

Sector Buy/Sell Review: 11-03-20

HOW TO READ THE SECTOR BUY/SELL REVIEW: 11-03-20 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. It also guides 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.

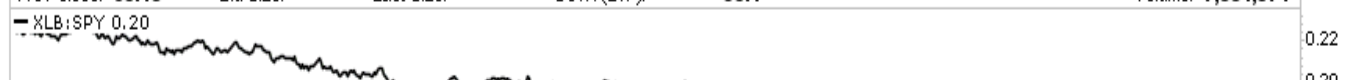
When the gray indicator is at the TOP of the chart, there is typically more risk and less reward available at the current time. In other words, the best time to BUY is when the short-term condition is over-sold. Likewise, when the buy/sell indicator is above the ZERO line, investments tend to work better than when below the zero lines.

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Basic Materials

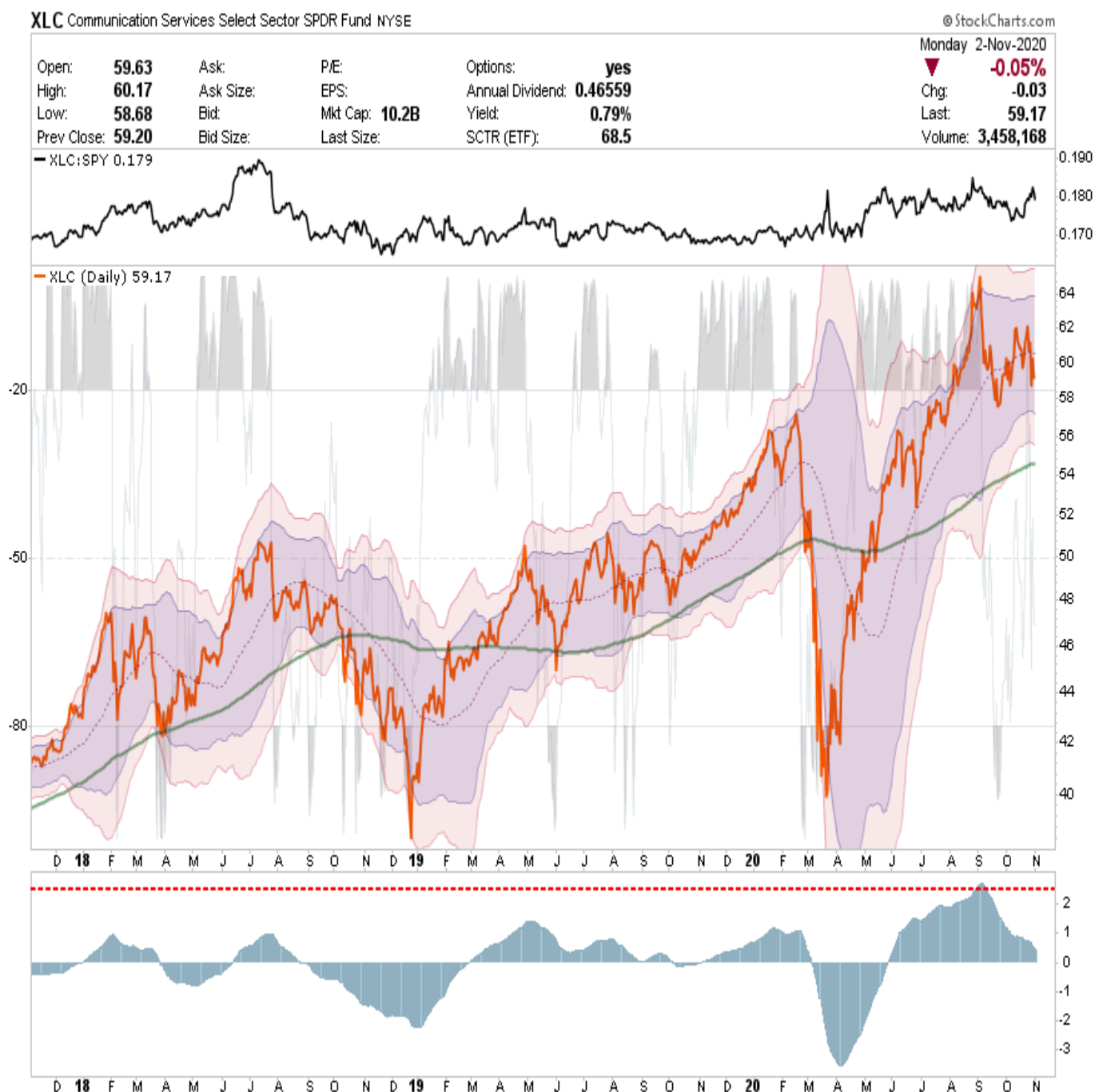
XLB Materials Select Sector SPDR Fund NYSE

