Major Market Buy/Sell Review: 06-17-19

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:

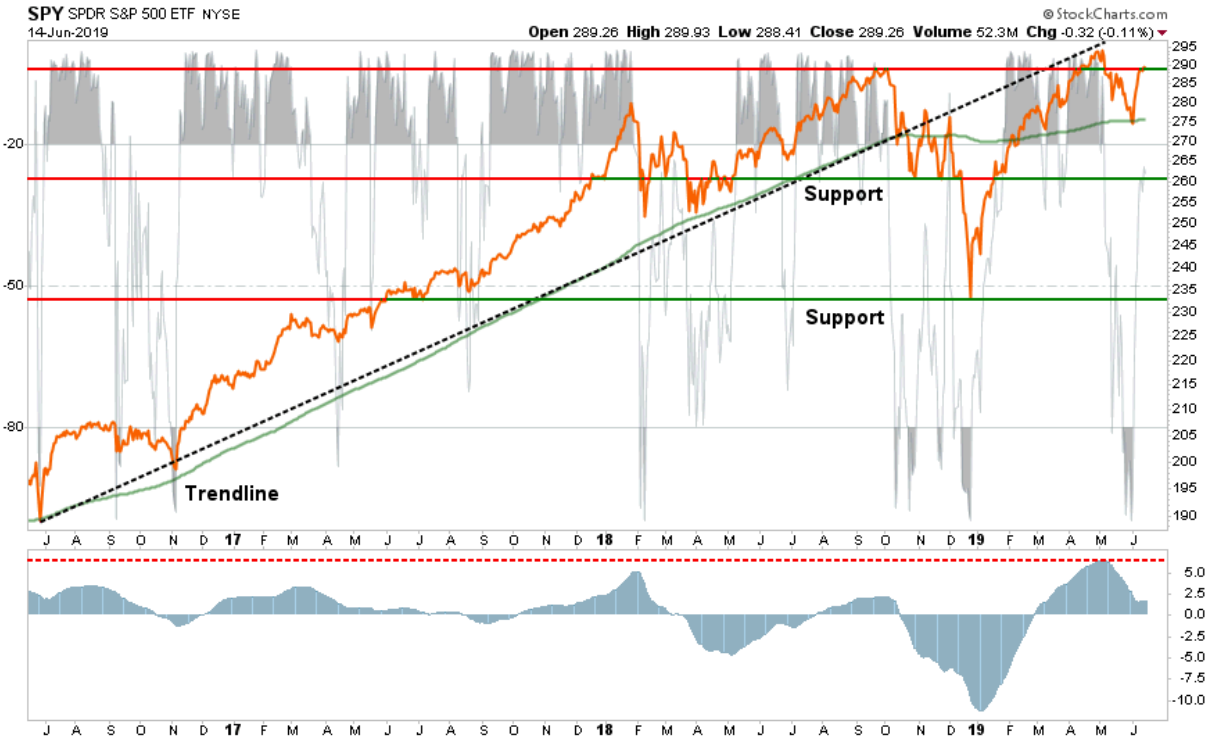
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.



