

# Sector Buy/Sell Review: 04-23-19

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.



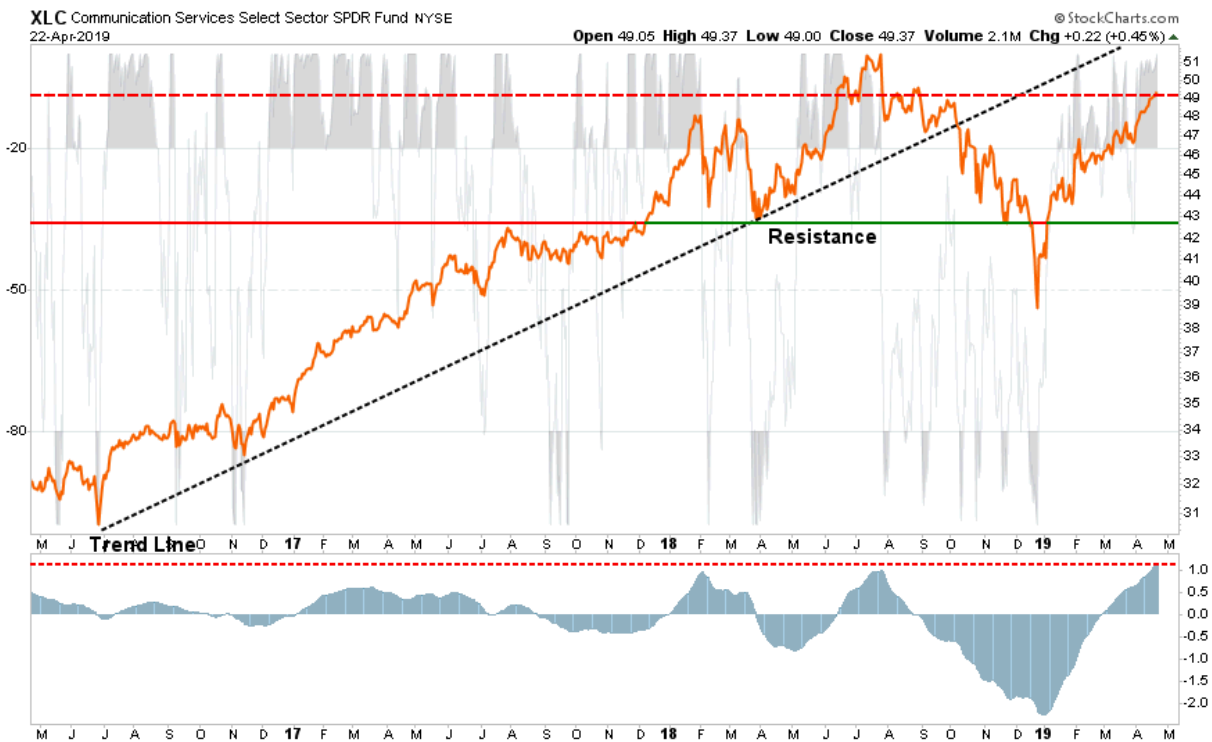
With this basic tutorial let's get to the sector analysis.

## 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 by the horizontal dashed red line.
- 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: Hold position.
  - This Week: Hold position.
  - Stop-loss moved up to \$55.
- Long-Term Positioning: Bearish

