HOW TO READ THE CHARTS

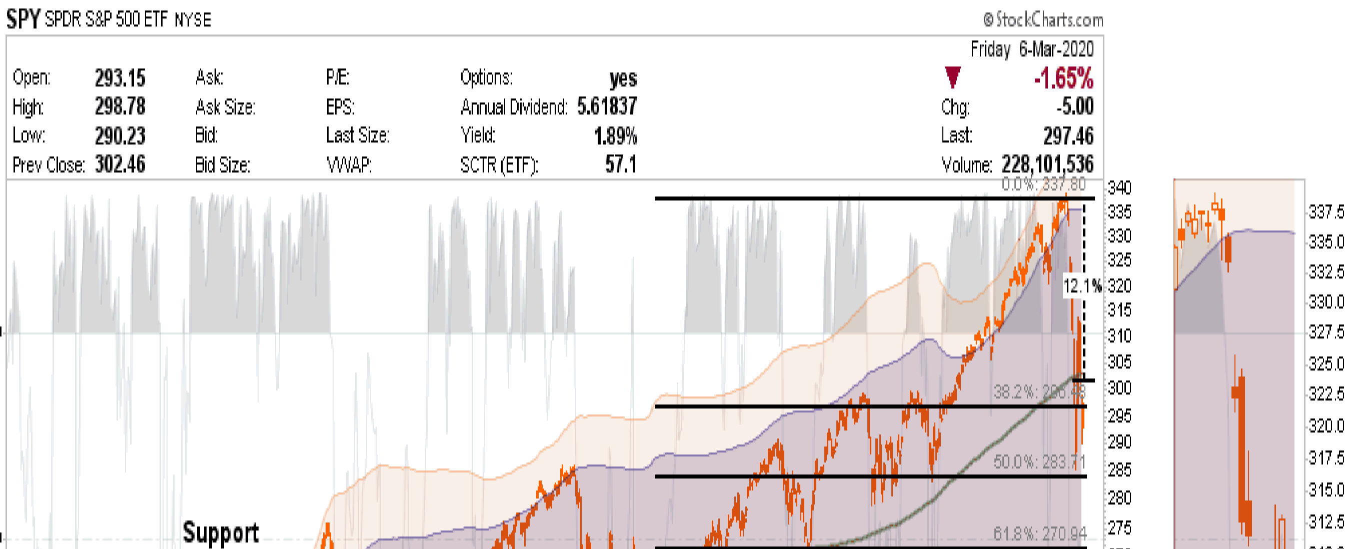
There are three primary components to each chart:

- *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 previously, ?extensions to this degree rarely last long without a correction.? Now the markets are extremely oversold 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.?*
- *Last week, we did see a reflexive rally but it was short-lived and didn?t reverse the oversold condition. We are still long our ?rental trade? in VOOG as the market ended up just slightly above where we ended last week.*
- *On Friday, there was a good bit of last hour buying which suggests institutions have likely gotten exhausted on selling. As such, there should be another reflexive rally again this next week in which we will remove the rental trade.*
- ***Warning:*** *SPY has triggered a longer-term ?sell? signal which historically coincides with deeper declines. We highly suspect that any rally will ultimately fail and we will test the 62.8% retracement level.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
  - *Last Week: Hold position*
  - *This Week: Hold positions*
  - *Stop-loss adjusted to $290*
  - *Long-Term Positioning: Bearish*

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: Bearish ? Market Risk Is High*
    - *Last Week: Hold current positions*
    - *This Week: Hold current positions*
    - *Stop-loss moved up to $250*
- *Long-Term Positioning: Bearish*

Nasdaq Composite

- *Despite the correction last week, the QQQ is the best looking index from a trading perspective.*
- *The correction this past week took the index back to oversold, and the buy signal has now reversed but has NOT yet triggered a ?Sell? signal like SPY and DIA.*
- *Trading position in QQQ for a reflexive rally back to the 50-dma which resides at $221*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
    - *Last Week: Hold position*
    - *This Week: Hold position*
    - *Stop-loss moved up to $207*
- *Long-Term Positioning: Bearish due to valuations*

