

Sector Buy/Sell Review: 08-11-20

HOW TO READ THE SECTOR BUY/SELL REVIEW: 08-11-20 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. You can also view sector momentum and relative strength [daily here](#).



There are three primary components to each chart below:

- 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.**

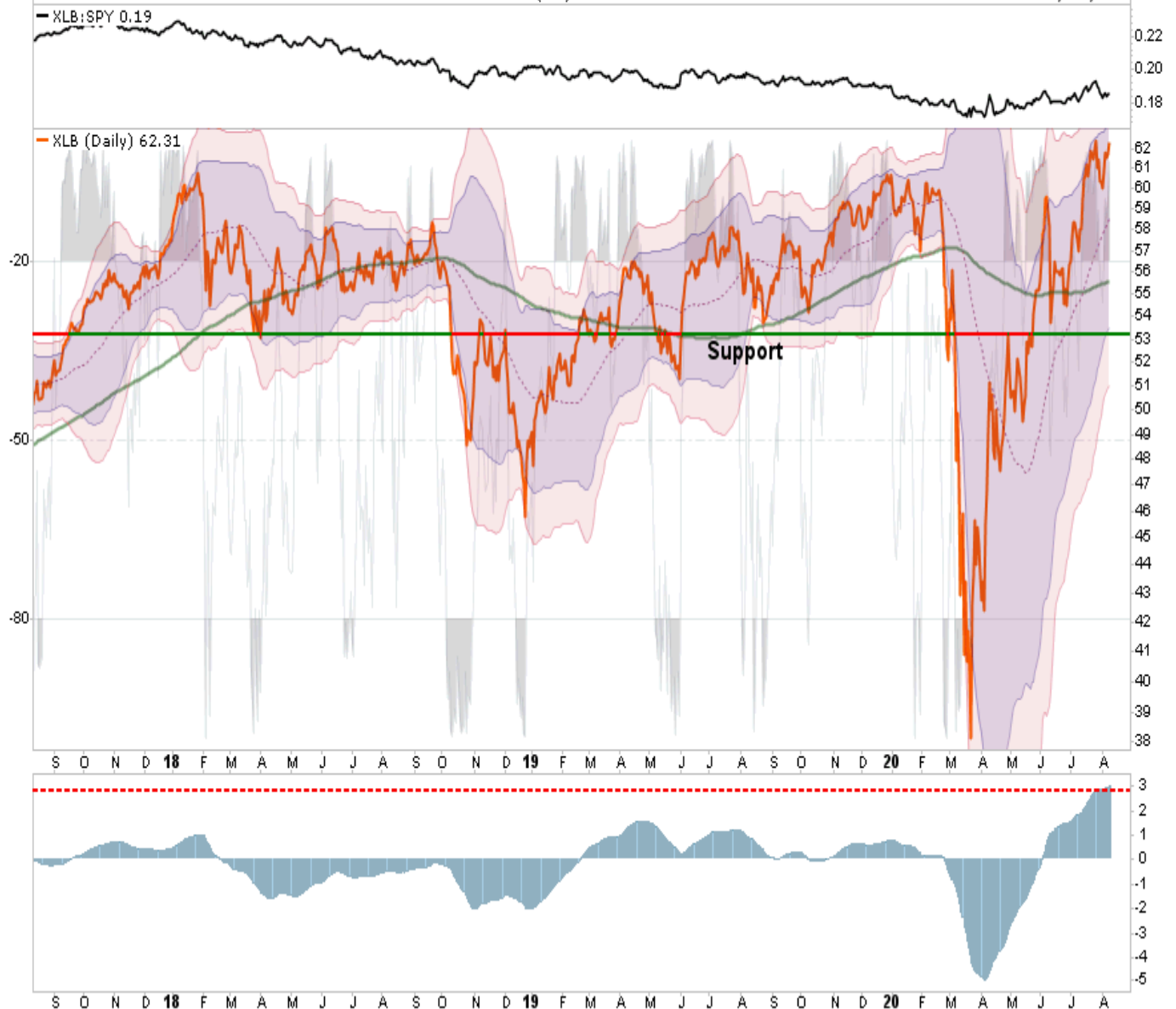
SECTOR BUY/SELL REVIEW: 08-11-20

Basic Materials

Monday 10-Aug-2020

Open: **61.77** Ask: P/E: Options: **yes**
 High: **62.31** Ask Size: EPS: Annual Dividend: **1.20504**
 Low: **61.68** Bid: Mkt Cap: **3.36B** Yield: **1.93%**
 Prev Close: **61.71** Bid Size: Last Size: SCTR (ETF): **82.6**

▲ **+0.97%**
 Chg: **+0.60**
 Last: **62.31**
 Volume: **3,302,710**



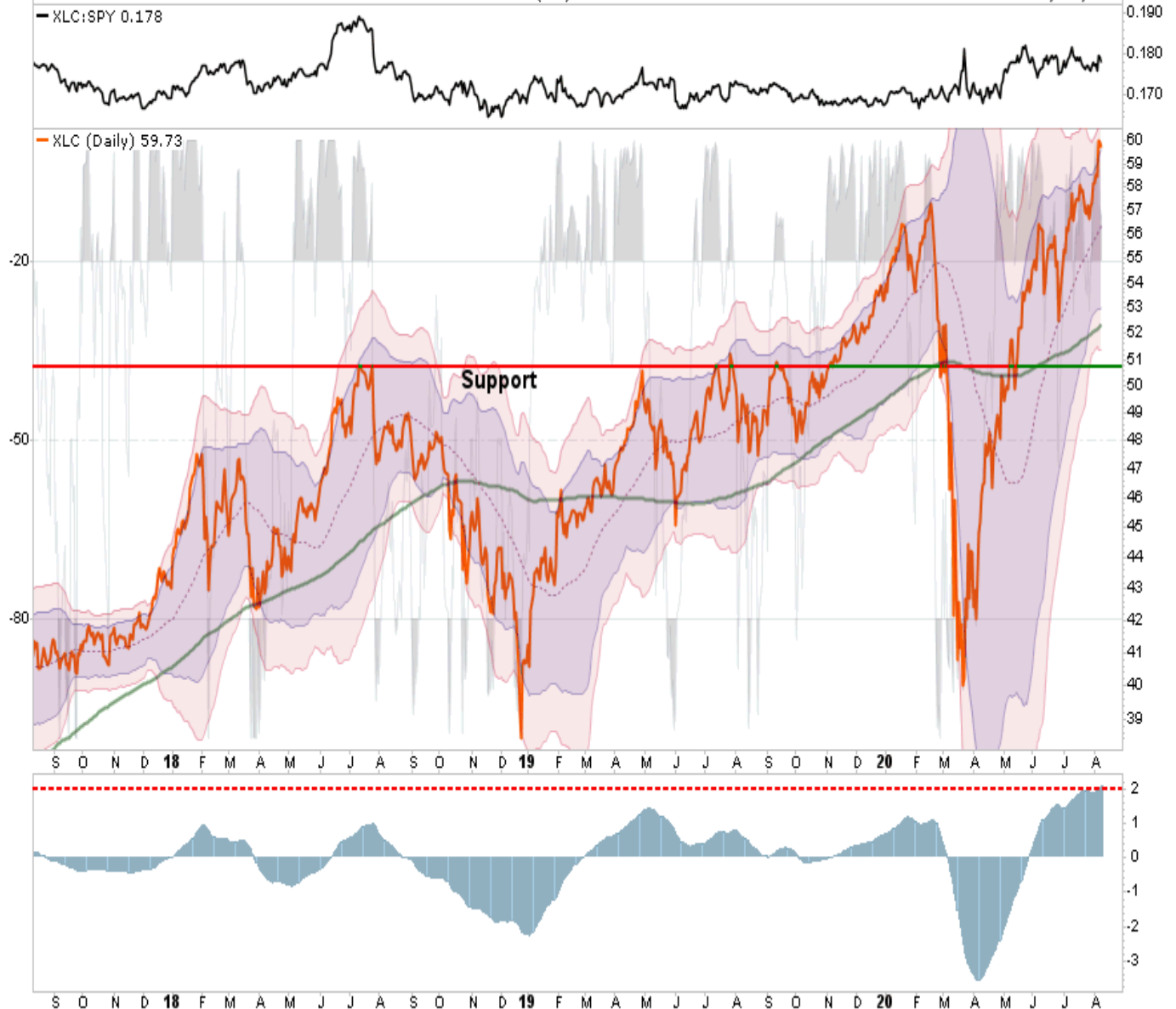
- With the market trying desperately to make all-time highs, basic materials rallied on Monday back towards previous highs.
- The buy signal is now at the highest level on record. It WILL revert at some point soon, most likely after the bulls achieve an all-time high print for the index.
- Short-Term Positioning: Bullish
 - Last Week: No Positions
 - This Week: No Positions
- Stop-Loss moved up to \$57
- Long-Term Positioning: Bearish

