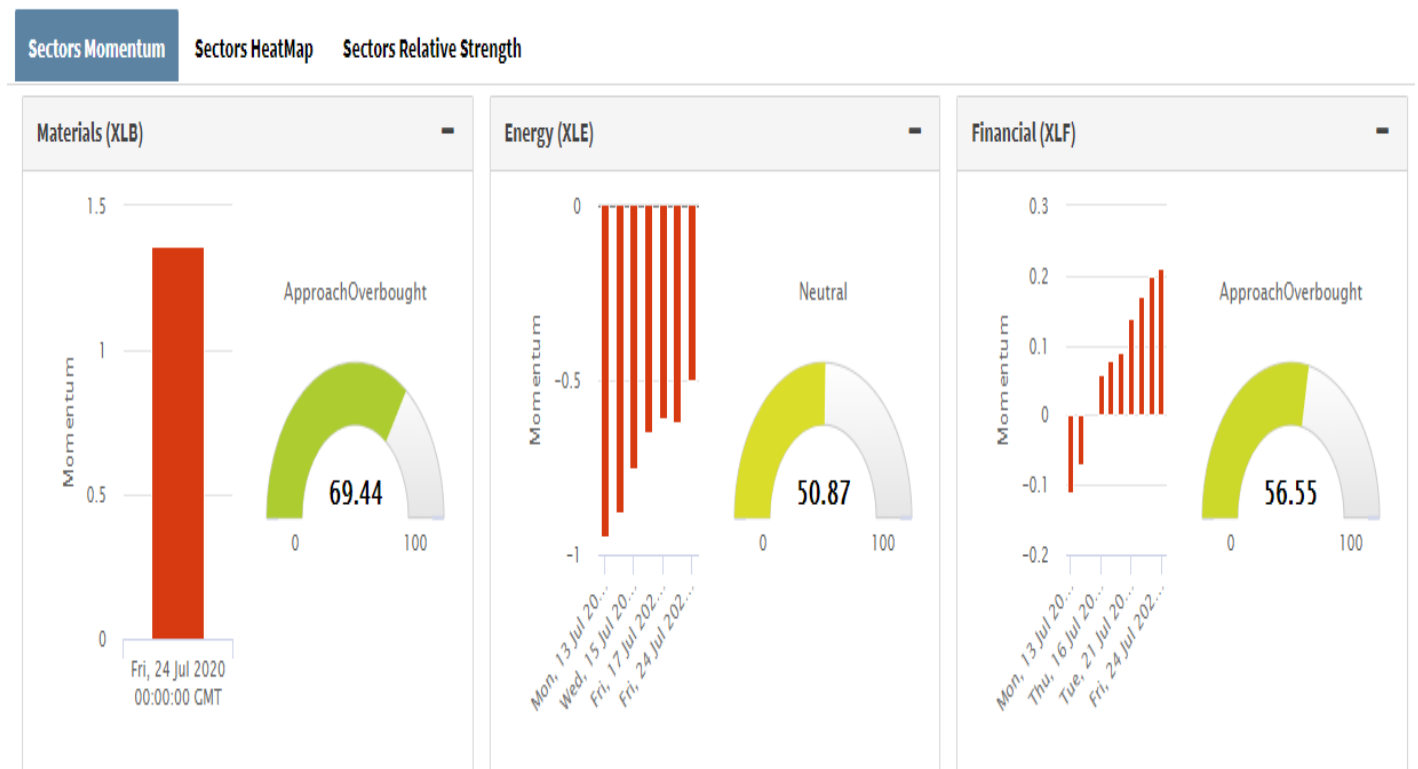


HOW TO READ THE SECTOR BUY/SELL REVIEW: 10-06-20 Each week we produce a **"Sector Buy/Sell Review"** chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such helps refine decision-making about what to own and when. It also guides what sectors to overweight or underweight to achieve better performance. You can also view sector momentum and relative strength [daily here](#).



There are three primary components to each chart below:

- The price chart is in orange.
- Over Bought/Over Sold indicator is in gray in the background.
- 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 tend to work better than when below the zero lines. **We added 2- and 3-standard deviation extensions from the 50-dma this week. Currently, markets and sectors are back to "stupid" overbought on many levels. We advise caution.**

