

Major Market Buy/Sell Review: 08-12-19

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:

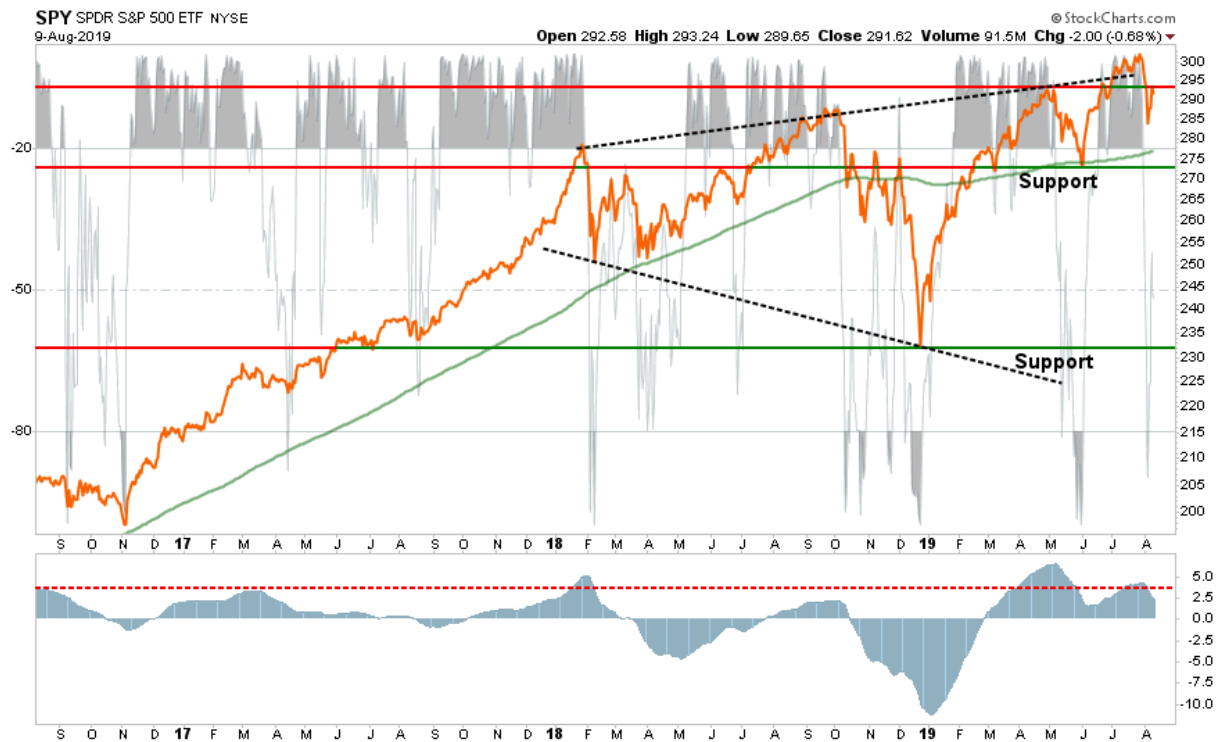
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



