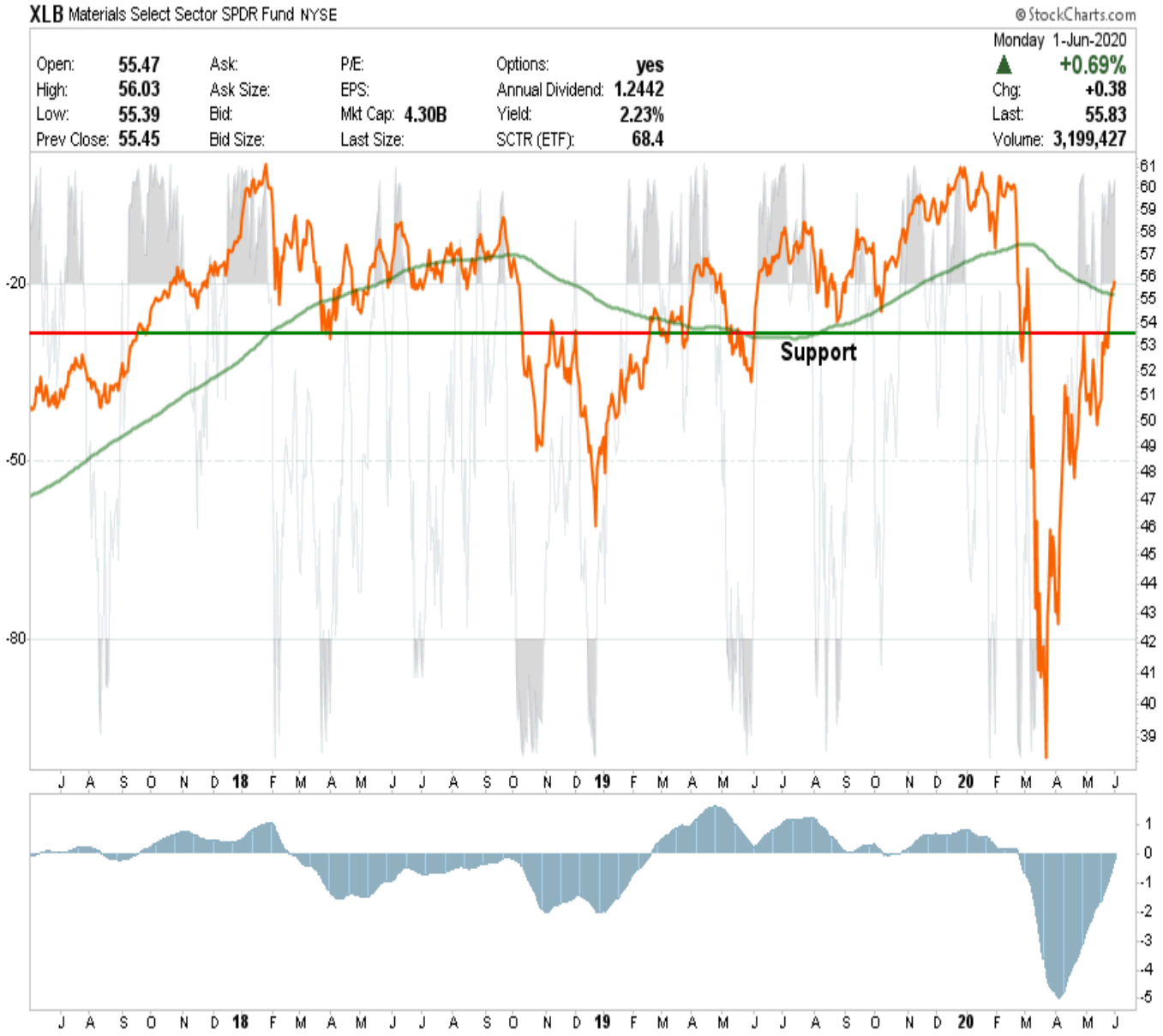
Sector Buy/Sell Review: 06-02-20

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:

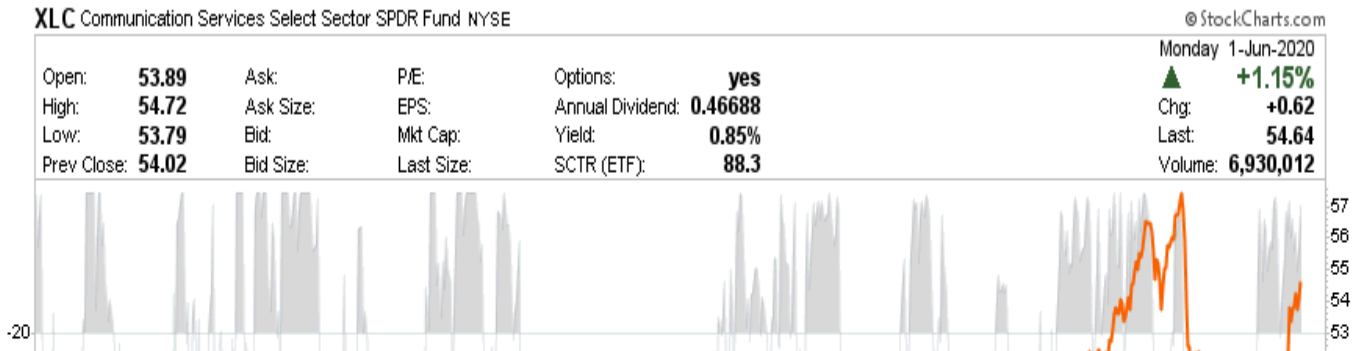
- *The price chart is in orange*
- *Over Bought/Over Sold indicator is in gray in the background.*
- *The Buy / Sell indicator is in blue.*

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**



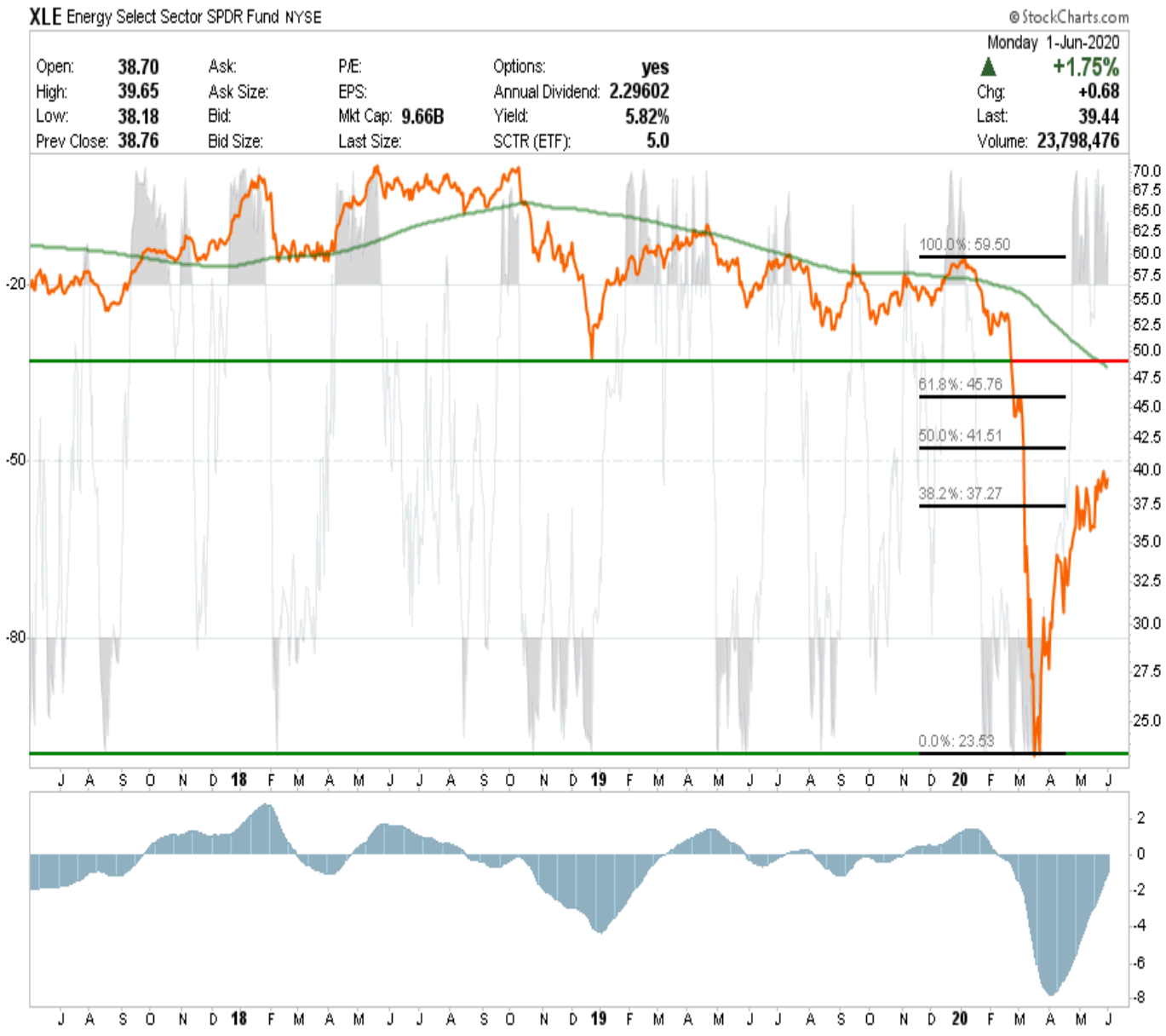
- *As noted last week, XLB reclaimed the 61.8% retracement, but remains overbought, and was underperforming the market. However, over the last week, the performance improved markedly.&#2013266080;*
- *The trade got away from us, so we will need to wait for a pullback to support to add materials to the portfolio.*
- *If you are long Materials, the fundamentals remain poor so maintain a tight stop.*
- *We raising our trading alert to $53.*
- *Short-Term Positioning: Bullish*
    - *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 previously.&#2013266080;*
- *We continue to like the more defensive quality of the sector, so we continue to look 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: Hold positions*
- *Long-Term Positioning: Neutral*

