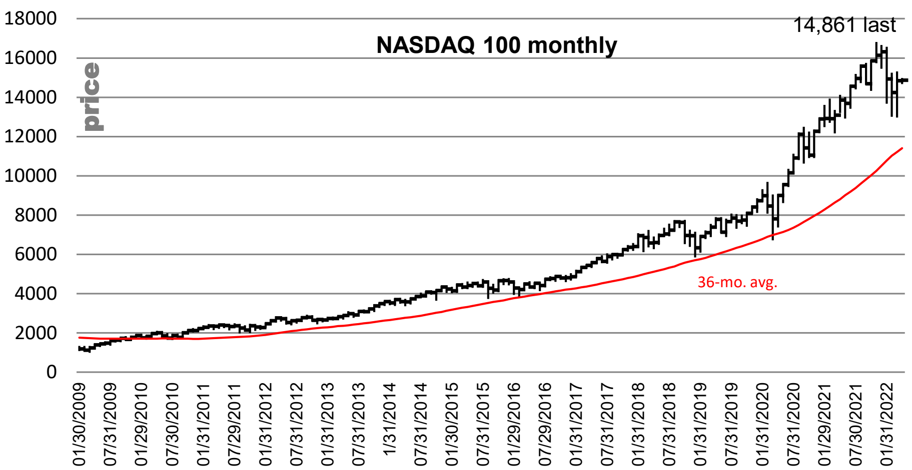
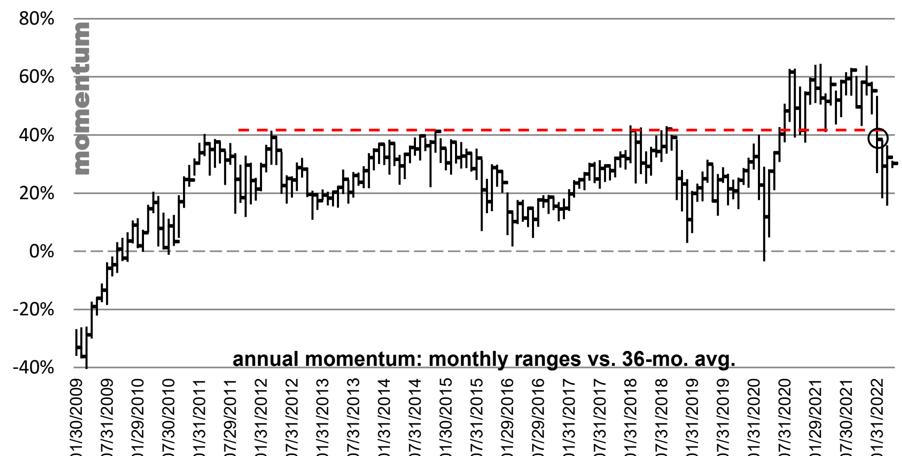
360° WEEKEND REPORT