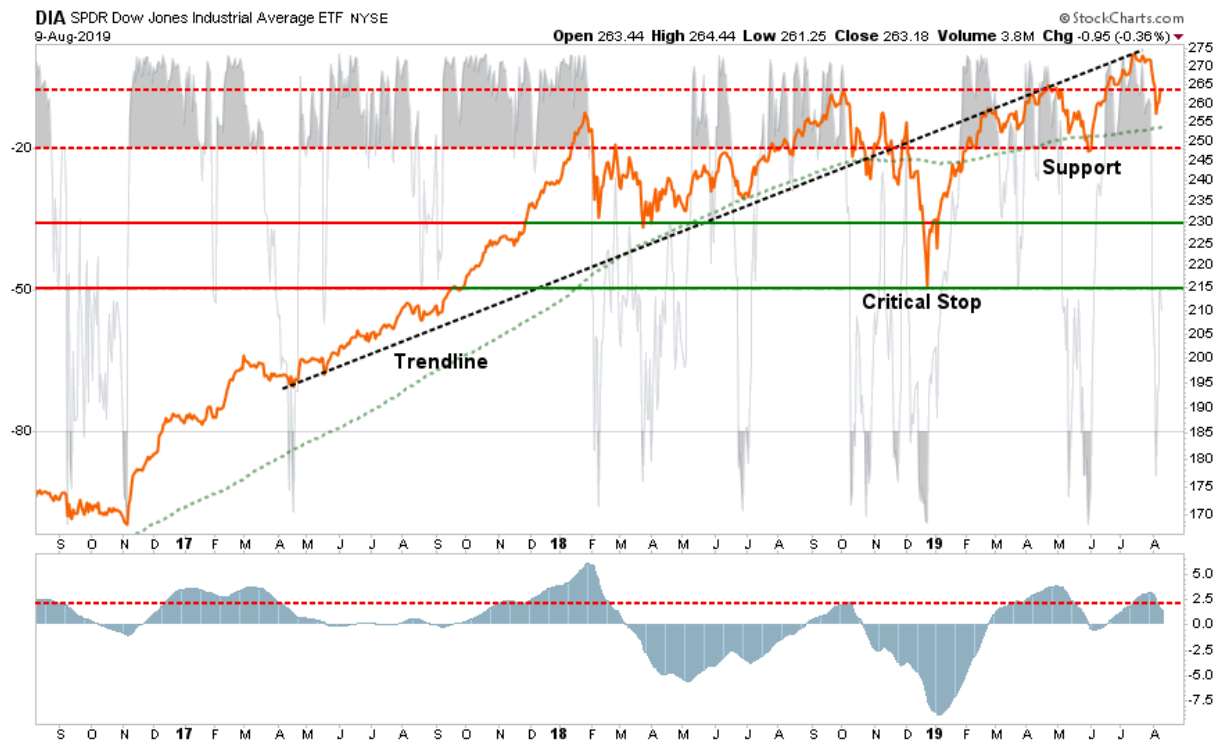
With this basic tutorial let's review the major markets.

S&P 500 Index



- We closed out the 2x-Short S&P 500 position in the **Equity Long-Short** portfolio temporarily as the market rallied back to the 50-dma/resistance level. We will likely add the position back in the near future.
- It is unlikely the current correction is over, but given the reversal in the overbought/sold indicator there is potential for a bit more rally next week. It will likely be one to sell further into.
- We had noted last week, that "After 5-days of selling, look for a short-term bounce next week." That rally has now come, but as we stated last time, we still suspect the correction is not complete yet.
- Short-Term Positioning: Bullish
 - Last Week: Hold position
 - This Week: Hold position.
 - Stop-loss remains \$275
 - Long-Term Positioning: Neutral due to valuations

