

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:

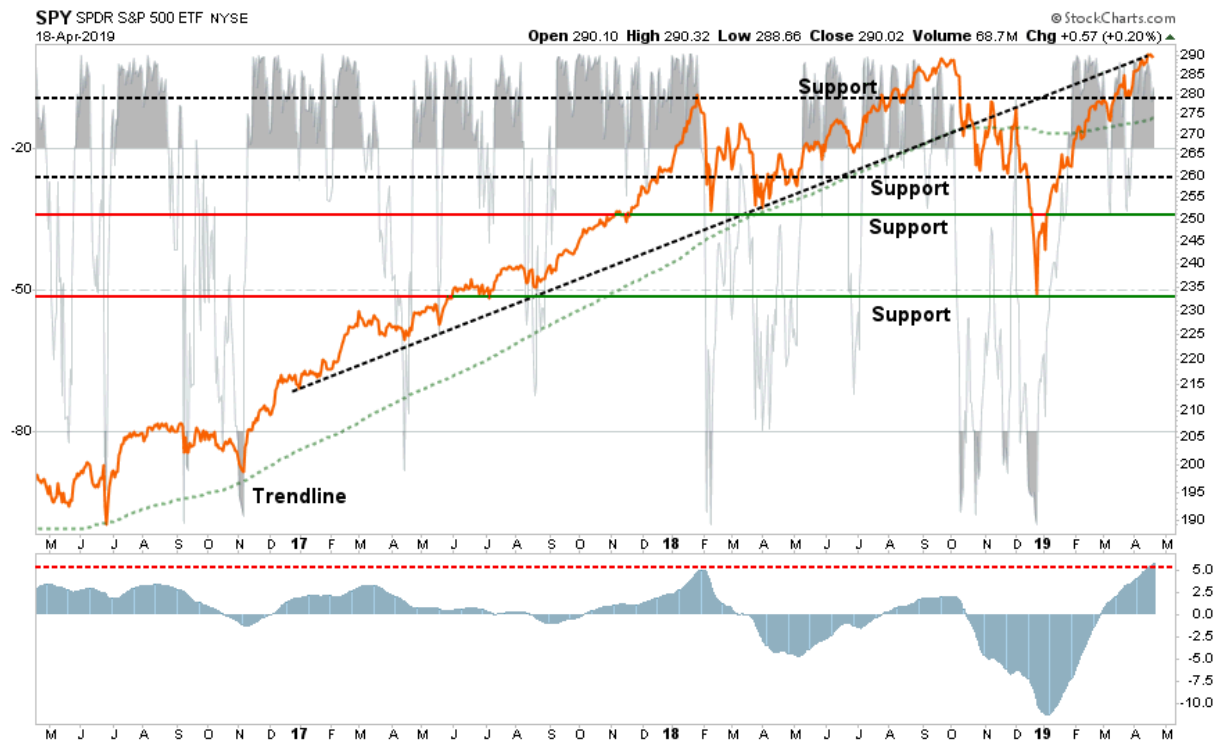
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



