

# THE CANADIAN TECHNICIAN



**U.S. Edition**

## How's The Oil Pressure?

Weekly Market Review

May 28, 2021



WITH  
**GREG SCHNELL**

## MARKET COMMENTARY

The summary charts at the end of the newsletter tell the tale. Global markets were all green. Commodity markets were mostly green. Most growth and cyclical sectors were green. While the market still has some work to do, the broadening backdrop of global markets improving helps. It's really up to the Nasdaq names to get the \$SPX out of its' month-long frump sideways. We are still where we were for the Fed meeting at the end of April and the April 16<sup>th</sup> Options Expiration.



This newsletter has a lot of focus on commodities. More than usual as this seems to be one of the big positive areas of the market that has stayed off most people's radars for years. I've been banging the drum for a while, and the moves have been massive, but we have more gas in the tank it would appear.

Greg monologue - In the face of all the bad news for the oil business this week, oil looks set to take on a run to \$75. Gasoline demand was higher this weekend, - 7% higher - according to Gasbuddy.com. Whenever someone complains about the high price of gasoline, please mention that it is solely due to the governments' inaction on opening mines for more metals to create and move electrical energy. Economics 101 - Oil prices are forced up as the governments continue to shame the industry into not replacing reserves. This makes both forms of energy - Liquid and electrical - scarce and forces the price higher. Please ask them to pressure politicians rather than abuse the very source of liquid or electric energy they want to buy.

Almost all commodities were running hard this week. A new closing high for oil, but down on Friday. I continue to hold Gold and oil related trades.

Summary: I am not sure if the broad indexes can rally as the FAMTANG names have not rallied for the most part. FB would be the exception. The market momentum is low right now, and I am looking for a catalyst to move the market higher. We are ½ way to the July earnings period now, so maybe than can be it. The lackluster volume doesn't echo a momentum change like the ravenous days of early 2021. The commodity trade looks set to reward us with more upside. Start focusing on tech lows as well in case they move.

Let's hit the charts.

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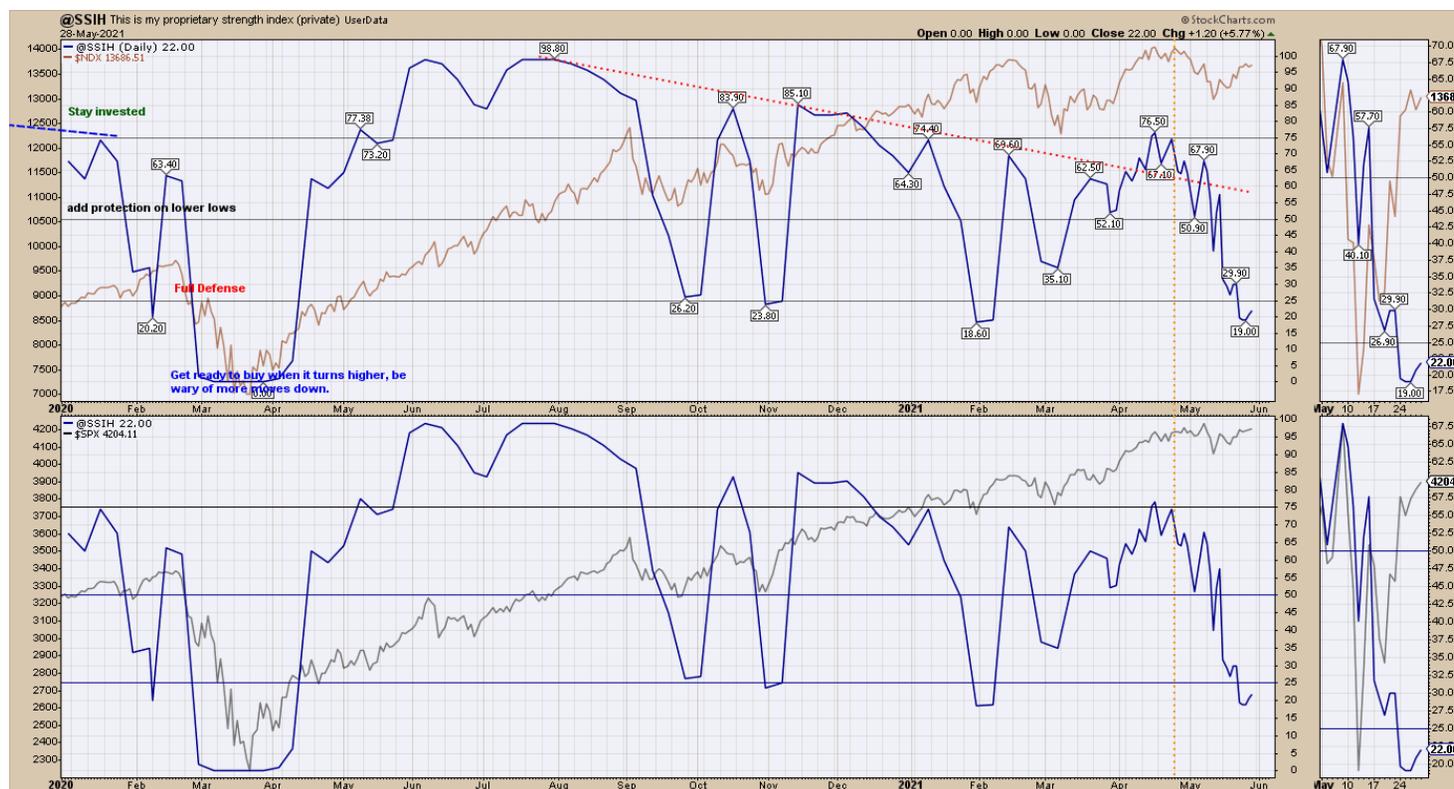
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## SSIH

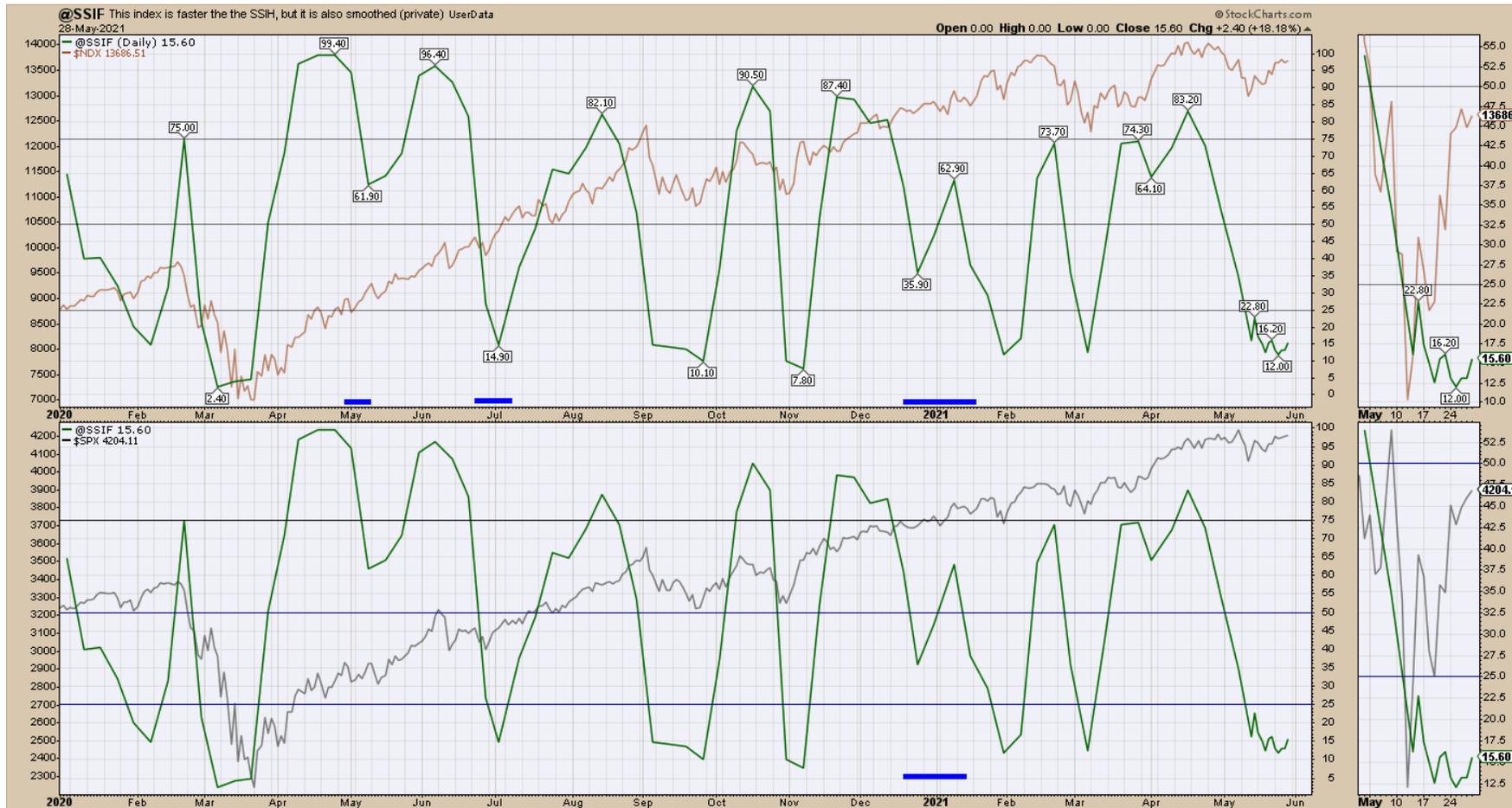
The Schnell Strength Index closed down to 22% from last weeks' 30%. Both panels have the same SSI indicator with different indexes in the background. As you'll see in the newsletter, many charts hang on the edge, but some improvement seems to be coming. We are in the buy the dip area, and it is starting to turn up, but not noticeably yet.

