

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:

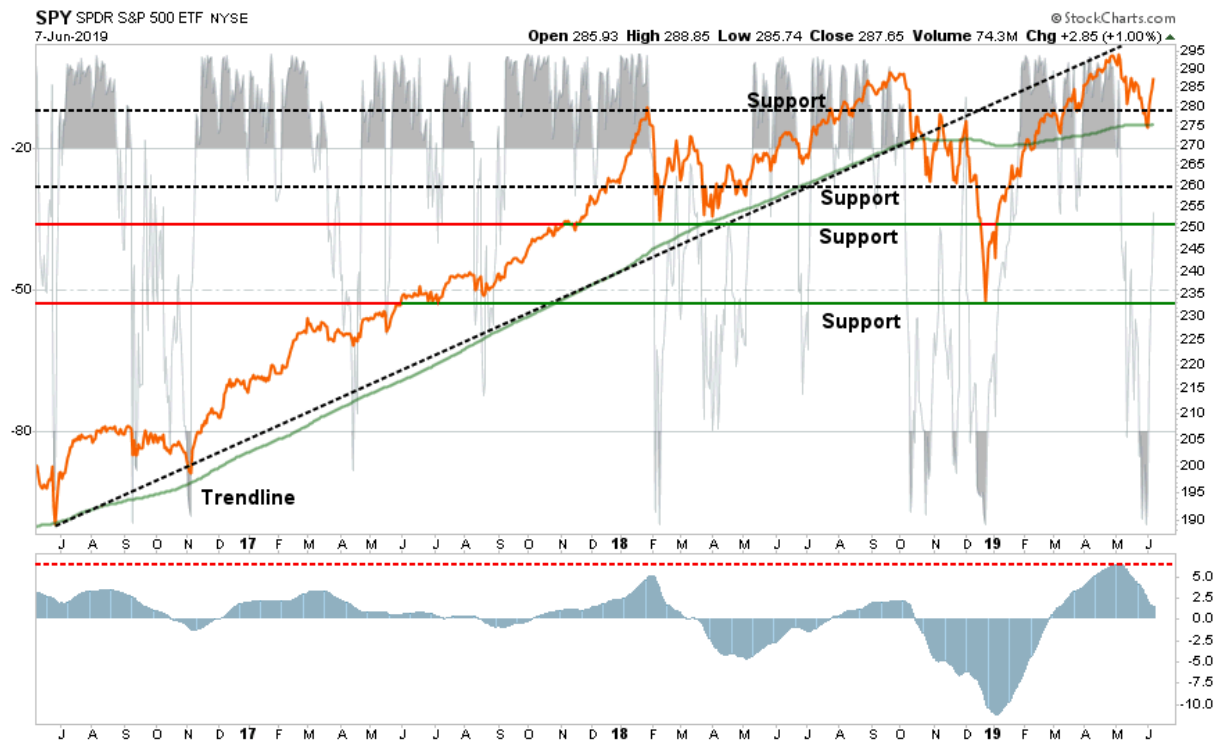
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



