



Weekly outlook for Dec. 3 – Dec. 7 2018

Summary

- [The S&P500 index](#) is expected to have a high volatility move this week. Price could have a big swing in either direction. Note that the NYSE (but not Globex) will be closed Wednesday.
- [Oil](#) is expected to start a short-term bounce this week.
- [GOLD](#) is expected to continue having a choppy move in reaction to external news.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: neutral to down

Trade strategy:

The SP500 index is consolidating below the bull market rising trend line. Up to now I still expect that index should stay inside this year's range – i.e. no new all-time high. But now I don't know if the index will repeat its earlier January-March action – a breakdown, consolidation, and then a rally (perhaps to new highs) or not. Based on the weekly PMO indicator, I doubt it. But for the last month of 2018, external events are likely to influence the market more. High volatility is ahead and anything can happen this month. Traders will be hedging their bets for virtually all trades.



SHORT-TERM TREND DIRECTION: neutral

Trade strategy: Watch 50 and 20-dEMA lines. Below the 20-dEMA line, focus on short side. Above 2765, watch for a possible pop up to 2820 area

The SP500 index formed a double bottom pattern last week and bounced from the November lows. The neckline is lying around the 2820 area. In order to make the outlook bullish again, the index has to overcome the resistance from the short-term downtrend line (dashed red line) overlapping the 200-day moving average line, and subsequently the neckline. The daily PMO indicator has a buying signal, but the value is still negative and below the zero line. The 20-day moving average line will be a key for this week. A move under it will re-open the downtrend channel and eliminate the bullish double bottom pattern.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	2825			
Meanline	2750	12/3/2018	****	
	2655			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: down

Trade strategy: Short on major resistance line below \$64 if there is a strong bounce

Oil consolidated under its broken 200-wEMA line last week. Now that 200-wEMA line is a key. Re-taking control of that level by the bulls will lead oil to bounce up to \$55-\$58 or higher under the 50-wEMA line. A failure to move above the 200-wEMA line will be bearish for oil in the longer term. The next best support is lying around \$45-\$42 area.



SHORT-TERM TREND DIRECTION: Down

Trade strategy: buy on dip

Oil has had a 35% decline from the October top but managed to consolidate above \$49.50 for last week. The short-term oversold condition, plus the completion of the range breakdown movement downside target could provide a short-term buying opportunity. The daily PMO is near a three-year low area. A brief bounce should be expected.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: neutral

Trade strategy: Short on major resistance zone under 1250 line

The Gold weekly chart is not looking too good. It seems to be forming a bear flag under the broken long-term support line. Even though PMO is rising above its signal line, the strength is still weak to support a price rally. Overhead many resistance lines are expected to hold gold down in the absence of external news events. For the long term, the support around the \$1050 range remains intact.



SHORT-TERM TREND DIRECTION: neutral

Trade strategy: Short near 200-dEMA line

Gold was barely positive last week. Price chopped around 20/40-dEMA lines. And daily PMO is sitting slightly above its zero line without a buying signal. Gold can go either way, But overhead the 200-dEMA line at the \$1247 area will remain as a major resistance this week. Gold may pop if US\$ declines. Otherwise price should continue going sideways for consolidation.



WEEKLY ECONOMIC REPORTS

MONDAY, DEC. 3					
9:45 am	Markit manufacturing PMI	Nov.		--	55.4
10 am	ISM manufacturing index	Nov.		58.2%	57.7%
10 am	Construction spending	Oct.		0.3%	0.0%
TUESDAY, DEC. 4					
Varies	Motor vehicle sales	Nov.		17.2 mln	17.5 mln
WEDNESDAY, DEC. 5					
8:15 am	ADP employment	Nov.		---	227,000
8:30 am	Productivity	Q3		2.3%	2.2%
8:30 am	Unit labor costs	Q3		1.1%	1.2%
9:45 am	Markit services PMI	Nov.		--	55.4
10 am	ISM nonmanufacturing index	Nov.		59.8%	60.3%
10 am	Quarterly services survey	Q3		--	--
2 pm	Beige book			--	--
THURSDAY, DEC. 6					
8:30 am	Weekly jobless claims	12/1		225,000	234,000
8:30 am	Trade deficit	Oct.		-\$54.9bln	-\$54.0bln
10 am	Factory orders	Oct.		-2.0%	0.7%
FRIDAY, DEC. 7					
8:30 am	Nonfarm payrolls	Nov.		201,000	250,000
8:30 am	Unemployment rate	Nov.		3.7%	3.7%
8:30 am	Average hourly earnings	Nov.		0.2%	0.2%
10 am	Wholesale inventories	Oct.		--	0.4%
10 am	Consumer sentiment index	Nov.			
3 pm	Consumer credit	Oct.			\$11bln