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

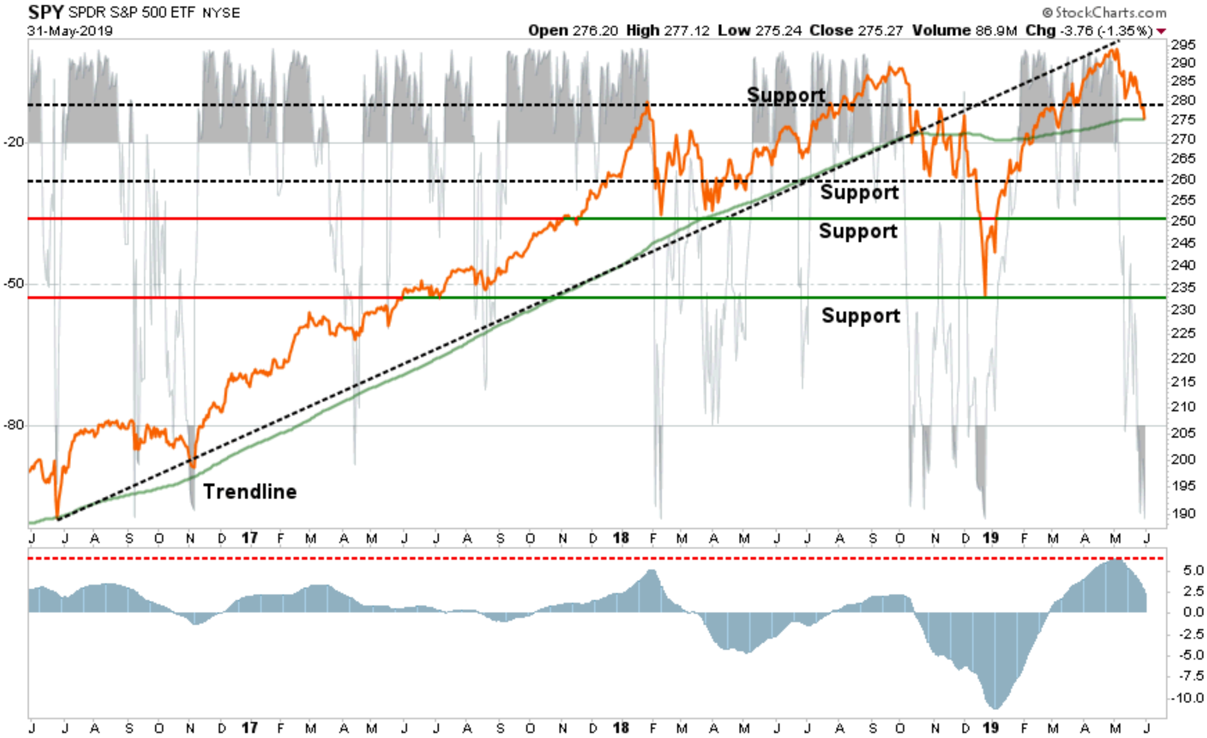
There are three primary components to each chart:

- *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.

