

Weekly Outlook for Aug. 3 – Aug. 7 2020

Summary

- **The S&P500 index** is expected to go higher early in the week and retrace in later week days.
- **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 is still resistance and the \$37.50 area is still support.
- **GOLD** is expected to test the \$2005 area in the early days of the week or make new highs. Any pullback will be bought by new buyers.

Scroll down for the 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 double top pattern resistance at 3355-3380.

SP500 index had an inside week range move last week which suggests the index may make an intermediate-term top soon. The 3050-3000 zone remains the first intermediate-term support zone. The 3345-3285 range is an unfilled gap, and the current resistance zone. The weekly PMO indicator accreted with a buying signal; the weekly slow STO is in overbought territory. Both indicate the index still has some room for an upside move before the price retraces.



SHORT-TERM TREND DIRECTION: up with overbought

Trade strategy: Short an strong early bounce if any, with protective stops; and/or buy on dip at the support line

The SP500 index managed to hold above its momentum support at the 20-dEMA line every time the price got near it last week. This week 3285 becomes a key line for any upside move. A failure to move above it could lead index back down near the 20-dEMA line again. A break below 3190 will lead the index down near 3130-25 area or lower to retest the previous low at the bottom of the uptrend channel.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	3355.00			
Meanline	3265.00	8/3/2020	****	
	3125.00			

****** see daily trading plan**

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: neutral with overbought

Trade strategy:

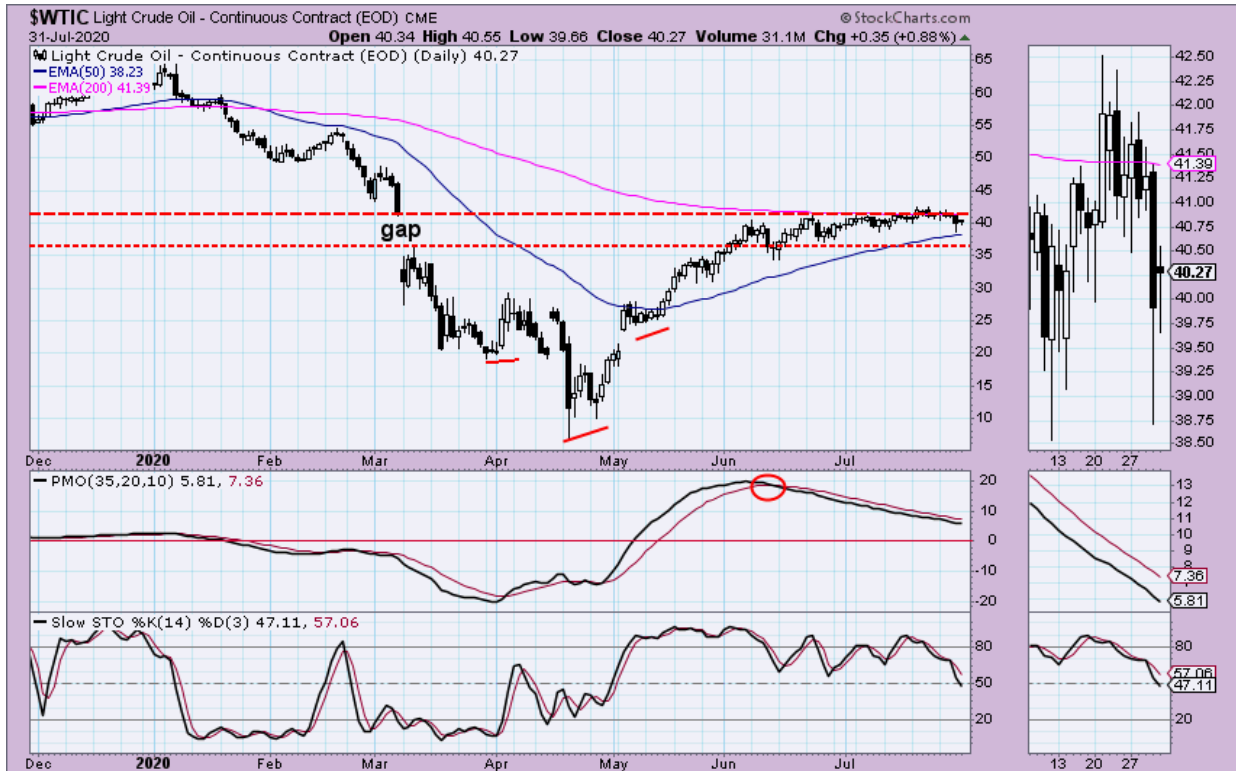
Not much change in the intermediate-term outlook last week. Oil couldn't break through the 50-wEMA overhead resistance line at \$43.35 and couldn't break down through the 20-wEMA support line at \$37.50. The weekly PMO indicator still rises and the weekly slow STO still is in overbought territory. It seems oil has lost its direction. However the longer oil consolidates in a narrow range, the bigger the future expansion will be. At this stage the strategy for longer-term traders is to watch which direction oil breaks out, and follow the breakout direction.



