Sector Buy/Sell Review: 06-11-19

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:

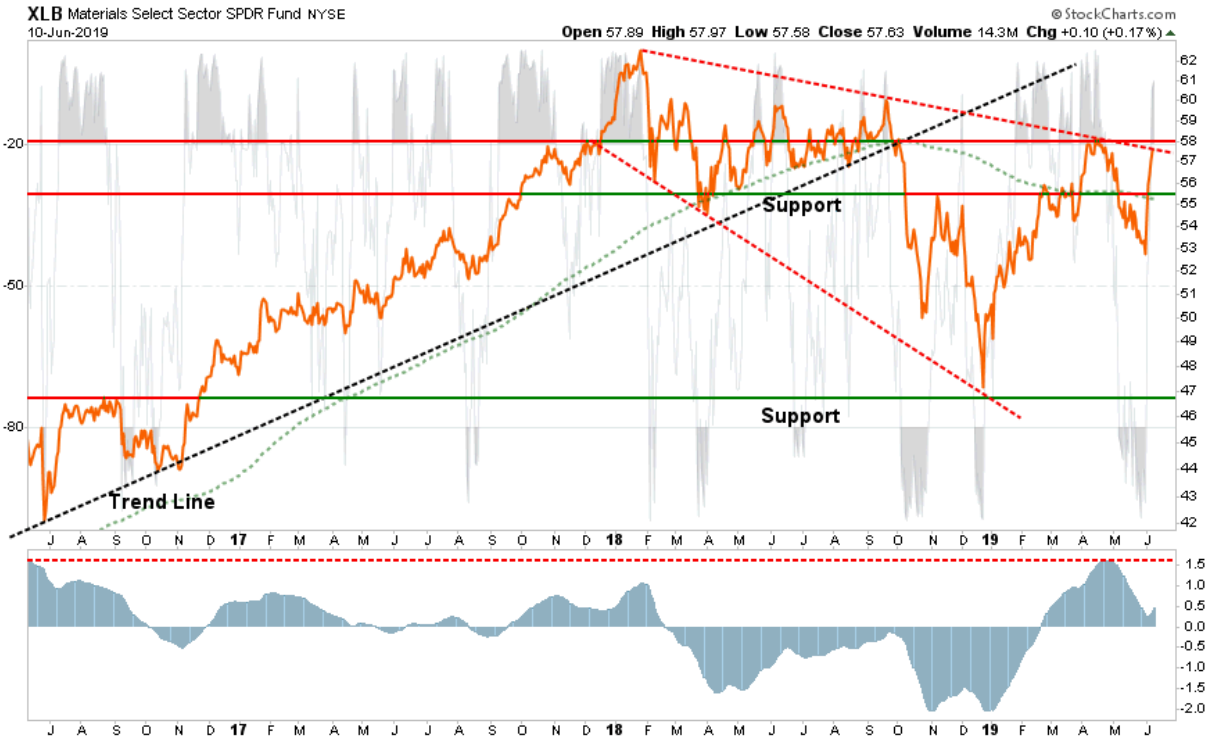
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.



