

Major Market Buy/Sell Review: 09-23-19

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:

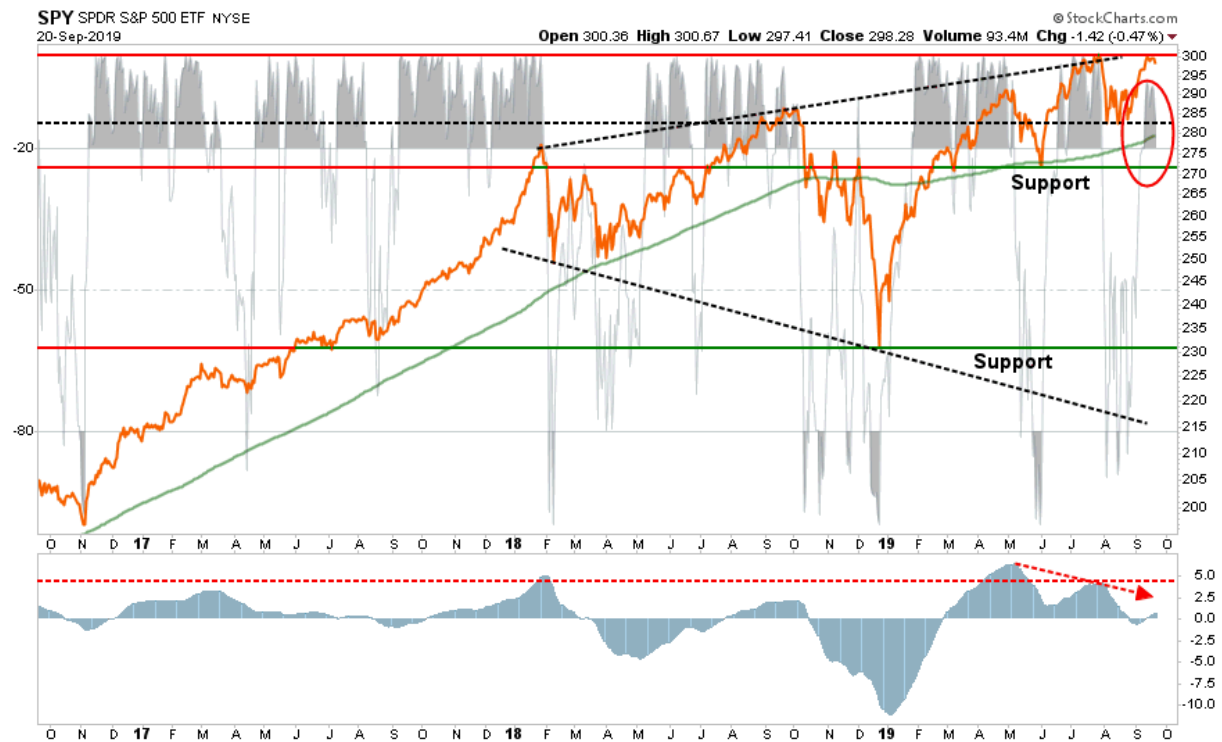
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



