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

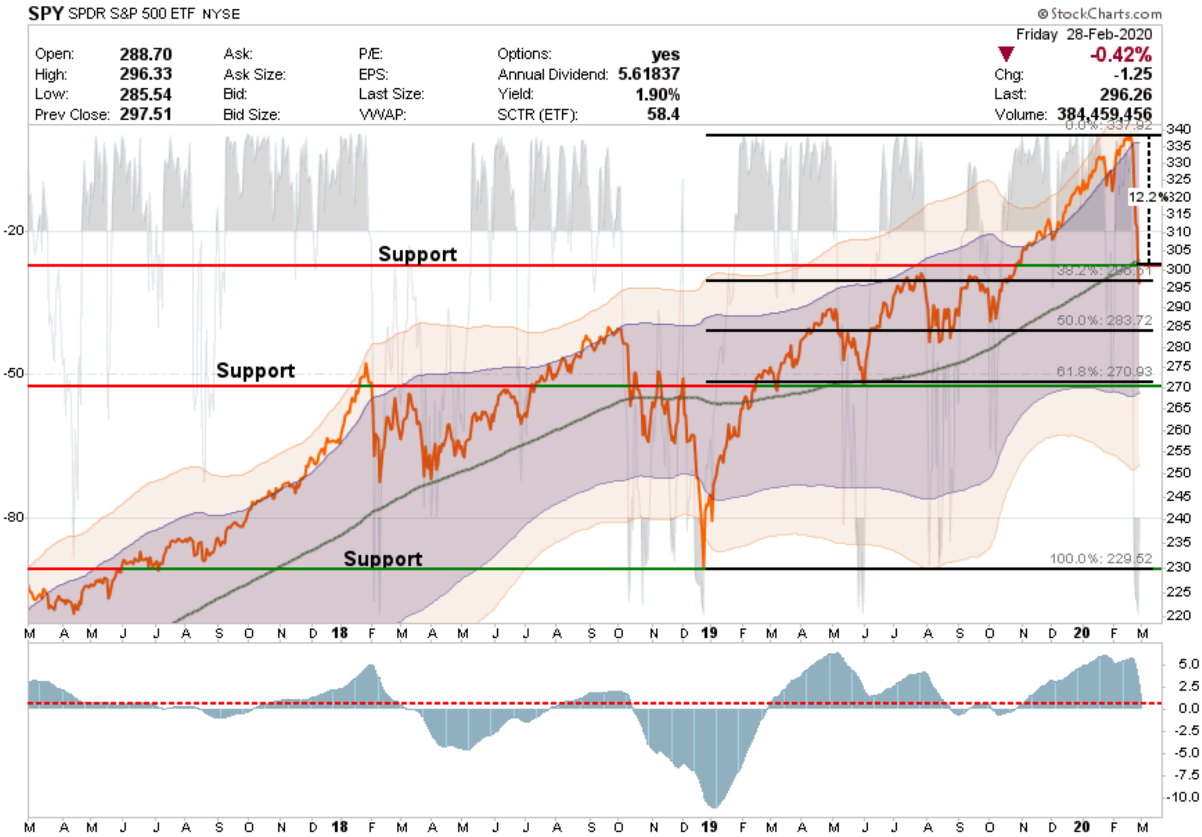
There are three primary components to each chart:

- *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.

