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

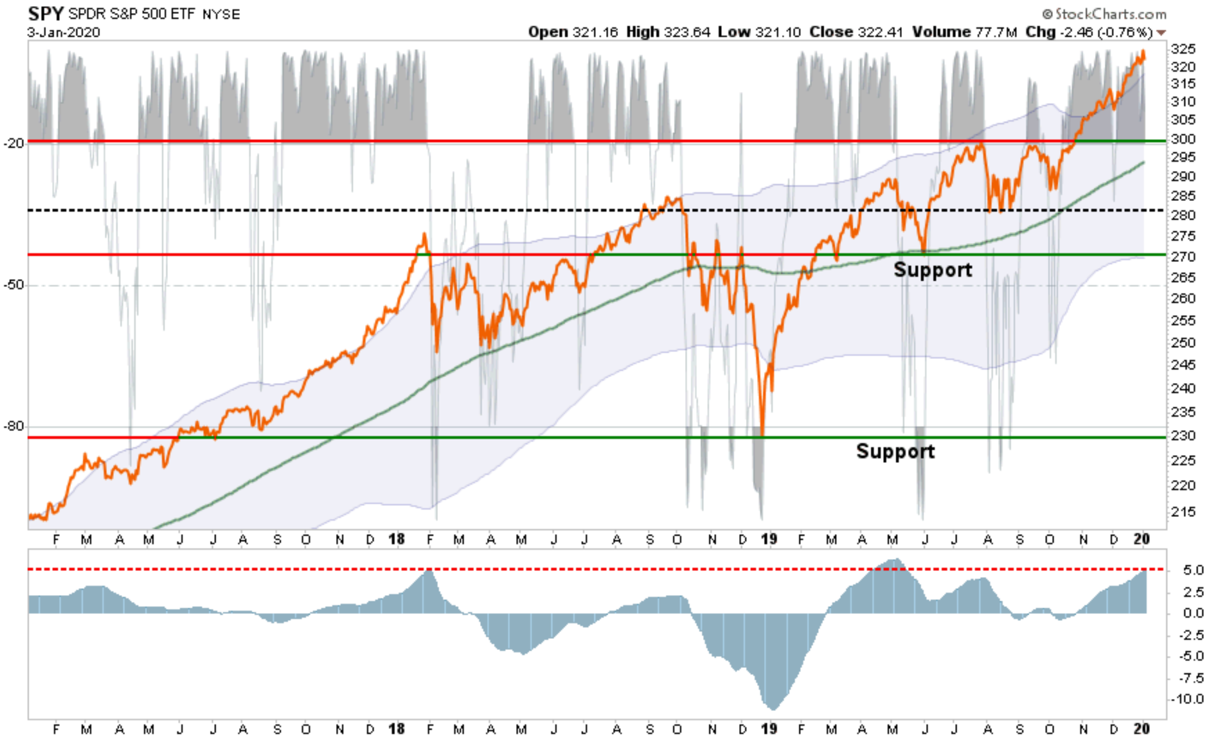
There are three primary components to each chart:

- *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

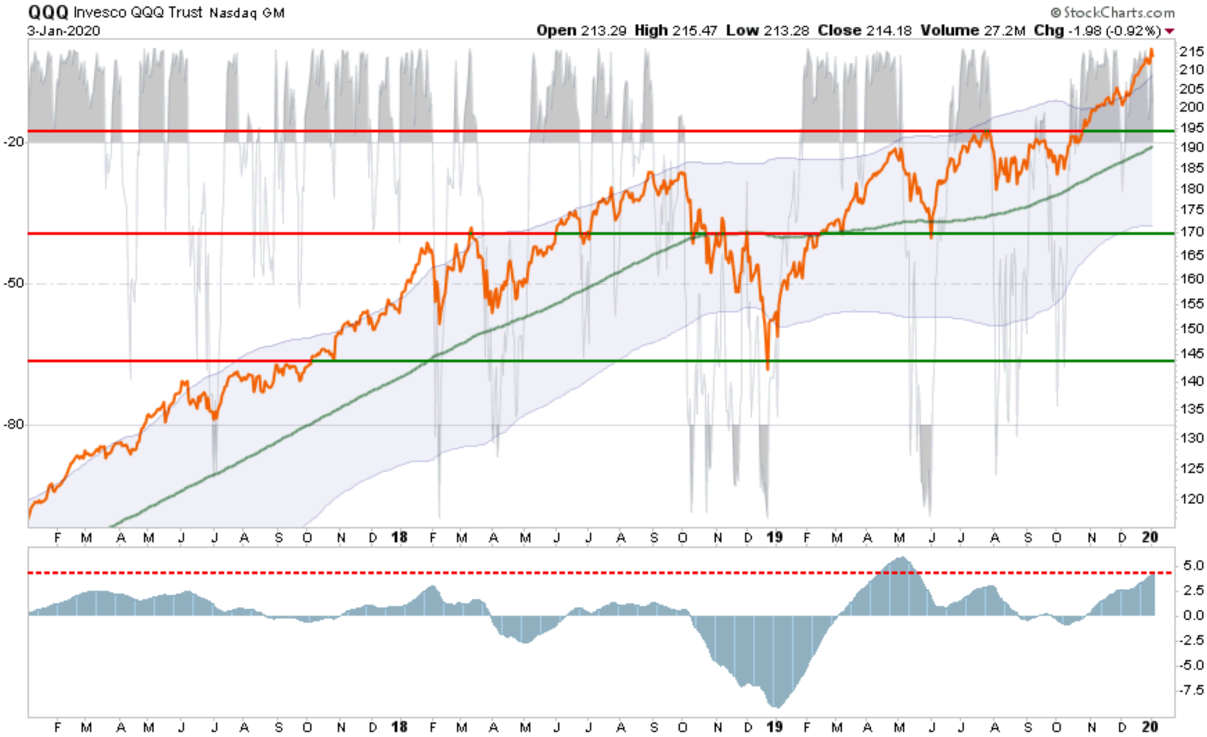


- *Despite the market not making much headway last week, the S&P is currently more than 2-standard deviations above the 200-dma (shaded blue area). You are going to see this extreme extension in several charts below.*
- *The "buy signal" (lower panel) is back to levels of extensions normally only seen with short-term tops and corrective actions, particularly when combined with extreme extensions and deviations from long-term means.*
- *Take profits and rebalance risks in positions accordingly. We will likely have a much better entry point in the next couple of months to buy into.*
- *Short-Term Positioning: Neutral Due To Extension*
    - *Last Week: Hold position*
    - *This Week: Take profits and rebalance to target weights.*
    - *Stop-loss moved up to $300*
    - *Long-Term Positioning: Neutral due to valuations*

