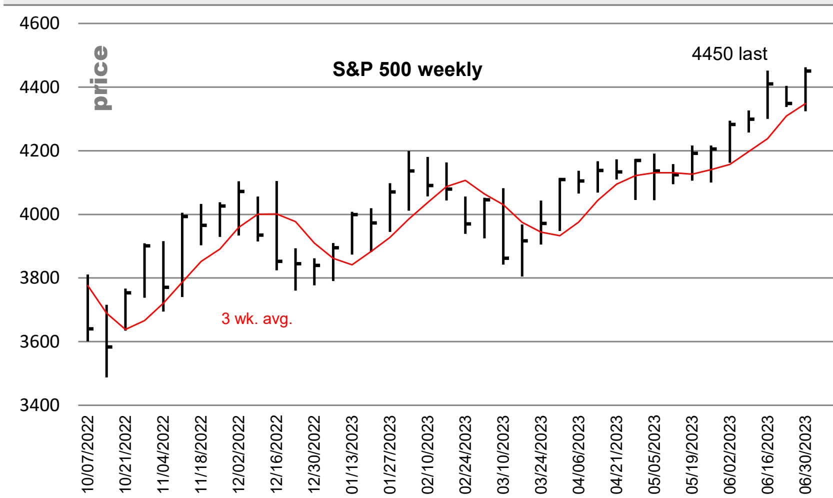
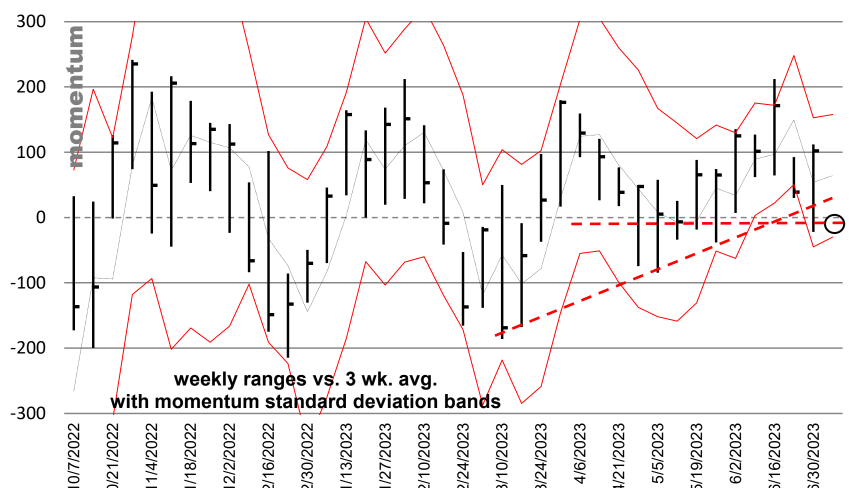
360° WEEKEND REPORT

MSA

July 2, 2023

New month & quarter: Core markets - stock market, T-Bonds, gold, & Dollar





S&P 500: weekly momentum

We defined a trigger level on this momentum chart as a 4340 weekly close applicable last week. And so the intraweek low was 4328, followed by a rebound. It knew the level it had to hold. That oscillator-based level also corresponds to the lowest weekly closing reading for weekly momentum over the last three months (red horizontal). Just a bit below the zero line. For this week a **weekly close** at **4380** will break both structures.

If this 3-wk. momentum trend breaks (by the way, the current weekly momentum uptrend comprises four full months of action), this metric should be treated as something more than a short-term indicator. The greater the age, the more potent the consequence will be once broken.

Also, if this metric shifts to negative, beware of the vulnerability of the 3-mo. avg. momentum trend (next page).

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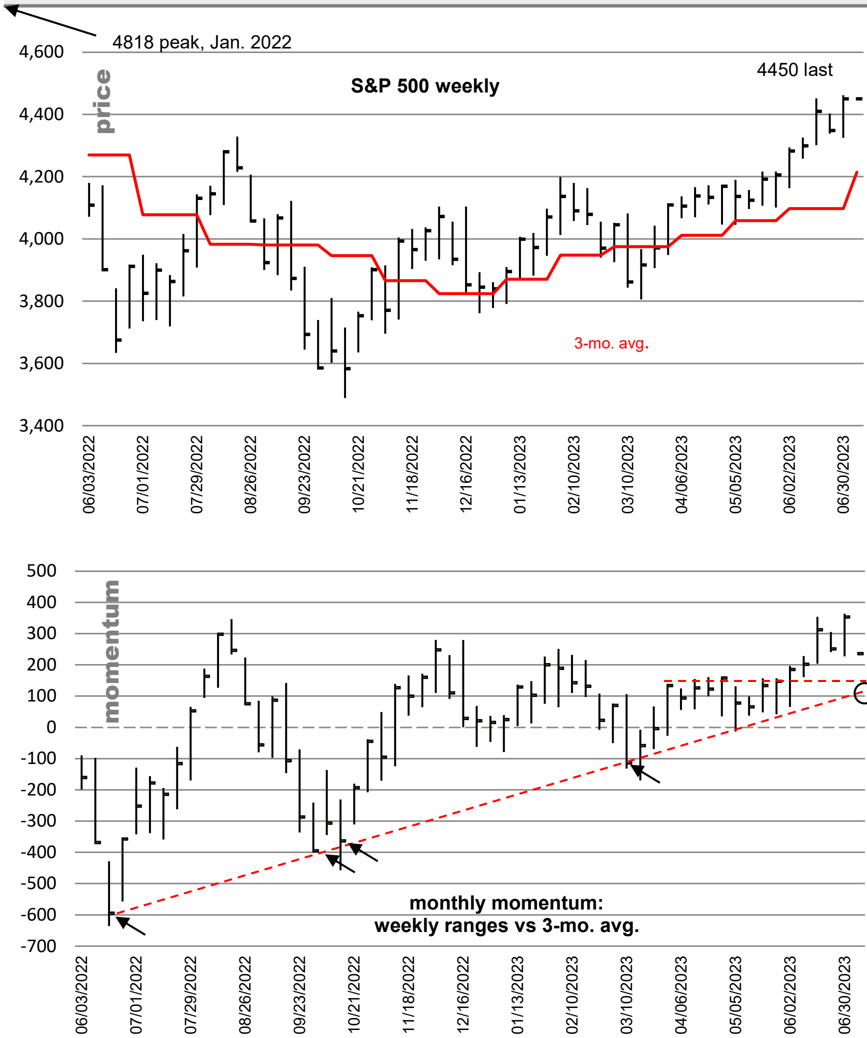
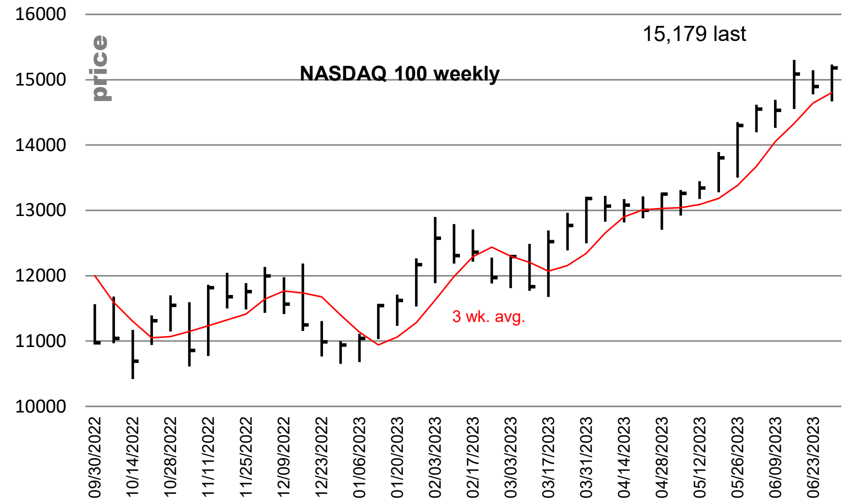


