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

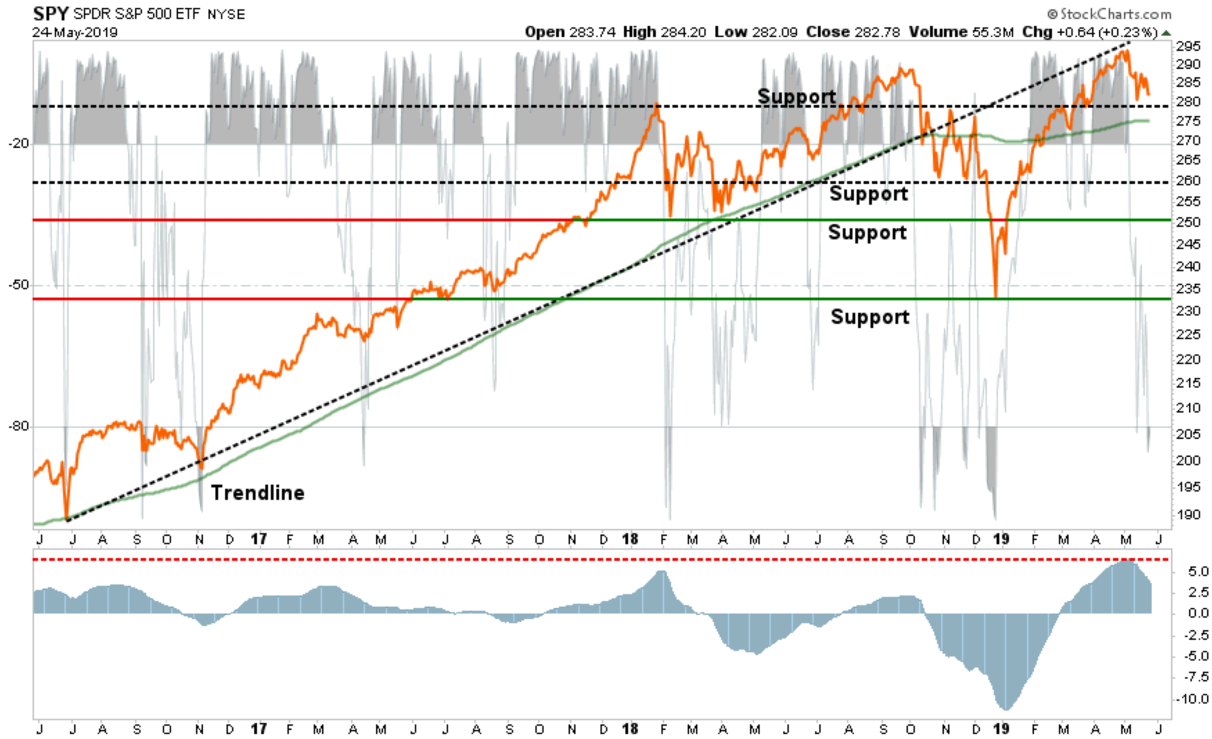
There are three primary components to each chart:

- *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.

