Sector Buy/Sell Review: 04-16-19

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.*

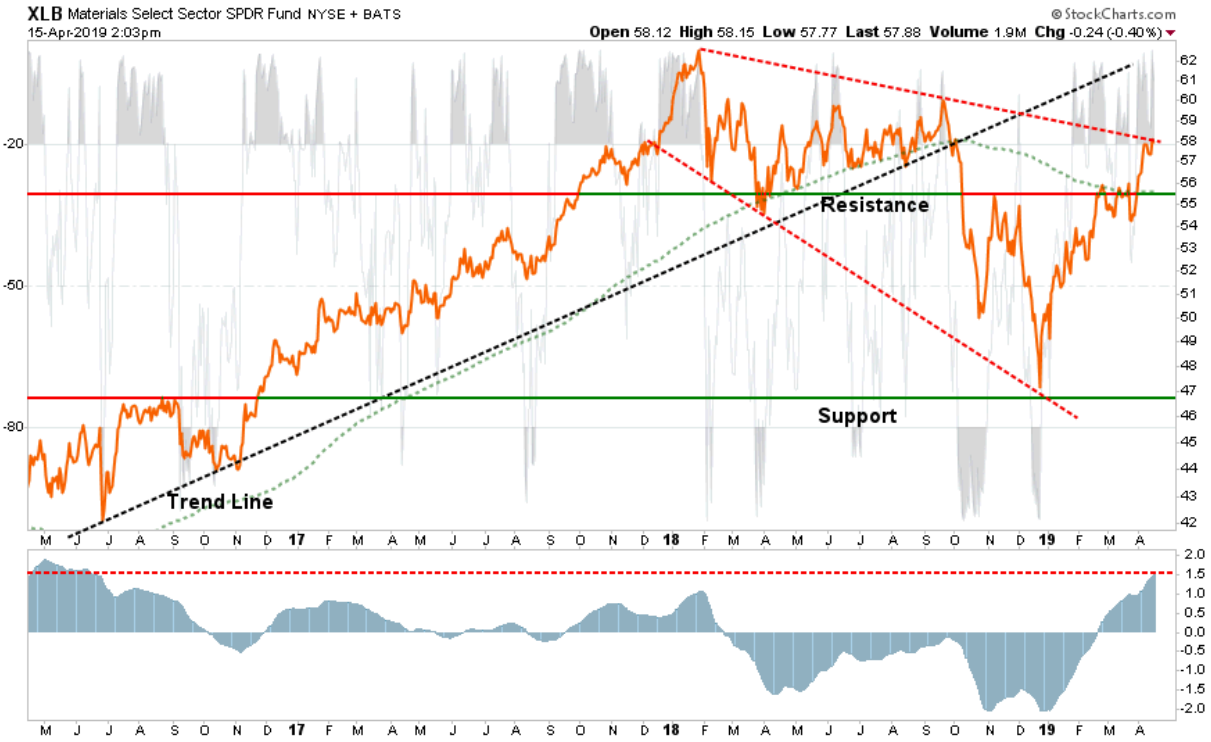
When the gray indicator is at the TOP of the chart, there is typically more risk and less reward available at the current time. In other words, the best time to BUY is when the short-term condition is over-sold. Likewise when the buy/sell indicator is above the ZERO line investments have a tendency of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