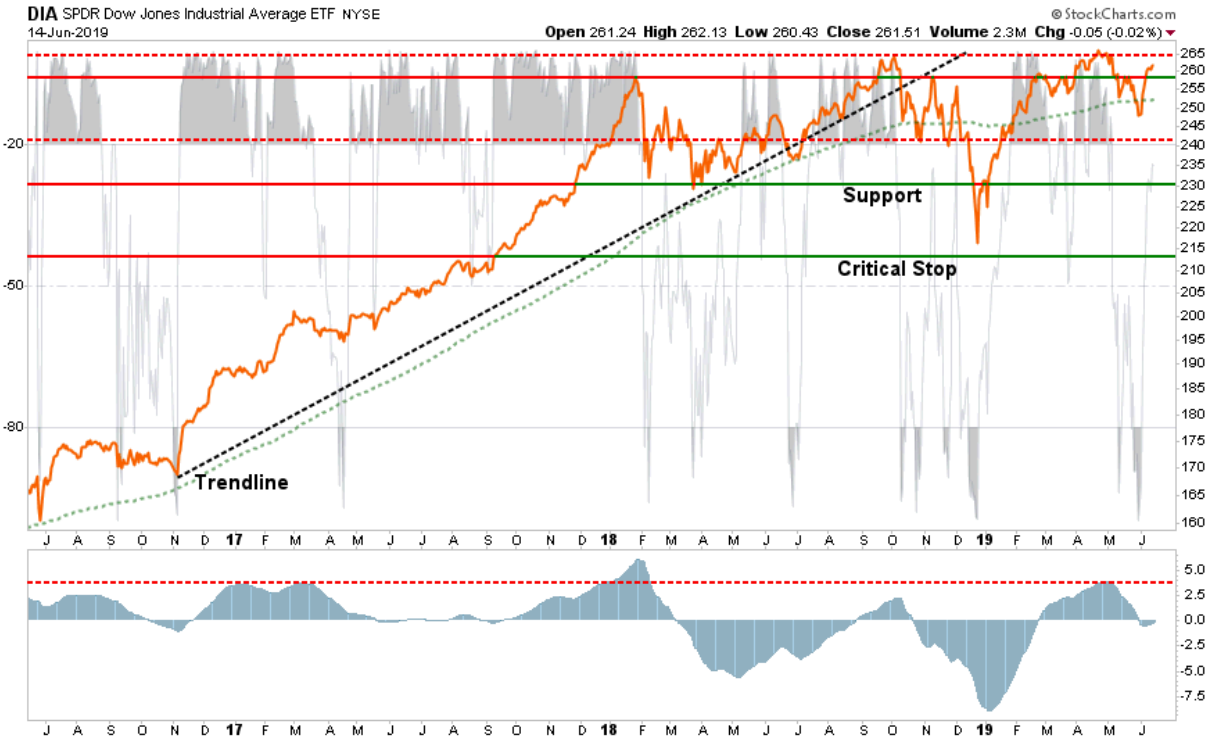
With this basic tutorial let's review the major markets.

S&P 500 Index



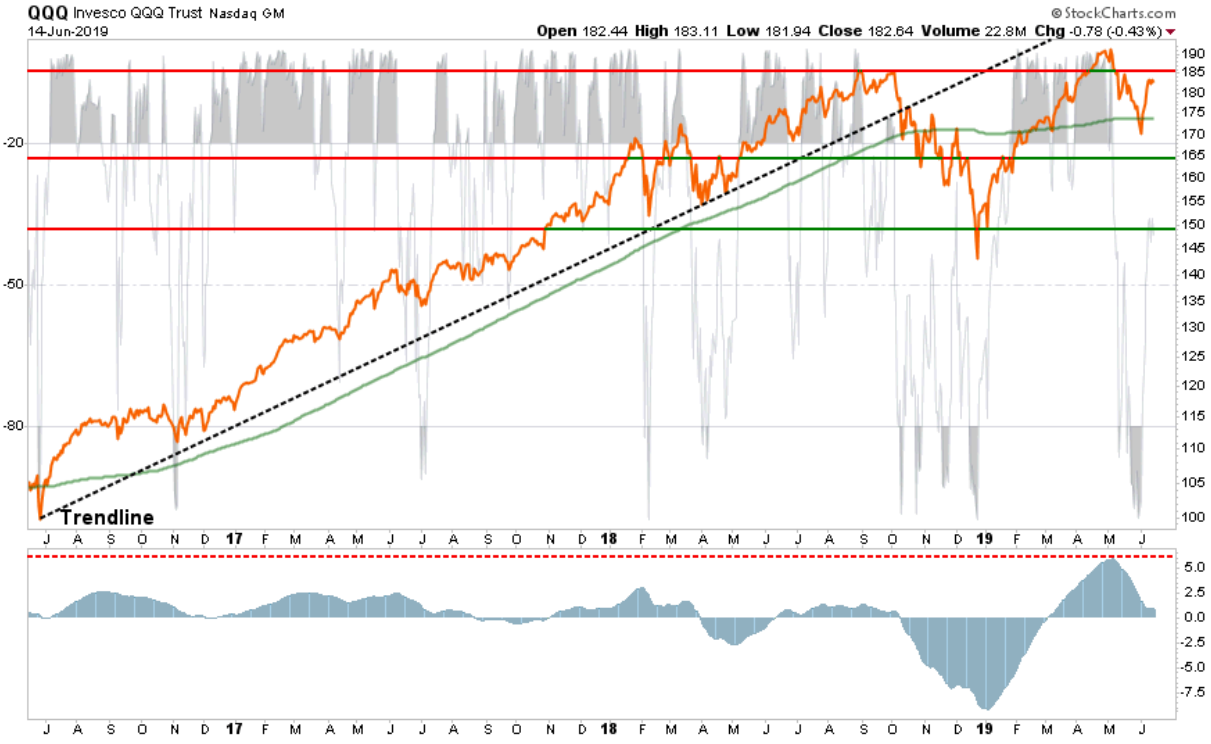
- *Over the last couple of weeks, we noted the SPY "buy" signal in the lower panel was massively extended, which as we stated, suggested the reversal we have seen was coming.*
- We also noted: *"The correction last week has set up a tradeable opportunity into June and that we were approaching our initial target of $290"*
- That target was hit and we took 1/2 of our trading positions back in.
- *SPY is not back to more extreme overbought conditions just yet, and remains on a buy signal, which suggests a bit more rally could occur next week given comments from both the Fed and the G-20 summit are on deck.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Sell 1/2 of position on any rally next week that hits our target.*
    - *This Week: Hold remaining position.*
    - *Stop-loss reamins at $280*
    - *Long-Term Positioning: Neutral*

