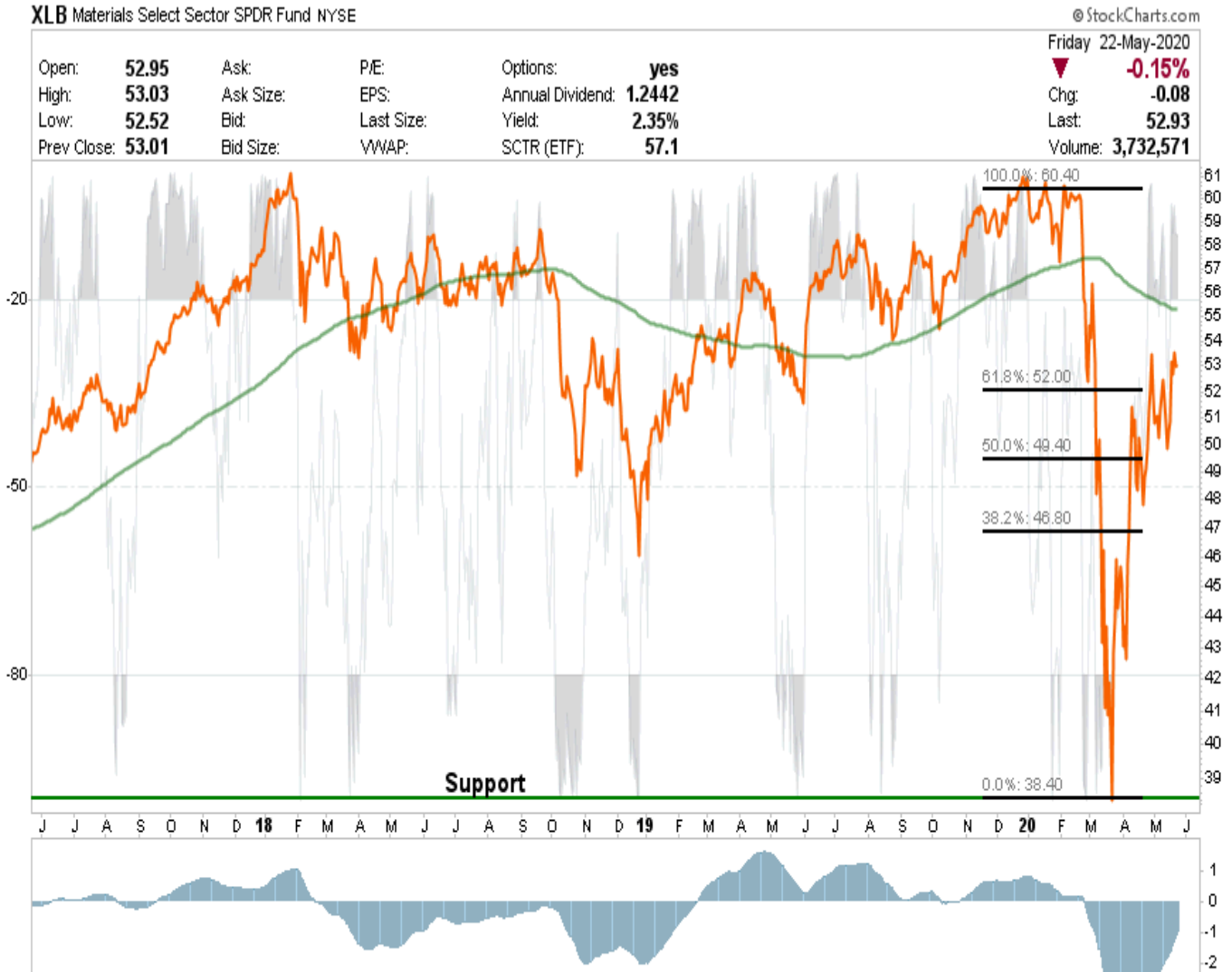
Sector Buy/Sell Review: 05-26-20

Each week we produce a ***"Sector Buy/Sell Review"*** 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:

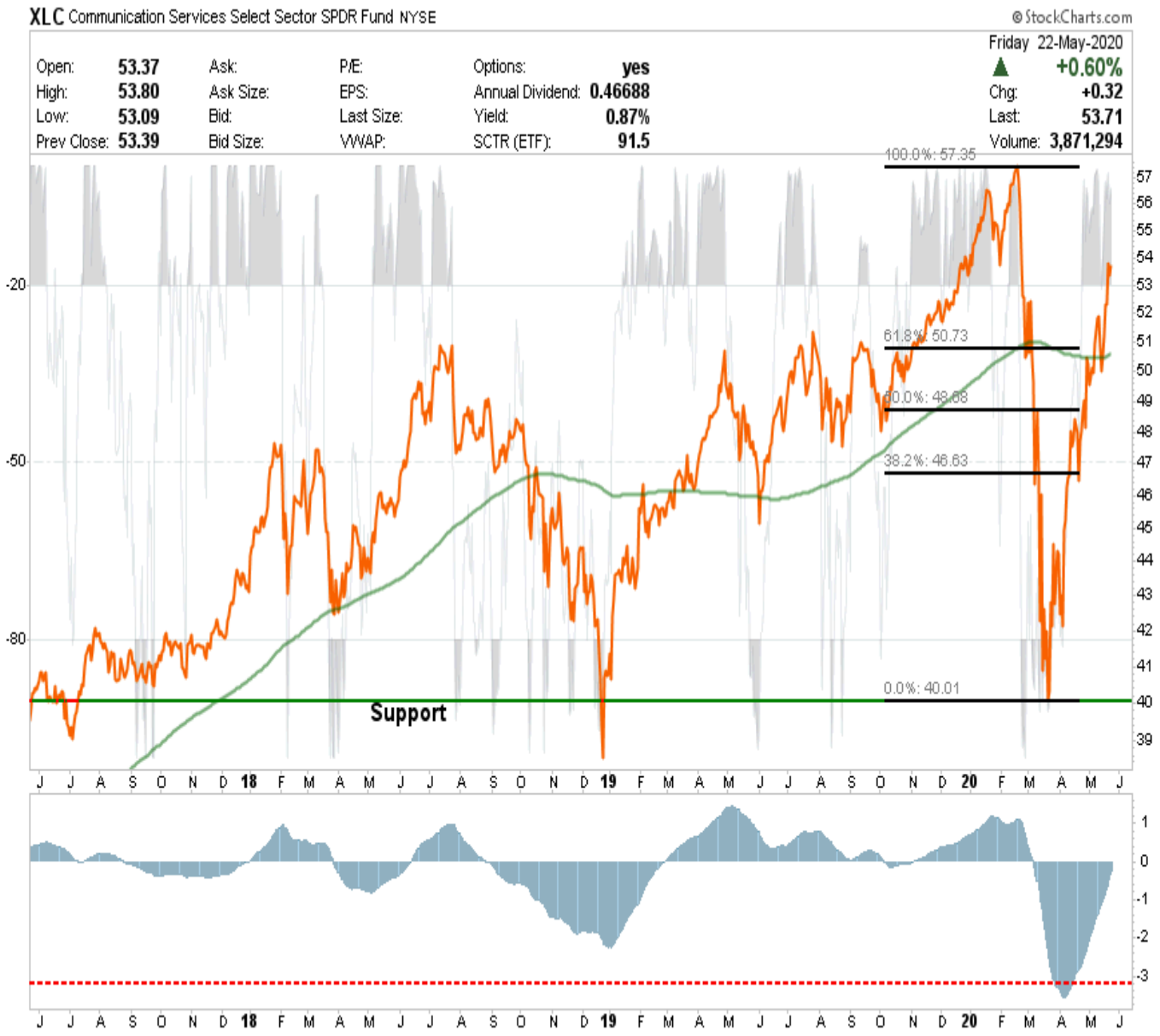
- *The price chart is in orange*
- *Over Bought/Over Sold indicator is in gray in the background.*
- *The Buy / Sell indicator is in blue.*

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**



- *XLB reclaimed the 61.8% retracement last week, but remains overbought, and is underperforming the market.&#2013266080;*
- *If we do enter a trade, parameters will be very tight as the outlook for earnings remains poor.*
- *We raising our trading alert to $49 which may set up a tradeable opportunity.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No Positions*
    - *This Week: No Positions*
- *Long-Term Positioning: Bearish*

