

Each week we produce a chart book of the major financial markets to review whether the markets, as a whole, warrant higher levels of equity risk in portfolios or not. Stocks, as a whole, tend to rise and fall with the overall market. Therefore, if we get the short-term trend of the market right, our portfolios should perform respectively.

HOW TO READ THE CHARTS

There are three primary components to each chart:

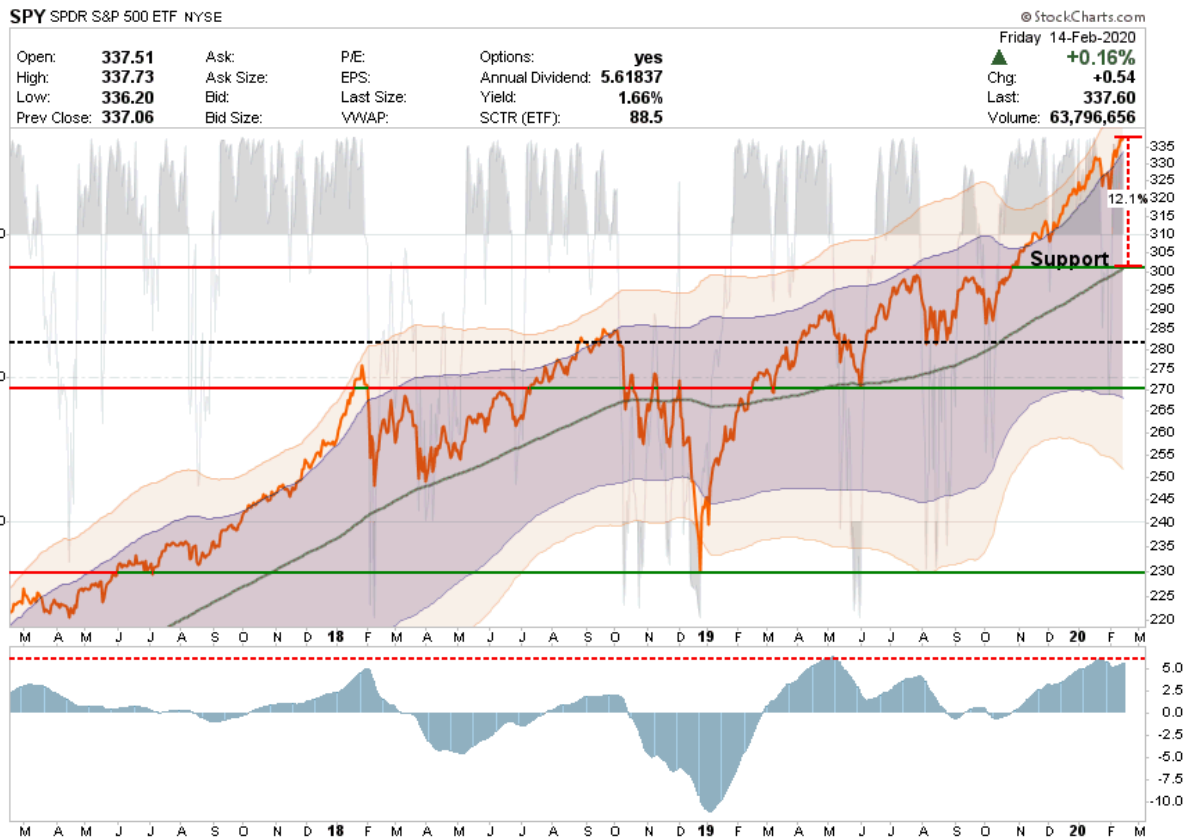
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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 than when below the zero line.



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

S&P 500 Index



- As noted last week: "With the market now trading 12% above its 200-dma, and well into 3-standard deviations of the mean, a correction is coming." But the belief is currently "more stimulus" will offset the "virus." This is probably a wrong guess.
- Extensions to this degree rarely last long without a correction.
- Maintain exposures, but tighten up stop-losses.
- Short-Term Positioning: Neutral Due To Extension
 - Last Week: Hold position
 - This Week: Hold position
 - Stop-loss moved up to \$320
 - Long-Term Positioning: Neutral due to valuations

