

Weekly outlook for May 6– May 10 2019

Summary

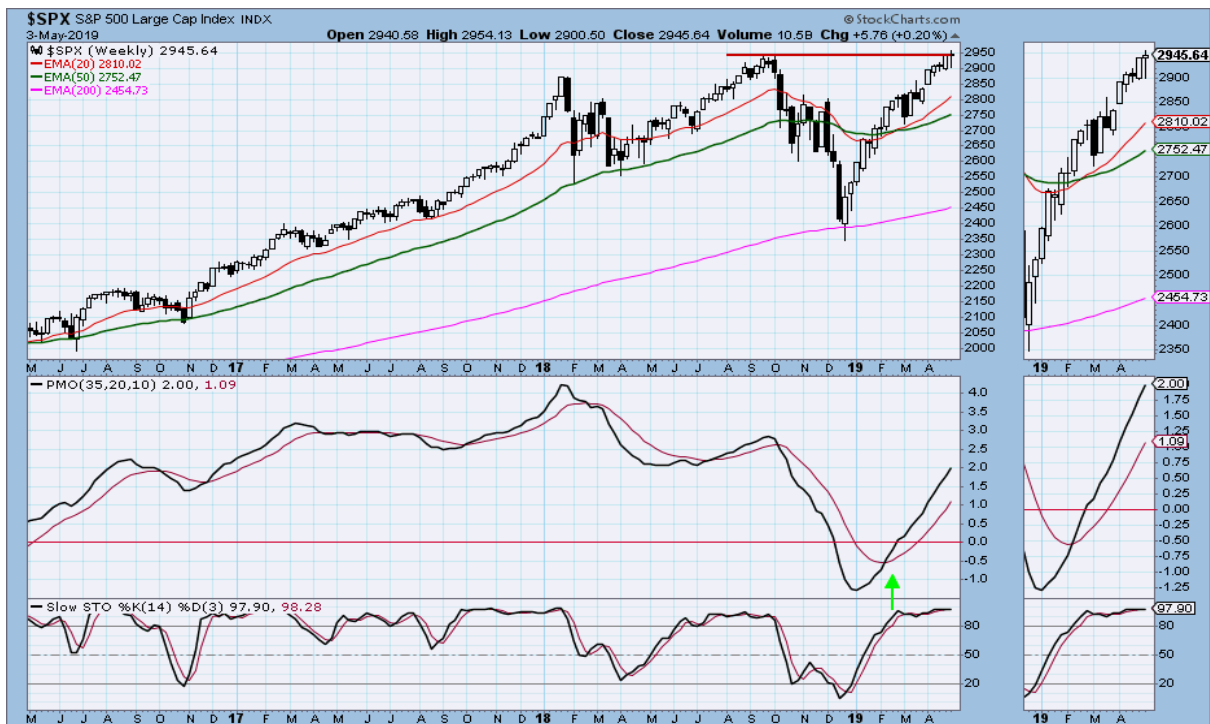
- **The S&P500 index** is expected to have a minor pullback early, but as long as the index holds above the 50-dEMA line, it is bullish. We expect to see buyers continue stepping in if/when the price pulls back.
- **Oil** is expected to see some oversold bounce. This may take the form of a dump-and-bump move.
- **GOLD** is expected to remain in a sideways consolidation range first, but there is a strong chance it will challenge (but initially not break) overhead resistances.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy:

SP500 index had a small doji candle pattern on the weekly chart. It is an indecision pattern. But the weekly PMO is very strong while the market keeps making new all-time highs. Although we saw thin volume on the upside and some negative divergences, the market is overlooking those problems for now. Therefore we should follow the market's steps, and remain cautiously on the buying side with protective stops.



SHORT-TERM TREND DIRECTION: up with nenutral

Trade strategy:

The SP500 index had some profit-taking last Wednesday and Thursday after it reached an extremely overbought short-term condition. But on Friday the index managed to bounce and closed green for the week.

On the daily chart, the daily PMO dropped a lot, but is still above the zero line, which continues showing support for a strong price move. The slow STO indicator is above neutral area. The price remains inside the rising trend channel. It looks like the index could still move up to Wednesday's overnight high area, although the upside is limited, and a short-term top is not too far away. 2900-2898 will be a key support zone for this week. If it fails to hold up the index may reverse; in that case a test of the 50-dEMA line would be the downside target.



Weekly Option

| | Strike price | Expiration Date | Strike price | Expiration Date |
|-----------------|--------------|-----------------|--------------|-----------------|
| | 3000 | | | |
| Meanline | 2950 | 5/6/2019 | **** | |
| | 2875 | | | |

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: Up

Trade strategy: buy on dip above \$60 zone

Oil reached the bottom line of a rising wedge pattern last week. It could decline a little further to the 50- and 200-wEMA lines area but I doubt there will be downside follow through. The weekly PMO still rose, which didn't show too much price weakness.



SHORT-TERM TREND DIRECTION: up

Trade strategy: buy on rally

Oil made a bearish symmetrical move and directly dropped to the 50-dEMA line last Thursday. It managed to bounce on Friday. The daily PMO indicator keeps declining, and slow STO indicator is near oversold territory. We may see some kind of oversold bounce early this week. In that case the \$65 line will be a resistance area this week. Right now oil is at or near an important support area. A bounce should be expected.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: Oversold

Trade strategy: buy on the rising trend line (red)

The intermediate-term rising trend line held gold up strongly in the past three weeks. Now the weekly PMO indicator crossed above its signal line and gave a weak buy signal on the weekly chart. How long will this signal remain? The 1295-1290 zone and 1300 level will be the key. A failure to break through resistance at those levels could lead gold back down to re-test the 40- and 200-wEMA support lines.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: range trading method should be used

Gold seems to form a double bottom on the daily chart. It regained control of the 200-dEMA broken support and closed above it last Friday. The daily PMO turned up and had higher lows. The slow STO indicator is slightly oversold. Now the broken neckline of the H&S pattern will be a key for this week. A move above it will be bullish. Without that bullish move, expect gold to go sideways and remain within the 1277-1298 consolidation range.



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WEEKLY ECONOMIC REPORTS

| MONDAY, MAY 6 | | | | | |
|------------------|-----------------------|-------|--|----------|-----------|
| | None scheduled | | | | |
| TUESDAY, MAY 7 | | | | | |
| 10 am | Job openings | March | | -- | 7.1 mln |
| 3 pm | Consumer credit | March | | -- | \$15 bln |
| WEDNESDAY, MAY 8 | | | | | |
| | None scheduled | | | | |
| THURSDAY, MAY 9 | | | | | |
| 8:30 am | Weekly jobless claims | 5/4 | | 215,000 | 230,000 |
| 8:30 am | Trade deficit | March | | -\$50.0B | -\$49.4B |
| 8:30 am | Producer price index | April | | 0.2% | 0.6% |
| 10 am | Wholesale inventories | March | | -- | 0.2% |
| FRIDAY, MAY 10 | | | | | |
| 8:30 am | Consumer price index | April | | 0.4% | 0.4% |
| 8:30 am | Core CPI | April | | 0.2% | 0.1% |
| 2 pm | Federal budget | April | | -- | \$214 bln |