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

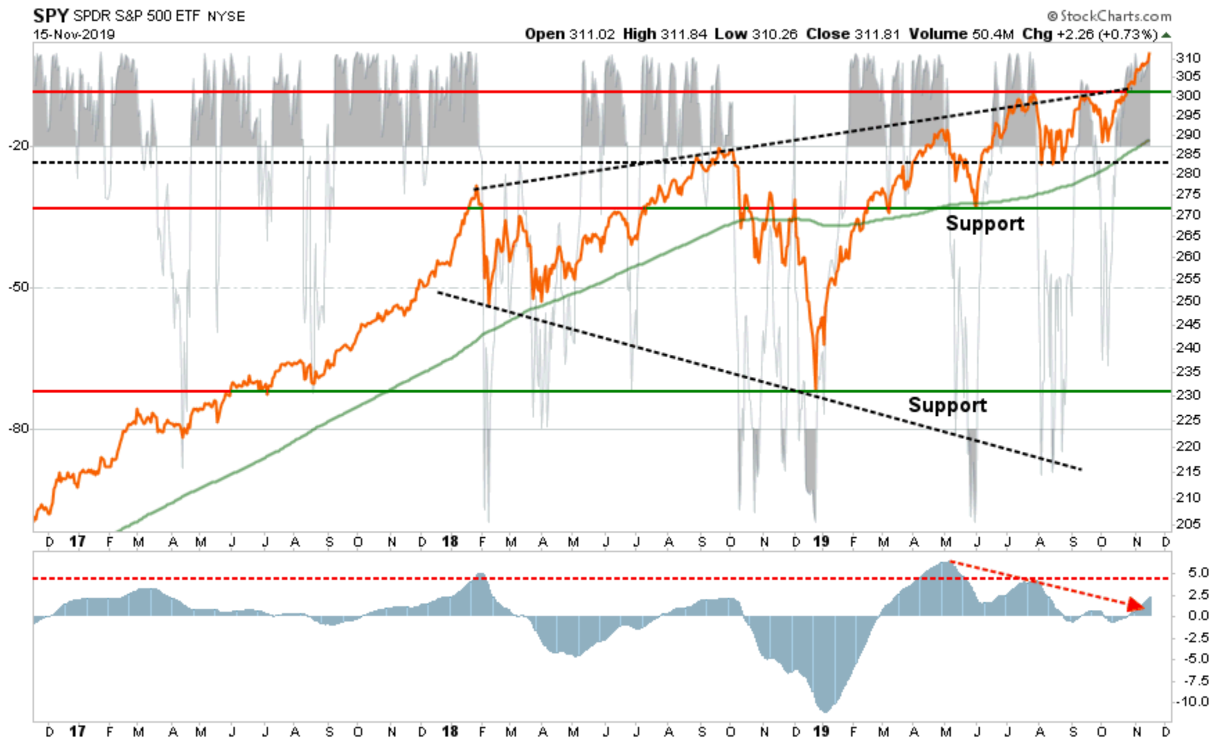
There are three primary components to each chart:

- *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.

