



Technical Forecast

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Open ETF Trades

| <u>Date Opened</u> | <u>Ticker</u> | <u>Market</u> | <u>Recent Pr.</u> | <u>Strategy & Update</u> | |
|---|---------------|----------------------------------|--------------------|------------------------------|-----------|
| 4/30/20 @ \$158.57 | GLD | SPDR Gold Shares | \$166.54 | Hold: Tgt of \$168 | |
| 5/4/20 @ \$16.40 | SKF | ProShares UltraShort Financials | \$13.50 | Hold: Tgt \$18.50 | |
| 6/15/20 @ \$69.35 | SKYY | SHORT: FT Cloud Computing | \$73.36 | Hold: Tgt \$65.70 | |
| 6/8/20 @ 29.01 | INDA | iShares MSCI India ETF | \$29.05 | Hold: Tgt. \$32.83 | |
| ** CLOSED TRADES: | | | | | |
| We sold AGQ on 6/15 at the open for \$25.36 after buying it on 5/11 at \$21.91. | | | | | |
| We sold RSX on 6/22 at the open for \$20.47 after buying it on 6/1 at \$20.75. | | | | | |
| NEW TRADE: | AGQ | Buy at the open on 6/29 | | Upside target \$34 | |
| Pivot Points | S2 | S1 | Pivot Level | R1 | R2 |
| Weekly | 2825 | 2975 | 2766.64 | 3,153.43 | 3,233 |
| Monthly | 2506.8 | 2766.46 | 2766.64 | 3231 | 3393.5 |
| Closing Price | | | 3,009.60 | | |

Early last week, it looked as though the markets were on their way to correcting lower and testing projected downside targets. However, waves of buying came in from the usual sources (the Fed and Treasury these days) and the decline was muted.

Then, on Friday morning, the Fed announced that banks were showing enough weakness in their loan loss reserves that they were going to have to halt any share buybacks and cap dividend payments until reserves rose back up to acceptable levels. That put an end to the short-term rally and risk assets now appear set to move down towards targets once again.

Our stance remains fairly cautious for the short-term and is likely to remain so until downside targets / support are tested in earnest. If support is tested and appears like it will hold, we will take off hedges and get long without reservation.

Here are the coverages in today's report:

- S&P futures likely to move lower and test key support. Will it hold?
- NASDAQ should correct lower now that FAANG stocks are showing willingness to drop.
- Crude oil may be correcting lower for a while – especially if US state governors impose restrictions.
- Bond prices on the rise as global investors seek safe harbour.
- Gold benefitting from the “safety trade” as well.
- NEW TRADE IDEA: Rectifying a mistake in our silver trade.

How to Trade it:

S&P in correction mode – for as long as the government forces will allow it. (SPY, SPXL, SH or SPXS):
The bulls had some very short-term hope tied to support at 3,027.25 on the S&P futures – but that failed badly on Friday. We should now see a move down to at least 2,978.75 and likely down to 2,865 on the futures in the coming days. That equates to a dip in SPY shares to around \$286.42.

We would look to sell longs / get short of S&P proxies (sell SPY or SPXL or buy SH or SPXS) on bounces to 3,041 in the futures with stops honored on a daily close above 3,051 (don't hesitate to cover shorts given the environment of government intervention in which we find ourselves) and with a downside target for covering and getting long (buy SPY / SPXL or short SH / SPXS) at 2,865 on those futures.

On the longs, we would look to hold on for a while unless a daily close below 2,860 in the futures occurs – then stop out of all proxies immediately.



NASDAQ futures should consolidate / pull back soon. (QQQ, TQQQ, PSQ, SQQQ)

NASDAQ 100 futures appear to be set to finally correct lower now that some of the FAANG stocks are posting conspicuous bearish reversals. A drop in NASDAQ here would bring it more in-line with the action in the S&P 500 and Russell 2000 stocks. The problem for the overly-bearish trading crowd out there is that even as FAANG is faltering short-term, the longer-term charts look good and emerging leadership within the NASDAQ is coming from biotechs and the cloud computing space. So, unless we see those two sub-sectors start to tail off, there's a good chance that a decline in the NASDAQ will be somewhat muted. That being noted, we would still look to short bounces in NASDAQ proxies (buy PSQ or SQQQ or short QQQ or TQQQ) to 10,010 on the NASDAQ 100 futures (they closed Friday at 9,865.50) with stops on a daily close above 10,120.50 on the futures and would look to cover shorts at 8,961.50 on those futures.



Crude Oil may have peaked in the short-term and could correct lower for a while. (XLE, OIH)

Crude oil futures declined again Friday after rising COVID cases globally and higher-than-expected inventory numbers took the legs out from the bulls throughout the week. Crude futures now appear to us to be headed down towards projected support at \$35.12 or \$34.17 in the coming days.

We would look to get short of crude proxies (short XLE or OIH) on any bounce to \$38.70 in the crude futures with stops honored on a close above \$39.94 on the futures and with a downside target of \$35.12 for covering.



Bond prices on the rise as money flees risk assets. (Long TLT or Short TBT)

Treasury futures (10-yr) are on the move higher as expected. No changes to our outlook or targets – hold onto long bond proxies (buy TLT or short TBT) for the continued move to 142 in the futures..

Look to sell longs (sell TLT long or cover TBT short) and get short (buy TBT or short TLT) at 142 on the 10-year Treasury price futures with stops on shorts on a close above 142.50 on those futures and with a target of 138.21. Ahead of the test of 142, look to buy long bond proxies (TLT) on dips to 138.21 on the futures with stops below 137.45 and with the target of 142. For TLT, all this should mean buying near 161.5 and selling / shorting at 171.



Gold is the beneficiary of the “flight to safety” trade globally. (Long GLD or UGL; Short GLL or DUST)
 Gold futures rebounded after an initial sell-off on Friday and now appear headed up to either 1,828.50 or 1,867.50.

We would look to buy gold proxies (buy GLD or UGL) near 1,753 on the gold futures with stops honored on a close below 1,745.30 ahead of a test of 1,828.50 – 1,867.50. We would look to sell longs at 1,828.50 on the futures and get short at 1,867.50 with stops honored on a close above 1,875 and with a downside target of 1,457.



NEW TRADE IDEA: A mistake was made in our silver trade... and it's time to fix it! (SLV, AGQ)

Exiting the long silver trade a couple of weeks ago appears to have been a mistake. Silver futures held their second support level and have started to advance. AGQ shares – show below – also held support and are rising as well. We would be buying AGQ shares now and would add on dips to \$26 with stops on a close below \$24.75 and would look to take profits up at \$34.



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