

Each week we produce a chart book of the S&P 500 sectors to review where money is flowing within the market as whole. This helps refine not only decision making about what to own and when, but what sectors to overweight or underweight to achieve better performance.

## HOW TO READ THE CHARTS

There are three primary components to each chart:

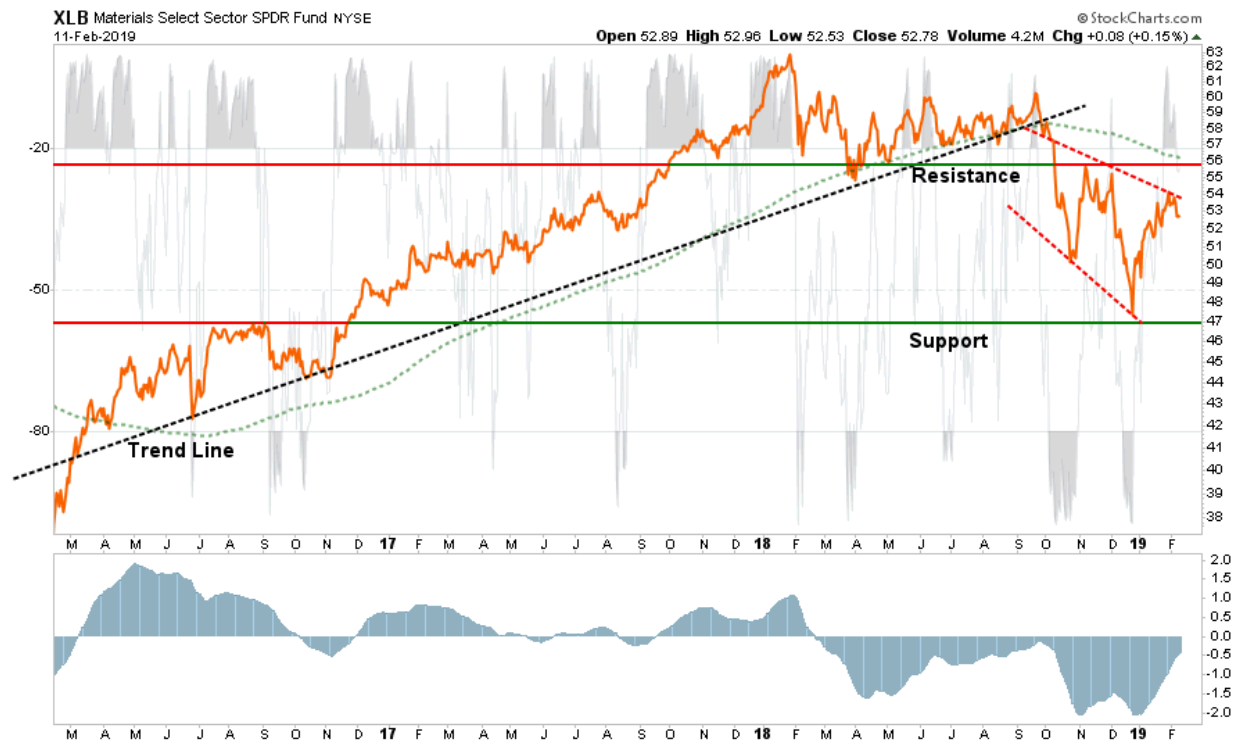
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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 get to the sector analysis.