I posted SSI readings in the daily setup articles by Dwight every day this week. I have to wait for StockCharts to update some of the charts in the database after the close. The idea of posting the SSI every day is to allow you to follow the change in trend. SSI Indicators are based on weekly data so be careful about interpreting one strong or weak day.



## SSIF

The Schnell Strength Index - Fast version - is in the buy the dip area. It still trying to turn up from very low levels late last week, typically a nice place to get long. Blue markers are where the signal suggested the market was weak, but the market just kept climbing. NDX in the background on the top, SPX in the bottom.



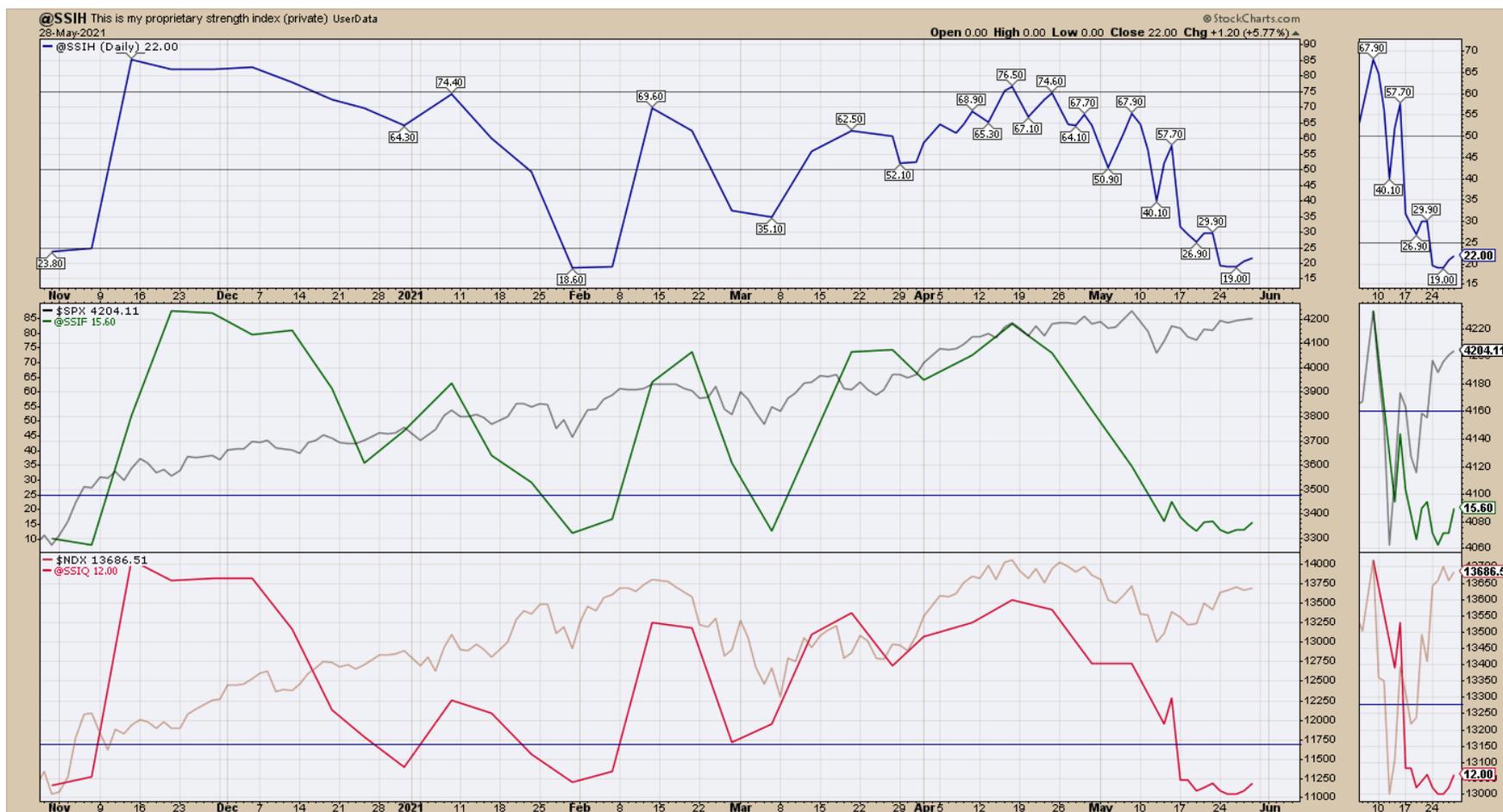
## SSIQ

The Schnell Strength Index - quick version - closed at 12% again after being lower midweek. The two red lines on the top panel are where the backdrop was weak (falling SSIQ), but the market kept rallying - marking not profitable signals -. Currently this is in an area where we would like to get long, so looking for rallies to start. That doesn't mean they will, but we want to be ready for that. \$SPX has been flat for over a month while the indicators signaled weakness.



## SSIH SSIF SSIQ STACK

The Schnell Strength Indexes are trying to base. Remember these indicators are SUPPOSED to fire off early warning sell signals. When they turn up for buy signals, it is usually paralleling price moves up. The strength indexes typically will move down (creating sell/caution signals) before the market does rather than just matching the index on the way down.



## SSIH, SSIF, SSIQ OVERLAY

The chart shows the stock indexes in the top panel. They are in the area we want to be buying as they turn up, so start putting money to work as charts start to improve. The Nasdaq area was the best one last week but most of the action was early in the week, with not much follow through as we traded sideways.



JUNE MONTHLY CONFERENCE CALL

Dwight and I will host the [June monthly conference call](#) on Monday, May 31 at 5 PM EDT. Click on the link to view. Passcode = energy

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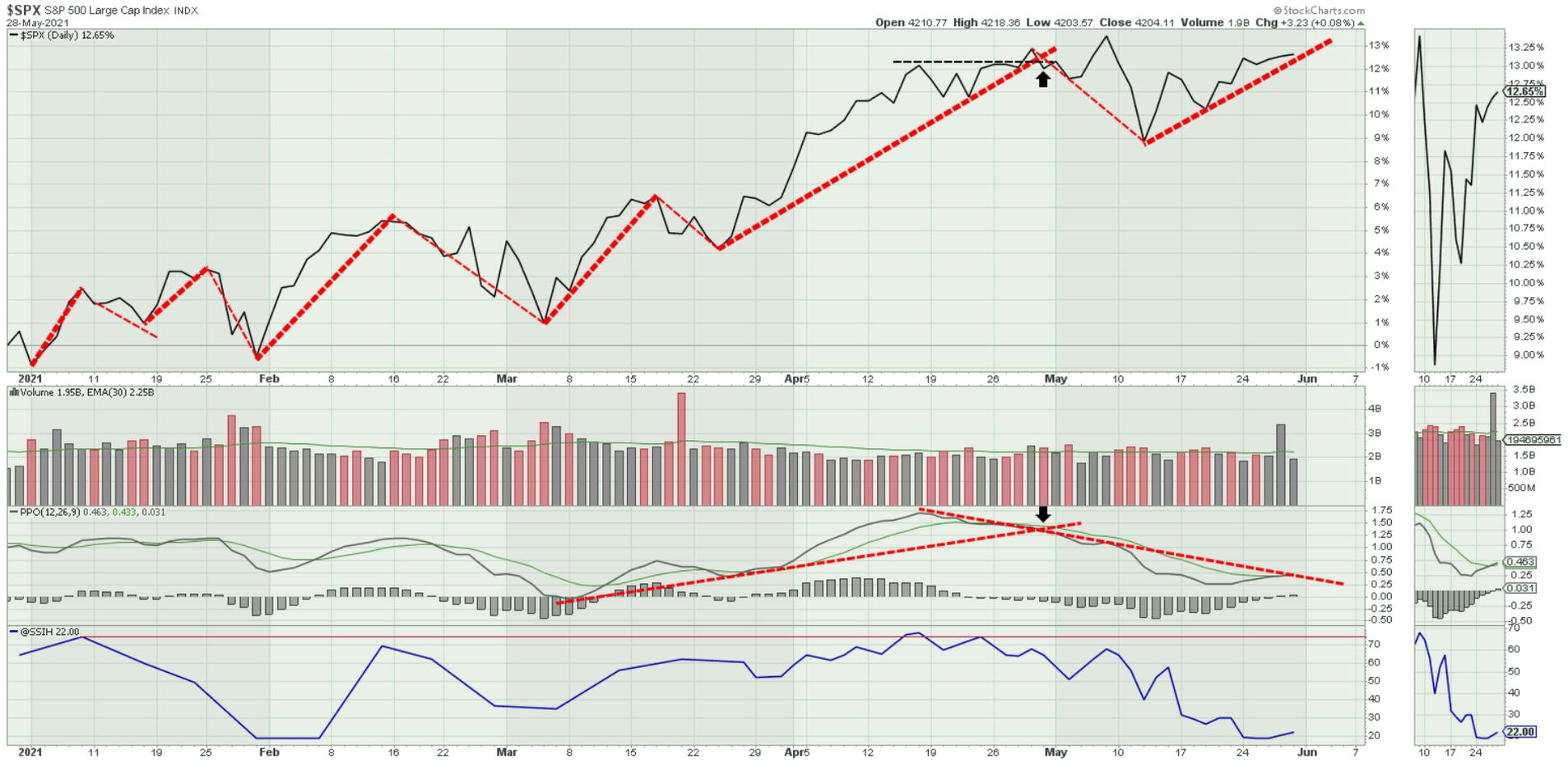
A Month Of Meandering

June Monthly Conference Call  
May 31, 2021 at 5 PM ET

A vertical promotional graphic with a dark blue background. At the top is a white-bordered portrait of Greg Schnell, a man with glasses wearing a dark suit jacket over a white shirt. Below the portrait is the text 'WITH GREG SCHNELL' in white, all-caps, sans-serif font. At the bottom is a white-bordered portrait of Dwight Galusha, a man with short hair wearing a light-colored button-down shirt. Below the portrait is the text 'AND DWIGHT GALUSHA' in white, all-caps, sans-serif font.

