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:

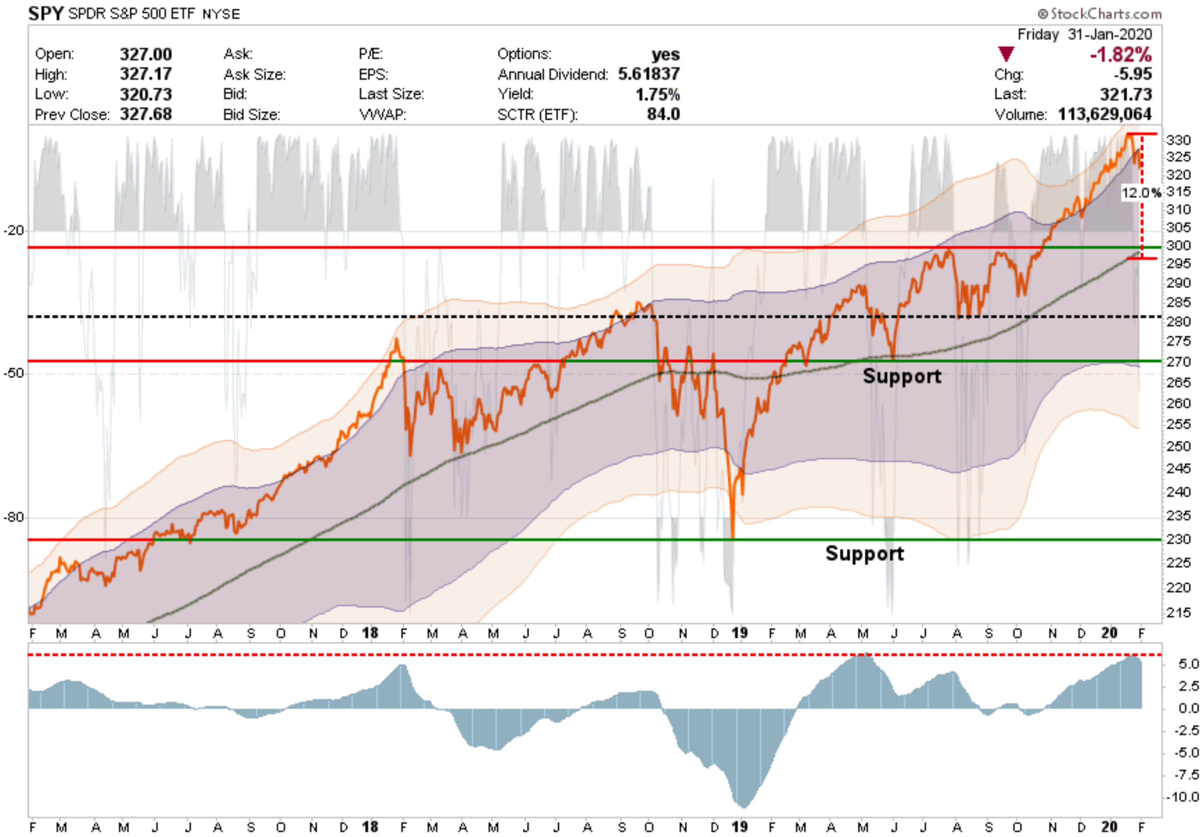
- *The price chart is in orange*
- *The Over Bought/Over Sold indicator is in gray*
- *The Buy / Sell indicator is in blue.*

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.

