Major Market Buy/Sell Review: 03-18-19

Each week we produce a chart book of the major financial markets to review whether the markets, as a whole, warrant higher levels of equity risk in portfolios or not. Stocks, as a whole, tend to rise and fall with the overall market. Therefore, if we get the short-term trend of the market right, our portfolios should perform respectively.

HOW TO READ THE CHARTS

There are three primary components to each chart:

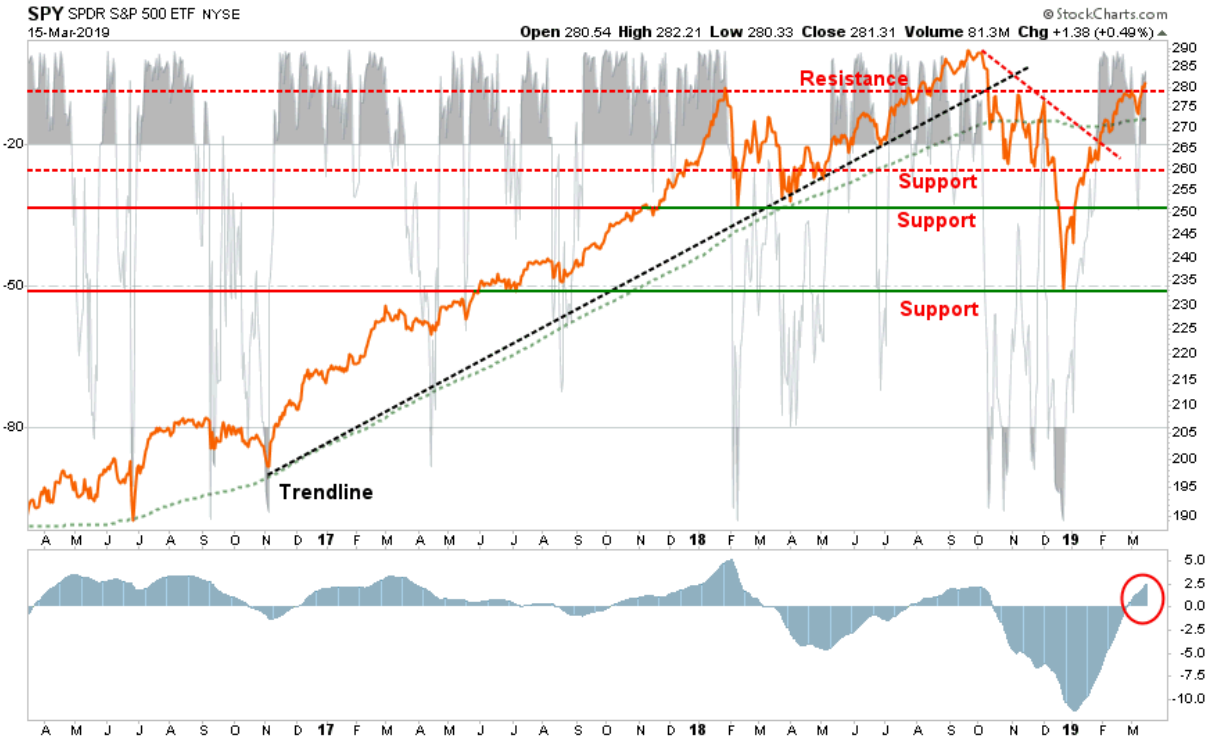
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.



