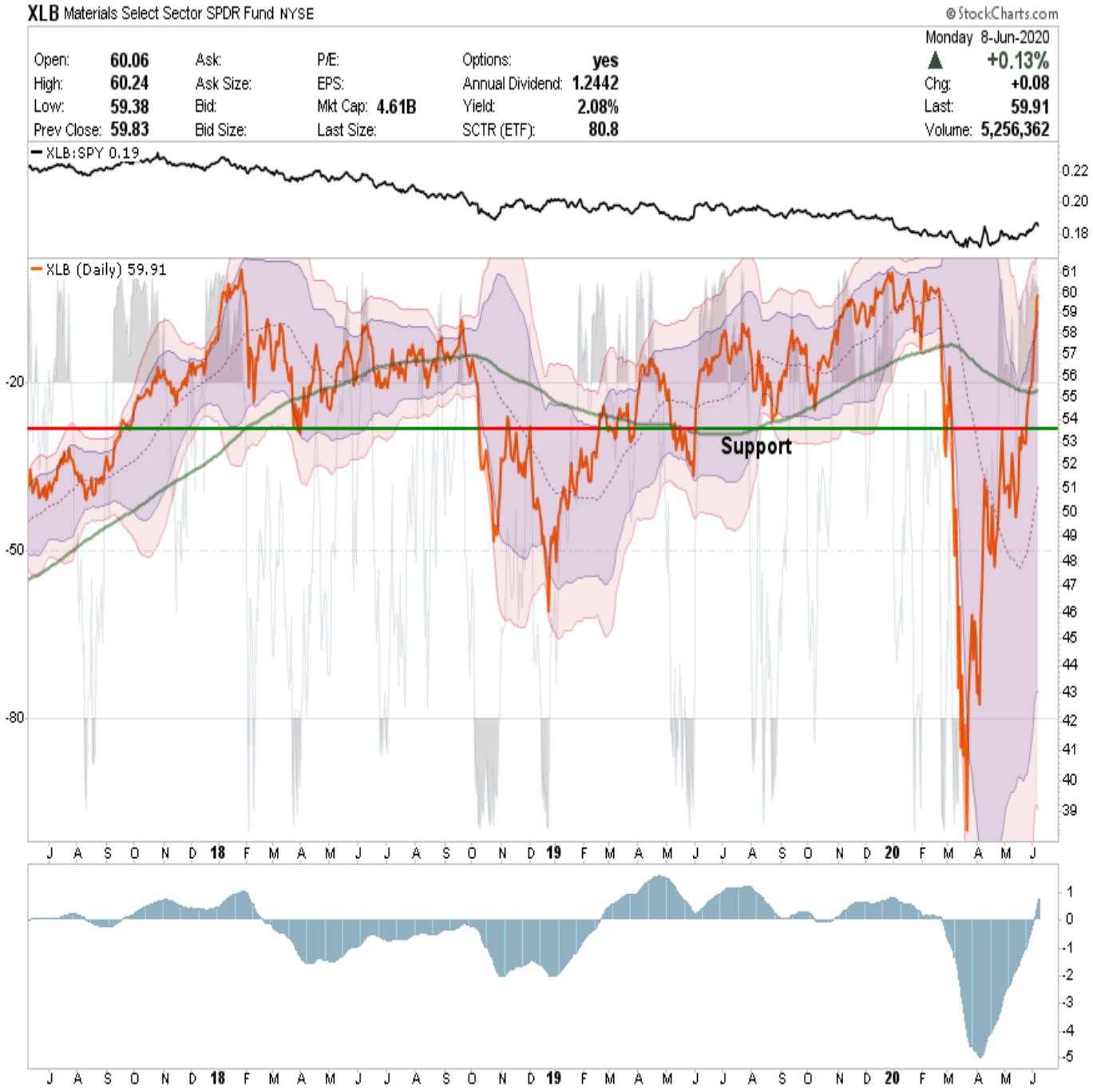
Sector Buy/Sell Review: 06-09-20

Each week we produce a ***"Sector Buy/Sell Review"*** 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 SECTOR BUY/SELL REVIEW CHARTS** There are three primary components to each chart:

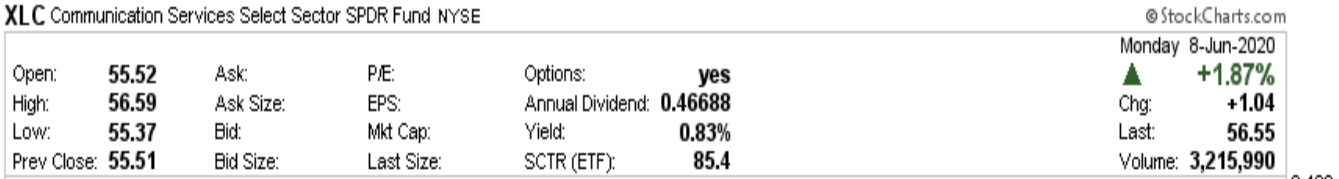
- *The price chart is in orange*
- *Over Bought/Over Sold indicator is in gray in the background.*
- *The Buy / Sell indicator is in blue.*

