Each week we produce a chart book of the S&P 500 sectors to review where money is flowing within the market as whole. This helps refine not only decision making about what to own and when, but what sectors to overweight or underweight to achieve better performance.

HOW TO READ THE CHARTS

There are three primary components to each chart:

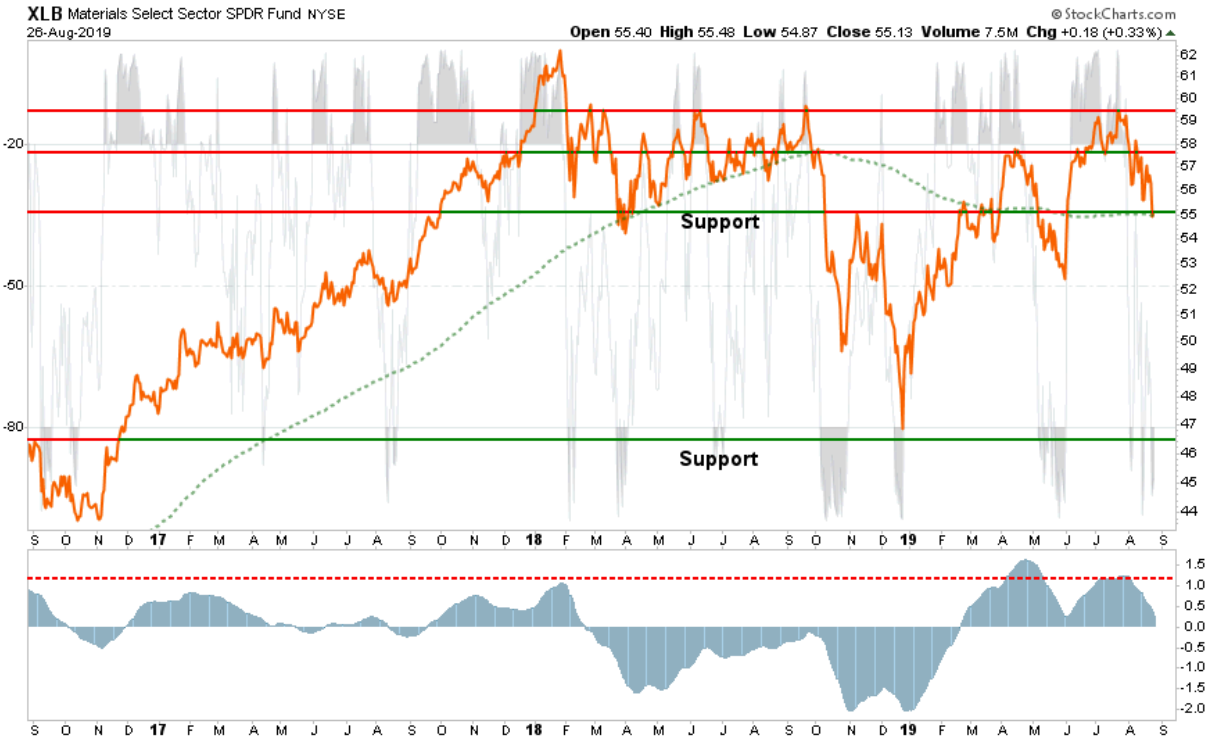
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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 get to the sector analysis.

