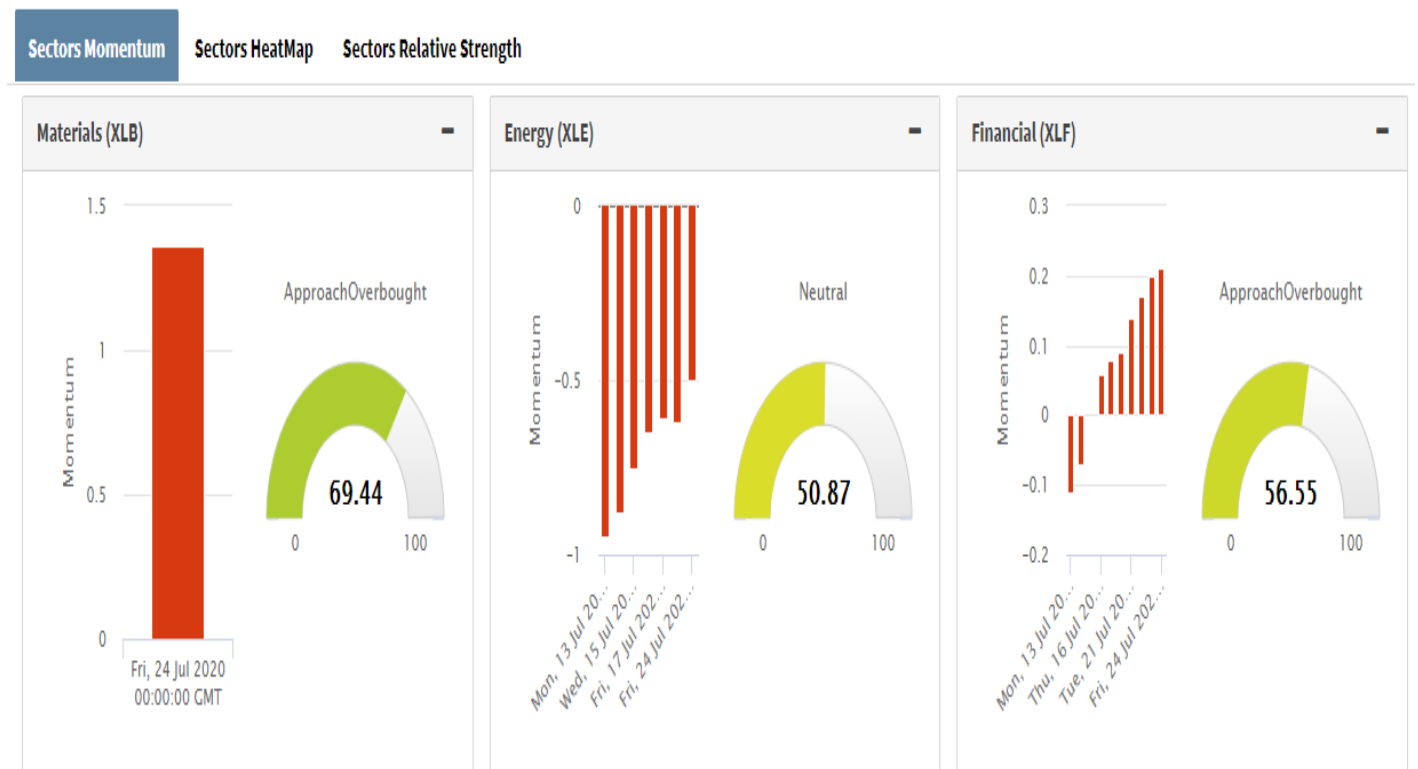


HOW TO READ THE SECTOR BUY/SELL REVIEW: 10-27-20 Each week we produce a "**Sector Buy/Sell Review**" chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such helps refine decision-making about what to own and when. It also guides what sectors to overweight 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:

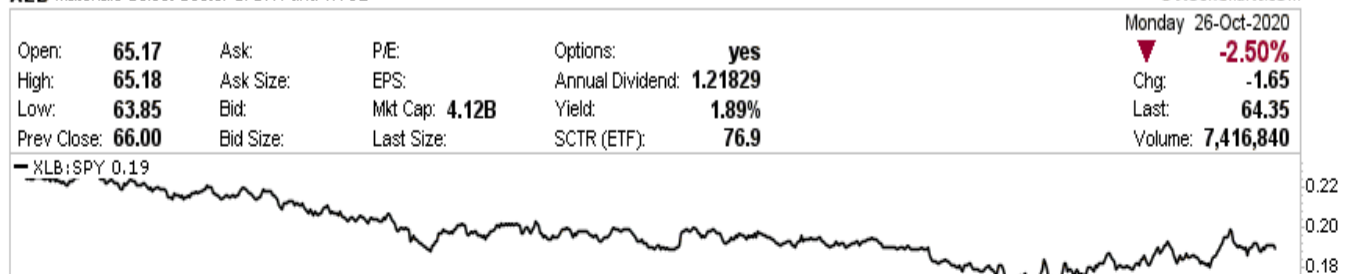
- The price chart is in orange.
- Over Bought/Over Sold indicator is in gray in the background.
- The Buy / Sell indicator is in blue.

