

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:

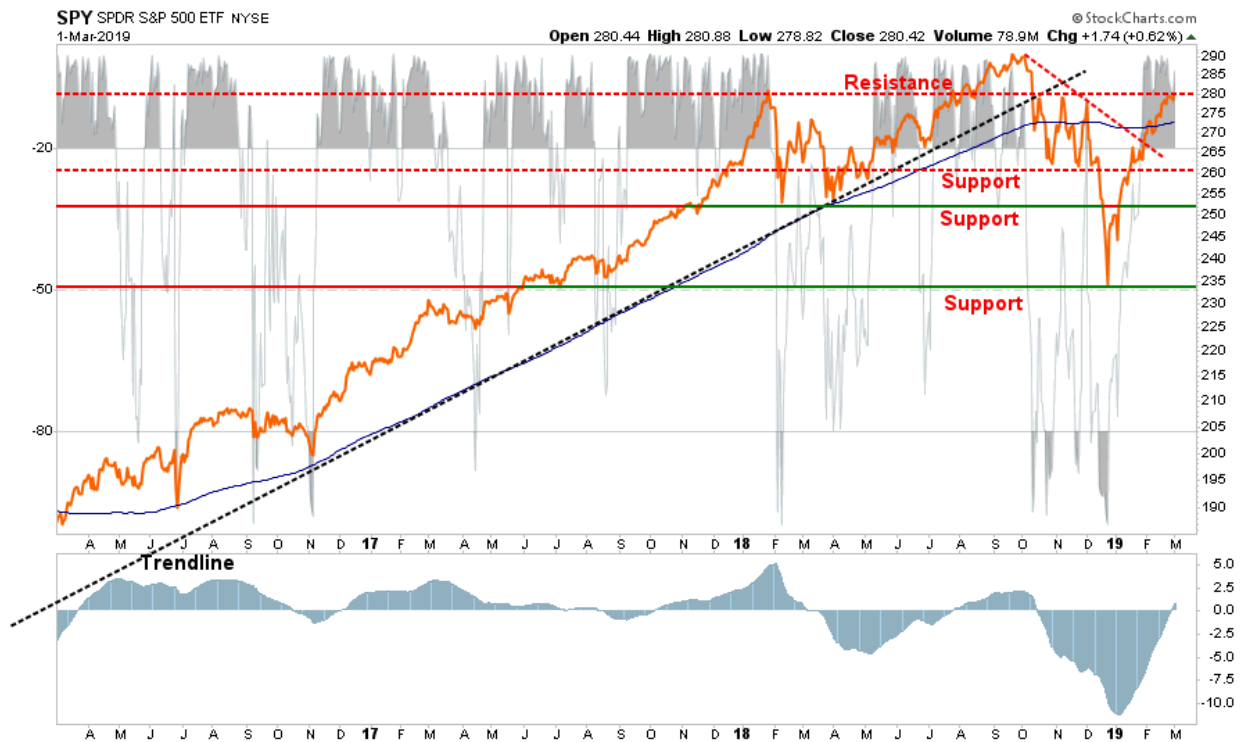
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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