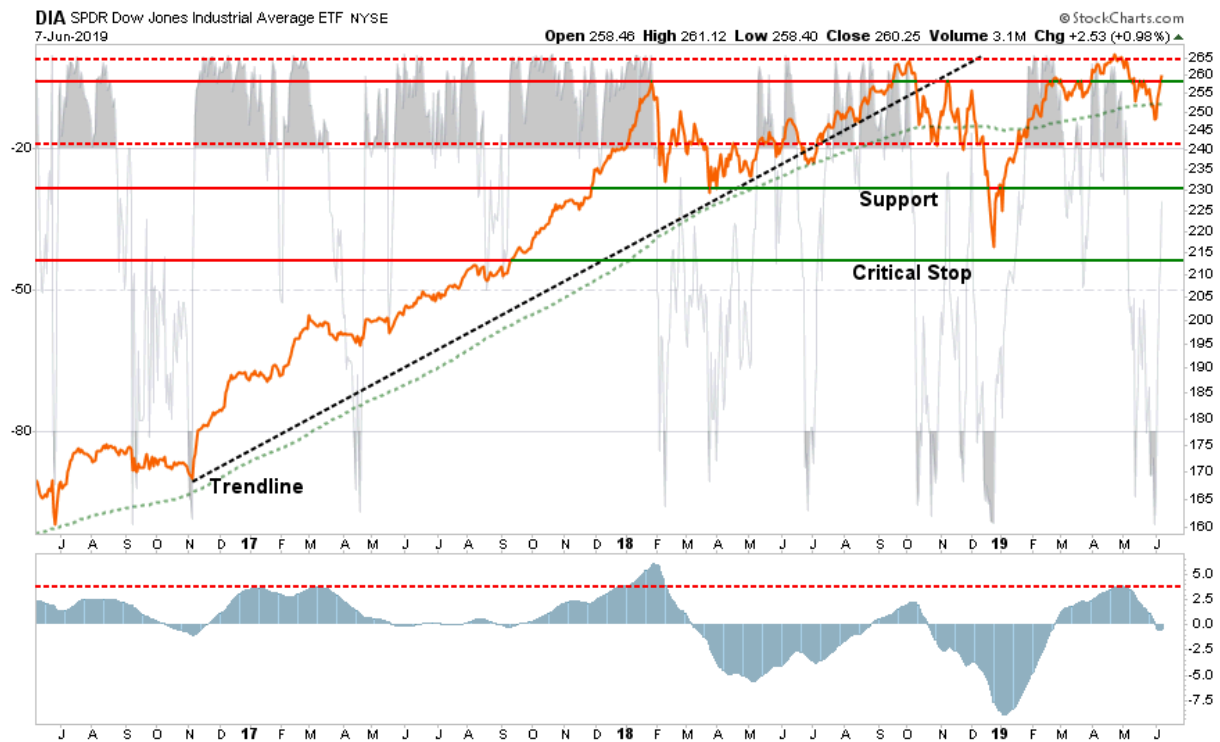
With this basic tutorial let's review the major markets.

S&P 500 Index



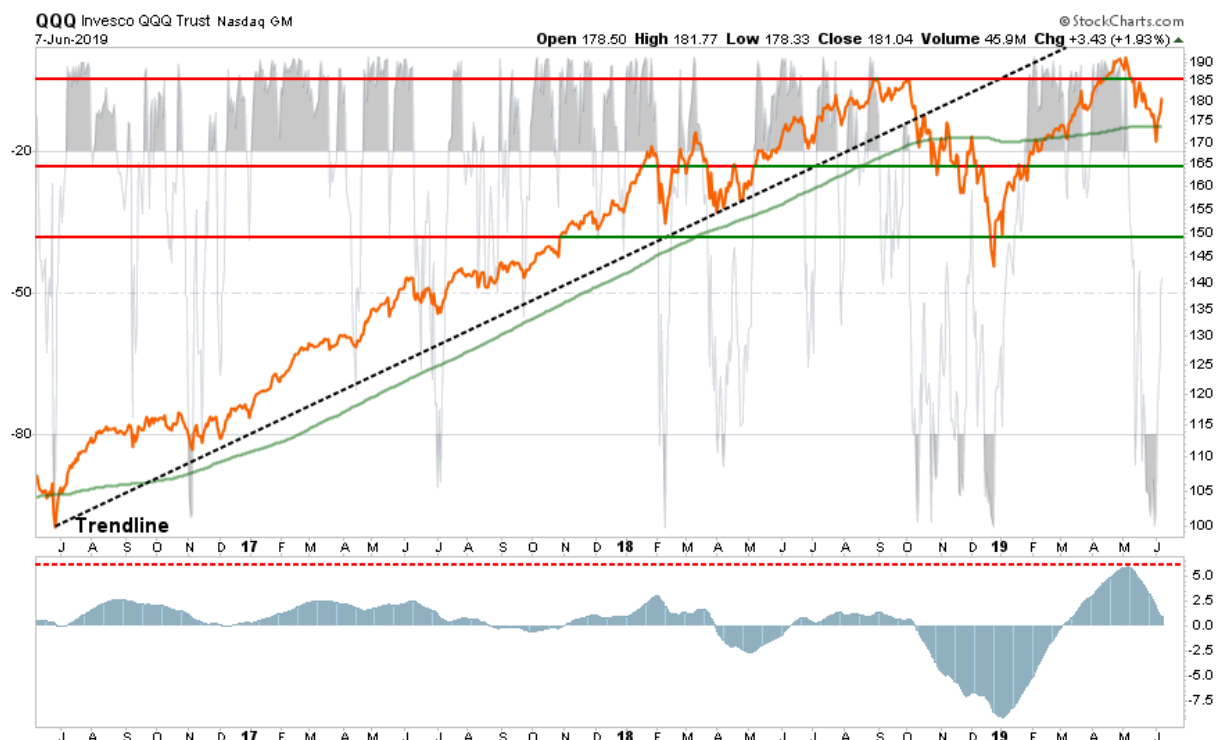
- Last week we noted that SPY had corrected the overbought condition and is testing the 200-dma.
- The "buy" signal in the lower panel was massively extended, as noted several weeks ago, which as we stated, suggested the reversal we have seen was coming. The signal is almost fully reversed.
- As stated last time:
 - "The correction last week has set up a tradeable opportunity into June."
- That tradeable rally is in process and we are approaching our initial target of \$290
- Short-Term Positioning: Bullish
 - Last Week: Hold full position with a target of \$290.
 - This Week: Sell 1/2 of position on any rally next week that hits our target.
 - Stop-loss moved up to \$280
 - Long-Term Positioning: Neutral