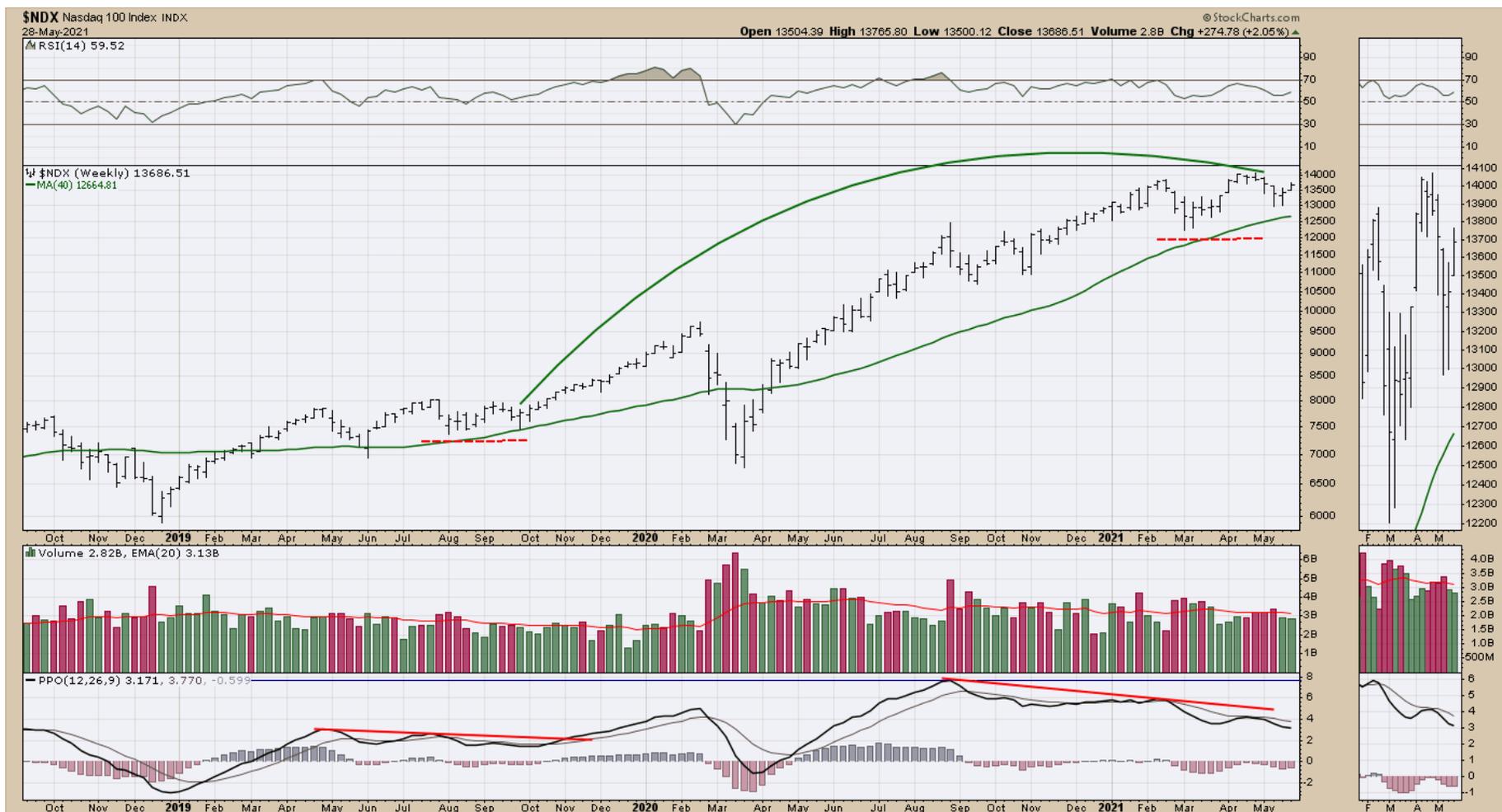
## \$SPX - A HIGHER CLOSE

The year-to-date line chart of the S&P 500 shows the index closing within a percent of all-time highs. It has been choppy at best for the last month. The strength indicators told us the market was weak, and we haven't gone anywhere since April 16<sup>th</sup>. [\\$SPX](#).



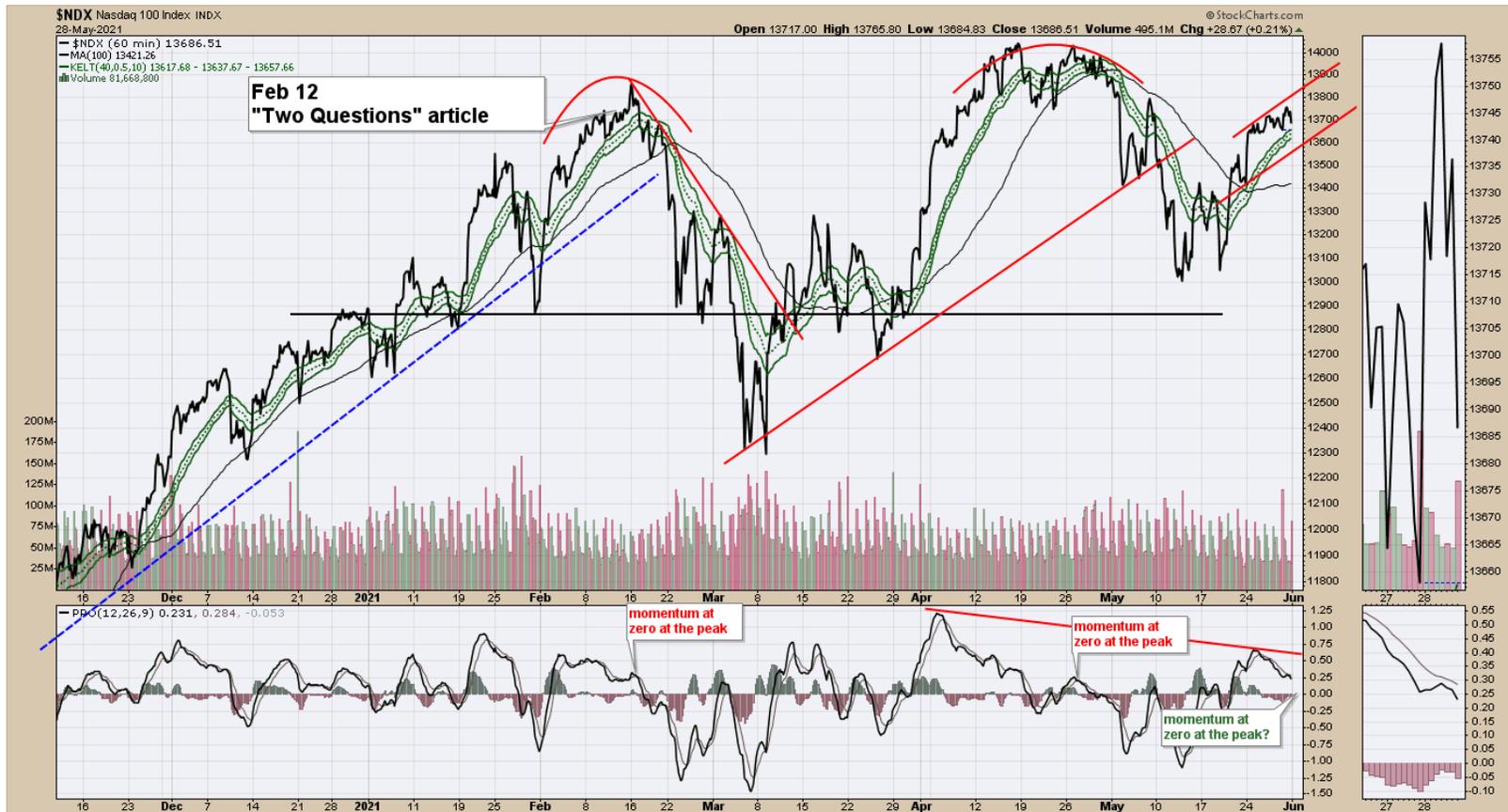
## \$COMPQ DAILY CHART

The **\$NDX** was up (2.0%) this week. This index moved just above the 50-day moving average. I continue to watch this pattern shown by the green arc to see if it will replicate. The global backdrop also moved higher this week, supporting the move in the USA.



