



Sector Buy/Sell Review: 07-21-20

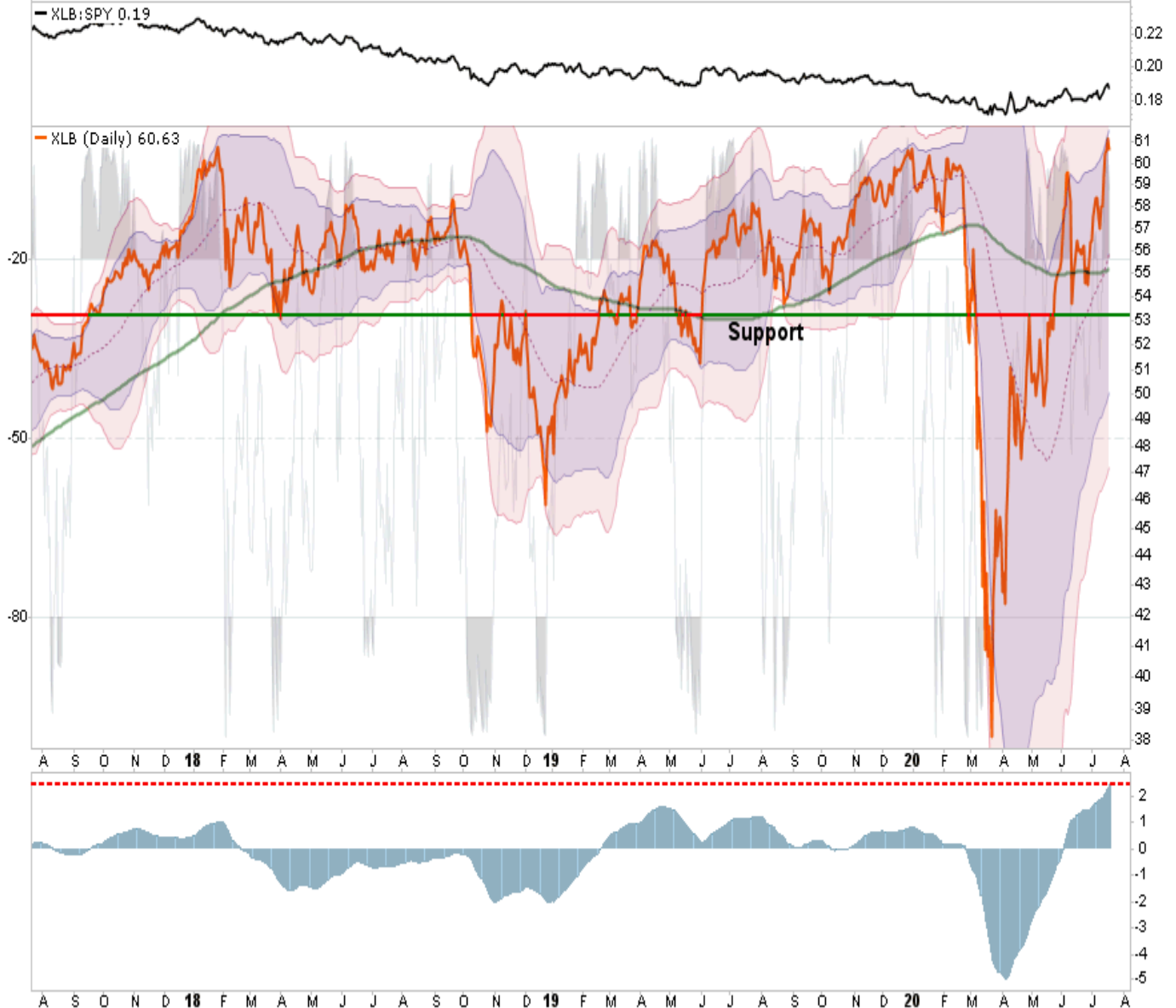
Each week we produce a "**Sector Buy/Sell Review**" chart book of the S&P 500 sectors to review where money is flowing within the market as whole. This helps refine not only decision making about what to own and when, but what sectors to overweight or underweight to achieve better performance. **HOW 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**

Open: **61.13** Ask: P/E: Options: **yes**
 High: **61.29** Ask Size: EPS: Annual Dividend: **1.20504**
 Low: **60.53** Bid: Mkt Cap: **3.15B** Yield: **1.99%**
 Prev Close: **61.16** Bid Size: Last Size: SCTR (ETF): **82.6**

Monday 20-Jul-2020
 ▼ **-0.87%**
 Chg: **-0.53**
 Last: **60.63**
 Volume: **3,592,220**

