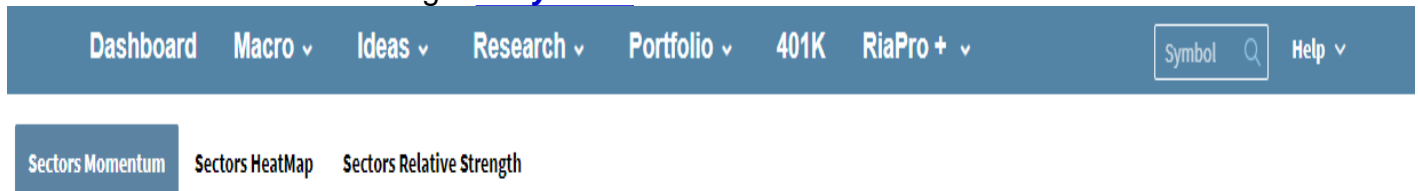


## Sector Buy/Sell Review: 09-22-20

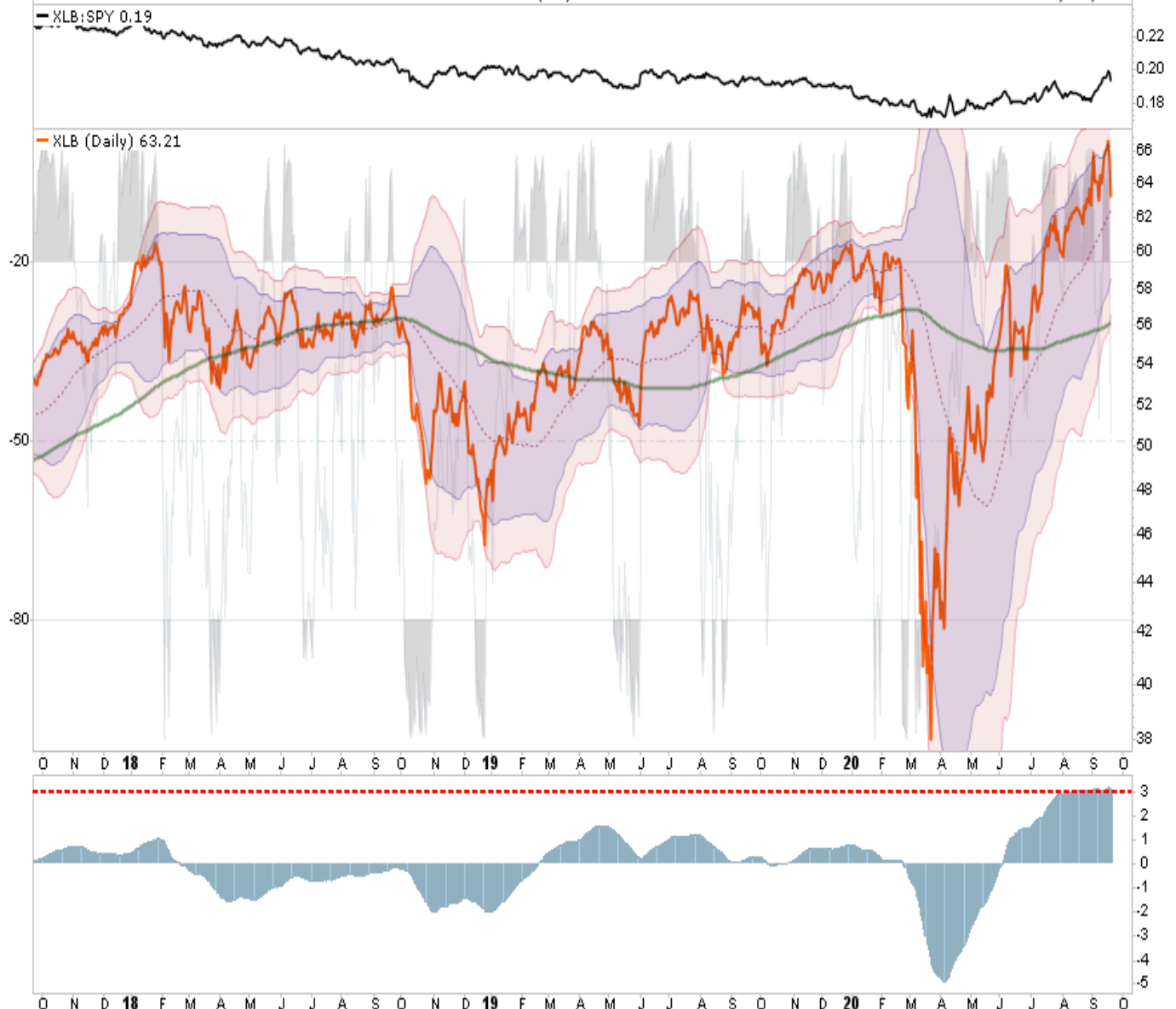
**HOW TO READ THE SECTOR BUY/SELL REVIEW: 09-22-20** Each week we produce a "**Sector Buy/Sell Review**" chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such helps refine decision-making about what to own and when, but what sectors to overweight or underweight to achieve better performance. You can also view sector momentum and relative strength [daily here](#).



Monday 21-Sep-2020

Open: **64.09** Ask: P/E: Options: **yes**  
 High: **64.15** Ask Size: EPS: Annual Dividend: **1.20504**  
 Low: **62.48** Bid: Mkt Cap: **3.73B** Yield: **1.91%**  
 Prev Close: **65.41** Bid Size: Last Size: SCTR (ETF): **91.7**

