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Technical Forecast

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August 25th, 2019

Open ETF Trades

Date Opened	Ticker	Market	Stop Loss	Strategy & Update
10/20/16 @ $21.10	RING	MSCI Global Gold Miners		Bullish Gold Miners
3/22/18 @ $23.50	SJB	ProShares Short High Yield		Short High Yield
3/15/18 @ $36.04	LIT	Global X Lithium		Bullish Lithium
2/22/18 @ $34.75	SRS	ProShares Ultra SH Real Est.		Bullish Interest Rate Space
5/3/19 @ $81.23	IJR	iShares Core S&P Small Caps	$72.75	Long Small Caps
5/3/19 @ $227.52	IHI	iShares U.S. Medical Devices		Long Medical Devices
6/28/19 @ $45.59	PZD	Invesco Cleantech	$41.00	Bullish Clean Technology
7/12/19 @ $78.39	XLI	SPDR Industrials	$71.60	Bullish Weekly Setup

*This ETF ticker is also covered & synchronized with Weekly ETF picks

Key S&P 500 Pivot Points

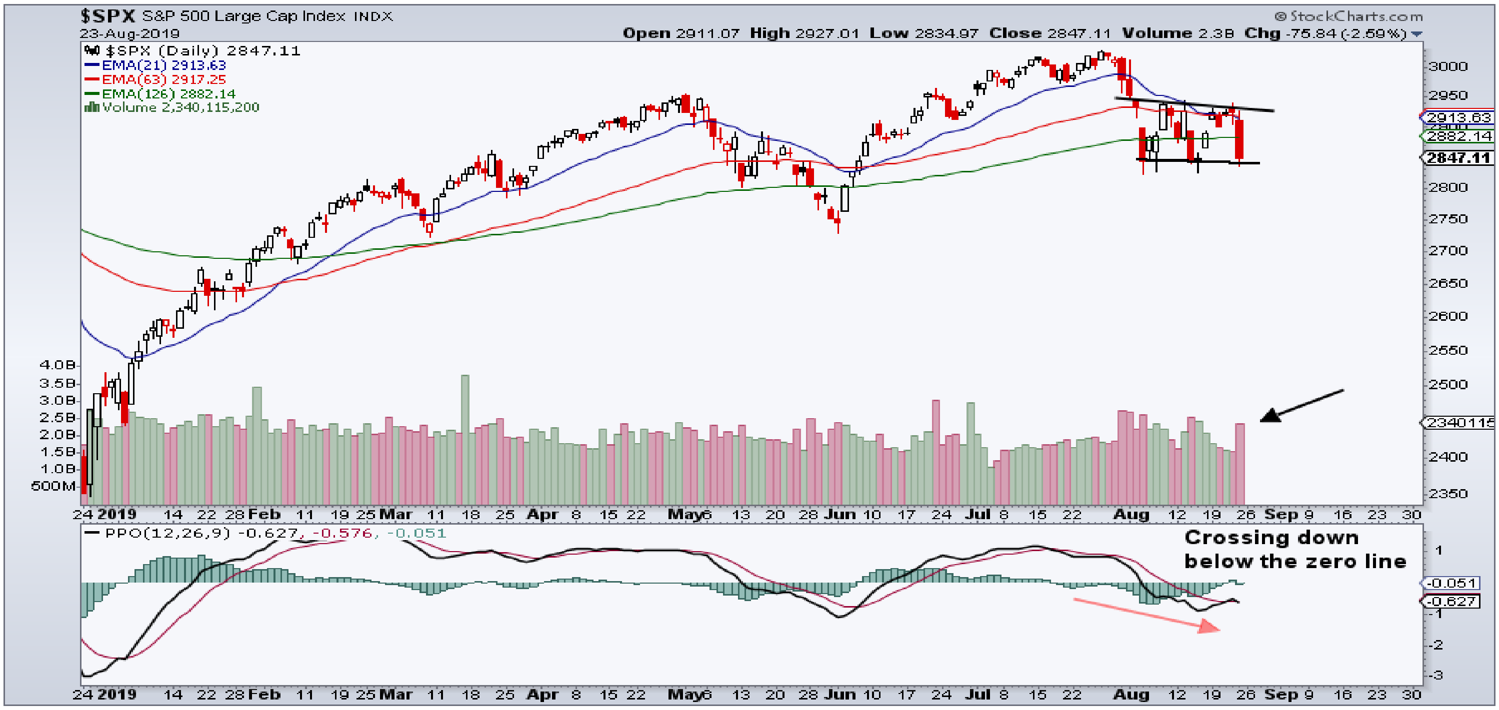
Pivot Points	S2	S1	Pivot Level	R1	R2
Weekly	2770	2808	2874	2912	2978
Monthly	2911	2946	2987	3022	3063
Closing Price			2847		