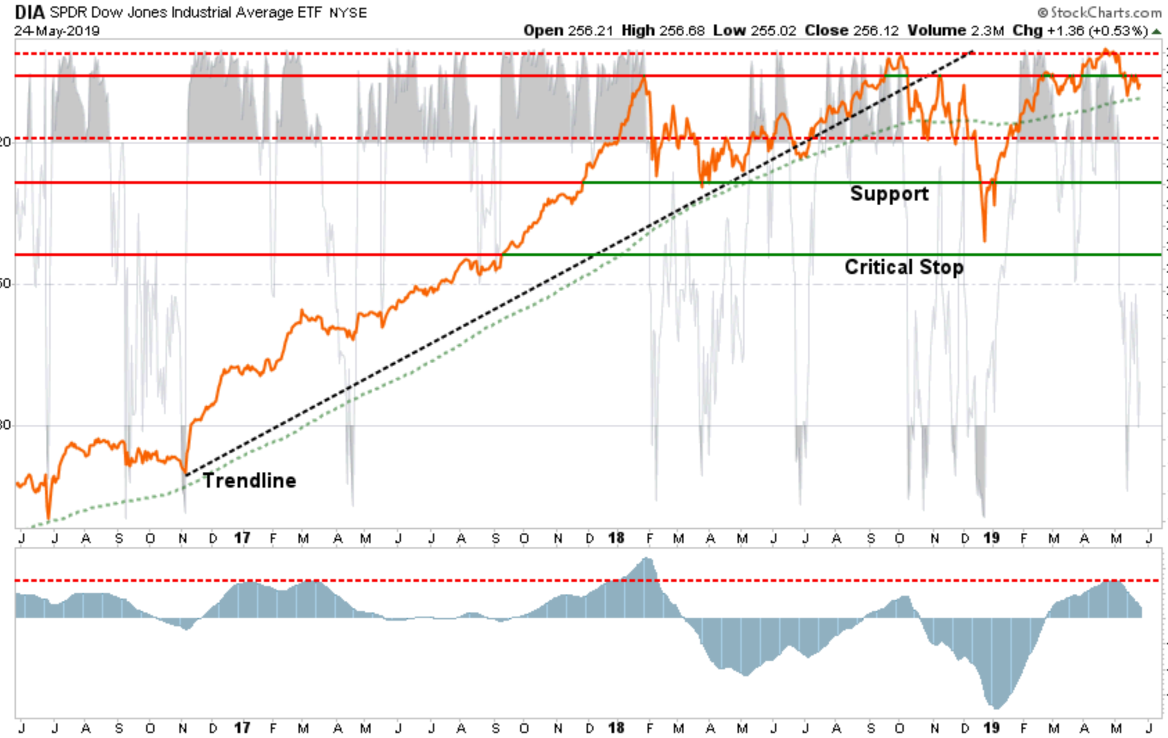
With this basic tutorial let's review the major markets.

S&P 500 Index



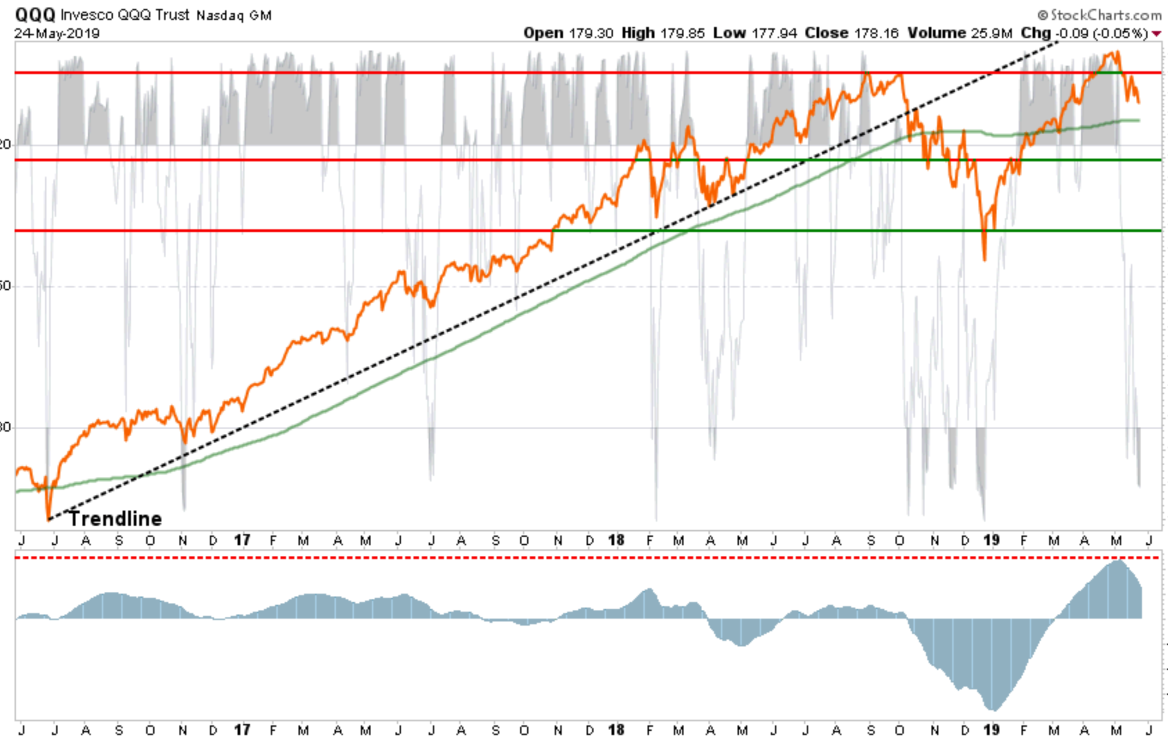
- *As noted previously, SPY tested, and failed, at the bottom of the uptrend line from both the 2017 post-election bounce and the 2016 lows.*
- *SPY has now corrected the overbought condition and is testing support from the January highs with the 200-dma close below.*
- *The "buy" signal in the lower panel was also massively extended, as noted several weeks ago, suggesting the reversal we have seen was coming as we warned then.*
- *The correction last week has set up a tradeable opportunity into the end of the month.*
- *Short-Term Positioning: Bullish*
  - *Last Week: Take profits and hold.*
  - *This Week: Add 1/2 position to portfolios with a target of $290*
  - *Stop-loss remains at $275*
- *Long-Term Positioning: Neutral*

