

## Sector Buy/Sell Review: 09-22-20

**HOW TO READ THE SECTOR BUY/SELL REVIEW: 09-22-20** Each week we produce a "**Sector Buy/Sell Review**" chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such helps refine 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 tend to work better than when below the zero lines. **We added 2- and 3-standard deviation extensions from the 50-dma this week. Currently, markets and sectors are back to "stupid" overbought on many levels. We advise caution.**

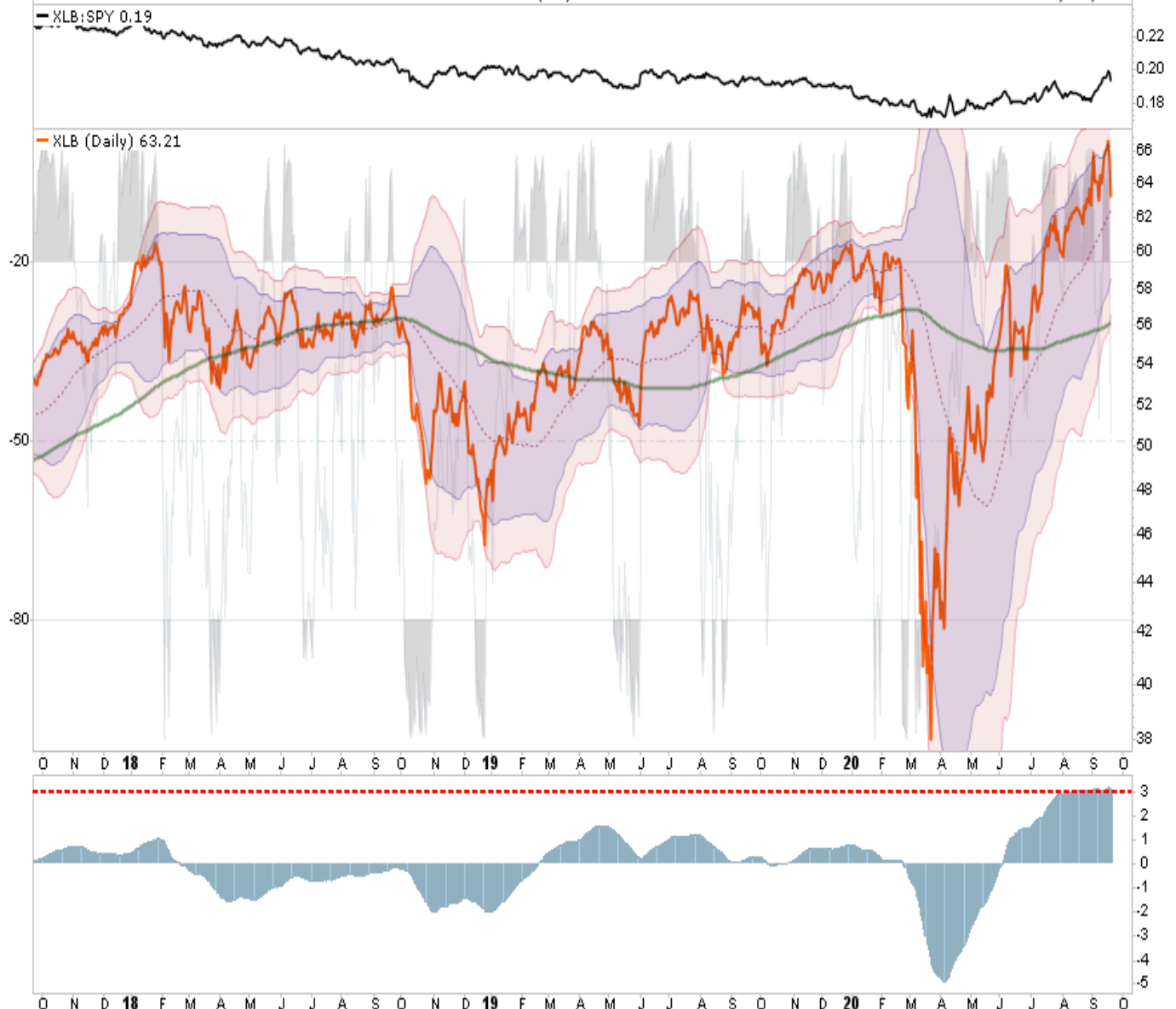
## SECTOR BUY/SELL REVIEW: 09-22-20

### Basic Materials

Monday 21-Sep-2020

Open: **64.09** Ask: P/E: Options: **yes**  
 High: **64.15** Ask Size: EPS: Annual Dividend: **1.20504**  
 Low: **62.48** Bid: Mkt Cap: **3.73B** Yield: **1.91%**  
 Prev Close: **65.41** Bid Size: Last Size: SCTR (ETF): **91.7**

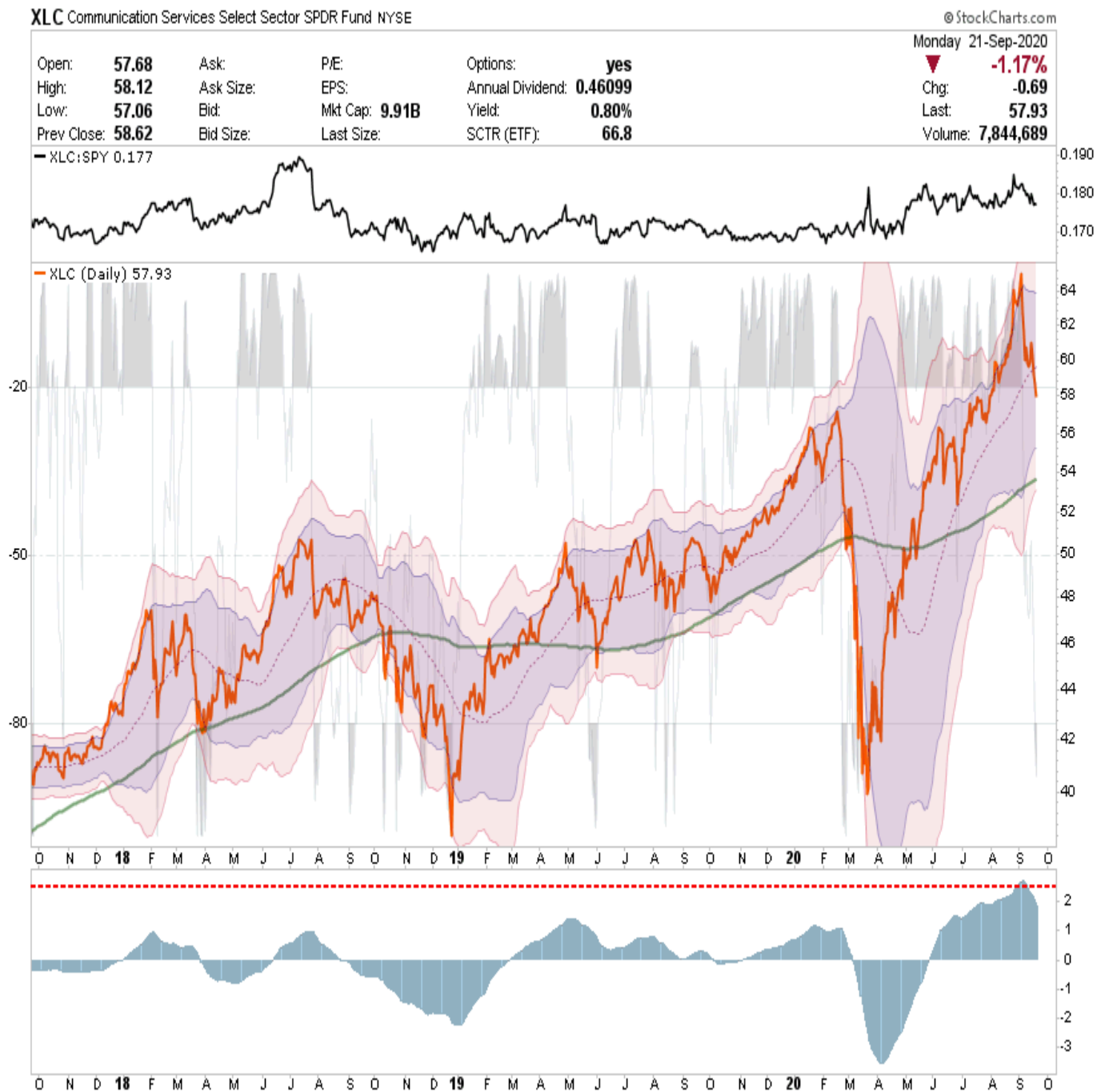
Chg: **-3.37%**  
 Last: **63.21**  
 Volume: **8,035,260**