Basic Materials



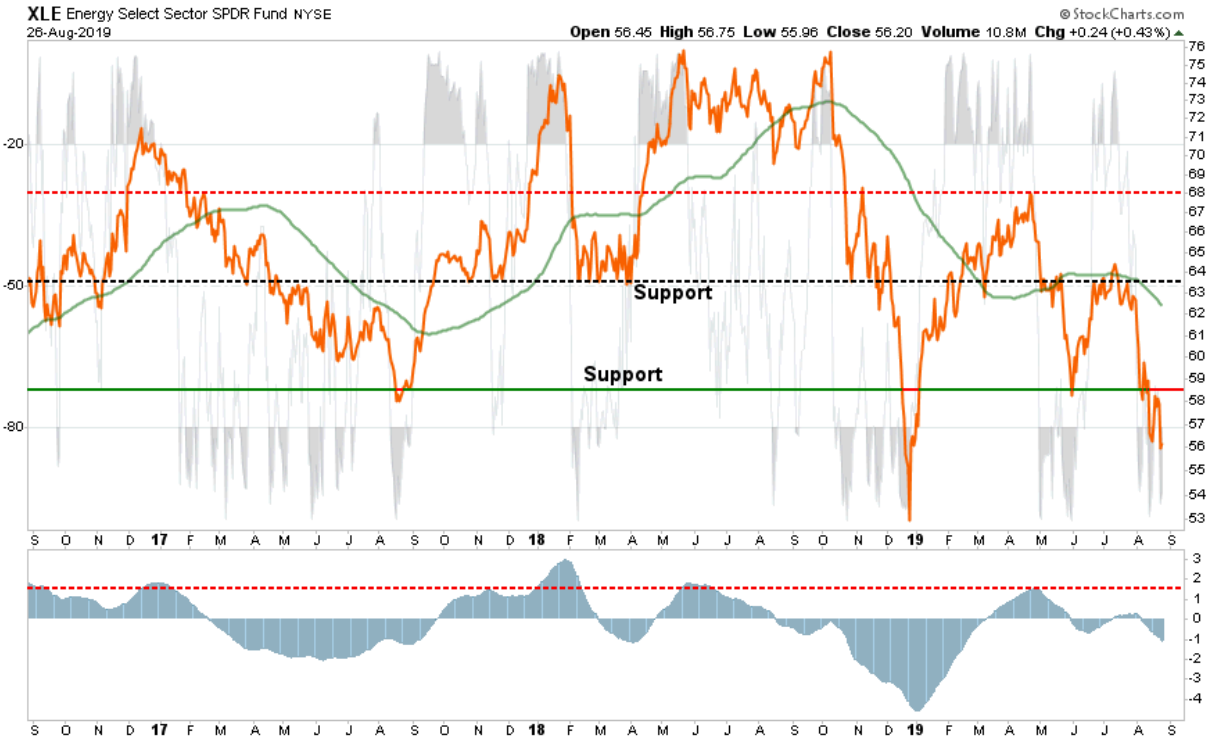
- *XLB remains confined to a very broad topping pattern currently BUT it is threatening to break support at the 200-dma.*
- *With the buy signal fading the risk remains to the downside for now particularly as trade wars continue to linger on.*
- *XLB is oversold short-term which could provide a bounce.*
- *We are remaining underweight the sector for now, but are close to being stopped-out at current levels.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold current positions with a tighter stop-loss.*
    - *This Week: Hold current positions with tighter stop-loss*
    - *Stop-loss adjusted to $55*
- *Long-Term Positioning: Bearish*

Communications



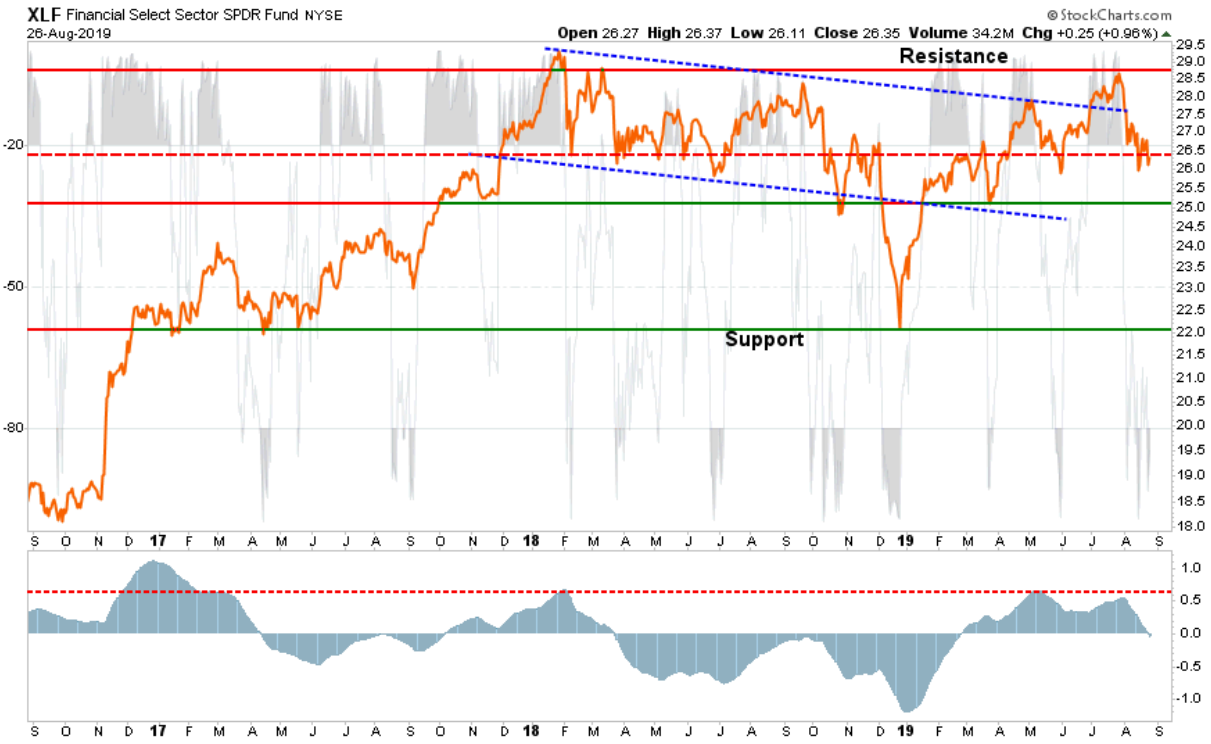
- *XLC had gotten very extended and the "buy signal" was also pushing very high levels all of which are now being reversed.*
- *XLC failed at resistance and has now established a double top. The good news is support is holding so far at $48*
- *XLC has a touch of defensive positioning from "trade wars" and given the recent pullback to oversold a trading position was placed in portfolios.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold trading positions*
    - *This Week: Hold trading positions.*
    - *Stop adjusted to $46*
- *Long-Term Positioning: Bearish*

