

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:

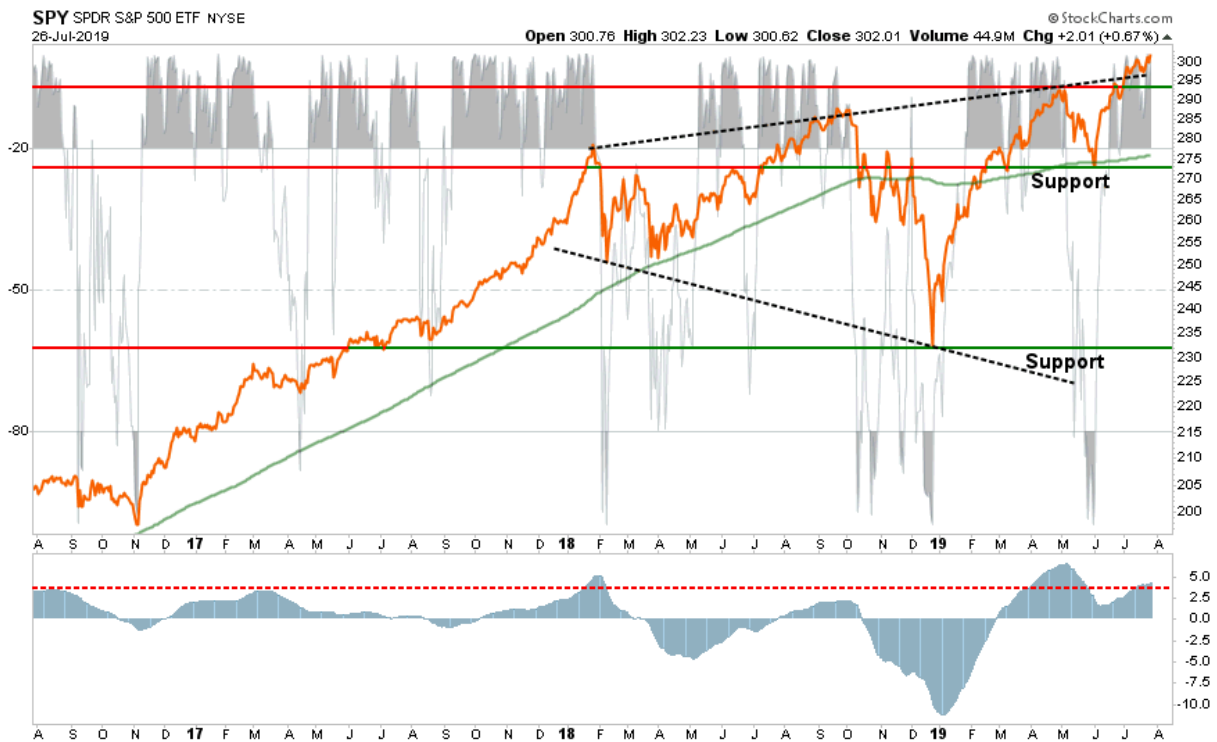
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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.