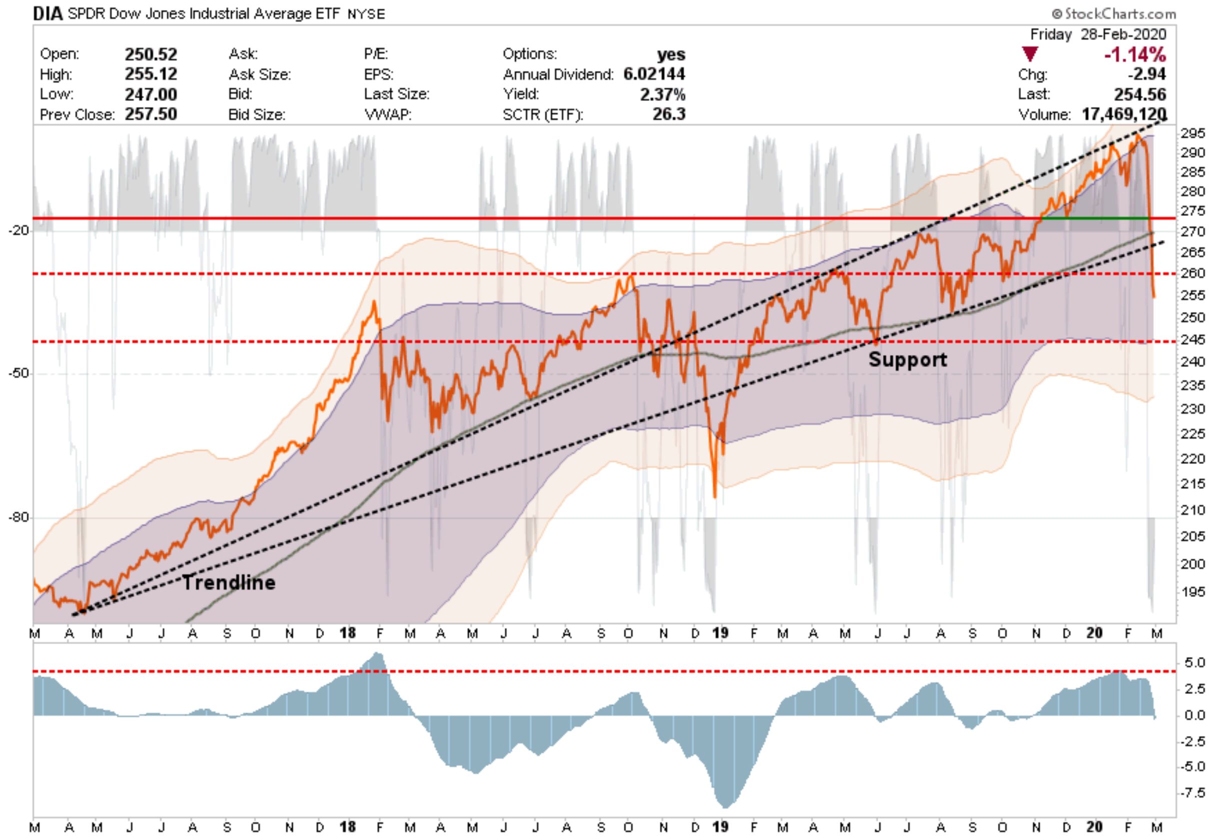
With this basic tutorial let's review the major markets.

