



Sector Buy/Sell Review: 04-07-20

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:

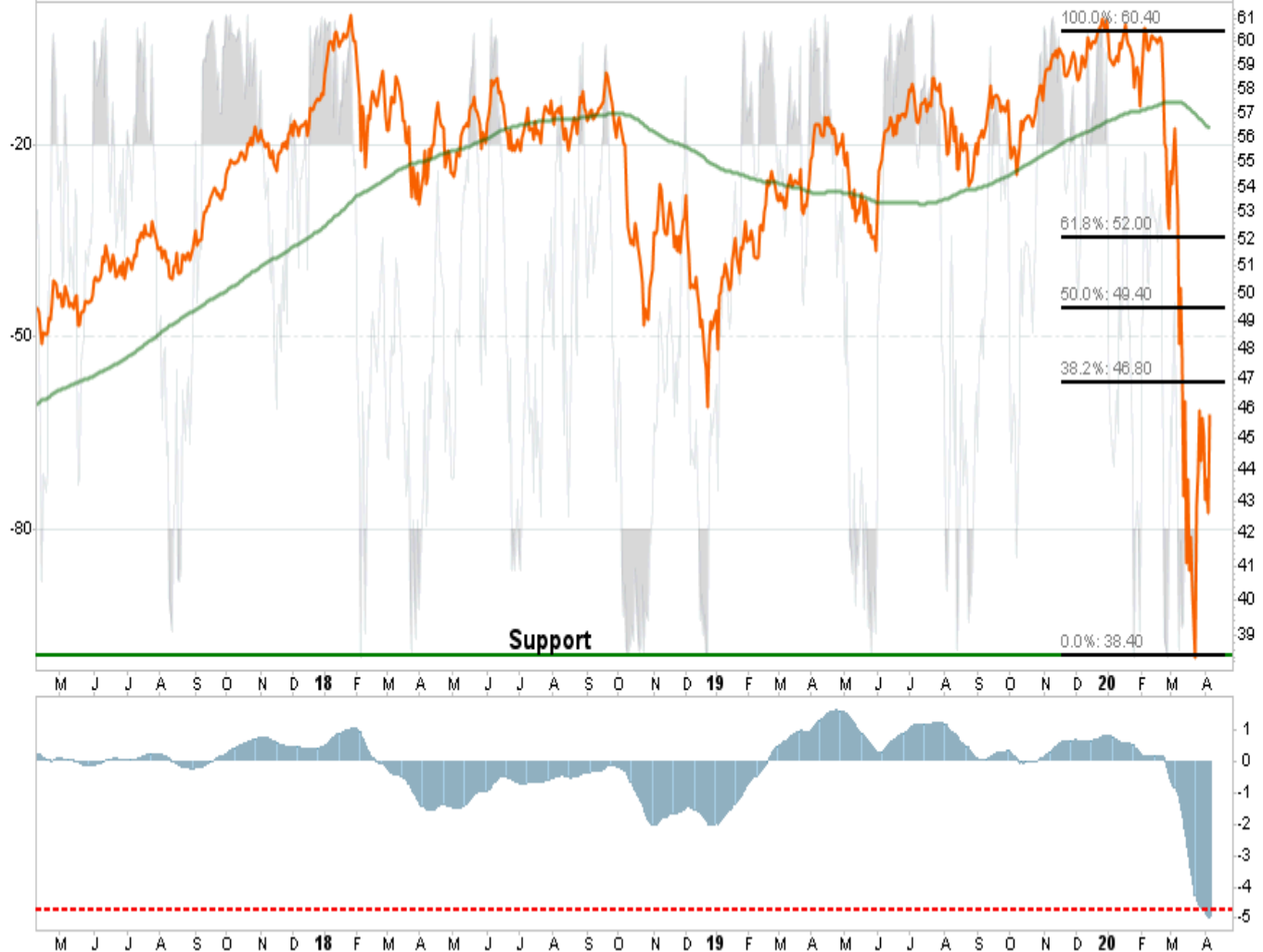
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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

Open: **44.44** Ask: P/E: Options: **yes**
 High: **46.12** Ask Size: EPS: Annual Dividend: **1.2442**
 Low: **44.44** Bid: Last Size: Yield: **2.72%**
 Prev Close: **42.61** Bid Size: VWAP: SCTR (ETF): **40.9**

Monday 6-Apr-2020
 ▲ **+7.44%**
 Chg: **+3.17**
 Last: **45.78**
 Volume: **9,088,490**



