

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:

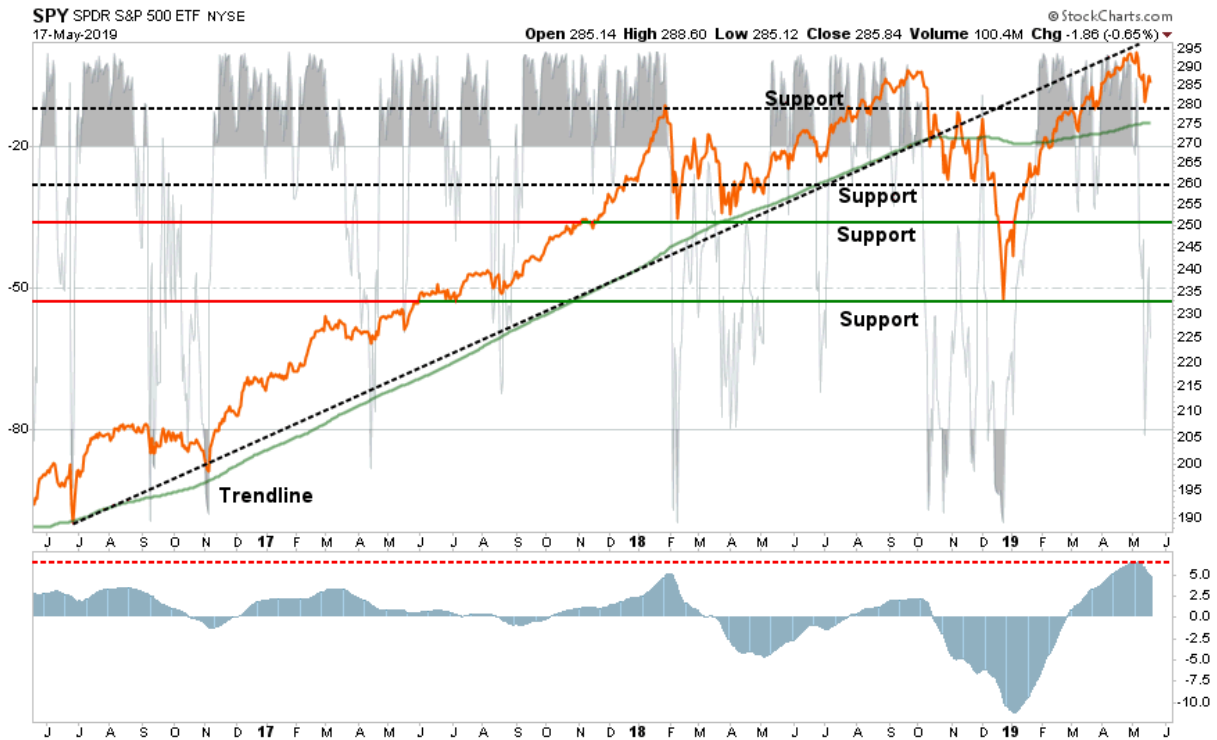
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