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: 10-27-20

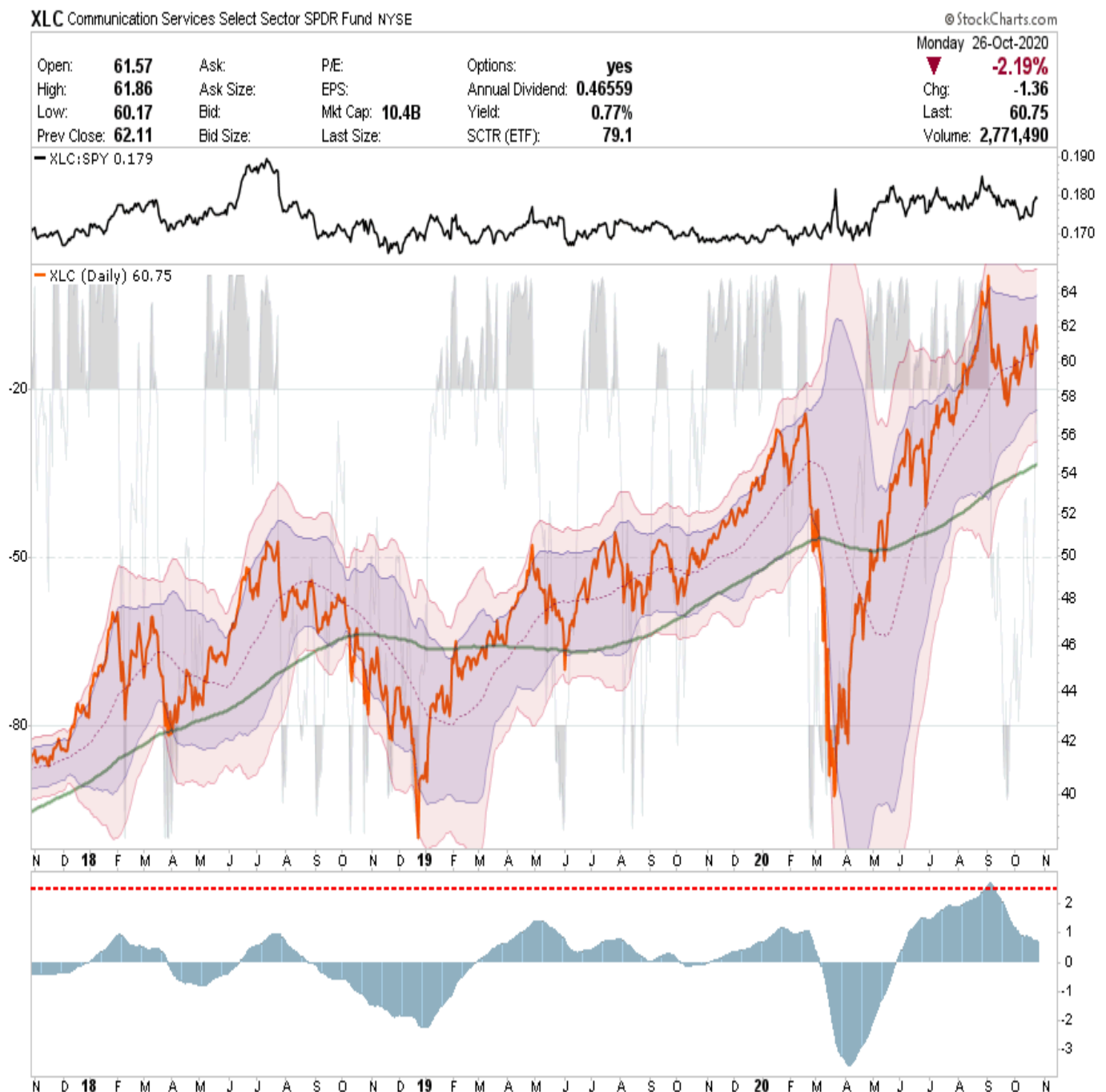
Basic Materials

XLB Materials Select Sector SPDR Fund NYSE



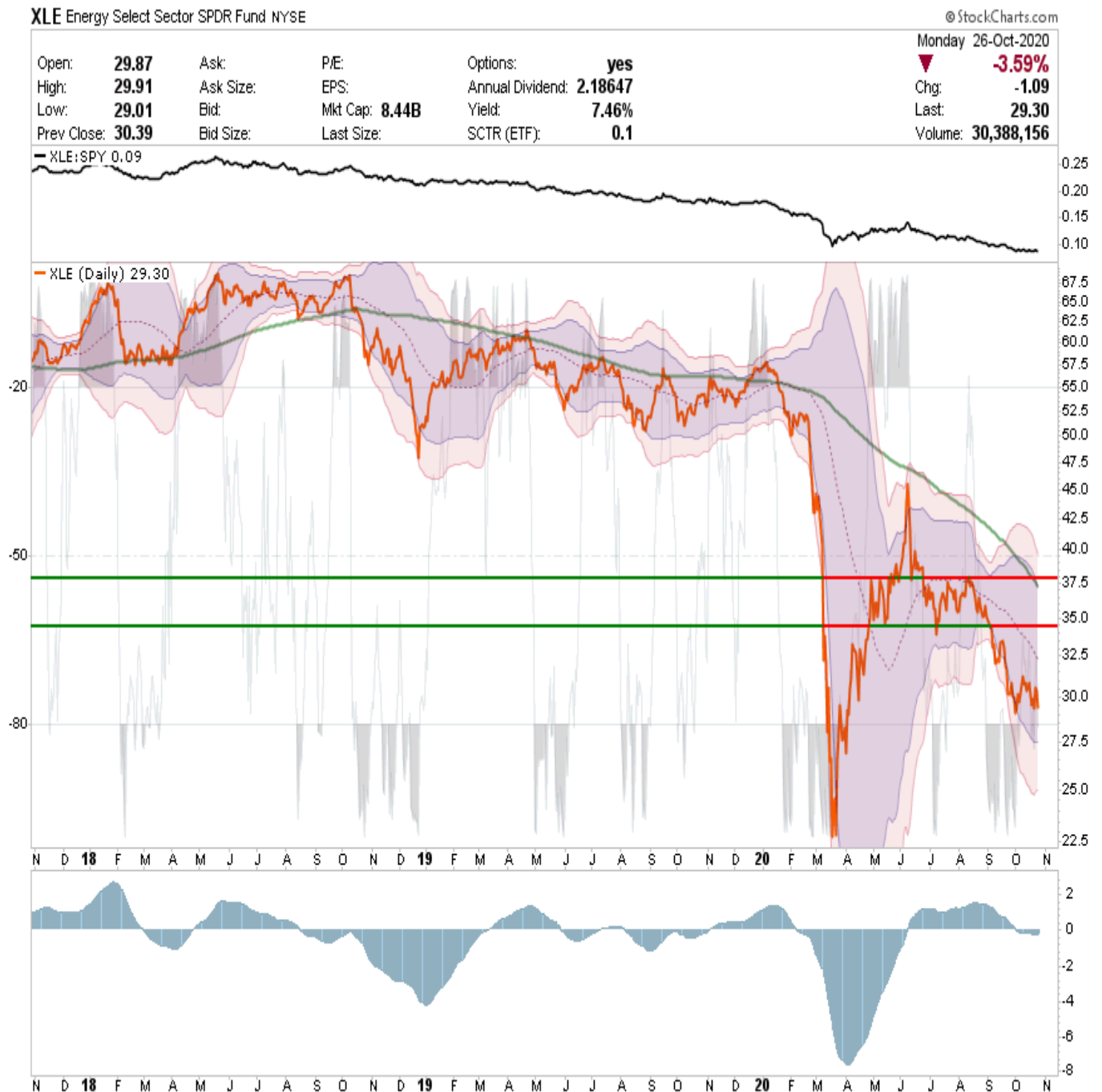
- A common theme through today's report is the "death of the 'reflation' trade."
- Areas that were running up on hopes of more stimulus, a Biden victory (more spending), all fell apart on Monday.
- The good news is XLB held support at the 50-dma. There is now a double-top with a more extreme overbought condition.
