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Technical Forecast

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May 3, 2020

Open ETF Trades

Date Opened	Ticker	Market	Stop Loss	Strategy & Update
4/14/20 @ $36.21	GLL	ProShares Ultrashort Gold		Sold 4/30 @ $39.96
4/14/20 @ $35.75	DUST	ProShares Ultrashort Miners		Sold 4/30 @ $34.85
4/27/20 @ $36.44	IEV	iShares Europe ETF		Hold: Bull Eur. Stks
4/30/20 @ $158.57	GLD	SPDR Gold Shares		Targeting $164
Today's moves:	TLT	Long-Term Treasuries - buy now	< $138	Bullish Treasuries with a tgt of $144
	SKF	ProShares UltraShort Financials – buy now / near $15.84		Bearish financials with a target of $26.62

Pivot Points	S2	S1	Pivot Level	R1	R2
Weekly	2304.9	2447.49	2488.65	2938	3028
Monthly	2346.6	2436.60	2436.60	2941	3028
Closing Price			2830.71		

Stocks fell hard late last week as the hope and joy generated from several US states re-opening their economies has been overwhelmed by the warnings and realities of what a shut-down global economy has done and is doing to corporate revenues and earnings.

Leading stocks like AMZN, AAPL and TSLA took it on the chin Friday after their respective earnings releases – and those were looked at as being the glimmers of hope in a darkened economic sky. One has to wonder what the numbers will look like from energy, financials, travel / leisure and the service economy. Exxon Mobil gave us one clue Friday when they came out with staggeringly-bad revenues and earnings resulting from the historic downside volatility in crude oil and natural gas.

In commodity land (outside of energy), we're seeing more of the same with few ag commodities holding up and only gold / silver showing occasional strength (right now, as it so happens).

The idea that the rally that played out since mid-March was caused by anything but the direct government intervention into our financial markets is laughable. The talking heads on the various financial channels continued to try to rationalize, though, all the way through early Thursday. There is but one intelligent thing to say if you're on the tube these days – "Thank you, Uncle Sam, for stepping in and propping things up." Hopefully, deep-in-the-red positions are no longer so – and perhaps they've even flipped to being in the black. CAVEAT EMPTOR!!! Don't overstay your welcome on the long side of the broader equity markets!!

Here are the coverages in today's report:

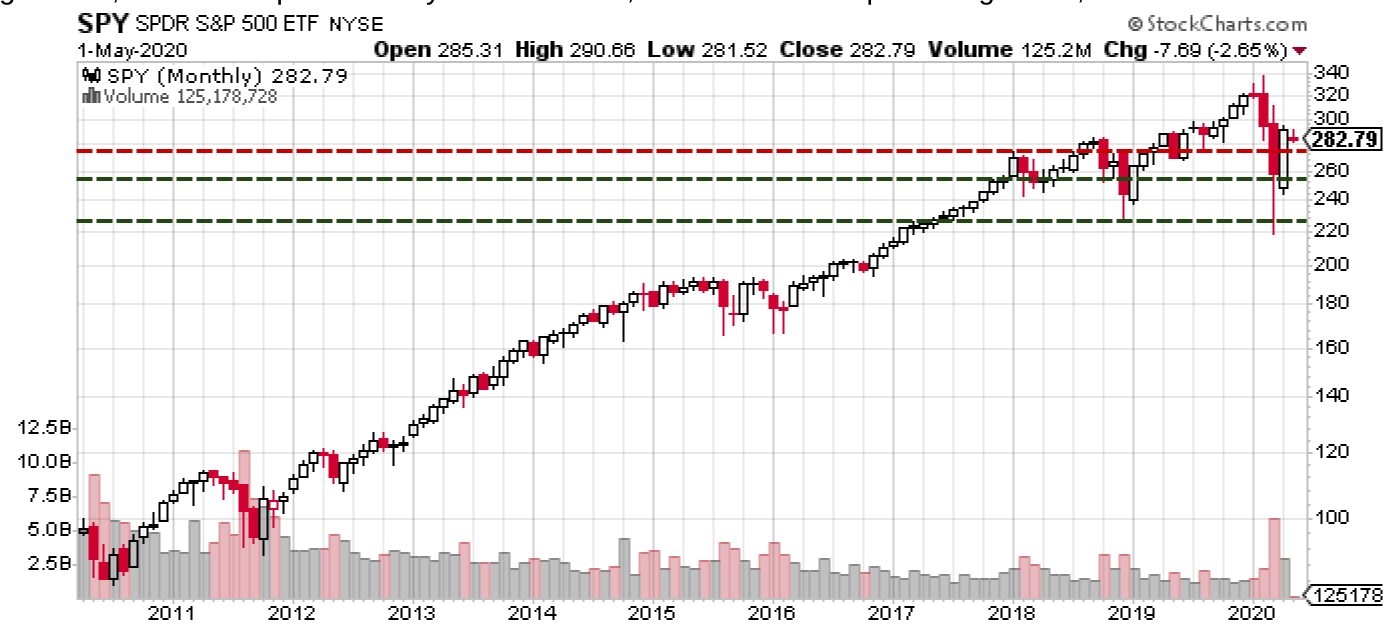
- S&P futures retreating after test of critical "correction resistance"
- NASDAQ futures pulling back after successful breakout through their own "correction resistance"
- If energy and other sectors are to spit out bankruptcies, financials are going to be the "dominos" that fall.
- Crude oil is the hardest chart in the world to read right now. Here's our best shot…
- Bonds catching some inflows as money leaves equities
- Gold hit our downside target for short-term buys… should rally now. But how high?
- Who will remain in max "easy money" mode for the longest?

