

## Major Market Buy/Sell Review: 07-08-19

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:

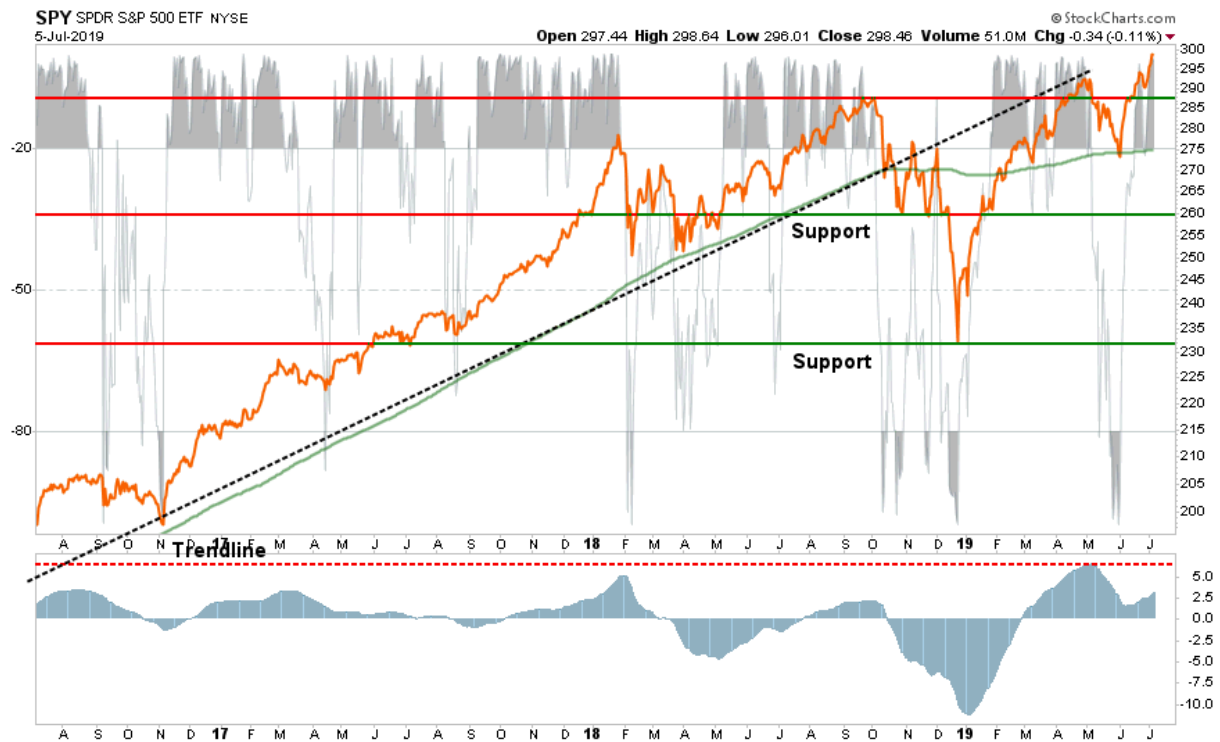
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