MSA

April 3, 2022

Interesting Quarter



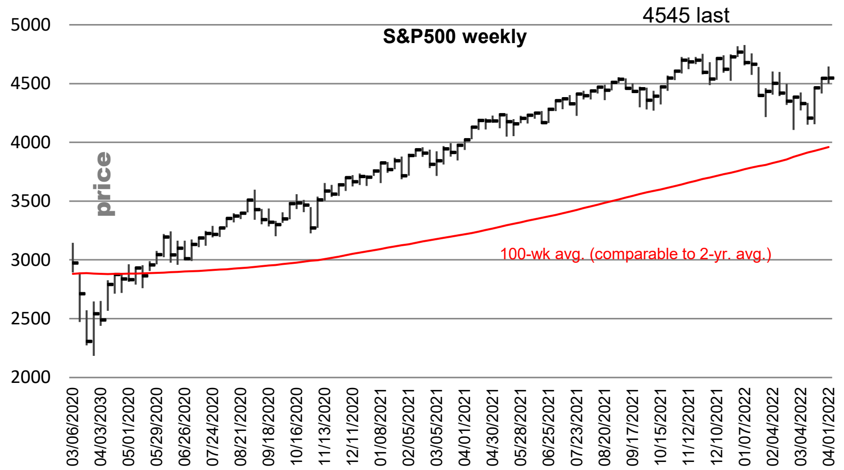


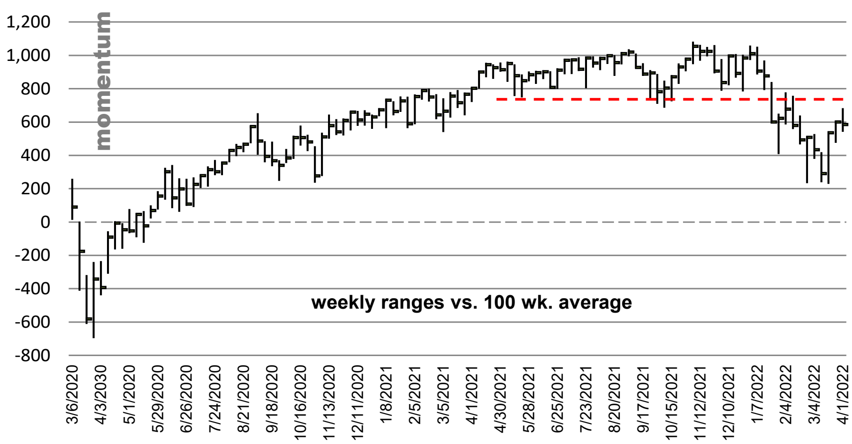
In our assessment, **NASDAQ 100** was the performance leader index on the upside in that aged bull trend and now NDX will lead the downside.

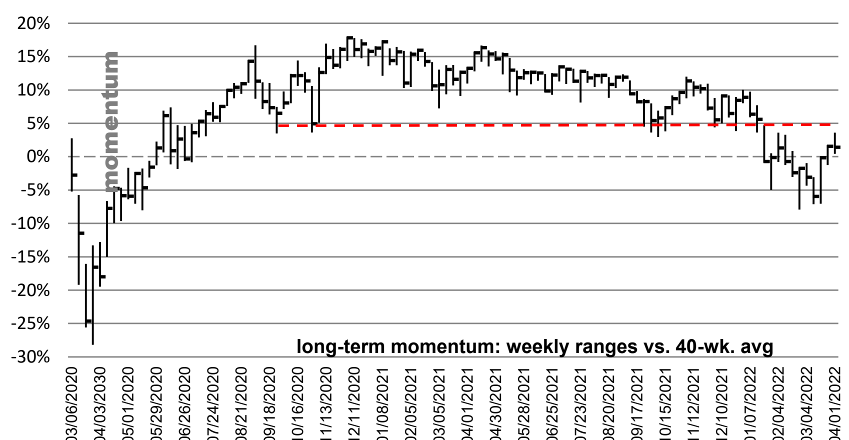
Our negative trigger level for **annual momentum** occurred at the January close as momentum closed out that bar credibly below the prior well-defined high level ceiling. It was that horizontal structure (highs recurrent at 41 to 42% over the zero line) that had capped all the run-ups in the bull trend—until NDX decided to produce a blow-off or accelerated final phase in late 2020 to late 2021. That blow-off phase was subsequently aborted at the January 2022 close.

It's obvious where "next" support is when you look back to 2010. Drops all held at or just marginally above the 36-mo. avg./zero line. That average is now at 11,413 and rising monthly by less than 200 points. At best it should be viewed as a "bounce" point when encountered again, not as a floor that will hold next time around. Why? Because aborted/failed blow-offs almost never end with merely another "correction" in the prior trend. They resolve instead with bear trends.