How to Trade it:

S&P futures (playable in ETFs via SPY, SH, QQQ, PSQ, SPXL or TQQQ):
The upper end of the upside target range at 2,944 – 2,947 (for S&P futures – 2,941 for S&P cash) was tested this week and the expected retreat in stocks seems to have commenced.

It appears like we may drop to either 2,528 or 2,358 in the futures in the short-term. If we drop to 2,528 and hold there, we should bounce to 2,878 – 2,880 and then start the scary drop towards 2,000. If we drop below 2,528 this time around, look for support to come in at 2,358 and then for a bounce to 2,550 or 2,878 – 2,944 to play out. Again, though, that rally would likely be followed by a cascade down to sub-2000.

We would hold onto shorts / hedges (via shorting SPY or SPXL or being long of SH or SPXS) if you have them until 2,528 is tested for the S&P futures. We would cover and get long there (via buying SPY or SPXL) with stops honored on a daily close below 2,500 and with an upside target of 2,878. If stopped on longs, try them again at 2,358 with stops on a daily close below 2,345 and with an upside target of 2,550.



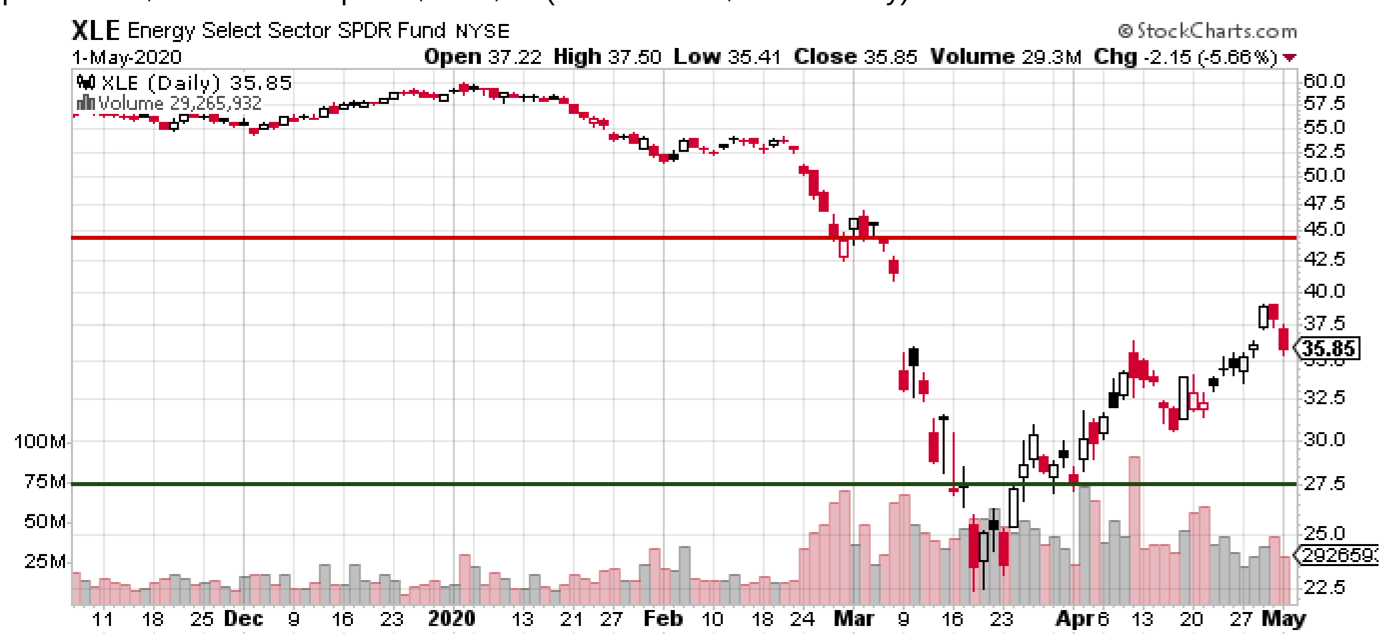
NASDAQ futures (use QQQ or TQQQ for longs or PSQ or SQQQ for shorts)
NASDAQ stocks – which had taken the leadership of the markets for the last two weeks – suddenly hit a wall late last week when earnings and projections from the biggest tech names gave traders a reason to take some profits. Technically, things still look good for NQ futures, though. A pullback to 8689.25 is buyable with stops below 8,342 and with an upside target of 9,733.50.