Dow Jones Industrial Average

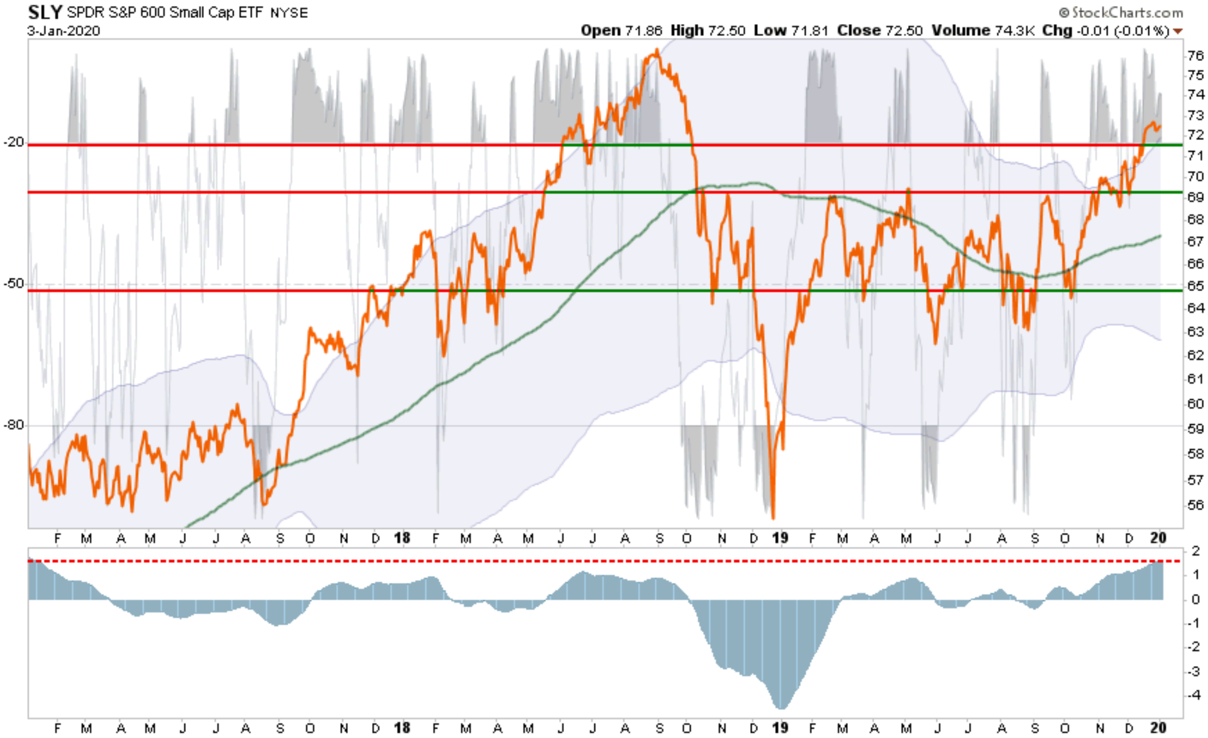
- *So goes the S&P 500, so goes the DIA especially when MSFT & AAPL are the two top holdings and drivers of the advance in both markets.*
- *The "buy" signal is extremely extended along with a very overbought condition.*
- *Hold current positions, but as with SPY, wait for a correction before adding further exposure.*
- *Short-Term Positioning: Neutral due to extensions*
  - *Last Week: Hold current positions*
  - *This Week: Hold current positions.*
  - *Stop-loss moved up to $275*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



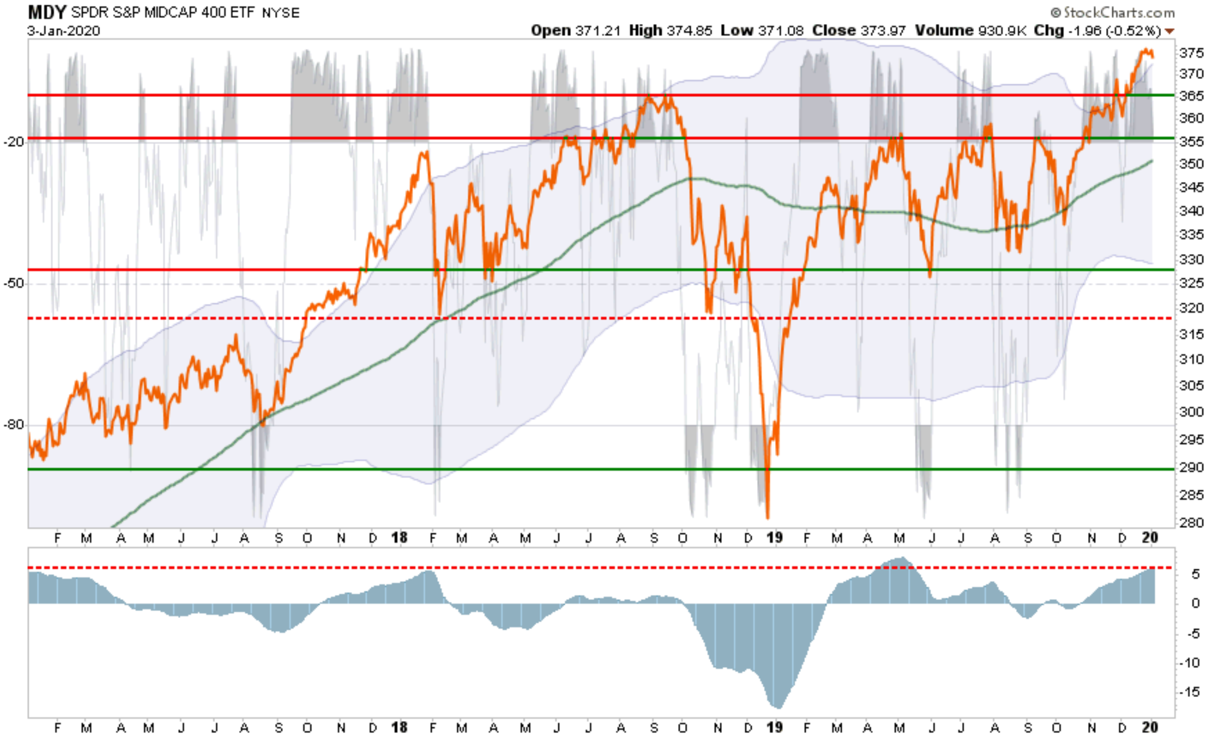
- *Like SPY, the technology heavy Nasdaq has broken out to new highs but is pushing very extended levels. As noted with SPY above, the QQQ is more than 2-standard deviations above the 200-dma. This will likely not last long.*
- *The Nasdaq "buy signal" is also back to extremely overbought levels so look for a consolidation or correction to add exposure.*
- *The liquidity from the Fed has pushed markets to more dangerous levels. Be careful*
- *Short-Term Positioning: Neutral due to extensions.*
    - *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)



