

Major Market Buy Sell Review: 07-27-20

HOW TO READ THE MAJOR MARKET BUY SELL REVIEW 07-27-20

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.



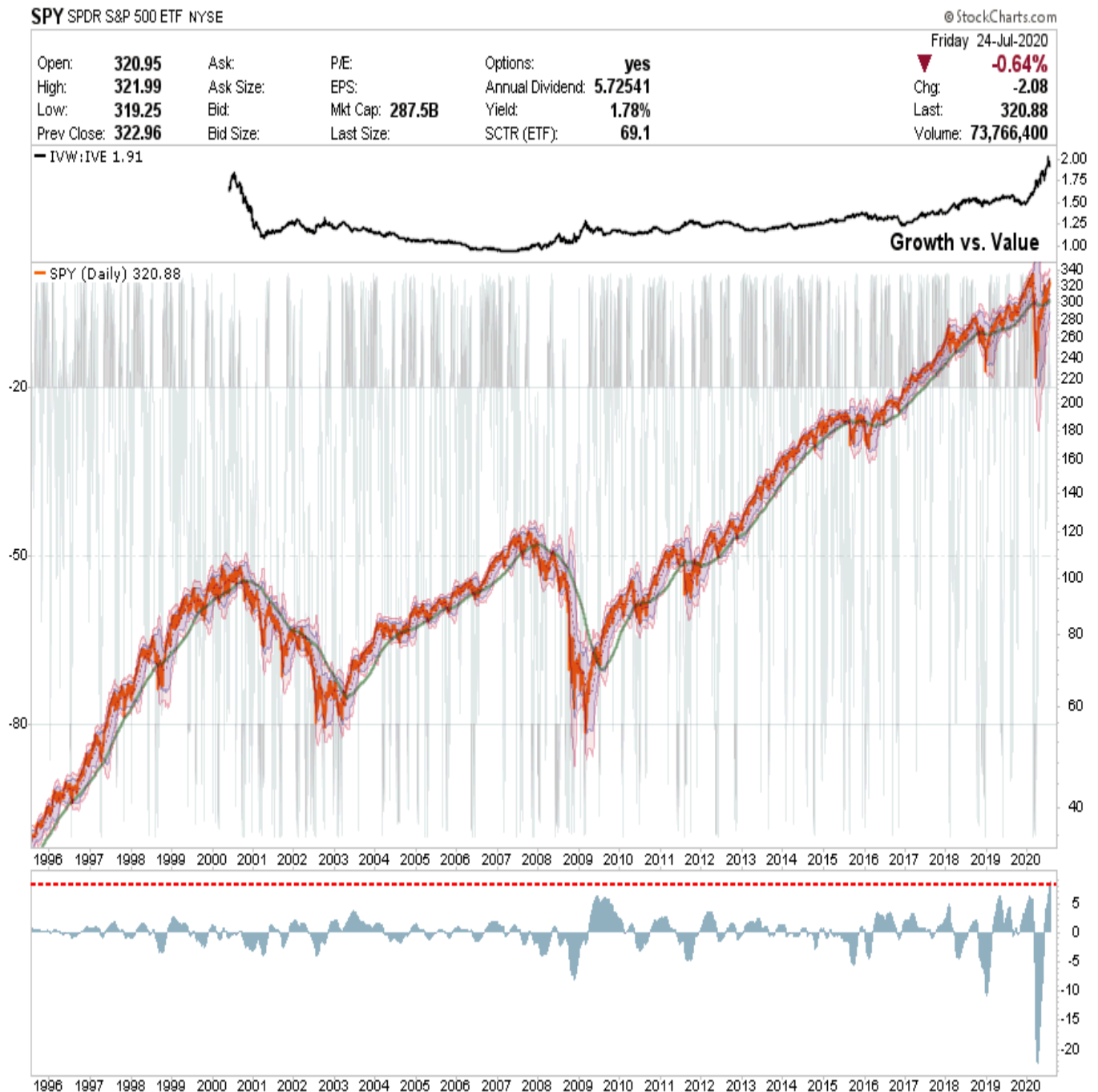
With this basic tutorial, let's review the major markets.

Major Market Buy/Sell Review 07-27-20

As I noted last week:

"In today's report I want you to pay PARTICULAR attention to the LOWER panel in all charts. In most cases you are going to see the same thing as shown below. The current "buy" signal is more extended today than at any point in the last 25-years. These extremes have ALWAYS eventually coincided with corrections."

Also, notice in the chart below that **Growth** is outperforming **Value** by the most in 25-years. Money is often made in most "unloved" assets.



