

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:

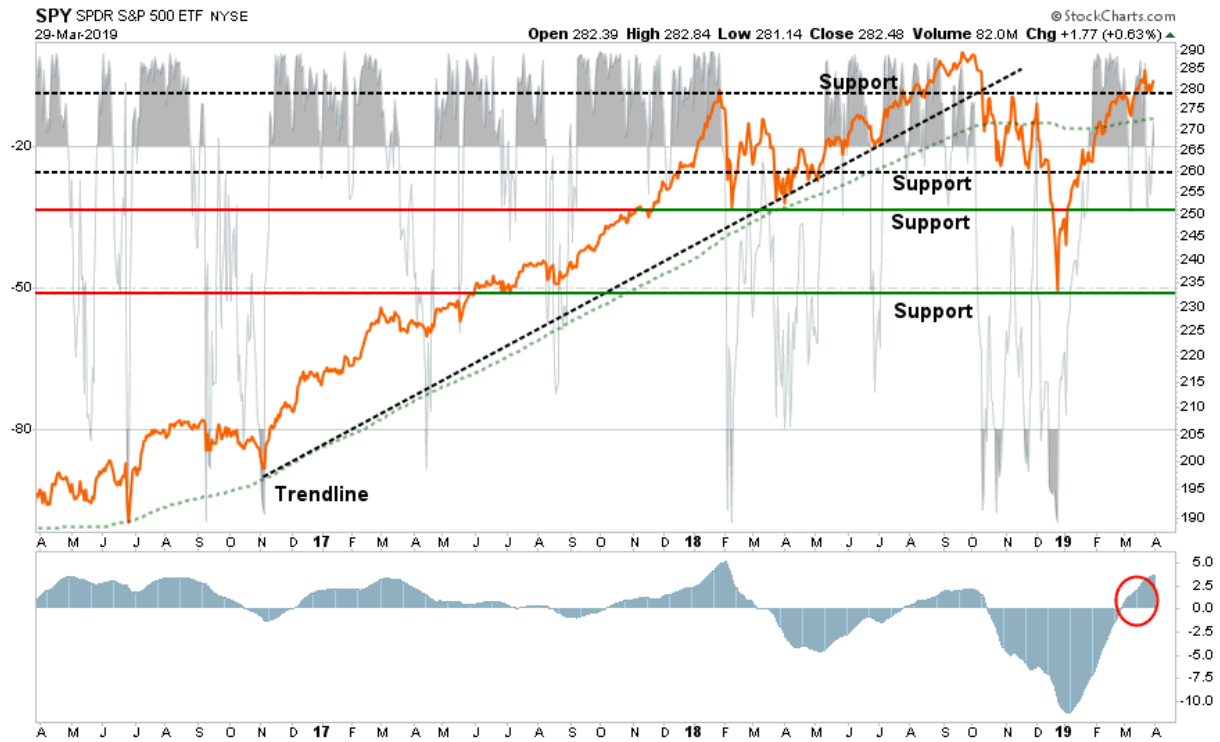
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