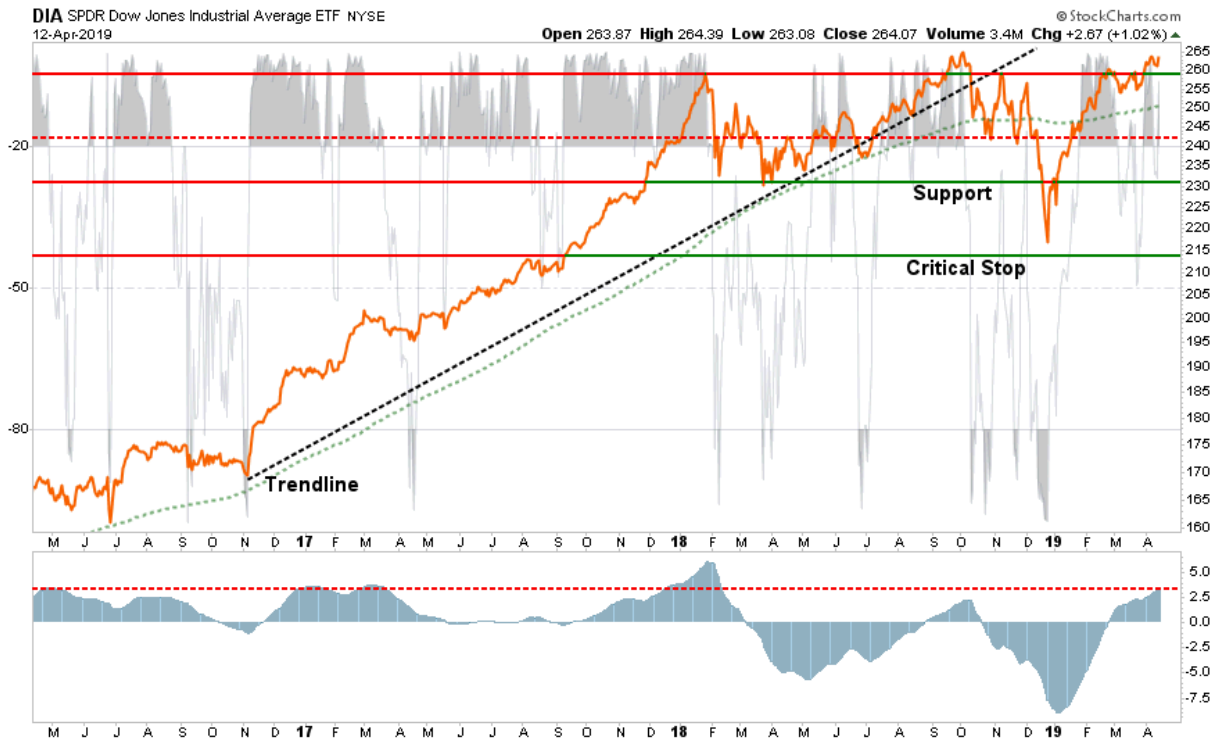
With this basic tutorial let's review the major markets.

## S&P 500 Index



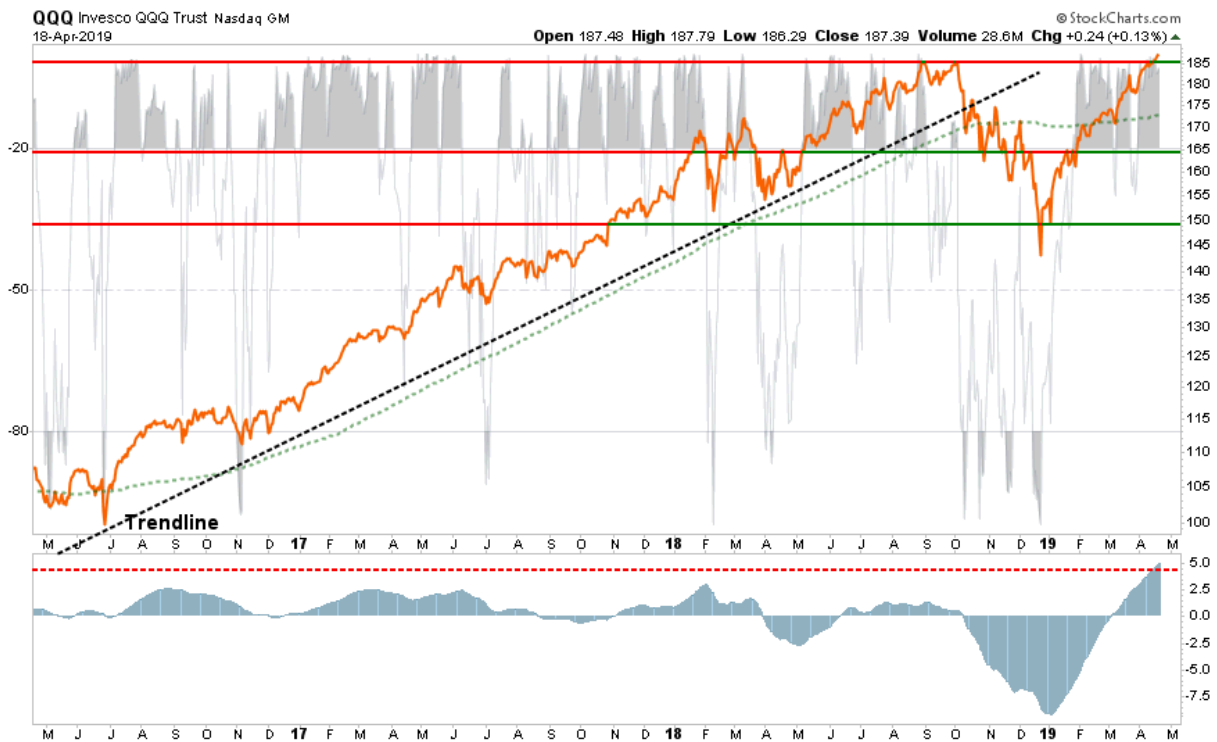
- SPY is currently testing the bottom of the uptrend line from both the 2017 post-election bounce and the 2016 lows.
- Currently, SPY is extremely overbought, so a test and failure at these levels will not be surprising.
- Note the "buy" signal in the lower panel is at a level which has always denoted at least short-term market tops. So currently risk outweighs further reward.
- Short-Term Positioning: Bullish
  - Last Week: Recommended taking profits
  - This Week: If you haven't taken profits and rebalanced previously, now is the time.
  - Stop-loss remains at \$280
- Long-Term Positioning: Neutral

