Each week we produce a chart book of the S&P 500 sectors to review where money is flowing within the market as whole. This helps refine not only decision making about what to own and when, but what sectors to overweight or underweight to achieve better performance. **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. **As noted last week, the steepness of the decline reset our parameters. Now, the goal is to rebalance portfolio risk. We will be reducing/removing some sectors which are most exposed to "COVID-19" and adding to/overweighting other sectors. Overall, the goal is not to change total portfolio weighting but to rebalance exposures to control risk.**

Basic Materials
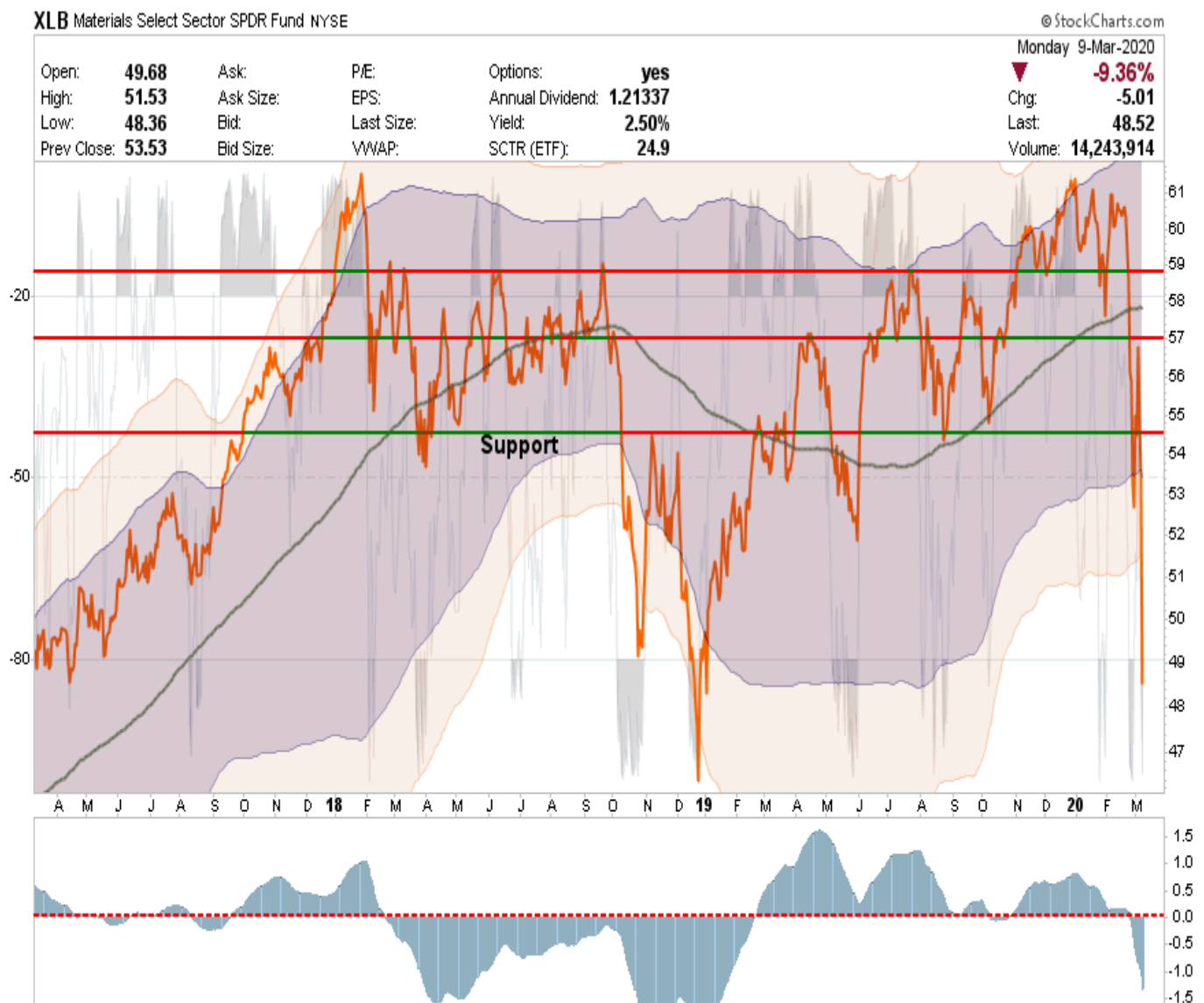
- *XLB severly broke down below it's 200-dma and is subject to the impact of the virus and the shutdown of the global supply chain.*
- *XLB is extremely oversold and trading 4-standard deviations below the 50-dma. It is also on a very deep sell signal.*
- *We sold all of our holdings previously.*
- *Use rallies back to previous support levels to clear positions for the time being.*
- *Short-Term Positioning: Bearish*
  - *Last Week: No Positions*
  - *This Week: No Positions*
  - *Stop-loss moved back to $53*
- *Long-Term Positioning: Bearish*

