

Major Market Buy/Sell Review: 07-06-20

HOW TO READ THE MAJOR MARKET BUY/SELL CHARTS FOR THE WEEK OF 07-06-20.

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.

Market Buy/Sell 07-06-20

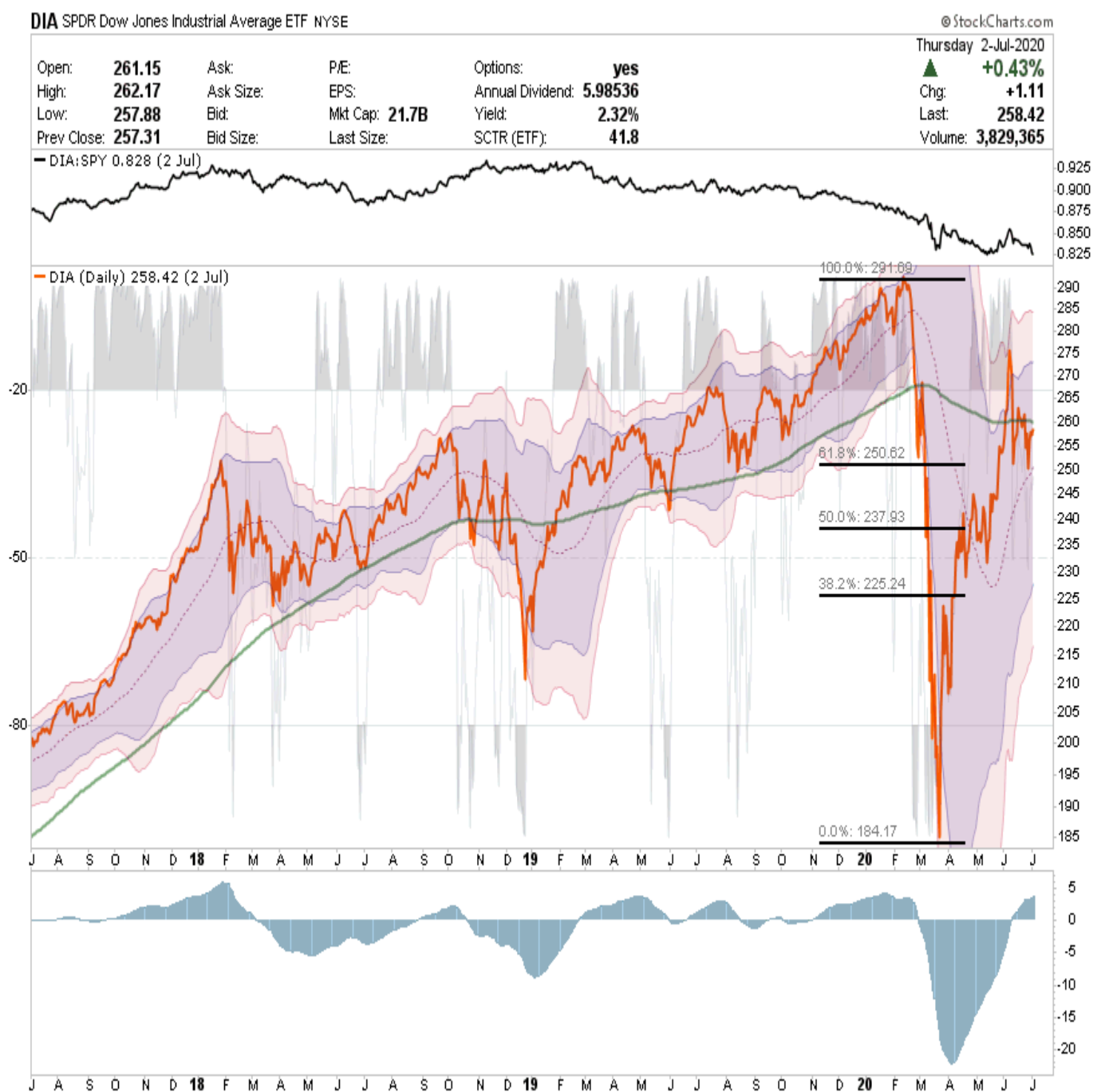
NOTE: I have added relative performance information to each Major Market buy/sell review graph. Most every Major Market buy/sell review graph also shows relative performance to the S&P 500 index except for the S&P 500 itself, which compares value to growth, and oil to the energy sector. 2 and 3-standard deviations from the 50-dma to show where extreme extensions currently exist.

