

Sector Buy/Sell Review: 11-17-20

HOW TO READ THE SECTOR BUY/SELL REVIEW: 11-17-20 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.

SECTOR BUY/SELL REVIEW: 11-17-20

NOTE: Last Monday, I wrote: "Yesterday's surge in the market from the announcement of a 'vaccine' led to a very bifurcated advance. As shown in the sector charts below, some sectors are egregiously overbought." Interestingly, it was the same again yesterday with another "vaccine" announcement. The rotation to "value" is way ahead of itself. We began taking profits yesterday to

reduce risk in areas that are now pushing 4-standard deviations above their 50-dma. **Basic Materials**

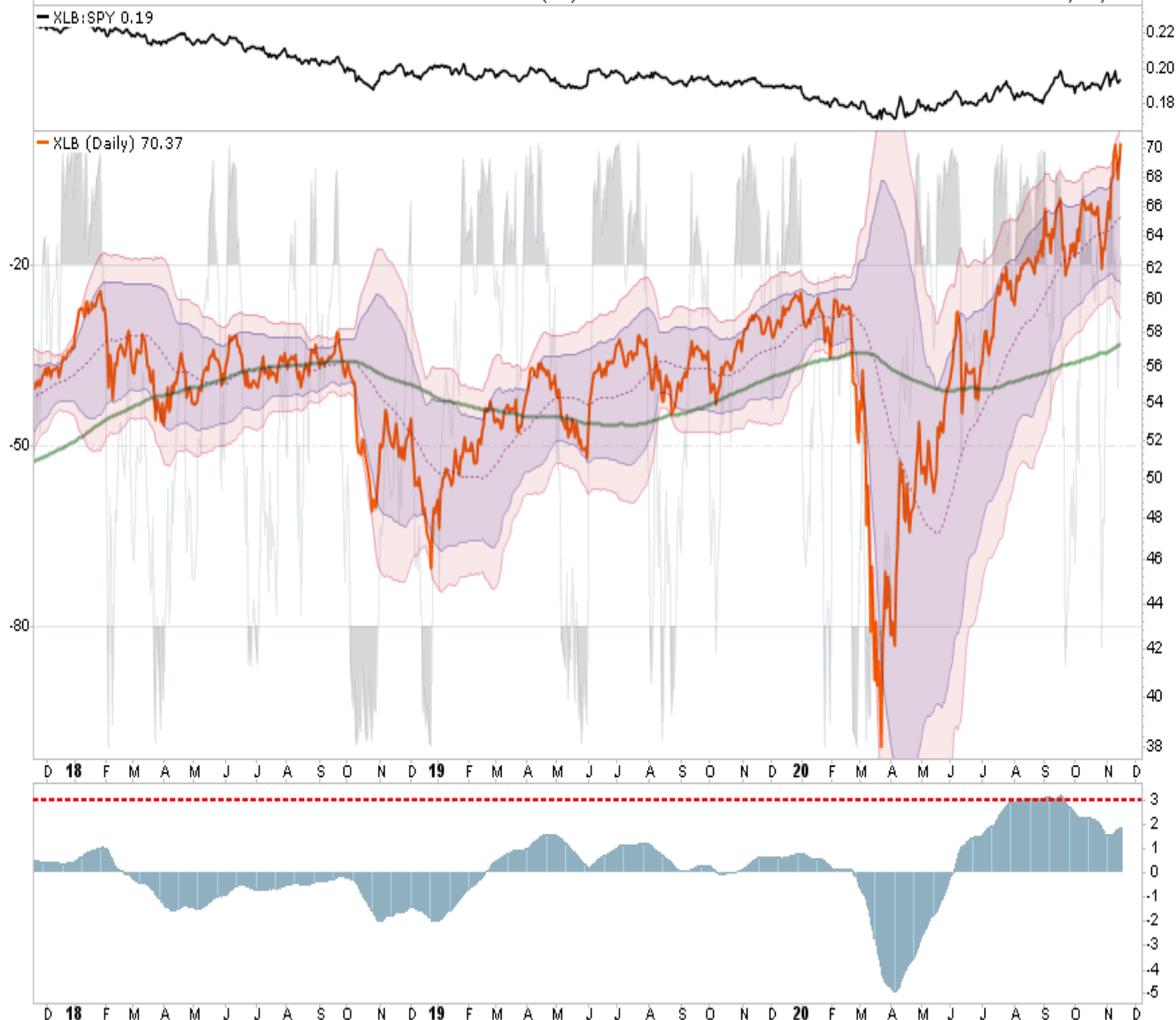
XLB Materials Select Sector SPDR Fund NYSE

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Monday 16-Nov-2020

Open: **70.12** Ask: P/E: Options: **yes**
 High: **70.46** Ask Size: EPS: Annual Dividend: **1.21829**
 Low: **69.58** Bid: Mkt Cap: **4.50B** Yield: **1.73%**
 Prev Close: **69.01** Bid Size: Last Size: SCTR (ETF): **83.7**

▲ **+1.97%**
 Chg: **+1.36**
 Last: **70.37**
 Volume: **4,815,982**



- *XLB blew through the double-top resistance and is now 4-standard deviations above the moving average.*
- *Such will lead to a correction short-term, so take profits and rebalance.*
- *Keep stops on trading positions at the 50-dma, which is now critical support.*
- **Short-Term Positioning: Bullish**
 - *Last Week: Hold Positions*
 - *This Week: Take Profits. We reduced XLB by 1%.*
 - *Stop-Loss moved up to \$62*
- **Long-Term Positioning: Bullish**

