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

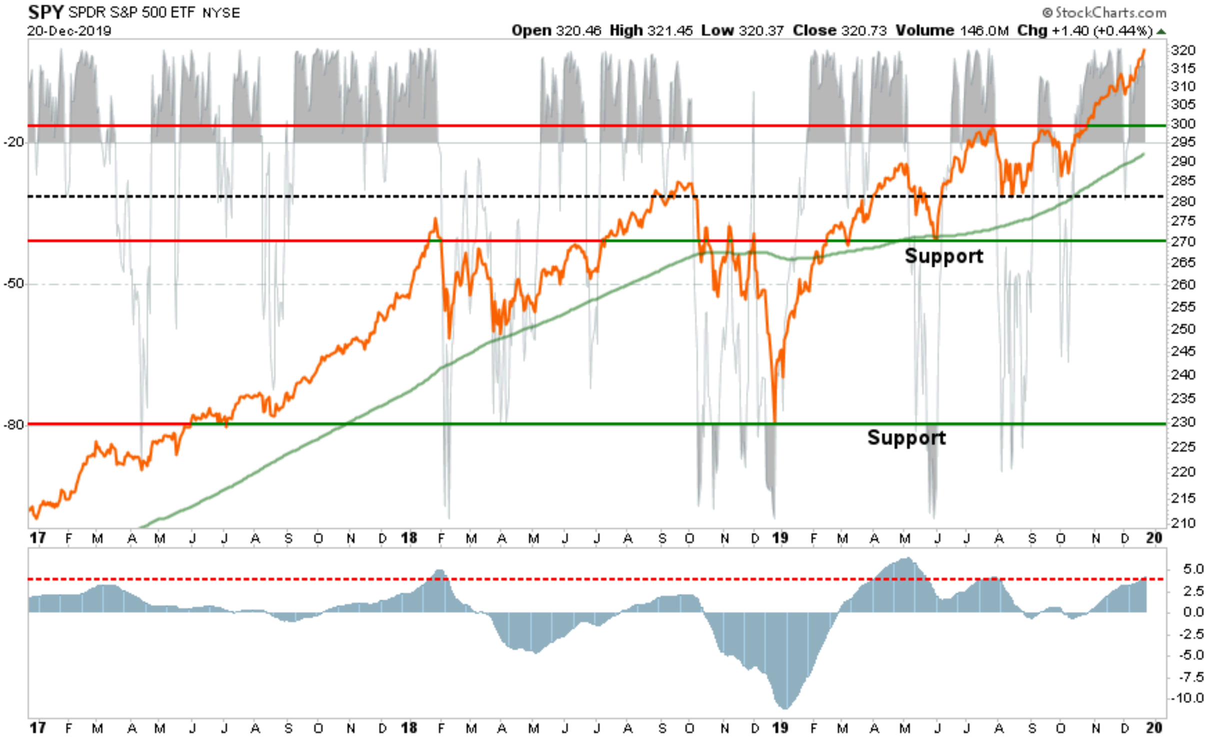
There are three primary components to each chart:

- *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.

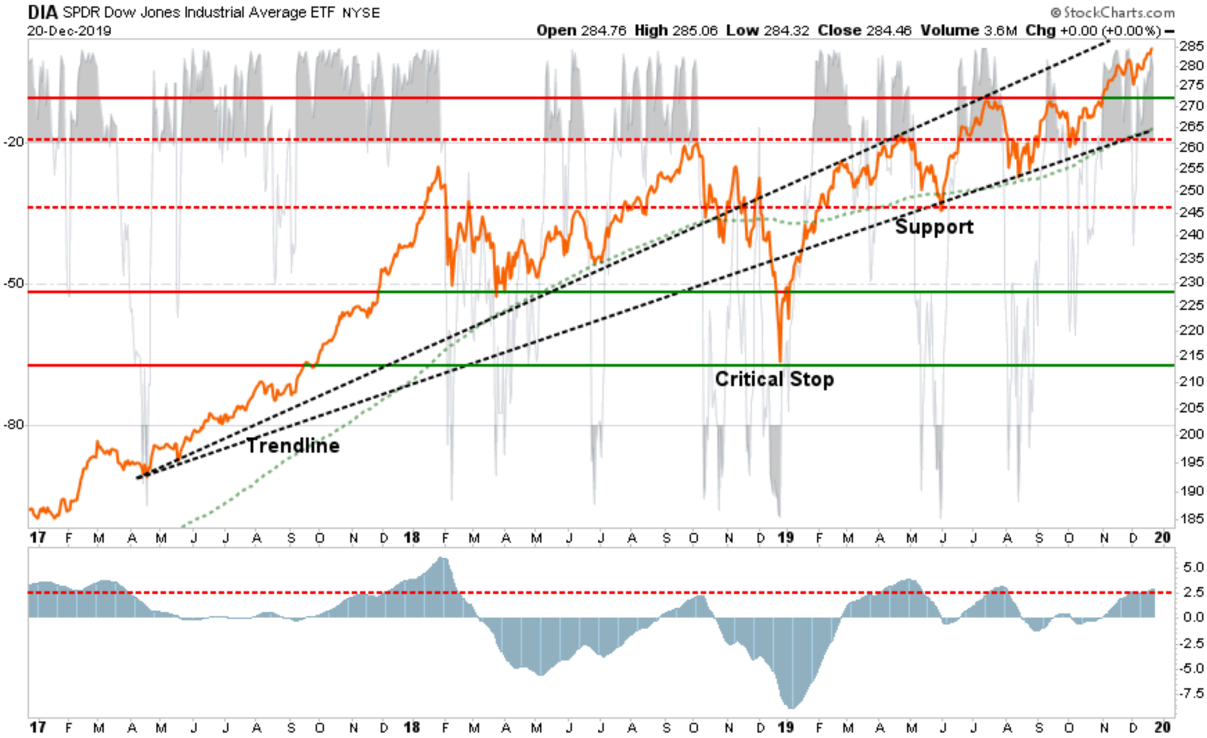
With this basic tutorial let's review the major markets.