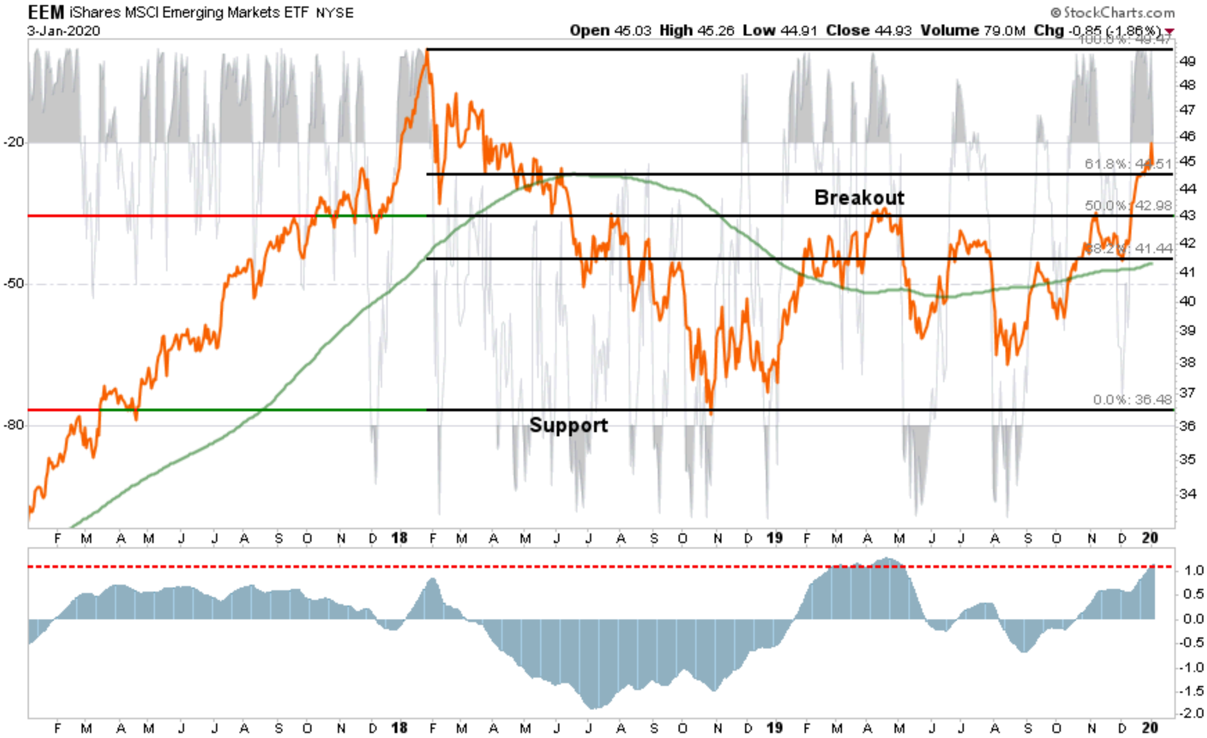
- *As noted above, small-caps have also pushed above 2-standard deviations of the 200-dma.*
- *With the buy signal also extremely extended, and the index overbought, like all the other markets, a correction will provide a better entry point to add to our positions.*
- *Short-Term Positioning: Neutral due to extensions.*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
    - *Stop loss moved up to $69*
- *Long-Term Positioning: Neutral*

