HOW TO READ THE MAJOR MARKET BUY-SELL REVIEW 10-26-20 There are three primary components to each Major Market Buy/Sell chart in this ***RIAPro*** review:

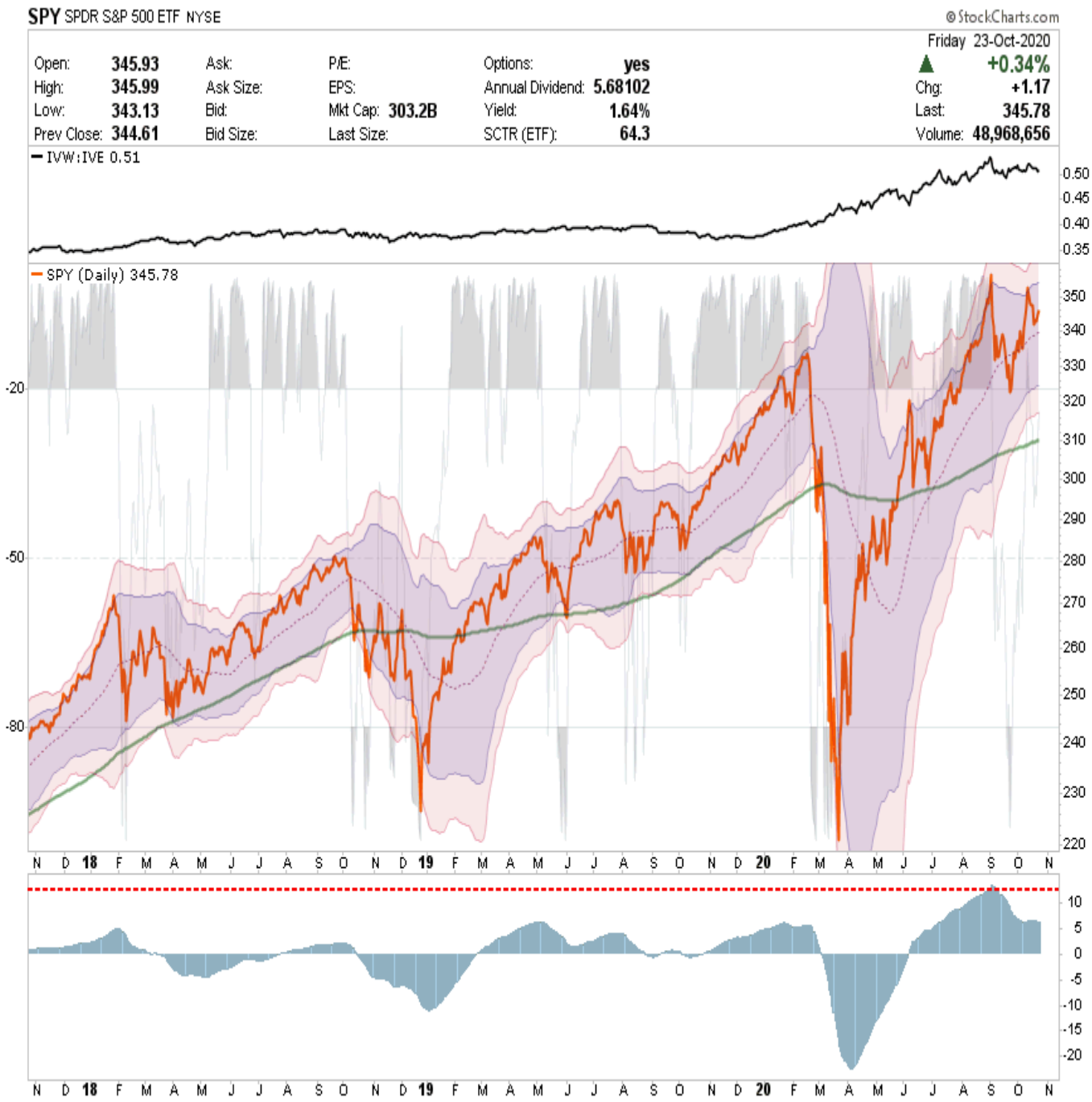
- *The price chart is in orange.*
- *The Over Bought/Over Sold indicator is in gray.*
- *The Buy / Sell indicator is in blue.*

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 tend to work better.