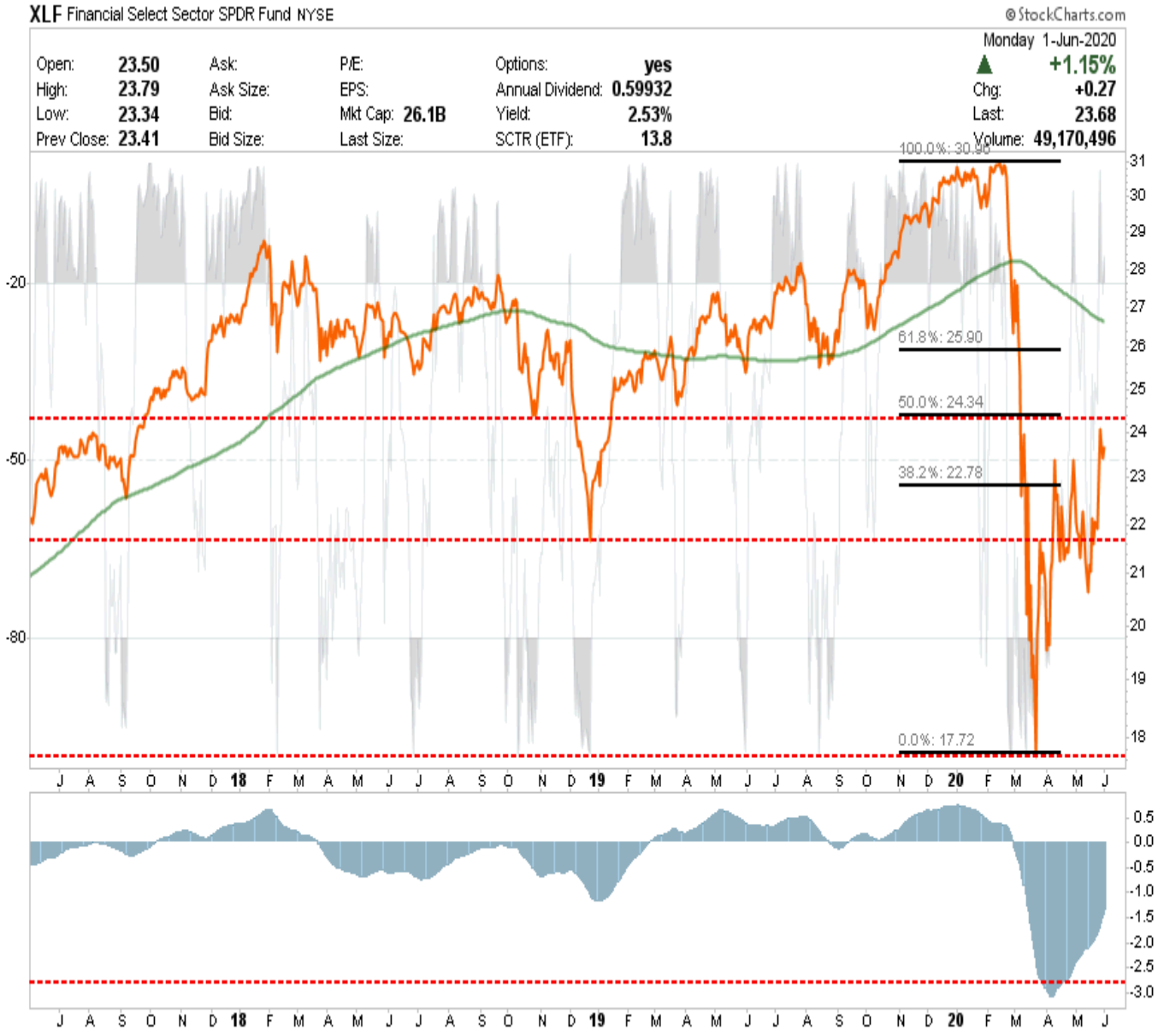
Energy



- *Energy stocks are getting very overbought short-term and a pullback is likely over the next month or so.&#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 $42.5. The sector is about at the same level as last week, so no action taken.&#2013266080;*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions*
    - *This week: Hold positions*
    - *Stop loss adjusted to $32.50.*
- *Long-Term Positioning: Bearish*