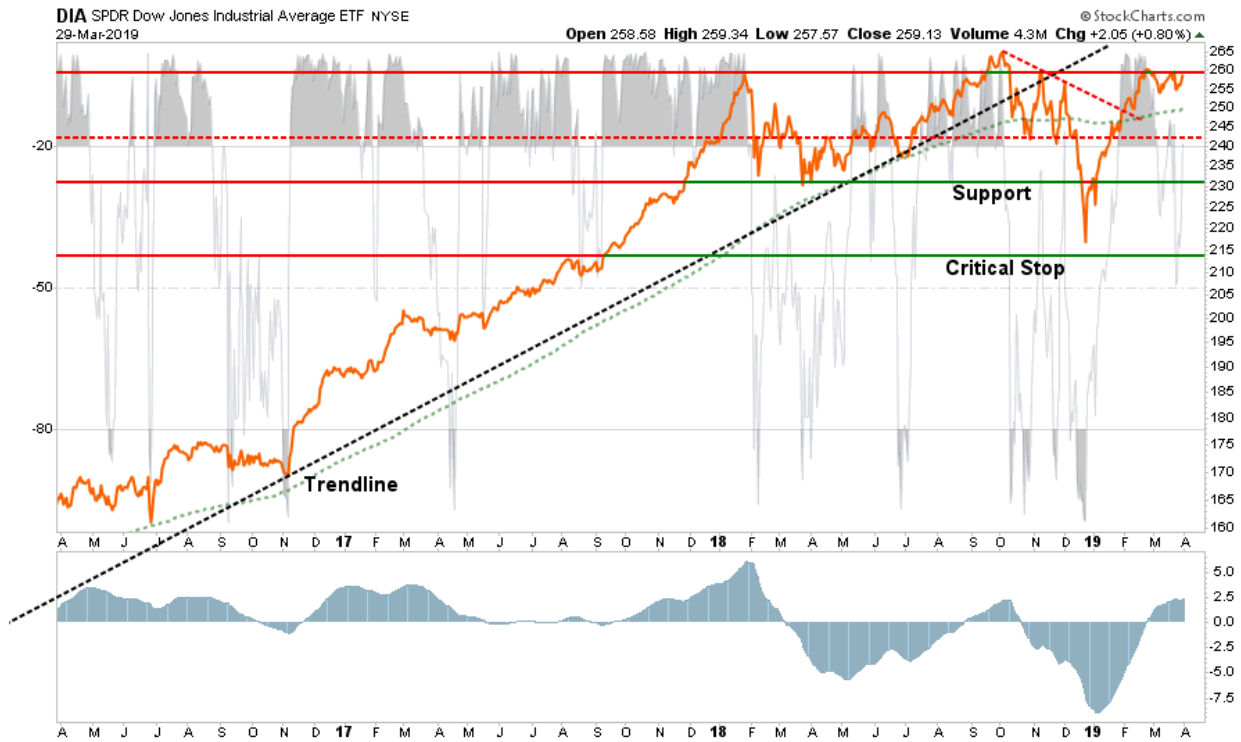
With this basic tutorial let's review the major markets.

## S&P 500 Index



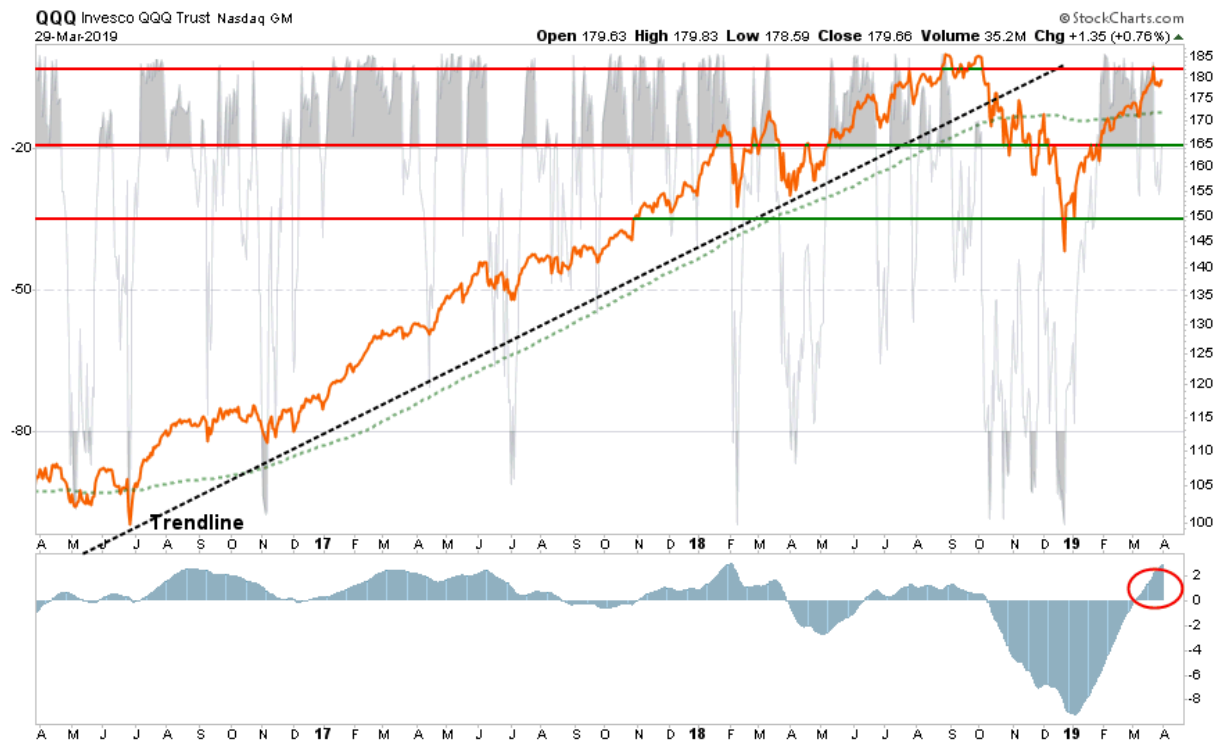
- The rally off of the 200-dma, as we previously discussed, was expected and the break above 280 resistance sets up a test of all-time highs.
- The sell off last Friday has SPY testing 280 which will held this past week.
- SPY still very overbought, and further corrective action continued last week with a rally to close out the quarter.
- Short-Term Positioning: Bullish
  - Last Week: Previously increased sizing to full weight.
  - This Week: Hold
  - Stop-loss remains at \$275
- Long-Term Positioning: Neutral

