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

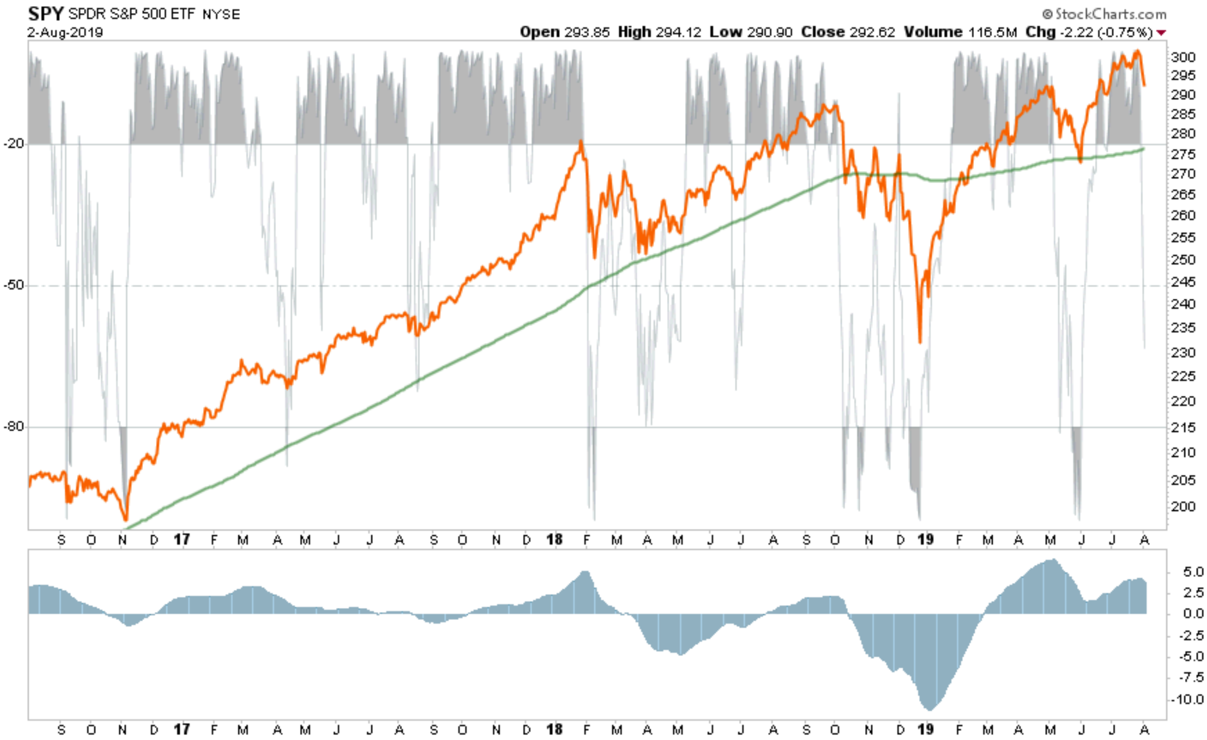
There are three primary components to each chart:

- *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.