Communications
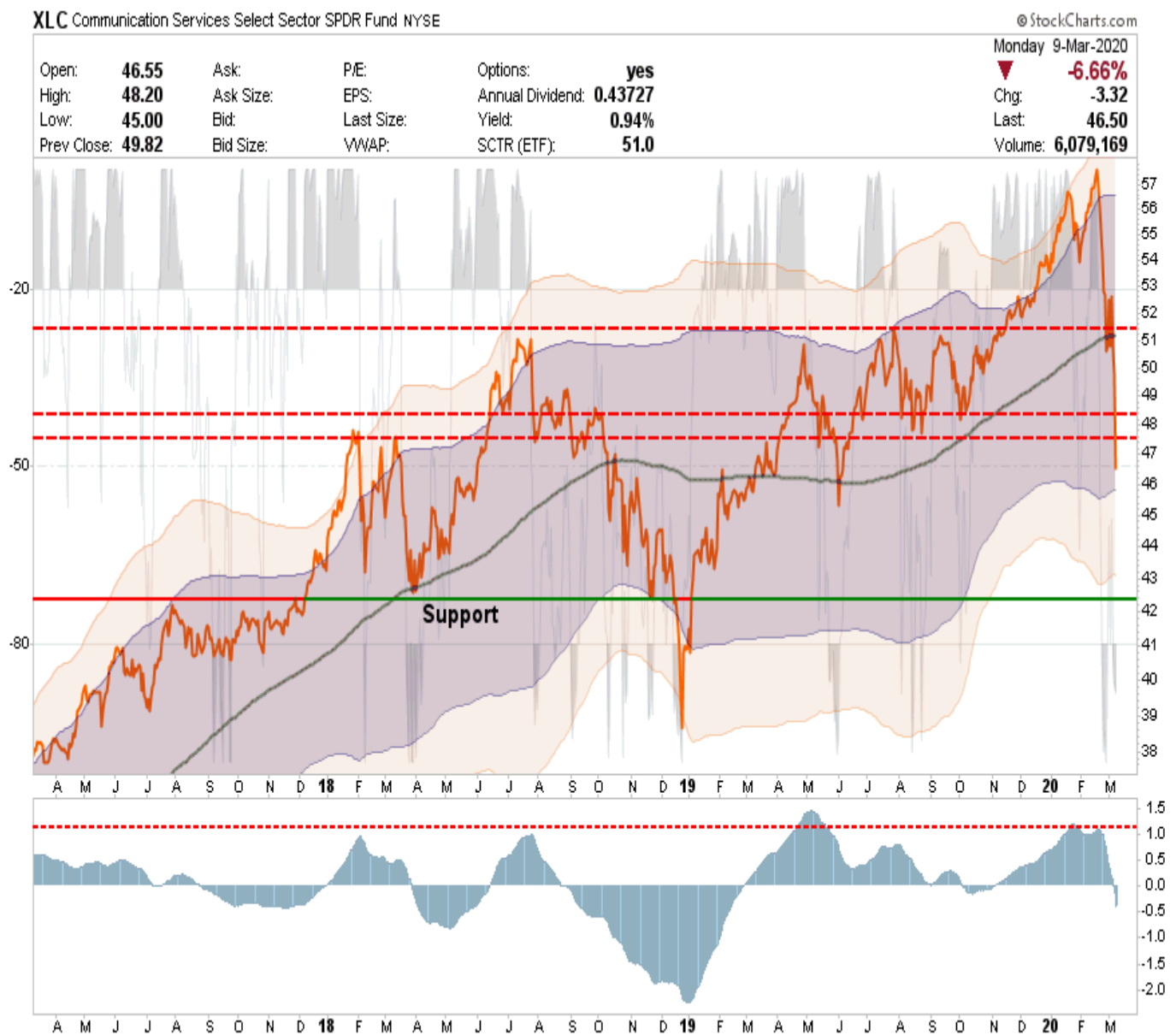
- *XLC is deeply oversold and is performing better than the overall market.*
- *Currently on a sell signal, you can be cautious adding exposure, but at 2-standard deviations below the 50-dma, a bounce is likely.*

- *Communications will likely get a "anti-virus" bid as investors look for tools where people can work from home, shop from home, etc.*
- *Short-Term Positioning: Bullish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
   - *Stop adjusted to $45*
- *Long-Term Positioning: Neutral*

Energy
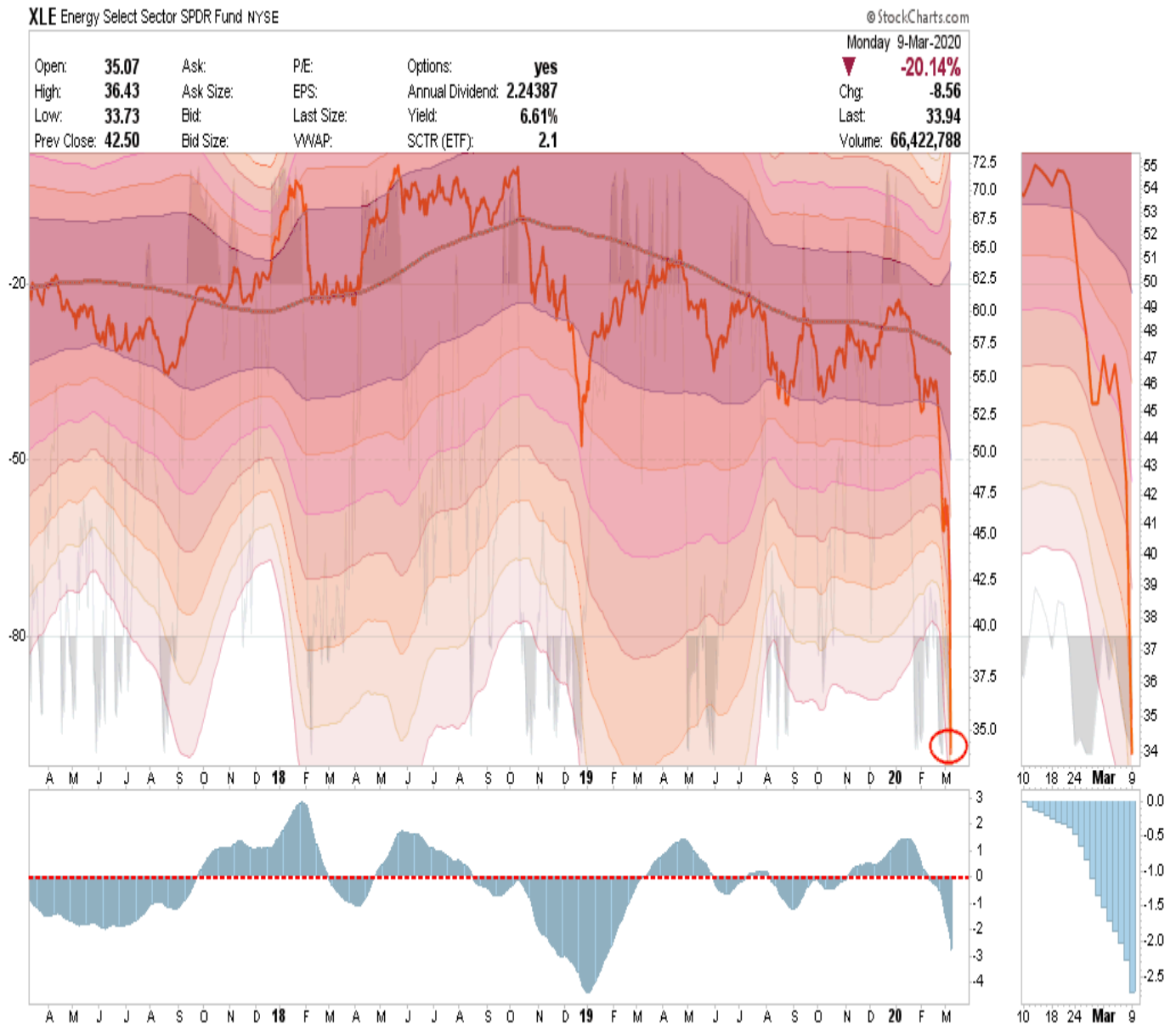
- *Wow!!!*
- *Last Friday, as Russia pulled out of the OPEC+ agreement to cut production we sold all of our energy holdings. This past Sunday, Saudi Arabia launched a price war.*
- *On Monday, XLE traded to 8-standard deviations below the 50-dma. I have NEVER seen such an extreme condition.*
- *The sell-signal and oversold condition are at extremes. For now, use rallies in energy to clear positions BUT we want to watch for a bottoming process to begin building long-term exposure.*