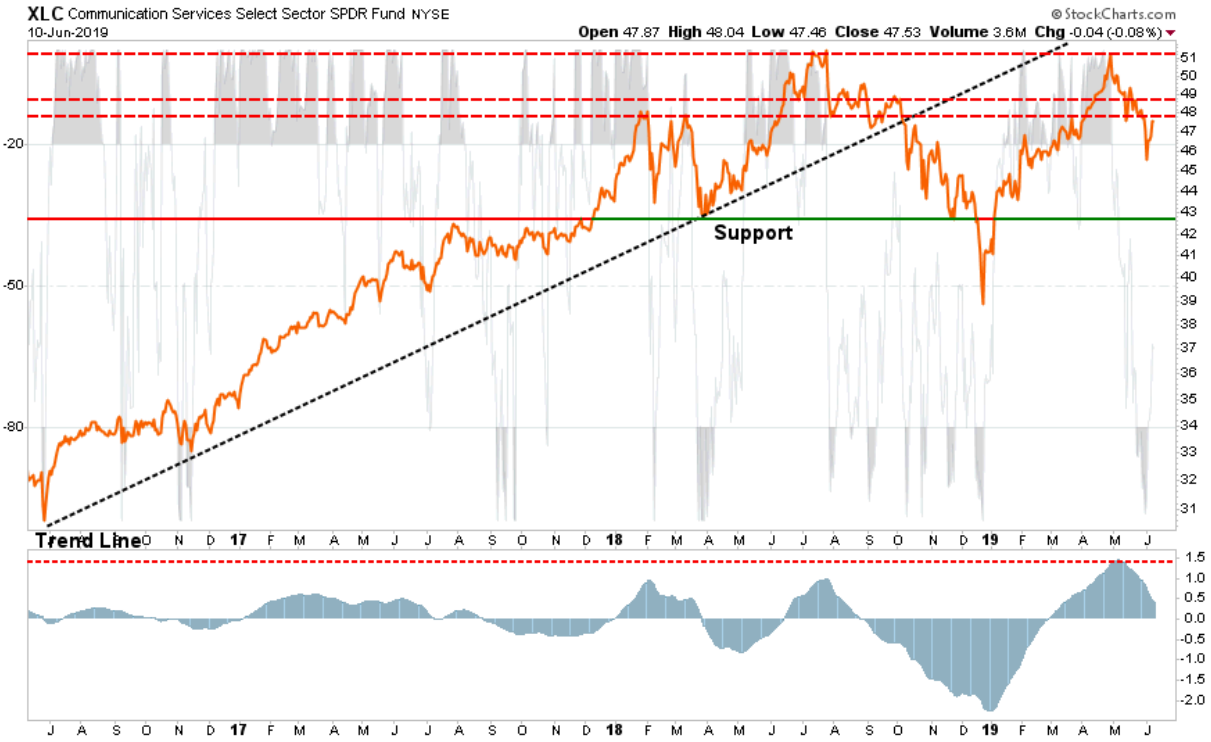
With this basic tutorial let's get to the sector analysis.

Basic Materials



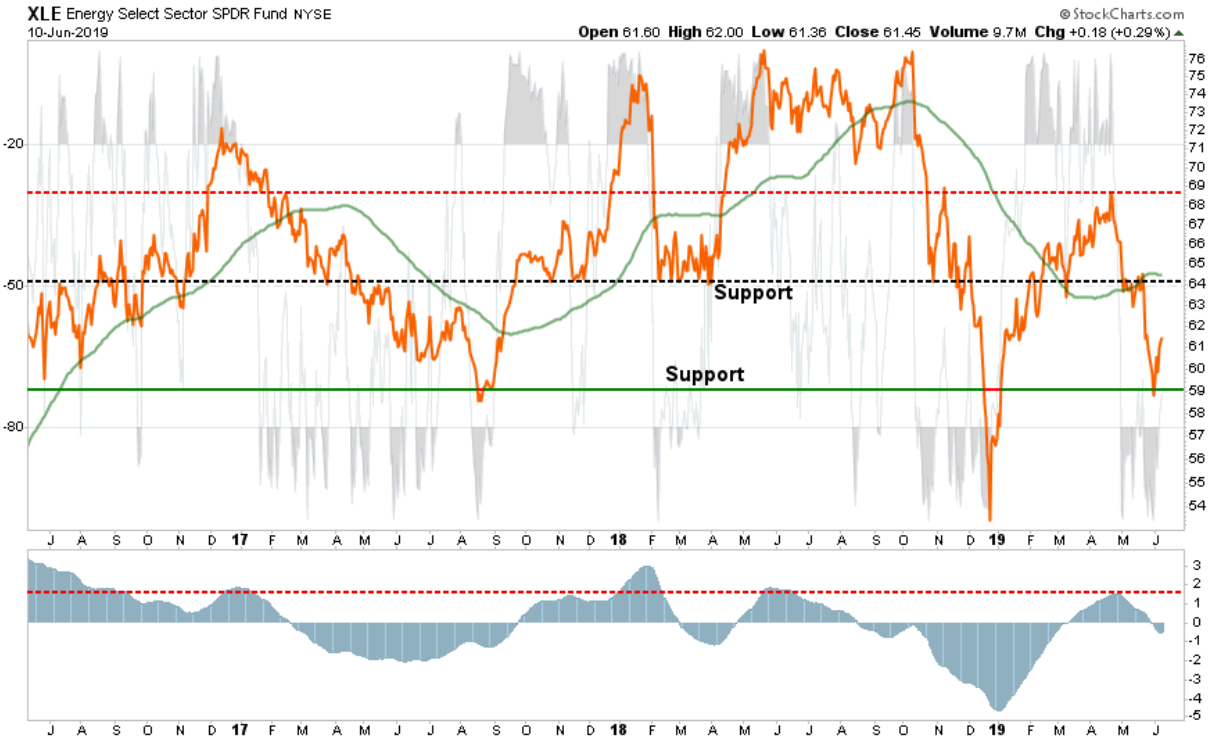
- *The bounce we discussed previously has occurred and XLB has gone from extreme oversold back to extreme overbought.*
- *As noted previously, XLB rallied sharply and we suggested using the rally to reduce exposure accordingly.*
- *XLB is back to very overbought conditions and is testing both previous resistance and the downtrend line. Use this opportunity to trim back holdings is still at target weight or more.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold balance for rally to $55 to $55 1/2*
    - *This Week: Sell down positions to 1/2 weight and hold for now.*
    - *Stop-loss moved up to $55*
- *Long-Term Positioning: Bearish*