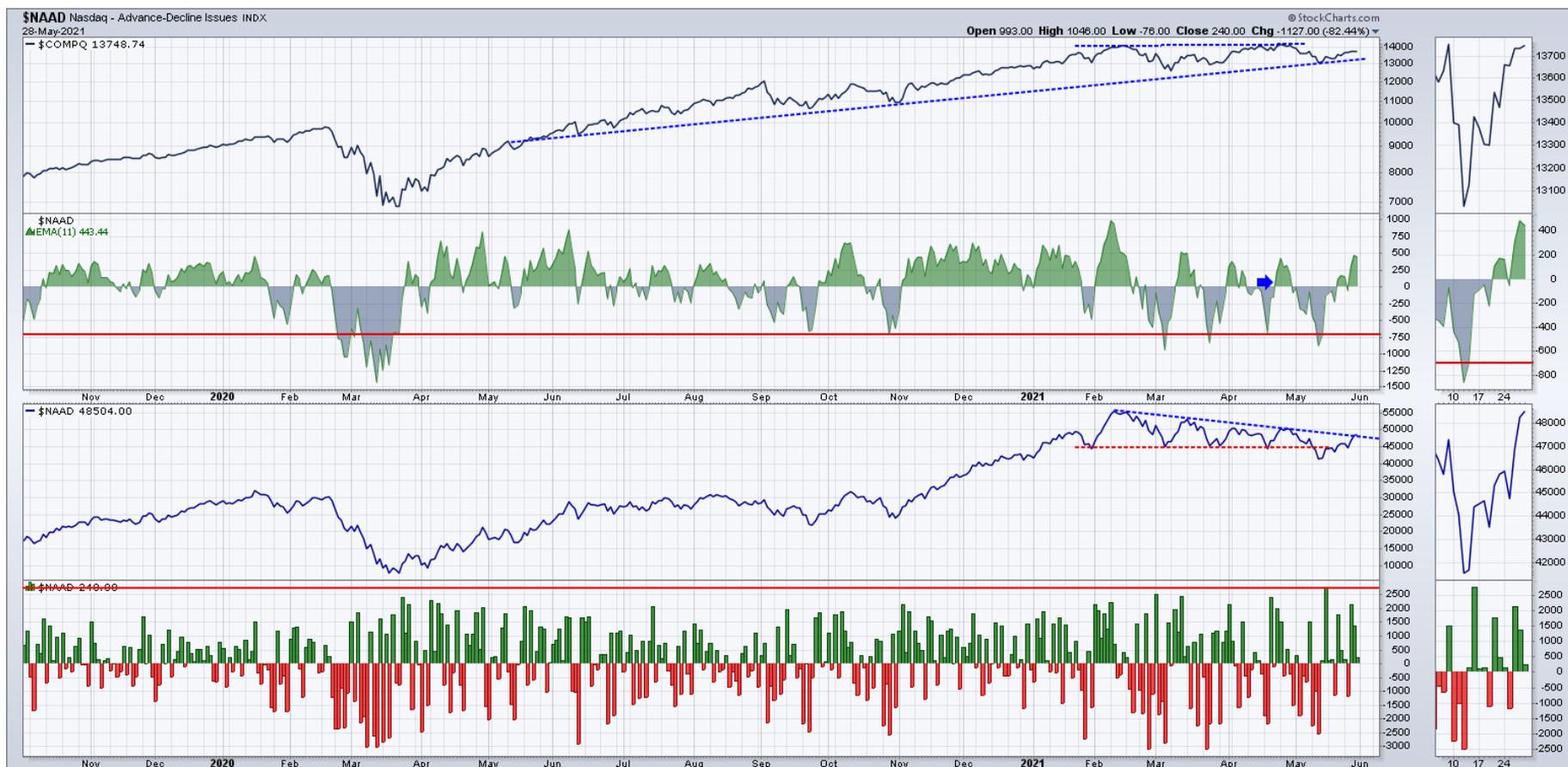
## \$NDX - NASDAQ 100 DAILY CHART

The **\$NDX** on the 60-minute chart is wobbling. We'll need to see some strong buying to break out of the five-month consolidation. The low volume on the \$COMPQ above is not reflective of strong buying. I have drawn an upsloping channel on the right side, but the momentum is already turning down. I highlighted two other areas where the market topped out as PPO momentum crossed below. A move below 13600, would be a lot more concerning. The Nasdaq has the power to lift or drop the markets, so the next few charts show both the good and the charts of concern for the Nasdaq.



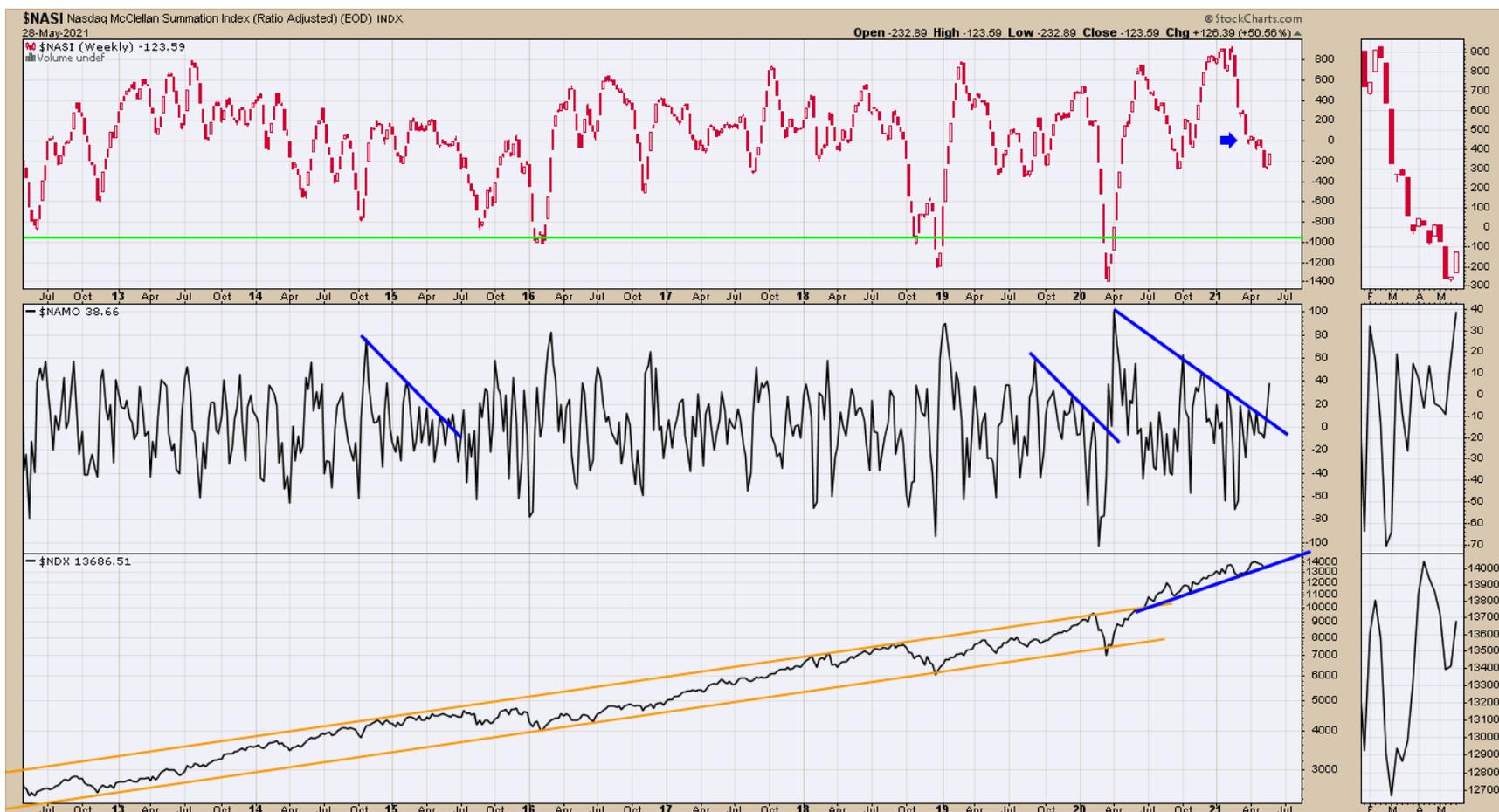
## \$NAAD - NASDAQ ADVANCE/DECLINE LINE

The **\$NAAD**. Since the peak in February, the a/d line continues to drift lower. We are testing the high side of the range to close out May after breaking below horizontal support on the last dip. A roll over here would be more ominous as the Nasdaq would be making a lower high on this rally, setting up a 6-month head/shoulders on the most growth-oriented index. It's bullish to be at the top of the range. Can it carry on and break out to the upside and resume an uptrend?



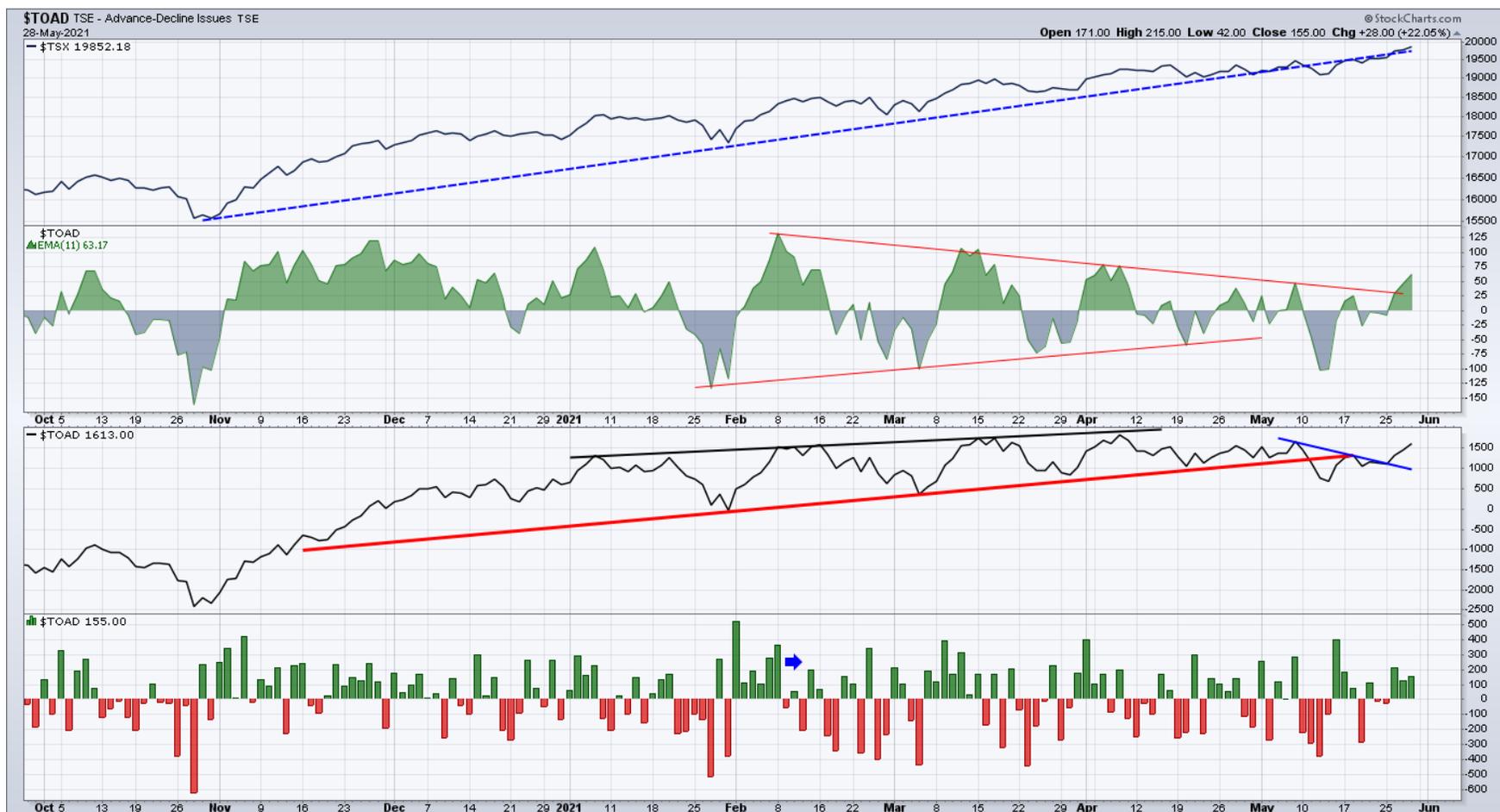
## \$NASI - AT A TYPICAL BOUNCE LEVEL

The Nasdaq McClellan Summation Index is in the top panel. Looking left, lots of bounces have occurred at the -200 level. The \$NASI turned up at the -200 level this week. The [\\$NASI](#), and the \$NAMO in the middle panel both look refreshingly positive. One small concern is the 40 level is where most of the rallies roll over on the \$NAMO.



