

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:

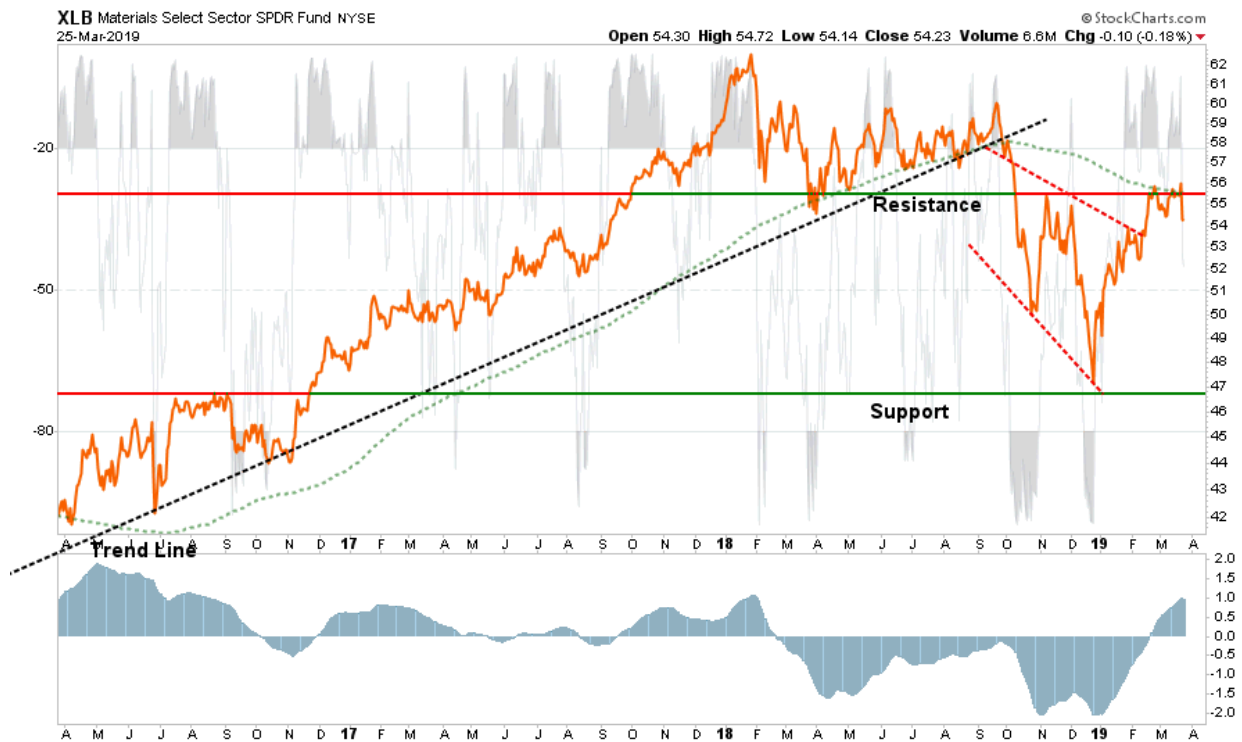
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



