

THE
**CANADIAN
TECHNICIAN**



U.S. Edition

Storm Warning

Weekly Market Review
April 30, 2021



WITH
GREG SCHNELL

MARKET COMMENTARY

The S&P 500 made higher closes again this week but closed unchanged Friday to Friday. All of the indexes are poised to break out higher, and the basic breadth charts suggest that is probably what comes next. My strength indexes are at odds with those basic A/D lines and are meaningfully declining. The Nasdaq A/D looks weaker, but nothing is broken on those traditional metrics.



Globally, the markets were down a little more than 1%, but it is the second week of that drift lower. Commodity countries like Russia and Brazil were lower by about 2%, whereas Canada and Australia were flat on the week.

Commodities had an up week, as industrial metals were up nicely. I was highlighting this last week. However, there is a good saying that matches what happened this week. “Expect the expected”. The problem is I expected the miners to move in sympathy with the metals but instead they reversed lower rather than breaking out. When the expected doesn’t happen, that is worth noting. For me, the strong bounce in the dollar, more global weakness, a failure on the Shanghai to follow through, Sweden making four-week lows, the US markets unable to rally on significant, remarkable large cap tech earnings, the EV trades from last week all failing, miners rolling over, were all adding a smoky, stormy haze to the

clarity I had last week. Some of the EV trades rallied Friday but none closed above the levels pointed out last week. Commodities have typically rallied in the weekend with a declining dollar, but Friday’s dollar jump changed all that.

Summary: I closed my industrial metal trades now that the copper miners to copper ratio uptrend has been broken. I hold a large number of oil trades. They are still profitable, but I’ll have to check my oil ego at the door if the overall market starts to pull back and these stocks start to dump. With big tech not able to rally the indexes, what will carry us higher?

Let's hit the charts.

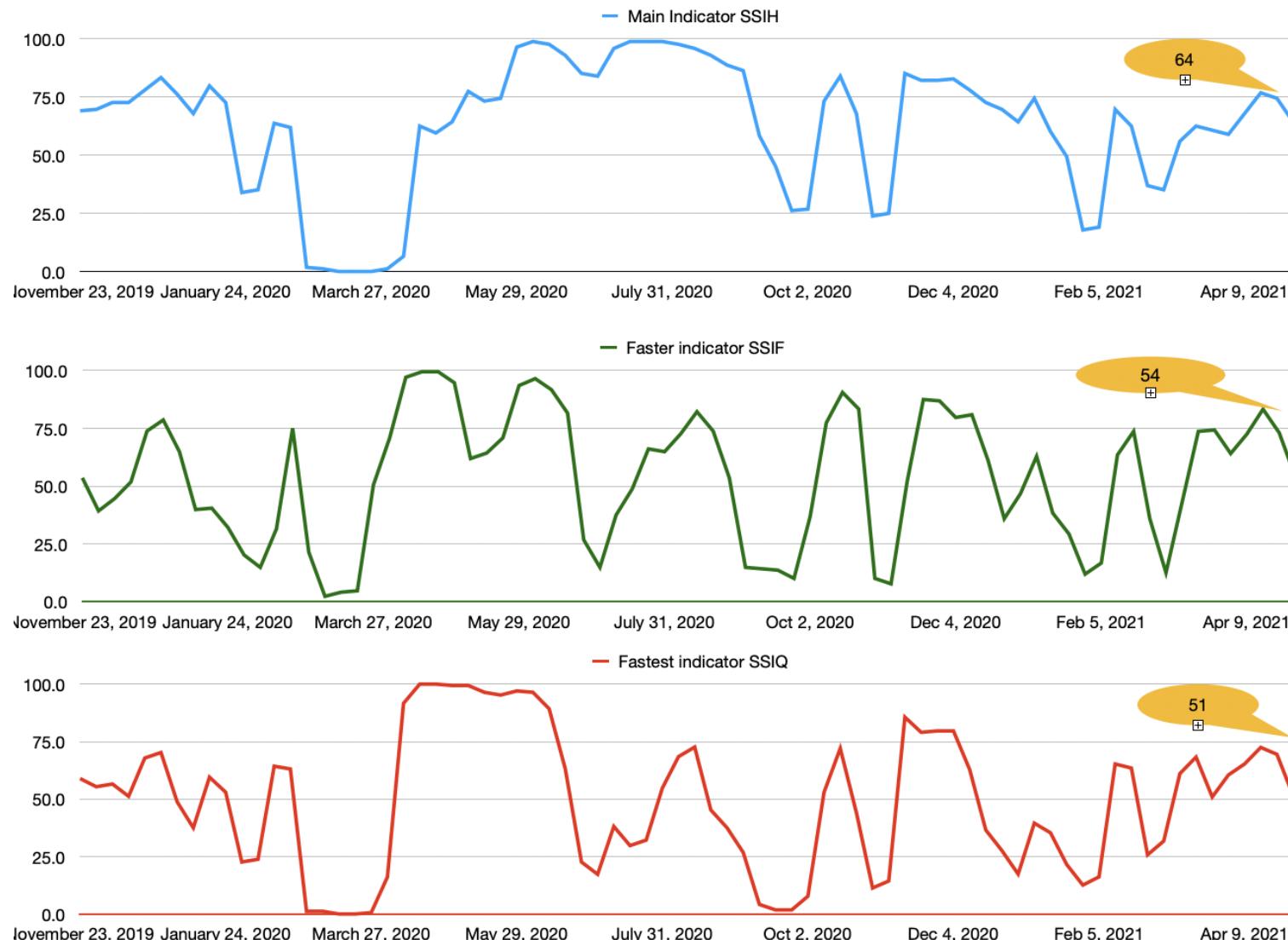
@SSIH - FALLS 10%

The Schnell Strength Index closed down 10% to 64%. It continued to show resilience last week but softened this week, mostly on Friday. In the zoom panel it is starting to make lower highs and lows. Notice the similarity to January 2020. I am not expecting a 2020 downdraft.

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. The indicator is softening below 75% and now only 2/3 of the charts are still improving. While that sounds pretty good, the faster indicators are moving down quickly with only 50% improving.

The SSIF is down this week at the 54% mark. Down 20% this week! Definitely weakening as it makes a lower low.

The SSIQ is close to making a lower low.

The stock market indexes are stagnating as we go through earnings. Normally that's ok, but we are selling off as they report each company, suggesting profit taking.