Financial stocks in the U.S. could be rough longs if we see bankruptcies accelerate in other sectors

Historical weakness in energy demand, retailers, restaurants, travel & leisure and small businesses globally should lead to an inevitable domino effect in the global financial sector. We're choosing to focus on the US financial sector because many of the bankruptcies should occur in the private sector. We may see municipal bond ratings decrease as well, but that's a separate play. Right now, we would be getting long of SKF (ProShares Ultra Short Financials) or short of UYG (ProShares Ultra Financials) in anticipation of the rest of the move lower in the markets and in financials in particular. With UYG at $26.17, we would expect a dip back down to at least $20.90 and perhaps down to $17.31.

Crude Oil (playable via XLE, OIH)

Crude oil futures didn't quite get up to $18.26 before dropping sharply towards our target of $7. Then, the bulls managed to make a stand at $10 and not $7 as expected. Now, here we are with crude at just below $20 as we head into the new week. Right now, it looks like crude has two possible resistance levels with which it has to contend – at $20.36 and $22.06 (on a 4-hour closing basis). We would look to short XLE on bounces in the crude futures up to $22.06 with stops honored on a 4-hr close above that level and with a downside target for covering at $10.50 in the futures. We will look to cover and get aggressively long in XLE shares when crude dips to near $10 and XLE dips to $27 - $28 (from around $36 on Friday).



Bond Prices (playable via TLT or TBT)

TY futures spent the week pretty much treading water – ahead of what we believe will be another wave higher. No change to last week's call: buy the Treasury proxy (TLT) when TY futures are near 138.67 with stops in those proxies if the futures have a daily close < 138.45 and look to sell when the futures hit 144. The upside target in TLT shares translates to 185. No shorts for now!

SPDR Gold ETF (GLD, GLL, DUST)

Gold futures pulled back in the last week or two – right to short-term support at 1,677.60. We expect that gold will rally back up to at least 1,751.80 and more likely up to 1,775 – 1,780. We would get long and stay long of gold proxies as close to 1,677.60 as possible and would hold on until 1,775 is tested. We would then look to short an extended move up to 1,780 with stops honored on a daily close above 1,785 and with a downside target of 1,670. This all translates to buying GLD near Thursday's lows (+/- $158.57) and looking to sell and short up at $164.

Euro ($EURUSD – use ULE for longs or EUO for shorts)
The EURUSD rebounded last week – surprisingly. The up move, though, may lead to one more test of the recent lows unless a daily close above 1.1002 occurs. We believe that breakout will NOT occur on this try and that a test of the recent lows will still play out.

We would look to sell / short EURUSD proxies (get short of ULE or long of EUO) at current levels with stops on a daily close above 1.1002 for EURUSD and would look exit those trades when EURUSD tests 1.0691. We would then look to get long (flip the trade – get long of ULE or short of EUO) at 1.0637 with stops on a daily close below 1.06 and with an upside target of 1.1142.

S's over N's and the health of this rally
NASDAQ stocks are still leading on a relative basis versus S&P stocks right now. But, as noted last week, it's not the traditional relationship going on between these two. There are real solvency problems getting ready to rear their ugly heads all over the global economy. We feel there's more of that going on in the S&P and not quite as much in the NASDAQ – thus the persistent outperformance in the Ns versus the Ss. This is likely to continue for the foreseeable future – so really target long exposure in the sectors within the NASDAQ that are logically going to continue to work in this environment and even in the recovery environment.

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