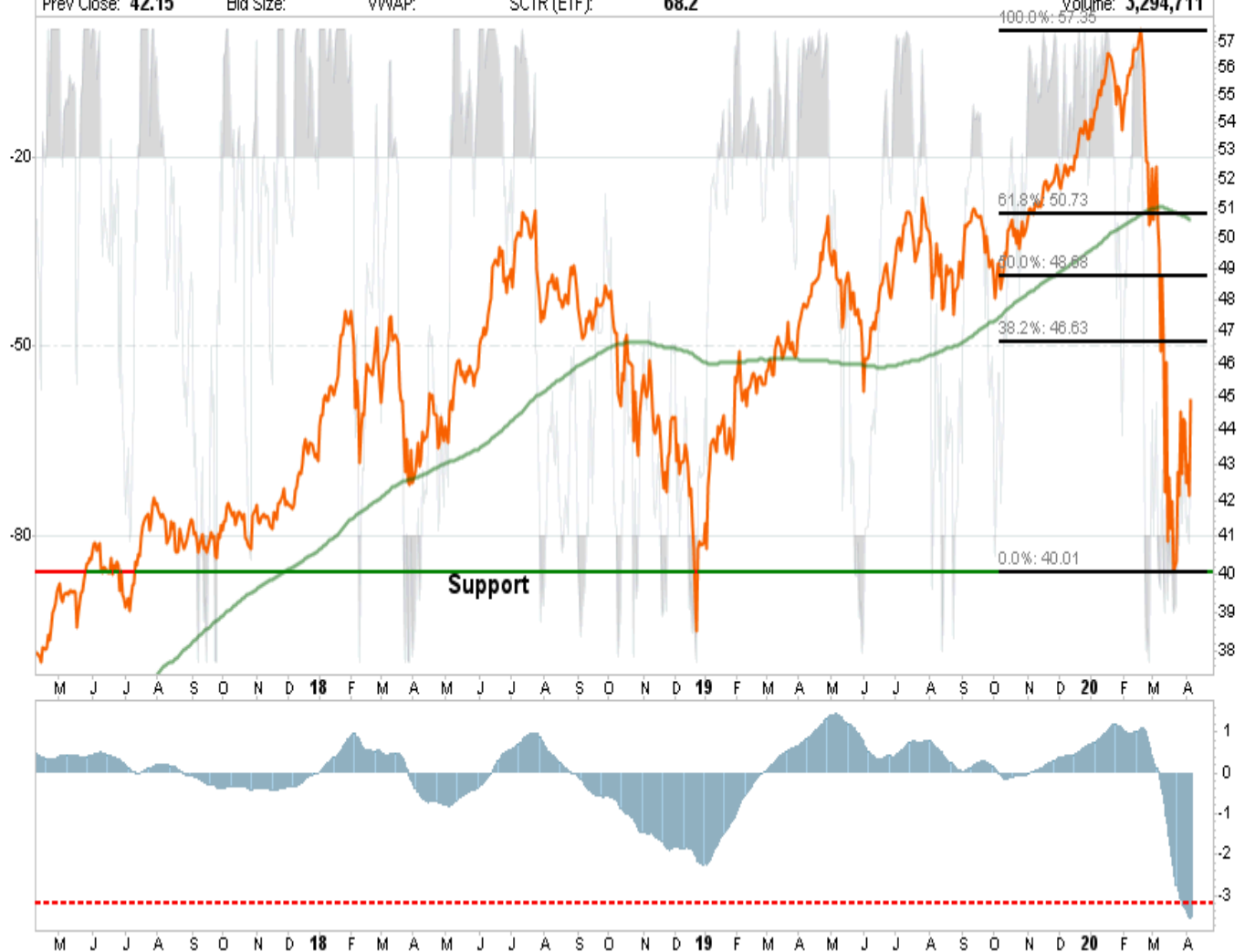
- *XLB rallied sharply on Monday but failed to close above last week's high.*
- *While XLB is extremely oversold, it is also on a very deep sell signal. The recent rally has done little to restore confidence in the sector and is lagging in terms of relative performance.*
- *We sold all of our holdings previously.*
- *Use rallies back to previous support levels to clear positions for the time being. There are too many unknowns currently, and just way too early, to assume a bottom is in.*
- *Short-Term Positioning: Bearish*
 - *Last Week: No Positions*
 - *This Week: No Positions*
- *Long-Term Positioning: Bearish*

Communications

Monday 6-Apr-2020

Open: **43.73** Ask: P/E: Options: **yes**
 High: **45.17** Ask Size: EPS: Annual Dividend: **0.46688**
 Low: **43.48** Bid: Last Size: Yield: **1.04%**
 Prev Close: **42.15** Bid Size: VWAP: SCTR (ETF): **68.2**

