

Sector Buy/Sell Review: 02-11-20

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.

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.

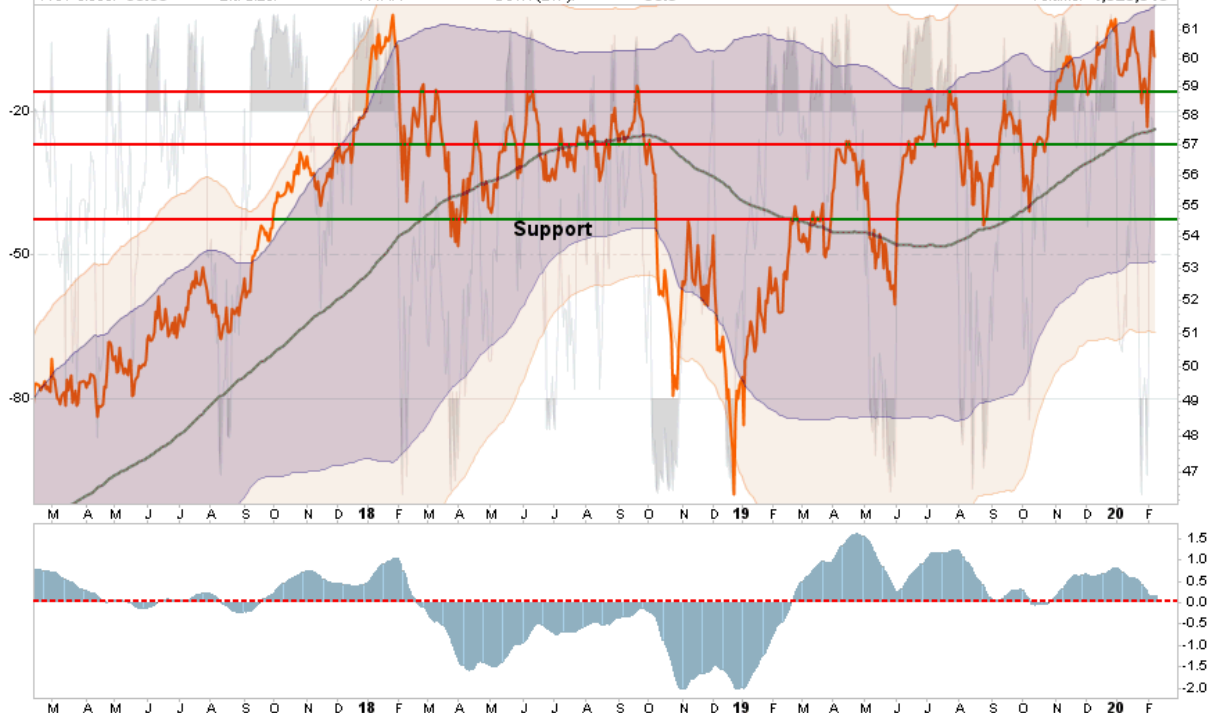


With this basic tutorial let's get to the sector analysis.

Basic Materials

Open: **60.00** Ask: P/E: Options: **yes**
 High: **60.22** Ask Size: EPS: Annual Dividend: **1.21337**
 Low: **59.87** Bid: Last Size: Yield: **2.02%**
 Prev Close: **60.09** Bid Size: VWAP: SCTR (ETF): **36.3**

Monday 10-Feb-2020
 ▼ **-0.05%**
 Chg: **-0.03**
 Last: **60.06**
 Volume: **4,525,510**

