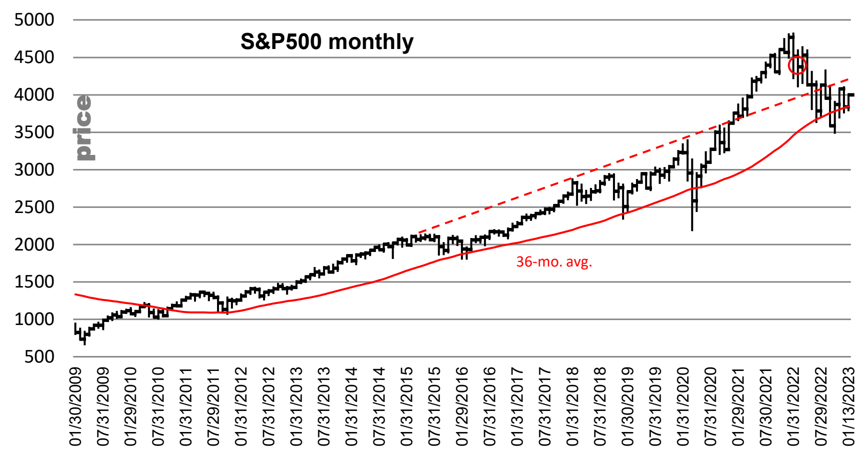
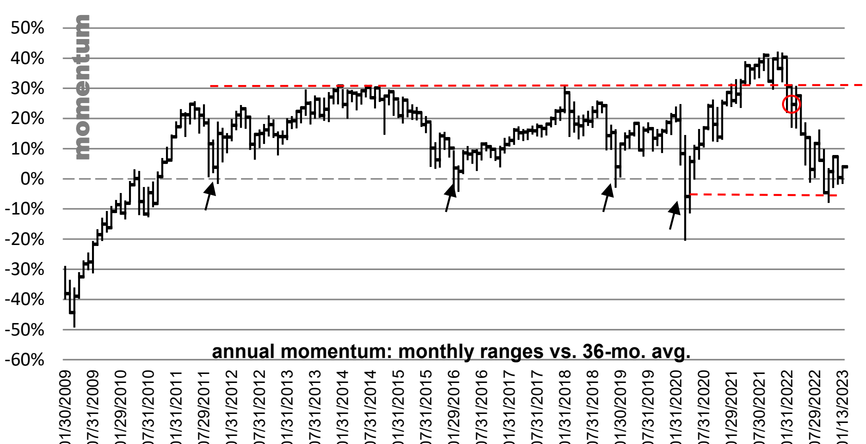
360° WEEKEND REPORT

MSA

January 15, 2023

Stock market (big trends, lesser trends)





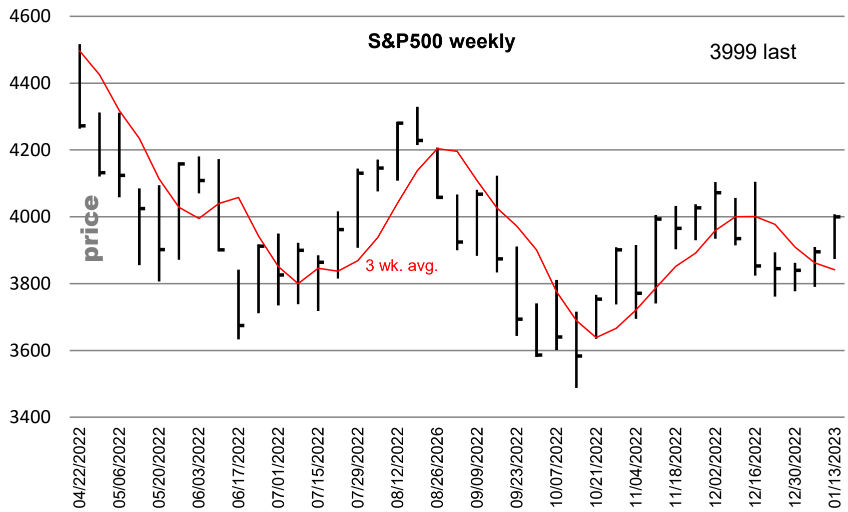
Broad U.S. market via S&P 500

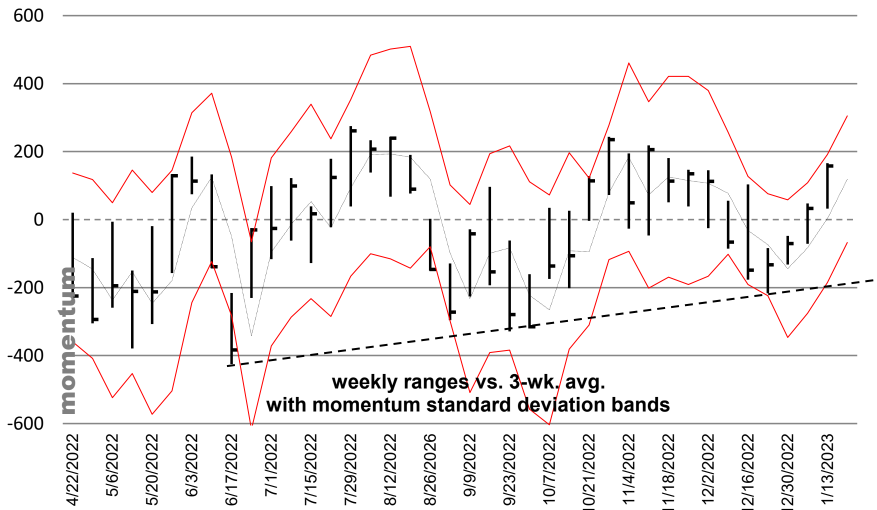
MSA's first and major sell point was the February 2022 close (circled on both charts). Momentum had then aborted back below the prior major ceiling, signaling an end to the blow-off phase. The price chart later aborted its rising line of prior acceleration at the June 2022 close.

The subsequent decline took momentum down to and below the zero line/36-mo. avg. where repeated up/down action has occurred. There has been no hot low this time around like the prior lows that dropped to and slightly below the 36-mo. avg. (the 2011, 2016, 2018, and 2020 lows, up arrows). Instead we have a laborious, redundant struggle on either side of the zero line. It has been clustered for nine months now.

MSA adds one final breakage level. Note the low monthly oscillator close of March 2020 (lower red horizontal on momentum plotted from that close to current action). The low closing reading of September 2022 halted just in front of that March 2020 oscillator closing level. Looking out to February, if the S&P 500 closes that month at **3633**, that line will give way. That final trigger adjusts up to 3656 for March and will continue rising monthly.