Dow Jones Industrial Average



- *The setup for DIA isn't as compelling as the S&P 500. DIA is not completely oversold, and the buy signal is very close to being reversed to a sell signal.*
- *More importantly, DIA failed at resistance last week as the "triple top" continues to build resistance.*
- *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

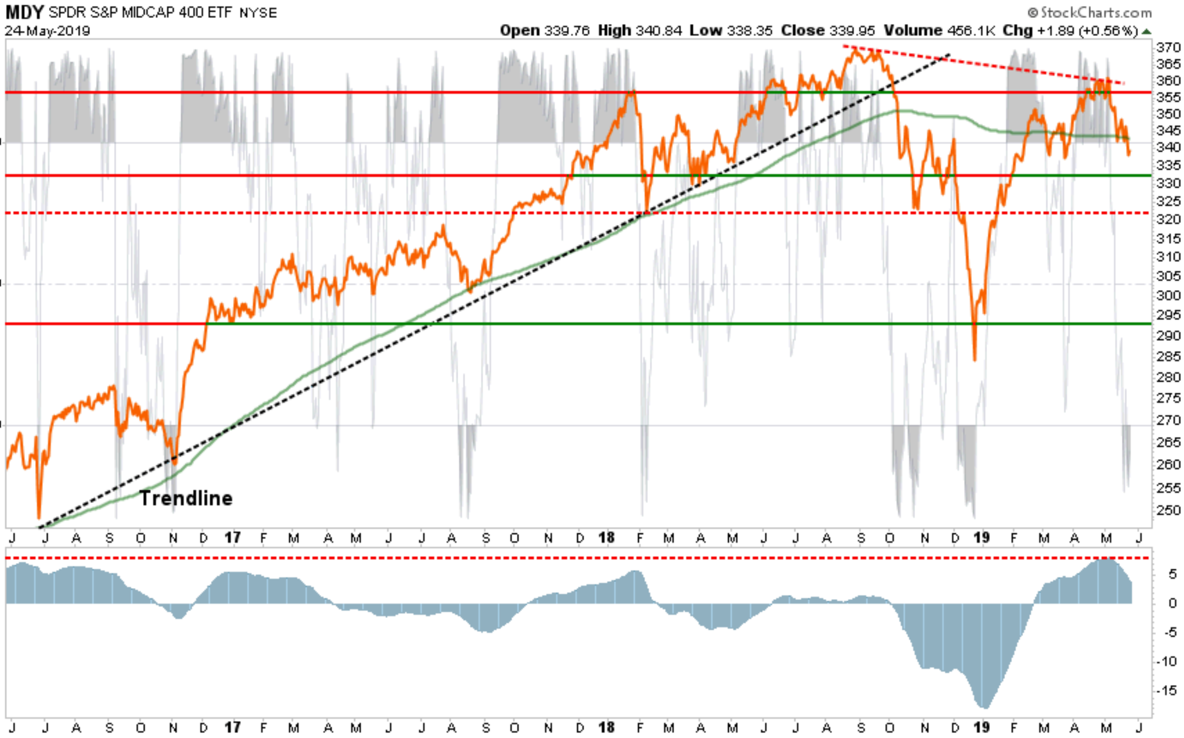


- *We had noted several weeks ago the break out to all time highs was not likely sustainable as it was narrow with MAGA stocks driving index higher (MSFT, AAPL, GOOG, AMZN). The break back below support raises some cautionary flags as we head into next week.*
- *QQQ is now oversold and the extremity of the "buy signal" has been reversed.*
- *Support at $185 failed and is now resistance but a tradeable opportunity is present.*