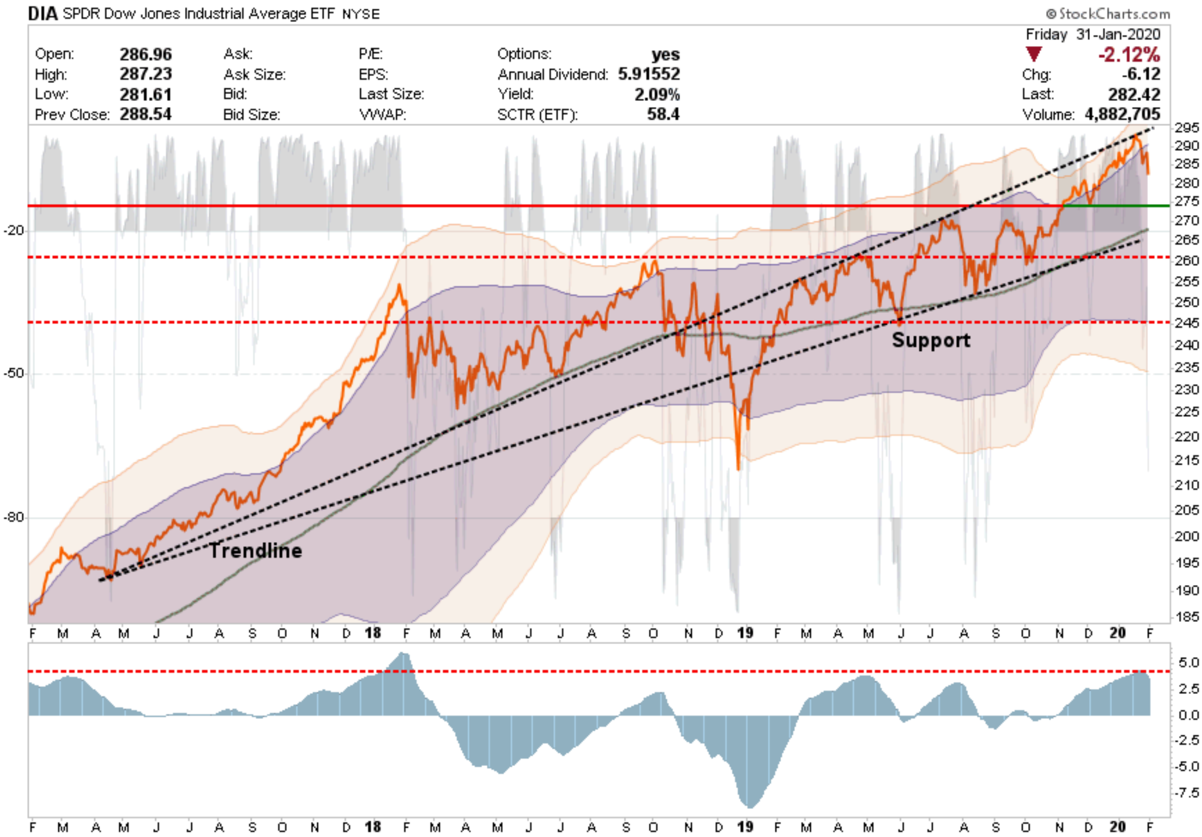
Over the last 3-weeks we have been warning of a pending correction due to the extreme overbought, extended, and overly bullish condition. All that was needed was a "catalyst" to trigger the correction which came in the form of a *"Coronavirus."* This is a common theme in this week's market update.

