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:

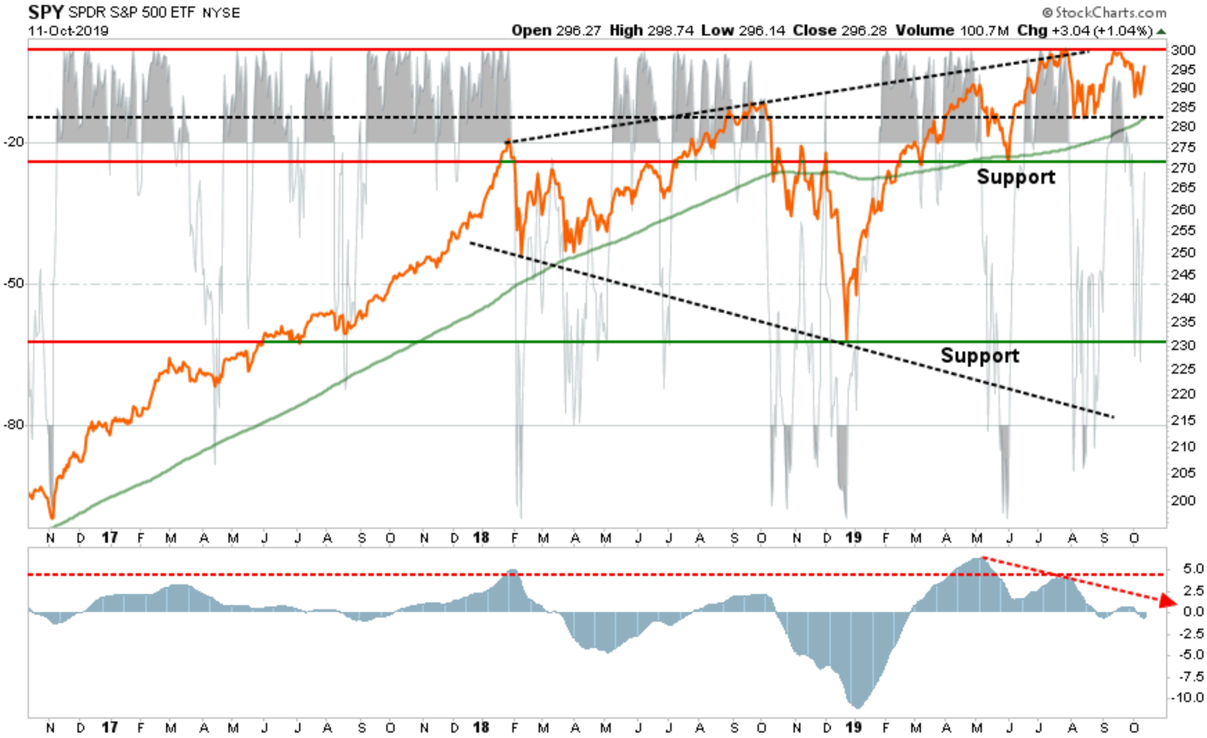
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.

