

Sector Buy/Sell Review: 10-13-20

HOW TO READ THE SECTOR BUY/SELL REVIEW: 10-13-20 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: 10-13-20

Basic Materials

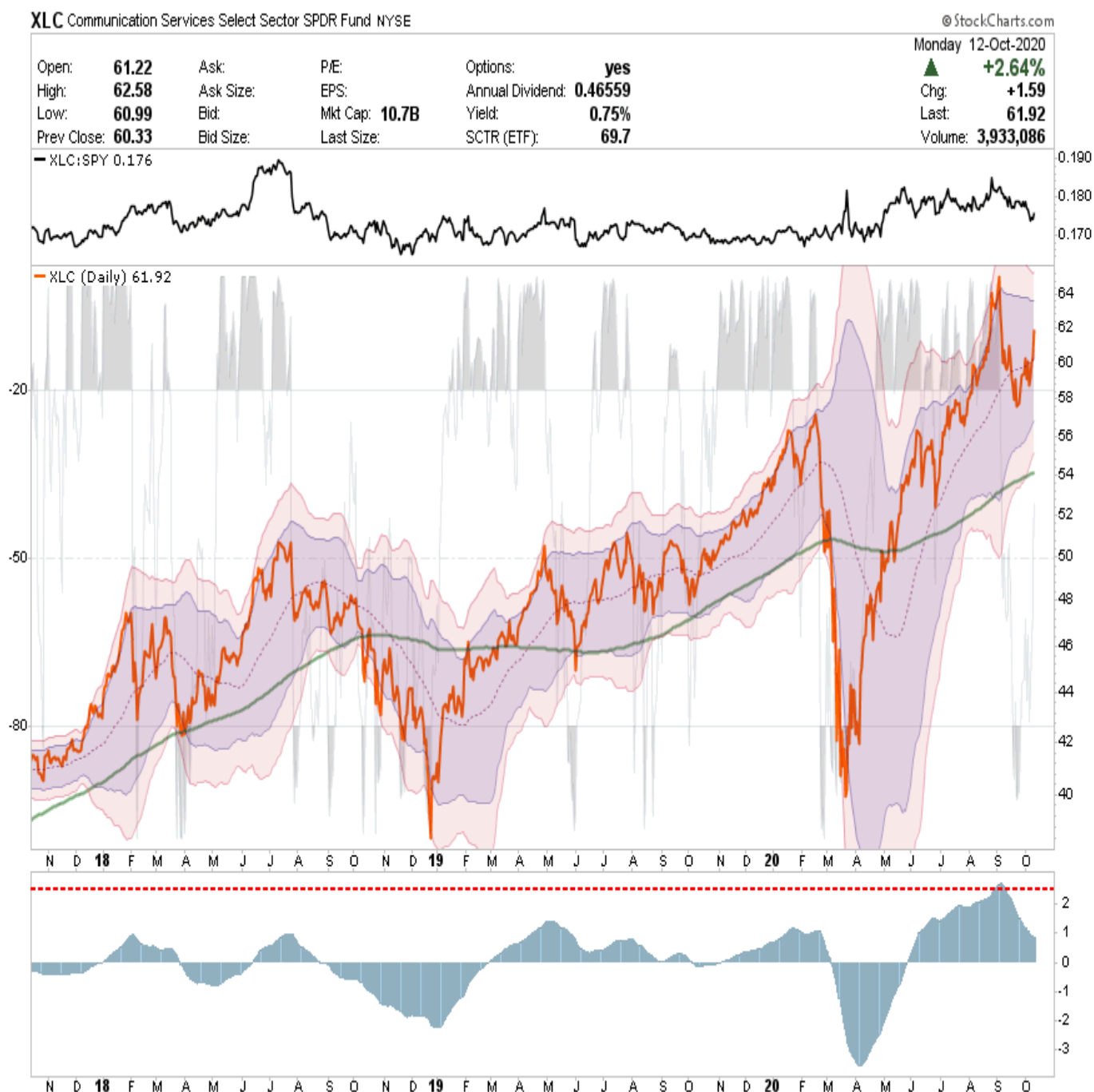
XLB Materials Select Sector SPDR Fund NYSE

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Open: 66.89	Ask:	P/E:	Options: yes	Monday 12-Oct-2020
High: 66.97	Ask Size:	EPS:	Annual Dividend: 1.21829	▼ -0.17%
Low: 66.36	Bid:	Mkt Cap: 4.32B	Yield: 1.83%	Chg: -0.11
Prev Close: 66.51	Bid Size:	Last Size:	SCTR (ETF): 80.3	Last: 66.40
				Volume: 4,065,551