Dow Jones Industrial Average



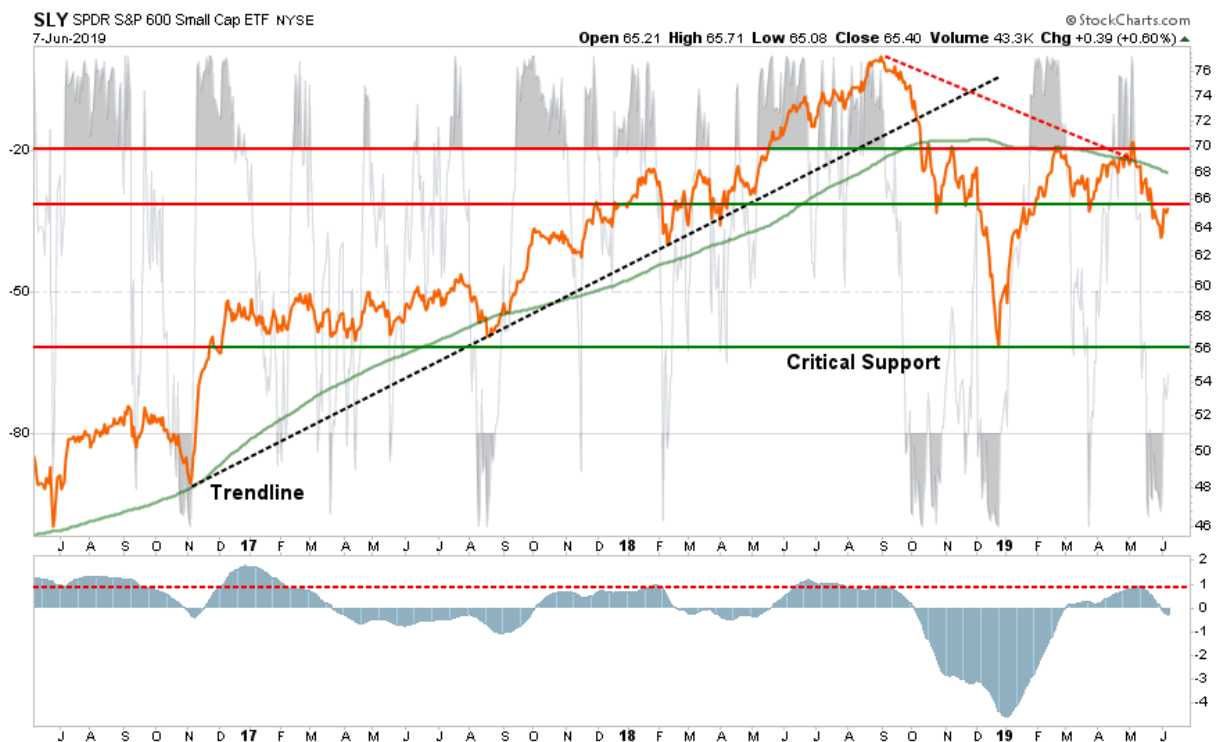
- Last week, we noted the setup for DIA wasn't as compelling as the S&P 500.
- DIA did rally and reversed a bulk of the oversold condition but is challenging overhead resistance.
- More importantly, DIA has registered a "sell signal."
- Short-Term Positioning: Neutral
 - Last Week: Sell holdings on any rally that fails to get above \$250.
 - This Week: Hold previous position given rally reversed "sell" level.
 - Stop-loss remains \$250
- Long-Term Positioning: Neutral