S&P 500 Index



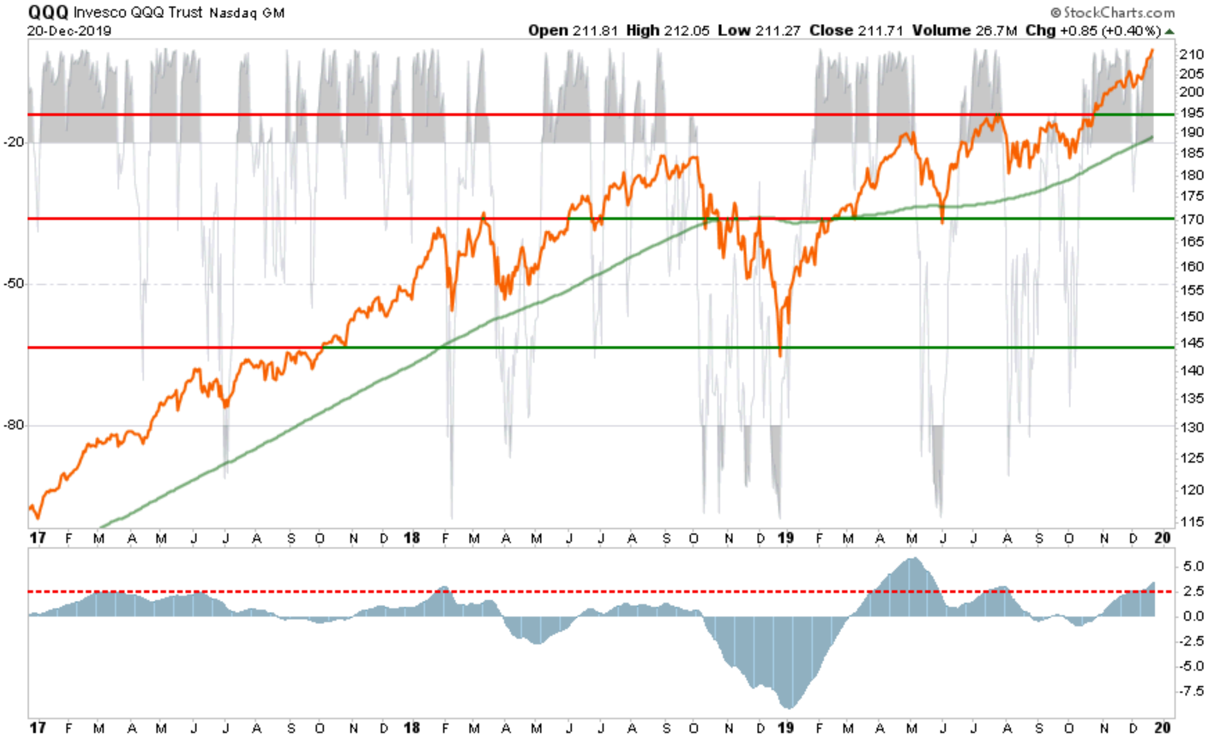
- *No change from last week.*
- *The "buy signal" remains extended with the market severely overbought.*
- *Maintain long bias currently as we head into the end of the year, particularly with the Fed flooding the system. However, be aware, that what the Fed is doing suggests something isn't right with the system, so tighten up stops and pay attention to your holdings.*
- *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*
    - *Stop-loss moved up to $300*
    - *Long-Term Positioning: Neutral due to valuations*