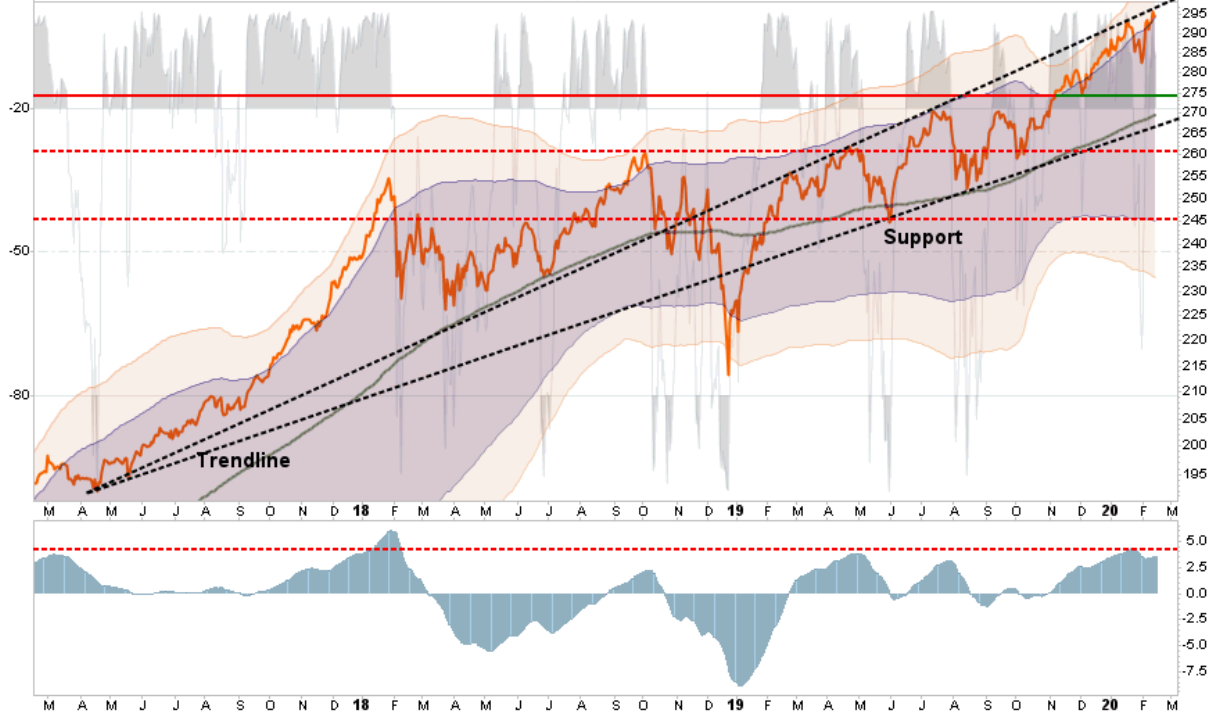
Dow Jones Industrial Average

DIA SPDR Dow Jones Industrial Average ETF NYSE

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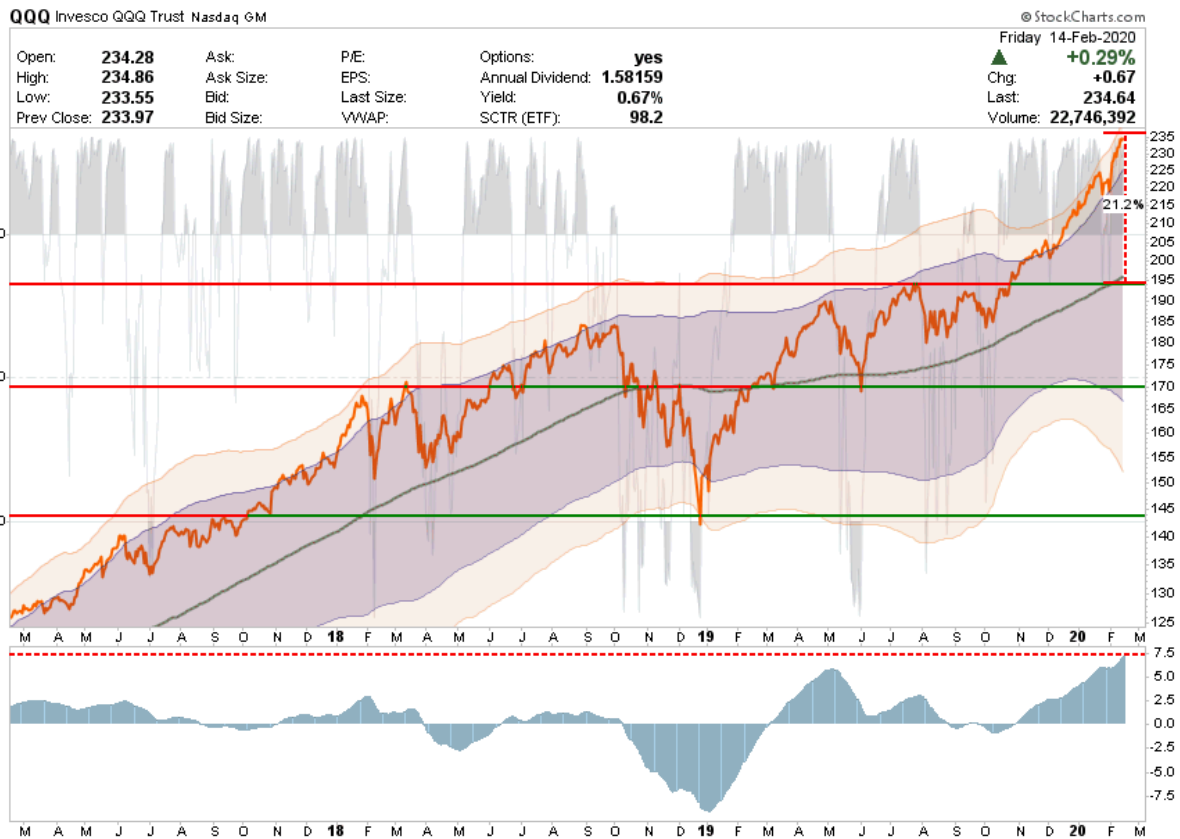
Open:	294.97	Ask:	P/E:	Options:	yes
High:	295.13	Ask Size:	EPS:	Annual Dividend:	5.91552
Low:	293.40	Bid:	Last Size:	Yield:	2.01%
Prev Close:	294.82	Bid Size:	VWAP:	SCTR (ETF):	71.9

