

## Weekly Outlook for Aug. 31 – Sept. 4, 2020

### Summary

- [The S&P500 index](#) is expected to search for its ultra-short-term top this week and pull back to retest the 3400 level at some point.
- [Oil](#) is expected to make a breakout move above \$43.52 – the 200-wEMA line — this week.
- [GOLD](#) is expected to **pull back to retest** the \$1950 line this week.

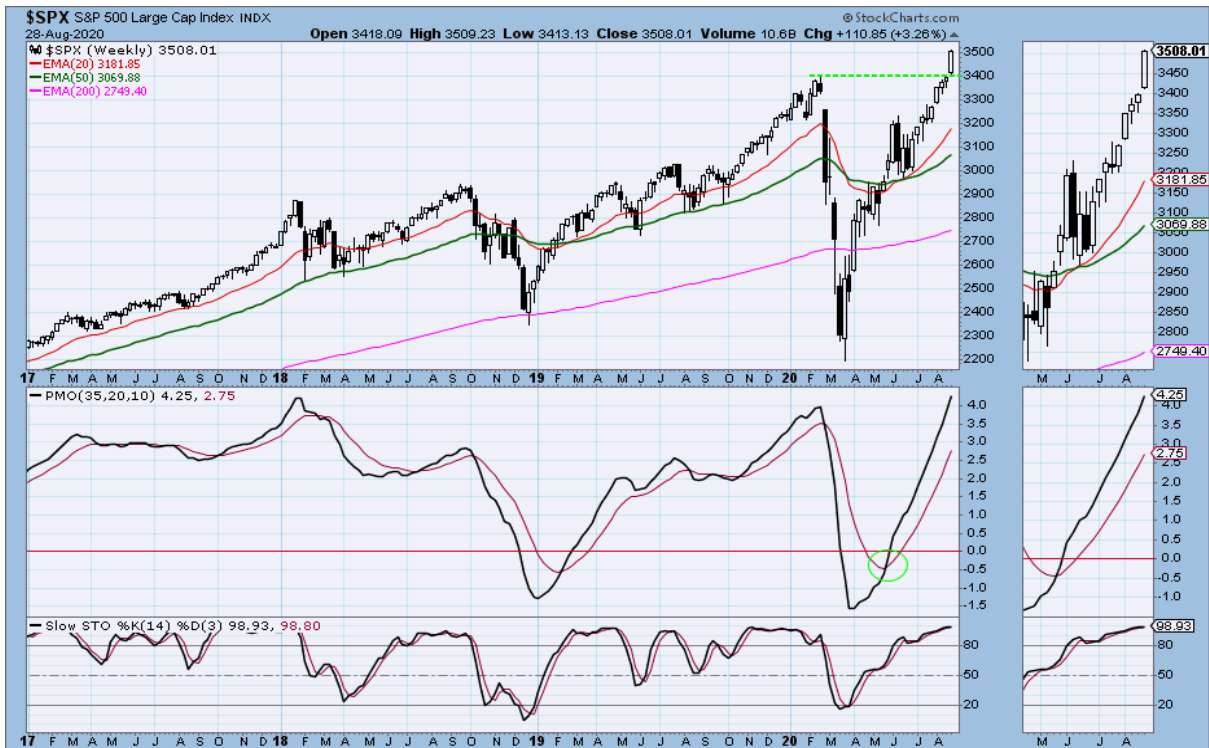
**Scroll down for full analysis**

## SP500 index (ES mini, and SPY):

**INTERMEDIATE-TERM TREND DIRECTION: up with overbought**

**Trade strategy:**

The intermediate-term outlook remains bullish. The SP500 index made new highs and closed at a new high area last Friday. The long-term secular bull market is intact despite the pandemic CV-19 sell-off in March. But the short-term may require our attention. The SP500 keeps going up and up every day, and people grow more and more optimistic about the market. At the same time the market volatility index refuses to go lower, but instead moved up and down to handle the market rally. This is not a normal behavior for the market volatility index (VIX). It shows fear increasing along with a rising equity market. Soon or later the market will stop rising and make a retracement adjustment before it rallies again.



**SHORT-TERM TREND DIRECTION: up with overbought**

**Trade strategy: Short on any early bounce under 3358.50 with protective stop loss**

The SP500 index closed at a new record high level on Friday. The price action was bullish. The short-term trend is legging up from the 3400 level, but the trend line is becoming steep. The daily PMO indicator stayed up, while the slow STO indicator remains in extremely overbought territory. Both are flashing a major short-term warning. This week the 3558 level will be a key. It could be an ultra-short-term top, and if it holds ES down, a minor correction should be expected. ES may pull back near 3398 area for testing a breakout point or a little further down. But the testing movement shouldn't change the major uptrend direction.



