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Trading Floor Research

Welcome to the
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05/02/21

This Trading Floor Research report contains:

- Analysis on what Bitcoin could be telling us about the S&P 500, and a possible market decline.
- Analysis on the CBOE Volatility Index (VIX), and how close the VIX is to triggering a market sell signal.
- Analysis on Steel-Producers industry group.
- Analysis on Cleveland Cliffs (CLF) in the Steel-Producers industry group.



Understanding the Stock Market

Achieve Better Returns In Your 401K

4th Class is Thursday May 6, 2021 at the USW Burns Harbor Career Development Center.

In this class you will learn how identify leading industry groups and individual stocks before they start their big advance.

A morning and afternoon class will be given:

- 8:30 am-10:30 am
- 4:00 pm-6:00 pm

Get on the right track with your investments

Invite a family member or friend



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Bitcoin and the S&P 500

Last week I came across a relationship that exists between Bitcoin and the S&P 500. This relationship can increase the probability of knowing the next move lower on the S&P 500.

Bitcoin is highly correlated to the S&P 500 about 98% of the time. If the S&P 500 is moving higher, Bitcoin is doing the same. They move in lock step. Sometimes Bitcoin will lead the S&P 500 by a few days. This gives some additional predictive power by watching this strong correlation.

What interested me were the times that Bitcoin had diverged from the S&P 500, and what that said about the future direction of the market. Back testing this rare occurrence indicates that the S&P500 will follow Bitcoin's lead lower.

The most recent occurrence of Bitcoin divergence started 10 trading days ago (Two weeks ago). Bitcoin has been moving lower, broke its upward sloping trend-line and did a throwback into the trend-line on Friday. It is in the process of completing a double top with a handle. Refer to chart on the next slide of Grayscale Bitcoin trust (GBTC).

A close below 41.69 will increase the probability that Bitcoin will continue its move lower in the short term. The downside target numbers on GBTC are 29.31 and 26.50.

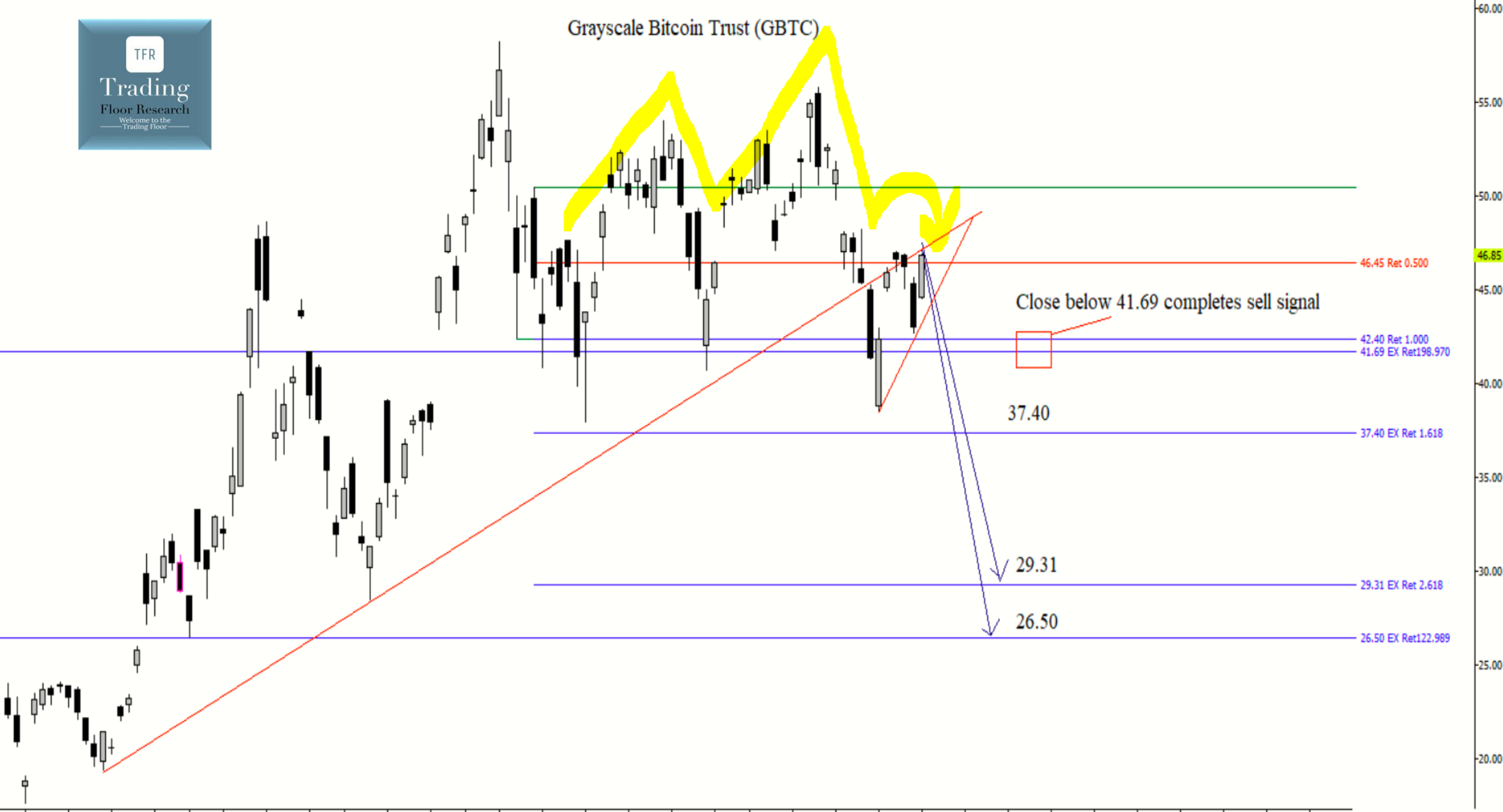
The S&P 500 moved higher two weeks ago and flat this past week. This is a clear divergence from Bitcoins recent decline. Distribution days are adding up on the S&P 500, and upside volume is very low. The Accumulation/Distribution grade over the last 50 days of trading is D-. Yet the S&P 500 is trading near its highs. With all the negative technical data supporting a market ready to fall, Bitcoin seems to be mapping out a downward move in the S&P 500. Past price history of these divergences draws the same conclusion.