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

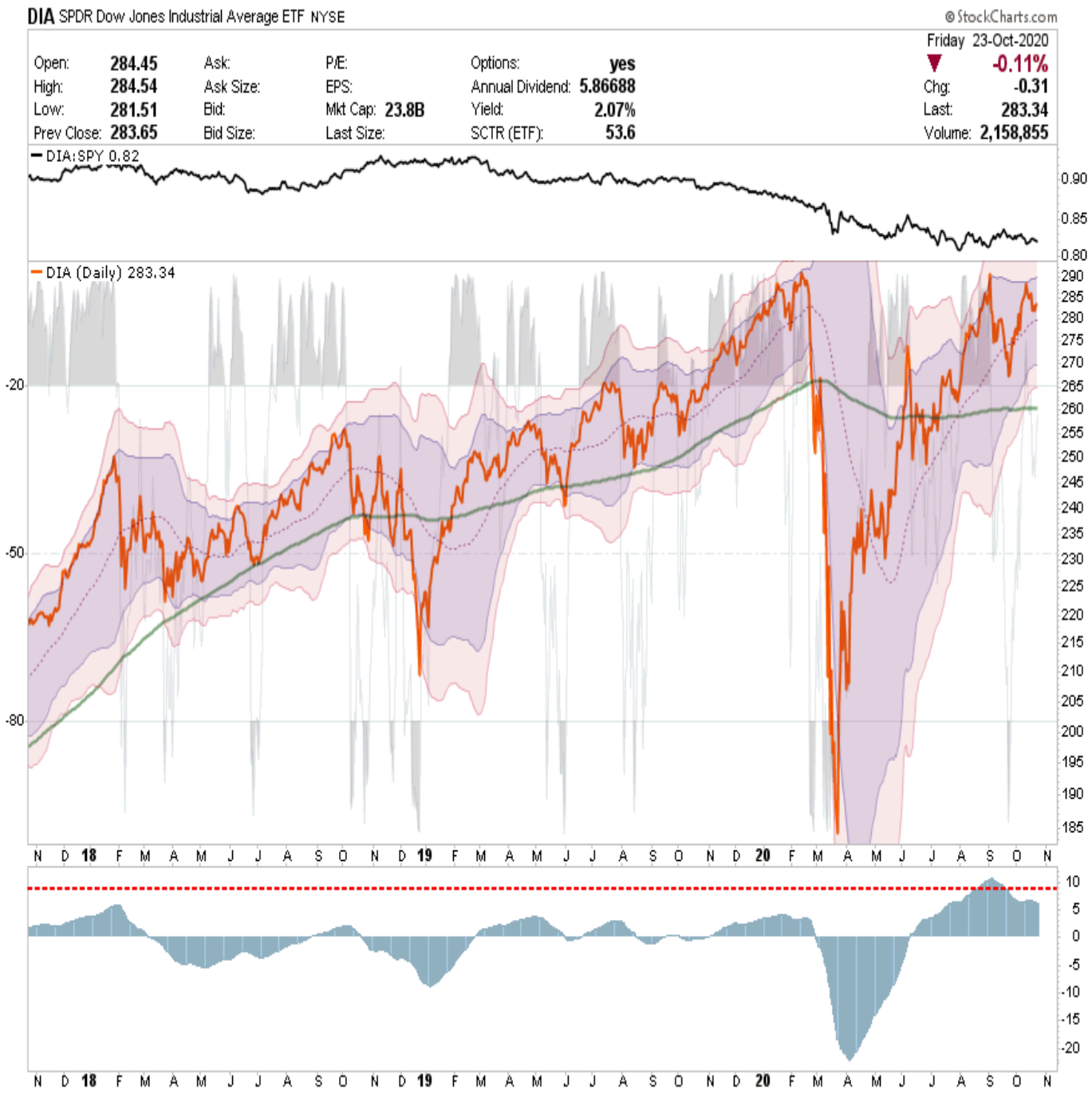
Major Market Buy/Sell Review 10-26-20

S&P 500 Index



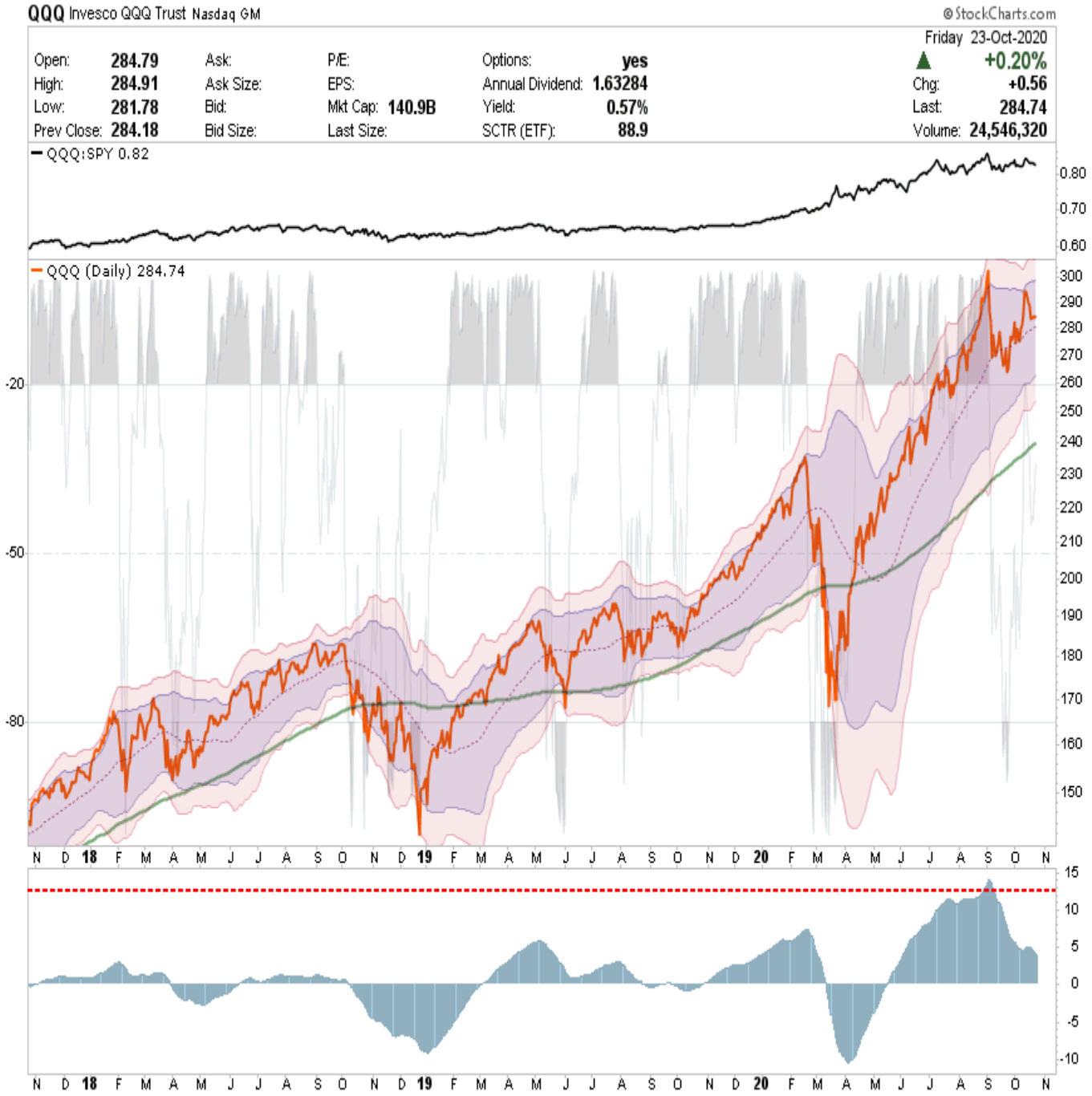
- *The oversold condition that existed previously has now been reversed. While some extreme extensions have been reduced, the market is still struggling in its recent downtrend as "stimulus" has failed to appear.*
- *The market held support last week at the 50- and 20-dma crossover but is struggling against downtrend resistance.*
- *Maintain exposures for now, but be ready to adjust if more weakness shows up heading into the election.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No holdings.*
