

Sector Buy/Sell Review: 03-17-20

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 previously, the steepness of the decline reset our parameters. Now, the goal is to rebalance portfolio risk. We previously removed sectors most exposed to "COVID-19" and can now start looking for entry points.**

Basic Materials

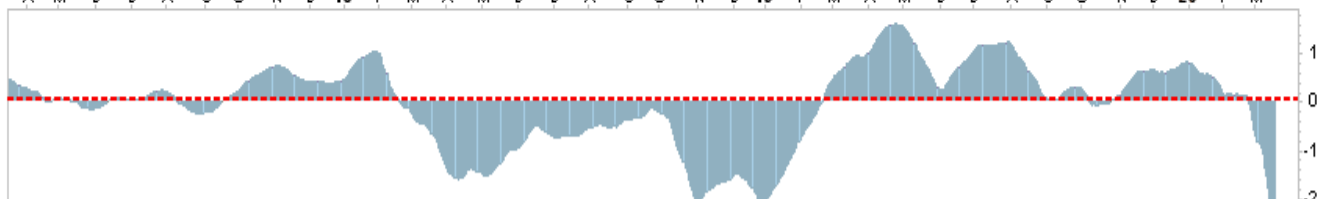
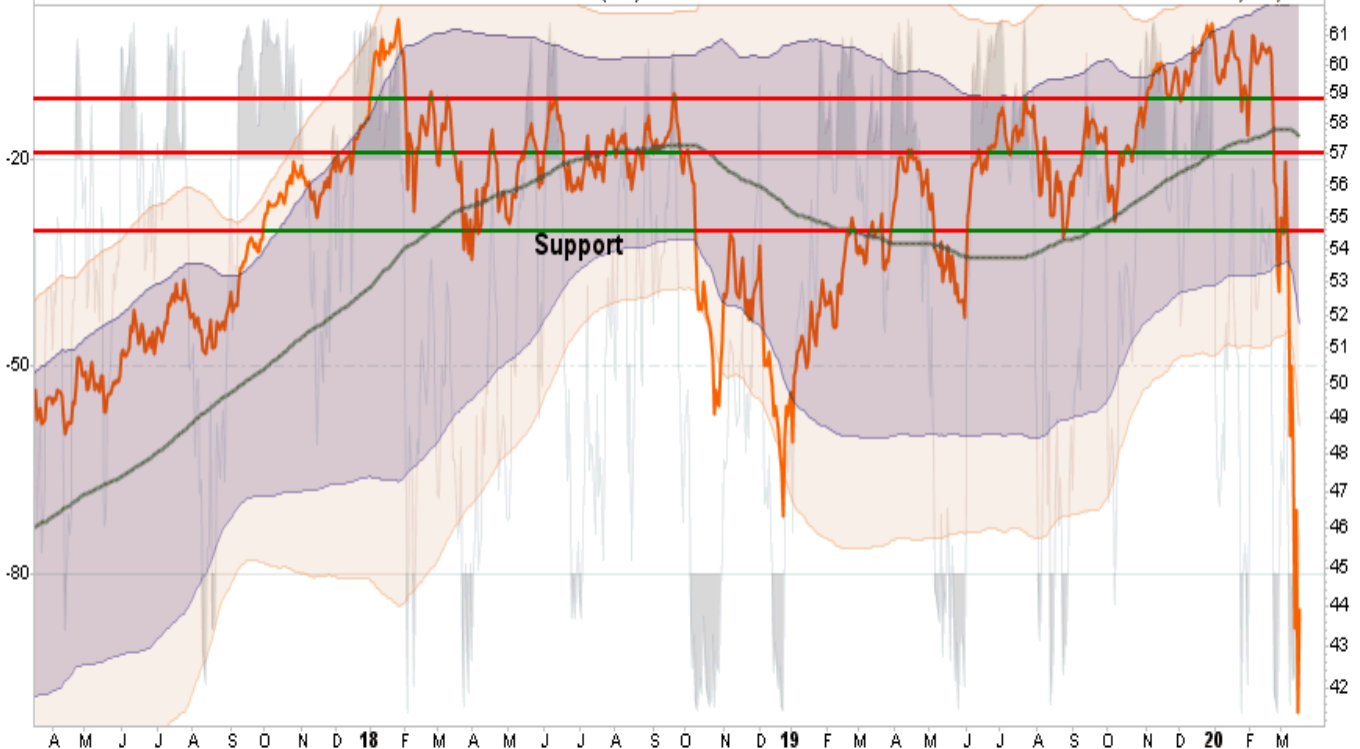
XLB Materials Select Sector SPDR Fund NYSE

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Tuesday 17-Mar-2020

| | | | |
|--------------------------|-----------|------------|---------------------------------|
| Open: 42.03 | Ask: | P/E: | Options: yes |
| High: 44.40 | Ask Size: | EPS: | Annual Dividend: 1.21337 |
| Low: 40.83 | Bid: | Last Size: | Yield: 2.76% |
| Prev Close: 41.39 | Bid Size: | VWAP: | SCTR (ETF): 40.7 |

| |
|---------------------------|
| ▲ +6.19% |
| Chg: +2.56 |
| Last: 43.95 |
| Volume: 11,024,885 |



- *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.*
- *XLB is extremely oversold and trading 4-standard deviations below the 50-dma. It is also on a very deep sell signal.�*
- *We sold all of our holdings previously.�*
- *Use rallies back to previous support levels to clear positions for the time being. There are too many unknowns currently, and just way to early, to assume a bottom is in.�*
- *Short-Term Positioning: Bearish*
 - *Last Week: No Positions*
 - *This Week: No Positions*
- *Long-Term Positioning: Bearish*

