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:

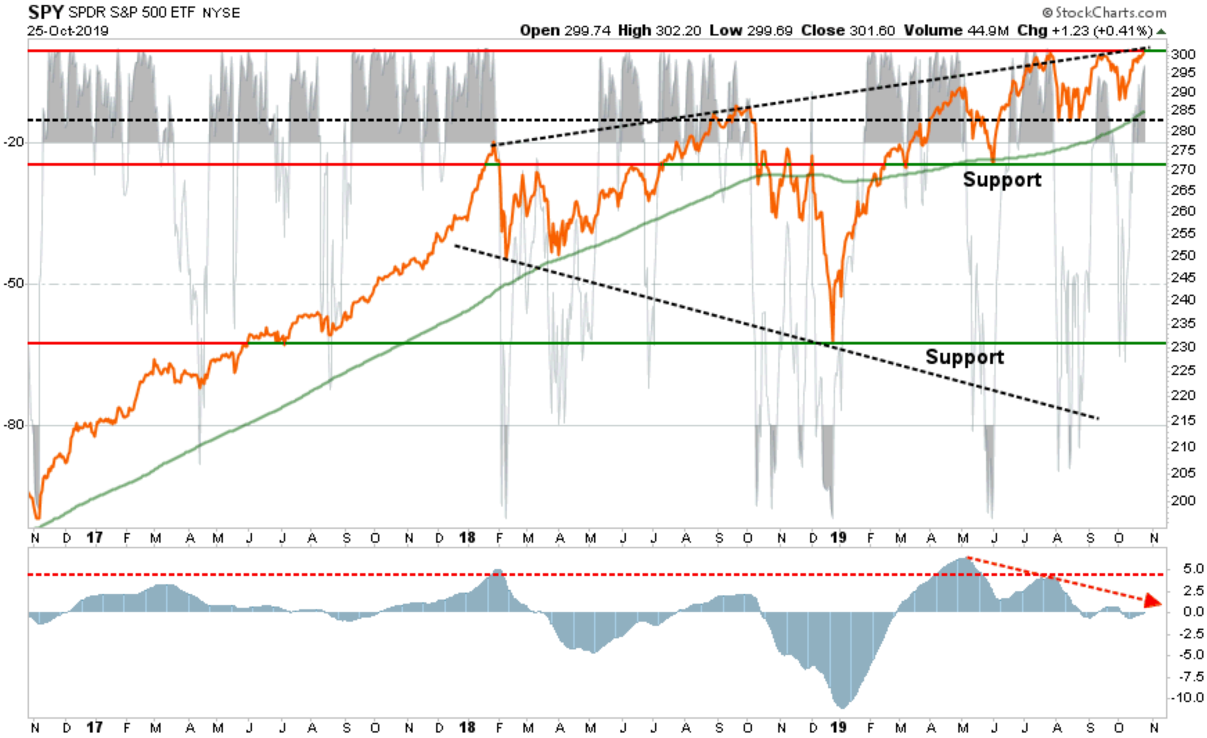
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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

