

THE CANADIAN TECHNICIAN



U.S. Edition

Green Eggs And Ham

Weekly Market Review
July 24, 2021



WITH
GREG SCHNELL

MARKET COMMENTARY

The markets sudden bounce at the 50 DMA on the SPX was more than I expected, and it was a big bounce, which surprised me. Technology names literally soared. SNAP was up 30%, Moderna up 22%. ROKU up 18% to be close to a breakout. The large cap names ripped higher. I have the charts of Alphabet and Facebook in the newsletter. They looked like they were part of the blue origin capsule, rocketing higher.



A few commodities had big bullish pushes. Natural Gas broke a 15-year downtrend and Lumber bounced after being chain-sawed 29% last week. Lithium and rare earths migrated higher, but it is a disparate group with some of the names not participating at all.

The dollar has some bullish signals going on, weighing on commodities generally. The dollar broke out to new highs over the range of the last three weeks and broke the longer-term downtrend line. The PPO has moved into positive territory and the cycle lines suggest a big move ahead for the dollar. I'll cover more on this on the monthly conference call.

Here are the details:

Dwight and I will host the [August Conference Call](#) on July 29th. Click on the link to join at 5 PM EDT, Thursday. Password = energy

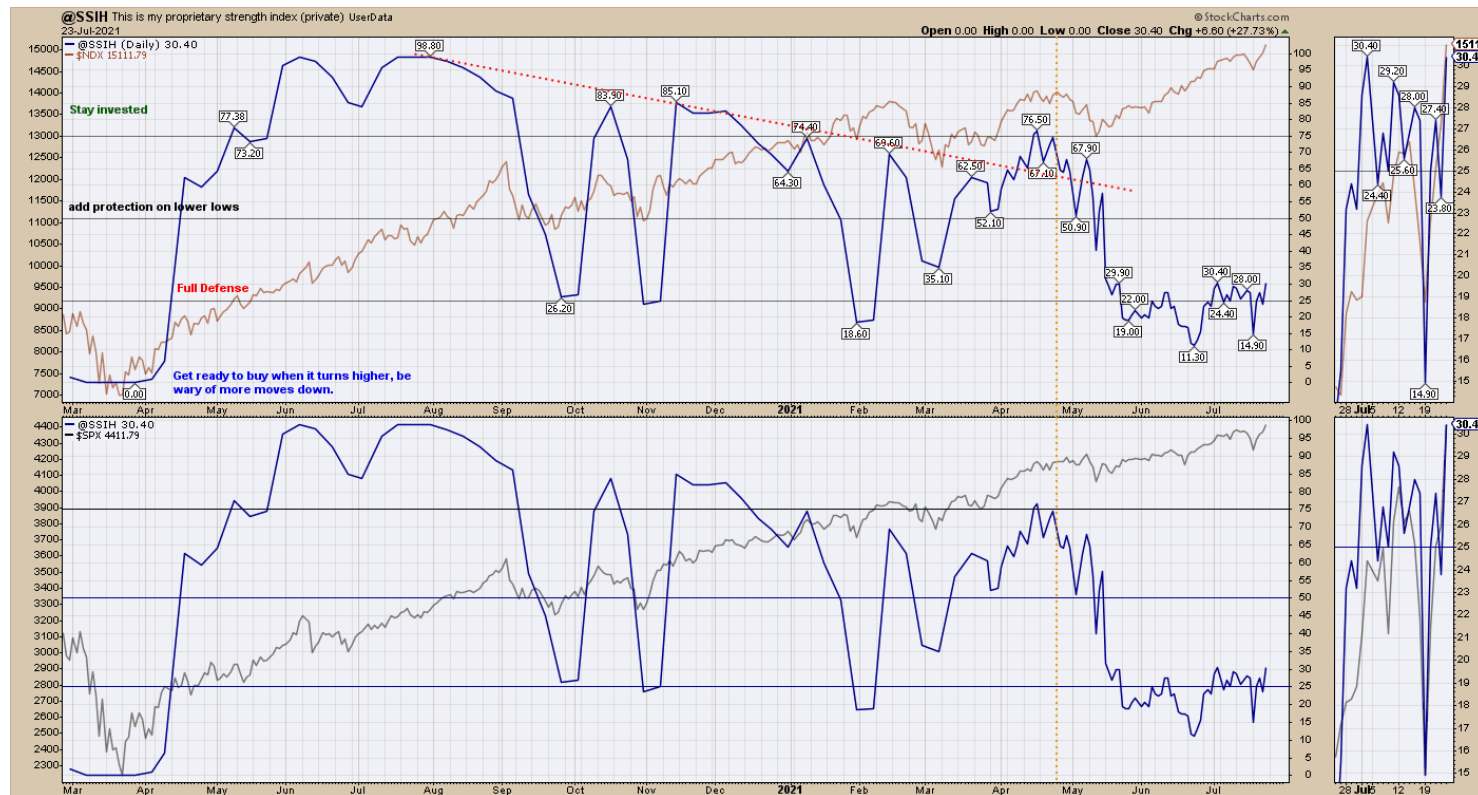
An abundance of oil names will report this week. We continue to have oil inventory data coming in shorter than expectations, but the oil names haven't responded. We'll see if the big test of support for crude oil down to \$65 was enough and now we pump the next leg higher.

Summary: Technology names dominated the tape this week. Consumer discretionary also did well. It is the period to be lining up for the second half surge in retail. With a huge number of companies reporting this week, we'll see what is going on and the optimism for the 3rd quarter should still be there. The noise in the trading room this week won't be about the Seattle Kraken hockey draft, it will be the Federal Reserve meeting. Let's hit the charts.

SSIH 30%

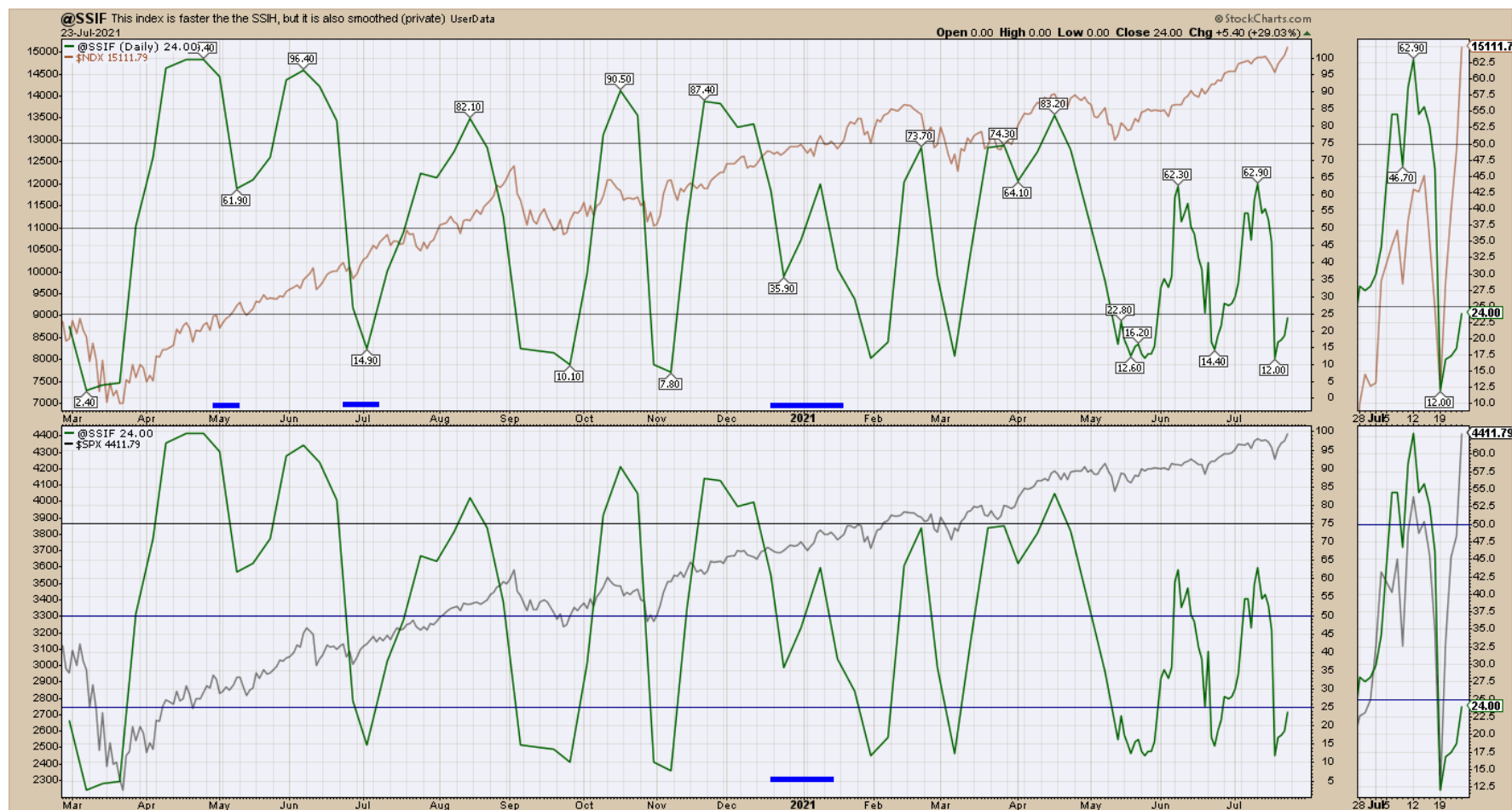
The Schnell Strength Index plummeted Monday but quickly reversed. It finished on Friday with the high reading we had in early July. This is tied for the highest level since May. Both panels have the same SSI indicator with different stock indexes in the background. The large cap tech names have been pushing higher for 9 weeks, lifting the indexes. We needed wider participation from small and mid-cap but that is not happening.

I posted SSI readings in the daily setup articles by Dwight every day. 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.



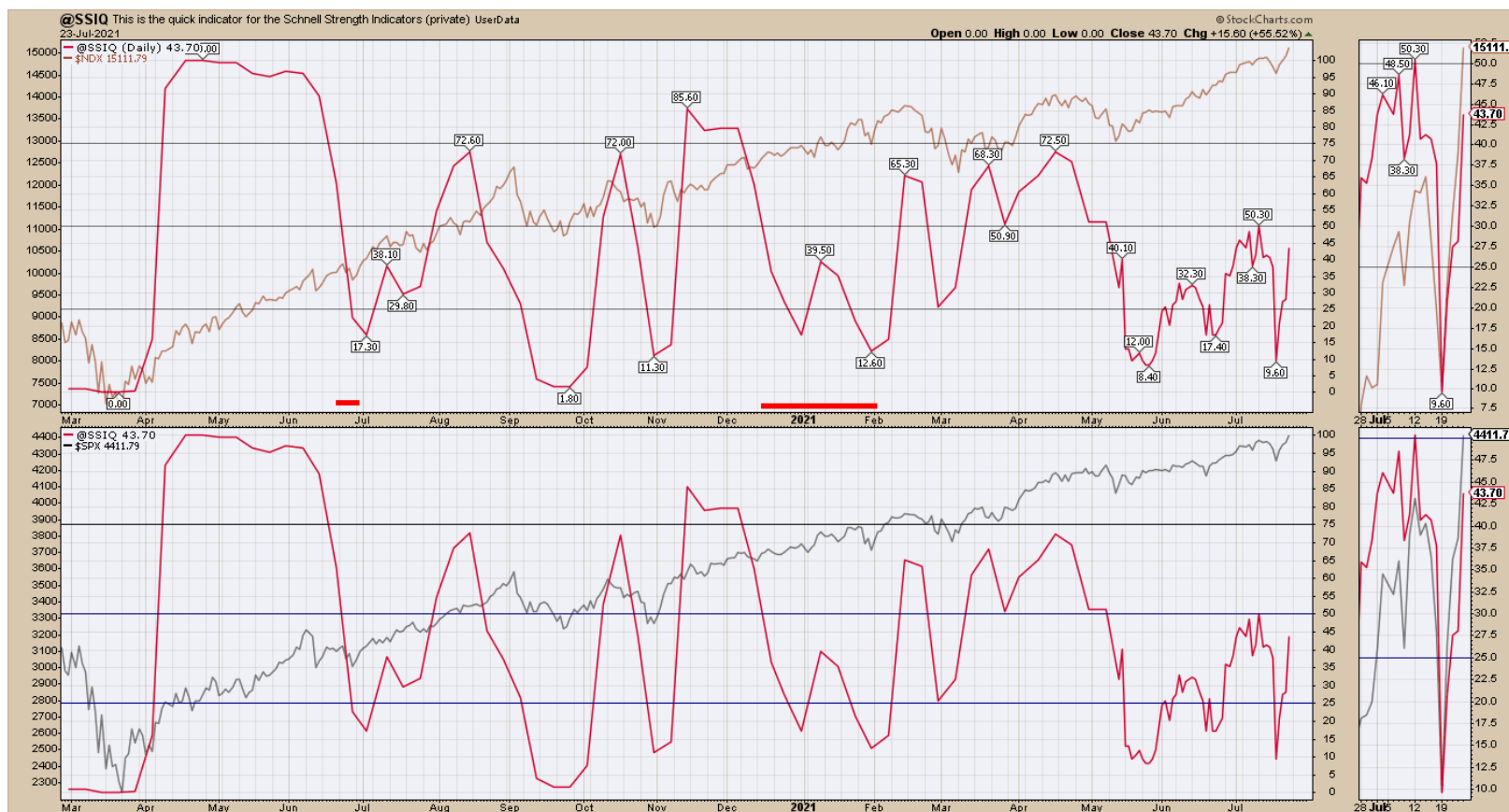
SSIF 24%

The Schnell Strength Index - Fast version - bounced off Monday's low. 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. This is about as weak as the index gets. It would appear we are trying to make our next thrust higher.