## Communications



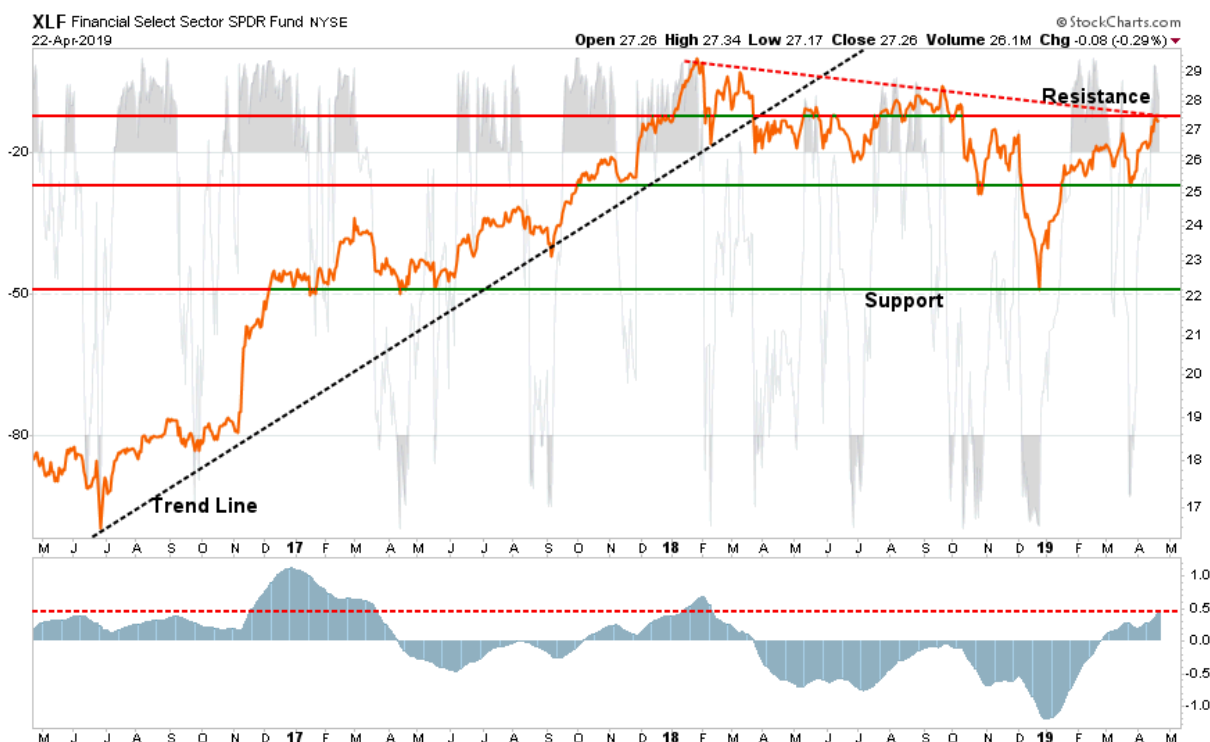
- XLC has rallied above resistance with the market as of late particularly as FB and GOOG have performed better since the December lows.
- With the current "buy" signal very extended, and the sector very overbought, be patient for a better entry point.
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 position
  - This Week: Hold 1/2 position
  - Stop-loss moved up to \$46
- Long-Term Positioning: Bearish

## Energy



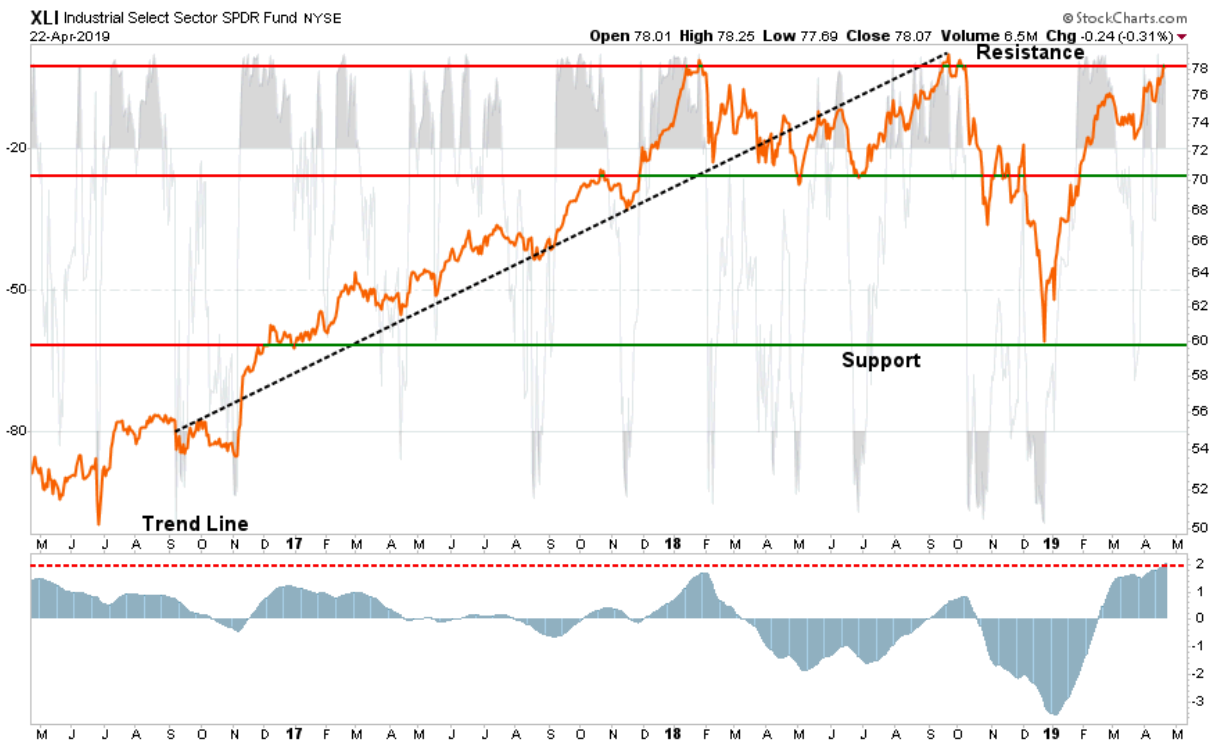
- With the recent rally in oil prices, XLE has pushed up into further resistance back at the November highs.
- The current "buy signal" remains intact but the signal is starting to become extended along with an extremely overbought condition in the market.
- Short-Term Positioning: Neutral
  - Last week: Hold 1/2 position.
  - This week: Hold and wait for a pullback to support to add.
  - Stop-loss moved up to \$64
- Long-Term Positioning: Bearish