S&P 500 Index

SPY SPDR S&P 500 ETF NYSE					© StockCharts.com	
					Thursday 2-Jul-2020	
Open: 314.24	Ask:	P/E:	Options:	yes	▲ +0.55%	
High: 315.70	Ask Size:	EPS:	Annual Dividend:	5.72541	Chg: +1.71	
Low: 311.51	Bid:	Mkt Cap: 311.9B	Yield:	1.83%	Last: 312.23	
Prev Close: 310.52	Bid Size:	Last Size:	SCTR (ETF):	71.5	Volume: 69,343,008	
- IVW:IVE 1.94 (2 Jul)						

- As noted last week "That correction happened over the last two weeks with the SPY bouncing off support at the 200-dma and retesting it again on Friday. It is critical the market holds support into next week. "
- The market did hold support and bounced above the short-term downtrend.
- As noted last time, we added a small trading position with a stop at the 200-dma.�
- Short-Term Positioning: Bullish
 - Last Week: No core position
 - This Week: 2.5% Trading position
 - Stop-loss set at \$300 for trading positions.
 - Long-Term Positioning: Bearish

Dow Jones Industrial Average



- We noted last week, that we had added a 5% trading position in the Dow for a catchup trade, but it had violated the stop.
- Specifically we stated: "As always, by the time a stop is triggered, markets are short-term oversold. We will look for bounce to clear the position."
- We sold 1/2 of the position last week on the bounce. We will sell the other 1/2 position on any rally this week.��
- Short-Term Positioning: Bearish
 - Last Week: No positions
 - This Week: Sold 1/2 of position.
 - Stop-loss violated, will sell on a bounce.
- Long-Term Positioning: Bearish

