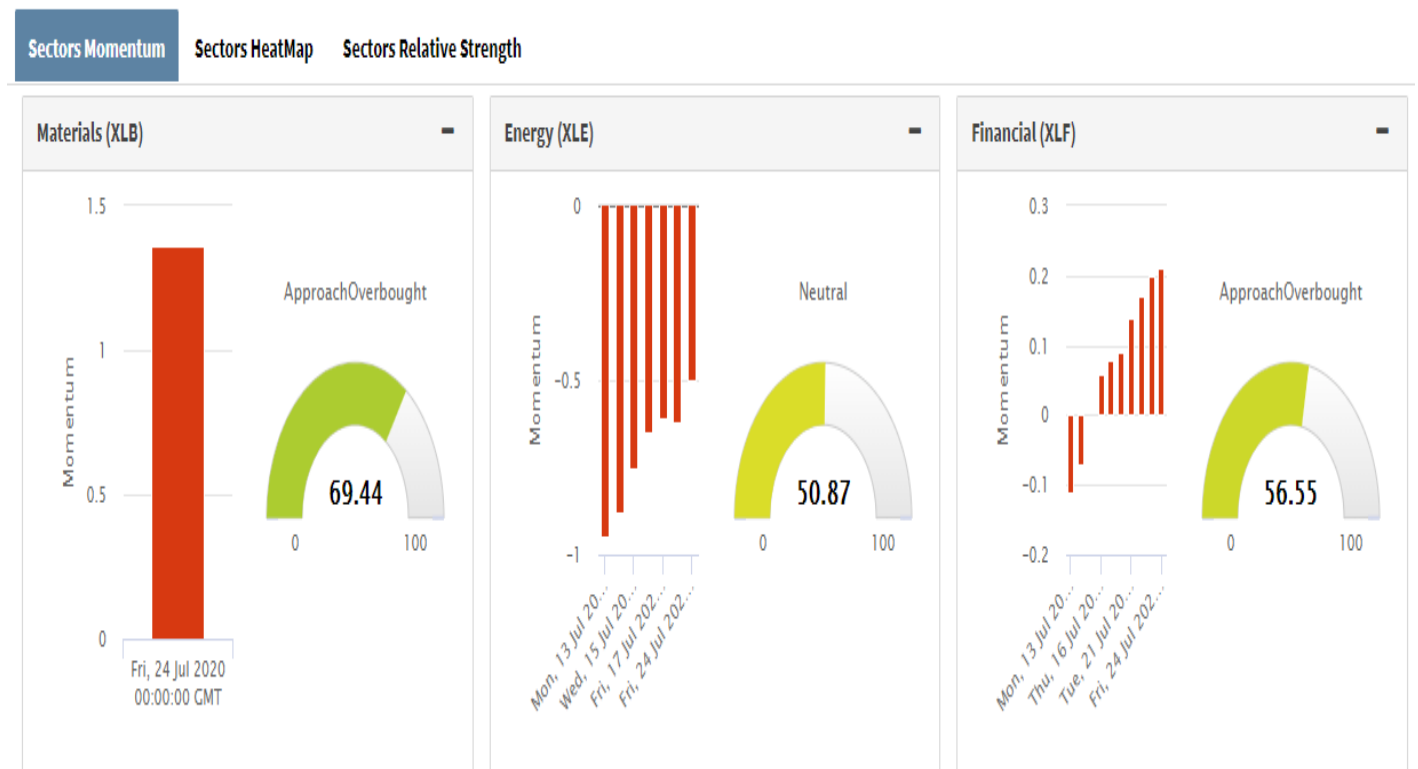


HOW TO READ THE SECTOR BUY/SELL REVIEW: 10-20-20 Each week we produce a **"Sector Buy/Sell Review"** chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such helps refine decision-making about what to own and when. It also guides what sectors to overweight 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.

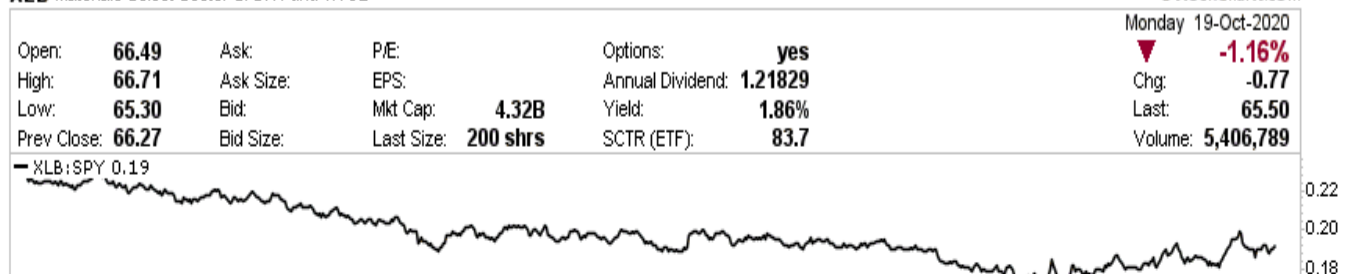
When the gray indicator is at the TOP of the chart, there is typically more risk and less reward available at the current time. In other words, the best time to BUY is when the short-term condition is over-sold. Likewise, when the buy/sell indicator is above the ZERO line, investments tend to work better than when below the zero lines.

