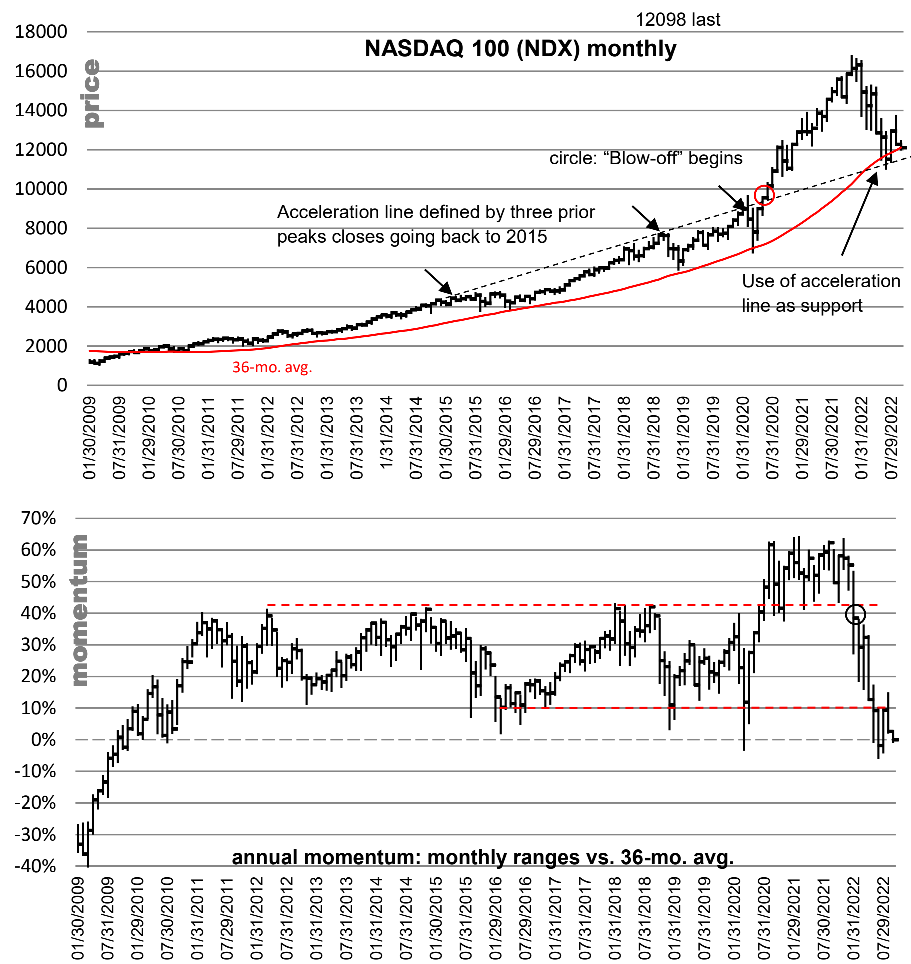
360° WEEKEND REPORT

MSA

September 4, 2022

Stock market, T-Bonds, banks, gold and silver, Dollar Index



Stock Market

Price first (though price is almost always lagged to what momentum is saying or has already said).

The drop into May/June hit the likely bounce level we had specified earlier in the year, namely around 11,000. the low in June was 11,037. So, close enough. At that point finally this leading index produced its most impressive counter trend rally since our January closing sell signal, that signal based on momentum, not price.

The rebound from 11,000 area thereby "set" a price chart technical factor that MSA does have respect for. Namely acceleration lines that are set up and then finally used to produce final blow-off moves in old bull markets. Usually such prior lines of acceleration will act as support on any first drop back to them, as was the case here. Second hit on the line—helmet time!

Close out this month at 11, 500 will be sufficiently below that line to indicate next phase underway.

Annual momentum: **First sell** was momentum's abort below very clear and almost evenly spaced prior ceiling (repeated horizontal monthly closing readings at an overbought momentum level). All clustered at 41 to 42% over the zero line. Used that line as support from late 2020 until January 2022.

Closed below that major first tier structure then at which point MSA declared major top and bear trend underway, circled in black. Breakage of the largest percentage and oldest monetarily-sponsored stock market bull trend in U.S. history.

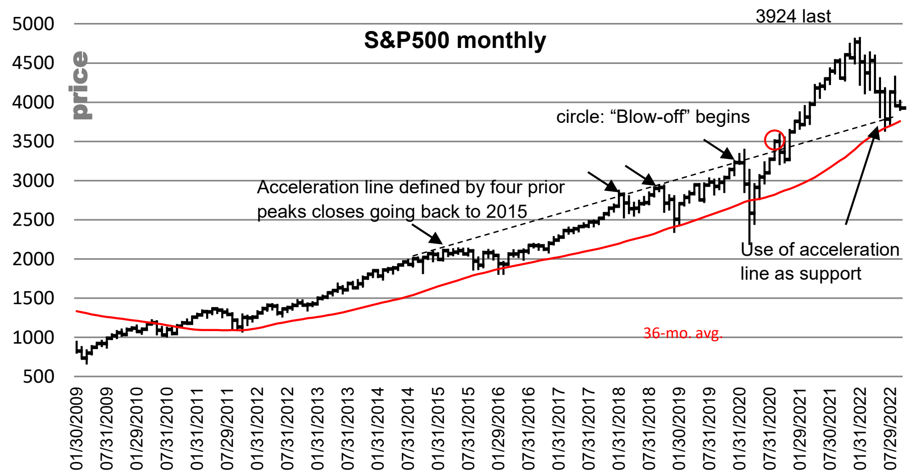
Second major point of breakage was the close below the prior set of three perfectly horizontal monthly closing lows, all of them within decimals either side of 11% over the zero line. That floor breakage (second red horizontal) occurred with the May close. Since then the oscillator rebound has been capped on closes below that secondary breakage level. Now headed back down toward zero line.

