

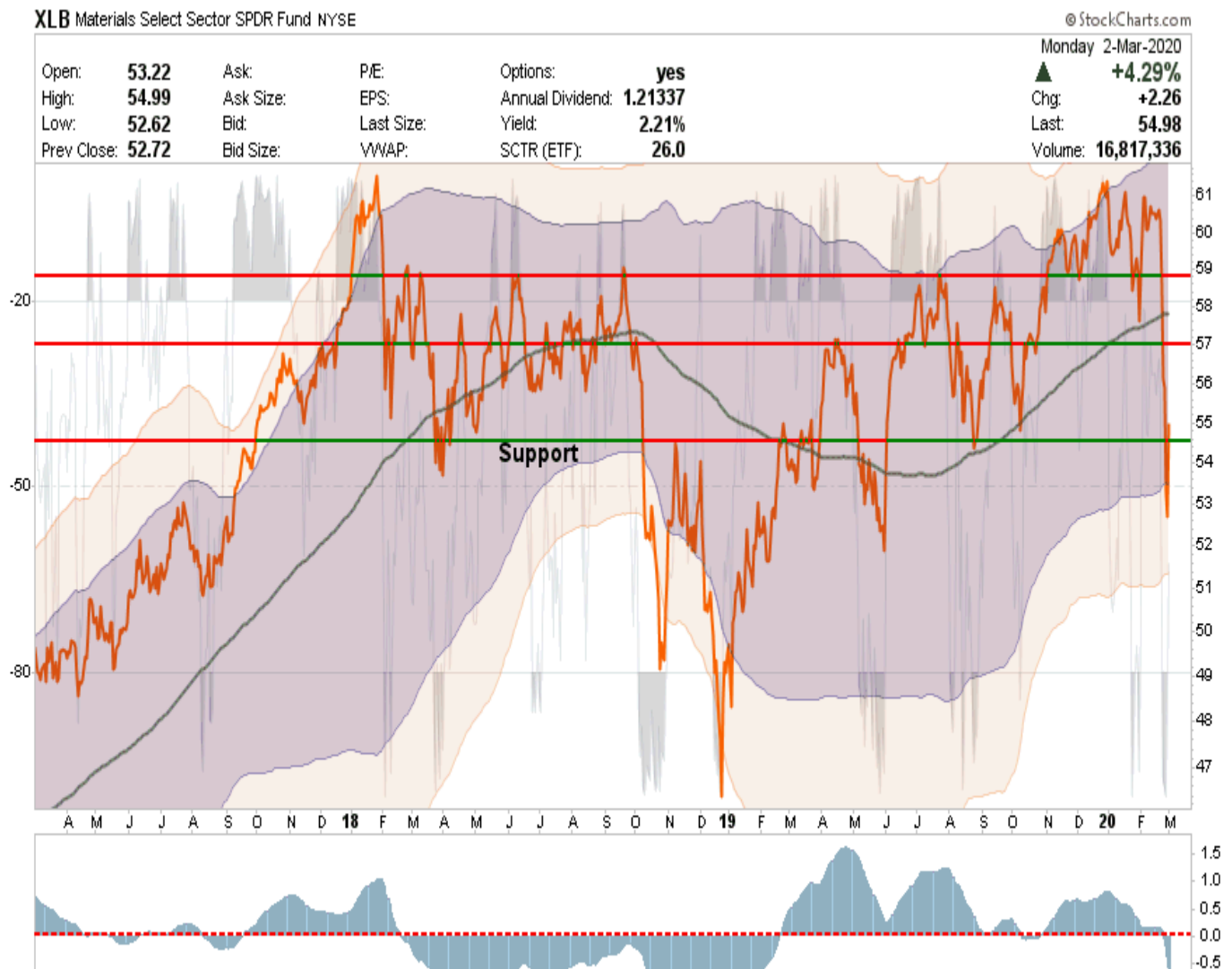
Sector Buy/Sell Review: 03-03-20

Each week we produce a chart book of the S&P 500 sectors to review where money is flowing within the market as whole. This helps refine not only decision making about what to own and when, but what sectors to overweight or underweight to achieve better performance. **HOW TO READ THE CHARTS** There are three primary components to each chart:

- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

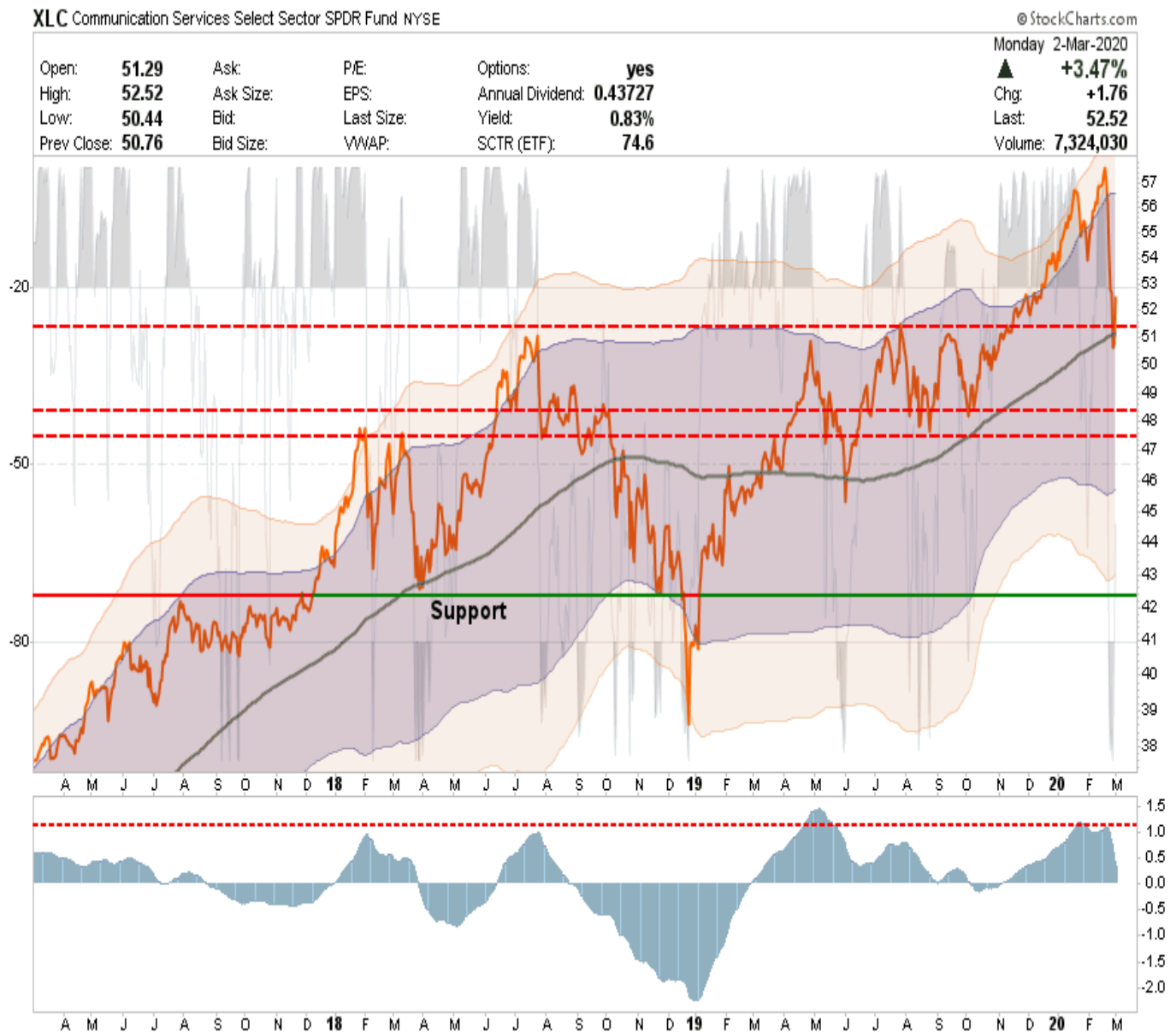
When the gray indicator is at the TOP of the chart, there is typically more risk and less reward available at the current time. In other words, the best time to BUY is when the short-term condition is over-sold. Likewise when the buy/sell indicator is above the ZERO line investments have a tendency of working better than when below the zero line. **As noted last week, the steepness of the decline reset our parameters. Now, the goal is to rebalance portfolio risk. We will be reducing/removing some sectors which are most exposed to "COVID-19" and adding to/overweighting other sectors. Overall, the goal is not to change total portfolio weighting but to rebalance exposures to control risk.**

Basic Materials



- *XLB severely broke down below its 200-dma and is subject to the impact of the virus and the shutdown of the global supply chain.*
- *Short-Term Positioning: Bearish*
 - *Last Week: Sell On Bounce*
 - *This Week: Sell On Bounce.*
 - *Stop-loss moved back to \$53*
- *Long-Term Positioning: Bearish*

