

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:

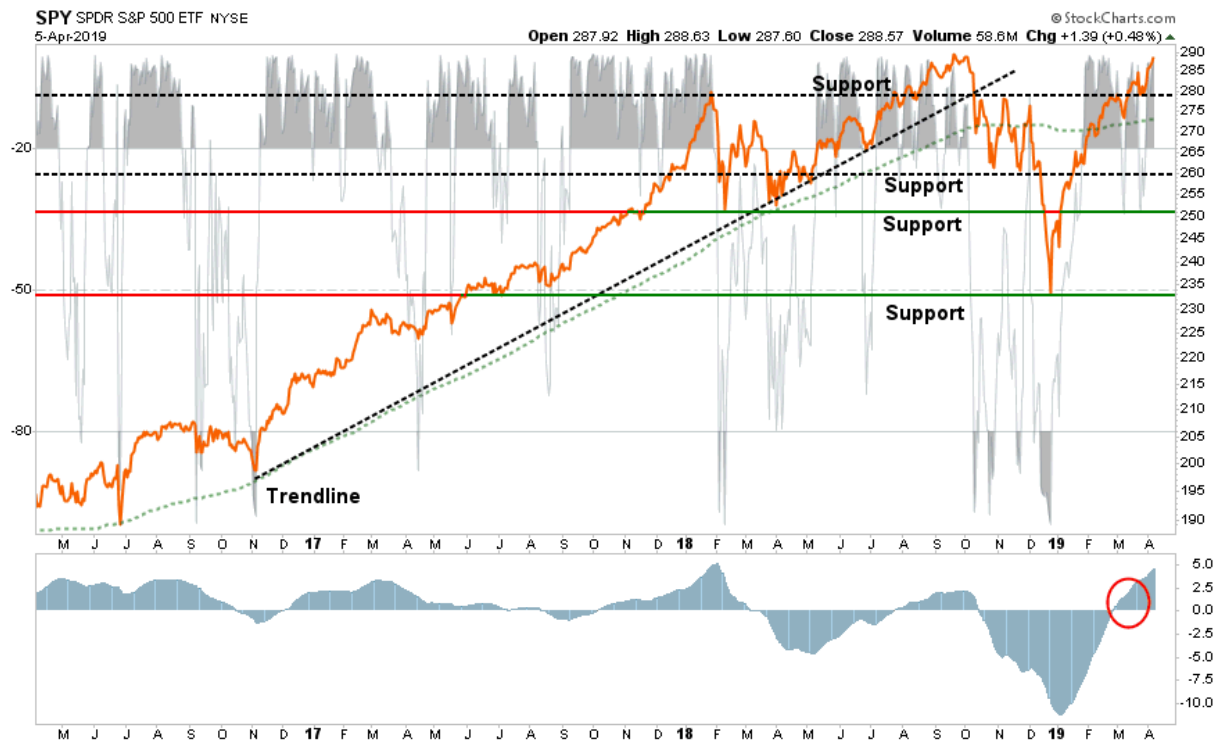
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



