



The major market technical review is something we will regularly produce on alternating weeks, along with a sector review and portfolio stock review. Each report will contain a chartbook of major financial markets, market sectors, or individual equities to review the underlying technical conditions for potential opportunities and risk management. Such helps refine decision-making about what to own and when. Also, what to overweight or underweight to achieve better performance.

HOW TO READ THE CHARTS

Each chart has five primary components if you want to recreate them yourself in the CHARTING application under the RESEARCH tab.

- *The top chart is the Williams %R set at 14-days.*
- *The candlestick price chart gets bounded by two Bollinger Band studies set at a 50-dma with 2- and 3-standard deviations.*
- *Below the price chart is a Stochastic indicator set at 14 %K periods, 3 %K smoothing, and 3 %D periods.*
- *The MACD chart at the bottom is the primary buy/sell signal set at 12/26/9 days.*
- *Some charts will also compare to the S&P 500 index itself to measure over/underperformance.*

When the indicators are at the TOP of their respective charts, there is typically more risk and less reward. In other words, the best time to BUY is when the majority of the indicators are at the BOTTOM of their respective channels.



With this basic tutorial, let's get to the sector analysis.

NOTE: Last week, I reviewed the weekly charts in anticipation of the bounce. With that bounce underway I wan to review the major markets with daily charts to determine where these bounces may fail.

S&P 500 Index



- After pushing into 3-standard deviation territory, the market mustered a strong bounce last week.
- With a buy signal in place from a fairly oversold level, there is room for the rally to run back to the 50-dma. A move above that would get markets back to the 200-dma. Both are likely limits to the current reflexive rally.
- The market has moved back to an overbought level (top panel) suggesting the rate of the current advance will slow.
- Short-Term Positioning: **Sellable Rally To Reduce Risk**
 - The initial target for the rally is \$425
 - Stop-loss is currently \$380
- Long-Term Positioning: Neutral / Bearish

Dow Jones Industrial Average



- Like the S&P, the Dow pushed into 3-standard deviations oversold and finally mustered a bounce.
- The Dow is also back to overbought (top panel) which will slow the advance.
- MACD buy signal has triggered giving the current rally some legs with targets of the 50-dma and 200-dma.
- Short-Term Positioning: **Sellable Rally To Reduce Risk**
 - Recommended Buy last week has an initial target of \$335
 - Stop-loss is revised up to \$310
- Long-Term Positioning: Neutral / Bearish

Nasdaq



- While the Nasdaq has continued to underperform the S&P 500, it began to show signs of bottoming this past week before the explosive short-covering rally began.
- The MACD is now on a confirmed buy signal. (Lower panel)
- However, the QQQ's have quickly moved back into overbought territory short term likely limiting this rally somewhat.
- Short-Term Positioning: **Sellable Rally To Reduce Risk**
 - The current target is \$325 (50-dma) to \$350 (200-dma)
 - Stop-loss is currently \$280
- Long-Term Positioning: Bearish

Small Caps



- *Small caps have been a consistent long-term underperformer relative to large caps. However small caps recently have been performing better putting in higher bottoms and a rally to our first target of the 50-dma.*
- *Small caps are back to more overbought conditions so reducing current holdings is likely prudent.*
- *While the MACD (lower panel) has triggered a buy signal, the upside is likely limited for now.*
- **Short-Term Positioning: Bearish / Reflex Rally To Reduce Risk**
 - *Reduce current holdings at current levels, the next target is \$92*
 - *Stop-loss is currently \$80*
- *Long-Term Positioning: Bearish*

Mid-Caps



- *Mid-caps have performed equally as poorly relative to the S&P 500 index as small-cap stocks. Furthermore, Mid-caps have also retraced to our first target of the 50-dma.*
- *The index has gotten back to overbought conditions very quickly and overall market trends remain bearish.*
- *The MACD (lower panel) has triggered a buy signal.*
- *A weak economy will continue to limit the performance of both small and mid-caps.*
- **Short-Term Positioning: Bearish / Reflex Rally To Reduce Risk**
 - *Reduce positions at current levels, the next upside target is \$475*
 - *Stop-loss is currently \$430*
- *Long-Term Positioning: Bearish*