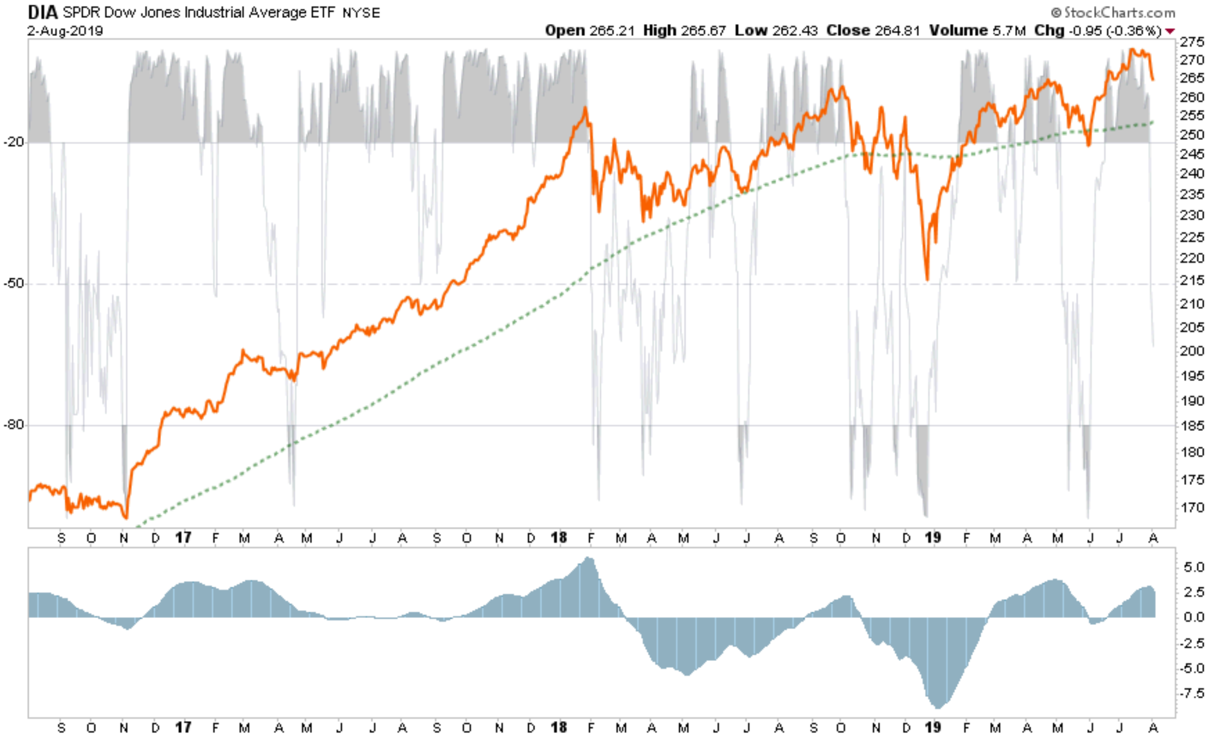
With this basic tutorial let's review the major markets.

S&P 500 Index



- *As discussed two weeks ago, 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.*
- *That pullback is now in process.*
- *After 5-days of selling, look for a short-term bounce next week, but we suspect the correction is not complete yet.*
- *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



- *As noted last week, DIA failed at the uptrend line and was very overbought short-term. So like SPY above, we suggested waiting for a better entry point.*
- *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*

