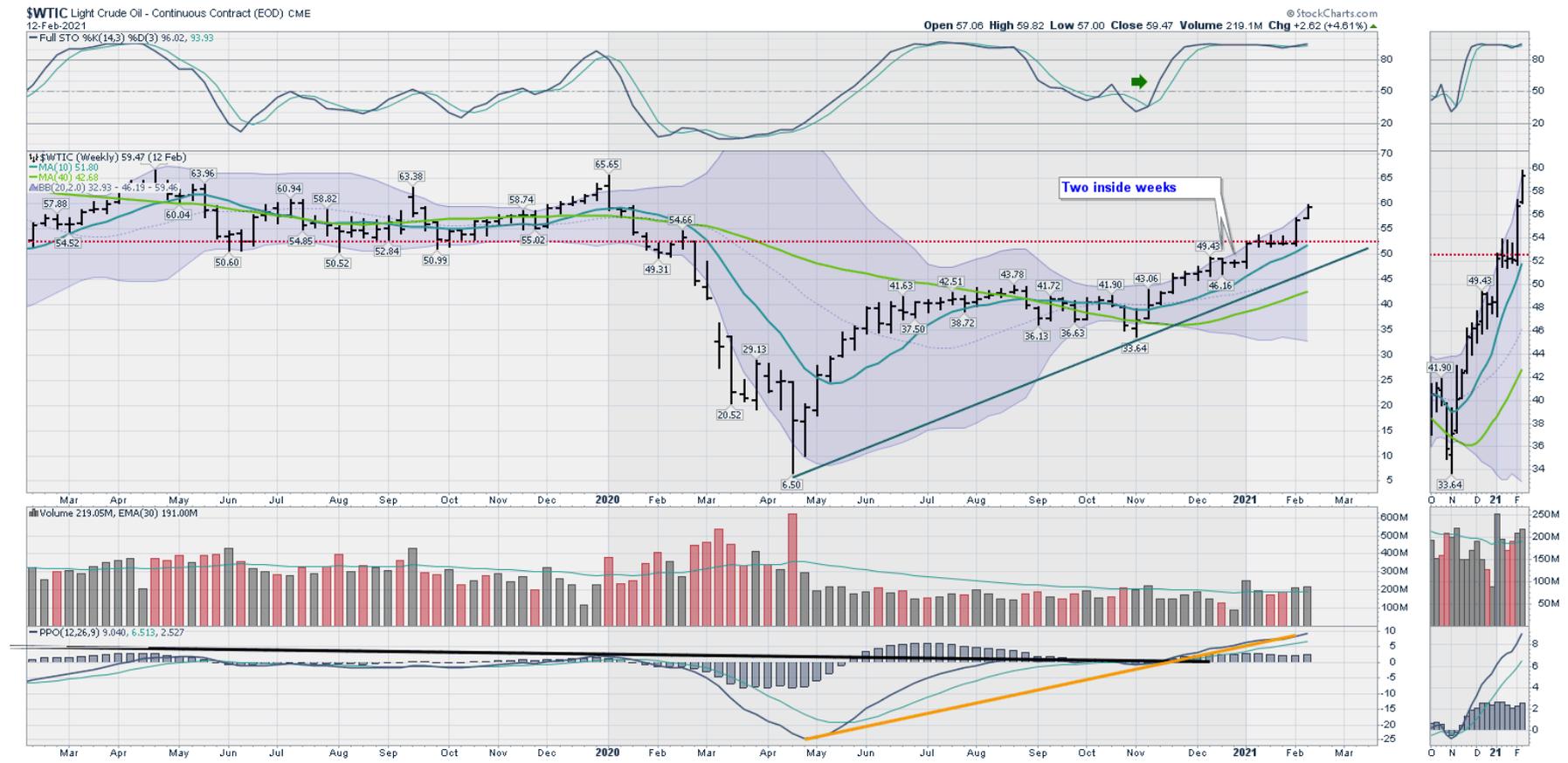
\$NATGAS

The cold weather enveloping North America is causing the price of Natural Gas to surge but only in certain regions. The Henry Hub is reflected below, and it was only marginally higher. Some states saw prices over \$300; some saw prices over \$600. It is cold where I am, *but it is the end of the cold spell here*. Fort St. John is 10 hours north (-6 F) closer to the Arctic, and its warmer than further south (Calgary) -11 F. [\\$NATGAS](#). It will probably take another week to clear out all the cold air, but we are expecting snow melting on Friday! Yahoo! The entire complex of crude oil, gasoline, diesel, and natural gas have been moving higher.