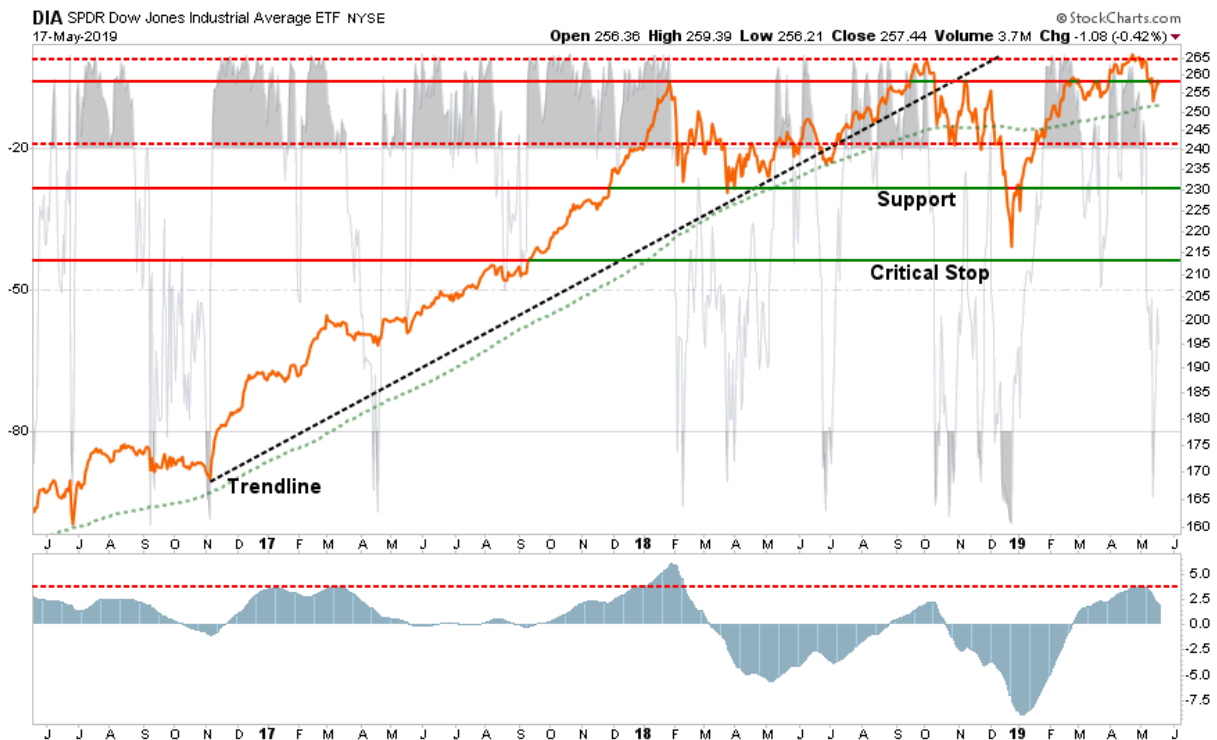
With this basic tutorial let's review the major markets.

S&P 500 Index



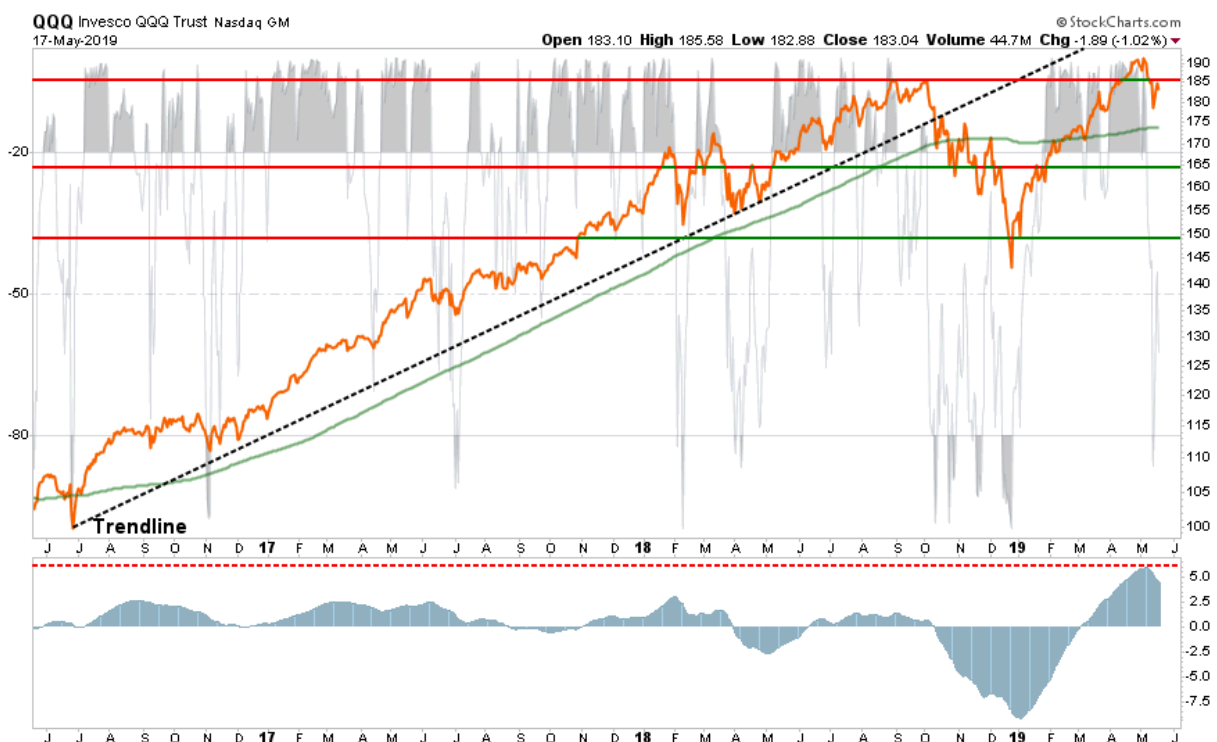
- As noted a couple of weeks ago, SPY tested, and failed, at the bottom of the uptrend line from both the 2017 post-election bounce and the 2016 lows.
- Currently, SPY is correcting the overbought condition but is not oversold as of yet.
- Also, as we noted two weeks ago, the "buy" signal in the lower panel was at a level which has always denoted at least short-term market tops. We recommended reducing risk.
- Despite the correction last week, the risk still outweighs further reward. [As discussed in this past weekend's newsletter](#), the bulls are betting against the odds given the fundamental and economic backdrop.
- Short-Term Positioning: Bullish
 - Last Week: Recommended taking profits
 - This Week: If you haven't taken profits and rebalanced previously, do so on any rally next week.
 - Stop-loss adjusted to \$275
- Long-Term Positioning: Neutral

