

Major Market Buy/Sell Review: 06-08-20

HOW TO READ THE MAJOR MARKET BUY/SELL CHARTS FOR THE WEEK OF 06-08-20.

There are three primary components to each Major Market Buy/Sell chart in this [RIAPro](#) review:

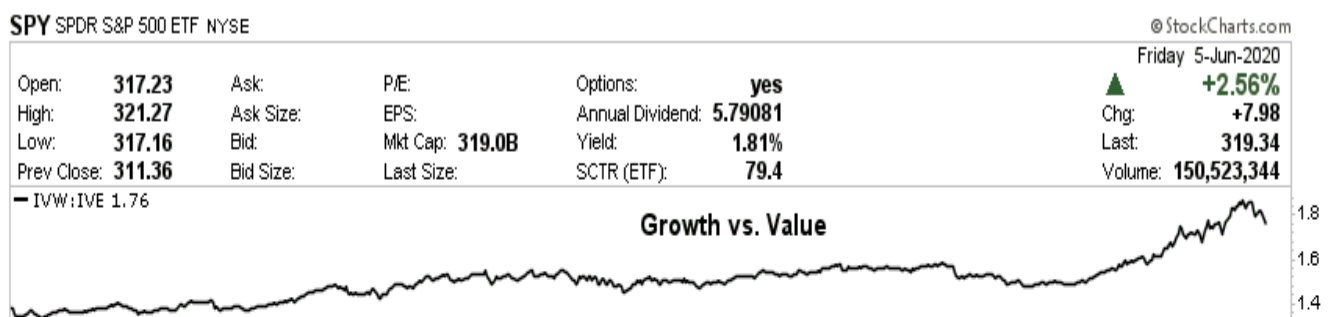
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



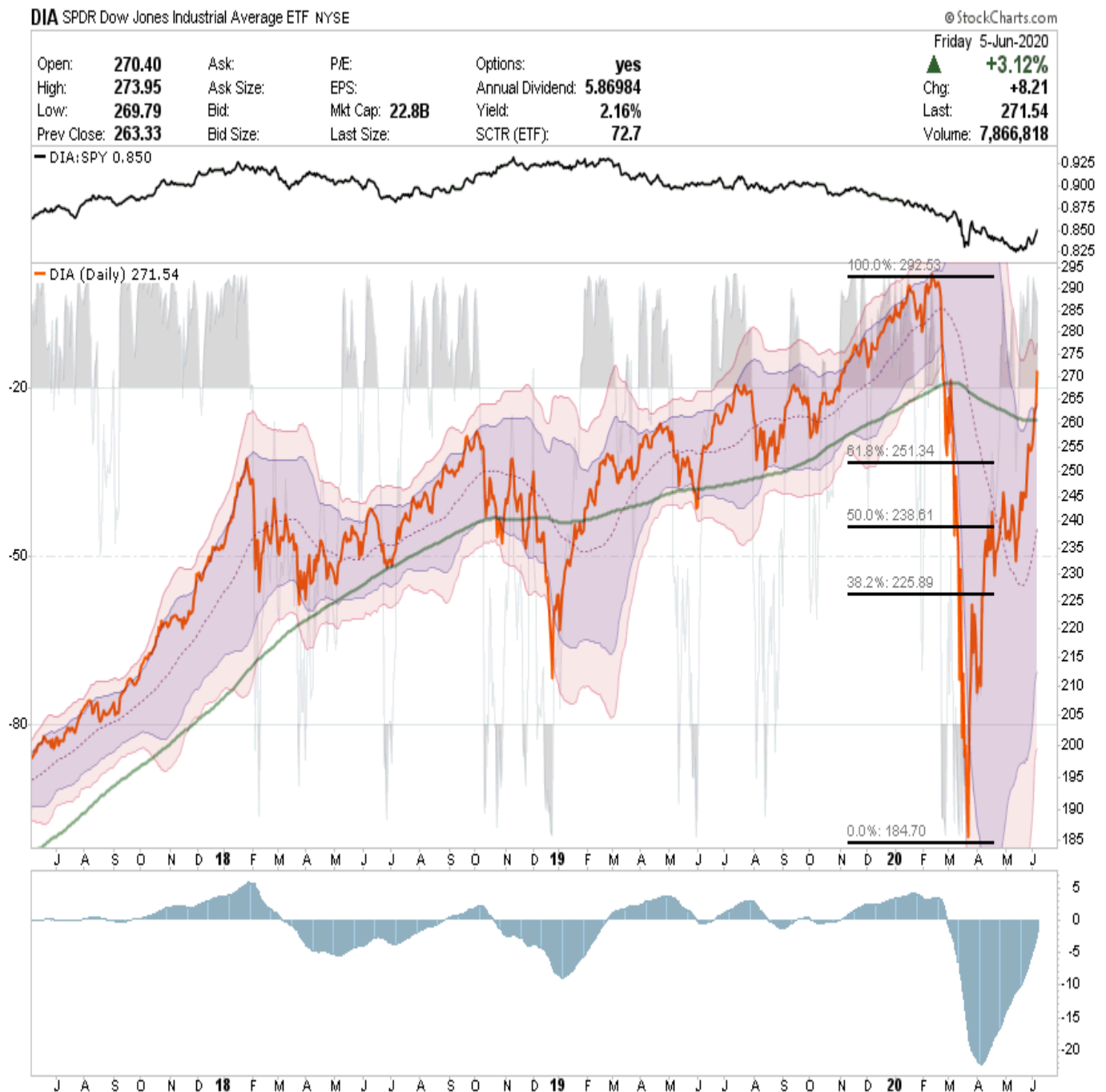
With this basic tutorial, let's review the major markets. **NOTE: I have added relative performance information to each Major Market buy/sell review graph. Most every Major Market buy/sell review graph also shows relative performance to the S&P 500 index except for the S&P 500 itself, which compares value to growth, and oil to the energy sector. This week I have added 2 and 3-standard deviations from the 50-dma to show where extreme extensions currently exist.**

