



Weekly Outlook for Aug.1 – Aug.5, 2022

SP500 index (E-mini, and SPY)

LONG-TERM TREND is Up

The INTERMEDIATE-TERM TREND: down with oversold



S&P 500 e-mini futures, July 29, 2022. Weekly chart.

S&P 500 index had its strongest monthly gain since November 2020, rallying almost 500 points from the June 17 intraday low (~3640) at the 200 wEMA.

The rip higher came despite a decline in the Q2 GDP, which showed a slowdown in the US economy.

Investors hope the slowing economy will induce the Fed to delay or eliminate further interest rate increases.

However the current rally hasn't changed the intermediate-term downtrend direction. The market needs to break through the top of the downtrend channel (dotted red lines on the chart) and close above it to confirm that the decline/correction is over.

And the Fed response to the declining economy is limited; if the inflation rate keeps going higher, the Fed will

find it difficult or impossible to stop hiking interest rates in the future.

The weekly PMO indicator moved up a little, but still hasn't given a buy signal yet. The weekly slow STO indicator moved into neutral area, above the 45 level, which shows buyers now have more strength. Both suggest it is possible to see a minor pullback, but any retracement is likely to be bought by shorts covering again. The 200-wEMA line will likely be held up if the market gets there, but buyers will defend above the 3800 level first before the index reaches it.

ES - SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: short on bounce around 4175 area or buy on dip above 3840 with stops



S&P500 e-mini futures July 29, 2022, Daily chart.

The SP500 Index had a very strong rally every day after Fed rate announcement Wednesday. A dovish statement calmed nervous buyers, and investors are hoping inflation has reached a top (and that the Fed will ‘pivot’ away from raising rates).

The bargain hunters stepped in and triggered the algos to push price almost to the 200-dEMA line (4188).

Now March's low and June's high will be a key overhead resistance zone to watch this week in addition to the 200-dEMA line.

If the current rally is similar to the March rally, we should see a reversal movement soon. Typically Bear markets go through a series of ‘reversals’ that mimic the classic stages of grief. So far this bear has not reached Depression and Acceptance.

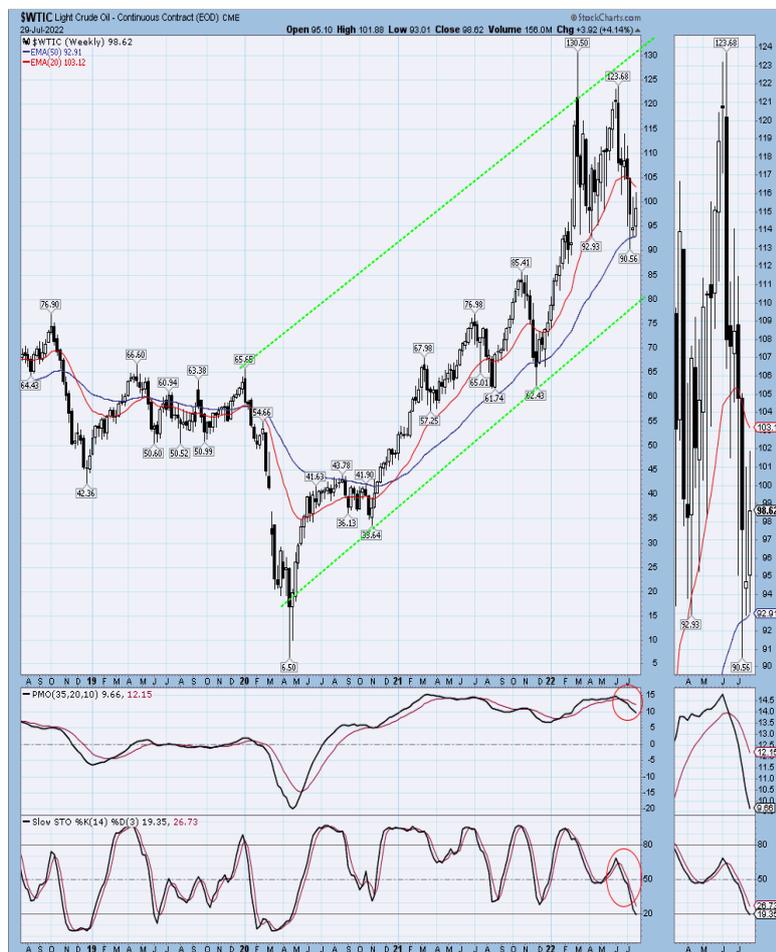
That may require a larger decline in the market. Most market participants have never experienced a sustained Bear market and may be reluctant to face the reality of how far it can go. Hope springs eternal with traders.

