

# Major Market Buy-Sell Review: 08-31-20

**HOW TO READ THE MAJOR MARKET BUY-SELL REVIEW 08-31-20** 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 tend to work better.



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

## Major Market Buy/Sell Review 08-31-20

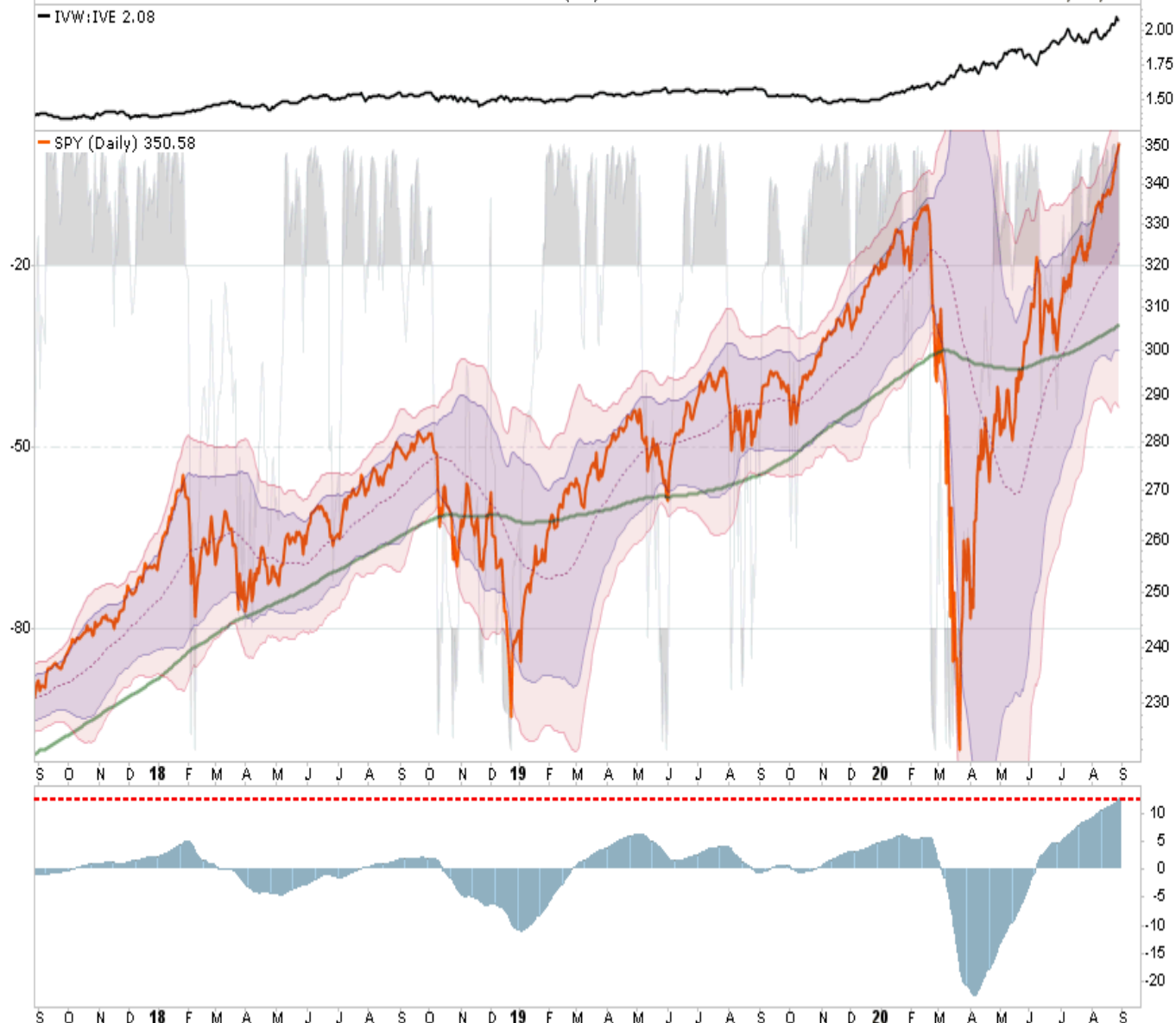
### S&P 500 Index

Open: **349.44** Ask: P/E: Options: **yes**  
 High: **350.72** Ask Size: EPS: Annual Dividend: **5.72541**  
 Low: **348.15** Bid: Mkt Cap: **313.4B** Yield: **1.63%**  
 Prev Close: **348.33** Bid Size: Last Size: SCTR (ETF): **84.7**

Friday 28-Aug-2020

▲ **+0.65%**Chg: **+2.25**Last: **350.58**Volume: **47,832,020**

- IVW:IVE 2.08



- *Wow. SPY is now extraordinarily overbought and pushing well into 3-standard deviations above the 50-dma. As noted in this week's [#Macroview](#), the deviations of WEEKLY measures are at historical extremes.*
- *Such is the point where a correction usually begins to some degree. As noted in our PORTFOLIO COMMENTARY last week, we are now starting to make adjustments for a correction.*
- *Exuberance is more than a bit on the extreme side.*
- *Caution is advisable.*
- *Short-Term Positioning: Bullish*
  - *Last Week: No holdings.*
  - *This Week: No holdings*
  - *Stop-loss set at \$310 for trading positions.*
  - *Long-Term Positioning: Bullish*

# Dow Jones Industrial Average

DIA SPDR Dow Jones Industrial Average ETF NYSE

© StockCharts.com

Open: **286.23** Ask: P/E: Options: **yes**  
 High: **287.45** Ask Size: EPS: Annual Dividend: **5.90318**  
 Low: **285.00** Bid: Mkt Cap: **23.8B** Yield: **2.06%**  
 Prev Close: **285.04** Bid Size: Last Size: SCTR (ETF): **74.9**

