

## Weekly Market Analysis #320 — 25 September 2020

### Richard "Doc" Ahrens

#### This Week

Veteran gold trading firm Van Eck said they expect gold prices to rise from their current levels near \$1865 to well over \$3000. To check spot gold prices (the live gold market), go to the Kitco website at <https://www.kitco.com/>.

Remember that gold and the U.S. Dollar move in opposite directions. If the dollar weakens, then it takes more dollars to buy an ounce of gold. If the dollar gets stronger, then it can buy more gold. It's possible for the price of gold to go up while the dollar remains flat. They disconnect from time to time, but it's fairly unusual.

Chicago Federal Reserve President Charles Evans said Tuesday the U.S. economy risks a longer, slower recovery, if not an outright recession, if the U.S. Congress fails to pass a fiscal package to support out-of-work Americans and state and local governments. So according to Chuck, we're at risk for a recession. And here I was thinking we were in a recession. Silly me.

This week one of my readers asked about buying on margin. A lot of people say buying on margin gives you leverage. Let's say your brother in law gives you a hot tip about "Colorado Ocean-View Properties" (COVP). Let's also say you have \$5000 and COVP is at \$20 a share so you can afford to buy 250 shares. But if you buy on margin, you can get more shares. "Margin" is where your broker loans you shares so you can get more for your money. If you're considered a good customer, with your \$5000 you can buy 250 shares and your broker will loan you enough money to buy another 250 shares.

Now you own 500 shares of COVP. If your brother in law is as smart as he thinks he is and the price goes up to \$40, your \$5000 just doubled. \$40 times 500 equals \$20,000. When you sell, you pay your broker back the \$5000 he loaned you and you get to keep \$15,000 for yourself. Instead of doubling your money, you tripled it.

But keep in mind, this kind of leverage works both ways. If COVP drops from \$20 to \$10, now your 500 shares are worth only \$5000. If you sell (or you get a margin call\*), \$10 times 500 equals \$5000. You have to pay your broker the \$5000 he loaned you, so the \$5000 you started with is now just a memory. You are out of money but your broker is just fine.

Now let's say COVP doesn't go anywhere and it just stays at \$20 for 3 years. Guess what, you still lose some money. Your broker didn't loan you that \$5000 out of the goodness of his heart. You still have to pay him interest on that \$5000 loan. It's not as dramatic a loss as if the shares go down in price, but it still takes a bite out of your capital.

To put it bluntly, trading with more capital than you have is a sucker bet.

\* A [margin call](#) is when your broker demands you add more money to your account or they will liquidate one or more of your positions for you.

[Long-Term Trends](#)

← Use this link to see all the market barometer charts

Markets do not change course overnight. Speculating about the future is a waste of time, but markets trend and *understanding what is happening now tells us what is most likely to happen next.*

VTI is down to its 21-week average. The SPX is, also. COMPQ is seesawing around its 13-week average. And IWM is slightly below all 3 of its averages. Another week of this and we will start seeing red dots in the top rows.



## A Closer Look

If you compare the Friday close to the Monday open, the SPX advanced a little. If you compare it to last Friday's close, it lost a little (and it's still below its 50-day average). NYAD is still moving lower from its Aug 12<sup>th</sup> high. SPXA50R is well below 50, which is a negative sign. VIX has been gradually climbing for the last 2 weeks but seems remarkably indifferent about what's going on in the market.



Core Universe Analysis for 25-Sep-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">BND</a>	TOTAL BOND MARKET	ETF	UP	0.2:2.4	DN	0/4	-0.0
<a href="#">EEM</a>	EMERGING MARKETS	ETF	UP	2.4:2.4	«UP»	0/10	-1.0
<a href="#">EFA</a>	EURO/AUST/ASIA	ETF	UP	1.4:2.4	«UP»	0/8	-0.9
<a href="#">GLD</a>	GOLD	ETF	UP	2.3:2.4	«UP»	0/0	-1.1
<a href="#">IBB</a>	BIO-TECH & PHARMA	ETF	UP	0.5:2.4	UP	0/2	0.1
<a href="#">IGV</a>	Software	ETF	UP	3.9:2.4	UP	0/1	-0.4
<a href="#">IWM</a>	R2000 INDEX	ETF	UP	1.6:2.4	=DN=	0/10	-1.2
<a href="#">IYT</a>	TRANSPORTATION	ETF	UP	5.7:2.4	«UP»	1/0	-0.8
<a href="#">PFF</a>	S&P Preferred Stocks	ETF	UP	1.0:2.4	«dn»	0/9	-0.3
<a href="#">QQQ</a>	NASDAQ 100 INDEX	ETF	UP	3.9:2.4	«UP»	0/0	-1.1
<a href="#">SPY</a>	S&P 500 INDEX	ETF	UP	2.3:2.4	«dn»	0/0	-1.3
<a href="#">TLT</a>	20+ YEAR T-BOND	ETF	UP	0.1:2.4	-dn-	3/0	0.2
<a href="#">USMV</a>	US MIN VOLATILITY	ETF	UP	0.9:2.4	«UP»	0/0	-0.5
<a href="#">VGK</a>	FTSE EUROPE	ETF	UP	1.5:2.4	«dn»	0/0	-1.5
<a href="#">VNQ</a>	US REAL ESTATE SCTR	ETF	DN	0.1:2.4	DN	0/0	-1.1
<a href="#">VTI</a>	TOTAL MARKET	ETF	UP	2.4:2.4	«UP»	0/0	-1.2
<a href="#">SHV</a>	CASH SURROGATE	ETF	UP	-0.0:2.4	DN	3/29	0.0

[Sector Charts](#)

Last week's choices were: EEM 20% (5% stop \$43.27), IYT 20% (5% stop \$ 194.78), and SHV 60%.

