

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:

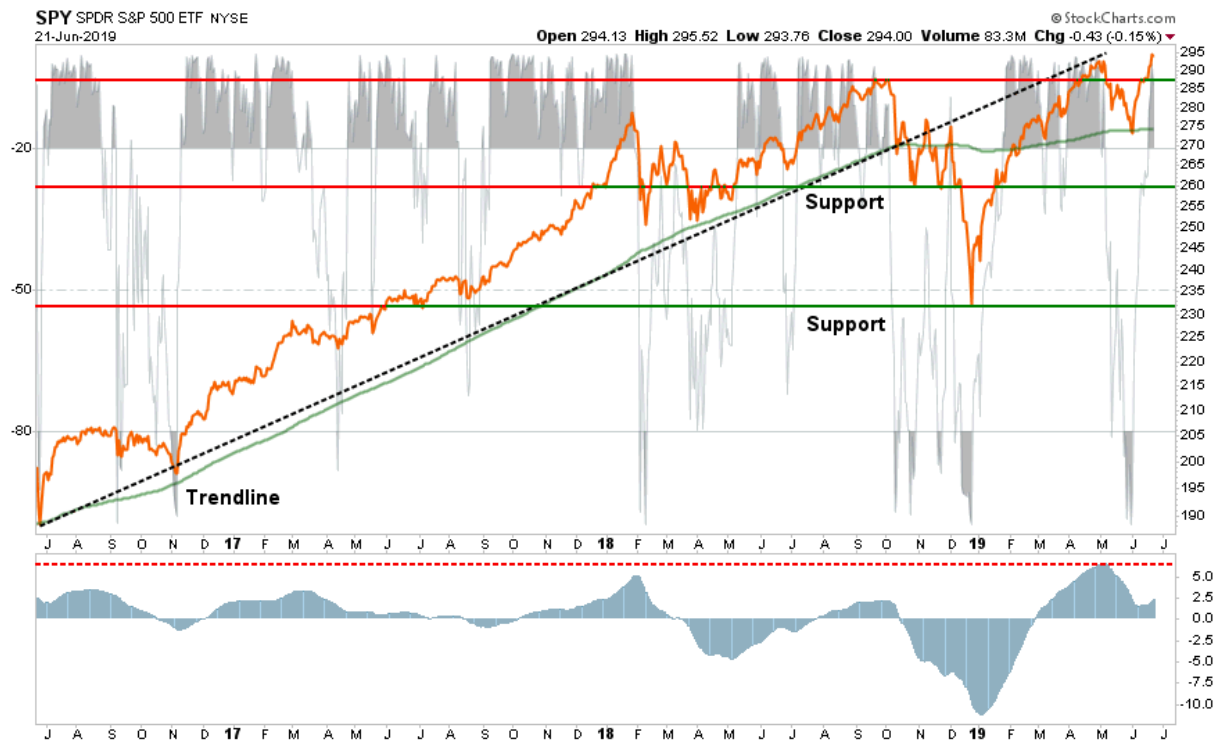
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