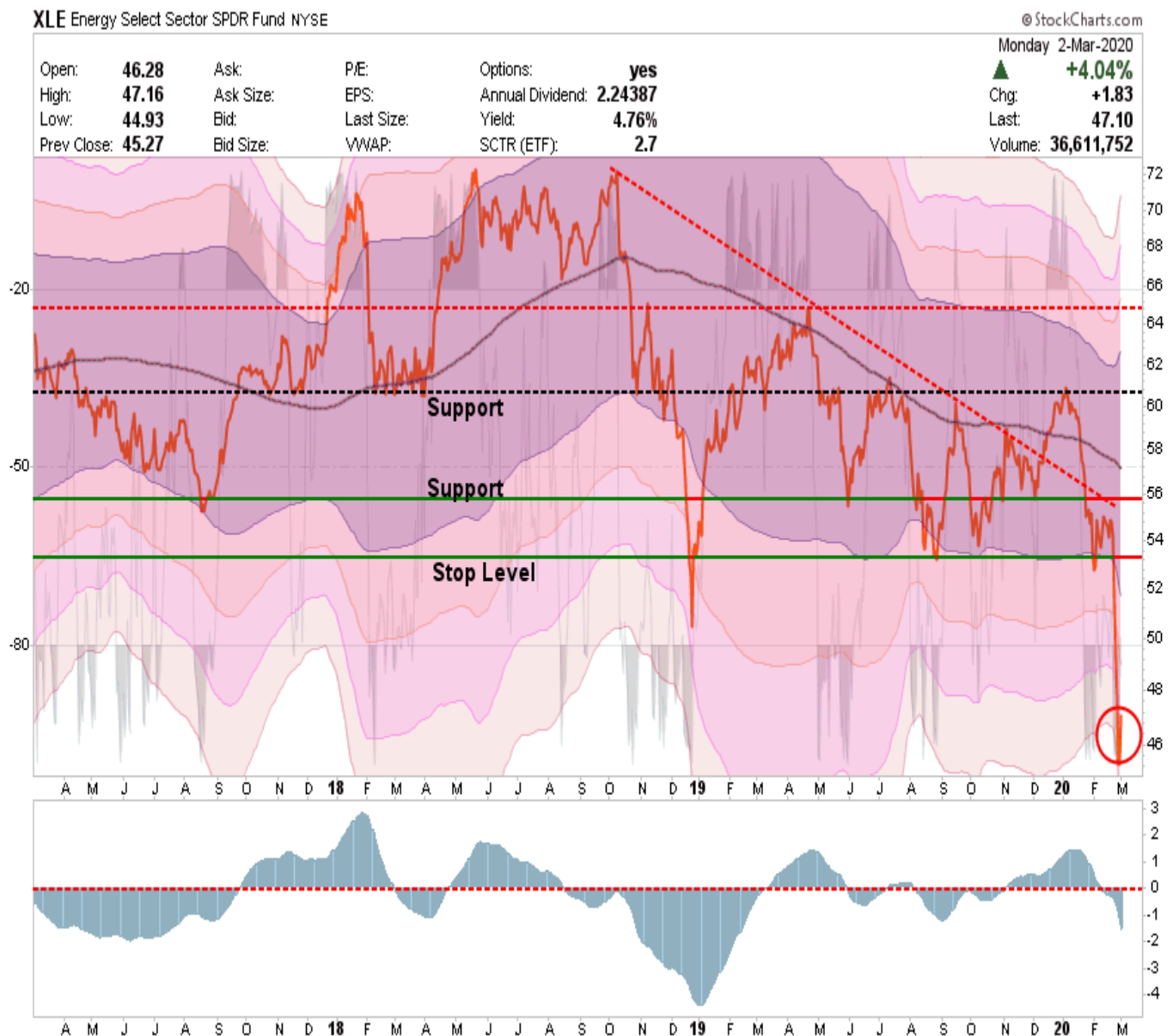
Communications



- *XLC held support on Monday at the 200-dma.*
- *Add to holdings here and bring exposures to model weight.*
- *Communications will likely get a "anti-virus" bid as investors look for tools where people can work from home, shop from home, etc.*
- *XLC is still very oversold with a "buy signal" in place.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Add to holdings.*

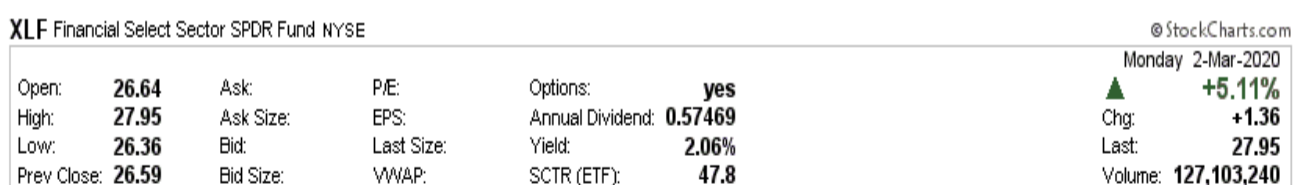
- Stop adjusted to \$50
- Long-Term Positioning: Neutral

Energy



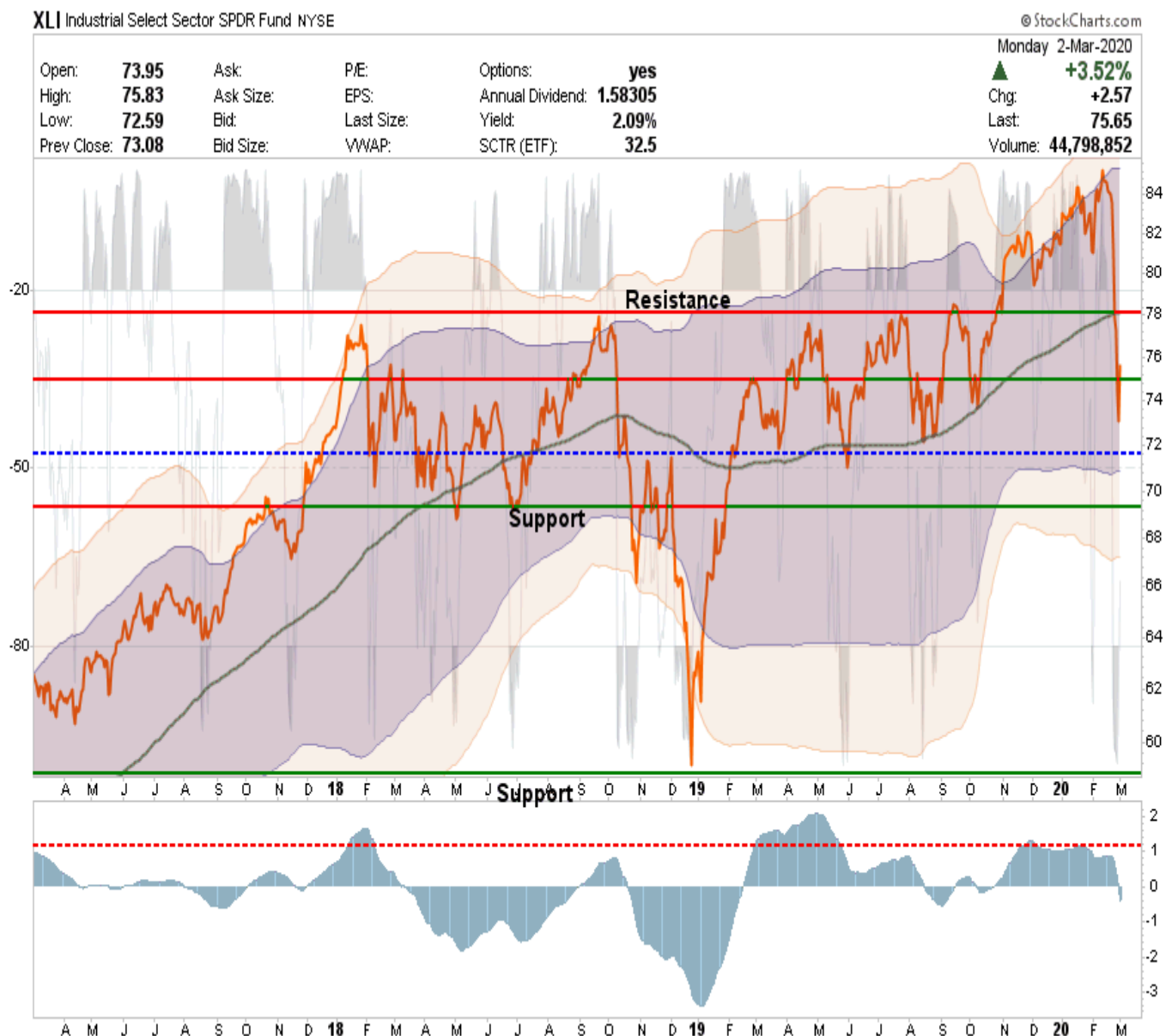
- XLE fell apart with the recent sell off in the market. Currently, it is 5-standard deviations below the 200-dma which is a prime setup for a reflexive bounce.
- With the sell signal triggered, we are looking for a bounce to evaluate rather we want to start building an allocation to this beaten up sector. It is too soon to tell, but we will update you accordingly.
- Short-Term Positioning: Bearish
 - Last week: Sell into rally.
 - This week: Trading positions only for a rally to \$52.
 - No position currently
- Long-Term Positioning: Bearish

