



The "Dunn" Weekend Report

Update: 8.8.20

"Unique longer-term charts catching my eye"

Know your risks - historical volatility speak

- Metal chart updates
- 2 Long term weekly chart setups that are quite intriguing
- Equity Market update
 - Put Call update
 - Realized Volatility update
- Week in Review - under the surface
- Vol Bands
 - New ES chart with Vol bands placed
- Market Thoughts Summary
- Posts/Trades/Highlights of the week

7/31/20 SPX close: **3271**

8/7/20 close: **3,351** (+2.44% for the week)

Weekly range (3284 - 3352)

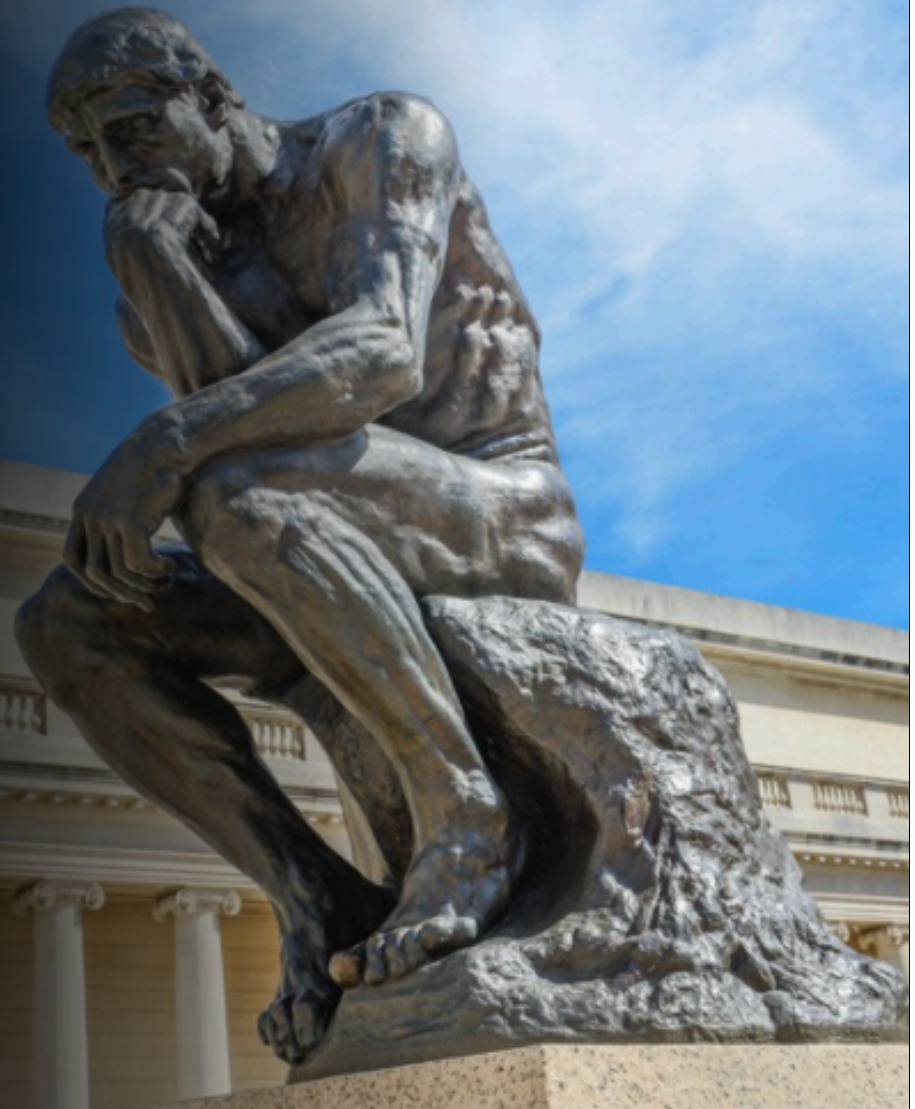
My Trading/Mental Quote of the Week:


**"You have to learn to wait. You must inevitably
learn to sit tight.**

**80-90% of the job is doing nothing. 10-20% is
the actual trading and execution.**

**If you are one attracted to and like "action" and
get easily bored, there's nothing wrong with
that.**

**But the market is probably not the right place
for you till you can control that urge and
feeling."**



The background of the slide is a photograph of a library. On the left and right sides, there are tall bookshelves filled with books. In the center, there is a large, bright window that looks out onto a green landscape, possibly a park or a field. The text is overlaid on the window area.

**Lets get right into the Wood This week gonna
change up the order a bit -→
METALS**

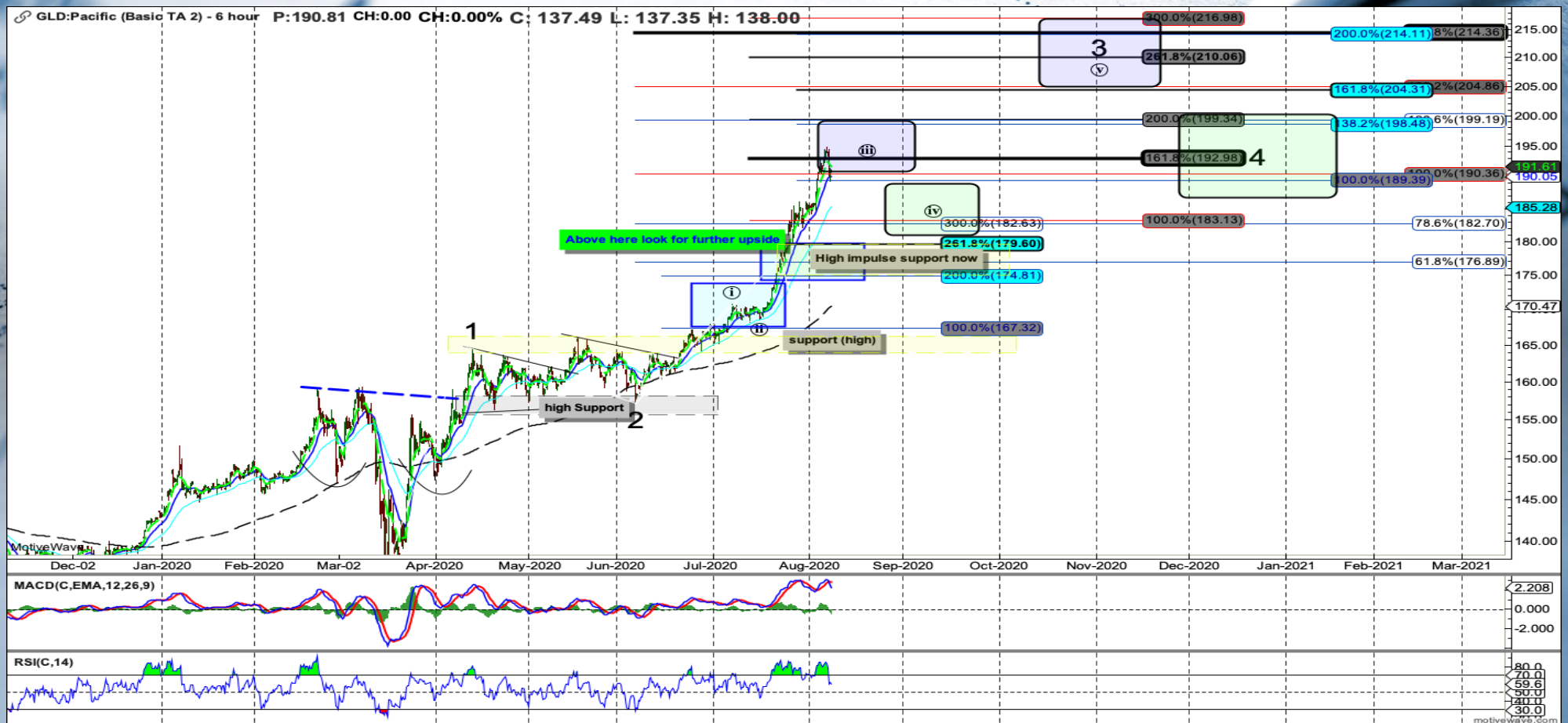
2 weeks back week: I'm Sticking with GOLD Cores (still): **Blue -**
chuggin' like the turtle vs the hare...continues to do nothing wrong



Gold - This week been an absolute wrecking ball and already reached the (iii) of 3 fib region.

I'm open to another run in a micro v of that (iii) to **196/200** before (iii) tops.

But as far as a swing trading core position is concerned this still has much to run
so I don't plan on fiddling with my position! If we get that extra run up, I will be looking at selling some calls
against my core shares positions and will post if/when I do



Gold - Forest Weekly Chart: remains **firmly green bull RSI posture below** as

It continues to ride the Green rails as I say. A pause like shown in 2010-2011 green arrows where RSI pulls back to bull support as price flags or consolidates as well as the past 3 shown from 2019 to early 20 makes sense soon here and likely coincides with the (iv) pull-back shown on previous chart.

I drew in blue what that might look like on RSI and price



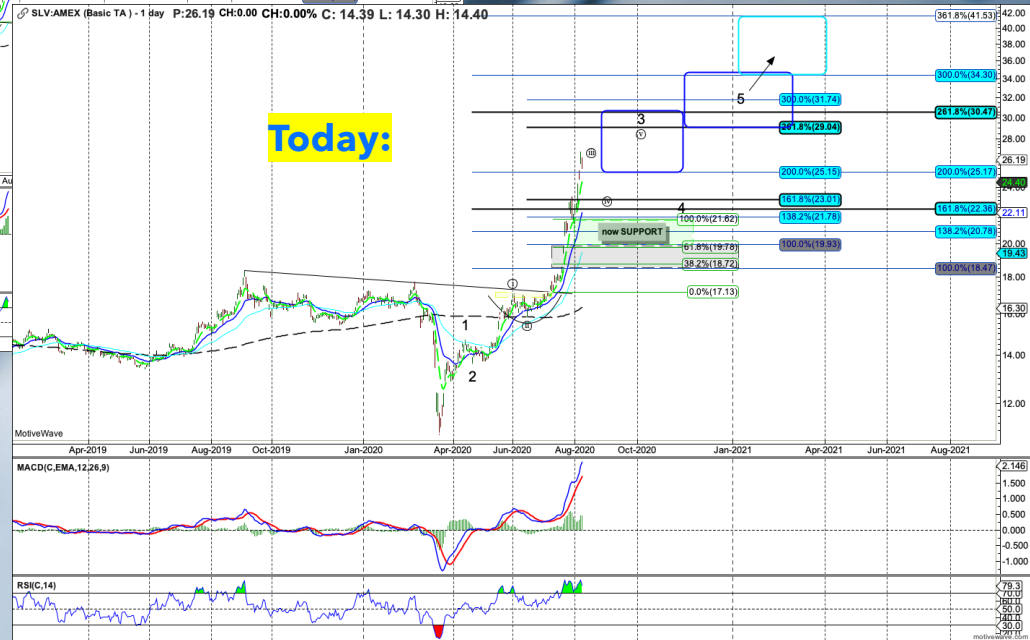
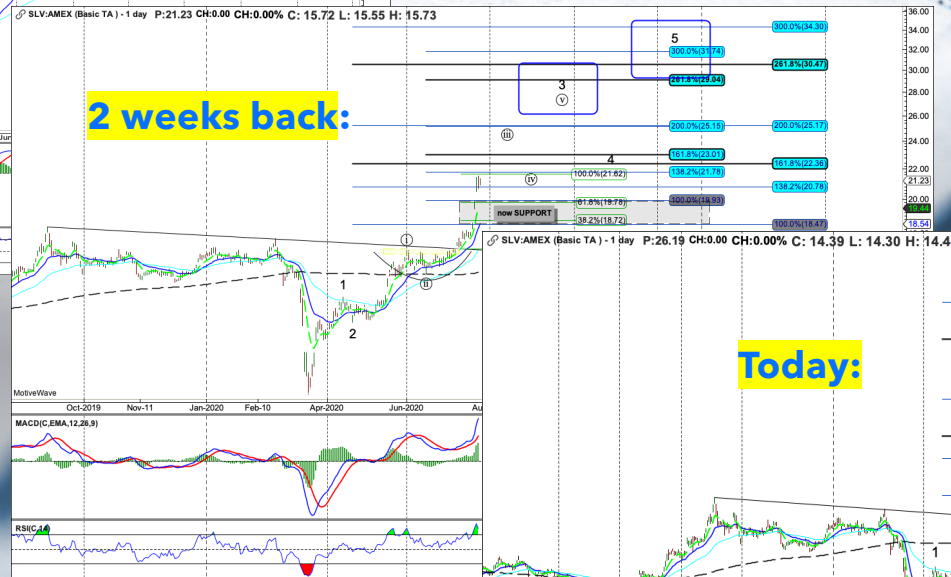
Silver (SLV) - Silly Wabbit, silly silly silly- what a run, amazing really...