## Financials



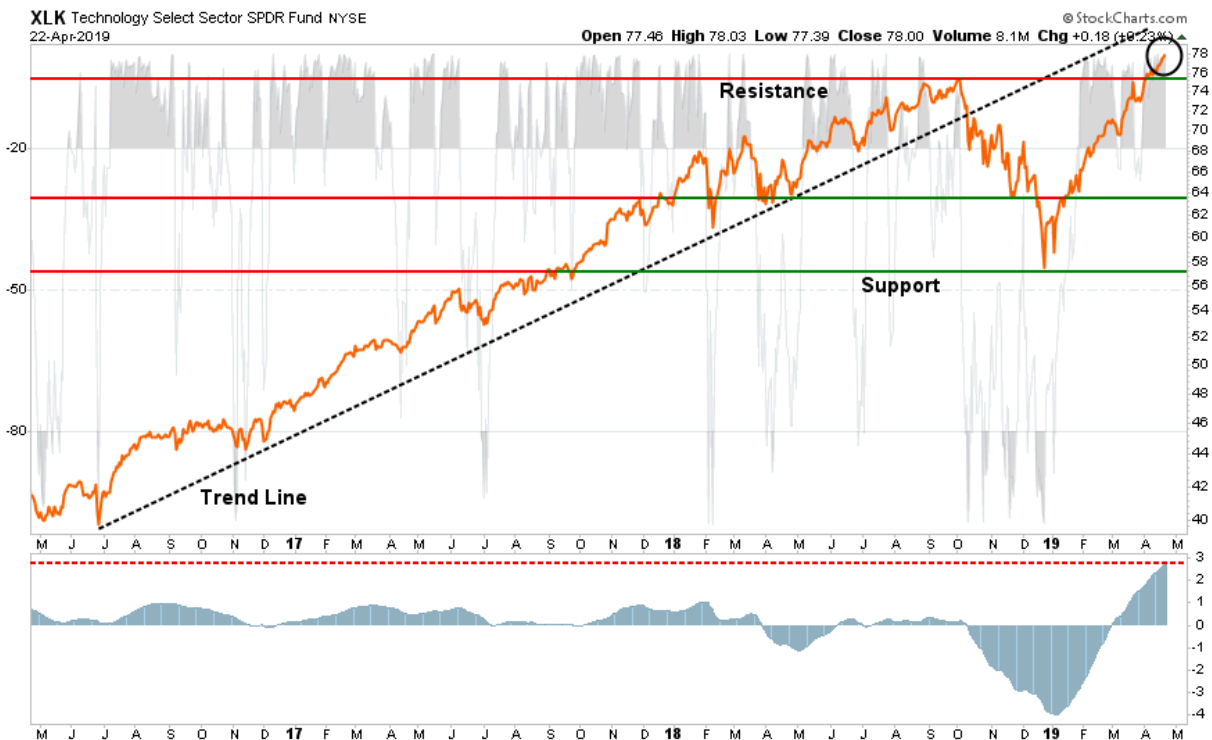
- XLF did hold critical support and bounced previously and has rallied into resistance on better than expected earnings from JPM and others.
- While a "buy" signal has been triggered (bottom panel) the recent rally has pushed sector back to overbought.
- Short-Term Positioning: Neutral
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position, add on a pullback to \$26
  - 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 and at the highest levels we have seen in recent history.
- XLI has completely reversed back to overbought as well and is currently testing previous tops.
- Short-Term Positioning: Bullish
  - Last week: Recommended "rebalance" and "hold" 1/2 position
  - This week: Rebalance holdings. Hold 1/2 position.
  - 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 like many other sectors of the market.
- However, the good news is XLK has broken out to all-time highs which continues to suggest that **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 levels which will become support.
  - Stop-loss moved up to \$70
- Long-Term Positioning: Neutral