Energy



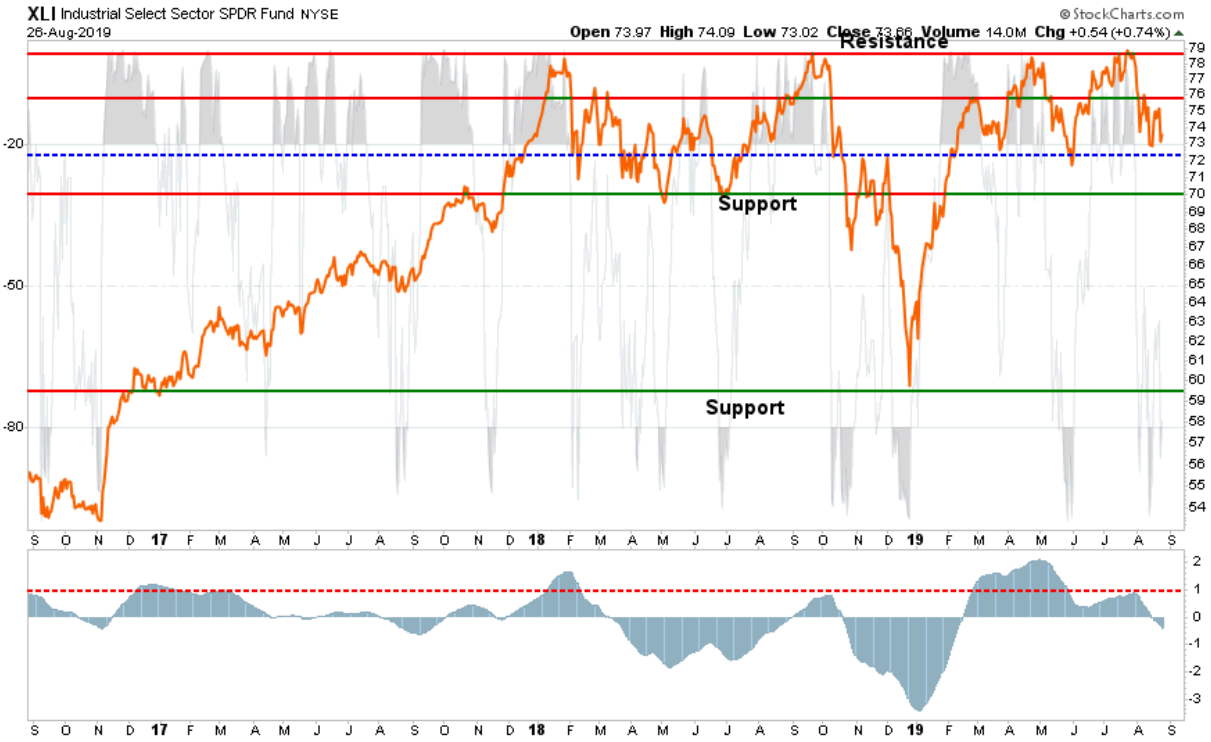
- *XLE failed at its 200-dma and remains extremely weak. It has now broken down below the recent low.*
- *XLE broke support and is now rallying to test the previous support as resistance.*
- *We were stopped out of our position recently.*
- *Short-Term Positioning: Bearish*
    - *Last week: Hold current position*
    - *This week: Stopped out.*
    - *No position currently*
- *Long-Term Positioning: Bearish*