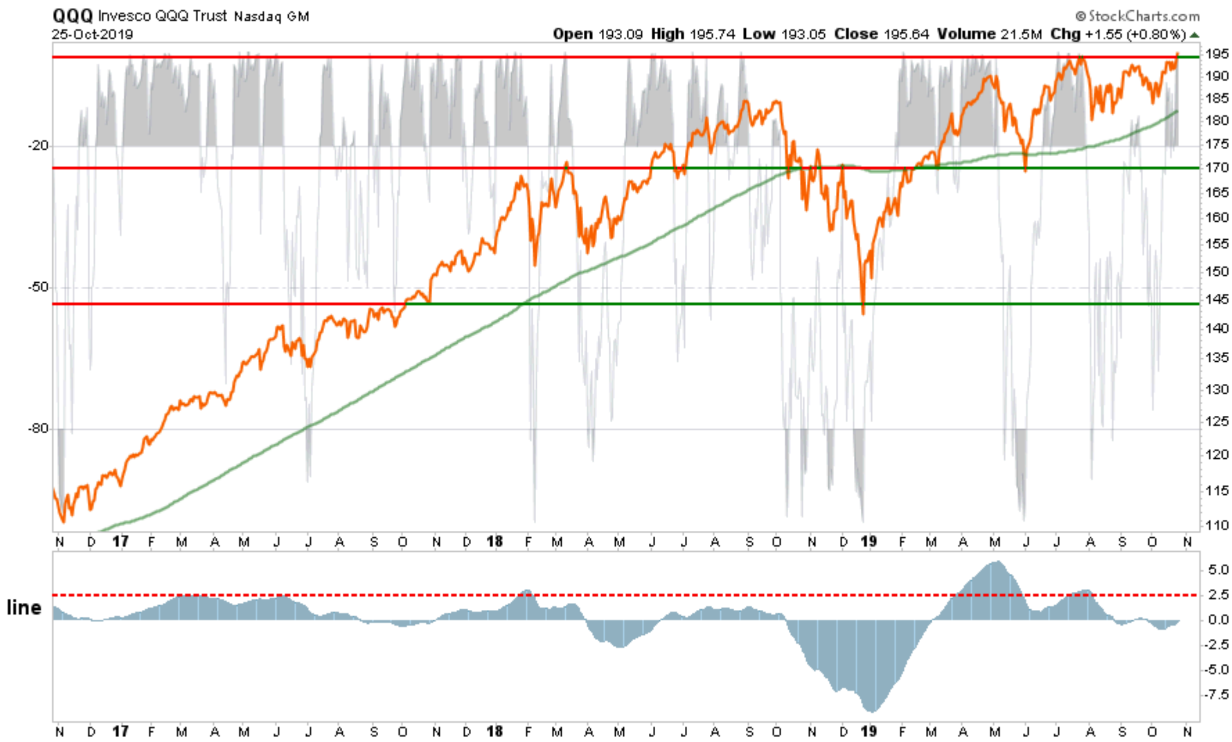


- *We are maintaining our core equity positions for now as the bullish trend remains intact.* [*Read this past weekend's newsletter*]() *for more commentary on the Fed's "Not QE."*
- *With a "buy signal" triggered, there is a positive bias. However, as noted last week, without the market breaking out to new highs the previous resistance and overbought condition suggests a near-term correction is possible.*
- *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 remains at $285*
    - *Long-Term Positioning: Neutral due to valuations*

Dow Jones Industrial Average

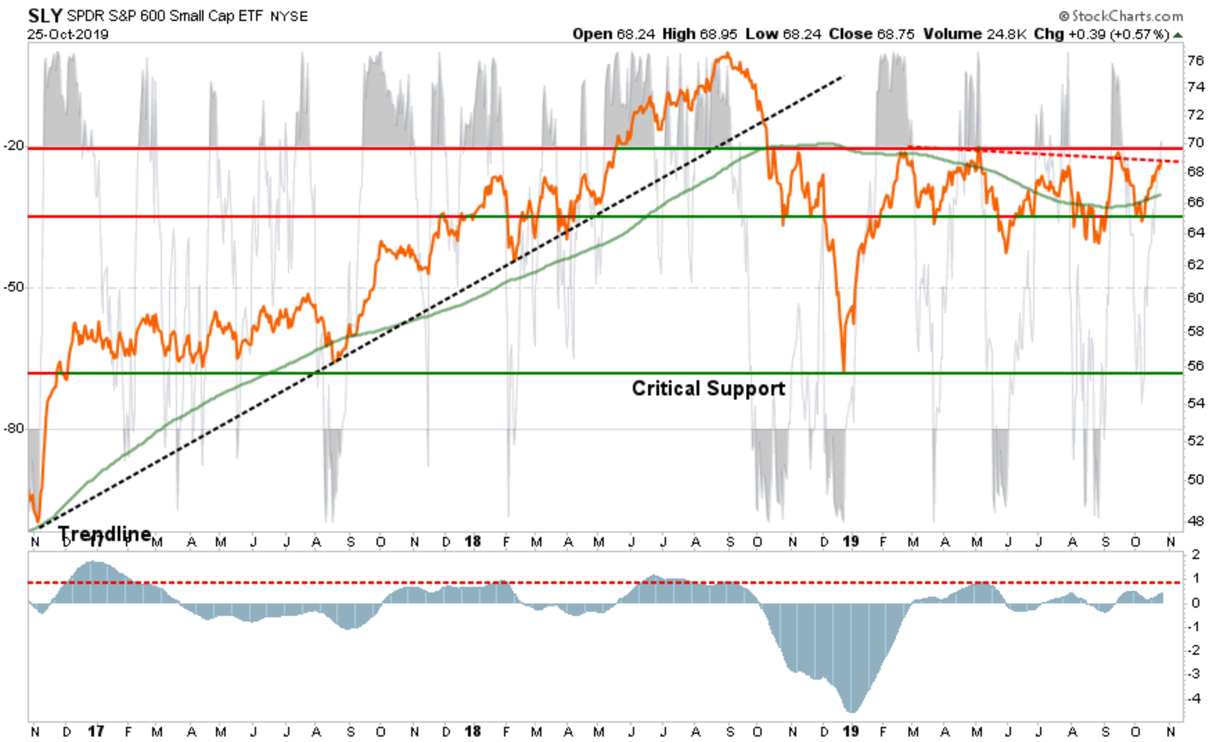
- *Like the SPY, DIA broke failed at previous highs.*
- *DIA has not reversed its previous "Sell signal" yet, but does remain in a positive trend.*
- *Hold current positions, but wait for confirmation of a breakout before adding more broad market exposure. With markets very overbought short-term a correction is likely before a further advance.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold current positions*
    - *This Week: Hold current positions.*
    - *Stop-loss moved up to $260.00*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