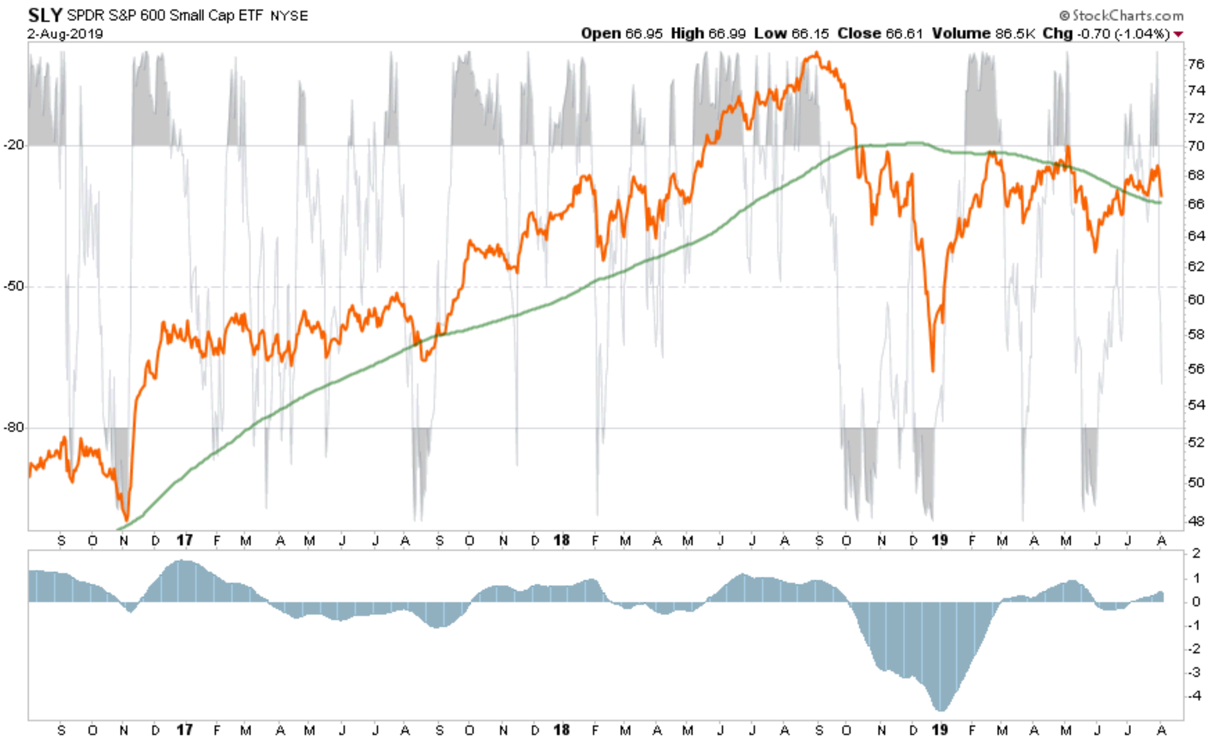
Nasdaq Composite

- *Last week:*

- "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."

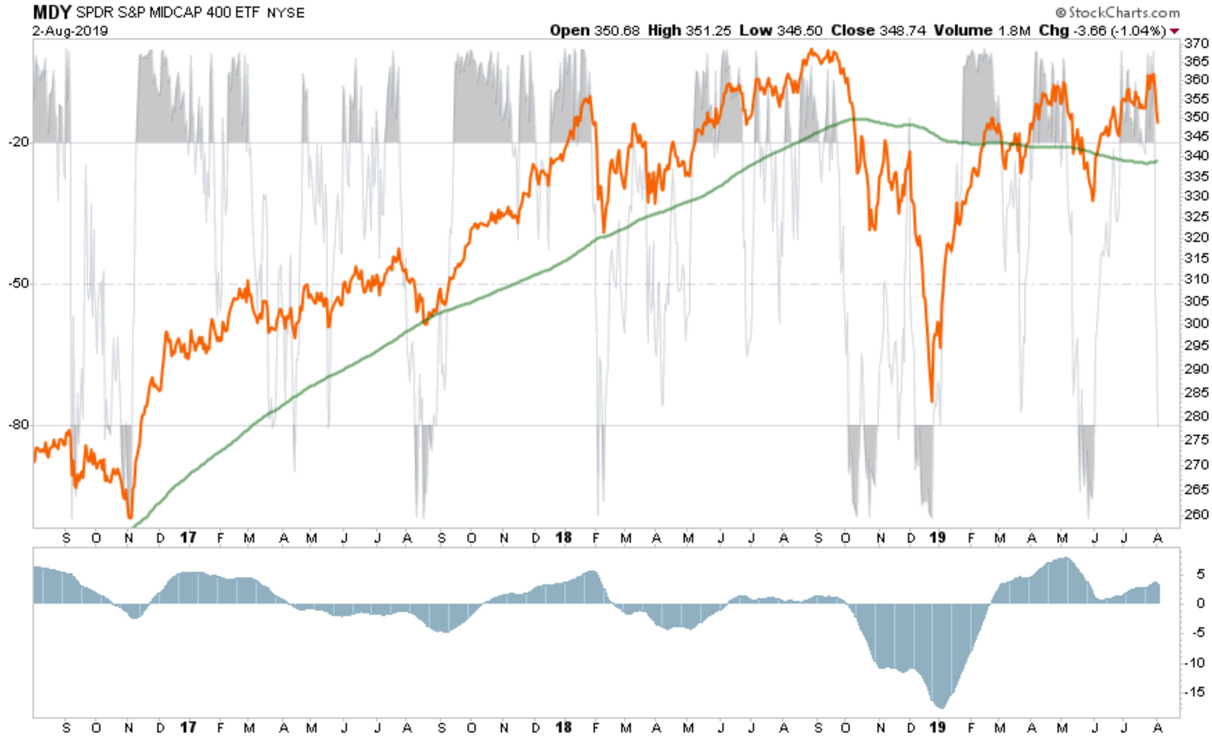
- The correction has started. Be patient and wait for a better entry.
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold position*
  - *This Week: Hold position*
  - *Stop-loss moved up to $175*
- *Long-Term Positioning: Neutral*

S&P 600 Index (Small-Cap)