- *Be patient, we have plenty of time to do this correctly.*
- *Short-Term Positioning: Bearish*
    - *Last week: Sell into rally.*
    - *This week: Sell into rally.*
    - *No position currently*
- *Long-Term Positioning: Bearish*

Financials
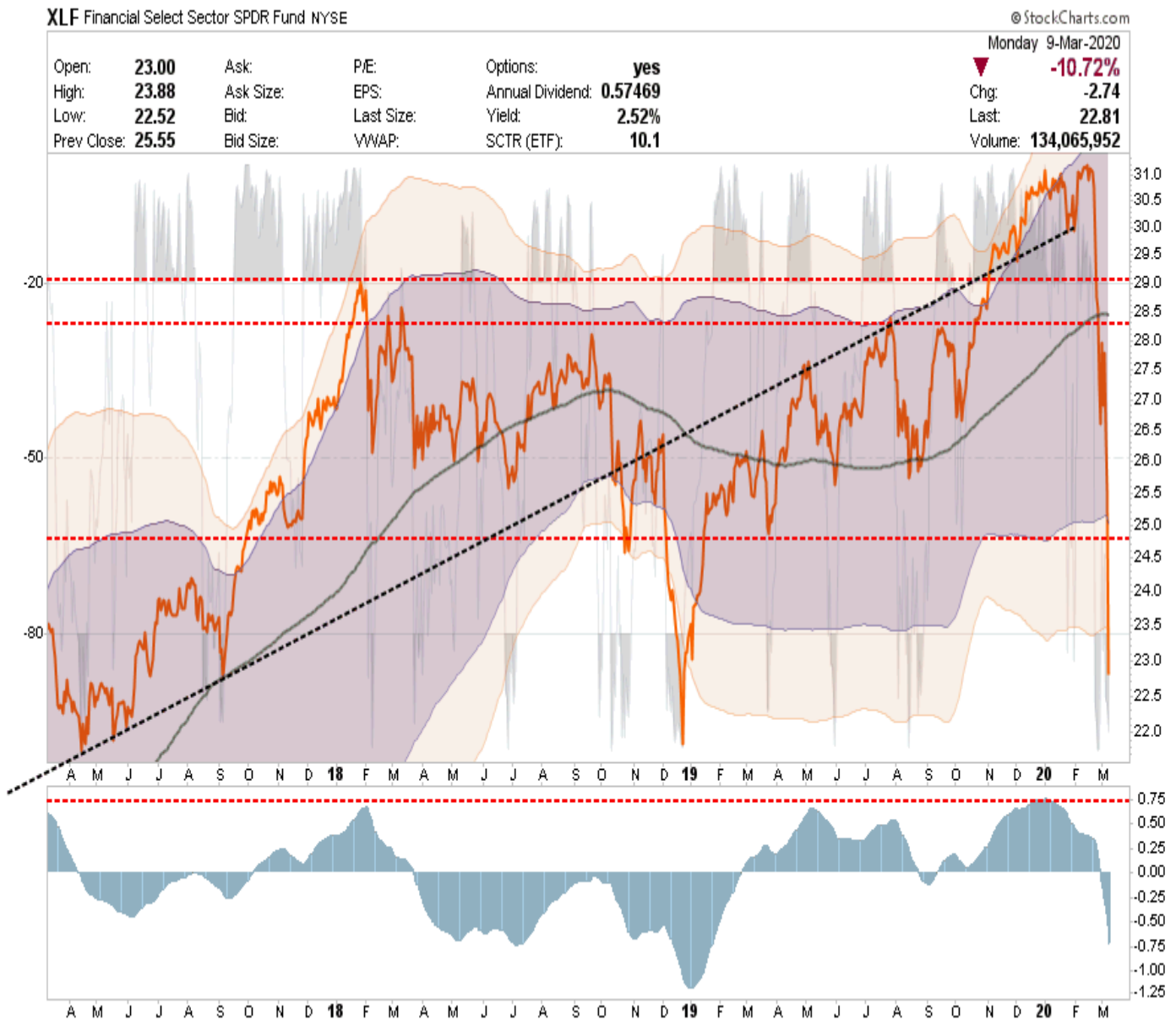
- *XLF broke the 200-dma and has triggered a "sell signal."*
- *Financials are likely to be impacted by the global supply chain shutdown and, now, a credit crisis stemming from the energy sector and a potential recessionary environment.*
- *We sold out of financials previously and will re-evaluate once the market calms down and finds a bottom.*
- *Sell on any rally.*
- *Short-Term Positioning: Neutral*
    - *Last week: No position*
   - *This week: No position*