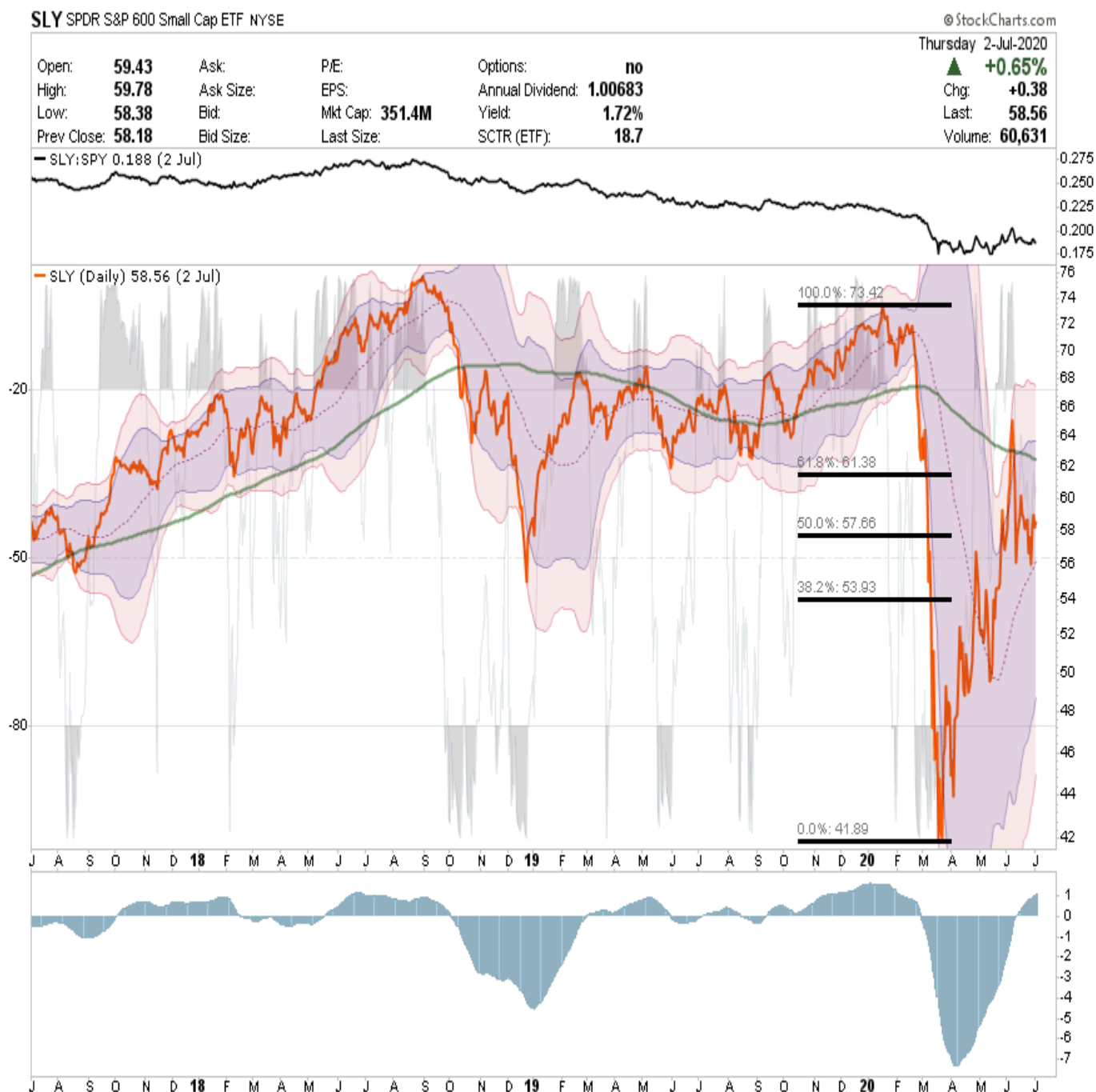
Nasdaq Composite



- QQQ's outperformance of SPY continues.�

- The QQQ's broke out to all-time highs last week after a brief consolidation.�
- The QQQ's are overbought and the buy signal is extended so consolidation or a correction is still possible so maintain stops accordingly and 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 \$235
- Long-Term Positioning: Bullish