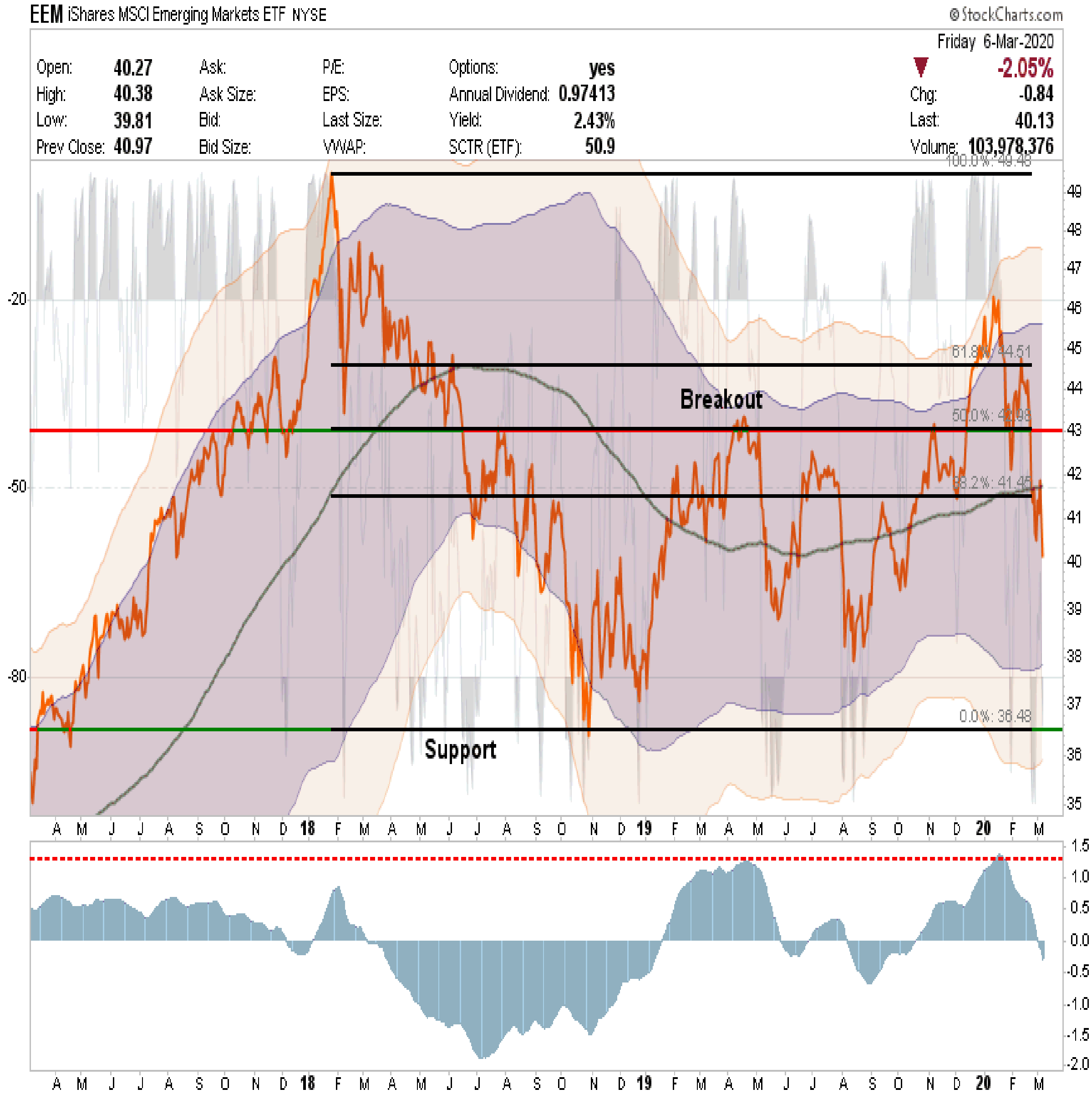
S&P 600 Index (Small-Cap)