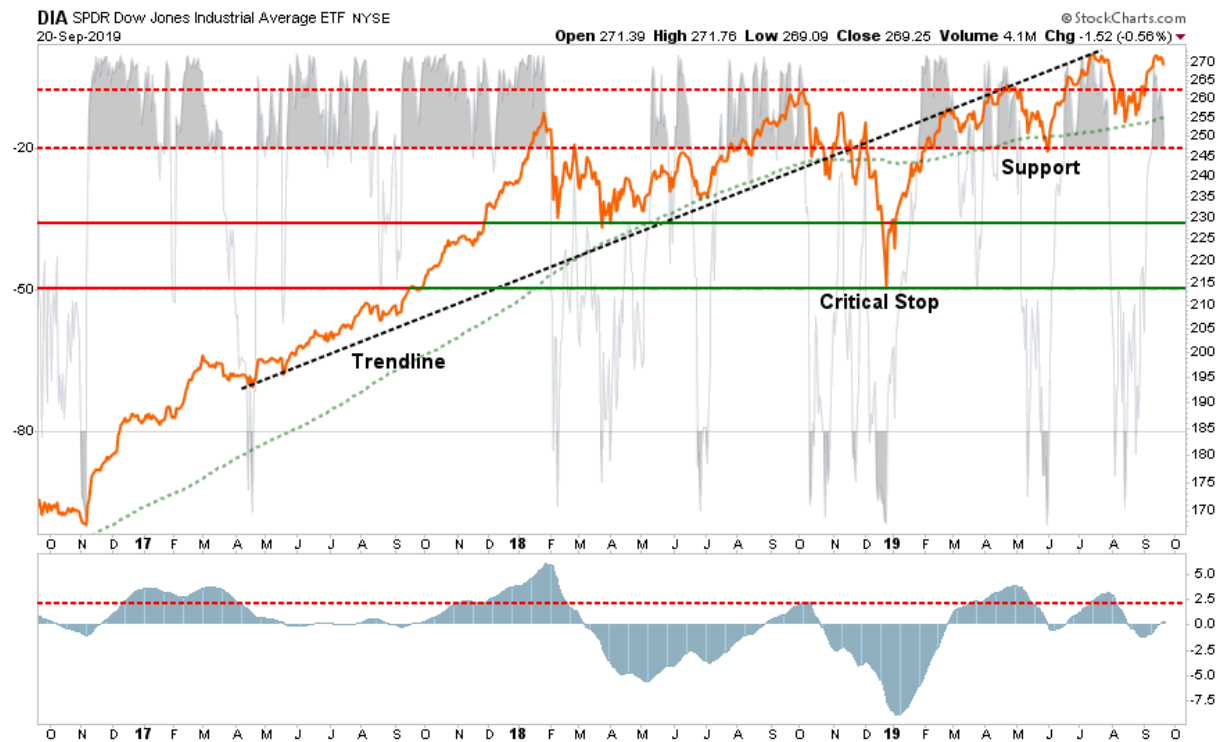
With this basic tutorial let's review the major markets.

S&P 500 Index



- We are still maintaining our core S&P 500 position as the market has not technically violated any support levels as of yet. However, it hasn't been able to advance to new highs either.
- The bullish news is that the "sell signal" has been reversed. However, without the market breaking out to new highs, it doesn't mean much especially given the more extreme overbought condition.
- We will wait for a confirm breakout to add to our core equity holdings as needed.
- 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