Open: 64.13	Ask:	P/E:	Options: yes	Monday 2-Nov-2020
High: 65.51	Ask Size:	EPS:	Annual Dividend: 1.21829	▲ +3.32%
Low: 63.96	Bid:	Mkt Cap: 4.18B	Yield: 1.87%	Chg: +2.10
Prev Close: 63.18	Bid Size:	Last Size:	SCTR (ETF): 93.4	Last: 65.28
				Volume: 7,881,574



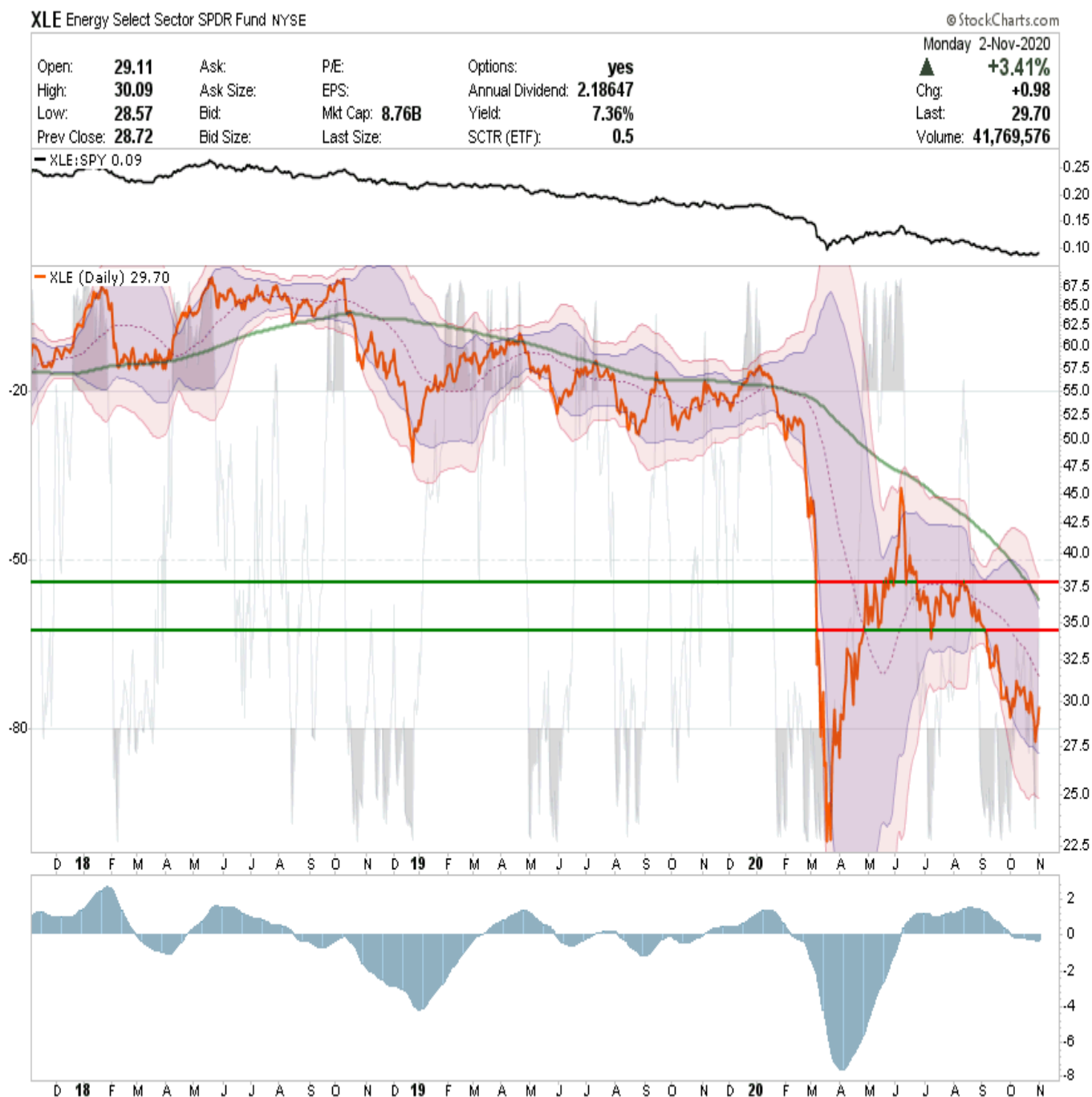
- On Friday and Monday, the market began to shift expectations from a "Biden" win to a "Trump" win with the relevant sectors rallying accordingly.�
- More stimulus, infrastructure, and sustained lower corporate tax rates boosted XLB, which rallied sharply on Monday.�
- XLB held support at the 50-dma and is rallying hard. There is now a double-top just ahead, but XLB did resolve much of its overbought condition.
- After recommending taking profits on trading positions, traders can add back to holdings for a rally.�
- Keep stops on trading positions at the 50-dma, which is now critical support.�
- Short-Term Positioning: Bullish
 - Last Week: Hold Positions
 - This Week: Hold Positions
 - Stop-Loss moved up to \$62
- Long-Term Positioning: Bullish

