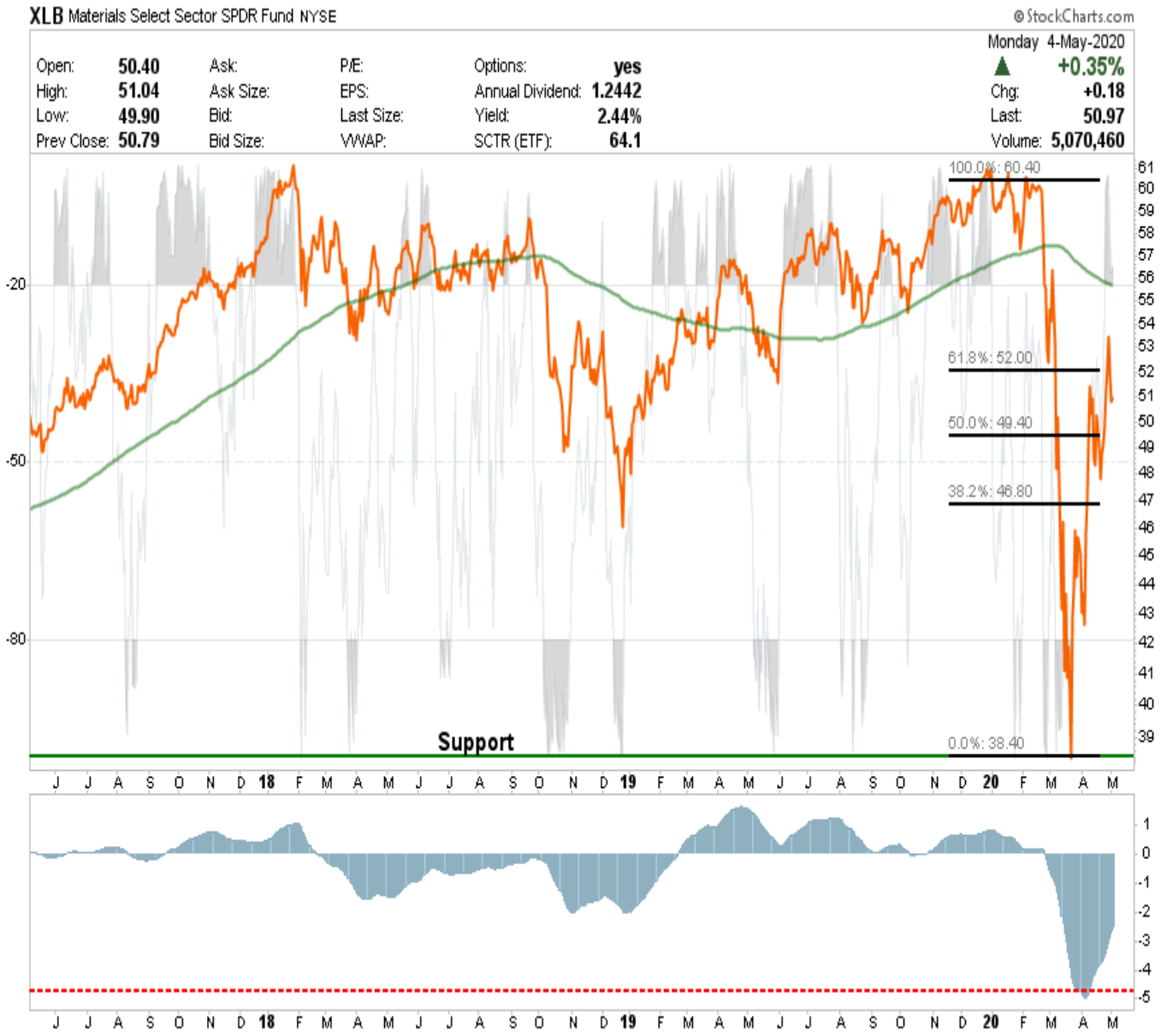
Sector Buy/Sell Review: 05-05-20

Each week we produce a Sector Buy Sell 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 SECTOR BUY/SELL REVIEW CHARTS** There are three primary components to each chart:

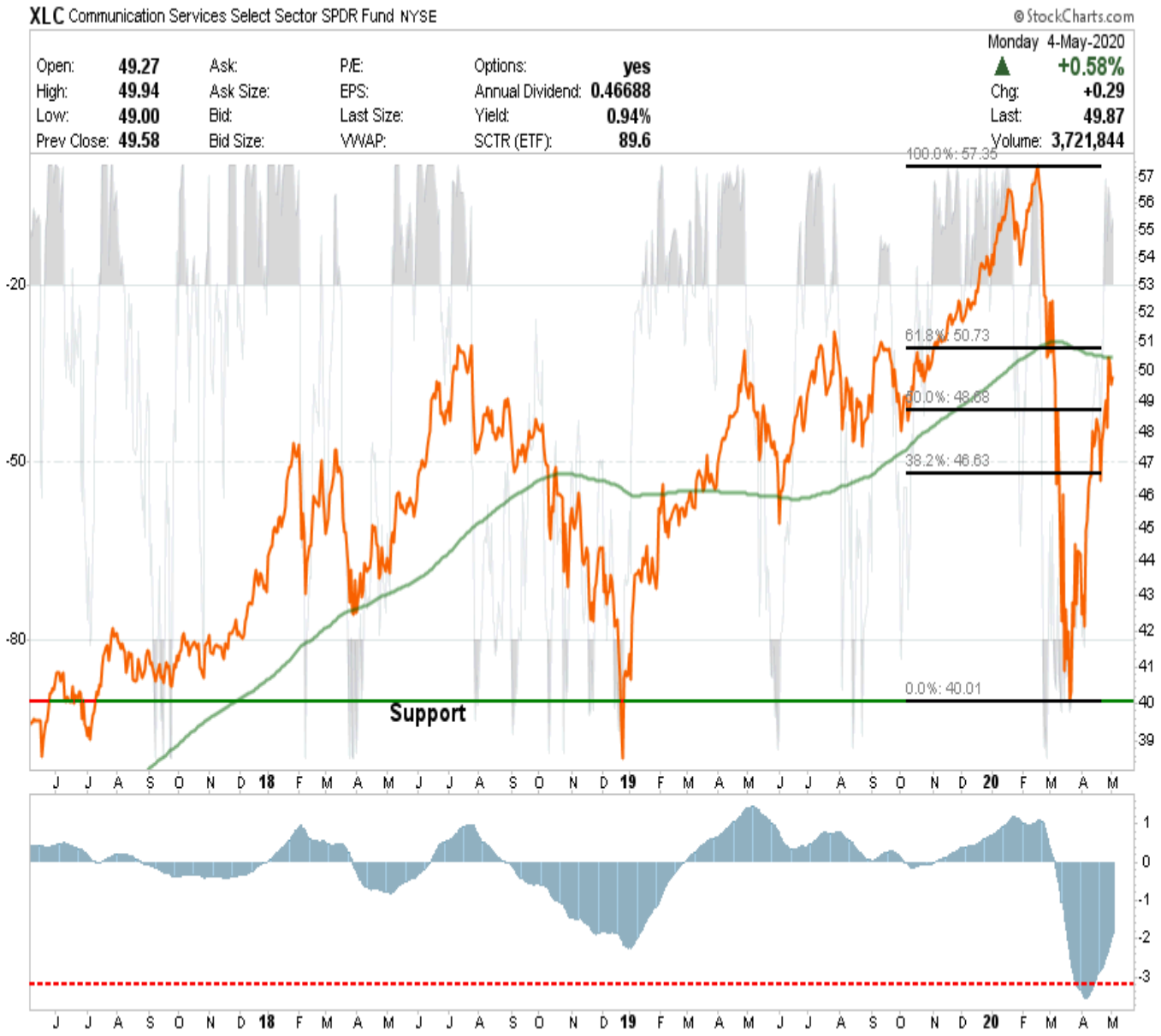
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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. **NEW PORTFOLIO TOOL:&#2013266080; Under the PORTFOLIO tab you will see *a new tool called ALERTS.* When you click on the link, any position that you in a WATCHLIST or PORTFOLIO will show up in the ALERTS window.&#2013266080; You can add SELL TARGETS, STOP LOSS, and Daily % Changes. When those levels are triggered, you will be sent an email and the alerts will show on your dashboard.&#2013266080;** We are using this system for all our current positions and will be reporting our targets in these daily updates. **Basic Materials**



- *&#2013266080;XLB failed at the 61.8% retracement rally, is overbought, and is underperforming the market.*
- *If we do enter a trade, parameters will be very tight as the outlook for earnings remains dismal&#2013266080;*
- *We have lowered our trading alert to $46 which may set up a tradeable opportunity.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No Positions*
    - *This Week: No Positions*
- *Long-Term Positioning: Bearish*