Financials



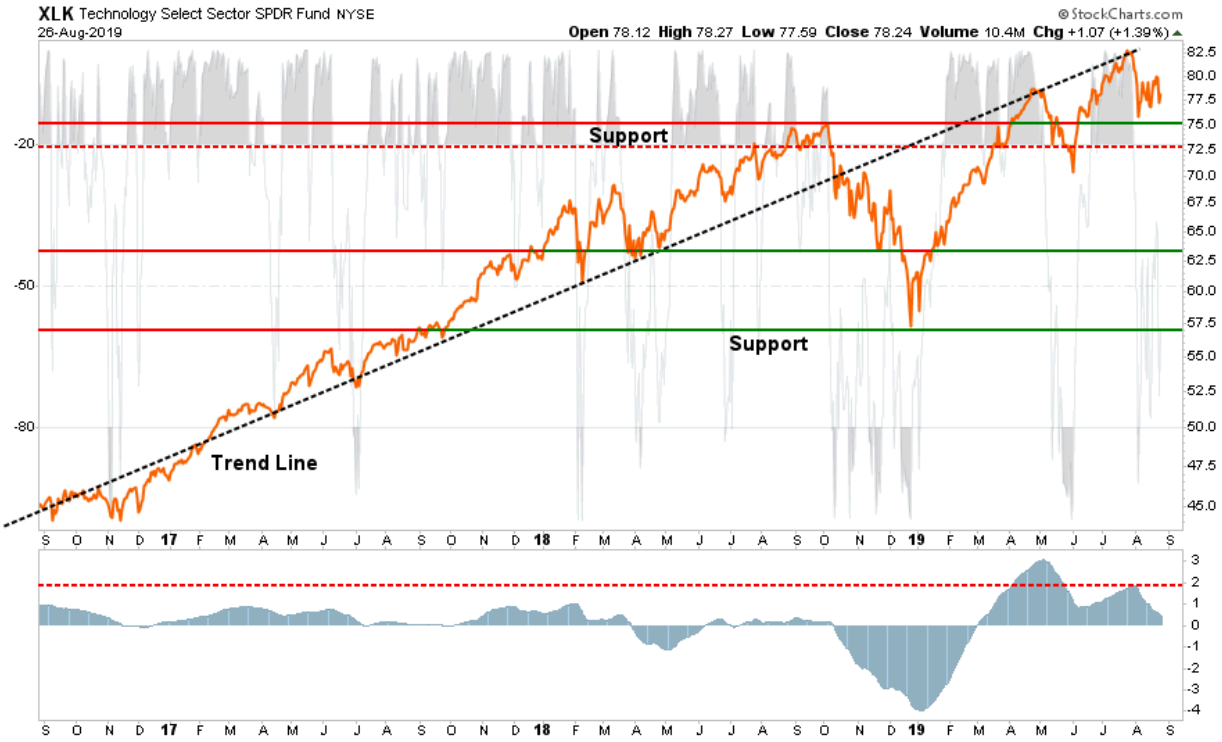
- *XLF has been in a long consolidation rage since the beginning of 2018.*
- *XLF is close to triggering a "sell" signal but is oversold.*
- *We are looking for a bounce to sell into as Fed rate cuts are not "bank friendly." Also, we are close to being stopped out at current levels as well.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold 1/2 position*
    - *This week: Hold 1/2 position*
    - *Stop-loss adjusted to $26.00*
- *Long-Term Positioning: Bearish*

Industrials



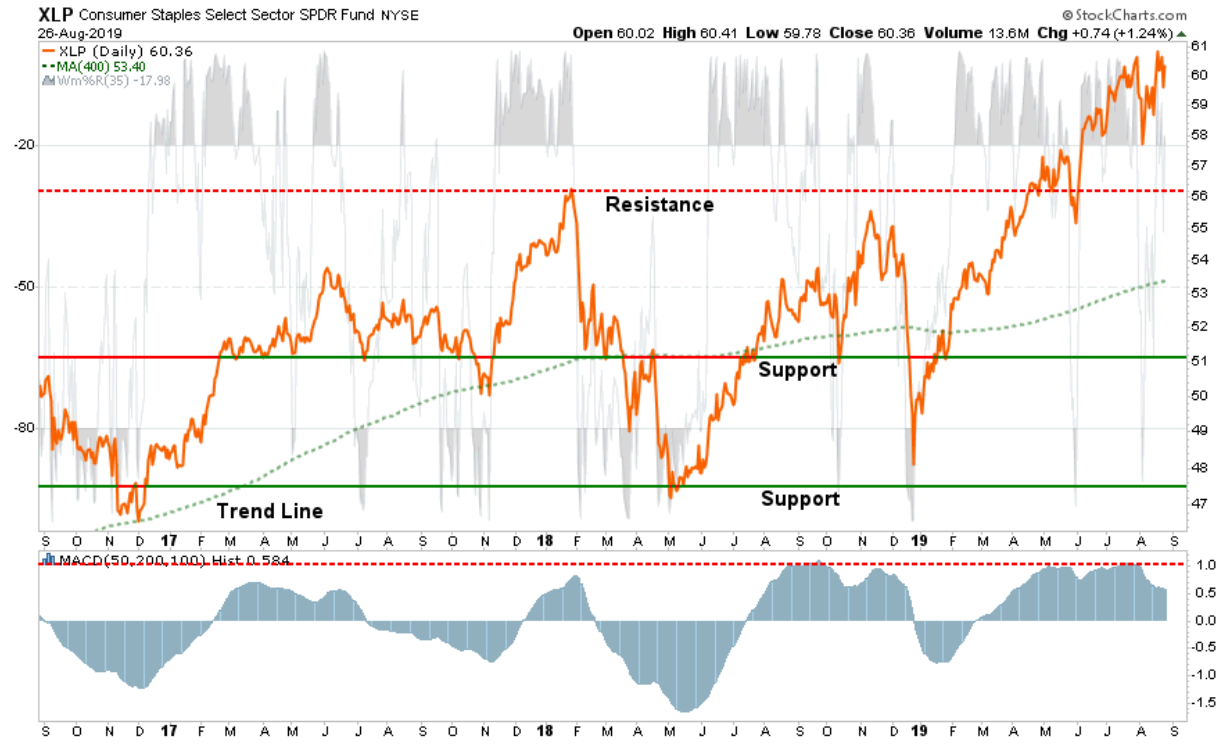
- *XLI failed at a "quadruple top" which puts a tremendous amount of overhead resistance on the sector.*
- *XLI is back to oversold and the buy signal has reversed to a sell signal.*
- *We reduced our risk to the sector after reaching our investment target. We are now adjusting our stop-loss for the remaining position. We will look to sell on any rally.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold 1/2 position*
    - *This week: Hold 1/2 position.*
    - *Stop-loss adjusted to $72*
- *Long-Term Positioning: Neutral*