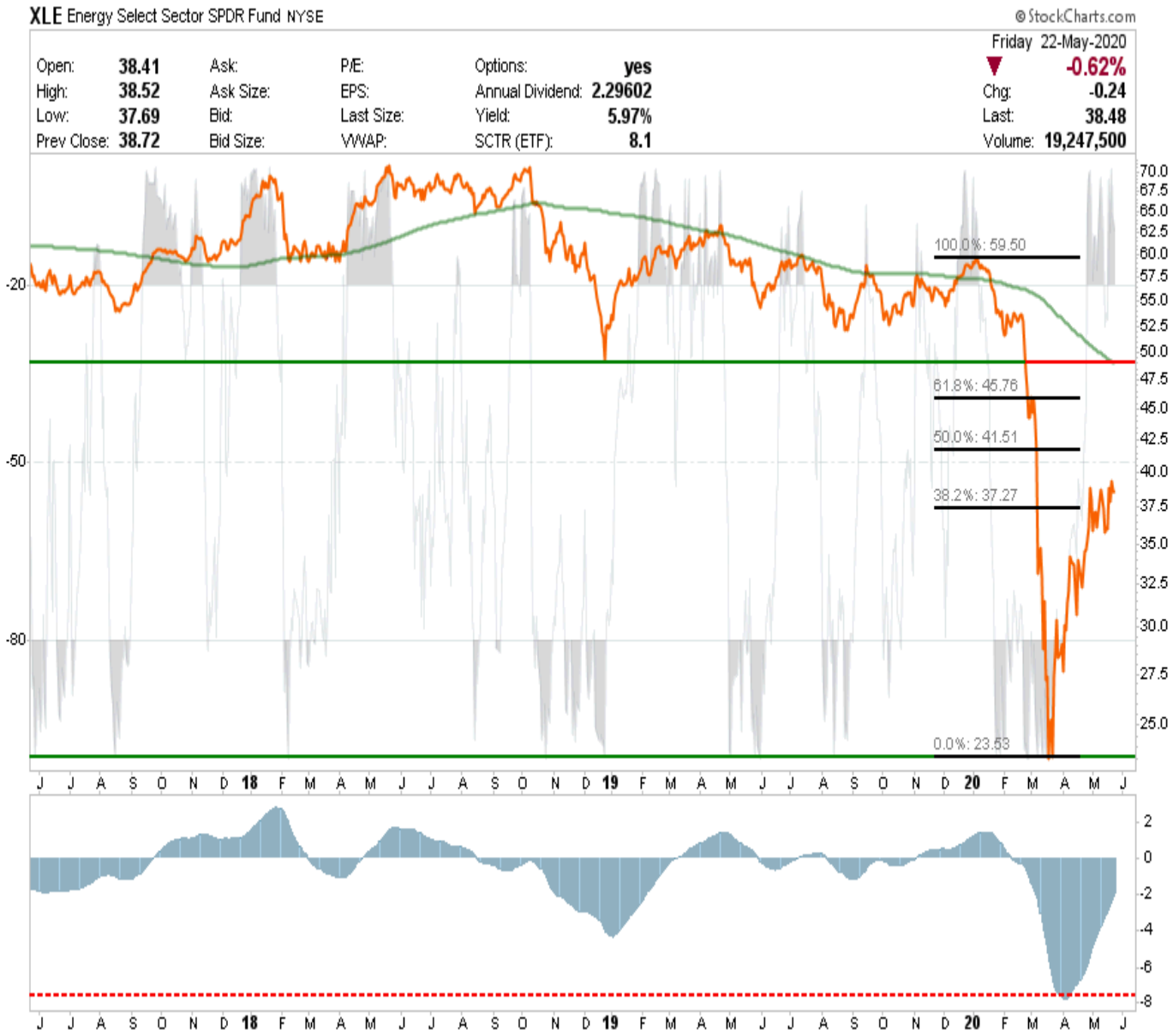
Communications



- *XLC continues to perform better than the overall market.&#2013266080;*
- *We added to this sector previously as the 200-dma retracement level was taken out. However, it is extremely overbought and we took some profits on Friday.&#2013266080;*
- *We continue to like the more defensive quality of the sector, so we are looking for a pullback to add back to our holdings.*
- *Our have set an alert at $51 to revisit adding to our holdings.*
    - *Short-Term Positioning: Bullish*