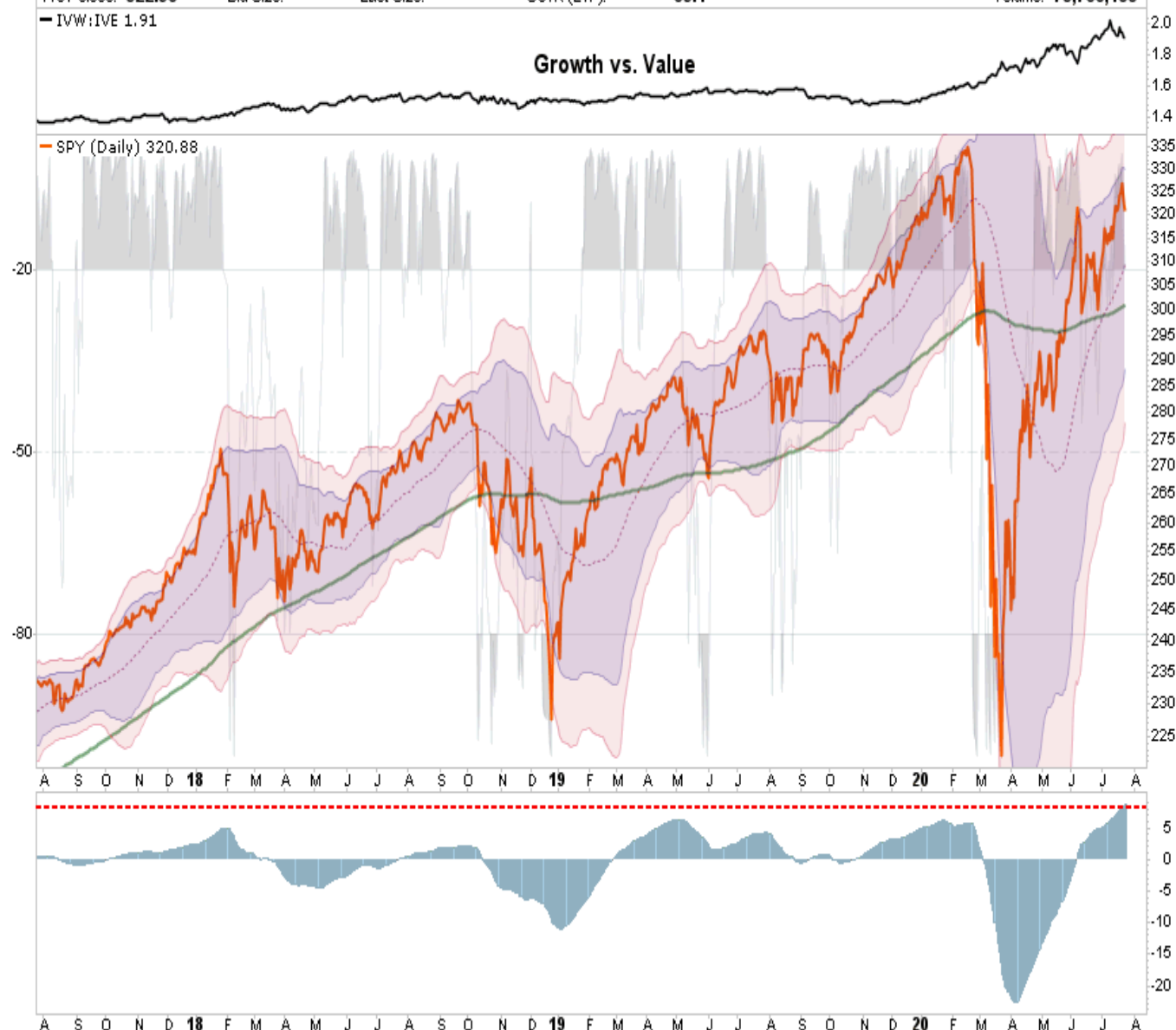
��S&P 500 Index

Open: **320.95** Ask: P/E: Options: **yes**
 High: **321.99** Ask Size: EPS: Annual Dividend: **5.72541**
 Low: **319.25** Bid: Mkt Cap: **287.5B** Yield: **1.78%**
 Prev Close: **322.96** Bid Size: Last Size: SCTR (ETF): **69.1**

Friday 24-Jul-2020

▼ **-0.64%**
 Chg: **-2.08**
 Last: **320.88**
 Volume: **73,766,400**

-IVW:IVE 1.91

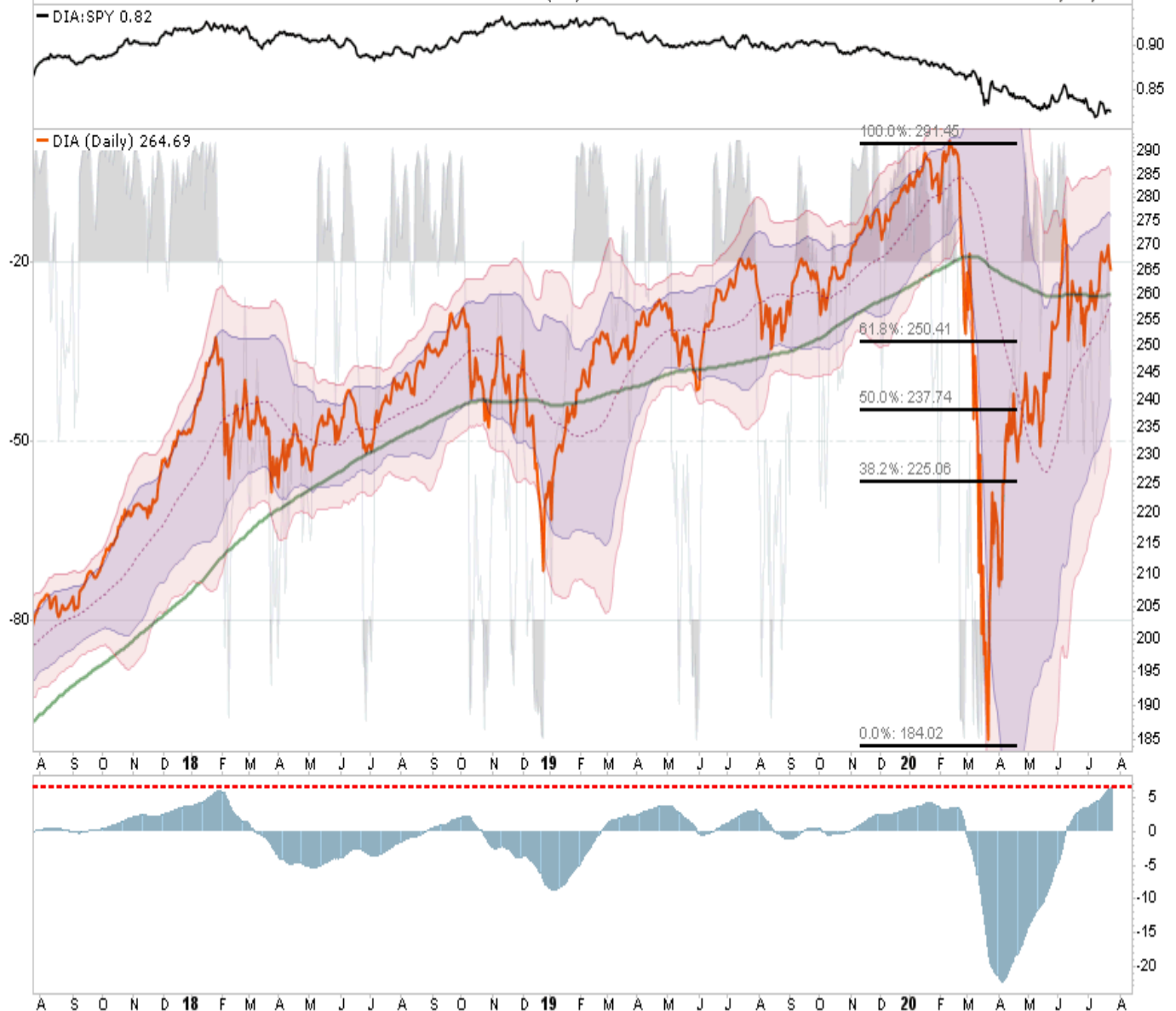


- *SPY is overbought short-term, and failed again to hold above June highs.*
- *While there is immediate support below Friday's close, there is limited upside due to the overbought condition.*
- *As noted above, the buy signal at the highest level in 25-years, a correction is more likely than not in the next month.*
- *Caution is advised.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Sold 5% Trading position.*
 - *This Week: No holdings*
 - *Stop-loss set at \$300 for trading positions.*
 - *Long-Term Positioning: Bearish*