Next levels to monitor. 36-mo. avg. /zero line for September is **12,110**. Closed out last week below it. Annual momentum's prior low monthly closing reading was June at 1.8% below the zero line. Note that while NDX has on intramonth basis used the zero line for support at prior intramonth oscillator lows going back to 2010, it never closed a month below zero line, until June of this year. So that June close, despite the rally we expected to occur then, produced yet another layered breakage signal. Best not to even go back under the 36-mo. avg. as that shows definite anemia. Did so Friday. If NDX closes a month at 2% under, that will produce a new low annual momentum close in this new downtrend. 2% under this month is **11,868**.

MSA also watches comparable time-scale metrics in its assessments. In this case the 3-yr. avg. of NDX. (We don't like to deploy too many momentum charts in our reports as that can tend to confuse those reading the reports.) The 3-yr. average does not adjust monthly, only at the close of each year. 3-yr. avg. is **11,284.7**. Both metrics have been broken basically in the same manner during this year. 3-yr. avg. momentum broke a clear structure in January of this year, coincident with 36-mo. oscillator's first major structural breakage, etc.

If MSA were to pick an **intramonth level** (if traded) that suggests not waiting for a monthly close, then trading to the 3-yr. avg. again (11,284.7) would be our intramonth sell trigger. Again, MSA notes that secondary and tertiary sell levels, well below our primary sell levels (or secondary buy levels in a market that are well above MSA's primary buy levels) do entail greater risk and less reward at those points entry, so keep that in mind. And also we are not in this case MSA is not offering "swing trade" type numbers.

We suggest that when these further annual structures give way, that at that point you are likely to then (and only then) begin to see the silly and much lagged economic "data points" that the Fed watches begin to shift swiftly into the dark category. Such data points rarely if ever shift before major trends emerge. Almost always much lagged. Just like price is usually much lagged to its own momentum.



S&P 500

The major annual momentum "acceleration abort" sell signal given by NDX's annual momentum as of the January close occurred for the S&P500 as of its February close. At that point this broader though clearly not leader index also said "bull market over!"

However, for S&P500 it's behavior at its 36-mo. Avg. over the years has been repeated quick touches down to that rising average and then rapid—no look back—rallies. Hot lows. The only exception was the very brief several weeks in March 2020 when it took out that mean and closed the month back below, then exploded. At that same time NDX was holding its 36-mo. avg. So, the leader index was not breaking annual momentum structure in early 2020. Keep that in mind as yet further evidence that the primary index to follow is NDX.

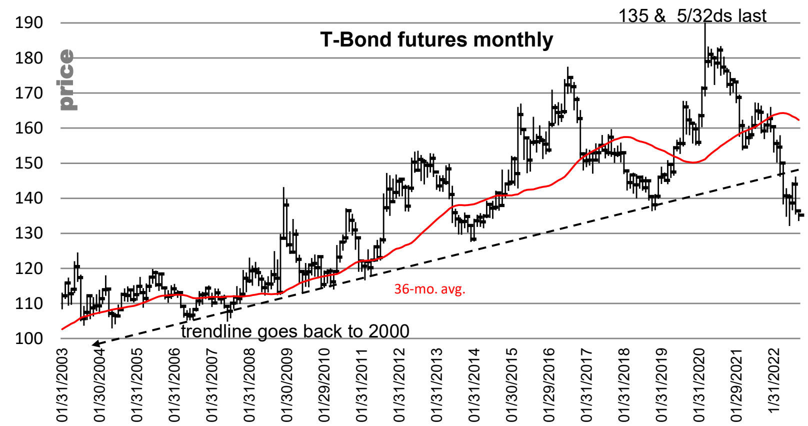
As for the S&P500 we had expected (Feb. 20th report) a meaningful bear market rally to probably begin from "around 3800" level. While NDX held decimals above its comparable bounce point, S&P 500 dropped intramonth below 3700 and close out June (low close of year so far) at 3785. then the "swing trade" grand rally began. Our trading buy signal (for those who might care to participate in counter trend moves) was a trade to 3866, on July 18. As of close of week Aug 15 (price at 4228) we said to exit that swing trade. In other words, time to assume the bigger trend factors—negative—would again begin to dominate. So far they have.

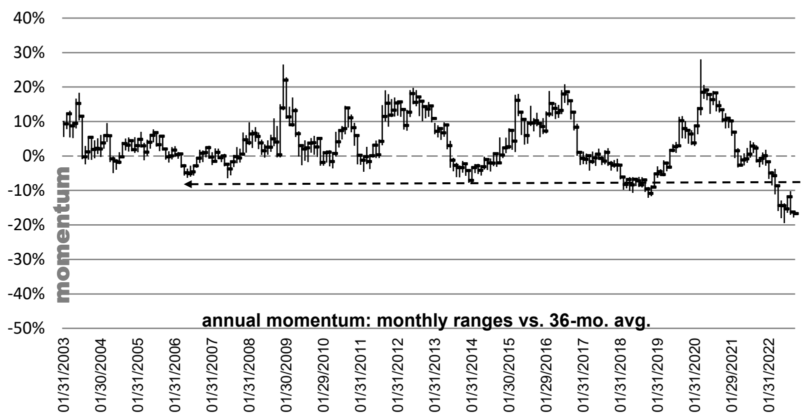
MSA specified in Aug. 28th weekend report that a weekly close last week at **3906** should be considered a signal that the decline would then likely pick up steam and produce an assault on the summer lows. Well, last Thursday the S&P 500 traded to an intraday low **just below 3904** and by Friday morning was back up to 4018! Wow, it "knew" our number! But, alas, the index dropped back down on Friday to close the week out at 3924. Barely holding above our weekly closing *next trigger level*. For this week that trigger level (based on intermediate trend factor of the 10-wk. avg. momentum, not the 10-wk. avg. itself, but a structure on that oscillator) will be violated if the index closes out this coming week at **3918** or lower (adjusted number).