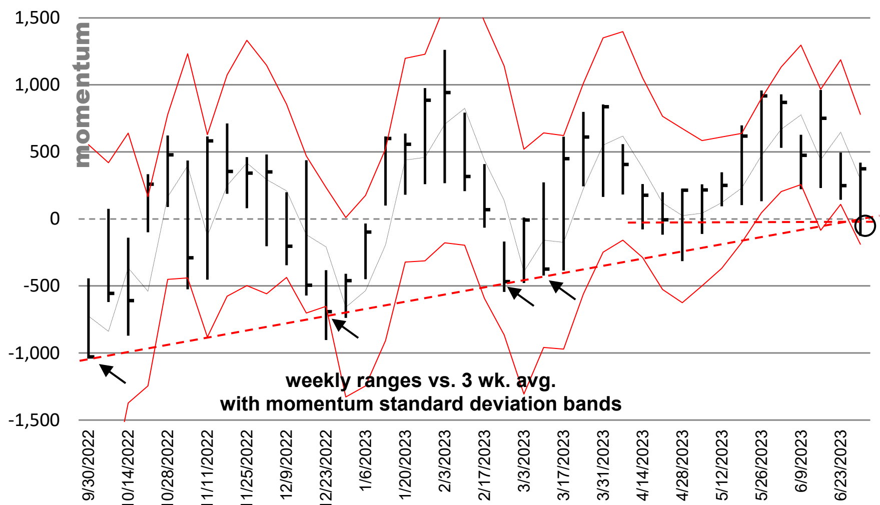
S&P 500: monthly momentum

Using the 3-mo. moving avg., the momentum action has carved out a three-wave uptrend tracing back a year! The structure is both clear and very aged.

The trend line is plotted through three sets of low weekly closing readings and intraweek lows in May. The horizontal is plotted across two months of prior momentum high closes. Both will be broken below if the S&P 500 closes any week in July at **4310** or lower. That's 1.5% below the weekly momentum negative trigger level.

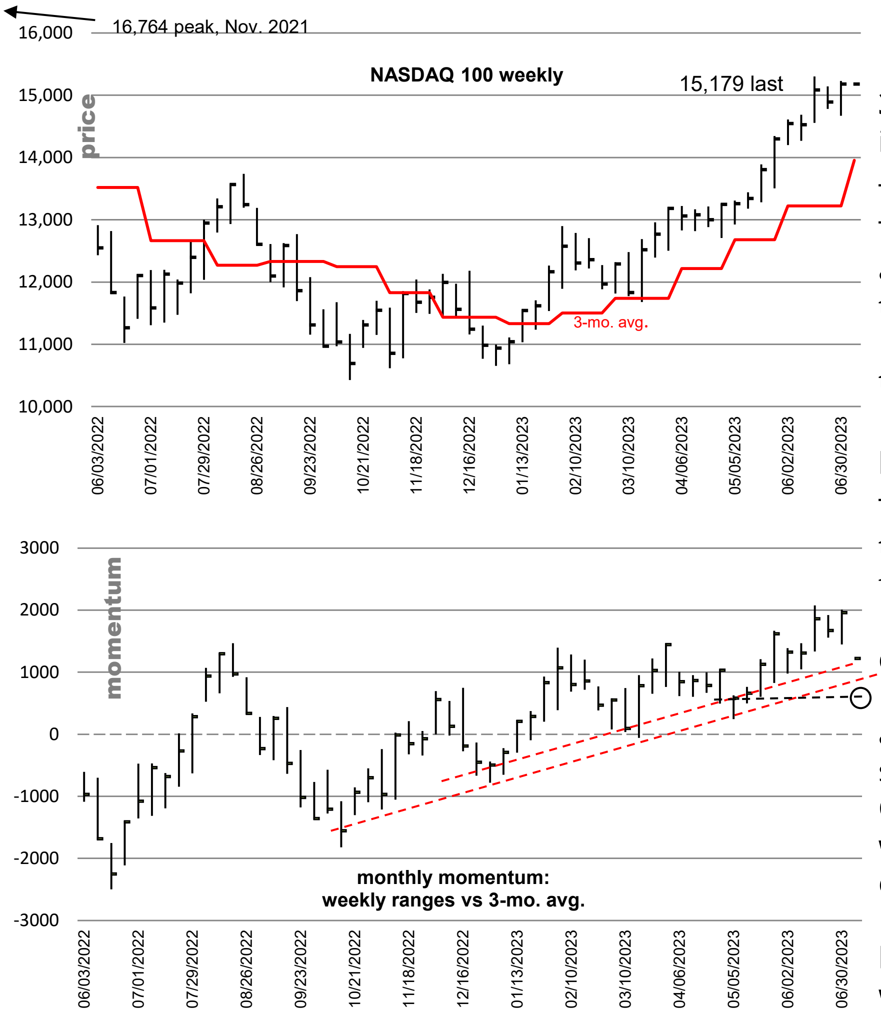
Note: the last reading shown on both the price and momentum charts is simply an unchanged opening for Monday. As you can see, momentum will drop over 100 points due to the rise in the 3-mo. avg.





NASDAQ 100 Index: weekly momentum

It held its key weekly momentum structure last week and rebounded. Price went back up to near the mid-month high, but momentum was well below recent highs. 3-wk. avg. momentum is still holding its uptrend structure. For this week a **weekly close at 14,970** will be below both the uptrend and the horizontal (defined by the lowest oscillator closing reading since March).



NASDAQ 100 Index: monthly momentum

3-mo. avg. momentum is plotted here in weekly bar format.