SECTOR BUY/SELL REVIEW: 10-06-20

Basic Materials

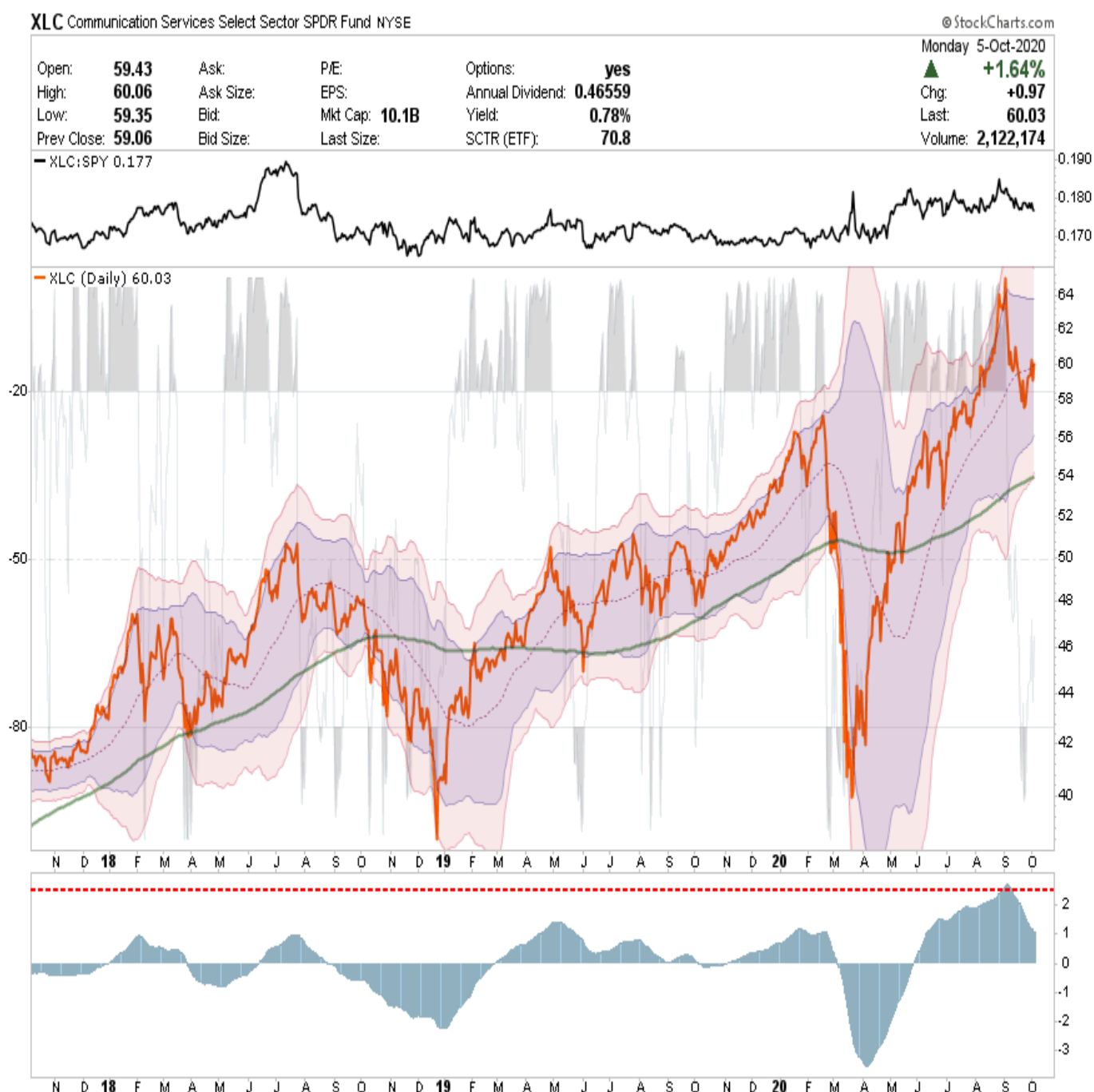
XLB Materials Select Sector SPDR Fund NYSE

© StockCharts.com

Open: 63.81	Ask:	P/E:	Options: yes	Monday 5-Oct-2020
High: 64.94	Ask Size:	EPS:	Annual Dividend: 1.21829	▲ +1.91%
Low: 63.79	Bid:	Mkt Cap: 3.94B	Yield: 1.89%	Chg: +1.21
Prev Close: 63.30	Bid Size:	Last Size:	SCTR (ETF): 83.2	Last: 64.51
- XLB:SPY 0.19				Volume: 9,319,709

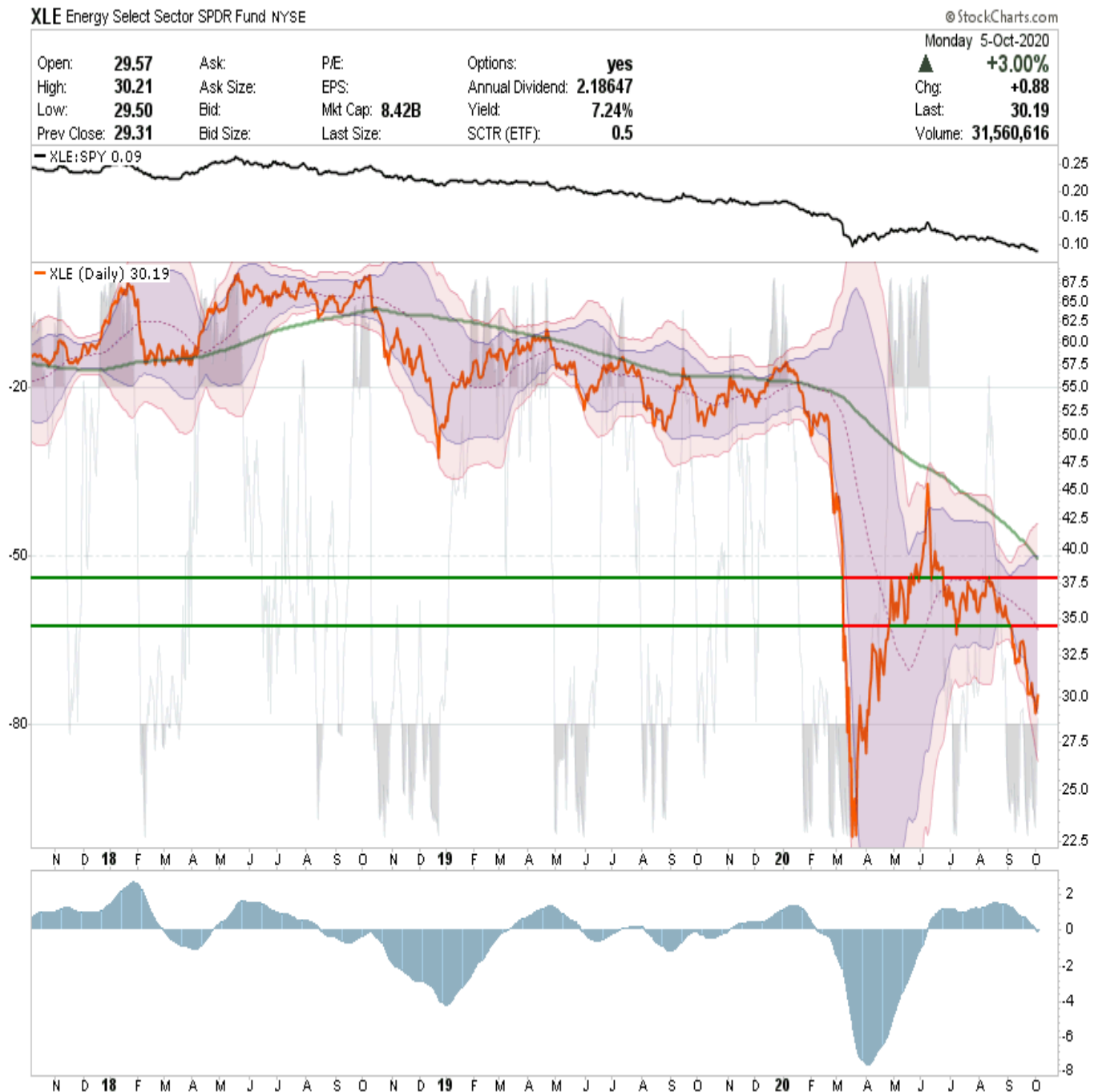
- As stated last week, the "relation trade" is likely over. More importantly, with 10-year Treasury yields popping higher recently, such will put a crimp on economic growth.
- Looking at XLB, you will see the same in Industrials and Transportation, which bounced on Monday, but there hasn't been enough correction in the sector for a good entry point.
- The relative performance has also weakened, which keeps us cautious.
- Trading positions are reasonable with a stop at the 50-dma and profit-taking at previous highs.
- Short-Term Positioning: Bullish
 - Last Week: No Positions
 - This Week: Trading positions only.
 - Stop-Loss moved up to \$60
- Long-Term Positioning: Bearish