SECTOR BUY/SELL REVIEW: 10-20-20

Basic Materials

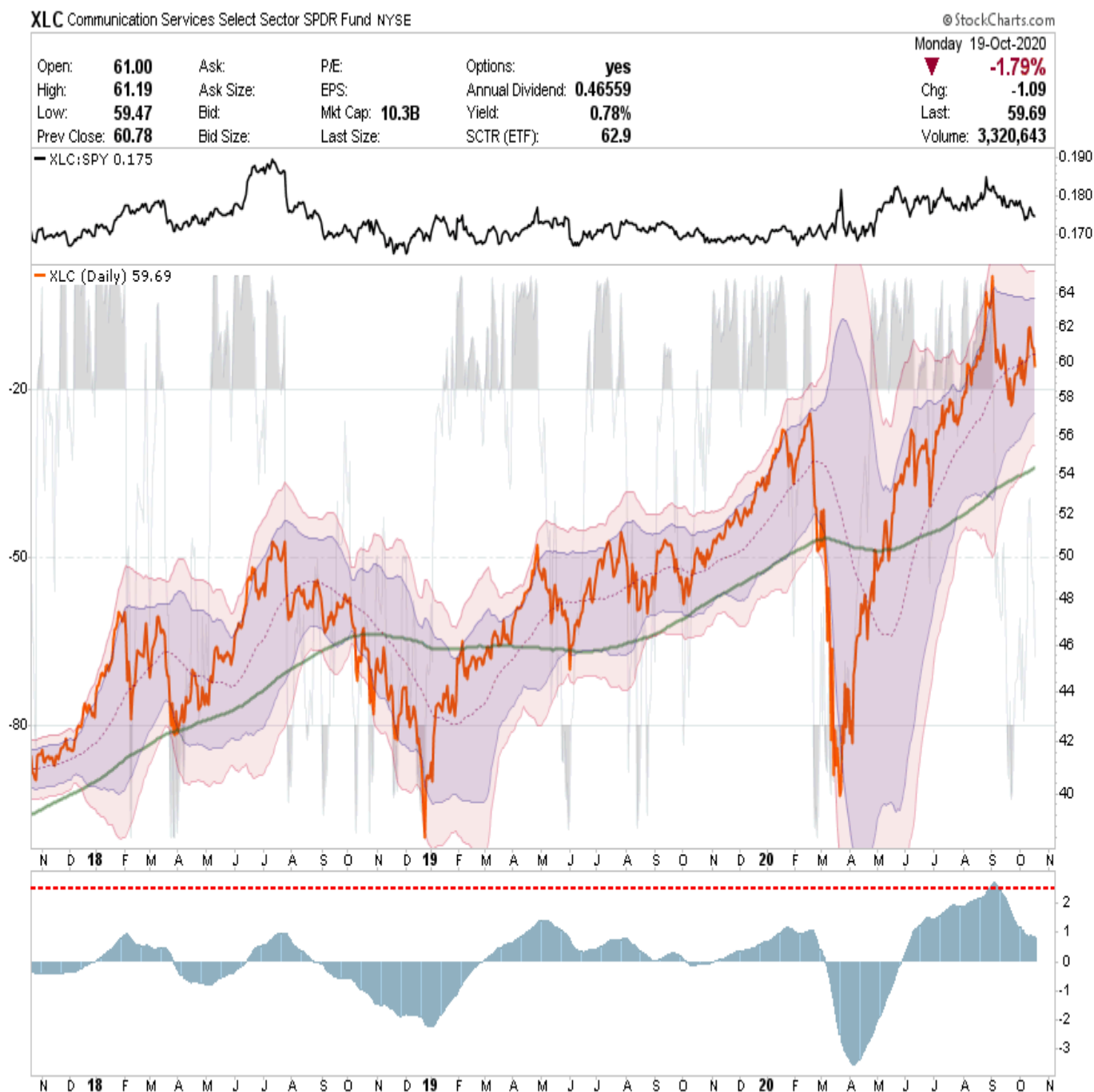
XLB Materials Select Sector SPDR Fund NYSE

© StockCharts.com



- *XLB held support and bounced off the 50-dma surging back to its previous highs. There is now a double-top with a more extreme overbought condition.*
- *Take profits on trading positions and look for a correction back to support to increase sizing.*
- *Momentum is good, but it is still underperforming the market as a whole.*
- *Keep stops on trading positions at the 50-dma.*
- *Short-Term Positioning: Bullish*
 - *Last Week: No Positions*
 - *This Week: Hold Positions*
 - *Stop-Loss moved up to \$62*
- *Long-Term Positioning: Bullish*