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. **We added 2- and 3-standard deviation extensions from the 50-dma this week. We are back to "stupid" overbought on many levels. Caution is advised.** **Basic Materials**



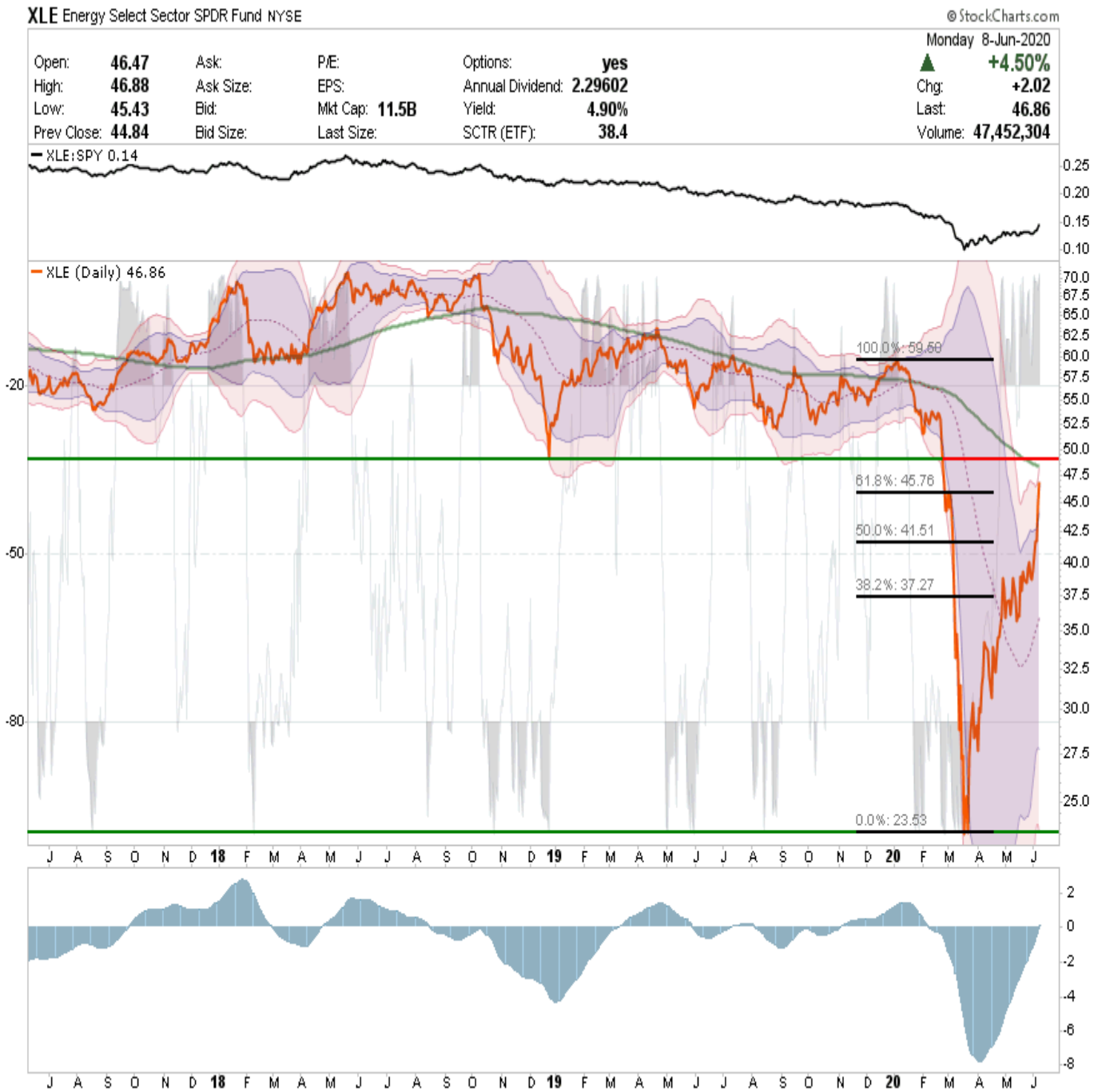
- *As noted last week, XLB remains extremely overbought. Despite the rally, the sector is still a long-term under performer relative to the S&P 500.*
- *This is a catch up, momentum, rotation trade that will end quickly. Take profits and rebalance risk accordingly.&#2013266080;*
- *As stated last week, the trade got away from us, so we will need to wait for a pullback to support to add materials to the portfolio.*
- *We raising our trading alert to $56*
- *Short-Term Positioning: Bullish*
    - *Last Week: No Positions*
    - *This Week: No Positions*
- *Long-Term Positioning: Bearish*