    - *This Week: Maintaining holdings.*
    - *Stop-loss set at $310 for trading positions.*
    - *Long-Term Positioning: Bullish*

Dow Jones Industrial Average



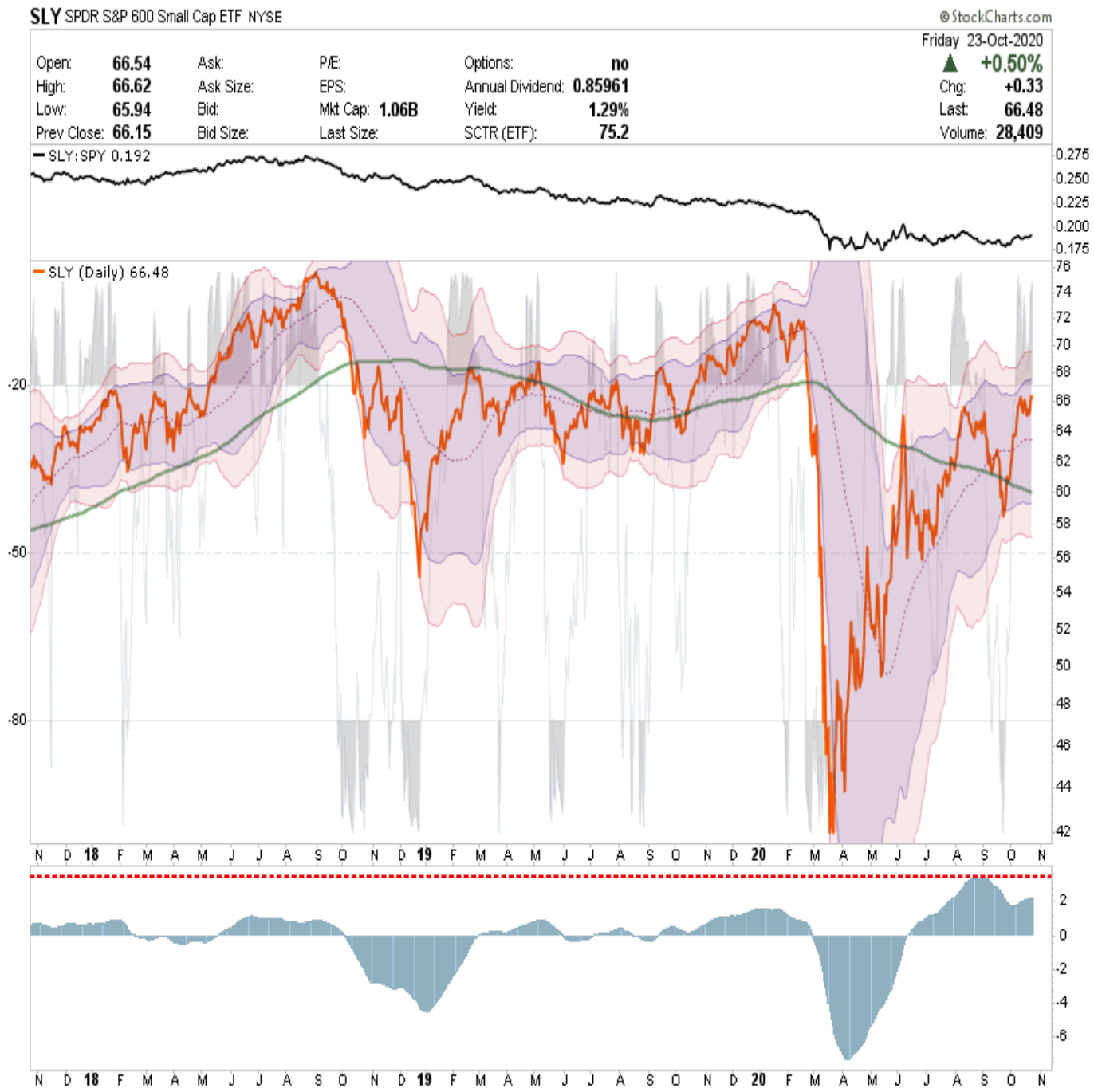
- *The Dow also is struggling at previous resistance but is maintaining support for now.*
- *After taking profits previously, hold positions for now and maintain stop losses.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No position.*
    - *This Week: No position.*
    - *Stop-loss moved up to $260*
- *Long-Term Positioning: Bullish*

