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

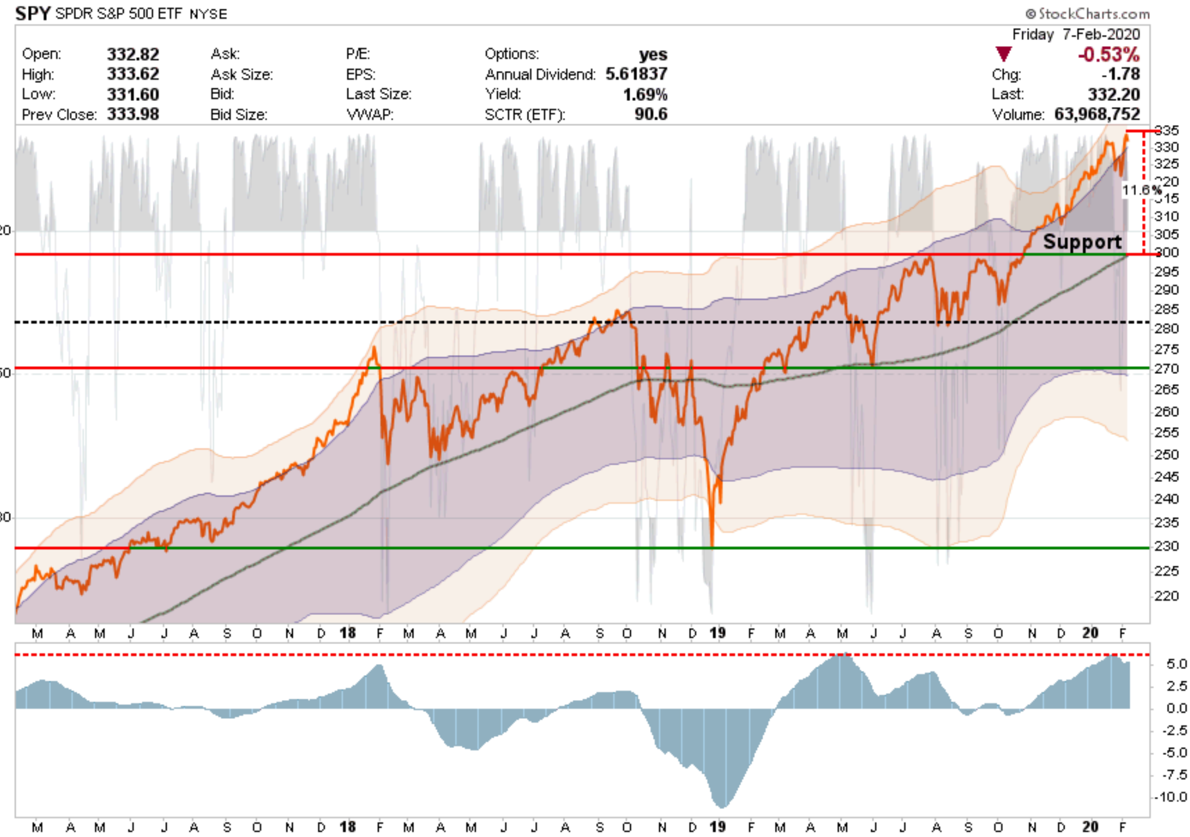
There are three primary components to each chart:

- *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.