3 weeks back

The upcoming series of wave iv's and 4 will be good buy opps for traders!

2 weeks back:

Today:

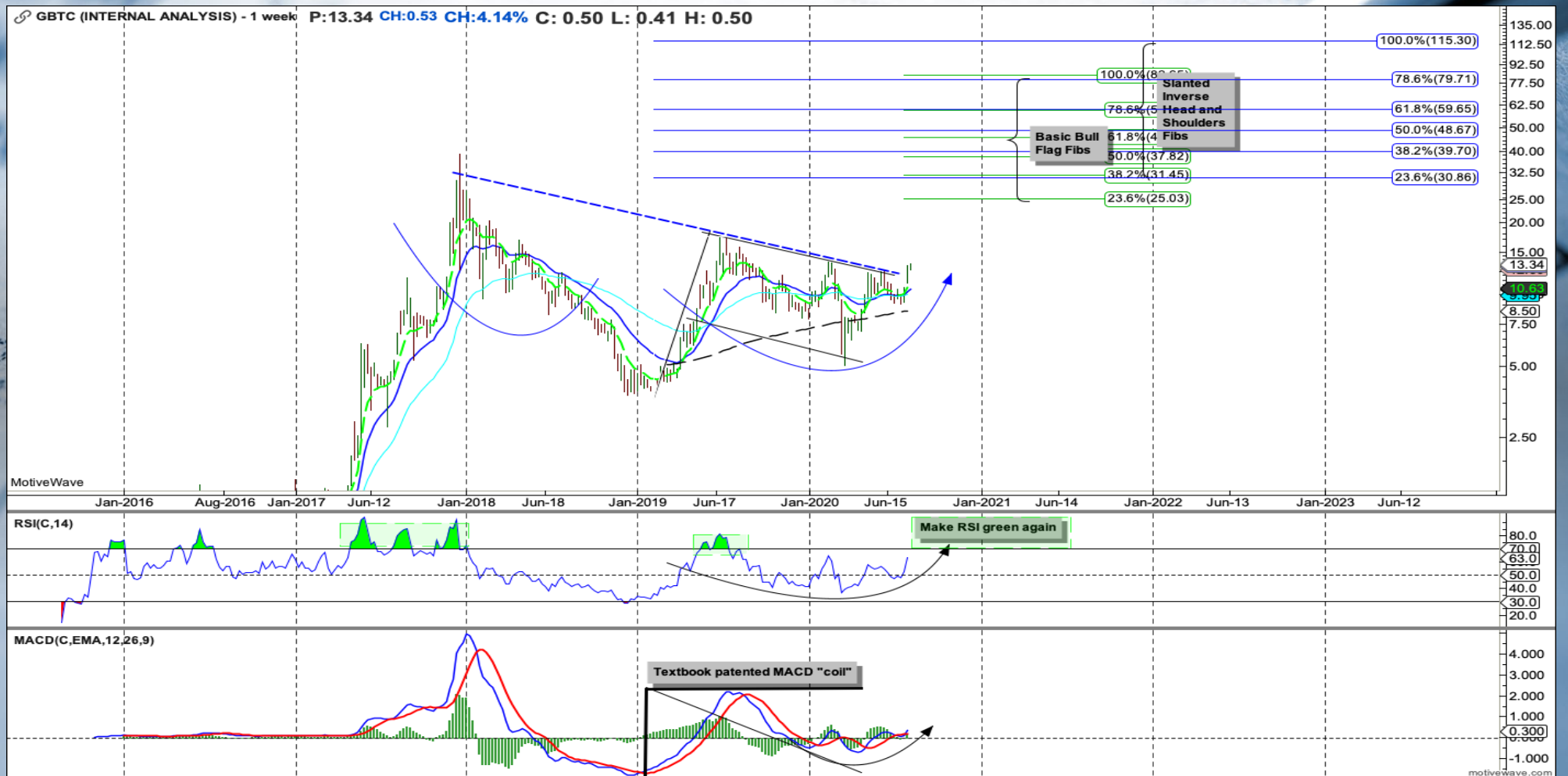




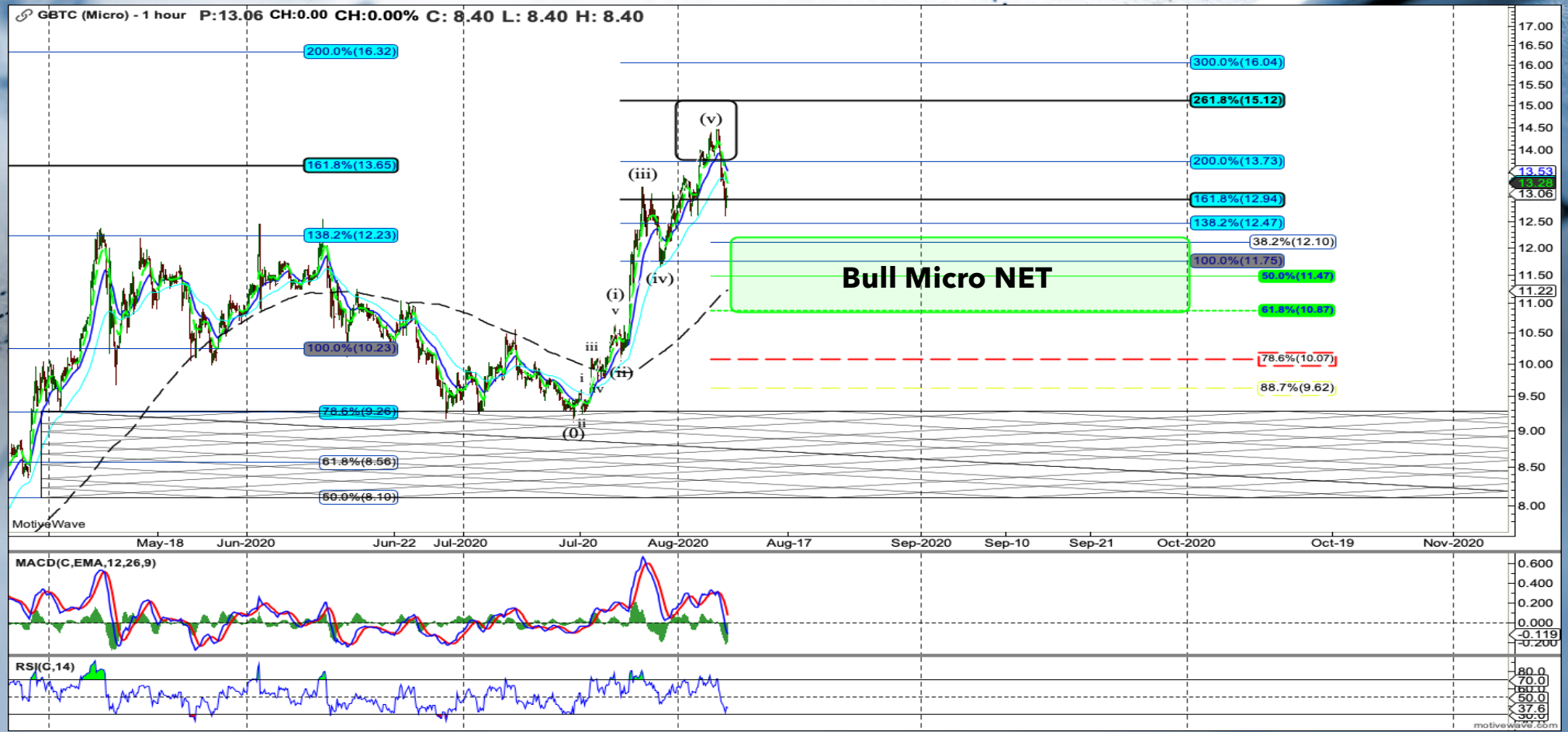
**2 long term Chart setups that are interesting
me a lot →**

- **Bitcoin**
- **Emerging Markets**

Bitcoin Trust ETF (GBTC) - I'm very intrigued from a long term swing perspective. Set a Core and forget it type play with no need to micro-manage it



Bitcoin Trust ETF (GBTC) - Micro hourly: I can count a nice 5 waves up off the July lows. The Green net is bullish support to me on a micro perspective, I plan to use it effectively for my long term position building!!!



Bitcoin Trust ETF (GBTC) - Know your RISKS!

Bitcoins Volatility is EXTREMELY high.

Over the past **2 and 3 years** it has a **Historical Volatility of 100% and 87%.**
Great so what does that even mean?

