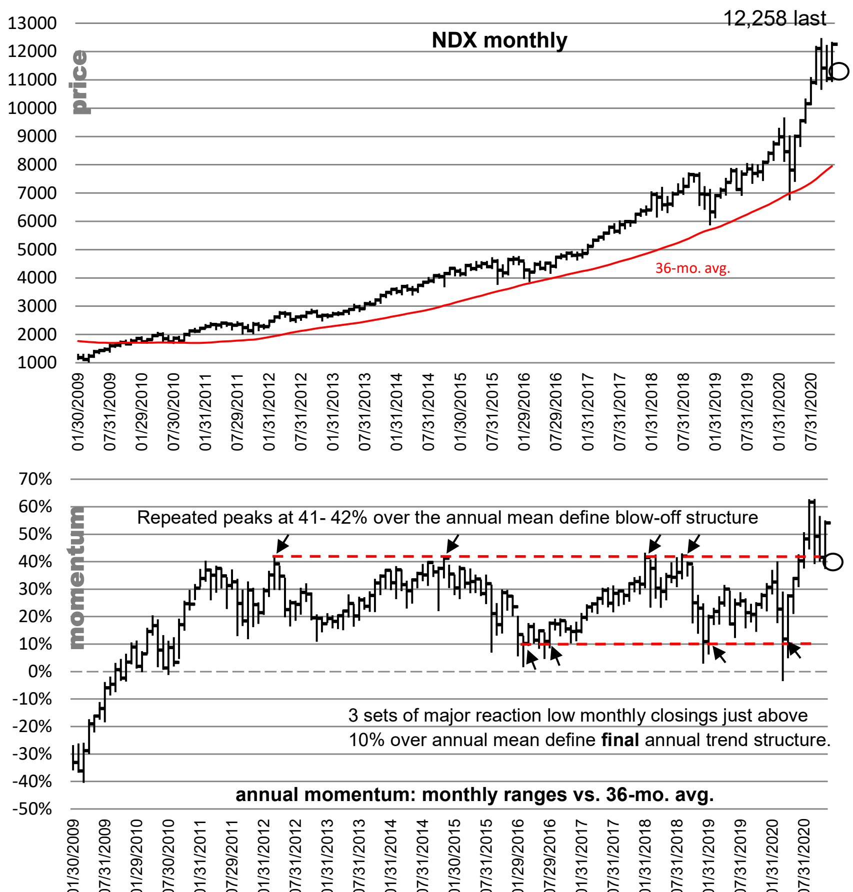
360° WEEKEND REPORT

MSA

November 29, 2020

Key markets



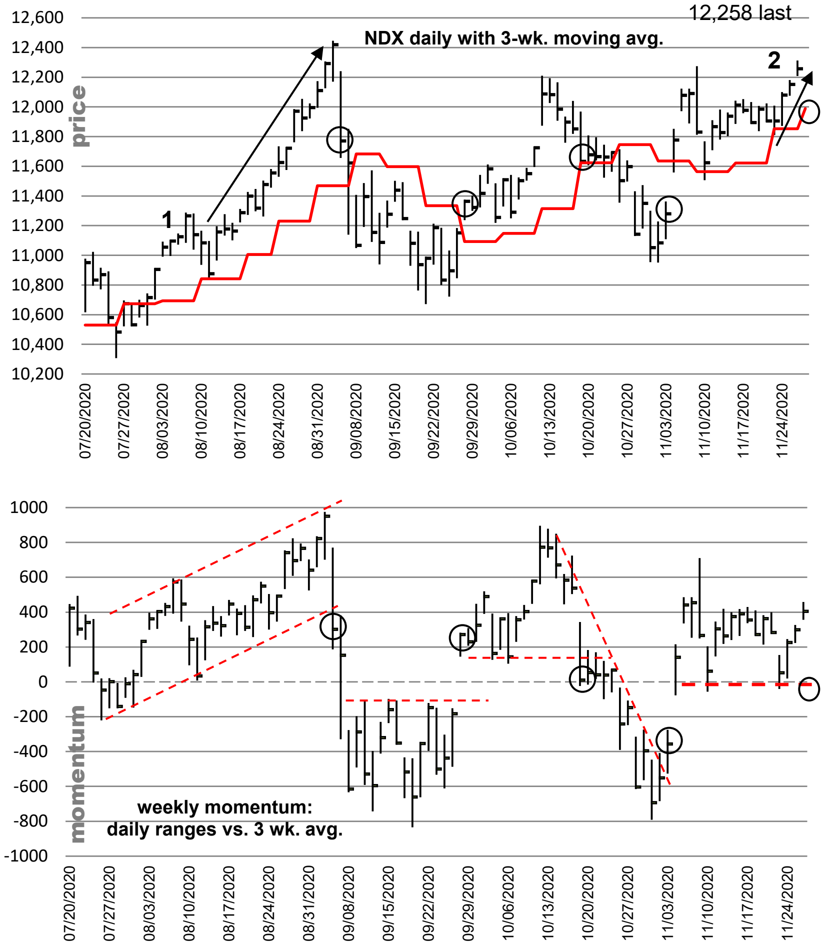
NASDAQ 100: the leader

On a long-term trend basis we remain focused on any abort back below the upper red horizontal on annual momentum. For December that will occur if the month closes at or below **11,352** (subject to minor adjustment once November closes on Monday). That's a bit more than seven percent below the current price level.