Communications

Monday 10-Aug-2020

Open: **59.91** Ask: P/E: Options: **yes**
 High: **60.46** Ask Size: EPS: Annual Dividend: **0.46099**
 Low: **59.15** Bid: Mkt Cap: **10.4B** Yield: **0.77%**
 Prev Close: **59.93** Bid Size: Last Size: SCTR (ETF): **86.9**

Chg: **-0.33%**
 Last: **59.73**
 Volume: **4,230,288**



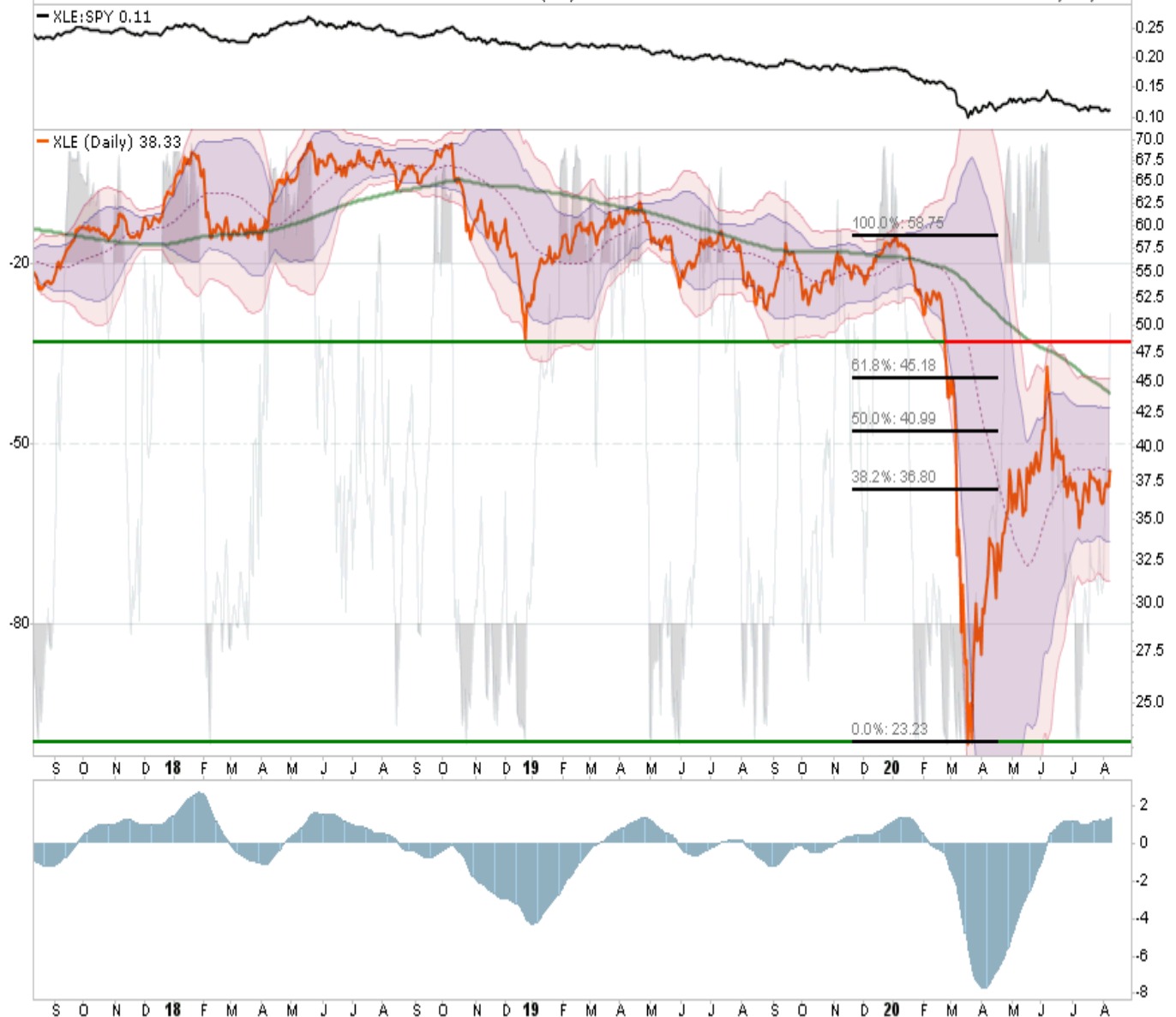
- *XLC has pushed up on extremes with a large deviation from the 200-dma, and is pushing the most extreme overbought condition in its history.*
- *A correction is coming. It is just a function of time.*
- *Take profits and reduce risk. Move up stop levels.*
- *We moved our stop to \$53.*
 - *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
- *Long-Term Positioning: Neutral*

Energy

Monday 10-Aug-2020

Open: **37.46** Ask: P/E: Options: **yes**
 High: **38.35** Ask Size: EPS: Annual Dividend: **2.2206**
 Low: **37.37** Bid: Mkt Cap: **10.7B** Yield: **5.79%**
 Prev Close: **37.18** Bid Size: Last Size: SCTR (ETF): **2.5**

