

## HOW TO READ THE MAJOR MARKET BUY SELL REVIEW 08-03-20

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.



With this basic tutorial, let's review the major markets.

## Major Market Buy/Sell Review 08-03-20

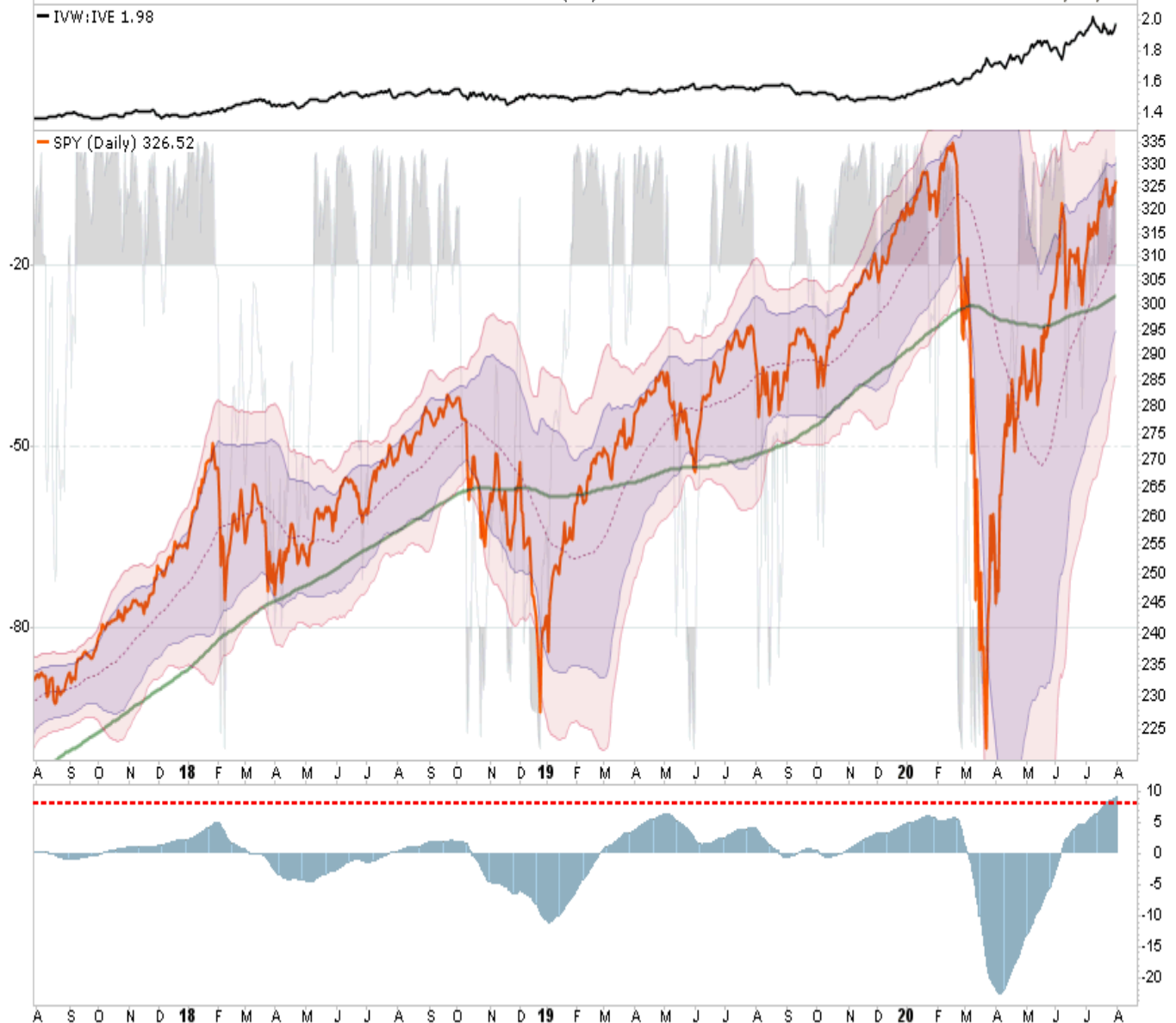
### S&P 500 Index

Friday 31-Jul-2020

Open: **325.90** Ask: P/E: Options: **yes**  
 High: **326.63** Ask Size: EPS: Annual Dividend: **5.72541**  
 Low: **321.33** Bid: Mkt Cap: **291.9B** Yield: **1.75%**  
 Prev Close: **323.96** Bid Size: Last Size: SCTR (ETF): **75.7**