## Staples



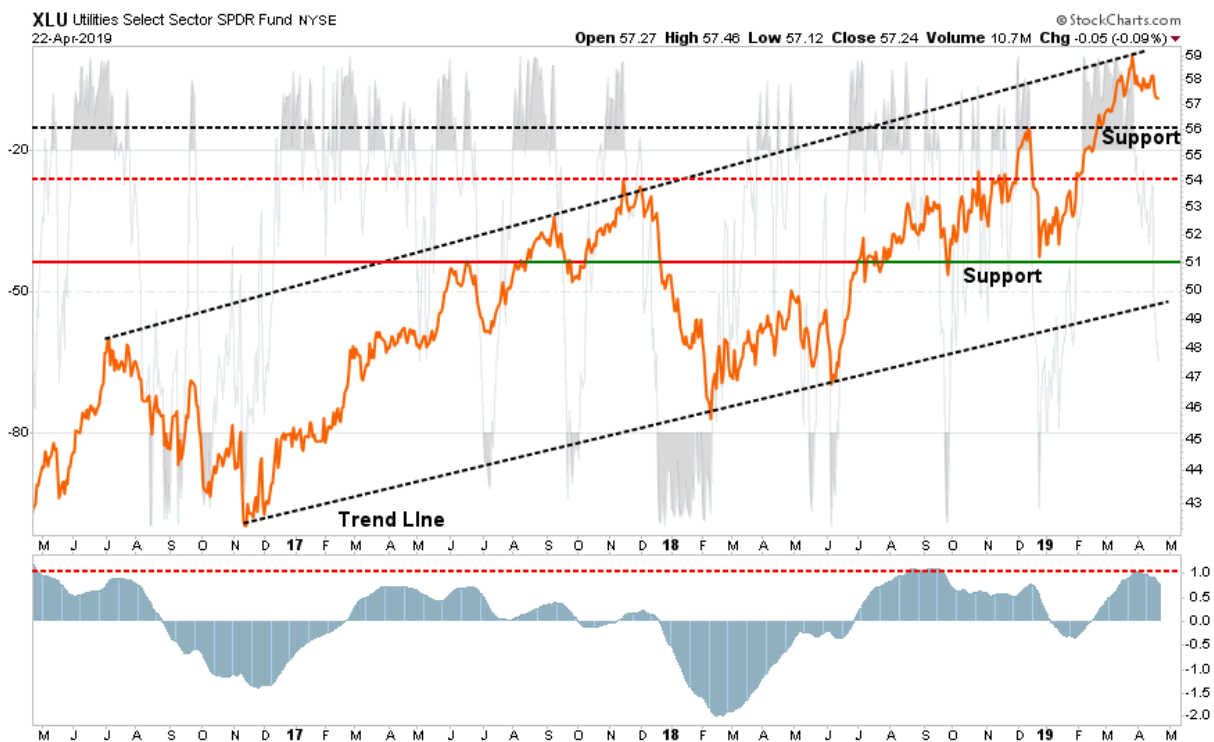
- XLP has finally pushed out to all-time highs joining both XLY and XLK. The chase for defensive holdings remains concerning giving the current market backdrop.
- XLP's "buy" signal (lower panel) is back to extreme levels. So, taking profits is advised.
- Currently still overbought, however the pullback to \$54-\$54.50 can be used to add exposure.
- Short-Term Positioning: Bullish
  - Last week: Holding full position.
  - This week: Hold position but take profits and rebalance.
  - Stop-loss moved up to \$53.50
- Long-Term Positioning: Bullish