## Basic Materials



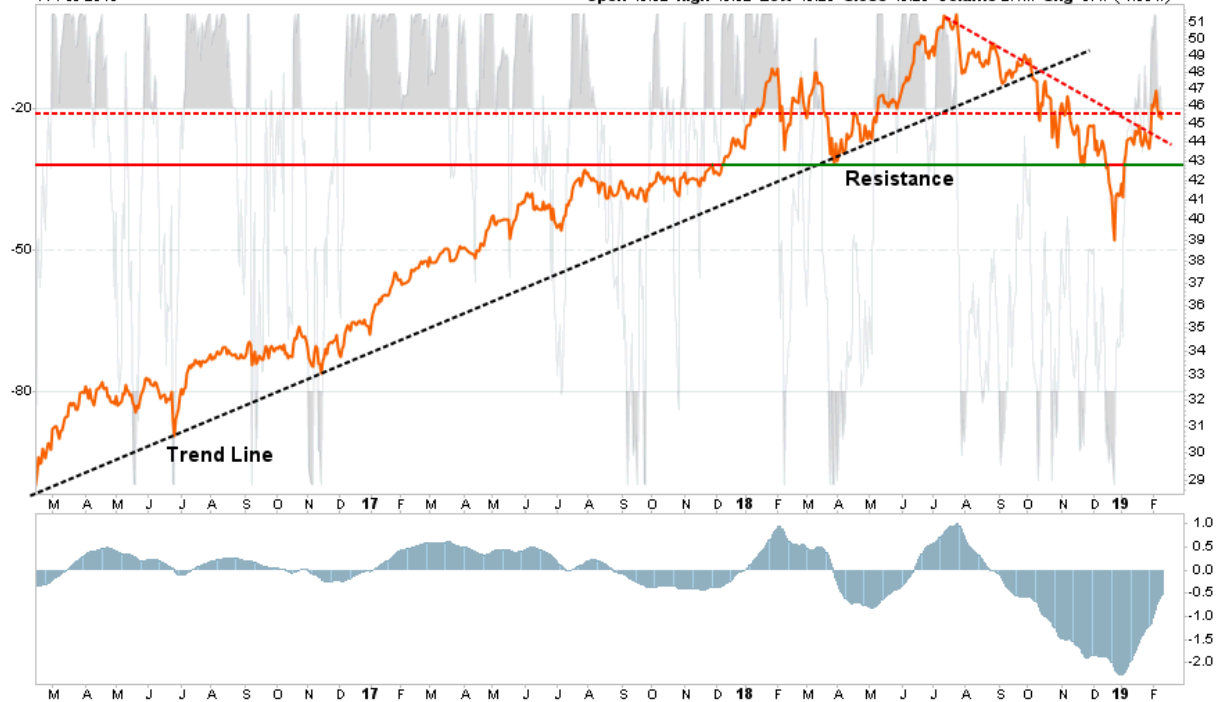
- Long-term trend line is currently broken
- Previous support from February lows has been broken and is now resistance.
- Sell-signal is reversing (bottom panel)
- XLB back to extreme overbought conditions (top panel)
- Running into downtrend resistance in channel.
- Short-Term Positioning: Neutral
  - Last Week: Recommend to hold 1/2 position.
  - This Week: Hold
  - Stop-loss moved up to \$62
- Long-Term Positioning: Bearish

## Communications

XLC Communication Services Select Sector SPDR Fund NYSE  
11-Feb-2019

Open 45.92 High 46.02 Low 45.23 Close 45.26 Volume 2.1M Chg -0.47 (-1.03%)

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- Long-term trend line is currently broken
- XLC finally broke above resistance due to rally in NFLX
- Sell-signal (bottom panel) is reversing.
- Sector back to extreme overbought.
- Short-Term Positioning: Neutral
  - Last Week: Recommended to "hold" 1/2 position
  - This Week: Hold 1/2 position
  - Stop-loss moved up to \$45
- Long-Term Positioning: Bearish

