

THE CANADIAN TECHNICIAN



U.S. Edition

Tech Week Frustration

Weekly Market Review
July 31, 2021



WITH
GREG SCHNELL

MARKET COMMENTARY

A busy week for earnings, but a very humble week for the indexes. They were down marginally on the week, with the Nasdaq 100 leading the big three lower. The nice part this week was the resource stocks, like metals and US energy did better. Financials were up marginally on the week after the Fed announced . . . the same story as the last three meetings that they see inflation as transitory.



Gold miners, industrial metal miners, uranium names, steel companies all had a robust week. Tech (other than AMZN) didn't fall hard, it just never got out of bed this week.

One thing that changed was the direction of the dollar. The dollar had broken out to new highs over the range of the prior three weeks during the week of July 19th and broke the one-year longer-term downtrend line. This week, the dollar had some bearish moves going on, helping commodities generally. The dollar quickly reversed all of the strength we had seen and made new one-month lows. The PPO is just above zero in positive territory and the cycle lines suggest a big move up is ahead for the dollar. The real question is whether the big trend defined by the cycle is still on, or if

the dollar is going to continue going lower this week.

Oil companies are out of sync with crude oil right now. They must be listening to Jim Cramer who called a top in oil as it plummeted to \$65. Now crude is back with a \$74 handle. President Biden and Dr. Fauci are both suggesting they might have to implement some new mask mandates, but no one is talking about shutting anything down. I am struggling with why oil should be lower.

I did put two charts in the newsletter about China. It's early, but news is changing there. Will this impact global trade?

Summary: Gold's been on a decline from the highs exactly one year ago this week. Gold started to bounce. The miners and commodity-based industries look like they are turning up. Is this another rotation away from tech and into the interest sensitive trades? It's still important to be cautious with capital and the SSI's are not racing higher. Much like mom with the two fawns, sometimes it's better to sit down and do nothing. Maybe some commodity related trades? Let's hit the charts.

SSIH 34%

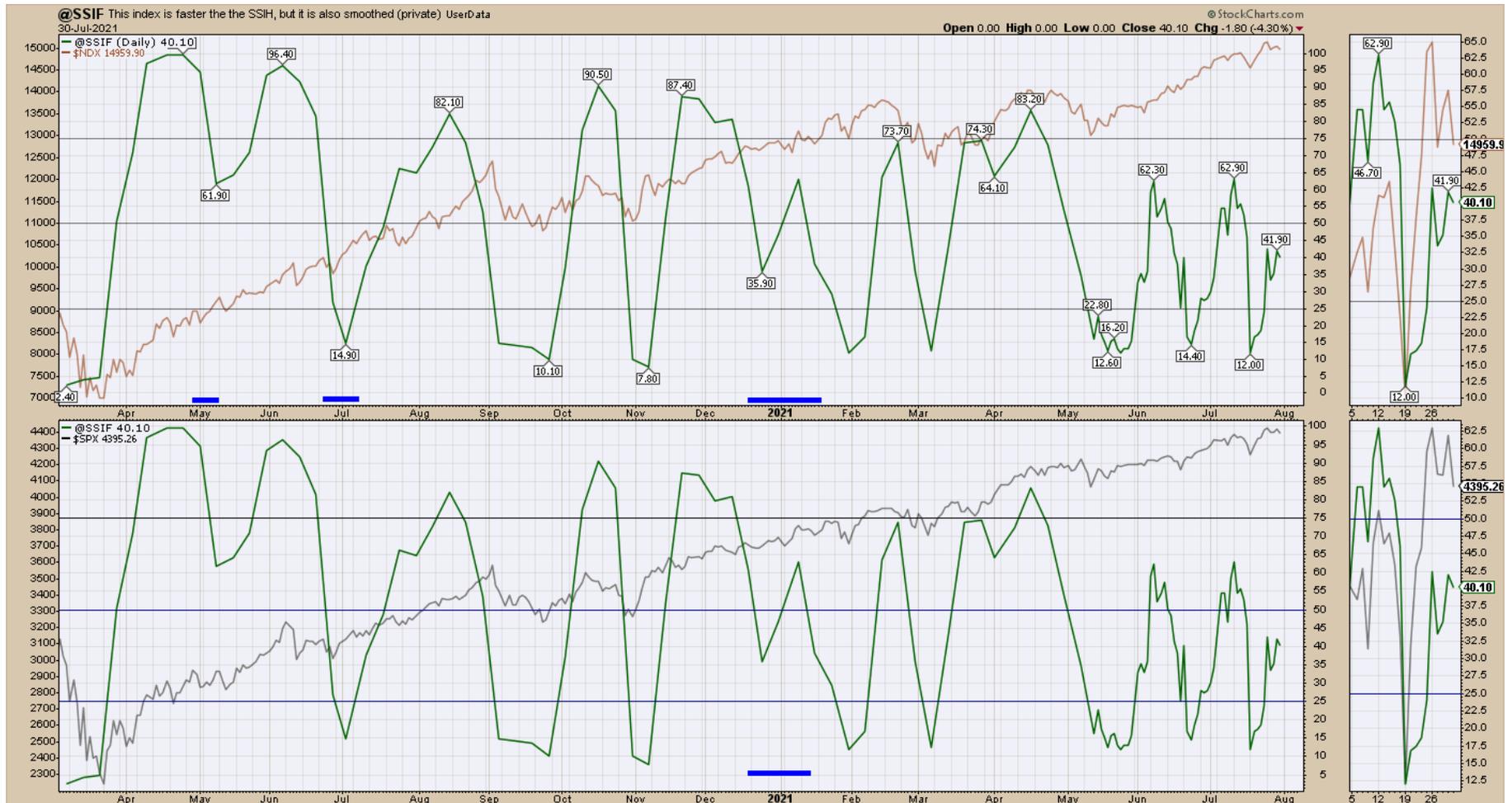
The Schnell Strength Index climbed marginally higher this week. It finished up 4% but it is hardly the broadening I was hoping for earlier in the week. Both panels have the same SSI indicator with different stock indexes in the background. We needed wider participation from small and mid-cap but that is only marginally improving.

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.



