

Sector Buy/Sell Review: 04-09-19

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:

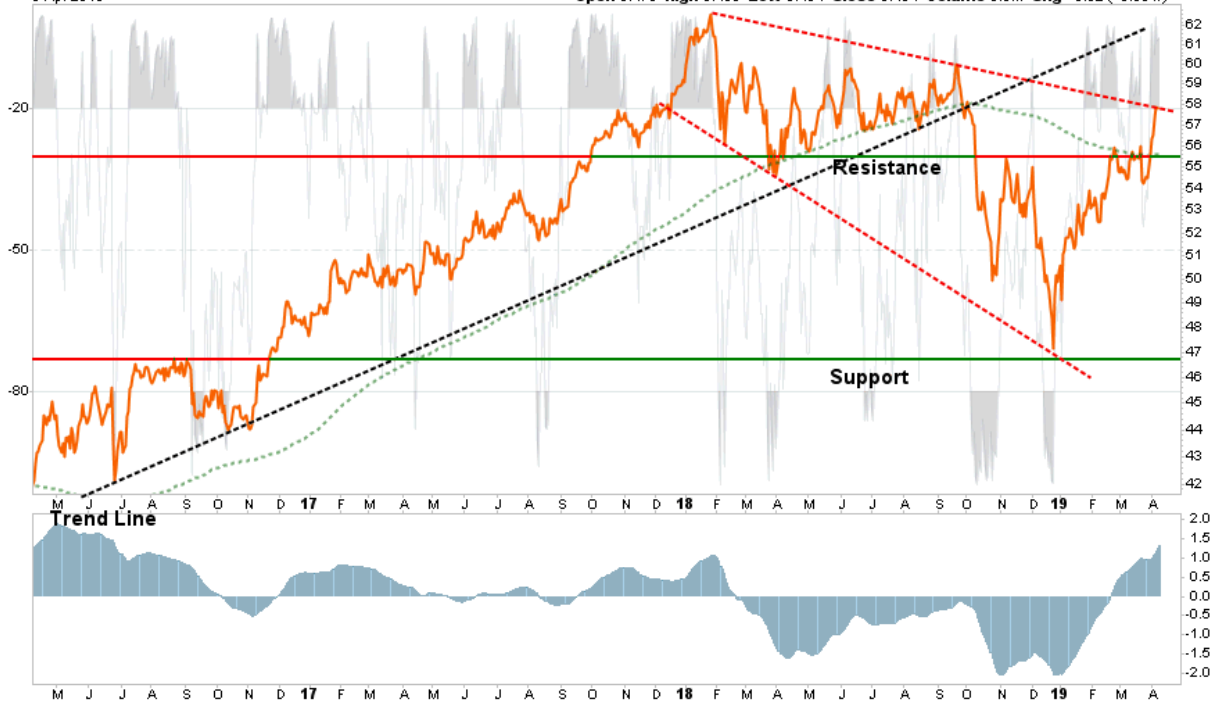
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



