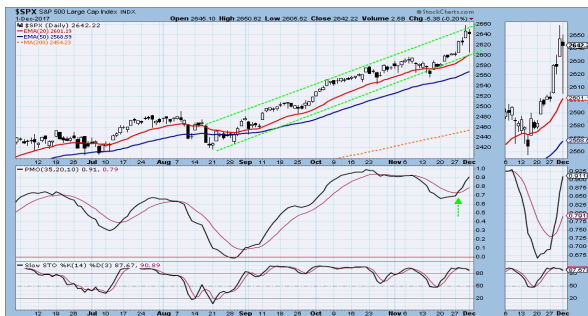


Weekly outlook for Dec. 4 – Dec. 8 2017

Summary



The S&P500 index is expected to repeat last Friday's range in the early days. The futures roll over to the next contract on Friday. 2600-2575 will be the support zone and we expect it to hold up this week. As long as 2575 holds up the short-term trend remains up and buyers will continue to enter on dips.



Oil is expected to have a major pullback soon. The \$55-\$54 level could be the downside target if/when a pullback occurs. Friday's bounce didn't change the ultra-short-term outlook very much. The \$57 level will become a key line for this week, and a failure to hold at that level could start the decline to the downside target.



GOLD is expected to continue moving inside a broad range (\$1305 to \$1265) for one more week. But the following week the Fed will announce its interest rate policy and there may be some spill-over this week. As GOLD doesn't break above the \$1305-08 zone we need to sell at the top of the range and buy on pullbacks to the support. Use protective stops.

1. SP500 index (ES mini, and SPY):

LONG-TERM TREND DIRECTION: Up and bullish

Trade strategy: Buy

The long term uptrend remains strong and bullish. Last Friday intraday sell-off didn't do any damage to the long-term uptrend. We continue to expect SP500 index will rally into the end of year.

INTERMEDIATE-TERM TREND DIRECTION: Up and overbought

Trade strategy: Buy

The intermediate-term trend remains up and bullish. On the weekly chart, we saw the Index hit the top of the two-year rising channel, which began at the beginning of the year 2016. It is reasonable for the price to drop back down towards the bottom of the channel. But because of the holiday season and strong market sentiment, the price may hold well above the 20-week EMA line.



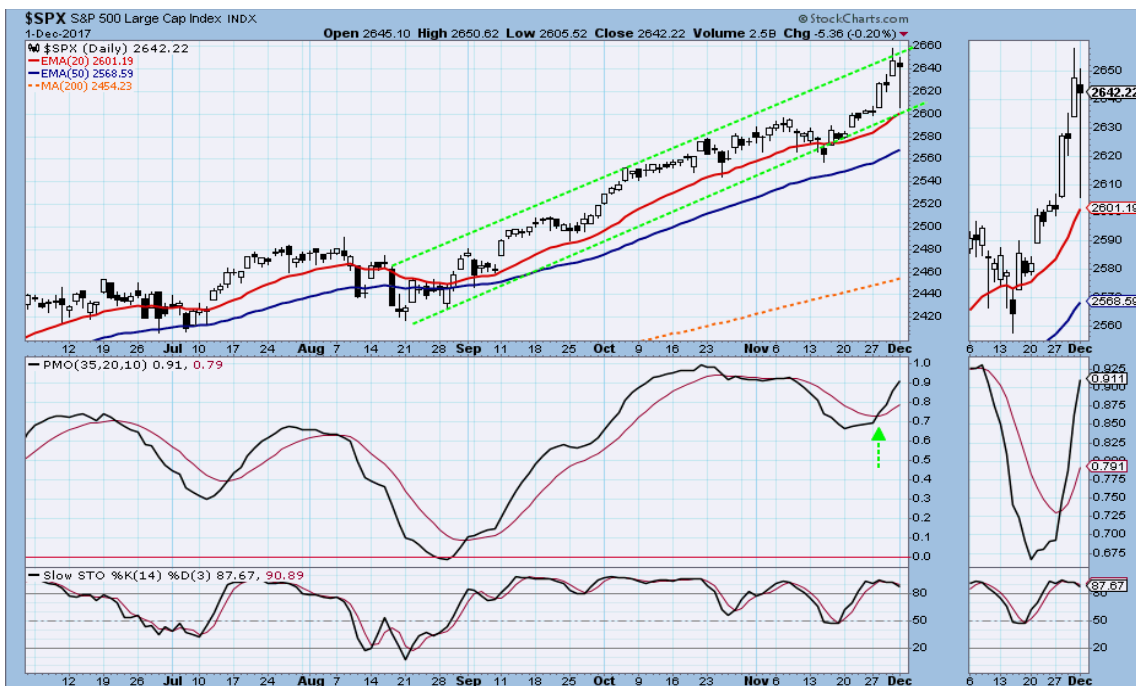
SHORT-TERM TREND DIRECTION: up

Trade strategy: buy on weakness

SP500 index (ES and SPY) made a quick pullback in intraday trading Friday. Most observers pointed at political news (later disavowed) as the cause but for me it looked like a combination of short-term overbought selling and profit-taking from the completion of the monthly range breakout. The decline was quickly bought and did no damage to the longer time-frame.