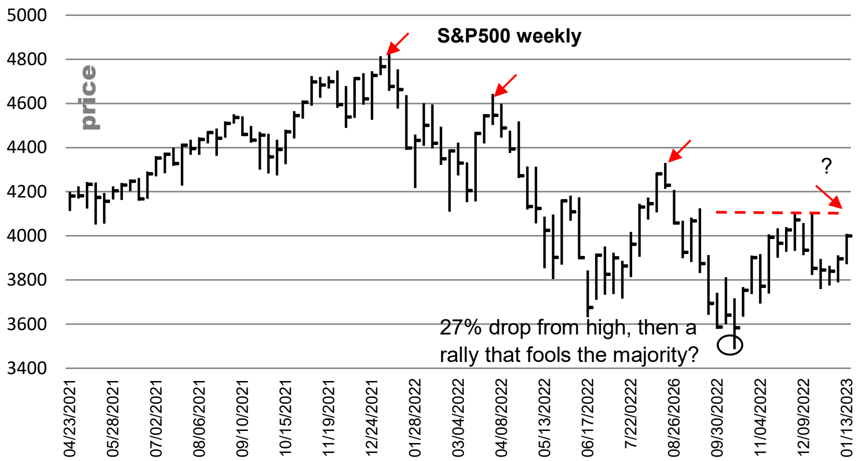
Momentum Structural Analysis, LLC. michaeloliver@olivermsa.com





The S&P 500's weekly momentum is into its fourth week of rise after having planted a third low along the rising trend line on momentum.

Any rollover now won't look promising given the number of up waves (three) since the May/June lows. And any drop below the rising trend structure will signal a full end to this mostly redundant process, so far, by price that's been going on since the summer lows.

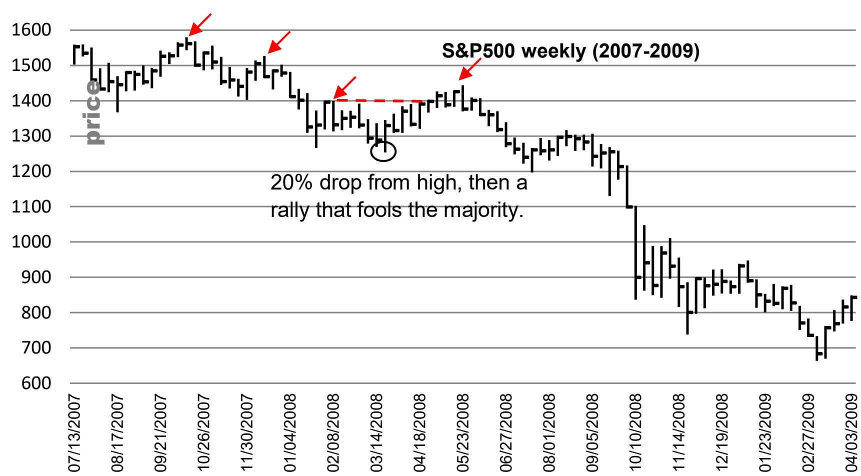


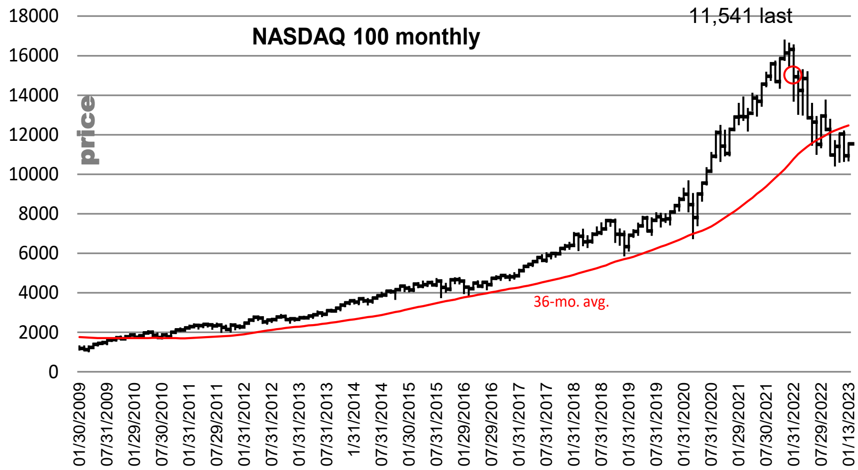
A Suspicion

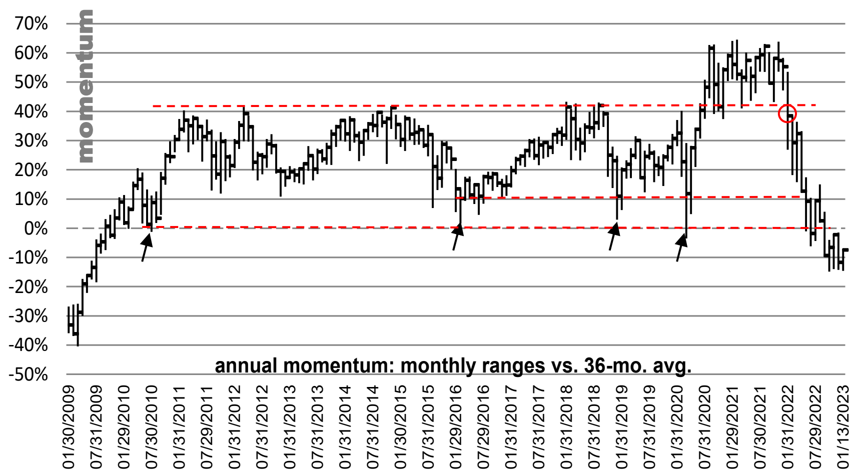
We vividly recall the topping process by the S&P500 and early phase of the bear trend in 2008. (MSA signaled major bear trend on the opening few days of Jan. 2008). After a major initial drop into late January and then again in March 2008 (a 20% drop from the bull peak shown on chart below) came a rally into May 2008 that took out an obvious set of prior rally highs in that initial phase of the bear market. Noted via that fourth arrow.

Many investors were impressed. After that fake-out breakout, the action then rolled over and produced the major collapse. But first came that fake-out price chart breakout. A breakout to convince many that it was only a "corrective" decline into early 2008, not the start of something really nasty. Deception by price.

Must the S&P500 do something similar this time? Like take out the recent price highs just over 4100? Possible. Likely next week or so will demonstrate that…or not.