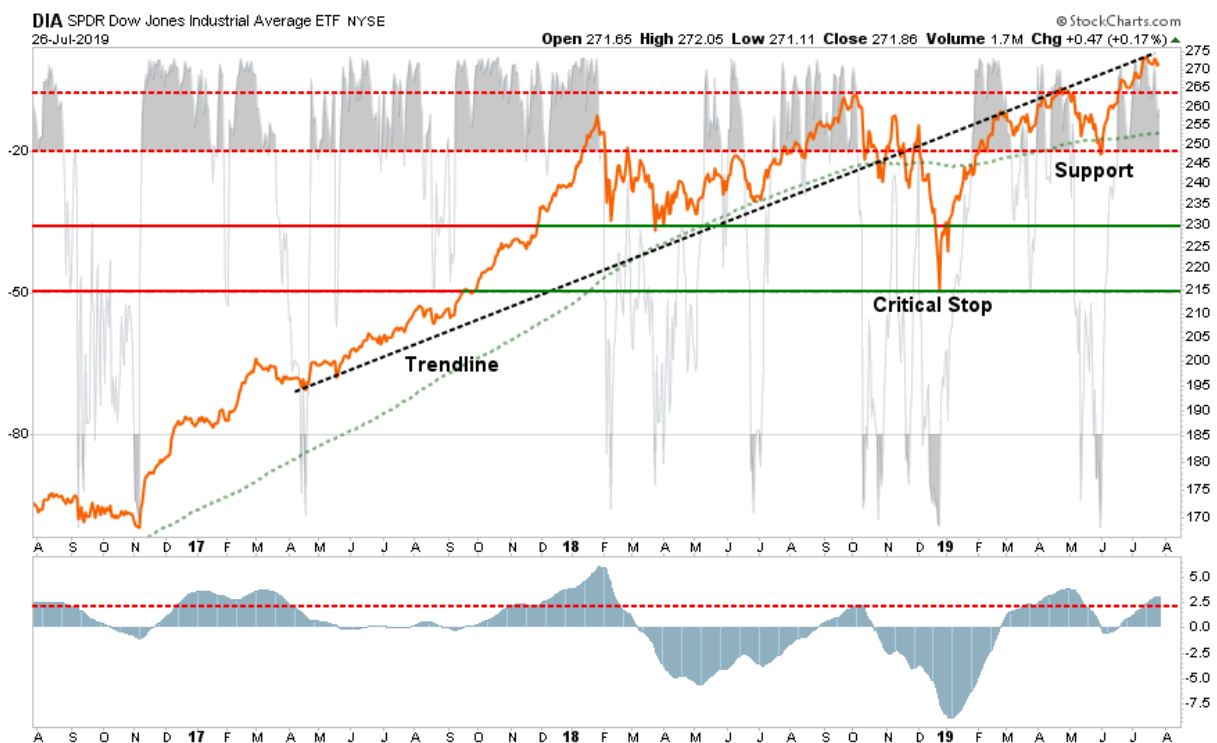
With this basic tutorial let's review the major markets.

S&P 500 Index



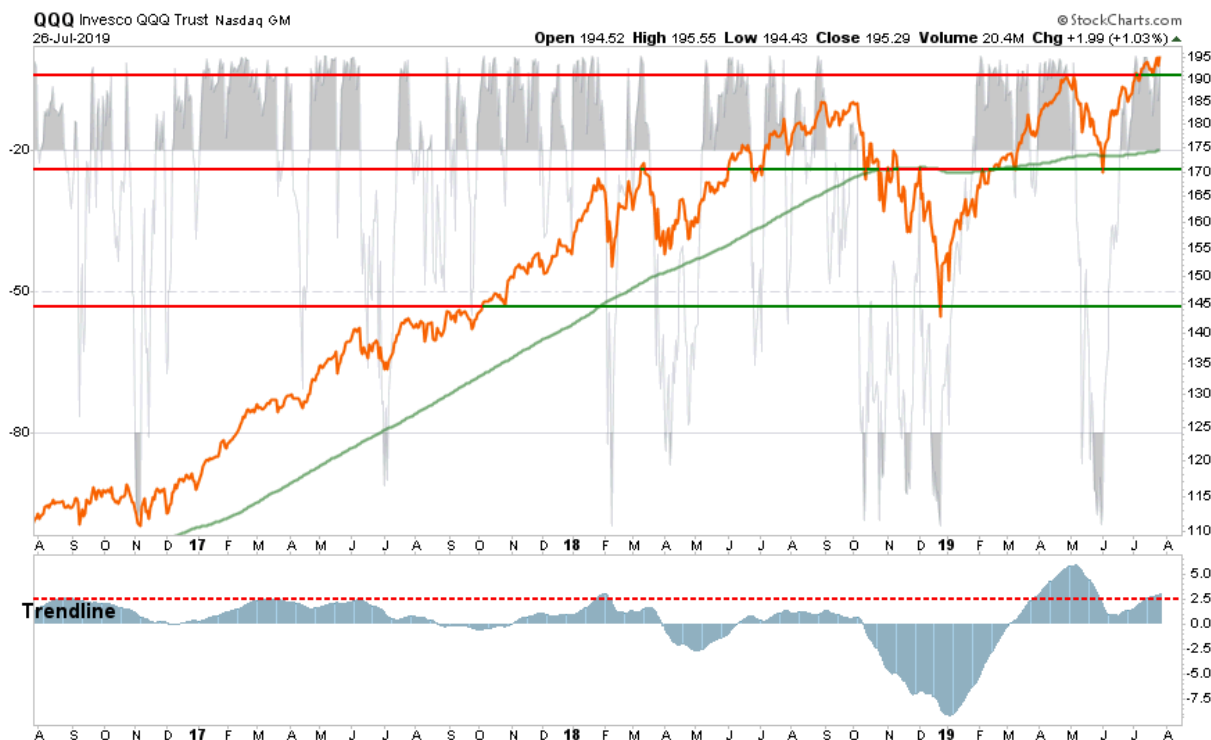
- As discussed last week, while the market has broken out to new highs, and suggests higher highs, the near-term extremely overbought condition suggests a bit of a correction is coming.
- We have added a 2x-Short S&P 500 position to the **Equity Long-Short** portfolio to hedge for this pullback.
- Short-Term Positioning: Bullish
 - Last Week: Hold position
 - This Week: Hold position.
 - Stop-loss remains \$275
 - Long-Term Positioning: Neutral due to valuations