S&P 500 Index



- Last week, the market went a bit haywire on "better than expected economic data," which in reality was not better than expected. However, it is what it is.�
- Currently the market is back to extremely overbought and the advance has been near vertical. With the SPY pushing into 3-standard deviation territory, profit taking is suggested. We will likely see a short-term reversal to provide a better entry point to add further exposure.
- Short-Term Positioning: Bearish ? Earnings and Valuations
 - Last Week: No core position
 - This Week: Take profits
 - Stop-loss moved up to \$295 for any positions.
 - Long-Term Positioning: Bearish

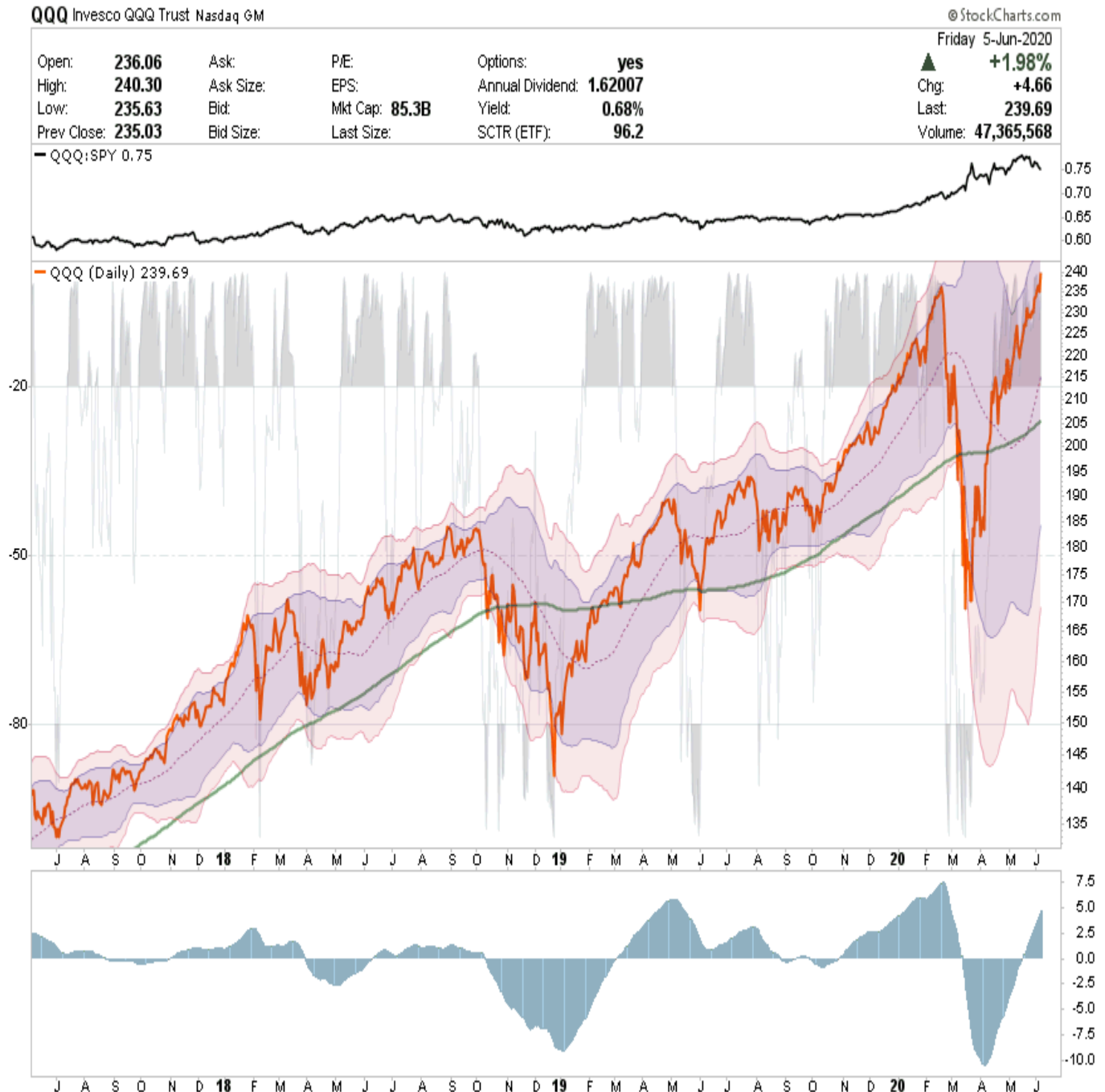
Dow Jones Industrial Average



- DIA is also well into 3-standard deviation territory which doesn't happen often. It suggests a short-term corrective pullback to relieve some of that extension.�

- *DIA continues to lag both the S&P and the Nasdaq.*
- *Take profits and look for a retest of support to add back to holdings.*
- *Short-Term Positioning: Bearish ? Earnings and Valuations.*
 - *Last Week: No positions*
 - *This Week: No positions*
 - *Stop-loss moved up to \$260*
- *Long-Term Positioning: Bearish*