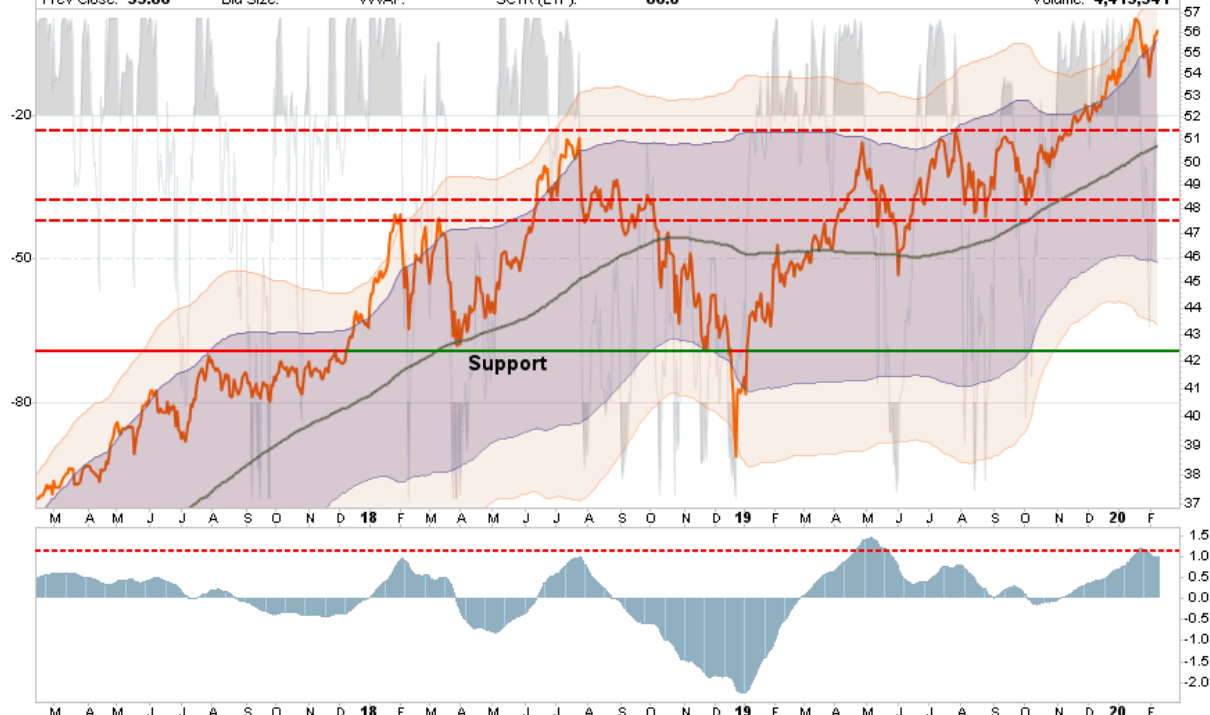


- XLB rallied back into resistance on Friday and failed on Monday once again. There is the beginning of downtrend channel forming which needs to be reversed if Materials are going to rally further. However, the risk of the virus to the global supply chain makes Materials tricky.
- The sector has gotten back to short-term overbought, but a sell signal is close to being triggered.
- We currently hold 1/2 a position and until we get a better handle on the "coronavirus" impact we are going to maintain a reduced exposure for now.
- Short-Term Positioning: Neutral
 - Last Week: Hold current positions with a tighter stop-loss.
 - This Week: Hold current positions with a tighter stop-loss.
 - Stop-loss moved back to \$57 to allow for entry.
- Long-Term Positioning: Neutral

Communications

Open: **55.73** Ask: P/E: Options: **yes**
 High: **56.20** Ask Size: EPS: Annual Dividend: **0.43727**
 Low: **55.69** Bid: Last Size: Yield: **0.78%**
 Prev Close: **55.86** Bid Size: VWAP: SCTR (ETF): **86.0**

Monday 10-Feb-2020
 ▲ **+0.59%**
 Chg: **+0.33**
 Last: **56.19**
 Volume: **4,415,341**

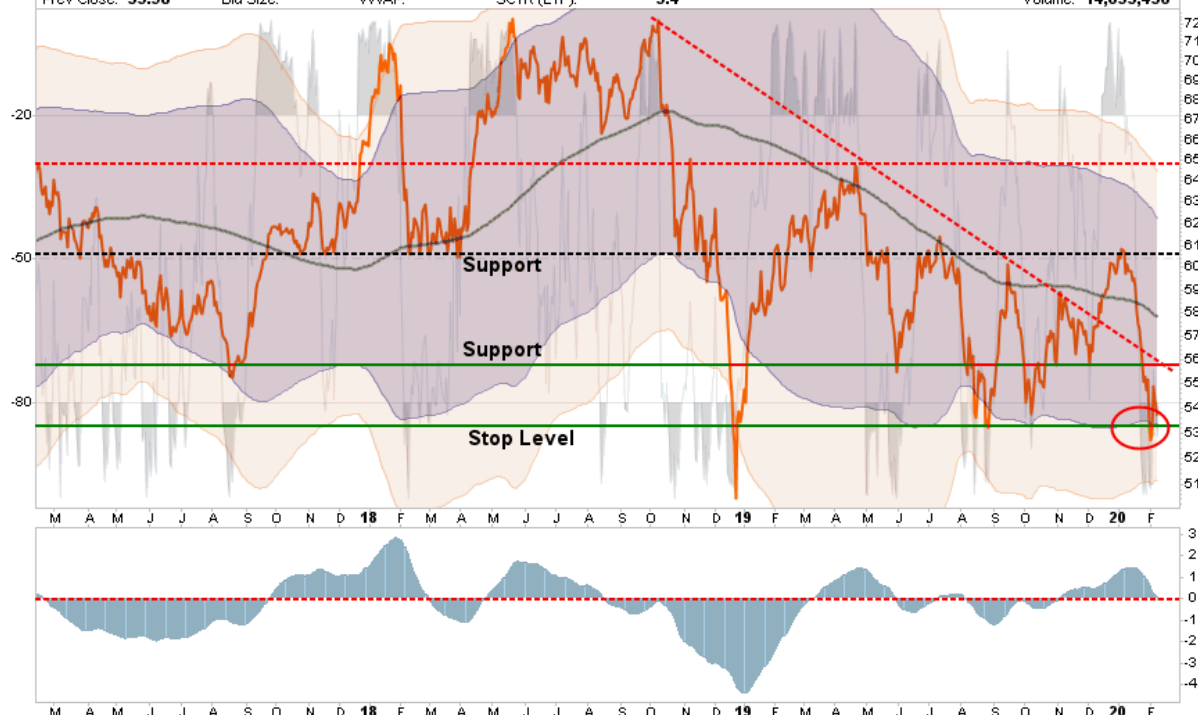


- We previously reduced our allocations slightly to the sector due to the rather extreme extension. The recent correction, and reversal, were not enough to allow us a decent entry point to add back to our holdings.
- With a "buy signal" in place, but extended, there is more correction likely. This is particularly the case since XLC has not reversed its extreme overbought condition as of yet. XLC must hold support at \$50.
- XLC is currently 2/3rds weight in our portfolios.
- Short-Term Positioning: Bullish
 - Last Week: Reduced weighting in portfolio.
 - This Week: Hold positions.
 - Stop adjusted to \$50
- Long-Term Positioning: Neutral

Energy

Open: **53.70** Ask: P/E: Options: **yes**
 High: **53.83** Ask Size: EPS: Annual Dividend: **2.24387**
 Low: **53.38** Bid: Last Size: Yield: **4.18%**
 Prev Close: **53.98** Bid Size: VWAP: SCTR (ETF): **3.4**

Monday 10-Feb-2020
 ▼ **-0.50%**
 Chg: **-0.27**
 Last: **53.71**
 Volume: **14,635,450**



- *Energy has failed at all levels.*
- *We have been trying to add XLE to our portfolios but XLE broke back below the 200-dma, the downtrend line, and now sits at the last level of support and the stop level.*
- *With the buy signal close to reversing, but with the sector very oversold. a short-term bounce is likely. Use that bounce to sell into for now.*
- *We had noted previously, we were remaining cautious as rallies had repeatedly failed in the past. And, as expected, it happened again.*
- *Short-Term Positioning: Bearish*
 - *Last week: Hold positions*
 - *This week: Sell into rally.*
 - *No position currently*
- *Long-Term Positioning: Bearish*

