

Sector Buy/Sell Review: 02-26-19

Each week we produce a 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.

HOW TO READ THE CHARTS

There are three primary components to each chart:

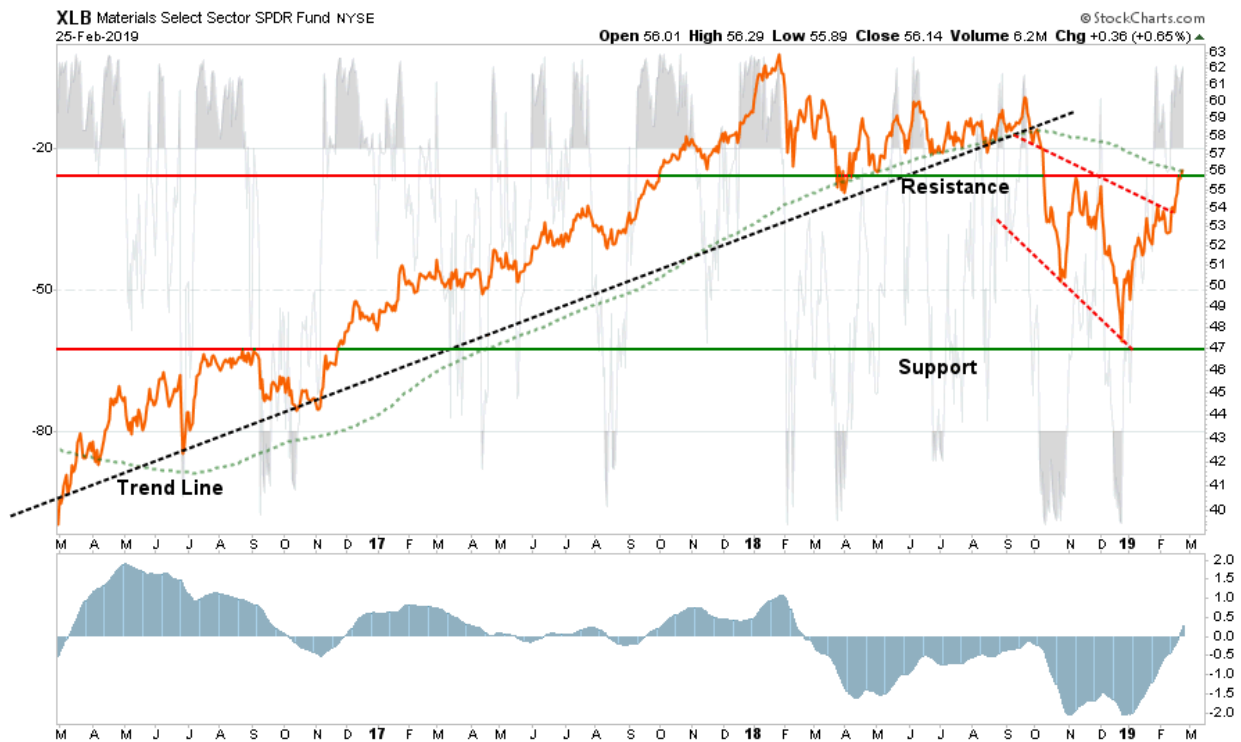
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



With this basic tutorial let's get to the sector analysis.

Basic Materials



- Long-term trend line is currently broken
- Previous support from February lows has been broken and is now resistance.
- XLB has triggered a "buy" signal but is wrestling with resistance at the 200-dma
- XLB back to extreme overbought conditions (top panel)
- Short-Term Positioning: Neutral
 - Last Week: Recommend to hold 1/2 position.
 - This Week: Hold
 - Stop-loss moved up to \$53
- Long-Term Positioning: Bearish