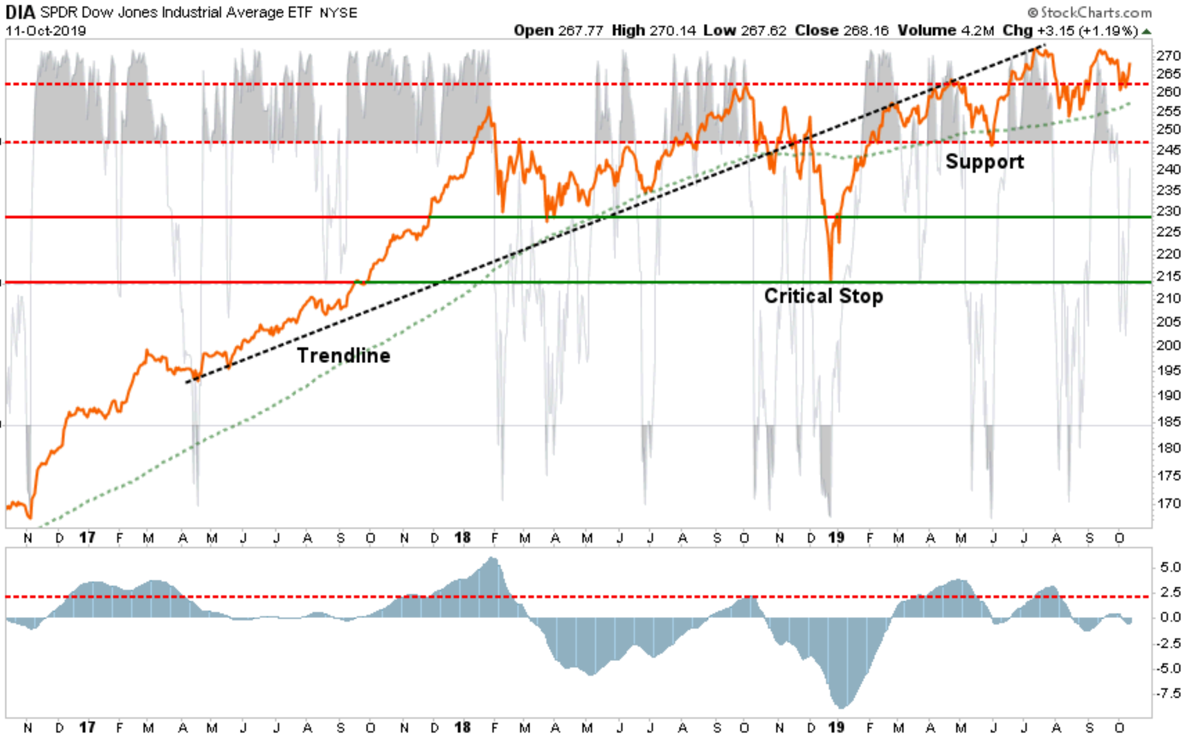
This update focuses on the impact the "trade deal" announced on Friday will have on each market going forward.

S&P 500 Index



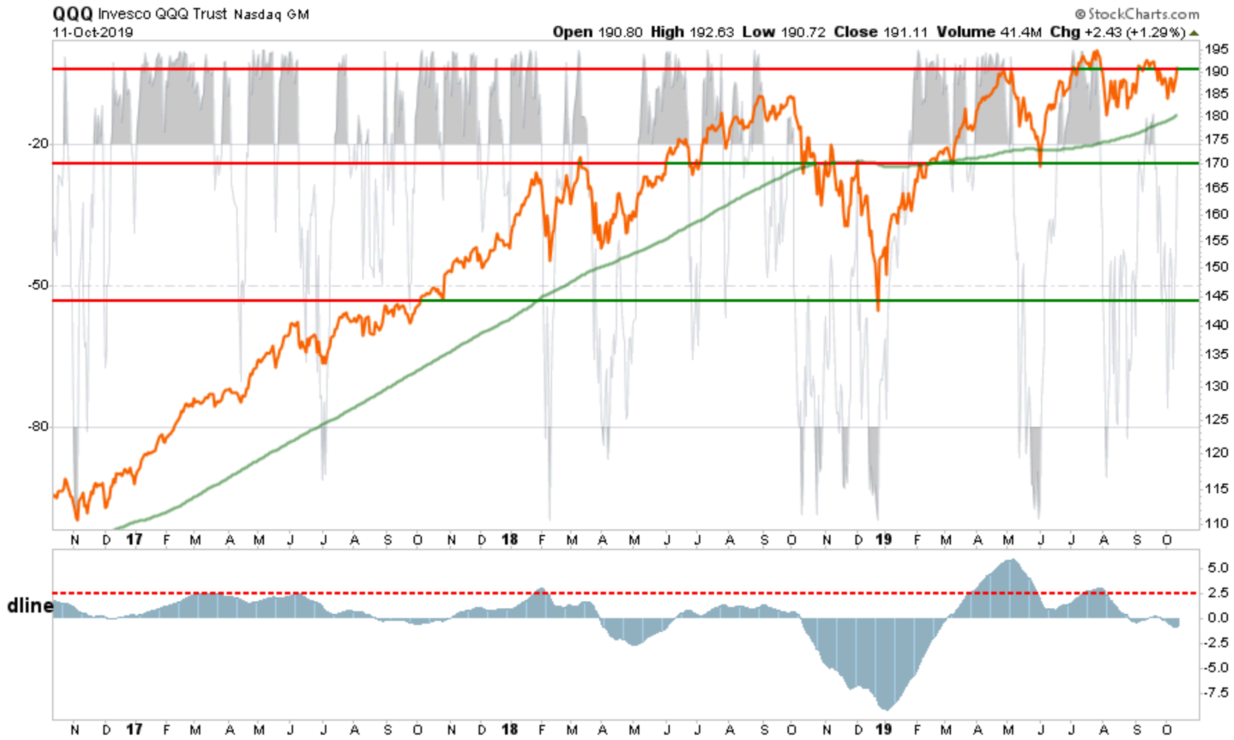
- *We are maintaining our core equity positions for now as the bullish trend remains intact.*
- *The bullish news is that the "sell signal" has been reversed. However, without the market breaking out to new highs, it doesn't mean much especially given the market is pushing back into an overbought condition.*
- *We will wait for a confirmation breakout to add to our core equity holdings as needed.*
- *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



