

Cartography Corner - September 2020

J. Brett Freeze and his firm Global Technical Analysis (GTA) provides RIA Pro subscribers Cartography Corner on a monthly basis. Brett's analysis offers readers a truly unique brand of technical insight and risk framework. We personally rely on Brett's research to help better gauge market trends, their durability, and support and resistance price levels.

GTA presents their monthly analysis on a wide range of asset classes, indices, and securities. At times the analysis may agree with RIA Pro technical opinions, and other times it will run contrary to our thoughts. Our goal is not to push a single view or opinion, but provide research to help you better understand the markets. Please contact us with any questions or comments. If you are interested in learning more about GTA's services, please connect with them through the links provided in the article. The link below penned by GTA provides a user's guide and a sample of his analysis.

[GTA Users Guide](#)

September 2020 Review

E-Mini S&P 500 Futures

We begin with a review of E-Mini S&P 500 Futures (ESZ0) during September 2020. In our September 2020 edition of *The Cartography Corner*, we wrote the following: In isolation, monthly support and resistance levels for September are:

- M4 3986.25
- M1 3764.50
- M3 3734.50
- PMH 3524.50
- Close 3499.00
- M2 3446.75
- PML 3254.75
- MTrend 3236.66
- M5 3225.00

Active traders can use PMH: 3524.50 as the pivot, maintaining a long position above that level and a flat or short position below it.

?The 1929 analog is two trading-sessions from reaching its apex? Now we sit and wait.? The Cartography Corner, September 2020

Figure 1 below displays the daily price action for September 2020 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. The month of September began with the market price making one final push, over the first two trading sessions, to a higher high. **On September 3, right on time with what the 1929 analog suggested, the market price turned lower.** It settled down (3.3%), just above our first isolated support at M2: 3446.75. The following fourteen trading sessions saw the market price continue its

descent into, and through, our isolated clustered-support levels at PML: 3254.75 / MTrend: 3236.66 / M5: 3225.00. The low price for the month was achieved on September 24th at the level of 3198.00. As a reminder, M5: 3225.00 is what we refer to as the Monthly Downside Exhaustion level. Statistically, based on the previous 15 years of data, M5 is only achieved (or exceeded) 12% of the time in E-Mini S&P 500 Futures. *It represents the level at which active traders should immediately cover their shorts and, if aggressive, get long of risk.* Why? The lower bound of the potential monthly range, according to our methodology, has been achieved. The final four trading sessions of September saw the market price rise, on a settlement basis, 3.9% from M5: 3225.00. **Conservatively, active traders following our analysis realized an 8.4% gain. Figure 1:**

ESZ0: September 2020



Apple Inc.

We continue with a review of Apple Inc. (AAPL) during September 2020. In our September 2020 edition of *The Cartography Corner*, we wrote the following: In isolation, monthly support and resistance levels for September are:

- M4 172.86

- M1 155.59
- M3 151.82
- PMH 131.00
- Close 129.04
- M2 126.64
- M5 109.37
- PML 107.89
- MTrend 103.71

Active traders can use 131.00 as the upside pivot, whereby they maintain a long position above that level. Active traders can use 126.64 as the downside pivot, whereby they maintain a flat or short position below it. Figure 2 below displays the daily price action for September 2020 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. The month of September began with the market price making one final push, over the first two trading sessions, to a higher high intra-session on September 2nd. However, AAPL settled lower that session and formed a **bearish-engulfing** daily candle. **The large red real body of that candle engulfing the small green body of the previous day candle was the signal for a top reversal. This reflected the dissipation of the uptrend's force and then an increase in force behind the new move.** Generically, there are three criteria for an engulfing pattern:

1. The market must be in a definable uptrend or downtrend, even if the trend is short-term.
2. Two candlesticks comprise the engulfing pattern. The second real body must engulf the prior real body; it need not engulf the shadows.
3. The second real body of the engulfing pattern should be the opposite color of the first real body.