## RealEstate;Estate



- Finally, Real Estate has started to take a bit of a "breather" along with Utilities (XLU) after an impressive and extremely extended run. \*\* This will happen with the rest of the sectors that are in the same condition in time.
- We recommended taking profits and rebalancing risk. That is still advisable.
- Buy signal has reached extreme levels (bottom panel) and the highest seen in recent history and is now reversing. This will set up an opportunity to add XLRE to portfolios here soon.
- Overbought condition is correcting. Be patient.
- 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



- Like Real Estate above, XLU has finally taken a breather from its recent advance but not much of one.
- Long-term trend line remains intact.
- Previous support continues to hold.
- Buy signal is beginning to work off some of the excess. (bottom panel)
- Recent correction was not enough to work off much of previous overbought condition, yet.
- 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, we got to within \$1 of our \$60 target from January
- Long-Term Positioning: Bullish

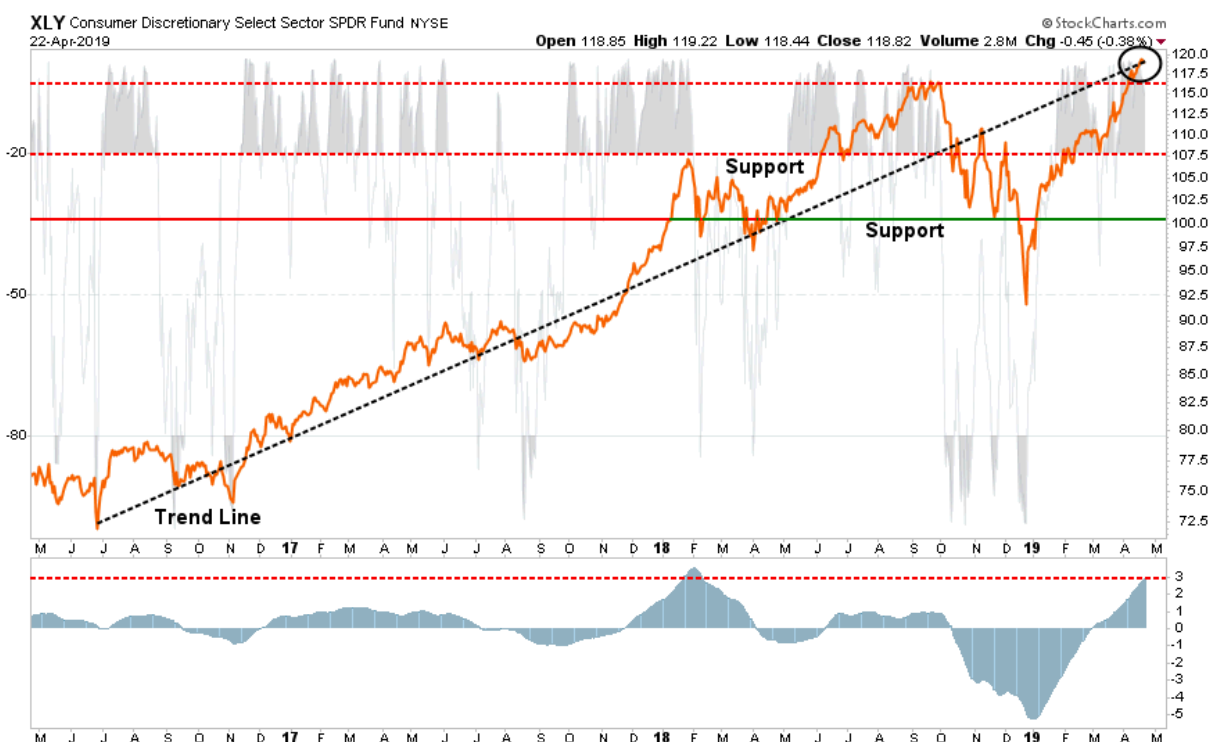
## Health&#2013266080;Care





- *Sell-signal (bottom panel) remains intact currently and previous support has been broken.*
- *With the sector very oversold, look for a reversal that reclaims support over the next week.*
- *XLV is extremely oversold.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold current position.*
  - *This week: Hold current position.*
  - *Stop-loss at \$89 was triggered. Look to sell on a rally that fails to get above \$87*
- *Long-Term Positioning: Neutral*