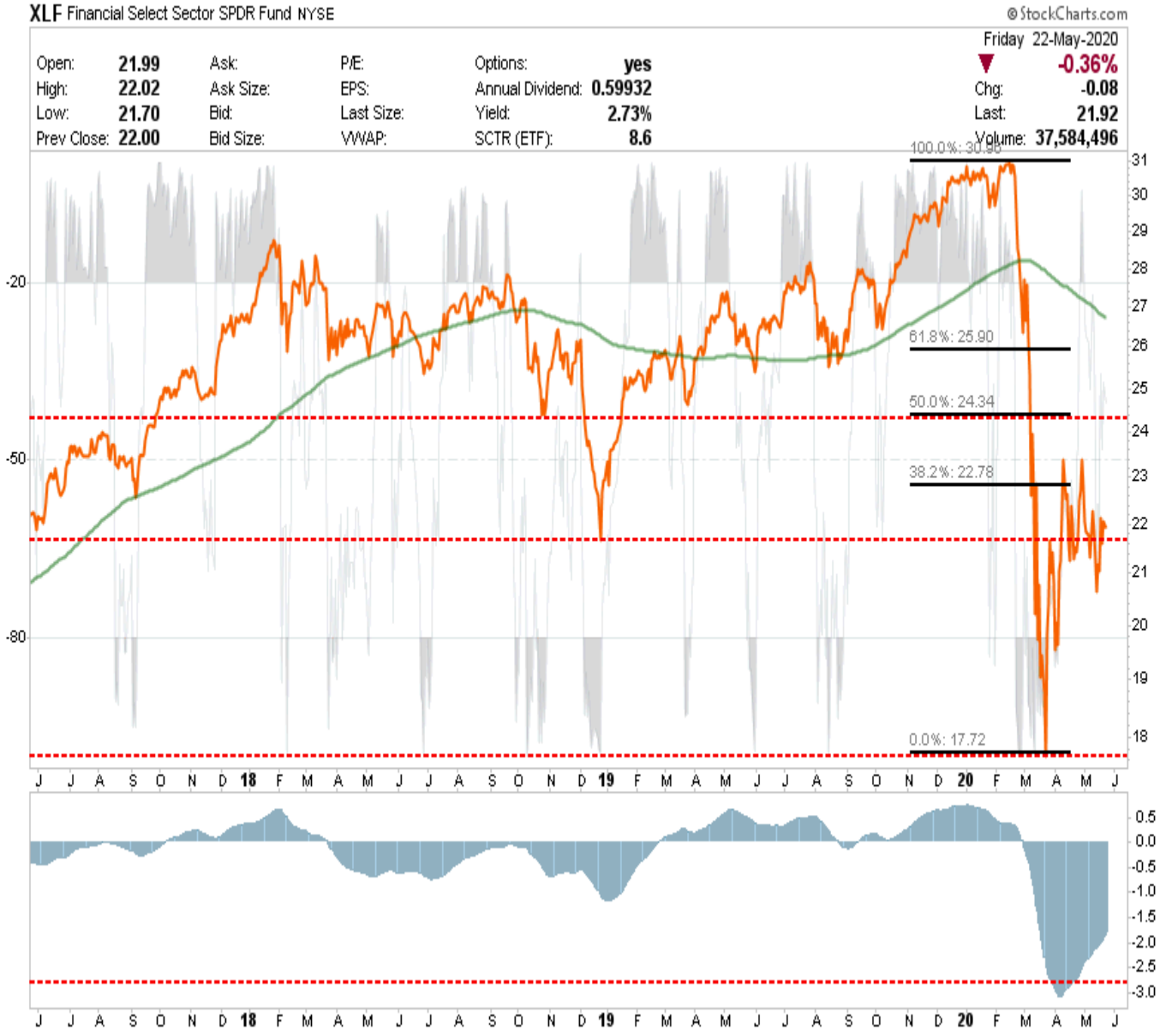
    - *Last Week: Hold positions*
    - *This Week: Took profits, hold balance.*
- *Long-Term Positioning: Neutral*

Energy



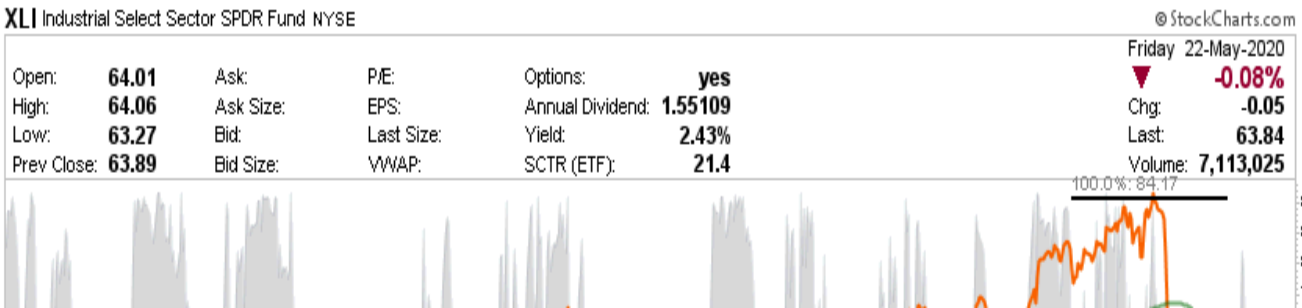
- *Energy stocks have been trading much better than the commodity as relative strength has improved for the sector.&#2013266080;*
- *We added to our holdings previously by increasing exposure in XOM and CVX in the equity model and adding those two positions to the ETF model.&#2013266080;*
- *We have a stop-loss alert set at $32.50, with a high-alert set at $40. The sector is about at the same level as last week, so no action taken.&#2013266080;*
- *Short-Term Positioning: Bearish*
    - *Last week: Added to holdings*
    - *This week: Hold positions*
    - *Stop loss adjusted to $32.50.*
- *Long-Term Positioning: Bearish*

Financials



- *Financials have lagged the bear market rally badly, and continue to underperform.&#2013266080;*
- *Previously we sold out of financials and will re-evaluate once the market calms down and finds a bottom. That may be occurring now but we will continue to evaluate carefully.*
- *We continue to suggest selling rallies in financials.*
- *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 last week but failed to break out of its consolidation.&#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*