The following twelve trading sessions saw the market price descend into, and through, our isolated support levels at M5: 109.37 / PML: 107.89 / MTrend: 103.71. The low price for the month was achieved on September 21st at the level of 103.10. *Essentially at Monthly Trend, hmmm.* The final seven trading sessions of September saw the market price rise, on a settlement basis, 12.3% from the low price. *Trend-followers were successful in defending their long positions.* **Conservatively, active traders following our analysis realized a 13.5% gain. Figure 2:**

AAPL: September 2020



October 2020 Analysis

We begin by providing a monthly time-period analysis of E-Mini S&P 500 Futures (ESZ0). The same analysis can be completed for any time-period or in aggregate. Trends:

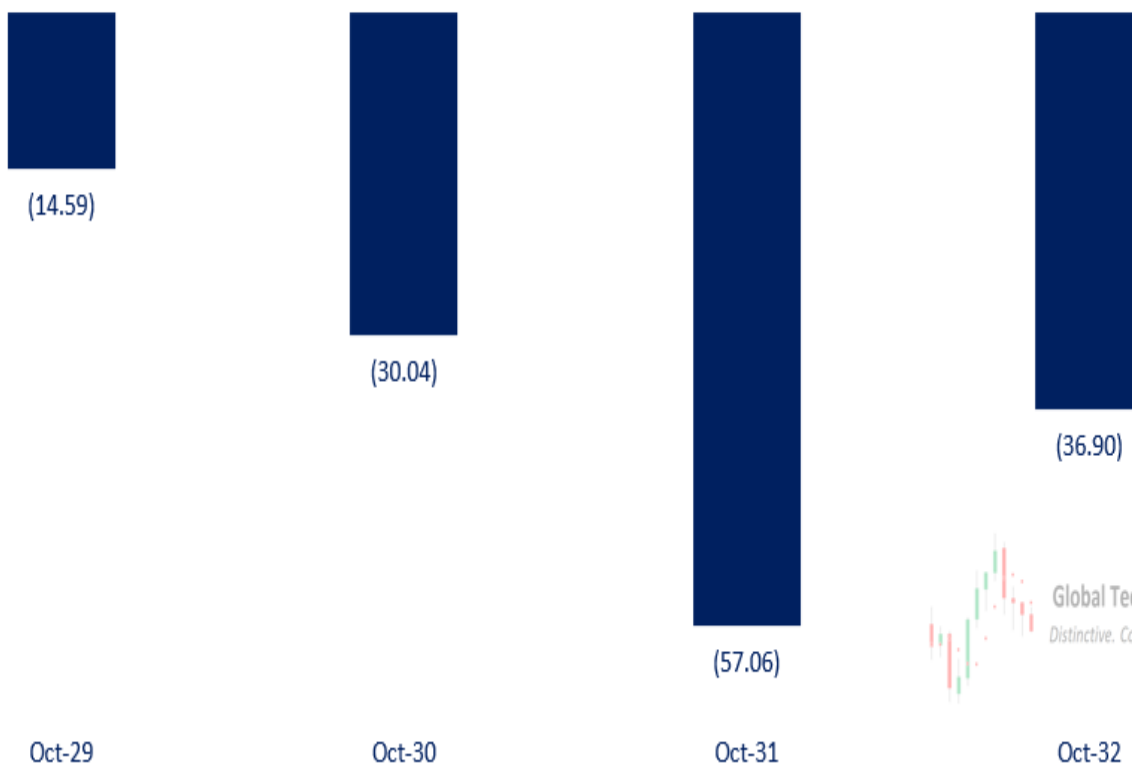
- Current Settle 3352.00
- Daily Trend 3336.08
- Monthly Trend 3335.73
- Weekly Trend 3319.25
- Quarterly Trend 2986.73

