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:

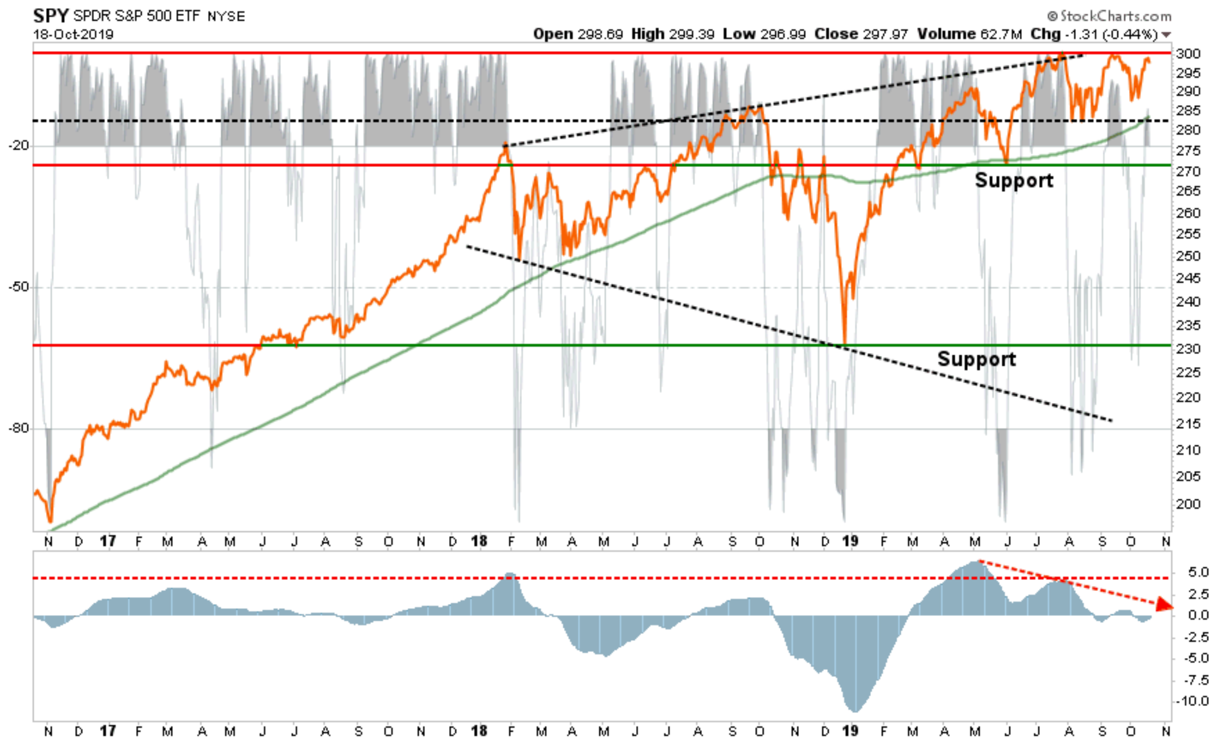
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.

