

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:

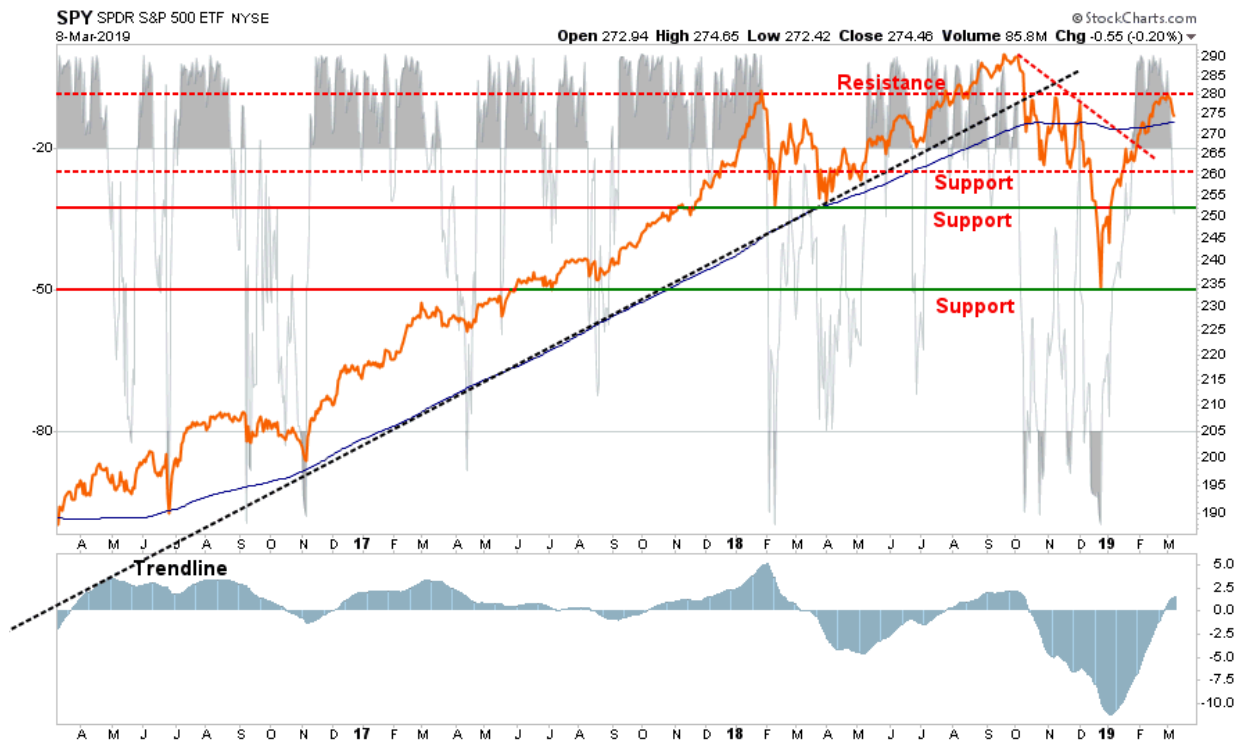
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