▲ **+6.60%**
 Chg: **+2.78**
 Last: **44.93**
 Volume: **3,294,711**



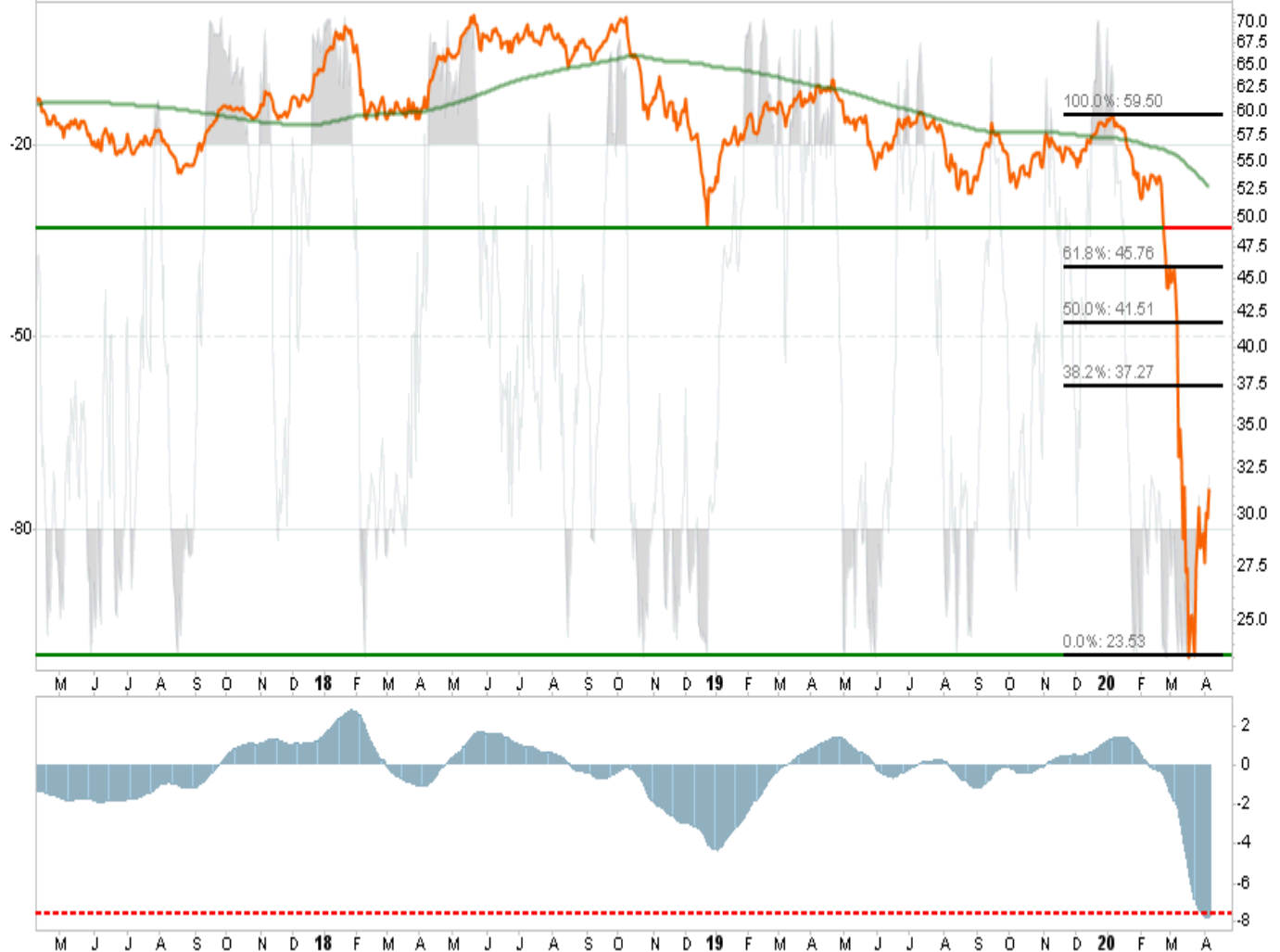
- XLC is deeply oversold and is performing better than the overall market. We added to this area recently and there is currently upside to the 38.2% retracement level.
- Currently on a sell signal, and deeply oversold, we like the more defensive quality of the sector for now as Communications has an "anti-virus" bid to it.
- The rally on Monday did close above last week's high, but the overall rally underperformed Monday's market surge.
- Short-Term Positioning: Bullish
 - Last Week: Hold positions
 - This Week: Added to holdings up to 3%.
- Long-Term Positioning: Neutral

Energy

Monday 6-Apr-2020

Open: **30.50** Ask: P/E: Options: **yes**
 High: **31.62** Ask Size: EPS: Annual Dividend: **2.29602**
 Low: **30.09** Bid: Last Size: Yield: **7.31%**
 Prev Close: **29.83** Bid Size: VWAP: SCTR (ETF): **5.5**