Momentum Structural Analysis, LLC. michaeloliver@olivermsa.com







S&P 500: long-term momentum

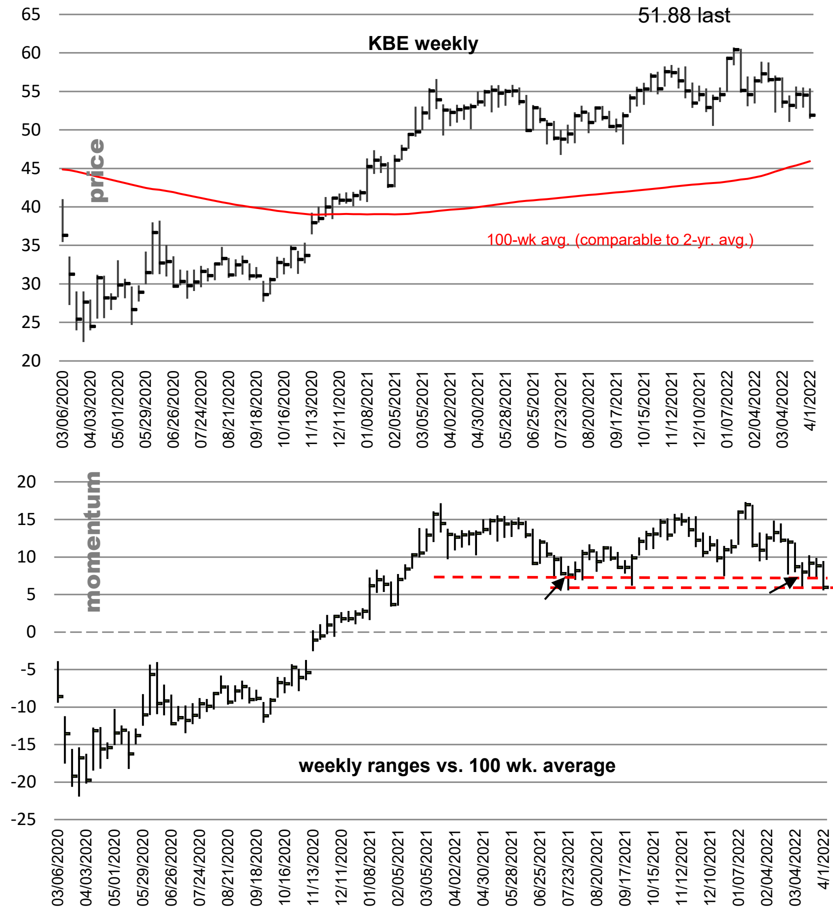
We could have run any of our long-term momentum charts and they'd all say about the same thing—whether the 36-mo. avg. oscillator, the 100-wk. avg. oscillator shown here (a 2-yr. avg. equivalent), or the 40-wk. avg. (a 3-qtr. avg. equivalent).

All have broken initial key structures and produced a first downside thrust. The current rally doesn't alter that trend direction. In some cases the rally high has reached up near prior points of breakage, as noted via the red horizontals.

Regarding the **100-wk.**, our assessment is that if there's a renewed rollover and the +300 level is touched again, then expect the next leg of decline to begin. +300 is highly unlikely to hold a third hit in a tight sequence. So far on a 100-point increment basis, the lows have been at 300 over the zero line, not 200. 300 over this coming week equals 4276.97, that number adjusting up about seventeen points per week.

The 40-wk. oscillator has also rallied up to near the underside of its prior point of violation.

In sum, negative trends, enjoying a counter-trend rally over the past several weeks.