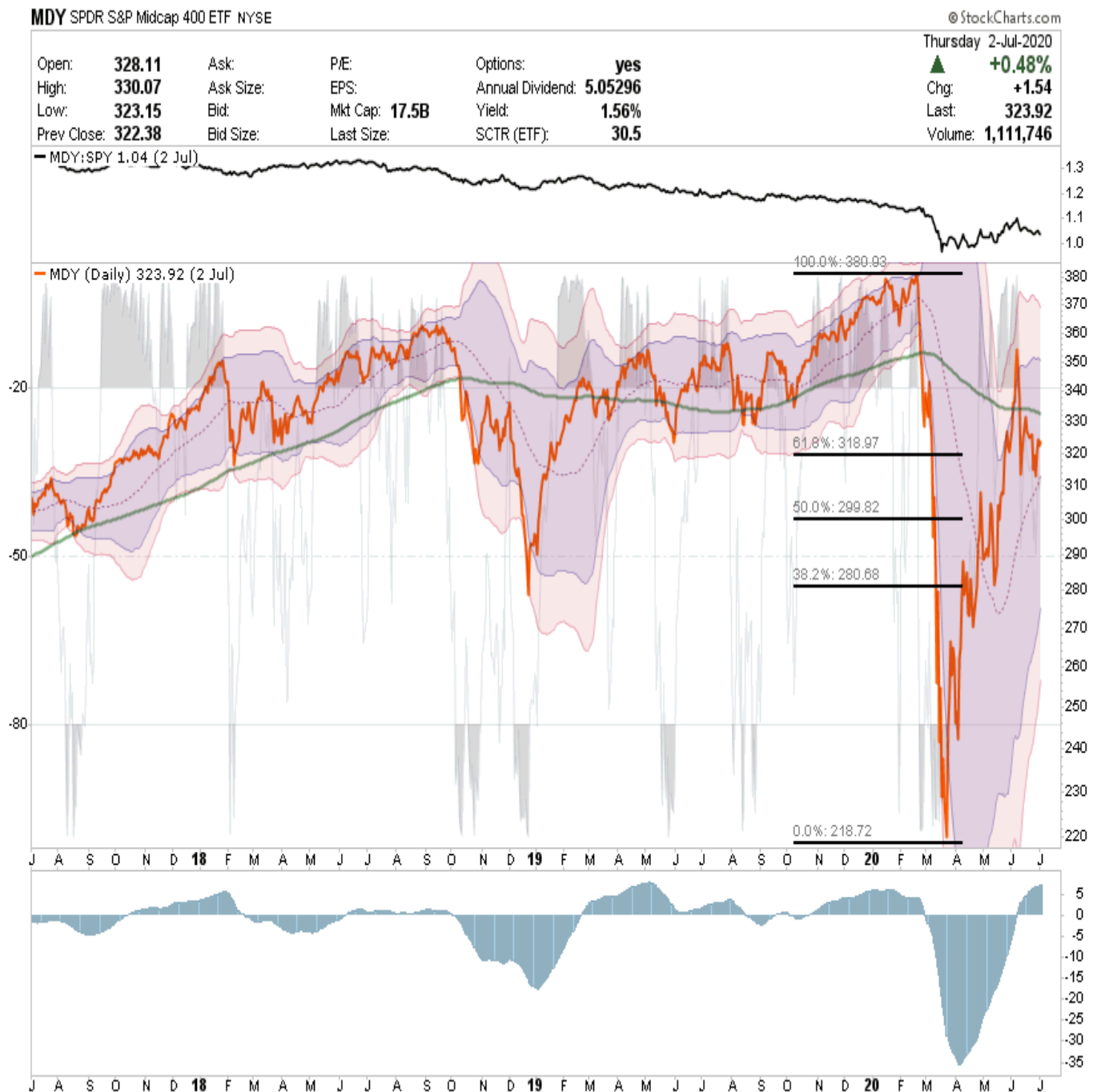
S&P 600 Index (Small-Cap)



- The correction in small-caps continues with small caps back to underperforming large caps.
- With small-caps very susceptible to weak economic growth, we are still avoiding this area of the market.�

- The previous stop-loss at \$58 was violated.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No positions
 - This Week: No positions.
 - Stop-loss reset at \$56
- Long-Term Positioning: Bearish