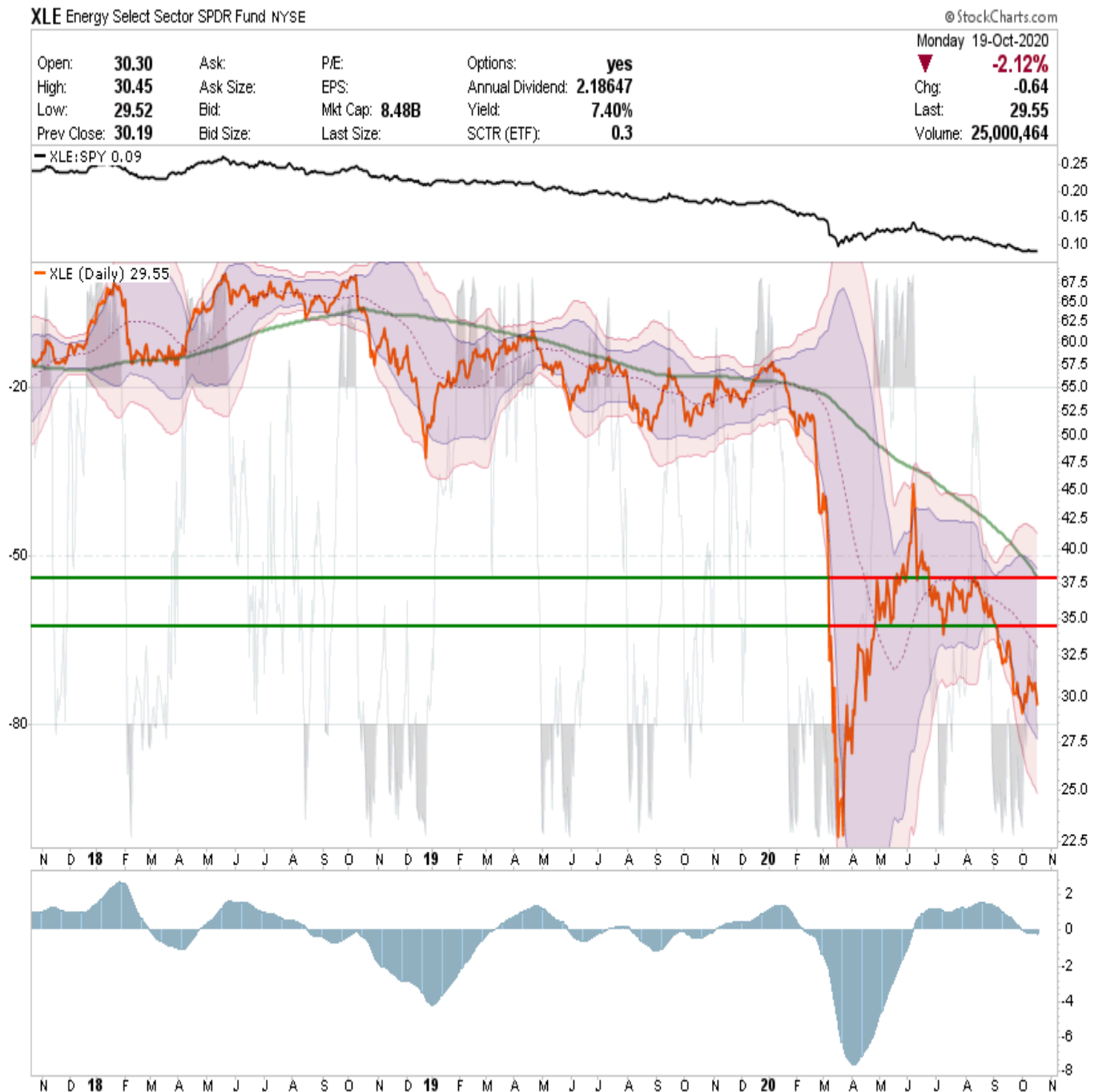
Communications



- *Communications is continuing to flirt with its 50-dma support level.*

- The uptrend remains intact, but XLC is underperforming the broad market while working off its overbought condition. This will likely provide a good setup for a trade post-election, but keep stops in place for now.
- Stops remain at \$58.
- -
 - This Week: Hold positions
- Long-Term Positioning: Bullish