▲ **+0.79%**  
 Chg: **+2.56**  
 Last: **326.52**  
 Volume: **84,499,472**

-IVW:IVE 1.98

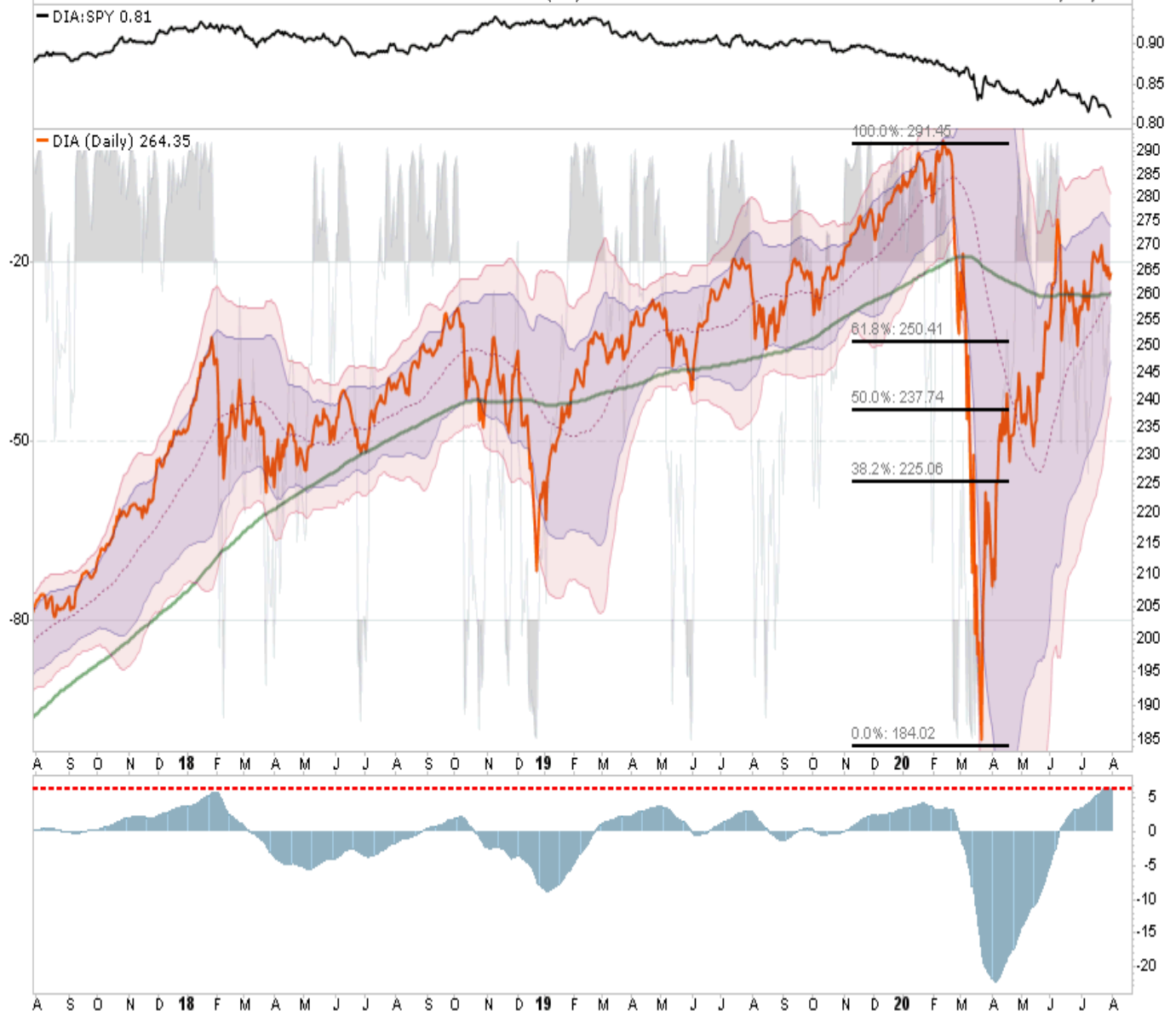


- *SPY is overbought short-term, but continues to run along its bullish uptrend from the lows. For now, the bulls remain in control of the upside.*
- *While there is immediate support below Friday's close, there is limited upside due to the overbought condition.*
- *As noted above, the buy signal at the highest level in 25-years, a correction is more likely than not over the next month.*
- *Caution is advised.*
- *Short-Term Positioning: Bullish*
  - *Last Week: No holdings.*
  - *This Week: No holdings*
  - *Stop-loss set at \$300 for trading positions.*
  - *Long-Term Positioning: Bullish*