If you don't look at these types of metrics let me give you some examples that should illustrate this concept hopefully. (I'd like to do a tutorial or longer writeup on how important a securities historical or realized volatility is when constructing trading plans, strategies, a portfolio etc etc. in the future, maybe even a webinar or something)

During the Same time here are some other Securities Historical Volatility

2 yr & 3 yr volatility

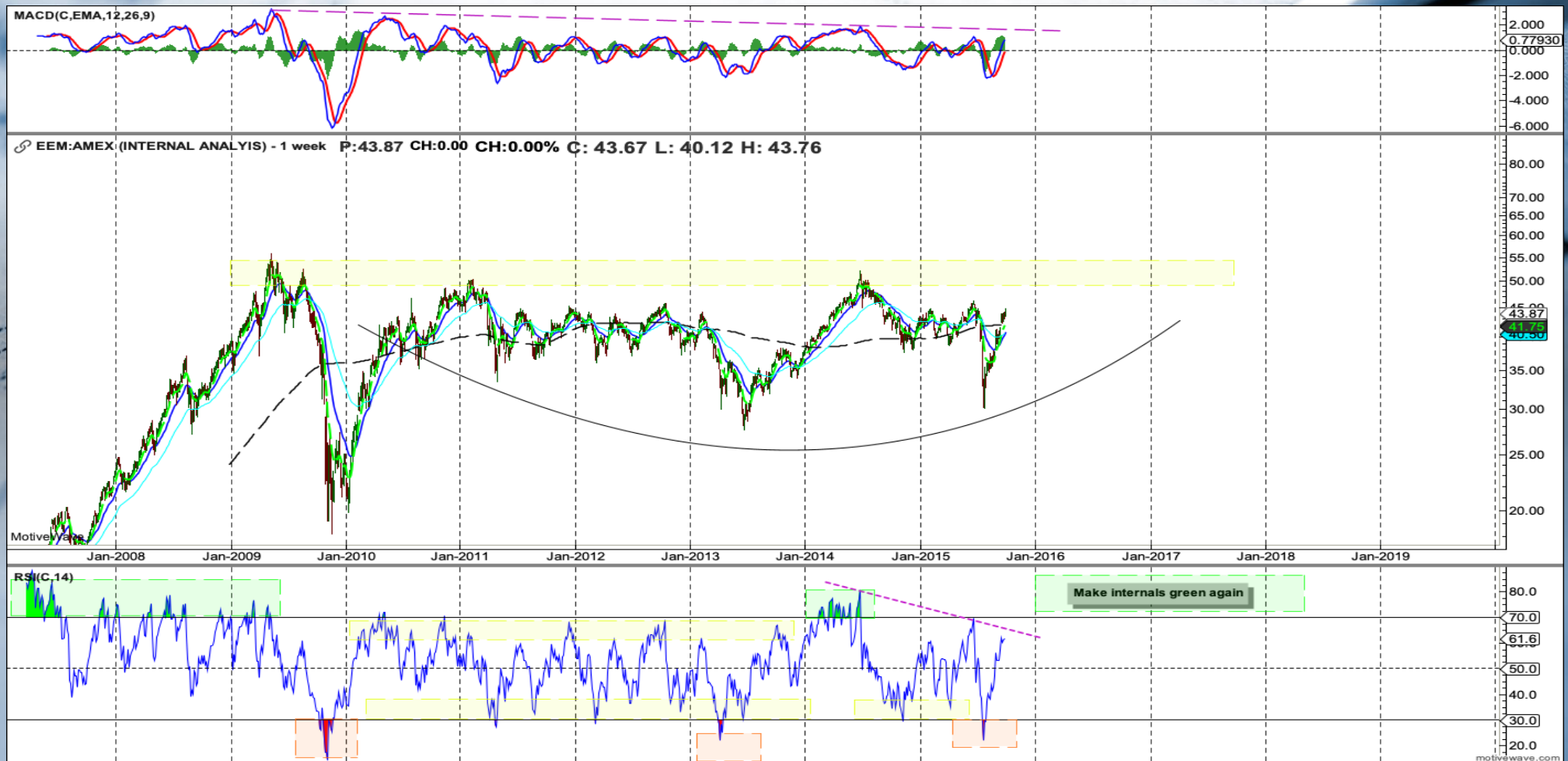
The market or SPX:	23.19% & 19.65%. (30 yr avg is 15.8%)
Gold:	13.06% & 12.94% *gold has lower vol than stocks! Way lower*
Silver:	24.74% 23.59% *double volatility than gold - not surprising*
GDX:	39.42% & 39.35%. *triple vol of GOLD! again shouldn't be surprising*
Bonds *Barclays Aggregate index*:	5.55% & 4.90% *WHY BONDS are statistically speaking much lower risk, super low volatility of returns!
Oil:	49.39% & 44.08%
Some stock examples: compare that to SPX to get a sense of the volatility of returns.	
AAPL:	33.31% & 29.39%
MSFT:	31.63% & 27.44%
JNJ:	23.6% & 20.38% *super low for a stock*
NFLX: or much!*	41.37% & 39.07% *double+ the SPX, so expect it to move twice as fast
PFE:	24.91% & 22.08% *Super low for a stock*

Now Go back and look at Bitcoins Vol! Whoa Mama! I mean it's a bucking bronco of volatility!!! So will I own as much as I do in Gold? Um No way. Will I own as much as I do in Stocks or Bonds...um no way!

Emerging Markets (EEM) - I'm also intrigued from a **long term swing perspective in EM. I pointed it out 4 or 5 weekend reports ago and have been watching it develop.**



Emerging Markets (EEM) - Just like on the Gold (GLD) weekly internal chart I'd like to see EEM get RSI green again shown below. I'm not in a hurry to buy a full blown position yet as the Dollar seems oversold and need of a decent bounce which should provide some well needed weakness or pull-back in EEM

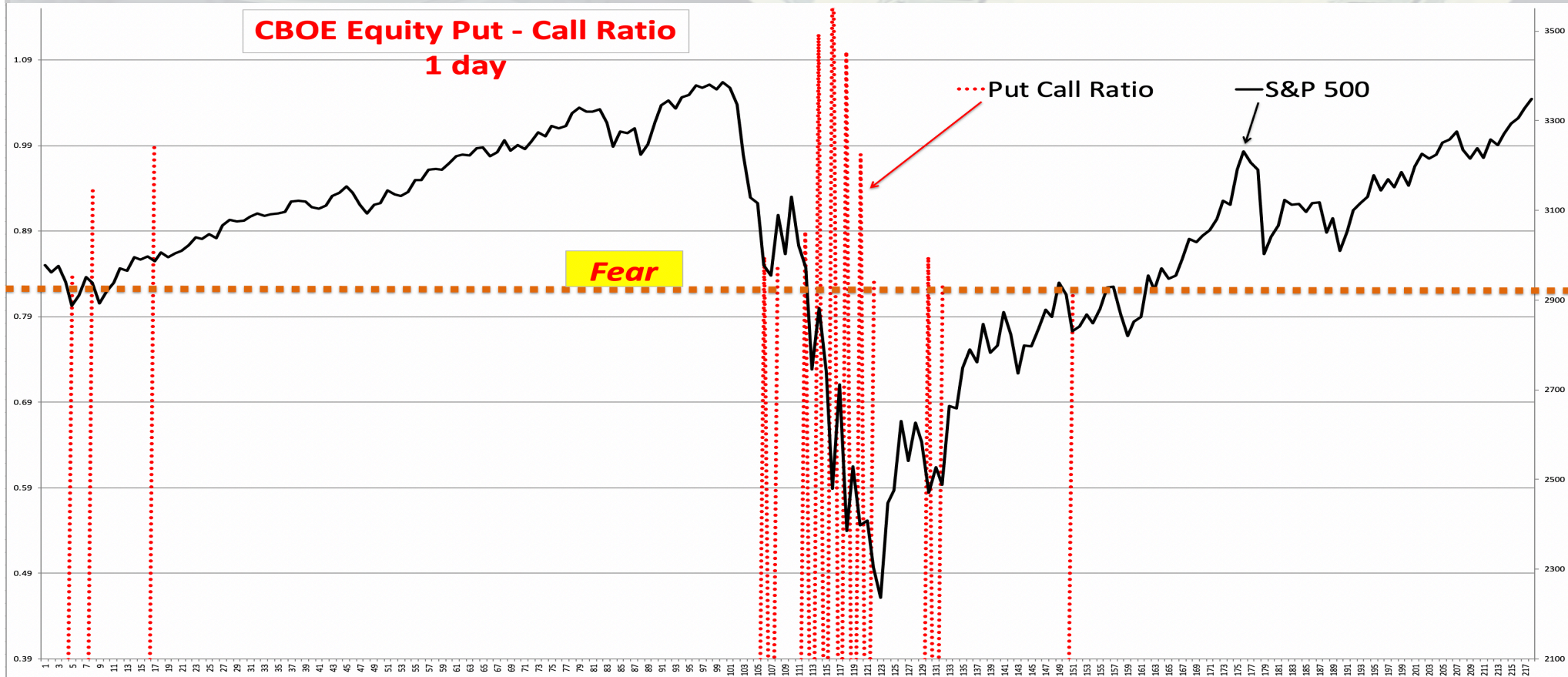


The background of the slide is a photograph of a library. On the left and right sides, there are tall bookshelves filled with books. In the center, there is a large window that looks out onto a city skyline with several tall buildings. The text "Now to Equity markets →" is centered over the window area.

Now to Equity markets →

It has now been **69** Trading sessions since we had a fear spike...or any decent put buying....that is a quite a good stretch to have this much open air....

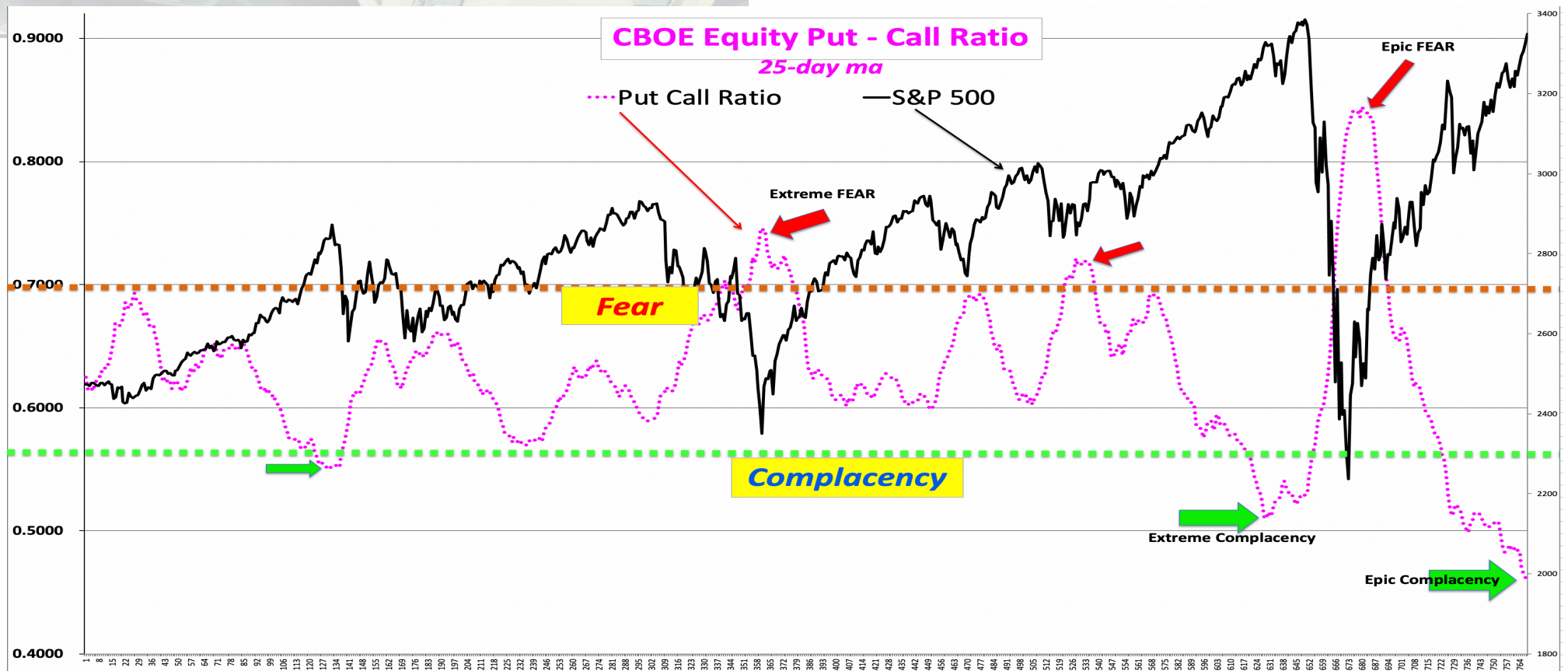
CBOE Equity Put - Call Ratio
1 day



Put Call Ratios

Remain in the very complacent region → **Beyond EXTREME** ...