Communications



- *Communications also bounced on Monday, as the sector had become oversold short-term.*
- *We suggested taking profits and reducing risks, and that correction has now happened.*
- *XLC did regain the 50-dma, so trading positions are still intact.*
- *Traders can add positions with a very tight stop at \$56.*
- -
 - *This Week: We added to communications last week.*
- *Long-Term Positioning: Bearish*

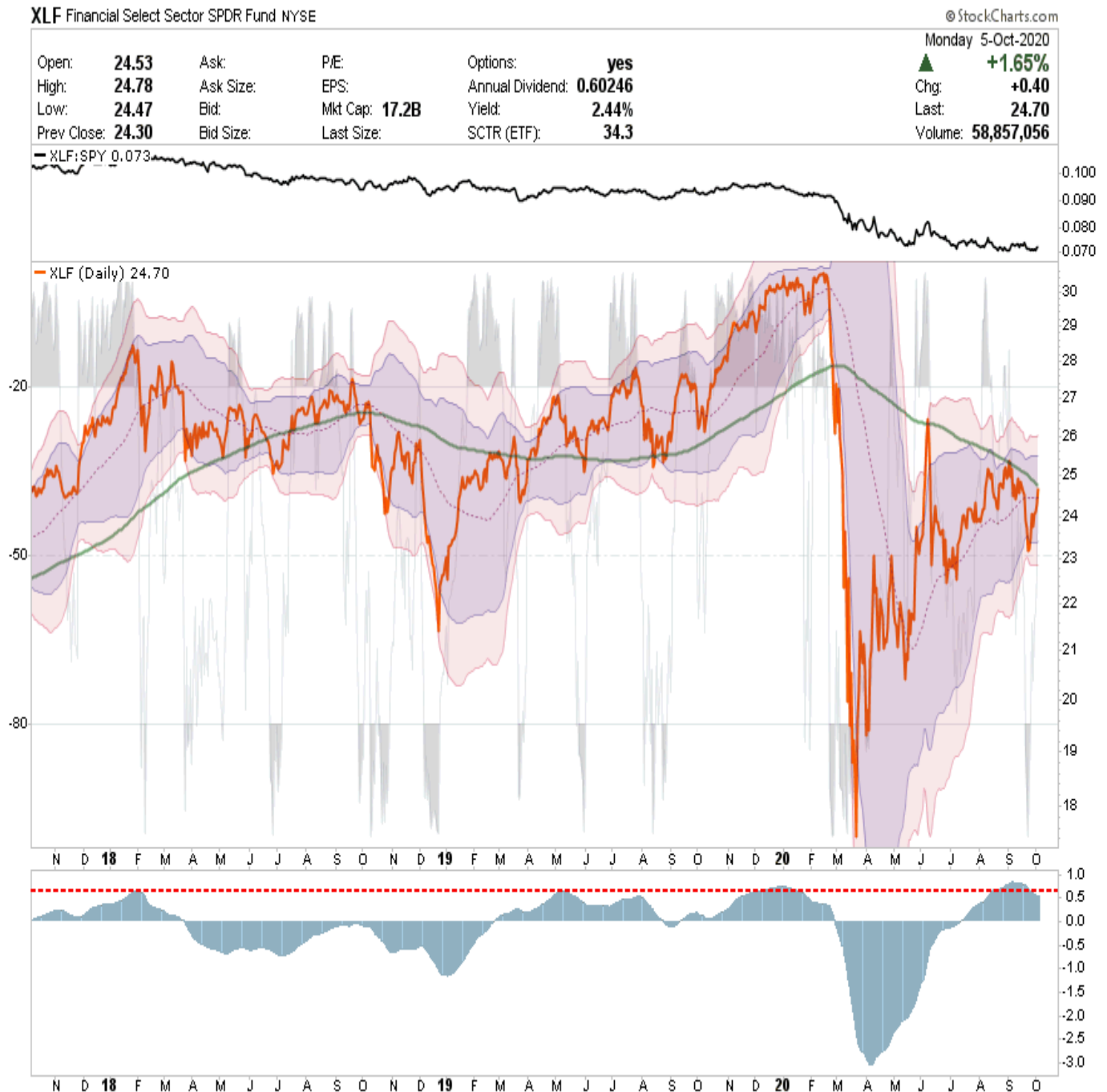
Energy



- *As we noted last week: "Energy is deeply oversold and due for a bounce. However, there is not much support for the sector currently."*

