

Sector Buy/Sell Review: 09-01-20

seHOW TO READ THE SECTOR BUY/SELL REVIEW: 09-01-20 Each week we produce a **"Sector Buy/Sell Review"** chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such 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 tend to work better than when below the zero lines. **We added 2- and 3-standard deviation extensions from the 50-dma this week. Currently, markets and sectors are back to "stupid" overbought on many levels. We advise caution.**

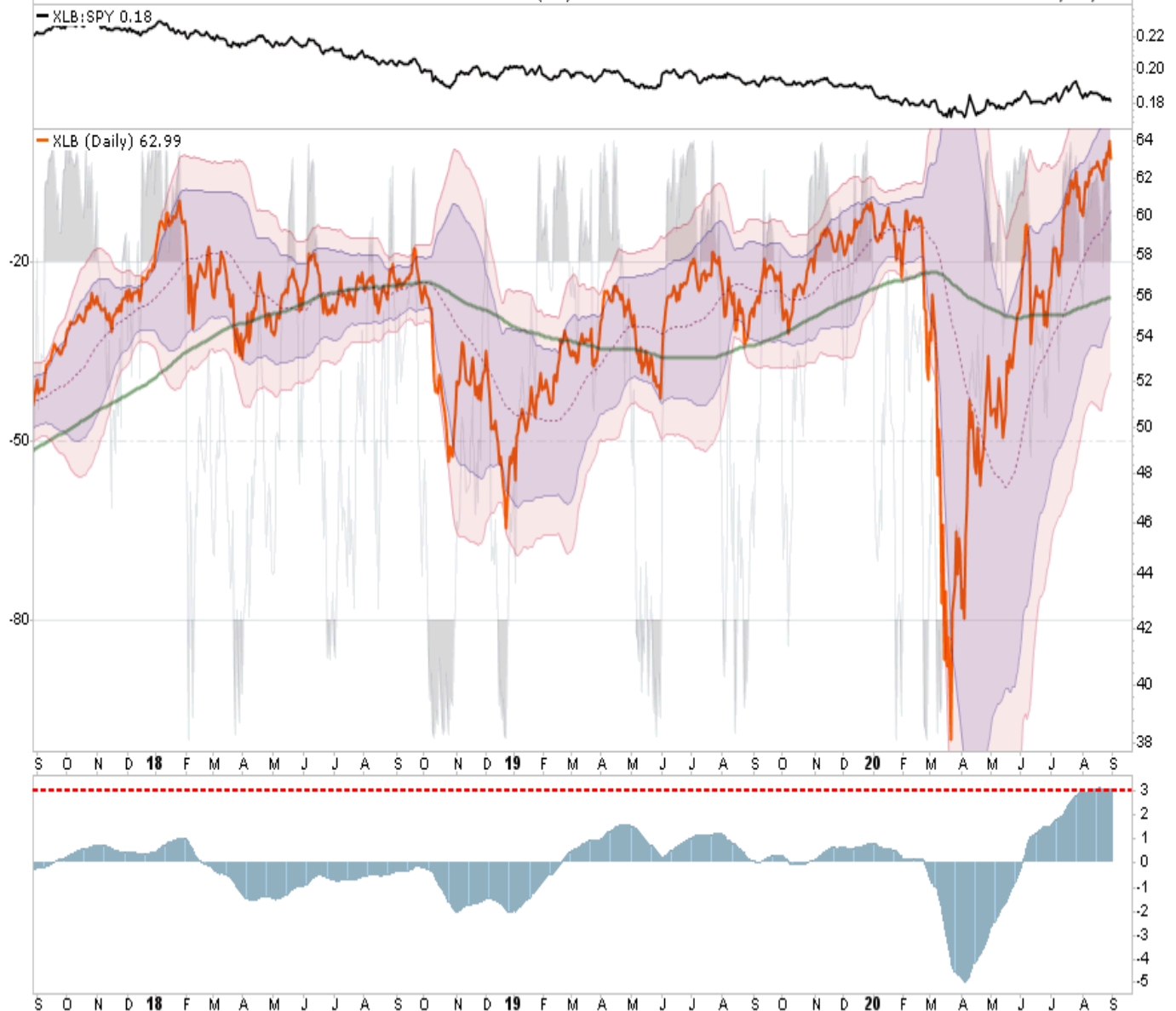
SECTOR BUY/SELL REVIEW: 09-01-20

Basic Materials

Monday 31-Aug-2020

Open: **63.86** Ask: P/E: Options: **yes**
 High: **64.01** Ask Size: EPS: Annual Dividend: **1.20504**
 Low: **62.99** Bid: Mkt Cap: **3.40B** Yield: **1.91%**
 Prev Close: **63.97** Bid Size: Last Size: SCTR (ETF): **77.4**

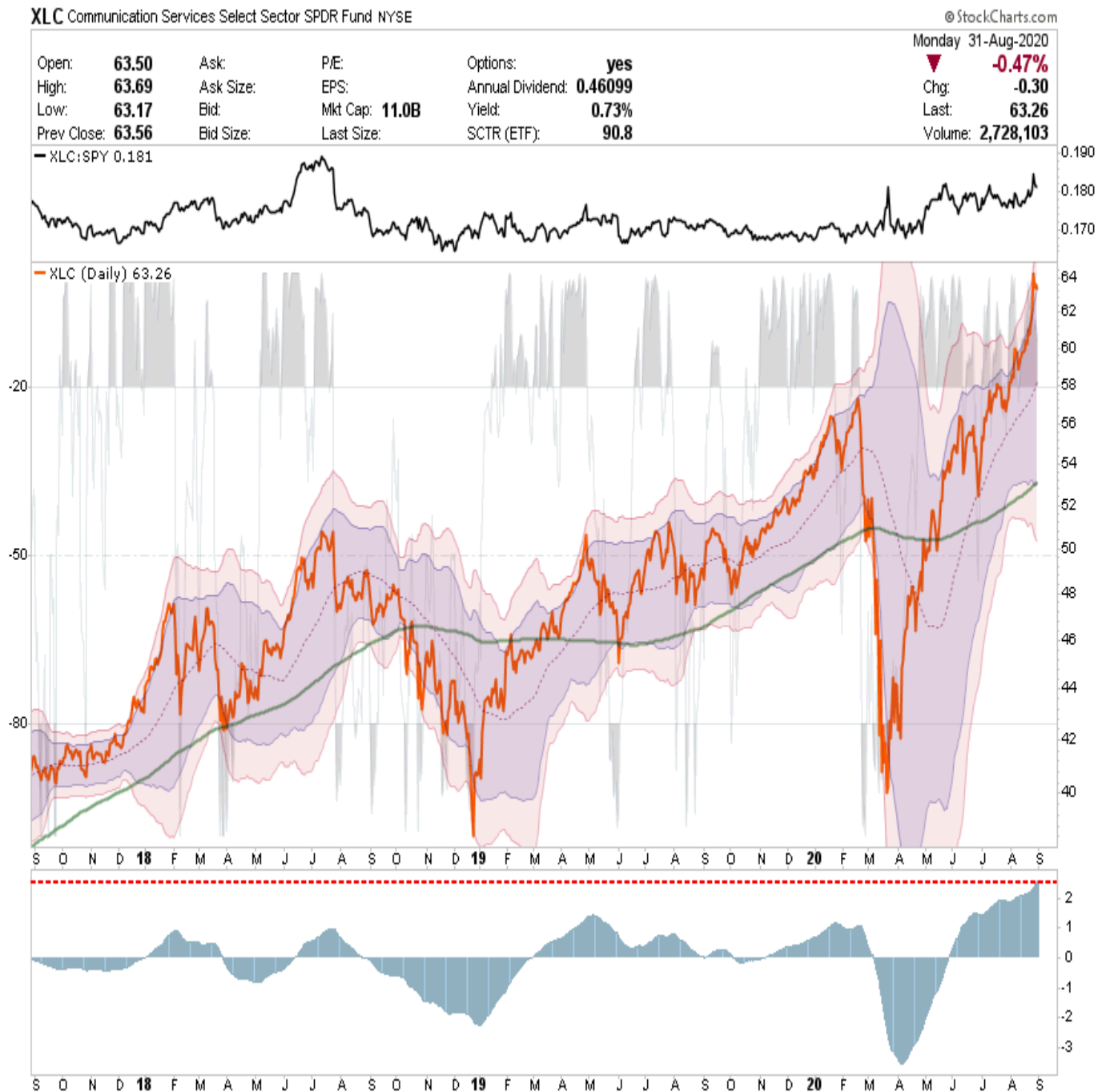
Chg: **-1.53%**
 Last: **62.99**
 Volume: **3,054,643**