Technology



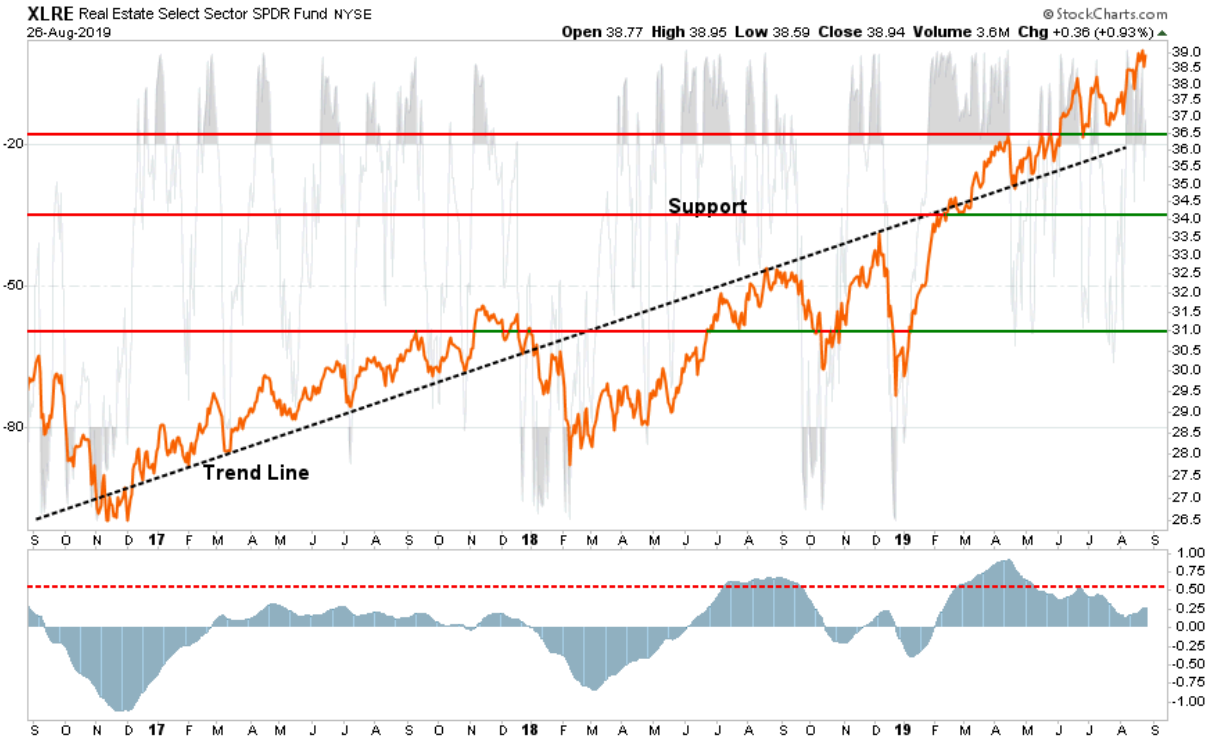
- *XLK remains one of the "safety" trades against the "trade war."*
- *While XLK is not overbought,it is still fairly extended and a crowded trade.*
- *XLK failed at the uptrend line so it must hold support at $75.*
- *The buy signal remains intact but is weakening.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold 1/2 position*
    - *This week: Hold 1/2 position*
    - *Stop-loss adjusted to $70.00*
- *Long-Term Positioning: Neutral*