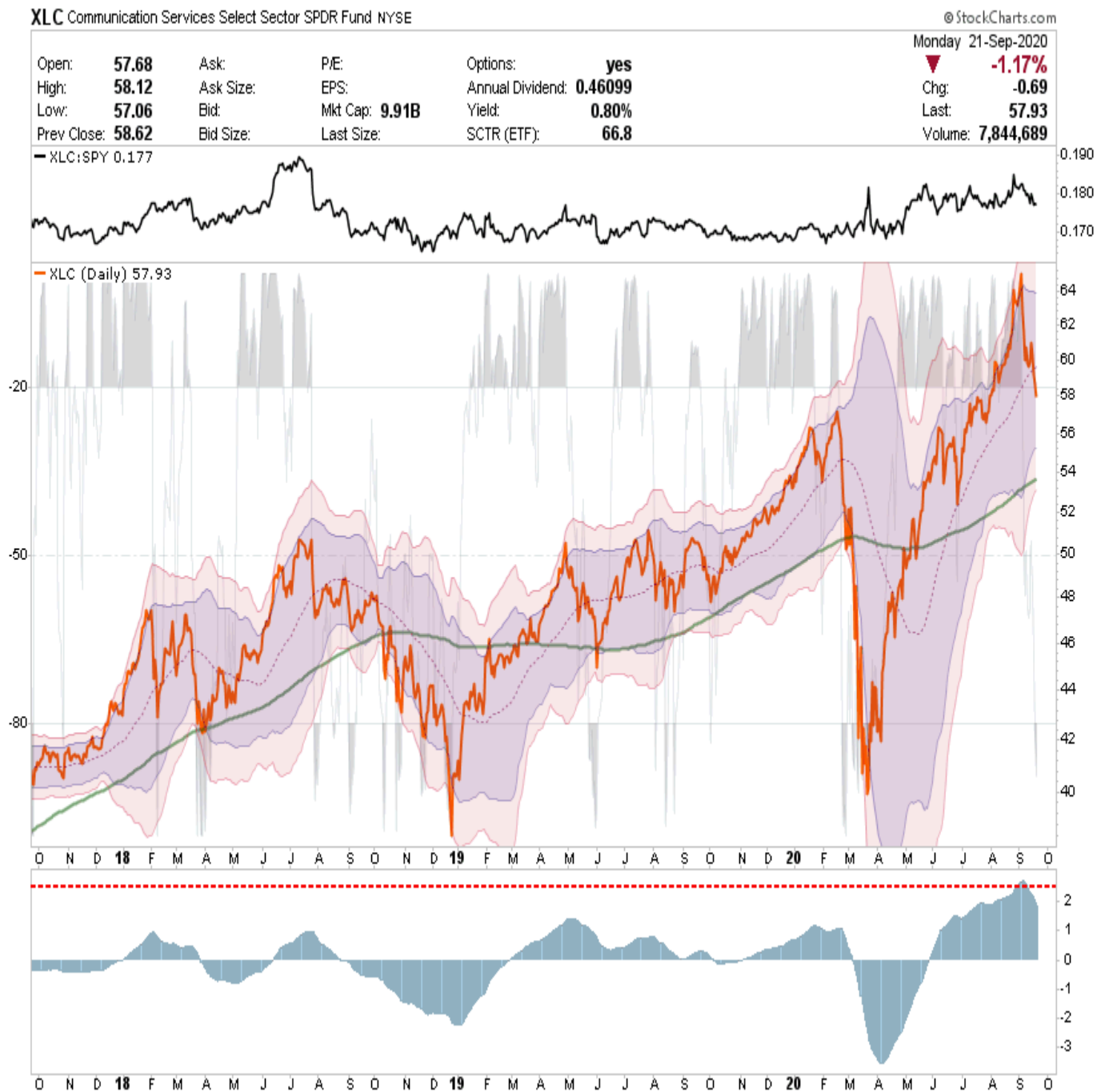
Chg: **-3.37%**  
 Last: **63.21**  
 Volume: **8,035,260**



- A common theme through today's update is the exit of the "reflation" trade. Markets had been hoping for additional "fiscal support" from Congress. However, with the election looming, a need for a budget negotiation to avoid a "shutdown," and now a battle over replacing a Supreme Court Justice, the odds of a fiscal deal getting done is minuscule.
- Looking at XLB, the sell-off yesterday was the reflection of the exit of the reflation trade. You will see the same in Industrials and Transportation, which were all down more than 3%.&#2013266080;
- The setup for the sell-off was present, as noted last week, "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.**&#2013266080;It isn't advisable to chase the sector now. Look to buy on dips and short-term oversold conditions."
- That opportunity is coming but still has more work to do first.
- Short-Term Positioning: Bullish
  - Last Week: No Positions

- *This Week: No Positions*
- *Stop-Loss moved up to \$60*
- *Long-Term Positioning: Bearish*

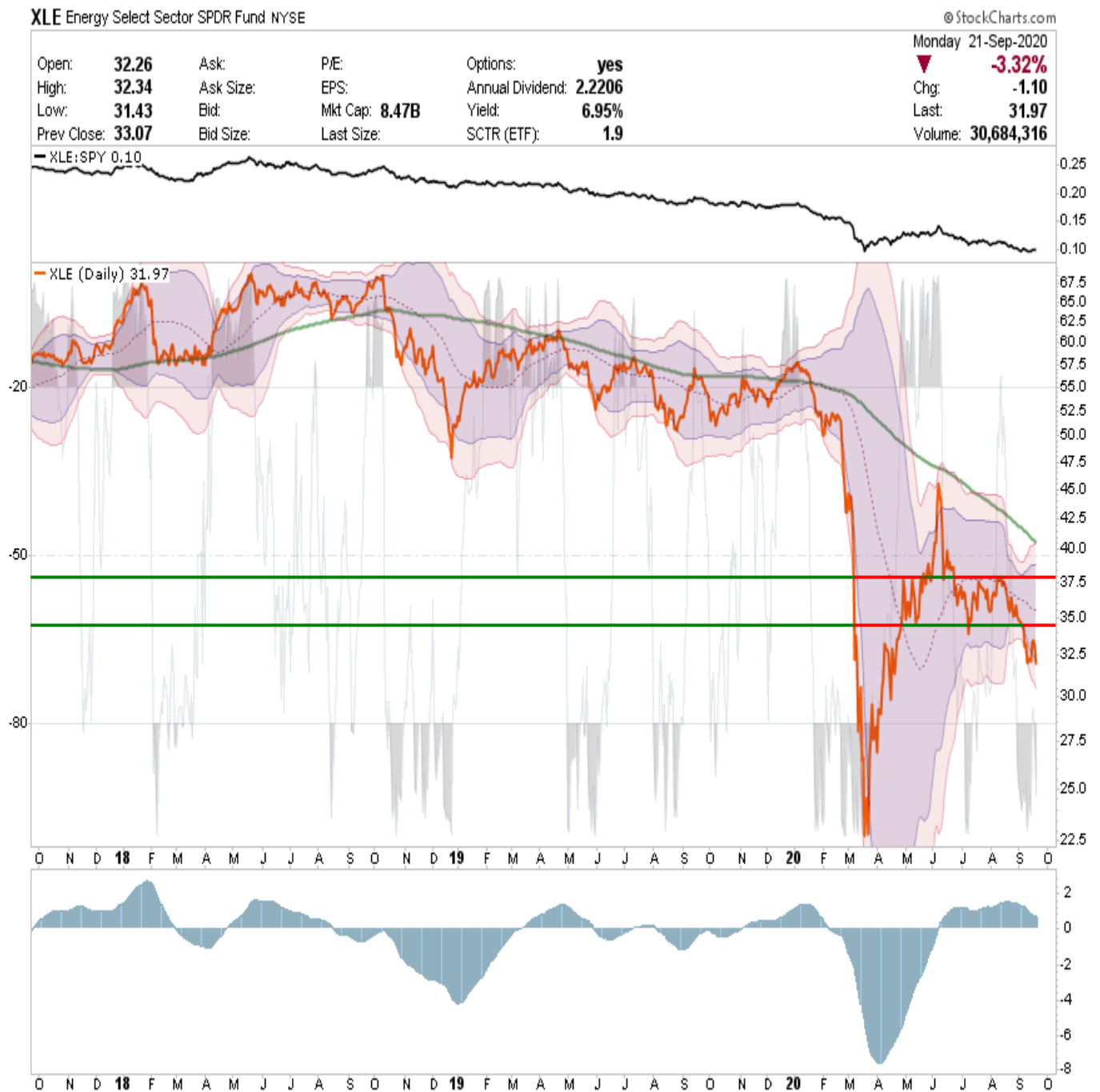
## Communications



- *The correction in communications continued on Monday, but the sector has become oversold short-term.*
- *We suggested taking profits and reducing risks, and that correction has now happened.*
- *XLC did fail to hold the 50-dma and has become oversold. Look for a bounce into resistance to reduce exposure and take profits if needed.*
- *Adding a trading position is possible with a very tight stop at \$56.*
- *Short-Term Positioning: Bullish*