- A common theme through today's update is the exit of the "reflation" trade. Markets had been hoping for additional "fiscal support" from Congress. However, with the election looming, a need for a budget negotiation to avoid a "shutdown," and now a battle over replacing a Supreme Court Justice, the odds of a fiscal deal getting done is minuscule.
- Looking at XLB, the sell-off yesterday was the reflection of the exit of the reflation trade. You will see the same in Industrials and Transportation, which were all down more than 3%.&#2013266080;
- The setup for the sell-off was present, as noted last week, "with XLB pushing into very overbought conditions with a historically high 'buy signal,' there **seems to be a lot less reward in the sector currently.**&#2013266080;It isn't advisable to chase the sector now. Look to buy on dips and short-term oversold conditions."
- That opportunity is coming but still has more work to do first.
- Short-Term Positioning: Bullish
  - Last Week: No Positions

- *This Week: No Positions*
- *Stop-Loss moved up to \$60*
- *Long-Term Positioning: Bearish*

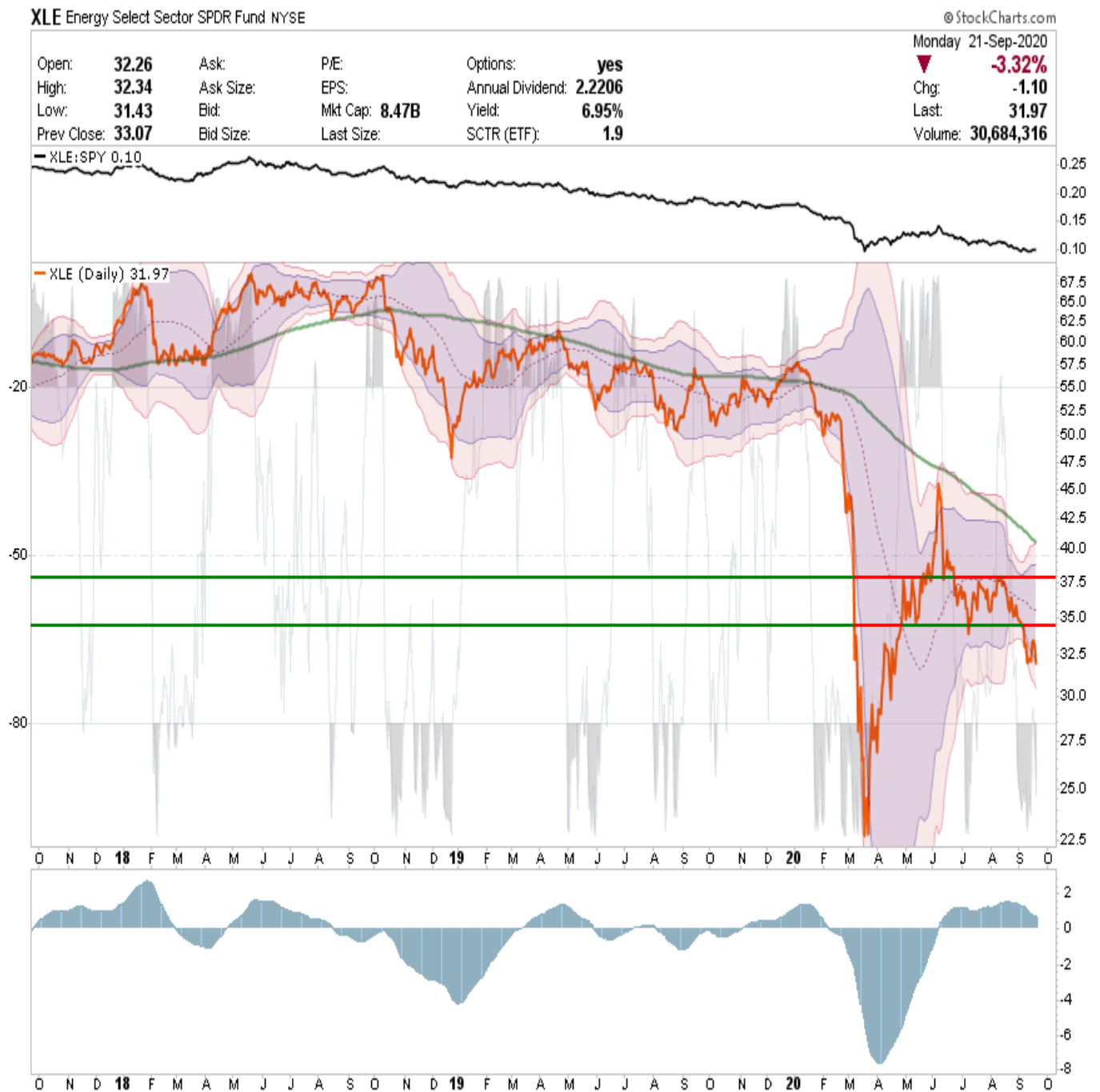
## Communications



- *The correction in communications continued on Monday, but the sector has become oversold short-term.*
- *We suggested taking profits and reducing risks, and that correction has now happened.*
- *XLC did fail to hold the 50-dma and has become oversold. Look for a bounce into resistance to reduce exposure and take profits if needed.*
- *Adding a trading position is possible with a very tight stop at \$56.*
- *Short-Term Positioning: Bullish*

- Last Week: Hold positions
- This Week: Hold positions
- Long-Term Positioning: Bearish