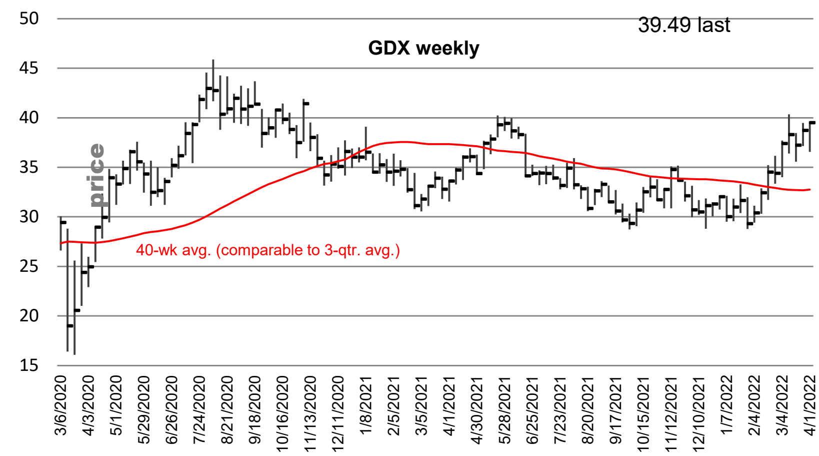


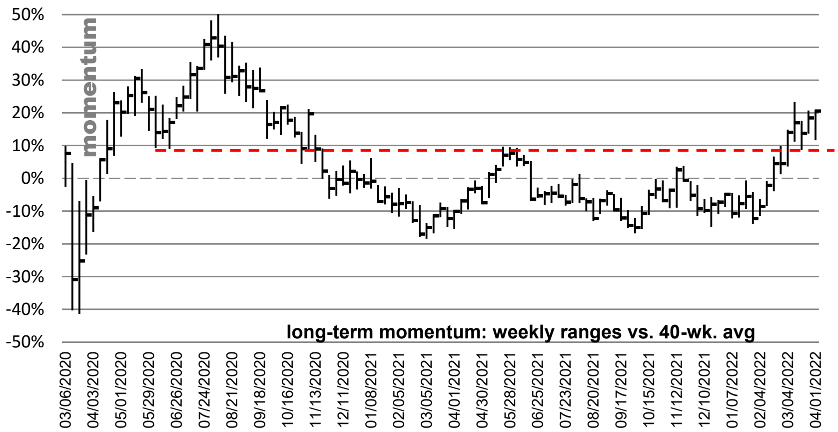
KBE: SPDR S&P Bank Sector ETF: long-term momentum

While the S&P 500 and NASDAQ 100 managed small gains last week, the banks lost nearly 5%. Few noticed. And that's best in situations where a market is about to ambush investors. Headlines can come after the surprise move has largely occurred.

We'll see about the "ambush," but the upper red horizontal was clearly broken last week—taking out prior reaction low weekly closing readings (arrows) on this long-term momentum chart going back to March 2021. Trade down to **51.14** this coming week and that takes out all intraweek low readings as defined by the lower red horizontal. That final trigger level adjusts up weekly by about .21 points. Though frankly we consider last week's close sufficient evidence of downside intent.

The next likely bounce point? About $5 below the zero line/100-wk. avg. The zero line/100-wk. avg. is not structurally important.





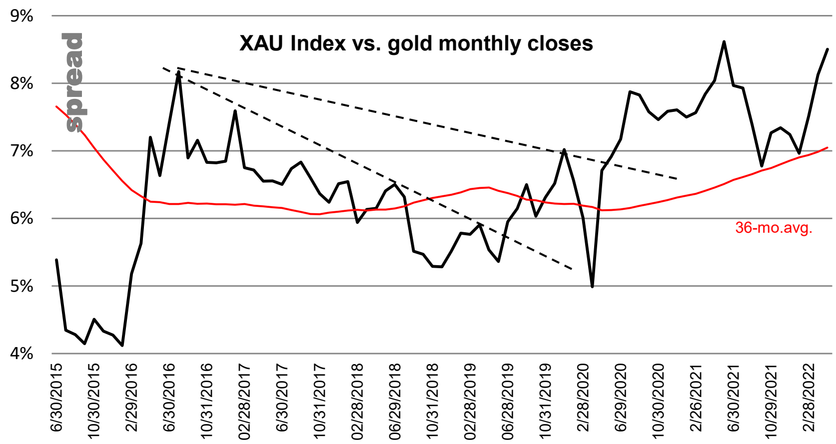
GDX (VanEck Gold Miners ETF): long-term momentum

And so while the S&P 500 was breaking down through 40-wk. momentum structures (see the chart at the bottom of page 2), the gold miners were doing precisely the opposite.

Not shown here, but the **XAU Index** (the oldest U.S. gold and silver miner index out there) is back at its 2020 and 2021 price chart highs (on a rounded five-point basis those highs were both 165). The surge of the past two weeks has returned to 165—meaning a pending triple-top breakout if the XAU Index tags 170.

For **GDX** we measured this recent breakout via its 3-qtr. avg. oscillator, and its sister 40-wk. avg. oscillator (on the left). Both cleared a major breakout structure five weeks ago and continue to press upward.

No doubt a clearing of the $40 level will begin to excite the price chart watchers. Momentum has already cleared that prior equivalent pivotal high of May 2021.



Yes, gold is the Mama, but buy the miners instead!

A major technical to pay attention to is that the recent upturn in gold and silver and miners has apparently garnered the focus and participation of large asset managers. We infer this with reason.

