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Technical Forecast

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May 12th, 2019

Open ETF Trades

Date Opened	Ticker	Market	Stop Loss	Strategy & Update
10/20/18 @ $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
2/9/18 @ $31.35	SH	ProShares Short S&P 500		Short S&P 500
5/3/19 @ $81.23	IJR	iShares Core S&P Small Caps		Long Small Caps
5/3/19 @ $227.52	IHI	iShares U.S. Medical Devices		Long Medical Devices

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

Key S&P 500 Pivot Points

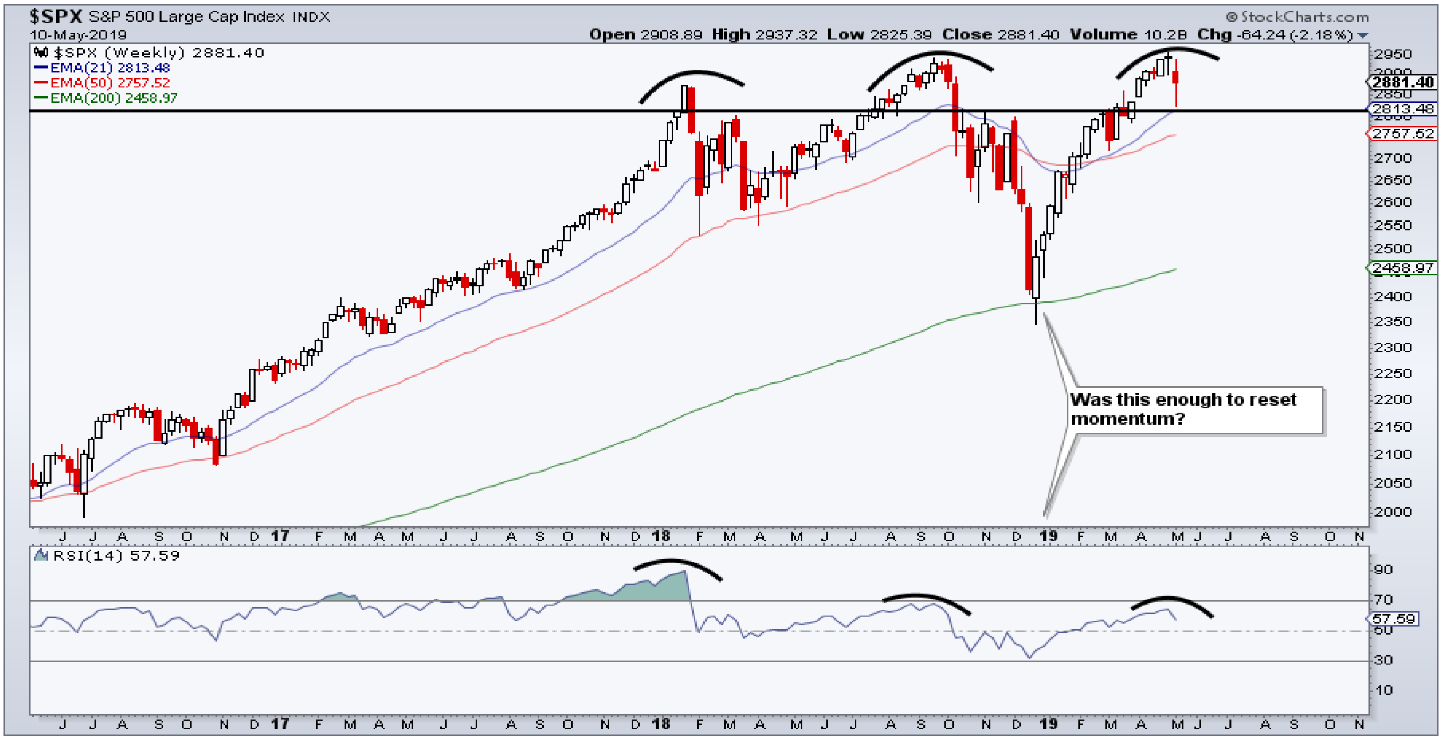
Pivot Points	S2	S1	Pivot Level	R1	R2
Weekly	2769	2825	2881	2937	2993
Monthly	2814	2880	2915	2981	3016
Closing Price			2881		