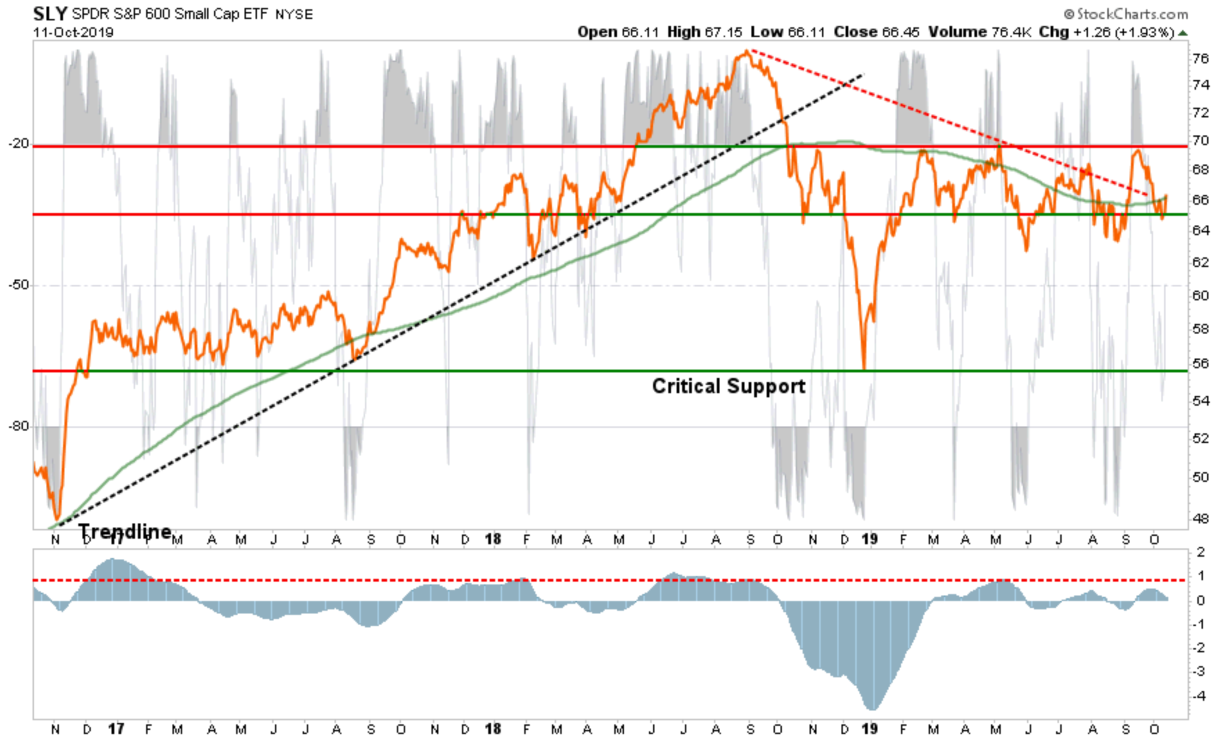
- *Like the SPY, DIA broke above resistance but failed at previous highs. We are not set to test those highs once again, likely next week.*
- *As with SPY, DIA has also reversed its previous "Sell signal" as well, but has failed to breakout to new highs and is back to more extreme overbought conditions.*
- *We will wait for confirmation before adding more broad market exposure.*
- *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