Staples



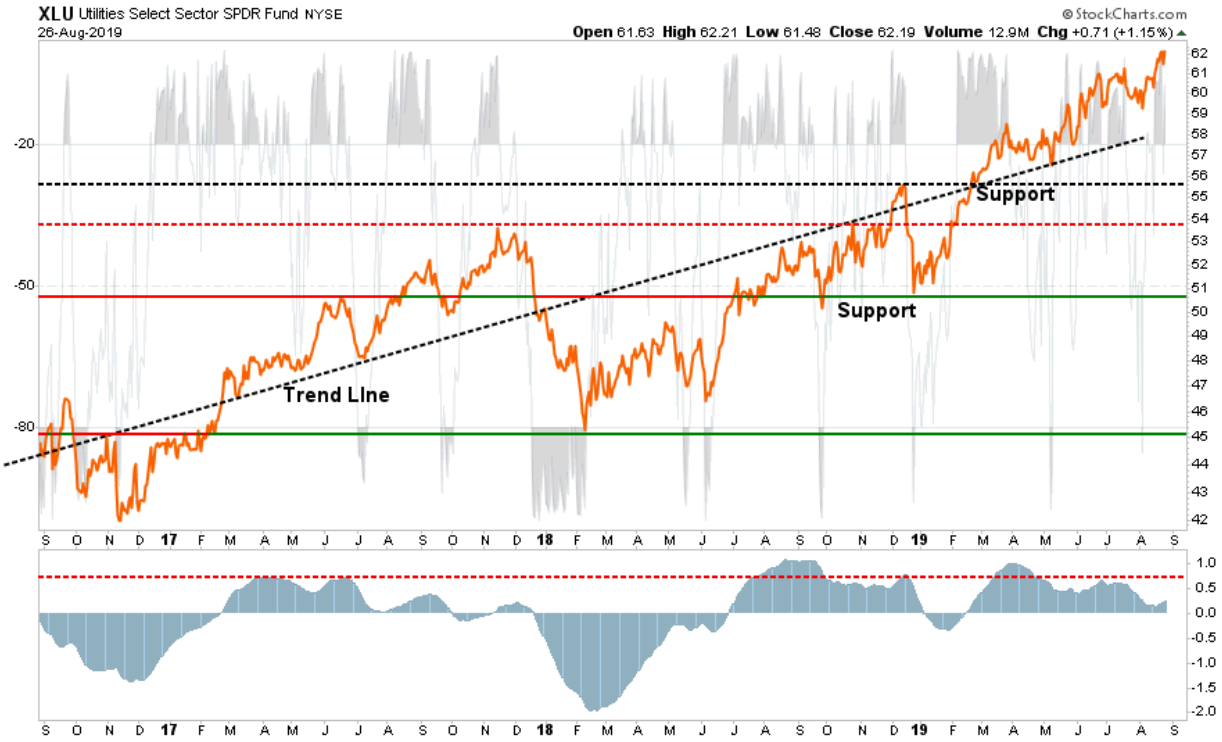
- *Defensive positioning is now a VERY crowded trade. I don't know when a rotation is going to occur, but there is little safety anywhere in the market currently.*
- *The "buy" signal (lower panel) is still in place and is very extended. We continue to recommend taking some profits if you have not done so.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold positions, take profits if needed.*
    - *This week: Hold positions, take profits if needed.*
    - *Stop-loss adjusted to $57*
- *Long-Term Positioning: Bullish*

