

Major Market Buy/Sell Review: 09-16-19

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:

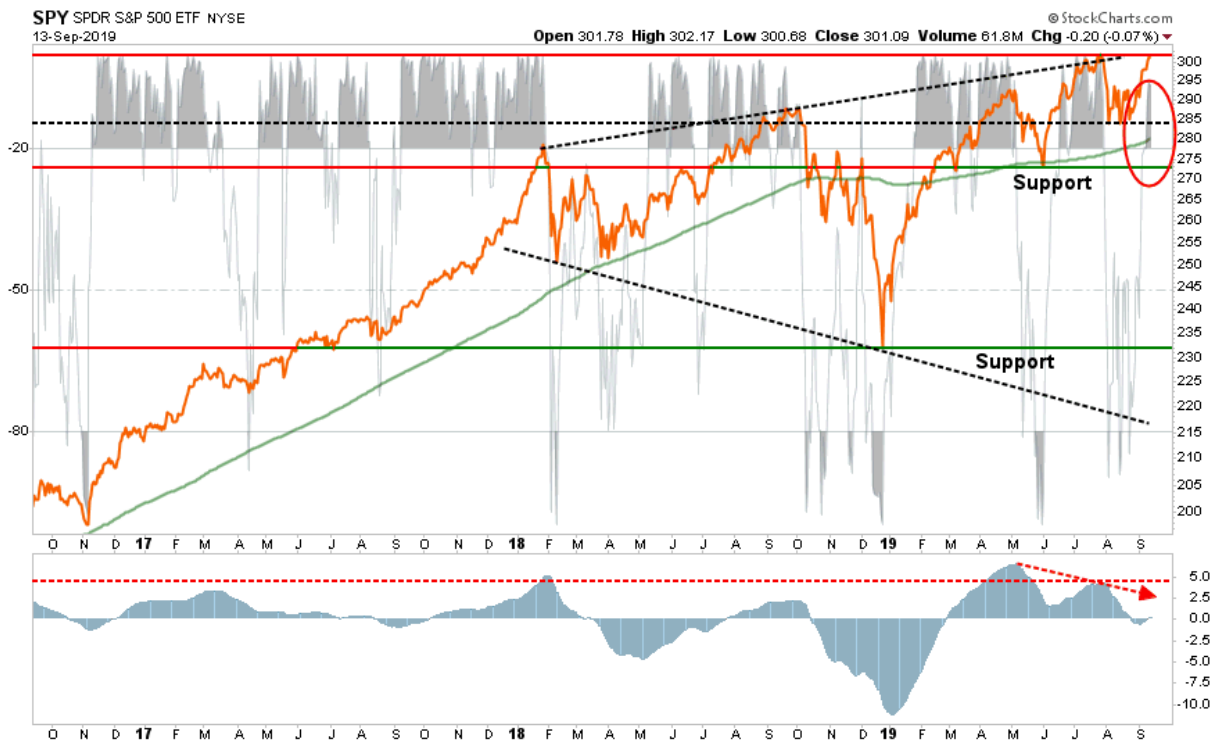
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