That upside blow-off momentum signal level (broken through in July) was used as support in each of the past three months. Close a month below that structure or trade too much below it (MSA will update if that occurs) and you can assume the blow-off party is over and a void is opening below.

The next structure is 10% over the zero line. Any monthly close at or below that level is massively negative. Low monthly closes in 2016 (two of them), 2018, and 2020 halted decimals above +10%. However, our experience is that blow-offs, once aborted (by breaking the upper red line), will usually generate major unravelling downside action. So we think that when the upper line is violated, the 10% level will also likely fail. For now focus on 11,352 in December.

What might technically get NDX down seven percent from its current level? For that, see the next page.



NASDAQ 100 weekly momentum

There's been lots of redundant price chart action since August. Who's in charge?

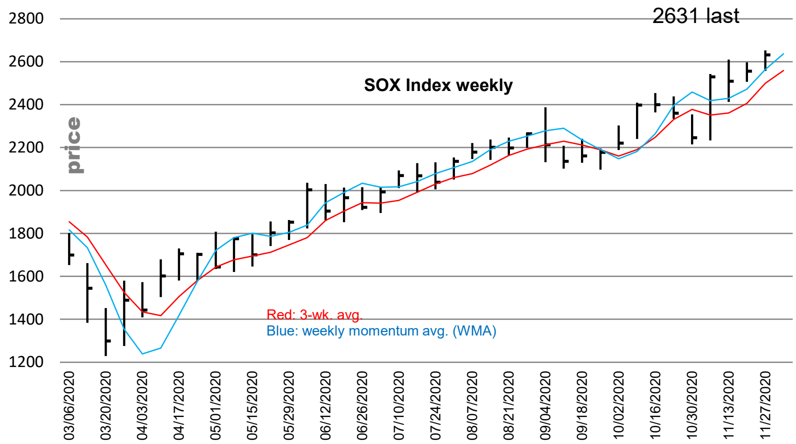
Also note that these up and down waves in price tend to be opposite the direction of gold's weekly price action (see gold weekly on page 6). **#1** At the point where gold peaked in early August and began its layered drop, NDX produced a sharp advance with layered and mostly redundant price swings since. **#2** Last week gold produced a sharp drop and a new low for its pullback, while NDX's price took out all prior highs except the late August peak. There are other inverse moves during the past several months not noted here.

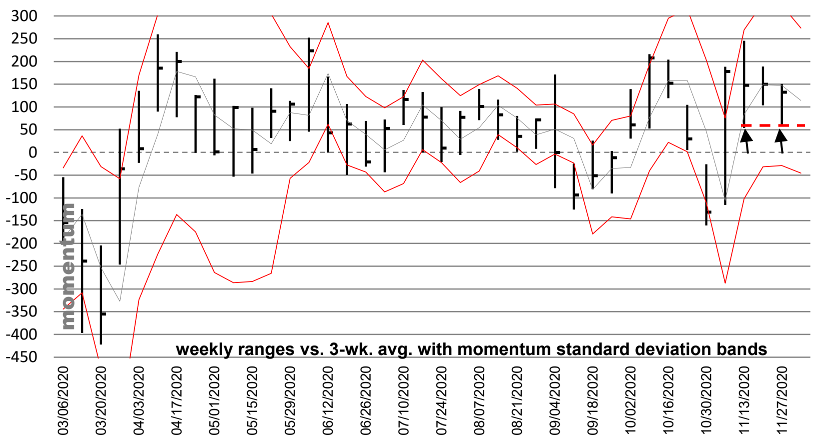
We point out this divergence for those who cling to the false notion of U.S. stock market and gold trend linkage (see the November 8th 360Weekend Report for a fifty-year look back at that non-correlated relationship).

