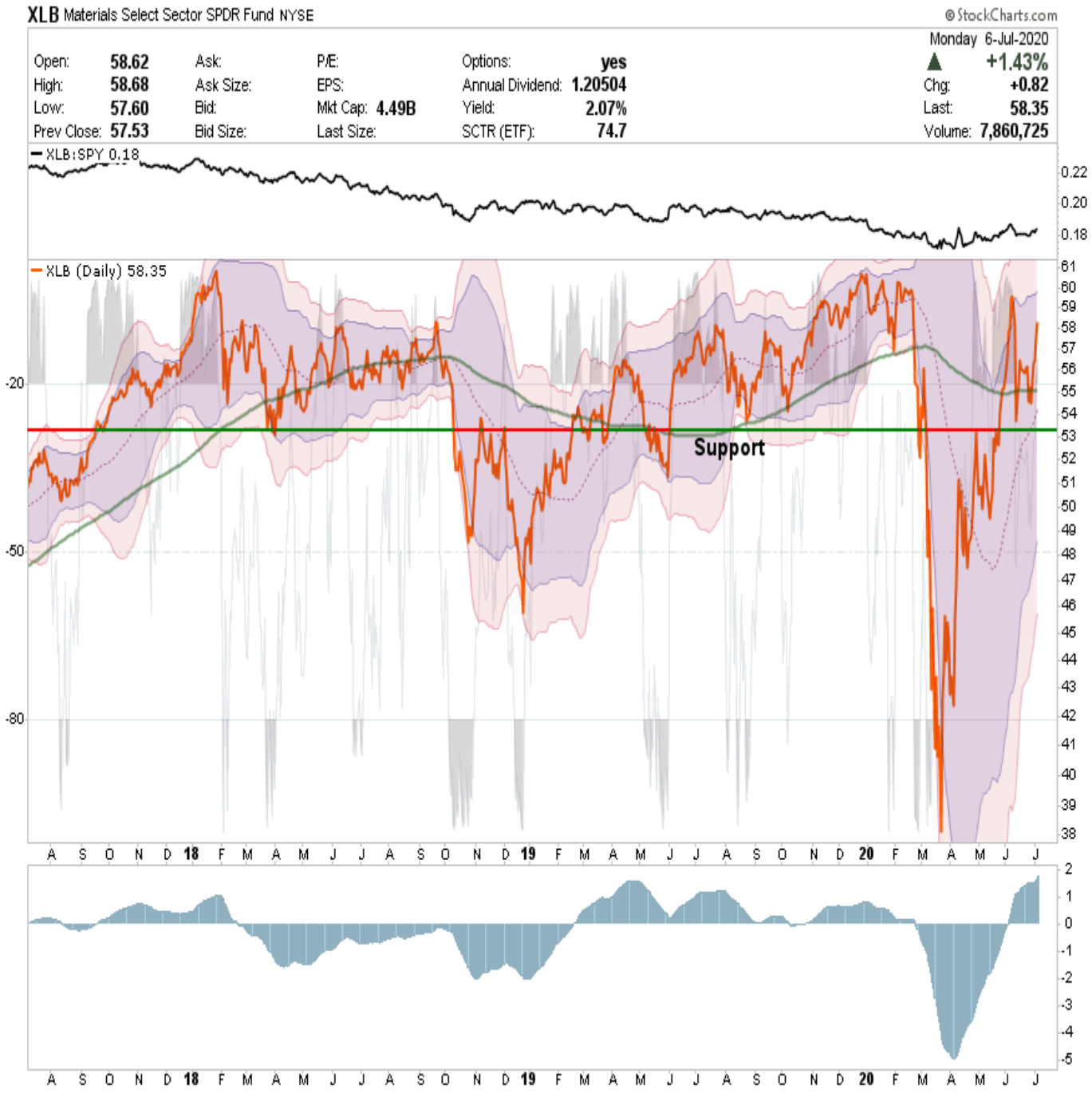
Sector Buy/Sell Review: 07-07-20

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:

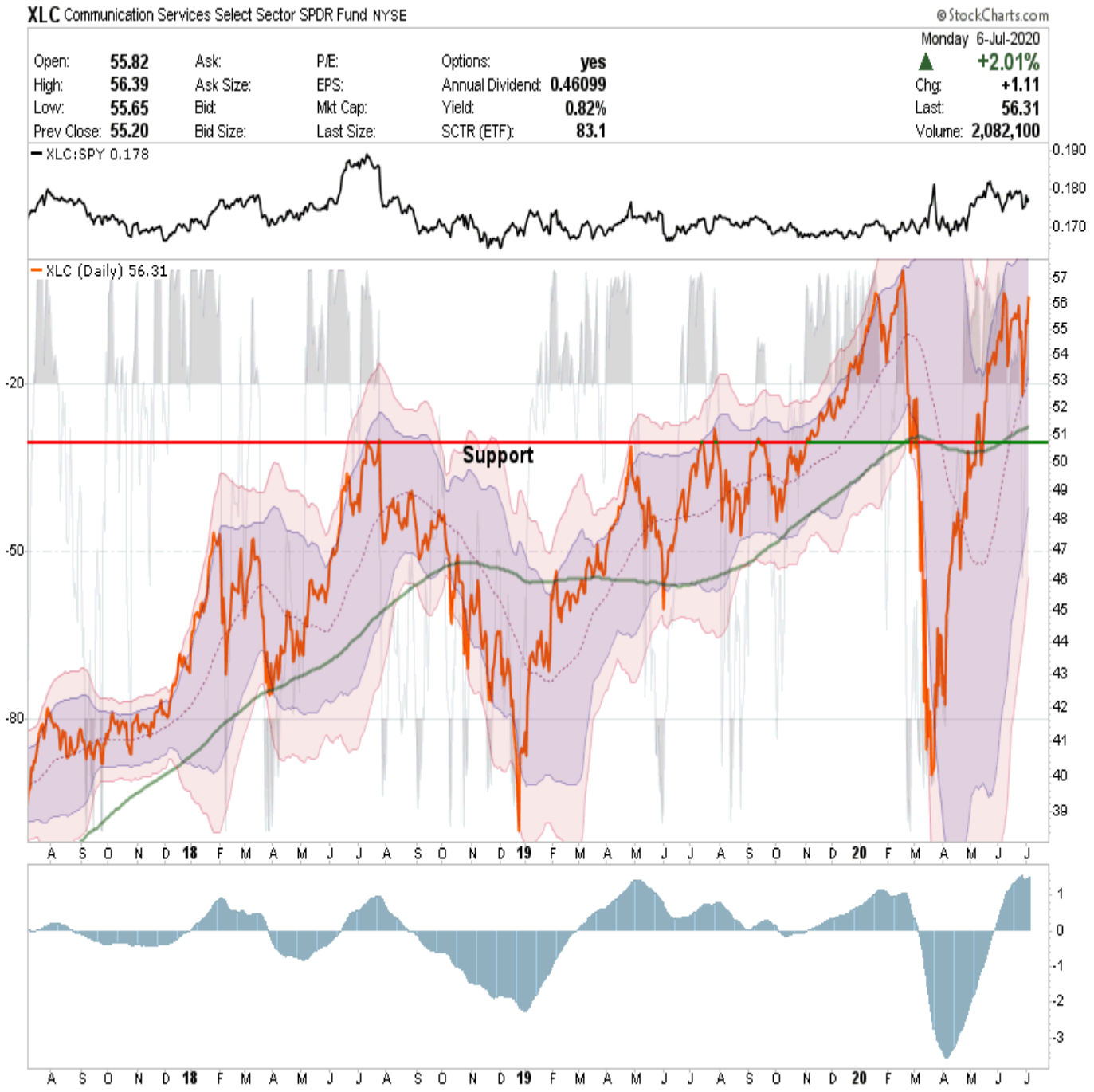
- *The price chart is in orange*
- *Over Bought/Over Sold indicator is in gray in the background.*
- *The Buy / Sell indicator is in blue.*