▲ **+3.09%**
 Chg: **+1.15**
 Last: **38.33**
 Volume: **26,294,746**



- Energy continues to push up on its 50-dma from an oversold condition and has done so again.
- It needs to break above the 50-dma if we are going to see an advance.
- The sector is not overbought, and there is room for energy to improve on the upside if we see a rotation to value occur. #2013266080;
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Hold positions
- Stop loss adjusted to \$34.00
- Long-Term Positioning: Bearish

Financials

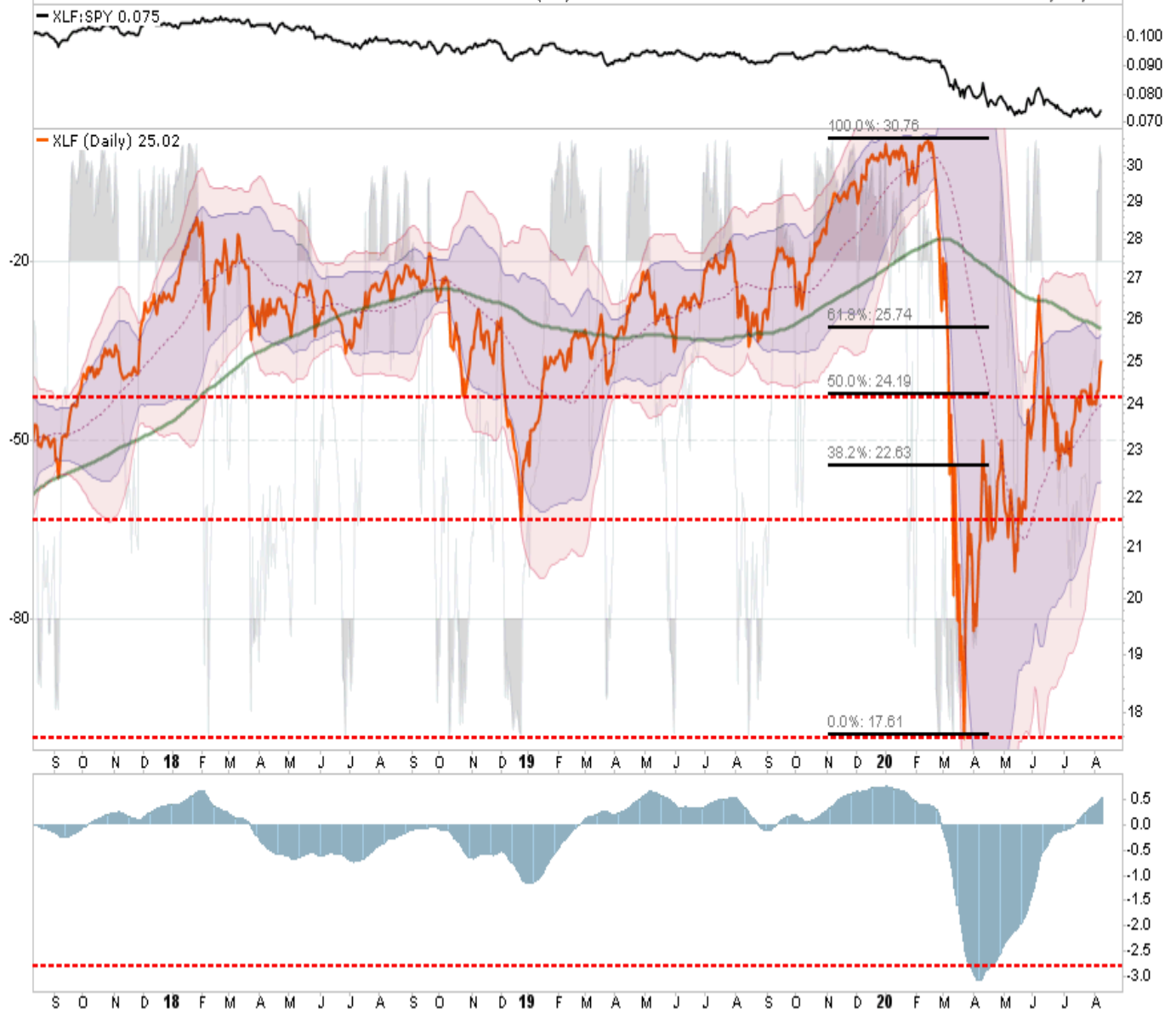
Open: **24.98** Ask: P/E: Options: **yes**
 High: **25.11** Ask Size: EPS: Annual Dividend: **0.61146**
 Low: **24.87** Bid: Mkt Cap: **18.1B** Yield: **2.44%**
 Prev Close: **24.84** Bid Size: Last Size: SCTR (ETF): **13.6**