## \$TOAD - ADVANCE/DECLINE

\$TOAD is the advance / decline line for Canada. It is right at the top of the horizontal range and looks set to breakout topside on the third panel. The two-week moving average on the second panel moved to the highest level in 7 weeks, suggesting the sideways consolidation is over. The \$TSX closed at new highs.



## \$WTIC - CRUDE OIL

The price of crude oil had its highest weekly close in 2.5 years and surpassed the March closing high. After dipping below the uptrend last week to get rid of any weak holders, it fired back up to make weekly closing highs and is very close to taking out the March intra-week high. My bias is that crude will be going up above \$67 and test the 2018 highs of \$76 over the next few months. I would like to see the PPO downtrend break to the upside. We can see a similar momentum pattern to the September/ October consolidation. In September COVID was raging and the vaccines were not announced. Now they are and they are rolling out around the world opening up economies. [\\$WTIC](#)



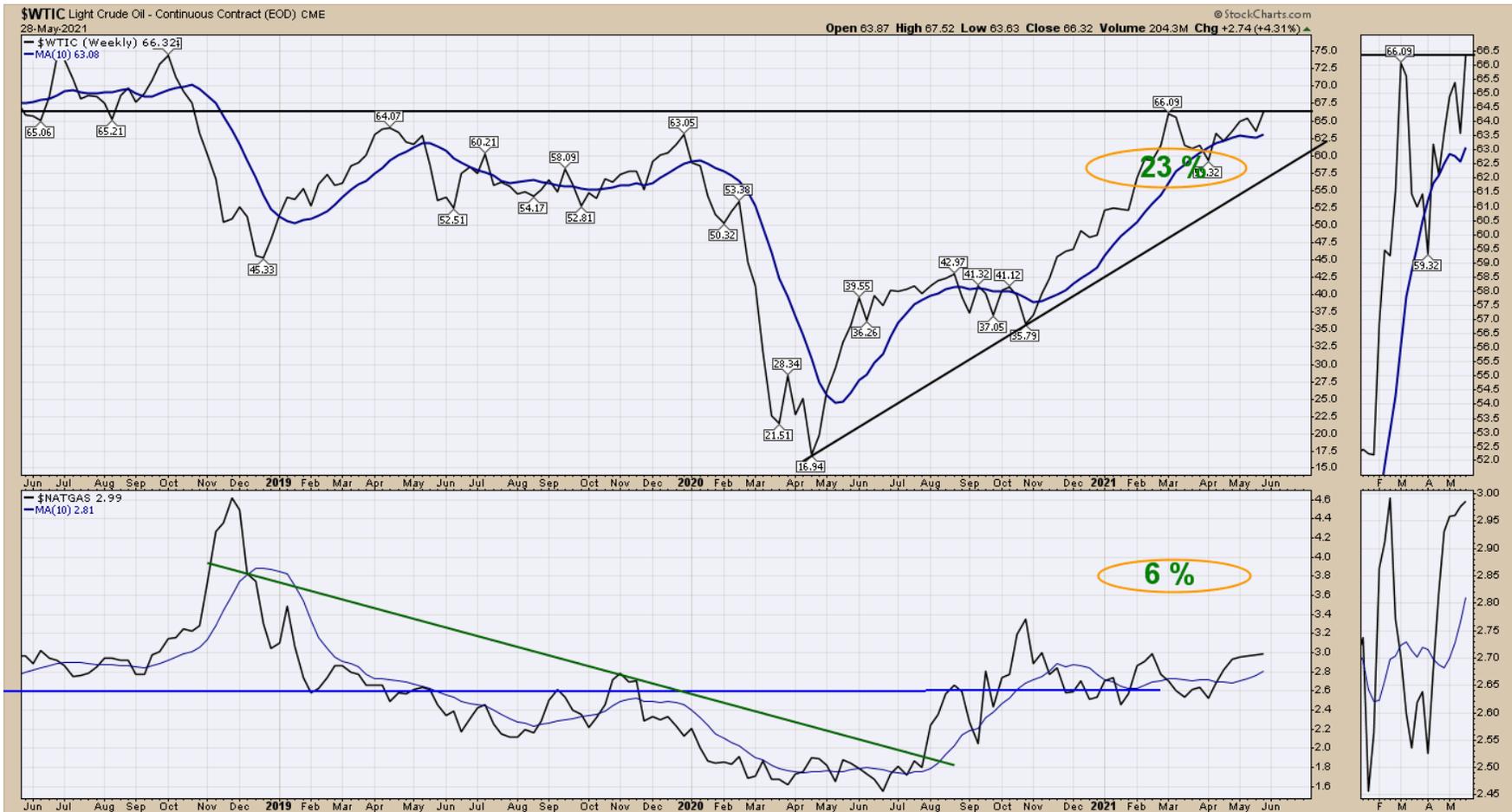
## \$WTIC CRUDE OIL ANNUAL PRICE BARS

Notice how we are breaking above the bodies (wide parts) of the candles over the last 7 years. While we could still retreat back into this range, we have massively different supply dynamics. That \$76.90 level is like a lighthouse beacon. [\\$WTIC yearly](#). Here is the link to the weekly chart I have been showing lately. [\\$WTIC weekly](#).



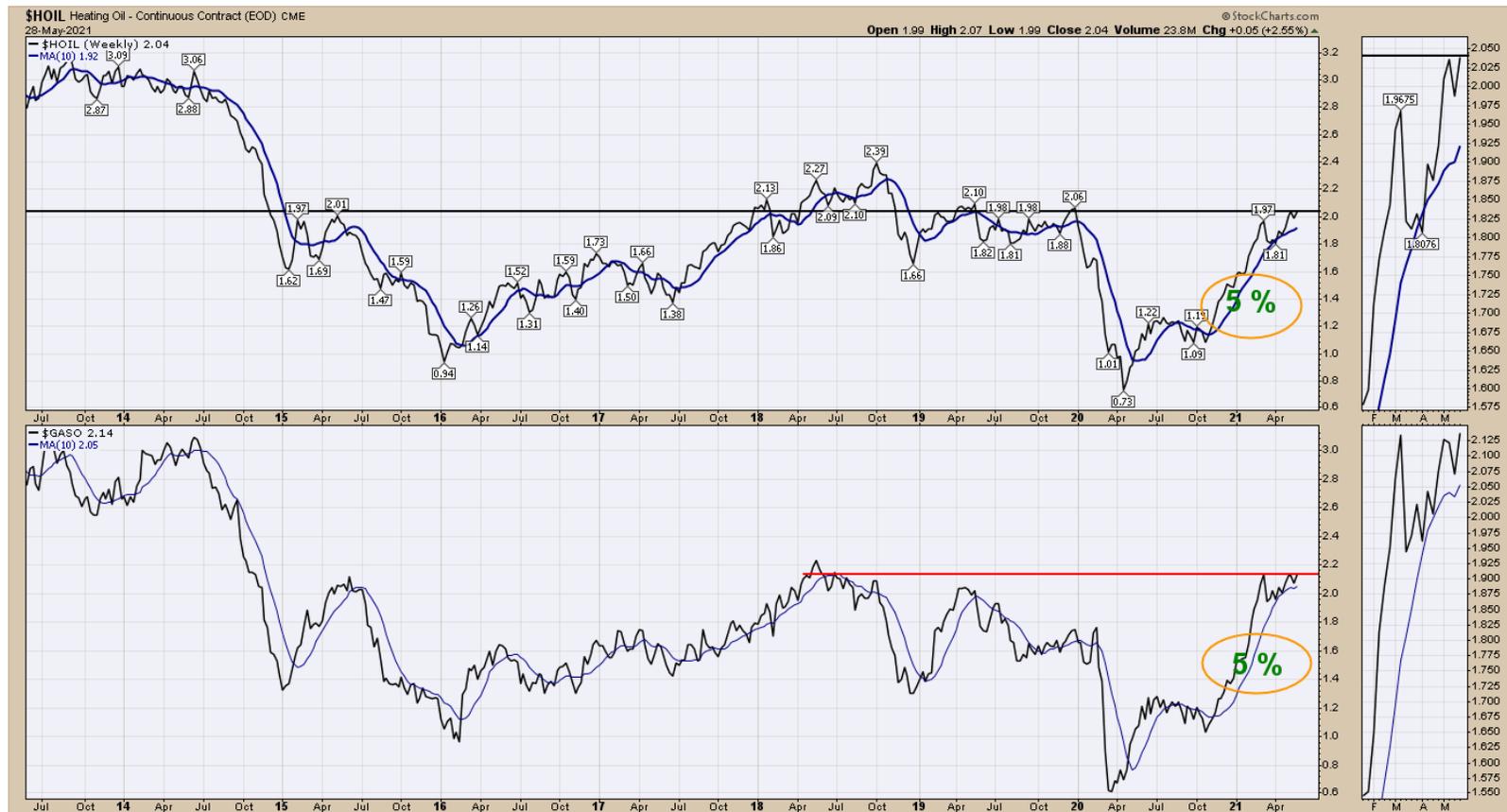
## \$WTIC- CRUDE OIL AND NATURAL GAS LINE CHARTS

This chart has both crude oil and Natural gas using their weekly closing levels. Both panels are testing prior highs and are well set up to be supportive of each other. Natural Gas hasn't seen the extremes to the downside, but it also has not had much of a push to the topside. [\\$WTIC](#)



## HEATING OIL AND GASOLINE

The two panels below have heating oil and gasoline on them and are shown going back to 2014 when oil collapsed. We have spent 7 years in a low-price environment and that looks set to change. The wholesale gasoline price could be at 7-year highs by the end of the week. Heating oil needs a 20% move to take out prior highs. [Heating Oil and Gasoline](#). Both of these charts support the potential breakouts in crude oil and natural gas above. This liquid energy theme will likely move up as a unit, lifting refiners and exploration companies.