Emerging Markets



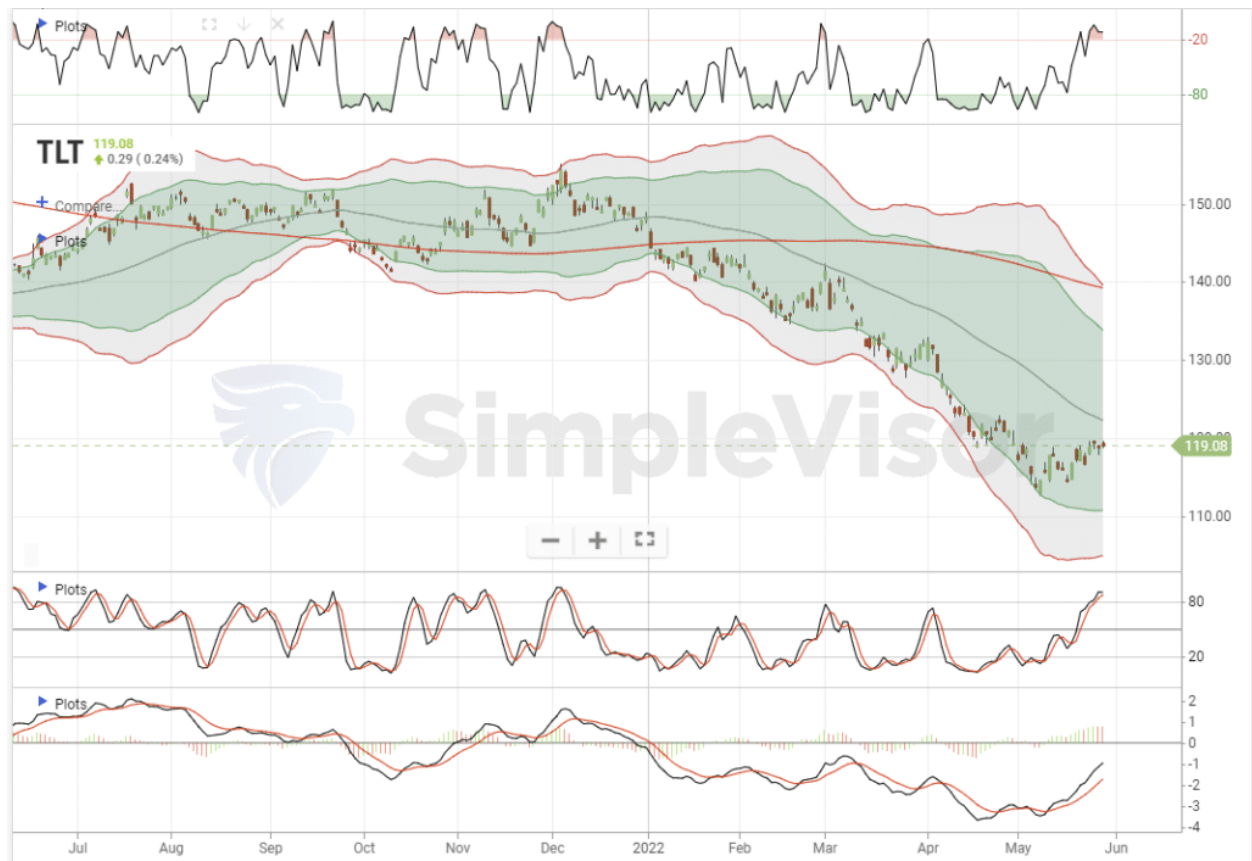
- *Emerging markets have consistently underperformed large-cap stocks to a large degree. Given the global economic weakness, there is no reason to currently add these holdings to portfolios.*
- *MACD (lower panel) is on a buy signal but not from extreme oversold levels.*
- *Furthermore, the index is pushing into more extreme overbought territory with little gain to show for it.*
- *Longer-term economic trends will continue to weigh on emerging market stocks.*
- *Use the rallies to reduce positions.*
- *Short-Term Positioning: **Bearish / Sellable Rally***
 - *Reduce current positions at current price levels. The next target to sell into is \$45*
 - *Stop-loss is currently \$40*
- *Long-Term Positioning: Bearish*

International



- *International markets, like emerging, have consistently underperformed large-cap stocks to a large degree. Given the global economic weakness, there is no reason to currently add these holdings to portfolios.*
- *MACD (lower panel), like emerging markets, is on a buy signal but not from extreme oversold levels.*
- *Short-term, investors should use this rally to reduce/remove holdings.*
- *Short-Term Positioning: **Bearish / Sellable Rally***
 - *Reduce positions at current price levels. The next target to sell into is \$73*
 - *Stop-loss is currently \$65*
- *Long-Term Positioning: Bearish*

U.S. Treasuries



- bonds have finally picked up steam with the current rally as disinflationary pressures begin to rise.
- The rally this past week was fairly strong and we are approaching the first target at the 50-dma.
- The MACD buy signal (bottom panel) has turned up, however, the recent rally has pushed bonds into more overbought levels.
- The current setup is still positive, but the longer-term dynamics are becoming more bullish.
- Short-Term Positioning: Bearish
 - The initial target of \$121 is approaching. A break above the 50-dma could see TLT rally to \$130.
 - Stop-loss is currently \$112 for trading positions.
- Long-Term Positioning: Neutral To Bullish

Gold



- Gold has not been the inflation hedge everyone expected this year. Instead, Gold remains in a broad trading range over the last 2-years despite nearly 9% inflation.
- The MACD buy signal has triggered, suggesting higher gold prices in the short term.
- More importantly, gold has broken above the 200-dma and is holding that support for now.
- However, Gold is approaching overbought conditions, suggesting some profit-taking is warranted.
- Short-Term Positioning: Neutral
 - Reduce on a rally to \$177
 - Stop-loss is currently \$168
- Long-Term Positioning: Neutral To Bullish

Bitcoin



- *Bitcoin has also not been the inflation hedge everyone expected this year. Instead, it has plunged from its previous peak of nearly \$70k to hovering just below \$30k as of late.*
- *Bitcoin is trying to base at current levels over the last couple of weeks. While we expected a market reflexive rally, Bitcoin is not rallying with it, given its present correlation to risk assets.*
- *Bitcoin's MACD is oversold and is triggering a buy signal which should give Bitcoin a lift if the overall market rally continues.*
- *Short-Term Positioning: Neutral To Bullish*
- *Buy with a target of \$37.5K*
- *Stop-loss is currently \$27.5K*
- *Long-Term Positioning: Neutral To Bullish*

West Texas Intermediate Crude



- Unlike every other market covered this week, Oil prices are pushing more extreme overbought levels and are pushing the upper ranges of price movements.
- Notably, the bullish trend line remains intact but is overbought short-term suggesting oil prices could struggle a bit near term.
- However, oil is susceptible to economic downturns, so profit-taking is likely a good idea as we move into the latter part of this year.
- Hold current positions with a stop at \$100 but don't institute new positions currently.
- Short-Term Positioning: Bullish
 - Hold at current levels
 - Stop-loss is currently \$100
- Long-Term Positioning: Neutral to Bullish