

Major Market Buy Sell Review: 08-17-20

HOW TO READ THE MAJOR MARKET BUY SELL REVIEW 08-17-20

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 08-17-20

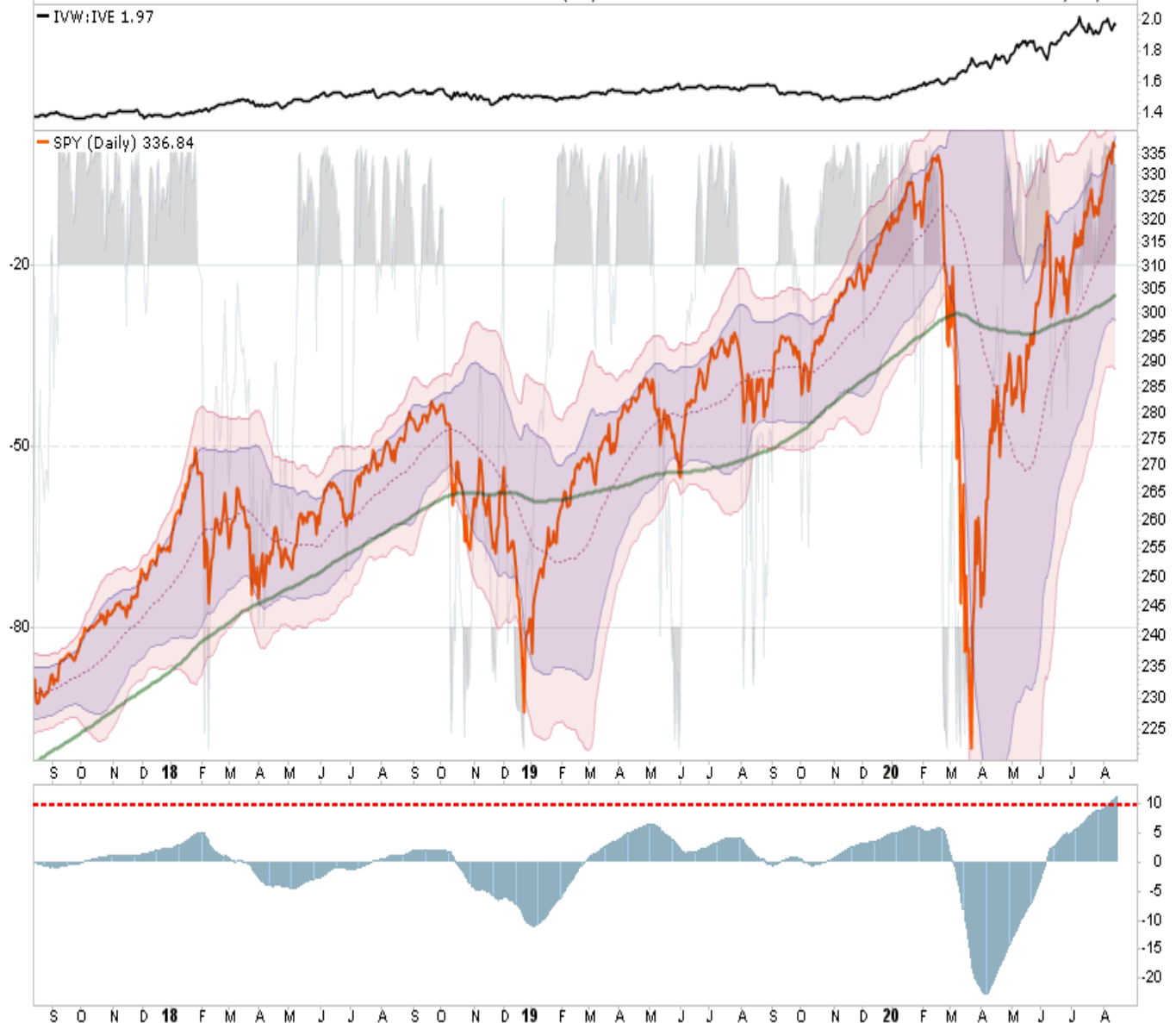
S&P 500 Index

Friday 14-Aug-2020

Open: 336.41	Ask:	P/E:	Options: yes
High: 337.42	Ask Size:	EPS:	Annual Dividend: 5.72541
Low: 335.62	Bid:	Mkt Cap: 301.1B	Yield: 1.70%
Prev Close: 336.83	Bid Size:	Last Size:	SCTR (ETF): 78.1