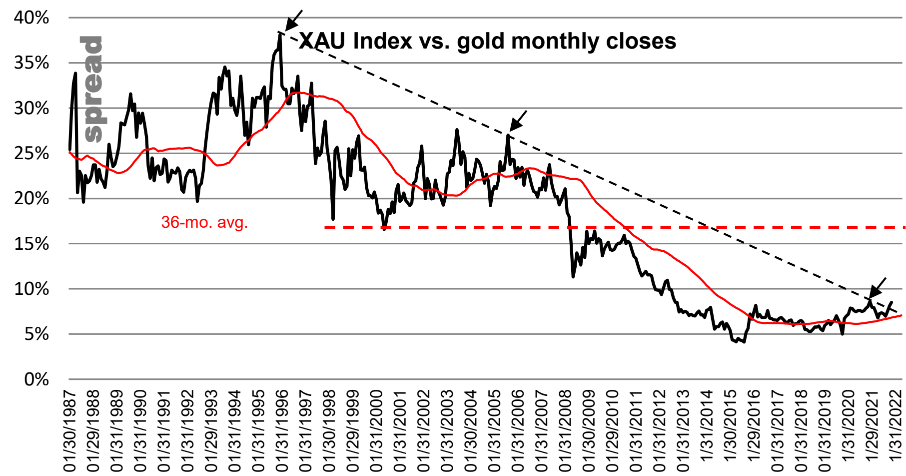
Large fund managers are the sort of buyers who buy weakness instead of running in fear of declines—in those markets where they wish to establish positions. And it's that sort of buyer who's more focused on the major blue chip miners within the sector such as Newmont Corp., which has now emerged well above its 2020 high.

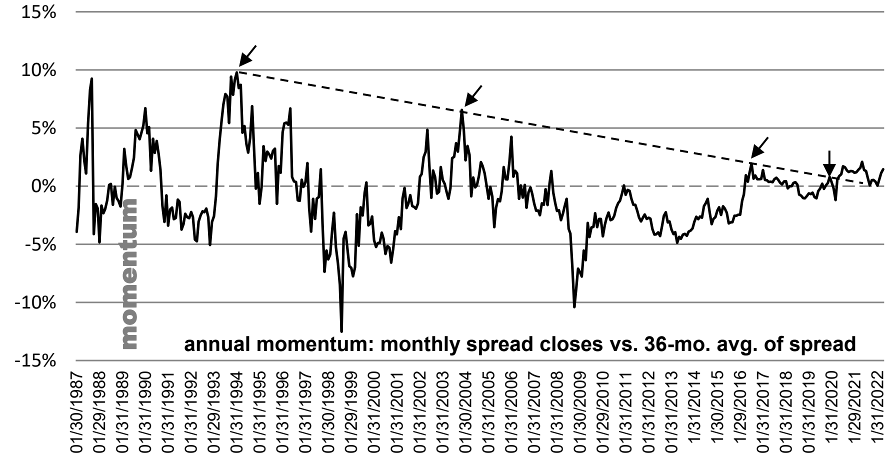
There has also been a clear tonal change among the miners as a group that indicates a determination to establish position in this small sector by buyers who aren't afraid of buying downticks, and hence provide a firmer tone under the miners for a change.

It's not only reflected in the price tone of the past month, but in the spread relationship between the miners and gold.

At the 2015 bear lows, XAU's price (**Philadelphia Gold and Silver Miners Index**) was trading at about 4% of gold's price. It then surged (doubled) to 8% in its first performance rebound. Action after that consisted of pullbacks that could never reach the 2015 bear performance low. Then from mid-2020 through early 2021 the XAU vs. gold spread made a higher high. Then again there was a pullback into late 2021, though a pullback that held at higher levels. Now the spread is rapidly back at the highs of the past six years.

Miners' relative performance was already positive in the mid-2020 breakout, despite the secondary pullback that recently ended. The recent rapid bolt back to the upside further indicates to MSA that our assumption that miners would outperform gold in the next upside phase was correct.





A longer-term vista of XAU Index (gold & silver miners) versus gold

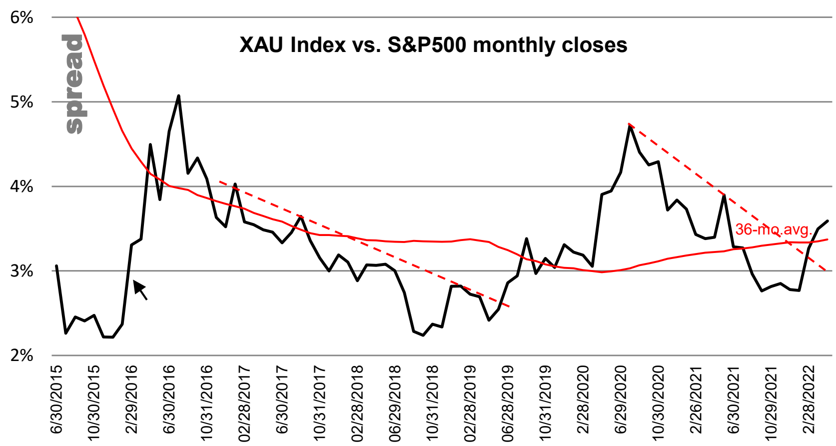
Going back thirty five years with the same spread and including annual momentum.