## Dow Jones Industrial Average



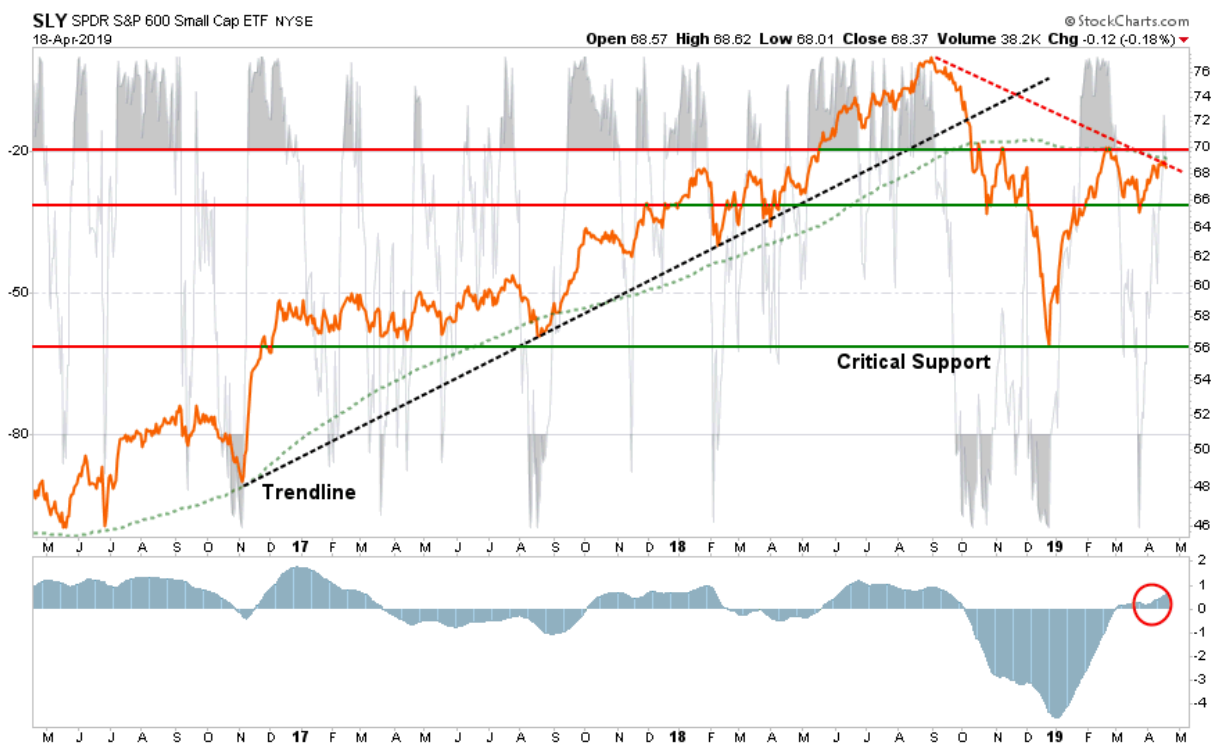
- Like SPY, DIA also broke above resistance at previously which now sets the market up for a test of all-time highs.
- As with SPY above, and QQQ below, a test of highs in next few days will not be surprising. However, a failure at those levels, as stated will also not be a surprise.
- Market is extremely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