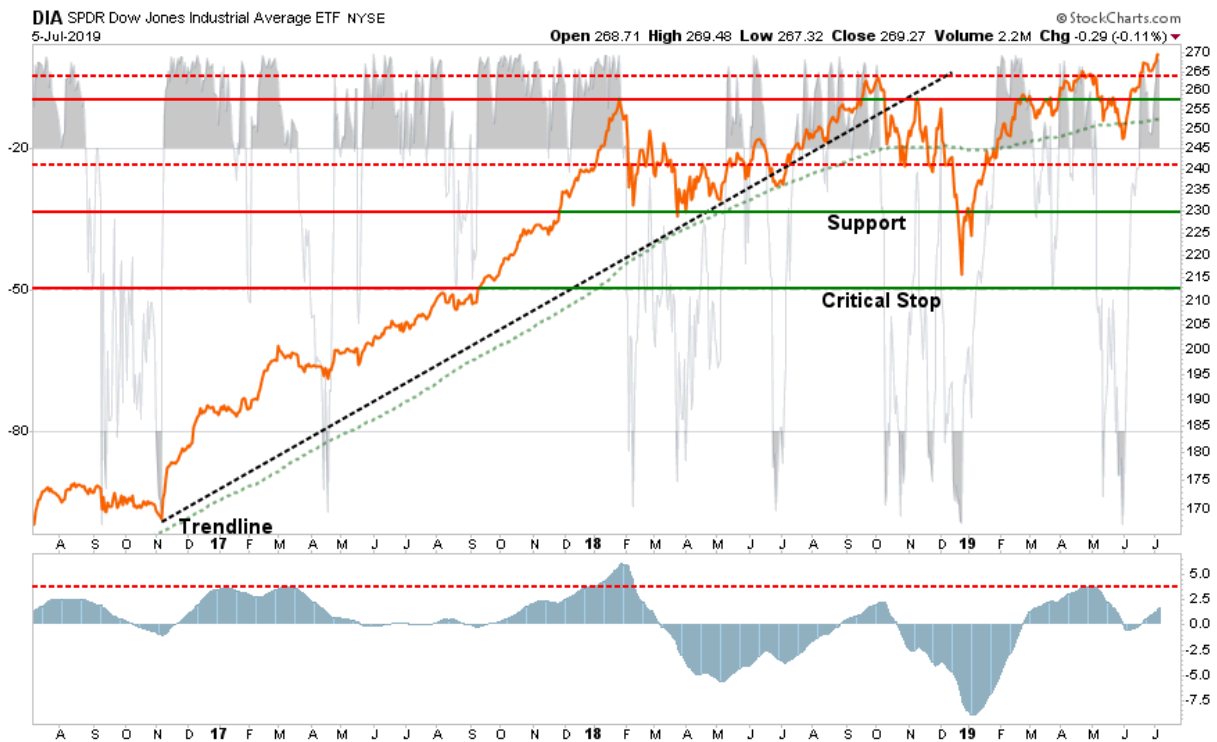
With this basic tutorial let's review the major markets.

### S&P 500 Index



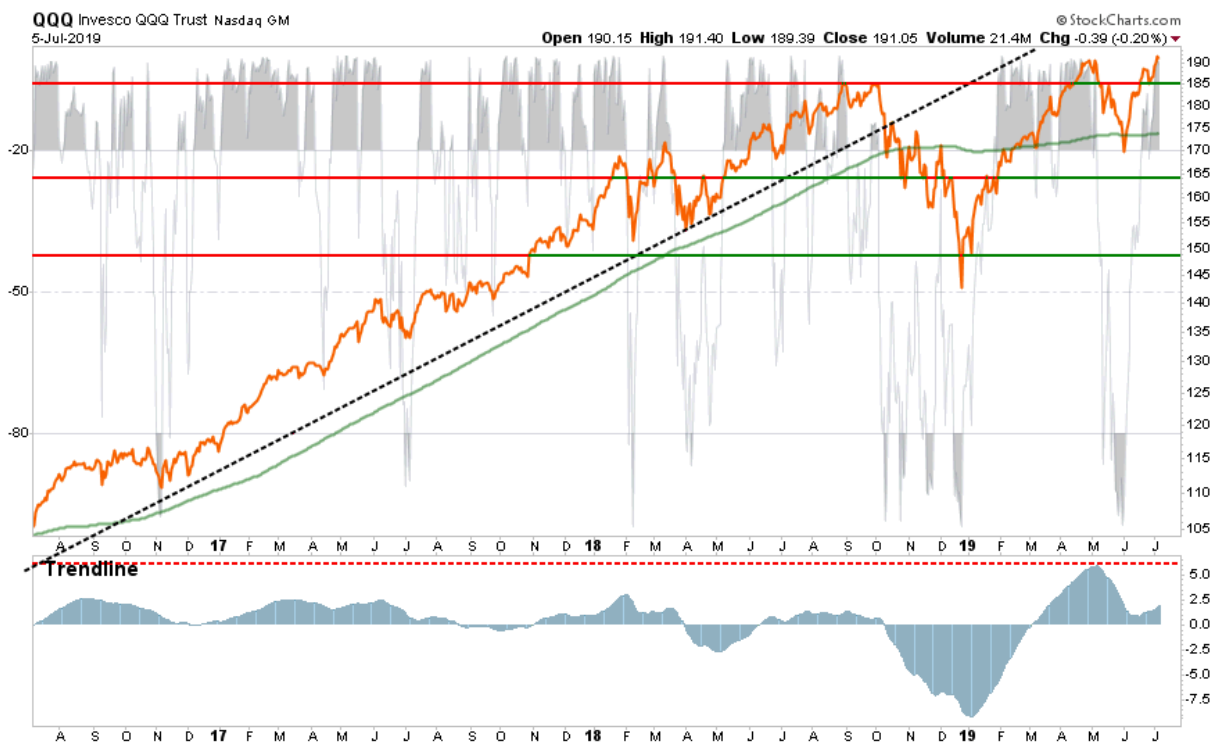
- Last week, we suggested the current setup, "**suggests a bit more rally could occur next week** given comments from both the Fed and the G-20 summit are on deck. That remains the case this week."
- We may be at the limits of that rally for now but given that last week was an extremely light trading week due to the holiday, we will hold until Monday to see what happens next.
- The market is back to very overbought short-term so a bit of a correction is needed to add to our position.
- Short-Term Positioning: Bullish
  - Last Week: Hold position
  - This Week: Hold position.
  - Stop-loss adjust to \$275
  - Long-Term Positioning: Neutral due to valuations