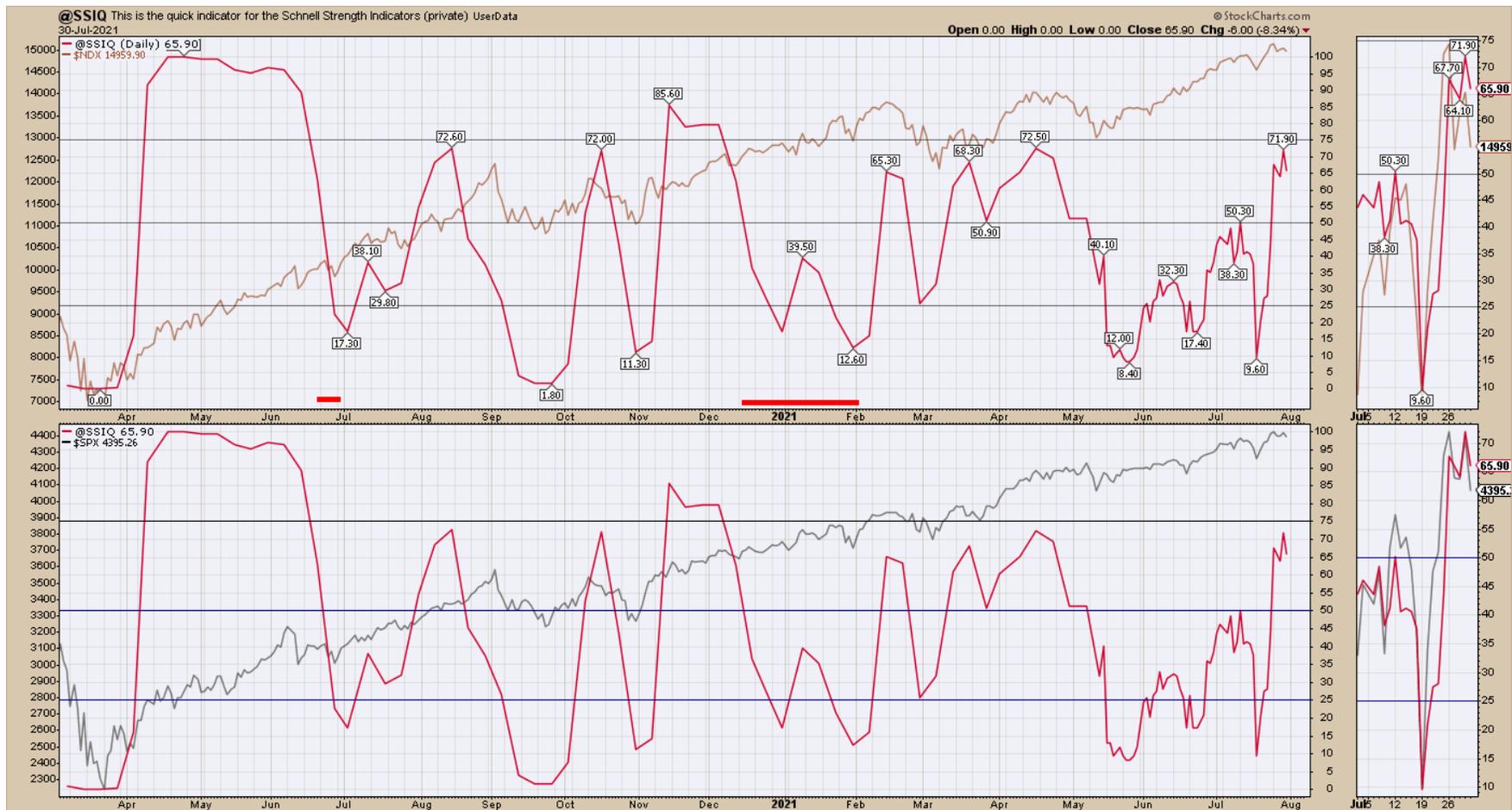
SSIF 40%

The Schnell Strength Index - Fast version - is meaningfully higher than last Friday, but flat from Monday. 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.



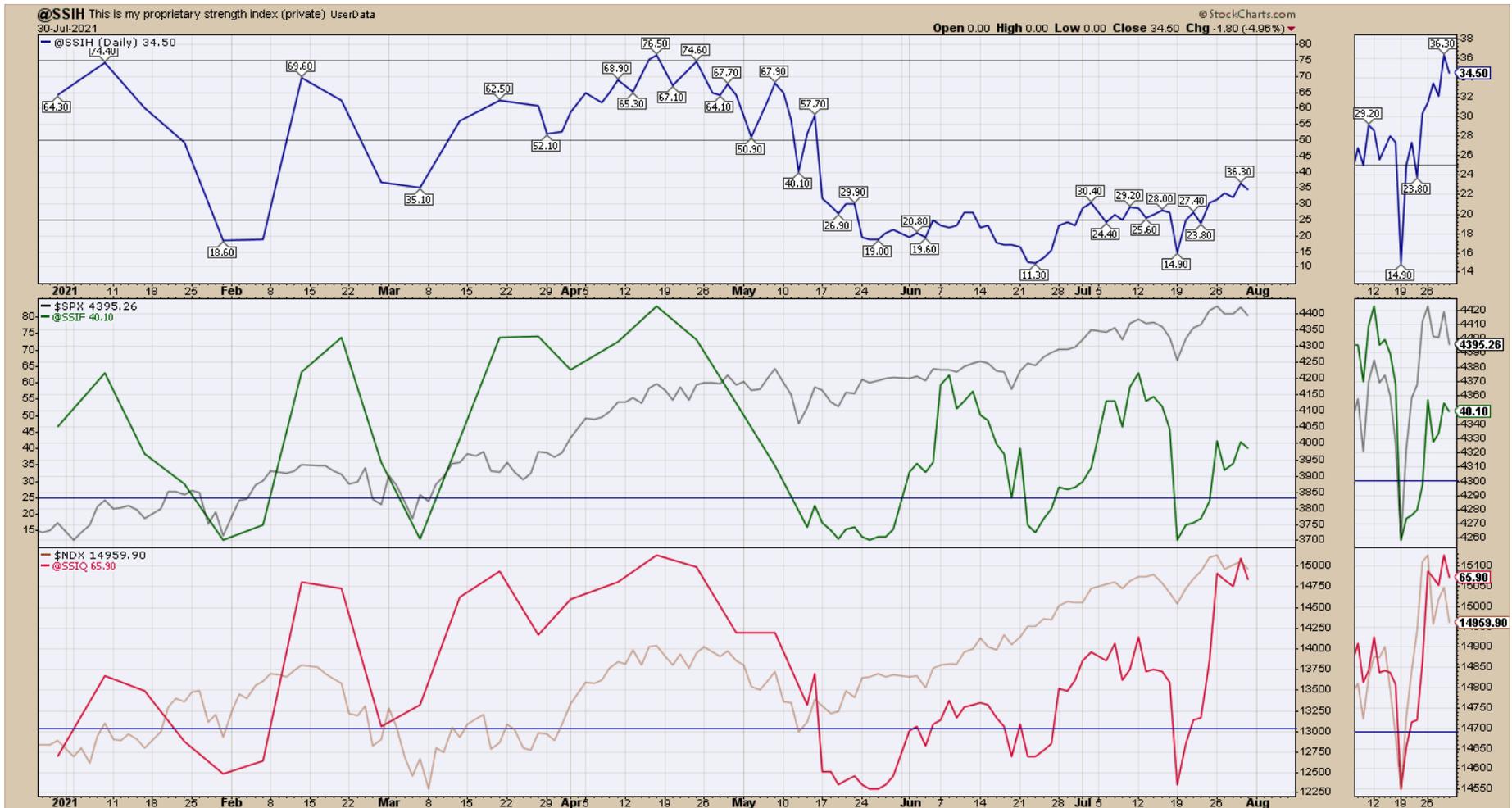
SSIQ 66%

The Schnell Strength Index - quick version - is up at the peak levels from April. 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. This quick index moved up from the 9% level to 60% in two weeks. That's meaningful change! Can we continue to push to higher ground?