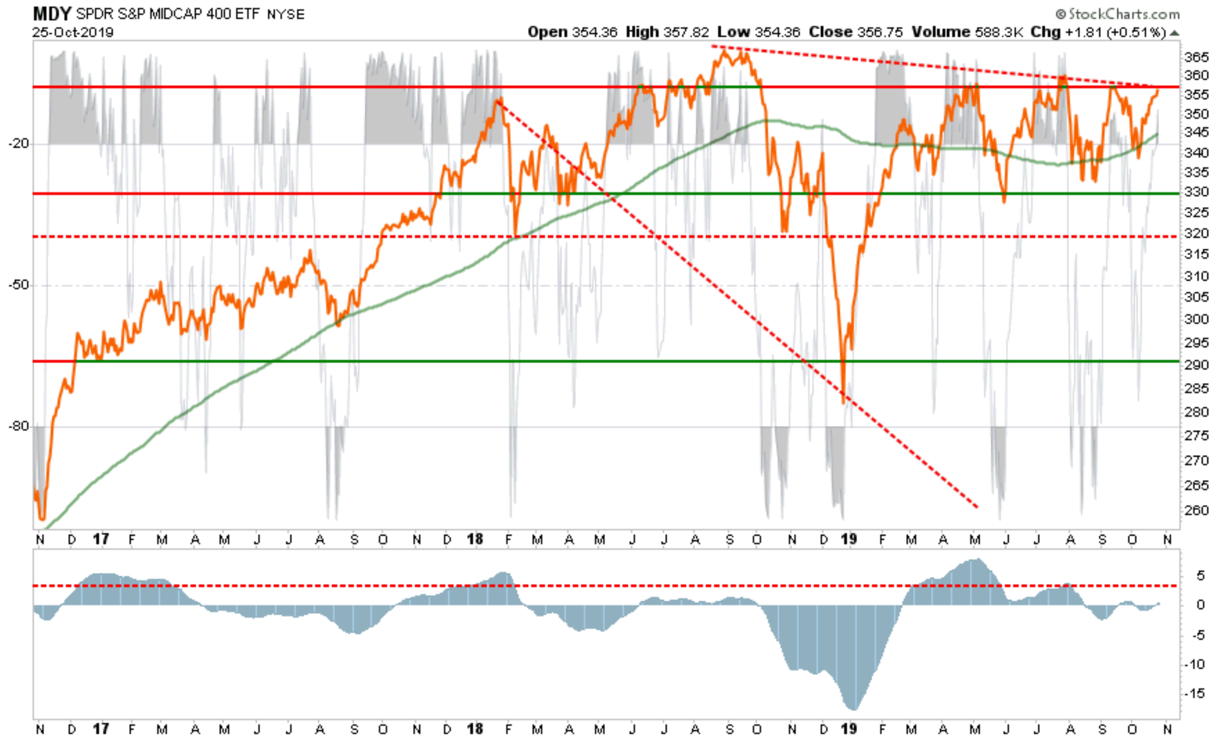
- *The technology heavy Nasdaq is once again testing its all-time highs.*
- *The "Sell signal" is close to being reversed, but only barely so. QQQ needs to break out to new highs to confirm the bullish trend.*
- *QQQ is back to EXTREME overbought short-term so remain a cautious adding exposure. A correction is likely which will provide a much better entry point.*
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold position*
  - *This Week: Hold position*
  - *Stop-loss moved up to $185*
- *Long-Term Positioning: Neutral*