NASDAQ 100 annual momentum

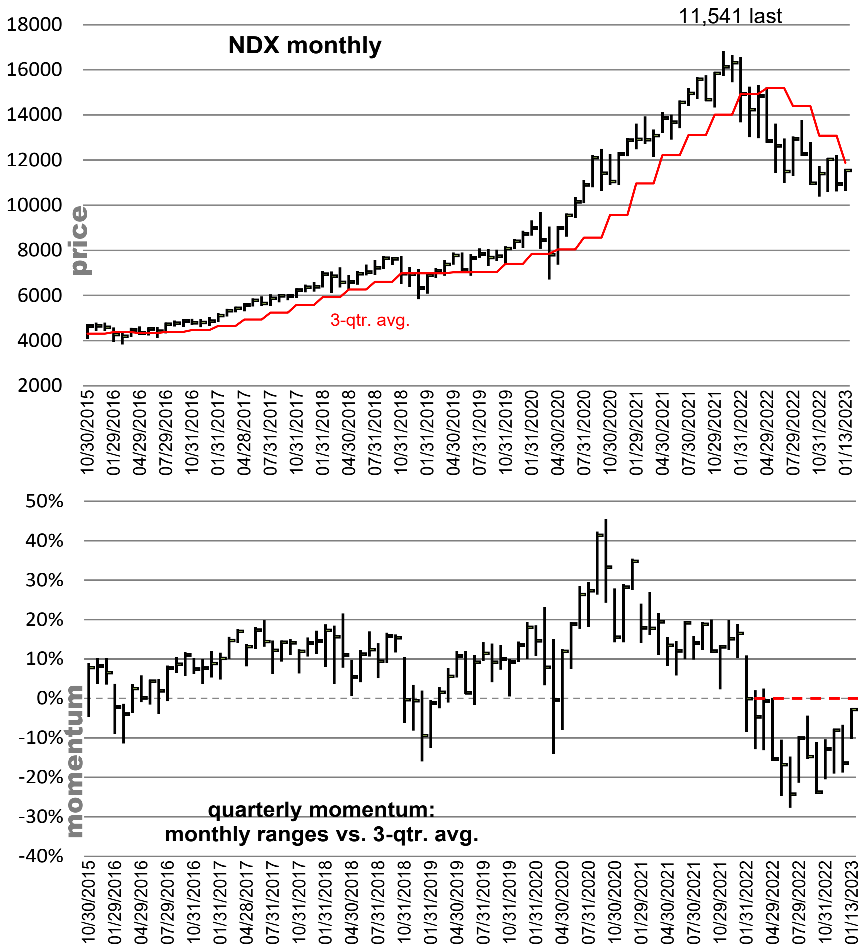
We run this set of annual momentum and price charts just to refresh the larger trend reality.

MSA's first and major sell was the January 2022 close (circled on both charts).

Other key points of breakage occurred during last year's arm-wrestling downside process. One example is the red horizontal plotted through three prior reaction low monthly closes all just above 10% over the zero line (middle red line). That secondary level was taken out with the May 2022 monthly momentum close. And then came the takeout of the zero line itself, a level that had been given great respect all during the bull market (lower red horizontal).

Now momentum is clustered below the zero line and price below the 36-mo. avg. Current price action, despite repeated rally efforts, remains on either side of the June 2022 low price close. This annual momentum chart argues don't trust any "impressive" rallies! The bear market is only in its initial phase of decline.

We emphasize NDX again because it is measurably the leader index and has been since the 2009 lows. A leader on the upside and now downside. Its twelve-year advance to the 2021 high was a sixteen-fold move while the S&P 500's was a seven-fold move. Both gains vastly outstripped any other prior stock market bull trend in U.S. history, a bubble beyond all measures. (Look at the Fed Funds chart and the M2 chart on the St. Louis Fed's website and you'll readily understand why that asset bubble occurred.)



NASDAQ 100 quarterly momentum

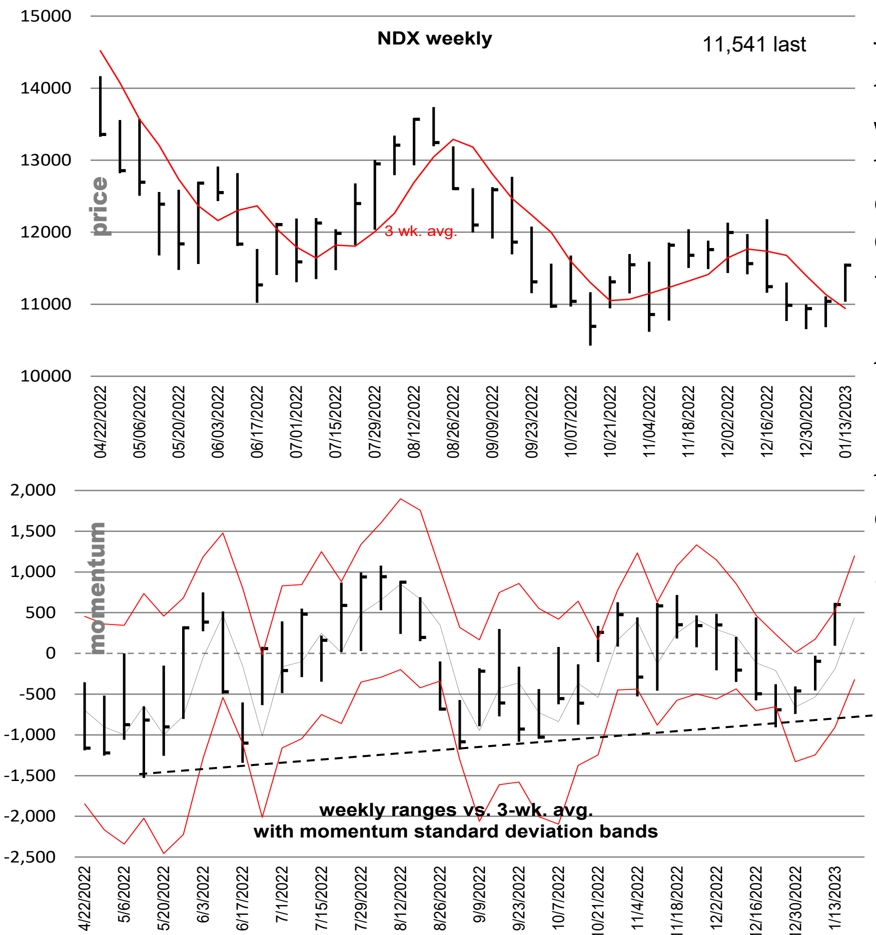
Quarterly momentum, taken by itself, suggests the potential for some upside worthy of the term. That is, if it can **close a month** above the 3-qtr. avg./ zero line. This quarter that means **above 11,879**.

While we don't want to dismiss the potential positives here, we want to point out that during the dozen year bull market (2009-2021) there were occasional breaks below the 3-qtr. avg./ zero line (such as in early 2016, late 2018, and March 2020), which, though cracking structure, did not sustain. Why? Because annual momentum (prior page) was holding support levels and was not breaking anything. Meaning they weren't in sync with each other.

So we're watching this zero line area/3-qtr. avg., but even if it's cleared on a monthly close we can't argue it's some major event—given the recent severe breakage below the zero line area on annual momentum (prior page).

But we want to point out this situation given its potential (**if** it closes a month over the 3-qtr. avg.) to generate some upside that might impress investors *for a brief while*.