Communications



- *Communications still struggled on Monday as the Tech sector remains under threat of anti-monopolistic legal actions, which will continue under a Trump administration.*
- ***XLC has begun to outperform the broad market while working off its overbought condition. This will likely provide a good setup for a trade post-election, but keep stops in place for now.***
- *Stops remain at \$58.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
- *Long-Term Positioning: Bullish*

Energy



- *Energy also rallied sharply on Monday as the idea of a Trump "win" came into focus.*

- The previous lows failed to hold, so XLE is a risky trade for the moment.�
- Traders can add positions with a stop at \$27.50 and a target of \$34.
- The overall trend is fragile, remain clear for now from an investment perspective.
- Short-Term Positioning: Bearish
 - Last week: Hold positions
 - This week: Hold positions.
- Stop-loss violated.
- Long-Term Positioning: Bearish

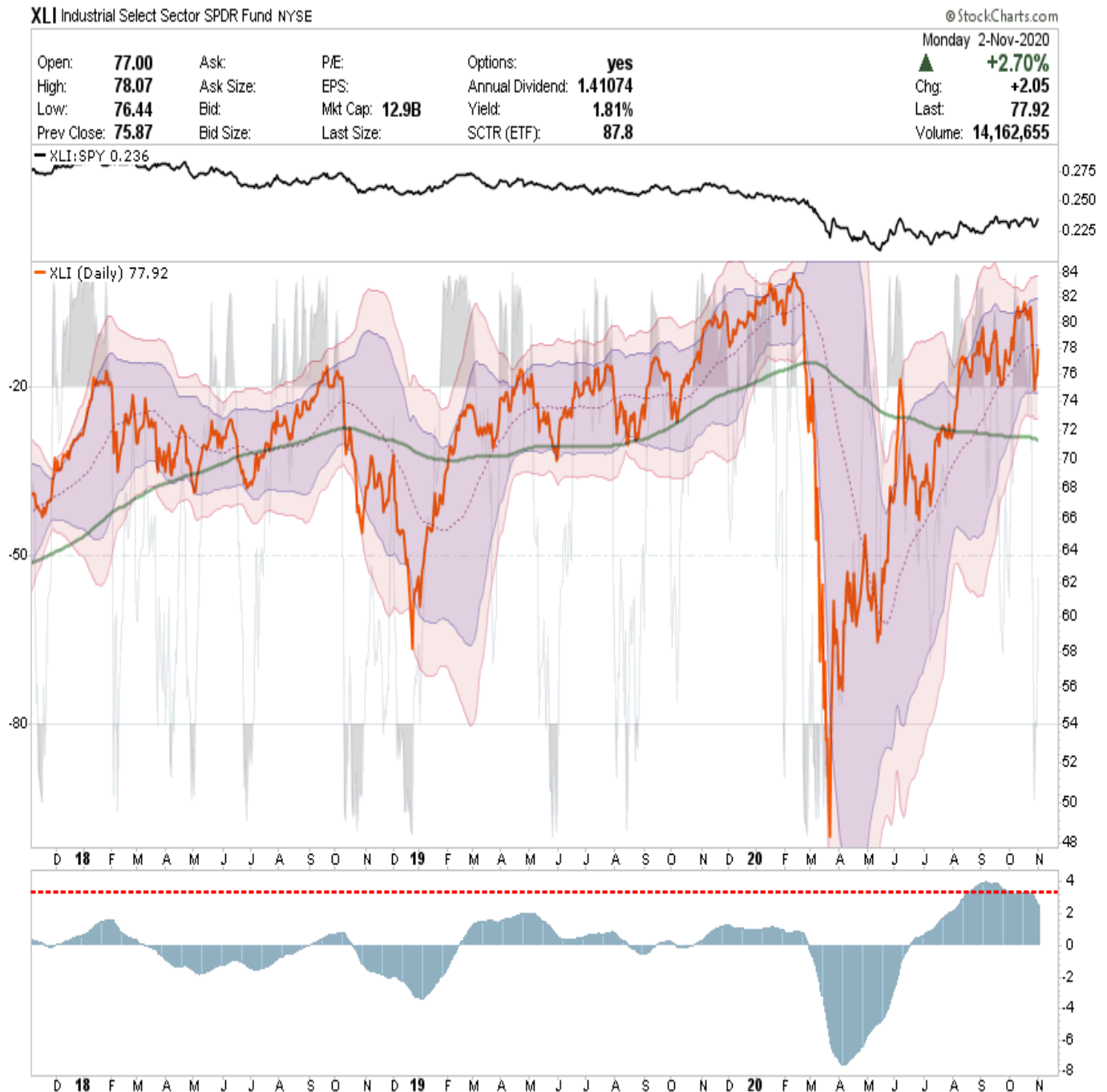
Financials



- Financials continue to underperform, and the "earnings bounce" has now reversed.
- XLF failed it's 50- and 200-dma. Monday's rally is now testing overhead resistance at the 200-dma.

- The current technical setup looks like a rounded topping process, which could lead to lower lows. Give financials a little breathing room for now and invest elsewhere until the technical pattern strengthens.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Neutral