- Last Week: Hold positions
- This Week: Hold positions
- Long-Term Positioning: Bearish

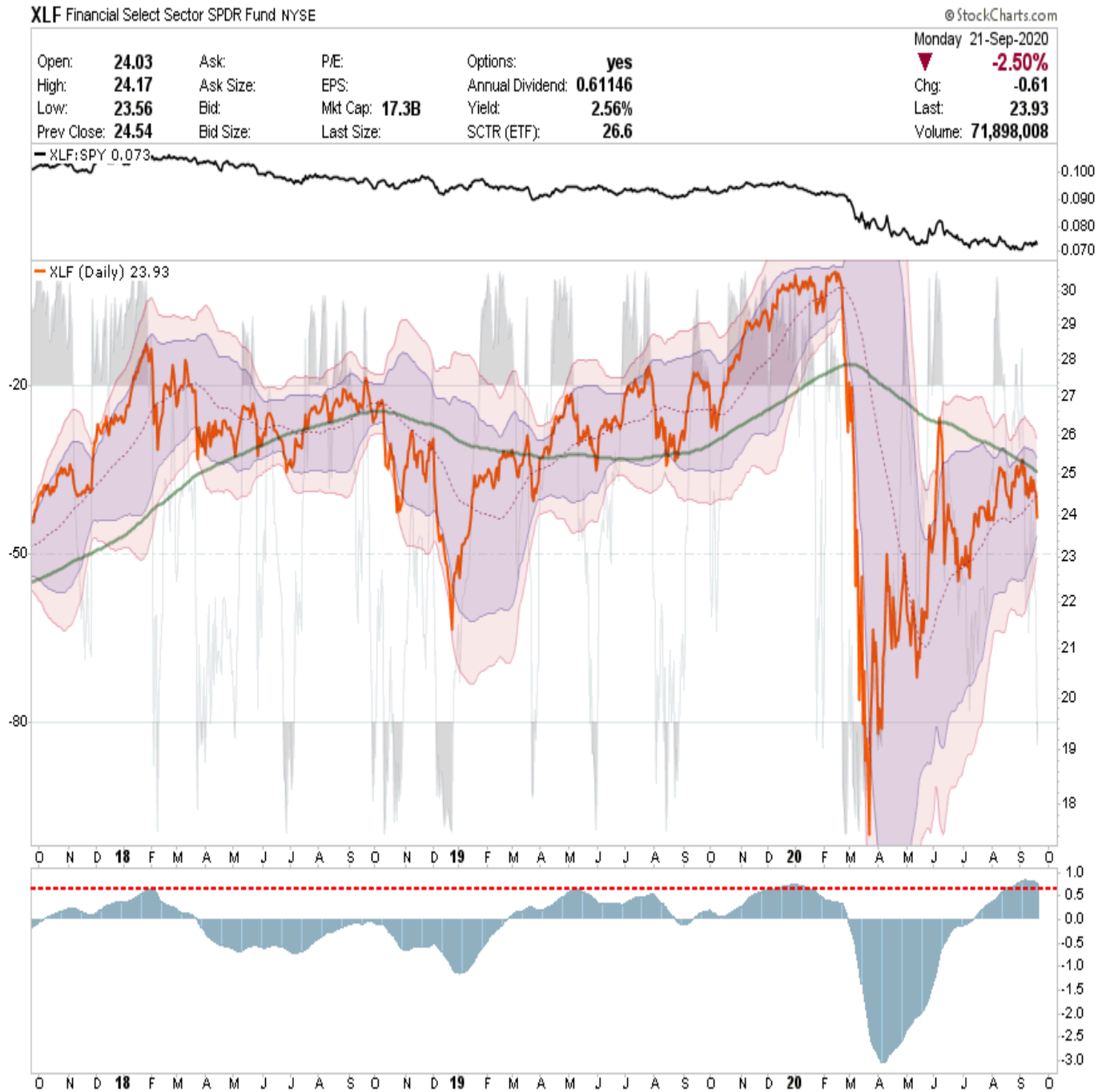
## Energy



- Energy continues to fail. We were stopped out of our XOM position previously.
- Energy is deeply oversold and due for a bounce. However, there is not much support for the sector currently, particularly if we get a dollar rally, which we see some early signs.
- With supports taken out, there is no reason to add exposure here. Wait for a bottom to form and the sector to show some signs of life first.
- Short-Term Positioning: Bearish
  - Last week: Hold positions
  - This week: Hold positions.