As for the longer-term metrics, we would regard any monthly close by S&P500 back below its rising 36-mo. avg. to be a valid secondary major sell signal. Note that the low in June did not close below that mean, instead was back again treating that rising average as support (as it did in 2011, 2016 and 2018, a quick bounce point that was not returned to again in subsequent months). That average this month rises to **3759.56.** (We suspect that our 10-wk. momentum structure level, noted above, will help drive S&P500 to that annual mean.) Such a monthly close would also put price below its clear line of acceleration—the line it used at this summer's lows to produce the rally. And probably best not to even visit the 36-mo. Avg./zero line again.

Prime focus still on NDX.

Couple other developed market indices with similar nearby "resumption" numbers on the downside. **Eurostoxx50 Index** now at 3544 better not trade down to 3358 this month (number adjusts up next). And the **Nikkei225** now at 27,650 better not close out this month at 26,925. Both are highly likely to be in sync with U.S. market if further downside proceeds.





U.S. Treasury Bonds (30-yr.)

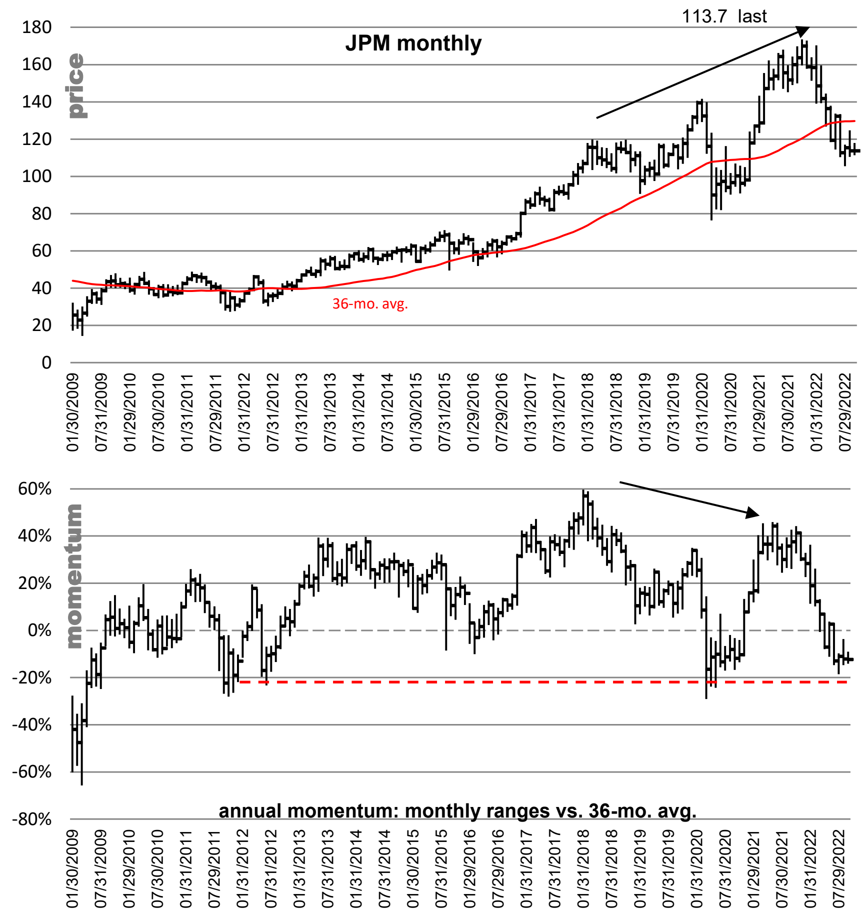
Yet another very aged bull trend fully sponsored by Fed policy for decades. But alas another punch in the face by a traditional portfolio component that's been very bad and certainly not an "alternative" to stocks. YTD down 16% in price.

More important, the first leg of this collapse has blown out the entire technical integrity of the prior couple decades of upside. Evident on price and momentum.

MSA had argued for a counter trend rally several months ago, one that just might take this market back up to the upper 140's (a number would adjust down with the 40-wk. avg., a metric we were focused on at that time). Instead the rally moved from lower 130s and failed decimals below 146, and now is back on the pavement. September T-Bond future (current front month) expires on September 21st and the December future takes over then. It's a half point below September future's price.

Anyway, the rally made sense, and it basically gave up on the underside of prior breakage points. Interesting too that the rally was somewhat sync with the U.S. stock market.

Strongly suggest that any retouch of prior low (**132 & 9/32ds**) by a front month future will not hold. Next leg down.



Banks: JP Morgan Chase

Jamie Dimon warned on June 1st that "*S was going to hit the fan*!" No, those were not his precise words, we embellished them just a bit. But you have to admit that he stood up and made an assessment that most big banks would not wish to state publicly. Big banks don't want to disturb the water. Right? Well, he did, he even updated three weeks ago with a statement that what's coming will be "**worse than a recession.**"

And unfortunately, JPM probably will not escape the storm, even though Dimon has said that JPM is cutting its workforce and taking other steps to prepare for a deeper than recession outcome.

Tip my hat to him.