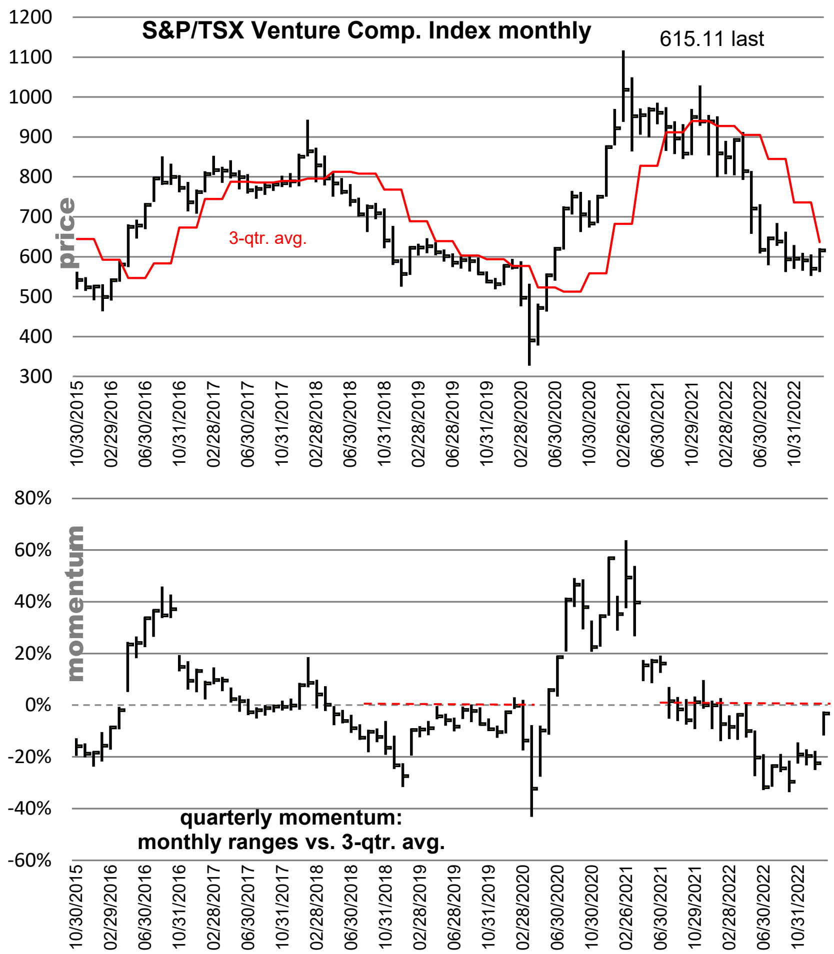
We will update *if and when* this zero line area on quarterly momentum is reached. The S&P 500 has a similar quarterly momentum situation, but our emphasis is on the leader index.



NASDAQ 100 weekly momentum

This set of charts is a short-term metric, to be sure. It's positive right now. Last week's action has risen marginally into the general overhead level where prior oscillator rally highs had reached before congesting and rolling over (over the +500 oscillator level).

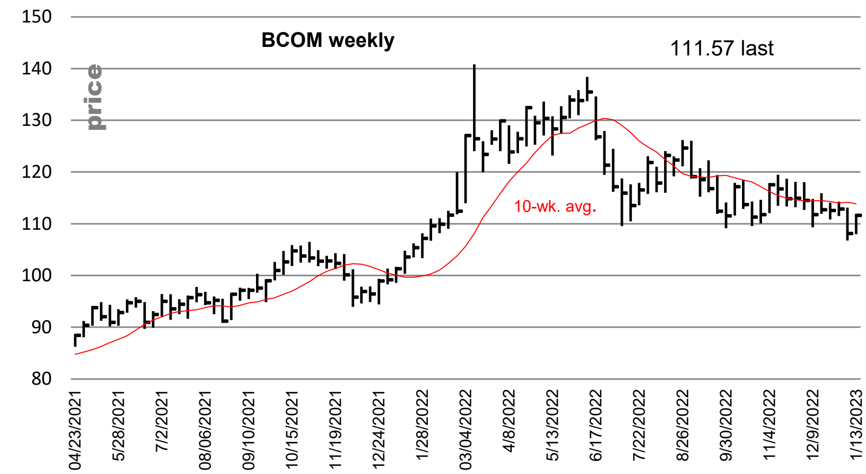
Meanwhile, we're watching the clear three-wave uptrend structure that has been used and developed since the May/June lows. And actually there are five oscillator lows within the three legs of advance that define that line. It is to be watched. It's currently positive but in its third wave of upside effort.

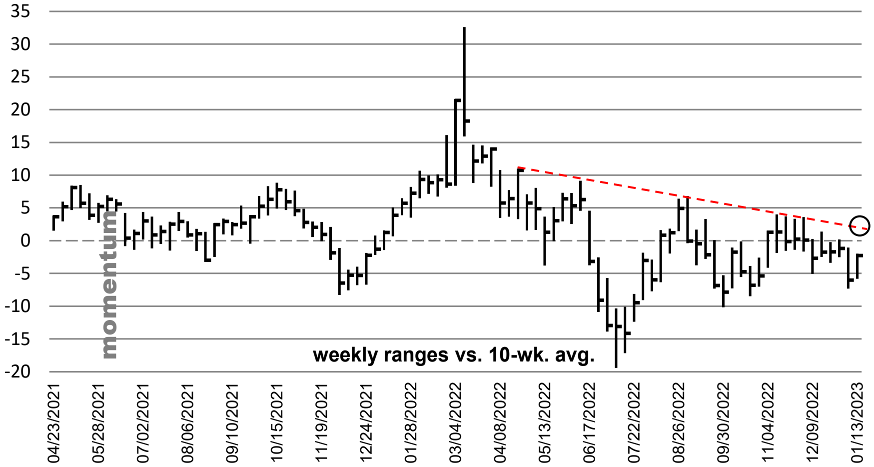


S&P/TSX Venture Composite Index: quarterly momentum

No doubt this index is of interest to some of our subscribers. The index comprises various sector companies. Within the top ten holdings in the index are: a software company; three lithium producers (and they're in the top five weighted symbols in the index); three gold related; one multi-metals related mining; and two oil and gas.

Note the tendency to pivot around the zero line. The 3-qtr. avg. for this quarter is **636.68**. Only if we see a monthly close credibly above that level will we assume a possible positive outcome here. This could easily be a rally now that simply finds resistance around that average and then enters a further basing process. Uncertain.