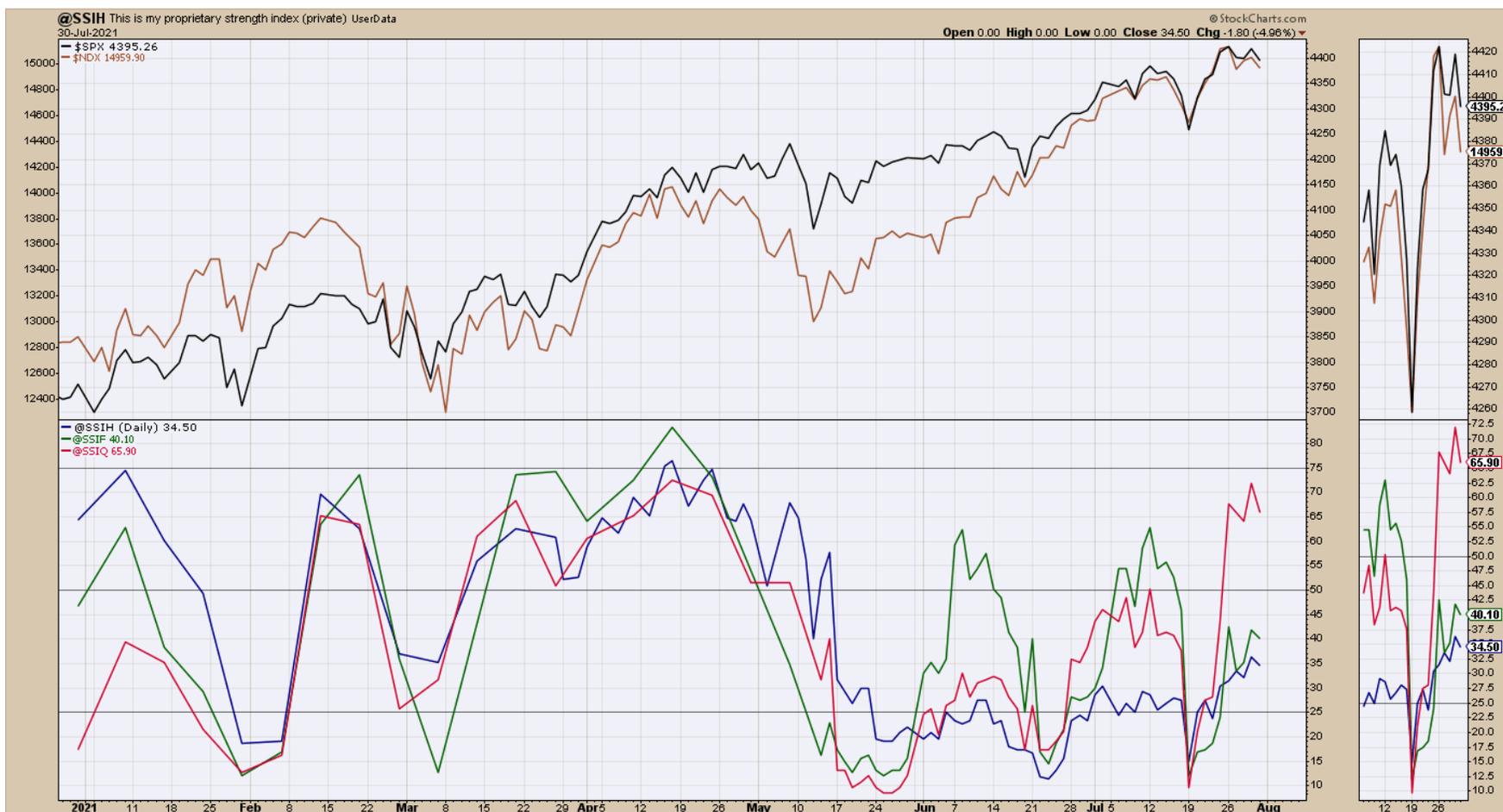
SSIH SSIF SSIQ STACK

The Schnell Strength Indexes are trending up as a group this week. Two of three SSI's are still below 50. While all of these moved higher this week, I really wanted to see the SSIH catch some wind and move significantly.



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. Last week I was worried the sharp move up was a final surge before rolling over? The stalling price action as tech reported was concerning and the faster indexes continued to move well, but the SSIH was really muted. We need more!



JULY MONTHLY CONFERENCE CALL

Dwight and I *hosted* the [August Conference Call](#) on July 29th. Click on the link to view.

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Industry Rotations

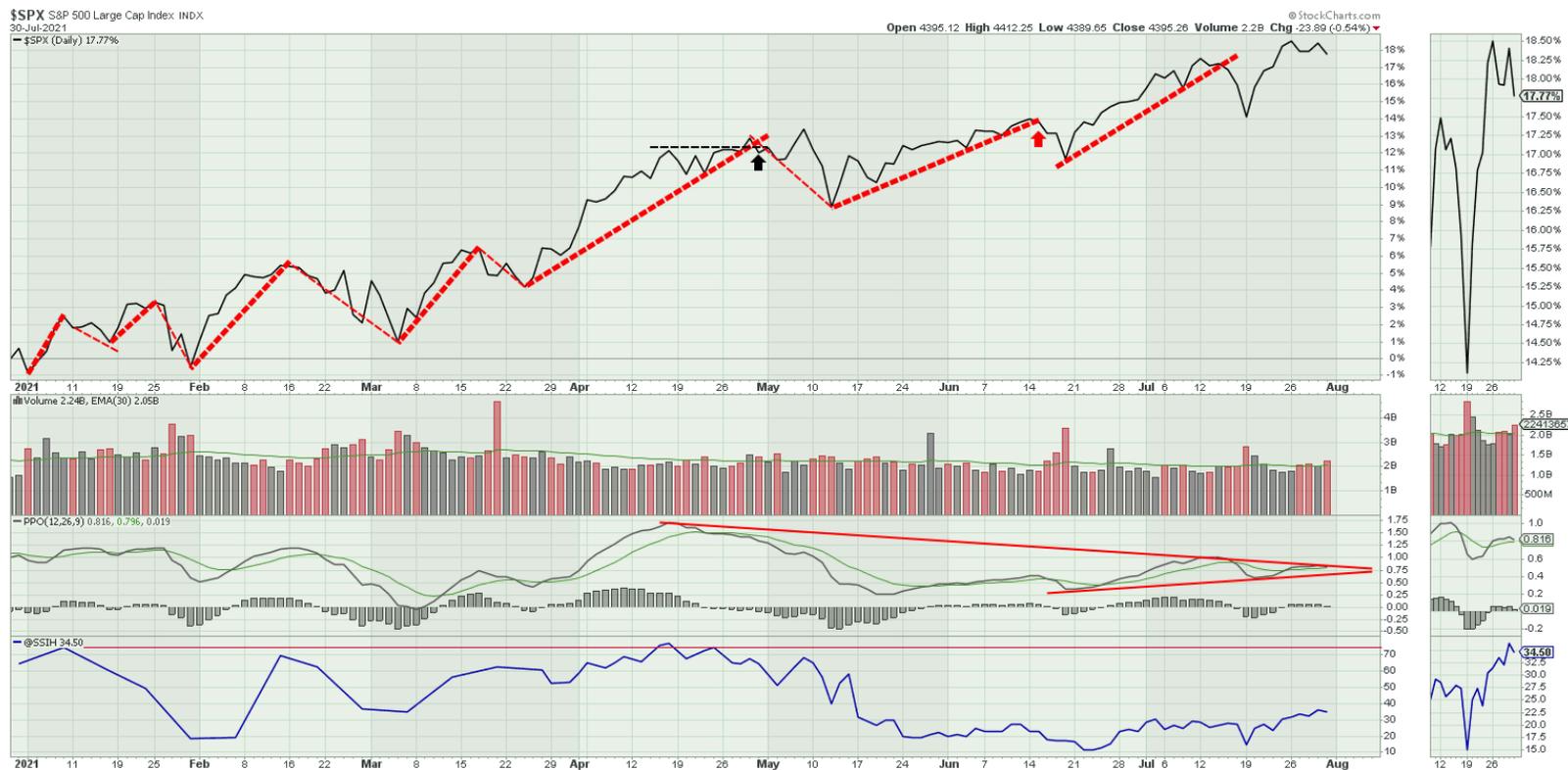
August Monthly Conference Call
July 29, 2021 at 5 PM EDT

WITH
GREG SCHNELL

AND
DWIGHT GALUSHA

\$SPX - A LOWER CLOSE

The year-to-date line chart of the S&P 500 shows the index pushing to a new high on Monday but making a lower high and a lower low to end the week (zoom panel). The PPO was setup to break out to the topside last week. From last week: *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. The PPO is now pointing down with a lower high, creating divergence with the higher high in price. We are at the thin edge of the wedge PPO trend lines. Three of the last four days have higher volume on down days. Although the down has been slight, this additional volume with no price upside is problematic.