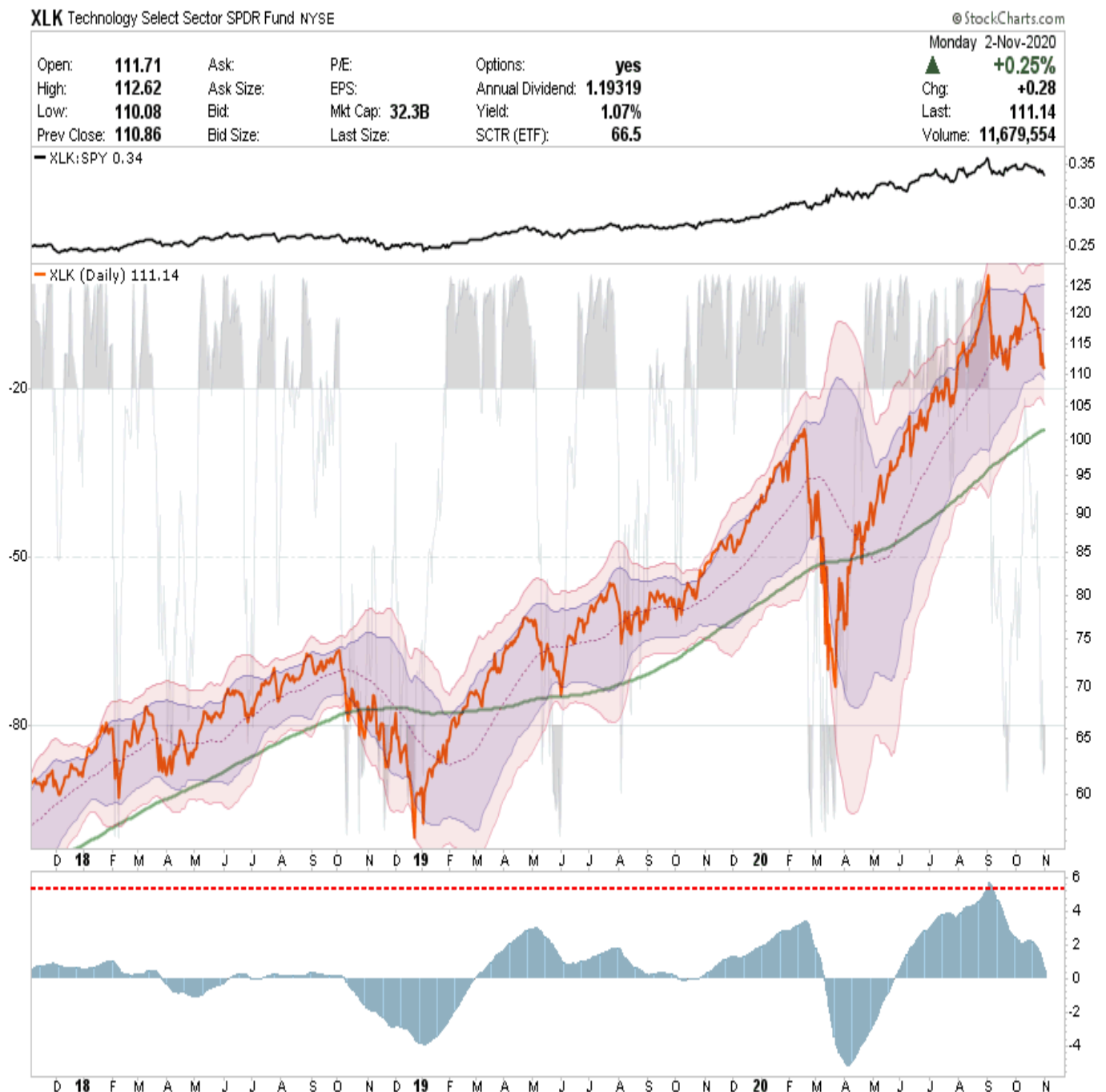
Industrials



- Like XLB, XLI is heading back up to the test the 50-dma. A Trump win with infrastructure, stimulus, and lower taxes will be good for industrials.�
- We are holding our reduced exposure for now but will add to the position once the election passes.�

- *Short-Term Positioning: Bullish*
 - *Last week: No change.*
 - *This week: No change.*
- *Long-Term Positioning: Bullish*

Technology



- *Technology stocks and the Nasdaq failed at a lower high than previous, which is concerning.*
- *The sector is working off its very overbought and is now testing its lower Bollinger band support.*
- *Technology will likely hold up better post-election, but a Trump win may embolden anti-trust legislation against the giants. So there is a risk to the trade over the next few months.*

- **Short-Term Positioning: Bullish**
 - Last week: Hold positions
 - This week: Hold positions
- **Stop-loss moved up to \$110**
- **Long-Term Positioning: Bullish**