S&P 500 Index



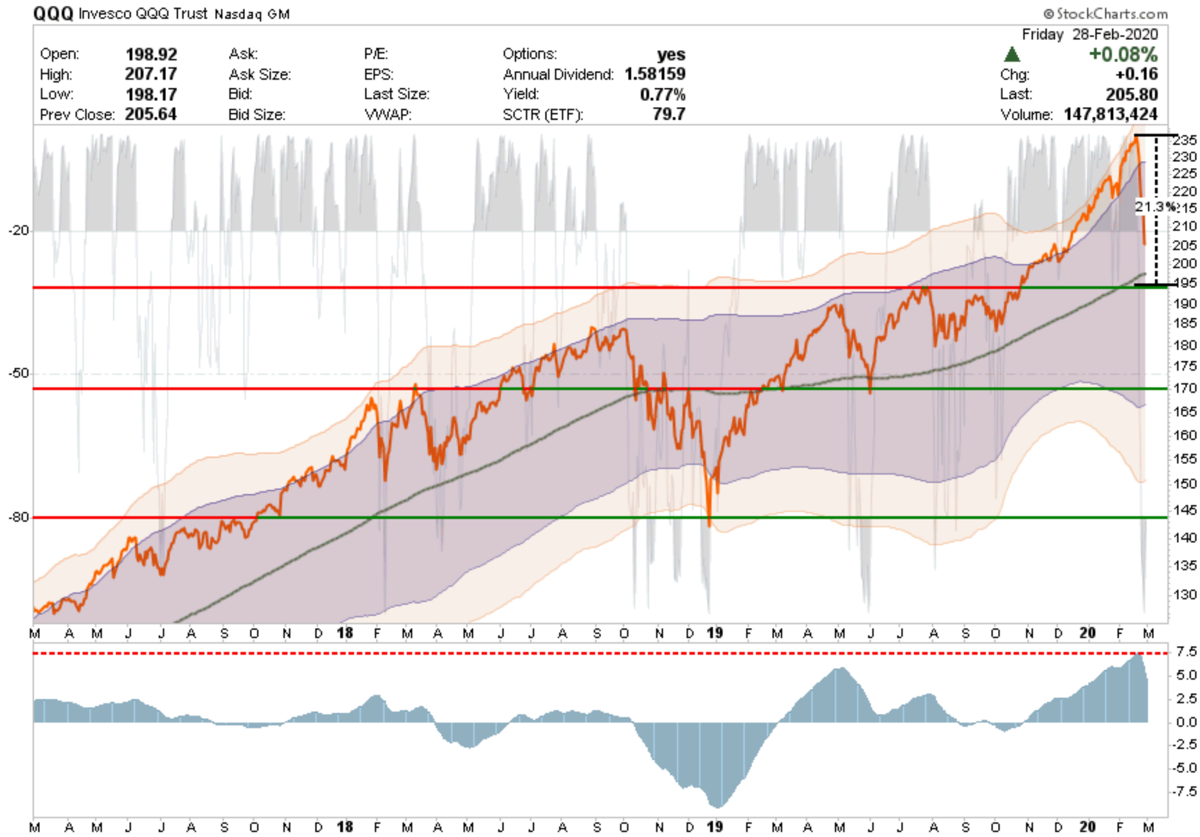
- As noted last week: "With the market now trading 12% above its 200-dma, and well into 3-standard deviations of the mean, a correction is coming. That correction started last Friday."
- We did add a position of VOOG to the Models this past week (a smidge early) as the markets are now extremely oversold short-term. We are looking for a bounce to initial resistance between $310 and $315 where we will likely sell and add a short-hedge back to the portfolio.
- As noted previously, "extensions to this degree rarely last long without a correction." Now the markets are extremely extended to the downside so a reflexive rally is likely. However, SPY will trigger a sell signal in the lower panel suggesting that any initial rally will fail and retest of support is likely.
- Short-Term Positioning: Neutral Due To Extension
    - Last Week: Hold position
    - This Week: Added a "rental trade" of VOOG to portfolios.
    - Stop-loss adjusted to $290
    - Long-Term Positioning: Neutral due to valuations