Communications

XLC Communication Services Select Sector SPDR Fund NYSE

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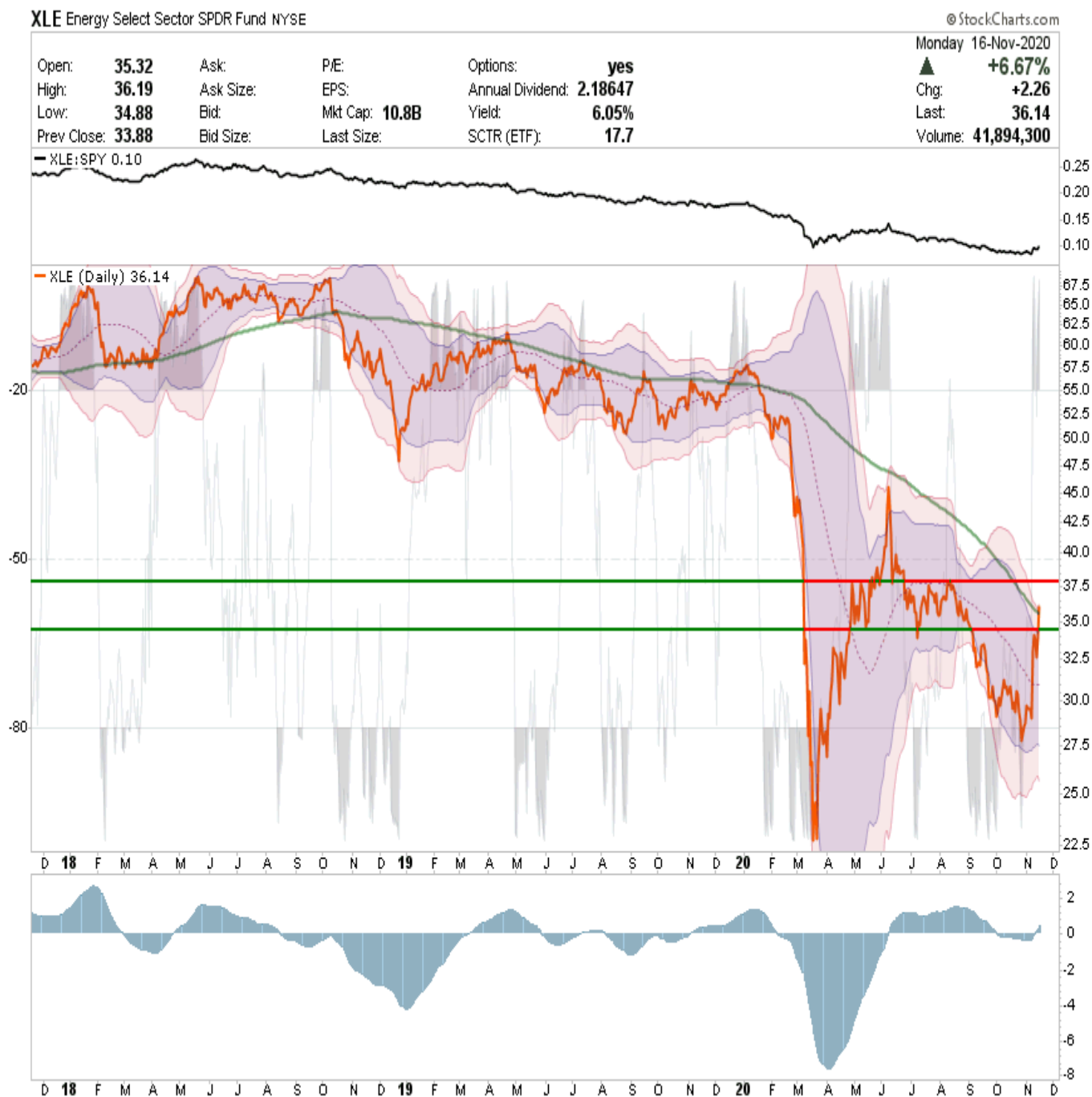
Monday 16-Nov-2020

Open: **64.13** Ask: P/E: Options: **yes**
 High: **64.60** Ask Size: EPS: Annual Dividend: **0.46559**
 Low: **64.09** Bid: Mkt Cap: **11.0B** Yield: **0.72%**
 Prev Close: **64.11** Bid Size: Last Size: SCTR (ETF): **55.2**

▲ **+0.67%**
 Chg: **+0.43**
 Last: **64.54**
 Volume: **2,586,604**

- *Communications rallied into 3-standard deviation territory and are now very overbought.*
- *XLC underperformed the market yesterday, and since it is a large sector in portfolios, it led to a performance drag.*
- *Take profits as needed.*
- *Stops remain at \$58.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
- *Long-Term Positioning: Bullish*

Energy



- *Energy rallied sharply on Monday as a "vaccine" would allow people to return to work and consume more energy.*

- XLE finally broke above the 50-dma and is testing major resistance at the 200-dma.�
- XLE is also now pushing well into 3-standard deviations from the 50-dma. Take profits accordingly.�
- The previous suggestion for Traders to add positions with a stop at \$27.50 and a target of \$34 has been fulfilled. Take profits and wait for a correction.�
- Short-Term Positioning: Bearish
 - Last week: Hold positions
 - This week: Took profits in CVX and reduced weight.
- Stop-loss set at \$27.50
- Long-Term Positioning: Bearish