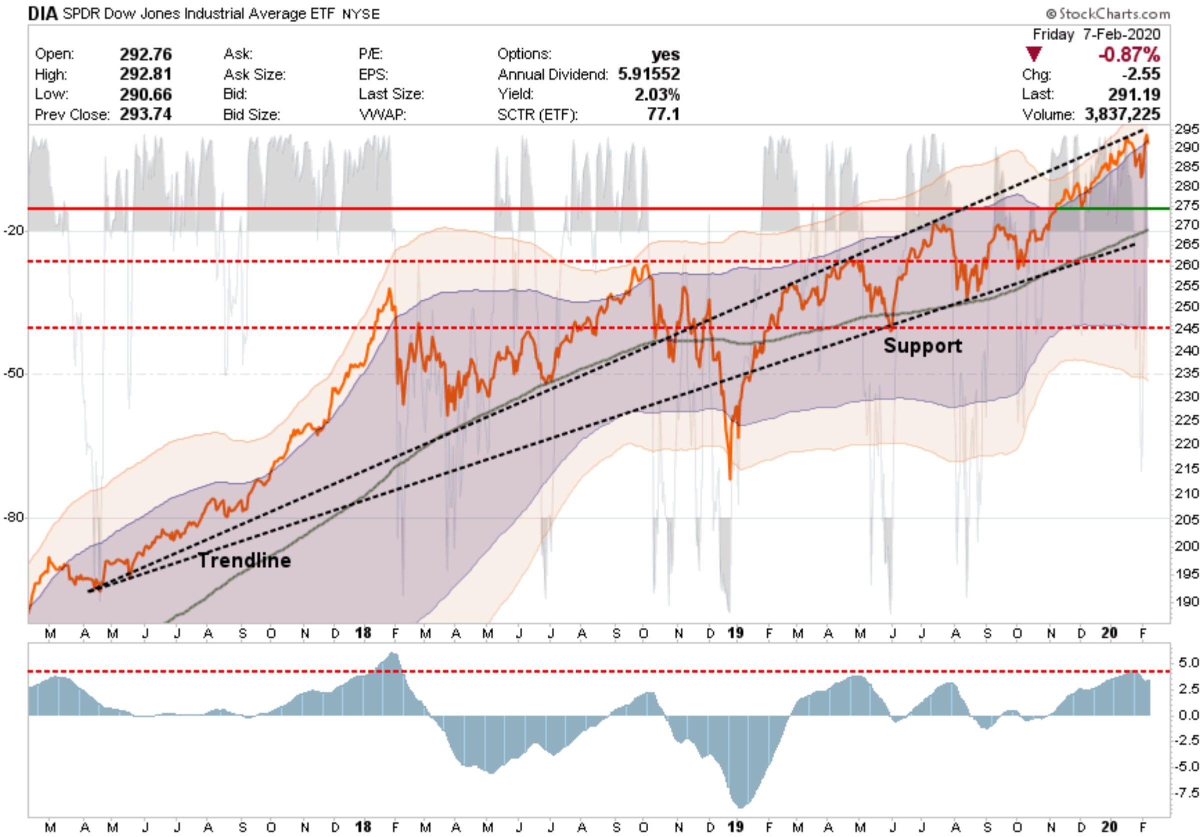
With this basic tutorial let's review the major markets.

S&P 500 Index



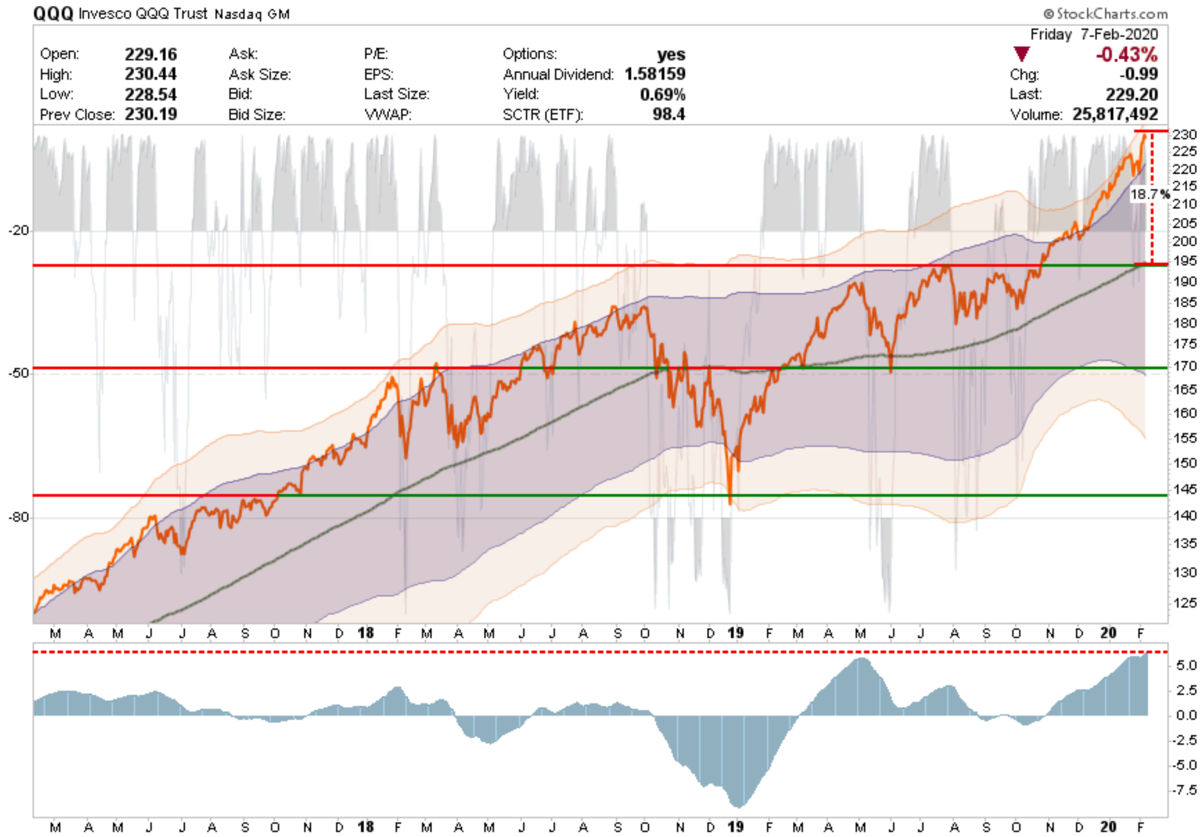
- As noted last week: "With the market now trading 12% above its 200-dma, and well into 3-standard deviations of the mean, a correction is coming." That correction started last week, but was completely reversed this week with the market winding up right back where it started.
- As noted, the sell-off 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 so be patient.
- We did add some short-term trading positions early in the week, but we will be patient to take on more weight.
- 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



