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Weekly Market Update 9-3-20

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Weekly Market Update 9-3-20

The markets are taking a breather this week it appears. And to be honest, this is very needed particularly in the Tech space.

The NASDAQ which has lead the broader markets higher since the March lows is stretched a truly staggering amount above its 50-week moving average. Historically, anytime this index has been ~15% above its 50-WMA, there's usually been a pullback. Today it's over 30% above it!

The slope of the rally for some of the large FANG stocks is truly incredible.

Apple (AAPL) has entered a parabolic move higher. And it was already a $1 TRILLION company at the March lows! It has since more than DOUBLED from those levels.

The same can be said of Amazon (AMZN).

Microsoft (MSFT) has also almost doubled. Again, this was a $1 trillion company at the lows.

Facebook (FB) has also doubled. And it had a $475 billion market cap at the March lows.

In light of today's market action, investors are asking… is the bull market over? Is the top in? Personally, I have no idea. I'm not a psychic. So rather than pretending to know something that is impossible to know in advance, let's look at what the market is telling us.

The fact is that MSFT, AAPL, AMZN, and FB could all drop 10% and remain in uptrends. Given how overbought and over-extended the markets have become, I wouldn't be surprised to see this happen.

For the indexes this would mean the following:

The NASDAQ correcting to 11,250 or so.

The S&P 500 correcting to 3,400 or so.

Again, it's WAY too early to be talking about tops or the bull market ending. If we see the stock indexes BREAK those uptrends, THEN we could start talking about those issues.

Indeed, if we take a HUGE step back and look at stocks' historical performance it is clear that the markets only entered a new bull market in 2014.

From 1996 until 2014, they were in a bear market/ range. Since that time, they've risen approximately 120%.

The last time we saw stocks move in a range for ~20 years was in 1962-1982. When that bear market finally ended in 1982 the subsequent bull market lasted 18 years until 2000, and stocks rose over 400%!

Put another way, if history were to repeat, the bull market begun in 2014 could last until 2034 and would see the S&P 500 rise to over 6,500.

Again, I'm referencing all of this to point out that trying to call major market tops is impossible. It's much smarter to focus on key levels for determining when to get in or out of stocks.

One way to do this is with Bollinger bands on a monthly basis.

Historically anytime the S&P 500 has broken above its top Bollinger band on a monthly basis, it's been a top of sorts. And similarly anytime the S&P 500 has broken BELOW its top Bollinger band on a monthly basis, it's been a bottom of sorts.

As you can see in the chart above, we're now well above it the top Bollinger Band on a monthly basis on the S&P 500. In this scenario, it would be perfectly normal for the market to correct 10% to fall below this line, OR even fall to test its average price of the last 20 months (3,000 on the S&P 500).

Having said all of this, not everything is negative for the markets today. Materials stocks look to be ending a two-year bear market.

Indeed, on a relative basis, we might actually be entering a period in which Materials stocks outperform the broader market.

Below is chart showing the ratio of the performance of Materials stocks relative to the performance of the S&P 500. When Materials stocks outperform the S&P 500, this lines rises. And when Materials stocks underperform the S&P 500, this lines falls.

As you can see, Materials stocks have been dramatically underperforming the S&P 500 for the last three years. But this ratio is now pushing hard against its downtrend. If we break to the upside, we would finally enter a period in which Materials stocks outperform by a wide margin.

This ties in with my view that inflation, not deflation will prove to be the ultimate outcome of the monetary policies used by policymakers. A high inflationary environment would be one in which Materials stocks outperform the S&P 500 by a wide margin,

We get additional signals of this potential from the Gold to S&P 500 ratio, which is carving out a massive multi-year rounded bottom (blue line in the chart below).

This ratio was rejected at major resistance (red line in the chart below) earlier this year, which is to be expected. Rarely do you see a major line of resistance like this break on the first try. Provided we hold support (green line in the chart below), then we can continue to build pressure for a new stage of gold outperformance.

We also see an interesting pro-inflationary move in the Commodities to S&P 500 ratio. Here we see a false breakdown from the long-term downtrend occurred during the COVID-19 panic.

A false breakdown occurs when an asset breaks below a key trendline or support line but then quickly reclaims it. Few things are more bullish than a false breakdown. Thus, this chart this might be hinting that as we move into 2021, we are entering a period in which commodities FINALLY begin to outperform the S&P 500.

That would be triggered by an aggressive rise in inflation.

Again, big picture, the markets are suggesting that we are moving into an inflationary framework. This is a multi-year development. And by the look of these charts, by this time next year inflation will a on everyone's mind.

Again, this is the BIG picture for the markets today. Im terms of trades to buy right now, Steel dynamics (STLD) has broken a multi-year downtrend.