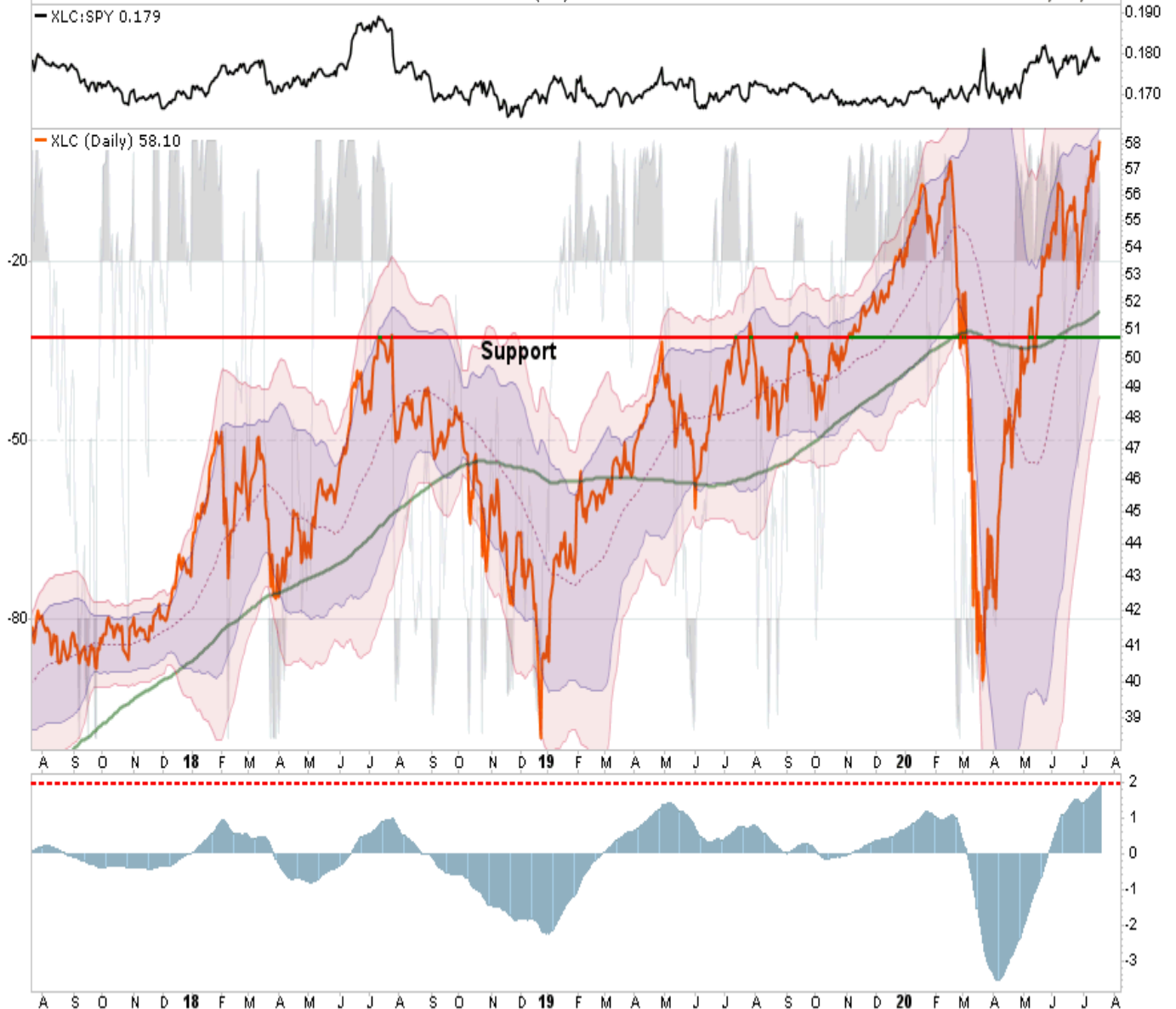


- As noted last week, XLB is too overbought currently to chase the sector further, but hold trading positions for now. However, stops should be moved up to \$57.
- Our target for the trade was \$60-61 which has now been reached. Take profits.
- The buy signal is now at the highest level on record. It WILL revert at some point soon.
- Short-Term Positioning: Bullish
 - Last Week: No Positions
 - This Week: No Positions
- Stop-Loss moved up to \$57
- Long-Term Positioning: Bearish

Communications

Open: 57.31	Ask:	P/E:	Options: yes
High: 58.23	Ask Size:	EPS:	Annual Dividend: 0.46099
Low: 56.85	Bid:	Mkt Cap: 9.88B	Yield: 0.79%
Prev Close: 57.41	Bid Size:	Last Size:	SCTR (ETF): 82.8

▲ +1.20%
Chg: +0.69
Last: 58.10
Volume: 2,205,297

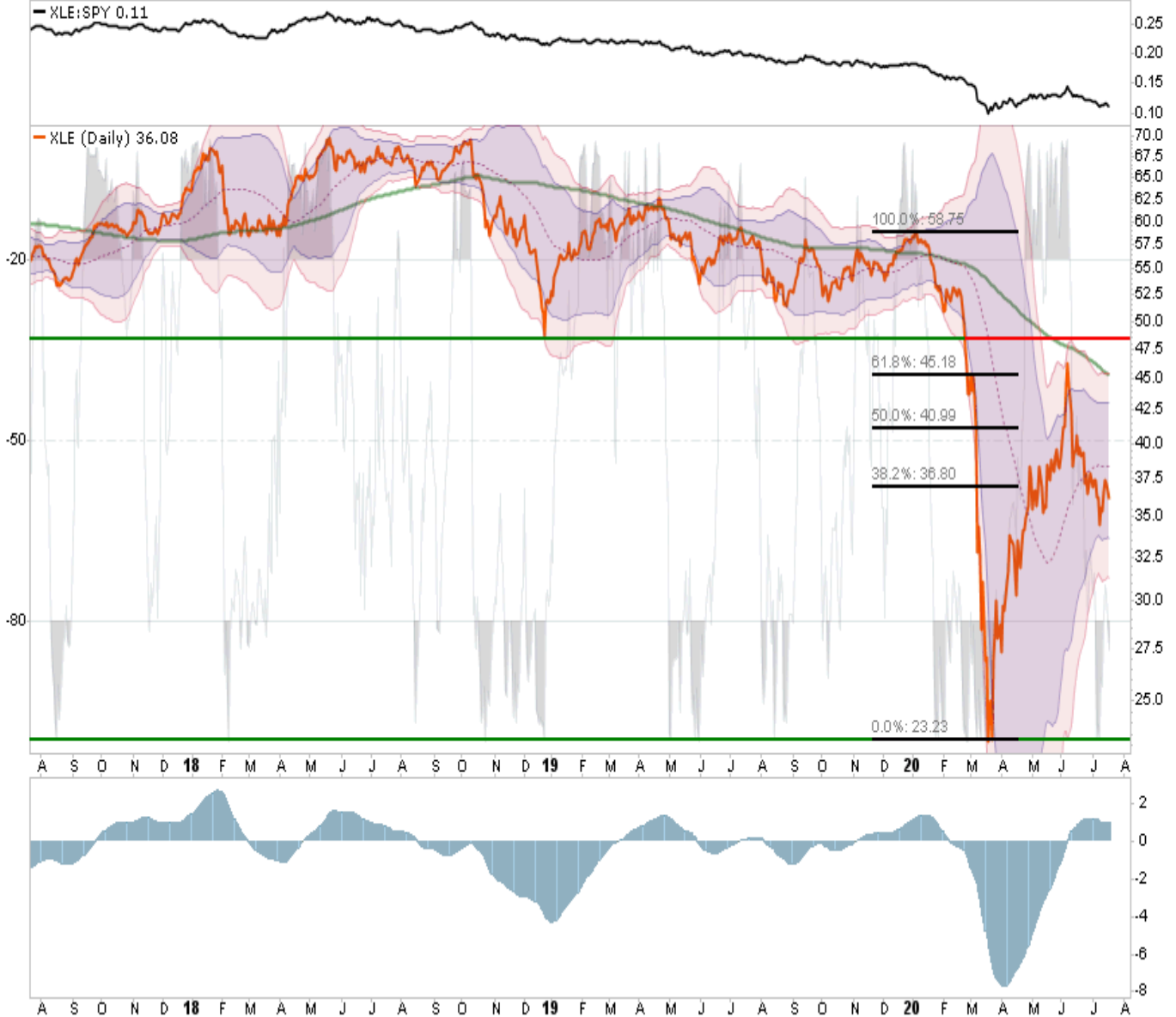


- *XLC broke out to new highs and is pushing the most extreme overbought condition in its history.�*
- *A correction is coming. It is just a function of time.�*
- *Take profits and reduce risk. Move up stop levels.*
- *We moved our stop to \$53.*
 - *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
- *Long-Term Positioning: Neutral*

