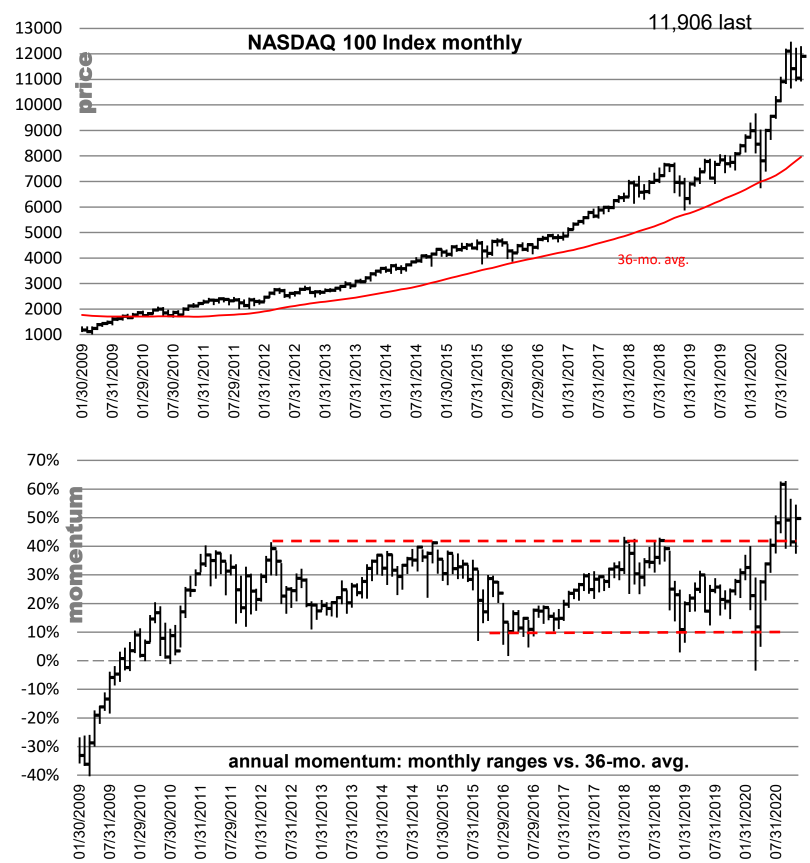
November 22, 2020

Key markets



NASDAQ 100

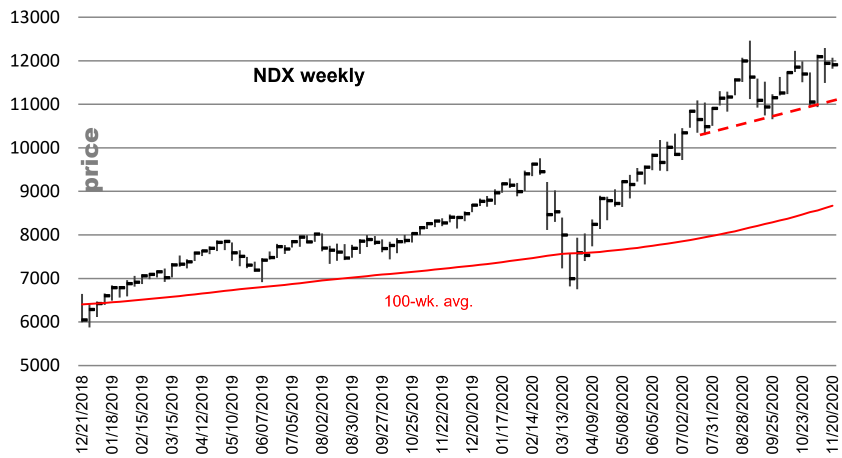
The lone standout index among all developed economy stock indices remains stout. Action has been horizontal for four months, but is still holding above what MSA argues is a key annual momentum level.