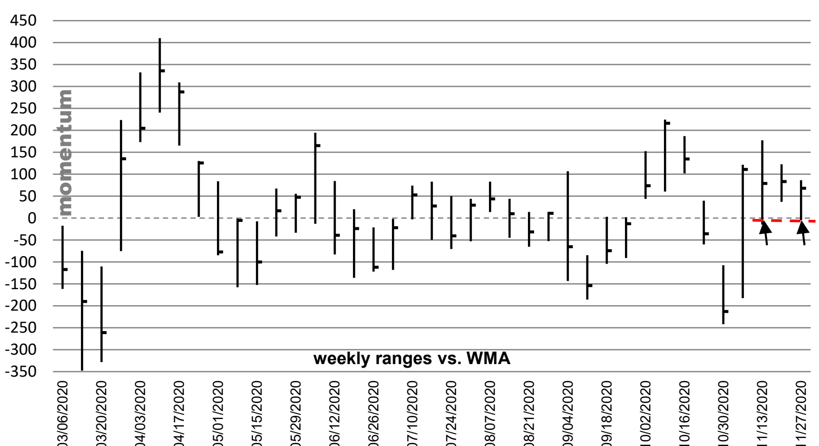
On this weekly momentum oscillator (plotted in daily bar format) we note any prior trend structures that were broken and thus generated sharp swings in a new direction.

The current and pending sell structure is just below the zero line/3-wk. avg. And it's a very clear structure. This week the 3-wk. avg. rises to **11,988.6**. That's 2% below last week's close. Trade credibly below the zero line or close a day below it and you can assume downside is underway. The number adjusts up weekly.

We suspect that if weekly momentum breaks down, there's a very good chance the annual momentum abort/sell signal will soon follow.







Semi-Conductor Index

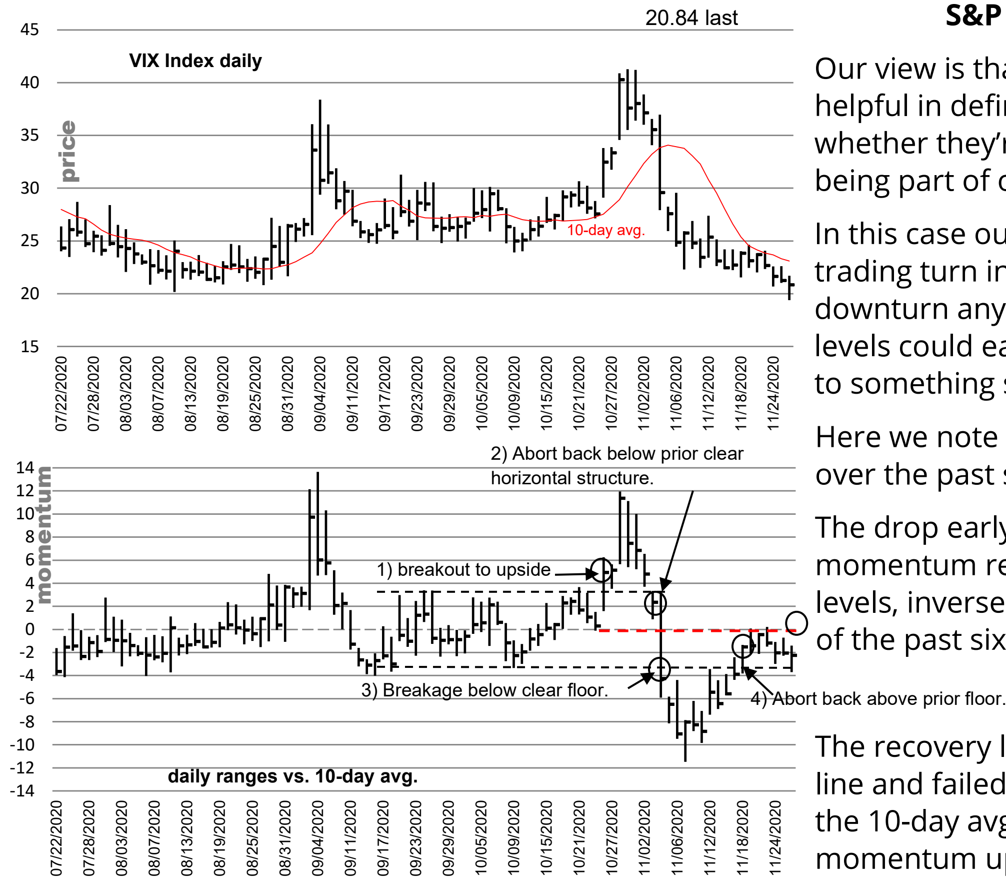
We want to be alert to any downturn now, given the proximity of major vulnerabilities in the NASDAQ 100 and other leadership sectors.

The SOX Index, a leader and stronger than NDX, is making new highs above those of September. Both weekly momentum charts clearly aren't confirming the price action.

The 3-wk. avg. oscillator dropped intraweek three weeks ago to just above +50 and then rebounded. Last week's low halted at the same level. If this coming week trades down to **2608**, then those dual oscillator lows will come out. A major disaster? No. But enough breakage to suggest a trading downturn. And as we explained via NDX, even a weekly trading downturn now could easily/likely domino.

Our proprietary weekly momentum average (or WMA) oscillator has set up a pair of lows at the zero line. If price drops to **2616**, then that pair comes out.