## Dow Jones Industrial Average



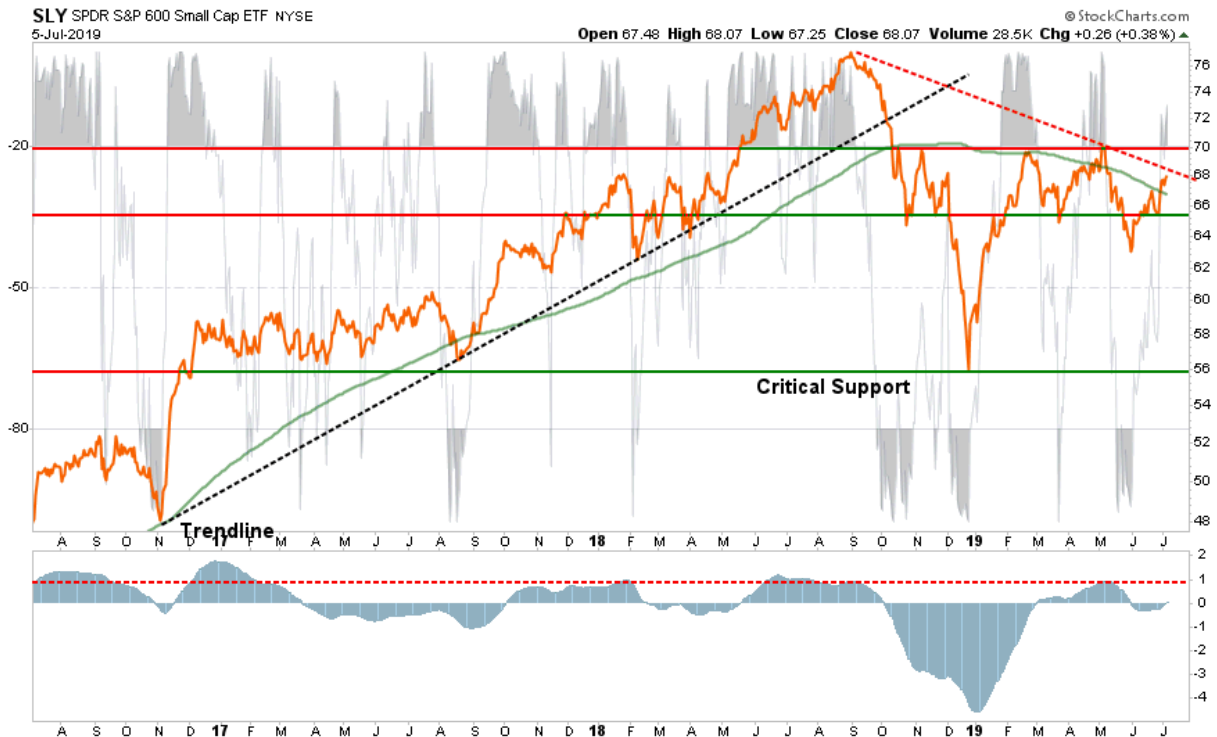
- Last week, we noted DIA did break out to new highs and triggered a short-term buy signal.
- DIA is very overbought short-term, so like SPY above, we will look for a better entry point to suggest adding weighting to portfolios.
- Short-Term Positioning: Neutral
  - Last Week: Hold current positions
  - This Week: Hold current positions.
  - Stop-loss moved up to \$252.50
- Long-Term Positioning: Neutral