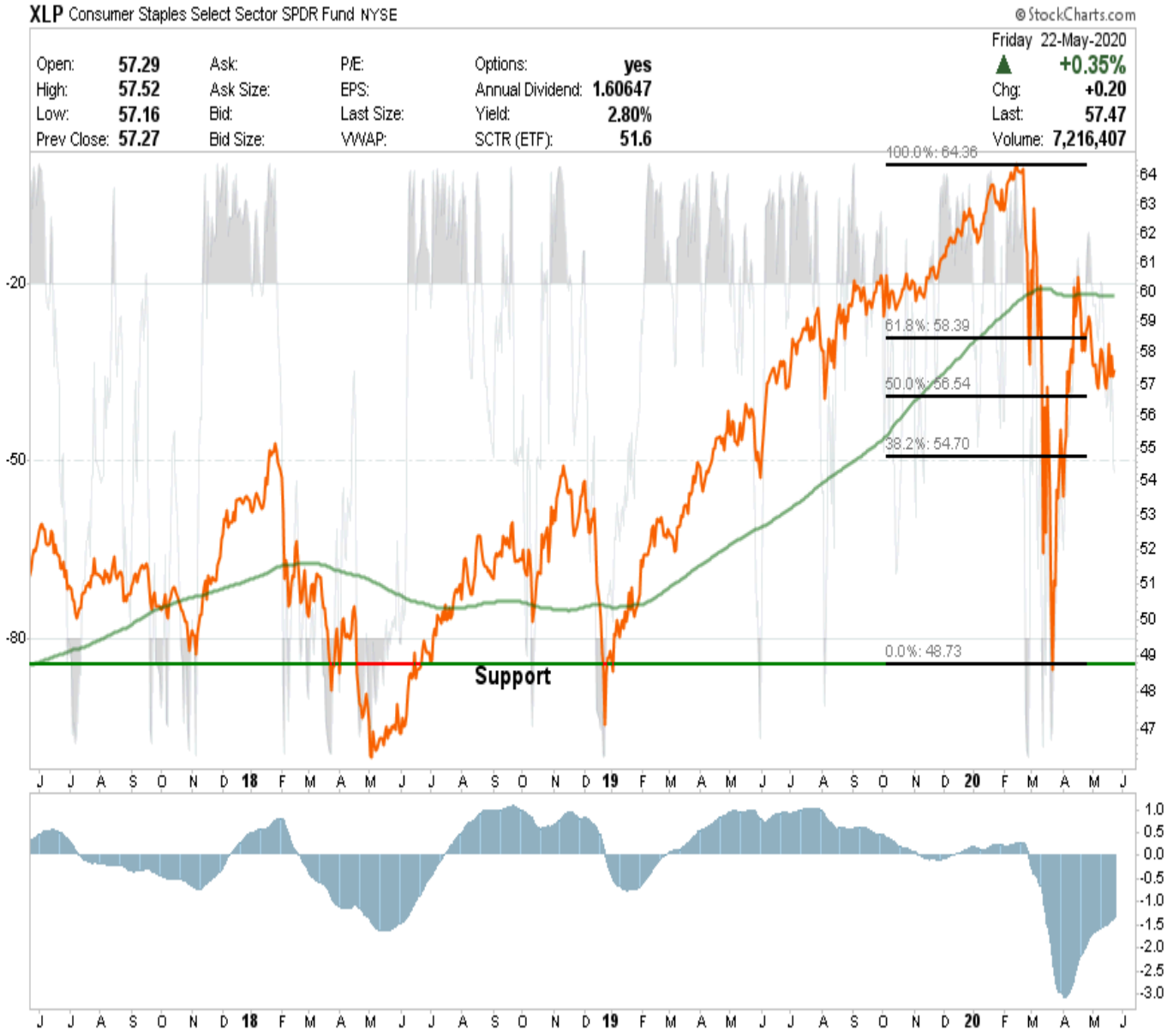
Technology



- *Technology continues to be our strong suit and we added more exposure to the sector last week.*
- *The rally continued the push toward all-time highs and is back into positive territory for year. However, it remains a narrow advance.&#2013266080;*
- *If we get a pullback that holds support at the 61.8% retracement, or the 200-dma, we will look add more weight to the sector. We moved our alert to $87.5.*

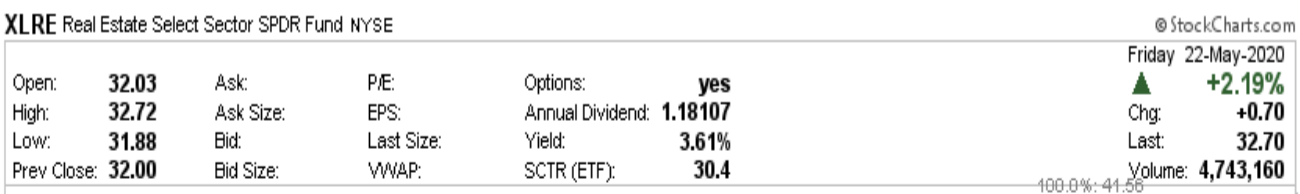
- *Short-Term Positioning: Bullish*
    - *Last week: Added slightly*
    - *This week: Hold positions.*
    - *Long-Term Positioning: Bullish*