Communications



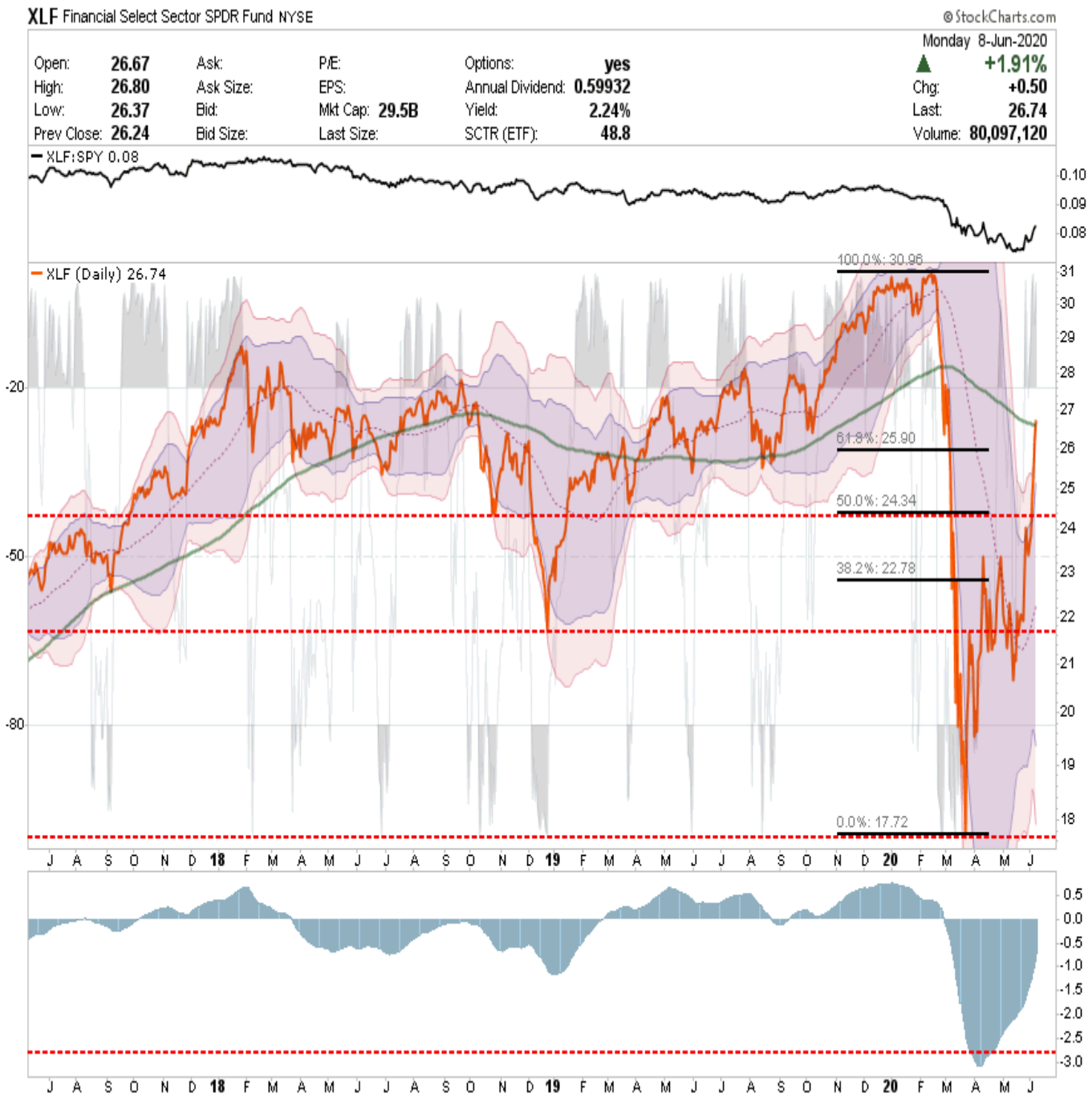
- *XLC continues to perform better than the overall market.&#2013266080;*
- *We added to this sector previously as the 200-dma retracement level was taken out. However, it is extremely overbought and we took some profits previously.&#2013266080;*
- *We continue to like the more defensive quality of the sector, so we continue to look for a pullback to add back to our holdings.*
- *We moved our alert to $51 to revisit adding to our holdings.*
    - *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
- *Long-Term Positioning: Neutral*