Bloomberg Commodity Index intermediate trend

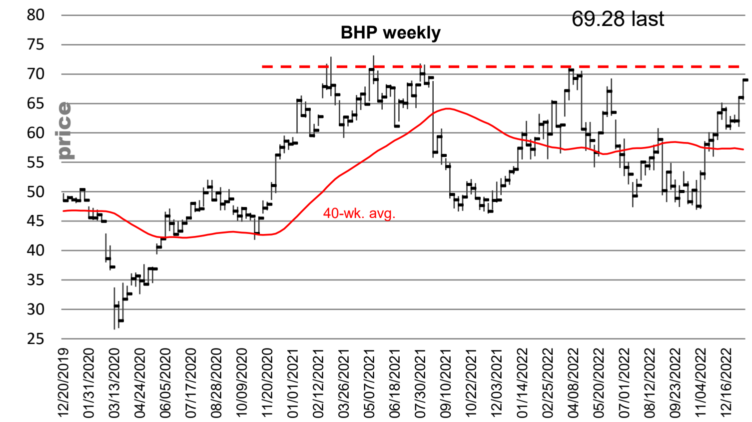
In our monthly Commodity Report last week we defined a monthly closing breakout (based on the 3-mo. avg. oscillator) as 114.50 for January.

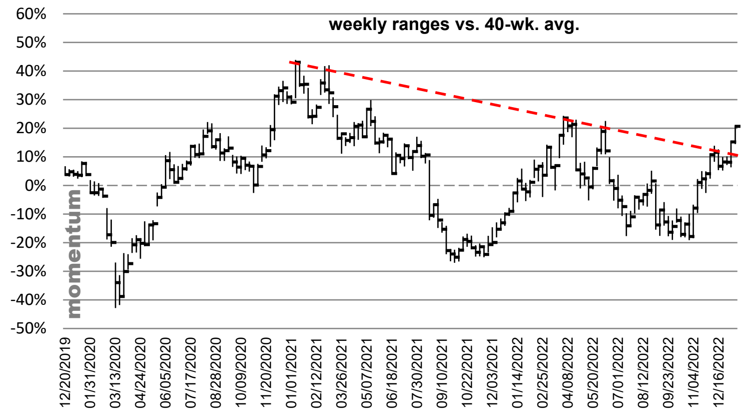
Here we use a 10-wk. momentum chart, also intermediate trend, and it has a very clear multi-point breakout trigger level tracing back to last April. Closing a week 2.5 points over the 10-wk. avg. would clear that structure. This week that requires a weekly close at **115.82** (somewhat higher than what's needed for 3-mo. momentum). This 10-wk. trigger level adjusts down weekly by .50 points.

The structure looks ripe and ready for use, and often such a clear and mature structure is a warning sign of a pending momentum trend shift.

Note that price did us the favor of sweeping the multiple price chart lows in the upper 109s two weeks ago. Now action is back up above that likely false downside price chart breakout (non-confirmed by momentum).

Meanwhile, too many investors remain focused on energy (the *prior* leading sector within the commodity category in Bull Phase One). And while oil fluctuates up and down in a fairly high level price range (compared to prices of past years) and natural gas gets punished back a bit below prior multi-year highs, copper has firmed sharply as have gold and silver. Also, cattle is punching out into the stratosphere, sugar has made new multi-year highs, and soybeans and corn are pressing back to the upside. Look wide.



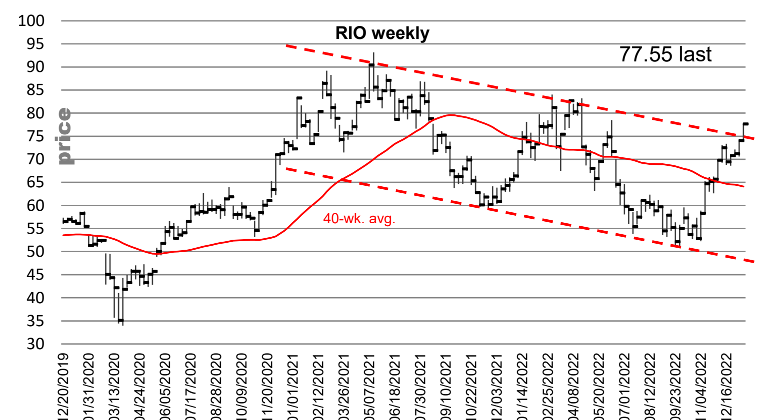


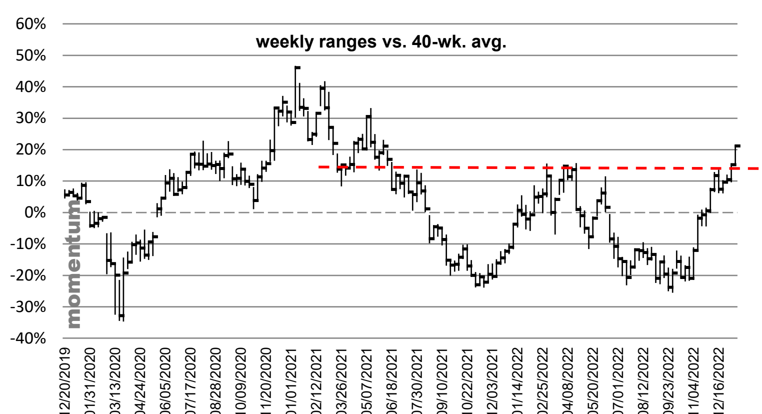
Three global primarily base metal miners BHP, VALE and Rio Tinto: long-term momentum

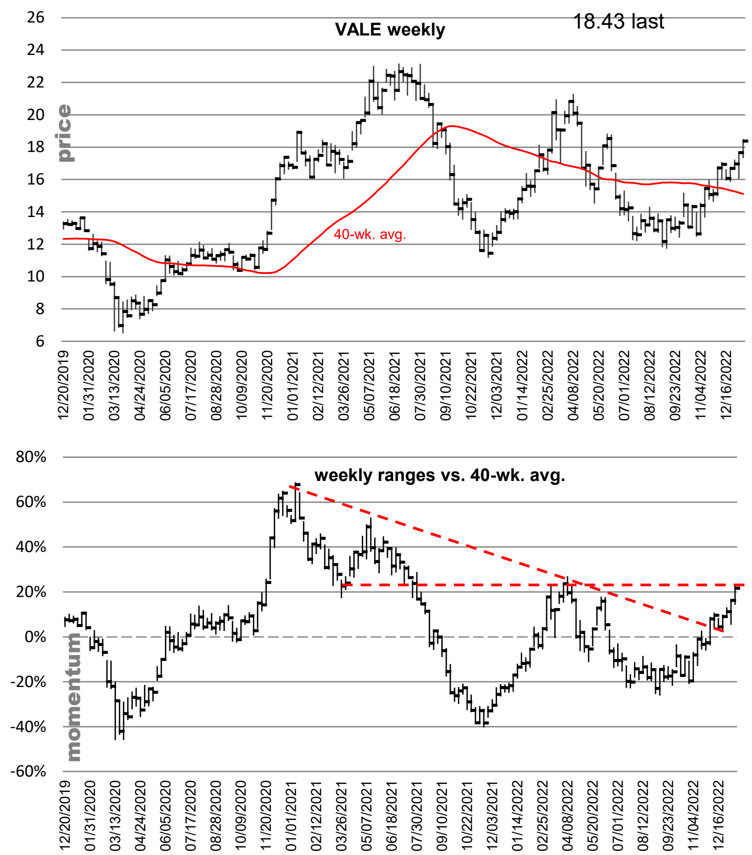
Last summer's lows in these symbols did some damage to their long-term momentum charts but seemed to have weathered the breakage well (it was not optimally clear as sustainable breakage). Dusted themselves off. Now speaking positively and in unison.