S&P 400 Index (Mid-Cap)



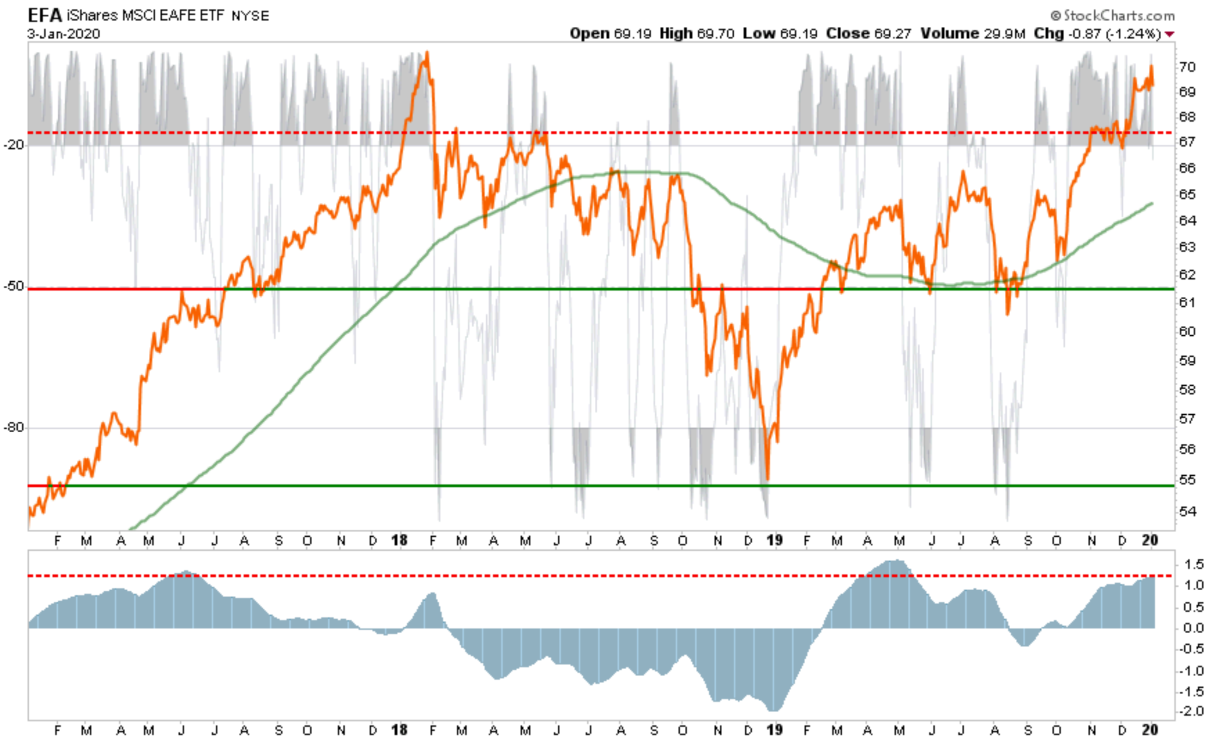
- *Like SLY, MDY is also extremely extended and deviated above the 200-dma.*
- *MDY's "buy" signal is also extremely extended, as well being very overbought, which is a prime setup for a correction. Hold off adding exposure until we see a better entry point.*
- *Short-Term Positioning: Neutral due to extensions.*
    - *Last Week: No holding*
    - *This Week: No holding*
- *Long-Term Positioning: Bullish*