## Energy

XLE Energy Select Sector SPDR Fund NYSE  
11-Feb-2019

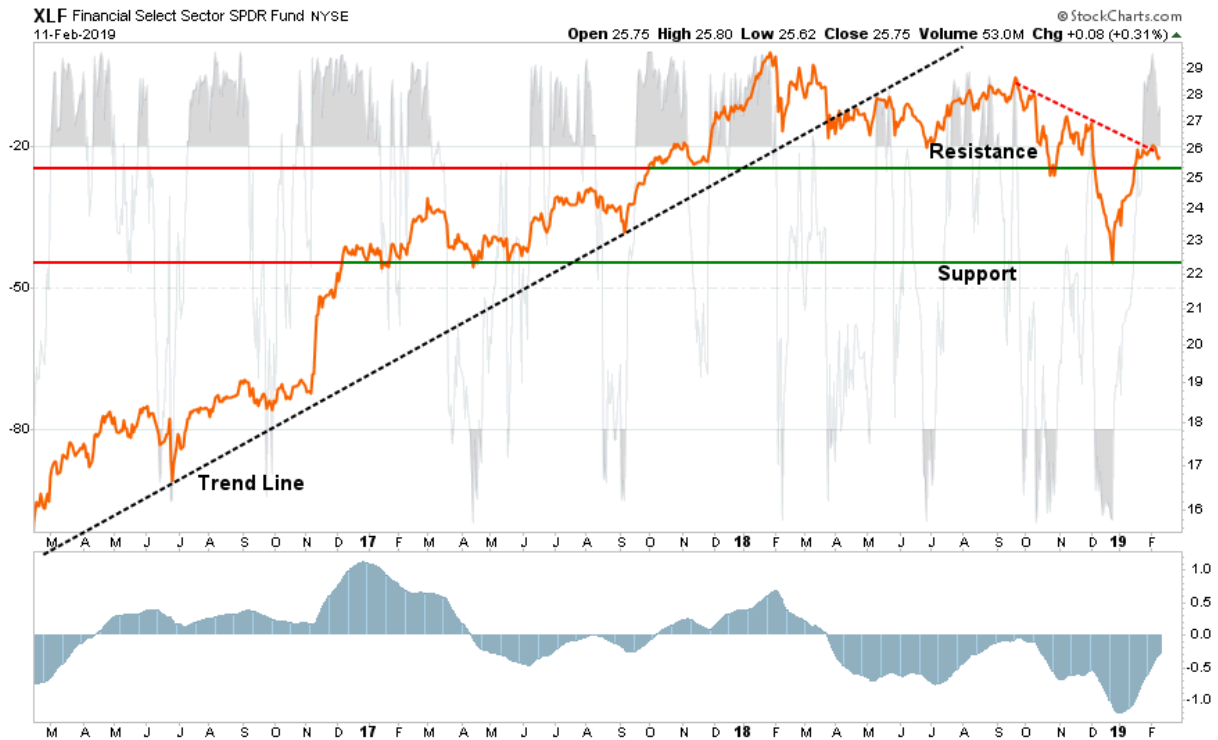
Open 62.64 High 63.34 Low 62.46 Close 63.24 Volume 11.7M Chg +0.30 (+0.48%)

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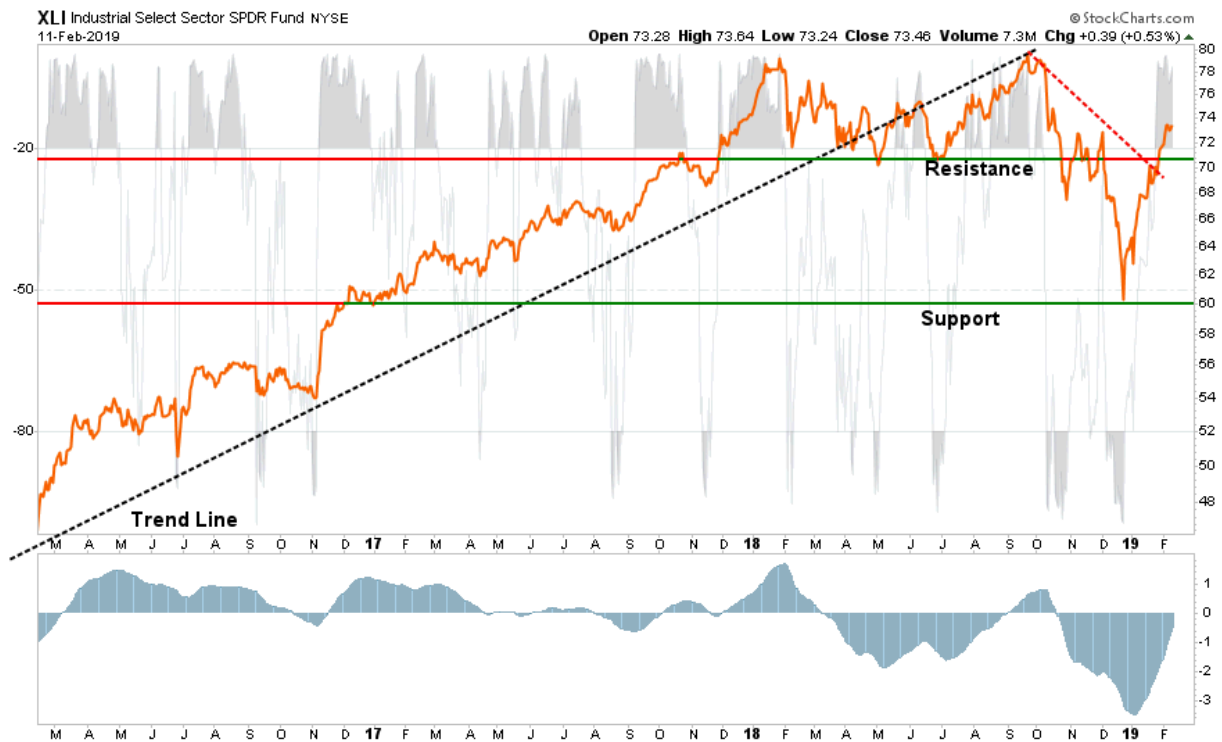
- Long-term trend line is currently broken
- Previous support from February lows and has rallied back to resistance.
- 200-Day Moving average is sloping downward providing additional price pressure.
- Sell-signal (bottom panel) is reversing
- Back to extreme overbought condition. Failed at resistance.
- Short-Term Positioning: Neutral
  - Last week: Recommend "hold" 1/2 position
  - This week: Hold 1/2 position
  - Stop-loss moved up to \$63
- Long-Term Positioning: Bearish