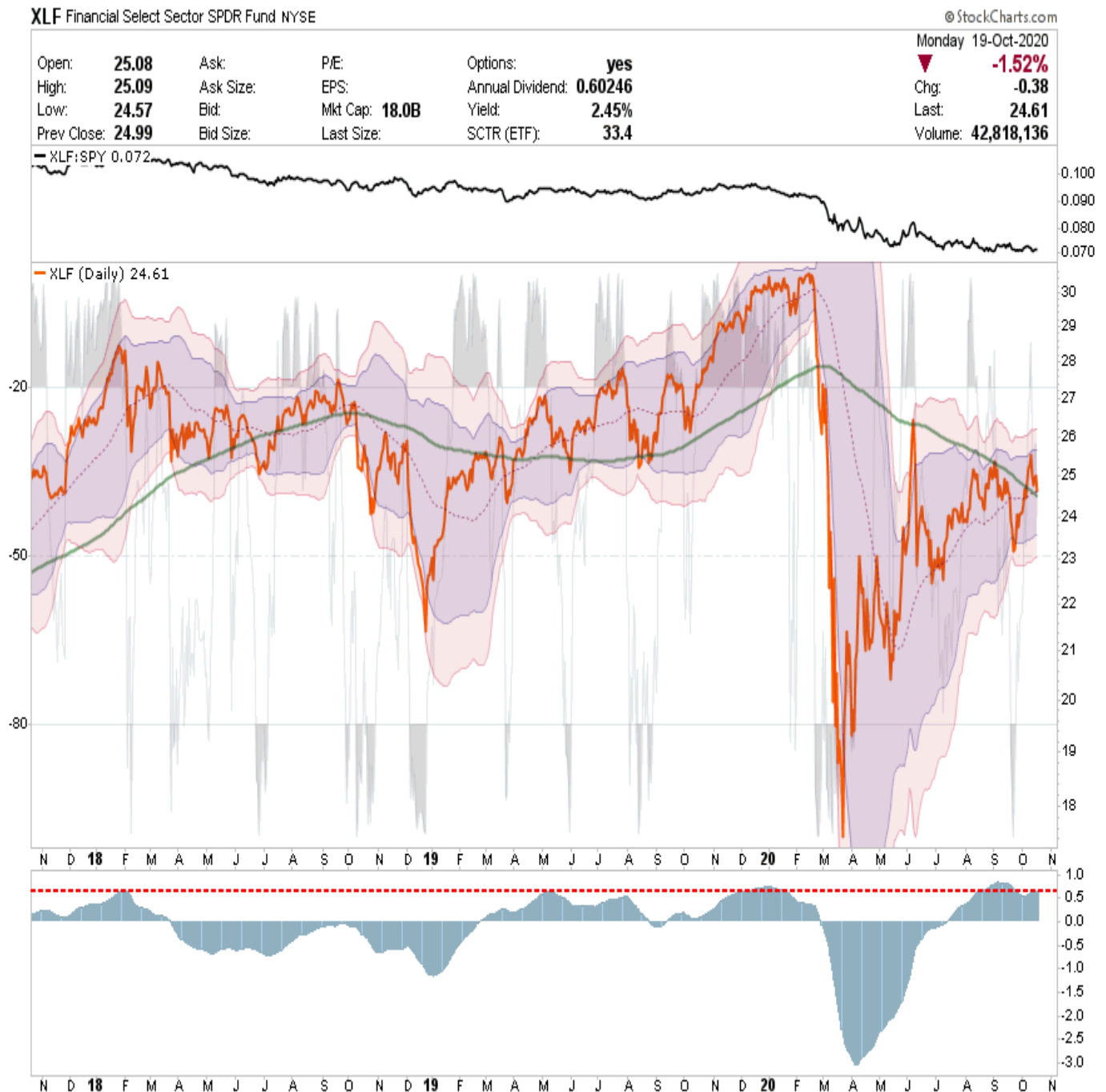
Energy



- Energy did bounce off of recent lows but failed to do much with it. Energy is massively underperforming the broad index and will retest recent lows.
- The lows must hold, or XLE is going to retest the March lows.

- 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, and the "earnings bounce" has now reversed.
- XLF is testing it's 50- and 200-dma with a "Golden Cross" now in place. If XLF can hold support and rally, there is a decent upside for the sector. A failure at support will be very disappointing.

- We saw the same bounce last quarter that eventually failed, but there wasn't a positive bias to the moving averages. So, give financials a little breathing room.
- We are still avoiding the sector for now, but we will add holdings to our portfolios if support holds and performance improves.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Neutral

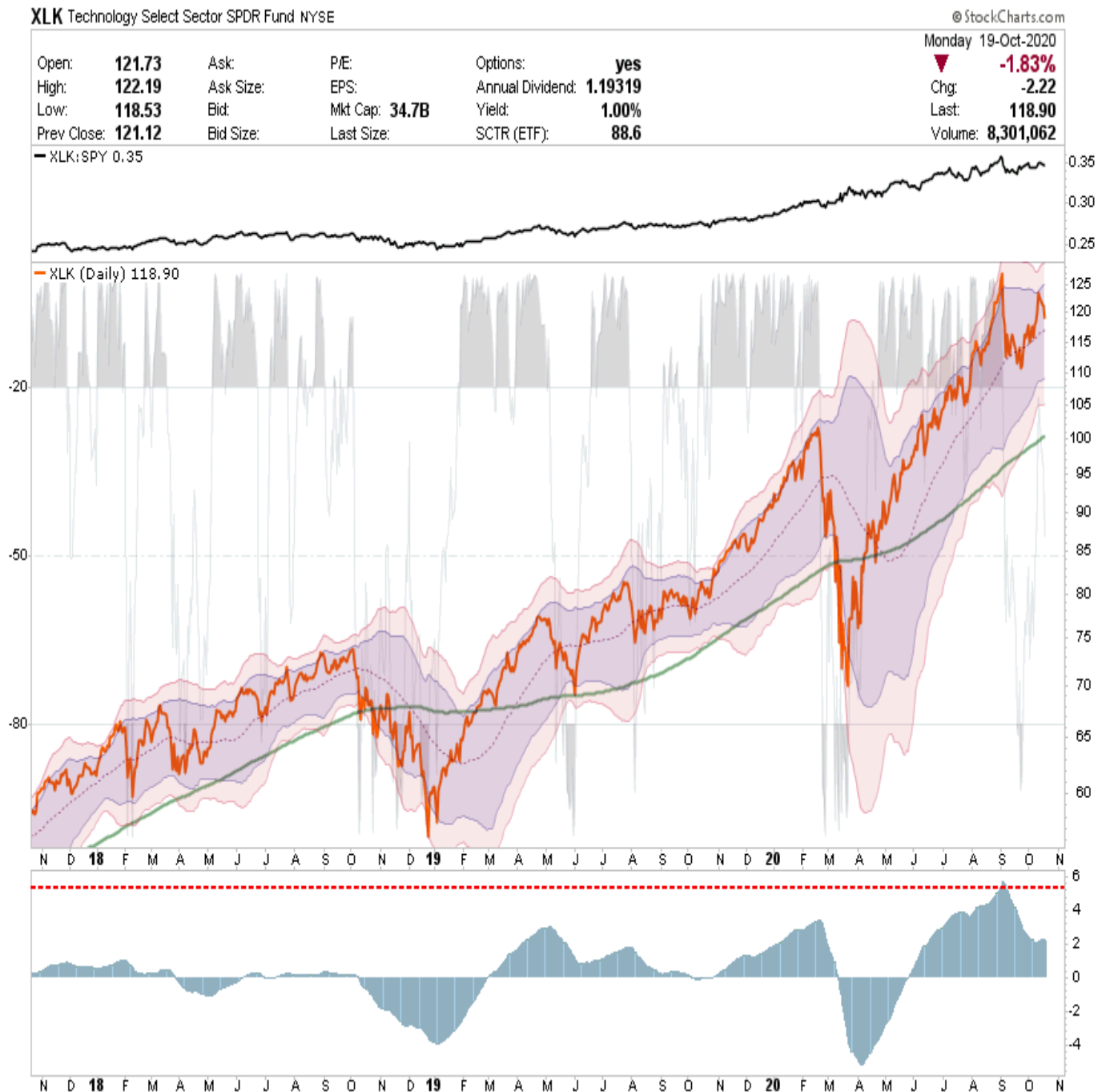
Industrials



- XLI has rallied sharply and is back to extreme overbought levels and extensions.
- We are holding our exposure for now, but take profits and rebalance risks as needed.

