

Selected Portfolio Positions Review: 06-10-20

In this week's selected portfolio positions review, we want to review a few of the trades we made on Monday. As noted in yesterday's post, "[It's time to take on defensive positioning,](#)" I stated:

"With the vast majority of stocks being above the 50- and 200-dma moving averages, all short-term momentum indicators are now egregiously overbought. As noted by the vertical red lines, when every measure is at historically overbought levels, corrections are frequent."



The crux of the article is the discussion of these extreme conditions and the potential for a "risk-off" trade. Which led us to our latest actions:

"While we did increase our exposure to the markets yesterday, as the bullish trend continues, we did so in more defensive areas. With the momentum junk trade now very extended, we should see a rotation back into utilities, real estate, health care, and technology. (Which may already be underway.)"

In today's position review, I will review a few of our recent adds and the reasoning.

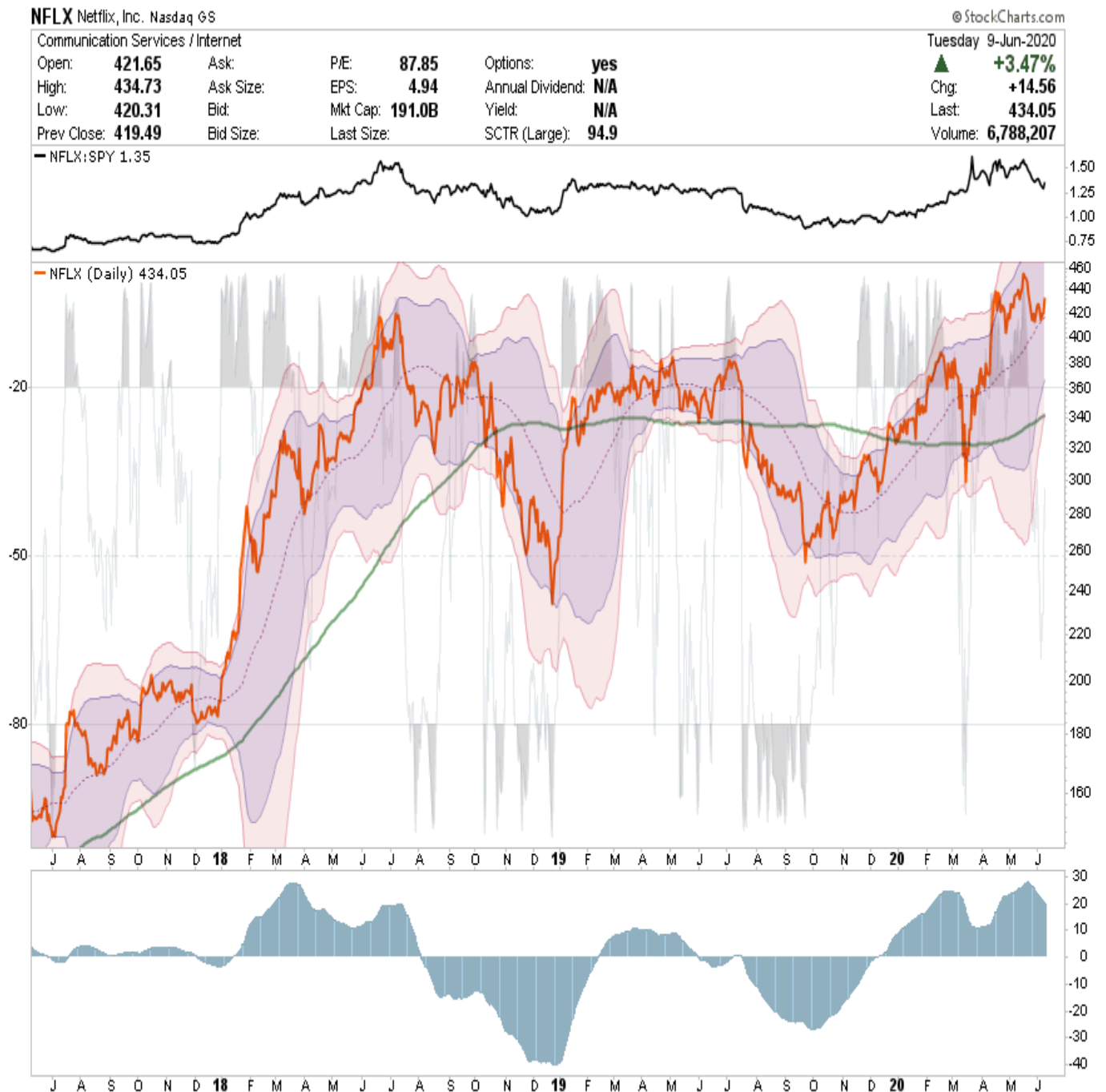
AAPL - Apple, Inc.