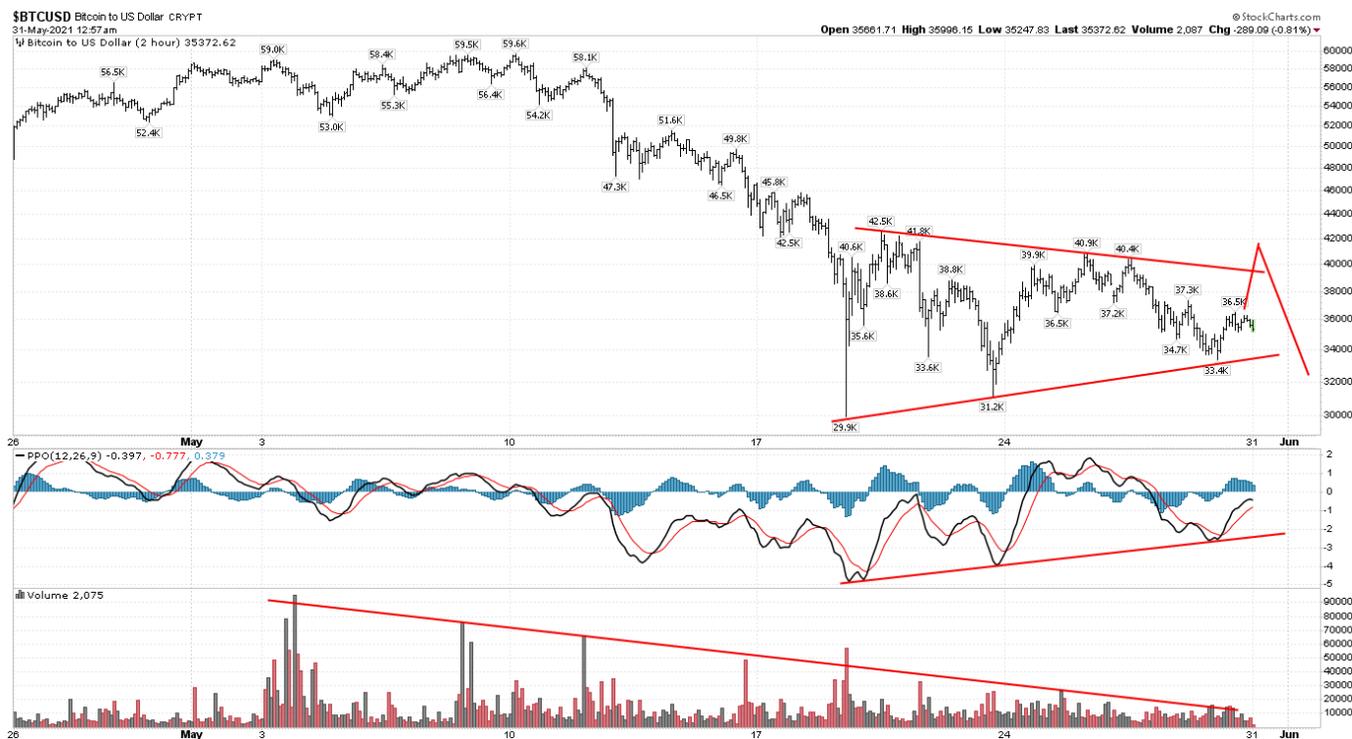
## XOP - EXPLORATION AND PRODUCTION ETF

The exploration and production ETF had a 3-month drop into the October low. The PPO wave was making lower lows. At the time, the trend line on the PPO broke and these stocks soared. The same setup is currently occurring again, except at a higher level of momentum. I don't know if we'll need another washout like we had at the end of October, but the XOP hardly wiggled when crude oil broke below the trend line last week. [XOP](#). My work and the work of many others suggests this is ready for the next leg higher. The volume (black line) went quiet this week, to the lowest volume since last October and February. Both led to surges higher. It's a signal something changing. My bias is up but it can just as easily be no buyers showing up. I am not expecting crude to get weak after the strong bounce up last week.



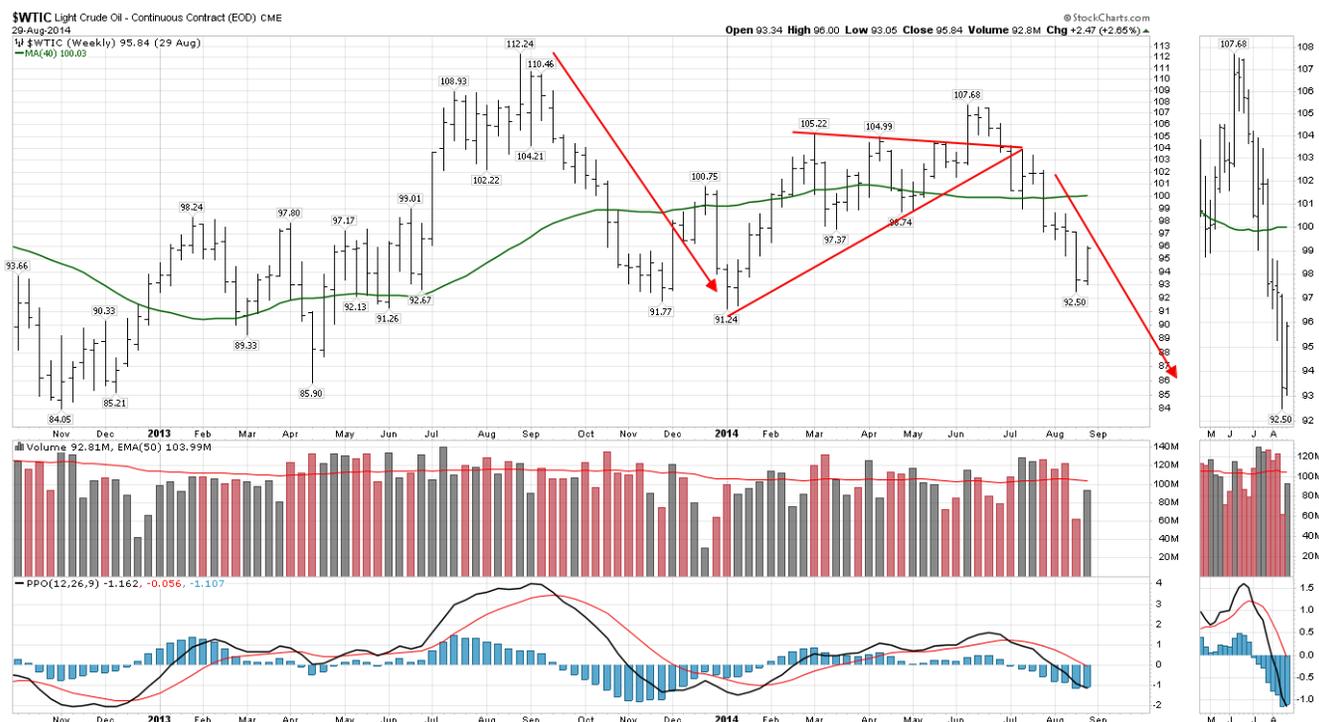
## BITCOIN

Bitcoin has been hammered lower. **\$BTCUSD** Just pause for a second. ***This is a chart with 2-hour price bars for a month. The scale is in \$2000 increments.*** There might be a lot of emotion as price moves! Bitcoin has drawn out a 4-month topping structure prior to mid-May. After the initial plunge, it has stalled the downside drop and is building a pennant of rising lows and lower highs in the rally attempt. The most dangerous part of this trade is a re-entry on a break of the downtrend. Lots of retail money will enter there and lots of experienced money will be trying to sell or buy into the rally. A whirlpool of emotional trading. Should the chart break out and for Bitcoin that is \$40k, watch for a surge to \$42k and potentially all the way up to \$46k, as this will be a wild rush. Remember we are dealing with ***\$1000 moves per hour***. But the hardest part of the trade is what comes next. Will it stall, and then move back down? If so, we've seen this movie before on hundreds of charts. The next chart is how it worked for oil.



