Technical Forecast

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April 26, 2020

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Open ETF Trades

Date Opened	Ticker	Market	Stop Loss	Strategy & Update
4/14/20 @ $36.21	GLL	ProShares Ultrashort Gold		Bearish Gold
4/14/20 @ $35.75	DUST	ProShares Short High Yield		Bearish Gold Miners
Stops since 4/11:	UCO	ProShares Ultra Crude Oil	Stopped on 4/14 @ $47	
Today's idea:	IEV	Buy here with a target of $39.98		Bullish Euro stocks
Standing moves:	TLT	Buy TLT (when TY futes hit 137)		Bullish Treasuries

Pivot Points	S2	S1	Pivot Level	R1	R2
Weekly	2304.9	2447.49	2488.65	2920	2938
Monthly	2346.6	2436.60	2436.60	2914	2941
Closing Price			2836.74		

Equities and other risk market continue to get a short-term boost by the massive infusion of liquidity and actual direct buying of securities by the federal government in the US and other countries. The true beneficiaries in the current lockdown environment are becoming apparent in the performance of the NASDAQ versus the rest of the indices in the US.

The S&P 500, the Dow Jones Indutrial Average and Russell 2000 in the US and the EAFE and Emerging Markets outside the US are all still below their respective key "correction resistance levels". However, the technology and biotechnology-laden NASDAQ has already eclipsed its "correction resistance" as "stay-at-home" and virus-cure / treatment stocks are hitting new all-time highs. We see this as a situation where it may be prudent to carry heavier-than-normal cash levels while still being able to (nearly) keep up with the indices on the upside via very targeted equity sector exposure.

Outside of stocks, crude oil continues to trade with extreme volatility in both directions – a sign of an unhealthy market. "Unhealthy" may be an understatement when it comes to the status of the WTI and Brent Crude markets. It's not just the destruction going on in the crude futures markets, but the energy sector companies and employees as well as the financial firms who have loaned money into that sector. Everyone is bracing themselves for what may be a flood of bankruptcy and credit downgrade announcements in the energy and financial sectors.

Here are the coverages in today's report:

- S&P futures are nearing critical "correction resistance"
- NASDAQ futures have conquered their "correction resistance" – so now the question is, "When to buy?"
- It's "N's over S's" – finally! But, does it mean the same thing now as it has historically?
- European stocks are offering plenty of upside potential prior to reaching their projected resistance / targets.
- Crude oil is making history – IN A BAD WAY. What's next for black gold?
- Bonds look like they will continue to rally. How to play the upside?
- Gold hit our upside targets and pulled back. Here's how to play what's ahead.
- The US Dollar's strength is leaning on the EURUSD cross short-term. How low will it go?

