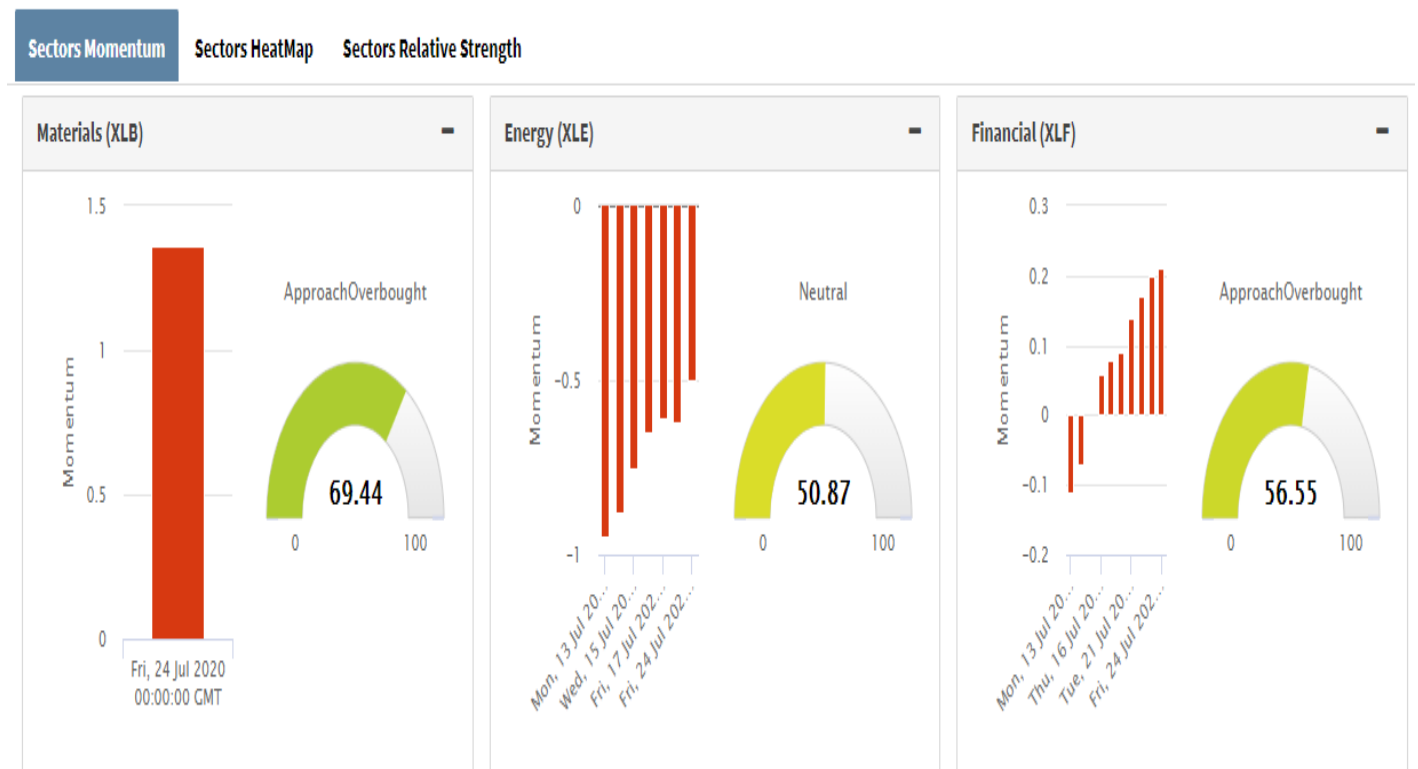


HOW TO READ THE SECTOR BUY/SELL REVIEW: 11-10-20 Each week we produce a "**Sector Buy/Sell Review**" chartbook of the S&P 500 sectors to review where the money is flowing within the market as a whole. Such helps refine decision-making about what to own and when. It also guides what sectors to overweight 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: 11-10-20

NOTE: Yesterday's surge in the market from the announcement of a "vaccine" led to a very bifurcated advance. As shown in the sector charts below, some sectors are egregiously overbought. The ones that sold off have decent entry points. This suggests a sector rotation will occur sooner than later. **Basic Materials**