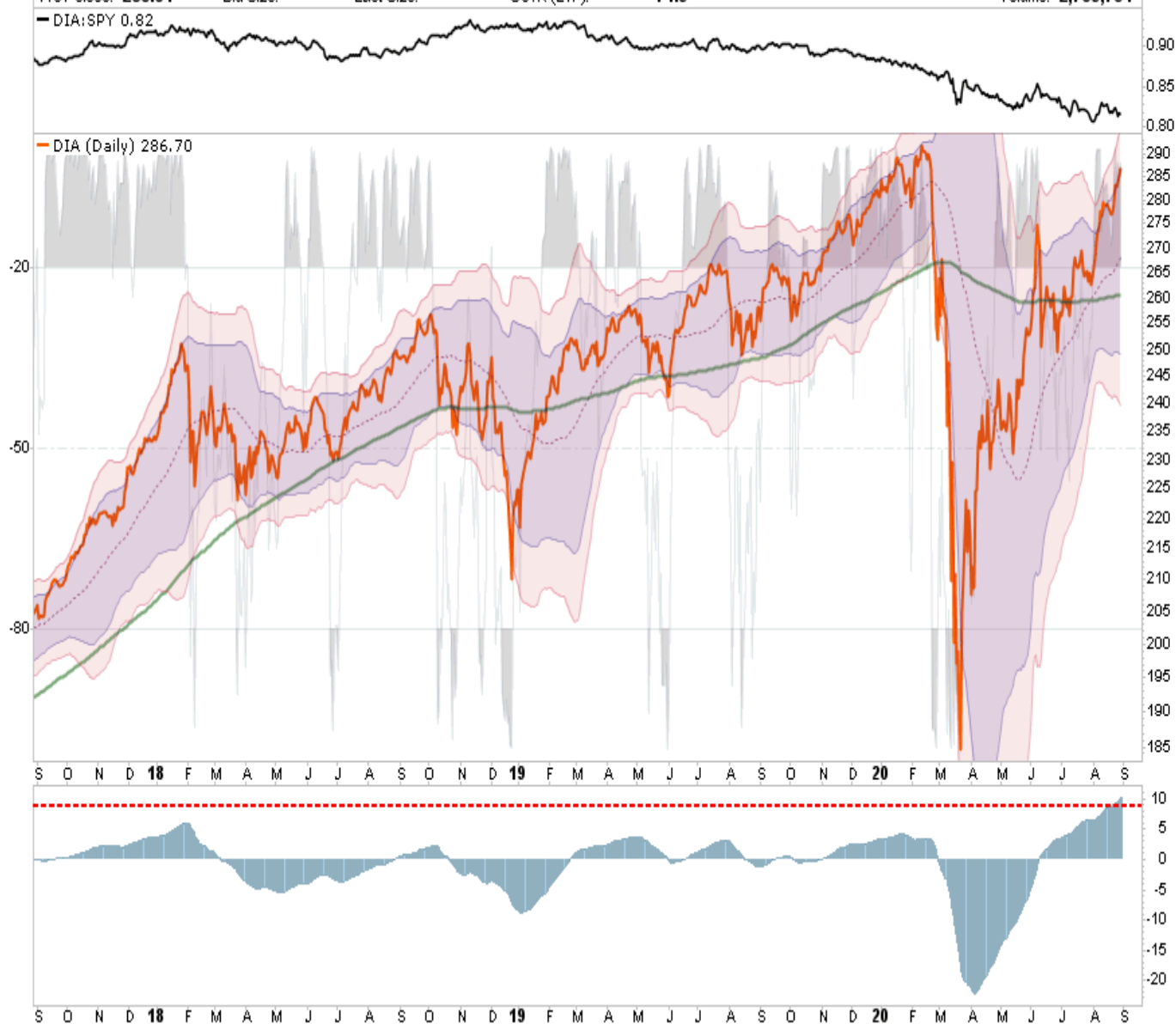
Friday 28-Aug-2020

▲ **+0.58%**

Chg: **+1.66**

Last: **286.70**

Volume: **2,709,734**



- The Dow continues to underperform other major indices due to its lack of the 5-major FANG stocks.
- **As we noted last week: "However, there is a concerted effort to try and get it to "all-time" highs as well."**
- That effort continued this week. Investors pushed the Dow into the extremely extended territory 3-standard deviations above the 50-dma.
- **Short-Term Positioning: Bearish**
  - Last Week: No position.
  - This Week: No position.
  - Stop-loss moved up to \$260
- **Long-Term Positioning: Bullish**