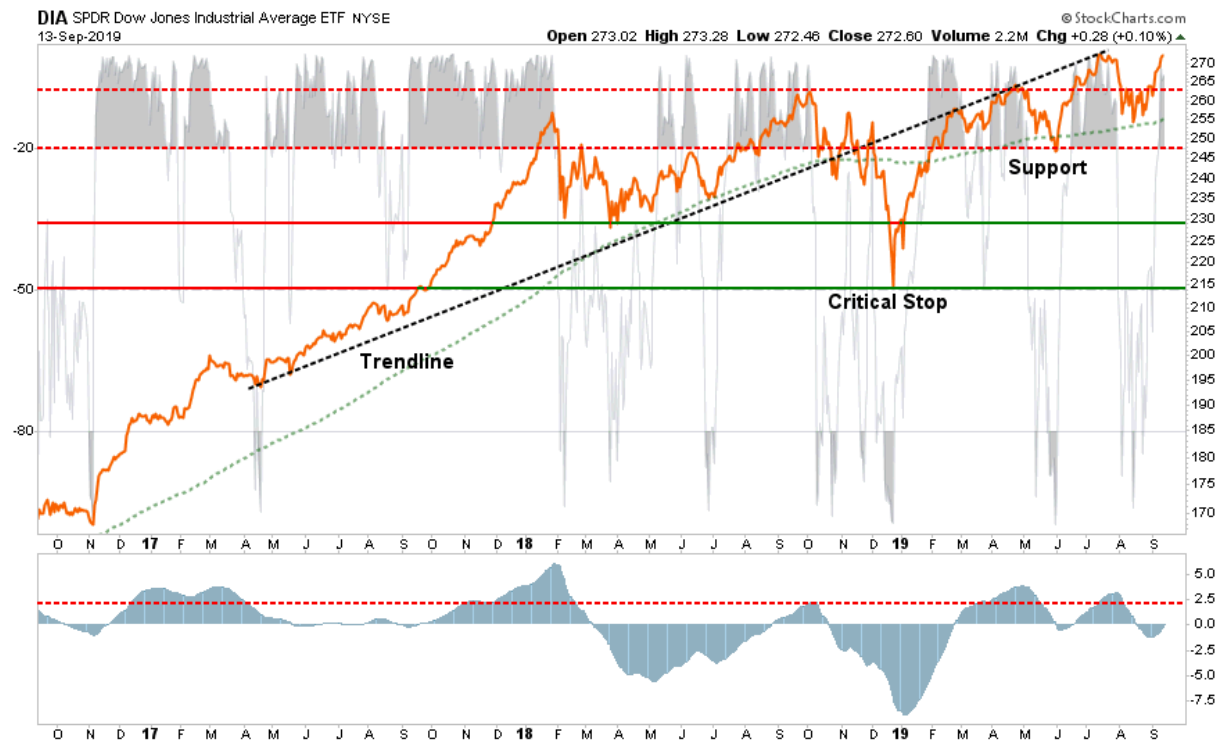
With this basic tutorial let's review the major markets.

