

Sector Buy/Sell Review: 03-24-20

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 previously, the steepness of the decline reset our parameters. Now, the goal is to rebalance portfolio risk. We previously removed sectors most exposed to "COVID-19" and can now start looking for entry points.**

Basic Materials

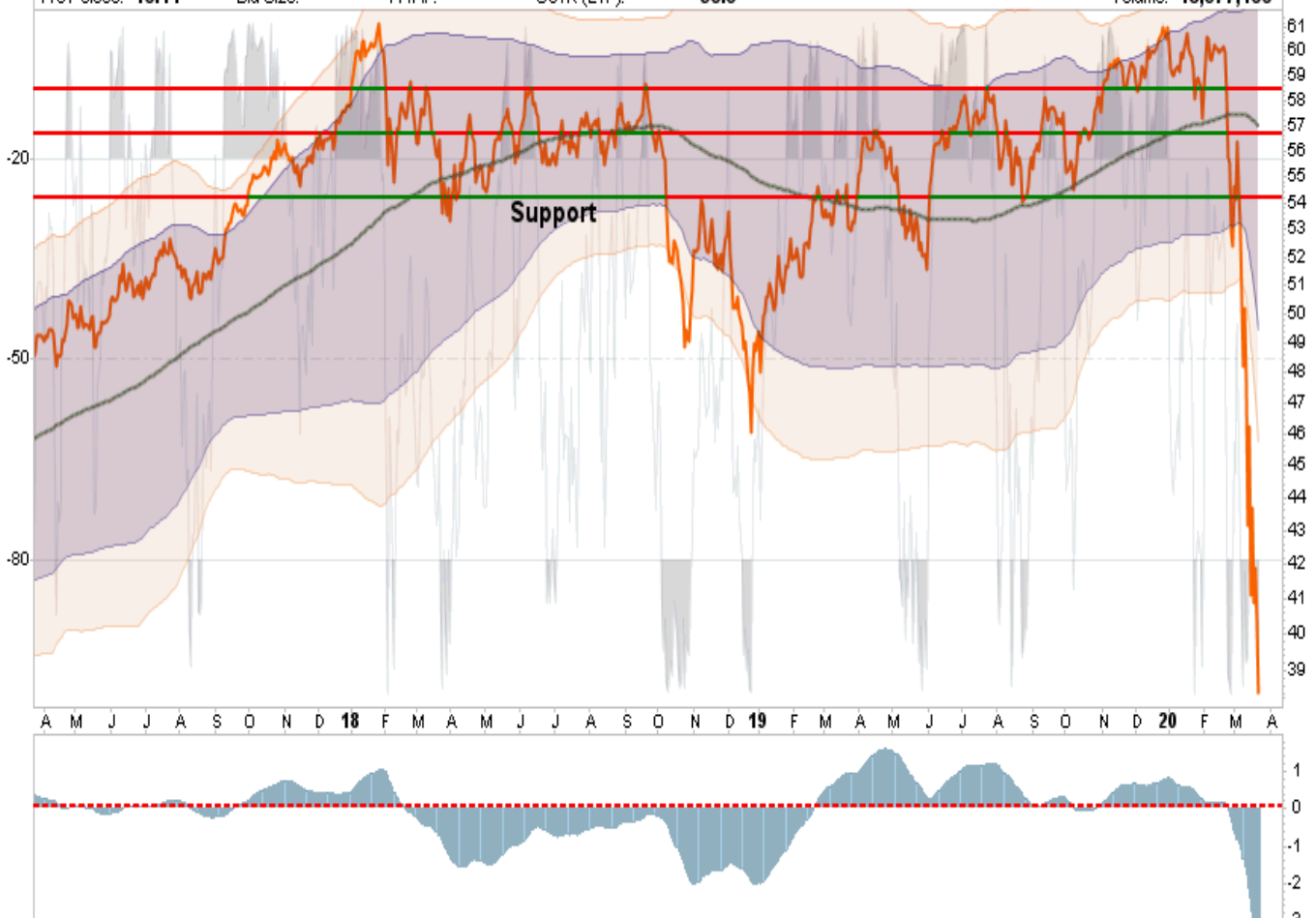
XLB Materials Select Sector SPDR Fund NYSE

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Monday 23-Mar-2020

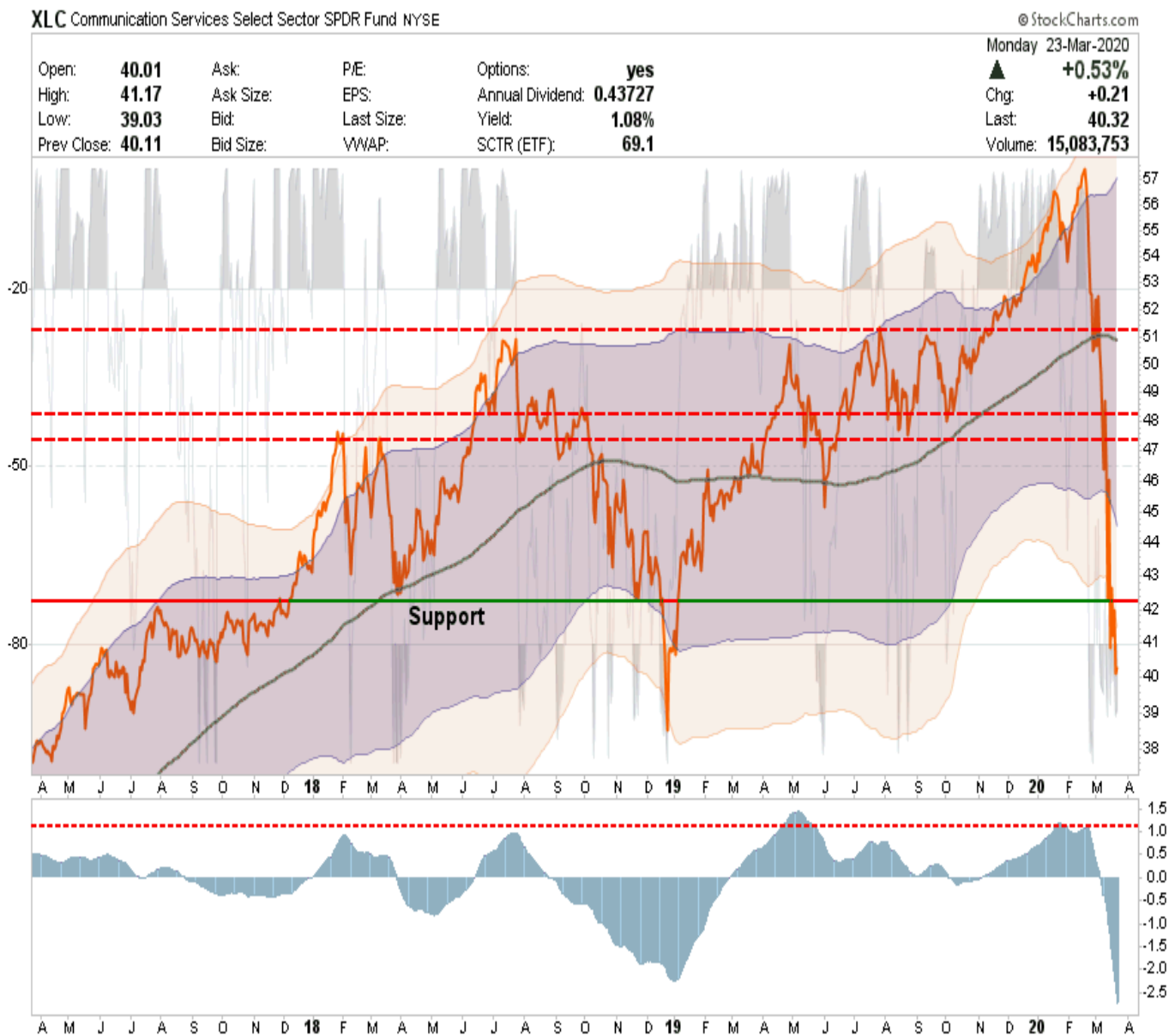
Open:	40.16	Ask:	P/E:	Options:	yes
High:	40.44	Ask Size:	EPS:	Annual Dividend:	1.21337
Low:	38.16	Bid:	Last Size:	Yield:	3.16%
Prev Close:	40.41	Bid Size:	WWAP:	SCTR (ETF):	30.6