Staples



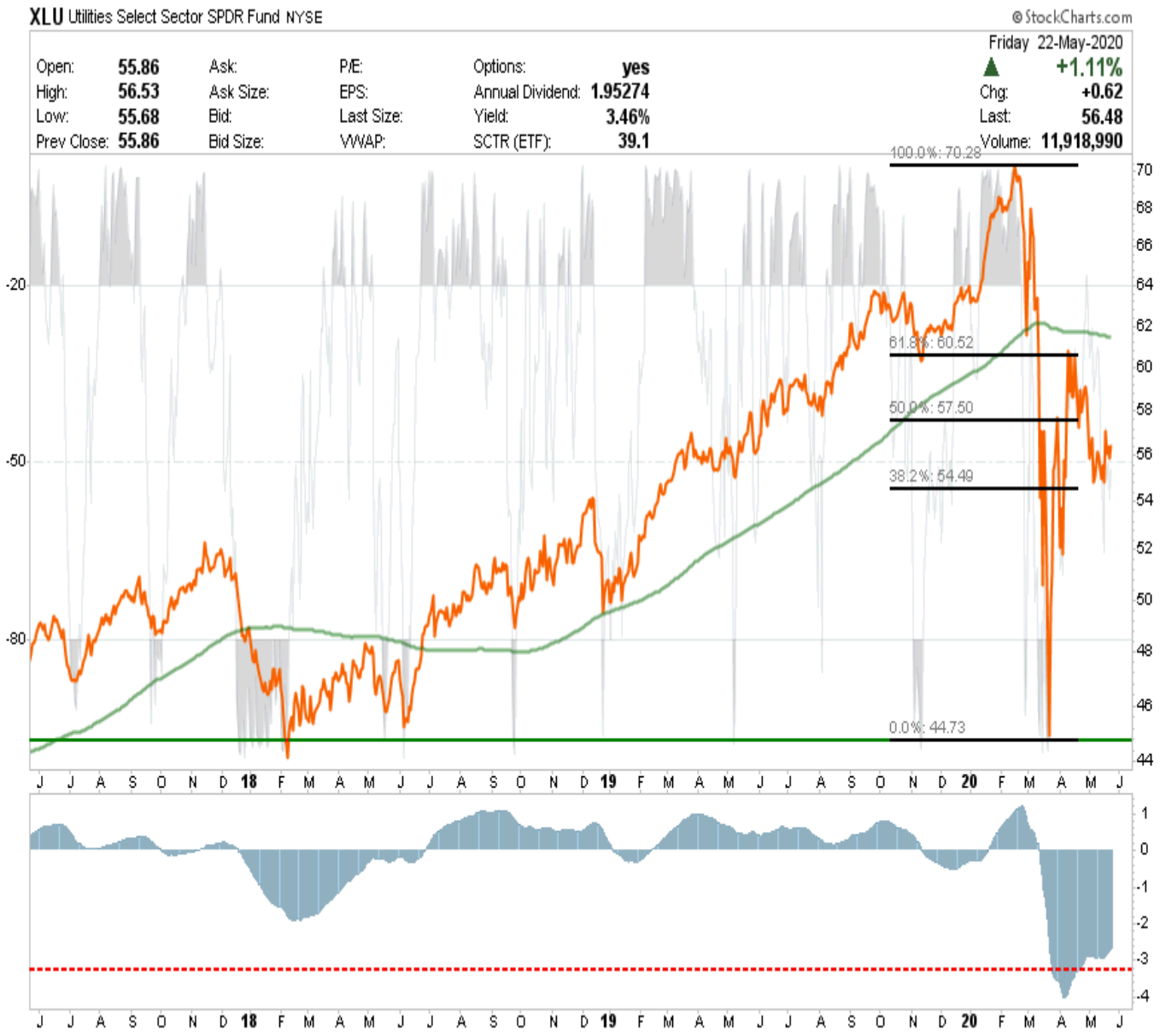
- *We also added to XLP last week.*
- *XLP is working off the overbought condition somewhat, but still has more to go. Importantly, XLP continues to hold support at the 50% retracement.*
- *We have an alert set at $55 as our stop-level.*
- *Short-Term Positioning: Bullish*
    - *Last week: Added slightly*
    - *This week: Hold positions*
    - *Long-Term Positioning: Bullish*

Real&#2013266080;Estate



- *XLRE held support at the 38.2% retracement and rallied. We also added some exposure to our holdings.*
- *The sector is not overbought and is oversold relative to the market.&#2013266080;*
- *We have a low limit alert at $30 if lower support is getting threatened.*
- *Short-Term Positioning: Bullish*
    - *Last week: Added slightly*
    - *This week: Hold positions.*
    - *Long-Term Positioning: Bullish*