EEM was stopped out on the 23<sup>rd</sup> so it's gone and SHV is now at 80%.

Top 10 ETFs by RelStr: IYT lost ground (but less than most); still above its 5% stop. IGV may be turning up again; watch. QQQ dropped ~13% in 3 weeks; may be turning back up. VTI fell ~10%; may turn up late next week. EEM looks like it is forming a top. GLD declining for now. SPY may have found support around \$320 but money flow is tentative; watch. IWM has reached historic support at \$145; watch. VGK gapped down on the 21<sup>st</sup>; price action not strong. EFA looks like VGK. A strong down move in the broader market could sweep all these down with it, so be very cautious.

This week's selections: IYT 20% (5% stop 194.78), SHV 80%.

(SHV has occasional weird, one-day price spikes but when it does, it rapidly returns to its usual price range. The technical analysis charts look bizarre because SHV doesn't move the way normal securities do. But SHV is liquid and it yields about 1% per year, which beats bank and credit union savings accounts these days.)

[Sector Universe](#)

← Use this link to get to the live Sector Universe Table and column descriptions

<b>Sector Universe Analysis for 25-Sep-2020</b>							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">XAR</a>	SPACE & DEFENSE SCTR	ETF	DN	-0.2:2.3	DN	0/10	-0.5
<a href="#">XLB</a>	MATERIALS SCTR	ETF	UP	3.9:2.3	«dn»	0/0	-0.9
<a href="#">XLC</a>	COMMUNICATION SCTR	ETF	UP	2.8:2.3	«dn»	0/0	-1.2
<a href="#">XLE</a>	ENERGY SCTR	ETF	DN	-5.3:2.3	«dn»	0/24	-1.4
<a href="#">XLF</a>	FINANCIAL SCTR	ETF	-DN-	0.3:2.3	DN	0/0	-1.0
<a href="#">XLI</a>	INDUSTRIAL SCTR	ETF	UP	3.0:2.3	DN	0/0	-0.6
<a href="#">XLK</a>	TECHNOLOGY SCTR	ETF	UP	3.8:2.3	«UP»	0/0	-1.1
<a href="#">XLP</a>	CONSUMER STAPLES SCTR	ETF	UP	1.8:2.3	«dn»	0/0	-0.7
<a href="#">XLRE</a>	REAL ESTATE SCTR	ETF	UP	0.3:2.3	DN	0/0	-1.0
<a href="#">XLU</a>	UTILITIES SCTR	ETF	DN	-0.4:2.3	«dn»	1/0	-0.3
<a href="#">XLV</a>	HEALTH CARE SCTR	ETF	UP	1.0:2.3	«UP»	0/11	-0.7
<a href="#">XLY</a>	CONSUMER DISCRET SCTR	ETF	UP	4.2:2.3	«dn»	0/0	-1.1
<a href="#">XRT</a>	RETAIL SCTR	ETF	UP	5.0:2.3	=DN=	0/8	-1.4

[Auxiliary Universe Charts](#)

The top sectors by RelStr are XRT, XLY, XLB, XLK, XLI, and XLC.

Auxiliary Universe Analysis for 25-Sep-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">FIVG</a>	5G NETWORKING SCTR	ETF	UP	1.7:2.4	«UP»	0/0	-0.8
<a href="#">HACK</a>	Cyber Security	ETF	UP	1.7:2.4	«UP»	0/10	-0.5
<a href="#">HYG</a>	HIGH-YIELD CORP BOND (HD)	ETF	UP	0.4:2.4	=DN=	0/10	-0.3
<a href="#">IHI</a>	U.S. Medical Devices	ETF	UP	2.7:2.4	=DN=	0/10	-0.8
<a href="#">QTUM</a>	QUANTUM COMPUTING SCTR	ETF	UP	2.6:2.4	UP	0/9	-1.0
<a href="#">ROBO</a>	ROBOT/AUTOMATION SCTR	ETF	UP	3.3:2.4	UP	0/8	-0.7
<a href="#">SLV</a>	SILVER TRUST	ETF	UP	8.7:2.4	«DN»	0/0	-3.9
<a href="#">SNSR</a>	Internet of Things	ETF	UP	2.8:2.4	«dn»	0/10	-1.7
<a href="#">SOXX</a>	SEMICONDUCTOR SCTR	ETF	UP	3.5:2.4	«UP»	0/0	-0.7
<a href="#">SRVR</a>	Data & Transmission REIT	ETF	UP	0.3:2.4	DN	0/0	-1.2
<a href="#">USO</a>	US OIL	ETF	DN	-15.2:2.4	=up=	1/0	0.2
<a href="#">XBI</a>	BIO-TECH SCTR	ETF	UP	1.6:2.4	UP	0/2	0.1
<a href="#">XHB</a>	HOMEBUILDERS SCTR	ETF	UP	5.5:2.4	-UP-	0/0	-0.7
<a href="#">XHE</a>	HEALTHCARE EQUIP SCTR	ETF	UP	2.2:2.4	«UP»	0/10	-0.6
<a href="#">XME</a>	METALS & MINING SCTR	ETF	UP	3.4:2.4	DN	0/0	-1.4
<a href="#">XOP</a>	OIL+GAS EXPL+PROD	ETF	DN	-4.8:2.4	≡DN≡	0/22	-1.1
<a href="#">XPH</a>	PHARMACEUTICALS SCTR	ETF	UP	1.0:2.4	=DN=	0/12	-0.4

[Core Universe Charts](#)

SLV is in the low \$20s while GLD is about \$175 They both peaked about August 10th.

Although XHB declined some this month, it has actually done quite well compared to the rest of the market, and it had more up days than down days in September.

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