- The following comment from Sentiment Trader on Monday applies to just about every chart in today's review:�
 - **"Nobody knows if 'something' has permanently changed. That's why we focus a lot on failures. And yes, clearly markets have gone longer and further than they historically have under similar conditions. And yes, it's possible that the fiscal and monetary stimuli, coupled with the breadth thrusts, recoveries, and trend changes from the spring mean that there will be little or no weakness for months on end. Dunno. It's just at a point, and admittedly has been for a while, where risk appears very high relative to likely reward over a medium-term time frame."**
- With XLB pushing into very overbought conditions with a historically high "buy signal," there seems to be a lot less reward in the sector currently.�
- Short-Term Positioning: Bullish
 - Last Week: No Positions
 - This Week: No Positions

- *Stop-Loss moved up to \$57*
- *Long-Term Positioning: Bearish*

Communications



- *XLC has pushed into extremes with the largest deviation from the 200-dma in its history, 3-standard deviations above the 50-dma, and the most overbought buy signal ever.*
- *A correction is coming. It is just a question of "when" and "what causes it."*
- *We suggested taking profits and reducing risks previously. Move up, stop levels.*
- *We moved our stop to \$53.*
 - *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Reduced position by 1%. Will continue doing so until correction occurs.*
- *Long-Term Positioning: Bearish*

Energy

XLE Energy Select Sector SPDR Fund NYSE

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Monday 31-Aug-2020

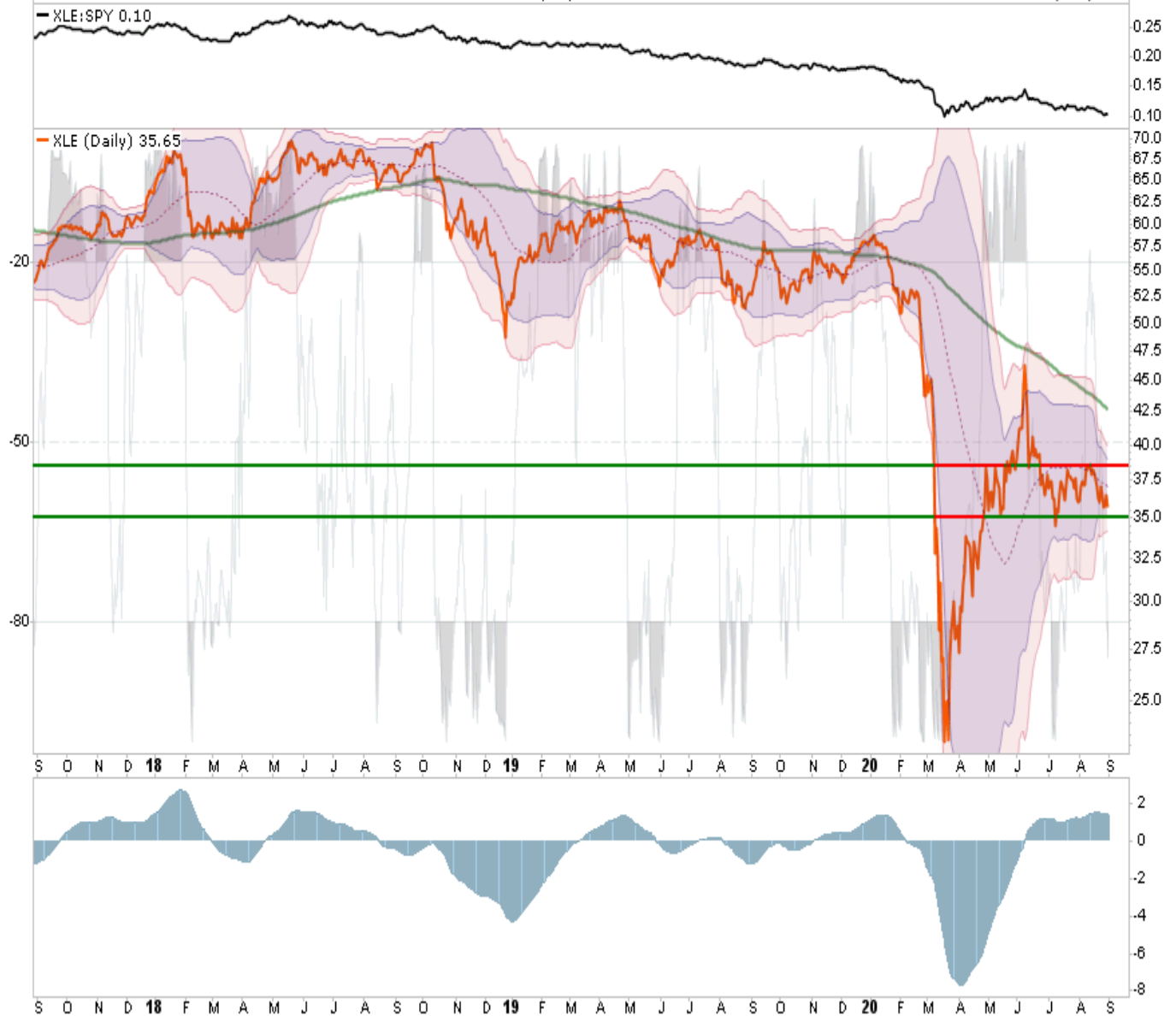
▼ -2.17%

Chg: -0.79

Last: 35.65

Volume: 18,780,524

Open: 36.49 Ask: P/E: Options: yes
 High: 36.54 Ask Size: EPS: Annual Dividend: 2.2206
 Low: 35.65 Bid: Mkt Cap: 9.98B Yield: 6.23%
 Prev Close: 36.44 Bid Size: Last Size: SCTR (ETF): 1.5