Energy

Open: **36.56** Ask: P/E: Options: **yes**
 High: **36.98** Ask Size: EPS: Annual Dividend: **2.2206**
 Low: **36.05** Bid: Mkt Cap: **9.96B** Yield: **6.15%**
 Prev Close: **36.69** Bid Size: Last Size: SCTR (ETF): **2.2**

▼ **-1.66%**
 Chg: **-0.61**
 Last: **36.08**
 Volume: **20,071,604**

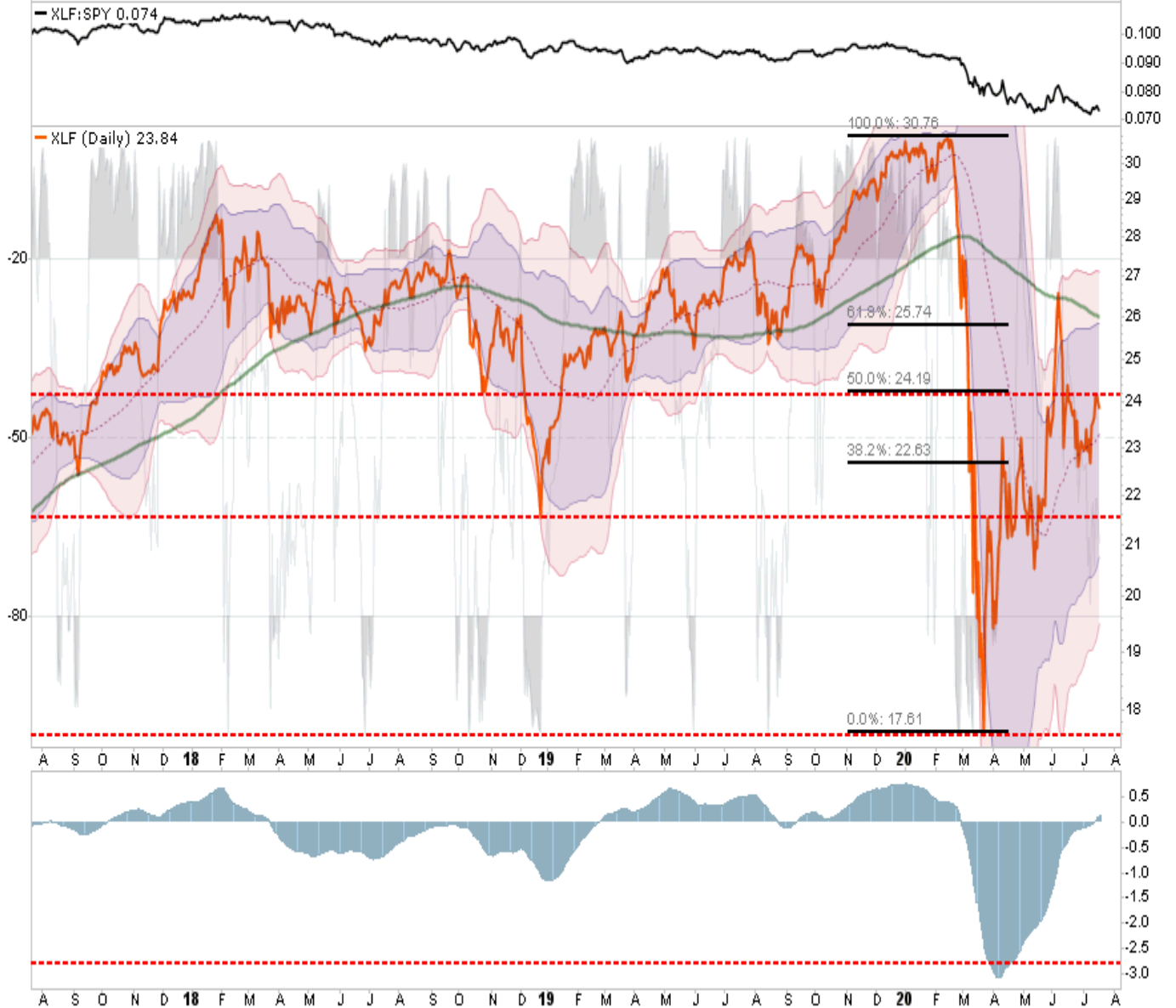


- *After a very small bounce in Energy, that bounce has faded as money is chasing momentum.�*
- *If the current levels can hold, we should see a rotation to this sector soon particularly if the dollar weakens further.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Hold positions*
- *Stop loss adjusted to \$34.00*
- *Long-Term Positioning: Bearish*

Financials

Open: **23.82** Ask: P/E: Options: **yes**
 High: **23.98** Ask Size: EPS: Annual Dividend: **0.61146**
 Low: **23.75** Bid: Mkt Cap: **17.1B** Yield: **2.56%**
 Prev Close: **23.95** Bid Size: Last Size: SCTR (ETF): **11.6**

▼ **-0.46%**
 Chg: **-0.11**
 Last: **23.84**
 Volume: **40,102,916**



- Financials are back to underperforming and remain a sector to avoid currently.
- As noted last week, the initial support was at \$24, which was violated. Now that level will be tested as "resistance" which happened yesterday.
- There may be a bit of pickup on a rotation plan, but banks remain out of favor for now.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Bearish

Industrials

Open: 71.59	Ask:	P/E:	Options: yes
High: 71.76	Ask Size:	EPS:	Annual Dividend: 1.52001
Low: 70.91	Bid:	Mkt Cap: 9.60B	Yield: 2.14%
Prev Close: 72.00	Bid Size:	Last Size:	SCTR (ETF): 27.5