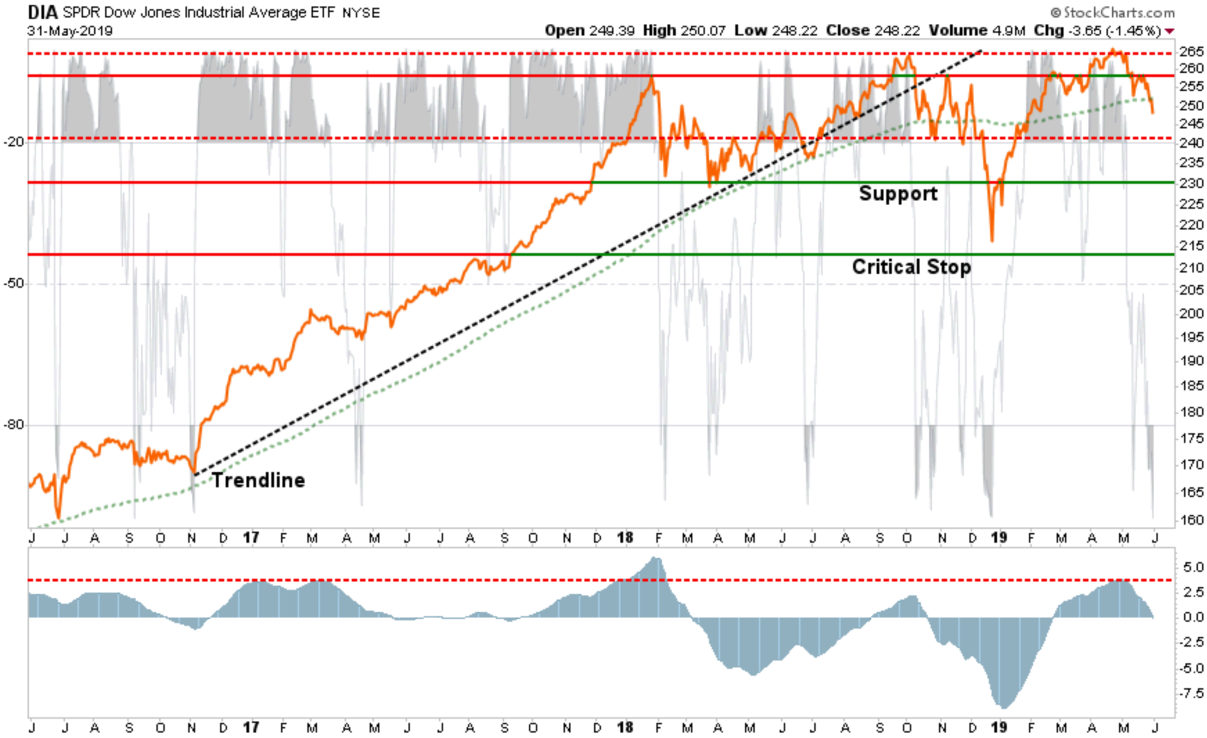
With this basic tutorial let's review the major markets.