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

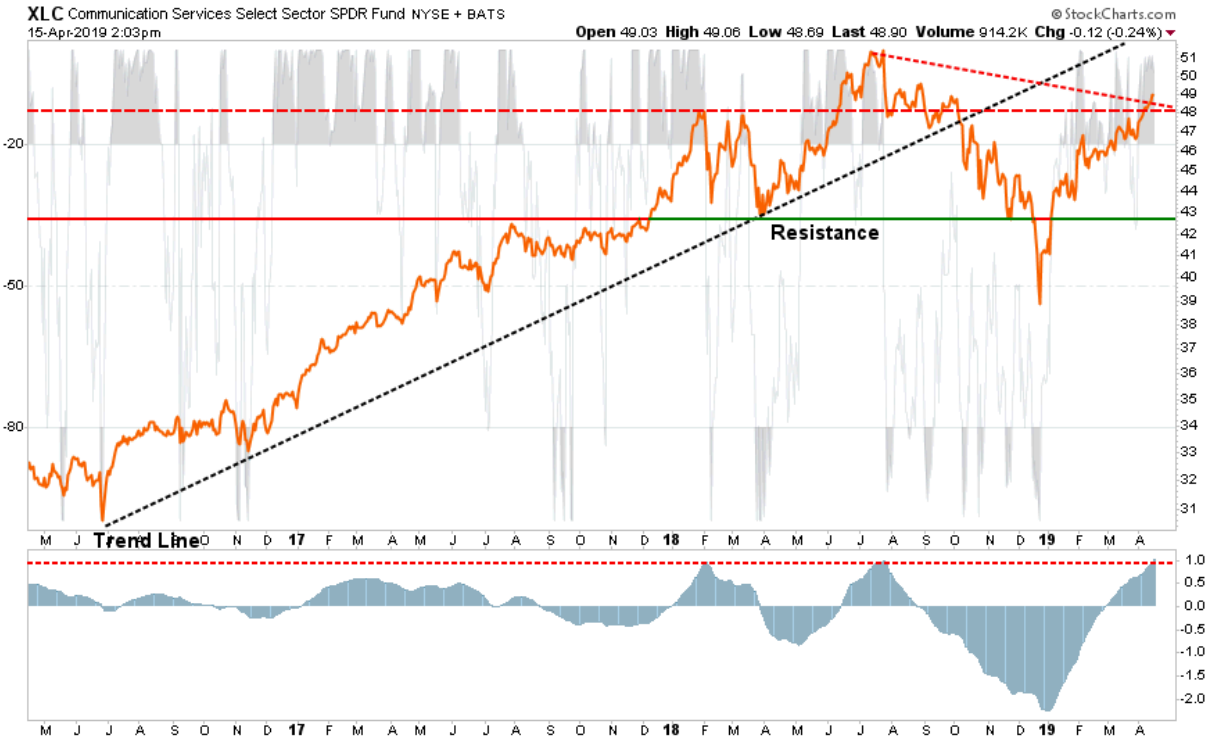
NOTE: I am traveling today, so these charts were done mid-day yesterday. Any price discrepancies between publication and close will be corrected in the next update.

Basic Materials



- *The recent "catch up" rally over the last couple of weeks has pushed XLB into the top of its downtrend resistance.*
- *The "buy" signal has now gotten extremely extended as noted by the horizontal dashed red line.*
- *As noted previously, the breakout cleared the path for a move higher. However, the move is now likely complete.*
- *Take profits and rebalance back to target weights..*
- *Short-Term Positioning: Neutral*
    - *Last Week: Rebalance and hold position.*
    - *This Week: Hold position.*
    - *Stop-loss moved up to $55.*
- *Long-Term Positioning: Bearish*

Communications



- *XLC has rallied above resistance with the market as of late.*
- *With the current "buy" signal very extended, and the sector very overbought, be patient for a better entry point.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Recommended to "hold" 1/2 position*
    - *This Week: Hold 1/2 position*
    - *Stop-loss moved up to $46*
- *Long-Term Positioning: Bearish*

