

Sector Buy/Sell Review: 08-18-20

HOW TO READ THE SECTOR BUY/SELL REVIEW: 08-18-20 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. You can also view sector momentum and relative strength [daily here](#).



There are three primary components to each chart below:

- 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.**

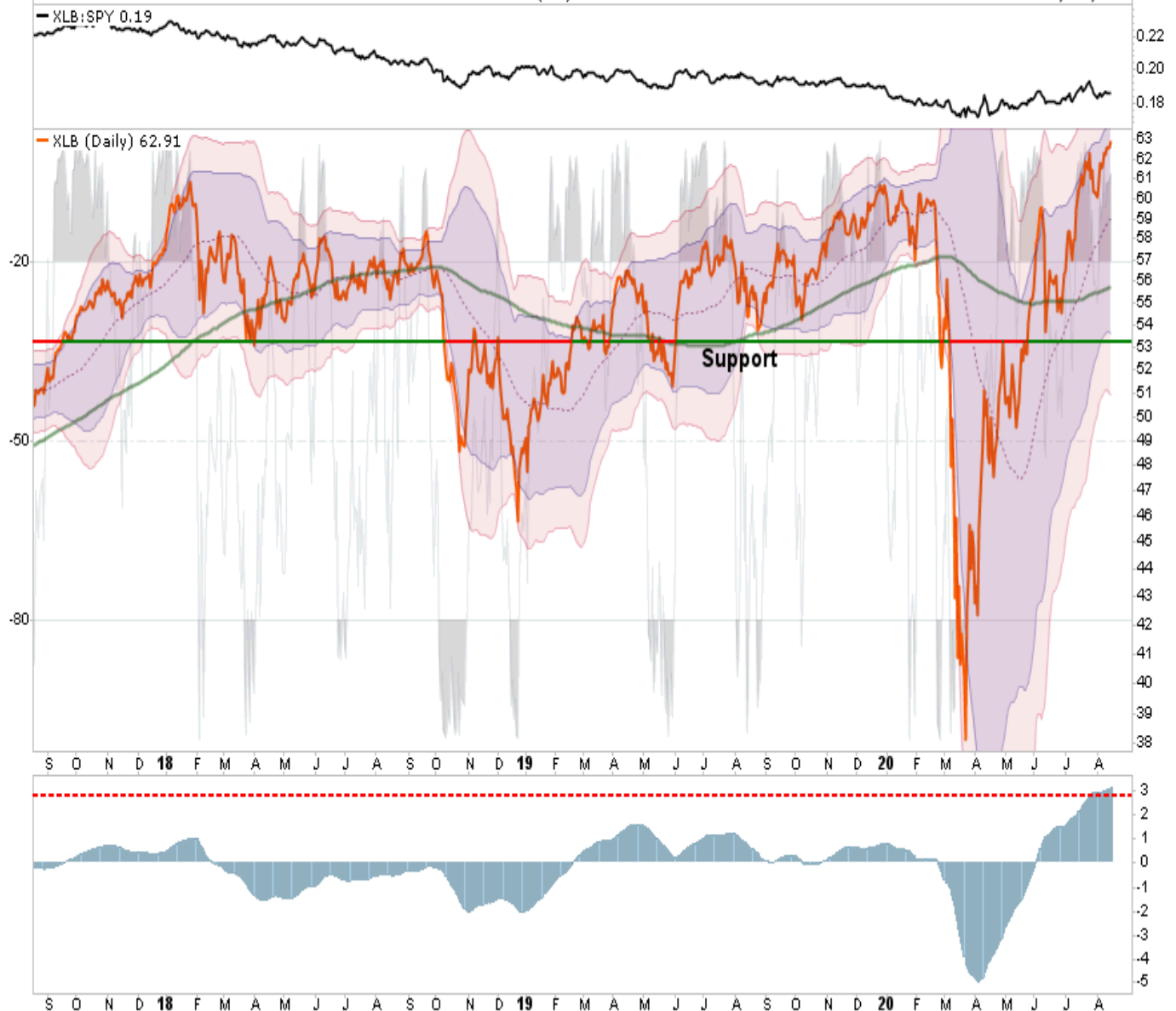
SECTOR BUY/SELL REVIEW: 08-18-20

Basic Materials

Monday 17-Aug-2020

Open: **63.12** Ask: P/E: Options: **yes**
 High: **63.36** Ask Size: EPS: Annual Dividend: **1.20504**
 Low: **62.65** Bid: Mkt Cap: **3.40B** Yield: **1.92%**
 Prev Close: **62.63** Bid Size: Last Size: SCTR (ETF): **83.3**

▲ **+0.45%**
 Chg: **+0.28**
 Last: **62.91**
 Volume: **1,859,811**



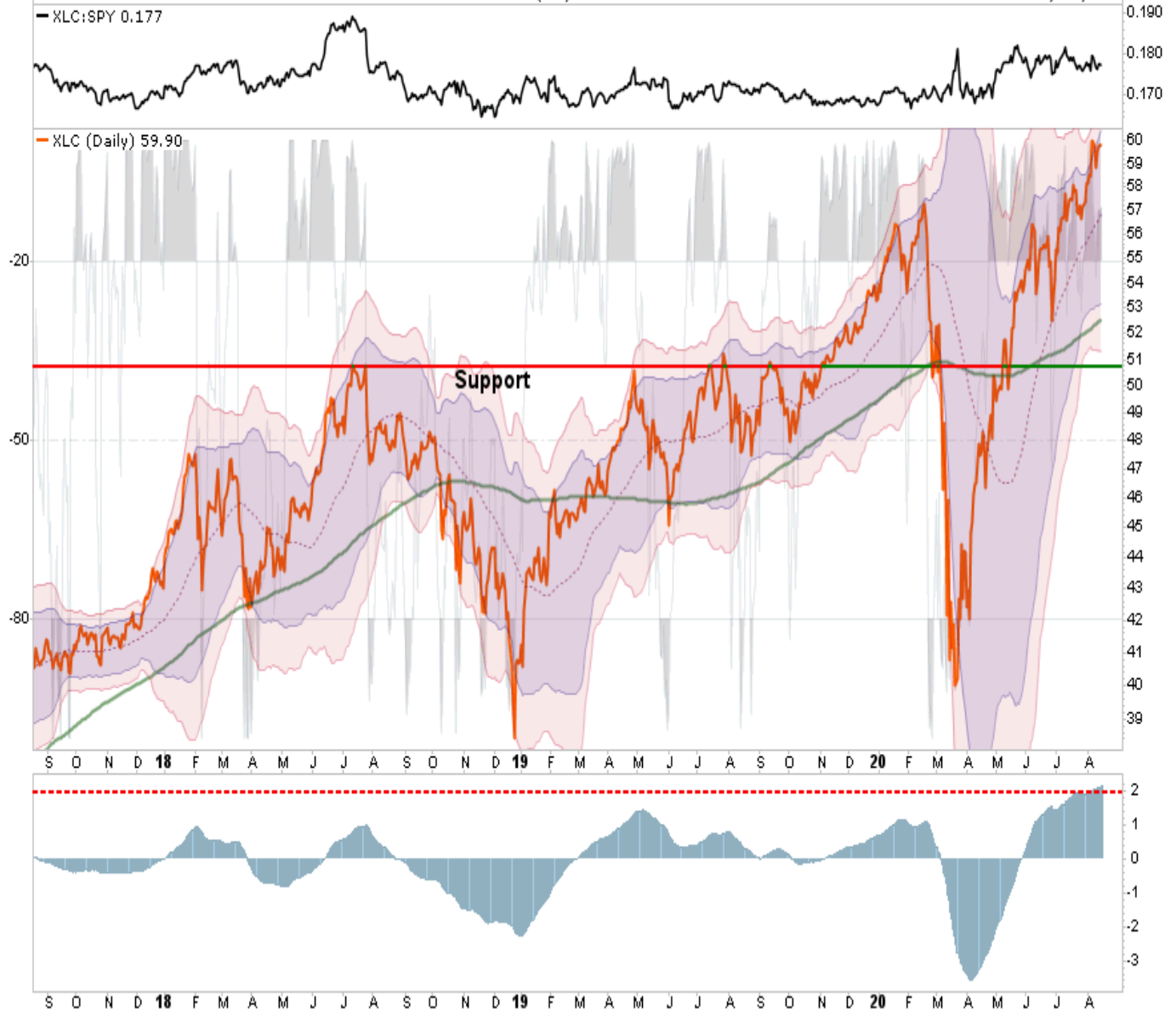
- With the market trying desperately to make all-time highs, basic materials rallied on Monday pushing into new high territory. 2013266080;
- The buy signal is now at the highest level on record.
- It WILL revert at some point, most likely after the bulls achieve an all-time high print for the major index.
- Short-Term Positioning: Bullish
 - Last Week: No Positions
 - This Week: No Positions
- Stop-Loss moved up to \$57
- Long-Term Positioning: Bearish

