

Naturus

Weekly Outlook for July 27 – July 31 2020

Summary

- **The S&P500 index** may see a retracement if the support at 3185 is broken early in the week, but if that occurs, the 50-dEMA line around 3100 should be solid support. At the last day of July the index needs to trade near the 3200 area for the end-of-month settlement in order to avoid changing the uptrend direction.
- **Oil** is still expected to stay inside the range established by the 200- and 50-dEMA lines. As long as oil stays inside that range, the \$42.50 level could still hold the price down and the \$37.50 area still hold the price up.
- **GOLD** is expected to challenge the year 2011 high at \$1923.10 area. Any pullback will be bought as long as the price stays above \$1800.

Scroll down for full analysis

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy: buy on dip at/above support 3020 and short under overhead resistance at 3380

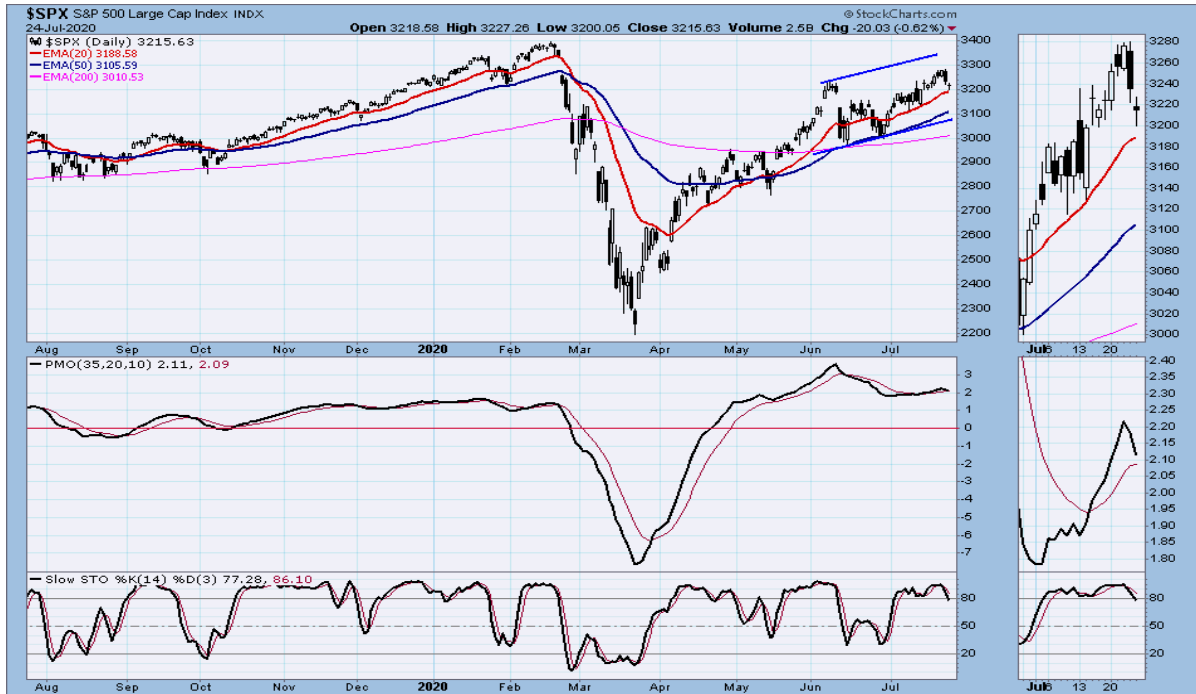
The SP500 index formed a small doji candle on the weekly chart. It suggests the index may be running out of gas and needs to retrace. The 3050-3000 zone is the first intermediate-term support zone. The weekly PMO indicator is still rising with a buying signal and the weekly slow STO is in overbought territory with a second high. That indicates that a short-term pullback will not change its intermediate-term uptrend direction.



SHORT-TERM TREND DIRECTION: up with overbought

Trade strategy: Short any early strong bounce with protective stops

The SP500 index held above its momentum support at the 20-dEMA line last Friday. This week 3185 becomes a key line. It has held up as support three times in the last month. We are watching to see if it holds support again. Last week was a major July option expiration week. The drop in the index in the last two days could be the result of big tech stocks selling off, which may relate to the option expiration, but could also be a sign of the V-shape rally ending.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	3300.00			
Meanline	3200.00	7/27/2020	****	
	3020.00			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: neutral with overbought