Financials

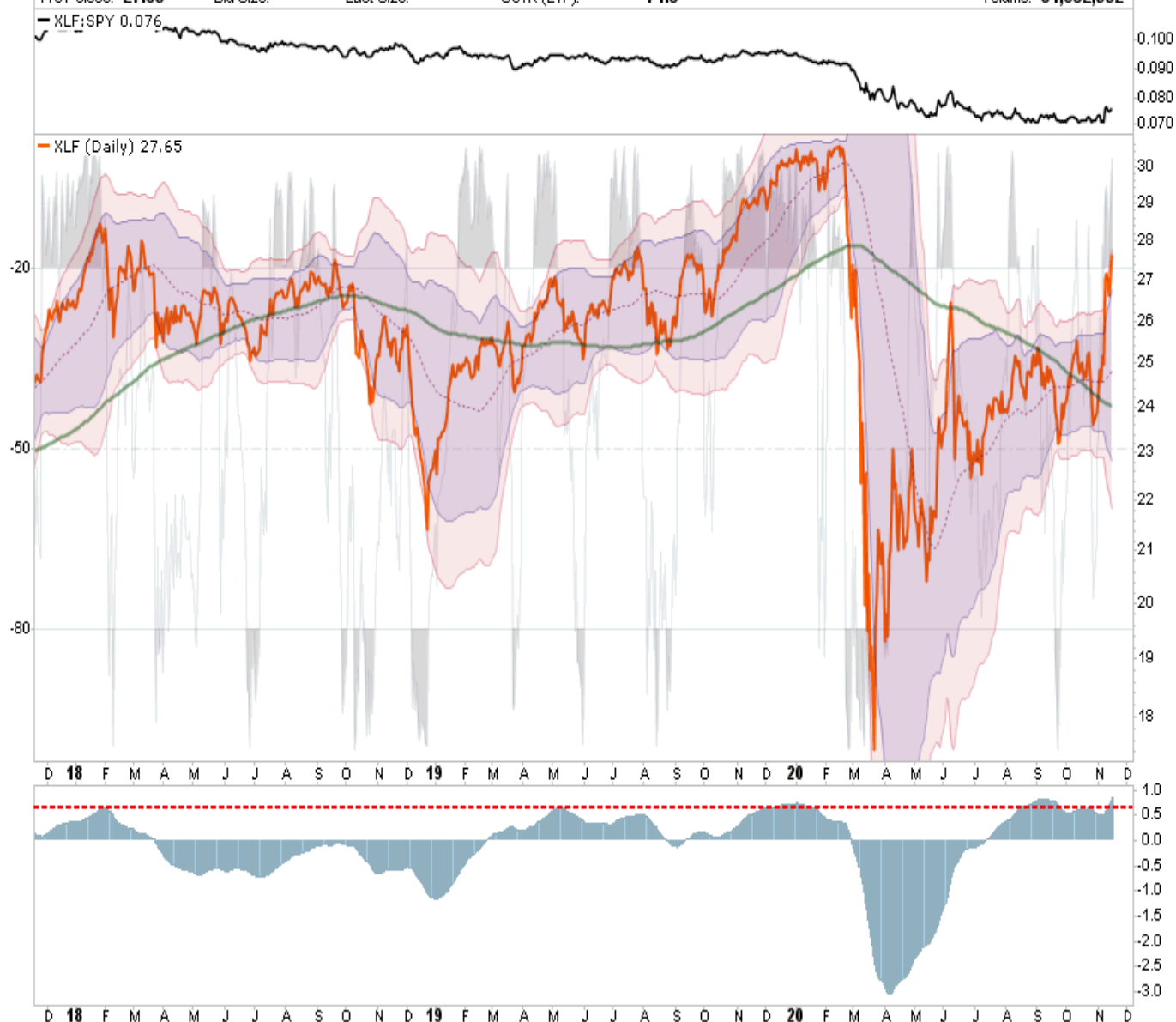
XLF Financial Select Sector SPDR Fund NYSE

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Monday 16-Nov-2020

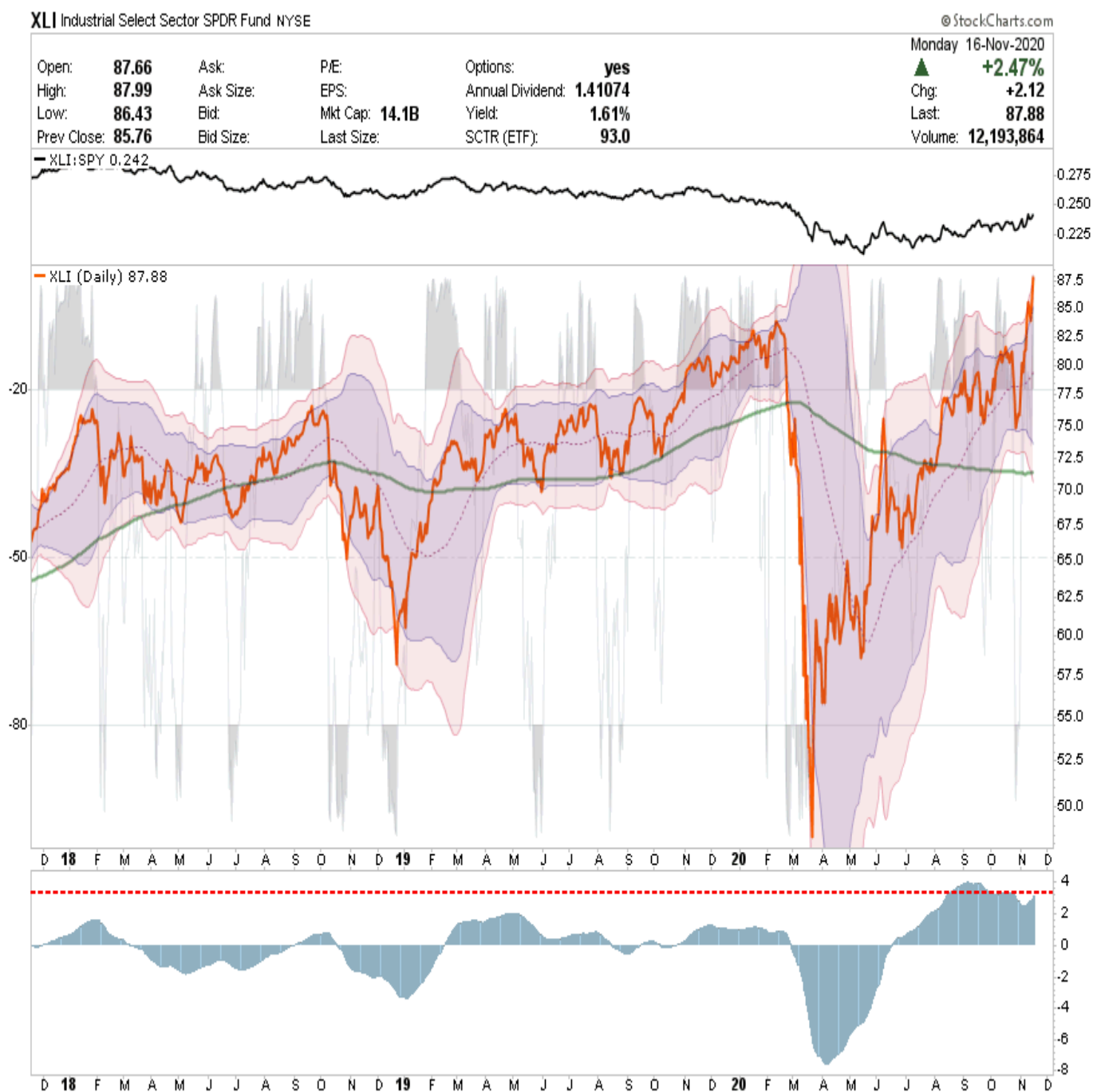
Open: 27.71	Ask:	P/E:	Options: yes
High: 27.73	Ask Size:	EPS:	Annual Dividend: 0.60246
Low: 27.36	Bid:	Mkt Cap: 20.5B	Yield: 2.18%
Prev Close: 27.03	Bid Size:	Last Size:	SCTR (ETF): 74.5