## Dow Jones Industrial Average

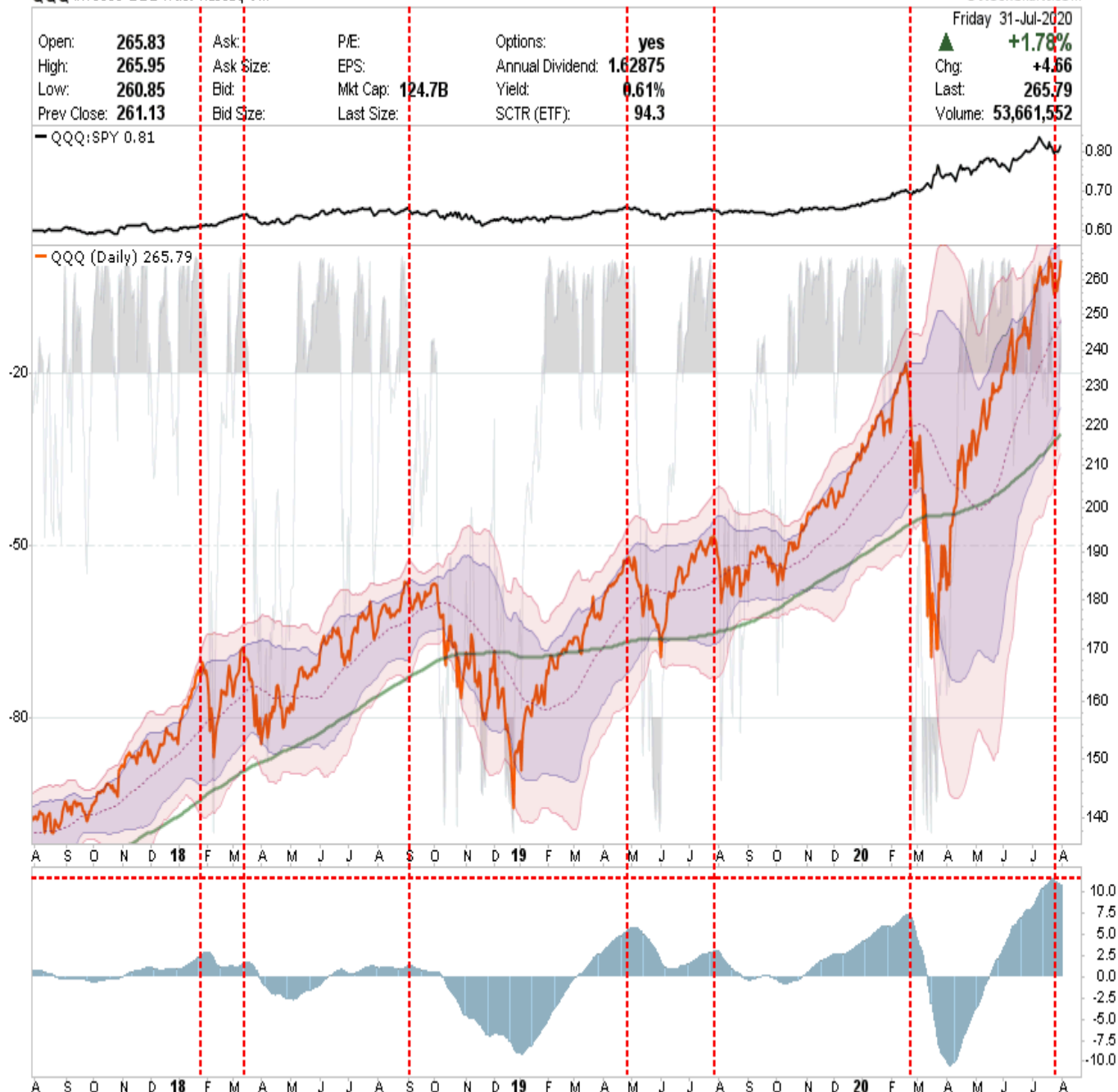
Open: **263.76** Ask: P/E: Options: **yes**  
 High: **264.49** Ask Size: EPS: Annual Dividend: **5.97317**  
 Low: **260.18** Bid: Mkt Cap: **21.9B** Yield: **2.26%**  
 Prev Close: **263.28** Bid Size: Last Size: SCTR (ETF): **37.3**

Friday 31-Jul-2020

▲ **+0.41%**Chg: **+1.07**Last: **264.35**Volume: **3,303,883**

- The Dow continues to underperform other major indices due to its lack of the 5-major FANG stocks.
- With the buy-signal extremely extended, and underperforming other assets, we are going to focus our attention elsewhere for now.
- Short-Term Positioning: Bearish
  - Last Week: No position..
  - This Week: No position.
  - Stop-loss moved up to \$260
- Long-Term Positioning: Bullish

