Sub-Sector Buy/Sell Review: 11-07-19

Each week we produce a chart book of the S&P 500 sectors to review where money is flowing within the market as whole. This helps refine not only decision making about what to own and when, but what sectors to overweight or underweight to achieve better performance.

We are now adding a NEW REPORT looking at some of the SUB-SECTORS of the major S&P 500 sectors. This new report is from reader requests asking about specific sectors like Biotech, Oil Services, etc.

Each week will highly 8 of these sub-sectors which have caught our attention either for an investment, trade or sell.

HOW TO READ THE CHARTS

There are three primary components to each chart:

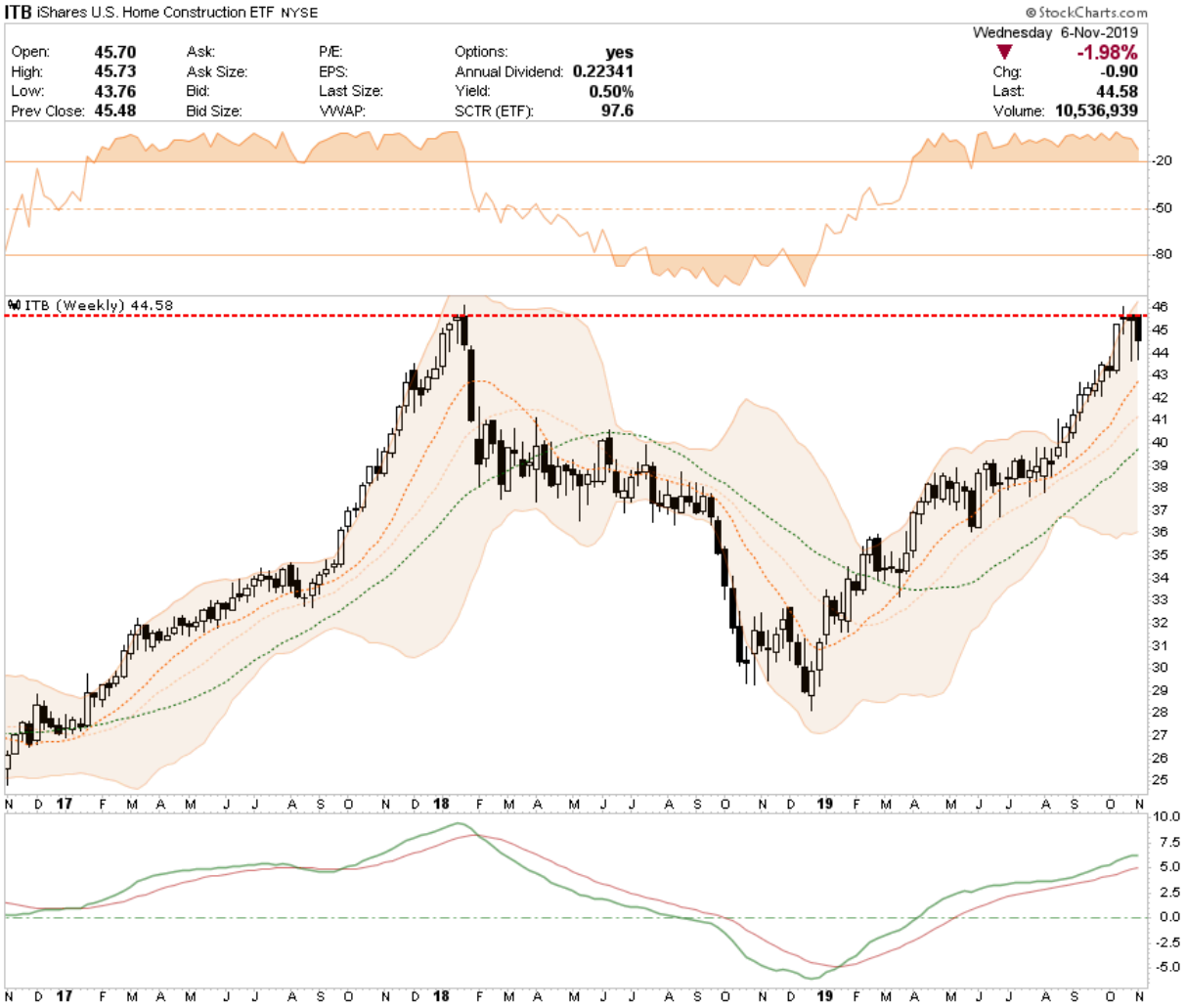
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.