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▲ **+0.72%**

Chg: **+0.18**

Last: **25.02**

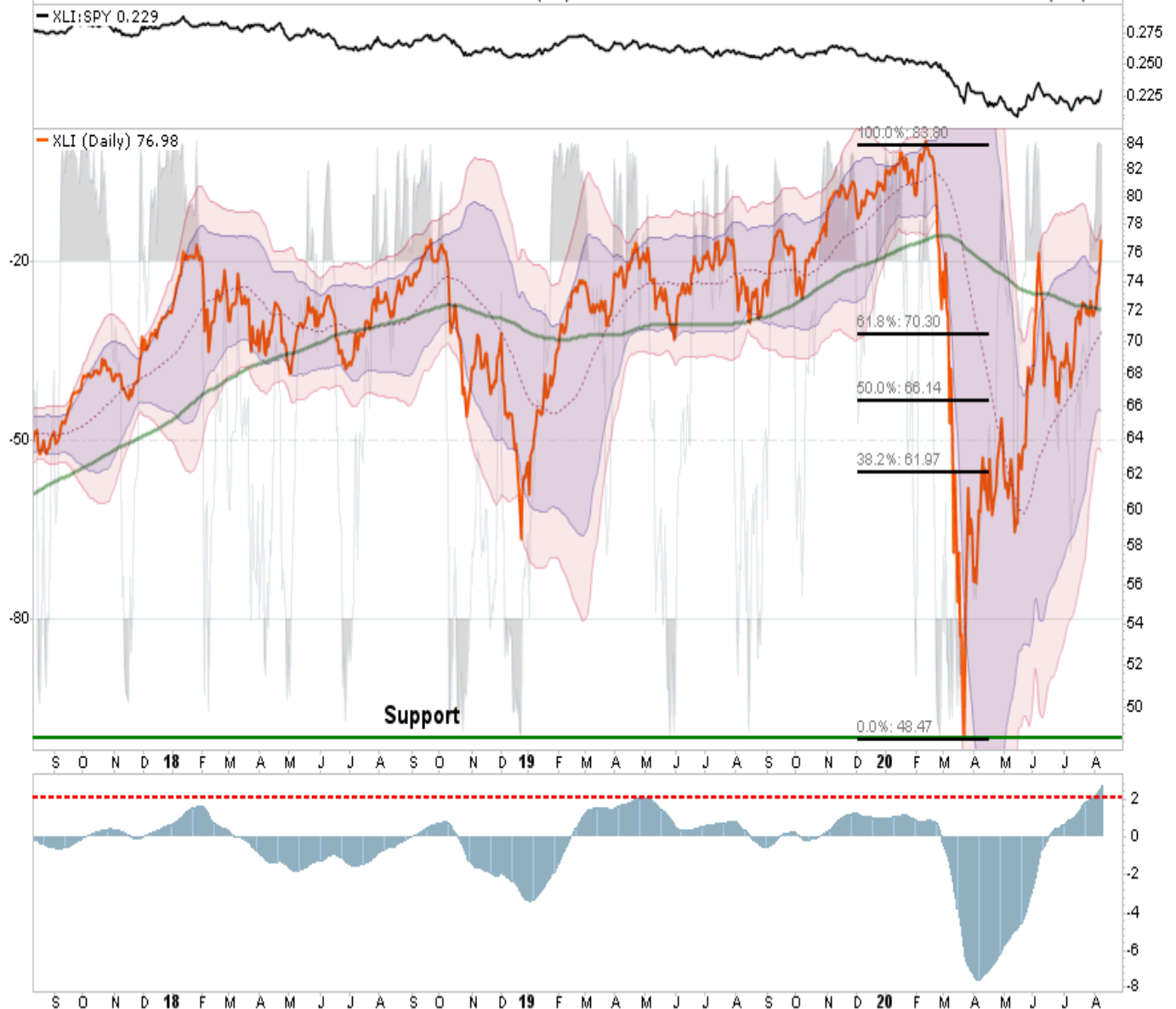
Volume: **45,424,916**


- Financials continue to underperform and remain a sector to avoid currently.
- As noted previously, the initial support was at \$24, which was violated. That level is being tested as "resistance" last week, and broke through on Monday. This puts the 200-dma as the next target.
- 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

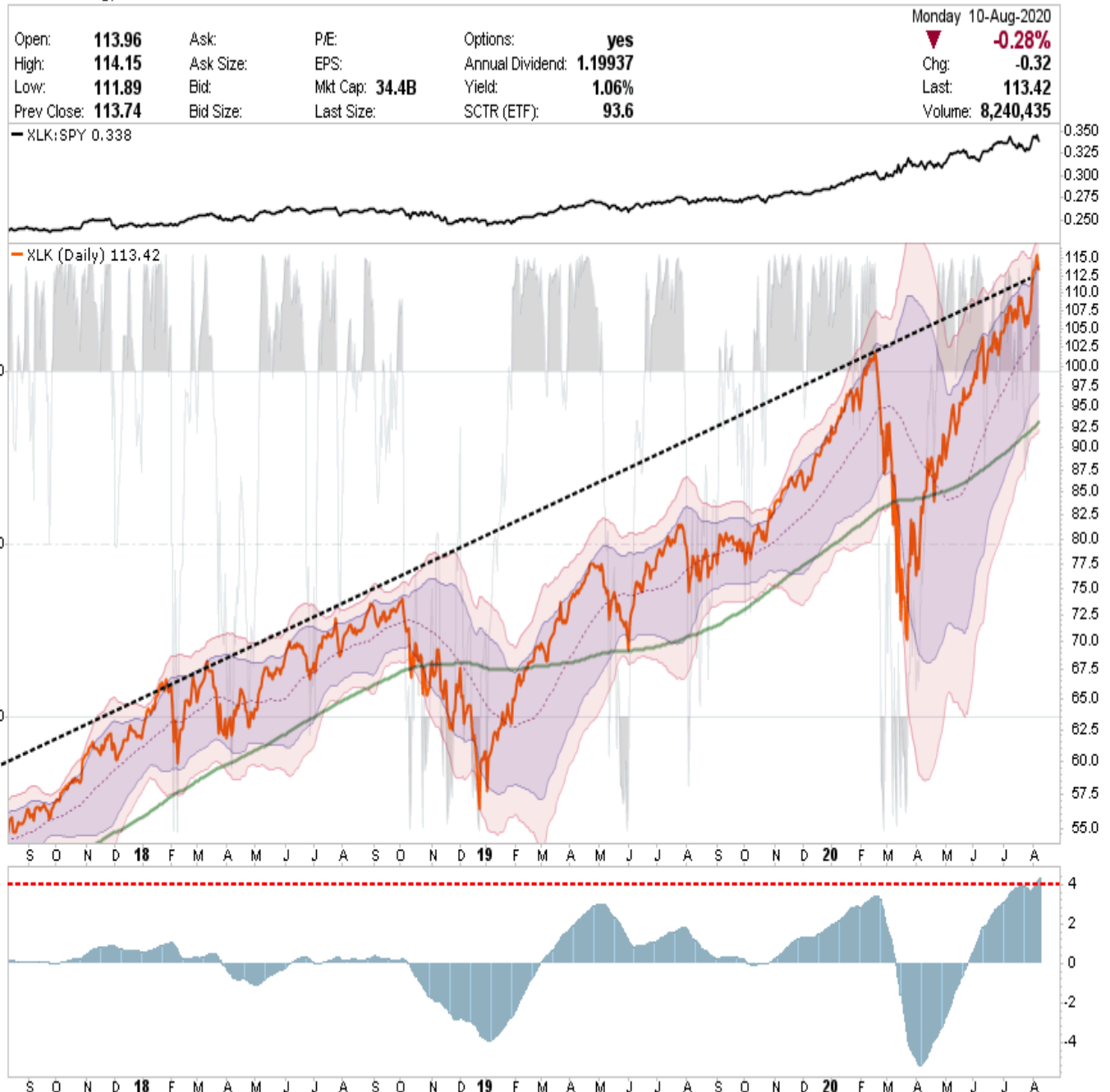
Open: **75.40** Ask: P/E: Options: **yes**
 High: **77.05** Ask Size: EPS: Annual Dividend: **1.52001**
 Low: **75.36** Bid: Mkt Cap: **10.5B** Yield: **1.97%**
 Prev Close: **75.13** Bid Size: Last Size: SCTR (ETF): **68.2**

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▲ **+2.46%**Chg: **+1.85**Last: **76.98**Volume: **15,626,444**

- *Industrials bounced off support at the 50% retracement level and triggered a buy signal.*
- *That buy signal is very extended and industrials have surged into 3-standard deviation territory.*
- *We are watching the dollar as a counter-trend rally could impact the sector due to international exposure.*
- *Take profits and rebalance risk.*
 - *Short-Term Positioning: Neutral*
 - *Last week: Reduced XLI to 2%*
 - *This week: Hold positions. Reduce risk.*
- *Long-Term Positioning: Bearish*