Dow Jones Industrial Average



- *DIA has not had as a compelling of setup as SPY.*
- *Nonetheless, DIA did rally and reversed a bulk of the oversold condition but is challenging overhead resistance.*
- *More importantly, DIA has registered a "sell signal."*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold previous position given rally reversed "sell" level.*
    - *This Week: Hold current positions.*
    - *Stop-loss moved up to $252.50*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



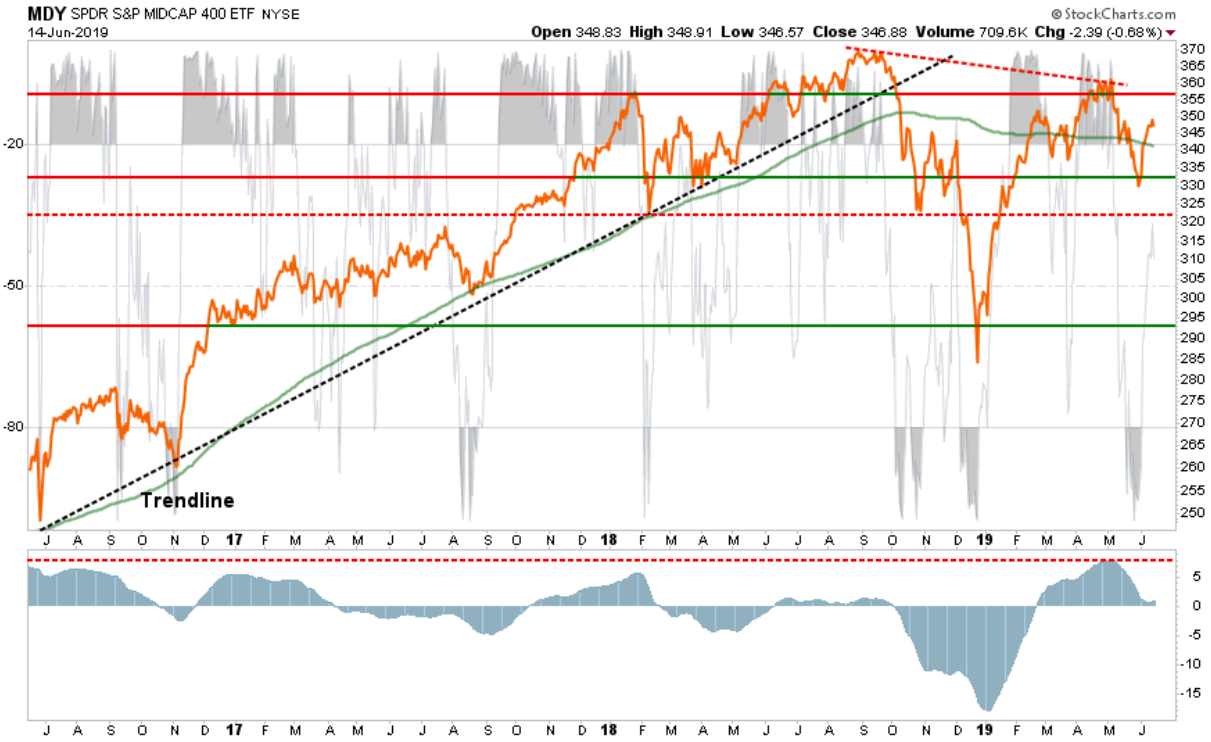
- *QQQ rallied from the oversold condition and is not overbought yet.*
- *Such gives the market a chance to rally further next week into previous resistance from the August/September highs of 2018. The rally has been fairly weak.*
- *QQQ is no longer oversold and the "buy signal" has been reversed. However, the "buy" signal is close to reversal suggesting the current rally may be limited to previous resistance levels.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold 1/2 position with a target of $185*
    - *This Week: Hold 1/2 position with a target of $185*
    - *Stop-loss moved up to $175*
- *Long-Term Positioning: Neutral*