Communications



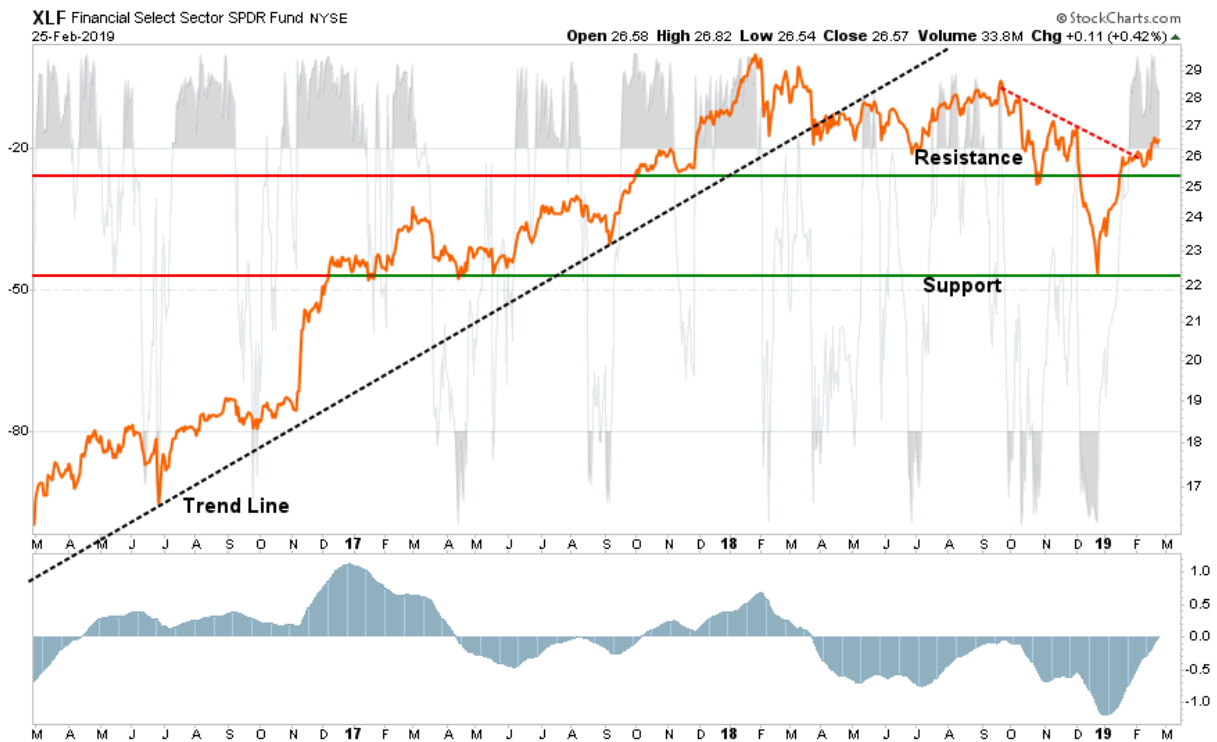
- Long-term trend line is currently broken
- XLC finally broke above resistance due to the rally in NFLX
- Sell-signal (bottom panel) is should reverse this week.
- Sector back to extreme overbought.
- Short-Term Positioning: Neutral
 - Last Week: Recommended to "hold" 1/2 position
 - This Week: Hold 1/2 position
 - Stop-loss moved up to \$45
- Long-Term Positioning: Bearish

Energy



- Long-term trend line is currently broken
- XLE broke above the 200-dma.
- Will be important for XLE to hold current support.
- Sell-signal (bottom panel) is close to reversing
- Back to extreme overbought condition.
- Short-Term Positioning: Neutral
 - Last week: Recommend "hold" 1/2 position
 - This week: Hold 1/2 position
 - Stop-loss moved up to \$63
- Long-Term Positioning: Bearish

Financials



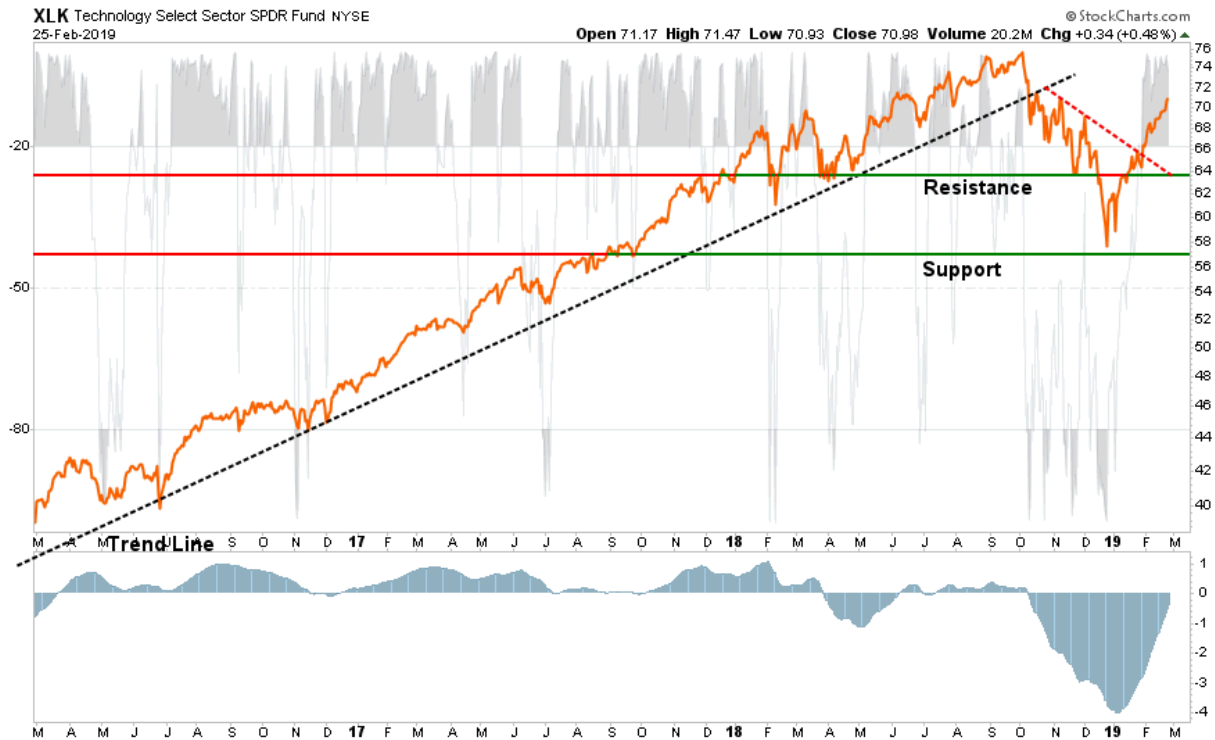
- Long-term trend line is currently broken
- XLF finally broke above downtrend resistance but lots of resistance from 2018 remains.
- Sell-signal (bottom panel) is reversing
- XLF back to extreme overbought condition short-term.
- Short-Term Positioning: Neutral
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position
 - Stop-loss moved up to \$25.50
- Long-Term Positioning: Bearish