Communications

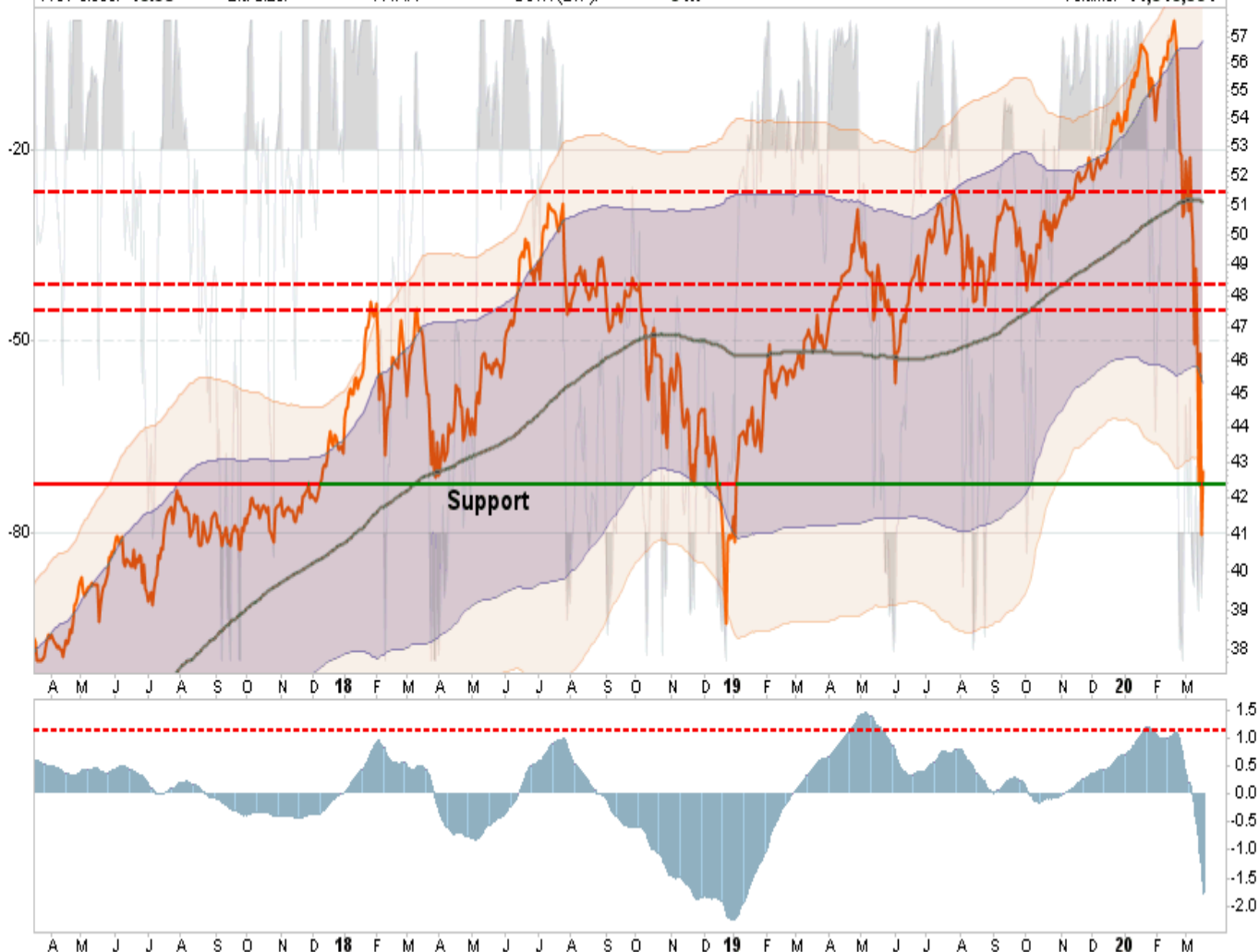
XLC Communication Services Select Sector SPDR Fund NYSE

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Tuesday 17-Mar-2020

| | | | |
|--------------------------|-----------|------------|---------------------------------|
| Open: 41.80 | Ask: | P/E: | Options: yes |
| High: 43.46 | Ask Size: | EPS: | Annual Dividend: 0.43727 |
| Low: 40.15 | Bid: | Last Size: | Yield: 1.02% |
| Prev Close: 40.98 | Bid Size: | VWAP: | SCTR (ETF): 61.7 |

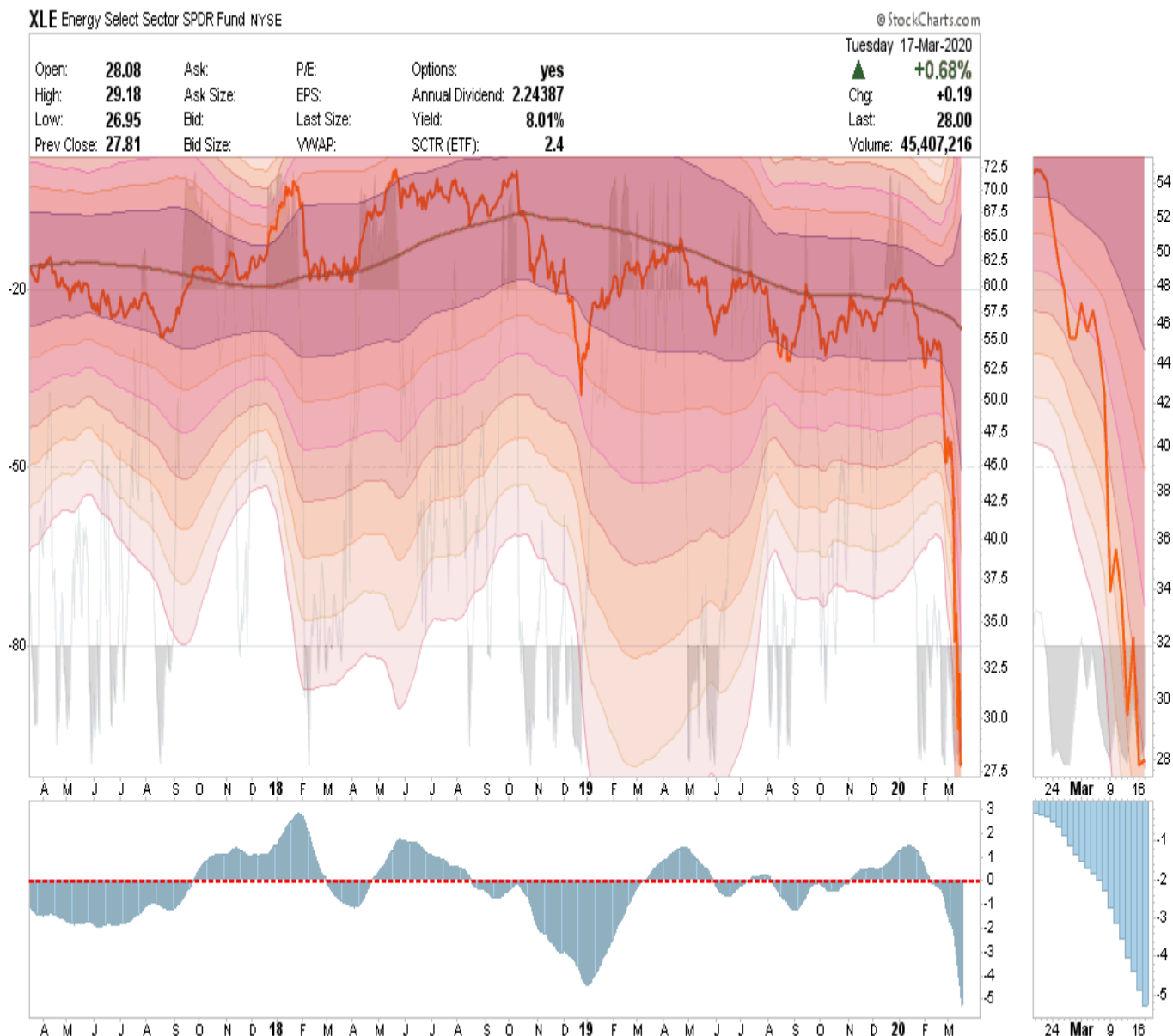
| |
|---------------------------|
| ▲ +4.34% |
| Chg: +1.78 |
| Last: 42.76 |
| Volume: 14,016,561 |



