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

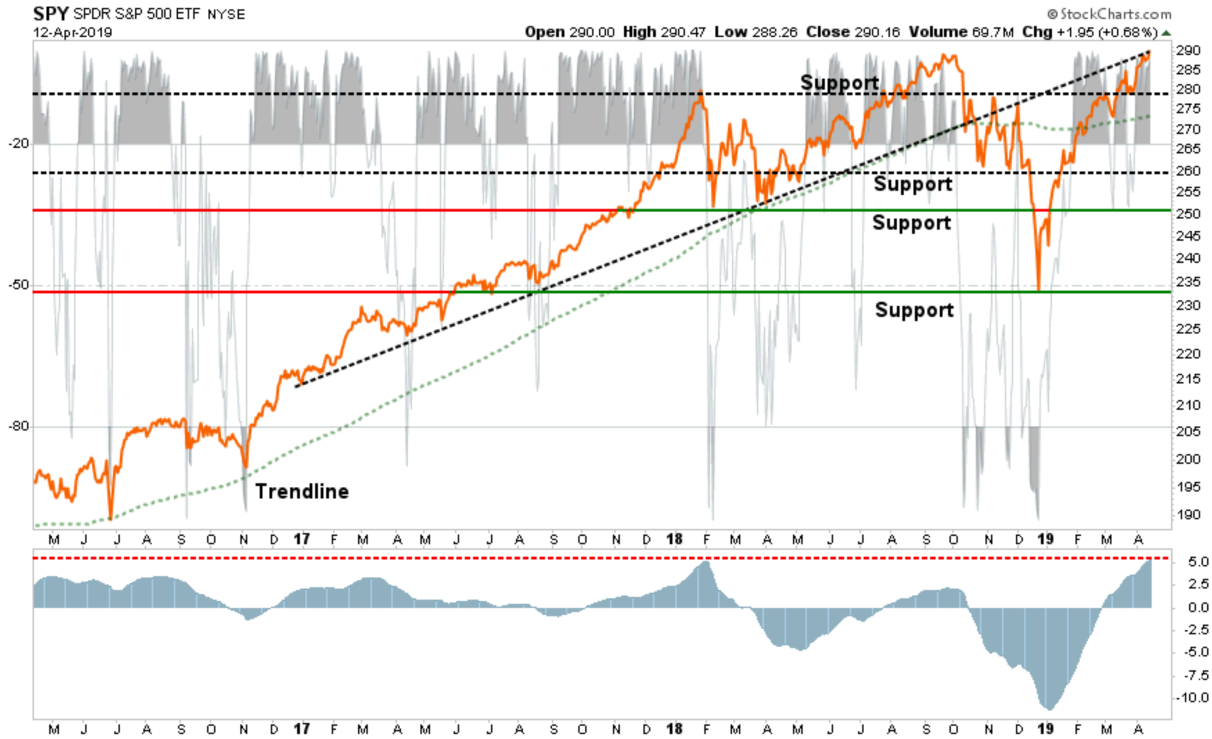
There are three primary components to each chart:

- *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.

