

HOW TO READ THE MAJOR MARKET CHARTS

There are three primary components to each Major Market Buy/Sell chart in this [RIAPro](#) review:

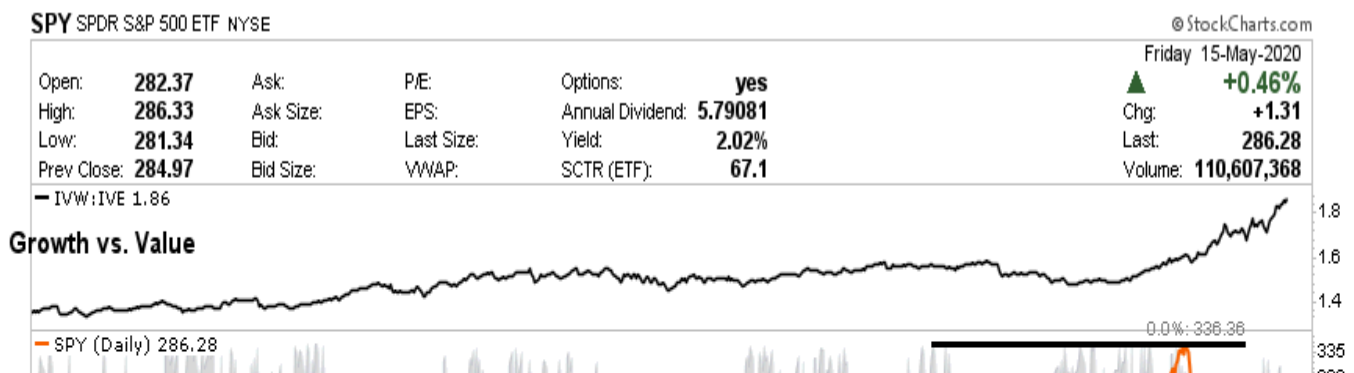
- The price chart is in orange
- The Over Bought/Over Sold indicator is in gray
- The Buy / Sell indicator is in blue.

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. **NOTE: I have added relative performance information to each Major Market buy/sell review graph. Most every Major Market buy/sell review graph also shows relative performance to the S&P 500 index except for the S&P 500 itself which compares value to growth, and oil to the energy sector.**

S&P 500 Index



- As I stated last week:
 - "Week before last, SPY failed at the 61.8% retracement level. This past week, the market rallied to test it a second time. Given the short-term extreme overbought condition the rally is very extended so a failure could well occur."
- The market did indeed selloff last week back to the 50% retracement which held. The market remains overbought, so risk is still high, but a trading position can be added for a trade back to the 61.8% retracement level.
- We are looking for a confirmed breakout above resistance, and the 200-dma, to signal a substantial increase in equity risk is warranted.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No core position
 - This Week: Trading positions only.
 - Stop-loss moved up to \$280 for any positions.
 - Long-Term Positioning: Bearish

Dow Jones Industrial Average



- *DIA is a little different story as it failed at the 50% retracement and closed below it. This week it rallied to it again, but is underperforming other markets.*
- *If DIA fails this next week, we will likely see a retest of previous support at the 38% retracement level.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
 - *Last Week: No positions*
 - *This Week: No positions*
 - *Stop-loss moved up to \$235*
- *Long-Term Positioning: Bearish*

Nasdaq Composite



- *QQQ is outperforming SPY by a wide margin, but not surprising given the top-5 stocks in the SPY are also the top-5 in the QQQ and are mostly technology related shares.*

- Last week QQQ pulled back a small bit, but not significantly enough to provide a tradeable entry.
- The market is extremely overbought short-term so a correction is likely. Trading positions can be set on pullbacks that hold support at \$210.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No positions
 - This Week: No positions
 - Stop-loss remains at \$200
- Long-Term Positioning: Bearish due to valuations

S&P 600 Index (Small-Cap)



- Small caps failed again as the economic realities remain weak.