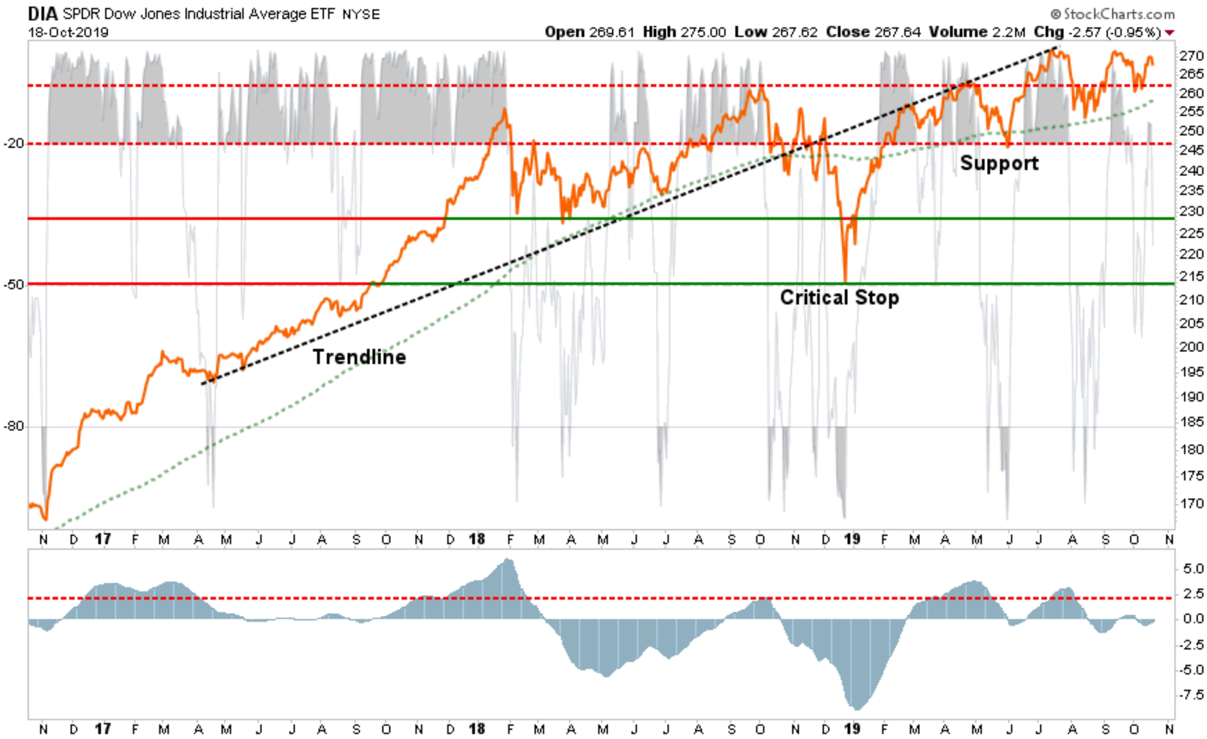
This update focuses on the impact the "trade deal" announced on Friday will have on each market going forward.

S&P 500 Index



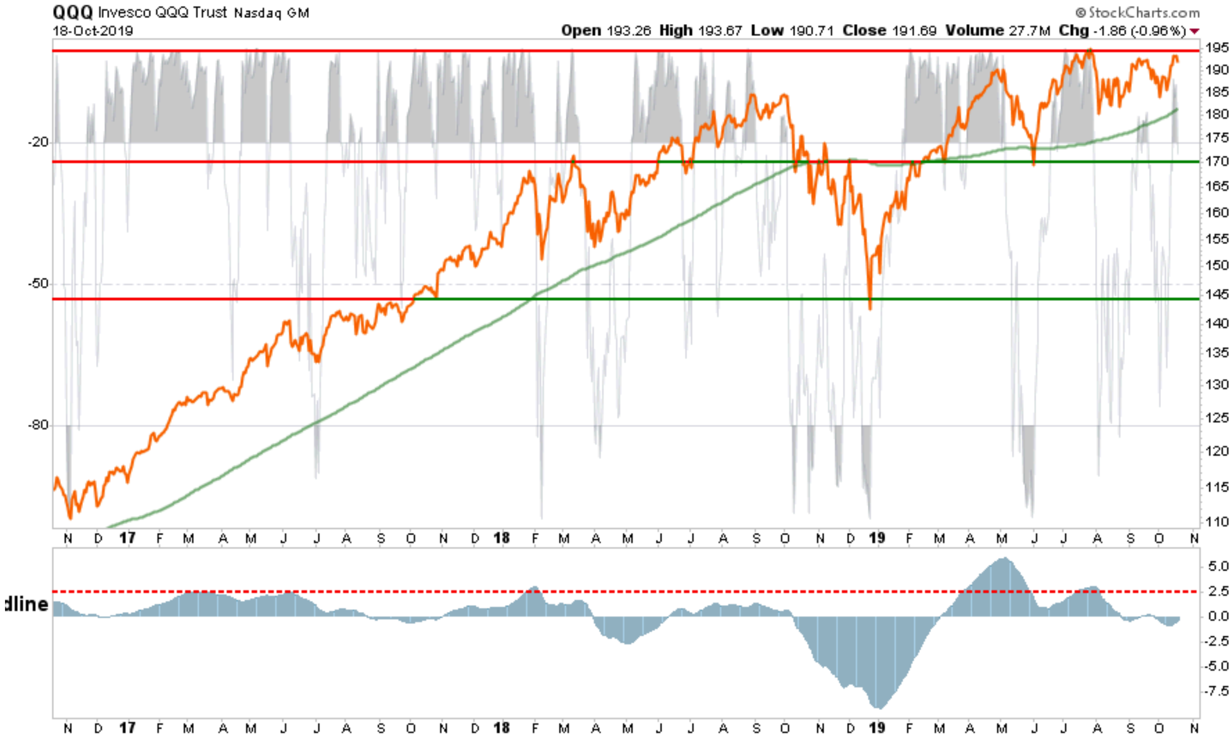
- *We are maintaining our core equity positions for now as the bullish trend remains intact. As noted in this past weekend's newsletter, the bulls have control of the narrative for now.*
- *With the "sell signal" reversed, there is a positive bias. However, without the market breaking out to new highs, 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



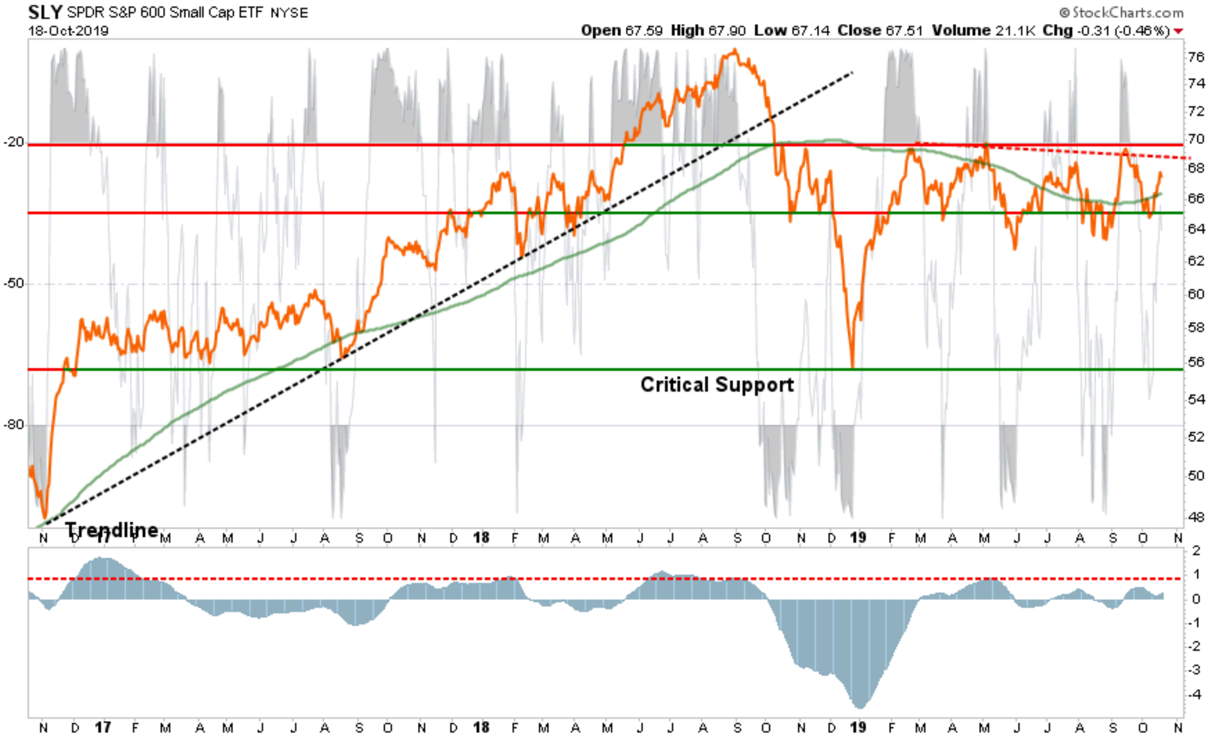