Real Estate



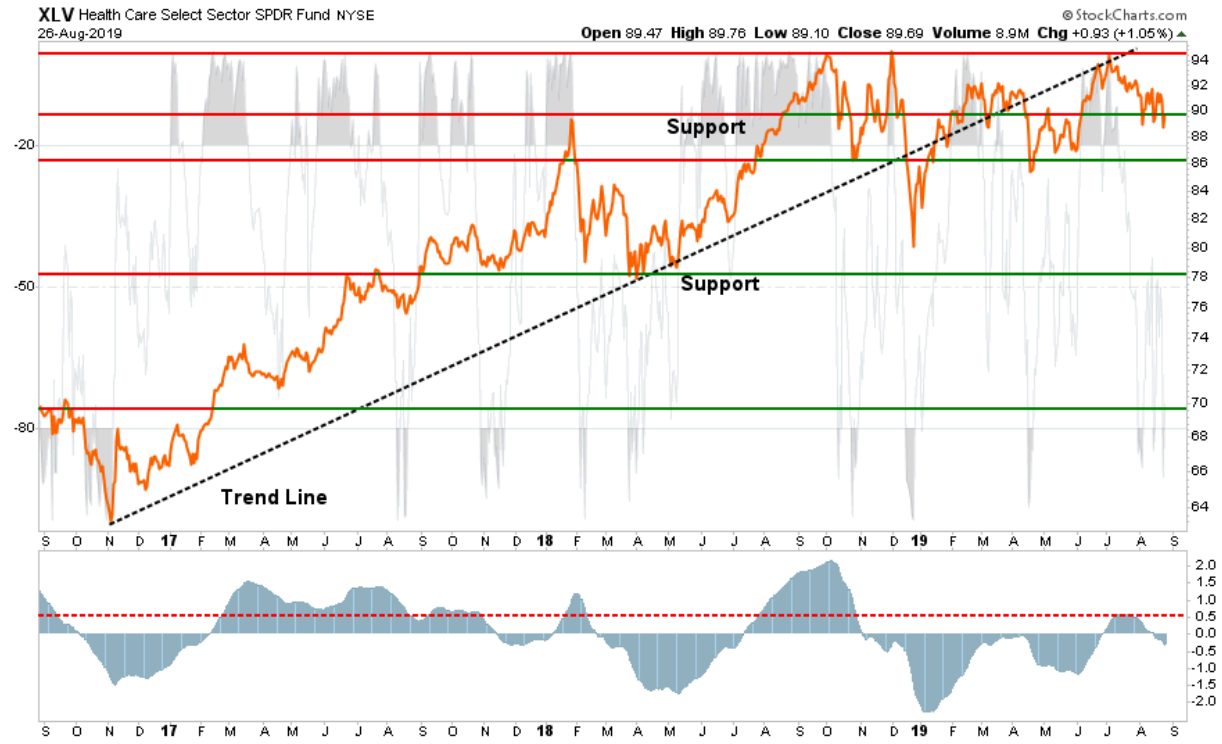
- *As with XLP above, XLRE was consolidating its advance and has now pushed to new highs.*
- *XLRE is also a VERY CROWDED defensive trade.*
- *XLRE is back to very overbought so be careful adding new positions and keep a tight stop for now.*
- *We previously recommended taking profits and rebalancing risk as the overbought condition needed to be corrected. That occurred.*
- *Buy signal is being reduced along, but is holding for now.*
- *Short-Term Positioning: Bullish*
    - *Last week: Hold position.*
    - *This week: Hold position.*
    - *Stop-loss adjusted to $36.00 for profits.*
- *Long-Term Positioning: Bullish*

Utilities



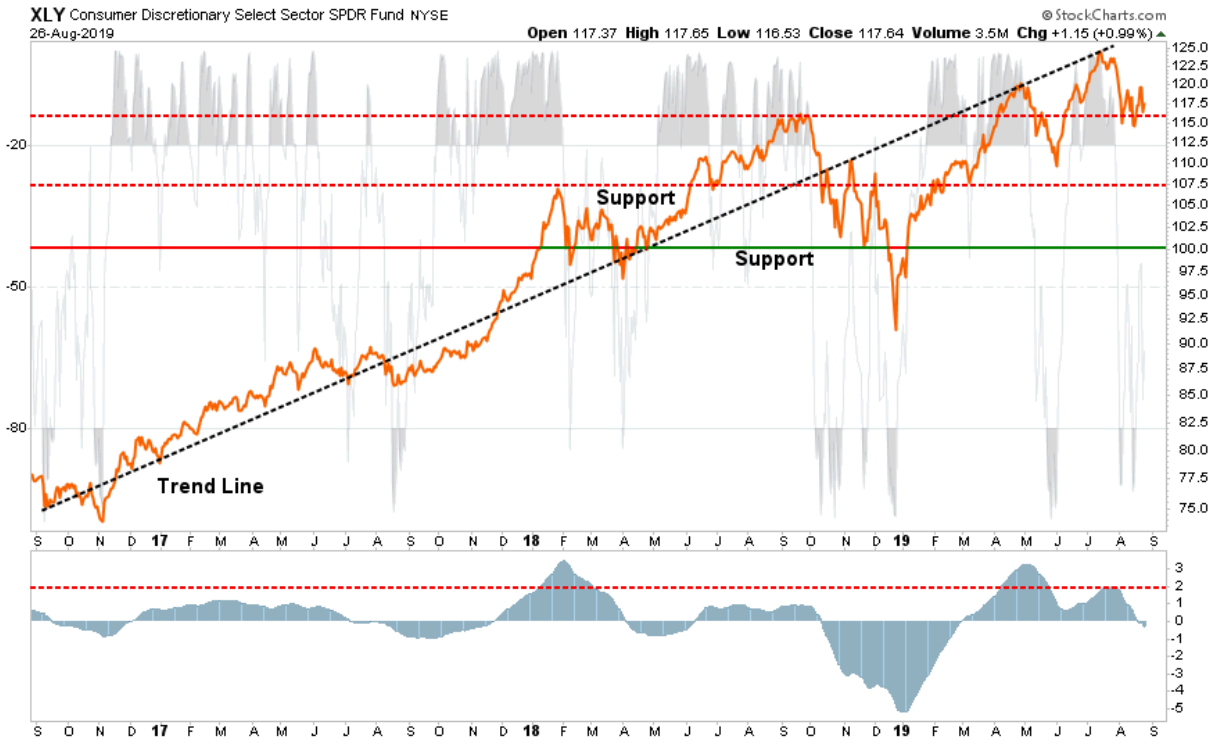
- *XLU is also a very overcrowded defensive trade.*
- *After taking profits, we have time to be patient and wait for the right setup.*
- *Long-term trend line remains intact and the recent test of that trend line with a break to new highs confirms the continuation of the bullish trend.*
- *Short-Term Positioning: Bullish*
  - *Last week: Take profits and rebalance holdings.*
  - *This week: Hold position*
  - *Stop-loss adjusted to support at $58.00*
- *Long-Term Positioning: Bullish*