BHP Clear multi-point (five points) momentum structure now cleared. Next level which will no doubt excite price chartists is the set of closing highs just above 70. Consider a weekly close of 71 to be a lagged positive indicator from price.

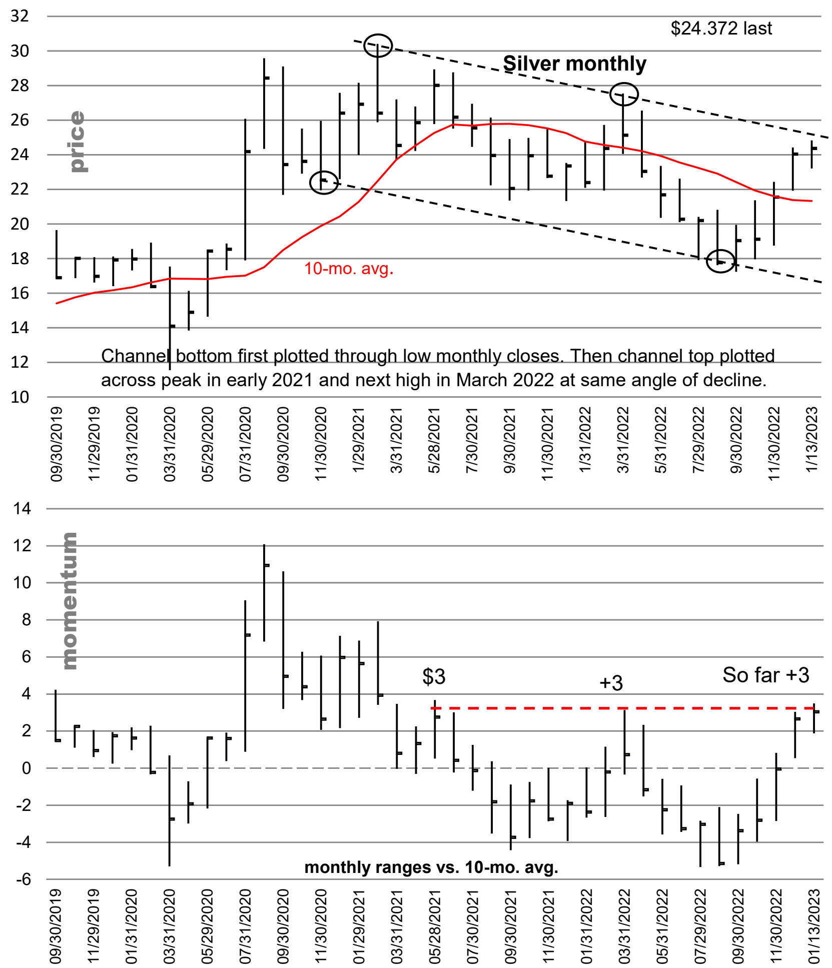
RIO Price breaking out of parallel channel and momentum has cleared pivotal horizontal structure. Positive trend.







VALE Momentum has cleared a multi-point downtrend going back two years and with a weekly close at 19 will amply clear the horizontal structure.



Silver: long-term momentum

First we'll update the comments from our December 28th report: "*Potential for short-term correction in the metals*."

We warned in that report that a "short-term downside jolt doesn't change the bigger picture in any way, but it's more likely to test one's mental resolve after such a great run the past few months." On page two we specified that our assessment of silver's quarterly momentum pointed to a move to **$23.35** "in the early days of Q1 2023" as a likely target area for a corrective downside move. Silver closed 2022 at $24.04, and thus we were suggesting a corrective downside of about 3%. Not a big deal in the scheme of things, but often such downdrafts spook silver longs and we wanted to warn of that potential.

Well, in the third trading day of the new quarter and new year (January 5th), silver dropped to an intraday low of $23.26, 9¢ below our suggested target and involving a 3.2% drop from 2022's closing price.

In that report we did **not** specify dimensions of a gold or gold miners pullback as **we weren't clear ourselves on that issue**. And clearly gold did not suffer that sort of predictable downside jolt that silver had. Gold's early 2023 low was still above where it closed 2022, given that gold had gapped up early in 2023 and held its ground up on the year. The same with the miners: upside action only after the 2022 close. So silver, the only one we were specific about, is the only one that suffered that expected corrective decline, and with near perfection.

As far as we're concerned, that drop was probably "it" for our expected corrective pullback. And it was limited to silver, the wild child.

Here we update a long-term momentum metric via monthly bars measured against the 10-month avg. (similar to using a 40-wk. or 200-day avg.). First, silver has cleared all sorts of momentum upside breakout levels on various metrics since making its summer lows, such as 50-day momentum and 10-wk. avg. momentum in early August (with silver not far above $20), silver's breakout in performance vs. gold at the September close, etc. We're about to run out of further layered buy signals, this one is next to last, and the 200-wk. is our final "add-on" level for those who want to be long silver. 10-mo. momentum will generate a **triple-top breakout** when it trades to $4 over the 10-mo. avg. The prior two peaks reached $3 over but couldn't tag the +$4 level. That trigger for this month is a trade to $25.33, or next month $25.19. 40-wk. momentum, the sister of this 10-mo. avg., also registers similar triple-top breakouts a bit in front of those 10-mo. avg. oscillator breakout numbers. And the price chart will take out a perfect parallel channel if it trades up to those **lower $25** levels also.

A final number regarding **silver**. Consider it our final buy signal *in a sequence*. Waiting for this final signal, as we've said before, isn't a good idea as it's just icing on the cake. **200-wk. momentum** (comparable to a four-year average) has a final breakout structure that will occur if silver closes this week at **$27.97**. Adjust that number up weekly by **.06**. Again, this is a final momentum breakout for late comers. And it will occur $2 before silver ever returns to its dual price highs on either side of $30.

Gold: long-term momentum

Last week overcame our trigger level, which had been defined as a weekly close at **$1873** or higher for that week. The week closed at $1921.70. An old and clear multi-point structure was overcome (comprising three intraweek lows and one low weekly close; and then after breakage that initial rally effort in July bumped the structure from the underside and failed, further defining the structure).