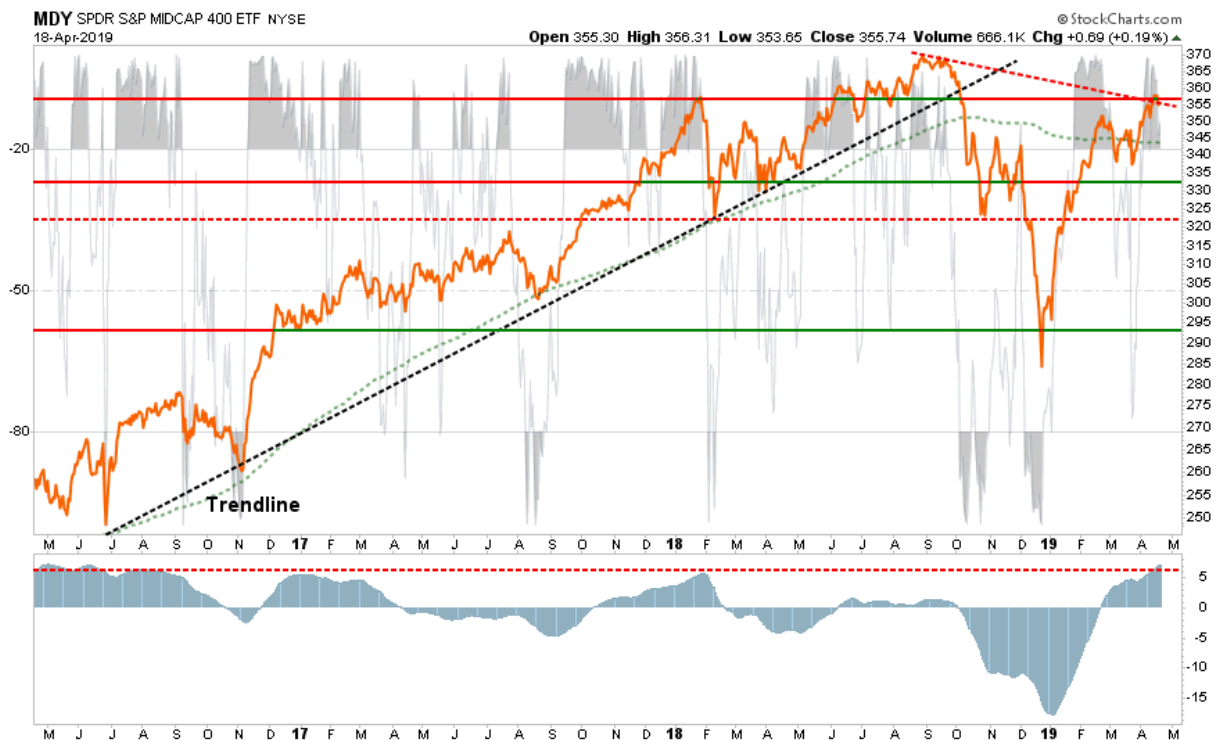
- As we discussed previously, QQQ has hit new highs.
- With the market and the underlying "buy signal" extremely stretched to the highest levels we have seen in several years, an initial failure at these levels would not be surprising. The breakout to highs was not on inspiring volume.
- Short-Term Positioning: Bullish
  - Last Week: Currently holding full position.
  - This Week: Hold position, take profits and rebalance holdings.
  - Stop-loss moved up to \$180
- 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)



