



Weekly Outlook for Oct.18 - Oct.22,2021

SP500 index (E-mini, and SPY)

LONG-TERM and INTERMEDIATE-TERM TREND DIRECTION: up



SP500 index rallied again after struggling around the 20-wEMA line for three weeks. The financial sector is leading the market.

Clearly the 20-wEMA line (currently around 4365) is a key support line. Whether it can hold the index up for the rest of the year will depend on how the market reacts to coming changes in Fed policy and external international events.

If holds up now, the index could return to October's high area again or make new highs before the price retraces again.

One problem: the negative divergence continues. The weekly PMO indicator maintains a selling signal with no sign of turning up. The weekly STO indicator is near its neutral territory.

If the index can't move above 4500 level this week, it is likely to return to the 20-wEMA line area again.

S&P 500 e-mini futures, Oct. 18, 2021. Weekly bars.

ES - SHORT-TERM TREND DIRECTION: up

Trade strategy: buy on pullback around 20/50-dEMA at 4380 area with protective stops



S&P500 e-mini futures Oct.18, 2021, Daily bars.

SP500 Index (SPX and ES) broke through its short-term downtrend line on Thursday and followed through on Friday. It cleared its 50-dEMA line and closed above it.

The price action indicates the short-term correction is over.

The daily PMO indicator gave a buying signal. A further move above the zero line would be bullish.

The daily slow STO indicator was moving up under the overbought 80 line.

Both suggest the index could pull back near its broken resistance level for testing, but even if there is a minor retracement, new buyers are likely to show up around the 20/50-dEMA line area and push the market back up again.

Weekly Option Trading (ES option)

	Strike price	Expiration Date
	4535	
Meanline	4465	10/18/2021
	4320	

2. Oil (\$WTIC, CL)

LONG-TERM TREND is neutral

INTERMEDIATE-TERM TREND DIRECTION: Up with extremely overbought.



Crude oil futures, Oct. 18, 2021. weekly bars

Oil has had a strong price movement over the past two months. It made the highest price in three years last week and held the price at that level for the close.

Now \$77 – for the past three years a resistance level – has turned into support. As long as price stays above it, the market could go back to test the 2014 high area at \$100.

The weekly PMO indicator hasn't given a buying signal yet for the intermediate-term, and weekly slow STO indicator moved into overbought area, and became extremely overbought.

A negative divergence between the price and the indicators is starting to develop.

Oil needs a brief short-term pullback to release the overbought pressure. Otherwise, oil may stall its advance soon.

OIL - SHORT-TERM TREND DIRECTION: up with extremely overbought

Trade strategy: buy on pullback above \$77.00 with protective stops



Light crude futures, Oct. 18, 2021. Daily bars.

Oil continued challenging previous highs last week. It managed to push the price above the \$79.35 level and closed the week near the top of the weekly trading range. The price action was very bullish for the short term.

The 20-dEMA line kept chasing the price up to close at \$77.25 from \$74.84 in the prior week. It will be the first major support line this week.

As long as oil stays above it, the price should go higher to / near the \$85-\$90 zone this week.

The daily PMO indicator also kept rising with a buying signal and the daily slow STO indicator is in the extremely overbought area.

The December contract will become the front contract to trade this week. Oil could have a brief pullback after the rollover, but buy-the-dip will continue to be a common strategy.

3. GOLD (GC, GLD)

LONG TERM and INTERMEDIATE-TERM TREND DIRECTION: neutral



Gold futures, Oct. 18, 2021. One day bars.

Gold attempted to rally again last week, but the rally was rejected again by the overhead resistance at the 20- and 50-wEMA lines.

The weekly PMO indicator continued to decline, while maintaining a sell signal. The weekly slow STO indicator continued to stay in neutral territory.

Together they indicate a lack of interest from longer-term traders. Gold may have fallen out of fashion as a hedge against high inflation.

GOLD - SHORT-TERM TREND DIRECTION: Down

Trade strategy: Short any strong early bounce under \$1798 with protective stops.



Gold futures, Oct. 18, 2021. One day bars.

Gold moved above the 50-dEMA line last Wednesday, but did not follow through on the potential rally. By Friday the market sold off, and closed under both the 20- and 50-dEMA lines. A momentum selling signal continues.

Now the 50-dEMA line at \$1778.50 becomes a key line for this week. The short-term outlook is bearish if gold can't regain control of that line.

Below that level, \$1750 is a key support area. A move below it will be bearish.

The daily PMO indicator has an ultra-short-term buying signal, but the value was under the zero line, which mean buying pressure still is weak. The daily slow STO indicator moved into overbought territory.

Gold buyers will need to work very hard to push the price back above last week's high area.

WEEKLY ECONOMIC REPORT

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, OCT. 18					
9:15 am	Industrial production	Sept.	--		0.4%
9:15 am	Capacity utilization rate	Sept.	--		76.4%
10 am	National Association of Home Builders index	Oct.	--		76
TUESDAY, OCT. 19					
8:30 am	Building permits (SAAR)	Sept.	--		1.72 million
8:30 am	Housing starts (SAAR)	Sept.	--		1.62 million
WEDNESDAY, OCT. 20					
2 pm	Beige Book				
THURSDAY, OCT. 21					
8:30 am	Initial jobless claims (regular state program)	Oct. 16	--		N/A
8:30 am	Continuing jobless claims (regular state program)	Oct. 9	--		N/A
8:30 am	Philadelphia Fed manufacturing index	Oct.	--		30.7
10 am	Existing home sales (SAAR)	Sept.	--		5.88 million
10 am	Leading economic indicators	Sept.	--		0.9%
FRIDAY, OCT. 22					
9:45 am	Markit manufacturing PMI (flash)	Oct.	--		60.7
9:45 am	Markit services PMI (flash)	Oct.	--		54.9