- *Like the SPY, DIA broke above resistance but failed at previous highs. We are not set to test those highs once again, likely next week.*
- *As with SPY, DIA has also reversed its previous "Sell signal" as well, but has failed to breakout to new highs and is back to more extreme overbought conditions.*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



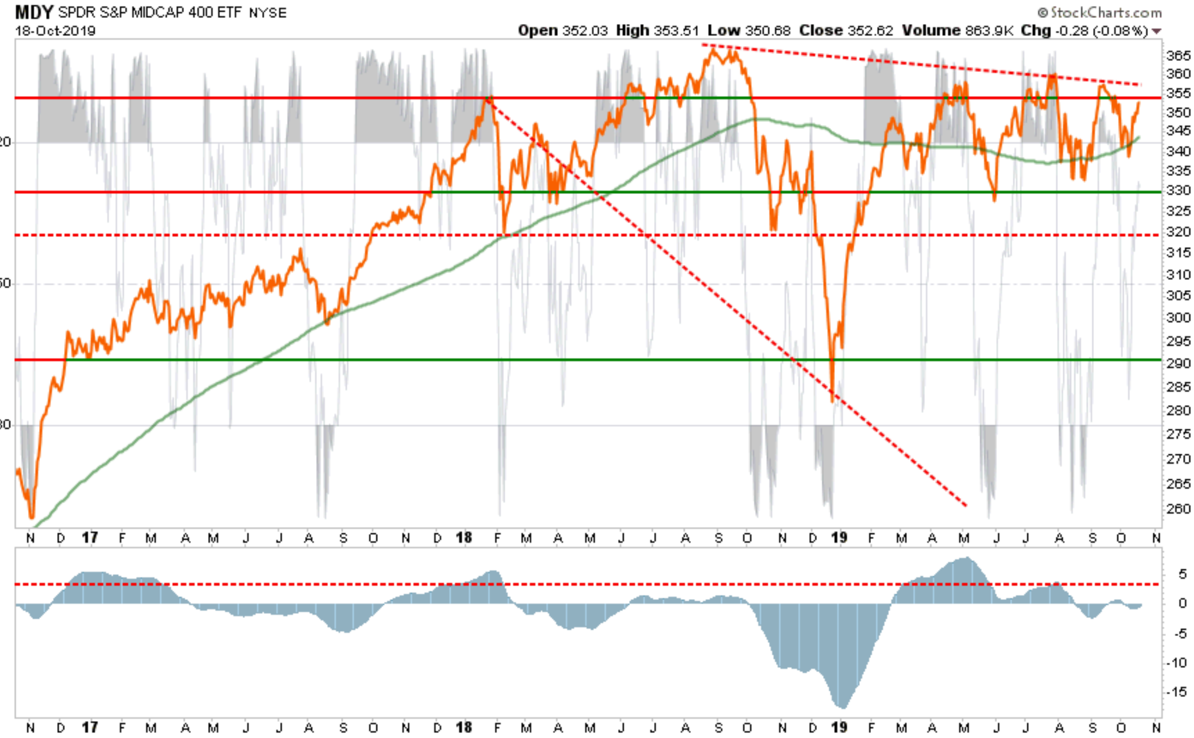
- *The technology heavy Nasdaq not only failed to test previous highs but failed at the previous highs from earlier this year.*
- *While the "QE4" should bode well for QQQ, it continues to perform weaker than the overall S&P 500 Index.*