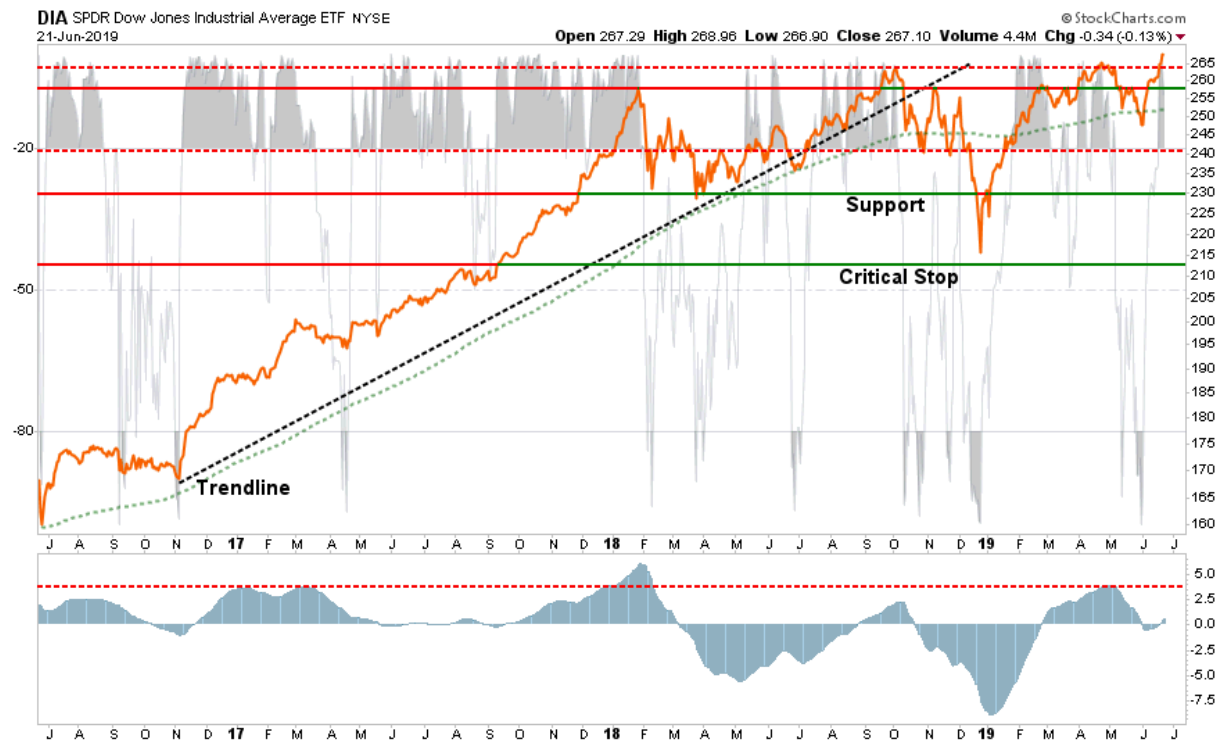
With this basic tutorial let's review the major markets.

## S&P 500 Index



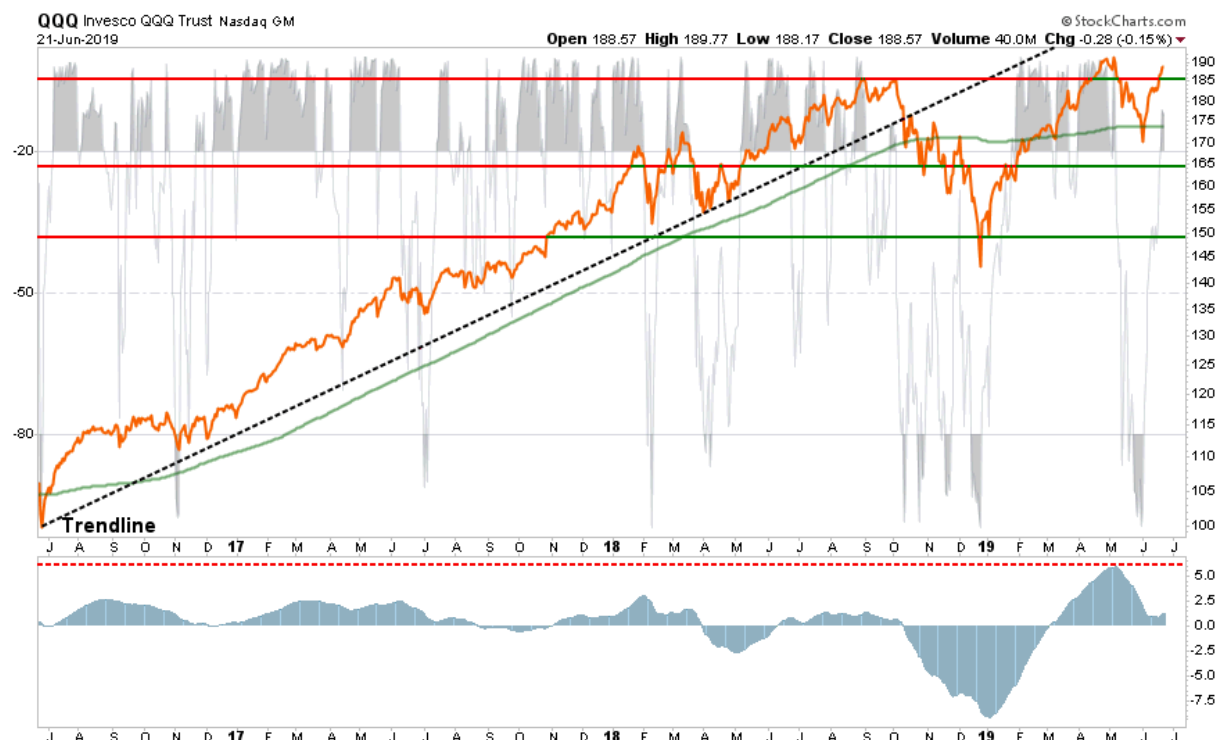
- We previously noted the correction had set up a tradeable opportunity into June and that we were approaching our initial target of \$290. That target was hit and we took 1/2 of our trading positions back in.
- We noted last week, the current setup *"suggests a bit more rally could occur next week given comments from both the Fed and the G-20 summit are on deck."*
- *On Friday, SPY broke out to new highs but is back to a more extreme overbought condition while remaining on a buy signal. These keeps us long our remaining 1/2 position for now and we will look for a bit of consolidation at these new highs to go back to a full weighting. July and August tend to be weaker months which could provide the entry we are looking for.*
- **Short-Term Positioning: Bullish**
  - Last Week: Hold position
  - This Week: Hold position.
  - Stop-loss adjust to \$275
  - Long-Term Positioning: Neutral due to valuations