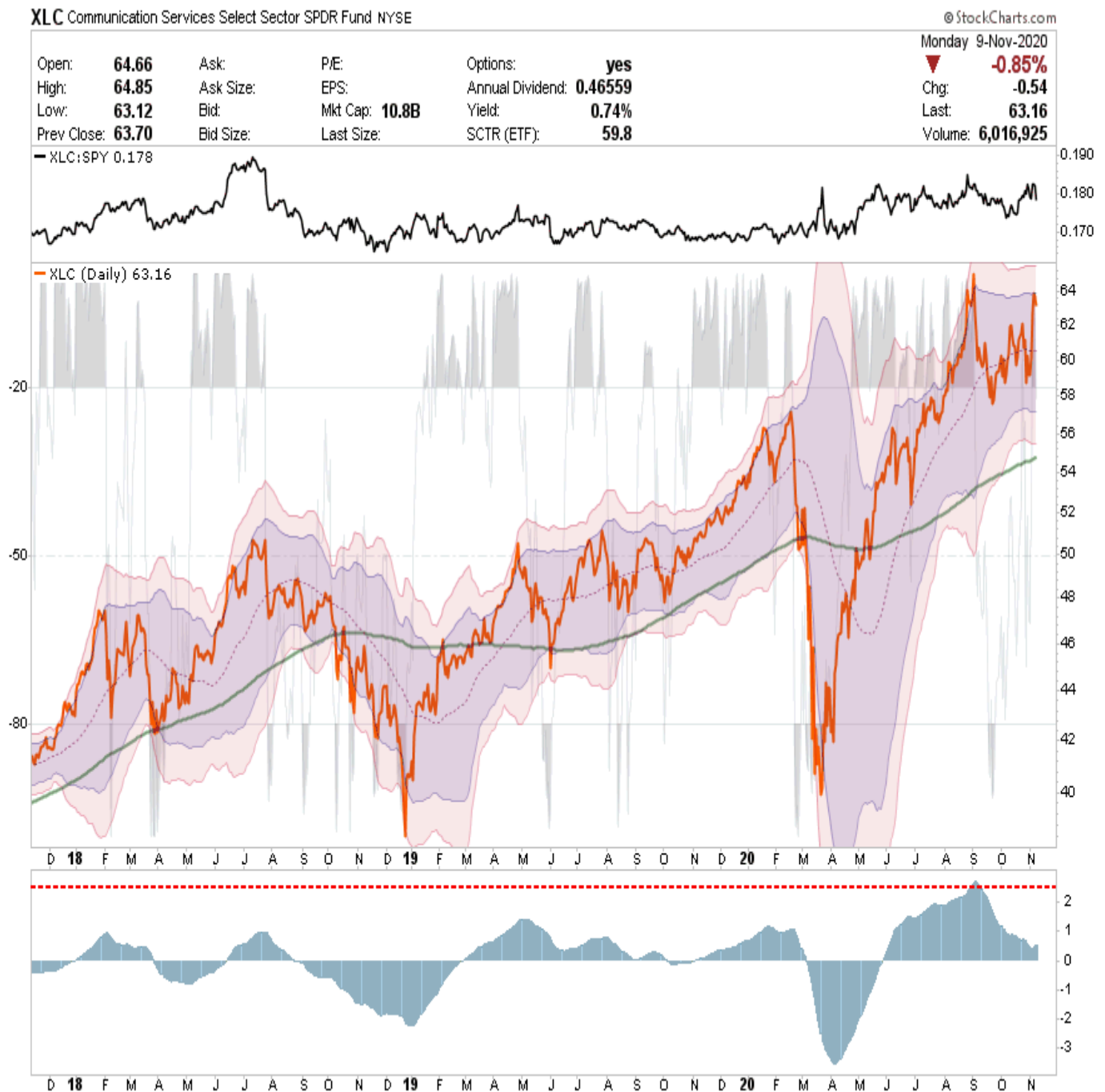
XLB Materials Select Sector SPDR Fund NYSE

© StockCharts.com

| | | | | |
|-------------------|-----------|----------------|--------------------------|--------------------|
| Open: 71.26 | Ask: | P/E: | Options: yes | Monday 9-Nov-2020 |
| High: 72.41 | Ask Size: | EPS: | Annual Dividend: 1.21829 | ▲ +2.25% |
| Low: 69.43 | Bid: | Mkt Cap: 4.45B | Yield: 1.75% | Chg: +1.53 |
| Prev Close: 68.00 | Bid Size: | Last Size: | SCTR (ETF): 91.6 | Last: 69.53 |
| XLB:SPY 0.20 | | | | Volume: 16,423,563 |

- *XLB blew through the double-top resistance and is now 4-standard deviations above the moving average.*
- *Such will lead to a correction short-term, so take profits and rebalance.*
- *Keep stops on trading positions at the 50-dma, which is now critical support.*
- *Short-Term Positioning: Bullish*
 - *Last Week: Hold Positions*
 - *This Week: Take Profits.*
 - *Stop-Loss moved up to \$62*
- *Long-Term Positioning: Bullish*

Communications



- *Communications struggled on Monday as NFLX sold off, and Comcast advanced sharply. Such makes little sense since they are in the same market.*

- *XLC underperformed the market yesterday substantially, and since it is a large sector in portfolios, led to a performance drag.*
- *Stops remain at \$58.*
- -
 - *This Week: Hold positions*
- *Long-Term Positioning: Bullish*