Chg:	-5.10%
Last:	38.35
Volume:	18,677,400



- *XLB severely broke down below its 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 5-standard deviations below the 50-dma. It is also on a very deep sell signal.*
- *We sold all of our holdings previously. Currently, there is a trading opportunity here, but we are going to concentrate our holdings in better performing sectors for now.*
- *Use rallies back to previous support levels to clear positions for the time being. There are too many unknowns currently, and just way to early, to assume a bottom is in.*
- *Short-Term Positioning: Bearish*
 - *Last Week: No Positions*
 - *This Week: No Positions*
- *Long-Term Positioning: Bearish*

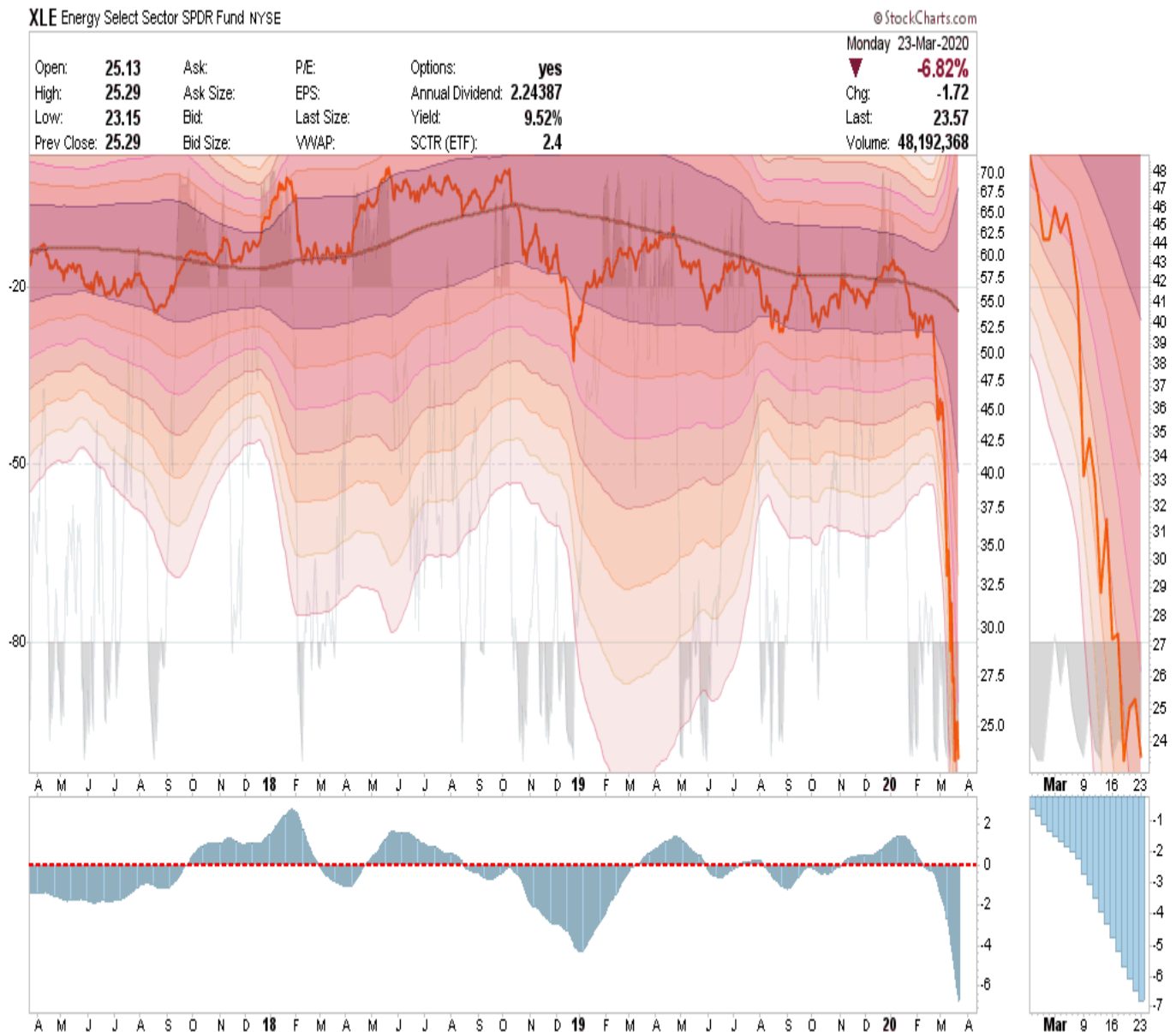
Communications



- *XLC is deeply oversold and is performing better than the overall market. This is an area we are going to add to very soon.*

- *Currently on a sell signal, and deeply oversold, we are looking to add exposure for a bear market rally.*
- *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: Holding 1/2 positions*
- *Long-Term Positioning: Neutral*

Energy



- *Some day, Energy is going to be a "helluva good" money making opportunity. Just not now.*
- *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.*