## Nasdaq Composite



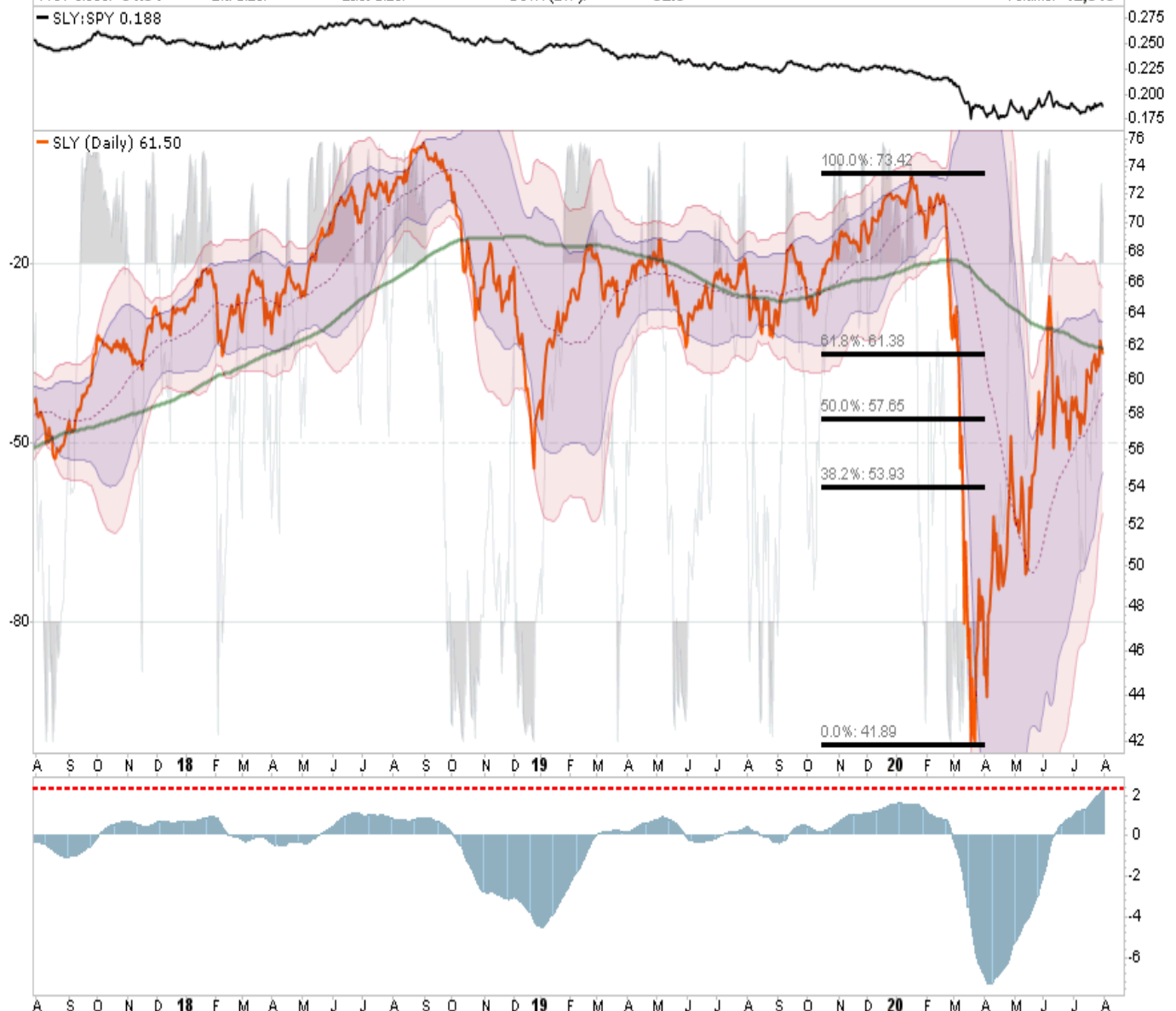
- *QQQ's outperformance of SPY turned up a bit last week as expected. We added to our tech exposure on Thursday.*
- *The QQQ's remain massively overbought, the buy signal is extremely extended, and QQQ is still pushing 3-standard deviations above the 200-dma.*
- *However, for now, tech really is about the "only game in town."*
- *Take profits and rebalance as needed.*
- *Short-Term Positioning: Bearish ? Extension above 200-dma.*
  - *Last Week: No positions*
  - *This Week: Added to tech holdings (MSFT, AAPL, NFLX, AMZN, ADBE, CRM, XLK)*
  - *Stop-loss moved up to \$240*
- *Long-Term Positioning: Bullish*

## S&P 600 Index (Small-Cap)

Friday 31-Jul-2020

Open: **61.80** Ask: P/E: Options: **no**  
 High: **61.80** Ask Size: EPS: Annual Dividend: **1.00683**  
 Low: **60.34** Bid: Mkt Cap: **984.0M** Yield: **1.64%**  
 Prev Close: **61.94** Bid Size: Last Size: SCTR (ETF): **32.0**

Friday 31-Jul-2020  
 ▼ **-0.71%**  
 Chg: **-0.44**  
 Last: **61.50**  
 Volume: **42,813**