- *The "Sell signal" is close to being reversed, but only barely so. QQQ needs to break out to new highs to confirm the bullish trend.*
- *QQQ is back to very overbought short-term so remain a cautious adding exposure.*
- *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)



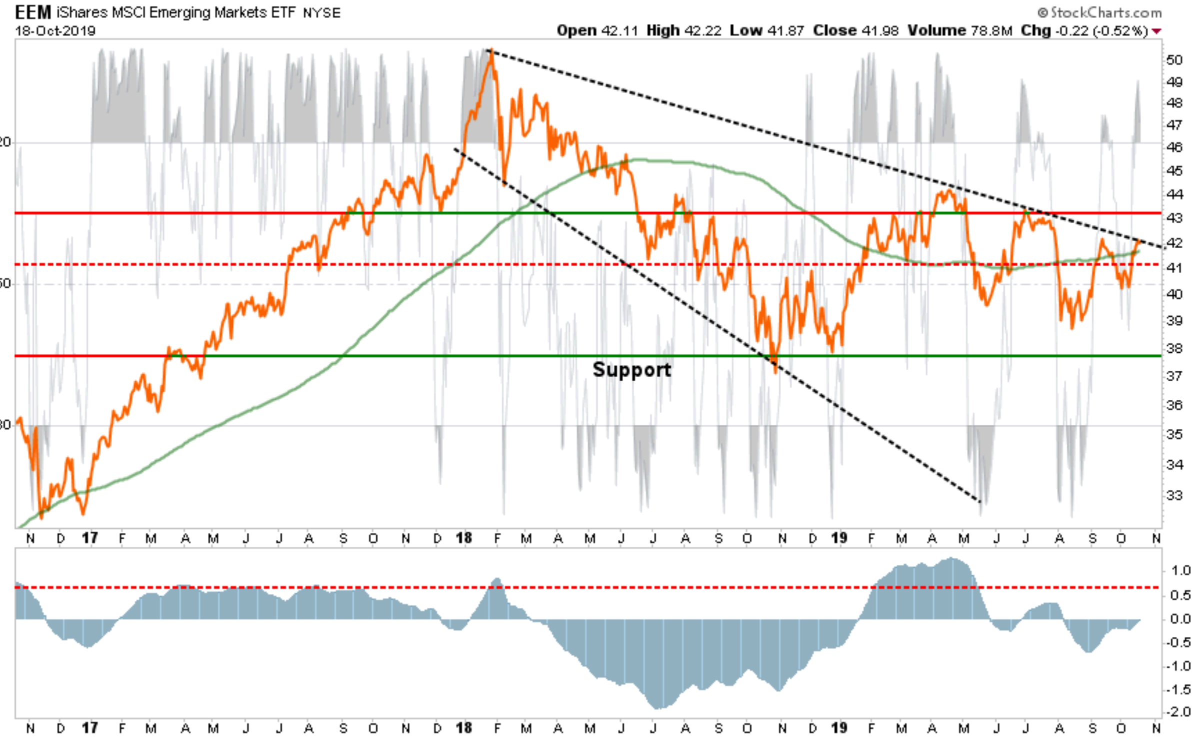
- *One of the markets which historically perform the best under QE is small caps.*
- *We suggested previously with SLY back to extreme overbought, and below previous resistance, and in a negative trend, that it looked like a better selling opportunity rather than a buy. That continues to be the advice for now until a breakout occurs.*