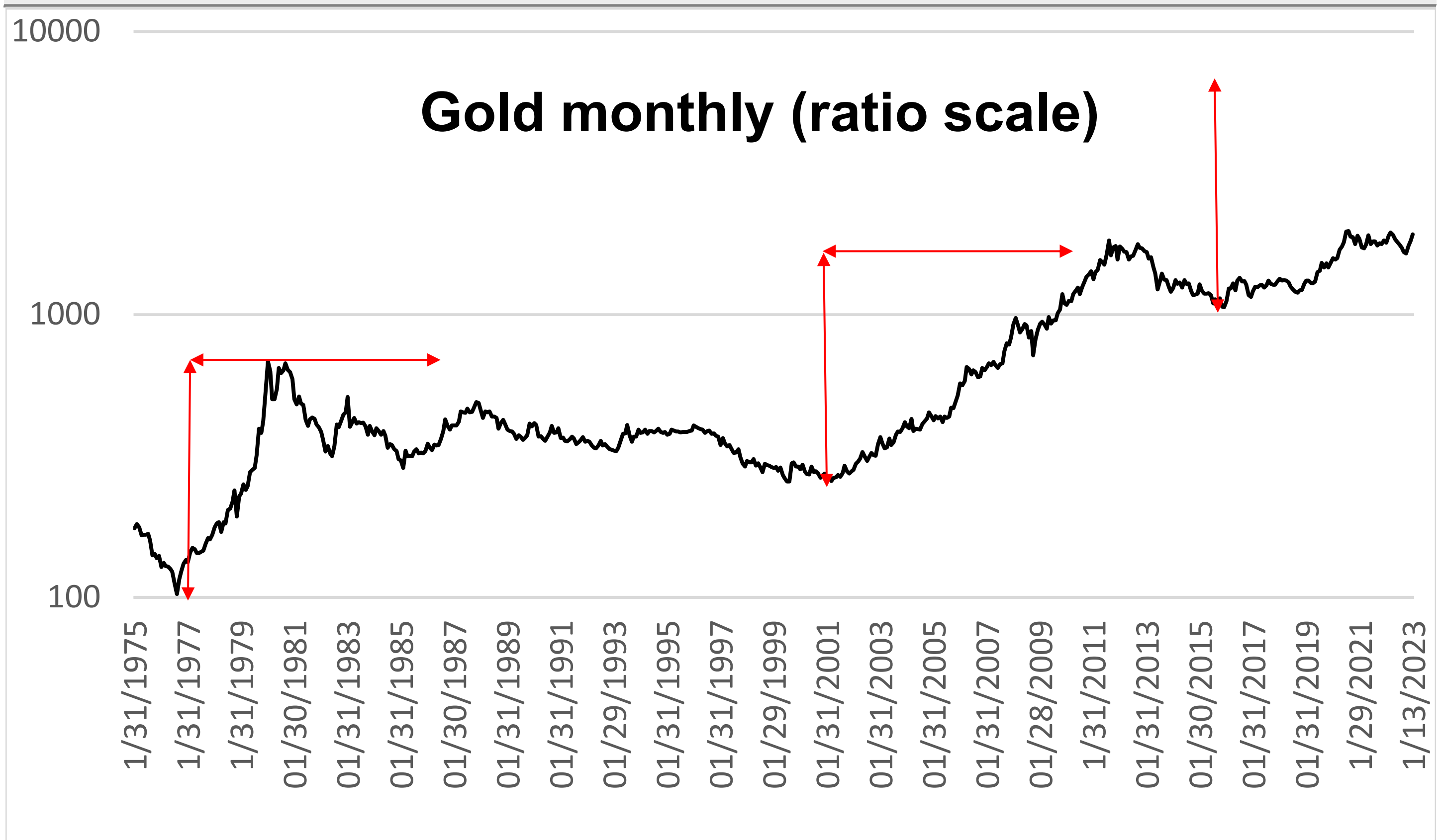
Note: the zero line or 200-wk. avg. has not been structurally important in recent years.

But that clear structure was closed amply above last week. A major hurdle overcome, much like the false downside breakout by price last summer. Everyone saw it and screamed. It was a bear trap. The trap is now fully closed!

It has been an issue for us whether gold, silver, and related would produce a clear sharp correction in their advance back to their old highs, or whether there would be a surge to and through those price chart highs before any noticeable correction occurred.

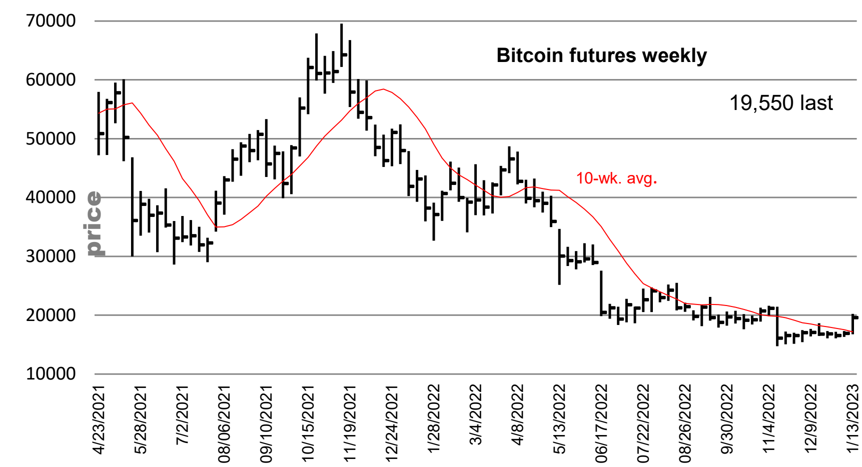
Markets often distribute justice to those who erred. In this case, the vast error was made by so many analysts and investors who gave up on gold and silver, especially once the price charts took out those obvious prior reaction lows of the past two years. If last summer was indeed a bear trap, as we argue, then should they be gifted a "gentleman's re-entry point"? Or should it stick it to the doubters and the bears via a rapid price return to and above prior price chart highs, before perhaps then giving them a pause and a place to re-enter?

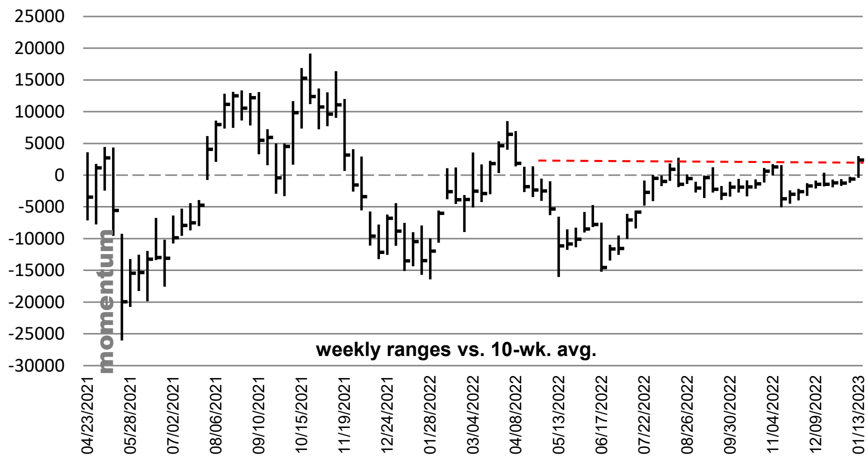
Often it's the latter outcome.