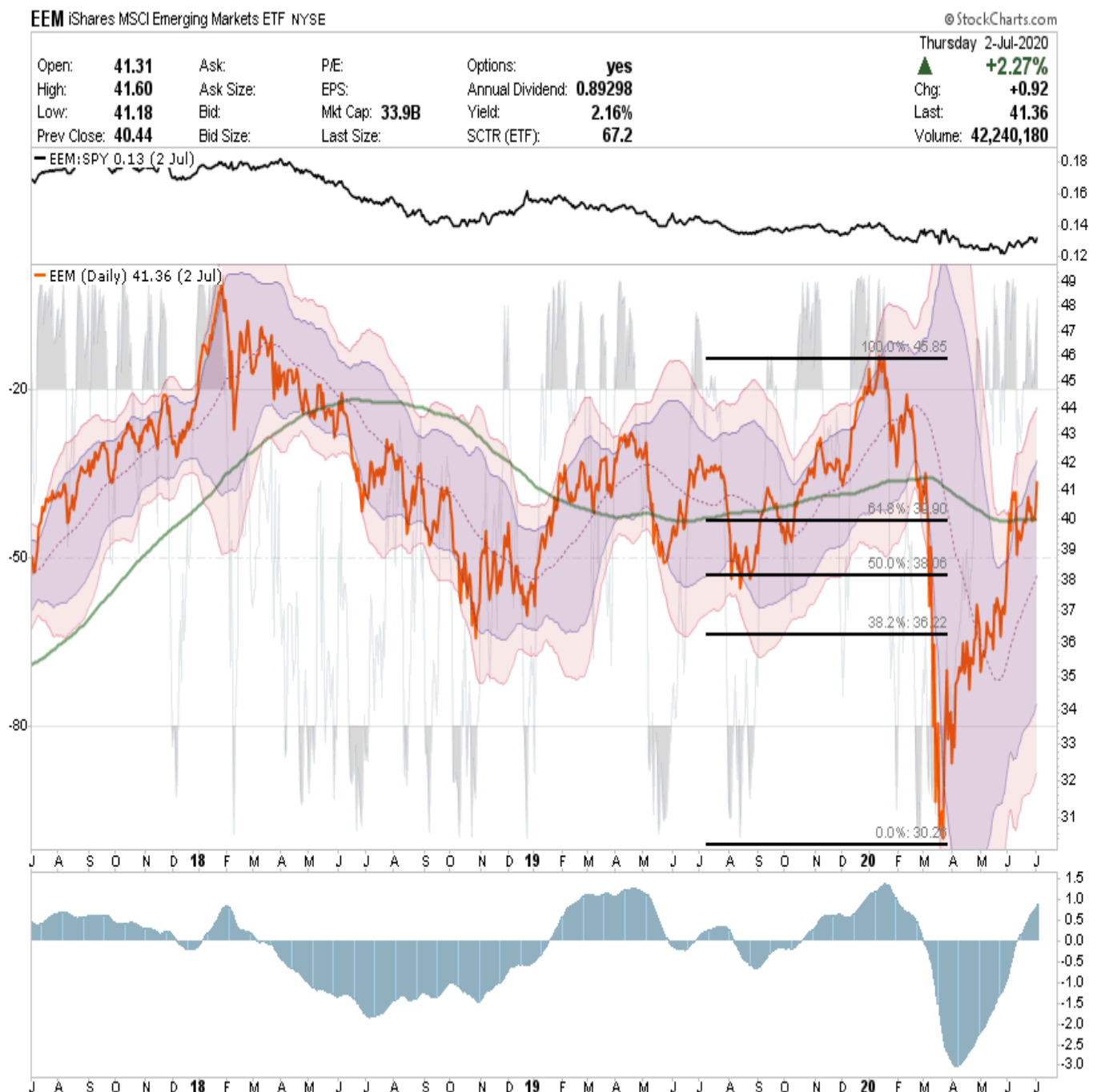
S&P 400 Index (Mid-Cap)



- The relative performance remains poor as with SLY. MDY also failed its breakout above the 200-dma resistance.
- We are also avoiding mid-caps for the time being until relative performance improves.
- The \$320 stop-loss was violated.
- Short-Term Positioning: Bearish
 - Last Week: No holding

- This Week: No holding
- Stop Loss reset at \$310
- Long-Term Positioning: Bearish