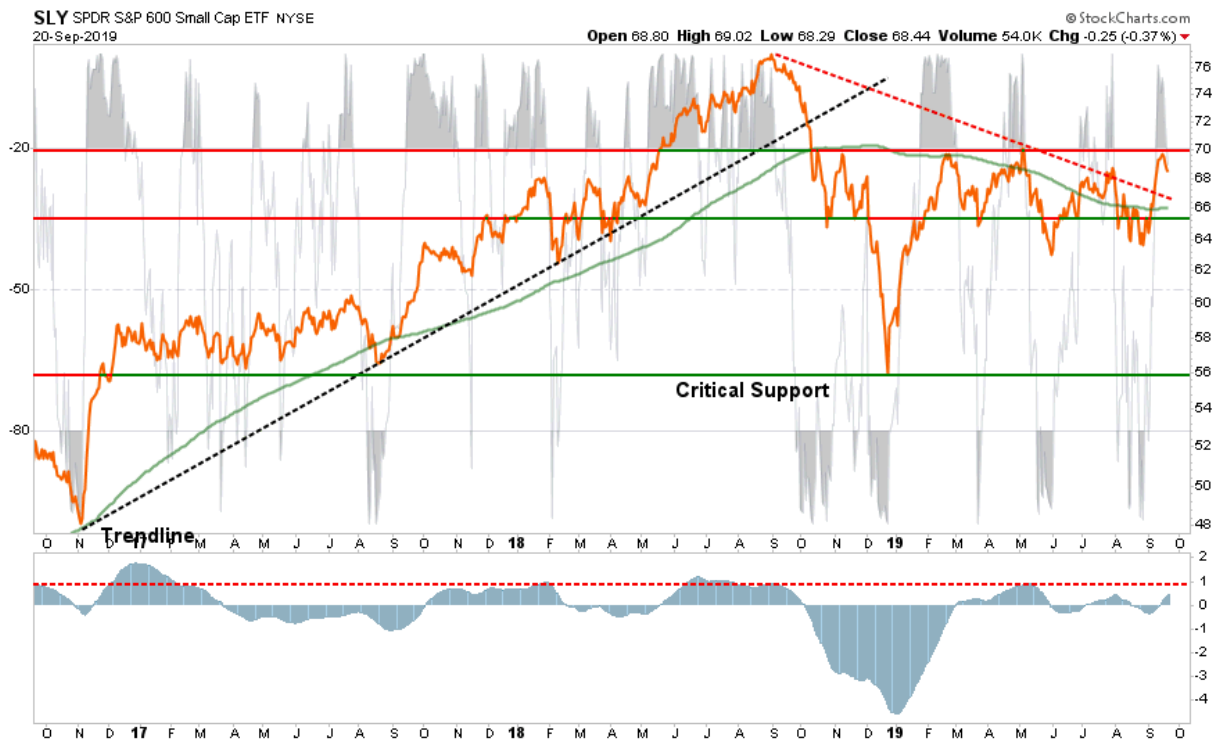
- Like the SPY, DIA is broke above resistance and is now testing previous highs.
- As with SPY, DIA has also reversed its previous "Sell signal" as well, but has failed to breakout to new highs. Likewise, DIA is also extremely overbought short-term.
- Short-Term Positioning: Neutral
 - Last Week: Hold current positions
 - This Week: Hold current positions.
 - Stop-loss moved up to \$255.00
- Long-Term Positioning: Neutral

Nasdaq Composite



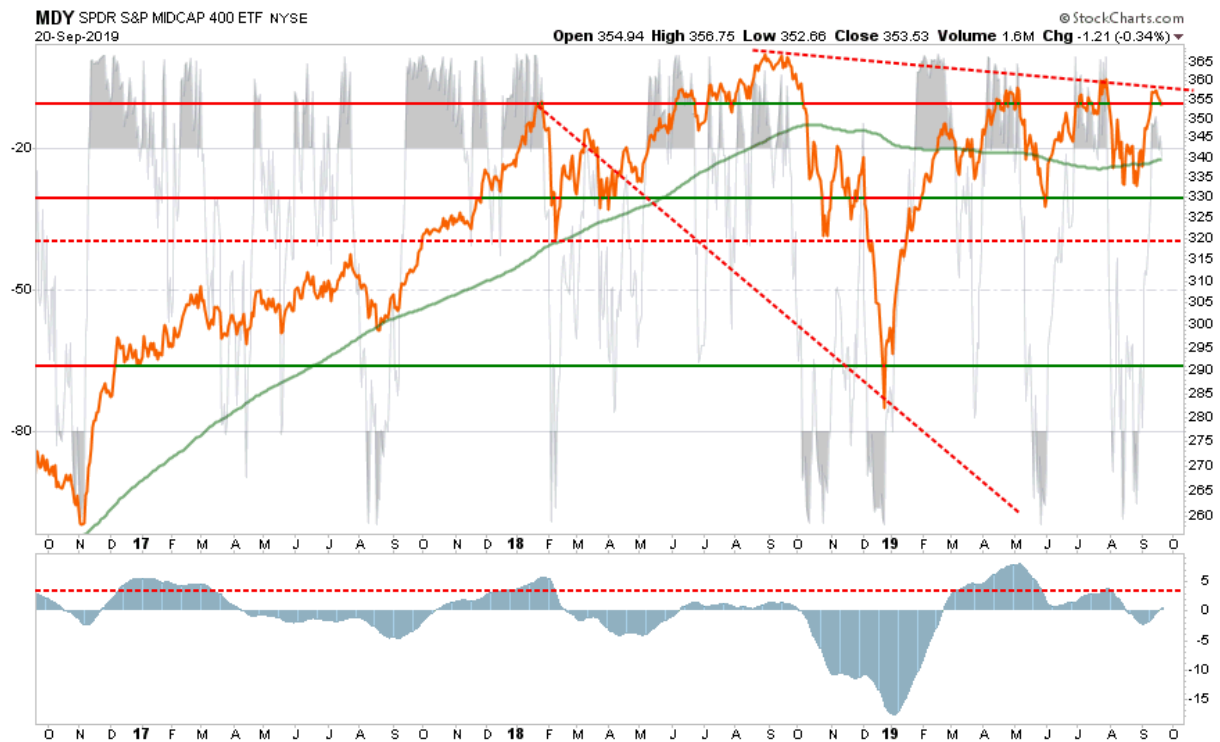
- We noted that QQQ had rallied modestly, but was uninspiring. On Friday, QQQ rallied above short-term resistance putting previous highs into focus.
- Like DIA and SPY, a "Sell signal" has been reversed. But QQQ needs to breakout to new highs as well.
- Short-Term Positioning: Bullish
 - Last Week: Hold position
 - This Week: Hold position
 - Stop-loss moved up to \$175
- Long-Term Positioning: Neutral