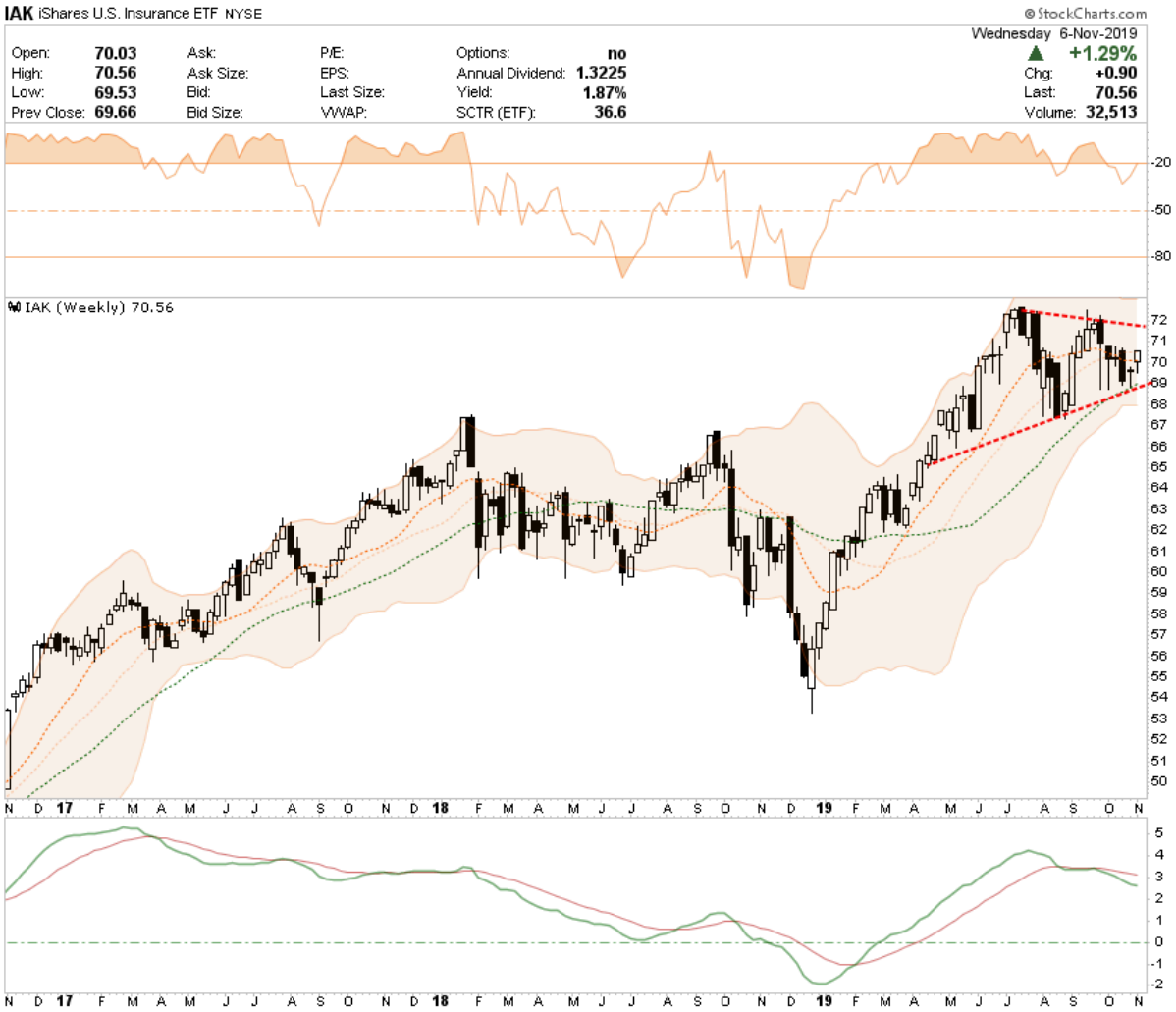
With this basic tutorial let's get to the sector analysis.