S&P 500 Index



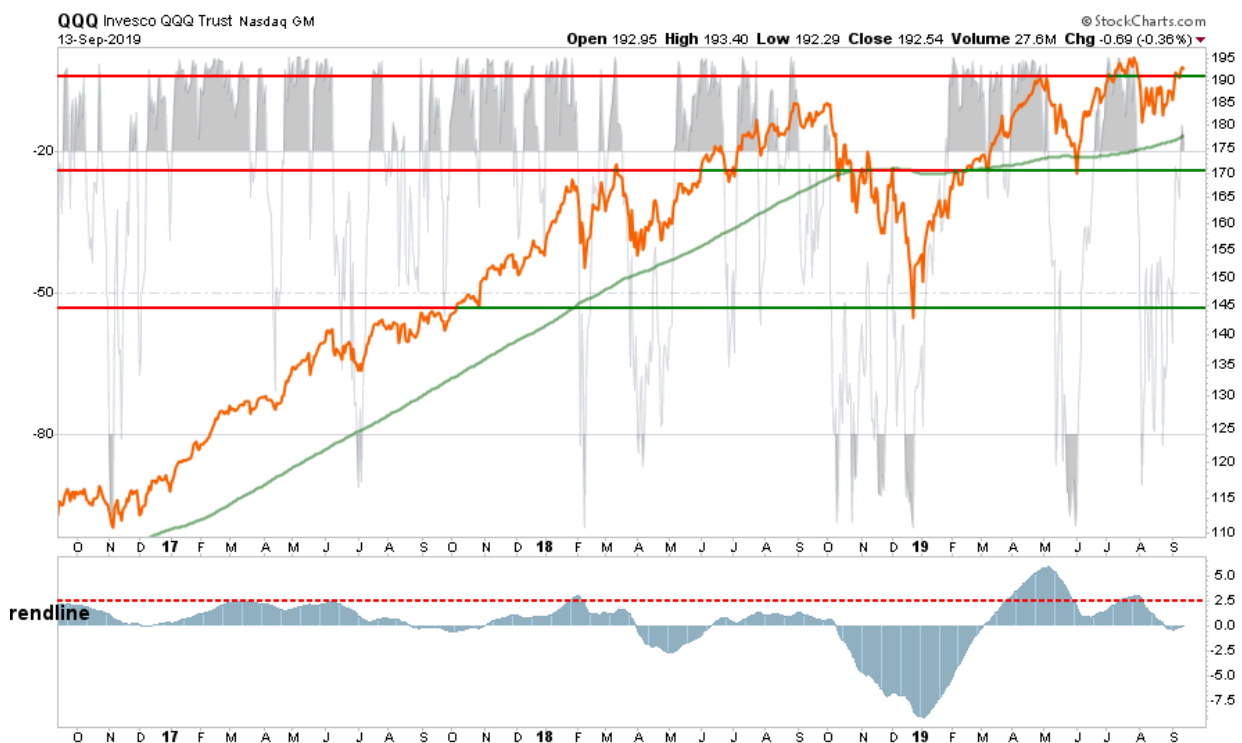
- As noted in our daily portfolio commentary we added a 2x long with the breakout the week before last. We closed that position out at the high water mark this past week. (Got lucky)
- We are still maintaining our core S&P 500 position as the market has not technically violated any support levels as of yet.
- As we noted last week, it is unlikely the current advance is going to go far unless the "Sell" signal can be reversed. That process is trying to occur so we will watch accordingly.
- The upside for this rally is the July highs but remains a rally to sell into. We are at that level so this is a good time to take profits and rebalance portfolio risk accordingly.
- Short-Term Positioning: Bullish
 - Last Week: Hold position
 - This Week: Hold position.
 - Stop-loss moved up to \$285
 - Long-Term Positioning: Neutral due to valuations

Dow Jones Industrial Average



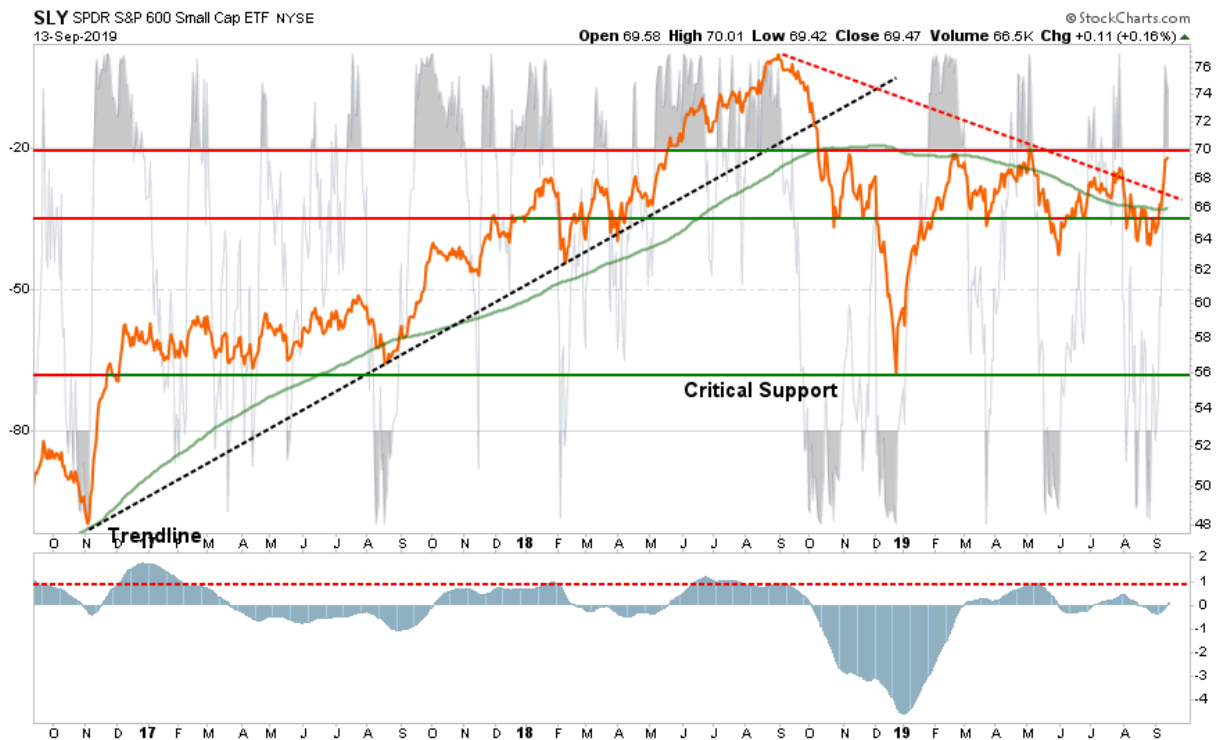
- Like the SPY, DIA is broke above resistance and is now testing previous highs.
- As noted last week, DIA has registered a "Sell" signal which needs to be reversed. That process is happening and the markets need to rally next week.
- Look for this rally to fail likely next week.
- Short-Term Positioning: Neutral
 - Last Week: Hold current positions
 - This Week: Hold current positions.
 - Stop-loss moved up to \$255.00
- Long-Term Positioning: Neutral