▲ **+2.29%**
 Chg: **+0.62**
 Last: **27.65**
 Volume: **61,652,932**



- Financials found some life as yields soared on expectations that inflation would return with a "vaccine." I wouldn't count on it since we haven't had inflation in a decade.
- XLF is 4-standard deviations above its mean. Take profits and rebalance risks.�
- The last time XLF was this extended; there was a sizable correction.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Neutral

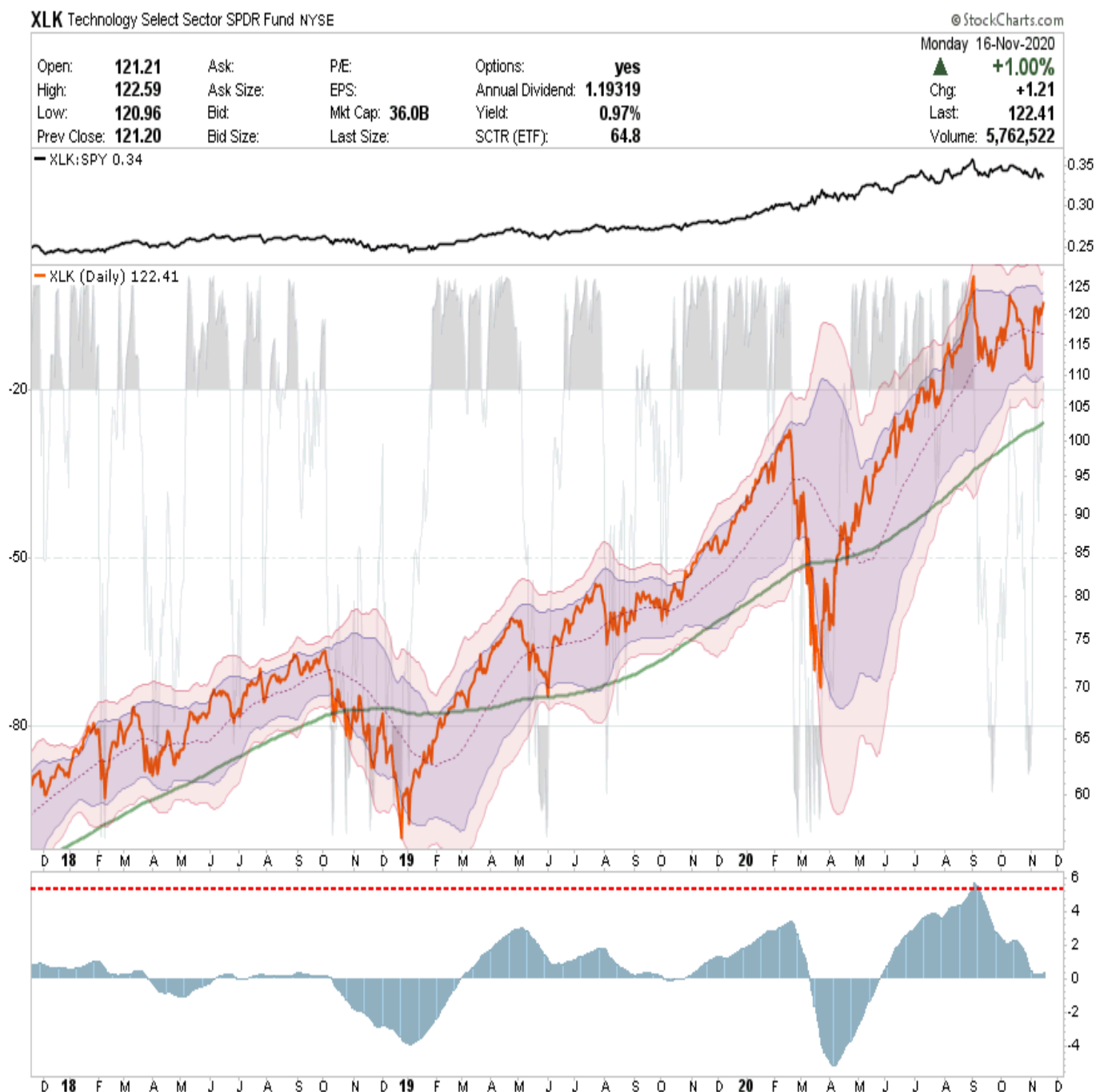
Industrials



- Like XLB, XLI is also 4-standard deviations above the mean.
- Take profits and rebalance risks.

