

# Weekly Market Commentary

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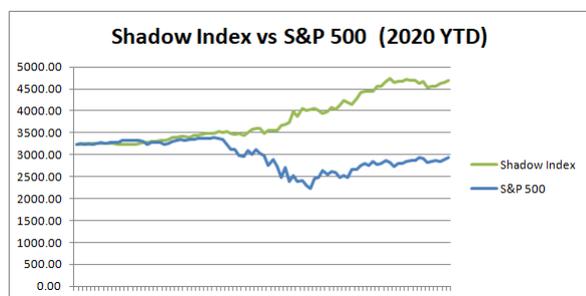
NOTE: All posts are opinions only. No investment advice is given. Consult with a financial adviser and do your own due diligence before trading.

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## Market Summary for Week Ending May 10, 2020

The stock market continues to give exceptional trading opportunities. Are you taking advantage of them? Over the past week, there were 6 major signals on the S&P 500 ETF (\$SPY), and all 6 were profitable - even more so, if you traded deep in-the-money options. YTD performance for this system is far outperforming the broader market. Assuming that you invested 100% of your trading funds (either long or short) in \$SPY shares at each entry price, and then closed your position at each exit price, your compounded gains could be as much as 45% YTD, compared to the average Buy and Hold investor who is down 9% since January 1st. If you trade options, your results could be even more dramatic, provided you know how to select the proper strike price and expiration date.



January 1, 2020 - May 8, 2020\*

Proprietary Trading System ("Shadow Index"): **+45.24%**  
Standard Buy & Hold S&P 500 Strategy: **-9.32%**

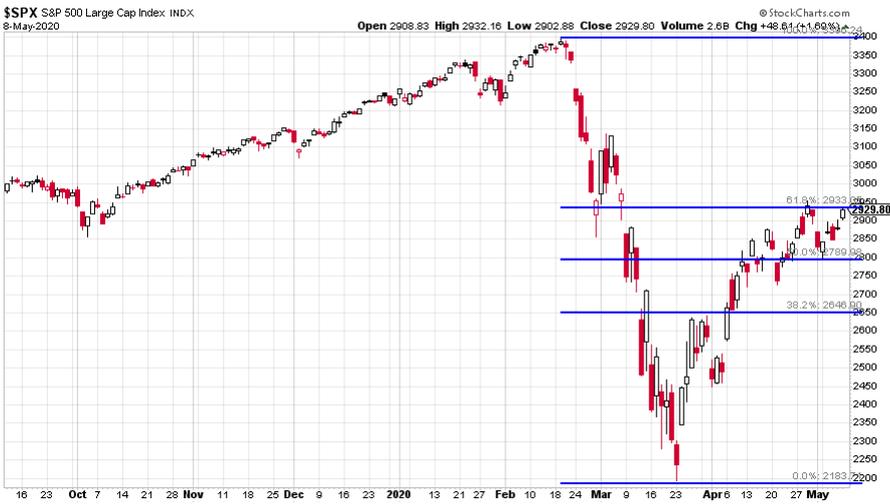
\* Prices assume that you traded an equal % of your portfolio in \$SPY shares (with no options leverage) at each of my entry/exit points. Past performance doesn't guarantee future success.

This trading system can also be applied to individual securities. Over the past week, there were 7 trades posted for individual stocks, and 6 of 7 trades were successful with an average net profit of 2.21%. Source: <https://www.tradingideas.info/articles/portfolio>

So, how does the broader market look now? I'm cautiously bullish, despite a damaged economy and the worst unemployment numbers since the Great Depression, and I believe that new ATHs are very possible by this summer. This sounds like a disconnect with reality, but when you consider that since 2009 the market has been more about liquidity than fundamentals, it actually makes sense. The Federal Reserve's balance sheet has expanded from \$4.31T to \$6.72T in the last 2 months, including another \$65B last week, and some of that money is moving into equities. Then, there's also the chart that I've been following for 6 weeks now, which shows how \$VIX futures are divergent with \$SPX prices. The market needs to correct this divergence (either with stocks falling or \$VIX futures falling), and given the current liquidity surplus, it seems more likely that \$SVXY will move to catch up with \$SPY, and not the other way around.



Over the past two weeks, prices have been consolidating just below the 62% Fib retracement of the coronavirus sell-off. Technically, it's possible that this is still a Dead Cat bounce, but it's becoming unlikely since the initial drop lasted 23 days and the subsequent bounce has already reached 32 days (longer than the initial drop). I believe that once the 62% Fib level is broken, stocks will begin a new leg up to ultimately print fresh ATHs by sometime this summer.



And there's one more reason why I'm bullish. A number of charts (for individual S&P 500 stocks, as well as several indexes and even the aforementioned \$SVXY) are showing Buy Signals on their daily charts. If all these stocks, all these indexes, and inverse-volatility rally... where do you think the market will be forced to go?





Remember, there are no guarantees in trading. As I always say, do your own due diligence before trading (or holding a position). If you trade options, consider trading deep in-the-money options... they're not as exciting, but they have much less time decay and offer a better chance of success. I'm currently bullish on the stock market, provided the \$SPX can break above the 62% Fib level... but again, I'm just sharing my opinion and sometimes opinions can be incorrect or incomplete, plus I'll change my opinion at any time if the charts develop new signals. This also doesn't mean there won't be zig-zags along the way, and since many of my trades are intraday roundtrips, I'm certainly open to scalping in both directions.

Remain flexible in what you do, only trade with risk capital, and consult a financial professional if you need advice. I wish you a profitable trading week!

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