

Portfolio Trade Alert - January 11, 2023

Trade Alert For Equity & ETF Models

A golden cross occurs when a shorter moving average crosses above a longer moving average. Conversely, a death cross occurs when a shorter moving average falls below a longer moving average. The graph below shows the equal-weighted S&P 500 just experienced a golden cross with the key 50 and 200-day moving averages crossing. The equal-weighted index is not a primary, well-followed index. However, its recent golden cross is a positive sign that the broader market's breadth is improving. In contrast, the 200-day moving average on the S&P 500 is still 100 points above its 50-day moving average. The S&P 500 must continue to rally for a while to see a golden cross.

Since 1970, the S&P 500 has been returning about 15% gains on average in less than a year after a golden cross occurrence. However, golden crosses can result in a false breakout and quickly turn into a death cross. Therefore, one should consider the golden cross pattern but use it alongside other technical indicators for the best results. Additionally, the golden cross may indeed portend a good rally in the coming month or two, but as we saw on three occasions in 2022, double-digit rallies were followed by lower lows.



This morning we added 5% of the equal-weighted S&P 500 (RSP) to both models. We remain well below our benchmark weighting, and technicals are turning more favorable for a near-term market rally. Further, RSP just had a golden cross (50dma>200dma). We will write this up in tomorrow's commentary. We also added 1% of Goldman Sachs (GS) to the equity model ahead of upcoming earnings.

Equity Model:

- Initiate a 5% trading position of S&P 500 Equal Weight ETF (RSP) to the portfolio
- Add 1% to Goldman Sachs (GS), bringing position weight to 2%.

- *Sell 2% of the 1-3 Month Treasury Bill ETF (BIL) to raise cash for purchases.*

ETF Model

- *Initiate a 5% trading position of S&P 500 Equal Weight ETF (RSP) to the portfolio*
 - *Sell 2% of the 1-3 Month Treasury Bill ETF (BIL) to raise cash for purchases.*
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