Health Care



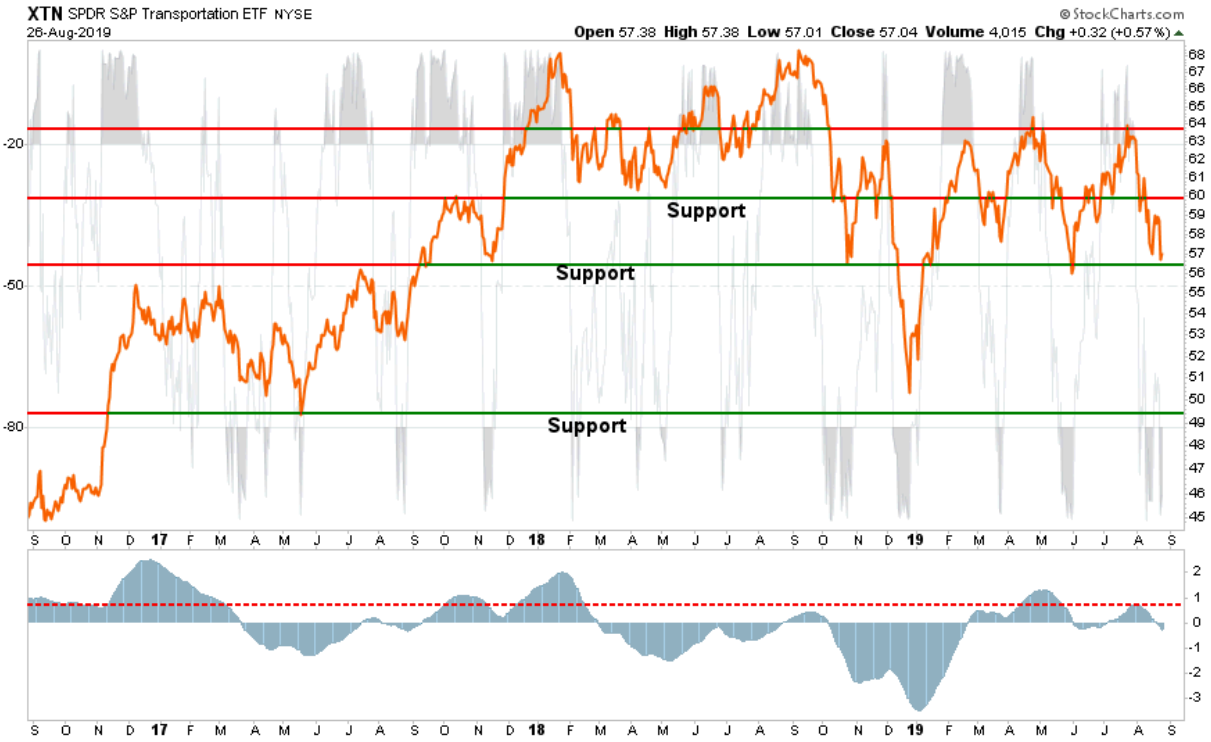
- *XLV has triggered a sell signal and will likely threaten our stop-loss.*
- *While the current correction was expected, support is looks to failing.*
- *We will honor of stop-loss.*
- *Short-Term Positioning: Neutral*
    - *Last week: Reduce to portfolio weight*
    - *This week: Hold position*
    - *Stop-loss adjusted to $88*
- *Long-Term Positioning: Neutral*

Discretionary



- *With the latest round of "tariffs" directly targeting consumer goods, XLY is under a threat.*
- *We recommended taking profits previously. But XLY has now triggered a "sell signal." If current support at $115 is violated we will consider selling out the rest of the position to avoid downside risk.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold 1/2 position.*
    - *This week: Hold 1/2 position*
    - *Stop-loss adjusted to $107.50 after sell of 1/2 position.*
- *Long-Term Positioning: Neutral*

Transportation



- *XTN has continued to lag the overall market and continues to suggest there is "something wrong" economically.*
- *XTN has triggered a "sell" signal but remains confined to a consolidation which has lasted all year. The continued topping process continues to apply downward pressure on the sector.*
- *There is still no compelling reason at this juncture to add XTN to portfolios. We will watch and see what happens.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
    - *This week: No position*
- *Long-Term Positioning: Bearish*