Communications

Monday 17-Aug-2020

Open: **60.06** Ask: P/E: Options: **yes**
 High: **60.06** Ask Size: EPS: Annual Dividend: **0.46099**
 Low: **59.69** Bid: Mkt Cap: **10.4B** Yield: **0.77%**
 Prev Close: **59.83** Bid Size: Last Size: SCTR (ETF): **82.4**

▲ **+0.12%**
 Chg: **+0.07**
 Last: **59.90**
 Volume: **1,179,408**



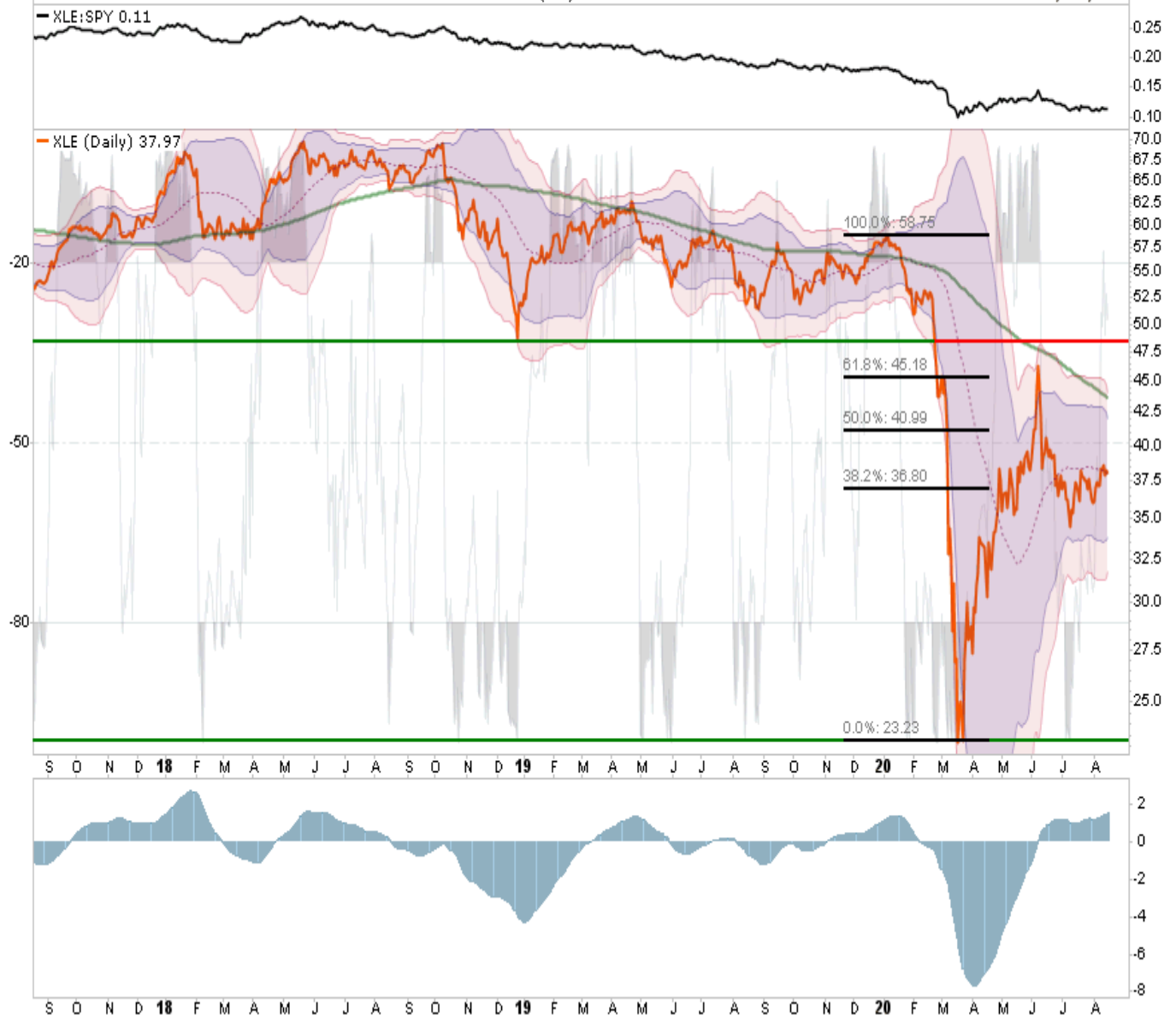
- XLC has pushed up on extremes with a largest deviation from the 200-dma in its history.
- It is also pushing the most extreme overbought condition in its history.
- A correction is coming. It is just a function of time.
- Take profits and reduce risk. Move up stop levels.
- We moved our stop to \$53.
 - Short-Term Positioning: Bullish
 - Last Week: Hold positions
 - This Week: We are starting to rebalance our holdings.
- Long-Term Positioning: Neutral

Energy

Monday 17-Aug-2020

Open: **38.20** Ask: P/E: Options: **yes**
 High: **38.22** Ask Size: EPS: Annual Dividend: **2.2206**
 Low: **37.76** Bid: Mkt Cap: **10.6B** Yield: **5.85%**
 Prev Close: **38.19** Bid Size: Last Size: SCTR (ETF): **2.3**