## Financials



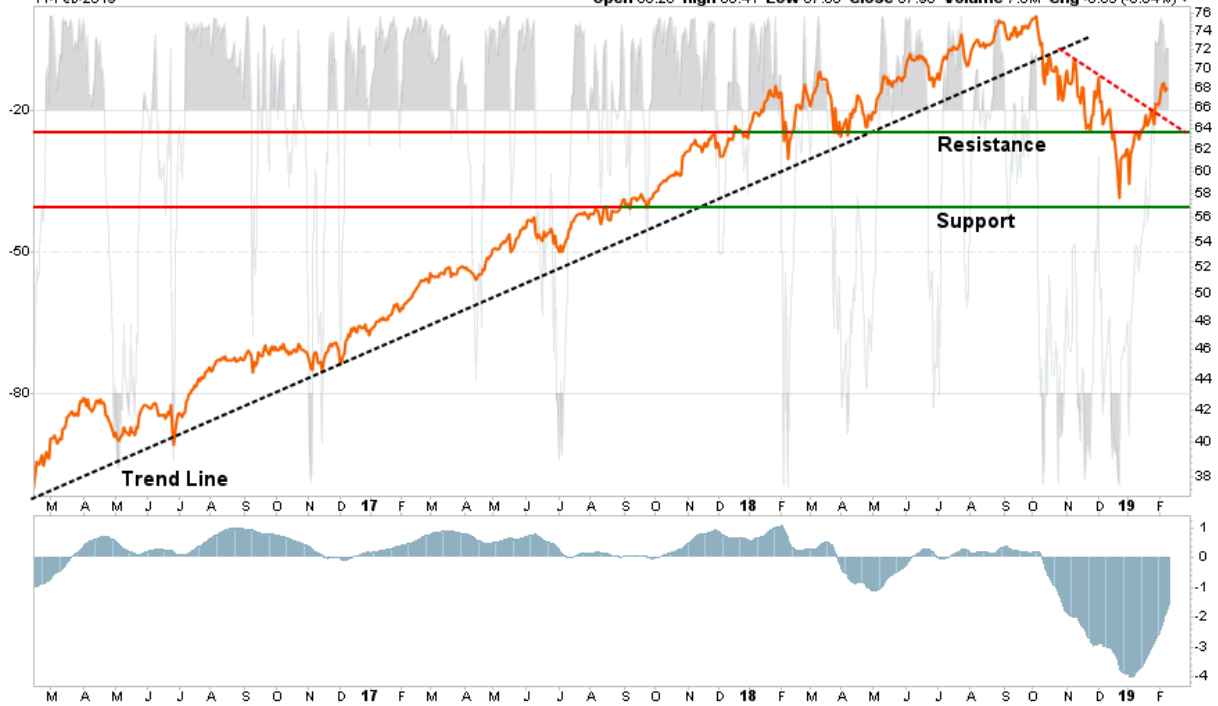
- Long-term trend line is currently broken
- Previous support from 2017 consolidation is currently holding.
- Sell-signal (bottom panel) is reversing
- XLF back to extreme overbought condition short-term. Failed at downtrend resistance.
- Short-Term Positioning: Neutral
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position
  - Stop-loss moved up to \$25.50
- Long-Term Positioning: Bearish

## Industrials



- Long-term trend line is currently broken
- Finally broke above resistance from February lows.
- Sell-signal (bottom panel) is reversing.
- Back to extreme overbought conditions short-term.
- Sector pushed up above downtrend resistance.
- Short-Term Positioning: Bullish
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position, add on pullback to \$71
  - Stop-loss moved up to \$70
- Long-Term Positioning: Neutral

