# Cartography Corner - January 2021

*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](#)

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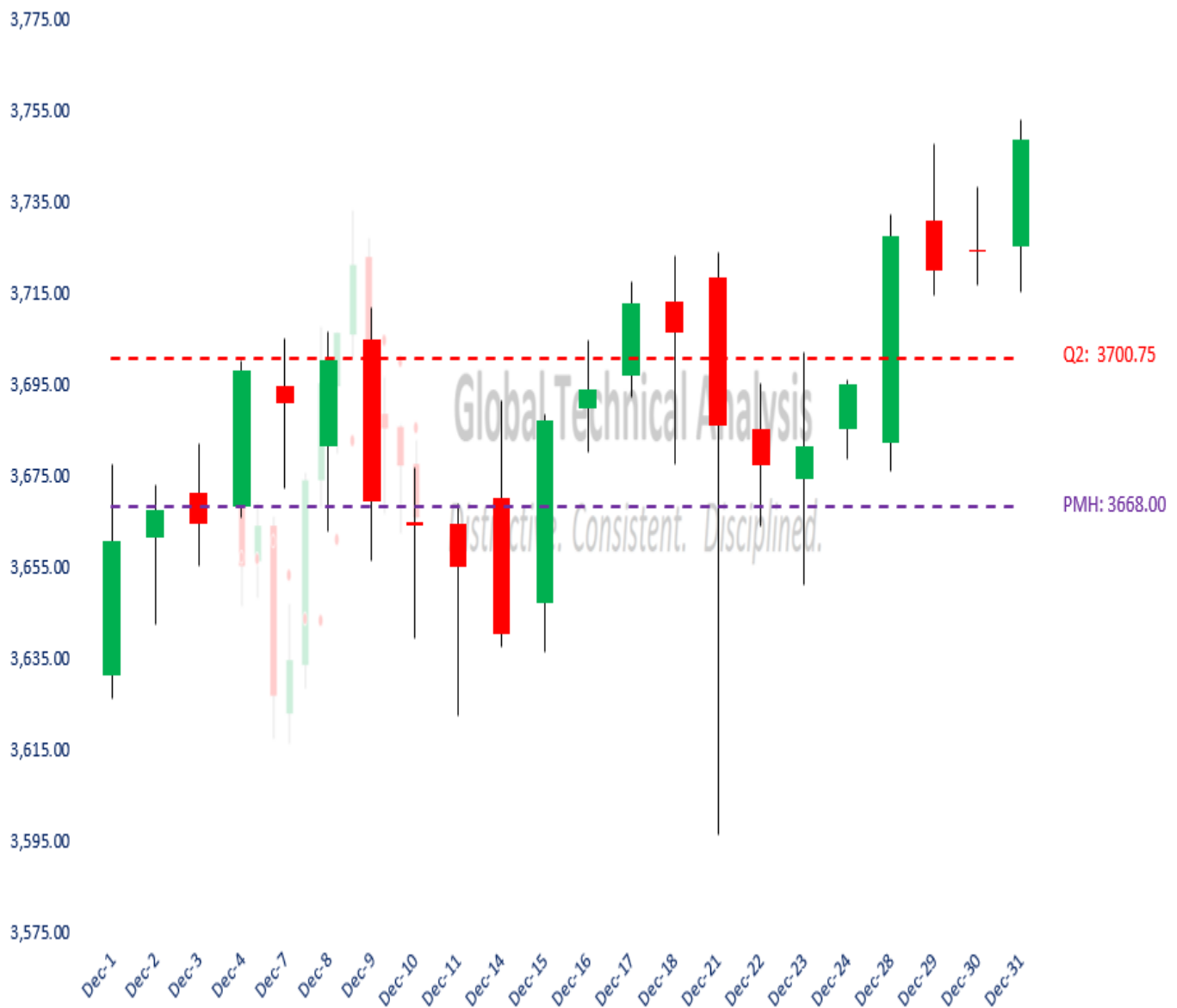# December 2020 Review

## E-Mini S&P 500 Futures

We begin with a review of E-Mini S&P 500 Futures (ESH1) during December 2020. In our December 2020 edition of *The Cartography Corner,* we wrote the following: In isolation, monthly support and resistance levels for December are:

- M4        4111.00
- M3        3981.75
- M1       
- PMH       3668.00
- Close            3623.25     ** **
- MTrend        3410.87
- M2         
- PML              ** **

- M5&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#2013266080;&
&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#20
2945.50

