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Technical Forecast

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December 9th, 2018

Open ETF Trades

Date Opened	Ticker	Market	Stop Loss	Strategy & Update
3/28/18 @ $12.81	IAU	iShares Gold Trust		Defensive market trade
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
2/9/18 @ $31.35	SH	ProShares Short S&P 500		Short S&P 500
10/4/18 @ $88.87	LABU	Biotech Bull 3x		Bullish Biotech
10/12/18 @ $62.50	TNA	Small Cap Bull 3x		Seasonally Bullish

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

Key S&P 500 Pivot Points

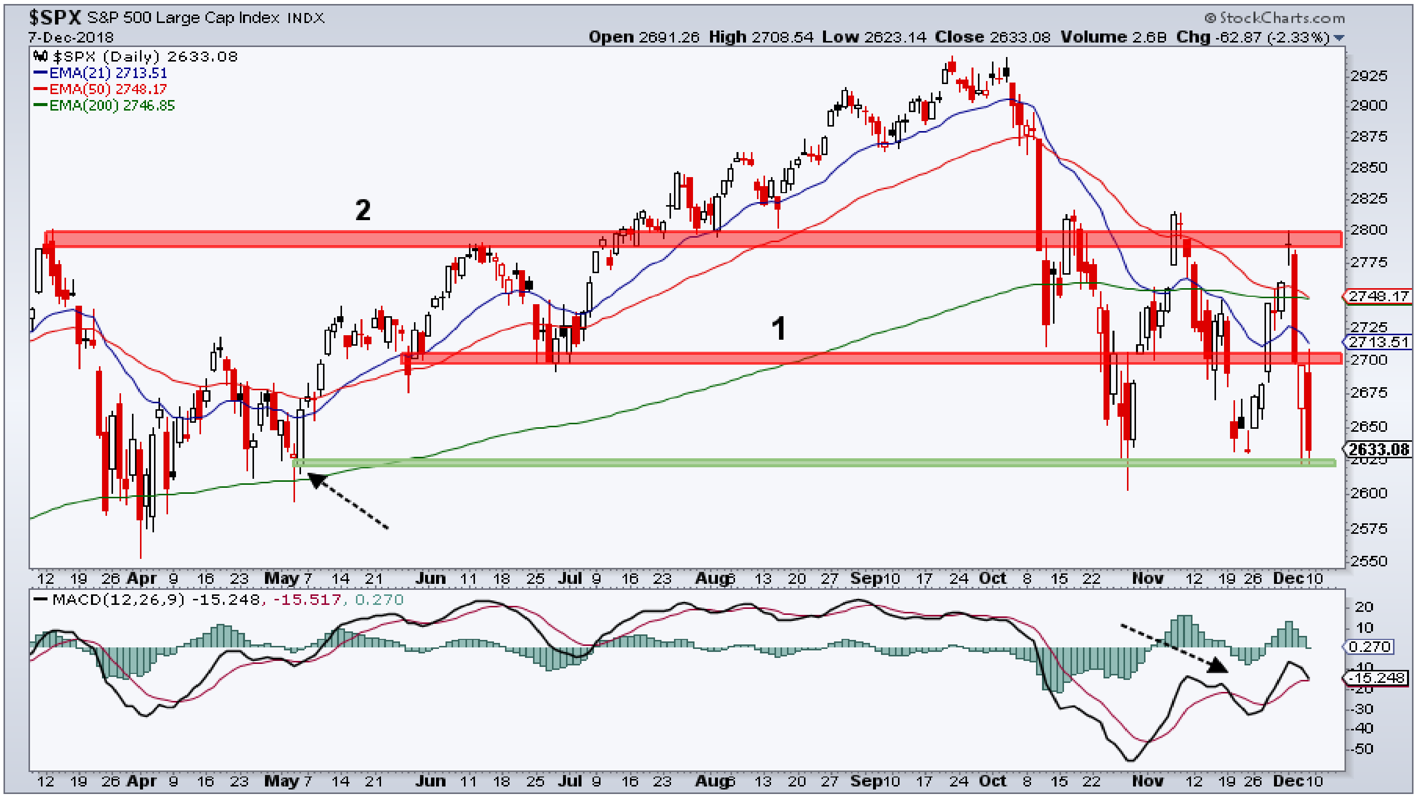
Pivot Points	S2	S1	Pivot Level	R1	R2
Weekly	2506	2570	2685	2748	2864
Monthly	2551	2656	2735	2840	2920
Closing Price			2633		

The roller coaster market continues for both domestic areas as well as foreign markets. Utilities and real estate were the only positive returning sector of the major S&P's over the past 5 days. This clearly showed that defensive natured companies were seeing money flow even with a positive start to the week on Monday. Financials were the largest hit finishing down almost 7% on the week. Yields continued to see pressure as treasury bonds really started to pick up steam. The 5-year yield is now sitting right at 2.7% and considerably below the 126-day EMA which has held since September of 2017. This is noticeably alerting of a trend change taking place, and if yields continue to struggle safer haven assets will garner more assets. The $VIX is also starting to creep back up over 23 and points to more rough roads ahead, creating volatility both up and down the market ladder.