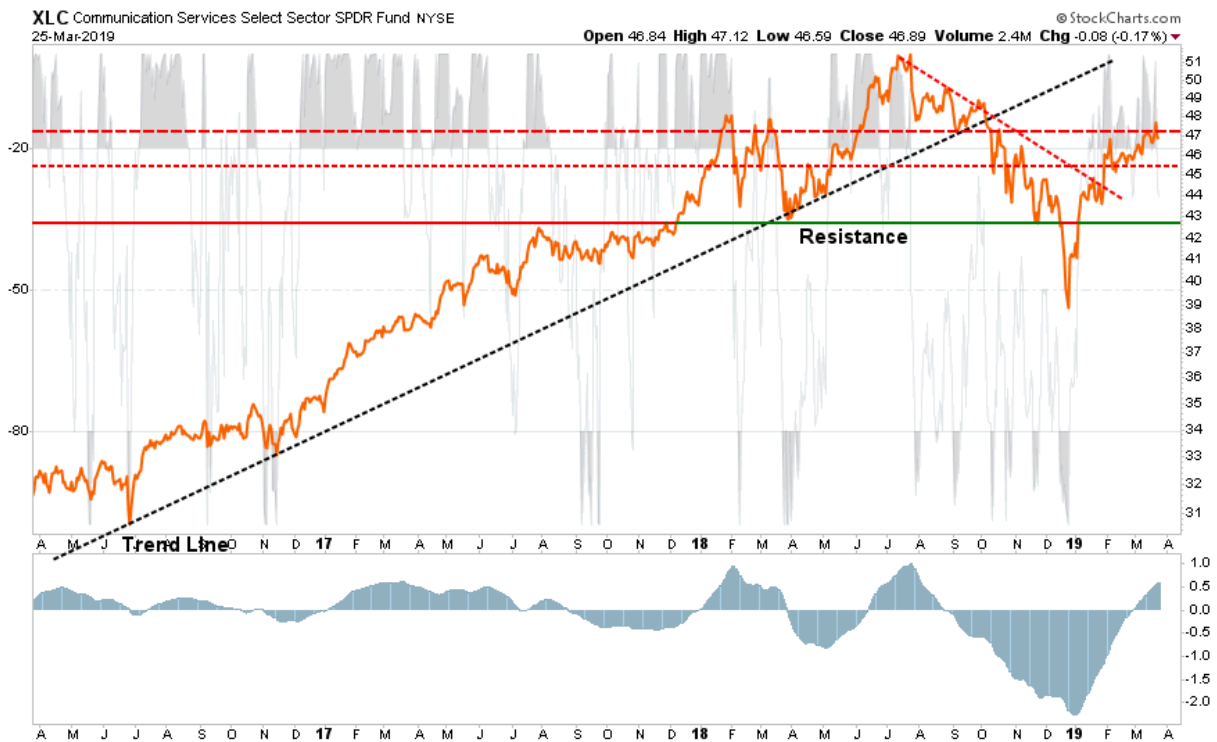
With this basic tutorial let's get to the sector analysis.

## Basic•Materials



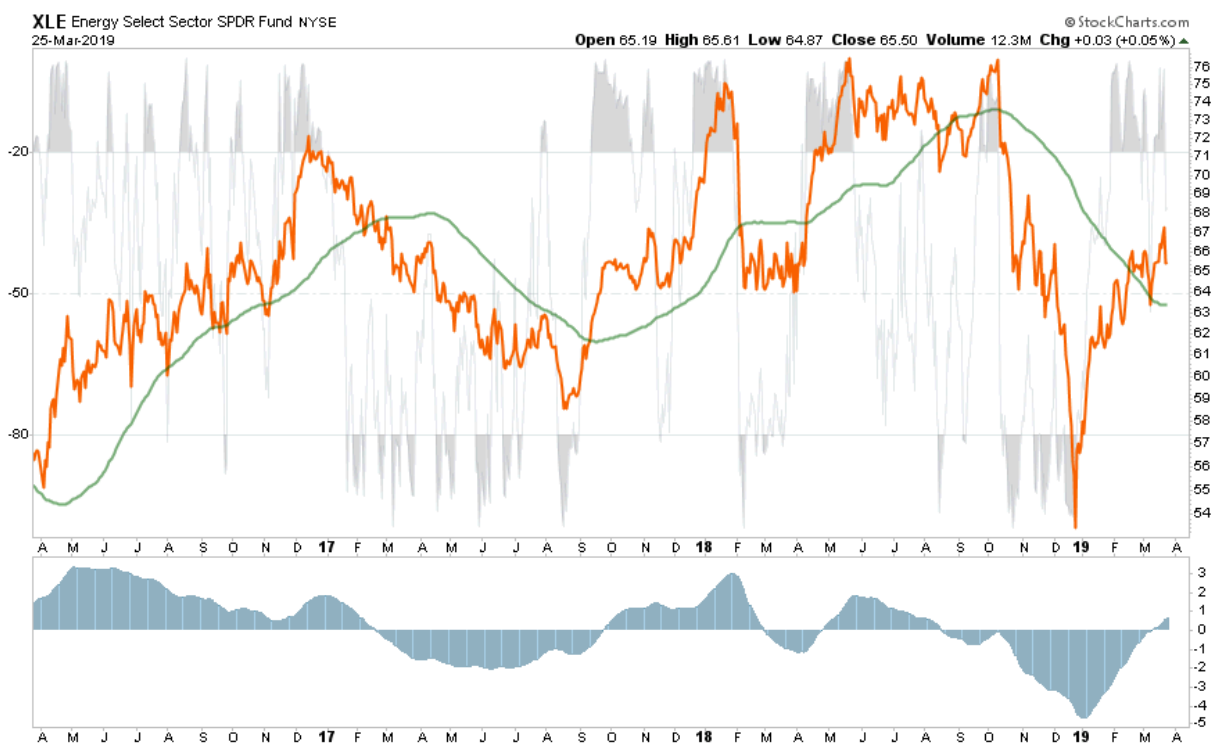
- Previous support from February lows has been broken and remains resistance.
- XLB has triggered a "buy" signal but FAILED at resistance at the 200-dma with a double top and a break of recent support.
- XLB is still very overbought (top panel) and the failure at resistance is troubling given materials and industrials both stand to benefit from a "trade deal." (Do they know something we don't?)
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 position.
  - This Week: Hold
  - Stop-loss remains at \$53
- Long-Term Positioning: Bearish