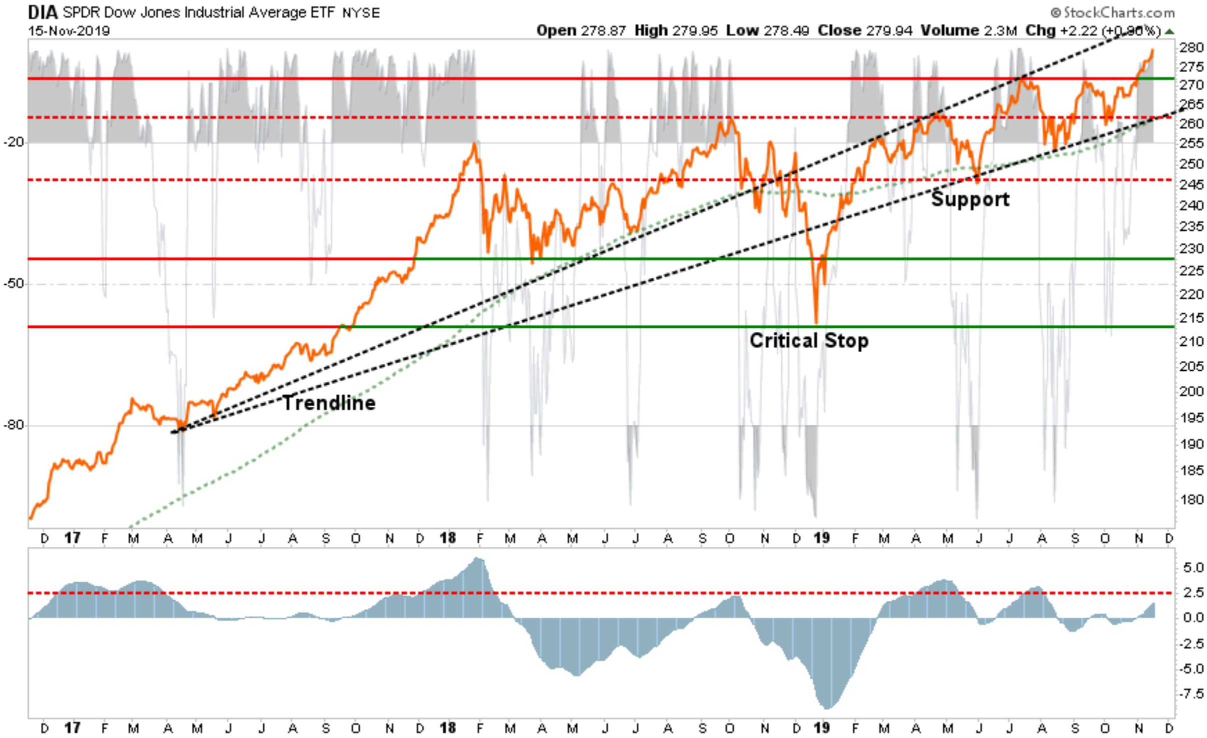
With this basic tutorial let's review the major markets.