MAY MONTHLY CONFERENCE CALL

Dwight and I will host [The May conference call](#) on Sunday May 2, at 5 PM EDT. Passcode = Rally



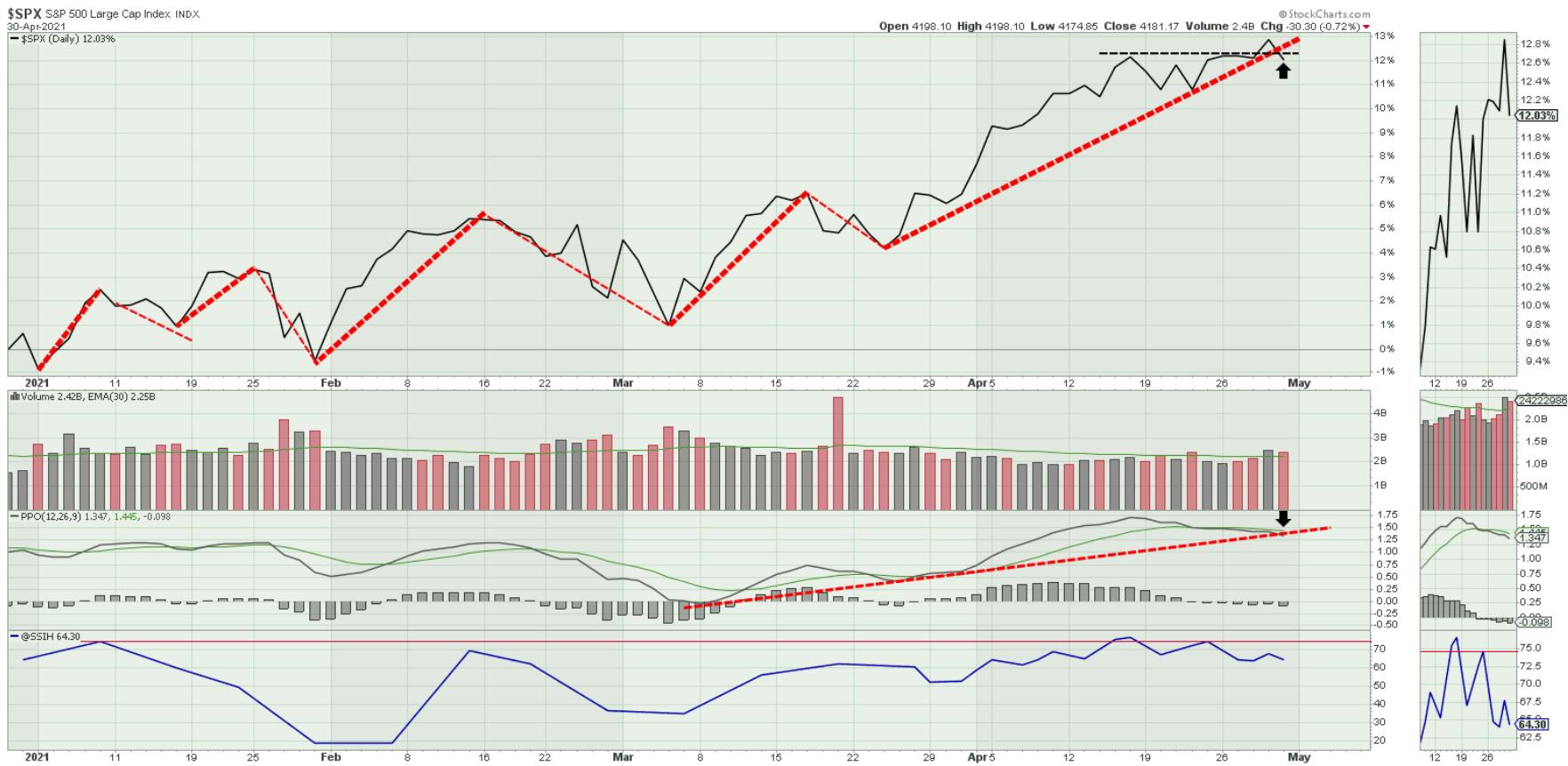
Commodities Break A Major Trend

May Monthly Conference Call
May 2, 2021 at 5 PM ET



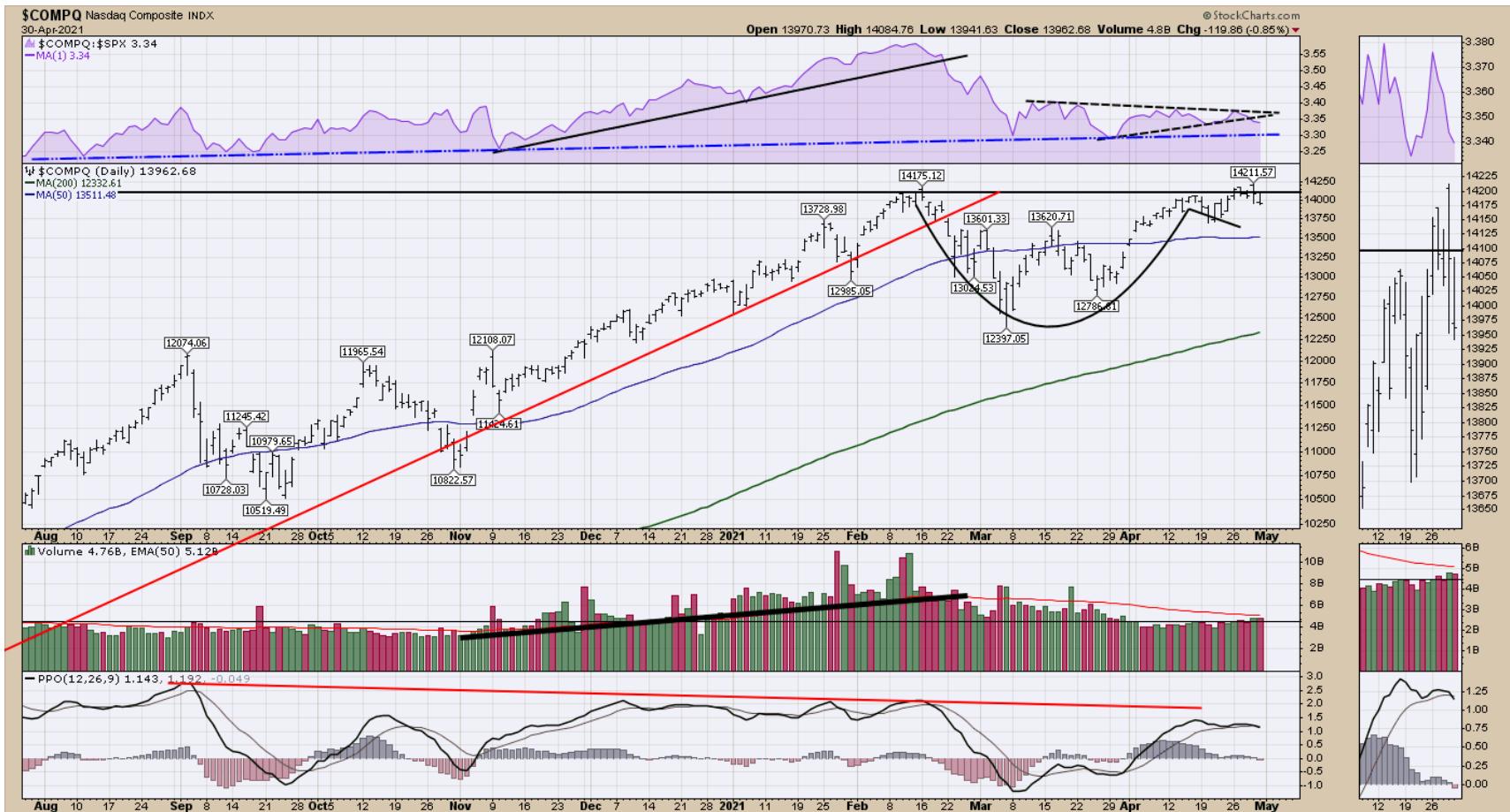
\$SPX - ANOTHER WEEKLY CLOSE NEAR NEW HIGHS

The year-to-date line chart of the S&P 500 shows the index closing near all-time highs. It did break the uptrend line and did not turn up after the PPO sell signal last week. All the standard breadth indicators are still positive except my SSI indicators. The market consolidated some of the steep gains over the last month. Large cap tech reported, and we had a Fed meeting. The highest close was on Fed day. The market did not rally after awesome big tech earnings which is a surprise to me because the beats were so big. Apple's quarter revs *beat expectations by \$12 BILLION*, & was larger than the annual revenue of 2/3 of the companies in the [\\$SPX](#).