Dow Jones Industrial Average

Open: **265.15** Ask: P/E: Options: **yes**
 High: **266.34** Ask Size: EPS: Annual Dividend: **5.97317**
 Low: **264.05** Bid: Mkt Cap: **22.0B** Yield: **2.26%**
 Prev Close: **266.69** Bid Size: Last Size: SCTR (ETF): **36.5**

Friday 24-Jul-2020

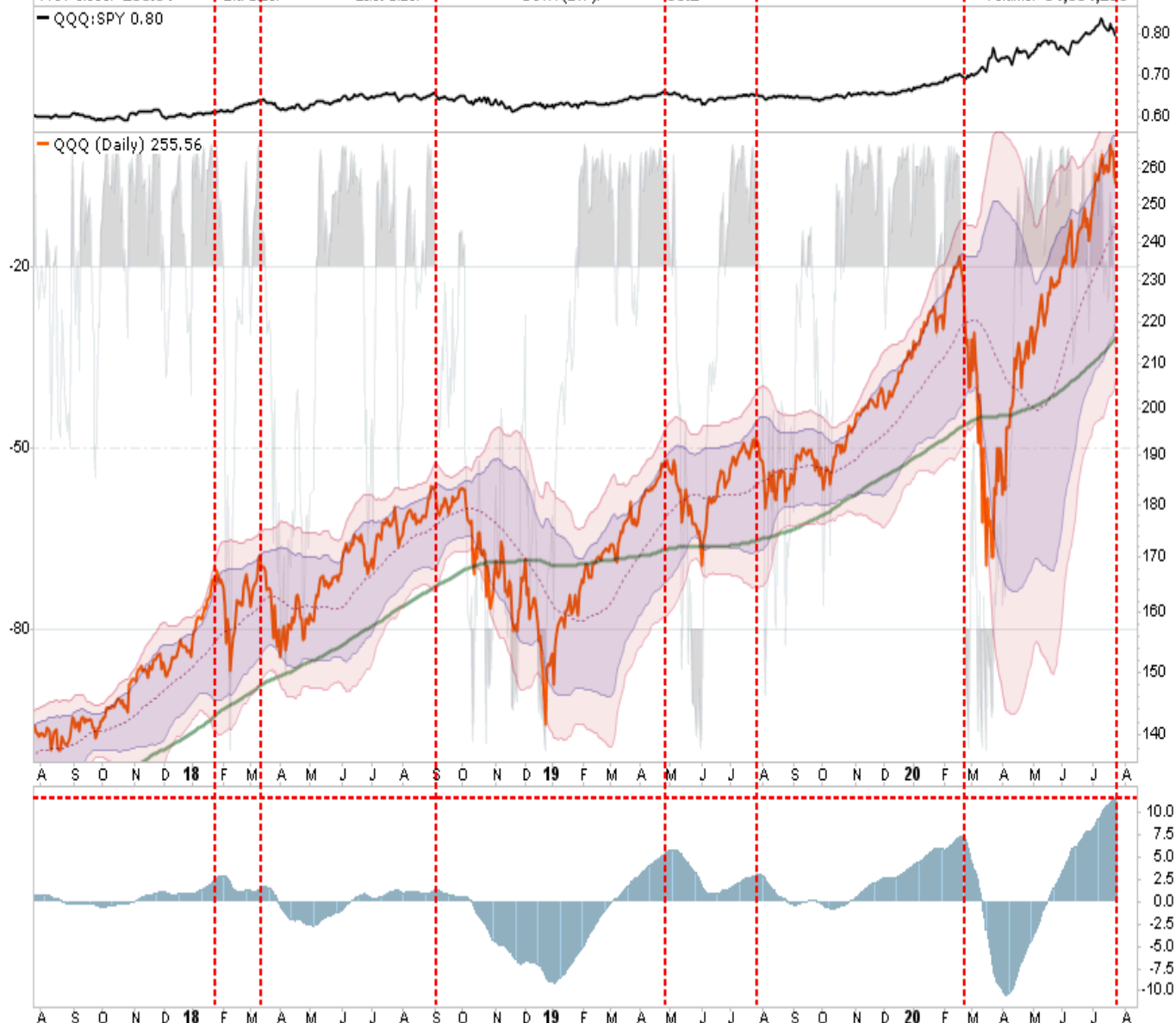
▼ **-0.75%**Chg: **-2.00**Last: **264.69**Volume: **2,637,694**

- The Dow continues to underperform other major indices due to its lack of the 5-major FANG stocks.
- With the buy-signal extremely extended, and underperforming other assets, we are going to focus our attention elsewhere for now.
- Short-Term Positioning: Bearish
 - Last Week: Sold remaining 1/2 of position.
 - This Week: No position.
 - Stop-loss moved up to \$260
- Long-Term Positioning: Bearish

Nasdaq Composite

Open: **254.12** Ask: P/E: Options: **yes**
 High: **256.93** Ask Size: EPS: Annual Dividend: **1.62875**
 Low: **251.32** Bid: Mkt Cap: **100.2B** Yield: **0.64%**
 Prev Close: **258.01** Bid Size: Last Size: SCTR (ETF): **93.2**

Friday 24-Jul-2020
 ▼ **-0.95%**
 Chg: **-2.45**
 Last: **255.56**
 Volume: **54,054,296**