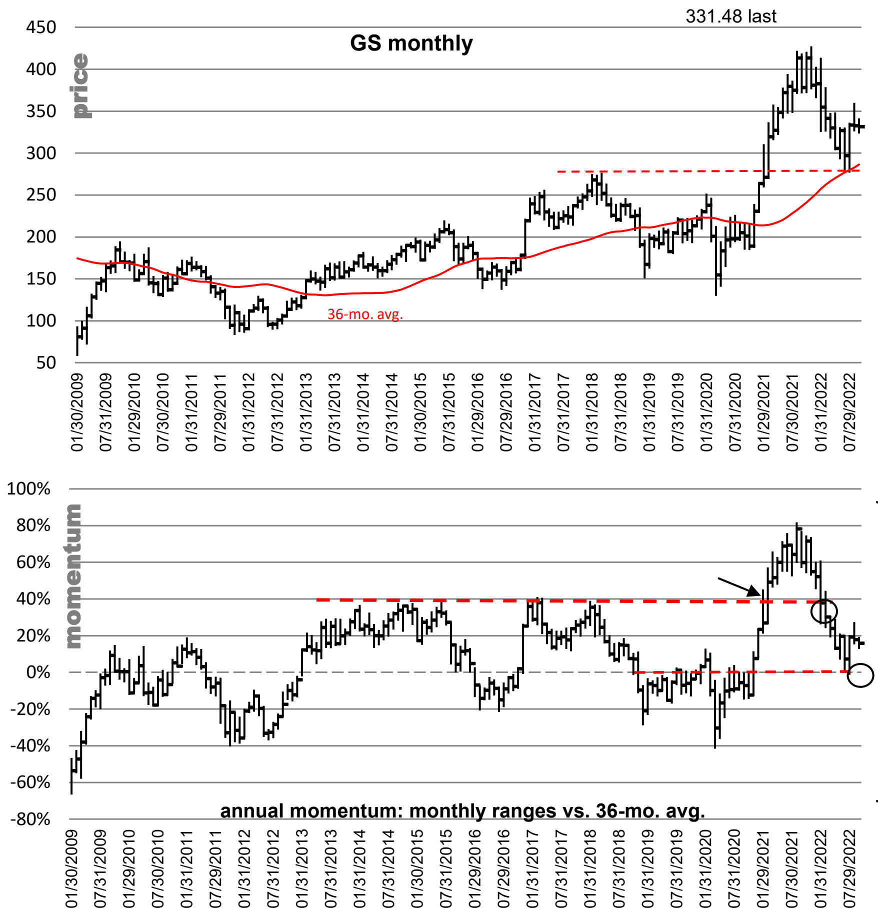
The technicals of the banks are not promising.

Here is JPM's annual momentum. As can see, after a sequence of higher price highs and rising momentum highs, that agreement broke down with the non-confirming final up waves in JPM — early 2020 and with finality in October 2021 (JPM peaked prior to S&P500). Major divergence.

While this shallow red lined structure is widely spaced and not comprised of three or more perfectly aligned lows, it's at least a next level to watch for violation. Had it taken two years to get down to this structure we would have dismissed it. But it has only taken a few quarters.

If high oscillator readings during the aged bull trend could routinely reach 40% over the zero line (and even 60%!), then do not be shocked that the first major decline (once red line comes out) will drive that much below the 36-mo. avg. Get much more than 20% below the zero line (**$103-$104** in price this month or next does that), then it's threatening to close below the March 2020 low close and possibly even the 2011 low close. Price close around **$101** will produce a new low close taking out all prior monthly closing readings 2010-2022.

Banks: Goldman Sachs



Unlike JPM, Goldman Sachs produced a stellar blow-off move from early 2021 until November 2021.

From our momentum vantage point, GS replicated what the tech heavy leader index (the NASDAQ 100) did on its annual momentum (chart on page one). A prior ceiling at high oscillator levels on annual momentum was overcome in early 2021 by GS agreeing with price's acceleration surge. But then at the January 2022 close it was marginally back below that structure and fully below by the February 2022 closing reading. Meaning a full abort of the blow-off up-leg of the old bull trend. That upper red line is defined by too many prior peaks not to acknowledge its technical importance. Even in the January 2021 surge (arrow) that level caused a selloff by that month's close. It was finally overcome in February 2021 and it was party on!

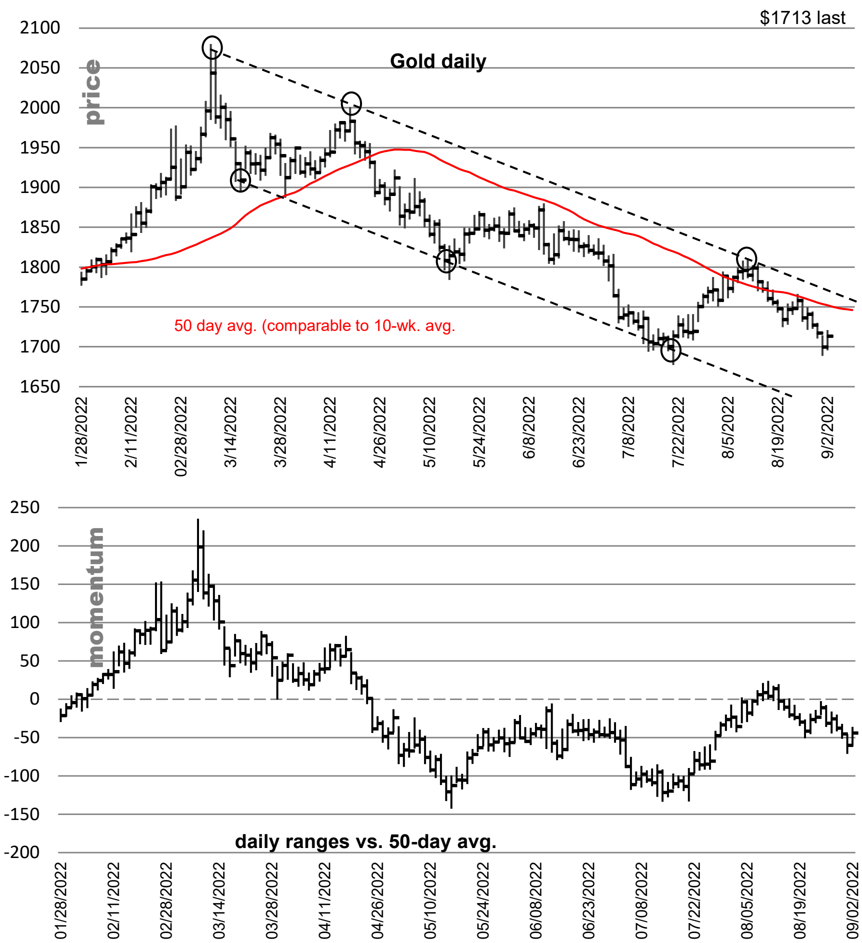
What's been going on since is that the price crowd obviously bought when price dropped down on top of the old 2018 price highs. Mark that spot therefore. Don't take out the July low (**$277.84**).