Communications



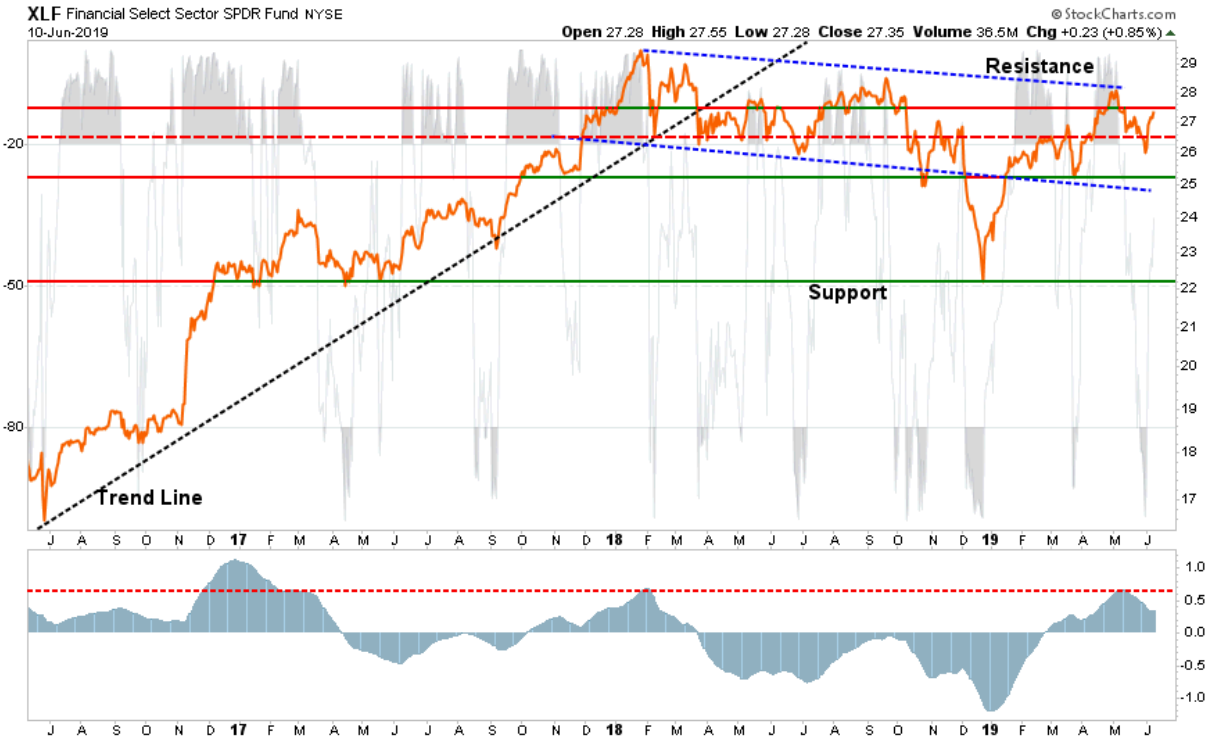
- *As noted previously, XLC broke support and failed at a rally turning support into resistance. Support is holding at current levels but just barely and XLC is now testing important overhead resistance.*
- *We stated last week, that the "stop-loss" was violated, look for a bounce to $47 to $47 1/2 to sell position. We are there now.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Sell on rally to $47-47 1/2*
    - *This Week: Sell remaining positions.*
    - *Hard Stop set at $45*
- *Long-Term Positioning: Bearish*