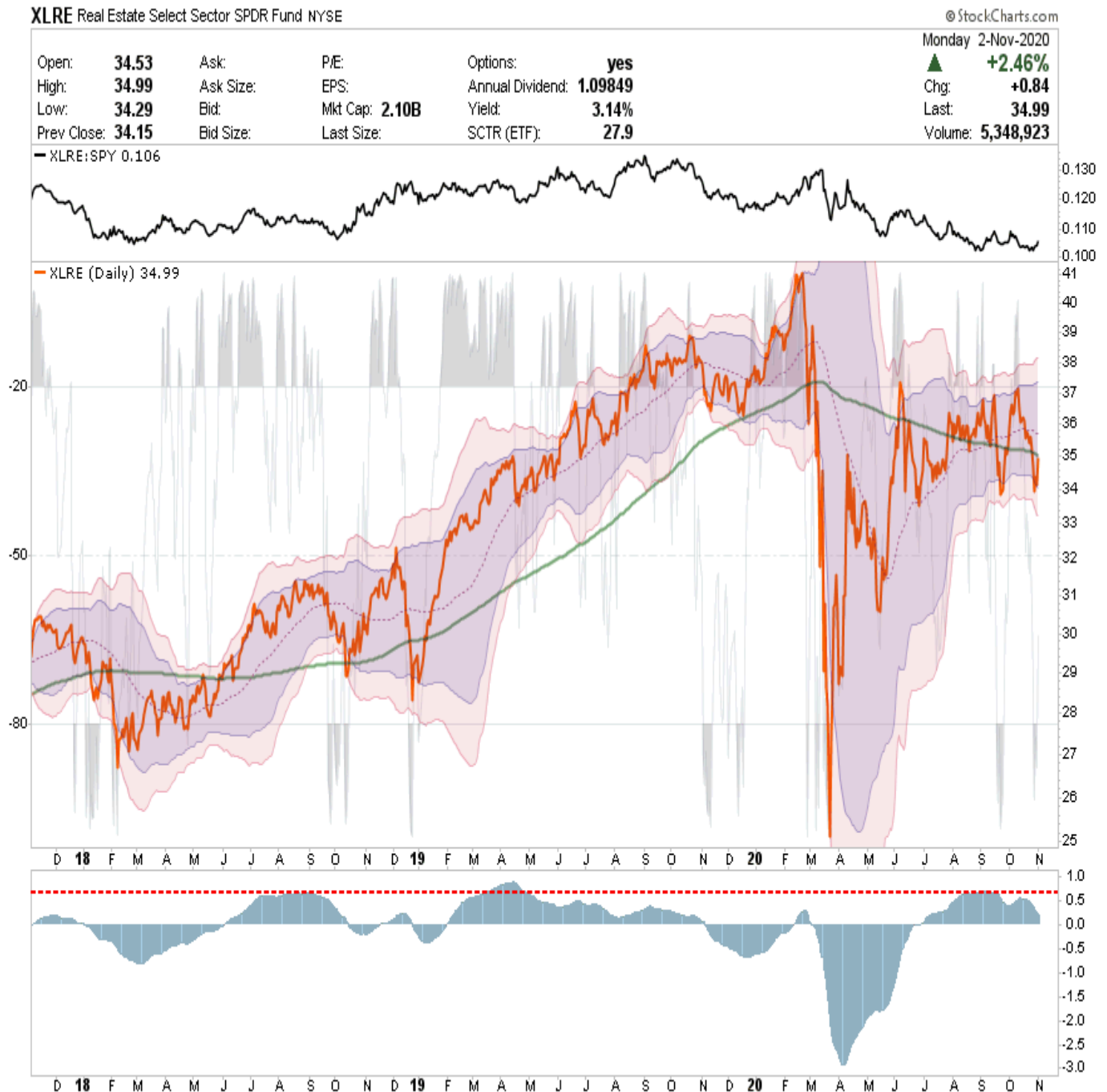
Staples



- *XLP is also correcting its extreme overbought and is testing the bottom of its 2-standard deviation band.*
- *The rally on Monday was encouraging but not enough to warrant increasing exposure.*
- *However, there is a good trading entry at current levels with a target back at old highs for now for traders.*

- *Longer-term investors should continue to use any rally to rebalance holdings and tighten up stop-losses.*
- *We are moving our stop-loss alert to \$62 as our stop-level.*
- **Short-Term Positioning: Bullish**
 - *Last week: Hold positions*
 - *This week: Hold positions.*
- **Long-Term Positioning: Bullish**

Real Estate



- *On Monday, Real Estate rallied sharply, pricing in a Trump win. Lower taxes, infrastructure, the continuance of "Opportunity Zones," and a move back to "reopening" the economy all played to support flows into Real Estate.*

- *XLRE held a double bottom so that you can add to exposures at current levels.*
- *Keep stop-losses the series of bottoms at \$34.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions.*
 - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Utilities



- *XLU remains well extended in the overbought territory after breaking above the 200-dma.*
- *The correction over the last couple of days has been mild and has not resolved the extension.*
- *Take profits and rebalance risk.*