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. **We added 2- and 3-standard deviation extensions from the 50-dma this week. We are back to "stupid" overbought on many levels. Caution is advised.** **Basic Materials**



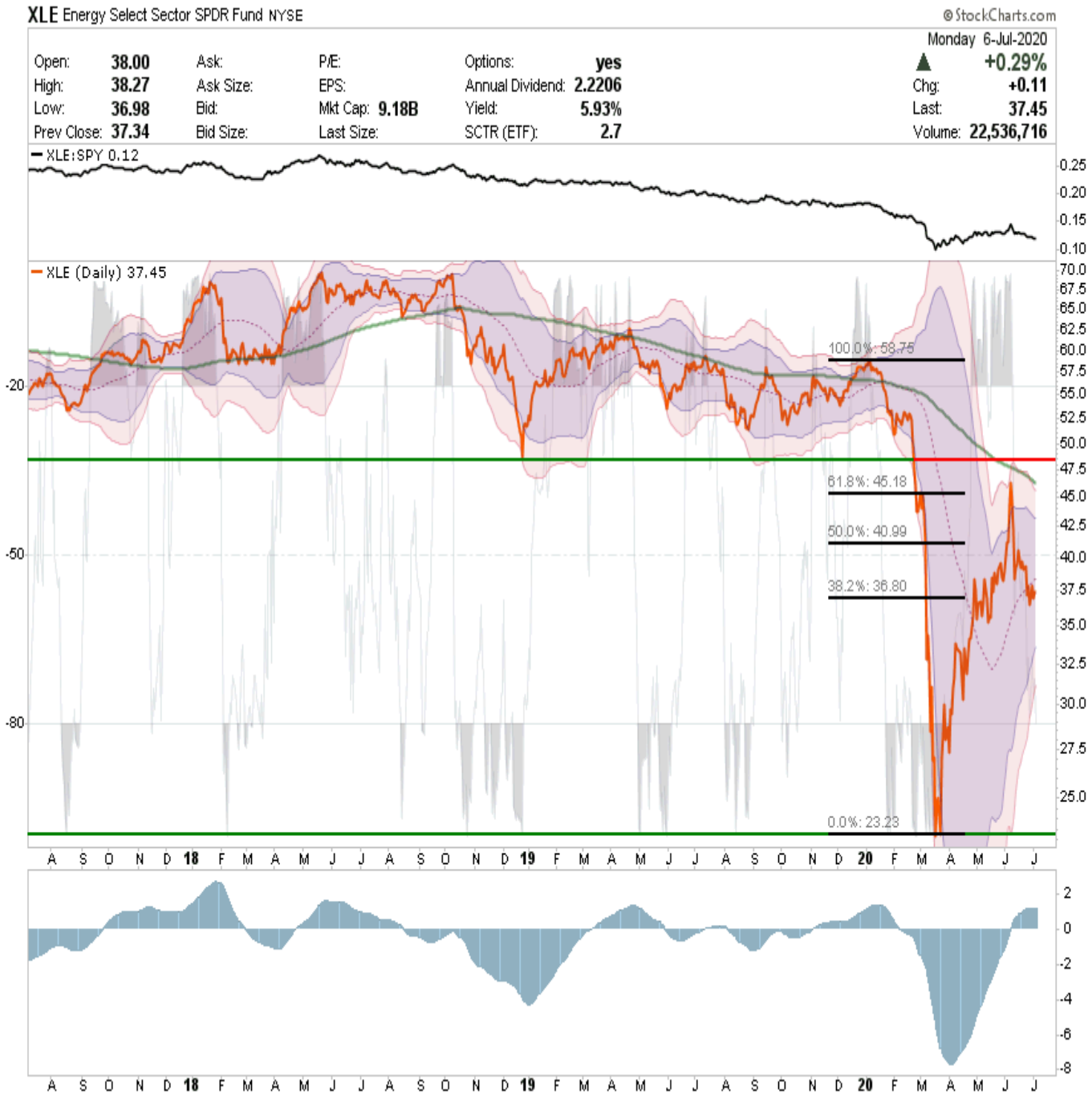
- *As noted last week,&#2013266080;XLB held support at $54, but remains very overbought short-term, however, trading positions could be added with a tight stop at $54.&#2013266080;*
- *XLB is too overbought currently to chase the sector further, but hold trading positions for now.*
- *Target for trade is $60-61*
- *The sector looks weak overall so caution is advised as we head into earnings season.*
- *Short-Term Positioning: Bullish*
  - *Last Week: No Positions*
  - *This Week: No Positions*
- *Stop-Loss set at $54*
- *Long-Term Positioning: Bearish*