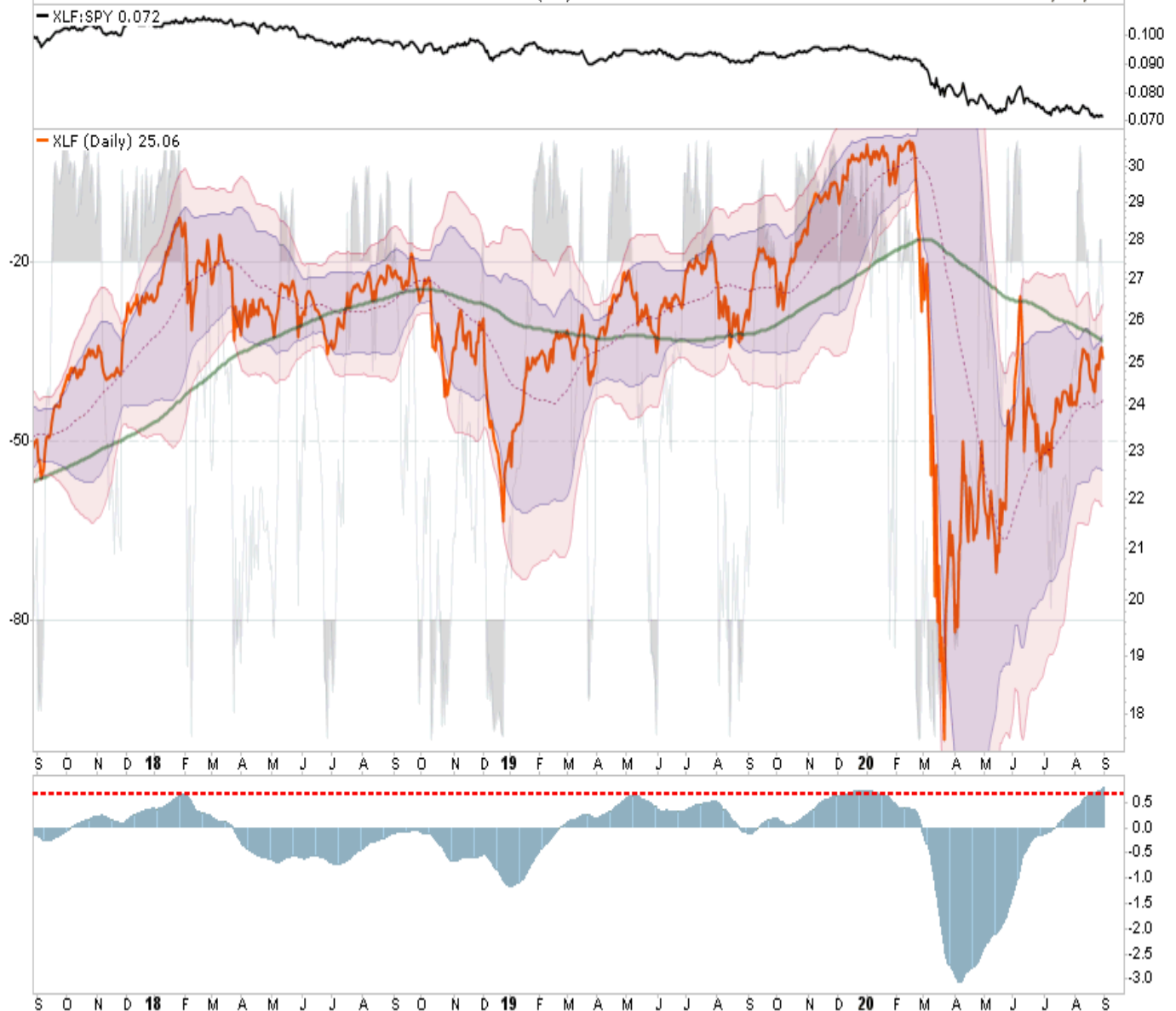


- Energy continues to fail at its 50-dma but is also holding support. It needs to break above the 50-dma if we are going to see an advance.
- The sector is not overbought, and there is room for energy to improve on the upside if we see a rotation to value.
- Short-Term Positioning: Bearish
 - Last week: Hold positions
 - This week: Hold positions
- Stop-loss adjusted to \$34.00
- Long-Term Positioning: Neutral

Financials

Open: **25.34** Ask: P/E: Options: **yes**
 High: **25.34** Ask Size: EPS: Annual Dividend: **0.61146**
 Low: **25.06** Bid: Mkt Cap: **18.1B** Yield: **2.44%**
 Prev Close: **25.36** Bid Size: Last Size: SCTR (ETF): **17.5**

Monday 31-Aug-2020

▼ **-1.18%**Chg: **-0.30**Last: **25.06**Volume: **52,235,000**

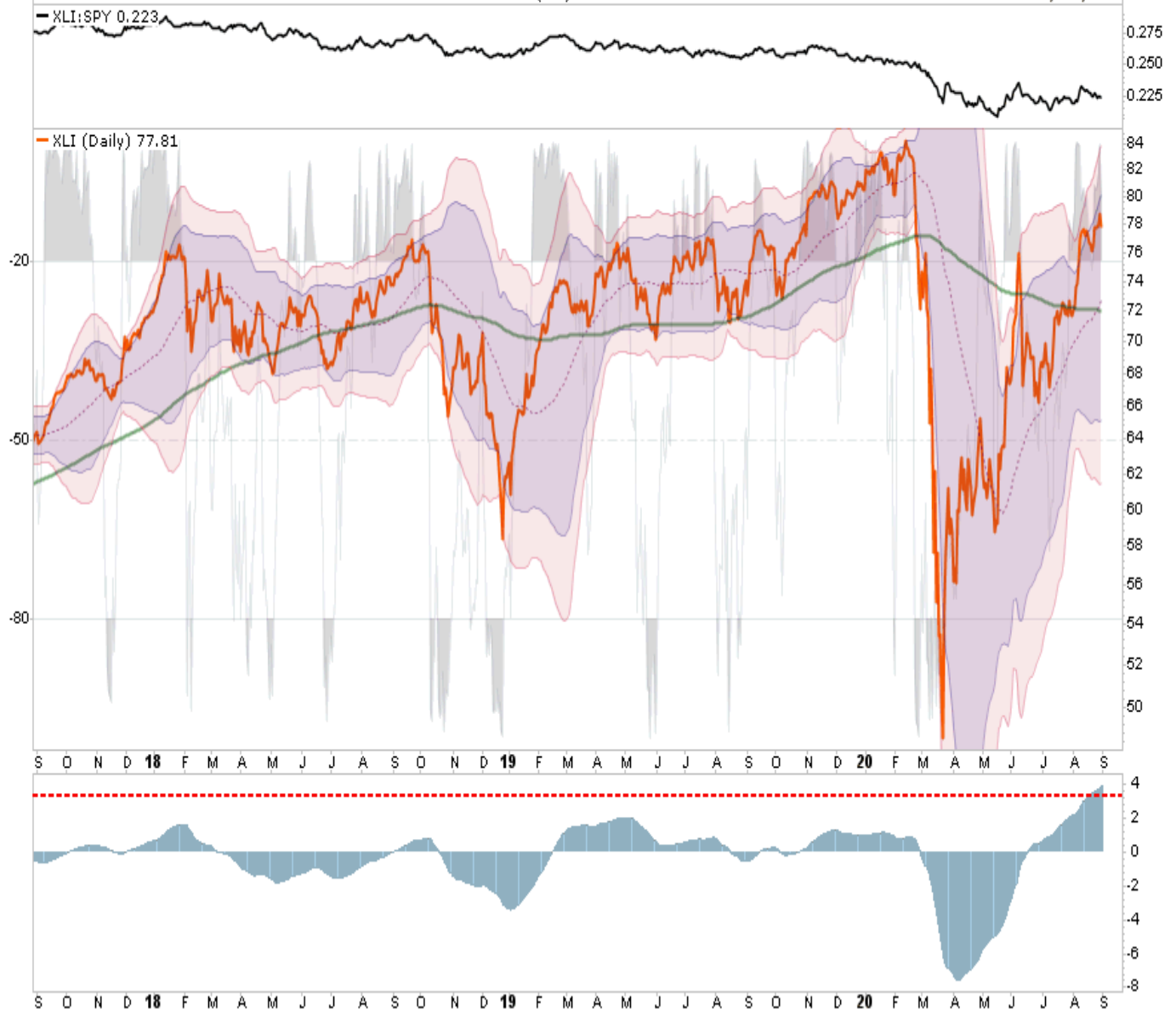
- Financials continue to underperform and remain a sector to avoid currently.
- However, like the rest of the market, they are now getting very extended with a historically high "buy signal."
- As noted previously, the 200-dma continues to be a problem for XLF.
- The bit of pickup on rotation was disappointing, and banks remain out of favor for now.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Bearish