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

Technology



- *Technology stocks and the Nasdaq underperformed on Monday but did much better than last Monday's "vaccine" announcement.*
- *The sector is not extremely overbought and will likely catch a rotation trade here soon.�*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Hold positions*

- *Stop-loss moved up to \$110*
- *Long-Term Positioning: Bullish*

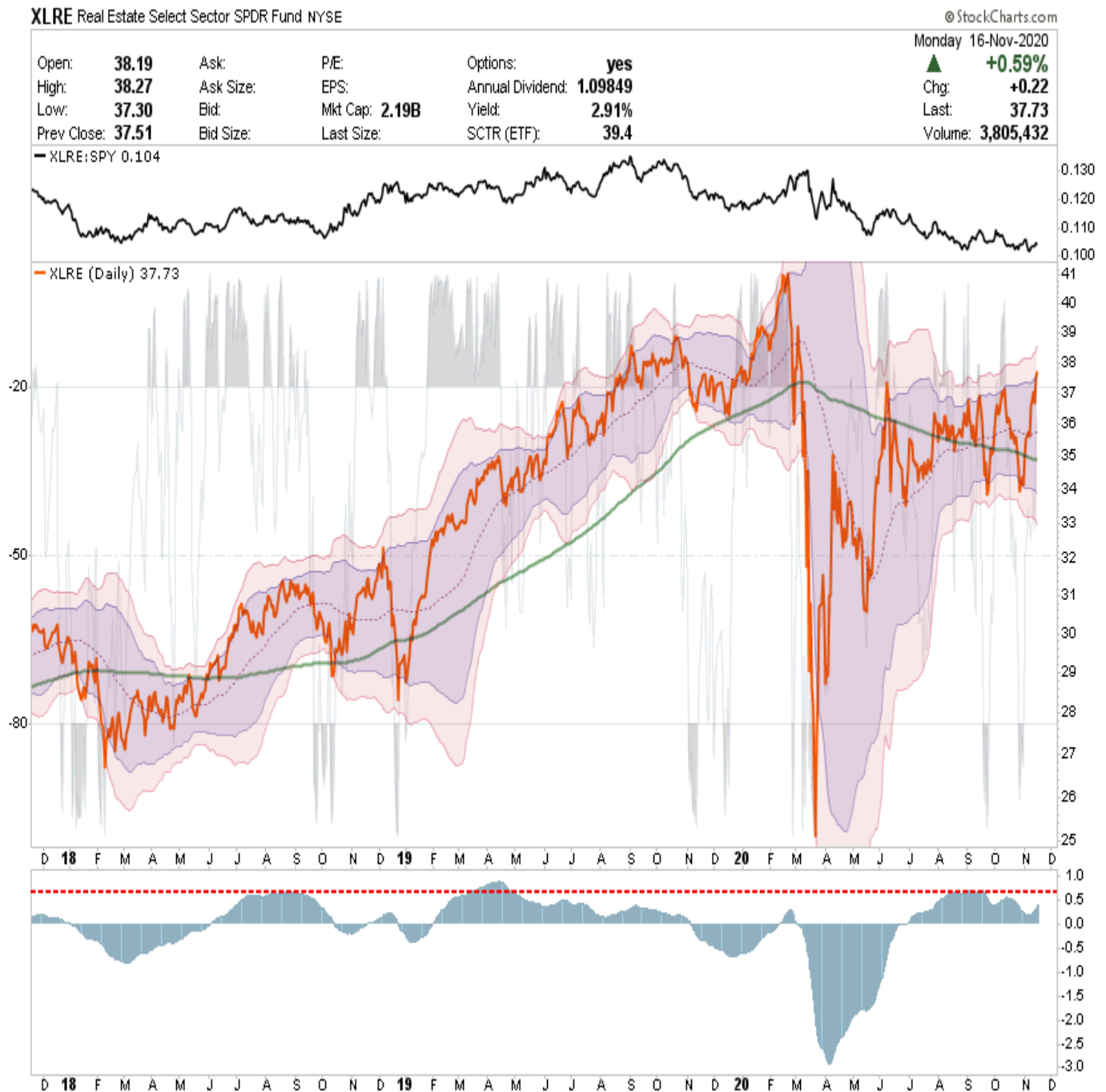
Staples



- *XLP is well into a 3-standard deviation extension.*
- *Take profits and rebalance risks and look for a correction to add back to holdings.*
- *The sector remains in a bullish trend, and the declines in some of the major staples are likely an entry opportunity.*
- *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: Reduced XLP by 1%.
- Long-Term Positioning: Bullish

Real Estate



- On Monday, Real Estate rallied sharply. Again as money was chasing yields.
- XLRE held a double bottom and broke above the 50-dma. Now, the sector is once again pushing into 3-standard deviation territory and is overbought.
- Use pullbacks that hold the 50-dma to add exposure.
- 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

