



LINVEST RESEARCH

MARKET NEWSLETTER

Lininvest Chart Chat (142) Sept 9, 2016 Weekly Update

By Lin Yingjun

Last Friday, the U.S. equity market tanked in advance of a potential Sept. 2016 interest rate hike. If such a hike happens—and it is likely to happen in the next little while—it may result in a 15%-18% depreciation in \$SPY. As such, all indicators are now going into “sell mode.” However, I see the price of the SPY, QQQ, and IWM indices are well-managed, designed to close at the threshold of their support. That said, this correction is healthy and creates yet other opportunity for the bull to buy the good name of companies’ common shares at their major support. At this point, I mark \$210 and \$198 as the support zone for the next week. Seasonally-speaking, Sept. and Oct. are not good months for the bull. Volatility will remain extremely high from Nov. to early Dec. and then the market preforms its Santa Rally into Jan.

The Options Equity Put/Call Ratio chart (see: Chart 2, \$CPCE) has turned upwards with \$VIX breaking \$14: these are bearish signals to equity market. I added XIV to the \$VIX chart to show that the trend of XIV is opposite to VXX. One can go long on XIV if \$VIX is down. We shall keep close eye on key economic data releases (e.g., inflation rate, employment numbers), access to which may be found at <https://biz.yahoo.com/c/e.html>.

TLT gapped down with visible targets of \$132, \$128 and \$126. When the TLT goes down, TBT goes up and investors can consider to long TBT. Options are also available to TLT.

Bank stocks (C, JPM, GS BAC) and the U.S. dollar (ETF: UUP) will be benefit from an interest rate hike.

The price of Gold will be impacted by interest rate hikes. Therefore, I have marked \$1300/ounce as a key support level. However, if this level is broken, support for Gold will likely fall to a target of \$1250. Nevertheless, I expect that it will bounce from a level of \$1250. So, the price of Gold remains bullish in the longer term and a conservative investor might consider going long \$GDX and \$GDXJ instead of 3X ETF.

Interest rate hikes will also impact the price of Crude Oil and I expect the price of crude will remain in the \$39 to \$50 trading range until next spring.

The long-term trend and posture of Natural Gas is bearish, but it is oversold as winter approaches and brings with it increased usage. The tentative price of Natural Gas is between \$3 and \$4. The price pattern for UNG—a creditable exchange-traded fund—is currently forming around the \$7.5 to \$8.5 zone. Every dip in the price of UNG would be a good time for the bull to accumulate it. In the meantime, investors can trade \$DGAZ to hedge their UNG position from time to time. I see \$12 as the tentative target for UNG in the next few months.

The Shanghai composite (\$SSEC) has been on an uptrend from its low of \$2650-ish and is currently meeting its resistance of \$3102 where its 200 dma is. A decisive move above this level will indicate that China's equity is moving into a long-term bullish period and is on its way to targeting a range of \$3300 to \$3680. If the price falls below its 200 dma, it would suggest there is more work to be done for a leg-up, with supports at \$2900, \$2800 and \$2650.

That's it for this week. Thanks for reading and good trading with your plan!