- *As noted in our portfolio commentary, we sold our small-cap positions the week before last.*
- *Small-caps are oversold, and on a ?sell signal.?*
- This particular group of stocks are the most susceptible to an economic slowdown from the virus. Use any reflexive rally to step-aside for the time being.
- *In our portfolio we own KGGIX which is ?technically? a ?small-cap value fund.? However, we don?t classify it that way as it holds a significant chunk of Gold Miners which fits with our hedge theme.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
    - *Last Week: Sold all positions.*
    - *This Week: No positions.*
    - *Stop loss adjusted to $62*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)

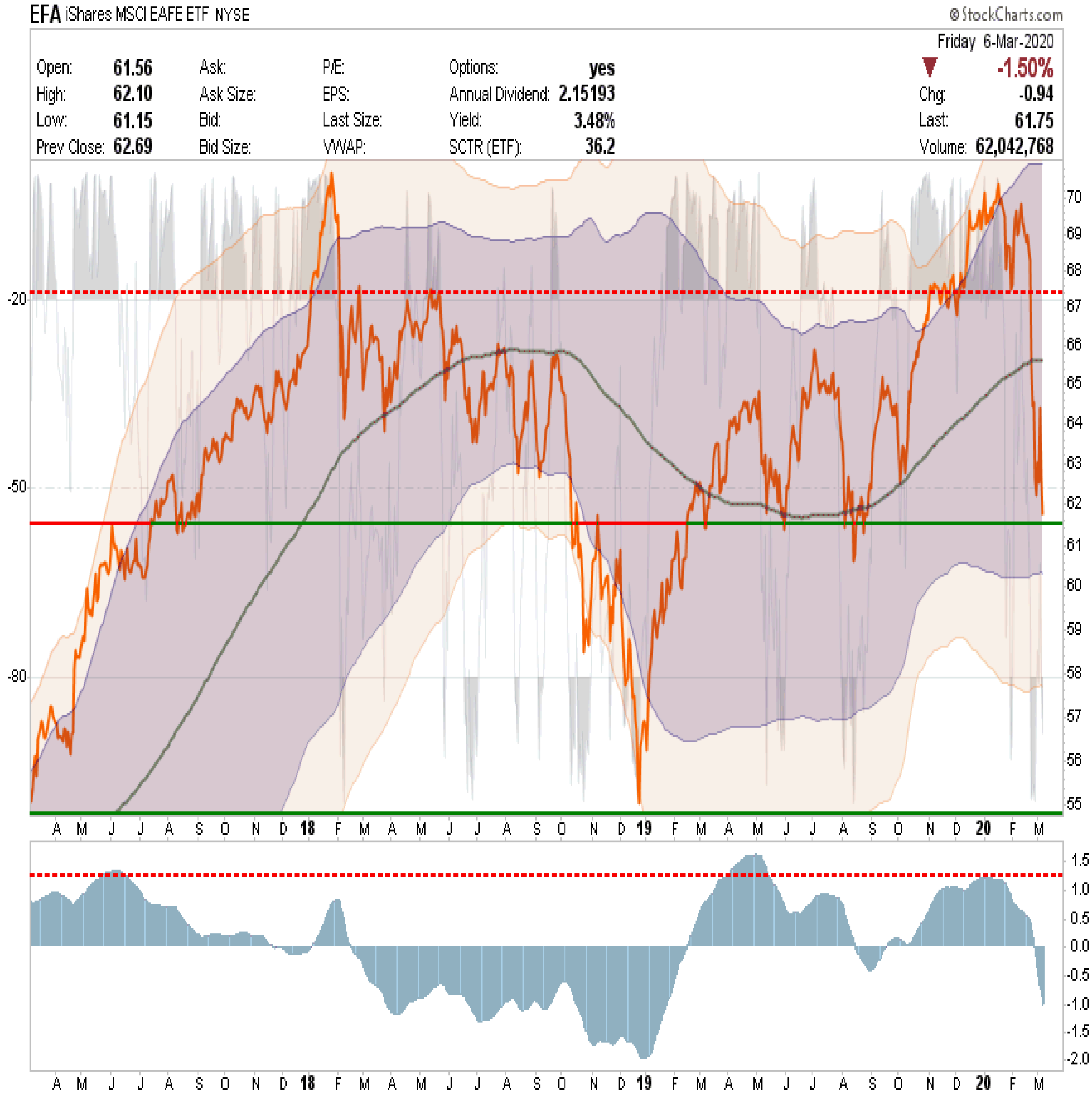
- *Previous, we said: ?MDY remains extremely extended above the 200-dma, so more corrective action is likely. MDY is still on a buy-signal but is pushing rather extreme deviations from long-term means.?*
- *Over the last two weeks, that changed. Now MDY is oversold, and has triggered a ?sell signal.?*
- *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.*
- *MDY has broken all critical supports and is holding one of its last two ?lines of defense.? It will ultimately fail and likely set lower lows.* ***However, MDY is oversold enough for a counter-trend bounce to sell into.***
- *Short-Term Positioning: Bearish ? Market Risk Is High*
  - *Last Week: No holding*
  - *This Week: No holding*
- *Long-Term Positioning: Bearish*