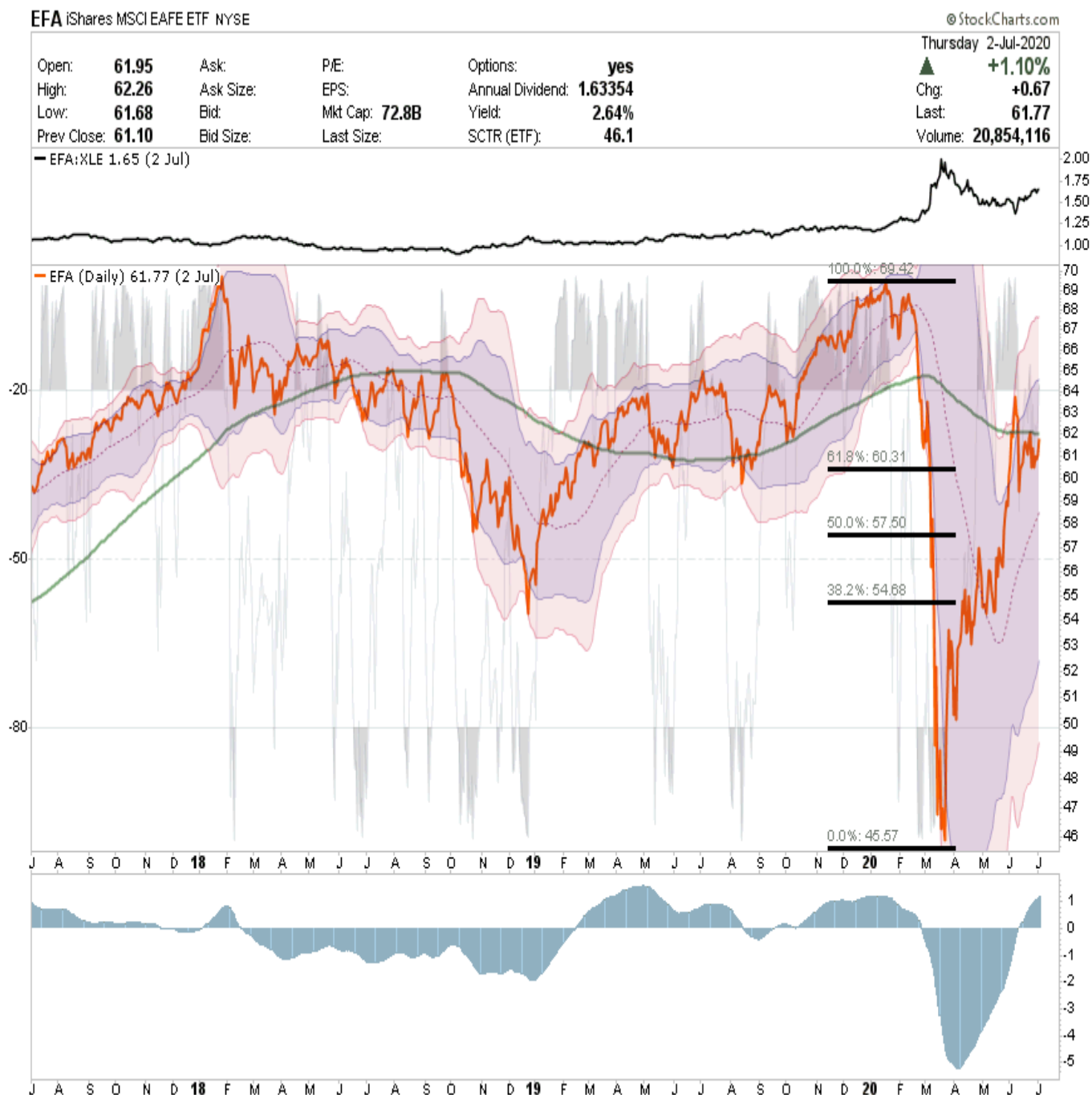
Emerging Markets



- Emerging markets performed much better on a relative basis this past week. However, I suspect it will be short-lived as the virus resurfaces globally.
- EEM is very overbought short-term, look for a correction that does not violate the 200-dma to add a trading position.
- There is dollar risk to international markets so pay attention to it for clues as to when to leave the emerging markets trade.
- Short-Term Positioning: Bearish
 - Last Week: No position
 - This Week: No position.

