

Weekly outlook for Feb. 4 – Feb. 8, 2019

Summary

- **The S&P500 index** is expected to have a minor pullback, but 2696-95 will be a key area to watch. Failure to hold up this zone could lead to a move further down toward the 2670-65 area or lower
- **Oil** is expected to continue moving up first before it makes a retracement. \$50 is a major support area. Any re-test of \$52.50 is expected to see buyers enter.
- **GOLD** is expected to have a retracement to fill last week's two unfilled gaps, but the support at the \$1290-\$1300 zone will likely hold.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: neutral

Trade strategy:

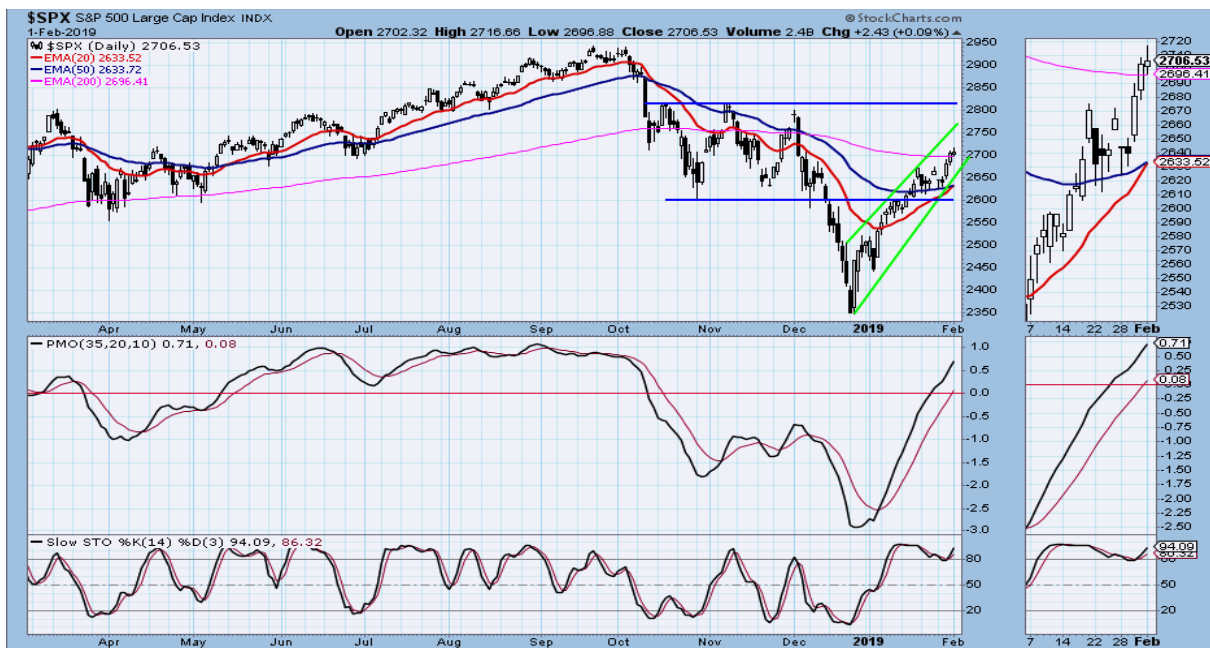
SP500 index is still well below the bull market rising trend line (ewd). The Index could continue going up to test that rising trend line, as well as the all-time high. The weekly PMO is rising and looks bullish in the intermediate-term. But if the index fails to move up further this week, a minor pullback could be seen.



SHORT-TERM TREND DIRECTION: up

Trade strategy: buy around 20/50-dEMA line area

The SP500 index moved above the 200-dEMA line and closed above it on Friday. So far it is still considered as a testing move (i.e. Not yet confirmed) but the price action is bullish. The short-term momentum is going to give a short-term buy signal soon, but the daily PMO indicator is near the top area of September while index still is in the middle between September's high and December's low. This could suggest that the rally may end when the daily PMO becomes overbought.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	2755			
Meanline	2695	2/4/2019	****	
	2610			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: neutral

Trade strategy: Buy on dip or short on a strong pop

The spread between the 200-wMA line at \$52.54 and the 200-wEMA line at \$60.01 will lead many intermediate- and long-term traders to view prospective trades from opposite viewpoints. One is considered as a support for a buy entry and the other will be treated as a resistance for a short entry. The price action this week will help determine which view will win out. There is also a potential long-term bearish H&S pattern forming and oil is at the right shoulder. This may become a top, depending on what happens at the overlapping 50 and 200-wEMA overhead resistance lines. The weekly PMO indicator is turning up, but still under the zero line. Oil in this time frame could go in either direction.



SHORT-TERM TREND DIRECTION: neutral

Trade strategy: buy on dip

Oil broke the December high (yellow) and closed above it on Friday. The price action was bullish. But the rising flag pattern commands our attention. Usually the rising flag formation is considered as a weak pattern. Plus the full measured neckline of the short term inverted H&S pattern should be around \$56.47 line. We may see a pullback to retest the low of the rising flag and 50-dEMA line this week before the rally continues.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: up

Trade strategy: buy on dip

Gold had a continuation rally last week. The weekly outlook remains bullish. The weekly PMO is rising above the zero line and looks positive. As long as the price stays above the \$1305 level, the intermediate-term upside target at \$1365-\$1370 area remains intact.



SHORT-TERM TREND DIRECTION: up

Trade strategy: buy on dip

Gold had a two-day runaway gap move before last Friday's trading. The short-term is getting overbought, and some back-fill is likely this week. \$1290-\$1300 – the rising trend line – should act as a support zone. If a pullback occurs, new buyers will likely enter the market.



WEEKLY ECONOMIC REPORTS

MONDAY, FEB. 4					
10 am	Factory orders (rescheduled) (Dec. report delayed)	Nov.		-0.1%	-2.1%
7:30 pm	Loretta Mester speaks				
TUESDAY, FEB. 5					
8:30 am	Trade balance	Dec.	DELAYED	--	N/A
9:45 am	Markit services PMI	Jan.		--	54.2
10 am	ISM nonmanufacturing index	Jan.		57.0%	57.6%
9 pm	State of the Union address				
WEDNESDAY, FEB. 6					
8:30 am	Trade balance	Nov.		-\$53.6 bln	-\$55.5bln
8:30 am	Productivity*	Q4		1.4%	2.3%
8:30 am	Unit labor costs*	Q4		2.0%	0.9%
6 pm	Randal Quarles speaks				
7 pm	Jerome Powell speaks				
THURSDAY, FEB. 7					
8:30 am	Weekly jobless claims	2/2		225,000	253,000
9:30 am	Richard Clarida speaks				
3 pm	Consumer credit	Dec.		--	\$22 bln
7:30 pm	James Bullard speaks				
FRIDAY, FEB. 8					
10 am	Wholesale inventories (rescheduled)	Dec		--	0.3%