Emerging Markets



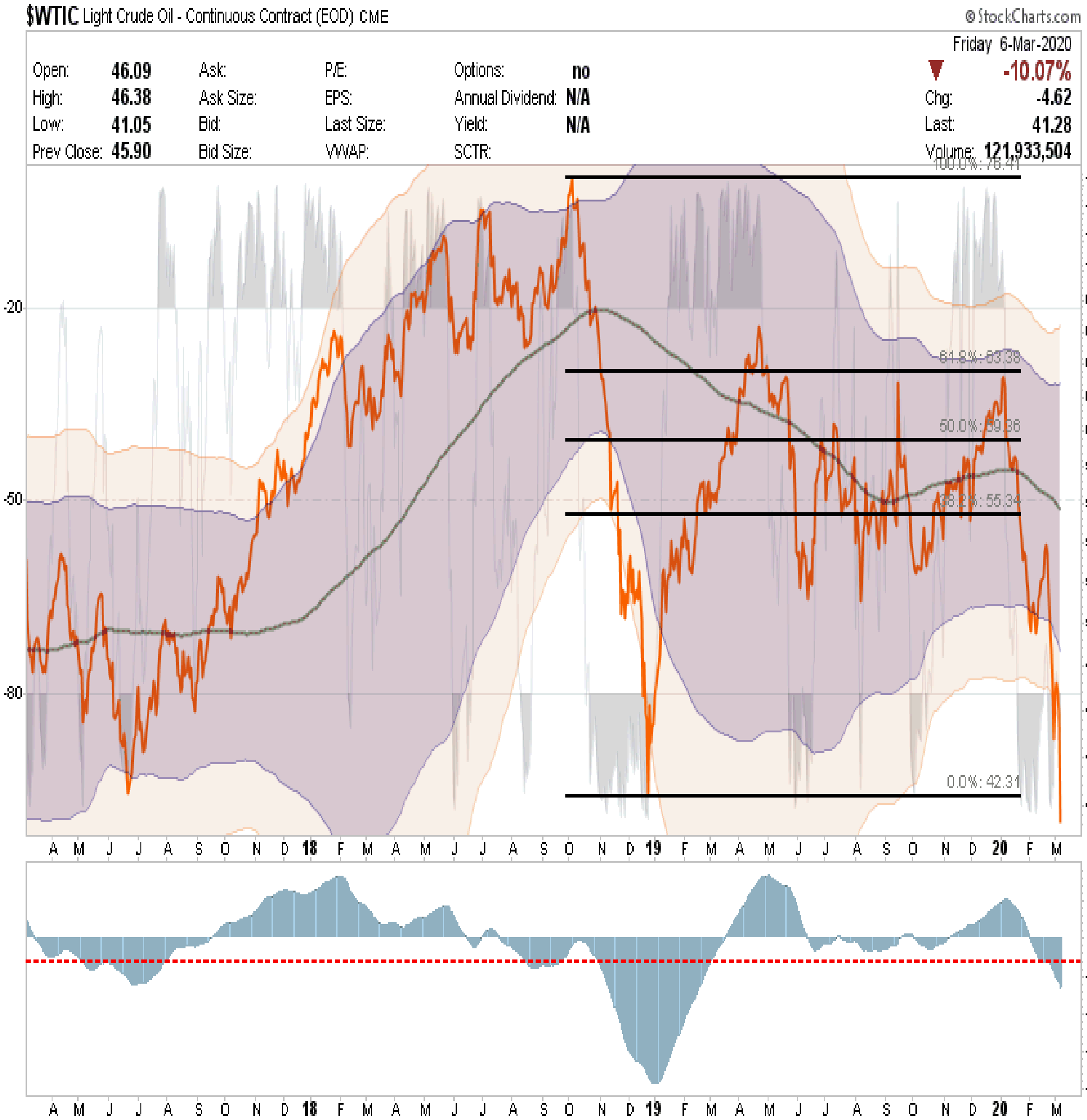
- *Previously: ?EEM failed at resistance and we sold our exposures to international holdings and return our focus on large cap value for now.?*
- *EEM has completed a ?head and shoulders? topping pattern and violated support at the 61.8% retracement level. EEM will eventually test previous lows particularly with a sell signal now registered.*
- *EEM is very oversold short-term so use counter-trend rallies to sell into.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
    - *Last Week: Sold positions*
    - *This Week: No position.*
    - *Stop-loss set at $40*
- *Long-Term Positioning: Bearish*