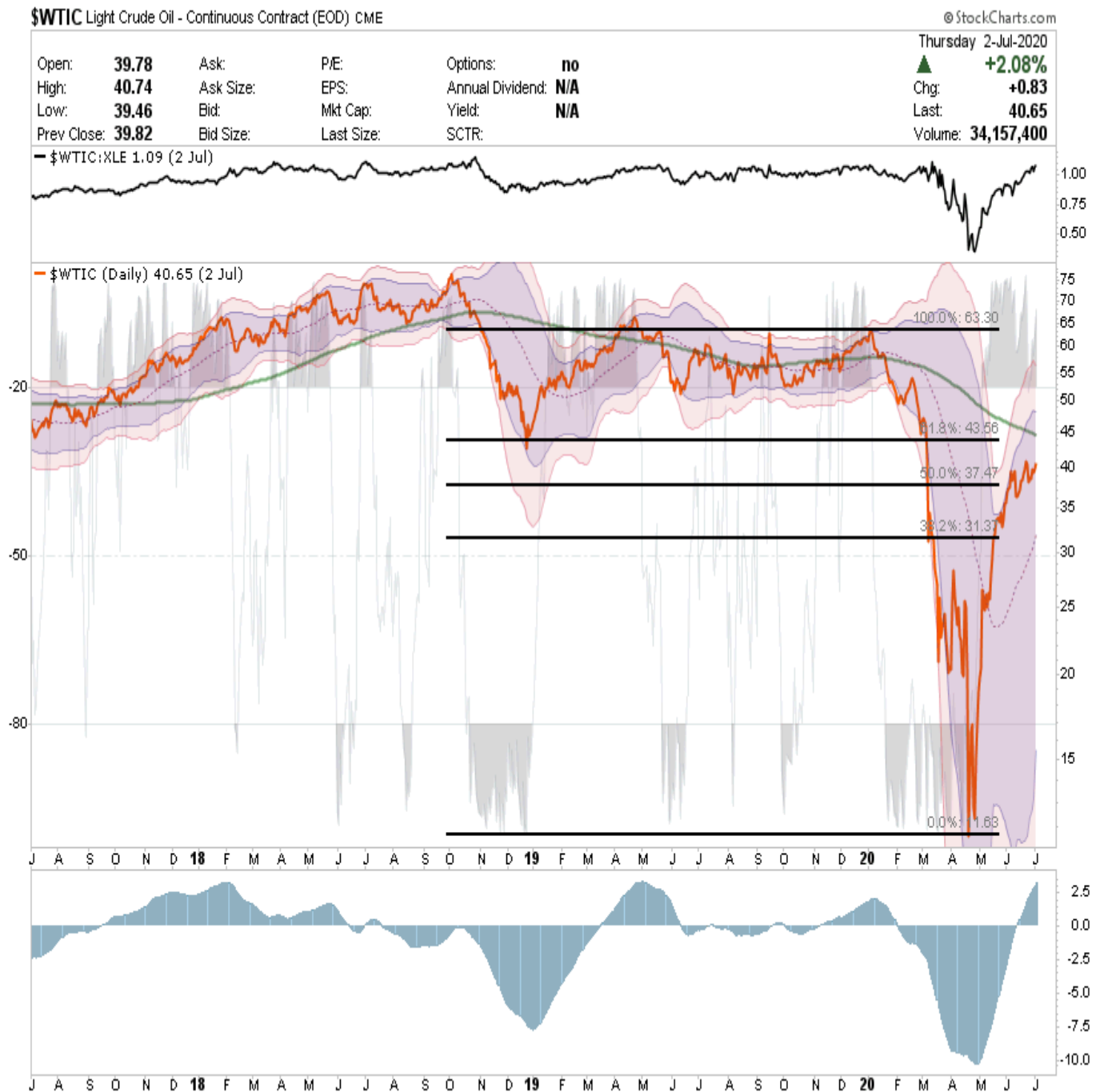
- *Stop-loss remains at \$38 for trading positions.*
- *Long-Term Positioning: Bearish*

International Markets



- *Overall, like EEM, EFA is holding up better this past week.*
- *Unlike EEM, EFA has been unable to climb above the 200-dma.*
- *As with EEM, EFA is dollar sensitive, so watch it for clues as to when to exit positions.*
- *Short-Term Positioning: Bearish*
 - *Last Week: No position.*
 - *This Week: No position.*
 - *Stop-loss reset at \$60*
- *Long-Term Positioning: Bearish*

West Texas Intermediate Crude (Oil)



- Oil prices are struggling to hold the 50% retracement level again this week but remain grossly overbought. [#2013266080](#);
- We suggested last: **"Look for a correction to reverse some of the extreme overbought."** [#2013266080](#); That hasn't occurred yet, but is still likely. Energy stocks are underperforming oil prices currently which suggests more trouble in the sector. [#2013266080](#);
- 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