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold position, take profits, and rebalance holdings.*
  - *This Week: Buy 1/2 position with a target of $185*
  - *Stop-loss adjusted to $175*
- *Long-Term Positioning: Neutral*

S&P 600 Index (Small-Cap)

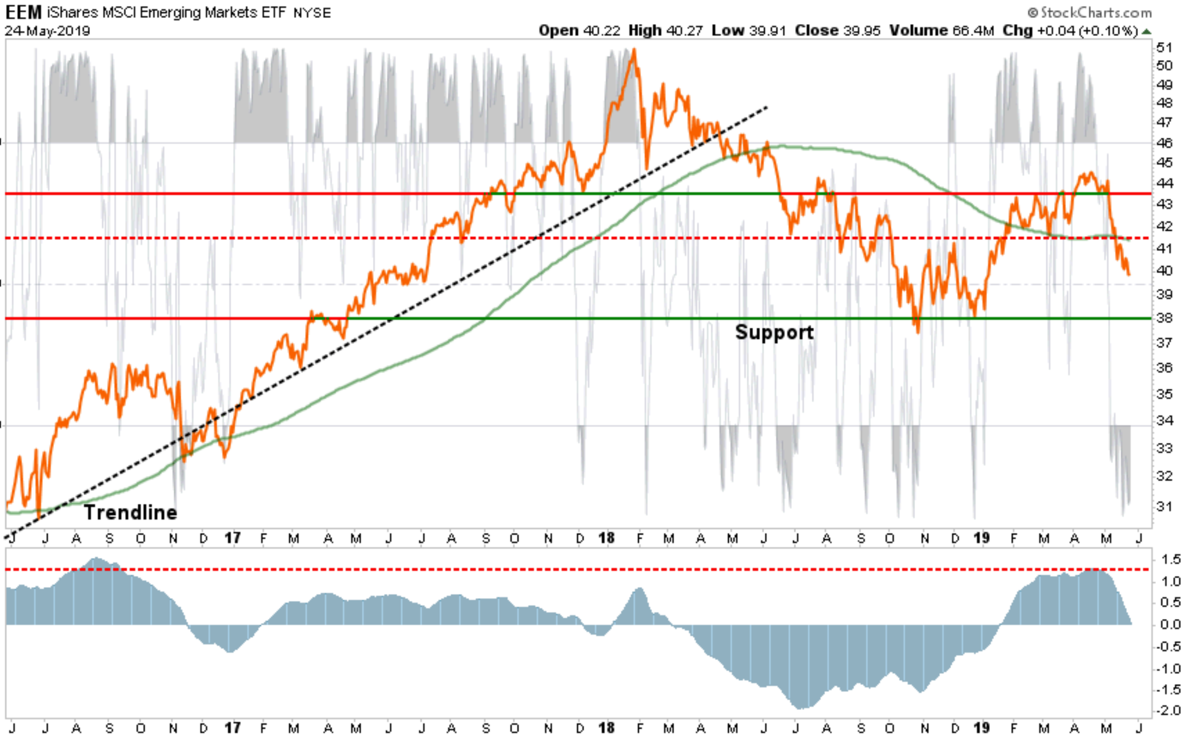
- *As noted last week, SLY has fallen apart as market participation has weakened. SLY, and MDY are particularly susceptible to "trade wars" and slowing economic growth.*
- *The modest "buy" signal is very close to reversing, but SLY is very oversold short-term.*
- There are a lot of things going wrong with small-caps currently so the risk outweighs the reward of a trade at this juncture.
- *Short-Term Positioning: Bearish*
  - *Last Week: Sell any rally.*
  - *This Week: Stops violated at $66. Close out any holdings on any rally next week.*
  - *Stop loss violated.*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