International Markets



- *Like EEM, EFA was also sold previously. as we return our focus back to large cap value.*
- *EFA is very sold and on a deep sell signal. A reflexive rally is likely back to $65. Use that level to sell into.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
  - *Last Week: Sold positions*
  - *This Week: No position.*
  - *Stop-loss set at $61*
- *Long-Term Positioning: Bearish*

West Texas Intermediate Crude (Oil)

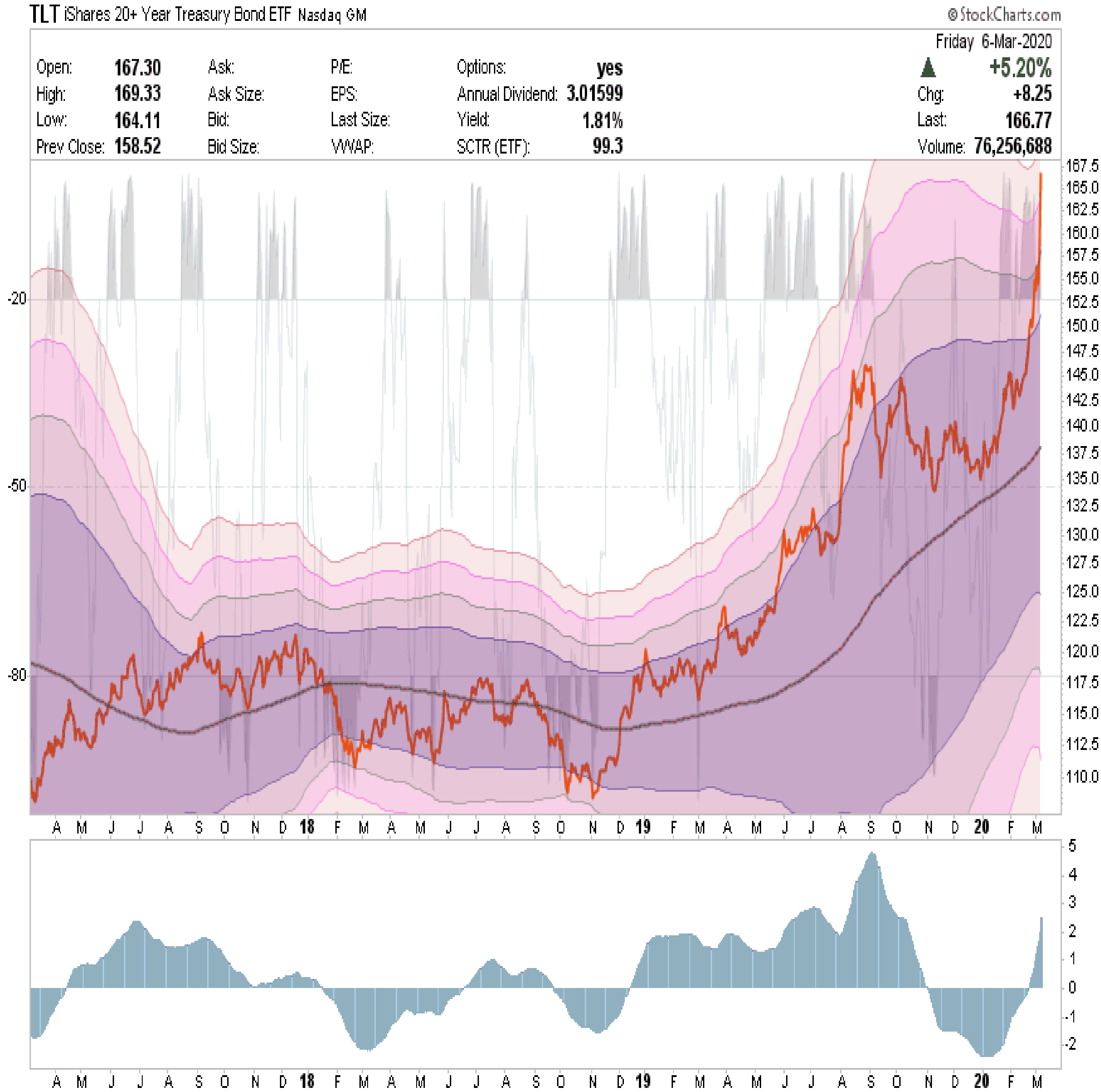


- *Last week, Russia failed to join OPEC+ in cutting production, and US drillers are producing more than current demand can offset. Drillers have to drill to make revenue to meet their debt obligations, so ultimately this is going to end very badly.*
- *We nibbled around the energy sector previously, but with the break of the 2018 lows in oil prices, suggesting we are going to see sub-$40/bbl oil, we were stopped out of our trades.*
- *On Friday we sold all energy related assets (AMLP, XOM, RDS.A).*
- *We still like the sector from a ?value? perspective and expect that we will wind up making a lot of money here. However, we were early, so we are going to step back and look for a better bottom to buy into.*
- *Short-Term Positioning: Bearish*
  - *Last Week: No positions*
  - *This Week: Sold All Holdings.*
  - *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.?*
- *We previously sold our GDX position (people intensive) but are maintaining our gold position as a hedge to the overall portfolio.*
- *We missed our entry on gold last week, as we never worked off the overbought condition enough. But support at $147.50 held.*
- *Our positioning looks good, and if we get some follow through next week on a ?reflexive rally,? it should allow us another opportunity to add to our positions.*