- *We are looking to potentially add a trading position but need confirmation the recent rally isn't just another trap.*
- *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)



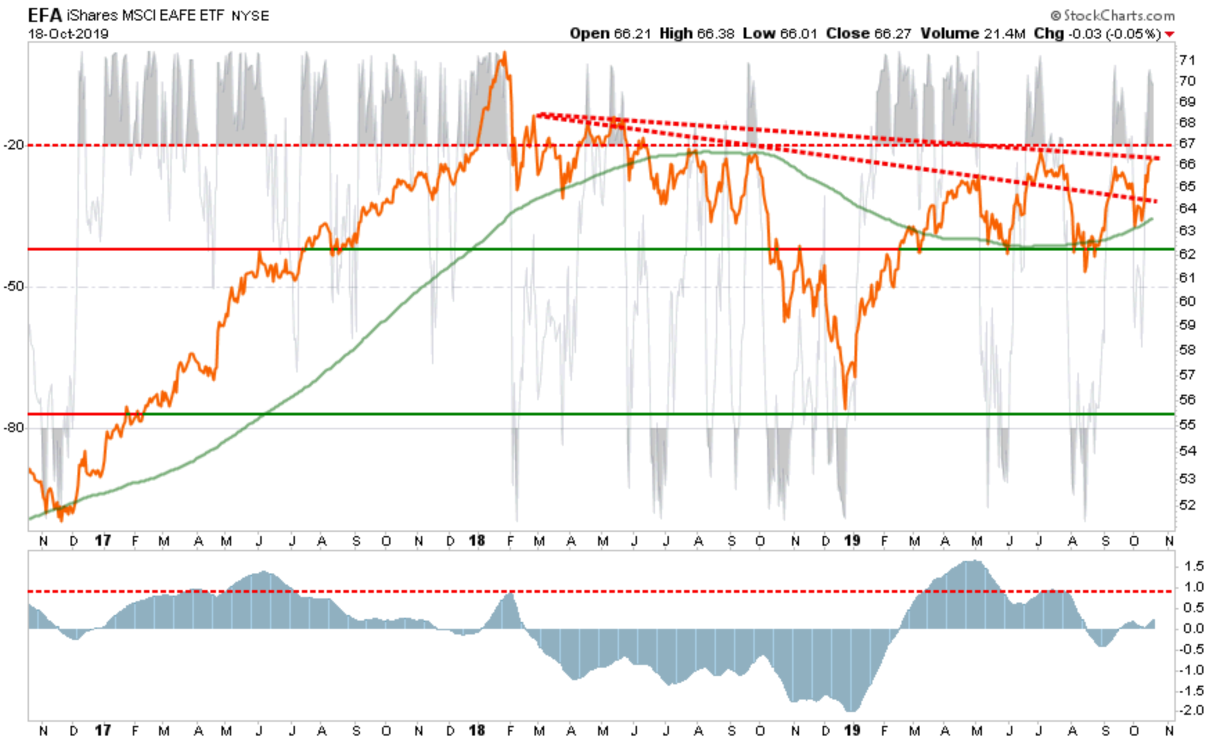
- *MDY, like SLY, is technically not in great shape, and also failed at the downtrend line and failed to hold above previous resistance.*
- *MDY has now registered a short-term "buy" signal, but needs to be confirmed by a break above resistance. That has yet to occur. Be patient and take profits for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