Friday 14-Feb-2020
▼ -0.09%
Chg: -0.28
Last: 294.54
Volume: 1,858,237



- As goes the S&P 500, goes the DIA, especially when MSFT & AAPL are the two top holdings and drivers of the advances in both indexes.
- Like SPY, DIA is very overbought and extended from long-term means.
- Take profits, but as with SPY, wait for a correction before adding further exposure.
- Short-Term Positioning: Neutral due to extensions
 - Last Week: Hold current positions
 - This Week: Hold current positions
 - Stop-loss moved up to \$280
- Long-Term Positioning: Neutral

Nasdaq Composite



- *The Nasdaq remains "extremely" extended currently and is 21% above the long-term average which is historically rare. As noted last week, "With QQQ now pushing towards a 4-standard deviation event. A correction is inevitable, it is just a function of time now."*
- *The rally this week has pushed overbought conditions to extremes.*
- *The Nasdaq "buy signal" is also back to extremely overbought levels. It is likely a correction is coming and it may be bigger than expected.*
- *Short-Term Positioning: Neutral due to extensions.*
 - *Last Week: Hold position*
 - *This Week: Hold position*
 - *Stop-loss moved up to \$215*
- *Long-Term Positioning: Neutral due to valuations*

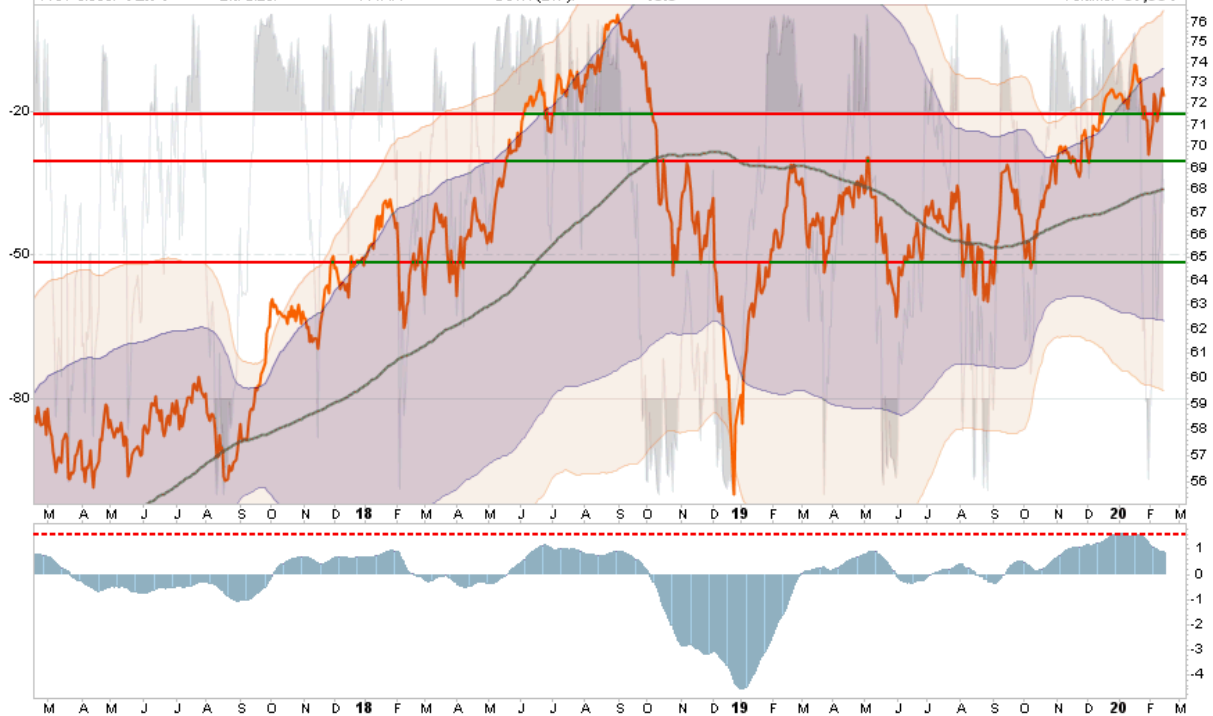
S&P 600 Index (Small-Cap)