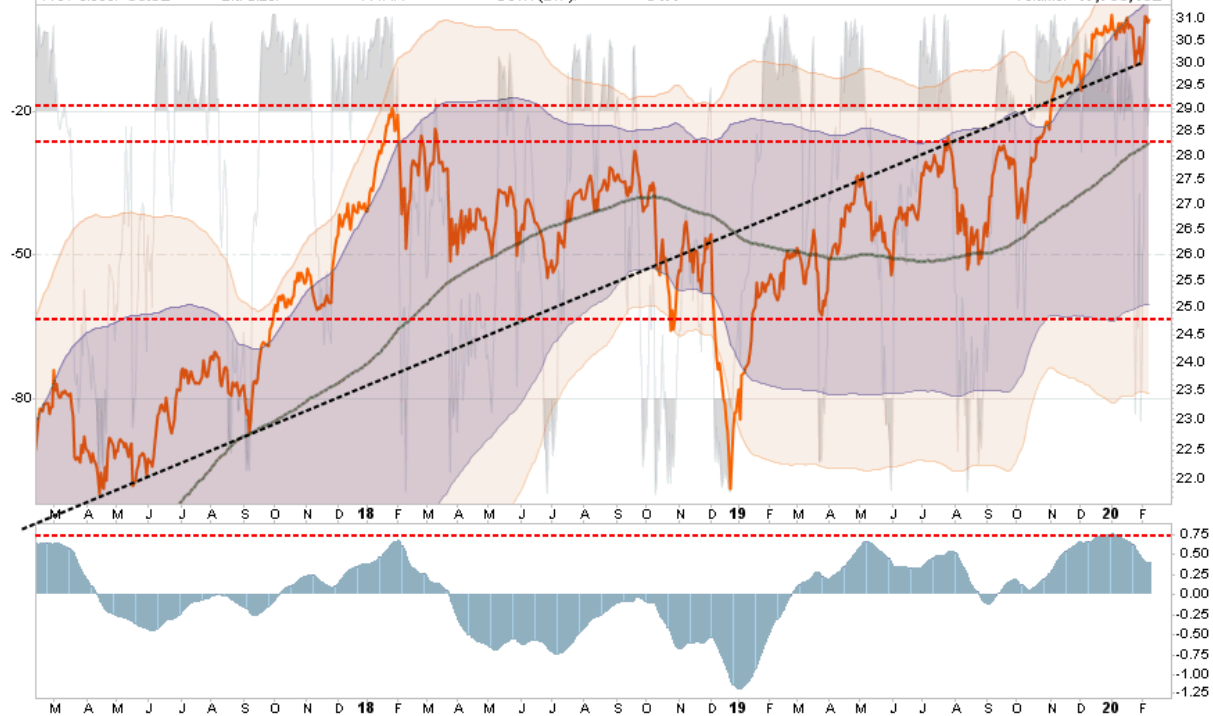
Financials

XLF Financial Select Sector SPDR Fund NYSE

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Open: **30.82** Ask: P/E: Options: **yes**
 High: **31.01** Ask Size: EPS: Annual Dividend: **0.57469**
 Low: **30.81** Bid: Last Size: Yield: **1.85%**
 Prev Close: **30.92** Bid Size: VWAP: SCTR (ETF): **84.4**

Monday 10-Feb-2020
 ▲ **+0.29%**
 Chg: **+0.09**
 Last: **31.01**
 Volume: **17,700,102**



- As noted previously, XLF was extremely extended above the 200-dma which put the sector at risk of a more severe correction.
- The buy signal is correcting but remains a bit extended along but the sector is now approaching oversold.
- XLF successfully tested the bullish trend line, which give us an opportunity to add 1/2 position to our portfolio.
- Short-Term Positioning: Bullish
 - Last week: Hold for now.
 - This week: Added 1/2 Position.
 - Stop-loss adjusted to \$28
- Long-Term Positioning: Neutral