\$WTIC - BIG WEEK TO 52 WEEK HIGHS

I know my bias shows. Oil had a huge week, as crude closed near \$60. 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 1/2 of 2018-2019 levels. [\\$WTIC](#) Many governments increased taxation on gasoline at the bottom, so it's going to look pricey rising up. The local radio DJ was already talking about how expensive gas is, and we are not even up to 2020's highest crude prices (\$65). Look at your government for the price increases, not the oil companies! Investors continue to cheer as XOM announces less investment.

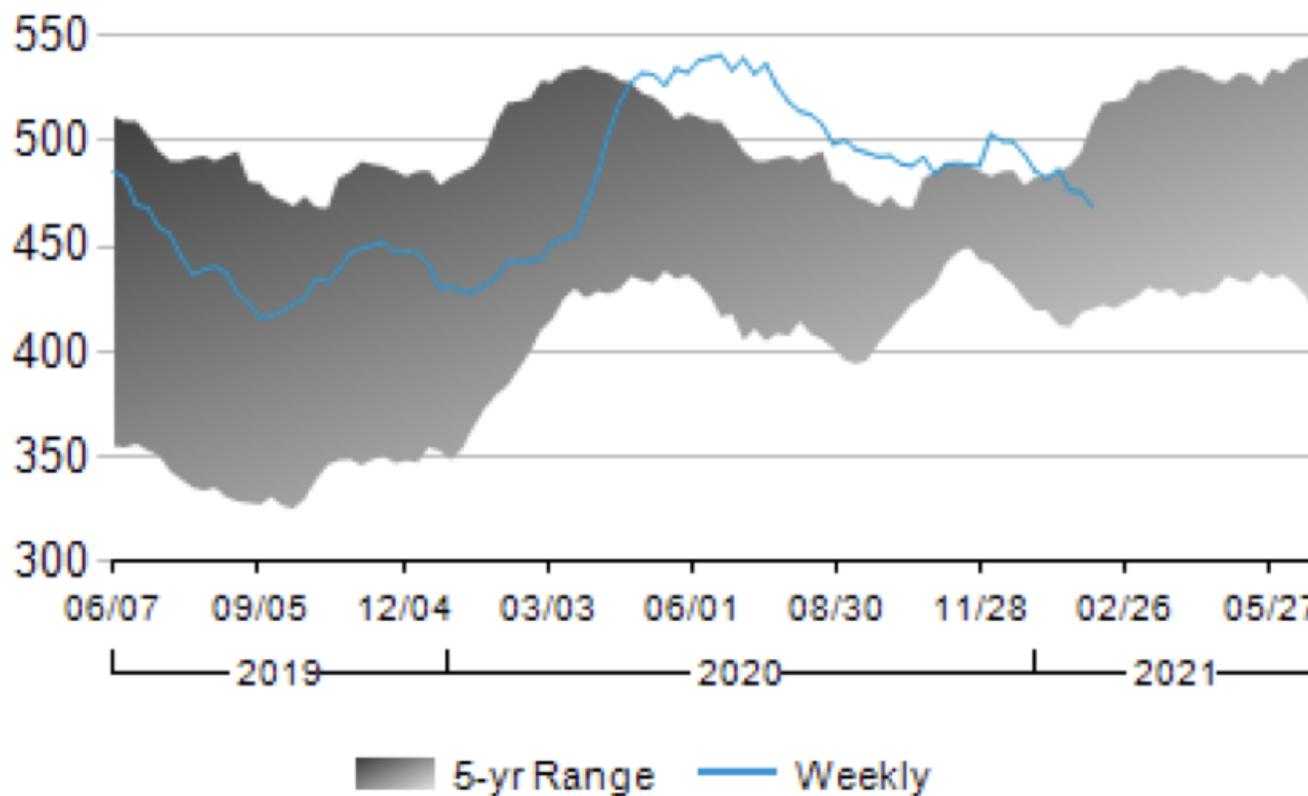


EIA - OIL INVENTORIES

The crude oil inventory levels continue to fall. The blue line is the current level, and the shaded area is the 5-year average. As drilling is very slow to pick up as oil companies repair their bombed-out balance sheets from the losses of 2020, this should continue to drop to the low side even though we have pandemic lockdowns affecting demand rolling through North America.

U.S. Crude Oil Stocks

Million Barrels



Globally, inventories are plunging as well. I don't know at what price level the KSA (kingdom of Saudi Arabia) will turn on additional volume, but so far, the global inventory management at OPEC is successfully firming up prices. With the oil majors planning reduced drilling and very few major projects (\$20 Billion+) planned, this could become the conversation for the next few years. [EIA](#). Two of the five oil regions in the US are already at 5-year lows for inventory.

[Video link- Reflections 2020 From December](#)

Graph source: EIA

GASOLINE AND DIESEL

Gasoline and Diesel continue to move higher. This liquid energy pair are just starting new 52-week highs. It's prudent to realize that we still need energy to survive and expecting the continued shorting of the liquid energy sector as a good thing is probably a poor if not outright bad bet here. Cramer said "the US uses 'just in time', China uses 'just in case'" as their planning mechanism. He was referring to semiconductor chips, but I think like so many others, we may be blinded by the dangers of short supply in the energy space. To my knowledge, Jim Cramer doesn't see the near-term risks, but the severe lack of investment has dire consequences for basic costs of living until the electrical grid is dramatically built out. *Already, many states had to do rolling blackouts after just one week of cold weather.*