SLY SPDR S&P 600 Small Cap ETF NYSE

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Open: 72.85	Ask:	P/E:	Options: no
High: 72.85	Ask Size:	EPS:	Annual Dividend: 0.98783
Low: 72.13	Bid:	Last Size:	Yield: 1.37%
Prev Close: 72.74	Bid Size:	VWAP:	SCTR (ETF): 45.9

Friday 14-Feb-2020
▼ **-0.52%**
Chg: **-0.38**
Last: **72.36**
Volume: **37,931**



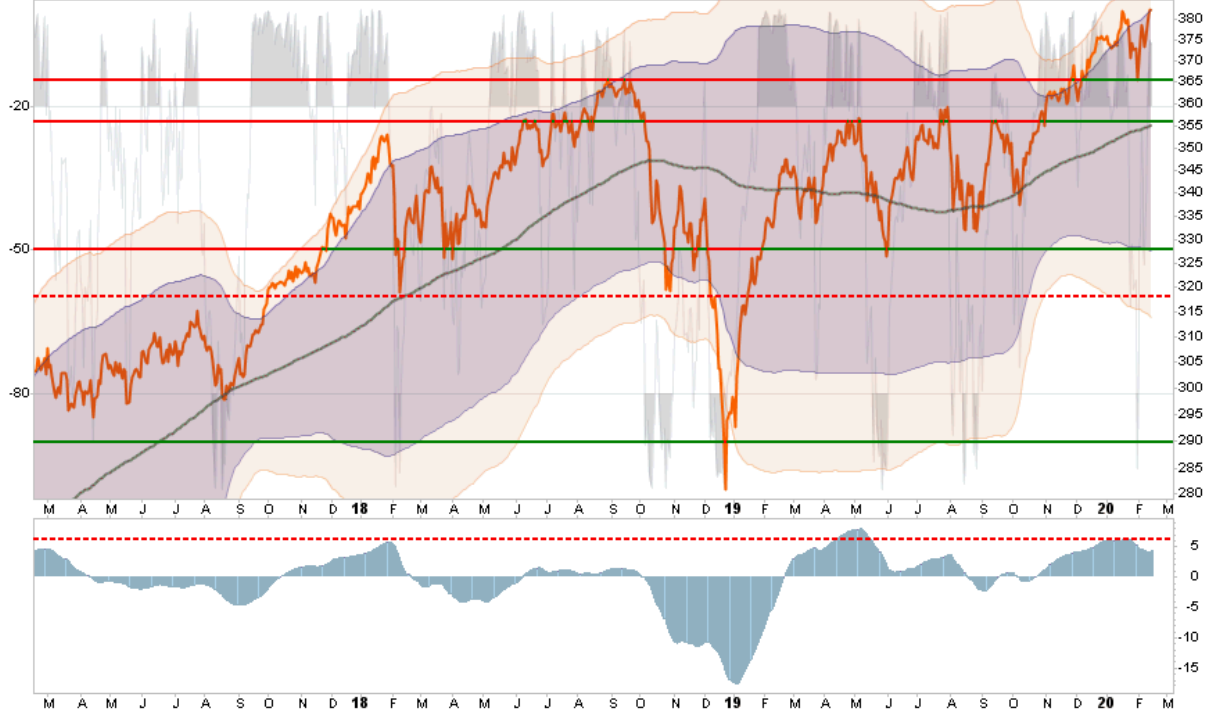
- *Small caps corrected more than the major markets, but they also haven't moved as much.*
- *The buy signal has continued to correct as small-caps have struggled to maintain recent support levels.*
- *Hold positions for now, but move stops up to recent lows.*
- *Short-Term Positioning: Neutral*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
 - *Stop loss moved up to \$69*
- *Long-Term Positioning: Neutral*

S&P 400 Index (Mid-Cap)