Headlines were fairly subdued throughout last week causing volatility to unwind. However, Friday brought on a much different tone and led us into the weekend with high concern once again for this overall market structure. Not even defensive sectors could hide out as they also saw moves of over 1% to the downside. Relatively they have and likely will continue to hold up in this type of tape. Interestingly enough, consumer discretionary and utilities were the only sectors to escape last week with a positive 5-day return. Materials, healthcare and energy were the lagging sectors of the bunch. Precious metals had a nice bounce on Friday as well with the U.S. dollar getting crushed. These trends remain strong, but the risk/reward is tilted a bit versus a few months ago. Treasury bonds continue to act well, and trends remain the strength here as interest rates can't seem to find a bid. This causes aggressive areas of the market to find selling pressure while defensive areas have a better probability for success, or at least relative outperformance.

- A bearish consolidation in $SPX creates vulnerability heading into this next week
- Semiconductors look like a rolling over phase is almost necessary (SMH)
- Small cap technology registers its lowest close in August (PSCT)
- Even an area like consumer staples couldn't fight the selling pressure from last week (XLP)
- 2019's uptrend in SOCL is on the brink of becoming violated
- Breadth is not helping the overall picture, in fact, it is likely pointing to more pain ahead

How to Trade it:

The $SPX is trading in a bearish consolidation range for the time being. This range looks more like a bearish flag pattern and suggests we see a breakdown and follow through. With large amounts of volume showing up on Friday, marked by the arrow down below, this is also a negative characteristic to see. We also want to bring about the situation taking place in the PPO indicator. This was already down below the zero line, and has recently tried to mark its way back up. This has failed and is rolling back over, while already underneath the zero line. Not a good characteristic in terms of momentum for the $SPX at all. We now want to be aware of 2,802 and 2,742 as critical inflection points that we will want to see hold coming into this next week. If we cannot hold these levels, it could get ugly very fast.



We want to follow up on the HYG:IEF chart from a few weeks back and as you would maybe have guessed, it has not improved. It has gotten worse, suggesting risk needs to be off for the time being. Move up your stops on holdings and watch this credit spread unravel.

Semiconductors (SMH)

Bear flags are not only common on the $SPX right now but in SMH as well. You have the possibility of a very steep drop here should we see a breakdown in SMH this coming week. PPO is rolling over once again at the zero line showing that momentum is weak. Do not be surprised to see this breakdown and test the green shaded zone near $100.

Small Cap Technology (PSCT)

Small cap tech has a falling wedge type of formation taking shape as we closed Friday at the lowest point for PSCT for all of August. This is not a definition of a strong healthy uptrend. A big inflection point is starting to become traded upon near the 61.8% retracement. PPO is hanging around the zero line but does not suggest that momentum is turning to the topside anytime soon.

Consumer Staples (XLP)

Staples have the look that REITS had a month or so ago. A double top situaiton that may cause some absolute issues in the coming days. Relatively however, this group may find some outperformance as defensive sectors should find some inflow. Notice the high volume day on Friday suggesting we may be in for a test of the 126 day EMA in green.

Social Media Index (SOCL)

SOCL was an ETF holding up well here until the end of July and into early August. It is now walking a tight rope as a further breakdown would suggest we are losing the 2019 uptrend line as shown below. This trend is in jeopardy of losing steam and caution should be taking place. An area that we are looking for support would be the 50% retracement near $30.60.

Breadth (Stocks Above 200-EMA, $NYHL)

An easy way to get a quick glance at trends and breadth of the market is to measure % of stocks above the 200-day EMA. Right now, we are seeing 3 of the 4 major styles trade below 50%, and the NASDAQ 100 is only 3% away from joining the party. This is not something we tend to see in healthy uptrends.

New highs -New lows is a mess right now, and it does not take a rocket scientist to understand this characteristic is not good for the broad market. If we can hold above the lows from July/August we may start to turn our thinking but for now, it does not look constructive for a bullish argument.