Right now the 20-dEMA line hasn't crossed above the 50-dEMA or even the 40-dEMA line, but it is getting close. It does give out a warning signal that the bottom for this year may be already in. The Index may return to test the 20/40-dEMA lines area around 3950 and hold up until the end of this year.

The daily PMO continued increasing last week and maintains a buying signal. The daily slow STO indicator is in overbought territory. Both hint the index could have a minor retracement, but a higher low will be formed and bought by new buyers.

2. Oil (\$WTIC, CL)

LONG-TERM TREND is **Up**
 INTERMEDIATE-TERM TREND DIRECTION: **Down**



Crude oil futures, July 29, 2022. Weekly chart

Oil hadn't changed too much in the intermediate-term. The outlook remains neutral. But the long term is in the process of changing direction. It has an overbought condition, and is more favorable to the downside towards the 50/200-mEMA lines area at \$72.50 to \$68.50.

On the weekly chart, the overhead resistance at the 20-wEMA line (\$103.50) acts current resistance. As long as this line holds oil down and keeps rejected price from popping, the more bearish the outlook for intermediate-term becomes.

The 50-wEMA line around \$92.95 will be a key for this week. If it fails to hold, oil could drop into the \$85 area – or lower.

The weekly PMO indicator kept moving on the downside

with a selling signal. The weekly slow STO indicator approaches its oversold area, not but not extremely so. Both suggest that oil will have difficulty moving higher.

OIL - SHORT-TERM TREND DIRECTION: down

Trade strategy: aggressive scalping short under \$105 area or buy on dip above \$82.50 with protective stop.



Light crude futures, July 29, 2022. Daily chart.

Oil attempted to regain control of its broken support around the 20-dEMA (\$99.75) but still closed below it Friday. The sideways range movement from \$101.50 to \$92.50 from late July is trying to build a short-term bottom for oil.

But weak buying strength also gives us the impression that oil may go down further.

This week \$95-\$92.50 will be a key zone to watch. A breakdown there could trigger selling pressure and lead the price further down towards \$87.50-\$85.00.

The daily PMO indicator stopped declining, and attempts to move up. The daily slow STO indicator approaches its neutral area.

Both hint that oil will attempt to have a fake breakout move first and then try to breakdown below the support zone.

3. GOLD (GC, GLD)

LONG TERM: **neutral**

INTERMEDIATE-TERM TREND DIRECTION: **Down with oversold**



Gold futures, July 29, 2022. Weekly chart.

Gold had an oversold bounce last week. In addition the end-of-month adjustment helped to hold gold above its 200-wEMA support line at \$1689.

High inflation and still-low interest rates still will help gold hold its intermediate-term key support line, the 200-wEMA at \$1689.

The overhead 20/50-wEMA lines at \$1830 will be the current key resistance zone. A breakout above it could lead gold back up to the \$1950 area.

The weekly PMO indicator holds its selling signal and moves under the zero line. The weekly slow STO indicators remains in extremely oversold territory. Both suggest gold should hold above the 200-wEMA line this week.

GOLD - SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: buy on dip above \$1700 area with protective stop



Gold futures, July 29, 2022. Daily chart

Gold regained control of 20-dEMA line at \$1746.40. This is a bullish signal for the short term.