- *XLK is pushing back up into the 3-standard deviations of the 50-dma and is underperforming the S&P.*
 - *Short-Term Positioning: Bullish*
 - *Last week: No change.*
 - *This week: No change.*
- *Long-Term Positioning: Bullish*

Technology



- *Technology stocks and the Nasdaq failed at a lower high than previous, which is concerning.*
- *The sector is back to very overbought and is now running into the previous resistance.*
- *Beware of short-term risks, but the 50-dma is holding for now.*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*

- *This week: Hold positions*
- *Stop-loss moved up to \$110*
- *Long-Term Positioning: Bullish*

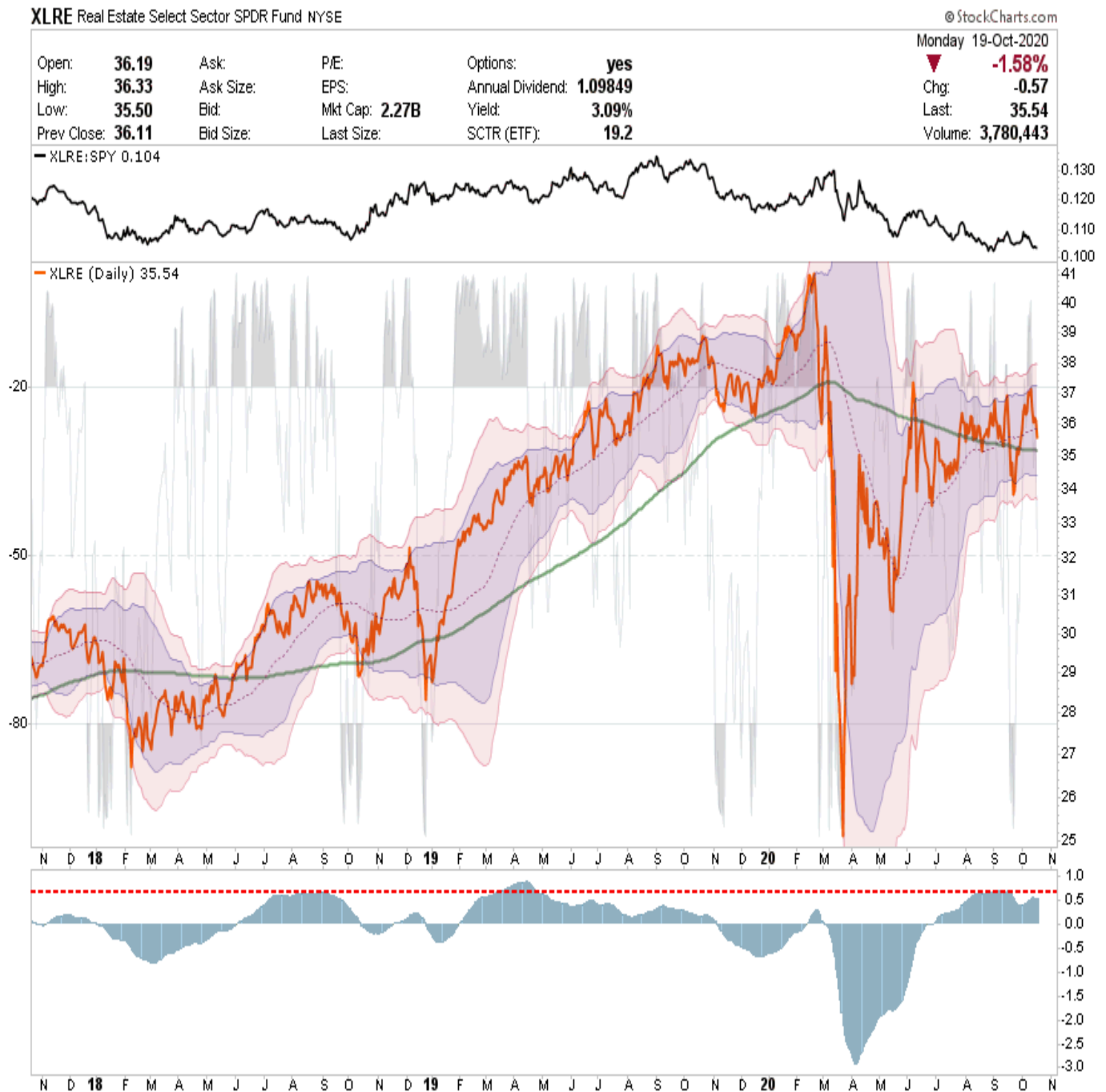
Staples



- *XLP has exploded higher over the week and went back into extreme overbought territory. The correction on Monday was not surprising.*
- *The sector is back to very overbought and well above the 50-dma, so more correction is likely.*
- *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



- *Last week, XLRE rallied back into previous resistance. On Monday, the sell-off took it back below the 50-dma.*
- *Last week, we noted that XLRE was very overbought and extended with multiple tops providing resistance at current levels. That resistance proved to be too formidable for now.*
- *Move stop-losses up to the 200-dma.*
- *Short-Term Positioning: Neutral*
 - *Last week: No change.*
 - *This week: Hold positions.*
- *Long-Term Positioning: Bullish*

Utilities

XLU Utilities Select Sector SPDR Fund NYSE

© StockCharts.com

Open: **63.97** Ask: P/E: Options: **yes**
 High: **64.31** Ask Size: EPS: Annual Dividend: **1.94948**
 Low: **63.28** Bid: Mkt Cap: **12.1B** Yield: **3.07%**
 Prev Close: **64.00** Bid Size: Last Size: SCTR (ETF): **52.2**