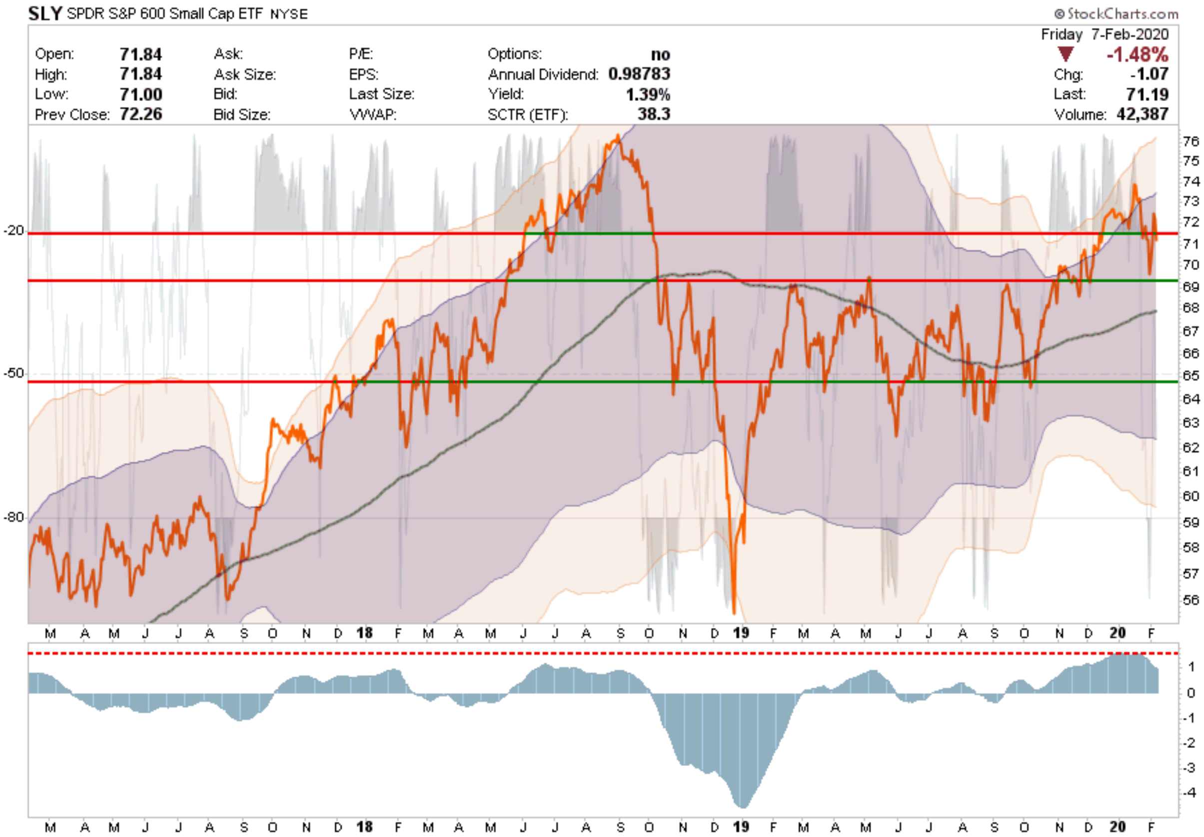
- *As goes the S&P 500, goes the DIA, especially when MSFT & AAPL are the two top holdings and drivers of the advances in both indexes.*
- *Like SPY, the sell-off barely registered on the chart. The "buy" signal remains extremely extended along with a very overbought condition.*
- T*ake profits, but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