Nasdaq Composite



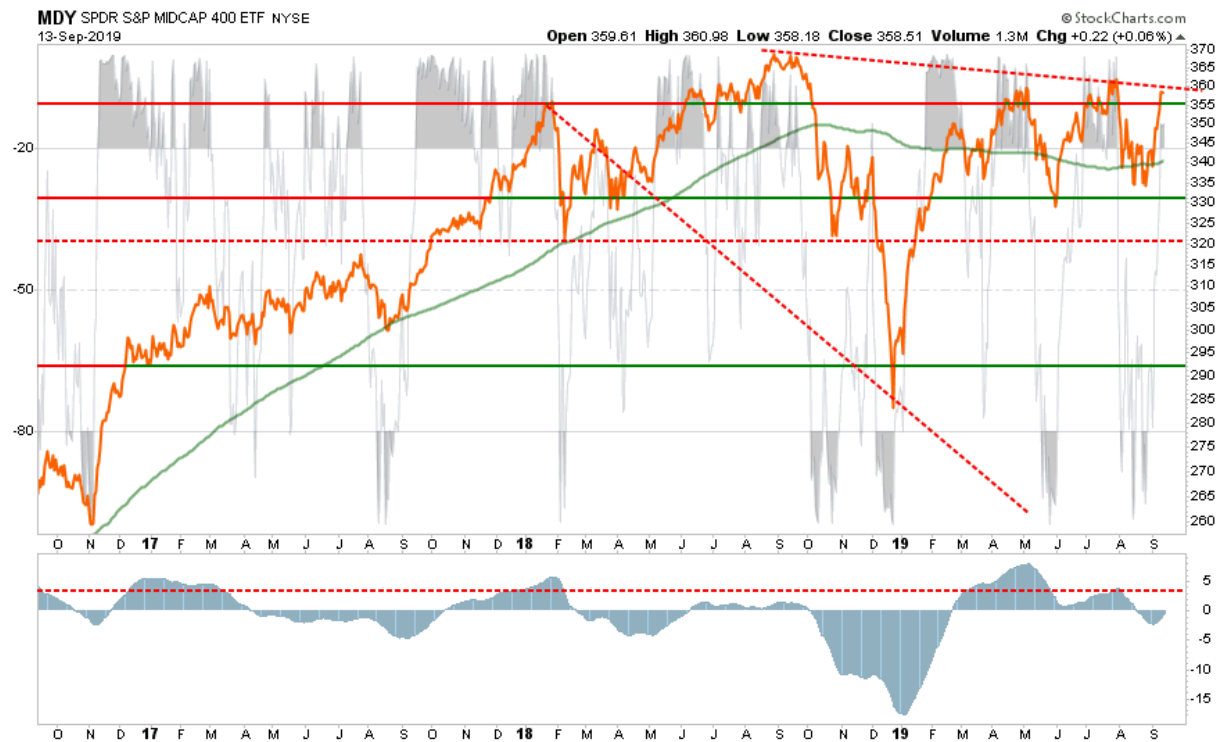
- We noted that QQQ had rallied modestly, but was uninspiring. On Friday, QQQ rallied above short-term resistance putting previous highs into focus.
- Like DIA and SPY, a "Sell signal" has been registered. It will be important for the market to rally enough next week to get above resistance and reverse the signal.
- **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)