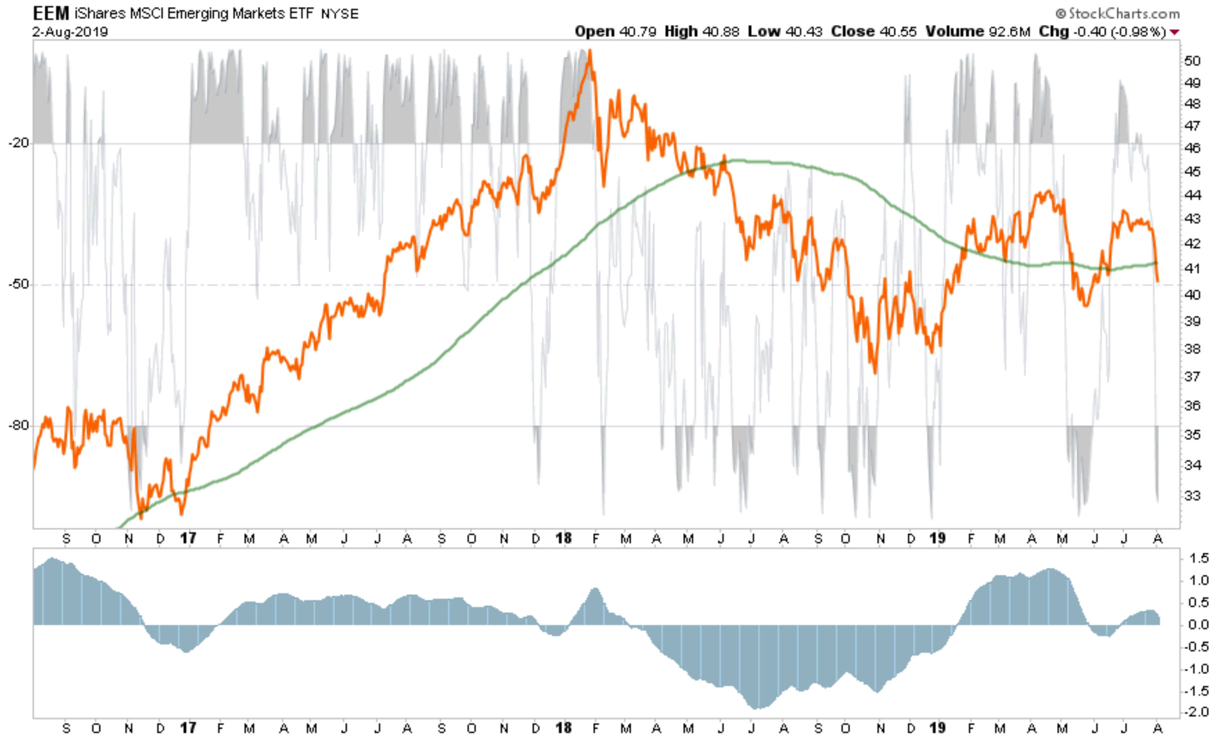
- *Last week we noted that small-caps had picked up on performance, but are still not confirming the exuberance of its large-cap brethren.*
- *Last week, SLY fell apart again and is testing support. A failure will lead to much lower lows.*
- *"SLY has triggered a short-term buy signal so that could help 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)