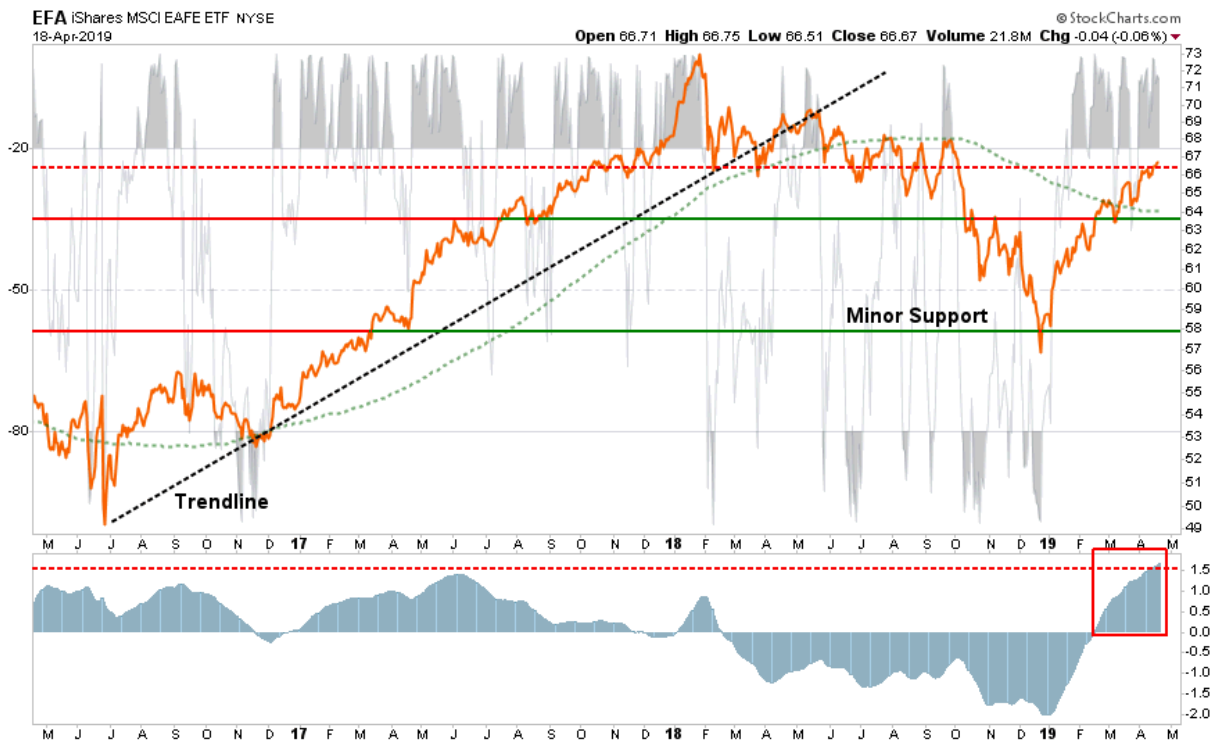
- Two weeks ago, I noted that MDY finally took on a more bullish tone by breaking higher and pushing into overhead resistance well above the 200-dma.
- That overhead resistance remained a challenge this past week,
- Mid-caps are on a buy signal, however, that signal is reaching more extended levels with 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 remains bullish for now despite slowing Eurozone economic growth. Last week, EEM continued to hold support after breaking above previous resistance. However, the volume was light which makes the break less convincing.*
- *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's buy signal remains intact, but as stated is 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





- Last week, Gold broke critical support at the 61.8% retracement level of the previous decline. GLD is back to oversold but the "buy" signal is fading. It is critical the 50% retracement level holds.
- Gold broke support at \$121 which was our stop. However, with the more extreme oversold condition, and support at the 50% retracement level, look for a bounce to sell holdings into, probably next week.
- Short-Term Positioning: Neutral
  - Last week: Hold positions.
  - This week: Sell into rally that doesn't clear \$122.
  - Stop-loss for whole position adjusted to \$120
- 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 continues but last week, bonds bounced off of initial support at \$122.50
- Currently on a buy-signal (bottom panel), bonds had swung from oversold to overbought and are now beginning to work that condition off and holding support. This is bullish for bonds.
- 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 \$120
- Long-Term Positioning: Bullish