Dow Jones Industrial Average



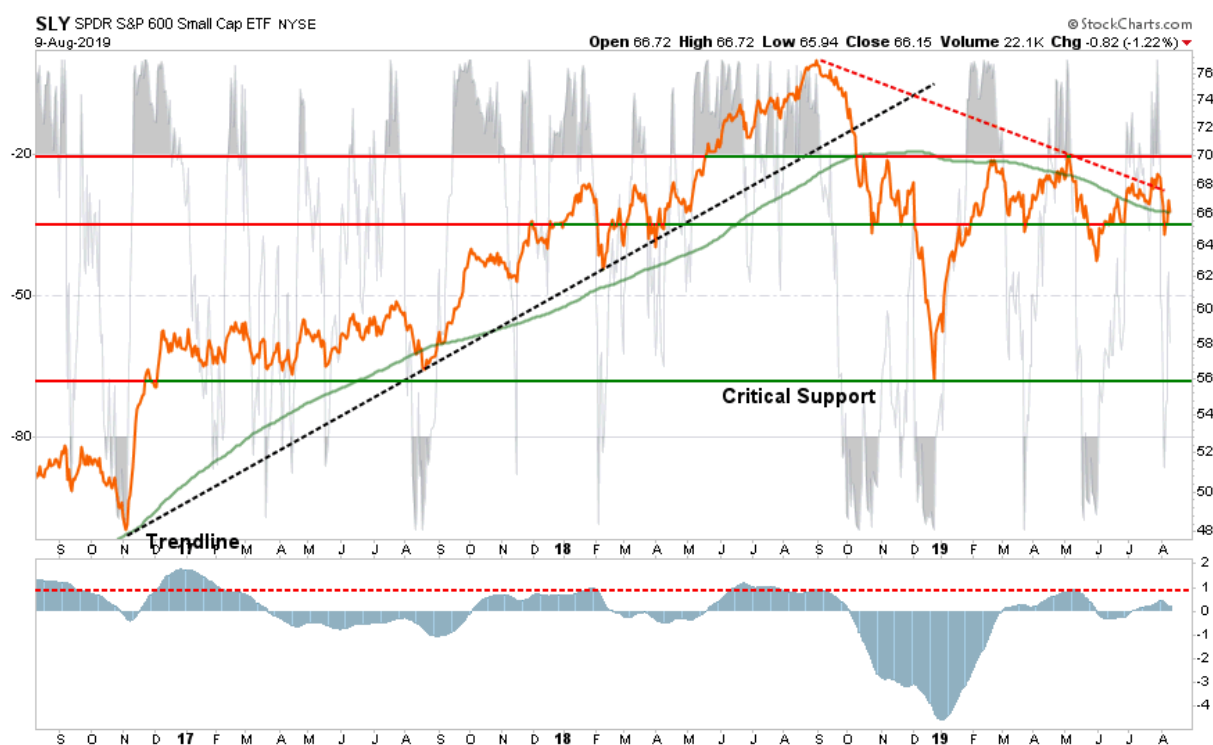
- As noted last week, DIA failed at the uptrend line and was very overbought short-term. So like SPY above, we suggested waiting for a better entry point.
- DIA failed support this past week, and is now testing that previous support from below threatening to turn it into resistance. A failure here will lead to a retest of the 200-dma.
- 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



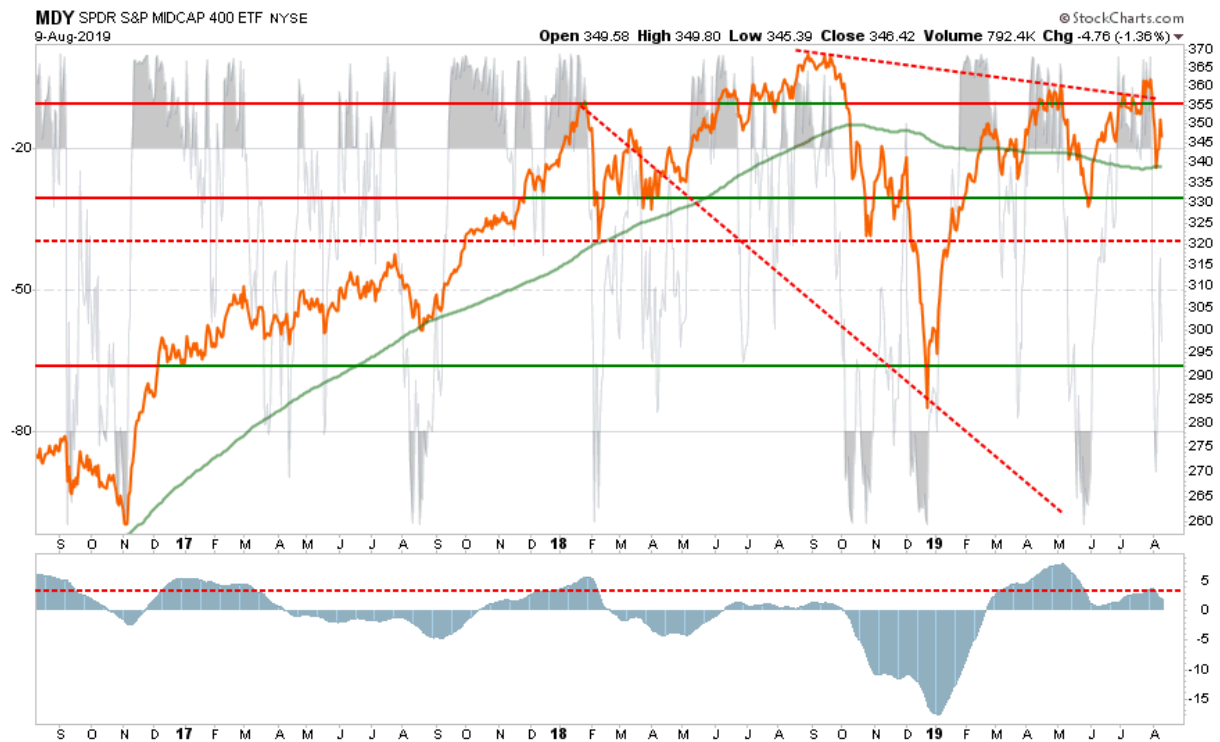
- QQQ rallied modestly last week, but was uninspiring.
- The buy signal is deteriorating and if it reverses to a sell we could well see a retest of the May lows.
- **Short-Term Positioning: Bullish**
 - Last Week: Hold position
 - This Week: Hold position
 - Stop-loss moved up to \$175
- **Long-Term Positioning: Neutral**