Energy



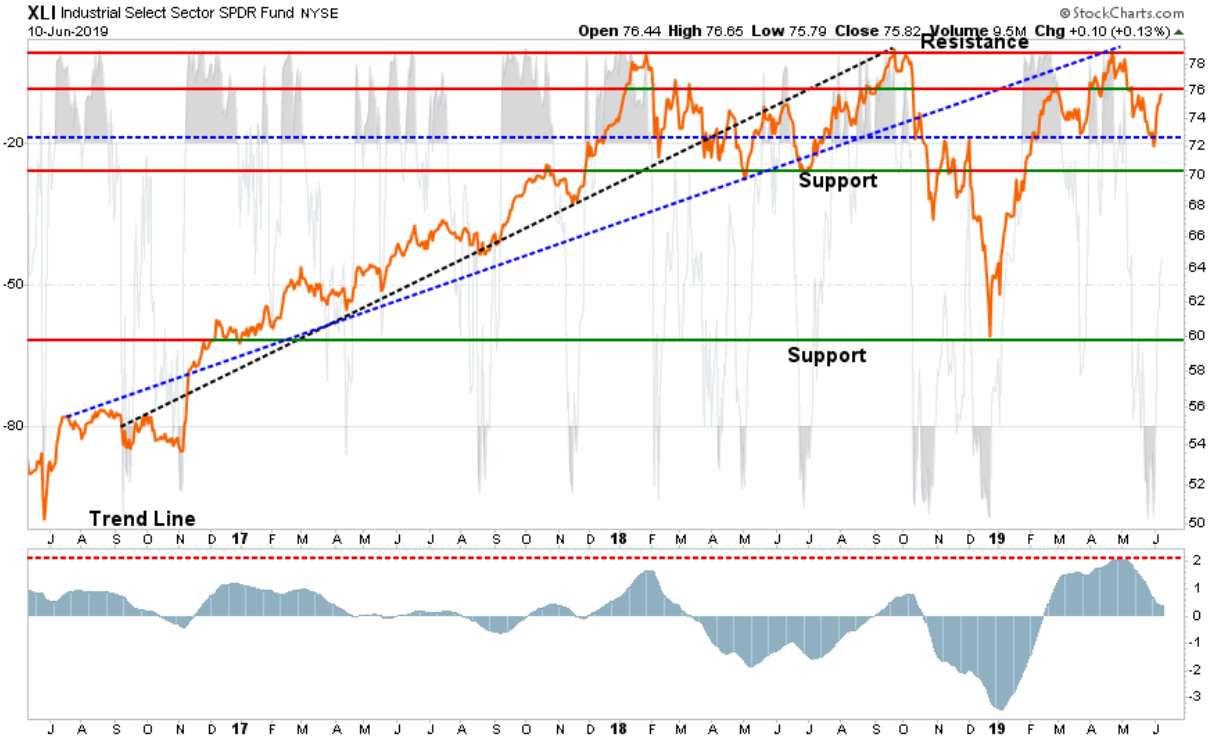
- *Three weeks ago, I stated that XLE was currently at a critical juncture. A failure below the 200-dma was going to bring the low-$60's into focus. That break happened and XLE tested the $59 level.*
- *The previous "buy signal" has reversed putting more pressure on the sector currently. Use any rally to reduce exposure to the sector for now.*
- *Short-Term Positioning: Neutral*
    - *Last week: Stop violated, sell on rally to $61-63*
    - *This week: Reduce exposure on this rally, initial target of $61 hit, $63 is likely max.*
    - *Stop-loss adjusted to $59*
- *Long-Term Positioning: Bearish*