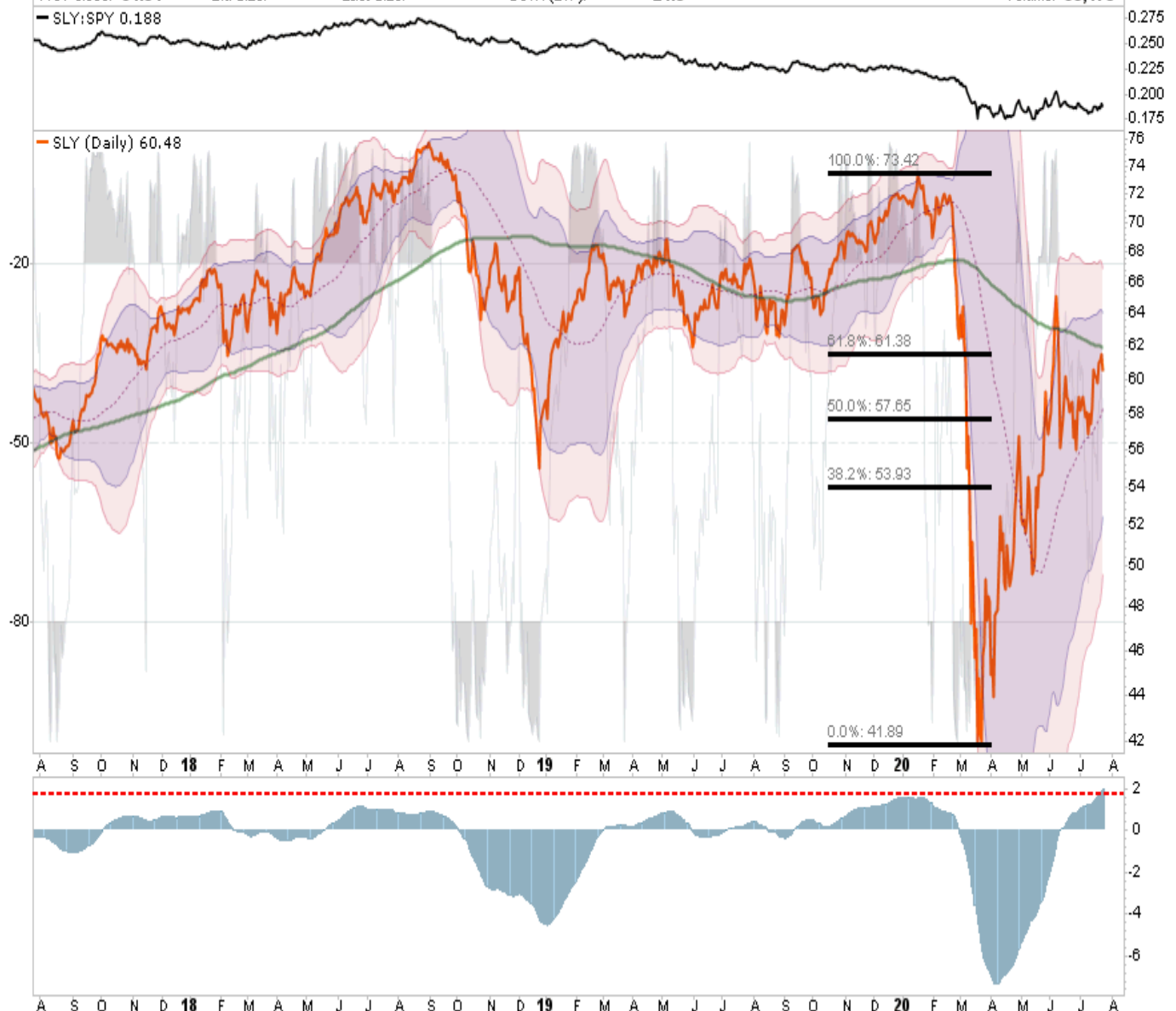
- *QQQ's outperformance of SPY faded last week as expected. We stated last week that outperformance had "reached ridiculous extremes."*
- *The QQQ's remain massively overbought, the buy signal is extremely extended, and QQQ are 3-standard deviations above the 200-dma. That correction started, albeit mildly, this past week.*
- *Take profits and rebalance as needed.*
- *Short-Term Positioning: Bearish ? Extension above 200-dma.*
 - *Last Week: No positions*
 - *This Week: No positions*
 - *Stop-loss moved up to \$240*
- *Long-Term Positioning: Bullish*

S&P 600 Index (Small-Cap)

Friday 24-Jul-2020

Open: **61.14** Ask: P/E: Options: **no**
 High: **61.17** Ask Size: EPS: Annual Dividend: **1.00683**
 Low: **60.42** Bid: Mkt Cap: **967.7M** Yield: **1.66%**
 Prev Close: **61.51** Bid Size: Last Size: SCTR (ETF): **21.8**

Friday 24-Jul-2020
 ▼ **-1.67%**
 Chg: **-1.03**
 Last: **60.48**
 Volume: **99,175**