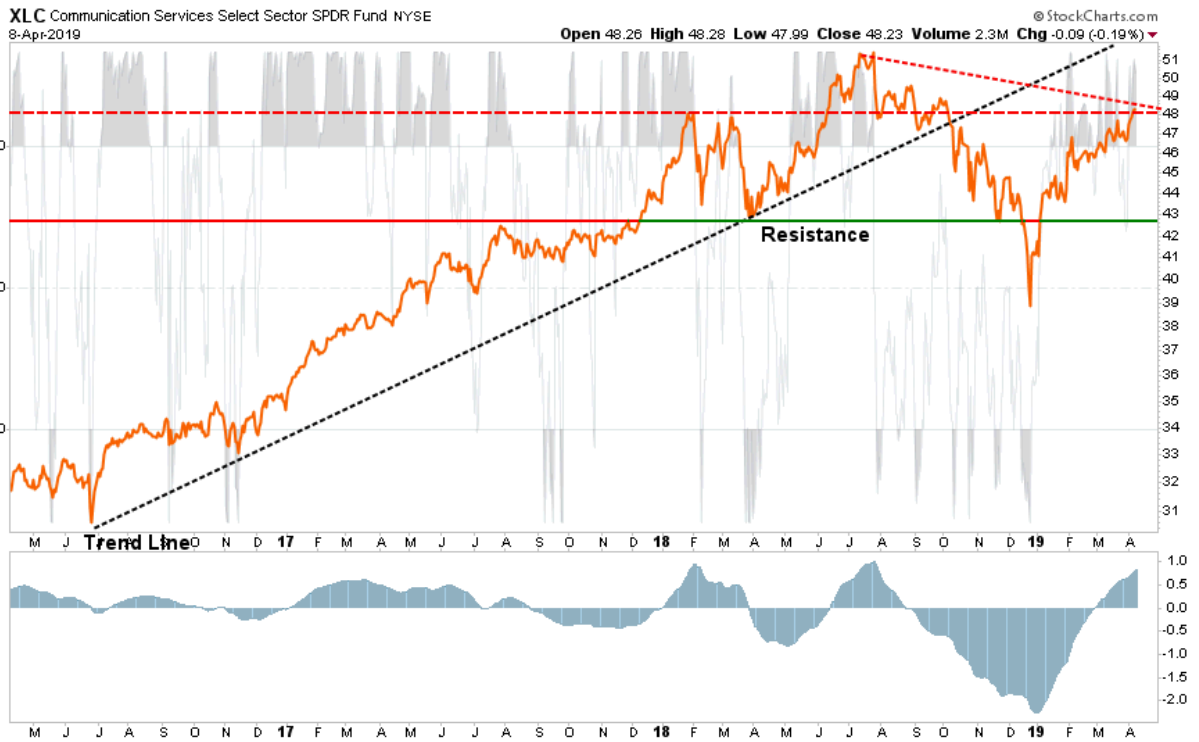
With this basic tutorial let's get to the sector analysis.

Basic�Materials



- The recent "catch up" rally over the last couple of weeks has pushed XLB into the top of its downtrend resistance.
- The "buy" signal has now gotten extremely extended.
- As noted previously, the breakout cleared the path for a move higher. However, the move is now likely complete.
- Take profits and rebalance back to target weights..
- Short-Term Positioning: Neutral
 - Last Week: Added to position to take to model weight.
 - This Week: Rebalance to target weight but hold position for now.
 - Stop-loss moved up to \$55.
- Long-Term Positioning: Bearish

Communications



- XLC has rallied to resistance and stalled.
- With the current "buy" signal very extended, and the sector very overbought, be patient for a better entry point.
- Short-Term Positioning: Neutral
 - Last Week: Recommended to "hold" 1/2 position
 - This Week: Hold 1/2 position
 - Stop-loss moved up to \$46
- Long-Term Positioning: Bearish

Energy



- XLE broke above the 200-dma and has retested that support and held.