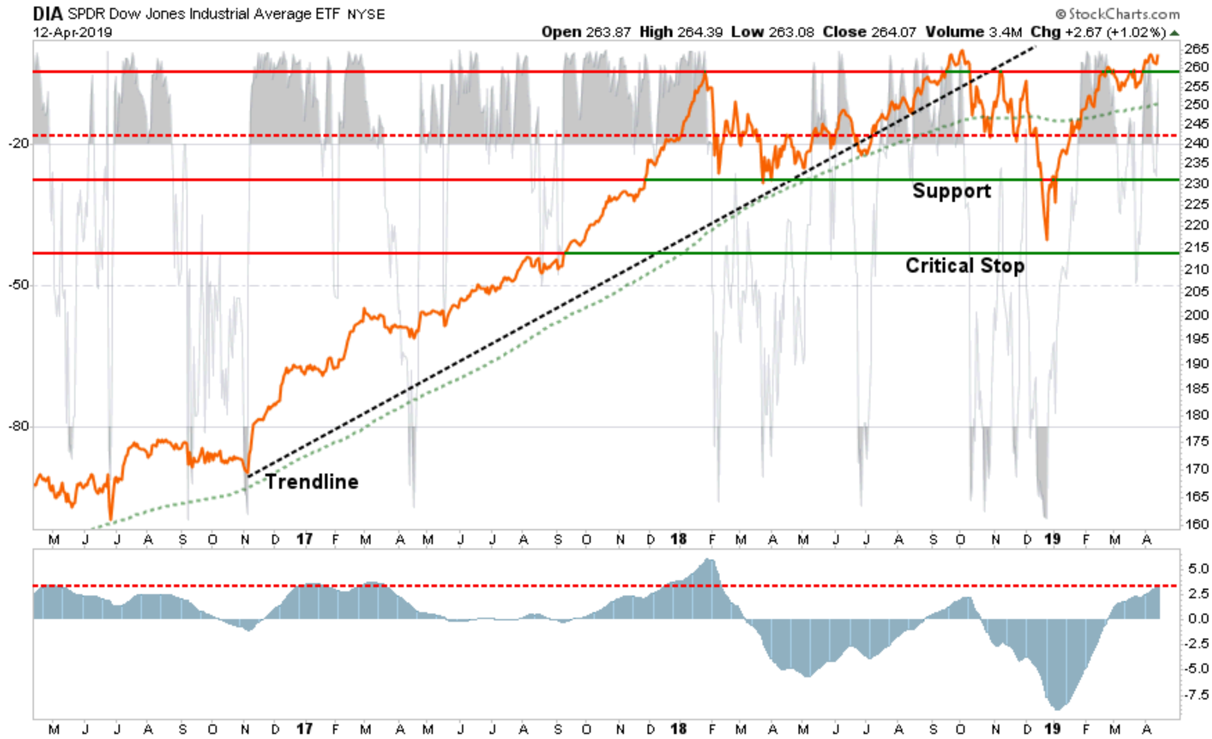
With this basic tutorial let's review the major markets.