Financials



- *XLF broke the 200-dma and has triggered a "sell signal."*
- *Financials are likely to be impacted by the global supply chain shutdown and a potential recessionary environment which could raise the risks of debt defaults.*
- *We are opting to overweight stronger market sectors in our portfolios and will step out of financials on this rally.*
- *Sell on this rally.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold for now.*
 - *This week: Sell on rally.*
 - *Stop-loss adjusted to \$27*
- *Long-Term Positioning: Neutral*

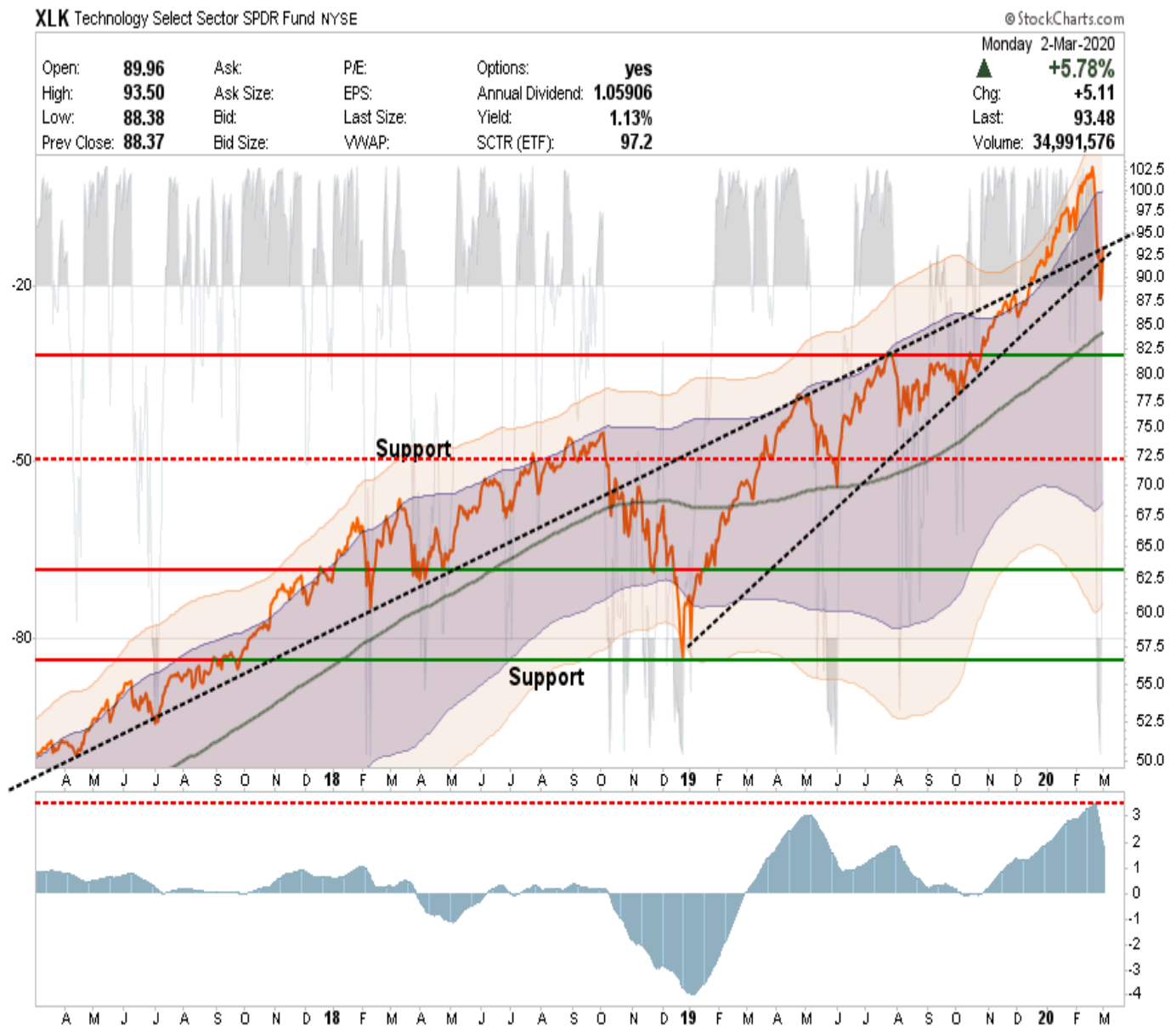
Industrials



- *As with XLB, so goes XLI. As noted above, there is a good risk the "coronavirus" will have a direct impact on the global supply chains of industrial companies."*
- *XLI has broken support at the 200-dma and triggered a sell signal.*