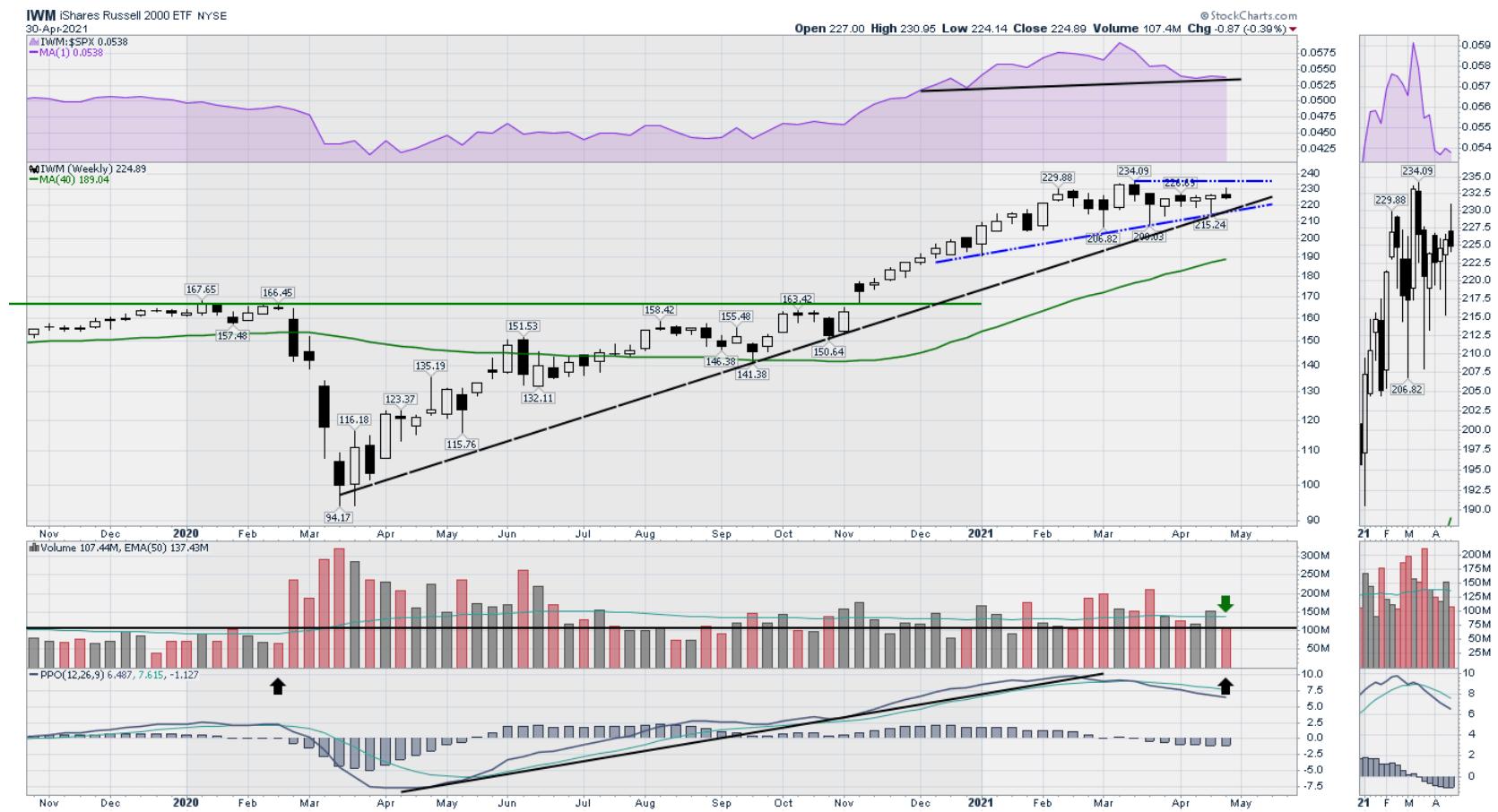
\$NDX - NASDAQ 100 DAILY CHART

The [\\$COMPQ](#) tried to push higher on earnings. We continue to test prior highs and I'm watching price action, but it stalled so far. The PPO is getting close to the downtrend line in momentum and kicked off a sell signal. It appears to be a cup with handle setup on the price chart. This is typically a very bullish formation. With the big guns reporting, I expected a clean breakout. I was wrong so far. The price action Wednesday, Thursday, Friday was poor.