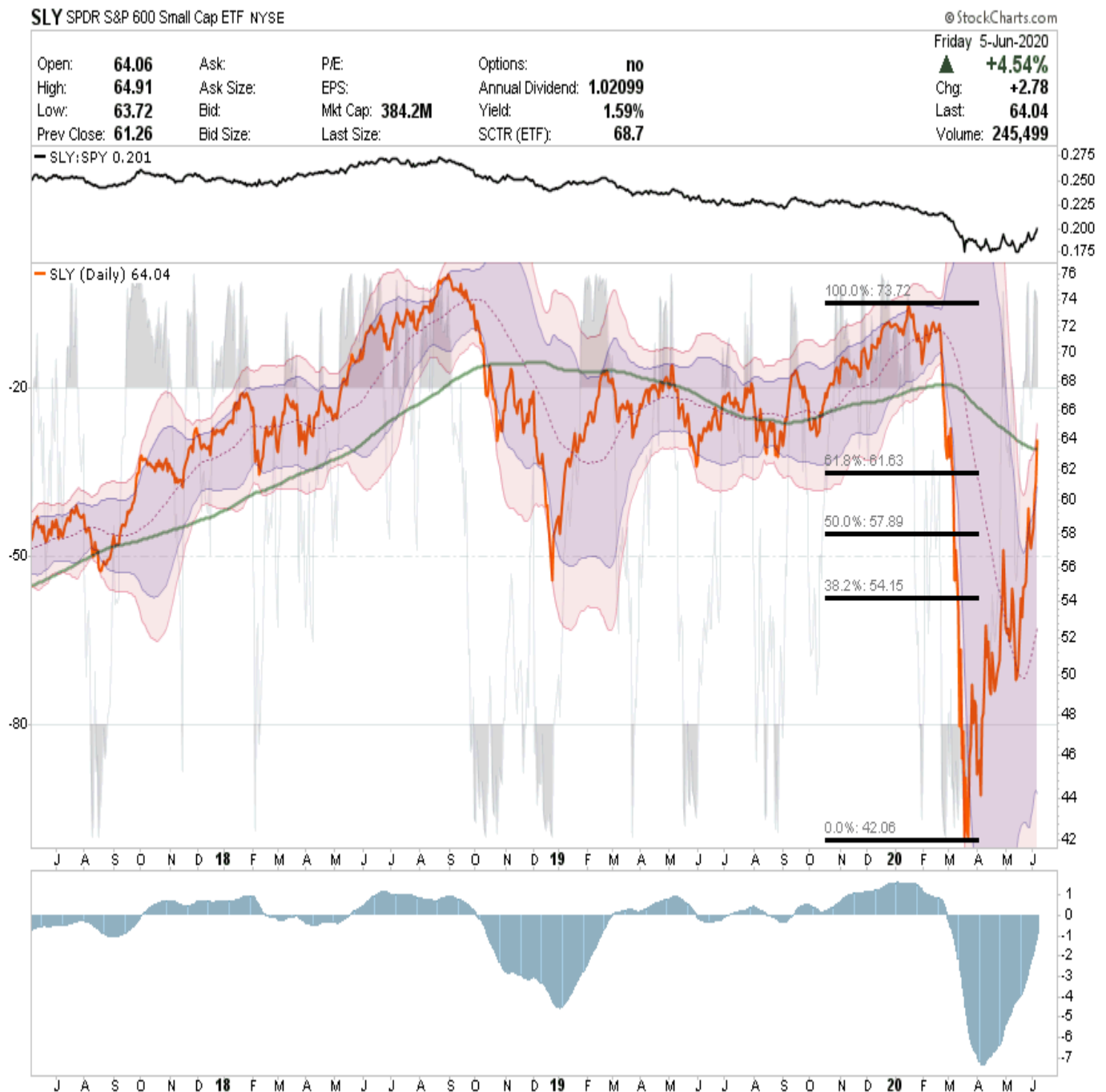
Nasdaq Composite



- *QQQ's outperformance of SPY has begun to fade over the last week or so.*
- *As noted last week: "QQQ continues to push toward all-time highs and will likely accomplish that task in the next week or so."*
- *That occurred this past week, so by every measure remains the most bullish index currently.*

- The QQQ's are overbought but still not in 3-standard deviation territory like SPY. This suggests we likely see a rotation