# Nasdaq Composite



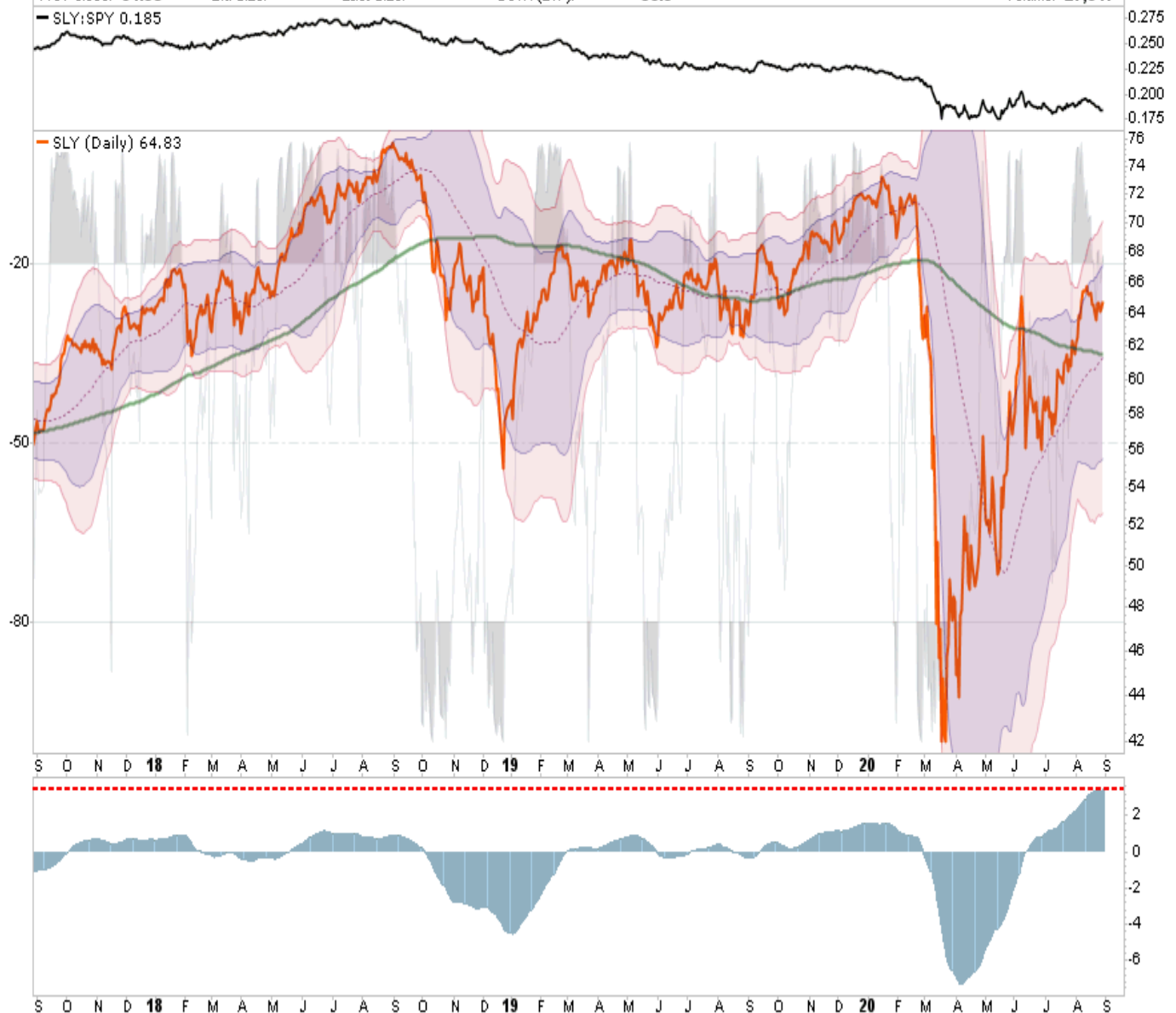
- QQQ's outperformance of SPY turned up last week as expected.&#2013266080;
- The QQQ's remain massively overbought, and the buy signal remains grossly extended. QQQ is pushing up well into 3-standard deviations above the 50-dma. That extension will not last forever.
- As noted with SPY, we are beginning to take profits and rebalance as needed.
- Short-Term Positioning: Bearish ? Extension above 200-dma.
  - Last Week: No changes this week.
  - This Week: Taking profits.
  - Stop-loss moved up to \$240
- Long-Term Positioning: Bullish

## S&P 600 Index (Small-Cap)

Friday 28-Aug-2020

Open: **64.81**    Ask:    P/E:    Options: **no**  
 High: **64.83**    Ask Size:    EPS:    Annual Dividend: **1.00683**  
 Low: **64.32**    Bid:    Mkt Cap: **1.04B**    Yield: **1.55%**  
 Prev Close: **64.38**    Bid Size:    Last Size:    SCTR (ETF): **50.3**