On November 10th, Cramer suggested you could start shorting oil again tomorrow after the one-day surge. See chart. I point that out as he is smart, hard working and well studied, but most people have been downtrodden on liquid energy for so long, they might clearly come to see how much we need it. As oil rolls through \$60 and the inventories continue to drop, this isn't over.

MARKET SUMMARY

Semiconductors were up huge after an average week last week. I do expect that to continue. Energy continues to be a sector leader, but volatile. It was the best sector Monday, worst Tuesday, best Wednesday, worst Thursday and best Friday. Yikes. US financials outperformed Canadian Financials which might be a clue to the successes of the vaccine rollout in each country. Canada is currently 54th in the world ranking with little vaccine expected soon. #NotHappy. Canada's tech sector is led by Shopify (up almost 32% this month!). The defensives were at the bottom on both sides, suggesting more risk appetite.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
SMH	Semiconductors	94.4	254.56	8.23	
XOP	E & P	87.5	75.63	8.03	
XLE	Energy	58.9	44.67	4.96	
XLK	Technology	67.0	138.59	2.42	
XLC	Communications	69.3	73.00	2.23	
XLF	Financials	64.9	31.52	2.04	
XLI	Industrials	38.5	90.30	1.47	
IYR	Real Estate	33.3	89.54	1.47	
XRT	Retail	95.6	80.01	1.46	
XLV	Healthcare	27.9	117.28	1.39	
XLB	Materials	41.0	74.34	1.10	
XLP	Staples	13.5	65.69	-0.11	
XLY	Discretionary	46.9	170.32	-1.11	
XLU	Utilities	14.0	62.62	-1.53	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTEN	Energy	104.44	5.26	
\$SPTTK	Technology	202.98	2.90	
\$TSX	\$TSX	18460.21	1.79	
\$SPTIN	Industrials	340.82	1.45	
\$SPTFS	Financials	318.22	1.34	
\$SPTCS	Staples	627.31	1.09	
\$SPTRE	Real Estate	313.55	1.02	
\$SPTHC	HealthCare	90.73	0.82	
\$SPTMT	Materials	319.84	0.64	
\$SPTCD	Discretionary	240.23	-0.20	
\$SPTTS	Telecom	167.17	-0.49	
\$SPTGD	Gold Miners	303.85	-0.88	
\$RTCM	Income Trusts	224.44	-1.11	
\$SPTUT	Utilities	328.21	-1.74	