Active traders can use PMH: 3668.00 as the pivot, maintaining a long position above that level and a flat or short position below it. Figure 1 below displays the daily price action for December 2020 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines.&#2013266080; December consisted of five swing trades with returns, on a settlement basis, of 2.13%, (1.63%), 2.00%, (0.96%), and 1.94%. Liquidity and volume typically decline in the month of December, magnifying the actions of market participants with an ax to grind, and this December was no exception.&#2013266080; On December 21st, during the Asian and European market hours, some market participants had a ?sell ax?.&#2013266080; That session?s trading range equaled 128 points, or 3.47%, eclipsing the cumulative month-to-date range.&#2013266080; By the end of the session, the market price had recovered most of the overnight decline. **Conservatively, active traders following our analysis realized a gain of 0.75%. &#2013266080;** *Figure 1:*



ESH1: December 2020

# E-Mini Russell 2000 Futures

We continue with a review of E-Mini Russell 2000 Futures (TFH1) during December 2020. In our December 2020 edition of *The Cartography Corner,* we wrote the following: In isolation, monthly support and resistance levels for December are:

- M4             2236.50
- M3             2103.40
- M1             2075.50
- PMH            1863.60
- Close          1820.10
- MTrend         1601.52
- M2             1561.30
- PML            1526.00
- M5             1400.30

Active traders can use PMH: 1863.60 as the pivot, maintaining a long position above that level and a flat or short position below it. Figure 2 below displays the daily price action for December 2020 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. The first three trading sessions of December saw the market price ascend to our isolated pivot level at PMH: 1863.60. On the fourth trading session, the market price settled above that level. *It was not tested for the remainder of the month*. **Active traders following our analysis realized a gain of 4.4%**. *Figure 2:*



TFH1: December 2020

# January 2021 Analysis

We begin by providing a monthly time-period analysis of E-Mini S&P 500 Futures (ESH1). The same analysis can be completed for any time-period or in aggregate.
<u>Trends:</u>

- Current Settle 3748.75 ****
- Daily Trend 3730.89
- Weekly Trend 3695.36 ****
- Monthly Trend 3518.11 ****
- Quarterly Trend 3274.01

*The relative positioning of the Trend Levels is as bullish as possible.* 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. In the quarterly time-period, the chart shows that E-Mini S&P 500 Futures are ?Trend Up?, having settled above Quarterly Trend for three quarters. Stepping down one time-period, the monthly chart shows that E-Mini S&P 500 Futures are in ?Consolidation?, after having settled six of the previous seven months above Monthly Trend. Stepping down to the weekly time-period, the chart shows that E-Mini S&P 500 Futures have been ?Trend Up? for nine 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 two-period low that we were anticipating in the weekly time-period was achieved during the week of December 21<sup>st</sup>. **Our timing-cycle work indicates January 7, 2021, as the next important cycle date (Strength: 100/100).** Often, the price action of the trading session before the cycle date establishes a key range that is exceeded, confirming the direction of the trend change (or acceleration of the current trend). Hence, there are a few clues before the cycle date. Once the direction is established, market participants can anticipate a trend into the next projected cycle date, or a move to a price that represents an Exhaustion Level. Given that the next cycle date occurs in 2Q2021, we suggest focusing on the Q4: 4433.25 and Q5: 2867.40 as upside and downside Exhaustion Levels. It is worth noting that the Georgia Senate runoff election is on January 6th, with January 7th being the first trading session with the election results known. Given that the balance of the Senate is at stake, we suggest paying close attention to the cycle date. <u>Support/Resistance:</u> In isolation, monthly support and resistance levels for January are:
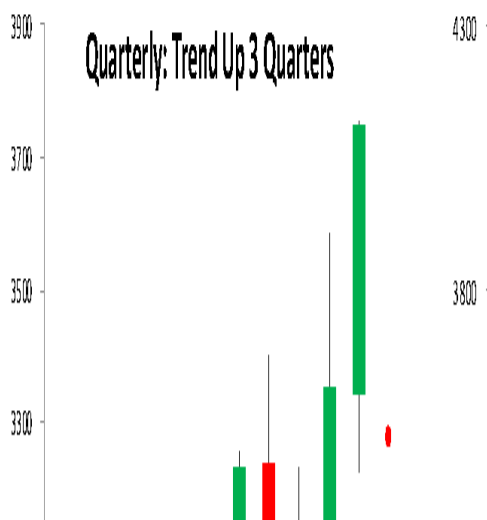
- M4 4262.75
- M2 3948.75

- M3
- M1
- PMH                3753.00
- Close
- PML
- M5
- MTrend            3518.11

Active traders can use PMH: 3753.00 as the pivot, maintaining a long position above that level and a flat or short position below it.