Trade strategy: short on bounce under the \$45 level

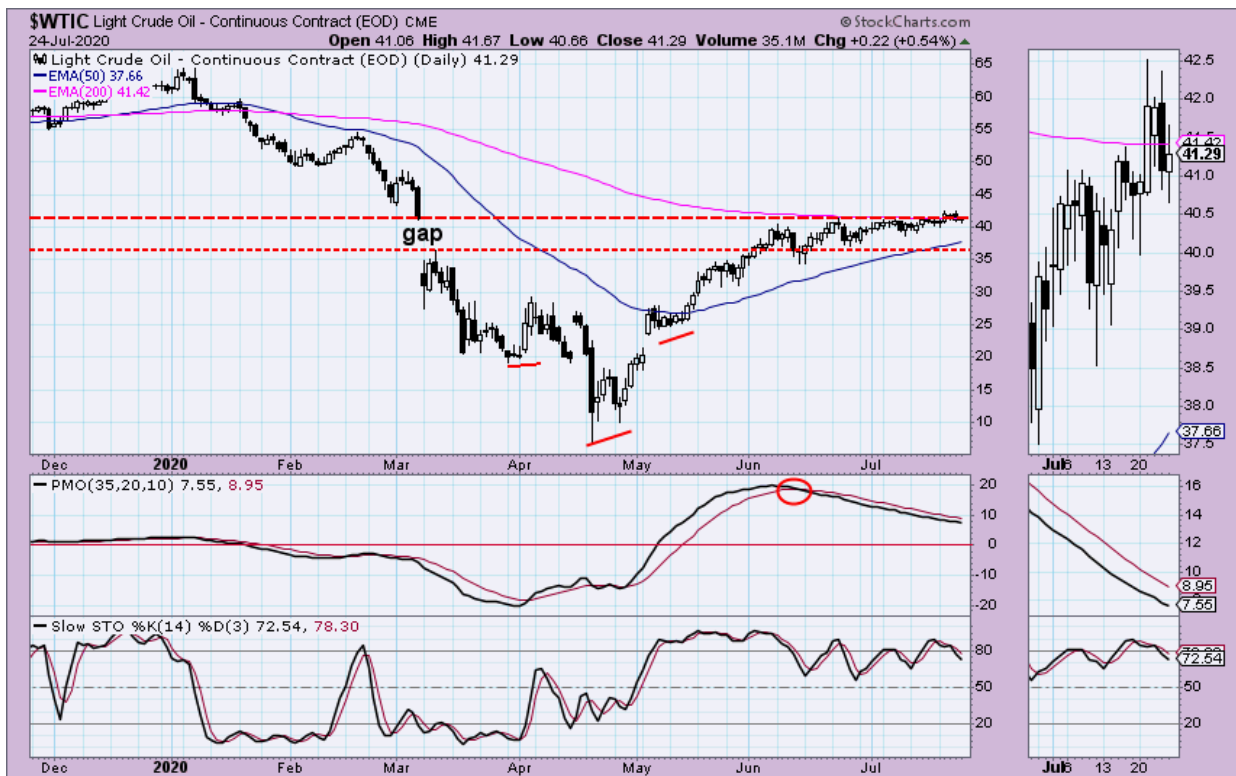
There was still not much change in the intermediate-term outlook for oil last week. The market continued to consolidate inside the 20- and 50-wEMA lines despite an earlier attempt to break out. The weekly PMO indicator held up and the weekly slow STO has an overbought condition. It seems to be preparing for a move to the downside. However oil is influenced by movements in the US dollar, which should prevent any drastic decline. The \$37.50 line (roughly the 20-week EMA) could continue to hold up oil for a while.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy:

The Oil price kept fighting with the 200-dEMA line last week. It broke above the 200-dEMA line once due to weakening in the US\$ during the early days of last week, but failed to close above it. This week Oil may try to break above the 200-dEMA line again. Based on the daily chart, the indicators didn't show any momentum for a move above \$42.50 or below \$37.50. With the market in a long consolidation area, my opinion is that at this stage any move higher will be driven by the currency market, i.e. movement in the US Dollar.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy: buy on dip above \$1800 line

Gold managed to maintain the intermediate-term uptrend from \$1450.90 (green line). That price is the bottom leg of the second impulse wave, which would normally consist of five sub-waves. Right now gold is the third wave of this five-wave process. It is bullish and we expect any pullback will be bought by new buyers. Even though the indicators are overbought, they can get more overbought while gold continues its rally. Gold is close to the year 2011 high area at 1923.70. The market may stall around that price for a while. But the final destination for the long-term uptrend has been measured above the \$2200 level. There may be temporary pullbacks, but there is room to go higher — eventually.



SHORT-TERM TREND DIRECTION: Up with slightly overbought
Trade strategy: buy on dip above \$1820 line

Gold made new highs last Friday and gave out a very bullish outlook. The broken resistance line at \$1800 now becomes a solid support area. Even though the daily slow STO indicator is overbought, the daily PMO indicator still accelerates to the upside. Based on the daily chart, Gold is in the second stage of its rally. This week the former year 2011 high at \$1923.10 may stall the rally for a while, but as long as gold stays above the \$1800 level, the price can recover from any pullback and move higher.



WEEKLY ECONOMIC REPORTS

MONDAY, JULY 27

8:30 am	Durable goods orders	June	--	15.7%
8:30 am	Core capital goods orders	June	--	1.6%

TUESDAY, JULY 28

9 am	Case-Shiller national home price index (year-over-year)	May	--	4.7%
10 am	Consumer confidence index	July	--	98.1
10 am	Home ownership rate	Q2	--	65.3%

WEDNESDAY, JULY 29

8:30 am	Advance trade in goods	June	--	-\$74.3 billion
10 am	Pending home sales index	June	--	44.3%
2 pm	Federal Open Market Committee announcement		0-0.25%	0-0.25%
2:30 pm	Fed Chair Jerome Powell press conference			

THURSDAY, JULY 30

8:30 am	GDP	Q2	-33.0%	-5.0%
8:30 am	Initial jobless claims (regular state program)	July 25	--	N/A
8:30 am	Continuing jobless claims (regular state program)	July 18	--	N/A
8:30 am	Continuing jobless claims (total, NSA)	July 11	--	N/A

FRIDAY, JULY 31

8:30 am	Personal income	June	--	-4.2%
8:30 am	Consumer spending	June	--	8.2%
8:30 am	Core inflation	June	--	0.1%
8:30 am	Employment cost index	Q2	--	0.8%
9:45 am	Chicago PMI	July	--	36.6
10 am	Consumer sentiment index	July	--	73.2