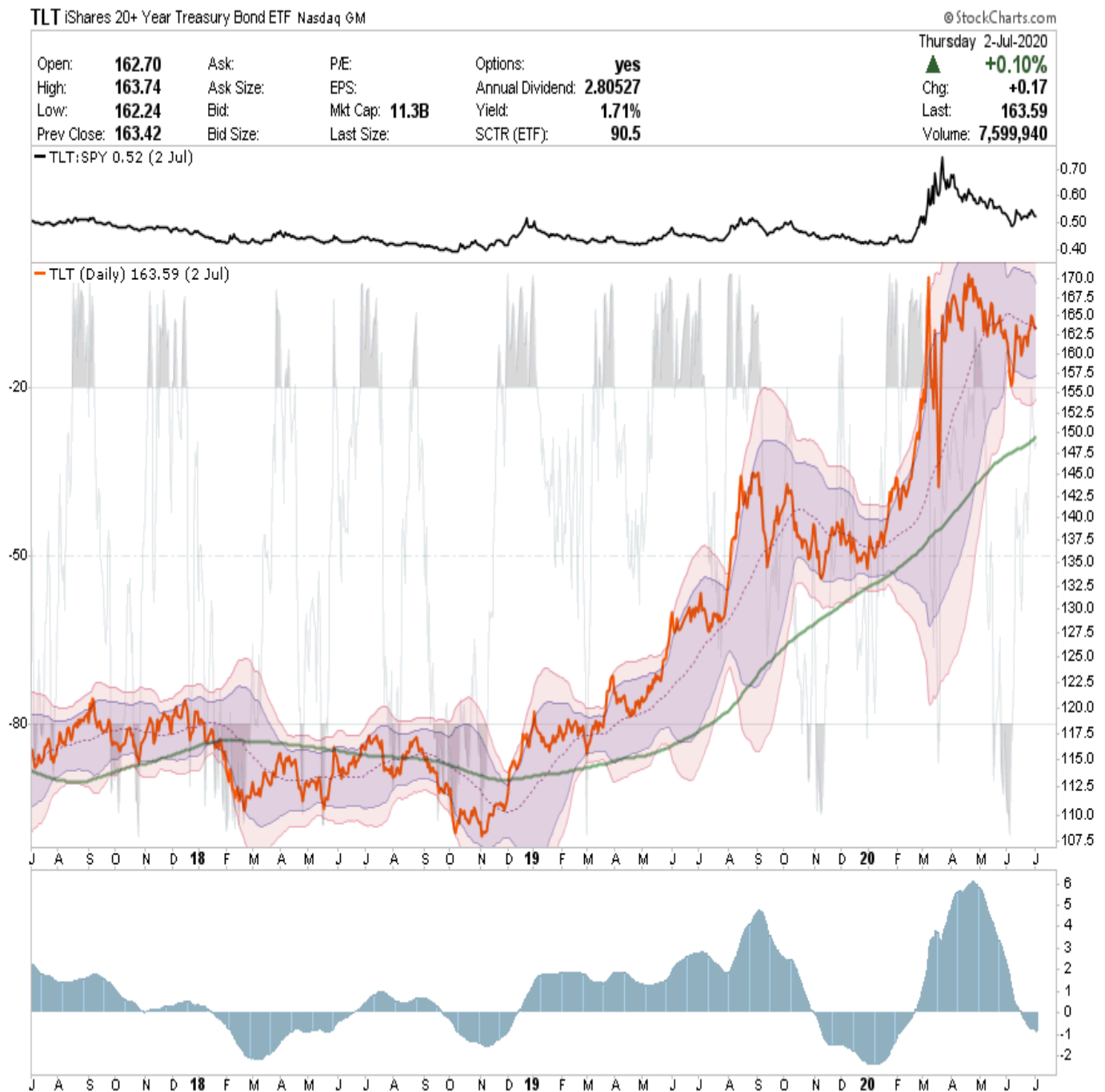
- *Long-Term Positioning: Bearish*

Gold



- *We remain long our current position in IAU.*
- *This past week 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 noted previously that gold would likely rise with a correction in stocks.*
- *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 remains at \$155*
 - *Long-Term Positioning: Bullish*

Bonds (Inverse Of Interest Rates)



- The previous correction in stocks pushed the "risk off " trade and pushed TLT back towards overbought.
- With TLT wrestling with the 50-dma and not grossly extended, there is more room for TLT to rally this next week.�
- 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.
- That hedge worked well this past week. There is still more upside potential in rates if volatility continues this week.
- 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."**With the USD still oversold, there is potential for a further rally in the dollar. (This won't play well with EEM and EFA)
- The dollar is struggling to move higher but remains oversold. 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 \$95