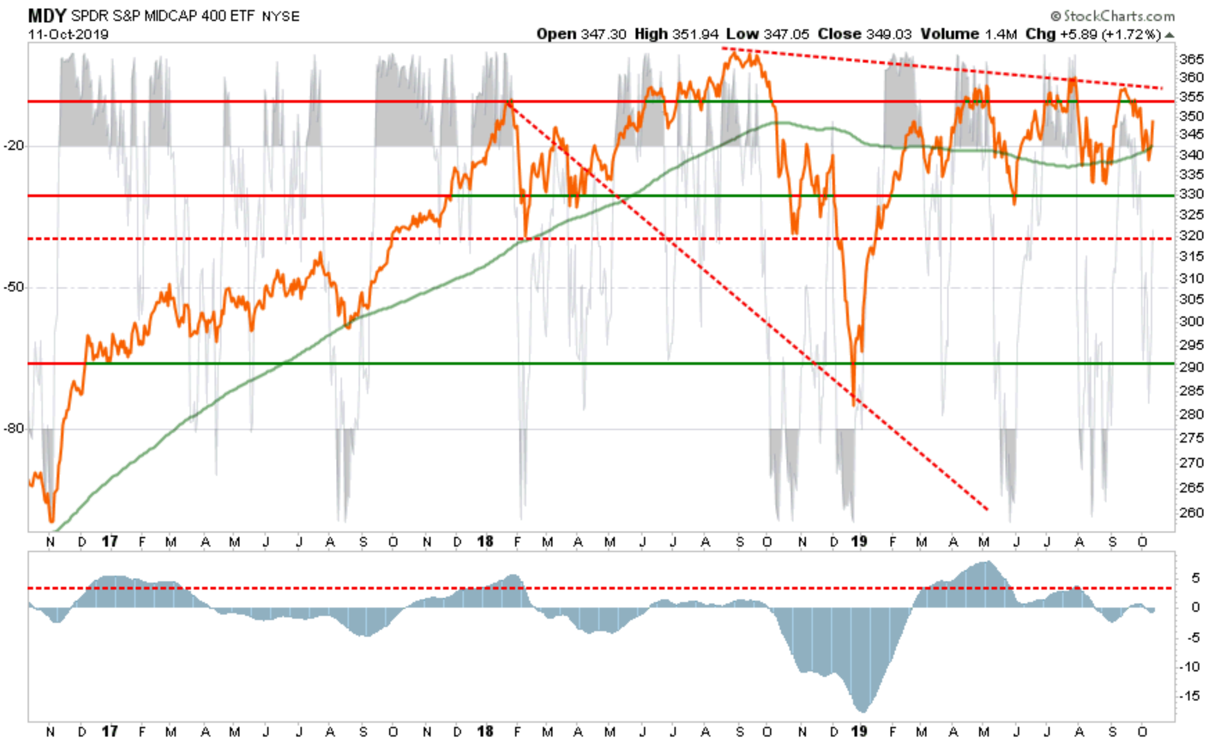
- *The technology heavy Nasdaq not only failed to test previous highs but failed at the previous highs from earlier this year.*
- *While the "trade deal" should bode well for QQQ, it continues to perform weaker than the overall S&P 500 Index.*
- *The "Sell signal" is close to being reversed, but only barely so. QQQ needs to break out to new highs to confirm the bullish trend.*
- *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)