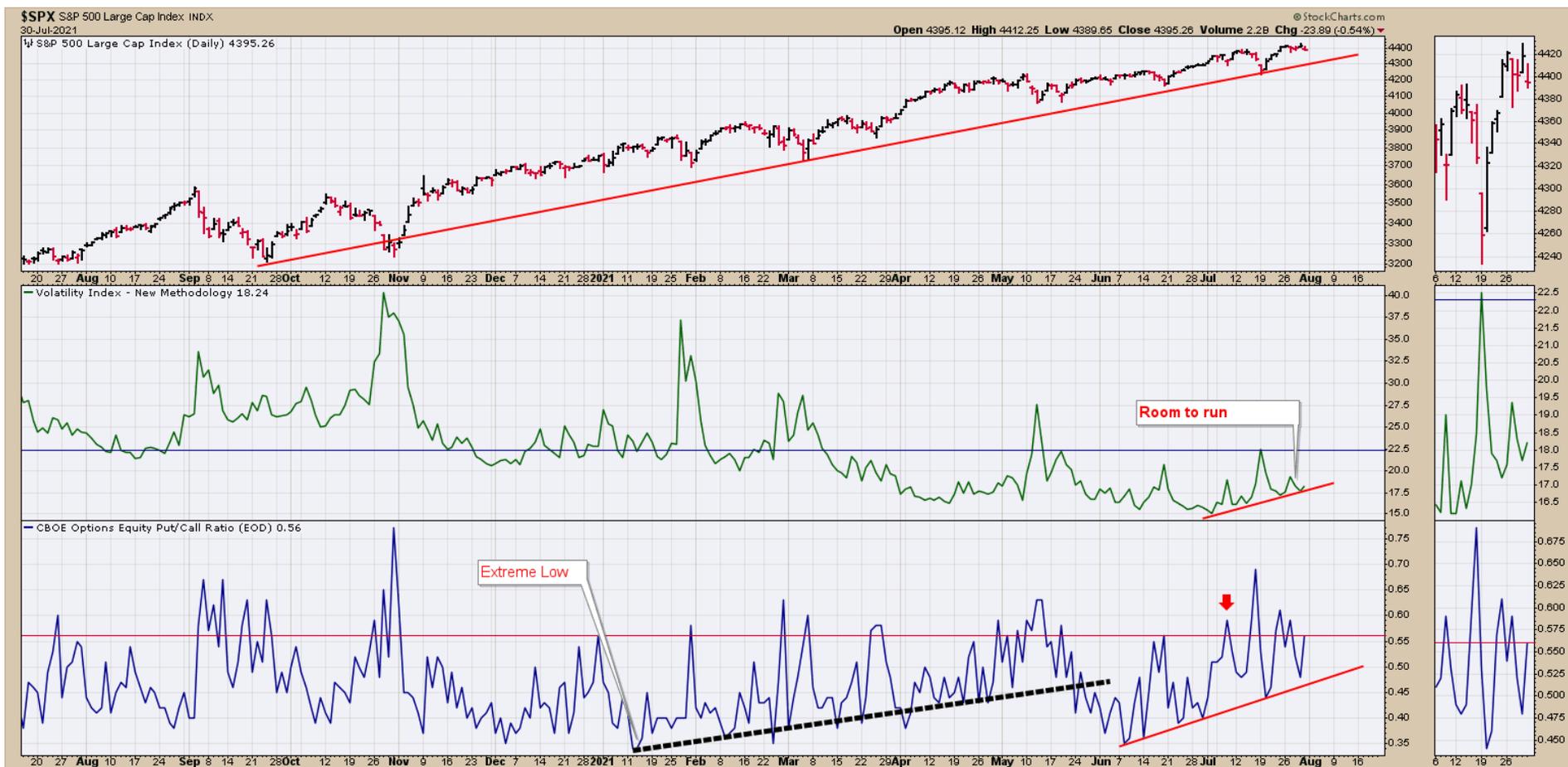
\$SPX 1-MONTH CHART

The **\$SPX** was down slightly this week. The market made a higher high on Monday which is positive. However, the \$SPX is heavily weighted to the top 7 stocks. While Apple reported strong numbers, the growth rate has slowed to sub 5% in the past few years. Amazon earnings came in light and the stock dropped. The bottom line is that the tech earnings have carried the market and after reporting earnings this week, they were unable to push us higher. Last week the \$SPX dipped to one-month lows and shot higher. This week, after making a higher high, it stalled. That adds caution as we have trouble holding new highs.



\$SPX, PUT/CALL AND VIX

The [Put/Call ratio](#) continues to make higher lows and keeps pushing the high side of the range (>0.55). The Put/Call ratio is on the third panel. What I am wondering is why do we have four trips to the red line as the market makes higher highs? The options market seems nervous here. The VIX (center panel) is also making higher lows suggesting an expectation of volatility.



\$NDX - NASDAQ 100 DAILY CHART

The **\$NDX** on the 60-minute chart has formed a line with a similar slope to the prior advance. If the market can bounce here off a support line, that is what uptrends do. Should this fail to hold after the prior week's sudden advance and then show no buying power to hold the new highs, I have to resort to my cautionary stance expressed two weeks ago. Better to keep our capital in hopes of a market with stronger momentum. The PPO (momentum) is now back below zero like we were two weeks ago. Not good with the divergences on the daily and weekly charts.