Energy



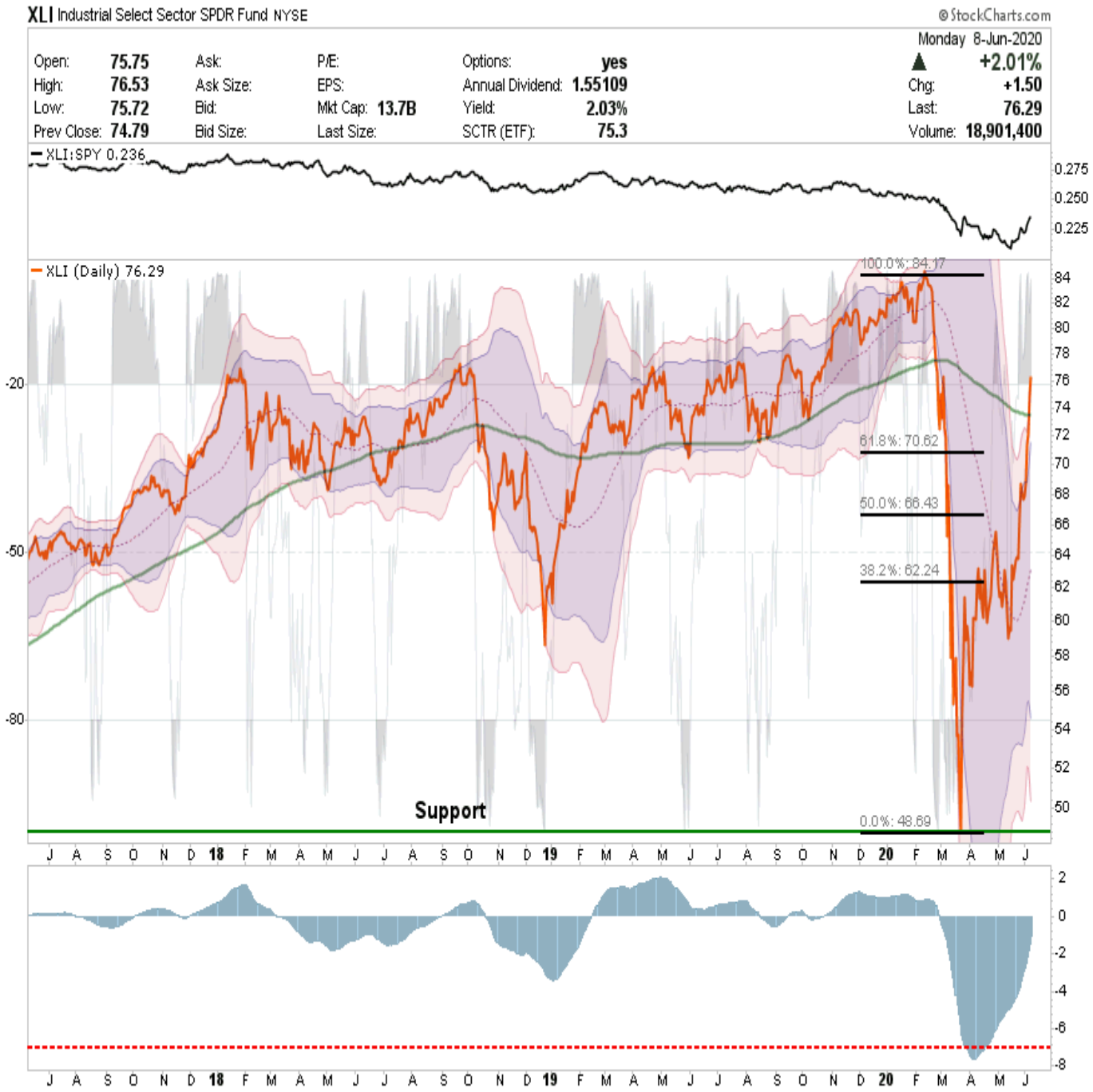
- *Energy stocks are now extremely overbought short-term and a pullback is coming and likely soon.*
- *We added to our holdings previously by increasing exposure in XOM and CVX in the equity model and adding those two positions to the ETF model.&#2013266080;*
- *We have a stop-loss alert set at $42.50, with a high-alert set at $50. The sector is 3-standard deviations above the mean, so caution is advised.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions*
    - *Stop loss adjusted to $42.50*
- *Long-Term Positioning: Bearish*

Financials



- *Financials have lagged the bear market rally badly, but that performance turned up sharply last week on a rotation chase. That move is more than 3-standard deviations extended so take profits and reduce weightings.*
- *Initial support is $24, but a correction back to $22 is likely.*
- *We have an alert set at $23 to start evaluating holdings.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning: Bearish*

Industrials



- *XLI had a good rally last week and finally broke out of its consolidation. XLI is playing catch-up with the market, and the move last week is a gross extension. It will correct and likely*

sharply.&#2013266080;