S&P 500 Index



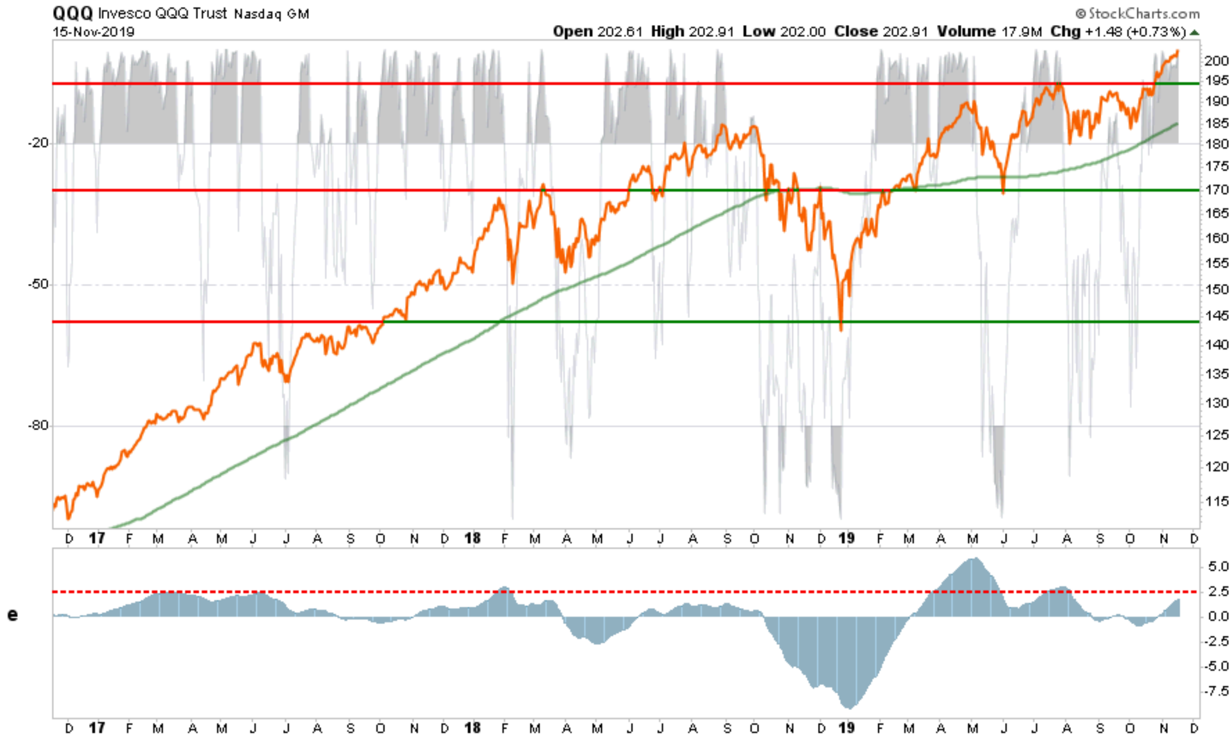
- With a "buy signal" triggered, there is a positive bias and with the breakout there is the only resistance to the upside is the more extreme deviation from the 200-dma, which got even more extended this past week.
- As noted last week, we did add a "short S&P 500" index hedge to both the Equity and ETF portfolios. We are okay with the little bit of performance drag it provides relative to the risk reduction we get in the portfolio.
- Given the deviation from the mean, and the more extreme overbought condition, it is advisable to wait for some consolidation/correction before increasing equity allocations.
- Short-Term Positioning: Bullish
  - Last Week: Hold position
  - This Week: Hold position with a bias to add to holdings.
  - Stop-loss moved up to $290
  - Long-Term Positioning: Neutral due to valuations

Dow Jones Industrial Average



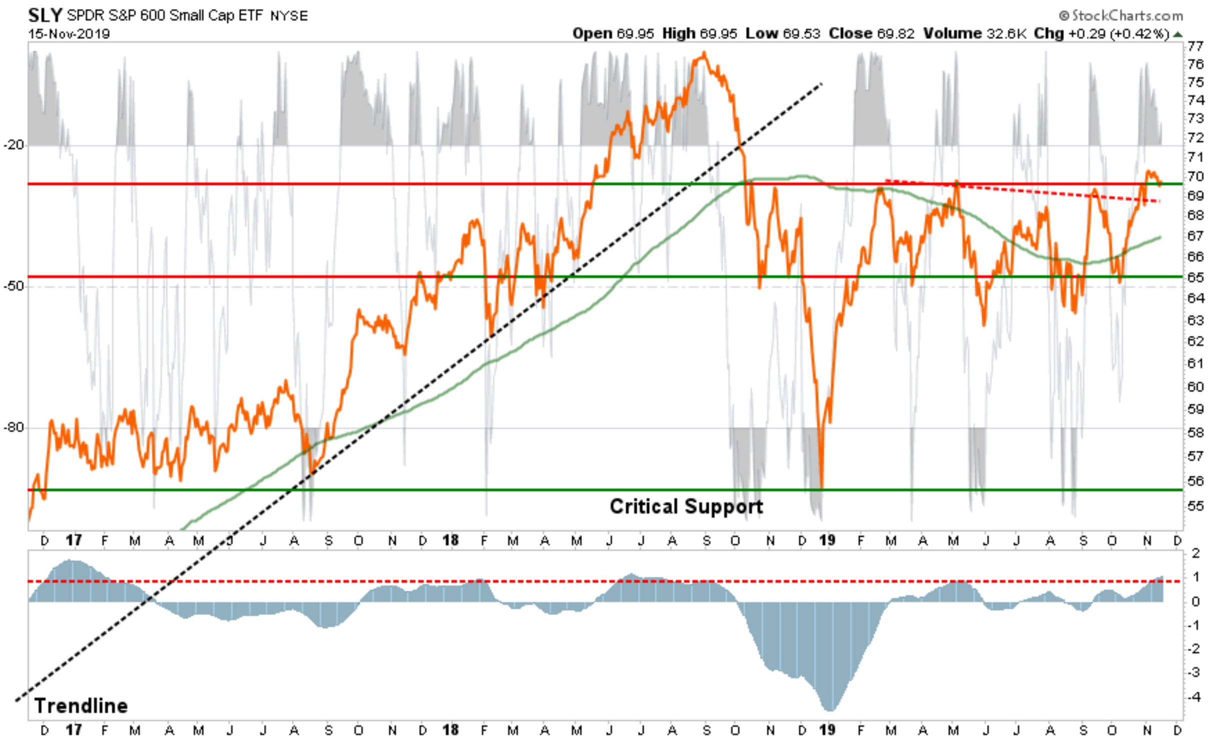
- *DIA broke out to new highs with the reversal of the "buy" signal to the positive.*
- *Hold current positions, but as with SPY, with the very overbought short-term condition, wait for a correction before adding further exposure.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold current positions*
    - *This Week: Hold current positions.*
    - *Stop-loss moved up to $265.00*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