S&P 500 Index



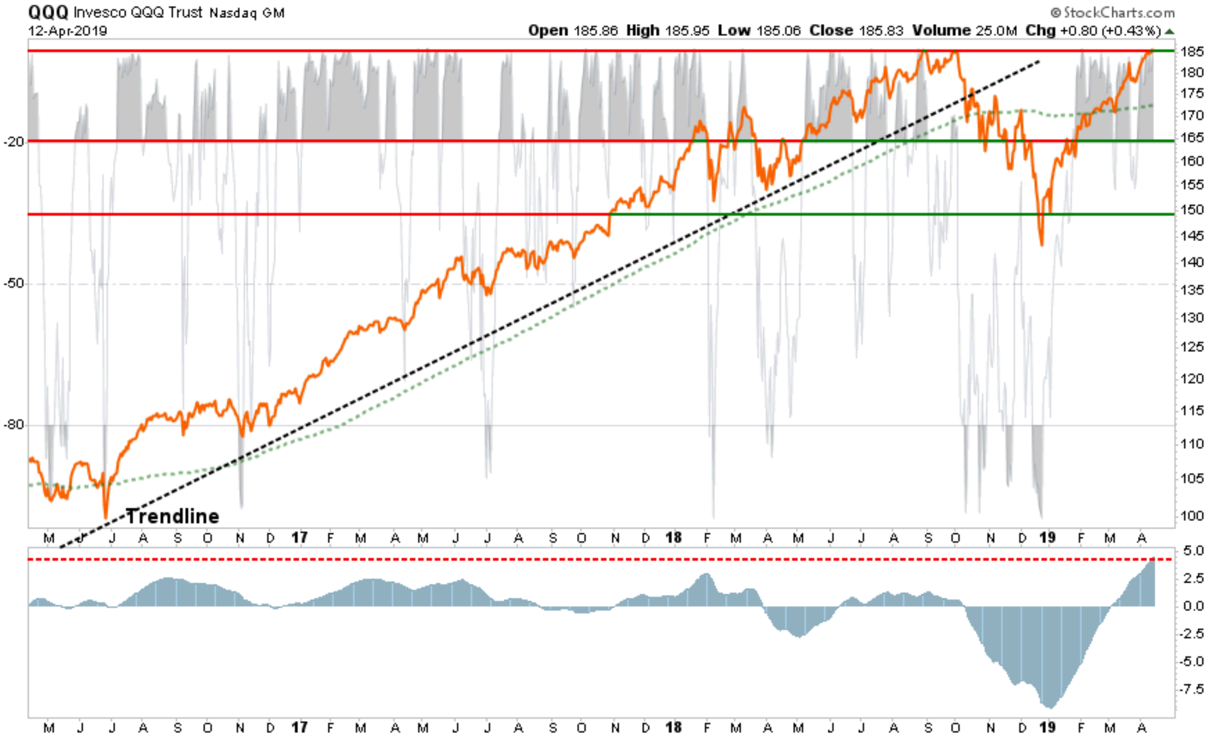
- *As we discussed two weeks ago, the rally above, and retest of support at 280 sets up a test of all-time highs. That happened last week as expected and we are no watching to see if it can hold.*
- *SPY is extremely overbought, so a test and failure at the highs will not be surprising.*
- *Note the "buy" signal in the lower panel is at a level which has always denoted at least short-term market tops. So currently risk outweighs further reward.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold full weight position*
    - *This Week: Hold, Take profits*
    - *Stop-loss moved up to $280*
- *Long-Term Positioning: Neutral*

Dow Jones Industrial Average



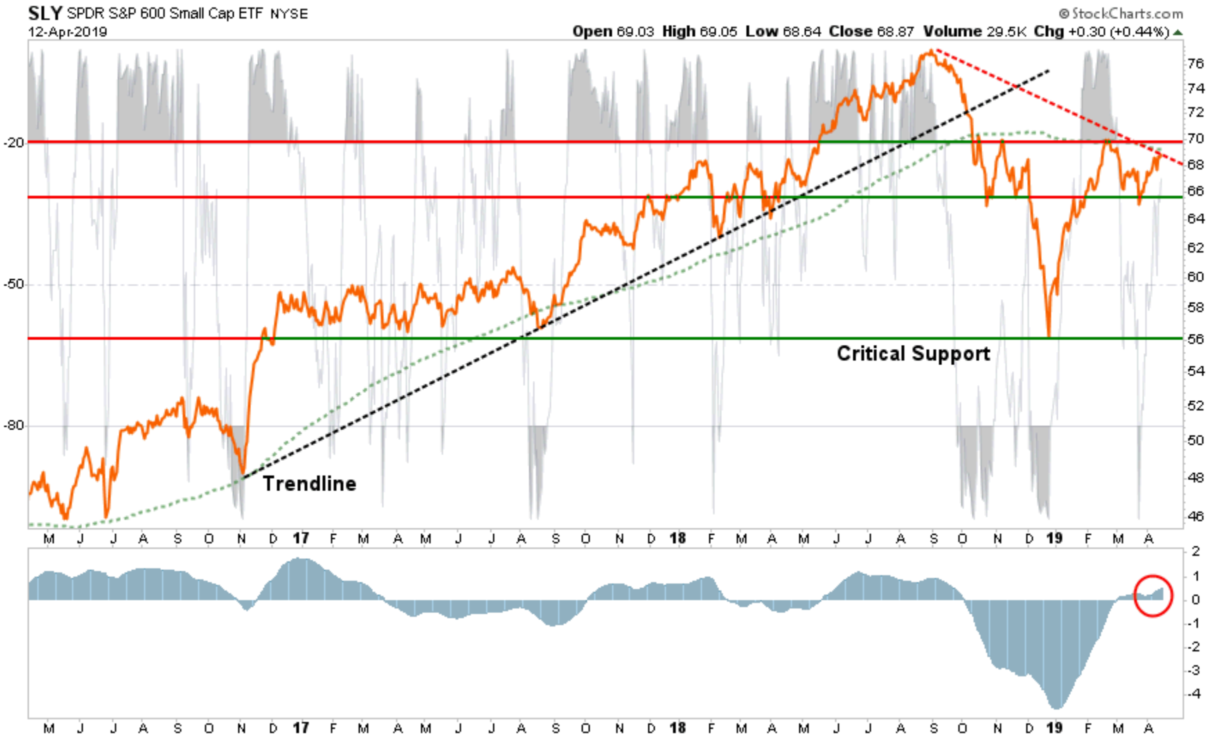
- *Like SPY, DIA also broke above resistance at previously which now sets the market up for a test of all-time highs.*
- *As with SPY above, and QQQ below, a test of highs in next few days will not be surprising. However, a failure at those levels, as stated will also not be a surprise.*
- *Market is extremely overbought and the current buy signal is extremely extended.*
- *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