Dow Jones Industrial Average



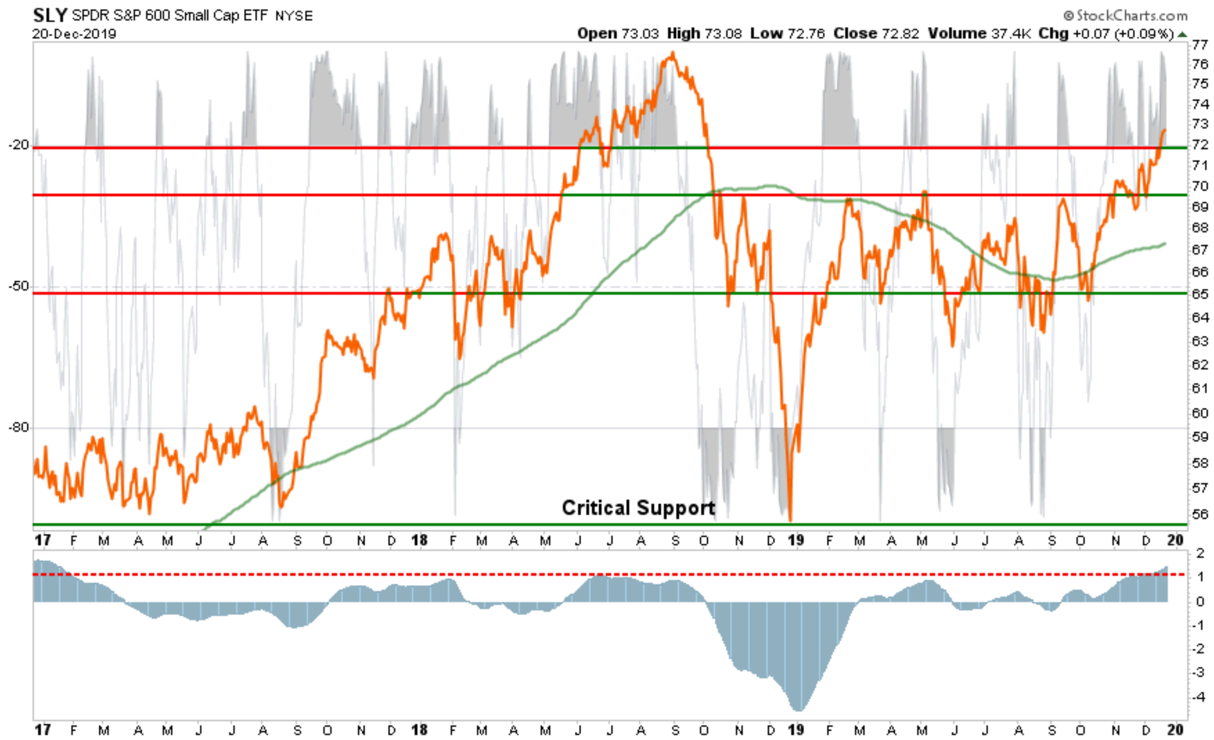
- *DIA broke out to new highs this past week.*
- *The "buy" signal is getting more extremely extended along with a very overbought condition.*
- *Hold current positions, but as with SPY, wait for a correction before adding further exposure.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold current positions*
  - *This Week: Hold current positions.*
  - *Stop-loss moved up to $272.50*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



