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

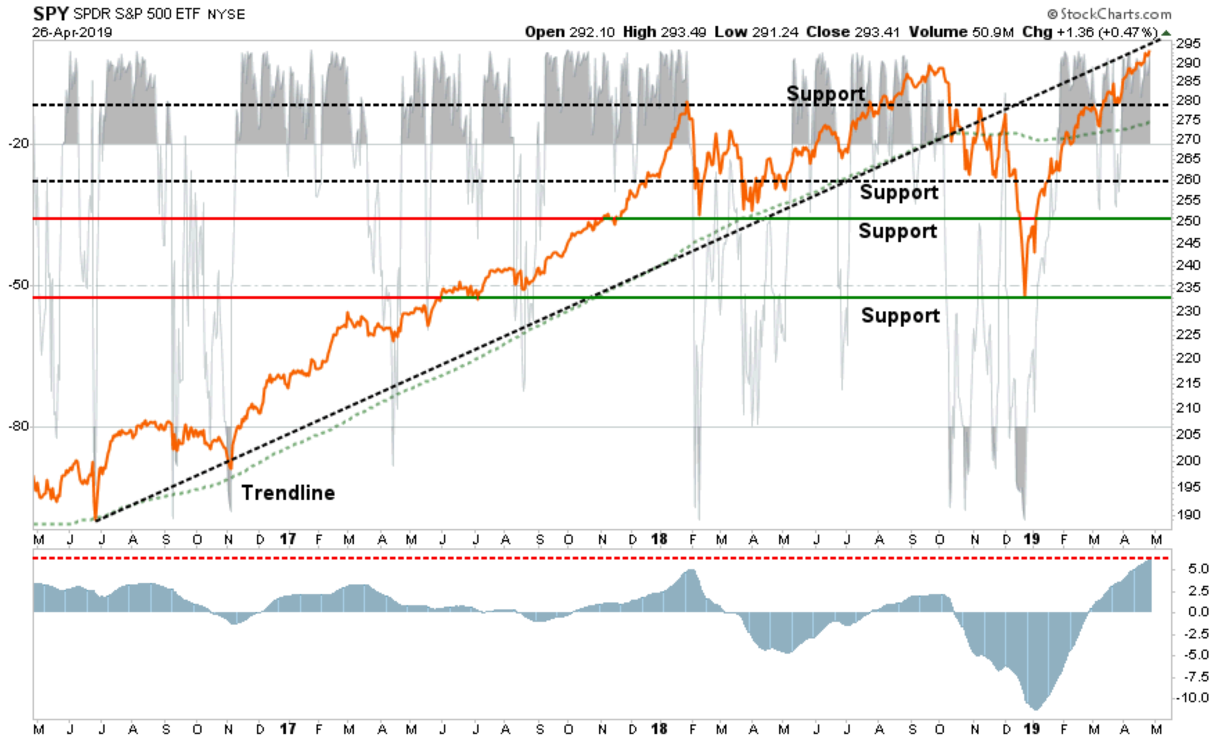
There are three primary components to each chart:

- *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.