- We recommended taking profits on trading positions last week, which turned out to be good advice.
- 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 but is holding its uptrend.
- **XLC has begun to outperform 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

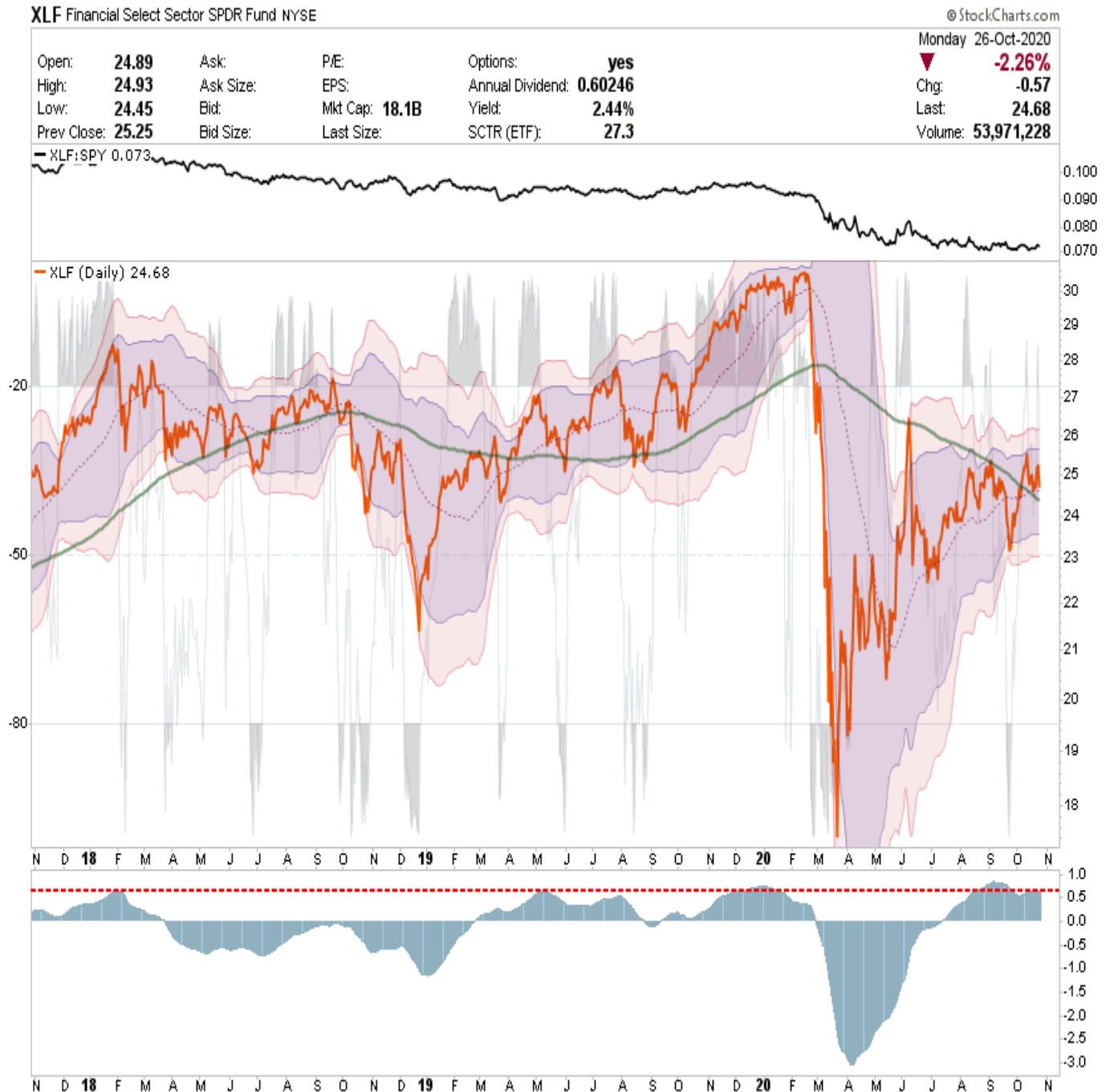
Energy



- Energy, which got no boost from the reflation trade, also got hammered by the expectation of no more stimulus to support economic growth.
- 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