## Dow Jones Industrial Average



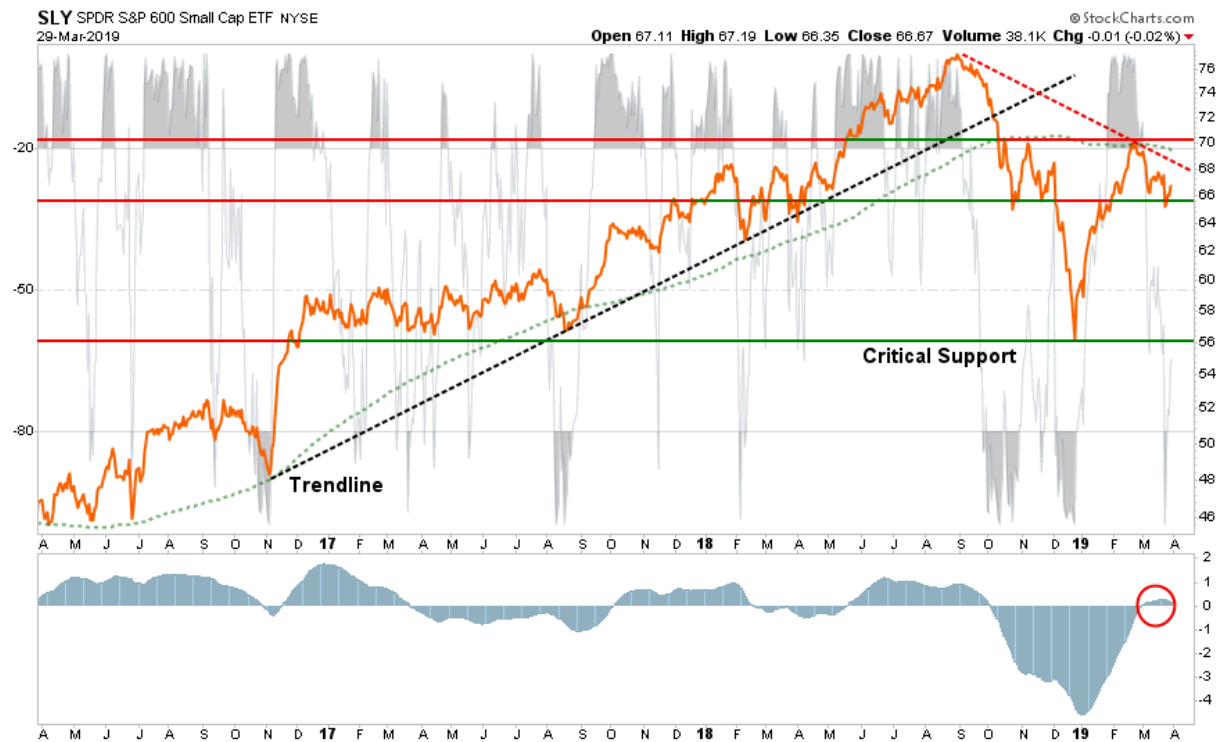
- *DIA is trying at failed resistance for a third time at the January highs and remains very overbought.*
- *DIA remains well above its 200-dma and that remains critical support.*
- *A "buy signal" is in place*
- *Market is back to extreme overbought, so a break above resistance is key before taking on additional exposure.*
- *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