out of the recent torrid rally in "junk" back into higher quality, defensive, names in the next week.�
- The market is extremely overbought short-term so a correction is likely. Take trading positions on pullbacks that hold support above \$210.
- Short-Term Positioning: Bearish ? Earnings and Valuations
 - Last Week:�No positions
 - This Week: No positions
 - Stop-loss set at \$205
- Long-Term Positioning: Bullish

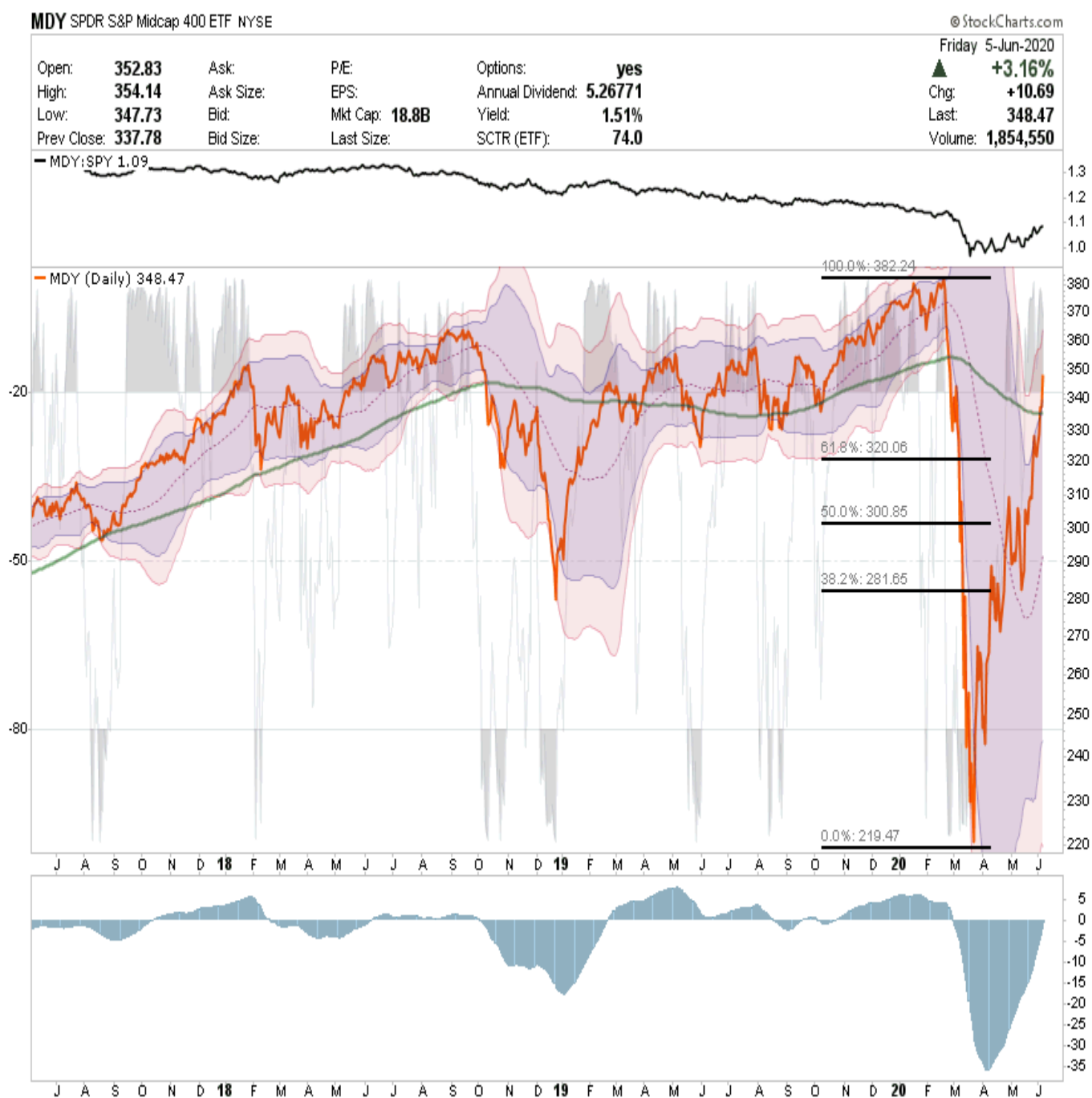
S&P 600 Index (Small-Cap)