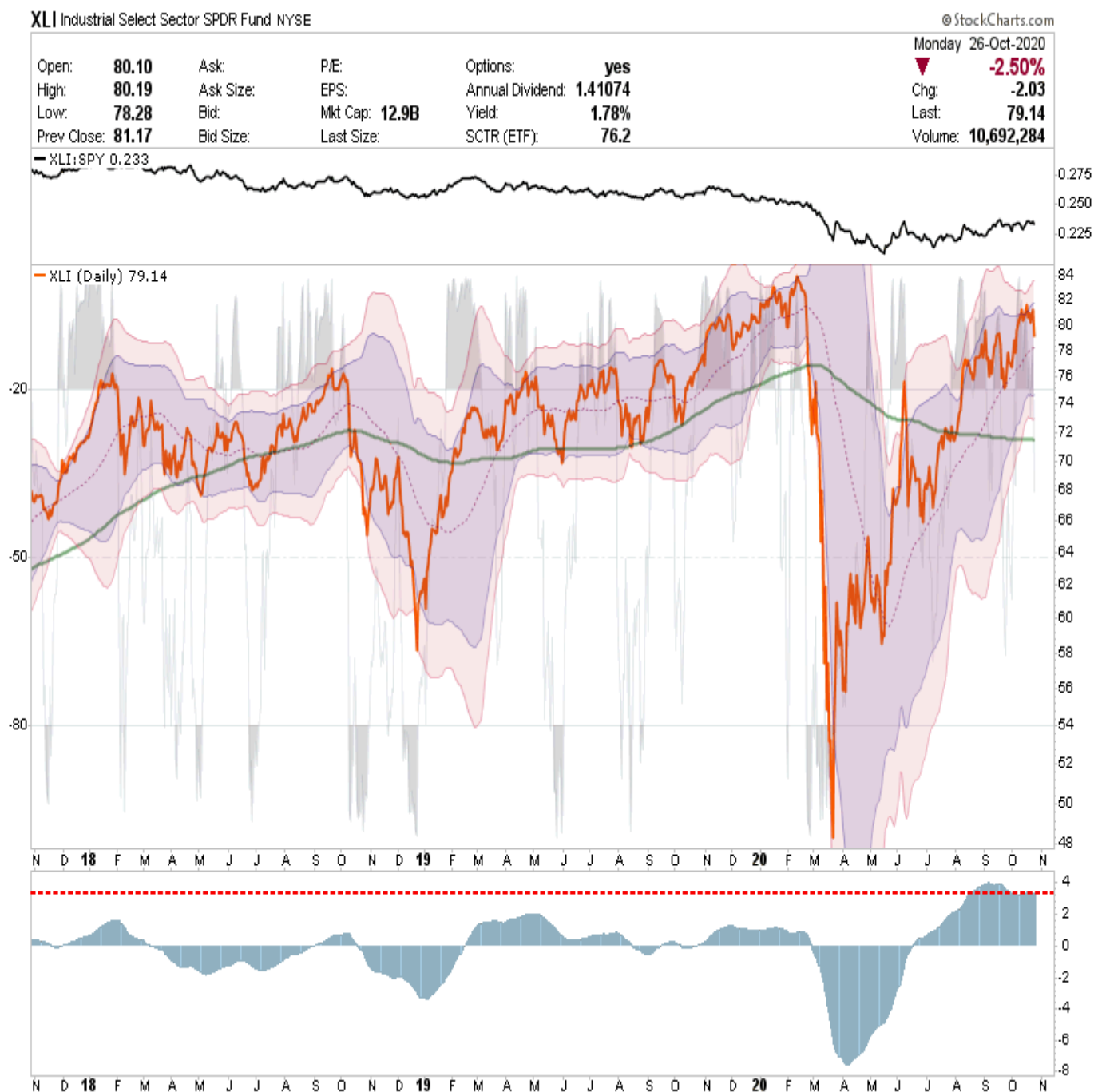
Financials



- 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

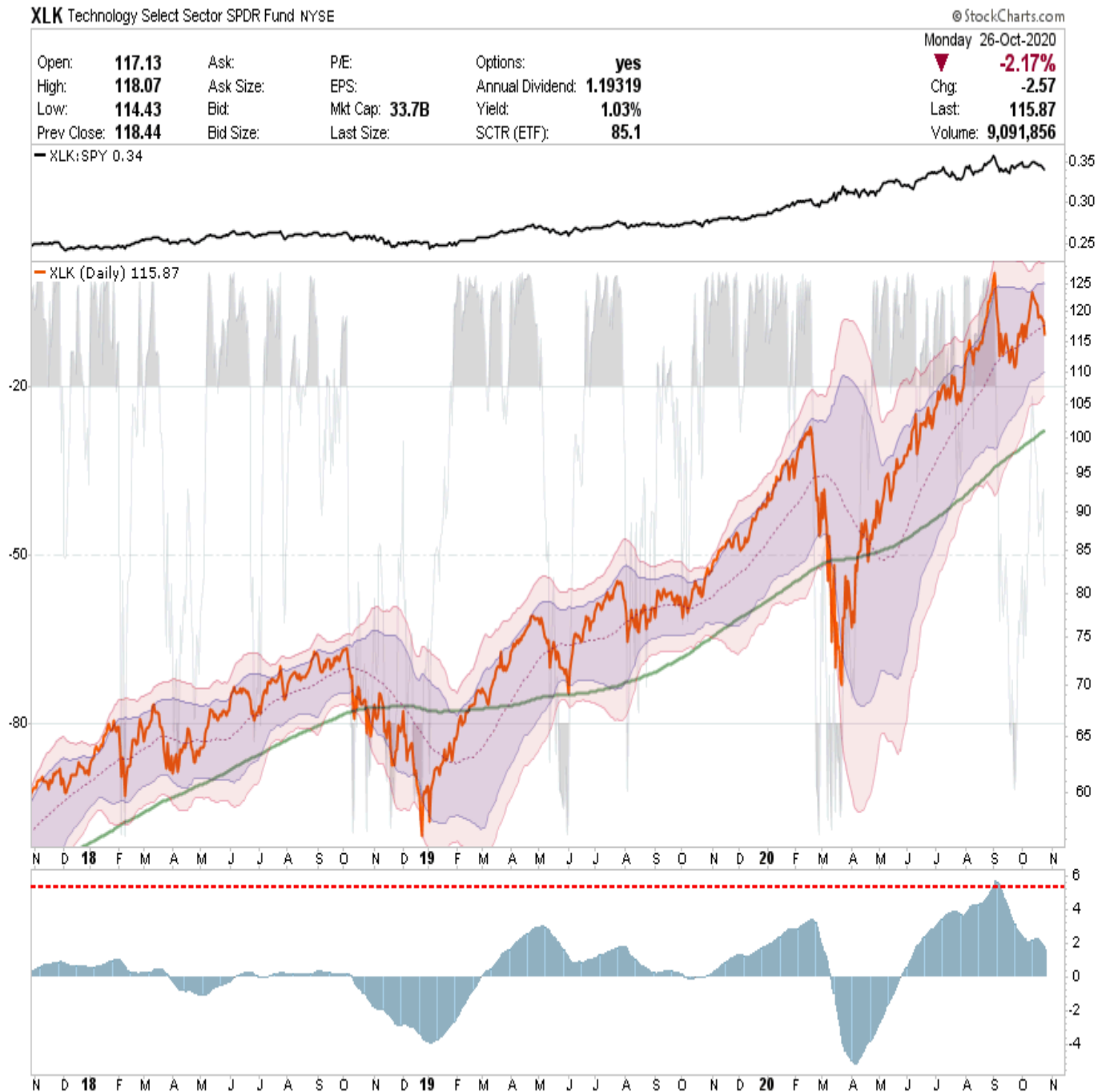
Industrials



- Like XLB, XLI is heading back to the test the 50-dma.
- We are holding our reduced exposure for now, but take profits and rebalance risks as needed.

- *XLI remains extended and overbought short-term.*
- *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 working off its very overbought and is now testing its 50-dma support.*
- *Technology will likely hold up better post-election, particularly if rates continue to push higher short-term.*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*

