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:

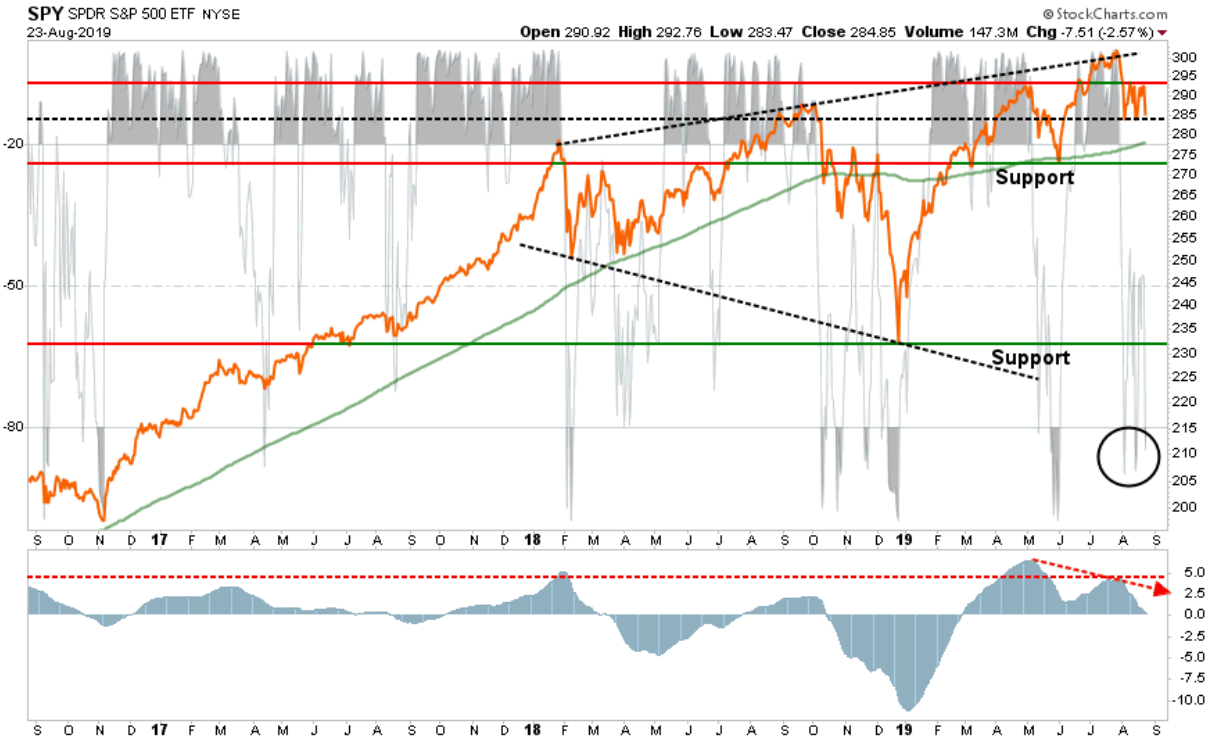
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.