The relative positioning of the Trend Levels is bullish. Think of the relative positioning of the Trend Levels like you would a moving-average cross; the Trend Levels are higher as the time-periods decrease. In the quarterly time-period, the chart shows that E-Mini S&P 500 Futures are in ?Consolidation?, after having been ?Trend Up? for four quarters. Stepping down one time-period, the monthly chart shows that E-Mini S&P 500 Futures are ?Trend Up?, having settled for five months above Monthly Trend. Stepping down to the weekly time-period, the chart shows that E-Mini S&P 500 Futures are ?Trend Down?, having settled for three weeks below Weekly Trend. One rule we have is to anticipate a two-period high (low), within the following four to six periods, after a Downside (Upside) Exhaustion level has been reached. *The two-period low that we have been anticipating in the weekly time-period was achieved the week of August 31st.* The signal was given that same week for us to anticipate a two-week high to occur over the next four to six weeks. Two weeks remain for that to be achieved. The signal was given in September for us to anticipate a two-month high to occur over the next four to six months. To be achieved in October, a trade above 3582.60 is required. **History informs us that ?bad things? happen in October.** The obvious example is in October 1987. We researched October price action in our datasets and the following graph displays what intrigued us the most. Since the S&P 500 Index was not created until 1957, Figure 3 below reflects the Dow Jones Industrials Average. No outcome is assured. However, we would be remiss if we did not highlight October's monthly performance during the Great Depression, which we believe most closely aligns with the present economic environment.

Figure 3:

Dow Jones Industrials Average

% MoM



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Support/Resistance: In isolation, monthly support and resistance levels for October are:

- M4 3910.45
- M1 3640.70
- PMH 3582.60
- Close 3352.00
- MTrend 3335.73
- M3 3205.00
- PML 3198.00
- M2 3141.25
- M5 2871.50

Active traders can use MTrend: 3335.73 as the pivot, maintaining a long position above that level and a flat or short position below it.



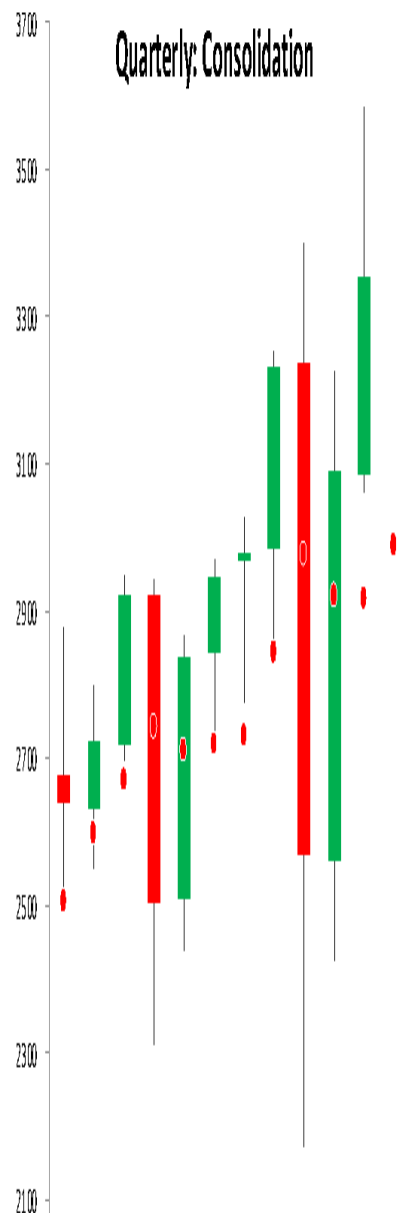
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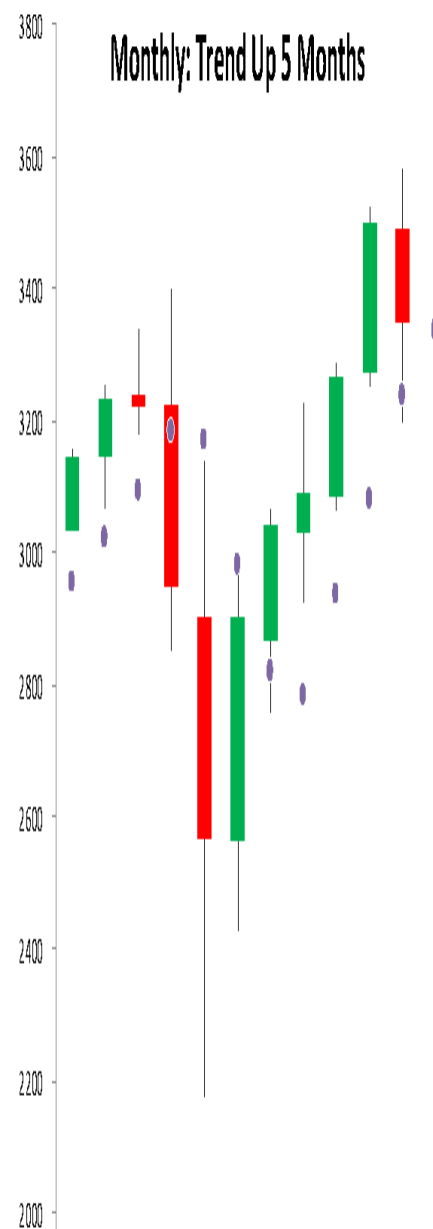
SP 500 Futures October 1, 2020