S&P 600 Index (Small-Cap)



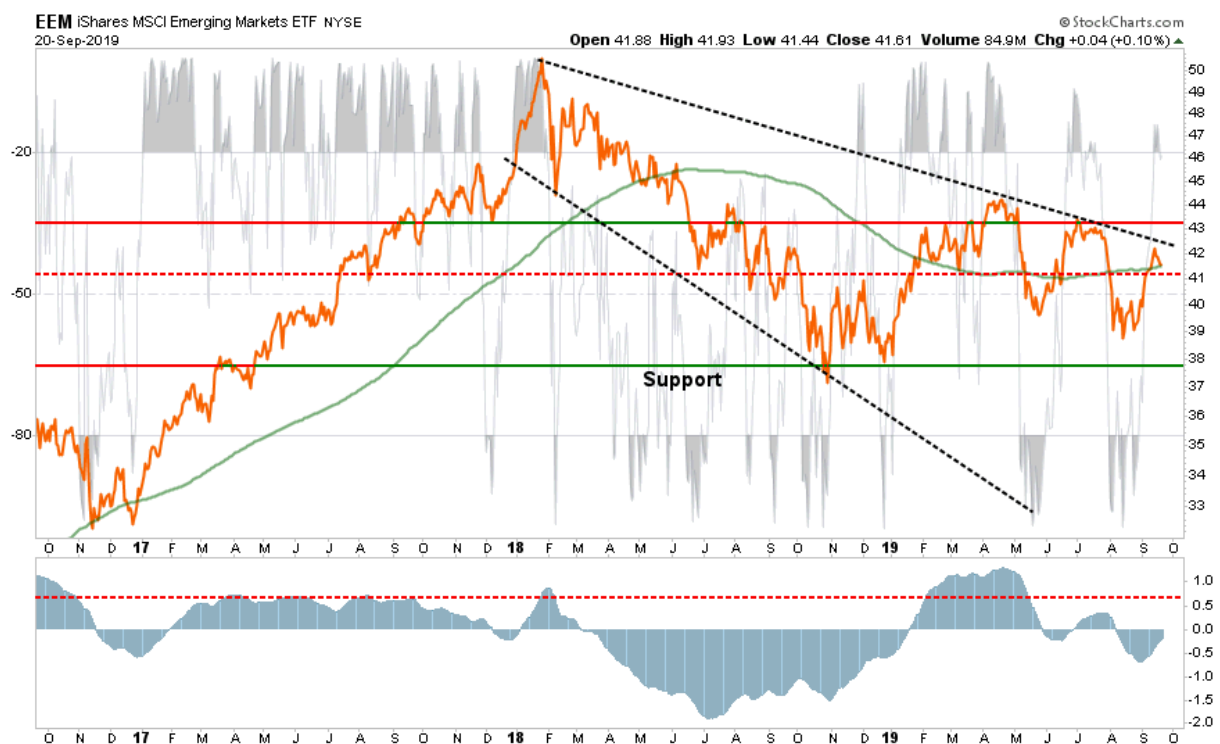
- The sell signal has reversed to a buy with the strong rally last week.
- With SLY back to extreme overbought, and below previous resistance, and in a negative trend, this looks like a better selling opportunity rather than a buy.
- However, as we have repeatedly stated, there are a lot of things going 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)