▲ **+5.30%**
 Chg: **+1.58**
 Last: **31.41**
 Volume: **37,917,408**



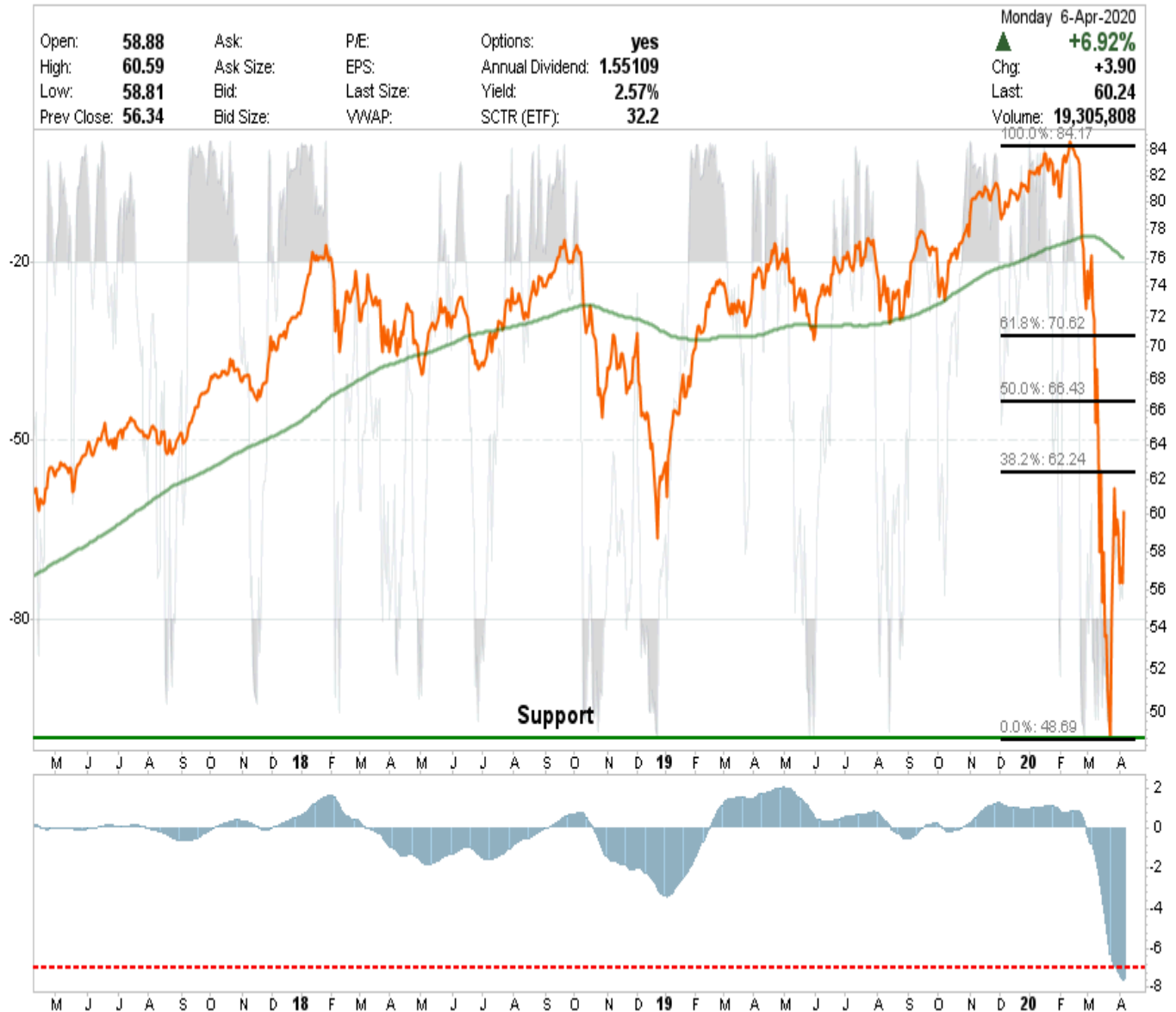
- For now, use rallies in energy to clear positions BUT we want to watch for a bottoming process to begin building long-term exposure. 2013266080;
- The rally on Monday was very positive as it broke above last week's high, however, the exuberance over a deal from Saudi Arabia and Russia is premature. This is particularly the case given both countries have "shale" drillers on the ropes. 2013266080;
- Be patient, we have plenty of time to do this correctly. 2013266080;
- Short-Term Positioning: Bearish
 - Last week: Sell into rally.
 - This week: Sell into rally.
 - No position currently
- Long-Term Positioning: Bearish

Financials



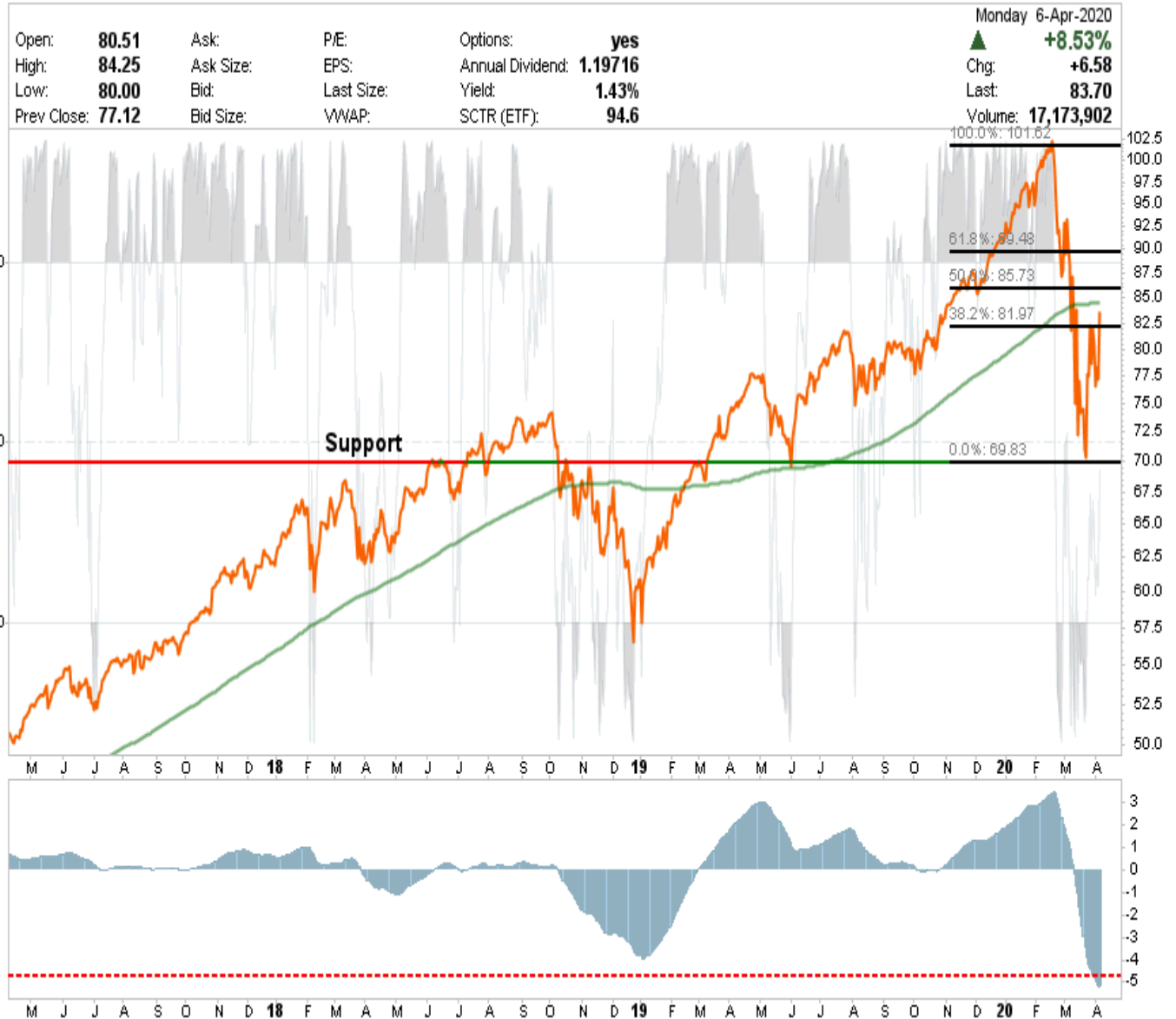
- Financials are rallying on hopes of a turnaround, but there is a LOT of credit risk outstanding currently which is going to hurt their balance sheets and earnings.�
- Financials are being impacted by both the a credit crisis stemming from the energy sector, rising defaults from a crashing economy, and "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.�
- Sell on any rally.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Neutral