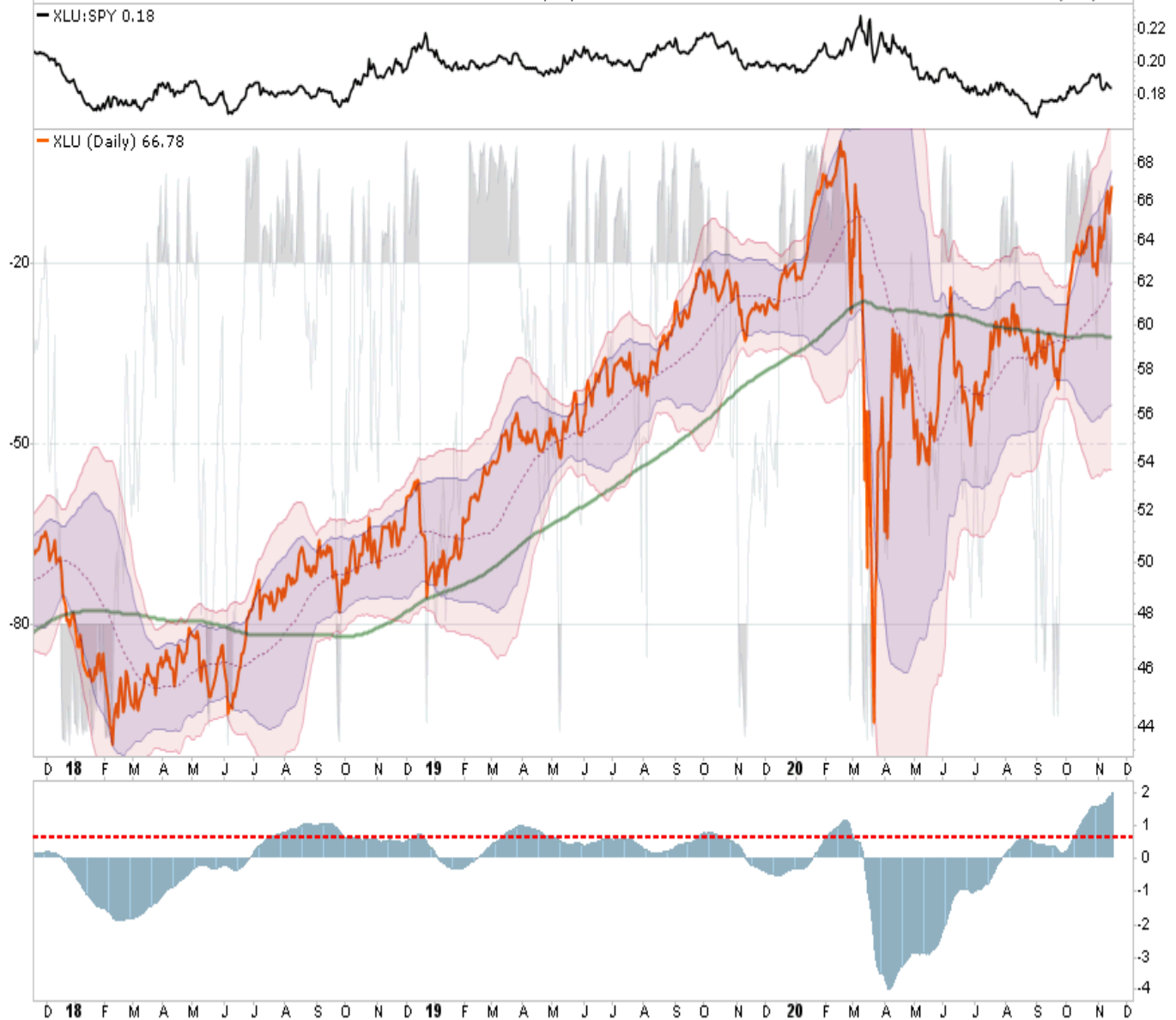
XLU Utilities Select Sector SPDR Fund NYSE

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Monday 16-Nov-2020

Open: **66.91** Ask: P/E: Options: **yes**
 High: **66.95** Ask Size: EPS: Annual Dividend: **1.94948**
 Low: **65.97** Bid: Mkt Cap: **12.4B** Yield: **2.92%**
 Prev Close: **66.09** Bid Size: Last Size: SCTR (ETF): **47.6**

Chg: **+1.04%**
 Last: **66.78**
 Volume: **9,244,052**



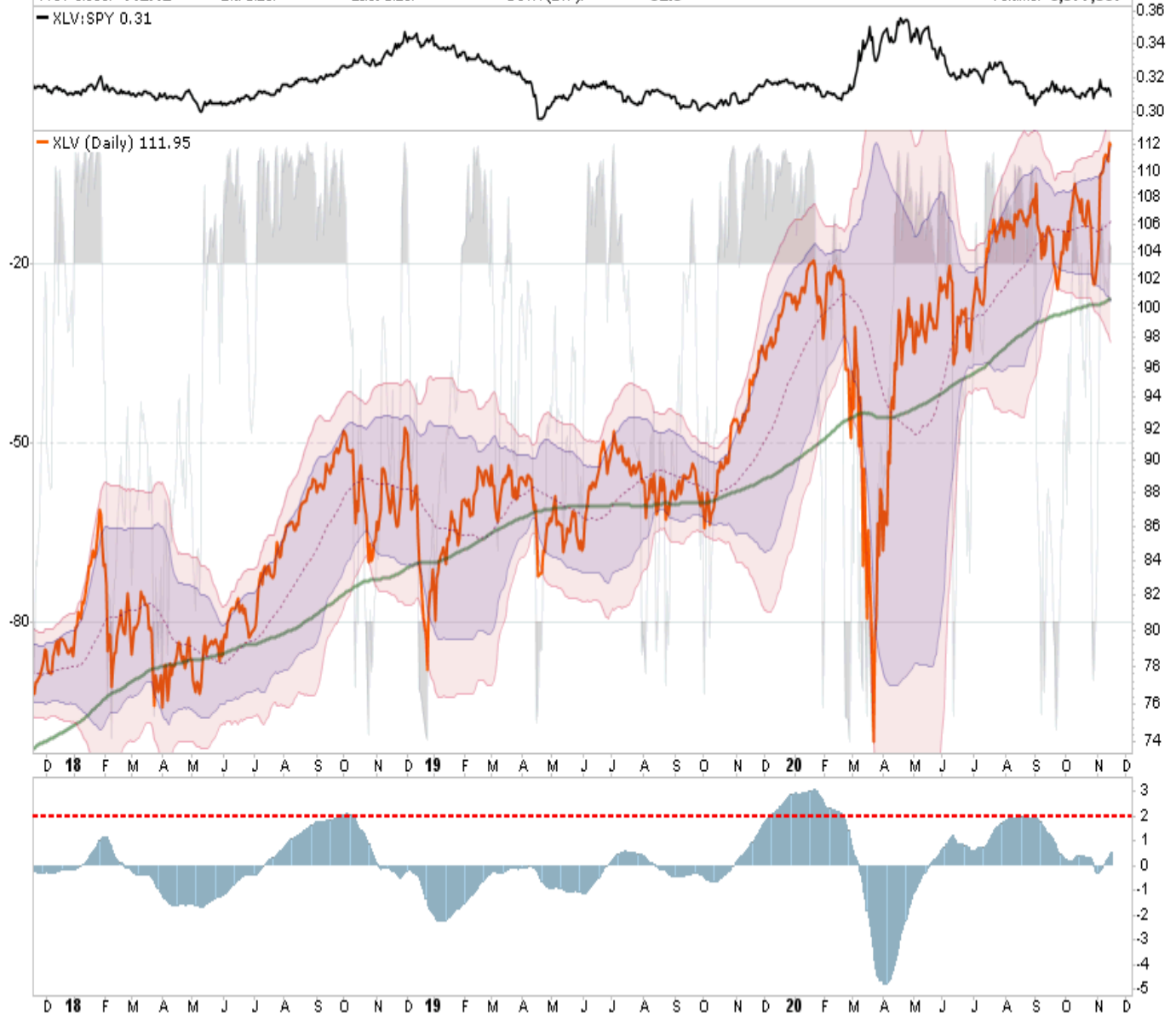
- XLU remains well extended in the overbought territory after breaking above the 200-dma.
- The rally on Monday also doesn't make much sense as Utilities are sensitive to higher rates. However, with the yield chase in play, such suggests a bid is still there.
- Take profits and rebalance risk.
- Short-Term Positioning: Neutral
 - Last week: Hold positions.
 - This week: Hold reduced positions
- Long-Term Positioning: Bullish