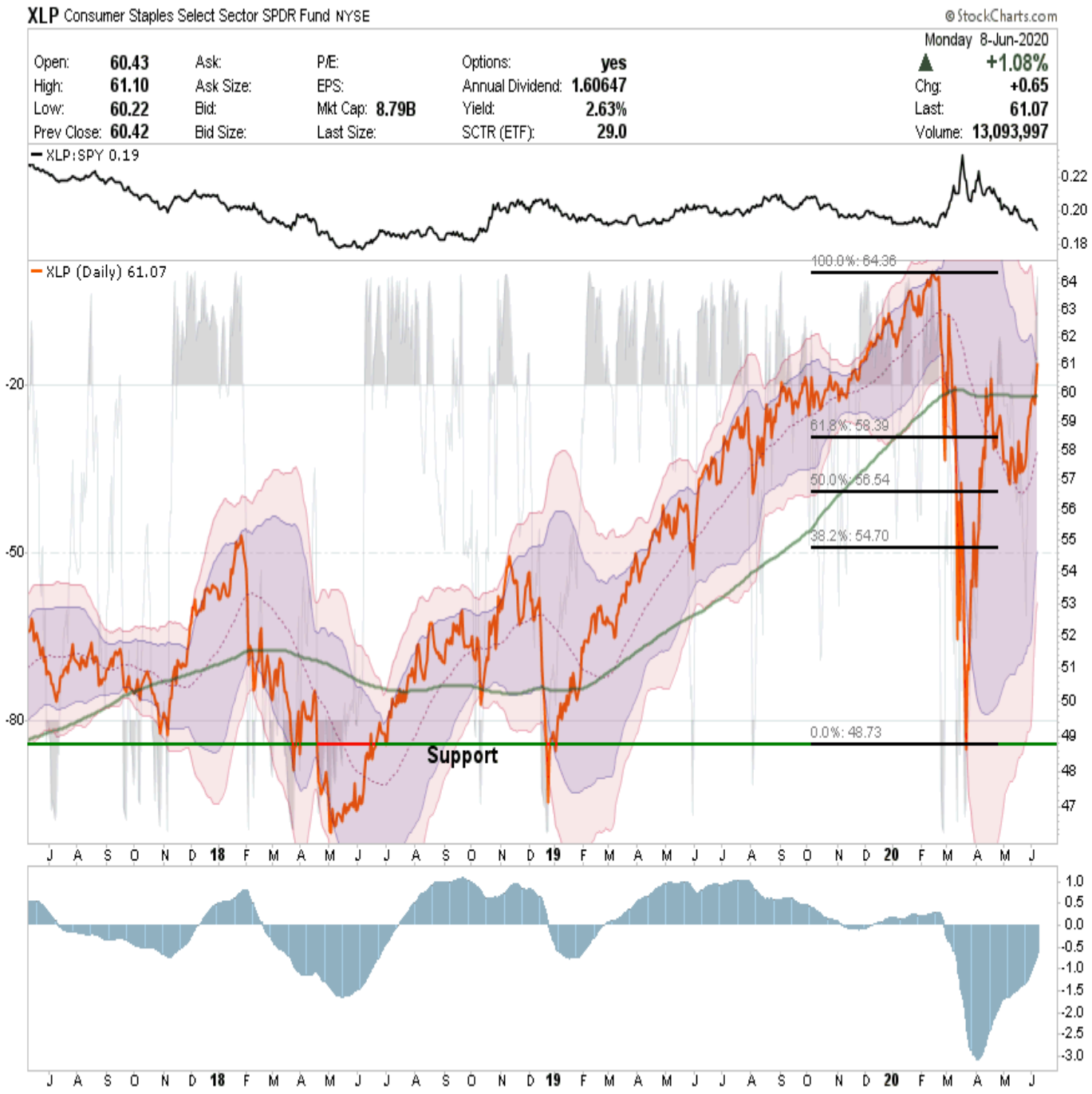
- *Take profits and rebalance holdings accordingly.&#2013266080;*
- *We have moved our alert to $62 to evaluate positions*
- *Short-Term Positioning: Bullish*
  - *Last week: No position.*
  - *This week: No position.*
- *Long-Term Positioning: Bearish*

Technology

- *Technology continues push higher and we continue to hold our exposure to the sector.*
- *The rally is starting to fade here a bit as the sector runs into the bottom of the uptrend line from the July 2017 lows. However, unlike every other sector, it is not grossly overbought.*

- *We added to our holdings on Monday for a rotation trade out of Materials, Financials, and Industrials back to liquidity and fundamental balance sheet strength.&#2013266080;*
- *We have moved our alert to $95*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions.*
    - *Long-Term Positioning: Bullish*