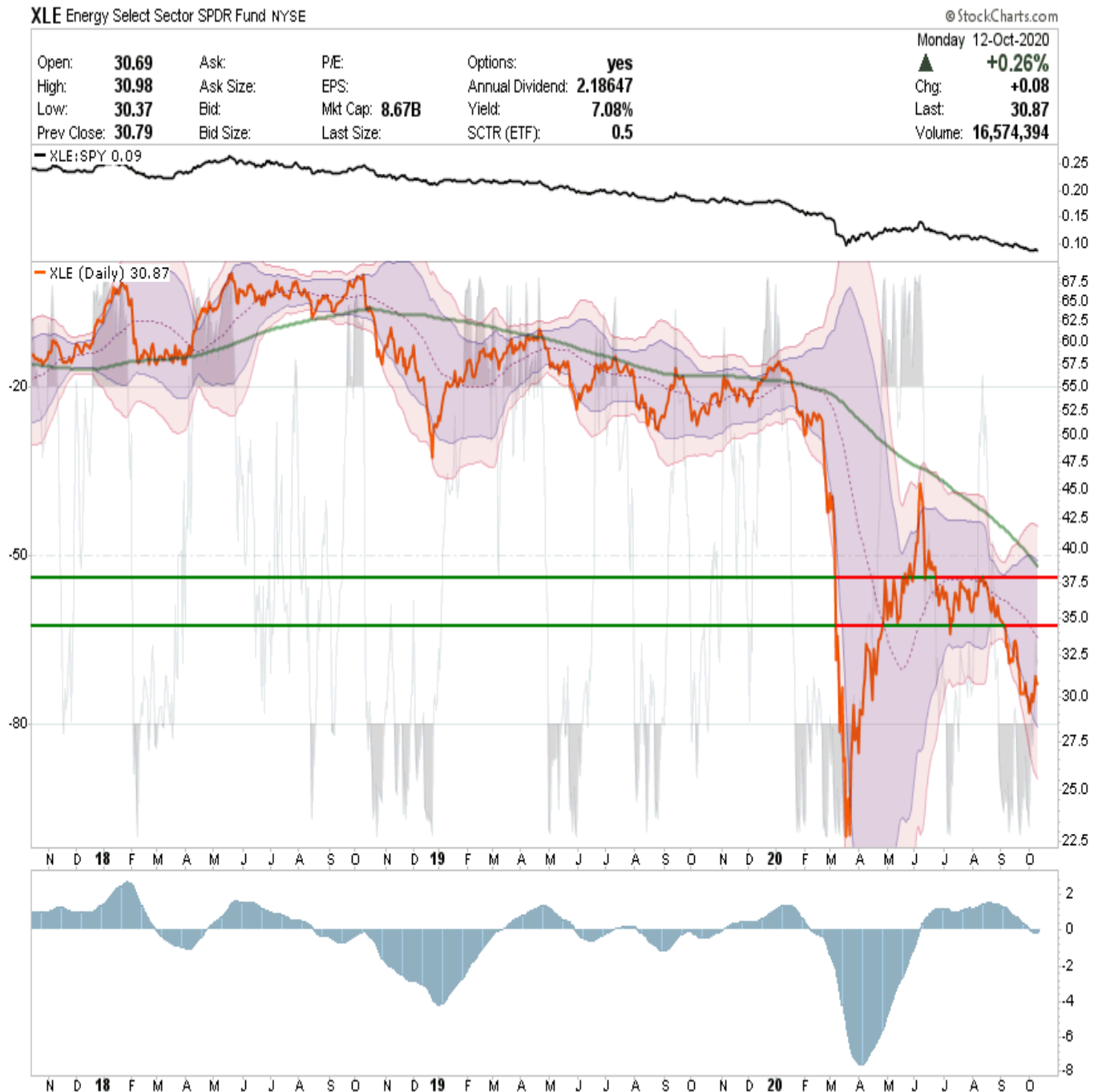
- Looking at XLB, you will see the same in Industrials and Transportation, which bounced on Monday, but there hasn't been enough correction in the sector for a good entry point.
- While XLB held support and bounced off the 50-dma, it has been underperforming over the last few trading sessions and is back to 3-standard deviations.
- Be patient for a pullback to add to holdings.
- Keep stops on trading positions at the 50-dma.
- Short-Term Positioning: Bullish
 - Last Week: No Positions
 - This Week: Added to our XLB position.
 - Stop-Loss moved up to \$60
- Long-Term Positioning: Bullish

Communications



- Communications also jumped on Monday, as the sector bounced from the previous sell-off.
- XLC did regain the 50-dma, so trading positions are still intact.
- Traders can use pullbacks to the 50-dma to add positions with a very tight stop at \$56.
- -
 - This Week: Hold positions
- Long-Term Positioning: Bullish