Nasdaq Composite



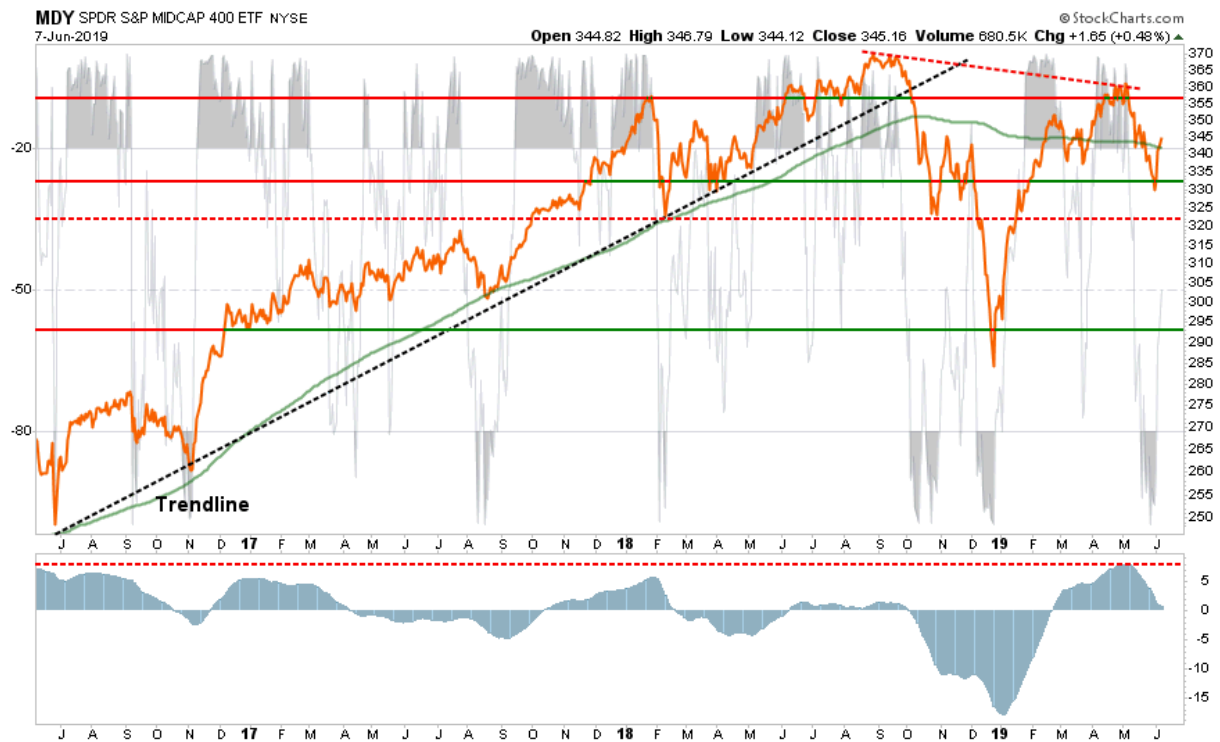
- *QQQ rallied from the oversold condition and is not overbought yet. Such gives the market a chance to rally further next week into previous resistance from the August/September highs of 2018.*
- *QQQ is no longer oversold and the "buy signal" has been reversed. However, the "buy" signal is close to reversal suggesting the current rally may be limited.*
- *Support at \$185 failed which is now resistance. The tradeable opportunity we suggested last week is in process.*
- **Short-Term Positioning: Bullish**
 - *Last Week: Buy 1/2 position with a target of \$185*
 - *This Week: Hold 1/2 position with a target of \$185*
 - *Stop-loss moved up to \$175*
- **Long-Term Positioning: Neutral**