Communications



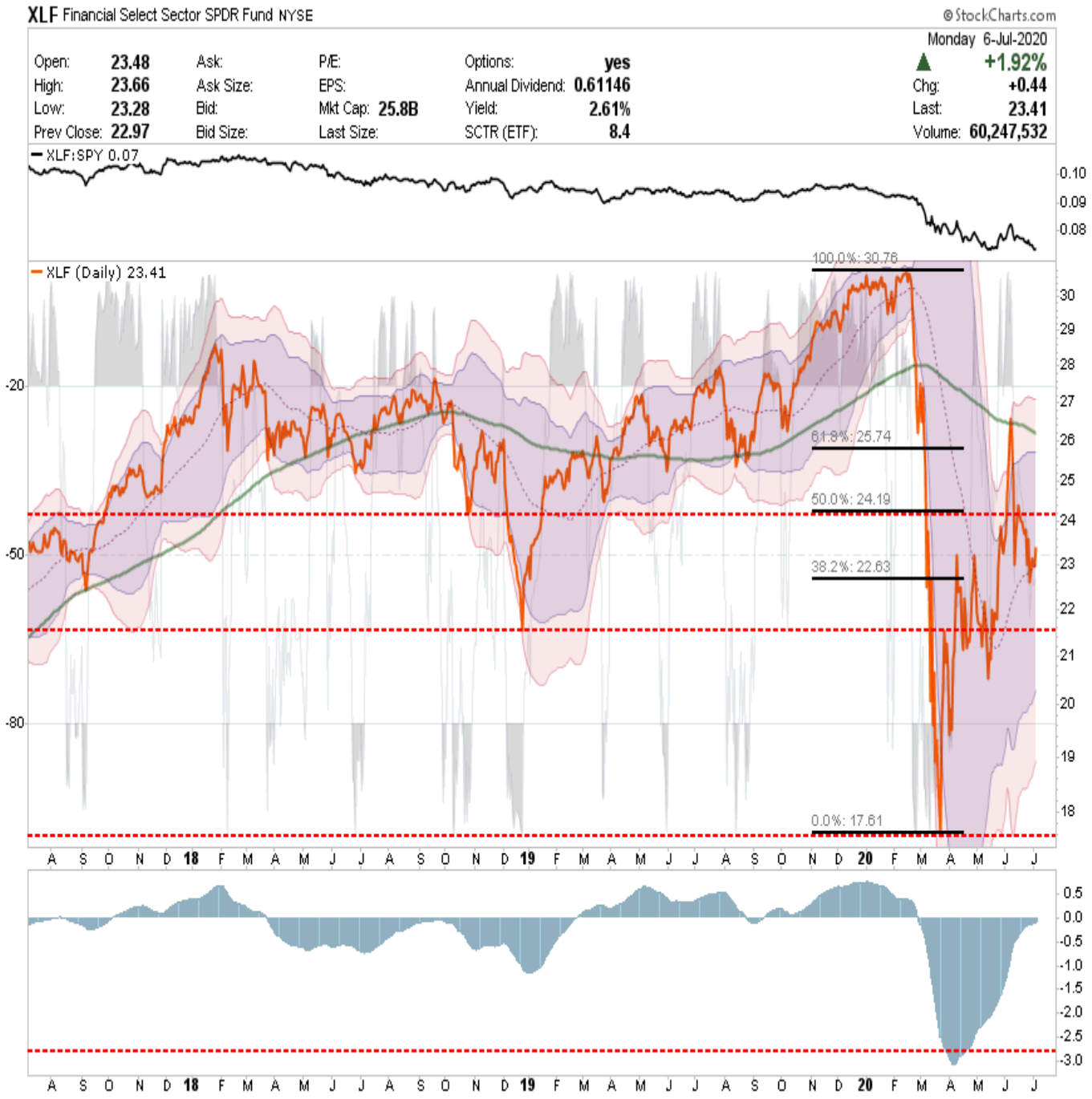
- *XLC has resumed its rally and is looking to breakout to new highs after holding support.&#2013266080;*
- *The sector is VERY overbought so hold current positions, but I would not suggest chasing the sector at this juncture.*
- *With the virus resurging, the more defensive quality of the sector is attracting flows.*
- *We moved our stop to $52.*
    - *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
- *Long-Term Positioning: Neutral*