ITB - iShares - US Home Construction



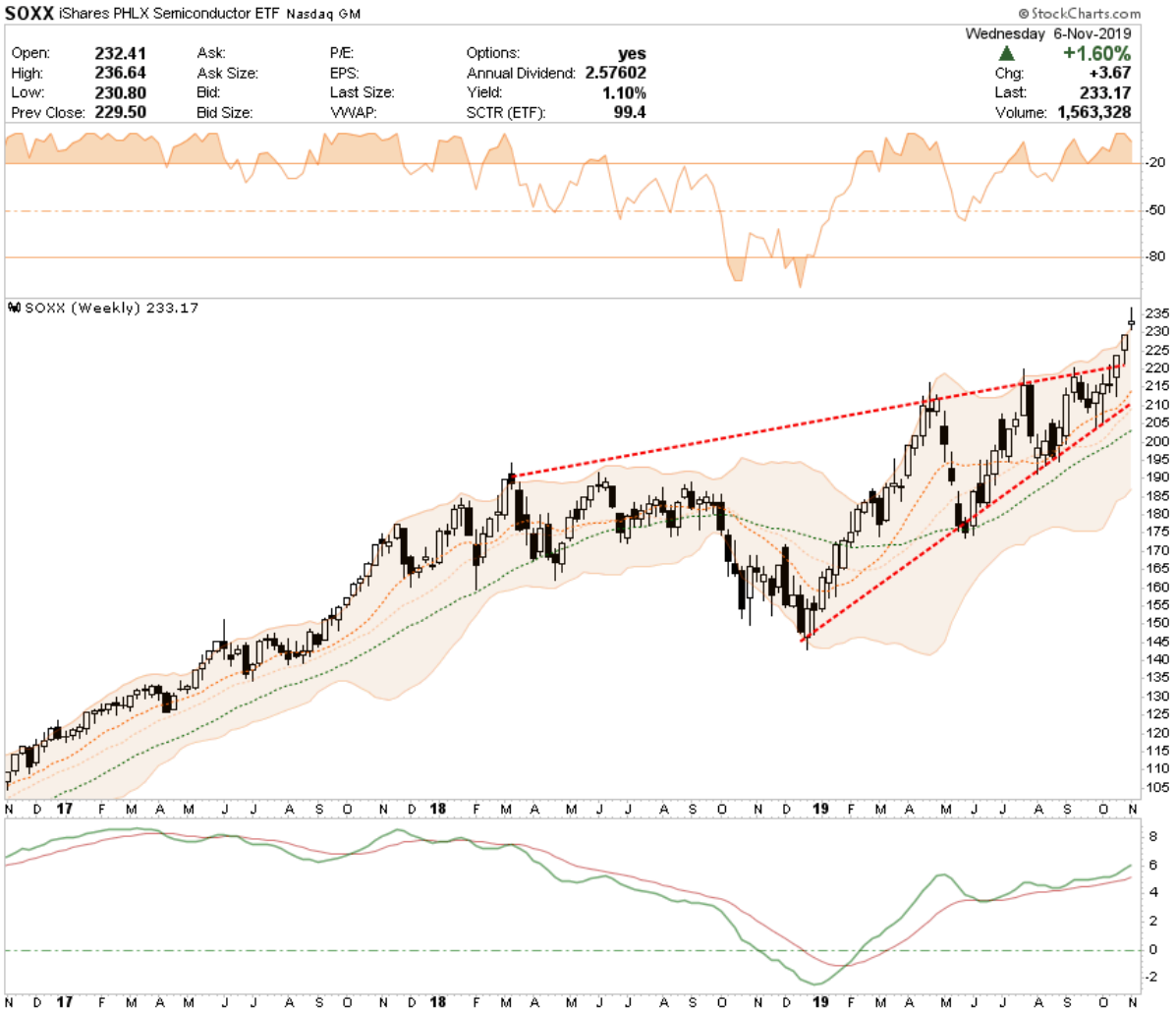
- *Home builders are extremely far ahead of the underlying fundamentals. However, the price rise over the last year has been breathtaking nonetheless.*
- *If ITB is going to continue its advance it needs to break out to all-time highs.*
- *While it is currently on a buy signal, it is "crazy" overbought on many levels.*
- *I would NOT try to initiate a position until either there is a confirmed breakout or a pullback.*
- *My hunch is this will likely be a better "short" opportunity in the not so distant future.*
- *Short-Term Positioning: Neutral*
- *Stop-loss on open holdings at $43*
- *Long-Term Positioning: Bearish*