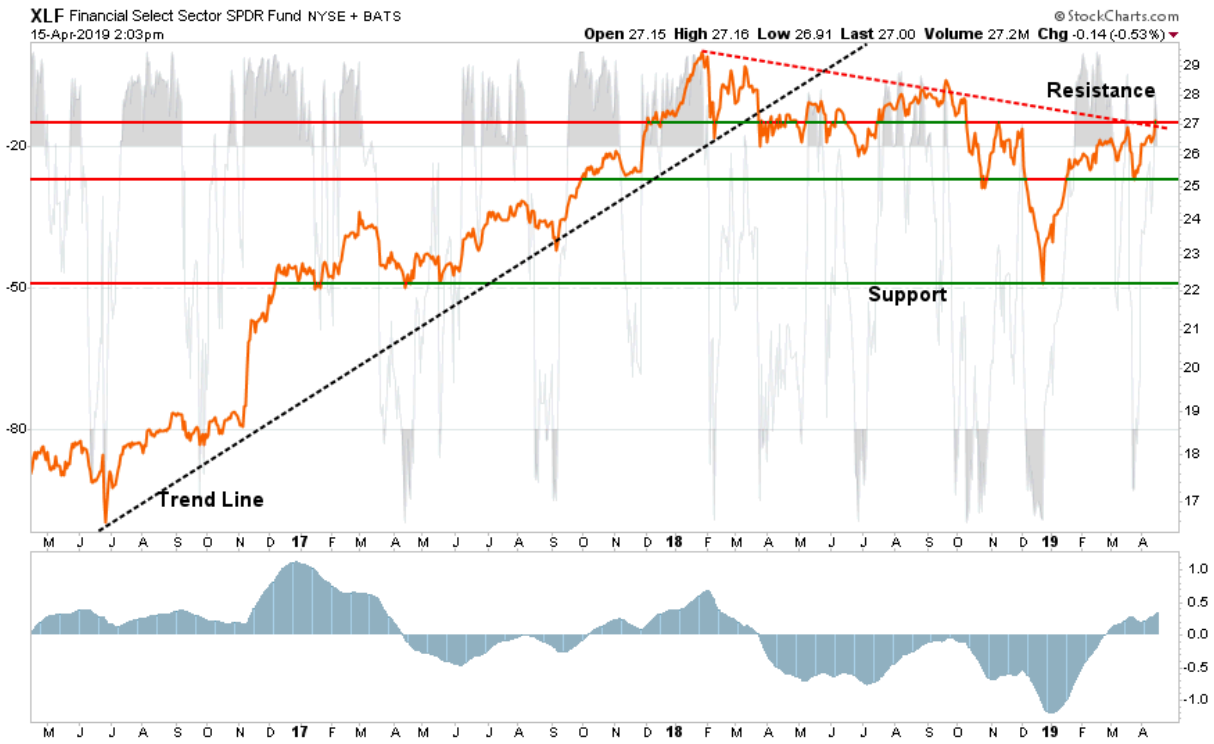
Energy



- *With the recent rally in oil prices, XLE broke above resistance and is currently holding.*

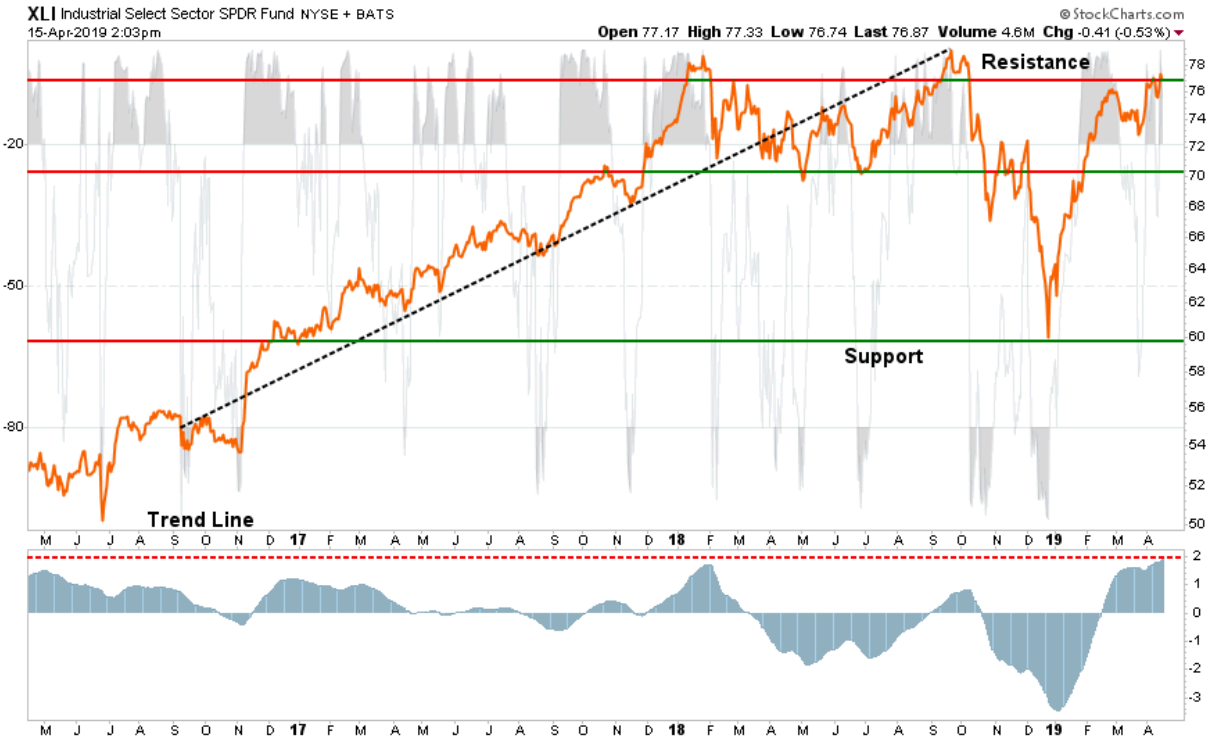
- *The current "buy signal" remains intact but the sector is back to*
- *Currently, XLE has reversed back up to extreme overbought short-term.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold 1/2 position.*
    - *This week: Hold and wait for a pullback to support, or a break out, to add.*
    - *Stop-loss moved up to $64*
- *Long-Term Positioning: Bearish*