Industrials



- As with XLB, so goes XLI.
- XLI had a good rally on Monday, but that rally underperformed the broader market and failed to move above last week's highs.
- We sold all of our holdings previously and will opt to wait for a better market structure to move back into the sector. 2013266080;
- Short-Term Positioning: Bearish
 - Last week: No position.
 - This week: No position.
- Long-Term Positioning: Bearish

Technology



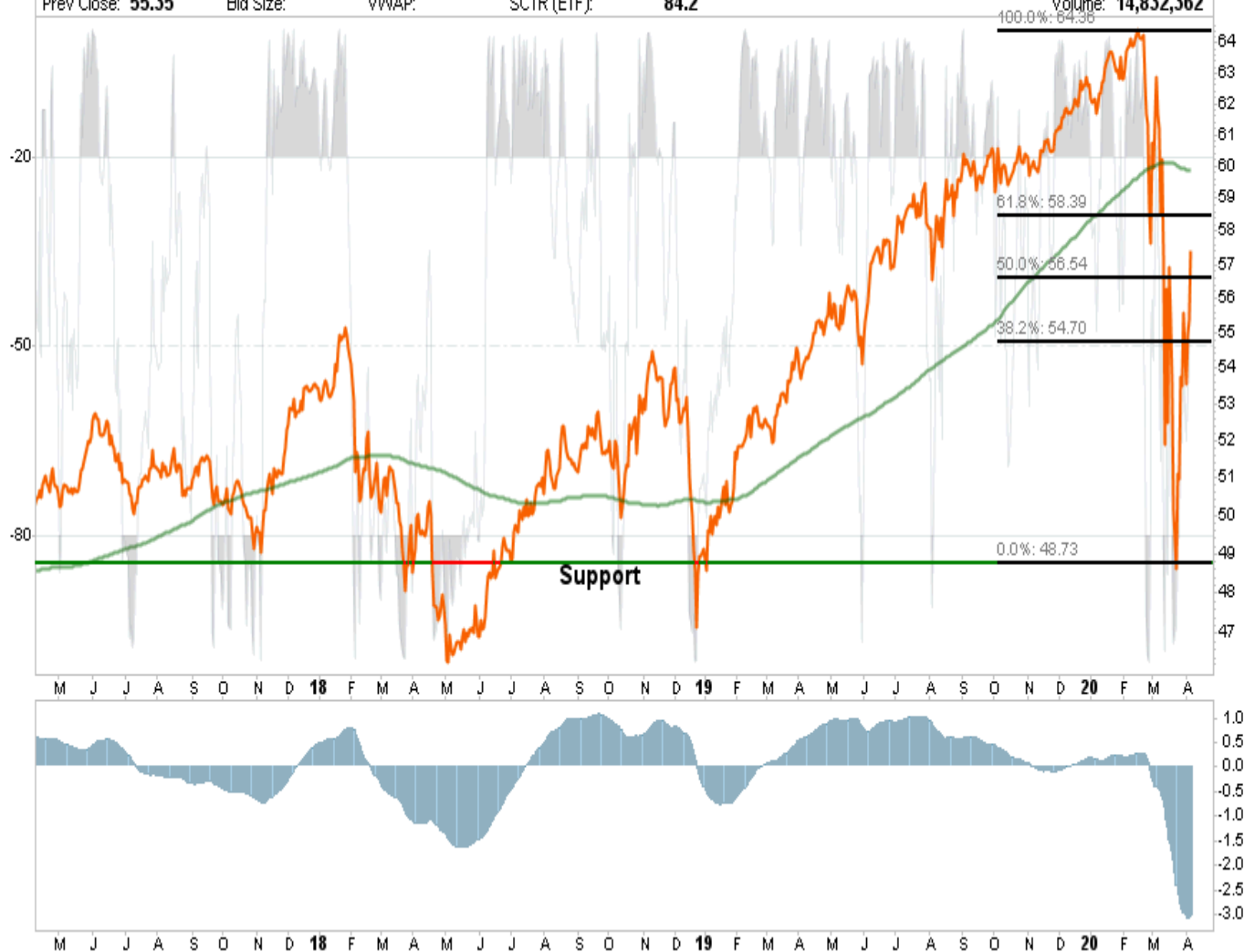
- We recently added to our Technology holdings which technically is the best looking chart available.
- The rally on Monday cleared both last week's high AND the 38.2% retracement.
- If we get a pullback that holds that support level OR closes above the 200-dma, we will add more weight to the sector for now.
- Short-Term Positioning: Bullish
 - Last week: Holding positions.
 - This week: Holding positions.
 - Long-Term Positioning: Bullish