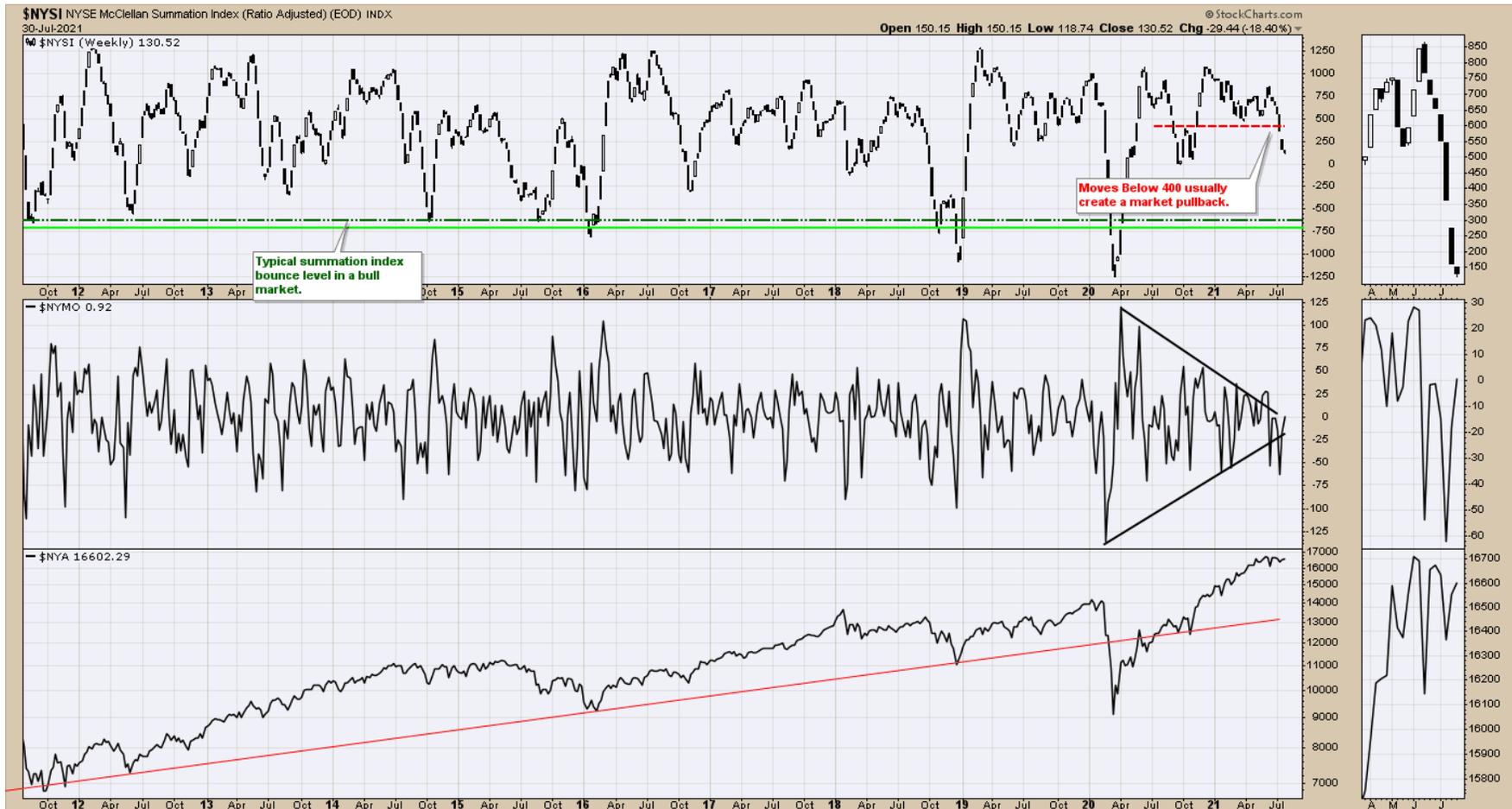
\$NYFANG+ INDEX

The NYSE FANG+™ index provides exposure to a select group of highly-traded growth stocks of next generation technology and tech-enabled companies. As you can see, the price action has been underwhelming for the month of July. While the \$NDX and SPX made new highs in late July, this index did not. Having the tech names start to underperform is probably not the road to higher markets. In September, when the large cap tech corrected, it started a 2-month correction lasting into late October. See put/call chart.



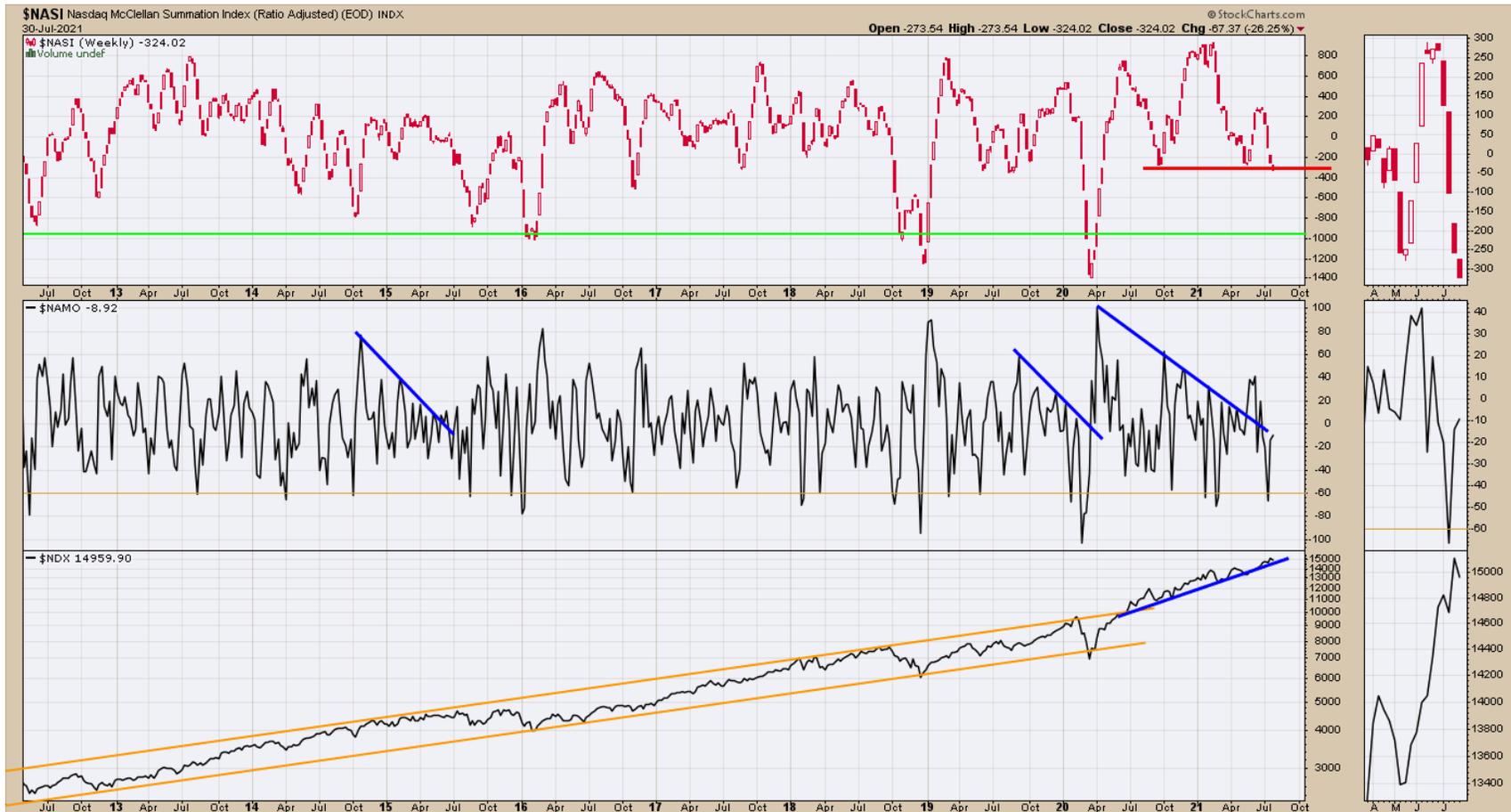
\$NYSI - MCCLELLAN SUMMATION INDEX

The middle panel is McClellan Oscillator, sitting right at zero. The top panel is the McClellan Summation Index, cumulatively aggregating the \$NYMO totals. I usually get cautious on moves below 400. We are below that now, and this is the first time since November going below 400. The Summation index continues to drop and the NYMO is still below zero adding caution. [\\$NYSI](#)



\$NASI - NASDAQ SUMMATION INDEX

The Summation index is now below the -250 level where I have the red line. A bounce here would be bullish, but surprisingly, we have hit an all-time high with \$NASI so weak. With narrow leadership slipping from the tech engine, can we go higher? October to December 2018, we dropped almost 20%. [\\$NASI](#) The next chart below widens the conversation from internal USA to external.



\$SSEC - SHANGHAI COMPOSITE

This was posted on Twitter by a fellow analyst - Mark Ungewitter. What is concerning about it, is the timing. Recently, some of the current US administration staffers sat down with Chinese Politburo members to work out some differences. It was decided that most of the issues are on differing paths, with neither side ready to change to merge these two competing ideologies. The [Shanghai market](#) corrected hard in 2018 as the US and China started bouncing tariffs back and forth. Will this become an issue for markets? Note the word: Decades

July 28 – Bloomberg (Chang Shu): “For decades, China’s economic and financial policy has followed the logic of international engagement and constraints. In setting monetary policy, the People’s Bank of China took its lead from the Federal Reserve. Seeking capital for growth, major firms aspired to a prestigious U.S. IPO. Friday’s meeting of the Politburo confirms that, going forward, China will attempt to chart a more independent course. The spirit of China’s new catch phrase -- ‘set our own agenda’ -- pervades the politburo statement, and has far-reaching implications for China’s monetary policy, and engagement with global markets. The emphasis of macro policy autonomy in Friday’s statement is in line with our view that the People’s Bank of China is ready to go separate ways from the Federal Reserve.”