- *Short-Term Positioning: Bullish*
  - *Last week: Hold positions.*
  - *This week: Hold positions*
  - *Stop-loss for profits adjusted to $142.50, Look to buy at $147.50*
  - *Long-Term Positioning: Bullish*

Bonds (Inverse Of Interest Rates)



- *Previously we stated: ?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.*
- *While we sold our small position in TLT previously, the rest of our bond holdings have done the work of supporting the portfolio.*
- Carl Swenlin at Decision Point agrees with our view: "***?Price has accelerated into a parabolic advance, so we should be alert for a breakdown very soon. That doesn't mean that we'll see a complete collapse, but it is not likely that this vertical ascent will be maintained.?***
- *We agree. Bonds are getting ?stupid? overbought which suggests there is plenty of ?fuel? for a pretty vicious ?reflex rally? in stocks.* ***At 5-standard deviations you are going to see a reversal in rates back to $150-152 on TLT. This is will be your next entry point to buy bonds and sell stocks.***
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold positions*
  - *This Week: Holding positions.*
  - *Stop-loss is moved up to $142.50*
  - *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.?***
- *The early week rally in stocks pulled the dollar sharply lower and has now corrected a large chunk of the 3-standard-deviation extension to the upside. With the dollar back to oversold, it should find support near current levels to help support a reflexive rally in equities.*
- *The dollar is close to triggering a sell signal, so be cautious with positioning, there is risk down to the 38.2% retracement level.*