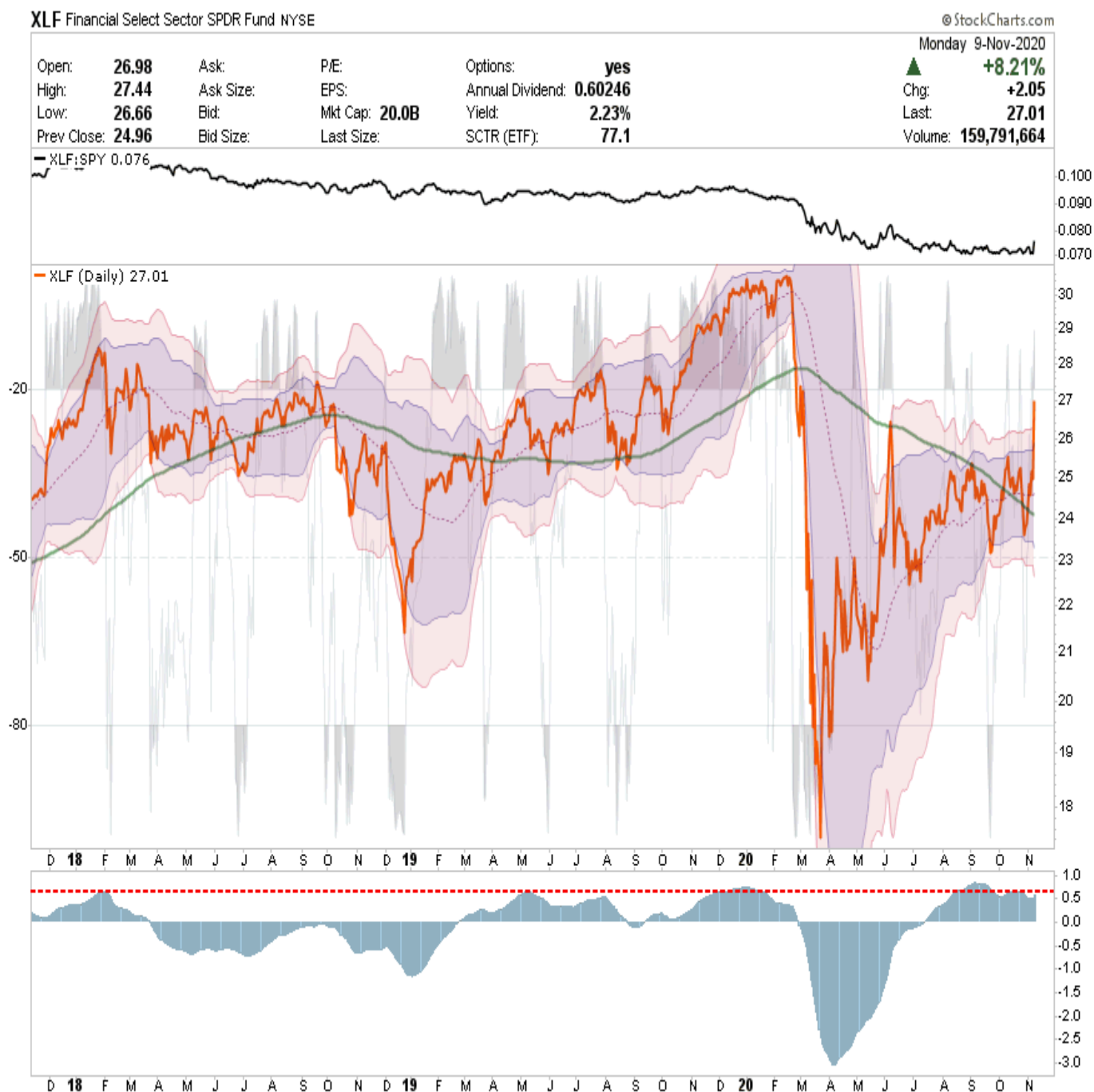
Energy



- *Energy rallied sharply on Monday as a "vaccine" would allow people to return to work and consume more energy.*
- *XLE finally broke above the 50-dma, but there is major resistance ahead.*

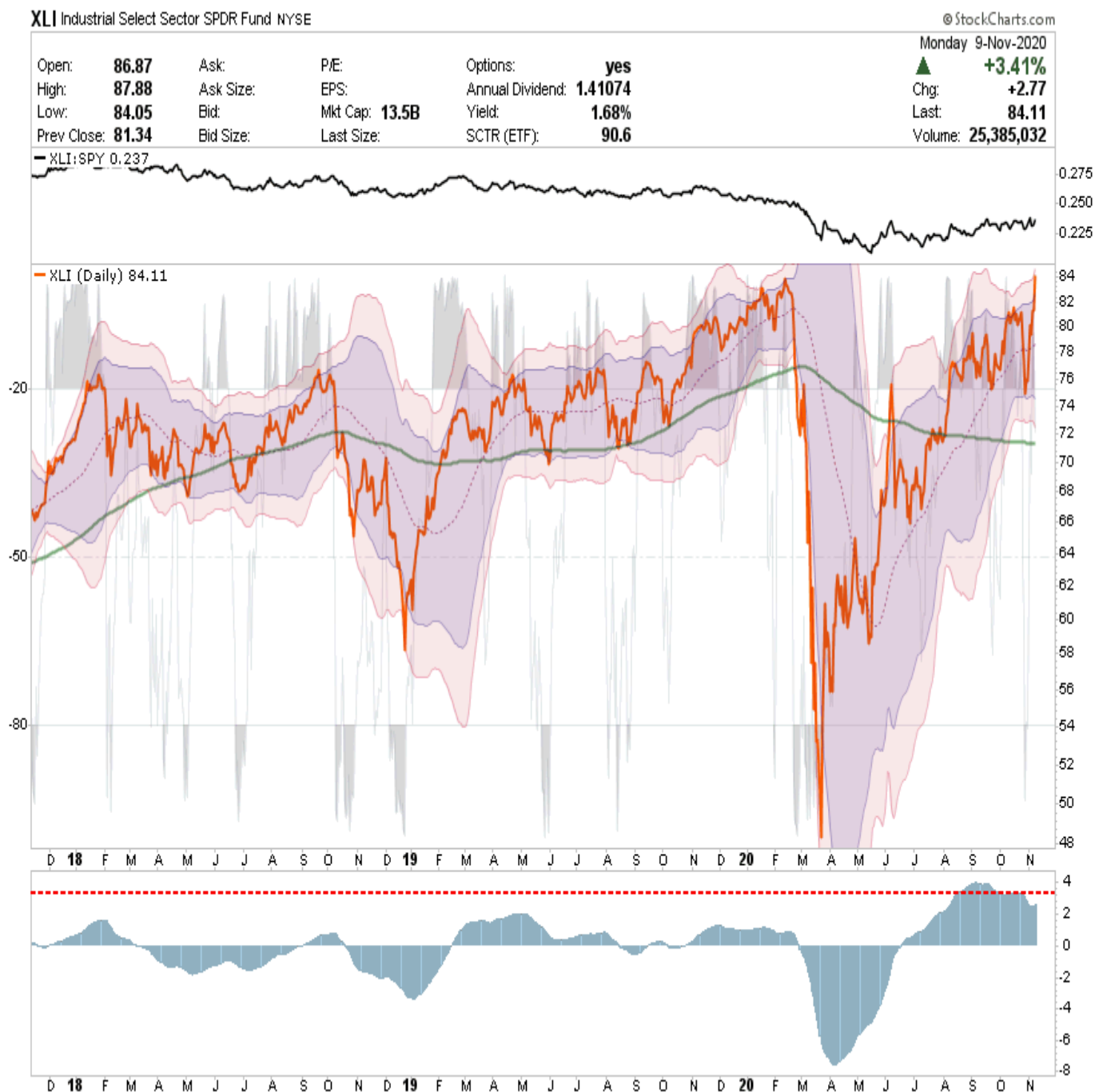
- If you have been trapped in energy stocks needing a point to sell, this is likely a good opportunity.
- We suggested Traders could add positions last week with a stop at \$27.50 and a target of \$34. That remains this week.
- The overall trend is fragile, remain clear for now from an investment perspective.
- Short-Term Positioning: Bearish
 - Last week: Hold positions
 - This week: Hold positions.
- Stop-loss set at \$27.50
- Long-Term Positioning: Bearish