## Nasdaq Composite



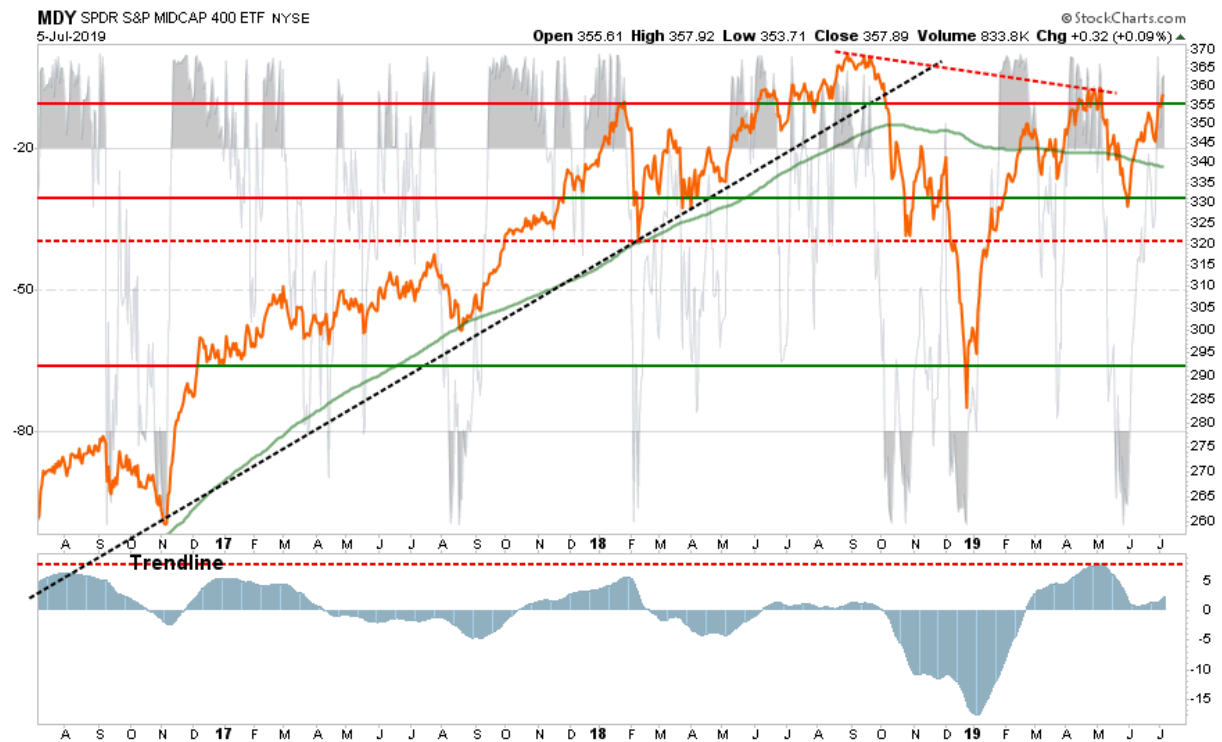
- *QQQ rallied from the oversold condition and is now back to very overbought.*
- *We noted previously the market could rally further into previous resistance from the August/September highs of 2018. The rally has been fairly weak, but it did get above last years resistance levels. New highs are being challenged so we will see if they can hold into next week.*
- **Short-Term Positioning: Bullish**
  - *Last Week: Hold position*
  - *This Week: Hold position*
  - *Stop-loss moved up to \$175*
- **Long-Term Positioning: Neutral**