Nasdaq Composite



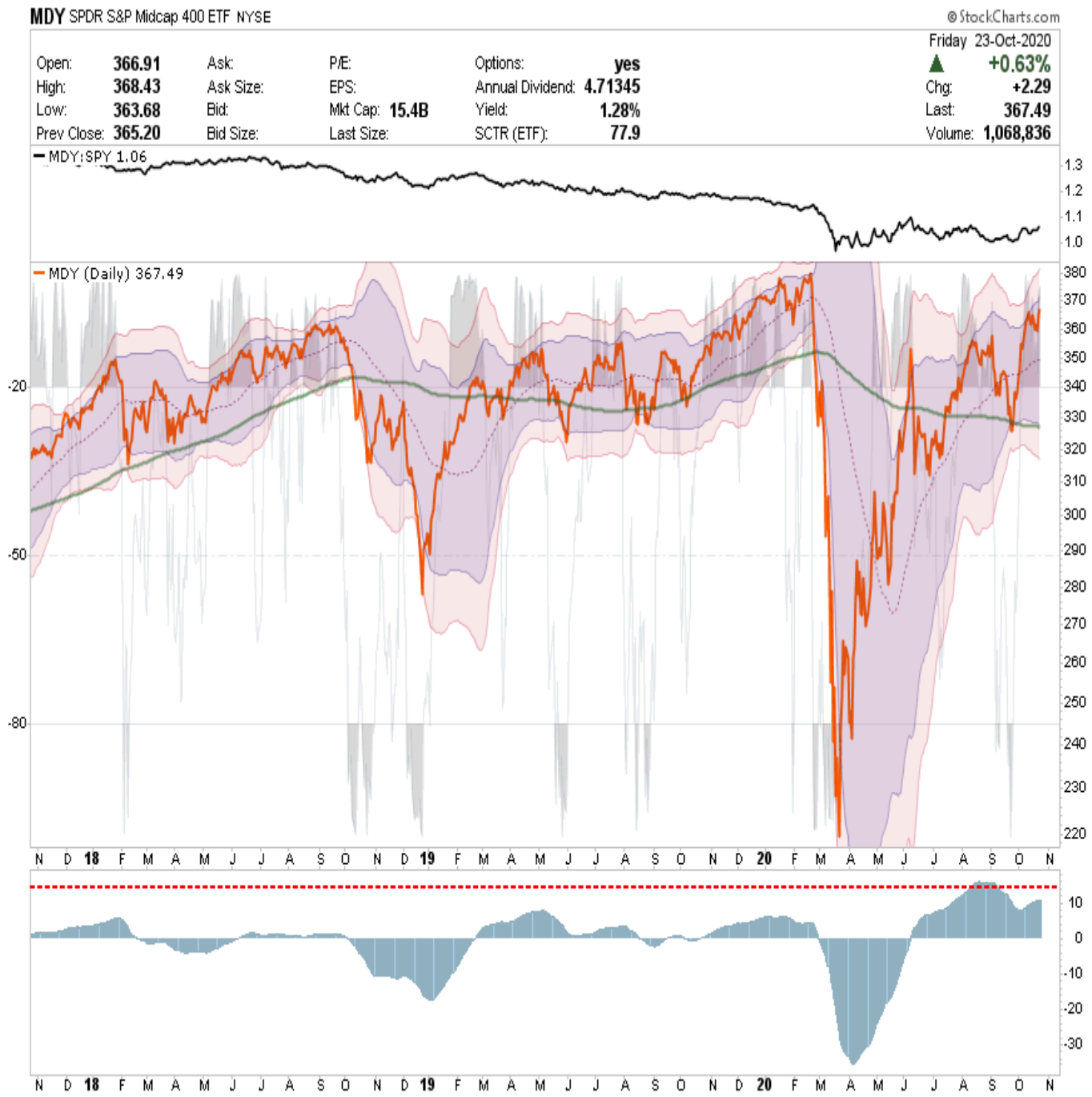
- *The Nasdaq continues to work off its overbought condition and continues to reduce excess conditions. The underperformance relative to the S&P 500 is likely going to provide another good trading opportunity soon.*
- *If the market correction continues to hold support, such will likely provide a good opportunity to add exposure aggressively.*
- *Hold current positions and honor stop losses.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No changes this week.*
    - *This Week: No changes this week.*
    - *Stop-loss moved up to $240*
- *Long-Term Positioning: Bullish*