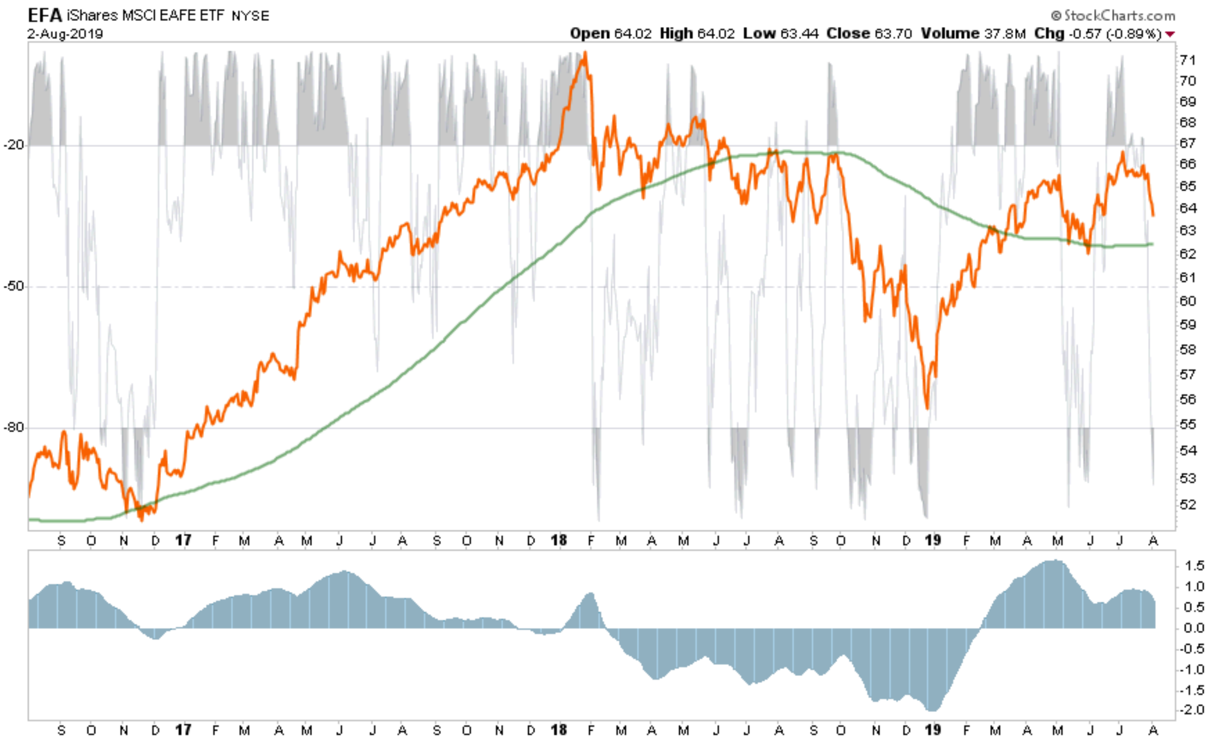
- *Last week we noted that MDY, like SLY, is technically not in great shape, but did breakout above its downtrend resistance. It needs to hold and make a run at previous highs.*
- *That rally failed sharply last week. We have recommended over the last several weeks to take profits and reduce holdings.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Use any further rally this week to sell into.*
  - *This Week: Sell on rally.*
- *Long-Term Positioning: Bearish*

Emerging Markets



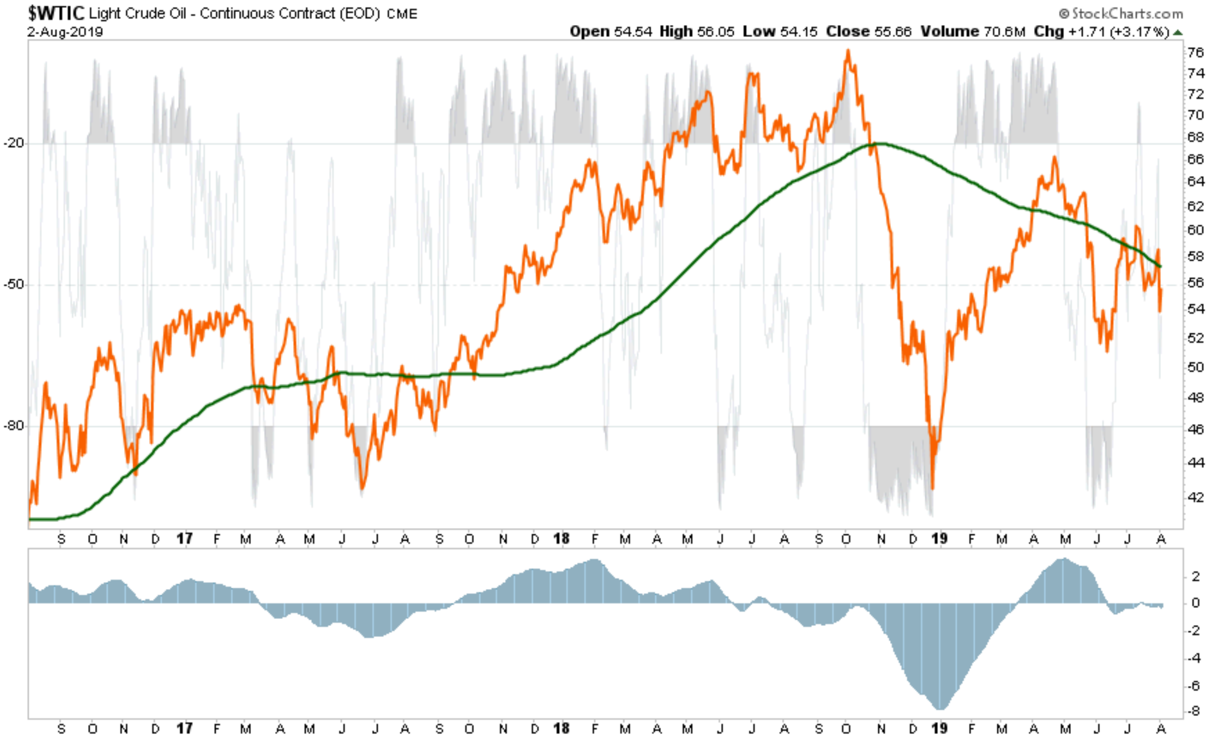
- *Last week we noted that EEM rallied back to the top of its downtrend channel.*
- *We also noted that EEM is back on a "buy signal" but is confined to that more major downtrend currently.*
- *This past week, EEM was crushed by news of additional tariffs.*
- *As noted previously we closed out of out trading position to the long-short portfolio due to lack of performance.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No position*
    - *This Week: No position*
    - *Stop-loss set at $41*
- *Long-Term Positioning: Neutral*