S&P 600 Index (Small-Cap)



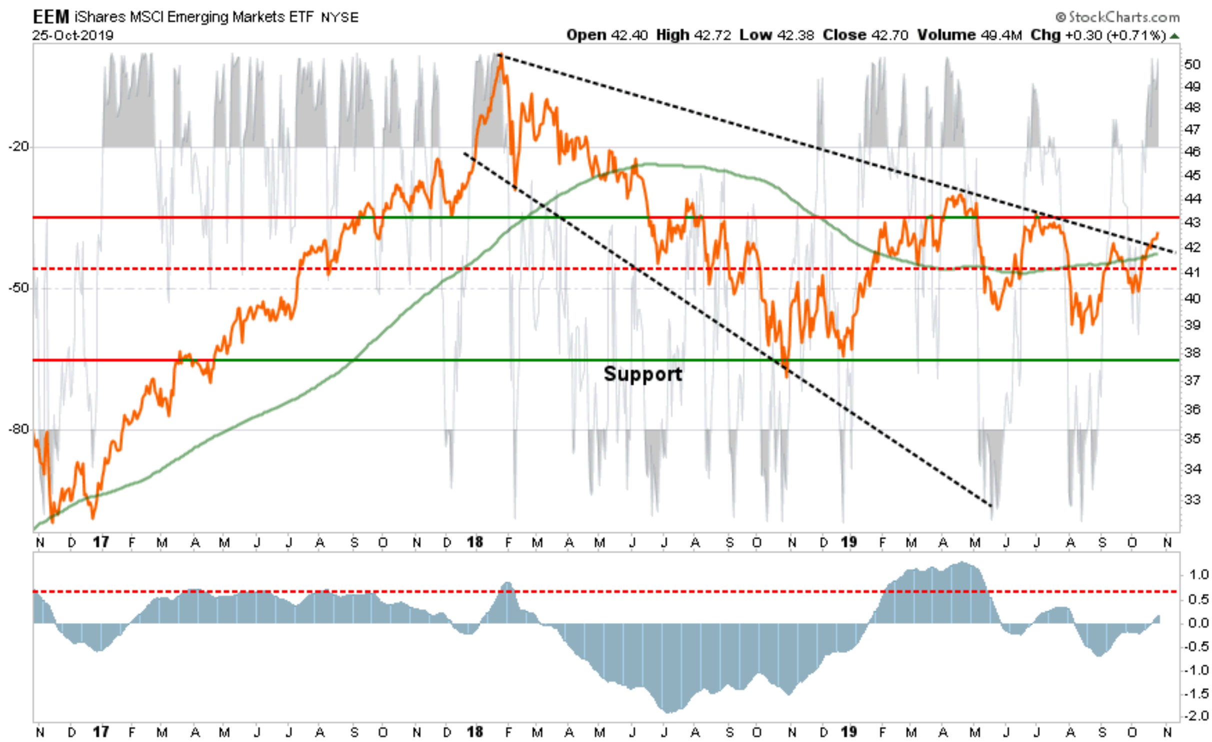
- *One of the markets which historically perform the best under QE is small caps.*
- *This past week, small-caps popped on a lot of short-covering but failed to get above the downtrend resistance. Fortunately, the index is not extremely overbought yet so next week will be make or break for the current consolidation.*
- *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)