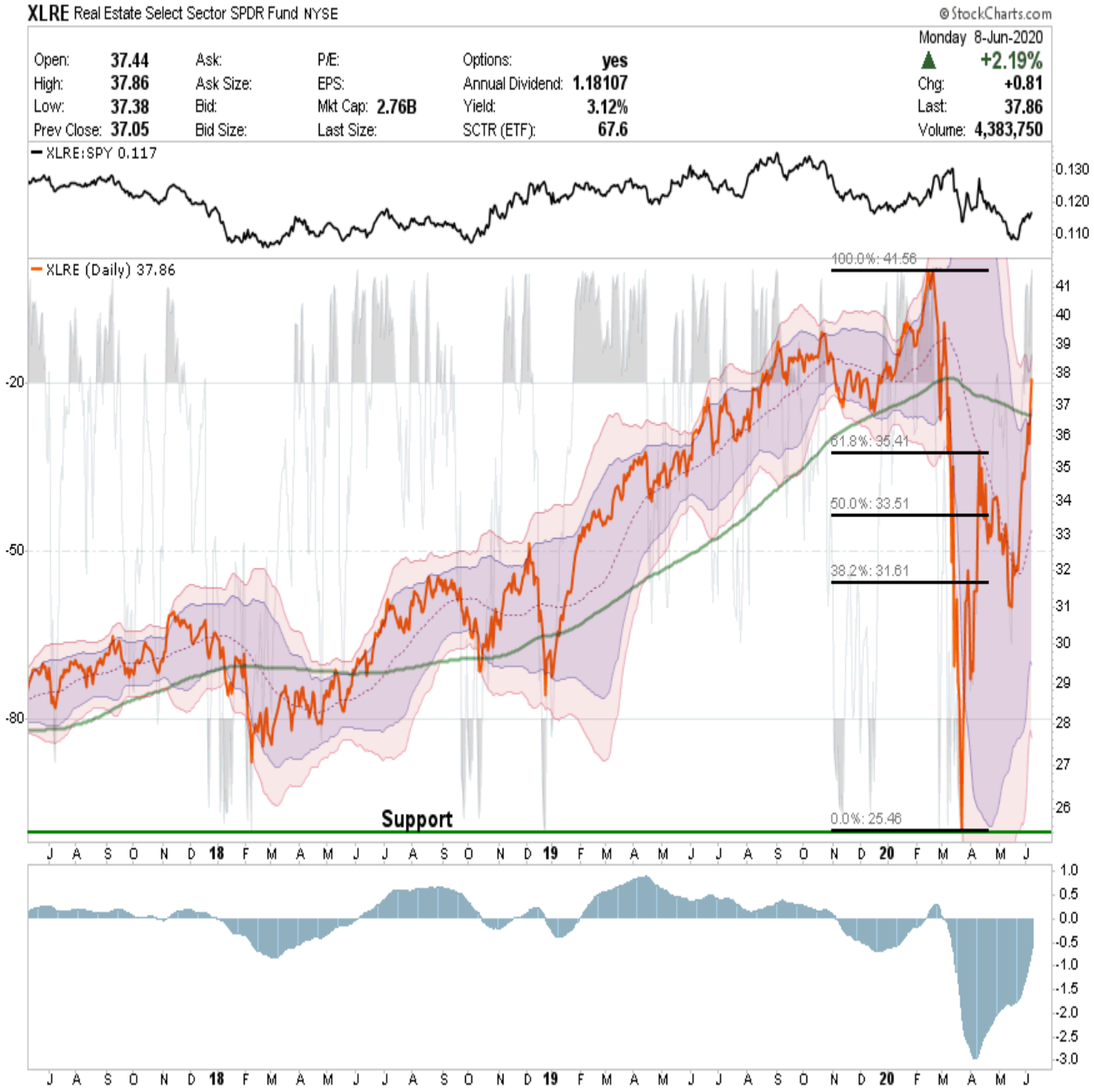
Staples



- *After adding to XLP recently, it started a move and broke above the 200-dma.*
- *XLP is not overbought after working off the previous extension, so there is "fuel" for a further rally on a rotation trade.&#2013266080;*
- *We are moving our stop-loss alert to $55 as our stop-level.*

- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions*
    - *Long-Term Positioning: Bullish*