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

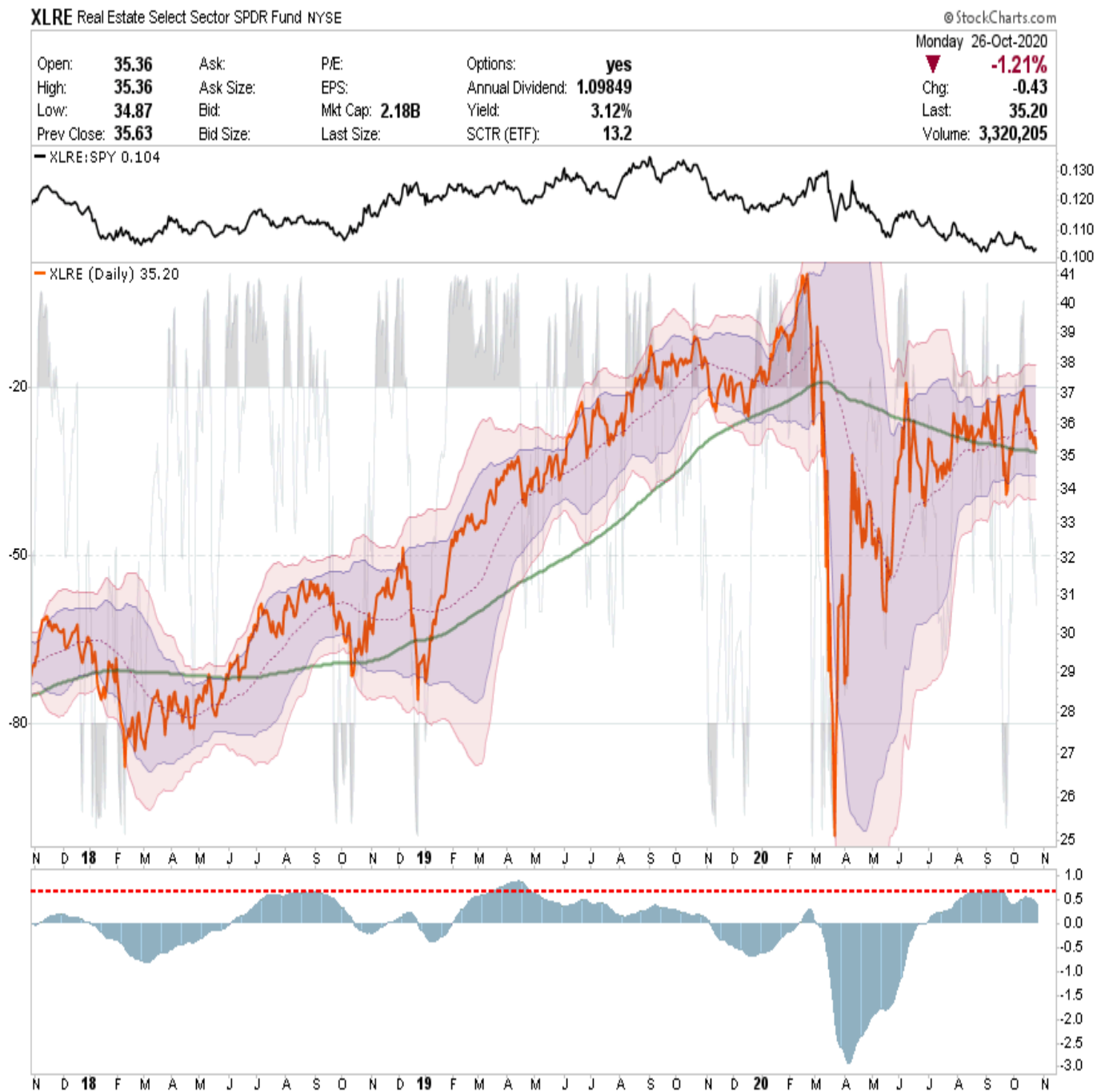
Staples



- *XLP is also correcting its extreme overbought and is finding rotation out of the "relation trade" areas.*
- *The correction on Monday was not surprising and is testing the 50-dma.*
- *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, the sell-off took it back below the 50-dma and is now testing the 200-dma support.*
- *XLRE needs to hold these levels.*
- *The next critical support is the double bottoms at \$34. Below that, and it will get ugly fairly quickly.*
- *Keep stop-losses at 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: **64.25** Ask: P/E: Options: **yes**
 High: **64.85** Ask Size: EPS: Annual Dividend: **1.94948**
 Low: **63.83** Bid: Mkt Cap: **12.3B** Yield: **3.01%**
 Prev Close: **64.75** Bid Size: Last Size: SCTR (ETF): **80.3**