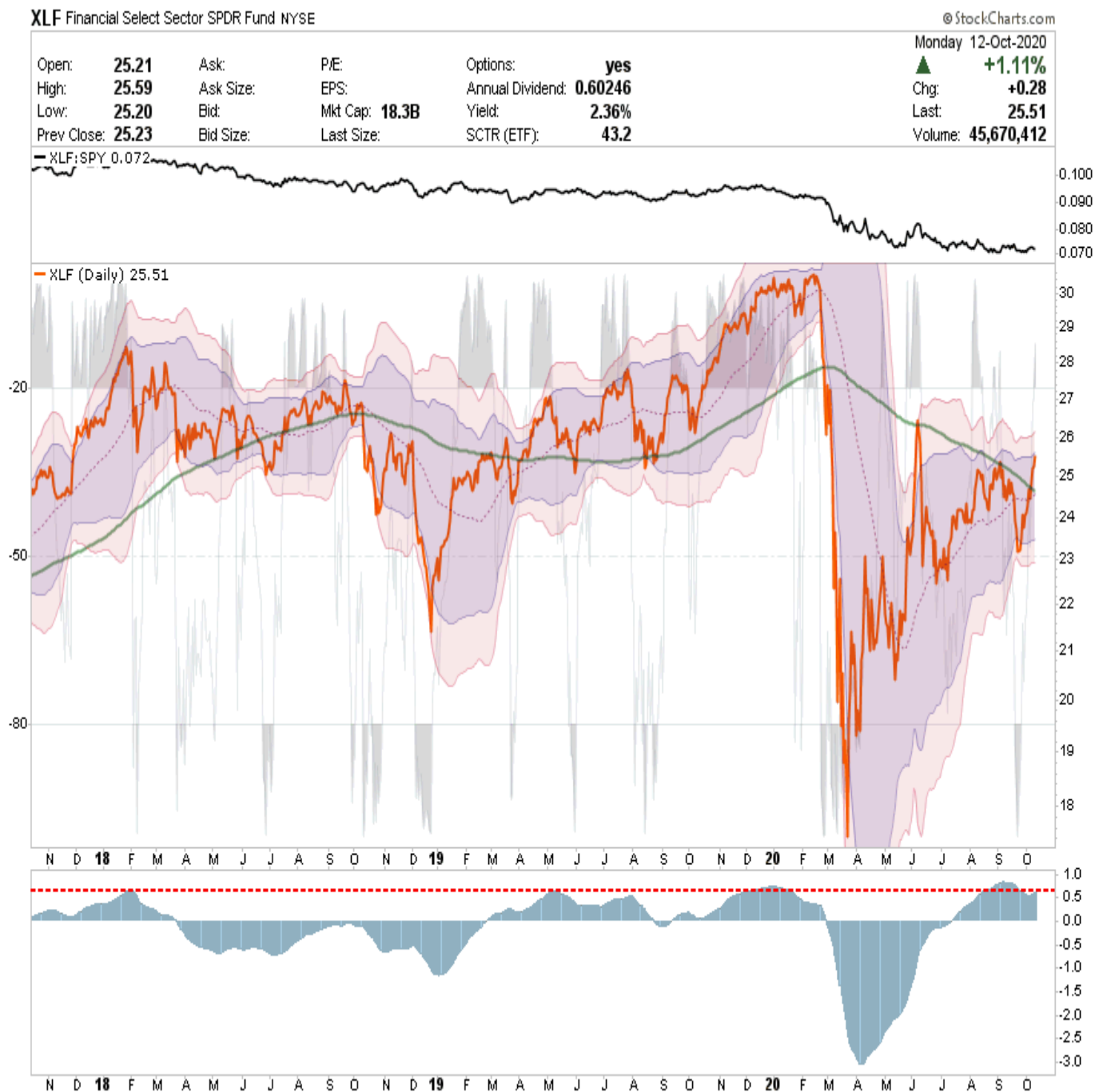
Energy



- 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...but barely. Furthermore, bounces are not holding.
- The overall trend is fragile, remain clear for now.

- **Short-Term Positioning: Bearish**
 - Last week: Hold positions
 - This week: Hold positions.
- **Stop-loss violated.**
- **Long-Term Positioning: Bearish**