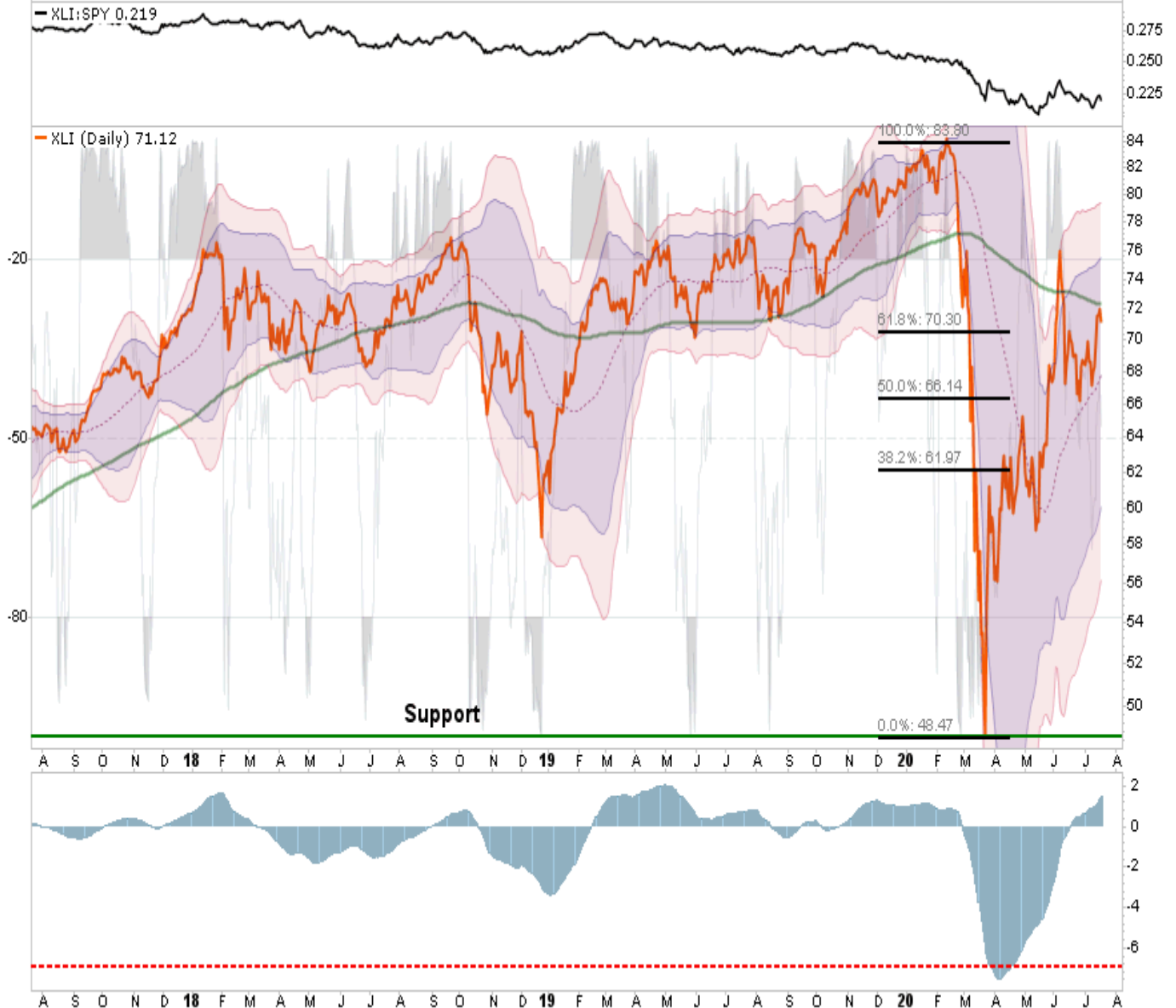
Monday 20-Jul-2020

▼ **-1.22%**

Chg: **-0.88**

Last: **71.12**

Volume: **9,404,271**

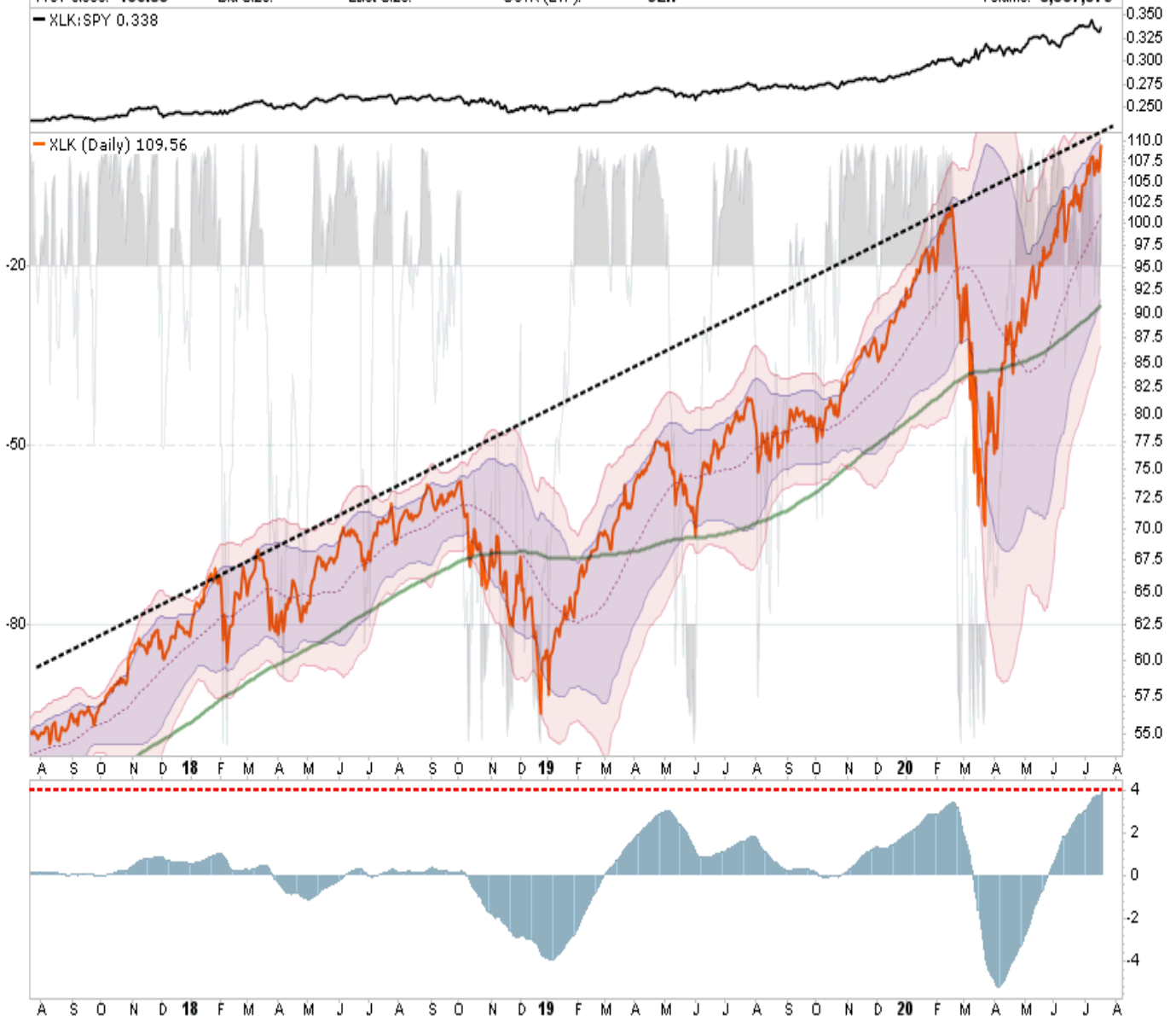


- *Industrials bounced of support at the 50% retracement level and triggered a buy signal.*
- *However, since then, the sector performance has not improved much. But a break above the 200-dma will improve prospects.*
- *We added a small position last week, but are keeping our stop level fairly tight.*
 - *Short-Term Positioning: Neutral*
 - *Last week: No position.*
 - *This week: 2% position in XLI.*
- *Long-Term Positioning: Bearish*

Technology

Open: 107.13	Ask:	P/E:	Options: yes
High: 109.82	Ask Size:	EPS:	Annual Dividend: 1.19937
Low: 106.53	Bid:	Mkt Cap: 33.2B	Yield: 1.09%
Prev Close: 106.83	Bid Size:	Last Size:	SCTR (ETF): 92.7

▲ +2.56%
Chg: +2.73
Last: 109.56
Volume: 8,507,579

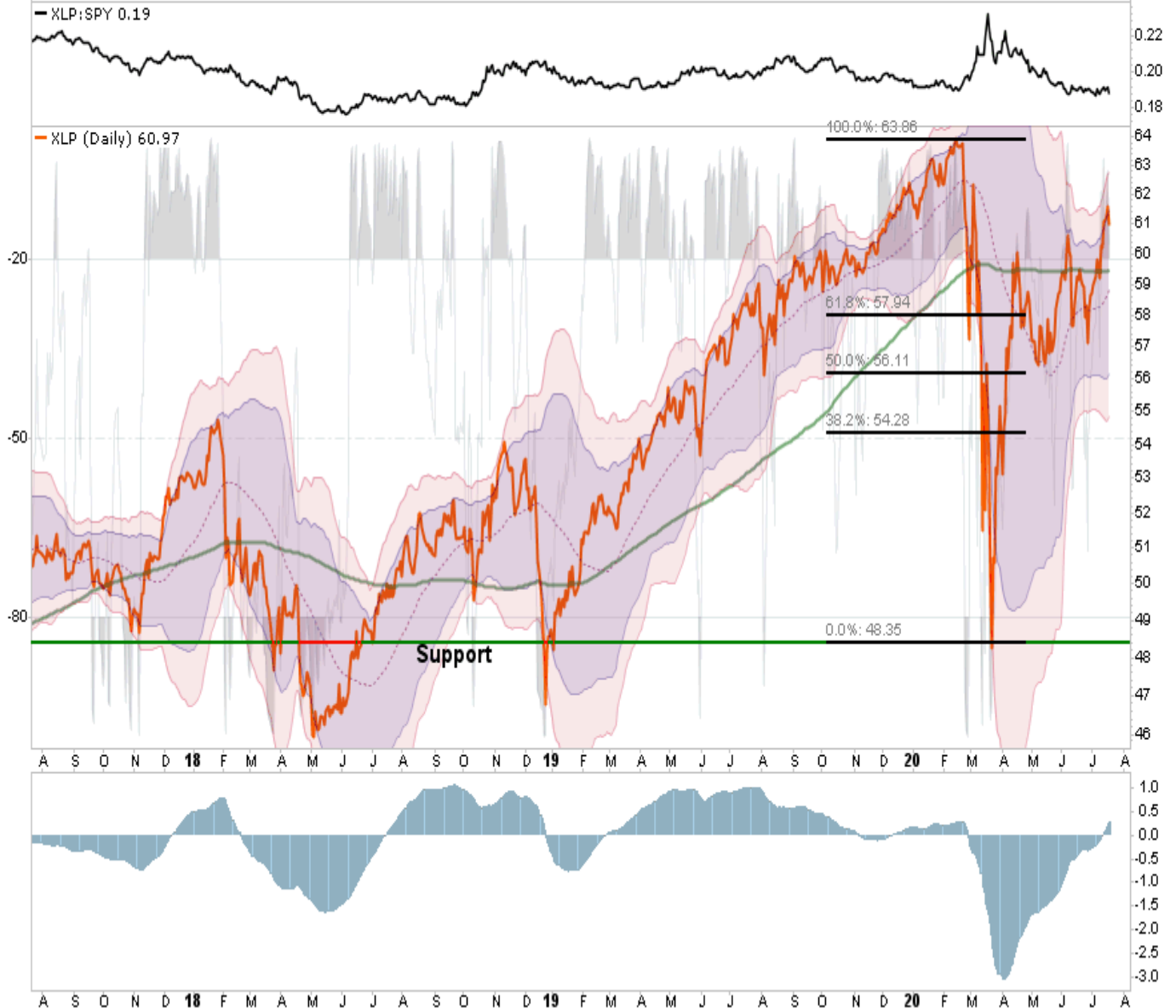


- *Technology continues push higher as the "virus trade" is back on. However, on Monday there was a sharp advance in the sector.�*
- *Technology stocks, and the Nasdaq, are extremely overbought with the buy signal at a higher level now than in February before the crash.�*
- *We are holding our positions currently, but as noted last week, we took profits and reduced our weightings slightly.�*
- *The deviation above the moving averages will be resolved likely sooner than later. In other words, a correction is coming.�*
- *Short-Term Positioning: Bullish*
 - *Last week: Reduced positions slightly.�*
 - *This week: Hold positions.*
 - *Long-Term Positioning: Bullish*

Staples

Open: **61.46** Ask: P/E: Options: **yes**
 High: **61.49** Ask Size: EPS: Annual Dividend: **1.61874**
 Low: **60.78** Bid: Mkt Cap: **13.4B** Yield: **2.65%**
 Prev Close: **61.59** Bid Size: Last Size: SCTR (ETF): **51.9**

Monday 20-Jul-2020
 ▼ **-1.01%**
 Chg: **-0.62**
 Last: **60.97**
 Volume: **6,818,557**



- XLP triggered a buy signal after adding slightly to our positions previously.�
- XLP is overbought and is trading at 3-standard deviations above the mean. A correction is coming but should be shallow given the very early buy signal.
- Use corrections to add to positions.
- We are moving our stop-loss alert to \$57 as our stop-level.
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Hold positions
 - Long-Term Positioning: Bullish

