



Technical Forecast

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| Open ETF Trades | | | | | |
|----------------------|--------------|---|--------------------|--|--------------|
| Date Opened | Ticker | Market | Recent Pr. | Strategy & Update | |
| 9/28/20 @ \$42.26 | AGQ | ProShares Ultra Silver ETF | \$44.67 | Sell longs / get short now; cover / get long at \$38.75 | |
| 10/5/20 @ \$60.85 | XLU | SPDR Amex Utilities ETF | \$64.00 | Hold: Tgt. \$65.44 | |
| 10/12/20 @ \$26.37 | EWU | iShares MSCI UK ETF | \$25.67 | Hold: Tgt. \$29.50 | |
| CLOSED TRADE: | KRE | SHORT: SPDR S&P Reg. Bank ETF | | Covered KRE short @ \$39.60 after shorting at \$37.73 on 9/14 | |
| CLOSED TRADE: | UCO | SHORT: ProShares Ultra Crude Oil ETF | | Covered UCO short @ \$28.21 after shorting @ \$34.17 on 8/31 | |
| CLOSED TRADE: | SKF | ProShares UltraShort Financials | | Sold SKF @ \$10.45 on 10/12 after buying @ \$16.40 on 5/4 | |
| NEW TRADE: | UGL | SHORT: ProShares Ultra Gold ETF | | Short here; cover when gold tests 1,836 | |
| Pivot Points | S2 | S1 | Pivot Level | R1 | R2 |
| Weekly | 2,944 | 3,284.8 | 2965.7 | 3,566.90 | 3,590 |
| Monthly | 2926 | 3279 | 2766.64 | 3,490 | 3,590 |
| Closing Price | | | 3,473.20 | | |

A toxic political and social environment here in the US? No problem. COVID concerns perking up again globally? No problem. Inflationary pressures beginning to mount (as evidenced in many of the commodity charts we follow)? No problem. But... a failure by Congress and the President to agree on a new stimulus package here in the US has markets suddenly a bit on edge. That shows just how addicted the markets have become to government intervention in all forms.

Outside of the shaky action in stocks, we're seeing some signs of instability in crude oil markets as a result of renewed COVID travel restrictions globally. In the precious metals, we're seeing currency-related pressures move gold and silver around quite a bit. We anticipate that continuing as the euro feels COVID pressure.

In ag-commodity land, we're seeing persistent strength once again. This should become a bigger topic of conversation in the financial media at some point. When it does, you can look for bond prices to fall, the US Dollar to rise and for the precious metals complex, large cap US stocks and emerging markets equities to all feel downside pressure.

Here are the coverages in today's report:

- S&P should rally, drop and then rally again
- NASDAQ may pull back sharply before staging a sustainable rally
- Crude finally displays some signs of weakness
- Bond prices could fall a bit further before staging another rally
- Gold should finally start to tumble after setting another lower high
- NEW TRADE IDEA: Sell gold and silver proxies as next wave lower seems to be here

How to Trade it:

S&P should rally, drop and then rally again (SPY, SPXL, SH or SPXS)

S&P futures have rallied over the last few days and could rally just a bit further before we believe they will turn south again. Right now, we put potential resistance for S&P futures at 3,499.25 (already tested Friday) or 3,517.50. Regardless of where a ceiling is made, we believe the next move will be lower towards either 3,412.75 or 3,395.25. Once one of those levels is tested and holds as support, we feel there will be an even bigger move to the upside.

We would look to sell longs / get short of S&P proxies (sell SPY/SPXL or buy SH/SPXS) when futures test 3,517.50 with stops honored on a close above 3,519.75 on the futures and would look to cover shorts at 3,412.75. We would only get long of S&P proxies (buy SPY/SPXL or short SH/SPXS) at 3,395.25 on the futures, though. We would honor stops on longs on a close below that level in the futures and would look to take profits on longs up at 3,585.



NASDAQ may pull back sharply before staging a sustainable rally (QQQ, TQQQ, PSQ, SQQQ)

NASDAQ futures may have topped already or perhaps have just a bit more upside in store before real problems potentially begin. Right now, it appears to us like NQ futures should have strong resistance at either 12,022 - 12,027.25 or 12,106.25. Once a top is made at one of those two levels, we are looking for another sharp decline to play out – perhaps to 11,573 or lower.

We would look to sell longs / get short of NASDAQ proxies (sell QQQ/TQQQ or buy PSQ/SQQQ) when NQ futures test 12,022 - 12,027.25 with stops honored on a daily close above 12,110 and would look to cover shorts and get long of NASDAQ proxies (buy QQQ/TQQQ or sell PSQ/SQQQ) when futures test 11,573.



Crude finally displays some signs of weakness (XLE, OIH)

Crude oil futures had an erratic week – moving higher on hopes for a COVID vaccine and then moving lower when those hopes fade on adverse headlines. This is a very tough trade right now. All we can do is point out that resistance still exists at \$42.65 and that our ultimate downside target the next time we see crude tumble will be \$31.77.

We would short crude close to \$42.64 with stops on a close above \$42.65 and with a downside target of \$31.77.



Bond prices should fall further before key test of support (TLT for longs or TBT for shorts)

10-Year US Treasury Price futures should, in theory, start to see some buying interest again once we see the next wave lower in stocks commence in earnest. However, we are definitely seeing some warning signals start to spring up in the commodities complex – warnings of possible inflationary pressures (which could turn the Fed more hawkish than they have been). The chart of TLT below tells us key support comes in at 157.50 or so. That would seem to make sense as we expect gold to fall (usually coincident with higher Treasury rates).

We would look to buy TLT shares on a dip to 157.50 with stops honored below that level and with an upside target of 177.



Gold should finally start to tumble after setting another lower high (Long GLD / UGL; Short GLL / DUST)

Gold futures have been holding up despite the fact that it appears like they have more downside work to do. Gold should have very short-term resistance at 1,921.80 and should eventually trade down towards either 1,836 or 1,798 – 1,800.

We would look to sell longs / get short of gold proxies (sell GLD / UGL or buy GLL / DUST) when futures approach / test 1,921.80 with stops honored on a close above 1,925 and with a downside target for covering shorts at 1,836. We would look to start new longs in gold proxies (buy GLD / UGL or short GLL / DUST) when futures test 1,800 with stops on a close below 1,795 and with an upside target of 2,100.



NEW TRADE IDEAS: Sell gold and silver proxies as next wave lower seems to be upon us

Based on the analysis we've been doing on gold recently and in today's report, we would look to short UGL and AGQ at current levels with targets for covering being when gold tests 1,836 on the downside (for UGL) and when AGQ tests \$38.75. We would not get long of gold proxies, though, until gold tests 1,800.



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