S&P 600 Index (Small-Cap)



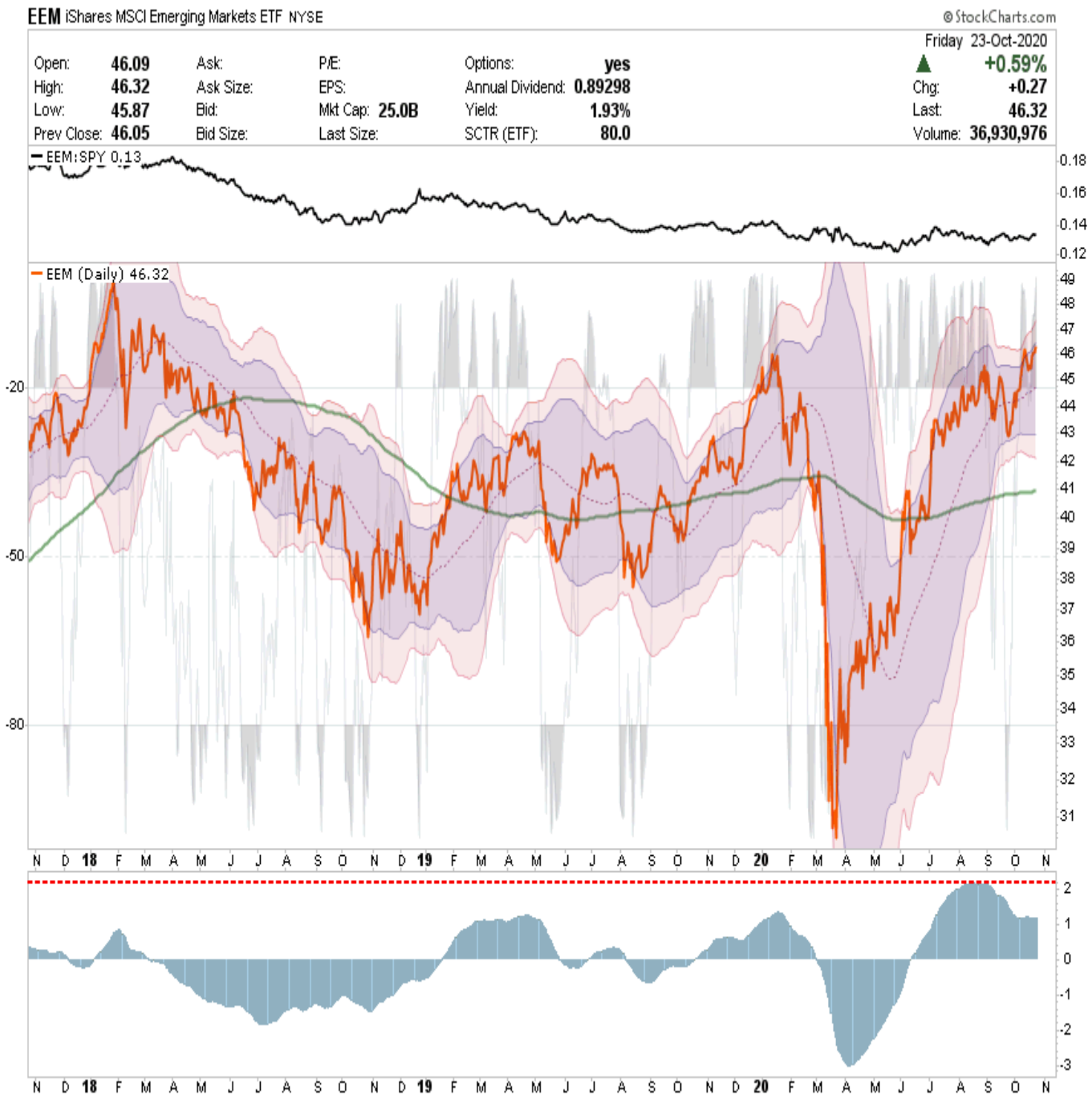
- *The rally in small caps is extremely overbought and has again become very deviated from its long-term mean.*
- *Risk is currently to the downside, but there is a chase to gain exposure to lagging sectors by investors right now.*
- *It is still suggested to use the current rally to rebalance positions until the downtrend is reversed.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No positions*
    - *This Week: No positions.*
    - *Stop-loss violated.*
- *Long-Term Positioning: Bearish*

S&P 400 Index (Mid-Cap)