▲ **+0.00%**
 Chg: **+0.01**
 Last: **336.84**
 Volume: **47,226,148**

IVW:IVE 1.97



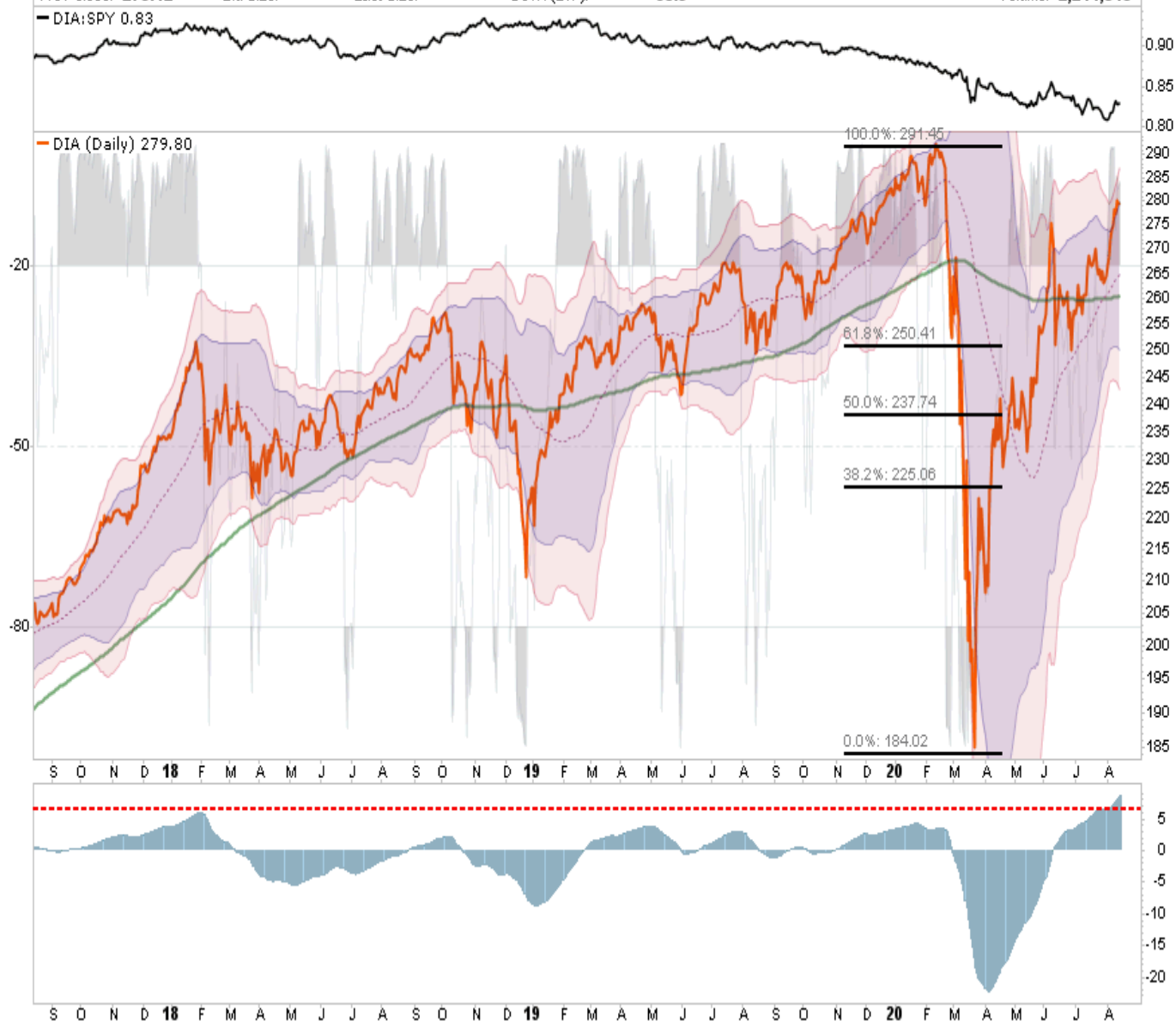
- *SPY is now both extremely overbought and pushing into 3-standard deviations above the 50-dma.*
- *This is the point where a correction usually begins to some degree.*
- *The push now is for the market to claim "all-time highs," but I suspect we will see a correction shortly thereafter. Exuberance is a bit on the extreme side.*
- *Caution is advised.*
- *Short-Term Positioning: Bullish*
 - *Last Week: No holdings.*
 - *This Week: No holdings*
 - *Stop-loss set at \$305 for trading positions.*
 - *Long-Term Positioning: Bullish*

Dow Jones Industrial Average

Friday 14-Aug-2020

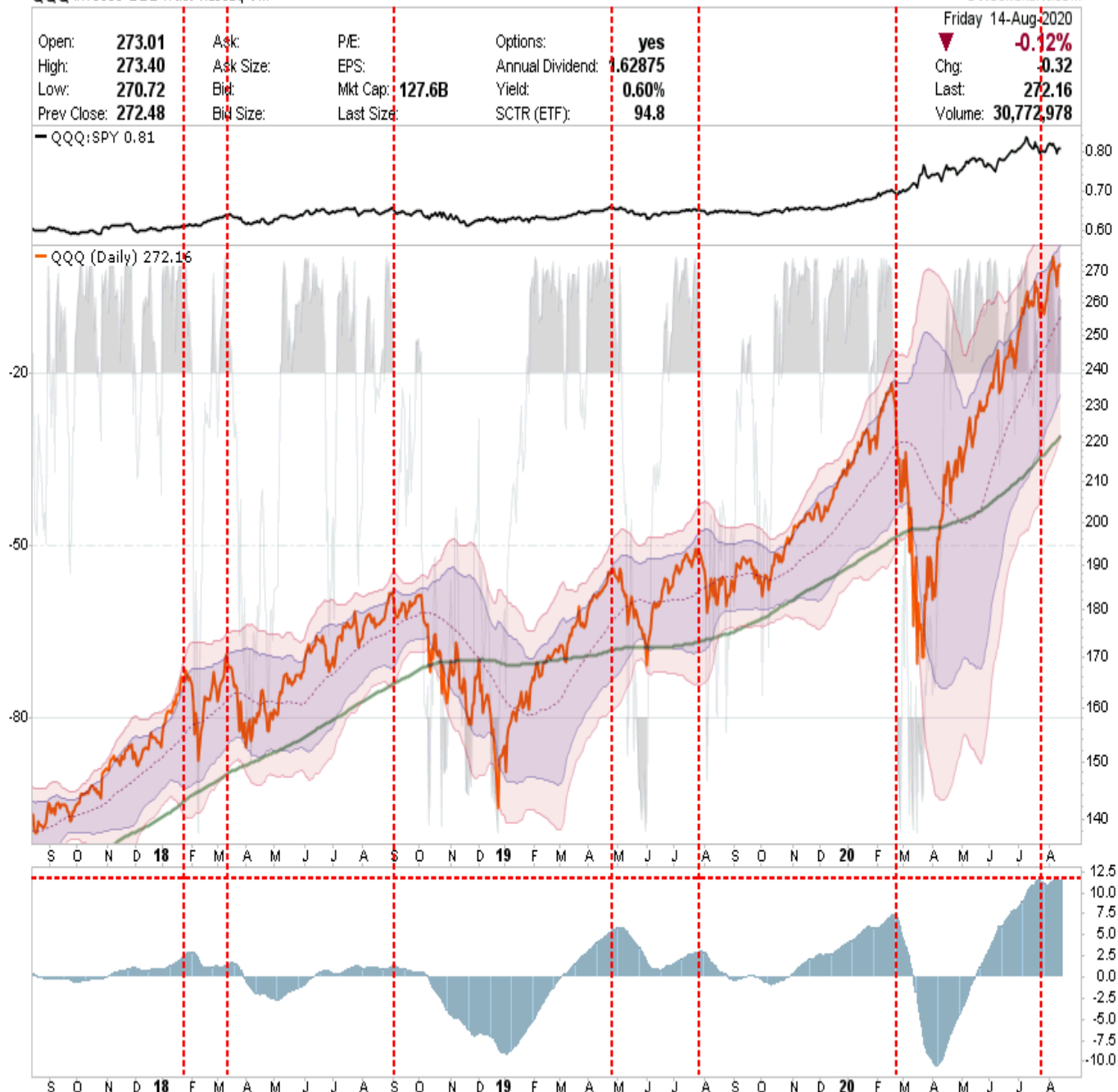
Open: 278.23	Ask:	P/E:	Options: yes
High: 280.16	Ask Size:	EPS:	Annual Dividend: 5.97317
Low: 277.90	Bid:	Mkt Cap: 23.2B	Yield: 2.13%
Prev Close: 279.42	Bid Size:	Last Size:	SCTR (ETF): 65.9