## Communications



- XLC broke above previous resistance and held that support. But now is testing another level of overhead resistance.
- Currently on a "buy" signal.
- 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



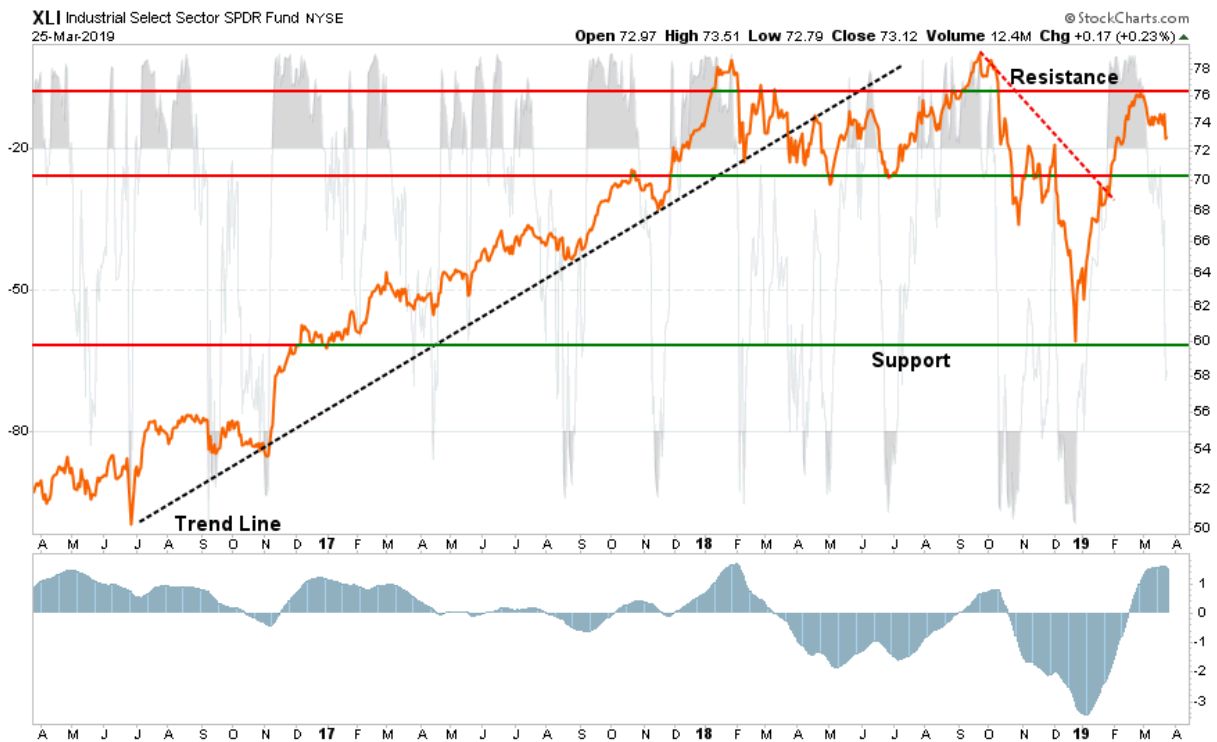
- XLE broke above the 200-dma and has retested that support and held.
- Sell-signal (bottom panel) has reversed to a "buy signal"
- Currently, XLE has reversed back up to extreme overbought short-term.
- Short-Term Positioning: Neutral
  - Last week: Hold 1/2 position.
  - This week: Hold and wait for a pullback to support, or a break out, to add.
  - Stop-loss moved up to \$64
- Long-Term Positioning: Bearish