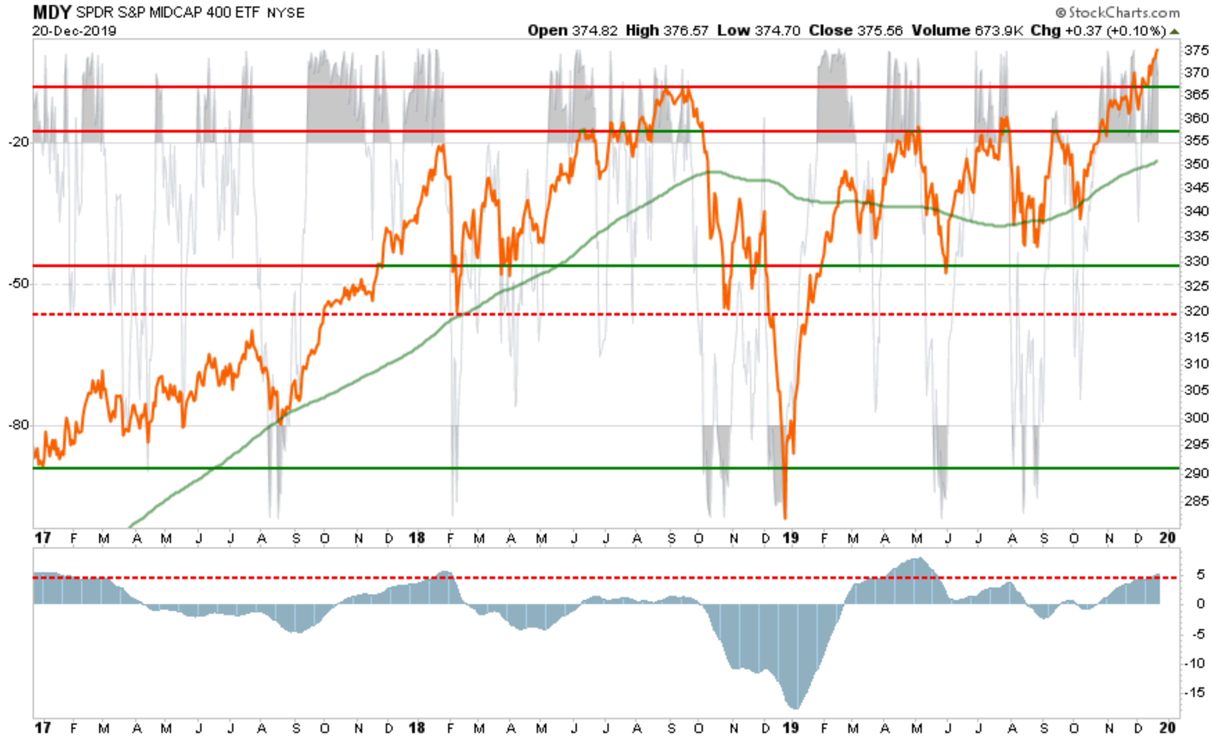
- *Like SPY and DIA, the technology heavy Nasdaq has broken out to new highs but is pushing very extended levels.*
- *The Nasdaq "buy signal" is also back to extremely overbought levels so look for a consolidation or correction to add exposure.*
- *However, as with SPY, QQQ is EXTREMELY overbought short-term, so remain cautious adding exposure. A slight correction that alleviates some of the extension will provide a much better entry point.*
- *The liquidity from the Fed has pushed markets to more dangerous levels. Be careful*
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold position*
  - *This Week: Hold position*
  - *Stop-loss moved up to $195*
- *Long-Term Positioning: Neutral due to valuations*

S&P 600 Index (Small-Cap)



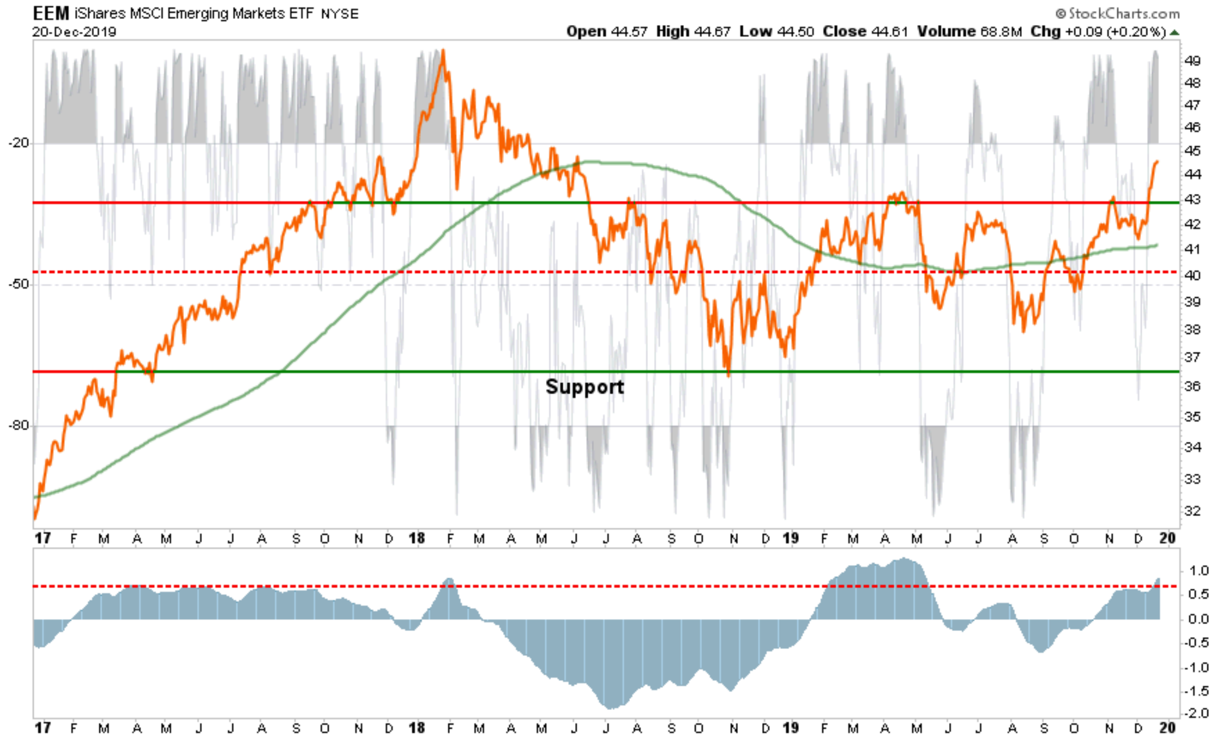
- *As noted previously, small-caps broke out above previous resistance and we added to our small cap exposure again this past week.*
- *This past week we added a small-cap value ETF to both the Equity & ETF Portfolios*
- *We will wait to see where the next oversold trading opportunity sets up.*
- *Short-Term Positioning: Bullish*
  - *Last Week: No position*
  - *This Week: Added small-cap value ETF - SLYV*
  - *Stop loss moved up to $69*
- *Long-Term Positioning: Neutral*