S&P 600 Index (Small-Cap)



- *As noted several 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)



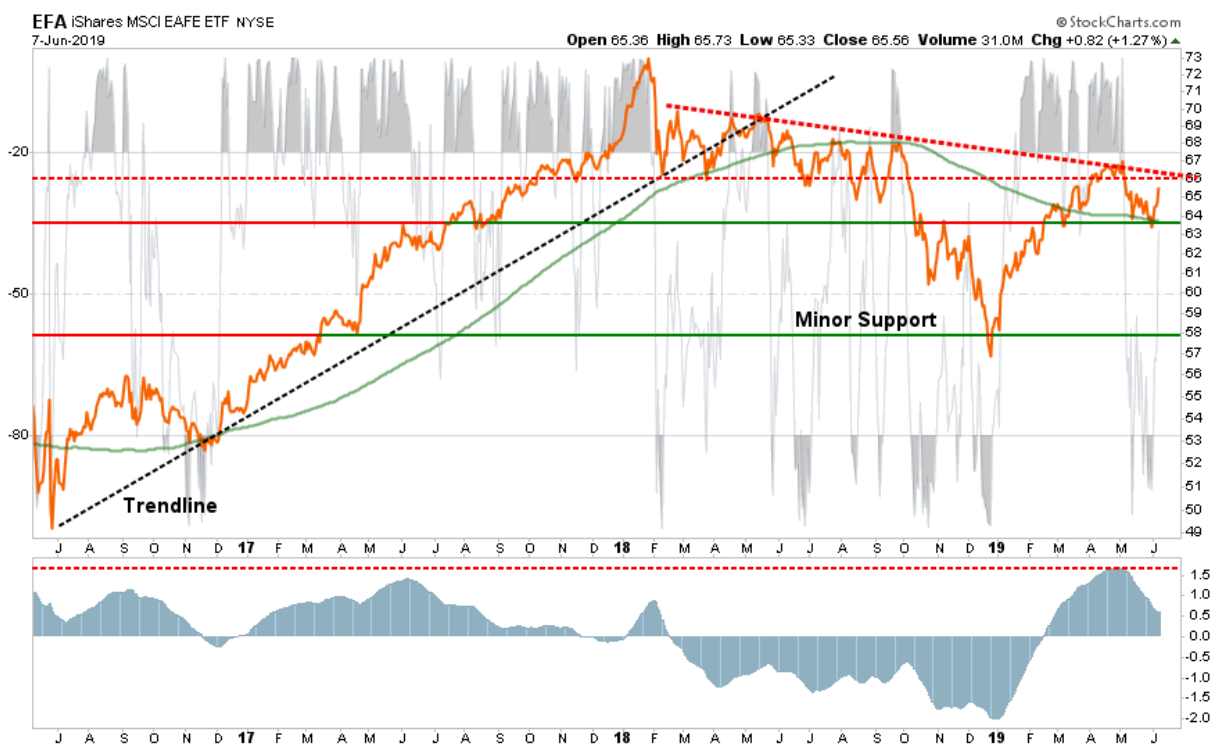
- MDY, like SLY, is technically not in great shape.
- MDY failed to hold its 200-dma, failed at support from the lows of early 2018, and remains in a downtrend.
- As noted last week, Mid-caps were oversold and the extremely extended "buy" signal had reversed and is about to turn into an outright sell signal.
- The rally this past week did get MDY back above the 200-dma and is not overbought yet which suggests we could see a further rally this coming week.
- Short-Term Positioning: Neutral
 - Last Week: Sell any rally this week
 - This Week: Look to sell any further rally this week if not already done so.
- Long-Term Positioning: Bearish