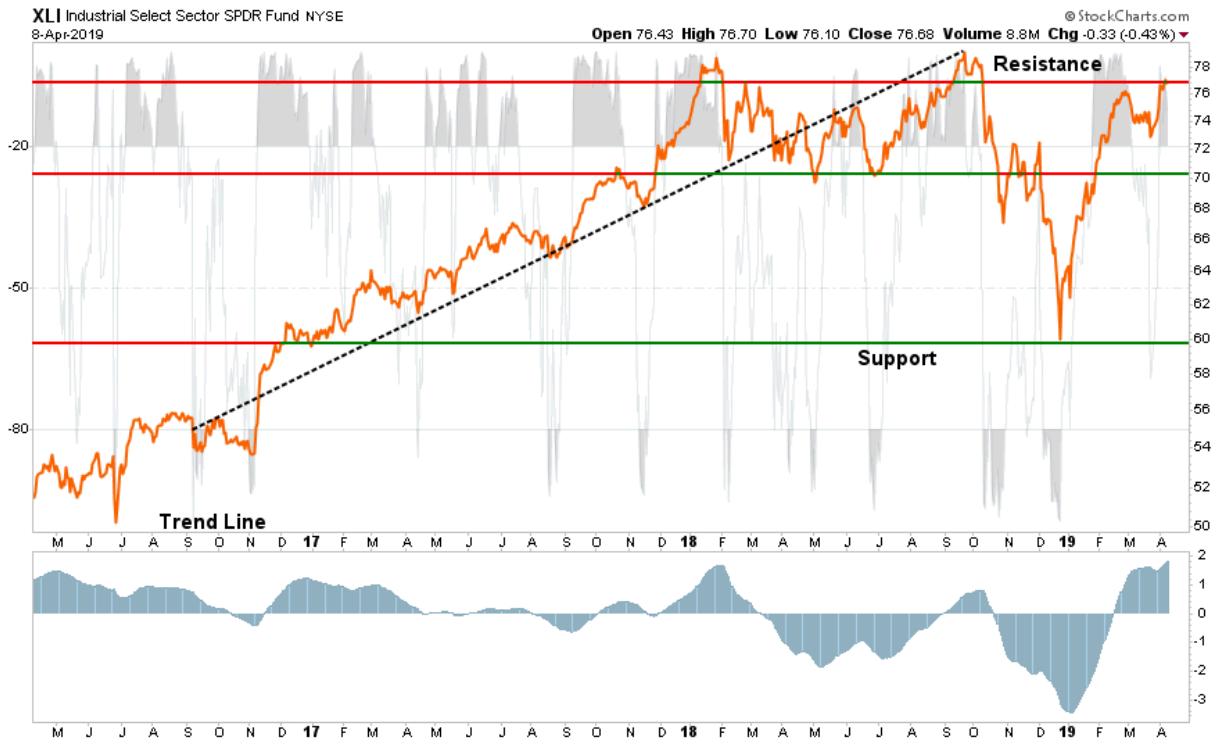
- *Sell-signal (bottom panel) has reversed to a "buy signal"*
- *Currently, XLE has reversed back up to extreme overbought short-term.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold 1/2 position.*
 - *This week: Hold and wait for a pullback to support, or a break out, to add.*
 - *Stop-loss moved up to \$64*
- *Long-Term Positioning: Bearish*

