Market Maps

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RBC Capital Markets, LLC / Portfolio Advisory Group
All values in U.S. dollars and priced as of September 30, 2020, unless otherwise noted

For Disclosures, see slide 14

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Short-term market: S&P 500 – 12 years

The S&P has moved up to new highs within the overall bull market of the past 12 years. Some consolidation in the form of a range is quite possible after the strength of the past five months, with support now at the middle trendline on the chart near the 3000 level. The S&P may be extended for the near term but the long-term uptrend remains intact and with the continued high degree of bearish sentiment, we see pullbacks as being limited to the middle trendline on the chart as we have seen frequently during the bull market.

Chart courtesy of StockCharts.com and RBC Wealth Management; Past performance does not guarantee future results.
The secular bull market remains intact despite the pullback this year. The typical cycle-count for a long-term bull market suggests to us there could be several more years of upside potential ahead. These long-term uptrends tend to carry until the economic and earnings reasons for the advance are very apparent, but those can be hard to see when they are emerging from an economic low point. The end years of a secular bull market can also coincide with the growth of a new industry as we saw in the late 1990s and that may be developing again, although we think this is not obvious or apparent at this time.
The 4X13 month moving averages have now been in a bullish position for the past two months which we think gives confirmation to the signal and suggests that the trend could be positive for the next several months or longer. Normal corrections and consolidations are likely but the risk of a more serious bear market appears to be less likely as we view it.

Bullish trend indicated when 4 mo. crosses above 13 mo.

Bearish trend indicated when 4 mo. crosses below 13 mo.

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The level of bullish investor sentiment has not moved higher with the recent rally in the markets over the past five months, which to us indicates much room for improvement before the optimism reaches higher levels as it tends to do in the later stages of bull markets.

The American Association of Individual Investors is an organization that polls its members weekly on whether they believe the market will be up, down, or unchanged, six months in the future. This is a graph showing the percentage of the members who gave a bullish response, measured with a 50-week moving average in red plotted against the S&P 500 in black. These surveys began in 1988.

Chart courtesy of StockCharts.com and RBC Wealth Management
The TSX is back up into a mostly 16,000–18,000 range where we expect it to trade for the next several months leading to an eventual breakout to the upside. A neutral trend that lasts for months has been part of the normal overall pattern on the TSX; however, the longer-term trend continues to be slowly advancing.
Currencies – 5-year trends

The U.S. dollar continues to trade in a long-term range and has moved up to the resistance around 95 for a likely short-term range of 91–95 that could hold for the next several months.

The Canadian dollar meets heavy resistance in the 0.76–0.77 area with support now around 0.74 for a range that could hold for several months. Note that the $CAD is at the same level it has seen each year over the past five years in the ongoing long-term range.
This chart illustrates where we see the various larger sectors and themes technically in their long-term trends. The sectors can cycle over periods of months but generally take a few years to complete their cycles, with some areas going through bull and bear phases more quickly than others.
Select groups cycle positions

Our relative positioning of groups of interest within their individual bull and bear cycles

Source - RBC Wealth Management
Gold – 12 years

The parabolic trend on gold appears to have made a climactic peak and now has potential support around the 1750 level for a possible correction. These sharp peaks tend to mark tops that can last many months as they represent a climactic move at the end of a popular and well-recognized uptrend. The current pattern is similar to the move gold made in the 2009–2011 period, and it now looks like more time will be needed to rebuild before the next uptrend begins.

Chart courtesy of StockCharts.com and RBC Wealth Management; Past performance does not guarantee future results. Investments in securities related to gold and other precious metals and minerals are considered speculative and are impacted by a host of worldwide economic, financial and political factors.
The trend on oil appears to have peaked at the resistance in the 45 area and now could be starting a correction back to the support that could be anywhere in the 20–30 range. We expect to see a longer-term neutral range develop at lower levels that could hold oil at these low levels for the next several months.
Stocks vs. commodities – 60 years

The CRB Index is a basket of commodities consisting of about 40% energy, 30% agricultural, and 30% metals in its composition, and over long periods tends to move in the opposite direction of stocks, as this chart illustrates. The 70%+ drop on the CRB over the past 10 years, combined with the low interest rates, suggests to us that inflation could remain low for years, with the stock market continuing to benefit from the lower CRB and interest rate trends.

Chart courtesy of StockCharts.com and RBC Wealth Management; Past performance does not guarantee future results. Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, an international economy, or political and regulatory developments.
The 10-year T-note yield is showing early possible signs of a bottom into what could be a low range with the high end around the 1.00% level. The chart pattern would suggest to us that a bottoming period could see rates staying low for the next several years until growth, inflation, and world economic conditions improve enough to start a rising trend.

Decades-long “bottoming periods” are possible.
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