Staples

Monday 6-Apr-2020

Open: 56.73	Ask:	P/E:	Options: yes
High: 57.81	Ask Size:	EPS:	Annual Dividend: 1.60647
Low: 55.92	Bid:	Last Size:	Yield: 2.80%
Prev Close: 55.35	Bid Size:	VWAP:	SCTR (ETF): 84.2

▲ **+3.72%**
 Chg: **+2.06**
 Last: **57.41**
 Volume: **14,832,362**

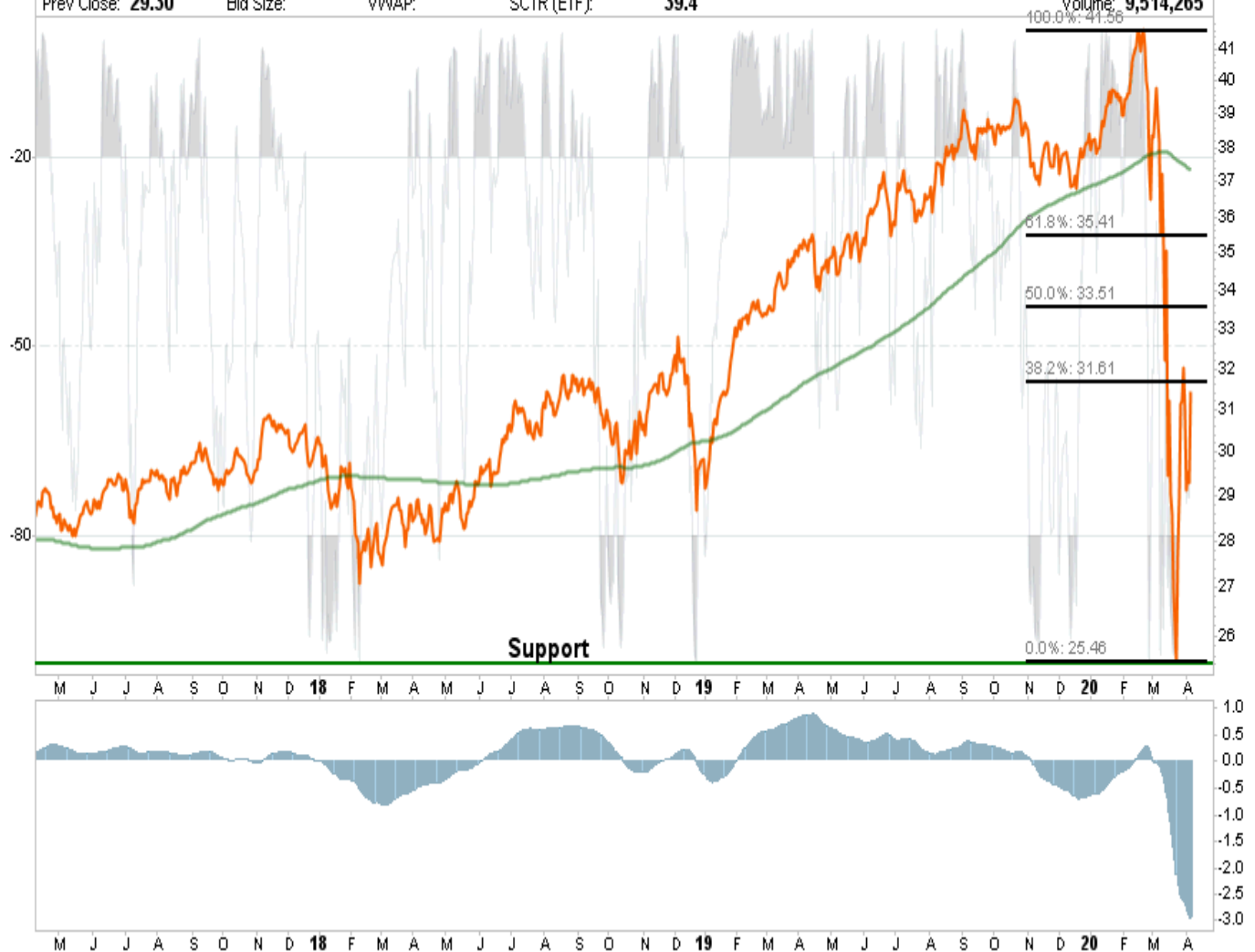


- XLP also has a very good technical setup currently. The rally on Monday cleared last week's highs and the 50% retracement level.™
- Look for a pullback to either the 38.5 or 50% retracement levels to add to positions.™
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Look to add 1/2 position on a pullback.
 - Long-Term Positioning: Bullish

Real™;Estate

Open: **30.41** Ask: P/E: Options: **yes**
 High: **31.55** Ask Size: EPS: Annual Dividend: **1.18107**
 Low: **30.41** Bid: Last Size: Yield: **3.76%**
 Prev Close: **29.30** Bid Size: VWAP: SCTR (ETF): **39.4**