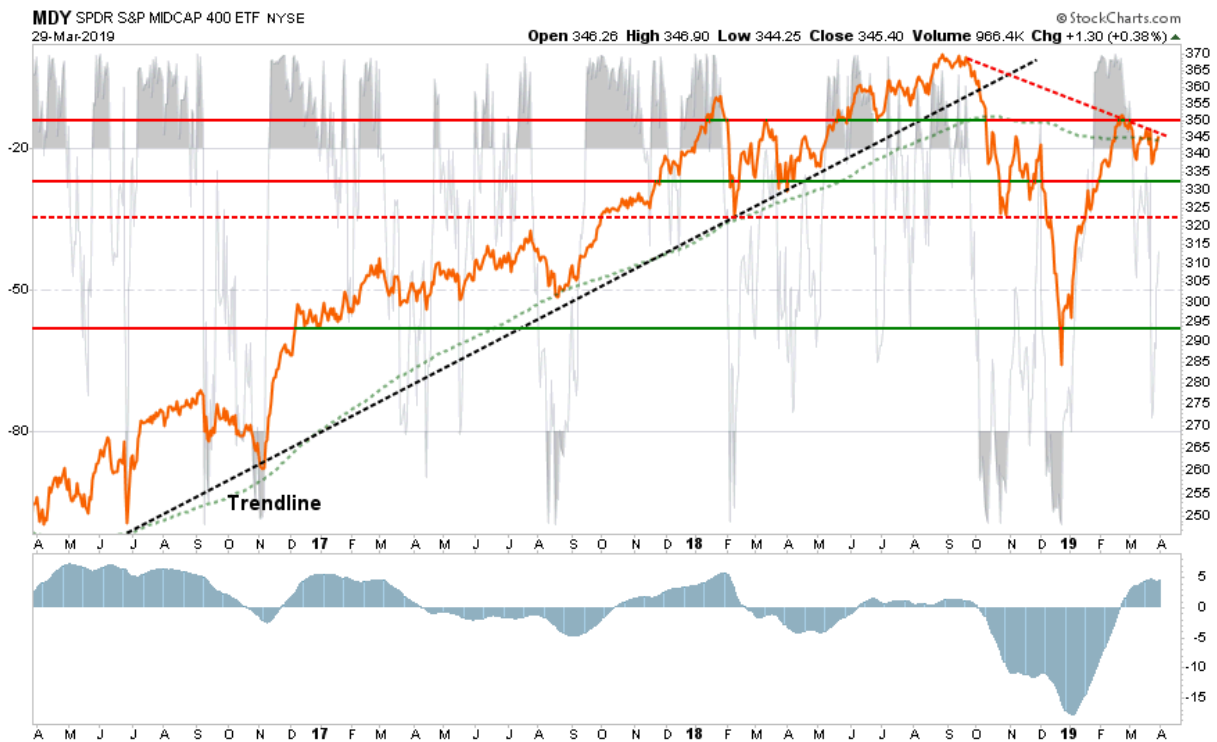
- *By far the best looking chart of the 5-major domestic indices.*
- *A buy signal was triggered following a successful retest of the 200-dma. But that buy signal is now getting extremely extended.*
- *Market remains very overbought but the failure last week at minor resistance may set up a buying opportunity if further correction action continues this week.*
- **Short-Term Positioning: Bullish**
  - *Last Week: Currently holding full position.*
  - *This Week: Hold position*
  - *Stop-loss remains at \$170*
- **Long-Term Positioning: Neutral**