Monday 26-Oct-2020

▼ **-0.03%**

Chg: **-0.02**

Last: **64.73**

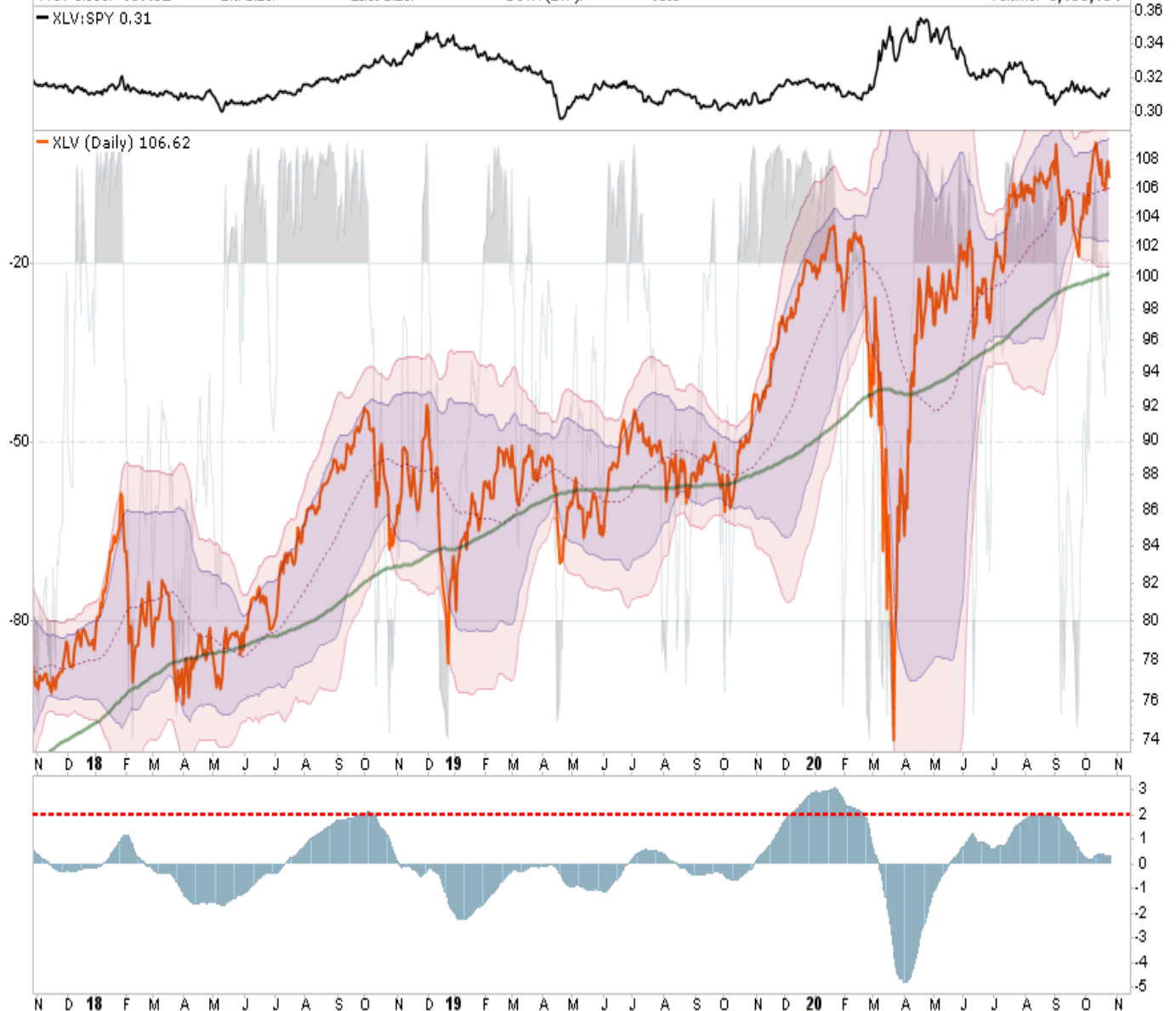
Volume: **10,380,353**



- *XLU continues to push into extremely overbought conditions after breaking above resistance.*
- *XLU is now 4-standard deviations above the moving average. This will not last indefinitely.*
- *Take profits and rebalance risk.*
- *Short-Term Positioning: Neutral*