- The sector did bounce on Monday. However, it has done little to change the overall trend or establish a bottom at this point. Stay clear for now.
- Short-Term Positioning: Bearish
 - Last week: Hold positions
 - This week: Hold positions.
- Stop-loss violated.
- Long-Term Positioning: Neutral

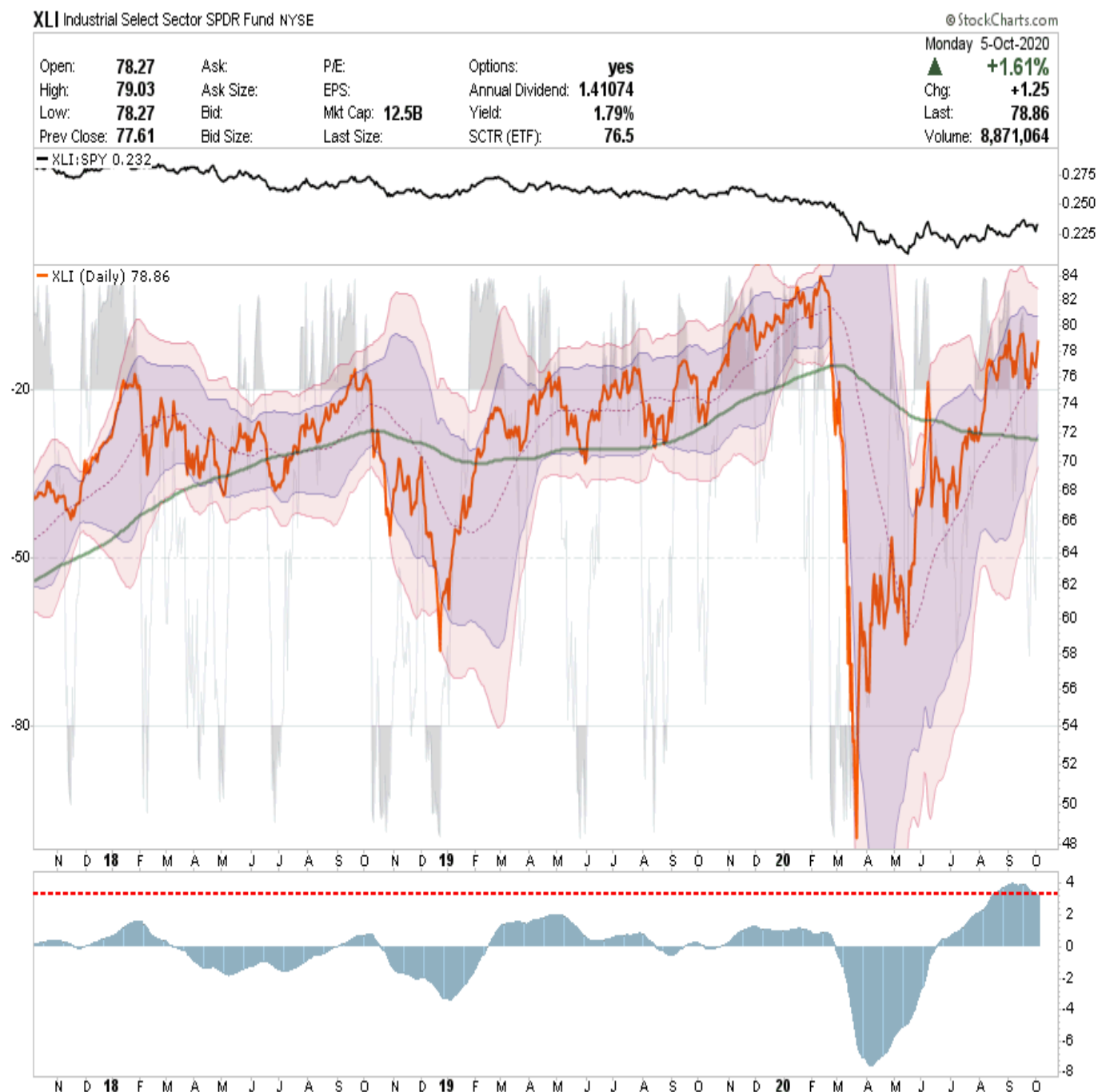
Financials



- Financials continue to underperform and remain a sector to avoid currently.
- XLF bounced yesterday on hopes of more fiscal stimulus but was weak relative to the index.
- Financials remain constrained by the 200-dma. Earnings start next week, so that will be their best chance to break out.

- *Banks remain out of favor.*
- *Short-Term Positioning: Neutral*
 - *Last week: No position*
 - *This week: No position*
- *Long-Term Positioning: Bearish*

Industrials



- *As noted, like materials, XLI rallied sharply on Monday under the premise of more fiscal support. Such could be disappointing.*
- *We have grossly reduced our exposure to the sector and are looking for a better opportunity to add back to our position. We haven't seen an excellent oversold entry point yet.*
- *As suggested previously, take profits and rebalance risk.*
 - *Short-Term Positioning: Bullish*

- Last week: No change.
- This week: No change.
- Long-Term Positioning: Bearish

Technology



- Technology stocks, and the Nasdaq, found some buying yesterday after a fairly brutal correction over the last couple of weeks.
- While the sector remains has worked off some of its overbought condition, it is now running into the previous uptrend resistance.
- Such is still the sector investors will likely chase for now as the momentum trade continues.
- Short-Term Positioning: Bullish
 - Last week: No changes.
 - This week: Added to our Technology holdings.