S&P 600 Index (Small-Cap)



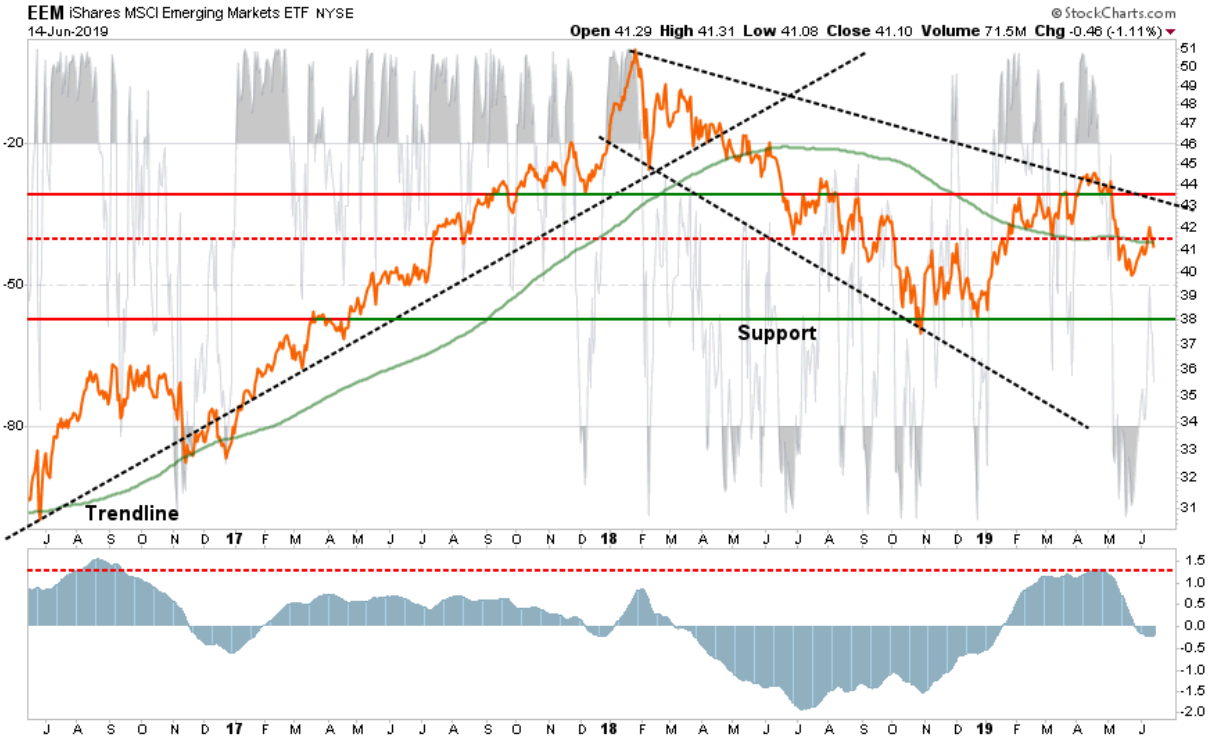
- *As noted several weeks ago, SLY has fallen apart as market participation has weakened. SLY, and MDY are particularly susceptible to "trade wars" and slowing economic growth.*
- *The modest "buy" signal has reversed and is now on a sell signal.*
- *There are a lot of things going wrong with small-caps currently so the risk outweighs the reward of a trade at this juncture.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No position*
    - *This Week: No position.*
    - *Stop loss violated.*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