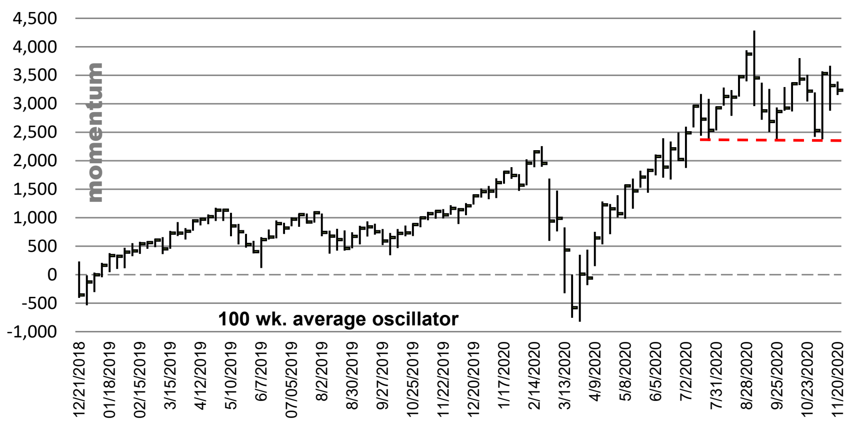
A decade of overbought or "high" oscillator readings defined that line around 41 to 42% over the 36-mo. avg./zero line as a key level. The blowoff upside (led by AMZN, AAPL, MSFT, and a few others) shoved NDX into the sort of upside annual momentum action that other major indices did not replicate. A vertical, emotional blowoff.

The signal for that blowoff process was the crossing of that upper red horizontal. The oscillator lows of September, October, and November have since relied on that level for support—with no meaningful penetration or monthly close below. Is NDX dancing on concrete or glass? We think glass. But as always, MSA will wait for the numbers.

MSA repeats that if NDX closes a month at 40% or less above the rising 36-mo. avg., then the blowoff will abort to the downside and rapid decline will likely follow. For November that trigger number is **11,138**. Do not close the month there or lower. For December the number will rise to an estimated **11,347**. That's 4.7% below last week's close. Or if we see NDX trade to 35% over the annual mean, we wouldn't wait for a monthly close. For December that means a trade to **10,942**.

Violation of the upper line will likely drive readings rapidly to the final line in the sand—namely, just above 10% over annual momentum. That was where the last three major reaction low monthly closes halted—just decimals above 10% over the zero line in 2016, 2018, and 2020. When that level comes out with a monthly close at 10% or less above the 36-mo. avg., it will be investors' last chance for a gentleman's exit.



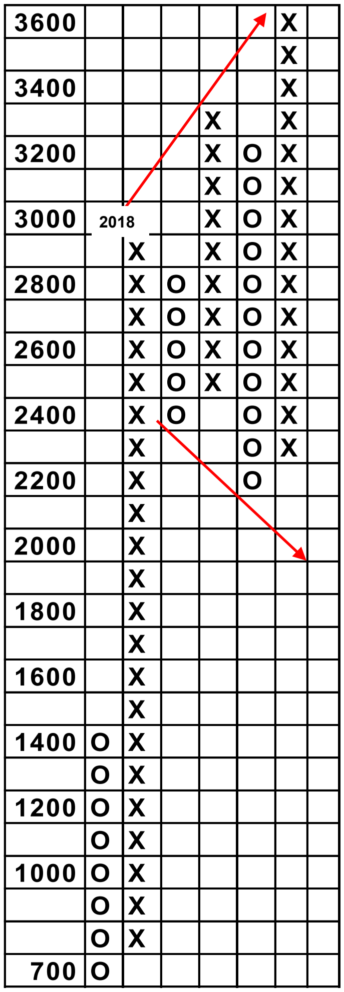


Here we adjust down a bit and update what is effectively a 2-yr. moving avg. oscillator (the 100 week avg.). And it's in basic agreement with the 36-mo. avg. oscillator.

The price chart has a three-point uptrend that will come out with a drop below 11,000.

But the momentum floor comes out if NDX **trades** down to **11,079** this coming week or to **11,135** the week of December 4th (the number adjusts up over fifty points per week).

MSA will update as needed. We're also monitoring our favorite leaders AAPL, MSFT, and AMZN for some degree of concurrence in breakage.