Dow Jones Industrial Average



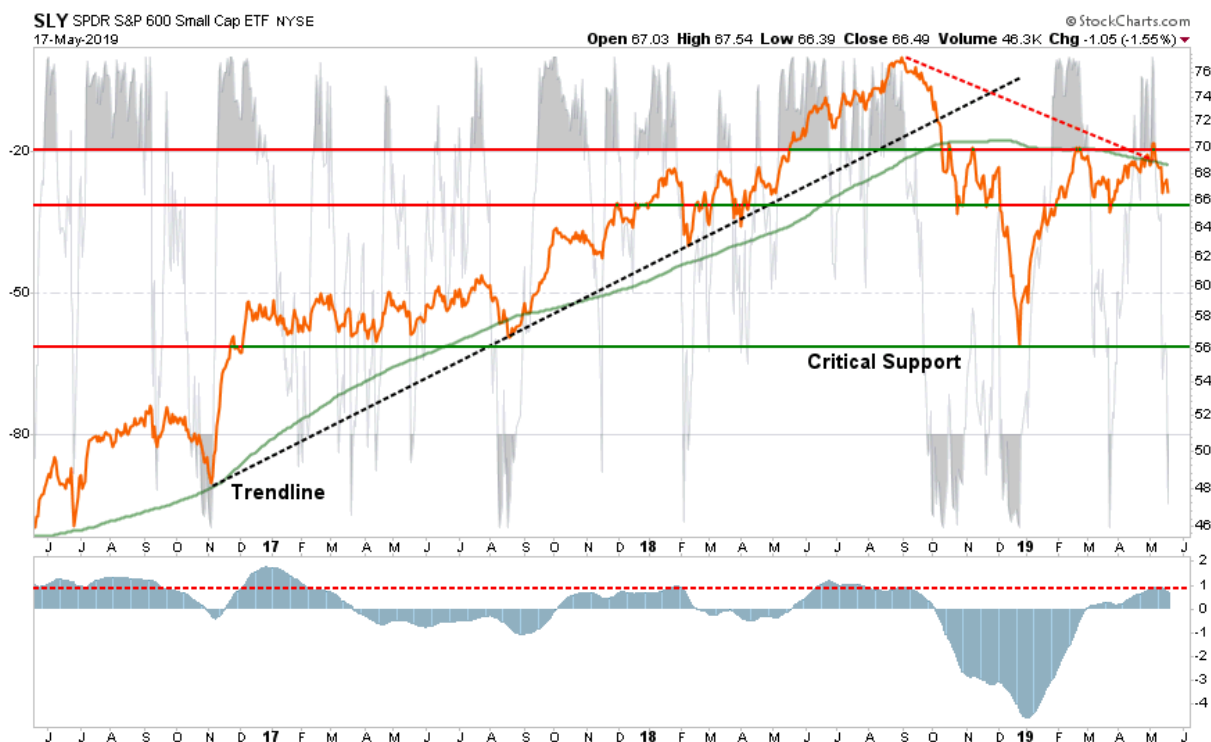
- As discussed last week, DIA was potentially setting up a double top which has now been established with the break below support at the the January highs.
- Market is working off the overbought condition and the current buy signal is being reversed.
- Short-Term Positioning: Neutral
 - Last Week: Hold 1/2 of position
 - This Week: Hold 1/2 of position
 - Stop-loss adjusted to \$250
- Long-Term Positioning: Neutral