And coincident with that low, annual momentum halted in June and July precisely at the zero line/36-mo. avg. and produced a 25% bounce off it. Don't go back down there and close below the zero line. That average this month is **$286.38, or $289.80** next month. Meaning annual momentum will indicate a resumption of downside before price. The initial consequence of such further breakage? Likely at least an efficient drop to 40% below the annual mean. Meaning it's likely that price will test the already used zone of prior support near $150.

Note that from late 2018 to late 2020—with exception of a month or so of push above—the zero line tended to be the ceiling (lower red horizontal). Therefore, it makes sense that it provided support in the recent drop. Don't count on it holding another drop to or below the zero line.

MSA is watching the bank sector in particular and will update. These are just two samples of what we see generally. **Why banks?** It's not an arena most are pre-occupied with, which is one good reason. And the other is that this sector is always tied to the jugular of global macro-economic trends. Europe is in a recession and so is China (one of their major property CEO's recently declared that China is already in a depression, and we'd tend to go with his assessment over "government-issued" data points, and that's a good idea for us in the U.S. as well). And BankofAmerica declares that the U.S. is already in a recession regardless of government and statist economists' assessments.

So as things begin to unravel—a dozen years of false pricing of major assets—then unfortunately it always seems to come back to this sector. We're watching accordingly.



Digging into Gold again (because we think its important)

We have run this 50-day avg. metric in prior reports for signal of initial trend shift out of the negative slide since March high to a positive pattern.

While price continues its descending highs and descending lows (though recent low did not yet take out the July low), momentum did break the pattern of descending highs during the mid-August rally. Pullback since then on momentum is in no manner threatening the prior lows of May and July.

Next positive that this metric can provide is to take out the recent highs, shallowly above the falling 50-day avg. That average now below $1750, so the persistent bears need to be sure any further upticks done clear that level by much.

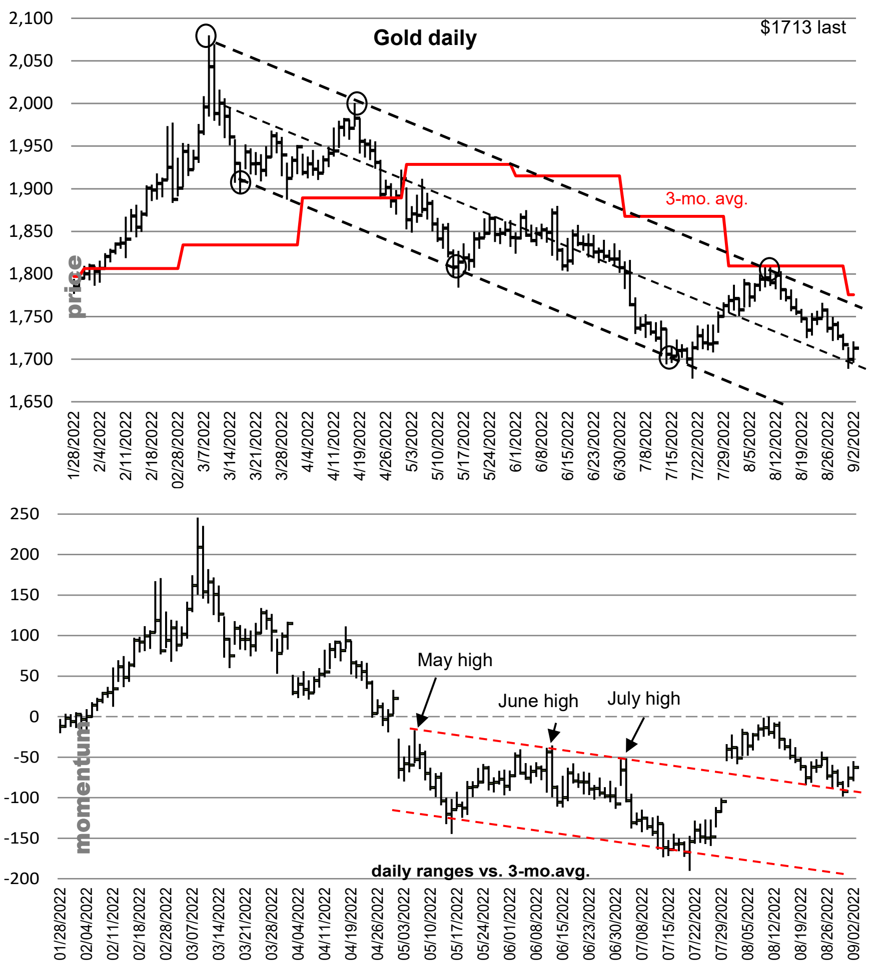
Also there is a price chart technical here that MSA does respect. Namely the parallel downtrend channel plotted as per Art Sklarew's methods.*

First one plots not a line across highs, but a line connecting low closes, in this case daily closes. Going back to March high. That defines the primary angle of descent. Then we plot the channel top across high trades since the March peak. And as it happens they align in parallel fashion. This channel says that the channel top (now entering seventh month of age) will be broken above with a daily close up around $1770, and dropping daily. By late next week for example the channel top will intersect around $1760. Couple percent above current prices.

We will update.

*Arthur Sklarew **"Techniques of a Professional Commodity Chart Analyst."** 1980 (available on Amazon).

I spent a couple weeks studying under Art's tutelage when I was at EF Hutton in 1975-1976.



Gold: monthly momentum (3-mo. avg. momentum)

Much the same situation here, by expanding the yardstick out to 3-mo. avg.

Nice rally in August, though for price it only produced yet another lower peak. But it produced a momentum high sharply above prior highs of May, June and July (line plotted through those peak oscillator readings of that three month period). Then came the pullback in late August. Price approaching lows, momentum nowhere near. A technical debate underway between momentum and price.

Maybe the price crowd will finally get their wish and break the lows of March 2021, August 2021, and now July 2022. A fourth assault on the $1670s area!

Why have they not succeeded already?! Give 'em some more days.