Emerging Markets



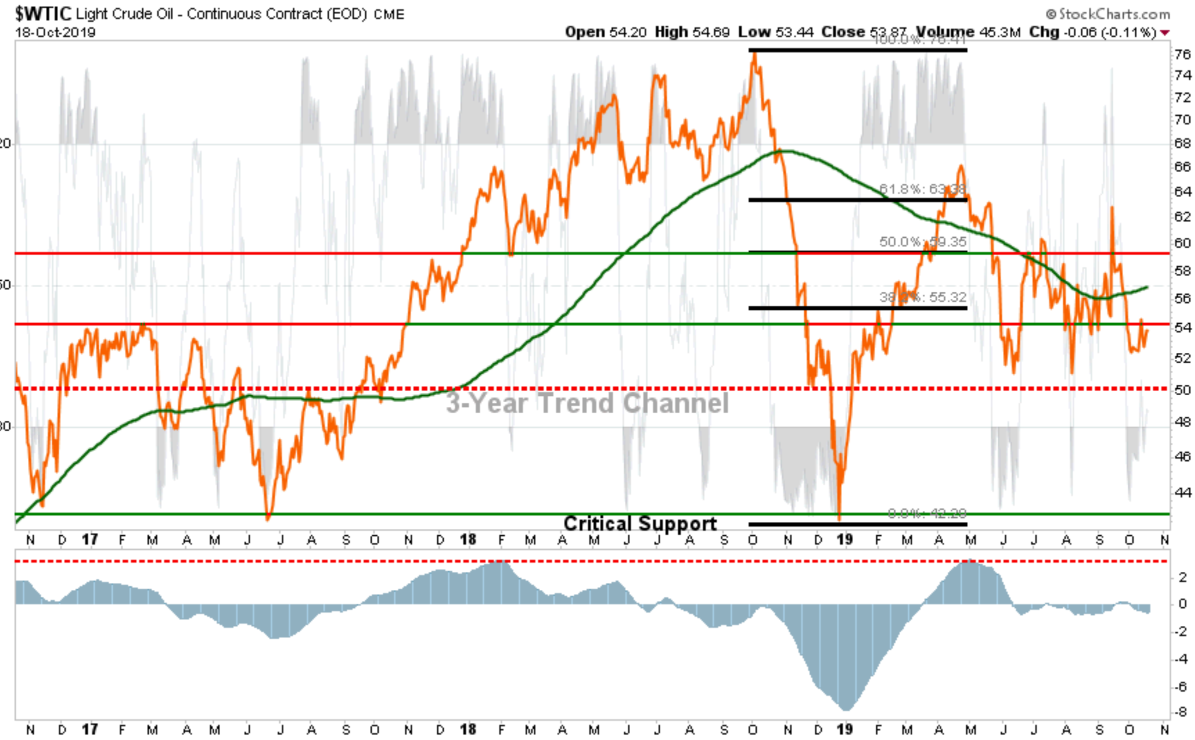
- *EEM continues to underperform. However, QE4 will likely bleed into EEM if a performance chase begins for year-end positioning.*
- *The current spurt higher also remains solidly confined to the overall downtrend.*
- *The sell signal is reversing, but has failed to reverse. EEM so far. With EEM back to extreme overbought we are not convinced this rally will hold.*
- *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.*
- *\With EFA back to extreme overbought, it is likely this rally will fail. We will wait for confirmation before adding risk.*