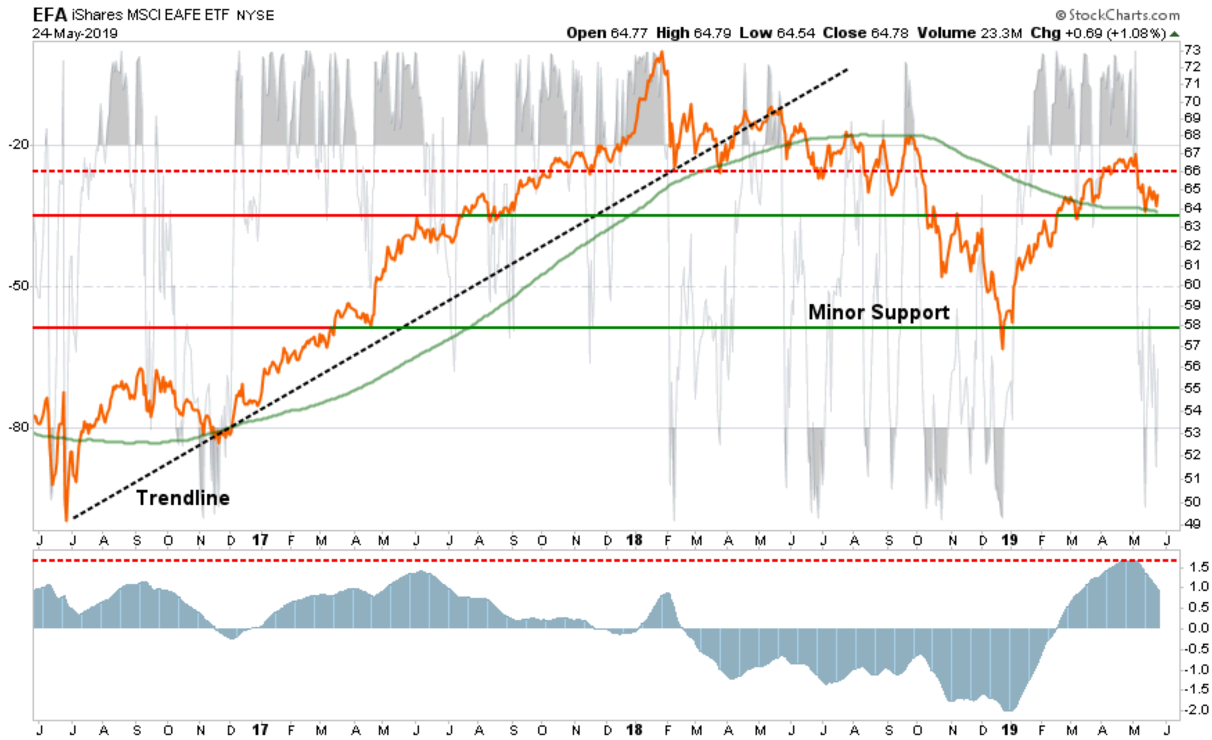
- *MDY failed at its support and at the downtrend resistance line.*
- *Last week, MDY failed to hold its 200-dma joining SLY in a bad setup for traders.*
- *Mid-caps are oversold and the extremely extended "buy" signal is being reversed.*
- *Support failed to hold last week as warned.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold current positions with a tight stop at $340*
  - *This Week: Stop-loss violated at $340 - sell on any rally next week.*
- *Long-Term Positioning: Bearish*