IAK - iShares US Insurance



- *IAK has been consolidation over the last several months near highs.*
- *Currently on a "sell signal," look for a reversal for a potential entry opportunity.*
- *Ideally some more consolidation that works off the short-term overbought condition would be best.*
- *Short-Term Positioning: Neutral*
    - *Stop set at $68*
- *Long-Term Positioning: Neutral*

SOXX - iShares Semiconductor Index



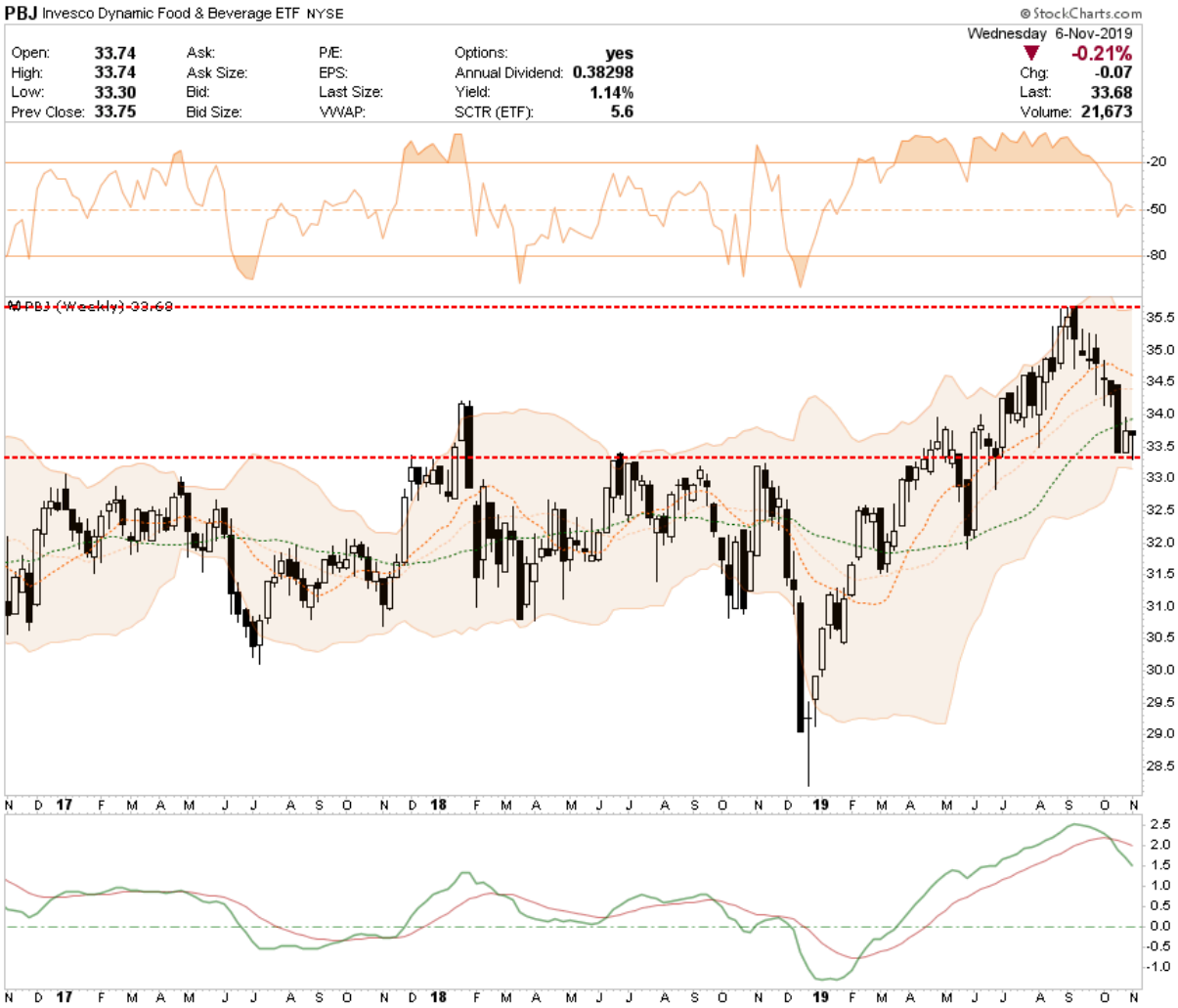
- *SOXX has had very good performance this year despite ongoing trade wars and concerns about inventory problems.*
- *The "buy signal" is intact with SOXX breaking out of its consolidation a few days ago. This sets the sector up for higher highs as the Government extends licenses to sell products to Huawei.*
- *There is "value" in the sector, why we recently added MU to our portfolios, but there is no need to rush into a position just yet. Look for a bit of a pullback or consolidation to take on a position.*
- *Short-Term Positioning: Bullish*
    - *Stop set at $210*
- *Long-Term Positioning: Bullish*