Industrials

Monday 31-Aug-2020

Open: **78.57** Ask: P/E: Options: **yes**
 High: **78.86** Ask Size: EPS: Annual Dividend: **1.52001**
 Low: **77.81** Bid: Mkt Cap: **10.7B** Yield: **1.95%**
 Prev Close: **78.79** Bid Size: Last Size: SCTR (ETF): **67.4**

▼ **-1.24%**
 Chg: **-0.98**
 Last: **77.81**
 Volume: **9,908,117**



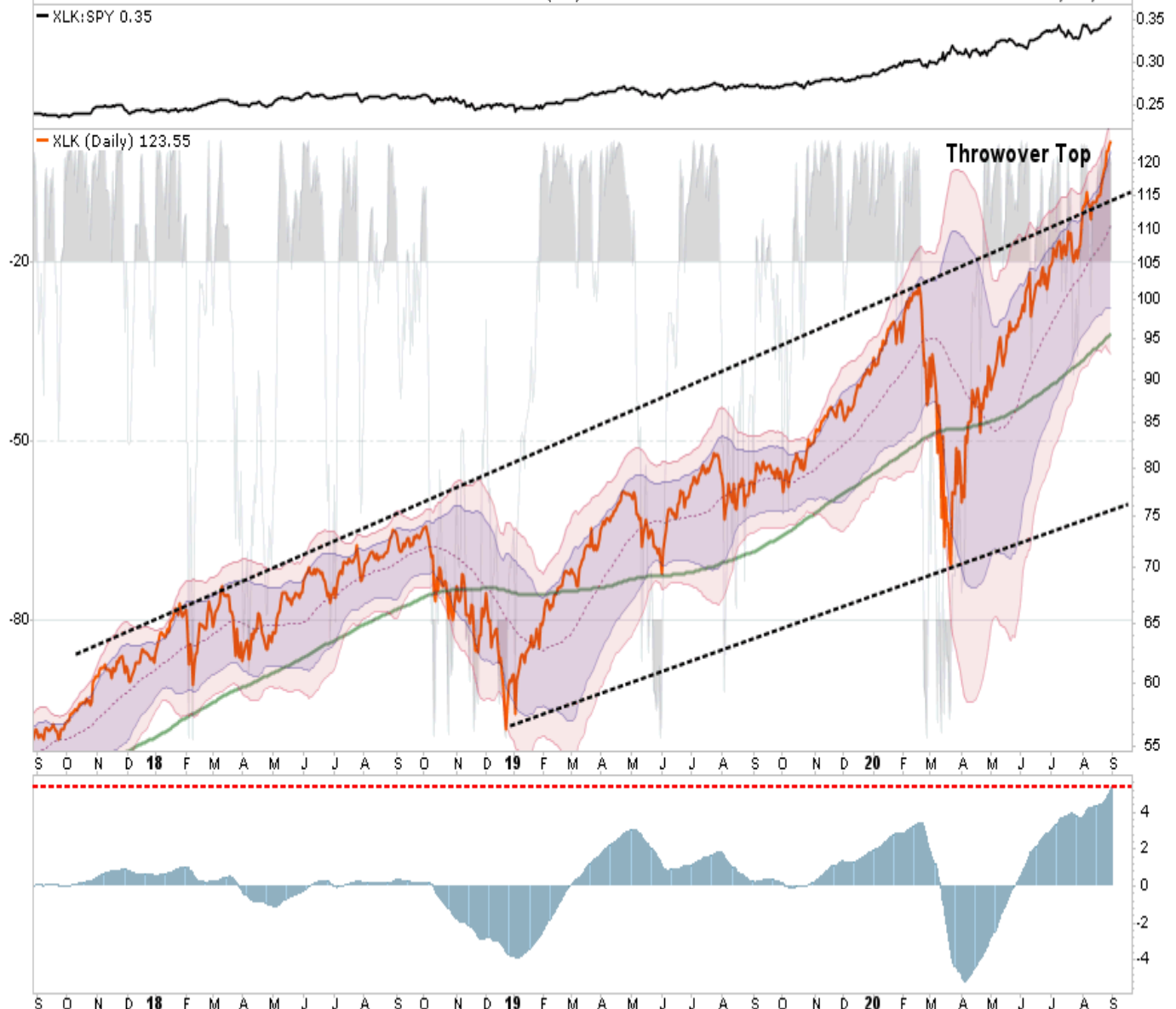
- *Industrials are pushing into the 3-standard deviation zone with the buy signal extremely extended, and the sector remains extremely overbought.*
- *As suggested previously, take profits and rebalance risk.*
 - *Short-Term Positioning: Bullish*
 - *Last week: No change.*
 - *This week: We have reduced our position from 3% to 1%.*
- *Long-Term Positioning: Bearish*

Technology

Monday 31-Aug-2020

Open: 123.65	Ask:	P/E:	Options: yes
High: 124.35	Ask Size:	EPS:	Annual Dividend: 1.19937
Low: 122.88	Bid:	Mkt Cap: 37.4B	Yield: 0.97%
Prev Close: 123.16	Bid Size:	Last Size:	SCTR (ETF): 96.3