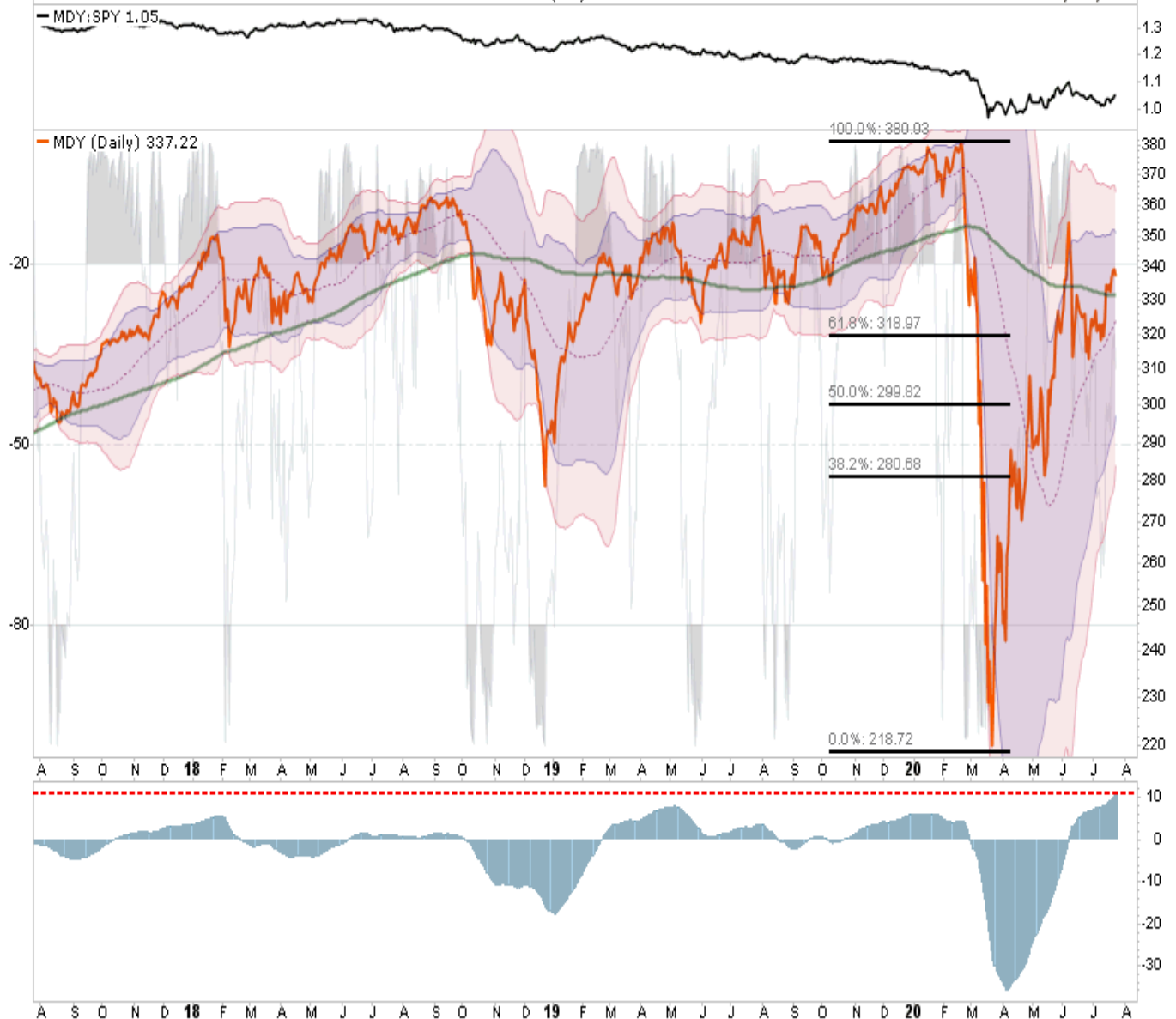


- Small-caps attempted a very weak rally but remains below the 200-dma.
- With the buy-signal extremely extended, and the market under-performing, the risk is still too high.
- With small-caps very susceptible to weak economic growth, we are still avoiding this area of the market. 2013266080;
- Support is critical at the \$58 level.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No positions
 - This Week: No positions.
 - Stop-loss reset at \$58
- Long-Term Positioning: Bearish

S&P 400 Index (Mid-Cap)

Open: **338.33** Ask: P/E: Options: **yes**
 High: **339.52** Ask Size: EPS: Annual Dividend: **5.05296**
 Low: **336.28** Bid: Mkt Cap: **18.2B** Yield: **1.50%**
 Prev Close: **339.74** Bid Size: Last Size: SCTR (ETF): **40.4**

Friday 24-Jul-2020

▼ **-0.74%**Chg: **-2.52**Last: **337.22**Volume: **1,083,247**

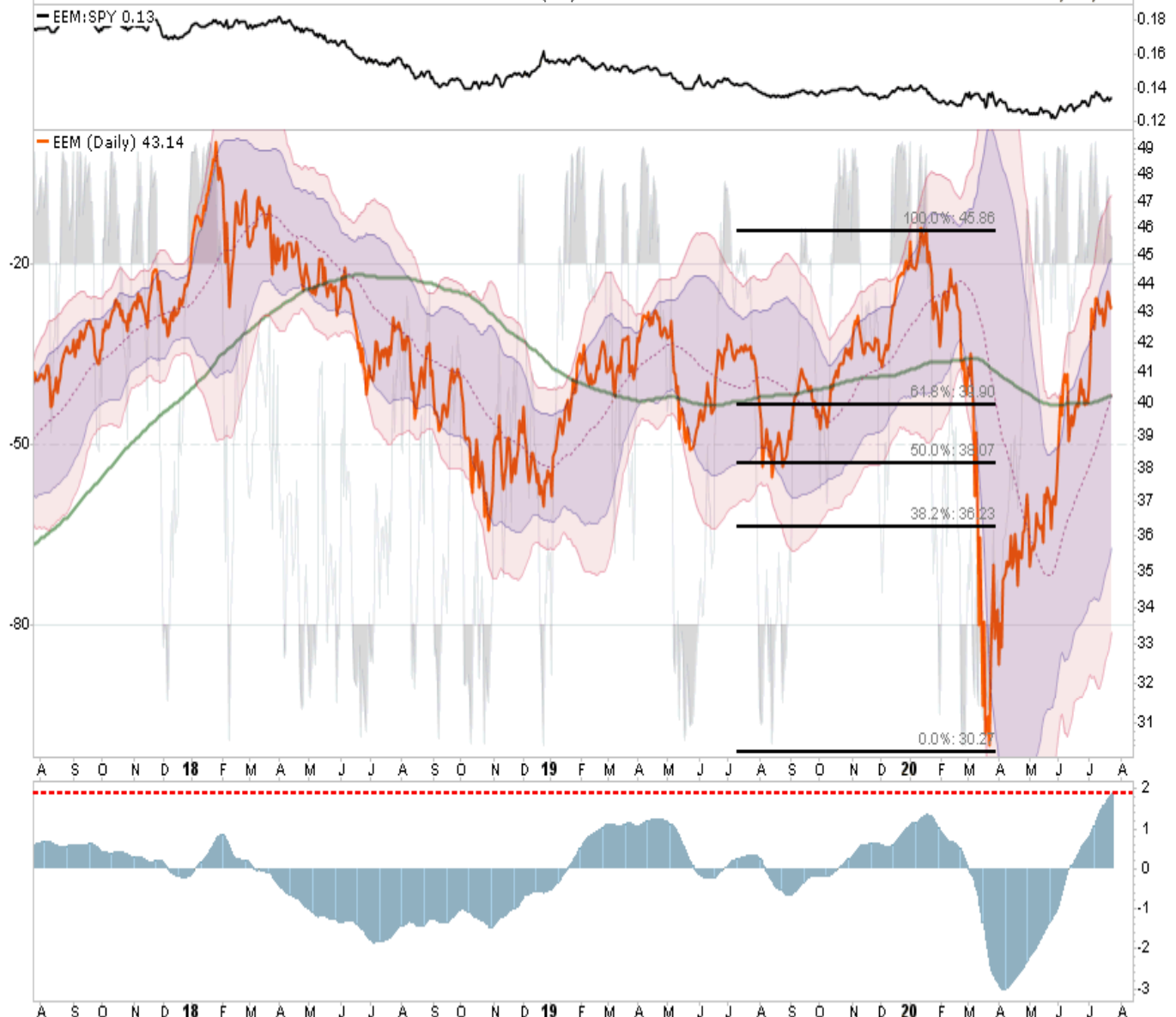
- The relative performance remains poor as with SLY. MDY is trying once again to break above the 200-dma resistance. #2013266080;
- We are also avoiding mid-caps for the time being until relative performance improves.
- The \$320 stop-loss remains. Use this rally to reduce if needed. #2013266080;
- Short-Term Positioning: Bearish
 - Last Week: No holding
 - This Week: No holding
 - Stop Loss reset at \$320
- Long-Term Positioning: Bearish