- *MDY, like SLY, is technically not in great shape.*
- *MDY did regain its 200-dma but the rally has been weak.*
- Mid-caps did rally this past week back above the 200-dma but is not overbought yet. This suggests we could see a a bit more of a rally this coming week given some positive news from the Fed or the G-20 meeting.
- *Short-Term Positioning: Neutral*
    - *Last Week: Look to sell any further rally this week if not already done so.*
    - *This Week: Use any further rally this week to sell into.*
- *Long-Term Positioning: Bearish*

Emerging Markets



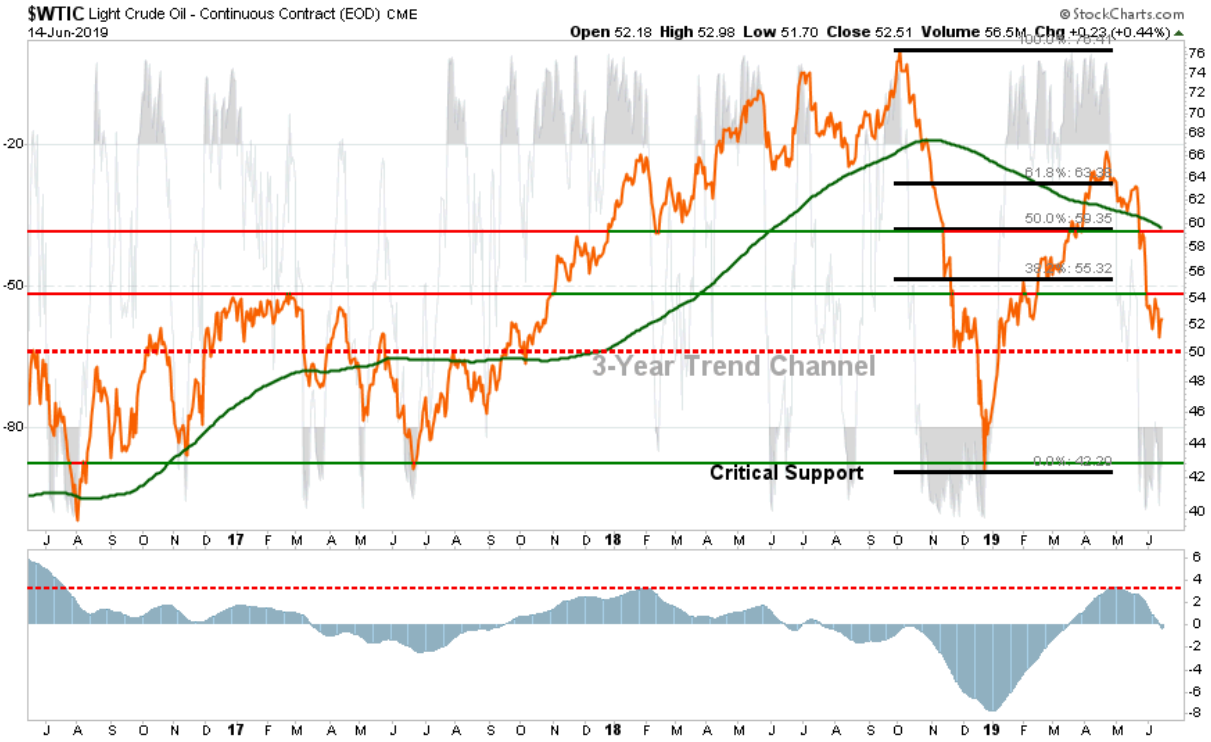
- *EEM has failed support, broke below the 200-dma, and has continued within its longer-term downtrend.*
- *Last week, a "sell signal" was triggered.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No position recommended at this time.*
    - *This Week: No position recommended at this time.*
    - *Stop-loss violated.*
- *Long-Term Positioning: Neutral*