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



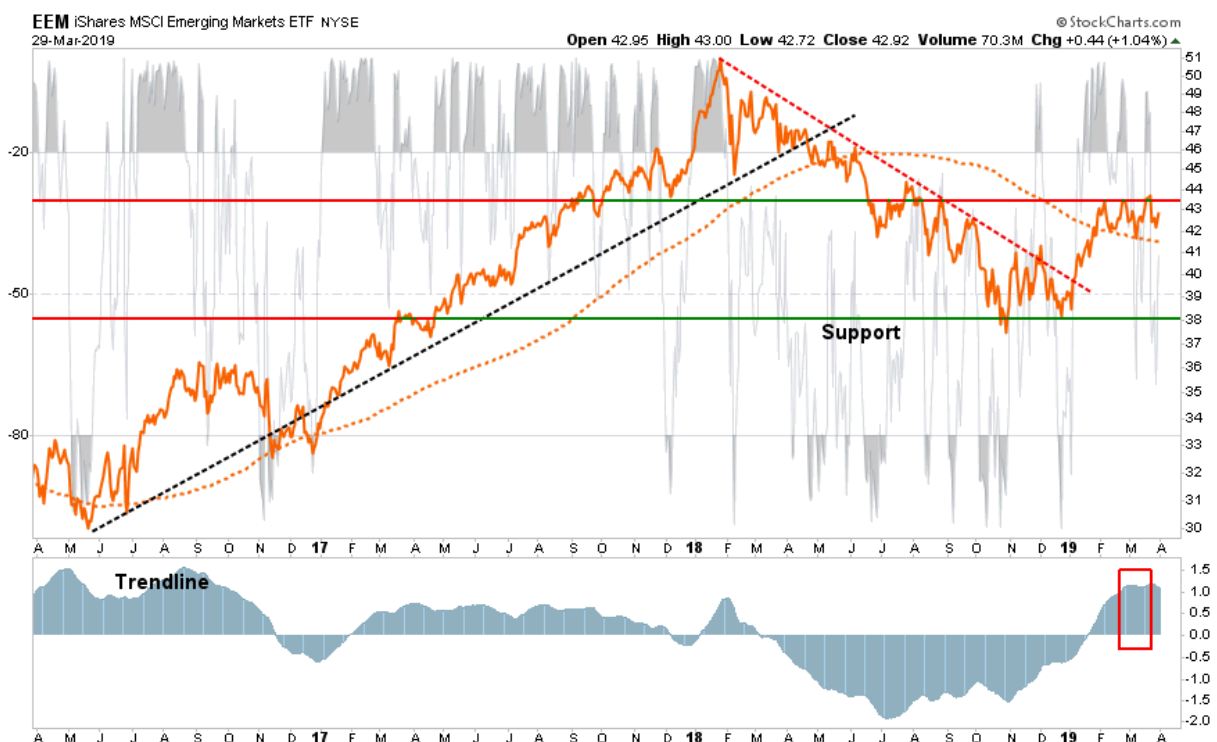
- Recent rally failed at the 200-dma, and has now established a new downtrend with a lower high on the bounce and the break of previous support at the Oct-Nov lows.
- Current on a "buy" signal which is very close now to reversing back to a sell. No reason to buy at this time.
- Small-caps have reversed their overbought condition and tried to rally on Friday albeit weakly.
- Short-Term Positioning: Bearish
  - Last Week: Sell last 1/2 position on Monday
  - This Week: No holding
- 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, has created a new downtrend.
- Mid-caps have recently flipped back onto a buy signal. However, the recent correction has not completely reduced the overbought condition yet.
- Short-Term Positioning: Bearish
  - Last Week: Sold remaining 1/2 position.
  - This Week: No position
- Long-Term Positioning: Bearish

## Emerging Markets



- EEM recently tested its 200-dma for a second time and has now failed at overhead resistance for a third time.
- The extreme overbought condition is being worked off, so it will be important for EEM to continue 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 and breaks recent highs, we will add to our holdings.
- Short-Term Positioning: Bullish
  - Last Week: Hold current position.
  - This Week: Hold current position.
  - Stop-loss remains at \$41
- Long-Term Positioning: Bearish

## International Markets



- As I noted last week, the recent rally finally pushed above the 200-dma. However, we needed a sell off test the 200-dma. That happened this past week.
- The downtrend from all-time highs and remains and international markets are extremely overbought.
- While a "buy signal" has been triggered, EFA remains very overbought in the short-term.
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 position
  - This Week: Looking to add second 1/2 if support holds into next week.
  - Stop-loss moved up to \$63
- 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.
- However, as noted last week, \$60 was the next major resistance level at the 50% retracement which will coincide with the downward trending 200-dma. Oil failed at that level last week and is retesting again this week.
- Oil has triggered a buy signal, but remains extremely overbought.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, hold 1/2 position
  - This Week: Hold 1/2 position, look for a break above the 50% retracement.
  - Stop-loss adjusted to \$55
- Long-Term Positioning: Bearish