## Dow Jones Industrial Average



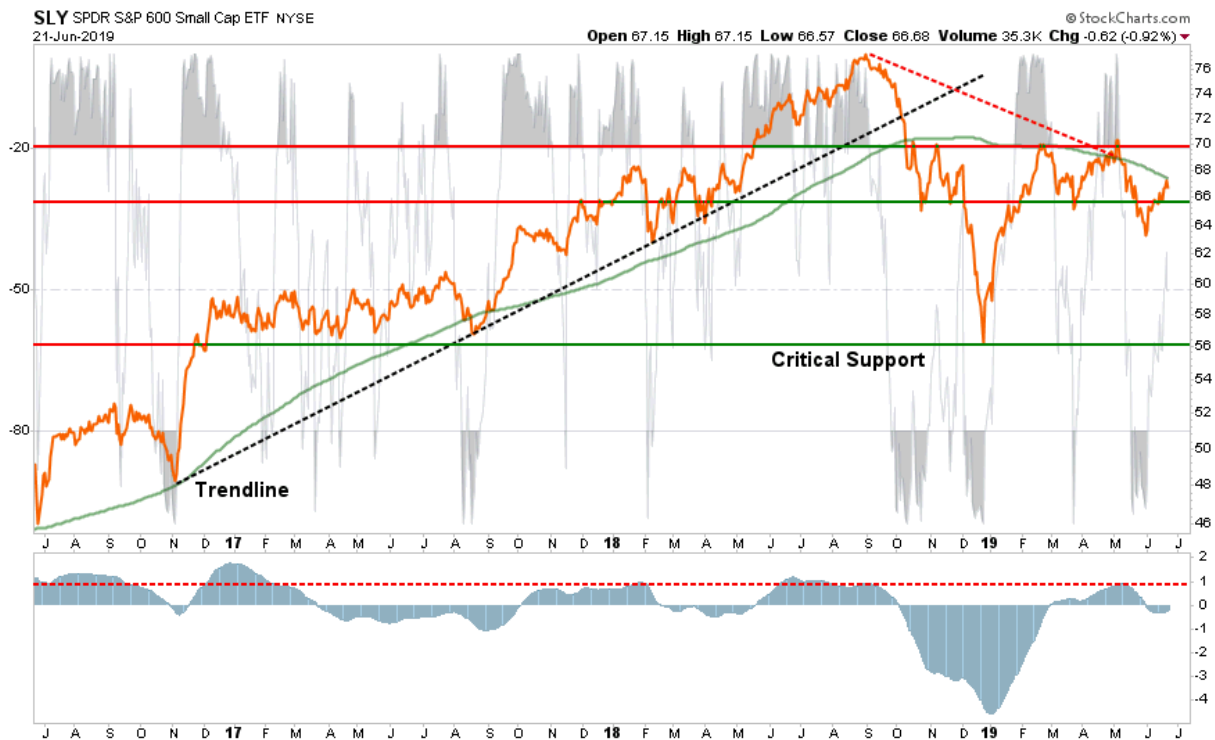
- *DIA has not had as a compelling of setup as SPY. But on Friday did break out to new highs and triggered a short-term buy signal.*
- *DIA is very overbought short-term, so like SPY above, we will look for a better entry point to suggest adding weighting to portfolios.*
- **Short-Term Positioning: Neutral**
  - *Last Week: Hold current positions*
  - *This Week: Hold current positions.*
  - *Stop-loss moved up to \$252.50*
- **Long-Term Positioning: Neutral**