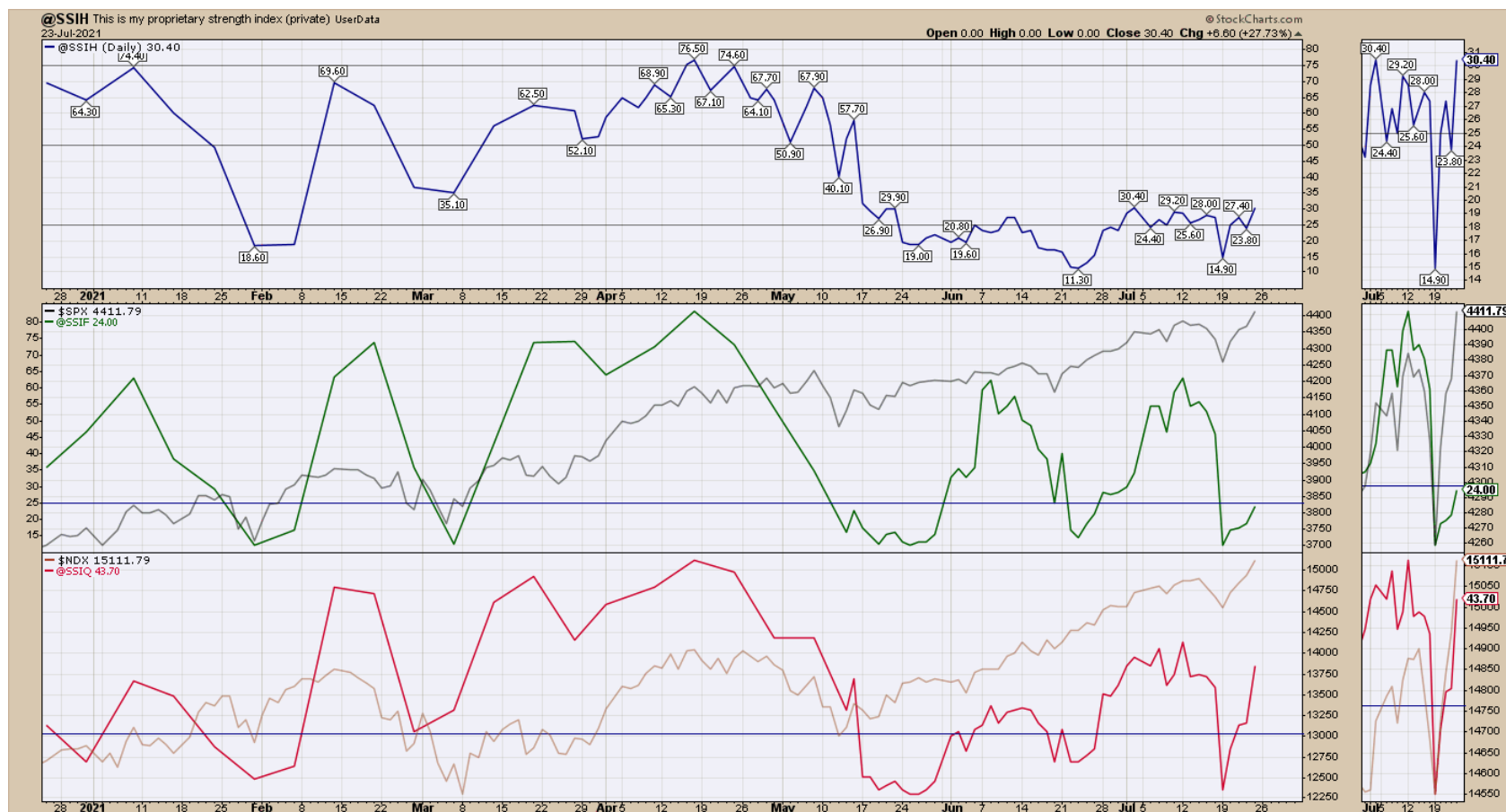
SSIQ 44%

The Schnell Strength Index - quick version - is jumping around and currently in an up move. The two flat red lines on the top panel are where the backdrop was weak (falling SSIQ), but the market kept rallying - marking not profitable signals. The chart bottomed out at 9% this week. More amazing is the fact that the rally couldn't broaden out. I'd like to see highs above 50% if this is going to meaningfully change.



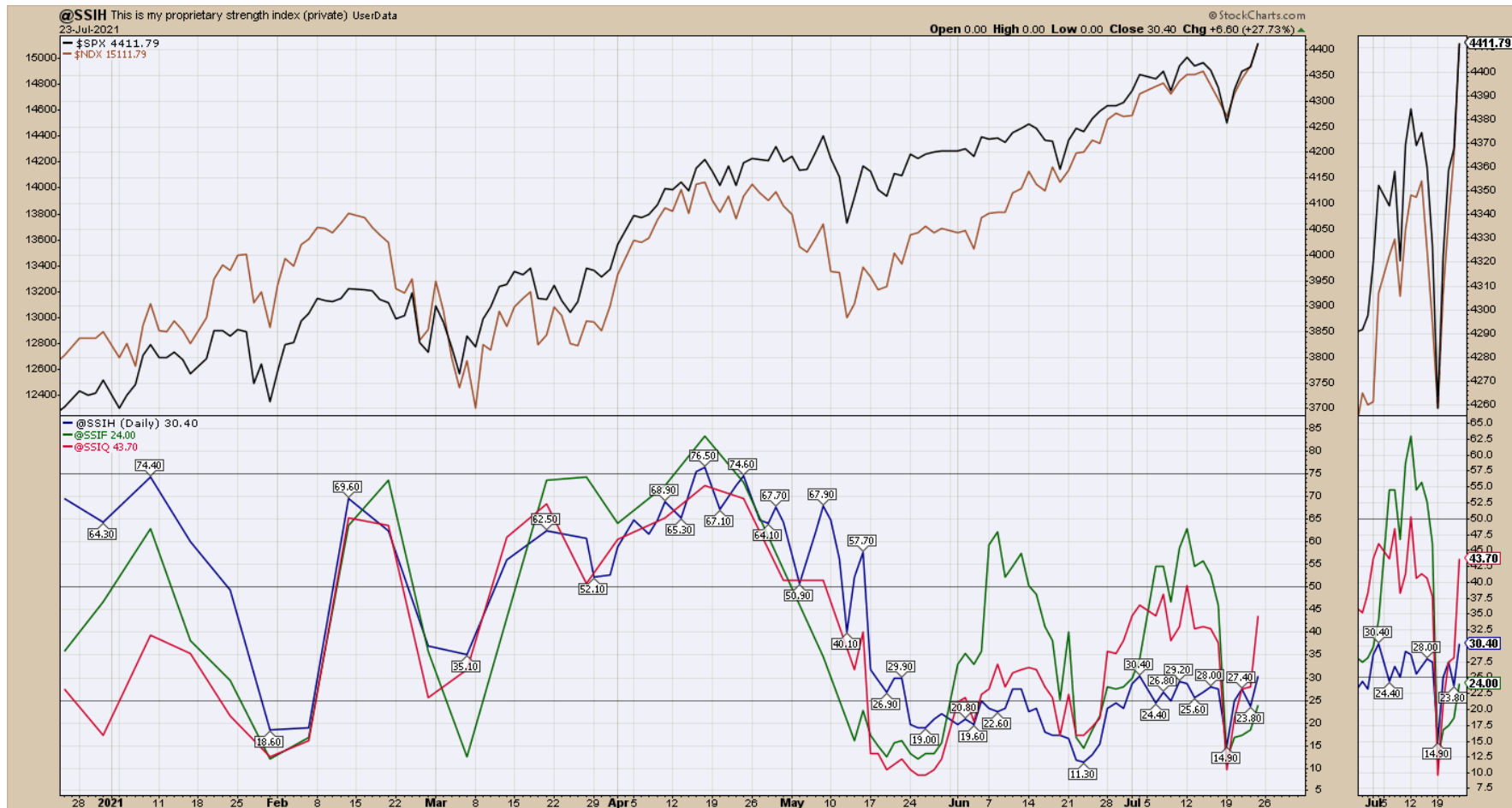
SSIH SSIF SSIQ STACK

The Schnell Strength Indexes are trending up as a group this week. All three SSI's are still below 50. The market deterioration shown by other breadth measures has this lining up rather ominously. The big index, the SPX, went on a PPO sell signal last week and is in the process of turning back up. It would look a lot more bullish if the quick index and the SSIH could break out to higher highs.



SSIH, SSIF, SSIQ OVERLAY

The chart shows the stock indexes in the top panel. With all three SSI's having a vicious whipsaw, the SPX and \$NDX broke out to new highs. Is this a final surge before rolling over? I don't know but 2 of the indexes are above 25% where I want to get long.



JULY MONTHLY CONFERENCE CALL

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THE CANADIAN TECHNICIAN



Industry Rotations

August Monthly Conference Call
July 29, 2021 at 5 PM EDT



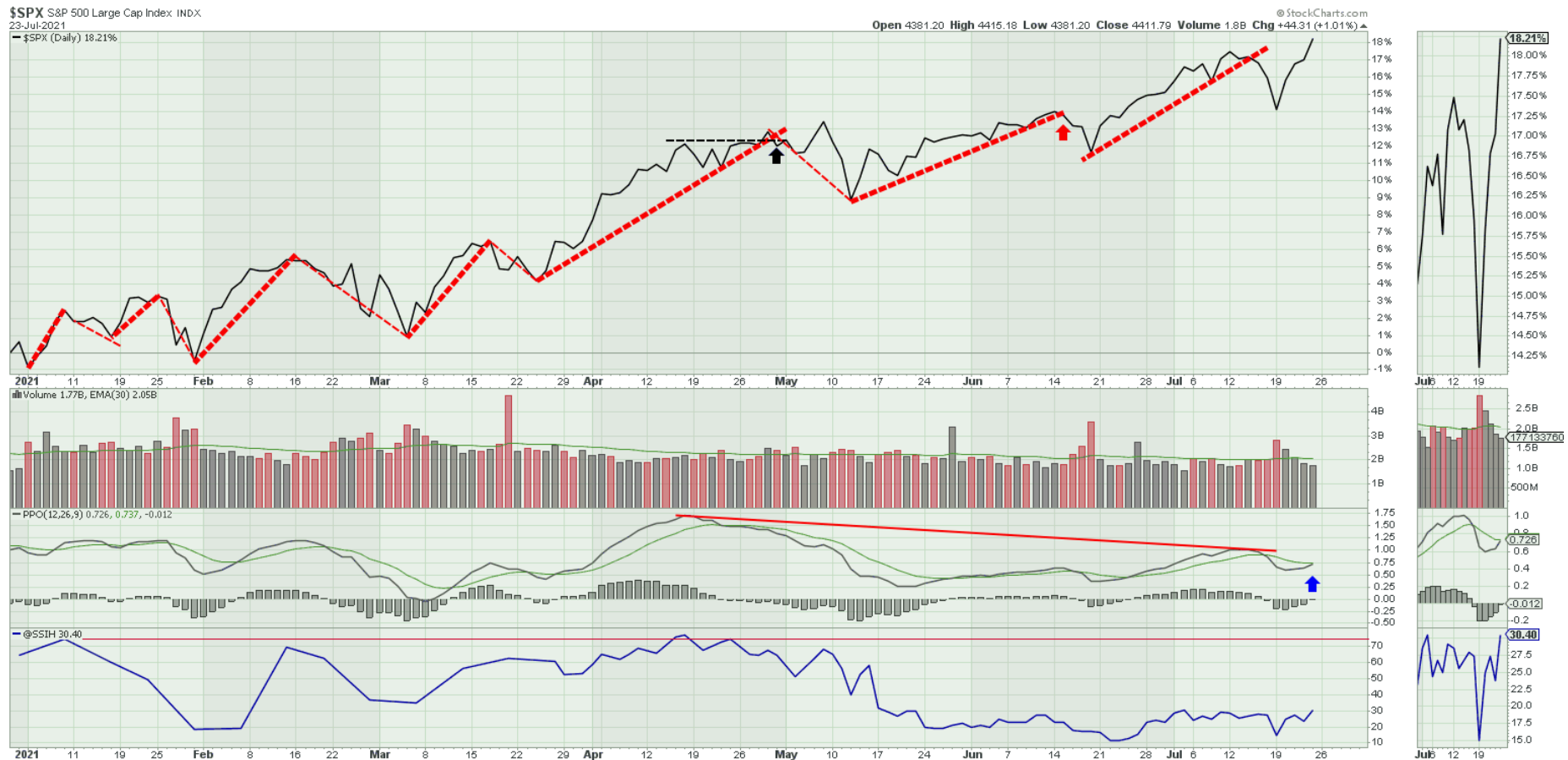
WITH
GREG SCHNELL



AND
DWIGHT GALUSHA

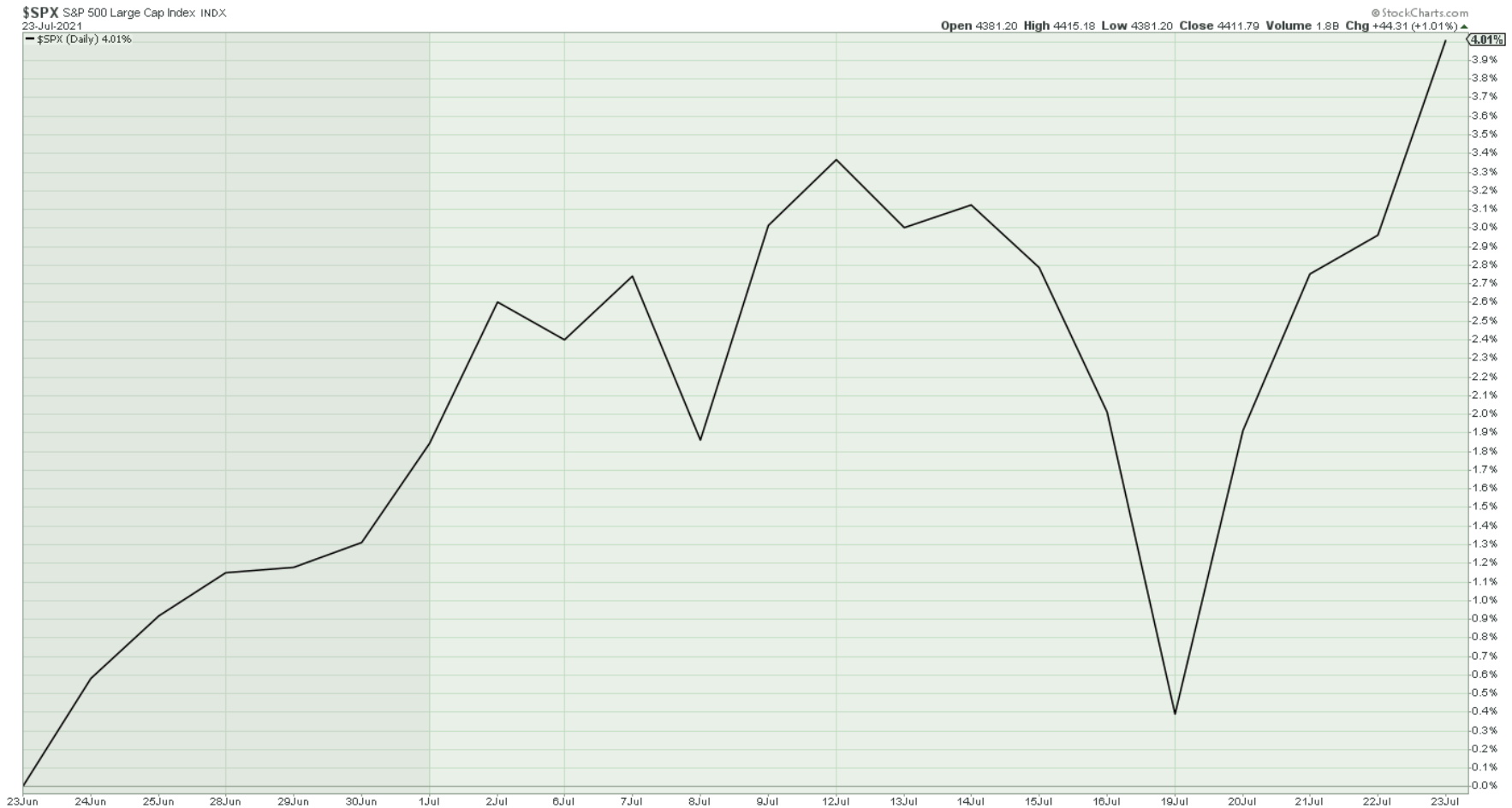
\$SPX - A HIGHER CLOSE

The year-to-date line chart of the S&P 500 shows the index pushing to a new high. The PPO looks ready to cross the signal line to the upside. I get a little worried about sharp rallies like this, so I am conflicted. However, when setups show up, we need to take them and have risk control measures (stops) in place. If the PPO stalls right here and rolls down, I am more worried with the narrow breadth. However, the narrow breadth is outside of the \$SPX on charts like the IWM (small caps). [\\$SPX](#).