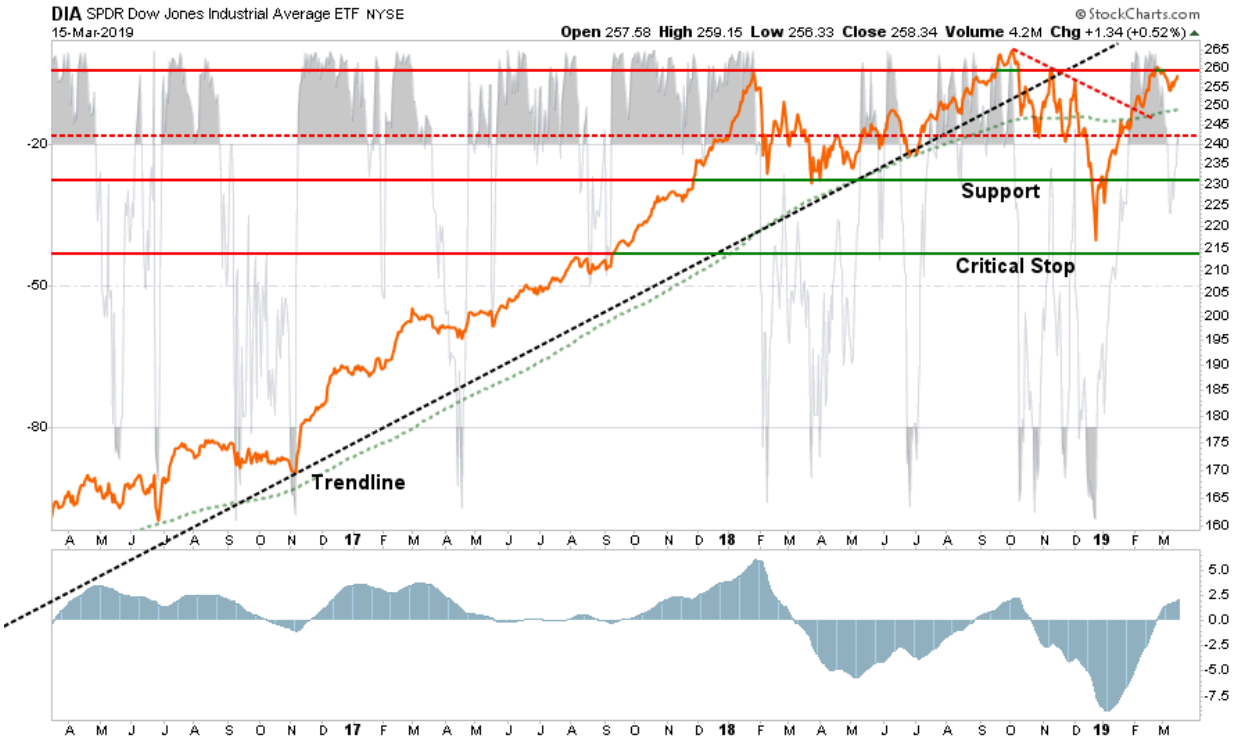
With this basic tutorial let's review the major markets.

S&P 500 Index



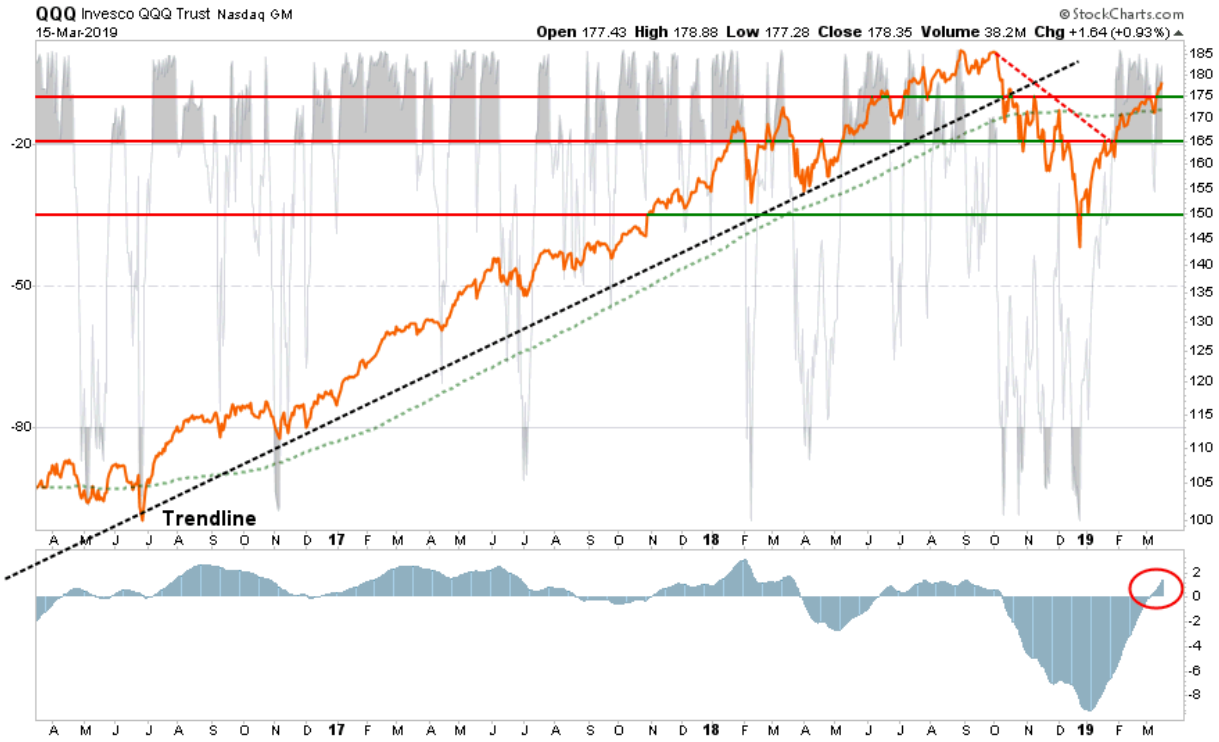
- *The rally off of the 200-dma, as we previously discussed, was expected and the break above 2800 resistance sets up a test of all-time highs.*
- *Longer-term "buy signal" is in place which is bullish*
- *The break above resistance sets up a tradeable entry but keep stops very tight due to the overbought condition of the market.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold 1/2 position*
    - *This Week: Add 1/2 position, bring to full weight.*
    - *Stop-loss moved up to $275*
- *Long-Term Positioning: Neutral*