Emerging Markets



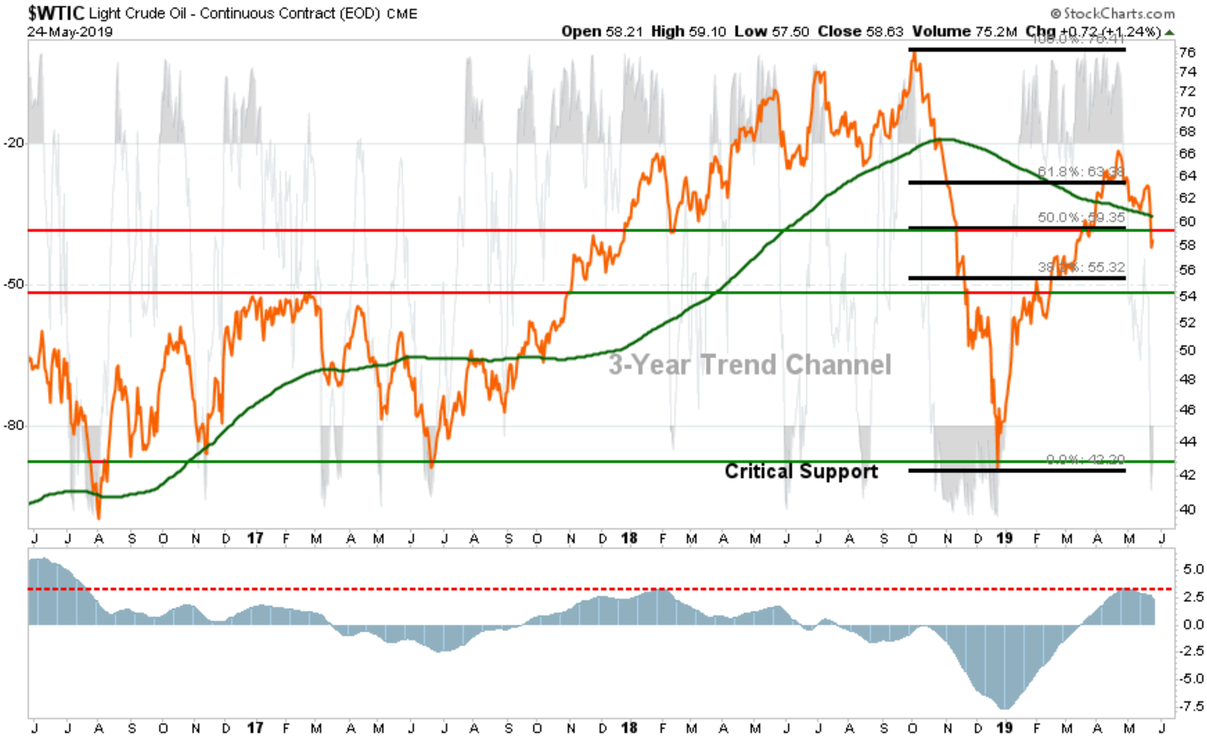
- *As noted last week: "Trade wars are not good for emerging markets."*
- *Three weeks ago, EEM failed initial support. Two weeks ago, it crashed through critical support and stop levels. Last week it continued to push toward 2018 lows.*
- *Short-Term Positioning: Bearish*
    - *Last Week: Closed all positions.*
    - *This Week: No position recommended at this time.*
    - *Stop-loss violated.*
- *Long-Term Positioning: Neutral*

International Markets



- *EFA broke below important support previously which negated previous recommendations.*
- *The good news is that EFA is holding its 200-dma for now and did so again last week.*
- *EFA is oversold but not deeply so and the "buy signal" is being reversed.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold 1/2 position*
    - *This Week: Hold 1/2 position but maintain current stop levels.*
    - *Stop-loss moved up to $64*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)