Nasdaq Composite



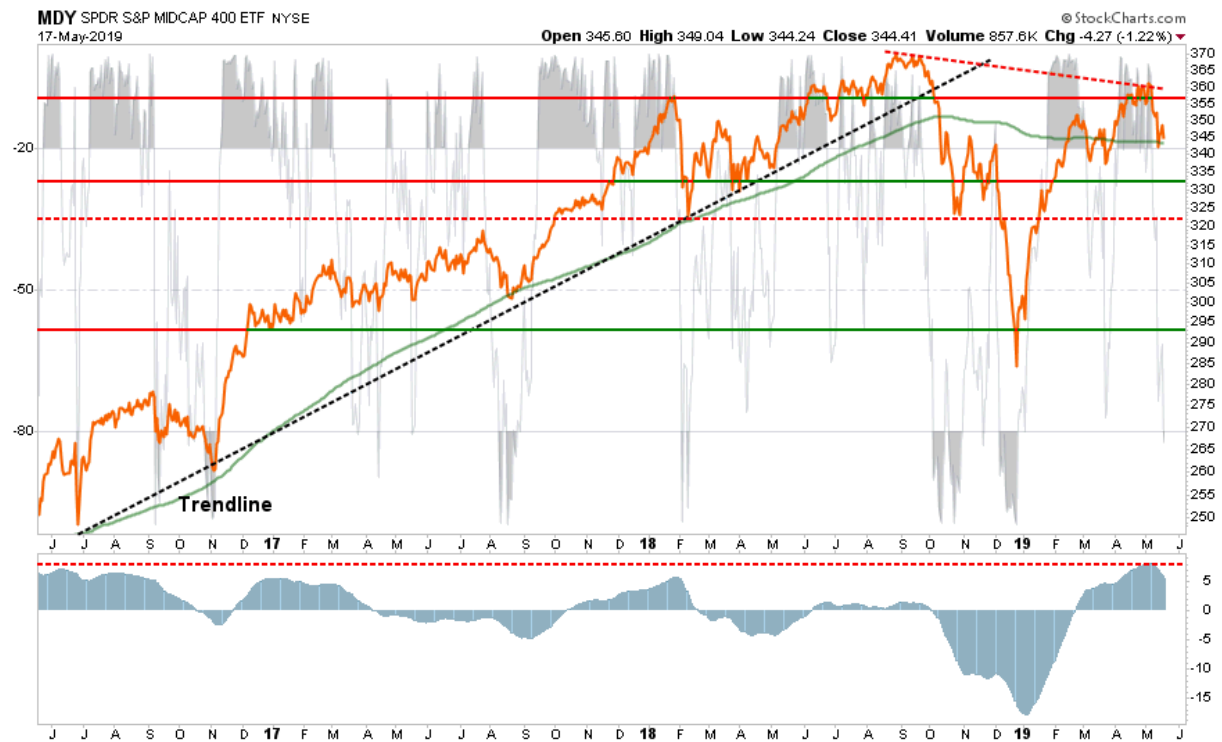
- While QQQ broke out to all time highs, it has been a narrow push with MAGA stocks driving index higher (MSFT, AAPL, GOOG, AMZN). The break back below support raises some cautionary flags as we head into next week.
- As noted previously. "With the market and the underlying 'buy signal' extremely stretched 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."
- That correctionary process is not complete yet.
- Support at \$185 failed.
- Short-Term Positioning: Bullish
 - Last Week: Hold position, take profits, and rebalance holdings.
 - This Week: Same advice this week.
 - Stop-loss adjusted to \$175
- Long-Term Positioning: Neutral