- The sell signal has reversed to a buy with the strong rally last week.
- With SLY back to extreme overbought, and below previous resistance, and in a negative trend, this looks like a better selling opportunity rather than a buy.
- However, 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 previously violated.
- **Long-Term Positioning: Bearish**

S&P 400 Index (Mid-Cap)



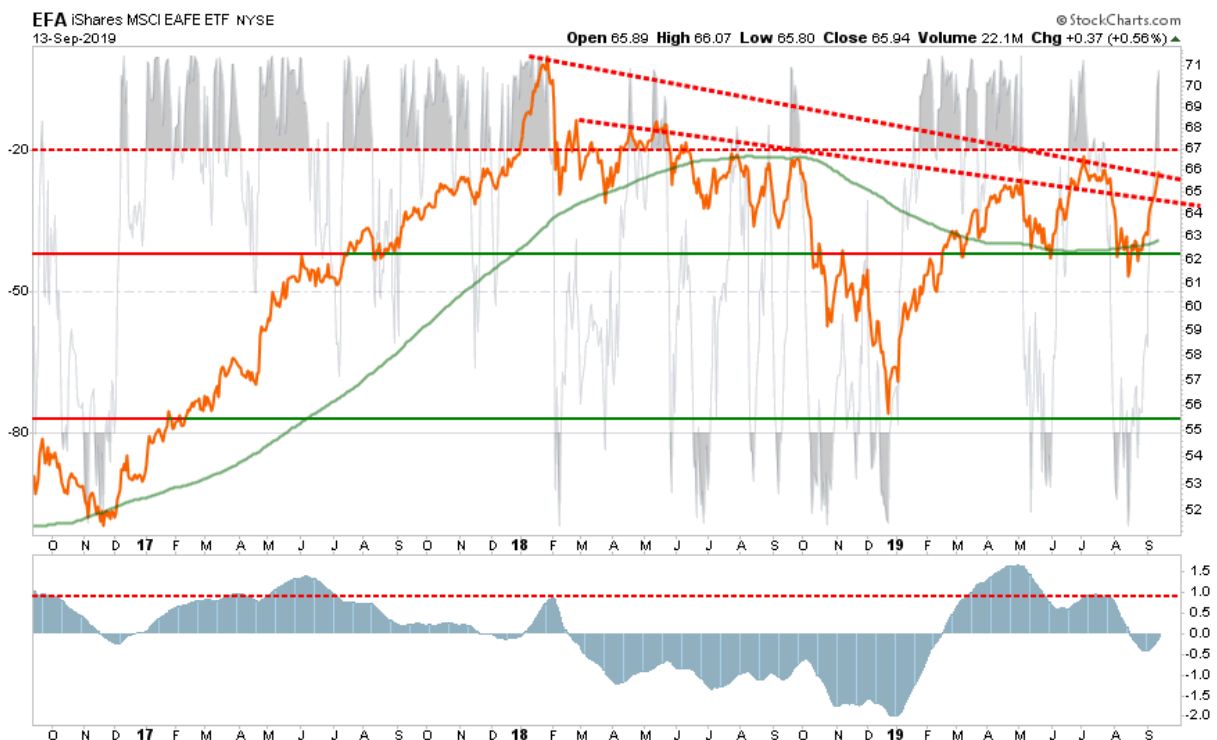
- MDY, like SLY, is technically not in great shape, but did manage to rally last week to the top of the downtrend line.
- MDY has now registered a "sell" signal which must be reversed before considering adding exposure.
- Short-Term Positioning: Neutral
 - Last Week: No holding
 - This Week: No holding
- Long-Term Positioning: Bearish