I've included an overlay chart showing the recent divergence between the S&P 500 and Bitcoin, and two other recent examples.





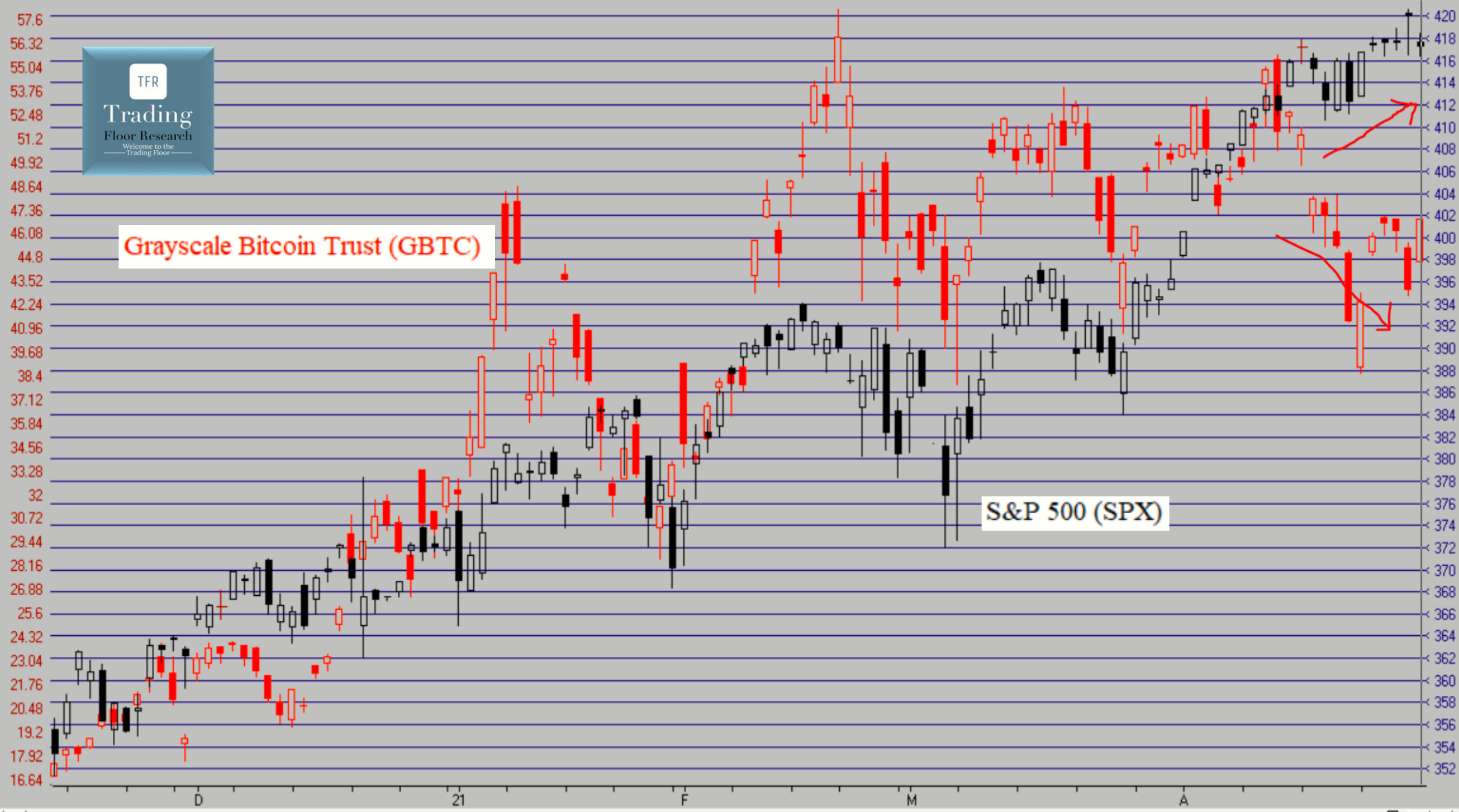
Grayscale Bitcoin Trust (GBTC)