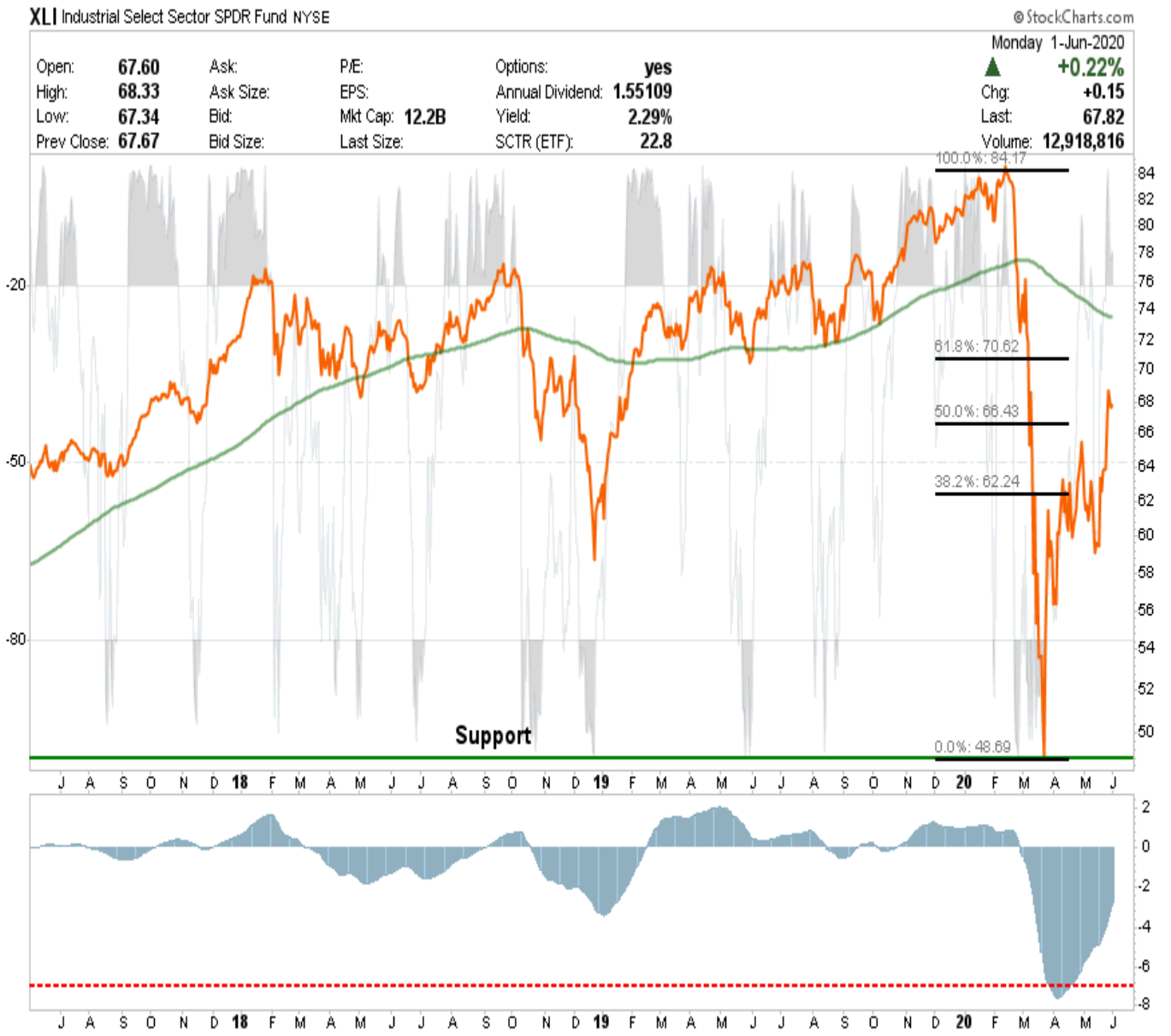
Financials



- *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*

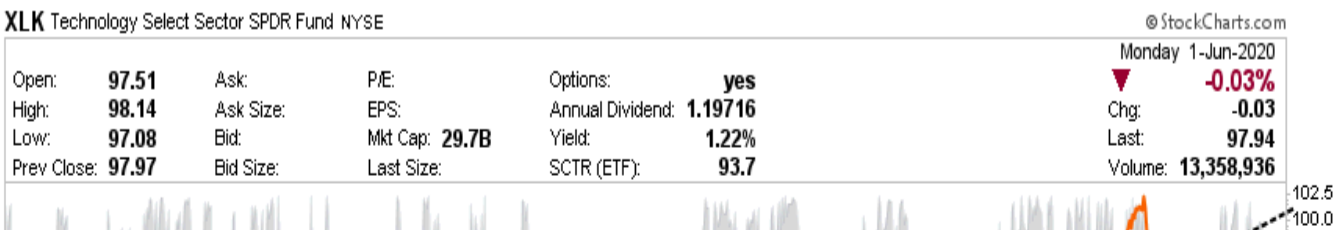
    - *This week: No position*
- *Long-Term Positioning: Bearish*

Industrials



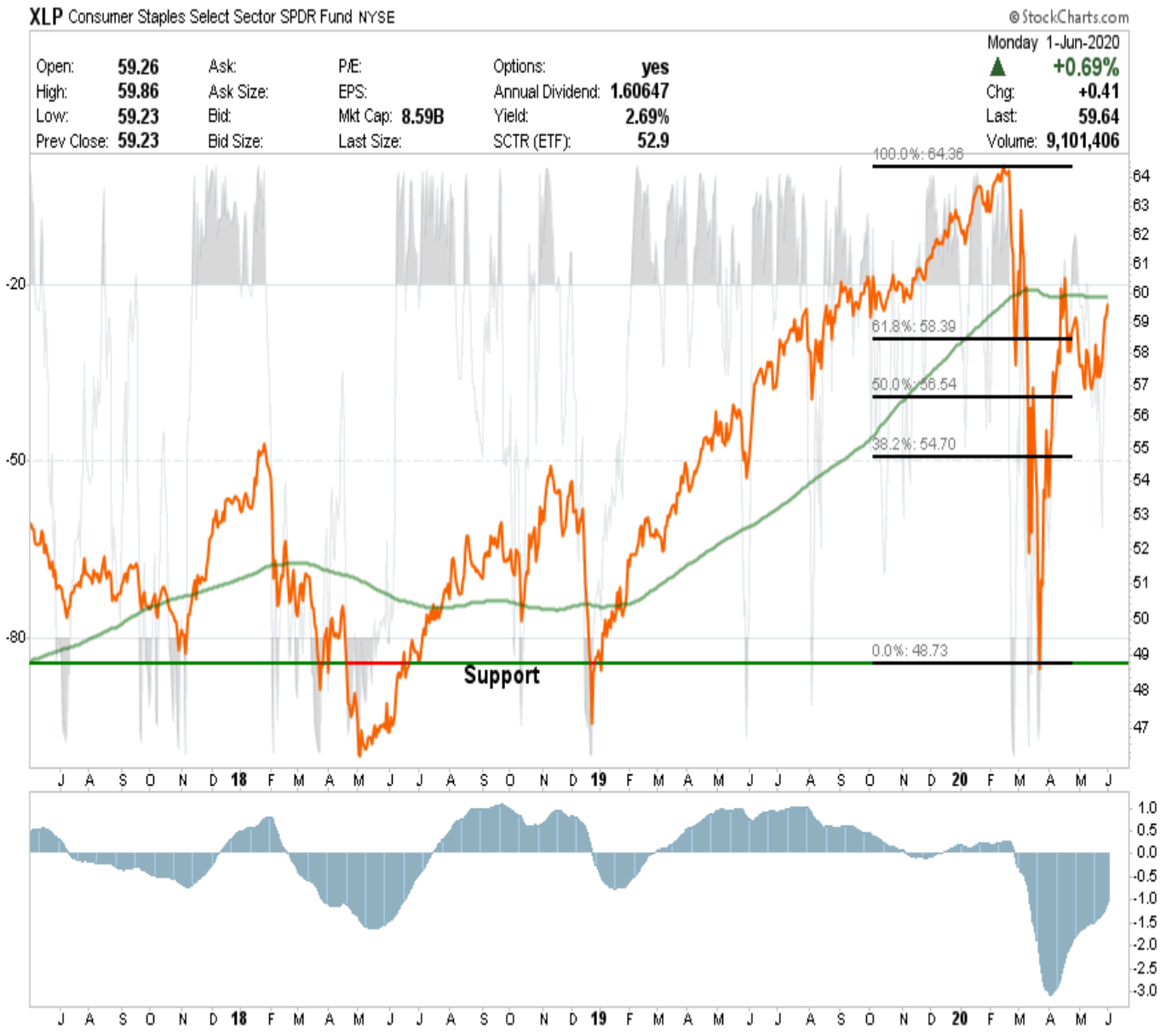
- *XLI had a good rally last week and finally broke out of its consolidation. XLI is lagging the market overall, and still trades well below other sectors of the market.*
- *We sold all of our holdings previously and will opt to wait for a better market structure to move back into the sector.&#2013266080;*
- *We have moved our alert to $62 to evaluate positions*
- *Short-Term Positioning: Bearish*
    - *Last week: No position.*
    - *This week: No position.*
- *Long-Term Positioning: Bearish*