- *Stop-loss violated.*
- *Long-Term Positioning: Neutral*

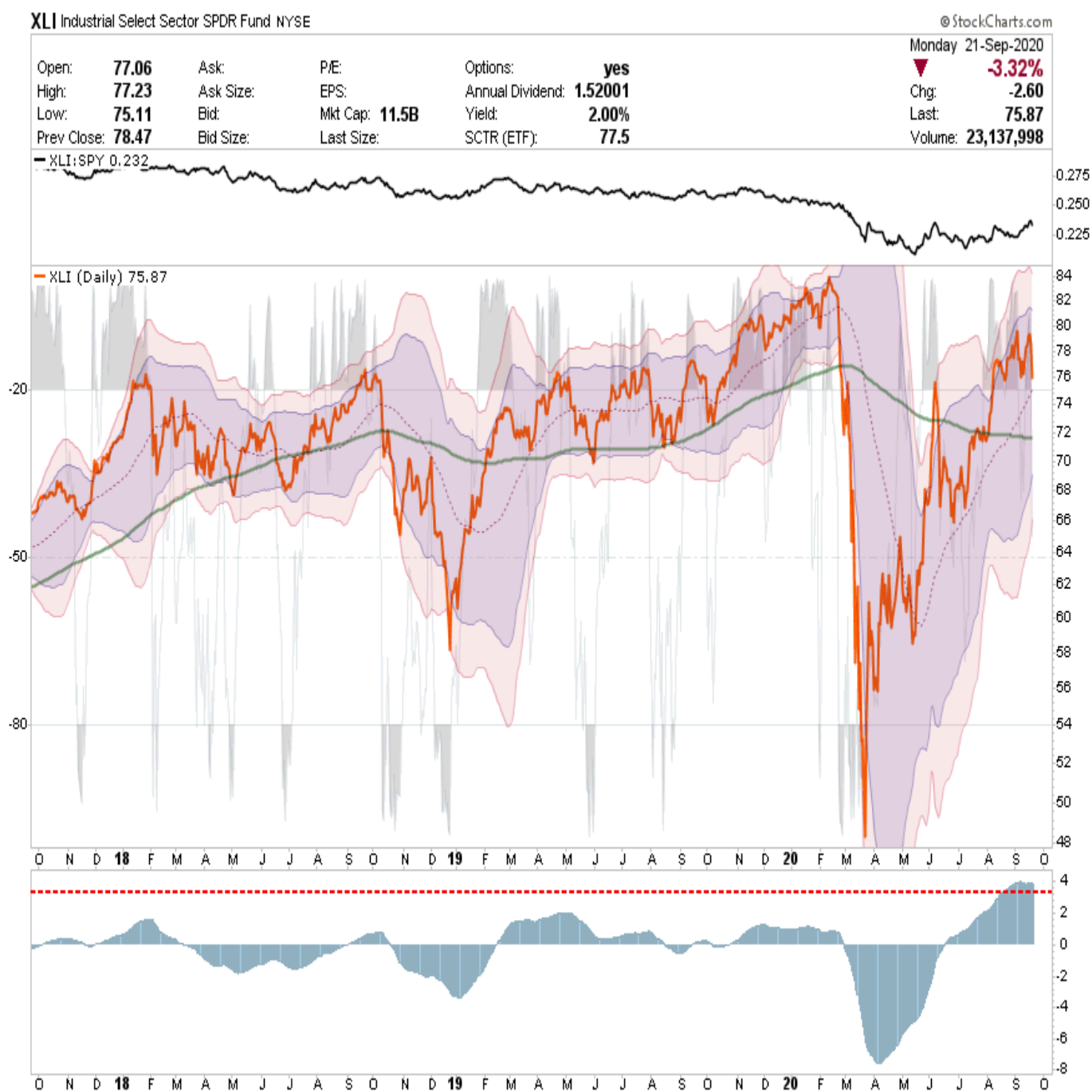
## Financials



- *Financials continue to underperform and remain a sector to avoid currently.*
- *XLF sold off yesterday on news of massive money laundering and the realization no more financial support is coming.*
- *The sell-off yesterday violated support and confirms the failure of the 200-dma.*
- *Banks remain out of favor.*
- *Short-Term Positioning: Neutral*
  - *Last week: No position*
  - *This week: No position*

- *Long-Term Positioning: Bearish*

## Industrials



- *As noted, like materials, XLI sold off sharply on Monday under the premise of no more fiscal support, which will kill the economic reflation trade.*
- *We have grossly reduced our exposure to the sector and are looking for a better opportunity to add back to our position. We may finally get that opportunity closer to \$72.*
- *As suggested previously, take profits and rebalance risk.*
  - *Short-Term Positioning: Bullish*
  - *Last week: No change.*
  - *This week: No change.*
- *Long-Term Positioning: Bearish*



## Technology

XLK Technology Select Sector SPDR Fund NYSE

© StockCharts.com

Open: **109.50** Ask: P/E: Options: **yes**  
 High: **112.49** Ask Size: EPS: Annual Dividend: **1.19937**  
 Low: **109.11** Bid: Mkt Cap: **34.1B** Yield: **1.07%**  
 Prev Close: **111.51** Bid Size: Last Size: SCTR (ETF): **87.9**

Monday 21-Sep-2020

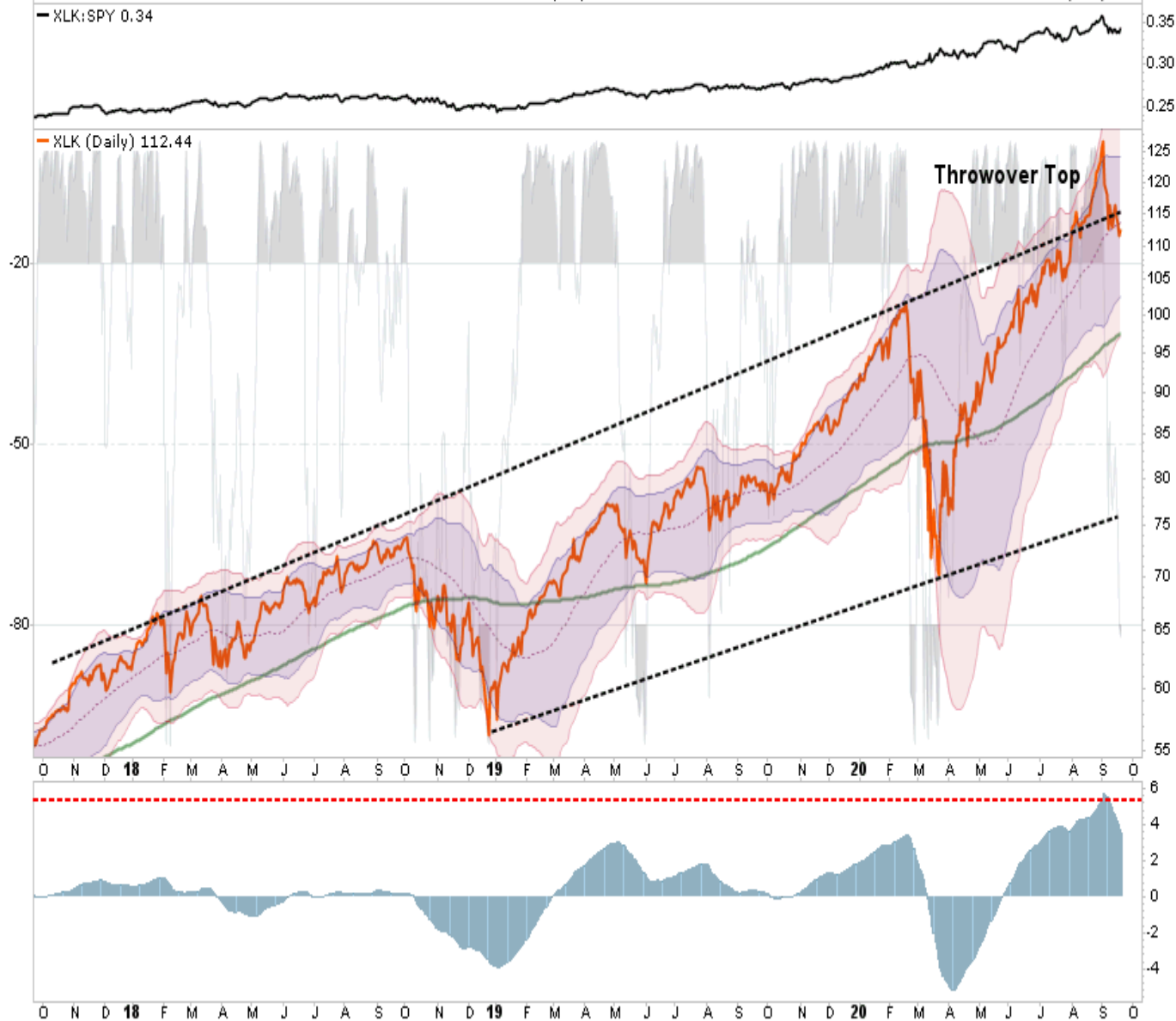
▲ **+0.83%**

Chg: **+0.93**

Last: **112.44**

Volume: **19,179,942**

XLK:SPY 0.34



- Technology stocks, and the Nasdaq, found some buying yesterday after a fairly brutal correction over the last couple of weeks.&#2013266080;
- While the sector remains overbought and extended well above long-term averages, the index should try to find short-term support.&#2013266080;
- The risk remains to the downside for now. But with the "reflation" trade taking a hit, the money will likely flow back into the "previous winners" for now.&#2013266080;
- Short-Term Positioning: Bullish
  - Last week: No changes.
  - This week: No changes.
- Stop-loss set at \$105
- Long-Term Positioning: Bullish