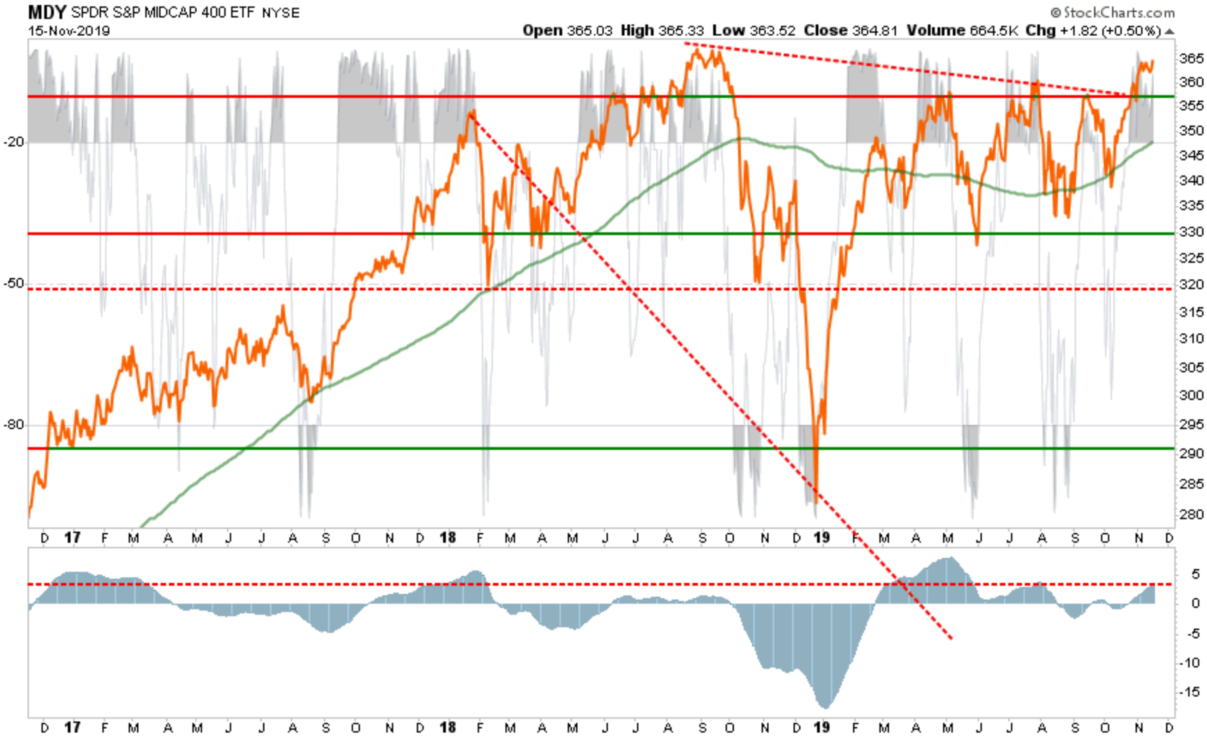
- *Like SPY, the technology heavy Nasdaq also broke out to new highs.*
- *We noted previously that with the "sell signal" reversed, positions could be added. The Nasdaq is not to overbought to take that risk. Wait for a correction to add holdings.*
- *However, as with SPY, QQQ is EXTREMELY overbought short-term, so remain cautious adding exposure. A slight correction that alleviates some of the extension 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)