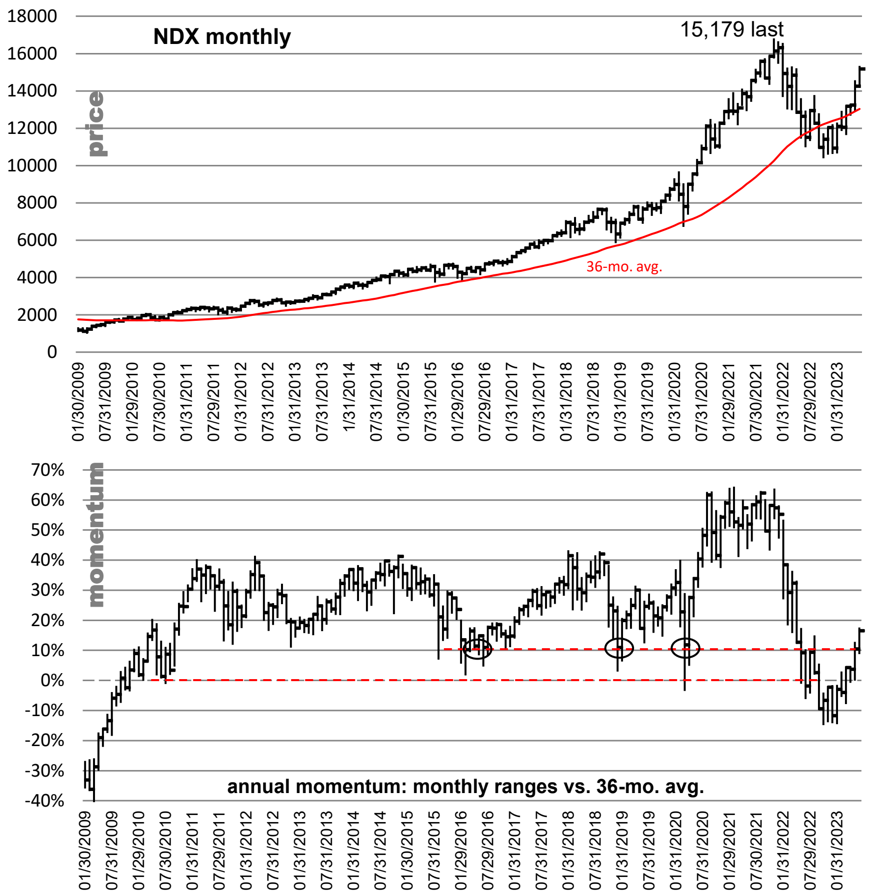
Two uptrend structures can be plotted. The lower line traces back to October and begins with the lowest weekly close then, followed by subsequent intraweek lows. The higher red line is plotted through three evenly spaced reaction low weekly closing readings. It runs parallel to the lower line.

To break both requires a weekly close this month at **14,857**. Consider that a first alarm bell for monthly momentum. However, we're going to be more demanding. Note that the low closing readings since June 2022 have been ascending. A nice evenly spaced staircase pattern especially since October (no such structure is evident when one references weekly price). To close below the most recent reaction low momentum close (back in early May, black horizontal) requires NDX close a week in July at **14,537**.

If you see these monthly momentum levels triggered on both NDX and the S&P 500, the intermediate trend is turning down.

A long-term update is on the next page with a focus on the leader index, NDX, and two massively weighted stocks in that index.

NASDAQ 100: annual momentum



We noted in a recent report using this annual momentum chart that there was a shelf of prior low closing readings going back to 2016, all just above +10%. That upper red line was used a total of three times until it was broken last year. Last month's action closed back over that shelf of possible resistance.

Does that make us bullish? No.

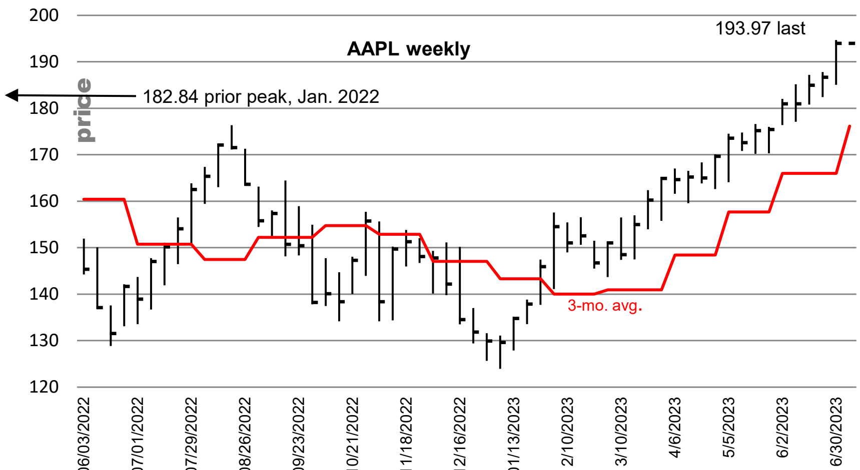
But it does make us at least respect that action. The issue will be whether that level is in fact meaningful: can it hold closes above that line, or was getting back above it merely "noise"?

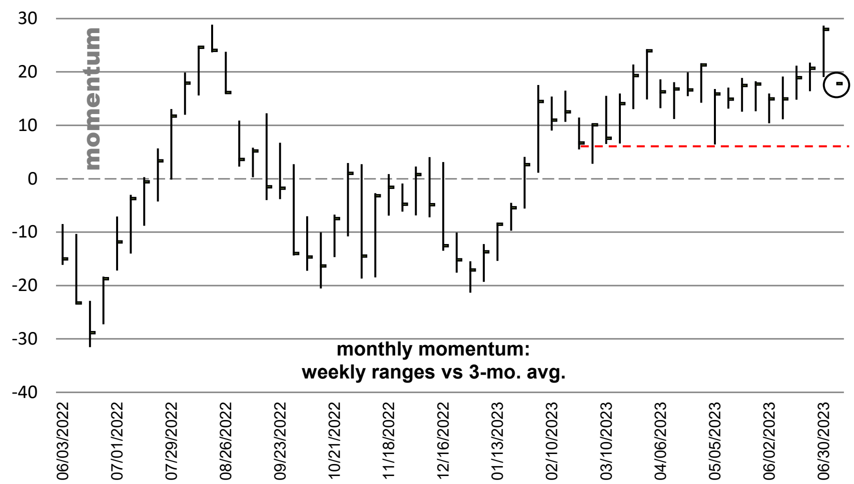
We're still very aware that the overall 2022 decline did fully break the integrity of the twelve-year annual momentum uptrend, prior zero line hits and everything! The recent rally does not offset that negative breakage action; it just gives us pause.