There's fairly tight agreement between these two weekly momentum charts.



S&P 500 Volatility Index

Our view is that the VIX Index is most helpful in defining the onset of trend shifts, whether they're simply trading turns worth being part of or something larger.

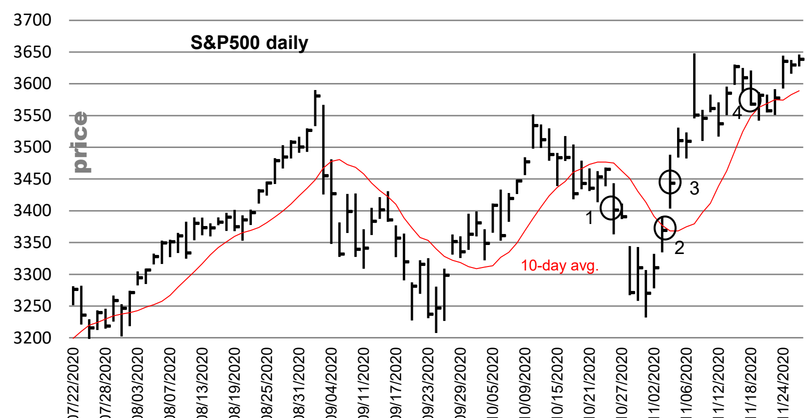
In this case our main concern is timing a trading turn in key indices, because a downturn anywhere near current price levels could easily go from a trading decline to something significant.

Here we note some of the prior trend turns over the past several months.

The drop early this month has put momentum readings down to very deep levels, inverse to the high oscillator readings of the past six months.

The recovery last week twice hit the zero line and failed (redlined). A daily close over the 10-day avg./zero line will turn momentum up. That average Monday is **22.62**. It's declining daily and estimated to drop to **22.33** Tuesday.

With the upside action over a week ago, VIX's momentum aborted above a the prior violated floor/ resistance. The key now is to take out the zero line (noted with the red horizontal).

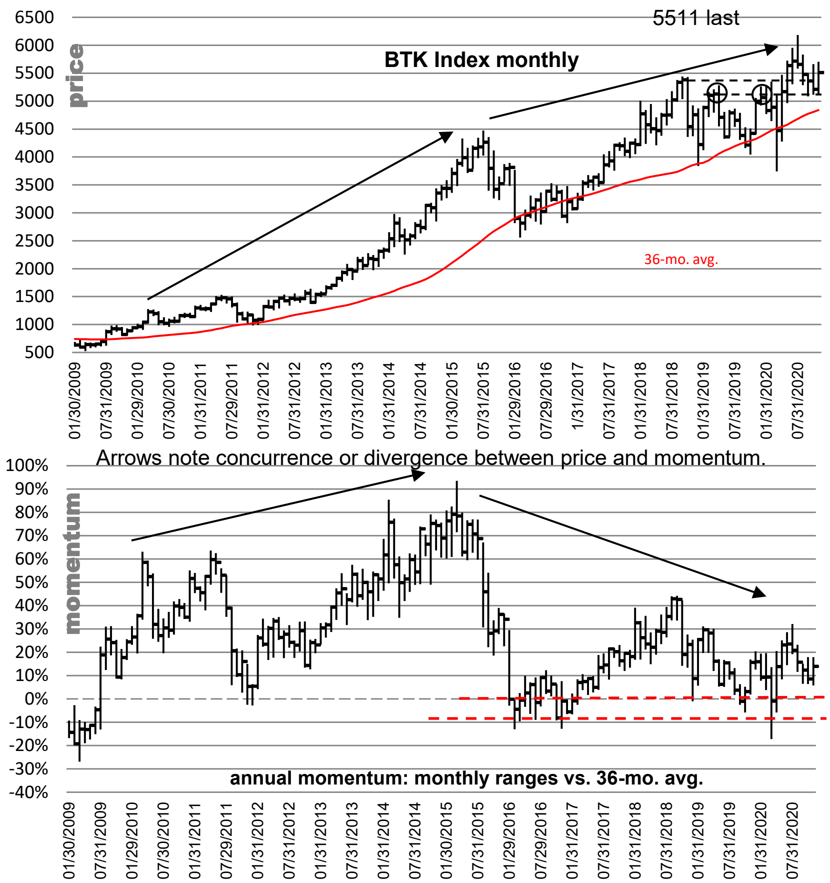


The **S&P 500** chart on the right is for contrast. When volatility rises, price usually drops and vice versa. Contrast the action of the S&P 500's price with VIX's momentum—via the numbers.

The recent upside abort by VIX's momentum, a first positive step for it, is shown with the fourth circle on the S&P 500.

Note that the S&P 500 action in its dip two weeks ago was inverse to VIX, which bumped its 10-day avg. from below. The S&P 500 dip then basically held around its 10-day avg. as support.