Chg: **-0.58%**
 Last: **37.97**
 Volume: **14,252,578**



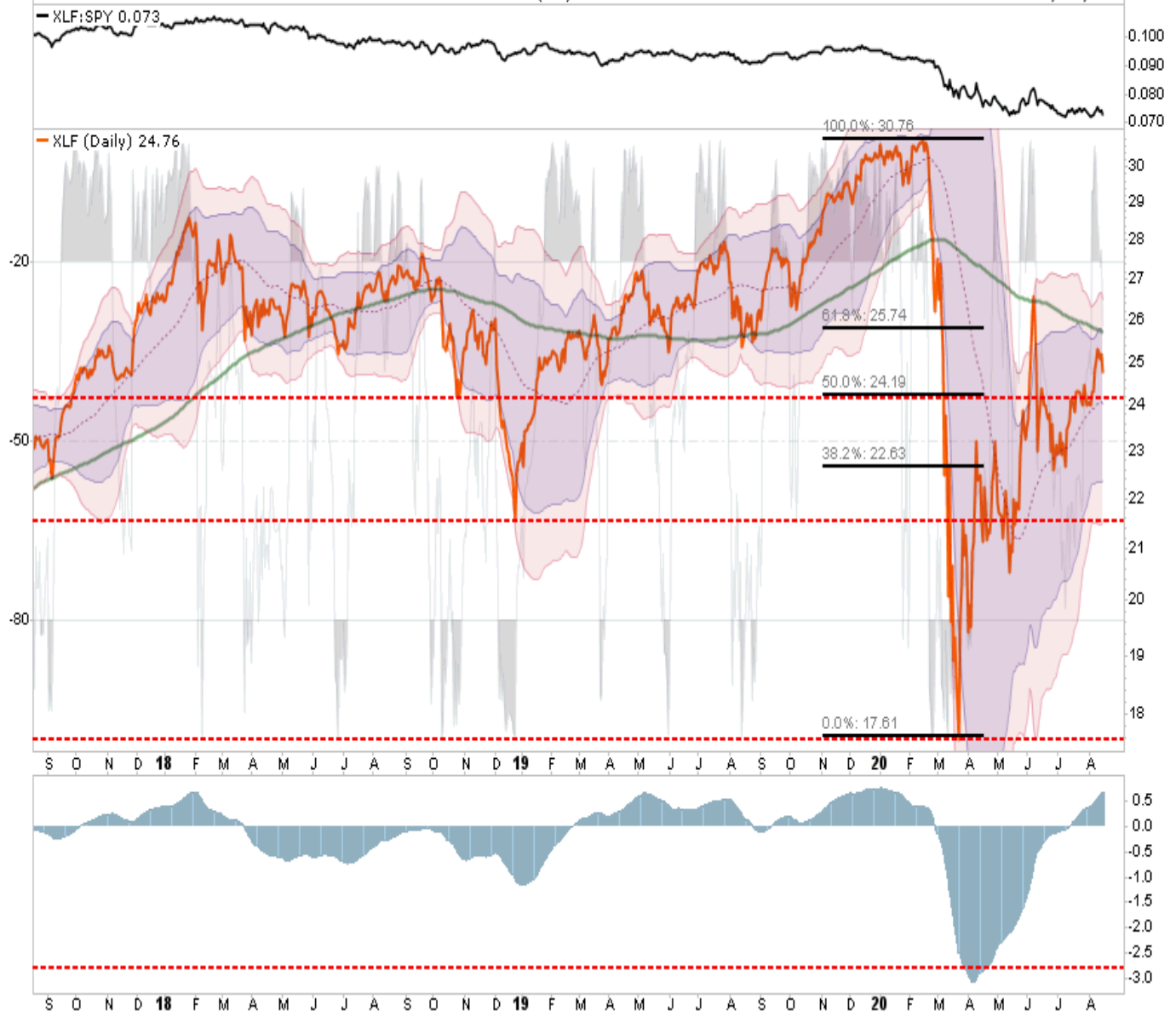
- Energy continues to push up on its 50-dma from an oversold condition and has done so again.
- It needs to break above the 50-dma if we are going to see an advance.
- The sector is not overbought, and there is room for energy to improve on the upside if we see a rotation to value occur.
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Hold positions
- Stop loss adjusted to \$34.00
- Long-Term Positioning: Bearish

Financials

Monday 17-Aug-2020

Open: **25.09** Ask: P/E: Options: **yes**
 High: **25.11** Ask Size: EPS: Annual Dividend: **0.61146**
 Low: **24.75** Bid: Mkt Cap: **17.9B** Yield: **2.47%**
 Prev Close: **25.18** Bid Size: Last Size: SCTR (ETF): **8.3**

Chg: **-1.67%**
 Last: **24.76**
 Volume: **53,393,852**



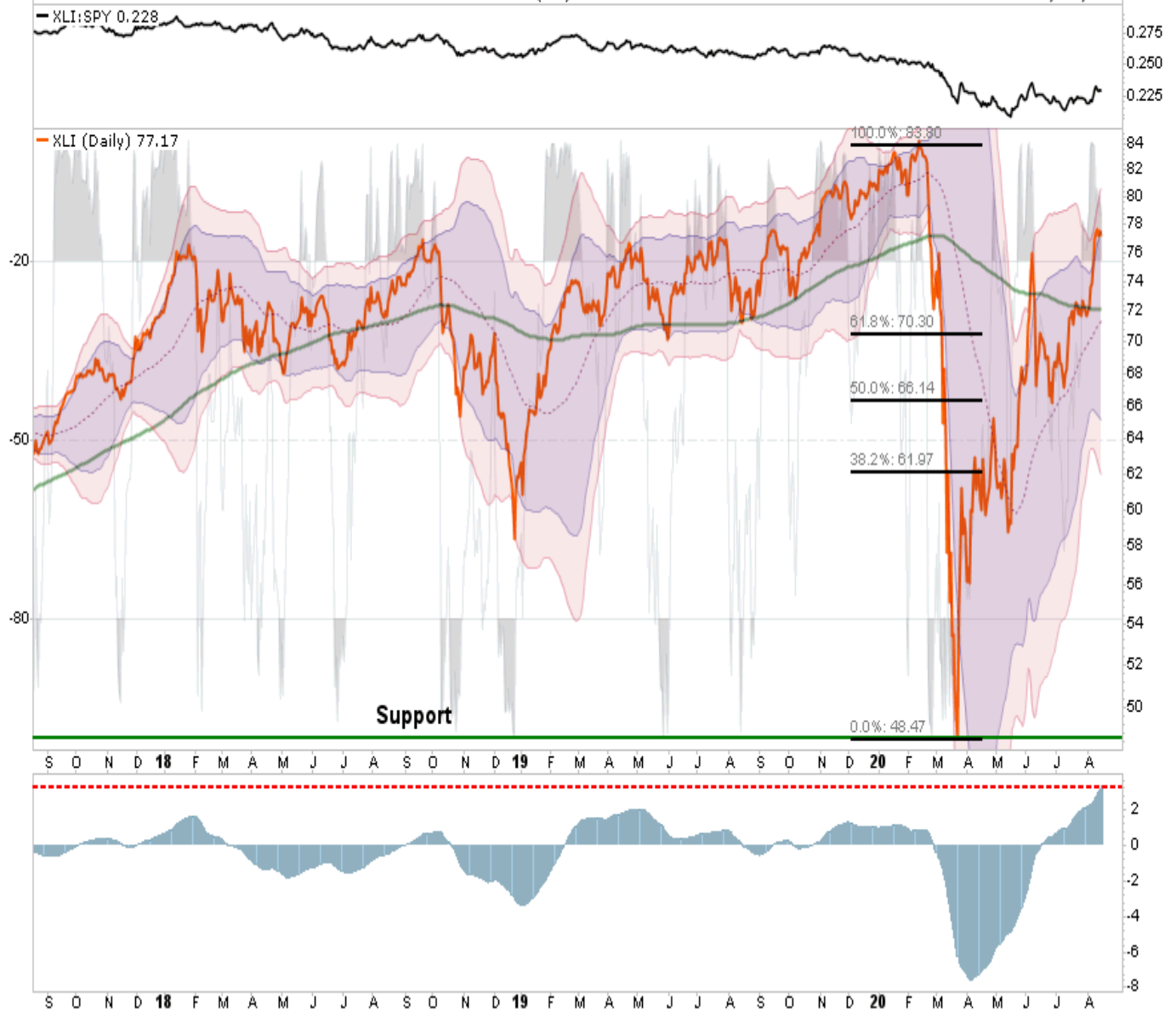
- Financials continue to underperform and remain a sector to avoid currently.
- As noted previously, the 200-dma was the next target and financials failed at that resistance on Monday. 2013266080;
- The bit of pickup on rotation was disappointing, and banks remain out of favor for now.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Bearish