S&P 500 Index



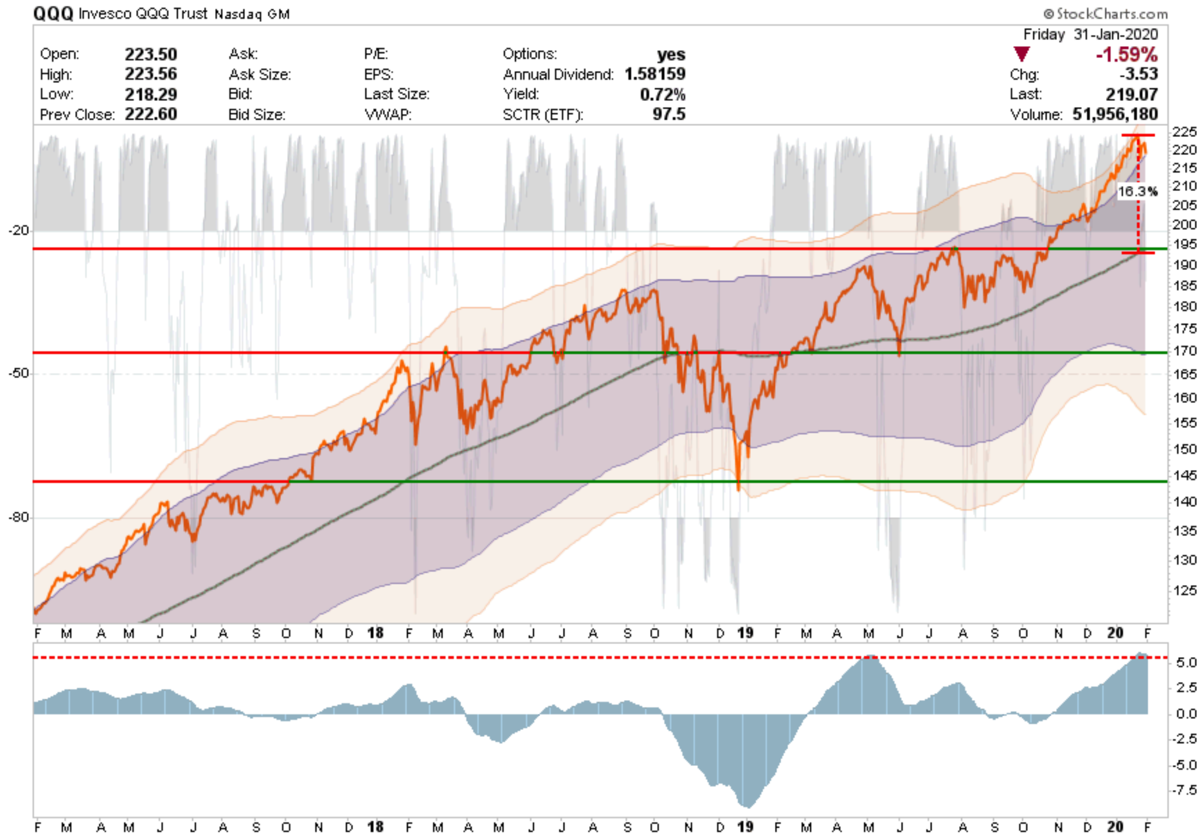
- *As noted last week: "With the market now trading 12% above its 200-dma, and well into 3-standard deviations of the mean, a correction is coming." That correction started last Friday and continued this week.*
- *Even with the sell-off on Friday, it barely registered in terms of reducing the overbought or extended levels of the market. There is likely a bit more correction to come to buy into.*
- *As noted we took profits in both the ETF and Equity Model (See Portfolio Commentary). We will likely have a much better entry point to buy into on a longer-term basis.*
- *We may add a short-term trading position after we see where the market trades on Monday.*
- *Short-Term Positioning: Neutral Due To Extension*
  - *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