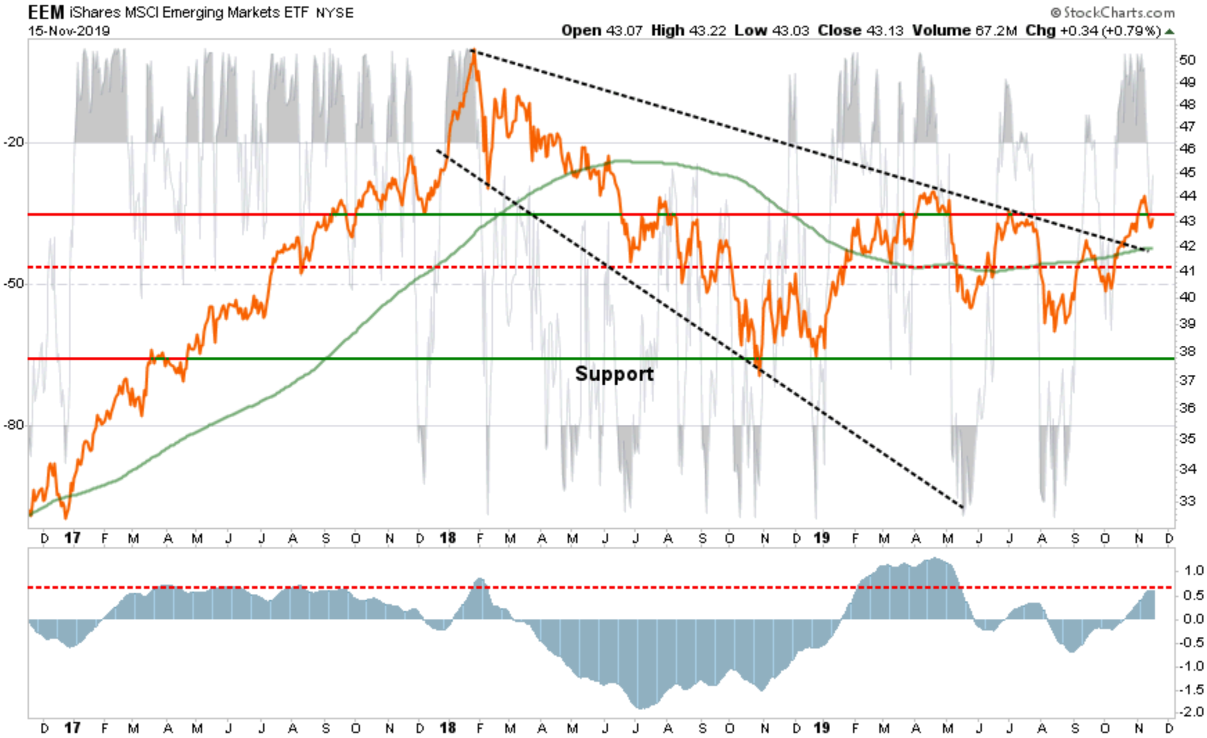
- *Small-caps broke out above previous resistance but has been struggling. Last week, the dollar took some steam out of small caps and it is testing the breakout level. It is now "make or break" for small-caps to rally off this support.*
- *Be patient on adding exposure, it may seem like you are missing out, but these historical deviations tend not to last long. SLY is extremely overbought and deviated from its longer-term signals.*
- *We are looking to potentially add a trading position but need a slight correction/consolidation to do so.*
- *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)