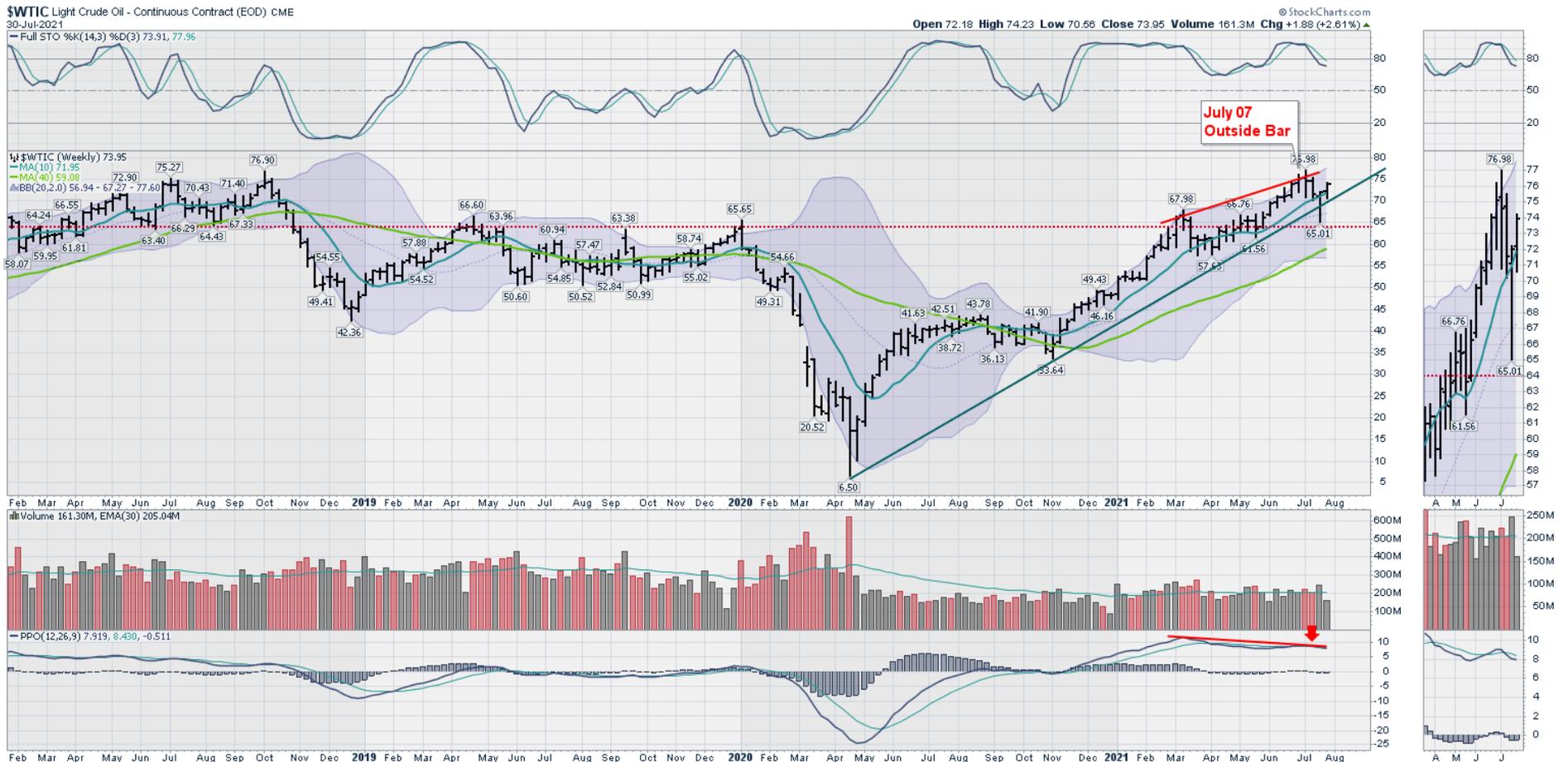
\$\$SSEC - SHANGHAI COMPOSITE

The chart below compares the Chinese market over the last 5 years with the US markets over the same timeframe. While China was obviously hit harder by the January 2018 tariffs than the US markets, the US markets didn't have a great 2018. Until President Trump started the USA negotiations with the Chinese trade representatives, tariffs were not progressive for both. (remember Phase 1?) The real question for me: Is the Asian side starting on their own version of trade tensions with the USA? If so, how will global markets accommodate the rising tension? Interesting that the Chinese market continues to struggle at the tariff talk level of 2018 (3590). China's market has not advanced since the Biden administration started in January 2021. [\\$\\$SSEC](#)



\$WTIC - CRUDE OIL

The price of crude oil made a higher high, higher 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. Crude oil is holding above the 10-week moving average and bounced at support (\$65). [\\$WTIC](#)



\$WTIC - CRUDE OIL DAILY

Crude oil has marched significantly higher since the test of support at \$65. Friday had the PPO crossing the signal line for a buy signal as it bounced off zero. It continues to look bullish, but it might need a wobble! [\\$WTIC](#)



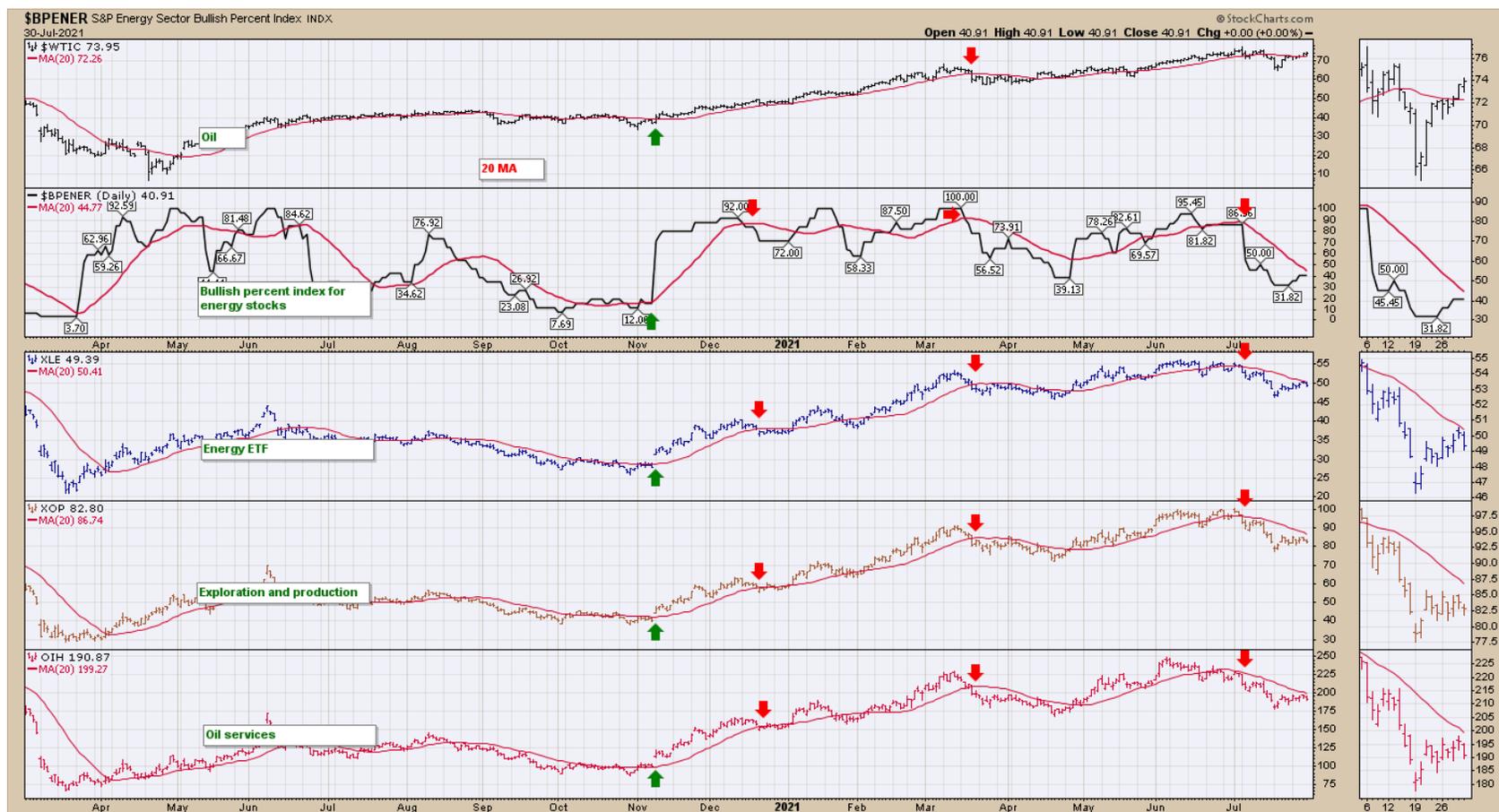
XOP - EXPLORATION AND PRODUCTION ETF

XOP continues to ignore the rally in crude oil, even though the crude oil price continues to push higher. In April we saw the same thing, but only for a few weeks. XOP has been ignoring the crude uptrend for 2 months. Two months ago, June 1st, crude oil was \$68 and XOP was \$94. Crude oil is now \$75 and XOP is \$82. So crude oil is up \$7 (+10%) and XOP is down \$12 (-15%) from then. Very odd!