Industrials

Monday 17-Aug-2020

Open: **77.68** Ask: P/E: Options: **yes**
 High: **77.84** Ask Size: EPS: Annual Dividend: **1.52001**
 Low: **77.03** Bid: Mkt Cap: **10.6B** Yield: **1.97%**
 Prev Close: **77.53** Bid Size: Last Size: SCTR (ETF): **61.2**

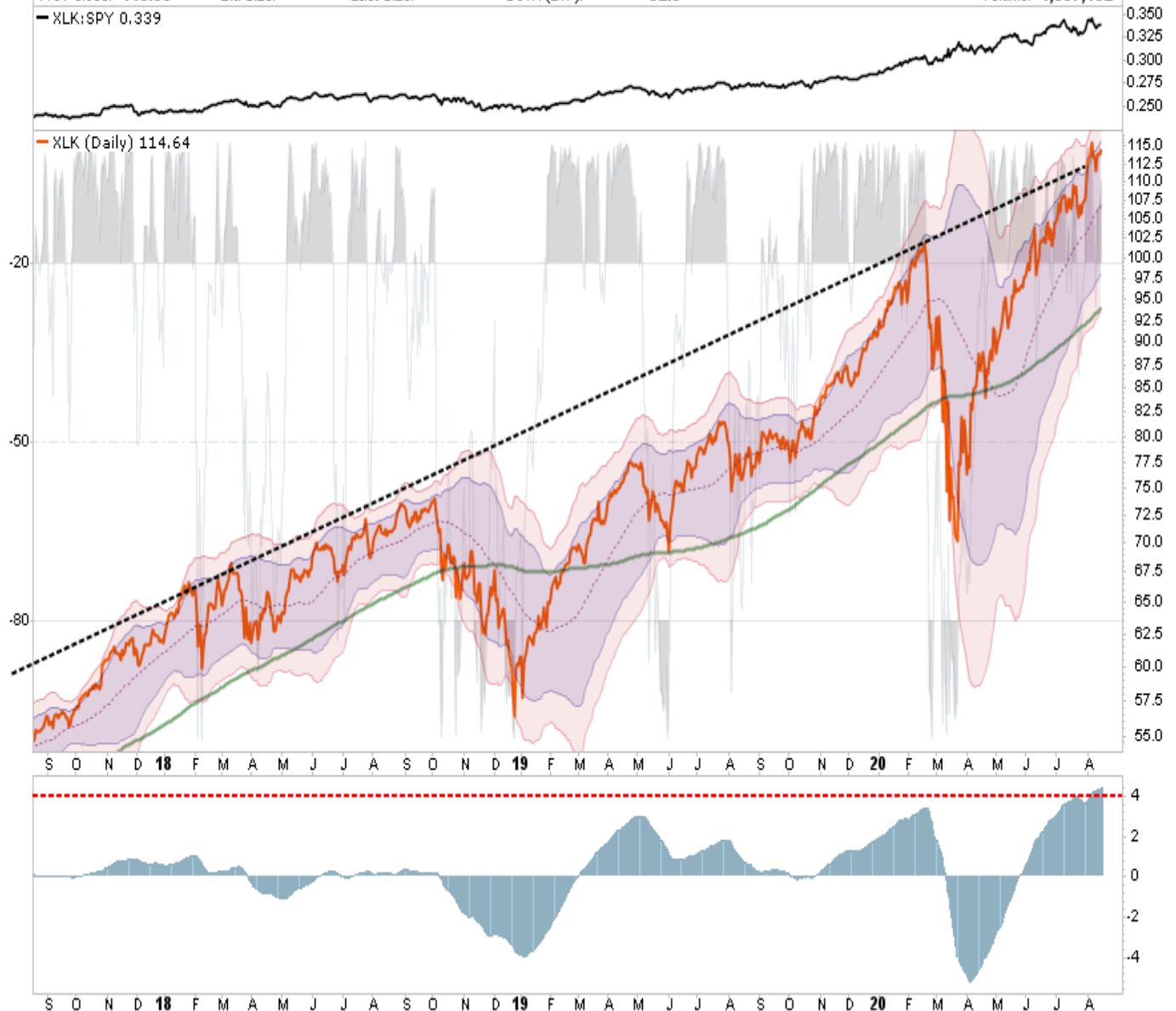
▼ **-0.46%**
 Chg: **-0.36**
 Last: **77.17**
 Volume: **5,898,667**



- *Industrials bounced of support at the 200-dma and went parabolic into the 3-standard deviation zone.*
- *That buy signal is very extended and the sector is extremely overbought.*
- *A dollar counter-trend rally could impact the sector due to international exposure.*
- *Take profits and rebalance risk.*
 - *Short-Term Reduced XLI to 2%*
 - *Last week: No change.*
 - *This week: Hold positions. Reduce risk.*
- *Long-Term Positioning: Bearish*

Technology

Open: 114.57	Ask:	P/E:	Options: yes	Monday 17-Aug-2020
High: 114.90	Ask Size:	EPS:	Annual Dividend: 1.19937	▲ +0.67%
Low: 114.43	Bid:	Mkt Cap: 34.7B	Yield: 1.05%	Chg: +0.76
Prev Close: 113.88	Bid Size:	Last Size:	SCTR (ETF): 92.5	Last: 114.64
				Volume: 4,087,132