Financials



- Financials found some life as yields soared on expectations that inflation would return with a "vaccine." I wouldn't count on it since we haven't had inflation in a decade.
- XLF is 4-standard deviations above its mean. Take profits and rebalance risks.
- Short-Term Positioning: Neutral
 - Last week: No position
 - This week: No position
- Long-Term Positioning: Neutral

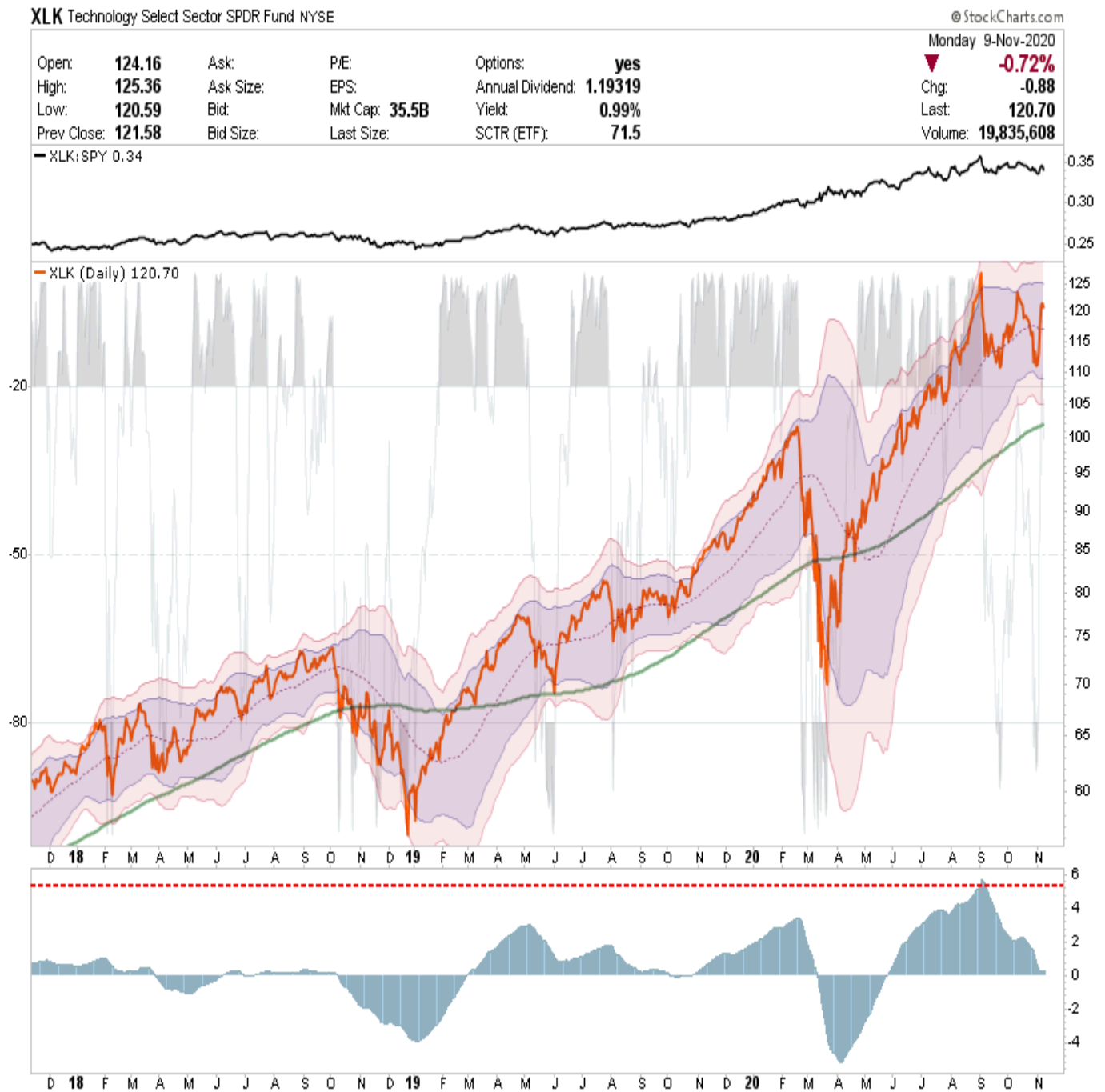
Industrials



- Like XLB, XLI is also 4-standard deviations above the mean.
- Take profits and rebalance risks.
- Short-Term Positioning: Bullish
 - Last week: No change.