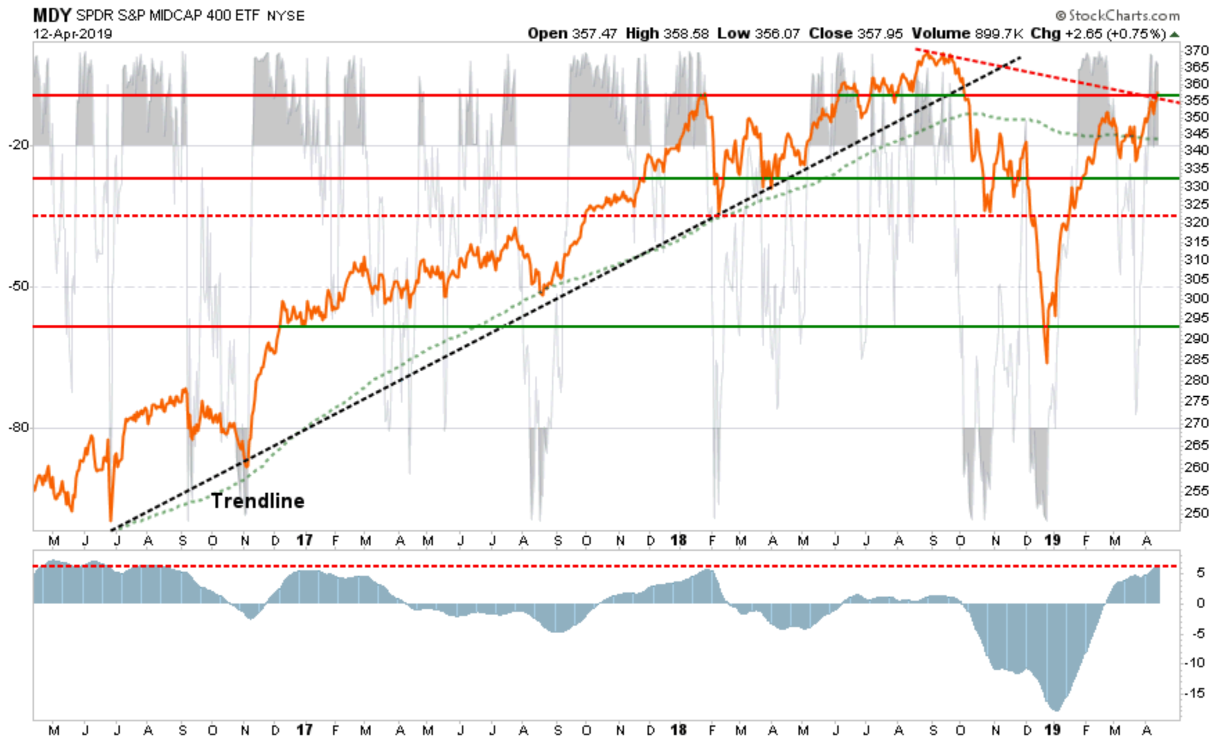
- *As noted last week, we stated QQQ would test all-time highs this past week. It did.*
- *With the market and the underlying "buy signal" extremely stretched to the highest levels we have seen in several years, an initial failure at highs would not be surprising.*
- *Short-Term Positioning: Bullish*
  - *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)