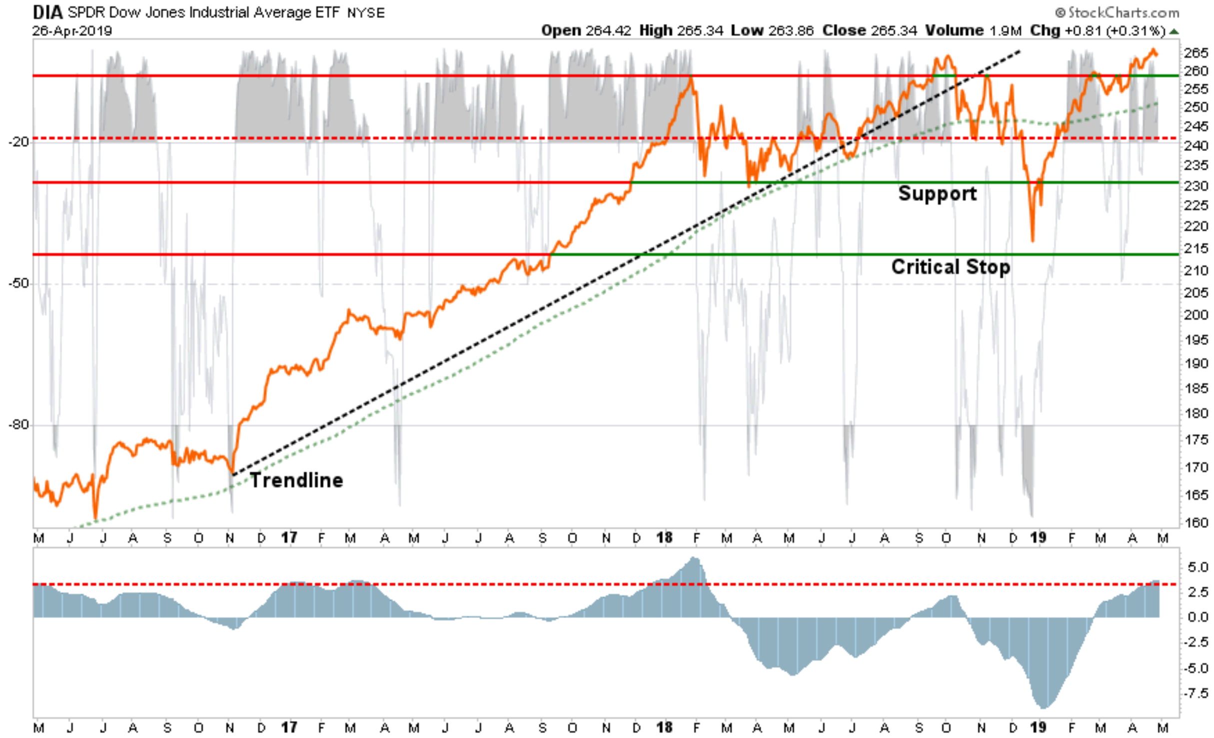
With this basic tutorial let's review the major markets.

S&P 500 Index



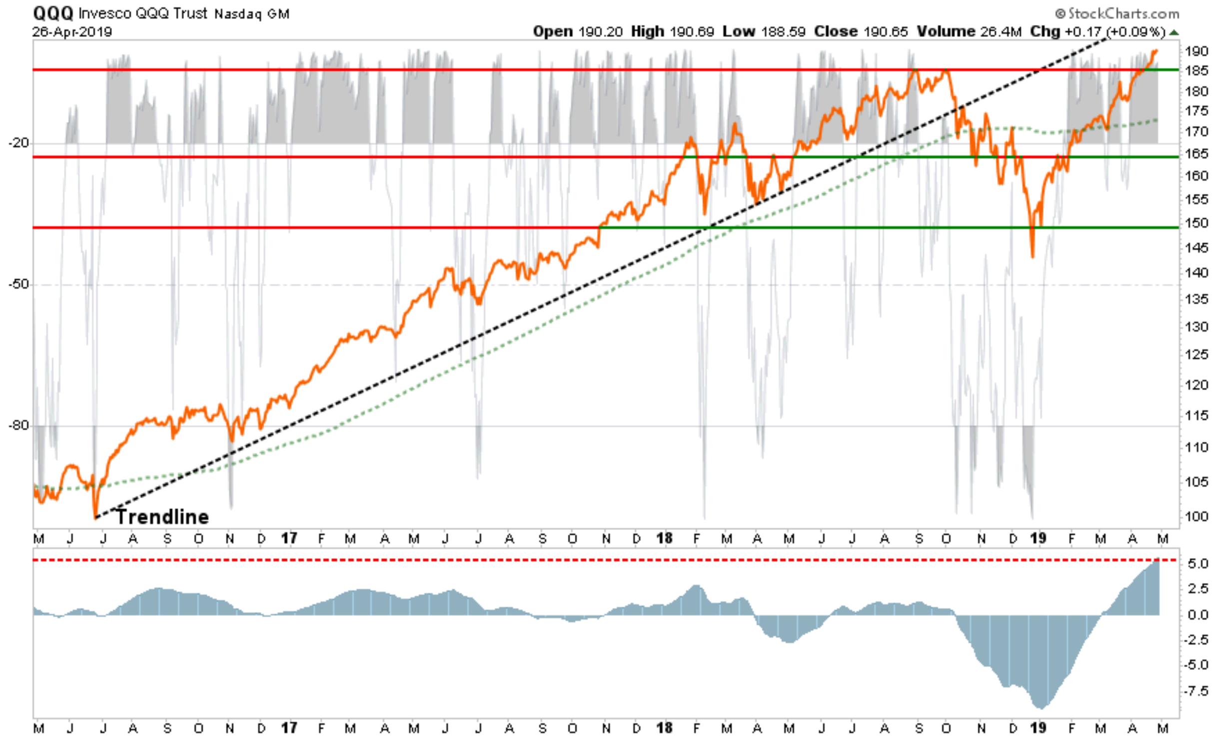
- *SPY is currently testing the bottom of the uptrend line from both the 2017 post-election bounce and the 2016 lows.*
- *Currently, SPY is extremely overbought, so a test and failure at these levels will not be surprising.*
- *Note the "buy" signal in the lower panel is at a level which has always denoted 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 and is at all-time highs.*
- *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