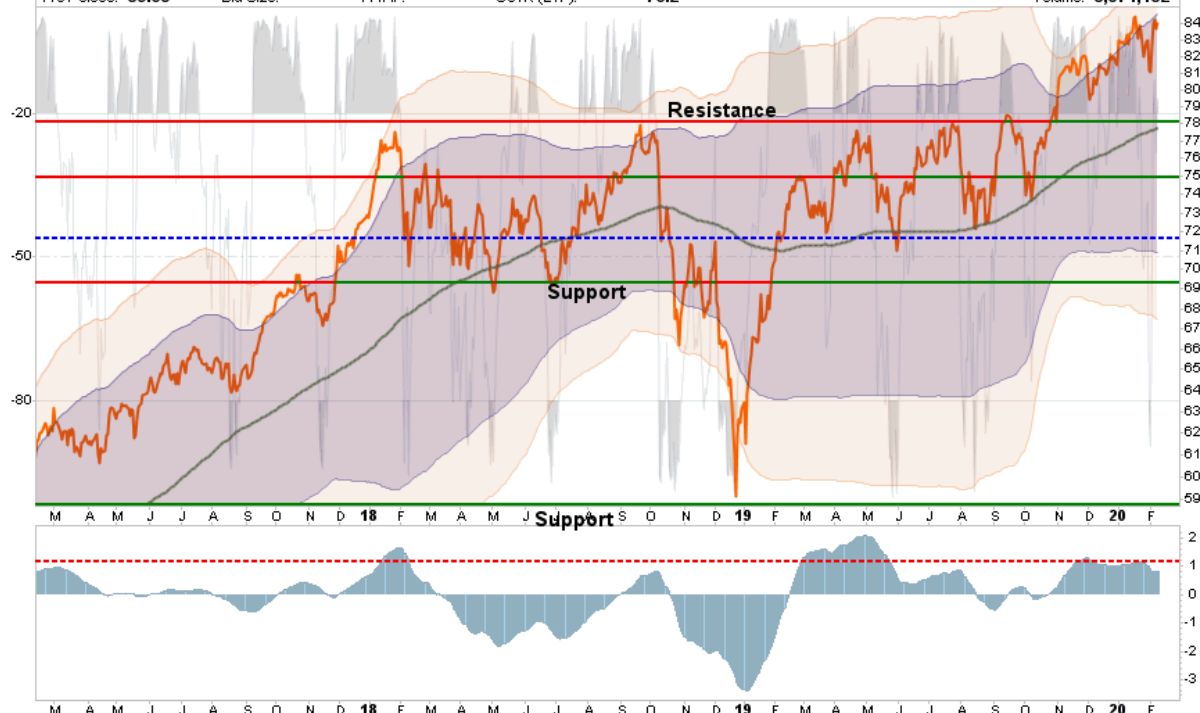
Industrials

XLI Industrial Select Sector SPDR Fund NYSE

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Open: 83.52	Ask:	P/E:	Options: yes
High: 84.14	Ask Size:	EPS:	Annual Dividend: 1.58305
Low: 83.42	Bid:	Last Size:	Yield: 1.88%
Prev Close: 83.65	Bid Size:	VWAP:	SCTR (ETF): 76.2

Monday 10-Feb-2020
 ▲ **+0.56%**
 Chg: **+0.47**
 Last: **84.12**
 Volume: **8,074,182**

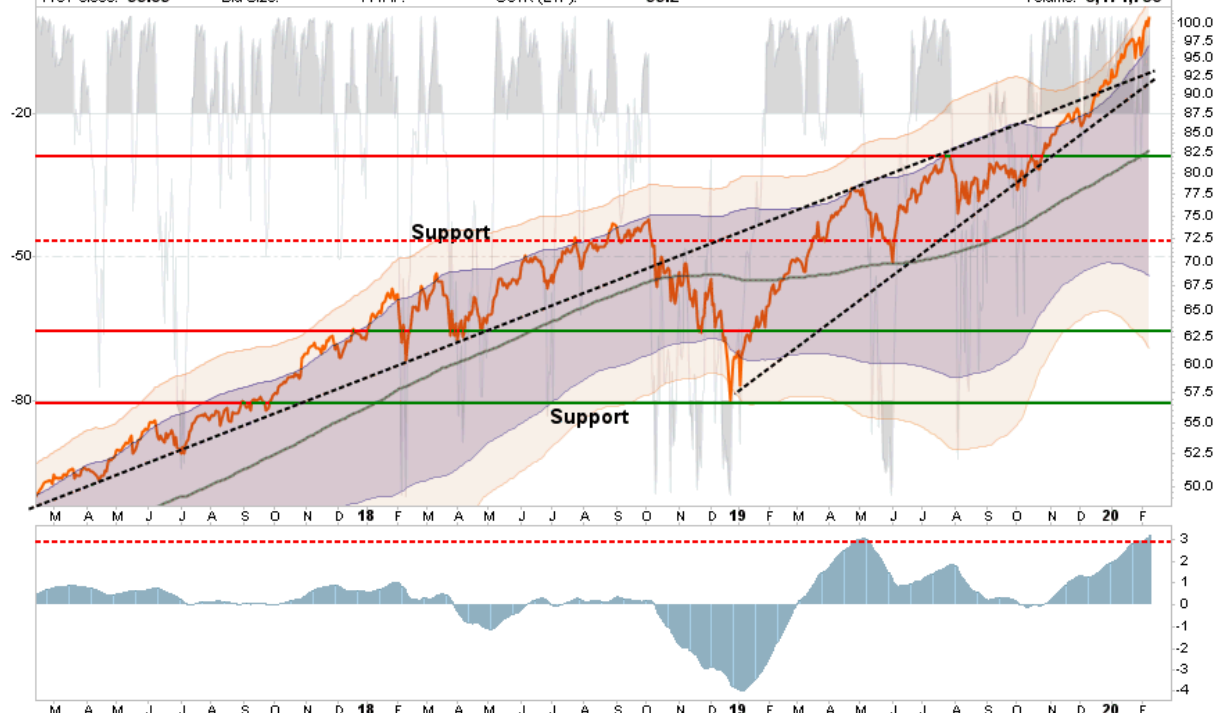


- *XLI remains exceedingly overbought short-term and the "buy signal" remains very extended as well. No rush chasing the sector currently. Also, there is a good risk the "coronavirus" will have a direct impact on the global supply chains of industrial companies.*
- *We are holding reduced position weightings until we can assess the impact of the virus on the sector.*
- *We have adjusted our stop-loss for the remaining position.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold 1/2 position*
 - *This week: Hold 1/2 position.*
 - *Stop-loss adjusted to \$77*
- *Long-Term Positioning: Neutral*

Technology

Open: **99.11** Ask: P/E: Options: **yes**
 High: **101.06** Ask Size: EPS: Annual Dividend: **1.05906**
 Low: **99.09** Bid: Last Size: Yield: **1.05%**
 Prev Close: **99.69** Bid Size: VWAP: SCTR (ETF): **99.2**

Monday 10-Feb-2020
 ▲ **+1.35%**
 Chg: **+1.35**
 Last: **101.04**
 Volume: **8,171,756**



- *XLK had only a SLIGHT correction and rocketed off to nearly 4-standard deviations above the 200-dma. Currently, just 5-stocks make up 20% of the index which is what is driving the index higher.*
- *We reduced our position in XLK from overweight to target portfolio weight due to the extreme extension and noted a correction is coming. That is still the case currently.*
- *The bullish trend line is the first level of support XLK needs to hold while reversing the overbought condition. A failure at that support is going to bring the 200-dma into focus.*
- *Be careful chasing the sector currently. Take profits and rebalance risks accordingly.*
- *Short-Term Positioning: Bullish*
 - *Last week: Reduce Overweight to Target Weight*
 - *This week: Rebalance To Target Weights*
 - *Stop-loss adjusted to \$80*
 - *Long-Term Positioning: Neutral*