▲ **+0.32%**
 Chg: **+0.39**
 Last: **123.55**
 Volume: **9,490,476**



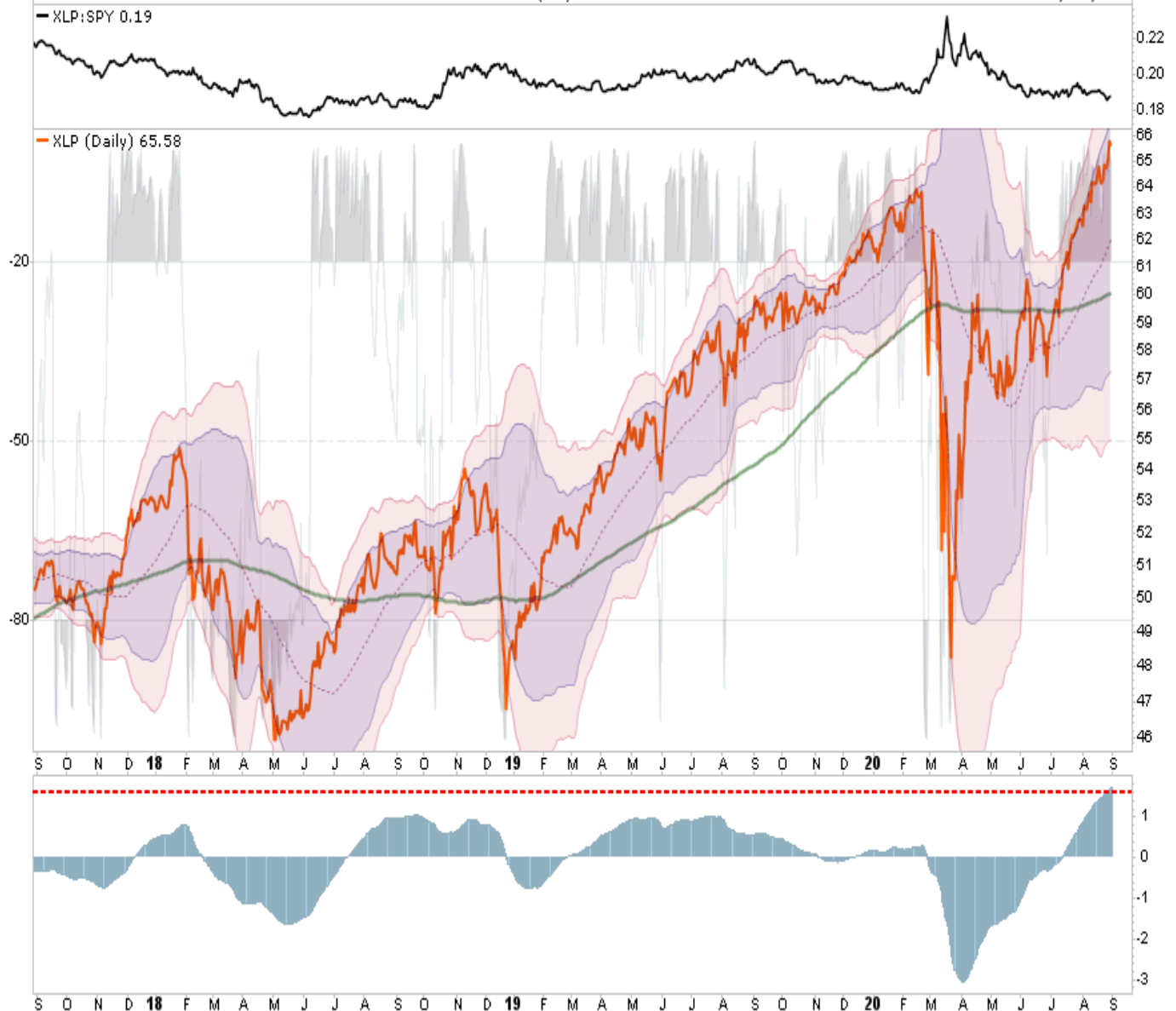
- Technology stocks, and the Nasdaq, are extremely overbought with the buy signal at a higher level now than in February before the crash. (It's the highest level EVER.)
- We have started reducing our positions accordingly given the magnitude of the extension. The deviation above the moving averages will be resolved likely sooner than later. In other words, a correction is coming.
- We are starting to hedge our portfolio and reducing risk accordingly.
- Short-Term Positioning: Bullish
 - Last week: Reduced positions slightly.
 - This week: Reduced XLK from 9% to 6.5% of portfolio.
- Long-Term Positioning: Bullish

Staples

Monday 31-Aug-2020

Open: **65.53** Ask: P/E: Options: **yes**
 High: **65.77** Ask Size: EPS: Annual Dividend: **1.61874**
 Low: **65.32** Bid: Mkt Cap: **14.4B** Yield: **2.47%**
 Prev Close: **65.77** Bid Size: Last Size: SCTR (ETF): **70.8**

Chg: **-0.29%**
 Last: **65.58**
 Volume: **7,661,170**



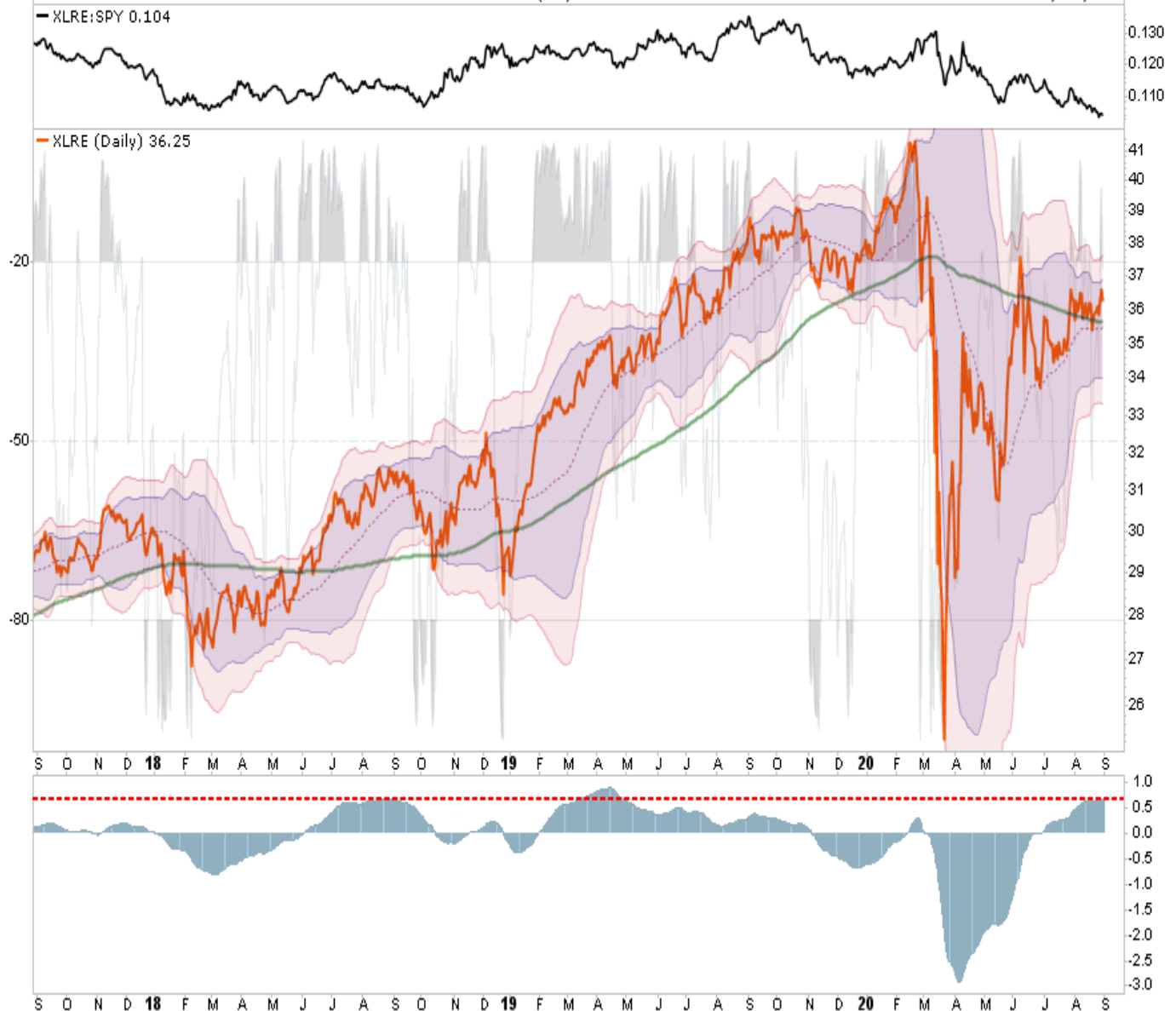
- *XLP has played catchup with the overall market. The buy signal is now significantly extended at the highest level ever.*
- *XLP is overbought and is trading at 3-standard deviations above the mean. A correction is coming; timing is the only question.*
- *Rebalance holdings and tighten up stop-losses.*
- *We are moving our stop-loss alert to \$60 as our stop-level.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Rebalancing holdings soon.*
- *Long-Term Positioning: Bullish*