S&P 500 Index



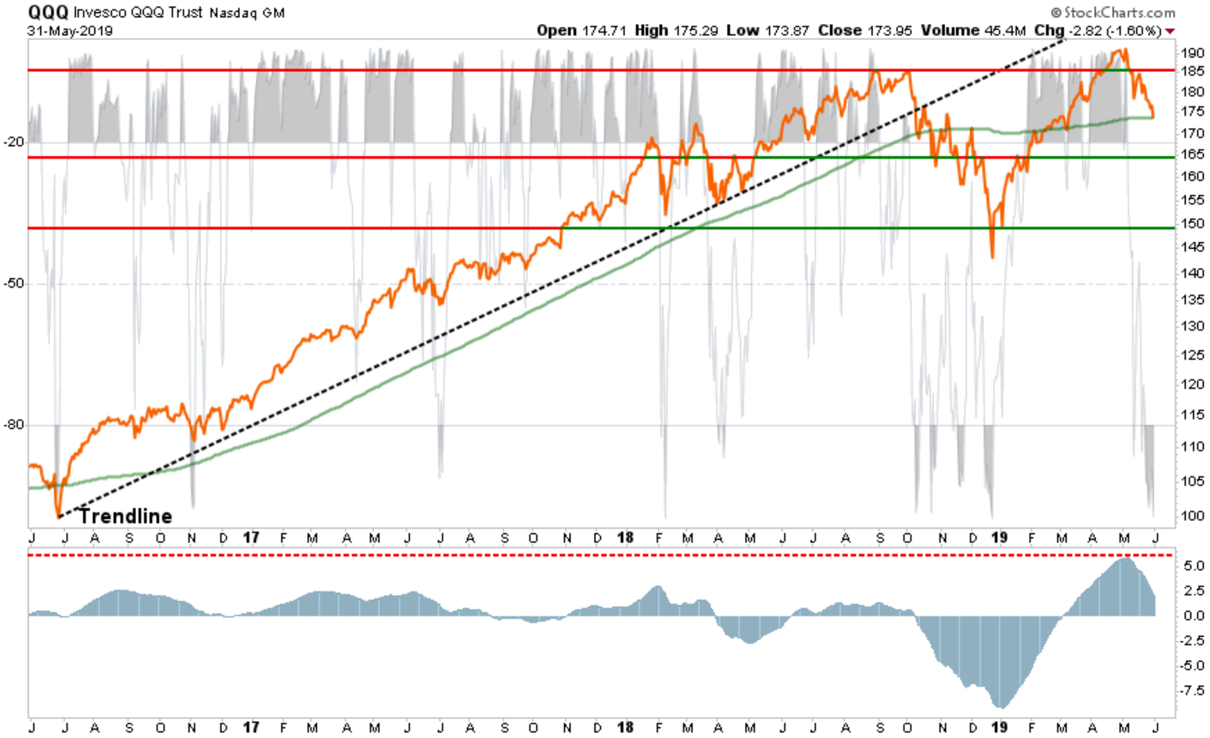
- The failure of SPY at the rising uptrend line from the election lows and the break of initial support confirms the double-top has been put into place. Market action continues to have all the makings of a "topping process" currently.
- SPY has corrected the overbought condition and is testing the 200-dma.
- The "buy" signal in the lower panel was massively extended, as noted several weeks ago, which as we stated, suggested the reversal we have seen was coming.
- The correction last week has set up a tradeable opportunity into June.
- Short-Term Positioning: Bullish
    - Last Week: Add 1/2 position with a target of $290.
    - This Week: Hold position (full weighting)
    - 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 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: Stop violated on remaining 1/2 position. Sell holdings on any rally that fails to get above $250.*
    - *Stop-loss remains $250*
- *Long-Term Positioning: Neutral*