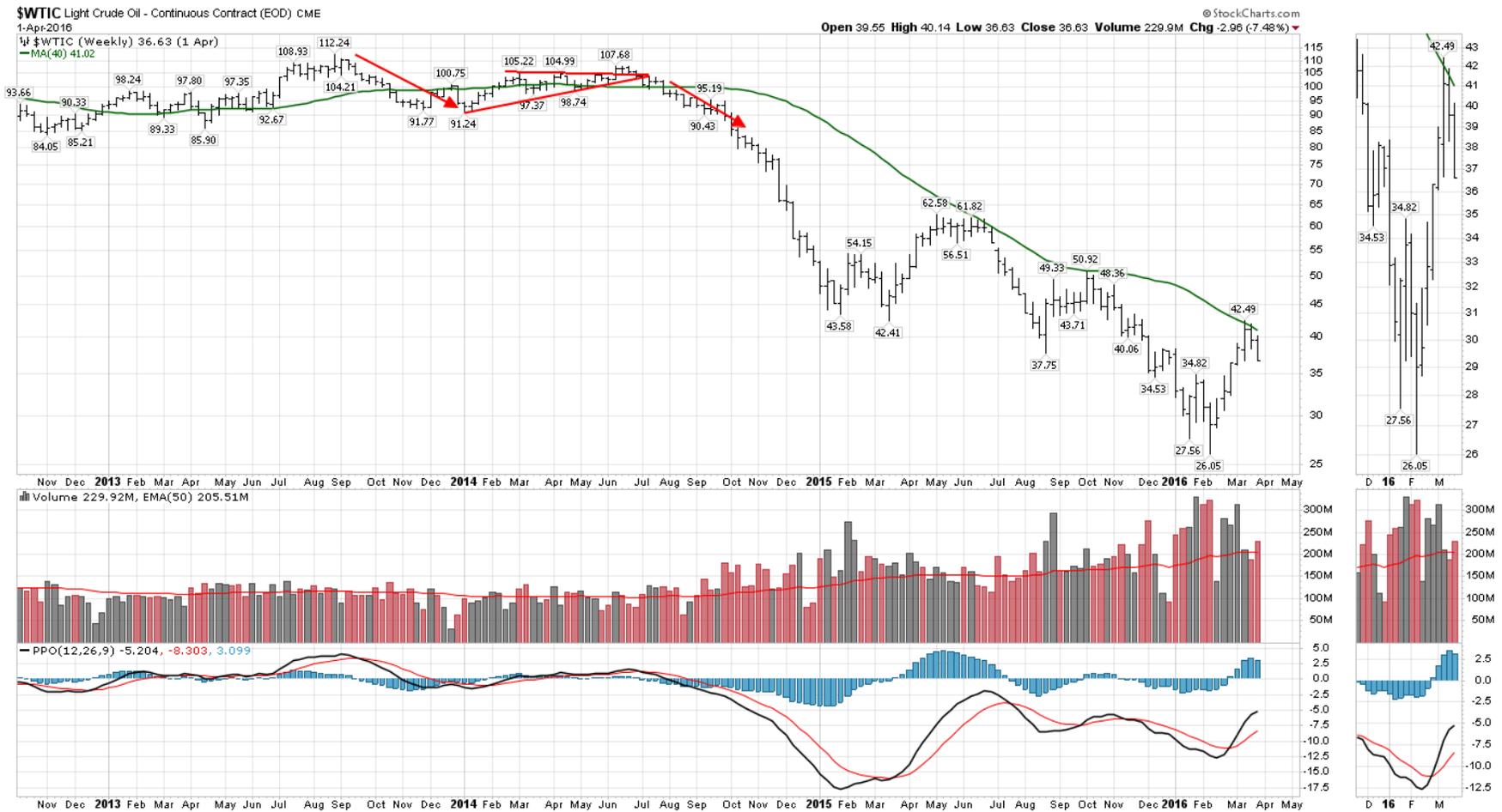
## CRUDE OIL - 2013

Here is the same setup on a weekly \$WTIC from a few years ago that is on Bitcoin now. This is a product traded globally and used globally so a mature commodity market. Not quite as innovative, perhaps speculative, as Bitcoin. Fractal patterns are patterns that show up on different time frames. What we see on the 2-hour chart could also occur on the daily or weekly charts. The chart sees a massive selloff from the highs down to the January low, dropping 20%. It starts a rally and forms a pennant. In early June it breaks out to highs above the pennant and we feel like we are off to the races. The chart stalls. We all think consolidation before going higher. The chart moves aggressively lower. It doesn't have to happen like that, but it is good to be aware of the emotional precedent. The next chart below is how that ended. The scale is in \$1 increments, not \$1000's so what happened in years, may play out in days. It is always important to make sure breakouts hold on any chart, on any timeframe.



## \$WTIC 2013-2016

\$WTIC finished down 75 % off the highs, when the world thought there was an abundance of oil. If the world perceived an abundance of crypto, could Bitcoin trade down below \$20000 quickly? Perhaps we are at the early 2015 part of this chart as a halving occurred after that period. That also targets \$20000 for Bitcoin. Again, the scale in Bitcoin is in \$1000's, not dollars.



## ARKK - ARK INNOVATION FUND

This is an update on the [ARKK](#) chart posted last week. It is hovering near resistance with very light volume as the volume got even lighter this week. If you flipped to a TSLA chart, the Tesla price action has not made it back up to a red downtrend line. How growth stocks price this week is pretty important. Cathie Wood talks about 5-year horizons. Look what has happened in the past 18 months. Who wants to have roller coaster investments for 5 years? I need to be in on the way up, stand aside on the way down. I mentioned the Nasdaq earlier. The chart went sideways for most of the week, but it did go up. Watch the growth names for performance here.



## \$COPPER - DR. COPPER

The metal Copper closed higher this week, still a little lower from all-time highs. We need to be careful here in the mining area after such a splendid rise. [Copper long term](#). While it did make lower highs and lower lows, it closed at the top of the range. I was speaking to my friend Martin Pring this week, and he mentioned another gem in one short sentence. "when in a secular bull market, commodities just keep staying overbought and the pullbacks are minimal."



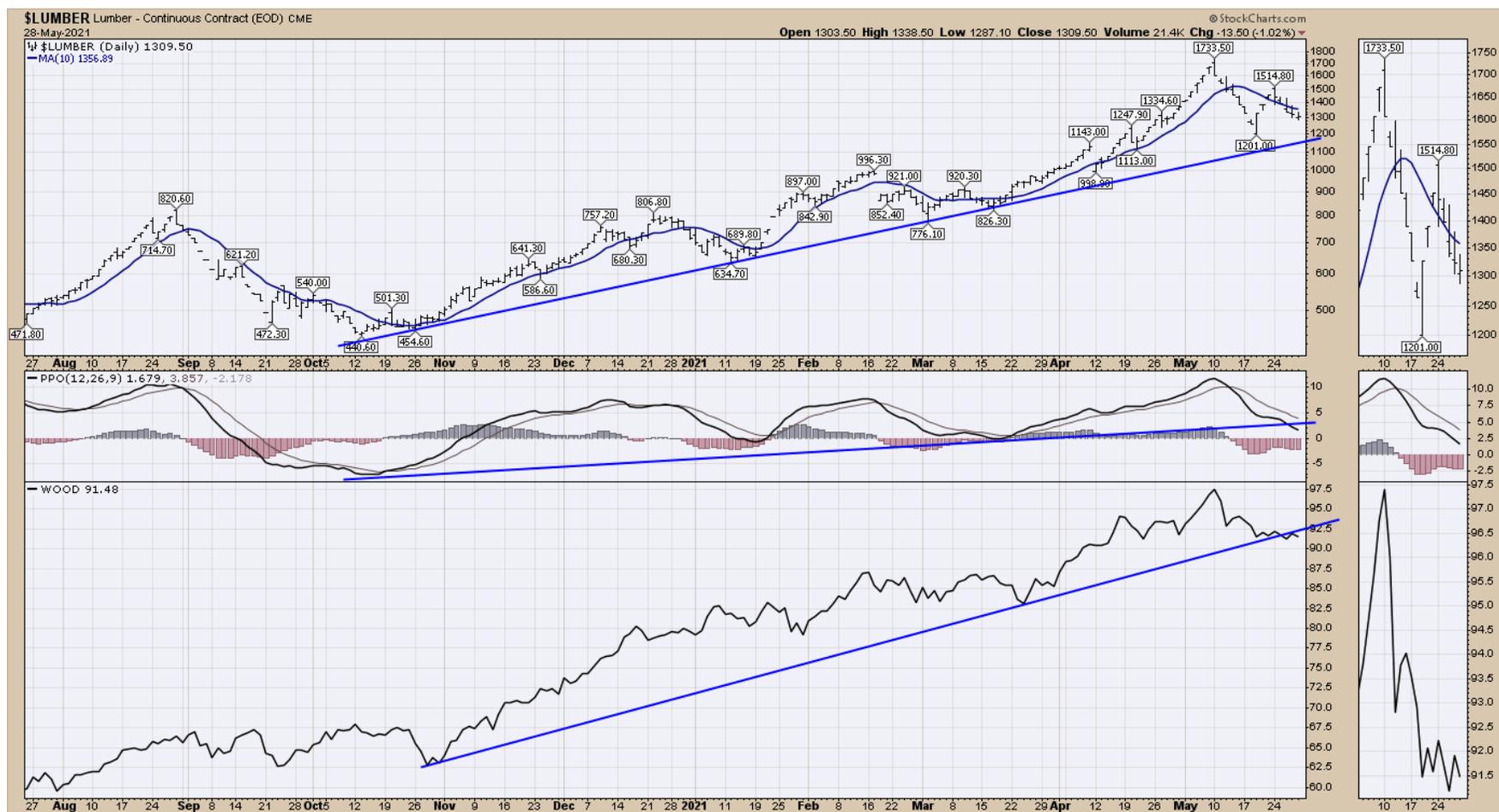
## LIT AND REMX BACK ABOVE THE 10-WEEK

Both lithium and rare earth metals look ready to restart their move higher. As all these commodities line up to break out again, and countries like Russia, Canada, Australia, Brazil and Mexico all push higher, a theme is emerging. It looks like the next leg higher for commodities. The two charts haven't done much since the February top on the Nasdaq. Perhaps their next leg is under way.



## \$LUMBER - PARABOLIC MOVE BREAKS

\$LUMBER daily. Lumber chopped lower every day. The WOOD ETF ignored the bounce. Watch to see as WOOD breaks the uptrend. I expect the rally in lumber to struggle as it approaches the previous peak. Based on the PPO breaking the uptrend and the WOOD ETF threatening to break the uptrend, it might be better to look to some of the other commodities.