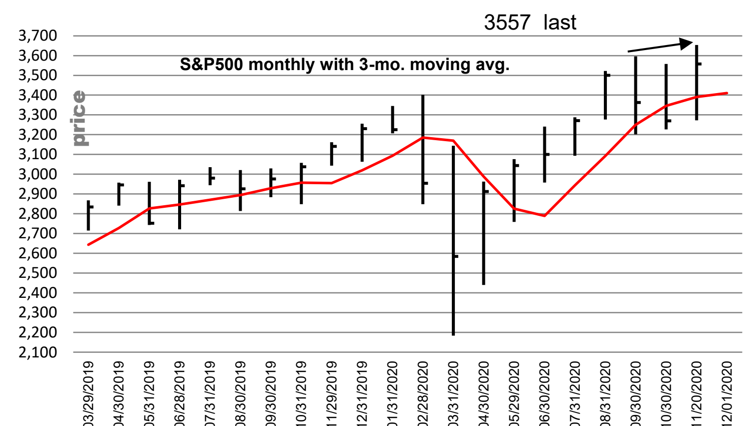
S&P 500

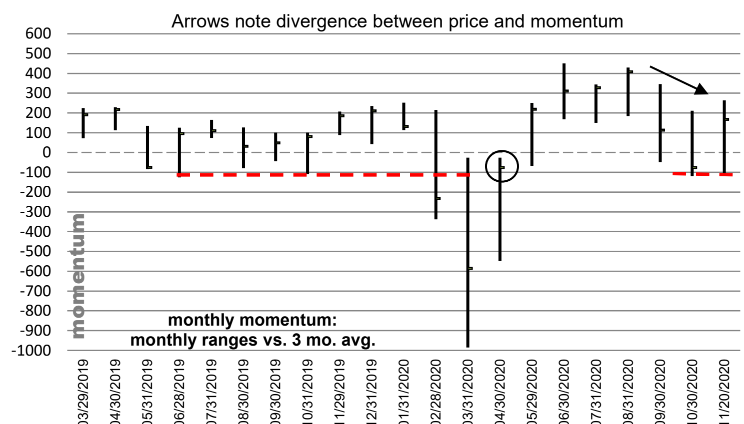
We showed this price point-and-figure chart in our September 27th report.

It records price action in 100-point increments with a three-block reversal required before changing from upticks to downticks or vice versa. In other words, this scale of p&f chart disregards minor price swings.

In the two months since that report the S&P 500 has managed one more uptick (X) to 3600.

We still consider this to be random widening action (red lines projected upside and downside since 2018) and likely topping action. But we want to once again see three downticks from a new high (a third one in the process). If we see 3300, you get the downticks. Meaning once again after breaking out over a prior column high, the p&f action will gained several more upticks and then rolled over.





On the right is monthly price and below is monthly momentum.

Before the February/ March collapse this year, the momentum action had set-up the -100 level as a key structure. February's action took that out when it traded to 120 points under the 3-mo. avg. (we're rounding here to twenty-point increments). Then whoosh.

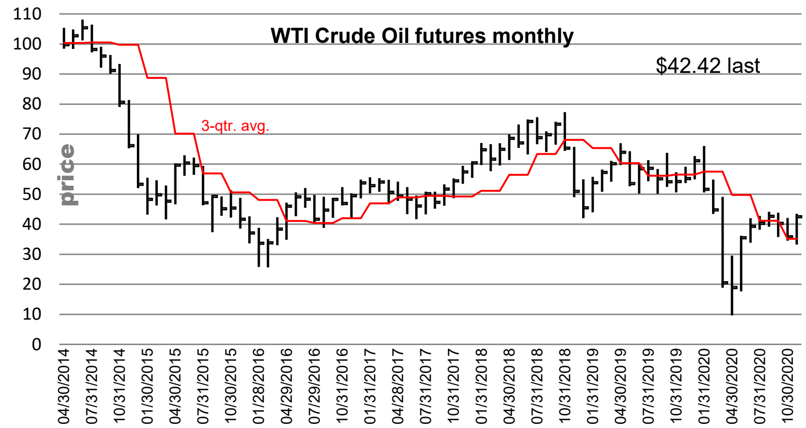
In the recovery move since March the action has reasserted itself back over the –100 level (as of April's close, circled). With the low reading last month and this month the –100 level has again been used (actually, the low reading last month and again this month reached -110 points).