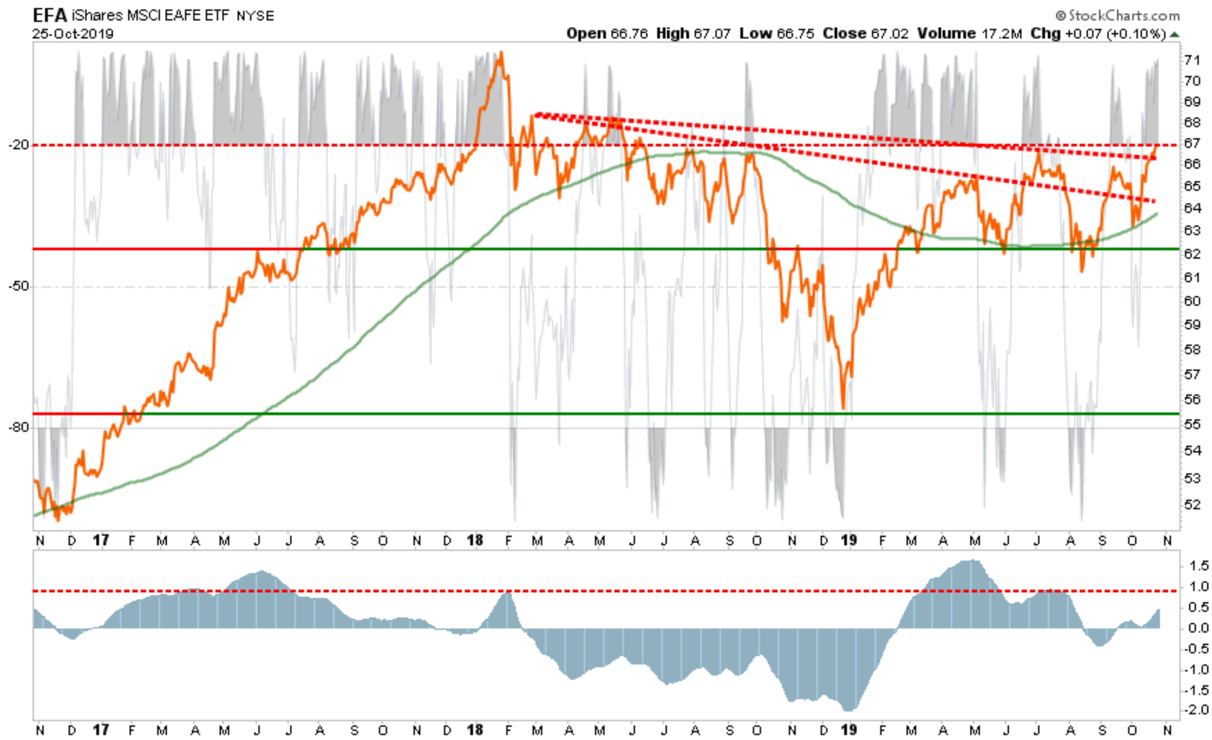
- *MDY, like SLY, is trapped within both a downtrend and sideways consolidation.*
- *MDY has now registered a short-term "buy" signal, but needs to be confirmed by a break above resistance. That has yet to occur, so be patient for now.*
- *MDY is back to overbought so, like small-caps, it is make or break if mid-caps are going to make a move higher.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No holding*
    - *This Week: No holding*
- *Long-Term Positioning: Bearish*

Emerging Markets



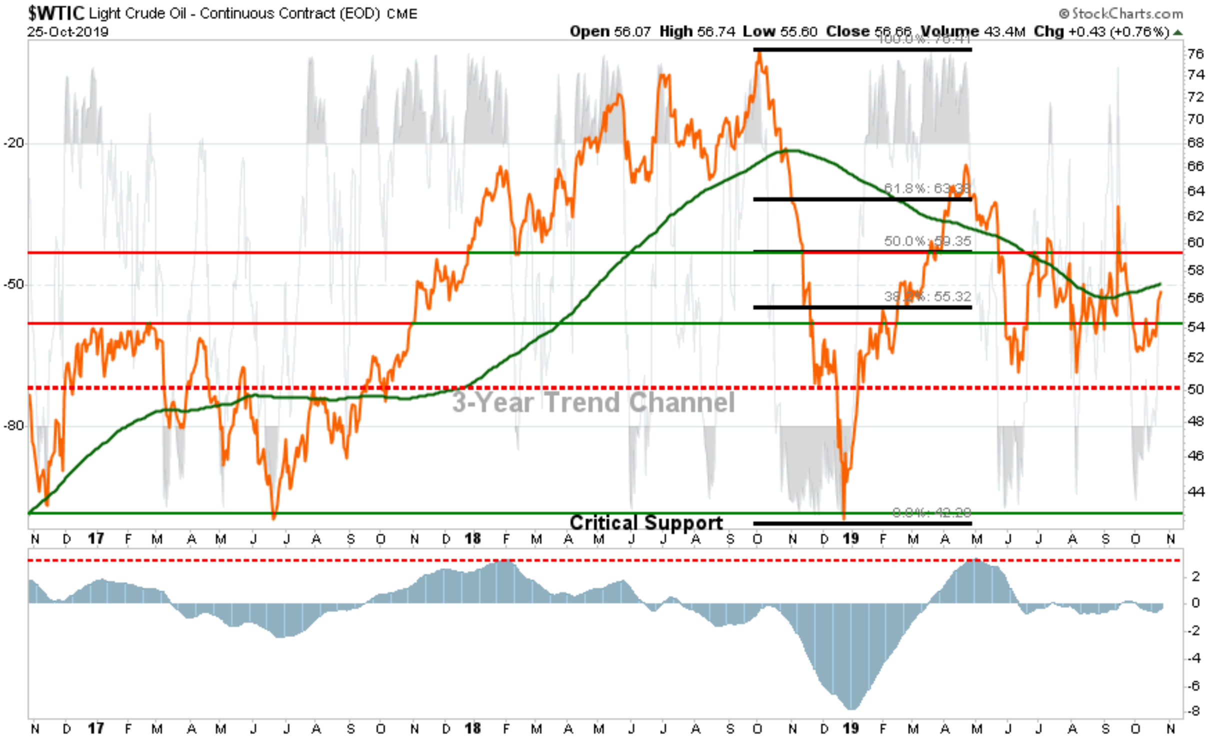
- *EEM continues to underperform. However, as noted last week, QE4 will likely bleed into EEM if a performance chase begins for year-end positioning.*
- *The current spurt higher is trying to break above the long-term downtrend, but EEM is back to extremely overbought. So be patient on adding a position until we confirm the breakout is sustainable.*
- *The sell signal reversed to a buy last week, so with the breakout, there is potential for EEM. However, be patient to confirm the breakout is valid.*
- *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 but will benefit from QE4.*
- *EFA remains in a downtrend and is testing the top of that range. Like EEM, a buy signal has been triggered and is back to EXTREMELY overbought.*
- *Be patient for now and wait for a confirmed breakout before adding exposure.*
- *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)