Emerging Markets



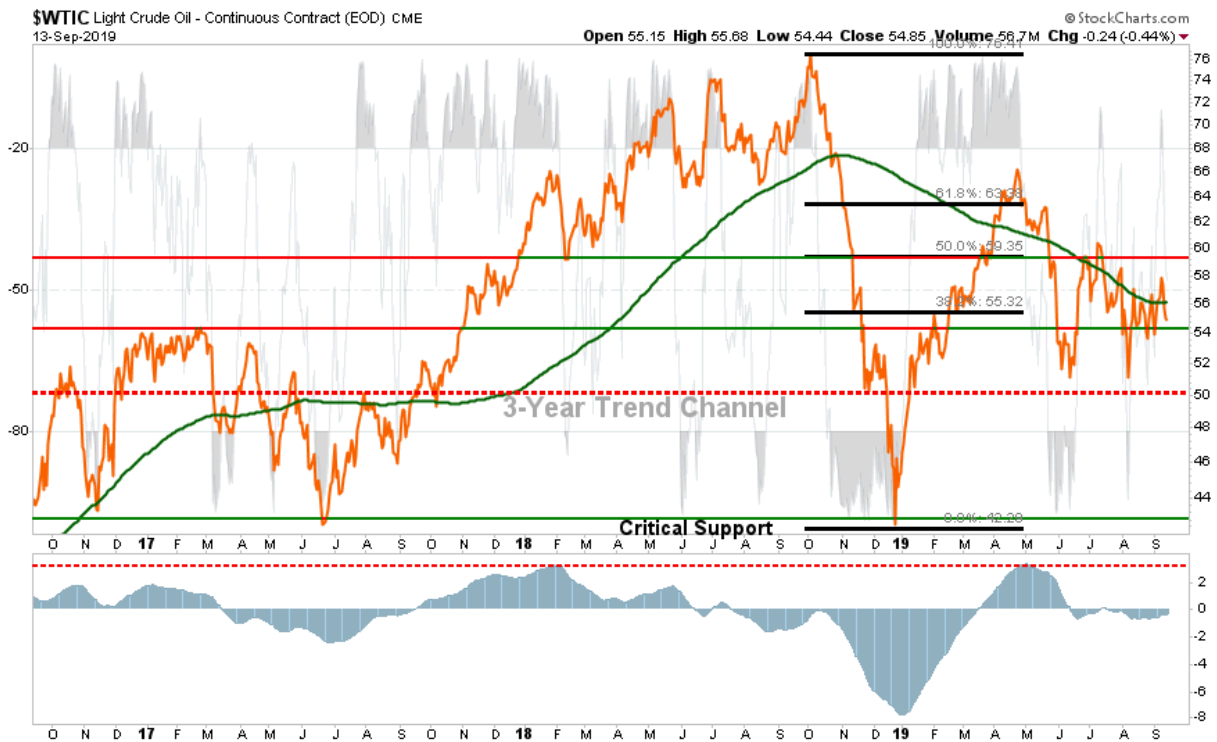
- *EEM continues to underperform. The sector did rally last week on hopes of a trade resolution, and the ECB cutting rates, but that rally is simply another rally in a long-term downtrend.*
- *A sell signal has been triggered as well.*
- *EEM is running into heavy overhead resistance so next week will be important.*
- *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 violated at \$41*
- **Long-Term Positioning: Neutral**