Communications



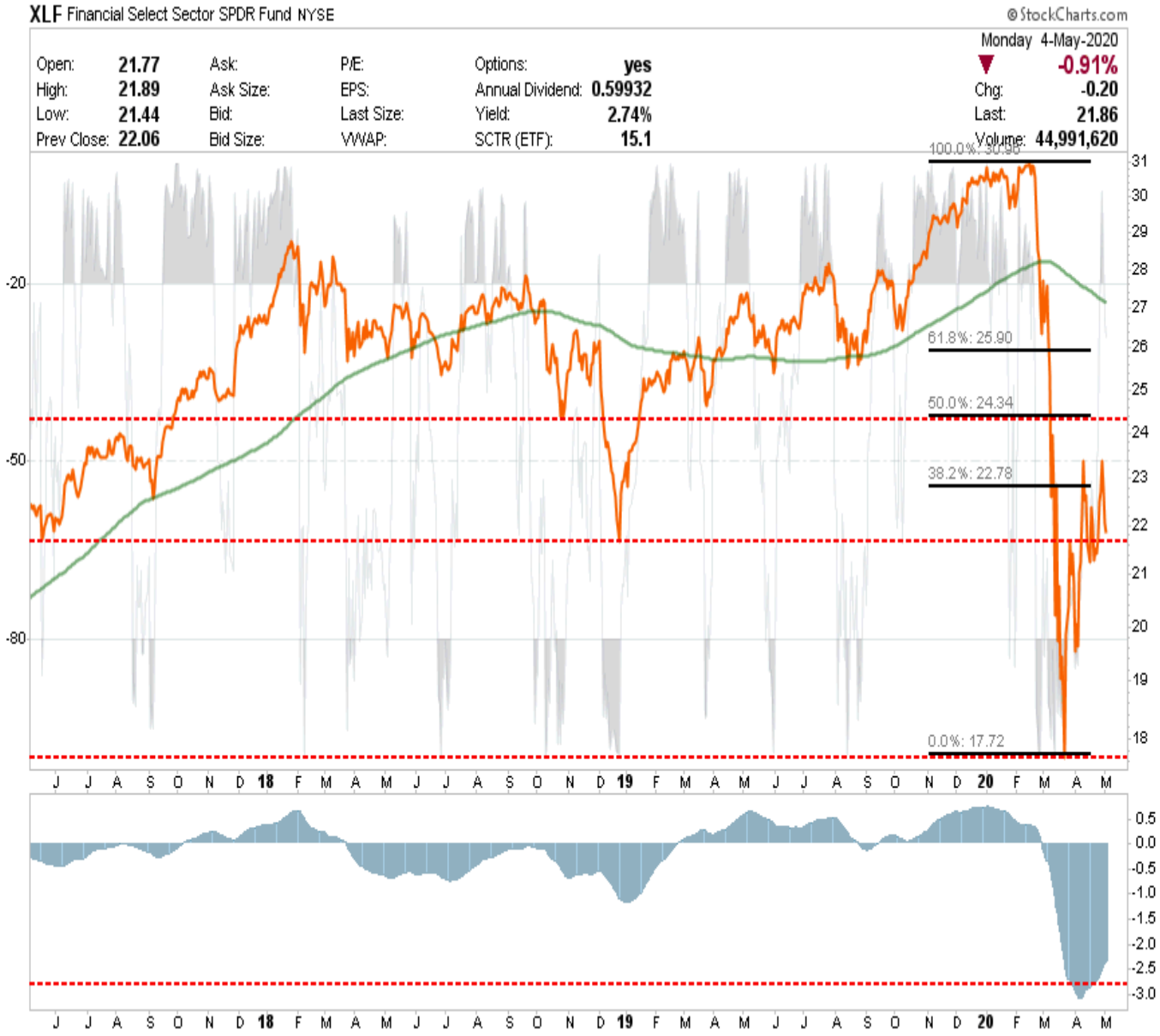
- *XLC continues to perform better than the overall market.&#2013266080;*
- *We added to this sector previously, and the 200-dma retracement level has been reached.&#2013266080;*
- *We continue to like the more defensive quality of the sector, BUT on a short-term basis it is very overbought. Look for a pullback to add to holdings.*
- *Our have set an alert at $47 to revisit adding to our holdings.*
    - *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
- *Long-Term Positioning: Neutral*