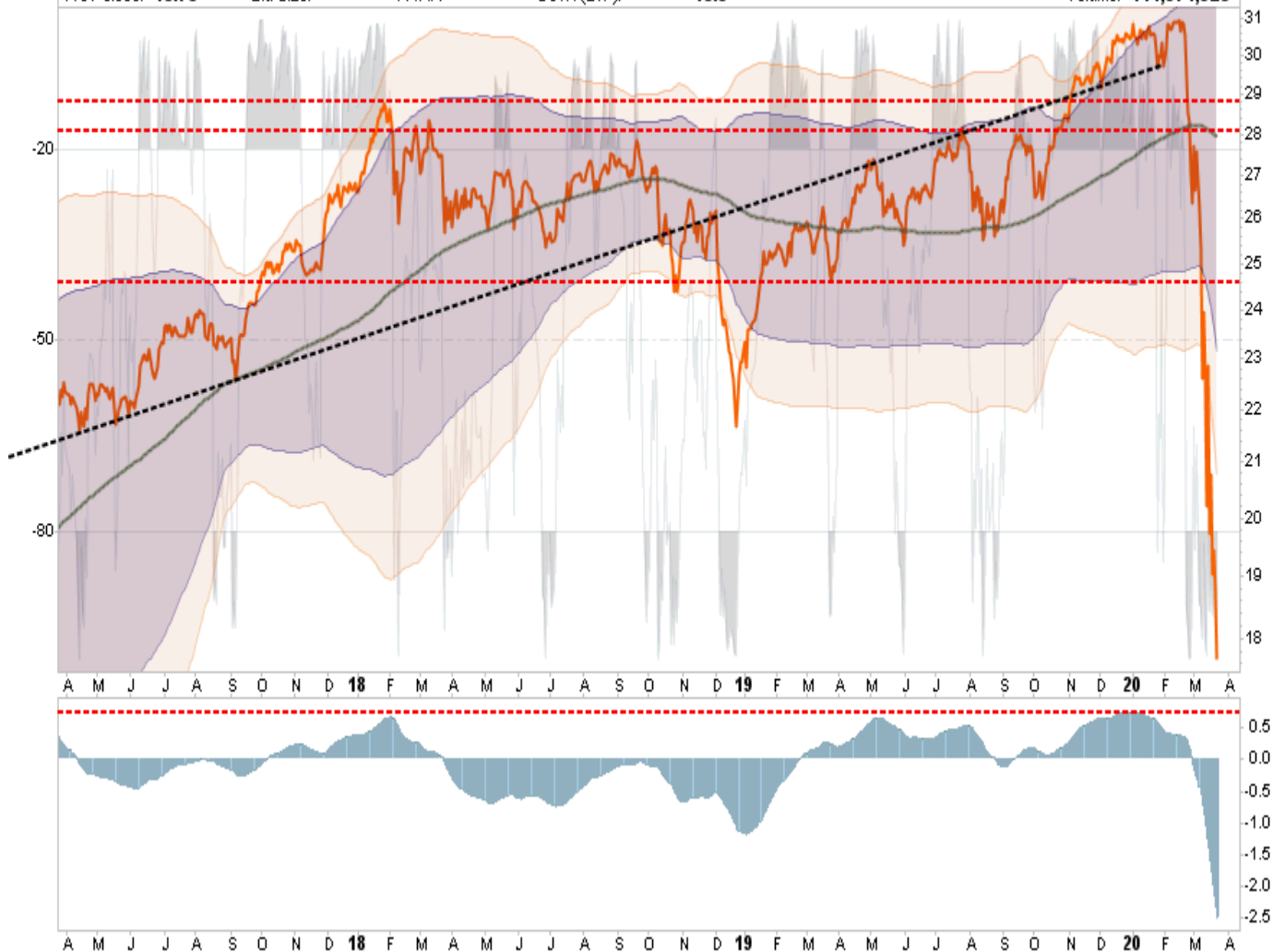
- *This week: Sell into rally.*
- *No position currently*
- *Long-Term Positioning: Bearish*

Financials

XLF Financial Select Sector SPDR Fund NYSE

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Open: 18.44	Ask:	P/E:	Options: yes	Monday 23-Mar-2020	-5.82%
High: 18.60	Ask Size:	EPS:	Annual Dividend: 0.57469	Chg: -1.09	
Low: 17.49	Bid:	Last Size:	Yield: 3.25%	Last: 17.66	
Prev Close: 18.75	Bid Size:	VWAP:	SCTR (ETF): 18.5	Volume: 144,374,928	



- *XLF broke the 200-dma and has triggered a "sell signal."*
- *Financials are being impacted by both the a credit crisis stemming from the energy sector, rising defaults from a crashing economy, and "zero interest rates" from the Fed is a negative for net interest margins.*
- *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*
- *Long-Term Positioning: Neutral*

Industrials

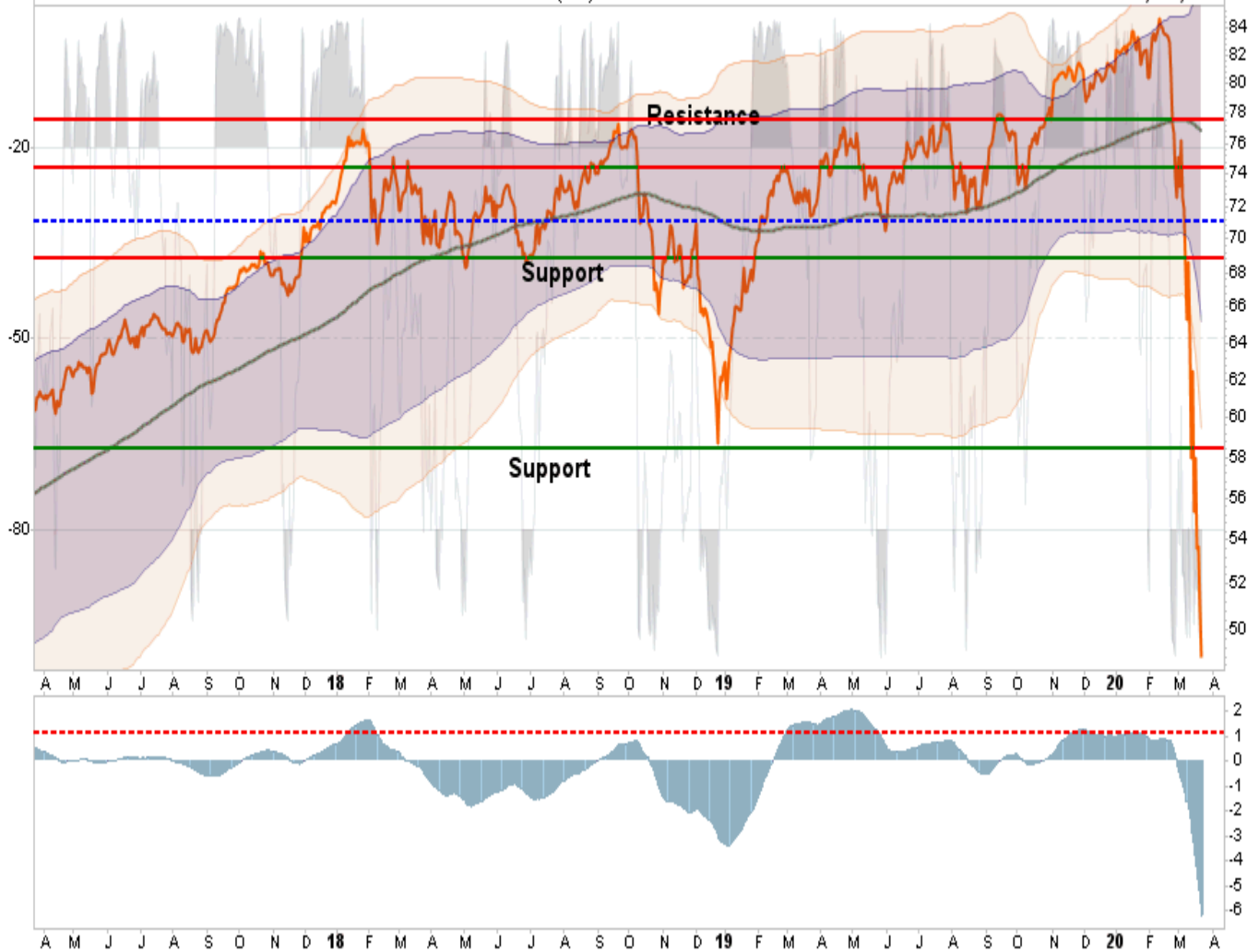
XLI Industrial Select Sector SPDR Fund NYSE