## S&P 600 Index (Small-Cap)



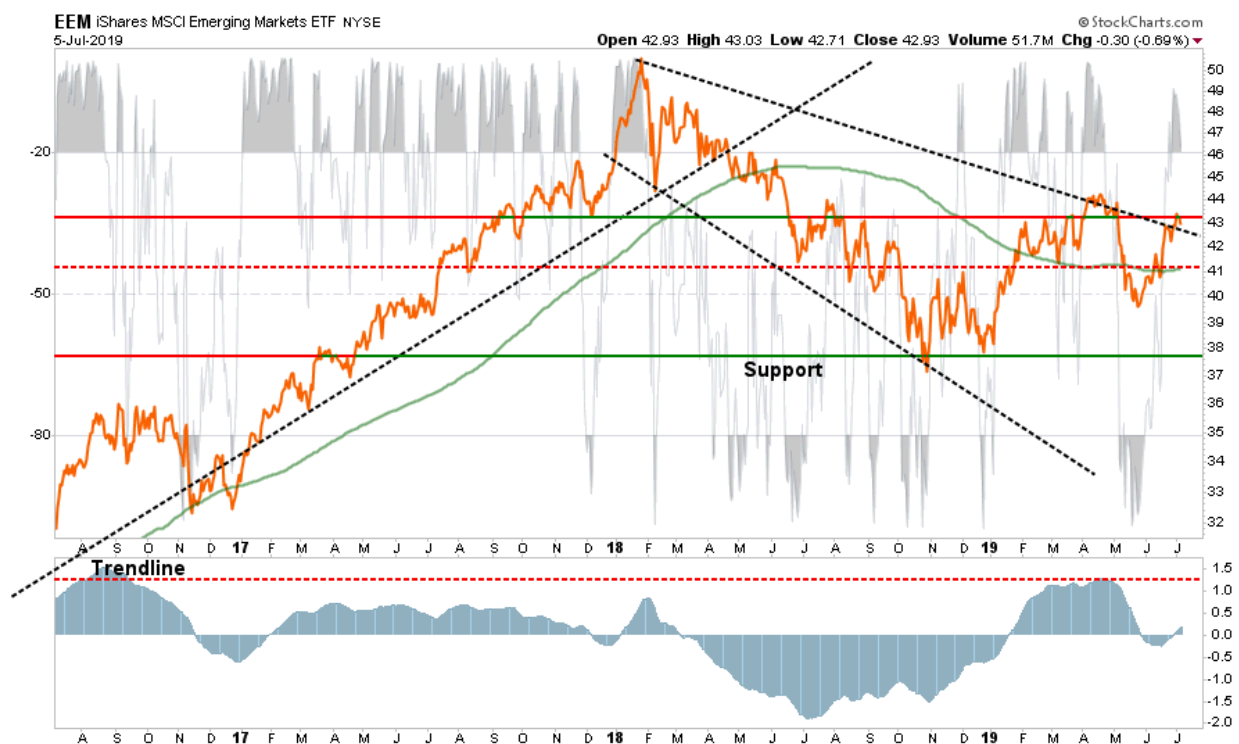
- *As noted several weeks ago, SLY has fallen apart as market participation has weakened. SLY, and MDY are particularly susceptible to "trade wars" and slowing economic growth.*
- *Last week, SLY did break above the 200-dma but remains confined to a very negative downtrend.*
- *SLY is close to triggering a short-term buy signal so that could help small-caps gain ground if they can hold up.*
- *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 and are now very overbought. Take profits if you are long and tighten up stops.
- Short-Term Positioning: Neutral
  - Last Week: Use any further rally this week to sell into.
  - This Week: Use any further rally this week to sell into.
- Long-Term Positioning: Bearish