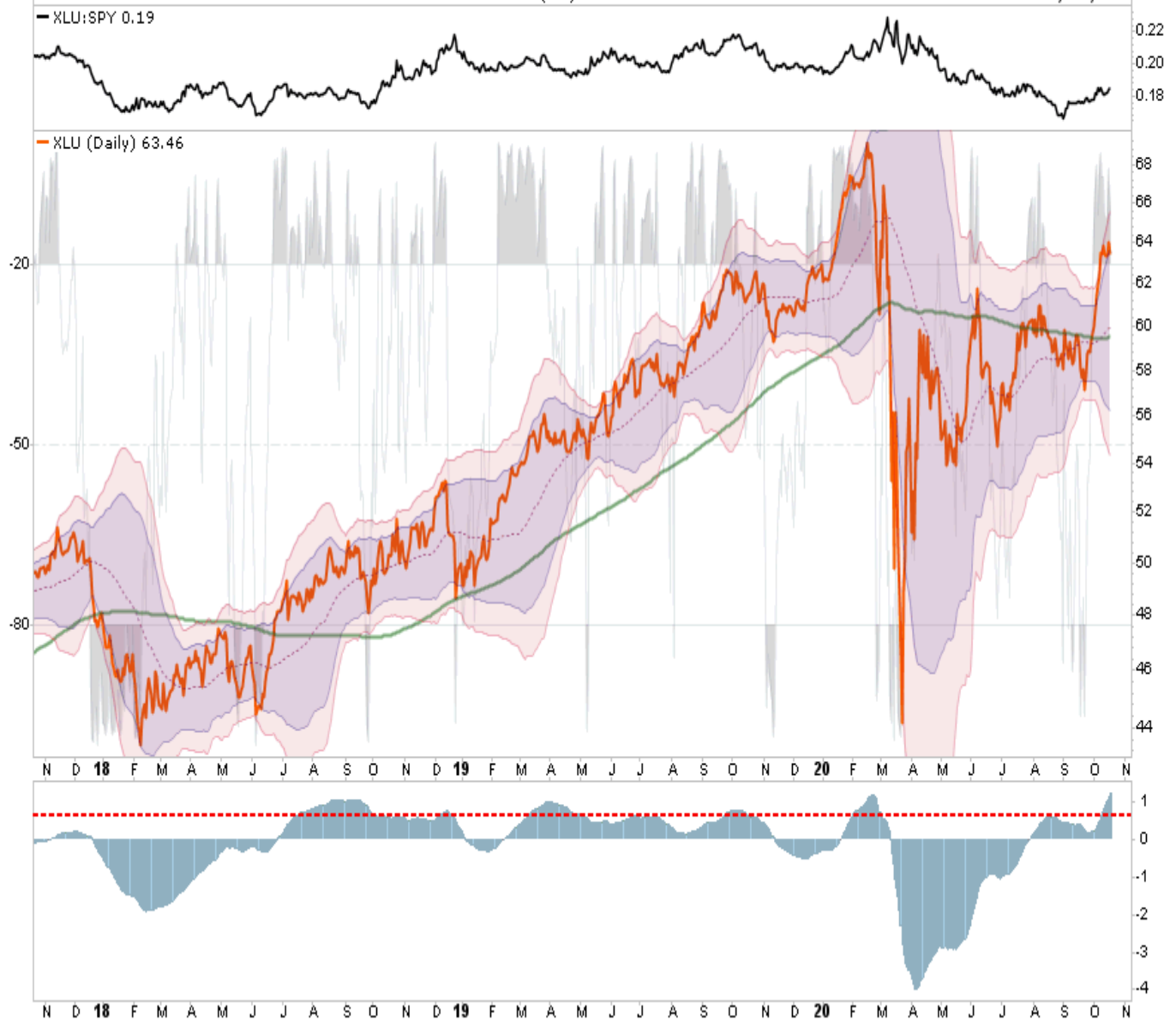
Monday 19-Oct-2020

▼ **-0.84%**

Chg: **-0.54**

Last: **63.46**

Volume: **12,050,719**

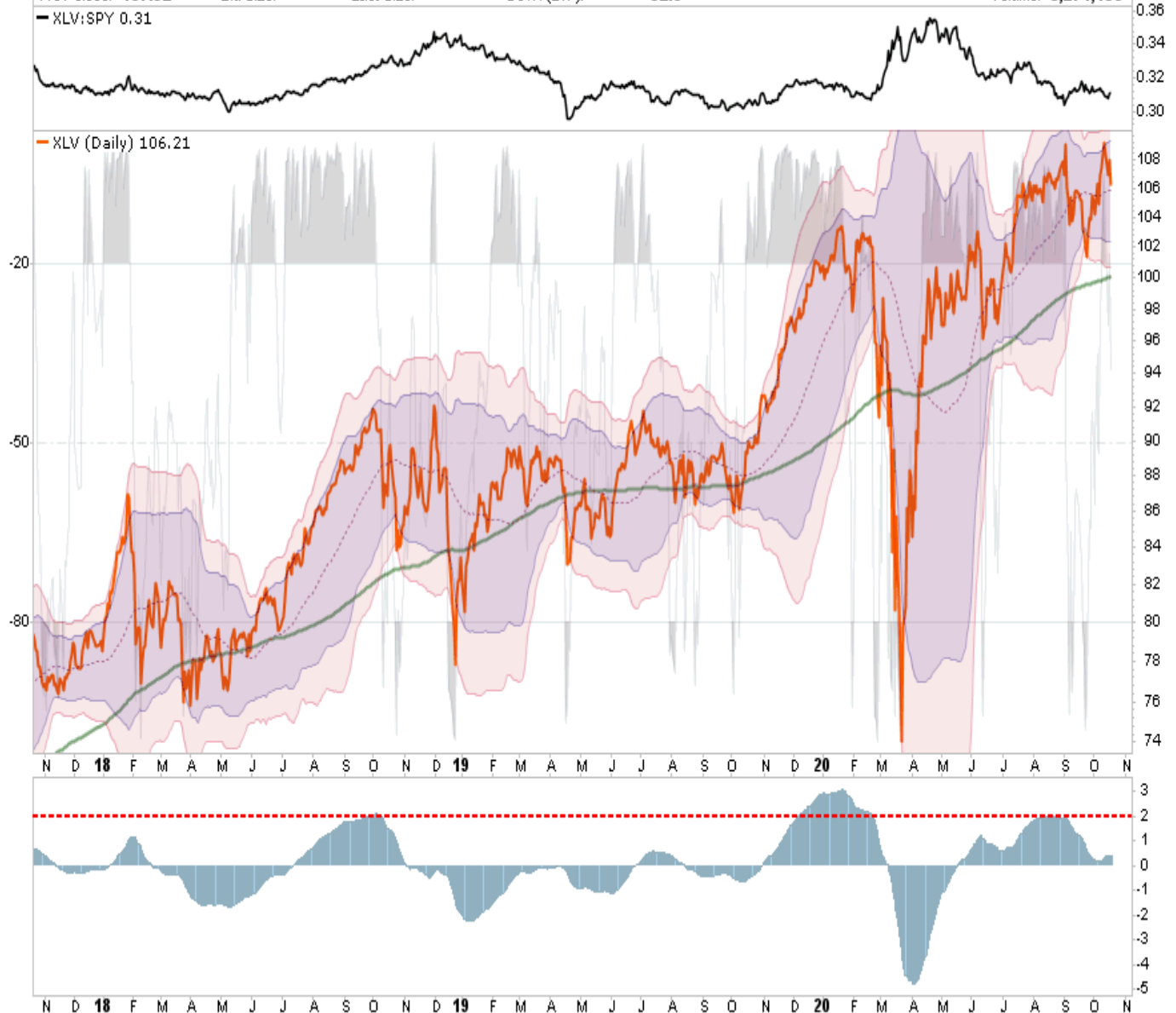


- *XLU had been struggling with resistance at the 200-dma. However, XLU surged back to extremely overbought conditions after breaking above resistance.*
- *XLU is now 4-standard deviations above the moving average.*
- *Take profits and rebalance risk.*