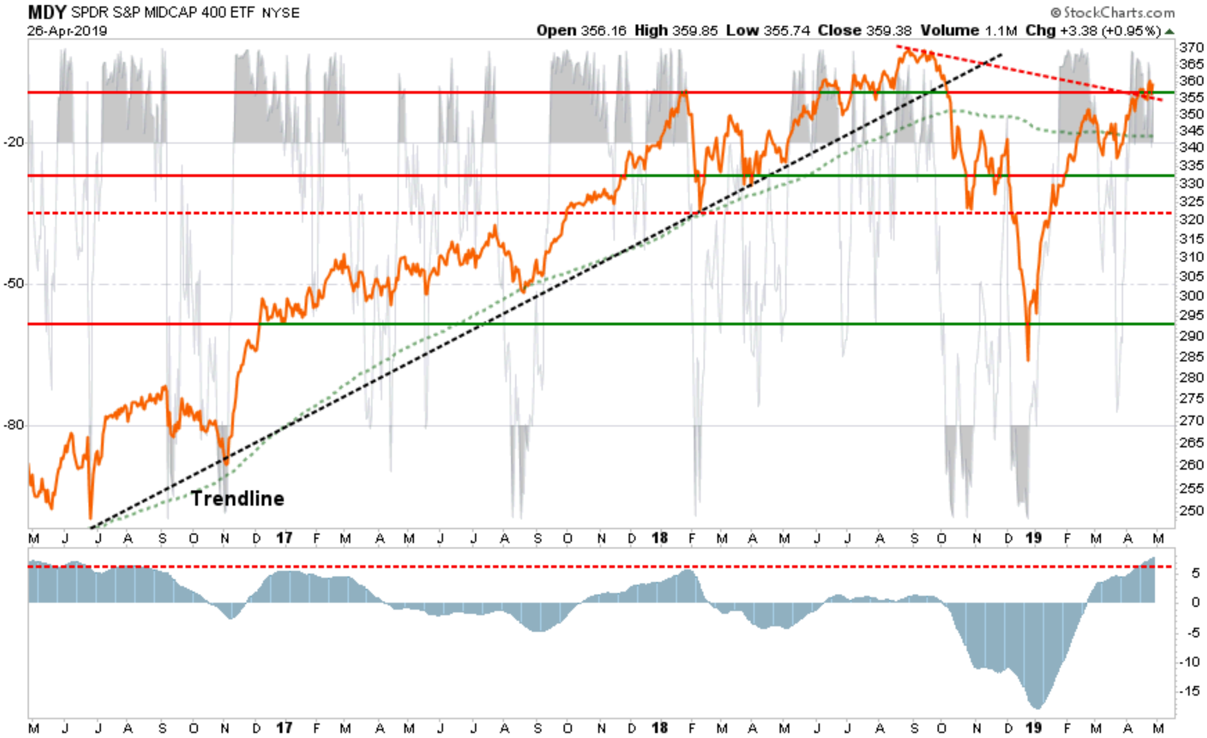
- *As noted over the last couple of weeks, QQQ has hit new highs.*