Dow Jones Industrial Average



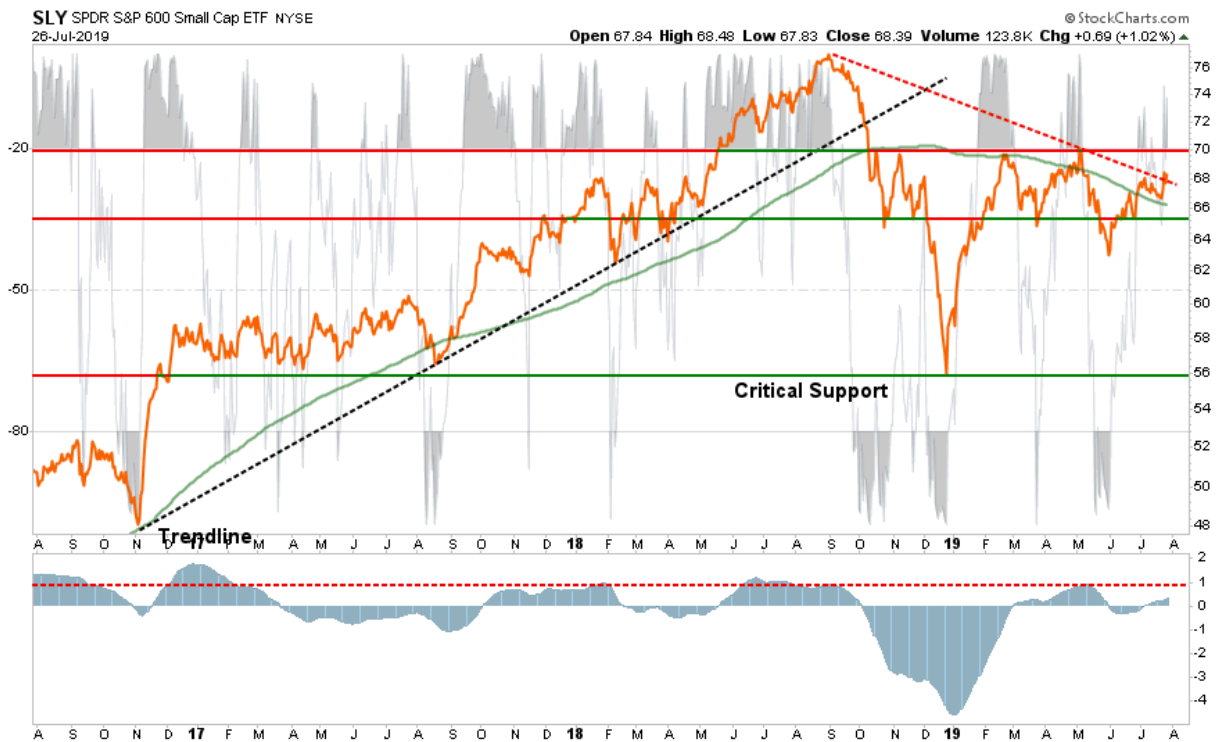
- *DIA failed at the uptrend line and is very overbought short-term. So like SPY above, we will look for a better entry point to suggest adding weighting to portfolios.*
- **Short-Term Positioning: Neutral**
 - *Last Week: Hold current positions*
 - *This Week: Hold current positions.*
 - *Stop-loss moved up to \$252.50*
- **Long-Term Positioning: Neutral**