International Markets



- *Like EEM, EFA continues to drag.*
- *EFA remains in a downtrend and is testing the top of that range.*
- *EFA has also triggered a sell signal so any further rally is required to reverse that signal and set up a tradeable opportunity.*
- *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 was violated at \$64*
- **Long-Term Positioning: Neutral**

West Texas Intermediate Crude (Oil)



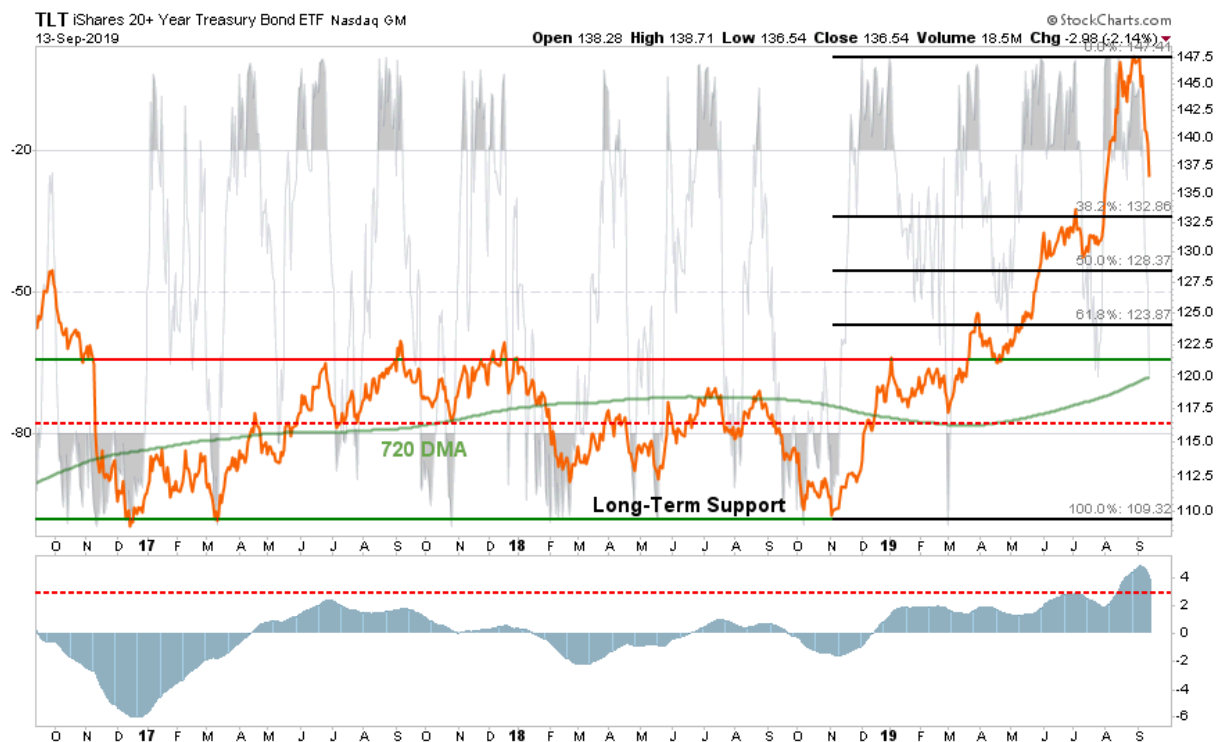
- Oil continues to languish and remains on a sell signal currently. This doesn't really bode well for either economic growth, or energy stocks near-term.
- While energy stocks did rally last week, if oil prices decline again, after failing at the downtrend line last week, there is a high risk of a reversal.
- More importantly, oil is confined to its downtrend and continues to fail at the 200-dma which is trending lower. A break of support at \$54 and oil will test \$50/bbl fairly quickly.
- Oil is not oversold 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