IBB - iShares Biotechnology



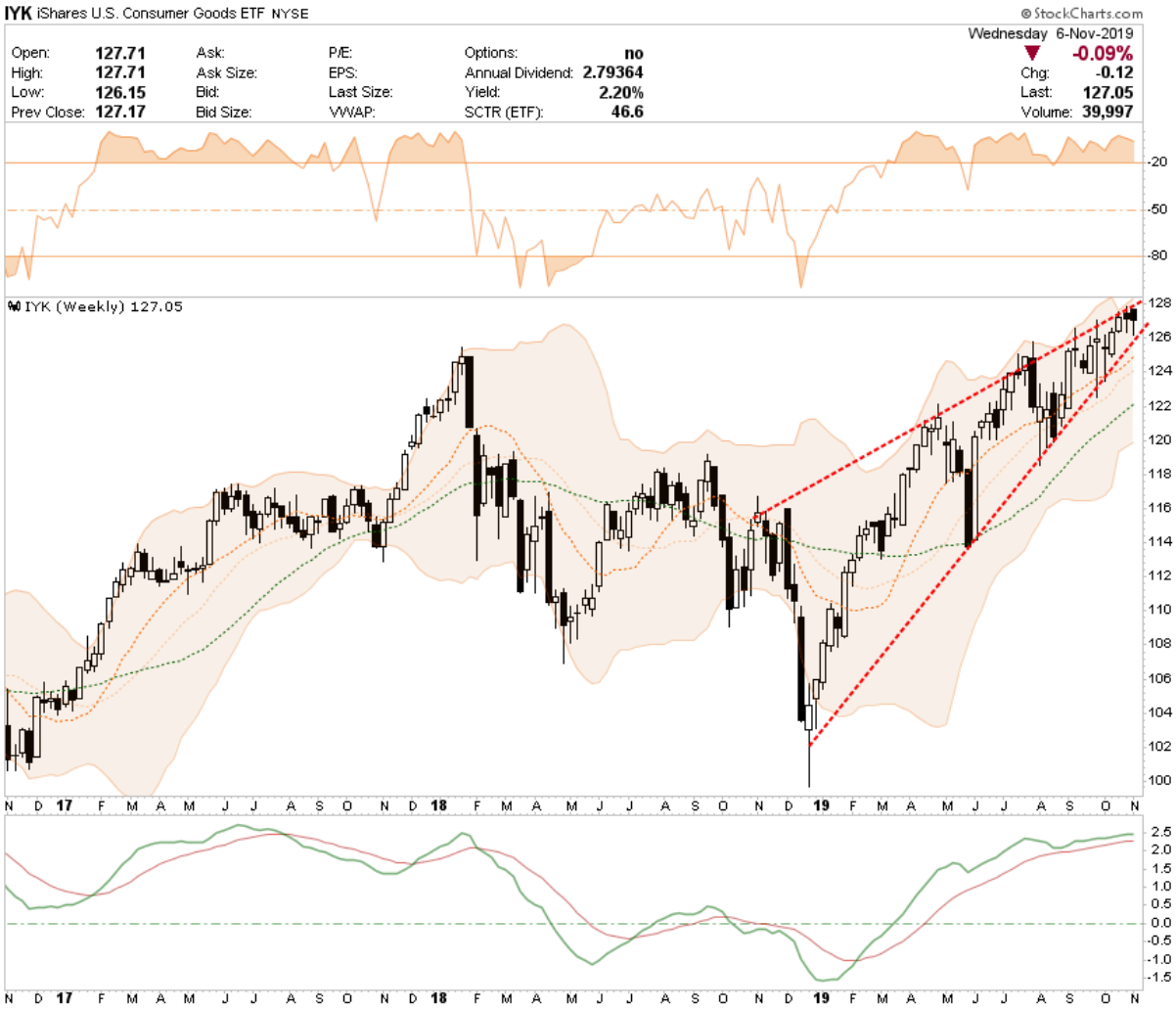
- *IBB has finally broken above the downtrend AND has triggered a "buy signal."*
- *The sector is not extremely overbought, which gives some decent upside to the sector.*
- *Look for a break above resistance at $110 to add a position.*
- *Short-Term Positioning: Bullish*
    - *Stop-loss after purchases $104.00*
- *Long-Term Positioning: Neutral*