 - *Last week: Reduced XLRE by 50%.*
 - *This week: Hold positions*
- *Long-Term Positioning: Bullish*

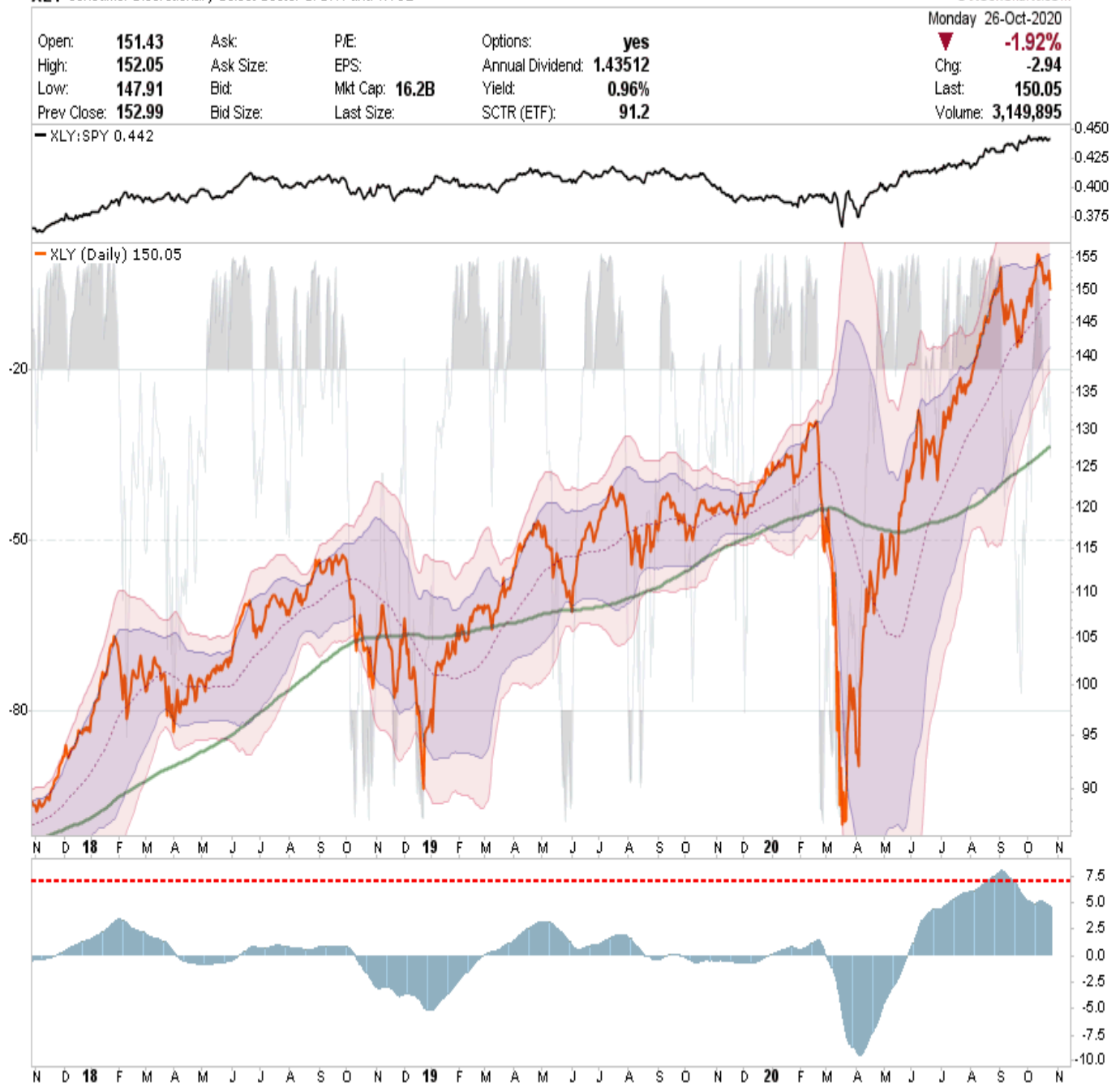
Health Care

Open: 106.95	Ask:	P/E:	Options: yes	Monday 26-Oct-2020
High: 107.08	Ask Size:	EPS:	Annual Dividend: 1.64435	▼ -1.11%
Low: 105.60	Bid:	Mkt Cap: 23.6B	Yield: 1.54%	Chg: -1.20
Prev Close: 107.82	Bid Size:	Last Size:	SCTR (ETF): 45.3	Last: 106.62
				Volume: 8,135,434



