Cartography Corner - February 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

January 2021 Review

E-Mini S&P 500 Futures

We begin with a review of E-Mini S&P 500 Futures (ESH1) during January 2021. In our January 2021 edition of *The Cartography Corner*, we wrote the following: In isolation, monthly support and resistance levels for January are:

- M4 4262.75
- M2 3948.75
- M3 3874.25
- M1 3838.00
- PMH 3753.00
- Close 3748.75
- PML 3596.00
- M5 3524.00
- 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. Figure 1 below displays the daily price action for January 2021 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. Our analysis accurately identified the pivot point and subsequent resistance levels realized in January. On the fourth trading session, the market price settled above our isolated pivot level at PMH: 3753.00. Over the following eight sessions, the market price ascended to and settled above, our first resistance level at M3: 3838.00. The intra-session high for January was achieved on January 26th at the price of 3862.25, just shy of our next resistance level at M3: 3874.25. The trading sessions of January 21st through January 26th, circled in the graph, merit attention. Notice how the candle on the 21st has a long upper shadow yet settled essentially unchanged. The following two candles have long lower shadows yet recovered most of those sessions? ranges.

The fourth candle has equal-length upper and lower shadows and settled essentially unchanged. *Those four candles, collectively, were a caution sign that something was amiss. Intra-session strength could not be sustained, coupled with heavy distribution into the lower shadows.* On January 27th, the index commenced to being ?GameStopped?. **Conservatively, active traders following our analysis realized a gain of 1.02%.** ***Figure 1:***



Gold Futures

We continue with a review of Gold Futures (GCJ1) during January 2021. In our January 2021 edition of *The Cartography Corner*, we wrote the following: 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 1857.90

- M2 1789.60
- PML 1778.40
- M5 1590.70

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. Figure 2 below displays the daily price action for January 2021 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. The first two trading sessions of January saw the market price ascend above PMH: 1863.60. We maintain the premise that the purpose of every trading month is to surpass the high or low of the previous month. Concerning that premise, the purpose of January was fulfilled on January 4th. The market price saw limited upside follow-through on January 5th. Over the following three trading sessions, gold proceeded to decline $110.60, on a settlement basis, or (5.7%). The remainder of the month saw gold drift sideways, with rallies being capped essentially at our clustered support levels, *now acting as resistance*, at M1: 1857.90 / MTrend: 1864.24. **Active traders following our analysis realized a loss of (2.4%)**. ***Figure 2:***



February 2021 Analysis

We begin by providing a monthly time-period analysis of E-Mini S&P 500 Futures (ESH1). The

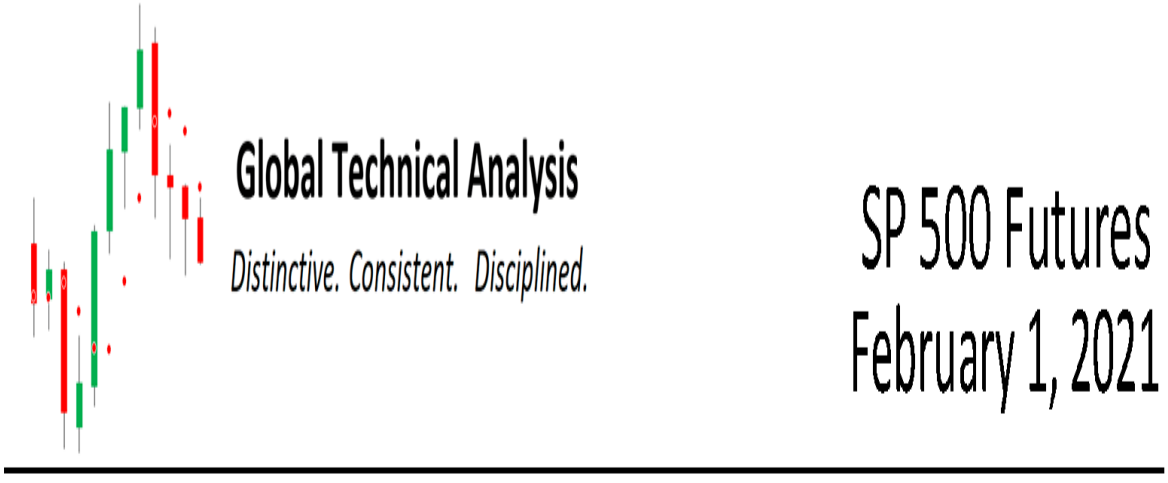
same analysis can be completed for any time-period or in aggregate. Trends:

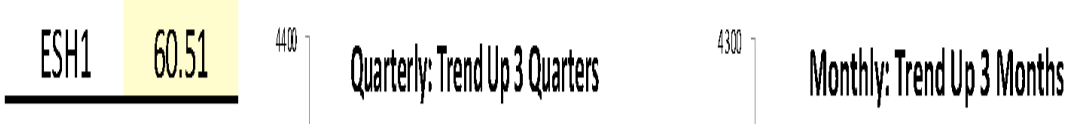
- Weekly Trend 3779.11
- Daily Trend 3753.11
- Current Settle 3705.25
- Monthly Trend 3650.25
- Quarterly Trend 3274.01

The relative positioning of the Trend Levels remains bullish, *although this past week?s price action has started to weaken the magnitude of the bullishness (Current Settle < Daily Trend < Weekly Trend).* Think of the relative positioning of the Trend Levels like you would a moving-average cross. 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 ?Trend Up?, settling three months above Monthly Trend. **Stepping down to the weekly time-period, the chart shows that E-Mini S&P 500 Futures are in ?Consolidation?, after having been ?Trend Up? for twelve weeks.**
Support/Resistance: In isolation, monthly support and resistance levels for February are:

- M4 4128.50
- M1 3971.50
- PMH 3862.25
- M2 3709.00
- Close 3705.25
- M3 3661.75
- PML 3652.50
- MTrend 3650.25
- M5 3552.00

Active traders can use MTrend: 3650.25 as the pivot, maintaining a long position above that level and a flat or short position below it.