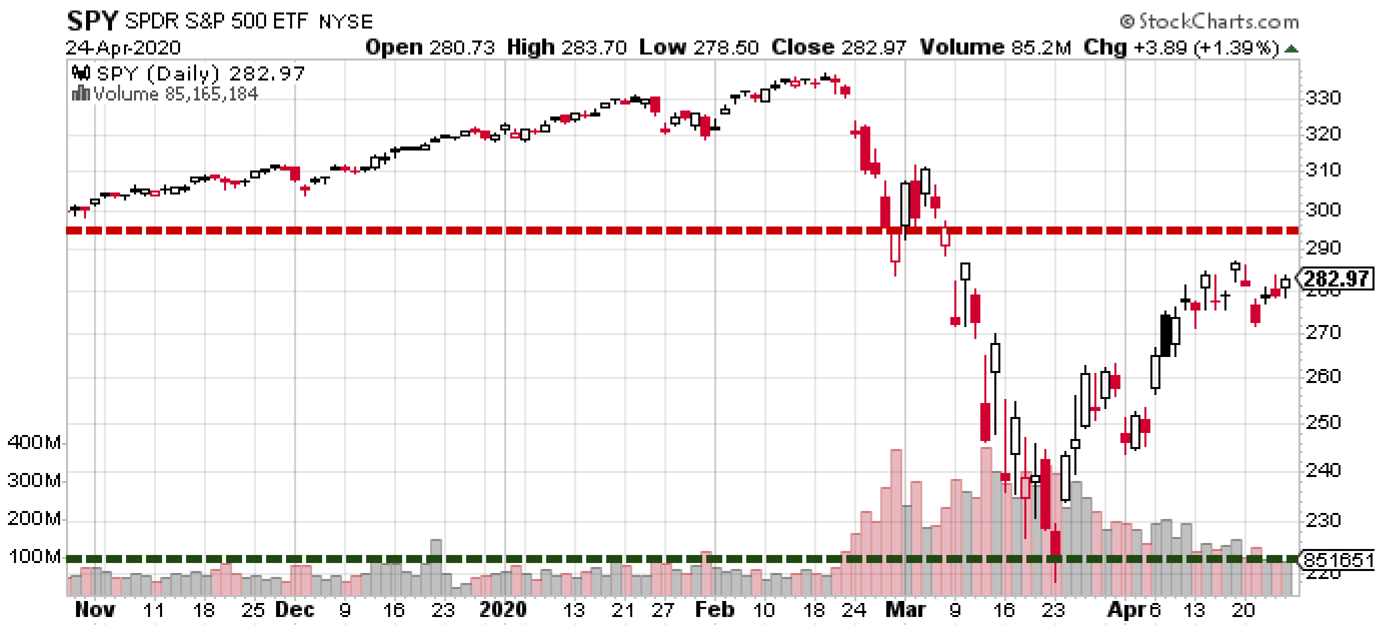
How to Trade it:

S&P futures (playable in ETFs via SPY, SH, QQQ, PSQ, SPXL or TQQQ):
S&P futures have pretty much treaded water this week. We really do not have any major updates to last week's analysis or recommendations.

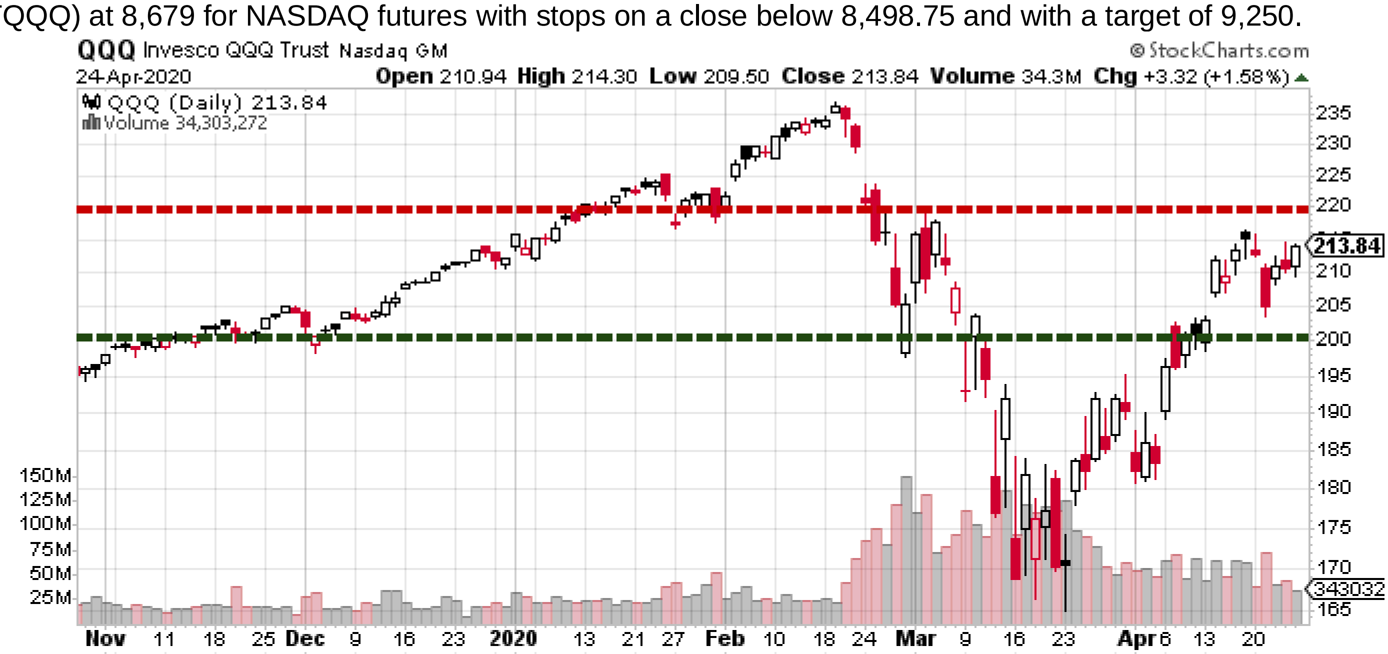
Look to sell longs at 2,909 and get short between there and 2,944 with stops honored on shorts on a monthly close above 2,947 and with a target for covering at 2,284.