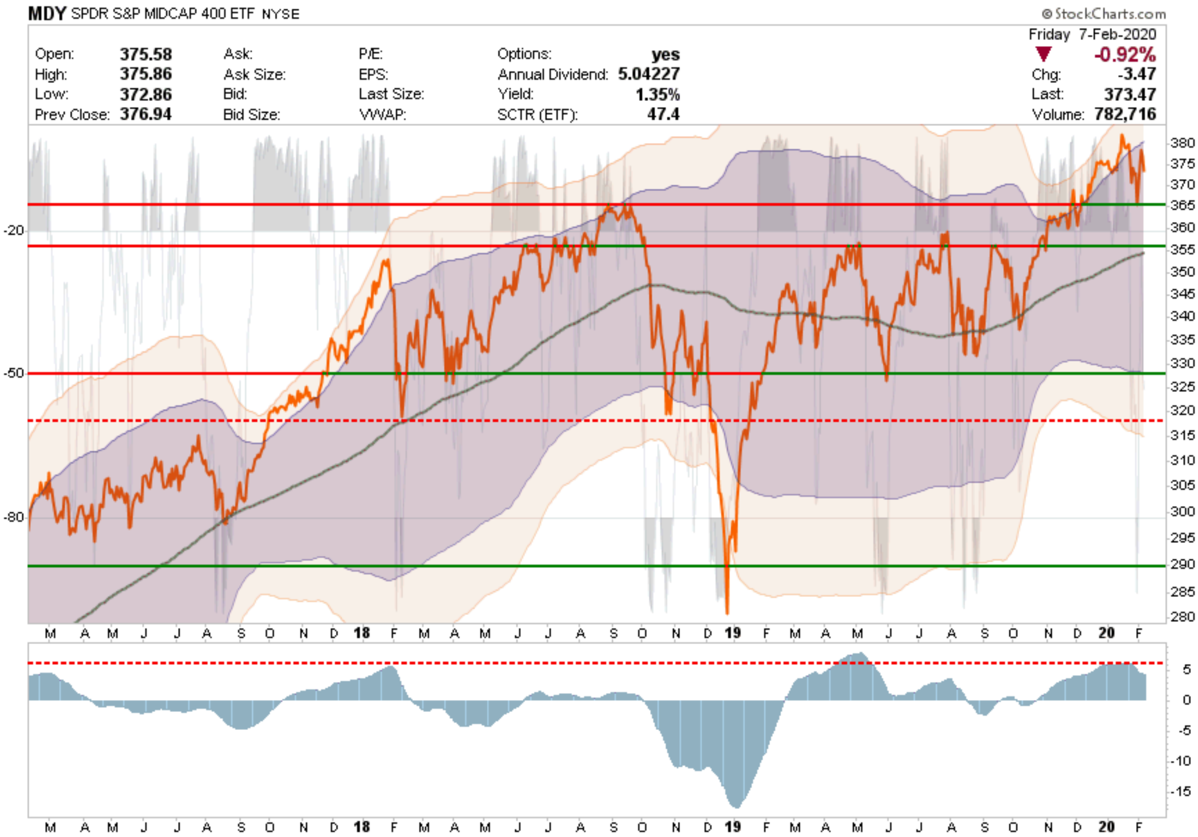
- *Like SPY, the sell-off on Friday barely registered. The Nasdaq remains "extremely" extended currently. As noted last week, "With QQQ now pushing towards a 4-standard deviation event. A correction is inevitable, it is just a function of time now."*
- *Despite the correction, nothing changed as the rally this week reversed the entire correction and the extension is now nearly 19% above the long-term mean.*
- *The Nasdaq "buy signal" is also back to extremely overbought levels. It is likely a correction is coming and it may be bigger than expected.*
- *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 extended, but the index has corrected some of the short-term overbought.*
- *The correction is trying to hold the previous breakout levels with a stop moved up to the 200-dma.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions*
  - *This Week: Hold positions*
  - *Stop loss moved up to $68*
- *Long-Term Positioning: Neutral*