▲ **+0.70%**  
 Chg: **+0.45**  
 Last: **64.83**  
 Volume: **27,647**



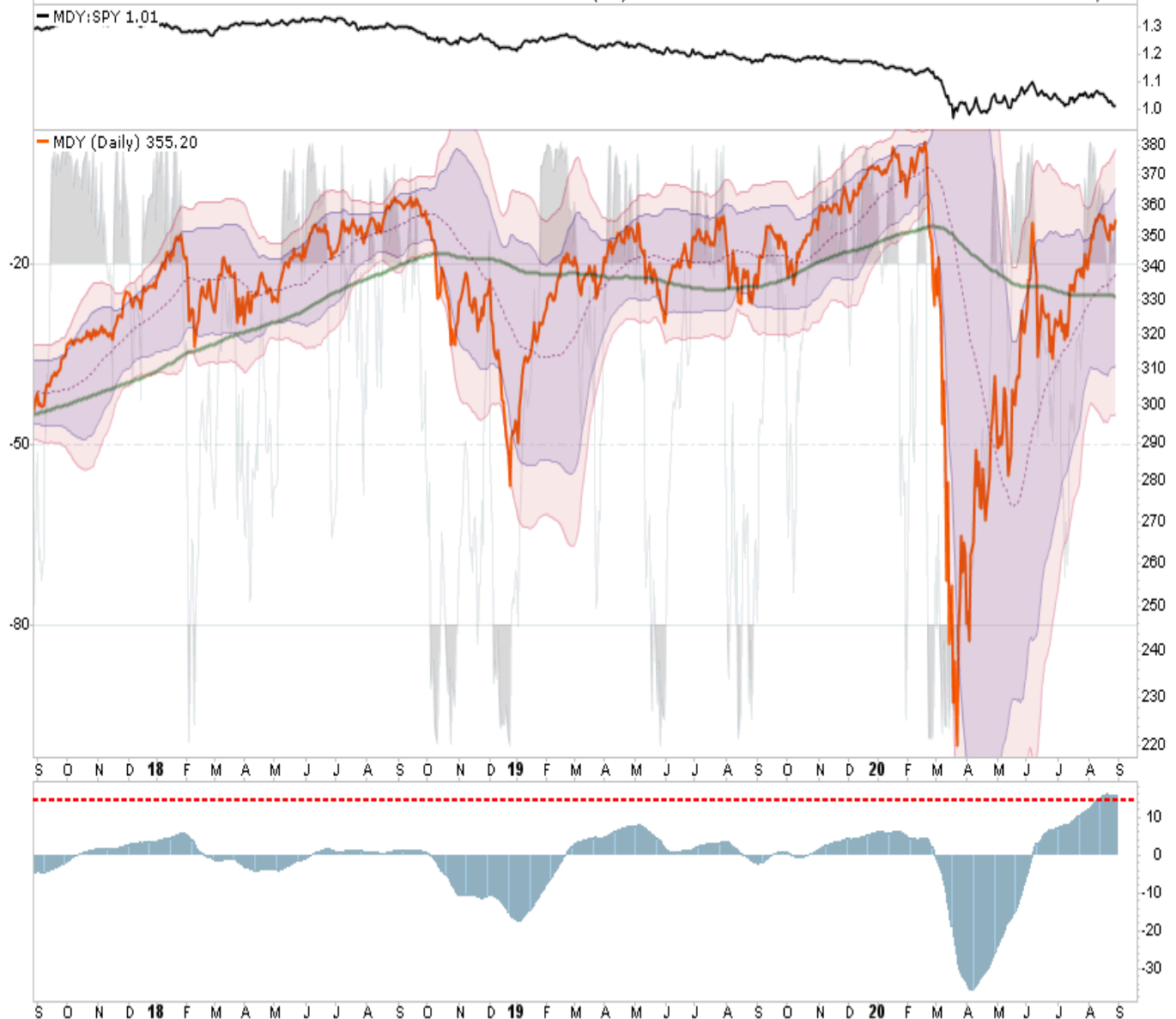
- As noted last week, "small-caps finally broke above the 200-dma and are now historically overbought and 3-standard deviations above the mean."&#2013266080;
- The rally failed this past week after pushing into extreme overbought territory and small caps traded sideways.
- With small-caps very susceptible to weak economic growth, we are still avoiding this area of the market.&#2013266080;
- Support is critical at the \$62 level.
- Short-Term Positioning: Bearish ? Market Risk Is High
  - Last Week: No positions
  - This Week: No positions.
  - Stop-loss reset at \$62
- Long-Term Positioning: Bearish

## S&P 400 Index (Mid-Cap)

Friday 28-Aug-2020

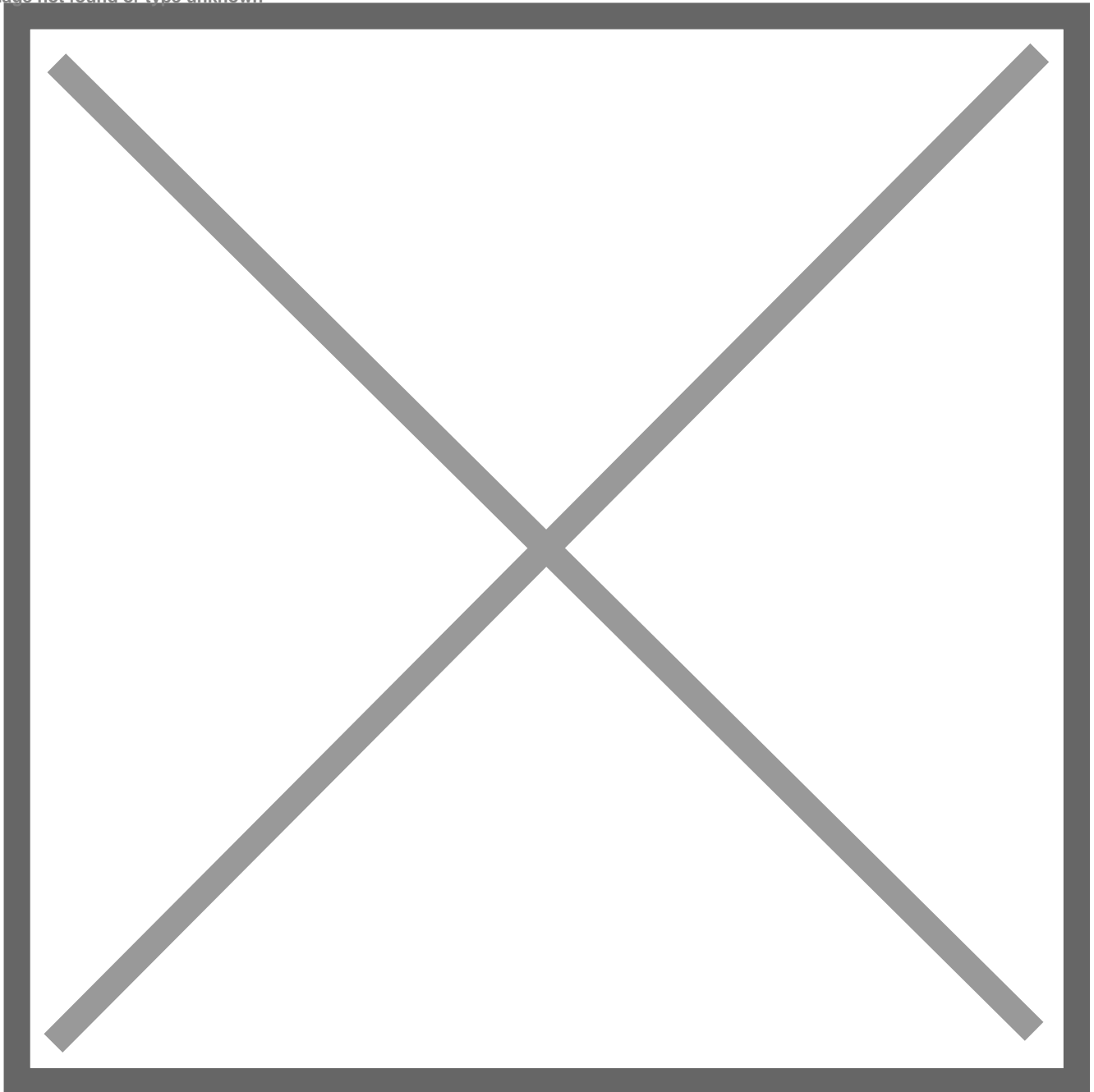
Open: <b>354.64</b>	Ask:	P/E:	Options: <b>yes</b>
High: <b>355.26</b>	Ask Size:	EPS:	Annual Dividend: <b>5.05296</b>
Low: <b>352.58</b>	Bid:	Mkt Cap: <b>15.3B</b>	Yield: <b>1.42%</b>
Prev Close: <b>353.23</b>	Bid Size:	Last Size: <b>200 shrs</b>	SCTR (ETF): <b>58.1</b>