Dow Jones Industrial Average



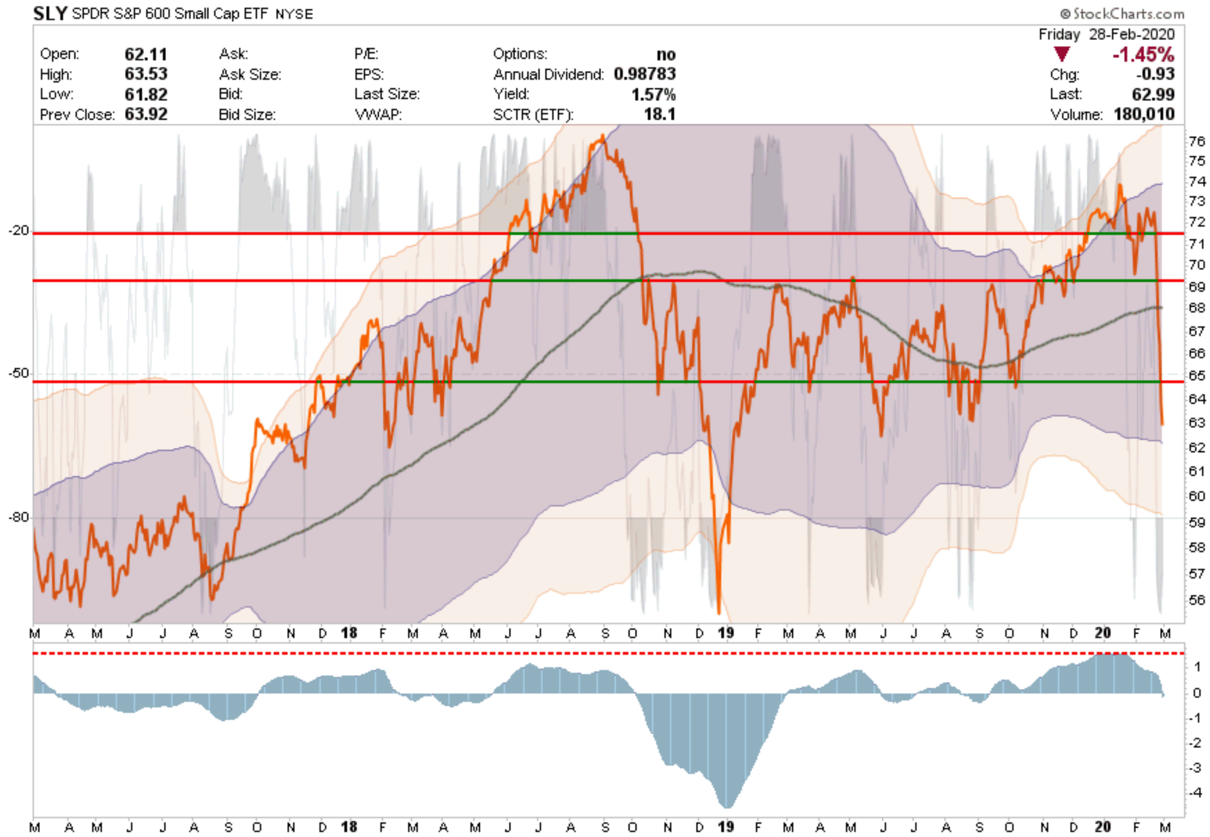
- *The same situation exists with DIA.*
- *Now back to extreme oversold, trading positions can be added for a counter-trend bounce back to resistance at $265-270.*
- *DIA has triggered a "Sell signal" so rallies will most likely fail in the weeks ahead.*
- *Short-Term Positioning: Neutral due to extensions*
  - *Last Week: Hold current positions*
  - *This Week: Add trading positions*
  - *Stop-loss adjusted to $250*
- *Long-Term Positioning: Neutral*