- *Stop-loss set at \$105*
- *Long-Term Positioning: Bullish*

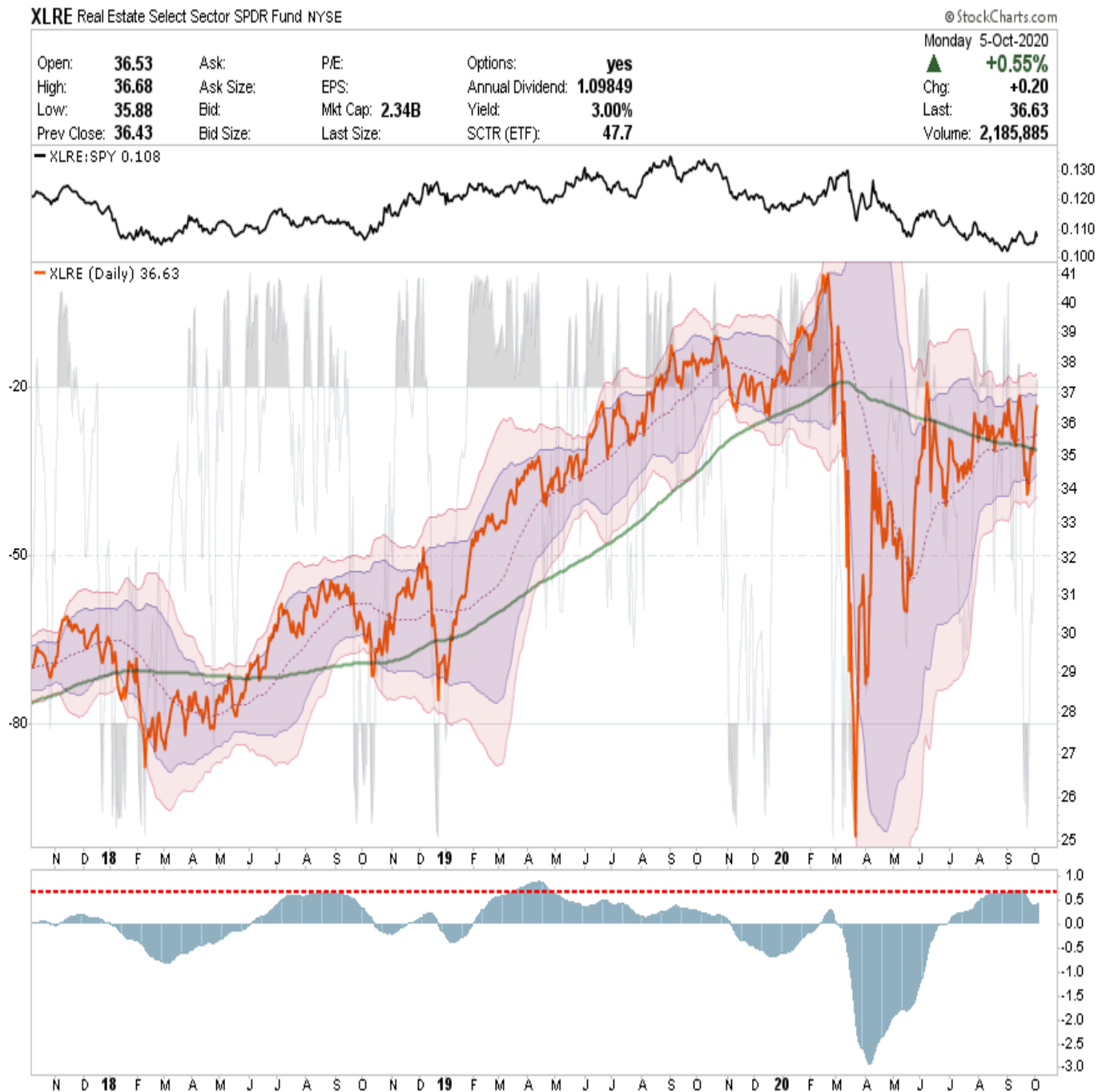
Staples



- *Over the last couple of weeks, we have discussed the correction of XLP.*
- *That correction came and has pushed XLP down to its 50-dma, where it did hold support.*
- *However, the rally yesterday was a bit disappointing relative to the index.*
- *Rebalance holdings and tighten up stop-losses on any rally for now.*
- *The sector has gotten oversold enough for a rally, but we need to see relative performance improve.*
- *We are moving our stop-loss alert to \$60 as our stop-level.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*

