

Weekly Outlook for Sept. 21 – Sept. 25 2020

Summary

- **The S&P500 index** is expected to hold the price under 3385; if it breaks below the support around the 50-dEMA line, expect the price to go lower.
- **Oil** is expected to have a sideways movement around the channel marked by the 50- and 200-dEMA lines.
- **GOLD** could easily move in either or both directions as the market continues to move back-and-forth within a consolidation zone. The effect is to shake out the “weak hands” — i.e. smaller traders — before the next trend develops.

Scroll down to see the full analysis.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: up with overbought

Trade strategy: Short on bounce under 3400 level with protective stop

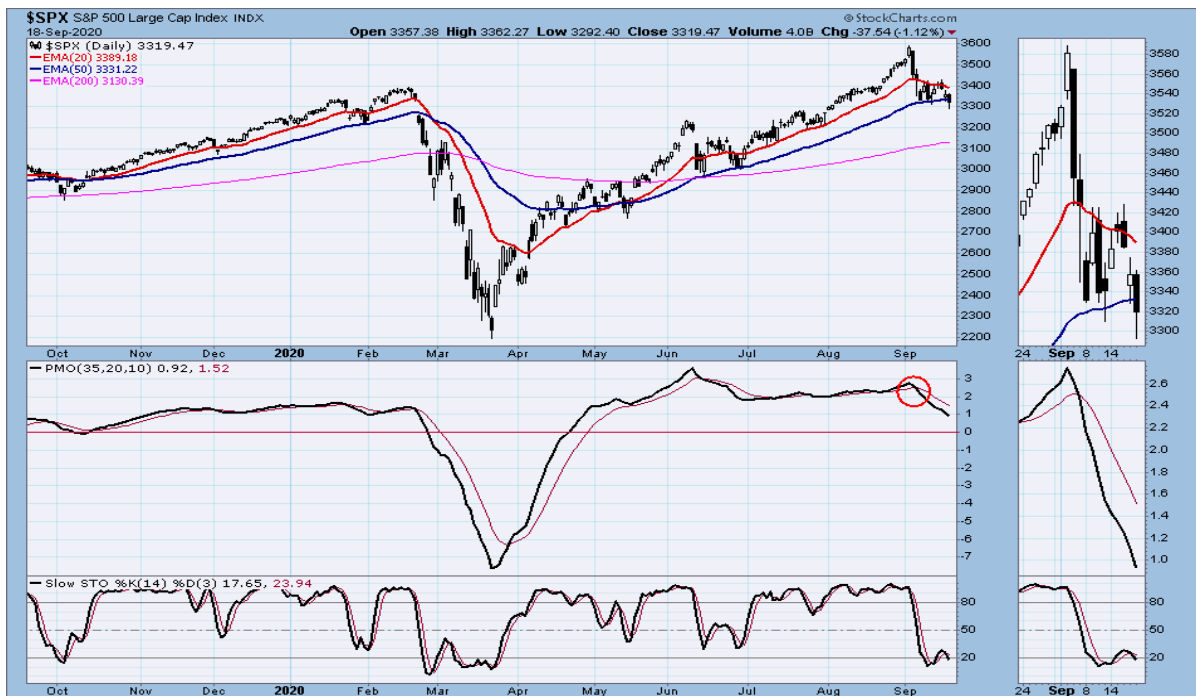
The S&P 500 index spent most of the week (and closed) below the February high at 3397.50 level. The failure to break through the resistance encouraged previous buyers to take profits. As long as the index stays below the 3400 level, an intermediate-term correction may be imminent. Both weekly PMO and slow STO indicators are still in overbought territory which suggests further corrective activity lies ahead.



SHORT-TERM TREND DIRECTION: up

Trade strategy: Short on early bounce under 3425.50 line with protective stop loss

The SP500 index failed to move above its 20-dEMA line early last week and then closed below its 50-dEMA line on Friday. The breakdown of the 50-dEMA was not confirmed by a continuing decline due to the quadruple witching expiration day. This Monday will be a key time for the index to show if it will continue moving down. The 20-dEMA line is the resistance level and as long as index stays below it the outlook for the short term should be considered bearish and a further decline should be expected. This week the 3325-3335 zone will be a key. A move below it could drive the index towards 3125, the next momentum support area at the 200-dEMA. The daily PMO indicator accelerated on the downside and maintains a selling signal. The daily slow STO indicator stays in oversold territory. Both suggest a downside move. If there is a bounce early in the week days we may see a decline later; conversely, if there is an early decline, look for a bounce later. This is a struggle session this week.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	3425.00			
Meanline	3375.00	9/21/2020	****	
	3200.00			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: neutral with overbought