- *This week: No change.*
- *Long-Term Positioning: Bullish*

Technology



- *Technology stocks and the Nasdaq failed to perform on Monday as the FANGS were drug down on the rotation into the most beaten up and shorted sectors.*
- *The sector is working off the very overbought and setting up for a good entry opportunity soon.*
- *Short-Term Positioning: Bullish*
 - *Last week: Hold positions*
 - *This week: Hold positions*
- *Stop-loss moved up to \$110*
- *Long-Term Positioning: Bullish*

Staples

XLP Consumer Staples Select Sector SPDR Fund NYSE

© StockCharts.com

Monday 9-Nov-2020

Open: **66.64** Ask: P/E: Options: **yes**
 High: **67.28** Ask Size: EPS: Annual Dividend: **1.63759**
 Low: **64.85** Bid: Mkt Cap: **14.1B** Yield: **2.52%**
 Prev Close: **65.09** Bid Size: Last Size: SCTR (ETF): **25.6**

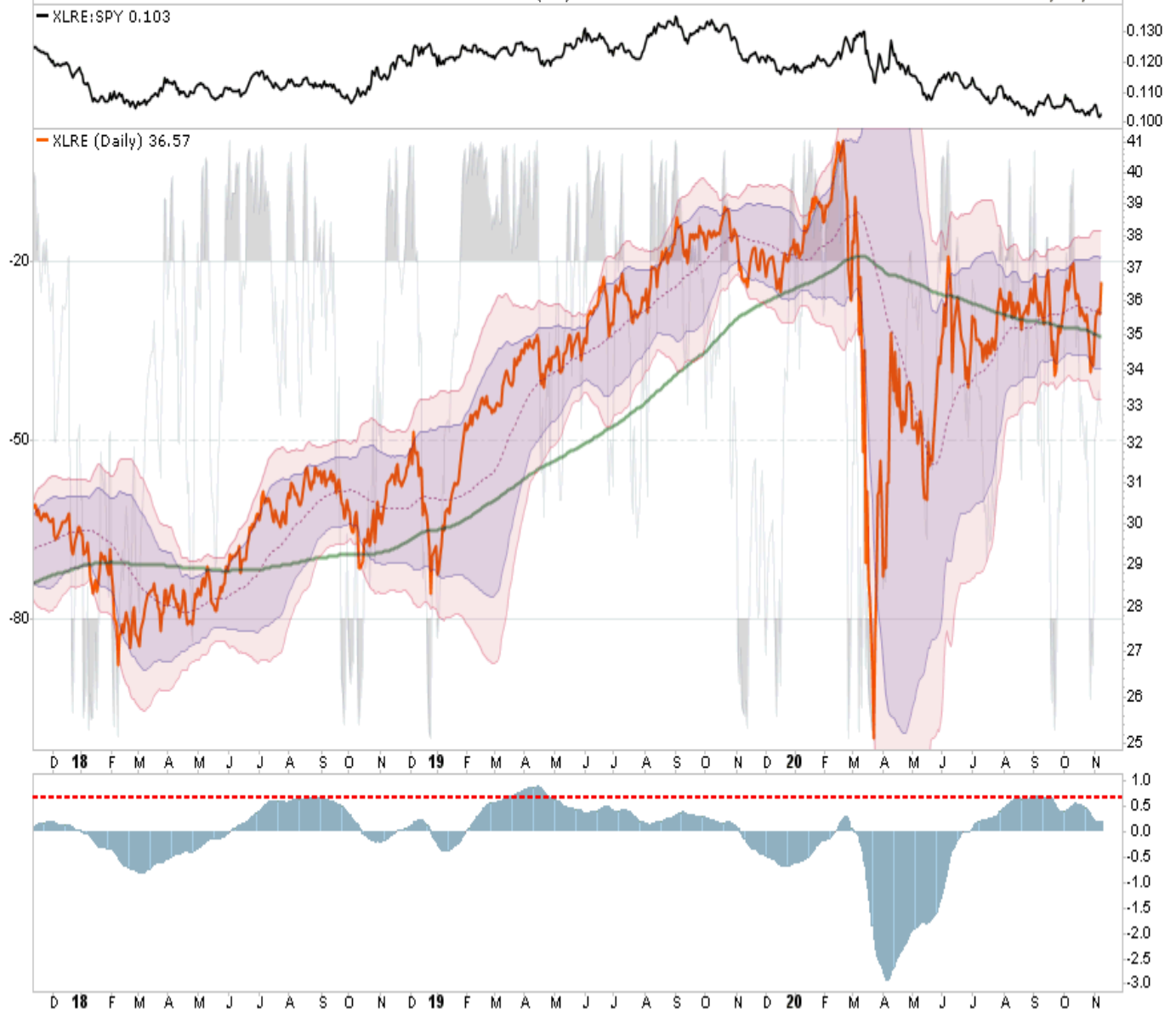
Chg: **-0.23%**
 Last: **64.94**
 Volume: **15,135,304**