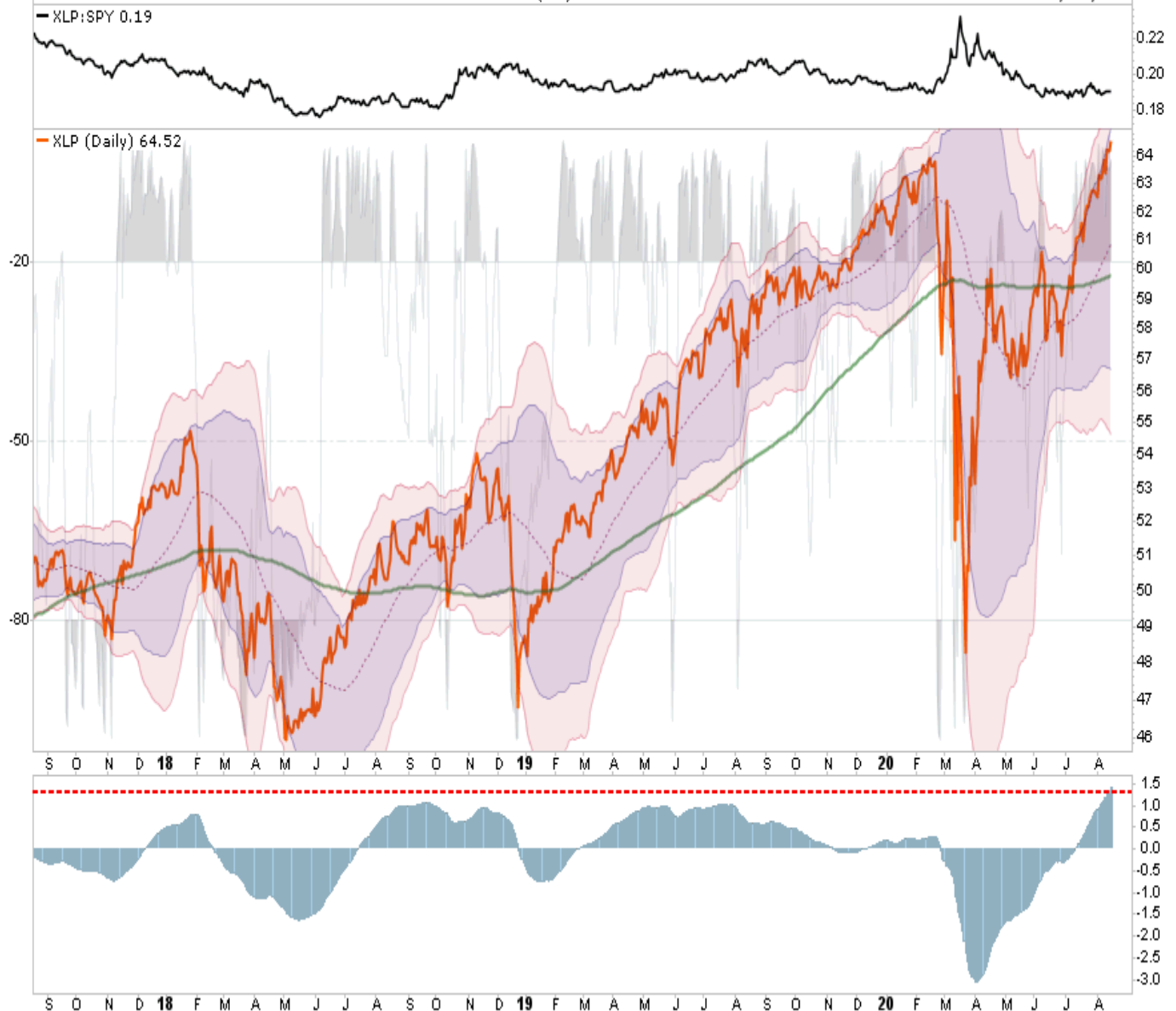
- Technology stocks, and the Nasdaq, are extremely overbought with the buy signal at a higher level now than in February before the crash. (It's the highest level EVER.)
- We are holding our positions currently, after taking some profits. But the deviation above the moving averages will be resolved likely sooner than later. In other words, a correction is coming.�
- We are starting to hedge our portfolio and reducing risk accordingly.�
- Short-Term Positioning: Bullish
 - Last week: Reduced positions slightly.�
 - This week: Reduce risk if you haven't.
 - Long-Term Positioning: Bullish

Staples

Monday 17-Aug-2020

Open: **64.31** Ask: P/E: Options: **yes**
 High: **64.73** Ask Size: EPS: Annual Dividend: **1.61874**
 Low: **64.19** Bid: Mkt Cap: **14.2B** Yield: **2.51%**
 Prev Close: **64.16** Bid Size: Last Size: SCTR (ETF): **74.2**