## Financials



- XLF failed at resistance this past week as the Fed announcement caused a collapse in the yield curve.
- While a "buy" signal has been triggered (bottom panel) the risk of a further correction has risen.
- XLF has reversed back to oversold, so it is incredibly important Financials bounce and soon.
- Short-Term Positioning: Neutral
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position
  - Stop-loss moved up to \$25.00
- Long-Term Positioning: Bearish

## Industrials



- We noted previously that XLI had rallied sharply on hopes of a resolution on trade. However, whatever deal is struck, it has likely already been priced in.
- Buy signal in lower panel is very extended and starting to be reversed.
- XLI has now gotten back to oversold and is sitting near very minor support of the Oct-Nov highs.
- The recent lower peak is also concerning.
- Short-Term Positioning: Bullish
  - Last week: Recommended "hold" 1/2 position
  - This week: Rebalance holdings. Hold 1/2 position, add on pullback to \$72
  - Stop-loss moved up to \$70
- Long-Term Positioning: Neutral

## Technology



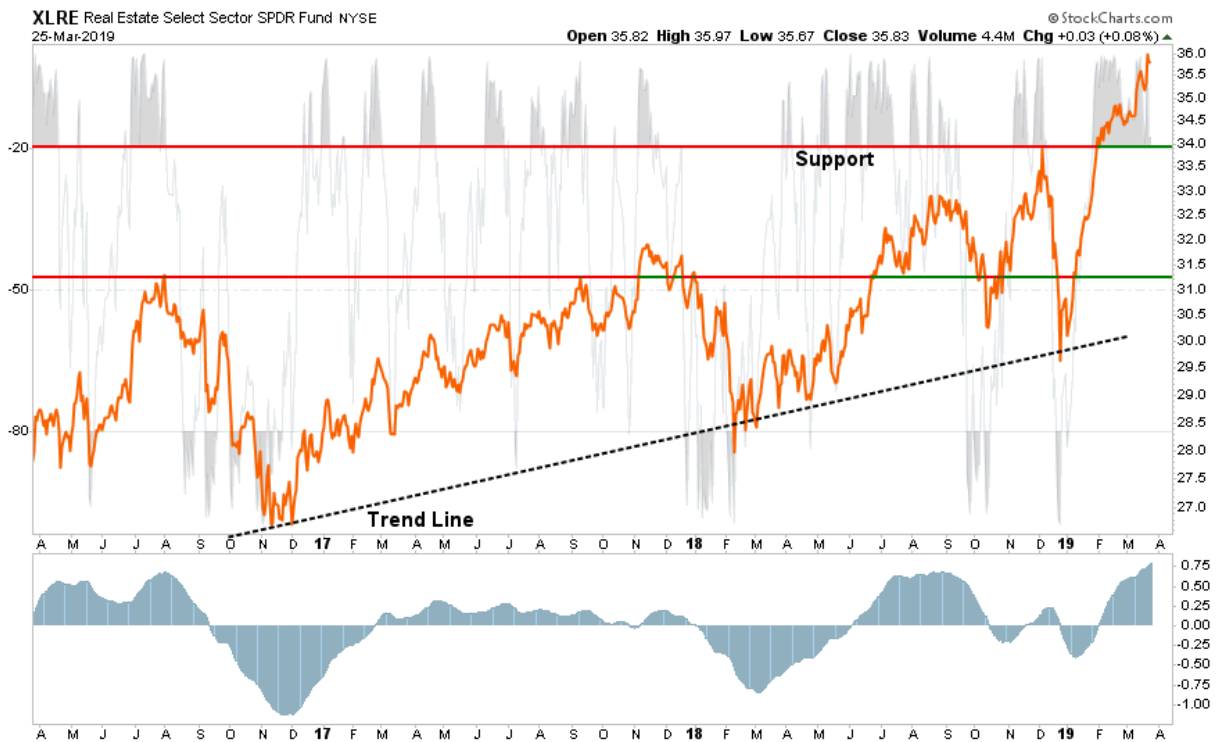
- Currently XLK is on a "Buy" signal (bottom panel)
- Given the current extreme overbought conditions short-term, look for a pullback to add exposure to portfolios.
- We noted previously the push above the downtrend resistance set up a test of old highs which has temporarily failed.
- Short-Term Positioning: Bullish
  - Last week: Recommended "hold" 1/2 position
  - This week: Hold 1/2 position, Add on pullback to \$70
  - Stop-loss moved up to \$66.00
- Long-Term Positioning: Neutral