RealEstate

Monday 31-Aug-2020

Open: **36.52** Ask: P/E: Options: **yes**
 High: **36.52** Ask Size: EPS: Annual Dividend: **1.14873**
 Low: **36.12** Bid: Mkt Cap: **2.47B** Yield: **3.17%**
 Prev Close: **36.57** Bid Size: Last Size: SCTR (ETF): **17.2**

Chg: **-0.32**
 Last: **36.25**
 Volume: **3,522,726**



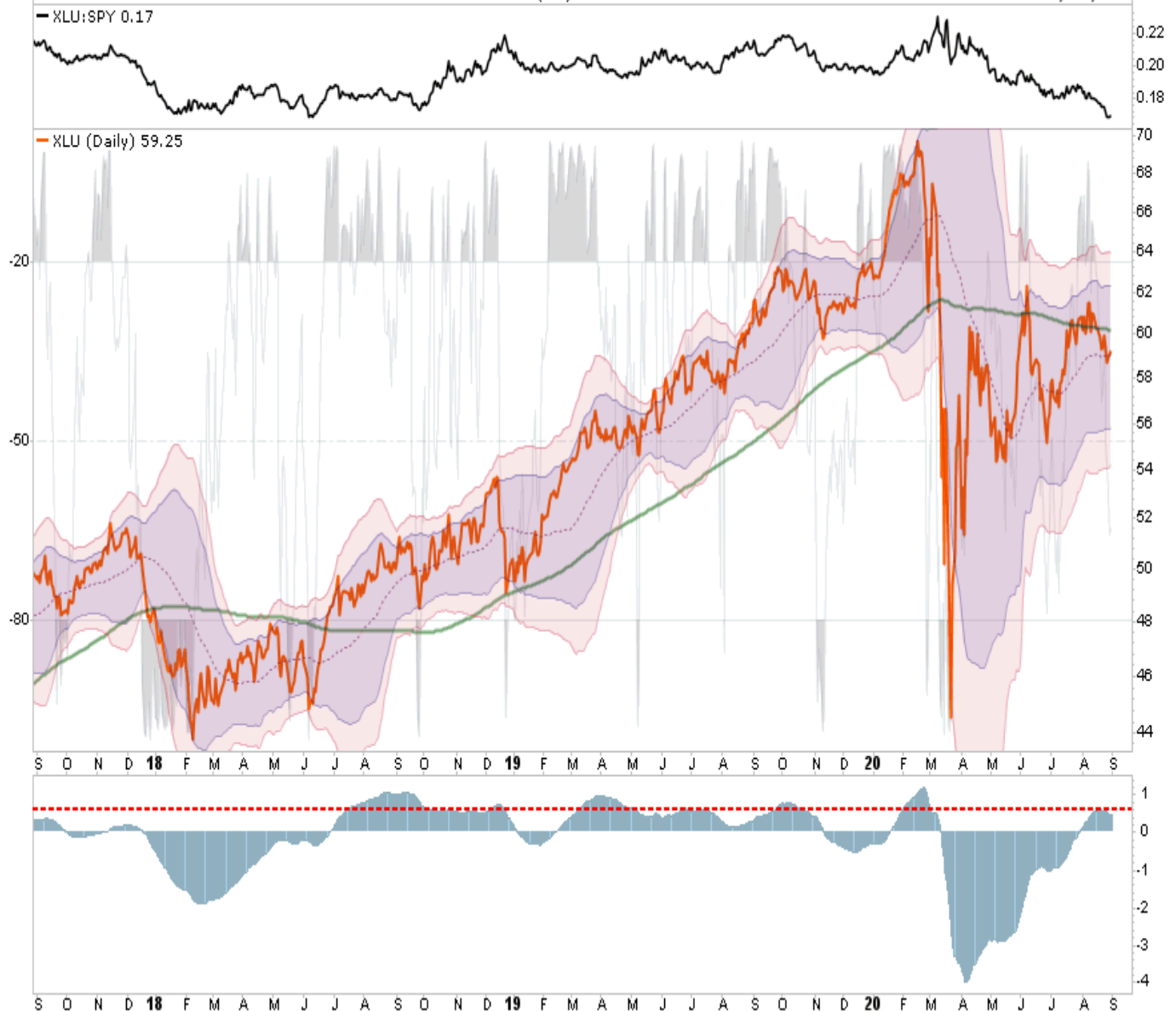
- *XLRE has triggered a buy signal and is holding support at the 200-dma.*
- *We added some exposure back to REITs previously, and we expect some offsetting pickup if the rest of the market begins to correct.*
- *Move stops up to \$35.*
- *Short-Term Positioning: Neutral*
 - *Last week: Added 3% XLRE in ETF, and 1% WELL, PSA to Equity.*
 - *This week: No change.*
- *Long-Term Positioning: Bullish*

Utilities

Monday 31-Aug-2020

Open: **58.98** Ask: P/E: Options: **yes**
 High: **59.61** Ask Size: EPS: Annual Dividend: **1.94304**
 Low: **58.97** Bid: Mkt Cap: **11.3B** Yield: **3.28%**
 Prev Close: **59.07** Bid Size: Last Size: SCTR (ETF): **8.6**

