



Technical Forecast

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Open ETF Trades					
Date Opened	Ticker	Market	Recent Pr.	Strategy & Update	
5/4/20 @ \$16.40	SKF	ProShares UltraShort Financials	\$11.04	Hold: Tgt \$18.50	
8/3/20 @ 60.79	XLU	SPDR Utilities ETF	\$60.38	Hold: Tgt. \$63.84	
8/10/20 @ \$35.36	SVXY	SHORT: ProShares Short VIX ST Futures ETF	\$35.76	Hold: Tgt. \$26.70	
NEW TRADE:	BIS	ProShares Ultra Short Biotech	\$8.28	Buy @ \$8 with target of \$9.09	
NEW TRADE:	NUGT	SHORT: Direxion 2X Bull Gold Miners	\$92.03	Try short again when NUGT tests \$102.96	
Pivot Points	S2	S1	Pivot Level	R1	R2
Weekly	3167.9	3235	2965.7	3381.8	3398.3
Monthly	2906.2	3235	2766.64	3398.3	3450
Closing Price			3,369.80		

The equity markets remained elevated last week as weakness in certain sectors was offset on a daily basis by strength in others – clearly a sign of money simply moving from one part of the equity market to another (“rotation”). Such rotation, if it continues, can really bolster equity indices and set the stage for continued new highs. There are certainly no guarantees of this rotation continuing!

Meanwhile, gold and silver took it on the chin for a few days and then rebounded for a few days last week. Overall, it appears to us like we may see a bit more weakness before the next big upleg begins for the precious metals.

We are seeing some (surface-level) evidence of economic stability in the form of lower jobless claims. However, we don’t necessarily look at this as a sign of strength for this particular week. The reason? The \$600 weekly unemployment checks that the jobless were receiving in the US have stopped. That fact alone may have sent a good chunk of the jobless population running to available jobs that had previously gone unfilled. Let’s see two things: First, will the virus trends (fewer cases, fewer deaths) continue to point to gradual recovery?; Second, will a continued lack of additional stimulus by US Congress push even more people to go to work instead of staying home? One more item to consider- if a deal is passed and it is only for \$400 per week instead of \$600 per week, will it move the needle in either direction?

Here are the coverages in today’s report:

- Sector rotation keeps S&P aloft for now
- NASDAQ remains indecisive right below upper edge of LT uptrend channel
- Crude – like stocks – remains just below projected resistance
- Bonds turn lower. Is this the beginning of the end or just a pause?
- Gold pulls back sharply and appears to have further to fall
- NEW TRADE IDEA: How to play the conspicuous laggy action in biotechs amid market rise

How to Trade it:

Sector rotation keeps S&P aloft for now (SPY, SPXL, SH or SPXS)

S&P futures remain elevated and are just at / slightly above key monthly resistance in the form of the upper edge of the LT uptrend channel. That resistance comes in between 3,350 and 3,400 and should, in theory, hold up and repel the bulls' advance. If we are accurate in this observation, we will look for a pullback to either 3,198.25 or 3,006 to play out in the coming weeks / months.

We would continue to look to sell / short S&P proxies (buy SH / SPXS or sell / short SPY / SPXL) at current levels with stops honored on a monthly close above 3,400 on the S&P futures and with a downside target for covering at 3,198.25.



NASDAQ remains indecisive right below upper edge of LT uptrend channel (QQQ, TQQQ, PSQ, SQQQ)

NASDAQ 100 futures are still lingering below the upper edge of the LT uptrend channel. The price level at which the channel comes in is still 11,250 - 11,300. We are looking for a pullback to either 10,376 or 9,815.

We would look to sell / short NASDAQ proxies (buy PSQ / SQQQ or short QQQ / TQQQ) here with a target for covering at 10,376 on the NASDAQ futures. We would look to get long of those proxies (buy QQQ / TQQQ or short PSQ / SQQQ) at 9,815 on the NQ futures with stops < 9,800 on those futures and with a tgt. of 11,500.



Crude – like stocks – remains just below projected resistance (XLE, OIH)

Crude oil futures are trading right at \$42 – just below our projected resistance at \$43.125 (with additional / final bearish resistance at \$45.25). At these levels, crude appears to be pricing in a return to normalcy for the airlines and in travel in general. Only time will tell whether that happens. For now, we are sticking with our call for sharp downside action to commence soon in crude.

We would be selling longs / getting short of energy proxies (sell / short XLE or OIH) near \$43.125 on the crude oil futures with stops honored on a close above \$43.50 and with a downside target for covering at \$12.



Bonds turn lower. Is this the beginning of the end or just a pause? (TLT for longs or TBT for shorts)

Treasury futures (10-yr) pulled back last week and should have triggered buys in Treasury bond proxies based off last week's report. We are standing by our bullish call on bonds for now. However, we are lowering our stop loss trigger price to 138.64 on the 10-yr US Treasury price futures.

We would buy Treasury Bond proxies (buy TLT or short TBT) at current levels down to 138.645 on the 10-Yr Treasury Price futures with stops honored on a daily close below that level on the futures and would continue to look to sell those proxies at 142.554 on the futures.



Gold pulls back sharply and appears to have further to fall (Long GLD / UGL; Short GLL / DUST)

Gold popped up to 2,060 last Monday and then cascaded lower for several days before bouncing modestly. However, we still see gold tumbling down to at least 1809.40 and possibly down to 1,674 during this down move.

We would look to short gold proxies (buy GLL / DUST or short GLD / UGL) on a bounce to 2,013 in the gold futures with stops honored on a close above 2,015 on those futures and with a downside target for covering at 1,810.



NEW TRADE IDEA: How to play the conspicuous laggy action in biotechs amid market rise (IBB / BIS)

For whatever reason, biotechnology stocks have been lagging the market badly recently. Perhaps it is because they ran up sharply and needed to pull back – they did rise from \$115 to nearly \$180 from March to mid-July. Or, perhaps the market is pricing in a Biden victory over Trump.... or a Trump victory and subsequent moves by his Administration to put price controls on new drugs / therapies. In any case, the bearish action is obvious.

We would look to sell longs / get short of iShares Biotechnology ETF at \$135.25 with stops on a close above \$137 and with a downside target for covering at \$127.41. If you don't have a marginable account, you can buy the ProShares UltraShort Biotech ETF (BIS) at \$8 with stops on a close below \$7.67 and with an upside target of \$9.09.



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