Chart 1

\$CPCE CBOE Options Equity Put/Call Ratio (EOD) INDX

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9-Sep-2016

Open 0.78 High 0.78 Low 0.78 Close 0.78 Chg +0.17 (+27.87%) ▲

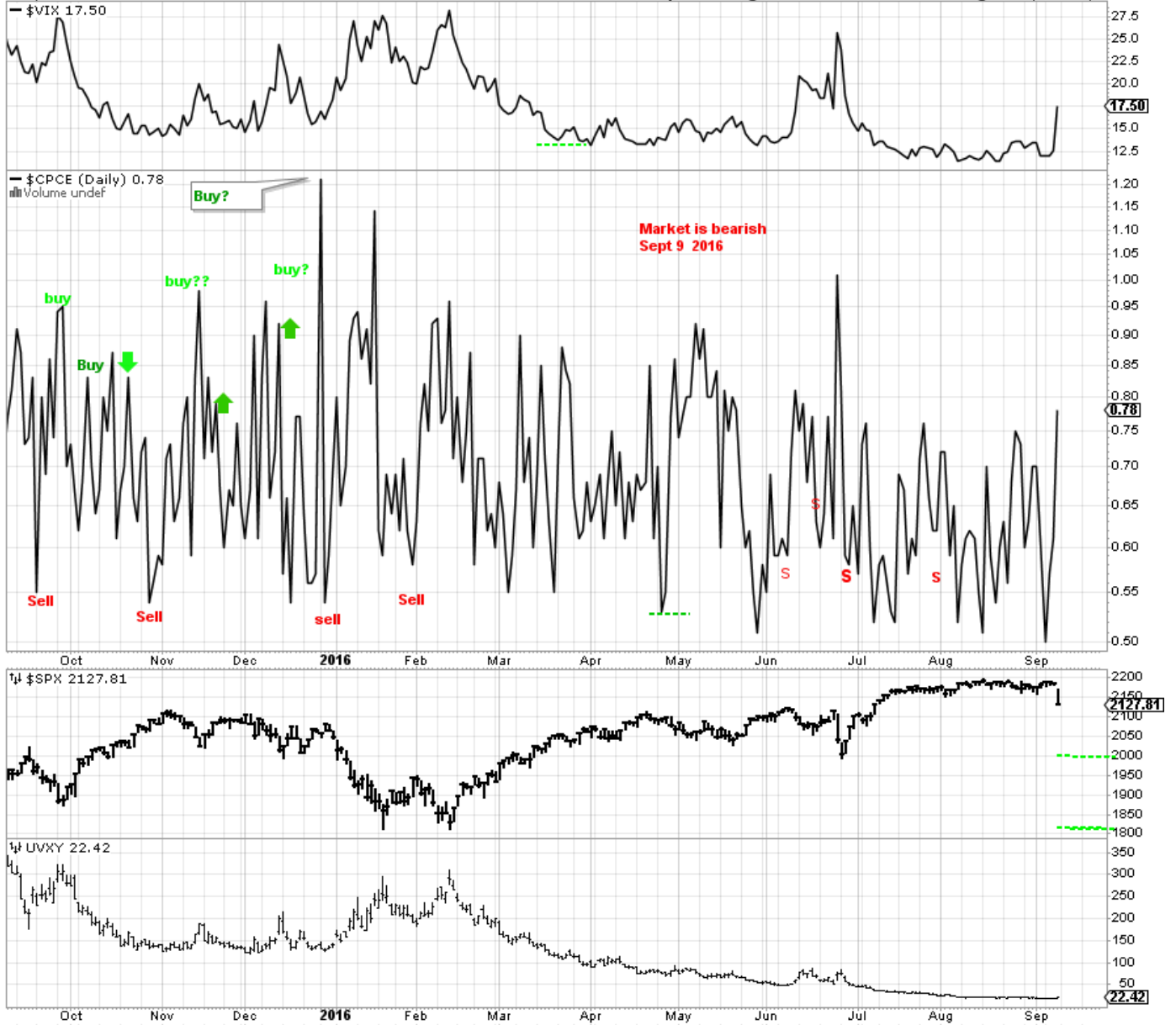


Chart 2

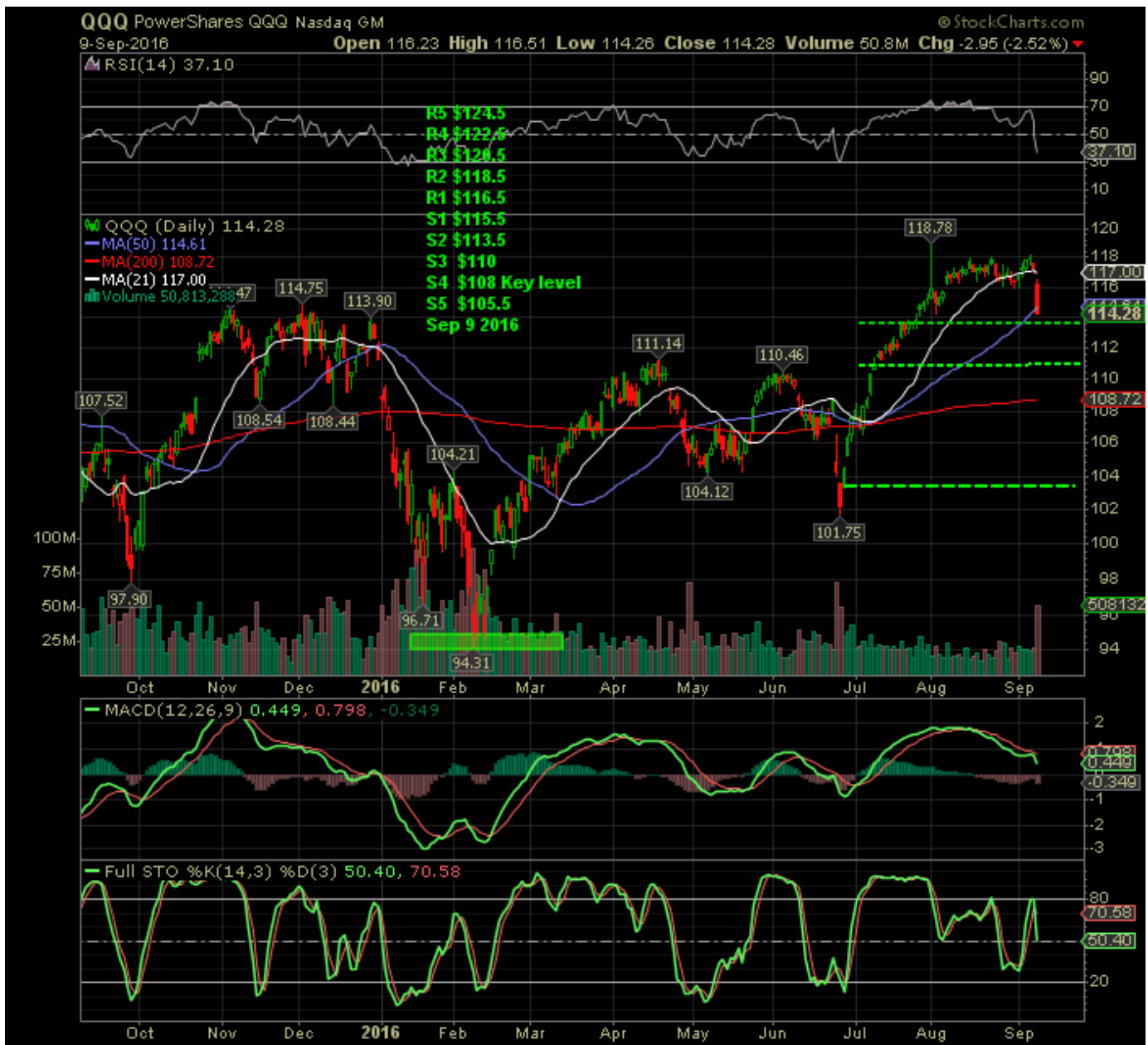


Chart 3

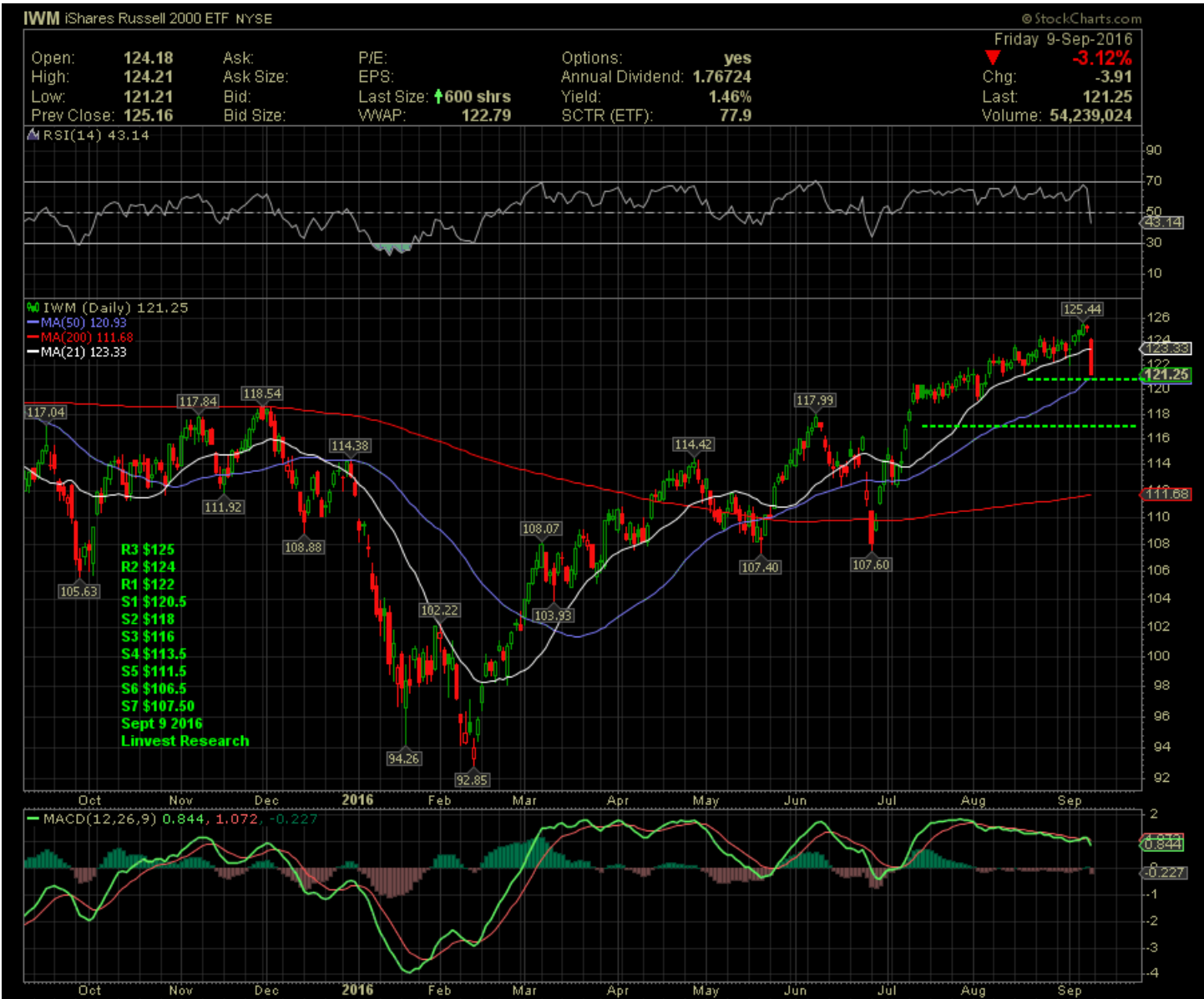


Chart 4



Chart 5

TLT iShares 20+ Year Treasury Bond ETF Nasdaq GM

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9-Sep-2016

Open 136.07 High 136.12 Low 135.41 Close 135.52 Volume 13.3M Chg -2.27 (-1.65%)