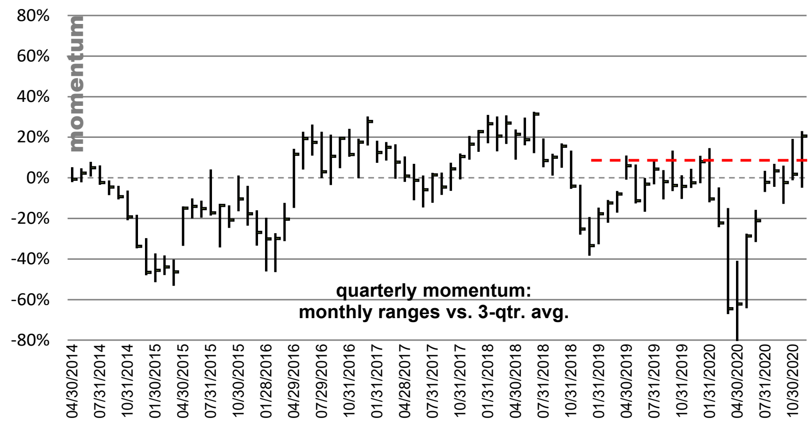
The price chart rally this month to new highs above 3600 (on the vaccine headlines) did not confirm via momentum and has wobbled since.

The 3-mo. moving avg. now at 3390.44 will rise to an estimated **3410.84** for December. That means that if price drops to 3300 in December (producing three downticks on the above p&f chart), then momentum will be back precisely at the October and November oscillator lows. Anything much below there will take out those pivotal lows. Specifically if we see -120 next month (price around 3290), then we can assume the S&P's monthly momentum has peaked with a non-confirmed high and is once again headed south.

The potential/likely widening top pattern by price (if the S&P gets downticks from yet a third failed p&f high since 2018) will then likely become more obvious to investors and analysts.

Crude Oil and related





We noted a few weeks ago when oil closed a week above $40 that it was likely that move would secure oil for a monthly close above its quarterly breakout structure. A monthly close of $38.70 or higher will close above the +10% level and take out all closing readings since 2019.

There are only five trading days left in the month …

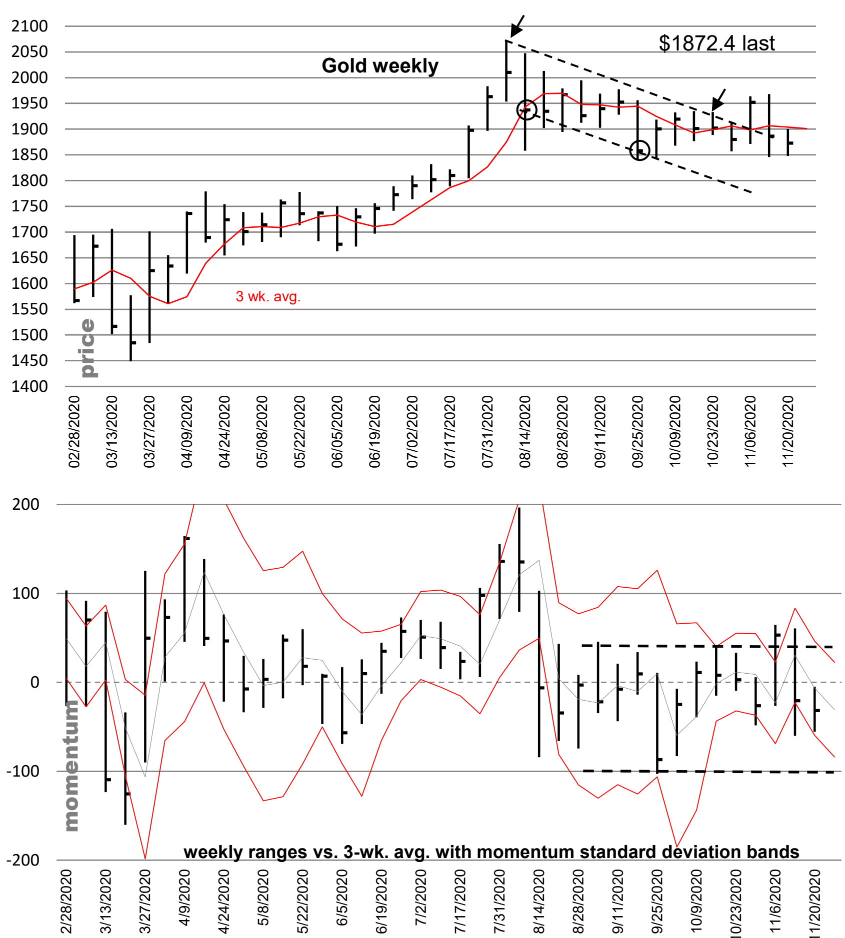
If quarterly momentum achieves this breakout, MSA expects the advance to ultimately carry to the **$70 to $75** zone in 2021, but we wouldn't be surprised to see a fight between $50 and $55 during that advance.