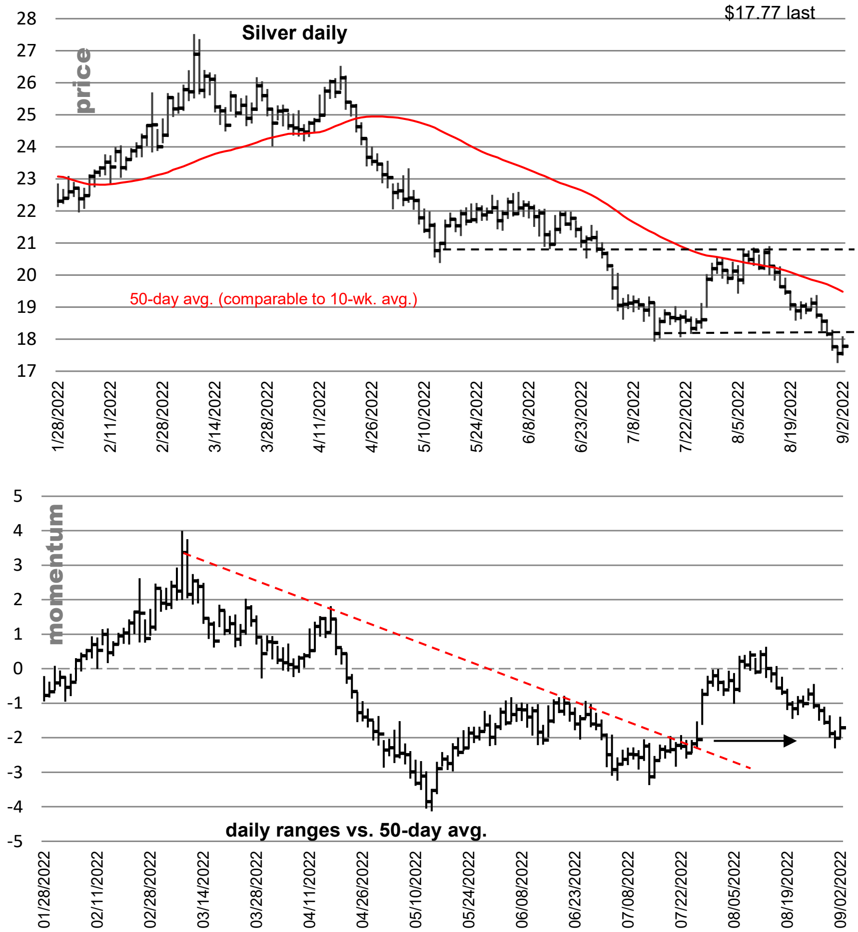
After all, the Fed told us they were going to clobber commodity inflation back at their June 2021 meeting (which caused a sharp drop in gold, but not sustained). And sure enough the Fed followed through with even stronger rate hikes than suggested back then. And add to that the "bull" Dollar situation (update in this report). Those factors should already have killed gold well below the March 2021 price lows. **What is going on here?** Obvious these obvious and known-to-all fundamentals prevail. In fact they are daily headlines! Yet it is now taking a fourth effort by the gold bears to finally take out the couple year price chart lows!? (Even if they manage we suspect it's a "dud.")

Or perhaps they don't even manage to do it? Imagine that. Few think about that possibility.

Price chart, once again, says heads-up if see around **$1770 to $1760** in next few weeks, adjusting down more later this month.

This **monthly momentum chart** has produced a higher zig zag high above prior several months (in fact a momentum channel). Next positive —and the final one for this momentum chart to offer as positive—will be to simply now produce a higher low which in turn is followed by exceeding the August oscillator high at the zero line/3-mo. avg. That average/zero line for this month is **$1775.70**. So, it's not much above the level that clears the price chart's very clear channel.

Another "parallel channel analysis" feature to point out. Subtle perhaps but obvious to us. Note the discipline of the price chart channel. Highs along channel top to lows at channel bottom, a pattern—then now **not at channel bottom**. Instead the action is trying to dig in around mid-parallel-channel? Watch it. If we see price stabilize around/above last week's lows, then this middle channel level will be acting as support. If that occurs it usually argues for breakout over channel top next.