## Nasdaq Composite



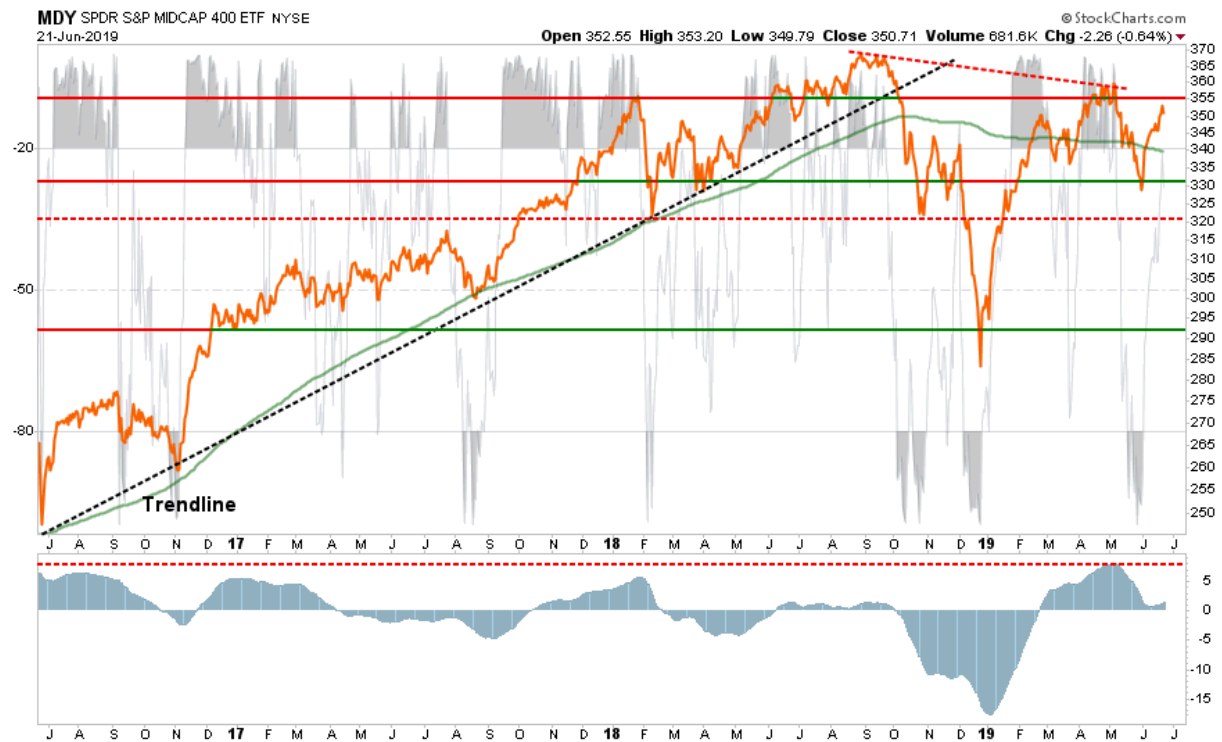
- QQQ rallied from the oversold condition and is now back to very overbought.
- We noted last week that the market could rally further into previous resistance from the August/September highs of 2018. The rally has been fairly weak, but it did get above last years resistance levels. New highs are the next challenge.
- **Short-Term Positioning: Bullish**
  - Last Week: Hold 1/2 position with a target of \$185
  - This Week: The \$185 target was reached but hold position currently.
  - 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: No position
  - This Week: No position.
  - Stop loss violated.
- **Long-Term Positioning: Bearish**