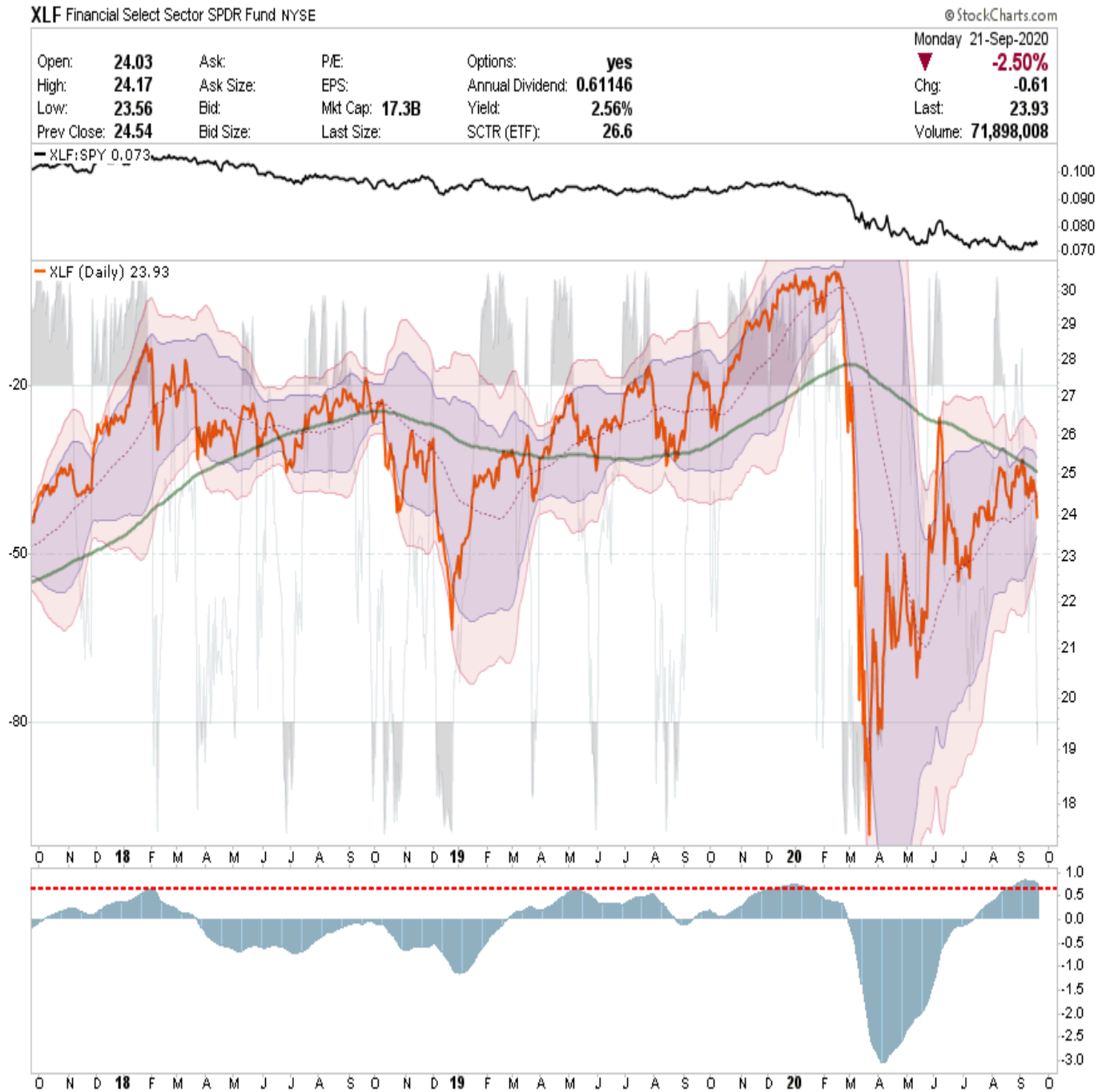
## Energy



- Energy continues to fail. We were stopped out of our XOM position previously.
- Energy is deeply oversold and due for a bounce. However, there is not much support for the sector currently, particularly if we get a dollar rally, which we see some early signs.
- With supports taken out, there is no reason to add exposure here. Wait for a bottom to form and the sector to show some signs of life first.
- Short-Term Positioning: Bearish
  - Last week: Hold positions
  - This week: Hold positions.

- *Stop-loss violated.*
- *Long-Term Positioning: Neutral*

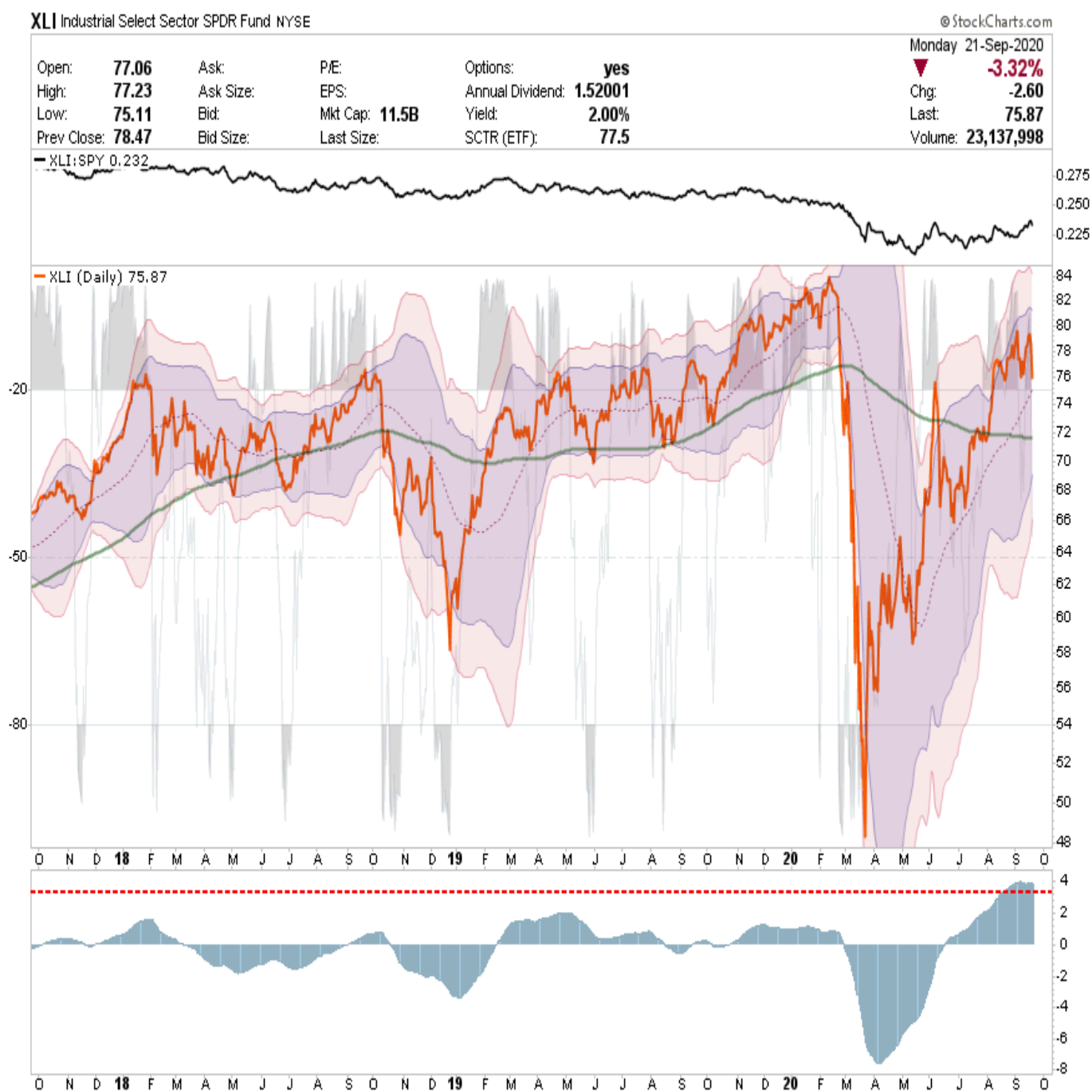
## Financials



- *Financials continue to underperform and remain a sector to avoid currently.*
- *XLF sold off yesterday on news of massive money laundering and the realization no more financial support is coming.*
- *The sell-off yesterday violated support and confirms the failure of the 200-dma.*
- *Banks remain out of favor.*
- *Short-Term Positioning: Neutral*
  - *Last week: No position*
  - *This week: No position*