▲ **+0.14%**
 Chg: **+0.38**
 Last: **279.80**
 Volume: **2,244,813**



- The Dow continues to underperform other major indices due to its lack of the 5-major FANG stocks.
- With the buy-signal extremely extended, pushing into 3-standard deviation territory, 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



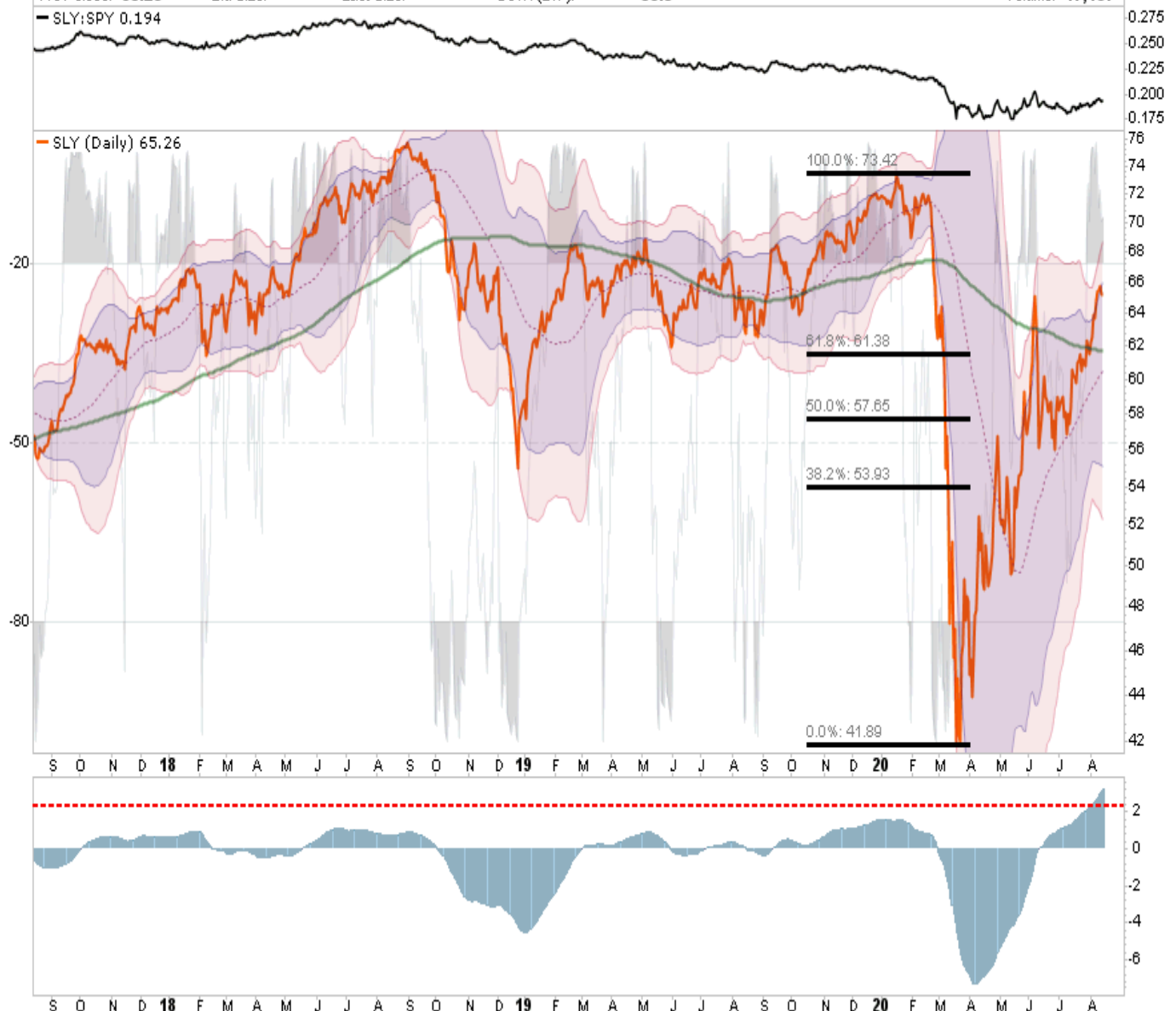
- QQQ's outperformance of SPY turned up a bit last week as expected.
- The QQQ's remain massively overbought, the buy signal is extremely extended, and QQQ is still pushing up towards 3-standard deviations above the 200-dma. That extension will not last forever.
- However, for now, tech really is about the "only game in town."
- Take profits and rebalance as needed.
- Short-Term Positioning: Bearish ? Extension above 200-dma.
 - Last Week: Added to tech holdings (MSFT, AAPL, NFLX, AMZN, ADBE, CRM, XLK)
 - This Week: No changes this week.
 - Stop-loss moved up to \$240
- Long-Term Positioning: Bullish