Utilities

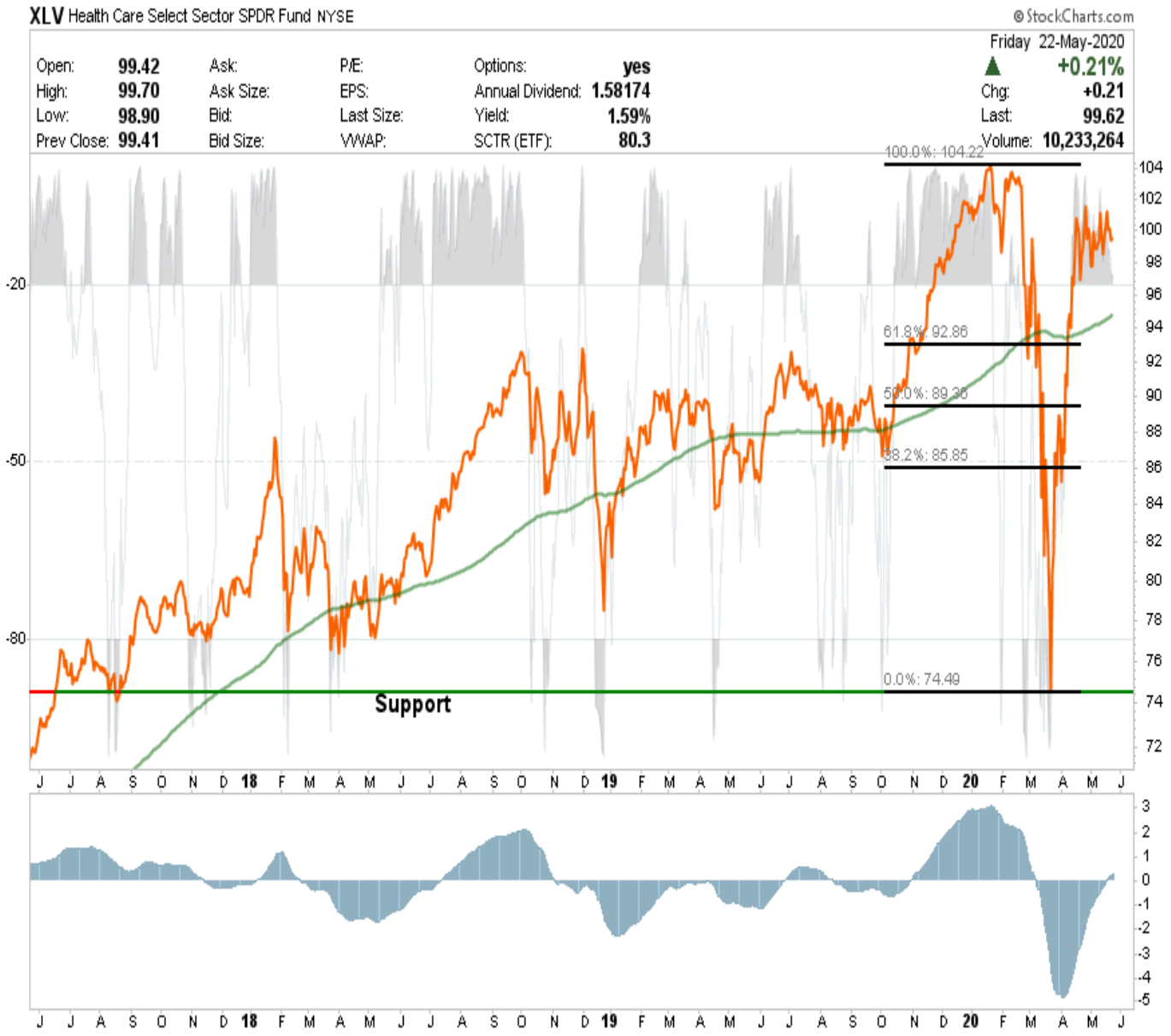


- *XLU, like XLRE, held support at the 38.2% retracement level and turned up. We added some exposure last week to the sector as we look for a rotation into more defensive names.&#2013266080;*
- *There should be a relative "risk off" safety trade with XLU if we see a pullback in the broader market.*
- *We have an alert set at $54.*
- *Short-Term Positioning: Bullish*

- *Last week: Added slightly*
- *This week: Hold positions*

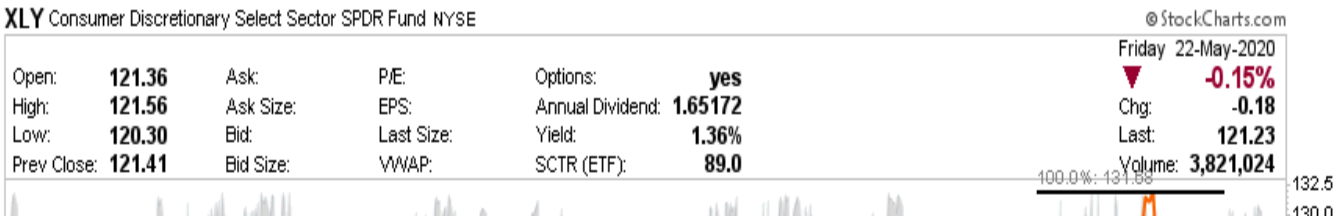
- *Long-Term Positioning:&#2013266080;Bullish*