This is rollover week for SP500 index and ES. The December contract will expire next week, and March 2018 will be the front contract. The rollover move will cause high price volatility.

On the daily chart, the bottom of the short-term rising channel (green line) held the price up on Friday. The daily PMO keeps rising while the slow STO indicator had a minor pullback from an extremely overbought area. We could see price retest last Friday's low in the early days. As long as 2575 holds up the short-term trend remains up. Buyer will continue to enter on dips.



Weekly Option

	Strike	Expiration	Strike	Expiration
Calls	2665	2017/12/4, 6	2685	2017/12/8
Meanline	2635		2600	
Puts	2565	2017/12/4, 6	2535	2017/12/8

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2. Oil (\$WTIC, CL)

LONG-TERM TREND DIRECTION: Neutral

Trade strategy: Sell on major Resistance and buy on Support

The long-term trend is not reacting to external news. The fast momentum trend rose more slowly last week even as it maintained a “BUY” signal (the 10-month EMA line crossed above the 20 month EMA). The 2015 high around \$61-\$62.50 will be the overhead resistance zone. The monthly PMO indicator gets overbought; we expect the price will pull back from the long-term resistance.

INTERMEDIATE-TERM TREND DIRECTION: Up

Trade strategy: Buy on pullback at 20/40-week EMA area

The intermediate-term uptrend is up and bullish, but the price advance stalled around the 200-week EMA line for consolidation. The absence of any follow-through casts doubt on the current up trend. Both weekly PMO and STO indicators are also overbought. The oil price could have a pull-back this week.



SHORT-TERM TREND DIRECTION: Up but overbought

Trade strategy: Sell

Oil had a short-term overbought pullback last week and Friday's bounce didn't change the ultra-short-term outlook very much. The \$57 level will become a key line for this week. A failure to hold it up could trigger short-term selling, and oil could head toward \$55-\$54 zone.



3. GOLD (GC, GLD)

LONG-TERM TREND DIRECTION: flat

Trade strategy: Buy

The long-term trend remains flat and didn't change much. Congestion in GOLD trading makes the 20/40-month EMA lines overlap. The longer GOLD goes this way, the stronger the subsequent break-out move – in either direction – will be. Traders need to keep this mind and follow the breakout direction if/when it occurs.

INTERMEDIATE-TERM TREND DIRECTION: up

Trade strategy: buy above the broken declining line at 1250

Last week GOLD just chopped around its momentum support lines (20/40-week EMA lines) and tried to hold price inside its monthly consolidation range from \$1265 to \$1300. GOLD still needs to exceed the 2016 top to establish a long-term rising trend. Otherwise GOLD could go down to the \$1250 level if \$1260 fails to hold. But the downside has some limits. As soon as the weekly PMO indicator stops declining and turns up GOLD will bounce back up again.



SHORT-TERM TREND DIRECTION: neutral

Trade strategy: range trading

GOLD bounced around inside a consolidation zone from \$1300 to \$1265. As long as GOLD doesn't break this range, sellers will defend the \$1300 resistance level and buyers will defend the \$1265 support line. We could have one more week for consolidation, but the following week we have the Fed rate policy announcement (Dec. 12-13). That could lead to a breakout move for GOLD, with the direction depending on the Fed's change/no change decision.

This week, as long as GOLD doesn't break above the \$1305-08 zone we need to sell at the top of the range and buy on pullbacks to the support. Make sure you have protective stops in place.



WEEKLY ECONOMIC REPORTS

MONDAY, DEC. 4					
10 am	Factory orders	Oct.		-0.4%	1.4%
TUESDAY, DEC. 5					
8:30 am	Trade deficit	Oct.		-\$47.0 bln	-\$43.5bln
9:45 am	Markit services PMI	Nov.		--	55.3
10 am	ISM nonmanufacturing index	Nov.		59.1%	60.1%
WEDNESDAY, DEC. 6					
8:15 am	ADP employment	Nov.		--	235,000
8:30 am	Productivity	Q3		3.2%	3.0%
8:30 am	Unit labor costs	Q3		0.3%	0.5%
THURSDAY, DEC. 7					
8:30 am	Weekly jobless claims	12/2		240,000	238,000
12 noon	Flow of funds	Q3			
3 pm	Consumer credit	Oct.		--	\$21 bln
FRIDAY, DEC. 8					
8:30 am	Nonfarm payrolls	Nov.		195,000	261,000
8:30 am	Unemployment rate	Nov.		4.1	4.1%
8:30 am	Average hourly earnings	Nov.		0.3%	0.0%
10 am	Consumer sentiment	Dec.		99.0	98.5
10 am	Wholesale inventories	Oct.		--	0.3%