Emerging Markets

Friday 24-Jul-2020

Open: **42.72** Ask: P/E: Options: **yes**
 High: **43.14** Ask Size: EPS: Annual Dividend: **0.89298**
 Low: **42.63** Bid: Mkt Cap: **23.6B** Yield: **2.07%**
 Prev Close: **43.18** Bid Size: Last Size: SCTR (ETF): **76.7**

Chg: **-0.09%**
 Last: **43.14**
 Volume: **30,184,756**



- Emerging markets have performed better on a relative basis but is now extremely extended.�
- The buy signal is extremely overbought on a historical basis, and a correction is very likely.�
- Look for a correction that does not violate the 200-dma to add a trading position.�
- The dollar decline, responsible for EEM performance, is well overdone. Look for a counter-trend rally which will push EEM lower.�
- Short-Term Positioning: Bullish
 - Last Week: No position
 - This Week: No position.
 - Stop-loss remains at \$40 for trading positions.
- Long-Term Positioning: Bearish

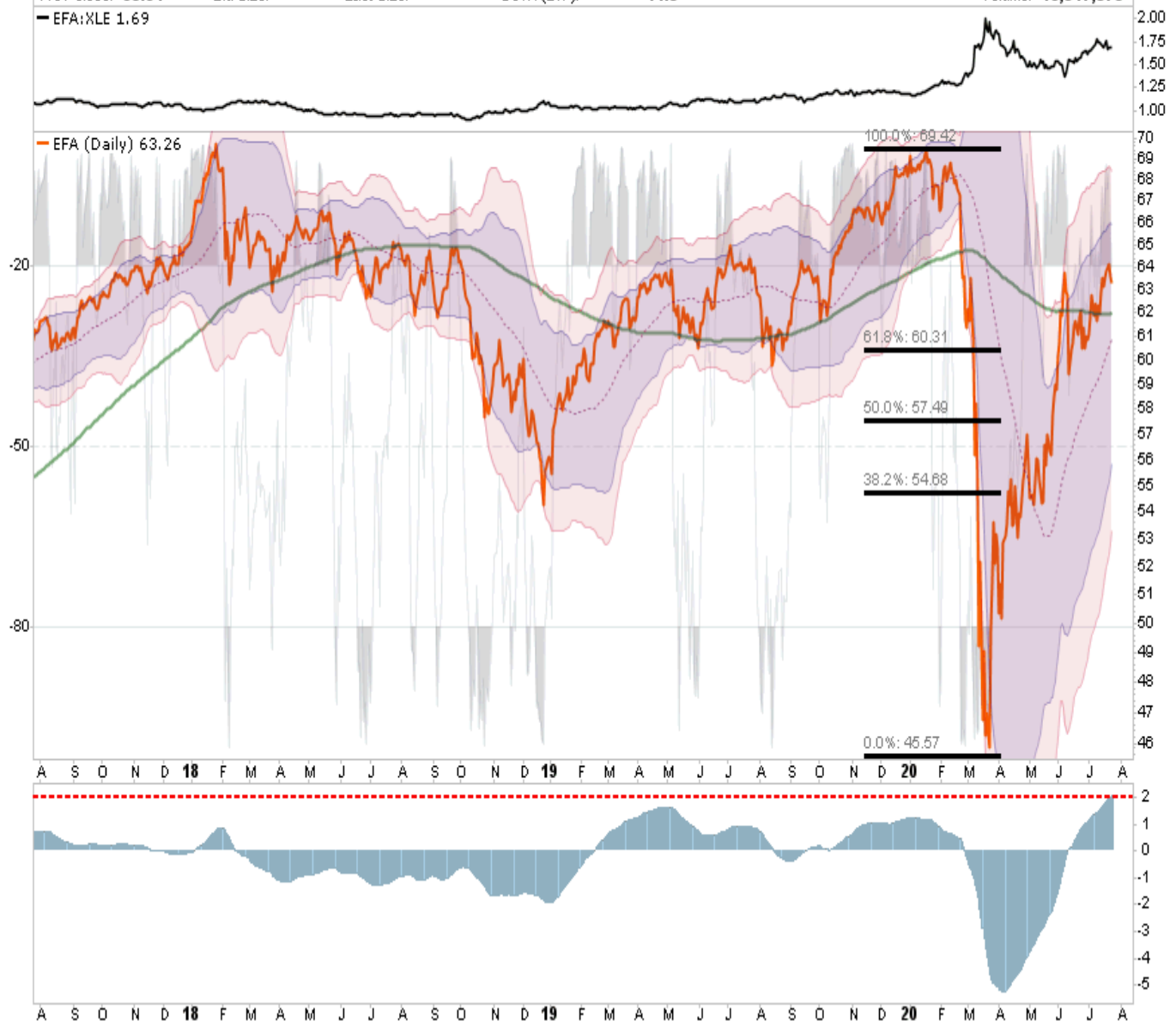
International Markets

Friday 24-Jul-2020

Open: **63.22** Ask: P/E: Options: **yes**
 High: **63.46** Ask Size: EPS: Annual Dividend: **1.63354**
 Low: **63.08** Bid: Mkt Cap: **47.2B** Yield: **2.58%**
 Prev Close: **63.61** Bid Size: Last Size: SCTR (ETF): **41.8**