Nasdaq Composite

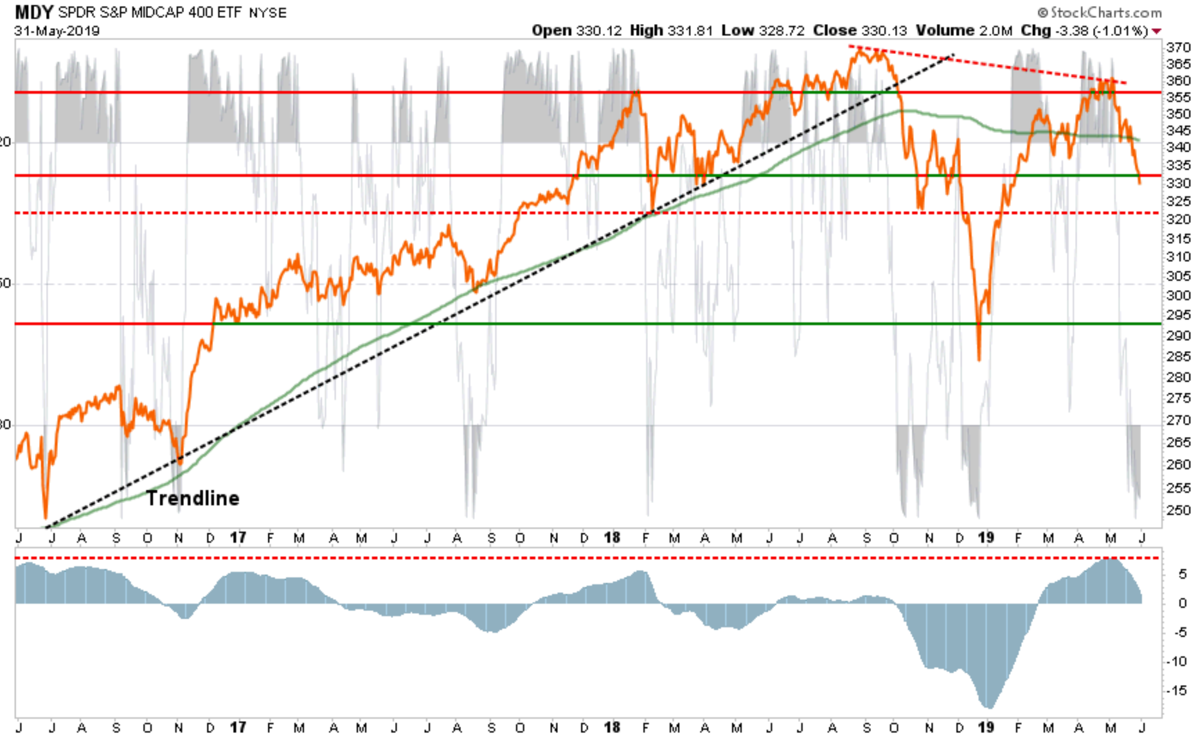


- *We had noted several weeks ago the break out to all time highs was not likely sustainable as it was narrow with MAGA stocks driving index higher (MSFT, AAPL, GOOG, AMZN). The break back below support raises some cautionary flags as we head into next week.*
- *QQQ is now oversold and the extremity 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 $173 to allow for rally.*
- *Long-Term Positioning: Neutral*

S&P 600 Index (Small-Cap)

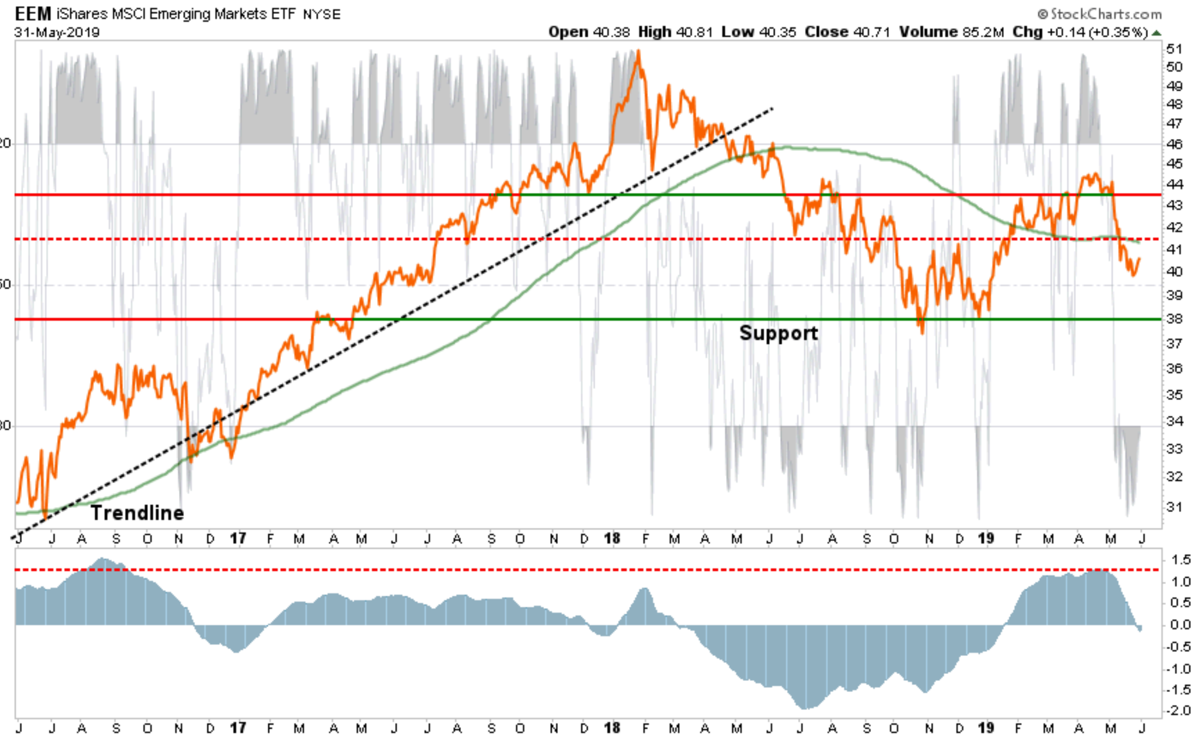
- *As noted two weeks ago, SLY has fallen apart as market participation has weakened. SLY, and MDY are particularly susceptible to "trade wars" and slowing economic growth.*
- *The modest "buy" signal has reversed and is now on a sell signal.*
- *There are a lot of things going wrong with small-caps currently so the risk outweighs the reward of a trade at this juncture.*
- *Short-Term Positioning: Bearish*
  - *Last Week: Stops violated. Sell position.*
  - *This Week: No position.*
  - *Stop loss violated.*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