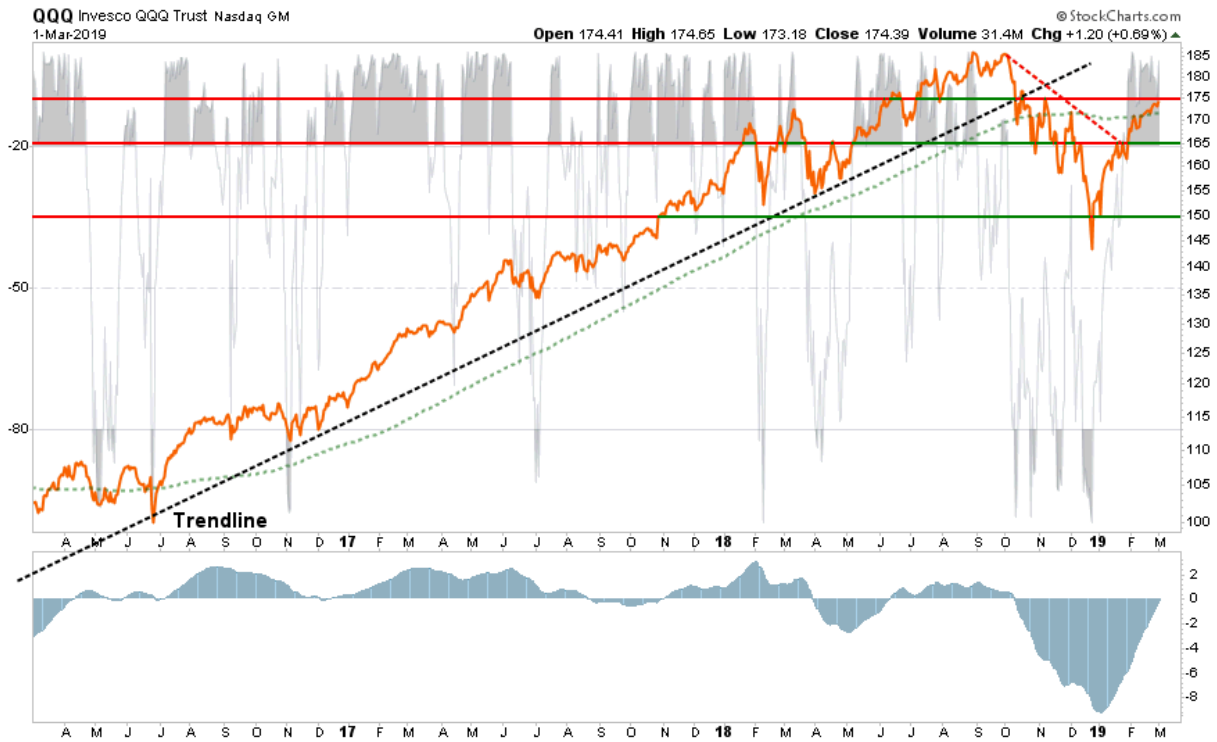
- Recent rally has pushed above the downtrend line from the 2018 highs and the 200-dma.
- Market is now testing the 2800 psychological resistance level. This week will be an important one for the bulls.
- Longer-term "buy signal" was triggered last week.
- Short-term market is extremely overbought, so a pullback to the 200-dma, that holds, will provide a better entry opportunity to add exposure.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, continue to hold 1/2 position
  - This Week: Hold 1/2 of position, look for reversal of overbought condition to add.
  - Stop-loss remains \$270
- Long-Term Positioning: Neutral

## Dow Jones Industrial Average



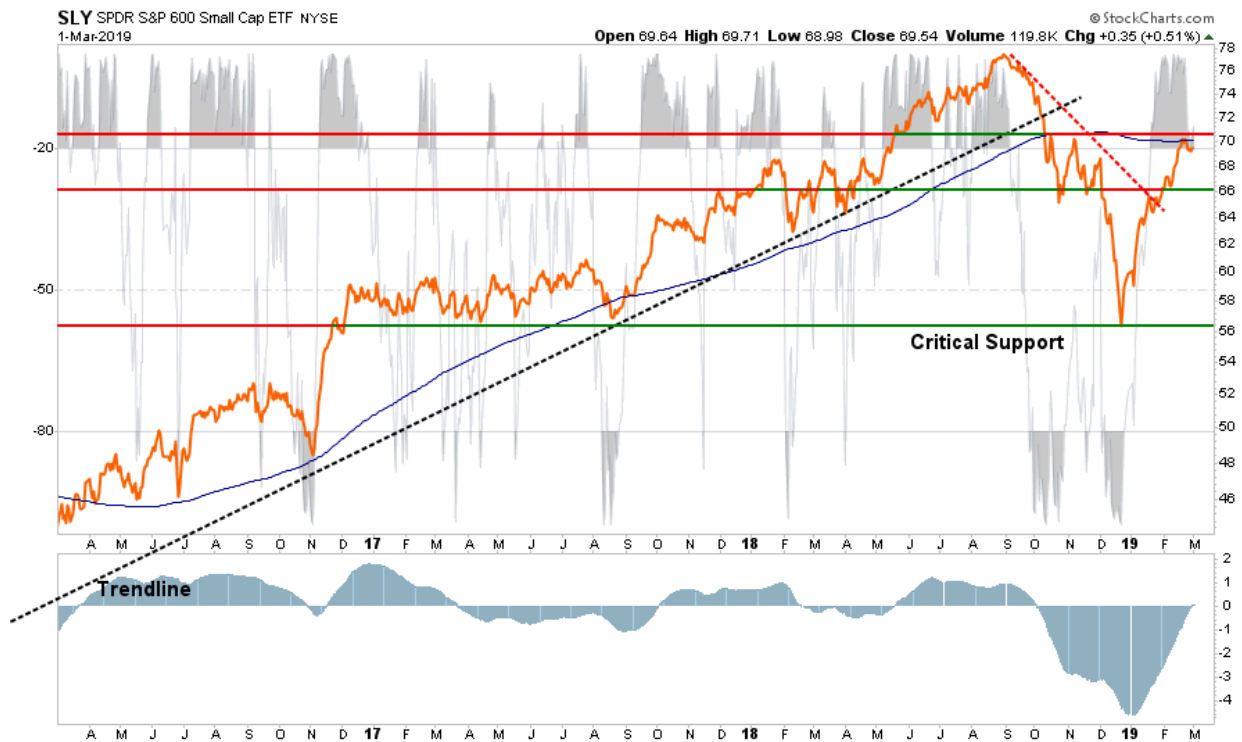
- Recent rally pushed above the 200-dma and is testing the tops of the previous consolidation range.
- Dow is close to breaking out to all-time highs.
- A "buy signal" was registered last week (bottom panel)
- Market is back to extreme overbought, look for retracement to support (200-dma) before additional advancement.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss remains at \$250
- Long-Term Positioning: Neutral