Action to Take: Buy Steel Dynamics (STLD).

In terms of our current tech positions that are open, let's do a quick review.

Slack (WORK) has broken out of its downtrend (blue lines), been rejected by resistance (red line) and is now back-testing that breakout while holding support (green line). Unless support breaks, we're holding on for now.

Shopify (SHOP) is correcting but has yet to break major support (green line) or its bull market trendline (blue line) with conviction. Unless it breaks these, we're holding here.

It's the same story for Twilio (TWLO). Here again the company is correcting but has yet to break major support (green line) or its bull market trendline (blue line) with conviction. Unless it breaks these, we're holding here.

We also see this happening with Tradedesk (TTD). Here again the company is correcting but has yet to break major support (green line) or its bull market trendline (blue line) with conviction. Unless it breaks these, we're holding here.

The one exception in our tech holdings it Alteryx (AYX). The company dropped hard on weak results for 2Q20 a few weeks ago.

We held onto this play because AYX shares were building a base and looked as though they were poised for a break above resistance (red line) in the chart below. However, as you can see, this has failed to manifest and AYX shares are now falling to test support (green line). The momentum here is gone and there are better places where we can deploy capital.

Action to Take: Sell Alteryx (AYX).

This concludes this week's market update. I'm watching the markets closely and will issue updates as needed. Barring any new developments, you'll next hear from me next Thursday in our usual weekly market update of ***Private Wealth Advisory.***

Until then…

Best Regards,

Graham Summers
Chief Market Strategist
Phoenix Capital Research

OPEN POSITIONS: STOCKS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Schlumberger	SLB	6/4/20	$20.32	$19.32	-5%
Kinder Morgan	KMI	6/4/20	$16.10	$13.83	-14%
Delta Airlines	DAL	6/4/20	$31.97	$31.51	-1%
Slack Technologies	WORK	6/18/20	$34.13	$31.08	-9%
Goldman Sachs	GS	7/13/20	$212.00	$209.55	-1%
Rockwell Automation	ROK	7/16/20	$222.75	$230.24	3%
US Concrete	USCR	7/16/20	$26.59	$27.94	5%
Shopify	SHOP	7/20/20	$1,000.63	$1,009.00	1%
Twilio	TWLO	7/22/20	$262.62	$248.04	-6%
Reliance Steel and Aluminum	RS	8/10/20	$106.59	$107.82	1%
Parsley Energy	PE	8/11/20	$12.33	$10.65	-14%
Paypal	PYPL	8/11/20	$192.82	$198.56	3%
TradeDesk	TTD	8/26/20	$489.07	$469.17	-4%
Mosiac	MOS	8/26/20	$18.39	$18.59	1%
Nutrien	NTR.TO	8/26/20	$49.87	$49.20	-1%
Steel Dynamics	STLD	9/3/20	$20.20	NEW	BUY

OPEN POSITIONS: PRECIOUS METALS

Position	Symbol	Buy Date	Buy Price	Current Price	Total Return*
Nemont Mining	NEM	3/26/20	$64.50	$66.39	3%
Barrick Gold	GOLD	3/26/20	$28.15	$29.20	4%
Jervois Mining	JRVMF	8/6/20	$0.18	$0.22	23%
Rare Earth Metals	REMX	8/6/20	$44.05	$41.42	-6%
Silver Miners	SIL	8/26/20	$47.63	$47.98	1%
Silver Mining Juniors	SILJ	8/26/20	$15.10	$15.28	1%
K92 Mining	KNTNF	8/26/20	$5.28	$6.10	16%
American Gold and Silver Corp	USAS	8/26/20	$2.85	$2.86	0%

Prices as of 9/3/20 at 12:30 PM.