▲ **+0.56%**  
 Chg: **+1.97**  
 Last: **355.20**  
 Volume: **615,177**



- The relative performance remains poor as with SLY. However, MDY also broke above the 200-dma resistance and failed at the 3-standard deviation level. #2013266080;
- We are also avoiding mid-caps for the time being until relative performance improves.
- The \$330 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 \$330
- Long-Term Positioning: Bearish

## Emerging Markets



- *Emerging markets have performed better on a relative basis but are now extremely extended. As with all other markets, the buy signal is at the highest level on record.*
- *Look for a correction that does not violate the 200-dma to add a trading position. Target is \$41.*
- *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*

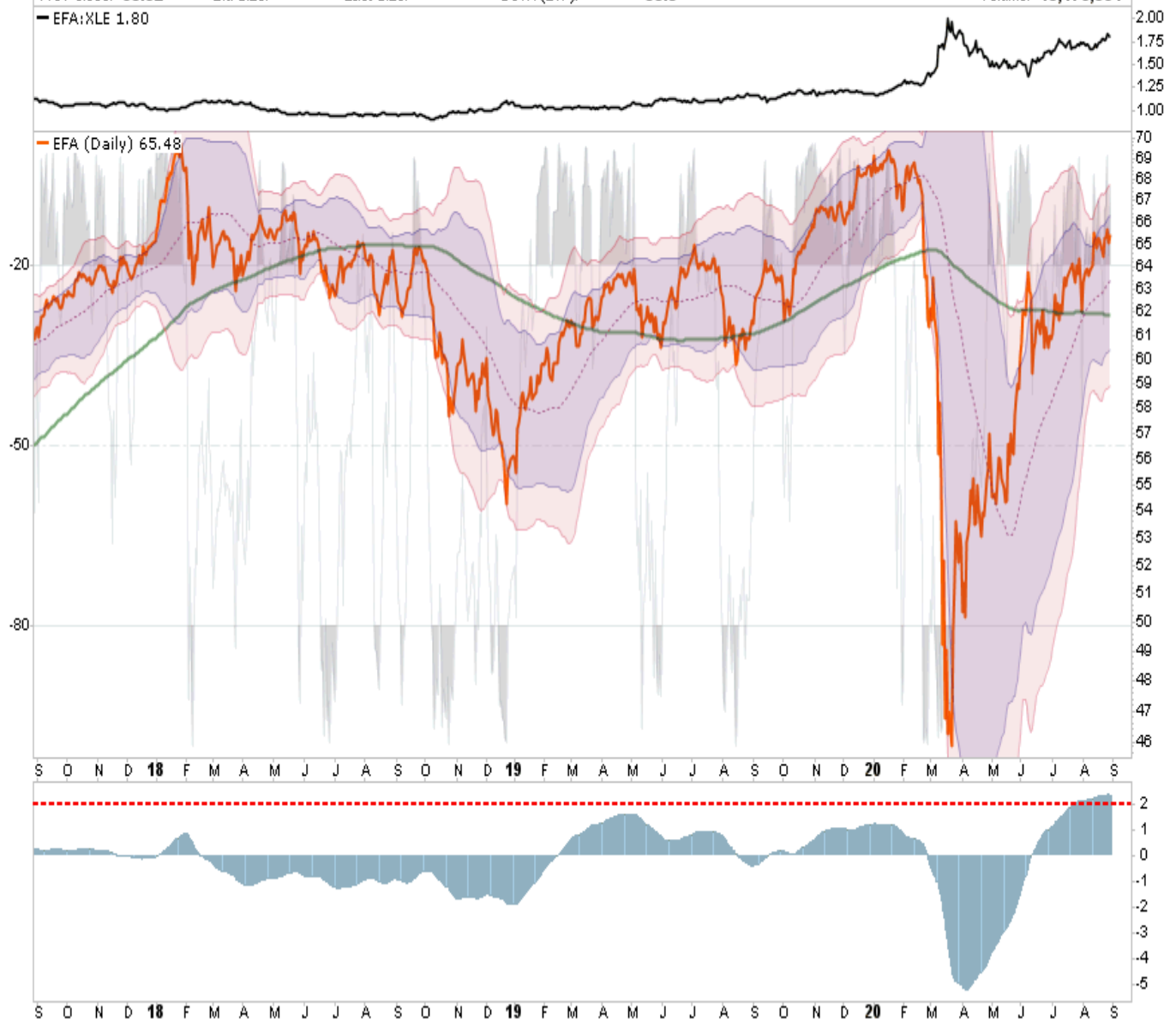
## **International Markets**



Friday 28-Aug-2020