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Monday 23-Mar-2020

Open: **50.83** Ask: P/E: Options: **yes**
High: **50.83** Ask Size: EPS: Annual Dividend: **1.58305**
Low: **47.71** Bid: Last Size: Yield: **3.25%**
Prev Close: **51.00** Bid Size: VWAP: SCTR (ETF): **18.0**

▼ **-4.38%**
Chg: **-2.23**
Last: **48.77**
Volume: **34,346,012**

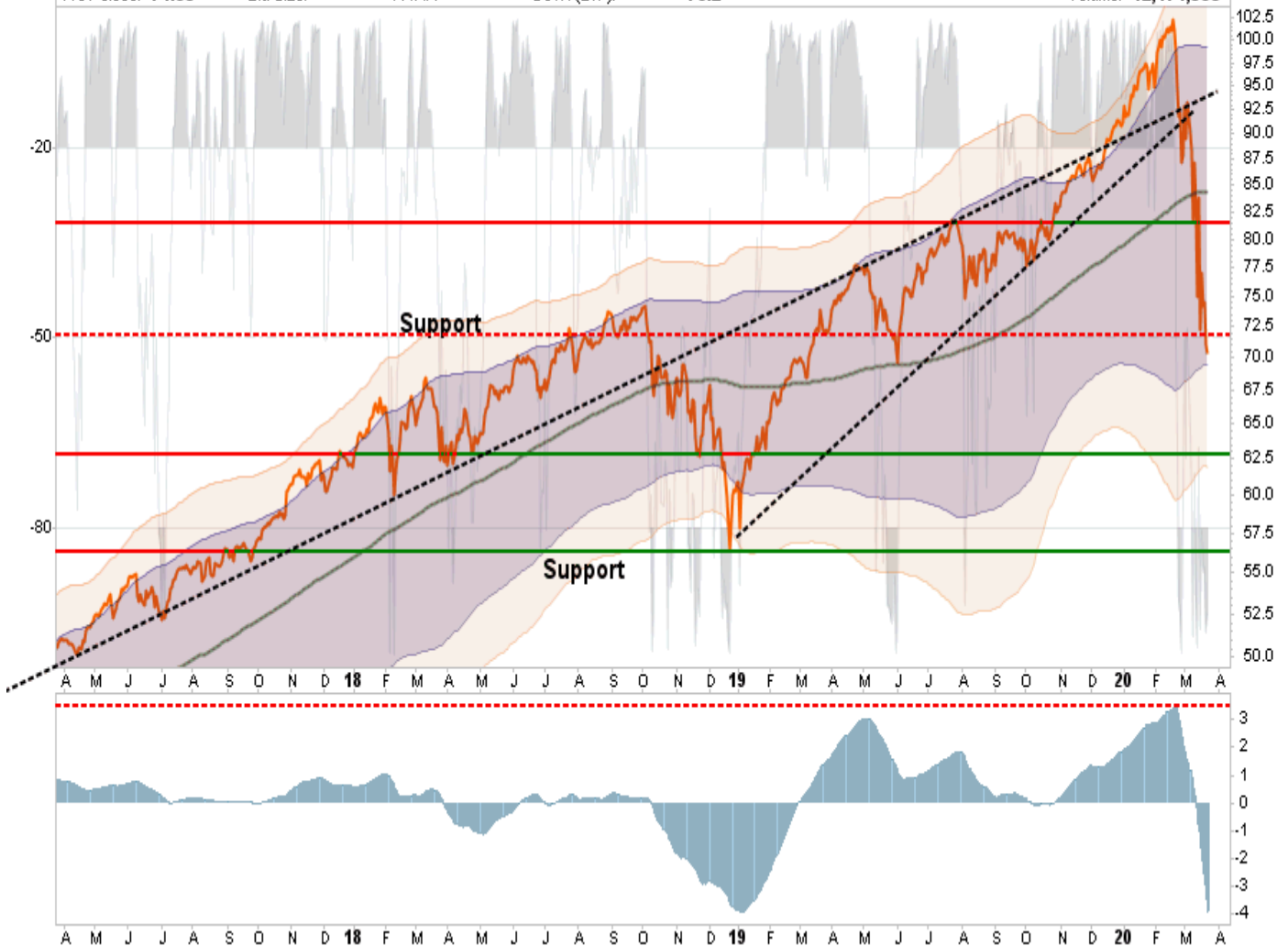


- *As with XLB, so goes XLI.*
- *We sold all of our holdings previously and will opt to wait for a better market structure to move back into the sector.*
- *Short-Term Positioning: Bearish*
 - *Last week: No position.*
 - *This week: No position.*
- *Long-Term Positioning: Bearish*

Technology

Open:	70.69	Ask:	P/E:	Options:	yes
High:	72.22	Ask Size:	EPS:	Annual Dividend:	1.05906
Low:	68.10	Bid:	Last Size:	Yield:	1.50%
Prev Close:	71.05	Bid Size:	VWAP:	SCTR (ETF):	76.2