International Markets



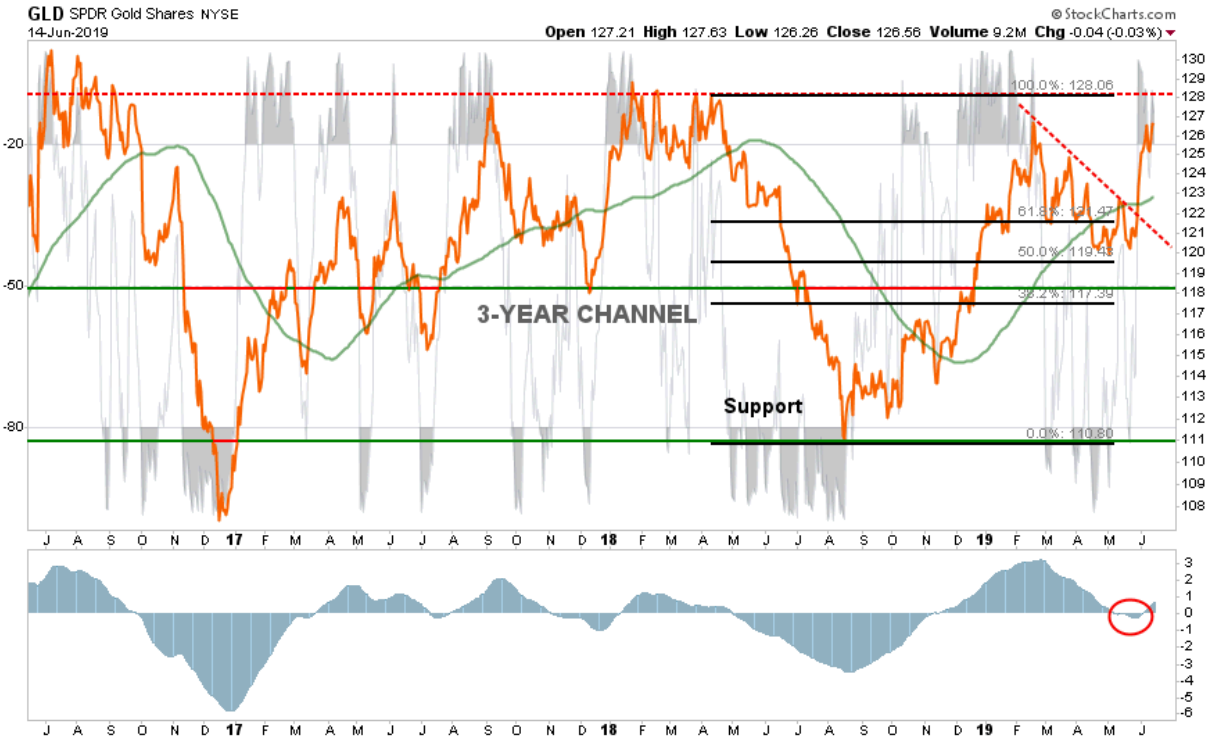
- *EFA rallied over the last couple of weeks, but remains confined to a longer-term downtrend.*
- *EFA is maintaining its 200-dma which is positive but the overall trend is concerning.*
- *International markets have reversed its oversold condition but is not overbought yet.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Positions sold on stop-loss violation.*
    - *This Week: No position.*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