ESZ0	68.35
Q4	4740.45
Q1	3938.25
M4	3910.45
Q2	3700.75
M1	3640.70
Q3	3613.75
PMH	3582.60
PQH	3582.60
D4	3451.50
D1	3405.00
PDH	3384.00
W1	3371.75

Quarterly: Consolidation



Monthly: Trend Up 5 Months



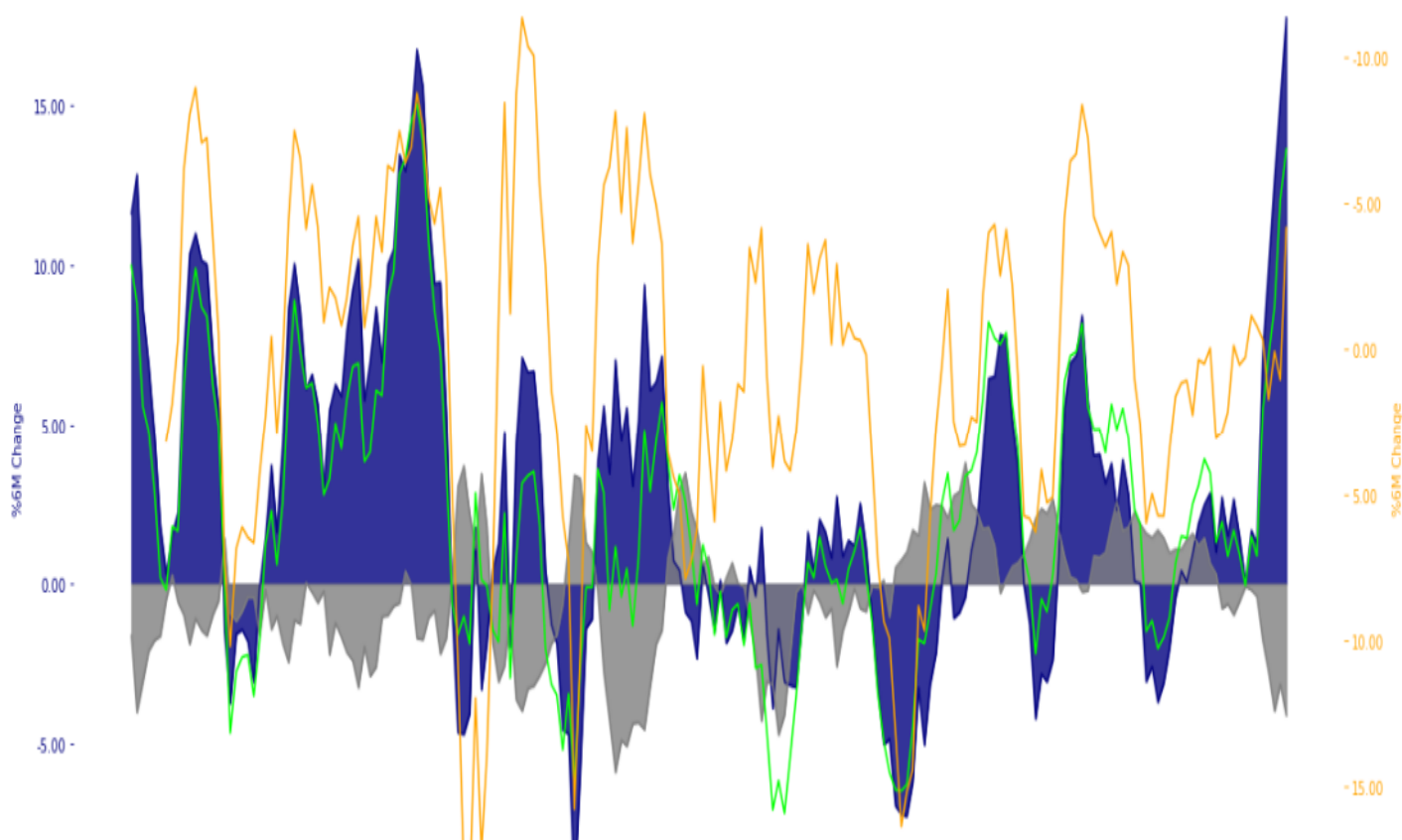
For October, we focus on U.S. Dollar Index Futures (?the dollar?). We provide a monthly time-period analysis of DXZ0. The same analysis can be completed for any time-period or in aggregate.

