Yesterday afternoon we added a 5% position of the S&P 500 (SPY) to both our sector and equity models. The trade follows our strategy of increasing equity exposure as the S&P 500 surpasses critical technical levels.

On Tuesday, the S&P 500 broke above its 200-day moving average. After falling back and testing the average Wednesday morning, it bounced and surged higher. The positive technical signal of breaking the 200-day moving average and then holding the average, convinced us to increase our equity exposure. We have a tight stop loss on this position at 2965 in case this proves to be a false breakout.

We are very suspicious of recent market gains given the economic devastation and many unknowns related to the virus. We are treating this as a rental position. If the market continues to rally, we may add to our equity exposure and possibly replace the rental with stock and sector positions. If the market falters, we will adhere to our risk limits and reduce our exposure.