The **25-day** has dropped to levels I have never personally seen since I began tracking this years and years ago.... The outright complacency is incredible...

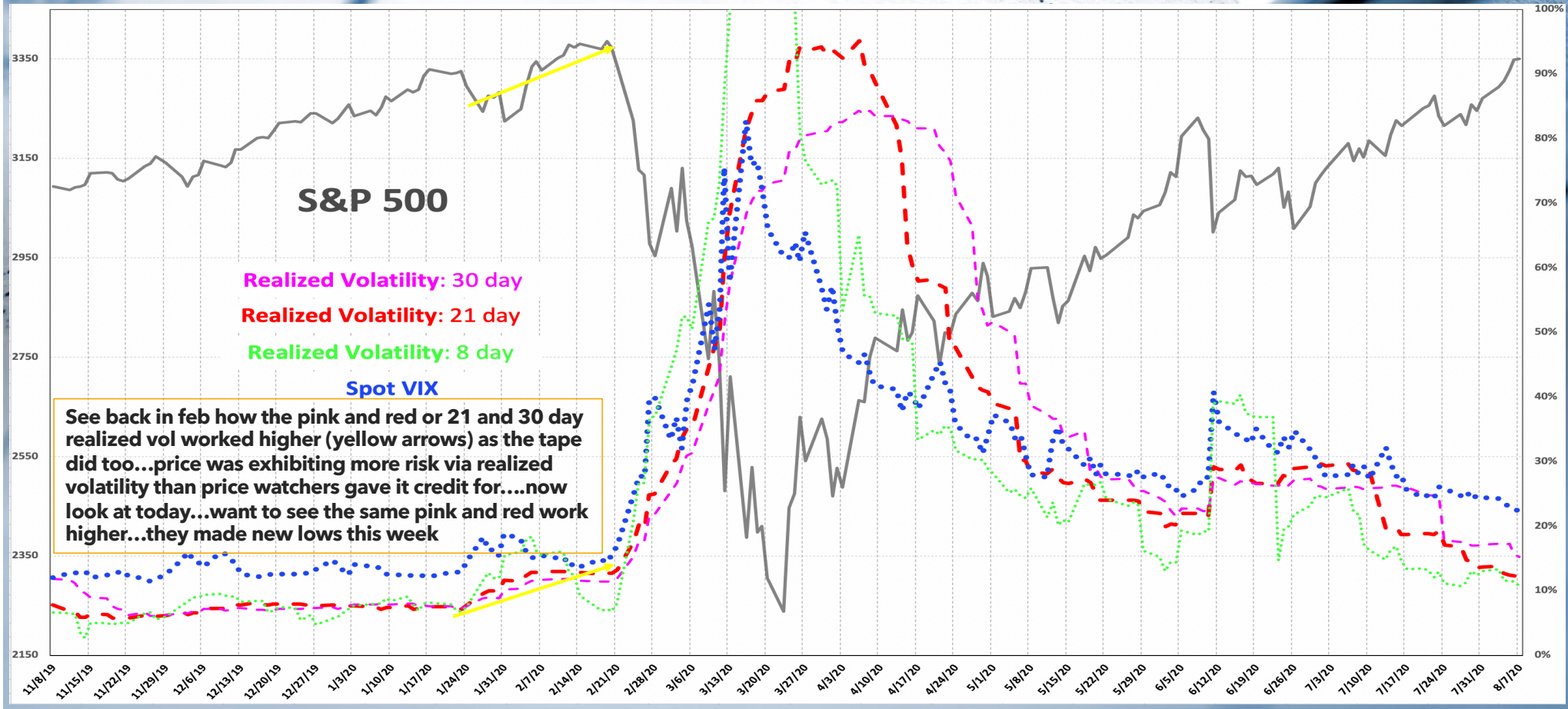


SPOT VIX: Daily chart - setting up with positive divergence on the MACD and RSI
To fire out and up out of a nice falling wedge TA pattern, so watching for clues to the start of this very closely



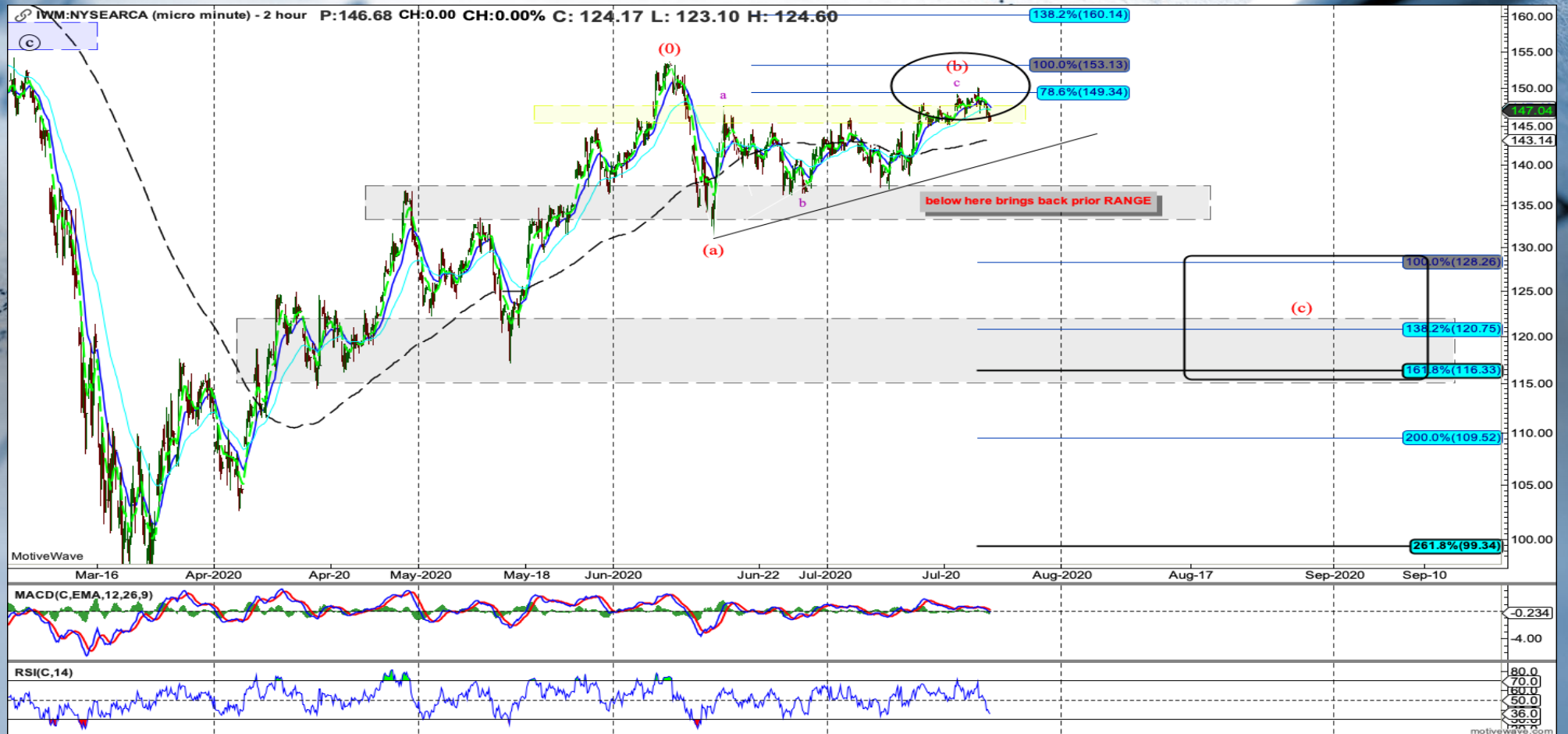
Realized Volatility: 8 day, 21 day, & 30 day

All Dropped to new lows this week as the tape grinded higher...my preference in front-running potential turns in the market is **to see Realized volatility walk higher giving some clues that market action is more bearish than prices are giving it**. It is rare to see a big turn without this percolating (vol)...so my eyes are GLUED here...because it can happen quick, so next week should offer some more important tells here

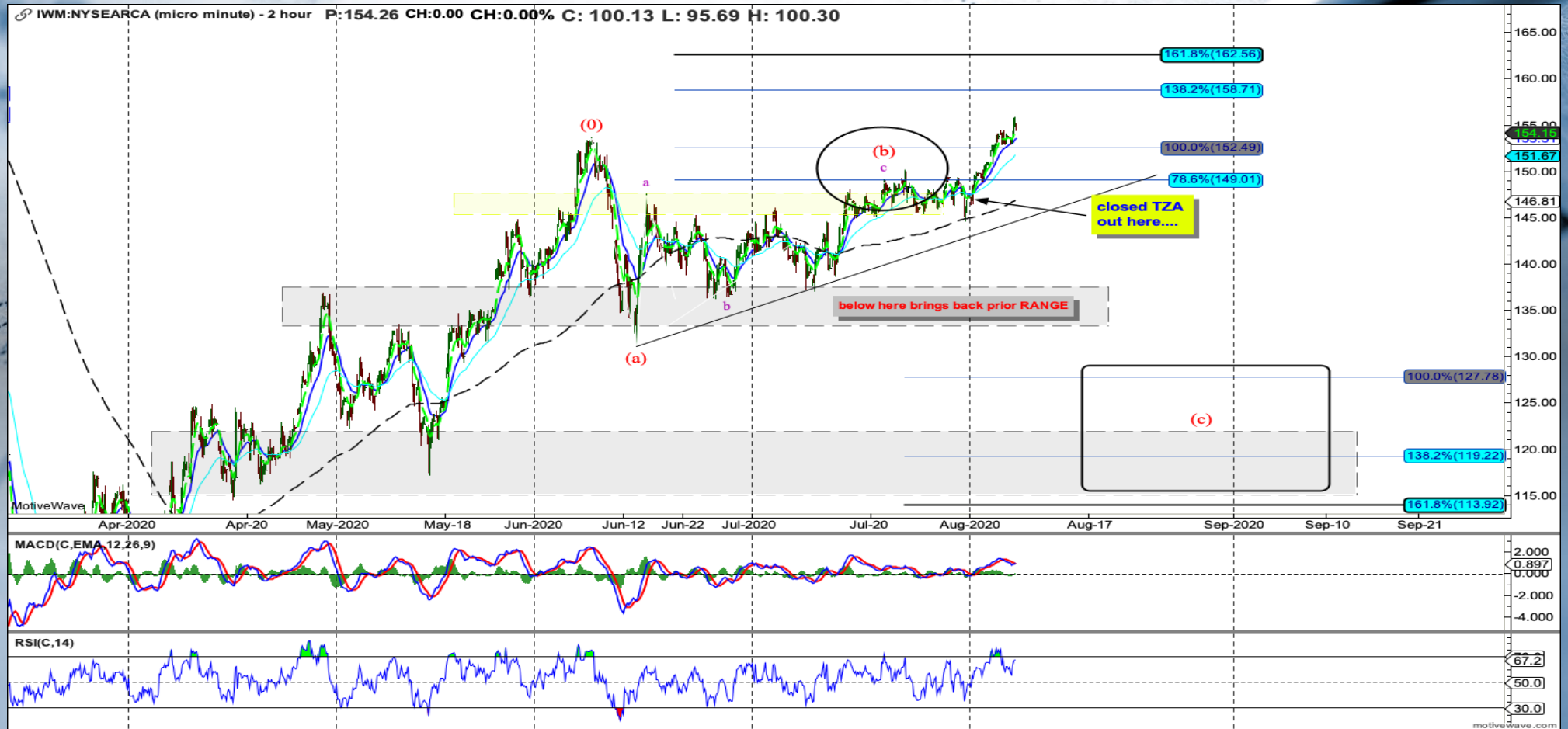


IWM: Small Caps: 2 hour chart - we had a bear setup few weeks back...that failed on short run but still intact, just need another entry!
We closed that TZA position out (last Friday, 7/31)