Financials



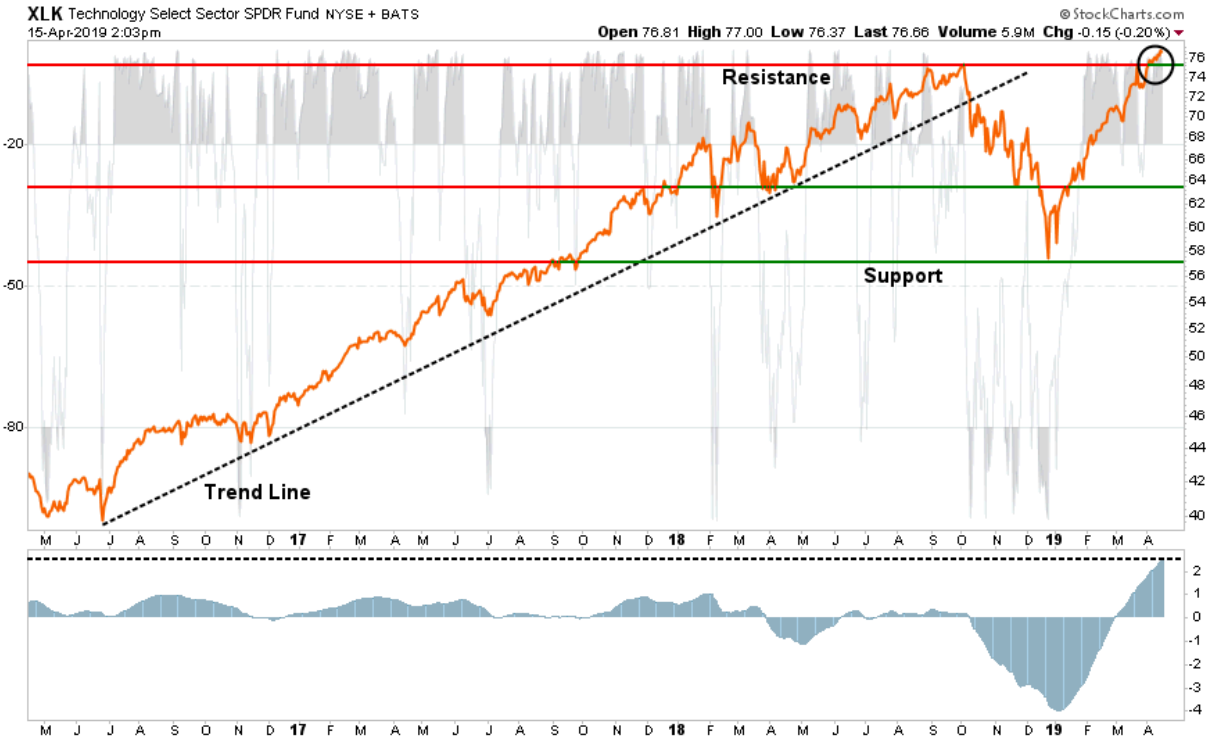
- *XLF did hold critical support and bounced last week with hopes for better bank earnings.*
- *While a "buy" signal has been triggered (bottom panel) the recent rally has pushed into important resistance.*
- *XLF has reversed back to overbought.*
- *Short-Term Positioning: Neutral*
    - *Last week: Recommended "hold" 1/2 position*
    - *This week: Hold 1/2 position, add on a breakout above $27.*
    - *Stop-loss moved up to $25.00*
- *Long-Term Positioning: Bearish*