## Nasdaq Composite



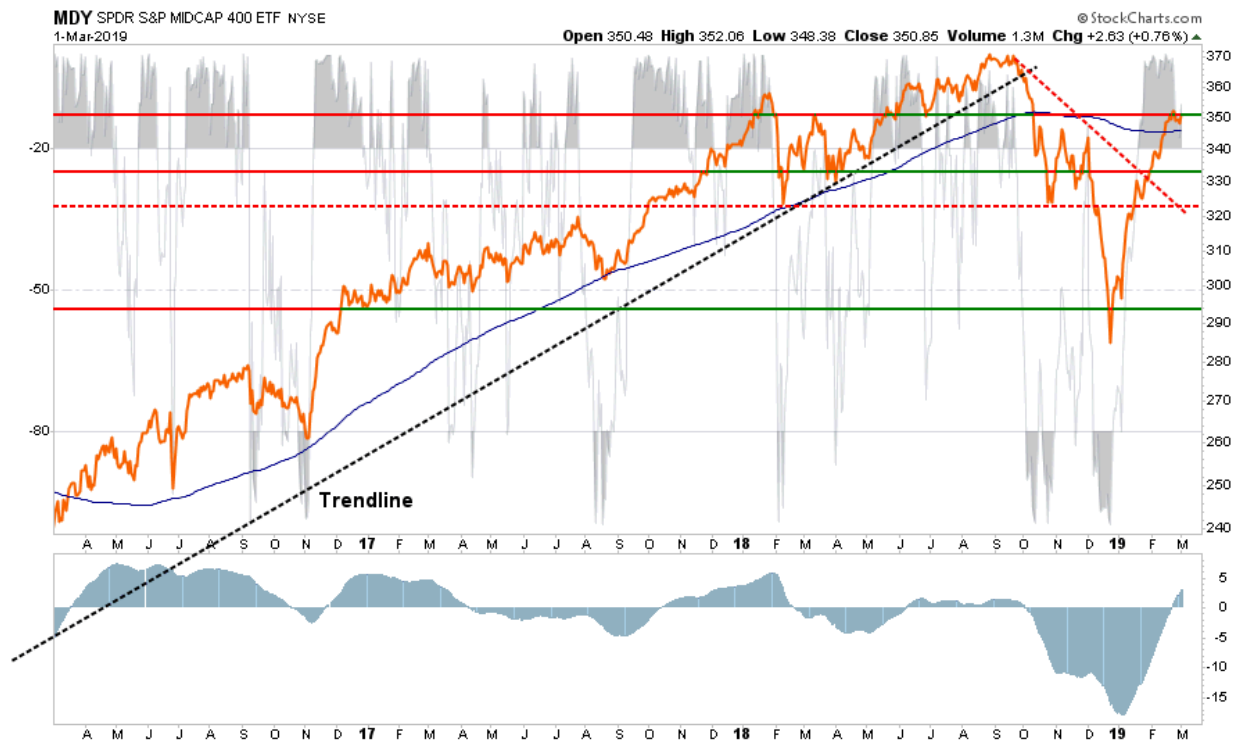
- Recent rally pushed above initial resistance and the 200-dma (green dashed line).
- Currently, the market is struggling with previous resistance.
- If the market can advance this week, a "buy" signal will be triggered.
- Market back to extreme overbought. Needs a pullback to support (the 200-dma) before an additional advance.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits previously, hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss remains at \$165
- Long-Term Positioning: Neutral