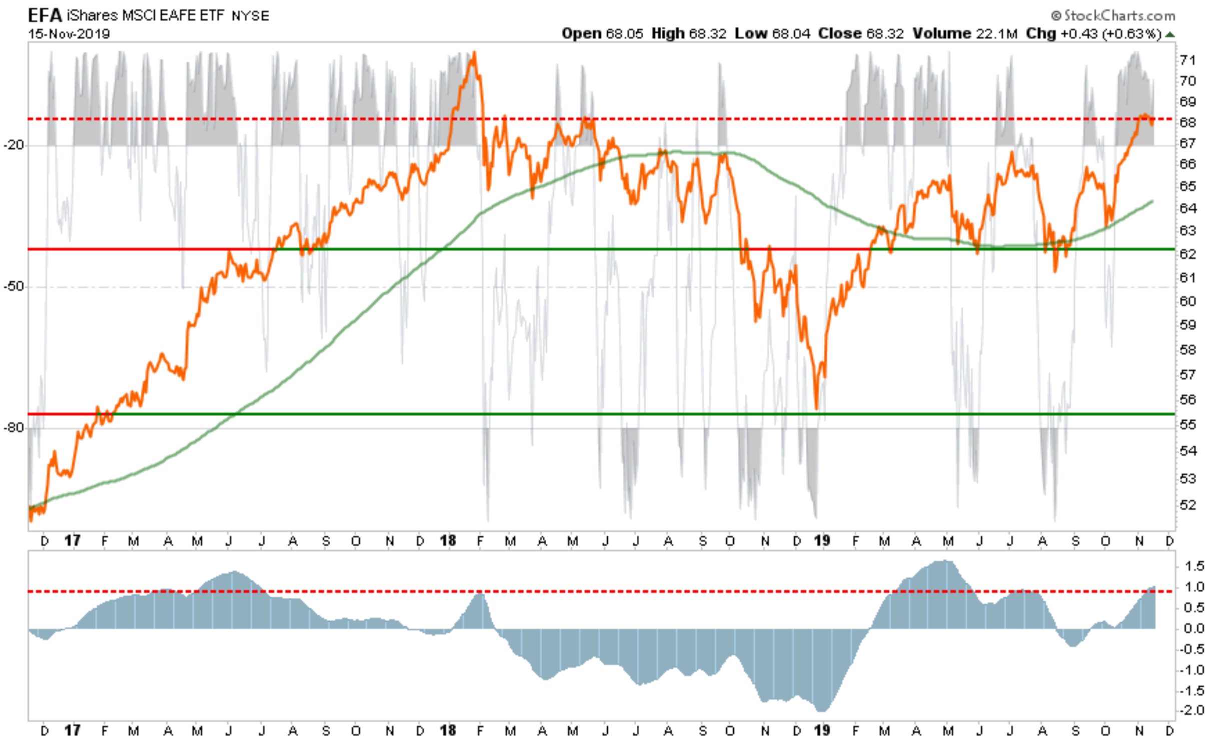
- *MDY is the same as SLY.*
- *MDY has now registered a short-term "buy" signal, but needs a slight correction/consolidation to reduce the extreme overbought and extended condition.*
- *Look to add exposure to the market on a pullback that doesn't violate support.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No holding*
    - *This Week: No holding*
- *Long-Term Positioning: Bearish*