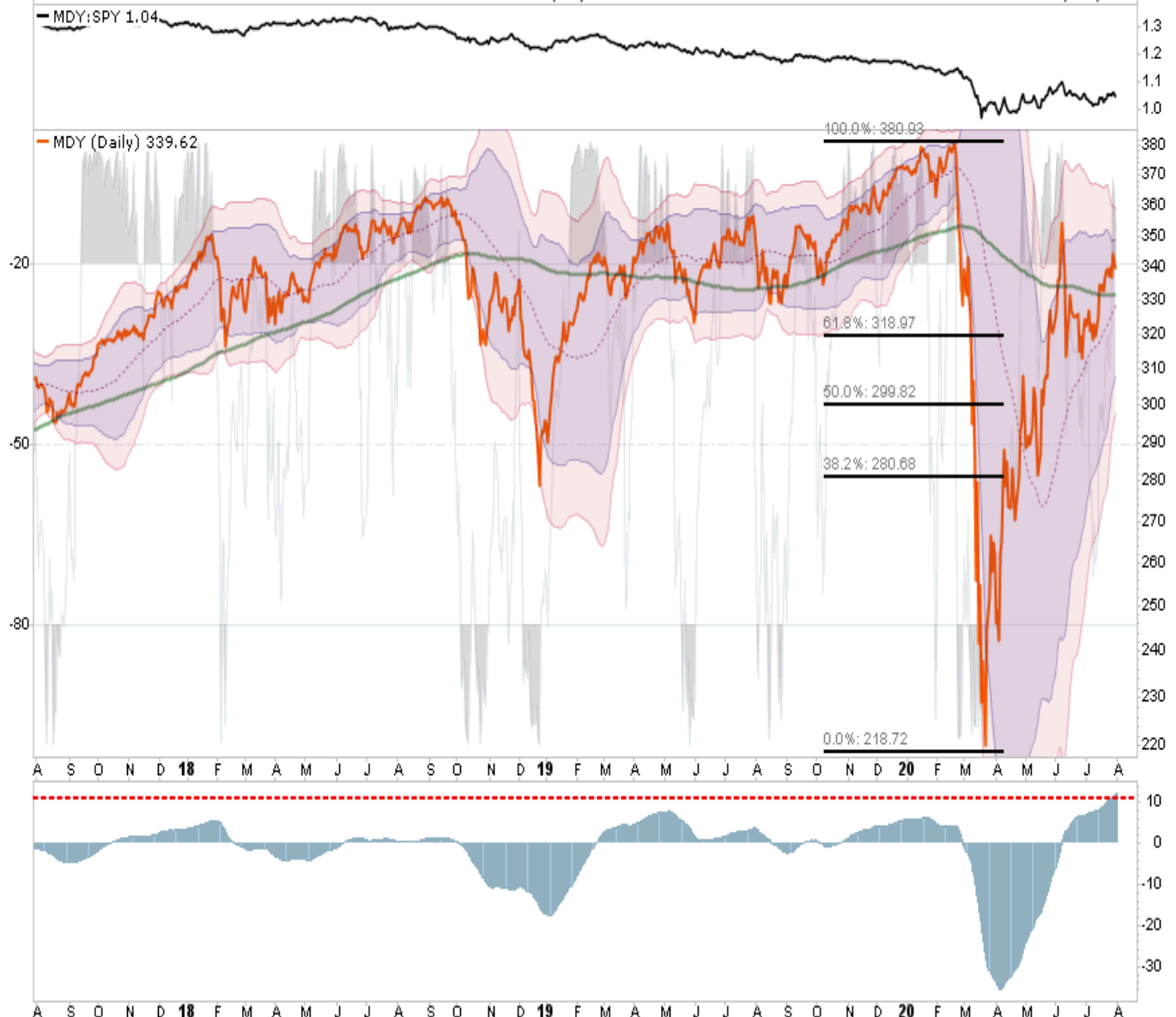


- *Small-caps attempted a very weak rally but remain below the 200-dma.*
- *With the buy-signal extremely extended, and the market under-performing, the risk is still too high.*
- *With small-caps very susceptible to weak economic growth, we are still avoiding this area of the market.*
- *Support is critical at the \$58 level.*
- *Short-Term Positioning: Bearish ? Market Risk Is High*
  - *Last Week: No positions*
  - *This Week: No positions.*
  - *Stop-loss reset at \$58*
- *Long-Term Positioning: Bearish*

## S&P 400 Index (Mid-Cap)

Open: **341.45** Ask: P/E: Options: **yes**  
 High: **341.55** Ask Size: EPS: Annual Dividend: **5.05296**  
 Low: **334.58** Bid: Mkt Cap: **14.6B** Yield: **1.49%**  
 Prev Close: **341.96** Bid Size: Last Size: SCTR (ETF): **43.2**

Friday 31-Jul-2020

▼ **-0.68%**Chg: **-2.34**Last: **339.62**Volume: **1,339,952**

- The relative performance remains poor as with SLY. However, MDY is trying once again to break above the 200-dma resistance. It failed the last attempt.
- We are also avoiding mid-caps for the time being until relative performance improves.
- The \$320 stop-loss remains. Use this rally to reduce if needed.
- Short-Term Positioning: Bearish
  - Last Week: No holding
  - This Week: No holding
  - Stop Loss reset at \$320
- Long-Term Positioning: Bearish