## S&P 600 Index (Small-Cap)



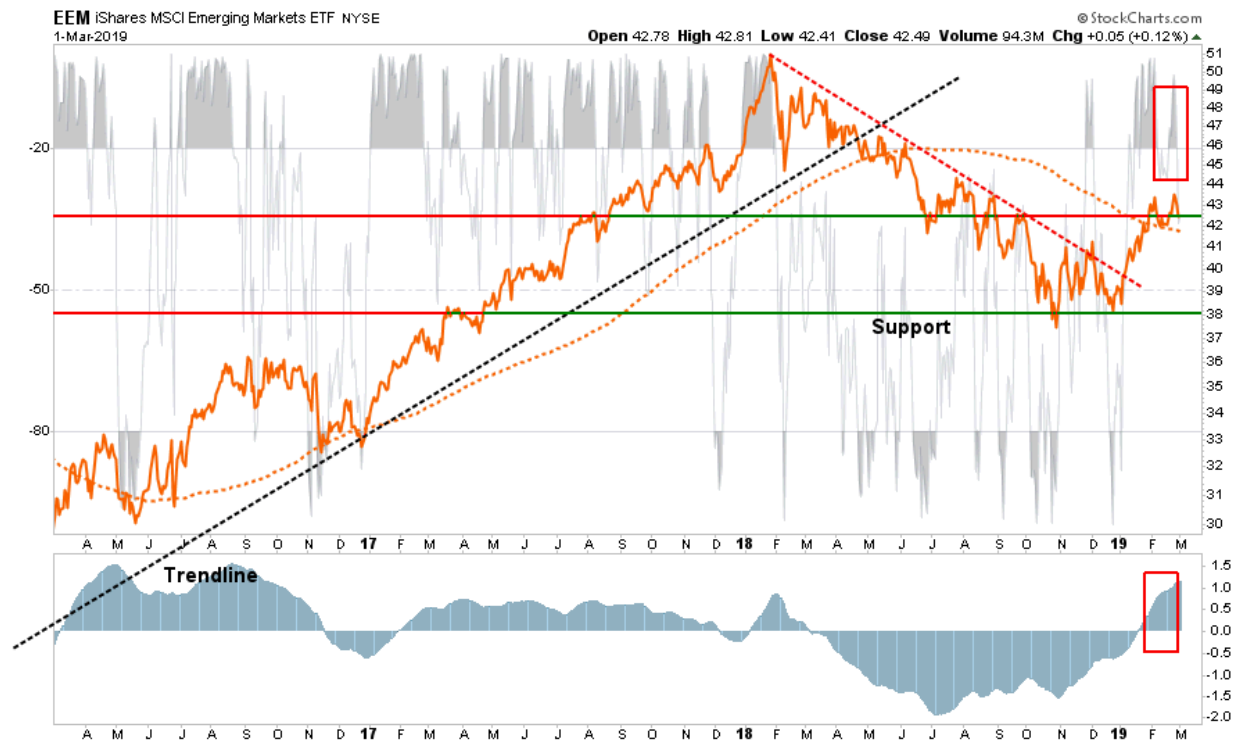
- Recent rally pushed above downtrend line from all-time highs
- 200-dma providing additional overhead resistance to rally and the market failed to climb above it last week.
- A "buy" signal will likely be triggered on any rally this week.
- Market back to extreme overbought. Look for a pullback to support, the October lows, before an additional advance.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits previously, hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss remains at \$66
- Long-Term Positioning: Bearish