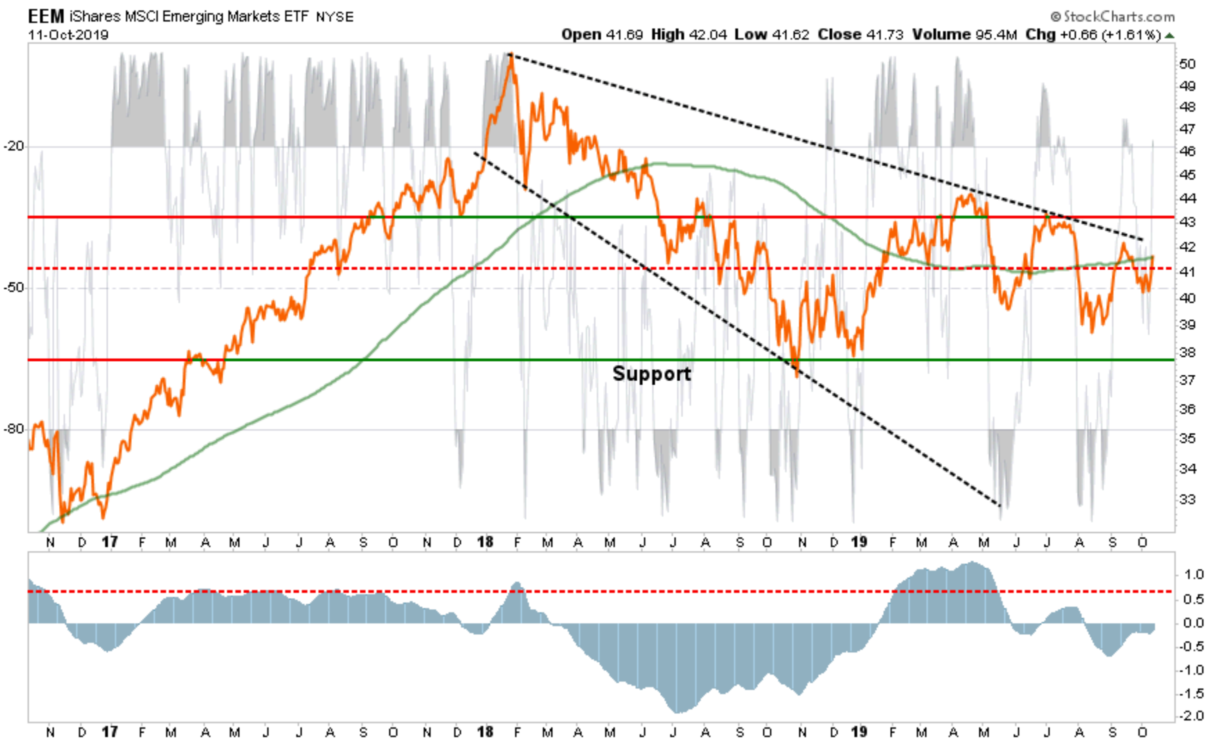
- *The trade deal didn't do much for small caps which are less affected by the deal and more affected by current tariffs which will remain,.*
- *We suggested previously with SLY back to extreme overbought, and below previous resistance, and in a negative trend, that it looked like a better selling opportunity rather than a buy. That was good advice.*
- *However, 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 previously violated.*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



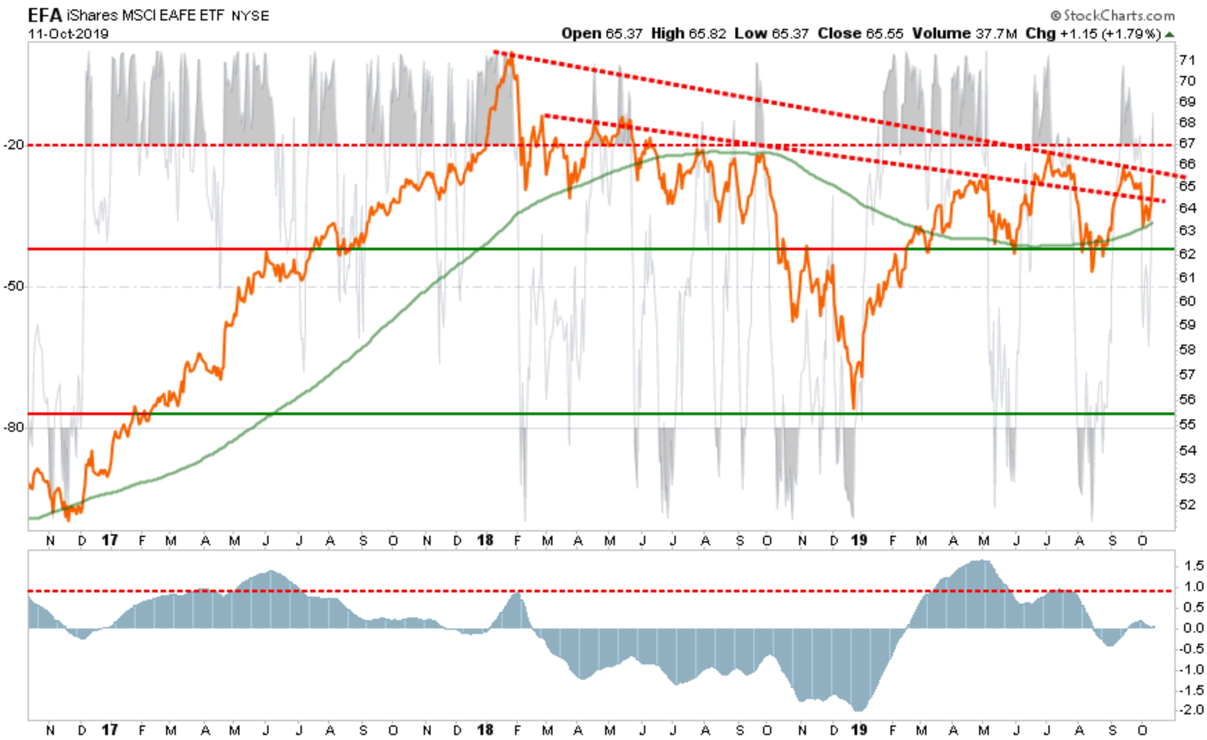
- *MDY, like SLY, is technically not in great shape, and also failed at the downtrend line and failed to hold above previous resistance.*
- *MDY has now registered a short-term "buy" signal, but needs to be confirmed by a break above resistance. That has yet to occur. Be patient and take profits for now.*
- *Short-Term Positioning: Neutral*
  - *Last Week: No holding*
  - *This Week: No holding*
- *Long-Term Positioning: Bearish*