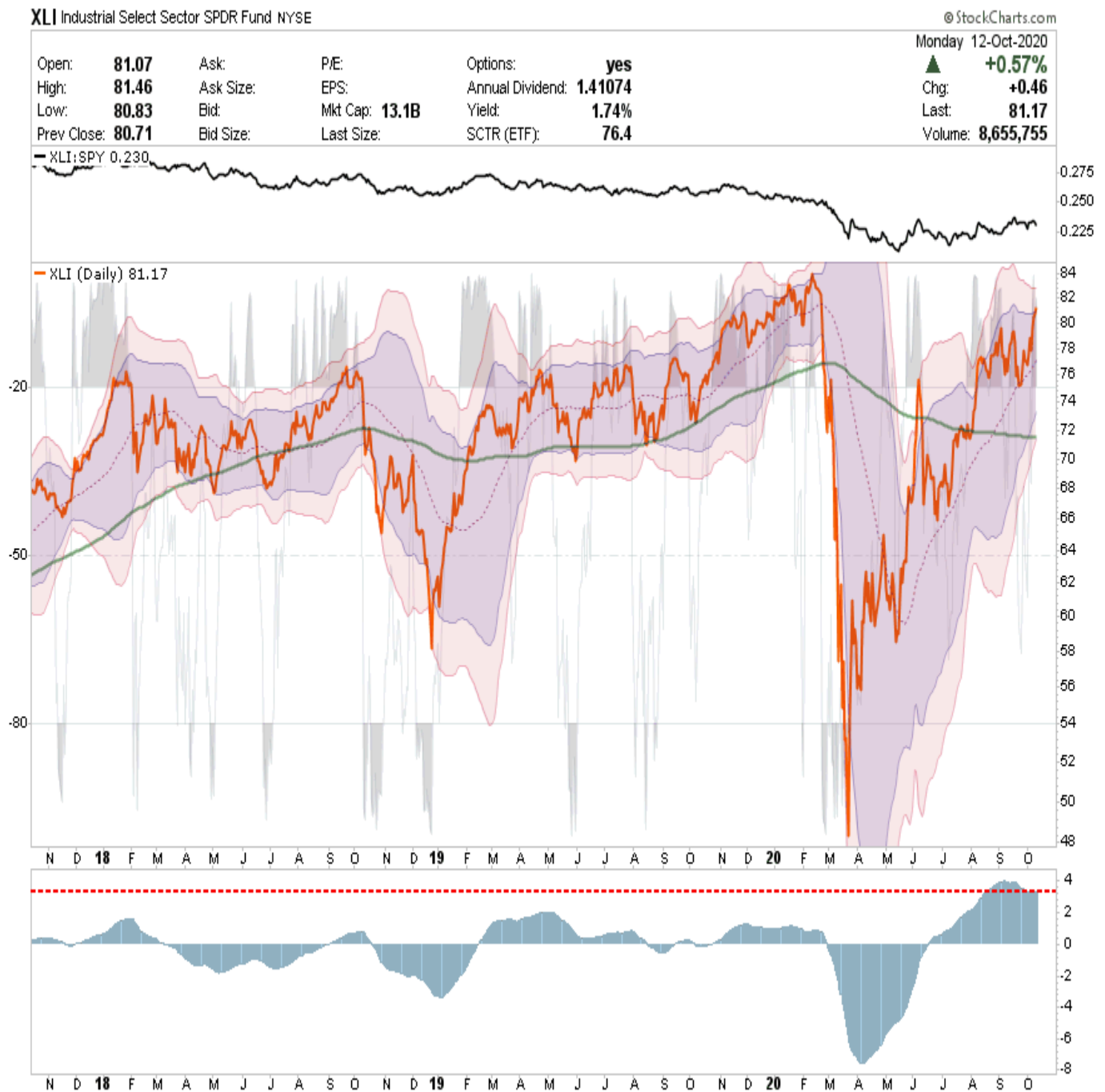
Financials



- **Financials continue to underperform but did bounce on Monday in anticipation of earnings.**
- **We saw the same bounce last quarter that eventually failed.**
- **We are still avoiding the sector for now.**
- **Short-Term Positioning: Neutral**
 - Last week: No position
 - This week: No position

- *Long-Term Positioning: Neutral*

Industrials



- *As noted, like materials, XLI rallied sharply on Monday under the premise of more fiscal support.*
- *We added to our exposure previously and are holding for now.*
- *XLI is pushing back up into the 3-standard deviations of the 50-dma and is underperforming the S&P.*
- *We will likely take profits and rebalance risk.*
 - *Short-Term Positioning: Bullish*
 - *Last week: No change.*
 - *This week: No change.*
- *Long-Term Positioning: Bullish*

Technology

XLK Technology Select Sector SPDR Fund NYSE

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Open: **121.95** Ask: P/E: Options: **yes**
 High: **124.27** Ask Size: EPS: Annual Dividend: **1.19319**
 Low: **121.34** Bid: Mkt Cap: **35.7B** Yield: **0.97%**
 Prev Close: **120.18** Bid Size: Last Size: SCTR (ETF): **91.6**