- *With the market and the underlying "buy signal" extremely stretched to the highest levels we have seen in several years, a fairly substantial correction from 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)

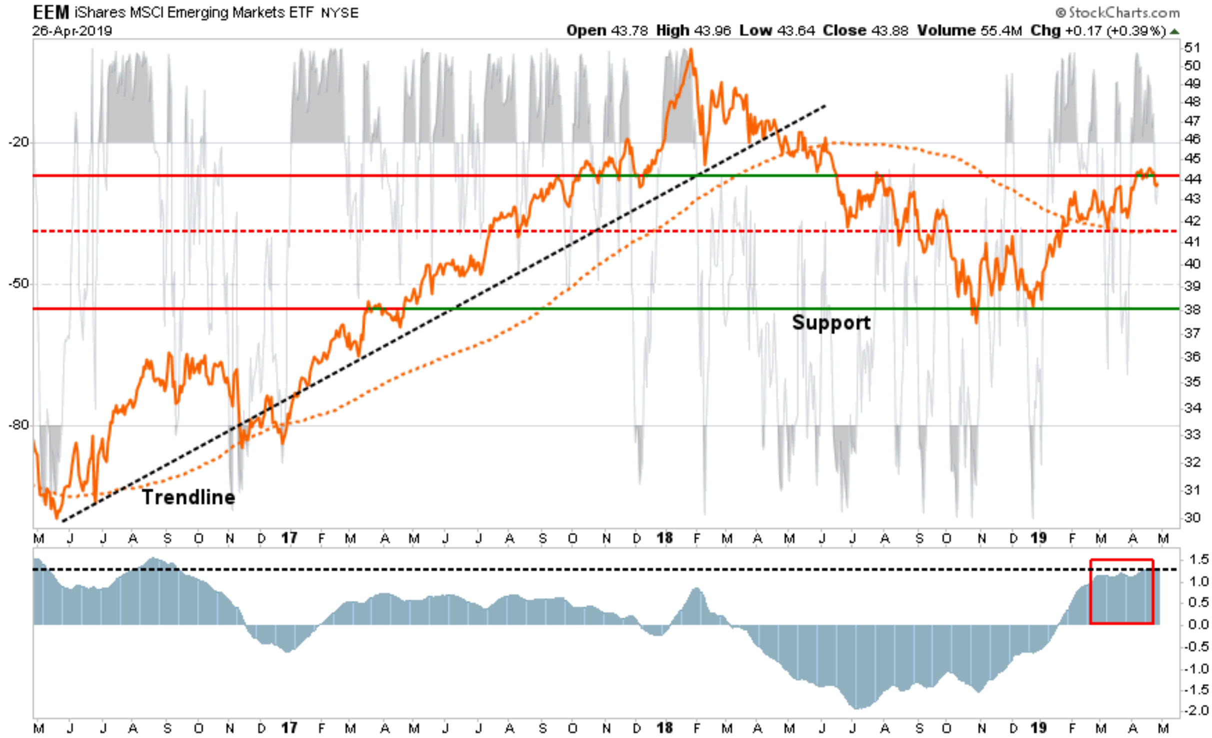
- *Recent rally continues to stall at the 200-dma, and has established a downtrend with a lower high on the bounce and the break of previous support at the Oct-Nov lows.*
- *The "buy" signal is becoming more extended and SLY is back to more extreme overbought conditions.*
- *The continued failure at the 200-dma is raising risk of failure.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No Holding*
    - *This Week: No Holding*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