Momentum first. A clear and gradual downtrend is defined by four hits along that line. The 2020 surge in gold and the miners produced a breakout over that line—favoring the miners.

As is often the case, price action, or in this case **the spread chart** (difference between two prices), was lagged to that momentum breakout. But the action as of March moved the spread chart action above a three point downtrend going back to 1996.

Current spread reading (April 1st) is 8.5%. When we look at the spread chart we can identify a possible level of resistance around 16% to 17%, noted via the red horizontal.

Meaning, there is reason to assume that this upturn could see a doubling in the relative performance readings of the miners vs. that of gold before encountering resistance.



And just for fun, the gold miners versus the U.S. stock market

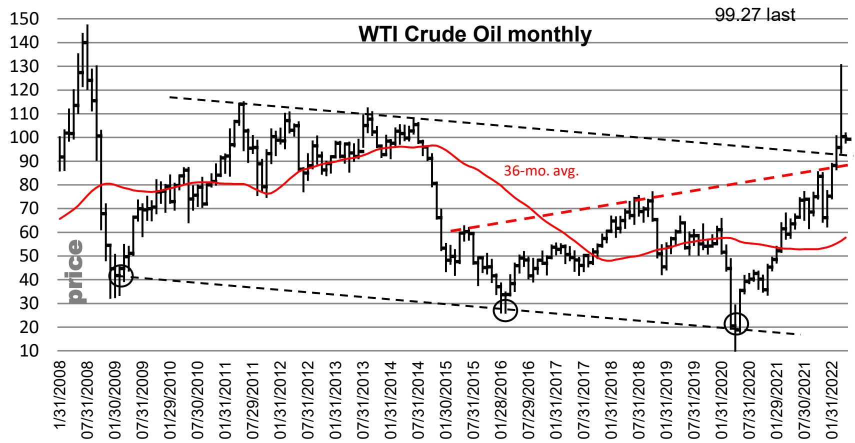
Objective reality. Not ticker tape-based emotions.

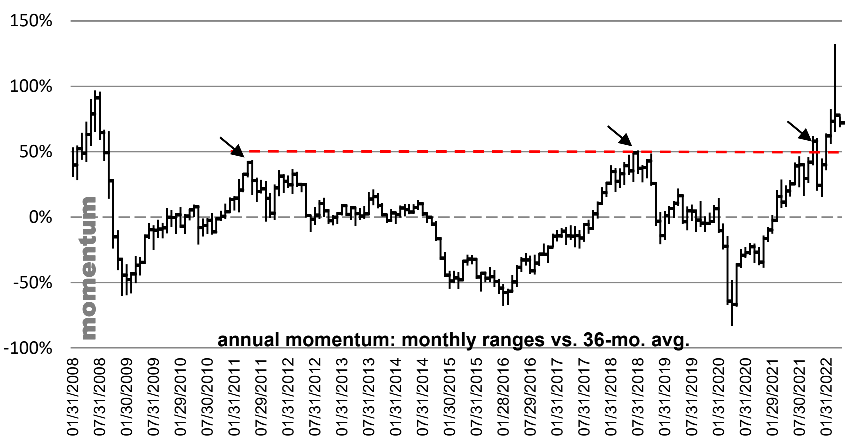
The bear low in gold was in December 2015. The first week of February 2016 MSA issued its first annual momentum buy signal for gold (and related) since our major sell signal in early 2012.

At that point, the end of the first week of February 2016, the spread between XAU and the S&P 500 was at the arrow (2.94%, meaning XAU's price expressed as a percent of the S&P 500's). XAU's price then was 55.30; now it's at 163.20. The S&P 500 then was 1880; now it's at 4545. Since that upturn the spread has lived in a range from roughly 2.5% to around 5%. Currently the spread is at 3.59%, or about in the middle of the multi-year range.

What this spread shows is that the current upturn (as of March's close) has broken out above its most recent down leg within that multi-year range. So XAU's performance is back to a positive upturn, and if it can also clear 5%, then the spread will complete a massive multi-year basing range with an even more important upside breakout.