## S&P 400 Index (Mid-Cap)



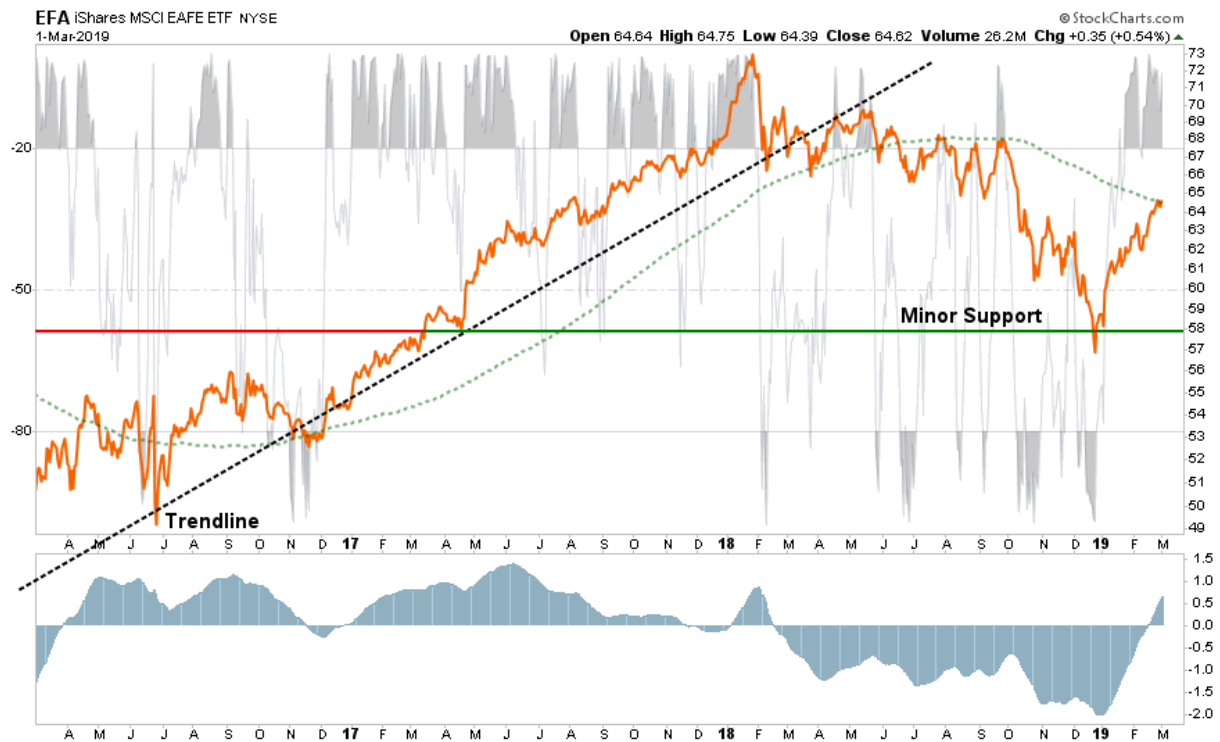
- Unlike its small-cap brethren, the recent rally pushed above the downtrend from all-time highs and the 200-dma.
- Currently, Mid-caps are testing additional 2018 resistance.
- Mid-caps have recently flipped back onto a buy signal. However, given the extreme overbought condition look for corrective action to add exposure.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits previously, hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss remains at \$340
- Long-Term Positioning: Neutral

## Emerging Markets



- Recent rally pushed above initial resistance and the 200-dma and the recent retest of support from 2018 provided an entry opportunity.
- Given the extreme overbought condition currently, expect some sloppy action over the next couple of weeks. This will particularly be the case if domestic markets correct a bit.
- The 200-dma is critical support for EEM currently as there is little between it and the previous lows.
- Short-Term Positioning: Bullish
  - Last Week: Added to holdings.
  - This Week: Hold current position.
  - Stop-loss moved to \$41
- Long-Term Positioning: Bearish