Furthermore, the low that was made late last year on momentum makes absolutely no sense in terms of being a likely or reasonable lasting low. Had the low readings reached –40% for example—like back to the 2009 oscillator lows and reflective of the repeated and almost normal oscillator highs at 40% over the mean during much of the old bull trend—that would have made "sense" to us in terms of a credible, more meaningful and balanced low. But halting at –10 to –13% makes no sense in terms of a likely lasting low. So we have that negative cloud hanging over us in terms of being open to a notion that a sustainable bull market is back in process. But we'd still like to see that recovery back above the 10% oscillator level be negated by a close **back below there**. This month that would require a monthly close at **14,480**. So that's another reason to pay attention to the NDX weekly and monthly trigger levels that we specified on the prior two pages.

Another fact we can't overlook is that this index (and even the S&P 500) is so heavily weighted by just a few stocks that it's hard to think of NDX as an "index" of broad market reality. Of Apple, Microsoft, and few others, yes, but not reflective of the other ninety or so stocks in the index that aren't heavily weighted. The same goes for the S&P 500. For example, Apple is 12.9% of the NDX! And Apple just had a 9.6% up month. NDX had a 6.4% up month. You do the math, but Apple explains a meaningful percent of that NDX gain. As do MSFT and NVDA.

So our assessment is that we'd focus most on the intermediate (i.e., monthly and weekly momentum) factors. If they break, much of the easy money of the past few months will likely be in jeopardy. Then we'll reassess the fractured status of this annual momentum situation and whether June's close back over that 10% level meant anything. And it's also time to focus again on the "market"—meaning Apple and Microsoft. **As they go, so will NDX!** And the S&P 500.





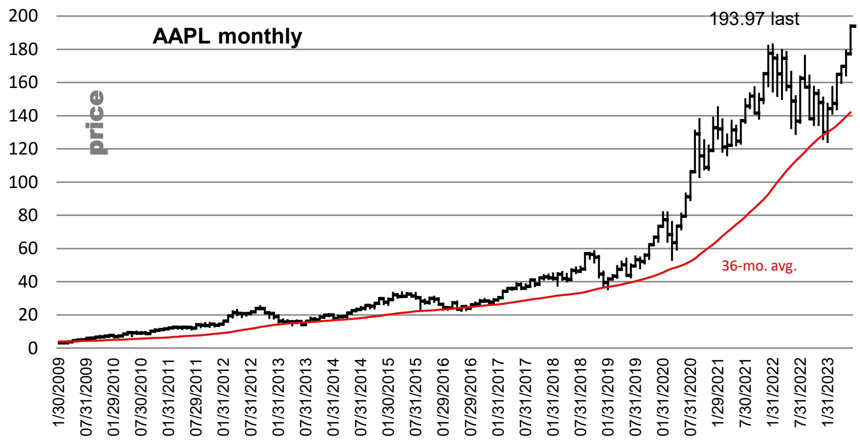
AAPL: monthly momentum

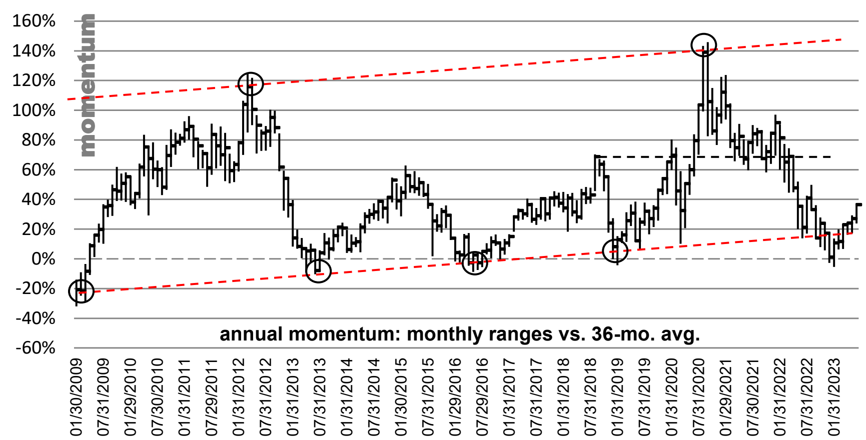
Yes, price has made new highs—unlike the vast majority of the market which is still laboring **well below** prior highs.

Last week monthly momentum reached back up to the top oscillator tick seen at the peak of that sharp July/August 2022 rally. Open unchanged on Monday and momentum will be where we show that tick, circled, though not breaking anything.

Breakage will occur if we see a weekly close on this momentum chart below the May low intraweek reading and the low closing reading in late February (red horizontal). That will occur if Apple closes a week in July at **$182.83**. And isn't that really cute and weird! That happens to be just a decimal below the old price peak of January 2022! Wake up if you see that. Now for the very big picture again: annual momentum, next page.

AAPL: annual momentum

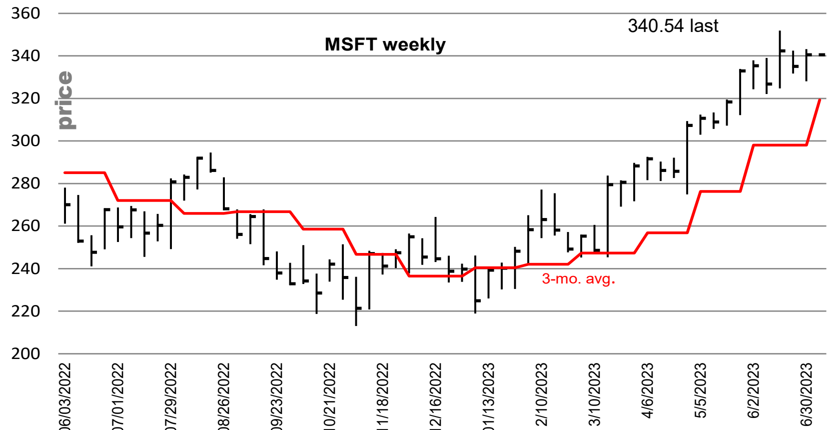


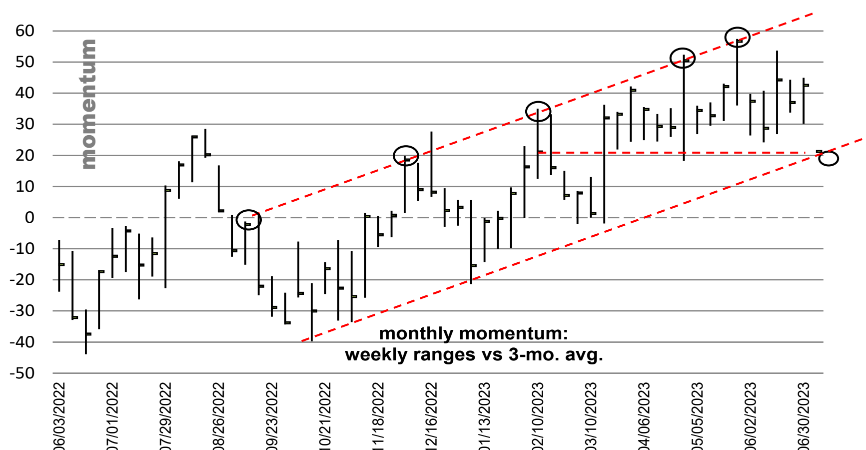


We first turned negative on AAPL in February 2022 when annual momentum broke below what had been a pivotal structure (black horizontal). The subsequent drop carried to the 36-mo. avg./zero line. It was at that level where the 2018 low occurred and prior lows of 2013 and 2016 were just marginally below that zero line.