Grayscale Bitcoin Trust (GBTC)

S&P 500 (SPX)



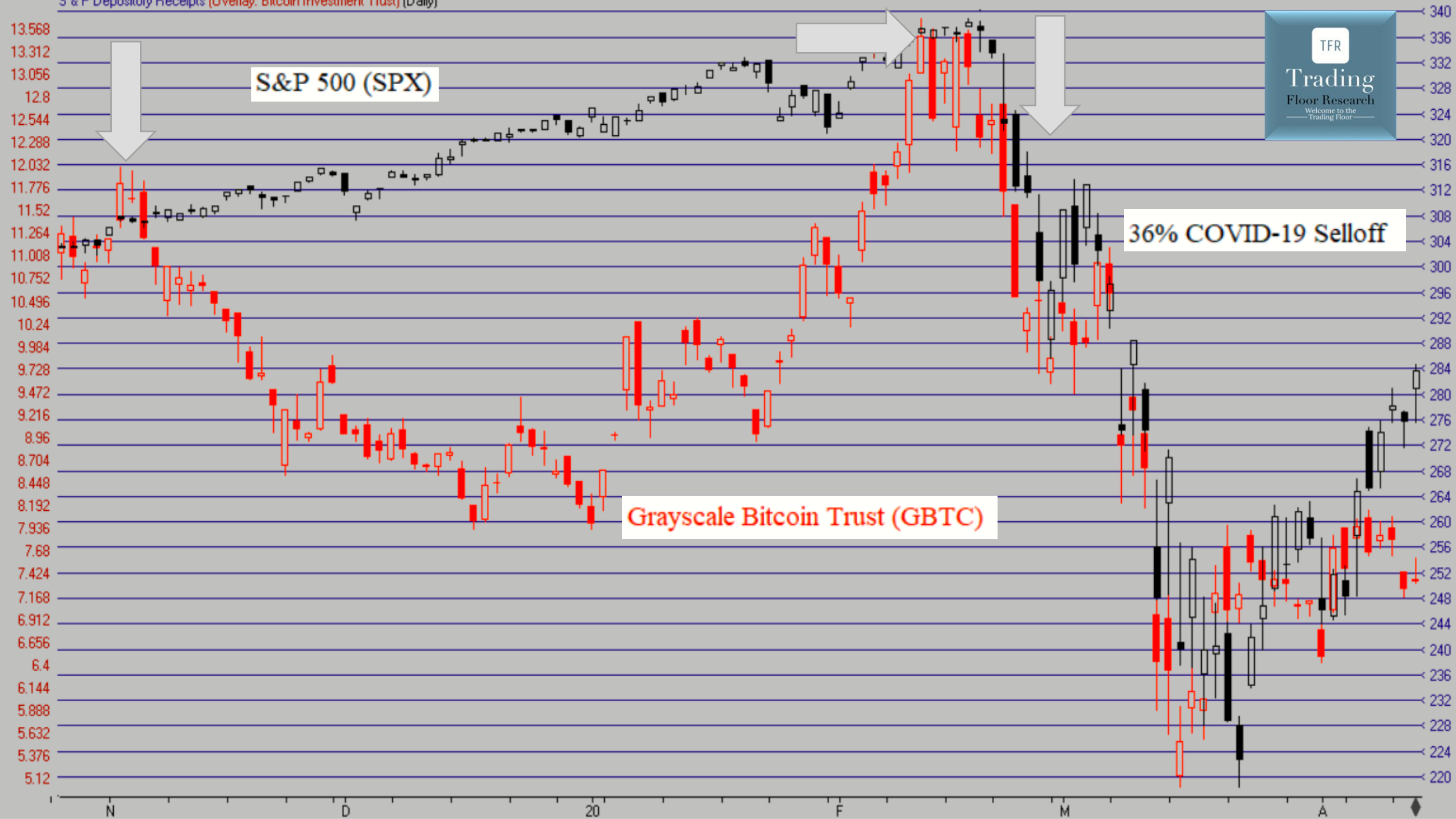
Bitcoin and the S&P 500

The last two occurrences of the Bitcoin & S&P 500 divergence have led to an S&P 500 selloff. I've included slides of both occurrences.

- The first led to the March 2020 COVID-19 selloff. The divergence started in November, and Bitcoin rallied back to its high just before the big market selloff. Both went lower into the 36% S&P 500 decline. (Refer to chart)
- The second occurrence started when Bitcoin diverged from the S&P 500 August 14, 2018. The market topped September 20, 2018, and continued lower until 12/24/2018. (Refer to chart)

Bitcoin has not been around for a long period, and we don't have a lot of data. But from what I can see, we should not ignore this relationship. Stay very cautious.