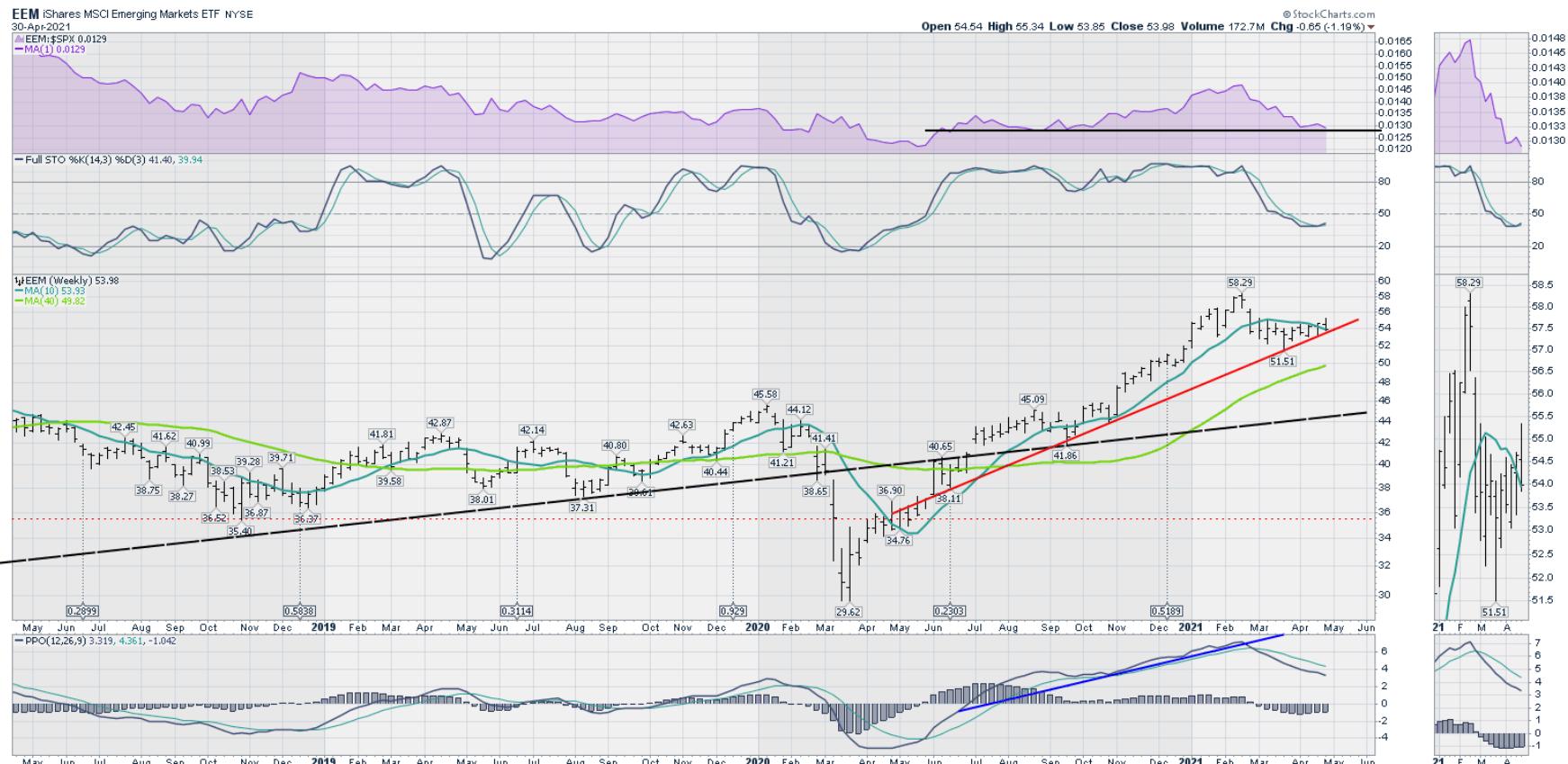
IWM - TRACKING THE RUSSELL 2000 SMALL CAPS

IWM Last week I mentioned one of the distinct candle patterns are the buying tails on the lower half of the price candles since February. As price pushes down mid-week, buyers show up to push it higher by the end of the week, leaving a buying tail underneath. The opposite would be ‘selling’ wicks on the top. Notice there ~~are~~ were none! In January/February 2020 we ran out of upside momentum. The chart is very similar here. With my new thoughts on miners weakening, this could be ready to break lower.



EEM - EMERGING MARKETS ETF

The emerging markets ETF is one that I typically associate with moves in commodities. The real problem here is the close at 6-week highs and above the 10 WMA last week failed and reversed to close at the bottom of the price bar this week. While it is still in the range for March/April, that was a resounding rejection. It sits right on the trend line and the 10-WMA as of Friday. This chart stopped out-performing in relative strength (purple) at the February Nasdaq highs and hasn't been able to gain momentum again. A break in the trend line and this could move suddenly lower marking a meaningful trend change related to commodities. [EEM](#)



\$SSEC - SHANGHAI

The China chart shows a giant base with the 2021 breakout failing in March. The support of the uptrend line held and now we sit at the apex of the two lines. This week we tested both sides of the range. We made a new 7-week high and immediately reversed a breakout above the 'tariff' base again. China is a major consumer of commodities with large manufacturing industries. A renewed uptrend in these three charts (IWM, EMM, \$SSEC) hints at more commodity demand and probably higher commodity company stocks. This week was not good news on any of the charts. It's also the mining charts I am starting to worry about. [\\$SSEC](#)



\$CRB - COMMODITY RESEARCH BUREAU INDEX

The surge in industrial metals continued this week as copper made higher highs. Oil continued to hold in the low 60's. Commodities including natural gas, lumber, corn, soybean, wheat, all moved higher. The month of May brings the big downtrend in the CRB into focus. Can commodities break through or do we have to stall here and build some energy for the breakthrough? Look on the US dollar red down trends: when the down trend breaks, it's been a real signal that the dollar is going the other way until now... We did break the 10-year uptrend on the USD in 2020, so perhaps commodities can break the 10-year big downtrend in 2021. [\\$CRB](#)



\$USD - US DOLLAR

US Dollar. The US dollar made a hard reversal up this week. It bounced off of the 2021 trend line. Did we just see the low and now we surge higher (zoom panel)? Did the Fed impact this? If this is an intermediate low and the dollar PPO races above zero, this could be a rapid move up. Conversely, if it is like 2017, a sudden drop in the dollar will give commodities a real chance to surge here. Like the final scene in American Graffiti, is this the move that crashes or accelerates to victory? Nail biter! Also, with King MB Salman of Saudi, I do not expect a 2014 oil price drop. Pretty much a knife edger as to which way this goes, with big effects on industries.



COMMODITIES TRY TO TURN UP

The charts of different commodity related ETF's all rolled back over this week. Only Lithium in powder blue was flat. Wind and solar (bottom two), had difficult weeks. The lower lows and lower highs on the black XOP at the top are not comforting. There are a lot of trend lines from the recent uptrends that could snap this week. Be cautious of how these could move down quickly. [Metals Chart](#).



\$COPPER - HIGHER CLOSING HIGH

Copper made a run towards the all-time highs at \$4.58. \$4.55 was the highest intra-week level. The newsletter suggested getting positions in the big 5 miners like VALE, BHP, FCX, RIO, TECK. Well, almost all rolled over hard as copper approached the highs. FCX held better than the others. This adds real caution to trading the miners as copper tests the prior highs. I sold my positions.