Financials



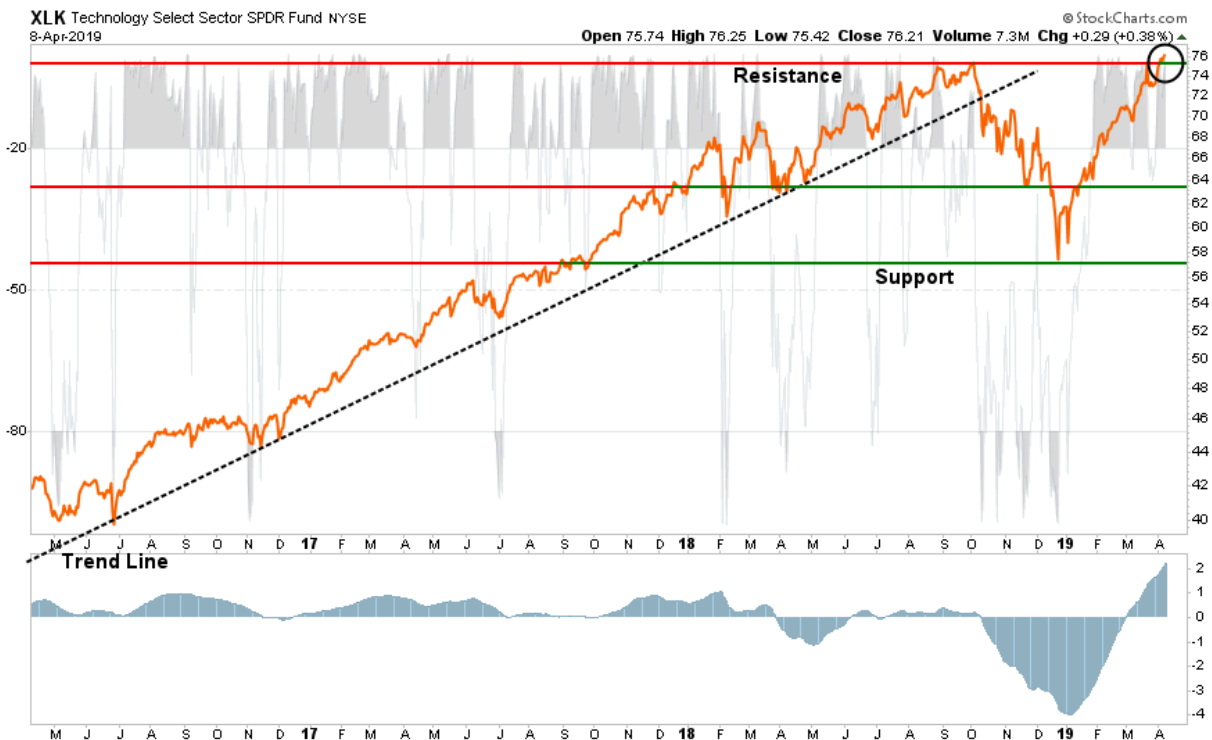
- *XLF failed at resistance but did hold critical support and bounced last week, which as we discussed previously, was incredibly important.*
- *While a "buy" signal has been triggered (bottom panel) the recent rally has pushed into important resistance.*
- *XLF has reversed from oversold but is not yet completely overbought.*
- *Short-Term Positioning: Neutral*
 - *Last week: Recommended "hold" 1/2 position*
 - *This week: Hold 1/2 position, add on a breakout above \$27.*
 - *Stop-loss moved up to \$25.00*
- *Long-Term Positioning: Bearish*

Industrials



- We noted previously that XLI had rallied sharply on hopes of a resolution on trade. However, whatever deal is struck, it has likely already been priced in.
- Buy signal in lower panel is very extended . However, the rally last week sent industrials screaming back to previous resistance. It is important for industrials to break above resistance.
- XLI has completely reversed back to overbought as well.
- Short-Term Positioning: Bullish
 - Last week: Recommended "hold" 1/2 position
 - This week: Rebalance holdings. Hold 1/2 position, we missed the opportunity to add to our position previously. Add on a breakout above resistance that holds.
 - Stop-loss moved up to \$72
- Long-Term Positioning: Neutral

Technology



- Currently XLK is on a "Buy" signal (bottom panel) but that signal is "crazy" extended.
- However, the good news is that four sectors have broken out to all-time highs and technology is one of them. **This is suggesting the overall market will break out to new highs as well.**
- There is no resistance overhead so this makes the previous resistance level now incredibly important support.
- Short-Term Positioning: Bullish
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position, Add on test of previous resistance.
 - Stop-loss moved up to \$70
- Long-Term Positioning: Neutral

