Selected Portfolio Positions Review: 06-10-20

In this week's selected portfolio positions review, we want to review a few of the trades we made on Monday. As noted in yesterday's post, "***It's time to take on defensive positioning,"*** I stated:

> *"With the vast majority of stocks being above the 50- and 200-dma moving averages, all short-term momentum indicators are now egregiously overbought. As noted by the vertical red lines, when every measure is at historically overbought levels, corrections are frequent."*

The crux of the article is the discussion of these extreme conditions and the potential for a *"risk-off"* trade. Which led us to our latest actions:

> *"While we did increase our exposure to the markets yesterday, as the bullish trend continues, we did so in more ?defensive? areas. With the momentum ?junk? trade now very extended,* ***we should see a rotation back into utilities, real estate, health care, and technology.*** *(Which may already be underway.)"*

In today's position review, I will review a few of our recent adds and the reasoning.

AAPL - Apple, Inc.

- *Over the last couple of years, we have bought AAPL, taken profits, added more on dips or breakouts.*

- *On Monday, we increased our holdings in AAPL to catch a "risk-off" rotation out of the momentum chase in fundamentally poor quality stocks.*
- *With AAPL not in the 3-standard deviation overbought zone, like many of the market sectors, and with a high liquidity ratio, we expect money to "hide" in Apple during a rotation.*
- *Stop loss is at $310*

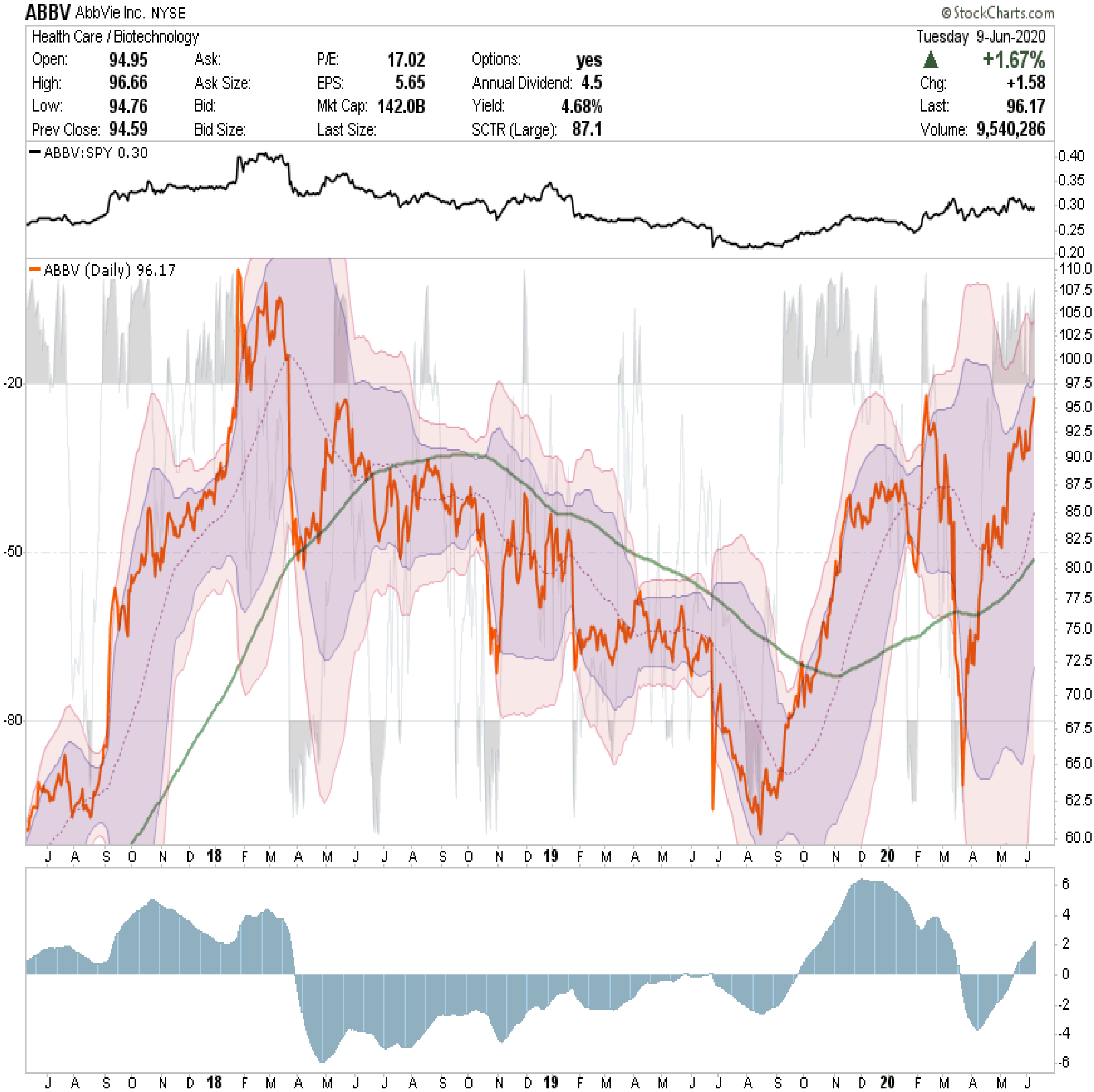
NFLX - Netflix

- *Like AAPL, we added to our holdings of NFLX. The stock has built a consolidation over the last month.*
- *A breakout to all-time highs is likely on a rally, and we can maintain a tight stop loss due to our recent entry point on the position.*
- *Stop set at $385*

AMZN - Amazon, Inc.

- *We added AMZN on Monday, expecting a breakout in the position on a "risk-off" rotation out of the momentum chase. That breakout occurred on Tuesday.*
- *Like AAPL, AMZN is a high liquidity, very visible, stock for major funds to own. With low liquidity in many areas of the market, AAPL, AMZN, and NFLX provide an "easy in, easy out" trade.*
- *AMZN is overbought now, but not yet trading to the top of its Bollinger bands, so there may be more room after yesterday's surge.*
- *Stop set at $2350.*

ABBV - Abbievie Inc.



- *ABBV has been a steady winner since last year; we have bought and sold the position a couple of times, taking profits.*
- *The position is on the risk-off rotation play and is close to breaking out above the previous high from February of this year. Our short-term target is $100 if that happens.*
- *Stop set at $87.50*

TLT - 20-Year Bond ETF

As I noted in yesterday's report:

> *As opposed to the S&P 500, bonds are more than 3-standard deviations oversold. On Friday, bonds began a reversal rally. We recently added to our positions to take advantage of a risk rotation.)*

Importantly, was this supporting view of our position.

> *"Even if we get a V-shaped recovery, we are going to be stuck in a deflationary pricing situation for a very long time. You have one-in-five Americans either unemployed or underemployed even after what was a blockbuster jobs report. There is still too much idle capacity to be bidding up inflationary expectations at the moment.That's why Treasuries are a very good buy right now." ? David Rosenberg*

We remain long bonds at this point for a hedge against our equity risk and rotation from the *"risk-on"* trade that has gotten the markets way ahead of itself. A short-term reversal is likely.