S&P 600 Index (Small-Cap)



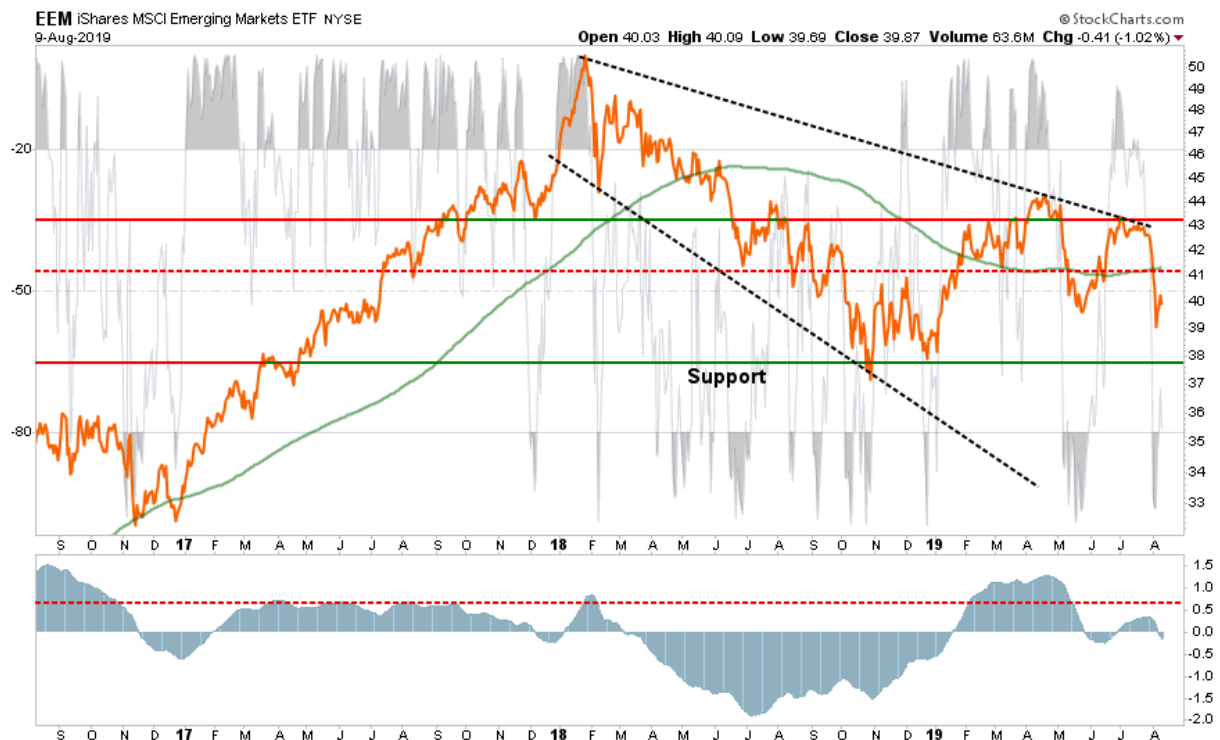
- As we noted last week, "SLY fell apart again and is testing support. A failure will lead to much lower lows."
- The buy signal is about to reverse to a sell, and performance is very disappointing.
- As we have repeatedly stated, there are a lot of things going wrong with small-caps currently so the 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)