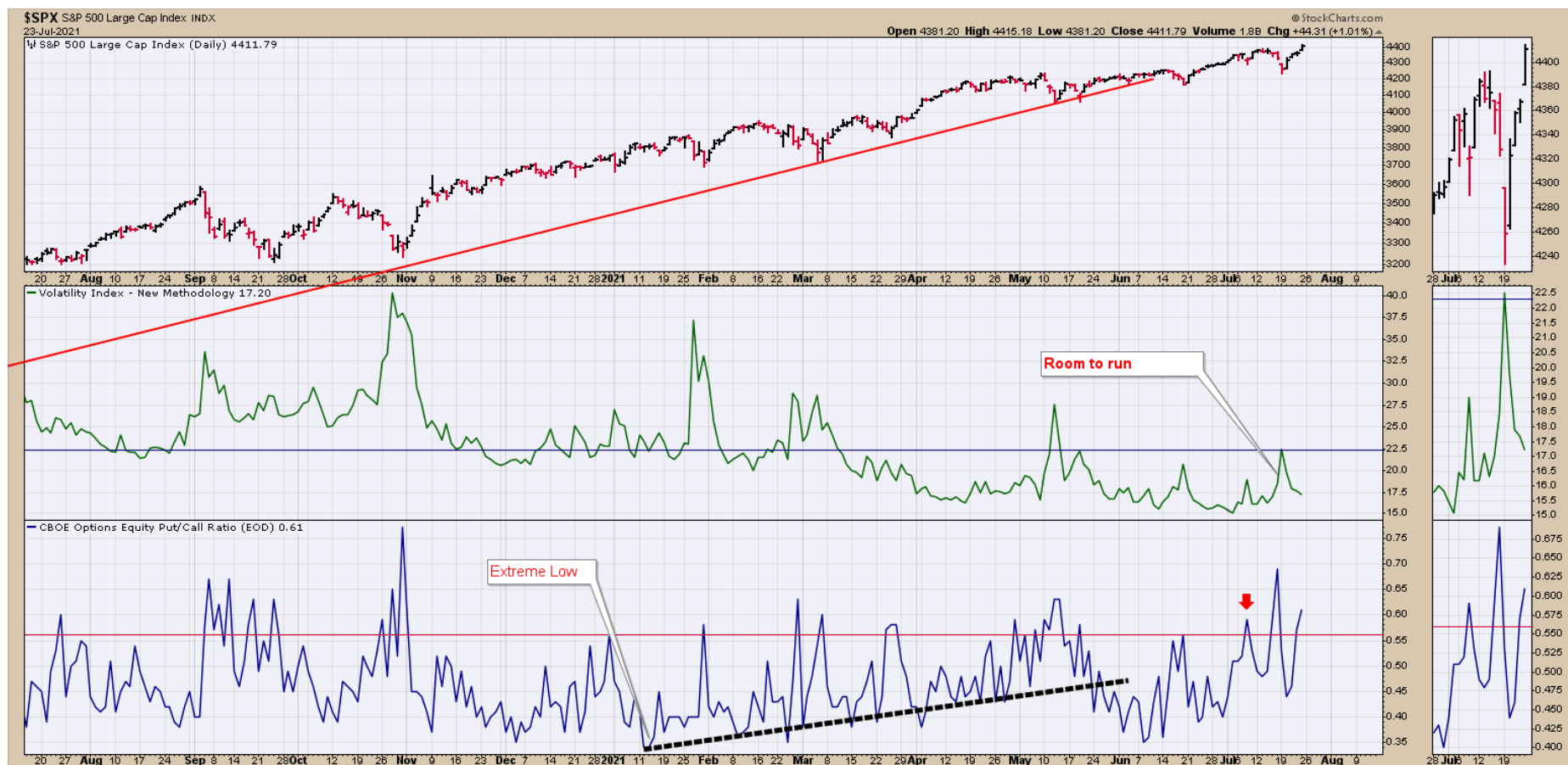
\$SPX 1-MONTH CHART

The [\\$SPX](#) was up big this week. The market made a higher high which is positive. It is hard to argue with new highs. The \$SPX is heavily weighted to the top 7 stocks. AAPL, MSFT, GOOGL, AMZN, and FB all had strong weeks. BRK/B and TSLA, not so much. 25% of the index are in these 7 names. [S&P 500 Component weights](#).



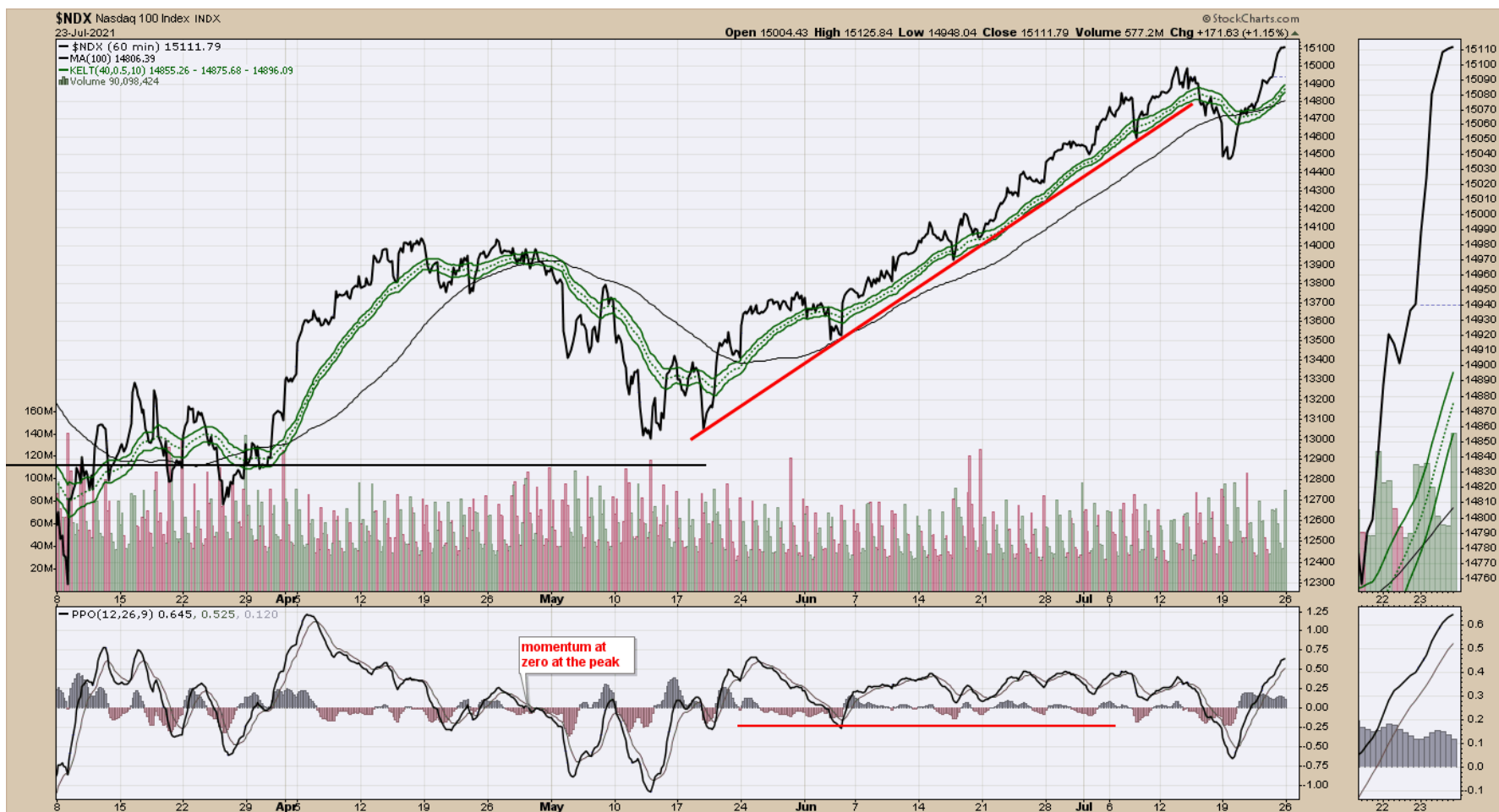
\$SPX, PUT/CALL AND VIX

The Put/Call ratio ran up to end the week oddly enough. The Put/Call ratio is on the third panel. What I am wondering is why do we have three trips above the red line as the market makes higher highs. The options market seems nervous here. The VIX (center panel) is near the lowest levels so the volatility continues to subside. The huge push on both the index and the ratio this week makes it a little more difficult to understand the dichotomy. Odd.



\$NDX - NASDAQ 100 DAILY CHART

The **\$NDX** on the 60-minute chart broke the uptrend last week. Then the market threw egg in my face with a strong 4-day run to new highs. Let's call it green eggs as the screen were lit up with big green price moves. The PPO (momentum) is now back above zero. It looks bullish.



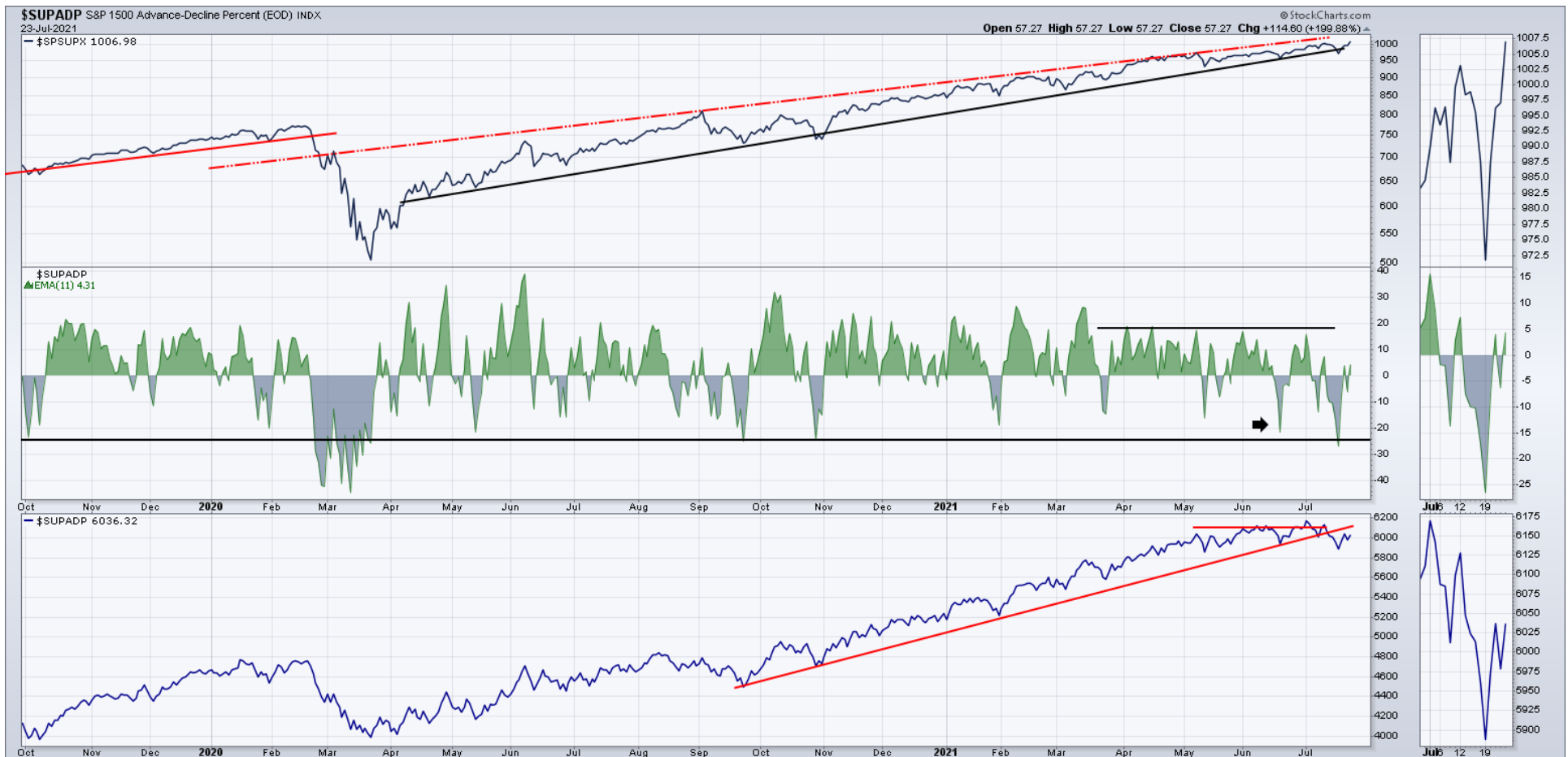
\$SPXUDP - UP/DOWN.

The up/down percentage indicator keeps track of how many stocks are moving up compared to down. After the big drop Monday, the up/down percentages had two strong days. Thursday was poor, Friday was a little better. To see the indexes keep rallying without the wide participation is something we are getting used to. [\\$SPXUDP](#)



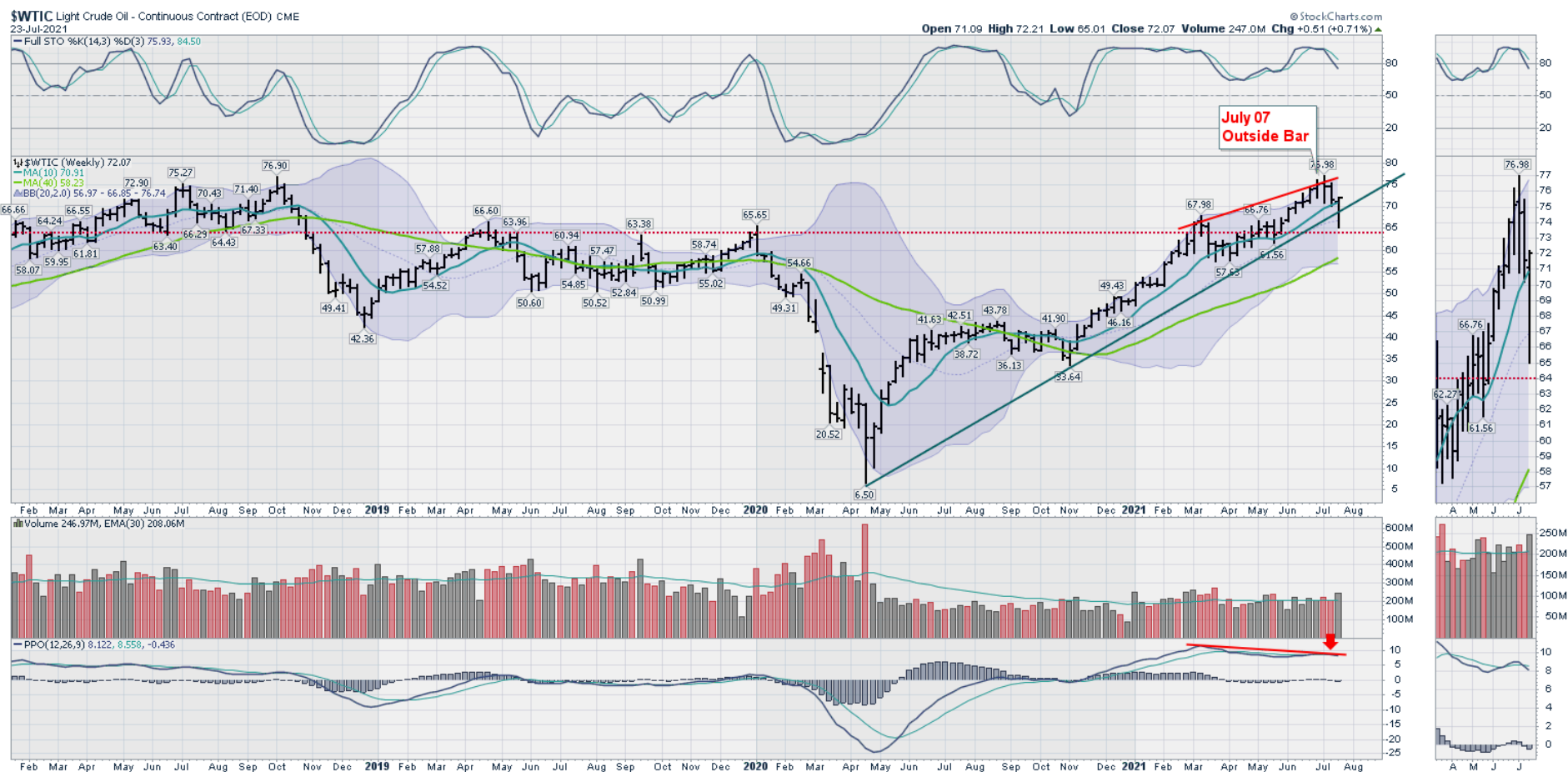
\$SUPADP - THE CUMULATIVE ADVANCE/DECLINE PERCENTAGE LINE

The Advance/decline line adds to the previous total each day. Last week we broke the uptrend for the first time since the September low. That's almost a year. Markets need time to correct too. The rally of this week was underwhelming on this index (lower panel) as Friday closed same as Wednesday. This is for the top 1500 stocks. [\\$SUPADP](#)