Energy



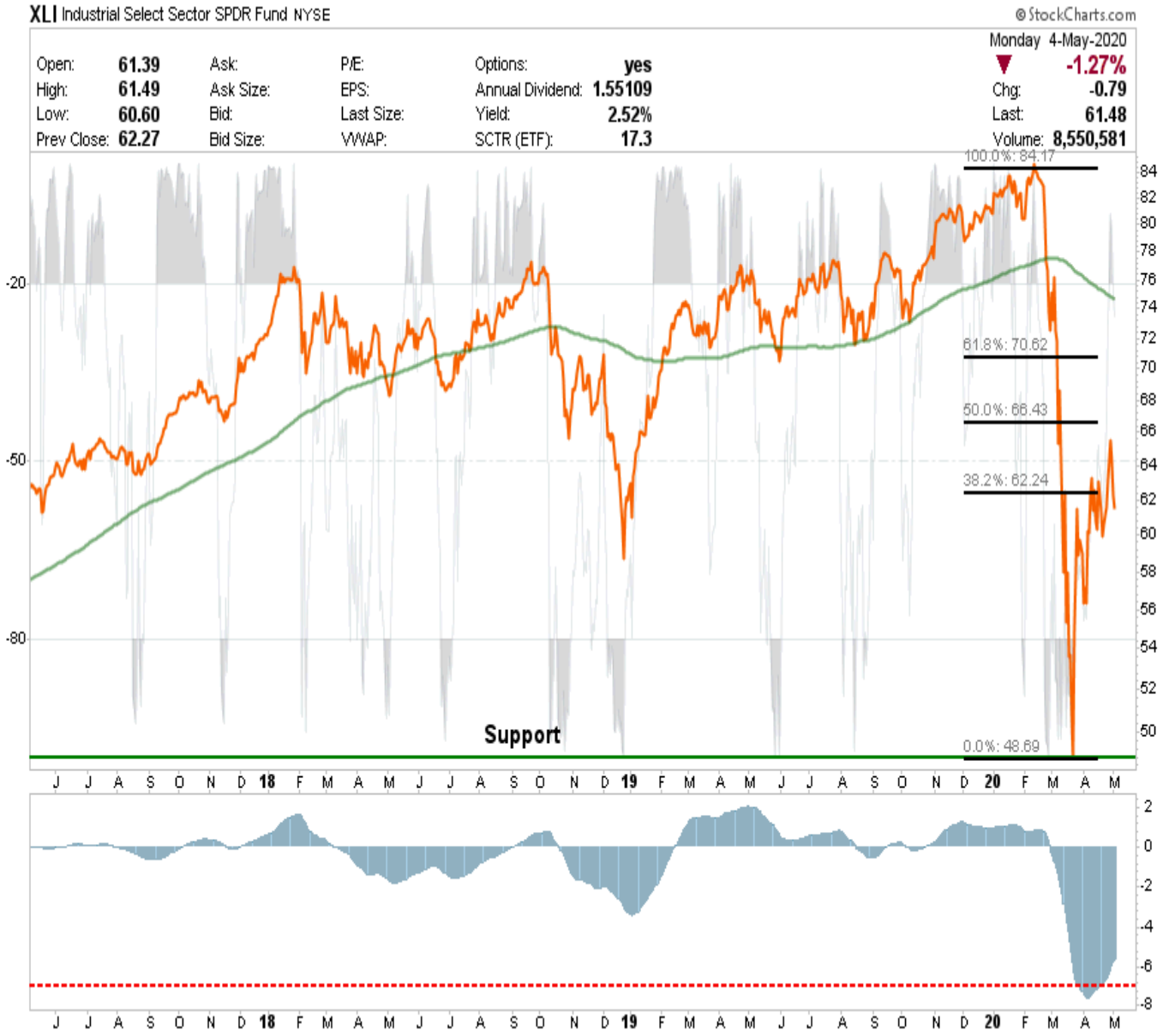
- *Energy stocks have been trading much better than the commodity as relative strength has improved for the sector.&#2013266080;*
- *We added a holding of XLE to our sector model (XOM, CVX to the equity model) to trade this current rally. We are looking for an opportunity to add to our holdings.&#2013266080;*
- *We have a stop-loss alert set at $30, with a high-alert set at $40*
- *Short-Term Positioning: Bearish*
    - *Last week: Hold positions*
    - *This week: Hold positions*
    - *Stop loss is $30.*
- *Long-Term Positioning: Bearish*