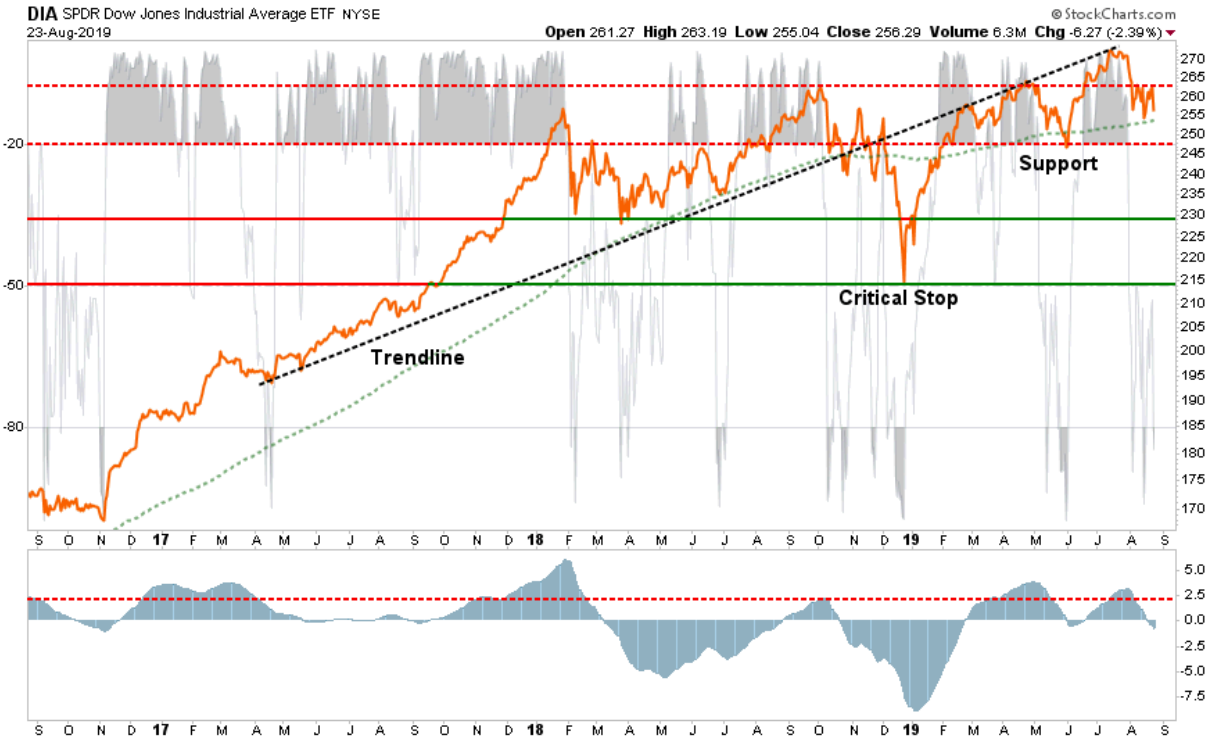

With this basic tutorial let's review the major markets.

## S&P 500 Index



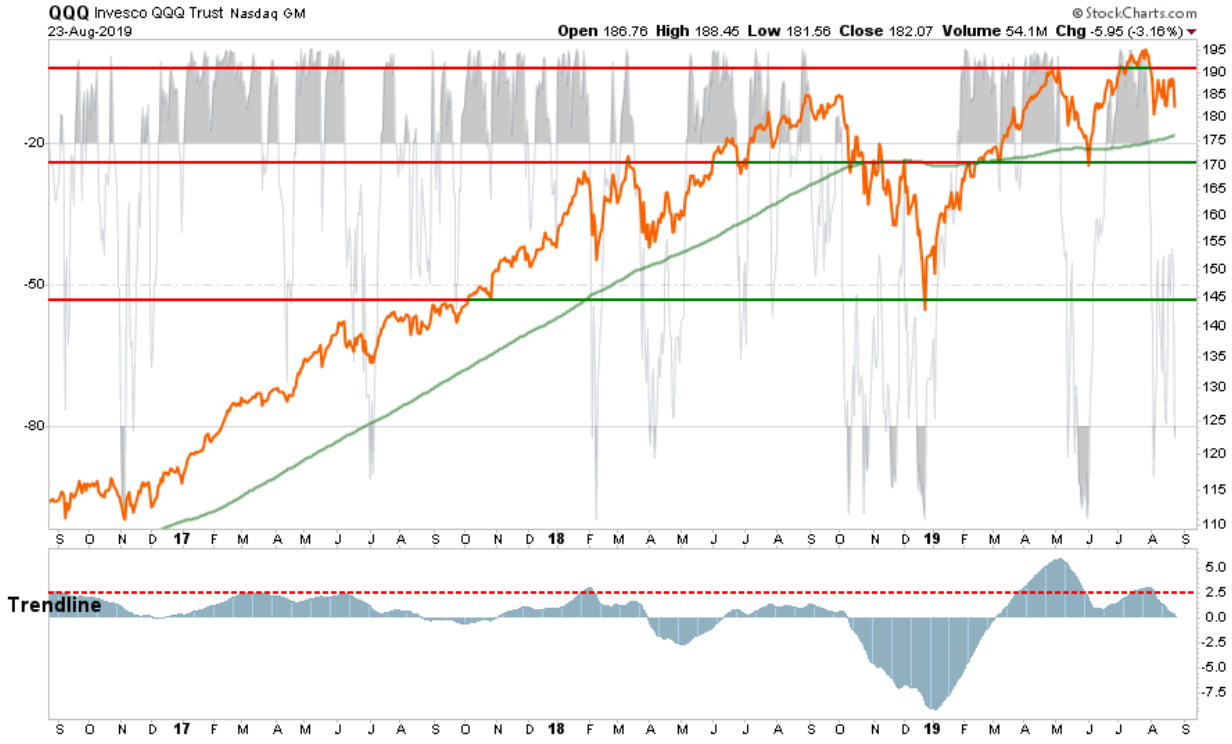

- *As noted in our daily portfolio commentary we closed out the 2x long over the last week.*
- *We are still maintaining our core S&P 500 position as the market has not technically violated any support levels as of yet.*
- *However, with the market close to registering a "Sell" signal, it is unlikely the current correction is over, but given the reversal in the overbought/sold indicator there is potential for a rally next week.*
- *It will be one to sell further into.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold position*
    - *This Week: Hold position.*
    - *Stop-loss moved up to $285*
    - *Long-Term Positioning: Neutral due to valuations*

