

## Weekly outlook for Feb. 12 – Feb. 16 2017

### Summary

- **The S&P500 index** is expected to have some bounce this week due to major February option expiration. But the bounce should not last very long. The intermediate-term trend is changing with key medium-term resistance around 2750-2800. A break below 2525 level could break the intermediate-term uptrend.
- **Oil** broke its key support line \$59 and triggered medium-term selling. Resistance around \$62.75-63.50 zone is expected to hold the price down for this week. Last week's sharp selling was quite a bearish movement. The decline should be expected to continue toward the next major support line around the 200-dEMA line (\$54.50).
- **GOLD** is expected to hold above \$1309 level in the early days of the week. But later Gold may go down further. The uptrend should continue once the damage to short-term technical indicators is repaired

## SP500 index (ES mini, and SPY):

**LONG-TERM TREND DIRECTION: Up but correction is in process**

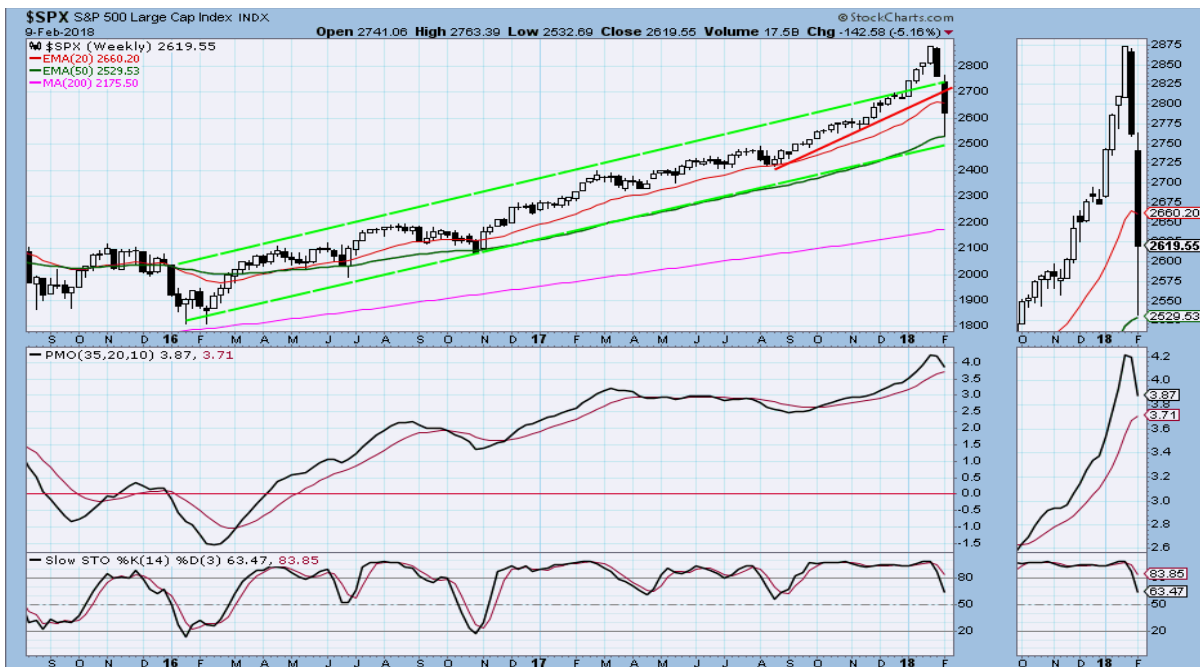
**Trade strategy: flat**

The long term trend is up, but price is pulling back under the top line of the rising channel (green lines). Monthly PMO topped. The short-term price may bounce this week, but the long-term uptrend strength is changing from super bullish to normal bullish. A further pullback should still be expected after a brief short-term oversold bounce.

**INTERMEDIATE-TERM TREND DIRECTION: Up but correction in process**

**Trade strategy: Sell on the top of rising channel**

The intermediate-term trend so far is still up. But price has already moved under the broken resistance line of the rising channel. Now the 2750-2800 area turns into a key resistance zone. As long as the Index stays under that key zone, the outlook will be bearish. A break below 2525 level could trigger a break through the psychological support at 2500 level and break the intermediate-term uptrend. If that occurs, it indicates we are moving into a bear market.



**SHORT-TERM TREND DIRECTION: down but oversold**

Trade strategy: **Short on Bounce**

The SP500 index had a continuation low move last week. It will have a short-term oversold condition soon. A bounce may occur, but it shouldn't last very long; the intermediate-term is still in overbought condition which could prevent the price from popping. The 2750 level is the overhead resistance line. The sellers definitely will try to defend it.