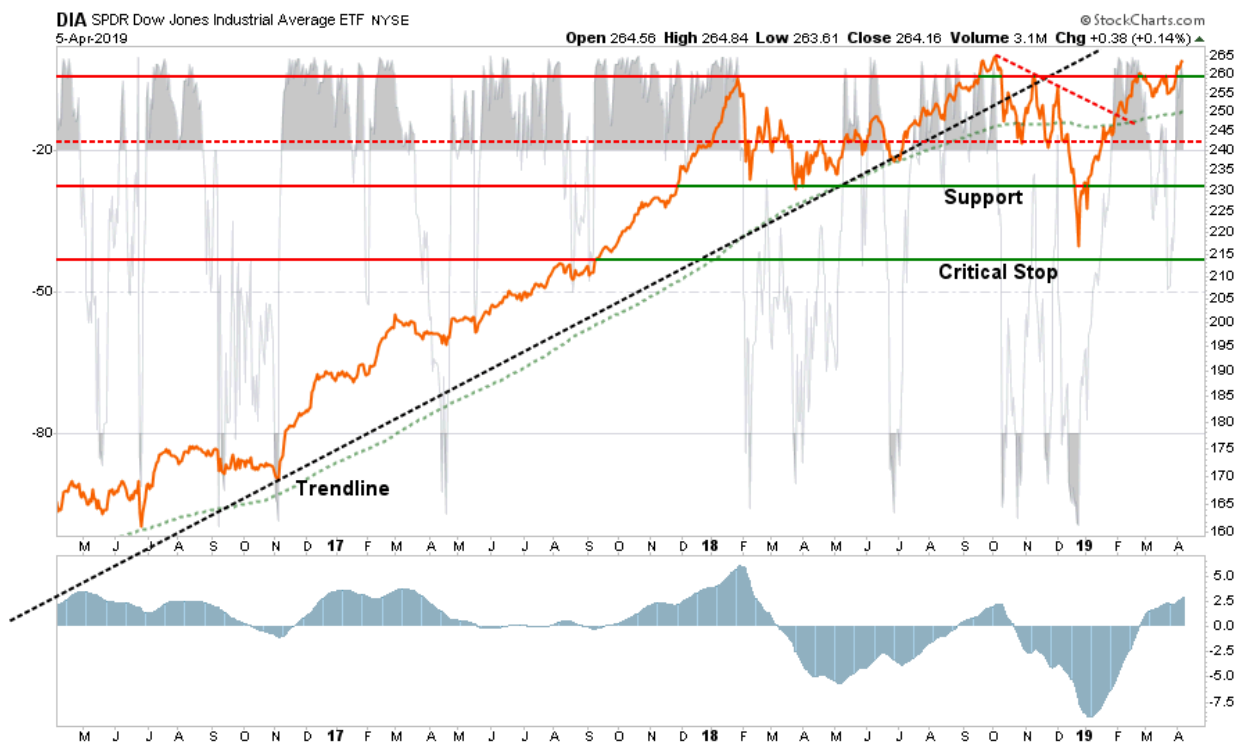
With this basic tutorial let's review the major markets.

## S&P 500 Index



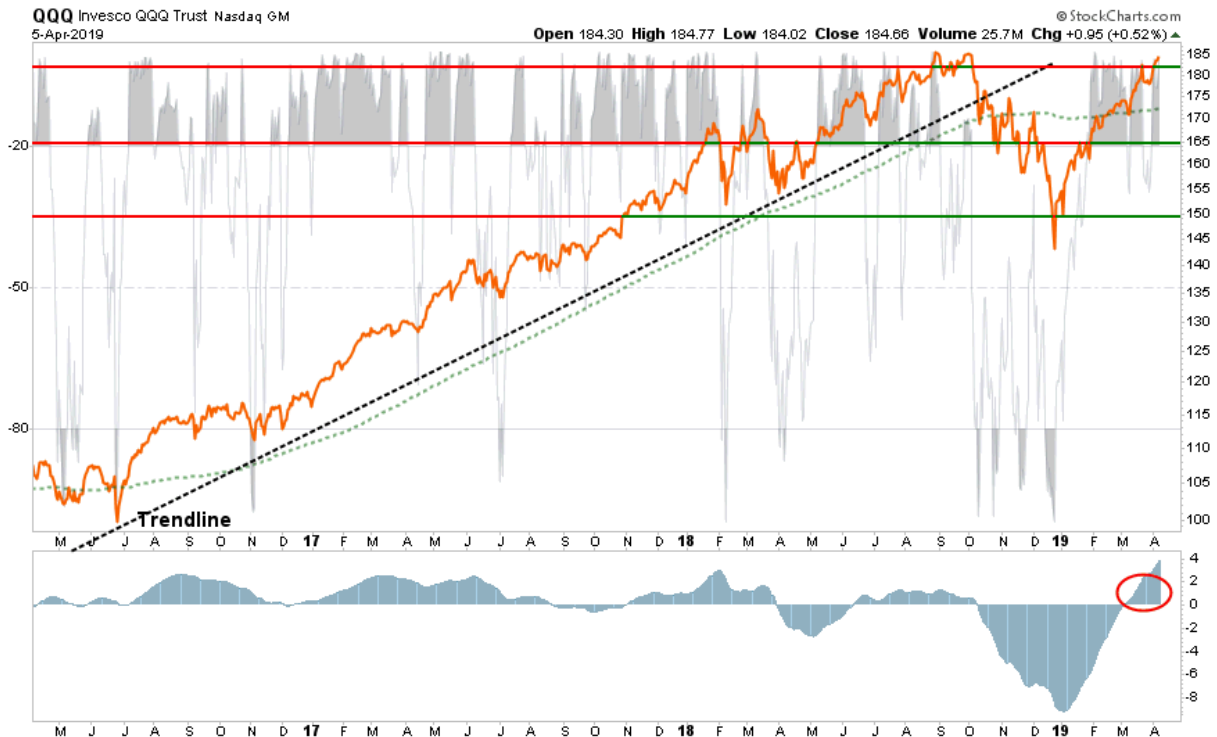
- As we discussed last week, the rally above, and retest of support at 280 sets up a test of all-time highs. I expect that will occur early next week.
- SPY is extremely overbought, so a test and failure at the highs will not be surprising.
- Short-Term Positioning: Bullish
  - Last Week: Previously increased sizing to full weight.
  - This Week: Hold
  - Stop-loss moved up to \$280
- Long-Term Positioning: Neutral