- Same as above. MDY, like SLY, is technically not in great shape, and is breaking down suggesting the economic backdrop is weaker than headlines suggest.
- We have recommended over the last several weeks to take profits and reduce holdings.
- Short-Term Positioning: Neutral
 - Last Week: Sell on rally.
 - This Week: No holding
- Long-Term Positioning: Bearish

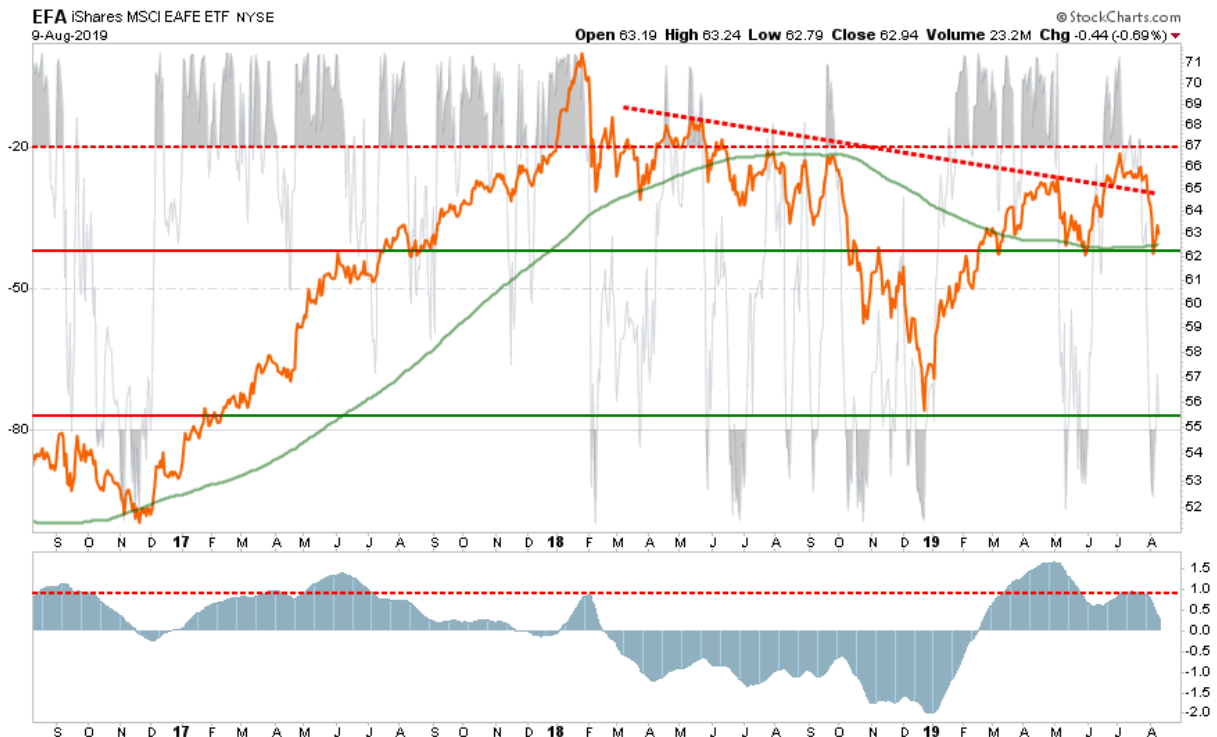
Emerging Markets



- EEM continued to breakdown this past week on trade war concerns.