## Staples



- After breaking above the 400-dma, XLP broke above resistance and is approaching previous highs.
- XLP has triggered a "buy" signal (lower panel)
- Currently still overbought, however the pullback to \$53.50 hit our target to add exposure.
- Short-Term Positioning: Bullish
  - Last week: Added 1/2 position with pullback to \$53.50
  - This week: Add 1/2 position on pullback to \$54.50 which turns previous resistance into support.
  - Stop-loss moved up to \$53
- Long-Term Positioning: Bullish

**Real•Estate**



- "This is just nuts." Real estate is now incredibly extended to the upside, along with utilities (XLU), as the "defensive" play in markets continues. Take profits and be careful. (This also goes for Staples and Technology.)
- After breaking out to all-time highs, it has just kept going...and going...and going. There has not been a decent risk/reward opportunity to increase exposure.
- Buy signal has reached extreme levels (bottom panel)
- Remains at more 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 \$34
  - Stop-loss adjusted to \$33.50
- Long-Term Positioning: Bullish

## Utilities





- As noted above - "This is crazy."
- Long-term trend line remains intact but is so extended now, it will correct,.
- Previous support continues to hold.
- Buy signal has been registered.. (bottom panel)
- Back to extreme overbought conditions.
- Short-Term Positioning: Bullish
  - Last week: Rebalance holdings and continue to hold.
  - This week: If you didn't take profits last week, do so now and hold target weight.
  - Stop-loss moved up to \$54 and we are approaching our target of \$60 from January
- Long-Term Positioning:•Bullish

## Health•Care



- *Sell-signal (bottom panel) is being reversed.*
- *The current overbought condition was being worked off slowly.*
- *XLV is holding support currently at the long-term uptrend line.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold current position.*
  - *This week: Hold current position.*
  - *Stop-loss remains at \$89*
- *Long-Term Positioning: Neutral*

## Discretionary



- *Long-term trend line remains broken.*

- Previous support was successfully tested in recent sell off.
- A "buy" signal has been registered (lower panel)
- Extreme overbought conditions currently limit upside.
- The recent correction to \$108 hit our target to add exposure. The recent correction is testing support at \$111.
- Short-Term Positioning: Neutral
  - Last week: Hold current position.
  - This week: Hold current position
  - Stop-loss moved up to \$107.50
- Long-Term Positioning: •Neutral

## Transportation



- Previous support failed in recent sell-off. Then the subsequent rally failed at that resistance level forming a new downtrend.
- Buy signal. (bottom panel) is close to reversing.
- Overbought condition is being relieved on a short-term basis.
- The "sell stop" was triggered on Monday.
- Short-Term Positioning: Neutral
  - Last week: Recommended •"hold" 1/2 position
  - This week: Stop was triggered. Sell remaining 1/2 position.
- Long-Term Positioning: •Bearish