Technology



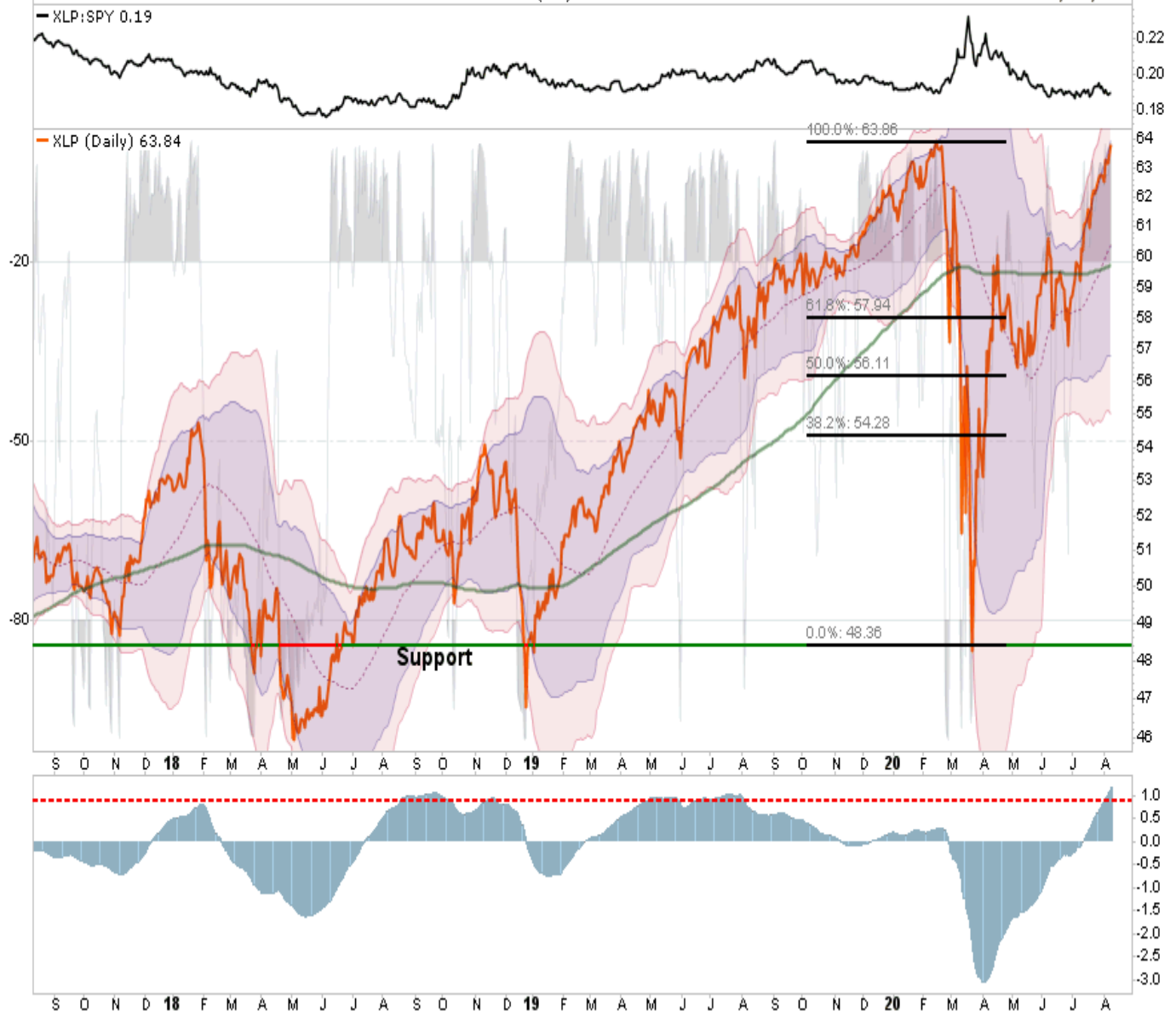
- *Technology stocks, and the Nasdaq, are extremely overbought with the buy signal at a higher level now than in February before the crash. (It's the highest level EVER.)*
- *We are holding our positions currently, after taking some profits. But the deviation above the moving averages will be resolved likely sooner than later. In other words, a correction is coming.*
- *Short-Term Positioning: Bullish*
 - *Last week: Reduced positions slightly.*
 - *This week: Hold positions. Reduce risk if you haven't.*
 - *Long-Term Positioning: Bullish*

Staples

Monday 10-Aug-2020

Open: **63.58** Ask: P/E: Options: **yes**
 High: **63.97** Ask Size: EPS: Annual Dividend: **1.61874**
 Low: **63.44** Bid: Mkt Cap: **14.0B** Yield: **2.54%**
 Prev Close: **63.51** Bid Size: Last Size: SCTR (ETF): **70.5**