Nasdaq Composite



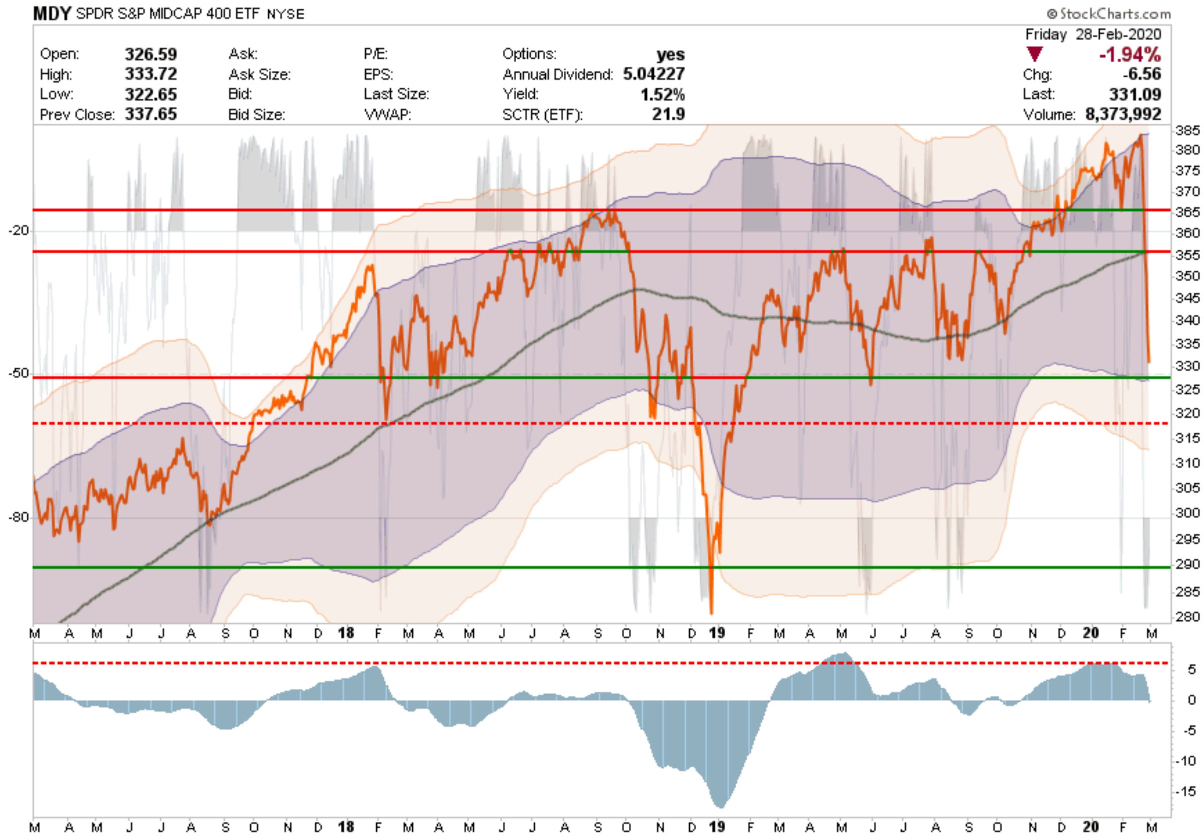
- *Despite the correction last week, the QQQ is the best looking index from a trading perspective.*
- *As noted last week: "With the Nasdaq "buy signal" at extremely overbought levels, there is likely more correction to come."*
- *The correction this past week took the index back to oversold, and but the buy signal still remains fairly elevated.*
- *Add a trading position in QQQ for a reflexive rally.*
- *Short-Term Positioning: Neutral due to extensions.*
    - *Last Week: Hold position*
    - *This Week: Trading positions can be added.*
    - *Stop-loss set at $200*
- *Long-Term Positioning: Neutral due to valuations*

S&P 600 Index (Small-Cap)



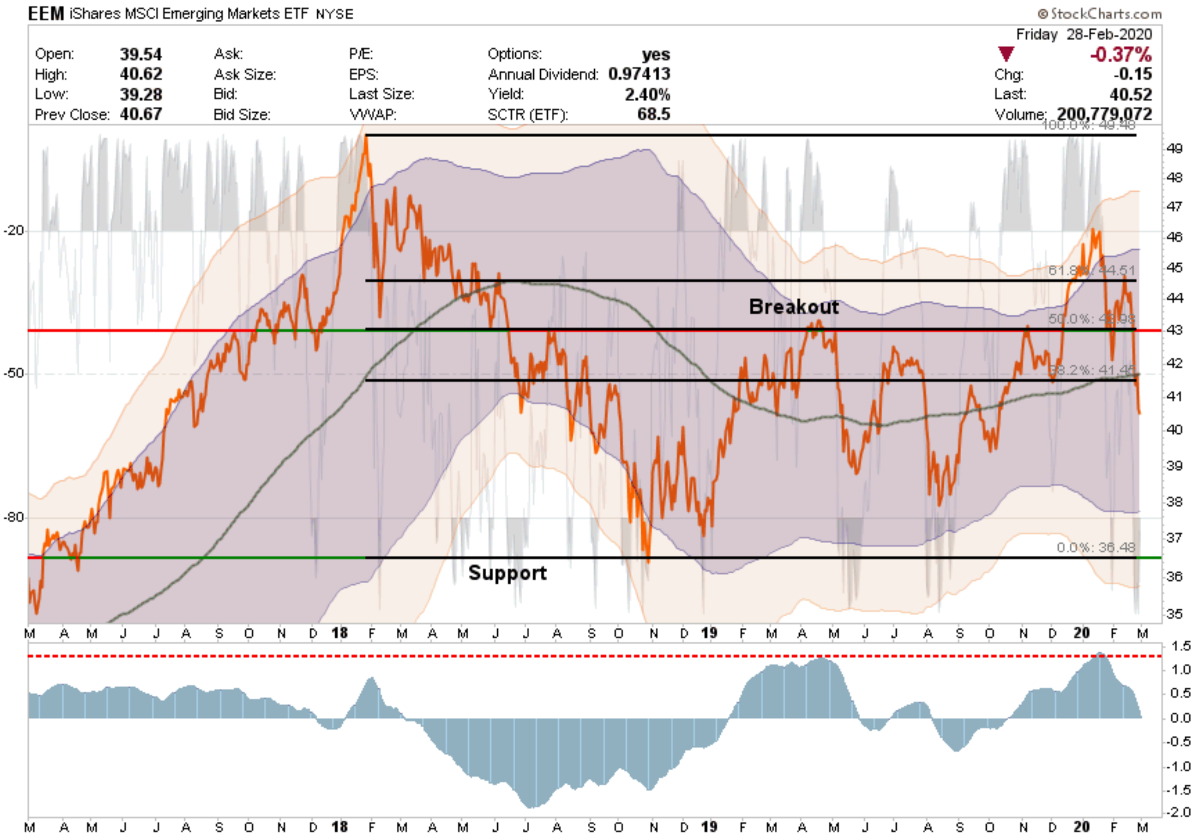
- *As we said last time: "Small caps have failed to participate with the markets and under performance is weighing on portfolios. The buy signal has continued to correct as small-caps are struggling to maintain recent support levels."*
- *As noted in our portfolio commentary, we sold our small-cap positions early last week.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions*
  - *This Week: Sold small cap. No positions.*
  - *Stop loss adjusted to $62*
- *Long-Term Positioning: Neutral*