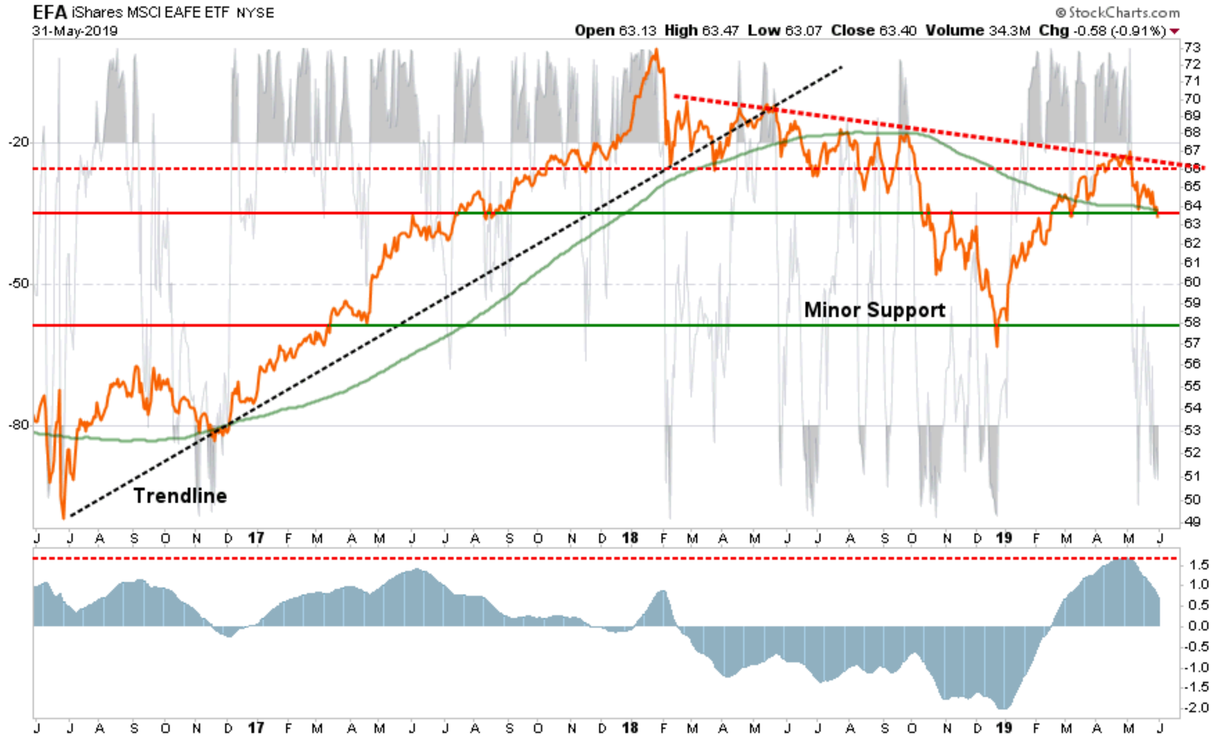
- *MDY failed at its support and at the downtrend resistance line.*
- *Two weeks ago, MDY failed to hold its 200-dma joining SLY in a bad setup for traders. MDY also failed at support from the lows of early 2018.*
- *Mid-caps are oversold and the extremely extended "buy" signal has been reversed and is about to turn into an outright sell signal.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Stop-loss violated at $340*
    - *This Week: Sell any rally this week.*
- *Long-Term Positioning: Bearish*