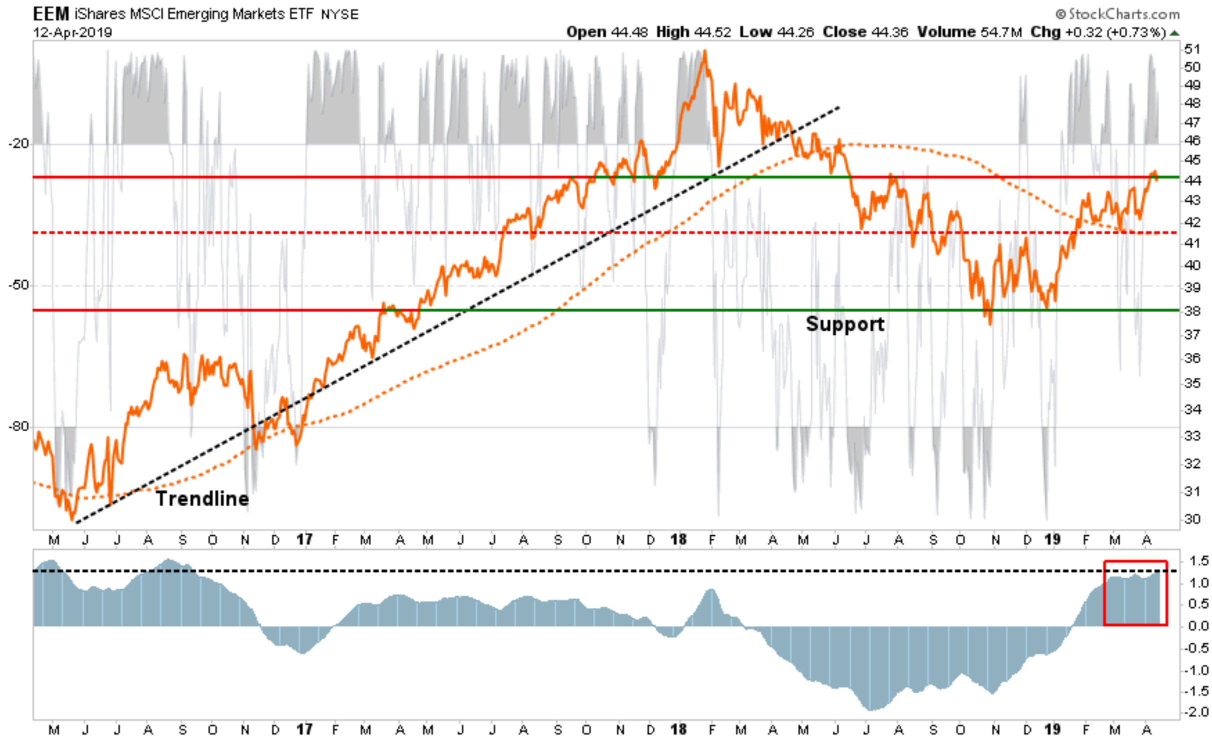
- *Recent rally continues to stall at the 200-dma, and has established a downtrend with a lower high on the bounce and the break of previous support at the Oct-Nov lows.*
- *Currently on a modest "buy" signal and not completely overbought, it is now or never for small-caps to join the broader market rally.*
- *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)