Two oil subsector ETFs (**XOP** and **OIH**) that MSA has suggested as likely better percent gainers in an oil recovery are credibly above the long-term momentum breakout numbers that we've specified for a monthly close. See our November 15th report on those ETFs.

If you prefer specific companies in those ETFs, then we suggest you consider the following:

Four symbols in OIH: Schlumberger (SLB), Baker Hughes (BKR), Cactus (WHD), and Halliburton (HAL).

Four symbols in XOP: Devon Energy (DVN), Parsley Energy (PE), Marathon Petroleum (MPC), and Concho Resources (CXO).



Gold (1)

Updating weekly action again.

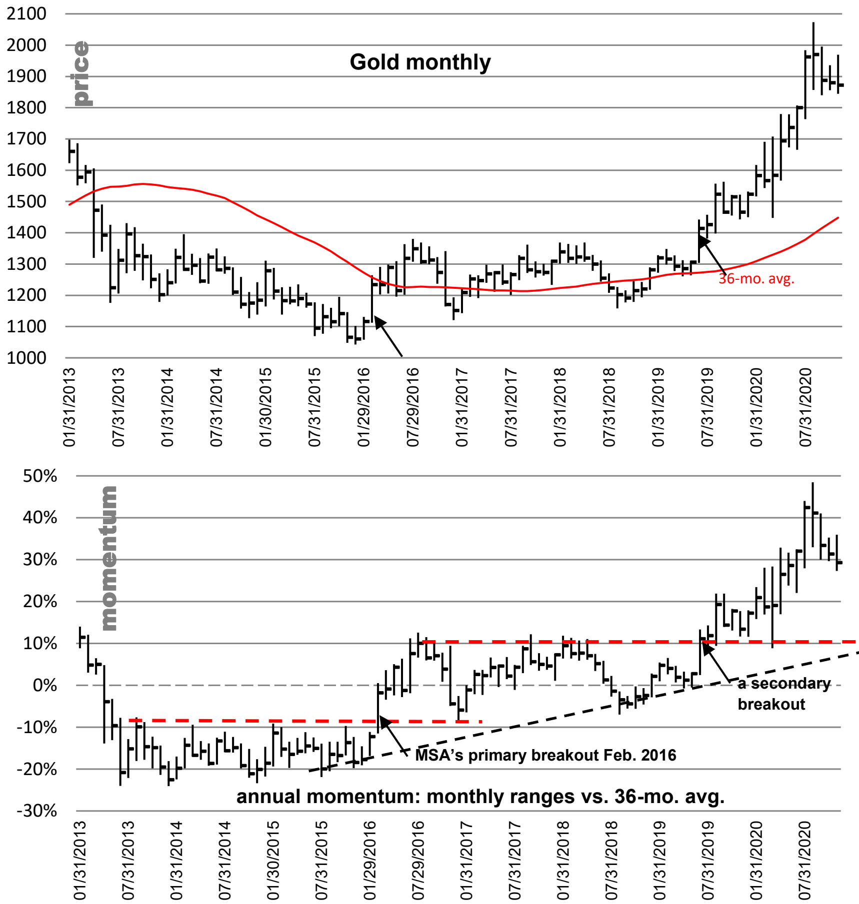
The doubters pounded gold the week of August 14th, followed by a rally. Then they pounded gold again in late September (covering essentially the same downside turf as in August). And again two weeks ago. Also the same downside turf.