Emerging Markets



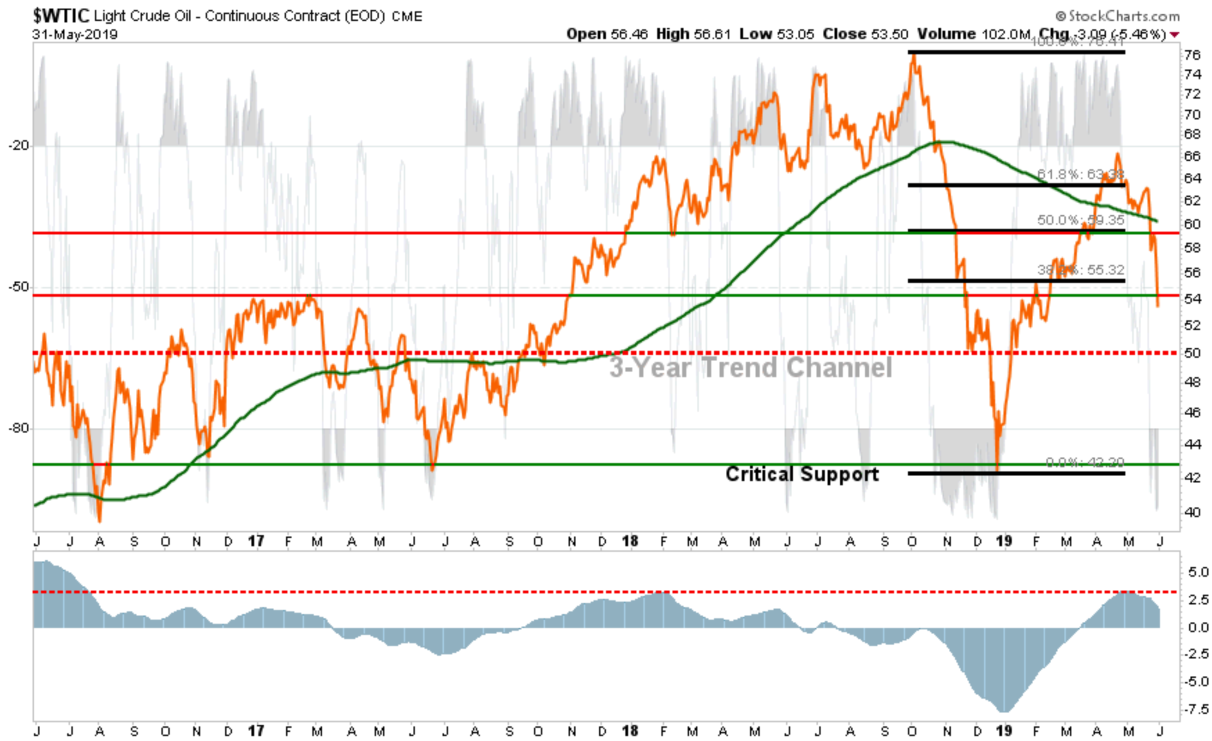
- *As noted last week: "Trade wars are not good for emerging markets."*
- *Three weeks ago, EEM failed initial support. Two weeks ago, it crashed through critical support and stop levels. Last week it continued to push toward 2018 lows.*
- *This week, a "sell signal" was triggered.*
- *Short-Term Positioning: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