Emerging Markets



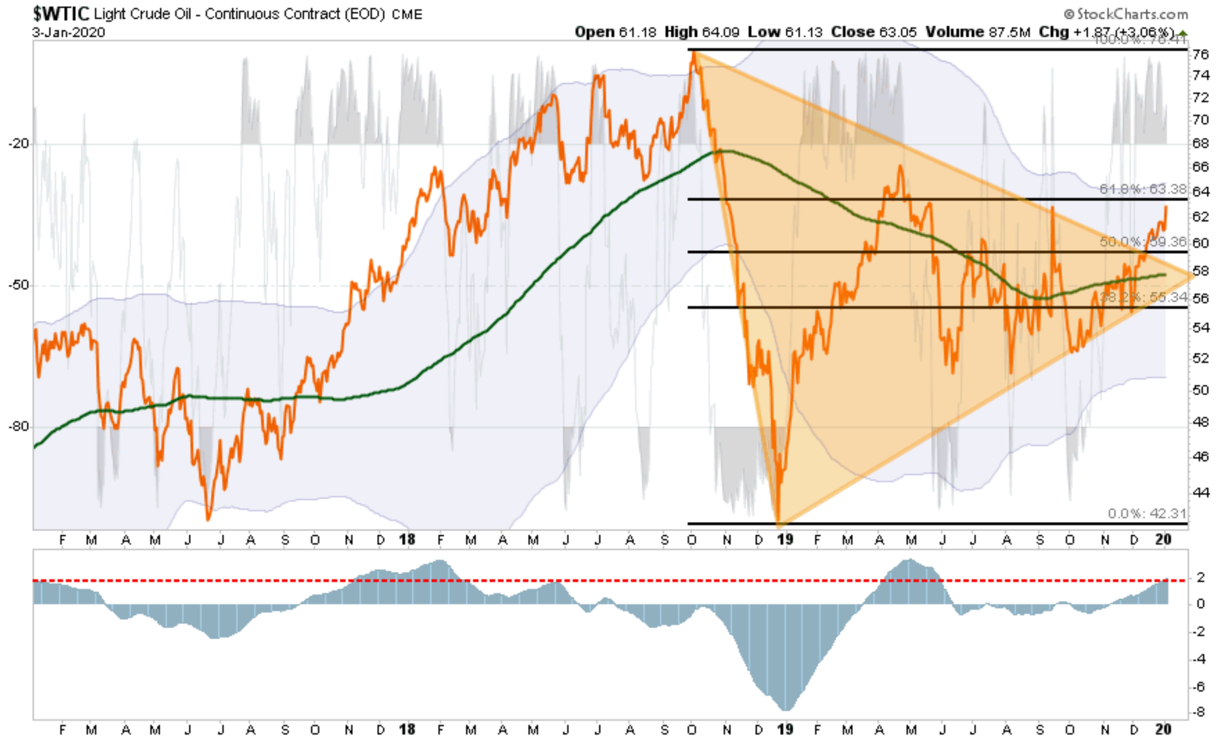
- *EEM continues to underperform but did finally breakout above resistance. The next target will be the old highs.*
- *However, with the "buy signal" extremely extended, the set up to add exposure is not present. Be patient for a correction that does not violate our stop.*
- *The Dollar (Last chart) is the key to our international positioning. The dollar looks to have confirmed a break lower which should support our thesis of adding back international exposure.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions*
  - *This Week: Hold positions*
  - *Stop-loss set at $43*
- *Long-Term Positioning: Neutral*