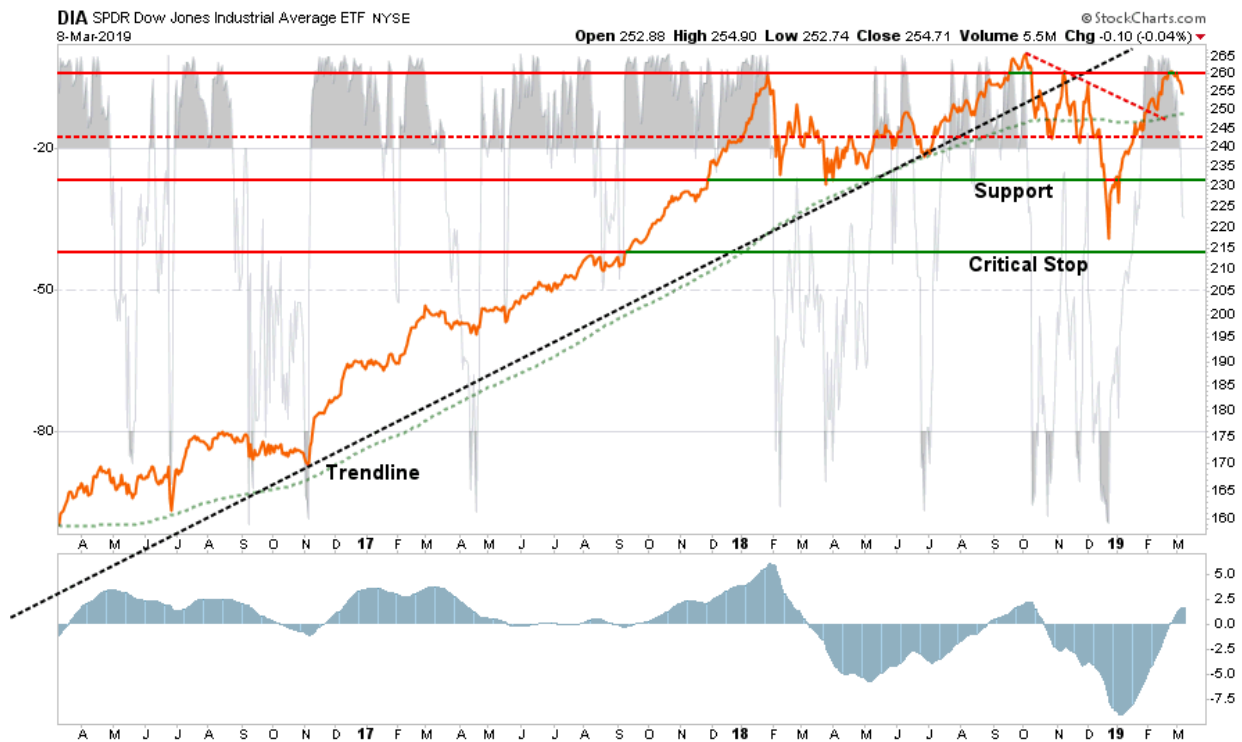
With this basic tutorial let's review the major markets.

## S&P 500 Index



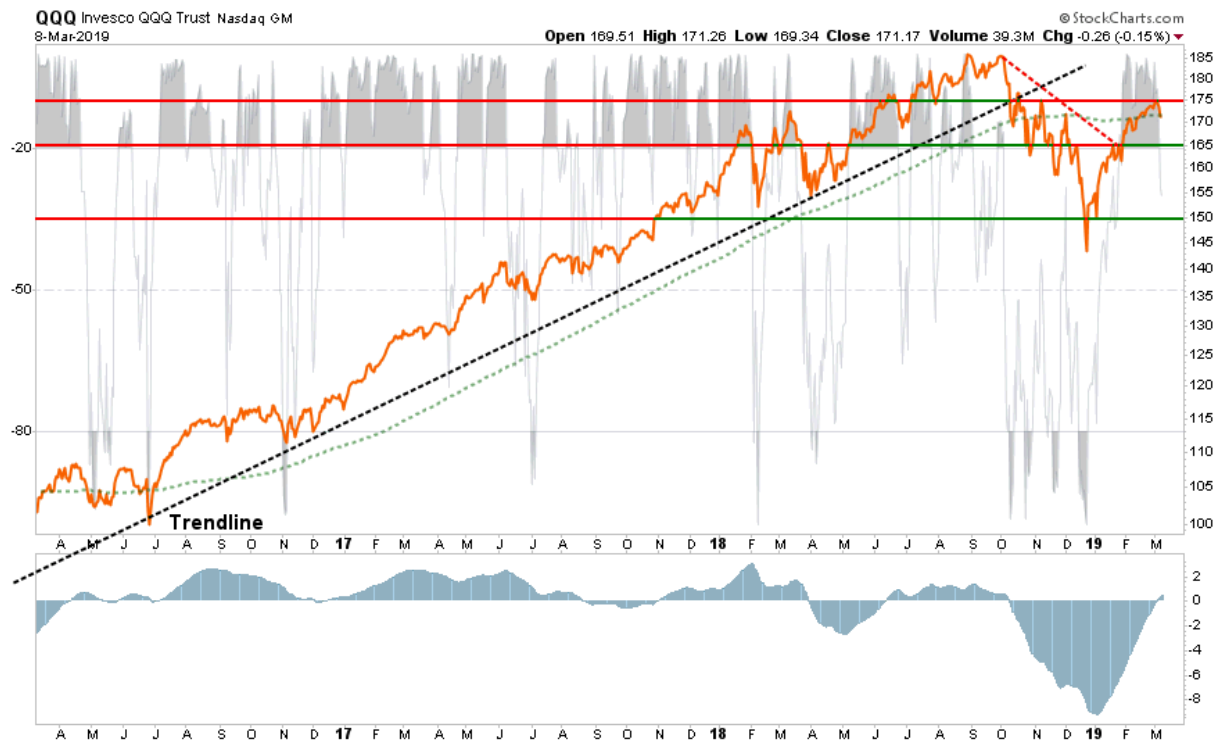
- Recent rally pushed into the January peak and failed at very overbought conditions.
- As noted last week, the market tested and failed the 2800 psychological resistance level.
- Longer-term "buy signal" is in place which is bullish
- Short-term market is remains overbought and the pullback violated the 200-dma, so no entry just yet for trading positions.
- Short-Term Positioning: Neutral
  - Last Week: 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