International Markets



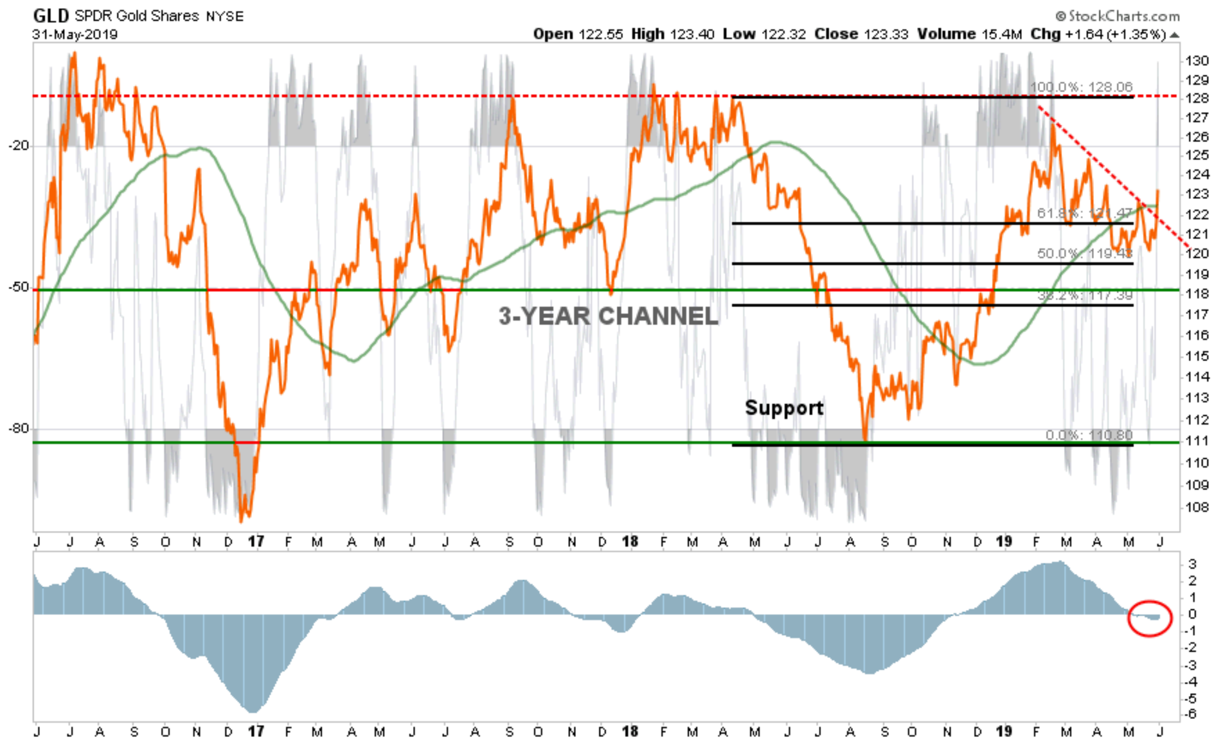
- *EFA broke below important support previously which negated previous recommendations.*
- *EFA has now also violated its 200-dma and the downtrend remains confirmed.*
- *EFA is oversold but not deeply so and the "buy signal" is being reversed.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold 1/2 position*
    - *This Week: Stop loss levels violated. Sell on any rally.*
    - *Stop-loss at $64 has been violated.*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