- No change to our positioning on Small-caps which are still "no place to be as both small and mid-cap companies are going to be hardest hit by the virus."
- Avoid small-caps.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No positions
 - This Week: No positions.
 - Stop loss adjusted to \$52 on trading positions.
- Long-Term Positioning: Bearish

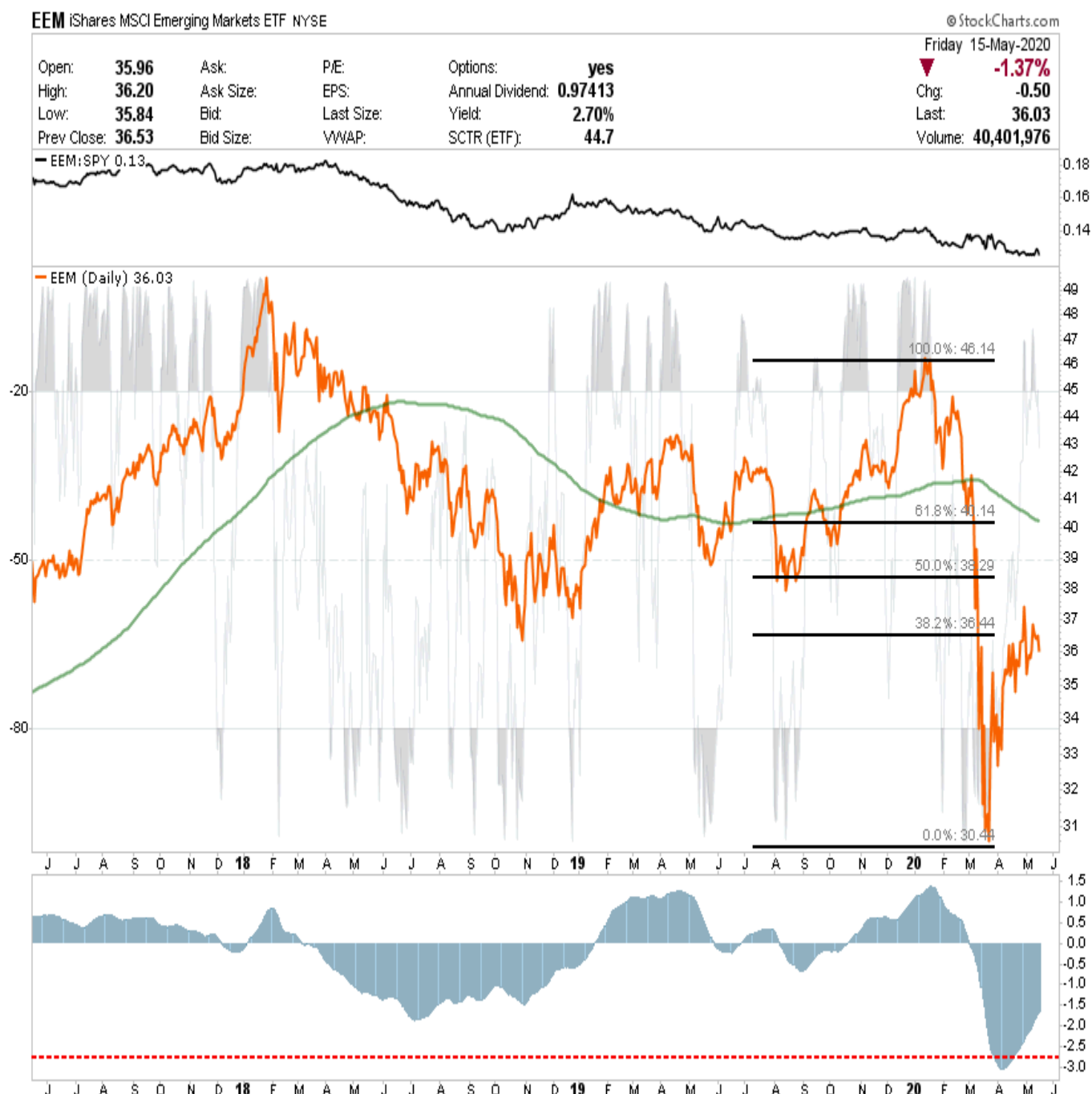
S&P 400 Index (Mid-Cap)



- As with Small-caps, we have no holdings.
- Relative performance continues to remain exceedingly poor. MDY failed at the 50% retracement level previously but IS trying to hold support at the 38.2% retracement level.
- As with SLY we need to see some follow through.