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

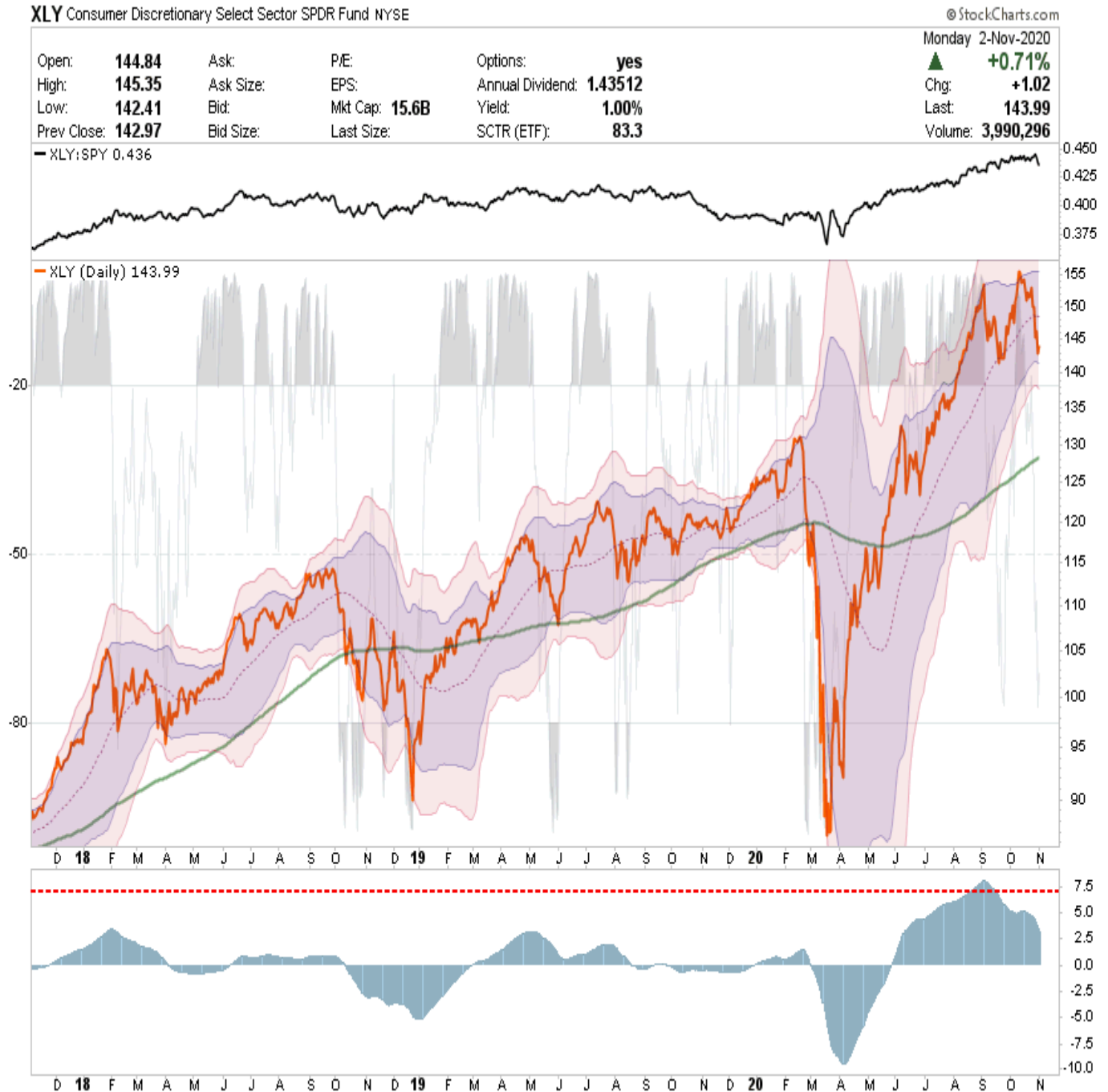
Health�Care



- *XLV bounced off its 2-standard deviation band low and the support from the previous bottom.�*
- *The previous overbought conditions have been resolved, but a short-term sell signal has been triggered. Use weakness to add to holdings.�*
- *A Trump win will be much more friendly to the healthcare sector, so the rally on Monday made some sense.�*
- *The 200-dma is now essential price support for XLV.*

- We are moving our absolute stop to \$100
- Short-Term Positioning: Bullish
 - Last week: Hold positions.
 - This week: Hold positions.
- Long-Term Positioning: Bullish