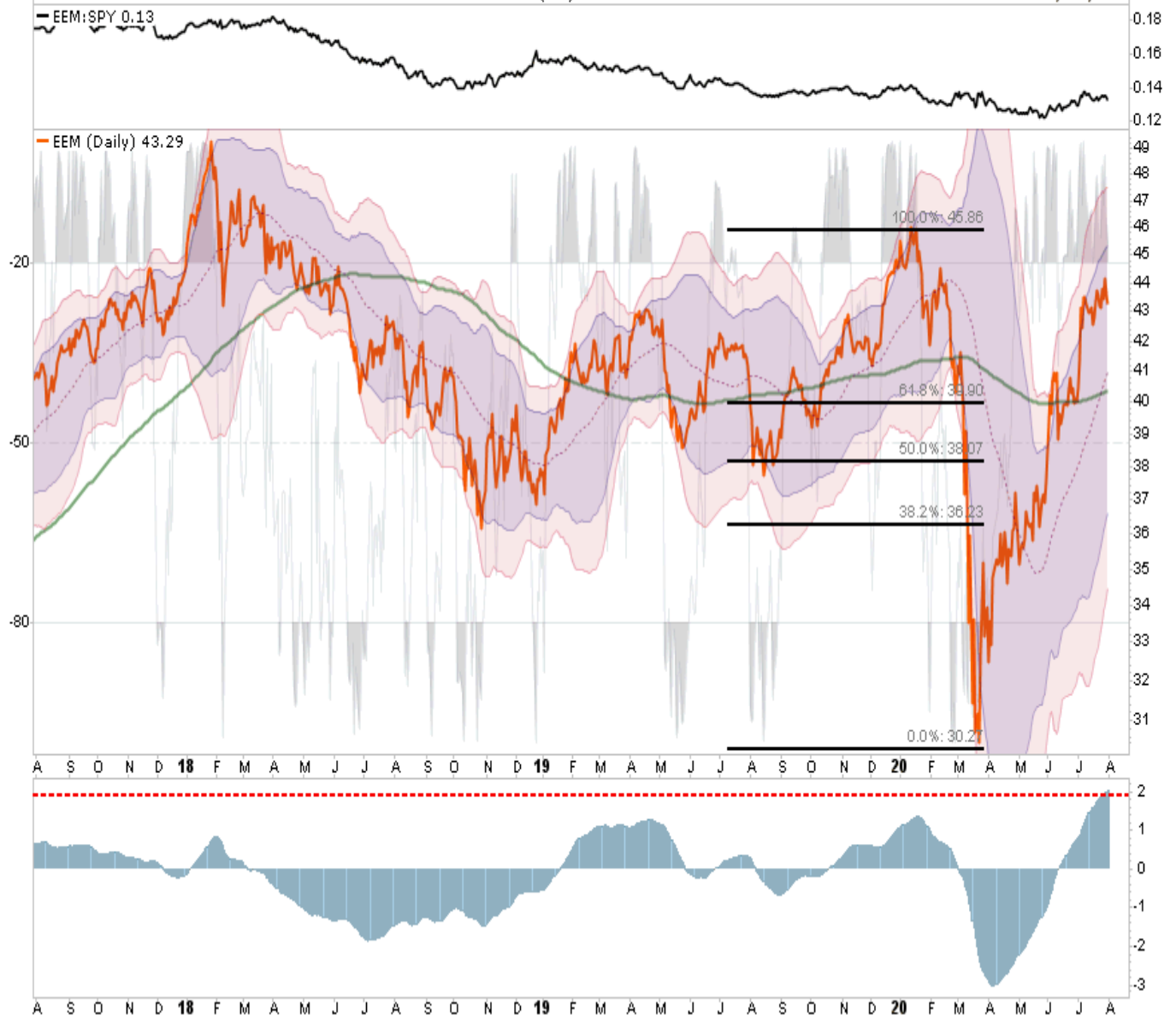
## Emerging Markets



Friday 31-Jul-2020

Open: **43.63** Ask: P/E: Options: **yes**  
 High: **43.64** Ask Size: EPS: Annual Dividend: **0.89298**  
 Low: **42.96** Bid: Mkt Cap: **23.7B** Yield: **2.06%**  
 Prev Close: **43.59** Bid Size: Last Size: SCTR (ETF): **73.1**

Chg: **-0.69%**  
 Last: **43.29**  
 Volume: **62,457,608**



- *Emerging markets have performed better on a relative basis but are now extremely extended. As with all other markets, the buy signal is at the highest level on record.*
- *Look for a correction that does not violate the 200-dma to add a trading position. Target is \$41.*
- *There dollar decline, responsible for EEM performance, is well overdone. Look for a counter-trend rally which will push EEM lower.*
- *Short-Term Positioning: Bullish*
  - *Last Week: No position*
  - *This Week: No position.*
  - *Stop-loss remains at \$40 for trading positions.*
- *Long-Term Positioning: Bearish*