▲ **+0.56%**
 Chg: **+0.36**
 Last: **64.52**
 Volume: **5,161,973**

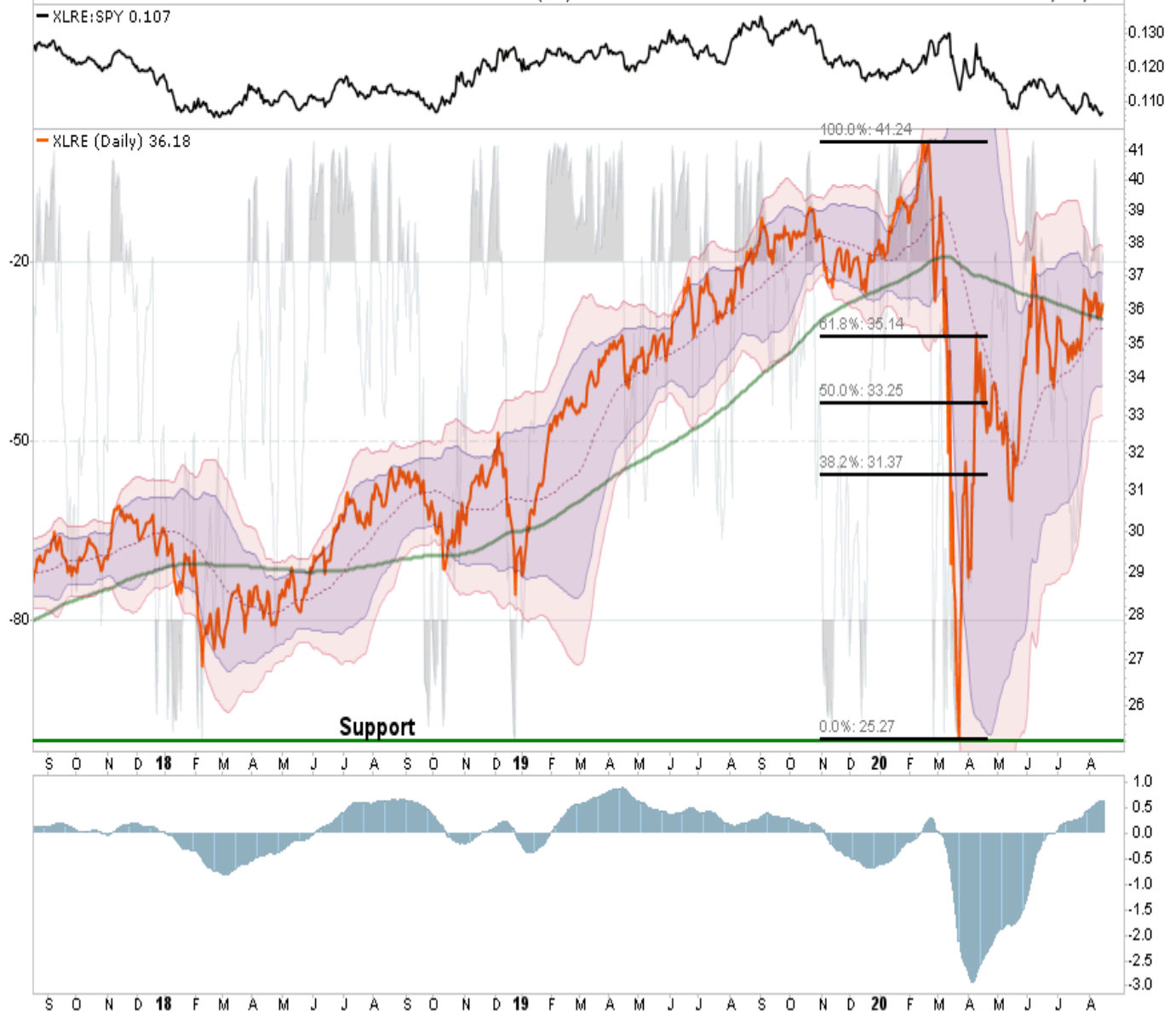


- XLP has now played catchup with the overall market. The buy signal is now extremely extended at the highest level ever.
- XLP is overbought and is trading at 3-standard deviations above the mean. A correction is coming, timing is the only question.
- Rebalance holdings and tighten up stop-losses.
- We are moving our stop-loss alert to \$59 as our stop-level.
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Rebalancing holdings soon.
 - Long-Term Positioning: Bullish

Monday 17-Aug-2020

Open: **35.85** Ask: P/E: Options: **yes**
 High: **36.18** Ask Size: EPS: Annual Dividend: **1.14873**
 Low: **35.74** Bid: Mkt Cap: **2.46B** Yield: **3.18%**
 Prev Close: **35.86** Bid Size: Last Size: SCTR (ETF): **18.9**

▲ **+0.89%**
 Chg: **+0.32**
 Last: **36.18**
 Volume: **2,824,900**



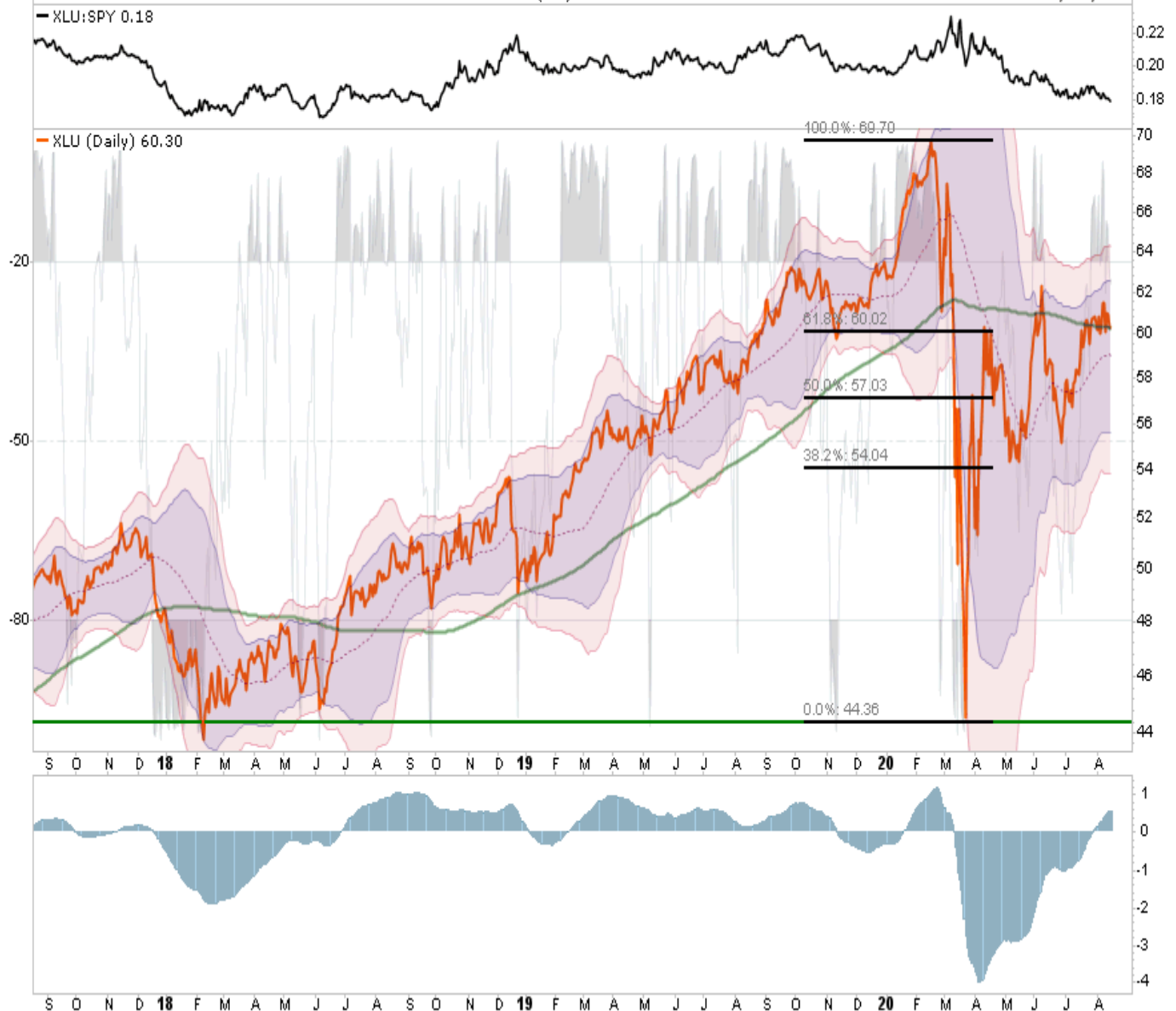
- *XLRE has triggered a buy signal and is holding support at the 200-dma.*
- *We are getting more interested in REITs for a potential rotation trade.*
- *It is too early to add exposure just yet, but it could be soon.*
- *Move stops up to \$34.*
- *Short-Term Positioning: Neutral*
 - *Last week: No holdings.*
 - *This week: No holdings*
 - *Long-Term Positioning: Bullish*

Utilities

Monday 17-Aug-2020

Open: **60.43** Ask: P/E: Options: **yes**
 High: **60.83** Ask Size: EPS: Annual Dividend: **1.94304**
 Low: **60.07** Bid: Mkt Cap: **11.5B** Yield: **3.22%**
 Prev Close: **60.38** Bid Size: Last Size: SCTR (ETF): **14.0**