- Small caps rallied again this week on a potential catch up rotation.

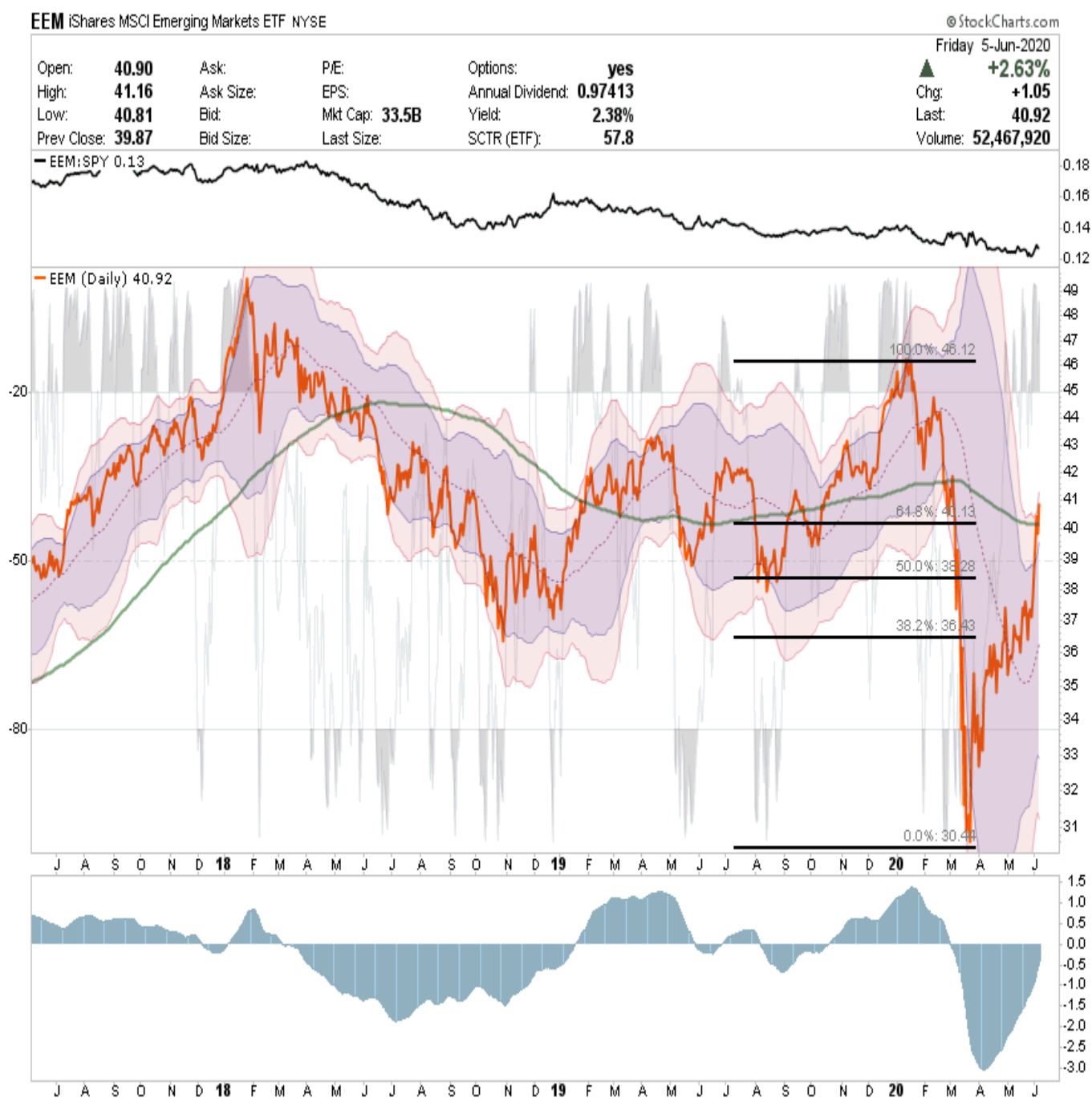
- Overall, small caps continue to lag the S&P 500, and the recent spurt higher has it testing the 200-dma resistance.�
- SLY is pushing limits of a 3-standard deviation extension, so if you are long small-caps take profits on Monday and rebalance risk. We will likely see a correction soon.
- Despite the rally, we still have an "avoid small-caps" stance at the moment due to earnings risk and underperformance
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No positions
 - This Week: No positions.
 - Stop-loss adjusted to \$58 on trading positions.
- Long-Term Positioning: Bearish