## Dow Jones Industrial Average



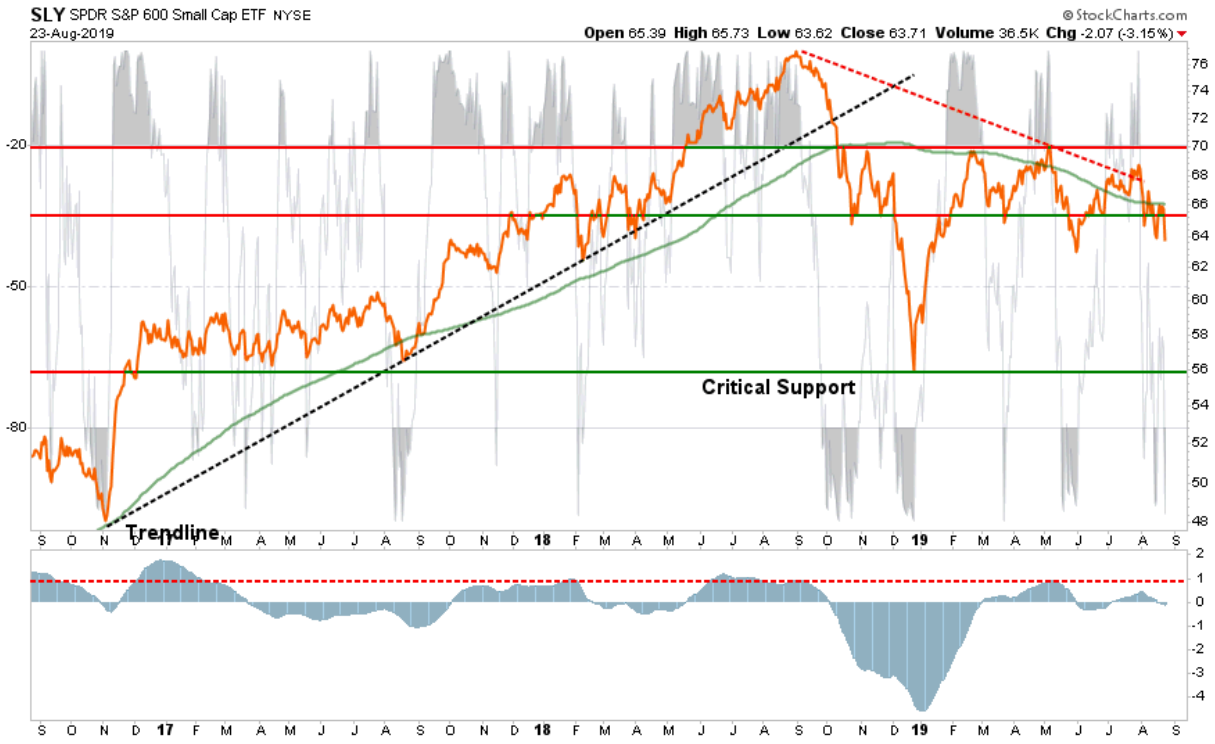

- *Like the SPY, DIA is holding support but trapped below the 50-dma resistance.*
- *DIA has registered a "Sell" signal which will put pressure on DIA to the downside. A break of support at the 200-dma will stop out long positions for now.*
- *Look for this rally to fail likely next week.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold current positions*
    - *This Week: Hold current positions.*
    - *Stop-loss moved up to $255.00*
- *Long-Term Positioning: Neutral*