Financials



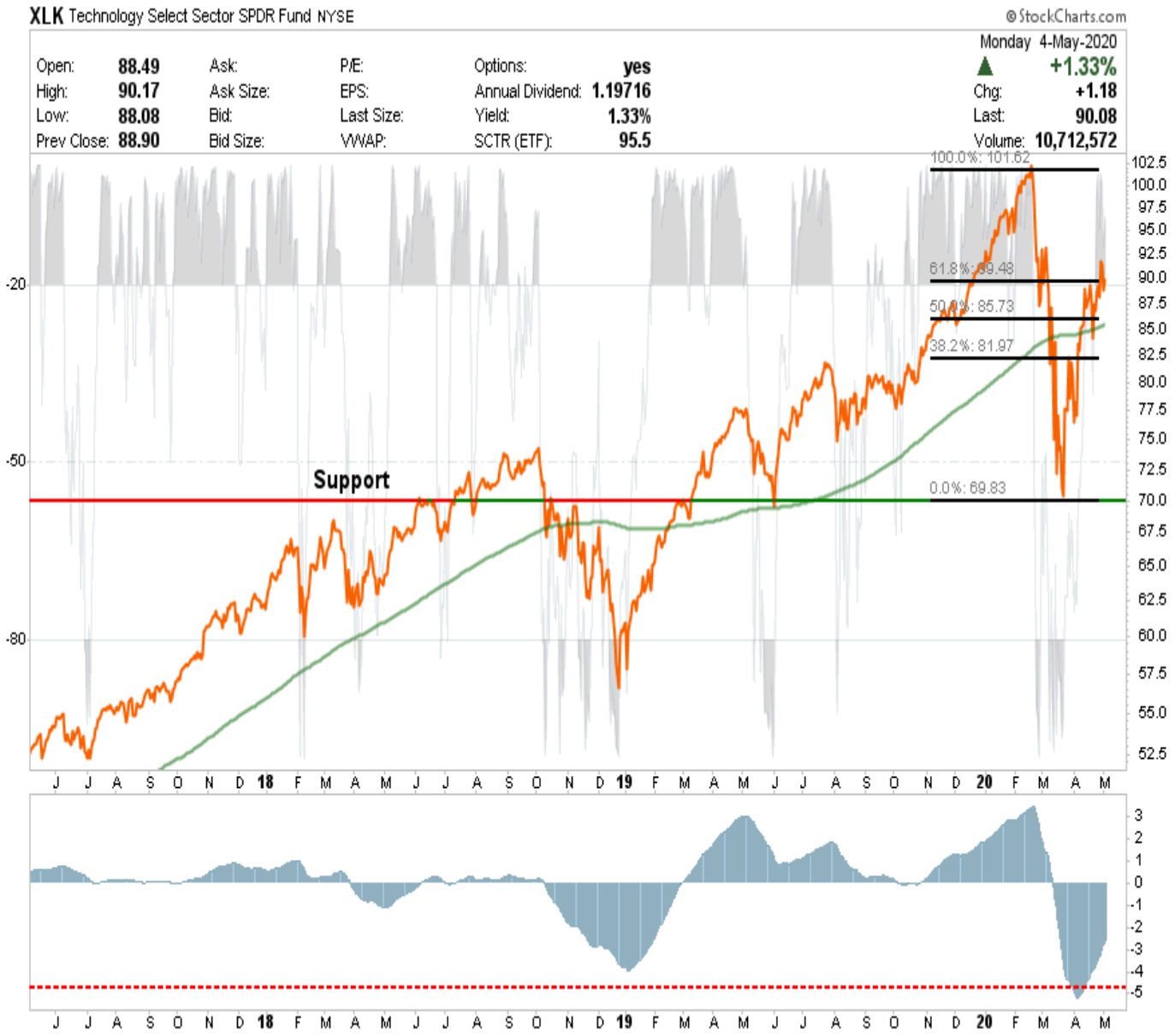
- *Financials have lagged the bear market rally badly. You can't have a bull market without Financials participating.&#2013266080;*
- *We sold out of financials previously and will re-evaluate once the market calms down and finds a bottom.&#2013266080;*
- *Sell this rally. We have an alert set at $21 to start evaluating holdings.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning: Neutral*

Industrials



- *As with XLB, so goes XLI.*
- *XLI had a good rally and is again retesting the 50% retracement but failed.*
- *It has now failed support at the 32.8% retracement as well.&#2013266080;*
- *We sold all of our holdings previously and will opt to wait for a better market structure to move back into the sector.&#2013266080;*
- *We have an alert set at $58 to evaluate positions*
- *Short-Term Positioning: Bearish*
    - *Last week: No position.*
    - *This week: No position.*
- *Long-Term Positioning: Bearish*