If VIX now breaks out above its falling 10-day avg./zero line, expect the S&P 500 action to drop back below its rising 10-day avg.—headed south.



Biotech Index

We've had some requests for this sector.

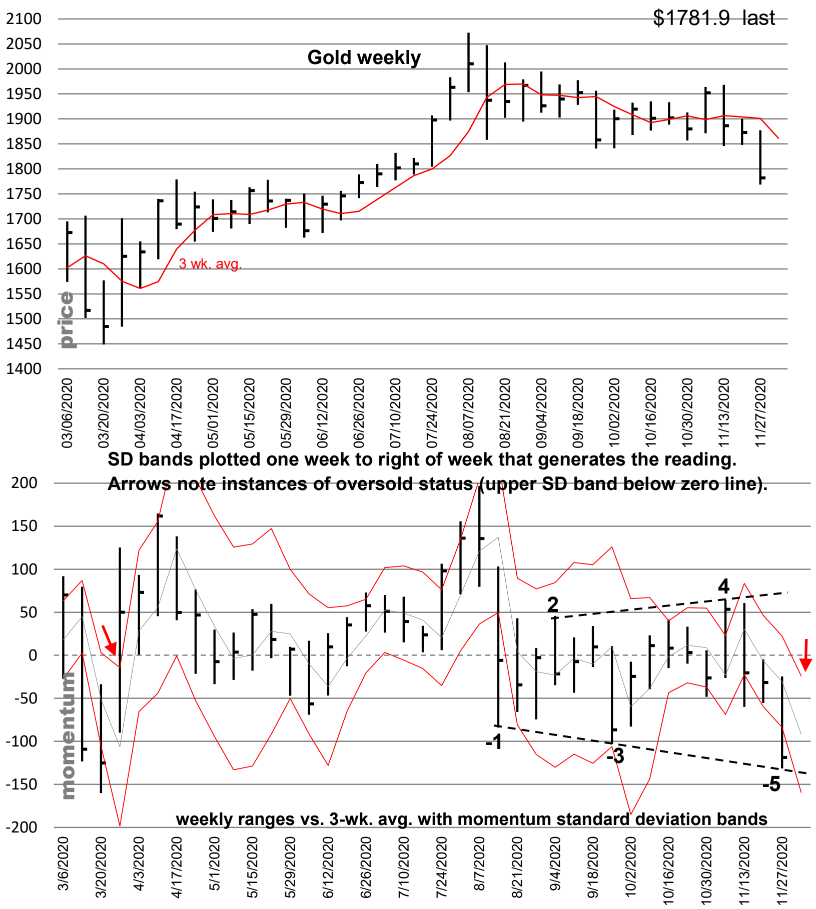
Certainly biotech has underperformed the S&P 500. The BTK Index is currently barely above its 2018 high. That comparable high for the S&P 500 was 2900.

The issue is whether this gradual crawl by biotech is topping or readying for some up-leg of consequence.

Referencing the 36-mo. oscillator, it's clear that a sloppy floor has been used and used since 2016, and we even came close back in 2011. The zero line down to 10% below has been the floor zone. There have been no monthly closes at 10% below, and twice BTK has traded to 10% below the mean without tagging the –20% level. Again, a roughly hewn floorboard. But it can't seem to get up off it for very long, nor very high. And that's reflected in the anemic price action.

For December the zero line/36 mo. avg. will rise to **4874**. You probably don't want to venture back down to the zero line again, and certainly not close a month at 10% below (**4386** for December). Those numbers are rising about thirty-five points per month.

Another way to look at BTK is the price chart. The May 2020 action rose above a massive clump of ink going back to 2018. After that "breakout" action, price has dropped back repeatedly over the past three months to **just above 5100**. Each month's low has been just above 5100. If we reference two of the three price highs since 2018, they peaked with monthly closes on either side of 5100. MSA suggests it's best not to see 5100 traded, as that would indicate the price chart breakout—which was **not reflected at all by momentum**—is aborting back into its prior *ho-hum* range. And a false breakout like that will, *if it aborts*, likely fail deeply back to and through the bottom of that range. And just getting back halfway through that price range will trigger annual momentum into full bear mode (numbers specified above). So in this case if you're long, fine (though we're not excited by what we see); just use 5100 as risk control.



