



Weekly outlook for Mar. 12 – 16, 2018

Summary

- **The S&P500 index** could have a continuation move higher early in the week, but quadruple witching expiration on Friday is likely to put pressure on traders on both sides..
- **Oil** remains within an intermediate-term falling wedge pattern. A true break below \$60 or above \$64 would end the pattern and initiate a new trend in the direction of the break-out.
- **GOLD** is in a consolidation area, with the key support around \$1305-\$1300. We are watching for the price to pull back, then bounce a little but the consolidation is likely to continue until the next FOMC meeting Mar. 20..

SP500 index (ES mini, and SPY):

LONG-TERM TREND DIRECTION: Up

Trade strategy: flat

The long term trend is up and mainly unchanged, but there is little incentive to open new long-term positions.

INTERMEDIATE-TERM TREND DIRECTION: bullish

Trade strategy: buy on dip at EMA line support

The intermediate-term trend is up. The index never closed below its 20-wEMA line in the past four weeks which indicates the price is likely to remain inside a broad correction range (2889.50 to 2530). However there is still room for the price to go back up to the top of that range. The weekly PMO has turned up again, which could support the price either holding up at current level or rallying up to January's high.



SHORT-TERM TREND DIRECTION: up and bullish

Trade strategy: **buy on dip**

The SP500 index broke up through its triangle pattern (dotted red lines on the chart) last Friday. The action was bullish and negates the possibility of a double bottom pattern. But electronic trading systems make these break-out patterns less reliable; there should be a continuation move following a true break-out, but sometimes we are seeing reversals. For now we are assuming this bullish action should carry the SP500 index back up to retest this year's high. Our trading strategy is to buy on dips around the 20/50-dEMA line. This Friday is quadruple witching (options and futures expire at the same time) and we expect attempts to shake out traders holding positions on both sides.



Weekly Option

	Strike price	Expiration	Strike price	Expiration
	2835			
Meanline	2775	3/12/2018	****	3/16/2018
	2675			

**** see daily trading plan

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2. Oil (\$WTIC, CL)

LONG-TERM TREND DIRECTION: up

Trade strategy: flat

The long-term didn't change much last week. Oil managed to hold above the 20/40-mEMA line and below the 200-mEMA line.

INTERMEDIATE-TERM TREND DIRECTION: up

Trade strategy: buy on major support at 40- and 200-wEMA line area.

Oil has had a four- week consolidation move after it made a high in January 2018. The big problem is that the weekly PMO indicator is overbought and near its topping area. But momentum EMAs are solid and bullish; if the 20-wEMA line later fails to hold up the 50- and 200-wEMA lines are still expected to prevent the price from falling.



SHORT-TERM TREND DIRECTION: neutral but a little oversold

Trade strategy: buy on dip

There is a two-month falling wedge pattern (dashed red lines) on the daily chart. Oil could go in either direction, most likely following in the direction of the first true breakout. The daily PMO indicator is oversold. A break below \$59.95 line could trigger a stop run and push the price down toward the \$56.50 area. But we will quickly see buying on the dips if there is a breakdown move. On the upside, a break above \$64 could push the price back up to challenge the long-term resistance at \$65 and January's high around the \$66.50 area.



3. GOLD (GC, GLD)

LONG-TERM TREND DIRECTION: neutral

Trade strategy: buy on dip

The long-term trend remains neutral. Gold is struggling to hold above \$1310 level to avoid falling below the 200-mEMA line, which would be likely to trigger long-term selling.

INTERMEDIATE-TERM TREND DIRECTION: neutral

Trade strategy: no action

The intermediate-term trend is also neutral. So far weekly momentum support lines (20/40-wEMA) help hold the price up. But PMO and Slow STO all show internal weakness, and buying strength is not there. It seems Gold is waiting for the Fed's next move. Continuing hikes in interest rates will make it difficult for Gold to break through the green channel top.



SHORT-TERM TREND DIRECTION: neutral

Trade strategy: The unfilled gap at \$1305.40 will be the key for this week to determine whether or not Gold can go down further.

It looks like gold has a double top with multiple-shoulders pattern on the daily chart. The neckline is lying around the \$1305-\$1300 zone. The recent decline is likely to stall if gold can fill the gap at \$1305.40 and bounce above \$1325 the same day. If not, gold is likely to go lower toward the \$1290 level. We are expecting a continuation of the sideways consolidation until the next FOMC meeting (March 20-21).



WEEKLY ECONOMIC REPORTS

MONDAY, MARCH 12					
2 pm	Federal budget	Feb.		--	-\$192bln
TUESDAY, MARCH 13					
6 am	NFIB small-business index	Feb.		--	106.9
8:30 am	Consumer price index	Feb.		0.2%	0.5%
8:30 am	Core CPI	Feb.		0.2%	0.3%
WEDNESDAY, MARCH 14					
8:30 am	Retail sales	Feb.		0.4%	-0.3%
8:30 am	Retail sales ex-autos	Feb.		0.4%	0.0%
8:30 am	Producer price index	Feb.		0.2%	0.4%
10 am	Business inventories	Jan.		--	0.4%
THURSDAY, MARCH 15					
8:30 am	Weekly jobless claims	3/10		--	231,000
8:30 am	Import price index	Feb.		--	1.0%
8:30 am	Philly Fed	March		--	25.8
8:30 am	Empire state index	March		--	13.1
10 am	Home builders' index	March		--	72
FRIDAY, MARCH 16					
8:30 am	Housing starts	Feb.		1.283mln	1.326mln
8:30 am	Building permits	Feb.		--	1.377mln
9:15 am	Industrial production	Feb.		0.4%	-0.1%
9:15 am	Capacity utilization	Feb.		77.8%	77.5%
10 am	Consumer sentiment	March		99.5	99.7
10 am	Job openings	Jan.		--	5.8 mil