- *Mid-caps are working off their extreme overbought condition, so we will see if a tradeable opportunity occurs.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
 - *Last Week: No holding*
 - *This Week: No holding*
 - *Stop Loss moved up to \$290 for trading positions.*
- *Long-Term Positioning: Bearish*

Emerging Markets



- *As with small and mid-cap stocks, emerging and international markets are under-performing the S&P 500 and Nasdaq. Maintain domestic exposure for now.*
- *We previously stated that investors should use counter-trend rallies to sell into. **If you haven't done so, do so on MONDAY.***
- *Short-Term Positioning: Bearish ? Market Risk Is High*

- Last Week: No position
- This Week: No position.
- Stop-loss moved up to \$35 for trading positions.
- Long-Term Positioning: Bearish

International Markets



- Same with EFA as with EEM.
- The rally failed to hold the 38.2% retracement level as support.
- Remain out of these markets for the time being.
- Short-Term Positioning: Bearish ? Market Risk Is High
 - Last Week: No position.
 - This Week: No position.
 - Stop-loss moved up to \$54 for trading positions.
- Long-Term Positioning: Bearish

West Texas Intermediate Crude (Oil)



- Oil prices continued their torrid rally this past week and are approaching their 38.2% retracement level. I suspect prices will fail there.
- We are continuing to hold our positions in XLE but it is very overbought currently. We are going to wait for a correction this summer to add to our holdings at better prices.
- We are still carrying very tight stops though.
- Short-Term Positioning: Bearish
 - Last Week: Hold positions
 - This Week: Hold positions
 - Stops Triggered for any direct crude oil positions.
- Long-Term Positioning: Bearish

Gold

Friday 15-May-2020

Open: **164.02** Ask: P/E: **-15.84** Options: **yes**
 High: **164.80** Ask Size: EPS: **-10.35** Annual Dividend: **N/A**
 Low: **163.08** Bid: Last Size: Yield: **N/A**
 Prev Close: **163.01** Bid Size: VWAP: SCTR (ETF): **96.2**

▲ **+0.56%**
 Chg: **+0.92**
 Last: **163.93**
 Volume: **13,903,038**



- We remain long our current position in IAU and GDX.
- This past week Gold broke out to new highs and we will look to increase our weighting in IAU this week if the breakout holds.
- We took profits and rebalanced back to our original weighting in GDX previously, and need a small pullback to increase our weightings.
- The sectors are VERY overbought short-term so a pullback is likely which can be used to add to current holdings.
- Short-Term Positioning: Bullish
 - Last week: Hold positions.
 - This week: Hold positions
 - Stop-loss moved up to \$150
 - Long-Term Positioning: Bullish

Bonds (Inverse Of Interest Rates)

Friday 15-May-2020

Open: **168.30** Ask: P/E: Options: **yes**
 High: **168.49** Ask Size: EPS: Annual Dividend: **2.93312**
 Low: **166.33** Bid: Last Size: Yield: **1.76%**
 Prev Close: **167.14** Bid Size: VWAP: SCTR (ETF): **96.3**

Chg: **-0.43**
 Last: **166.71**
 Volume: **7,224,567**

TLT:SPY 0.58



- As noted previously: "Bonds are back to 'crazy' overbought with the Fed buying everything from the banks who are happy to mark-up prices and sell it to them."
- We finally got a bit of a pullback this week. We have now added to both TLT and IEF in our portfolios to hedge against our modest increases in equity risk.
- Short-Term Positioning: Neutral
 - Last Week: Hold positions
 - This Week: Hold positions
 - Stop-loss is \$150.00
 - Long-Term Positioning: Bullish

U.S. Dollar

Thursday 14-May-2020

Open: **100.25** Ask: P/E: Options: **no**
 High: **100.61** Ask Size: EPS: Annual Dividend: **N/A**
 Low: **100.20** Bid: Last Size: Yield: **N/A**
 Prev Close: **100.29** Bid Size: VWAP: SCTR:

Chg: **+0.22**
 Last: **100.51**
 Volume: **0**

\$USD:SPY 0.35 (14 May)



- *We previously added a position to the Dollar to hedge against the global dollar shortage issue.*
- *Our reasoning was explained in detail in ["Our 5-Favorite Positions Right Now"](#)*
- *Stop loss remains at \$98*