S&P 400 Index (Mid-Cap)



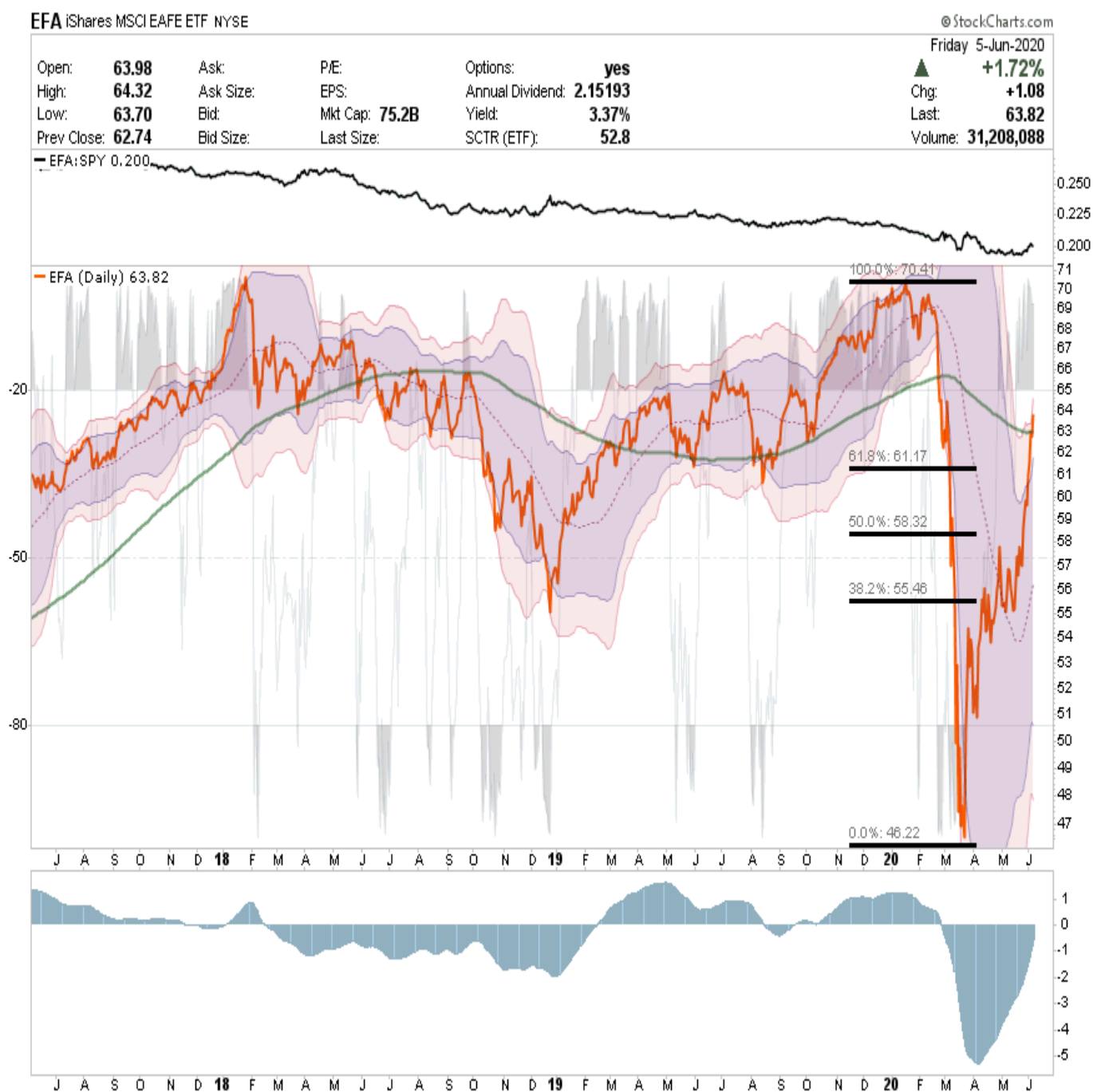
- The relative performance remains poor as with SLY. MDY pushed above the 200-dma this week, which is bullish, but is extremely overbought and like small caps extremely deviated short-term.�
- We will likely see a correction sooner than later, so take profits and rebalance risk accordingly.�
- Mid-caps are back to very overbought. Keep stops tight.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No holding
 - This Week: No holding
 - Stop Loss moved up to \$320 for trading positions.�
- Long-Term Positioning: Bearish