Monday 12-Oct-2020

▲ **+2.73%**

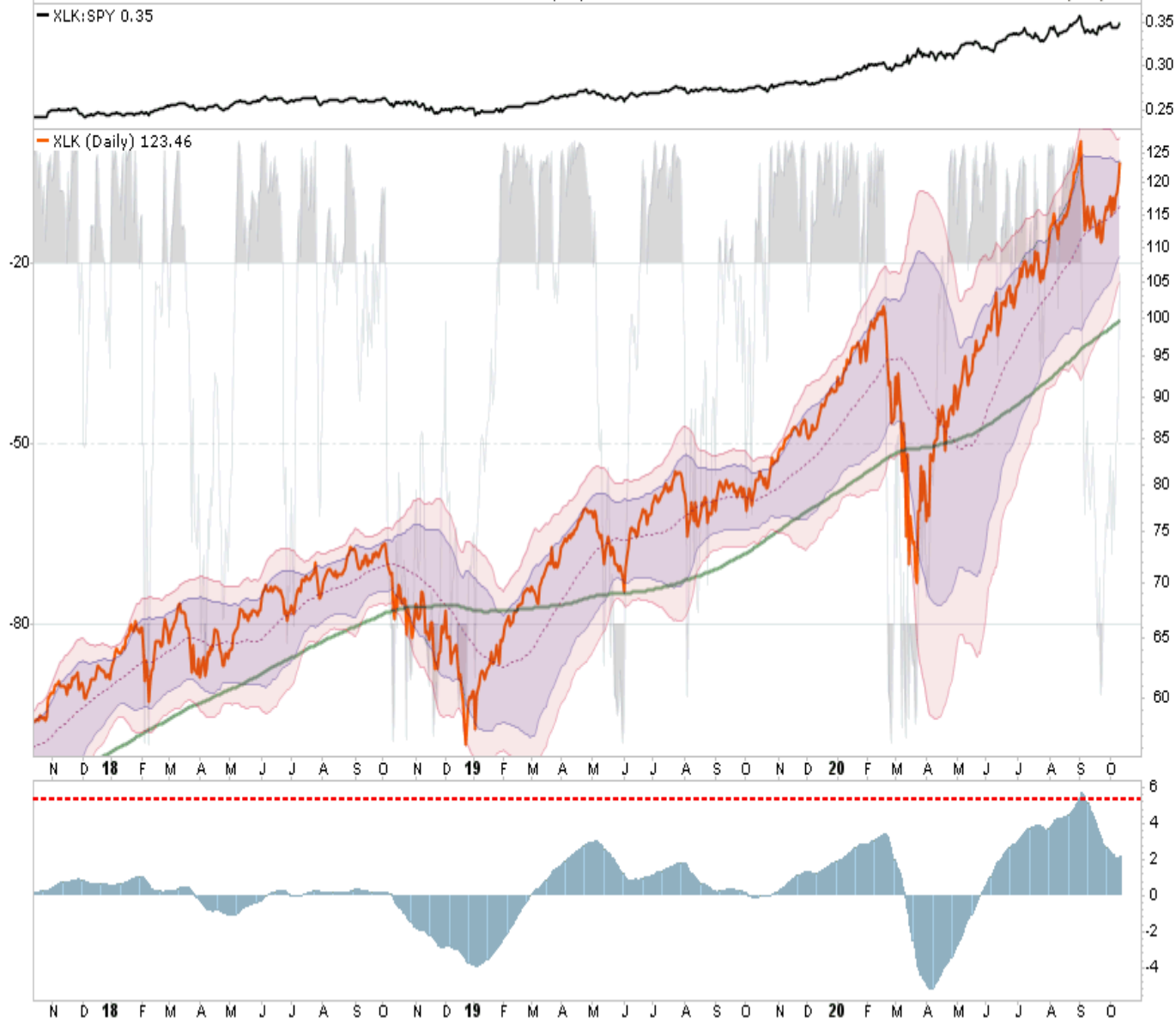
Chg: **+3.28**

Last: **123.46**

Volume: **9,575,674**

— XLK:SPY 0.35

— XLK (Daily) 123.46



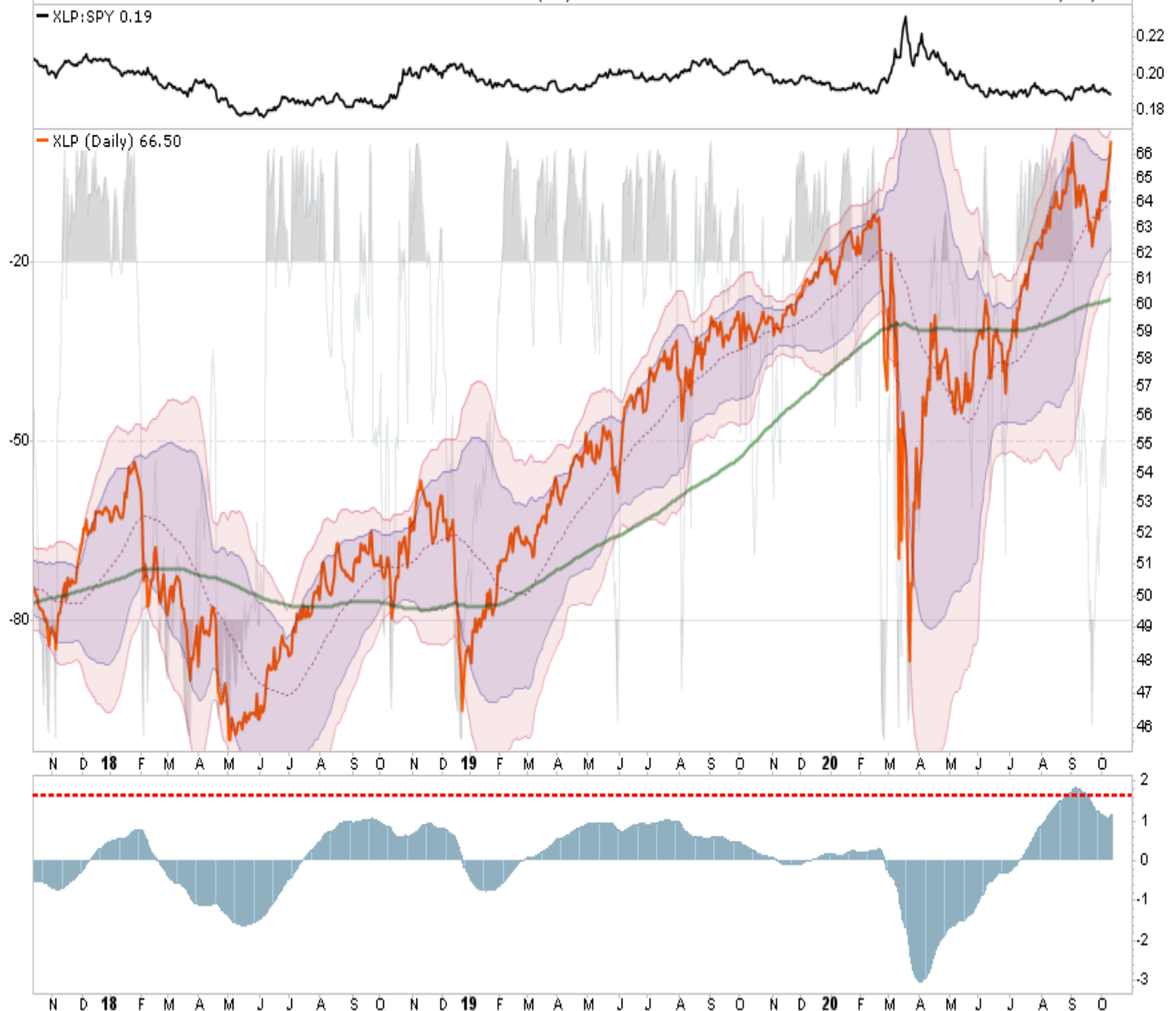
- Technology stocks and the Nasdaq found some buying yesterday as an apparent short-squeeze fueled the FANG stocks' rally.
- The sector is back to very overbought and is now running into the previous resistance.
- Sector investors will likely chase for now as the momentum trade continues.
- Short-Term Positioning: Bullish
 - Last week: No changes.
 - This week: Hold positions
- Stop-loss set at \$105
- Long-Term Positioning: Bullish