MDY SPDR S&P MIDCAP 400 ETF NYSE

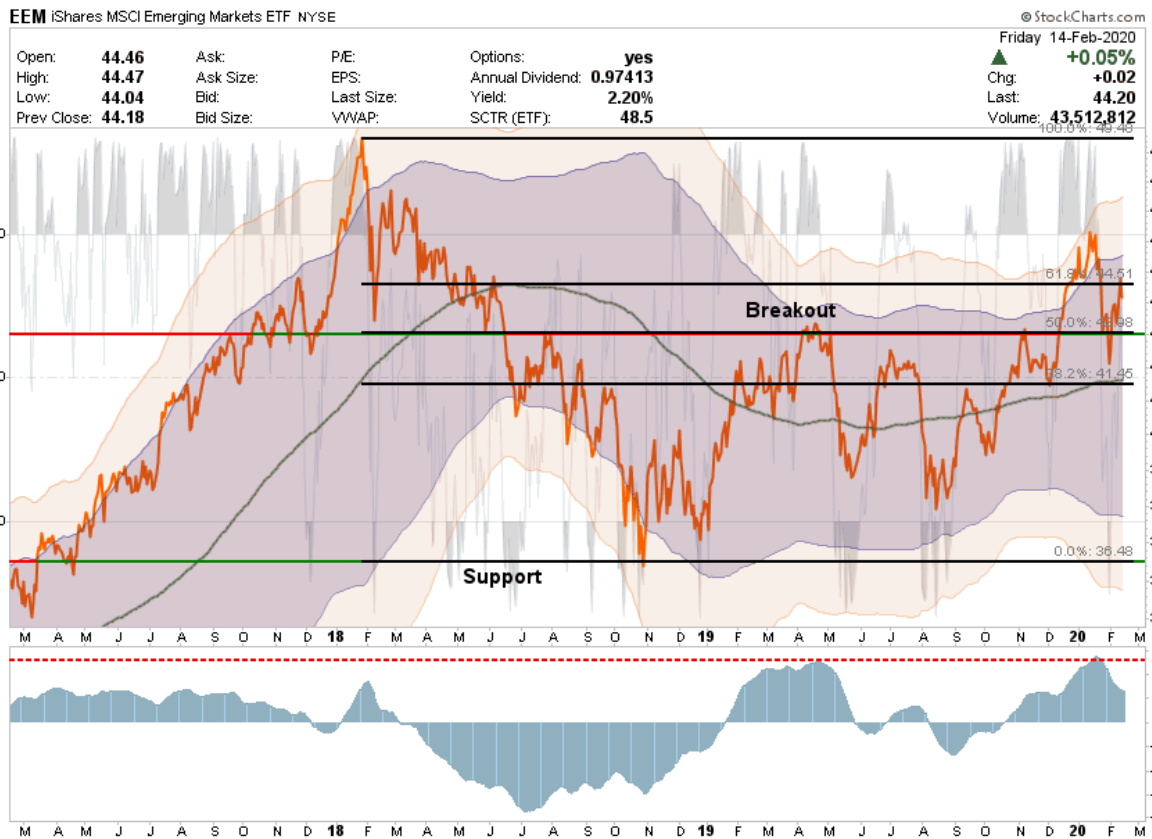
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Open: 382.60	Ask:	P/E:	Options: yes	Friday 14-Feb-2020
High: 382.88	Ask Size:	EPS:	Annual Dividend: 5.04227	▼ -0.05%
Low: 380.74	Bid:	Last Size:	Yield: 1.32%	Chg: -0.18
Prev Close: 382.26	Bid Size:	VWAP:	SCTR (ETF): 63.1	Last: 382.08
				Volume: 536,113



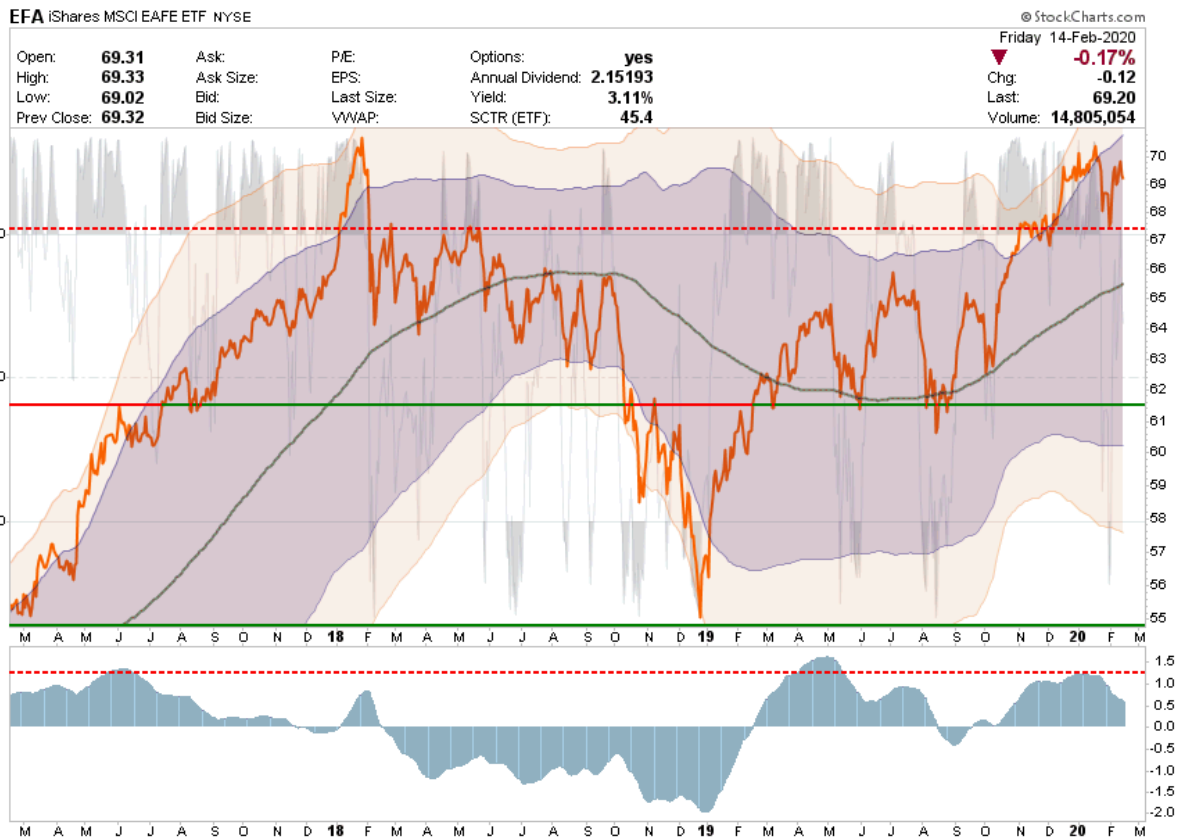
- *MDY remains extremely extended above the 200-dma, so more corrective action is likely. MDY is still on a buy-signal but is pushing rather extreme deviations from long-term means.*
- *The previous breakout level held which is very bullish, so if the overbought condition can get worked off with some consolidation, we will have a good entry point to add exposure.*
- *Short-Term Positioning: Neutral*
 - *Last Week: No holding*
 - *This Week: No holding*
- *Long-Term Positioning: Bullish*