## Technology



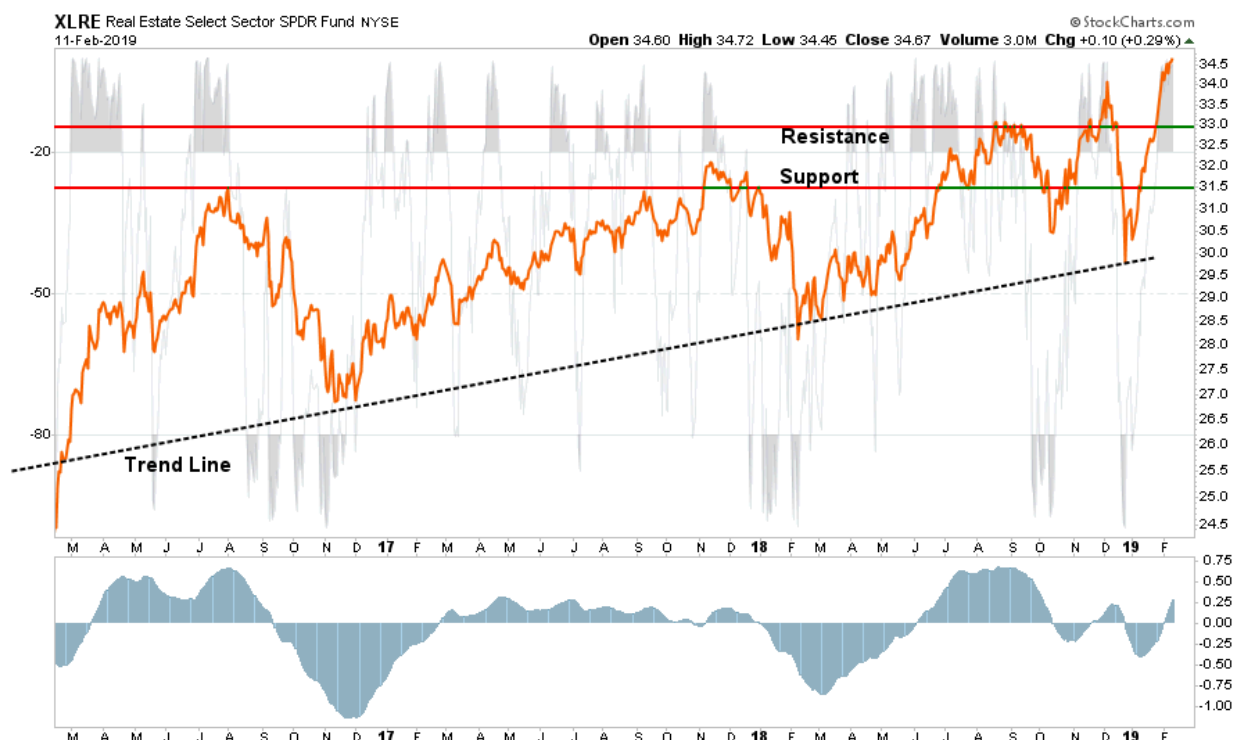
- Long-term trend line is currently broken
- Broke above February low resistance level.
- Sell-signal (bottom panel) is reversing.
- Back to extreme overbought conditions short-term.
- Pushed above downtrend resistance
- Short-Term Positioning: Bullish
  - Last week: Recommended sell "hold" 1/2 position
  - This week: Hold 1/2 position, Add on pullback to \$65-66
  - Stop-loss moved up to \$64.00
- Long-Term Positioning: Neutral

## Staples



- Long-term trend line is currently broken
- Previous support from 2016 and 2017 is holding and pushed above the 400-dma.
- Early sell-signal (bottom panel) is reversing back to "buy"
- Currently back to extreme overbought conditions but pushed above important resistance.
- Short-Term Positioning: Bullish
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position, look to add 1/2 position on pullback.
  - Stop-loss remains at \$52.50
- Long-Term Positioning: Bullish

## Real Estate



- Long-term trend line is currently holding.
- Just broke out to all-time highs.
- Early sell-signal has reversed back to buy. (bottom panel)
- Back to extreme overbought condition short-term. (top panel)
- Short-Term Positioning: Bullish
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position
  - Add on any weakness that works off over-bought condition or holds support at \$33
  - Stop-loss adjusted to \$32.50
- Long-Term Positioning: Bullish