**Weekly Option**

	Strike price	Expiration Date	Strike price	Expiration Date
	3555.00			
<b>Meanline</b>	<b>3495.00</b>	<b>8/31/2020</b>	<b>****</b>	
	3350.00			

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

## 2. Oil (\$WTIC, CL)

**INTERMEDIATE-TERM TREND DIRECTION: neutral**

**Trade strategy: none**

Oil continued challenging the overhead long-term resistance at the 50-wEMA line last week and closed on it on a weekly basis. \$44.35-42.05 was low area for the year in both 2018 and 2019. The long-term buyers are looking for an exit, but so are the short-term sellers who opened positions under/around \$37.50. The result had been an up-and-down movement inside the \$44.35 – \$42.05 area. The upward flag pattern on the chart is a continuation pattern. A breakout from this pattern could push the price up toward the long-term upside target around \$50-\$52. On the downside, a move under \$39.35 (the 20-wEMA) would not be a good sign. It could lead oil to resume the downside move toward \$35.



**SHORT-TERM TREND DIRECTION: Neutral**

**Trade strategy: on the sidelines until oil chooses its next direction**

There is not much changed on the short-term chart. Oil still managed to hold above the 200-dEMA line last week, but was unable to break the overhead resistance line at \$43.85. The global demand for oil is low, and will not help to hold the price up, but the downward movement of the U.S. dollar gave the price a little boost. However the oil market is waiting for some kind of big news to push it out of the current narrow equilibrium. Without some kind of external news-driven movement, it could continue sideways in a narrow range as it has for the past two months or more.



### 3. GOLD (GC, GLD)

**INTERMEDIATE-TERM TREND DIRECTION: up with extremely overbought**

**Trade strategy: buy on dip above \$1825 line**

The intermediate-term uptrend remains intact. Last week the Fed's apparent willingness to keep interest rates lower for longer, regardless of (or in search of) an increase in the rate of inflation, is bullish for gold. The intermediate-term rising trendline (Green line) appears to be holding up. But the weekly PMO indicator accelerated and gets into an extremely overbought condition, which suggests that gold can't avoid a pullback in the long term.



**SHORT-TERM TREND DIRECTION: Up**

**Trade strategy: Scalping buy around the \$1935 area with protective stop loss**

Gold managed to hold the price above its 50-dEMA line last week. As the daily chart shows, 50-dEMA line appears to be holding. The \$2005-\$1998 area is a former broken support zone that will continue to act as current resistance zone. As long as gold stays below that area, the market may move down to re-test the \$1950-\$1935 zone one more time, but we expect the \$1900 line to hold up. The short-term profit-taking is done, and the odds will more or less favor an upside movement. A move above \$2005 could push gold further up toward the \$2018-\$2025 zone, which is the neckline area of a potential double bottom pattern.



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## WEEKLY ECONOMIC REPORTS

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
<b>MONDAY, AUG. 31</b>					
	None scheduled				
<b>TUESDAY, SEPT. 1</b>					
9:45 am	IHS Markit manufacturing PMI (final)	Aug.	--		53.6
10 am	ISM manufacturing index	Aug.	--		54.2%
10 am	Construction spending	July	--		-0.7%
Varies	Motor vehicle sales (SAAR)	Aug.	--		14.5 million
<b>WEDNESDAY, SEPT. 2</b>					
8:15 am	ADP employment report	Aug.	--		167,000
10 am	Factory orders	July	--		6.2%
2 pm	Beige book				
<b>THURSDAY, SEPT. 3</b>					
8:30 am	Initial jobless claims (regular state program, SA)	Aug. 29	--		N/A
8:30 am	Initial jobless claims (federal & state, NSA)	Aug. 29	--		N/A
8:30 am	Continuing jobless claims (regular state program, SA)	Aug. 22	--		N/A
8:30 am	Continuing jobless claims (federal & state, NSA)	Aug. 15	--		N/A
8:30 am	Trade deficit	July	--		-\$50.7 billion
8:30 am	Productivity revision	Q2	--		7.3%
8:30 am	Unit labor costs revision	Q2	--		12.2%
<b>FRIDAY, SEPT. 4</b>					
8:30 am	Nonfarm payrolls	Aug.	--		1.76 million
8:30 am	Unemployment rate	Aug.	--		10.2%
8:30 am	Average hourly earnings	Aug.	--		0.2%