Chg: **-0.13%**
 Last: **60.30**
 Volume: **9,510,157**



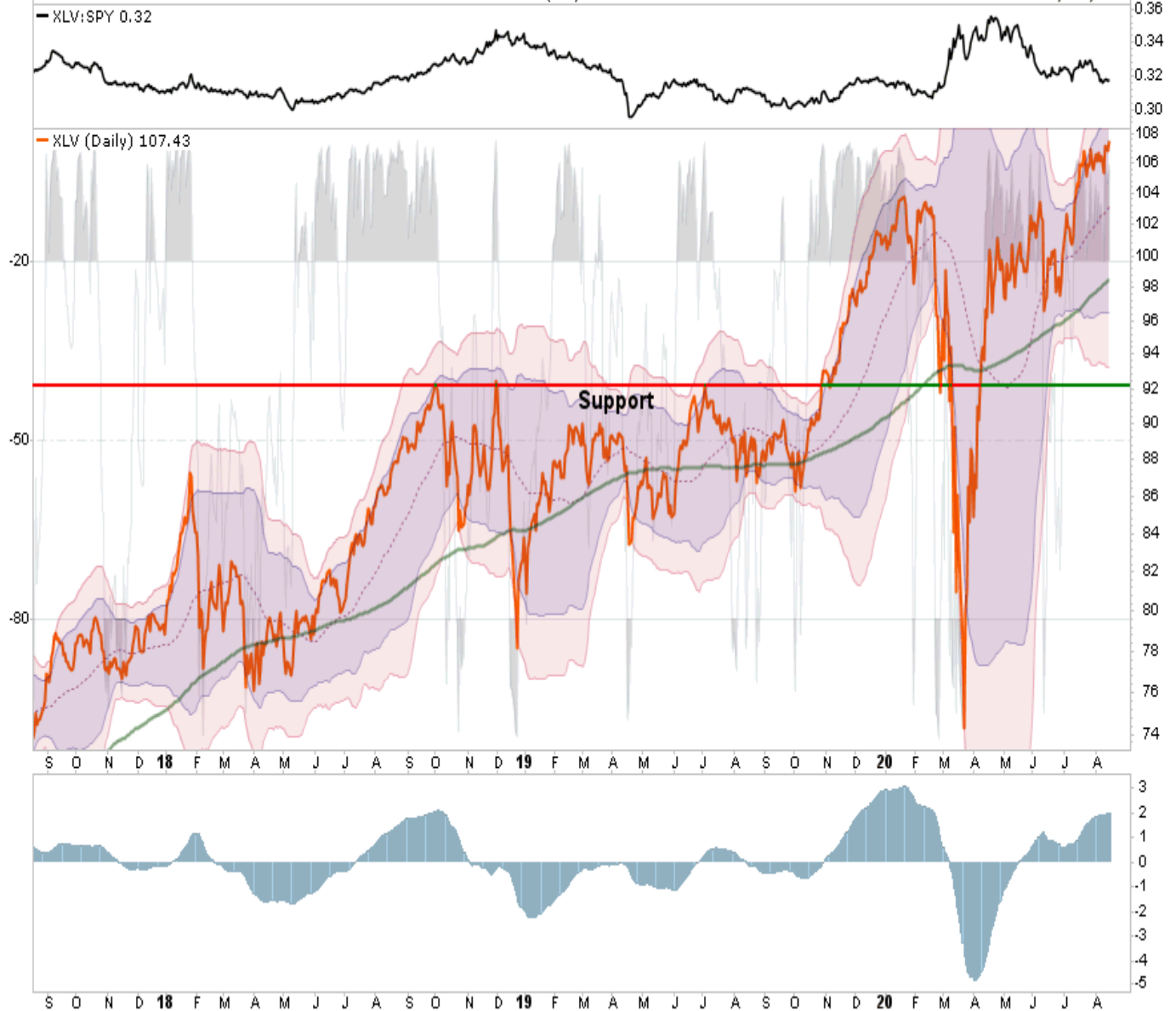
- Like XLRE, XLU has been holding support at the 200-dma.
- We are looking to add some exposure here cautiously for a risk-off rotation trade in the market .
- So far, support seems to be holding.
- Short-Term Positioning: Neutral
 - Last week: Hold positions
 - This week: Hold positions
- Long-Term Positioning: Bullish

Health�Care

Monday 17-Aug-2020

Open: **106.99** Ask: P/E: Options: **yes**
 High: **107.84** Ask Size: EPS: Annual Dividend: **1.60818**
 Low: **106.94** Bid: Mkt Cap: **24.4B** Yield: **1.50%**
 Prev Close: **106.80** Bid Size: Last Size: SCTR (ETF): **71.5**

▲ **+0.59%**
 Chg: **+0.63**
 Last: **107.43**
 Volume: **4,610,177**



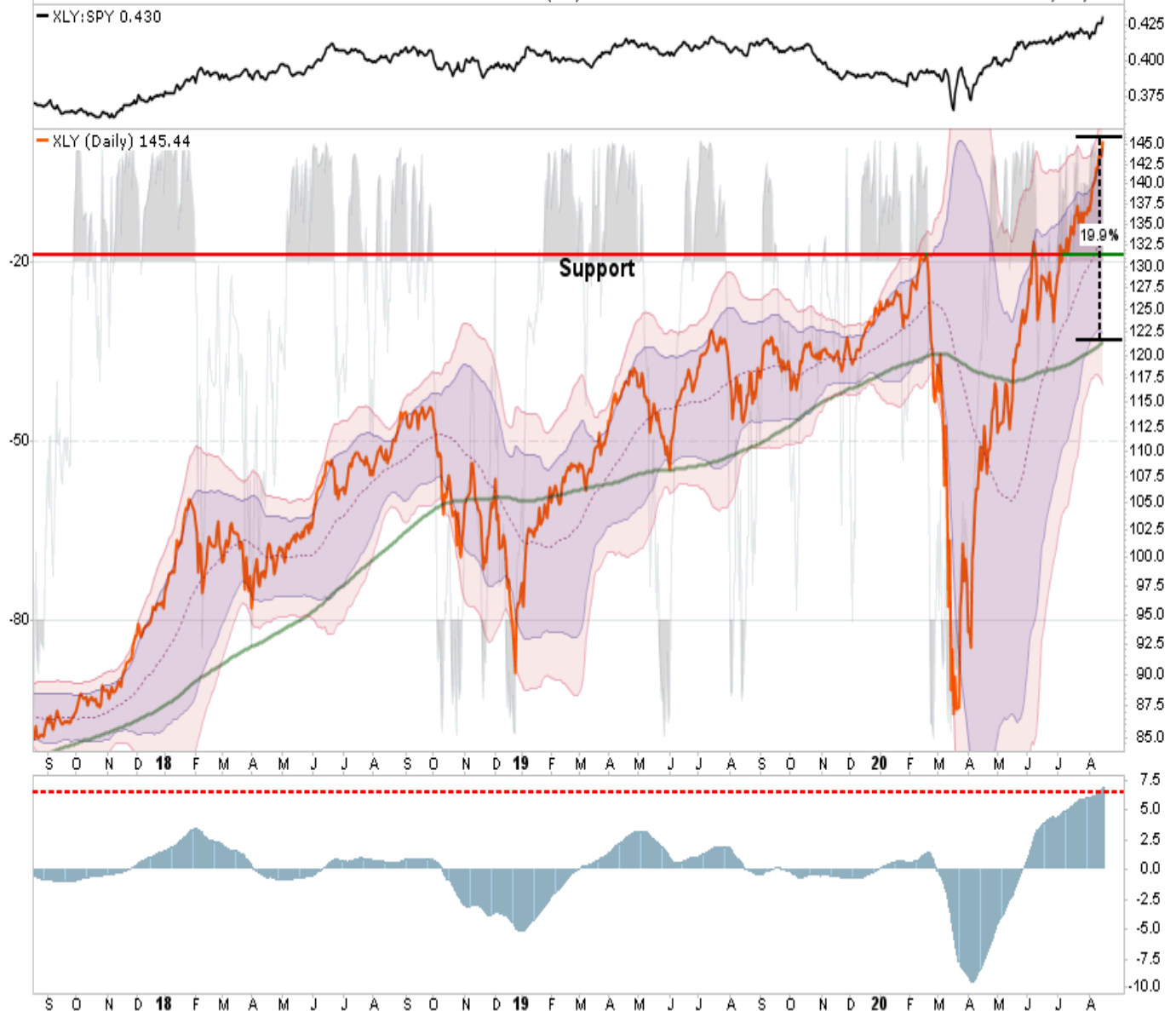
- As noted previously, XLV is trading 3-standard deviations above the moving average, a correction is likely in the short-term.¶
- The 200-dma is now important support and needs to hold, along with the previous tops going back to 2018.¶
- We are moving our stop to \$100
- Short-Term Positioning: Bullish
 - Last week: Hold positions
 - This week: Hold positions.
- Long-Term Positioning: Bullish