- *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

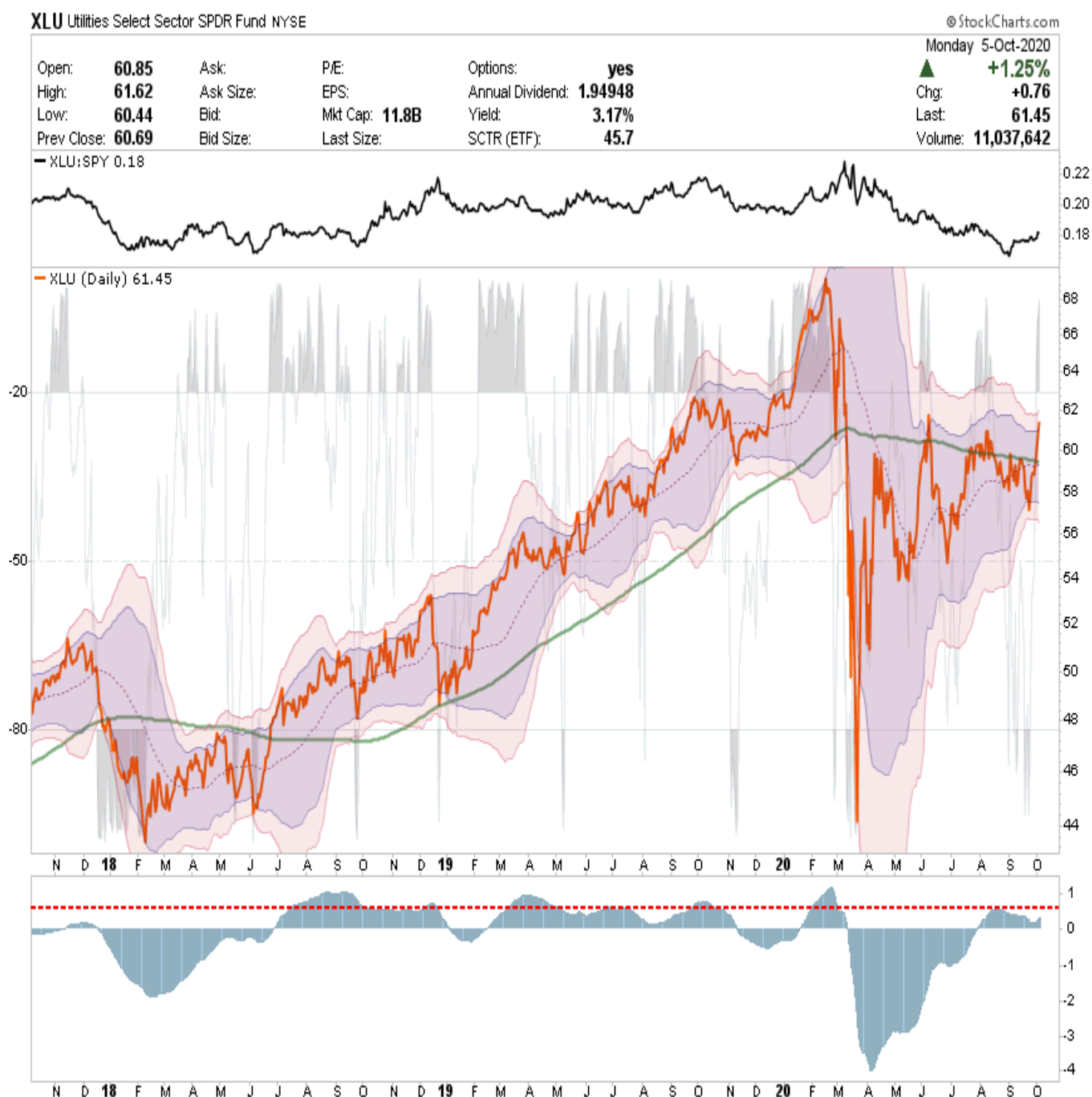
Real Estate



- *There is still a lot of risk to the real estate space, specifically in the Commercial side. However, investors are back to chasing the yield and ignoring the danger.*
- *On Monday, XLRE rallied back above resistance and is now testing its previous resistance. Such is a good time to take profits and rebalance this sector.*
- *With XLRE oversold, use rallies to rebalance exposures and make sure you are in the right REIT areas.*
- *Short-Term Positioning: Neutral*
 - *Last week: No change.*
 - *This week: Hold positions.*