However, as we've noted before, there's also a clear, gradual, multi-point uptrend through multiple low monthly closes that goes back to 2009. And it is parallel to a channel top through peak closing readings, making that channel bottom even more credible. And it was clearly broken in the late 2022 drop—even though the zero line held with perfection at December's close. Action is now back above that uptrend line. Does that mean all is well, or simply that the drop from 140% over to the zero line desperately needed a corrective rally that turned heads? It's still a broken picture from where we stand.

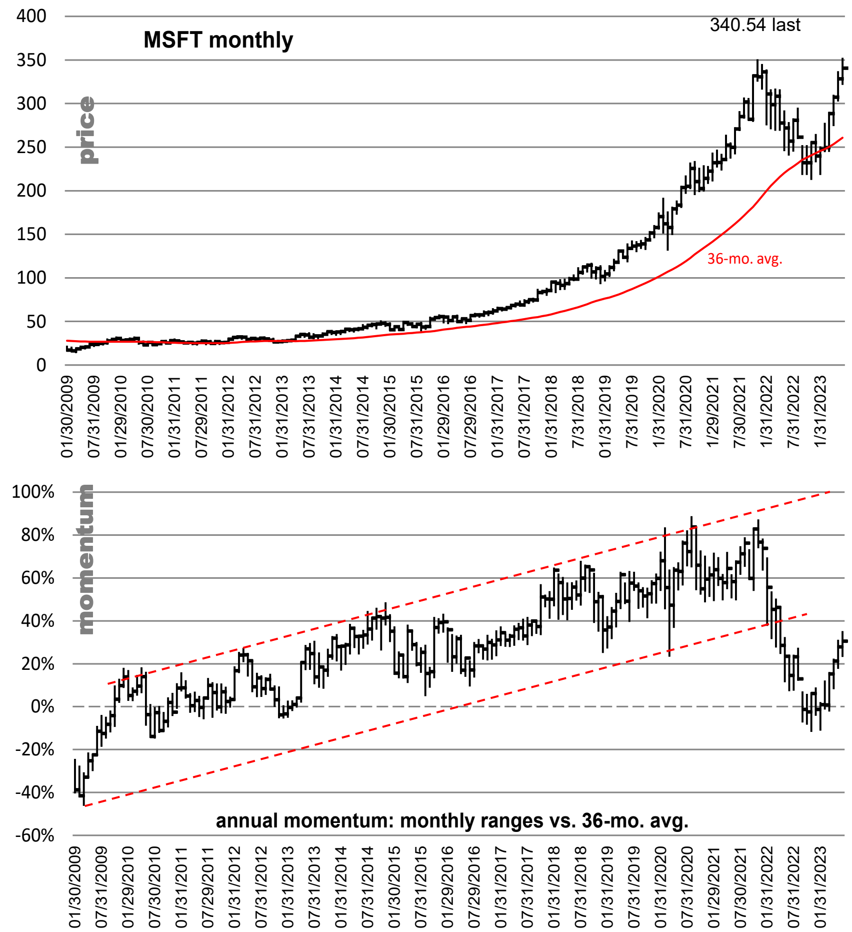
We doubt the integrity and sustainability of this rally, despite the moving-average crowd buying a long-term average yet again. Therefore, watch monthly momentum (prior page) for the first solid sign that things are rolling over again. And if you subsequently see AAPL close a month below the rising 36-mo. avg./zero line, then that will certainly indicate something dark and massive underway. For example, looking out to August, that annual mean will be up at $147.40 (and above $149 in September and above $151 in October, that number rising monthly).





MSFT: monthly momentum

First, the parallel channel top on momentum is plotted through peak weekly closing readings and several intraweek peaks. Then the channel bottom is plotted at the same angle through low readings. Do not close a week in July at **$337.50**.



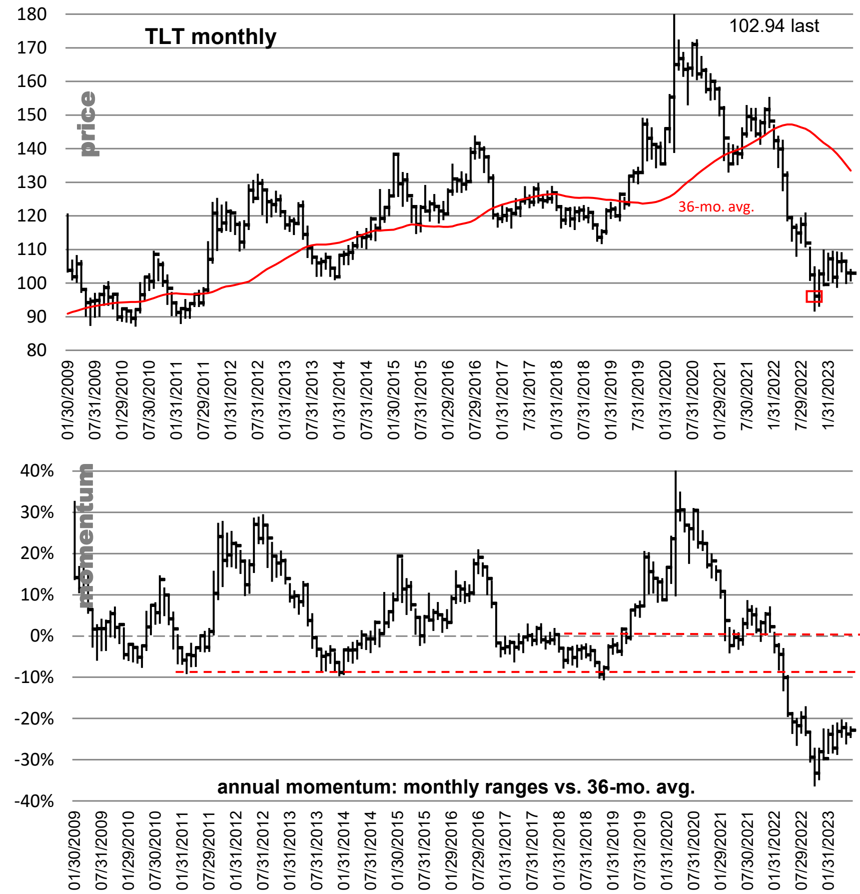
MSFT: annual momentum

Price made a marginal new high in June (the prior high was just below $350, with the June high just above it). Price closed the month back below that prior peak.