Staples

Monday 12-Oct-2020

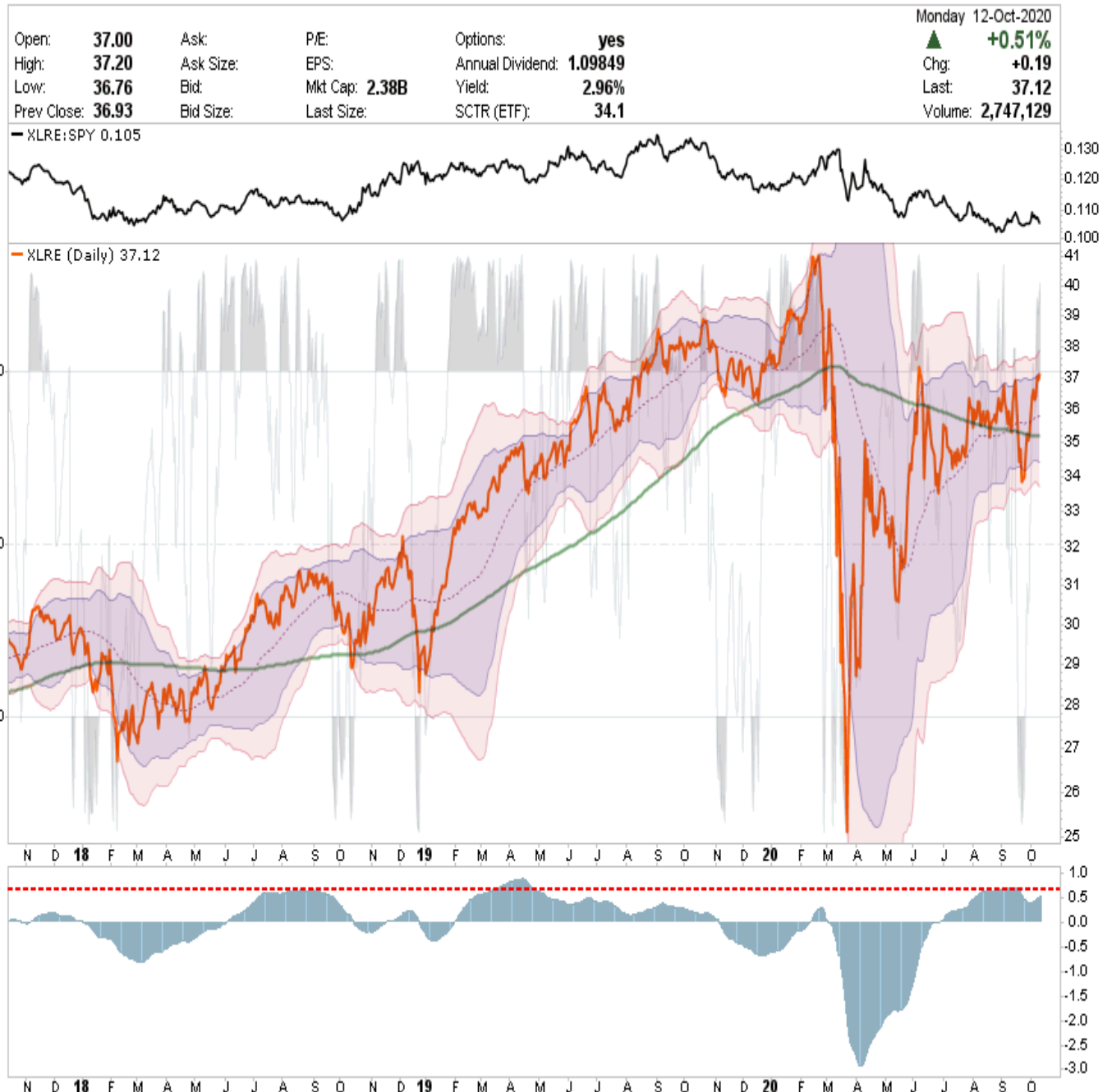
Open: **66.02** Ask: P/E: Options: **yes**
 High: **66.85** Ask Size: EPS: Annual Dividend: **1.63759**
 Low: **65.98** Bid: Mkt Cap: **14.2B** Yield: **2.46%**
 Prev Close: **65.74** Bid Size: Last Size: SCTR (ETF): **44.9**

▲ **+1.16%**
 Chg: **+0.76**
 Last: **66.50**
 Volume: **8,685,078**



- *XLP has exploded higher over the last couple of trading sessions.*
- *While the rally did underperform the broad market, the sector is back to very overbought and is pushing into 3-standard deviation territory.*
- *Rebalance holdings and tighten up stop-losses.*
- *We are moving our stop-loss alert to \$62 as our stop-level.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Real Estate