Emerging Markets



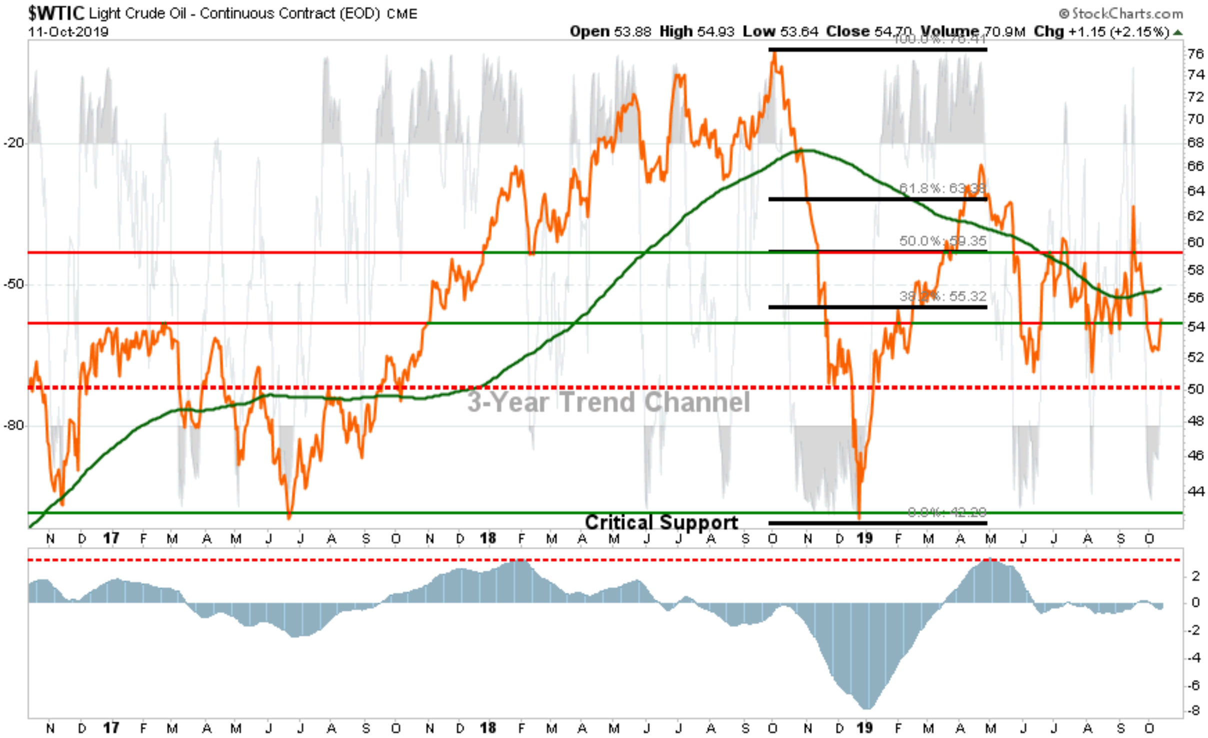
- EEM continues to underperform. Event the trade deal was unable to get EEM above resistance at the 200-dma.
- The current spurt higher also remains solidly confined to the overall downtrend.
- The sell signal remains and has failed to reverse. EEM needs to move above the downtrend line to become of interest again. The failure to hold above the 200-dma is not encouraging.
- 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 remains in a downtrend and is testing the top of that range.
- EFA has also triggered a buy signal, so a rally above the downtrend line will be needed to establish a tradeable opportunity. That has failed to occur so far.
- As with EEM, we closed out of previous trading positions due to lack of performance.
- 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)