Health&#2013266080;Care



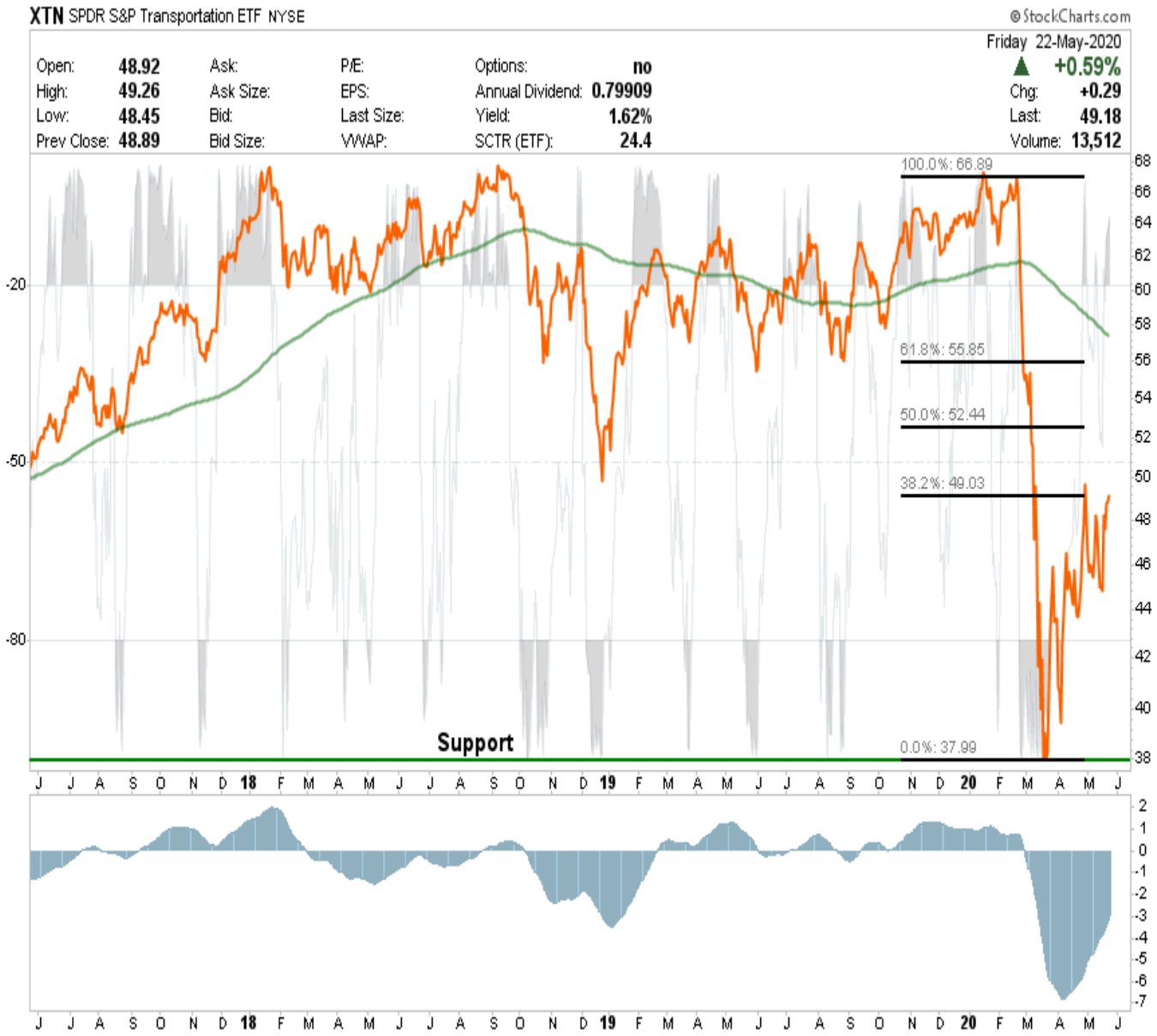
- *XLV finally ran into resistance near all-time highs and has been consolidating.*
- *The 200-dma is now important support and needs to hold.&#2013266080;*
- *The sector is very overbought short-term.*
- *We have an alert set at $95 to add more to our holdings.*
- *Short-Term Positioning: Neutral*
  - *Last week: Added slightly*
  - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Discretionary



- *Discretionary is performing better now.&#2013266080;*
- *Last week, XLY rallied to the 200-dma and finally broke above it. We will see if it can hold this week.*
- *AMZN makes up about 70% of the entire ETF, so this is really an AMZN story more than discretionary retail overall.&#2013266080;*
- *The sector is VERY overbought, so a pullback is likely, but there is a trading opportunity if XLY can hold this break above the 200-dma.*
- *We are focusing on Staples for the time being but have an alert set to add Discretionary as a trading position at $110.00 on a pullback or $118 on a breakout.*
- *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 and continues to consolidate below that level last week. We will see if it can get above it this week.*
- *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*