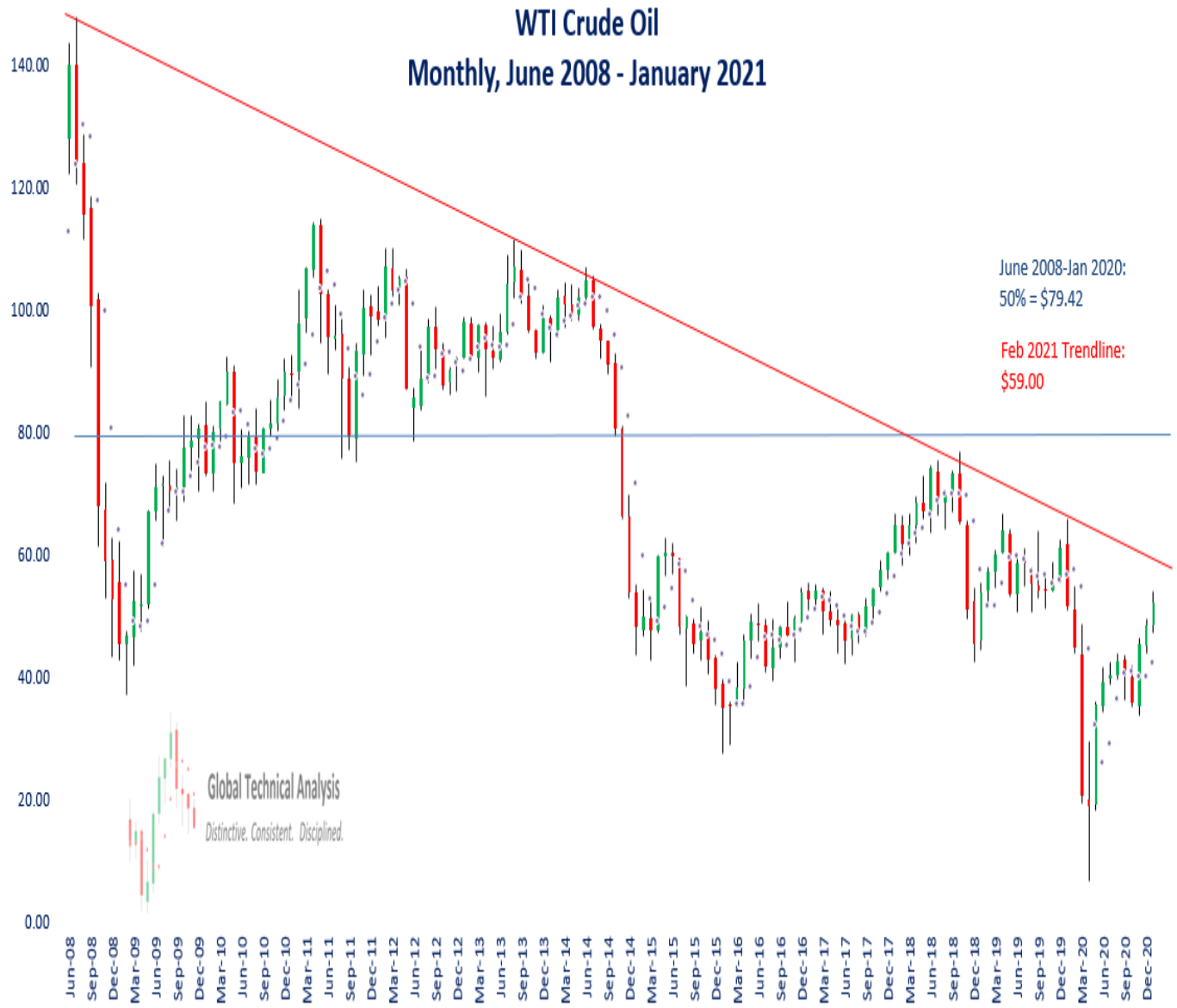


WTI Crude Oil Futures

For February, we focus on WTI Crude Oil Futures. We provide a monthly time-period analysis of CLH1. The same analysis can be completed for any time-period or in aggregate. Trends:

- Daily Trend 52.61
- Weekly Trend 52.56
- Current Settle 52.20
- Monthly Trend 46.71
- Quarterly Trend 37.68

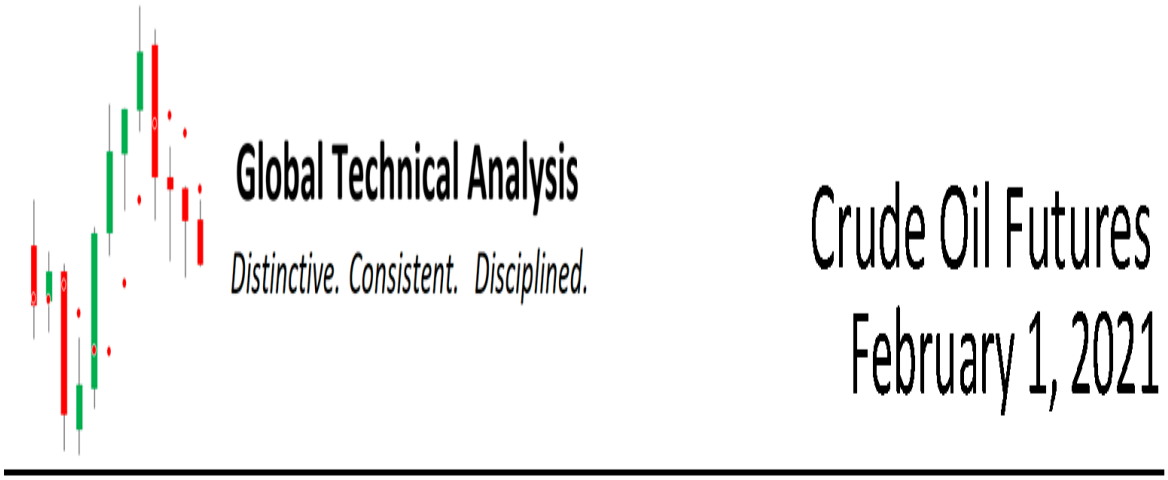
The relative positioning of the Trend Levels is as bullish as possible. Think of the relative positioning of the Trend Levels like you would a moving-average cross; the Trend Levels are higher as the time-periods decrease. As can be seen in the quarterly chart below, WTI Crude Oil Futures are in ?Consolidation?. Stepping down one time-period, the monthly chart shows that WTI Crude Oil Futures are ?Trend Up?, having settled above Monthly Trend for three months. Stepping down to the weekly time-period, the chart shows that WTI Crude Oil Futures have been ?Trend Up? for twelve weeks. **However, it is worth noting that Weekly Trend has now caught up to the market price.** Figure 3 below is a monthly candlestick chart of WTI Crude Oil with a starting date of June 2008. As shown in the graph, the market price is approaching a long-term trendline that has repelled the price action for the last twelve years. *For February, the inflection point is at a market price of $59.00*. ***Figure 3:***