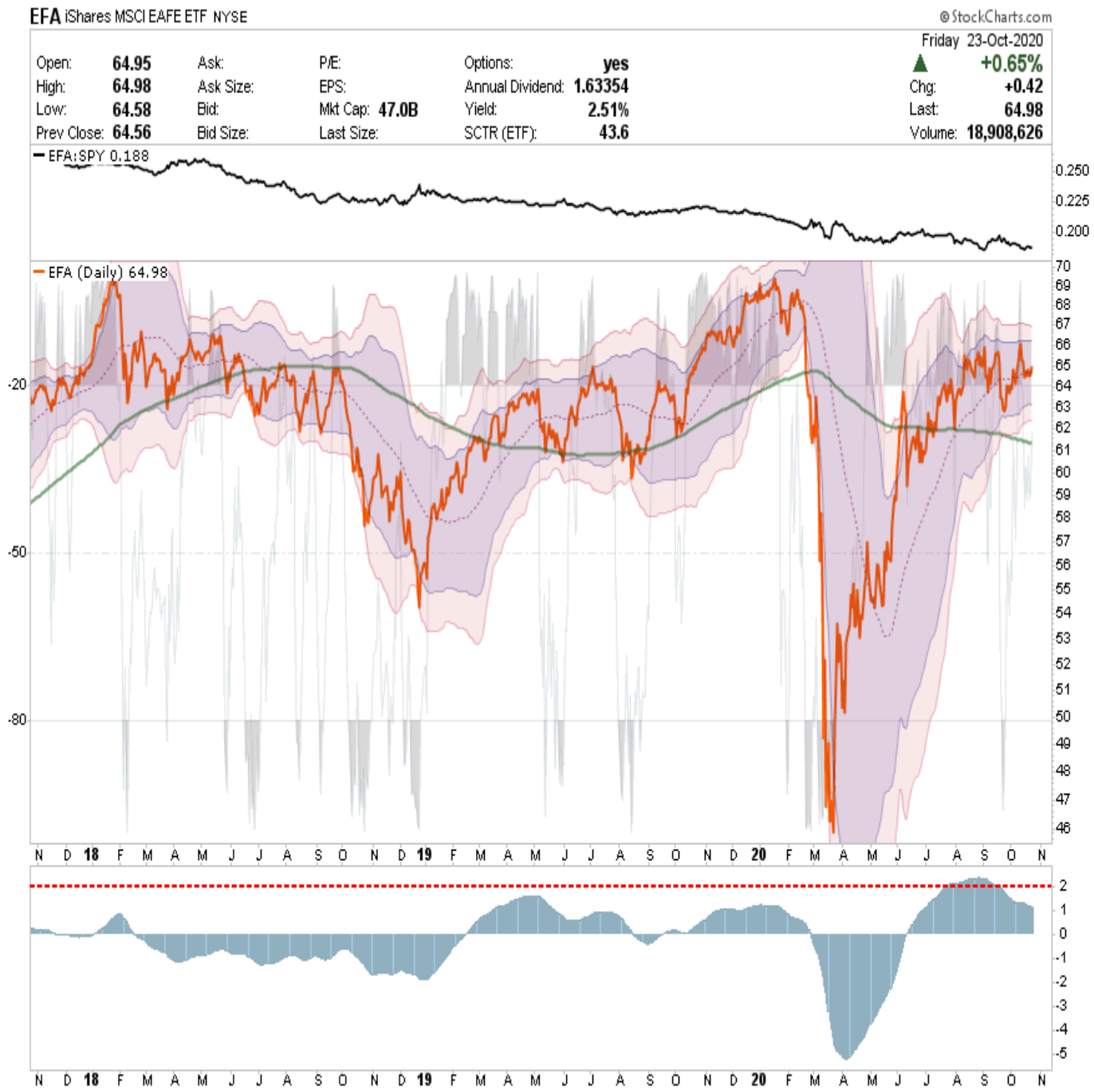
- *MDY performed better than SLY last week, but it is extremely extended from its long-term mean like SLY.*
- *The tradeable opportunity in Mid-caps we discussed previously is likely over for now. Keep stops tight at the 50-dma for now. Look for pullbacks to support to add exposure.*
- *The $330 stop-loss remains intact, but just barely.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No holding*
    - *This Week: No holding*
    - *Stop Loss is set at $330*
- *Long-Term Positioning: Bullish*