Discretionary

Monday 17-Aug-2020

Open: **144.77** Ask: P/E: Options: **yes**
 High: **145.62** Ask Size: EPS: Annual Dividend: **1.53389**
 Low: **144.14** Bid: Mkt Cap: **15.4B** Yield: **1.05%**
 Prev Close: **143.59** Bid Size: Last Size: SCTR (ETF): **93.0**

▲ **+1.29%**
 Chg: **+1.85**
 Last: **145.44**
 Volume: **1,607,947**



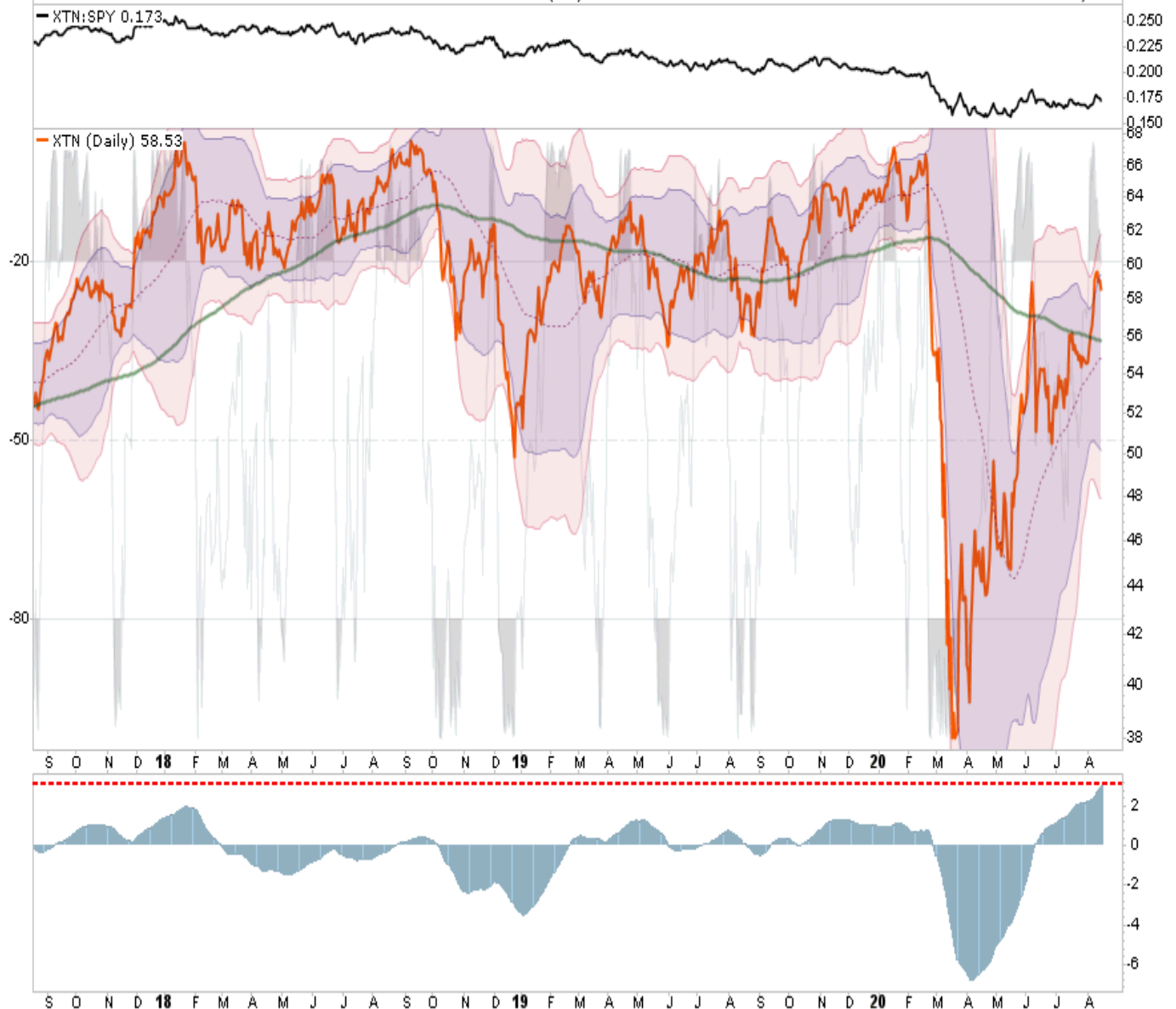
- *XLY is trading at extremes and is at the biggest deviation from its 200-dma in history.*
- *The same goes with its buy signal.*
- *I have no idea what trips this sector up, but it is coming and the correction will be substantial.*
- *Take profits and hedge risk.*
- *Hold current positions but maintain your stop levels. We recommend taking profits.*
- *Stop loss is set at \$130*
 - *Short-Term Positioning: Bullish*
 - *Last week: No position*
 - *This week: No position*
- *Long-Term Positioning: Neutral*

Transportation

Monday 17-Aug-2020

Open: **59.16** Ask: P/E: Options: **no**
 High: **59.16** Ask Size: EPS: Annual Dividend: **0.57877**
 Low: **58.47** Bid: Mkt Cap: **175.6M** Yield: **0.99%**
 Prev Close: **59.09** Bid Size: Last Size: SCTR (ETF): **31.9**

Chg: **-0.56**
 Last: **58.53**
 Volume: **21,496**



- The rally in XTN is now 3-standard deviations above the moving average after finally clearing the 200-dma resistance.
- The sector is performing better, but weak relative to the index.
- Take profits and reduce risk.
- Stop loss set at \$54
- Short-Term Positioning: Neutral
 - Last week: Reduced position in IYT.
 - This week: Rebalance and reduce risk.
- Long-Term Positioning: Bearish