▲ RSI(14) 36.55

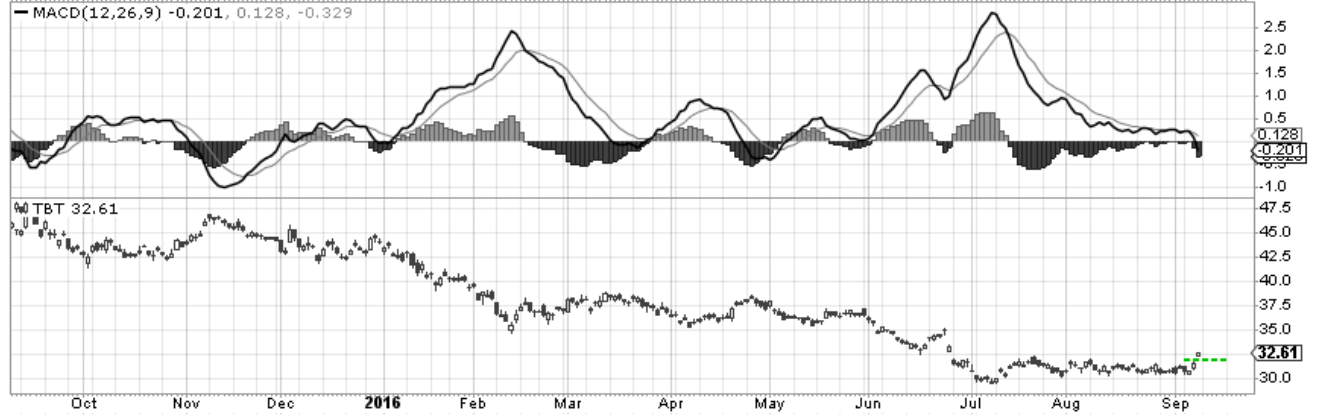
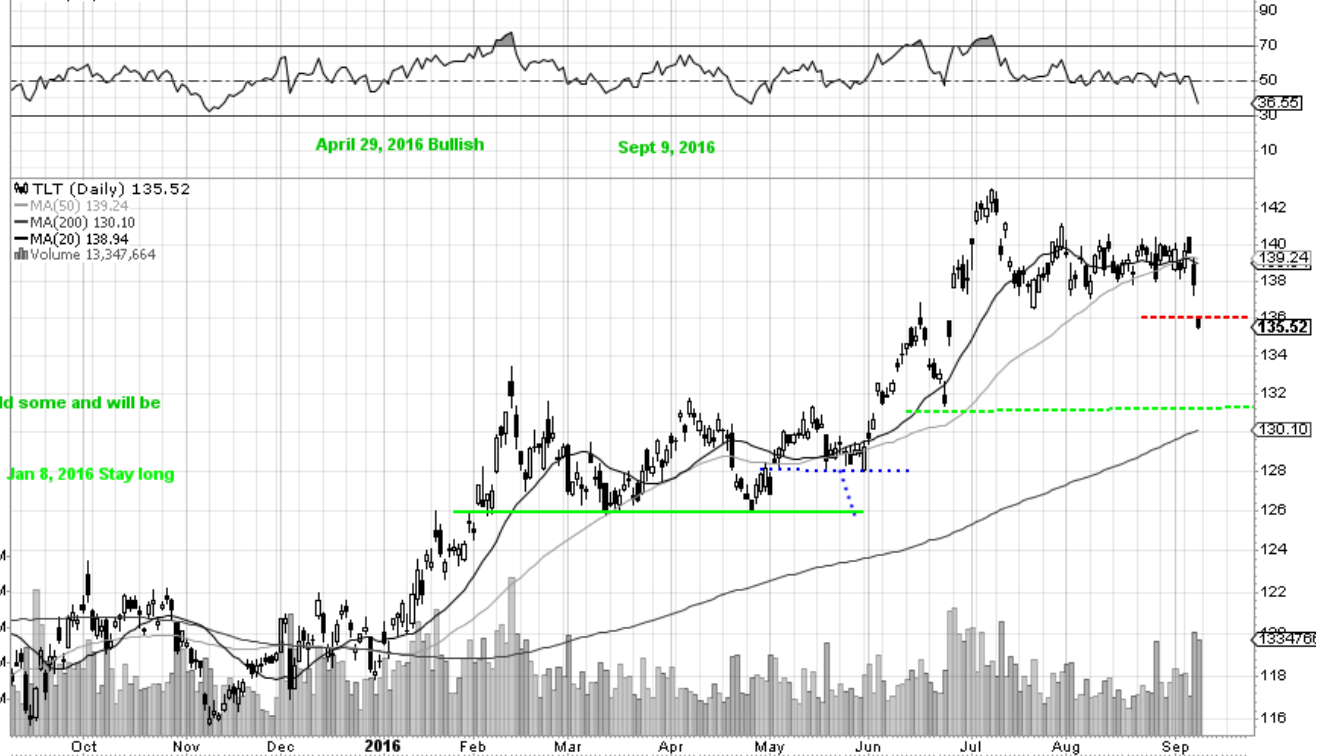