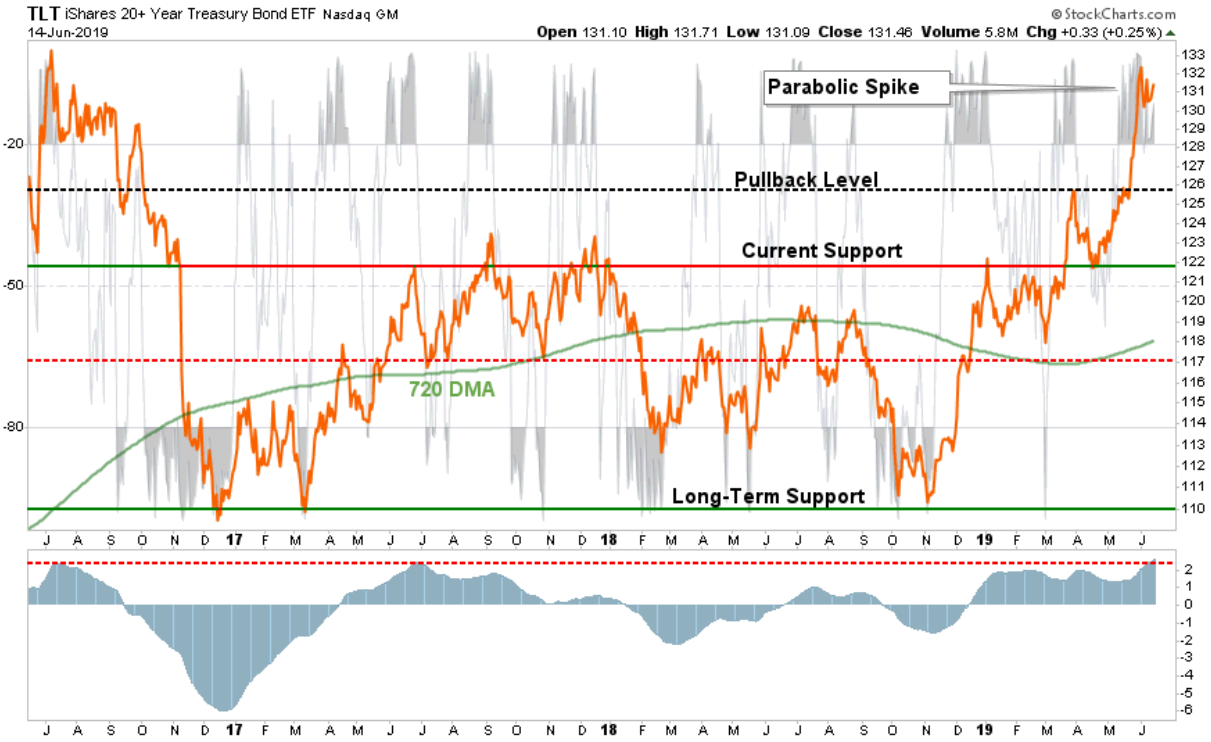
- *A month ago, we noted the rally in oil had gotten way ahead of itself in the face of building supplies and that the risk was clearly to the downside. We also noted that if support at $60 failed, along with the 200-dma, the risk was to the mid- to low-$50's.*
- *Despite the Iran issue last week, supply builds continue to weigh on oil prices. Support is at $50/bbl. A break below that is a whole other issue and will likely indicate the onset of recession.*
- *Oil remains deeply oversold, so a counter-trend bounce in oil prices will not be surprising. Such would be in conjunction with a market rally on positive news from the Fed and the G-20 meeting.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No position*
    - *This Week: No position.*
    - *Stop-loss violated at $60.*
- *Long-Term Positioning: Bearish*