- *XLC is deeply oversold and is performing better than the overall market.�*
- *Currently on a sell signal, it is too soon to add exposure, but we are watching for a better entry point to increase our weightings.�*

- *Communications will likely get a "anti-virus" bid as investors look for tools where people can work from home, shop from home, etc.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Holding 1/2 positions*
- *Long-Term Positioning: Neutral*

Energy



- *Last week, XLE traded to 8-standard deviations below the 50-dma. I have NEVER seen such an extreme condition.*
- *The sell-signal and oversold condition are at extremes. For now, use rallies in energy to clear positions BUT we want to watch for a bottoming process to begin building long-term exposure.*
- *Be patient, we have plenty of time to do this correctly.*
- *Short-Term Positioning: Bearish*
 - *Last week: Sell into rally.*
 - *This week: Sell into rally.*

- No position currently
- Long-Term Positioning: Bearish

Financials

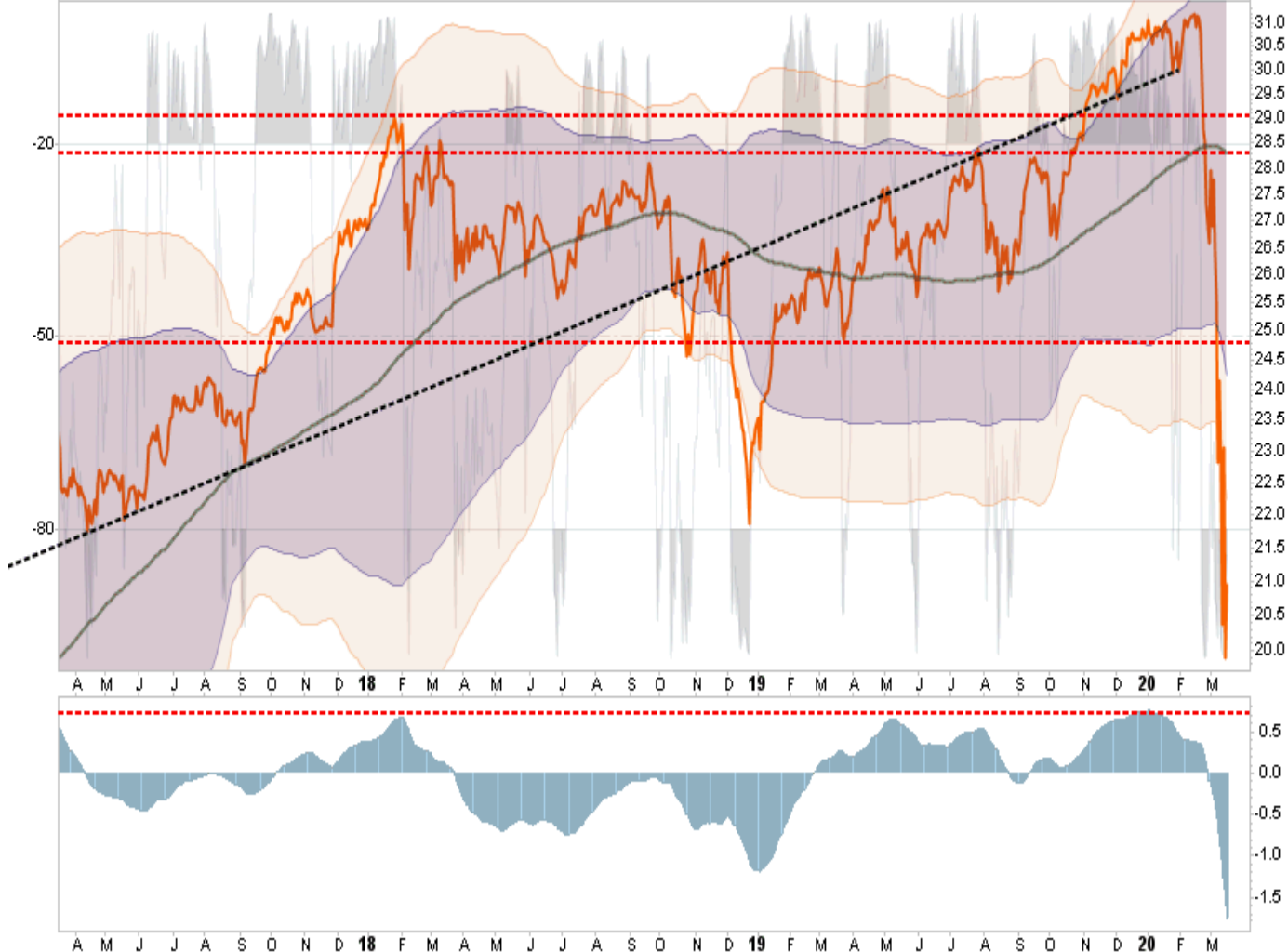
XLF Financial Select Sector SPDR Fund NYSE