Industrials



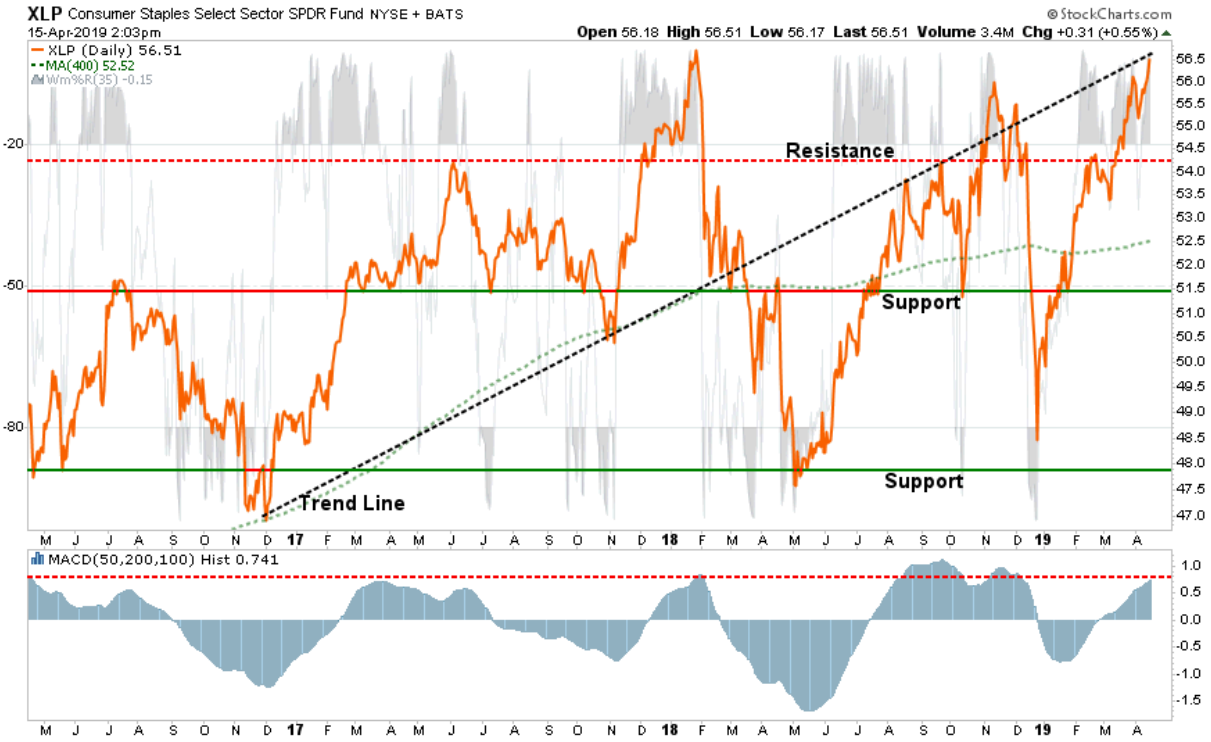
- *We noted previously that XLI had rallied sharply on hopes of a resolution on trade. However, whatever deal is struck, it has likely already been priced in.*
- *Buy signal in lower panel is very extended and at the highest levels we have seen in recent history.*
- *XLI has completely reversed back to overbought as well.*
- *Short-Term Positioning: Bullish*
    - *Last week: Recommended "hold" 1/2 position*
    - *This week: Rebalance holdings. Hold 1/2 position, we missed the opportunity to add to our position previously. Add on a breakout above resistance that holds.*
    - *Stop-loss moved up to $72*
- *Long-Term Positioning: Neutral*