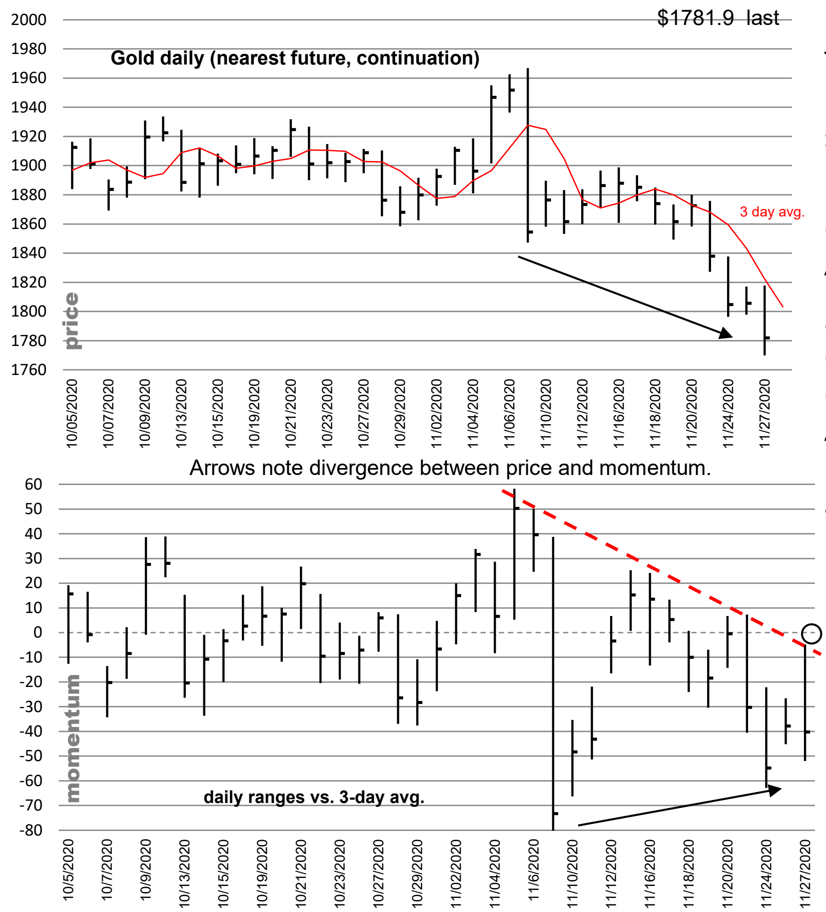
Gold weekly

The pullback continued with last week's action generating a weekly momentum oversold reading (based on MSA's momentum tools, the upper SD band dropped below the zero line for the **first time during this entire pullback process**). The last such weekly oversold reading occurred in the March selloff.

Such "excess" readings don't always generate an immediate response, but will usually show counter-trend evidence by the next weekly bar or so.

We also note a "chaotic" element at work here. Edwards and Magee (in their **Technical Analysis of Stock Trends** from 1948) define what they call a "widening pattern" in price chart action. It involves price swinging from a new high to a low, to a new high, new low, and then a third new high. Or the opposite if it's a widening bottom pattern. A process of one, two, three, four, five swings. The fifth being the end of the process.

After the fifth swing move it's important to watch for any failure of that move to persist. If instead you see opposite action emerge, then the widening pattern has probably been completed and either a top or bottom emerges. In this case for weekly momentum (not price, just momentum), it's been downside widening action; so we're watching for an upturn to indicate the downside process is complete. We are of course aware that this potential widening bottom behavior is now joined by our oversold reading.