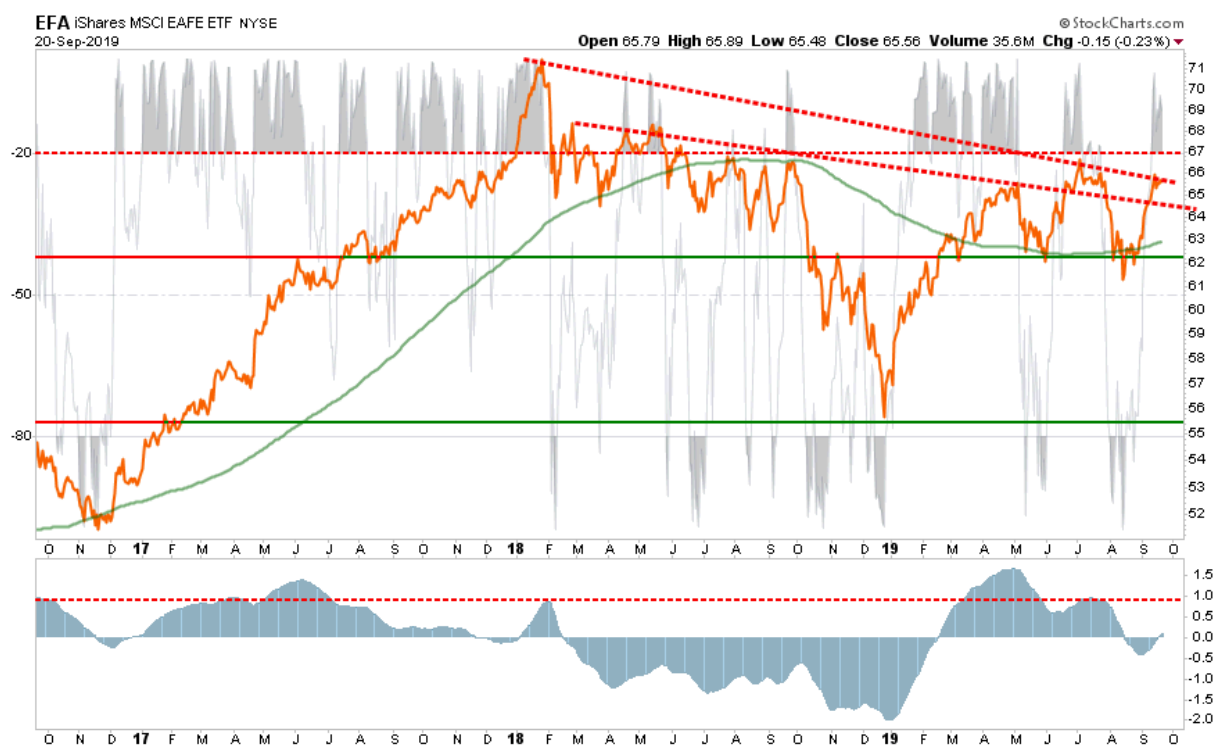
- MDY, like SLY, is technically not in great shape, but did manage to rally last week to the top of the downtrend line.
- MDY has now registered a short-term "buy" signal, but needs to be confirmed by a break above resistance.
- Short-Term Positioning: Neutral
 - Last Week: No holding
 - This Week: No holding
- Long-Term Positioning: Bearish