But the fact that there **was and is a range in the relative performance of XAU vs. the S&P 500** and the current readings are in the middle of that range demonstrates that gold miners in the larger picture have actually matched the overall upside performance of the S&P 500 since late 2015 as we noted above. In fact, if you'd bought XAU in early February 2016 (when gold gave its annual momentum breakout signal), you'd be gaining more in percentage terms with XAU than if you'd bought the S&P 500 in early February 2016! And at many random points during the past six years you could have bought XAU and have matched or bettered the S&P500's publicly cheered gains.





What about crude oil now?

Optimal momentum-based points of entry have obviously long ago been doubled and even tripled. As we suggested regarding similar vertical behavior by the fertilizer stocks (**MOS** and **CF** in last weekend's report), perhaps it's time to consider taking some profits and looking for more pregnant opportunities within commodities that have better risk/reward profiles.

Our view remains that the commodity "explosion" (as MSA termed it in our commodity forecast report in October 2020) will not end with sustainable declines, at least not in the next year or so. Instead, what's most likely from our technical perspective is that some of the recent vertical leaders will likely begin to enter violent but high price-level ranges. Oil has already begun to act that way (as did the fertilizer stocks last week). From oil's recent $130.50 high it has since seen a trade under $94.

What we're going to try via annual momentum and price is to define what that violent range might look like. In particular we want to arrive at some sense of the lower end zone of that possible range.

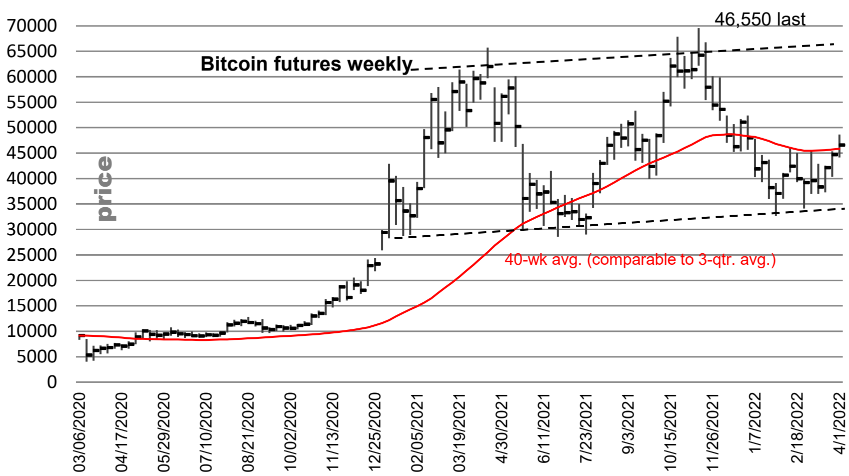
Annual momentum demonstrates that **around** the 50% level there was prior resistance, three separate peaks either side of that level, now overcome. Therefore, that general level could easily provide initial support. In price that converts this month to the $87 area, adjusting that up monthly by $1.

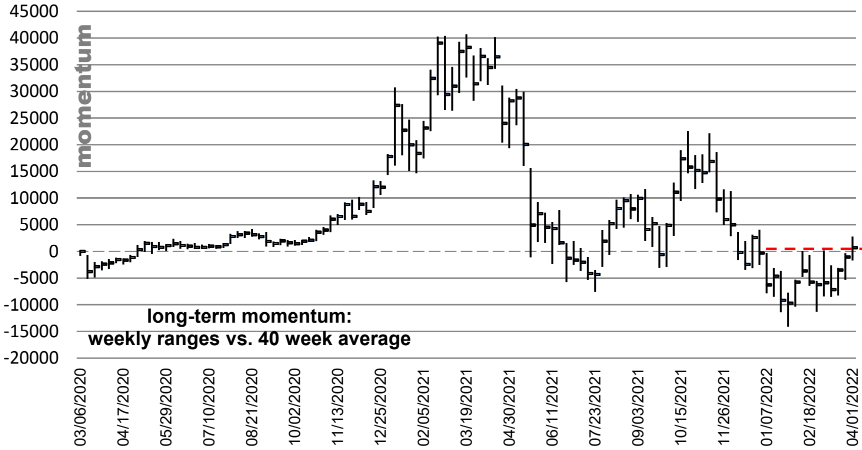
On **price** there was a parallel projected downtrend channel that was broken above in December, and any pullback now to the **$90 area** will sit on top of that channel. (The channel bottom was first plotted through two prominent low monthly closes and one set of intramonth lows. Then we plotted a channel top across highs in between those lows at the same angle of descent.)