Dow Jones Industrial Average



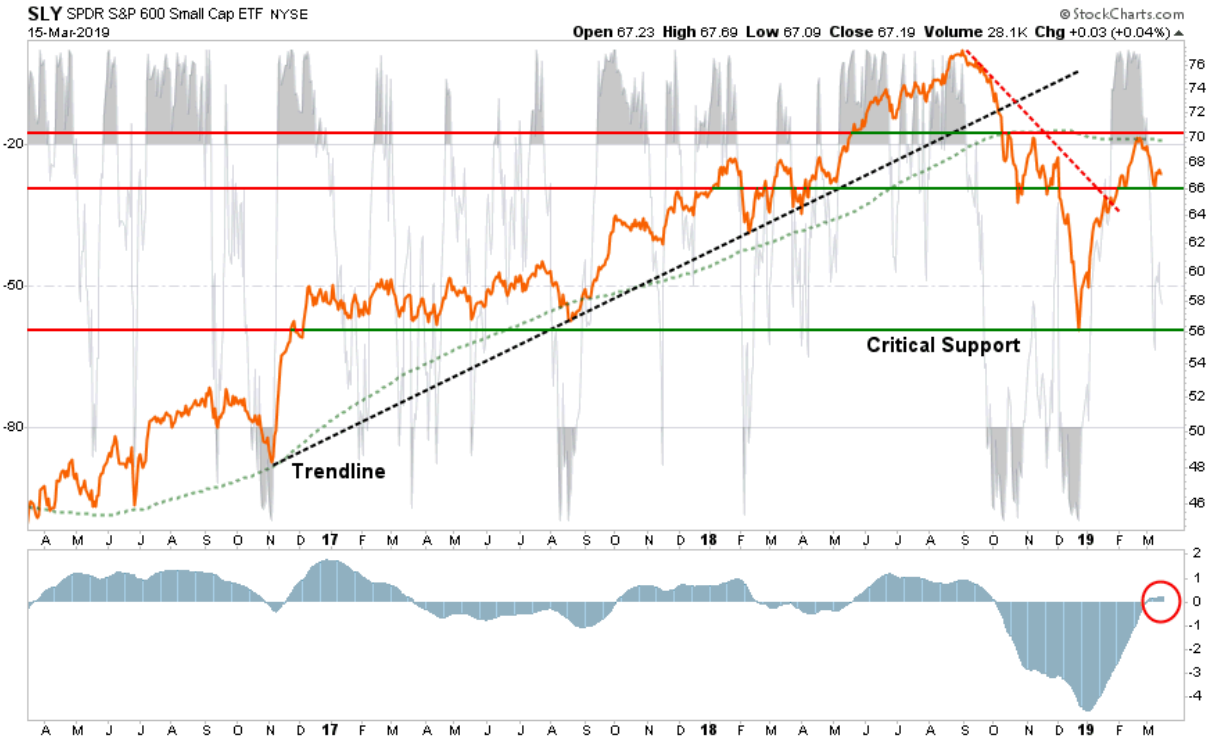
- *Recent rally failed at the January highs and remains very overbought.*
- *DIA remains well above its 200-dma but that will be critical support.*
- *A "buy signal" is in place*
- *Market is back to extreme overbought, so break above resistance is key before taking on additional exposure. Most of the underperformance can be attributed to BA last week, and due to its impact on the index, focus on SPY and QQQ for* now until there is so resolution with BA.
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold 1/2 of position*
    - *This Week: Hold 1/2 of position*
    - *Stop-loss remains at $250*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