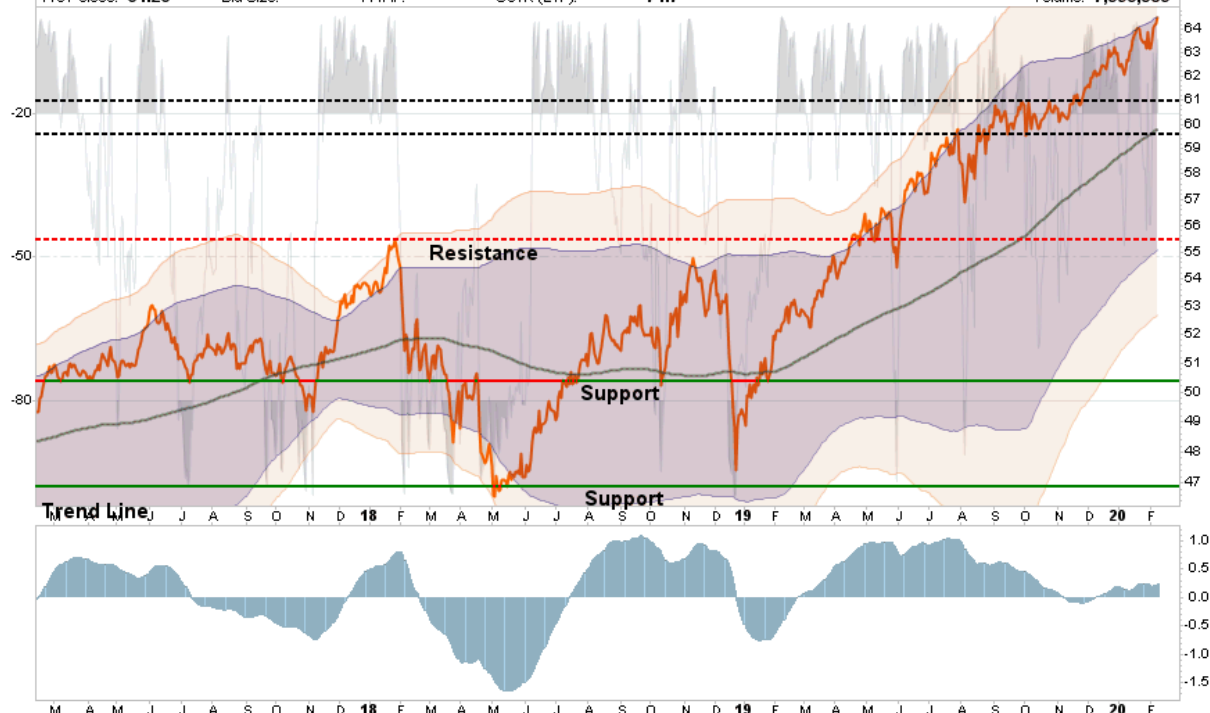
Staples

XLP Consumer Staples Select Sector SPDR Fund NYSE

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Open: **64.29** Ask: P/E: Options: **yes**
 High: **64.65** Ask Size: EPS: Annual Dividend: **1.61675**
 Low: **64.27** Bid: Last Size: Yield: **2.51%**
 Prev Close: **64.26** Bid Size: VWAP: SCTR (ETF): **74.7**

Monday 10-Feb-2020
 ▲ **+0.42%**
 Chg: **+0.27**
 Last: **64.53**
 Volume: **7,393,583**