Energy



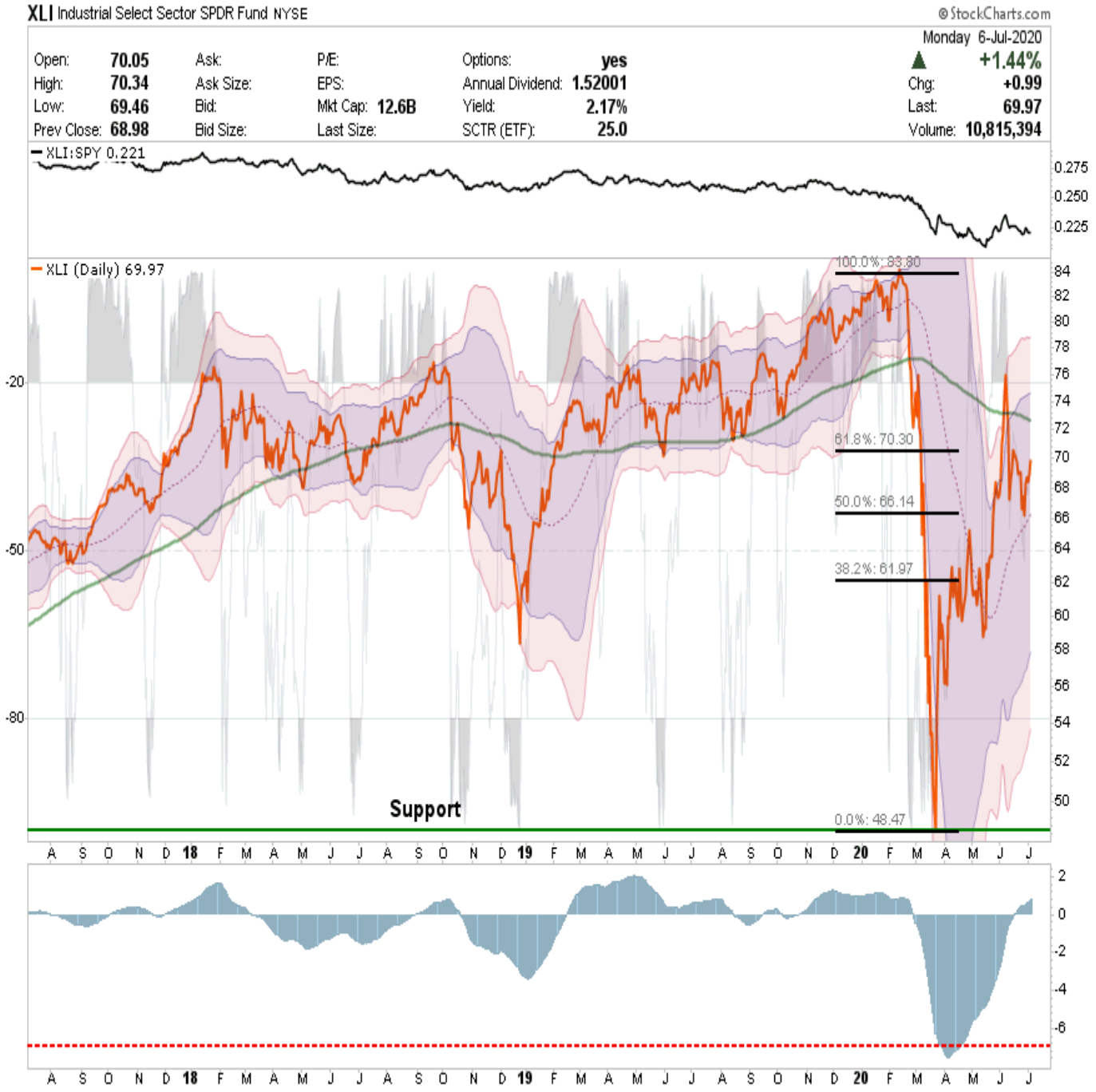
- *The pullback in energy stocks has moved the sector back to oversold. We were a bit early adding to our holdings but we were close to the short-term bottom.*
- *If support can hold here, our positions should play out.*
- *We maintaining fairly close stops however.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions*
- *Stop loss adjusted to $35.00*
- *Long-Term Positioning: Bearish*