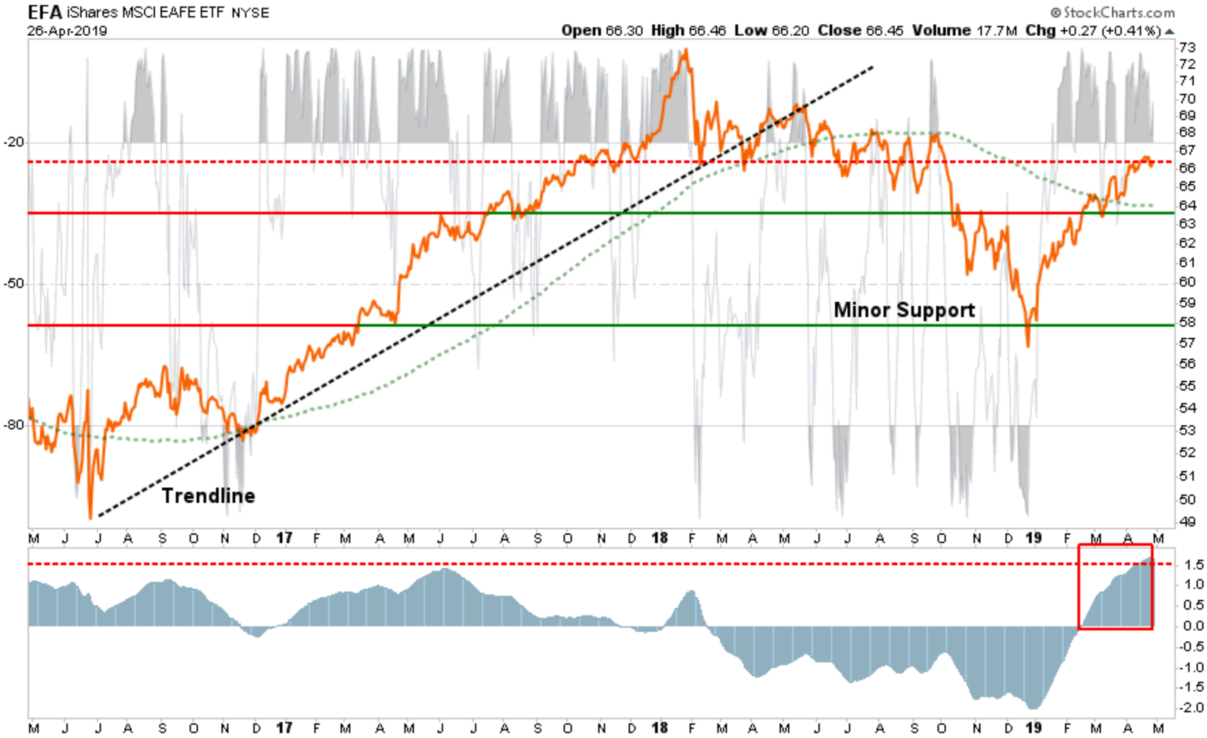
- *Two weeks ago, I noted that MDY finally took on a more bullish tone by breaking higher and pushing into overhead resistance well above the 200-dma.*
- *The breakout continues to hold this past week, and previous resistance is being tested. A successful test at these levels will build support for MDY.*
- *Mid-caps are on a buy signal, however, that signal is extremely extended with the market back to 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