S&P 400 Index (Mid-Cap)



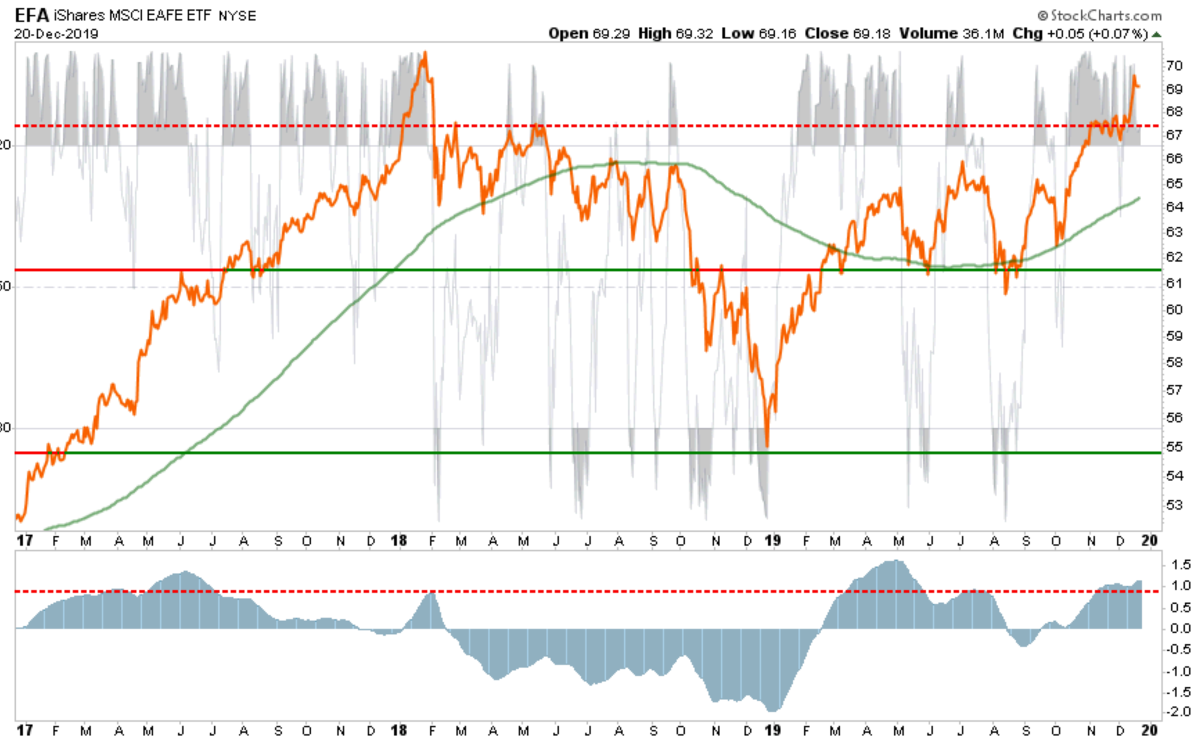
- *MDY is holding up better than SLY and has broken out to new highs.*
- *MDY has a short-term "buy" signal, but needs a slight correction/consolidation to reduce the extreme overbought and extended condition. The buy signal is very extended as well.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No holding*
    - *This Week: No holding*
- *Long-Term Positioning: Bullish*