## Nasdaq Composite



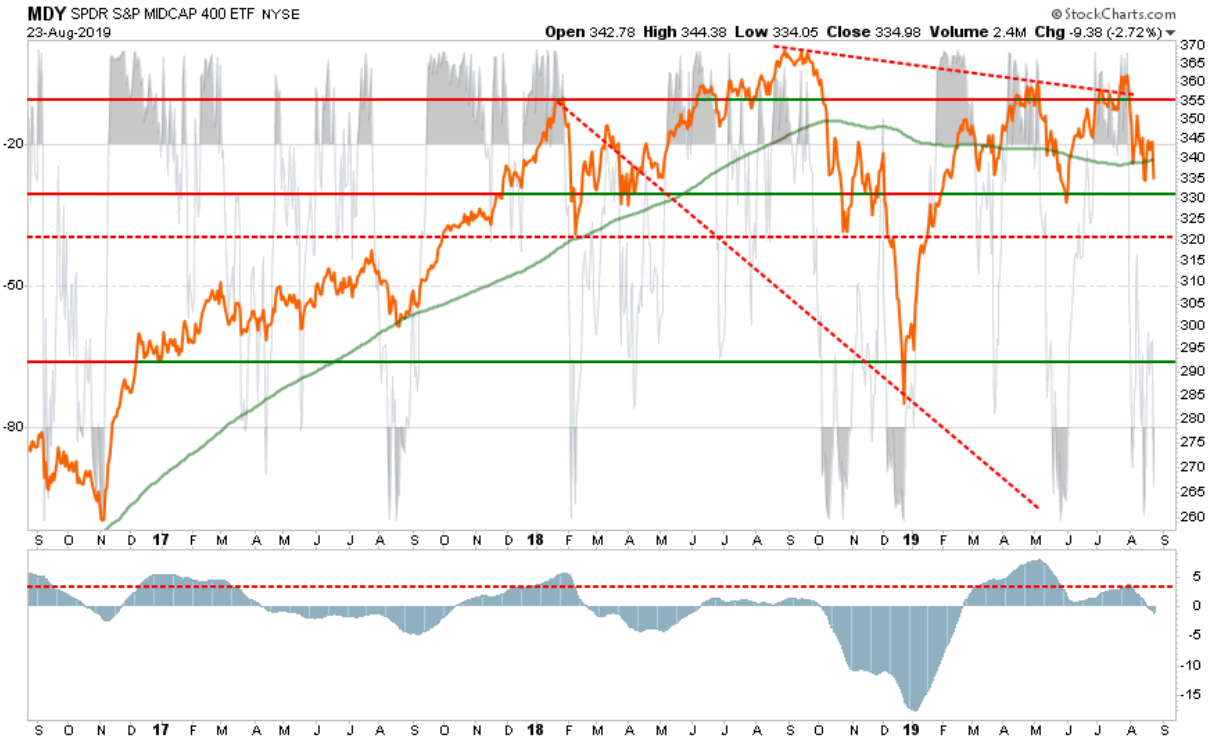
- *We noted that QQQ had rallied modestly, but was uninspiring. On Friday, QQQ gave up gains and is testing short-term support.*
- *The buy signal is deteriorating, like DIA and SPY, and a reversal to a sell will likely see a correction to more major support. Remain cautious and keep stops in place.*
- *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)