It was a wild week right out of the gate last Sunday as futures opened quite red with the announcement of the United States upping the anti in the China – U.S. trade negotiations. This had quite the effect all through the week as the market essentially traded off any headline it could grasp onto regarding the negotiations. We saw the staples and energy sector outperform relatively over the 5-day period, in a more defensive posture for the markets. Friday however, brought on more of a reversal type session and aided some positivity into the broad market close. Coming into this week, earnings will still play a big role in the direction of certain sectors. The 10-YR US yield is hovering around 2.455% and above the most recent low. This may be a key situation to watch rather than the headline driven tariff talks. We discuss on the last page the relationship between the aggregate bond index and the high yield space. We believe this will continue to give us a 'heads up' clue as to when markets start to turn toward a risk on or risk off environment.

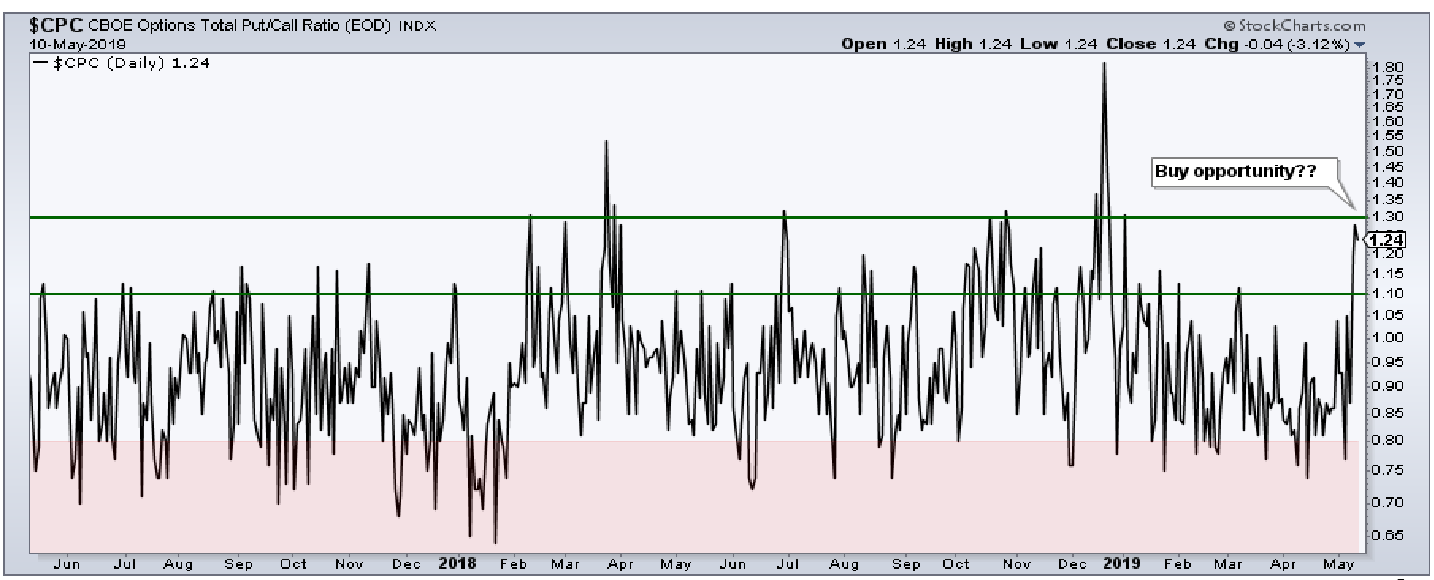
- Is $SPX losing momentum or was Q4 enough of a reset in momentum to keep trend?
- Buying opportunity in semiconductors, or is this a bigger issue going forward? ($XSD)
- Aerospace and Defense is trending strong, can we expect this to continue? ($PPA)
- Insurance ($KIE) continues to show strength within the financial complex
- The real estate sector looks to be consolidating, for now. ($VNQ)
- Momentum slowing to the topside within the bond sector on this most recent high ($AGG)

How to Trade it:

The $SPX found more of a volatile week this past 5 days as headline driven markets seem to be the issue. In the short-term you saw situations where momentum was starting to faulter but when you started to look into individual names on the indices, strong trends were very much in place. We show a weekly view of the $SPX down below and point out the three highs over the past year and a half. Each high has come on lower momentum, this recent closing high coming up well short of RSI nearing overbought conditions and not even reaching 70+. These are characteristics we need to monitor carefully, not for an immidiate short, but for the awareness and cautionary tale of risk. It is reasonable to assume that we can consolidate here above 2,800 and still be well within an uptrend. It's when we start to trade below that level, when things become an issue for us. If consolidation is truly the case, then this recent high is RSI is not the final high and we should expect to see another push into a reading of 70+. The other question that we pose, is the very real possiblity that the Q4 decline was a momentum 'reset' for RSI, nullifying the reasoning of major negative divergence up here near the highs.