Technology



- *Currently XLK is on a "Buy" signal (bottom panel) but that signal is "crazy" extended like many other sectors of the market.*
- *However, the good news is XLK has broken out to all-time highs which continues to suggest that **the overall market will break out to new highs as well.***
- *There is no resistance overhead so this makes the previous resistance level now incredibly important support.*
- *Short-Term Positioning: Bullish*
    - *Last week: Recommended "hold" 1/2 position*
    - *This week: Hold 1/2 position, Add on test of previous resistance.*
    - *Stop-loss moved up to $70*
- *Long-Term Positioning: Neutral*

Staples



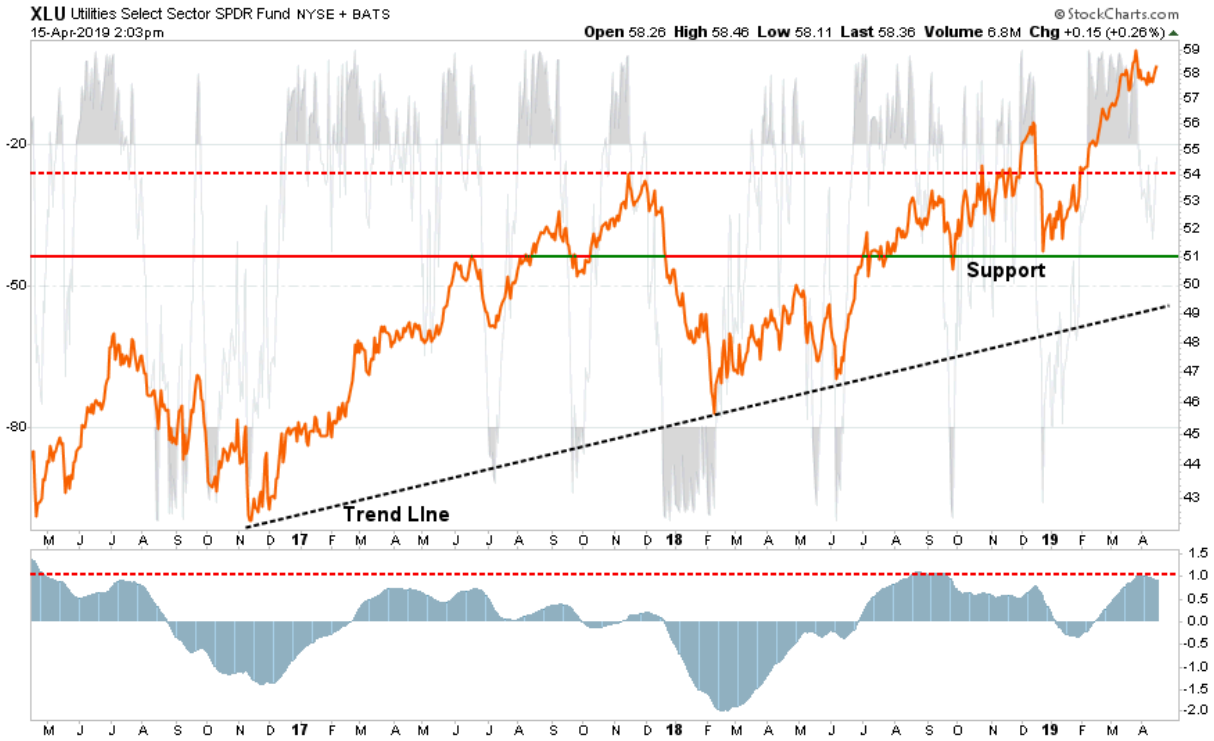
- *XLP continues to push towards all-time highs along with the rest of the market. The chase for defensive holdings remains concerning giving the current market backdrop.*
- *XLP's "buy" signal (lower panel) is back to extreme levels. So, taking profits is advised.*
- *Currently still overbought, however the pullback to $54-$54.50 can be used to add exposure.*
- *Short-Term Positioning: Bullish*
  - *Last week: Holding full position.*
  - *This week: Hold position*
  - *Stop-loss moved up to $53*
- *Long-Term Positioning: Bullish*