S&P 400 Index (Mid-Cap)



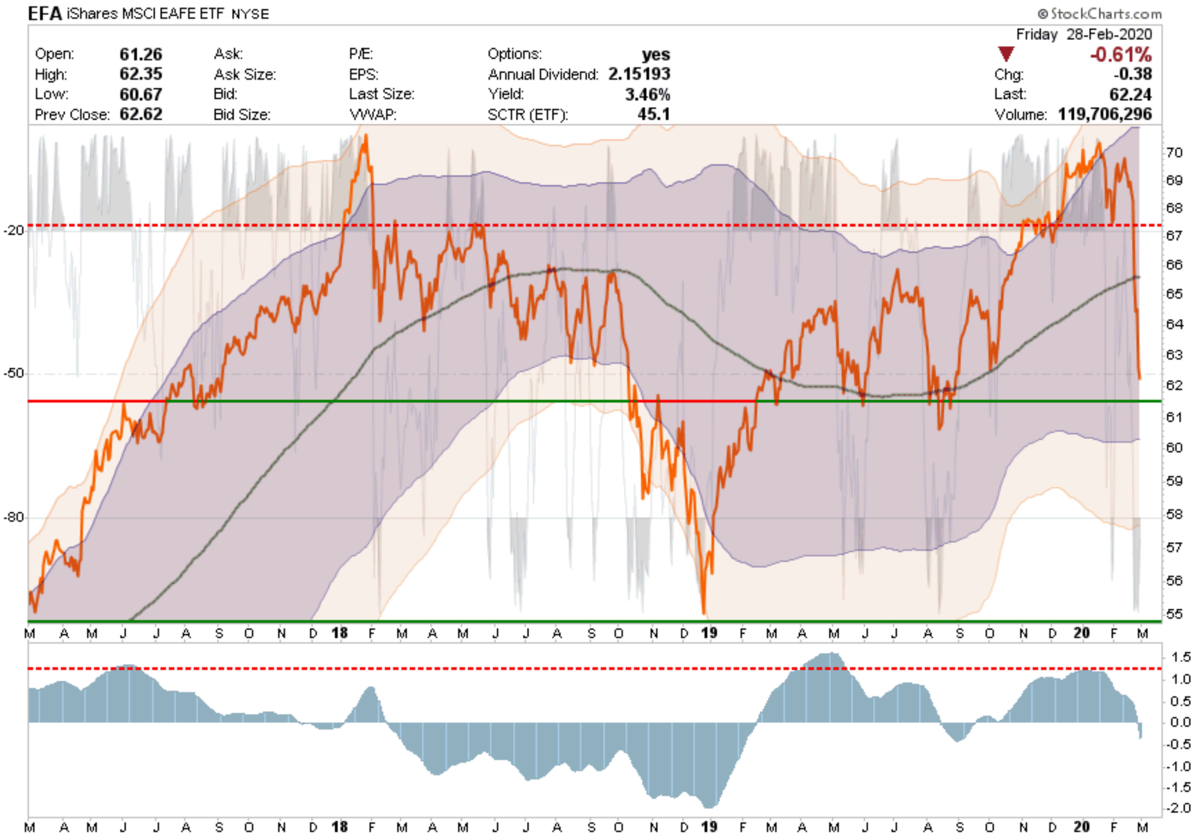
- Last week we said: "MDY remains extremely extended above the 200-dma, so more corrective action is likely. MDY is still on a buy-signal but is pushing rather extreme deviations from long-term means."
- That all changed last week. Now MDY is oversold, and about to trigger a "sell signal."
- Since Mid-caps are more impacted by supply chain impacts we are centering our portfolio strategy on domestic large caps until the "virus crisis" is resolved. We will then start picking through other areas for value.
- The previous breakout level held which is very bullish, so if the overbought condition can get worked off with some consolidation, we will have a good entry point to add exposure.
- Short-Term Positioning: Neutral
  - Last Week: No holding
  - This Week: No holding
- Long-Term Positioning: Bullish