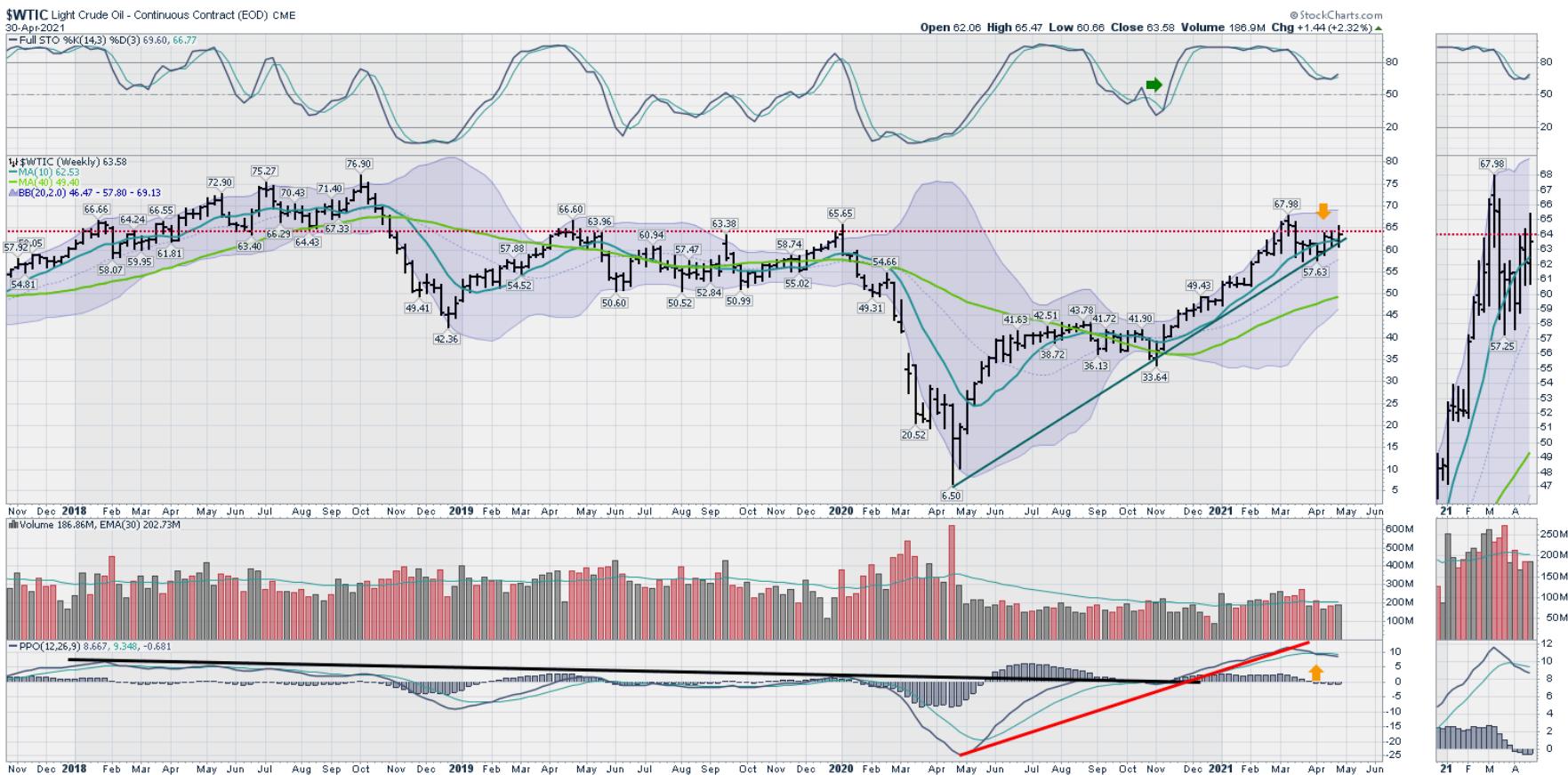
COPPER MINERS TO COPPER RATIO

Considering the big down-thrust on the various electric vehicle stocks, copper prices have continued to move higher. Copper is a big input, and I have been tracking all of the miners as part of the clean tech newsletter. However, for the first time since the 2020 March lows, this ratio has broken the red uptrend after consolidating sideways. This is also as copper approaches the all-time high of \$4.64 and a weekly closing high of \$4.58. The trading high this week was \$4.55. But if copper stocks are starting to underperform as copper approaches the prior highs, this looks like a great place to lock in some great gains in the miners. Perhaps when the clean tech trade starts working, I can return to this trade setup, but right now it would be my goal to take profits and I did this week. Maybe it reverts quickly into the uptrend but with the SSI indexes dropping and IWM cautionary, this looks like good risk mgmt.



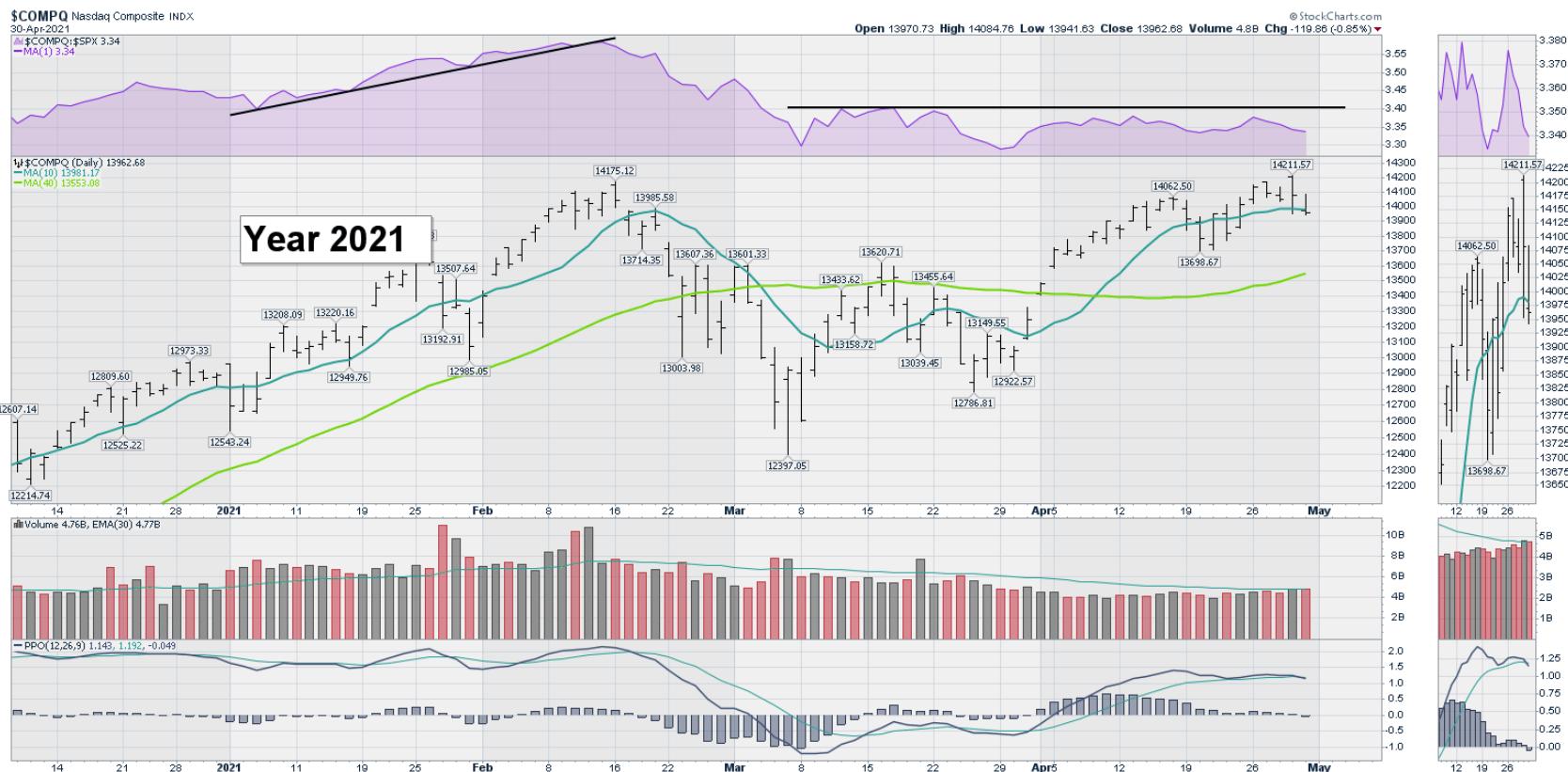
\$WTIC - CRUDE OIL

Crude oil continues to hover around \$60 - \$65, making a higher high, higher low, and a slightly higher close. The PPO is on a sell signal on the crude oil chart and yet the close this week held above the 10-week MA again. The XOP and OIH charts started to improve moving back above the 20 DMA kicking in a buy signal for me. [\\$WTIC](#). Will global COVID impair demand or will the move to personal driving instead of transit send crude and finished products much higher? I mentioned on the video, when I get this bullish on oil, I have to be prepared to take profits, but it feels like the setup is just getting started based on production shortfalls.