It took a few days but the $CPC reading finally broke above 1.10. We are now in a zone where buying these dips makes sense for the long-term, if the environment is still pointing toward a risk on nature. We can see in the past when this measure reaches these levels, they have offered decent buy points within the ongoing trend.

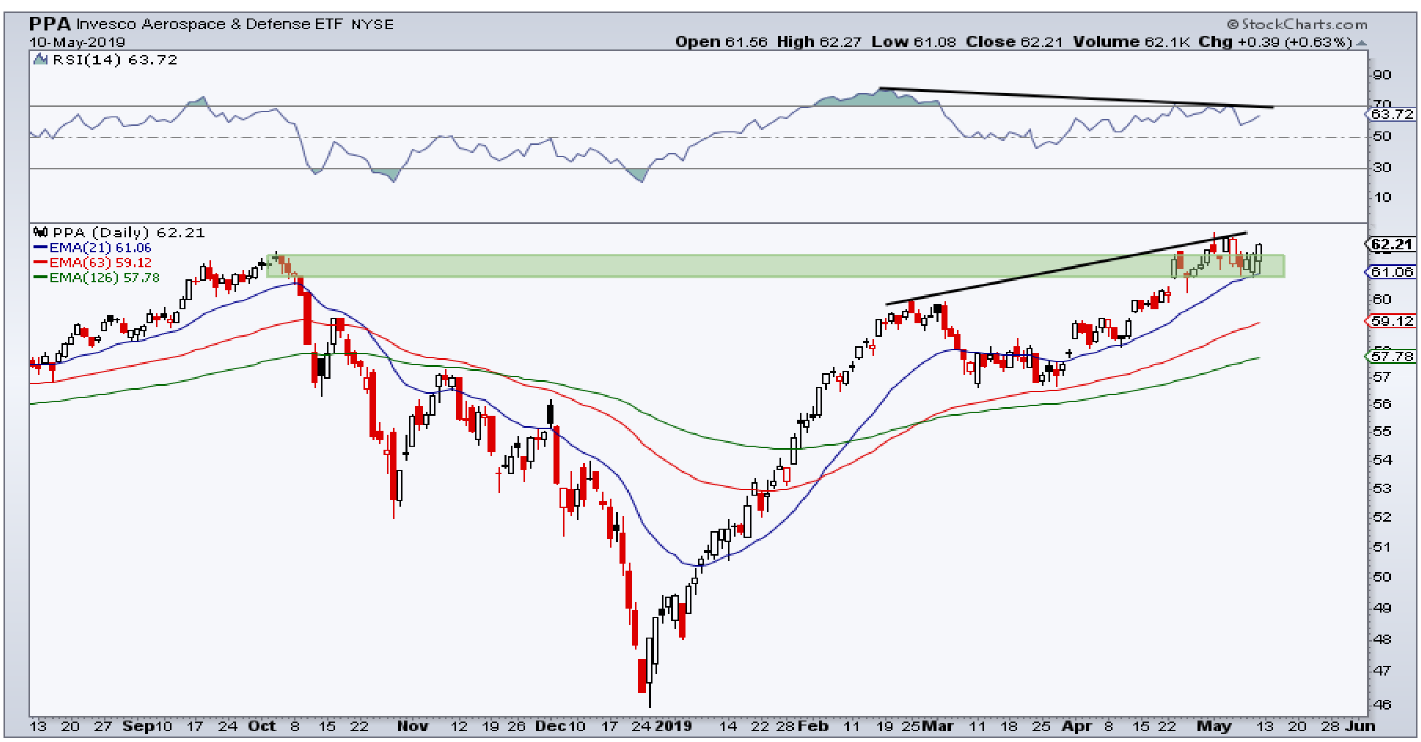


S&P Semiconductors ($XSD)

The semiconductor space had been cooking on all cylinders but has since seen a need for consolidation. As of now we believe this is positive for the general trend. We are seeing $XSD hold above the 63-day EMA, RSI is in a bullish trading zone. The PPO we would like to see turn up here before reaching the zero line. If this trend were to remain healthy, look for S1 or S2 to hold from a price perspective.