- *Short-Term Positioning: Neutral*
 - *Last week: Reduced XLRE by 50%.*
 - *This week: Hold positions*
- *Long-Term Positioning: Bullish*

Health Care

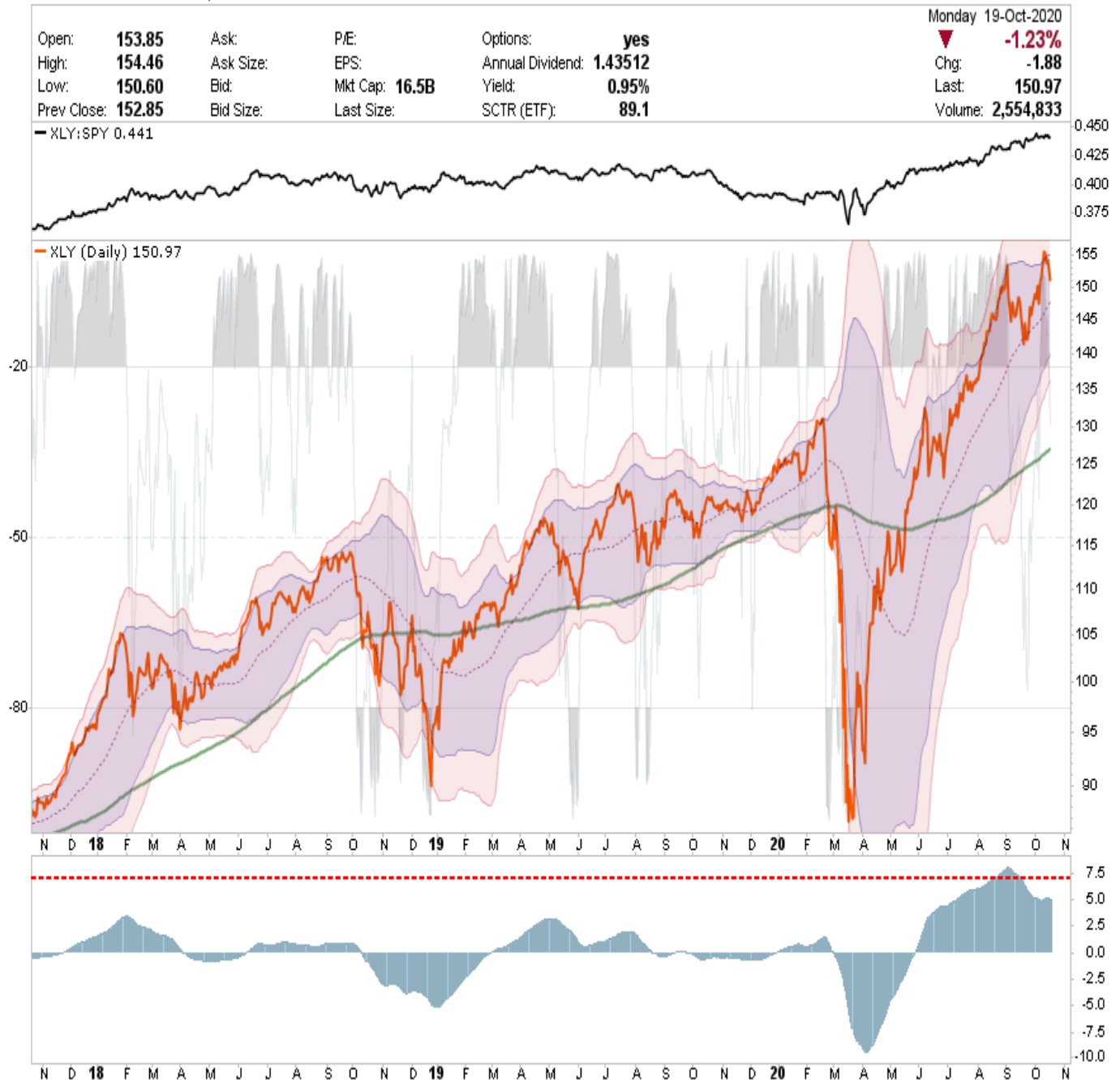
Open: **108.20** Ask: P/E: Options: **yes**
 High: **108.53** Ask Size: EPS: Annual Dividend: **1.64435**
 Low: **105.85** Bid: Mkt Cap: **23.6B** Yield: **1.55%**
 Prev Close: **107.92** Bid Size: Last Size: SCTR (ETF): **32.6**

