

Weekly outlook for May 13– May 17 2019

Summary

- **The S&P500 index** is expected to remain inside the 2900 to 2850 range for this week due to major traditional monthly option expiration. But a breakout of either the top or bottom of that range could lead the price to go up to 2930 or down to 2820.
- **Oil** is expected to make a breakout move.
- **GOLD** is expected to remain inside a sideways range, but any external news may produce a fake breakout move.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy: Short on strong early bounce.

SP500 index had 4.6% drop from the May 1 top, a profit-taking move fuelled by external news. So far the index is still holding above the 20-wEMA line on a weekly closing basis. The decline didn't do too much damage on the weekly chart. But the weekly PMO is about to top, which is not good for the intermediate-term outlook. This week is a traditional monthly option expiration week, and external trade news may continue to influence the US stock market. This week 2820-15 will be a key support zone for the index.

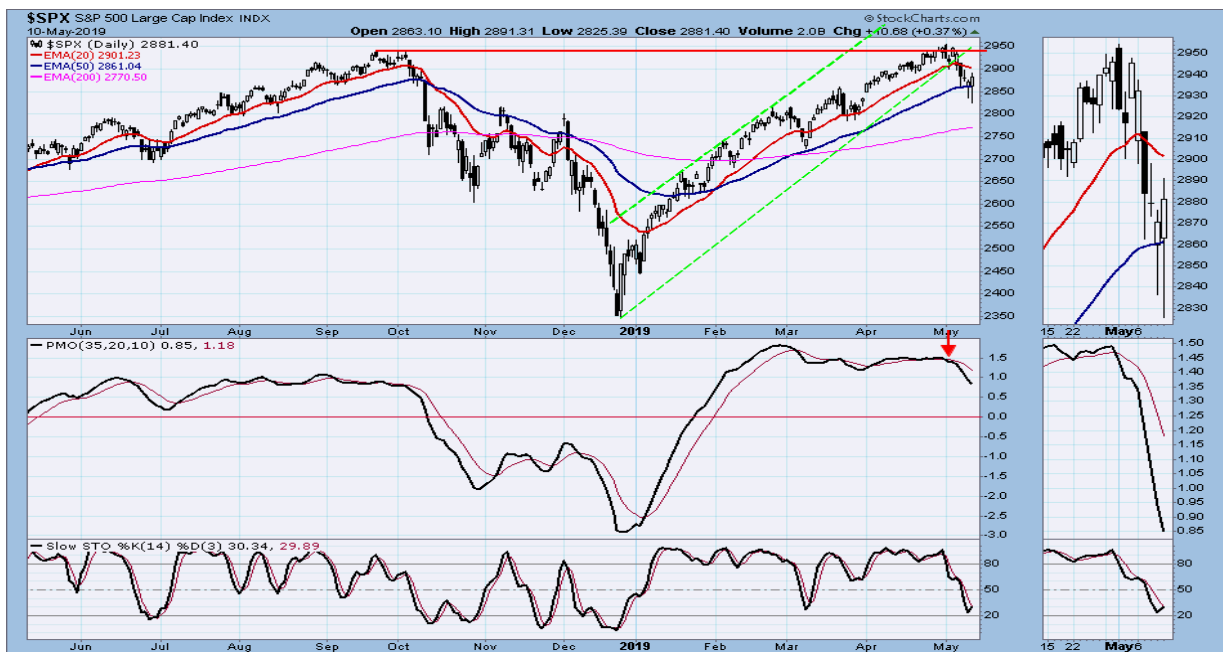


SHORT-TERM TREND DIRECTION: up with oversold

Trade strategy:

The SP500 index has declined about 4.6% from the top at 2960 and broke down through the bottom boundary of its longer-term uptrend channel. On the daily chart it looks like the index is going to form a long-term double top pattern. But looking at last Friday's intraday swings, it could also be that the index just had a hiccup – a short-term profit taking move.

The daily PMO keeps dropping, but is still above the zero line. The slow STO indicator is moving into oversold area. The 2900-2898 zone will be a key area for any upside move; and the 2863-2865 zone will be a key area for a downside move. If the price fails to break through either of those two zones, the index could go sideways to help squeeze premium out of both Calls and Puts for the major traditional option expiration on Friday.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	2950			
Meanline	2890	5/13/2019	****	
	2810			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: Up

Trade strategy: Short on strong pop under \$66.60 line

Oil managed to halt a modest decline and hold above the overlapping support from the 50- and 200-wEMA lines. The weekly PMO is decelerating and getting ready to form a top, which suggests oil has limits on the upside move. Maybe the April high at \$66.60 is the high for the summer season for a while.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: Follow the breakout direction if/when it occurs

Oil consolidated above its 50-dEMA line last week. The daily PMO indicator still declined, and the slow STO indicator moved into oversold territory. Price could go either direction this week. The 200-wEMA line will be a major short-term support area. A break below it will be bearish.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: Neutral

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

The intermediate-term outlook remains neutral. The weekly slow STO indicator has an oversold condition, but weekly PMO indicator crossed down through the signal line and has a selling signal. Now it the intermediate-term outlook depends on the short-term outcome. The weekly chart is at a make-or-break area.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: buy on support line (200-dEMA at 1276 and green trend line at 1270)

Gold formed a double bottom with its neckline is lying around the broken neckline (dashed red line) of the now-discarded H&S pattern. It was very interesting to see gold form this kind of pattern. For me, that is a consolidation behavior. The gold price remains inside two major moving average lines. The daily PMO is rising and above the signal line, looking positive. But the slow STO indicator will get overbought soon. Again the broken neckline of the H&S pattern will be a key for this week. A move above it will be bullish. But if it remains below it, Gold should continue going sideways within last week's range, or within an even more narrow channel.



WEEKLY ECONOMIC REPORTS

MONDAY, MAY 13					
11 am	Survey of consumer expectations	April			
TUESDAY, MAY 14					
6 am	NFIB small-business index	April		--	101.8
8:30 am	Import price index	April		--	0.6%
WEDNESDAY, MAY 15					
8:30 am	Retail sales	April		0.2%	1.6%
8:30 am	Retail sales ex-autos	April		0.7%	1.2%
8:30 am	Empire state index	May		--	10.1
9:15 am	Industrial production	April		-0.1%	-0.1%
9:15 am	Capacity utilization	April		78.6%	78.8%
10 am	Business inventories	March		--	0.3%
10 am	NAHB home builders' index	May		--	63
THURSDAY, MAY 16					
8:30 am	Weekly jobless claims	5/11		215,000	228,000
8:30 am	Housing starts	April		1.205mln	1.139mln
8:30 am	Building permits	April		1.296mln	1.288mln
8:30 am	Philly Fed manufacturing index	May		10.1	8.5
FRIDAY, MAY 17					
10 am	Consumer sentiment index	May		97.0	97.2