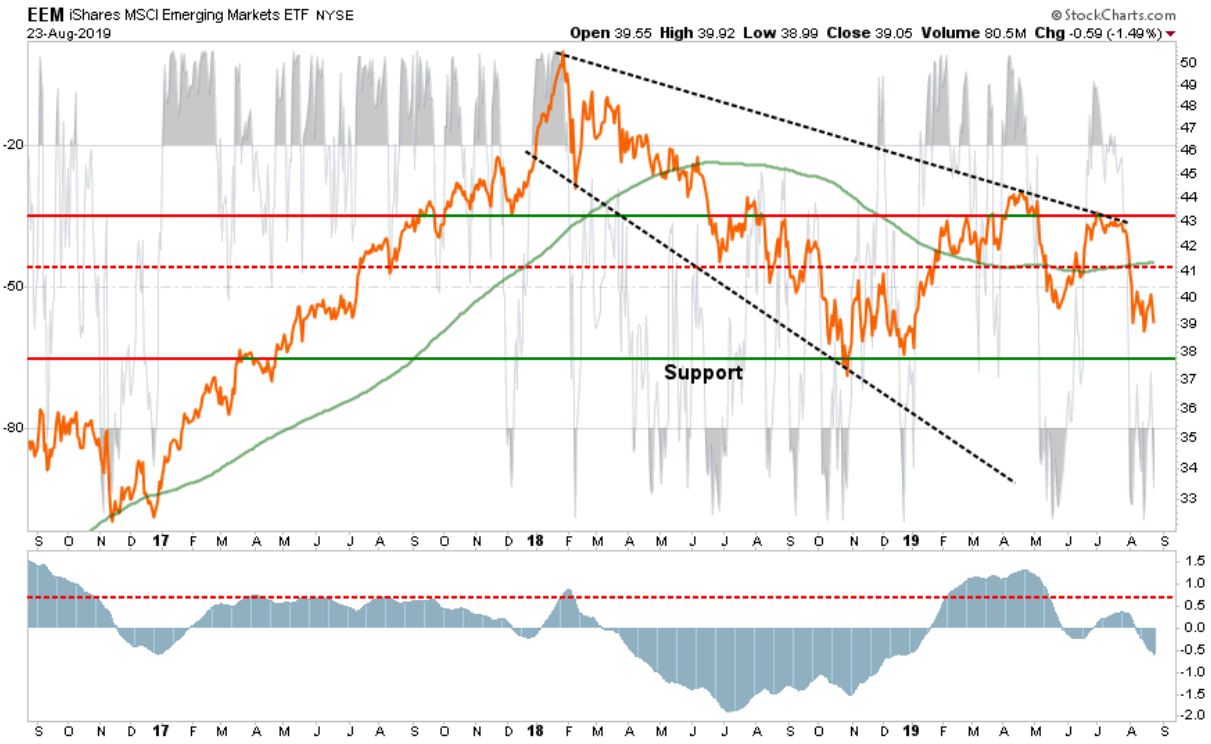

- *SLY continues to disappoint.*
- *The buy signal has reversed to a sell, and performance continues to deteriorate.*
- *As we have repeatedly stated, there are a lot of things going wrong with small-caps currently so the risk outweighs the reward of a trade at this juncture.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No position*
    - *This Week: No position.*
    - *Stop loss violated.*
- *Long-Term Positioning: Bearish*

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



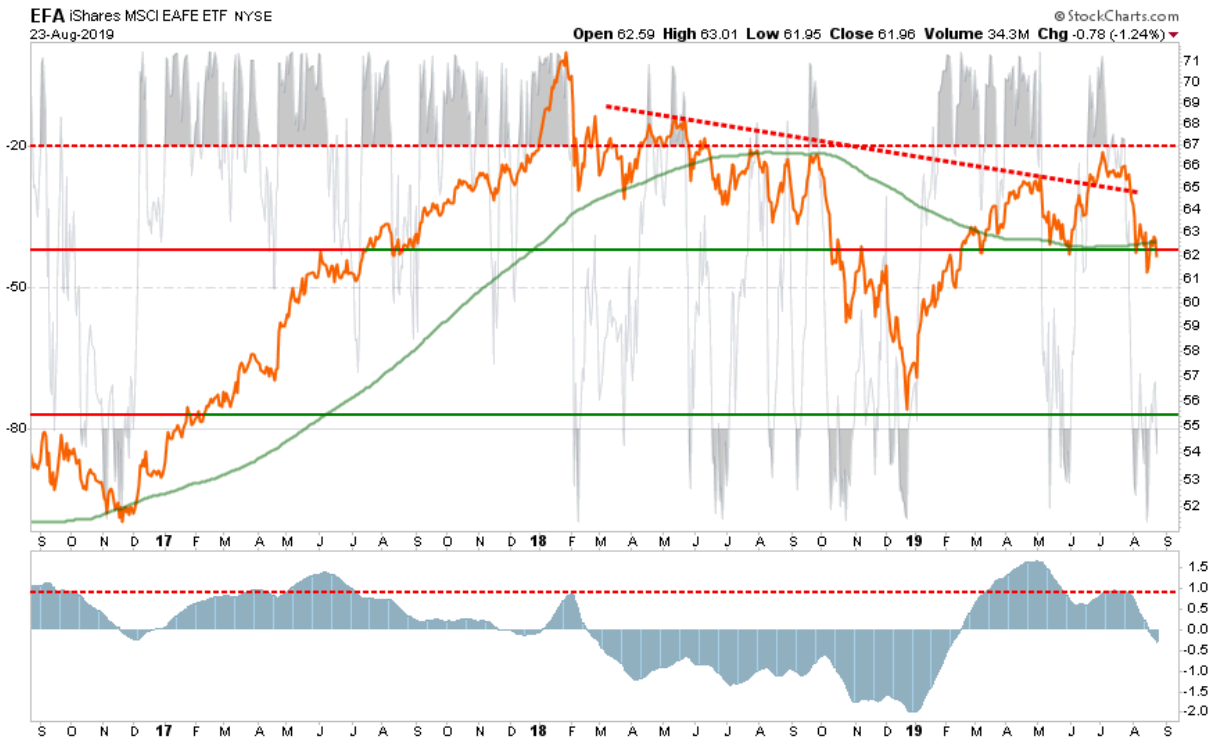

- *Same as above. MDY, like SLY, is technically not in great shape, and is breaking down suggesting the economic backdrop is weaker than headlines suggest.*
- *MDY has now registered a "sell" signal as well and has broken support, again.*
- *We have recommended over the last several weeks to take profits and reduce holdings.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No holding*
    - *This Week: No holding*
- *Long-Term Positioning: Bearish*