- *Sell holdings into the rally and look to overweight stronger market sectors with less virus risk for now.*
- *Short-Term Positioning: Bearish*
 - *Last week: Hold 1/2 position*
 - *This week: Sell on rally.*
 - *Stop-loss adjusted to \$73*
- *Long-Term Positioning: Bearish*

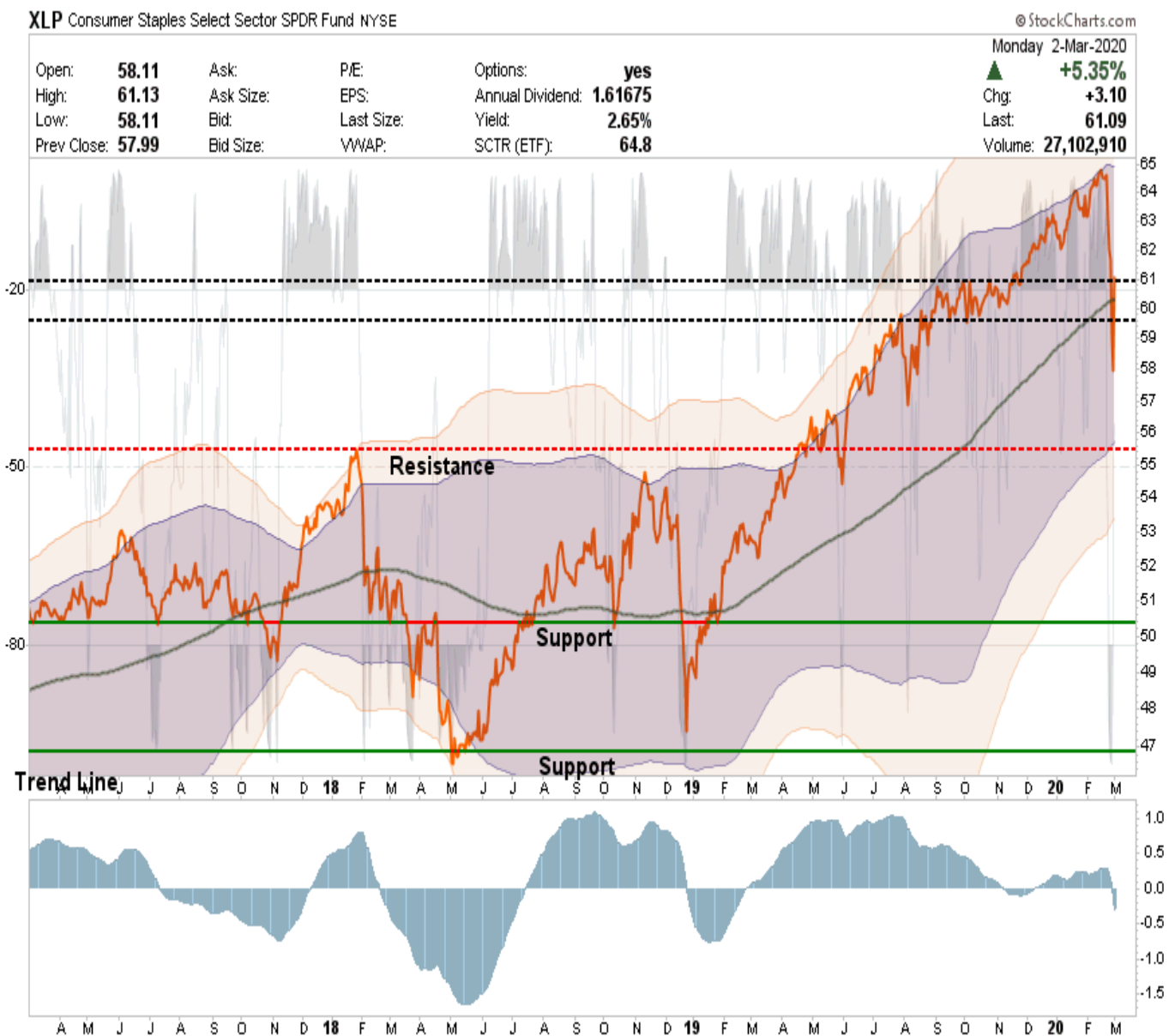
Technology



- *After having previously reduced our weighting and took in profits, it is now time to add back to our holdings.*
- *We are going to overweight XLK in portfolios to provide some "beta" to the portfolio while we prepare to start reducing the laggards.*
- *The 200-dma and the bullish trend line is holding for now, with a buy signal still intact and oversold.*
- *Short-Term Positioning: Bullish*
 - *Last week: Rebalance on rally.*

- *This week: Add to holdings*
- *Stop-loss adjusted to \$85*
- *Long-Term Positioning: Bullish*

Staples



- XLP finally got the correction we have been discussing for weeks since taking profits in our holdings.
- *The correction held support at the 200-dma, and is oversold. The only worry is the short-term sell signal, but given the markets search for yield and some safety from the virus, we are going to maintain our weighting in staples for now.*
- *We previously took profits in XLP, bring weightings back up to target for now.*
- **Short-Term Positioning: Bullish**
 - *Last week: Hold positions, take profits if needed.*
 - *This week: Bring positions back to full weightings.*
 - *Stop-loss adjusted to \$58*
 - *Long-Term Positioning: Bullish*