Health&Care

Monday 16-Nov-2020

Open: 113.01	Ask:	P/E:	Options: yes
High: 113.19	Ask Size:	EPS:	Annual Dividend: 1.64435
Low: 111.37	Bid:	Mkt Cap: 24.5B	Yield: 1.47%
Prev Close: 112.12	Bid Size:	Last Size:	SCTR (ETF): 32.8

▼ **-0.15%**
 Chg: **-0.17**
 Last: **111.95**
 Volume: **6,377,867**

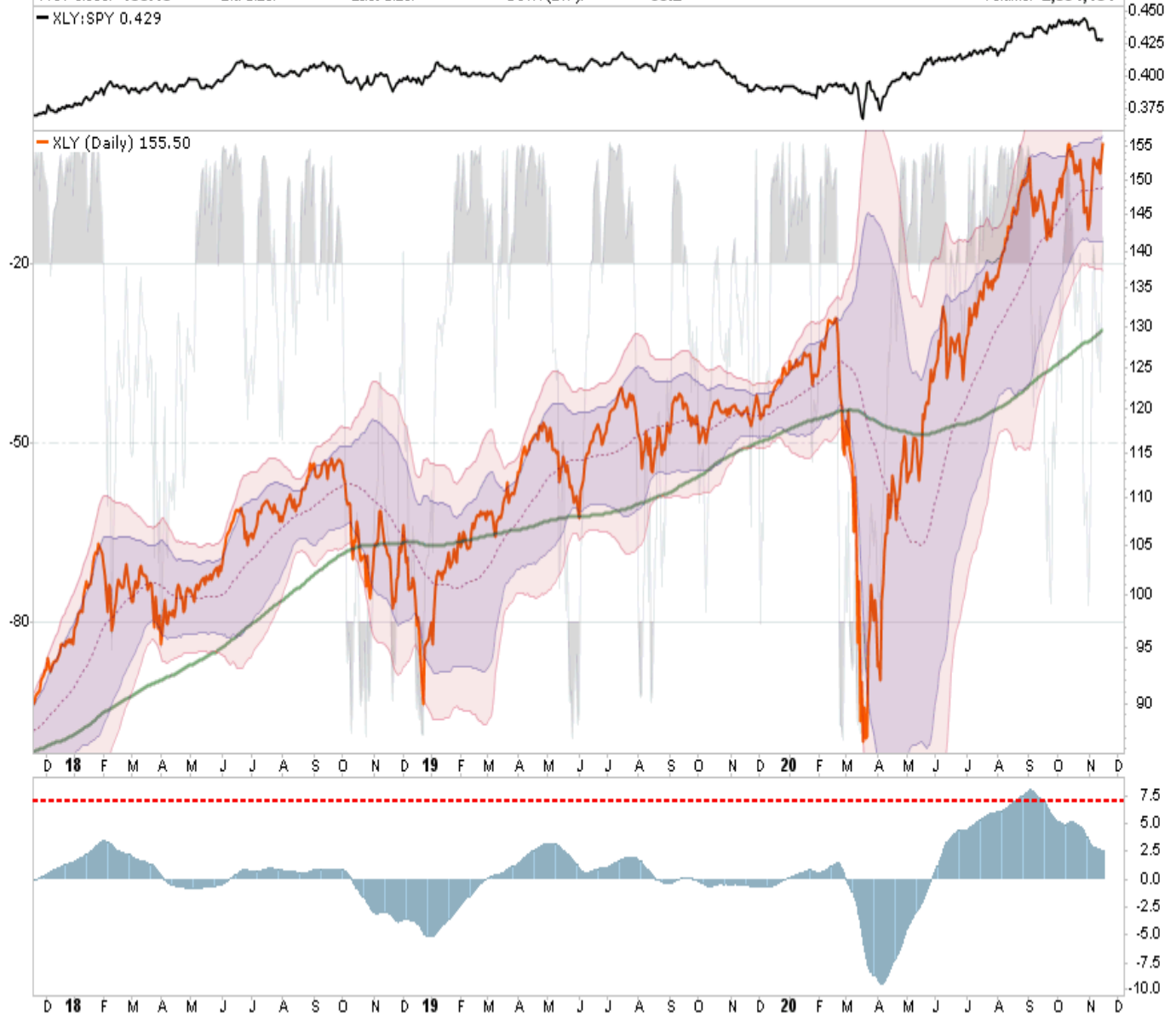


- Despite the news from MNRA, Healthcare stocks lagged on Monday. With XLV now 3-standard deviations above the mean, we took profits.⌘
- The sector is short-term overbought, so rebalance risks accordingly.⌘
- The 200-dma is now essential price support for XLV.
- We are moving our absolute stop to \$100
- Short-Term Positioning: Bullish
 - Last week: Hold positions.
 - This week: Reduced XLV by 1%.
- Long-Term Positioning: Bullish