- *Long-Term Positioning: Bearish*

## Industrials



- *As noted, like materials, XLI sold off sharply on Monday under the premise of no more fiscal support, which will kill the economic reflation trade.*
- *We have grossly reduced our exposure to the sector and are looking for a better opportunity to add back to our position. We may finally get that opportunity closer to \$72.*
- *As suggested previously, take profits and rebalance risk.*
  - *Short-Term Positioning: Bullish*
  - *Last week: No change.*
  - *This week: No change.*
- *Long-Term Positioning: Bearish*



## Technology

XLK Technology Select Sector SPDR Fund NYSE

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Open: **109.50** Ask: P/E: Options: **yes**  
 High: **112.49** Ask Size: EPS: Annual Dividend: **1.19937**  
 Low: **109.11** Bid: Mkt Cap: **34.1B** Yield: **1.07%**  
 Prev Close: **111.51** Bid Size: Last Size: SCTR (ETF): **87.9**

Monday 21-Sep-2020

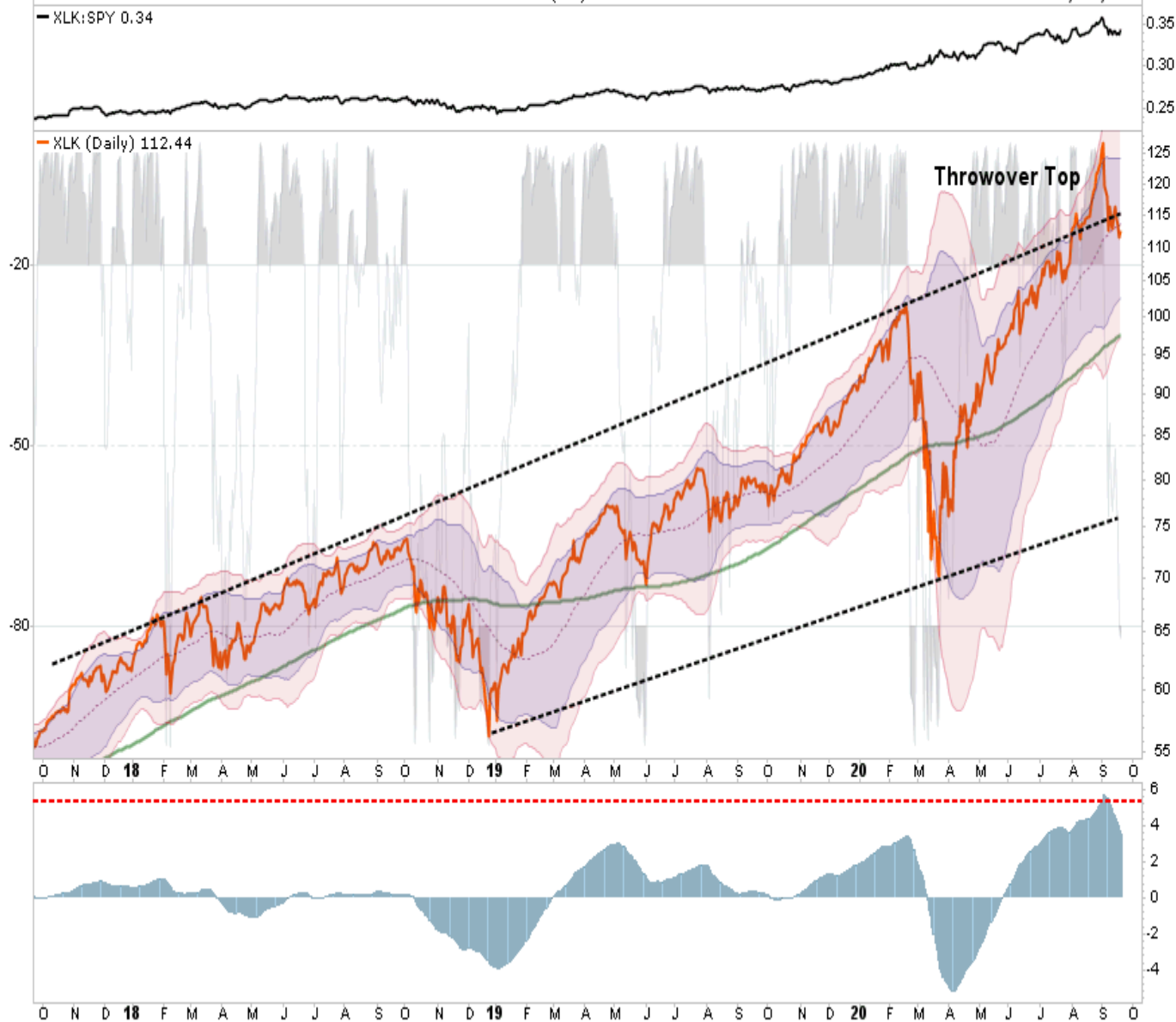
▲ **+0.83%**

Chg: **+0.93**

Last: **112.44**

Volume: **19,179,942**

XLK:SPY 0.34



- Technology stocks, and the Nasdaq, found some buying yesterday after a fairly brutal correction over the last couple of weeks.&#2013266080;
- While the sector remains overbought and extended well above long-term averages, the index should try to find short-term support.&#2013266080;
- The risk remains to the downside for now. But with the "reflation" trade taking a hit, the money will likely flow back into the "previous winners" for now.&#2013266080;
- Short-Term Positioning: Bullish
  - Last week: No changes.
  - This week: No changes.
- Stop-loss set at \$105
- Long-Term Positioning: Bullish