Real�Estate

Open: **35.05** Ask: P/E: Options: **yes**
 High: **35.24** Ask Size: EPS: Annual Dividend: **1.14873**
 Low: **34.57** Bid: Mkt Cap: **3.71B** Yield: **3.31%**
 Prev Close: **35.02** Bid Size: Last Size: SCTR (ETF): **20.3**

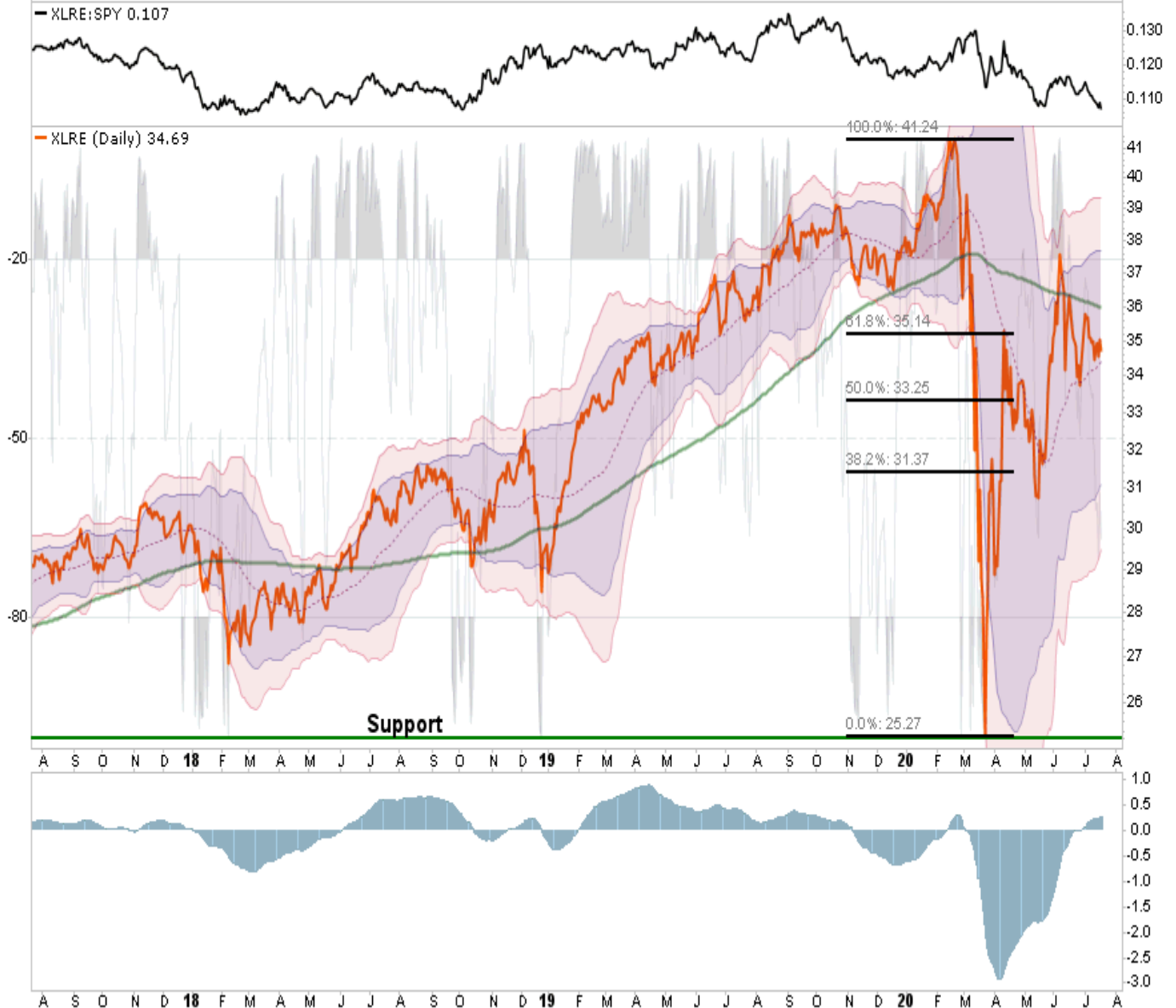
Monday 20-Jul-2020

▼ **-0.94%**

Chg: **-0.33**

Last: **34.69**

Volume: **2,792,254**

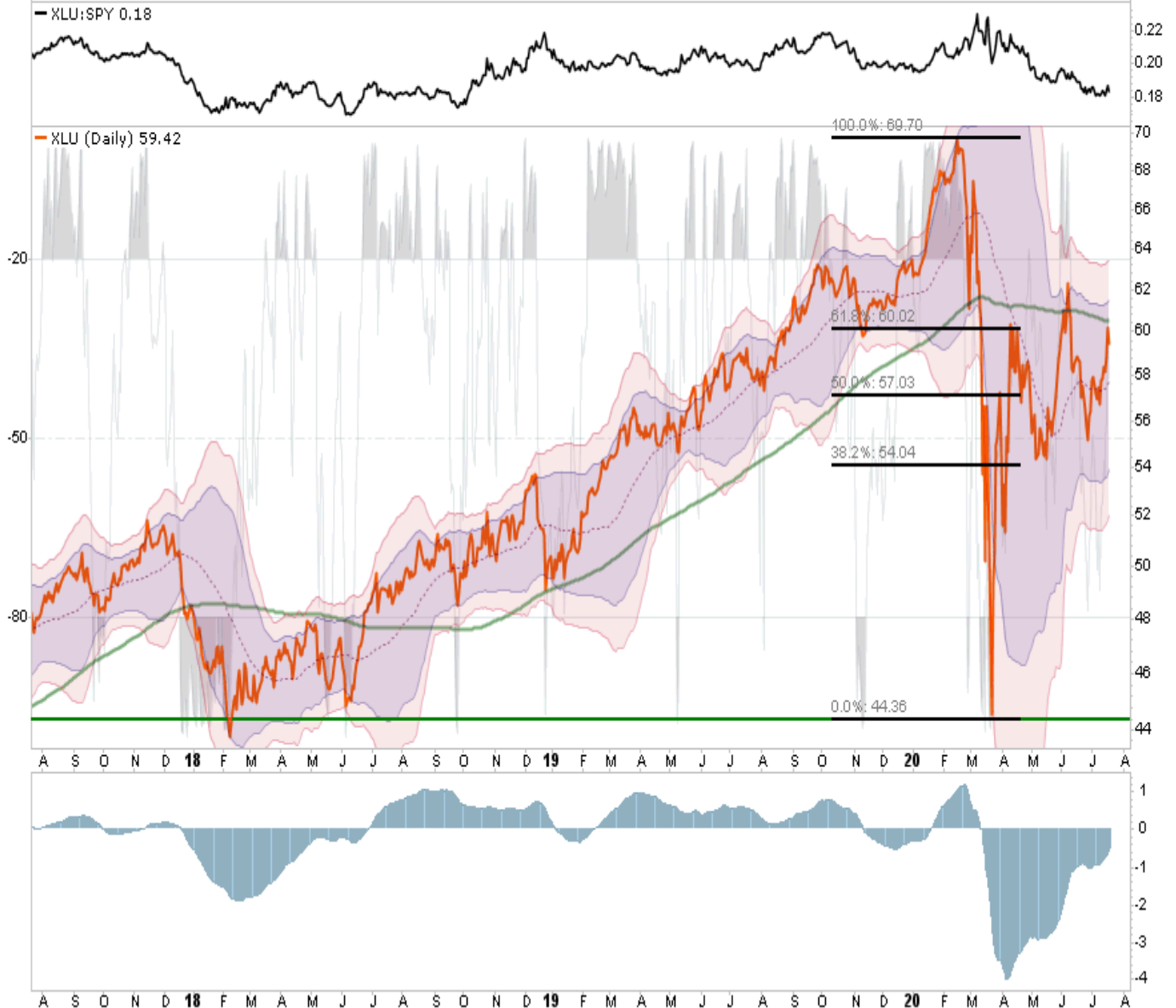


- Like XLP, XLRE has triggered a buy signal. However, XLRE is in a very tight consolidation wedge.
- A break to upside should see XLRE back to recent highs. A break to the downside, will see a drop back to June lows.�
- XLRE tested and failed the 200-dma again, turning us bearish on the sector for now.�We sold all our holdings for the time being until we get better clarity on the fundamental underpinnings.
- Short-Term Positioning: Neutral