- Over the last couple of years, we have bought AAPL, taken profits, added more on dips or breakouts.

- On Monday, we increased our holdings in AAPL to catch a "risk-off" rotation out of the momentum chase in fundamentally poor quality stocks.
- With AAPL not in the 3-standard deviation overbought zone, like many of the market sectors, and with a high liquidity ratio, we expect money to "hide" in Apple during a rotation.�
- Stop loss is at \$310

NFLX - Netflix



- Like AAPL, we added to our holdings of NFLX. The stock has built a consolidation over the last month.�
- A breakout to all-time highs is likely on a rally, and we can maintain a tight stop loss due to our recent entry point on the position.
- Stop set at \$385

AMZN - Amazon, Inc.



- We added AMZN on Monday, expecting a breakout in the position on a "risk-off" rotation out of the momentum chase. That breakout occurred on Tuesday. 2013266080;
- Like AAPL, AMZN is a high liquidity, very visible, stock for major funds to own. With low liquidity in many areas of the market, AAPL, AMZN, and NFLX provide an "easy in, easy out" trade. 2013266080;
- AMZN is overbought now, but not yet trading to the top of its Bollinger bands, so there may be more room after yesterday's surge.
- Stop set at \$2350.

ABBV - Abbvie Inc.

ABBV AbbVie Inc. NYSE

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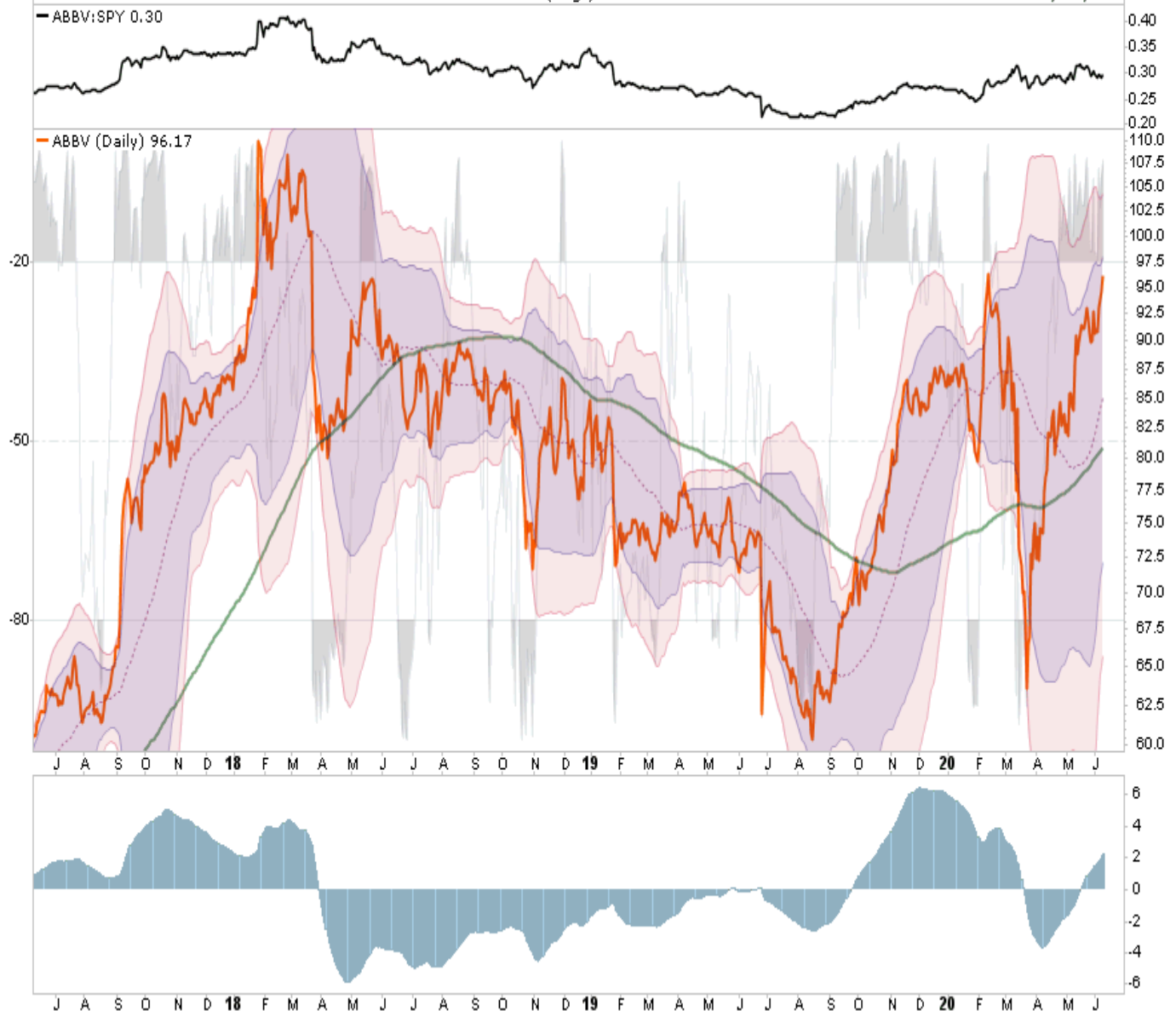
Health Care / Biotechnology

Open: 94.95	Ask:	P/E: 17.02	Options: yes
High: 96.66	Ask Size:	EPS: 5.65	Annual Dividend: 4.5
Low: 94.76	Bid:	Mkt Cap: 142.0B	Yield: 4.68%
Prev Close: 94.59	Bid Size:	Last Size:	SCTR (Large): 87.1

Tuesday 9-Jun-2020

▲ **+1.67%**Chg: **+1.58**Last: **96.17**Volume: **9,540,286**

— ABBV:SPY 0.30



- *ABBV has been a steady winner since last year; we have bought and sold the position a couple of times, taking profits.*
- *The position is on the risk-off rotation play and is close to breaking out above the previous high from February of this year. Our short-term target is \$100 if that happens.*
- *Stop set at \$87.50*