Emerging Markets



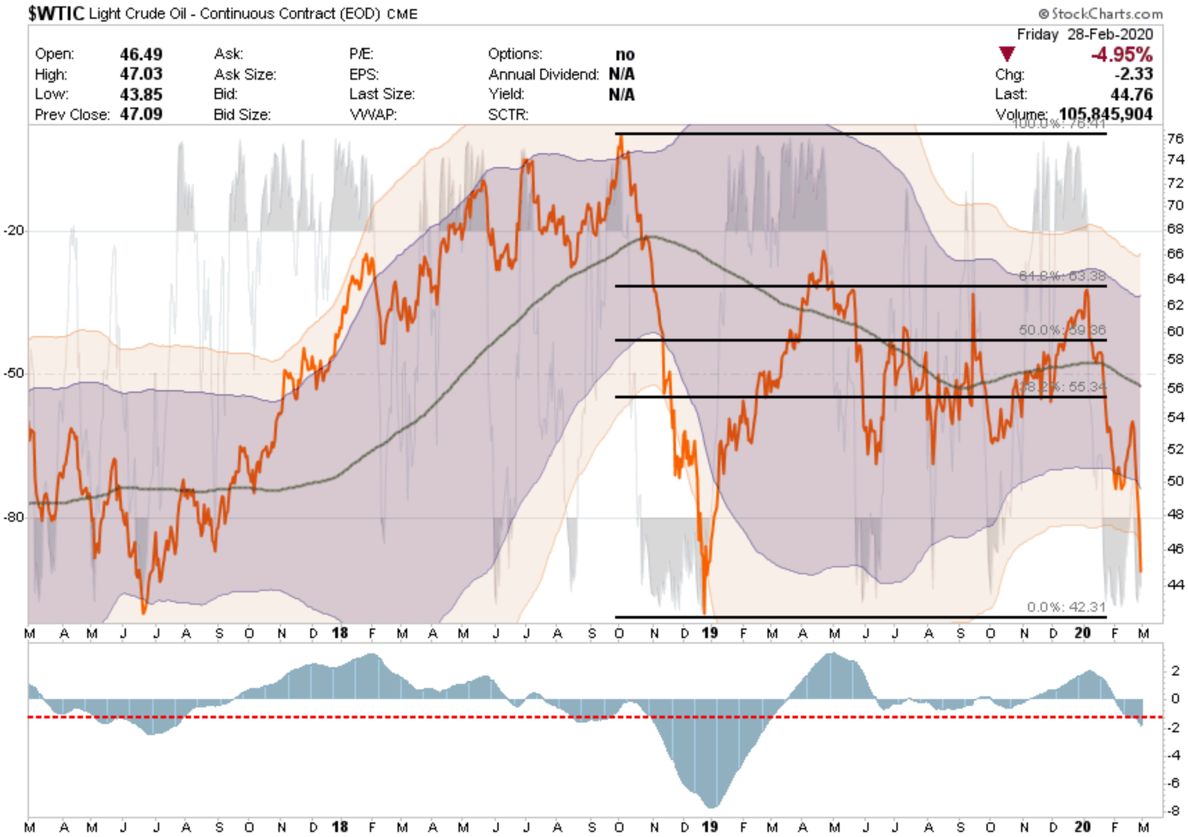
- *As we noted last week, EEM failed at resistance and we suggested we were going to reduce our exposure to international holdings and return our focus on large cap value for now.*
- Early last week, as noted in the Portfolio Commentary section, we sold emerging markets.
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions*
  - *This Week: Sold position.*
  - *Stop-loss set at $40*
- *Long-Term Positioning: Neutral*