Technology



- *Technology continues push higher and we continue to hold our exposure to the sector.*
- *The rally is starting to fade here a bit as the sector runs into the bottom of the uptrend line from the July 2017 lows.&#2013266080;*
- *If we get a pullback that holds support at the 200-dma, we will look add more weight to the sector.*
- *We have moved our alert to $87.5.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions.*
    - *Long-Term Positioning: Bullish*

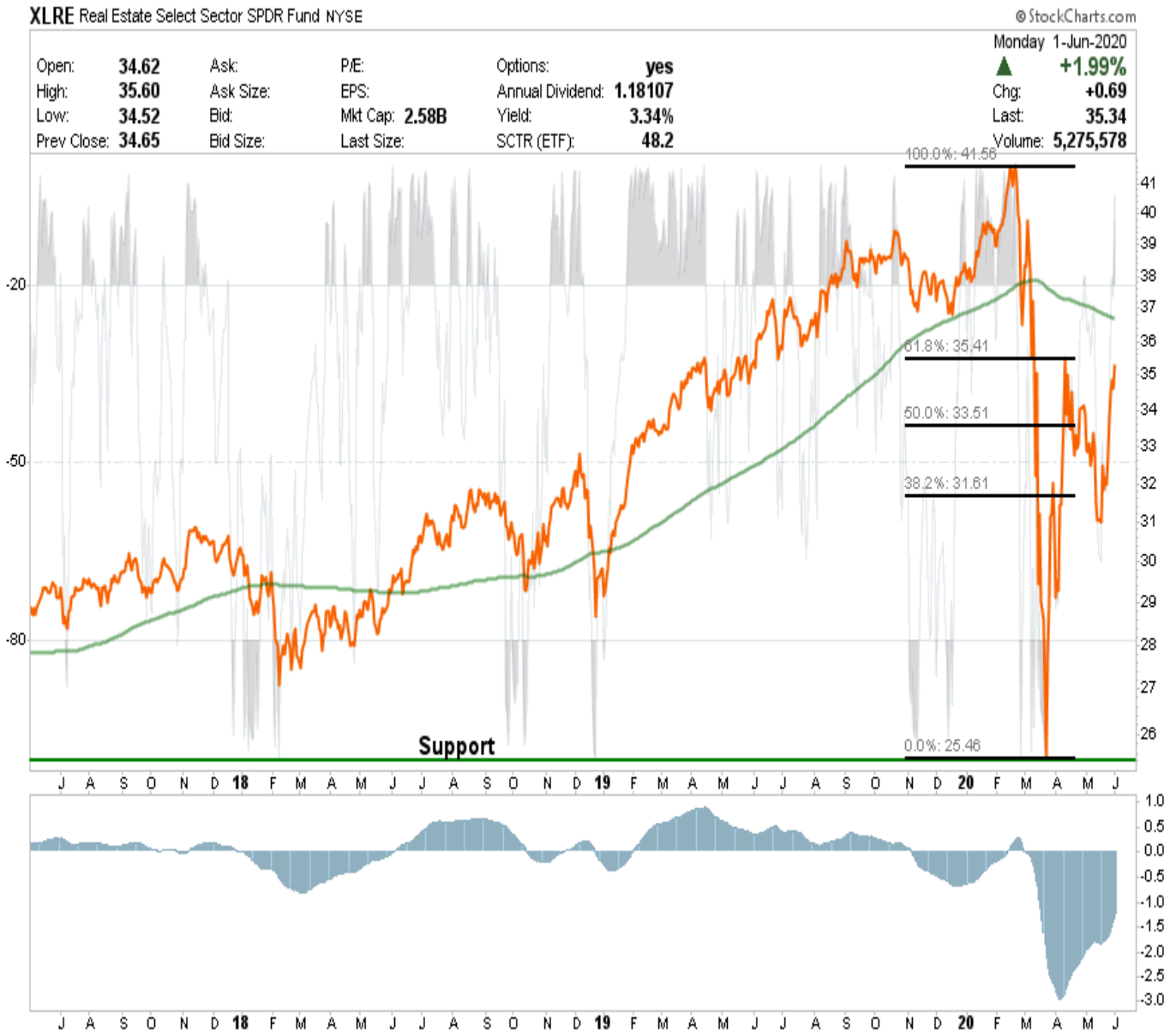
Staples



- *After adding to XLP recently, it started a move higher towards the 200-dma.*
- *XLP is not overbought after working off the previous extension, so there is "fuel" for a further rally if it can break above resistance.*
- *We are moving our stop-loss alert to $55 as our stop-level.*
- *Short-Term Positioning: Bullish*

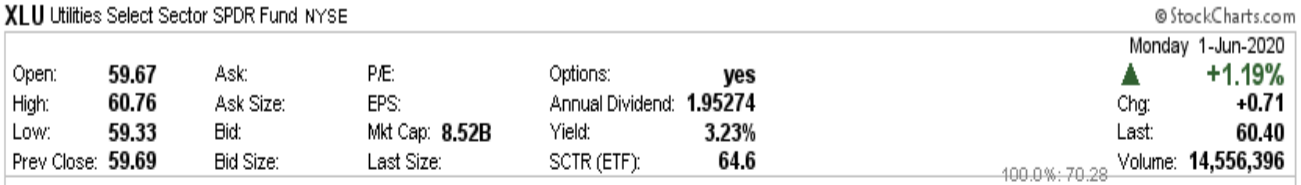
- *Last week: Hold positions*
- *This week: Hold positions*
- *Long-Term Positioning: Bullish*

Real&#2013266080;Estate



- *XLRE held support at the 38.2% retracement and rallied. We also added some exposure to our holdings previously.*
- *The sector is just starting to move back into overbought territory and remains oversold relative to the overall market.&#2013266080;*
- *We have a low limit alert at $31 as our stop-loss level.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold positions*
  - *This week: Hold positions.*
  - *Long-Term Positioning: Bullish*

Utilities



- *XLU also held support at the 38.2% retracement level and turned up. We added some exposure previously 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. Late last week, it broke out of that consolidation near all-time highs.*
- *The 200-dma is now important support and needs to hold, along with the previous tops going back to 2018.&#2013266080;*
- *The sector is very overbought short-term.*

- *We have an alert set at $95 to add more to our holdings.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