We don't include the cash gold bull move from the early 1970s to 1975, which was almost the same percentage gain dimension as the two subsequent bull moves noted via red arrows. A move to $8000 gold in this ongoing bull move (yes, *ongoing*) would merely replicate those prior moves. Nothing extraordinary, almost routine. And yet we have extraordinary technical, monetary, and financial market events out there—underway—that could justify something even larger.

Hmm.



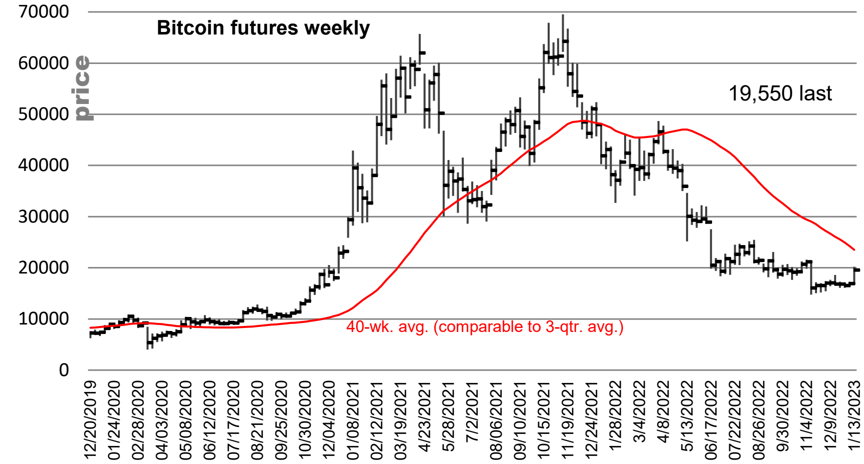


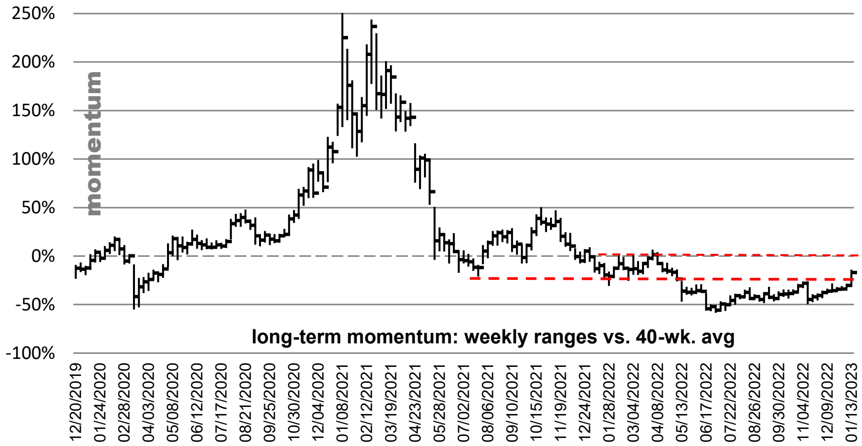
Bitcoin futures: intermediate trend

Finally. The intermediate trend shifted to positive with last week's action.

A layered momentum decline. Last week's closing reading (on momentum, not price) cleared all prior shallow oscillator highs going back to April 2022.

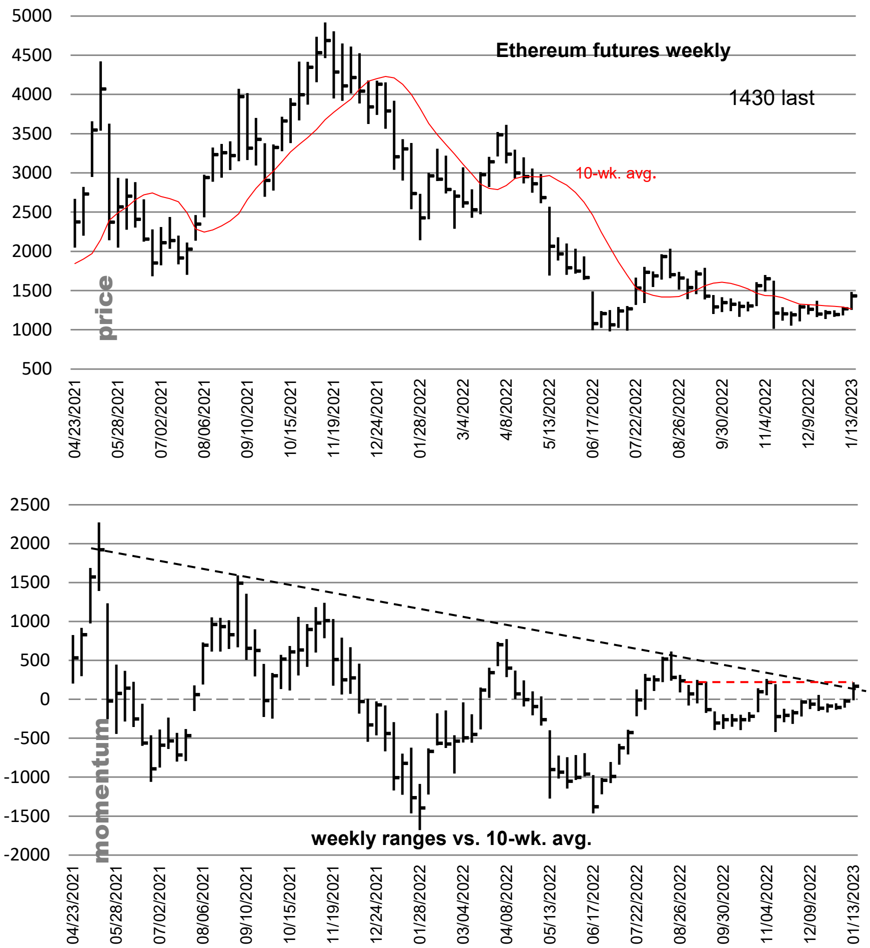
Let's see what longer-term momentum says on the next page.





Bitcoin futures: long-term trend

Long-term momentum also cleared our first and major hurdle (lower red horizontal). Likely next resistance is expected up around the falling 40-wk. avg./zero line. But that's up at **22,880** this week and adjusting down about 600 points per week.



Ethereum futures: intermediate trend

The intermediate trend here is just below the breakout level. Closing this week at **1492** would clear the red horizontal. The following week it will require a weekly close at **1502**.

Yes, the downtrend line was cleared last week, but for good measure we'd like the most recent rally high in that downward sequence to be overcome as well.

Our prime focus is on Bitcoin, intermediate and long-term, but we at least want Ethereum's intermediate trend to concur with Bitcoin's.

Personal positions in markets mentioned in this report: long SLV calls, Sprott Physical Gold Trust, long QQQ puts