Momentum is as you can see it: up under the violated channel of the prior dozen years. In fact, last month's peak readings were basically back to the oscillator level that broke the channel in early 2022. An interesting level. And if you're long and happy, it's a level where you don't want to see problems arise. So watch monthly momentum on the prior page for any possible onset of problems.

The channel top is plotted through multiple peak monthly closing readings and intramonth highs. The channel bottom is plotted at the same angle of ascent through intramonth lows (2009 and the covid panic low in early 2020). As you can see, back in early 2022 there was some fighting around that channel bottom—an attempt not to close below. Ultimately it did not hold.

A broken picture in our view.

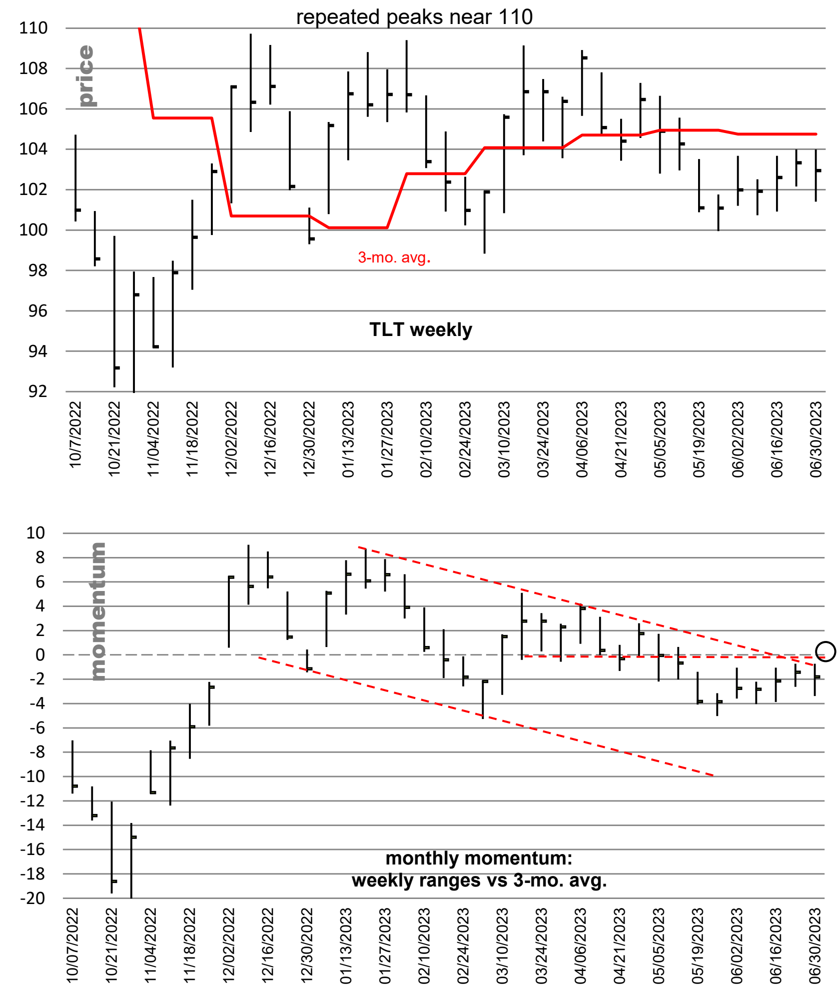


Long-term U.S. Government Bonds

We're looking at the end of the debt market that's more under market forces than government controls, unlike the shorter end.

MSA turned long-term bearish on 30-yr. T-Bond futures in October 2020 (TLT is the iShares 20-yr. plus U.S. Government Bond ETF). The subsequent decline/ collapse reached price levels matching the 2009 lows, and momentum dropped to levels reflective of the peak monthly readings on annual momentum back in 2020—peak closing and intramonth readings between +30% and 40%. A "makes sense" low. Therefore, last year before that October low, MSA projected a major bounce point for TLT if it reached 98 to 95 (red rectangle). It dropped to an intramonth low in October at 93.24, closing the month back over 96. A rally followed.

We still expect more rebound, and likely a major counter-trend rally in this market on its annual momentum. For momentum we see a target zone at the two lines (10% below the 36-mo. avg. possibly on up to that sharply dropping 36-mo. avg./zero line). The initial rebound in TLT has stalled for the past four or five months—with repeated downside pressures though little meaningful downside price consequence. Just capped off. Much like gold, by the way. Repeated selling with little downside damage rendered despite months spent. See the next page for monthly momentum.



TLT: monthly momentum (intermediate trend)

There have been constant sellers since the late 2022/early 2023 highs but little to show for it. Meanwhile, the structure on this momentum chart ripens—for upside use.

We suggest that a weekly close over the zero line will indicate a shift out of this capped-off situation and likely an assault on the upside.

The 3-mo. avg. is at **104** for July. Close a week over it. And if you see that, don't be surprised if the stock market is doing precisely the opposite.

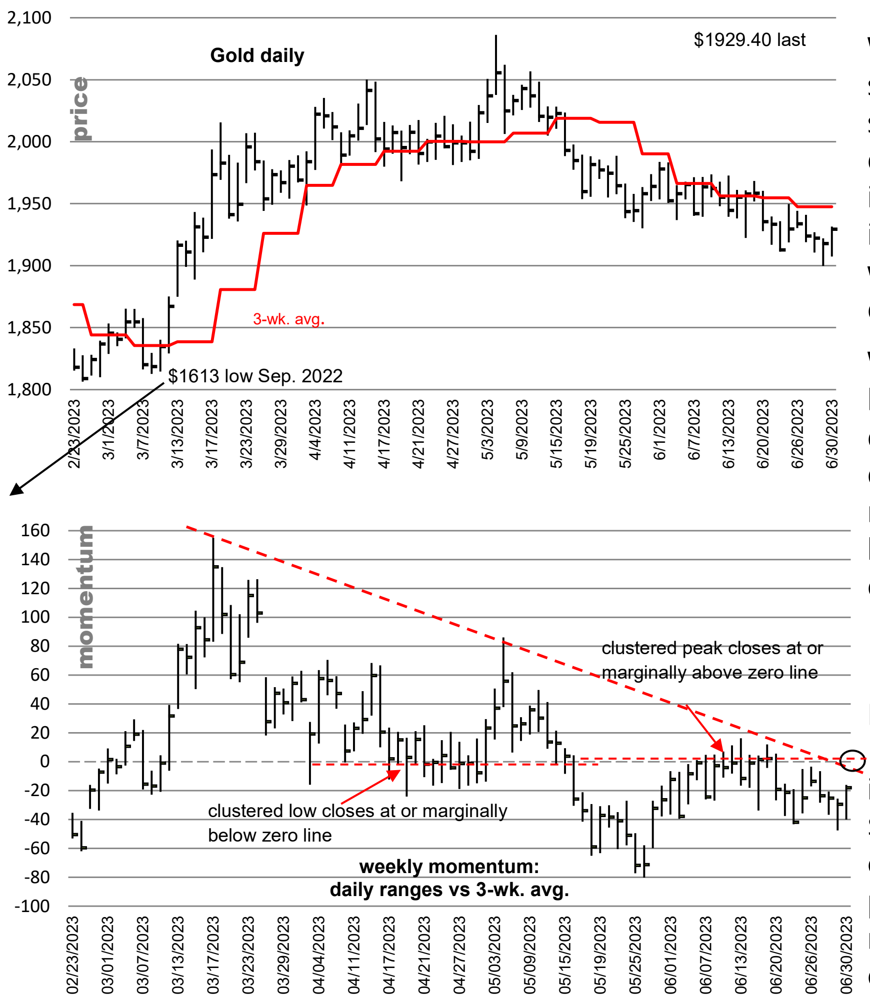
Back at the 2011/2012 top, MSA shifted major bearish in January 2012 a few months after the 2011 peak. Price messed around for a year and then collapsed. (MSA later turned bullish based on annual momentum and other factors in February 2016 and we remain so.)