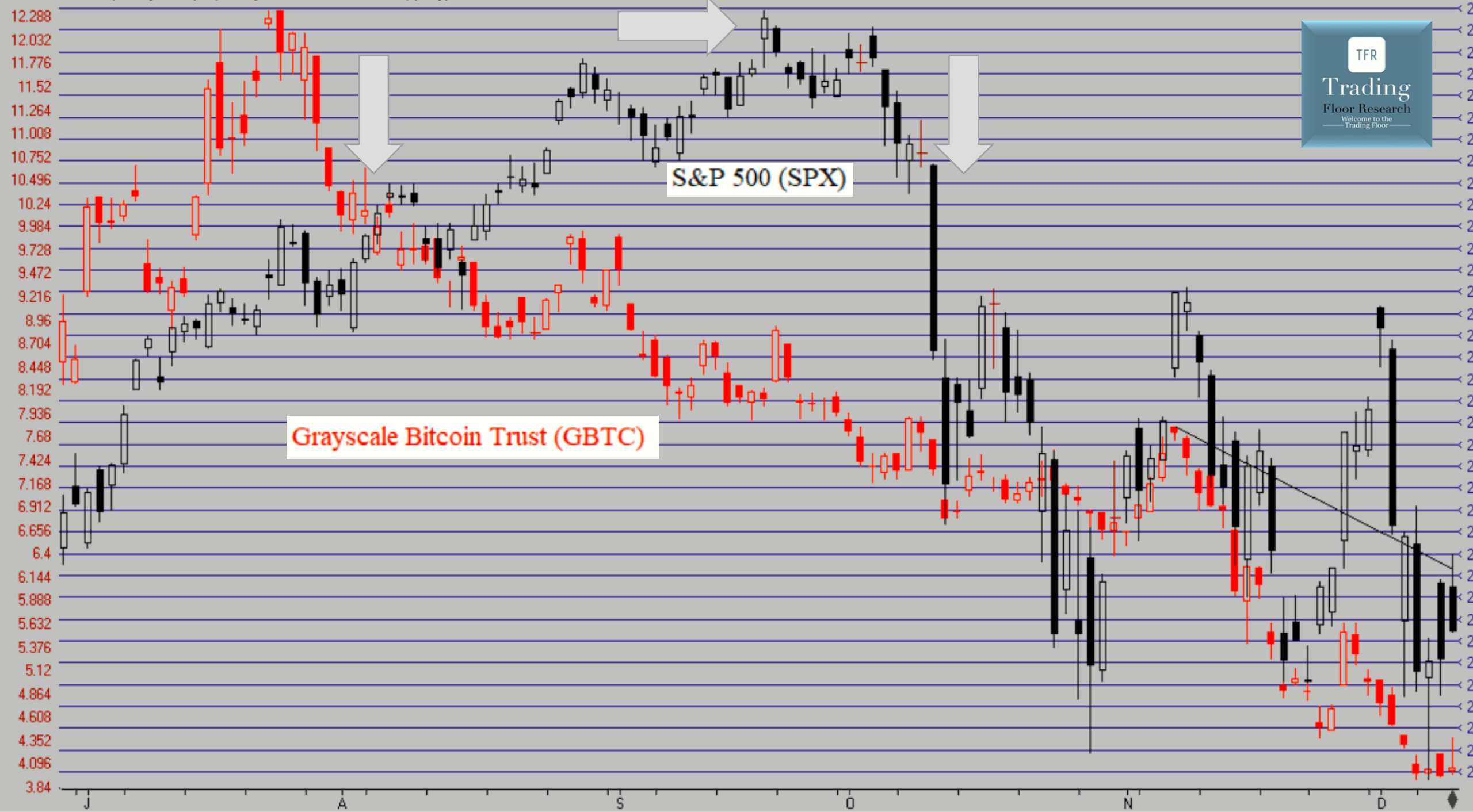


S&P 500 (SPX)

Grayscale Bitcoin Trust (GBTC)

36% COVID-19 Selloff





S&P 500 (SPX)

Grayscale Bitcoin Trust (GBTC)

J A S O N D

CBOE Volatility Index VIX Ready to trigger a sell signal

More evidence of an imminent market sell

If the CBOE Volatility Index (VIX) closes above a compressed Bollinger Band measuring 2 standard deviations from the 21-day price mean, the probability of a selloff in the market is very high. The VIX is very close to triggering this volatility expansion. (Refer to chart on next slide)

The upper Bollinger band is at 18.6. The VIX closed at 18.5 on Friday. The VIX needs to close greater than one tenth higher on Monday to trigger the next S&P 500 selloff.

The VIX has also been basing above my Fibonacci support level of 17.7 for the last 7 trading sessions. This also creates the right conditions for volatility expansion.

VIX standard deviations have been compressing from January 27 of this year. Volatility of the market has reached the most compressed state since the start of the year. Volatility is a way to measure investor fear of the market. The greater the fear, the greater the volatility. The VIX is currently telling us we have very little investor fear. That could change in the next few days. Volatility and fear move in cycles. Volatility compression leads to volatility expansion and market selloffs when the right factors are triggered.