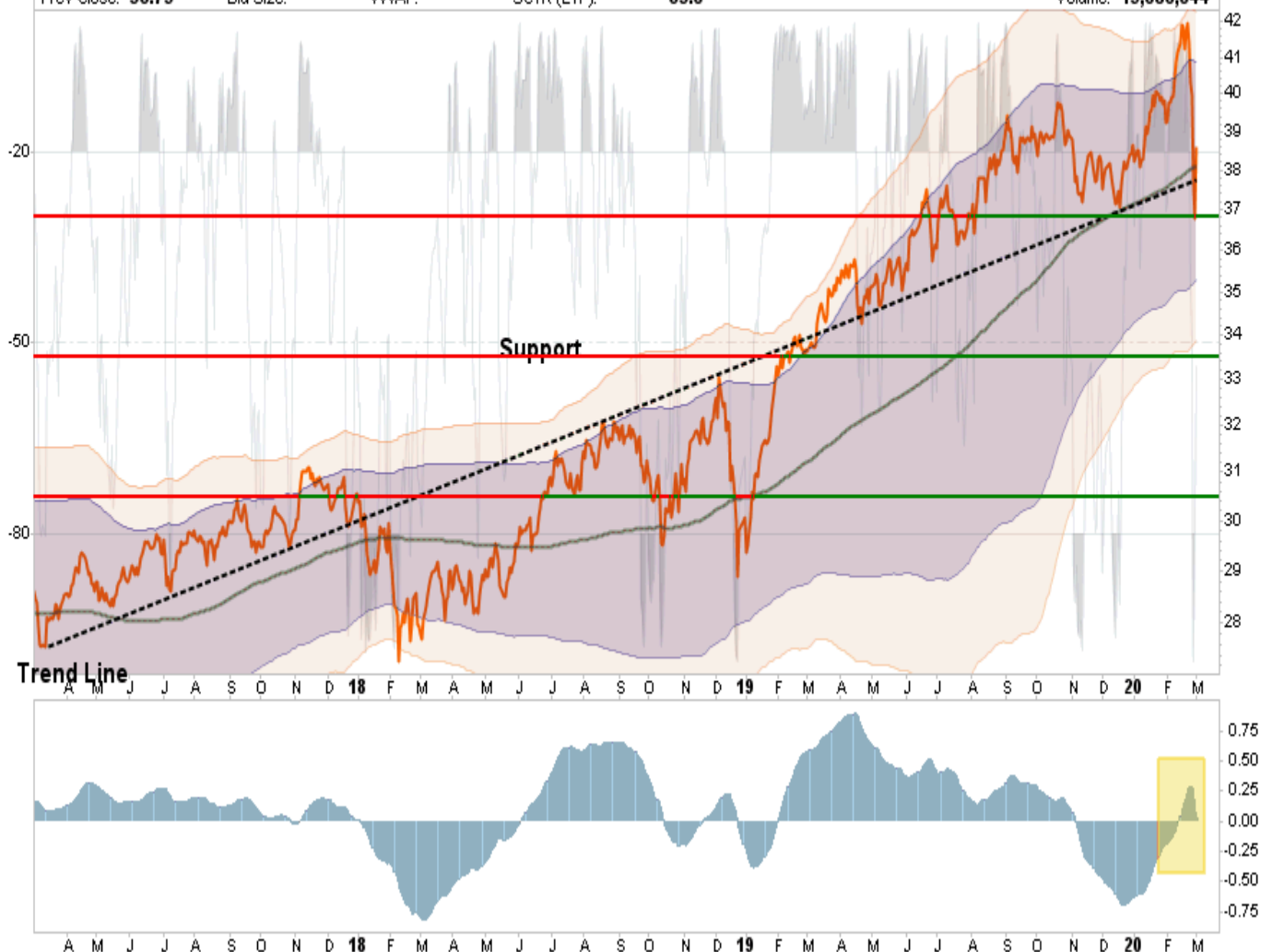
Real Estate

XLRE Real Estate Select Sector SPDR Fund NYSE

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Open: **36.97** Ask: P/E: Options: **yes**
 High: **38.63** Ask Size: EPS: Annual Dividend: **1.18275**
 Low: **36.88** Bid: Last Size: Yield: **3.06%**
 Prev Close: **36.79** Bid Size: VWAP: SCTR (ETF): **63.0**

Monday 2-Mar-2020
 ▲ **+4.97%**
 Chg: **+1.83**
 Last: **38.62**
 Volume: **19,686,044**



- *XLRE sold off and held previous bottom support, the bullish trend line, and the 200-dma while getting oversold and maintaining a buy signal.*
- *We previously took profits in the sector, now is the time to bring back to full target weightings.*
- **Short-Term Positioning: Bullish**
 - *Last week: Hold position.*
 - *This week: Bring position back to full target weight.*
 - *Stop-loss remains at \$37.00*
- **Long-Term Positioning: Bullish**