Despite the nearly perfect price chart copy of action from 2020 to 2022 compared with the action from 2011 to early 2013, we had no respect for the downside price "breakout" in September last year. Yes, the price charts lured many into believing it was a major top completed last year. After all, the price chart action before that collapse was perfectly identical to the 2011/2012 top. But our assessment of too many momentum factors said not to trust the downside price action. It was a bear trap.

And so now after over two years of constant selling pressures (from above $2000 down to nearly $1600), price **bolted** back to the highs! Surprising almost everyone! In fact, new price highs were achieved quickly (a new high monthly close and new high weekly closes as well vs. prior closes). But that massive upward bolt—regaining everything within a few months—put many momentum metrics into overbought and extended positions. **In need of a pause.** A corrective process to cool things off. And so for months now, despite constant selling, how are the bears doing? The peak monthly close was $1999.10. June's close was $1929.40. You do the math as to the percent gain on the downside.

MSA very much likes the pause, the corrective process (see the next page). It means that when gold surges to $2100 and excites the perpetually nervous gold bulls (for those who are long and who managed to ignore that fake-out collapse in late 2022) and upsets the constant bears, **it will do so fully rested and with enough energy to sustain a meaningful next phase surge.**

Thanks to the congestive/corrective process!

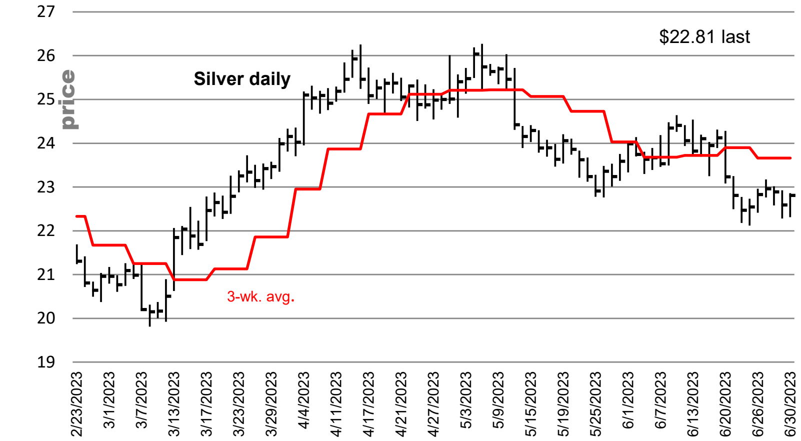


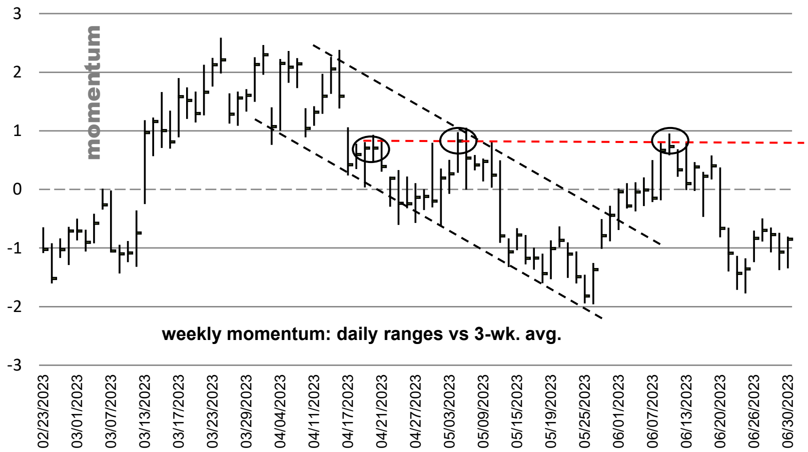
Gold: weekly momentum

Weekly momentum is sometimes a shorter-term metric, but when it builds structures that span several months and does so with clarity, then it becomes of intermediate-trend quality. And this intermediate trend is what needs to be watched to time the end of this downside corrective process in gold.

We've identified the zero line area as a key level to overcome. Now with the drop of the past few weeks, that downtrend structure is even clearer and more meaningful. This week the zero line is at **$1936.50**, $7 above last week's close. Close a day or preferably the week **credibly above** that level and you can assume the slide is over.

Note as well that momentum saw its highest and most overheated level back in March when price moved out above $2000 again. After that, despite being overdone on momentum, price action persisted on the upside but still allowed momentum action to begin its downside correction. Finally in May price joined momentum on the downside, but by then momentum was already two months old. Now momentum is three and a half months old. That's aged for this metric. And with the new marginal price lows seen last week, momentum isn't agreeing. Non-confirmation is a background positive hint. But we still want that structural breakout overhead.