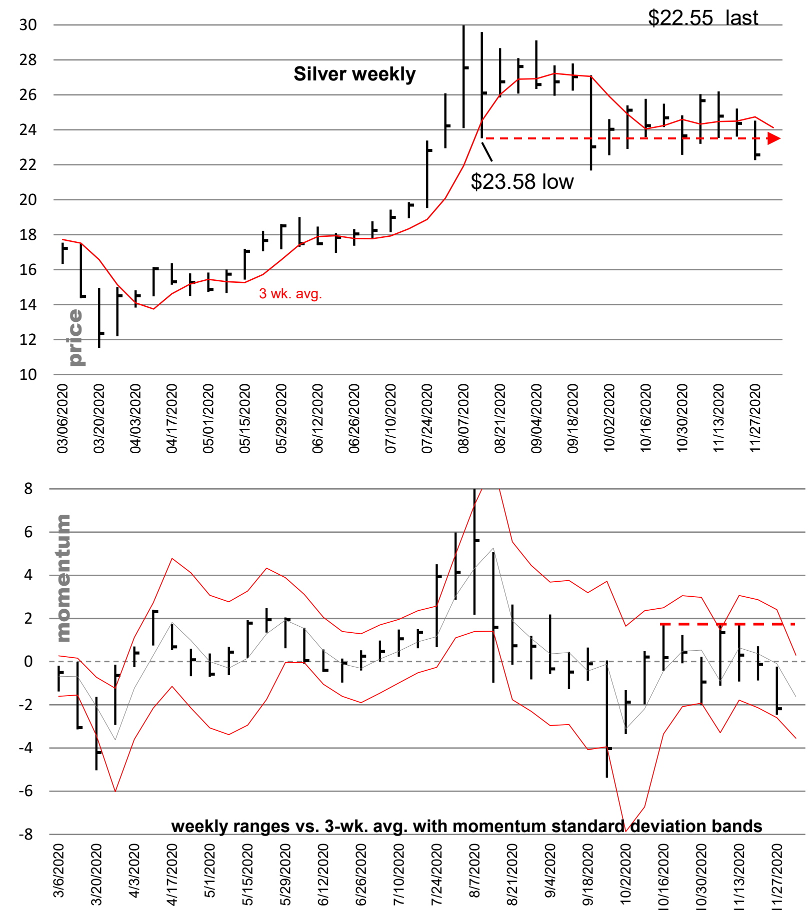
Gold daily

This short-term time scale just might provide the impetus to turn the weekly situation back to the upside.

Here we show the most recent leg of the decline (the charts do not go back to the August highs).

Since early November's oscillator peak the downside action has crafted a four-point downtrend structure on daily momentum. Any rally now back over the 3-day avg./zero line (**$1803.18** for Monday, and estimated around **$1795** for Tuesday) will break out upside over that month-old structure.

Given the structural clarity and age (mature for a daily momentum trend swing), any upturn here could easily begin the weekly upturn process.



Silver weekly

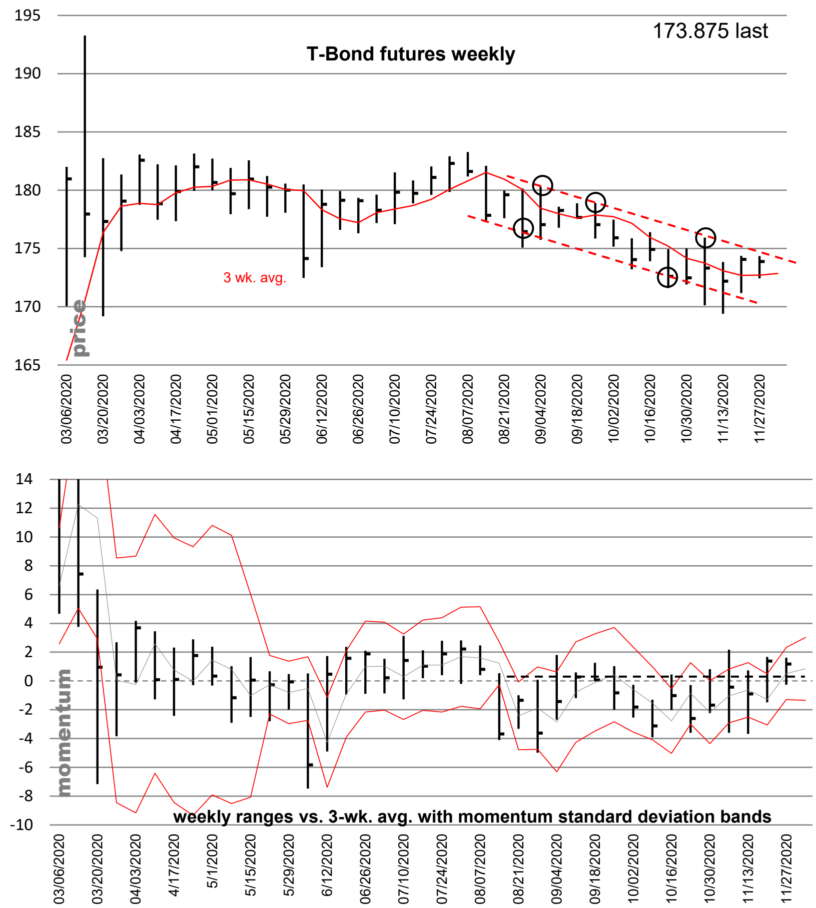
Silver received most of its punishment/ correction a week after the early August high. Price dropped to a low that week of $23.58.

The action in mid-September, October, and last week dropped repeatedly below that initial August low without being able to sustain on the downside. Will this drop sustain? Well, with gold in oversold weekly status and silver almost there (the upper band nearing zero), we suspect that sustained further drop is highly questionable.

And as for upturn? Any takeout of a prior week's oscillator high will be a *first* weekly momentum signal of another failure of the downside to persist. Admittedly, for this coming week that's a reach. It would take December silver trading up to **$23.84** to exceed last week's oscillator high. But if we saw silver just fumbling around this week, then an oscillator upturn process the following week would happen almost just by opening trading, given that the 3-wk. avg. is now dropping sharply. A stall on the downside wouldn't be good for the bears, who have been trying repeatedly to get a sustained downside underway.

As for a major structural upside breakout level for weekly momentum, we've previously noted the perfect pair of highs (red horizontal on oscillator) that developed since early October. For this coming week it would take an explosive upturn to take out those momentum highs: price would have to trade up to **$25.78**. But in two weeks with a further drop in the 3-wk. avg., an estimated **$25** would break out. That number drops sharply each week.