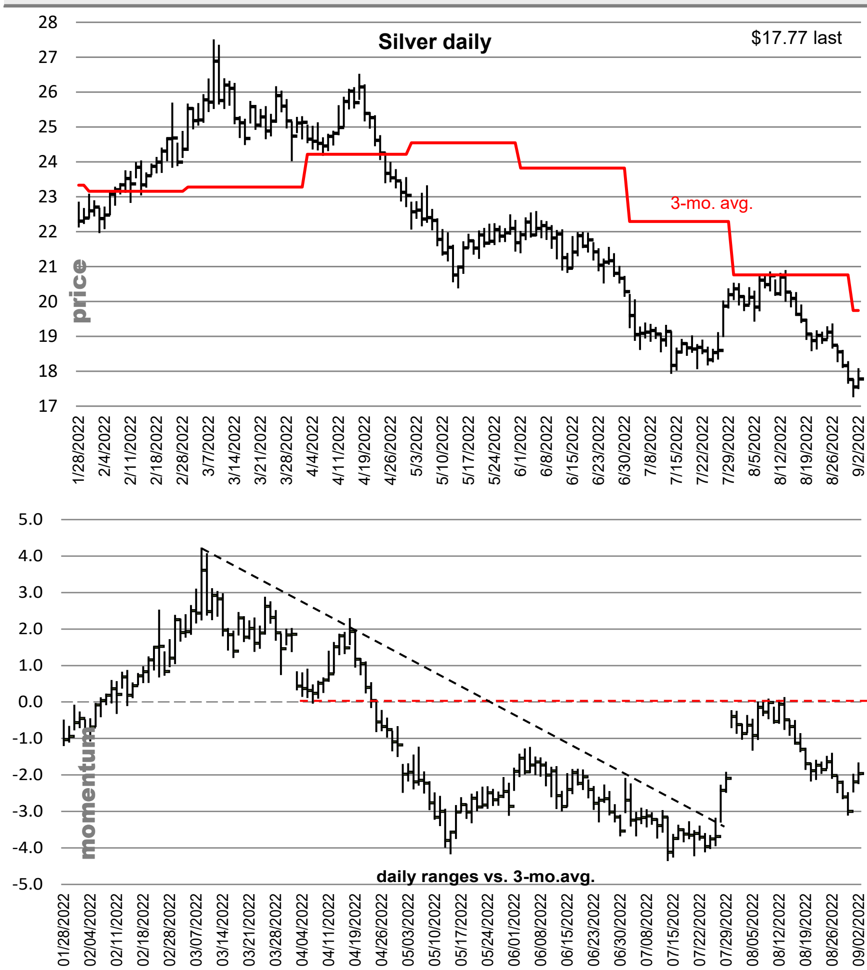
Silver: 50-day avg. momentum

In the recent drop, silver's price continued the pattern of lower highs and lows since the March peak. However, momentum in August broke the pattern of descending highs. And so far, despite new price lows, momentum is still credibly above July's momentum lows.

In most situations momentum will begin to shift its pattern of trend before price. Are such momentum shifts valid—meaning truly a warning of a trend shift in process? We'd say they're very high double-digit percentage odds that momentum wins the debate.

So far the drop to new price lows has caused momentum to pull back to the point where it had broken a three-point multi-month downtrend. If the bottom chart were a price chart, it would no doubt be garnering positive views in many price-based market reports.

As for **price**, at this point we'd suggest watching for any rally that closes a day credibly back above that July low daily close of $**18.17** (lower black horizontal on price). Let's say **$18.20** for good measure. For now we're still referencing the September contract, which currently settles about .10 below the active December future. Notice that the August rally price peak close halted at the low close back in May (upper black horizontal on price). If any current rally can break that pattern by closing back above the July low close, then that will shift the behavior even more to positive.



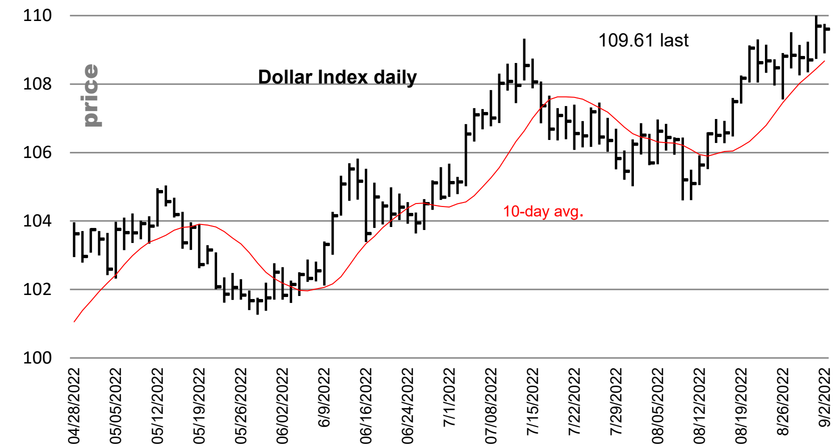
Silver: 3-mo avg. momentum

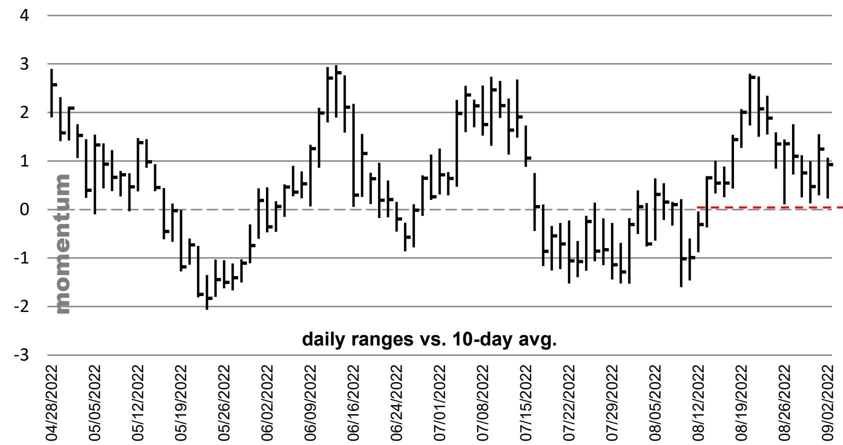
A similar situation to gold's. The difference is that gold's price did not break below the July low, while silver did.

However, silver's key momentum metrics don't confirm that price low. There's a debate, therefore.

Meanwhile, like 50-day momentum, silver also put 3-mo. momentum action above the May to July highs, halting at the zero line. That zero line/3-mo. avg. this month is **$19.74** (the zero line will likely be around $18.65 next month). Close any day back above the zero line and this momentum chart will fully complete its transition from down to turning up.