We've also plotted a rising line of ascent (red line) on the price chart through three peak monthly closes tracing back to 2015. That angle of ascent was overcome last November and it now intersects not much below $90.

So there's some consensus in these charts that the $90 area and marginally below could well be a lower end of a potential range that might develop. We're hesitant to define an upper end now, especially with the rampant headlines that are driving late-investor money into this commodity and its related stocks. But frankly it looks like the current action could be closer to a possible support level (10% or so below the current price) than the upper levels that could be seen.

Bitcoin: 40-wk. avg. momentum



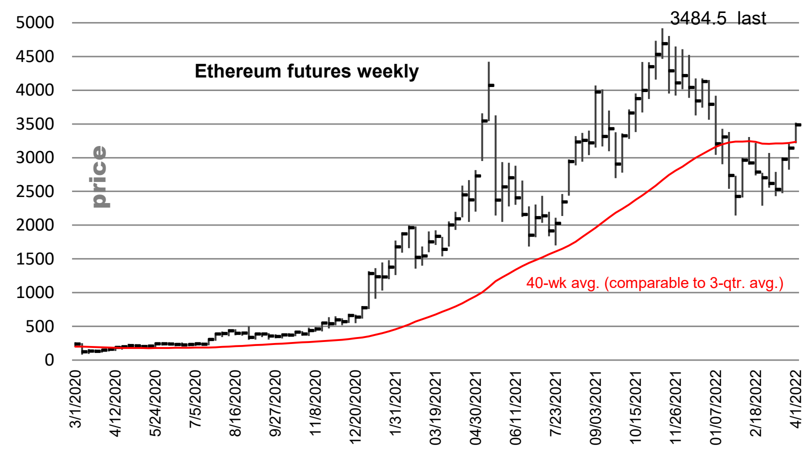


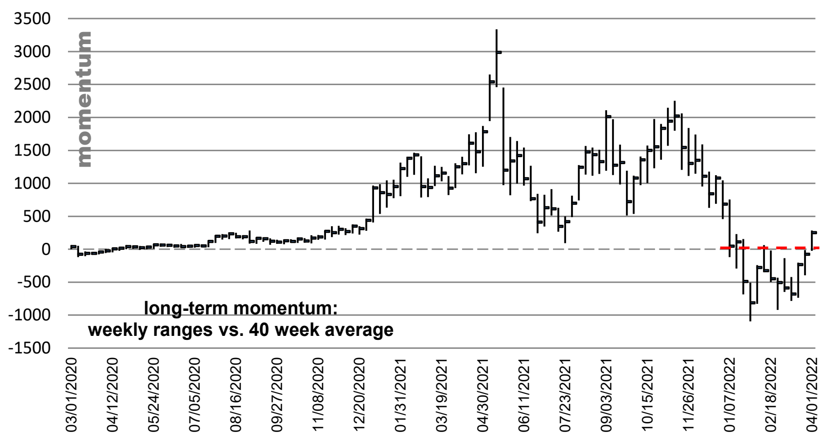
Our initial buy signal was issued March 18th when our buy trigger (a weekly close at or above 40,307) occurred. That was based on intermediate trend momentum: the 10-wk. avg. structure that was overcome.

Last week's action in turn shifted 40-wk. momentum into a positive trend by emerging above a base of action that has been building since January this year.

After our layered sell signals in the third and fourth week of November 2021 (the 10-wk. avg. and then 40-wk. avg. structures were broken in sequence), we said that likely support would occur on any approach to the 32,000 area. In part that was based on the projected parallel channel on price. In fact, Bitcoin later halted at its first low in January at **32**,855 and then produced a secondary low at **34**,295 in February. Obviously, that projected channel bottom played as support. It's not an issue now, but in future you don't want to see action drop below that price chart channel, which is rising gradually over time.

Ethereum futures: 40-wk. avg. momentum





We also wanted to see agreement from Ethereum in signaling an upside breakout via its 40-wk. oscillator, and it produced that agreement. It closed last week credibly over the 40-wk. oscillator ceiling that has capped the action since January.

If we had to suggest where next "trading resistance" might occur, for Bitcoin it's around 52,000, and for Ethereum around 3900. No, we're not saying that will end the rally; just that it's an area where we'd expect to see some back and forth.

Personal positions in markets mentioned: long SLV calls, long GDX calls, long UNG calls