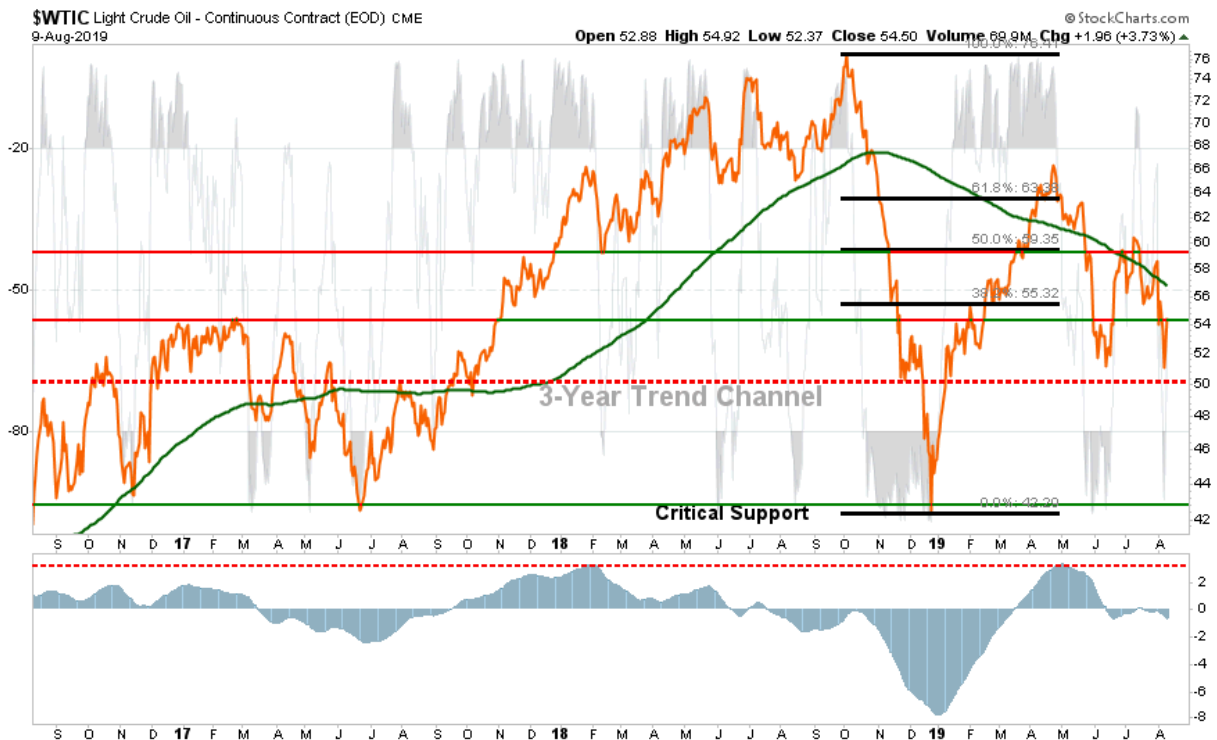
- A sell signal has been triggered as well.
- We also noted that EEM is back on a "buy signal" but is confined to that more major downtrend currently.
- This past week, EEM was crushed by news of additional tariffs.
- As noted previously we closed out of our trading position to the long-short portfolio due to lack of performance.
- Short-Term Positioning: Bearish
 - Last Week: No position
 - This Week: No position
 - Stop-loss set at \$41
- Long-Term Positioning: Neutral