Real Estate



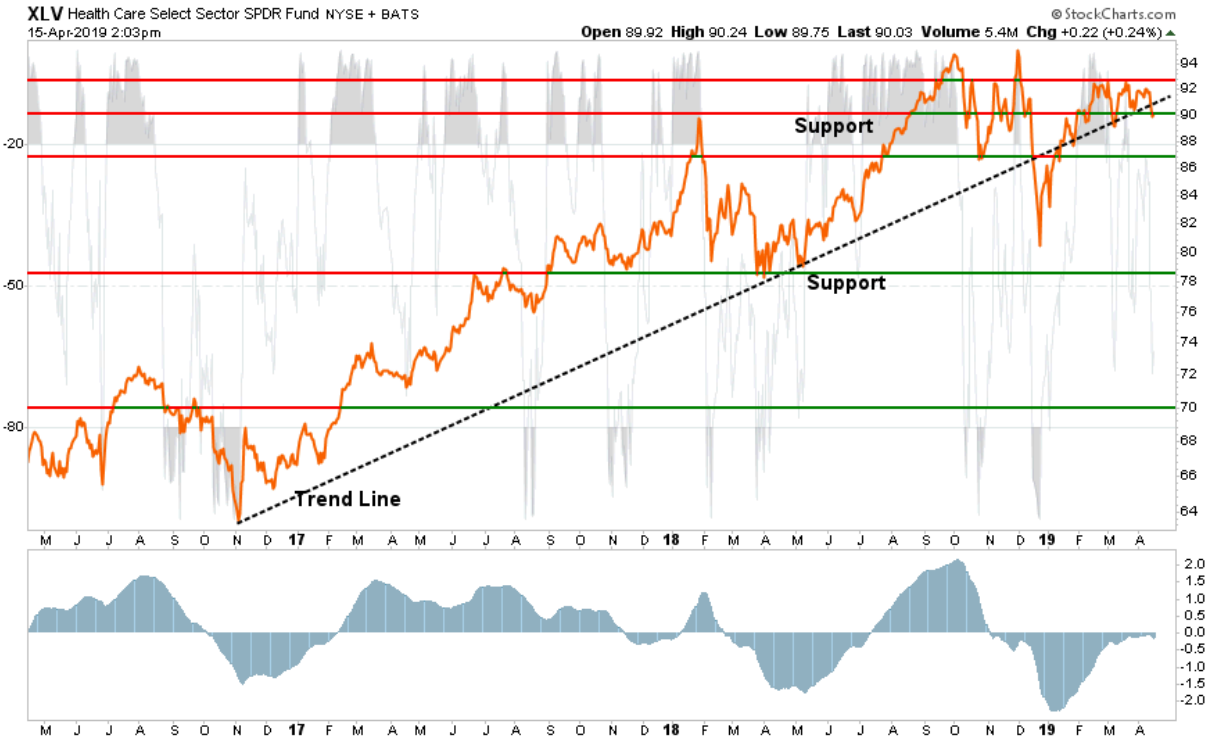
- *Real estate continues to remain incredibly extended to the upside, along with utilities (XLU) and staples (XLP), as the "defensive" play in markets continue. Take profits and be careful.*
- *There has not been a decent risk/reward opportunity to increase exposure.*
- *Buy signal has reached extreme levels (bottom panel) and the highest seen in recent history.*
- *Remains at extreme overbought levels short-term. (top panel)*
- *Short-Term Positioning: Bullish*
    - *Last week: "Hold" 1/2 position*
    - *This week: Hold 1/2 position*
    - *Add on any weakness that works off over-bought condition or holds support at $34*
    - *Stop-loss adjusted to $33.50*
- *Long-Term Positioning: Bullish*