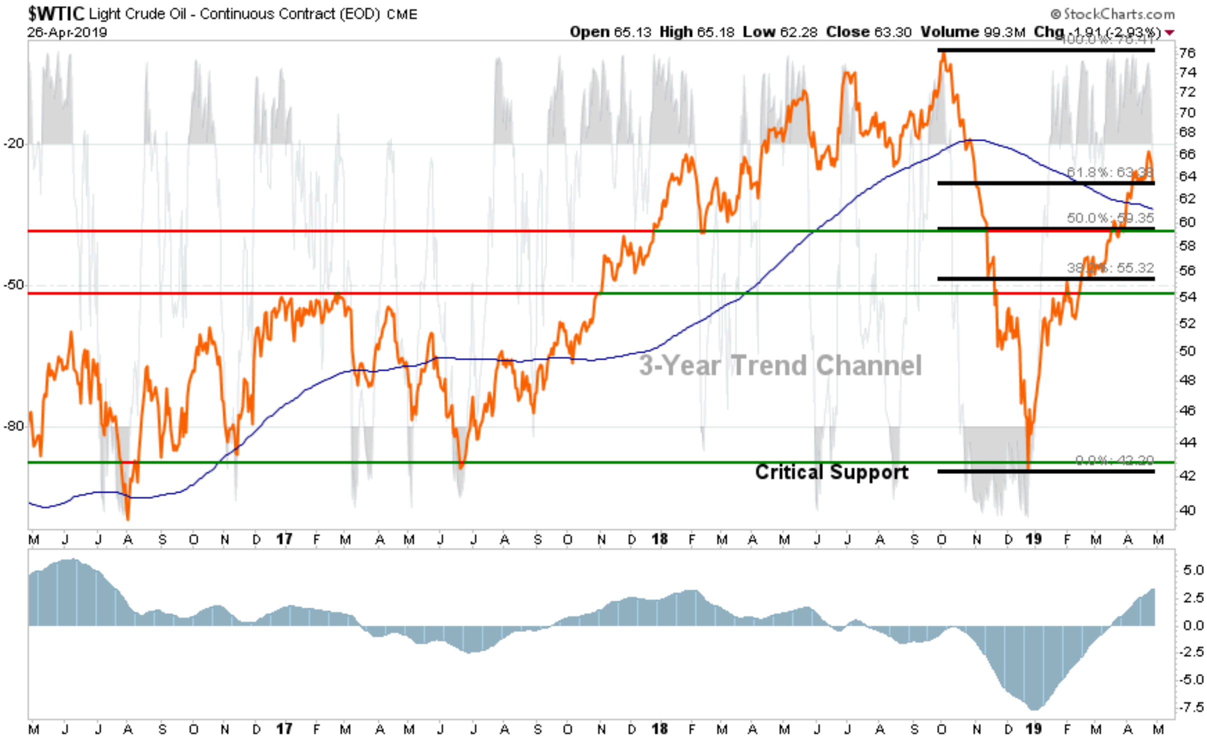
- *As we said last week:*
    - *EEM continued to hold support after breaking above previous resistance. However, the volume was light which makes the break less convincing.*
- *This past week, the stronger dollar began to weigh on EEM and the breakout failed.*
- *With both the current "buy" signal and the market extremely overbought there is a risk of a deeper correction.*
- *Look for a pullback to support at $42. A failure below that level will stop the position out.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold current position.*
    - *This Week: Hold current position.*
    - *Stop-loss moved to $41*
- *Long-Term Positioning: Neutral*

International Markets



- *As I noted two weeks ago, 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.*
- *EFA is struggling with that resistance currently.*
- *The downtrend from all-time highs remains and EFA is 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)