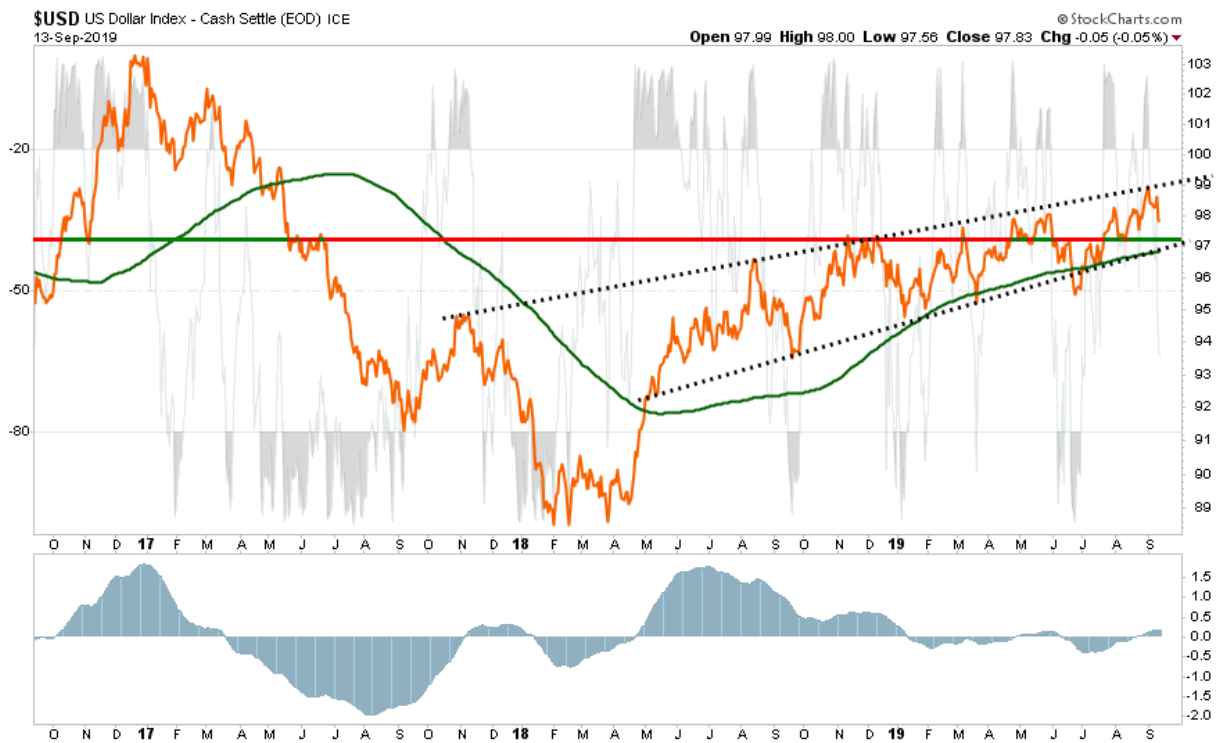
- Finally, Gold begin to correct its **EXTREME** overbought condition and buy signal.
- We added to our Gold position last week, and will continue to add to any correction down to our support levels at \$132-134.
- Short-Term Positioning: Neutral
 - Last week: Added To Holdings
 - This week: Hold positions
 - Stop-loss for whole position move up to \$132
 - Long-Term Positioning: Neutral

Bonds (Inverse Of Interest Rates)



- Like GLD, Bond prices finally cracked last week and are starting to reverse the *EXTREME* overbought condition.
- As with GLD, we swapped bond positions this past week selling short-term bonds and swapping into longer duration Treasuries.
- On a further decline in prices we will increase our exposure to bonds as well.
- Short-Term Positioning: Bullish
 - Last Week: Swapped GSY for IEF
 - This Week: Hold positions
 - Stop-loss is moved up to \$130
- Long-Term Positioning: Bullish

U.S. Dollar



- The dollar had rallied to our \$99 target which we laid out back in June of this year when we started tracking the dollar.
- With the dollar overbought look for a pullback in the dollar to \$97 which will provide a decent entry point for long-dollar trades.
- It is highly likely the dollar will continue its bullish trend with negative rates spreading all over Europe.
- The rally has now triggered a "buy" signal which keeps us dollar bullish for now.