Emerging Markets



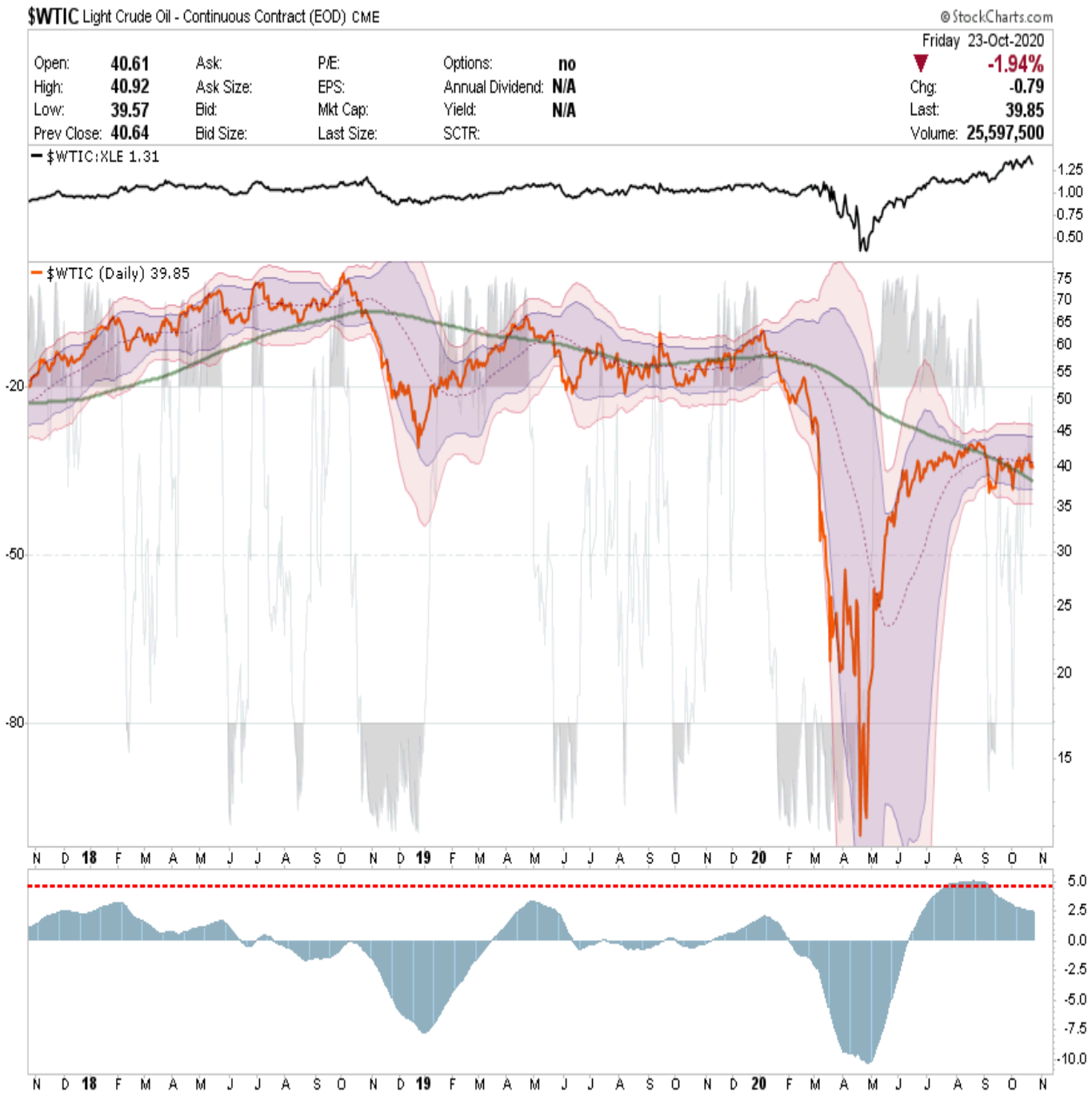
- *Emerging markets are extremely overbought and deviated from the longer-term mean.*
- *This is a good opportunity to take profits and reduce exposure for now.*
- *The dollar is continuing to build a bottom, so there is a significant risk to international and emerging markets if it turns up.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No position*
    - *This Week: No position.*
    - *Stop-loss moved to $42 for trading positions.*
- *Long-Term Positioning: Bullish*

International Markets



- *International markets performed worse than emerging markets last week but are not as grossly extended either.*
- *As long as the 50-dma holds, positions can be maintained. However, please pay attention to the dollar as it has begun gaining some strength.*
- *Maintain stops.*
- *Short-Term Positioning: Bullish*
    - *Last Week: No position.*
    - *This Week: No position.*
    - *Stop-loss set at $62*
- *Long-Term Positioning: Bullish*

West Texas Intermediate Crude (Oil)



- *The rally in oil occurred and finally broke above the 200-dma. The worst may be over for now in oil if prices can hold above these levels, which it did successfully this week.*
- *Energy stocks, unfortunately, are still not performing with the rally in oil. However, there may be a point where the historical correlation comes back into play, and we see a strong rally in energy.*
- *Historically, the worst-performing sector in the market in any given year has tended to be one of the leaders in the following year. More indications are coming. This will likely be the case. A Trump victory will likely be a strong buy signal for energy stocks.*
- *Short-Term Positioning: Bearish*
    - *Last Week: Hold positions*
    - *This Week: Hold positions*
    - *Stop for trading positions at $32.50*
- *Long-Term Positioning: Bearish*