Nasdaq Composite



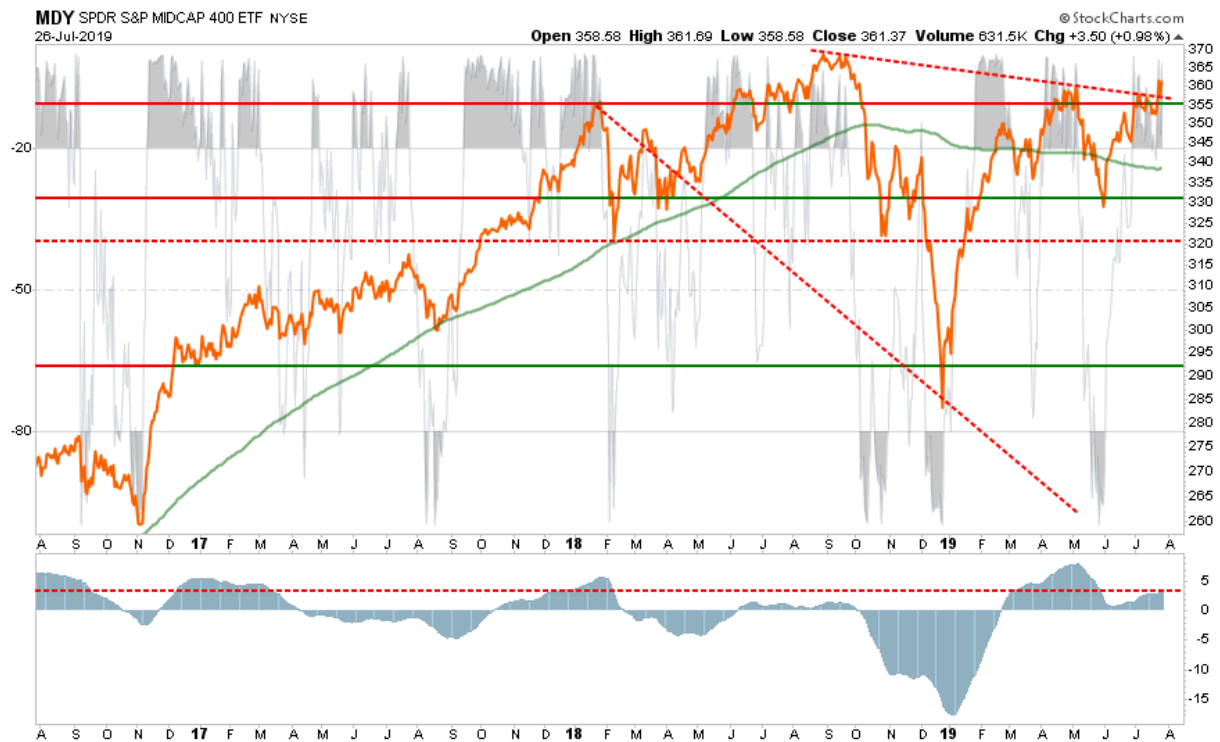
- *QQQ did breakout to new highs along with DIA and SPY but performance remains a bit lackluster on a relative basis and breadth is narrow.*
- *With the "buy signal" getting elevated towards levels that have previously signaled short-term peaks, use corrections that do not violate support to add to positions.*
- **Short-Term Positioning: Bullish**
 - *Last Week: Hold position*
 - *This Week: Hold position*
 - *Stop-loss moved up to \$175*
- **Long-Term Positioning: Neutral**

S&P 600 Index (Small-Cap)



- Small-caps did pick up on performance this past week, but are still not confirming the exuberance of its large-cap brethren.
- Last week, SLY did break above the 200-dma but remains confined to a very negative downtrend. Although this week, SLY is challenging that downtrend. As I noted last week:
 - "SLY has triggered a short-term buy signal so that could help small-caps gain ground if they can hold up."
- 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, but did breakout above its downtrend resistance. It needs to hold and make a run at previous highs.
- Mid-caps are also very overbought so take profits if you are long and tighten up stops.
- Short-Term Positioning: Neutral
 - Last Week: Use any further rally this week to sell into.
 - This Week: Hold current positions
- Long-Term Positioning: Bearish