International Markets



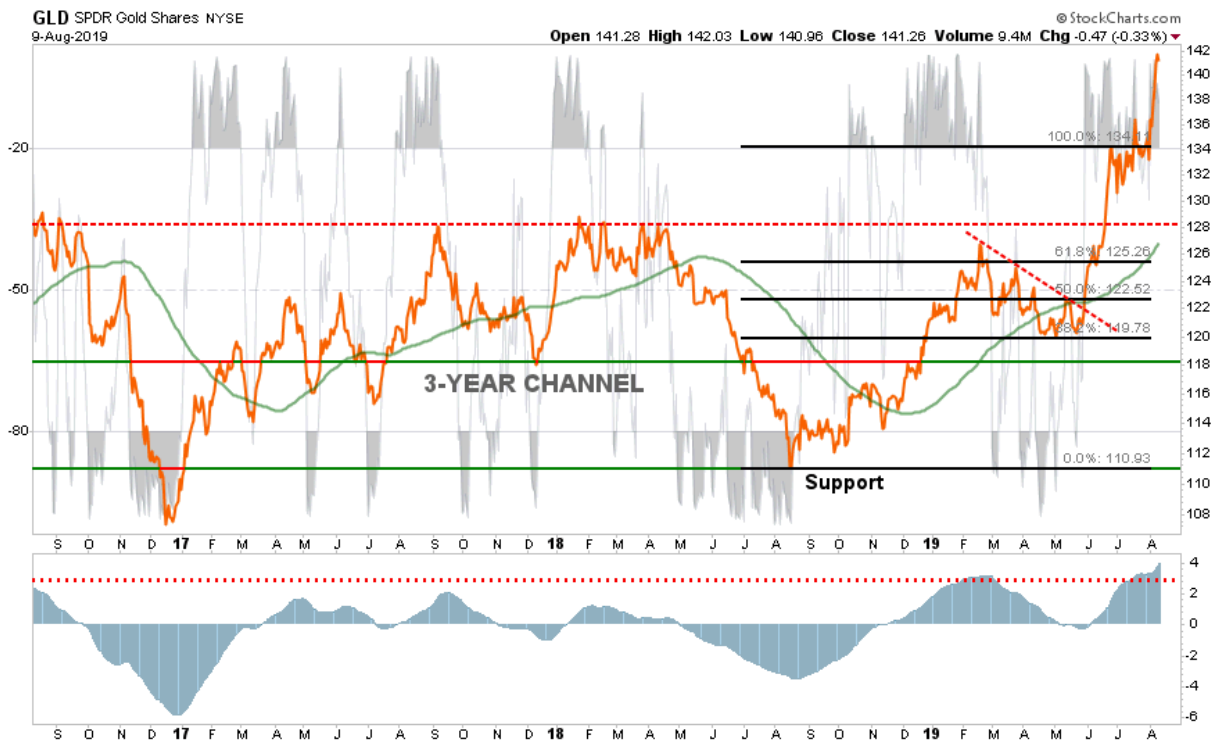
- Like EEM, EFA also fell apart over tariffs.
- EFA broke its downtrend line while maintaining a "buy signal" and is now testing support at the 200-dma.
- EFA is close to triggering a sell signal
- As with EEM, we did add a trading position to our long-short portfolio model but it, like EEM, was not performing so we closed it.
- Short-Term Positioning: Neutral
 - Last Week: No position
 - This Week: No position.
 - Stop-loss is set at \$64
- Long-Term Positioning: Neutral

West Texas Intermediate Crude (Oil)