Monday 19-Oct-2020
 ▼ **-1.58%**
 Chg: **-1.71**
 Last: **106.21**
 Volume: **8,271,150**



- *XLV is sitting on its 50-dma and needs to hold here.*
- *The previous overbought conditions have been resolved and are still intact. Use weakness to add to holdings.*
- *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



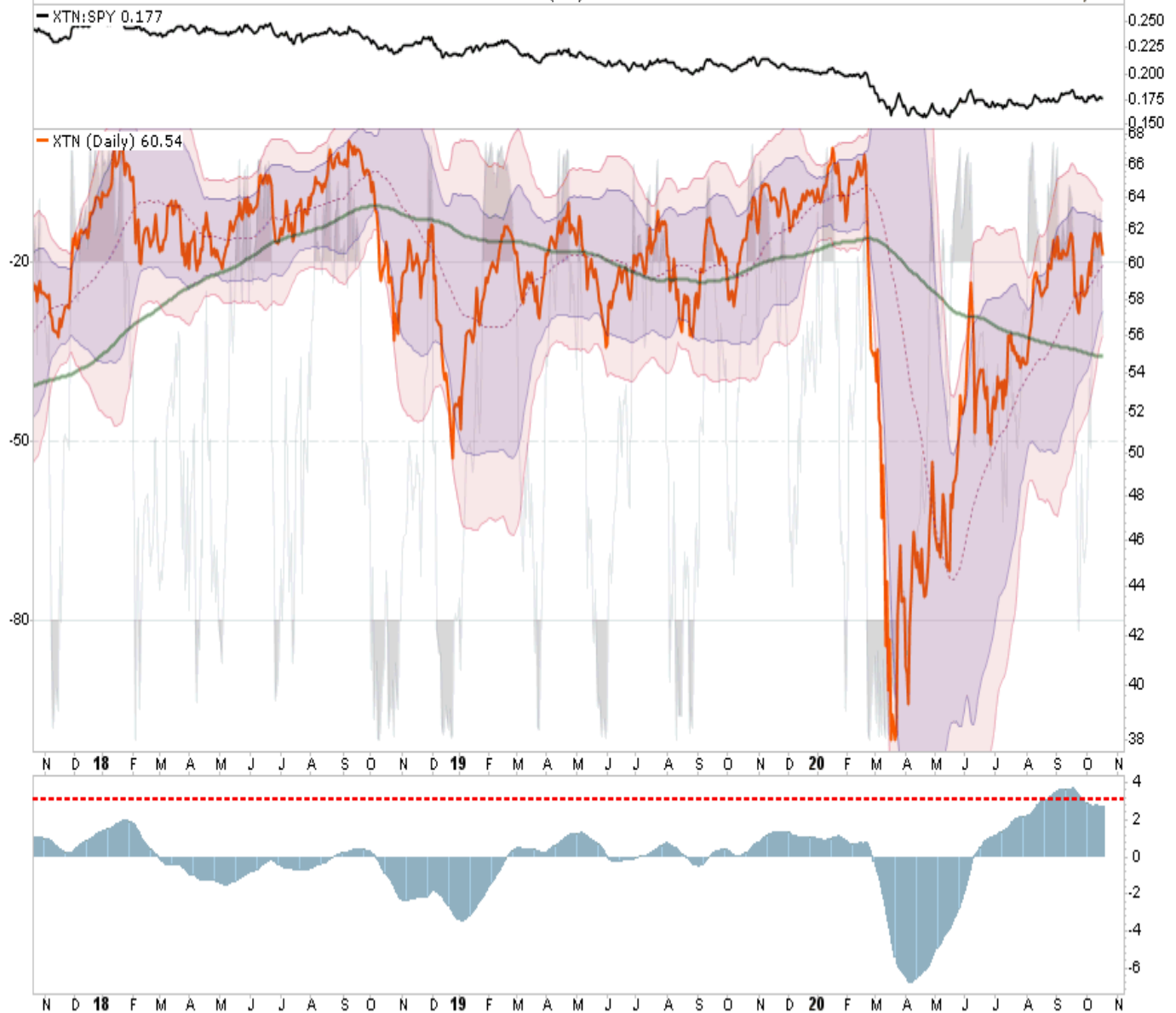
- *XLY rallied back to new highs last week after we added exposure and is extremely extended.*
- *Take profits and rebalance risk. The 50-dma is an important initial support.*
- *Stop-loss moved to \$140*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*
 - *This week: No changes.*
- *Long-Term Positioning: Bullish*

Transportation

Monday 19-Oct-2020

Open: **61.37** Ask: P/E: Options: **no**
 High: **61.85** Ask Size: EPS: Annual Dividend: **0.48991**
 Low: **60.47** Bid: Mkt Cap: **242.2M** Yield: **0.81%**
 Prev Close: **61.14** Bid Size: Last Size: SCTR (ETF): **81.7**

▼ **-0.97%**
 Chg: **-0.60**
 Last: **60.54**
 Volume: **13,222**



- *Transportation has been rallying on hopes from infrastructure but failed at its previous highs.*
- *The sector is overbought and ran 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*