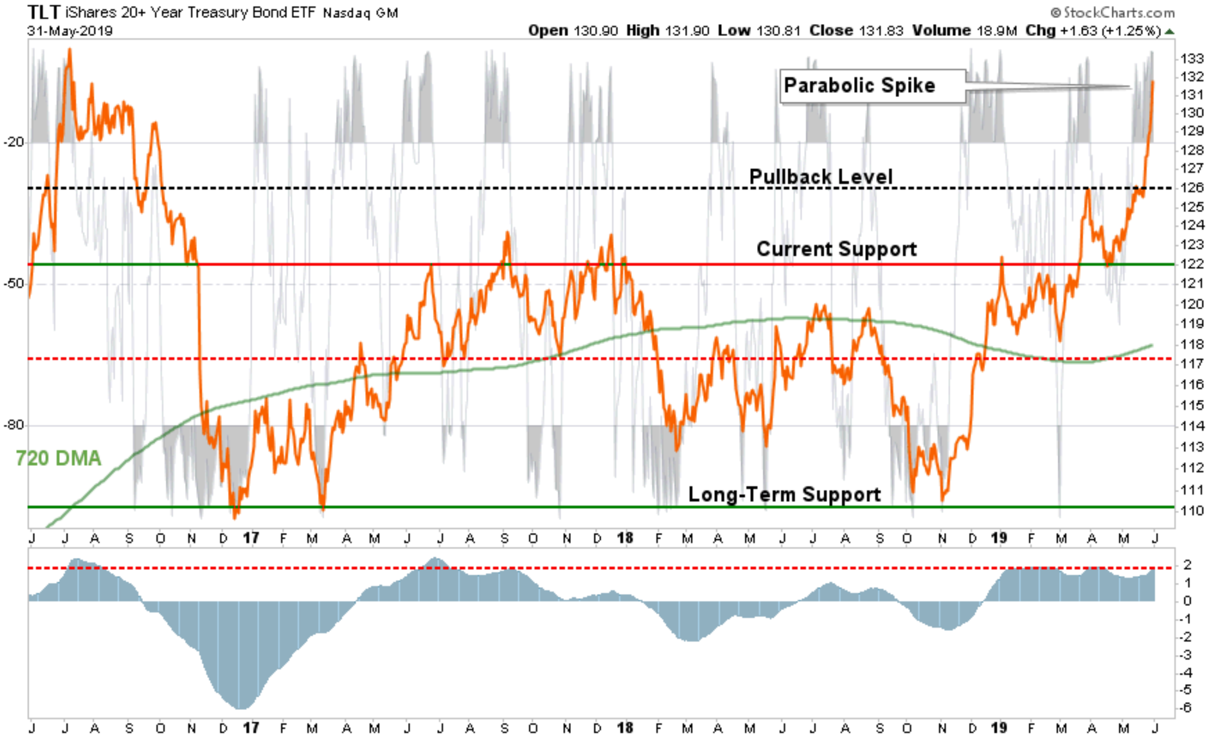
- As noted three weeks ago, the rally in oil had gotten way ahead of itself in the face of building supplies. The correction continued again last week and risk is clearly to the downside.
- We noted previously, that if support at $60 failed, along with the 200-dma, the risk was to the mid- to low-$50's.
- Those levels were quickly reached and with the breach of the support at $54, the next level of support is at $50.
- WTIC is oversold and the "buy signal" is continuing to be reversed.
- Short-Term Positioning: Neutral
    - Last Week: Stop-loss violated, positions should have been closed out.
    - This Week: No position.
    - Stop-loss violated at $60.
- Long-Term Positioning: Bearish

Gold



- *Finally, Gold popped last week as Trump launched a trade war with Mexico along with China.*
- *Gold quickly reversed its oversold condition to overbought but it did break above its downtrend.*
- *There is a mild sell-signal but if the rally in Gold continues next week, it will reverse back onto a "buy."*
- *We noted last week that we were maintaining our position as a hedge against a potential pick up in volatility over the summer. That worked well this past week.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold positions.*
  - *This week: Hold positions*
  - *Stop-loss for whole set at $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." Prices on bonds have gone parabolic and are now at extremes.*
- *We should see a counter-trend rally in stocks next week and a reversal of rates back to $126*
- *Currently on a buy-signal (bottom panel), bonds are now back to very overbought conditions and are testing the previous highs from 2016.*
- *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: **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.***
  - *This Week: **Same as last week.***
  - *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*