## Emerging Markets



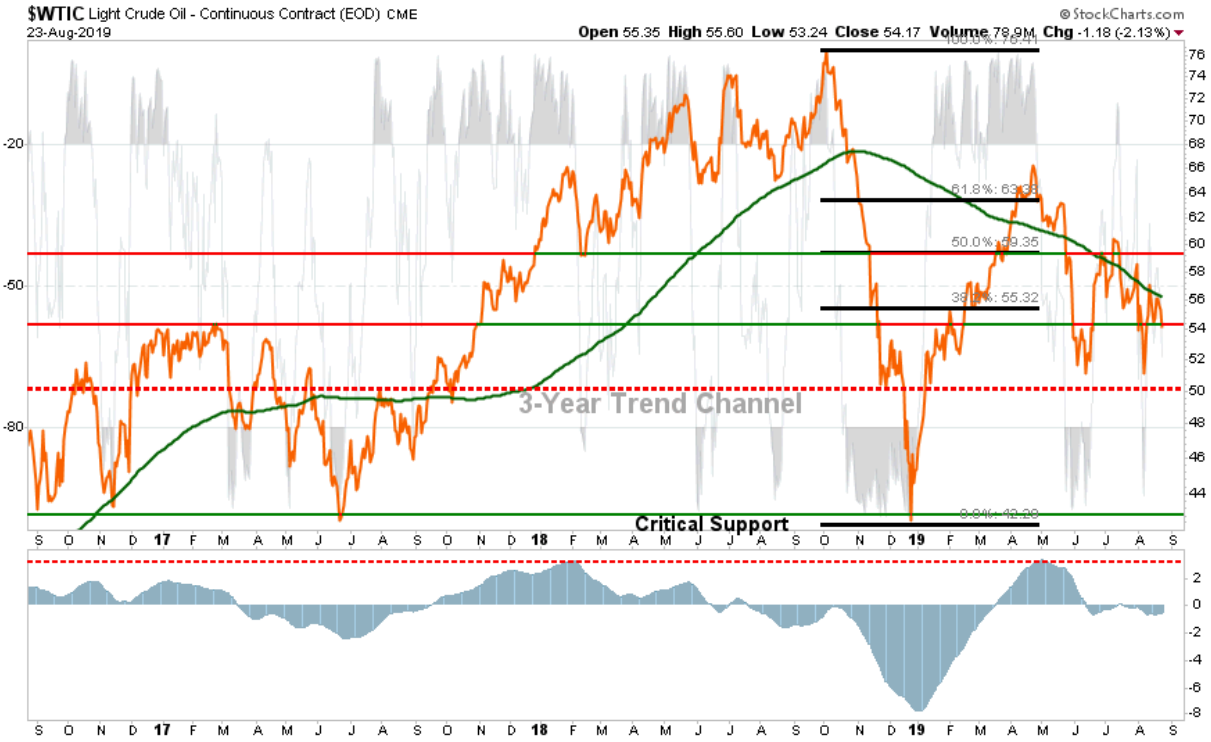
- *EEM continued to breakdown this past week on trade war concerns.*
- *A sell signal has been triggered as well.*
- *This past week, EEM broke further support. Next support is $38.*
- *As noted previously we closed out of out trading position to the long-short portfolio due to lack of performance.*
- *Short-Term Positioning: Bearish*
    - *Last Week: No position*
    - *This Week: No position*
    - *Stop-loss violated at $41*
- *Long-Term Positioning: Neutral*