- The $SPX is battling with support once again
- The $VIX has been hanging tough and looks ripe once again.
- Do we see a pause in the form of supply in $IEF?
- SPDR technology not looking great, but we must be aware of momentum $XLK
- Consumer discretionary vs. consumer staples $XLY:$XLP
- Can the high yield market give us anything by year end? $HYG

How to Trade it:

The trade from last week ended up seeing key levels breached, and other levels reached that could not be held. Bulls wanted to see 2,800, which did occur, but that was all she wrote to the upside off last week's gap up. Sellers quickly took control from buyers and large downside moves occurred. We are now left with what is below. A key pivot nearly right on where $SPX closed on Friday. Below 2,620 opens the door for 2,600 in a blink. 2,700 to the topside is now resistance that bulls will need to battle over. The second area of resistance is still the 2,800 level which as mentioned above is even more prevalent now. Below 2,600 could certainly result in a test of the lows from February. The awareness factor that we need to be prepared for is another powerful downside flush, but also the MACD is creating higher highs thus far.



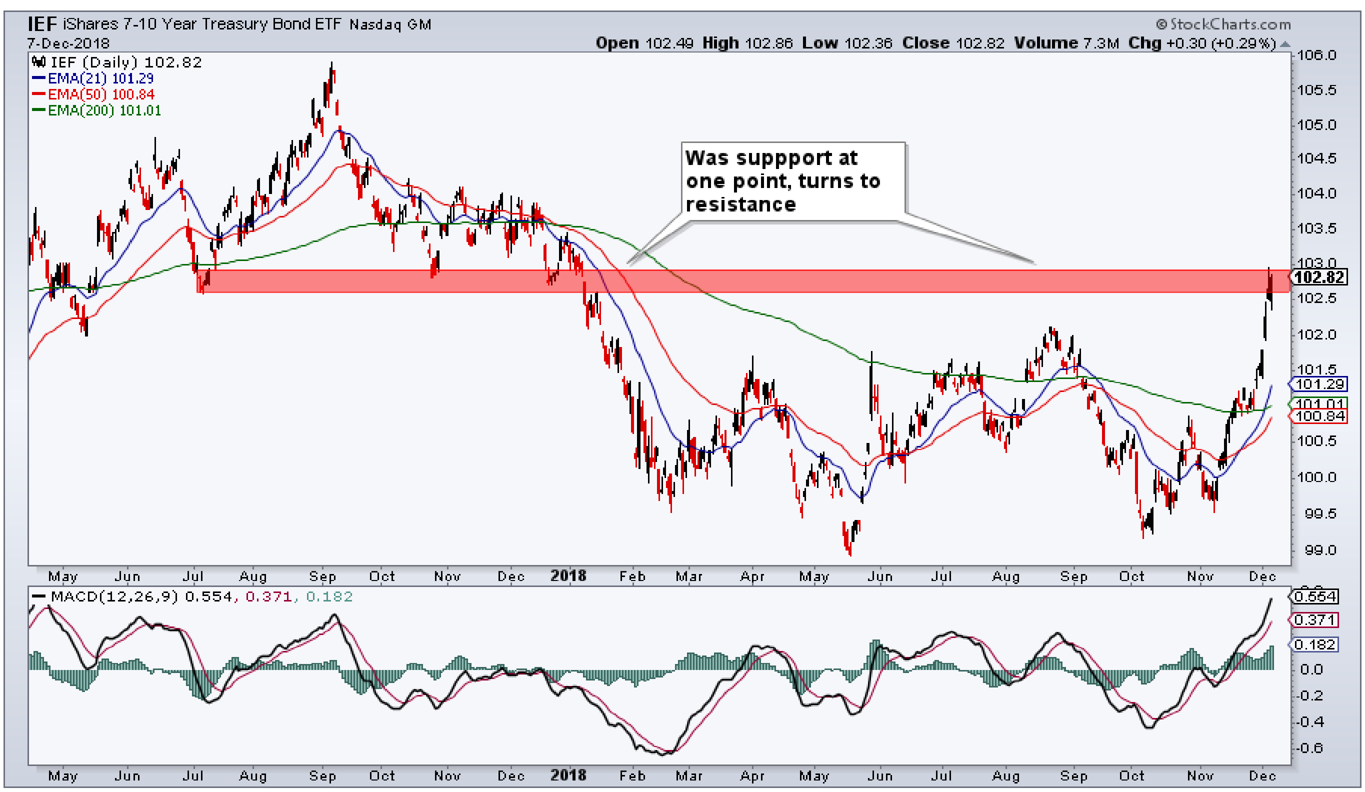
Dow Theory is an important barometer for broad market metrics. Transports are working another low from the close on Friday, while the DJIA is still holding relative lows. If we start to see more downside pressure in this pair, it certainly could point toward a struggling economy ahead.