S&P 600 Index (Small-Cap)



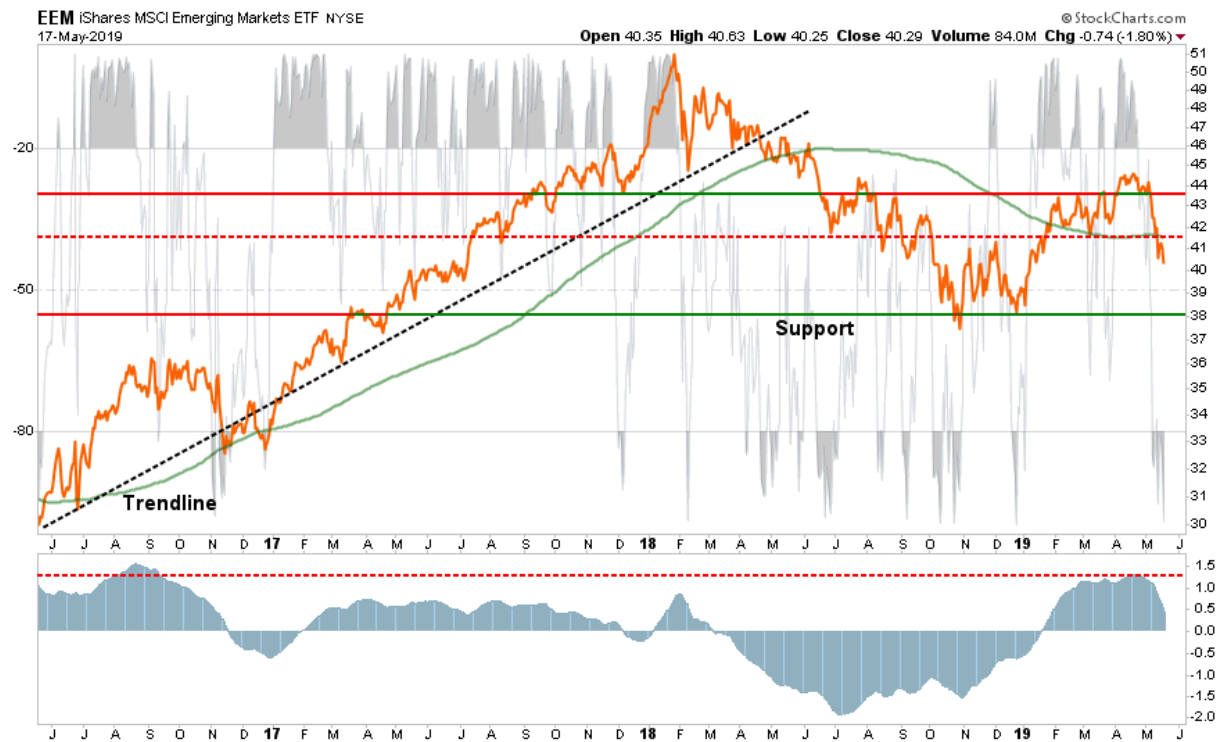
- SLY has fallen apart over the last week, as market participation has weakened.
- Currently on a modest "buy" signal, but that signal is deteriorating. SLY is oversold on a short-term basis, so a bounce next week to sell into is important.
- Short-Term Positioning: Bearish
 - Last Week: Hold
 - This Week: Sell on rally that fails to get above \$69.
 - Stop adjusted to \$66
- Long-Term Positioning: Bearish