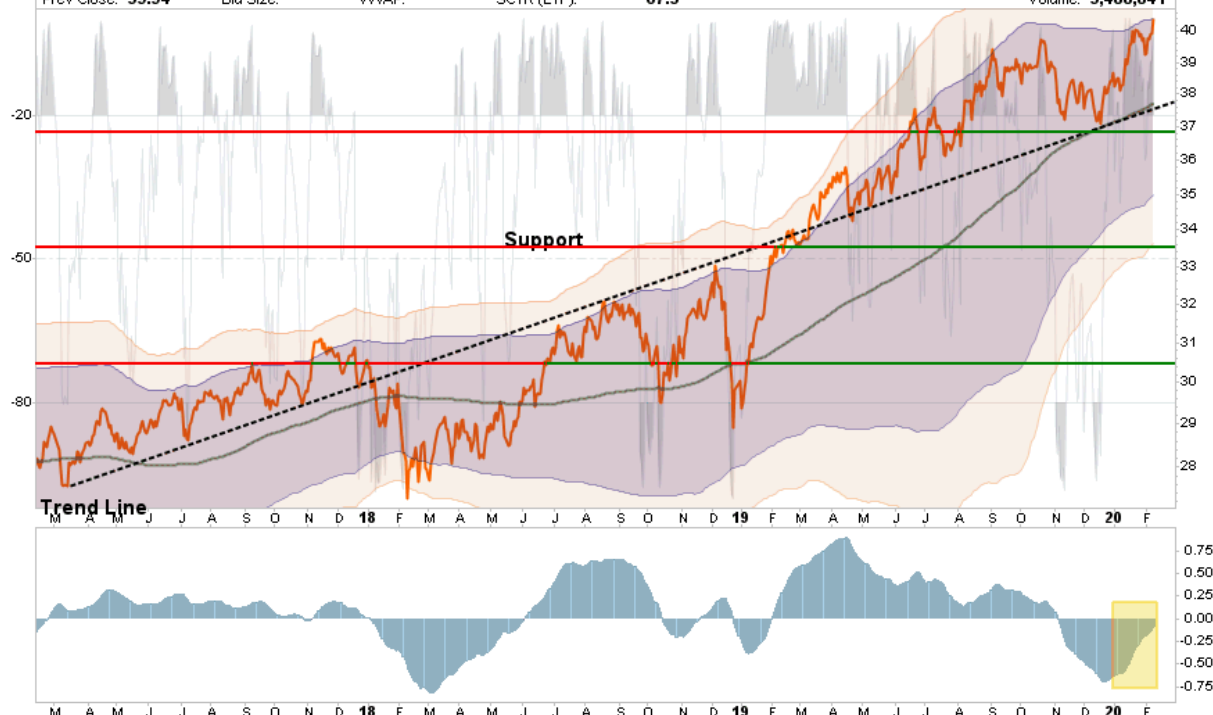


- Defensive sectors continue to perform as interest rates have fallen as money is rotating to risk-off positioning despite the drive of the market higher.
- XLP continues to hold its very strong uptrend and remains close to all-time highs.
- XLP is back to more extreme overbought and extended above the 200-dma, however, the "buy signal" has been registered. Look for pullbacks to support to add weight to portfolios. Maintain a stop at the 200-dma.
- We previously took profits in XLP and reduced our weighting from overweight.
- Short-Term Positioning: Bullish
 - Last week: Hold positions, take profits if needed.
 - This week: Hold positions, take profits if needed.
 - Stop-loss adjusted to \$59
 - Long-Term Positioning: Bullish

Real Estate

Open:	40.07	Ask:		P/E:		Options:	yes
High:	40.42	Ask Size:		EPS:		Annual Dividend:	1.18275
Low:	40.03	Bid:		Last Size:		Yield:	2.93%
Prev Close:	39.94	Bid Size:		VWAP:		SCTR (ETF):	67.5

Monday 10-Feb-2020
 ▲ **+1.15%**
 Chg: **+0.46**
 Last: **40.40**
 Volume: **3,488,841**

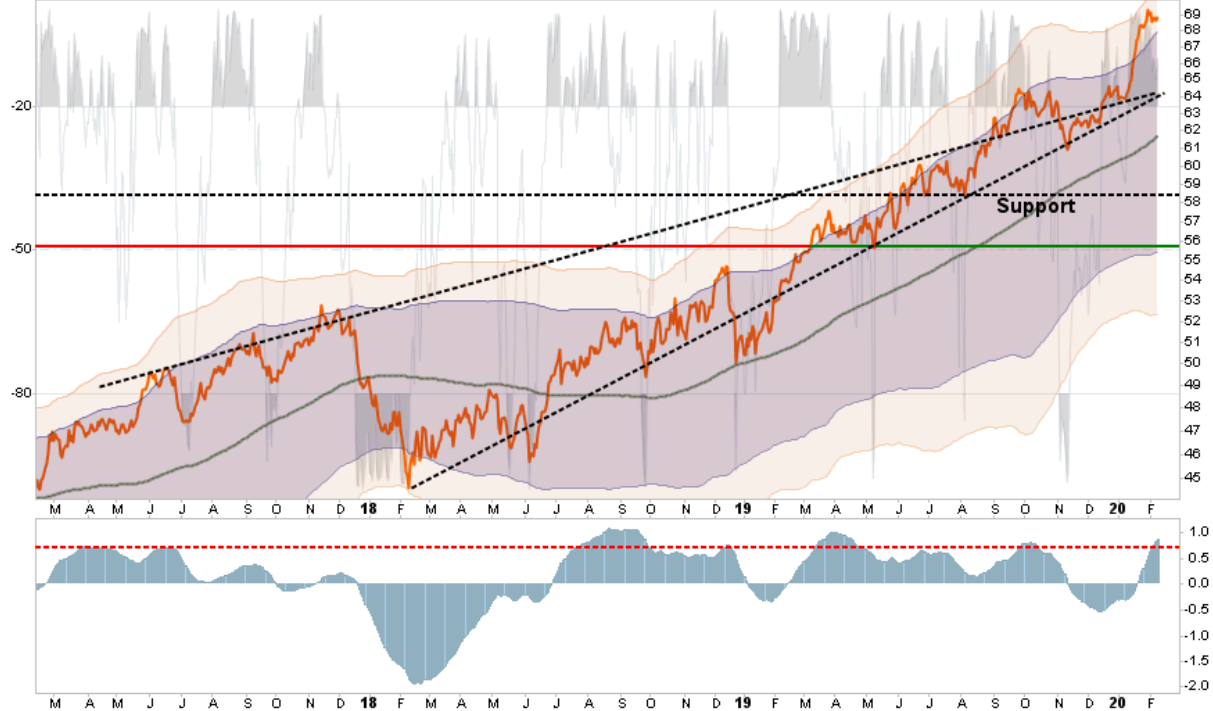


- Last week we noted that XLRE had broken out back to new highs. We took profits recently, and reduced our risk a bit in the position as interest rates are extremely overbought.
- With XLRE very extended short-term, we previously suggested looking for a short-term reversal in interest rates to create an entry point. That has not occurred as of yet, so patience is needed to add exposure accordingly.
- We had previously noted that while we are holding our long-position, trading positions could be added to portfolios. Hold off adding any new positions currently and wait for this correction to complete.
- Short-Term Positioning: Bullish
 - Last week: Hold position.
 - This week: Took profits and reduced weighting slightly.
 - Stop-loss adjusted to \$37.00 for profits.
- Long-Term Positioning: Bullish

Utilities

Open: 68.70	Ask:	P/E:	Options: yes
High: 68.85	Ask Size:	EPS:	Annual Dividend: 1.90898
Low: 68.45	Bid:	Last Size:	Yield: 2.77%
Prev Close: 68.59	Bid Size:	VWAP:	SCTR (ETF): 92.5