Dollar Index (cash): shorter-term momentum





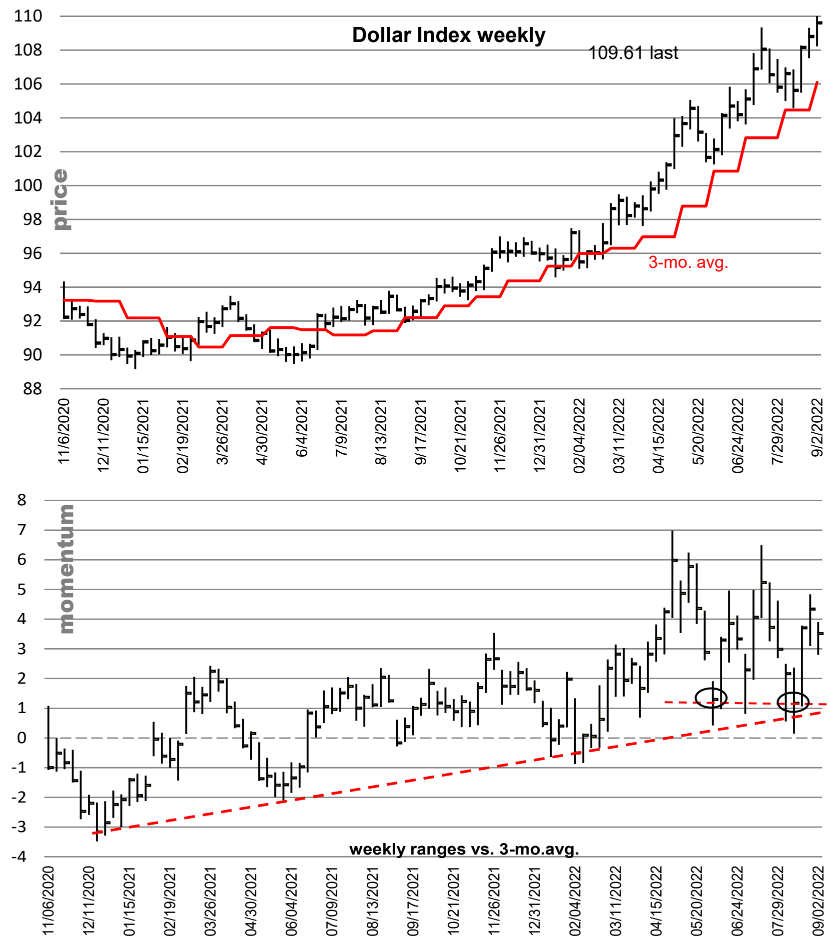
We're looking for a banana peel on the floor to cause the first stumble, because there are big landmines not far below that will shift the entire picture.

The 10-day avg. in itself is not necessarily an important number in analysis. Just like the 200 day avg., price can cross it either way, but it might not mean a thing. But if momentum has previously set up the 10-day (zero line) as a structure, then it's important.

The zero line was basically a ceiling from July to August. Roughly. Then it was emerged above. Over the past six trading days the lows have each day been just above that rising average. Obviously traders the 10-day avg.

For Tuesday September 6th that average will rise to around **108.89**, a price just above Friday's low. That number adjusts up daily.

Not shown here, but when we plot the Dollar vs. its 3-wk. avg. there's a floor under the past two weeks' lows, such that if it were to trade **109.38** this week, then that minor floor would come out. An even higher alert level than what 10-day momentum provides. The point being that the party cannot stall and certainly not wobble.

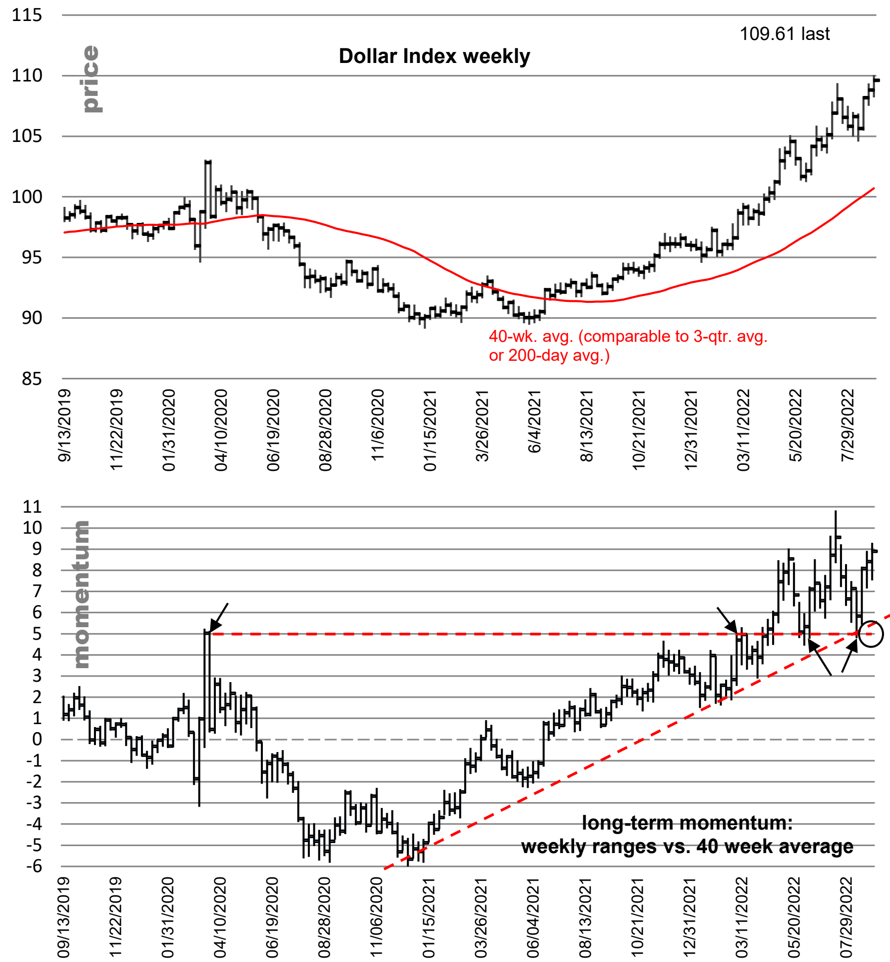


Dollar Index: monthly momentum

Very aged uptrend on monthly momentum.

Momentum action of the past few months has been dancing on its twenty-month-old structure. Using it and using it. Prior hits along the structure did not linger long before moving well up and away from the red line.

Note also the two lowest weekly closing readings since May as circled on the momentum chart. Close one point over the current 3-mo. avg. and they're blown. That will occur with a **107.1** weekly close in September. And frankly, if you're a *Forever Dollar* believer, then you don't want to even see that structure approached again.



Dollar Index: quarterly momentum

The same extreme age for quarterly momentum (40-wk. avg. being comparable to 3-qtr. avg.).

The structure is set below to fully shift trend.

Five points over the zero line had been the high. Since that level was overcome, it has been used twice for support. In our assessment, you don't even want to see it again and you certainly don't want to close a week below it.

Five over this week is **106.04**, that number adjusting up .35 per week. By the last week of this month that structure will equate to around 107.02, in fairly good synch with 3-mo. avg. trigger levels.

Personal positions in markets mentioned in this report: long SLV calls