International Markets



- *Like EEM, EFA was also sold early last week as we begin to return our focus back to large cap value.*
- *Short-Term Positioning: Neutral*
  - *Last Week: Hold positions*
  - *This Week: Sold position.*
  - *Stop-loss set at $61*
- *Long-Term Positioning: Neutral*

West Texas Intermediate Crude (Oil)



- *The brief rally in oil previously, failed and collapsed back to 2019 lows.*
- *With oil approaching support at $42.50, and 3-standard deviations oversold, I suspect we are about to see a fairly vicious reflexive rally in oil. This will likely coincide with central bank interventions.*
- *We started building positions in RDS/A last week, and we are going to add XLE to the ETF Model and add further to XOM and AMLP. These will initially be "rental trades" but there is value in the sector we are looking for longer-term if positions can hold.*
- *We remain cautious and are "nibbling" on positions.*
- *Short-Term Positioning: Neutral*
    - *Last Week: No positions*
    - *This Week: Added small amounts to AMLP and RDS/A.*
    - *Stops Triggered for any direct crude oil positions.*
- *Long-Term Positioning: Bearish*

Gold

- *As noted last week: "Gold rallied sharply and broke out to new highs, suggesting there was something amiss with the stock market exuberance."*
- *The correction came this past week, confirming Gold's message was correct.*
- *On Friday, we sold our GDX postion (people intensive) but are maintaining our gold position as a hedge to the overall portfolio.*
- *We are watching this pullback. If gold gets oversold but doesn't violate our support levels at $137.50 we will increase our gold holdings.*
- *Our positioning looks good, but we are likely going to get a stock market bounce next week, allowing a better entry point to add to Gold positions.*
- *Short-Term Positioning: Bullish*
  - *Last week: Hold positions.*
  - *This week: Hold positions, sold Gold Miners (GDX)*
  - *Stop-loss for profits adjusted to $145, Look to buy at $137.50*
  - *Long-Term Positioning: Bullish*

Bonds (Inverse Of Interest Rates)

- *As with Gold, Bonds were also suggesting something was amiss with the market. Bonds broke out to new highs this past week, and after adding exposure previously, the rally was a welcome hedge against stock market volatility.*
- *We sold TLT this past week, just to take in some profits due to the extreme overbought condition of the market. If we get a counter-trend rally, we will likely get a pullback to support and can re-enter the trade when we hedge the rest of the equity portfolio.*
- *Bonds have triggered a "buy" signal which suggests that we are not "out of the woods," just yet, and a recession later this year is likely.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Sold TLT to take profits. Holding all other positions.*
    - *Stop-loss is moved up to $137.50*
    - *Long-Term Positioning: Bullish*

U.S. Dollar

- *As noted previously: "This past week, the dollar surged through that resistance and is now extremely overbought short-term. Looking for a reflexive rally in stocks next week that pulls the dollar back towards the breakout level of last week.*
- *While stocks didn't rally just yet, I expect they will next week, the dollar started to correct its 3-standard-deviation extension to the upside.*
- *The dollar decline should help Oil and commodities short-term, but don't get too overly aggressive as we are very early in the entire process of what is happening economically.*
- *Move slowly and carefully.*
- *The "buy" signal has been triggered suggesting the dollar is going to move higher from here.*