 - Last week: Sold 100% of positions
 - This week: No holdings
 - Long-Term Positioning: Bullish

Utilities

Open: 60.00	Ask:	P/E:	Options: yes
High: 60.17	Ask Size:	EPS:	Annual Dividend: 1.94304
Low: 59.32	Bid:	Mkt Cap: 11.8B	Yield: 3.27%
Prev Close: 60.21	Bid Size:	Last Size:	SCTR (ETF): 31.9

▼ **-1.31%**
 Chg: **-0.79**
 Last: **59.42**
 Volume: **12,127,434**

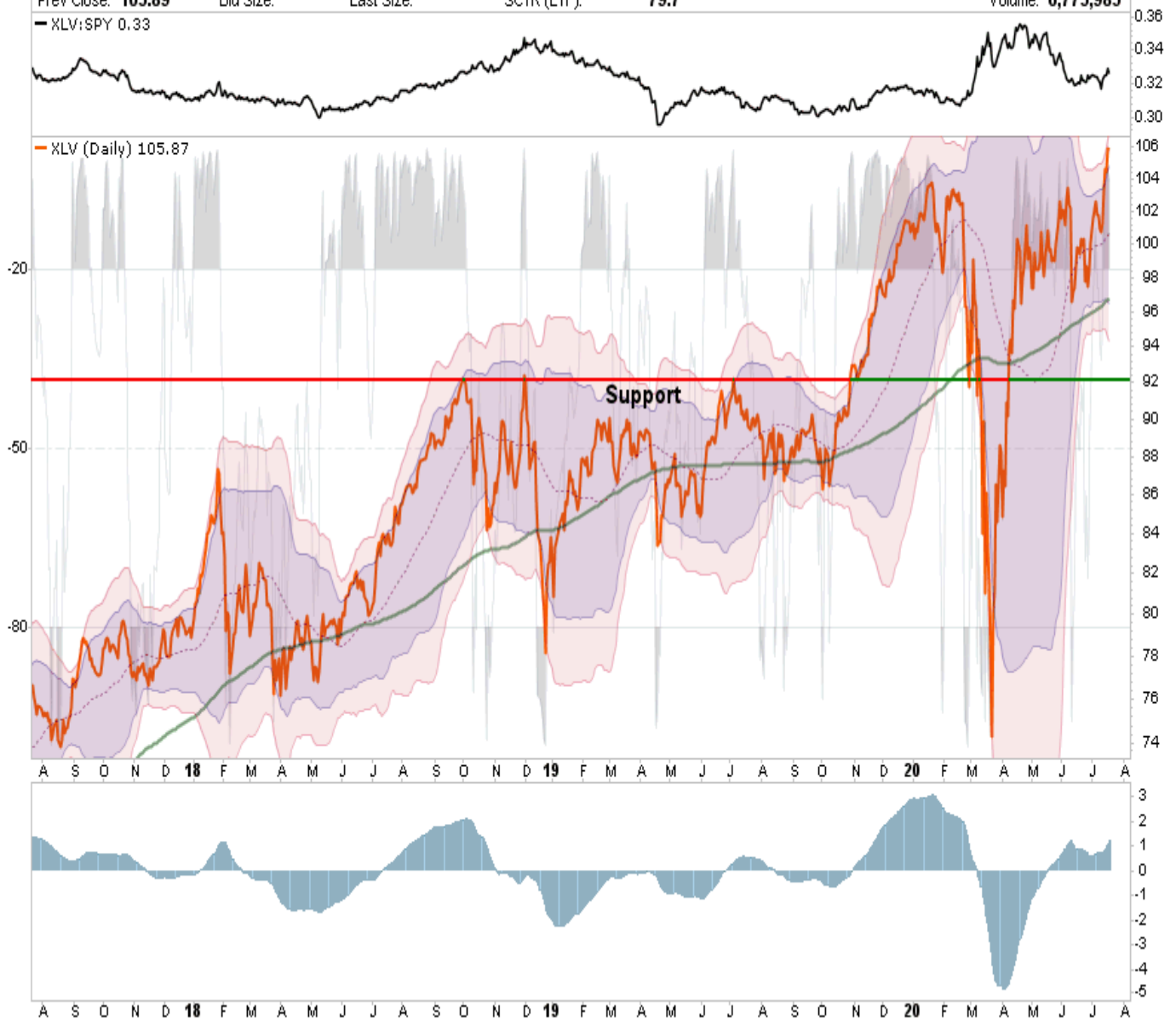


- XLU has been lagging but is working off its previous sell signal.
- Relative performance has been improving and is testing the 200-dma.
- XLU is getting close to triggering a buy signal which should correspond with improving performance. A risk-off trade should see a rotation to the sector.
- Short-Term Positioning: Neutral
 - Last week: Hold positions
 - This week: Hold positions
- Long-Term Positioning: Bullish