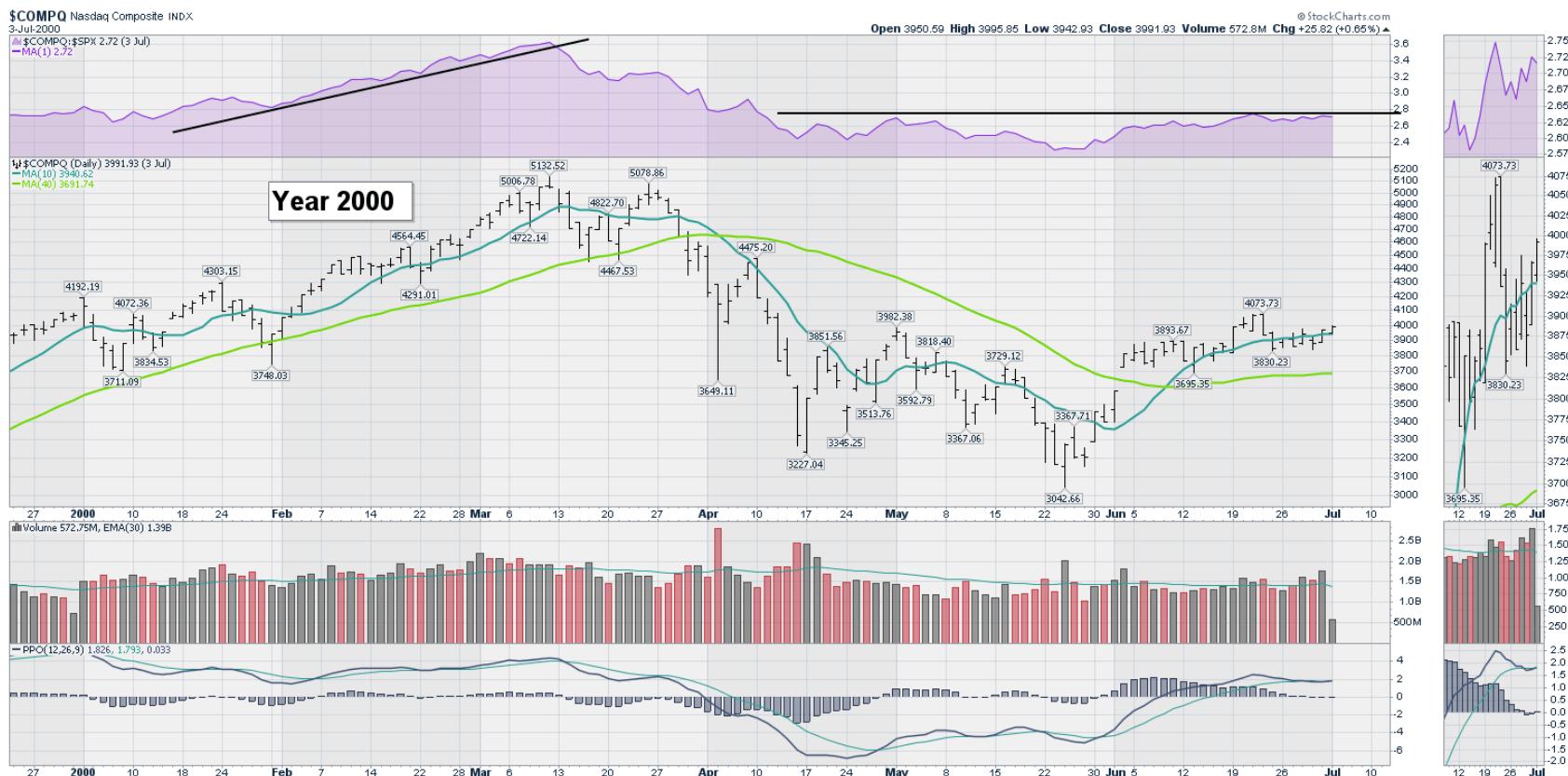
THE 2000 ANALOGY IS STILL RUNNING

On the daily chart of the Nasdaq composite (all stocks on the Nasdaq) the price action is testing prior highs. We are also sitting with a retest of the highs set two weeks ago with both at significantly lower volume than the February high. The extreme volumes of 2x in Jan/Feb/Mar compared to summer 2020 were legendary. April marked about 30% reduction in volume. Take a look at the blowoff profile on the purple relative strength (RS) and the PPO momentum indicator. Recognizing the price chart in 2000 continued much lower much faster and the subsequent rally was 30% in a few weeks, the behavior pattern on the RS and PPO are literally using tracing paper over the 2000 response. Scroll down to see 2000 RS and PPO. [\\$COMPQ](#). It suggests being aware of our surroundings.