Discretionary

Open: 155.00	Ask:	P/E:	Options: yes	Monday 16-Nov-2020
High: 155.51	Ask Size:	EPS:	Annual Dividend: 1.43512	▲ +1.34%
Low: 153.83	Bid:	Mkt Cap: 16.8B	Yield: 0.92%	Chg: +2.05
Prev Close: 153.45	Bid Size:	Last Size:	SCTR (ETF): 69.2	Last: 155.50
				Volume: 2,894,481

XLY:SPY 0.429



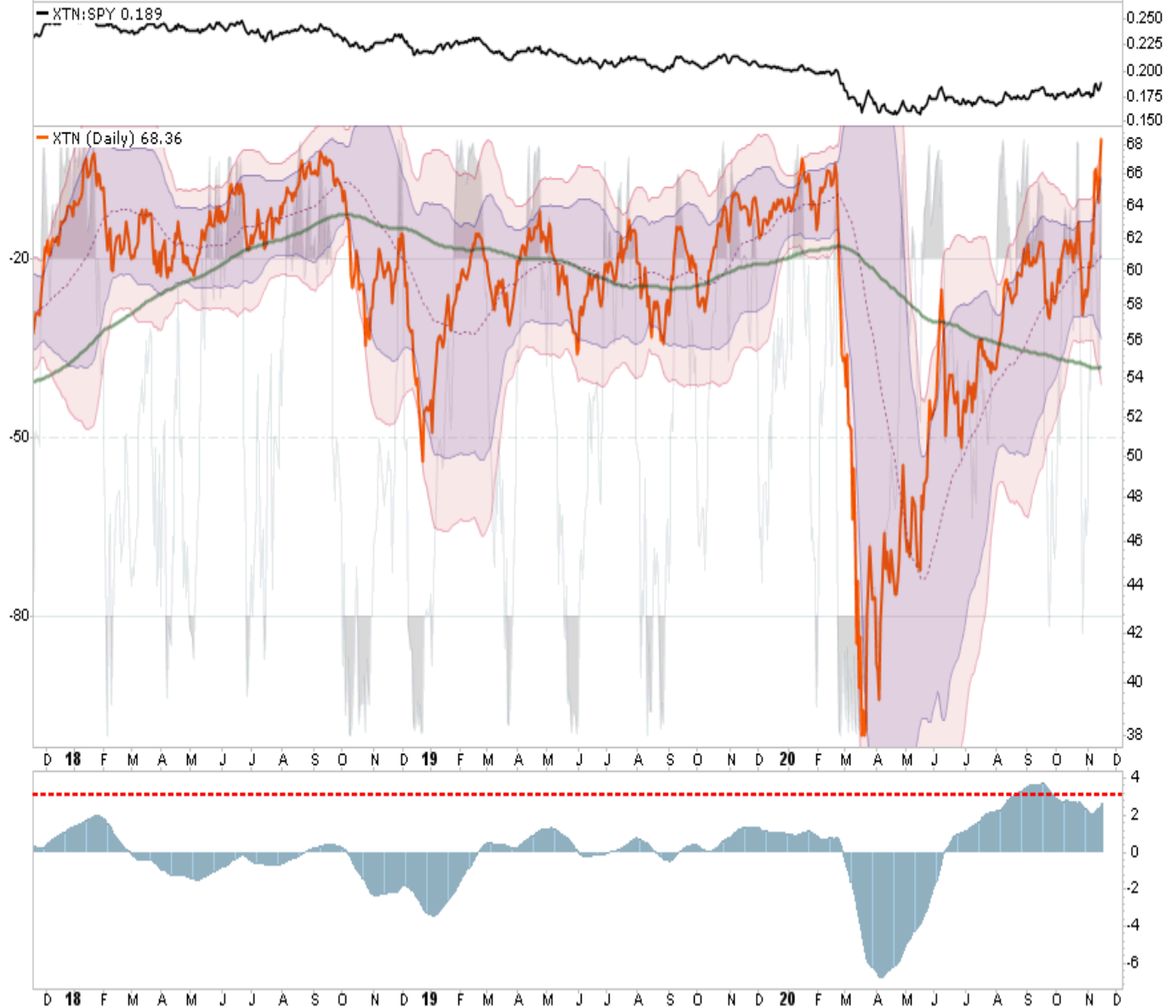
- On Monday, discretionary stocks staged a nice advance as we head into the retail shopping season.�
- We previously suggested traders add to holdings in AMZN. That remains this week.�
- Stop-loss remains at \$140
- Short-Term Positioning: Bullish
 - Last week: No changes.
 - This week: No changes.
- Long-Term Positioning: Bullish

Transportation

Monday 16-Nov-2020

Open: **68.87** Ask: P/E: Options: **no**
 High: **68.87** Ask Size: EPS: Annual Dividend: **0.48991**
 Low: **67.36** Bid: Mkt Cap: **273.4M** Yield: **0.72%**
 Prev Close: **66.34** Bid Size: Last Size: SCTR (ETF): **94.8**

▲ **+3.04%**
 Chg: **+2.02**
 Last: **68.36**
 Volume: **37,108**



- The rally on Monday pushed XTN into a 4-standard deviation territory.
- The "buy signal" remains extended and the overbought condition back to extremes.
- Take profits in the sector and rebalance risks accordingly.
- Maintain an absolutely stop-loss at \$56
- Short-Term Positioning: Neutral
 - Last week: No change
 - This week: No change
- Long-Term Positioning: Neutral