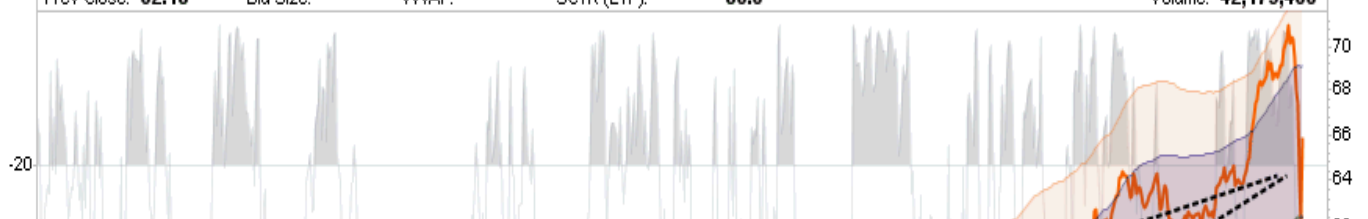
Utilities

XLU Utilities Select Sector SPDR Fund NYSE

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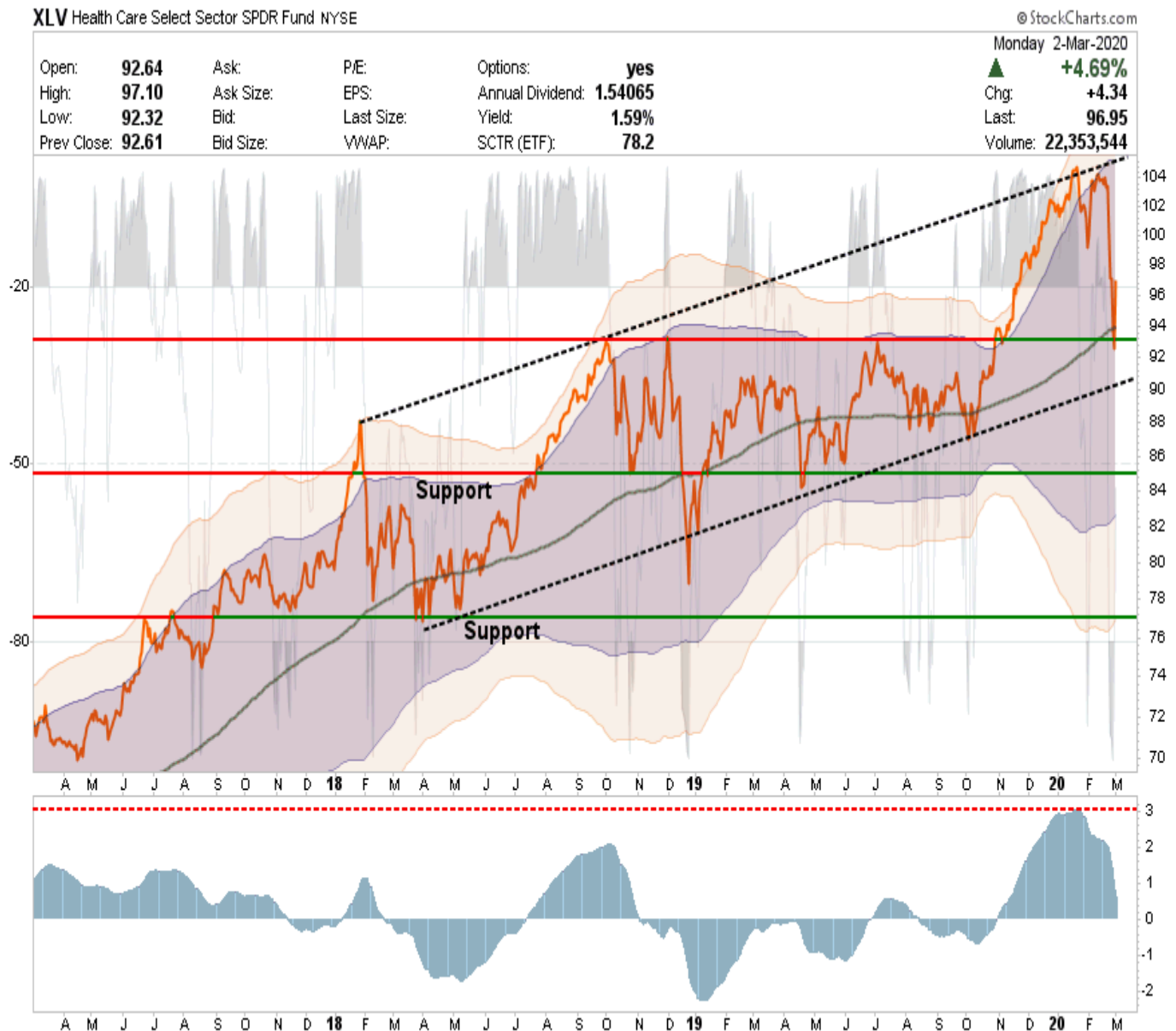
Open: **62.50** Ask: P/E: Options: **yes**
 High: **65.93** Ask Size: EPS: Annual Dividend: **1.90898**
 Low: **62.35** Bid: Last Size: Yield: **2.90%**
 Prev Close: **62.18** Bid Size: VWAP: SCTR (ETF): **80.0**

Monday 2-Mar-2020
 ▲ **+5.89%**
 Chg: **+3.66**
 Last: **65.84**
 Volume: **42,173,400**



- *XLV, like XLRE, finally worked off the extreme overbought condition, is back to oversold and held bullish trends and the 200-dma.*
- *After taking profits, now is the time to bring positions back to full weightings.*
- **Short-Term Positioning: Bullish**
 - *Last week: Hold position.*
 - *This week: Add to holdings and bring back to full weighting.*
 - *Stop-loss adjusted to support at \$62*
- **Long-Term Positioning: Bullish**