So, bears, let's see it then!

Meanwhile, price action has maneuvered outside the prior prevailing downtrend channel. Yes, still under pressure, but no longer in that parallel channel.

Weekly momentum had a non-event week last week with the bar inside the prior weekly bar. And still the readings are about in the middle of the prior several months of oscillator action.

MSA cannot interpret this as bearish. The drop actually occurred in mid-August, and gold has since been picking its teeth as the bears sell and sell again. The clock ticking for them.



Gold (2)

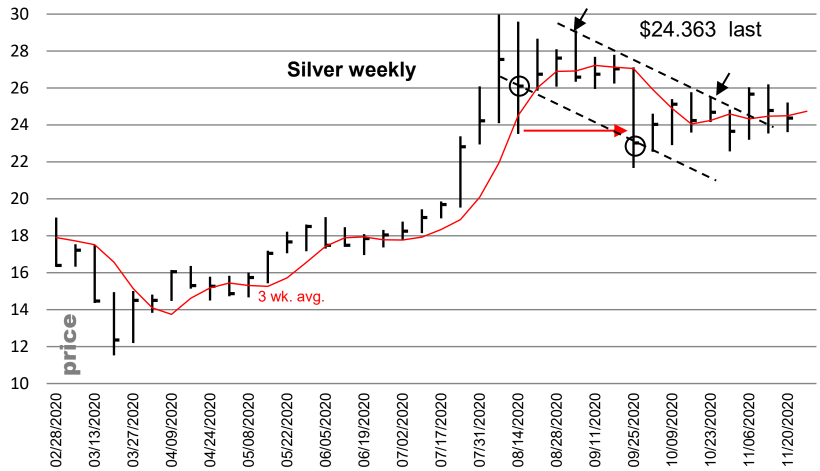
In last weekend's report we showed gold with its 3-yr. avg. oscillator. Here is its sister chart, 36-mo. momentum. There's almost no difference between it and 3-yr. avg. momentum.

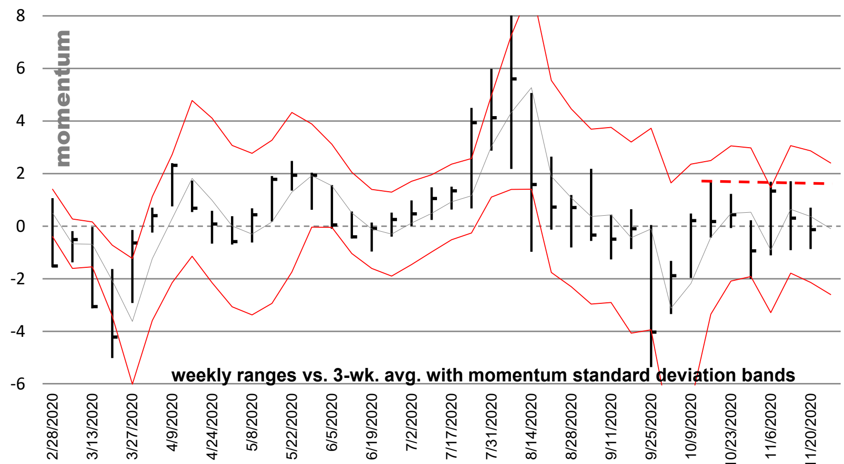
Current price action is merely more sideways (ups and downs) following the shin kick that came first in mid-August.