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Tuesday 17-Mar-2020

| | | | |
|--------------------------|-----------|------------|---------------------------------|
| Open: 20.35 | Ask: | P/E: | Options: yes |
| High: 21.19 | Ask Size: | EPS: | Annual Dividend: 0.57469 |
| Low: 19.54 | Bid: | Last Size: | Yield: 2.74% |
| Prev Close: 19.89 | Bid Size: | WWAP: | SCTR (ETF): 30.9 |

| |
|----------------------------|
| ▲ +5.43% |
| Chg: +1.08 |
| Last: 20.97 |
| Volume: 121,796,232 |



- XLF broke the 200-dma and has triggered a "sell signal."
- Financials are likely to be impacted by the global supply chain shutdown and, now, a credit crisis stemming from the energy sector and a potential recessionary environment. Also 'zero interest rates' from the Fed is a negative for net interest margins.
- We sold out of financials previously and will re-evaluate once the market calms down and finds a bottom. #2013266080;
- Sell on any rally.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Neutral

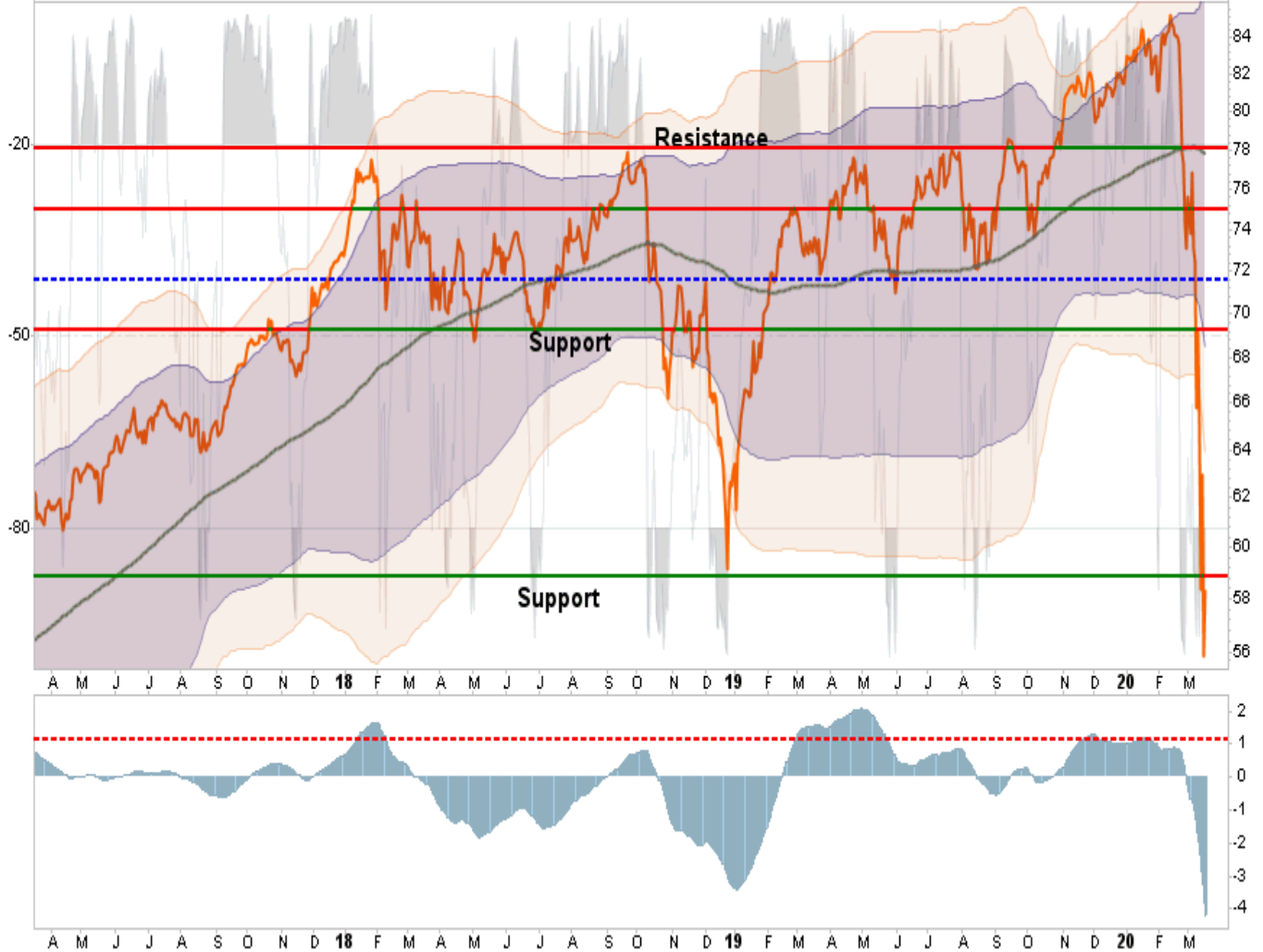
Industrials

XLI Industrial Select Sector SPDR Fund NYSE

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Tuesday 17-Mar-2020
 ▲ **+4.61%**
 Chg: **+2.57**
 Last: **58.37**
 Volume: **24,961,688**

Open: **56.68** Ask: P/E: Options: **yes**
 High: **58.67** Ask Size: EPS: Annual Dividend: **1.58305**
 Low: **54.61** Bid: Last Size: Yield: **2.71%**
 Prev Close: **55.80** Bid Size: VWAP: SCTR (ETF): **32.9**



- *As with XLB, so goes XLI.*
- *We sold all of our holdings previously and will opt to wait for a better market structure to move back into the sector.�*
- *Short-Term Positioning: Bearish*
 - *Last week: No position.*
 - *This week: No position.*
- *Long-Term Positioning: Bearish*