Technology



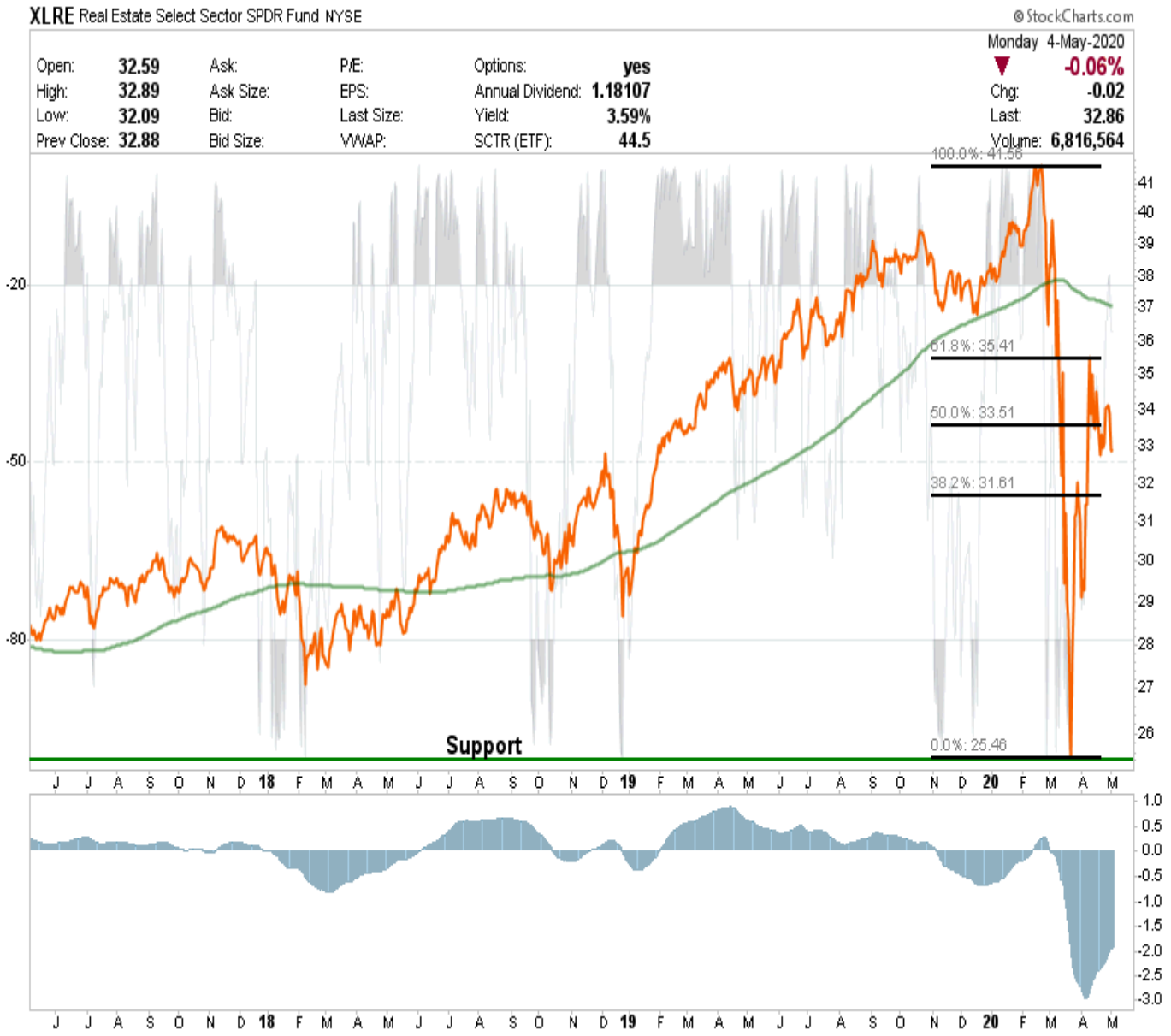
- *We recently added to our Technology holdings which technically is the best looking sector chart available.*
- *The rally on Monday continues to wrestle with resistance at the 61.8% retracement level and that is resistance is holding for now. (Markets are trying to chase other sectors which is symbolic of a late stage advance.)*
- *If we get a pullback that holds support at the 200-dma and the 50% retracement level, we will look add more weight to the sector. We have an alert set at $86.*
- *Short-Term Positioning: Bullish*
    - *Last week: Holding positions.*
    - *This week: Holding positions.*
    - *Long-Term Positioning: Bullish*