Monday 10-Feb-2020

▲ **+0.38%**Chg: **+0.26**Last: **68.85**Volume: **8,139,782**

- XLU, like XLRE, is benefiting from the decline in interest rates. XLU is extremely extended above the 200-dma, and the "buy signal" is now extremely extended as well.
- We took profits in our holdings and will wait for a correction back to support to bring our holdings back to overweight. Such will give us a much better risk/reward entry.
- The long-term trend line remains intact.
- We are currently at 2/3rds weight.
- Short-Term Positioning: Bullish
 - Last week: Hold position.
 - This week: Took profits and reduced weight slightly.
 - Stop-loss adjusted to support at \$64.00
- Long-Term Positioning: Bullish

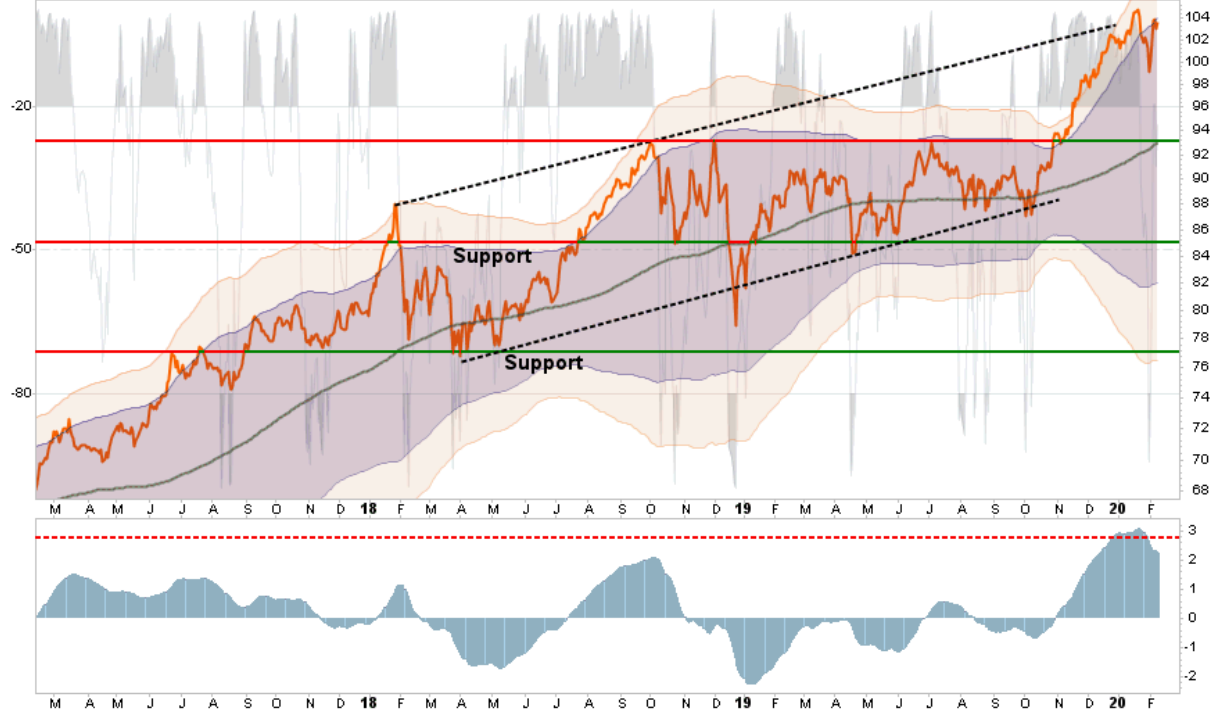
Health Care

XLV Health Care Select Sector SPDR Fund NYSE

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Open: 102.66	Ask:	P/E:	Options: yes
High: 103.59	Ask Size:	EPS:	Annual Dividend: 1.54065
Low: 102.58	Bid:	Last Size:	Yield: 1.49%
Prev Close: 103.04	Bid Size:	VWAP:	SCTR (ETF): 84.3

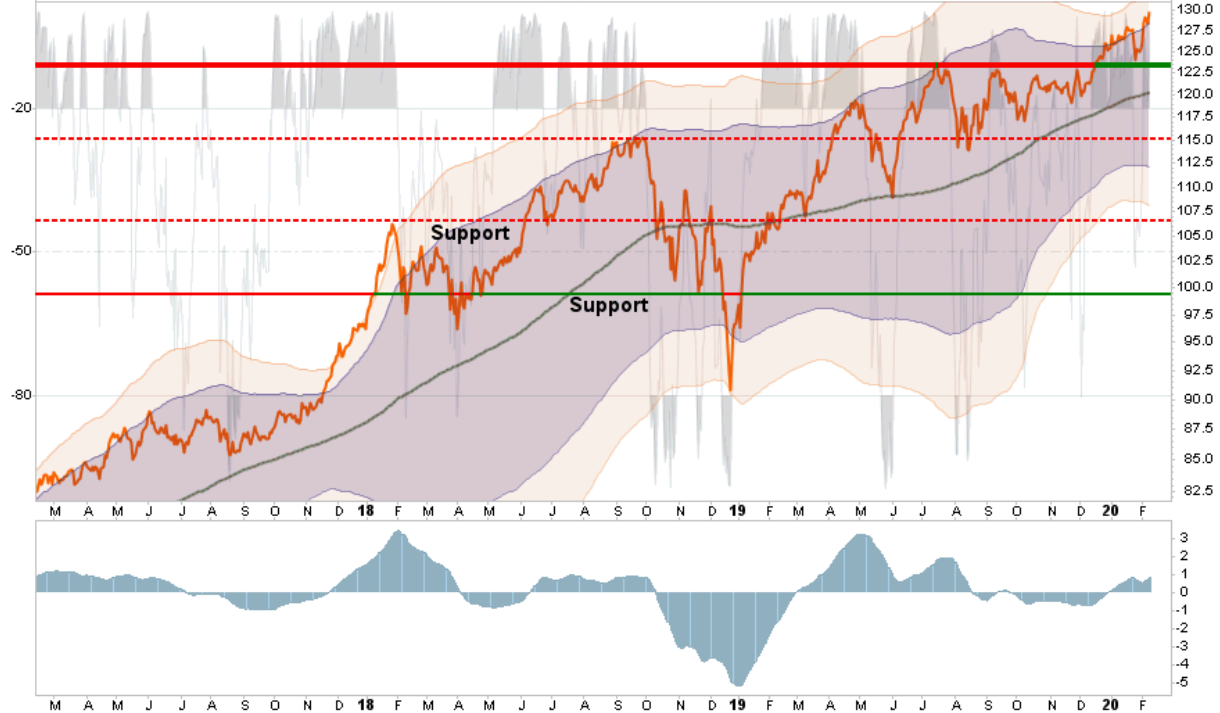
Monday 10-Feb-2020
 ▲ **+0.53%**
 Chg: **+0.55**
 Last: **103.59**
 Volume: **4,010,061**