International Markets



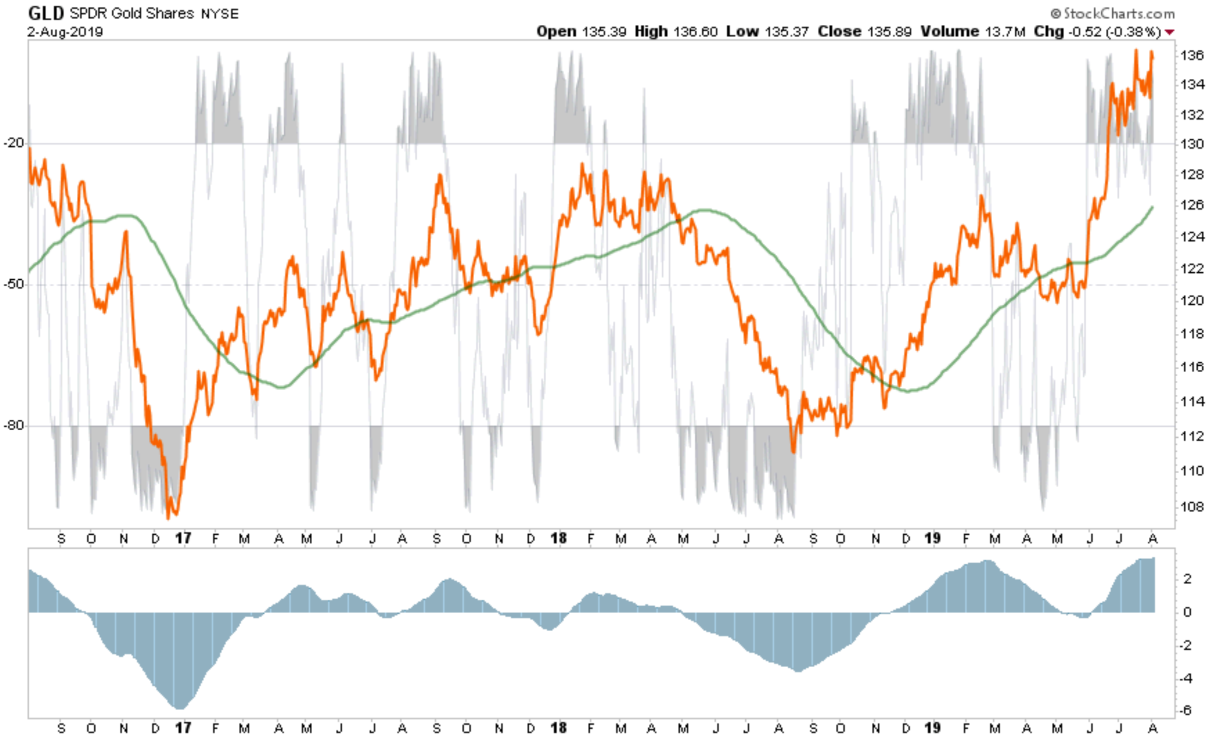
- *Like EEM, EFA also fell apart over tariffs.*
- *We noted last week that EFA broke above its downtrend line while maintaining a "buy signal" and that the "buy signal" was very extended.*
- *As with EEM, we did add a trading position to our long-short portfolio model but it, like EEM, was not performing so we closed it. We will try again later if technicals improve.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No position*
    - *This Week: No position.*
    - *Stop-loss is set at $64*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