\$WTIC - CRUDE OIL

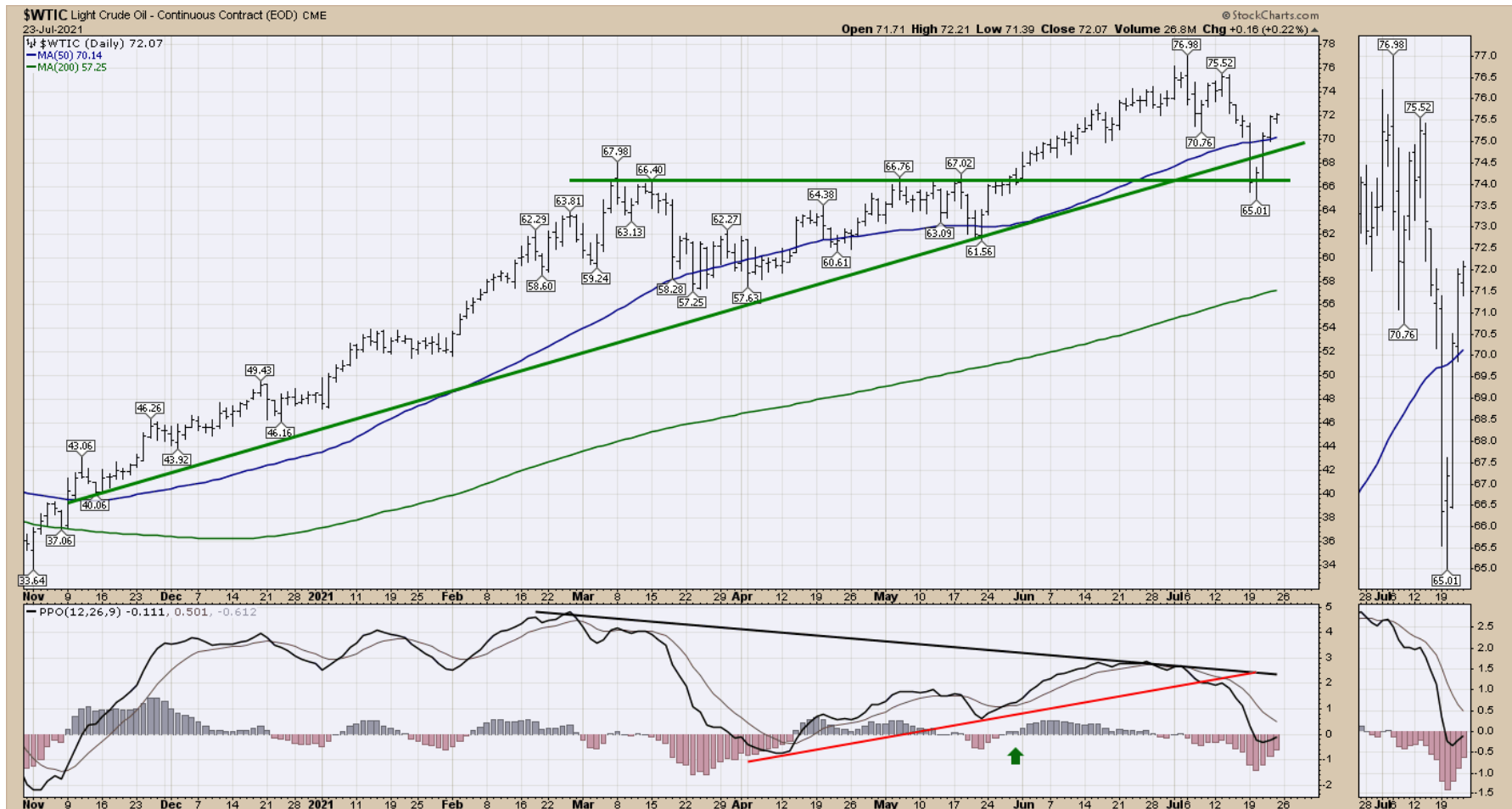
The price of crude oil made a lower high, lower low and a higher close. The weekly PPO is still lower than on the prior high, so we have negative divergence as a potential setup for a downside move. We are also fighting a US dollar uptrend - chart below - and that chart broke out above resistance. Crude oil is still holding above the 10-week moving average and bounced at support. [\\$WTIC](#)



\$WTIC - CRUDE OIL DAILY

LAST WEEK: The real question is will this be a short-term pullback or do we need to go down and test \$64 - \$66 for support?

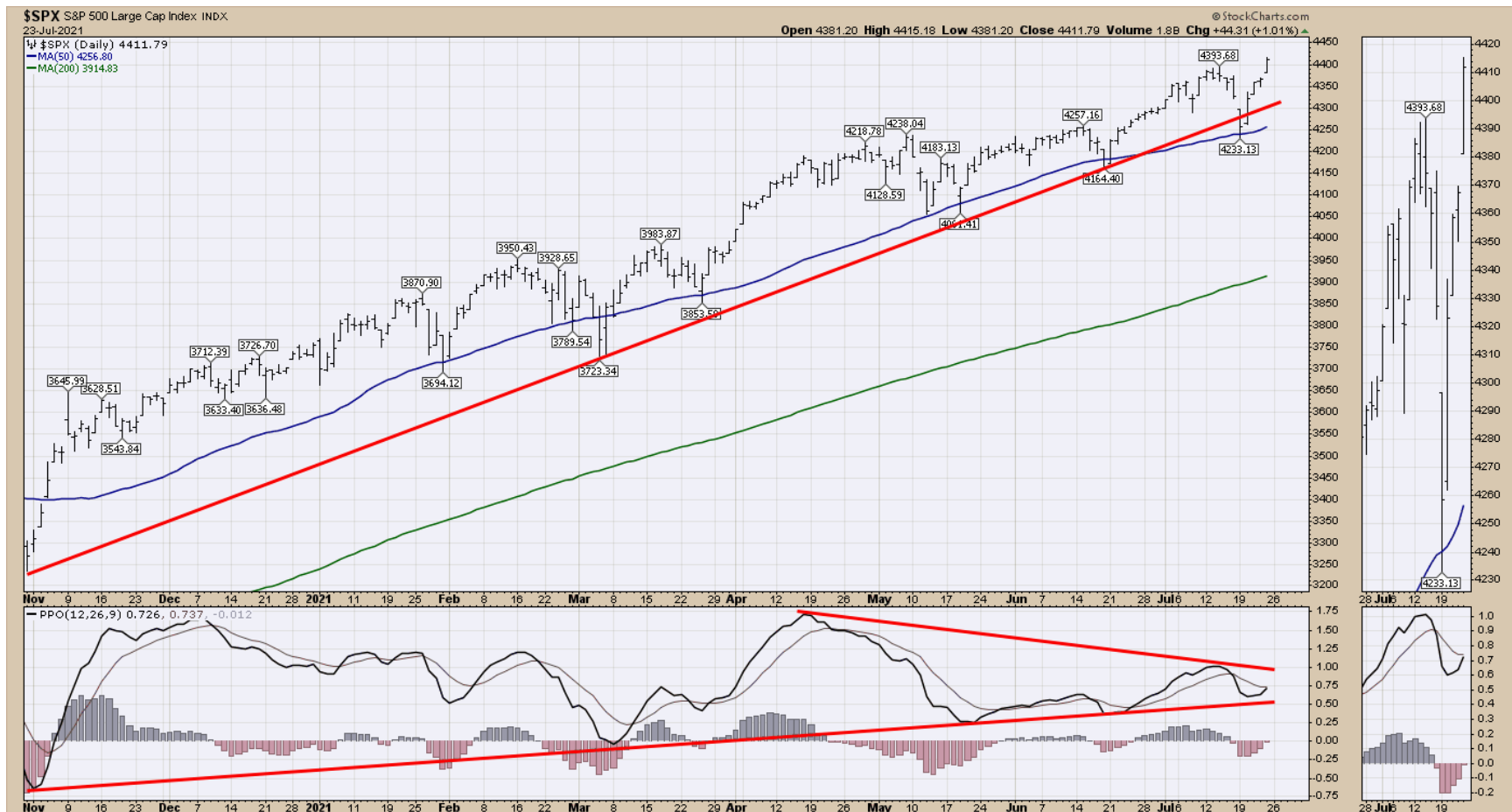
This week: Yes, we did need to go test support! We bounced, let's consider the trend up as the PPO bounces at zero. [\\$WTIC](#)



\$SPX - SIMILAR PATTERN ON MOMENTUM

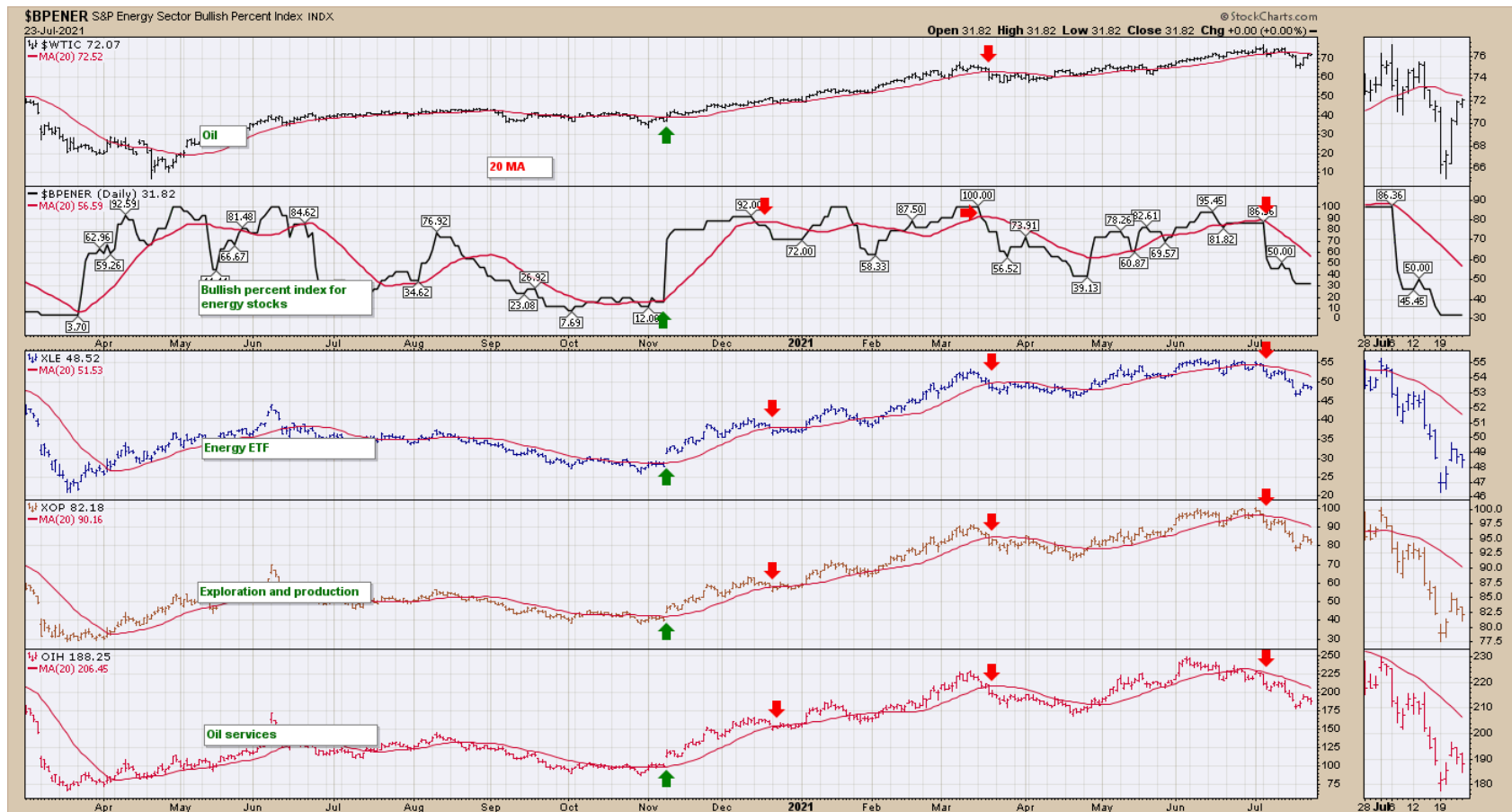
Last week: The rally is still intact, and it is hard to imagine that the market won't try to bounce off the red line shown below this week.