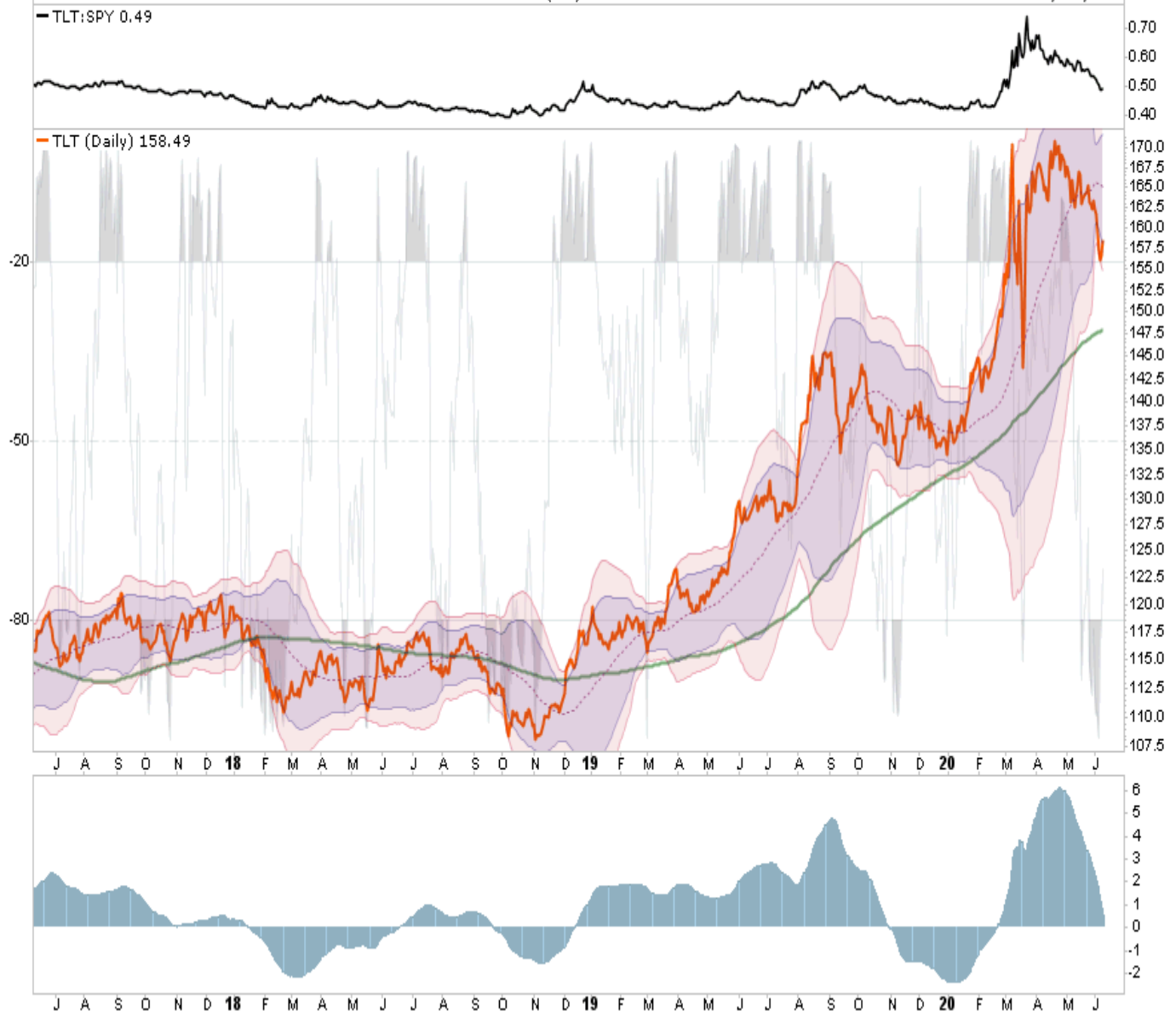
TLT - 20-Year Bond ETF

Tuesday 9-Jun-2020

Open: **159.05** Ask: P/E: Options: **yes**
 High: **159.64** Ask Size: EPS: Annual Dividend: **2.87377**
 Low: **158.30** Bid: Mkt Cap: **10.9B** Yield: **1.81%**
 Prev Close: **156.71** Bid Size: Last Size: SCTR (ETF): **66.1**

▲ **+1.14%**
 Chg: **+1.78**
 Last: **158.49**
 Volume: **9,094,295**

TLT:SPY 0.49



As I noted in yesterday's report:

As opposed to the S&P 500, bonds are more than 3-standard deviations oversold. On Friday, bonds began a reversal rally. We recently added to our positions to take advantage of a risk rotation.)

Importantly, was this supporting view of our position.

"Even if we get a V-shaped recovery, we are going to be stuck in a deflationary pricing situation for a very long time. You have one-in-five Americans either unemployed or underemployed even after what was a blockbuster jobs report. There is still too much idle capacity to be bidding up inflationary expectations at the moment. That's why Treasuries are a very good buy right now." ? David Rosenberg

We remain long bonds at this point for a hedge against our equity risk and rotation from the "risk-on" trade that has gotten the markets way ahead of itself. A short-term reversal is likely.