Monday 6-Apr-2020
 ▲ **+7.24%**
 Chg: **+2.12**
 Last: **31.42**
 Volume: **9,514,265**

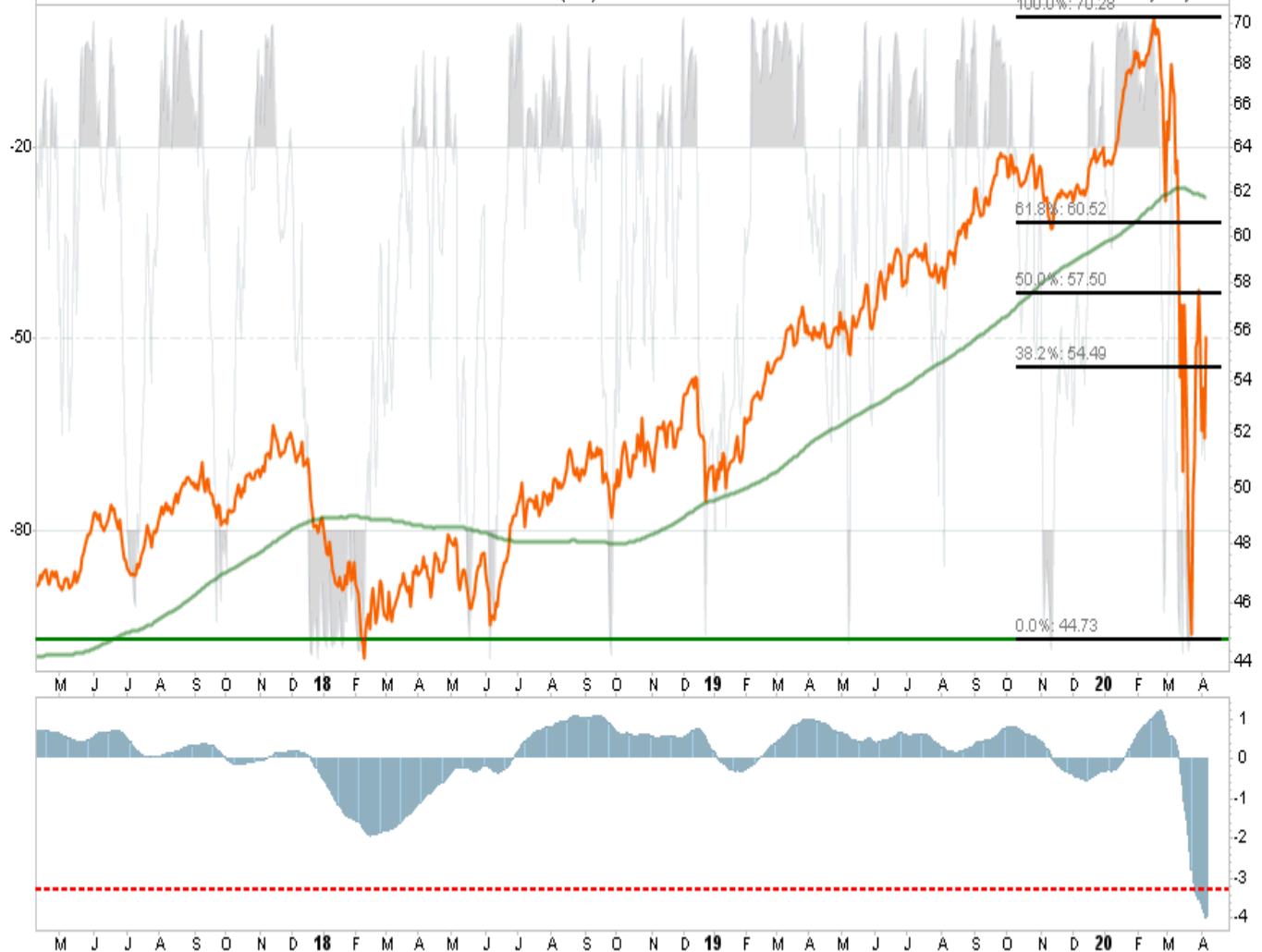


- *XLRE has recently rallied back to the 38.2% retracement level, and has failed to close at that level.*
- *The rally on Monday was solid, but failed to close above last week's highs.*
- *There is a lot of credit risk in the sector and we are going to add back to REIT's opportunistically.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold position.*
 - *This week: Add holdings on a pullback to previous lows.*
- *Long-Term Positioning: Bullish*

Utilities

Open: **53.69** Ask: P/E: Options: **yes**
 High: **56.35** Ask Size: EPS: Annual Dividend: **1.95274**
 Low: **53.69** Bid: Last Size: Yield: **3.50%**
 Prev Close: **51.79** Bid Size: VWAP: SCTR (ETF): **60.1**

Monday 6-Apr-2020

▲ **+7.72%**Chg: **+4.00**Last: **55.79**Volume: **20,675,692**

- We noted last week: "XLU rebounded nicely over the last week back to the 50% retracement level. This is the level where most retracements fail."
- That is precisely what happened as XLU pulled back and Monday's rally failed to get it back to resistance.
- Look to add to XLU on a pullback to recent lows that holds.
- Short-Term Positioning: Bullish
 - Last week: Hold position.
 - This week: Add on pullback to support.
- Long-Term Positioning: Bullish