Emerging Markets



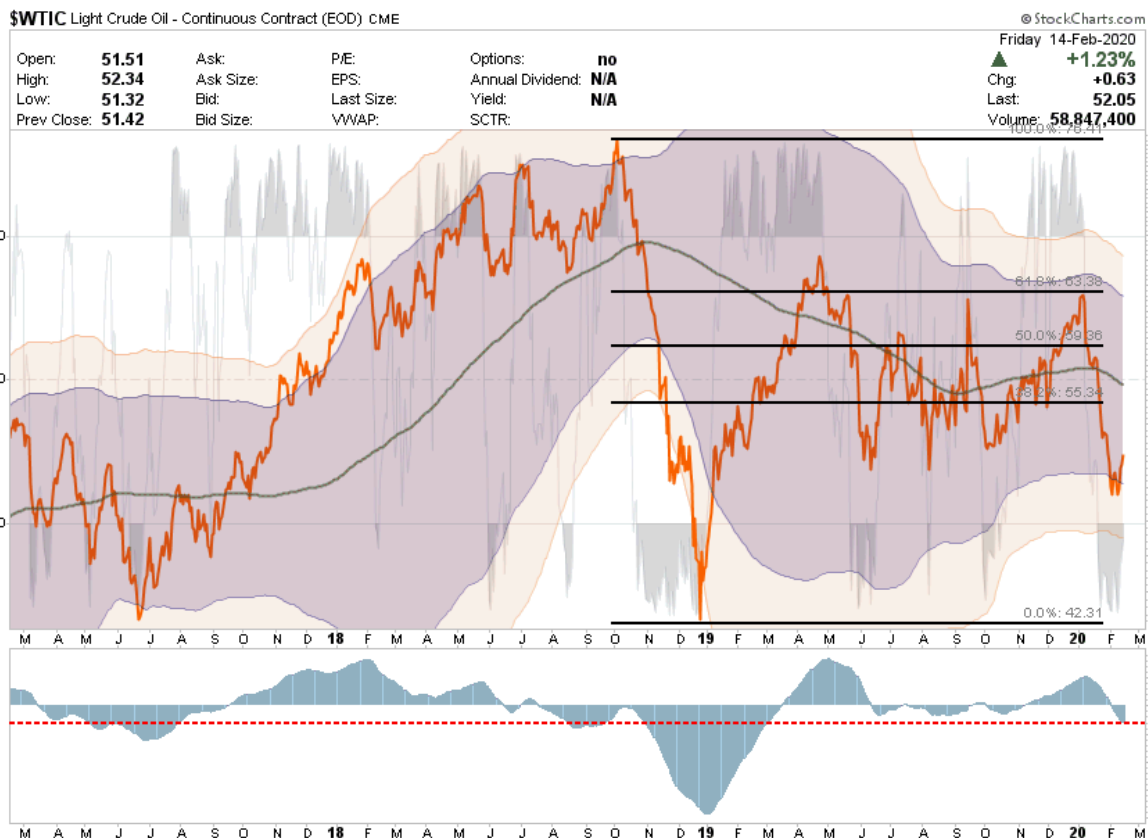
- *EEM held support at the 200-dma which is encouraging, and the extended buy signal is getting worked off.*
- *However, the Dollar (Last chart) is the key to our international positioning. The dollar has reversed its move lower and is rising which isn't beneficial for international or commodity exposures.*
- *Also, the coronavirus has yet to be priced into to global risk.*
- *We are maintaining our holdings but tightening up stops.*
- *Short-Term Positioning: Neutral*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
 - *Stop-loss set at \$42*
- *Long-Term Positioning: Neutral*