International Markets



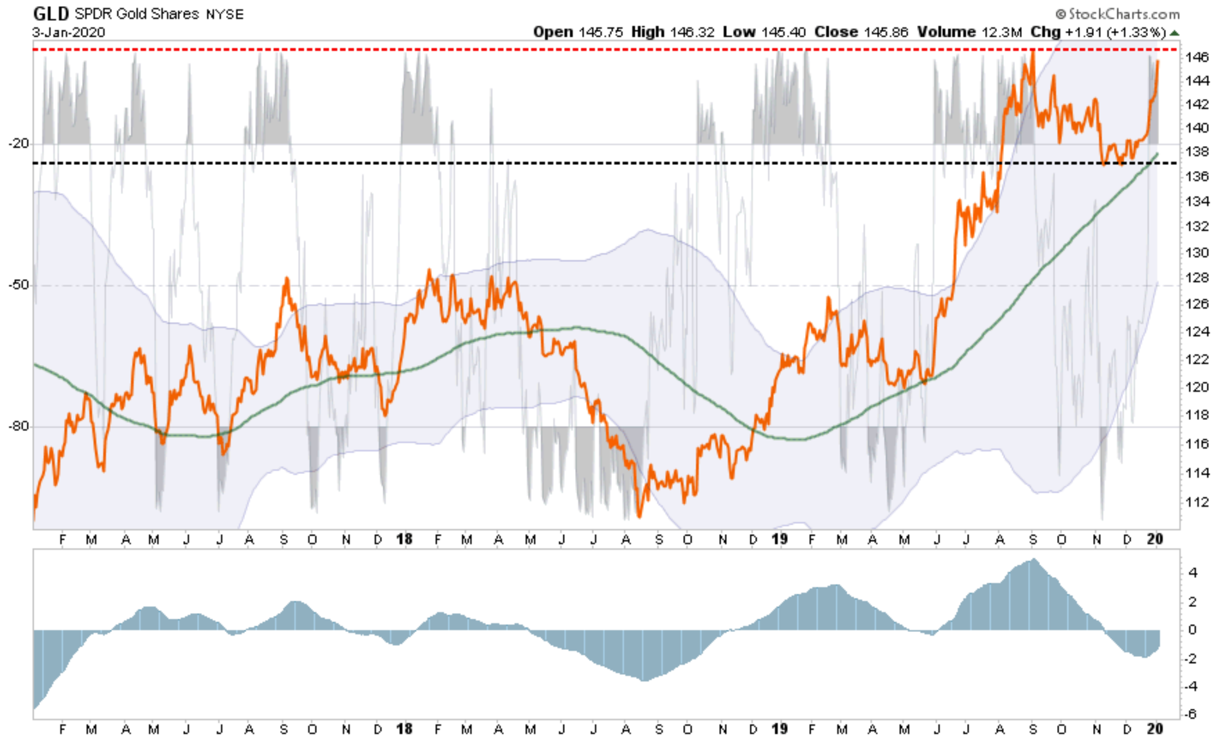
- *Like EEM, EFA rallied out of its consolidation channel and broke out.*
- *But, like EEM, the market is both EXTREMELY overbought and extended. Also, EFA is testing old highs which will likely provide short-term resistance.*
- *As with EEM, the key to our positioning is the US Dollar.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions*
  - *This Week: Hold positions*
  - *Stop-loss set at $67*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



- *Oil finally broke above the downtrend resistance line from the 2018 highs, which is bullish. With Iran kicking up and a weaker dollar prospect, our recent oil adds, and desire to add more, seem to be the right call for now.*
- *The short-term buy signal for oil is a bit extended and with oil testing the Fibonacci retracement level, we might see oil struggle in the next week or so. In the short-term it will be what happens in Iran that drives speculators, longer-term it will be the dollar.*
- *Add positions on weakness that doesn't violate the 200-dma*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions.*
  - *This Week: Hold positions*
  - *Stop-loss for any existing positions is $58.*
- *Long-Term Positioning: Bearish*