This week: Let's watch to see how the momentum on the PPO resolves. Upside breakout or was this the last hurrah? [\\$SPX YTD.](#)



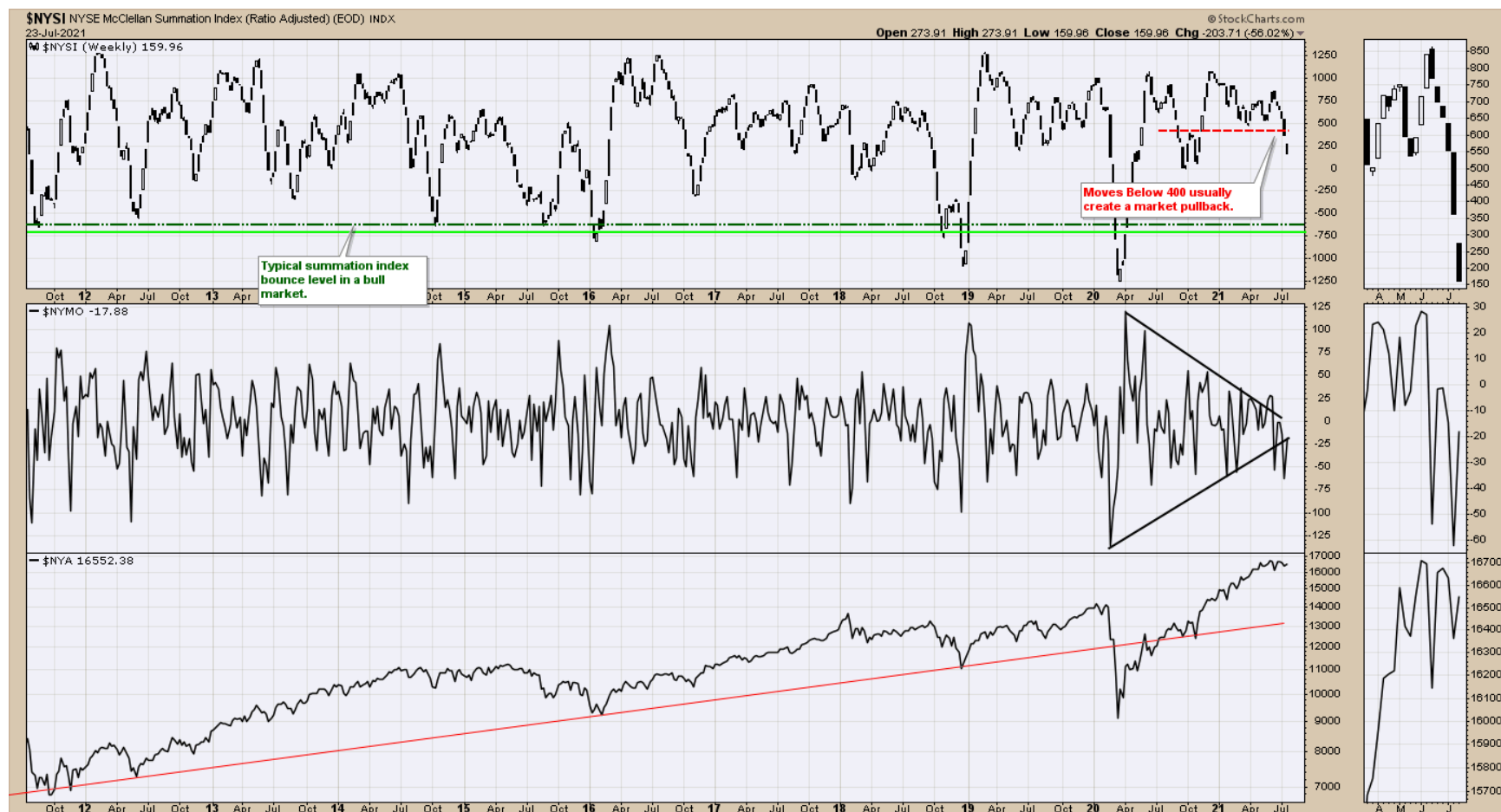
\$BPENER - BULLISH PERCENT FOR ENERGY FALLS BELOW 50%

This chart is still on a sell signal for energy with 5 of the 5 panels below the 20 DMA. Depending on your time horizon, this is on a sell signal for trading and a caution for longer term traders with the bullish percent index below 50%. The oil services have been sliding for 2 months already! The BPENER is low enough to be at a turning point for a rally. It will only be bullish again when all 5 get back above. [\\$BPENER](#)



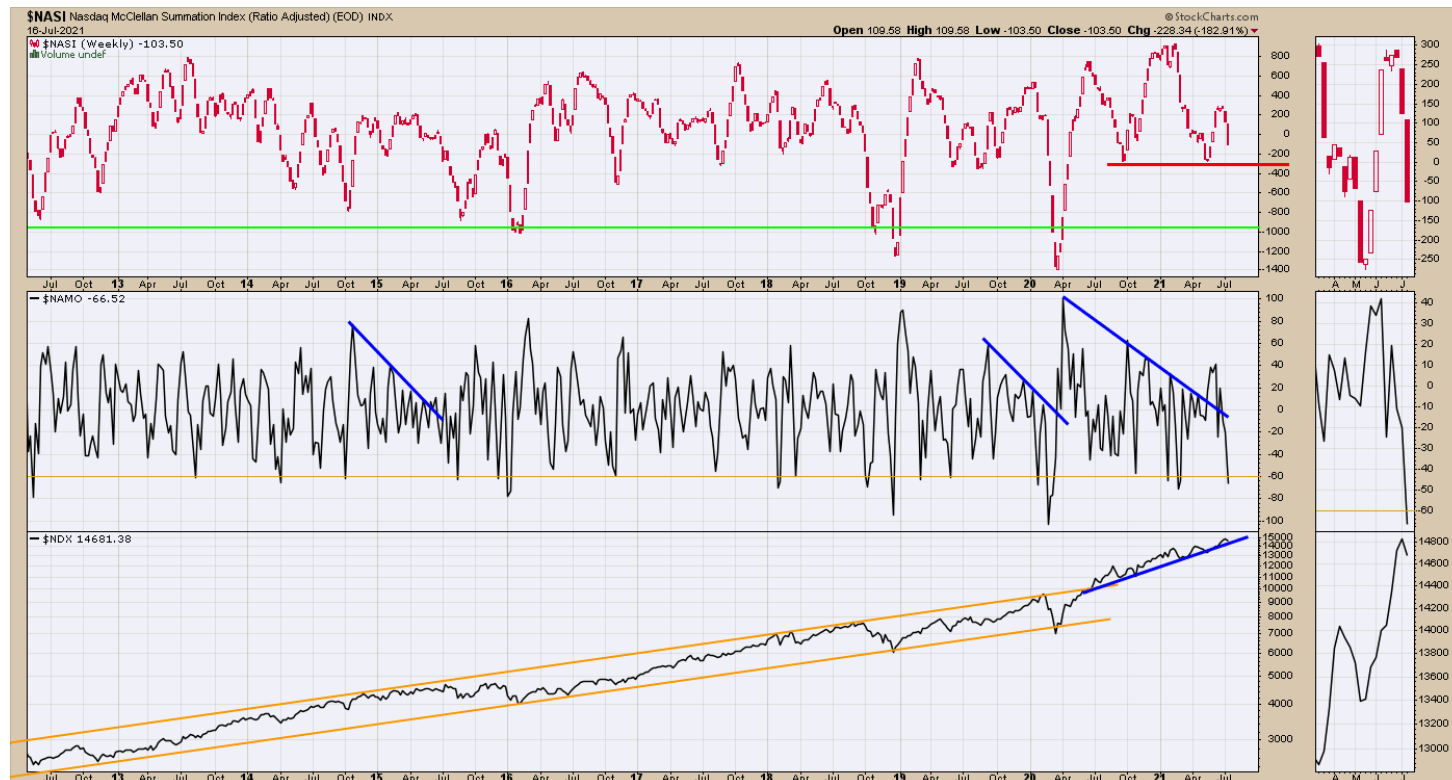
\$NYSI - MCCLELLAN SUMMATION INDEX

I showed the next two charts last week. The middle panel is McClellan Oscillator. The top panel is the McClellan Summation Index, cumulatively aggregating the \$NYMO totals. I usually get cautious on moves below 400. We are there now, and this is the first time since November going below 400. The Summation index continued to drop and the NYMO is still below zero adding caution. [\\$NYSI](#)



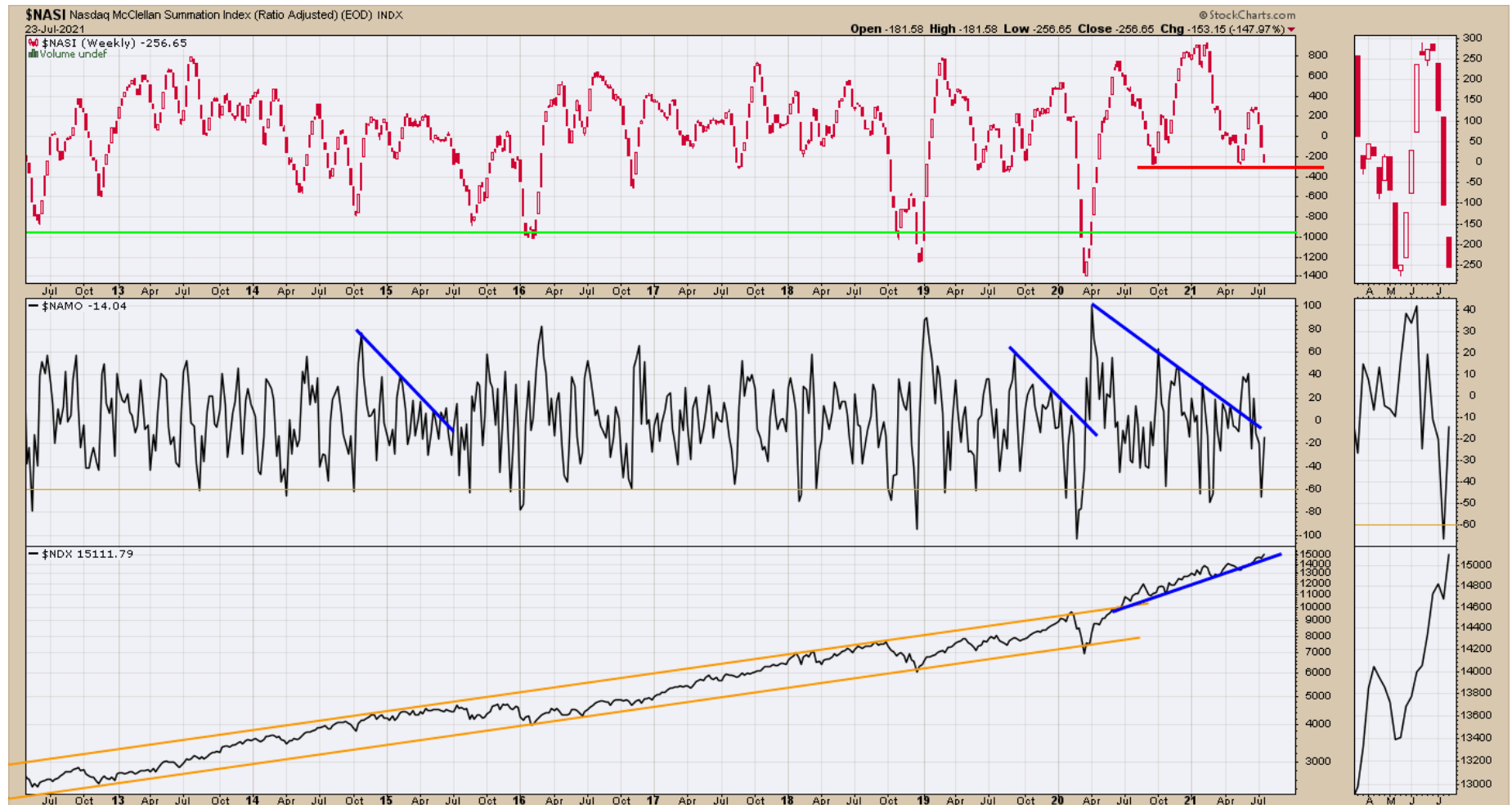
\$NASI - NASDAQ SUMMATION INDEX

From last week: The above chart was for the New York Stock Exchange stocks. The chart below is for the Nasdaq. The levels are different, but I get concerned moving below zero, and expect a larger pullback below -200. The red horizontal line is one to watch this week but based on the size of the move in the zoom panel this has a lot of downside momentum. Conversely, the \$NAMO in the middle panel is at a typical low level. It could stay below zero for a while and the market would go lower, or we are at a low and ready to bounce. Examples of staying low are December 2015 or October 2018. None of my indicators are making higher lows, so I don't see that as the next move with the exception of choppy price action as tech earnings are unveiled. Notice how the recent \$NASI rally (+250) was a lot lower than the previous two. Bottom line: Both \$NYSI above and \$NASI look fragile. [\\$NASI](#)



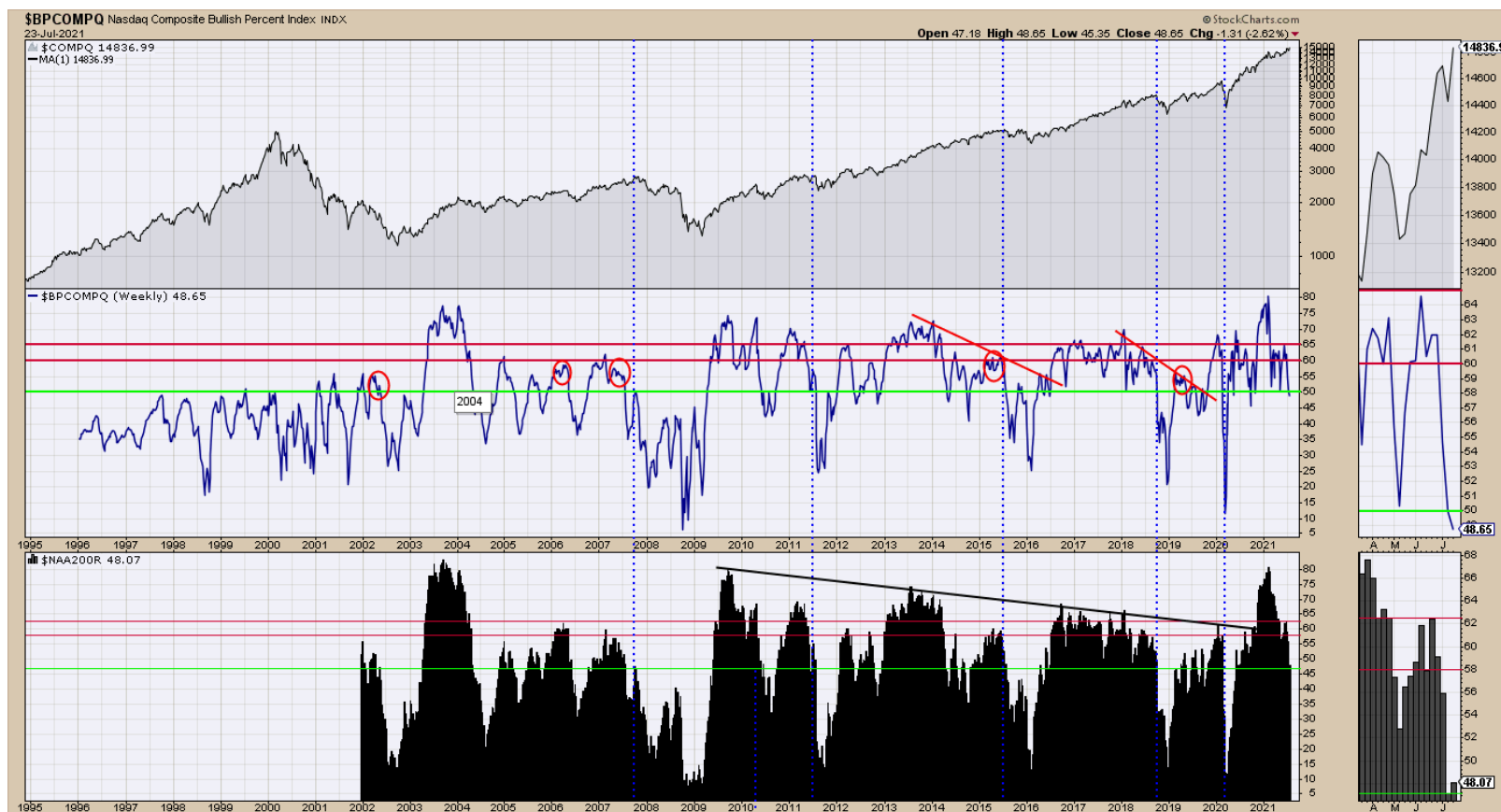
\$NASI - NASDAQ SUMMATION INDEX

The Summation index is still above the -250 level where I have the red line. A bounce here would be bullish, so I can't be too negative on the market until this cracks. [\\$NASI](#)