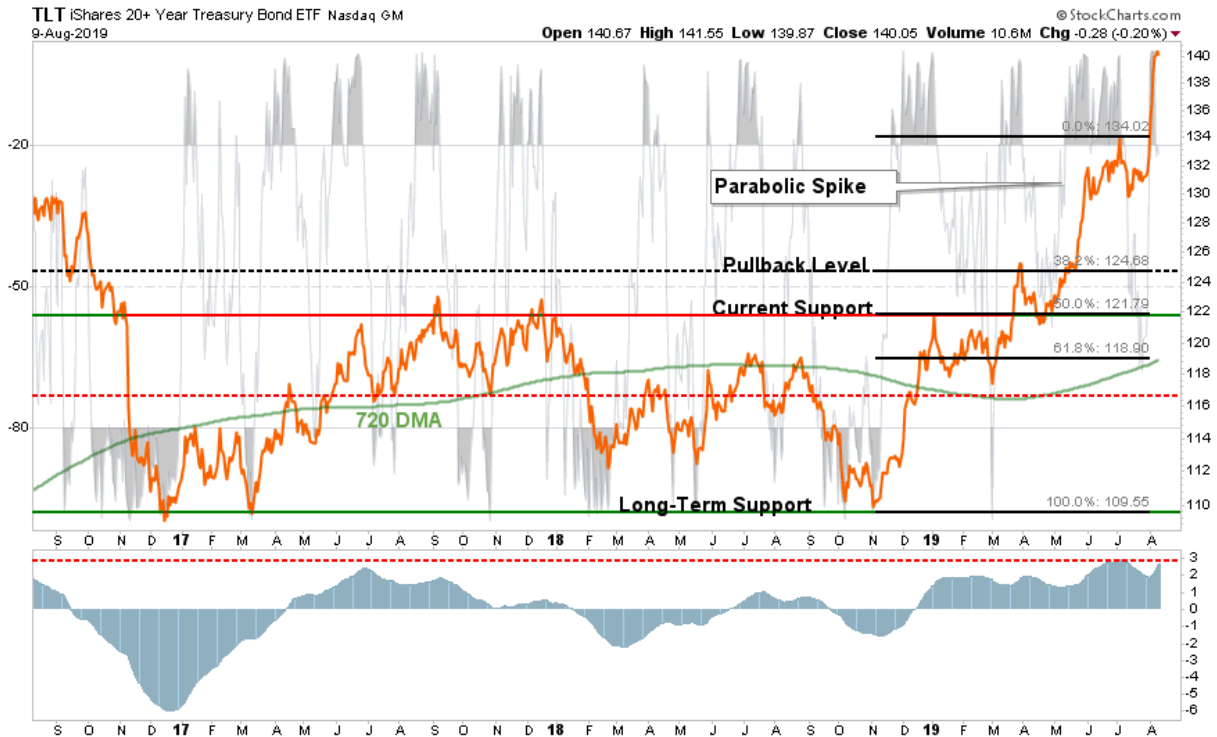
- If there was ever an economic indicator to pay attention to - it's oil.
- Oil continues to languish and remains on a sell signal currently. This doesn't really bode well for either economic growth, or energy stocks near-term.
- Oil is not over sold and is in a downtrend. There is no reason to be long oil currently.
- Short-Term Positioning: Neutral
 - Last Week: No position
 - This Week: No position
 - Stop-loss for any existing positions is \$54.
- Long-Term Positioning: Bearish

Gold



- Gold remains extremely overbought including its longer-term "buy signal."
- As noted two weeks ago, we said that if support holds we will be able to move our stop-loss levels higher. That was indeed the case and we moved stops higher.
- Gold is too extended to add to positions here. Look for a pullback to \$134 to add.
- Short-Term Positioning: Neutral
 - Last week: Hold positions.
 - This week: Hold positions
 - Stop-loss for whole set at \$130
- Long-Term Positioning: Neutral

Bonds (Inverse Of Interest Rates)



- Like GLD, Bond prices have gone parabolic over the last week.
- The overbought condition is rather extreme, so be patient and wait for a correction back to the breakout level to add holdings.
- Prices could pullback to the \$134 range which would be a better entry point.
- Short-Term Positioning: Bullish
 - Last Week: Hold positions after taking profits.
 - This Week: Hold positions
 - Stop-loss is moved up to \$130
 - Long-Term Positioning: Bullish

U.S. Dollar



- As noted three weeks ago, the dollar had rallied above, and is holding support, at its 200-dma.
- We noted previously the dollar broke above key overhead resistance and suggests a move back towards \$98-99 is likely. That target was hit and the dollar pulled back a bit to work off the overbought condition.
- USD is holding support at the previous resistance line. Look for a rally next week that flips the dollar back onto a "buy" signal.