## S&P 400 Index (Mid-Cap)



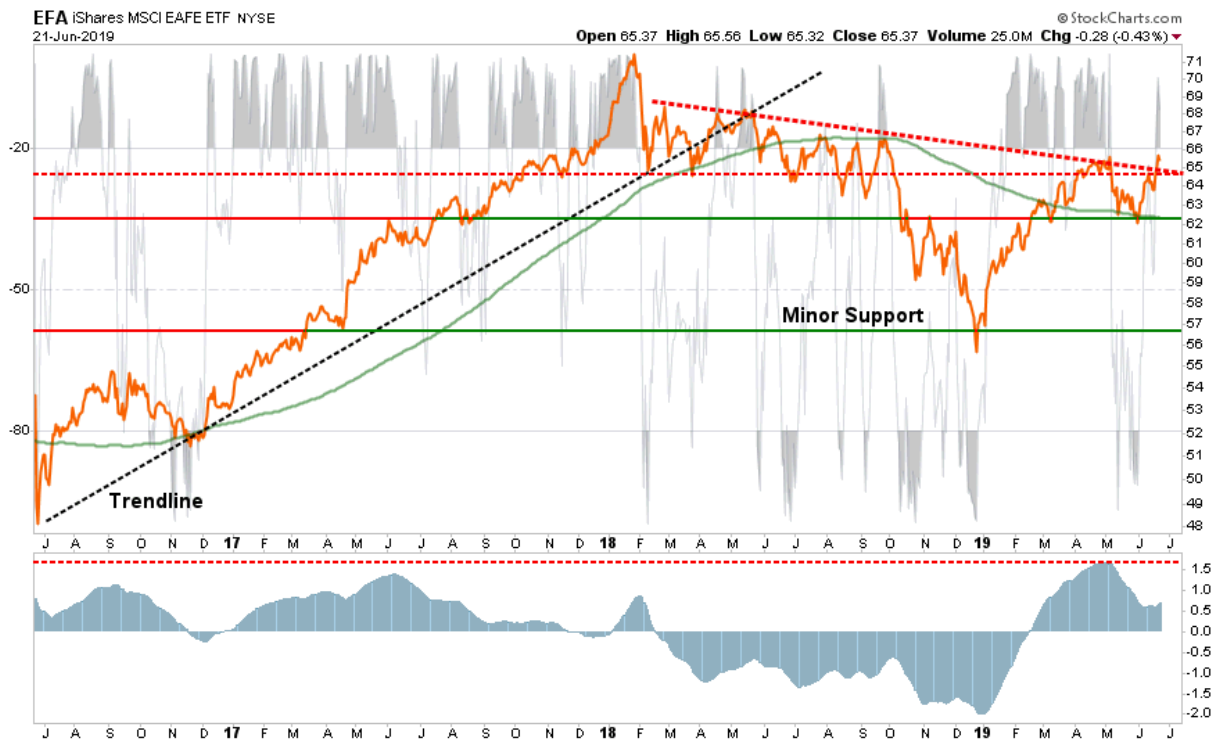
- MDY, like SLY, is technically not in great shape.
- MDY did regain its 200-dma but the rally has been weak.
- Mid-caps did rally this past week but is not overbought yet. This suggests we could see a bit more of a rally this coming week given some positive news from the G-20 meeting.
- Short-Term Positioning: Neutral
  - Last Week: Use any further rally this week to sell into.
  - This Week: Use any further rally this week to sell into.
- Long-Term Positioning: Bearish