## Staples

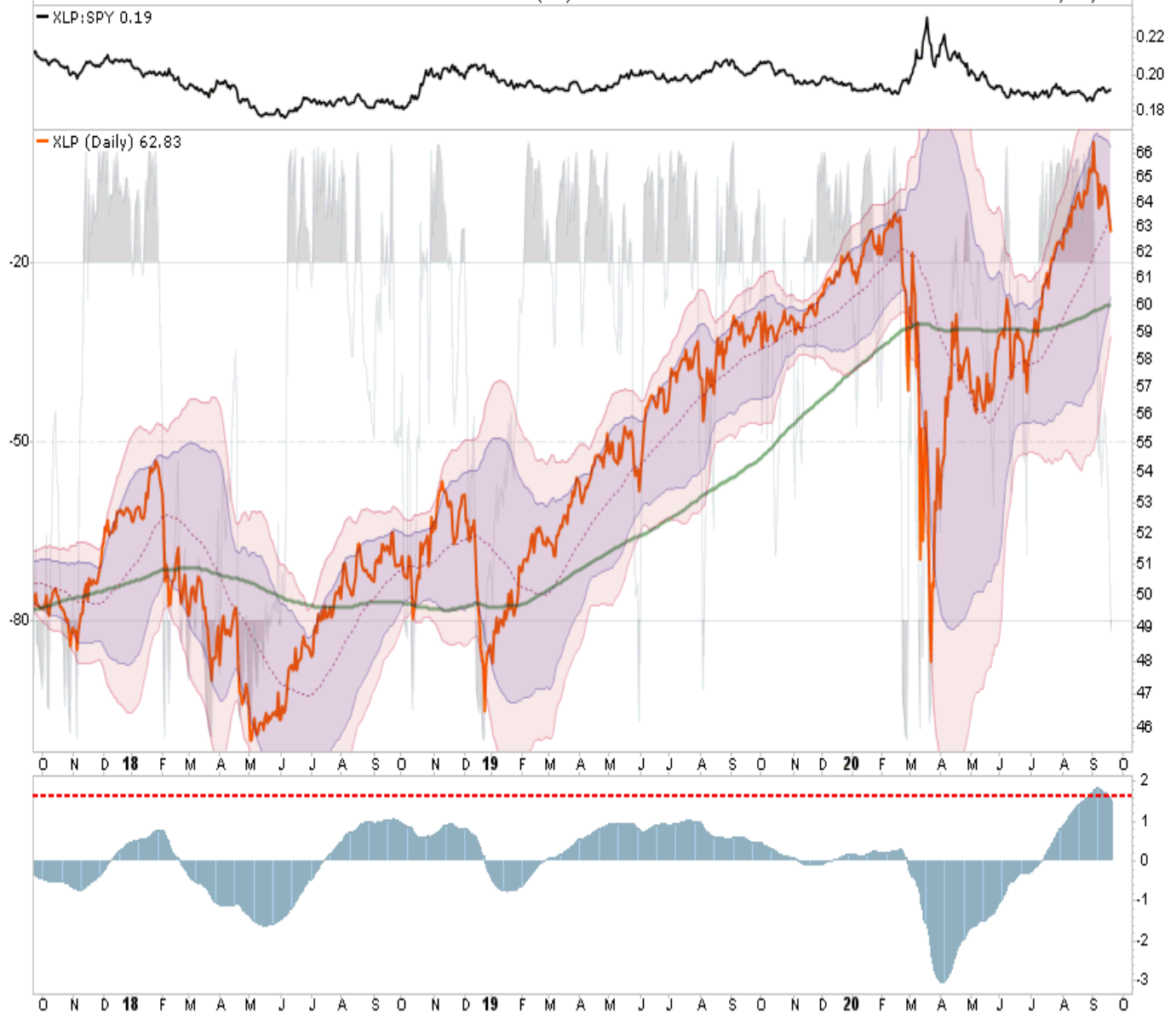
XLP Consumer Staples Select Sector SPDR Fund NYSE

© StockCharts.com

Monday 21-Sep-2020

Open: **62.88** Ask: P/E: Options: **yes**  
 High: **63.07** Ask Size: EPS: Annual Dividend: **1.61874**  
 Low: **62.11** Bid: Mkt Cap: **13.9B** Yield: **2.58%**  
 Prev Close: **63.31** Bid Size: Last Size: SCTR (ETF): **48.0**

▼ **-0.76%**  
 Chg: **-0.48**  
 Last: **62.83**  
 Volume: **11,326,033**



- Over the last couple of weeks, we have discussed the correction of XLP.&#2013266080;
- That correction came and has pushed XLP down to its 50-dma. It needs to hold support here and is getting sufficiently oversold enough to do that.&#2013266080;
- However, we need to see buyers begin to step in.&#2013266080;
- Rebalance holdings and tighten up stop-losses on any rallies for now. We are likely not "out of the woods," just yet.&#2013266080;
- We are moving our stop-loss alert to \$60 as our stop-level.
- Short-Term Positioning: Bullish
  - Last week: Hold positions
  - This week: Hold positions
- Long-Term Positioning: Bullish



## RealEstate

XLRE Real Estate Select Sector SPDR Fund NYSE

@StockCharts.com

Open: **34.99** Ask: P/E: Options: **yes**  
 High: **35.04** Ask Size: EPS: Annual Dividend: **1.14873**  
 Low: **34.26** Bid: Mkt Cap: **2.20B** Yield: **3.34%**  
 Prev Close: **35.39** Bid Size: Last Size: SCTR (ETF): **30.5**