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

This chart is still on a sell signal for energy with 4 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.



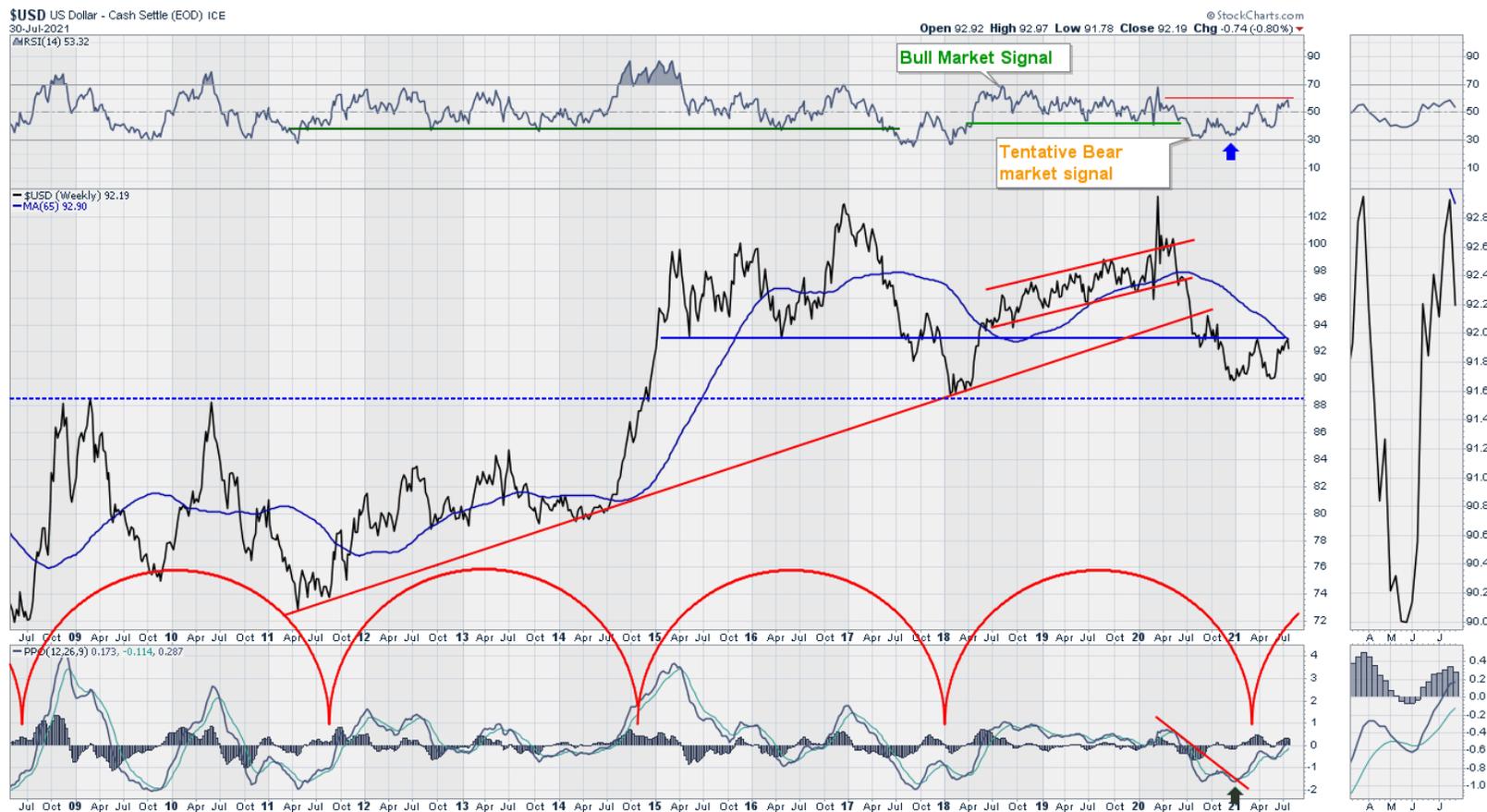
\$USD - US DOLLAR

The US Dollar closed above the black trend line last week, breaking a year-long downtrend. However, this week it reversed hard to make 4-week lows! PPO is positive (above zero) so the indications are for a higher dollar, but we did make a lower histogram, signaling momentum strength is flattening. This week we'll watch to see if the dollar bounces off the 10-week and 40-week moving averages. [\\$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. I find the 65-week moving average more important on currency charts. The red cycle arches suggest not being too pessimistic here, but the chart stalled at horizontal resistance as well as the 65-week moving average. [\\$USD Weekly](#).