I will let you know if this sell signal is triggered anytime this week. Keep high levels of cash.





CBOE Volatility Index (VIX)



Steel-Producers

In March, I said The Steel Producers industry group gave a buy signal. Steel stocks have done well since then. The infrastructure bill that is making its way through congress certainly helped the move. Some of you indicated you bought the VanEck Vectors Steel ETF (SLX).

In evaluating the SLX this weekend, I have concluded that steel producers might have started a correction late last week. Thursday and Friday were both distribution days that brought the total count to five distribution days in the past ten trading days for the SLX.

We also have completed an Elliot wave five wave impulse advance. I arrive at the completion by connecting a trend-line over the tops of the most recent price advance. (Refer to chart)

If we close below my Fibonacci support number of 57.84 on SLX, the probability of a top in steel stocks is likely. (Refer to chart on next slide)





VanEck Vectors Steel ETF (SLX) (3)



Analysis on Cleveland Cliffs (CLF)

Cleveland Cliffs (CLF) has only had two distribution days during the last ten trading sessions, and two accumulation days. It appears stronger than the SLX at this point and is in a constructive double bottom base with a handle. CLF did a throwback to its trend-line on Friday and closed higher on below average volume. It will need an increase in volume to move higher. It closed above its Fibonacci support of 17.24 for the week.