S&P 400 Index (Mid-Cap)

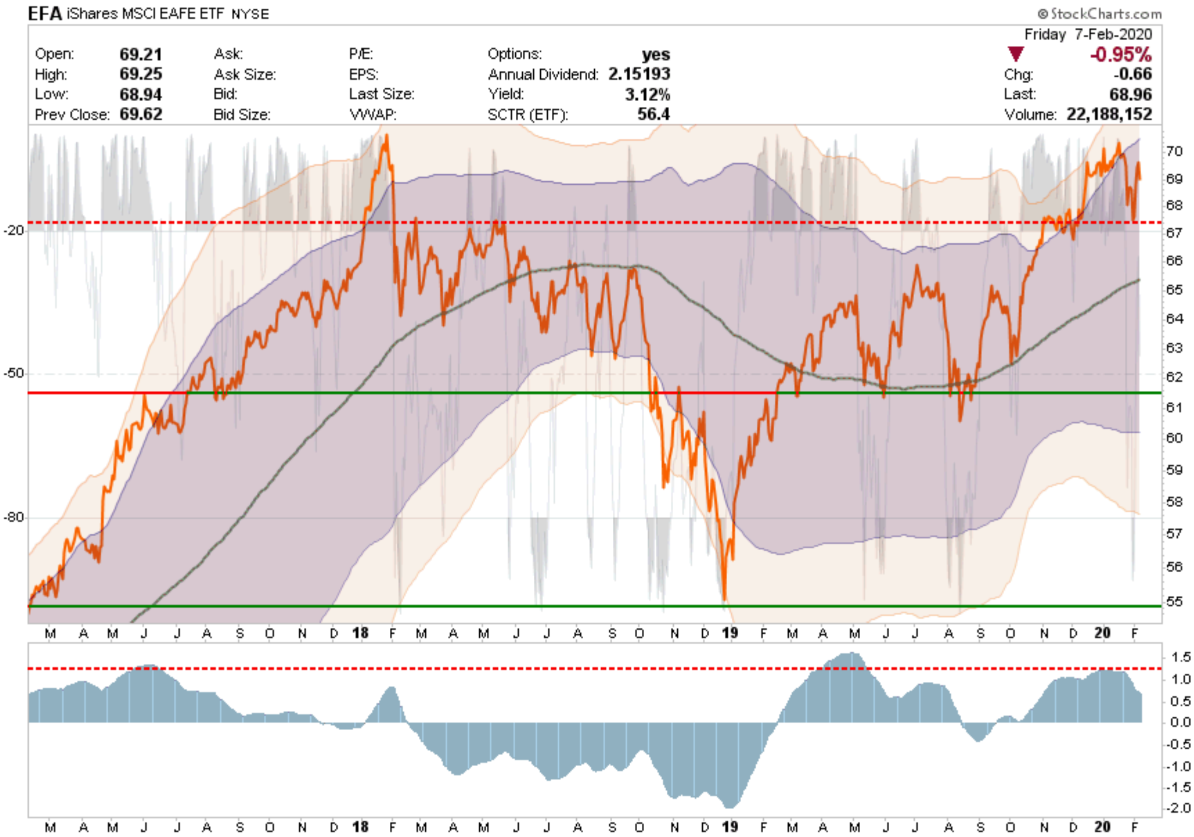


- *Like SLY, MDY also started to correct this past week.*
- *MDY remains extremely extended above the 200-dma, so more corrective action is likely. MDY is working off the overbought condition and holding breakout support.*
- *The previous breakout level needs to hold while the overbought condition is reversed.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No holding*
    - *This Week: No holding*
- *Long-Term Positioning: Bullish*