Trade Setup was this below...->



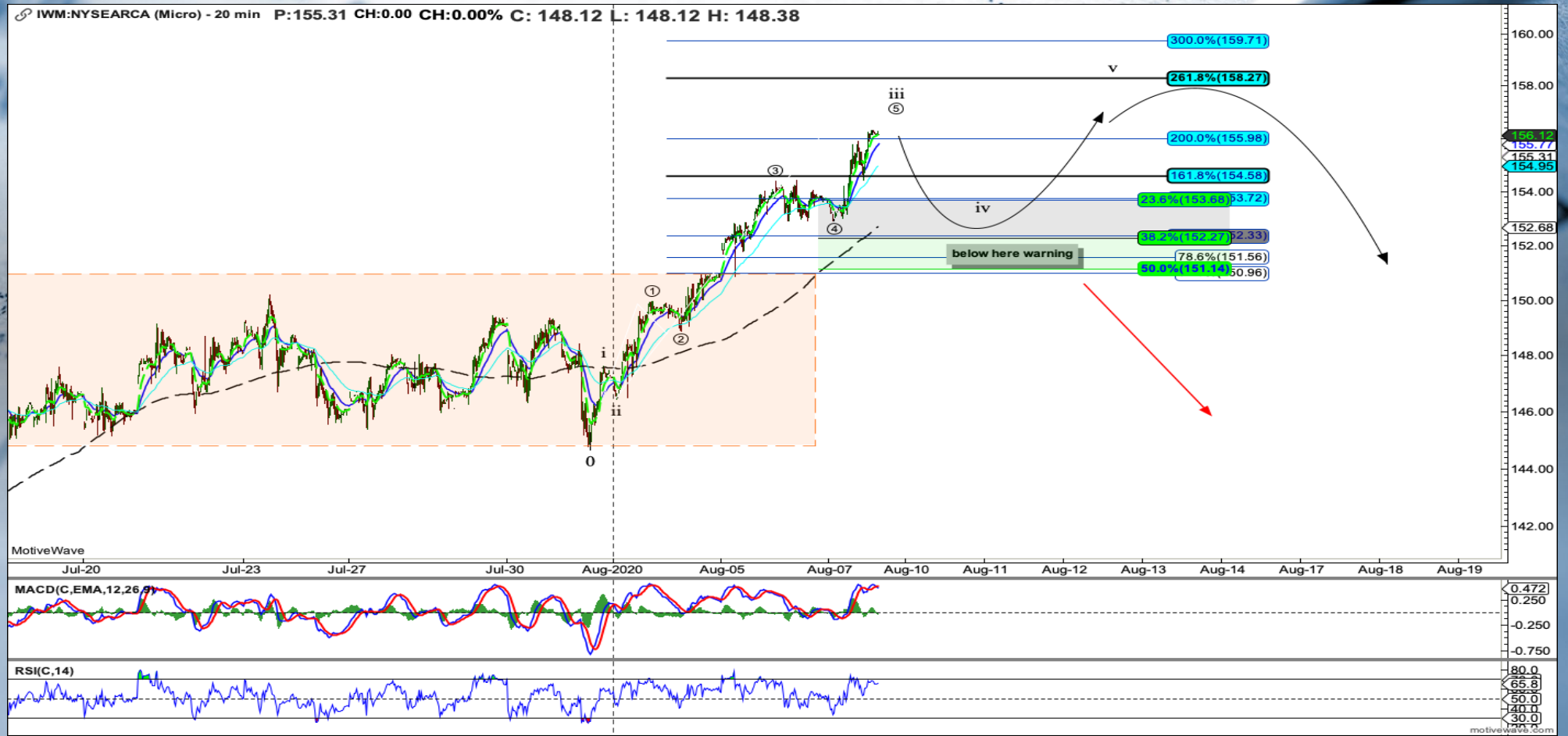
IWM: Small Caps: 2 hour chart - when IWM bounced off the preferred break down level, seemed squeeze higher was possible so judicious decision to close core TZA (short iwm) position out at nice profits was made



IWM: Small Caps: 15 minute chart- so here we are today...

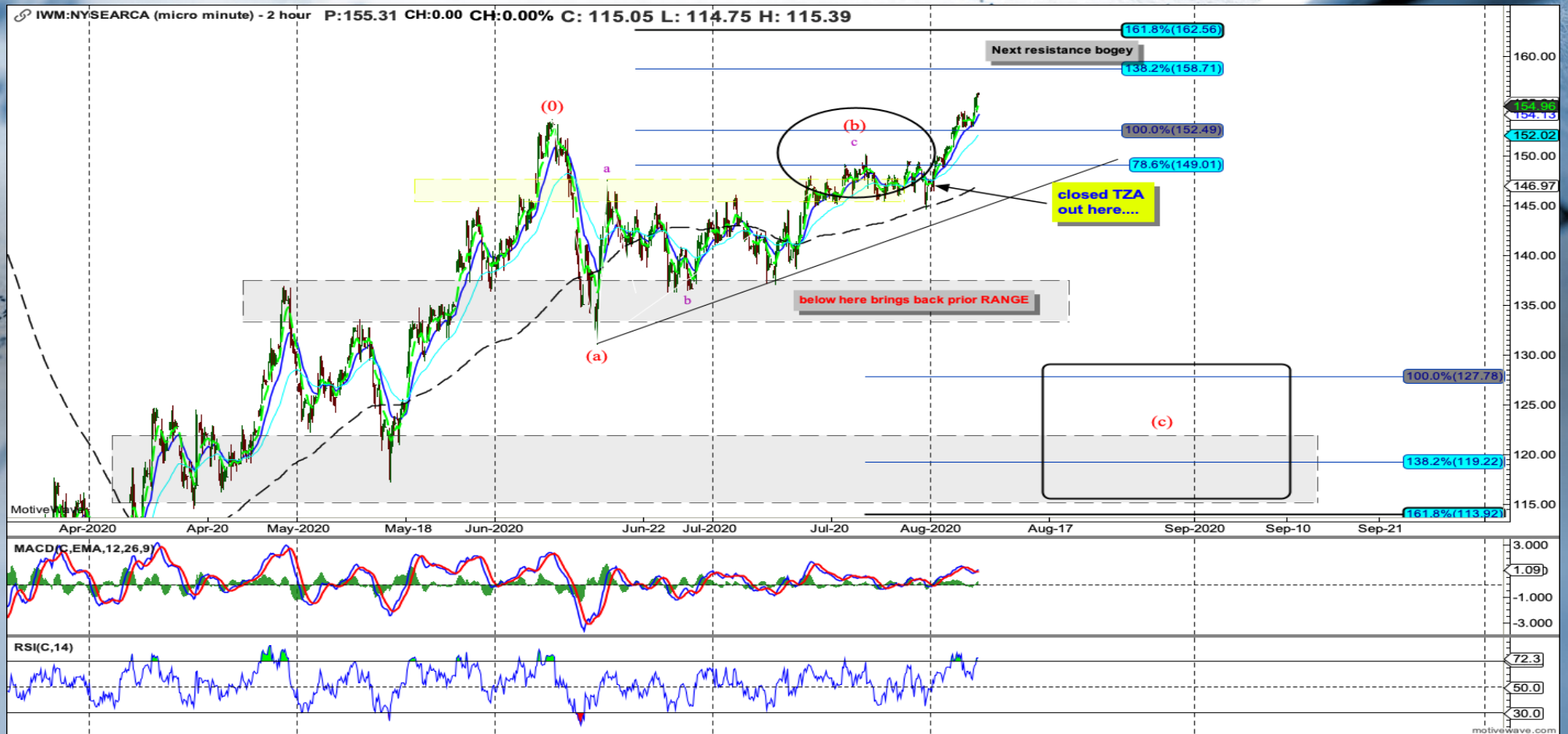
Marked the Warning threshold for red vs Black

And these are two paths im tracking next week on a micro basis with a defintel lean toward black and higher potential before topping



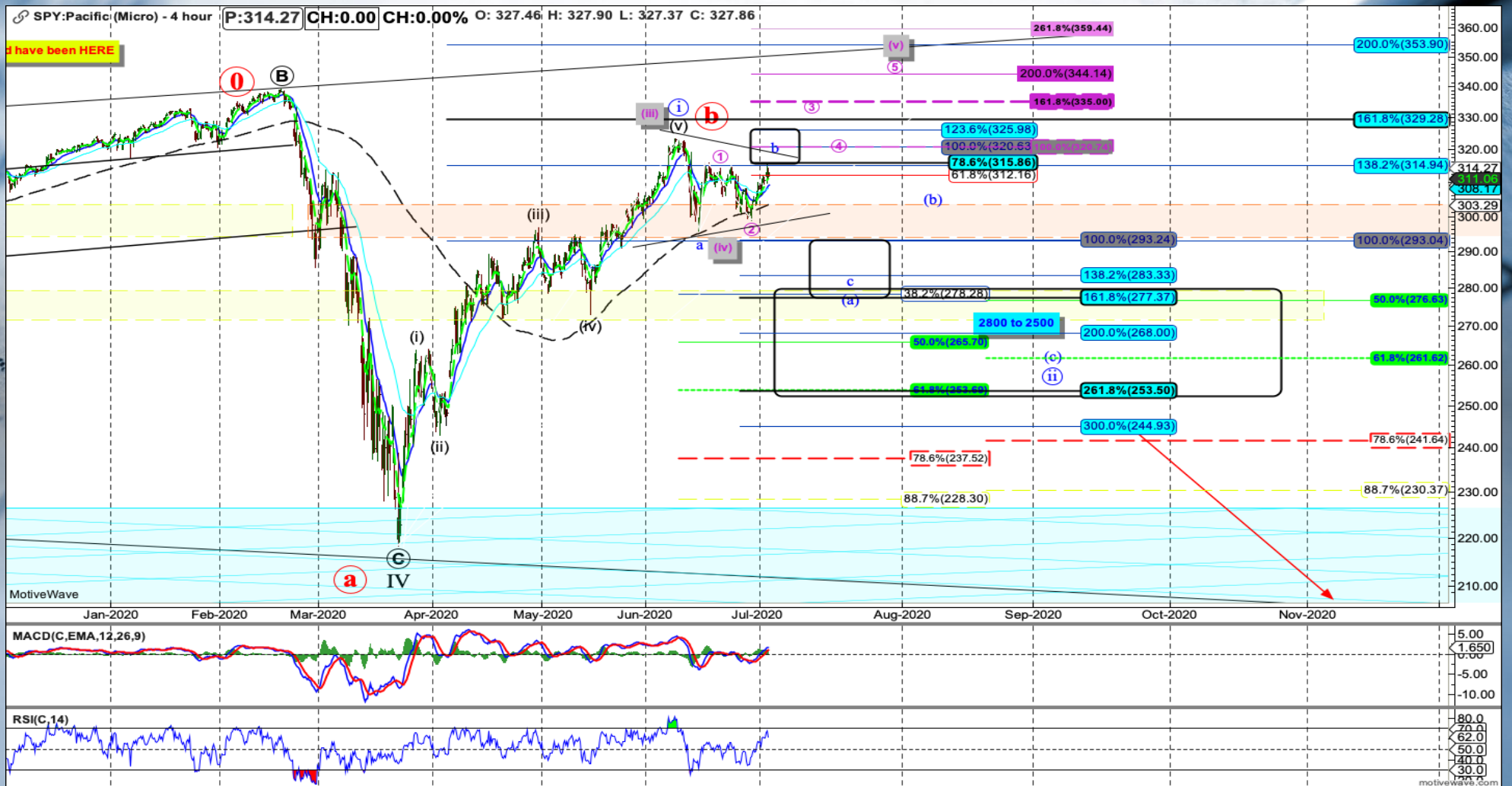
IWM: Small Caps: 2 hour chart- so here we are today...