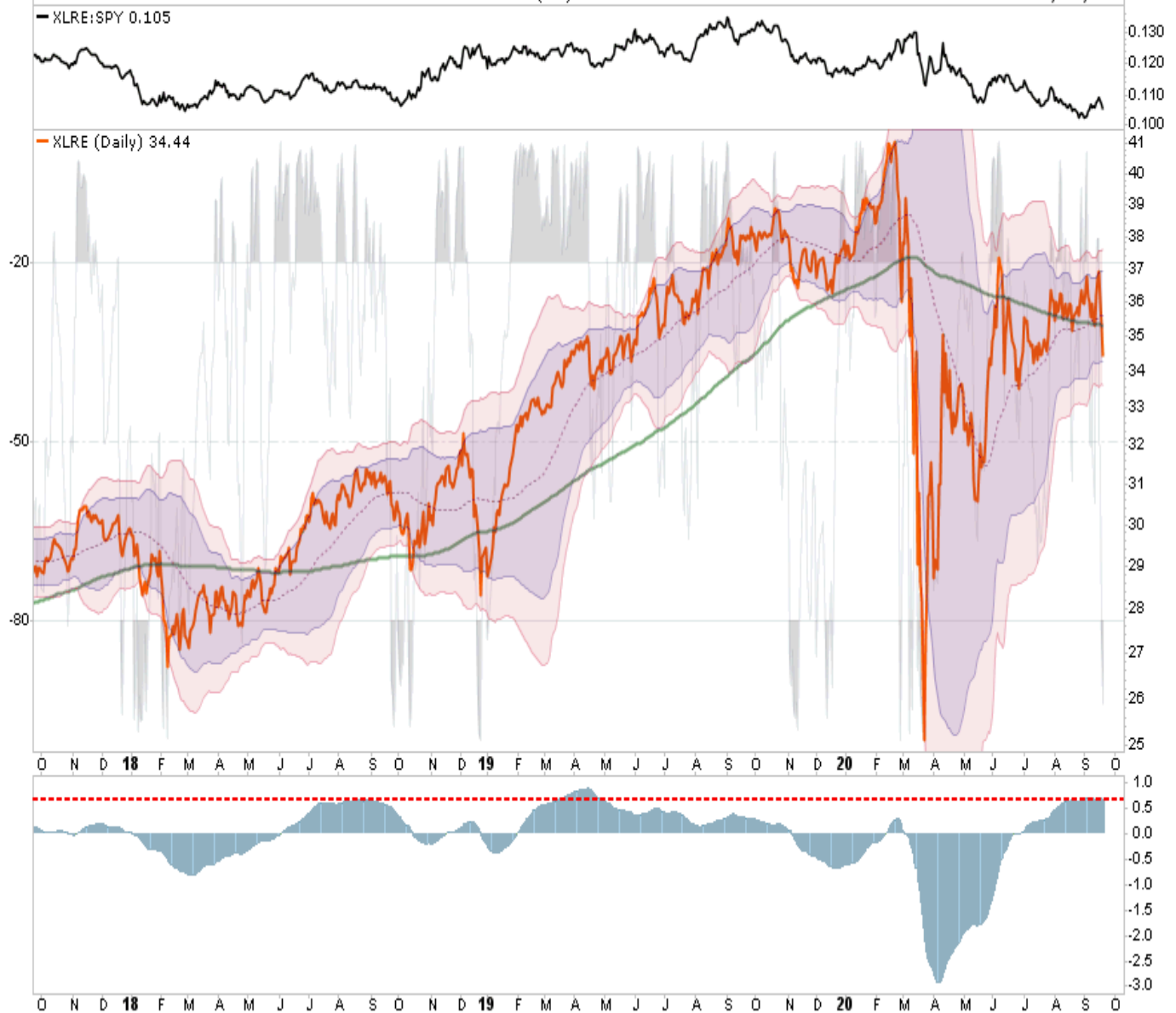
Monday 21-Sep-2020

▼ **-2.68%**

Chg: **-0.95**

Last: **34.44**

Volume: **6,226,660**



- Another aspect of the "reflation" trade was also in XLRE. Without more fiscal support, there will likely be a further impact on real estate, particularly on the commercial side.
- On Monday, XLRE violated the 200-dma support sharply but did push back into more extreme oversold territory.
- With XLRE oversold, I would expect to see a rally this week. Use that rally to lighten up exposure for now.
- Short-Term Positioning: Neutral
  - Last week: No change.
  - This week: Sold WELL last week.
- Long-Term Positioning: Bullish

## Utilities

XLU Utilities Select Sector SPDR Fund NYSE

© StockCharts.com

Open: **57.60** Ask: P/E: Options: **yes**  
 High: **57.93** Ask Size: EPS: Annual Dividend: **1.94304**  
 Low: **56.90** Bid: Mkt Cap: **11.5B** Yield: **3.37%**  
 Prev Close: **58.02** Bid Size: Last Size: SCTR (ETF): **19.2**

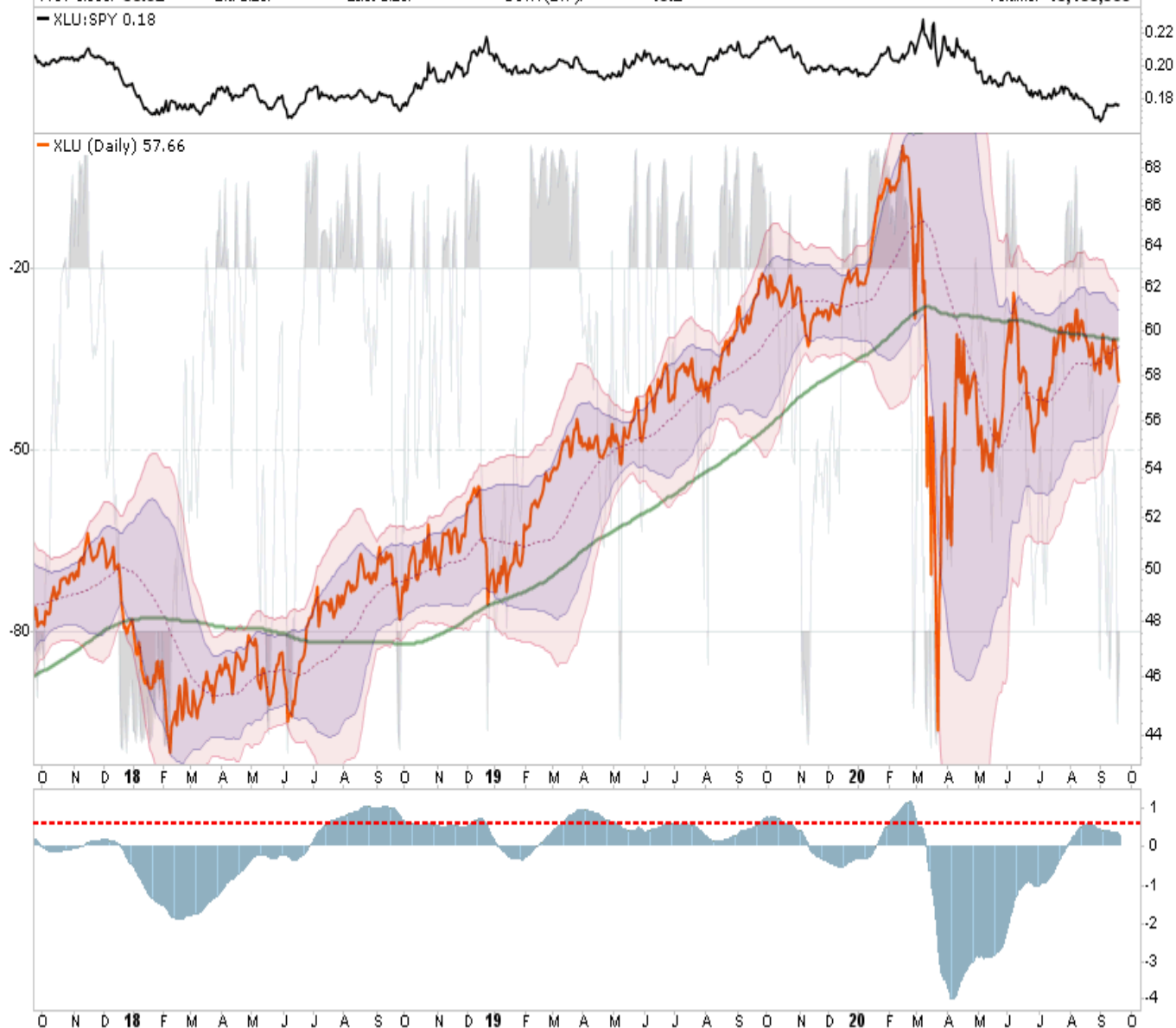
Monday 21-Sep-2020

▼ **-0.62%**

Chg: **-0.36**

Last: **57.66**

Volume: **15,185,309**



- *XLU has been struggling with resistance at the 200-dma and failed again with Monday's sell-off.*
- *Utilities also broke support at the 50-dma. The performance has been disappointing.*
- *The sector is oversold and is potentially in a better position relative to other sectors of the market, particularly for "defensive" positioning.*
- *However, we did reduce our exposure last week by selling our holding in AEP.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold positions*
  - *This week: Sold AEP last week.*
- *Long-Term Positioning: Bullish*