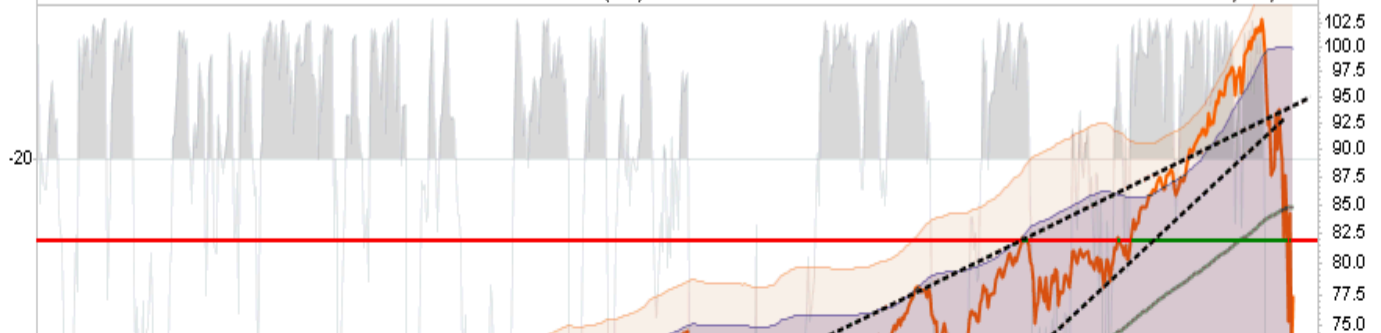
Technology

XLK Technology Select Sector SPDR Fund NYSE

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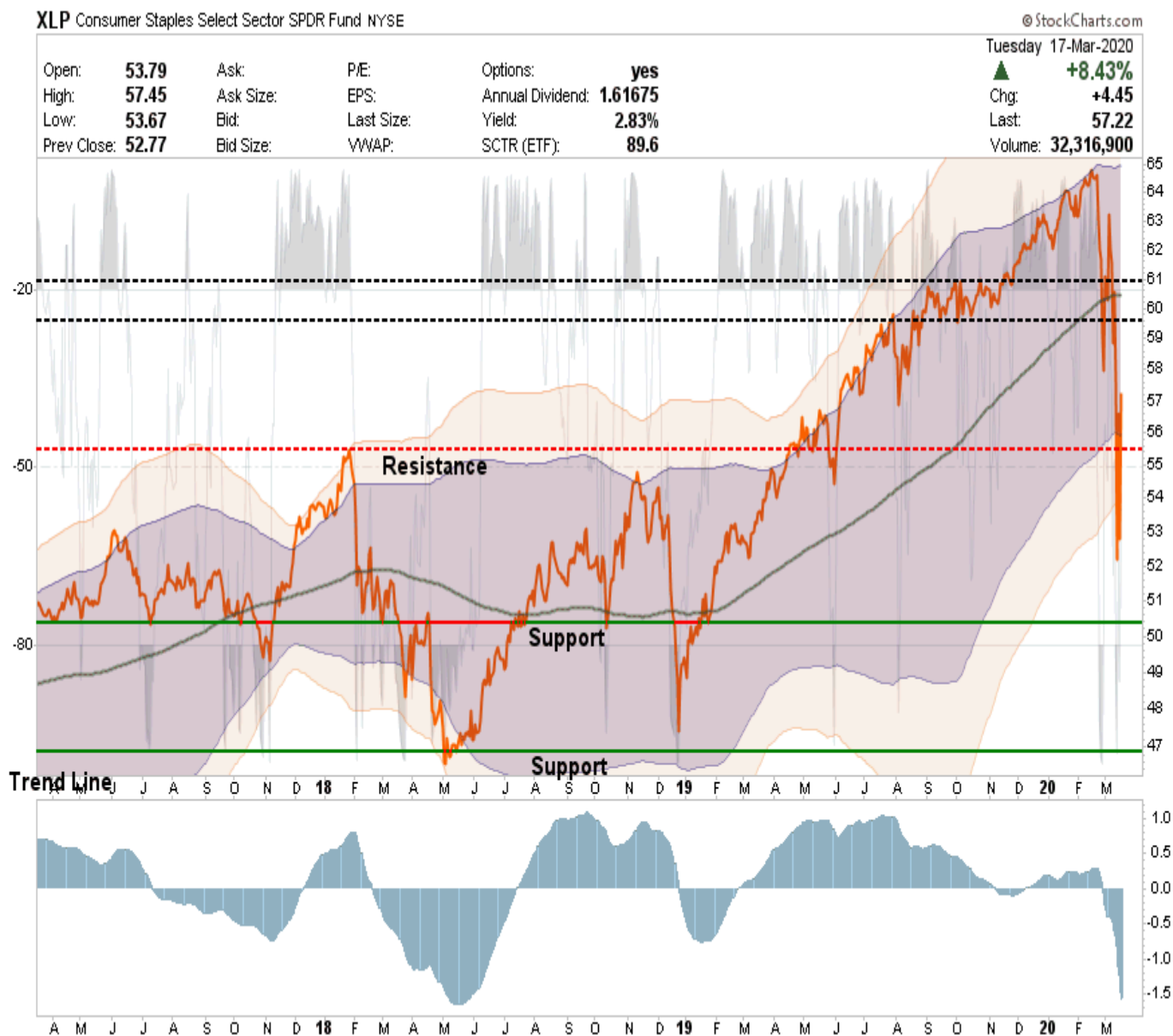
Tuesday 17-Mar-2020
 ▲ **+6.81%**
 Chg: **+4.94**
 Last: **77.50**
 Volume: **50,360,128**

Open: **74.27** Ask: P/E: Options: **yes**
 High: **78.44** Ask Size: EPS: Annual Dividend: **1.05906**
 Low: **71.94** Bid: Last Size: Yield: **1.37%**
 Prev Close: **72.56** Bid Size: VWAP: SCTR (ETF): **80.2**



- *Technology is holding up better than the overall market and has only started flirting with critical support.�*
- *With Technology deeply oversold, and a lot of recency bias with investors, we would expect to see a pretty strong reflexive bounce. It is too soon to add to our holdings but are looking for an entry point.�*
- *Short-Term Positioning: Bullish*
 - *Last week: Holding positions.*
 - *This week: Holding 1/2 positions.*
 - *Long-Term Positioning: Bullish*