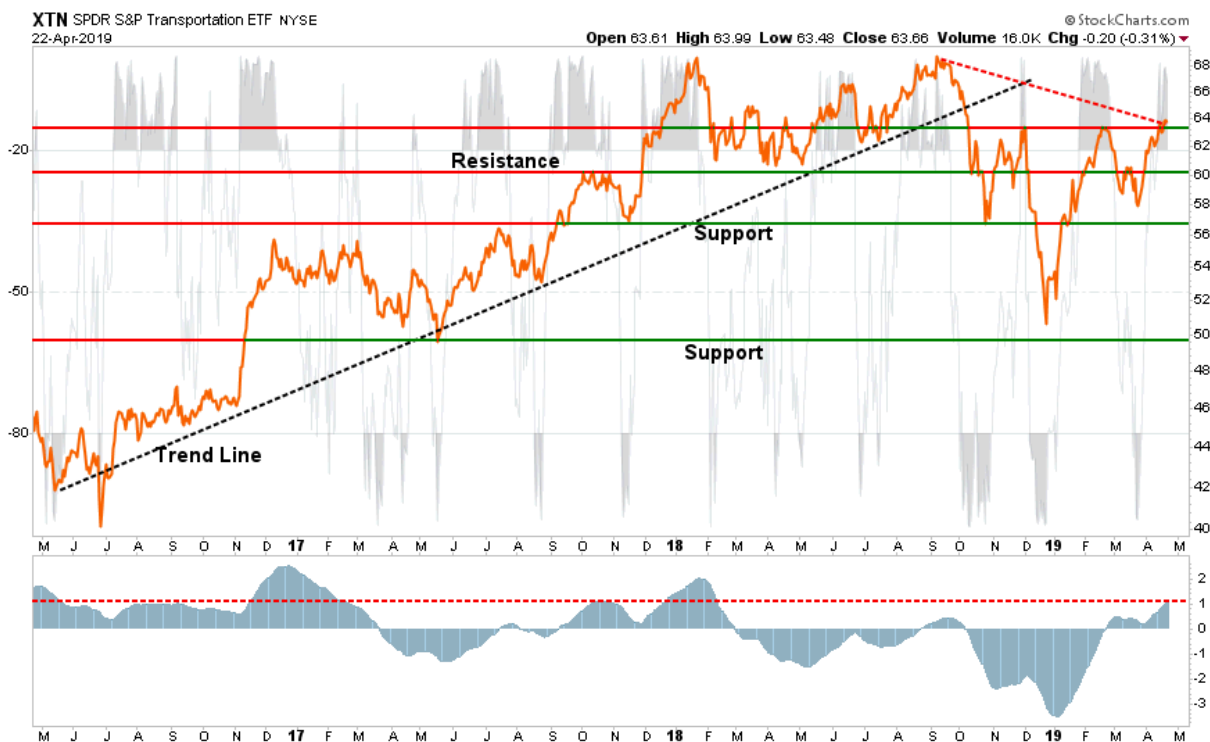
## Discretionary



- *As with XLK and XLP, XLY has broken through to all-time highs.*

- The "buy" signal has been registered (lower panel) and is at extreme levels.
- Extreme overbought conditions currently limit upside.
- Short-Term Positioning: Neutral
  - Last week: Hold current position.
  - This week: Rebalance, take profits, and hold current position
  - Stop-loss moved up to \$112.50
- Long-Term Positioning: Neutral

## Transportation



- Transportation is finally trying to play catch up with the rest of the market.
- The rally last week, while nice, is still confined to the current downtrend line and is wrestling with resistance from previous highs.
- Buy signal. (bottom panel) is maintaining itself currently and has improved modestly.
- The short-term oversold condition has been fully reversed to overbought.
- 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