Emerging Markets



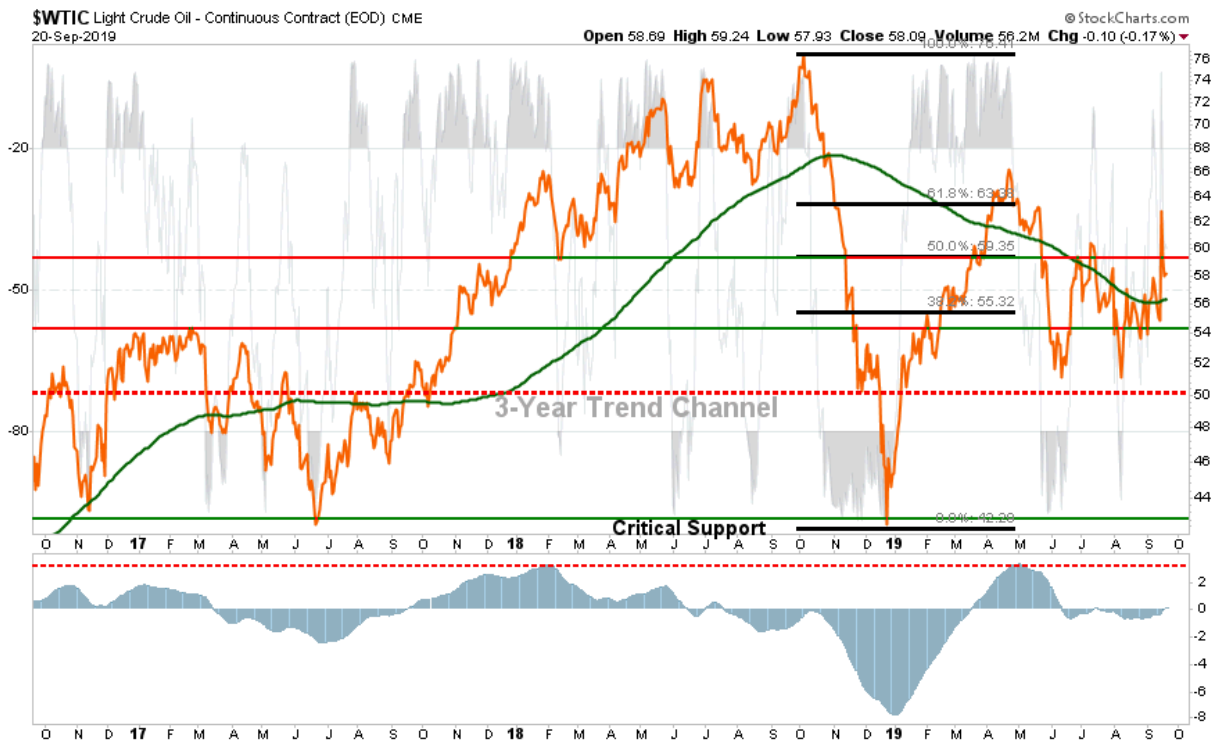
- *EEM continues to underperform. The sector did rally previously on hopes of a trade resolution, and the ECB cutting rates, but that rally is simply another rally in a long-term downtrend.*
- *A sell signal has been triggered as well, but is trying to reverse. EEM needs to move above the downtrend line to become of interest again.*
- *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 buy signal, so a rally above the downtrend line will be needed to establish 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)