▲ **+0.30%**
 Chg: **+0.18**
 Last: **59.25**
 Volume: **9,987,687**



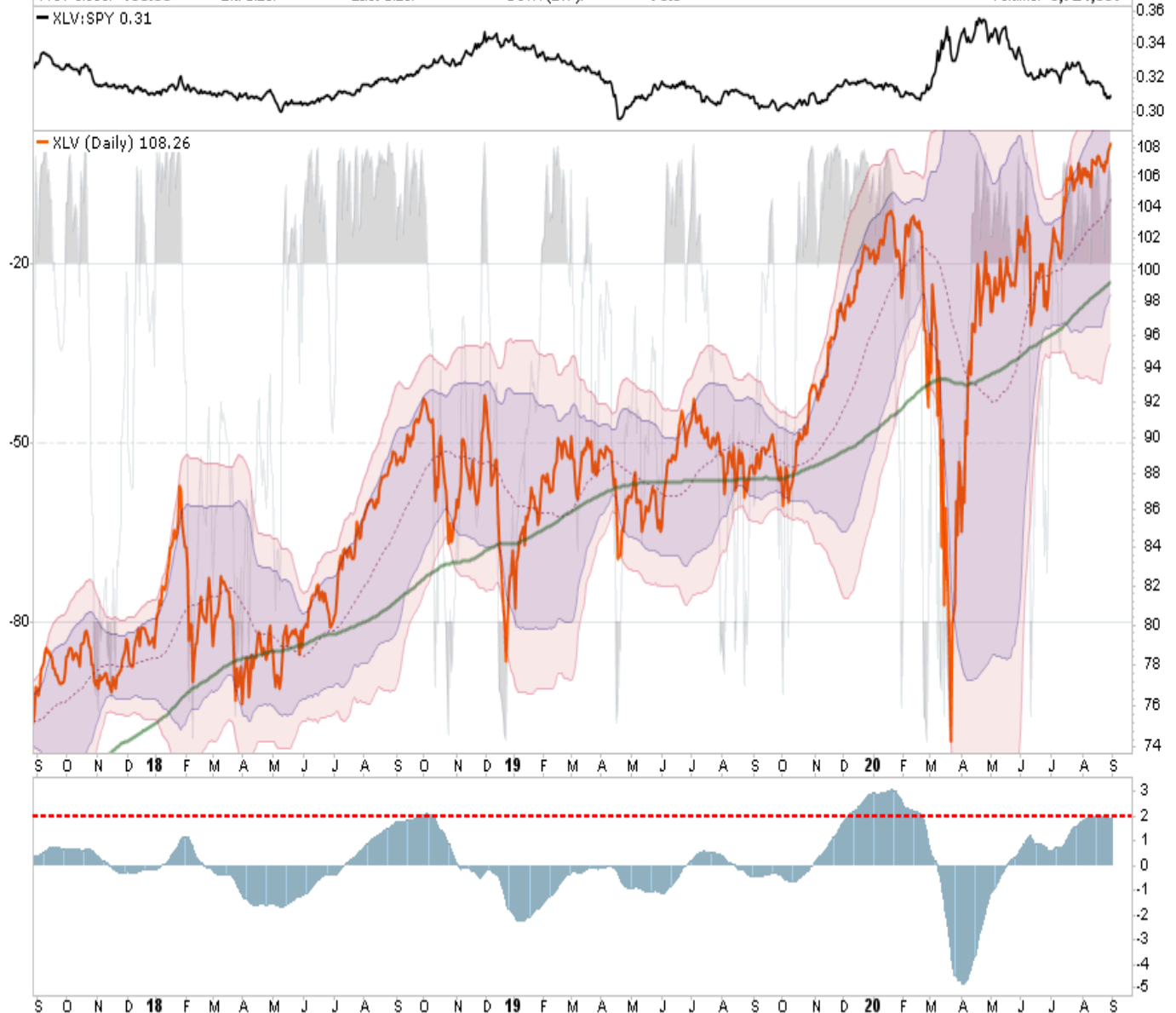
- XLU has been holding support at the 200-dma but failed last Friday.
- Utilities are holding support at the 50-dma and we expect we should see a pick up in performance if interest rates pull back.
- That performance pickup should occur with a risk-off rotation trade in the market.
- The failure of support keeps us sidelined on additions currently.
- Short-Term Positioning: Neutral
 - Last week: Hold positions
 - This week: Hold positions
- Long-Term Positioning: Bullish

Health&Care

Monday 31-Aug-2020

Open: **107.77** Ask: P/E: Options: **yes**
 High: **108.78** Ask Size: EPS: Annual Dividend: **1.60818**
 Low: **107.68** Bid: Mkt Cap: **24.6B** Yield: **1.49%**
 Prev Close: **108.00** Bid Size: Last Size: SCTR (ETF): **70.9**

