

■ Daily Technical Strategy

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Breakouts in SPX, QQQ, DJIA should fuel market into November



Mark L. Newton, CMT ^{AC}

HEAD OF TECHNICAL STRATEGY



Near-term trends are bullish for SPX, and Friday's breakouts across the board in SPX, QQQ, and DJIA should fuel markets higher into November. I anticipate a rally in SPX back to the highs of its trading channel into the month of November, and next week's "Mag 7" earnings in five key companies likely pave the way for gains, along with the much-anticipated FOMC meeting. Targeted resistance for SPX lies near 6900-50, which is only about 100-150 points higher than current levels, and might represent strong resistance in November.



Friday's rally happened as \$NVDA managed a sharp +2.25% rally, which occurred "right on schedule" to help carry markets higher on Technology strength, which "yet again" helped to provide much of the strength in today's session.

As discussed yesterday, my view is that a sharp rally will happen over the next two weeks, which will likely help \$SPX and \$QQQ test the highs of their respective channels. Thereafter, it might be right to expect some consolidation, but this likely will not prove severe enough to break the lows of this ongoing uptrend channel. Thus, the area near 6550 is expected to remain important and should contain any November weakness ahead of a push back to new highs.

Technology, Healthcare, Consumer Discretionary, and Utilities could be the sectors that lead in the weeks ahead. Financials managed to outperform in Friday's trading, but many Bank stocks require a bit more strength to break their existing downtrends from the last month. Once Financials kicks into gear (which might take a few weeks), a broader-based rally in December should be possible.

As seen below, SPX has now broken out of its near-term triangle, which should likely carry prices higher up to near 6900 into early November. This might not be a straight line and could show some early week consolidation following Friday's gains. **However, the consolidation of the past few weeks has been successfully exceeded and market breadth was positive on Friday by around 2/1 bullish.**

S&P 500 Index



Source: TradingView

Magnificent 7 ETF (MAGS) has exceeded the highs of its consolidation since September

\$MAGS, the Magnificent 7 ETF, has officially made its own breakout back to new highs for the first time in nearly a month.

Recall that my recent discussions talked about \$MAGS not having participated, which served as a bit of a drag on \$SPX performance and caused many European and Asian indices to look relatively more attractive.

At present, this breakout ahead of earnings is a welcome sign for trend followers, and likely carries MAGS up to near \$68 into early November.

This chart looks eerily similar to \$SPX's daily chart, which makes sense naturally given the percentage of Large-cap Technology stocks within \$SPX, which command a high weighting.

Roundhill Magnificent Seven ETF



Source: TradingView

Shopify has successfully achieved a new record weekly high close

\$SHOP has just achieved a new record weekly high close with its Friday close above \$169.06, the former weekly close from mid-November 2021. This is a technically positive development and takes precedence over the bullish minor breakout above the peak from two weeks ago.



The stock had largely consolidated gains in sideways consolidation since August before pushing up in early October, reversing lower, and then rallying again to record highs today. This churning has helped to keep weekly momentum gauges like \$RSI from reaching overbought levels, and gains up to \$197, then 210 look likely in the weeks ahead, and pullbacks should find strong support near \$157 before turning back higher (If and when pullbacks happen).

Monthly RSI has just entered overbought territory on the monthly charts with readings in the low 70s. However, structurally speaking, SHOP's breakout back to new highs takes precedence as a positive over any worries about this being overbought. DeMark indicators show weekly exhaustion readings to be premature by at least six weeks, while monthly exhaustion could possibly take another three to four months before TD Sell Setups are present.

I'll be updating support and resistance for all my UPTICKS list and releasing an update next week. However, it's right to relay that \$SHOP will remain on my list, and I'll be updating support and resistance on all these names as of next week.

Shopify Inc.



Source: TradingView

Reddit looks to be stabilizing near important support

\$RDDT finally looks to be starting to turn back higher after a difficult period since mid-September. Many short-term traders might have seen the break of its two-month uptrend from late July in late September and the subsequent gap-down in October on above-average volume.

That certainly was not constructive technical price action in the short term. However, as part of Upticks, this is utilized more for intermediate-term potential rather than short-term trading purposes.

Thus, when eyeing its weekly chart, it's certainly a positive that RDDT managed to hold the intermediate-term uptrend and managed to push back to new weekly highs this week.

I suspect this rally in the next couple of weeks to test and exceed the area near the former gap-down, which lies near \$225, and eventually should push back to new high territory. Such a development is difficult to forecast in the short run, but I expect that \$RDDT should at least recoup 50-61.8% of its former drawdown from this past fall into year-end.

For now, \$RDDT is being kept as part of the Upticks list, and I'll review more names in the report next week.

Reddit, Inc.



Source: TradingView



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