## International Markets



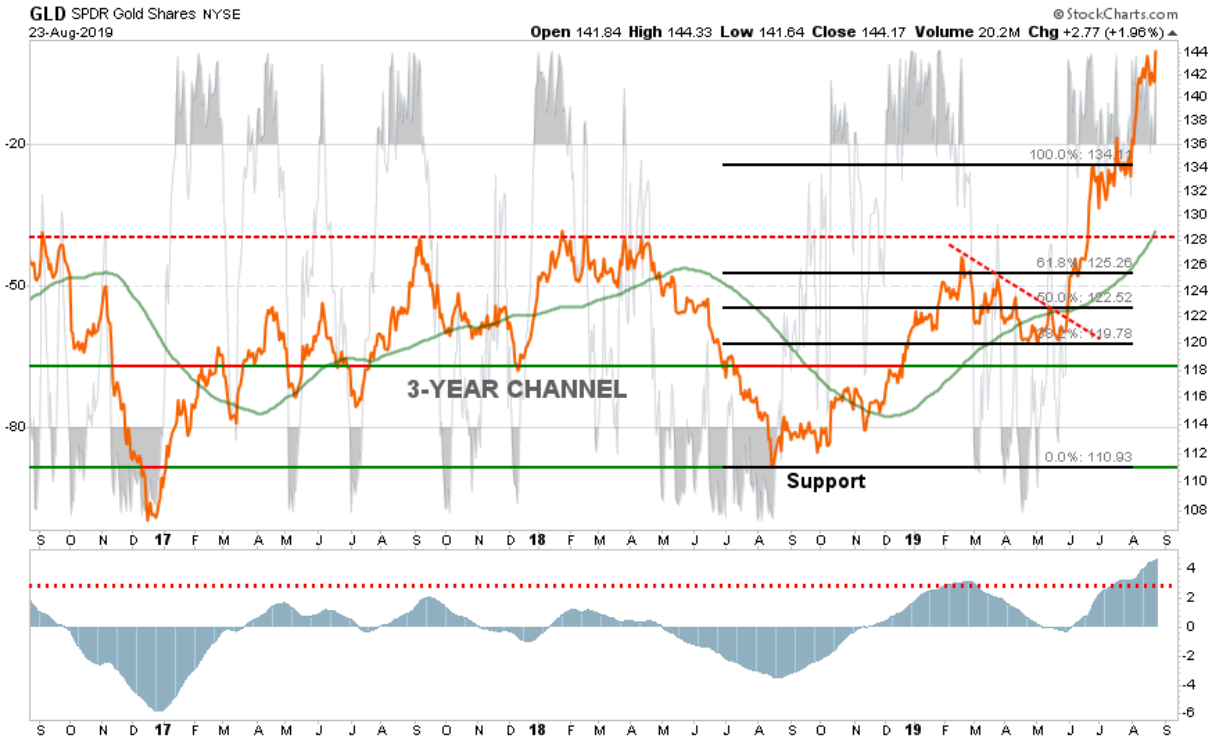

- *Like EEM, EFA continues to drag.*
- *EFA broke its downtrend line while maintaining a "buy signal" and is now broke support at the 200-dma.*
- *EFA has also triggered a sell signal*
- *As with EEM, we did add a trading position to our long-short portfolio model but it, like EEM, was not performing so we closed it.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No position*
    - *This Week: No position.*
    - *Stop-loss was violated at $64*
- *Long-Term Positioning: Neutral*

## West Texas Intermediate Crude (Oil)



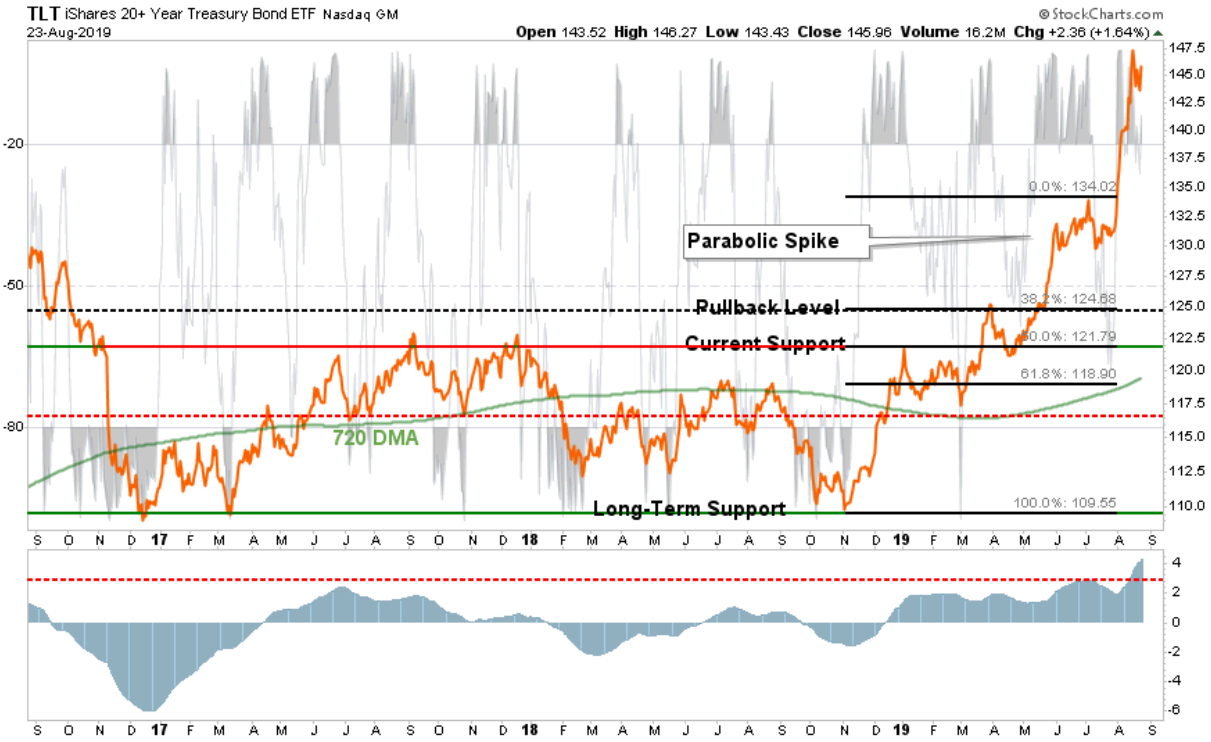

- *Oil continues to languish and remains on a sell signal currently. This doesn't really bode well for either economic growth, or energy stocks near-term.*
- *More importantly, oil is confined to its downtrend and continues to fail at the 200-dma which is trending lower. A break of support at $54 and oil will test $50/bbl fairly quickly.*
- *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: No position*
    - *This Week: No position*
    - *Stop-loss for any existing positions is $54.*
- *Long-Term Positioning: Bearish*