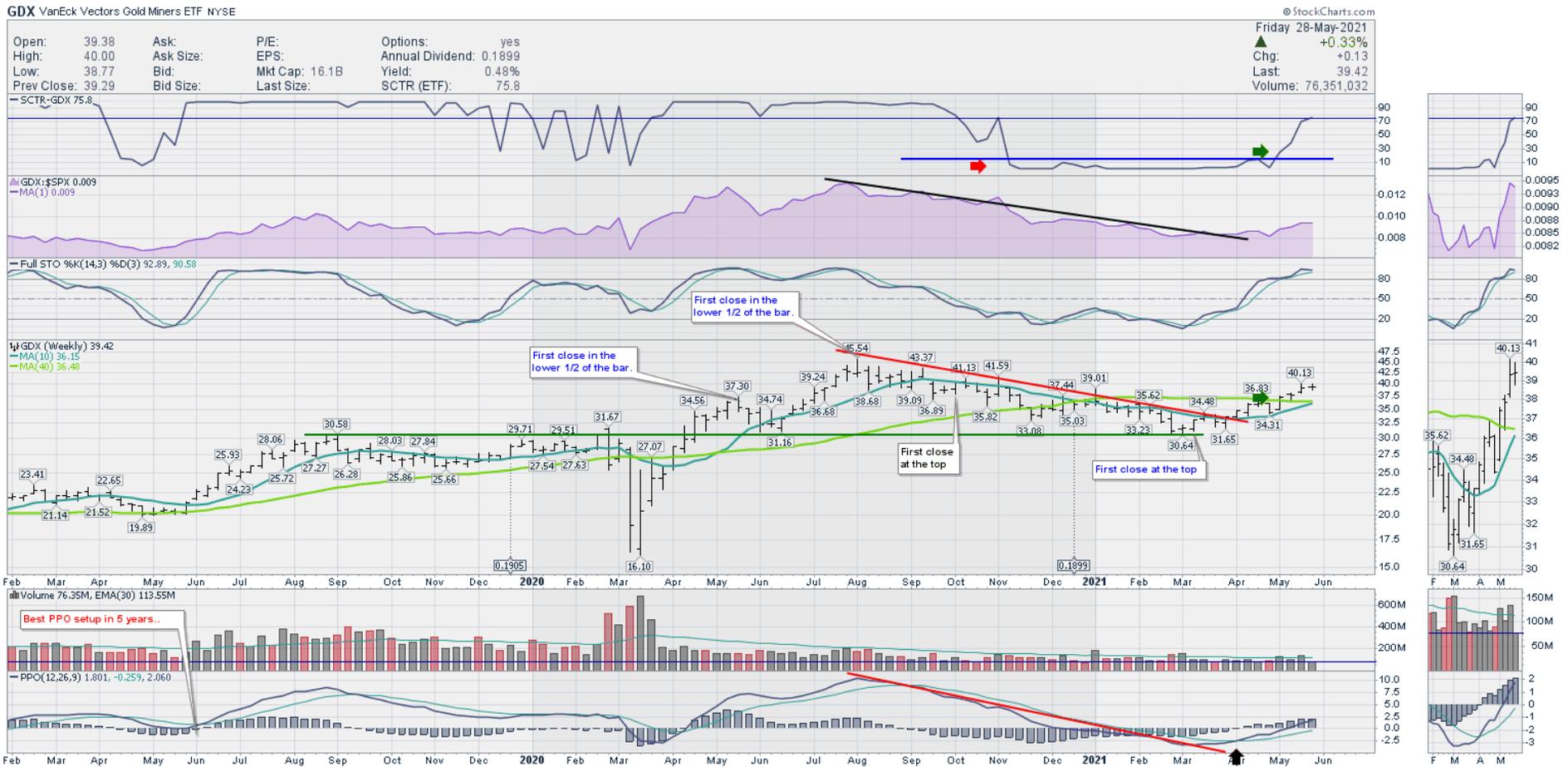
## GOLD - ONE MORE TIME

Gold pushed up above \$1900 this week. **GOLD** I love the expanding volume. The PPO is approaching zero, so I am always interested to make sure it breaks above. The Gold miners PPO already has, so that is an encouraging sign. Silver also broke out finally!



## GOLD MINERS

Gold miners are my preferred way to play the Gold trade. They had an inside week this week. Lower high and a higher low than last week and closed pretty much flat even though gold was higher. While it was light volume, it trades to this level often.



## MARKET SUMMARY

Semiconductors rallied this week, in a long overdue attempt to stop the weakness in the Nasdaq. Finally, the growth sectors had a strong week, much stronger than defensives. This is one of the reasons I want to be optimistic that it continues. Canada had some price action in Marijuana/healthcare and energy did well. The weak gold miners seem to be a miscue. I'll watch another week. If my intermarket analysis is correct, we want to be buying break out growth stocks and get invested here broadly.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
SMH	Semiconductors	79.4	249.19	4.63	
XOP	E & P	99.1	89.07	2.84	
XRT	Retail	98.5	93.36	2.56	
XLY	Discretionary	33.3	172.84	2.55	
XLC	Communications	73.7	78.79	2.51	
XLI	Industrials	78.8	105.12	2.02	
IYR	Real Estate	71.7	100.19	1.91	
XLK	Technology	43.0	138.40	1.62	
XLF	Financials	95.6	37.99	1.09	
XLB	Materials	85.4	87.26	0.76	
XLE	Energy	94.1	52.21	0.10	
XLP	Staples	33.4	70.81	-0.30	
XLV	Healthcare	46.5	123.60	-0.61	
XLU	Utilities	21.4	65.16	-1.51	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTH	HealthCare	73.30	9.03	
\$SPTEN	Energy	127.80	2.82	
\$SPTIN	Industrials	354.98	2.66	
\$SPTCD	Discretionary	275.14	2.06	
\$TSX	\$TSX	19852.18	1.66	
\$SPTFS	Financials	370.92	1.54	
\$SPTMT	Materials	341.30	1.39	
\$SPTCS	Staples	691.35	1.15	
\$SPTTS	Telecom	188.68	1.09	
\$SPTTK	Technology	187.75	1.00	
\$SPTRE	Real Estate	343.54	0.86	
\$RTCM	Income Trusts	237.70	0.48	
\$SPTUT	Utilities	322.42	-0.17	
\$SPTGD	Gold Miners	332.33	-0.30	

## GLOBAL VIEW

The globe had a good week. It wasn't a raging 5% up week, but it suggests globally the picture is improving. Commodity countries traded well last week and added on this week. While the Nasdaq was the best performing US large cap market on the week, the commodity countries outperformed. Commodities had a green week, and I added more oils as it looks explosive to the upside. I mentioned Lithium last week, and that trade looks excellent along with rare earths and industrial metals.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SSEC	Shanghai	3600.78	3.28	
\$NIKK	Japan	29149.41	2.94	
\$HSI	Hong Kong	29124.41	2.48	
\$BVSP	Brazil	125561.37	2.42	
\$AORD	Australia	7424.00	2.18	
\$RTSI	Russia	1603.79	2.18	
\$NDX	Nasdaq 100 ----	13686.51	2.05	
\$BSE	India	51422.88	1.75	
\$TSX	Canada	19852.18	1.66	
\$CAC	France	6484.11	1.53	
\$SPX	S&P 500 ----	4204.11	1.16	
\$KOSPI	South Korea	3188.73	1.02	
\$INDU	Dow ----	34529.45	0.94	
\$IDDOW	Indonesia	1210.05	0.79	
\$DAX	Germany	15519.98	0.53	
\$MXX	Mexico	50040.74	0.53	
\$IBEX	Spain	9224.60	0.22	
\$GBDOW	London	316.25	0.16	

SYMBOL	NAME	CLOSE	% CHG	+/-
HMMJ.TO	Marijuana Stocks	10.58	11.25	
REMX	Rare Earth Metals	83.48	7.09	
LIT	Lithium	66.44	6.68	
\$BRENT	Brent Crude	69.63	4.80	
\$COPPER	Copper	4.68	4.39	
\$WTIC	WTI Crude	66.32	4.31	
\$SUGAR	Sugar	0.17	4.14	
\$GASO	Gasoline	2.14	3.19	
\$HOIL	Heating Oil	2.04	2.55	
SLX	Steel	63.17	2.53	
SIL	Silver Miners	48.70	2.12	
\$SILVER	Silver	28.01	1.92	
\$GOLD	Gold	1905.30	1.52	
GDJ	Gold Miners	39.42	0.33	
\$NATGAS	Natural Gas	2.99	0.30	
\$SOYB	Soybean	1530.50	0.28	
\$COCOA	Cocoa	2412.00	-1.79	
\$LUMBER	Lumber	1309.50	-9.88	

## VIDEO OF THE WEEK

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

Here is a link to this week's video. [How's The Oil Pressure?](#)

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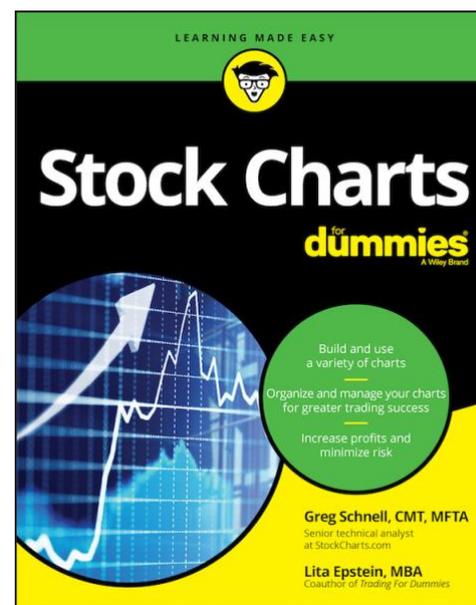
Good trading,  
Greg Schnell, CMT, MFTA.

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## 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.



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