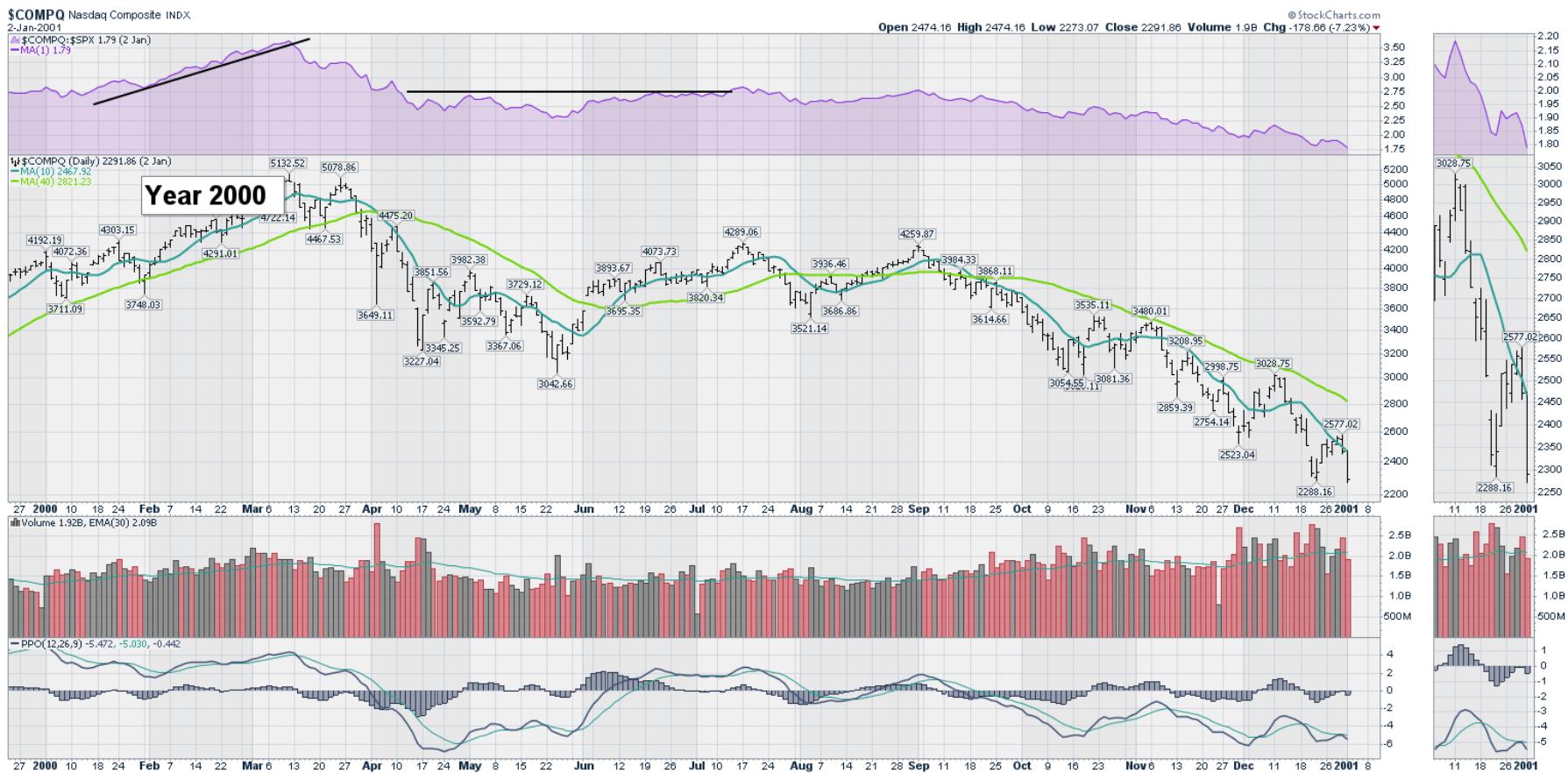
\$COMPQ - YEAR 2000 - 21 YEARS AGO

The chart below was one of the biggest emotional blowoff tops in history. For me as a technician, I am a little surprised by the similarity of the current RS and PPO compared to back then. We can't see what problems lie ahead, but all the SPACs, gamification of the stock market like confetti sprinkling on your screen when you buy a stock, and high price to sales ratios are still here. [COMPQ 2000](#). While the top 5 tech stocks earn real earnings on global revenues in their respective oligopolies, the valuations on cloud/cyberware/space/autonomous/hydrogen are still at Uranus distances away from the norm. The auto-scaling disguises the 2000 Nasdaq dropping 40% in 2 months. We lived through that last year (No big deal!).



\$COMPQ - YEAR 2000 - 21 YEARS AGO

At some point the analogy ends. How did it break down back in 2000 after that? The market made a few failed break-out attempts with no real progress. The PPO oscillated near zero and ran out of buyers in the end. The Fed has supplied medication (maybe cocaine) to get us through the first year. What could they possibly add at this point to provide further stimulus? Buy more Apple bonds? Notice the surge in July 2000 was in the earnings release month.



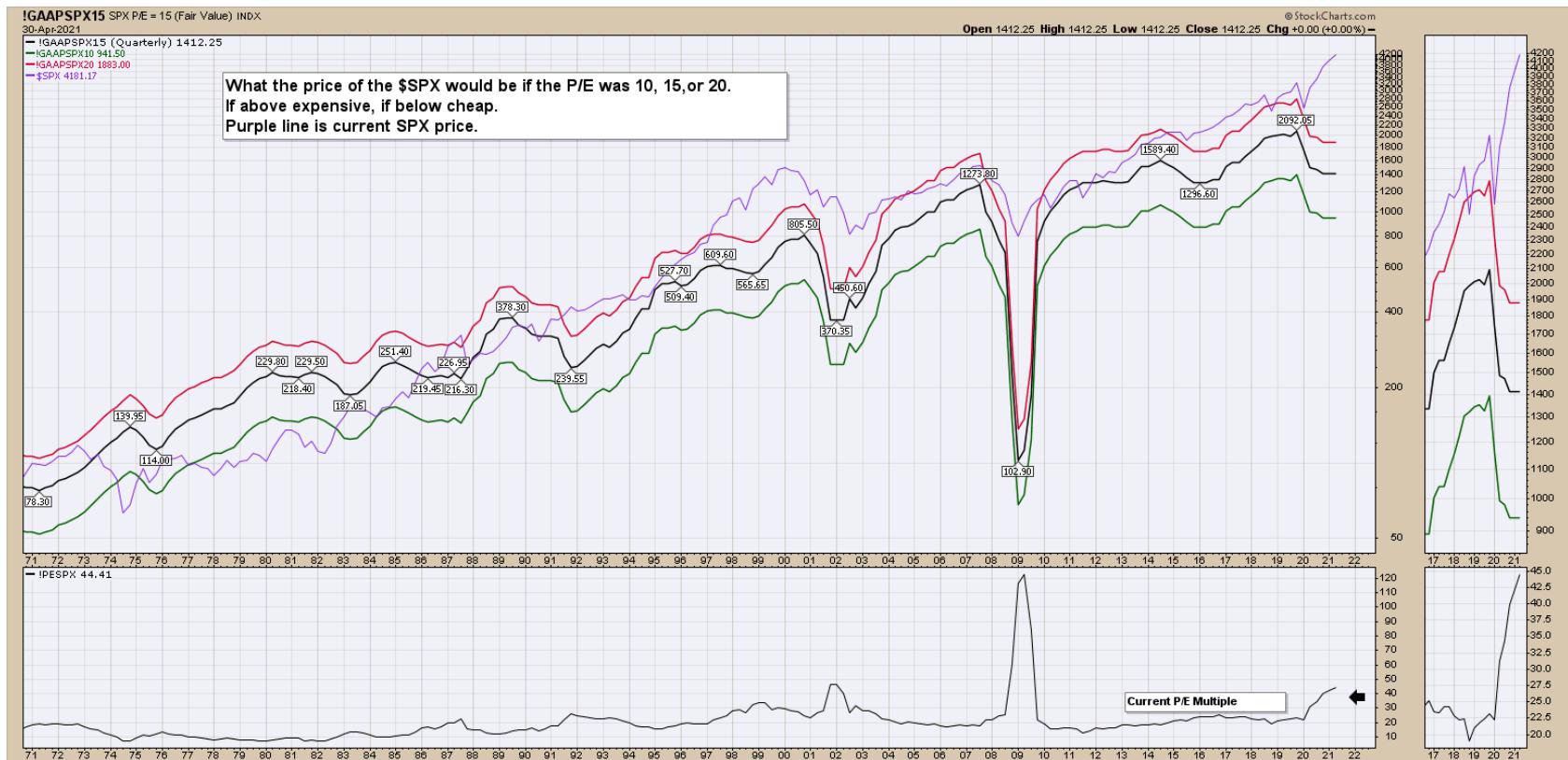
\$COMPQ - YEAR 2000 - 21 YEARS AGO

The first quarter of 2021 will go down as one of the [biggest emotional blowoff volume tops in history](#). Will price respond like it did back in 2000 and make a series of lower highs? I have to believe until proven otherwise that we should be prepared for a major reset. Preparedness isn't a loss or a missed opportunity. If the drop does happen, we'll stand aside while others fight the valuation change. The Schnell Strength Indicators make sure you and I are in for the uptrends and out for the downtrends. That's all I need. I don't need to be in the market all the time. For those that do, a move to cash ETF's or defensive sectors can help shoulder the risk.