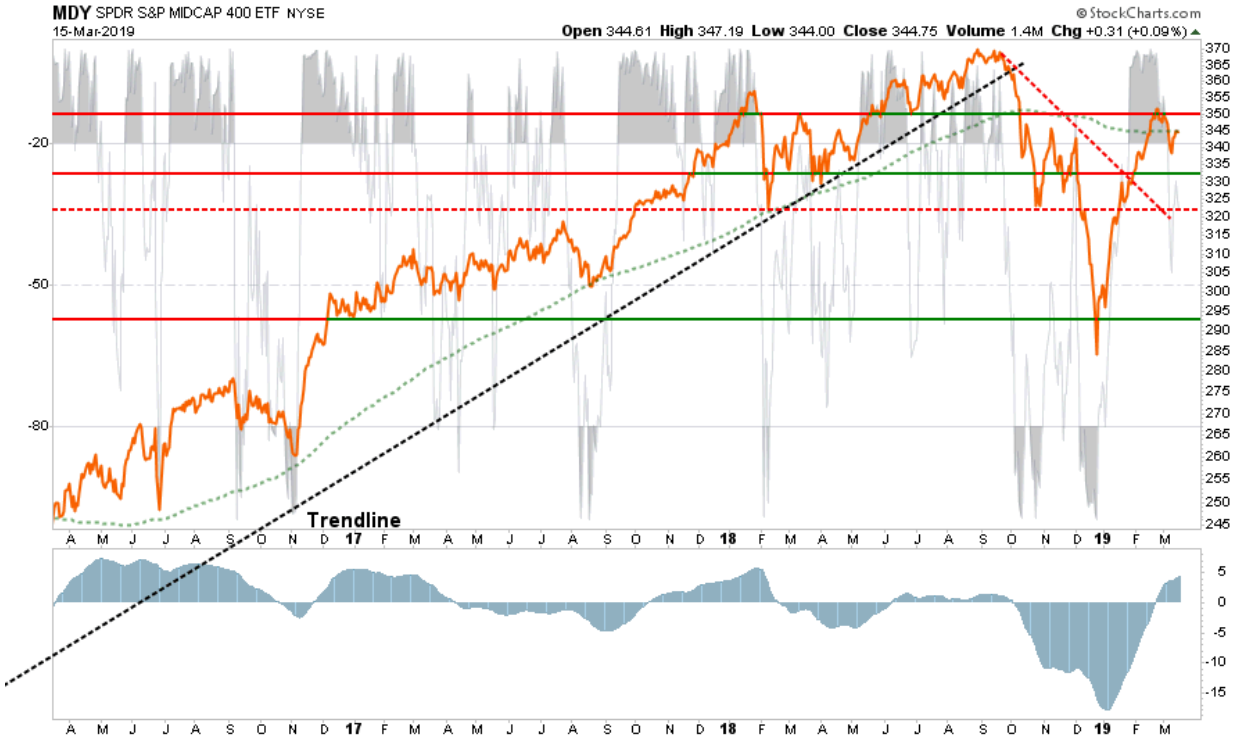
- *The rally last week, took QQQ above resistance and set up a test of all-time highs. With technology leading the charge currently, the probability of a test of all-time highs is very possible.*
- *A buy signal was triggered last week.*
- *Market remains very overbought but support held at the 200-dma.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold 1/2 of position*
    - *This Week: Add 1/2 of position going back to full weight.*
    - *Stop-loss moved up to $170*
- *Long-Term Positioning: Neutral*

S&P 600 Index (Small-Cap)