International Markets



- *Like EEM, EFA also rallied off support last week.*
- *As we stated last week, "Any good news with the virus and international exposure should rally. EFA looks better than EEM, so we will likely revisit our holding on a rally." Hopes of a containment of the contagion was what drove markets last week. This is likely fleeting.*
- *As with EEM, the key to our positioning is the US Dollar which is rallying strongly.*
- *Short-Term Positioning: Neutral*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
 - *Stop-loss set at \$67*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



- As noted last week:
- "Oil completely broke down last week, and collapsed below all of the important levels. Oil is now testing critical support at \$51. A failure there and a break into the low \$40's is probable."
- The support is barely holding and oil looks extremely weak. However, oil is extremely oversold so a counter-trend rally is highly likely. We got a little bounce this week, but not much.
- We remain on hold for now, as stops are close to being triggered.
- Short-Term Positioning: Neutral
 - Last Week: No positions
 - This Week: No positions
 - Stops Triggered for any direct crude oil positions.
- Long-Term Positioning: Bearish

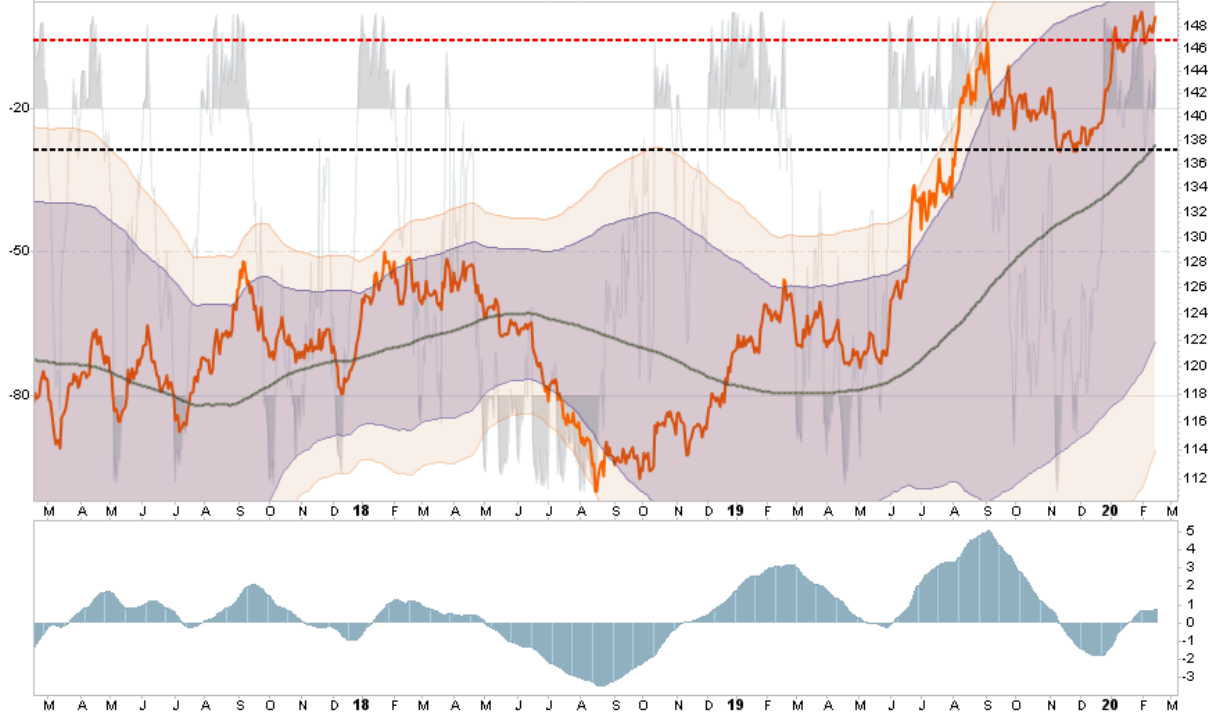
Gold

GLD SPDR Gold Shares: NYSE

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Open:	148.74	Ask:	P/E: -14.40	Options:	yes
High:	149.13	Ask Size:	EPS: -10.35	Annual Dividend:	N/A
Low:	148.63	Bid:	Last Size:	Yield:	N/A
Prev Close:	148.38	Bid Size:	VWAP:	SCTR (ETF):	46.4