And you can see in the same perspective of prior where its trading...looks like a rising wedge of diagonal of sorts to me still...so when it reverses it can be really fast and violent, so stalking another swing short entry here, but not ready quite yet!

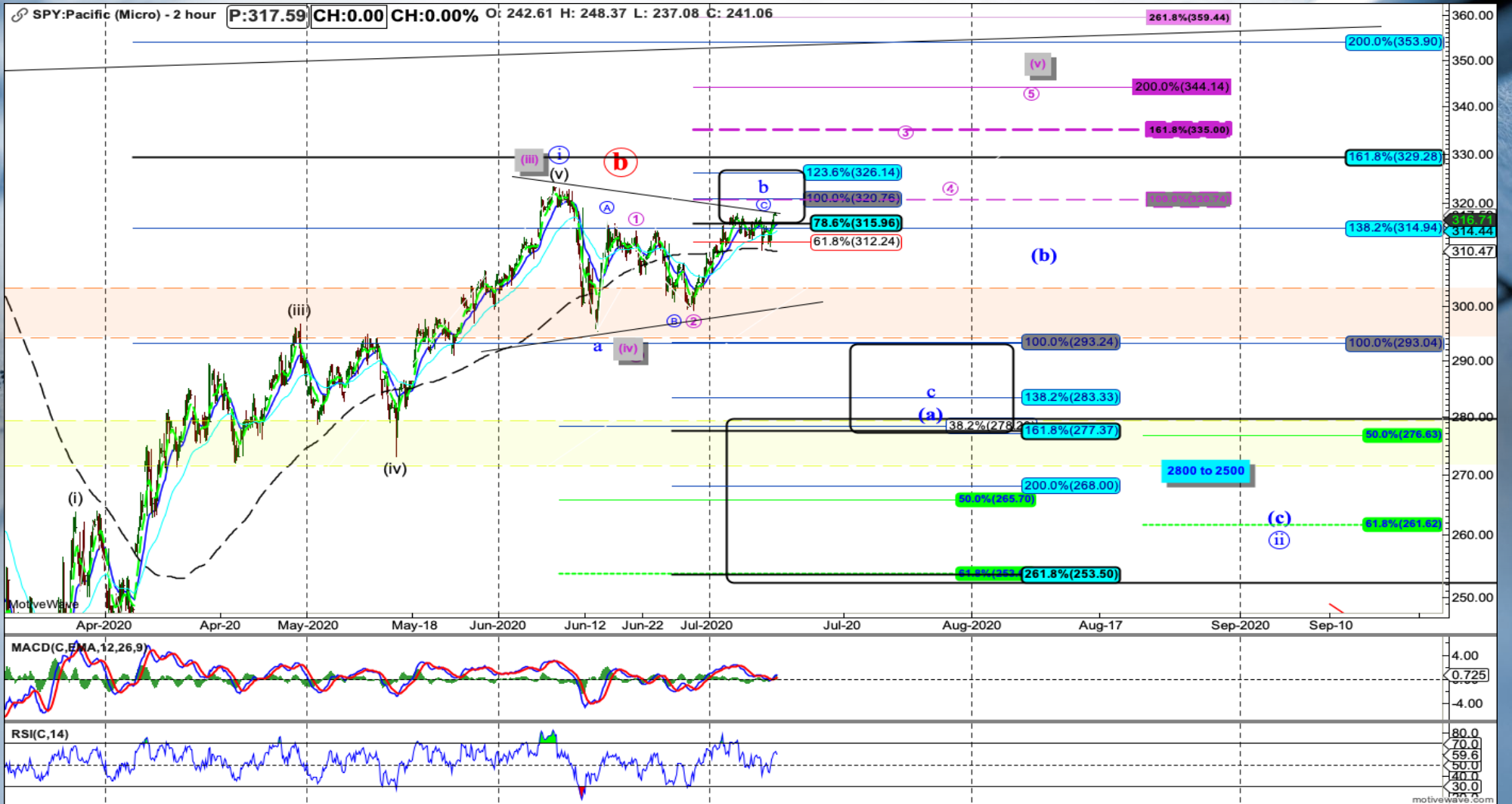


From 5 weeks AGO!

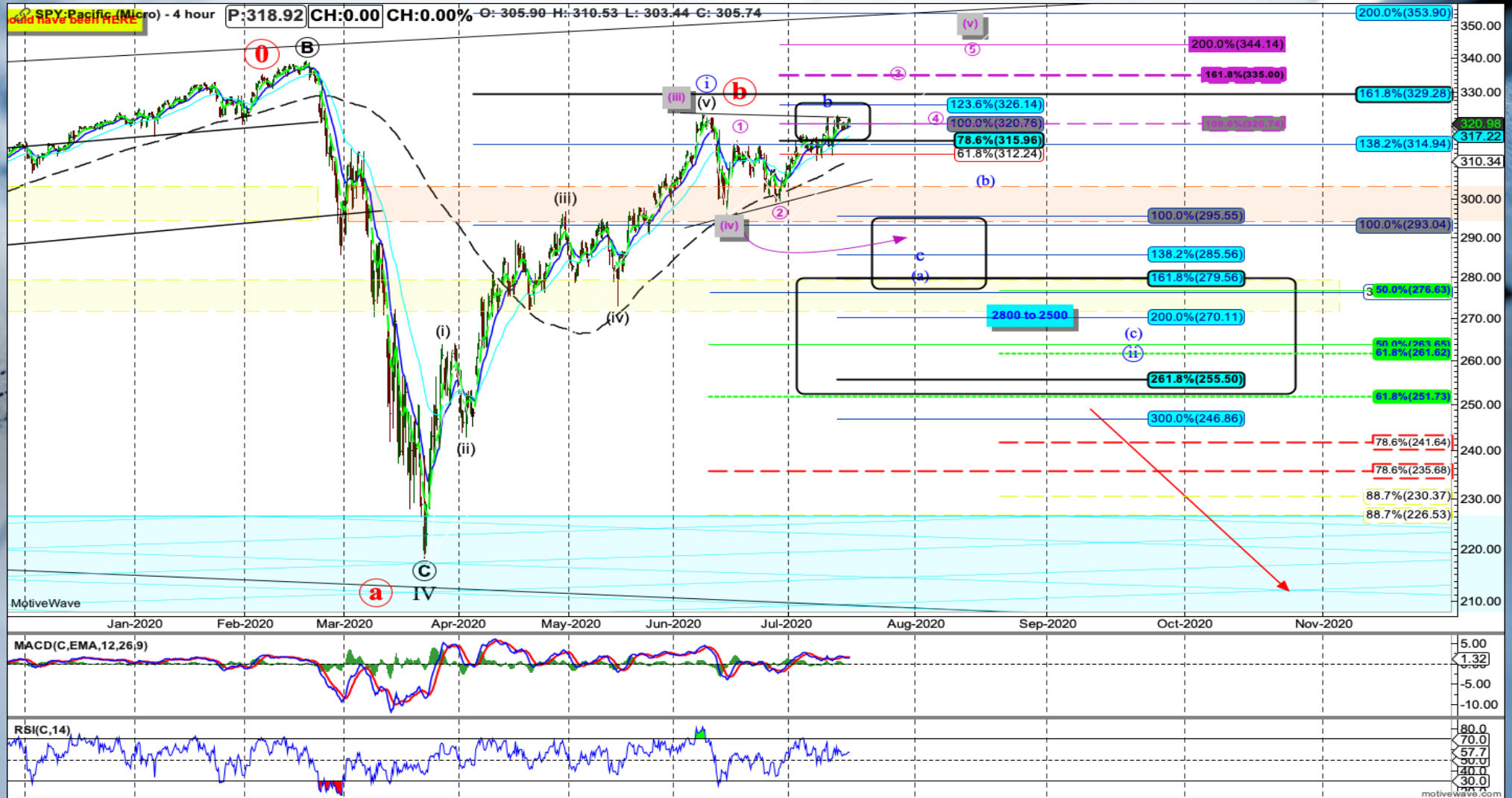
SPY/SPX: Paths tracking into next week. Pink blow off vs blue correction