▲ **+0.52%**
 Chg: **+0.33**
 Last: **63.84**
 Volume: **4,345,617**

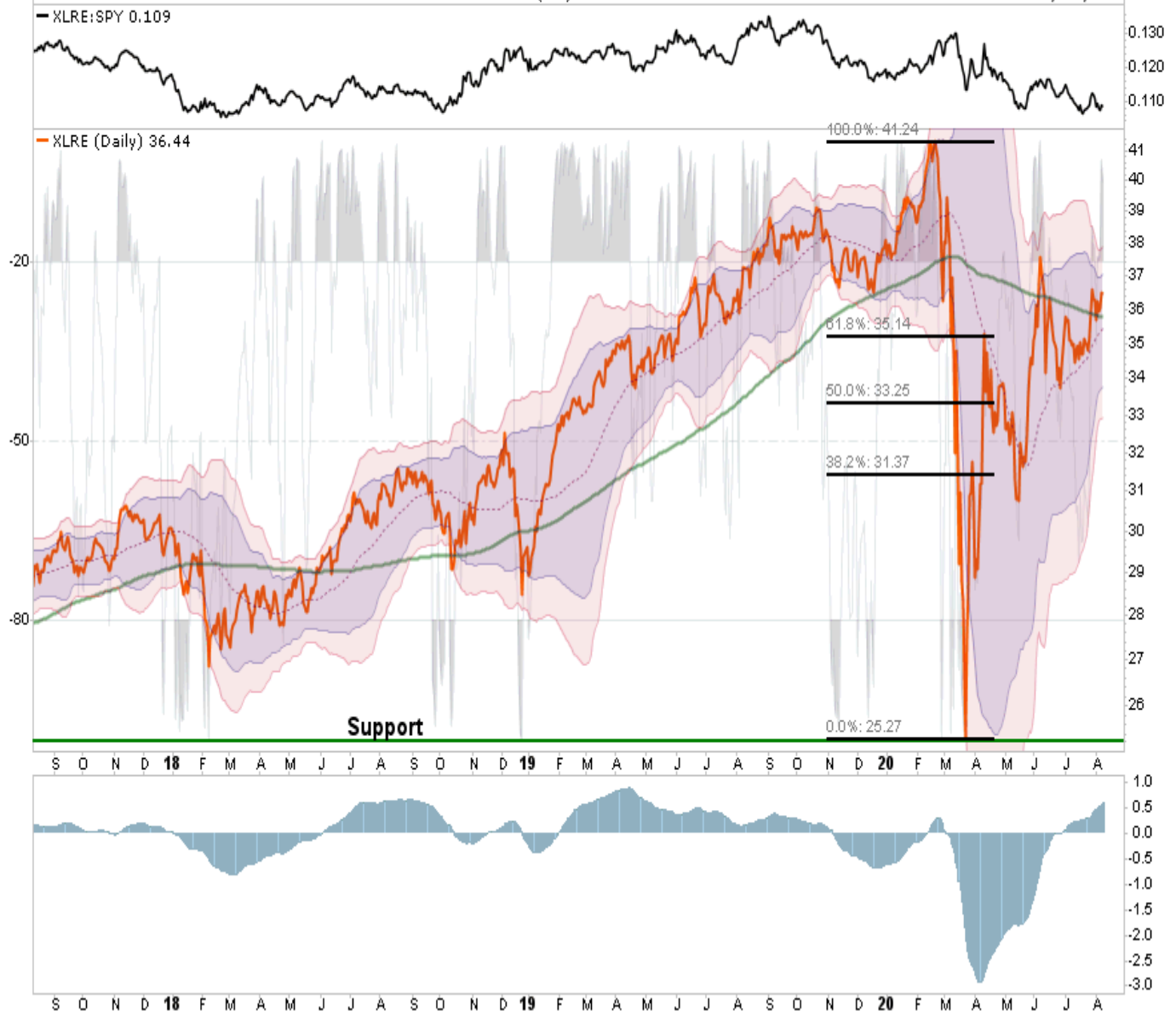


- XLP triggered a buy signal after adding slightly to our positions previously. The buy signal is now extremely extended.
- XLP is overbought and is trading at 3-standard deviations above the mean. A correction is coming, timing is the only question.
- Rebalance holdings and tighten up stop-losses.
- We are moving our stop-loss alert to \$59 as our stop-level.
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Hold positions
 - Long-Term Positioning: Bullish

Monday 10-Aug-2020

Open: **36.58** Ask: P/E: Options: **yes**
 High: **36.67** Ask Size: EPS: Annual Dividend: **1.14873**
 Low: **36.29** Bid: Mkt Cap: **2.48B** Yield: **3.15%**
 Prev Close: **36.50** Bid Size: Last Size: SCTR (ETF): **24.5**

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 ▼ **-0.16%**
 Chg: **-0.06**
 Last: **36.44**
 Volume: **2,986,402**



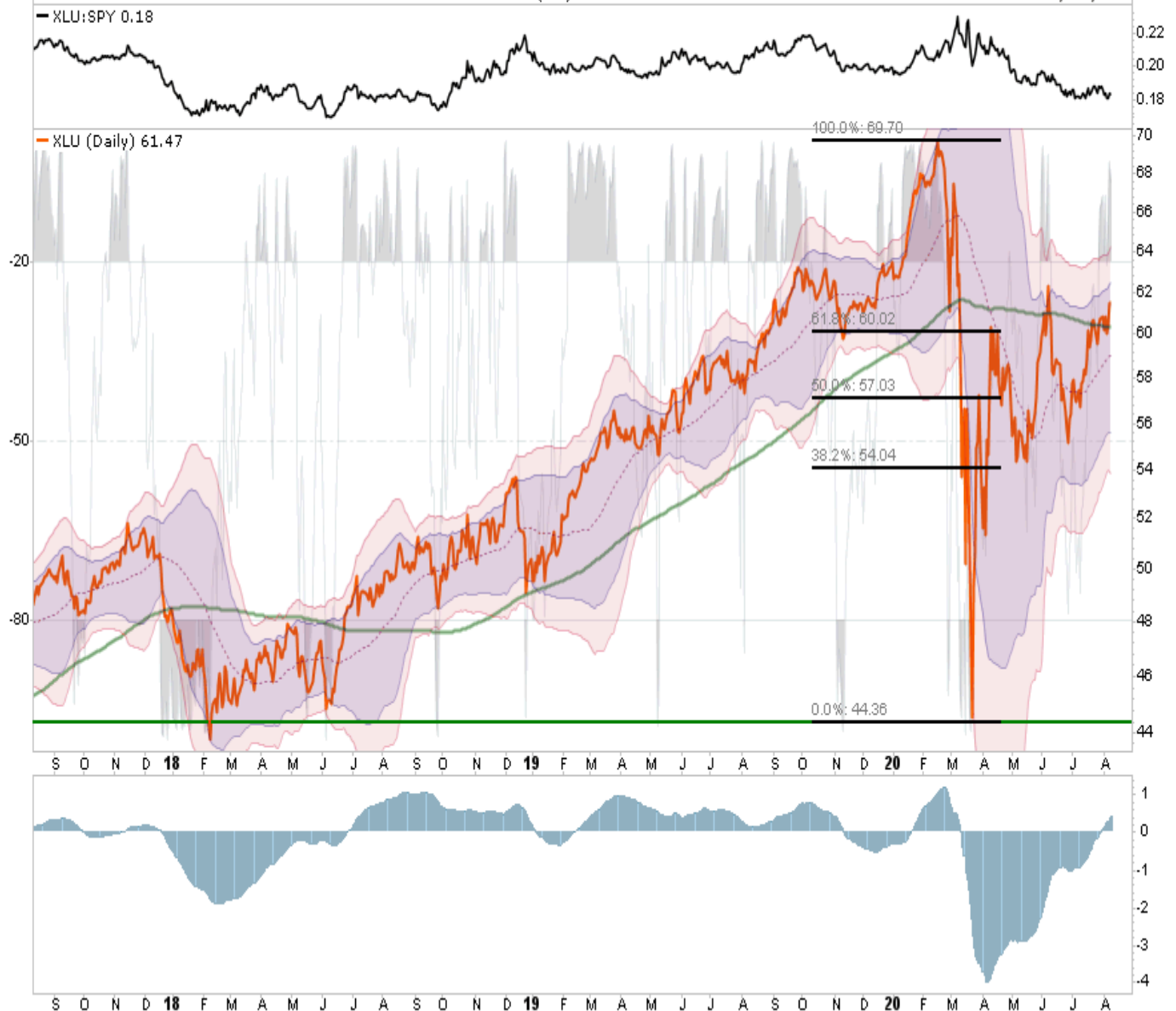
- Like XLP, XLRE has triggered a buy signal.
- XLRE broke above its consolidation wedge and the 200-dma. I would like to see XLRE hold the 200-dma before adding exposure to the sector.�
- Move stops up to \$34.
- Short-Term Positioning: Neutral
 - Last week: No holdings.
 - This week: No holdings
 - Long-Term Positioning: Bullish

Utilities

Monday 10-Aug-2020

Open: **61.69** Ask: P/E: Options: **yes**
 High: **61.95** Ask Size: EPS: Annual Dividend: **1.94304**
 Low: **61.27** Bid: Mkt Cap: **11.7B** Yield: **3.16%**
 Prev Close: **61.49** Bid Size: Last Size: SCTR (ETF): **27.8**