## Dow Jones Industrial Average



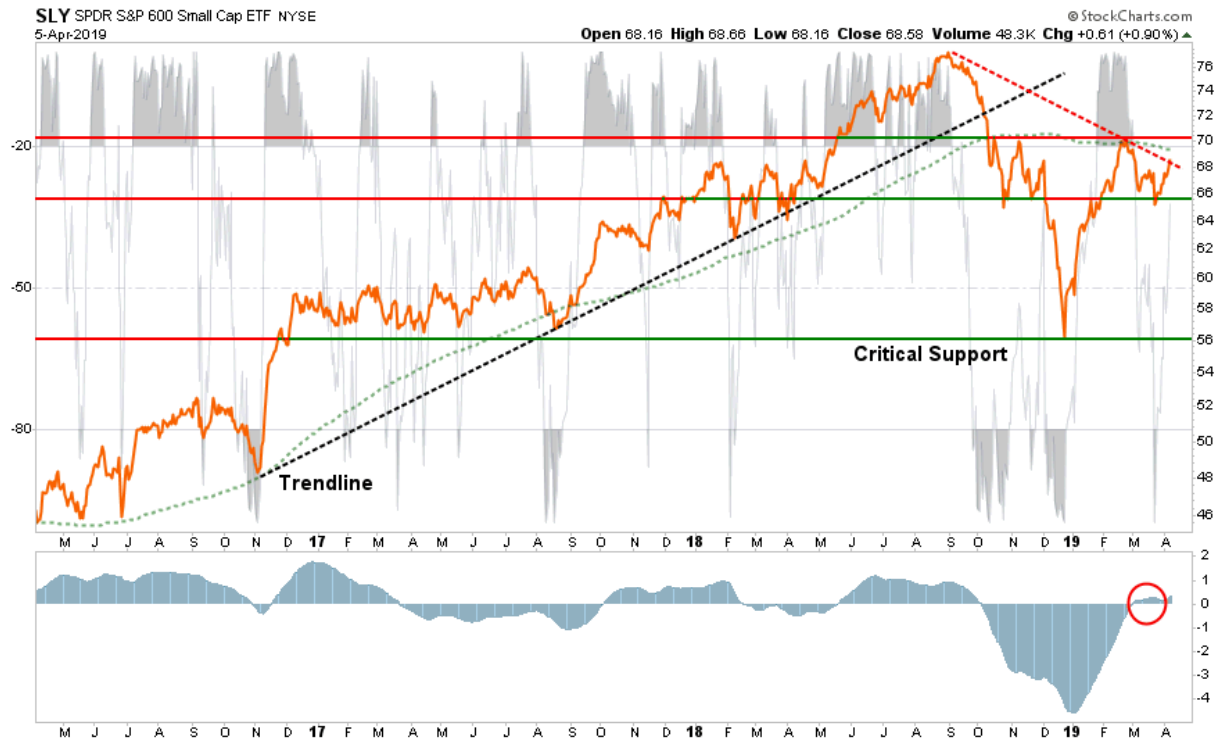
- DIA broke above resistance at 260 last week which now sets the market up for a test of all-time highs.
- As with SPY above, and QQQ below, a test of highs in next few days will not be surprising. However, a failure at those levels, as stated will not be surprising.
- Market is extremely overbought
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 of position
  - This Week: Hold 1/2 of position
  - Stop-loss moved up to \$255
- Long-Term Positioning: Neutral