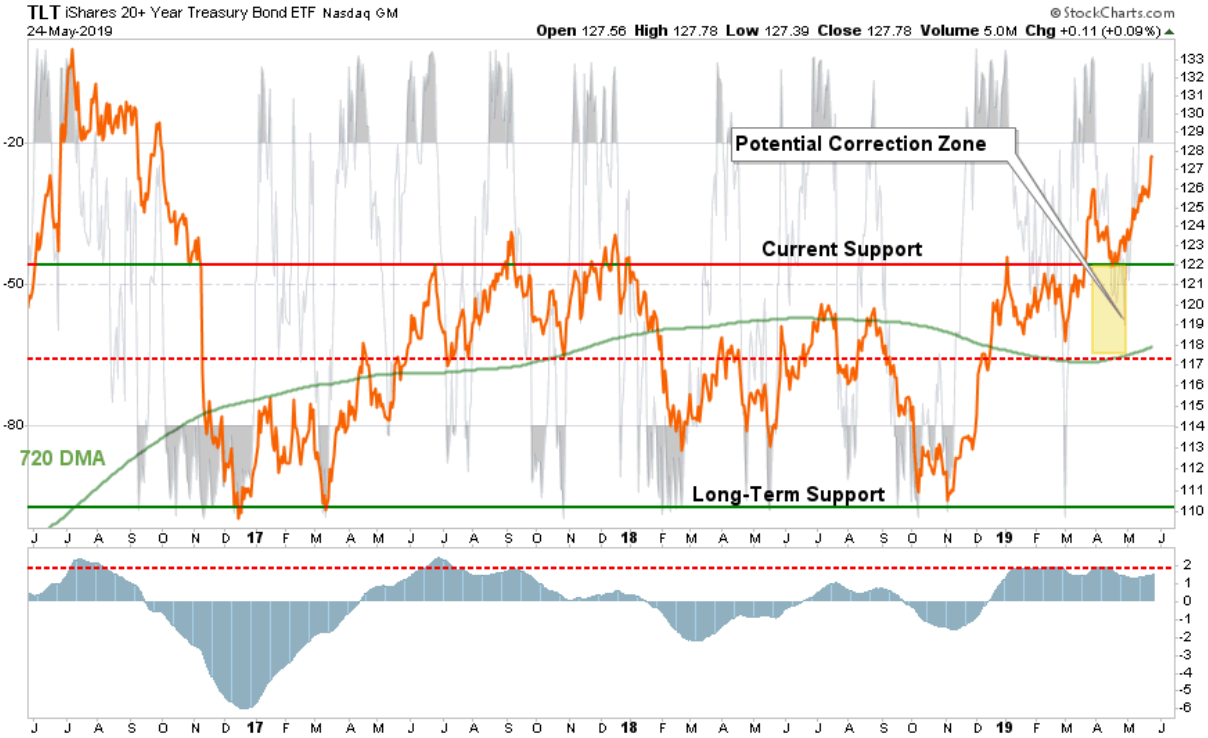


- As noted two weeks ago, the rally in oil had gotten way ahead of itself in the face of building supplies. The correction continued again for a fourth week last week.
- The support at $60 which held last week, failed and, as noted last week, coincides with the important 200-dma which has also been broken.
- WTIC is oversold and the "buy signal" is being worked off.
- As I nosted last week; "Support must hold next week or we will be looking at the mid-$50's pretty quickly."
- We are now approaching the mid-50's and the 50% retracement line must hold.
- Short-Term Positioning: Neutral
  - Last Week: After taking profits, hold 1/2 position
  - This Week: Stop-loss violated. Positions should have been closed out. Close out on a rally next week.
  - Stop-loss violated at $60.
- Long-Term Positioning: Bearish

Gold

- *Gold did rally a bit last week as volatility picked up. However, it remains below its 200-dma and in a fairly defined downtrend.*
- *Gold is oversold once again, but is close to registering a "sell signal." Remain cautious on gold for now.*
- *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" continued to rattle 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 2017.*
- *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: Look to take profits and rebalance in portfolios.*
    - *This Week: **Take profits and rebalance risks. A correction IS coming which will coincide with a bounce in the equity markets into the end of the month.***
    - *Stop-loss is moved up to $122*
    - *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*
    - *Last Week: Buy a full position at current levels*
    - *This Week: Hold position*
    - *Target for trade is $101-102*
    - *Stop loss is set at $96*