SPX VALUATION

The first third of 2021 is behind us. The Fed has been priming the pump for 13 months. This chart is a reference point for helping us understand valuations. The three lines are the moving average of valuations. The purple line is current valuations. The real question is: Are we in 1999 where the three valuation lines dropped and then went on a run into the 2000 top? The reason I doubt that scenario is the volume chart on the Nasdaq above suggests we are past the peak emotion, not before it. The current P/E multiple is 44.14 for trailing earnings as shown on the lower panel. Both other peaks were set at the end of a down-trending market when the stock market had crashed. Who's wrong to suggest being cautious? [\\$SPX](#).



MARKET SUMMARY

Week after week, semiconductors continue to be weaker than healthcare and utilities. I have to drown my optimism from last week as none of it played out. I still want to believe the oil related trades can soar in the face of low production as the world emerges from the pandemic. Canada was weaker, but oils helped it significantly. The \$TSX was flat so not exactly a disaster! We'll see if more inventory data on Wednesday can set the oil names up for another surge higher.

SYMBOL	NAME	SCTR	CLOSE	% CHG	↓↑	+/-
XOP	E & P	98.9	80.20	5.69		
XLE	Energy	97.0	49.39	3.89		
XLF	Financials	94.7	36.26	2.49		
XLC	Communications	74.4	78.05	2.09		
IYR	Real Estate	74.7	99.19	1.01		
XLY	Discretionary	59.5	178.92	0.62		
XLI	Industrials	78.5	101.93	0.36		
XLU	Utilities	31.5	66.72	0.21		
XLB	Materials	76.8	83.04	0.16		
XLP	Staples	33.7	69.58	0.01		
XRT	Retail	99.2	92.82	-0.49		
XLV	Healthcare	43.4	121.33	-1.90		
XLK	Technology	51.3	139.70	-2.10		
SMH	Semiconductors	69.4	243.00	-2.49		

SYMBOL	NAME	CLOSE	% CHG	↓↑	+/-
\$SPTEN	Energy	117.91	4.18		
\$SPTHCH	HealthCare	74.83	2.84		
\$SPTTK	Technology	189.76	1.03		
\$SPTFS	Financials	353.70	0.42		
\$TSX	\$TSX	19108.33	0.03		
\$RTCM	Income Trusts	234.54	-0.34		
\$SPTRE	Real Estate	338.60	-0.39		
\$SPTTS	Telecom	182.49	-0.59		
\$SPTIN	Industrials	346.32	-0.61		
\$SPTCD	Discretionary	274.89	-1.27		
\$SPTCS	Staples	656.15	-1.42		
\$SPTUT	Utilities	325.28	-1.68		
\$SPTMT	Materials	313.84	-3.85		
\$SPTGD	Gold Miners	294.49	-5.87		

GLOBAL VIEW

The globe paused again this week. The selling was a little more noticeable than last week. India continues to struggle with COVID, but the market bounced up as governments worldwide sent help and equipment. Commodities are on the right. Copper got a big surge, but pulled back from the test of the all-time highs. Gold and the precious metal miners were sold hard on the week. That trade is over. Lumber continues to rally to new highs, but the wood ETF sold off a bit more. Here's a link to the [\\$GTX](#) chart that shows commodities are breaking the major trend line now. I want to be onboard if it rallies. Watch the dollar closely for clues.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$IBEX	Spain	8815.00	2.28	+
\$BSE	India	48782.36	1.89	+
\$GBDOW	London	313.34	0.54	+
\$CAC	France	6269.48	0.18	+
\$TSX	Canada	19108.33	0.03	+
\$SPX	S&P 500 ----	4181.17	0.02	+
\$AORD	Australia	7290.70	-0.41	-
\$INDU	Dow ----	33874.85	-0.50	-
\$NDX	Nasdaq 100 ----	13860.76	-0.58	-
\$NIKK	Japan	28812.63	-0.72	-
\$IDDOW	Indonesia	1249.65	-0.75	-
\$SSEC	Shanghai	3446.86	-0.79	-
\$DAX	Germany	15135.91	-0.94	-
\$KOSPI	South Korea	3147.86	-1.20	-
\$BVSP	Brazil	118893.84	-1.36	-
\$HSI	Hong Kong	28675.37	-1.39	-
\$RTSI	Russia	1485.03	-1.77	-
\$MXX	Mexico	48009.72	-2.20	-

SYMBOL	NAME	CLOSE	% CHG	+/-
\$LUMBER	Lumber	13765.50	11.13	+
\$NATGAS	Natural Gas	2.93	4.01	+
\$GASO	Gasoline	2.08	3.55	+
\$COPPER	Copper	4.47	3.04	+
\$HOIL	Heating Oil	1.92	2.49	+
\$WTIC	WTI Crude	63.58	2.32	+
\$SOYB	Soybean	1534.25	1.20	+
HMMJ.TO	Marijuana Stocks	10.85	0.84	+
SLX	Steel	59.17	0.73	+
\$SUGAR	Sugar	0.17	0.59	+
LIT	Lithium	63.59	0.51	+
\$BRENT	Brent Crude	66.45	0.50	+
REMX	Rare Earth Metals	79.81	-0.34	-
\$GOLD	Gold	17677.70	-0.57	-
\$SILVER	Silver	25.87	-0.77	-
\$COCOA	Cocoa	2382.00	-2.78	-
GDX	Gold Miners	34.36	-4.71	-
SIL	Silver Miners	41.68	-5.19	-

VIDEO OF THE WEEK

The May monthly conference call link. [The May conference call](#) will be Sunday May 2, at 5 PM EDT. Passcode = Rally

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

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



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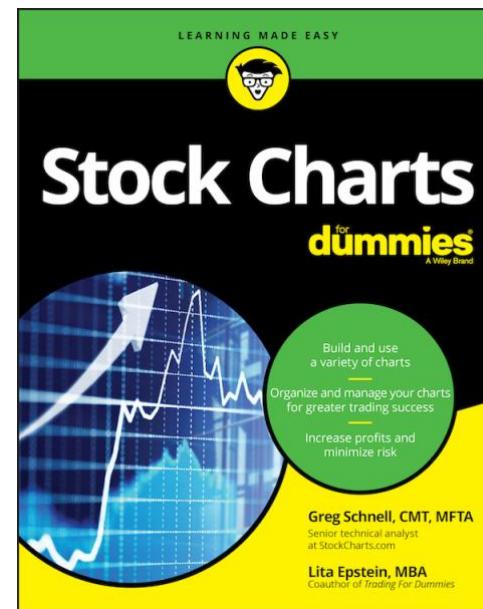
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Good trading,
Greg Schnell, CMT, MFTA.

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.