## Staples

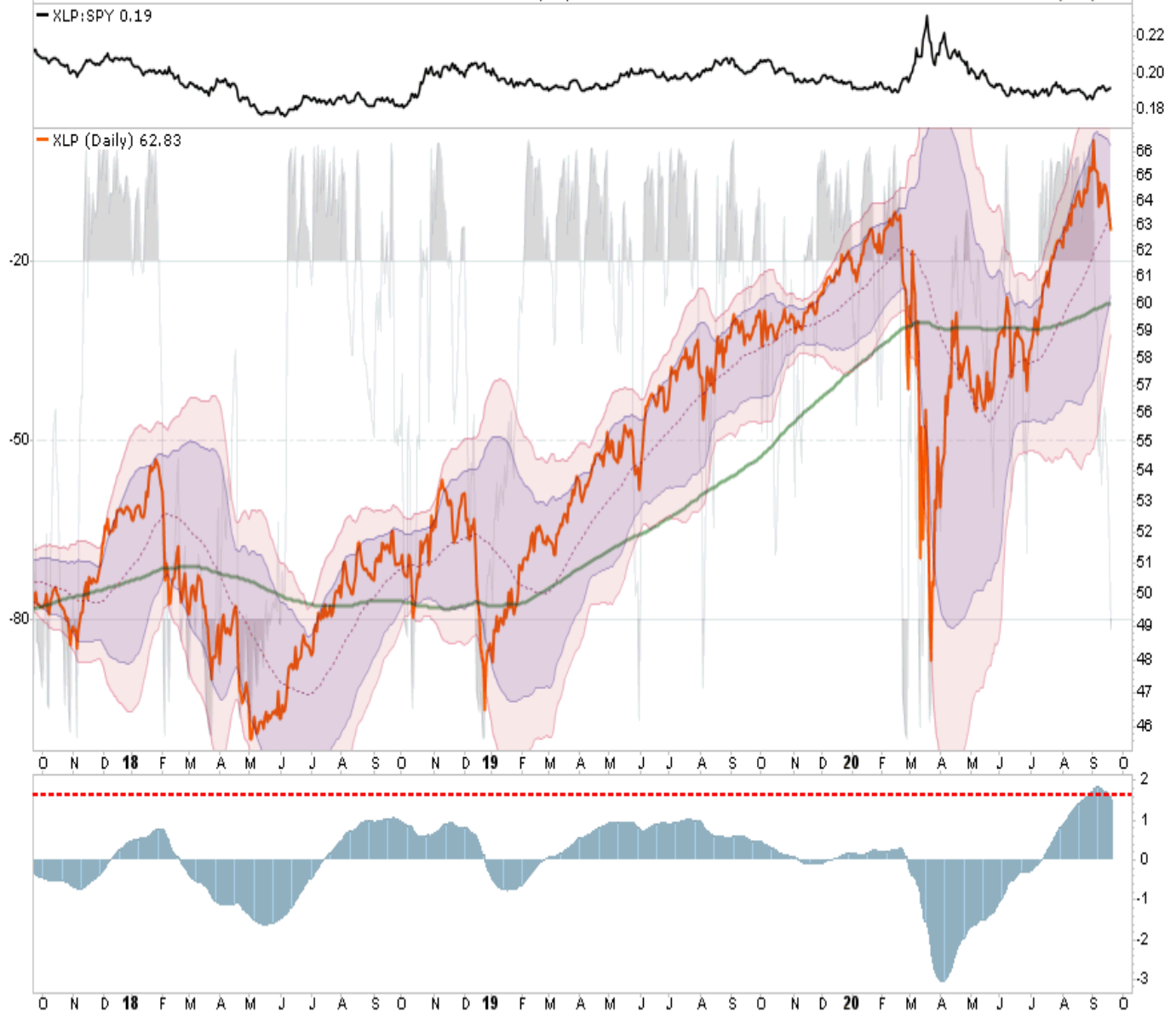
XLP Consumer Staples Select Sector SPDR Fund NYSE

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Monday 21-Sep-2020

Open: **62.88** Ask: P/E: Options: **yes**  
 High: **63.07** Ask Size: EPS: Annual Dividend: **1.61874**  
 Low: **62.11** Bid: Mkt Cap: **13.9B** Yield: **2.58%**  
 Prev Close: **63.31** Bid Size: Last Size: SCTR (ETF): **48.0**

Chg: **-0.76%**  
 Last: **62.83**  
 Volume: **11,326,033**



- Over the last couple of weeks, we have discussed the correction of XLP.&#2013266080;
- That correction came and has pushed XLP down to its 50-dma. It needs to hold support here and is getting sufficiently oversold enough to do that.&#2013266080;
- However, we need to see buyers begin to step in.&#2013266080;
- Rebalance holdings and tighten up stop-losses on any rallies for now. We are likely not "out of the woods," just yet.&#2013266080;
- We are moving our stop-loss alert to \$60 as our stop-level.
- Short-Term Positioning: Bullish
  - Last week: Hold positions
  - This week: Hold positions
- Long-Term Positioning: Bullish



## RealEstate

XLRE Real Estate Select Sector SPDR Fund NYSE

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Open: **34.99** Ask: P/E: Options: **yes**  
 High: **35.04** Ask Size: EPS: Annual Dividend: **1.14873**  
 Low: **34.26** Bid: Mkt Cap: **2.20B** Yield: **3.34%**  
 Prev Close: **35.39** Bid Size: Last Size: SCTR (ETF): **30.5**