## Emerging Markets



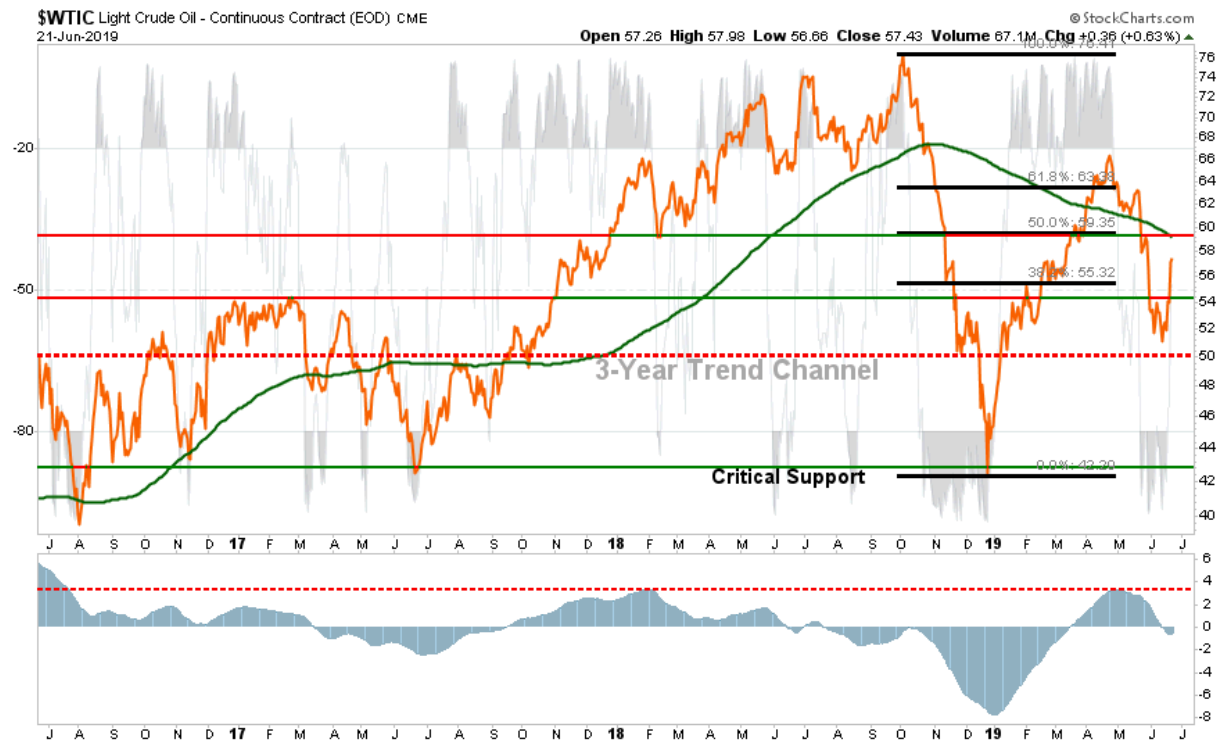
- *EEM rallied back to the top of its downtrend channel on news that the ECB will potentially cut rates and increase QE programs.*
- *We are looking to add a small trading position this coming week and the "sell signal" is close to being reversed.*
- *Short-Term Positioning: Bearish*
  - *Last Week: No position recommended at this time.*
  - *This Week: Buy 1/2 position for a trade at \$43*
  - *Stop-loss set at \$41*
- *Long-Term Positioning: Neutral*

## International Markets



- *Like EEM, EFA rallied on news the ECB will leap back into action to support markets.*
- *Last week, EFA broke above its downtrend line while maintaining a "buy signal."*
- *We can add a trading position back into portfolios.*
- *EFA is maintaining its 200-dma which is positive but the overall trend is concerning.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Positions sold on stop-loss violation.*
  - *This Week: Add 1/2 trading position.*
  - *Stop-loss is set at \$64*
- *Long-Term Positioning: Neutral*

## West Texas Intermediate Crude (Oil)



- Oil rallied last week on both a slight crude draw, tensions over Iran, but primarily from a weaker USD.
- The market remains in a major downtrend and the current bounce in oil prices is likely just that with \$59 providing the most likely top.
- Oil is not overbought yet, and is close to registering a buy signal.
- Short-Term Positioning: Neutral
  - Last Week: No position
  - This Week: No position, but look for pullback to \$54 to add a trading position.
  - Stop-loss for new positions is \$50.
- Long-Term Positioning: Bearish

## Gold





- Gold has quickly reversed its oversold condition to extreme overbought and has also broken above important overhead resistance.
- We also noted, that the mild sell-signal has been reversed back to a "buy."
- Gold is too extended to add to positions here. Look for a pullback to \$127-128 to add.
- Short-Term Positioning: Neutral
  - Last week: Hold positions.
  - This week: Hold positions
  - Stop-loss for whole set at \$126
- Long-Term Positioning: Neutral