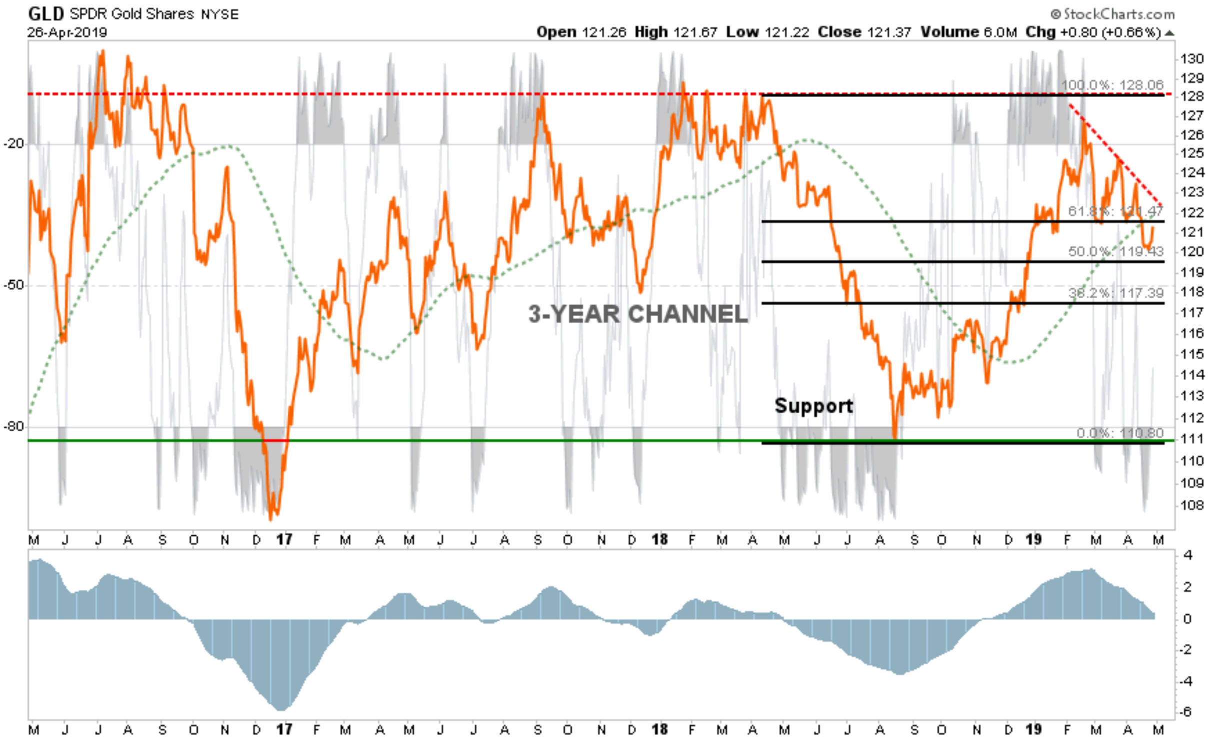


- *As noted last week, the rally in oil had gotten way ahead of itself in the face of building supplies.*
- *This past week, Trump tweeted he talked to OPEC and demanded lower gasoline prices. If he gets his whisk there is room in oil prices for a correction back to between $55-60 per barrel.*
- *With Oil extremely overbought in the short-term, there is decent risk of a continued 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 $60*
- *Long-Term Positioning: Bearish*

U.S. Dollar

- *We are adding the US Dollar index to our weekly update as it is important to the overall market complex. With roughly 40-50% of corporate profits coming from exports, all commodities globally traded in dollars, and the dollar impact on the bond market, this is a key measure to watch.*
- *Currently, the dollar is breaking out of previous resistance and is close to registering a buy signal. The combination of these two catalysts suggests the dollar could rise toward $100-102 on the index.*
- *Short-Term Positioning: Bullish*
    - *Buy a full position at current levels*
    - *Target for trade is $101-102*
    - *Stop loss is set at $96*
    -

Gold



- *Last week I wrote:*
    - *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 held the 50% retracement level and is challenging the 61.2% retracement level next week.*
- *With Gold very oversold a further bounce is likely particularly on any market related weakness.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions.*
    - *This week: Hold positions*
    - *Stop-loss for whole position adjusted to $120*
- *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)

- *As we discussed three 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*