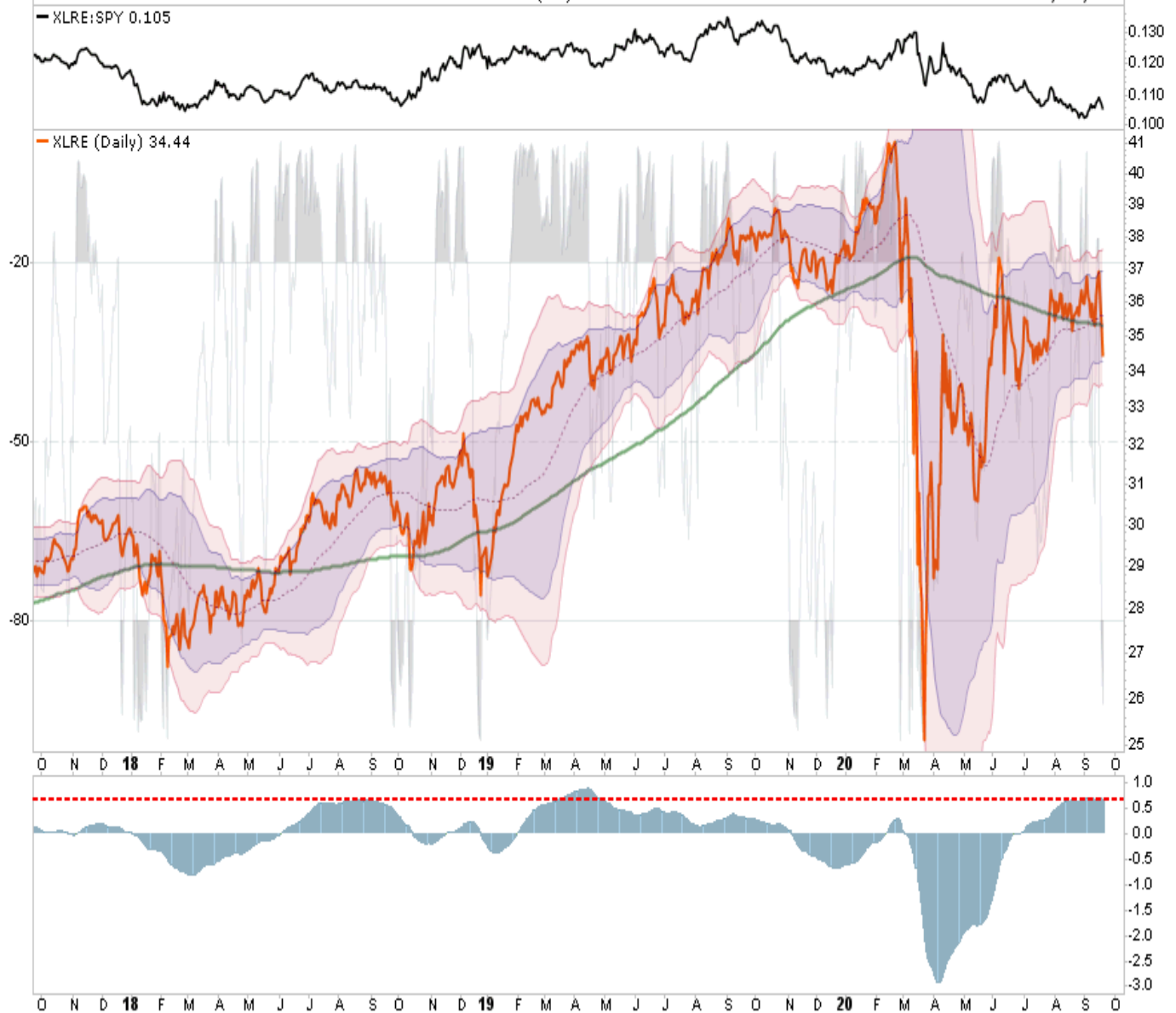
Monday 21-Sep-2020

▼ **-2.68%**

Chg: **-0.95**

Last: **34.44**

Volume: **6,226,660**



- Another aspect of the "reflation" trade was also in XLRE. Without more fiscal support, there will likely be a further impact on real estate, particularly on the commercial side.
- On Monday, XLRE violated the 200-dma support sharply but did push back into more extreme oversold territory.
- With XLRE oversold, I would expect to see a rally this week. Use that rally to lighten up exposure for now.
- Short-Term Positioning: Neutral
  - Last week: No change.
  - This week: Sold WELL last week.
- Long-Term Positioning: Bullish

## Utilities

XLU Utilities Select Sector SPDR Fund NYSE

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Open: **57.60** Ask: P/E: Options: **yes**  
 High: **57.93** Ask Size: EPS: Annual Dividend: **1.94304**  
 Low: **56.90** Bid: Mkt Cap: **11.5B** Yield: **3.37%**  
 Prev Close: **58.02** Bid Size: Last Size: SCTR (ETF): **19.2**

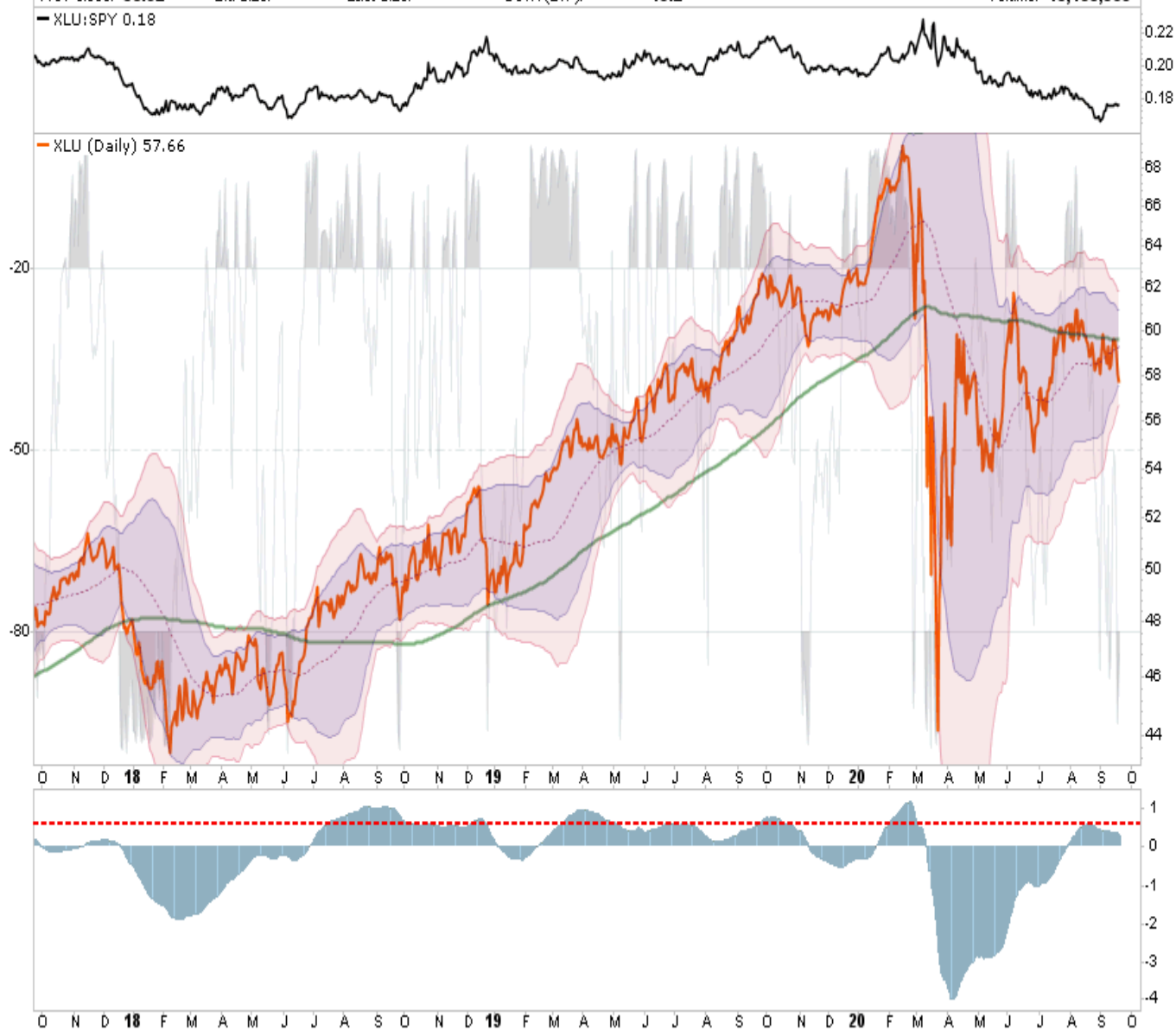
Monday 21-Sep-2020

▼ **-0.62%**

Chg: **-0.36**

Last: **57.66**

Volume: **15,185,309**



- XLU has been struggling with resistance at the 200-dma and failed again with Monday's sell-off.
- Utilities also broke support at the 50-dma. The performance has been disappointing.
- The sector is oversold and is potentially in a better position relative to other sectors of the market, particularly for "defensive" positioning.
- However, we did reduce our exposure last week by selling our holding in AEP.
- Short-Term Positioning: Neutral
  - Last week: Hold positions
  - This week: Sold AEP last week.
- Long-Term Positioning: Bullish

## Health Care

XLV Health Care Select Sector SPDR Fund NYSE

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Open: **103.72** Ask: P/E: Options: **yes**  
 High: **103.72** Ask Size: EPS: Annual Dividend: **1.60818**  
 Low: **101.74** Bid: Mkt Cap: **23.3B** Yield: **1.56%**  
 Prev Close: **105.12** Bid Size: Last Size: SCTR (ETF): **53.8**