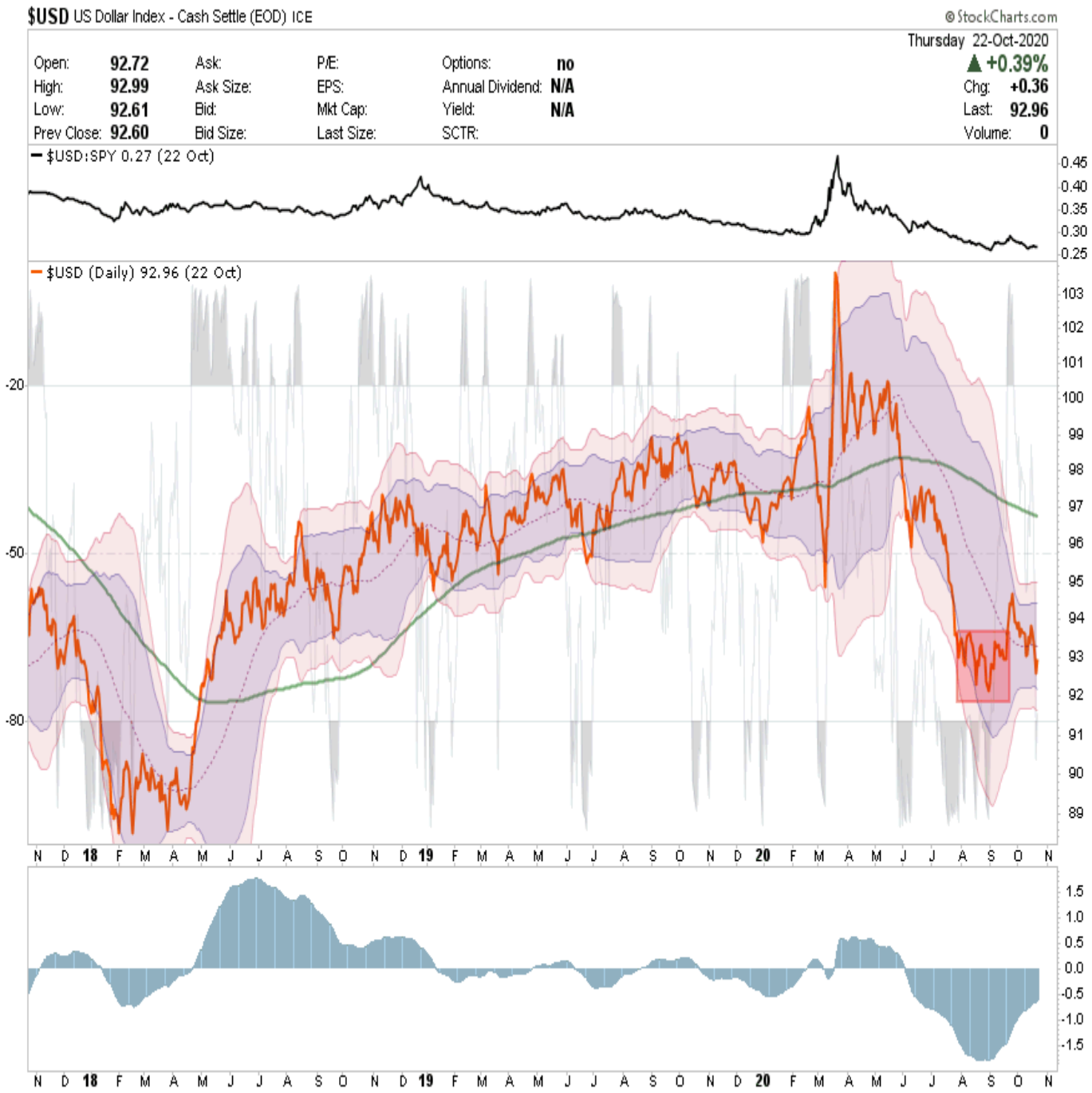
Gold

- *After previously adding to our positions in GDX and IAU, we continue to hold our positions.*
- *The sector is currently on a sell-signal and is not extremely oversold. However, further consolidation may provide a perfect entry point to add further exposure.*
- *Stops are reset at $165.*
- *We believe downside risk is relatively limited, but as always, maintain stops.*
- *Short-Term Positioning: Bullish*
    - *Last week: Added 1% to GDX and IAU*
    - *This week: No changes this week.*
    - *Stop-loss adjusted to $165*
    - *Long-Term Positioning: Bullish*

Bonds (Inverse Of Interest Rates)

- *Bonds struggled last week and are now at historically very extreme oversold conditions.*
- *There is a lot of upside potential in bonds from the current oversold condition, which will coincide with a larger correction in stocks.*
- *The "sell signal" is now at levels that have typically preceded more massive rallies in bonds, so continue to maintain exposure.*
- *Investors can add to Treasuries at current levels. Post-election, we will take our duration much further out.*
- *Short-Term Positioning: Neutral*
    - *Last Week: Hold positions.*
    - *This Week: Trimmed TLT to 10% to hedge against the election.*
    - *Stop-loss moved up to $157.50*
    - *Long-Term Positioning: Bullish*

U.S. Dollar



- *The dollar rally stumbled this past week and is testing previous lows.*
- *The bottoming process continues, and if the recent bottoms hold and the buy signal turns positive, it will suggest an early stage of a dollar rally.*
- *Subsequently, a dollar rally will devalue international and emerging market holdings, so act accordingly.*
- *Traders can continue to build a position here with a stop loss at recent lows.*
- *Stop-loss adjusted to $92.*