▲ **+0.24%**
 Chg: **+0.26**
 Last: **108.26**
 Volume: **6,721,097**

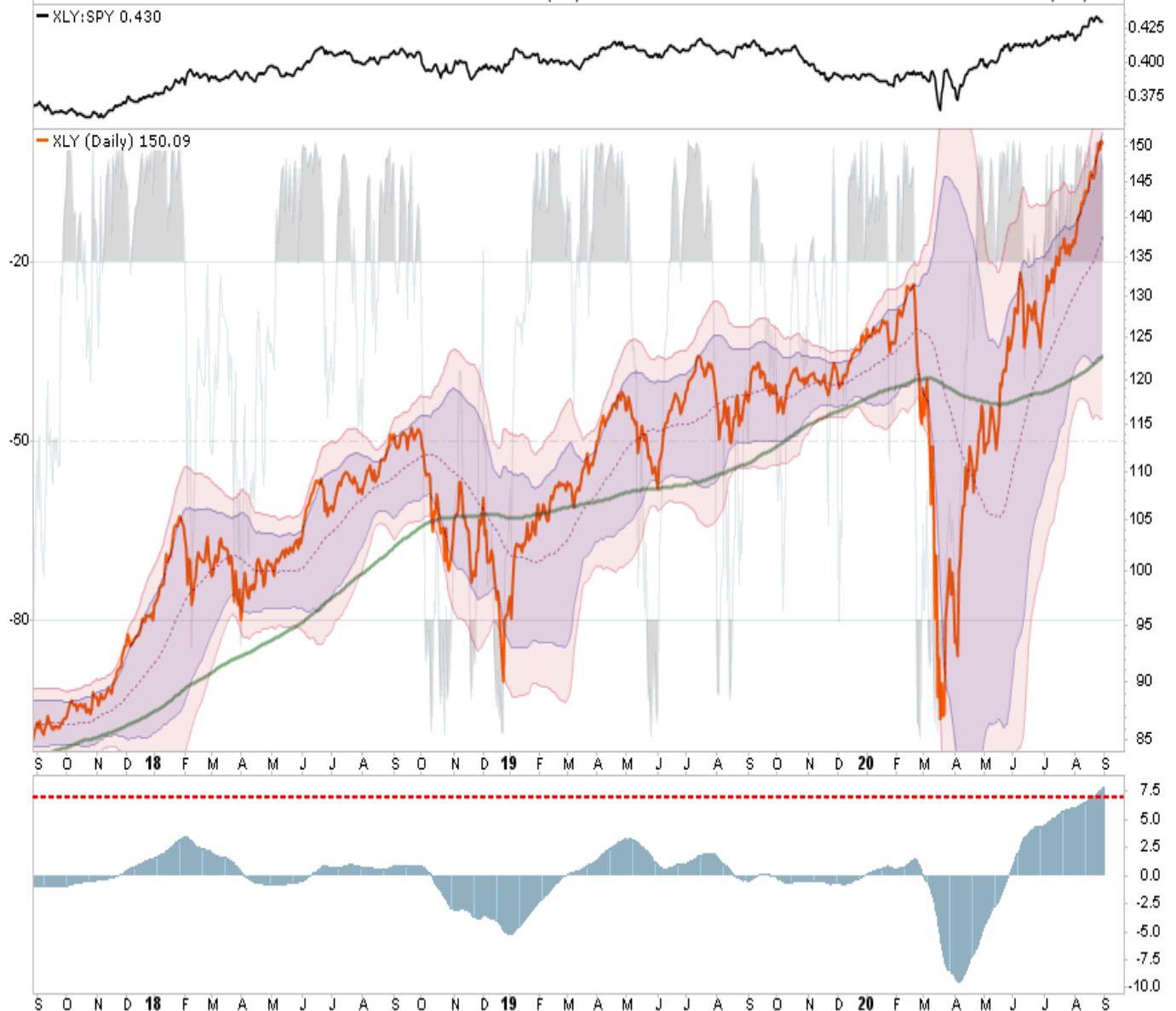


- As noted previously, XLV is getting extremely extended above the 200-dma.
- With the buy signal now extremely extended a correction is likely. It is time to start thinking about taking some profits and reducing risk.
- The 200-dma is now essential support and needs to hold, along with the previous tops going back to 2018.
- We are moving our stop to \$100
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Hold positions.
- Long-Term Positioning: Bullish

Discretionary

Open: **150.51** Ask: P/E: Options: **yes**
 High: **150.96** Ask Size: EPS: Annual Dividend: **1.53389**
 Low: **149.89** Bid: Mkt Cap: **15.9B** Yield: **1.02%**
 Prev Close: **150.53** Bid Size: Last Size: SCTR (ETF): **93.0**

Monday 31-Aug-2020

▼ **-0.29%**Chg: **-0.44**Last: **150.09**Volume: **3,511,206**

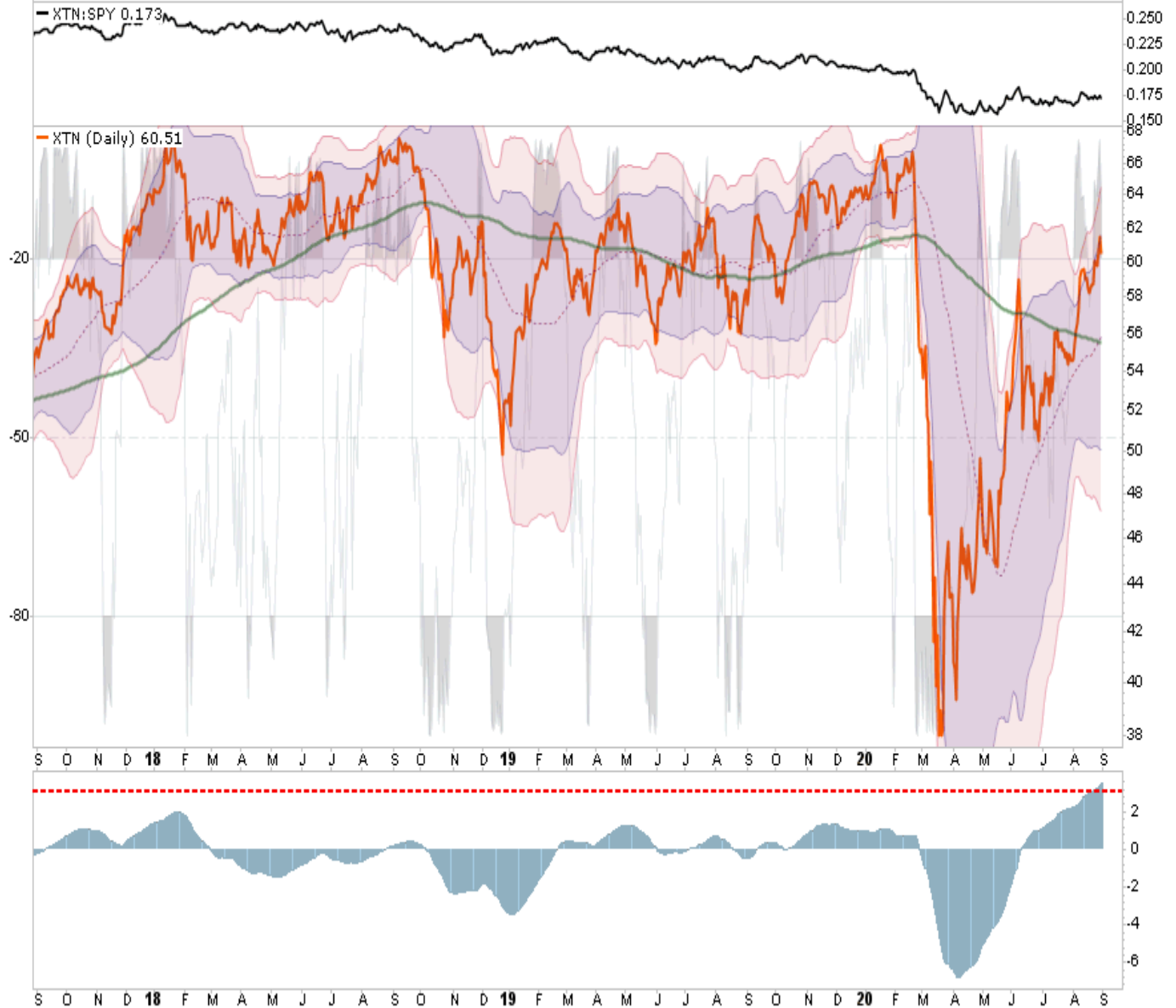
- *XLY is trading at extremes and is at the most significant deviation from its 200-dma in history.*
- *The same goes for its buy signal.*
- *I have no idea what trips this sector up, but it is coming, and the correction will be substantial.*
- *Take profits and hedge risk.*
- *Stop-loss set at \$130*
- *Short-Term Positioning: Bullish*
 - *Last week: No position*
 - *This week: No position*
- *Long-Term Positioning: Neutral*

Transportation

Monday 31-Aug-2020

Open: **61.47** Ask: P/E: Options: **no**
 High: **61.47** Ask Size: EPS: Annual Dividend: **0.57877**
 Low: **60.38** Bid: Mkt Cap: **181.5M** Yield: **0.96%**
 Prev Close: **61.45** Bid Size: Last Size: SCTR (ETF): **78.3**

Chg: **-1.53%**
 Last: **60.51**
 Volume: **46,047**



- The rally in XTN is now 3-standard deviations above the moving average after finally clearing the 200-dma resistance.
- The sector is performing better, but weak relative to the index.
- Take profits and reduce risk.
- Stop-loss set at \$56
- Short-Term Positioning: Neutral
 - Last week: Reduced position in IYT.
 - This week: Rebalance and reduce risk.
- Long-Term Positioning: Bearish