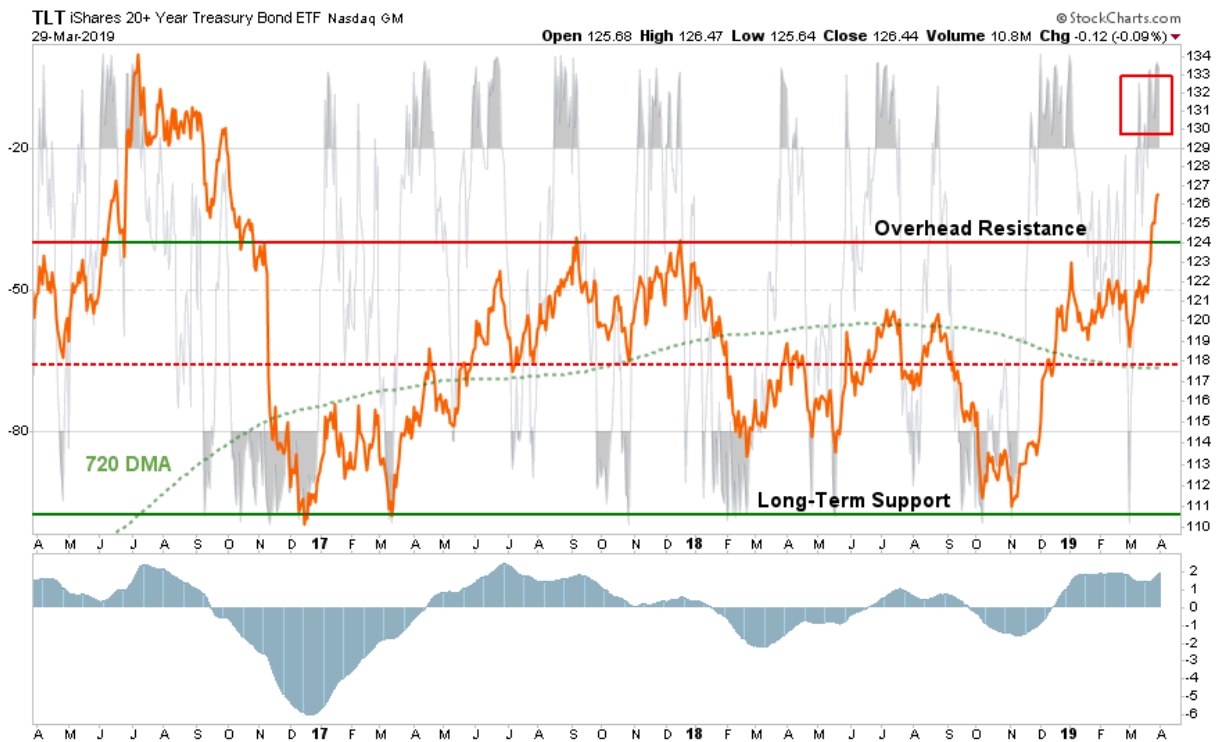
## Gold





- As we noted several weeks ago, the sell-off tested support at the 61.8% retracement of the previous decline and had gotten oversold for a second time in the last couple of weeks.
- The concern currently is the "buy" signal is weakening. It is back to oversold but the recent price action is not encouraging.
- After adding to our position, gold hasn't done much at this juncture.
- Short-Term Positioning: Bullish
  - Last week: Hold positions.
  - This week: Hold positions
  - Stop-loss for whole position moved up to \$121
- Long-Term Positioning: Improving•From•Bearish•To•Bullish

## Bonds (Inverse Of Interest Rates)



- By far one of the best looking charts technically.
- After spending nearly 3-years in a consolidation process, bonds broke out last Friday after triggering an entry opportunity at \$120.
- Currently on a buy-signal (bottom panel), bonds have once again swung from oversold to overbought.
- While resistance remains from \$122 to \$124, the bullish breakout is bullish for bonds.
- However, bonds are now **EXTREMELY** overbought. Look for a pullback to previous resistance which holds to add to exposures.
- 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: Trim 1/4 of position just to take profits.
  - Stop-loss adjusted to \$121
- Long-Term Positioning: Bullish