S&P 400 Index (Mid-Cap)



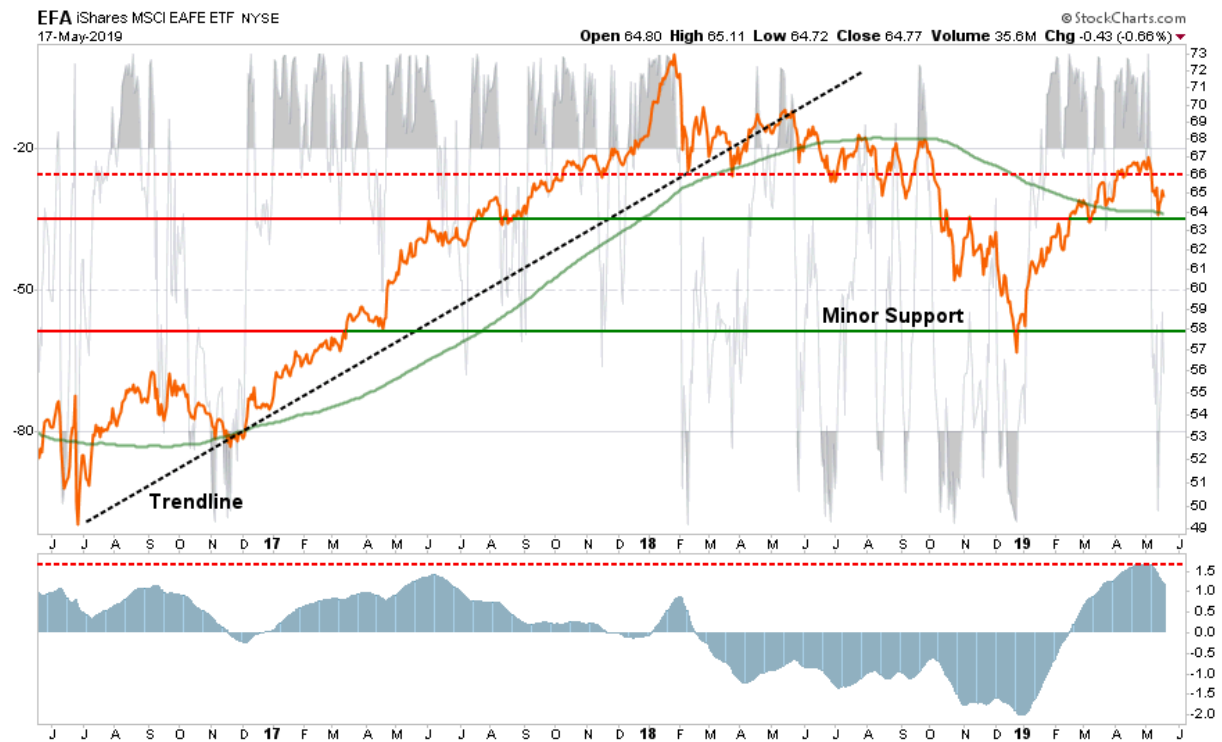
- MDY failed at its support and at the downtrend resistance line. However, MDY did hold its 200-dma support this past week, but just barely.
- Mid-caps are on a buy signal, however, that signal is at more extended levels and while the extreme overbought levels has been reduced it is not entirely oversold yet.
- Support needs to hold this week.
- Short-Term Positioning: Neutral
 - Last Week: We had recommended adding 1/2 position, last Monday's rout kept us from doing so.
 - This Week: Hold current positions with a tight stop at \$340
- Long-Term Positioning: Bearish