- ○ *Stop-loss adjusted to $27*
- *Long-Term Positioning: Neutral*

Industrials
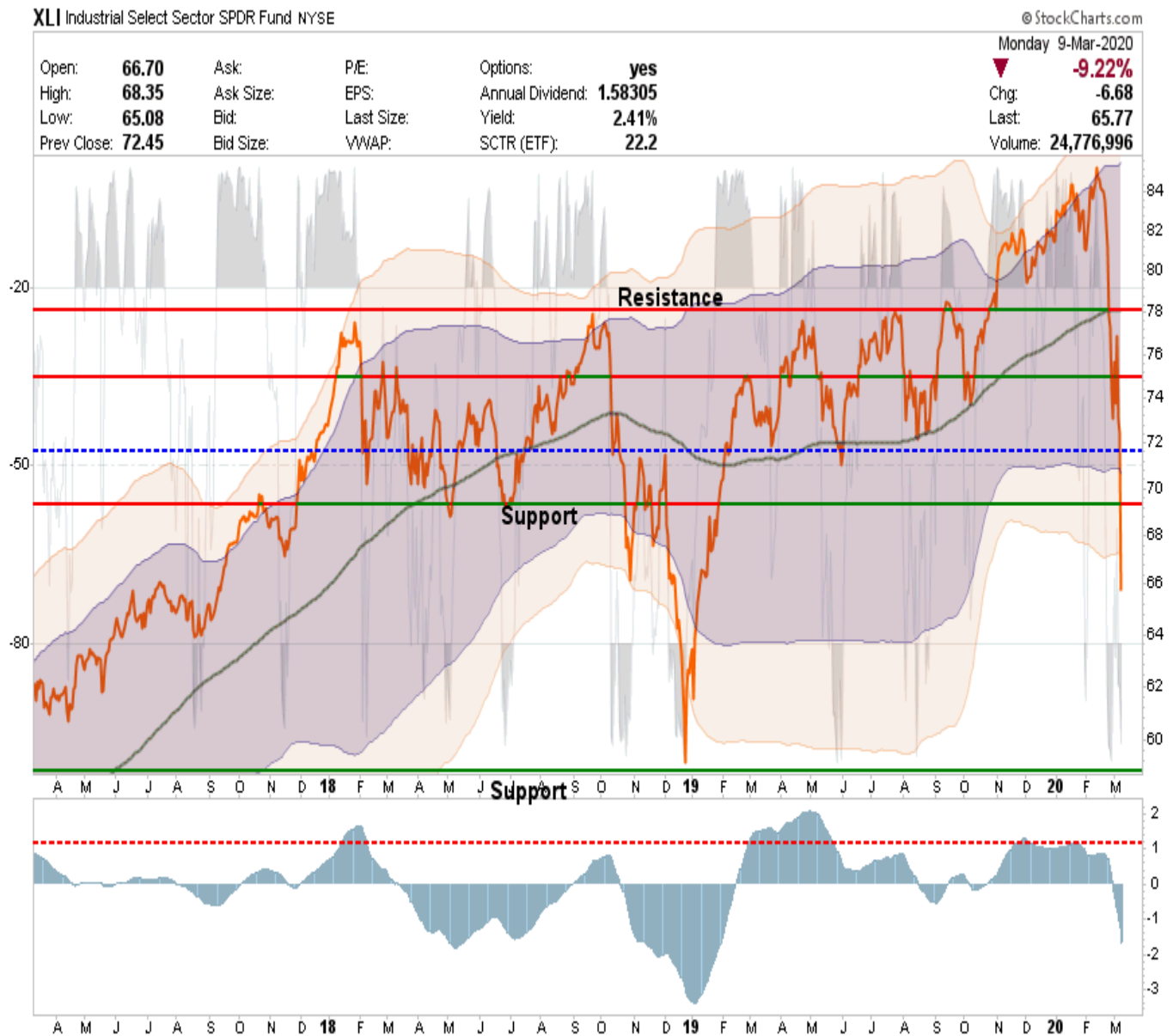
- *As with XLB, so goes XLI. As noted above, there is a good risk the "coronavirus" will have a direct impact on the global supply chains of industrial companies."*
- *XLI has broken support at the 200-dma and triggered a sell signal.*
- *We sold all of our holdings previously and will opt to wait for a better market structure to move back into the sector.*
- *Short-Term Positioning: Bearish*
  - ○ *Last week: No position.*
  - ○ *This week: No position.*
  - ○ *Stop-loss adjusted to $73*
- *Long-Term Positioning: Bearish*

Technology
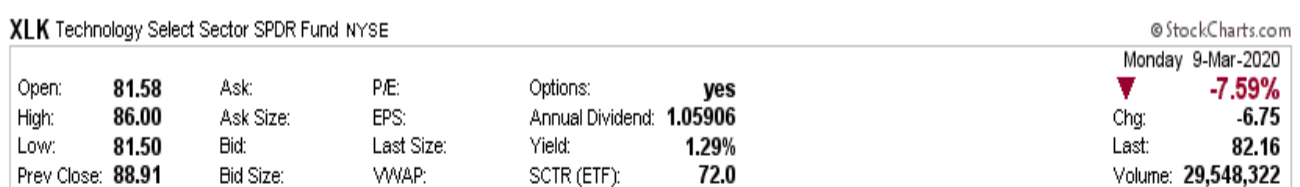
- *After having previously reduced our weighting and took in profits, we did add slightly back to our holdings. Technology is holding up better than the overall market and has only started flirting with critical support.*
- *With Technology deeply oversold, and a lot of recency bias with investors, we would expect to see a pretty strong reflexive bounce shortly.*
- *Short-Term Positioning: Bullish*
  - *Last week: Holding positions.*
  - *This week: Holding positions.*
  - *Stop-loss adjusted to $80*
 - *Long-Term Positioning: Bullish*