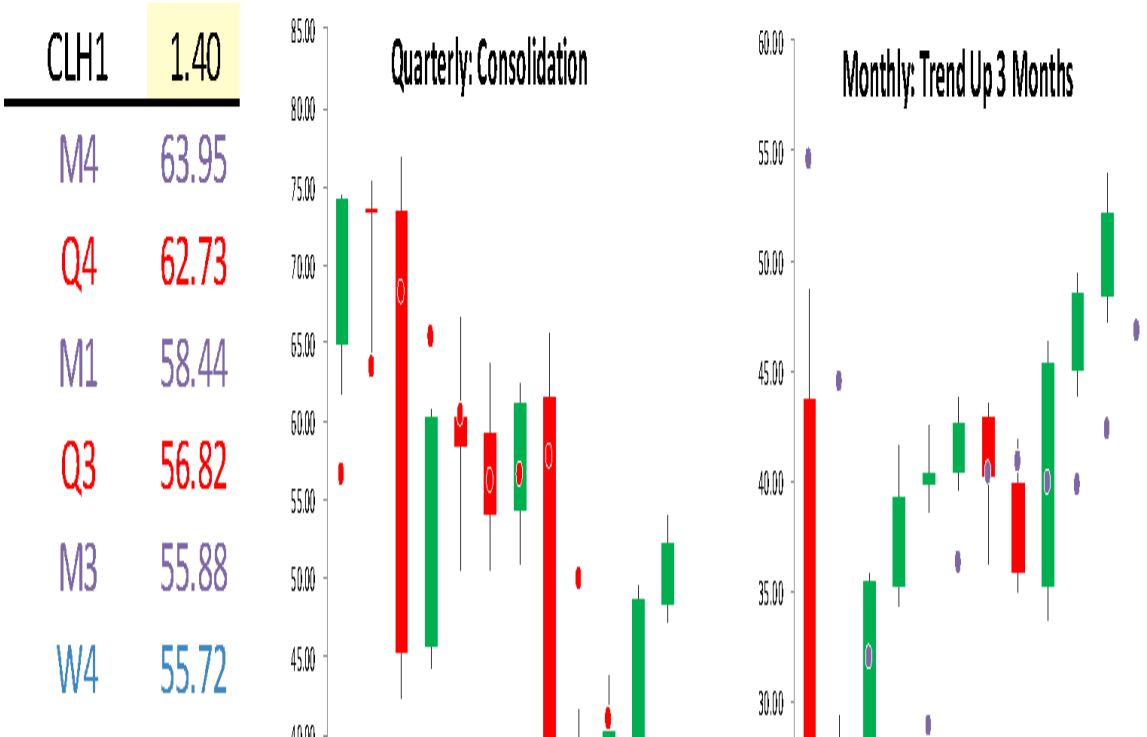


Support/Resistance: In isolation, monthly support and resistance levels for February are:

- M4 63.95
- M1 58.44
- M3 55.88
- PMH 53.94
- Close 52.20
- M2 50.44
- PML 47.18
- MTrend 46.71
- M5 44.93