- *XLV is sitting on its 50-dma and needs to hold here.*
- *The previous overbought conditions have been resolved, and the buy signal is 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



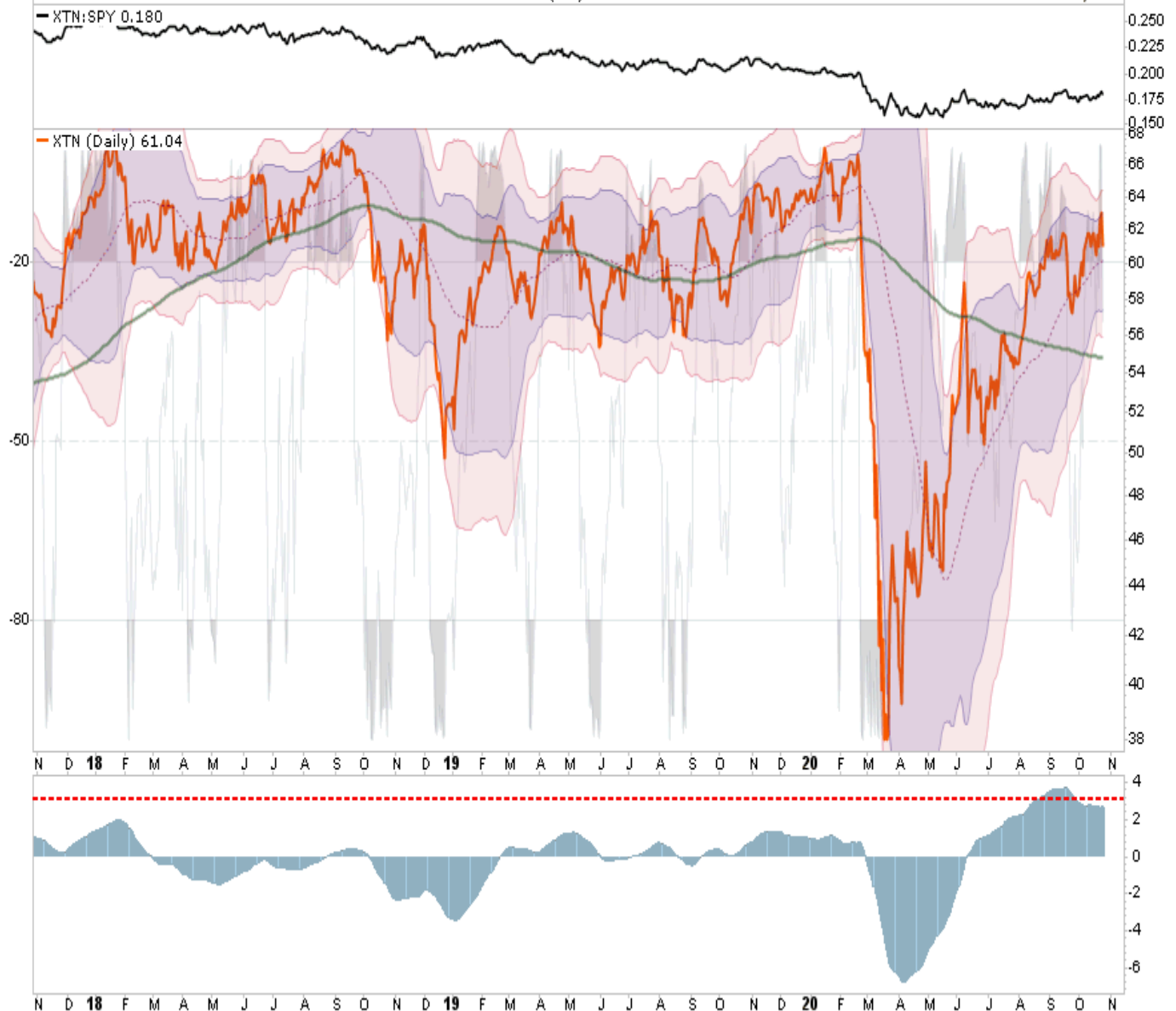
- *XLY rallied to new highs previously.*
- *We recommended last week to take profits and rebalance risk. The 50-dma is an important initial support. On Monday, XLY is starting to correct back to that level.*
- *We will look for an opportunity to add to our "holiday shopping" stocks on this weakness - after the election is over, of course.*
- *Stop-loss remains at \$140*
- *Short-Term Positioning: Bullish*
 - *Last week: No changes.*
 - *This week: No changes.*
- *Long-Term Positioning: Bullish*

Transportation

Monday 26-Oct-2020

Open: **62.16** Ask: P/E: Options: **no**
 High: **62.16** Ask Size: EPS: Annual Dividend: **0.48991**
 Low: **60.56** Bid: Mkt Cap: **244.2M** Yield: **0.80%**
 Prev Close: **63.01** Bid Size: Last Size: SCTR (ETF): **80.5**

Chg: **-3.13%**
 Last: **61.04**
 Volume: **19,162**



- *Last week I wrote: "Transportation has been rallying on hopes from infrastructure but failed at its previous highs. The sector is overbought and ran into previous resistance."*
- *The sell-off on Monday was a bit vicious and looked to take XTN back to the 50-dma.*
- *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. That may be coming here soon.*
- *Maintain an absolutely stop-loss at \$56*
- *Short-Term Positioning: Neutral*
 - *Last week: No change*
 - *This week: No change*
- *Long-Term Positioning: Neutral*