## Utilities



- Long-term trend line remains intact.
- Previous support continues to hold.
- Sell signal close to reversing. (bottom panel)
- Heading back to overbought, upside remains. Broke above resistance which puts all-time highs into focus.
- Short-Term Positioning: Bullish
  - Last week: Recommended "buy" 3-weeks ago
  - This week: Hold
  - Stop-loss moved up to \$54 with a target of \$56
- Long-Term Positioning: Bullish

## Health Care





- Sector broke the longer term trend but recovered on rally.
- Sell-signal (bottom panel) is being reversed.
- Back to extreme overbought conditions (top panel) and failed at target resistance.
- Short-Term Positioning: Neutral
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position
  - Stop-loss moved up to \$88
- Long-Term Positioning: Neutral

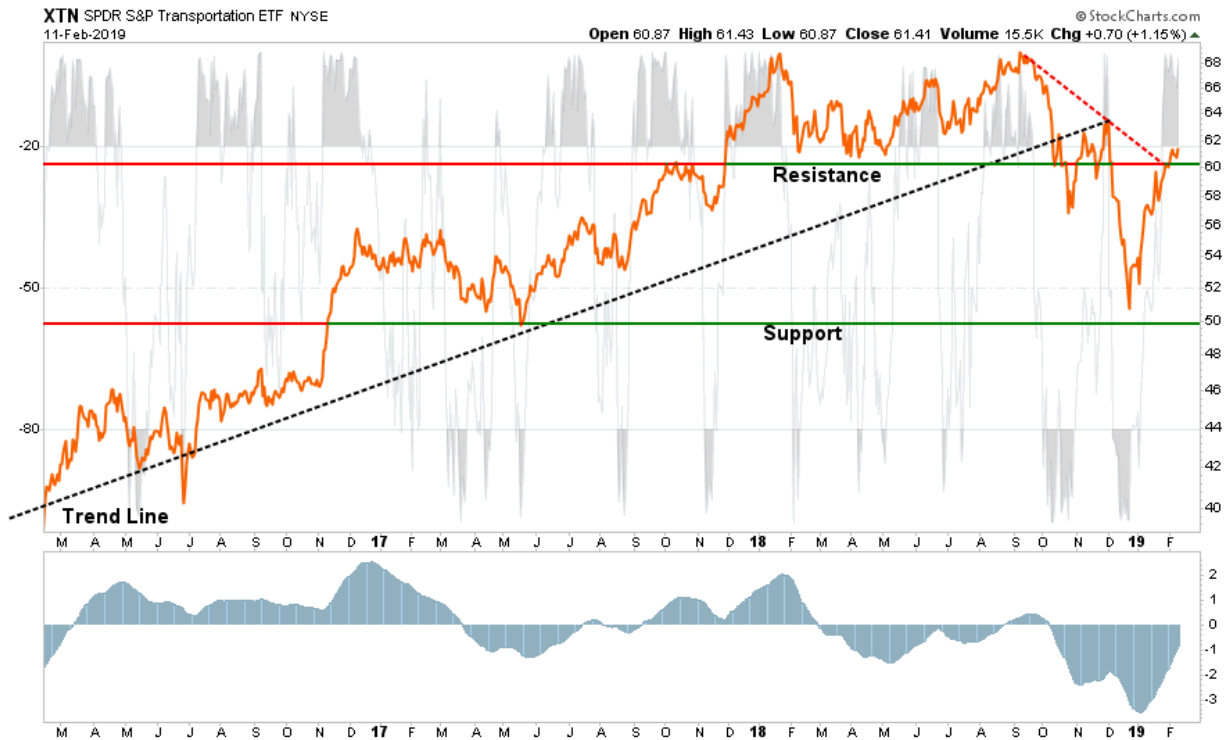
## Discretionary



- Long-term trend line has been broken.

- Previous support was violated but was reclaimed.
- Downtrend resistance has been broken but overhead resistance remains short-term. Rally failed at resistance.
- Sell signal close to being reversed. (bottom panel)
- Back to extreme overbought conditions short-term.
- Short-Term Positioning: Neutral
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position
  - Stop-loss moved up to \$106.00
- Long-Term Positioning: Neutral

## Transportation



- Long-term trend line has been violated.
- Previous support is holding for now.
- Sell signal. (bottom panel) is being reversed.
- Extreme overbought on a short-term basis. But XTN broke above downtrend resistance.
- Short-Term Positioning: Neutral
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 of position
  - Stop-loss moved up to \$58
- Long-Term Positioning: Bearish