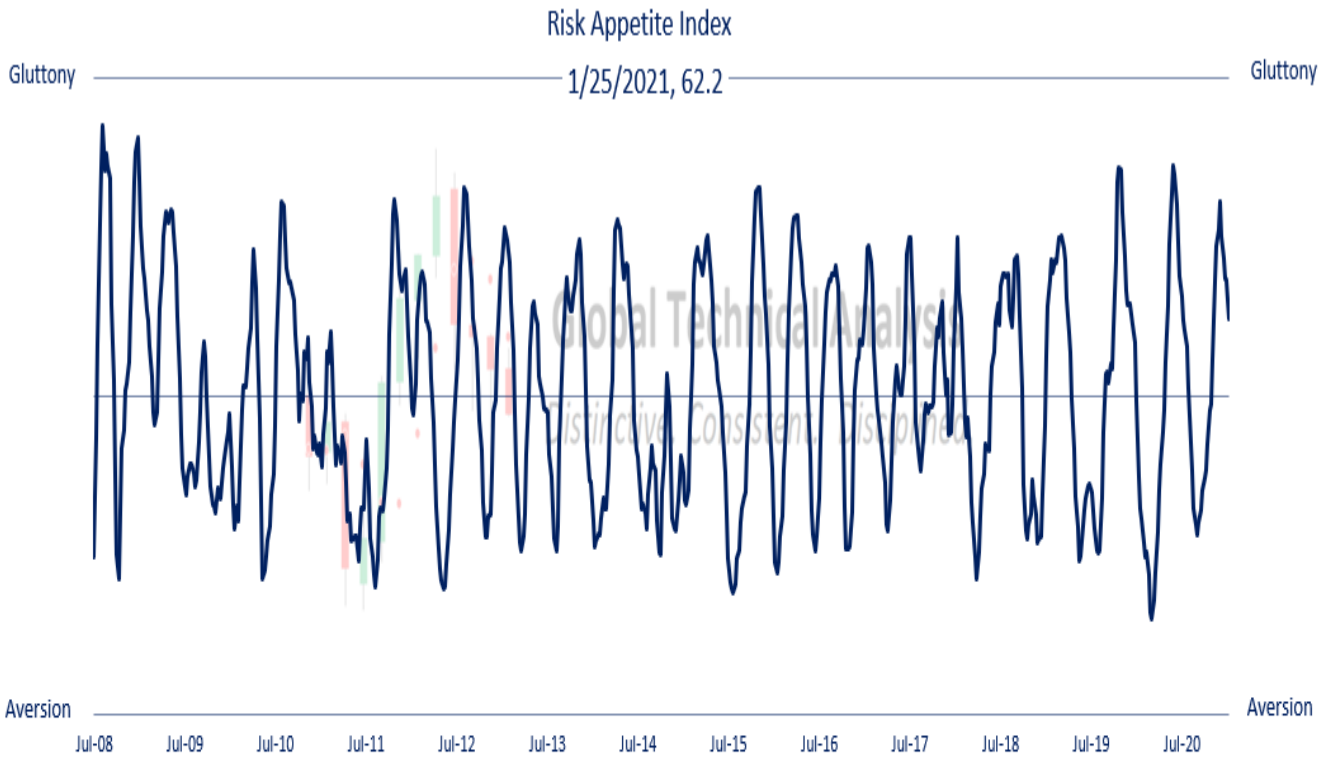
Active traders can use M2: 50.44 as the pivot, maintaining a long position above that level and a flat or short position below it.





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 4, the index has turned lower from a local peak of 80.6 reached during the week of December 21st. From the 80-100 percentile, historically, risk assets have underperformed apex assets by an average of 8.43%. ***Figure 4:***



07/21/2008 - Current, Weekly			
Percentile	Fwd 12-Week Return	Count	Count % of Total
0 - 20	9.73	6	0.92
20 - 40	0.61	215	32.87
40 - 60	0.86	208	31.80
60 - 80	0.12	200	30.58
80 - 100	(8.43)	25	3.82

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.*