S&P 600 Index (Small-Cap)

Friday 14-Aug-2020

Open: **64.83** Ask: P/E: Options: **no**
 High: **65.55** Ask Size: EPS: Annual Dividend: **1.00683**
 Low: **64.68** Bid: Mkt Cap: **1.04B** Yield: **1.54%**
 Prev Close: **65.20** Bid Size: Last Size: SCTR (ETF): **53.8**

Chg: **+0.06**
 Last: **65.26**
 Volume: **17,107**



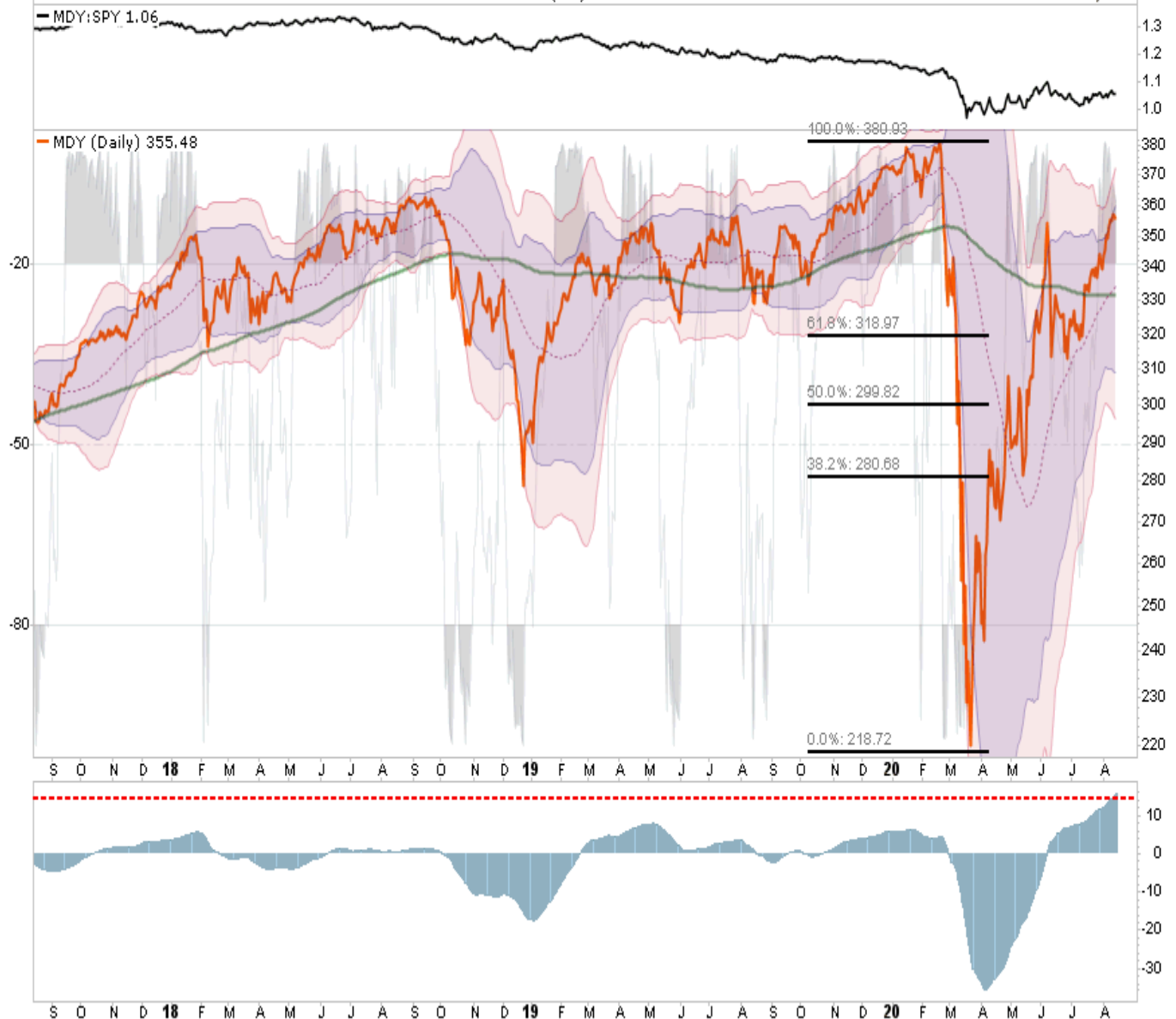
- *Small-caps finally broke above the 200-dma and are now historically overbought and 3-standard deviations above the mean.*
- *With the buy-signal extremely extended, and the market under-performing, the risk is still too high.*
- *With small-caps very susceptible to weak economic growth, we are still 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)

Friday 14-Aug-2020

Open: 354.45	Ask:	P/E:	Options: yes
High: 357.32	Ask Size:	EPS:	Annual Dividend: 5.05296
Low: 353.96	Bid:	Mkt Cap: 15.3B	Yield: 1.42%
Prev Close: 356.28	Bid Size:	Last Size:	SCTR (ETF): 58.9

