



Weekly outlook for Oct. 8 – Oct. 12 2018

Summary

- **The S&P500 index** is expected to go lower to test last week's low first to form a short-term bottom. The 50-dEMA line will be the key for this week. If it fails to hold the index could sell off more into the low boundary of the rising channel. A short-term bottom could be made this week.
- **Oil** is expected to continue to pull back to the \$73.35 area to search for support. The \$75.35 line is a key for this week; it controls if we will test either a new high at \$76.90 or a temporary return to the low at \$72.25.
- **GOLD** is expected to attempt an upside break-out as long as the price stays above \$1190-80, the major support zone. Gold made a higher low last week and seems to have made a double bottom.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy: Scalping buy 20-wEMA line area

The SP500 index dropped below its parabolic arc last week, but price remains above 20-wEMA line. So far intermediate term uptrend remains intact. Only the short term correction is in process. The weekly PMO has topped. The index may start an intermediate-term correction if 20-wEMA line fails to hold.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: scalping Short on early strong bounce or scalping buy on early weak dip

The SP500 index made a new high on Wednesday and pulled back from it in a relatively sharp declining. It was just a short-term correction due to overbought condition. The 50-dEMA line will be the key line for this week. If it fails to hold up the index could sell off more into the low boundary of the rising channel. But the \$VIX is overbought, so a short-term bottom could be made this week.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	2955			
Meanline	2900	10/8/2018	****	
	2815			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: UP
Trade strategy: buy on pullback or short on strong rally

Oil broke July monthly high last week and retraced from it. The price may continue moving higher if oil stays above last week's low. But the upside potential may be limited. So far \$80 remains a reasonable upside target for the buyers. A failure to go above \$76.90 this week could lead oil back down to retest the 20-wEMA line.



SHORT-TERM TREND DIRECTION: Up

Trade strategy: Short on strong rally and buy on dip

Oil made new high at \$76.90 last Wednesday and has started to consolidate since then. The short-term trend remains up, but either (or both!) the \$72.90 (last July's high) breakout point and the low band of the uptrend channel at \$70.25 could be retested again. However if the price stays above \$73.75 oil can still try to reach a higher level



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: down with extremely oversold
Trade strategy: buy on dip

Gold remains inside its consolidation range. But the weekly PMO is trying to bottom. It indicates that gold may need a little more time to accumulate due to negative sentiment. But the sentiment has been so negative since the 2011 price top that this time it could be the contrarian indicator. \$1180-\$1190 remains a key support zone for short-term and intermediate-term.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: buy on dip

Gold made a higher low last week. It seems to have made a double bottom. If gold can break through the \$1220-\$1225 zone, we may see the price move higher. The daily PMO turned up and implies that a breakout is likely. But that possibility may depend on the US dollar. A weaker dollar could translate into a higher price for Gold.



WEEKLY ECONOMIC REPORTS

MONDAY, OCT. 8					
	None scheduled Columbus Day				
TUESDAY, OCT. 9					
6 am	NFIB small-business index	Sept.		--	108.8
WEDNESDAY, OCT. 10					
8:30 am	Producer price index	Sept.		0.2%	-0.1%
10 am	Wholesale inventories	Aug.		--	0.6%
THURSDAY, OCT. 11					
8:30 am	Weekly jobless claims	10/6		206,000	207,000
8:30 am	Consumer price index	Sept.		0.2%	0.2%
8:30 am	Core CPI	Sept.		0.2%	0.1%
2 p m	Federal budget	Sept.		--	\$8 bln
FRIDAY, OCT. 12					
8:30 am	Import price index	Sept.		--	-0.6%
10 am	Consumer sentiment index	Oct.		100.6	100.1