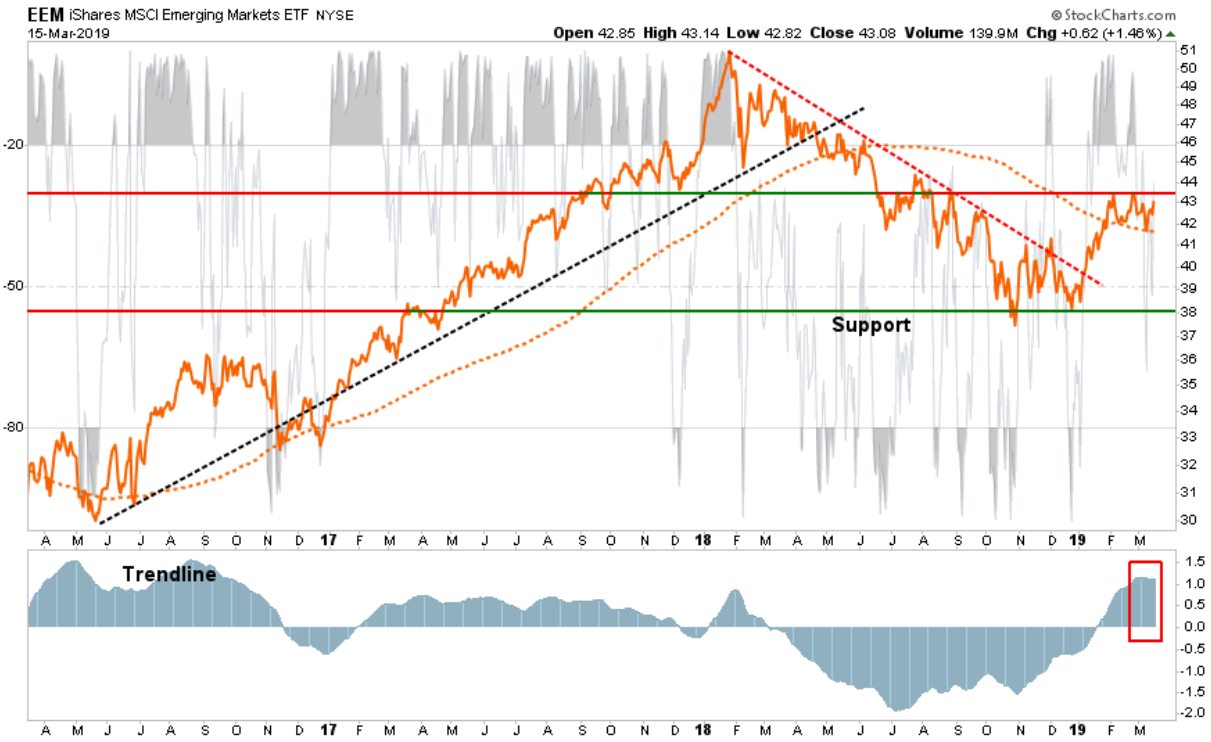
- *Recent rally failed at the 200-dma and is now testing important support at the Oct-Nov lows.*
- *A "buy" signal was triggered last week.*
- *Small-caps have reversed about half of its overbought condition so there is still downside risk currently.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold 1/2 of position*
    - *This Week: Hold 1/2 of position*
    - *Stop-loss remains at $66 - could break next week.*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



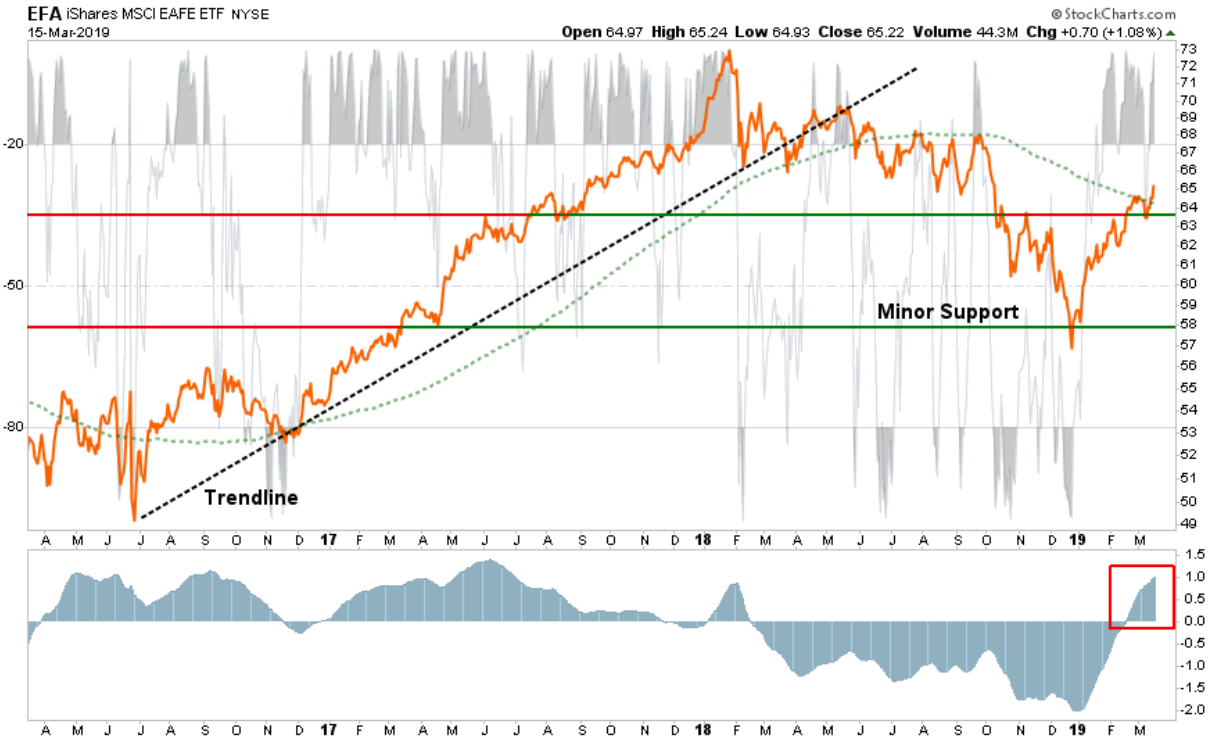
- *Like it's small-cap brethren, the recent rally failed to hold the 200-dma.*
- *Currently, Mid-caps are testing support at the Oct-Nov highs*
- *Mid-caps have recently flipped back onto a buy signal. However, the recent correction has not reduced the overbought condition we noted last week.*
- *Short-Term Positioning: Neutral*
    - *Last Week: After taking profits previously, hold 1/2 of position*
    - *This Week: Hold 1/2 of position*
    - *Stop-loss is adjusted to $337.50*
- *Long-Term Positioning: Neutral*