Staples



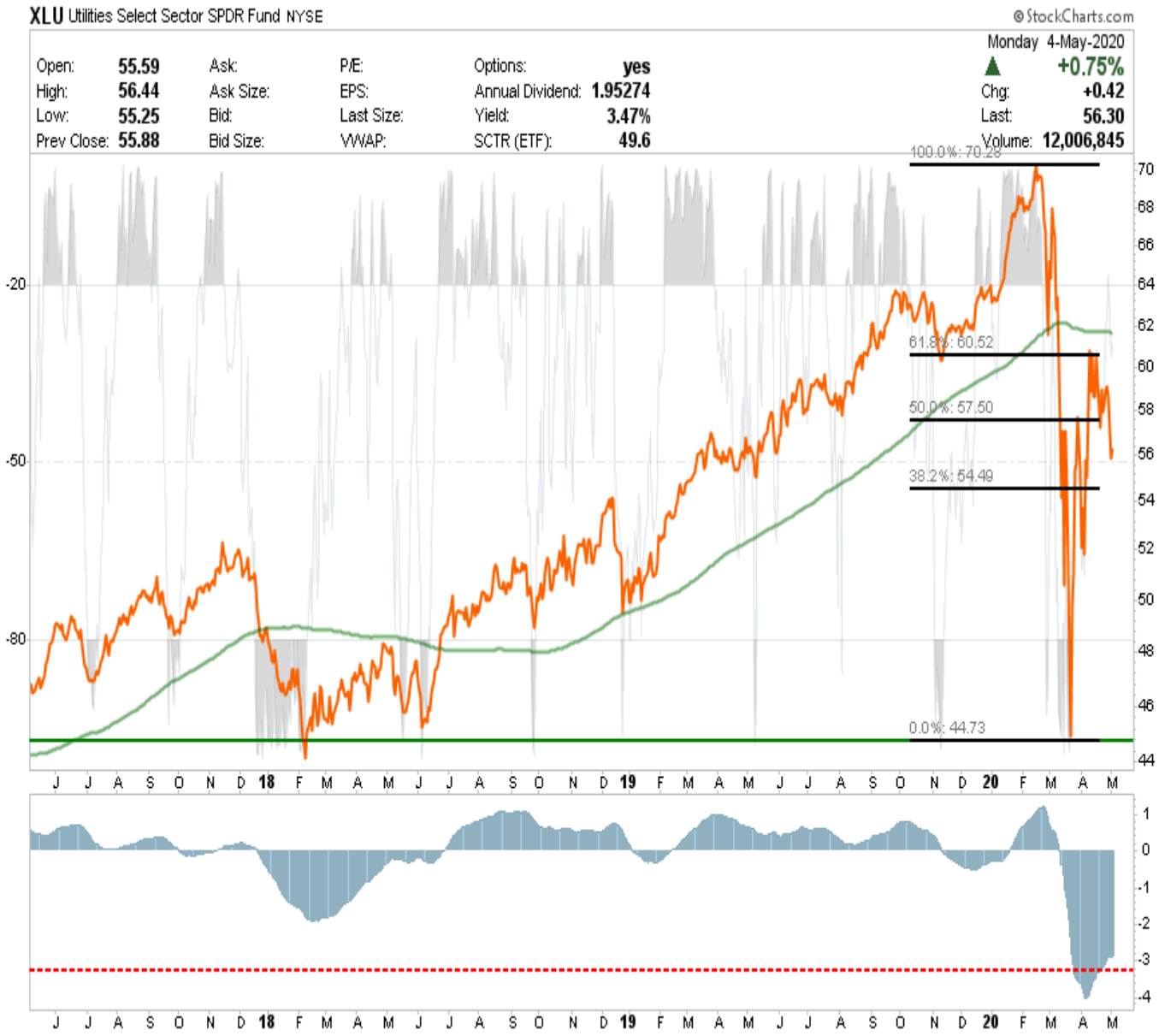
- *XLP cleared the 61.8% retracement level and ran into failed resistance at the 200-dma.*
- *The break below the 61.8% retracement level is part of a pullback we have been expecting.&#2013266080; Support needs to hold at the 50% retracement level.&#2013266080;*
- *We will look to add to our holdings if support holds.&#2013266080;*
- *We have our alert set at $57*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Holding positions*
    - *Long-Term Positioning: Bullish*

Real&#2013266080;Estate



- *XLRE has recently rallied back to the 61.8% retracement level, and failed support at the 50% retracement last week.&#2013266080;*
- *That level needs to hold this week. The sector is not overbought and is oversold relative to the market.*
- *We have a low limit alert at $32 if lower support is getting threatened.*
- *Short-Term Positioning: Bullish*
    - *Last week: No position*
    - *This week: Be patient.*
- *Long-Term Positioning: Bullish*

Utilities



- *XLU ran into the 61.8% retracement level, failed, and has now broken the 50% retracement support level.&#2013266080;*
- *If XLU can hold support at the 32.8% retracement, we can look to increase our previous purchase.&#2013266080;*
- *We have an alert set at $54.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold position.*
    - *This week: Hold position*
- *Long-Term Positioning:&#2013266080;Bullish*