Staples
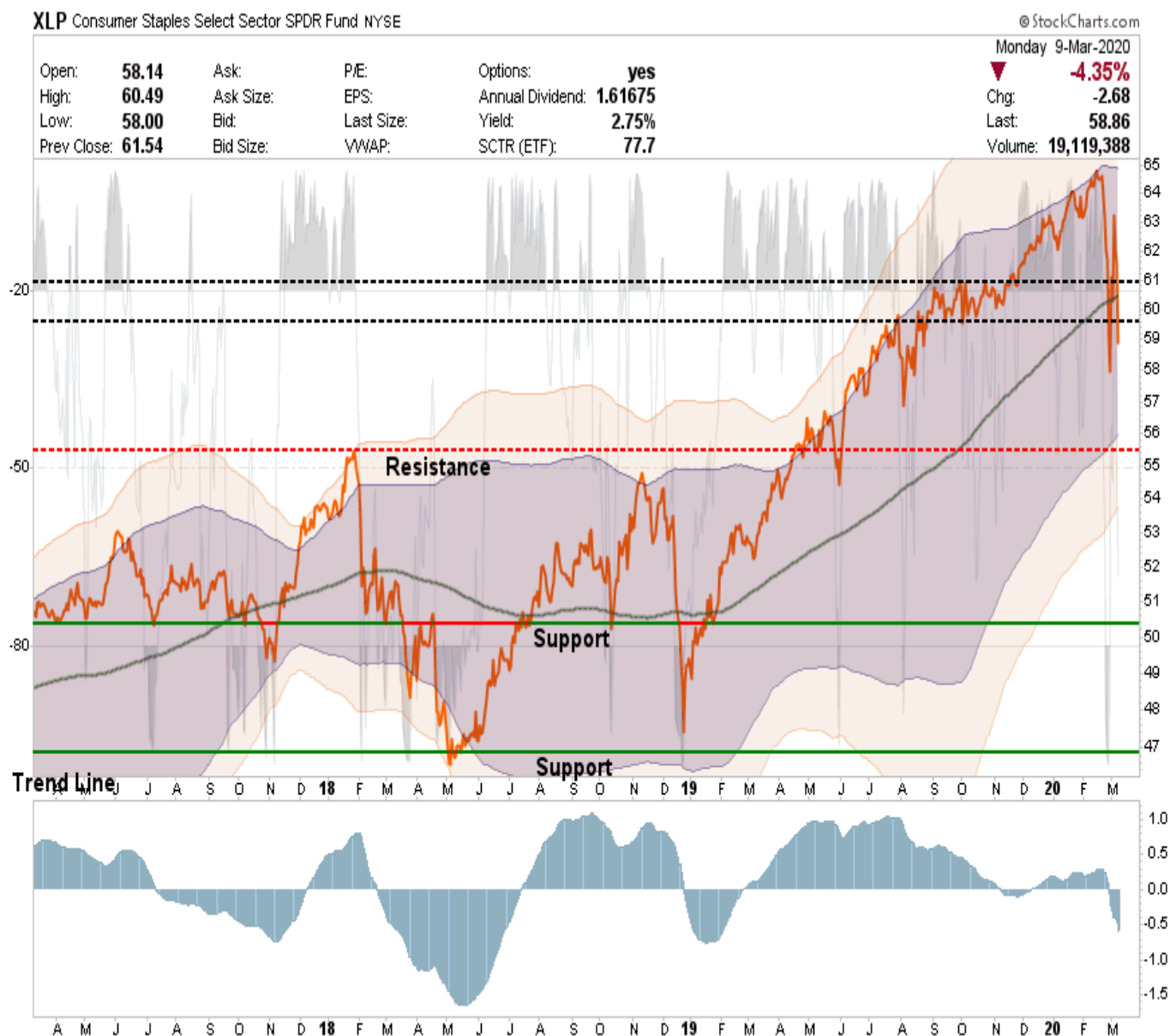
- *XLP finally got the correction we have been discussing for weeks since taking profits in our holdings.*
- *The correction has gotten XLP extremely oversold and is trying to hold support above recent lows.*
- *We previously took profits in XLP, and are carrying target weights in the portfolio.*

- *Short-Term Positioning: Bullish*
  - *Last week: Hold positions*
  - *This week: Hold positions.*
  - *Stop-loss adjusted to $58*
  - *Long-Term Positioning: Bullish*