No new longs until either a breakout occurs and is confirmed above 2,947 or until a dip to 2,284 plays out.

The chart of S&P cash is shown here. 2,506.85, 2,346.80, 2280.52 (weekly low 3/16) and 2,191.86 are the first four support levels are on the radar. Of those, 2,280.52 most closely aligns with the projected cover / buy support on the futures chart.



NASDAQ futures (use QQQ or TQQQ for longs or PSQ or SQQQ for shorts)
NASDAQ stocks continue to provide a haven for institutional assets in the current environment. When very valid doubts creep in about shutdown / recession / depression, money flows into what's working and where any clarity of future results may be found. Right now, that's in technology. Biotech holds the promise of explosive growth with virus treatments or cures. We would cover and bearish bets and get long of NASDAQ proxies (QQQ or TQQQ) at 8,679 for NASDAQ futures with stops on a close below 8,498.75 and with a target of 9,250.

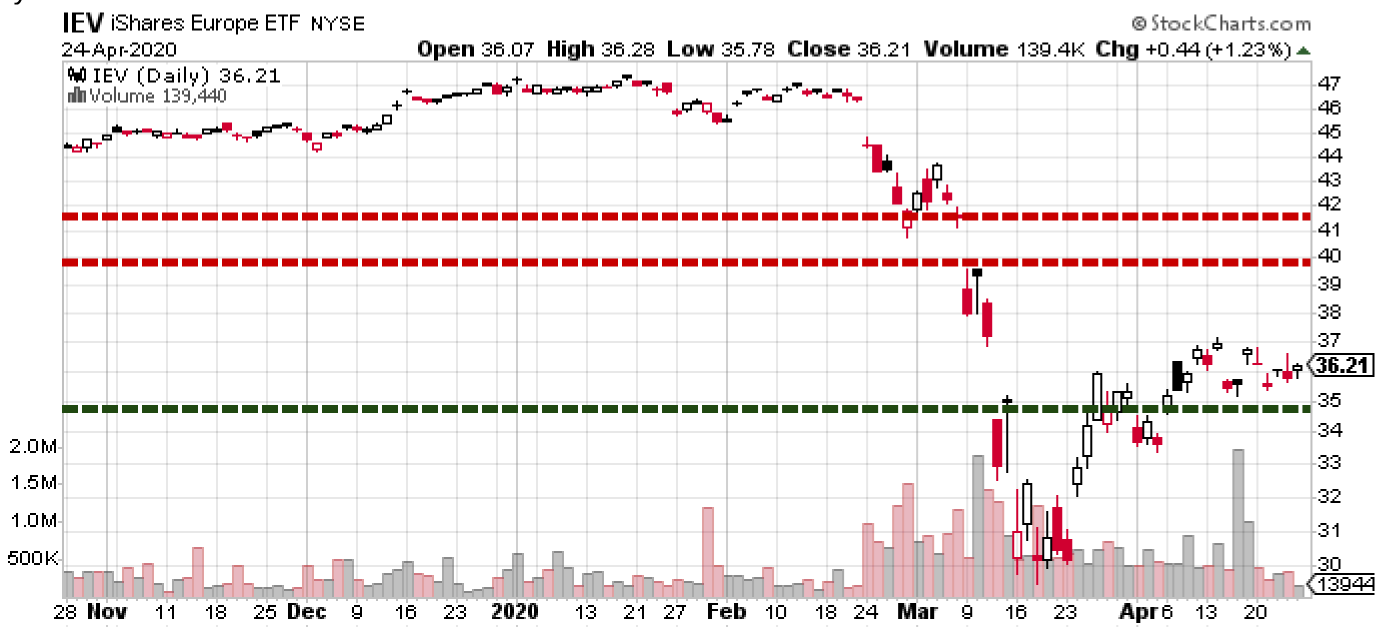


S's over N's and the health of this rally

We are finally seeing the desired "Ns over Ss" trend (strength in NASDAQ growth versus older, dividend-paying stocks that appear more in the S&P). In our April 11th Technical Forecast, we pointed out that it was "Ss over