Emerging Markets



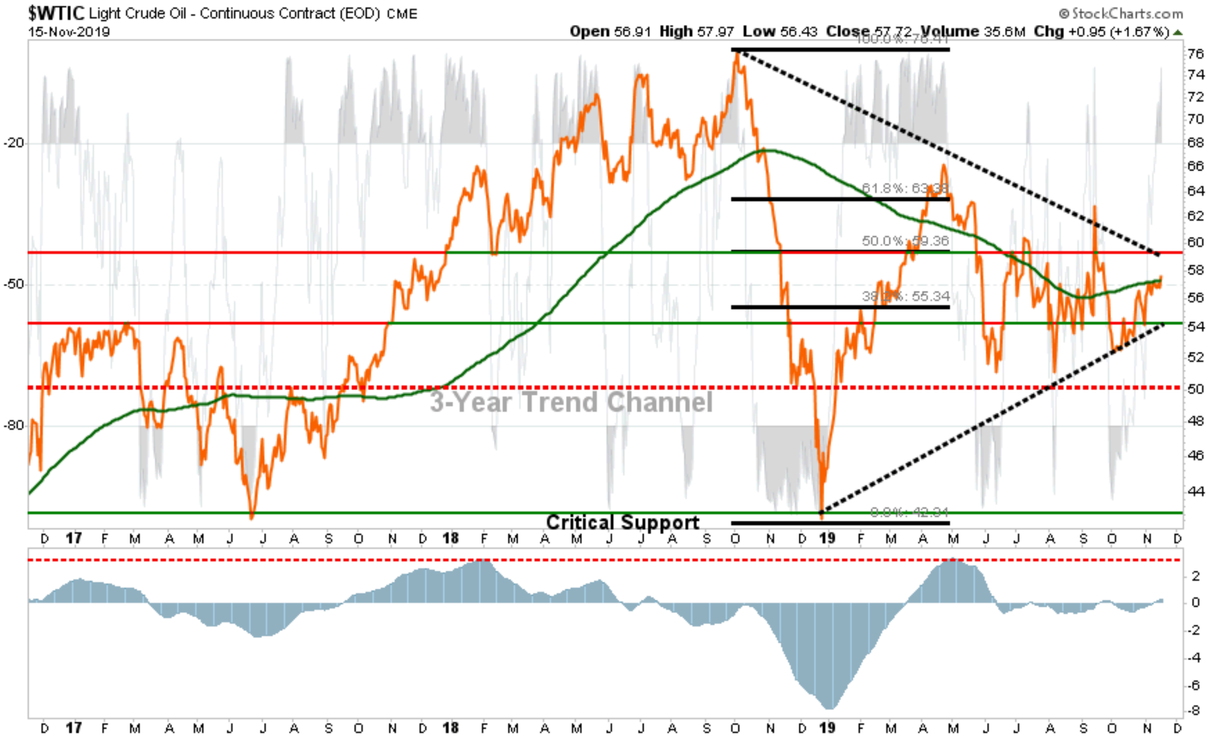
- *EEM continues to underperform. However, as noted last week, QE4 has pushed EEM sharply higher over the last week.*
- *While the spurt higher did break above resistance, it failed to hold last week as the US Dollar rallied.*
- *EEM is back to extreme overbought. So be patient on adding a position until we confirm if the breakout holds..*
- *We are looking to add a trading position on a pullback that holds support.*
- *As we noted last week, PAY ATTENTION to the Dollar (Last chart). If the dollar is beginning a new leg higher, EEM and EFA will fail.*
- *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 also spurted higher.*
- *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, and again, watch the U.S. Dollar for important clues.*
- *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)