▼ **-0.22%**
 Chg: **-0.80**
 Last: **355.48**
 Volume: **747,753**



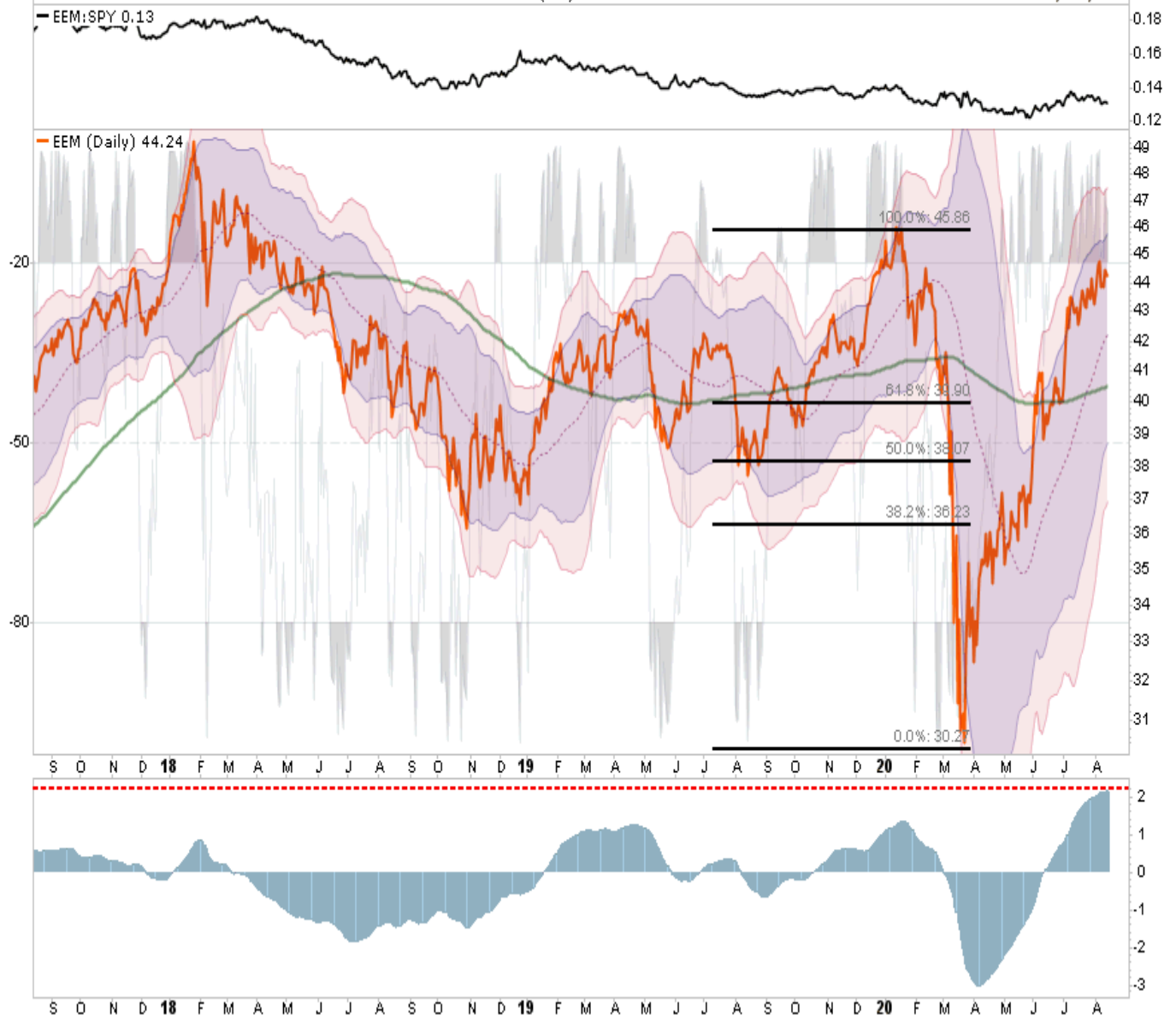
- The relative performance remains poor as with SLY. However, MDY also broke above the 200-dma resistance. It is now testing previous highs and is 3-standard deviations above the mean.
- We are also avoiding mid-caps for the time being until relative performance improves.
- The \$320 stop-loss remains. 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 14-Aug-2020

Open: **44.21** Ask: P/E: Options: **yes**
 High: **44.31** Ask Size: EPS: Annual Dividend: **0.89298**
 Low: **44.15** Bid: Mkt Cap: **24.2B** Yield: **2.02%**
 Prev Close: **44.32** Bid Size: Last Size: SCTR (ETF): **71.4**