GLOBAL VIEW

Asia continues to do well on the weekly rankings. Canada moved up on the back of oil and industrial metals. The USA was middle of the pack, but still a strong week. Another good week from India. Precious metals were flat again. Liquid energy had a nice surge as discussed, and the industrial metals were strong. Lumber made higher highs. Commodities continue to be performing.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SSEC	Shanghai	3655.09	3.92	
\$HSI	Hong Kong	30173.57	3.64	
\$NIKK	Japan	29520.07	2.57	
\$RTSI	Russia	1461.99	2.11	
\$TSX	Canada	18460.21	1.79	
\$BSE	India	51544.30	1.60	
\$NDX	Nasdaq 100 ----	13807.70	1.50	
\$GBDOW	London	296.00	1.34	
\$SPX	S&P 500 ----	3934.83	1.23	
\$INDU	Dow ----	31458.40	1.00	
\$CAC	France	5703.67	0.78	
\$MXX	Mexico	44202.52	0.13	
\$IDDOW	Indonesia	1340.29	0.09	
\$DAX	Germany	14049.89	-0.05	
\$AORD	Australia	7081.30	-0.44	
\$BVSP	Brazil	119428.72	-0.67	
\$KOSPI	South Korea	3100.58	-0.93	
\$IBEX	Spain	8055.00	-1.94	

SYMBOL	NAME	CLOSE	% CHG	+/-
REMX	Rare Earth Metals	84.87	11.09	
\$GASO	Gasoline	1.81	9.98	
\$LUMBER	Lumber	982.10	7.26	
LIT	Lithium	71.69	5.97	
\$BRENT	Brent Crude	62.43	4.71	
\$WTIC	WTI Crude	59.47	4.61	
\$COPPER	Copper	3.79	4.47	
\$HOIL	Heating Oil	1.77	3.37	
SLX	Steel	47.57	3.26	
HMMJ.TO	Marijuana Stocks	14.13	3.14	
\$NATGAS	Natural Gas	2.91	1.71	
\$SILVER	Silver	27.33	1.14	
SIL	Silver Miners	44.23	0.61	
\$GOLD	Gold	1823.20	0.56	
GDX	Gold Miners	34.78	0.49	
\$SOYB	Soybean	1372.00	0.38	
\$COCOA	Cocoa	2433.00	-1.58	
\$SUGAR	Sugar	0.16	-4.75	

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. [Uptrend Continues](#)

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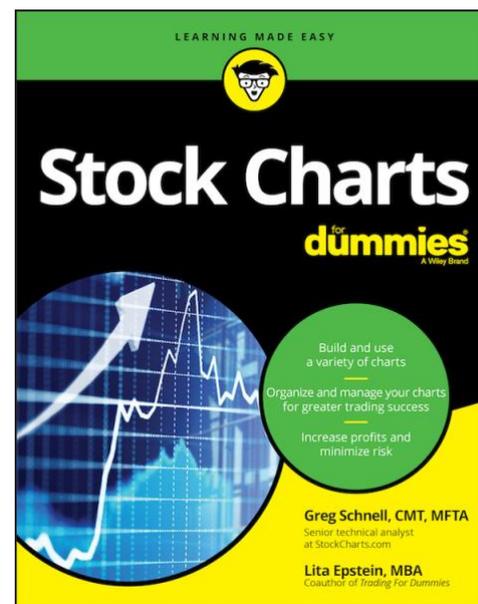
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Good trading,
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GREGSCHNELL.COM

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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.