Now the 50-dEMA line around \$1788 will be a key level for this week. A move above it could trigger buy stops and push the price higher. Staying below it could lead gold back down near \$1745 to have a testing move.

Last week’s disappointing GDP report has increased the expectation that inflation will slow down leading to a smaller Fed rate hike in September.

The daily PMO indicator has turned up and gave out a buying signal. The daily slow STO indicator approaches its overbought territory. Both indicate gold will likely have a buy-the-dip movement this week.

WEEKLY ECONOMIC REPORT

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, AUG. 1					
9:45 am	S&P U.S. manufacturing PMI (final)	July	52.2		52.3
10 am	ISM manufacturing index	July	52.1%		53.0%
10 am	Construction spending	May	0.4%		-0.1%
TUESDAY, AUG. 2					
10 am	Job openings	June	11.0 million		11.3 million
10 am	Quits	June	--		4.3 million
10 am	Rental vacancy rate	Q2	--		5.8%
10 am	Homeowner vacancy rate	Q2	--		0.8%
11 am	Real household debt	Q2	--		0.0%
6:45 pm	St. Louis Fed President James Bullard speaks				
Time varies	Motor vehicle sales (SAAR)	July	--		13.0 million
WEDNESDAY, AUG. 3					
9:45 am	S&P U.S. services PMI (final)	July	47.5		47.0
10 am	ISM services index	July	53.9%		55.3%
10 am	Factory orders	June	1.0%		1.6%
10 am	Core capital equipment orders (revision)	June	--		0.5%
THURSDAY, AUG. 4					
8:30 am	Initial jobless claims	July 30	255,000		256,000
8:30 am	Continuing jobless claims	July 23	--		1.36 million
8:30 am	Trade deficit	June	-\$79.6 billion		-\$85.5 billion
12 noon	Cleveland Fed President Loretta Mester speaks				
FRIDAY, AUG. 5					
8:30 am	Nonfarm payrolls	July	250,000		372,000
8:30 am	Unemployment rate	July	3.6%		3.6%
8:30 am	Average hourly earnings	July	0.3%		0.3%
8:30 am	Labor-force participation rate, ages 25-54	July	--		82.3%
3 pm	Consumer credit	June	--		\$22 billion

WEEKLY OPTIONS

S&P500 (ES mini)

PREVIOUS WEEK (ESM22 and MESM22)

Open	High	Low	Closing
3967.75	4144	3913.25	4133.5

	Weekly
2 nd Short area	4316.25
1 st Short area	4215.50
Key # (control line)	4065.00
1 st Buy area	3940.50
2 nd Buy area	3835.50

OPTION Trading (EW1 for ESU22 contract and EX1 for MESU22 contract)

	Strike price	Expiration Date
Resistance	4250	
Meanline	4050	8/5/2022
Support	3900	

OIL (CL, \$WTIC) (time from 6pm globex market open to following day 2:30pm est.)

PREVIOUS WEEK (CLQ22 and MCLQ22)

Open	High	Low	Closing
95.1	101.88	93.01	98.62

	Weekly
2 nd Short area	111.50
1 st Short area	105.60
Key # (control line)	98.25
1 st Buy area	90.50
2 nd Buy area	85.00

OPTION Trading (LO1 for CLU22)

	Strike price	Expiration Date
Resistance	112.5	
Meanline	98.25	8/5/022
Support	85	

3. GOLD (GC, MGC)**PREVIOUS WEEK (GCZ22, MGCZ22)**

Open	High	Low	Closing
1726.3	1784.6	1768.4	1781.8

	Weekly
2 nd Short area	1835.50
1 st Short area	1795.50
Key # (control line)	1765.00
1 st Buy area	1735.00
2 nd Buy area	1685.00

OPTION Trading (OG1 for GCV22 contract)

	Strike price	Expiration Date
Resistance	1850	
Meanline	1765	8/5/2022
Support	1685	