Trends:

- Quarterly Trend 97.203
- Daily Trend 94.129
- Current Settle 93.927
- Monthly Trend 93.555
- Weekly Trend 93.472

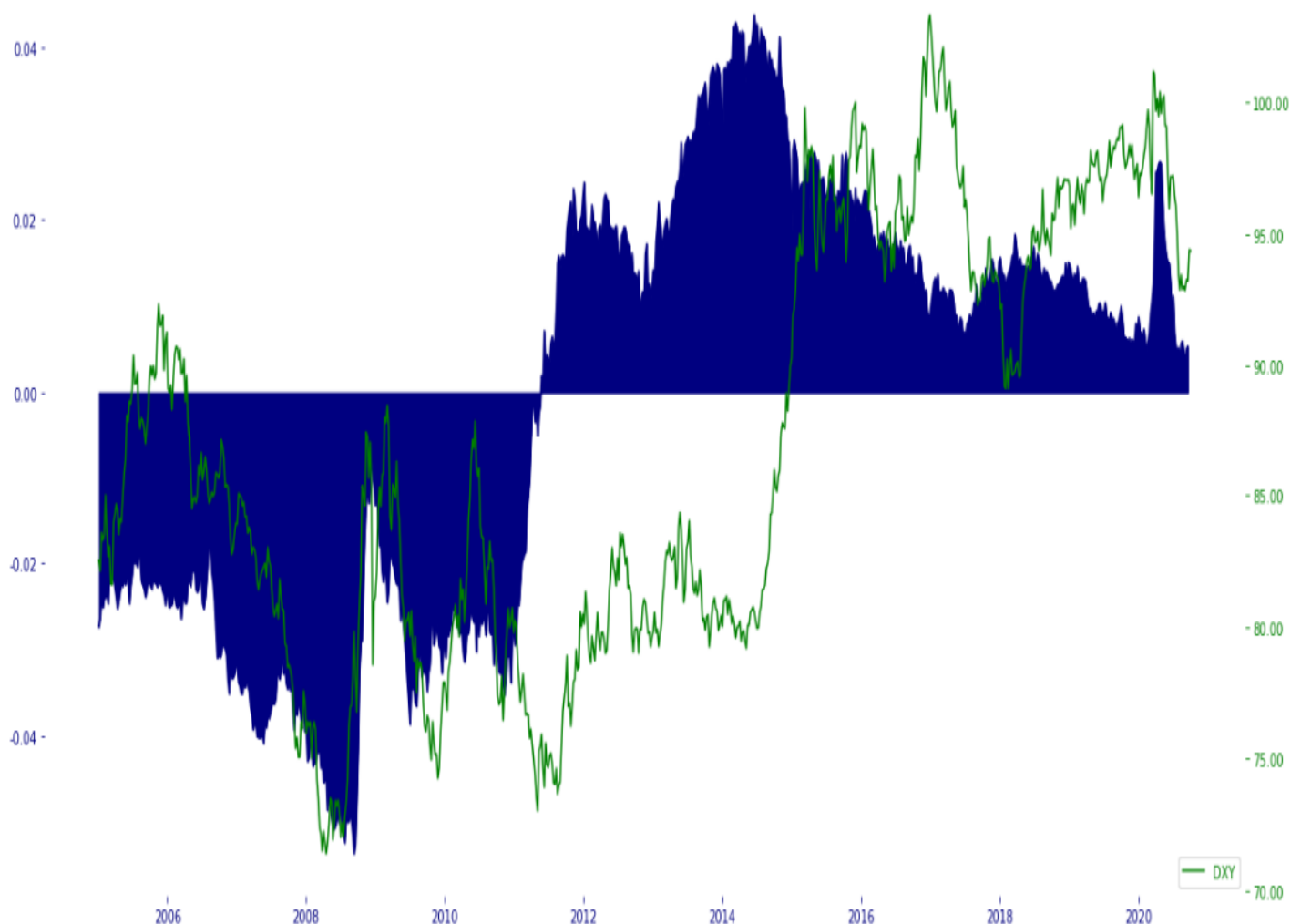
The relative positioning of the Trend Levels is bearish. Think of the relative positioning of the Trend Levels like you would a moving-average cross; the Trend Levels are lower, with exception of the Daily Trend, as the time-periods decrease. As can be seen in the quarterly chart below, the dollar is in ?Consolidation?. Stepping down one time-period, the monthly chart shows that the dollar has been ?Trend Down? for five months. Stepping down to the weekly time-period, the chart shows that the dollar is ?Trend Up?, having settled above Weekly Trend for three weeks. One rule we have is to anticipate a two-period high (low), within the following four to six periods, after a Downside (Upside) Exhaustion level has been reached. *The signal was given in the quarter of 1Q2020 for us to anticipate a two-quarter low to occur over the next four to six quarters.* That low was achieved in 3Q2020, with the trade below 94.530. *The signal was given the week of August 28th for us to anticipate a two-week low to occur over the next four to six weeks.* To be achieved this week, a trade below 92.755 is required. Fundamentally, movements in the dollar are determined by liquidity in the global banking system.¹ The Quantity of Liquidity is defined as the sum of Central Bank assets and Commercial Bank Assets. The Velocity of Liquidity is defined as the sum of Total Commercial Bank Loans divided by the Quantity of Liquidity. Total System liquidity is the sum of Quantity and Velocity. *The correlations of the dollar to these measures are -0.80, +0.55, and -0.66, respectively.* Figure 4, which shows the six-month percentage change in each, is updated through July 2020. (We are waiting for the data from the Bank of Japan to be available to update through August.) ***Math dictates that the changes will not only diminish but reverse unless a Quantity of Liquidity is injected into the system that is similar in magnitude to late March and early April. Dollar bullish. Figure 4:***