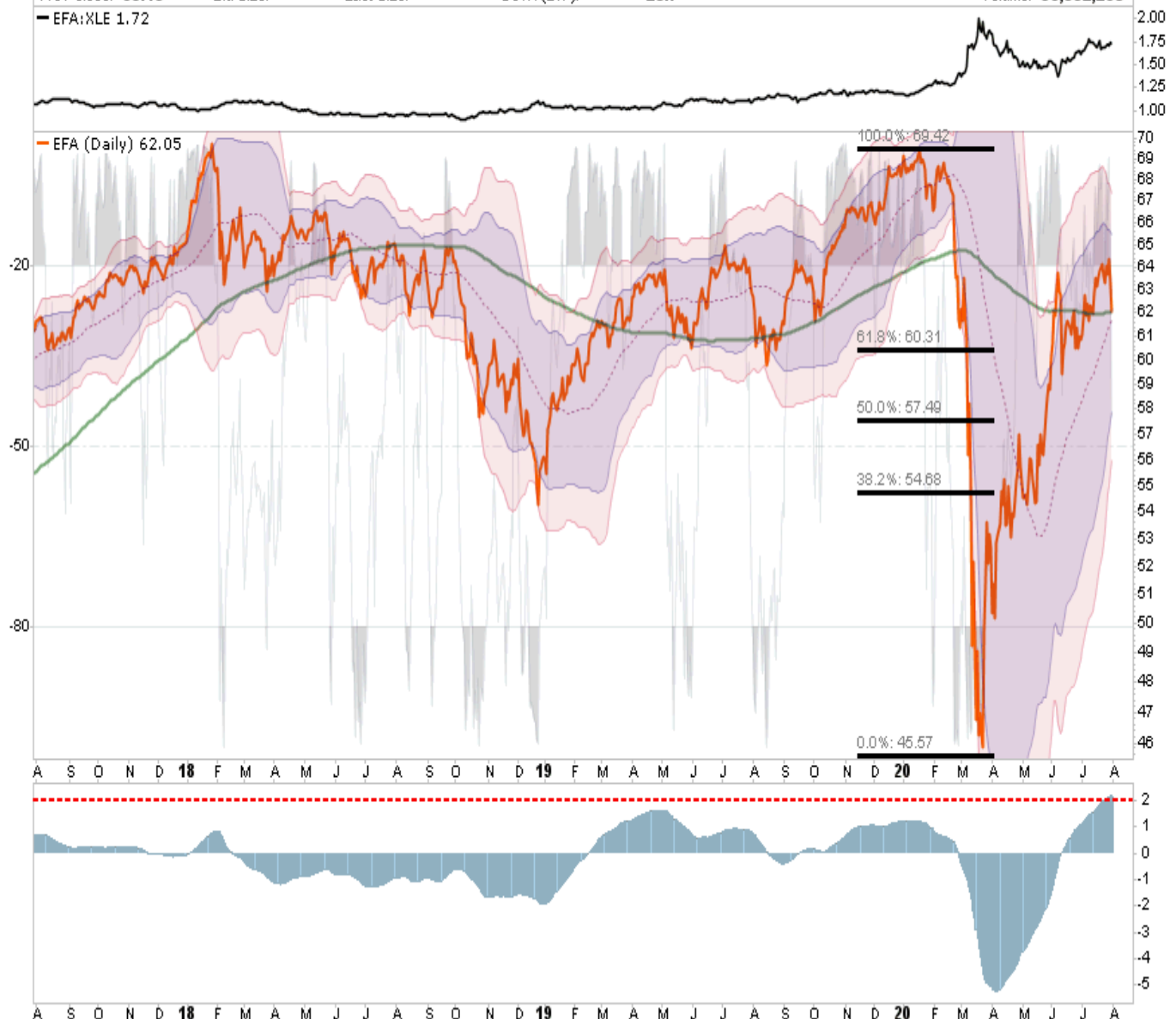
## International Markets

Friday 31-Jul-2020

Open: **63.01** Ask: P/E: Options: **yes**  
 High: **63.02** Ask Size: EPS: Annual Dividend: **1.63354**  
 Low: **61.66** Bid: Mkt Cap: **46.3B** Yield: **2.63%**  
 Prev Close: **63.40** Bid Size: Last Size: SCTR (ETF): **28.7**

Chg: **-2.13%**  
 Last: **62.05**  
 Volume: **36,002,268**

EFA:XLE 1.72



- EFA was holding up better but took a sharp dive on Friday with the bounce in the dollar.
- It will be important for EFA to hold support at the 200-dma, but the overbought condition puts this at risk.
- We had previously added a 3% trading position previously, but we sold that position last Tuesday which worked out well. on an expectation of a dollar rally.
- As with EEM, EFA is dollar sensitive, so we also added a dollar hedge.
- Short-Term Positioning: Bearish
  - Last Week: No position.
  - This Week: Sold position in EFA.
  - Stop-loss set at \$62
- Long-Term Positioning: Bearish

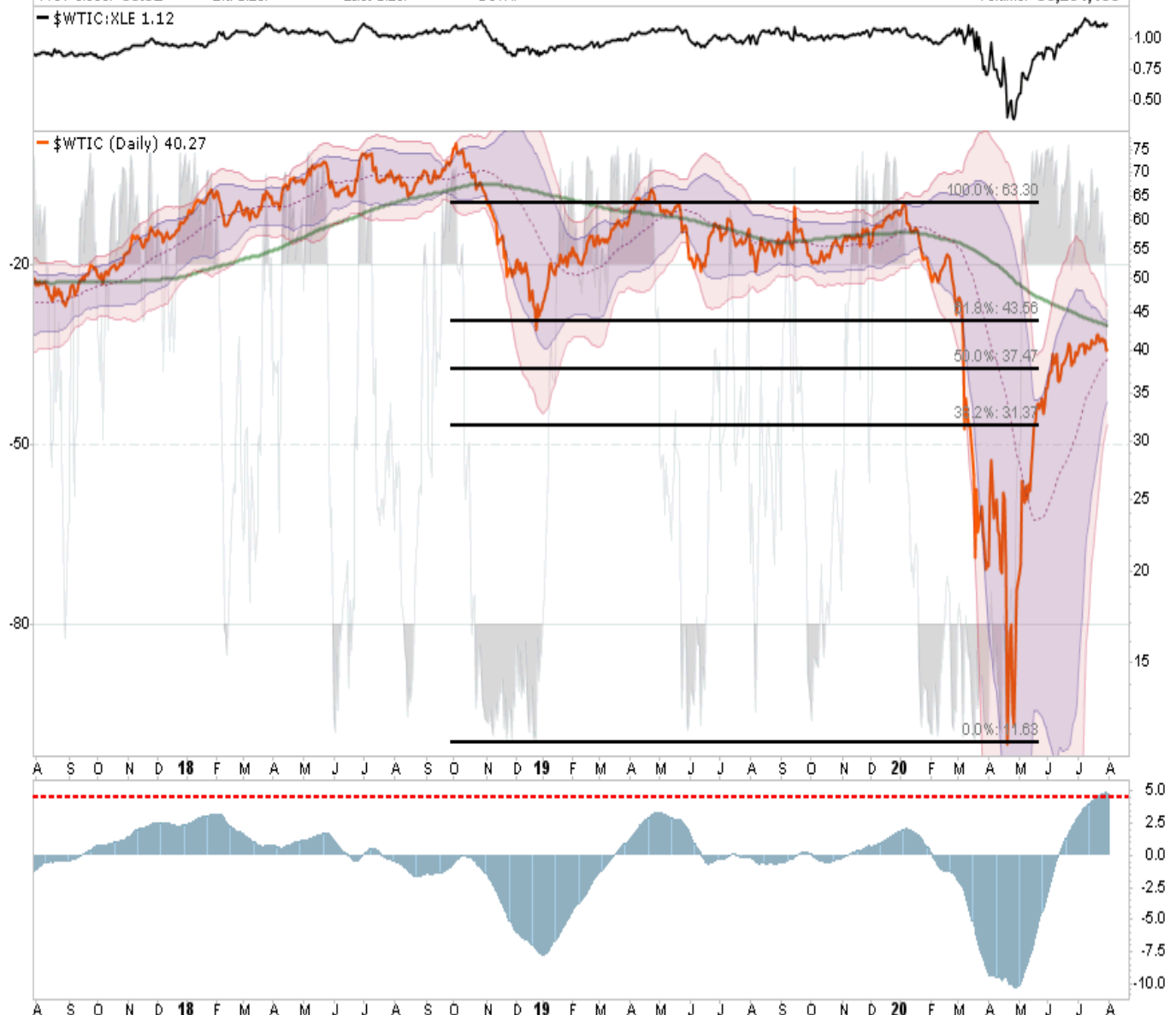
## West Texas Intermediate Crude (Oil)