▼ **-0.18%**
 Chg: **-0.08**
 Last: **44.24**
 Volume: **24,593,790**



- *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*

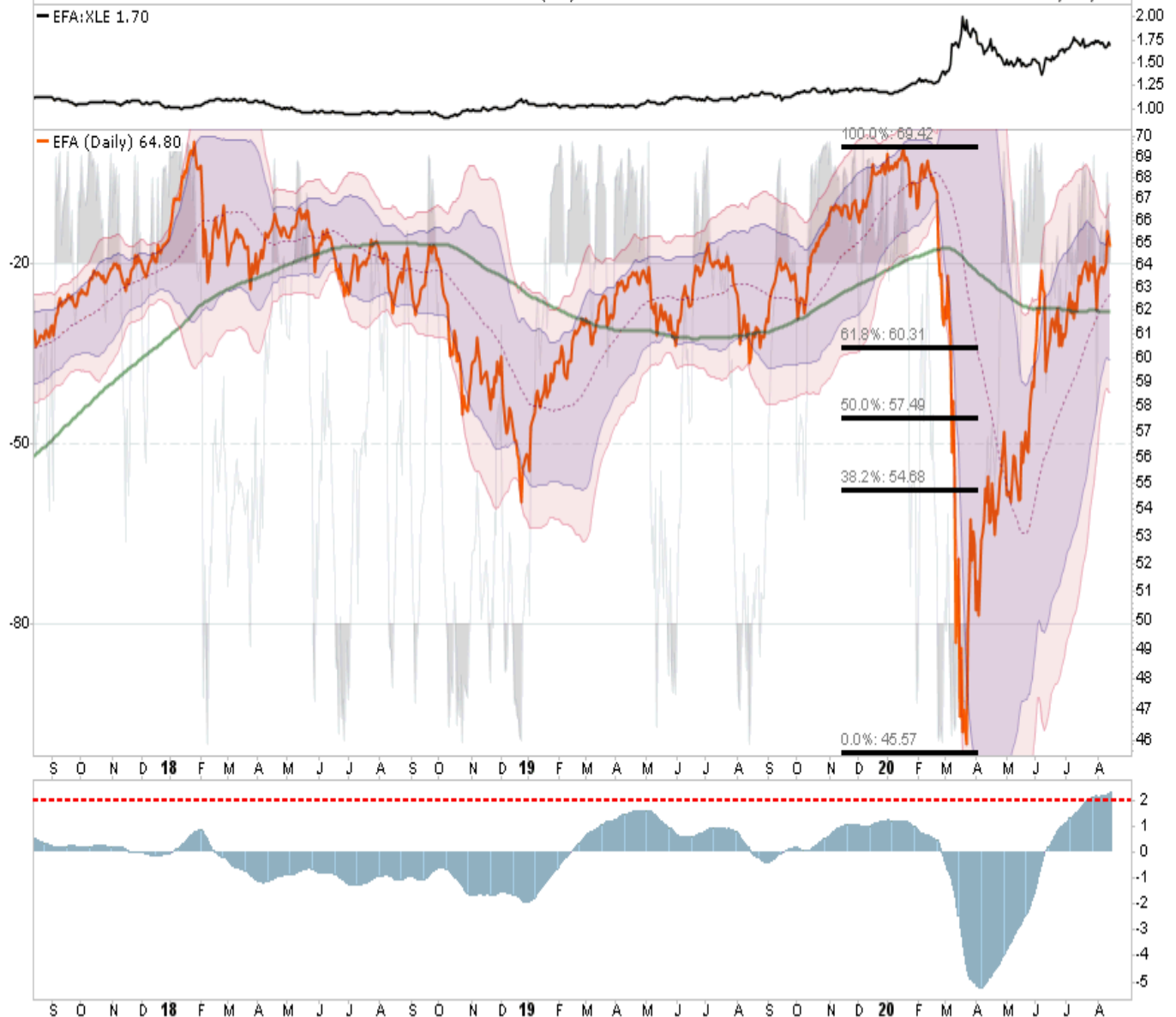
International Markets

Friday 14-Aug-2020

Open: **64.74** Ask: P/E: Options: **yes**
 High: **64.93** Ask Size: EPS: Annual Dividend: **1.63354**
 Low: **64.62** Bid: Mkt Cap: **48.3B** Yield: **2.52%**
 Prev Close: **65.20** Bid Size: Last Size: SCTR (ETF): **41.8**