Financials



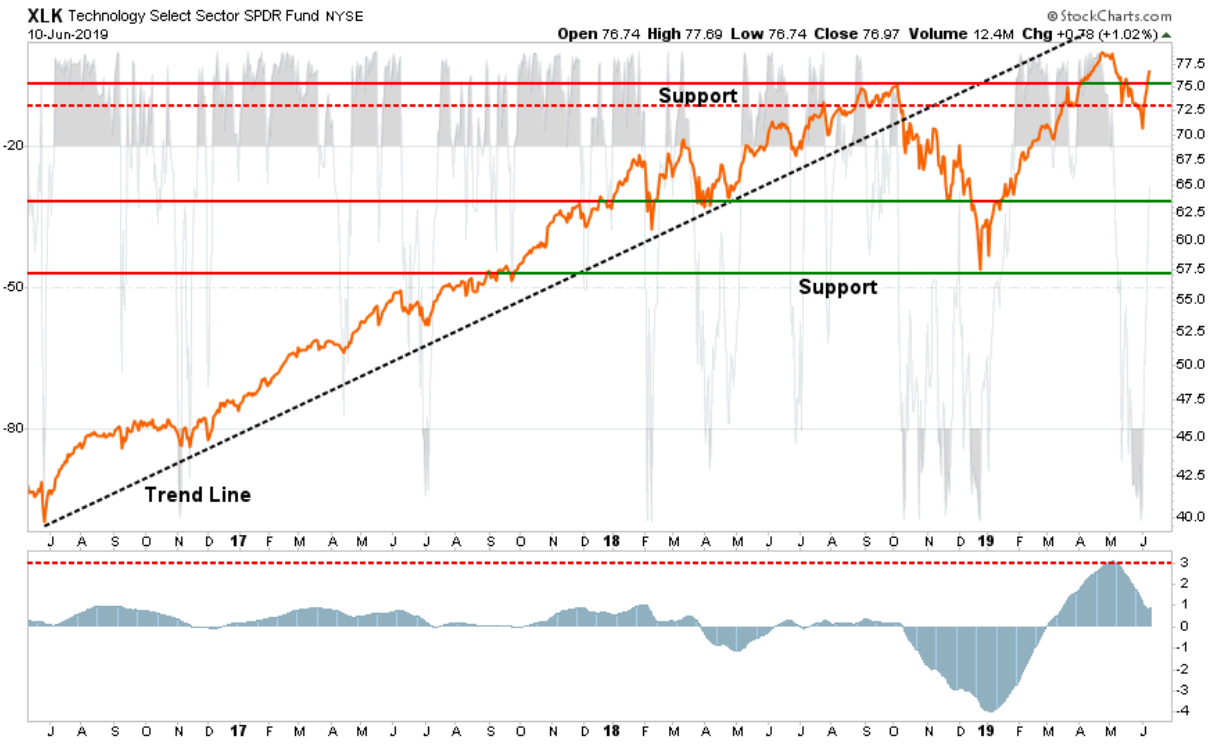
- *XLF has rallied over the last couple of trading sessions and is now testing previous resistance.*
- *XLF remains on a "buy" signal currently and the overbought condition was reversed to provide for the bounce. XLF is not back to overbought levels as of yet.*
- *Short-Term Positioning: Neutral*
    - *Last week: Recommended "hold" 1/2 position*
    - *This week: Hold 1/2 position, add on a pullback to $25 that holds.*
    - *Stop-loss moved up to $25.00*
- *Long-Term Positioning: Bearish*

Industrials



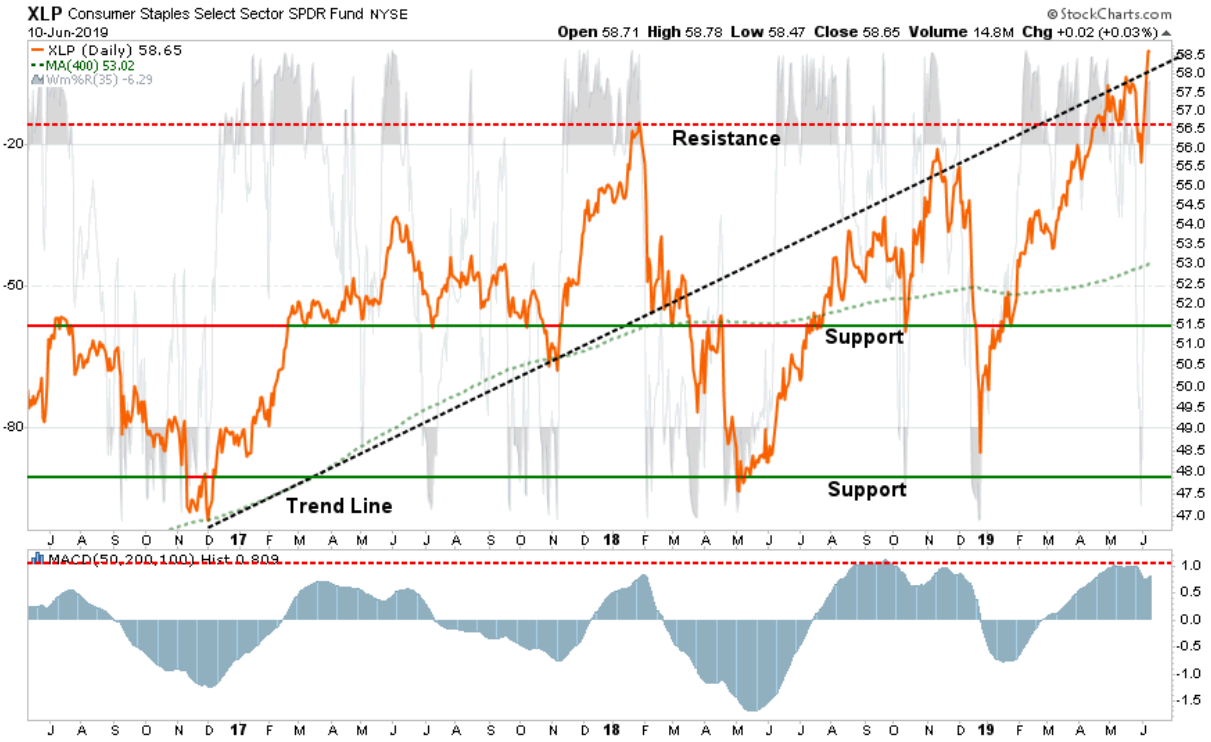
- *XLI has put in a "triple top" at recent highs which makes that resistance level critically important.*
- *As stated two weeks ago:*
    - *For now, the buy signal in lower panel is reversing and industrials are now oversold. With "trade war" rhetoric ramping up, watch for a break below support. XLI must hold $72.*
- *Our stop level has held for now and XLI is rallying back to overhead resistance. There is a potential "had and shoulder" pattern being formed short-term so remain cautious.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold remaining 1/2 position*
    - *This week: Look to sell on failed rally to $75-76*
    - *Stop-loss moved up to $72*
- *Long-Term Positioning: Neutral*