Health�Care

Open: 106.13	Ask:	P/E:	Options: yes
High: 106.49	Ask Size:	EPS:	Annual Dividend: 1.60818
Low: 105.52	Bid:	Mkt Cap: 20.5B	Yield: 1.52%
Prev Close: 105.89	Bid Size:	Last Size:	SCTR (ETF): 79.7

Monday 20-Jul-2020
 ▼ **-0.02%**
 Chg: **-0.02**
 Last: **105.87**
 Volume: **6,775,983**



- *As noted last week, XLV was consolidating and we expected a breakout to the upside.�*
- *We saw that last week, with a surge to 3-standard deviations above the moving average. With the buy signal now extremely overbought, corrections should be contained back to support where holdings can be added.�*
- *The 200-dma is now important support and needs to hold, along with the previous tops going back to 2018.�*
- *We are moving our stop to \$96*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Discretionary

Open:	133.94	Ask:	P/E:	Options:	yes
High:	136.33	Ask Size:	EPS:	Annual Dividend:	1.53389
Low:	133.61	Bid:	Mkt Cap:	Yield:	1.13%
Prev Close:	133.84	Bid Size:	Last Size:	SCTR (ETF):	86.6

Monday 20-Jul-2020
 ▲ **+1.60%**
 Chg: **+2.14**
 Last: **135.98**
 Volume: **2,735,780**

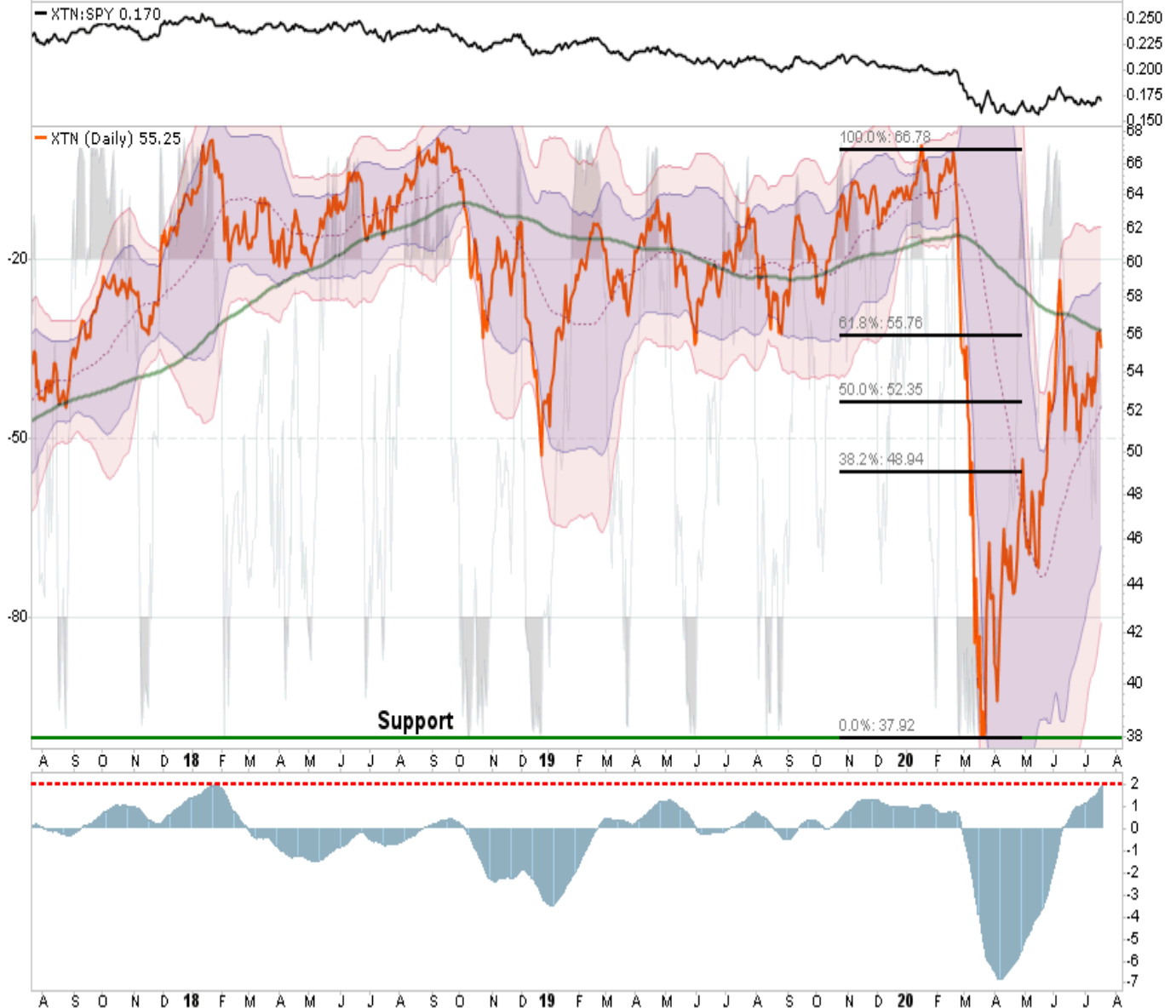


- *AMZN is still driving this sector and the nearly 8% move higher on Monday pushed XLY to extremes.*
- *With the buy signal at the highest level on record a correction is coming. It is just a function of time and catalyst.*
- *Hold current positions but maintain your stop levels. We recommend taking profits.*
- *Stop loss is set at \$122.50*
- *Short-Term Positioning: Bullish*
 - *Last week: No position*
 - *This week: No position*
- *Long-Term Positioning: Neutral*

Transportation

Open: **55.91** Ask: P/E: Options: **no**
 High: **55.96** Ask Size: EPS: Annual Dividend: **0.57877**
 Low: **55.00** Bid: Mkt Cap: **165.8M** Yield: **1.05%**
 Prev Close: **56.19** Bid Size: Last Size: SCTR (ETF): **25.4**

▼ **-1.67%**
 Chg: **-0.94**
 Last: **55.25**
 Volume: **15,380**



- *The rally in XTN is losing traction and failed at resistance and now is in a downtrend.*
- *The sector is performing weakly so caution is advised.*
- *XTN is trying to hold support at the 50% retracement, but with earnings season approaching downside risk is mounting.*
- *Stop loss set at \$50*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Hold positions*
- *Long-Term Positioning: Bearish*