▼ **-0.61%**
 Chg: **-0.40**
 Last: **64.80**
 Volume: **10,874,070**

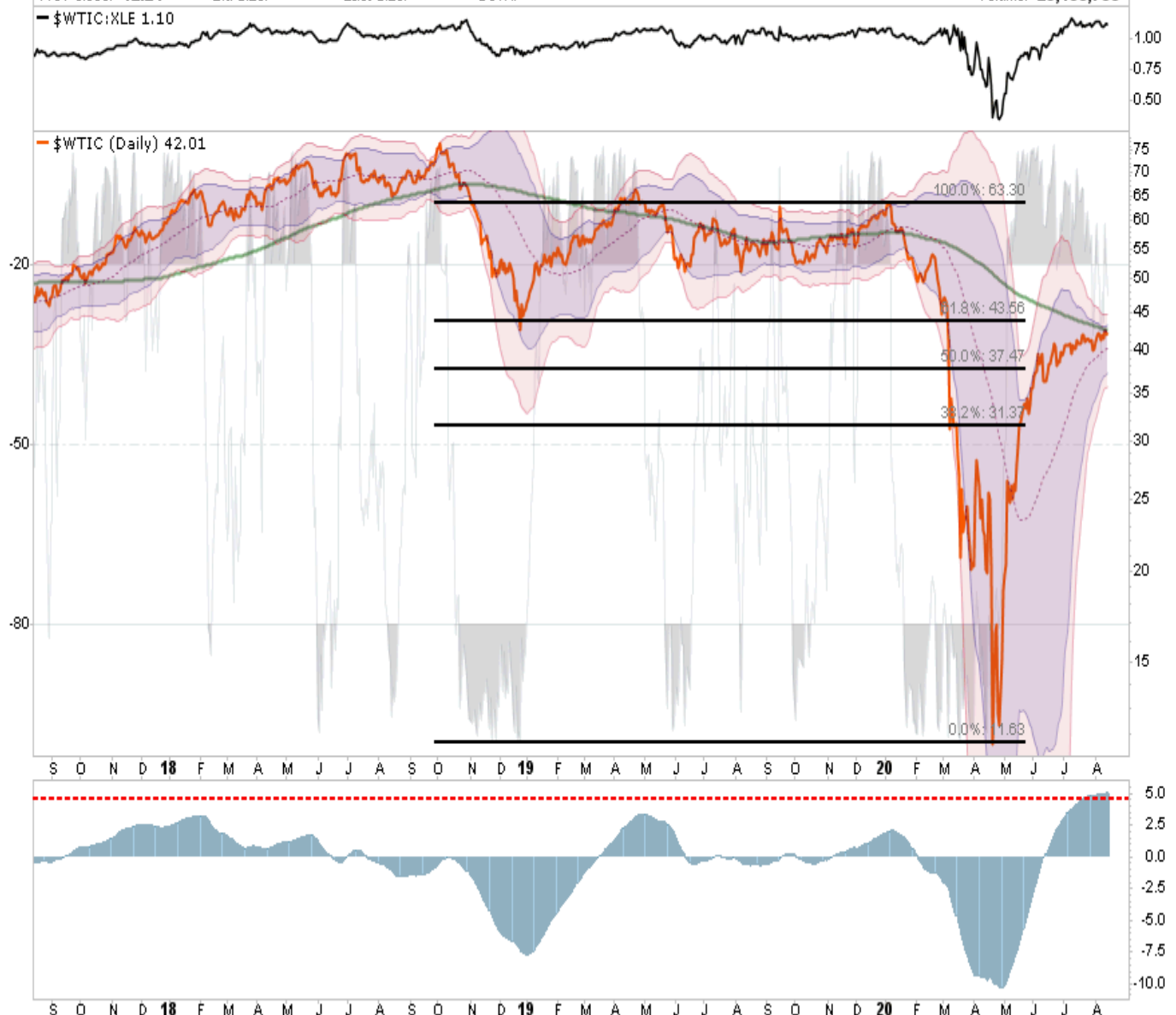
EFA:XLE 1.70



- *EFA was holding up better. It will be important for EFA to hold support at the 200-dma, but the overbought condition puts this at risk.*
- *The dollar is extremely oversold, so a rally in the dollar could impact the EFA.*
- *As with EEM, EFA is dollar sensitive, so we also added a dollar hedge.*
- **Short-Term Positioning: Bearish**
 - *Last Week: Sold position in EFA.*
 - *This Week: No position.*
 - *Stop-loss set at \$62*
- **Long-Term Positioning: Bearish**

West Texas Intermediate Crude (Oil)

Open: 42.33	Ask:	P/E:	Options: no	Friday 14-Aug-2020
High: 42.57	Ask Size:	EPS:	Annual Dividend: N/A	▼ -0.54%
Low: 41.62	Bid:	Mkt Cap:	Yield: N/A	Chg: -0.23
Prev Close: 42.24	Bid Size:	Last Size:	SCTR:	Last: 42.01
				Volume: 29,400,700

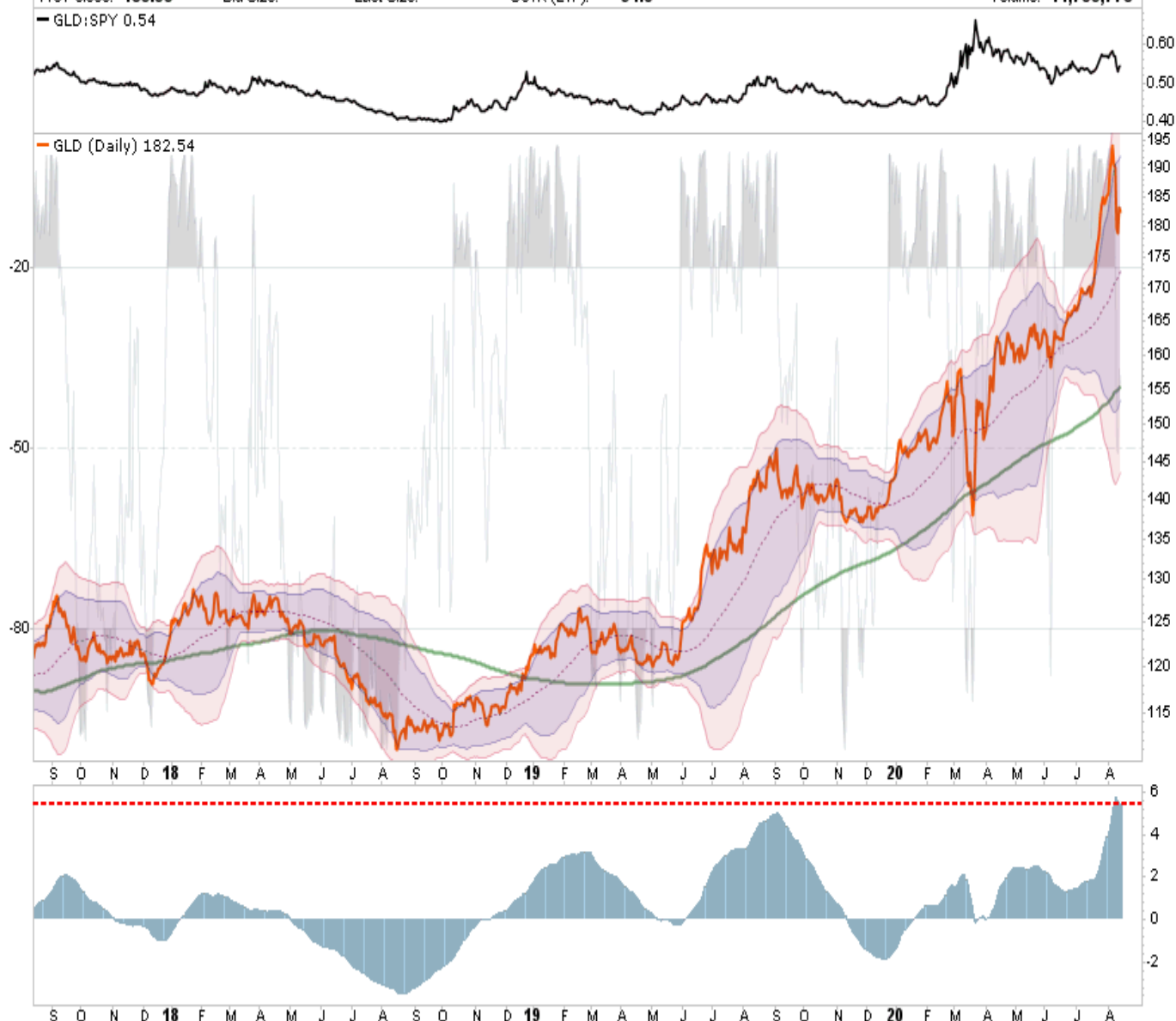


- Oil prices are struggling to move higher and are running into the 200-dma resistance.
- We suggested last: **"Look for a correction to reverse some of the extreme overbought."** That correction hasn't occurred yet. But it doesn't mean it won't.
- Note the narrowness of the Bollinger Bands. That compression will widen either as oil prices SURGE higher or collapse lower. Pay attention to the risk.
- Oil is also subject to a reversal in the dollar, another reason we are adding a dollar hedge.
- 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