- *Long-Term Positioning: Bullish*

Utilities

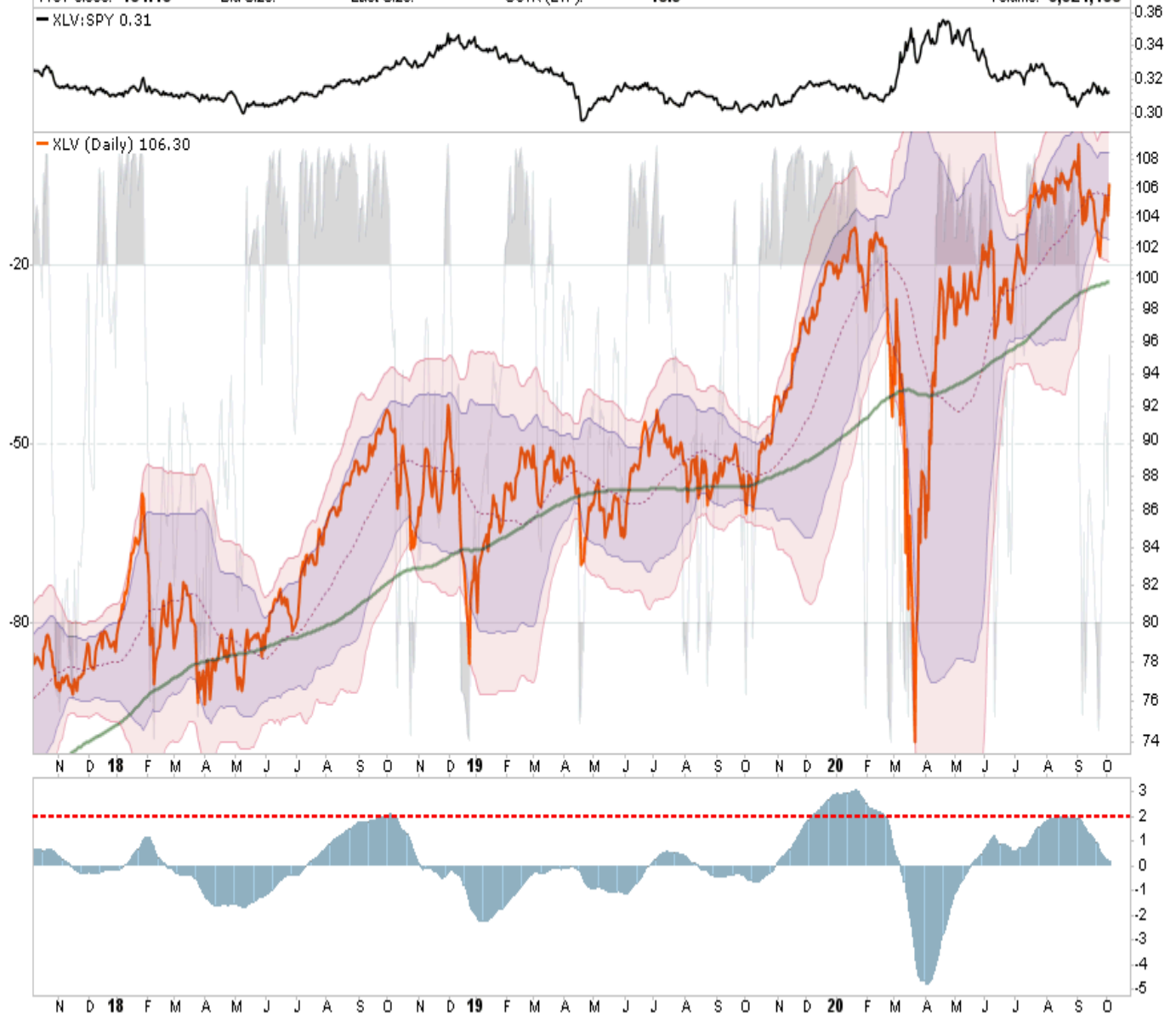


- *XLU had been struggling with resistance at the 200-dma. However, over the last couple of sessions, and opposed to the 10-year yield rising, XLU has surged back to very overbought conditions.*
- *Performance has been disappointing, so take profits and rebalance accordingly.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Health Care

Open: **104.91** Ask: P/E: Options: **yes**
 High: **106.41** Ask Size: EPS: Annual Dividend: **1.64435**
 Low: **104.88** Bid: Mkt Cap: **23.8B** Yield: **1.55%**
 Prev Close: **104.16** Bid Size: Last Size: SCTR (ETF): **48.3**

Monday 5-Oct-2020
 ▲ **+2.05%**
 Chg: **+2.14**
 Last: **106.30**
 Volume: **6,621,408**



- *XLV broke below its 50-dma but recovered it on Monday, keeping support intact.*
- *We stated previously; there was an opportunity to add exposure, which we did.*
- *The 200-dma is now essential price support for XLV.*
- *We are moving our absolute stop to \$100*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Added to Healthcare holdings.*
- *Long-Term Positioning: Bullish*

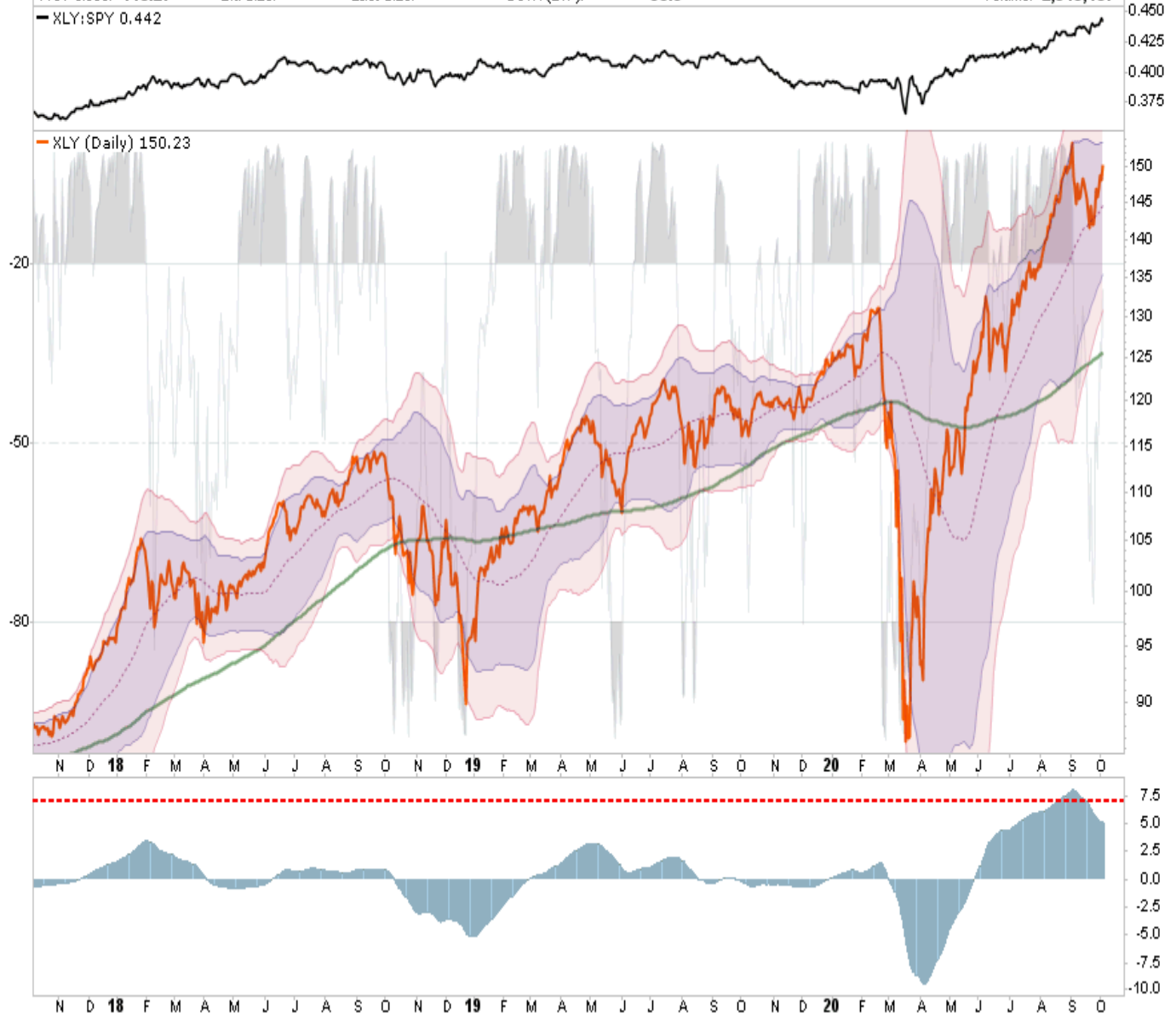
Discretionary

Open: **149.06** Ask: P/E: Options: **yes**
 High: **150.40** Ask Size: EPS: Annual Dividend: **1.43512**
 Low: **148.93** Bid: Mkt Cap: **15.9B** Yield: **0.96%**
 Prev Close: **148.27** Bid Size: Last Size: SCTR (ETF): **93.0**