Emerging Markets

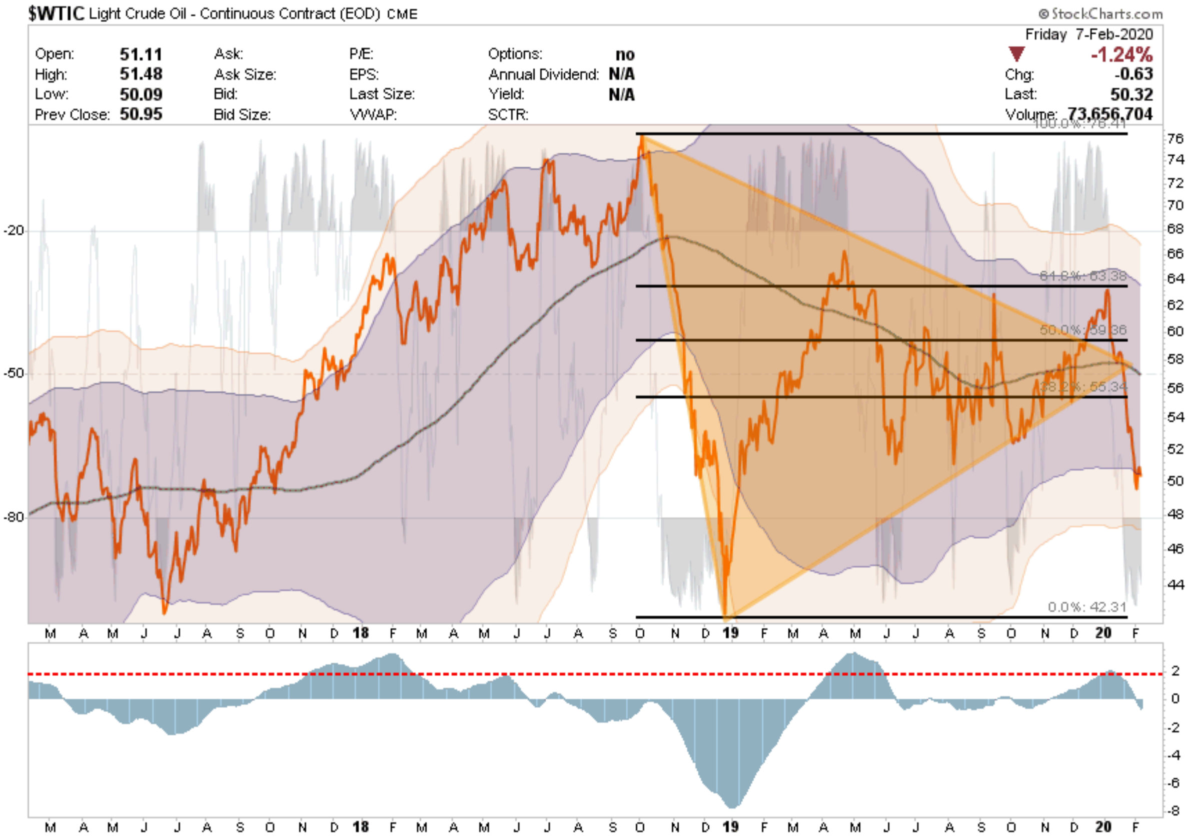
- *EEM was more deeply impacted last week, and did hold stop levels at the 200-dma.*
- *EEM is holding breakout level support at the moment and is oversold. However, the entire technical performance is a bit weak at the moment.*
- *The Dollar (Last chart) is the key to our international positioning. 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 $42*
- *Long-Term Positioning: Neutral*