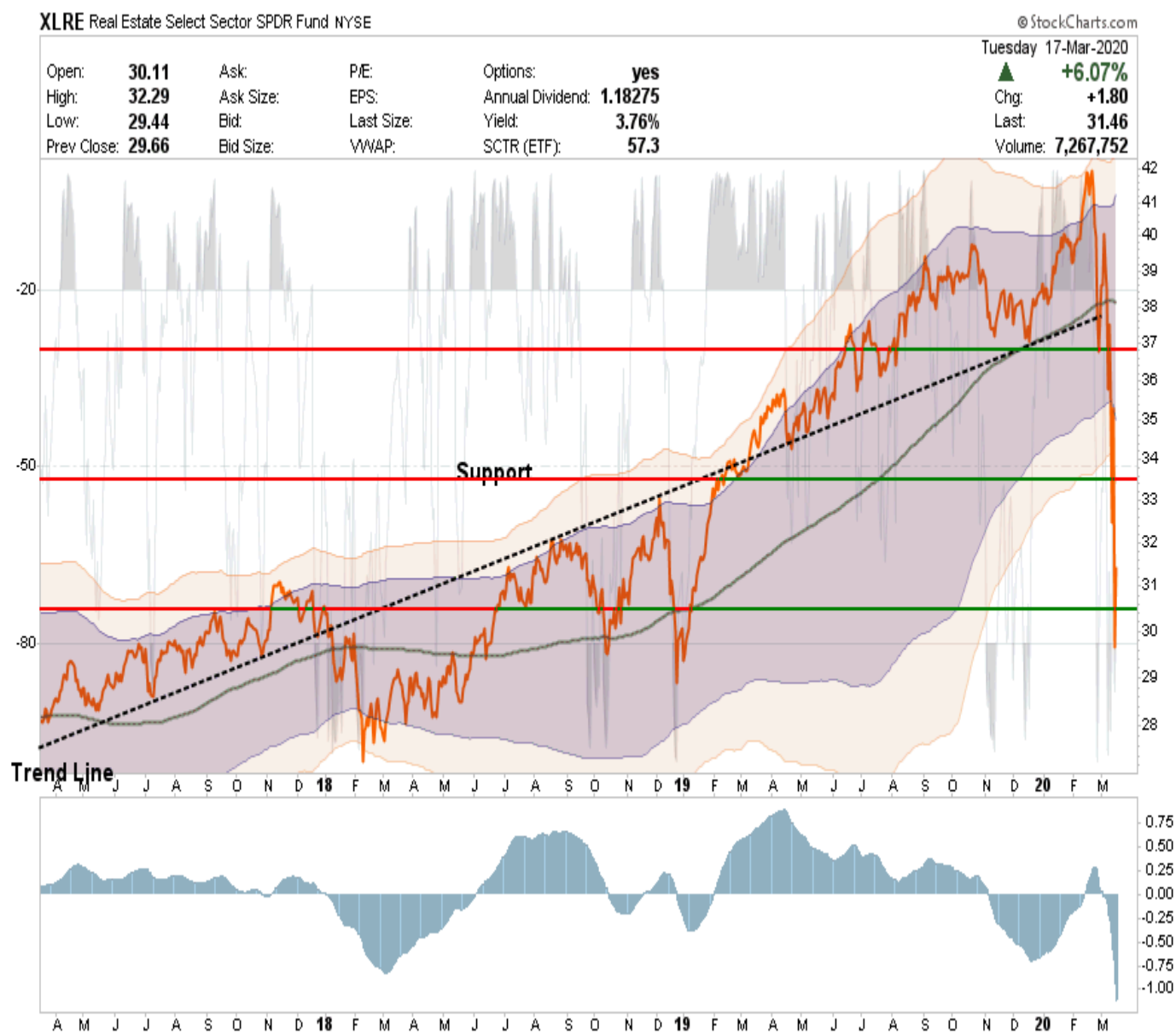
Staples



- *The correction has gotten XLP extremely oversold and is trying to hold support.�*
- *We are looking for an entry point, stabilization, to add weight to the sector. But as with everything, it is too soon to know if the sell-off is over. We are going to wait for a better bottom to form.�*
- *Short-Term Positioning: Bullish*

- Last week: Hold positions
- This week: Holding 1/2 position.
- Long-Term Positioning: Bullish