Technology



- *XLK reversed nicely off of the short-term oversold condition as expected.*
- *The break above resistance, which has been driven by just AMZN, MSFT, AAPL, and GOOG, is set to test old highs at best.*
- *Since we previously took profits, continue to hold the remaining positions for now.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold 1/2 position*
    - *This week: Hold 1/2 position*
    - *Stop-loss remains at $70*
- *Long-Term Positioning: Neutral*

Staples



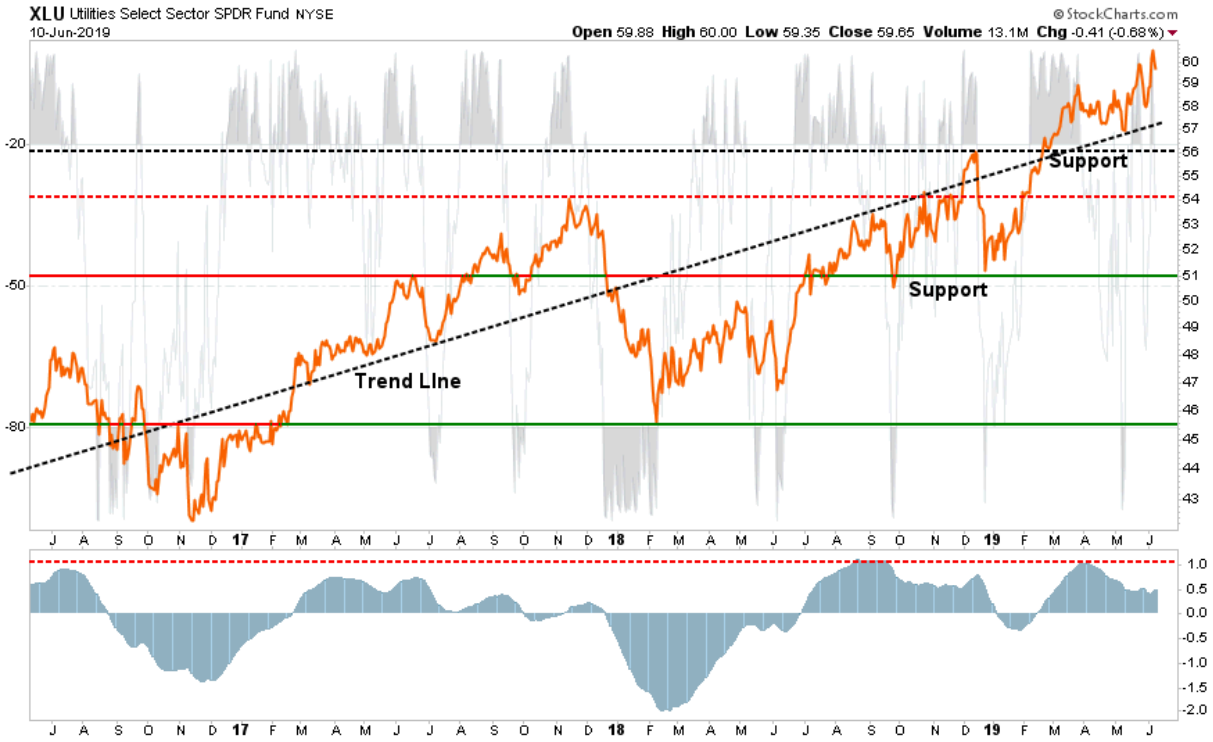
- *XLP rallied sharply as money sought "safety" and "defense" once again.*
- *XLP's "buy" signal (lower panel) is still in place and extended. We continue to recommend taking some profits if you have not done so.*
- *XLP was oversold and we stated additional gains were likely. $56.50 was initial resistance which was taken out with new all-time highs.*
- *Short-Term Positioning: Bullish*
    - *Last week: Holding full position, take profits and rebalance.*
    - *This week: Add to current holdings if needed. We are currently carrying an overweight position.*
    - *Profit stop-loss moved up to $55.50*
- *Long-Term Positioning: Bullish*