The stock is trading sideways after posting incredible earnings up 775% and revenues up over 1000% 6 days ago. Although CLF could still pullback to its 16.48 Fibonacci support, it will not give a **sell signal** until it **closes below 15.77**.

A close below 15.77 will be a 20-day closing low and a close below its rising trend-line and important 50% Fibonacci basing number. The bears will take control below 15.77, and CLF should be sold.

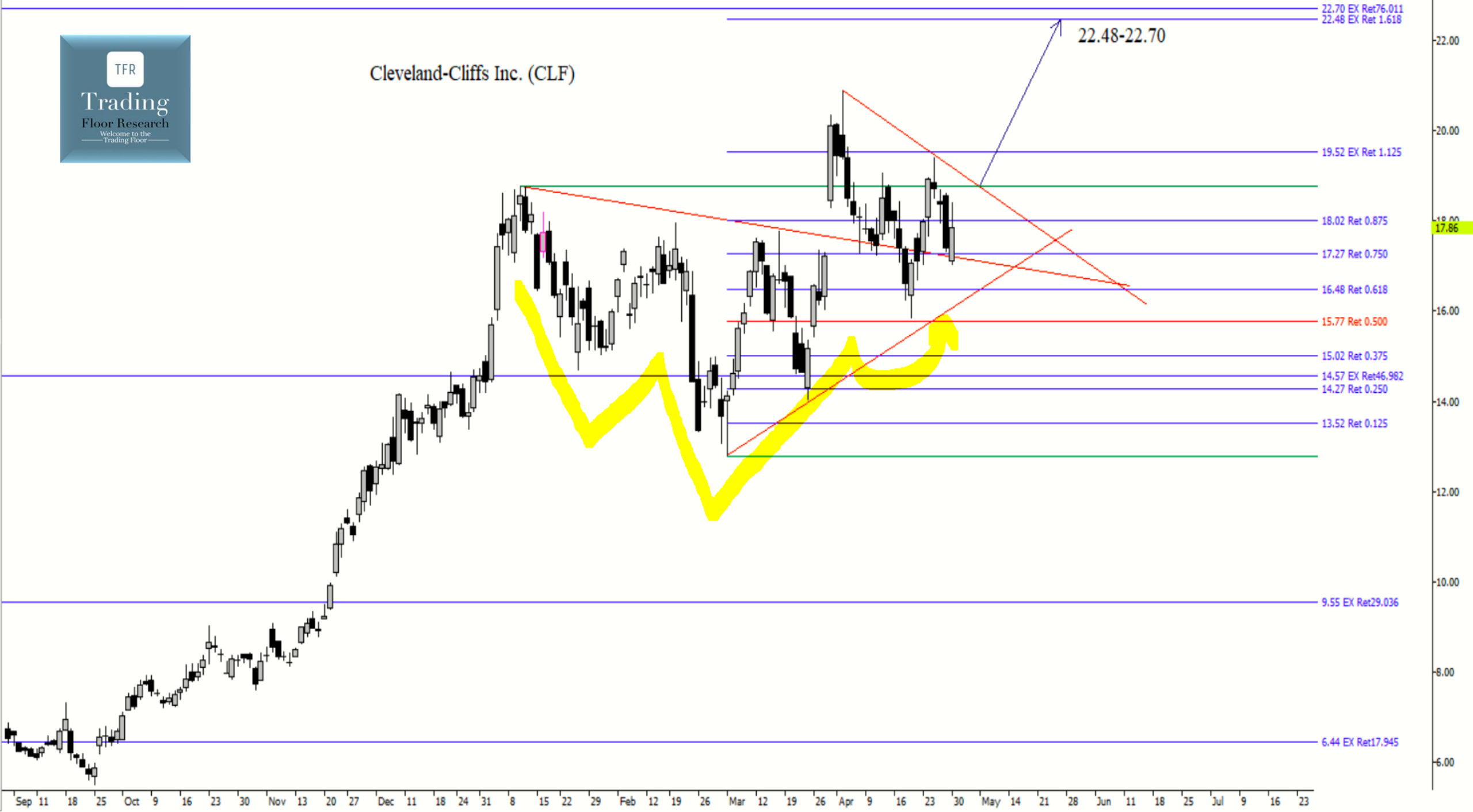
If CLF shares can close on the 30-minute chart above 19.00 trendline Monday morning with above average volume, it can be bought. That would complete a double bottom base that started January 21, 2021.