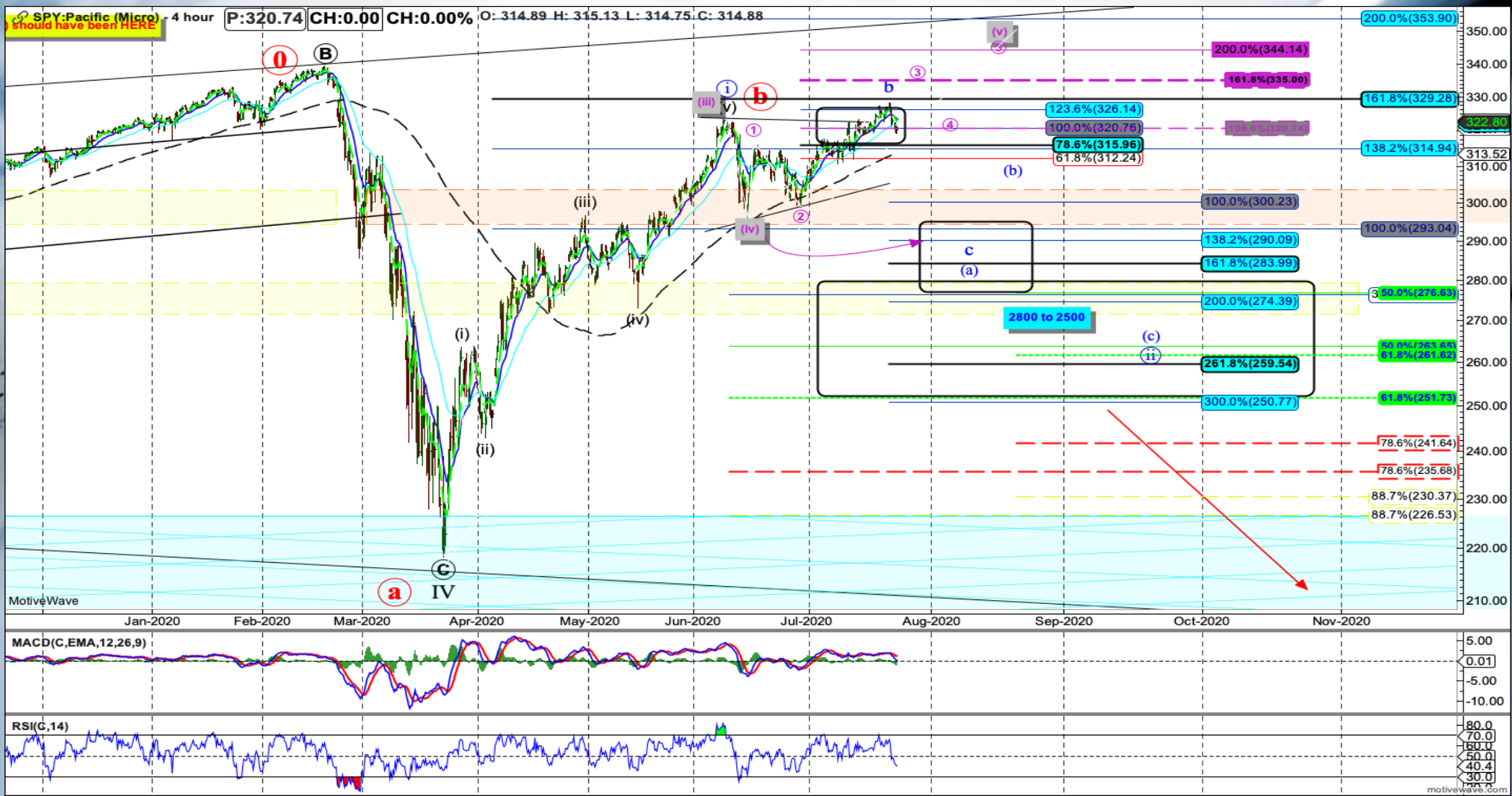
SPY/SPX: 4 weekends ago!



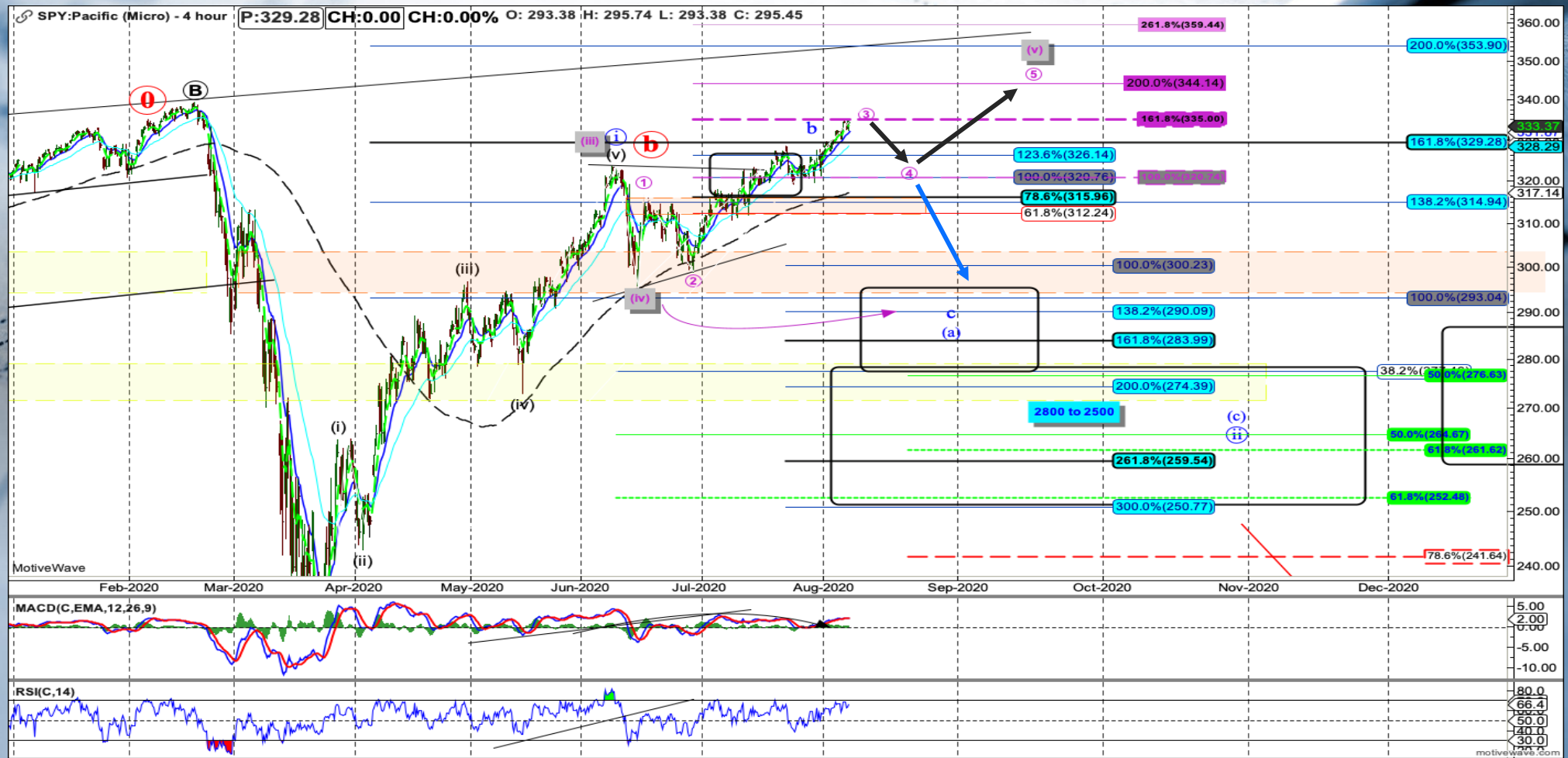
SPY/SPX: 3 weeks ago:



SPY/SPX: 2 weeks ago!



SPY/SPX: This week (or 2 weeks later) - Bears blew setup from last week and bulls have made the pink 3 much more likely, so a hard pink 4 to 3225/3170 may be all we get for a pull-back, before marching higher in an even larger/bigger top.



Factors, Indexes etc



2020	This WEEK	
-5.95%	6.00%	Russell 2000
-2.98%	5.82%	Transportation Index
-15.38%	5.03%	Small-cap Value
-10.58%	4.16%	High Beta
-6.03%	4.00%	Mid-cap 400
-3.87%	3.80%	Dow Jones Industrial Avg
33.53%	2.90%	Gold Etf
7.33%	2.86%	S&P 100
-7.89%	2.79%	EuroStoxx 50
-11.79%	2.78%	Russell 1000 Value
-11.51%	2.66%	Vanguard Value
3.78%	2.59%	Vanguard Total Market
2.25%	2.58%	Quality Factor (ishares)
-11.51%	2.56%	iShares S&P 500 Value
-8.37%	2.55%	Foreign Mkts EX US/CANADA
-5.36%	2.51%	S&P 500 equal weighted
22.72%	2.47%	nasdaq
3.73%	2.45%	S&P 500
-21.83%	2.44%	High Div Low Vol
3.36%	2.33%	Quality Factor (invesco)
-13.45%	2.29%	Mid-cap Value
-16.74%	2.29%	iShares MSCI Factor Value
21.95%	2.20%	growth
-5.92%	2.18%	Vanguard all world ex US
0.14%	2.18%	MSCI ACWI
-6.45%	2.16%	MSCI ACWI ex-US
27.55%	2.14%	nasdaq 100
20.11%	2.13%	growth
8.47%	1.92%	ibd 50
-32.70%	1.49%	GSCI Commodity Index
-1.94%	1.47%	low Vol
-2.23%	1.34%	Emerging Markets
13.13%	1.32%	Momentum
-7.54%	1.26%	low Vol
15.26%	1.17%	nasdaq 100 equal weighted
42.98%	0.36%	Renaissance IPO ETF
7.18%	0.07%	Barclays Agg Bond ETF
11.17%	-0.14%	7-10 Yr Treasury Bond
-2.85%	-0.20%	US Dollar Index
25.39%	-0.54%	20+ Yr Treasury Bond