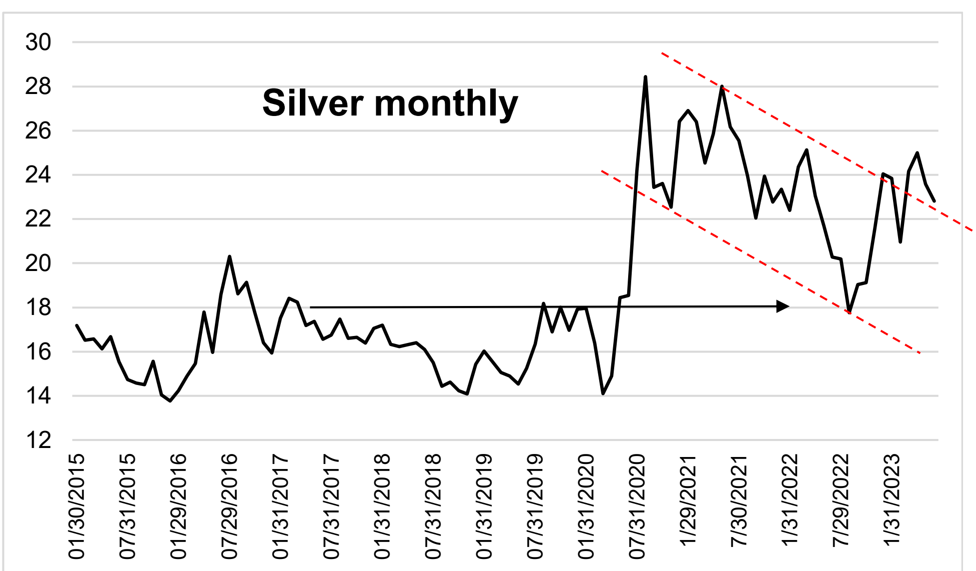


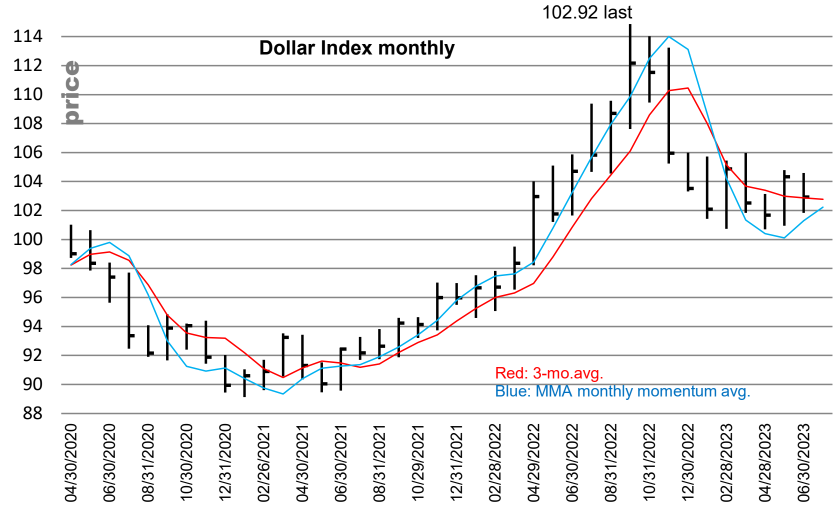


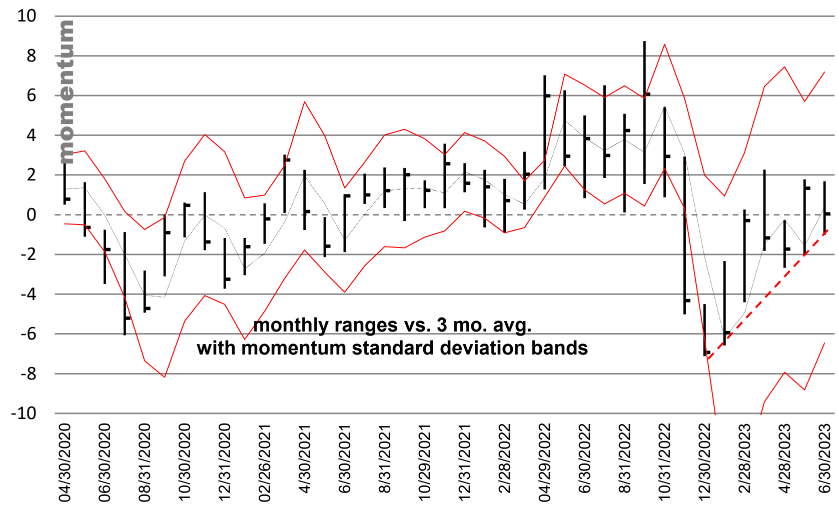
Silver: weekly momentum

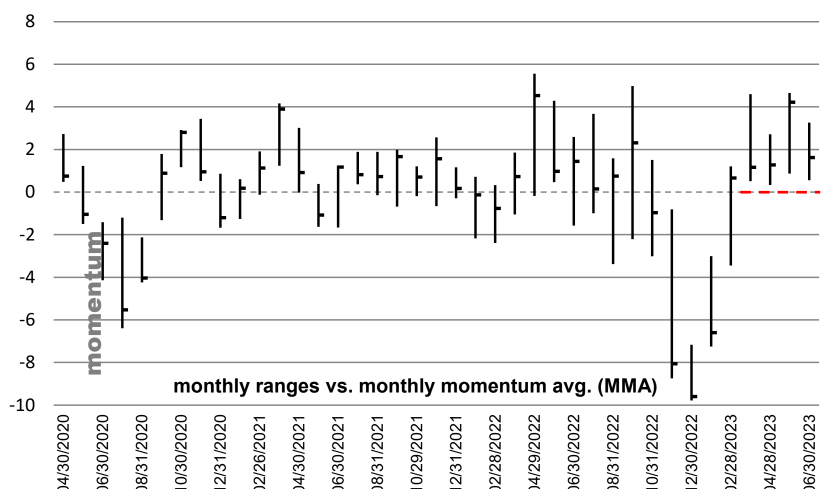
Upside action in June pushed momentum above a downtrend channel, but it was not matched by mama Gold. The oscillator rally peaked on silver along the horizontal line plotted through two prior high closes. Then dropped again. Price made new low for the pullback, momentum did not.

Key now, and this structure is very credible, is to close a day out above the three prior peak oscillator closes (red horizontal). This week that will require a daily close at **$24.07** or higher. Next week that upside trigger level will probably adjust down to around **$23.75** (estimated only at this time).









Dollar Index

Based on a longer-term metric, MSA issued a sell on the Dollar back in October last year as price slipped below 111. That basically coincided with opposite action from gold. As gold surged, the Dollar collapsed. And like gold it got overdone via momentum in that rapid move. It needed to pause. And that's what the Dollar has done. It ceased going down but has wasted quite a few months of Dollar bulls' money going nowhere on the upside.

3-mo. avg. momentum (intermediate trend) has generated an advance in the oscillator readings and a trend line below that action. Drop and close the month around **101.50** and that's below the uptrend.

Our **MMA oscillator** has danced on top of its zero line four months now. Drop below that zero line, especially by closing a month below it, and that indicates the "recovery" process, such that it is, is over. The zero line is at **102.23** this month.

Also, as we've pointed out before, the buyers are no doubt buying around what were two prior peaks since 2017—both in excess of 102 (not shown on this chart). And so they're counting on that general price level to hold as support. So far it has held but with no real sustainable upside. Just holding. We suspect if price drops back a third time to 101, that being a triple bottom, don't expect it to hold this time. And of course 100 will upset many Dollar bulls who have been buying and buying for months now. Breaking these two monthly metrics will likely spark that renewed downside pressure.

Personal positions in markets specifically mentioned in this report: Sprott Physical Gold Trust, Sprott Physical Silver Trust, SLV