Monday 21-Sep-2020

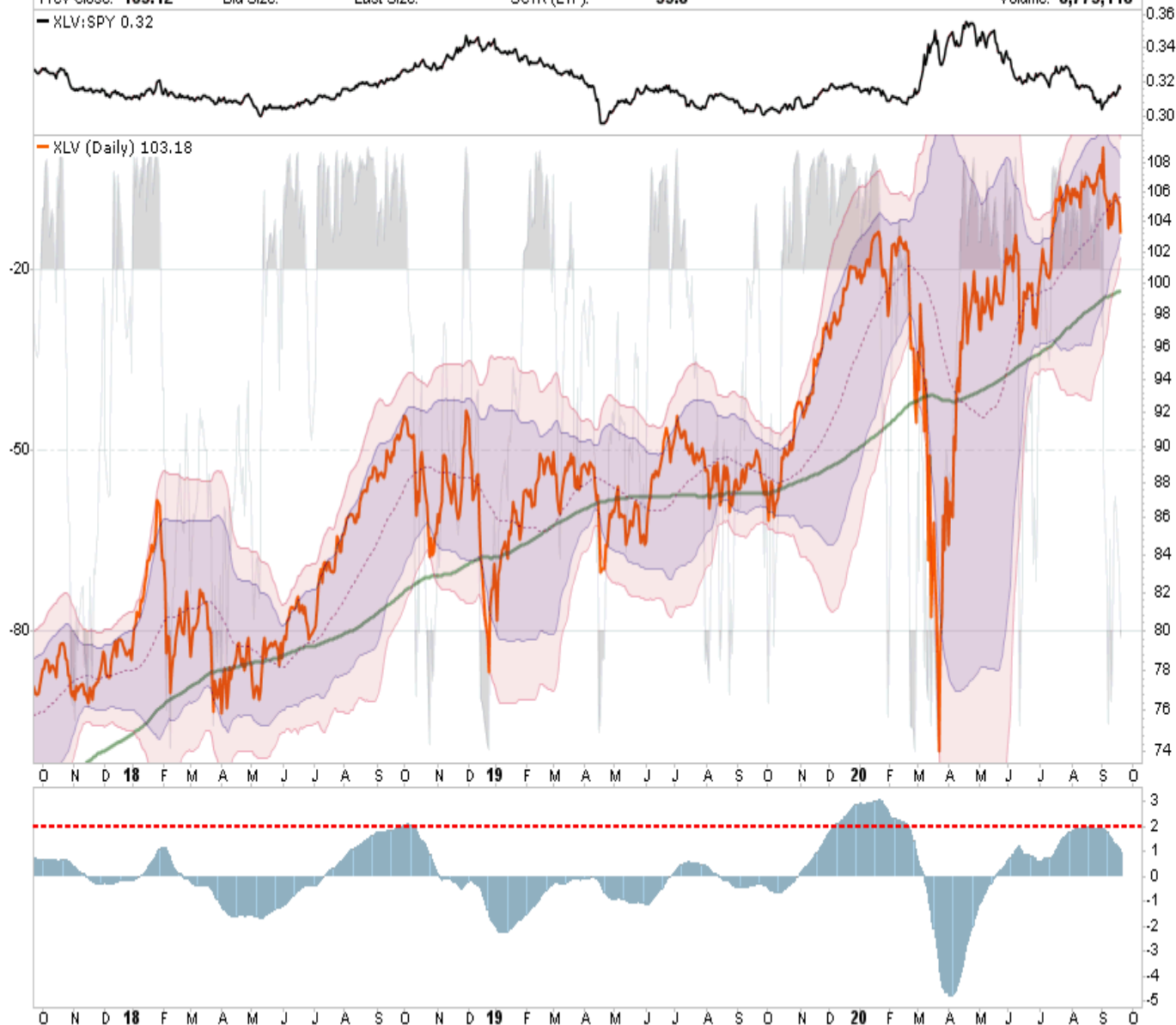
▼ **-1.85%**

Chg: **-1.94**

Last: **103.18**

Volume: **8,775,118**

XLV:SPY 0.32



- XLV broke below its 50-dma and needed to hold support at the previous market highs.
- With the sector back to oversold short-term, there will likely be an opportunity to add exposure somewhere ahead.
- The 200-dma is now essential support for XLV and needs to hold, along with the previous tops going back to 2018.
- We are moving our absolute stop to \$100
- Short-Term Positioning: Bullish
  - Last week: Hold positions
  - This week: Hold positions.
- Long-Term Positioning: Bullish