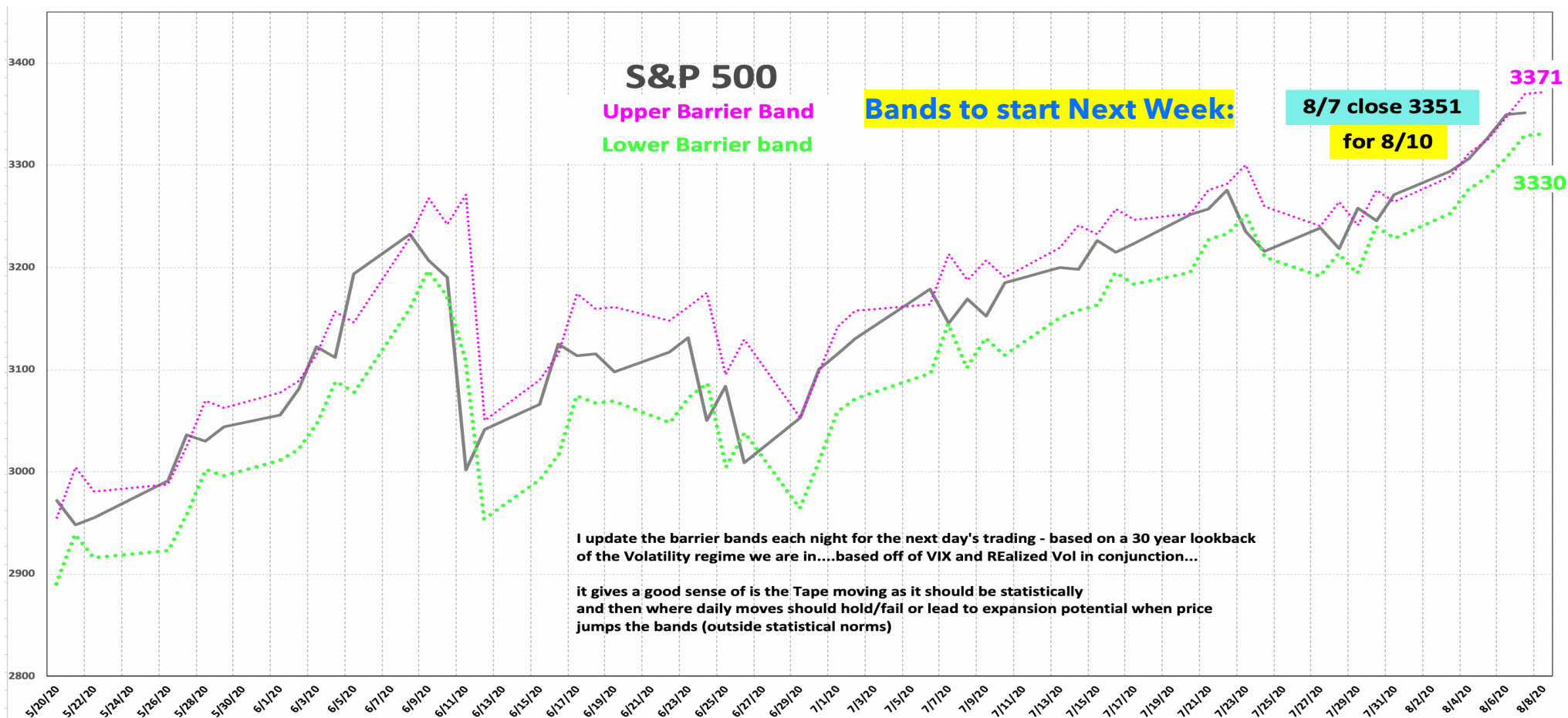
Sectors and Sub sectors



2020	Week	
-49.33%	7.48%	Oil Services
10.24%	7.16%	Retail
-16.73%	6.46%	Metals & Mining Etf
-4.22%	5.72%	Transportation
-31.93%	5.51%	Regional Banks
-7.78%	4.74%	Industrials
-19.30%	3.37%	Financials
-38.07%	3.19%	Energy
11.75%	3.10%	Communications Services
24.08%	3.00%	Technology
33.53%	2.90%	GOLD etf
12.09%	2.82%	Home Builders
11.93%	2.47%	Discretionary
3.73%	2.45%	S&P 500
0.47%	2.24%	Materials
-1.84%	2.16%	Telecom
19.88%	1.99%	Semis
18.53%	1.92%	Home Construction
13.04%	1.38%	Biotechs
0.84%	1.29%	Staples
-11.21%	1.23%	REITS
-4.84%	1.08%	Utes
-11.02%	0.93%	Real Estate
4.47%	0.83%	Health-care
27.10%	0.32%	expanded Tech-Software
45.97%	-0.47%	Gold & Silver Miners

This Week:

- We had ourselves a "Crap week"! → Worst performing stuff on year jumped...check it out...
- Factors: Small caps, Mid Caps, high beta, and Value
- Sectors: Oil service stocks, retailers, regional banks, financials and energy
- Bonds flat/down a touch, dollar down, EM and growth factor where up but held in check compared to other areas.
- Super hot IPO names cooled off at a +36 bps move after scorching every factor on year at +42.98% YTD
- Gold miners had had first red week in a while in a +2.9% Gold week.
- EW SPX +2.51% vs SPX +2.45% (not as top market cap heavy)



- **Volatility Barrier Bands**



- **Volatility Barrier Bands**



Market Thoughts: —

- **Still hunting a potential turn in the indexes.** But make no mistake tape has been stubbornly sticky and micro-land continues to impress in certain areas. Rotation has happened a bit and how much more does that have in it? Value, financials, industrials come to mind...
- Volatility continues to favor that said Sticky tape as realized volatility made new lows last week and till that percolates and starts to walk higher small pull-backs will continue to be bought. This week could very well be another inflection week in this area so watching in real-time should be huge.
- **My Credo past few weeks and now months:** "I will be taking my clues day to day and week to week. It has kept me very much out of harms way and in a frame of mind to continue to capitalize on the short run. My goal is simply to remain on the right side of these powerful shorter- erm moves, as they are offering great profit potentials in doing so."
- Risk management **has been So KEY**.....particularly in times like these when time-frames of trading window/opportunities are quite different.
- Metals continue to run an only thing they've done wrong is hit upside targets! So pullbacks and a slowdown in this acceleration phase should frankly be expected. -> know your time-frames and goals during these potential lulls and small corrections. These are times I sell momentum trades for profits and strong hold my cores swings. Then wait for the next short term buy setup.
- And As Always I will continue to post my thoughts in Real time along the way!



**Noteworthy posts you may
have missed this week:**



Mental Snippet:



HarryDunn - MARKETS

19 Replies

Some Thoughts to provoke your mental side for the weekend:

The best traders on the planet whom regularly accrue and extract profits from the market are not right on avg more than 45-60% of the time....

....I used to care so much about being right every trade, to the large detriment of my account profit and loss statement...My pride was more important than my profits...

Now it's about waiting for the right setups knowing I'll be right on them on a bit more than half the time and with proper skews my accounts will grow over time

....assuming I impart proper risk management...so adhere stops and let positions work to desired target regions...

I see too many care about being continually right on every trade which I can attest is impossible

The very best traders are wrong a lot...and they are not afraid to admit it...they've been humbled enough through their war years by the market enough to show a soft side...it's no longer about your will vs. the market

It's about discipline, a calm demeanor, knowing ones emotional and mental state and finding an appropriate balance to best set themselves up for success...ones success is different than another's so you can't compare yourself to others either....

I've been through the blender in this trading endeavor and rock my stops clearly and transparently here on all my trades...why? Well because they are a check against my ego, my pride my lack of discipline and fear I will ever fall back into my horrendous trading days..they save me from myself....stops are placed prior to a trade for me ie on the setup being stalked so when money is in the line my better uncluttered brain objectively knew where the trade was wrong, it really is simple when you make it a habit.

There is no perfection in trading but it's a mirage I continually strive towards knowing I'll never achieve it...perfection At the end of the day is perfecting how to minimize your weaknesses and allow your strengths to run.....master yourself...strive to perfect your mental state.....only then can trading become More simplified...calm, steady and consistent...that doesn't mean losses disappear by the way, you just know how to account for them at all times...

Have a nice weekend folks

Charts are super important but if you want to do this for decades the mental side and plan is way more important...make that investment in yourself it can start this weekend...it's up to you....you hold the cards nobody else...

Aug 1 09:38:48

TradingMindset



Hot Corner Tape thoughts:



HarryDunn - HARRY'S HOT CORNER - Hot Corner



12 Replies ▸

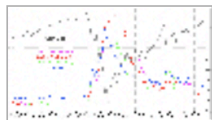
simply put...till realized vol starts to percolate....this will continue to be a boring drift higher with intermittent bouts of weakness....this is an environment where liquidity starts to dry up which favors squeezes higher....so look for decent opps in stocks for the upside bouts of energy....

im not interested in shorting much till realized vol picks up and this lackluster grind appears to be done....so my plan is to continue to feed the microland long plays and why ive been posting so much of those charts of late...doesnt mean we cant see a quick bout of selling in indexes over next few weeks, but i think they will continue to be bought till they run this well dry....we shall see...

indexes likely to be boring as i posted last night realized vol continues to languish...so action in microland for moment...so ill be updating and looking at this chart more frequently...as i need to see realized vol pick up after the blown bear setup from last week...

feels eerily similar to late 2017 and into early 2018....part of that fall run at end of 2019 to early 2020 etc etc....

so we will get a big whack at some point...just seems its gonna be a bit more...so ill be patient, try to make some coin trading the stock side of things which has been great...and wait to short the indexes again downstream when the stats support...they just dont right now...over and out



📷 - Screenshot 2020-08-05 10.55.20

Aug 5 10:56:34

 IntradayChart



Hot Corner: *Wrote a piece on my Volatility Barrier Bands*

Hopefully helps answer any questions members have had!



HarryDunn - HARRY'S HOT CORNER - Hot Corner

13 Replies

Explanation on the **Volatility (Vol) Barrier Bands** as i call them - worth a new thread so we can have anyone new reference the meaning of them.

I update the barrier bands each night for the next day's trading based on previous day closing prices both on the SPX and Volatility (VIX) and realized volatility (I calculate that manually)

The Bands then are based on a 30 year look-back of the current Volatility regime we are in. They are derived from both Spot VIX and currently Realized Volatility in conjunction. I take the statistical avg. move of the SPX when in these 2 volatility regimes.

So statistically speaking the upper and lower bands are where the SPX trades inside of on average dating back to 1990 during the said similar prior volatility regimes. So it finds the times prior in history that these two volatility regimes most rhyme or mimic today then can place the avg SPX move as the Bands (upper and lower limit)

It gives a good sense to me of is the Tape (SPX) moving as it should be statistically based on history. The bands are where daily avg moves should hold/fail or rather ---> lead to expansion potential of the range and good warnings for major trend days when price jumps the bands and continues (outside statistical norms)

I use them in a multitude of ways. Selling credit spreads (both puts and calls) at or around them or around the fibs inside of them as day trades. In reversal type setups where EW and TA can be complimentary with them they are worth taking outright longs and shorts into for more than day trades but more sustained reversals. Another way is sensing the market is going to blow through them and use them as a strong TREND Down or UP day as momentum clues.

good example of this was early march, day after day price releasing well out of the lower band...was a big clue the Market was...drumroll, trending lower on a sustained basis, and the Current volatility regime was actually MISPRICED for the moves (why price kept closing outside the bands) because they where based on prior similar vol regimes.

I always calculated the SPOT VIX bands prior, for many years. But it was only late last year I started noticing a theme of Realized Volatility with VIX maybe offering better band results. And boy was I right. As soon as I made them double faceted vs just 1 dimensional, they where hitting much more frequently. Anyway let me know if you have any more questions and maybe members can suggest how they have been using them successfully. Ill answer anything without giving away 100% of the secret sauce...

Jul 21 14:03:44 [Volatility | bands](#)



Hot Corner ES trades To date: 7/10 with 5 scratches

for +209 all time-stamped

No ES outright trades this week as I focused a lot on Metals for obvious reasons!

Hot Corner ES tracker						
		Wins	Loss	Scratch	Total Net	209.50
		7	3	5		
Date	long/short	open	close	gross	close size	net
6/4/20	short	3119.25	3098.25	21.00	full	21.00
6/12/20	short	3075	3051	24.00	full	24.00
6/12/20	short	3042	3026	16.00	full	16.00
6/12/20	short			0.00	full	0.00
6/16/20	short	3112	3029	83.00	full	83.00
6/22/20	short	3123	3083	40.00	half	20.00
6/22/20	short	3123	3100	23.00	half	11.50
6/23/20	short	3136	3120	16.00	half	8.00
6/24/20	short	3136	3116	20.00	half	10.00
6/26/20	short	3051	3029	22.00	half	11.00
6/27/20	short	3051	3015	36.00	half	18.00
6/29/20	short	3032.25	3032.25	0.00	full	0.00
6/30/20	short	3065	3071	-6.00	full	-6.00
7/1/20	short	3111	3111	0.00	full	0.00
7/2/20	short	3136	3136	0.00	full	0.00
7/5/20	short	3147.5	3151.5	-4.00	full	-4.00
7/10/20	short	3143	3143	0.00	full	0.00
7/11/20	short	3157	3160	-3.00	full	-3.00

made +6 but couldn't post in time so for tracking purposes scratch

Morale of Story:
KEEP YOUR
LOSERS SMALL!
and always have
a 1.5 or 2+x
reward to risk on
onset of
trade...and
let/allow winners
hit targets!