Industrials



- Long-term trend line is currently broken
- XLI has rallied sharply on hopes of a resolution on trade.
- The Buy-signal (bottom panel) has been triggered.
- Back to extreme overbought conditions short-term.
- Previous all-time highs are a likely target.
- Short-Term Positioning: Bullish
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position, add on pullback to \$72
 - Stop-loss moved up to \$70
- Long-Term Positioning: Neutral

Technology



- Long-term trend line is currently broken
- Sell-signal (bottom panel) is close to reversing.
- Back to extreme overbought conditions short-term.
- Pushed above downtrend resistance and is looking to test old highs.
- Short-Term Positioning: Bullish
 - Last week: Recommended sell "hold" 1/2 position
 - This week: Hold 1/2 position, Add on pullback to \$65-66
 - Stop-loss moved up to \$64.00
- Long-Term Positioning: Neutral

Staples



- Long-term trend line is currently broken
- After breaking above the 400-dma, XLP is running into old resistance approaching previous highs.
- Early sell-signal (bottom panel) is reversing back to "buy"
- Currently back to extreme overbought conditions.
- Short-Term Positioning: Bullish
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position, look to add 1/2 position on pullback to \$53.5.
 - Stop-loss remains at \$52.50
- Long-Term Positioning: Bullish

Real Estate



- Long-term trend line is currently holding.
- After breaking out to all-time highs, it has just kept going.
- Buy signal reaching more extreme levels (bottom panel)
- Back to extreme overbought condition short-term. (top panel)
- Short-Term Positioning: Bullish
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position
 - Add on any weakness that works off over-bought condition or holds support at \$33
 - Stop-loss adjusted to \$32.50
- Long-Term Positioning: Bullish

Utilities



- Long-term trend line remains intact.
- Previous support continues to hold.
- Buy signal has been registered.. (bottom panel)
- Back to extreme overbought conditions.
- Broke above resistance and moved to all-time highs.
- Short-Term Positioning: Bullish
 - Last week: Recommended "buy" 5-weeks ago
 - This week: Hold
 - Stop-loss moved up to \$54 with a target of \$60
- Long-Term Positioning: Bullish

Health Care



- Sector broke the longer term trend but recovered on rally.
- Sell-signal (bottom panel) is being reversed.
- Back to extreme overbought conditions (top panel) and pushing into resistance at all-time highs.
- Short-Term Positioning: Neutral
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position
 - Stop-loss moved up to \$88
- Long-Term Positioning: Neutral

Discretionary



- Long-term trend line has been broken.
- Previous support was violated but was reclaimed.
- Downtrend resistance has been broken but overhead resistance remains short-term. Rally testing resistance.
- Sell signal close to being reversed. (bottom panel)
- Back to extreme overbought conditions short-term.
- Short-Term Positioning: Neutral
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 position
 - Stop-loss moved up to \$106.00
- Long-Term Positioning: Neutral

Transportation



- Long-term trend line has been violated.
- Previous support is holding for now.
- Buy signal. (bottom panel) has been triggered..
- Extreme overbought on a short-term basis. But XTN broke above downtrend resistance.
- Short-Term Positioning: Neutral
 - Last week: Recommended "hold" 1/2 position
 - This week: Hold 1/2 of position
 - Stop-loss moved up to \$60
- Long-Term Positioning: Bearish