PBJ - iShares Food & Beverage



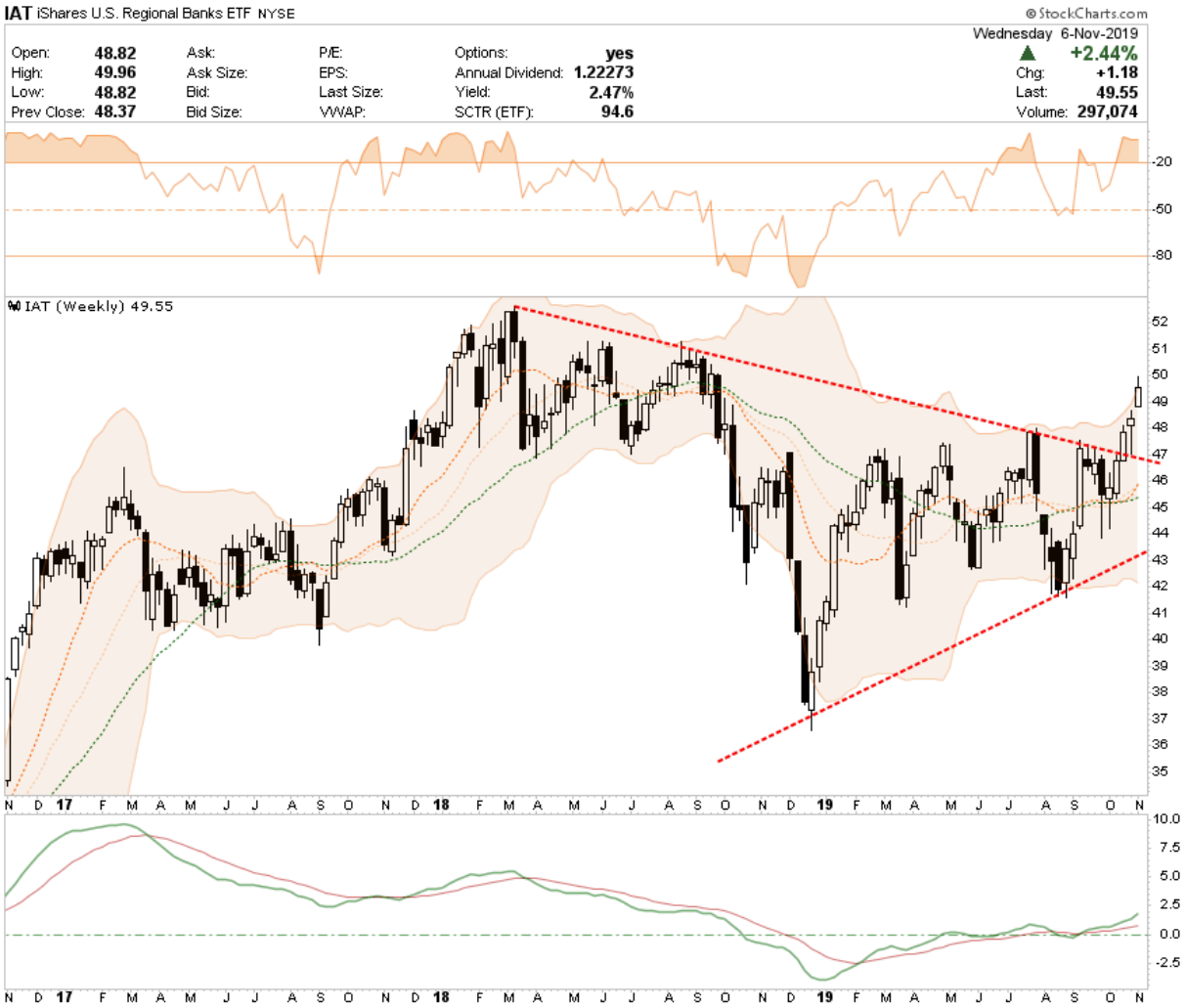
- PBJ had a terrific advance earlier this year but the rotation from "defense" to "offense" has taken hold. *(This is why we sold MDLZ and YUM in our portfolios.)*
- *Currently on a "sell signal" the sector is in full correction mode and is NOT grossly oversold yet.*
- *We recommend reducing or eliminating holdings if long for now and look for a better entry point later.*
- *Short-Term Positioning: Bearish*
    - *Stop-loss set at $33.50*
- *Long-Term Positioning: Neutral*

IYK - iShares Consumer Goods



- *Consumer goods have continued to perform well so far, but are in a very tight trading range.*
- *A break to the downside will likely be very sharp so we suggest taking profits if you are long the sector.*
- *The sector is grossly overbought on multiple levels so be patient adding exposure to portfolios.*
- *Short-Term Positioning: Neutral*
    - *Stop-loss set at $125*
    - *Long-Term Positioning: Neutral*

IAT - iShares Regional Banks



- *With the Fed back in QE mode, it isn't surprising to see regional banks pick up a bit.*
- *The breakout of consolidation is encouraging but with the sector very overbought look for a bit of a pullback to add exposure.*
- *A buy signal is in place which supports the idea of a further advance given the right entry point.*
- *Short-Term Positioning: Bullish*
    - *Stop-loss set at $46*
    - *Long-Term Positioning: Bullish*

IEZ - iShares Oil & Equipment Services



- *We recently added to our holdings of XOM in the Equity Portfolio because the sector is very beaten up.*
- *IEZ has been deeply routed and is extremely oversold. With the "sell signal" set to trigger, a break above $18 should provide a tradeable opportunity short-term.*
- *The risk reward for a trade is not bad with an entry at $18 and a stop at $16*
- *Wait for a confirmed buy signal and break above the trendline before buying.*
- *Short-Term Positioning: Bearish / Trading Opportunity*
    - *Stop-loss after entry set at $16*
- *Long-Term Positioning: Bearish*