Financials



- *Financials are back to underperforming and remain a sector to avoid currently.*
- *Initial support was at $24, which was violated. Now that level will be tested as "resistance."&#2013266080;*
- *We have an alert set at $22 to start evaluating holdings, but we aren't excited about the sector currently.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning: Bearish*

Industrials



- *Industrials bounced of support at the 50% retracement level and triggered a buy signal. Sector performance has improved as well.*
- *The sector has triggered a "buy signal" but is short-term overbought.&#2013266080;*
- *Positions can be added with a stop at $56*
- *Short-Term Positioning: Bullish*
    - *Last week: No position.*
    - *This week: No position.*
- *Long-Term Positioning: Bearish*

Technology



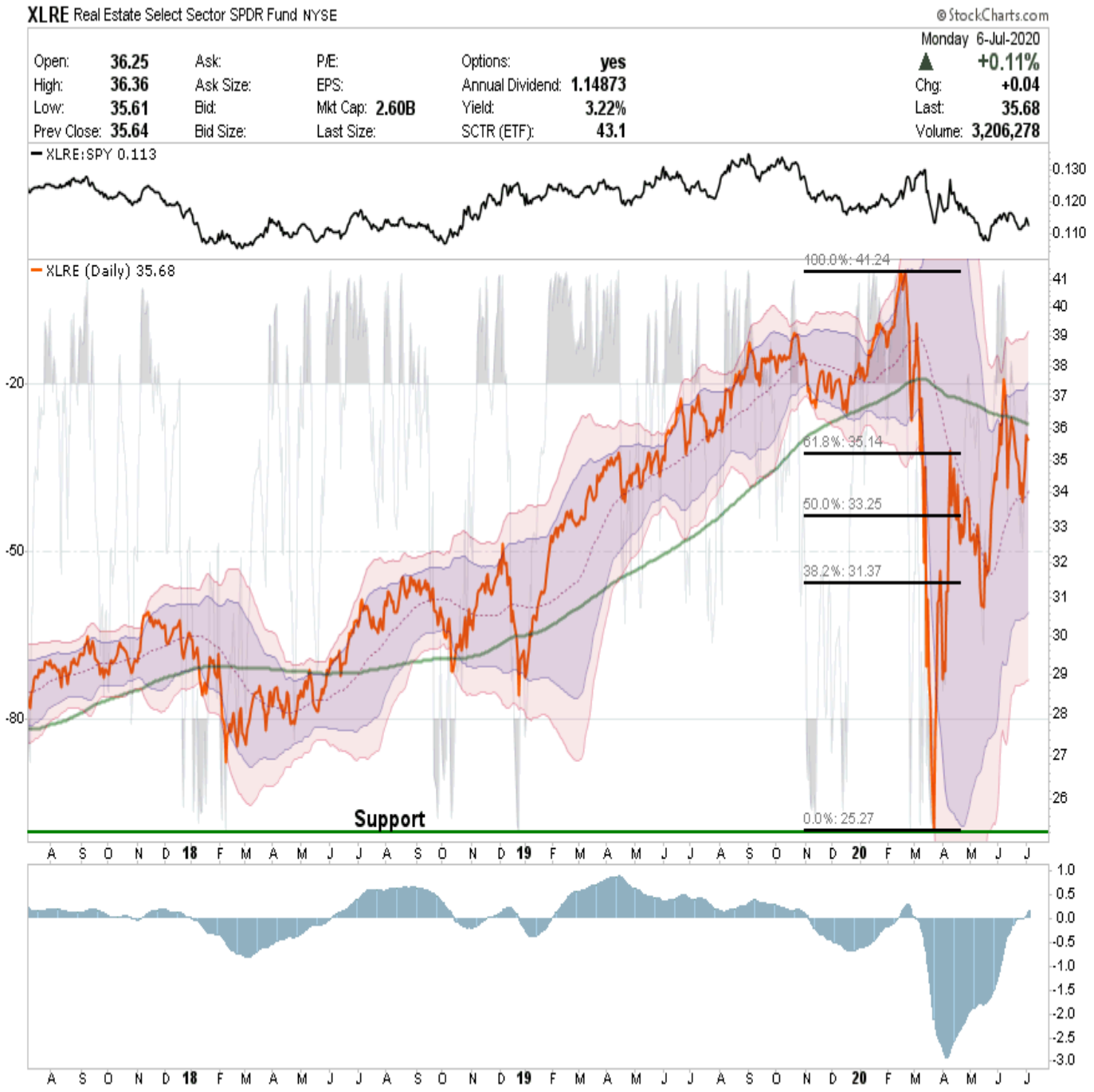
- *Technology continues push higher as the "virus trade" is back on.&#2013266080;*
- *Technology stocks, and the Nasdaq, are extremely overbought.&#2013266080;*
- *We are holding our positions currently, but would not add further to the sector until you get a correction.&#2013266080;*
- *The deviation above the moving averages will be resolved likely sooner than later.&#2013266080;*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions.*
    - *Long-Term Positioning: Bullish*