[EU, US, JPN] Banking System
Quantity of Liquidity, Velocity of Liquidity, Total System Liquidity, DXY(Inverted)
Jan 2004 - July 2020



****We encourage you to read the research of Daniel Want's team at Prerequisite Capital Management. <http://www.prerequisite.com.au/research/> U.S. Dollar liquidity stress within the global Eurodollar System can also be proxied. The blue shaded areas in Figure 5 below represent that proxy. Values above zero indicate U.S. Dollars are scarce and values below zero indicate they are abundant. The acute shortage from early this year has abated through the collective efforts of the world's Central Banks. ***Unless you believe the systemic problems, which have been compounding since 2008 / 2009, are forever fixed? then the stress in the system has declined to a level below which it should not go. Dollar bullish. Figure 5:*****

Eurodollar System USD Liquidity



Support/Resistance: In isolation, monthly support and resistance levels for October are:

- M4 97.600
- M3 95.723
- M1 95.610
- PMH 94.795
- Close 93.927
- MTrend 93.555
- PML 91.725
- M2 91.460
- M5 89.470

Active traders can use MTrend: 93.555 as the pivot, maintaining a long position above that level and a flat or short position below it.

Summary The power of technical analysis is in its ability to reduce multi-dimensional markets into a filtered two-dimensional space of price and time. Our methodology applies a consistent framework that identifies key measures of trend, distinct levels of support and resistance, and identification of potential trading ranges. Our methodology can be applied to any security or index, across markets, for which we can attain a reliable price history. We look forward to bringing you our unique brand of technical analysis and insight into many different markets. If you are a professional market participant and are open to discovering more, please [connect](#) with us. We are not asking for a subscription; *we are asking you to listen.*