Monday 23-Mar-2020	▼ -0.91%
Chg:	-0.65
Last:	70.40
Volume:	42,471,508

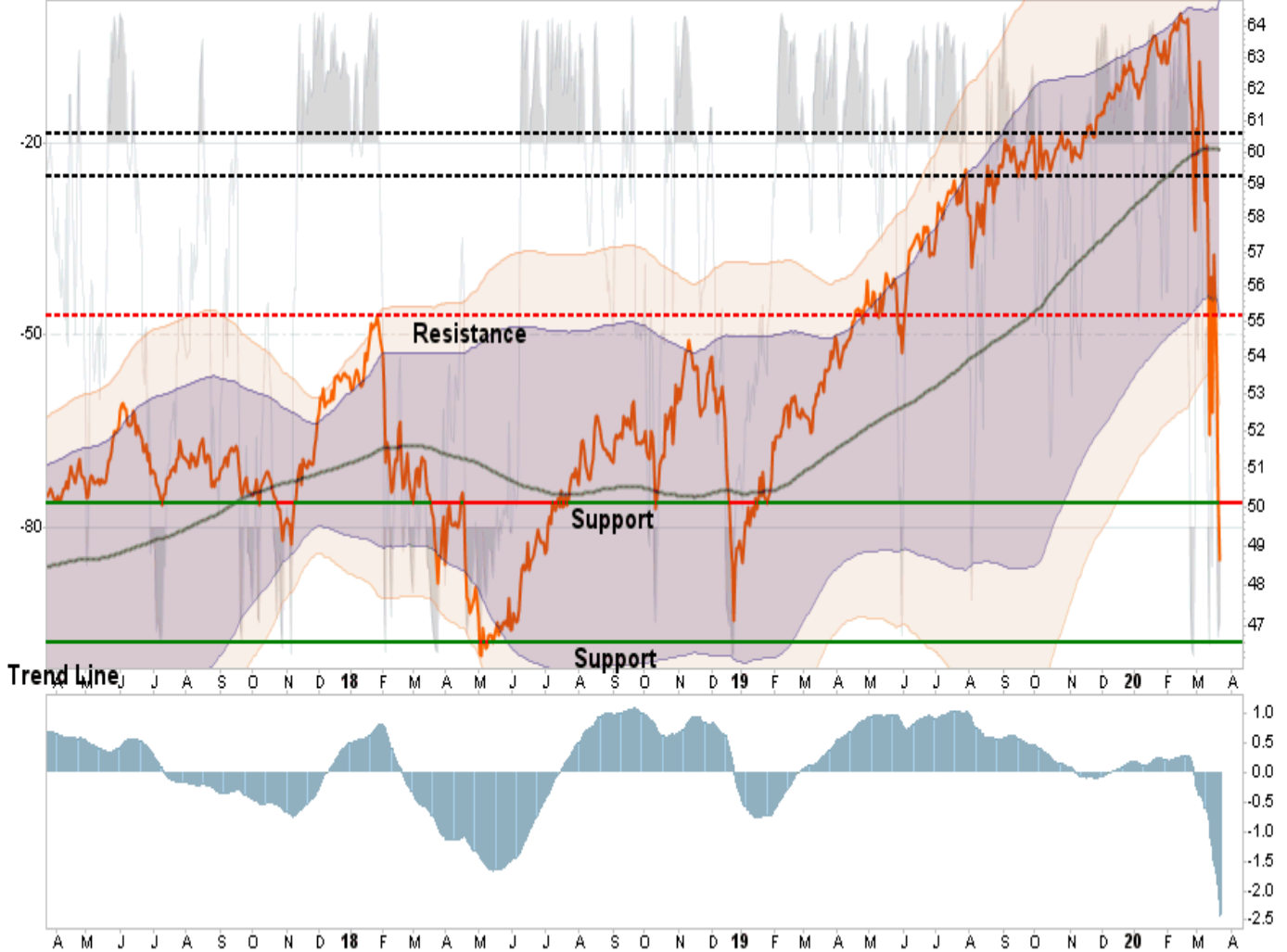


- *Technology is holding up better than the overall market and has only started flirting with critical support. We added a starter position in QQQ on Monday, and will add to XLK opportunistically for a bear market rally. All positions are "rentals" and will be sold on the rally.*
- *With Technology deeply oversold, and a lot of recency bias with investors, we would expect to see a pretty strong reflexive bounce. It is too soon to add to our holdings but are looking for an entry point.*
- *Short-Term Positioning: Bullish*
 - *Last week: Holding positions.*
 - *This week: Holding 1/2 positions, looking to add.*
 - *Long-Term Positioning: Bullish*

Staples

Open:	50.01	Ask:	P/E:	Options:	yes
High:	50.60	Ask Size:	EPS:	Annual Dividend:	1.61675
Low:	47.66	Bid:	Last Size:	Yield:	3.32%
Prev Close:	50.11	Bid Size:	VWAP:	SCTR (ETF):	71.8

