

Technical Scoop E-Commentary December 30 2019

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All-time highs, overbought territory, golds break, dollar falls, repo continues, yields fall, healthy energy

A shortened E-Commentary for the last one of 2019. With the stock markets making new all-time highs again and the golds breaking out it dictated at least a short comment. The stock market is bumping up once again against resistance with high bullish sentiment and indicators in severe overbought territory. A pause? Or something more? Meanwhile golds broke out as the U.S. dollar fell. The repo program continues with no one the wiser as to why is being executed in the first place. Could golds be signaling a potential problem? Bond yields also fell. But there are positive signs in some sectors besides golds. Energy and health care both look interesting. Exposure to health care in the Canadian Dividend Strategy is secured with investment in shares of Sienna Senior Living Inc.

Have a great week! And Happy New Year and a healthy and wise 2020.

DC

“Hope smiles from the threshold of the year to come, whispering, ‘It will be happier.’”

– Alfred Lord Tennyson, Baron, British poet, Poet Laureate of Great Britain and Ireland during Queen Victoria’s reign, 1809-1892

“Tomorrow is the first blank page of a 365-page book. Write a good one.”

- Brad Paisley, American country music singer, songwriter, b. 1972

“Your success and happiness lies in you. Resolve to keep happy, and your joy and you shall form an invincible host against difficulties.”

- Helen Keller, American author, political activist, lecturer, first blind-deaf person to earn a B.A., 1880-1968



Source: www.stockcharts.com

The stock markets keep chugging higher. Once again, the records keep falling as the S&P 500 jumped another 0.6% this Christmas shortened week and once again made a new all-time high. So did the Dow Jones Industrials (DJI), up 0.7% this past week, and the NASDAQ, up 0.9% this week. But in a continuing divergence with the DJI, the Dow Jones Transportations (DJT) is nowhere near its all-time high set in September 2018. The DJT also remains below highs made in November 2019. The DJT gained 0.3% this past week. This is a significant divergence that should not be ignored. Dow Theory says the indices must confirm each other. The failure of

the DJT to confirm the DJI is a major failing. In another divergence, the S&P 600 small cap index failed to make a new high and lost 0.4% on the week. The S&P 600 is also nowhere near its all-time high set in August 2018.

Elsewhere this past week, the TSX Composite struggled to a new all-time high, gaining 0.3% but the TSX Venture Exchange (CDNX) showed some life, gaining 2.7% and is now positive on the year. In Europe, the London FTSE was up 1.1%, the Paris CAC 40 gained 0.3% making new all-time highs, and the German DAX was up 0.1%, also making new all-time highs. In Asia, China's Shanghai Index (SSEC) was flat on the week and the Tokyo Nikkei Dow was down 0.1%. The World MSCI Index did make new 52-week highs but not new all-time highs as it gained 0.8%.

The S&P 500 is hitting the top of what may be an ascending wedge triangle. All other potential triangles, wedges and channels have failed. This is a potential new wedge triangle that could be forming. This suggests there is potential for the market to stall here. Friday's action saw the market gap higher on the open, then reverse and eventually close well off the highs, but still be up marginally on the day. The RSI has now hit over 70, closing at 78. This is in overbought territory and every time we saw the RSI over 70 it eventually led to a drop. This doesn't mean it could happen this coming week, but it does suggest caution going forward. The wedge triangle breaks down under 3,050 and confirmation would come with a breakdown under 2,950.

Other signs we could be at or close to a top is a sentiment indicator (which we were unable to copy) that showed what the smart money and the so-called dumb money were doing. The smart money peaked in August 2019 and has been falling steadily since October. This suggests that the smart money is getting out. The so-called dumb money did the opposite and has been rising since October. Bullish sentiment is also quite high. The S&P 500 high low index is at 100 which is as bullish as it gets. None of this says that the market is about to fall; however, in the past when the RSI was trading consistently over 70, coupled with very high bullish sentiment, it usually signaled at least a temporary top. As noted, we only break down under 3,050 and confirm under 2,950.

Despite the S&P 500 and the major North American indices (and European indices) looking topy, we do note some that may be poised to break out to the upside. China's stock indices appear poised to break out or are in the process of breaking out. So, we could see some funds flow out of North America to China. With the U.S. dollar starting to fall, it may be there are expectations that the Chinese yuan could perform better. Gold and the gold stocks have broken out in the past week and could begin a fresh wave to the upside. Other areas that look promising as we go into 2020 are the energy sector and the health care sector. As well, the Japanese yen looks poised to move higher which could be positive for the Japanese stock indices.

The records are falling but there are numerous caution signs flashing. Could be wise to heed them until the dust at least clears.



Source: www.stockcharts.com

If the stock markets are looking topy, gold and the precious metals are looking the opposite. This past week, both gold and silver broke out of corrective channels. Gold gained 2.5% on the week while silver was up 4.6%. Platinum also gained 2.3% while palladium bounced back, gaining 4%. The gold stocks enjoyed a banner week as the Gold Bugs Index (HUI) made new 52-week highs, gaining 8.2% while the TSX Gold Index (TGD) was up 6.0% but remaining short of new 52-week highs. The gold stocks have enjoyed a banner year with the HUI up 47.9% and the TGD up 38.8% thus far this year with only a couple of days to go. The junior exploration market has not fared as well but with the producers rising at some point the juniors will come to life as well.