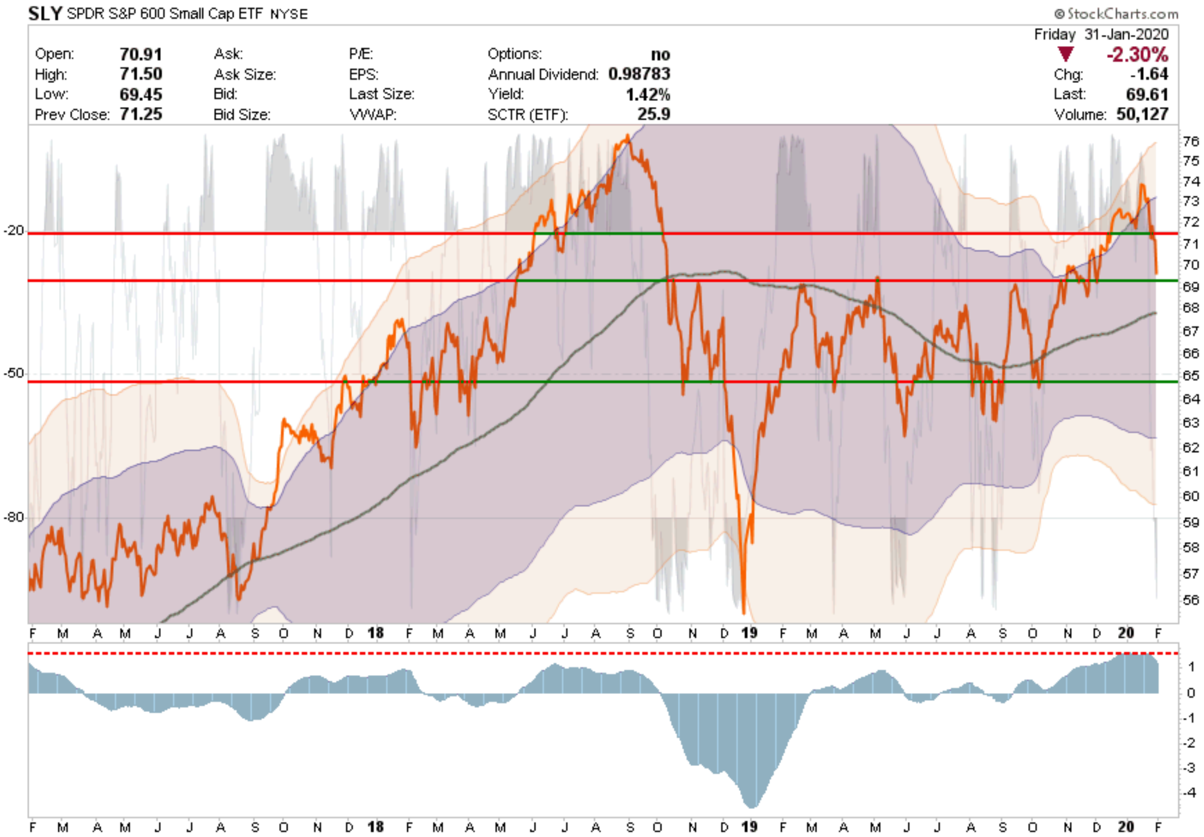
- *As goes the S&P 500, goes the DIA, especially when MSFT & AAPL are the two top holdings and drivers of the advances in both markets. (We reduced both of those holdings last week.)*
- *Like SPY, the sell-off on Friday barely registered on the chart. The "buy" signal remains extremely extended along with a very overbought condition.*
- T*ake profits, 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