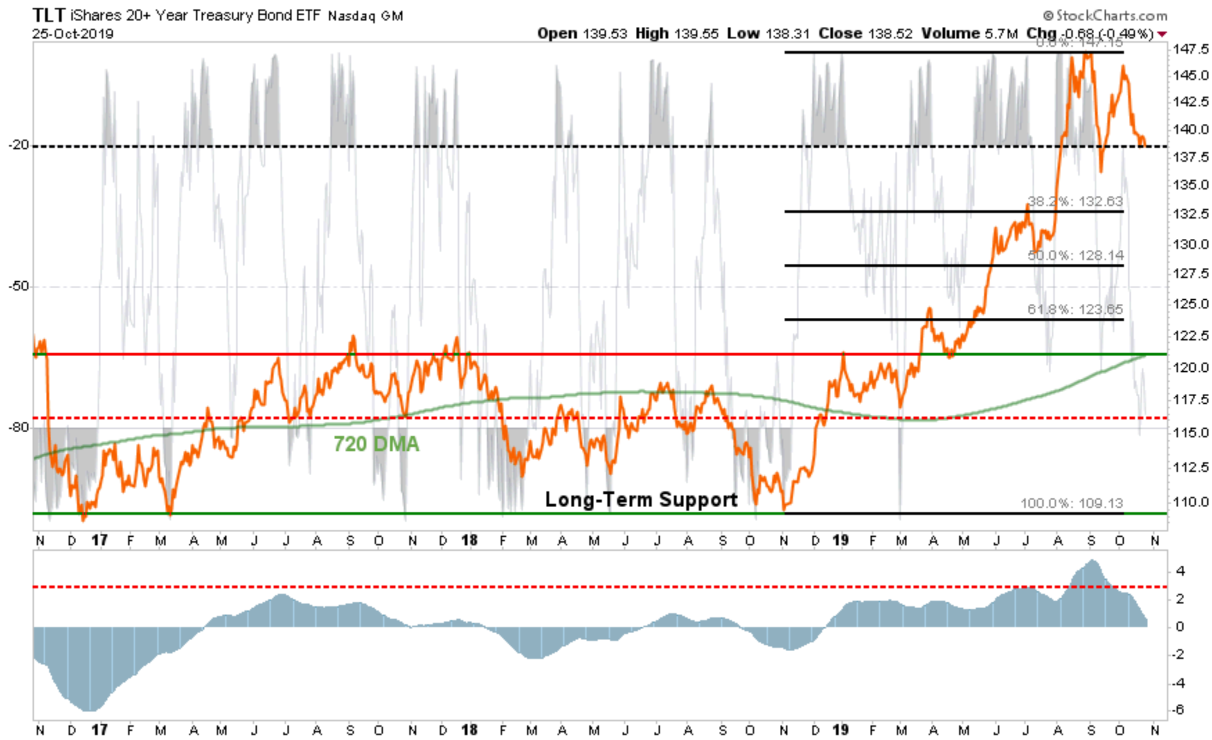


- *The week saw an uptick in oil prices as "speculation" returned to the markets from QE4. Commodities tend to perform well under liquidity programs due to their inherent leverage.*
- *Don't get too excited, there is not much going on with oil currently, but there is likely a tradeable opportunity approaching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