Volatility Index ($VIX)

Adding more fear to the market is the resilient $VIX index. This index has held up nicely over the couple months and has yet to trade below 16 since September. When the $VIX starts to make closes above $20, violent market conditions should be expected. The MACD is also pointing toward improved momentum.

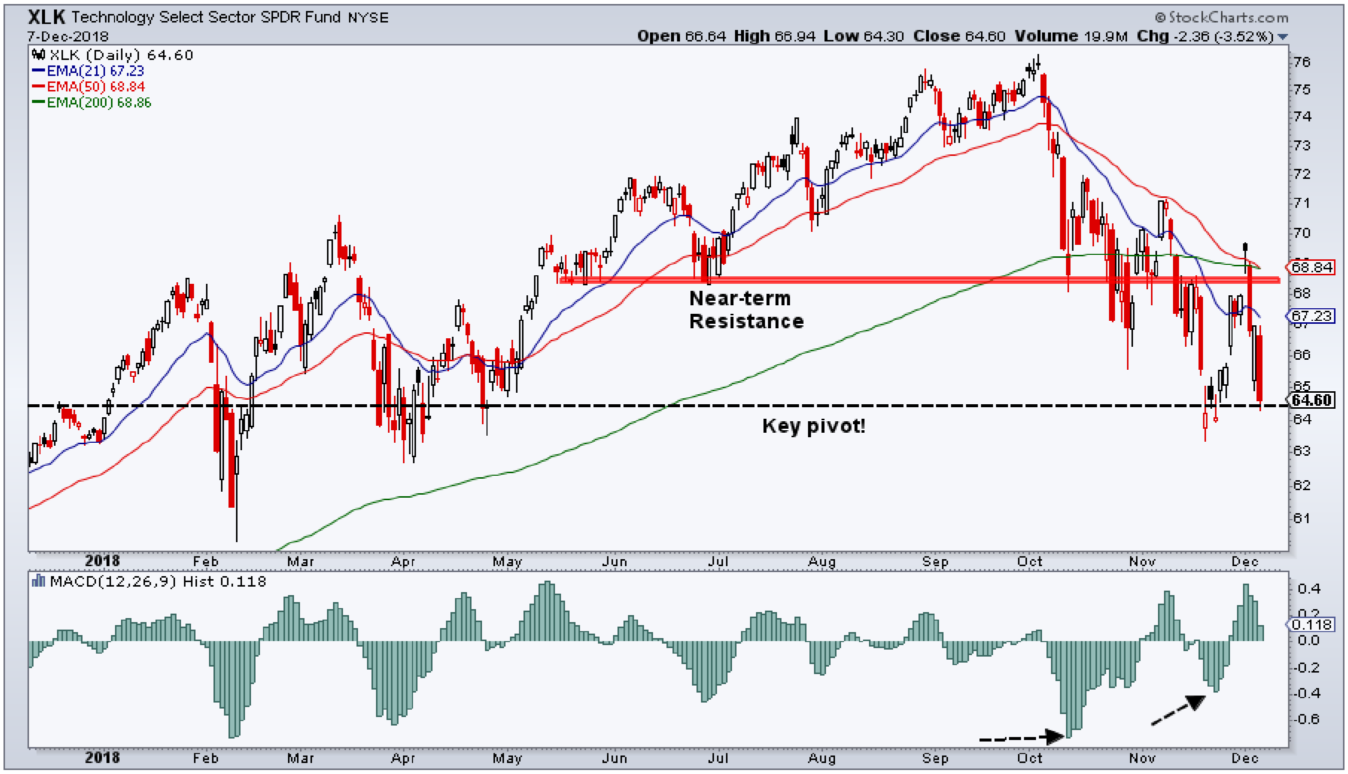
7-10 YR Treasury Bond ($IEF)

IEF has seen nice money flow the past month and looks to be suggesting that something has changed in the market landscape. However, is past support now going to offer resistance going forward? This could entice sellers to show up here and at the very minimum expect a pause here in the coming days to weeks.