Friday 31-Jul-2020

Open: **40.34** Ask: P/E: Options: **no**  
 High: **40.55** Ask Size: EPS: Annual Dividend: **N/A**  
 Low: **39.66** Bid: Mkt Cap: Yield: **N/A**  
 Prev Close: **39.92** Bid Size: Last Size: SCTR:

▲ **+0.88%**  
 Chg: **+0.35**  
 Last: **40.27**  
 Volume: **30,261,400**



- Oil prices are struggling to move higher and are running into the 200-dma resistance.
- We suggested last: **"Look for a correction to reverse some of the extreme overbought."** That correction may have started last week, we will see.
- Oil is also subject to a reversal in the dollar, another reason we are adding a dollar hedge.
- Energy stocks are underperforming oil prices currently which suggests more trouble in the sector. However, there remains relative value in some energy companies which may perform better than oil prices in the near-term.
- Oil should hold support between \$30 and \$35 and we will look to increase our holdings on pullbacks.
- Short-Term Positioning: Bearish
  - Last Week: Hold positions
  - This Week: Hold positions
  - Stop for trading positions at \$32.50
- Long-Term Positioning: Bearish

# Gold

GLD SPDR Gold Shares: NYSE

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Open: **184.51** Ask: P/E: **-17.92** Options: **yes**  
 High: **185.75** Ask Size: EPS: **-10.35** Annual Dividend: **N/A**  
 Low: **184.16** Bid: Mkt Cap: **77.9B** Yield: **N/A**  
 Prev Close: **183.76** Bid Size: Last Size: SCTR (ETF): **95.6**

Friday 31-Jul-2020  
 ▲ **+0.91%**  
 Chg: **+1.67**  
 Last: **185.43**  
 Volume: **15,868,839**



- We remain long our current position in IAU, but did take some profits last week due to the risk of a counter-trend rally in the dollar.
- Gold is extremely overbought and starting to push 4-standard deviations above the 200-dma.
- We suggest taking some profits for now and look for a pullback to increase our sizing.
- We believe downside risk is fairly limited, but as always maintain stops.
- Short-Term Positioning: Bullish
  - Last week: Hold positions.
  - This week: Hold positions
  - Stop-loss moved up to \$165
  - Long-Term Positioning: Bullish

## Bonds (Inverse Of Interest Rates)

Open: **170.15** Ask: P/E: Options: **yes**  
 High: **171.46** Ask Size: EPS: Annual Dividend: **2.80527**  
 Low: **169.94** Bid: Mkt Cap: **18.6B** Yield: **1.64%**  
 Prev Close: **171.11** Bid Size: Last Size: SCTR (ETF): **89.8**

Friday 31-Jul-2020

▼ **-0.06%**Chg: **-0.11**Last: **171.00**Volume: **8,885,954**

TLT:SPY 0.52



- Two weeks ago we noted that "there is more room for TLT to rally this next week." That occurred over the last two weeks, and the "sell signal" continues to head towards a "buy signal."
- While bonds are overbought short-term, with every other market extremely extended into overbought territory, if a correction occurs, TLT should hedge risk to some degree as rates push towards zero.
- There is potentially some short-term risk of a short-term correction, but given the extreme extension of the equity markets, dips should be bought.
- There is still upside potential in bonds if there is a dollar rally or a correction in equities as we move into August.
- Short-Term Positioning: Neutral
  - Last Week: Hold positions
  - This Week: Hold positions
  - Stop-loss moved up to \$155
  - Long-Term Positioning: Bullish

# U.S. Dollar

**\$USD** US Dollar Index - Cash Settle (EOD) ICE

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Open: **92.67** Ask: P/E: Options: **no**  
 High: **93.51** Ask Size: EPS: Annual Dividend: **N/A**  
 Low: **92.52** Bid: Mkt Cap: Yield: **N/A**  
 Prev Close: **93.02** Bid Size: Last Size: SCTR:

Friday 31-Jul-2020  
**▲ +0.34%**  
 Chg: **+0.32**  
 Last: **93.34**  
 Volume: **0**

— \$USD:SPY 0.29



- Previously we stated, **"While the dollar has sold off, and helped fuel a rather torrid stock and commodity rally, we are likely closer to a bottom. That is still the case this week with the dollar pushing 3-standard deviations oversold.**
- The dollar bounced off support on Friday, so we will see if we get some follow through next week.
- Given the large number of analysts with "bearish" forecasts on the dollar the probability of a dollar rally has risen. **We have started building a trading position for such a counter rally and to hedge our international, energy and gold holdings.**
- Trading positions can be added to hedge portfolios but there is not a huge move available currently given the current market dynamics.
- Stop-loss adjusted to \$93