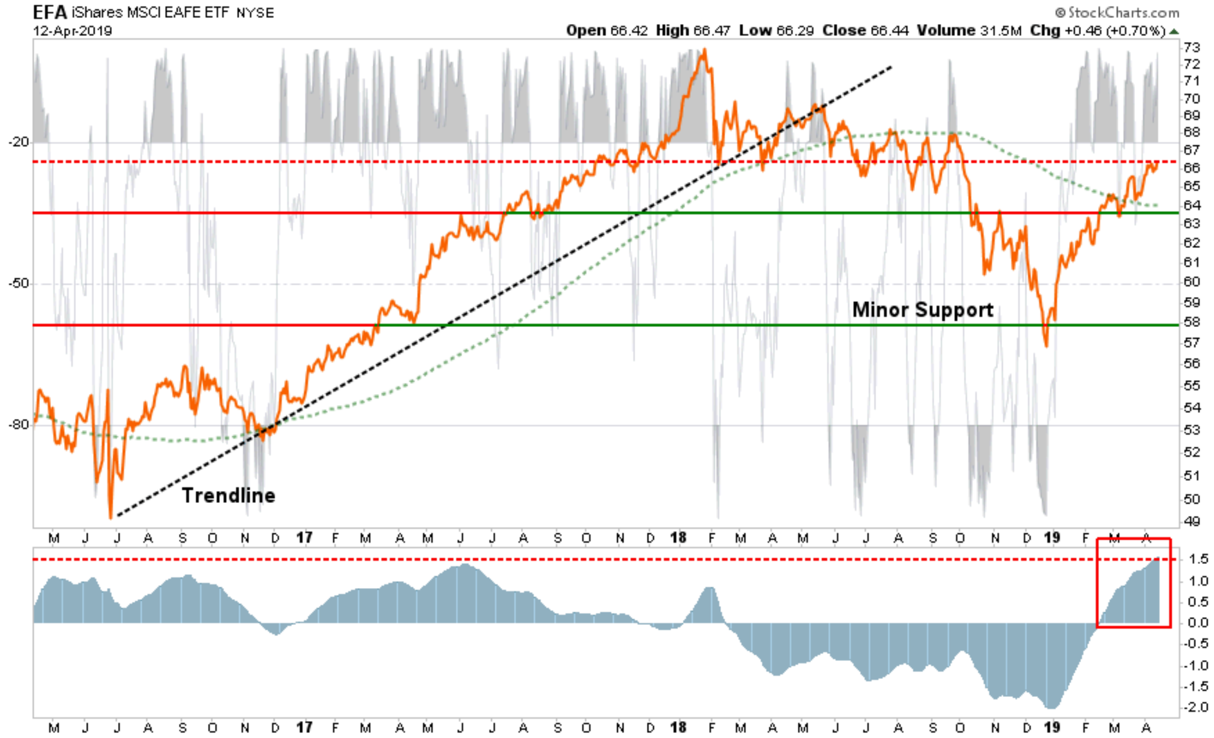
- *Last week, MDY finally took on a more bullish tone by breaking higher and pushing into overhead resistance well above the 200-dma.*
- *Mid-caps are on a buy signal, however, that signal is reaching more extended levels with the market getting back to more extreme overbought levels.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No position*
    - *This Week: No position - but a buying opportunity on a pullback to support may be approaching.*
- *Long-Term Positioning: Bearish*

Emerging Markets



- *EEM recently broke above its consolidation range and pushed into resistance of the lows of the February 2018 sell-off. The backdrop remains bullish for emerging markets currently.*
- *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 and into a series of previous bottoms which are now acting as resistance to a further advance.*
- *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*