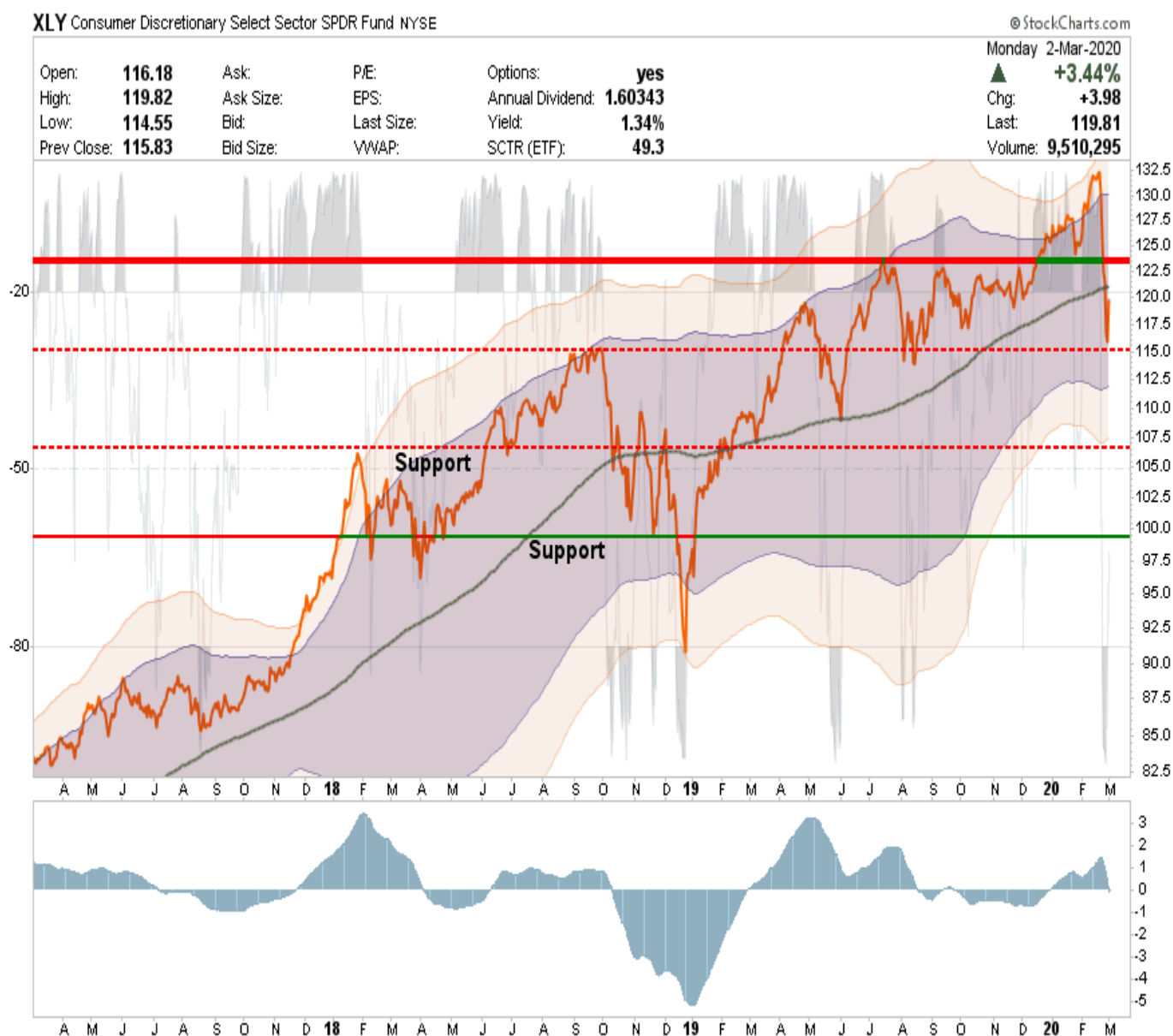
Health�Care



- *XLV has remained intact holding its 200-dma and its bullish trend channel.*
- *The sector has now gotten back to oversold, and after taking profits, we are bringing the allocation back to model weights.*
- **Short-Term Positioning: Neutral**
 - *Last week: Hold positions*
 - *This week: Bring positions back to full portfolio weight.*
 - *Stop-loss adjusted to \$94*

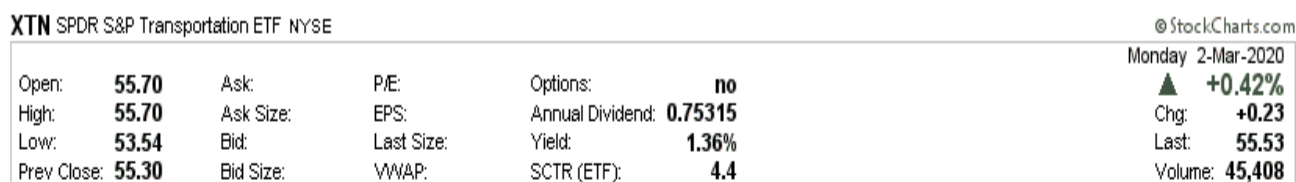
- *Long-Term Positioning: Bullish*

Discretionary



- *We took profits in XLY previously and reduced the position slightly.*
- *This sector is likely going get some impact from a potential economic slowdown, and supply chain problems.*
- *XLY broke its 200-dma but held current support levels. We will continue to monitor the holding on this rally but don't increase allocations to the sector just yet.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold position*
 - *This week: Hold positions*
 - *Stop-loss adjusted to \$115.*
- *Long-Term Positioning: Neutral*

Transportation



- *XTN failed to hold support and is likely another sector to suffer from economic fallout.*
- *We have remained out of the economically sensitive sector and as noted last week the impact of the "coronavirus" will likely have global supply chain impacts.*
- *The sector is oversold short-term, which could elicit a reflexive bounce. However, such a bounce should be used to sell positions into for now.*
- *Short-Term Positioning: Neutral*
 - *Last week: No position*
 - *This week: No position*
- *Long-Term Positioning: Bearish*