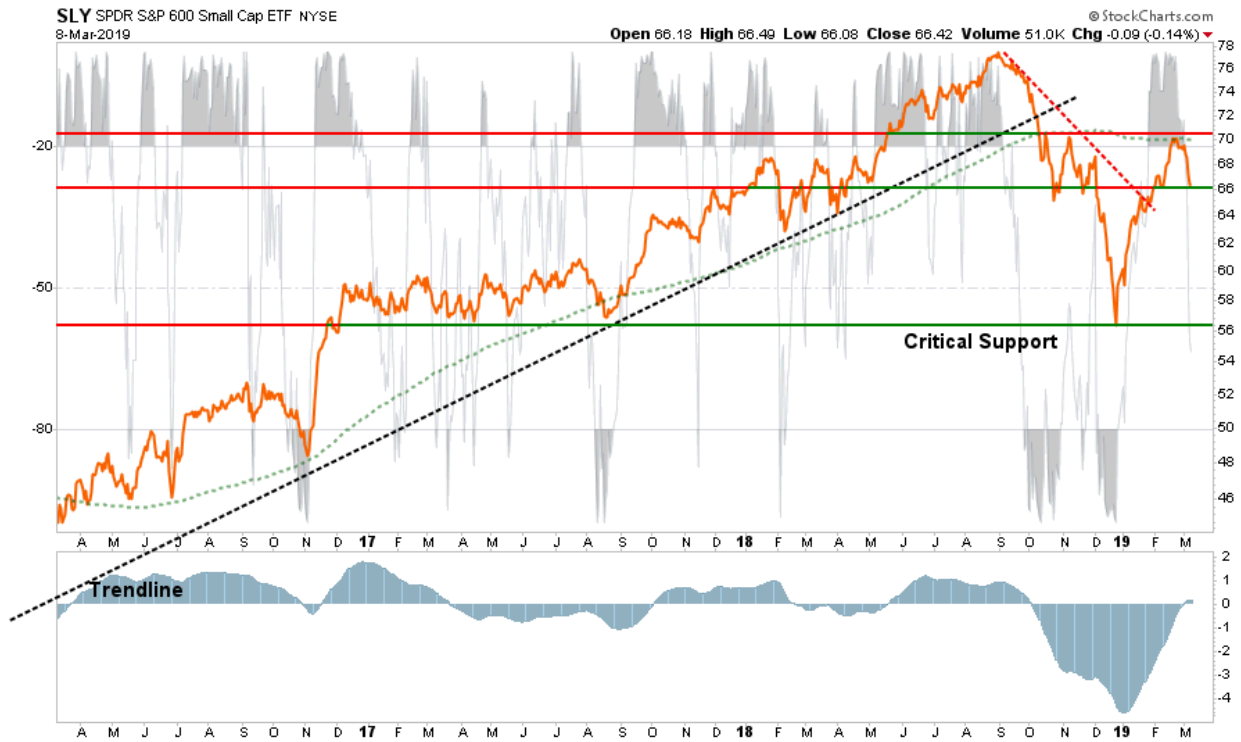
- Recent rally failed at the January highs and remains very overbought.
- DIA remains well above its 200-dma but that will be critical support.
- A "buy signal" is in place
- Market is back to extreme overbought, look for retracement to support (200-dma) before additional advancement.
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss remains at \$250
- Long-Term Positioning: Neutral