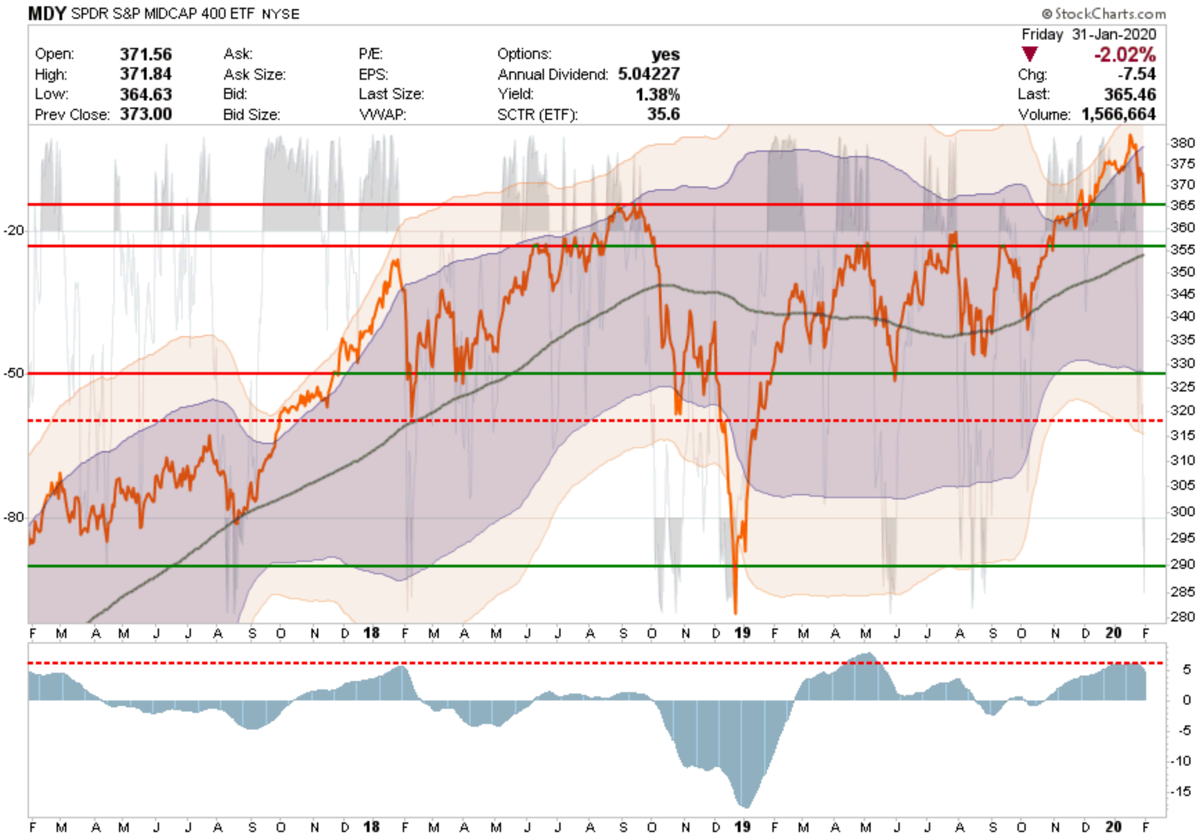
- *Again, like SPY, the sell-off on Friday barely registered. Nasdaq remains "extremely" extended currently. As noted last week, "With QQQ now pushing towards a 4-standard deviation event. A correction is inevitable, it is just a function of time now."*
- *The Nasdaq "buy signal" is also back to extremely overbought levels so look for a correction to add exposure. As with SPY we may pick up a short-term trading position for a reflex rally but this will be trade, not an investment.*
- *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)



- *Small caps corrected more than the major markets, but they also haven't moved as much.*
- *The buy signal remains extremely extended, but the index has corrected some of the short-term overbought.*
- *Th correction needs to hold the previous breakout levels with a stop moved up to the 200-dma.*
- *Short-Term Positioning: Neutral due to extensions.*
  - *Last Week: Hold positions*
  - *This Week: Hold positions*
  - *Stop loss moved up to $68*
- *Long-Term Positioning: Neutral*

S&P 400 Index (Mid-Cap)