Friday 14-Feb-2020
▲ +0.42%
Chg: +0.62
Last: 149.00
Volume: 5,317,901



- Gold rallied sharply and broke out to new highs, suggesting there was something amiss with the stock market exuberance.
- On Friday, gold rallied holding support at the previous breakout level which is bullish.
- Our positioning looks good particularly since gold has registered a new "buy signal."
- Short-Term Positioning: Neutral
 - Last week: Hold positions.
 - This week: Hold positions
 - Stop-loss for whole position adjusted to \$138
 - Long-Term Positioning: Neutral

Bonds (Inverse Of Interest Rates)



- *The correction in bond prices we had previously suggested occurred as bonds broke out of their declining trend sending yields lower. That breakout was a decent entry point to add exposure to bonds if you need it. However, that opportunity has now passed.*
- *Take profits and rebalance holdings and look for a trade on the equity side short-term. However, another trade for bonds is likely setting up shortly with a buy signal approaching. Be patient.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Hold positions*
 - *This Week: Hold positions*
 - *Stop-loss is moved up to \$136*
 - *Long-Term Positioning: Bullish*

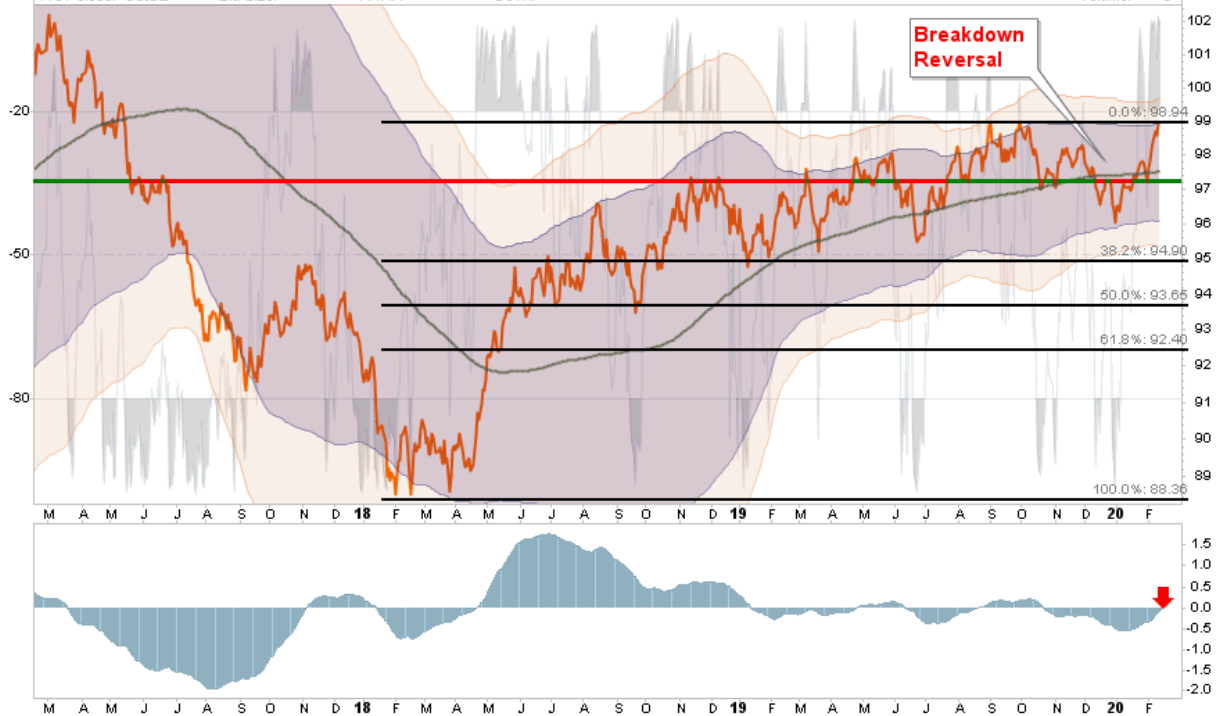
U.S. Dollar

\$USD US Dollar Index - Cash Settle (EOD) ICE

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Open:	98.89	Ask:		P/E:		Options:	no
High:	99.01	Ask Size:		EPS:		Annual Dividend:	N/A
Low:	98.75	Bid:		Last Size:		Yield:	N/A
Prev Close:	98.92	Bid Size:		VWAP:		SCTR:	

Thursday 13-Feb-2020
▲ +0.04%
Chg: +0.04
Last: 98.96
Volume: 0



- As noted previously: "The dollar has rallied back to that all important previous support line. IF the dollar can break back above that level, and hold, then commodities, and oil, will likely struggle. It may be too early for a sharper dollar decline currently, as the U.S. economy is still the "cleanest shirt in the dirty laundry."
- That is exactly what happened over the last two weeks and the dollar has strengthened that rally as concerns over the "coronavirus" persist. With the dollar testing previous highs, a break above that resistance could result in a sharp move higher for the dollar.
- The rising dollar is not bullish for Oil, commodities or international exposures.
- The "sell" signal has begun to reverse. Pay attention.