Market Maps

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All values in U.S. dollars and priced as of October 30, 2020, unless otherwise noted

For Disclosures, see slide 14

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The S&P continues to trade in the rising channel that has defined the trend for most of the past 12 years. It is currently trading near the midpoint of the channel which we believe implies potential up or down movement of around 10% from current levels while still retaining the overall bullish trend. We expect the rising trend to continue for the long term with some further consolidation and sideways trading over the next few months before moving higher again.

Chart courtesy of StockCharts.com and RBC Wealth Management; Past performance does not guarantee future results.
Long-term market cycles 1925–2020

We are measuring the bull market since the breakout in 2013 at about the halfway point in the typical time frame for these longer-term cycles. The total cycle from bull to bear runs about 35 years, or one generation, which takes investors from the lows of the recessionary and bear market periods through the growth part of the cycle that tends to lead to an extremely strong economy and the increase in the sentiment levels to euphoric periods. The current bullish trend appears to us to have many years left to go in the cycle before the traditional overly-optimistic and euphoric conditions are seen.

Chart courtesy of StockCharts.com and RBC Wealth Management; Past performance does not guarantee future results.
The long-term moving average trends are back in a bullish position as of August that we think may be indicating an overall upward trend that could last several months or longer. Periods of consolidation and dips are common during the rising trend but at this time we would consider these to be better entry opportunities than a possible change of the trend.

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

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

Chart courtesy of StockCharts.com and RBC Wealth Management; Past performance does not guarantee future results.
The state of the current news appears to be having a continued effect on the overall sentiment indicator which remains low with much potential for improvement in the coming years, in our opinion, until it reaches any kind of overly-optimistic level that is often a warning sign of a bull market top.
The TSX is finding a range that appears to be mostly in the 15,000–17,000 area that could hold it for the next several months in a similar fashion to that of the S&P 500. The longer-term trend remains modestly positive with these general pullbacks being what we see as good entry points within the overall up trend.
The U.S. dollar has been trading in a wide range for the past five years and has more recently been in a 92–95 range that could hold it for several more months as the overhead resistance above 95 is quite heavy.

The Canadian dollar has moved back up into its pre-March range of 0.73–0.77 where it could continue to trade for the next several months within its wider range of the past five years.
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.

↑ ↑ = Position change from last month

Source - RBC Wealth Management
Select groups cycle positions

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

Source - RBC Wealth Management
The trend on gold appears to have made a peak in a parabolic fashion which could be a longer-term top as it was in 2011. The support levels are around 1750 and 1550, and it is too early to tell how far down a correction may carry, but for now the short-term trend is in correction mode until some kind of a bottoming pattern has formed.

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 is pulling back from the resistance in the 45–50 area and now could test the support that ranges anywhere from 20 to 30. A longer range is likely, in our opinion, and typical with how oil has traded over the past many years. The neutral-to-weak trend on the commodity suggests to us a similar pattern for the energy-related stock issues.
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.

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 long-term trend on the 10-year Treasury note yield continues to be down but the short-term chart appears to be setting up for a bounce back to the 1.2%–1.4% area over the next few months. While such a move may be meaningful on a short-term basis, we expect the overall trend to remain largely low and neutral for the next several years as it has been during past cycles.

Decades-long “bottoming periods” are possible.