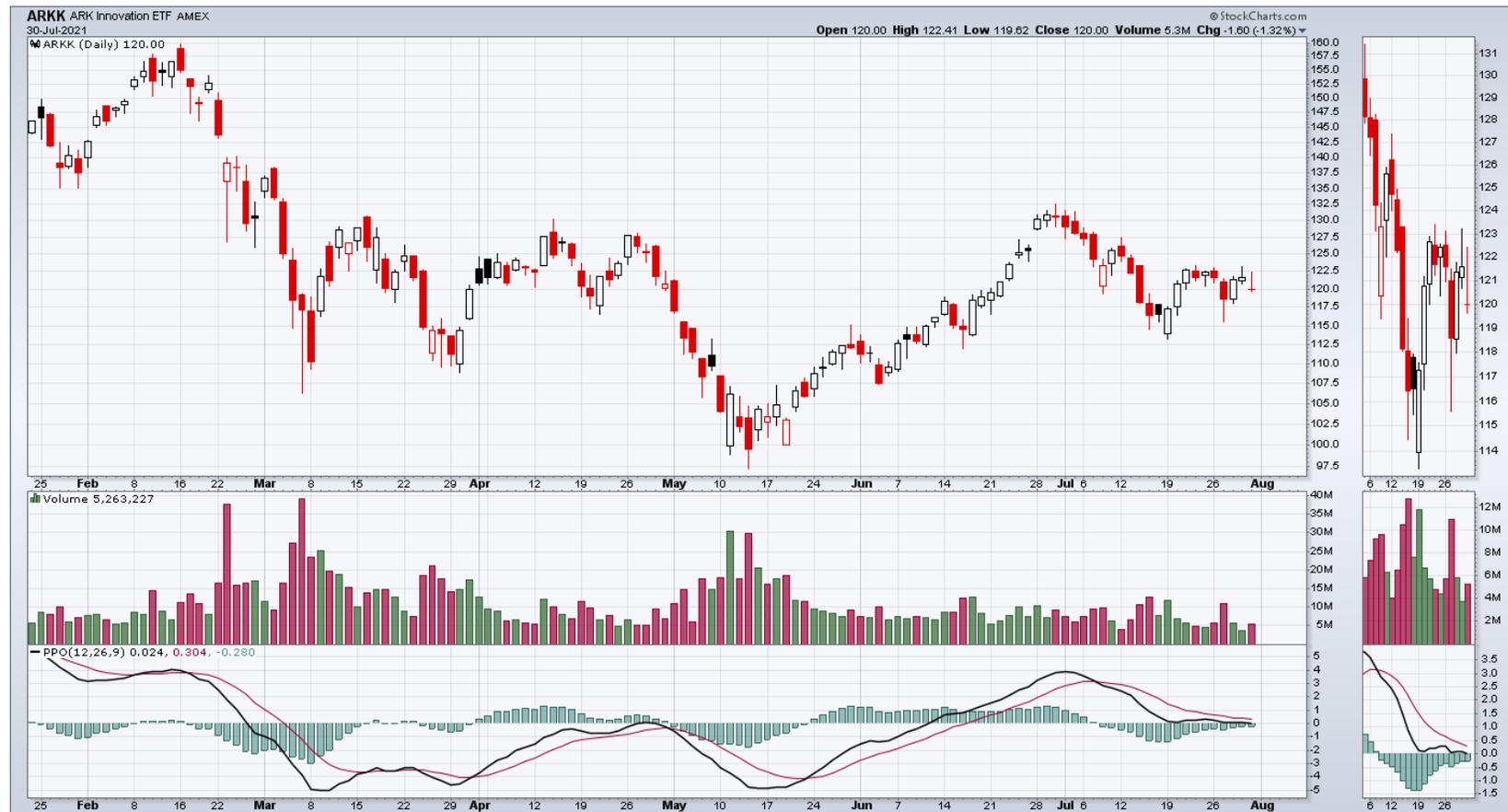
GDX - GOLD MINERS

The [gold miners](#) made their top on this week a year ago, August 2020. This week, gold miners turned up nicely, adding 5%! I like the full stochastic on the chart trying to turn up from just under 20%. The PPO is making a higher low, right near zero, so I really like the setup here for gold miners to go higher. We have been watching for 6-weeks since the drop after the last Fed meeting, but the price action is trying to improve with the US dollar pullback helping the metal miners. This looks bullish, but read the associated issues showing up on all the metal miner charts in this article. [These Industries Are Getting Some Attention.](#)



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 closed down 2% on the week. The PPO is sitting on the zero line and a bounce here would be very bullish. Even with Tesla reporting, the chart could not push higher. I like the shape of the Tesla chart. I mentioned it on the monthly conference call, the weekly video for this week and Dwight had it on the daily setups. The verdict is still out on the move to these high growth names ARKK holds.



MARKET SUMMARY

The materials, energy and financials returned to leadership areas of the market. Semiconductors sent a current of optimism through as well. Technology, communications, and consumer discretionary reverted to the underperformers. This is consistent with a value theme rather than growth. On the Canadian side (right), the energy sector did not follow crude oil higher. Materials were the big winners for the week.

SYMBOL	NAME	SCTR	CLOSE	% CHG	+/-
XLB	Materials	84.0	84.02	2.80	
SMH	Semiconductors	85.2	263.14	2.27	
XLE	Energy	70.5	49.39	1.79	
XOP	E & P	62.2	82.80	0.75	
XLF	Financials	92.3	36.52	0.72	
XLV	Healthcare	91.6	132.15	0.51	
IYR	Real Estate	97.0	106.72	0.44	
XLU	Utilities	47.8	65.97	0.40	
XLP	Staples	64.6	71.51	0.15	
XLI	Industrials	84.9	103.36	-0.24	
XLK	Technology	94.4	153.40	-0.72	
XRT	Retail	82.5	95.27	-0.87	
XLC	Communications	93.6	82.40	-1.32	
XLY	Discretionary	55.4	180.43	-1.55	

SYMBOL	NAME	CLOSE	% CHG	+/-
\$SPTGD	Gold Miners	308.79	5.29	
\$SPTMT	Materials	326.08	4.79	
\$SPTCS	Staples	731.83	2.35	
\$SPTHC	HealthCare	64.60	1.65	
\$SPTCD	Discretionary	270.09	1.24	
\$SPTIN	Industrials	362.96	1.08	
\$SPTFS	Financials	370.21	1.02	
\$SPTUT	Utilities	337.94	0.92	
\$SPTRE	Real Estate	372.78	0.75	
\$TSX	\$TSX	20287.80	0.49	
\$RTCM	Income Trusts	251.38	-0.11	
\$SPTTS	Telecom	192.06	-0.32	
\$SPTEN	Energy	124.29	-1.13	
\$SPTTK	Technology	219.65	-1.92	

GLOBAL VIEW

The globe view showed commodity countries near the top, with the exception of Brazil. Asia was clearly messy with huge drops this week in Hong Kong and the Shanghai indexes. Asia was generally weak and Japan didn't get an Olympic bounce. Commodities on the right had a wonderful week.

SYMBOL	NAME	CLOSE	% CHG	+/-
\$RTSI	Russia	1625.76	1.87	
\$MXX	Mexico	50868.32	1.19	
\$CAC	France	6612.76	0.67	
\$TSX	Canada	20287.80	0.49	
\$GBDOW	London	317.37	0.09	
\$AORD	Australia	7664.20	-0.09	
\$INDU	Dow ----	34935.47	-0.36	
\$SPX	S&P 500 ----	4395.26	-0.37	
\$IBEX	Spain	8675.70	-0.48	
\$BSE	India	52586.84	-0.73	
\$DAX	Germany	15544.39	-0.80	
\$NIKK	Japan	27283.59	-0.96	
\$NDX	Nasdaq 100 ----	14959.90	-1.01	
\$KOSPI	South Korea	3202.32	-1.60	
\$IDDOW	Indonesia	1157.59	-2.08	
\$BVSP	Brazil	121801.00	-2.60	
\$SSEC	Shanghai	3397.36	-4.31	
\$HSI	Hong Kong	25908.00	-5.18	

SYMBOL	NAME	CLOSE	% CHG	+/-
REMX	Rare Earth Metals	108.74	6.21	
GDJ	Gold Miners	34.92	5.34	
SLX	Steel	64.78	4.89	
SIL	Silver Miners	42.18	4.59	
LIT	Lithium	83.28	3.66	
\$GASO	Gasoline	2.33	3.25	
\$BRENT	Brent Crude	76.33	2.88	
\$HOIL	Heating Oil	2.20	2.82	
\$WTIC	WTI Crude	73.95	2.61	
\$COCOA	Cocoa	2366.00	1.94	
\$COPPER	Copper	4.48	1.87	
\$SILVER	Silver	25.55	1.24	
\$GOLD	Gold	1817.20	0.85	
HMMJ.TO	Marijuana Stocks	9.40	0.53	
\$SOYB	Soybean	1349.25	-0.18	
\$SUGAR	Sugar	0.18	-1.43	
\$LUMBER	Lumber	621.20	-2.02	
\$NATGAS	Natural Gas	3.92	-2.83	

VIDEO OF THE WEEK

Dwight and I hosted the [August Conference Call](#) on July 29th. Click on the link to view.

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

Here is a link to this week's video. [Tech Week Frustration](#)

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Tech Week Frustration

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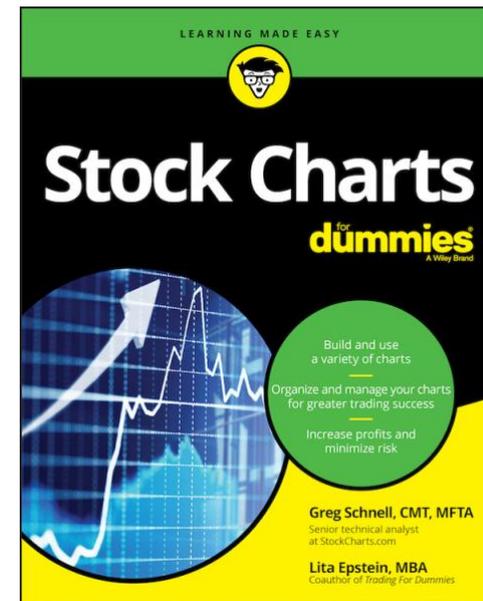
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Good trading,
Greg Schnell, CMT, MFTA.

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.