Monday 23-Mar-2020	▼	-2.96%
Chg:		-1.48
Last:		48.63
Volume:		31,822,172

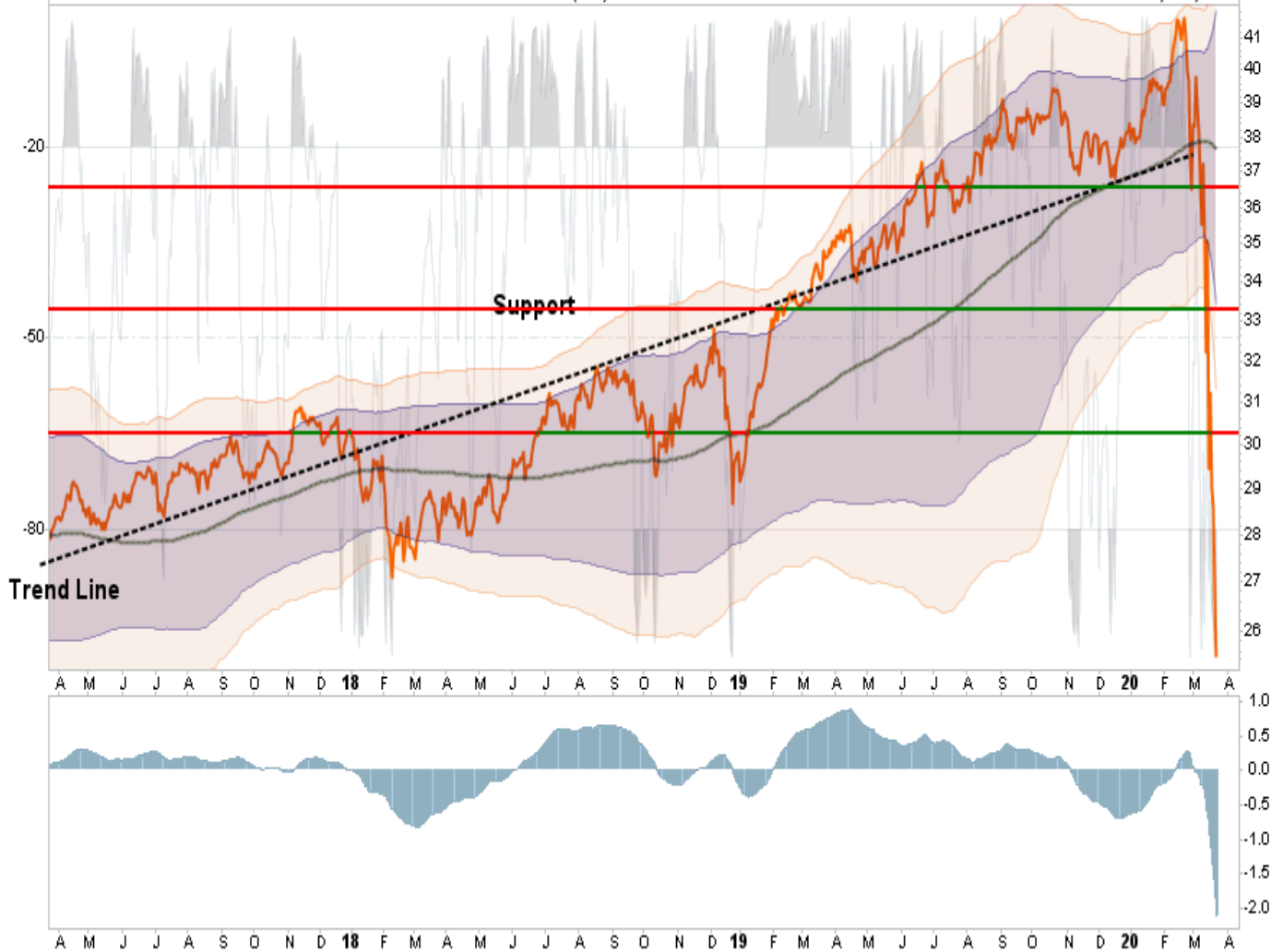


- *The correction has gotten XLP extremely oversold and is trying to hold support. XLP is holding up better than the market and we will likely add to our position for a bear market trade.*
- *However, as with everything, it is too soon to know if the sell-off is over. We are going to wait for a better bottom to form.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Holding 1/2 position.*
 - *Long-Term Positioning: Bullish*

Real Estate

Open:	26.88	Ask:	P/E:	Options:	yes
High:	26.92	Ask Size:	EPS:	Annual Dividend:	1.18275
Low:	24.88	Bid:	Last Size:	Yield:	4.65%
Prev Close:	26.96	Bid Size:	VWAP:	SCTR (ETF):	26.1

Monday 23-Mar-2020	▼ -5.56%
Chg:	-1.50
Last:	25.46
Volume:	28,171,340

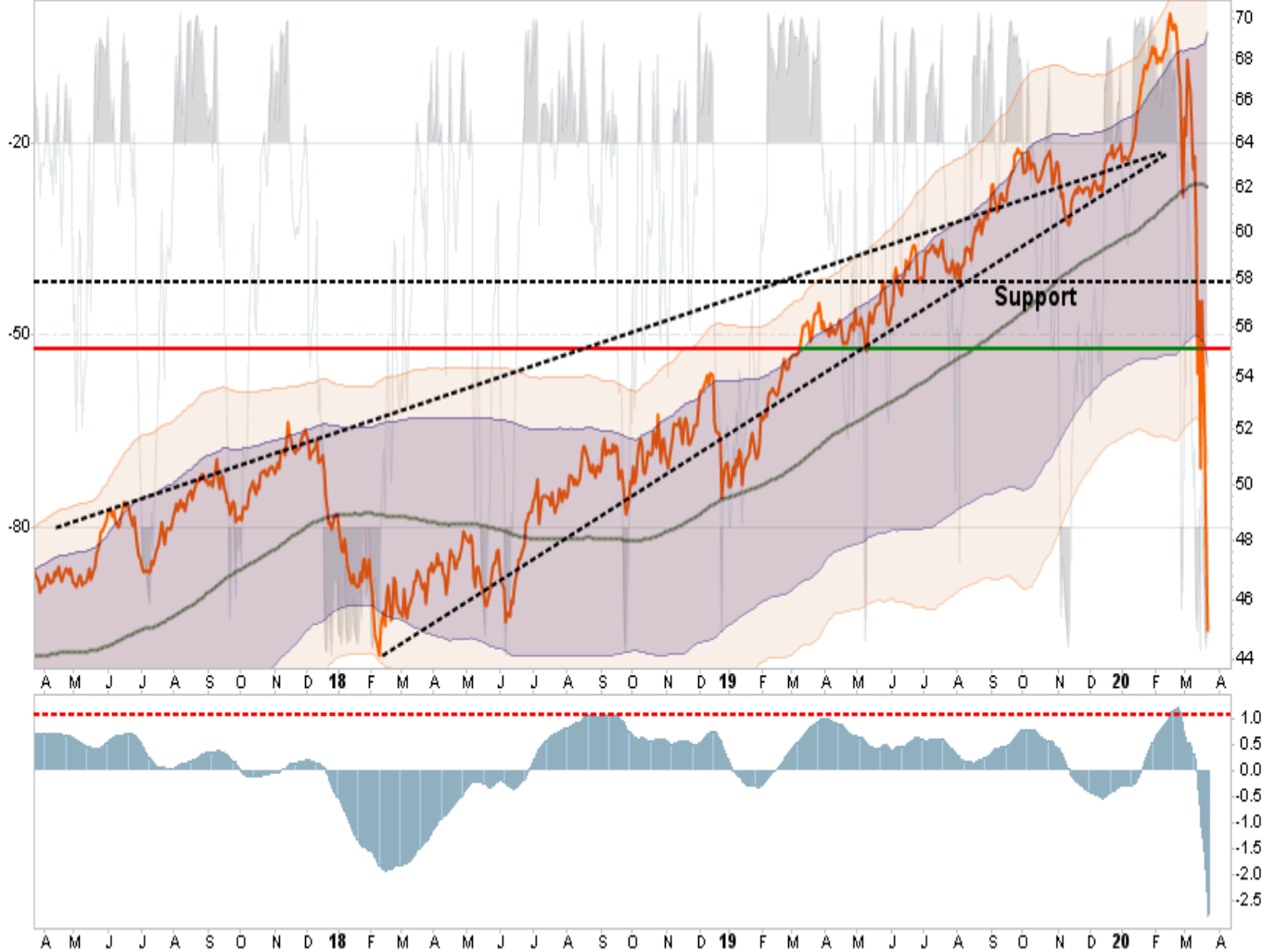


- *XLRE broke all supports. We will be selling XLRE on any bounce and moving the position to XLC for the time being.*
- *The sector is under a lot of credit pressure, but this will be one of the first areas we add back when the market begins to bottom.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold position.*
 - *This week: Holding 1/2 position.*
- *Long-Term Positioning: Bullish*

Utilities

Open: 47.19	Ask:	P/E:	Options: yes
High: 47.19	Ask Size:	EPS:	Annual Dividend: 1.90898
Low: 43.44	Bid:	Last Size:	Yield: 4.25%
Prev Close: 47.35	Bid Size:	VWAP:	SCTR (ETF): 39.4