A catalyst was the falling US\$ Index that was down 0.7% on the week, breaking support under 97. The euro gained 0.9% and appears poised to move higher, the Swiss franc was up 0.7%, while the U.K. pound sterling was also up 0.7%. The Canadian dollar gained 0.7% as well while the Japanese yen was flat on the week. Another catalyst for gold was the repo program. We suspect the repo program is helping to fuel the stock market as the recent gains have largely coincided with the escalation of the program. The funds are not going out in loans; instead, they are moving into speculation in the stock market. Gold may now be realizing there is a major problem out there and as a result there is a flight to the safety of bonds and gold. The U.S. 10-year Treasury note did fall 4 bp this past week to 1.88%. But the big winner was gold, silver, and the gold stocks. The gold stocks also broke out of corrective channels this past week.

Gold's potential target is up to \$1,605 while silver is suggesting a move to \$20.50. Confirmation for gold comes with successive closes over \$1,525 while silver needs to close firmly over \$18.35. The gold stocks have further potential to the upside as well with the HUI potentially targeting up to 265 and the TGD up to 295. Higher targets could be seen.

Gold's RSI is marginally over 70 now, but silver and the gold indices remain below 70. This suggests to us that further gains should be possible in the coming weeks. Seasonals are positive into February. A significant move could be underway.

(Markets & Trends on the next page)

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About MARKETS AND TRENDS

	% Gains (Losses)				Trends		
	Close Dec 31/18	Close Dec 27/19	Week	YTD	Daily (Short Term)	Weekly (Intermediate)	Monthly (Long Term)
Stock Market Indices							
S&P 500	2,506.85	3,240.02 (new highs)	0.6%	29.3%	up	up	up (topping)
Dow Jones Industrials	23,327.46	28,645.26 (new highs)	0.7%	22.8%	up	up	up (topping)
Dow Jones Transports	9,170.40	10,936.70	0.3%	19.3%	up	up	up (weak, topping)
NASDAQ	6,635.28	9,006.62 (new highs)	0.9%	35.7%	up	up	up (topping)
S&P/TSX Composite	14,322.86	17,168.21 (new highs)	0.3%	19.9%	up	up	up (topping)
S&P/TSX Venture (CDNX)	557.20	563.58	2.7%	1.2%	up	down	down
S&P 600	844.94	1,018.87	(0.4)%	20.6%	up	up	up (topping)
MSCI World Index	1,710.88	2,040.34 (new highs)	0.8%	19.3%	up	up	up
NYSE Bitcoin Index	3,769.99	7,183.52	0.1%	90.5%	down	neutral	up (weak)
Gold Mining Stock Indices							
Gold Bugs Index (HUI)	160.58	237.45 (new highs)	8.2%	47.9%	up	up	up
TSX Gold Index (TGD)	186.74	259.21	6.0%	38.8%	up	up	up
Fixed Income Yields/Spreads							
U.S. 10-Year Treasury yield	2.69	1.88	(2.1)%	(30.1)%			
Cdn. 10-Year Bond yield	1.96	1.60	(1.2)%	(18.4)%			
Recession Watch Spreads							
U.S. 2-year 10-year Treasury spread	0.21	0.29	(3.3)%	38.1%			
Cdn 2-year 10-year CGB spread	0.10	-0.07	(75.0)%	(170.0)%			
Currencies							
US\$ Index	95.73	96.55	(0.7)%	0.9%	down	down	up (weak)
Canadian \$	0.7350	0.7660	0.7%	4.2%	up	up	neutral
Euro	114.58	111.75	0.9%	(2.5)%	up	neutral	down (weak)
Swiss Franc	101.88	102.55	0.7%	0.7%	up	up	neutral
British Pound	127.50	130.80	0.7%	2.6%	up	up	up (weak)
Japanese Yen	91.24	91.35	flat	0.1%	down	down (weak)	up (weak)
Precious Metals							
Gold	1,281.30	1,518.10	2.5%	18.5%	up	up	up
Silver	15.54	17.94	4.6%	15.4%	up	up	up
Platinum	795.90	956.60	2.3%	20.2%	up	up	up (weak)
Base Metals							
Palladium	1,197.20	1,881.20	4.0%	57.1%	up	up	up
Copper	2.63	2.829	0.8%	7.6%	up	up	neutral
Energy							
WTI Oil	45.41	61.72	0.9%	35.9%	up	up	up (weak)
Natural Gas	2.94	2.23	(4.3)%	(24.2)%	down	down	down

Source: www.stockcharts.com, David Chapman

Note: For an explanation of the trends, see the glossary at the end of this article.
New highs/lows refer to new 52-week highs/lows.

GLOSSARY

Trends

Daily – Short-term trend (For swing traders)

Weekly – Intermediate-term trend (For long-term trend followers)

Monthly – Long-term secular trend (For long-term trend followers)

Up – The trend is up.

Down – The trend is down

Neutral – Indicators are mostly neutral. A trend change might be in the offing.

Weak – The trend is still up or down but it is weakening. It is also a sign that the trend might change.

Topping – Indicators are suggesting that while the trend remains up there are considerable signs that suggest that the market is topping.

Bottoming – Indicators are suggesting that while the trend is down there are considerable signs that suggest that the market is bottoming.

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