**Weekly Option**

|                 | Strike price | Expiration       | Strike price | Expiration |
|-----------------|--------------|------------------|--------------|------------|
|                 | 2775         |                  |              |            |
| <b>Meanline</b> | <b>2620</b>  | <b>2/12/2018</b> |              |            |
|                 | 2485         |                  |              |            |

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## 2. Oil (\$WTIC, CL)

**LONG-TERM TREND DIRECTION: up and price at top area**

**Trade strategy: flat**

The long-term didn't change much last week. The price dipped under the 200-mMA line, and give a neutral outlook.

**INTERMEDIATE-TERM TREND DIRECTION: down**

**Trade strategy: Sell**

The intermediate-term trend is up, but the medium-term correction has been triggered last week. The weekly chart shows a bearish engulfing candle. Even though the price managed to hold above the 20-wEMA line, eventually price is expected to fall further. The next major support line will be the \$54.50 area. The weekly PMO topped and the short-term support line failed which produces a bearish outlook at the current stage. Any brief bounce this week will be treated as a second high for the downside move.



**SHORT-TERM TREND DIRECTION: down**

Trade strategy: **short on bounce**

Oil price returned under its broken resistance line at \$62.50 line, but broke the major support at \$59 on Friday. Last week's sharp selling was quite a bearish movement. The decline should be expected to continue toward the next major support line around the 200-dEMA line (\$54.50).



### 3. GOLD (GC, GLD)

**LONG-TERM TREND DIRECTION: Flat**

**Trade strategy: no action**

The long-term trend is neutral. Gold retraced down to its key support level area at \$1309; if that level holds this week the longer-term outlook is slightly bullish.

**INTERMEDIATE-TERM TREND DIRECTION: neutral**

**Trade strategy: potential bearish double top pattern**

The intermediate-term trend is in the process of changing direction. A potential bearish top pattern could be formed if price breaks down the \$1300 level. The weekly PMO topped last week, and the \$1300-\$1288 zone may fail to hold up if the price can't go back above \$1350 for this week's close.



**SHORT-TERM TREND DIRECTION: down**

**Trade strategy: Short on bounce**

Last week Gold did have an ultra-short-term pullback after the Fed policy announcement. The minor pullback did not change the medium-term uptrend direction. But on the daily chart the PMO indicator crossed below its signal line, and gave a sell signal. It suggests a further short-term decline is still possible in the early days of this week. After the PMO indicator moves near the zero line and the Slow STO indicator reaches oversold territory, Gold should resume its short-term rally.



## WEEKLY ECONOMIC REPORTS

| MONDAY, FEB. 12    |                           |         |  |    |          |
|--------------------|---------------------------|---------|--|----|----------|
| 2 pm               | Federal budget            | Jan.    |  | -- | \$51 bln |
| TUESDAY, FEB. 13   |                           |         |  |    |          |
| 6 am               | NFIB small-business index | Jan.    |  | -- | 104.9    |
| 11 am              | Household debt            | Q4      |  | -- | 3.7%     |
| WEDNESDAY, FEB. 14 |                           |         |  |    |          |
| 8:30 am            | Consumer price index      | Jan     |  | -- | 0.1%     |
| 8:30 am            | Core CPI                  | Jan.    |  | -- | 0.3%     |
| 8:30 am            | Retail sales              | Jan.    |  | -- | 0.4%     |
| 8:30 am            | Retail sales ex-autos     | Jan.    |  | -- | 0.4%     |
| 10 am              | Business inventories      | Dec.    |  | -- | 0.4%     |
| THURSDAY, FEB. 15  |                           |         |  |    |          |
| 8:30 am            | Weekly jobless claims     | Feb. 10 |  | -- | --       |
| 8:30 am            | Empire state index        | Feb.    |  | -- | 17.7     |
| 8:30 am            | Philly Fed                | Feb.    |  | -- | 22.2     |
| 9:15 am            | Industrial production     | Jan.    |  | -- | 0.9%     |
| 9:15 am            | Capacity utilization      | Jan.    |  | -- | 77.9%    |
| 10 am              | NAHB home builders' index | Feb.    |  | -- | 72       |
| FRIDAY, FEB. 16    |                           |         |  |    |          |
| 8:30 am            | Housing starts            | Jan.    |  | -- | 1.192mln |
| 8:30 am            | Building permits          | Jan.    |  | -- | 1.300mln |
| 8:30 am            | Import price index        | Jan.    |  | -- | 0.1%     |
| 10 am              | Consumer sentiment        | Feb.    |  | -- | 95.7     |