MSA looks for technically clear and pending (nearby) momentum structure before even beginning to assume major trend change potentials. Right now any annual momentum structure we can define is way below current price and momentum levels.

So far we've seen four months off of the oscillator high with no structures of significance even being approached. And we suspect they won't be.

Basically the same views were stated in last weekend's report, but we had numerous requests, especially for an annual momentum update.





Silver

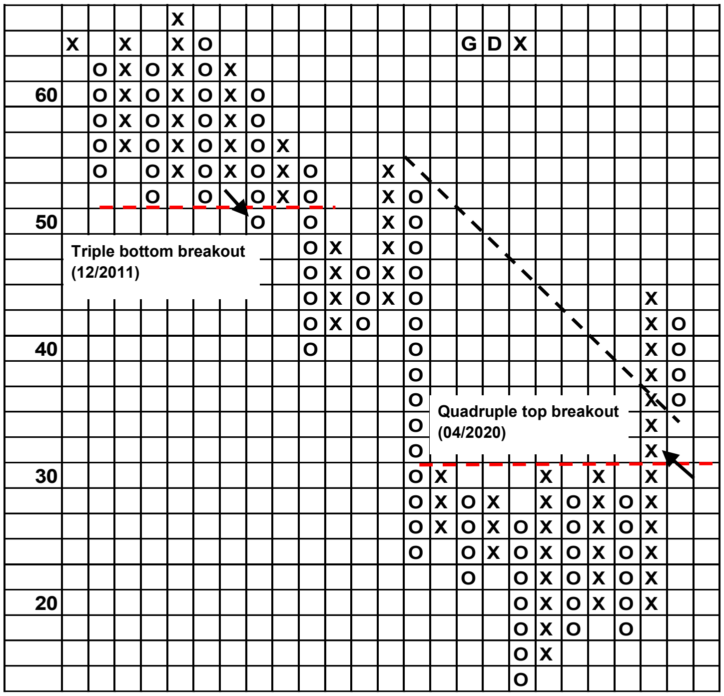
Ditto the gold weekly chart comments on page 5.

Last week's silver action was "inside" the price and momentum action of the prior week. Ho hum.

Also, the current price action (on either side of $24, red arrow) is where the reaction low selloff halted in mid-August. Selling and selling and selling for three-and-a-half months. Again, ho hum.

Meanwhile, price has emerged above and remains above the prior parallel downtrend channel. The channel bottom is plotted through two low weekly oscillator closing readings (circled). The channel top, at the same angle of decline, is plotted through intraweek oscillator highs (black arrows).

For weekly momentum, what bears definitely don't want to see this late on their selling clock is for the oscillator to trade above the two perfectly horizontal recent peak readings. Both were precisely $1.66 over the now rising 3-wk. avg./zero line. This coming week it would require a trade up to **$26.40** to take them out (via the December silver future).



GDX (VanEck Vectors Gold Miners ETF)

Price via point and figure. $2 by three-block reversal chart going back to 2010.

We've noted both the topping process and the bottoming process (2015 to 2019) with red horizontals. We emphasize the blatantly obvious technical feature—namely, major trend change involved a "process" of up and down action before the emergence of the new trends. And in both cases momentum (not shown here) led the action and warned of what was transpiring.

The downtrending black line is an orthodox tool of p&f charting, a 45° line. The upside breakout (arrow) occurred when price touched $32. That was a quadruple-top breakout. (The top back in 2010 and 2011 broke down with a triple-bottom breakout, down arrow.) That GDX upside price breakout at $32 occurred this past April. It produced further upticks which in turn broke out above the critical 45° line, adding to the breakout's credibility and potency. An advance to $44 followed. So far the pullback has been to $36, reached last month.

And so far the pullback in price is still holding around the 45° line and still above the point of massive horizontal breakout ($32).