Emerging Markets



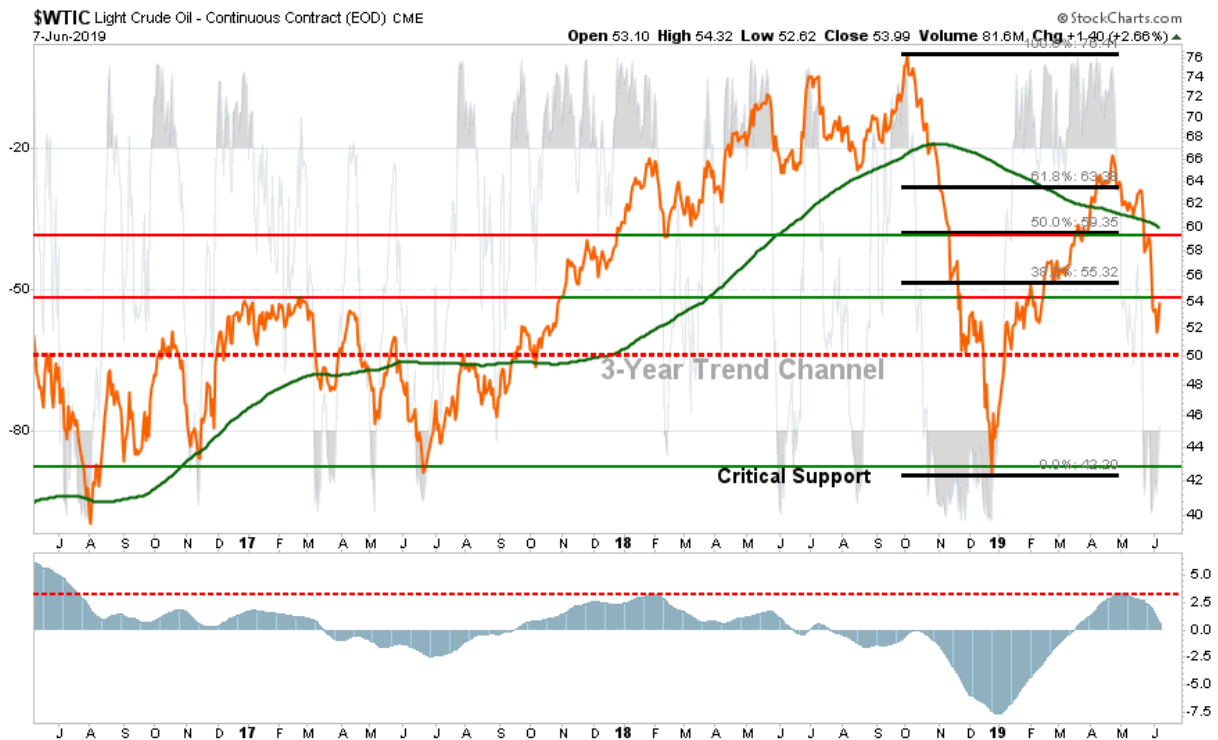
- *EEM has failed support, broke below the 200-dma, and has continued within its longer-term downtrend.*
- *Last week, a "sell signal" was triggered.*
- **Short-Term Positioning: Bearish**
 - *Last Week: Closed all positions.*
 - *This Week: No position recommended at this time.*
 - *Stop-loss violated.*
- **Long-Term Positioning: Neutral**

International Markets



- *EFA broke below important support previously which negated previous recommendations.*
- *EFA is maintaining its 200-dma.*
- *EFA is has reversed its oversold condition and is not overbought yet. The "buy signal" is being reversed.*
- **Short-Term Positioning: Neutral**
 - *Last Week: Stop loss violated. Sell any rally.*
 - *This Week: Sell current holdings this week if not already done.*
 - *Stop-loss at \$64 has been violated.*
- **Long-Term Positioning: Neutral**

West Texas Intermediate Crude (Oil)