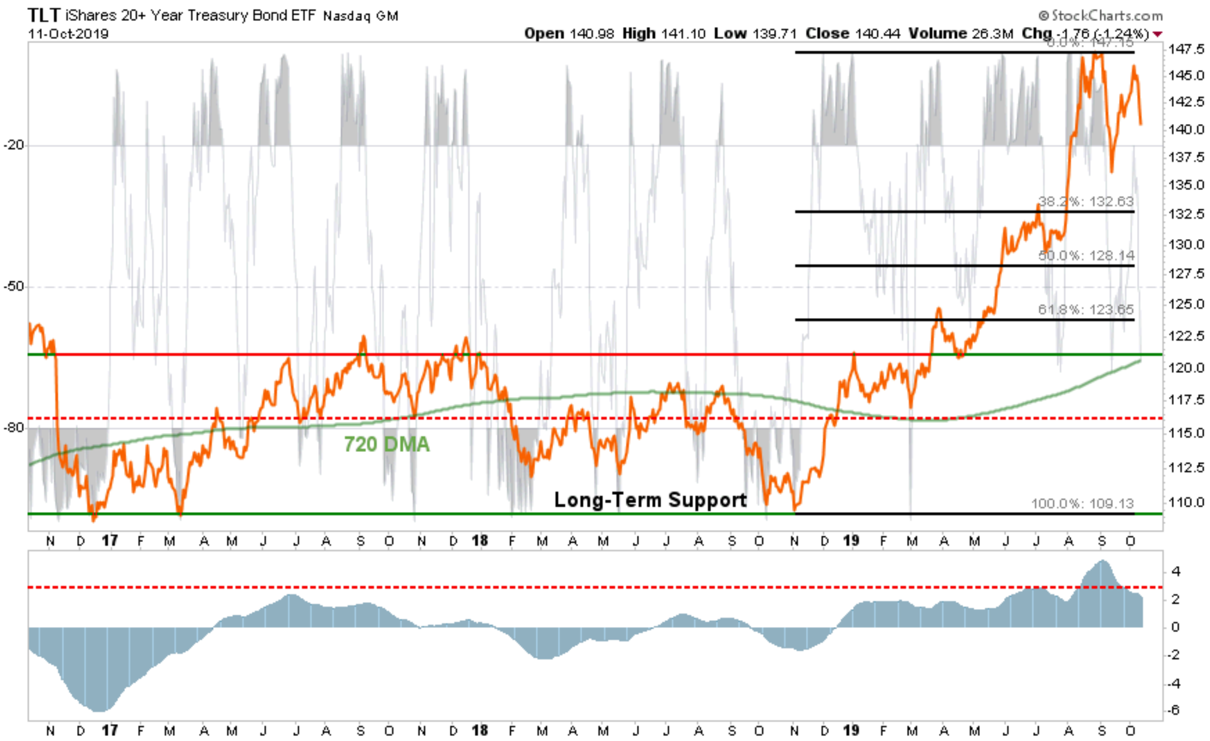


- *The week saw an uptick in oil prices as "speculation" returned to the markets on the completion of the "trade deal."*
- *Don't get too excited, there is not much going on with oil currently, but there is likely a tradeable opportunity approaching given the deeply oversold conditions.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No position*
    - *This Week: No position*
    - *Stop-loss for any existing positions is $54.*
- *Long-Term Positioning: Bearish*