Emerging Markets



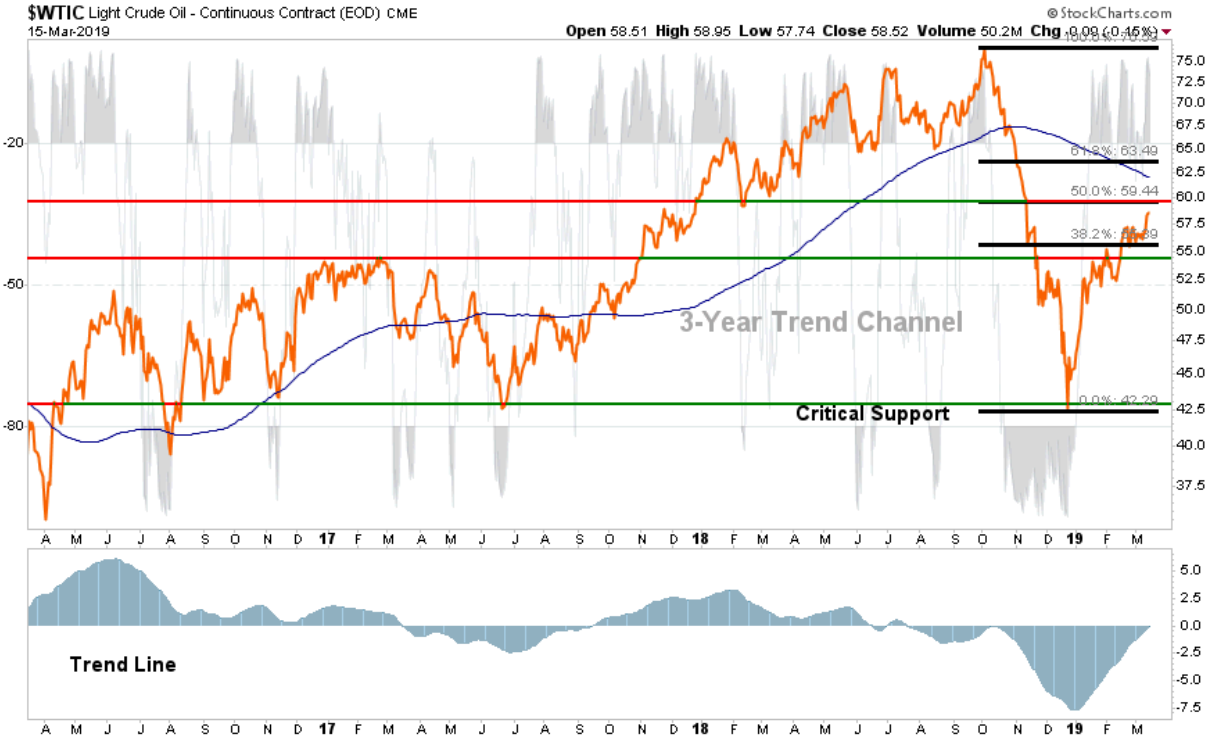
- *EEM is currently testing its 200-dma which is still declining currently.*
- *The extreme overbought condition is being worked off, so it will be important for EEM to maintain support over the next week. So far that has been the case with a second successful test of the 200-dma last week.*
- *After adding a 1/2 position to portfolios we suggested a short-term corrective action was likely. If the position holds support and turns up and breaks recent highs, we will add to our holdings.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold current position.*
    - *This Week: Hold current position.*
    - *Stop-loss moved to $41*
- *Long-Term Positioning: Bearish*