Emerging Markets



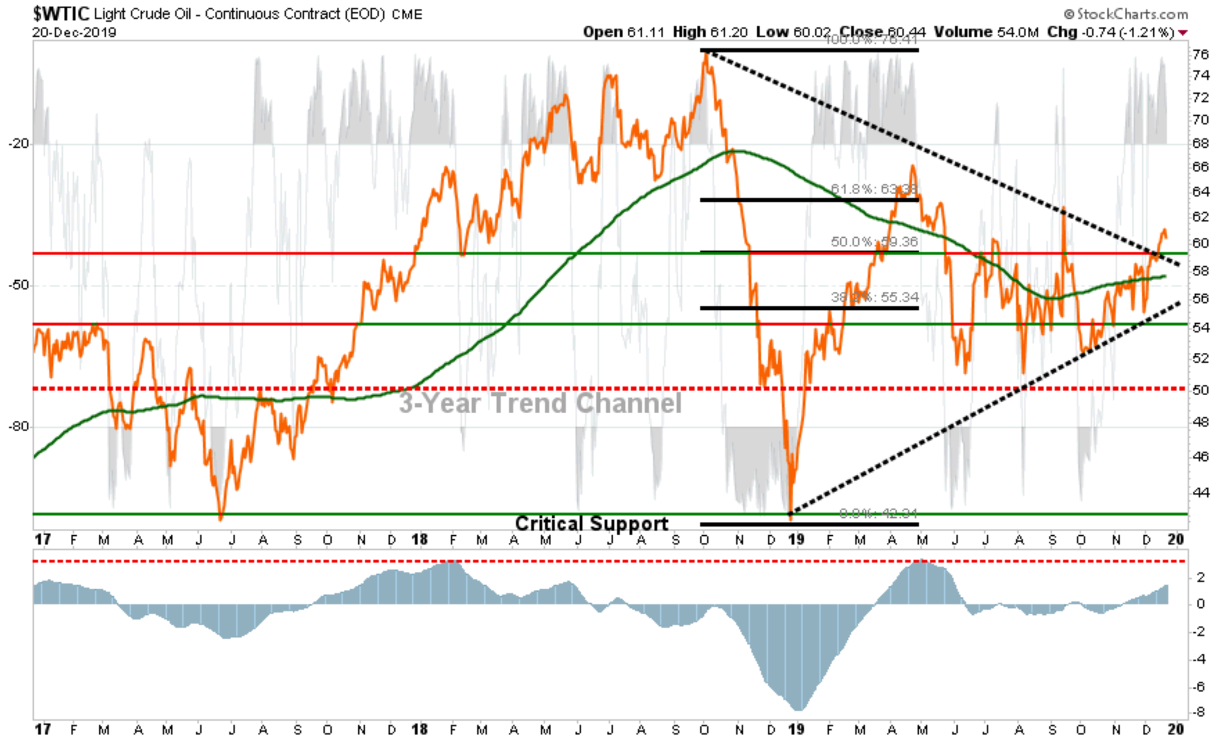
- *EEM continues to underperform but turned up with the conclusion of the trade deal and more QE.*
- *With the "buy signal" extremely extended, the set up to add exposure was opportunistic.*
- *As we noted last week, PAY ATTENTION to the Dollar (Last chart). If the dollar is beginning a new leg higher, EEM and EFA will fail. However, that doesn't seem to be the case and we added exposure to the sector.*
- *Short-Term Positioning: Bearish*
  - *Last Week: No position*
  - *This Week: Added Position of DEM to both Equity & ETF Portfolios*
  - *Stop-loss set at $41*
- *Long-Term Positioning: Neutral*

International Markets



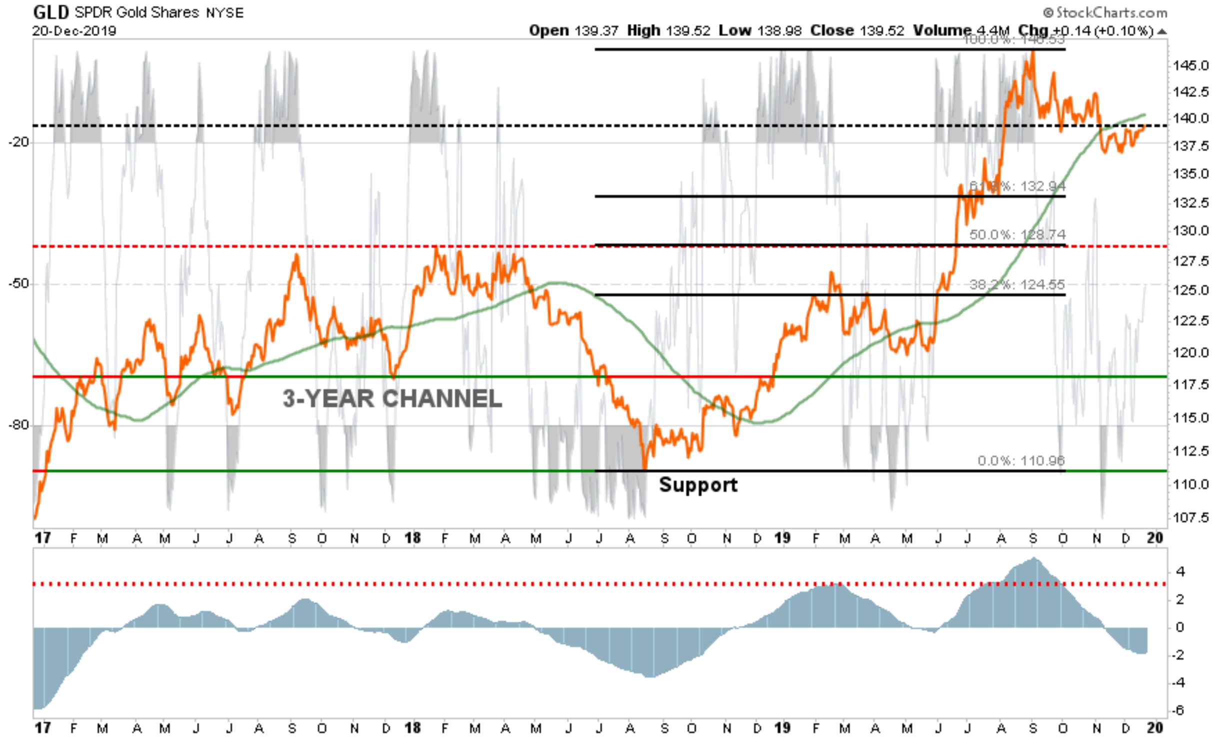
- *Like EEM, EFA rallied out of its consolidation channel and broke out. WE can now look to add exposure opportunistically to portfolios.*
- *Like EEM, it and the market are both EXTREMELY overbought and EFA is testing old highs.*
- *We used the breakout to add exposure to the sector selectively with a tight stop.*
- *Short-Term Positioning: Neutral*
  - *Last Week: No position*
  - *This Week: Added a position of EFV to both the Equity & ETF Portfolios*
  - *Stop-loss set at $64*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