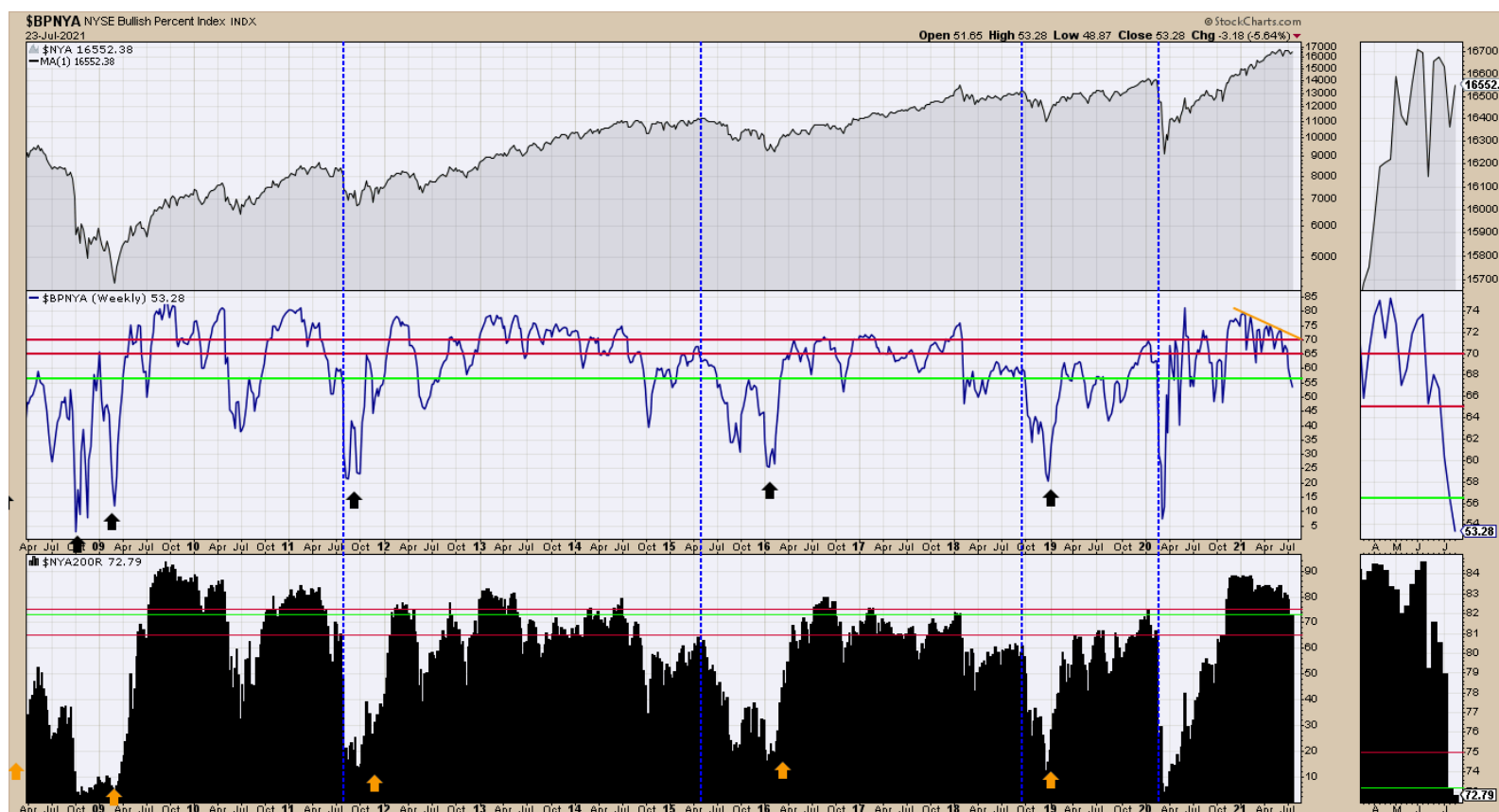
\$BPCOMPQ - NASDAQ BULLISH PERCENT INDEX(BPI)

The bullish percent index is at the level where it has bounced since March 2020. The green line is last weeks' level on both panels. The weak \$NASI above adds caution to a bullish premise. The Percentage of Nasdaq stocks above the 200 DMA (bottom panel) is still below 50% and a one-year low. If more than 50% of the stocks are below the long-term average, that's bad news. The other piece of bad news is looking left on the chart is when this happens after a big rally, it can stay lower for months. [\\$BPCOMPQ](#)



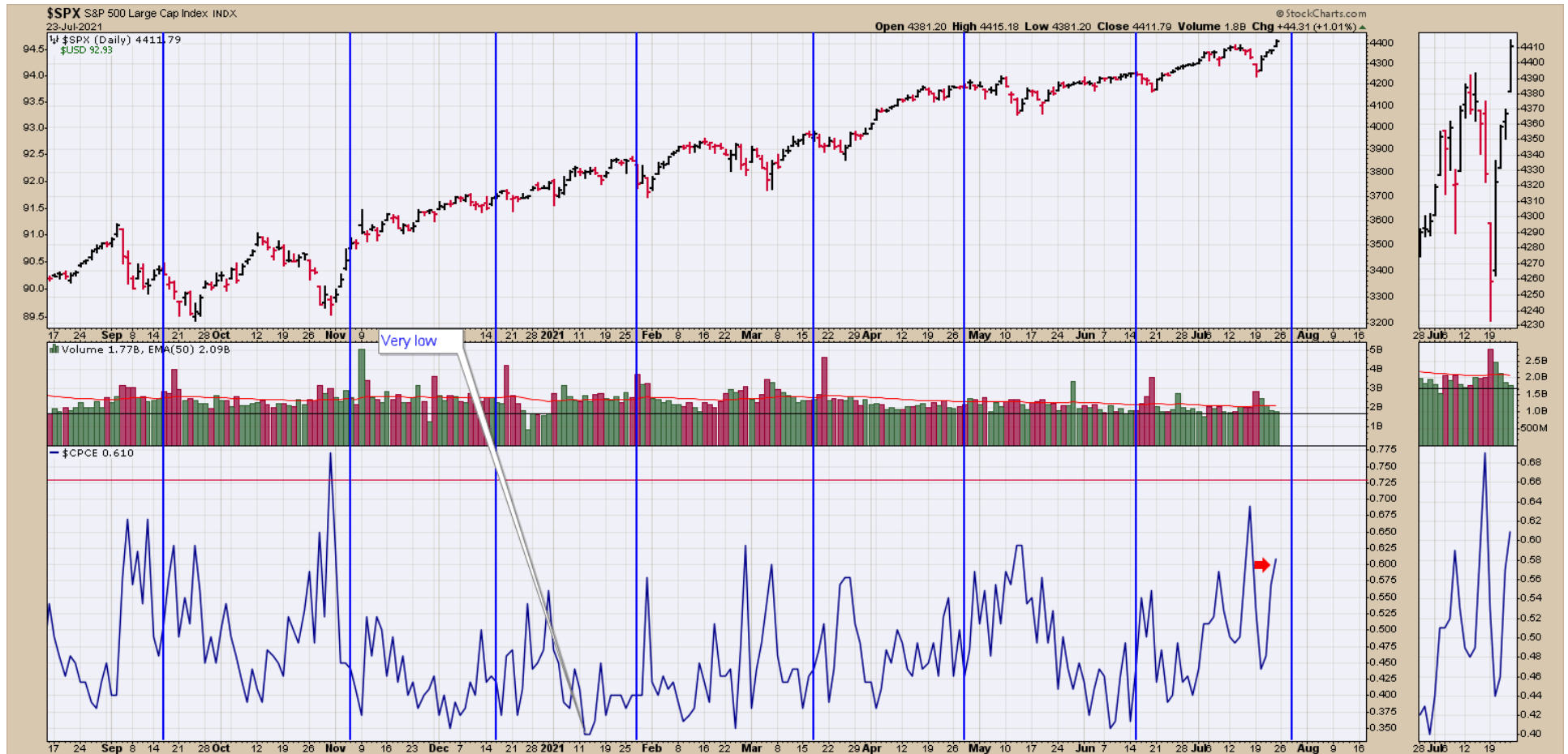
\$NYSE BPI

The BPI for the New York Stock Exchange is at the lowest level since the November rally started, suggesting a change in support. Only 53% of the stock are on a buy signal, which is only marginally positive. The green line is last weeks' level. The lower panel - stocks above the 200 DMA - looks concerning as well. When the market has had a significant run with 80 % of the stocks above the 200 DMA for a while, the pullbacks are pretty steep and pretty long in time (not a week or two). Green line is last weeks' level, so even though the market made higher highs, both the BP and the Percentage-above-the-200-DMA weakened. [\\$BPNYA](#)



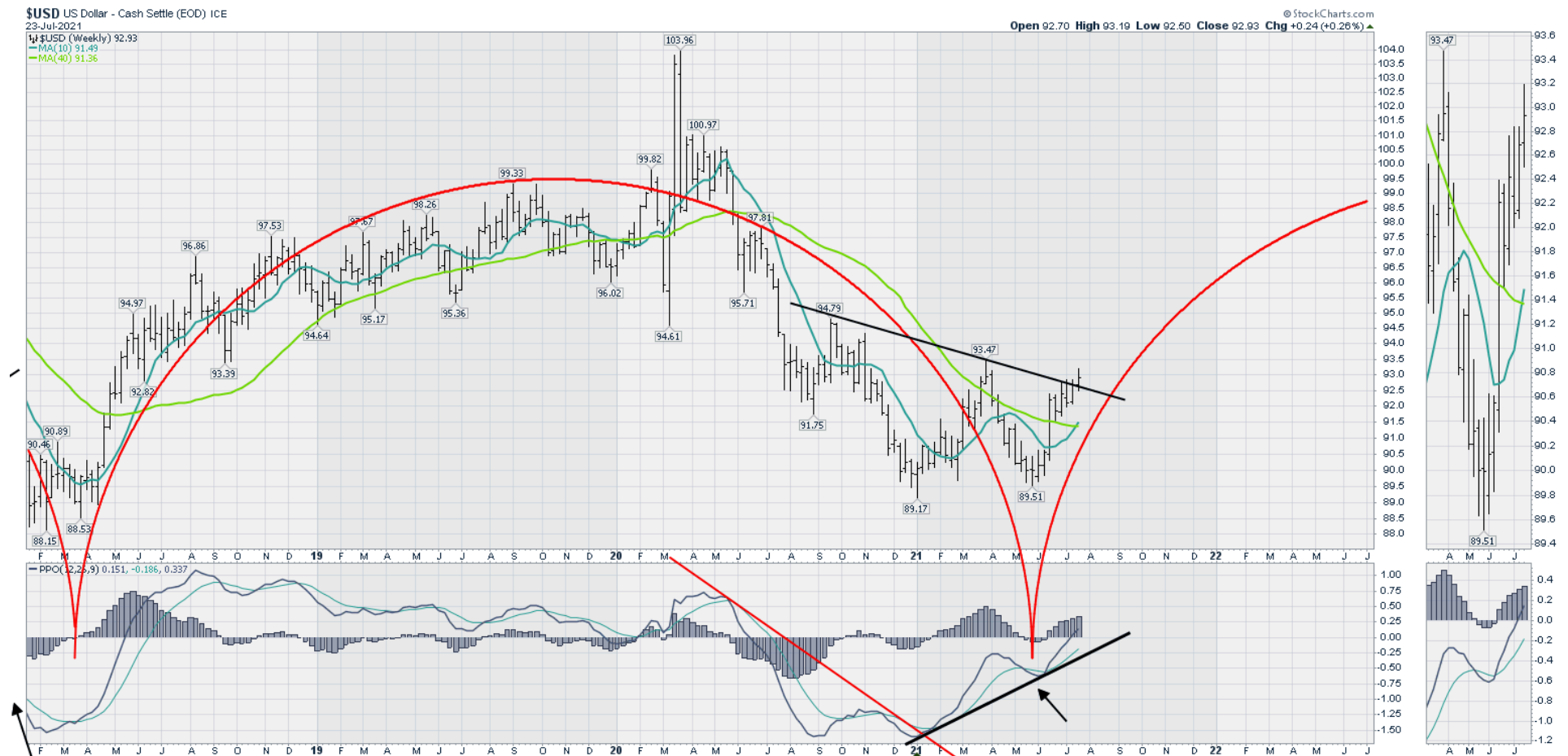
\$SPX - FED MEETING

The Fed meets this week with announcements on Wednesday. I feel like we are still discussing the last Fed meeting and his testimony to Congress. This is the last meeting before the Jackson Hole summit of central banks in August. [\\$SPX Fed Meeting](#)



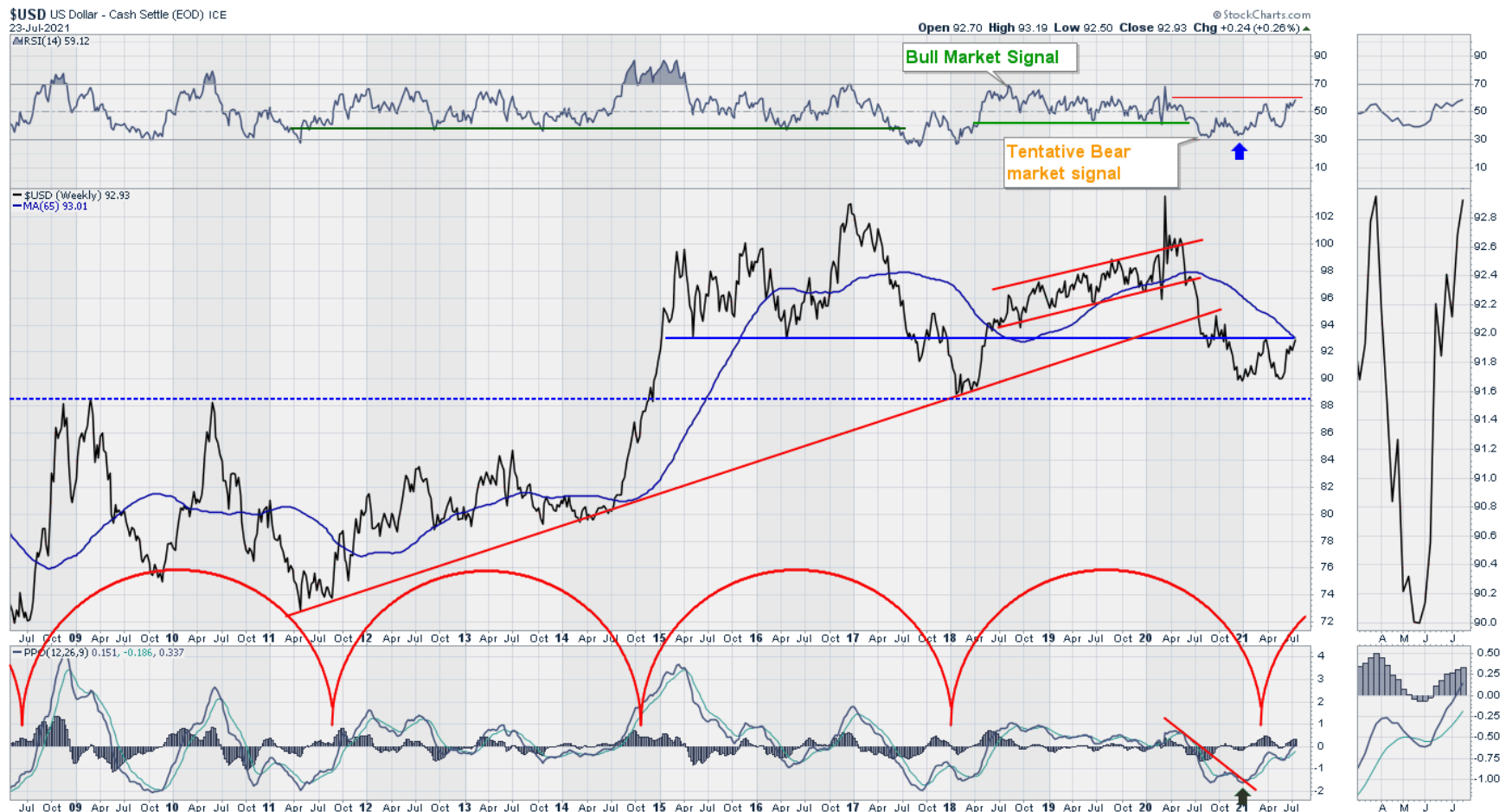
\$USD - US DOLLAR

The US Dollar closed above the black trend line this week, breaking a year long downtrend. The currency is now in an uptrend. The real question is will the friction of the previous high at 93.47 be meaningful or not as the Fed meets? PPO is positive (above zero) so the indications are for a higher dollar. [\\$USD Weekly](#).



