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Trading Week Starting
April 6, 2025

The FRED Report

Summary of Market View

In Stocks we note that our idea of a tradable low in March has been incorrect. We then discuss some possibilities for the equity markets. In Fixed Income, we discuss TLT and LQD, giving some sell points on a big gap up open in TLT. These will likely not hit unless the equity open is dramatically worse than we are seeing tonight. BTW, remember the 10:30 to 11:00 AM low rule from Friday's FREDAlert, which is that if stock prices hold the low of that time period, the selling is generally over for the day. New Lows after that time period suggest more down into the close. We saw that work Friday.

In Commodities, we discuss gold and gold stocks, following that up with further discussion in Chart of Interest. In International we look at China.

INSIDE THIS ISSUE:

Special points of interest:

- The numbers for the downside that we published in our alert (500 to 485) are still operative.
- We also believe a V bottom is unlikely here – with the kind of momentum we've seen a divergence bottom/basing period makes more sense.
- Bonds could be volatile as equities sort themselves out. For those that are holding, we would sell both TLT and LQD if TLT can trade at 95 early Monday morning.

Stocks Review

> *"From a trading standpoint, we would much rather see a down open, and rally than a big up open on Monday."*

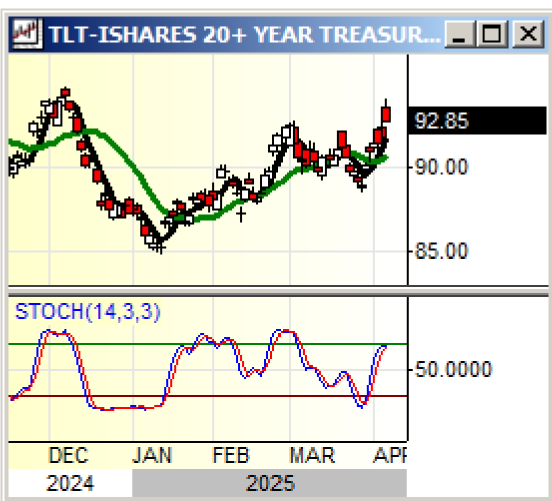
Obviously, our idea of a low in March and a solid buy point as been incorrect. There were only a few tip offs, mainly the Put/Call as we have discussed on various conference calls. Last week had one significant market event (courtesy of Walter Murphy): **There have been only three other declines of 10% or more in two days – 1987, 2008, and 2020**. So, what does all this mean? First of all, the numbers for the downside that we published in our alert (500 to 485) are still operative. One concern that we have on these numbers is that they are in the neighborhood of 20% down on SPY. Many people are looking at 490 or so, which is 20% off the high, as a place to buy. We got our numbers for technical reasons and did not even think of percentages. So, we will watch these areas but could see some overshoot. We also believe a V bottom is unlikely here – with the kind of momentum we've seen a divergence bottom/basing period makes more sense.

Accumulation models have changed a bit. QQQ has gotten stronger relative to SPY, and IJR. IJR Accumulation has a new bottoming formation relative to the other units. From the standpoint of these models, things are not as bad as they look, albeit not as strong as they were in 2020. There are rumors of hedge fund margin calls, which could lead to additional selling. On the plus side, Barron's articles are mostly negative, saying stay away from stocks. From a trading standpoint, we would much rather see a down open, and rally than a big up open on Monday. As of 8 PM it looks like a big up open is off the table. It also looks as if my 485 or so area is holding. The important thing is to have a plan. A good friend and teacher of mine told me (years ago!) that when everything is on sale buy the best quality stuff, even if it is more expensive than the garbage. We show monthly charts for perspective.

Fixed Income Review

TLT has come close to our trading target of 95, right now it is at $94 at 8:30 p.m. EDT. Many people sold these on Friday near the open, holding the cash for a suitable entry into equities. TLT closed near the low for the session on Friday. This makes sense as the daily stochastic has now got a sell recycle, with the weekly close to overbought. Support is from 92 to 91 for a pullback. We have mentioned that other Bond ETFs are better, so we will also look at LQD today. This came quite close to our target of 110. The daily and weekly stochastics are both up and not overbought. Support on LQD is from 108 to 107 short-term. We would rather own LQD, based on the charts.

Bonds could be volatile as equities sort themselves out. For those that are holding, we would sell both TLT and LQD if TLT can trade at 95 early Monday morning. Hold on to the cash for now.