Health�Care

Open: **89.54** Ask: P/E: Options: **yes**
 High: **91.85** Ask Size: EPS: Annual Dividend: **1.58174**
 Low: **89.14** Bid: Last Size: Yield: **1.73%**
 Prev Close: **86.78** Bid Size: VWAP: SCTR (ETF): **92.2**

Monday 6-Apr-2020
 ▲ **+5.24%**
 Chg: **+4.55**
 Last: **91.33**
 Volume: **13,448,211**



- *XLV held support and rebounded nicely back to, and broke above, the 50% retracement level.*
- *Look for a short-term pullback that holds the 50% retracement level support AND / OR recent lows to take the position to full weight.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Look to add on pullback.*
- *Long-Term Positioning: Bullish*

Discretionary

Open: **95.79** Ask: P/E: Options: **yes**
 High: **100.63** Ask Size: EPS: Annual Dividend: **1.65172**
 Low: **95.79** Bid: Last Size: Yield: **1.65%**
 Prev Close: **92.41** Bid Size: VWAP: SCTR (ETF): **49.8**

Monday 6-Apr-2020

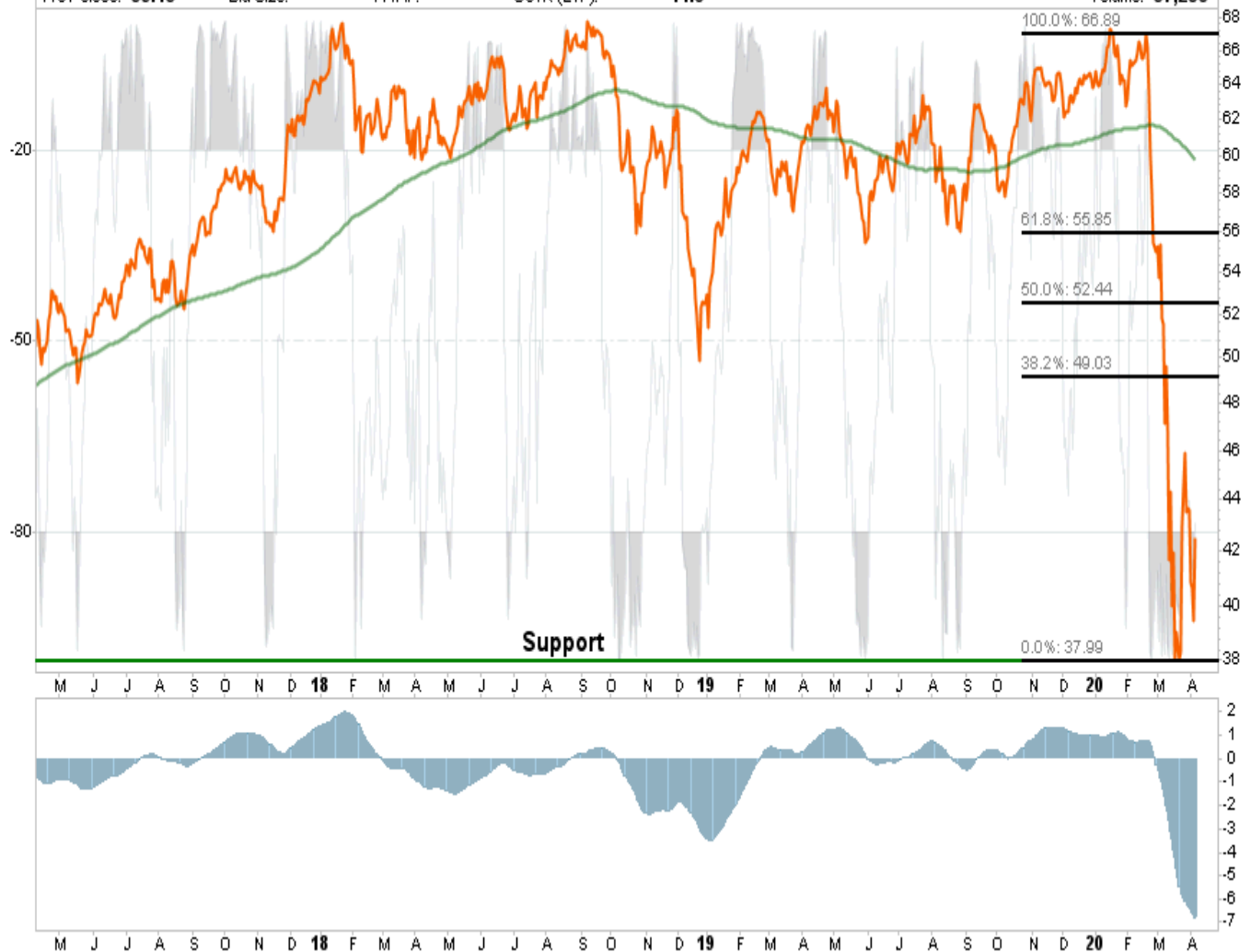
▲ **+8.32%**Chg: **+7.69**Last: **100.10**Volume: **5,301,444**

- 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

Monday 6-Apr-2020

Open: **41.50** Ask: P/E: Options: **no**
 High: **42.69** Ask Size: EPS: Annual Dividend: **0.79909**
 Low: **41.17** Bid: Last Size: Yield: **1.88%**
 Prev Close: **39.43** Bid Size: VWAP: SCTR (ETF): **14.6**

▲ **+7.81%**Chg: **+3.08**Last: **42.51**Volume: **37,250**

- 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