## Health Care

XLV Health Care Select Sector SPDR Fund NYSE

© StockCharts.com

Open: **103.72** Ask: P/E: Options: **yes**  
 High: **103.72** Ask Size: EPS: Annual Dividend: **1.60818**  
 Low: **101.74** Bid: Mkt Cap: **23.3B** Yield: **1.56%**  
 Prev Close: **105.12** Bid Size: Last Size: SCTR (ETF): **53.8**

Monday 21-Sep-2020

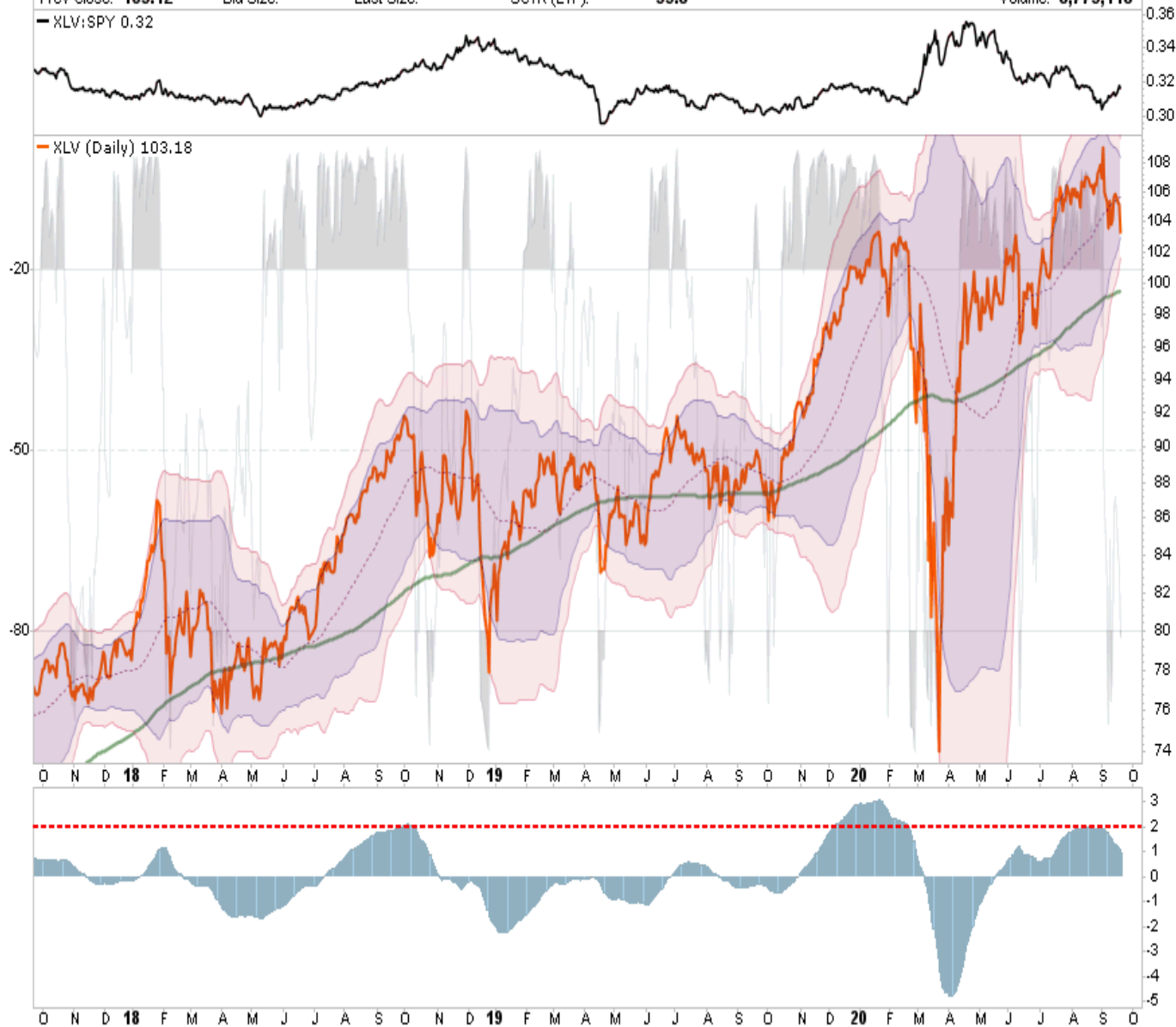
▼ **-1.85%**

Chg: **-1.94**

Last: **103.18**

Volume: **8,775,118**

XLV:SPY 0.32



- XLV broke below its 50-dma and needed to hold support at the previous market highs.
- With the sector back to oversold short-term, there will likely be an opportunity to add exposure somewhere ahead.
- The 200-dma is now essential support for XLV and needs to hold, along with the previous tops going back to 2018.
- We are moving our absolute stop to \$100
- Short-Term Positioning: Bullish
  - Last week: Hold positions
  - This week: Hold positions.
- Long-Term Positioning: Bullish