## Emerging Markets



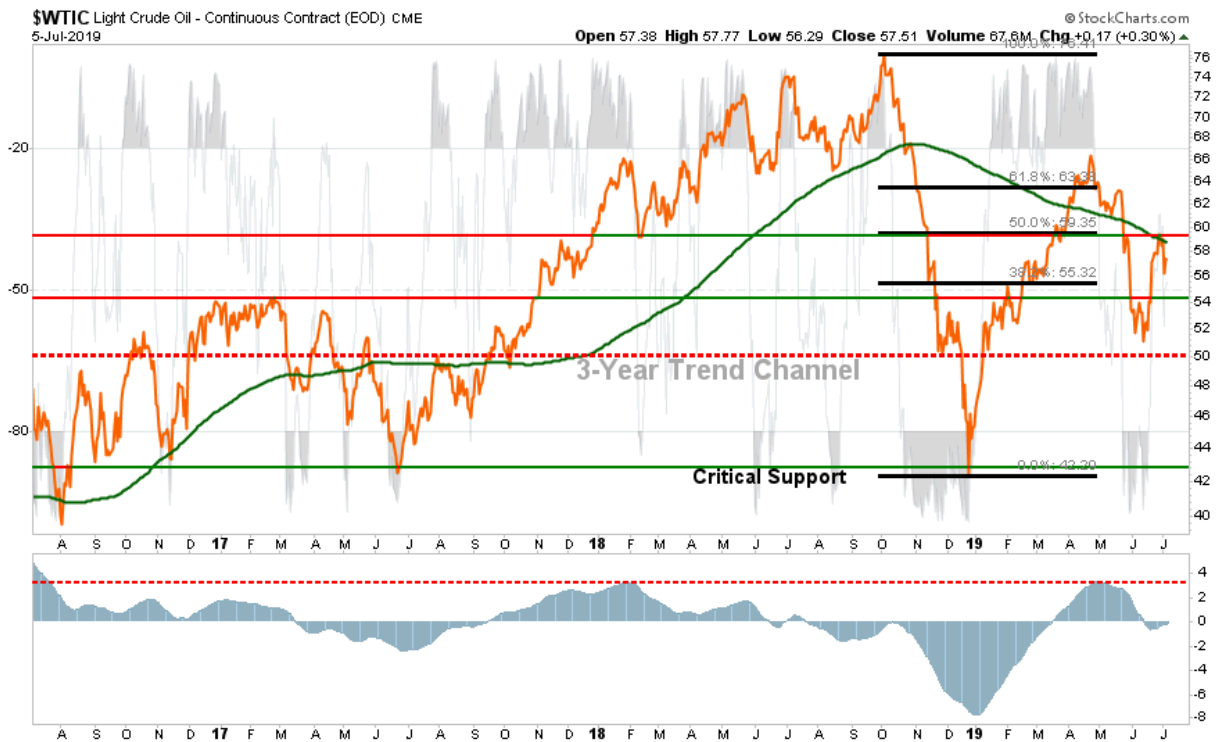
- *EEM rallied back to the top of its downtrend channel on news that the ECB will potentially cut rates and increase QE programs.*
- *We previously added a small trading position to the long-short portfolio which has minimal success so far.*
- *Short-Term Positioning: Bearish*
  - *Last Week: Hold current position*
  - *This Week: Hold current position*
  - *Stop-loss set at \$41*
- *Long-Term Positioning: Neutral*

## International Markets



- *Like EEM, EFA rallied on news the ECB will leap back into action to support markets.*
- *Last week, EFA broke above its downtrend line while maintaining a "buy signal."*
- *We did add a trading position to our long-short portfolio model.*
- *EFA is maintaining its 200-dma which is positive but the overall trend is concerning.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold position*
  - *This Week: Hold position.*
  - *Stop-loss is set at \$64*
- *Long-Term Positioning: Neutral*

## West Texas Intermediate Crude (Oil)



- Oil rallied into resistance at the 50% retracement and the 200-dma and failed.
- As noted last week:
  - "The market remains in a major downtrend and the current bounce in oil prices is likely just that with \$59 providing the most likely top."
- That did turn out to be the case and now support is at the \$55 level.
- Oil is not overbought yet, and is close to registering a buy signal.
- Short-Term Positioning: Neutral
  - Last Week: No position
  - This Week: No position, but look for pullback to \$54 to add a trading position.
  - Stop-loss for new positions is \$50.
- Long-Term Positioning: Bearish