International Markets



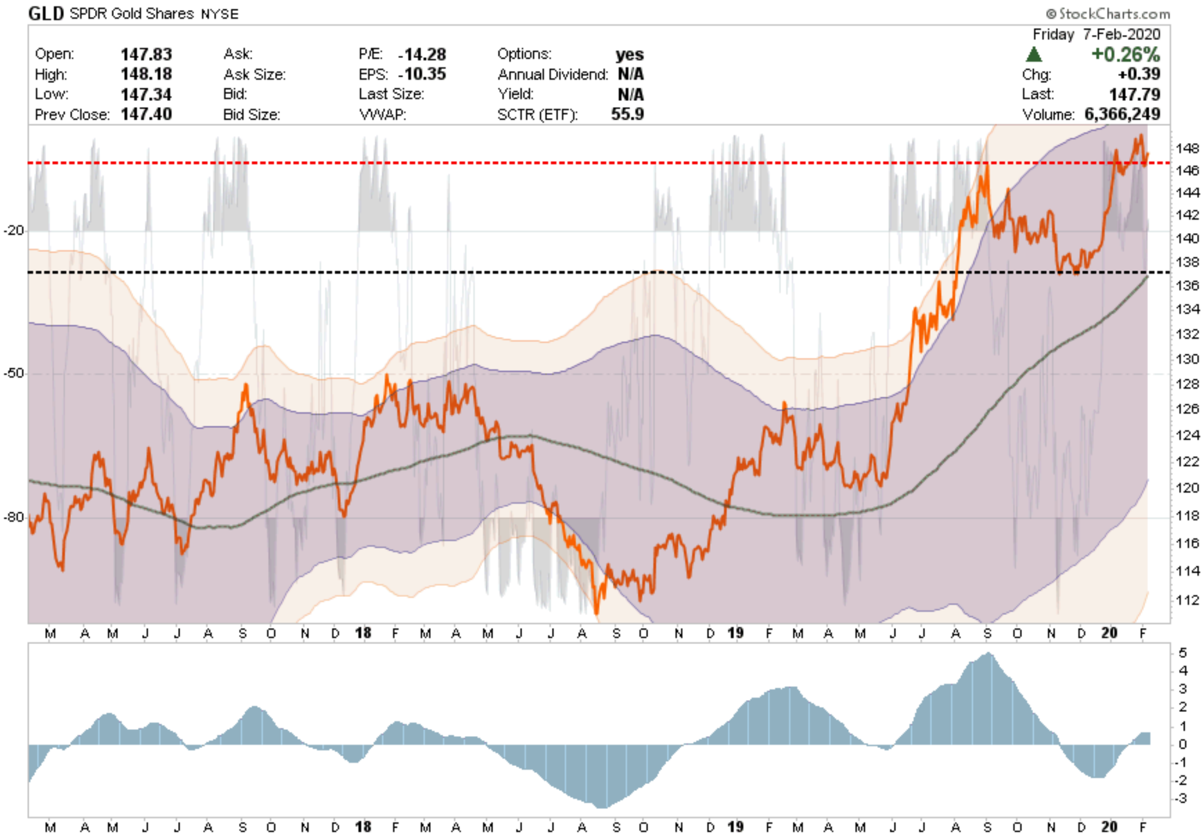
- *Like EEM, EFA also sold off last week, and is testing important support.*
- *As we stated last week, "Any good news with the virus and international exposure should rally. EFA looks better than EEM, so we will likely revisit our holding on a rally."*
- *That good news came, and EFA rallied as expected holding previous important support. EFA is working off the overbought condition but is still extended currently. Be patient.*
- *As with EEM, the key to our positioning is the US Dollar which is beginning to rally.*
- *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)



- *As noted last week:*
- *"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."*
- *The support is barely holding and oil looks extremely weak. However, oil is extremely oversold so a counter-trend rally is highly likely.*
- *We remain on hold for now, as stops are close to being triggered.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No positions*
    - *This Week: No 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.*
- *On Friday, gold rallied holding support at the previous breakout level which is bullish.*
- *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)

- *The correction in bond prices we had previously suggested 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. However, another trade for bonds is likely setting up shortly with a buy signal approaching. Be patient.*
- *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

- 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 over the last two weeks and the dollar has strengthened that rally as concerns over the "coronavirus" persist. With the dollar close to testing previous highs, a break above that resistance could result in a sharp move higher for the dollar.
- The rising dollar is not bullish for Oil, commodities or international exposures.
- The "sell" signal has began to reverse. Pay attention.