Staples



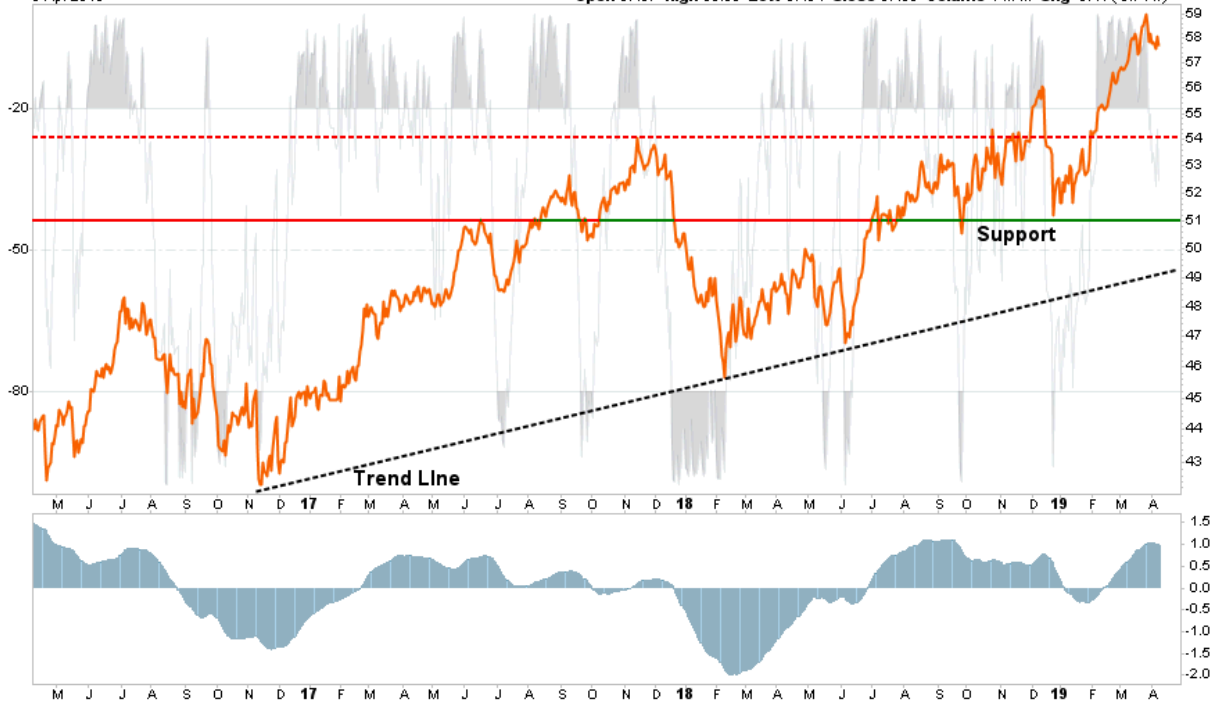
- After breaking above the 400-dma, XLP broke above resistance and is now approaching all-time highs. The chase for defensive holdings remains concerning giving the current market backdrop.
- XLP has triggered a "buy" signal (lower panel)
- Currently still overbought, however the pullback to \$54-\$54.50 can be used to add exposure.
- Short-Term Positioning: Bullish
 - Last week: Holding full position.
 - This week: Hold position
 - Stop-loss moved up to \$53
- Long-Term Positioning: Bullish

RealEstate



- Real estate continues to remain incredibly extended to the upside, along with utilities (XLU), as the "defensive" play in markets continue. Take profits and be careful. (This also goes for Staples, Discretionary, and Technology as noted above.)
- There has not been a decent risk/reward opportunity to increase exposure.
- Buy signal has reached extreme levels (bottom panel)
- Remains at more extreme overbought condition short-term. (top panel)
- Short-Term Positioning: Bullish
 - Last week: "Hold" 1/2 position
 - This week: Hold 1/2 position
 - Add on any weakness that works off over-bought condition or holds support at \$34
 - Stop-loss adjusted to \$33.50
- Long-Term Positioning: Bullish