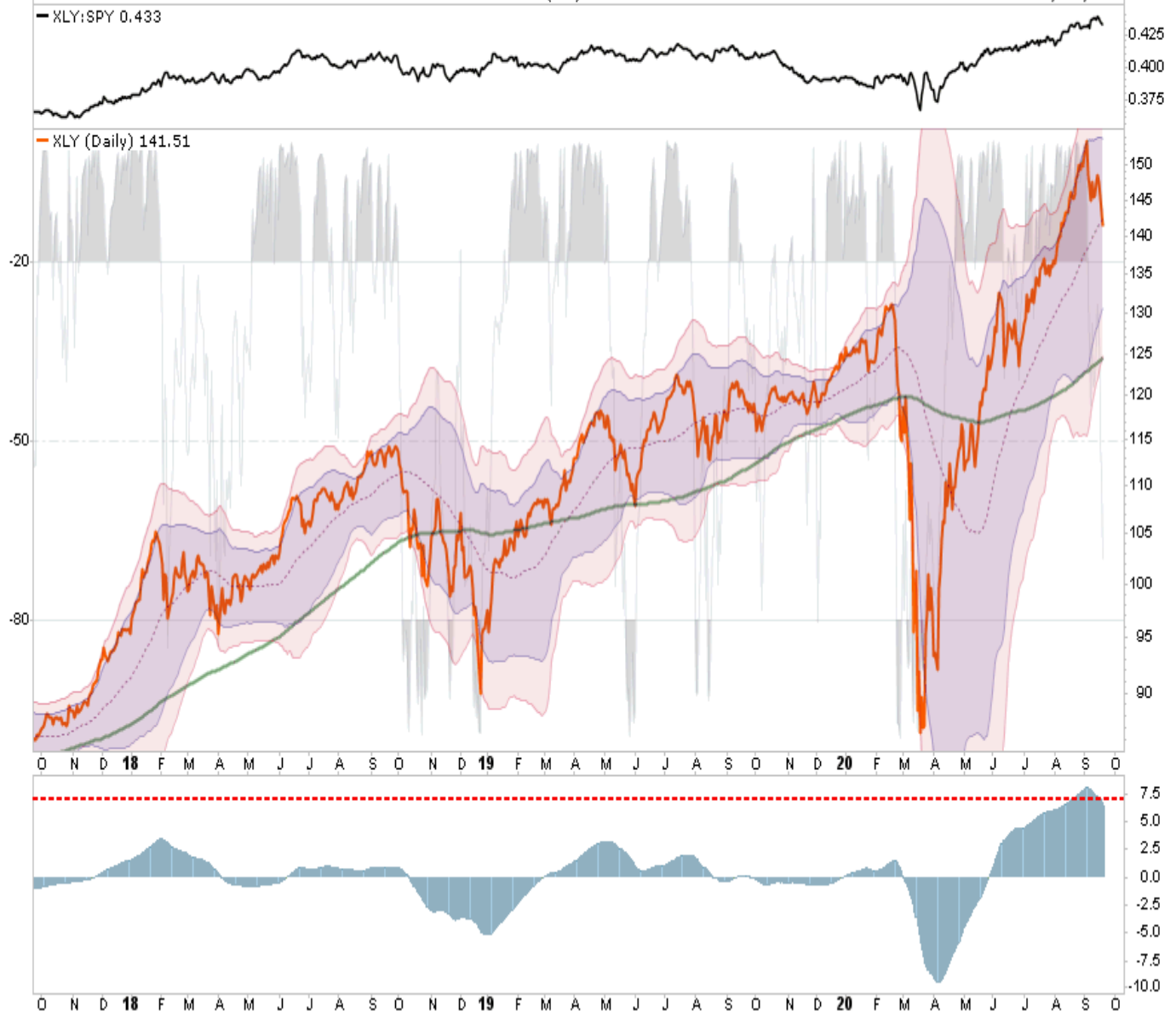
## Discretionary

Monday 21-Sep-2020

Open: **141.29** Ask: P/E: Options: **yes**  
 High: **141.67** Ask Size: EPS: Annual Dividend: **1.53389**  
 Low: **139.03** Bid: Mkt Cap: **14.9B** Yield: **1.08%**  
 Prev Close: **143.58** Bid Size: Last Size: SCTR (ETF): **88.0**

▼ **-1.44%**  
 Chg: **-2.07**  
 Last: **141.51**  
 Volume: **4,217,677**

XLY:SPY 0.433



- XLY has corrected back to its 50-dma and is holding support for now.
- However, it has not become oversold yet, which suggests there is potentially more downside risk.
- Without more fiscal support, the money flows into discretionary stocks could well see some weakness.
- Take profits and hedge risk.
- Stop-loss set at \$130
- Short-Term Positioning: Bullish
  - Last week: No position
  - This week: No position
- Long-Term Positioning: Neutral

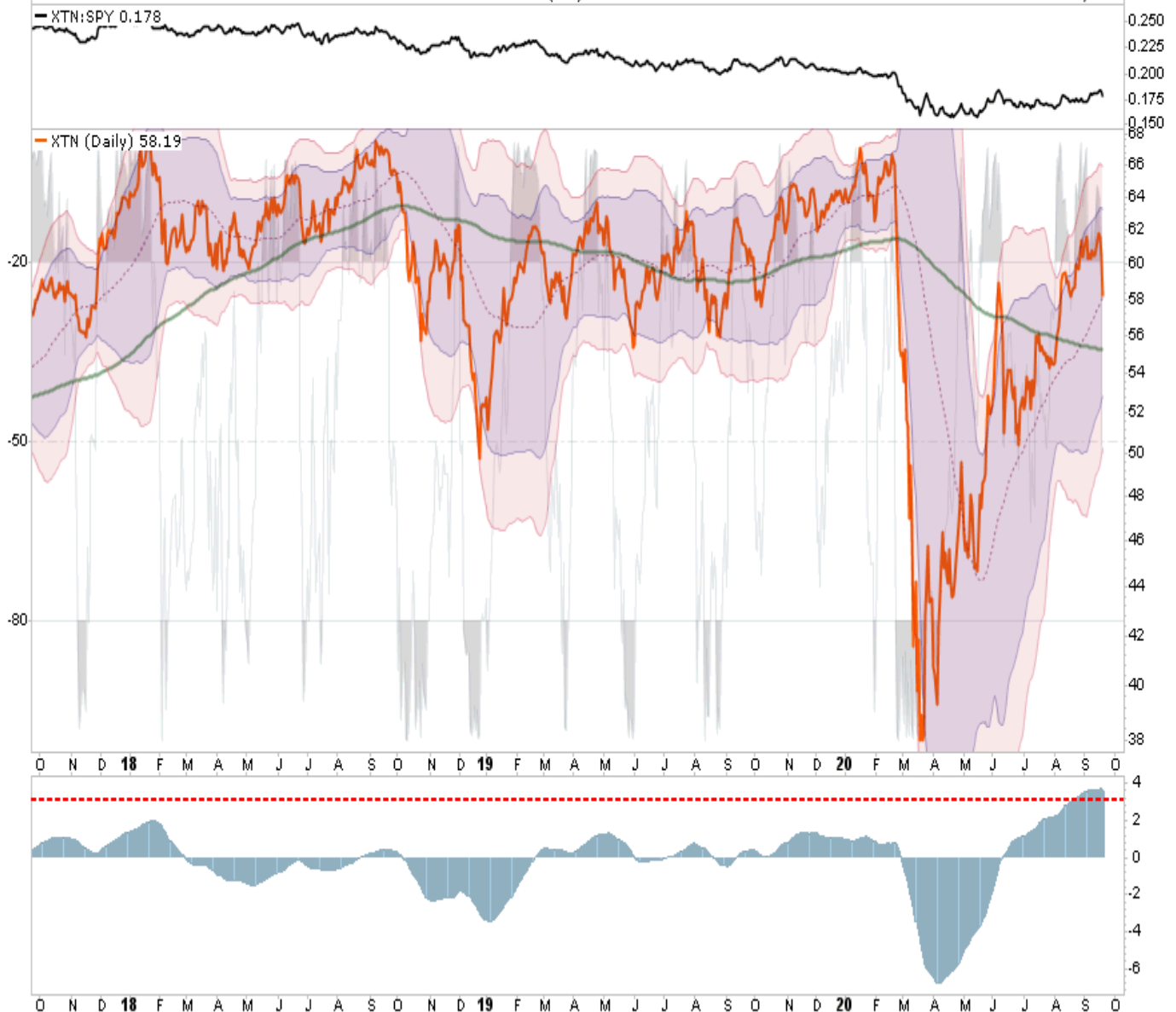
## Transportation

Monday 21-Sep-2020

Open: **59.13**    Ask:    P/E:    Options: **no**  
 High: **59.28**    Ask Size:    EPS:    Annual Dividend: **0.57877**  
 Low: **57.31**    Bid:    Mkt Cap: **232.8M**    Yield: **0.99%**  
 Prev Close: **60.48**    Bid Size:    Last Size:    SCTR (ETF): **67.6**

Chg: **-3.79%**  
 Last: **58.19**  
 Volume: **36,519**

XTN:SPY 0.178



- Last week. "The rally in XTN remains exceptionally extended."&#2013266080;
- The sector took a beating on Friday as the realization of no more fiscal support puts the "economic reflation" trade, and this sector, in particular, under pressure.
- The sector is still very overbought. Much of the sector also maintains relatively weak fundamentals.&#2013266080;
- We took profits in the sector and will wait for a correction to add back to our holdings.&#2013266080;
- Maintain an absolutely stop-loss at \$56
- Short-Term Positioning: Neutral
  - Last week: No change
  - This week: No change
- Long-Term Positioning:&#2013266080;Bearish