Real Estate
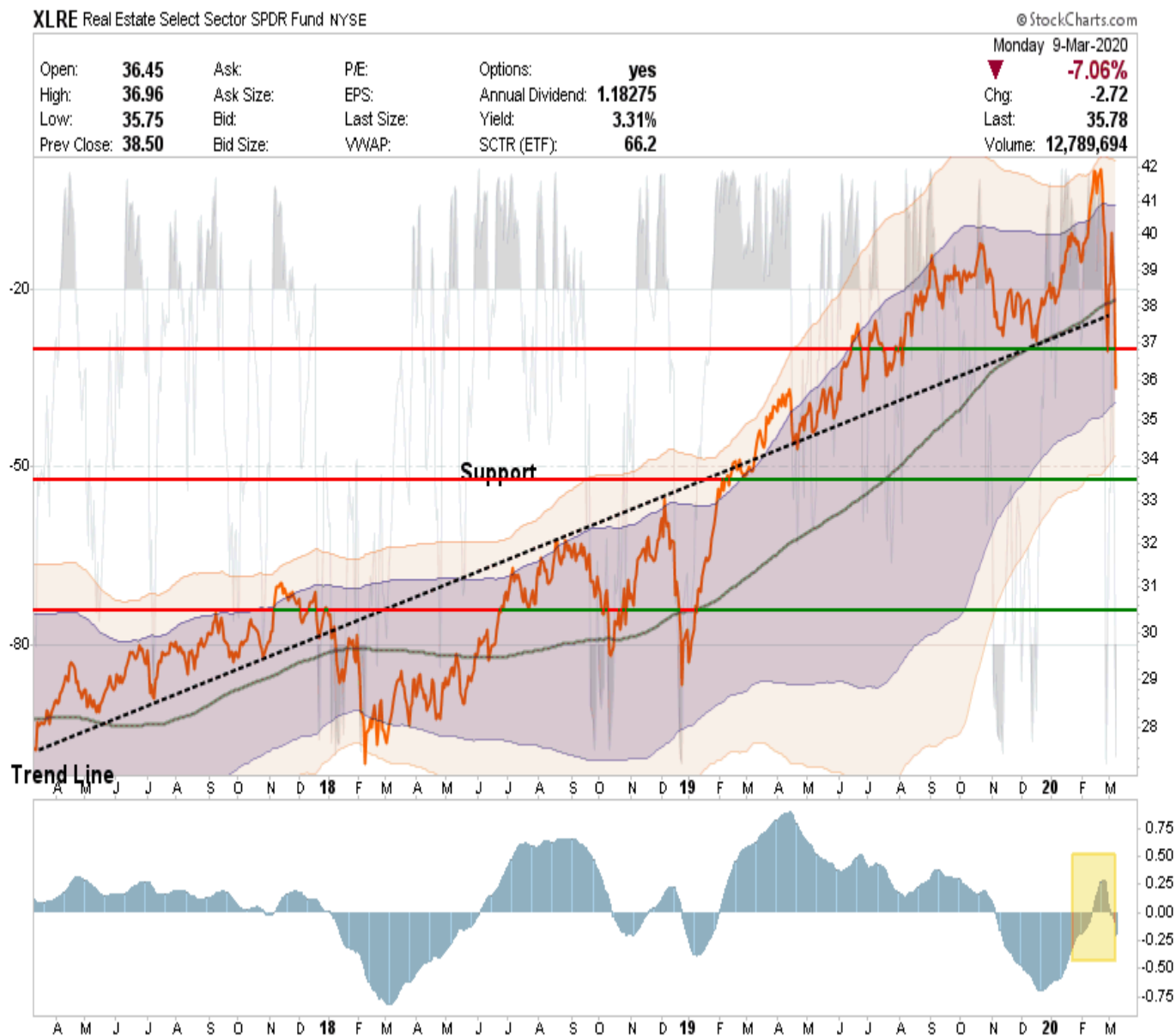
- *XLRE sold off and is testing the 2-standard deviation level.*
- *We previously took profits in the sector, and recently returned the sector to full weightings.*
- *XLRE should remain defensive in the market along with Utilities and Staples for now.*
- *Short-Term Positioning: Bullish*
  - *Last week: Hold position.*
  - *This week: Hold position.*
  - *Stop-loss remains at $35.00*
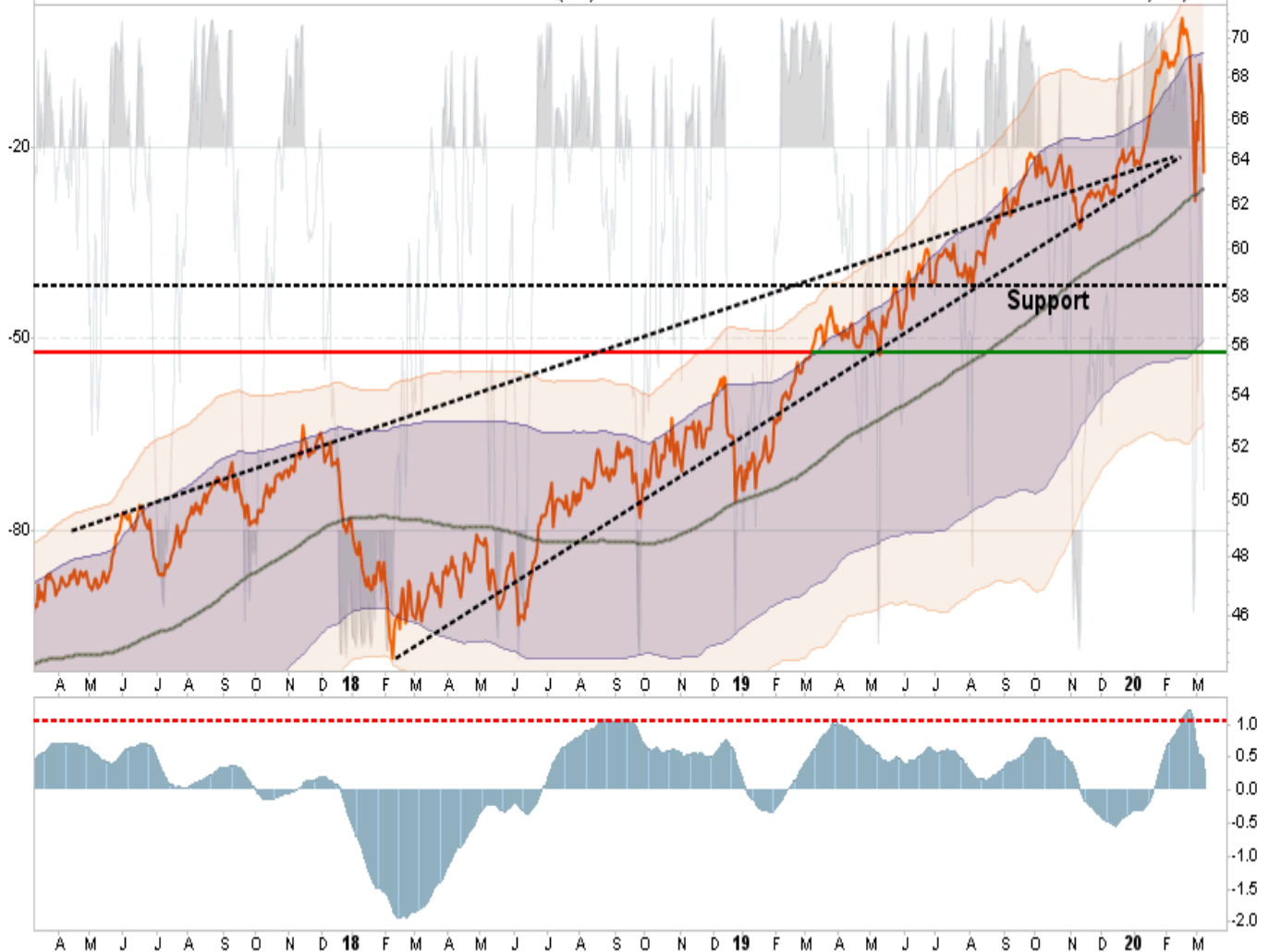- *Long-Term Positioning: Bullish*