Emerging Markets



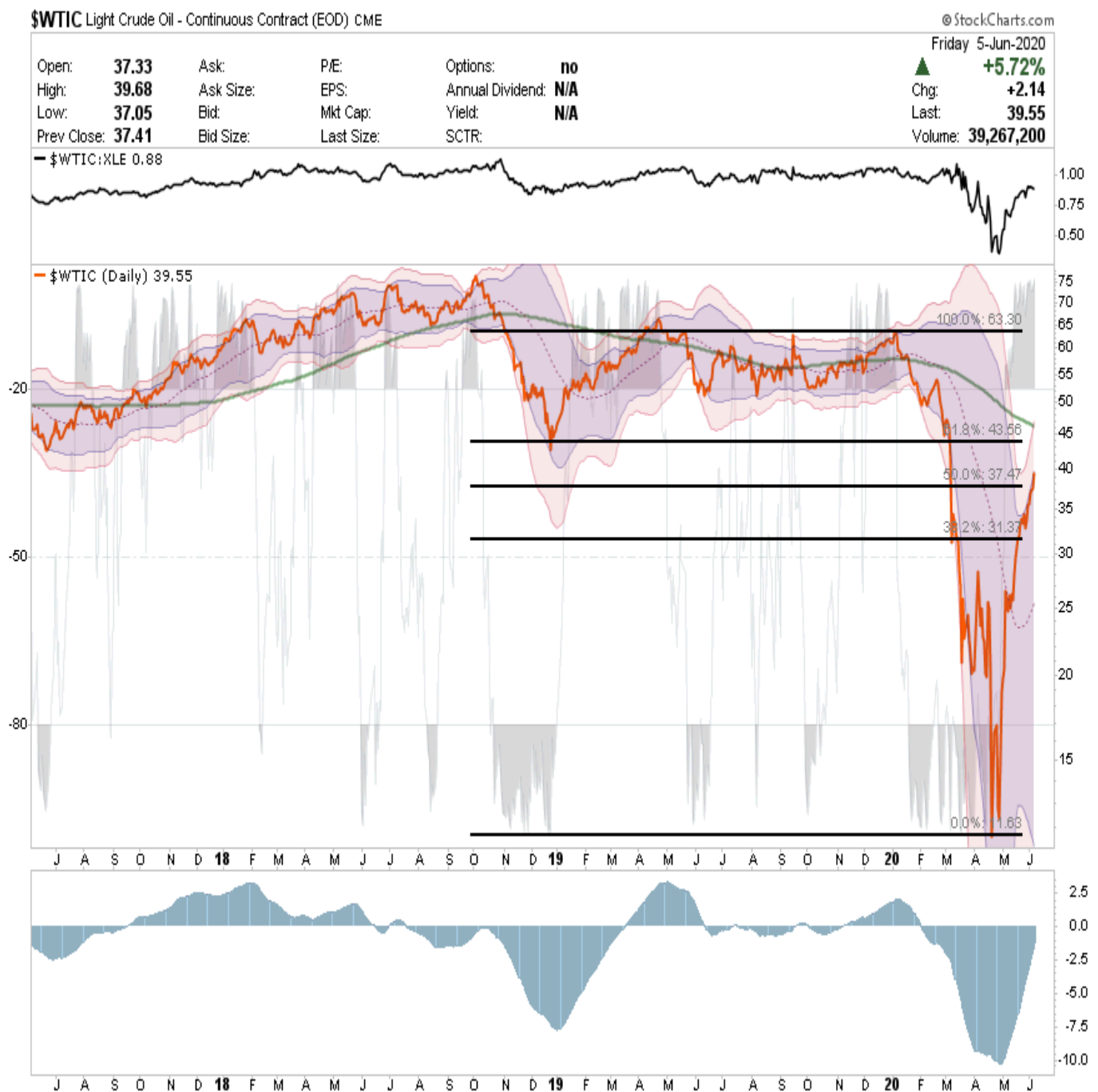
- As with small and mid-cap stocks, emerging, and international markets are underperforming the S&P 500 and Nasdaq. Maintain domestic exposure for now. #2013266080;
- However, EEM had a sharp surge this week on a catch-up rotation that will likely fade very quickly.
- Currently, EEM is more than 3-standard deviations extended and extremely overbought. Take profits and rebalance risk. Look for pullbacks to add exposure if you want. #2013266080;
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No position
 - This Week: No position.
 - Stop-loss moved up to \$38 for trading positions.
- Long-Term Positioning: Bearish