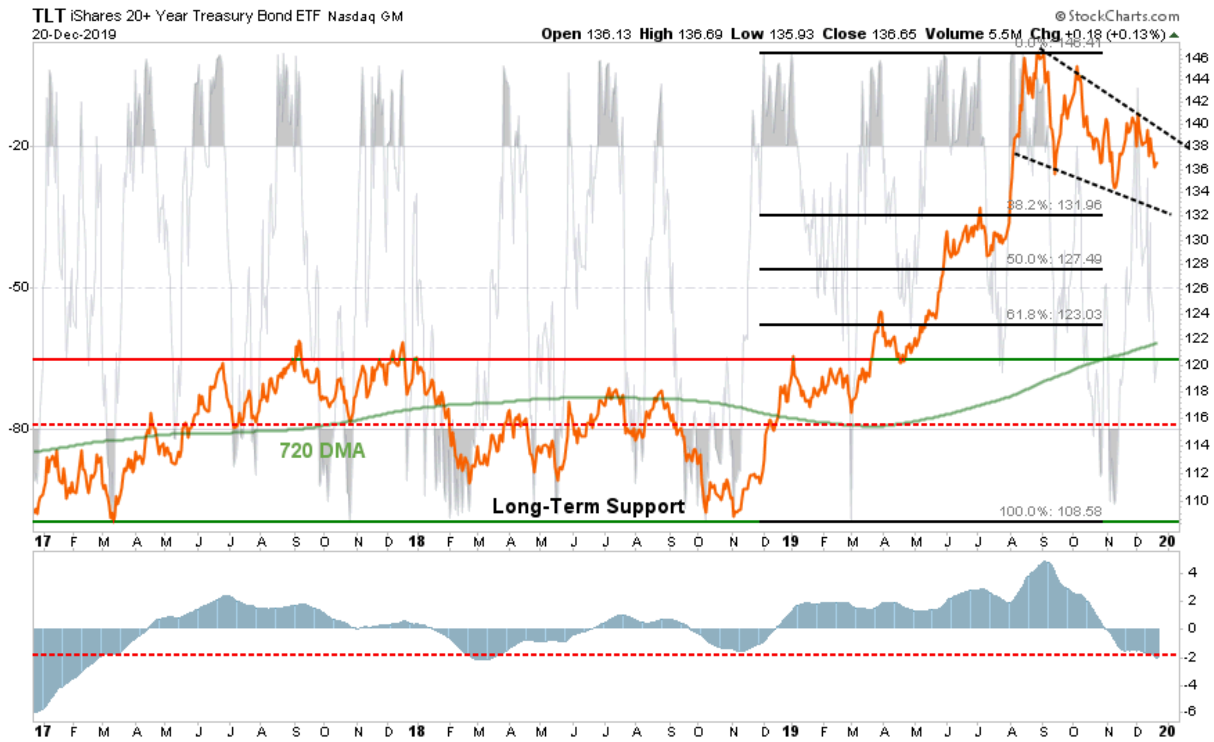
- *Oil is finally showing some signs of life by breaking above the downtrend resistance line from the 2018 highs.*
- *There is a short-term buy signal for oil and with the break above the 200-dma we are looking to add XLE if it can confirm the breakout. We will review again next week.*
- *Last week we added AMLP to portfolios as well.*
- *Short-Term Positioning: Neutral*
  - *Last Week: No position*
  - *This Week: Added 1/2 position of AMLP*
  - *Stop-loss for any existing positions is $54.*
- *Long-Term Positioning: Bearish*