- *XLP is also correcting the extreme overbought underperformed the market yesterday.*
- *The sector remains in a bullish trend, and the declines in some of the major staples are likely an entry opportunity.*
- *Longer-term investors should continue to use any rally to 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

| | | | | |
|--------------------------|-----------|-----------------------|---------------------------------|---------------------------|
| Open: 37.35 | Ask: | P/E: | Options: yes | Monday 9-Nov-2020 |
| High: 39.11 | Ask Size: | EPS: | Annual Dividend: 1.09849 | ▲ +2.64% |
| Low: 36.48 | Bid: | Mkt Cap: 2.12B | Yield: 3.00% | Chg: +0.94 |
| Prev Close: 35.63 | Bid Size: | Last Size: | SCTR (ETF): 31.7 | Last: 36.57 |
| | | | | Volume: 11,854,942 |



- On Monday, Real Estate rallied sharply. As higher rates are not good for Real Estate, money was chasing yield nonetheless.
- XLRE held a double bottom and broke above the 50-dma. Using pullbacks that hold the 50-dma to add exposure.
- Keep stop-losses the series of bottoms at \$34.
- Short-Term Positioning: Neutral
 - Last week: Hold positions.
 - This week: Hold positions.
- Long-Term Positioning: Bullish

Utilities

Monday 9-Nov-2020

Open: **65.99** Ask: P/E: Options: **yes**
 High: **67.93** Ask Size: EPS: Annual Dividend: **1.94948**
 Low: **65.25** Bid: Mkt Cap: **12.1B** Yield: **2.98%**
 Prev Close: **64.13** Bid Size: Last Size: SCTR (ETF): **46.6**

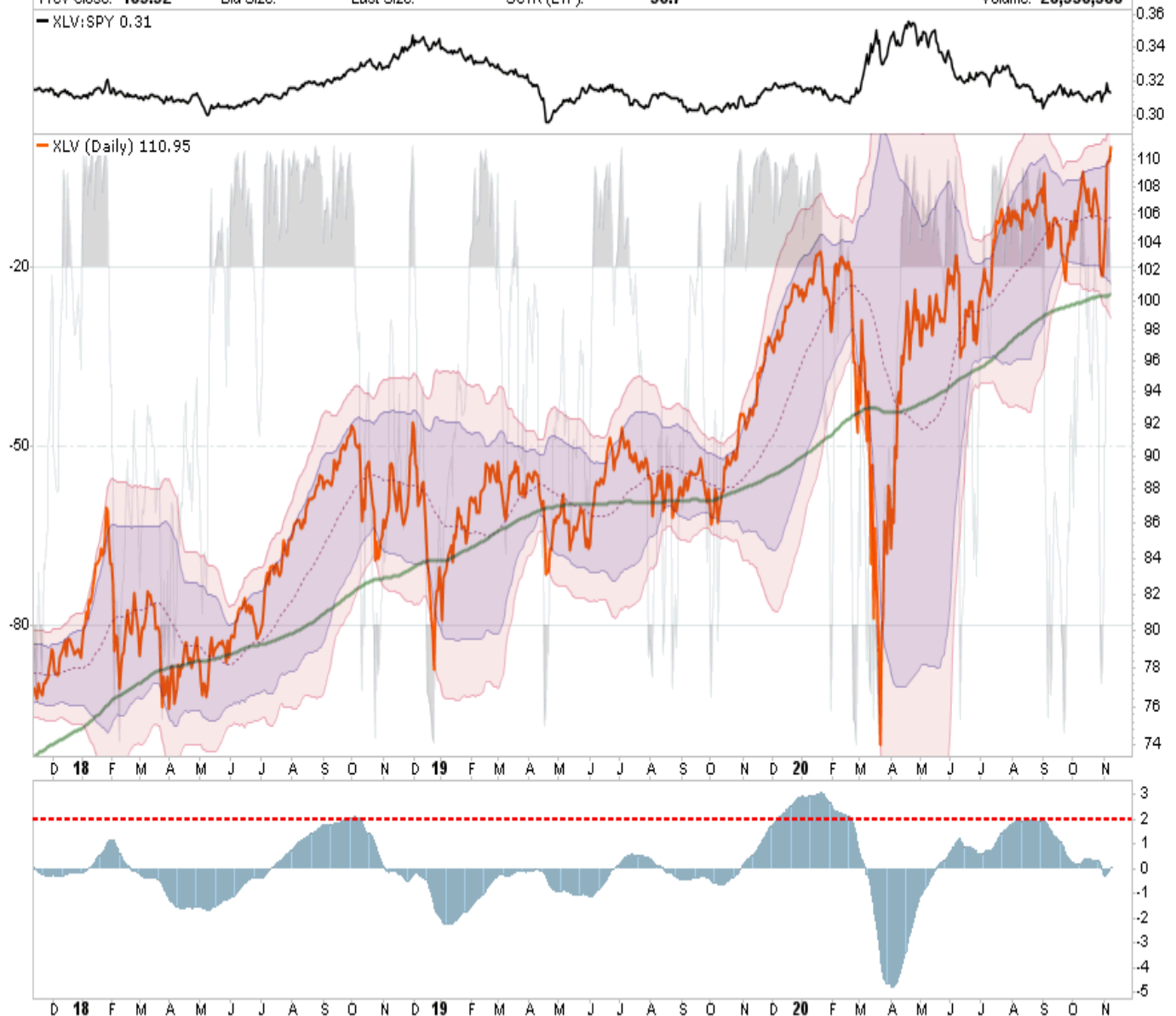
▲ **+1.86%**
 Chg: **+1.19**
 Last: **65.32**
 Volume: **23,007,062**