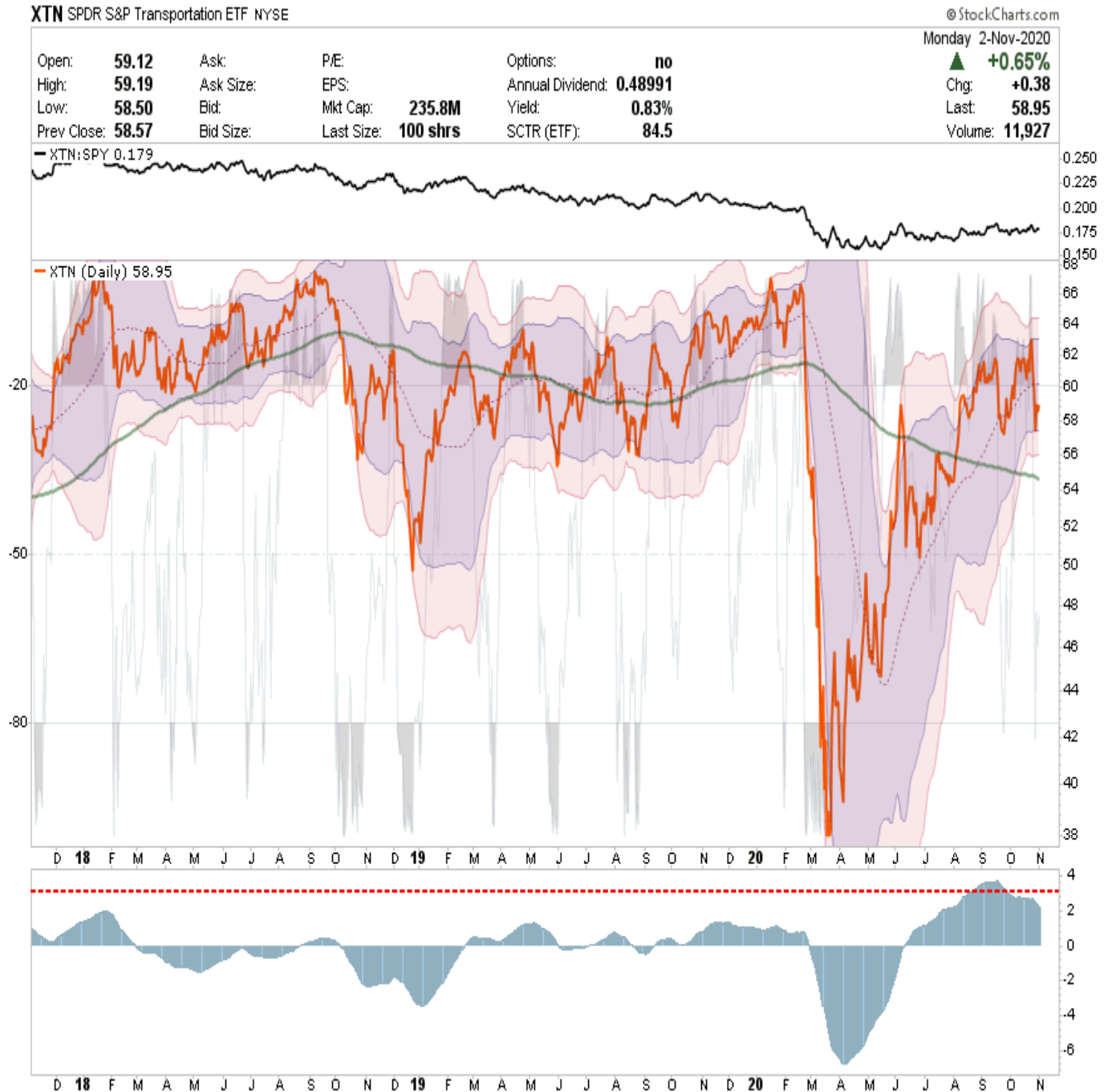
Discretionary



- After XLY rallied to new highs previously, we have gone through a logical correction of the previous extreme overbought condition. 2013266080;
- As stated last week: "We recommended last week to take profits and rebalance risk. The 50-dma is an important price support."
- We will look for an opportunity to add to our "holiday shopping" stocks on this weakness - after the election is over, of course.

- *Stop-loss remains at \$140*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*
 - *This week: No changes.*
- *Long-Term Positioning: Bullish*

Transportation



- *The rally on Monday was a bit disappointing, but the sell-off pushed XTN back to retest its previous bottom. Support needs to hold at this level.*
- *The "buy signal" remains extended, but the overbought condition has been resolved.*
- *We took profits in the sector and are waiting for a better entry point to add to our holdings. That may be coming here soon.*
- *Maintain an absolutely stop-loss at \$56*

- *Short-Term Positioning: Neutral*
 - *Last week: No change*
 - *This week: No change*
- *Long-Term Positioning: Neutral*