Emerging Markets



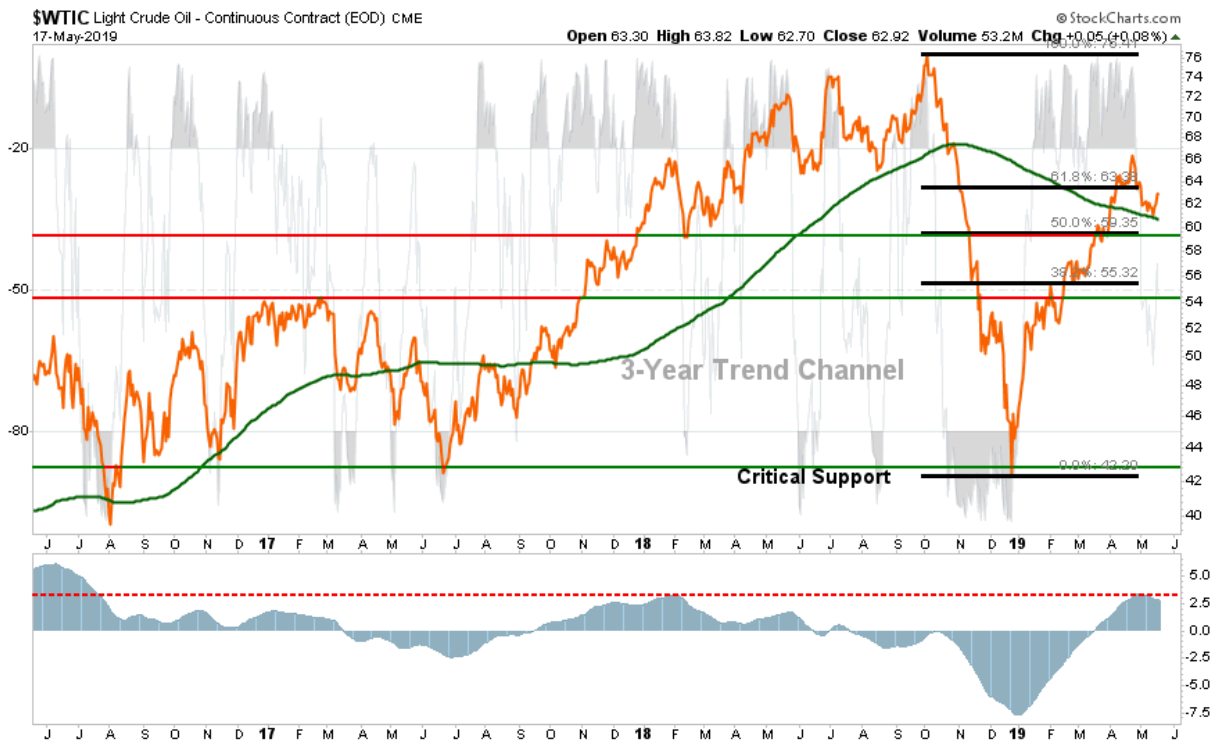
- Trade wars are not good for emerging markets. Two weeks ago, EEM failed initial support. Last week, it crashed through critical support and stop levels.
- We specifically noted two weeks ago: "The current "buy" signal, and the market itself extremely overbought, **look for a pullback to support at the tops of the previous consolidation** which works off some of the overbought condition to add to holdings."
- The failure at those support negates that recommendation.
- Short-Term Positioning: Bearish
 - Last Week: Hold current position.
 - This Week: We sold all holdings last week on violation of support.
 - Stop-loss violated.
- Long-Term Positioning: Neutral

International Markets



- *EFA also broke below important support last week, which also negates previous recommendations.*
- *The good news is that EFA is holding its 200-dma for now.*
- *The downtrend from all-time highs remains and EFA did bounce off of oversold levels.*
- *The "buy signal" also remains extremely overbought in the short-term*
- *Short-Term Positioning: Neutral*
 - *Last Week: Hold 1/2 position*
 - *This Week: Hold 1/2 position.*
 - *Stop-loss moved up to \$64*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