## Gold



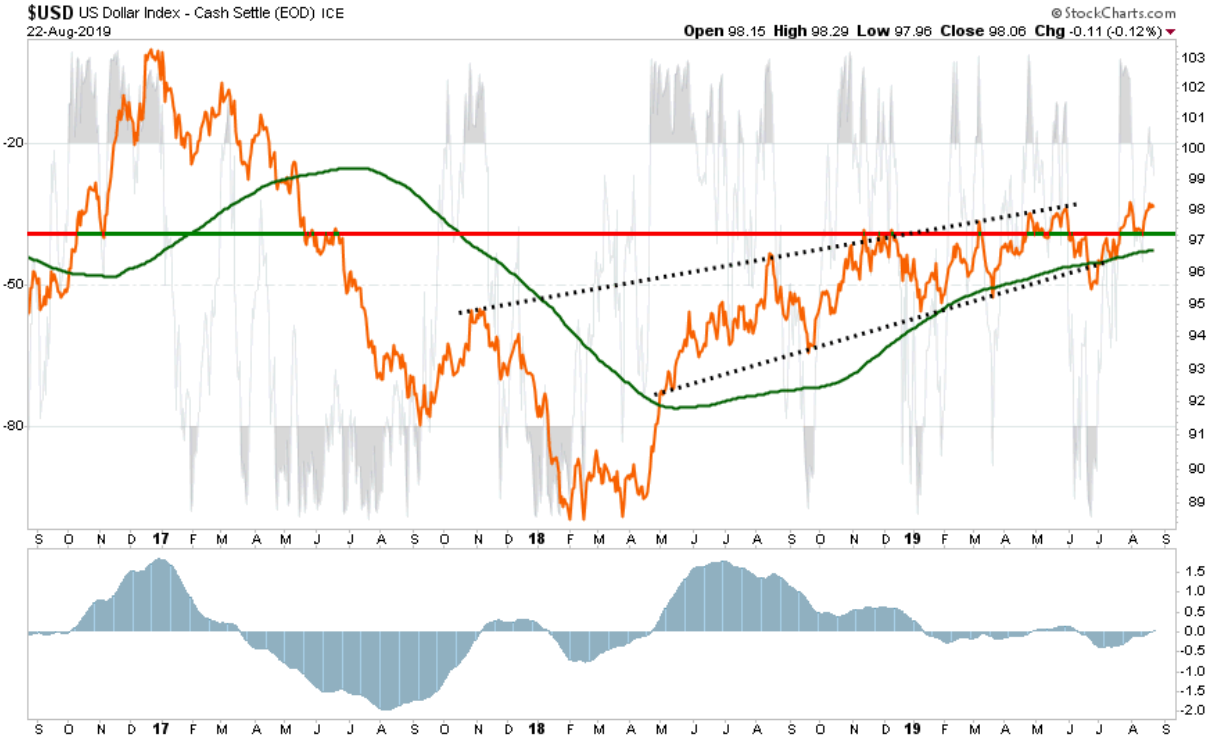

- *Gold remains extremely overbought including its longer-term "buy signal."*
- *As noted a month ago, we said that if support holds we will be able to move our stop-loss levels higher. That was indeed the case and we moved stops higher.*
- *Gold is too extended to add to positions here. We keep looking for a mild pullback but they don't last long. Look for a pullback to $136-138 to add.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions.*
    - *This week: Hold positions*
    - *Stop-loss for whole position move up to $134*
    - *Long-Term Positioning: Neutral*

## Bonds (Inverse Of Interest Rates)




- *Like GLD, Bond prices have surged on Trump ramping up the trade war on Friday.*
- *The overbought condition is rather extreme, so be patient and wait for a correction back to the breakout level to add holdings.*
- *Prices could pullback to the $135-137 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



- *The dollar had rallied above, and is holding support, at its 200-dma. This is bullish and suggests a stronger dollar as foreign dollars flow into U.S. Treasuries for yield and safety.*
- *We noted previously the dollar broke above key overhead resistance and suggests a move back towards $98-99 is likely. We are still in the process of that move.*
- *Trump may try to force the dollar lower, but this may be a futile attempt as his actions continue to force more money into Treasury bonds for safety which strengthens the dollar.*
- *USD is holding support at the previous resistance line. Look for a rally next week that flips the dollar back onto a "buy" signal.*