Gold

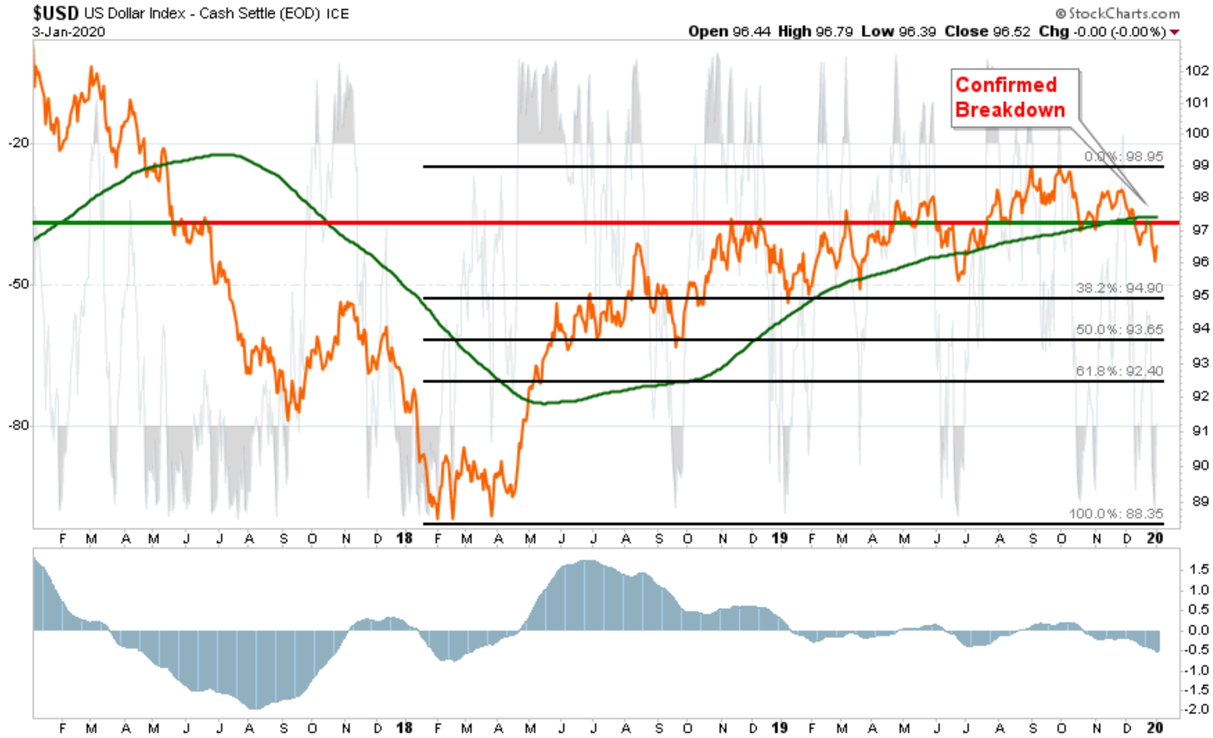


- *Gold found its mojo last week, as Iran sparked fear in the markets.*
- *With gold now testing old highs, our positioning looks good particularly given that gold remains on a sell-signal currently. A reversal of the signal could suggest further highs to come.*
- *We used the recent weakness to add to our GDX and IAU positions taking them back to full weightings.*
- *Short-Term Positioning: Neutral*
    - *Last week: Hold positions.*
    - *This week: Hold positions*
    - *Stop-loss for whole position adjusted to $137*
    - *Long-Term Positioning: Neutral*

Bonds (Inverse Of Interest Rates)

- *Bond prices rallied 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, and the 200-dma, 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. It then retested, and failed, at that previous support level which confirms a breakdown in the dollar from its previous bullish channel.*
- *This is an important development, as noted above, which supports our thesis on adding commodities, gold, energy, and international holdings to our portfolios.*
- *However, while we are picking around the edges, it may be too early for a sharper dollar decline currently, as the U.S. economy is still the "cleanest shirt in the dirty laundry." We will wait and watch closely.*
- *The "sell" signal remains intact currently suggesting the sell-off could have some room to go.*