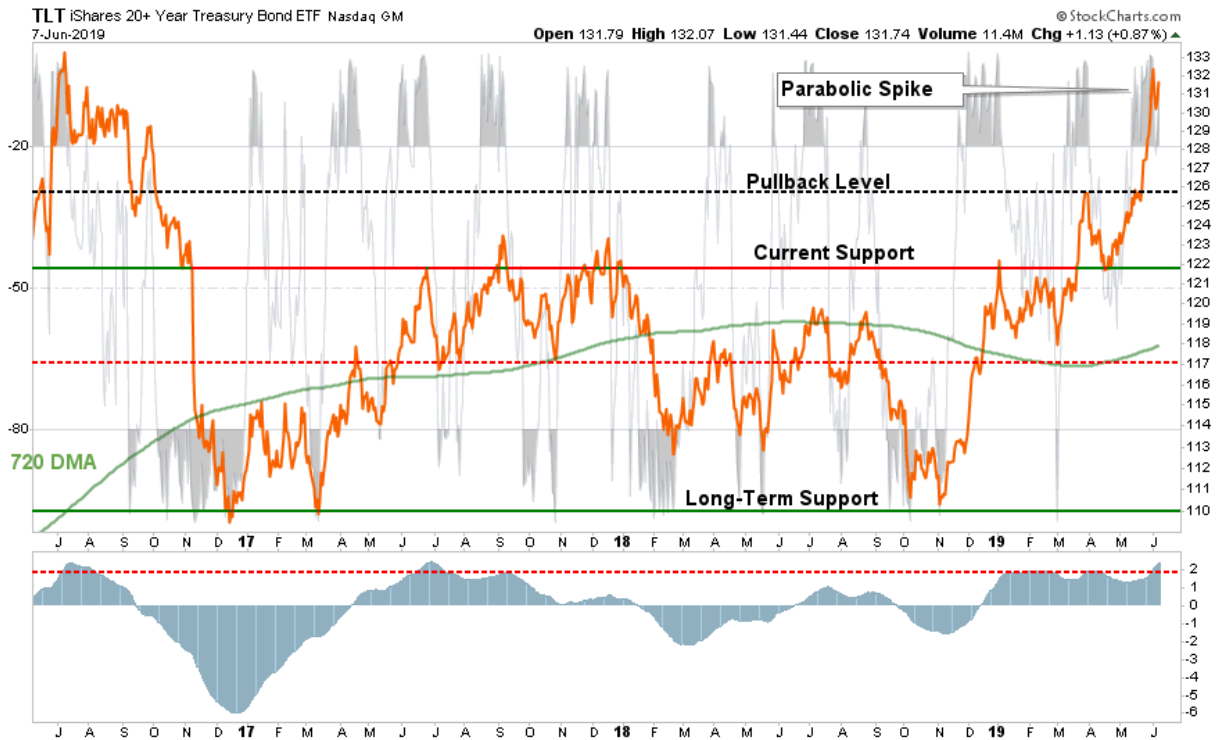
- *A month ago, we noted the rally in oil had gotten way ahead of itself in the face of building supplies and that the risk was clearly to the downside.*
- *We also noted that if support at \$60 failed, along with the 200-dma, the risk was to the mid- to low-\$50's.*
- *We tagged \$51/bbl and WTIC got very oversold so the modest bounce last week was not surprising.*
- *Look for a further rally this week along with the equity market but this is likely an opportunity to reduce exposure if you are still long.*
- *WTIC is oversold and the "buy signal" is continuing to be reversed.*
- **Short-Term Positioning: Neutral**
 - *Last Week: No position*
 - *This Week: No position.*
 - *Stop-loss violated at \$60.*
- **Long-Term Positioning: Bearish**

Gold



- As noted last week, "Finally, Gold popped last week as Trump launched a trade war with Mexico along with China."
- Gold quickly reversed its oversold condition to overbought and did break above its downtrend.
- We also noted, that the mild sell-signal would reverse back onto a "buy" which has occurred.
- 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 again this past week.
- Gold is too extended to add to positions here.. Look for a pullback to \$122-123 to add.
- 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.
- As we stated last week: "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



- The dollar finally pulled back last week from the more extreme overbought level.
- USD is testing the uptrend support level and is on a buy signal.
- Hold current positions but maintain stop levels.
- **Short-Term Positioning: Bullish**
 - Last Week: Hold position
 - This Week: Hold position
 - Stop loss is set at \$96