Chart 6

GLD SPDR Gold Shares NYSE

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9-Sep-2016

Open 127.24 High 127.51 Low 126.70 Close 126.75 Volume 12.5M Chg -0.84 (-0.66%)

RSI(14) 48.26



Chart 7

\$USDCAD US Dollar to Canadian Dollar (EOD) INDX

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9-Sep-2016

Open 1.292 High 1.305 Low 1.291 Close 1.304 Chg +0.011 (+0.83%) ▲



Chart 8



Chart 9



Chart 9-1



Chart 10

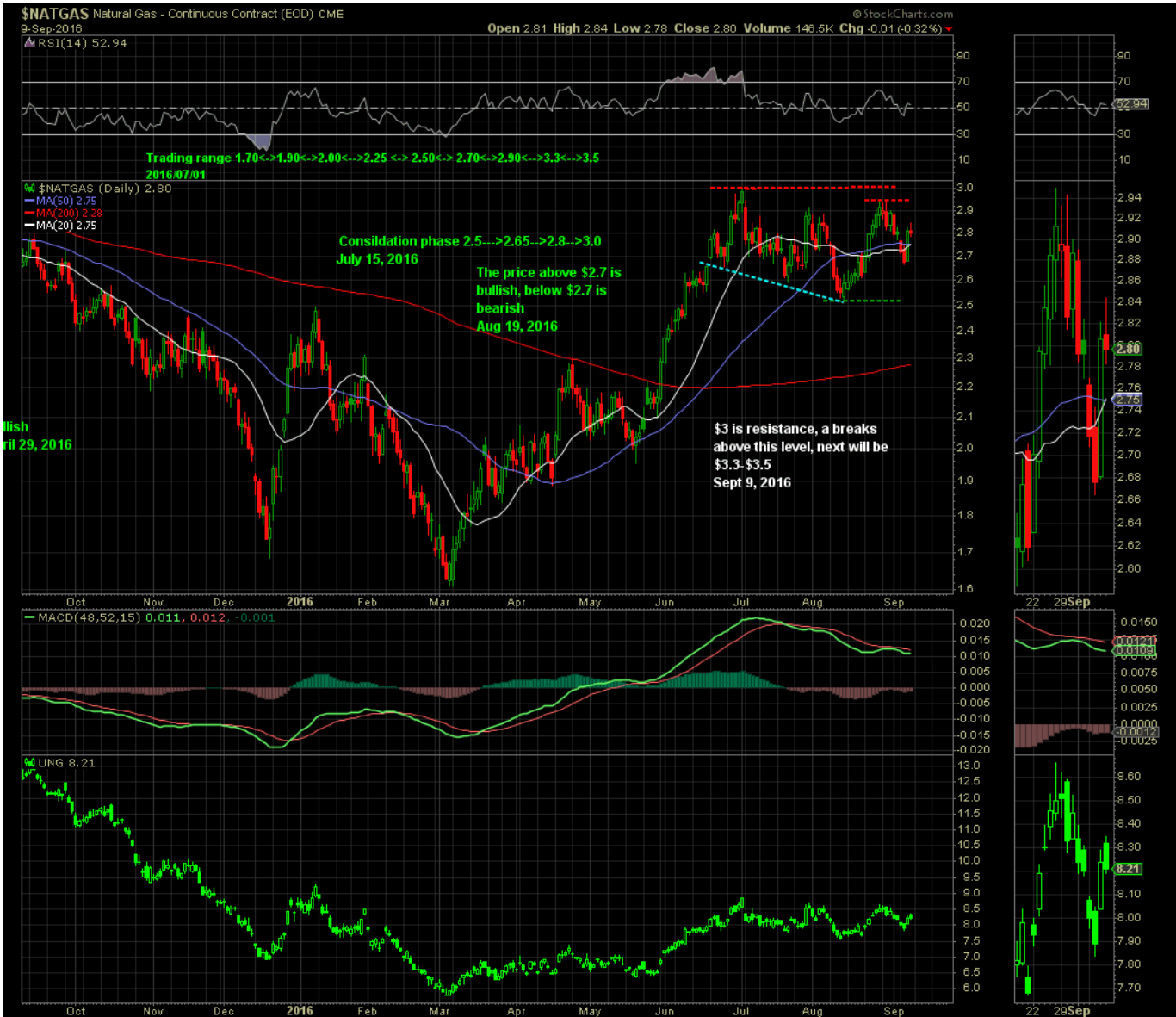


Chart 11

More intermediate-term trading ideas watch list (Long and short):

Leader stocks: AAPL ,GOOG, CMG, AMZN, ISRG,NFLX, PCLN, CF, FB,TWTR, TSLA,
Bio, health and Pharmaceutical: ACAD, AMPE,ADXS, ACHN, BIIB, ONVO, CRIS, CERS, INSM,TROV , PRTA, RMTI,RTPT, RGLS, NVTA
China Stock: BABA, VIPS, DL, EJ, FENG, JRJC , KNDI, WB, BIDU, XRS,DANG, XNET, YINN, YANG
Commodities: UNG, NGS, JO, SGG, USO, GDX,GDXJ, SLV, CORN, JNUG ,JDST
Energy and service sector: XLE, PDS, CLF, PBR, SWN, ALA.TO, SU, ECA, BTE, DO, UCO, XLE, SCO, DWTI
Solar Stocks: TAN, CSIQ, CSUN, TSL , SCTY, FSLR, JASO, SPWR