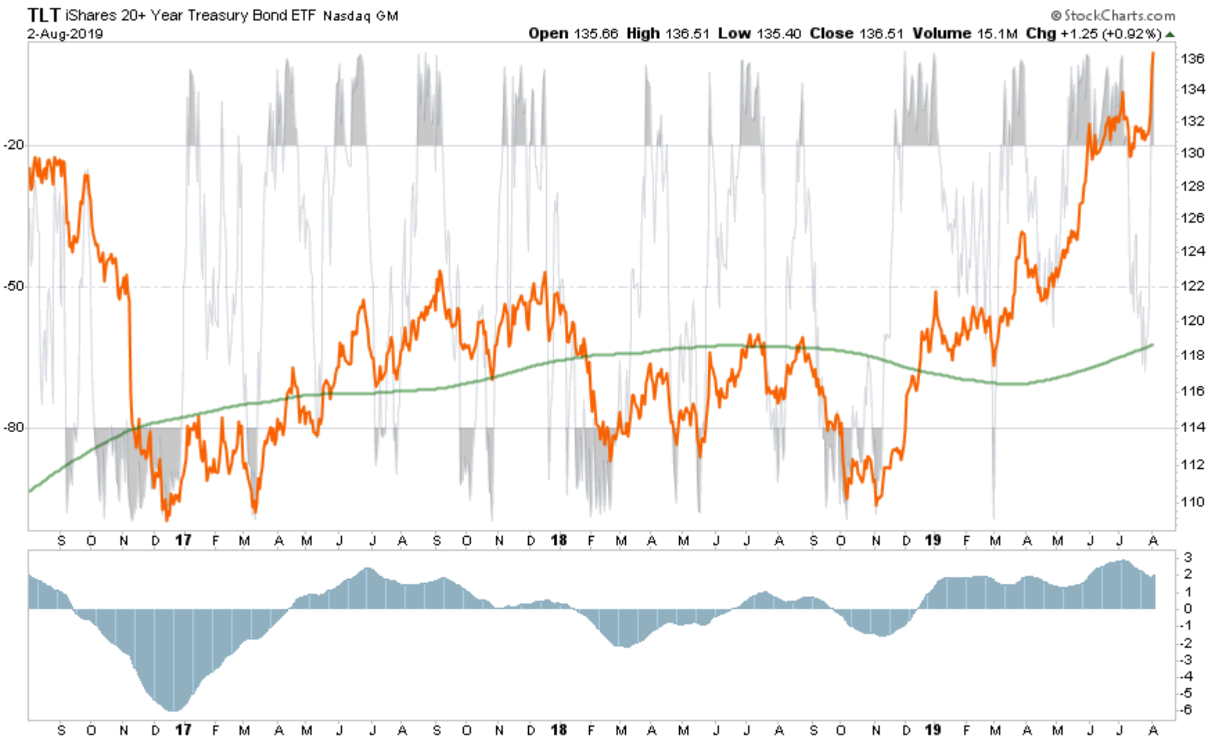
- *Oil continues to languish and remains on a sell signal currently. This doesn't really bode well for either economic growth, or energy stocks near-term.*
- *Oil is not over sold and is in a downtrend. There is no reason to be long oil currently.*
- *Short-Term Positioning: Neutral*
    - *Last Week: 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