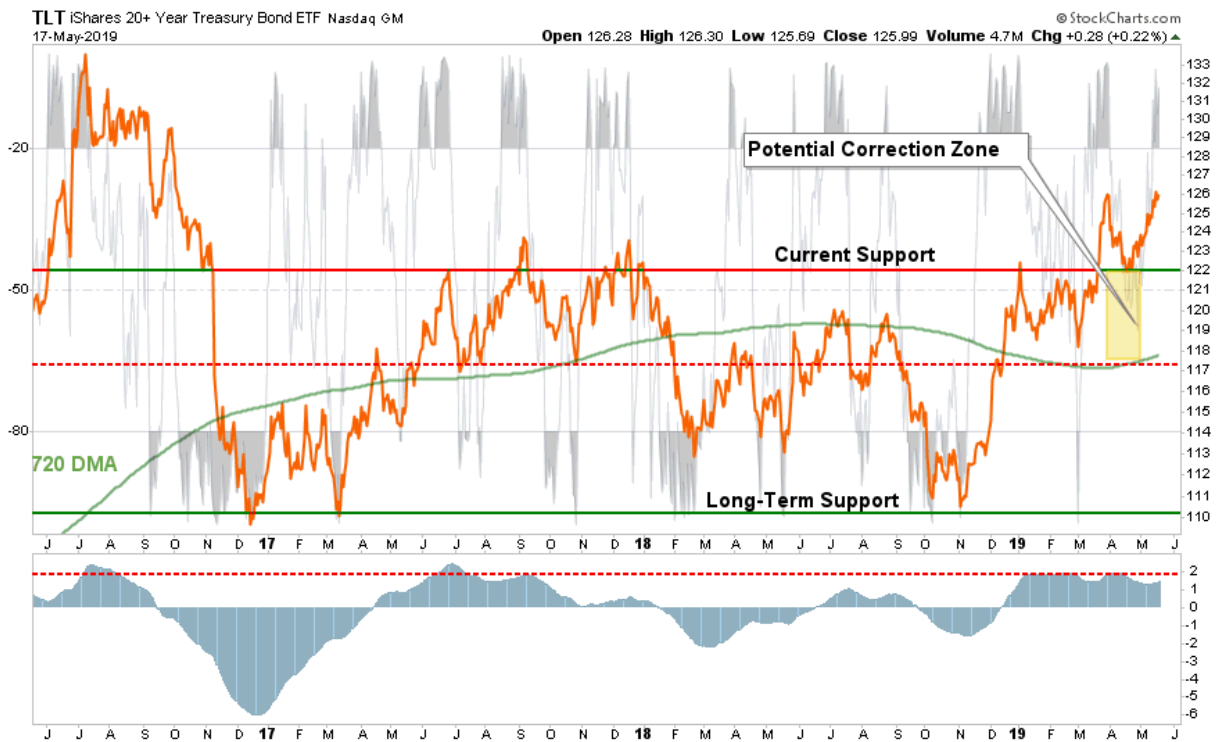
- As noted last week, the rally in oil had gotten way ahead of itself in the face of building supplies. The correction continued again for a third week.
- There is support at \$60 which held last week, and coincides with the important 200-dma.
- WTIC is not oversold yet and the "buy signal" is being worked off. Support must hold next week or we will be looking at the mid-\$50's pretty quickly.
- Advice remains, 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
 - Stop-loss adjusted to \$60
- Long-Term Positioning: Bearish

Gold



- Gold did rally as expected last week and volatility picked up but failed at resistance at the 200-dma.
- Gold is close to oversold once again, but is close to registering a "sell signal." Remain cautious on gold for now, but we are maintaining our position as a hedge against a potential pick up in volatility over the summer.
- 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)



- Bonds rallied again this week as "trade war" rattled the equity markets sending money searching for "safety."
- Currently on a buy-signal (bottom panel), bonds are now back to very overbought conditions and are testing the previous highs from earlier this year.
- Support held at \$122 which now become extremely important support.
- 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

U.S. Dollar



- 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. Trade war will have an impact across many sectors of the market and the dollar will likely tell the story.
- Currently, the dollar broke above previous resistance, has retested that previous resistance making it support, and has now registered a buy signal. The combination of these three catalysts suggests the dollar could rise toward \$100 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