Monday 23-Mar-2020	▼ -5.10%
Chg: -2.42	Last: 44.93
Volume: 32,002,470	

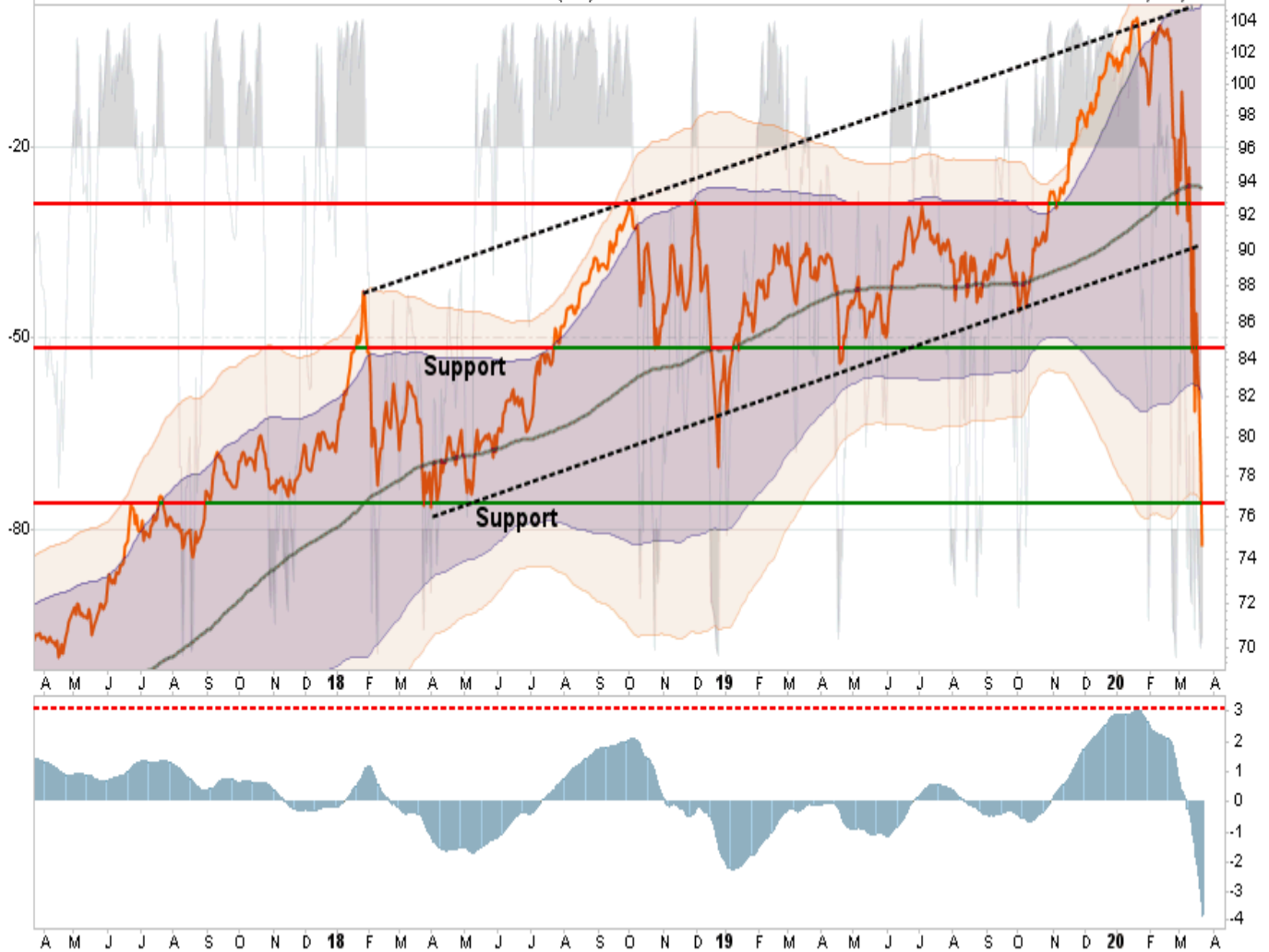


- *XLU is testing our long-term stop loss. We are looking to hold our position currently, however, if it violates our long-term stop we will likely transfer the holding to XLK for now for better relative performance during a reflexive rally.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold position.*
 - *This week: Holding 1/2 position*
- *Long-Term Positioning: Bullish*

Health Care

Open: **78.20** Ask: P/E: Options: **yes**
 High: **78.31** Ask Size: EPS: Annual Dividend: **1.54065**
 Low: **73.54** Bid: Last Size: Yield: **2.06%**
 Prev Close: **78.71** Bid Size: VWAP: SCTR (ETF): **68.7**

Monday 23-Mar-2020
 ▼ **-5.19%**
 Chg: **-4.09**
 Last: **74.62**
 Volume: **33,632,120**