- On Monday, XLRE rallied back into previous resistance. Such is likely a good time to take profits and rebalance this sector.
- XLRE is very overbought and extended with multiple tops providing resistance at current levels.
- Short-Term Positioning: Neutral
 - Last week: No change.
 - This week: Hold positions.
- Long-Term Positioning: Bullish

Utilities

Monday 12-Oct-2020

Open: **63.52** Ask: P/E: Options: **yes**
 High: **64.31** Ask Size: EPS: Annual Dividend: **1.94948**
 Low: **63.36** Bid: Mkt Cap: **12.1B** Yield: **3.05%**
 Prev Close: **63.48** Bid Size: Last Size: SCTR (ETF): **45.6**

▲ **+0.63%**
 Chg: **+0.40**
 Last: **63.88**
 Volume: **7,484,859**

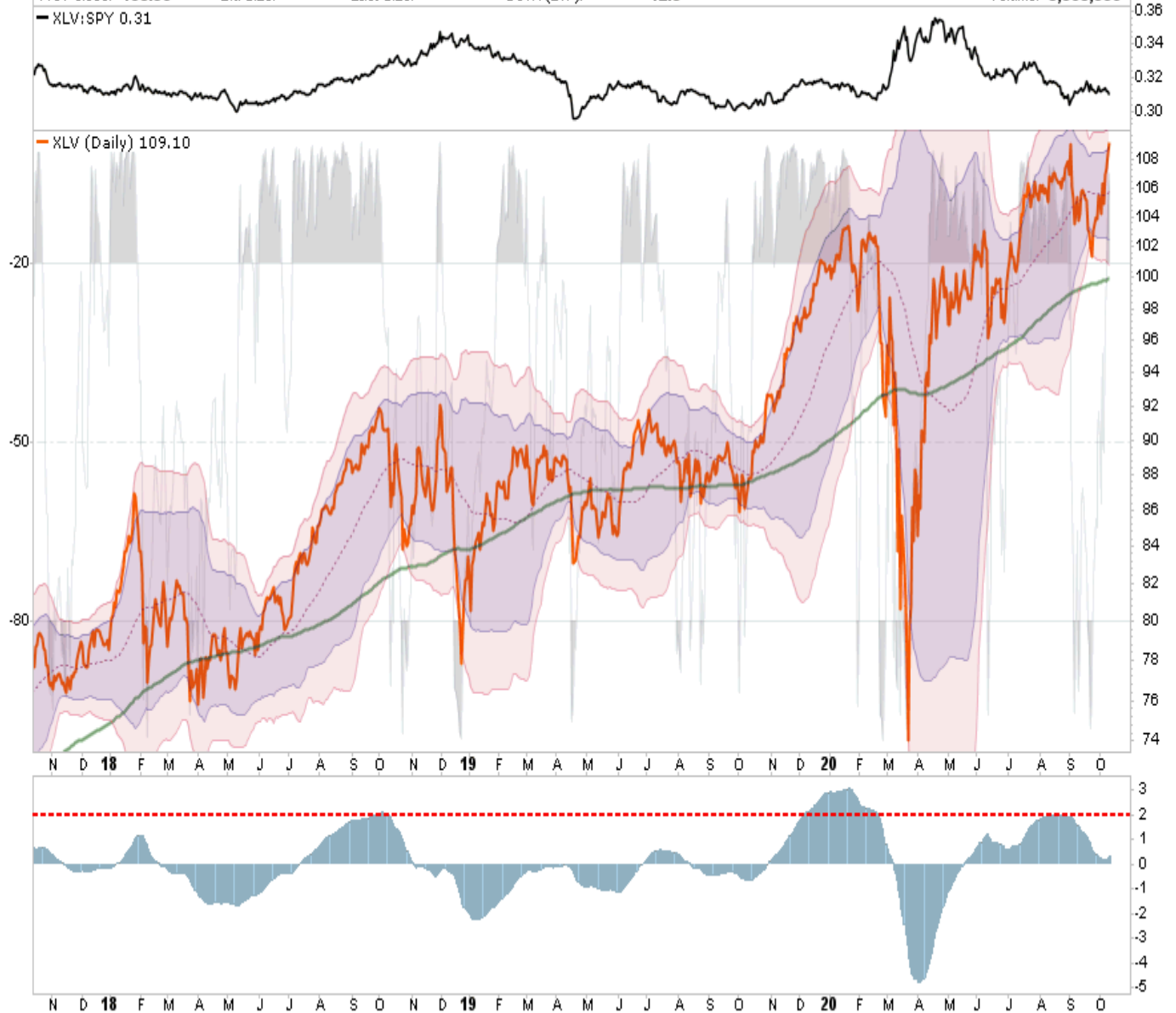


- *XLU had been struggling with resistance at the 200-dma. However, over the last couple of sessions, and opposed to the 10-year yield rising, XLU has surged back to very overbought conditions.*
- *XLU is now 4-standard deviations above the moving average.*
- *Take profits and rebalance risk.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions*
 - *This week: Reduce XLU by 50%.*
- *Long-Term Positioning: Bullish*

Health Care

Open: **108.85** Ask: P/E: Options: **yes**
 High: **109.53** Ask Size: EPS: Annual Dividend: **1.64435**
 Low: **108.49** Bid: Mkt Cap: **24.5B** Yield: **1.51%**
 Prev Close: **108.36** Bid Size: Last Size: SCTR (ETF): **42.8**