Utilities



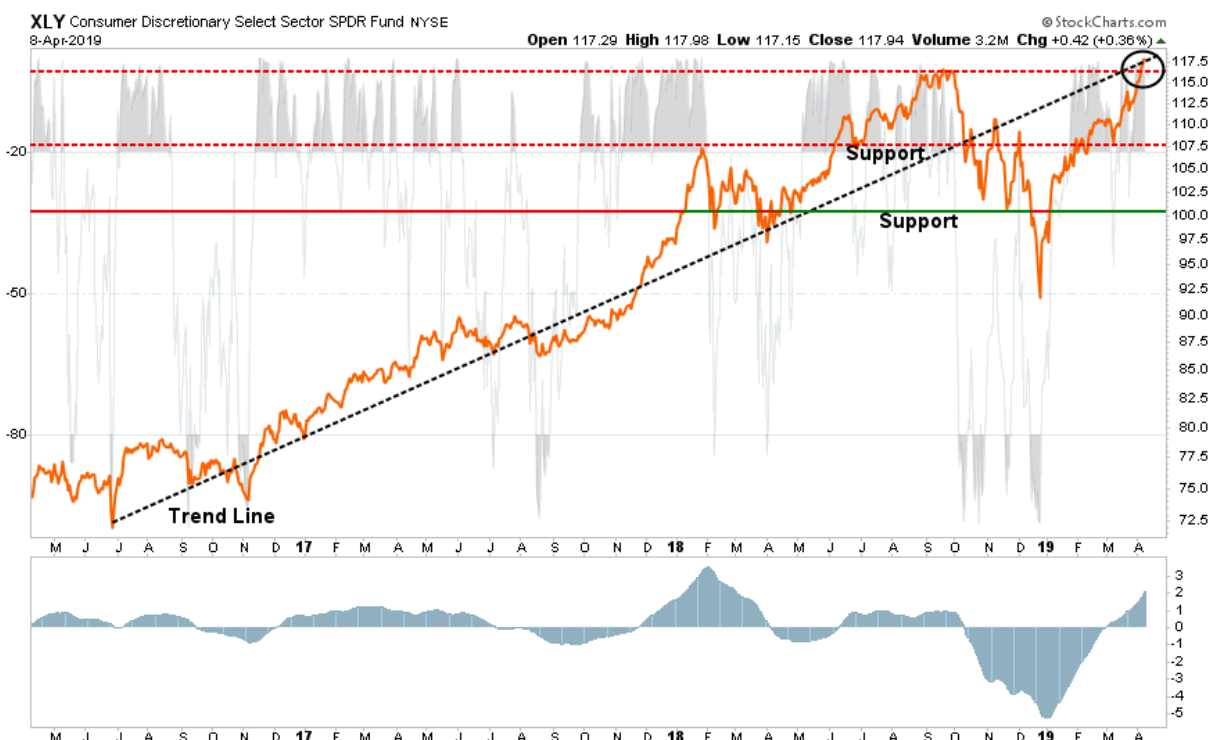
- XLU has finally taken a breather from its recent advance as rates have temporarily reversed higher.
- Long-term trend line remains intact but is so extended now, it will correct,.
- Previous support continues to hold.
- Buy signal has been registered.. (bottom panel)
- Back to extreme overbought conditions.
- Short-Term Positioning: Bullish
 - Last week: Rebalance holdings and continue to hold.
 - This week: If you didn't take profits last week, do so now and hold target weight.
 - Stop-loss moved up to \$54 and we are approaching our target of \$60 from January
- Long-Term Positioning: Bullish

Health�Care



- Sell-signal (bottom panel) is being reversed but has not yet flipped to a "buy signal."
- The current overbought condition is being worked off slowly.
- XLV is holding support currently at the long-term uptrend line but is trapped below recent highs.
- Short-Term Positioning: Neutral
 - Last week: Hold current position.
 - This week: Hold current position.
 - Stop-loss remains at \$89
- Long-Term Positioning: Neutral

Discretionary



- XLY broke through to all-time highs...which is interesting given the recent slow down in retail sales (somebody isn't paying attention to the data.)
- Previous support was successfully tested in recent sell off.
- A "buy" signal has been registered (lower panel)
- Extreme overbought conditions currently limit upside.
- The recent correction to \$108 hit our target to add exposure.
- Short-Term Positioning: Neutral
 - Last week: Hold current position.
 - This week: Hold current position
 - Stop-loss moved up to \$110
- Long-Term Positioning: Neutral

Transportation



- Previous support failed in recent sell-off.
- The rally last week, while nice, is still confined to the current downtrend line.
- Buy signal. (bottom panel) is maintaining itself currently...but barely.
- The short-term oversold condition has almost been completely reversed.
- The "sell stop" was triggered previously. No real need to rush back into adding a new position. We will watch and see what happens.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Bearish