Emerging Markets



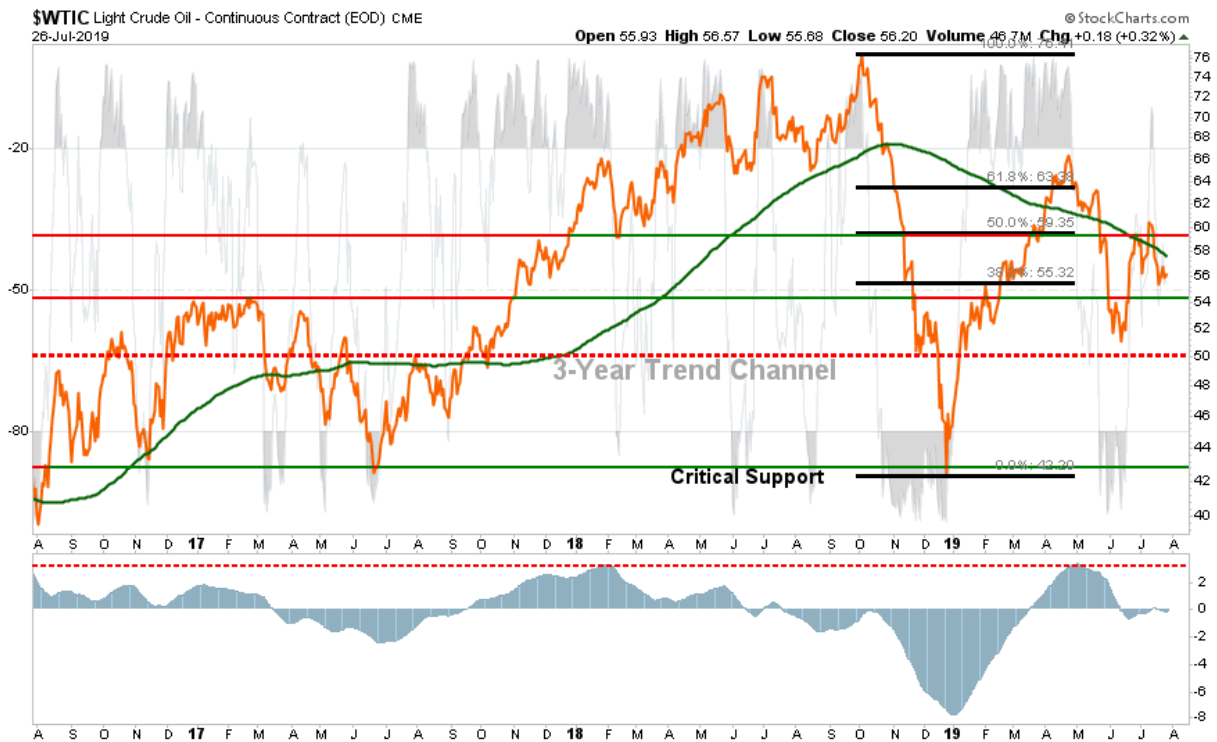
- *EEM rallied back to the top of its downtrend channel on news that the ECB will potentially cut rates and increase QE programs.*
- *EEM is back on a "buy signal" but is confined to that more major downtrend currently.*
- *As noted previously we closed out of our trading position to the long-short portfolio due to lack of performance. We may retry a position if the technicals firm up.*
- **Short-Term Positioning: Bearish**
 - *Last Week: Hold current position*
 - *This Week: Hold current position*
 - *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." That "buy signal" is now very extended.*
- *As with EEM, we did add a trading position to our long-short portfolio model but it, like EEM, was not performing so we closed it. We will try again later if technicals improve.*
- **Short-Term Positioning: Neutral**
 - *Last Week: Hold position*
 - *This Week: Hold position.*
 - *Stop-loss is set at \$64*
- **Long-Term Positioning: Neutral**

West Texas Intermediate Crude (Oil)