Staples



- *XLP has corrected, and after we added a bit more to our holdings for the defensive nature of the sector, the sector is close to triggering a buy signal.*
- *XLP is not overbought after working off the previous extension, so there is "fuel" for a further rally on a rotation trade. Look for a defense rotation to see a pickup in the sector.&#2013266080;*
- *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



- *Like XLP, XLRE has triggered a buy signal.*
- *The sector is not grossly overbought and a further defensive rotation in the market should see this sector rally.&#2013266080;*
- *XLRE is looking to test the 200-dma, and a break above that level would be bullish short-term.*
- *We have moved our stop to $33.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions*
    - *This week: Hold positions.*
    - *Long-Term Positioning: Bullish*

Utilities



- *XLU has been lagging but is working off its previous sell signal.*
- *The sector is currently underperforming the market as a hole, but there is some relative value and dividends in the sector.*
- *XLU held support on the recent pullback, and looks set to move higher in the short-term.*
- *We have an alert set at $54*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions*
    - *This week: Hold positions*
- *Long-Term Positioning:&#2013266080;Bullish*

Health&#2013266080;Care



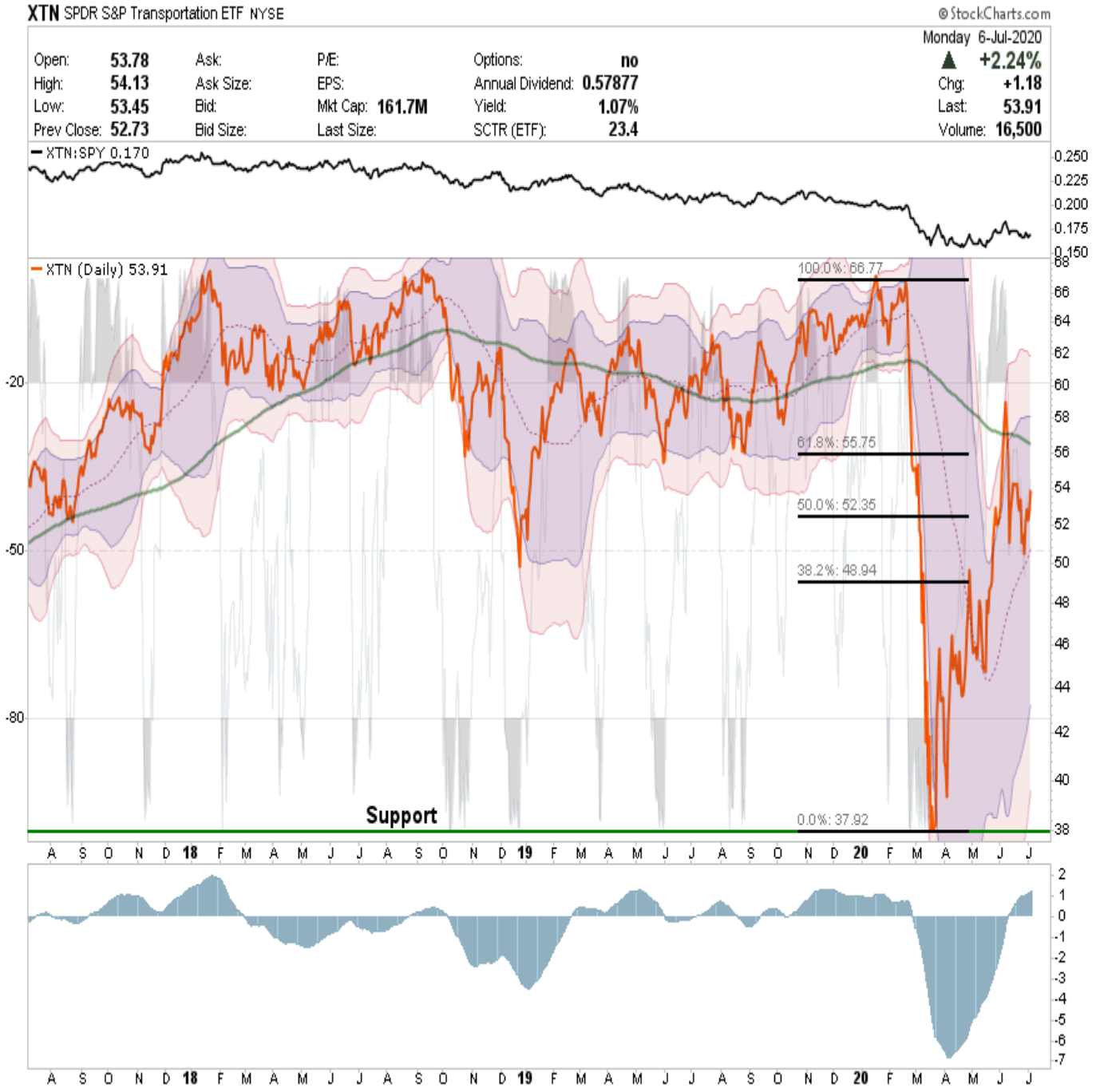
- *XLV continues to consolidate. With a buy signal in place, a defensive rotation in the market could push the sector higher.*
- *The consolidation was needed following the massive rally from the lows. So, if the market begins to look for areas with better fundamentals for a catch up trade, XLV will likely be it.*
- *The 200-dma is now important support and needs to hold, along with the previous tops going back to 2018.&#2013266080;*
- *We have an alert set at $95 as a stop.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions*
    - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Discretionary



- *AMZN is still driving this sector. The overall retail sector looks terrible from an earnings standpoint, but for now, the sector is AMZN.&#2013266080;*
- *Hold current positions but maintain your stop levels.*
- *Stop loss is set at $122.50*
- *Short-Term Positioning: Bullish*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning:&#2013266080;Neutral*

Transportation



- *The rally in XTN is losing traction and failed at resistance and now is in a downtrend.*
- *The sector is performing weakly so caution is advised.&#2013266080;*
- *XTN failed the 50% correction retracement level so there is mounting risk it will fail this support level.*
- *Stop loss set at $50*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions*
    - *This week: Hold positions*
- *Long-Term Positioning:&#2013266080;Bearish*