Chg: **-0.55%**
 Last: **63.26**
 Volume: **16,017,873**

EFA:XLE 1.69



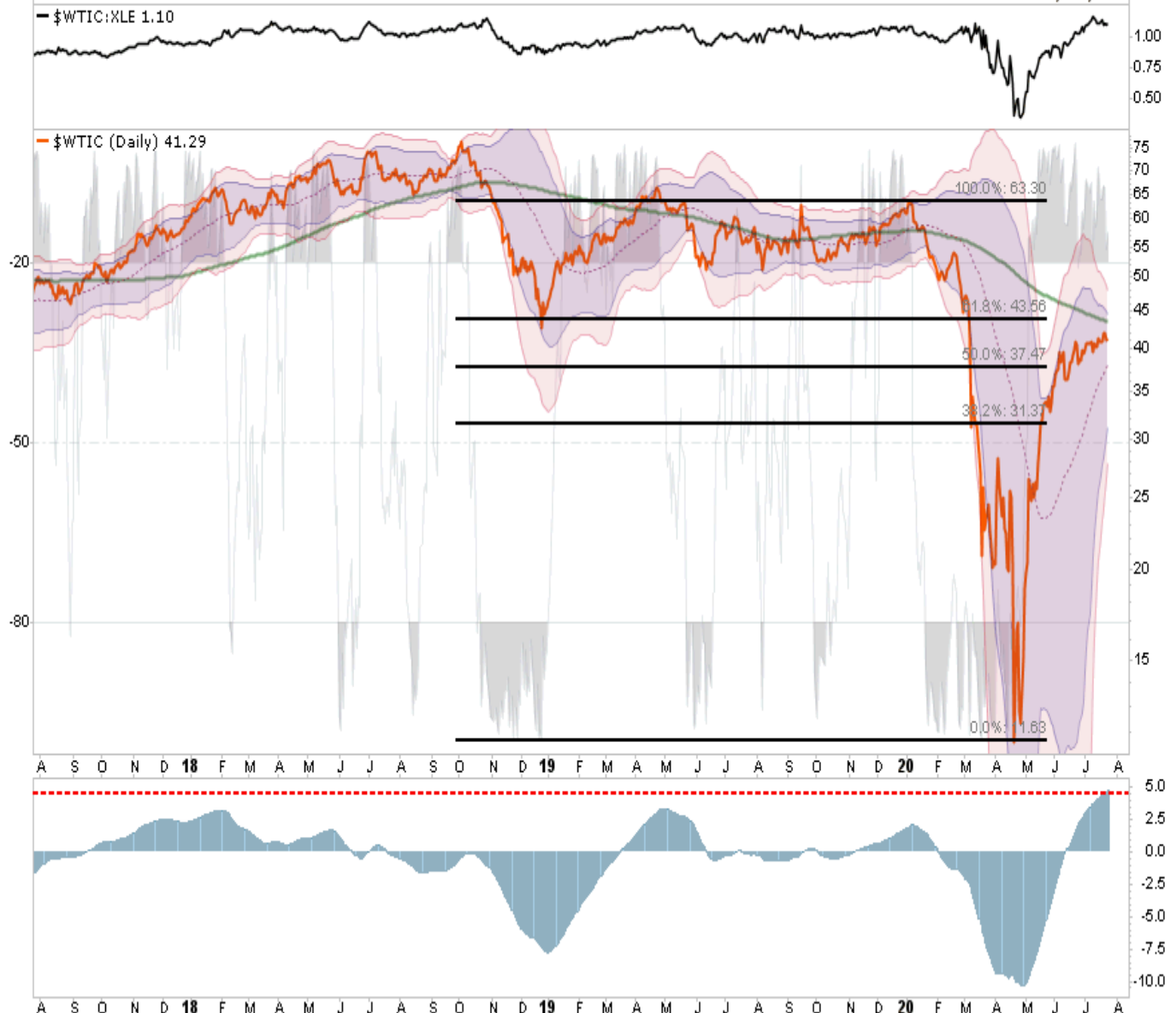
- Overall, like EEM, EFA is holding up better this past week.�
- EFA bounced off its 200-dma last week, but is overbought longer-term.�
- We added a 3% trading position previously with a tight stop at \$62. That stop remains this week.�
- As with EEM, EFA is dollar sensitive, so we added a dollar hedge to the position.�
- Short-Term Positioning: Bearish
 - Last Week: No position.
 - This Week: No position.
 - Stop-loss set at \$62
- Long-Term Positioning: Bearish

West Texas Intermediate Crude (Oil)

Friday 24-Jul-2020

Open: **41.06** Ask: P/E: Options: **no**
 High: **41.67** Ask Size: EPS: Annual Dividend: **N/A**
 Low: **40.66** Bid: Mkt Cap: Yield: **N/A**
 Prev Close: **41.07** Bid Size: Last Size: SCTR:

▲ **+0.54%**
 Chg: **+0.22**
 Last: **41.29**
 Volume: **35,145,500**



- Oil prices are struggling to move higher and are running into the 200-dma resistance.
- We suggested last: **"Look for a correction to reverse some of the extreme overbought."** That hasn't occurred yet, but is still likely. Oil is also subject to a reversal in the dollar.
- Energy stocks are underperforming oil prices currently which suggests more trouble in the sector. However, there remains relative value in some energy companies which may perform better than oil prices in the near-term.
- Oil should hold support between \$30 and \$35 and we will look to increase our holdings on pullbacks.
- Short-Term Positioning: Bearish
 - Last Week: Hold positions
 - This Week: Hold positions
 - Stop for trading positions at \$32.50
- Long-Term Positioning: Bearish