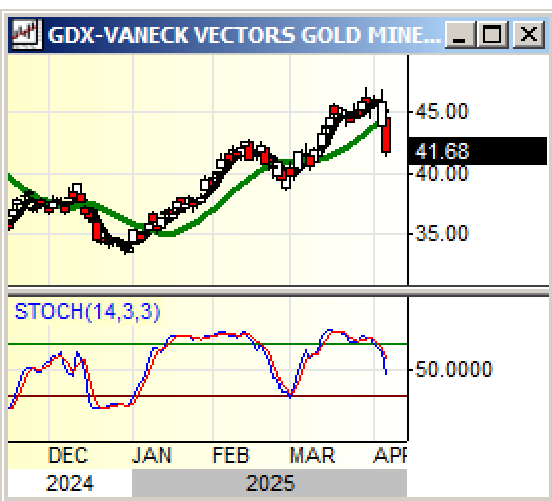


Commodity Review

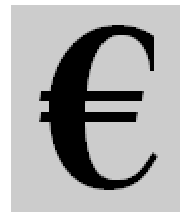
We will look at gold and gold stocks today. We are at a key juncture on GLD, as the April contract has gone to spot. From prior reports, readers will recall this was our signal to exit gold positions – and while selling March 31st has worked, the reason is probably equity market volatility rather than anything intrinsic to the gold futures markets. We also looked at GLD accumulation Friday, and it has improved vs. a couple weeks ago but probably not enough to justify these high prices. Still, note that this has improved the internal structure of GLD. Now, let's look at GDX and GDXJ to see how they fared in the recent market turmoil, and how they look going forward. We know that this is where most advisors are invested.

One question we have had is, "Why has the performance of the mining stocks lagged the metals?" We have discussed this in other notes but will review this. The reason is the mining companies hedge the price of gold. The strongest companies are the best hedgers. GOLD (Barrick Gold Corp) is one of the strongest mining companies. The stock is underperforming GDX (we show this in the Chart of Interest section).

Over the last year GDX has been a better technical pattern than GDXJ overall, and this remains true. The daily stochastic is in sell mode, and the weekly is close to a sell recycle. We have support at around 39 on GDX. GDXJ is the same pattern but weaker, with a daily sell recycle on the daily and weekly. Support on GDXJ is from 51 to 48 and has been fully tested. On a technical basis these are holds, given conditions, but likely sells if they weaken and overall equity conditions improve. GLD much below 279 closing basis would target open the door to lower prices, and below 274 would suggest 269. A move such as this would likely impact GDX and GDXJ. We show charts, below.

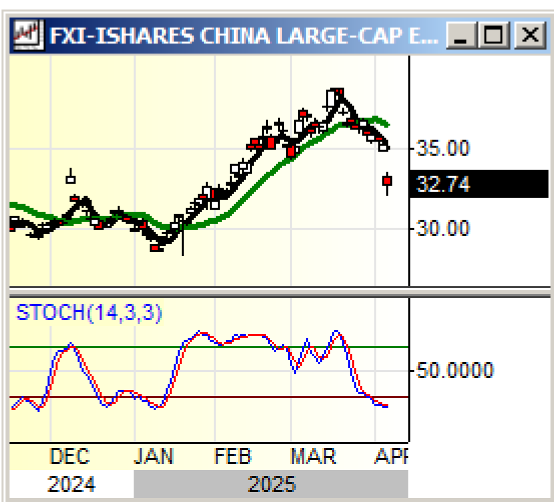


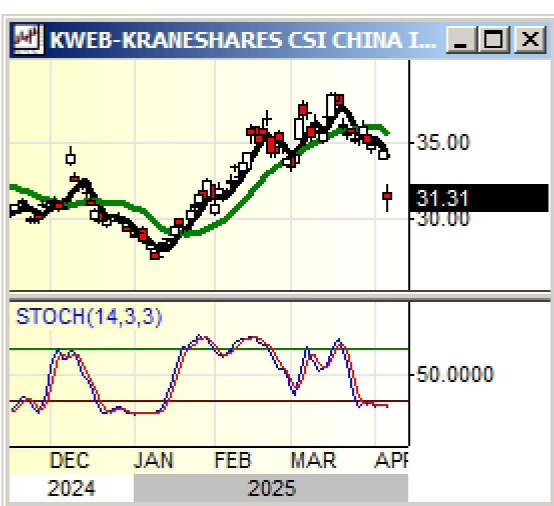
International Review



Obviously, one of the big segments of the markets has been international in general, but China has raised bigger questions. We will look at FXI and KWEB today, as these are two of the ETFs most people bought when we started recommending China in December 2024. At the time, we suggested this was a trade and not a long-term investment, advising use of trailing stops to protect profits, or outright sale. Market action illustrates a potential flaw with this strategy, as prices likely gapped through most stops, and were executed on the open (we should all know that stops turn into market orders when triggered). Let's look at both of these.

The better of these two at the end of 2024 was FXI. Advisors were likely stopped with either a profit or breakeven, an acceptable result. The real question is what to do if you still have a position? Since we still have longer-term concerns on China relating to demographics (not to mention tariffs), we would likely sell this over the next week. KWEB was our least favorite, and advisors with trading stops are more likely to have a loss on a trailing stop vs. entry in December/January. We would also sell this. Our concern, again, is demographics but also both FXI and KWEB have weekly stochastic sell recycles. We show daily and weekly charts, below, and suggest looking at monthlies if interested.





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Weekly Chart of Interest

We show the chart of Barrick Gold (GOLD). Compare this with the charts of GDX in the Commodities section, above. Realize that hedging in commodities is designed to assure profitable pricing for a business and not speculation on the price of the commodity. So, from the standpoint of the business and products, GOLD has excellent performance, regardless of the stock price.

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