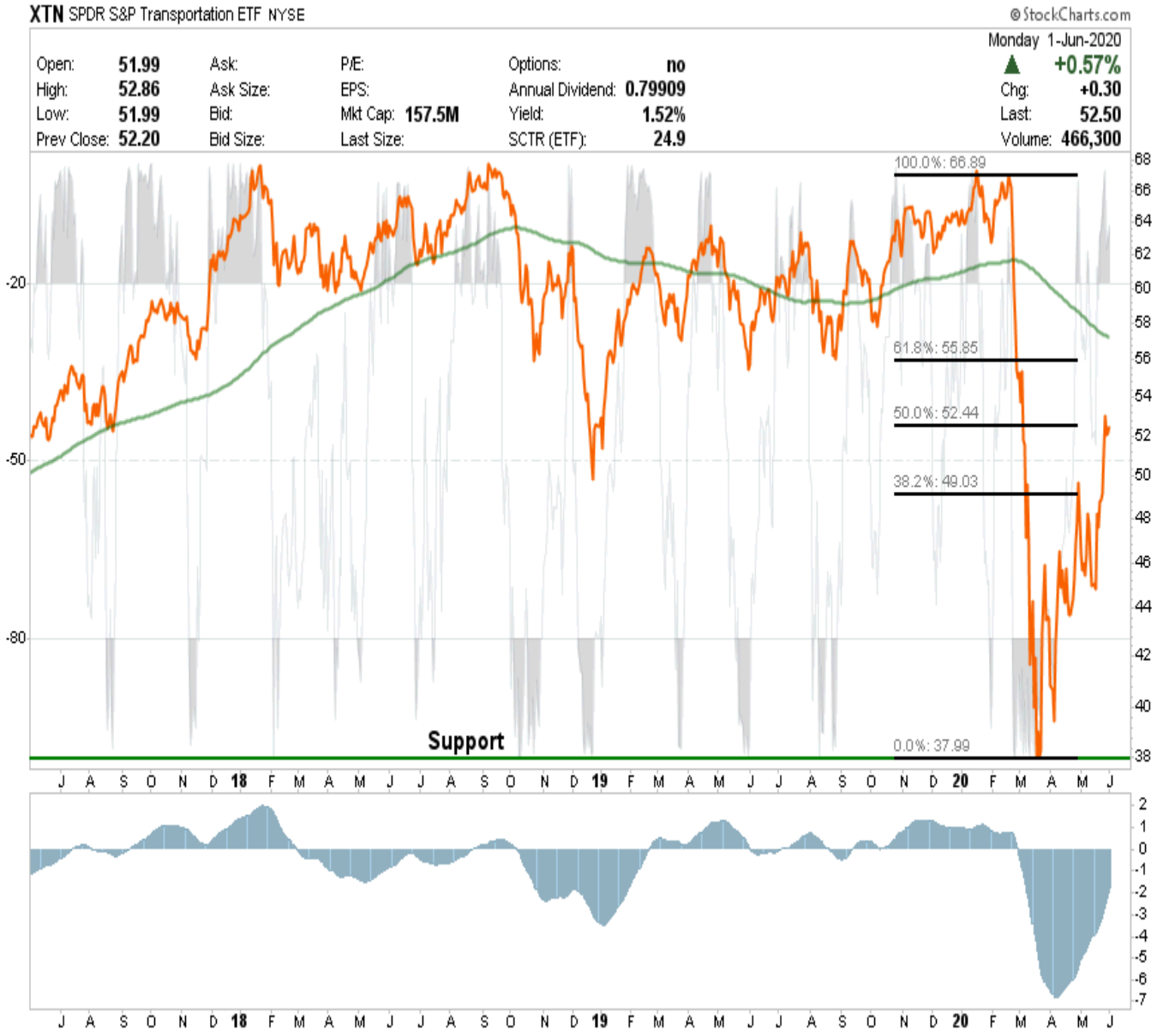
Discretionary



- *Discretionary performance has improved much over the past couple of weeks. The sector is still at a lot of risk from earnings, but momentum is carrying the sector higher for now.&#2013266080;*
- *Last week, XLY rallied to the 200-dma and finally broke above it, and is now struggling with the uptrend from 2018.*
- *The sector is VERY overbought, so a pullback is likely. So, use pullbacks to add exposure between 117.50 and 120.00.*
- *Short-Term Positioning: Bullish*
    - *Last week: No position*
    - *This week: No position*

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

Transportation



- *The sector finally mustered a breakout rally from the 38.2% retracement level it struggled with over the last couple of months.&#2013266080;*
- *The sector performance has improved but still lags the broader market.&#2013266080;*
- *There is a trading opportunity for transports, but the sector is very overbought and extended. Look for a pullback to $49-50 for a trading entry.&#2013266080;*
- *We are moving our trading alert level to $49, but we aren't excited about it.*
- *Short-Term Positioning: Neutral*
  - *Last week: No position*
  - *This week: No position*
- *Long-Term Positioning:&#2013266080;Bearish*