Monday 12-Oct-2020
 ▲ **+0.68%**
 Chg: **+0.74**
 Last: **109.10**
 Volume: **5,065,006**



- *XLV broke below its 50-dma but held support and has now blasted higher into an extreme overbought and deviated condition.*
- *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: Hold positions*
- *Long-Term Positioning: Bullish*

Discretionary



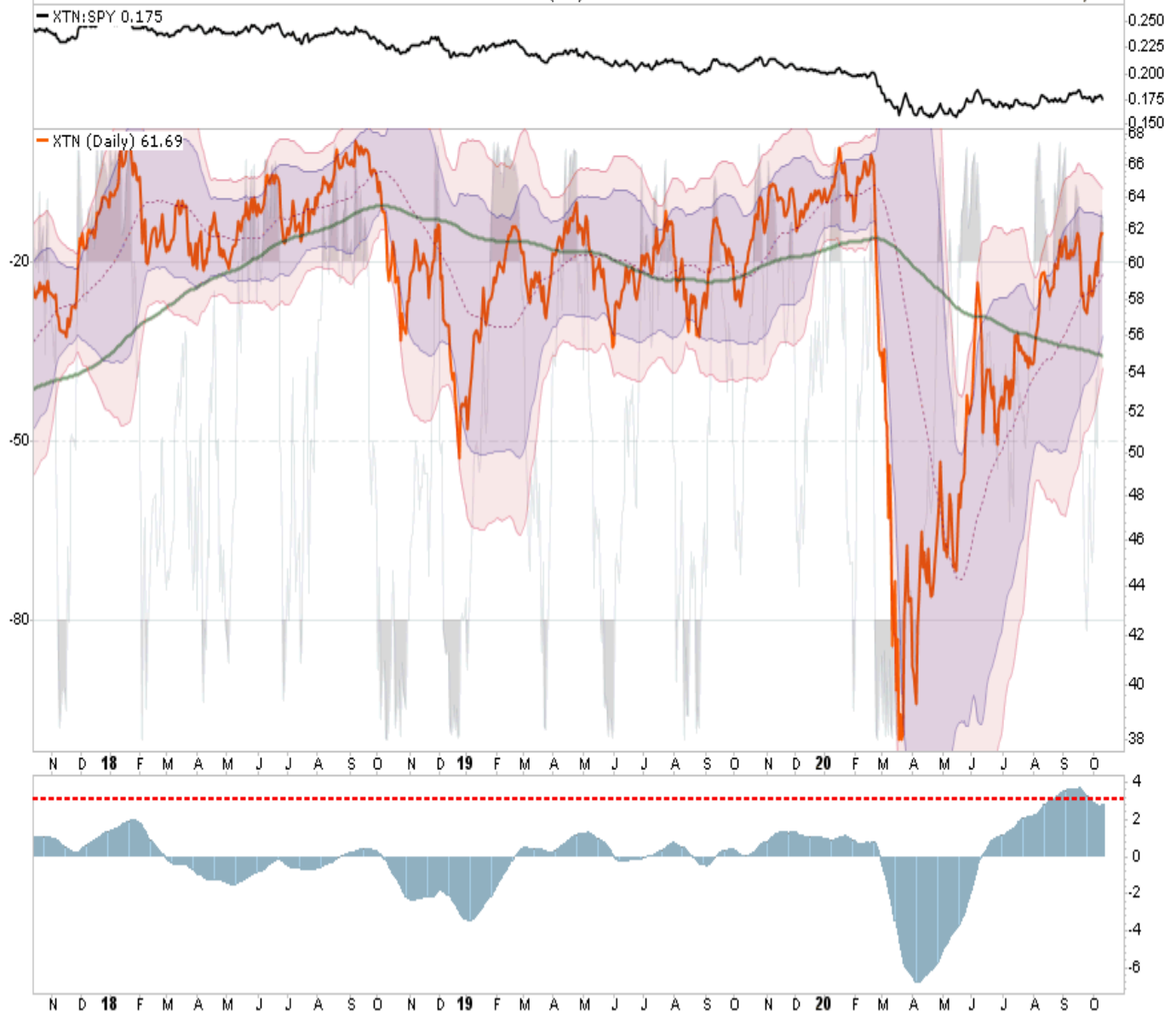
- *XLY corrected back to the 50-dma, where we added exposure to our portfolio.*
- *On Monday, the sector rallied but underperformed the market as a whole.*
- *The sector is back to extreme overbought and is now pushing into 3-standard deviation territory. Look to take profits and rebalance.*
- *Stop-loss moved to \$140*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*
 - *This week: No changes.*
- *Long-Term Positioning: Bullish*

Transportation

Monday 12-Oct-2020

Open: **62.25** Ask: P/E: Options: **no**
 High: **62.25** Ask Size: EPS: Annual Dividend: **0.48991**
 Low: **61.69** Bid: Mkt Cap: **246.8M** Yield: **0.79%**
 Prev Close: **61.84** Bid Size: Last Size: SCTR (ETF): **75.2**

Chg: **-0.15**
 Last: **61.69**
 Volume: **144,257**



- *Transportation, like Materials, has been rallying on hopes from infrastructure. That is a long-shot.*
- *The sector is not overbought but is running into previous resistance.*
- *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: Neutral*