RECENTLY CLOSED TRADES

Position	Symbol	Buy Date	Buy Price	Sell Date	Sell Price	Gain
Microsoft	MSFT	4/8/20	$165.09	4/20/20	$176.00	7%
Apple	AAPL	4/8/20	$264.96	4/20/20	$278.00	5%
Gold Miners ETF	GDX	12/12/19	$26.57	4/20/20	$30.37	14%
Gold Mining Juniors ETF	GDXJ	12/12/19	$35.70	4/20/20	$37.34	5%
Nemont Mining	NEM	3/26/20	$47.13	4/20/20	$58.98	25%
Barrick Gold	GOLD	3/26/20	$19.31	4/20/20	$24.64	28%
UltraShort S&P 500	SDS	4/20/20	$24.35	4/21/20	$25.35	4%
VIX ETF	VXX	4/20/20	$42.29	4/21/20	$46.29	9%
Wayfair	W	4/23/20	$104.63	4/28/20	$127.07	21%
Alcoa	AA	4/8/20	$7.38	4/29/20	$8.67	17%
US Steel	X	4/8/20	$6.86	4/29/20	$8.00	17%
Marathon Petroleum	MPC	4/23/20	$25.94	4/29/20	$33.02	27%
Parsley Energy	PE	4/23/20	$8.30	4/29/20	$9.36	13%
Diamondback Energy	FANG	4/23/20	$37.10	4/30/20	$43.38	17%
TradeDesk	TTD	4/27/20	$263.90	4/30/20	$297.24	13%
Wayfair (HALF)	W	4/30/20	$124.35	5/5/20	$179.06	44%
JP Morgan	JPM	4/9/20	$103.67	5/7/20	$91.09	-12%
Square	SQ	4/27/20	$63.60	5/13/20	$72.13	13%
Wayfair (other HALF)	W	4/30/20	$124.35	5/13/20	$178.26	43%
Nvidia	NVDA	5/14/20	$314.14	5/20/20	$358.80	14%
Silver Miners	SIL	8/23/19	$27.74	5/20/20	$37.19	34%
Silver Mining Juniors	SILJ	8/23/19	$9.13	5/20/20	$11.86	30%
K92 Mining	KNT.V	2/20/20	$3.61	5/20/20	$4.22	17%
American Gold & Silver	USA.TO	2/20/20	$3.19	5/20/20	$3.98	25%
Gold Miners ETF	GDX	12/12/19	$34.75	5/20/20	$37.35	7%
Gold Mining Juniors ETF	GDXJ	12/12/19	$42.60	5/20/20	$48.01	13%
First Majestic Silver	AG	2/20/20	$8.44	5/21/20	$9.40	11%
Goldman Sachs	GS	4/9/20	$185.02	5/28/20	$205.79	11%
Steel Dynamics	STLD	4/9/20	$24.44	5/28/20	$27.14	11%
Freeport McMoRan	FCX	4/30/20	$8.81	6/4/20	$10.13	15%
Uber	UBER	5/14/20	$32.49	6/4/20	$36.70	13%
Wayfair	W	5/28/20	$163.54	6/4/20	$181.08	11%
Trade Desk	TTD	6/2/20	$308.03	6/4/20	$344.37	12%
Alcoa	AA	6/2/20	$9.95	6/4/20	$11.18	12%
Alpha Pro Tech	APT	5/14/20	$15.39	6/4/20	$10.72	-30%

RECENTLY CLOSED TRADES CONTINUED

Position	Symbol	Buy Date	Buy Price	Sell Date	Sell Price	Gain
Carnival Cruise Lines (HALF)	CCL	4/29/20	$16.61	6/5/20	$21.73	31%
Dave And Busters (HALF)	PLAY	4/29/20	$16.36	6/5/20	$19.48	19%
Simon Property Group (HALF)	SPG	4/30/20	$66.69	6/5/20	$87.18	31%
Carnival Cruise Lines (OTHER HALF)	CCL	4/29/20	$16.61	6/9/20	$22.52	36%
Dave And Busters (OTHER HALF)	PLAY	4/29/20	$16.36	6/9/20	$19.64	20%
Simon Property Group (OTHER HALF)	SPG	4/30/20	$66.69	6/9/20	$87.31	31%
Enterprise Partners	EPD	4/9/20	$16.78	6/11/20	$19.47	19%
Adobe	ADBE	5/28/20	$382.80	6/11/20	$398.04	4%
Shopify	SHOP	5/28/20	$751.02	6/24/20	$888.00	18%
Smith & Wesson	SWBI	6/2/20	$15.29	6/24/20	$18.24	19%
Wayfair	W	6/16/20	$196.91	6/24/20	$200.28	2%
Coca Cola	KO	4/9/20	$49.46	6/25/20	$44.43	-10%
Trade Desk (HALF)	TTD	6/16/20	$377.75	7/2/20	$446.39	18%
Square (HALF)	SQ	6/16/20	$93.07	7/2/20	$115.73	24%
Docusign (HALF)	DOCU	6/25/20	$169.48	7/2/20	$194.27	15%
Trade Desk (Other Half)	TTD	6/16/20	$377.75	7/6/20	$462.43	22%
Square (Other Half)	SQ	6/16/20	$93.07	7/6/20	$126.20	36%
Docusign (Other Half)	DOCU	6/25/20	$169.48	7/6/20	$197.54	17%
Pinterest	PINS	6/18/20	$23.07	7/6/20	$25.49	10%
Alteryx	AYX	6/25/20	$164.08	7/6/20	$171.20	4%
Coupa Software	COUP	6/25/20	$272.98	7/6/20	$288.62	6%
US Steel	X	6/4/20	$9.17	7/8/20	$6.75	-26%
Alcoa	AA	6/18/20	$11.68	7/4/20	$12.48	7%
UltraShort QQQ	QID	7/8/20	$11.72	7/20/20	$10.69	-9%
Short Term Volatility ETF	VXX	7/8/20	$33.24	7/20/20	$28.50	-14%
Silver (HALF)	SLV	8/23/19	$14.87	7/22/20	$21.43	44%
Silver Miners (HALF)	SIL	6/30/20	$36.80	7/22/20	$46.49	26%
Silver Mining Juniors (HALF)	SILJ	6/30/20	$11.90	7/22/20	$15.35	29%
K92 Mining (HALF)	KNT.V	6/30/20	$3.92	7/22/20	$5.62	43%
American Gold & Silver (HALF)	USA.TO	6/30/20	$3.58	7/22/20	$4.59	28%
NexGen Energy	NXE	4/23/20	$1.33	7/22/20	$1.78	34%