## Nasdaq Composite



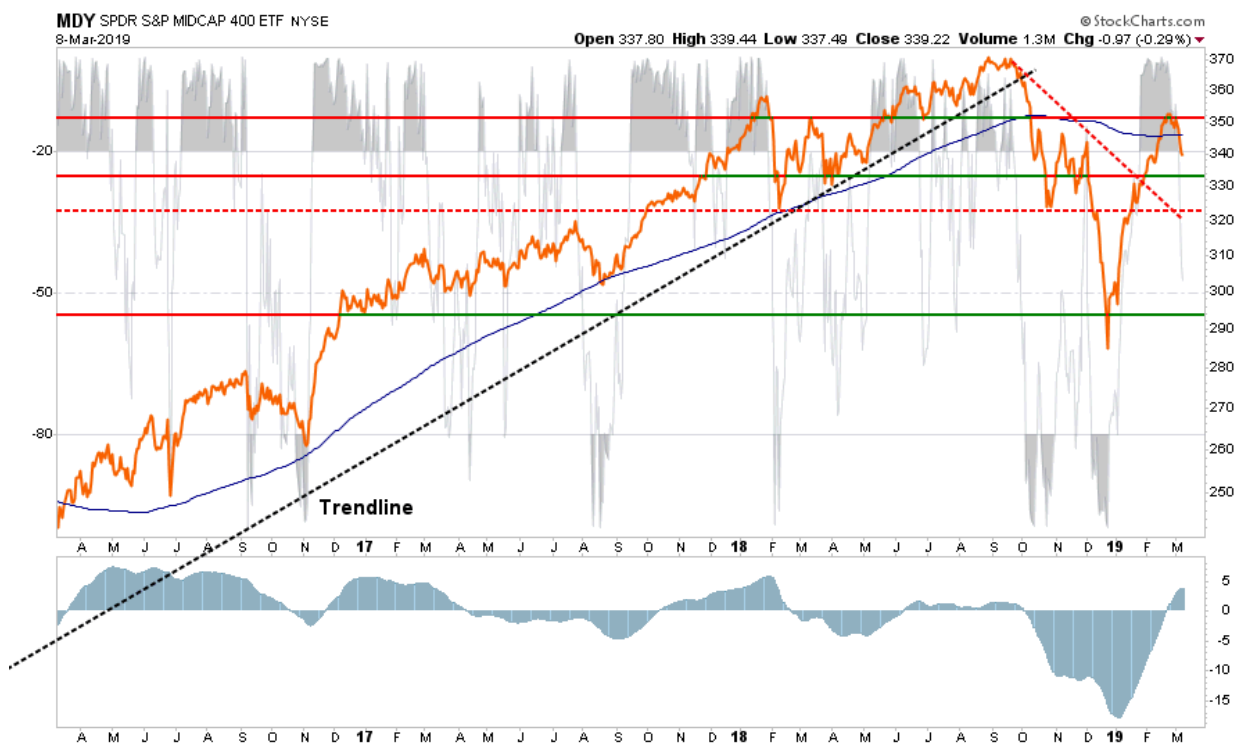
- Recent rally failed at the January highs and market remains overbought.
- QQQ is wrestling with important support at the 200-dma.
- A buy signal was triggered last week.
- Market remains very overbought. Support needs to hold at the 200-dma while it works off the overbought condition.
- Short-Term Positioning: Neutral
  - Last Week: 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)



