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## SCHAEFFER'S CHART-OF-THE-WEEK

**MAY 13, 2018**

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### **Big Week for GUSH Adds Color to the Oil Rally**

#### **Chart-of-the-Week for May 13, 2018**

**By Bernie Schaeffer, Founder and CEO  
Schaeffer's Investment Research**

The perennial cautionary note on leveraged exchange-traded funds (ETFs) is that they are not well-suited to trading time frames of more than a day. That is because these instruments are designed to deliver double or triple the underlying index's *daily* return, but the effects of compounding will warp the relationship between leveraged ETF and index over time.

With that in mind, traders may find these observations on the Direxion Daily S&P Oil & Gas Exploration & Production Bull 3X Shares (GUSH) chart most useful from the perspective of adding color and dimension to the ramp higher in oil prices, which found fresh "fuel" in recent sessions from a hawkish mid-week pronouncement on Iran sanctions from the White House.

That preamble aside, GUSH -- which seeks to return triple the daily move of the S&P Oil & Gas Exploration & Production Index (XOP) -- on Thursday wrapped up an impressive five-day win streak that was its longest since December. From its May 3 close at \$31.25, GUSH is now up 18.9%, compared to a 6.1% advance in the XOP during this time frame. In other words, the leveraged fund managed to *more than* triple the percentage return in its underlying index over the last six trading days.

While GUSH's gain of 12.8% last week was not its biggest of the calendar year (that title goes to the 24.4% pop during the week ended April 13), this latest push higher was remarkable for different reasons. For starters, on Wednesday, May 9, GUSH gapped above its January closing high of \$36.80. The fund then found intraday support in this area during the next two sessions, and went on to ultimately close the week above this former year-to-date high (despite a down day on Friday).

On the other hand, GUSH also spent the final two days of last week hovering conspicuously below Wednesday's freshly set 52-week high of \$39.26, which arrived within a penny of the previous April 5, 2017 high-water mark of \$39.25. The resulting chart pattern "rhymed" with that of XOP, which peaked at \$42.07 in intraday action on Wednesday -- just a few hundredths of a point from its own January 26, 2017 session high of \$42.13. But even as these oil-stock trackers hesitated at their prior tops, spot crude finished out last week with a decisive close above \$70, marking the first weekly settlement north of this round number since November 2014.

Finally, per the second pane on the accompanying chart on the next page, note last week's stretch by GUSH's 20-day [Relative Momentum Index](#) (RMI) into previously uncharted territory. The oscillator was docked at 86.99 at the close of Friday's trading, topping the prior all-time peak of 86.16 established just about two years ago. So in this regard, it is fair to say that the recent bullish momentum in this triple-leveraged oil fund has been unprecedented in the nearly three-year history of GUSH.

**GUSH since November 2017**  
with **20-day moving average** and **20-day RMI**



Chart courtesy of Thomson Reuters Eikon

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