Monday 5-Oct-2020

▲ **+1.32%**Chg: **+1.96**Last: **150.23**Volume: **2,319,487**

XLY:SPY 0.442



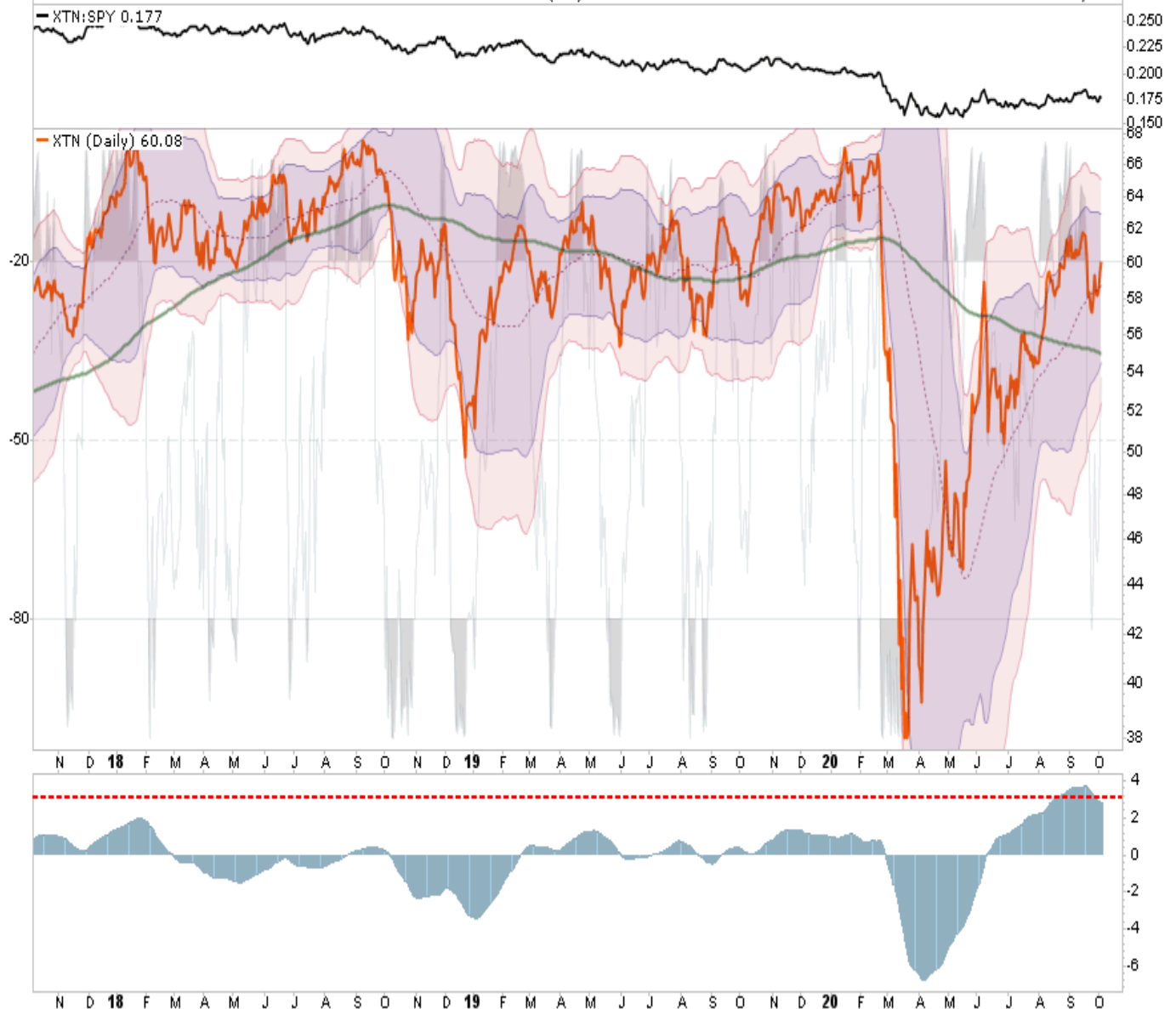
- *XLY has corrected back to its 50-dma and is holding support for now.*
- *On Monday, the sector rallied but underperformed the market as a whole.*
- *The sector has not gotten oversold yet, which suggests a limit to the upside at the moment.*
- *Without more fiscal support, the money flows into discretionary stocks could well see some weakness.*
- *Stop-loss moved to \$135*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*
 - *This week: No changes.*
- *Long-Term Positioning: Neutral*

Transportation

Monday 5-Oct-2020

Open: **59.79** Ask: P/E: Options: **no**
 High: **60.25** Ask Size: EPS: Annual Dividend: **0.48991**
 Low: **59.62** Bid: Mkt Cap: **240.3M** Yield: **0.82%**
 Prev Close: **59.38** Bid Size: Last Size: SCTR (ETF): **78.8**

▲ **+1.19%**
 Chg: **+0.70**
 Last: **60.08**
 Volume: **14,413**



- Transportation rallied on Monday, but that rally underperformed other sectors of the market.
- The sector is not oversold, and the "buy signal" remains very extended. Much of the sector also maintains relatively weak fundamentals.
- We took profits in the sector and are waiting for a better entry point to add to our holdings.
- Maintain an absolutely stop-loss at \$56
- Short-Term Positioning: Neutral
 - Last week: No change
 - This week: No change
- Long-Term Positioning: Bearish