## Nasdaq Composite



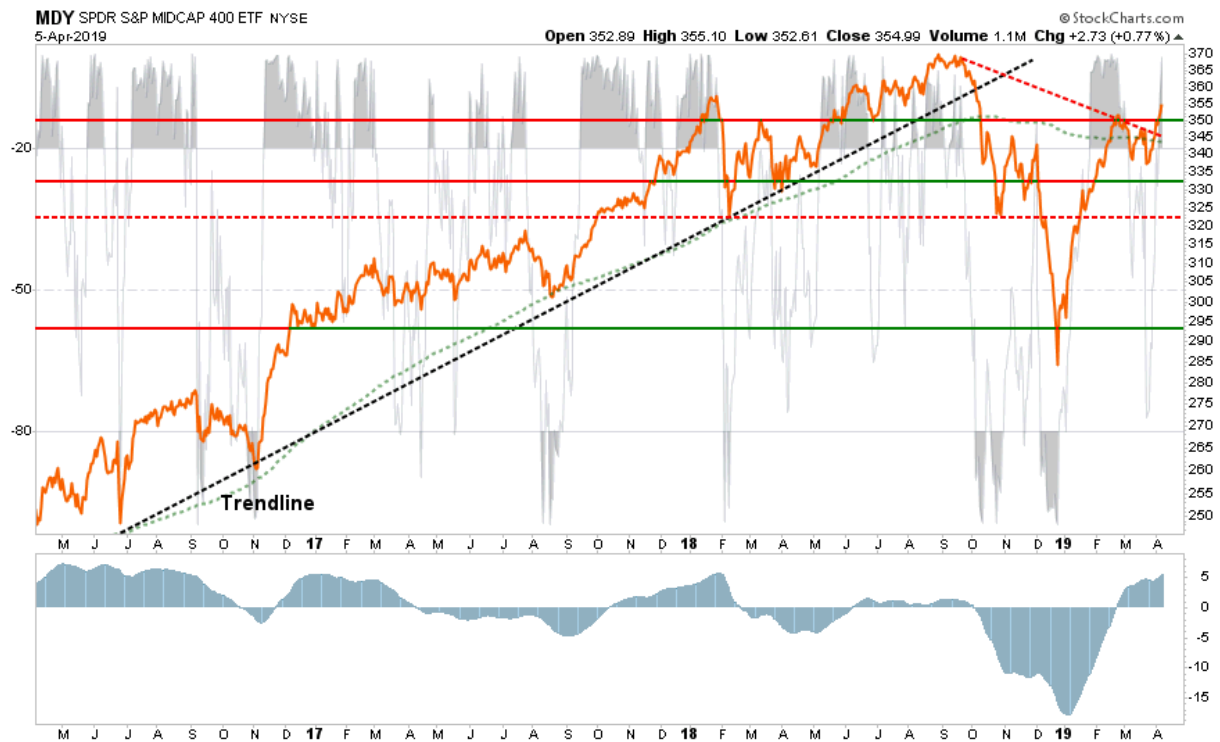
- As stated above, QQQ will test all-time highs this next week.
- With the market and the underlying "buy signal" extremely stretched an initial failure at highs would not be surprising.
- Short-Term Positioning: Bullish
  - Last Week: Currently holding full position.
  - This Week: Hold position
  - Stop-loss moved up to \$175
- 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.
- Currently 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 oversold condition and did rally into the downtrend line on Friday.
- Short-Term Positioning: Bearish
  - Last Week: No Holding
  - This Week: No Holding
- Long-Term Positioning: Bearish

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



- Last week, MDY finally took on a more bullish tone by breaking above the recent downtrend line and resistance at 350.
- Mid-caps are on a buy signal, however, that signal is reaching more extended levels with the market getting back to more extreme overbought levels.
- Short-Term Positioning: Bearish
  - Last Week: No position
  - This Week: No position
- Long-Term Positioning: Bearish

## Emerging Markets



- EEM recently broke above its 200-dma, tested that previous resistance and broke out above recent resistance. This is bullish for emerging markets and suggests higher levels are likely.
- However, both the current "buy" signal and the market itself are extremely overbought. Look for a pullback to support at the tops of the previous consolidation which works off some of the overbought condition to add to holdings.
- Short-Term Positioning: Bullish
  - Last Week: Hold current position.
  - This Week: Hold current position.
  - Stop-loss moved up to \$43
- Long-Term Positioning: Neutral

## 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 last week.
- The rally this week establishes a bullish trend for International markets. However, the downtrend from all-time highs remains and EFA is not back to extremely overbought levels.
- While a "buy signal" has been triggered, EFA it also remains extremely overbought in the short-term.
- Short-Term Positioning: Neutral
  - Last Week: Hold 1/2 position
  - This Week: Looking to add second 1/2 on a small correction that works off overbought conditions.
  - Stop-loss moved up to \$64
- Long-Term Positioning: Neutral