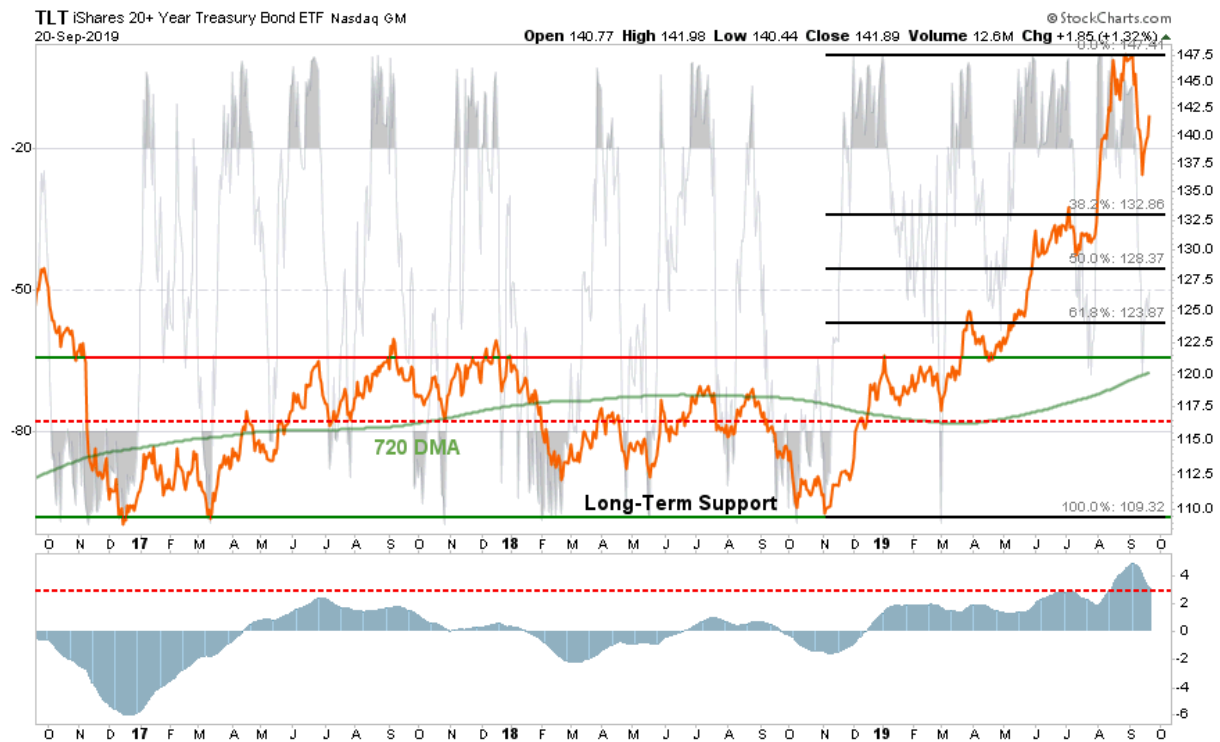
- Last week, I wrote:
 - "Oil continues to languish and remains on a sell signal currently. This doesn't really bode well for either economic growth, or energy stocks near-term."
- Then on Monday, oil spiked with the explosions in Saudi Arabia over concerns of supply disruptions. Unfortunately, the rally failed to stick and oil traded back down below important resistance.
- While energy stocks did rally last week, that rally has also begun to fade with oil prices.
- More importantly, oil was unable to break out of its downtrend and continues a failure at the 200-dma, which is trending lower, will be an important sell signal.
- Oil is overbought 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 previously, and will continue to add to any correction down to our support levels at \$132-134.
- Gold turned up a bit last week following the Fed's announcement. We will wait and see if we get a bit more of a correction next week.
- 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 and have reversed a good chunk of the **EXTREME** overbought condition.
- As with GLD, we swapped bond positions this past week selling short-term bonds and swapping into longer duration Treasuries.
- We are very close to further increasing our exposure to bonds as well. We will update our holdings next week.
- 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.
- As noted last week, with the dollar overbought look for a pullback in the dollar to \$97 which will provide a decent entry point for long-dollar trades. That correction is in progress and our target is close by.
- 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.