RECENTLY CLOSED TRADES CONTINUED

Position	Symbol	Buy Date	Buy Price	Sell Date	Sell Price	Gain
Gold (half)	GLD	8/23/19	$148.28	7/27/20	$182.05	23%
Silver (25%)	SLV	8/23/19	$14.87	7/27/20	$22.60	52%
Kirkland Lake (25%)	KL	2/23/20	$41.79	7/27/20	$50.74	21%
Silver Miners (25%)	SIL	6/30/20	$36.80	7/27/20	$49.74	35%
Silver Juniors (25%)	SILJ	6/30/20	$11.90	7/27/20	$16.13	36%
K92 Mining (25%)	KNT.V	6/30/20	$3.92	7/27/20	$5.70	45%
American Gold & Silver Co (25%)	USA.TO	6/30/20	$3.58	7/27/20	$4.78	34%
Gold Miners ETF (half)	GDX	6/30/20	$36.30	7/27/20	$44.07	21%
Gold Mining Juniors ETF (half)	GDXJ	6/30/20	$49.30	7/27/20	$62.71	27%
Russia ETF	RSX	6/2/20	$21.32	7/27/20	$22.56	6%
Wayfair	W	7/20/20	$226.51	7/31/20	$262.43	16%
Shopify (half)	SHOP	7/20/20	$1,000.63	8/3/20	$1,076.80	8%
Twilio (half)	TWLO	7/22/20	$262.62	8/3/20	$286.00	9%
Apple (half)	AAPL	7/30/20	$384.10	8/3/20	$436.60	14%
BMC Holdings	BMCH	7/16/20	$25.92	8/4/20	$31.61	22%
Microsoft	MSFT	7/30/20	$204.18	8/10/20	$208.95	2%
Apple (remaining half)	AAPL	7/30/20	$384.10	8/4/20	$449.00	17%
Gold (final 50%)	GLD	8/23/19	$148.28	8/11/20	$180.00	21%
Silver (final 25%)	SLV	8/23/19	$14.87	8/11/20	$23.46	58%
Kirkland Lake (final 75%)	KL	2/23/20	$41.79	8/11/20	$47.97	15%
Silver Miners (final 25%)	SIL	6/30/20	$36.80	8/11/20	$45.00	22%
Silver Mining Juniors (final 25%)	SILJ	6/30/20	$11.90	8/11/20	$14.40	21%
K92 Mining (final 25%)	KNT.V	6/30/20	$3.92	8/11/20	$6.42	64%
American Gold and Silver Corp (final 25%)	USA.TO	6/30/20	$3.58	8/11/20	$4.08	14%
Gold Miners ETF (final 50%)	GDX	6/30/20	$36.30	8/11/20	$39.12	8%
Gold Mining Juniors ETF (final 50%)	GDXJ	6/30/20	$49.30	8/11/20	$55.53	13%
Zoom Communications (50%	ZM	7/20/20	$268.72	9/1/20	$432.00	61%
Roku (50%)	Roku	7/22/20	$151.65	9/1/20	$182.10	20%
Docusign (50%)	DOCU	8/26/20	$215.15	9/1/20	$251.27	17%
Zoom Communications (final 50%)	ZM	7/20/20	$268.72	9/2/20	$419.55	56%
Roku (final 50%)	Roku	7/22/20	$151.65	9/2/20	$174.46	15%

RECENTLY CLOSED TRADES CONTINUED

Position	Symbol	Buy Date	Buy Price	Sell Date	Sell Price	Gain
Docusign (final 50%)	DOCU	8/26/20	$215.15	9/2/20	$262.20	**22%**
Alteryx	AYX	7/22/20	$167.32	9/3/20	$116.24	**-31%**
Short Term Volatility ETN	VXX	8/20/20	$25.36	9/3/20	$29.34	**16%**