International Markets



- *EFA is performing a little better than EEM but not by much. Overall, like EEM, EFA is grossly underperforming the domestic markets.�*
- *EFA had a big spurt of a "catch up" trade over the last two weeks, but now it is extremely overbought and extended.�*
- *Take profits and rebalance risk in positions and use pullbacks to support to add trading positions.�*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
 - *Last Week: No position.*
 - *This Week: No position.*
 - *Stop-loss moved up to \$61 for trading positions.*
- *Long-Term Positioning: Bearish*

West Texas Intermediate Crude (Oil)



- Oil prices continued to rally this past week and are now pushing above the 50% retracement level.
- Prices are very extended and grossly overbought. Look for a correction to reverse some of the extreme overbought.
- We are continuing to hold our positions in XLE, but it is very overbought currently. We are looking for corrections to continue to add exposure accordingly. #2013266080;
- We continue to carry very tight stops. #2013266080;
- Short-Term Positioning: Bearish
 - Last Week: Hold positions
 - This Week: Hold positions
 - Stop for trading positions at \$32.50
- Long-Term Positioning: Bearish

Gold



- We remain long our current position in IAU, but sold GDX to take profits this past week.�
- This past week Gold sold off a bit as the stock market surged and gold is underperforming stocks as would be expected.�
- With the market very overbought, use this correction in Gold to add to holdings. We noted previously a pullback was likely and to use such to add to current holdings.
- We believe downside risk is fairly limited, but as always maintain stops.
- Short-Term Positioning: Bullish
 - Last week: Hold positions.
 - This week: Hold positions
 - Stop-loss moved up to \$155
 - Long-Term Positioning: Bullish

Bonds (Inverse Of Interest Rates)



- Bonds have now corrected and got back to oversold while holding support. Such sets us up for two events - a rally in bonds, as the stock market corrects.
- While we haven't had a correction in stocks yet, bonds suggest it is coming soon. Bonds are now pushing into 3-standard deviations oversold. Historically, this has been a good buying opportunity.�
- We added again to both TLT and IEF in our portfolios this week to hedge against our increases in equity risk.�
- Short-Term Positioning: Neutral
 - Last Week: Hold positions
 - This Week: Hold positions
 - Stop-loss is \$150.00
 - Long-Term Positioning: Bullish

U.S. Dollar



- *We previously added a position to the Dollar to hedge against the global dollar shortage issue. While the dollar has sold off, and helped fuel a rather torrid stock and commodity rally, we are likely closer to a bottom.*�
- *USD is extremely oversold, and well into 3-standard deviations below the 50-dma. This is likely a good entry point to add to dollar holdings.*�
- *The deep underperformance of UUP versus SPY has a habit of reversing sharply. We could be setting up for one of those reversals now.*�
- *Stop-loss adjusted to \$95*