Chg: **-0.03%**
 Last: **61.47**
 Volume: **10,604,298**



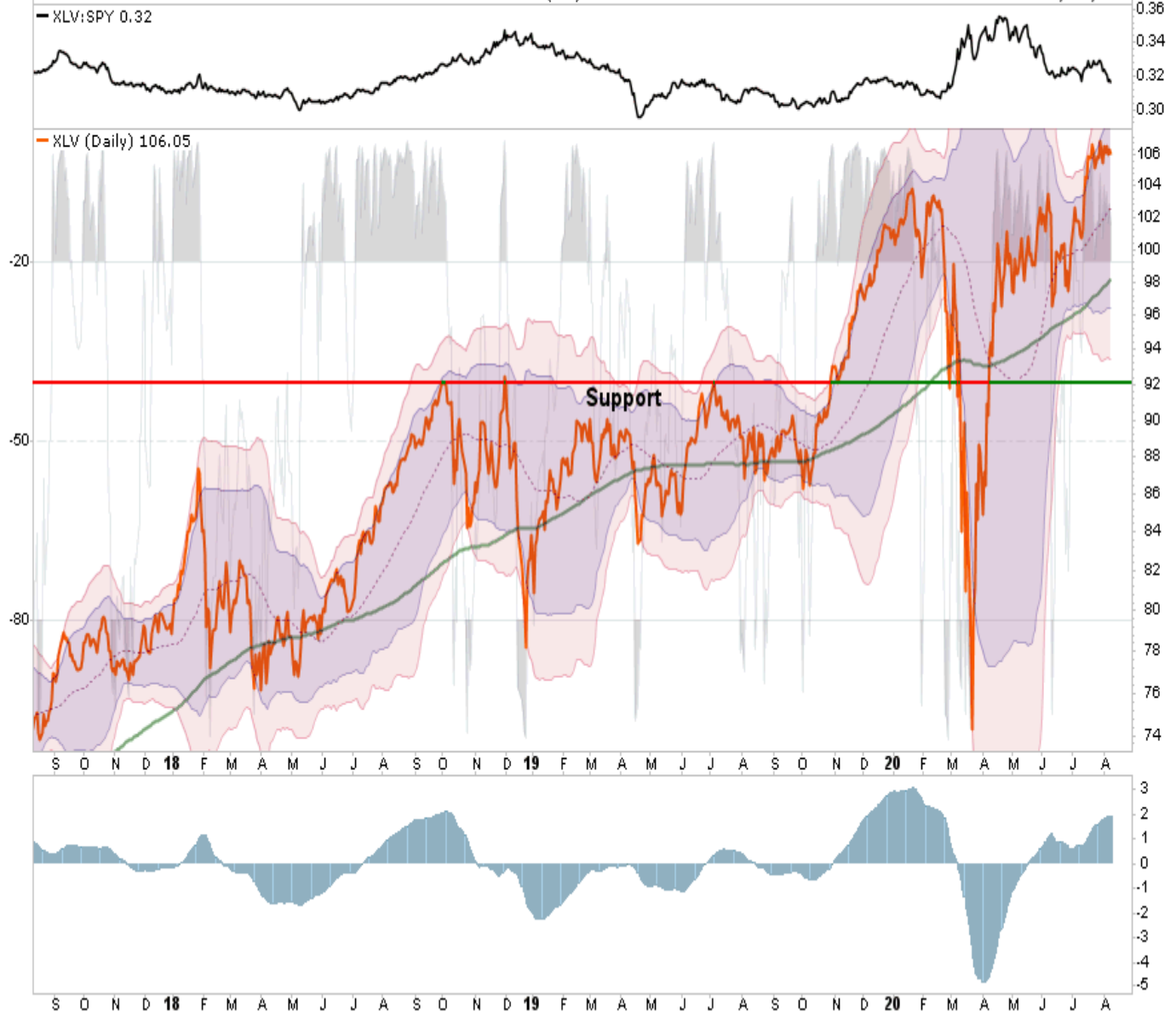
- *XLU has been lagging but has triggered a very early BUY signal. With XLRE also on a buy, it suggests we may see a rotation from risk starting. It's early, so we will see.*
- *So far, support seems to be holding.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Hold positions*
- *Long-Term Positioning: Bullish*

Health�Care

Monday 10-Aug-2020

Open: **106.43** Ask: P/E: Options: **yes**
 High: **106.52** Ask Size: EPS: Annual Dividend: **1.60818**
 Low: **105.77** Bid: Mkt Cap: **24.1B** Yield: **1.52%**
 Prev Close: **106.41** Bid Size: Last Size: SCTR (ETF): **64.9**

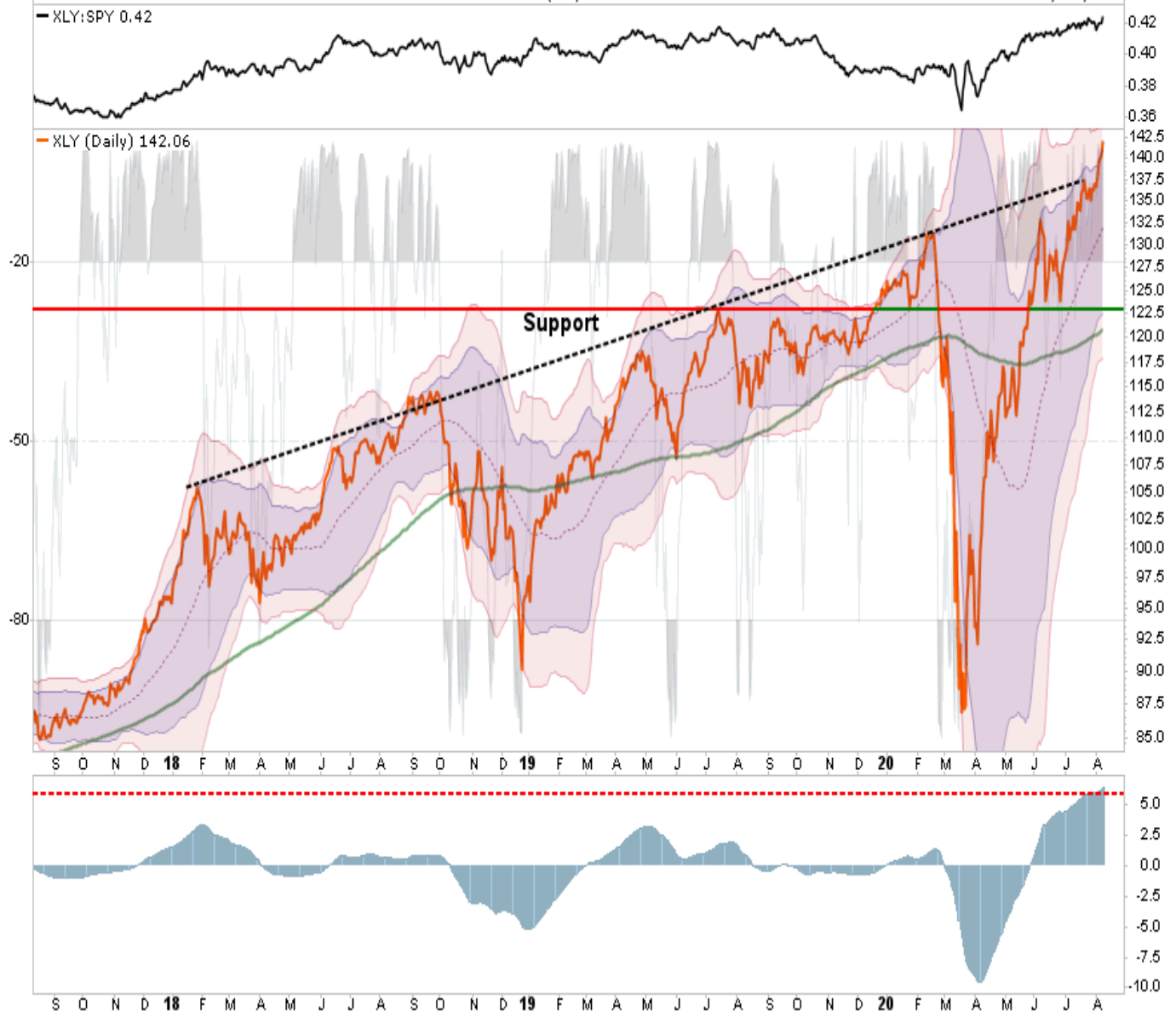
Chg: **-0.34%**
 Chg: **-0.36**
 Last: **106.05**
 Volume: **4,640,186**