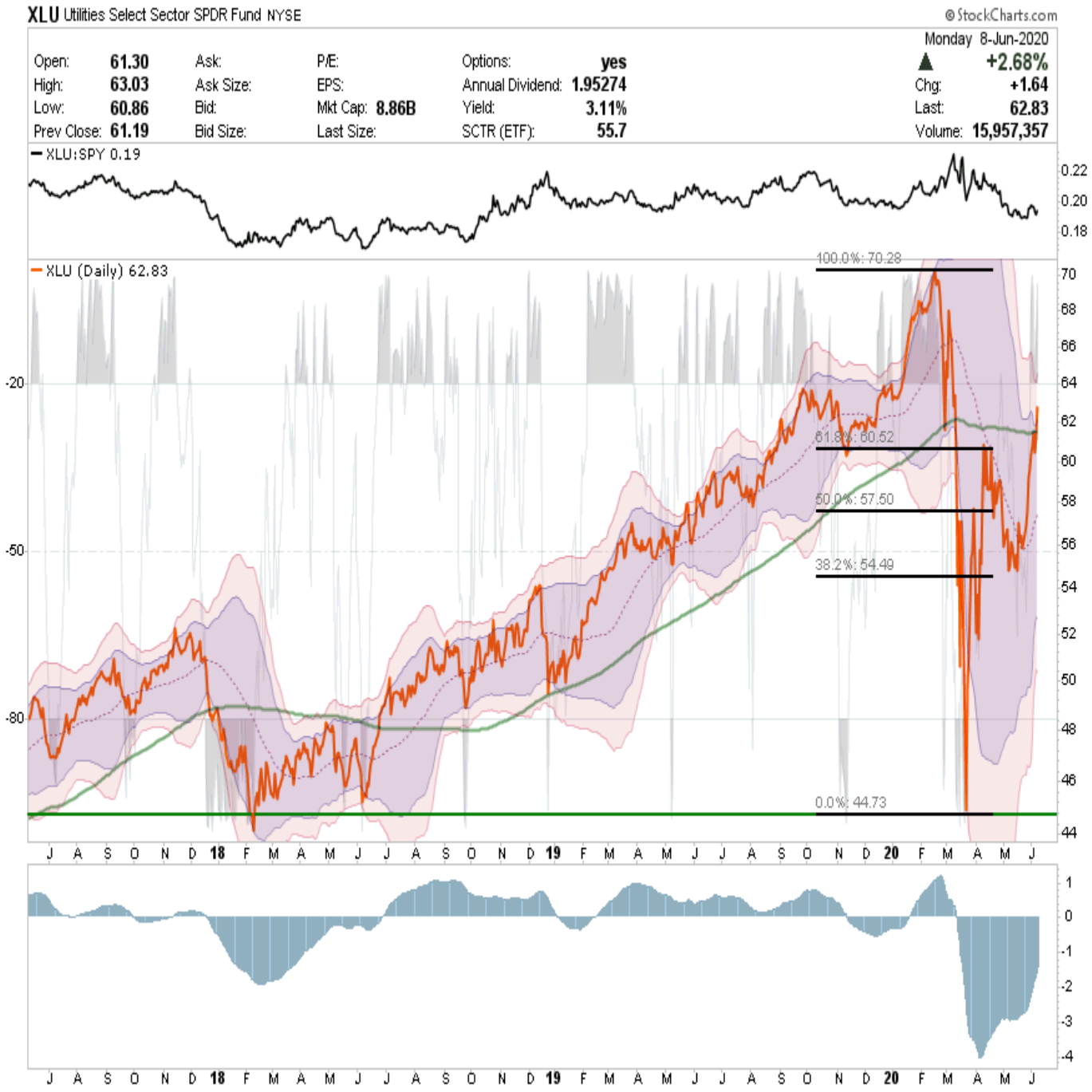
Real&#2013266080;Estate



- *We noted previously, that XLRE held support at the 38.2% retracement and rallied. We also added some exposure to our holdings previously.&#2013266080;*
- *XLRE has broken out and is now being chased higher. We added some exposure to the sector for a rotation trade on Monday with a bet bond yields are about to pull back.&#2013266080;*
- *We have a low limit alert at $31 as our stop-loss level.*
- *Short-Term Positioning: Neutral*

- *Last week: Hold positions*
- *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Utilities



- *XLU also held support at the 38.2% retracement level and turned up and now broke out above the 200-dma.*
- *We added some exposure again to the sector as we look for a rotation into more defensive names.&#2013266080;*
- *There should be a relative "risk off" safety trade with XLU if we see a pullback in the broader market.*
- *We have an alert set at $58*
- *Short-Term Positioning: Bullish*

    - *Last week: Hold positions*
    - *This week: Added to positions.*
- *Long-Term Positioning:&#2013266080;Bullish*

Health&#2013266080;Care

- *XLV neared all-time highs and consolidated. Late last week, it broke out of that consolidation near all-time highs and is challenging those levels.&#2013266080;*
- *Given the sector is not extremely overbought, we added to our holdings for a rotation trade out of the sectors that have gotten over-extended over the last two weeks.*
- *The 200-dma is now important support and needs to hold, along with the previous tops going back to 2018.&#2013266080;*
- *We have an alert set at $95 as a stop.*
- *Short-Term Positioning: Bullish*