Open: **65.41** Ask: P/E: Options: **yes**  
 High: **65.51** Ask Size: EPS: Annual Dividend: **1.63354**  
 Low: **65.06** Bid: Mkt Cap: **48.8B** Yield: **2.49%**  
 Prev Close: **65.02** Bid Size: Last Size: SCTR (ETF): **53.8**

▲ **+0.71%**  
 Chg: **+0.46**  
 Last: **65.48**  
 Volume: **13,176,061**



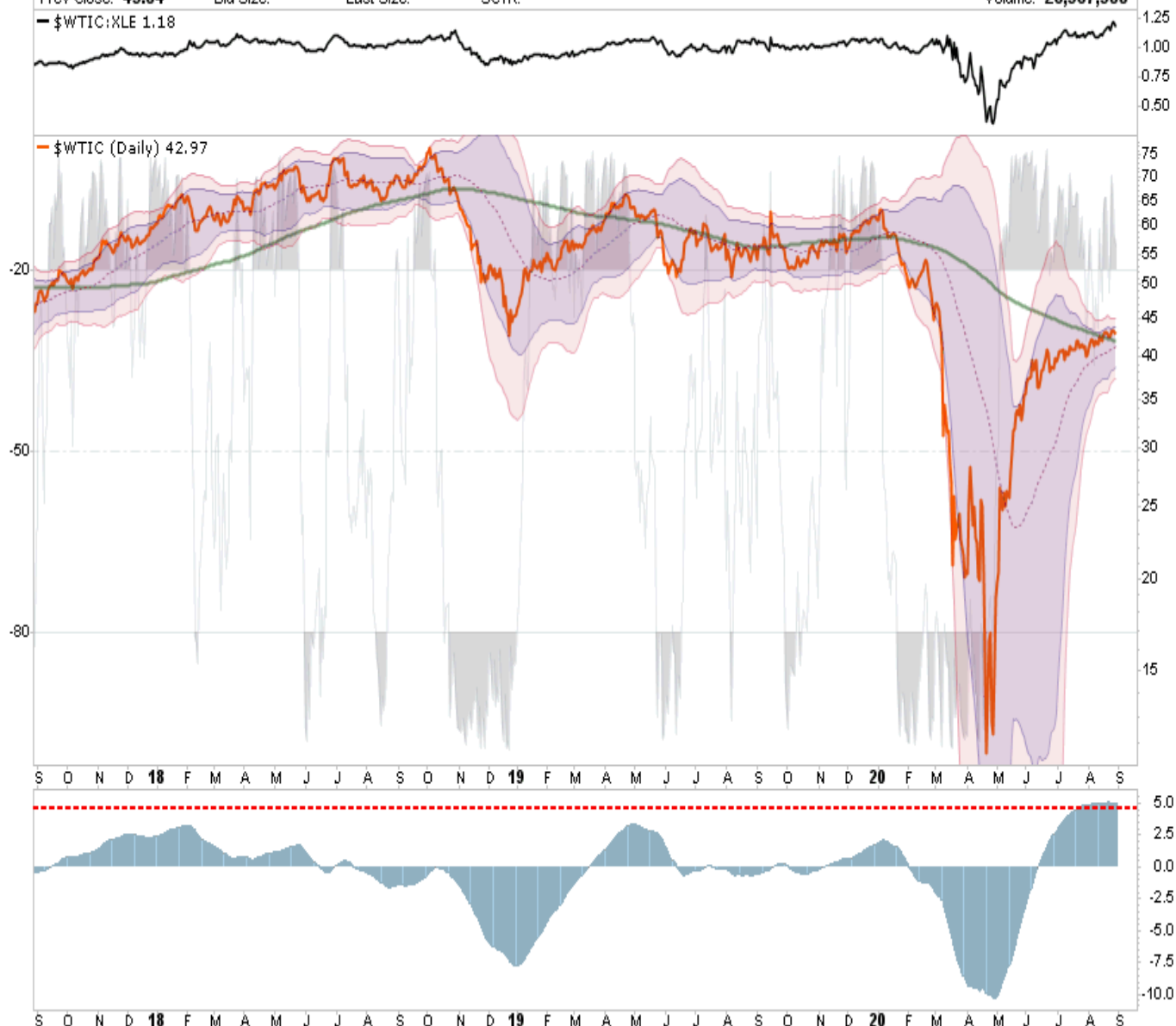
- *EFA was holding up better. It will be necessary for EFA to hold support at the 200-dma, but the overbought condition puts this at risk.*
- *The dollar is extremely oversold, so a rally in the dollar could impact the EFA.*
- *As with EEM, EFA is dollar sensitive, so we also added a dollar hedge.*
- **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)



Open: **42.98** Ask: P/E: Options: **no**  
 High: **43.42** Ask Size: EPS: Annual Dividend: **N/A**  
 Low: **42.69** Bid: Mkt Cap: Yield: **N/A**  
 Prev Close: **43.04** Bid Size: Last Size: SCTR:

Friday 28-Aug-2020

▼ **-0.16%**Chg: **-0.07**Last: **42.97**Volume: **26,367,300**

- Oil prices are struggling to move higher but did manage to climb above the 200-dma.
- However, oil is now pushing up against 3-standard deviations and is at an extreme overbought condition.
- With the Bollinger bands now getting very tight, whichever way oil breaks will likely be a big move. I have a hard time rationalizing a reason why that break would be to the upside.
- Pay attention to the risk.
- Oil is also subject to a reversal in the dollar; another reason we are adding a dollar hedge.
- Short-Term Positioning: Bearish
  - Last Week: Hold positions
  - This Week: Hold positions
  - Stop for trading positions at \$32.50
- Long-Term Positioning: Bearish

## Gold

Open: **183.98** Ask: P/E: **-17.82** Options: **yes**  
 High: **185.40** Ask Size: EPS: **-10.35** Annual Dividend: **N/A**  
 Low: **183.40** Bid: Mkt Cap: **77.4B** Yield: **N/A**  
 Prev Close: **181.24** Bid Size: Last Size: SCTR (ETF): **78.1**

Friday 28-Aug-2020

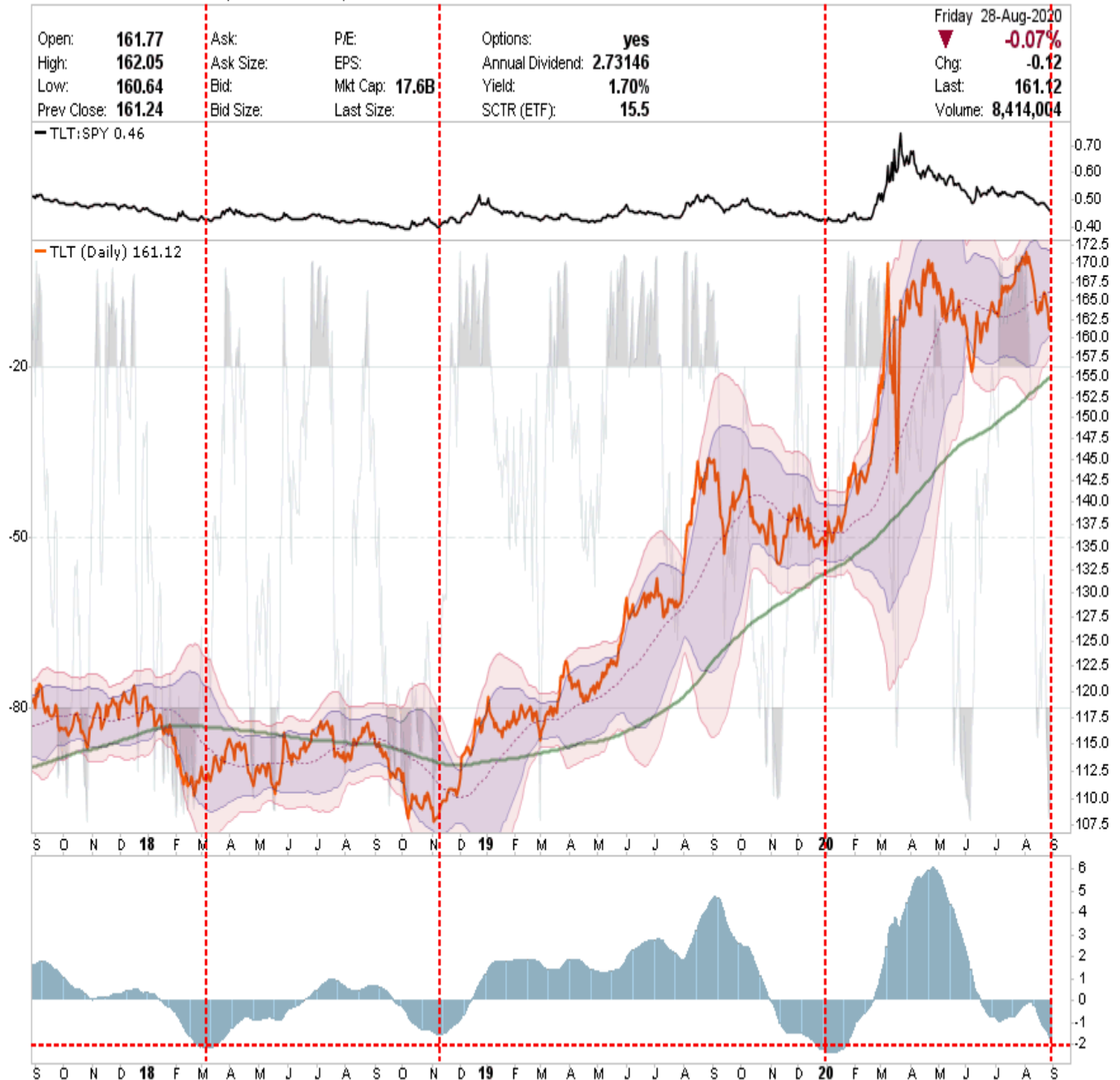
▲ **+1.74%**Chg: **+3.15**Last: **184.39**Volume: **13,098,443**

GLD:SPY 0.53



- We remain long in our current position in IAU, but after taking profits previously, we used the correction back to support to add a little to both IAU and GDX.
- Keep sizing relatively small for now. The risk is a dollar rally that pushes prices lower. 2013266080;
- Set stops at \$175
- We believe downside risk is relatively limited, but as always, maintain stops.
- Short-Term Positioning: Bullish
  - Last week: Hold positions.
  - This week: Added 1% to current holdings of IAU and GDX. (See portfolio commentary.)
  - Stop-loss moved up to \$175
  - Long-Term Positioning: Bullish