International Markets



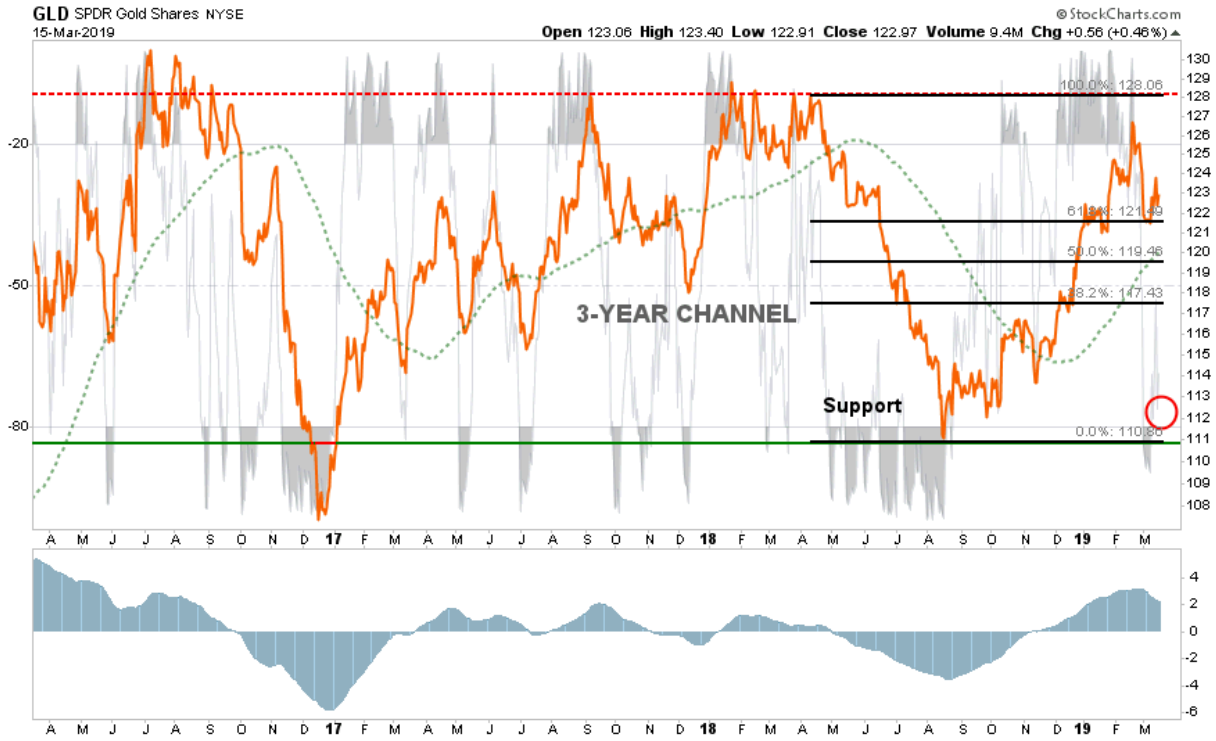
- *Recent rally finally pushed above the 200-dma.*
- *The downtrend from all-time highs and remains and international markets are extremely overbought.*
- *While a "buy signal" has been triggered, EFA reamins very overbought in the short-term.*
- *Short-Term Positioning: Neutral*
    - *Last Week: After taking profits, hold 1/2 of position*
    - *This Week: Hold 1/2 of position, looking to add second 1/2 on pullback to support.*
    - *Stop-loss moved up to $63*
- *Long-Term Positioning: Bearish*

West Texas Intermediate Crude (Oil)