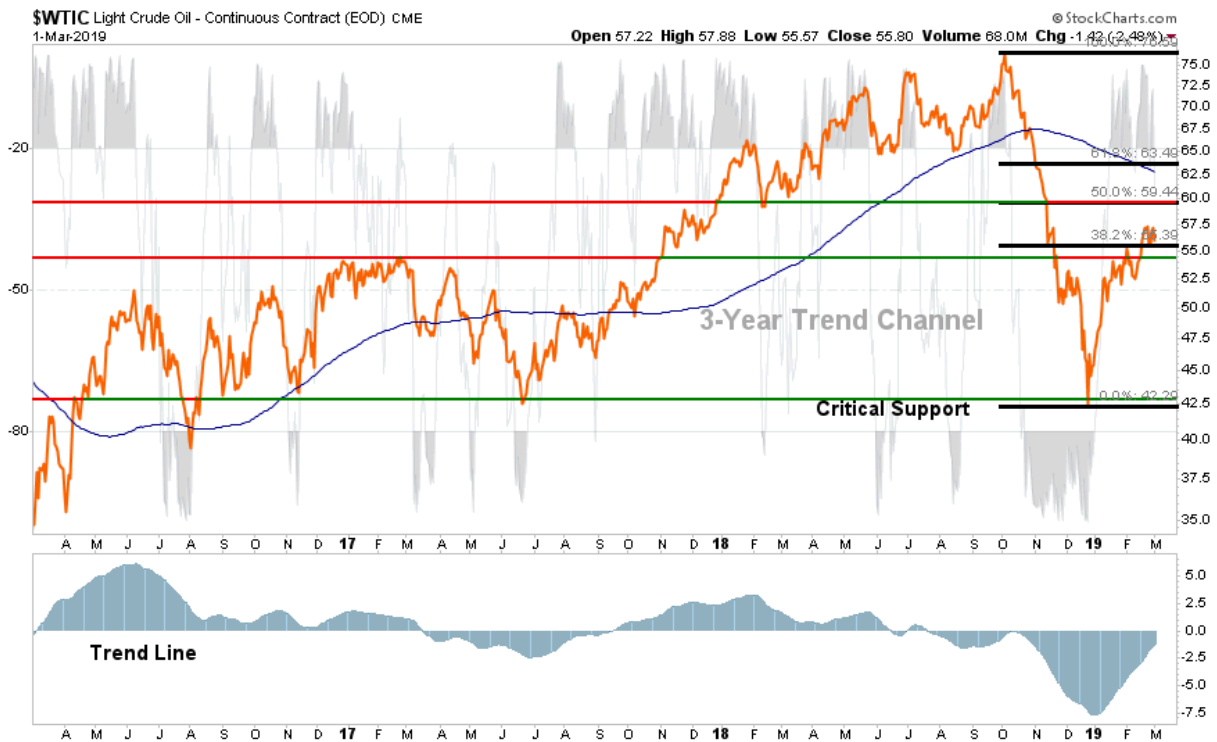
## International Markets



- Recent rally pushing into cluster of resistance from 2018.
- Downtrend from all-time highs is converging with 200-dma (green dashed line) providing additional downward resistance.
- A "buy signal" was triggered previously but EFA is back to extremely overbought in the short-term.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss moved up to \$62
- Long-Term Positioning: Bearish

## West Texas Intermediate Crude (Oil)





- Oil showed some muscle by breaking above the 3-year trend channel and above the 38.2% Fibonacci retracement.
- \$60 is the next major resistance level at the 50% retracement which will coincide with the downward trending 200-dma.
- Oil remains on a "sell" signal currently but that is close to being reversed.
- Oil is back to extremely overbought on a short-term basis.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, hold 1/2 position
  - This Week: Hold 1/2 position
  - Stop-loss adjusted to \$64
- Long-Term Positioning: Bearish

## Gold



- As we noted last week, the recent rally was pushing into resistance at 3-year highs and was extremely over-bought.
- The sell-off last week is testing support at the 61.8% retracement of the decline and is now back to oversold.
- Currently on "buy" signal (bottom panel)
- Short-Term Positioning: Bullish
  - Market pulled back to support at \$122 last week
  - Adding 1/2 position last week.
  - Add 1/2 position on this week.
  - Stop-loss for whole position set at \$120
- Long-Term Positioning: Improving•From•Bearish•To•Bullish

## Bonds (Inverse Of Interest Rates)



- Long-term support continues to hold at \$111.
- Currently on a buy-signal (bottom panel)
- Entry point was triggered at \$120 with reversal of overbought condition.
- Resistance remains at \$124.50
- Strong support at the 720-dma (2-years) (green dashed line) which is currently \$118.
- Short-Term Positioning: Bullish
  - Last Week: Hold positions.
  - This Week: Add to holdings anywhere between \$118-119
  - Stop-loss adjusted to \$118
- Long-Term Positioning: Bullish