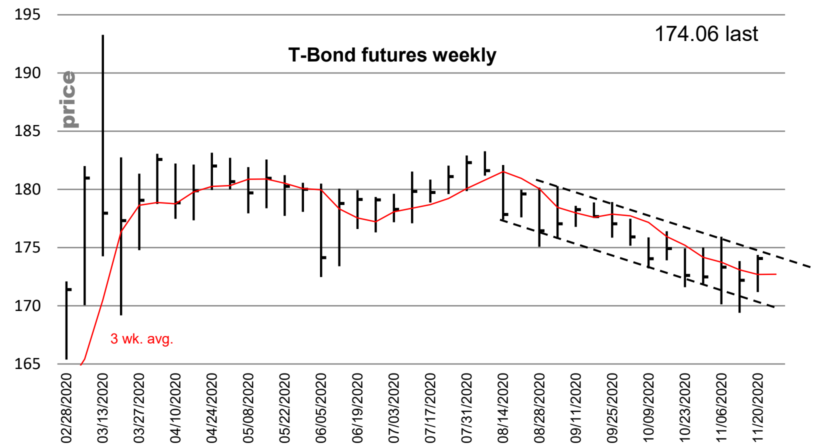
Please note that after the top was signaled by price action back in 2011, a counter-trend rally actually reached back above the prior violated horizontal line by a few ticks. Regardless of that teasing rally, the die had been set by momentum and price. That counter-trend rally to 54 failed. And sharply.

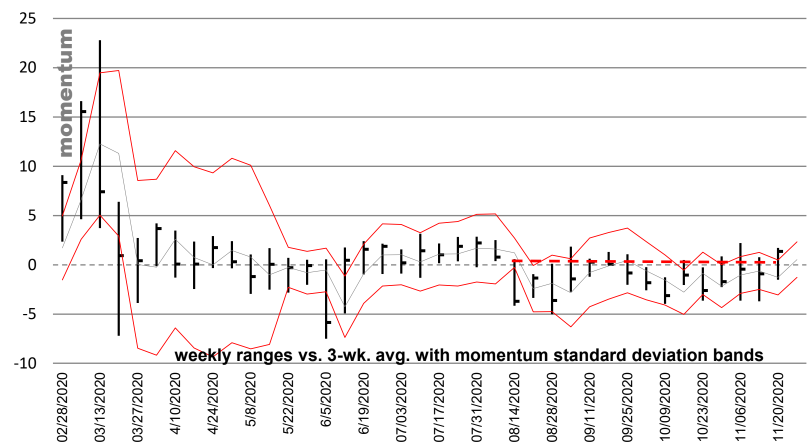
So far, in contrast, the current multi-month pullback in GDX has done nothing more than reach the 45° line and not even approach its prior massive horizontal breakout level from the huge base. In sum, this chart is having a *counter-trend* set of downticks after an incredible surge of straight upticks. Did you reasonably expect the breakout to carry to and through the 2011 highs without downticks?!

No topping "process" is evident, just downticks to spook gold investors, many of whom, unfortunately, did not enter at the technically more appropriate momentum or price levels as indicated by gold's action and MSA's prior reports on GDX.

MSA cannot be bearish on gold miners based on the above chart nor based on any long-term (e.g. annual, etc.) momentum chart that we can reference. Could MSA be wrong? Sure, but we doubt it. And it seems we've stated this several times in the past few years of advance in gold and miners. Repeated points of fear among gold investors and confidence among the gold doubters. Now gone by the way.

Gold investors also need to watch—out their side mirrors—the technical and fundamental unravelling of central bank-distorted asset categories, such as U.S. stocks and U.S. government bonds (the latter at some point in 2021 to turn down, perhaps after yet another "flight to safety"). And of course the ongoing demise of the U.S. Dollar, which is now squatting on the lows of the past year and below multi-year price and momentum trend structures. If you think no asset will survive and prosper in a monetarily collapsing universe, think twice. Remember, Homestake Mining soared from 1929 to 1932 as the stock market went effectively to zero.





T-Bonds

The weekly momentum breakout close occurred last week. The horizontal on momentum cuts across weekly closing highs back to the mid-August downside break. The highest close in that period was just decimals above the zero line. Now cleared.

Price still has a parallel channel top to overcome. That will occur with 175 traded.