Gold



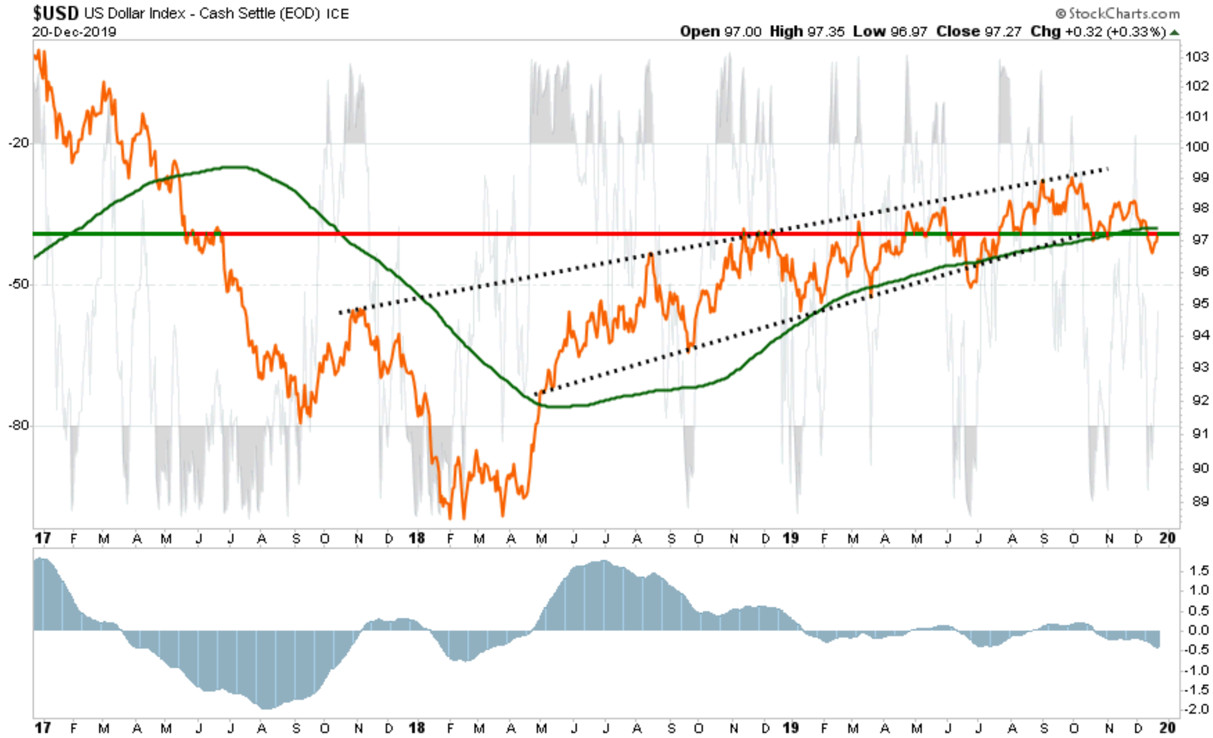
- *Gold got back to oversold and broke support at the 200-dma previously.*
- *This past week, the dollar strengthed a bit putting pressure on gold keeping it below resistance.*
- *We used the recent weakness to add to our GDX and IAU positions taking them back to full weightings.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold remaining position.*
    - *This week: Took holdings back to full weight.*
    - *Stop-loss for whole position adjusted to $132.50*
    - *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)



- *Bond prices ralliied last week, but failed at the downtrend resistance keeping bonds in a bearish channel for now, suggesting higher yields are still likely short-term.*
- *I suspect we are going to get some economic turmoil sooner, rather than later, which will lead to a correction in the equity markets and an uptick in bond prices.*
- *Use lower bounds of the downtrend to add to holdings currently.*
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold positions*
  - *This Week: Hold positions*
  - *Stop-loss is moved up to $132*
- *Long-Term Positioning: Bullish*

U.S. Dollar



- Last week, we noted the dollar broke down below both the 200-dma and the bullish trend line.
- This is an important development. If the break holds, which it did NOT previously, this would bode well for commodities, gold, and hedges (not good for stocks.)
- This week the dollar rallied to bottom of that previous support, it if fails it will confirm a downside break and suggest lower dollar values. If not, we could see a high dollar which would put pressure on the burgeoning commodity bounce.
- However, while we are picking around the edges, it may be too early for a sharper dollar decline currently. We will wait and watch closely.
- The "sell" signal remains intact currently suggesting the sell-off could have some room to go.