SPDR Technology ($XLK)

The technology sector is also at a very important inflection point. The horizontal line is certainly a key pivot but do not be surprised if this name goes to make a new relative low, the trend certainly suggests so. Momentum measured by the MACD histogram looks to be improving, which is something to be aware of if we do see another low or test of $63-64.

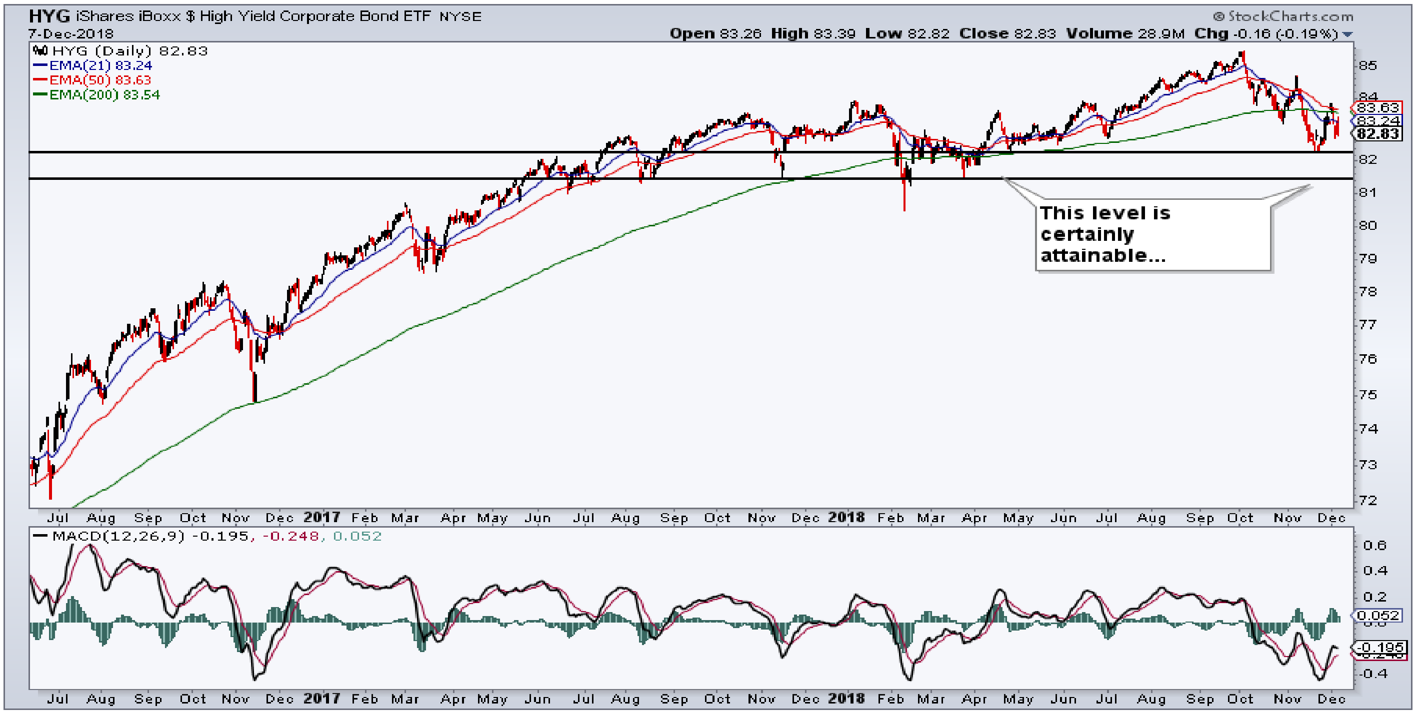


Discretionary vs. Staples ($XLY:$XLP)

The ratio of discretionary to staples has certainly pointed toward a risk off, but over the past 3-4 weeks this ratio really hasn't gone anywhere of note. It has chopped around enough to benefit the MACD as this measure is trending upward as of now. It is still well below the zero line but momentum has improved since the lows. From a risk on or off perspective we want to be paying close attention to this metric.

Corporate High Yield ($HYG, $IEF)

$HYG looks to be breaking down here once again off declining EMA's. We now have three recent and major lower highs, paired with three lower lows. We believe it would not be out of the question to expect to see a test of this $82-81 before this ETF really starts to suggest another story. Momentum does not look healthy.



The ratio of HYG:IEF is also pointing toward risk off nature. This recent trendline break does not give good signs for $SPX, shown by the correlation down below. These two (ratio + $SPX) are positively correlated by a pretty solid margin. We would want to see positive divergence in the ratio before suggesting a turnaround anytime soon.