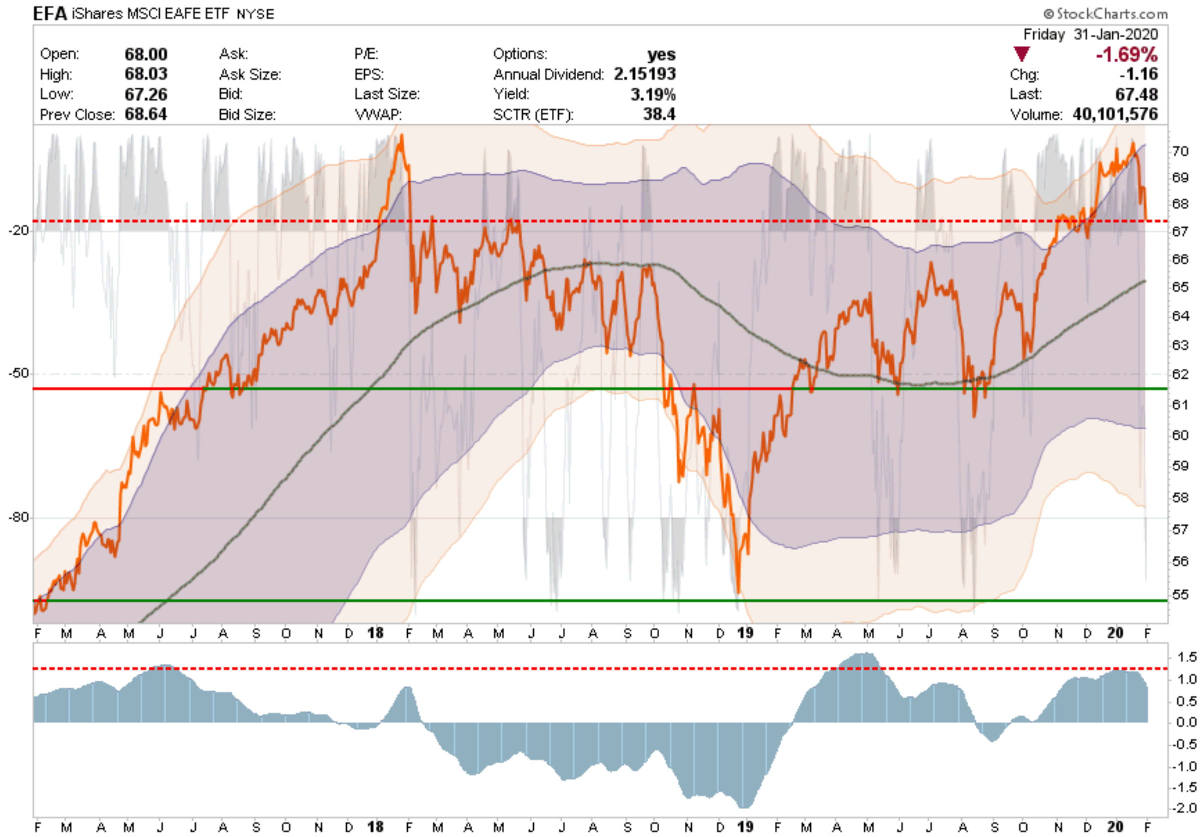


- *Like SLY, MDY also started to correct this past week.*
- *MDY remains extremely extended above the 200-dma, so more corrective action is likely. MDY is getting oversold short-term so a bounce is likely.*
- *The previous breakout level needs to hold while the overbought condition is reversed.*
- *Short-Term Positioning: Neutral due to extensions.*
  - *Last Week: No holding*
  - *This Week: No holding/May add a trading position for a reflex rally.*
- *Long-Term Positioning: Bullish*