Utilities

XLU Utilities Select Sector SPDR Fund NYSE — @ StockCharts.com

Monday 9-Mar-2020 ▼ -5.44%

Open:	63.55	Ask:		P/E:		Options:	yes		Chg:	-3.65
High:	65.25	Ask Size:		EPS:		Annual Dividend:	1.90898		Last:	63.46
Low:	62.46	Bid:		Last Size:		Yield:	3.01%		Volume:	37,166,892
Prev Close:	67.11	Bid Size:		VWAP:		SCTR (ETF):	84.4			

- *XLU, like XLRE, finally worked off the extreme overbought condition, is back to oversold and held bullish trends and the 200-dma.*
- *After taking profits, we did bring the position back to full weight.*
- *XLU is oversold but is performing better than the overall market.*
- *Short-Term Positioning: Bullish*
  - *Last week: Hold position.*
  - *This week: Hold position*
  - *Stop-loss adjusted to support at $62*
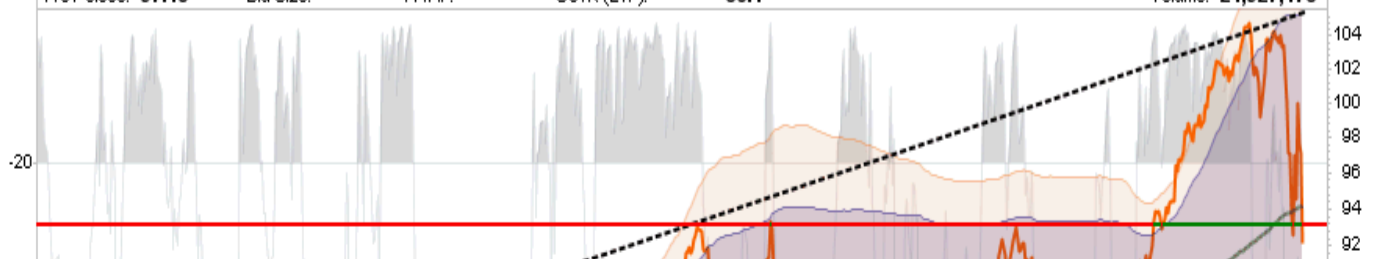- *Long-Term Positioning: Bullish*

Health Care

XLV Health Care Select Sector SPDR Fund NYSE — @ StockCharts.com

Monday 9-Mar-2020 ▼ -5.20%

Open:	91.39	Ask:		P/E:		Options:	yes		Chg:	-5.05
High:	94.28	Ask Size:		EPS:		Annual Dividend:	1.54065		Last:	92.10
Low:	90.01	Bid:		Last Size:		Yield:	1.67%		Volume:	21,927,178
Prev Close:	97.15	Bid Size:		VWAP:		SCTR (ETF):	80.1			

- *XLV has remained intact and is holding up better than the overall market.*
- *After taking profits we brought the sector back to full weight to diversify against the virus risk.*
- *XLV did trigger a "sell signal" which may lead to more short-term weakness but overall, we like the position setup for a reflexive rally in the market.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold positions*
  - *This week: Hold positions.*
  - *Stop-loss adjusted to $90*
- *Long-Term Positioning: Bullish*

Discretionary
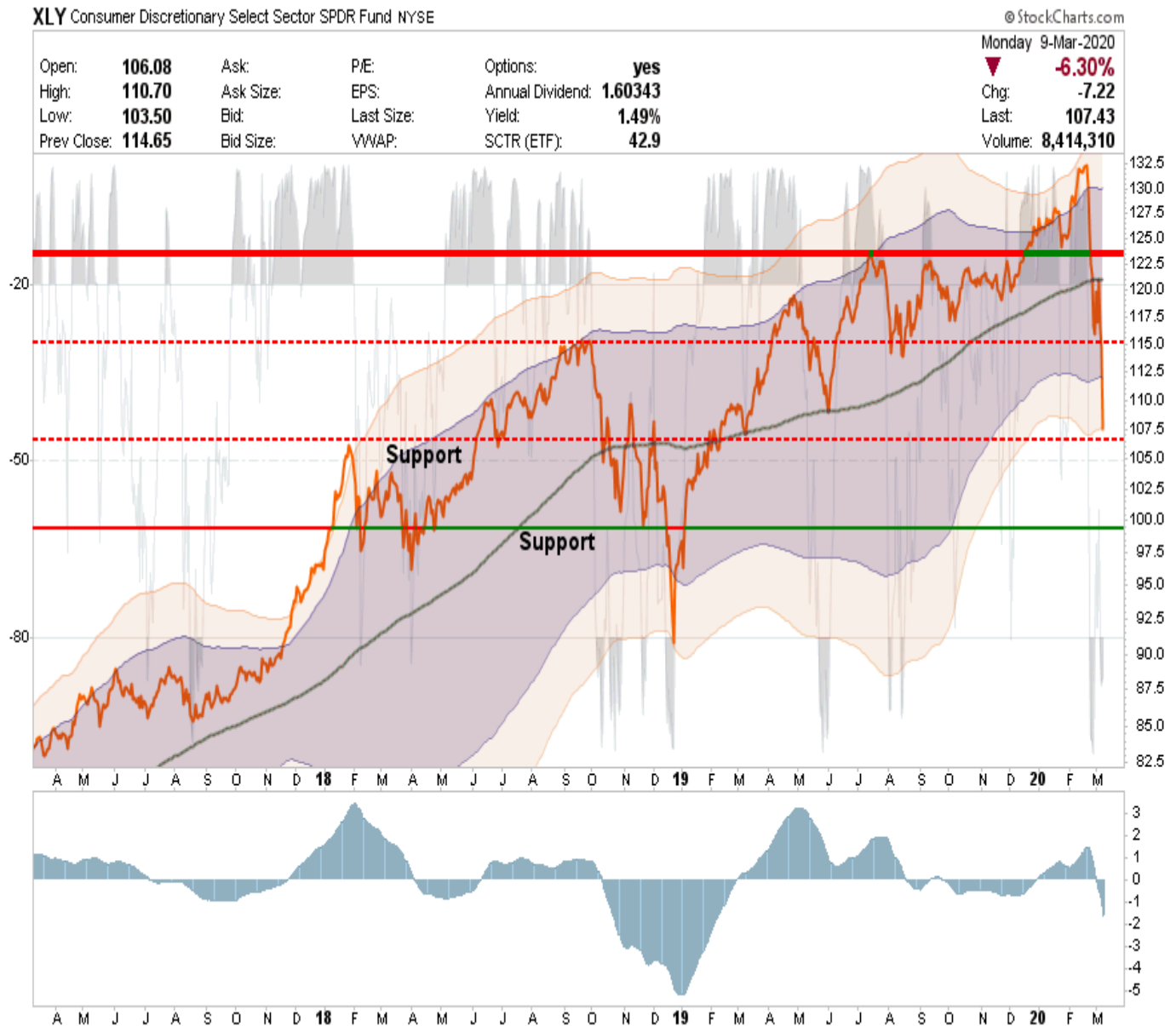
- *We took profits in XLY previously and sold the entire position last Friday.*
- *This sector is likely going get some impact from a potential economic slowdown, and supply chain problems so we closed out our position.*
- *We are focusing on Staples for the time being but will watch for recovery in Discretionary.*
- *Short-Term Positioning: Neutral*
  - *Last week: Hold position*