Utilities



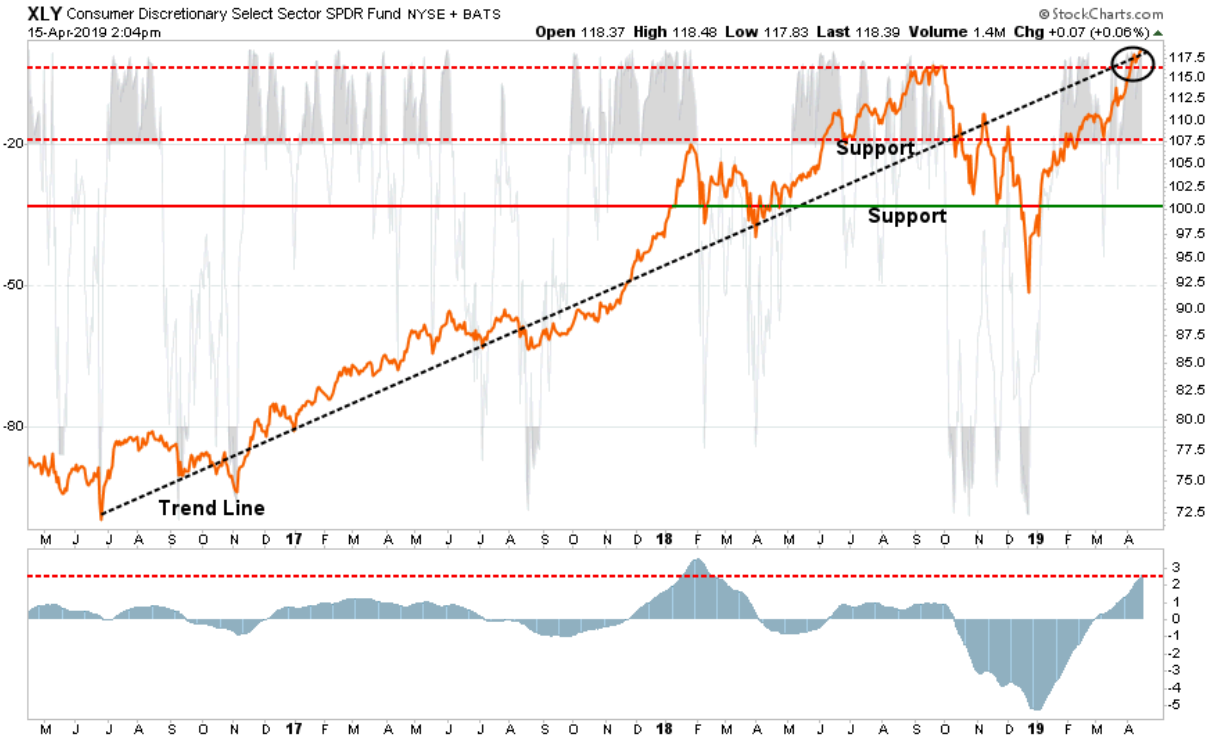
- *XLU has finally taken a breather from its recent advance but not much of one.*
- *Long-term trend line remains intact but is so extended now, it will correct,.*
- *Previous support continues to hold.*
- *Buy signal has gotten back to more extreme levels. (bottom panel)*
- *Recent correction was not enough to work off much of previous overbought condition.*
- *Short-Term Positioning: Bullish*
    - *Last week: Rebalance holdings and continue to hold.*
    - *This week: If you didn't take profits last week, do so now and hold target weight.*
    - *Stop-loss moved up to $54 and we are approaching our target of $60 from January*
- *Long-Term Positioning: Bullish*

Health Care



- *Sell-signal (bottom panel) is being reversed but has not yet flipped to a "buy signal."*
- *The current overbought condition is being worked off slowly.*
- *XLV is holding support currently at the long-term uptrend line but is trapped below recent highs.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold current position.*
  - *This week: Hold current position.*
  - *Stop-loss remains at $89*
- *Long-Term Positioning: Neutral*

Discretionary



- *XLY broke through to all-time highs along with Technology.*
- *Previous support was successfully tested in recent sell off.*
- *A "buy" signal has been registered (lower panel) but that signal is now back to extreme levels.*
- *Extreme overbought conditions currently limit upside.*
- *The previous correction to $108 hit our target to add exposure.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold current position.*
    - *This week: Hold current position*
    - *Stop-loss moved up to $110*
- *Long-Term Positioning: Neutral*

Transportation



- *Transportation is finally trying to play catch up with the rest of the market.*
- *The rally last week, while nice, is still confined to the current downtrend line and is wrestling with resistance from previous highs.*
- *Buy signal. (bottom panel) is maintaining itself currently and has improved modestly.*
- *The short-term oversold condition has been fully reversed to overbought.*
- *The "sell stop" was triggered previously. No real need to rush back into adding a new position. We will watch and see what happens.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning: Bearish*