Real Estate

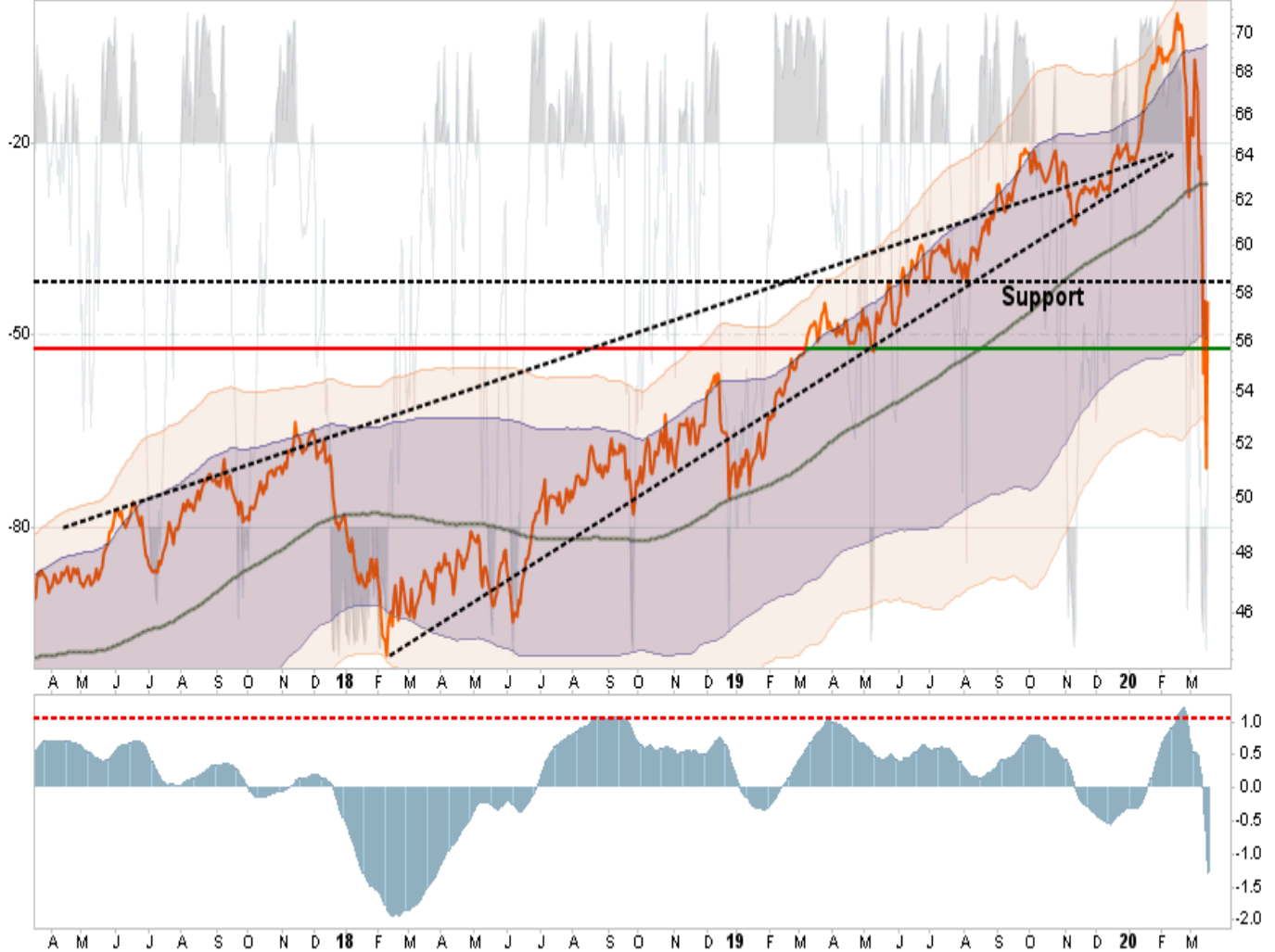


- XLRE should remain defensive in the market along with Utilities and Staples for now.
- On Tuesday it did rally more than the market as credit markets seem to be settling down some.
- It is too soon to add to our currently base holding, but we are looking for an entry.
- Short-Term Positioning: Bullish
 - Last week: Hold position.
 - This week: Holding 1/2 position.
- Long-Term Positioning: Bullish

Utilities

| | | | | | |
|-------------|--------------|-----------|------------|------------------|----------------|
| Open: | 52.61 | Ask: | P/E: | Options: | yes |
| High: | 58.15 | Ask Size: | EPS: | Annual Dividend: | 1.90898 |
| Low: | 52.04 | Bid: | Last Size: | Yield: | 3.31% |
| Prev Close: | 51.12 | Bid Size: | VWAP: | SCTR (ETF): | 81.7 |

| | |
|---------------------|-------------------|
| Tuesday 17-Mar-2020 | ▲ +12.79% |
| Chg: | +6.54 |
| Last: | 57.66 |
| Volume: | 38,721,488 |

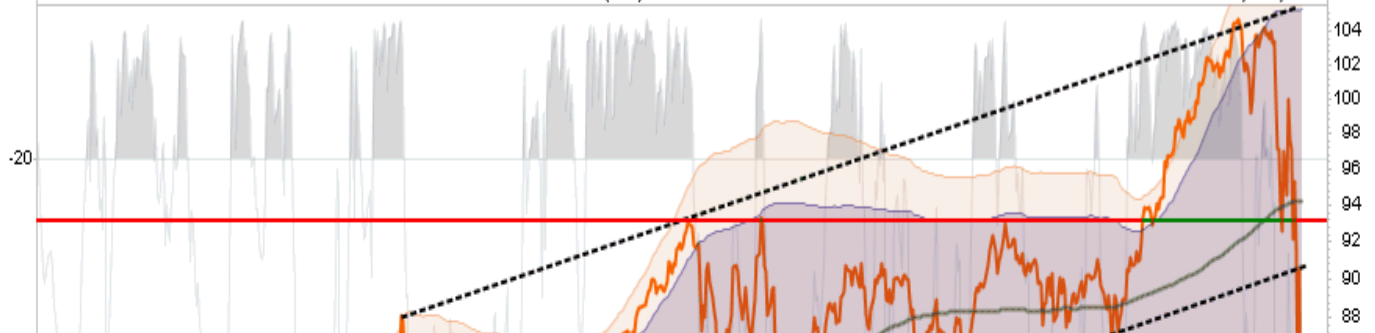


- *XLU, like XLRE, found a strong bid yesterday. However, like with R/E it is too soon to chase it here. One day rallies have been fleeting, and some follow through would give us more comfort.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold position.*
 - *This week: Holding 1/2 position*
- *Long-Term Positioning: Bullish*

Health�Care

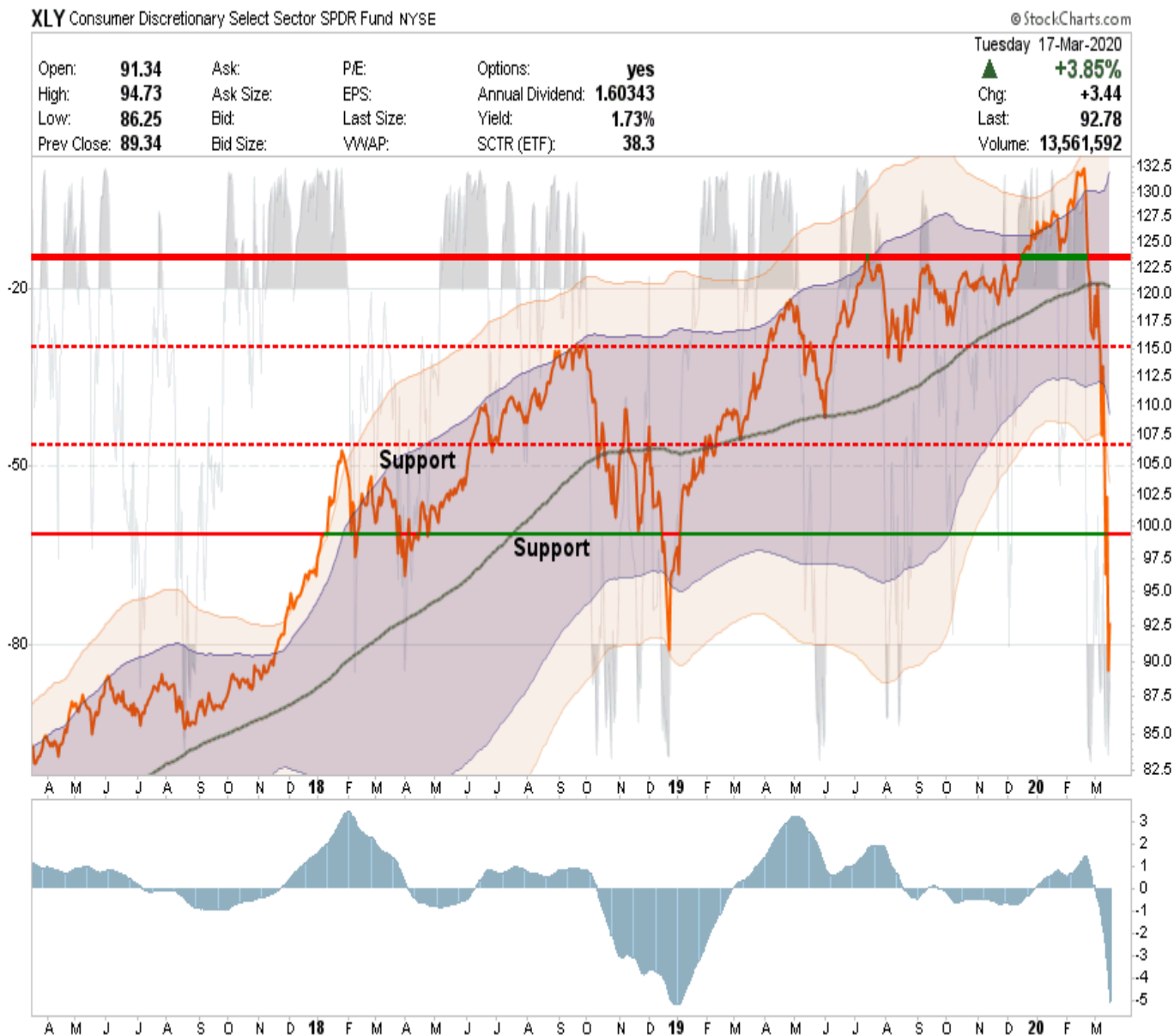
| | | | | | |
|-------------|--------------|-----------|------------|------------------|----------------|
| Open: | 83.41 | Ask: | P/E: | Options: | yes |
| High: | 87.55 | Ask Size: | EPS: | Annual Dividend: | 1.54065 |
| Low: | 82.35 | Bid: | Last Size: | Yield: | 1.77% |
| Prev Close: | 81.72 | Bid Size: | VWAP: | SCTR (ETF): | 84.0 |