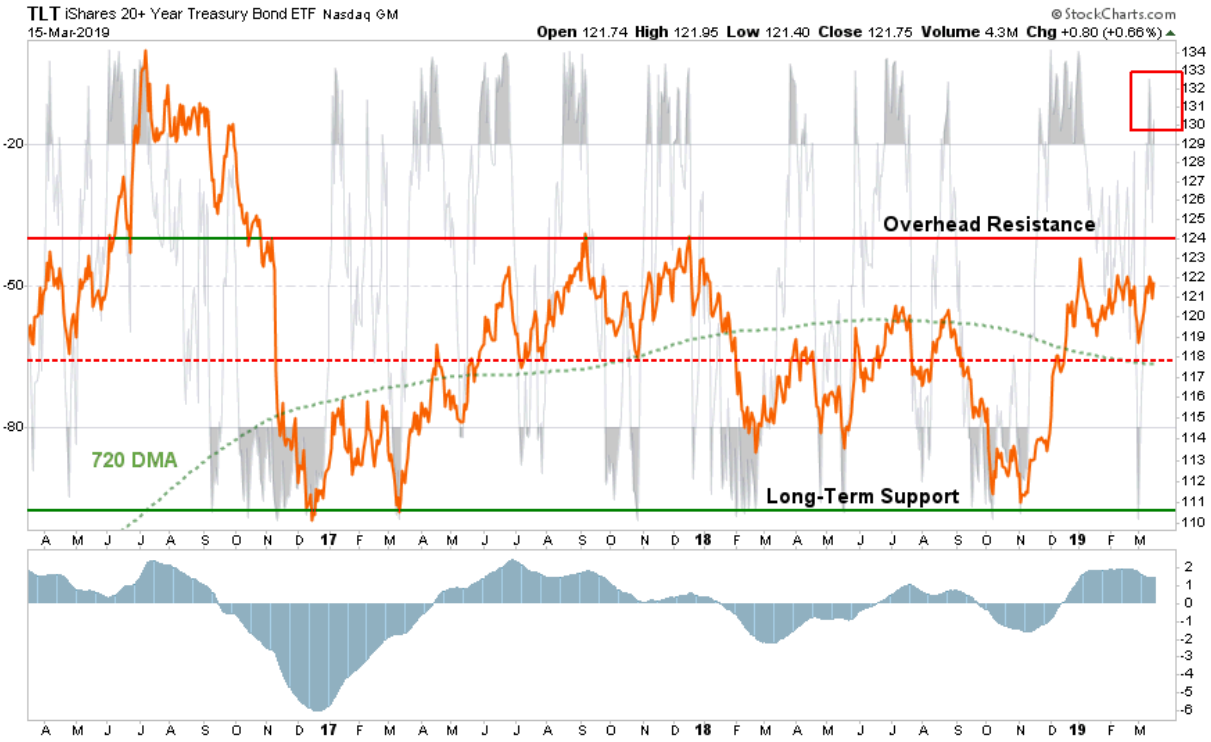
- *Oil showed some muscle by breaking above the 3-year trend channel and above the 38.2% Fibonacci retracement.*
- *$60 is the next major resistance level at the 50% retracement which will coincide with the downward trending 200-dma.*
- *Oil is very close to triggering a "buy" signal which will allow us to add exposure if some of the short-term overbought condition can be worked off.*
- *Short-Term Positioning: Neutral*
    - *Last Week: After taking profits, hold 1/2 position*
    - *This Week: Hold 1/2 position, look for a break above the 50% retracement.*
    - *Stop-loss adjusted to $55*
- *Long-Term Positioning: Bearish*

Gold



- *As we noted last week, the sell-off tested support at the 61.8% retracement of the decline and is now back to oversold.*
- *Gold turned up last week and remains on a "buy" signal.*
- *Currently on "buy" signal (bottom panel) so positions can be added.*
- *Short-Term Positioning: Bullish*
    - *Last week: Added 1/2 position and carrying a full weight.*
    - *This week: Hold positions*
    - *Stop-loss for whole position set at $120*
- *Long-Term Positioning: Improving&#2013266080;From&#2013266080;Bearish&#2013266080;To&#2013266080;Bullish*

Bonds (Inverse Of Interest Rates)



- *Support continues to build along the 720-dma. The rally following the recent sell-off is testing resistance within this current consolidation.*
- *Currently on a buy-signal (bottom panel), bonds have once again swung from oversold to overbought.*
- *Entry point was triggered at $120 with reversal of overbought condition.*
- *Resistance remains from $122 to $124*
- *Strong support at the 720-dma (2-years) (green dashed line) which is currently $118.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Recommended adding to holdings.*
    - *This Week: Hold positions.*
    - *Stop-loss adjusted to $119*
- *Long-Term Positioning: Bullish*