For now we think the pressure's on the bears to prove sustainability. So far they've been selling, selling, and selling and not been able to sustain below the mid-August low. Therefore, it's probably a solid idea to assume that if this third drop below that price chart low of August 12th (at **$23.58**) finds the price action back above that level, then three strikes and the bears are out!



T-Bonds weekly

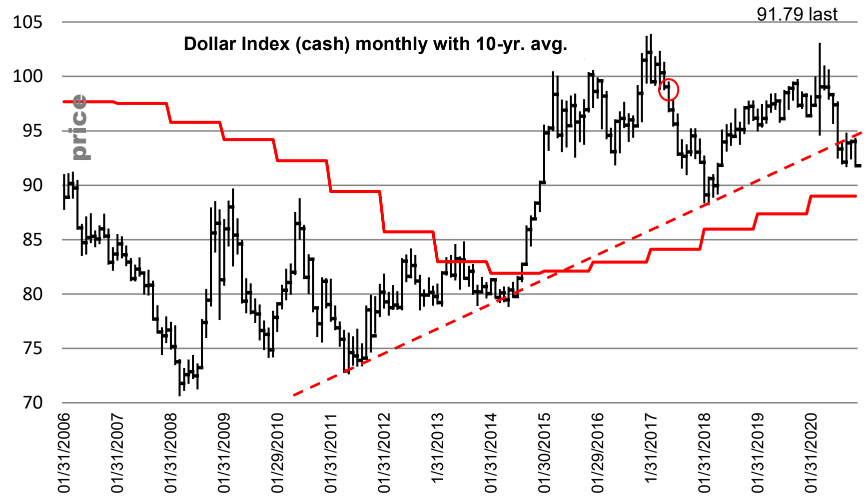
The secondary peak in T-Bonds was in early August, coincident with gold's peak. It's since been downside for T-Bonds.

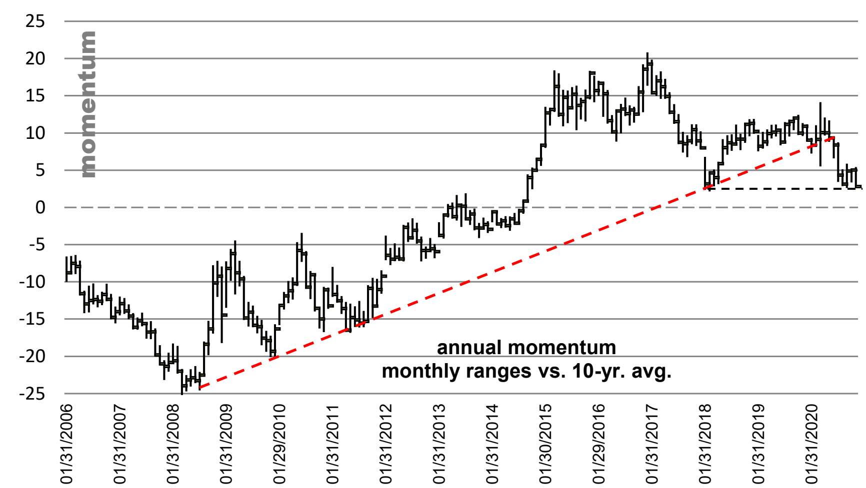
However, the action two weeks ago pushed weekly momentum into positive territory, above the zero line and all weekly oscillator closes since the August drop.

The remaining upside needed for this other "alternative" asset is for price to trade to 175. That would credibly take out the parallel channel top that has defined the rally highs over the past several months.

The channel bottom is first plotted through low weekly closes. Then the channel top is plotted at the same angle of decline but across intraweek price highs.

Dollar Index





MSA declared a major bear trend in May 2017 when price dropped to 99, circled. That call was based on 3-yr. avg. momentum breakage, chart shown in prior reports. MSA has remained long-term bearish Dollar since then.

The negatives have recently increased big time with both the 10-yr. avg. oscillator and monthly price breaking their decade old structures. The Dollar Index is now back at the low of the year.

And while price is still several points above its early 2018 lows (just above 88), 10-yr. avg. momentum has reached down to near its 2018 oscillator low. That was 2.28 over the zero line. This year's low (on it now) is 2.75 over the zero line. We've rounded down that secondary breakage number to the +2 level. That occurs when the Dollar Index touches **91** this year (or 92.40 in 2021). Taking out that pivotal prior low on the 10-yr. oscillator will likely produce a next leg of decline that could carry to at least five points below the mean. Next year that would be around 85.4, not that this major bear trend will stop there. That's simply the next layer of *possible* trading support in this major Dollar bear trend.

However, even dropping to that level, especially with speed, will no doubt further unwind many analysts minds who have continued to favor the Dollar. And it will also be further wind at the back of commodity prices and gold, of course.