Emerging Markets

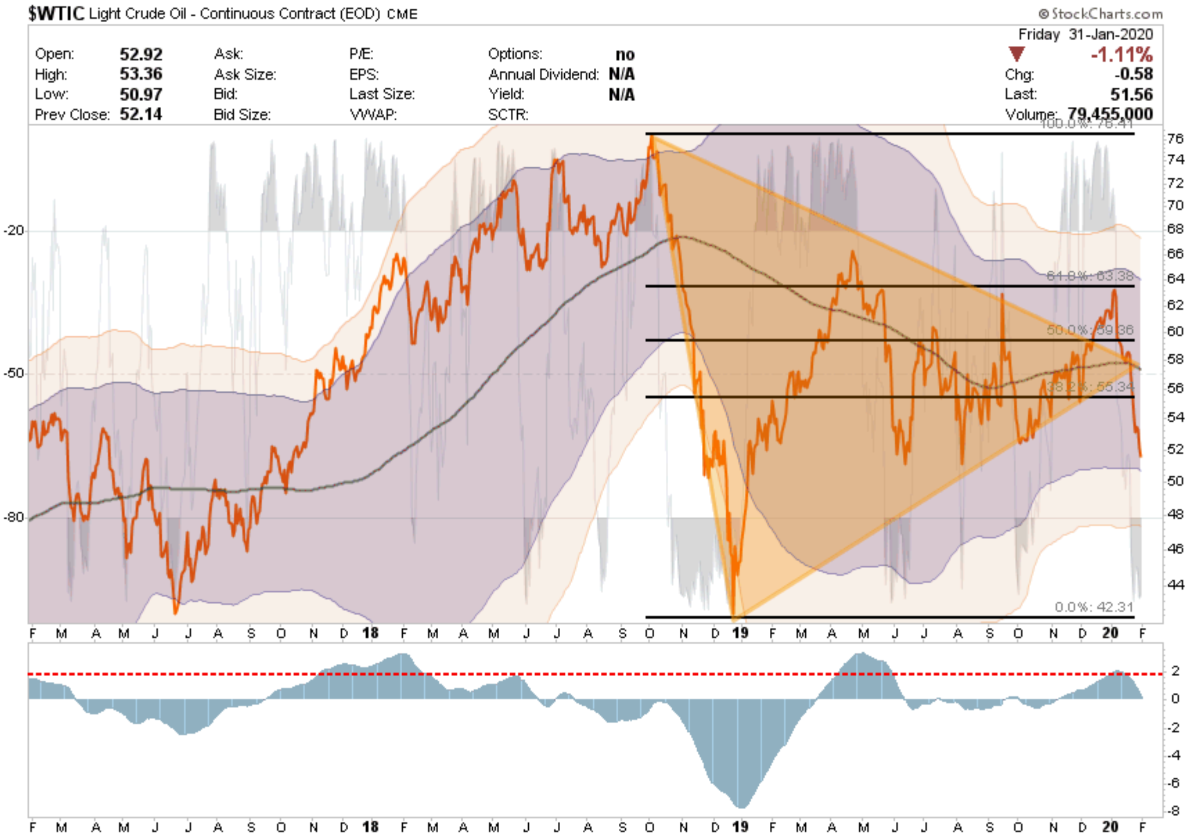
- *EEM was more deeply impacted by the potential impact of the "Coronavirus."*
- As noted previously, *with the "buy signal" extremely extended, a correction is coming so be patient to add exposure assuming stop levels are not violated."*
- *Initial support failed and stop loss levels are coming quickly into focus. If there is good news on the virus front, EEM will bounce sharply. We will likely use that to sell our positions into.*
- *The Dollar (Last chart) is the key to our international positioning. The dollar looks to have reversed its move lower which isn't beneficial for 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