Health&#2013266080;Care



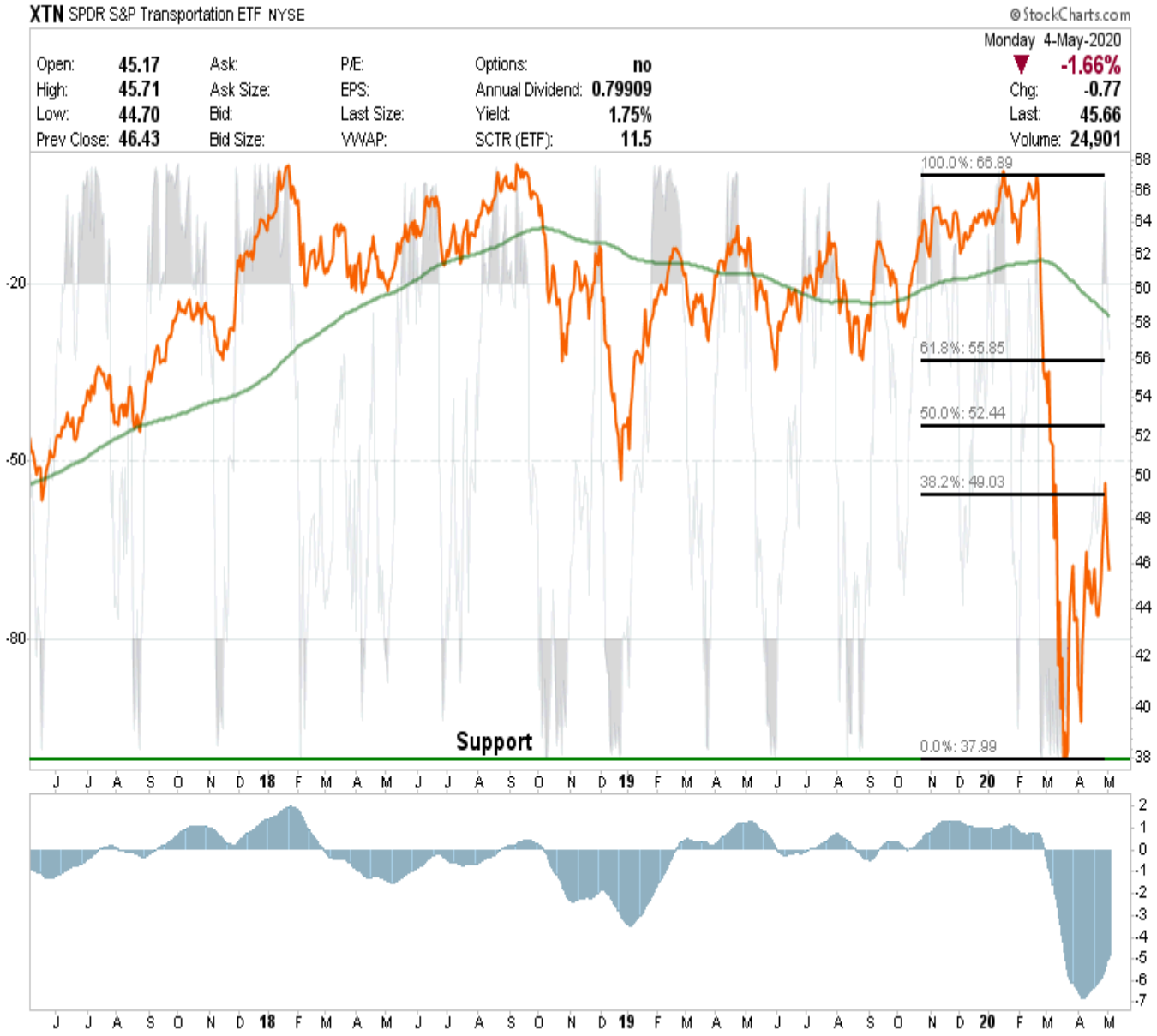
- *XLV finally ran into resistance near all-time highs. The 200-dma is now important support and needs to hold.&#2013266080;*
- *Look for a short-term pullback that holds the 62.8% retracement level and the 200-dma and consolidates a bit here before adding weight. The sector is very overbought short-term.*
- *We have an alert set at $95 to add to our holdings.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions*
    - *This week: Look to add*
- *Long-Term Positioning: Bullish*

Discretionary



- *Discretionary is performing better now.&#2013266080;*
- *XLY rallied to the 200-dma and failed at important resistance and is underperforming the broader market.&#2013266080;*
- *The sector is VERY overbought, so a pullback is likely, but there is a trading opportunity to if XLY can hold support at the 50% retracement level..*
- *We are focusing on Staples for the time being but have an alert set to add Discretionary as a trading position at $110.00*
- *Short-Term Positioning: Neutral*
  - *Last week: No position*
  - *This week: No position*
- *Long-Term Positioning:&#2013266080;Neutral*

Transportation



- *We have remained out of the economically sensitive sector as the impact of the "coronavirus" continues to rip through earnings in this sector.&#2013266080;*
- *The sector mustered a weak rally from lows back to the 38.2% retracement level, got very overbought, and has now failed at resistance.&#2013266080;*
- *We have an alert set for a trading opportunity set at $44, but we aren't excited about it.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning:&#2013266080;Bearish*