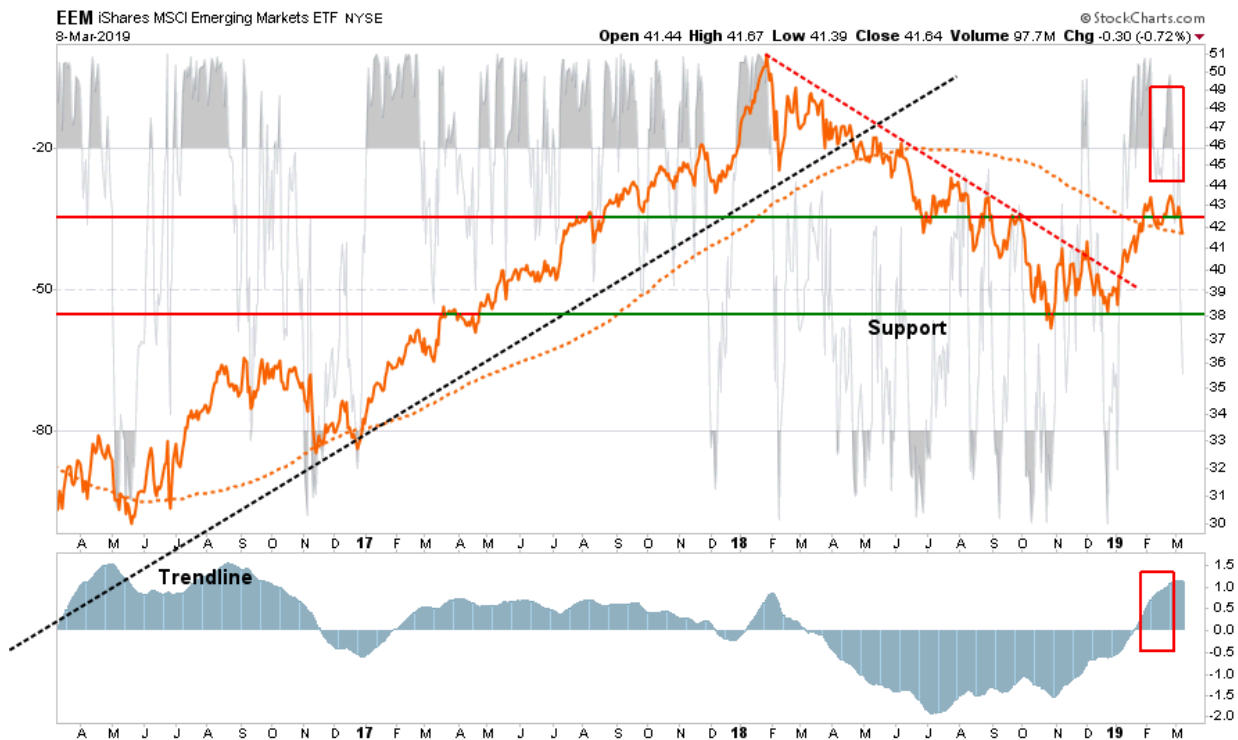
- Recent rally failed at the 200-dma and is now testing important support at the Oct-Nov lows.
- A "buy" signal was triggered last week.
- Small-caps have reversed about half of its overbought condition so there is still downside risk currently.
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss remains at \$66 - could break next week.
- Long-Term Positioning: Bearish

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



- Like it's small-cap brethren, the recent rally failed to hold the 200-dma.
- Currently, Mid-caps are testing support at the Oct-Nov highs
- Mid-caps have recently flipped back onto a buy signal. However, the recent correction has not reduced the overbought condition we noted last week.
- **Short-Term Positioning: Neutral**
  - Last Week: After taking profits previously, hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss is adjusted to \$332.50
- **Long-Term Positioning: Neutral**

## Emerging Markets



- EEM is currently testing its 200-dma.
- The extreme overbought condition is being worked off currently, so it will be important for EEM to maintain support over the next week.
- After adding a 1/2 position to portfolios we suggested a short-term corrective action was likely. If the position holds support and turns up we will add to our holdings.
- **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 failed at the 200-dma and turned lower.
- The downtrend from all-time highs is converging with 200-dma (green dashed line) which is providing additional downward resistance.
- While a "buy signal" has been triggered, EFA remains very 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 is very close to triggering a "buy" signal which will allow us to add exposure if some of the short-term overbought condition can be worked off.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, hold 1/2 position
  - This Week: Hold 1/2 position
  - Stop-loss adjusted to \$54
- 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 tested support at the 61.8% retracement of the decline and is now back to oversold.
- Gold turned up last week and remains on a "buy" signal.
- Currently on "buy" signal (bottom panel) so positions can be added.
- Short-Term Positioning: Bullish
  - Market pulled back to support at \$122 last week
  - Added 1/2 position
  - Adding 1/2 position this week.
  - Stop-loss for whole position set at \$119
- 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 after successful test of support at \$119.
  - Stop-loss adjusted to \$118
- Long-Term Positioning: Bullish