\$USD - US DOLLAR

The US Dollar is at this long-term horizontal resistance and has not spent a lot of time below this level since 2015. We are also at the intersection of the 65-week moving average and resistance. The cycle arches suggest not being too pessimistic here. [\\$USD Weekly](#).



XLC - COMMUNICATIONS

For the sectors, XLC rocketed forward on Friday. Led by Facebook and Alphabet, investors were giggling. More importantly, the downtrend on the relative strength ratio in purple also broke. It wouldn't take much for that indicator to make three-month highs.

XLC



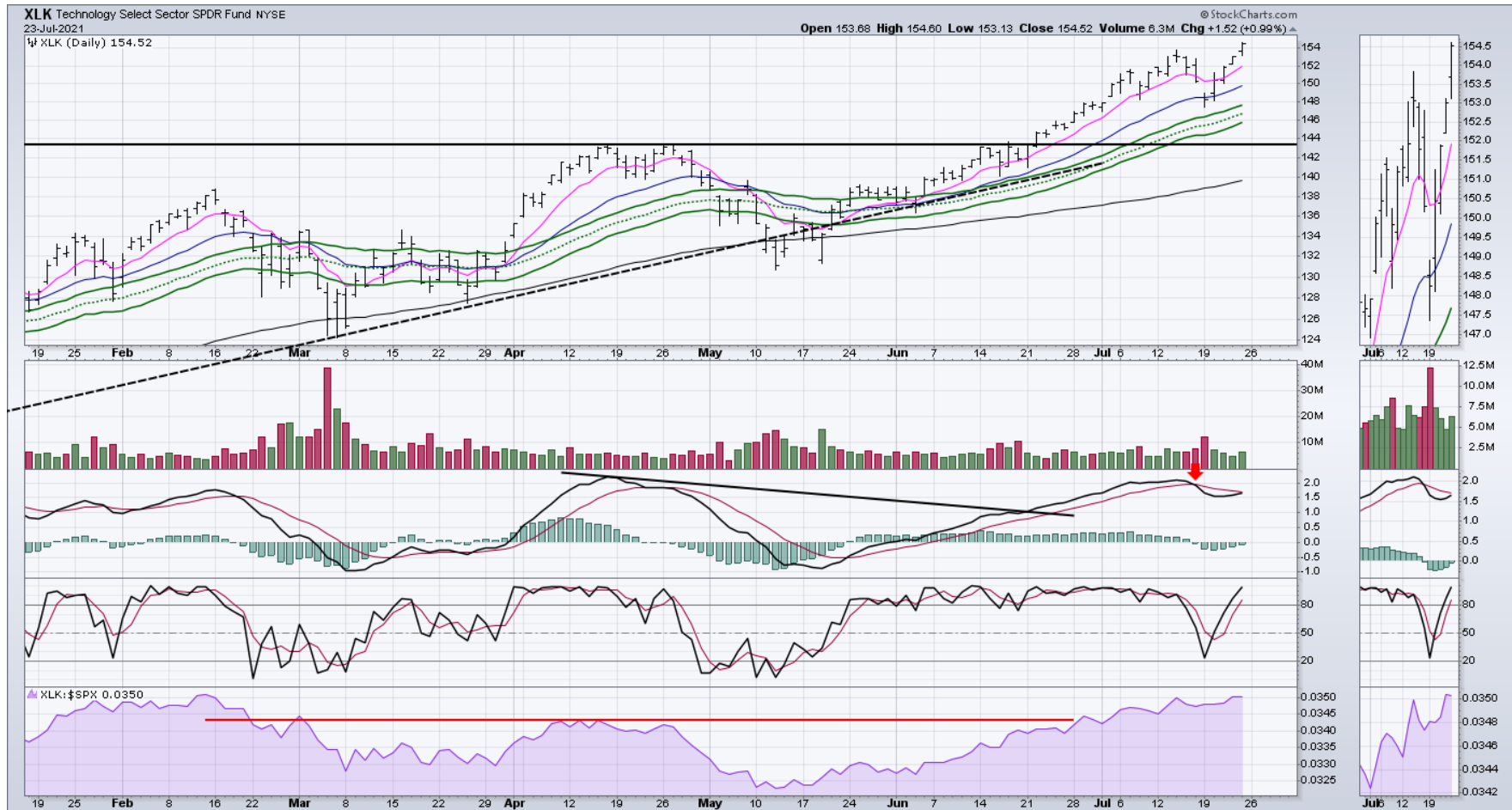
GOOGL AND FB

The communications sector elephants are Alphabet and Facebook. Check out the Friday moves!!



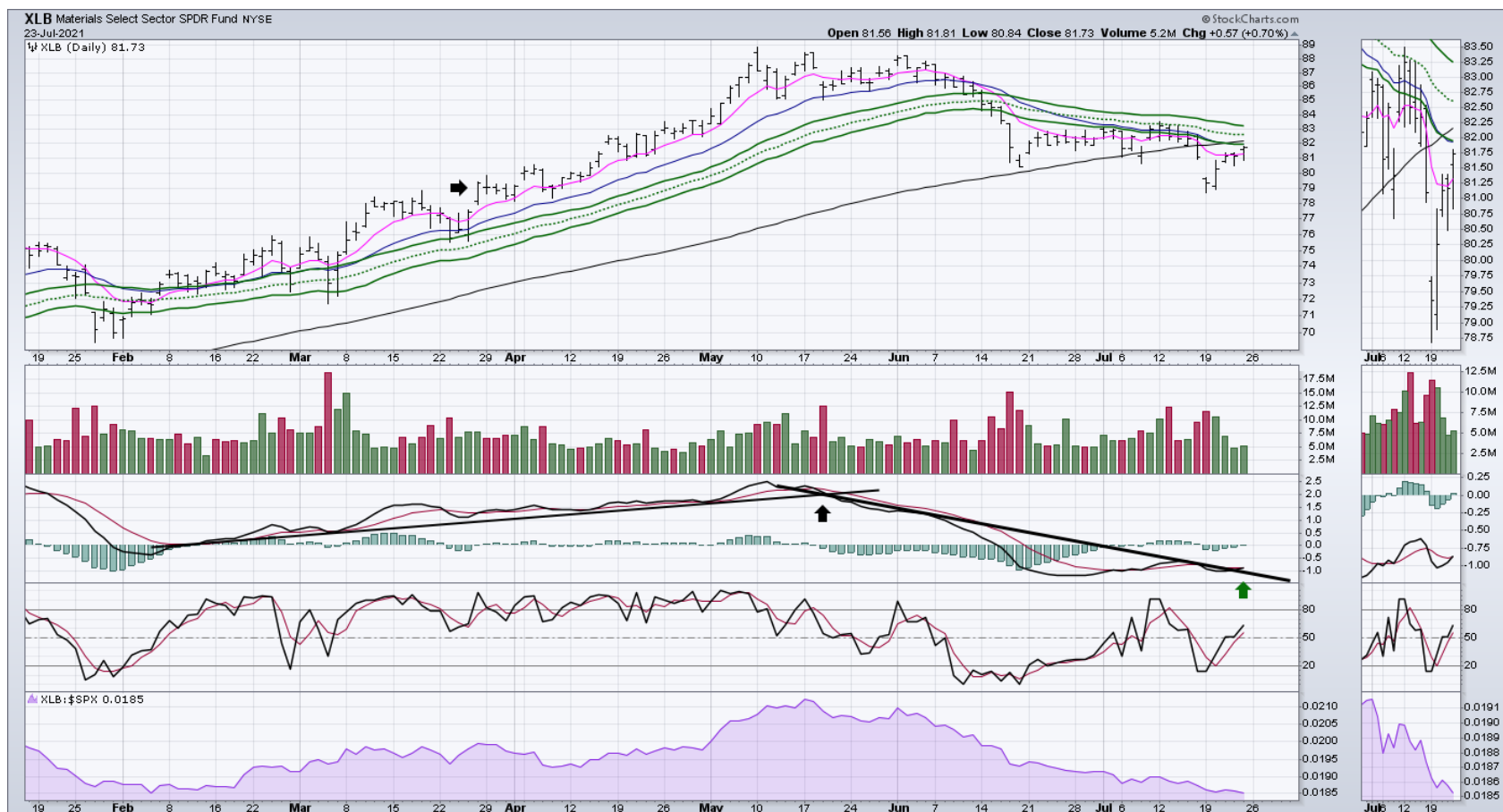
XLK - TECHNOLOGY

The XLK looks similar to the SPX and NDX. With Microsoft and Apple making up big percentages, this chart continues to make higher highs. Software is also doing very well, and I have a chart of that further down. [XLK](#)



XLB - MATERIALS

The Materials sector has been on a holiday for 9 weeks. The PPO is making a higher low and I discuss this on the video. The breaking of the downtrend on the PPO has me interested, especially with a higher low on the PPO. Other than that, the chart looks very, very weak. Keep an eye on this to see if it can start to turn. [XLB](#)



XLI - INDUSTRIALS

The XLI PPO indicator looks similar to the XLB above. The PPO is making a higher low, and in this case, has turned above zero. The relative strength in purple broke but pulled back on Friday. Price is hovering near 6-week highs. I like the look of the PPO downtrend breaking here as well. [XLI](#)



XLV - HEALTHCARE

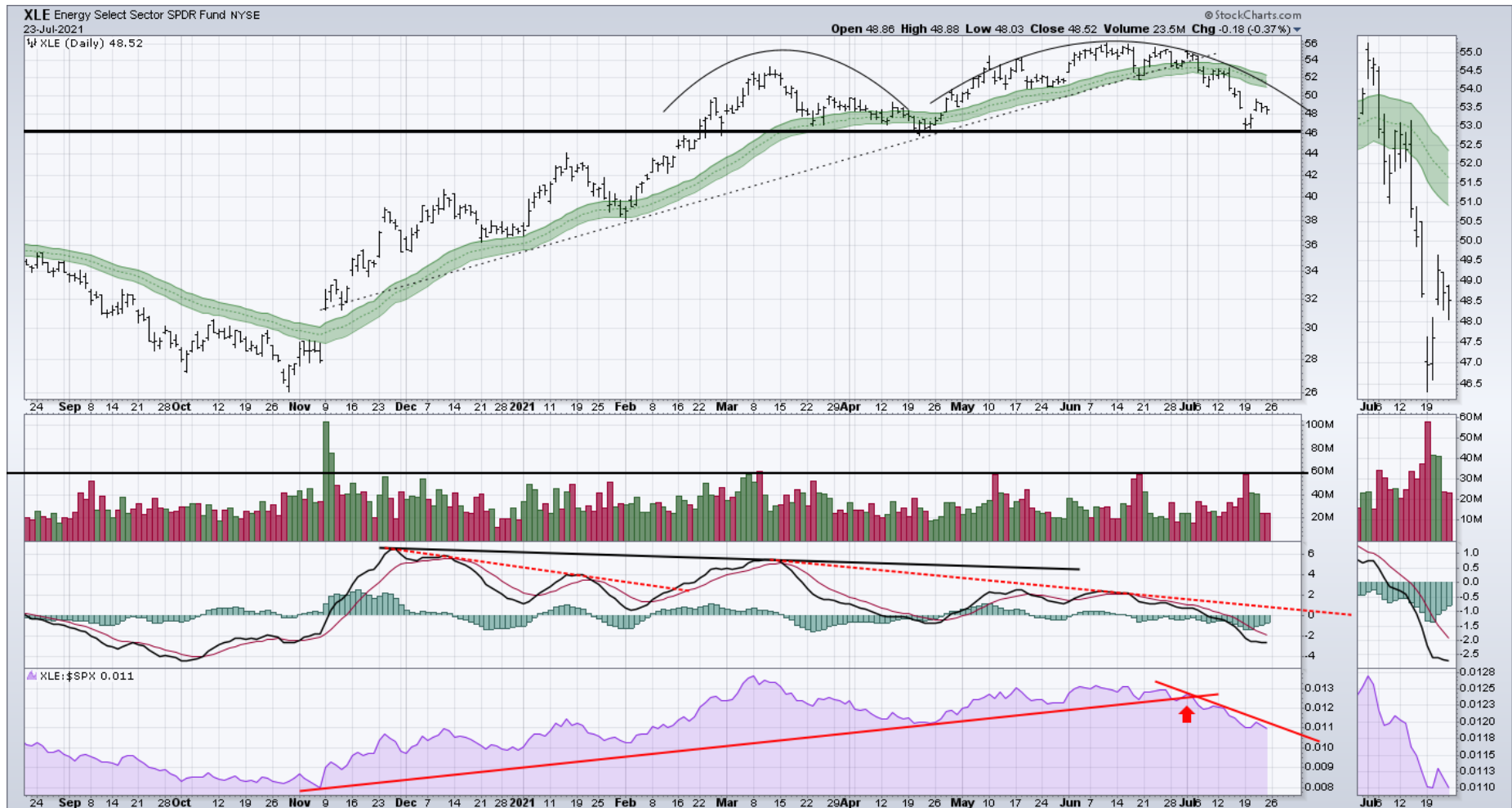
The healthcare chart hardly pulled back and ramped up to new highs this week. The PPO put a positive cross above the signal line.