Open: **183.44** Ask: P/E: **-17.64** Options: **yes**
 High: **183.72** Ask Size: EPS: **-10.35** Annual Dividend: **N/A**
 Low: **181.49** Bid: Mkt Cap: **76.7B** Yield: **N/A**
 Prev Close: **183.33** Bid Size: Last Size: SCTR (ETF): **94.0**

Friday 14-Aug-2020

▼ **-0.43%**Chg: **-0.79**Last: **182.54**Volume: **11,753,778**

- We remain long our current position in IAU, but did take some profits previously due to the risk of a counter-trend rally in the dollar.
- We had also noted that Gold was 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.
- That pullback occurred this past week. There is a bit more to go, but we did start buying some Goldminers (GDX) and will add to Gold closer to \$175
- 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: **163.81** Ask: P/E: Options: **yes**
 High: **164.15** Ask Size: EPS: Annual Dividend: **2.73146**
 Low: **163.16** Bid: Mkt Cap: **17.8B** Yield: **1.67%**
 Prev Close: **163.82** Bid Size: Last Size: SCTR (ETF): **64.0**

Friday 14-Aug-2020

▼ **-0.39%**Chg: **-0.64**Last: **163.18**Volume: **6,397,920**

- We noted last week that "While bonds are overbought short-term, 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."
- That correction in bonds occurred last week, and on Friday we used the dip to add to our TLT position.
- 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: Increased TLT from 12.5% to 15% of portfolio.
 - Stop-loss moved up to \$155
 - Long-Term Positioning: Bullish

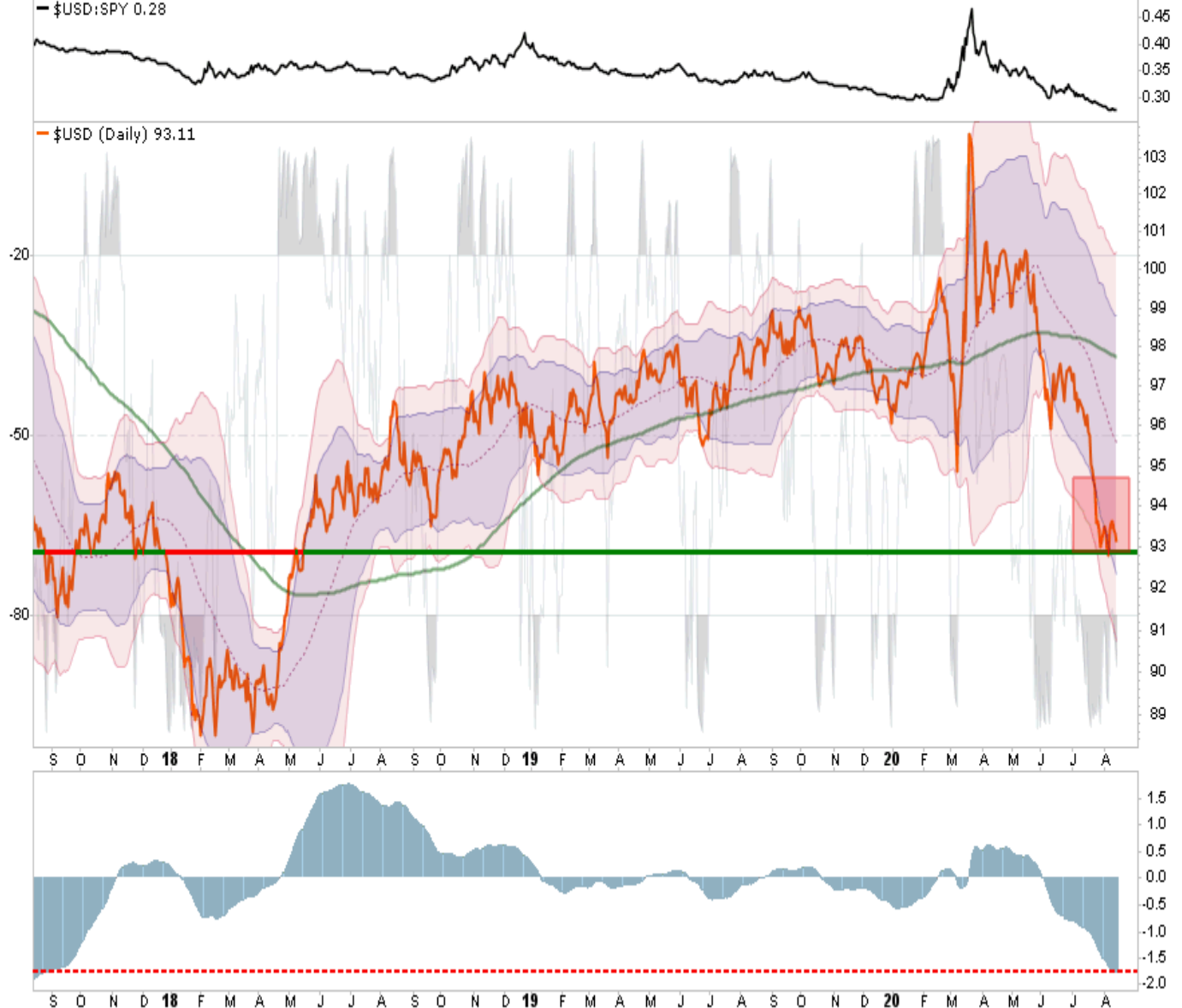
U.S. Dollar

Friday 14-Aug-2020

Open: 93.32	Ask:	P/E:	Options: no
High: 93.40	Ask Size:	EPS:	Annual Dividend: N/A
Low: 93.06	Bid:	Mkt Cap:	Yield: N/A
Prev Close: 93.34	Bid Size:	Last Size:	SCTR:

▼ **-0.25%**
 Chg: **-0.23**
 Last: **93.11**
 Volume: **0**

— \$USD:SPY 0.28



- The dollar continues to hold support for now, but is extremely oversold.
- 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. We added to that position this week.**
- Trading positions can be added to hedge portfolios but there is not likely a huge move available currently given the current market dynamics.
- Stop-loss adjusted to \$92.