Ns" at that point. In a "normal" environment, we would take this relative strength in growth / tech as a positive sign. However, right now it symbolizes to us the trend towards owning anything with decent revenue and earnings visibility in lieu of owning the broader market. So, while it's encouraging to see Ns over Ss, we would simply choose to limit our long exposure to tech / biotech leadership and avoid areas where there are likely massive problems getting ready to be announced (i.e. energy, travel / leisure, restaurant groups and financials – especially those in the business of lending money).

European stocks have room left to run (use IEV for European proxy or EWU or EWG for our favorites "over there" – the U.K. and Germany)

The European ETF (IEV) spent the week consolidating. A look at the daily chart shown here tells us that we should expect the up move / correction to take prices at least up to $39.98 and possibly as high as $41.78. We would look to accumulate European stocks at current levels with a target for taking profits around 10% higher or $39.98 on IEV shares. We would look to short European stocks on an extended run up to $41.78 should that play out.



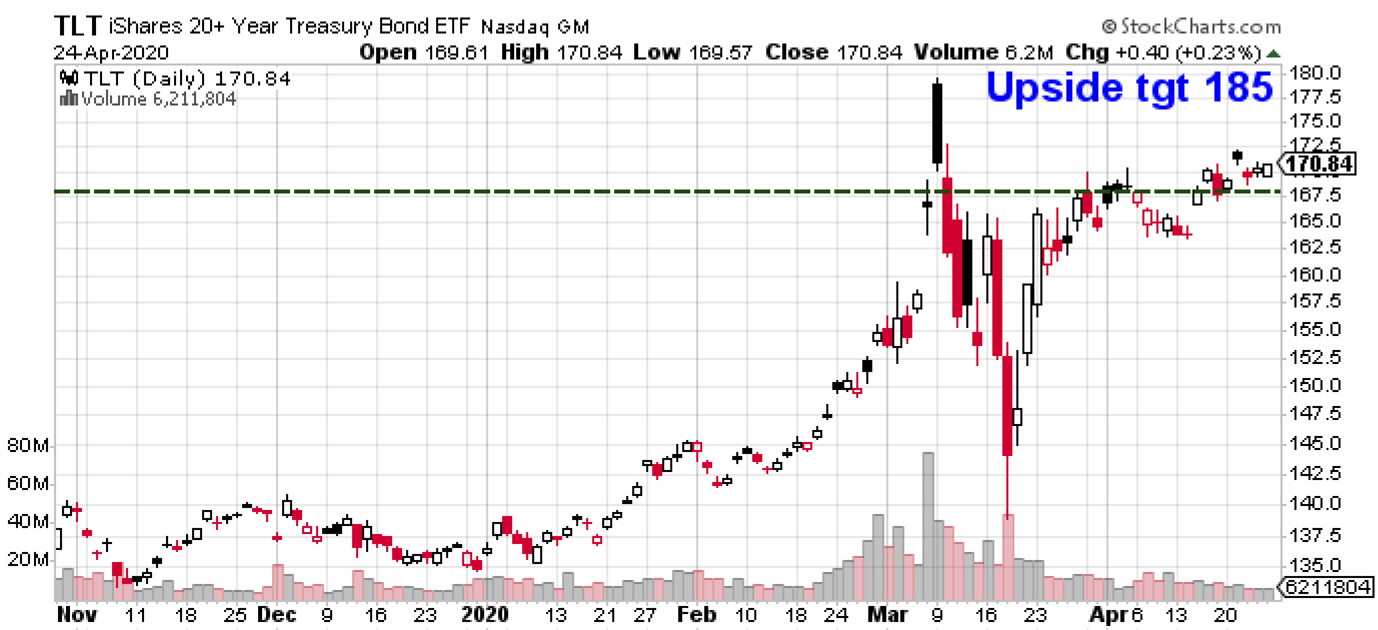
Crude Oil (playable via USO, XLE, OIH)