Real Estate



- *XLRE, like XLP, has broken out to all-time highs as "defense" continues to catch the majority of the rally.*
- *We previously recommended taking profits and rebalancing risk. That is still advisable.*
- *Buy signal is being reduced along but XLRE is back to overbought.*
- *We recently added to our XLRE position and are now carrying a full weight.*
- *Short-Term Positioning: Bullish*
    - *Last week: Holding full position.*
    - *This week: Hold position.*
    - *Stop-loss adjusted to $35.50*
- *Long-Term Positioning: Bullish*

Utilities



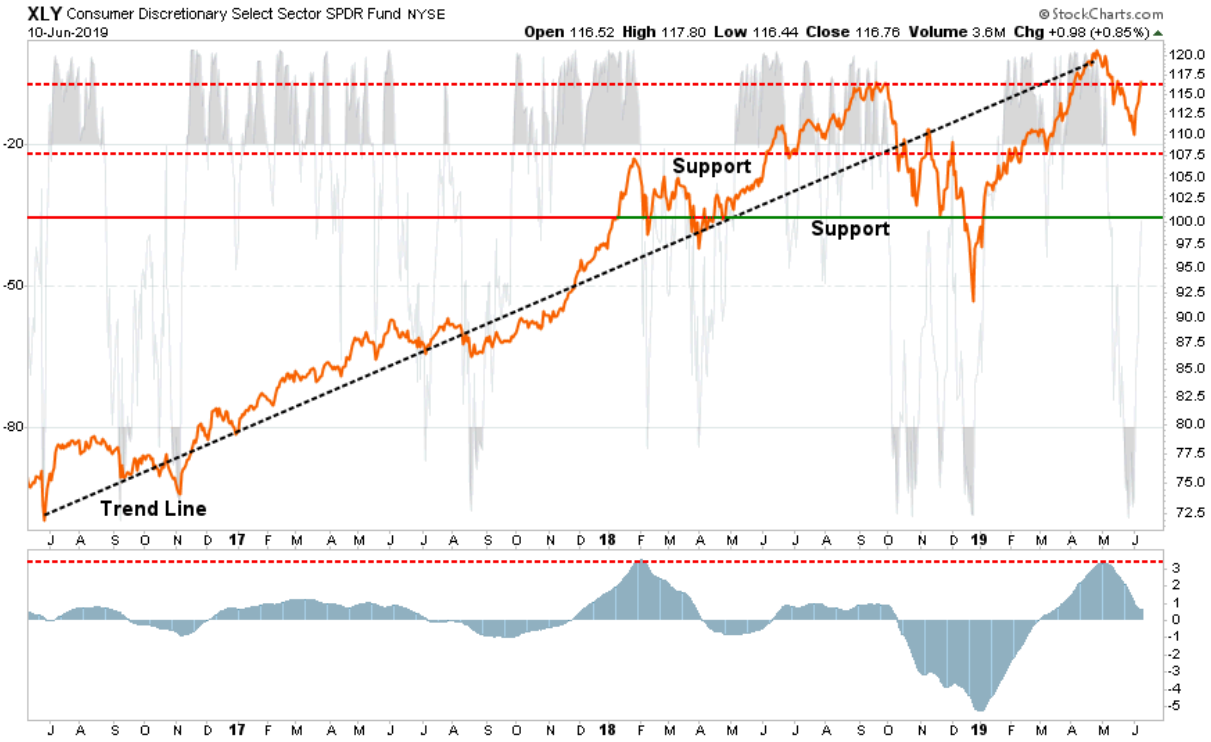
- *XLU, like XLRE and XLP above, continue to advance from the "defensive" shift in allocations.*
- *Long-term trend line remains intact and the recent test of that trend line with a break to new highs confirms the continuation of the bullish trend.*
- *Buy signal worked off some of the excess. (bottom panel) but the sector is back to overbought once again.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold overweight position*
    - *This week: Hold overweight position*
    - *Stop-loss moved up to $56.*
- *Long-Term Positioning: Bullish*