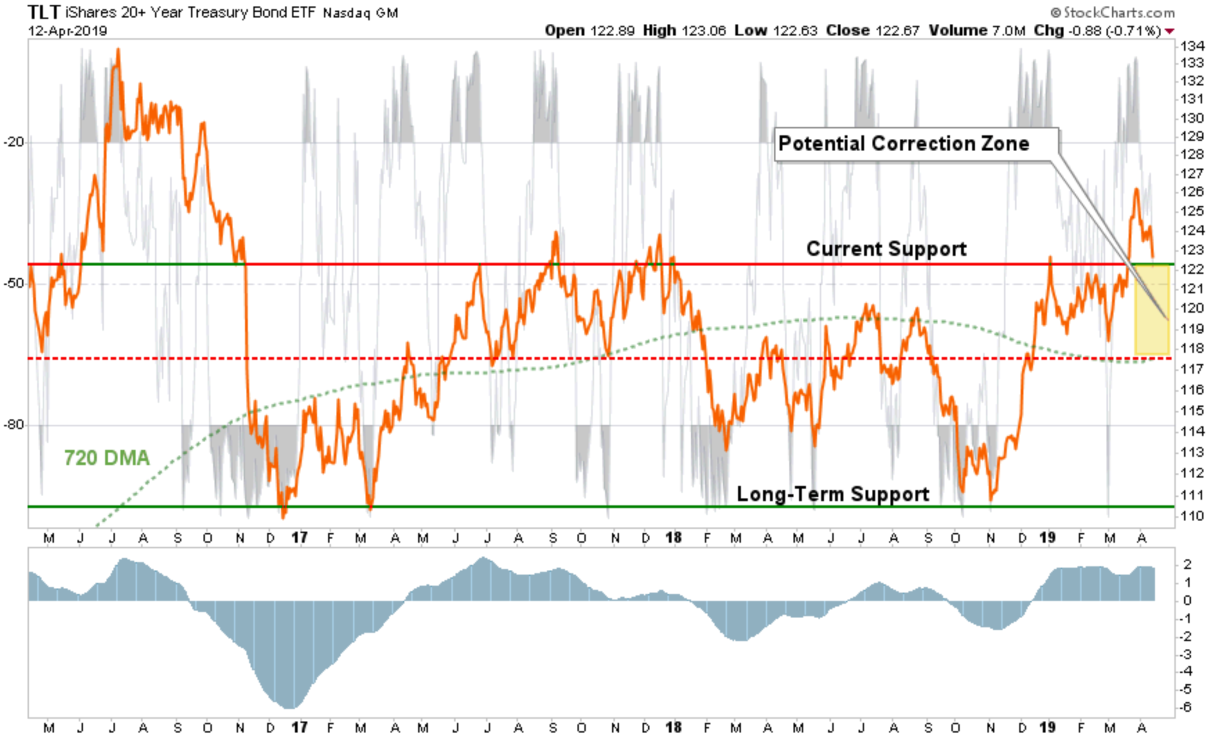
West Texas Intermediate Crude (Oil)

- *The rally in oil has gotten way ahead of itself in the face of building supplies.*
- *With Oil extremely overbought in the short-term, there is decent risk of a short-term reversion to work off some of the extreme overbought condition.*
- *Oil has triggered a buy signal, but remains extremely overbought. This is a good opportunity to scalp some profits and reduce risk currently.*
- *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 fourth time in the last several weeks, Gold is testing critical support at the 61.8% retracement level of the previous decline. GLD is back to oversold but the "buy" signal is fading.*
- *If Gold breaks support at $121, close out positions for now and wait for a better entry point. After adding to our position, gold hasn't done much at this juncture.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold positions.*
  - *This week: Hold positions*
  - *Stop-loss for whole position moved up to $121*
- *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)



- *As we discussed two weeks ago, bonds had gotten EXTREMELY overbought and a pullback was likely. That pullback process has continued for a second week.*
- *Currently on a buy-signal (bottom panel), bonds have once again swung from oversold to overbought and are working to hold support at $122 and work off some of the short-term overbought condition.*
- *If support holds between $122 bonds can be added to portfolios. However, given the current backdrop and complacency of the equity markets, our guess is we could well see TLT trade between $118 and $122.*
- *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*