Gold

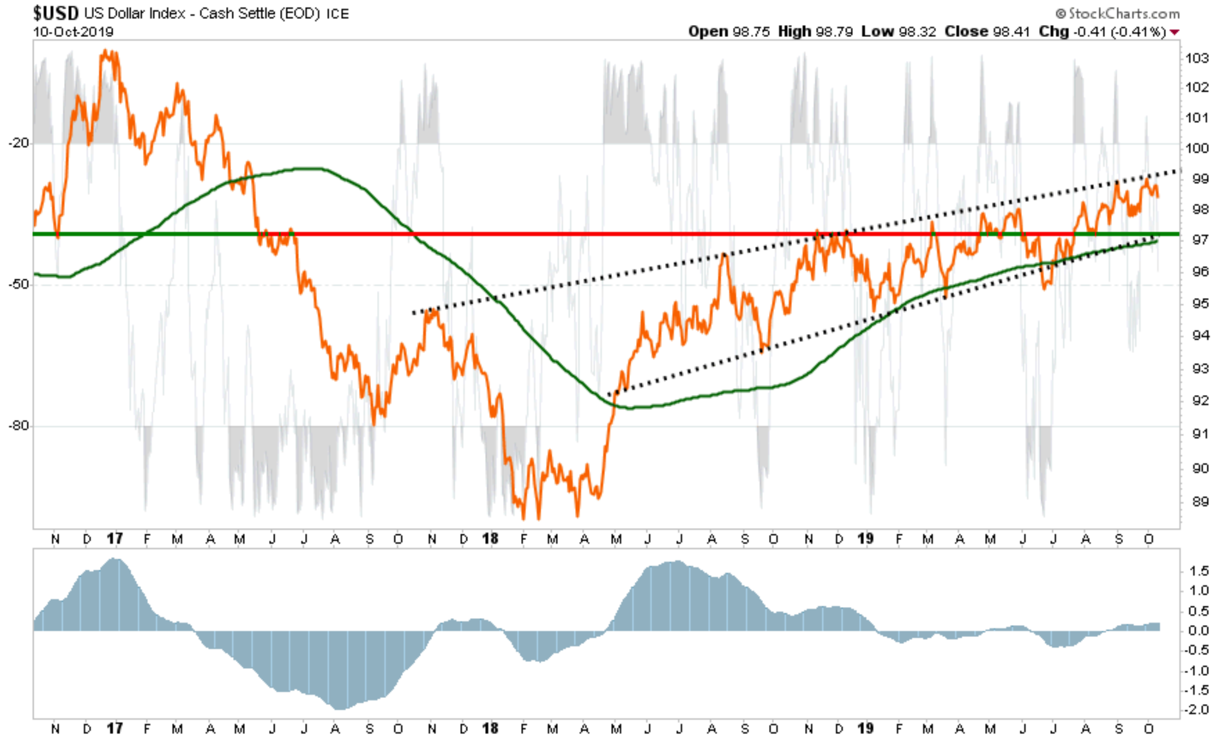
- *Gold is back to a slight oversold and is holding important support, however, it is forming a bit of a downtrend from recent highs.*
- *With the "trade deal" done, the "safety trade" may be off the table for a while. We are going to move up our stops to protect profits.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions*
    - *This week: Hold positions*
    - *Stop-loss for whole position move up to $137.50*
    - *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)



- *Like GLD, Bond prices finally cracked and have reversed a good chunk of the overbought condition.*
- *As with GLD, we are also moving up our stop-loss to protect our gains if the "risk on" trade gets some real traction.*
- *With the overbought condition being worked off, it is likely we will be able to further add to holdings as we head into the end of the year.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
    - *Stop-loss is moved up to $137.50*
    - *Long-Term Positioning: Bullish*

U.S. Dollar



- *The dollar had rallied to our $99 target which we laid out back in June of this year when we started tracking the dollar.*
- *Despite hopes to the contrary, the dollar remains in a strongly rising uptrend. Given a "strong dollar" erodes corporate profits on exports (which makes up 40% of corporate profits overall) a strong dollar combined with tariffs isn't great for corporate bottom lines.*
- *Watch earnings carefully over the next quarter.*
- *It is highly likely the dollar will continue its bullish trend with negative rates spreading all over Europe.*
- *The rally has now triggered a "buy" signal which keeps us dollar bullish for now.*