Health Care



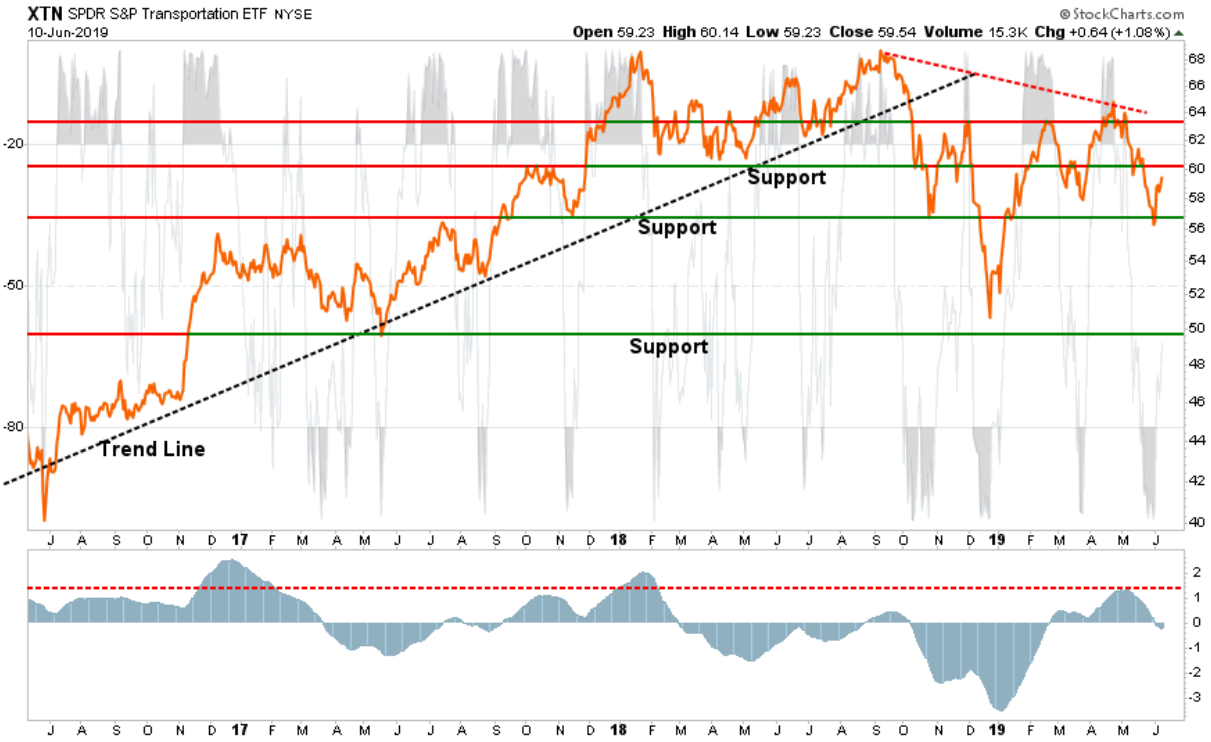
- *Sell-signal (bottom panel) remains intact currently but previous support is holding.*
- *While Healthcare is holding up for now, there is a downtrend forming in the sector. Keeps stops in place.*
- *XLV has been in a consolidation for the last 18-months. So whichever direction healthcare breaks out to will be a big move.*
- *XLV is back to overbought so $92 is important resistance.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold current position (overweight)*
    - *This week: Hold current position (overweight)*
    - *Stop-loss set $86*
- *Long-Term Positioning: Neutral*

Discretionary



- *With AMZN and AAPL now considered discretionary stocks, it is not surprising to see XLY rise and fall with XLK and XLC as those two major stocks rallied last week and on Monday.*
- *The "buy" signal has been reduced and is potentially threatening a reversal.*
- *XLY was oversold and is now approaching overbought as the previously expected rally has occurred.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold 1/2 of position.*
    - *This week: Hold 1/2 position with stops in place.*
    - *Stop-loss adjusted to $107.50 after sell of 1/2 position.*
- *Long-Term Positioning:&#2013266080;Neutral*

Transportation



- *XTN has continued to lag the overall market and continues to suggest there is "something wrong" economically.*
- *XTN has reversed its buy signal (bottom panel) and while the sector is bouncing off of an oversold condition, there is a lot going wrong. Look for a failed rally to $60 to sell into if you are still long positioning..*
- *As we have been saying for several weeks, our "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*