- *XLU remains well extended in the overbought territory after breaking above the 200-dma.*
- *The rally on Monday also doesn't make much sense as Utilities are sensitive to higher rates. However, with the yield chase in play, such suggests a bid is still there.*
- *Take profits and rebalance risk.*
- *Short-Term Positioning: Neutral*
 - *Last week: Hold positions.*
 - *This week: Hold reduced positions*
- *Long-Term Positioning: Bullish*

Health Care

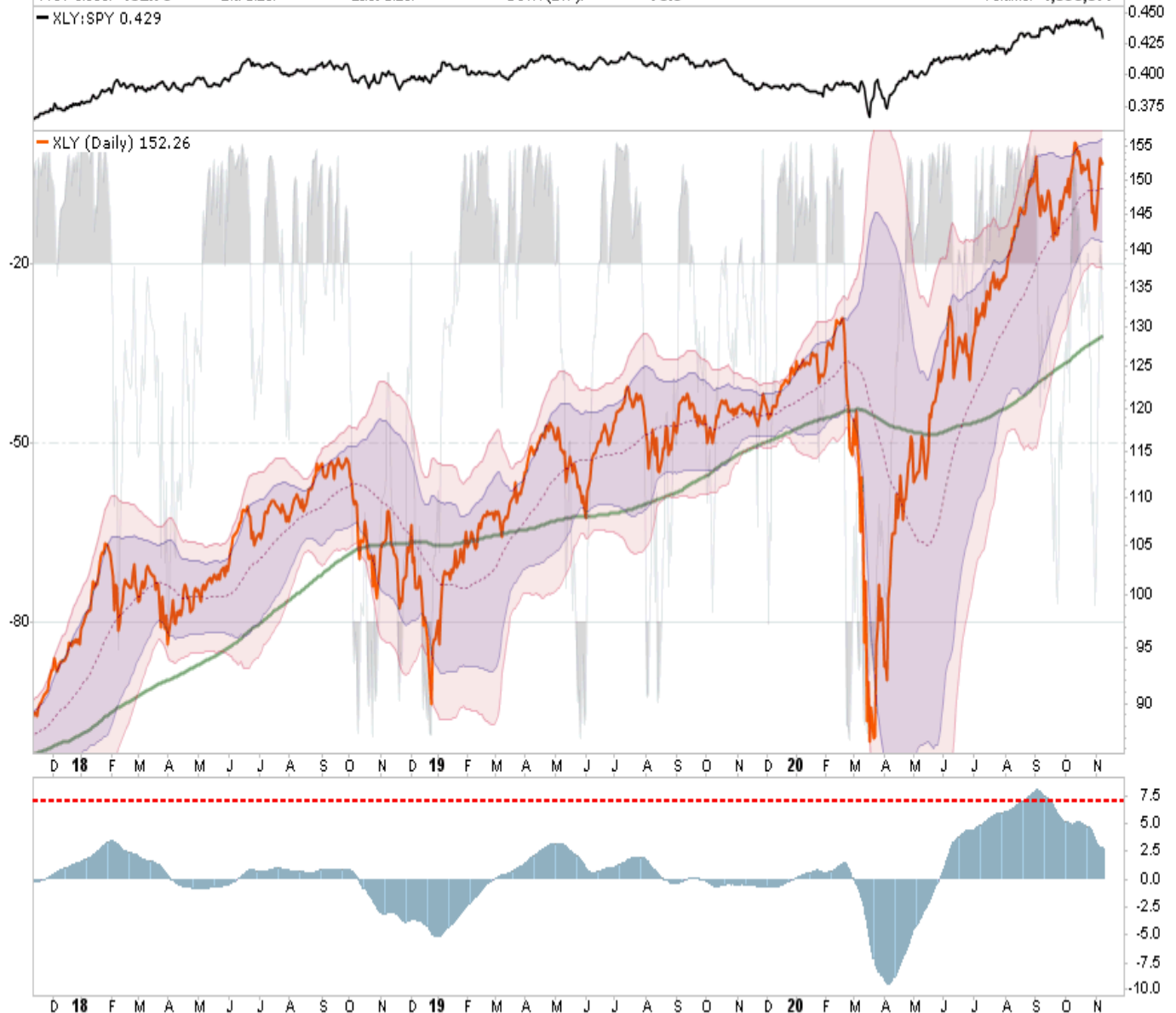
| | | | | |
|---------------------------|-----------|-----------------------|---------------------------------|---------------------------|
| Open: 113.92 | Ask: | P/E: | Options: yes | Monday 9-Nov-2020 |
| High: 114.41 | Ask Size: | EPS: | Annual Dividend: 1.64435 | ▲ +0.94% |
| Low: 110.81 | Bid: | Mkt Cap: 24.3B | Yield: 1.48% | Chg: +1.03 |
| Prev Close: 109.92 | Bid Size: | Last Size: | SCTR (ETF): 36.7 | Last: 110.95 |
| | | | | Volume: 20,350,380 |



- The news from PFE led to a sharp rally in Healthcare stocks, with XLV now 3-standard deviations above the mean.
- The sector is short-term overbought, so rebalance risks accordingly.
- 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

| | | | | |
|---------------------------|-----------|-----------------------|---------------------------------|--------------------------|
| Open: 158.04 | Ask: | P/E: | Options: yes | Monday 9-Nov-2020 |
| High: 158.04 | Ask Size: | EPS: | Annual Dividend: 1.43512 | ▼ -0.33% |
| Low: 152.07 | Bid: | Mkt Cap: 16.4B | Yield: 0.94% | Chg: -0.50 |
| Prev Close: 152.76 | Bid Size: | Last Size: | SCTR (ETF): 73.0 | Last: 152.26 |
| | | | | Volume: 4,890,877 |