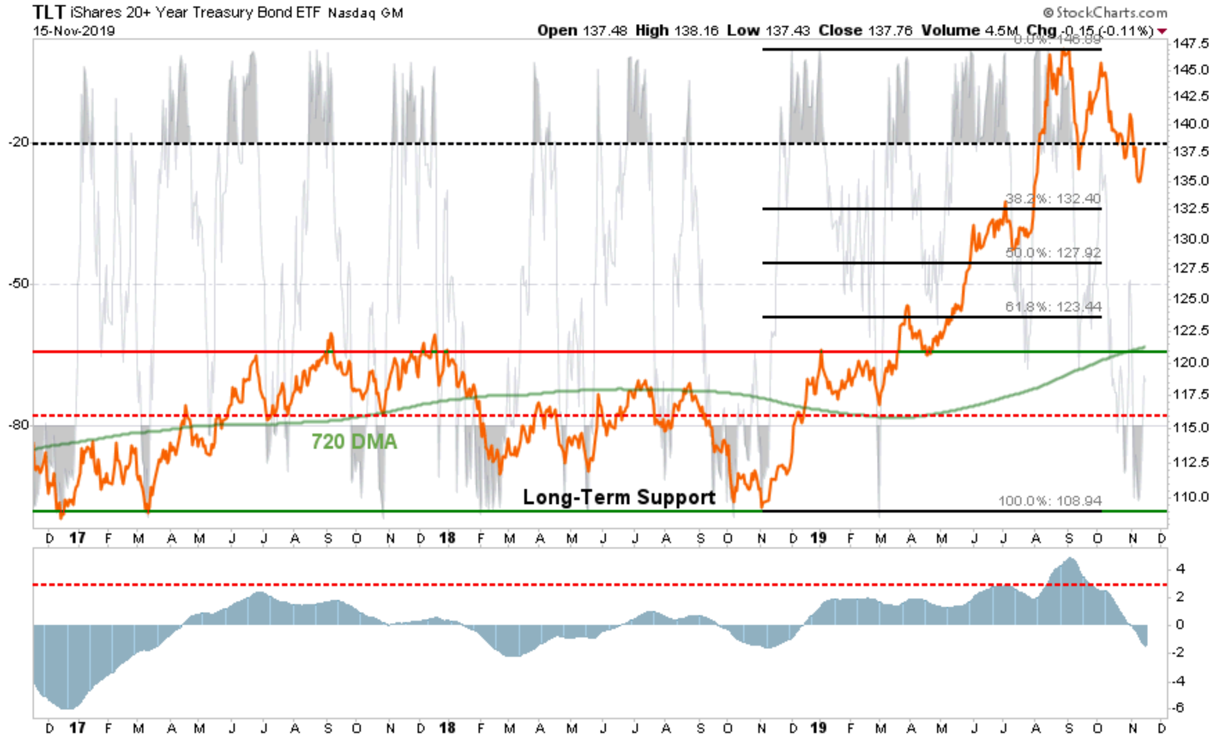


- The week saw an uptick in oil prices as "speculation" returned to the markets from QE4. A nice bottom has been forming for oil prices between $51-52 so look for a move to the upper downtrend line at $59/
- Commodities tend to perform well under liquidity programs due to their inherent leverage. So we are looking to add exposure to energy holdings.
- 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 got back to oversold and broke support at the 200-dma this past week.*
- *We are sitting on our stop-loss for the position currently, and had previously sold half our position.*
- *With the "QE4" back in play, the "safety trade" may be off the table for a while. So, if we get stopped out of our holdings, we will look to buy them back at lower levels.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold remaining 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 also broke support and triggered a sell-signal.*
- *Watch your exposure and either take profits or shorten your duration in your portfolio.*
- *As noted last week, with the oversold condition in place, we got the bounce we were looking for. Given bonds are still oversold, an equity correction will like move bond prices higher short-term. Use any bounce to rebalance holdings.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
    - *Stop-loss is moved up to $132.50*
    - *Long-Term Positioning: Bullish*

U.S. Dollar

- *Despite much of the rhetoric 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.*
- *Furthermore, the dollar bounced off support of the 200-dma and the bottom of the uptrend. If the dollar rallies back to the top of its trend, which is likely, this will take the wind out of the emerging market, international, and oil plays.*
- *The "sell" signal is also turning up. If it triggers a "buy" the dollar will likely accelerate pretty quickly.*