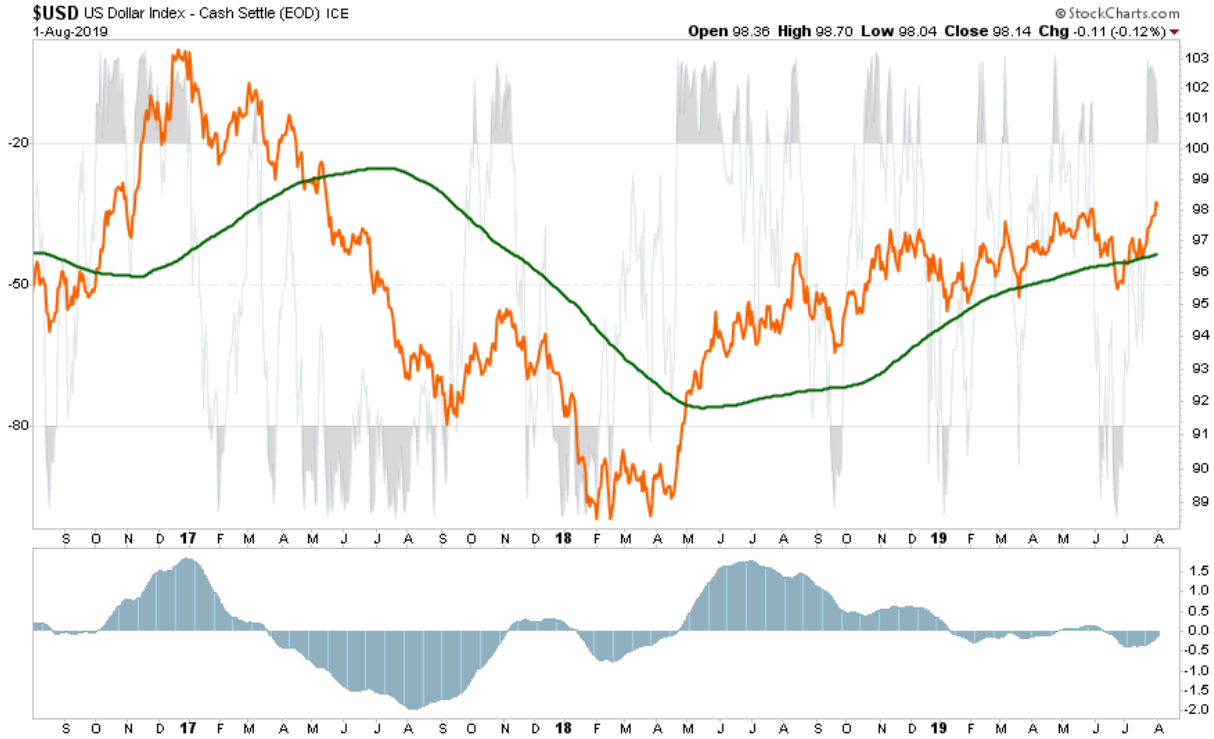
- *Gold remains extremely overbought including its longer-term "buy signal."*
- *Gold rallied sharply on the back of the Fed rate cut and additional tariffs on China. Gold is a fear trade, and between the Fed and Trump - fear is back.*
- *As noted last week, we said that if support holds we will be able to move our stop-loss levels higher. That was indeed the case and this week we can move stops higher.*
- *Gold is too extended to add to positions here. Look for a pullback to $130-132 to add.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions.*
    - *This week: Hold positions*
    - *Stop-loss for whole set at $130*
- *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)



- *As noted last week:*
    - *"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."*
- *The overbought condition was being reversed with the "buy" signal still intact, and this week bonds soared in price.*
- *Unfortunately, bonds didn't provide a decent entry point to add to our holdings, but are now back to extremely overbought. We will have to be patient for a better entry.*
- *Prices could pullback to the $132-134 range which would be a better entry point.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions after taking profits.*
    - *This Week: Hold positions*
    - *Stop-loss is moved up to $130*
    - *Long-Term Positioning: Bullish*

U.S. Dollar



- *As noted two weeks ago, the dollar had rallied above, and is holding support, at its 200-dma.*
- *We noted last week the dollar broke above key overhead resistance and suggests a move back towards $98-99 is likely. In particular we stated:*
  - *"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."*
- *That is what happened as the Fed underwhelmed expectations on both the size of the cut and the outlook.*
- *The dollar is back to overbought short-term so remain long holdings but move stop-loss levels up to the 200-dma.*