**Global Technical Analysis**

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**SP 500 Futures**

**January 4, 2021**

| ESH1 | 49.37 | | Quarterly: Trend Up 3 Quarters | Monthly: Consolidation |
|------|-------|---|---|---|
| Q4 | 4443.25 | | | |
| M4 | 4262.75 | | | |
| Q3 | 4145.50 | | | |
| M2 | 3948.75 | | | |

# Gold Futures

For January, we focus on Gold Futures.  We provide a monthly time-period analysis of GCG1.  The same analysis can be completed for any time-period or in aggregate. <u>Trends:</u>

- Current Settle     1895.10       **
- Daily Trend        1889.44
- Weekly Trend      1882.01       **
- Monthly Trend    1864.24       **
- Quarterly Trend   1839.99

*The relative positioning of the Trend Levels is as bullish as possible.*  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.  As can be seen in the quarterly chart below, Gold Futures have been ?Trend Up? for nine quarters.  Stepping down one time-period, the monthly chart shows that Gold Futures are in ?Consolidation?.  Stepping down to the weekly time-period, the chart shows that Gold Futures have been ?Trend Up? for four weeks. **Our timing-cycle work indicates January 7, 2021, as the next important cycle date (Strength: 100/100).**  Often, the price action of the trading session before the cycle date establishes a key range that is exceeded, confirming the direction of the trend change (or acceleration of the current trend).  Hence, there are a few clues before the cycle date.  Once the direction is established, market participants can anticipate a trend into the next projected cycle date, or a move to a price that represents an Exhaustion Level. *The cycle dates for this cycle are fixed without regard for a particular market.  They are applicable across all markets.* <u>Support/Resistance:</u> In isolation, monthly support and resistance levels for January are:

- M4            2056.80
- M3            2009.30
- PMH          1912.00
- Close          1895.10
- MTrend  1864.24
- M1            
- M2            1789.60

- PML&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#2013266080;&#2013266080; 1778.40

- M5&#2013266080;&#2013266080;

Active traders can use M1: 1857.90 as the pivot, maintaining a long position above that level and a flat or short position below it.

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Gold Futures

January 4, 2021

| GCG1 | 27.40 |
|------|-------|
| Q4 | 2165.90 |
| M4 | 2056.80 |
| M3 | 2009.30 |
| PQH | 1966.10 |
| W4 | 1950.80 |
| D4 | 1930.30 |
| D1 | 1914.30 |

**Quarterly: Trend Up 9 Quarters**

**Monthly: Consolidation**
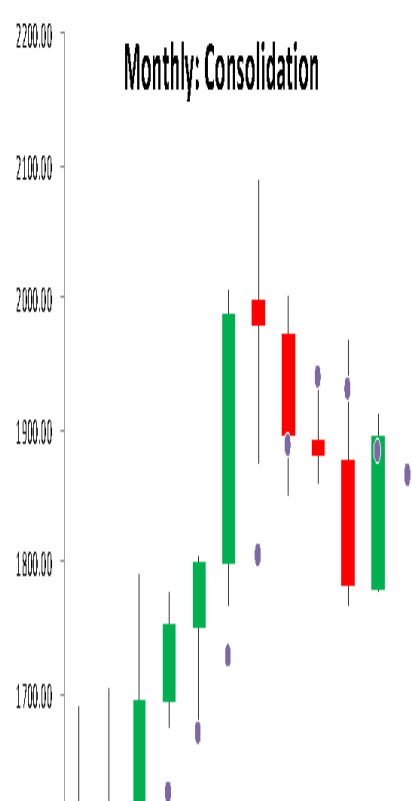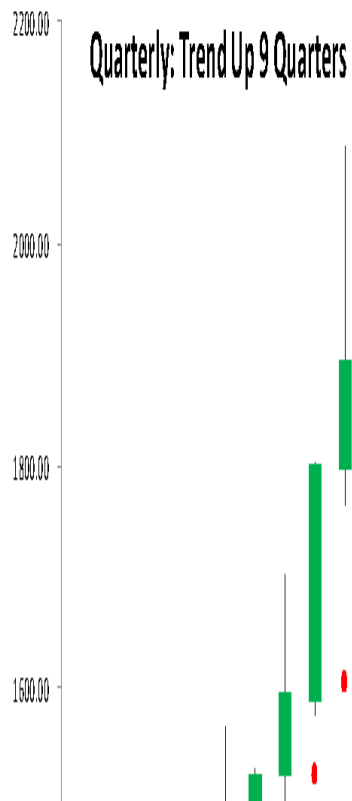
# Risk Appetite Index