SHORT-TERM TREND DIRECTION: Neutral

Trade strategy:

Oil price continued travelling between the 200- and 50-dEMA lines last week. Lack of direction could confuse both sides. At this stage, our traders should wait for oil to give us a clear direction. If the bottom of the range around \$37.50 does not hold, the price could easily re-test the \$30 area. Alternatively a move above the resistance around the \$43.35 level could lead the price up to the \$48-50 zone, but this would be a difficult move for the buyers.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy: buy on dip above \$1800 line

The intermediate-term outlook is bullish. The uptrend line from \$1450.90 (green) remains intact. The indicators are overbought, but they can get more overbought even as gold corrects its overbought condition in the short term. The \$1800 level has become a solid support for the intermediate term. In the absence of news aimed at discouraging the buyers, any pullback will be bought until the Fed stops printing money.



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

Gold completed its bullish symmetrical pattern at \$2005 area last Friday and closed under the \$2000 level. Due to external conditions, gold is still expected to hold above the \$1850 level for this month. Any pullback will be seen as an opportunity for new buyers to get in. Even though the daily slow STO indicator is very overbought, the daily PMO indicator is still rising and gives a bullish outlook. The \$2005 level is a key line for this week. A failure to move above it could lead Gold to retrace to/near the \$1940 level for a test. Successfully holding above \$1920 will lead Gold back to the \$2000 level again or to make new highs.



WEEKLY ECONOMIC REPORTS

MONDAY, AUG. 3				
9:45 am	Markit manufacturing PMI	July	--	51.3
10 am	ISM manufacturing index	July	--	52.6%
10 am	Construction spending	June	--	-2.1%
Varies	Motor vehicle sales	July	--	13.1 million
TUESDAY, AUG. 4				
10 am	Factory orders	June	--	-8.0%
WEDNESDAY, AUG. 5				
8:15 am	ADP employment report	July	--	2.37 million
8:30 am	Trade deficit	June	--	-\$54.6 billion
9 am	Treasury quarterly refunding			
9:45 am	Markit services PMI	July	--	49.6
10 am	ISM nonmanufacturing index	July	--	57.1%
THURSDAY, AUG. 6				
8:30 am	Initial jobless claims (state program, SA)	Aug. 1	--	1.43 million
8:30 am	Initial jobless claims (total, NSA)	Aug. 1	--	2.04 million
8:30 am	Continuing jobless claims (state program, SA)	July 25	--	17.1 million
8:30 am	Continuing jobless claims (total, NSA)	July 18	--	30.2 million
10 am	Household debt (SAAR)	Q2	--	4.5%
FRIDAY, AUG. 7				
8:30 am	Nonfarm payrolls	July	--	4.8 million
8:30 am	Unemployment rate	July	--	11.1%
8:30 am	Average hourly earnings	July	--	-1.2%
10 am	Wholesale inventories	June	--	-1.2%