Target is 22.48-22.70





Cleveland-Cliffs Inc. (CLF)



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05/25/21

In conclusion:

Most of the big cap stocks that could push the indexes higher posted earnings last week and failed to add anything to the indexes. By the end of the week big money was selling most stocks. No volume on the advance earlier in the week and big volume on Friday's losses.. Stocks had no one to save them by the end of the week.

FB, AMZN and GOOG were the only big cap tech's that held earnings advance. They all had distribution days on Friday. They are slightly overbought and could move lower next week. AAPL had a big distribution day on Thursday's earnings. If they can't go up on great earnings news, what happens when bad news hits the tape.

Most other stocks have looked tired for some time. Stocks are being distributed by institutions

With the VIX and Bitcoin giving indications of lower markets, stay with heavy cash for now. Don't let your account get chopped up in this market.



Results of TFR closed positions

XPEV	Sold position	+41.83%	OTIC	Sold position 12/22/20	+41.80%
DADA	Stopped out	-12.6%	BTBT	Sold position 12/30/20	+101.15%
GPRO	Stopped out	-2.31%	LUNG	Sold position 12/31/20	+41.88%
FUV	Sold position	+67.34%	GBTC	Sold position 01/05/21	+95.29%
BLNK	Sold position	+76.25%	ZKIN	Sold ½ position 01/05/21	+28.57%
OPTT	Sold ½ position	+128%	TGC	Sold position 01/28/21	+309.82%
OPTT	Stopped out 1/2 position	+49.13%	SNMP	Sold position 01/28/21	+122.58%
BBIO	Sold Position	+21.81%	GP	Sold position 01/25/21	+41.29%
CVAC	Sold Position	+66.81%	GMDA	Sold position 01/26/21	-6.87%
NGMS	Stopped out	-11.22%	TUSK	Sold position 01/27/21	+1.77%
EH	Sold Position	+61.78%	ZKIN	Sold position 01/27/21	+16.17%
UFAB	Sold Position	+43.60%			

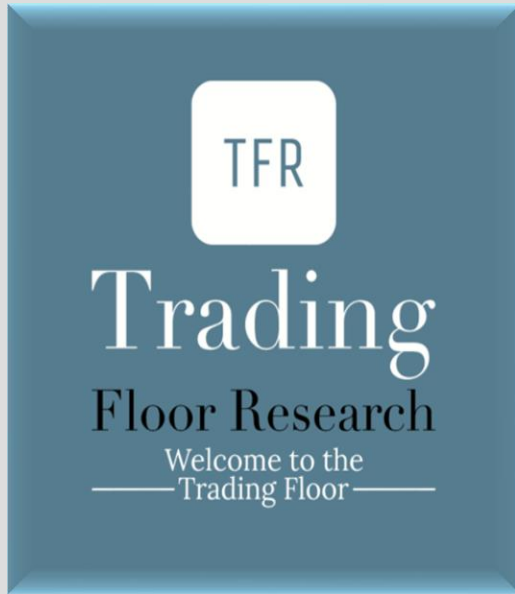
Results of TFR closed positions



CLIR	Sold position 01/28/21	+17.44%
VVPR	Sold position 01/27/21	+34.13%
CHNR	Sold position 01/27/21	-18.01%
ARYA	Sold position 02/08/21	+95.26%
USWS	Sold position 02/18/21	+217.90%
ARYA	Sold position 02/27/21	0.00%
NBAC	Sold position 02/26/21	-6.87%
SDPI	Sold position 02/26/21	+8.42%
BRN	Sold position 02/26/21	-14.15%
FURY	Sold position 02/26/21	-22.52%
GHSI	Sold position 02/25/21	-30.33%

Results of TFR closed positions

OGEN	Sold position 02/26/21	0.00%
TTOO	Sold position 02/25/21	+33.85%
THCA	Sold position 02/26/21	-6.14%
XELA	Sold position 02/26/21	-10.29%
AMST	Sold position 02/26/21	+6.45%
TUSK	Sold position 03/19/21	-23.69%
MBII	Sold position 03/24/21	+23.91%
PANL	Sold position 03/24/21	-1.85%





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