## West Texas Intermediate Crude (Oil)



- Oil showed some muscle by breaking above the 3-year trend channel and above the 50% Fibonacci retracement.
- With Oil extremely overbought in the short-term the 68.2% retracement level may provide sufficient resistance particularly given the recent builds in inventories and rhetoric from the White House wanting lower prices.
- 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 correction that holds the 50% retracement to add to holdings.
  - Stop-loss adjusted to \$57.50
- Long-Term Positioning: Bearish

## Gold

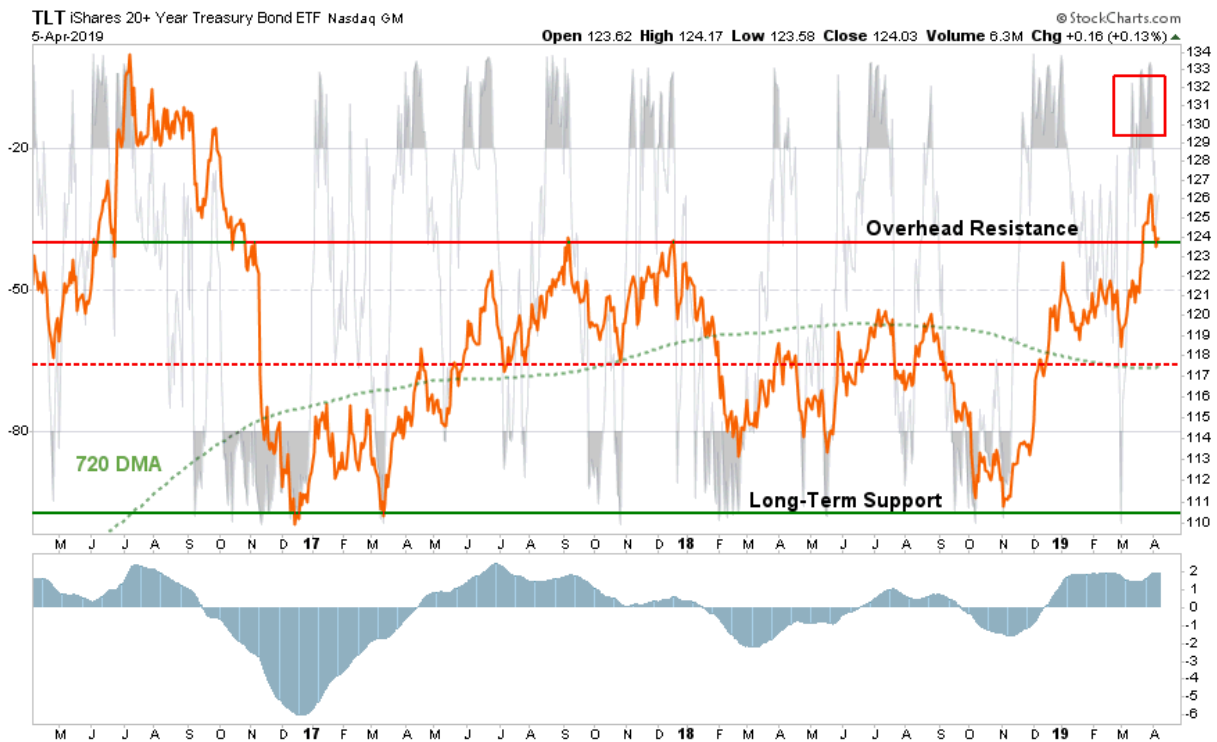




- For third time in the last several weeks, Gold sold-off to test support at the 61.8% retracement level of the previous decline. GLD is back to oversold for a second time in the last several of weeks.
- The concern currently is the "buy" signal is weakening. It is back to oversold but the recent price 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)





- As we discussed last week, bonds had gotten *EXTREMELY* overbought and a pullback was likely. That occurred last week.
- Currently on a buy-signal (bottom panel), bonds have once again swung from oversold to overbought and are working to hold support at \$124 and work off some of the short-term overbought condition.
- If support holds between \$122 and \$124 bonds can be added to portfolios. Our best guess currently is that TLT will eventually test all-time highs by the end of the this year.
- Strong support at the 720-dma (2-years) (green dashed line) which is currently \$118.
- Short-Term Positioning: Bullish
  - Last Week: Trimmed 1/4th of holdings to take profits.
  - This Week: Hold current positions and look to add exposure if support holds.
  - Stop-loss adjusted to \$122
- Long-Term Positioning: Bullish