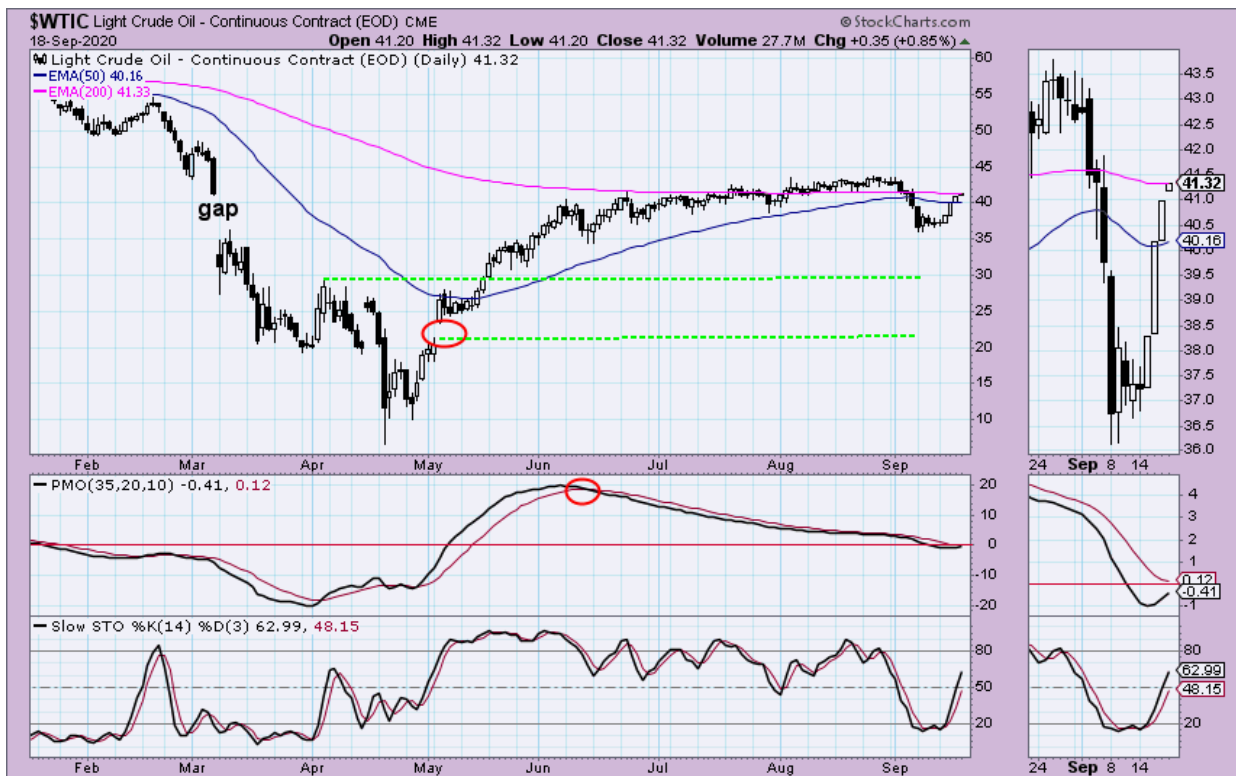
Trade strategy:

Oil regained control of its 20-wEMA line and closed above it last Friday. Now the 20-wEMA may act as a support, with the market fighting the key resistance at the 50-wEMA line. The weekly PMO remains overbought, and weekly slow STO indicator moved near neutral territory. Both suggest the recent bounce may not change the long-term downtrend direction. The market still could go down near the \$36.50-\$37.00 area for testing if it can't move above the 50-wEMA line and close above it on weekly basis.



SHORT-TERM TREND DIRECTION: up
Trade strategy: buy on dip

Oil went back above the 50-dEMA line on an unexpected inventory draw down and lower Gulf supplies last week. So far the 200-dEMA line (\$41.33) still acts as current resistance. A move above it could be bullish, with an upside target near the \$45 area. If the market stays below the 200-dEMA, oil is likely to return to the 50-dEMA line to search for firm support. The daily PMO is getting ready to go up and the daily slow STO indicator is in neutral area, with the \$36 level as major support. We should see buyers showing up there.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: up

Trade strategy: Scalping short under \$2050, and scalping buy above \$1800

Gold managed to stay above its intermediate-term uptrend line rising from the March low. But the weekly PMO indicator still moved to the downside without giving a selling signal. The slow STO indicator moved away from overbought territory and approaches the neutral area. The Fed interest rate policy announcement did influence gold price movement on Tuesday and Wednesday for a bit. Overall investors still think gold is a safe place to park money while they watch for the Next Big Thing. For the intermediate-term, the uptrend remains intact.



SHORT-TERM TREND DIRECTION: Up

Trade strategy: Short on strong bounce and buy on strong dip with protective stops

Gold went up first then dropped back down after the Fed policy announcement last week. The outlook for the short-term didn't change very much. The price managed to hold above the 50-dEMA line. The 50-dEMA line rose to the \$1924.50 area and becomes a key support for this week. The daily PMO indicator is oversold and near its neutral area but has not given a buy signal yet. The daily slow STO indicator has a small selling signal. Both suggest gold still has a chance to test its 50-dEMA line. However a move above \$1975.50 will be bullish for gold, and open the path to an upside target around the \$2000 area. Conversely, a break below \$1940 will lead the market to test the 50-dEMA line around \$1925a.



WEEKLY ECONOMIC REPORTS

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, SEPT. 21					
8:30 am	Chicago national activity index	Aug.	--		1.2
12 noon	Household debt (SAAR)	Q2	--		3.9%
TUESDAY, SEPT. 22					
10 am	Existing home sales (SAAR)	Aug.	--		5.86 million
WEDNESDAY, SEPT. 23					
9:45 am	Markit manufacturing PMI	Sept.	--		53.1
9:45 am	Markit services PMI	Sept.	--		55.0
THURSDAY, SEPT. 24					
8:30 am	Initial jobless claims (regular state program, SA)	Sept. 19	--		N/A
8:30 am	Initial jobless claims (federal & state, NSA)	Sept. 19	--		N/A
8:30 am	Continuing jobless claims (regular state program, SA)	Sept. 12	--		N/A
8:30 am	Continuing jobless claims (federal & state, NSA)	Sept. 5	--		N/A
10 am	New home sales (SAAR)	Aug.	--		901,000
FRIDAY, SEPT. 25					
8:30 am	Durable goods orders	Aug.	--		11.4%
8:30 am	Core capital goods orders	Aug.	--		1.9%