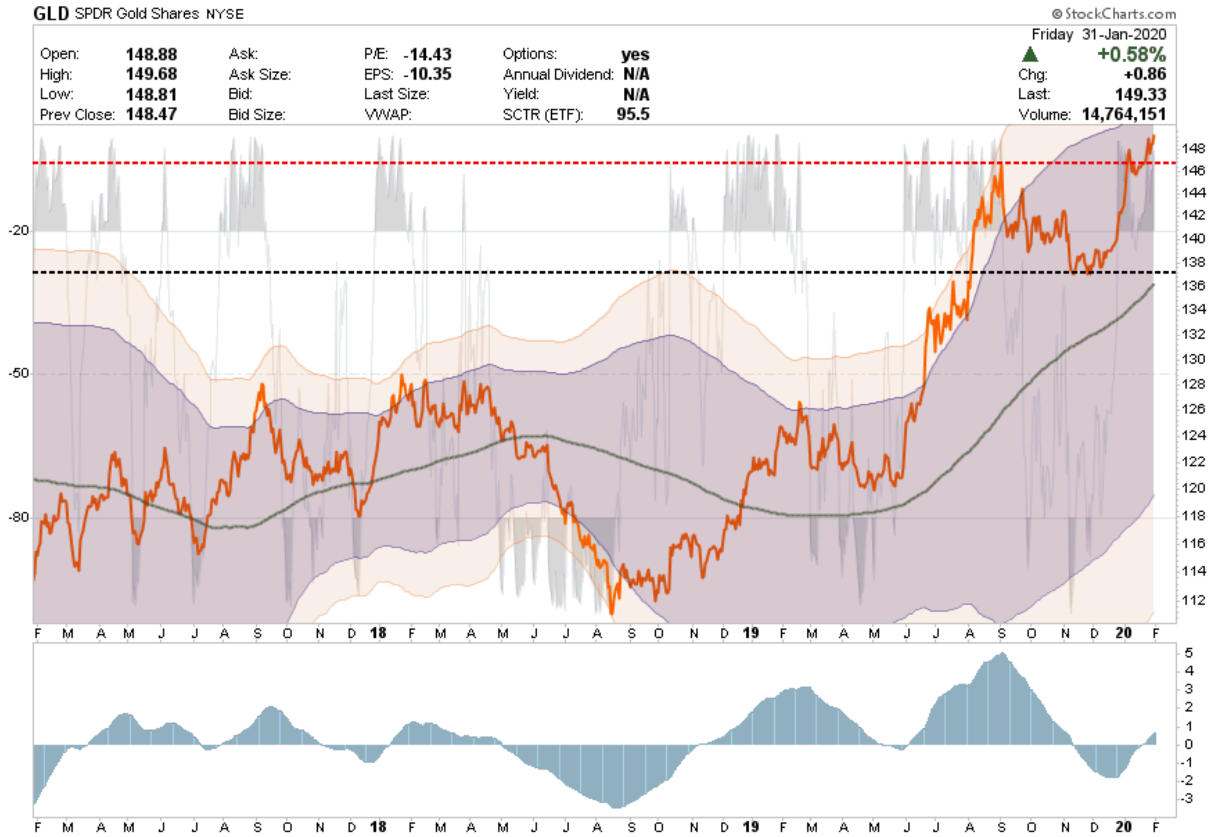
- *Like EEM, EFA also sold off last week, and is testing important support.*
- *Any good news with the virus and international exposure should rally. EFA looks better than EEM, so we will likely revisit our holding on a rally.*
- *As with EEM, the key to our positioning is the US Dollar.*
- *Short-Term 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 completely broke down last week, and collapsed below all of the important levels. Oil is now testing critical support at $51. A failure there and a break into the low $40's is probable.*
- *As noted last week: "With oil prices falling back below $60/bbl, it is imperative that oil maintains the 200-dma support level which it is currently testing." That level failed and prices plunged back towards recent lows.*
- *This keeps us on hold for now from adding to positions and stops are close to being triggered.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions.*
  - *This Week: Hold positions*
  - *Stops Triggered for any direct crude oil positions.*
- *Long-Term Positioning: Bearish*

Gold



- *As noted last week, Gold had rallied sharply and broke out to new highs, suggesting there was something amiss with the stock market exuberance.*
- *That was confirmed last week with the onset of the "Coronavirus" and the fall in the market.*
- *On Friday, gold rallied to new highs once again as money sought safety from stocks. As noted last week: "If gold can muster a rally and break above recent highs, it is likely we will see a further advance."*
- *Our positioning looks good particularly since gold has registered a new "buy signal."*
- *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)

- *As noted two weeks ago: "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."*
- *That occurred as bonds broke out of their declining trend sending yields lower. That breakout was a decent entry point to add exposure to bonds if you need it. However, that opportunity has now passed.*
- *Take profits and rebalance holdings and look for a trade on the equity side short-term.*
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold positions*
  - *This Week: Take profits and rebalance holdings.*
  - *Stop-loss is moved up to $132*
- *Long-Term Positioning: Bullish*

U.S. Dollar

- *Previously, 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.*
- *As noted previously: "The dollar has rallied back to that all important previous support line. IF the dollar can break back above that level, and hold, then commodities, and oil, will likely struggle. 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."*
- *That is exactly what happened last week and the dollar appears to be back in a bullish trend. Oil has collapsed, along with international exposures. We are close to triggering stops on all those positions.*
- *The "sell" signal has began to reverse. Pay attention.*