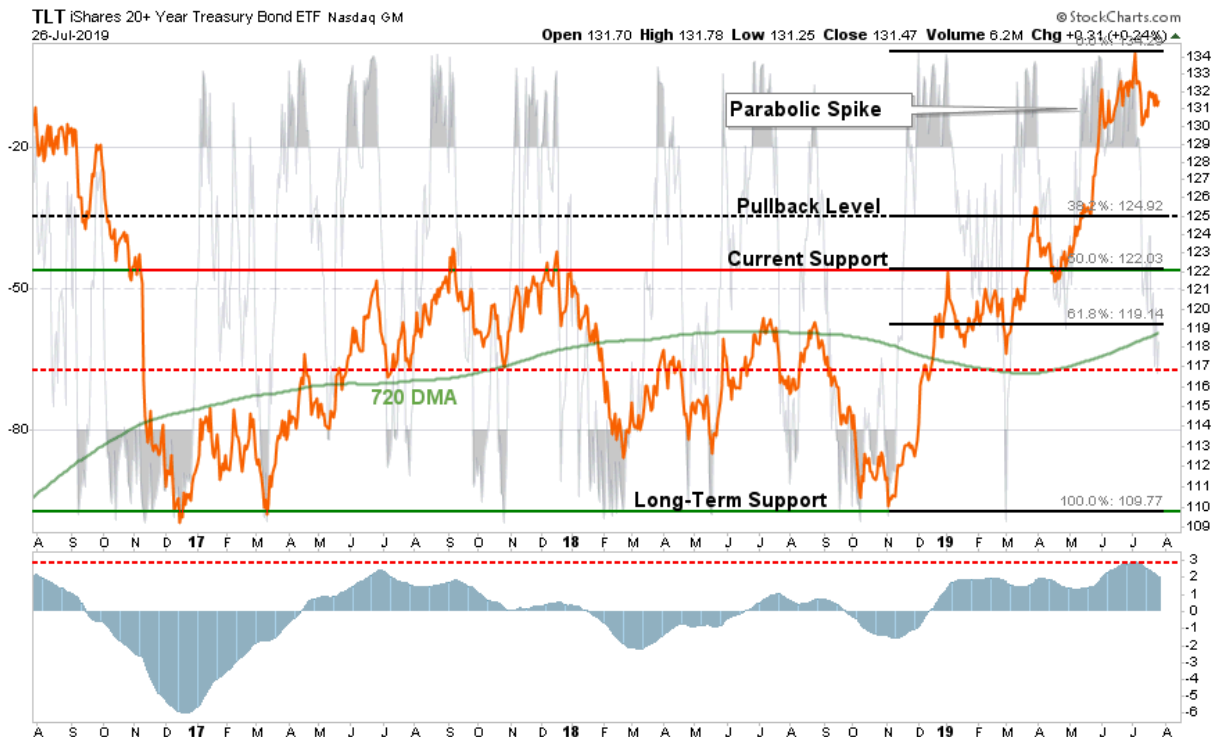
- Oil continues to languish and remains on a sell signal currently. This doesn't really bode well for either economic growth, or energy stocks near-term.
- Oil is not over sold and is in a downtrend. There is no reason to be long oil currently.
- Short-Term Positioning: Neutral
 - Last Week: Add trading position on pullback that holds \$58
 - This Week: No position as support failed to hold.
 - Stop-loss for any existing positions is \$54.
- Long-Term Positioning: Bearish

Gold



- Gold remains extremely overbought including its longer-term "buy signal."
- Gold broke above short-term resistance last Friday as news from the Fed suggested the Fed may "go big" at the end of the month on a rate cut. Gold is now retesting that breakout.
- IF it holds we will be able to move our stop-loss levels higher.
- 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
 - Profit-stop is at \$130
 - Stop-loss for whole set at \$126
- Long-Term Positioning: Neutral

Bonds (Inverse Of Interest Rates)



- Bond prices have worked off a good bit of its overbought condition while holding up at higher levels.
- This is bullish and suggests another entry point is coming. It also suggests that yields are about to go lower in conjunction with the Fed cutting rates.
- That correction started two weeks ago and the consolidation has continued. The overbought condition is being reversed with the "buy" signal still intact.
- If bonds continue to consolidate, an entry could form at \$129-130.
- Prices could pullback to the \$126-127 range which would be an ideal entry point.
- Short-Term Positioning: Bullish
 - Last Week: Hold positions after taking profits.
 - This Week: Hold positions
 - Stop-loss is moved up to \$125
 - Long-Term Positioning: Bullish

U.S. Dollar

\$USD US Dollar Index - Cash Settle (EOD) ICE
26-Jul-2019

Open 97.42 High 97.65 Low 97.22 Close 97.55 Chg +0.10 (+0.10%)



- As noted last week, the dollar had rallied above, and is holding support, at its 200-dma.
- This week it broke above key overhead resistance and suggests a move back towards \$98-99 is likely.
- There is likely more rally to go next week particularly if it looks like the Fed may not be as accommodative as the market expects.
- The dollar is back to overbought short-term so remain long holdings but move stop-loss levels up to the 200-dma.
- Short-Term Positioning: Bullish
 - Last Week: No Position
 - This Week: No Position