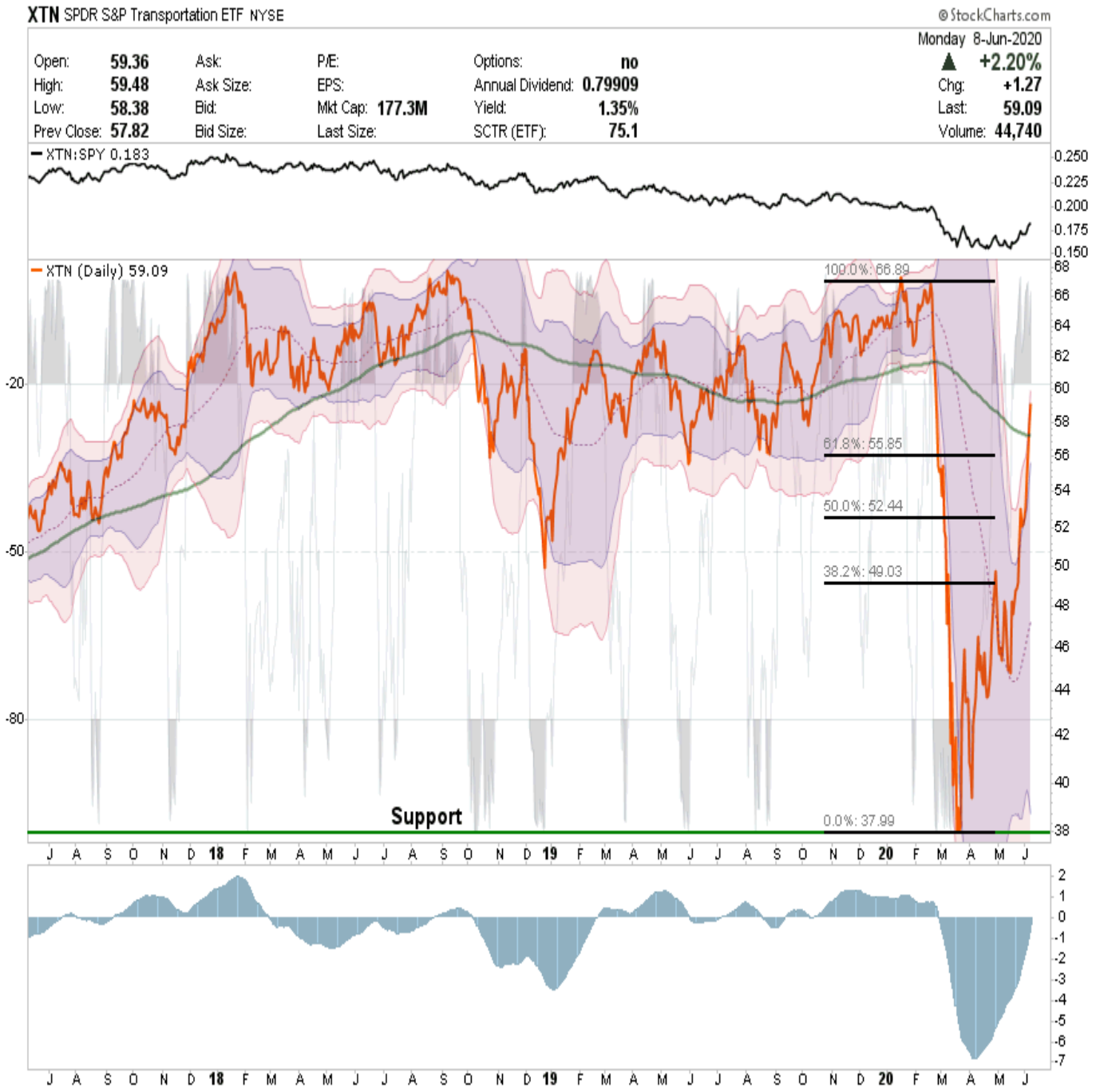
    - *Last week: Hold positions*
    - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Discretionary

- *Discretionary performance is now just "crazy" overbought and it is primarily AMZN driving the sector higher. We added to our AMZN holdings with its breakout to all-time highs.*
- *The sector is VERY overbought, so a pullback is likely. So, use pullbacks to add exposure but beware of the more extreme extension.*
- *Stop loss is set at $122.50*
- *Short-Term Positioning: Bullish*
    - *Last week: No position*
    - *This week: No position*

- *Long-Term Positioning:&#2013266080;Neutral*

Transportation



- *The sector finally broke out and rallied on a catchup trade with the other fundamentally weak sectors of the market.&#2013266080;*
- *The sector performance has improved but still lags the broader market.&#2013266080;*
- *There is a trading opportunity for transports, but the sector is very overbought and extended. Look for a pullback to $52 for a trading entry.&#2013266080;*
- *We are moving our trading alert level to $52 and will add to our holdings accordingly.&#2013266080;*
- *Short-Term Positioning: Neutral*
  - *Last week: No position*
  - *This week: Added IYT to the portfolio.*
- *Long-Term Positioning:&#2013266080;Bearish*