## Gold

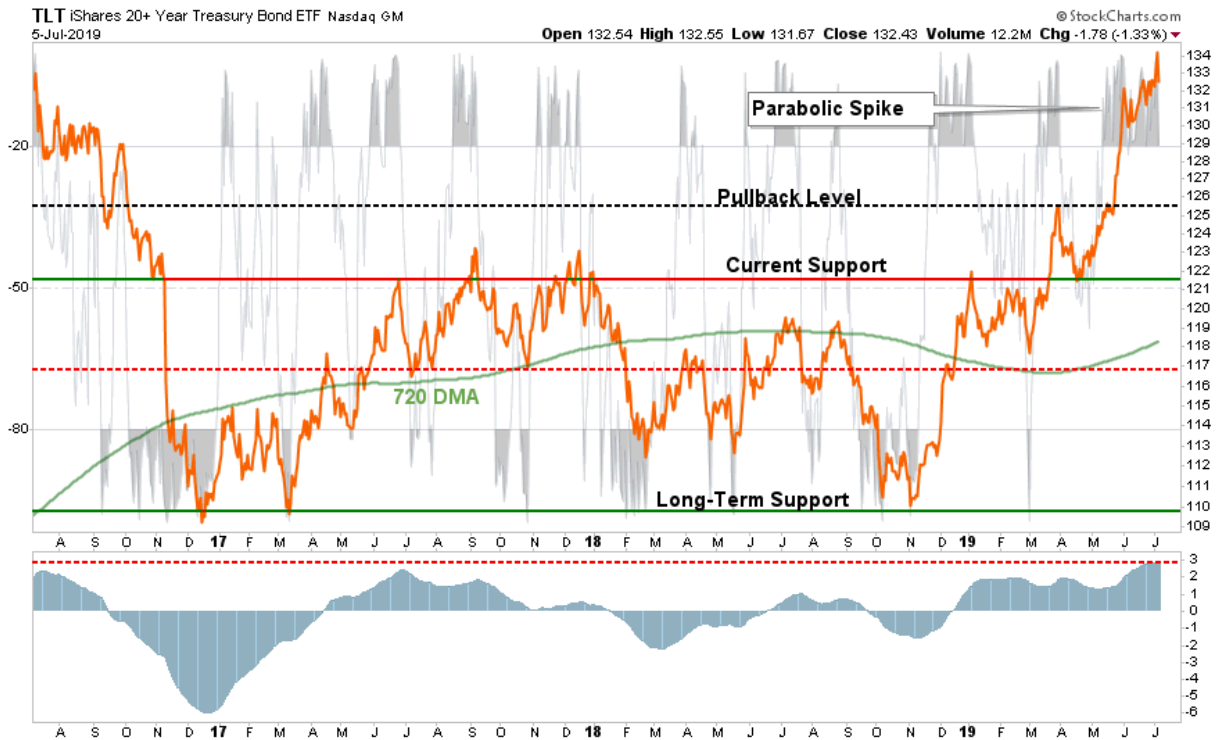




- Gold has quickly reversed its oversold condition to extreme overbought and has also broken above important overhead resistance.
- The "buy" signal has quickly surged to historically high levels which suggests the rally could be done for the moment, so look for a pullback to add gold to portfolios if you haven't done so already.
- Gold is too extended to add to positions here. Look for a pullback to \$127-128 to add.
- Short-Term Positioning: Neutral
  - Last week: Hold positions.
  - This week: Hold positions
  - Stop-loss for whole set at \$126
- Long-Term Positioning: Neutral

## Bonds (Inverse Of Interest Rates)





- Bonds prices 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.
- Currently on a buy-signal (bottom panel), bonds are now back to extremely overbought and need to pullback, which should be coincident with a further rally in equities in the next couple of weeks.
- Strong support at the 720-dma (2-years) (green dashed line) which is currently \$119.
- 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 \$126
  - Long-Term Positioning: Bullish

## U.S. Dollar



- *Comments from the Fed about more accommodative policies tripped up the dollar previously, but as noted last week, the dollar has gotten extremely oversold.*
- *The dollar did rally and is currently trying to hold support at its 200-dma. There is likely more rally to go next week particularly if it looks like the Fed will not reduce rates in July.*
- *The dollar is back to very oversold, so a rally above \$96 will put the dollar back on our radar.*
- **Short-Term Positioning: Bullish**
  - *Last Week: No Position*
  - *This Week: No Position*
  - *Stop-loss at \$96 was violated.*