Crude oil futures face key resistance in the short-term at $18.26. Any 4-hr close above that level would open the door to an explosion in prices higher in the short-term. A failure to conquer that level after a few tries would likely lead to much more downside (as we've seen, that downside is nearly unlimited) in the short-term.

We would be willing to short crude oil proxies (USO is the unlevered example) at $18.26 on the underlying commodity with stops honored on a 4-hr close above $18.67 and would look to cover shorts in those proxies down at $7.00 on the underlying commodity. We would only look to try longs in crude oil proxies near $7 on the underlying commodity with stops honored on a move below $6.55 and would look to take profits at $18.00.

Bond Prices (playable via TLT or TBT)

10-year Treasury Note Prices may be in a short-term pullback / consolidation phase ahead of what we feel will be more upside. Fibonacci pullback targets come in at 138.94, 138.67 and 138.45 for TY futures. From wherever support holds, we will be looking for a new thrust higher with targets north of 144. We would be buying investment grade (LQD) or Treasury bond (TLT) proxies at 138.67 on the TY futures with stops on a close below 138.45 and with an upside target of 144. TLT is shown below with long entries ideally occurring near 167.50 with an upside target of 185.



SPDR Gold ETF (GLD, GLL, DUST)

We feel gold may pull back to 1,639 and then bounce to 1,784 before tumbling back down to at least 1,670. At 1,670, either support will hold there or a break will occur along with a subsequent dip to 1,584 as noted here in recent reports. We would look to get long of gold proxies (GLD, UGL buys or GLL / DUST sales) in the very short-term (in advance of any test of 1,784) at 1,698 on the underlying commodity with stops honored on an hourly close below 1,695 and with a target for taking profits at 1,780. We would look to sell / short gold proxies (GLD, UGL sales or GLL / DUST buys) at 1,784 on the underlying commodity with stops on shorts on a daily close above 1,786 and with a target for covering initially at 1,670.

For GLD, that translates to buying at 158.57 to take profits and get short at 164.42. The downside target for covering shorts will be 148.05.

Euro ($EURUSD – use ULE for longs or EUO for shorts)
The EURUSD rebounded Friday but had a down week. We will be looking for a drop to 1.0637 – 1.0691 and then a strong rally back up to at least the recent highs near 1.1449 – 1.1494. We would look to cover EURUSD proxy shorts (by buying to cover ULE shorts or selling EUO longs) down at 1.0691 for EURUSD and would look to get long (by buying ULE) at 1.0637 for EURUSD. Stops should be honored on a close below 1.06 and the upside target will be 1.1449. This all translates to trying to get long of ULE down at 12.25 and holding on for an expected ride to north of 14.20.