Gold



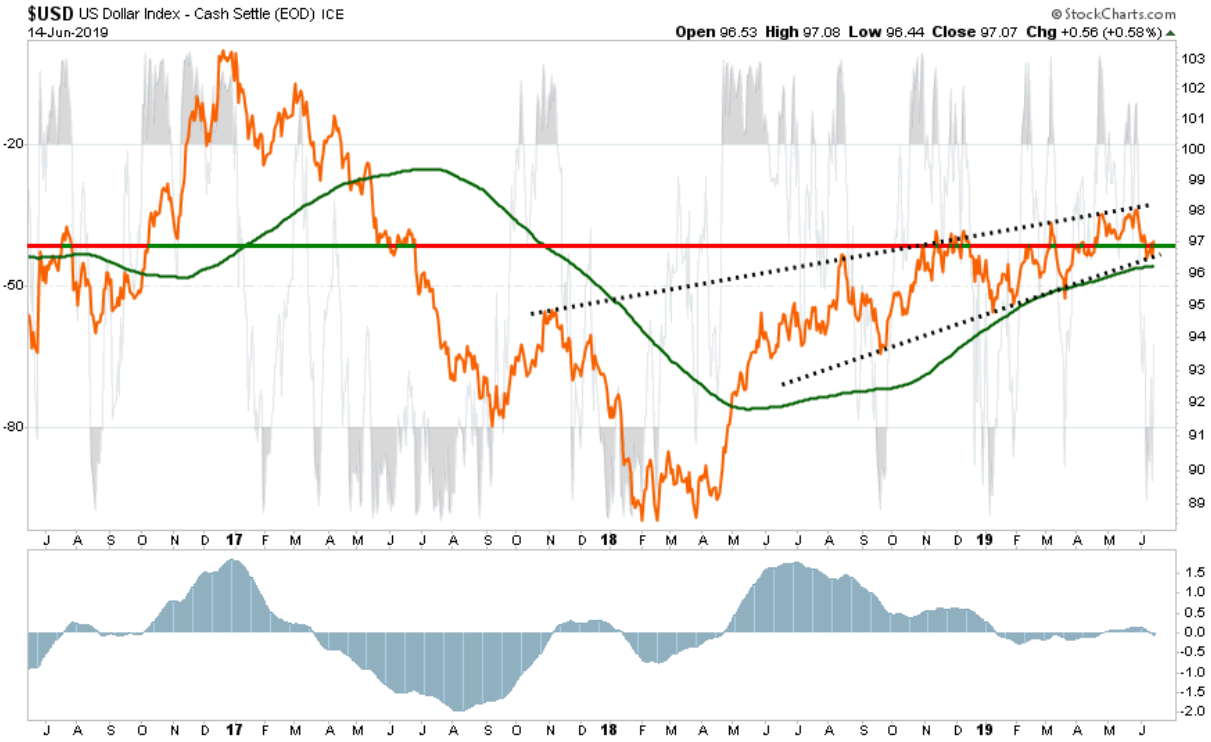
- *Gold has quickly reversed its oversold condition to overbought and did break above its downtrend.*
- *We also noted, that the mild sell-signal would reverse back onto a "buy" which has occurred.*
- *We are maintaining our position as a hedge against a potential pick up in volatility over the summer.*
- *Gold is too extended to add to positions here.. Look for a pullback to $122-123 to add.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions.*
    - *This week: Hold positions*
    - *Stop-loss for whole set at $120*
- *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)



- *Bonds prices on bonds have gone parabolic and are now at extremes. Even the "buy" signal on the bottom panel has reached previous extremes which suggests a reversal in rates short-term is likely.*
- *With the Fed and G-20 meeting on deck for this week, look for a reversal in rates for a better trading opportunity.*
- *Currently on a buy-signal (bottom panel), bonds are now back to very overbought conditions and are testing the previous highs from 2016.*
- *Support held at $122 which now become extremely important support.*
- *Strong support at the 720-dma (2-years) (green dashed line) which is currently $118.*
- *Short-Term Positioning: Bullish*
    - *Last Week:* ***Take profits and rebalance risks. A correction IS coming which will coincide with a bounce in the equity markets into the end of the month.***
    - *This Week:* ***Same as last week.***
    - *Stop-loss is moved up to $122*
    - *Long-Term Positioning: Bullish*

U.S. Dollar



- Over the last couple of weeks, the dollar has pulled and has now gotten oversold and is testing the bottom of its previous uptrend.
- USD has triggered a short-term sell signal.
- Hold current positions but maintain stop levels.
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold position*
    - *This Week: Hold position*
    - *Stop loss is set at $96*