Gold

GLD SPDR Gold Shares: NYSE

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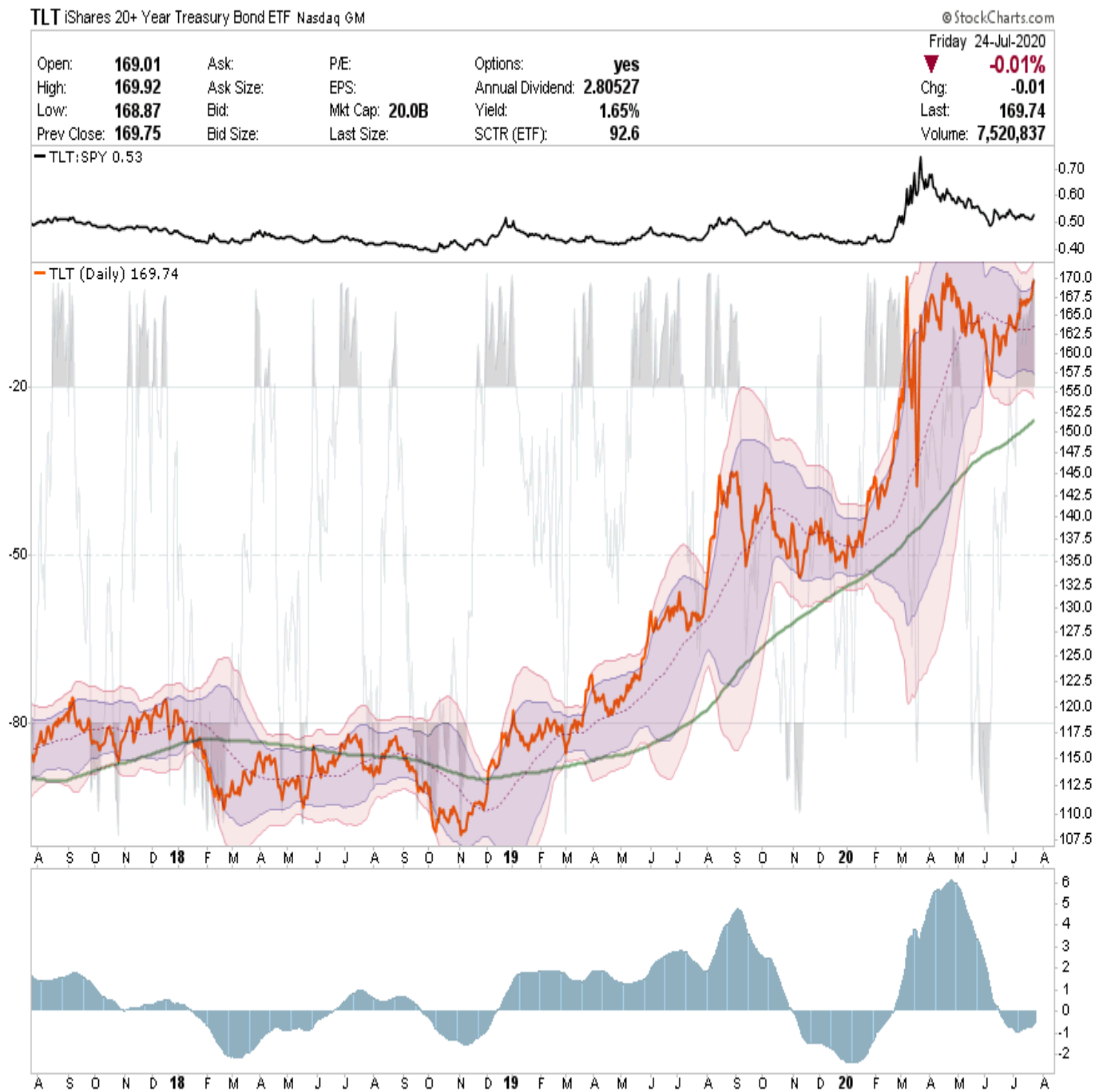
Open: **179.14** Ask: P/E: **-17.27** Options: **yes**
 High: **179.16** Ask Size: EPS: **-10.35** Annual Dividend: **N/A**
 Low: **178.20** Bid: Mkt Cap: **51.3B** Yield: **N/A**
 Prev Close: **177.18** Bid Size: Last Size: SCTR (ETF): **95.3**

Friday 24-Jul-2020
 ▲ **+0.86%**
 Chg: **+1.52**
 Last: **178.70**
 Volume: **15,601,327**



- We remain long our current position in IAU.�
- However, over the last couple of weeks Gold rallied and broke out to new highs. However, the position is extremely overbought and pushing 3-standard deviations above the 50-dma.�
- We suggest taking some profits for now and look for a pullback to increase our sizing.�
- 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 \$165
 - Long-Term Positioning: Bullish

Bonds (Inverse Of Interest Rates)



- We noted last week that "there is more room for TLT to rally this next week." That occurred again this past week, and the "sell signal" continues to head higher.�
- While bonds are overbought short-term, with every other market extremely extended into overbought territory, if a correction occurs, TLT should hedge risk to some degree as rates push towards zero.�
- We noted that we had added to both TLT in our portfolios to hedge against our increases in equity risk. We have also swapped IEF and SHY for MBB and AGG to increase duration and yield.
- There is still upside potential in rates if volatility continues this week, so we are holding positions for now.
- Short-Term Positioning: Neutral
 - Last Week: Hold positions
 - This Week: Hold positions

- Stop-loss moved up to \$155
- Long-Term Positioning: Bullish

U.S. Dollar



- Previously we stated, **"While the dollar has sold off, and helped fuel a rather torrid stock and commodity rally, we are likely closer to a bottom."** That is still the case this week with the dollar pushing 3-standard deviations oversold.
- Given the large number of analysts with "bearish" forecasts on the dollar the probability of a dollar rally has risen. **We have started building a trading position for such a counter rally and to hedge our international, energy and gold holdings.**
- Trading positions can be added to hedge portfolios but there is not a huge move available currently given the current market dynamics;
- Stop-loss adjusted to \$93