- *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)

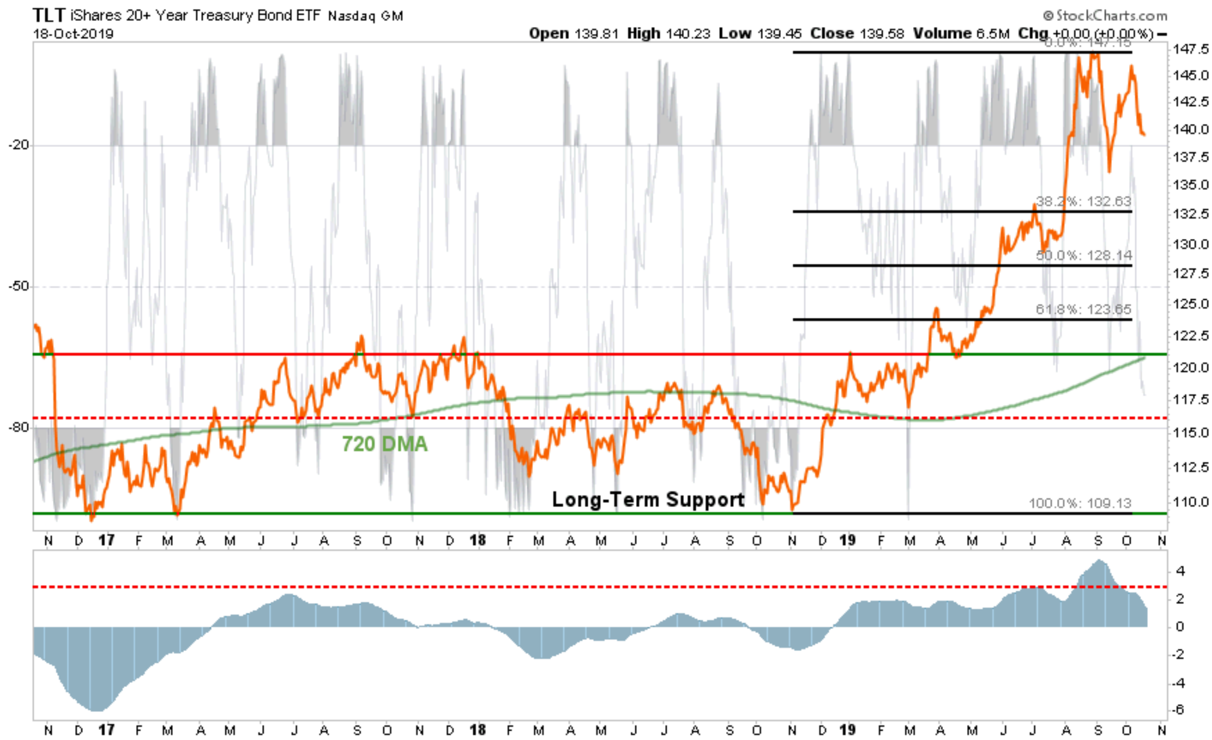


- *The week saw an uptick in oil prices as "speculation" returned to the markets from QE4. Commodities tend to perform well under liquidity programs due to their inherent leverage.*
- *Don't get too excited, there is not much going on with oil currently, but there is likely a tradeable opportunity approaching 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

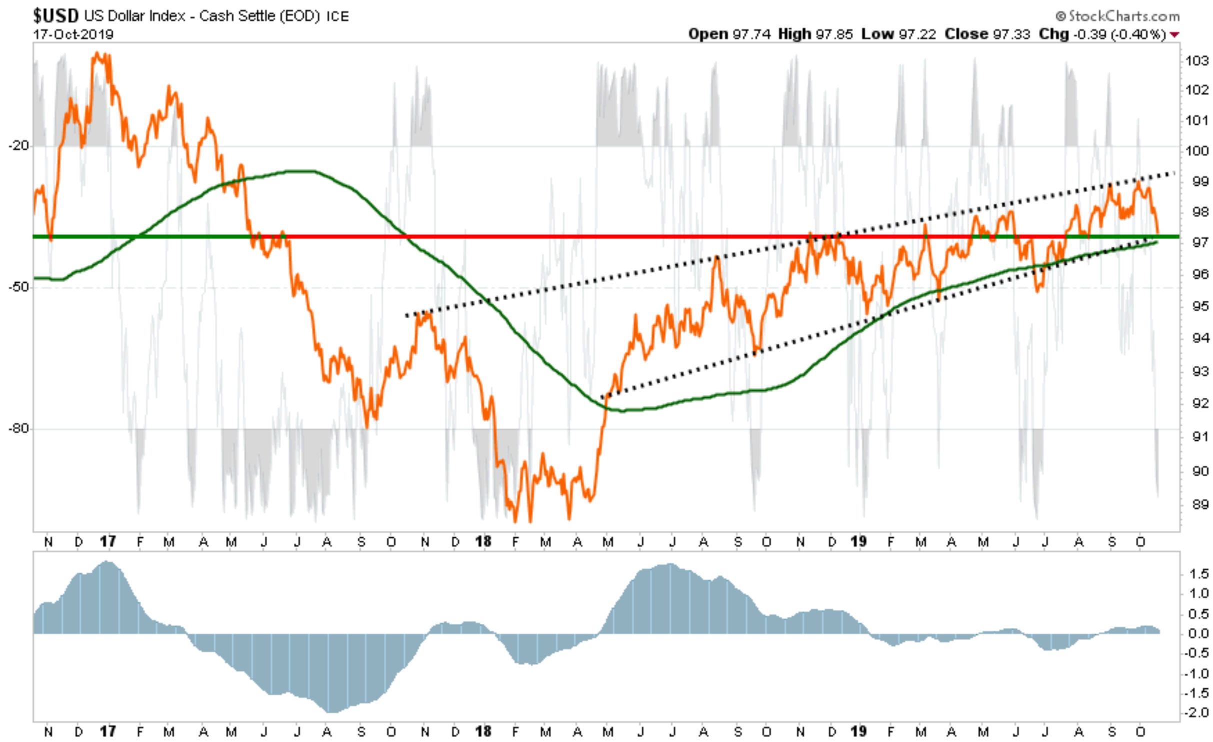
- *Gold is back to a slight oversold and is holding important support, however, it is forming a bit of a downtrend from recent highs.*
- *With the "QE4" back in play, the "safety trade" may be off the table for a while. We are moved our stops up and took half our position out of the portfolio last week.*
- *Short-Term Positioning: Neutral*
  - *Last week: Sold 1/2 position*
  - *This week: Hold remaining position.*
  - *Stop-loss for whole position moved 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 during this quarter.*
- *The dollar is back to the bottom of its uptrend and is very oversold. A rally in the dollar is likely from currently levels.*
- *The "buy" signal keeps us dollar bullish for now.*