- *XLV has remained intact and has rallied after a brief correction which we used to add to our current holdings.*
- *The move in Healthcare has started to consolidate and the overextended buy signal has begun to correct. We will look to add to our holdings if support holds and more of the overbought condition is reduced.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Brought holdings back to target weightings.*
 - *Stop-loss adjusted to \$94*
- *Long-Term Positioning: Bullish*

Discretionary

Open: 128.21	Ask:	P/E:	Options: yes	Monday 10-Feb-2020	▲ +1.13%
High: 129.77	Ask Size:	EPS:	Annual Dividend: 1.60343	Chg: +1.45	
Low: 128.21	Bid:	Last Size:	Yield: 1.24%	Last: 129.76	
Prev Close: 128.31	Bid Size:	VWAP:	SCTR (ETF): 78.1	Volume: 2,933,591	



- XLY, due to the impact of AMZN, has pushed into rather extreme extensions from the 200-dma.
- We took profits last week and reduced the position slightly.
- Hold current positions for now, New positions can be added on a pullback to the breakout level that holds and works off the overbought condition.
- A "buy signal" has been triggered which gives the sector support.
- Short-Term Positioning: Neutral
 - Last week: Hold position
 - This week: Hold position
 - Stop-loss adjusted to \$120.
- Long-Term Positioning: Neutral

Transportation

Open: **65.43** Ask: P/E: Options: **no**
 High: **65.66** Ask Size: EPS: Annual Dividend: **0.75315**
 Low: **65.31** Bid: Last Size: Yield: **1.15%**
 Prev Close: **65.62** Bid Size: VWAP: SCTR (ETF): **63.7**

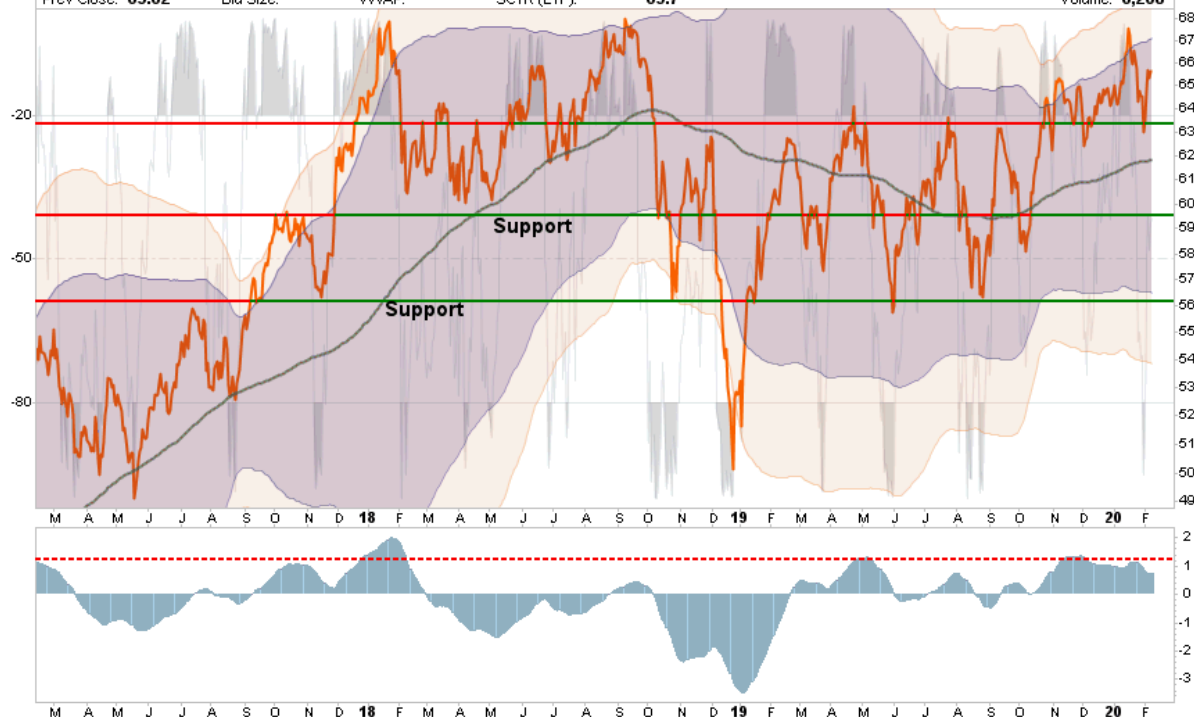
Monday 10-Feb-2020

▲ +0.07%

Chg: +0.04

Last: 65.66

Volume: 6,208



- XTN held its previous breakout level and is consolidating at recent levels.
- We remain out of the economically sensitive sector currently particularly due to the impact of the "coronavirus" which will likely have global supply chain impacts.
- The sector is moving back towards overbought territory short-term but is working off the extended buy signal. Hold adding new positions for the moment, we will likely see another pullback shortly to buy into if needed.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Bearish