We have constructed a Risk Appetite Index for our clients. The index measures the *normalized* relative twelve-week price returns between an equal-weight portfolio of risk assets and an equal-weight portfolio of apex assets. Risk assets include E-Mini S&P 500 Futures, High Yield Corporate Bond ETF (HYG), Emerging Markets ETF (EEM), and Emerging Markets Bond ETF (EMB). Apex assets include Gold Futures, U.S. Dollar Futures, Five-Year Treasury Note Futures, and U.S. Treasury Bond Futures. We can interpret this as a Risk-On / Risk-Off gauge. As shown below in Figure 3, the index has just turned lower from a local peak of 80.6 reached during the week of December 21$^{st}$. From the 80-100 percentile, historically, risk assets have underperformed apex assets by an average of 8.43%. *Figure 3:*
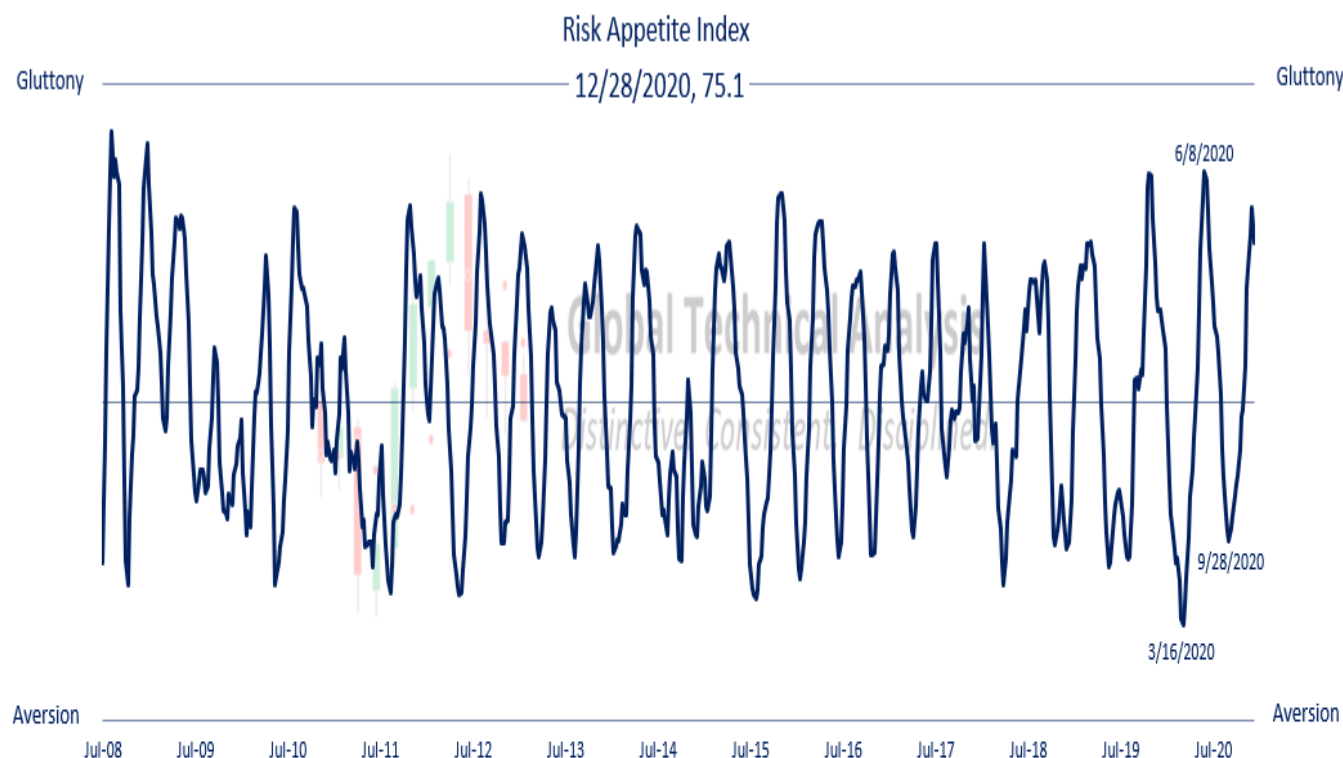


| 07/21/2008 - Current, Weekly | | | |
|---|---|---|---|
| Percentile | Fwd 12-Week Return | Count | Count % of Total |
| 0 - 20 | 9.73 | 6 | 0.92 |
| 20 - 40 | 0.45 | 215 | 33.08 |
| 40 - 60 | 0.83 | 208 | 32.00 |
| 60 - 80 | 0.12 | 196 | 30.15 |
| 80 - 100 | (8.43) | 25 | 3.85 |

# 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.&#2013266080; If you are a professional market participant and are open to discovering more, please [connect](#) with us.&#2013266080; We are not asking for a subscription; *we are asking you to listen.*