Precious metal,and mining companies: X, SMF.TO, GLD, EGO , **CG.TO**, IMG.TO, EDR.TO, SLW, NEM, SA ,
Prime : **AKAM**, BA, BX, CVU, MOS, LVS, KEM, HLF,WAG,WDAY, WHR,HSY, ED,
Airline, Cruise , hotel, restaurant: UAL, DAL, ALK, WJA.TO, AC.TO CCL, NCLH, RCL, EAT, MGM, LVS
Currency pair: EUR/USD: EUO, FXE; USD/CAD, CAD/USD, FXC

Green: stocks with long position.

Orange: stocks with long positions (small).

Red: stocks with short position.

Black: candidate stocks.

(Note: Some positions are not in the above list.)

Notable companies to report earnings and report this week include:

- Monday: UNFI
- Tuesday:
- Wednesday: CBRL APOG *US Change in Crude Oil Inventories 10:30 AM ET*
- Thursday: ORCL *Weekly Natural gas storage 10:30 AM ET*
- Friday:

*Report date unconfirmed

Members, please feel free to send me a note or call if you would like to discuss any of the above (or other) stocks you are interested in. Please **pre-order Earning Trades** at least 2 days prior to stock earning report being issued. Thanks and good trading!

"Great deeds are usually wrought at great risks." -Herodotus

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