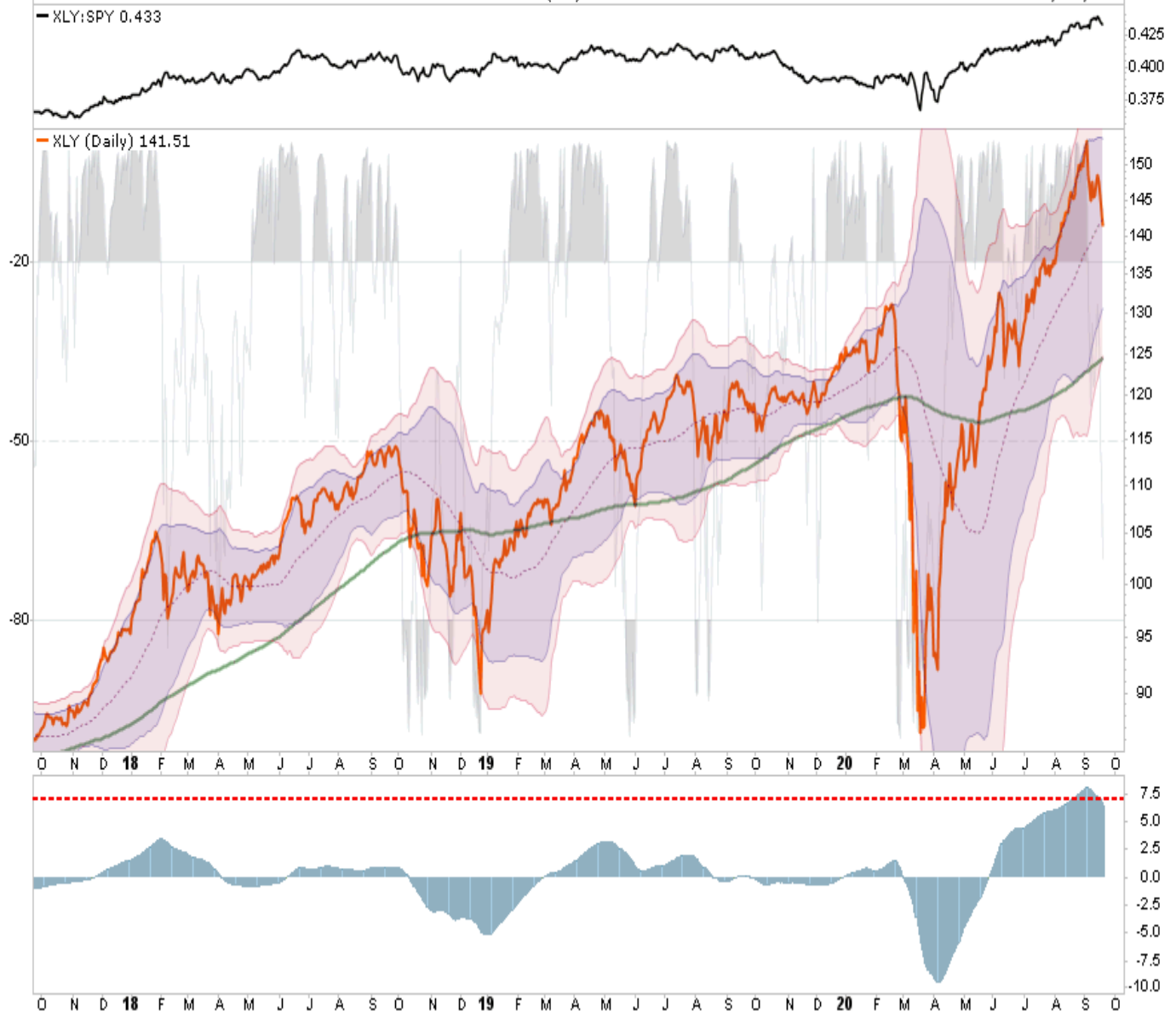
## Discretionary

Monday 21-Sep-2020

Open: **141.29** Ask: P/E: Options: **yes**  
 High: **141.67** Ask Size: EPS: Annual Dividend: **1.53389**  
 Low: **139.03** Bid: Mkt Cap: **14.9B** Yield: **1.08%**  
 Prev Close: **143.58** Bid Size: Last Size: SCTR (ETF): **88.0**

▼ **-1.44%**  
 Chg: **-2.07**  
 Last: **141.51**  
 Volume: **4,217,677**

XLY:SPY 0.433



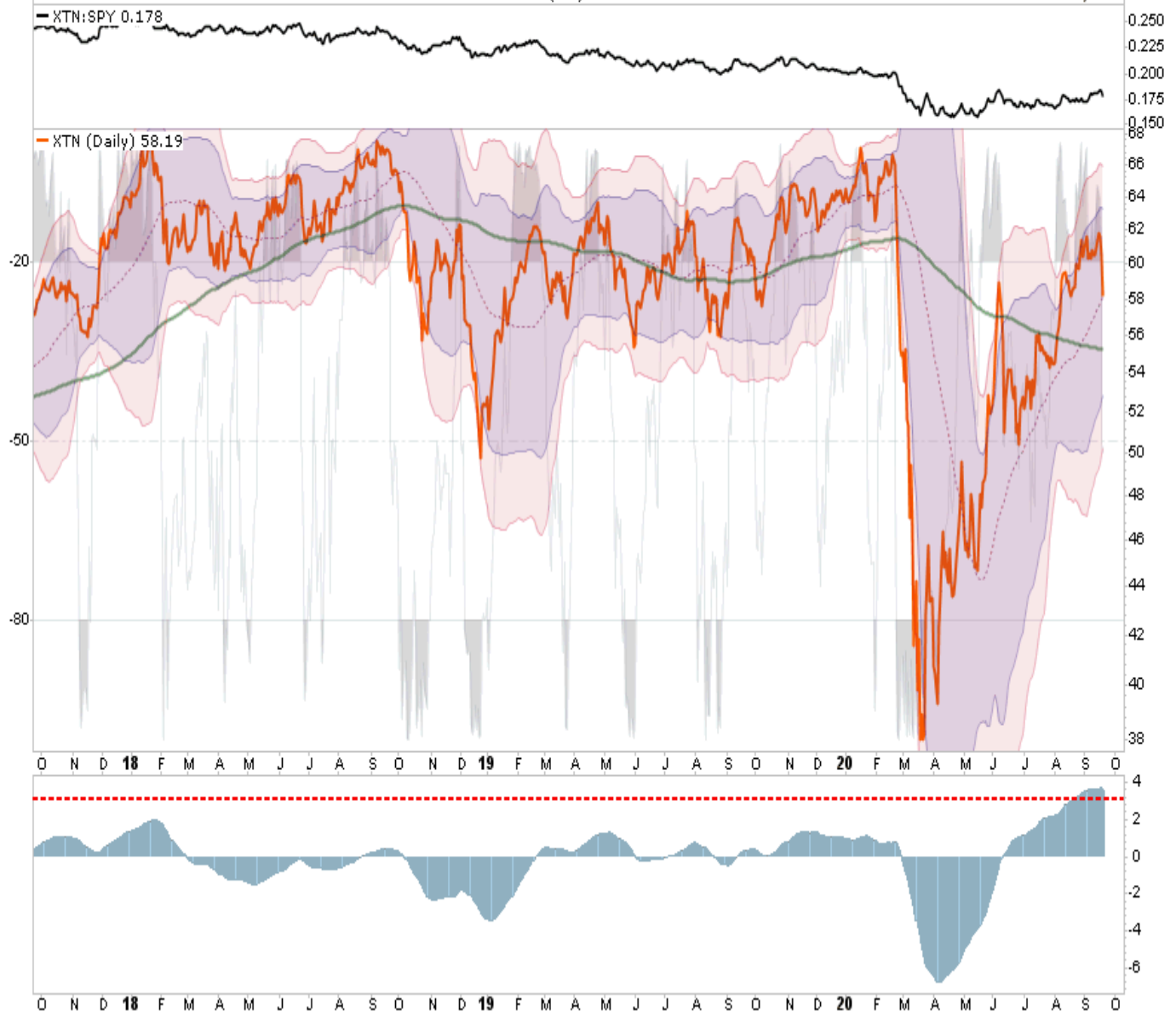
- XLY has corrected back to its 50-dma and is holding support for now.&#2013266080;
- However, it has not become oversold yet, which suggests there is potentially more downside risk.&#2013266080;
- Without more fiscal support, the money flows into discretionary stocks could well see some weakness.
- Take profits and hedge risk.&#2013266080;
- Stop-loss set at \$130
- Short-Term Positioning: Bullish
  - Last week: No position
  - This week: No position
- Long-Term Positioning:&#2013266080;Neutral

## Transportation

Monday 21-Sep-2020

Open: **59.13** Ask: P/E: Options: **no**  
 High: **59.28** Ask Size: EPS: Annual Dividend: **0.57877**  
 Low: **57.31** Bid: Mkt Cap: **232.8M** Yield: **0.99%**  
 Prev Close: **60.48** Bid Size: Last Size: SCTR (ETF): **67.6**

▼ **-3.79%**  
 Chg: **-2.29**  
 Last: **58.19**  
 Volume: **36,519**



- Last week. "The rally in XTN remains exceptionally extended."&#2013266080;
- The sector took a beating on Friday as the realization of no more fiscal support puts the "economic reflation" trade, and this sector, in particular, under pressure.
- The sector is still very overbought. Much of the sector also maintains relatively weak fundamentals.&#2013266080;
- We took profits in the sector and will wait for a correction to add back to our holdings.&#2013266080;
- Maintain an absolutely stop-loss at \$56
- Short-Term Positioning: Neutral
  - Last week: No change
  - This week: No change
- Long-Term Positioning:&#2013266080;Bearish