- ○ *This week: No position*
- ○ *Stop-loss adjusted to $115.*
- *Long-Term Positioning: Neutral*

Transportation
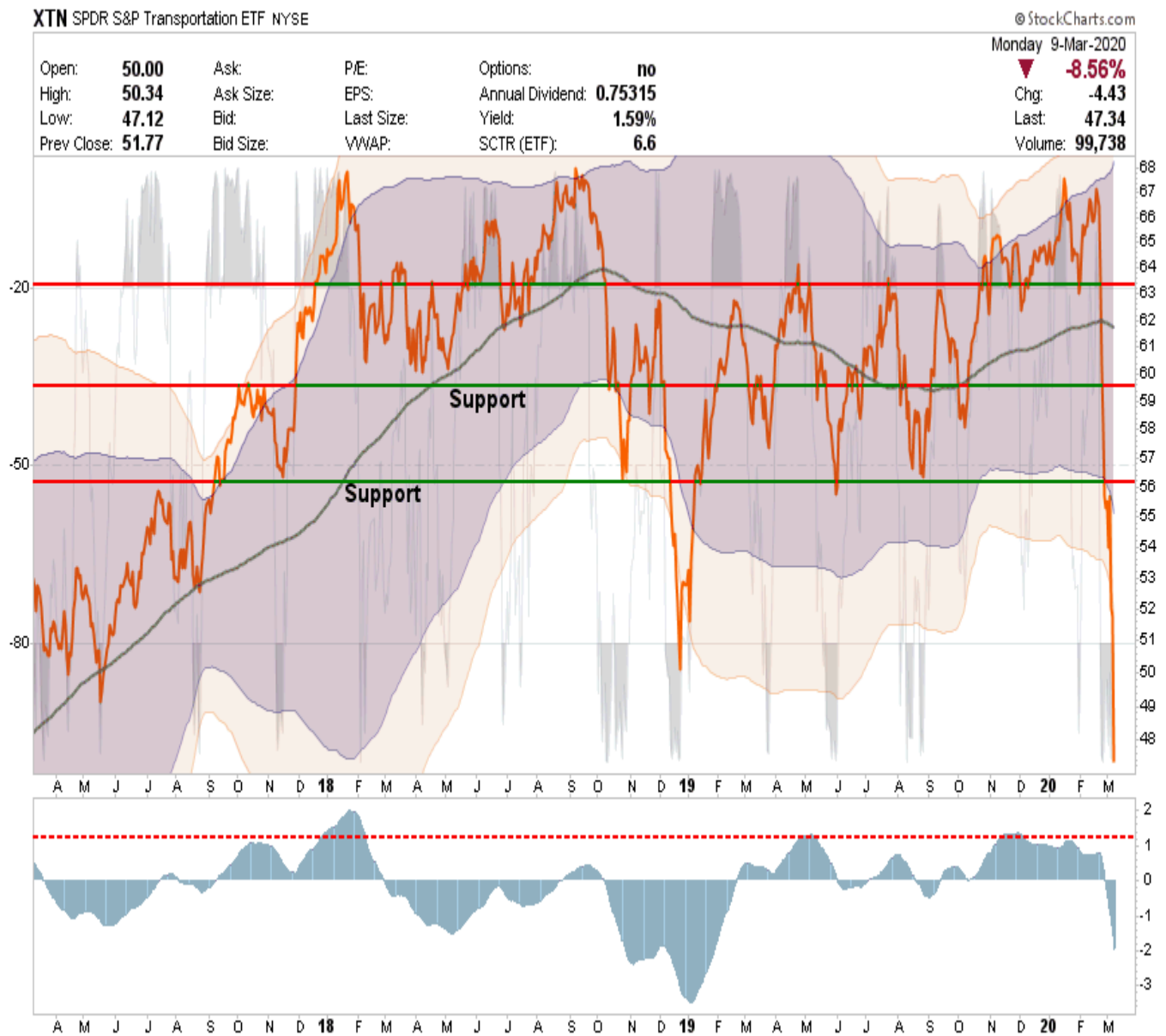
- *XTN failed to hold support and is trading 4-5 standard deviations below the 50-dma. The combination of the supply chain and oil prices is hitting the sector hard.*
- *We have remained out of the economically sensitive sector and as noted last week the impact of the "coronavirus" will likely have global supply chain impacts.*
- *The sector is oversold short-term, which could elicit a reflexive bounce. However, such a bounce should be used to sell positions into for now.*
- *Short-Term Positioning: Neutral*
  - ○ *Last week: No position*
  - ○ *This week: No position*
- *Long-Term Positioning: Bearish*