| | |
|---------------------|-------------------|
| Tuesday 17-Mar-2020 | ▲ +6.28% |
| Chg: | +5.13 |
| Last: | 86.85 |
| Volume: | 27,835,754 |



- *XLV is holding support and very oversold which is encouraging.*
- *Along with the rest of the market, we would like to see a bit of a bottom form that holds before increasing our exposure.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Hold 1/2 position.*
- *Long-Term Positioning: Bullish*

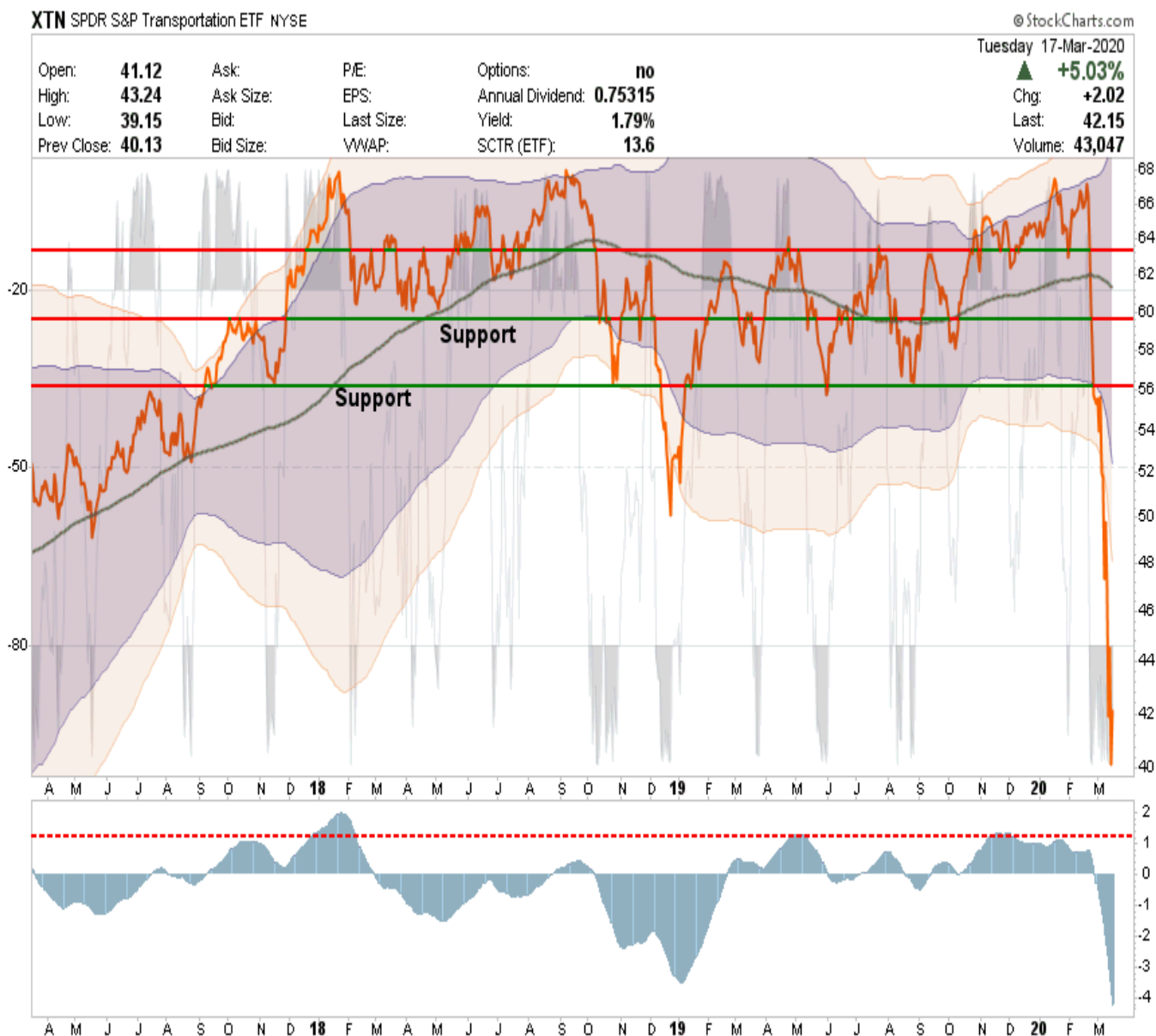
Discretionary



- *We sold the entire position previously due to exposure to the economic shutdown from the virus.�*
- *There is no reason at the moment to add the sector back until we see "some signs of life" in the economy.�*
- *We are focusing on Staples for the time being but will watch for recovery in Discretionary.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold position*
 - *This week: No position*

- Long-Term Positioning: Neutral

Transportation



- 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: Neutral