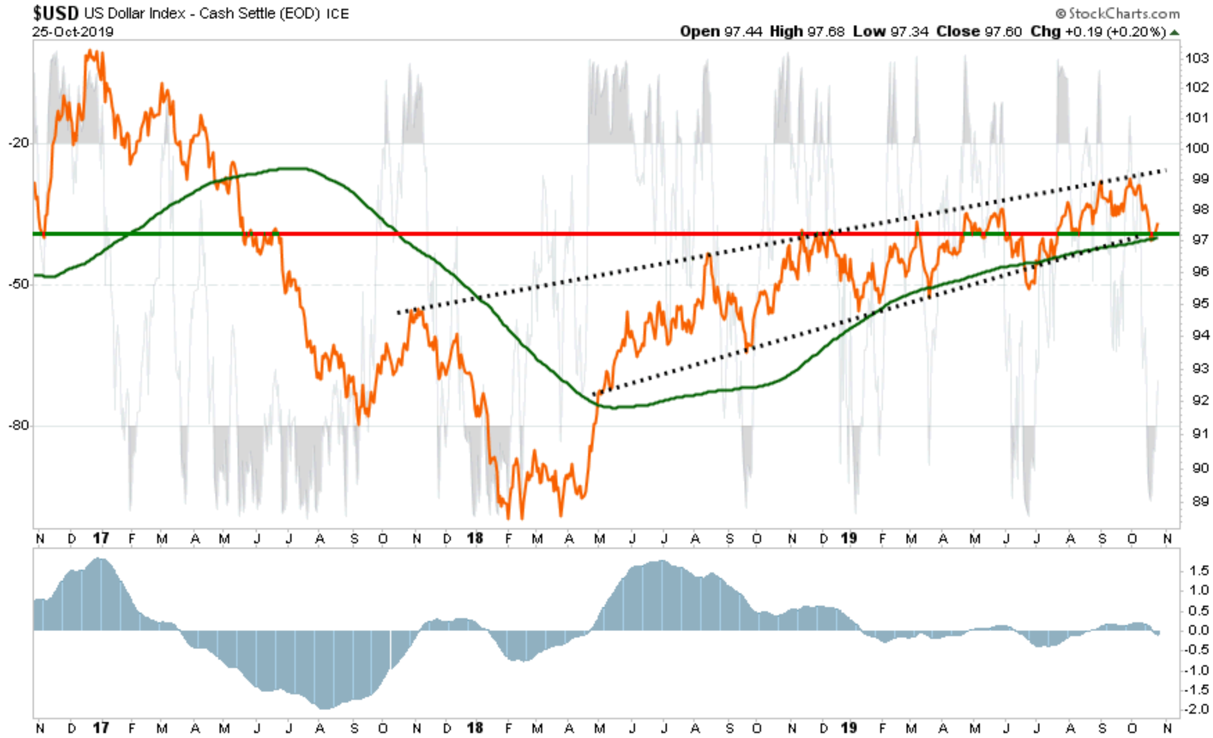
- *Gold is back to a slight oversold and is holding important support, however, it is forming a bit of a downtrend from recent highs.*
- *With the "QE4" back in play, the "safety trade" may be off the table for a while. We are moved our stops up and took half our position out of the portfolio previously.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold remaining position.*
    - *This week: Hold 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 now registered a bit of an oversold 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 oversold condition in place, we will likely be able to further add to holdings as we head into the end of the year. But we aren't there yet, so be patient for now.*
- *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.*
- *As noted last week, the dollar is back to the bottom of its uptrend and is very oversold. We suggested a rally in the dollar was likely, which we saw a bit of bounce last week. That could well continue this week, and a tradeable opportunity is available.*
- *The "buy" signal keeps us dollar bullish for now.*