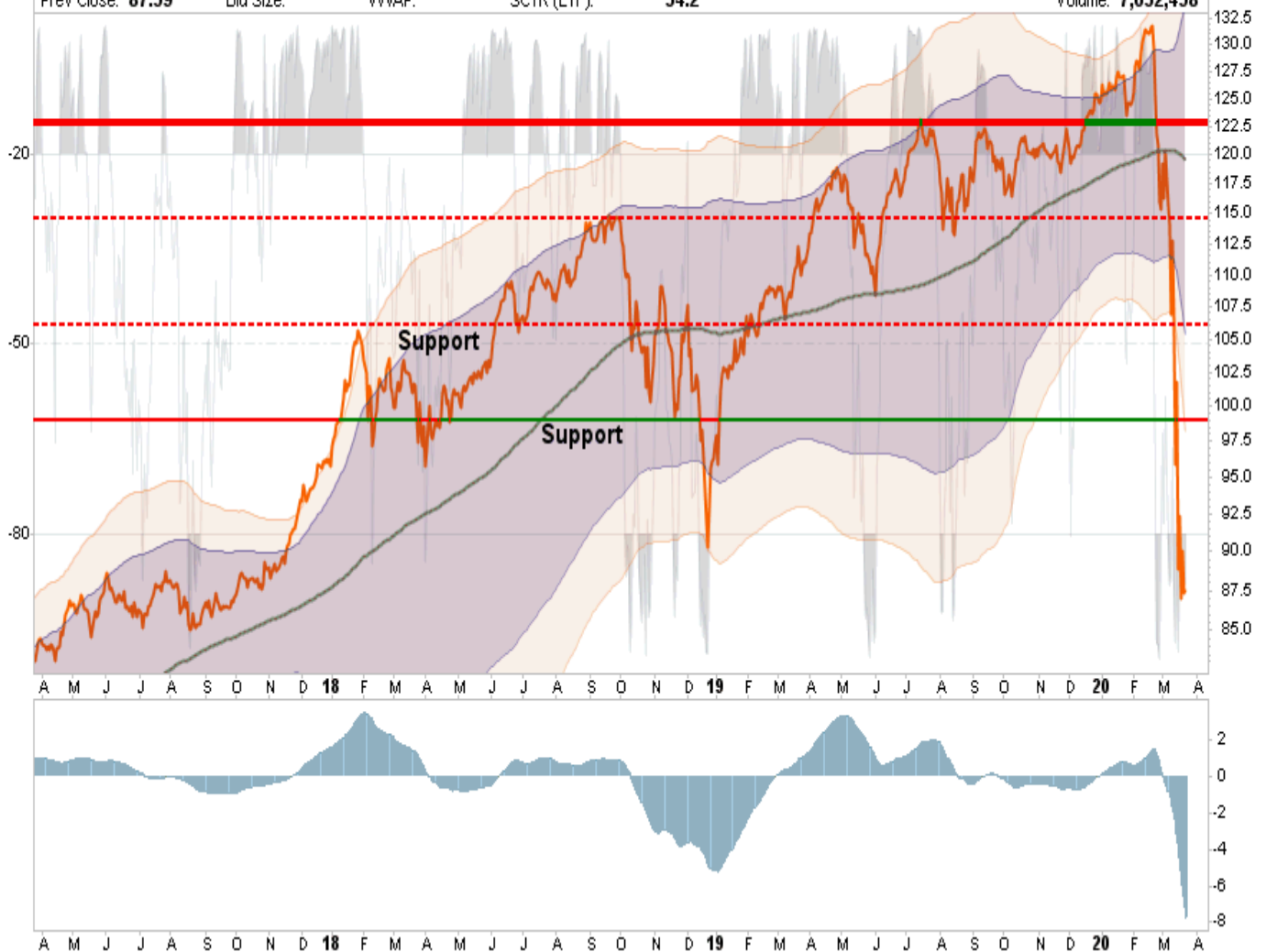


- *XLV is threatening to violate our last support level. We are going to give healthcare a bit of room due to the deep oversold, but if it doesn't find its footing soon we will reposition the holding elsewhere for now.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Hold 1/2 position.*
- *Long-Term Positioning: Bullish*

Discretionary

Open: 86.86	Ask:	P/E:	Options: yes
High: 89.31	Ask Size:	EPS:	Annual Dividend: 1.60343
Low: 84.66	Bid:	Last Size:	Yield: 1.83%
Prev Close: 87.39	Bid Size:	VWAP:	SCTR (ETF): 54.2

Monday 23-Mar-2020
 ▲ **+0.16%**
 Chg: **+0.14**
 Last: **87.53**
 Volume: **7,652,438**

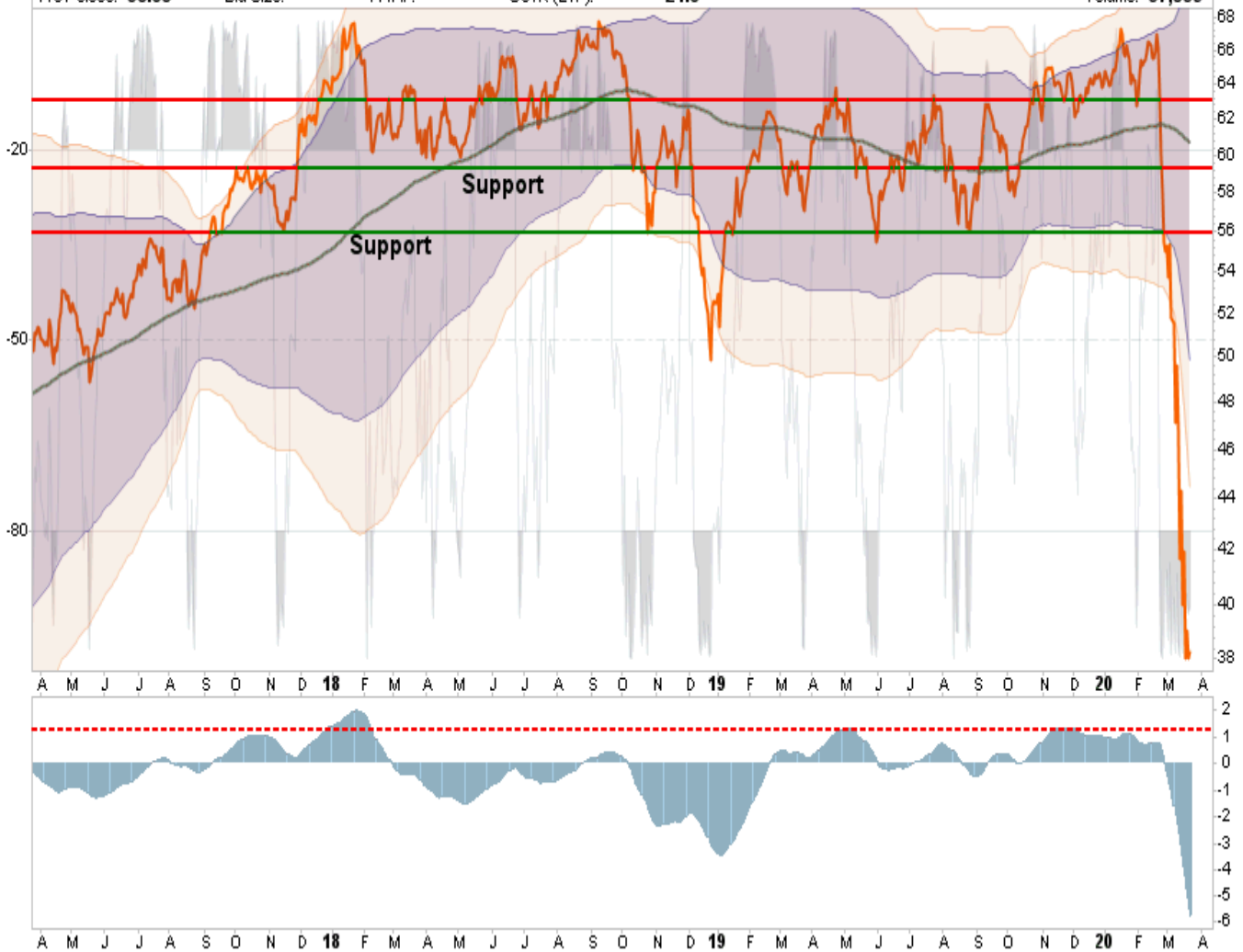


- *We sold the entire position previously due to exposure to the economic shutdown from the virus.*
- *There is no reason at the moment to add the sector back until we see "some signs of life" in the economy.*
- *We are focusing on Staples for the time being but will watch for recovery in Discretionary.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold position*
 - *This week: No position*
- *Long-Term Positioning: Neutral*

Transportation

Open: 37.86	Ask:	P/E:	Options: no
High: 38.74	Ask Size:	EPS:	Annual Dividend: 0.75315
Low: 36.92	Bid:	Last Size:	Yield: 1.96%
Prev Close: 38.05	Bid Size:	VWAP:	SCTR (ETF): 21.0

▲ **+0.81%**
 Chg: **+0.31**
 Last: **38.36**
 Volume: **37,539**



- *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*