- As noted previously, XLV is trading 3-standard deviations above the moving average, a correction is likely short-term;
- With the buy signal now getting more 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: 140.88	Ask:	P/E:	Options: yes	Monday 10-Aug-2020
High: 142.22	Ask Size:	EPS:	Annual Dividend: 1.53389	▲ +1.20%
Low: 140.66	Bid:	Mkt Cap: 15.1B	Yield: 1.08%	Chg: +1.68
Prev Close: 140.38	Bid Size:	Last Size:	SCTR (ETF): 91.6	Last: 142.06
				Volume: 2,280,184



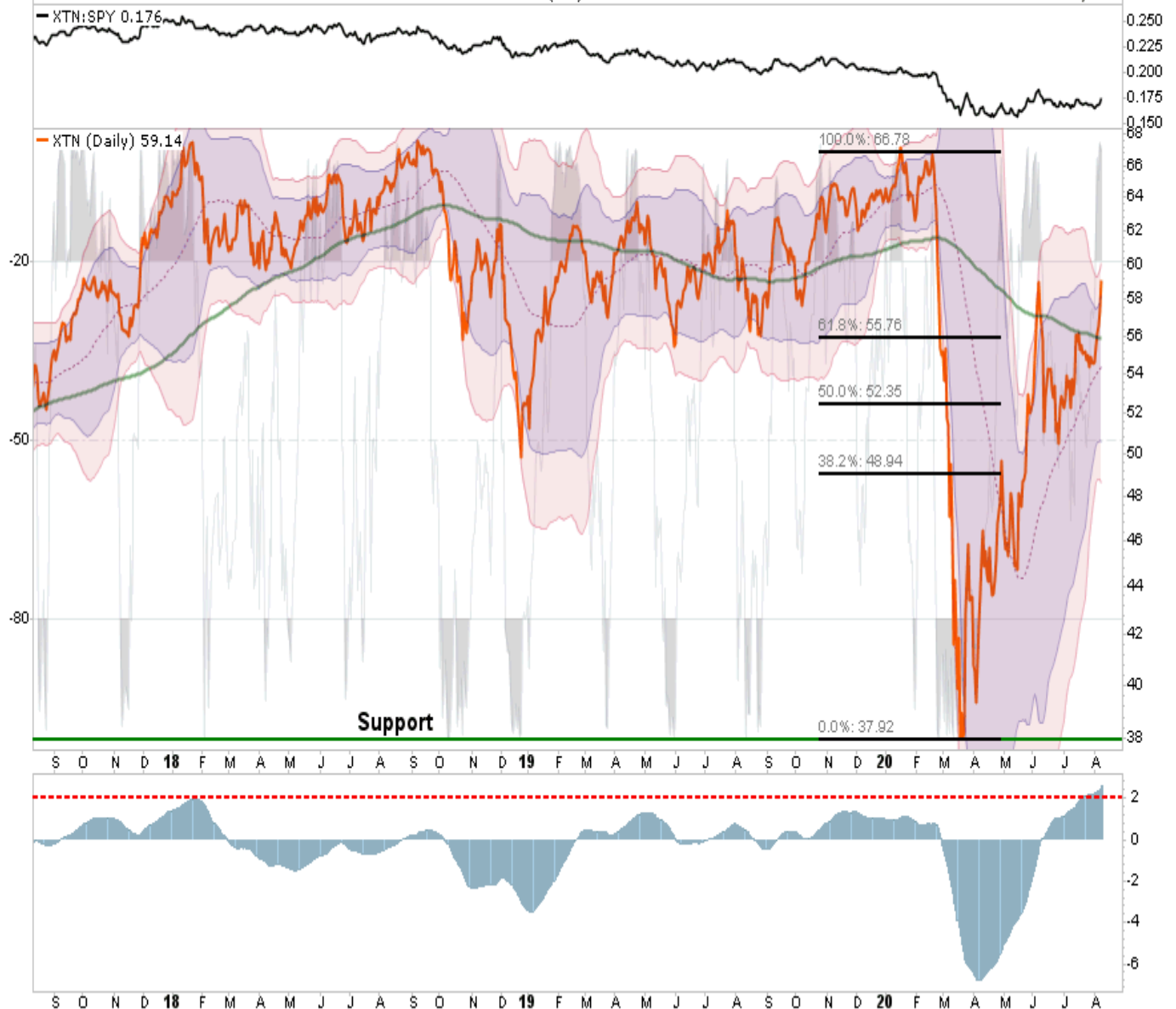
- *AMZN is still driving this sector and XLY is trading at extremes.*
- *With the buy signal at the highest level on record a correction is coming. It is just a function of time and a catalyst. (Common theme in this missive.)*
- *Hold current positions but maintain your stop levels. We recommend taking 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

Monday 10-Aug-2020

Open: **57.69** Ask: P/E: Options: **no**
 High: **59.28** Ask Size: EPS: Annual Dividend: **0.57877**
 Low: **57.69** Bid: Mkt Cap: **177.4M** Yield: **0.98%**
 Prev Close: **57.40** Bid Size: Last Size: SCTR (ETF): **58.0**

▲ **+3.03%**
 Chg: **+1.74**
 Last: **59.14**
 Volume: **189,164**



- The rally in XTN is now 3-standard deviations above the moving average after finally clearing the 200-dma resistance.
- The sector is still performing weakly, but had a chase on Monday.
- Risk is elevated in the sector. Take profits and reduce risk.
- Stop loss set at \$50
- Short-Term Positioning: Neutral
 - Last week: Reduced position in IYT.
 - This week: Rebalance and reduce risk.
- Long-Term Positioning: Bearish