## Bonds (Inverse Of Interest Rates)



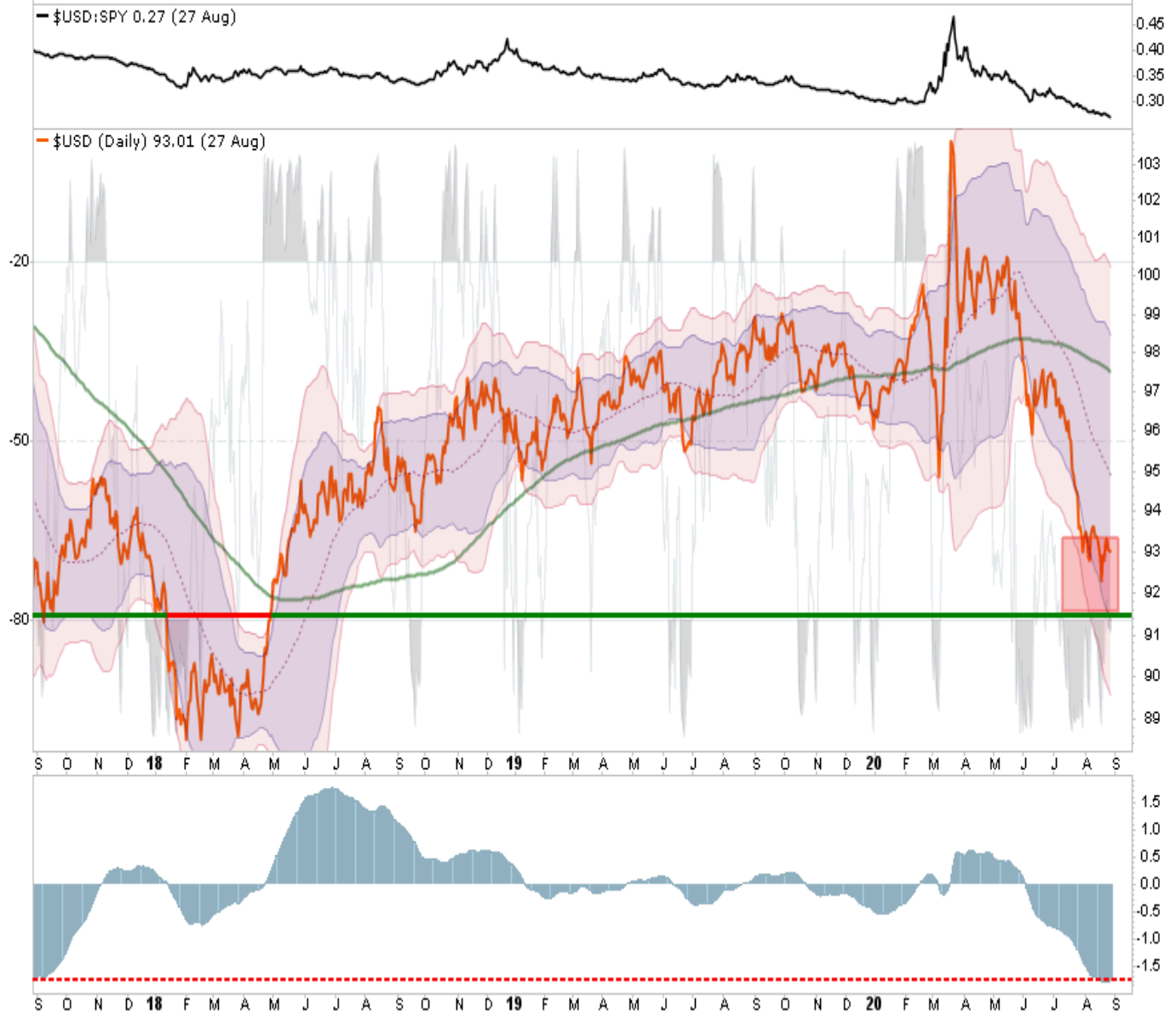
- As noted two weeks ago, "the correction in bonds occurred last week, and on Friday, we used the dip to add to our TLT position."
- There is still upside potential in bonds if there is a dollar rally or a correction in equities as we move into August.&#2013266080;
- Furthermore, the "sell signal" is now at levels that have typically preceded more massive rallies in bonds. Such will likely coincide with a reversal in equities.&#2013266080;
- Investors can add to Treasuries in size at current levels.
- Short-Term Positioning: Neutral
  - Last Week: Hold position.
  - This Week: Hold positions.
  - Stop-loss moved up to \$155
  - Long-Term Positioning: Bullish

## U.S. Dollar

Thursday 27-Aug-2020

Open: **92.85** Ask: P/E: Options: **no**  
 High: **93.35** Ask Size: EPS: Annual Dividend: **N/A**  
 Low: **92.44** Bid: Mkt Cap: Yield: **N/A**  
 Prev Close: **93.03** Bid Size: Last Size: SCTR:

▼ **-0.02%**  
 Chg: **-0.02**  
 Last: **93.01**  
 Volume: **0**



- The dollar continues to hold support for now, but the oversold condition is more extreme.
- Given a large number of analysts with "bearish" forecasts on the dollar, the probability of a dollar rally has risen. **We have built a trading position for a counter-rally to hedge our energy and gold holdings.**
- Traders can add positions to hedge portfolios, but there is not likely a colossal move available currently given the current market dynamics.&#2013266080;
- Stop-loss adjusted to \$92.