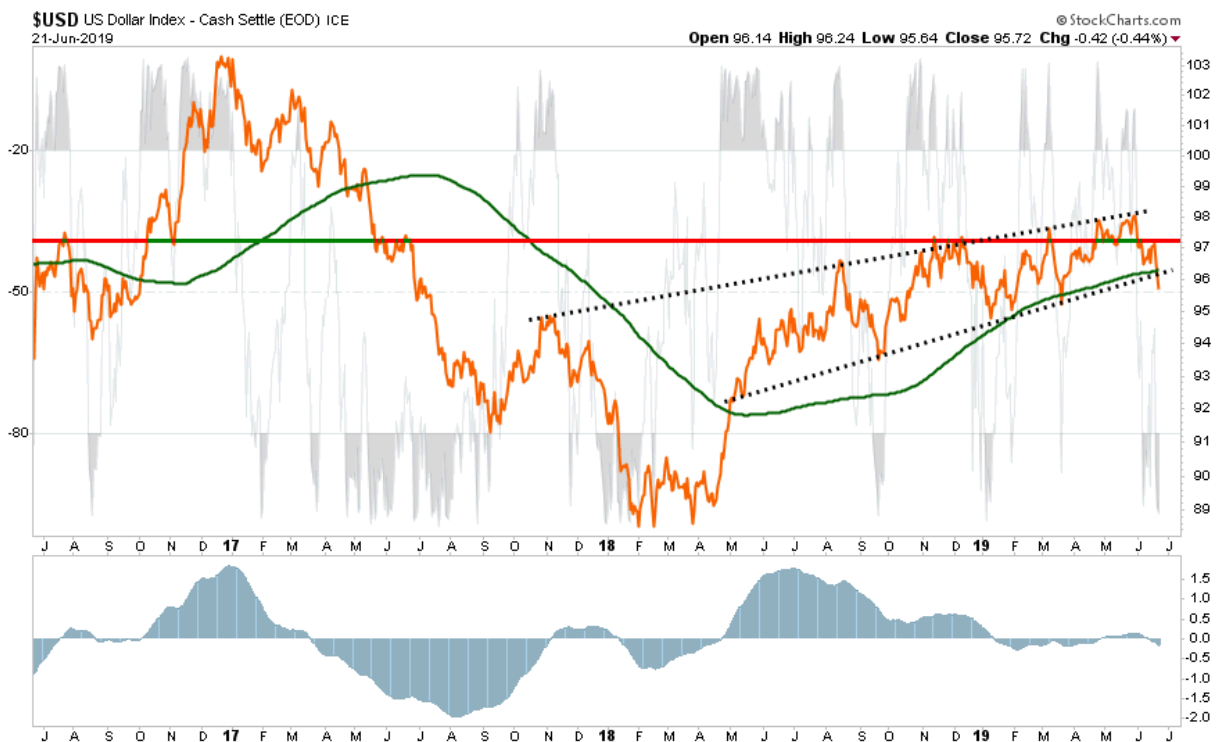
## Bonds (Inverse Of Interest Rates)





- Bonds prices on bonds have gone parabolic and are now at extremes. Even the "buy" signal on the bottom panel has reached previous extremes which suggests a reversal in rates short-term is likely.
- Comments from the Fed last week suggesting they will cut rates soon sent bond prices soaring.
- Currently on a buy-signal (bottom panel), bonds are now back to extremely overbought and need to pullback, which should be coincident with a further rally in equities in the next couple of weeks.
- Strong support at the 720-dma (2-years) (green dashed line) which is currently \$119.
- 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 \$126
  - Long-Term Positioning: Bullish

## U.S. Dollar



- Comments from the Fed about more accommodative policies tripped up the dollar.
- Over the last couple of weeks, the dollar has pulled back and has gotten extremely oversold.
- However, the dollar broke support at the trend line, the 200-dma, and has registered a short-term sell signal.
- Short-Term Positioning: Bullish
  - Last Week: Hold position
  - This Week: Stop loss violated, close position.
  - Stop-loss at \$96 was violated.