[XLV](#)



XLE - ENERGY

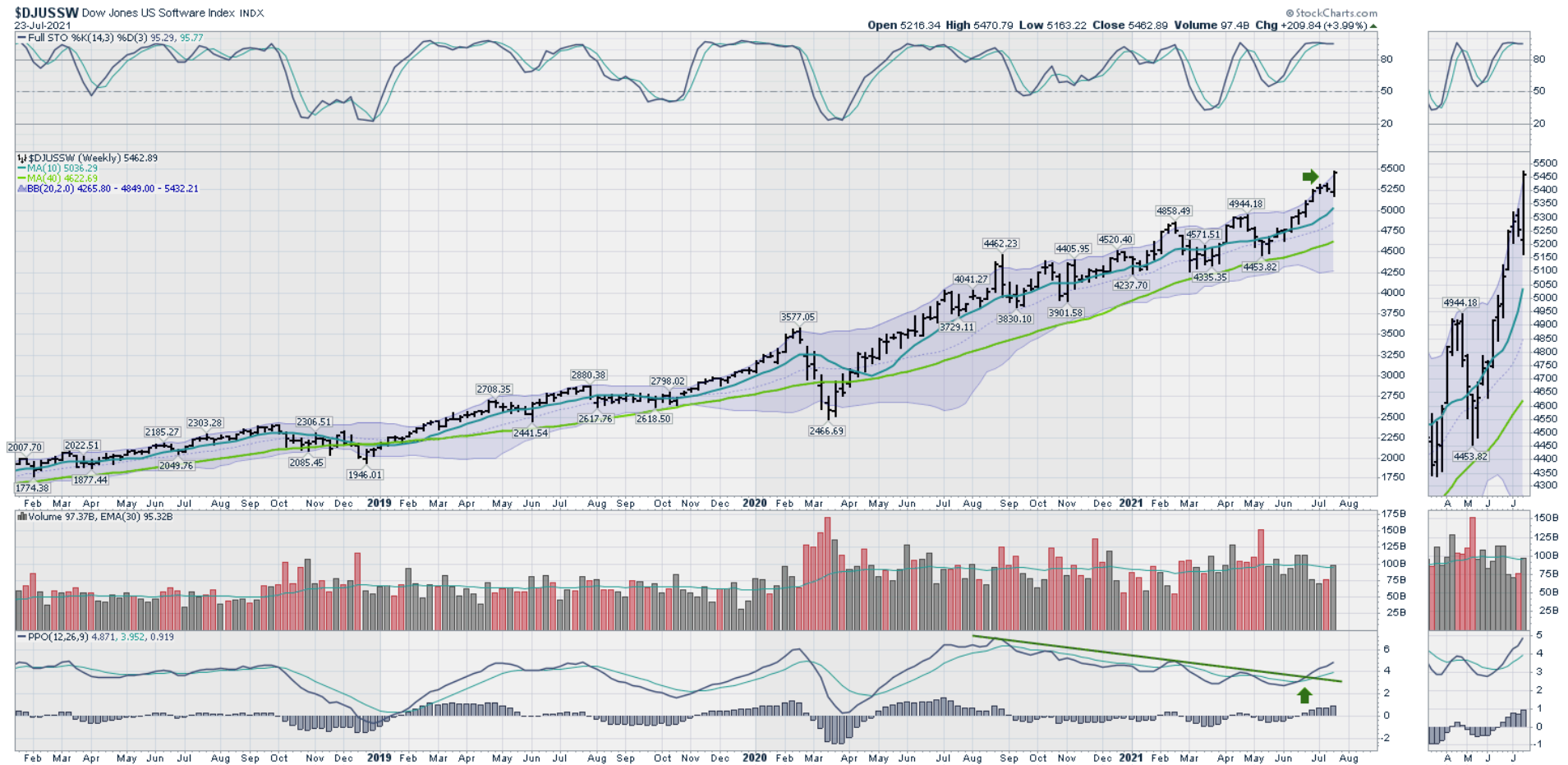
The energy sector has migrated sideways and tested 5-month lows on Monday. Ugly. The chart also failed to follow oil higher late in the week. The PPO doesn't look ready for a signal yet. [XLE](#)



\$DJUSSW

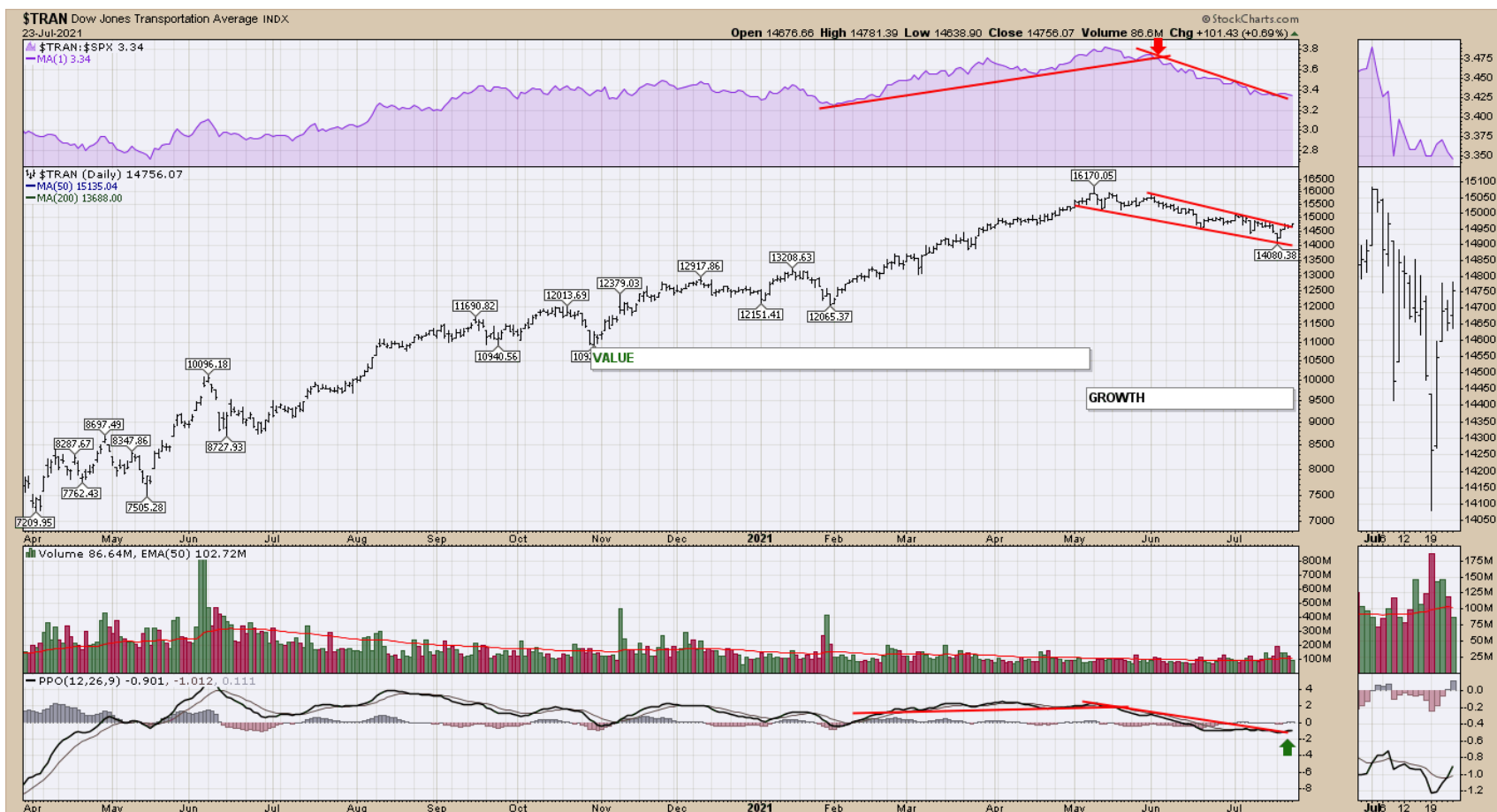
The software industry soared higher on this weekly chart. What's not to like? High growth and the stocks are moving higher in price.

Software



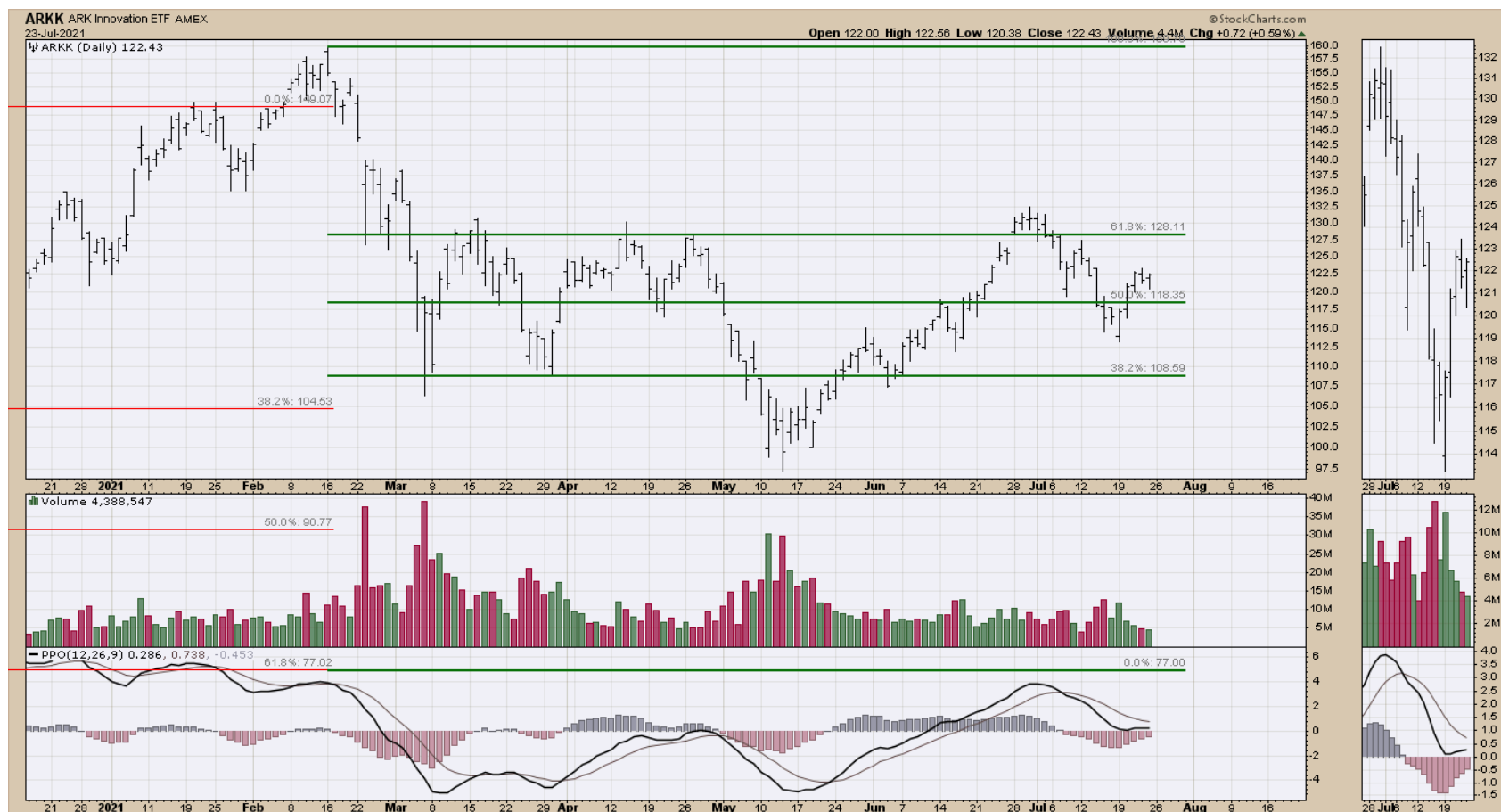
TRANSPORTS

The transports have been weak since the May surge into growth stocks. If we remember the breakout in value names in early November, these growth stocks started to take over when this uptrend broke in May. The railways have had big volume through the last 4 weeks. Somethings going on there, but so far the railway price chart has not turned up. The PPO on the transports chart below is trying to break the down trend this week. Notice the PPO is the weakest it has been since the 2020 rally started.



ARKK - ARK INNOVATION FUND

This is an update on the [ARKK](#) chart I've been showing as a barometer for the aggressive tech stocks. Below is a daily chart. ARKK bounced Tuesday and Wednesday but paused Thursday/Friday while the indexes continued higher. The PPO is sitting on the zero line and a bounce here would be very bullish. Conversely, a break down would probably kick start the selling on the McClellan summation indexes above. Tesla reports this week, so we'll find out if there is a spark there.



MARKET SUMMARY

The markets flipped like eggs in a frying pan, and growth names had an explosive week. Energy continues to lag. Retail is warming up for back to school it would seem. In Canada, the technology area soared on the back of a \$250 move on Shopify. Industrials and discretionary are both growth related and they looked good. Not much else to report north of the 49th parallel, but US visitors with a double shot of vaccines are welcome to visit!

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
SMH	Semiconductors	69.8	257.31	4.24	
XRT	Retail	98.2	96.11	4.07	
XLC	Communications	97.6	83.50	3.26	
XLY	Discretionary	75.1	183.27	2.95	
XLK	Technology	96.6	154.52	2.81	
XLV	Healthcare	89.0	131.48	2.22	
XLI	Industrials	85.8	103.61	1.67	
XLB	Materials	60.1	81.73	0.79	
XLP	Staples	68.4	71.40	0.51	
IYR	Real Estate	97.3	106.25	0.44	
XLF	Financials	85.4	36.26	0.39	
XOP	E & P	53.4	82.18	-0.17	
XLE	Energy	47.9	48.52	-0.33	
XLU	Utilities	47.2	65.71	-0.85	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTTK	Technology	223.95	5.52	
\$SPTIN	Industrials	359.08	2.15	
\$SPTCD	Discretionary	266.77	1.57	
\$TSX	\$TSX	20188.43	1.02	
\$SPTUT	Utilities	334.86	0.32	
\$SPTCS	Staples	715.05	0.26	
\$SPTEN	Energy	125.71	0.02	
\$SPTHC	HealthCare	63.55	-0.05	
\$RTCM	Income Trusts	251.65	-0.08	
\$SPTRE	Real Estate	370.00	-0.18	
\$SPTFS	Financials	366.48	-0.40	
\$SPTMT	Materials	311.18	-1.14	
\$SPTTS	Telecom	192.67	-1.32	
\$SPTGD	Gold Miners	293.28	-2.28	

GLOBAL VIEW

The globe continues to spin and the opposite of what happened last week occurred this week. The Asian leadership last week, moved to last place this week and the western world did better, led by America. Lumber took the pendulum higher after dropping 29% last week. Coffee (not shown) soared! Natural gas has a big week, up 10% to \$4. The monthly chart will break a 15-year downtrend if Natural gas can hold \$4 through the final week of July.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$NDX	Nasdaq 100 ----	15111.79	2.93	
\$IBEX	Spain	8717.20	2.48	
\$SPX	S&P 500 ----	4411.79	1.96	
\$CAC	France	6568.82	1.68	
\$INDU	Dow ----	35061.55	1.08	
\$TSX	Canada	20188.43	1.02	
\$DAX	Germany	15669.29	0.83	
\$AORD	Australia	7670.90	0.53	
\$GBDOW	London	317.09	0.35	
\$SSEC	Shanghai	3550.40	0.31	
\$MXX	Mexico	50268.45	0.24	
\$IDDOW	Indonesia	1182.17	-0.20	
\$BSE	India	52975.80	-0.31	
\$RTSI	Russia	1595.86	-0.45	
\$KOSPI	South Korea	3254.42	-0.69	
\$BVSP	Brazil	125053.00	-0.72	
\$NIKK	Japan	27548.00	-1.63	
\$HSI	Hong Kong	27321.98	-2.44	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$LUMBER	Lumber	634.00	18.20	
\$NATGAS	Natural Gas	4.03	10.10	
REMX	Rare Earth Metals	102.38	7.25	
LIT	Lithium	80.34	4.07	
\$SUGAR	Sugar	0.18	2.60	
SLX	Steel	61.76	2.30	
\$COPPER	Copper	4.40	1.78	
\$BRENT	Brent Crude	74.19	1.21	
\$GASO	Gasoline	2.26	1.19	
\$HOIL	Heating Oil	2.14	1.05	
\$WTIC	WTI Crude	72.07	0.71	
\$COCOA	Cocoa	2321.00	0.04	
HMMJ.TO	Marijuana Stocks	9.35	-0.21	
\$GOLD	Gold	1801.80	-0.73	
SIL	Silver Miners	40.33	-1.22	
\$SILVER	Silver	25.23	-2.18	
GDX	Gold Miners	33.15	-2.27	
\$SOYB	Soybean	1351.75	-2.87	

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. [Green Eggs And Ham](#)



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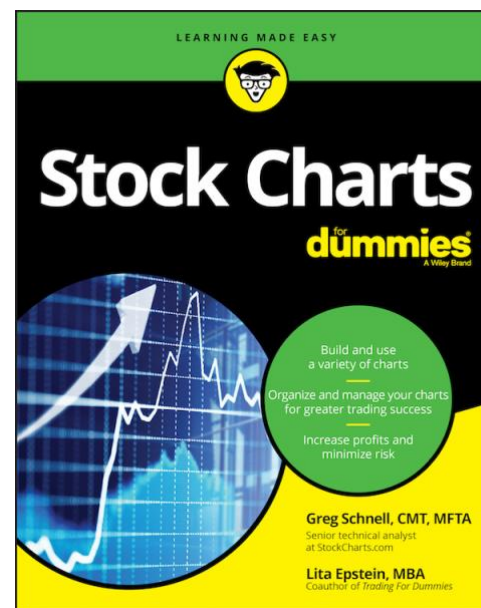
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Good trading,
Greg Schnell, CMT, MFTA.

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.