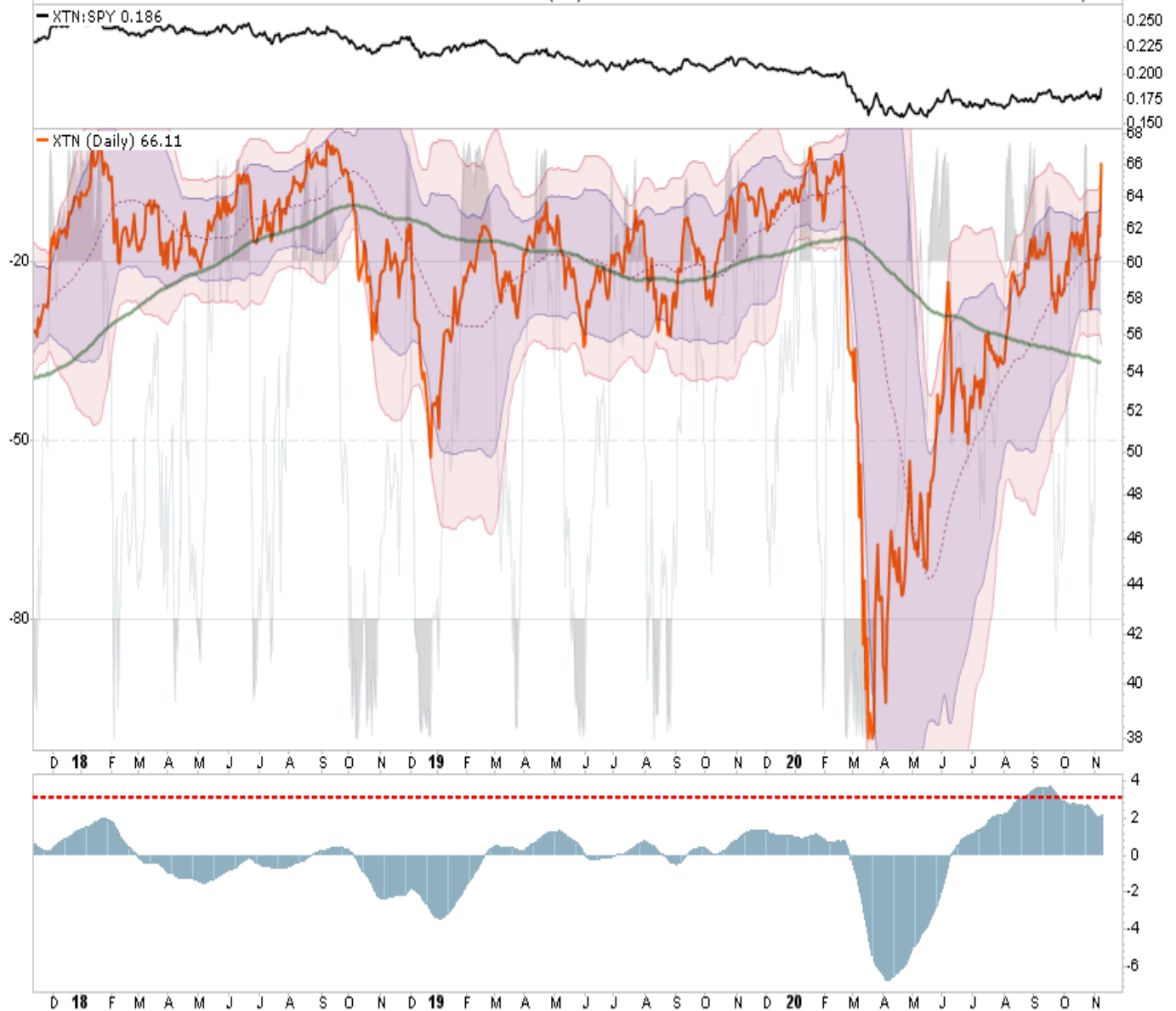
- On Monday, discretionary dragged as AMZN was sold off on a rotation to the "beaten-up economically sensitive" sector.
- This is likely a good opportunity to add to holdings in AMZN.
- We said last week: "We will look for an opportunity to add to our "holiday shopping" stocks on this weakness - after the election is over, of course." That opportunity is likely here.
- Stop-loss remains at \$140
- Short-Term Positioning: Bullish
 - Last week: No changes.
 - This week: No changes.
- Long-Term Positioning: Bullish

Transportation

Monday 9-Nov-2020

Open: **67.07** Ask: P/E: Options: **no**
 High: **68.78** Ask Size: EPS: Annual Dividend: **0.48991**
 Low: **65.23** Bid: Mkt Cap: **264.4M** Yield: **0.74%**
 Prev Close: **61.62** Bid Size: Last Size: SCTR (ETF): **95.0**

▲ **+7.29%**
 Chg: **+4.49**
 Last: **66.11**
 Volume: **63,485**



- The rally on Monday was pushed XTN back into a 4-standard deviation territory.
- The "buy signal" remains extended, and the overbought condition back to extremes.
- Take profits in the sector and rebalance risks accordingly.
- Maintain an absolutely stop-loss at \$56
- Short-Term Positioning: Neutral
 - Last week: No change
 - This week: No change
- Long-Term Positioning: Neutral