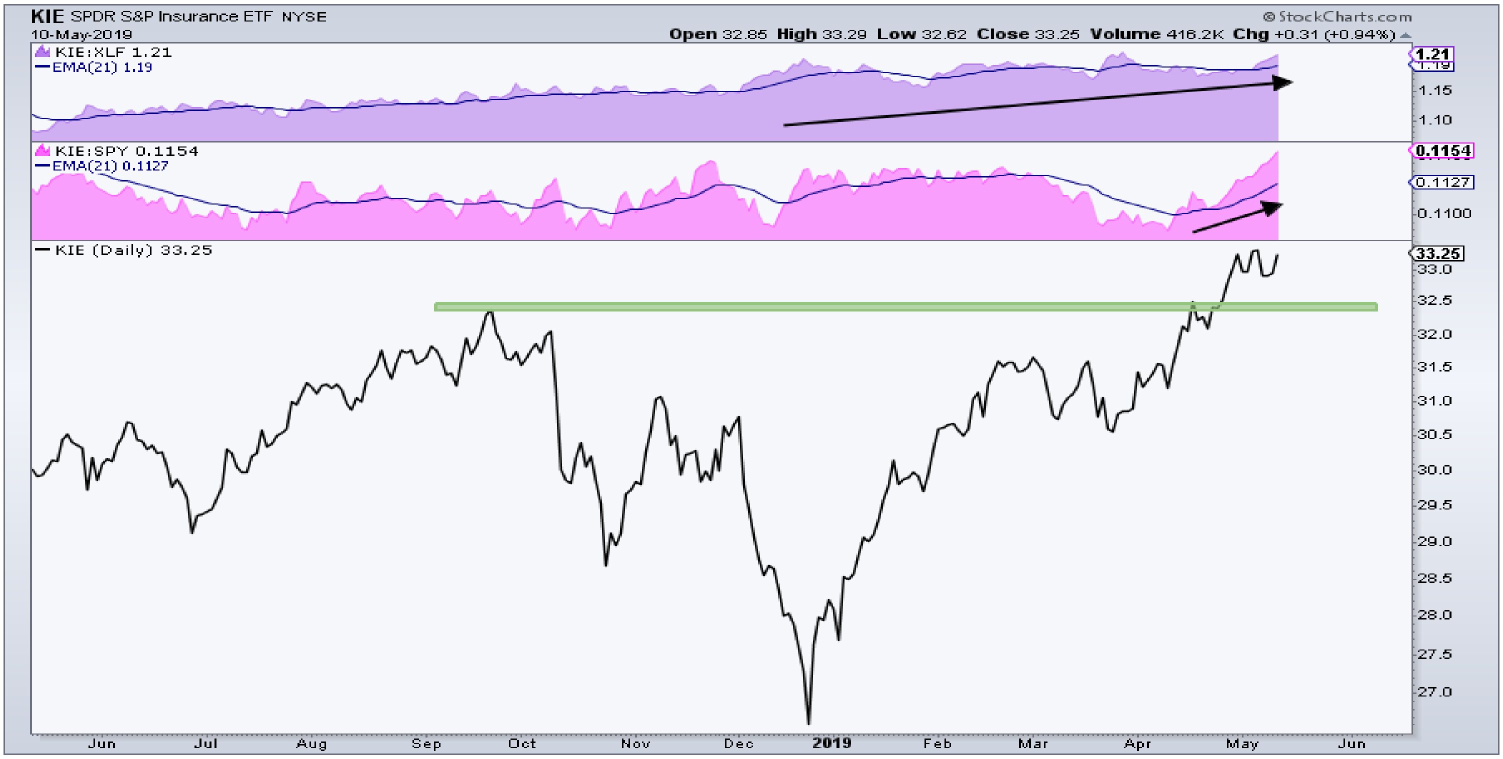
Aerospace and Defense ($PPA)

Defense didn't even blink an eye this past week at the weakness seen in the domestic indices. Large in part due to the relative strength seen in $LMT and $HON. We believe this is a strong trending name and has proven so even in volatile market environments. The one area that does stand out as a concern in the short-term is the negative diveregence showing up. For now, we would use it as a buying opportunity.



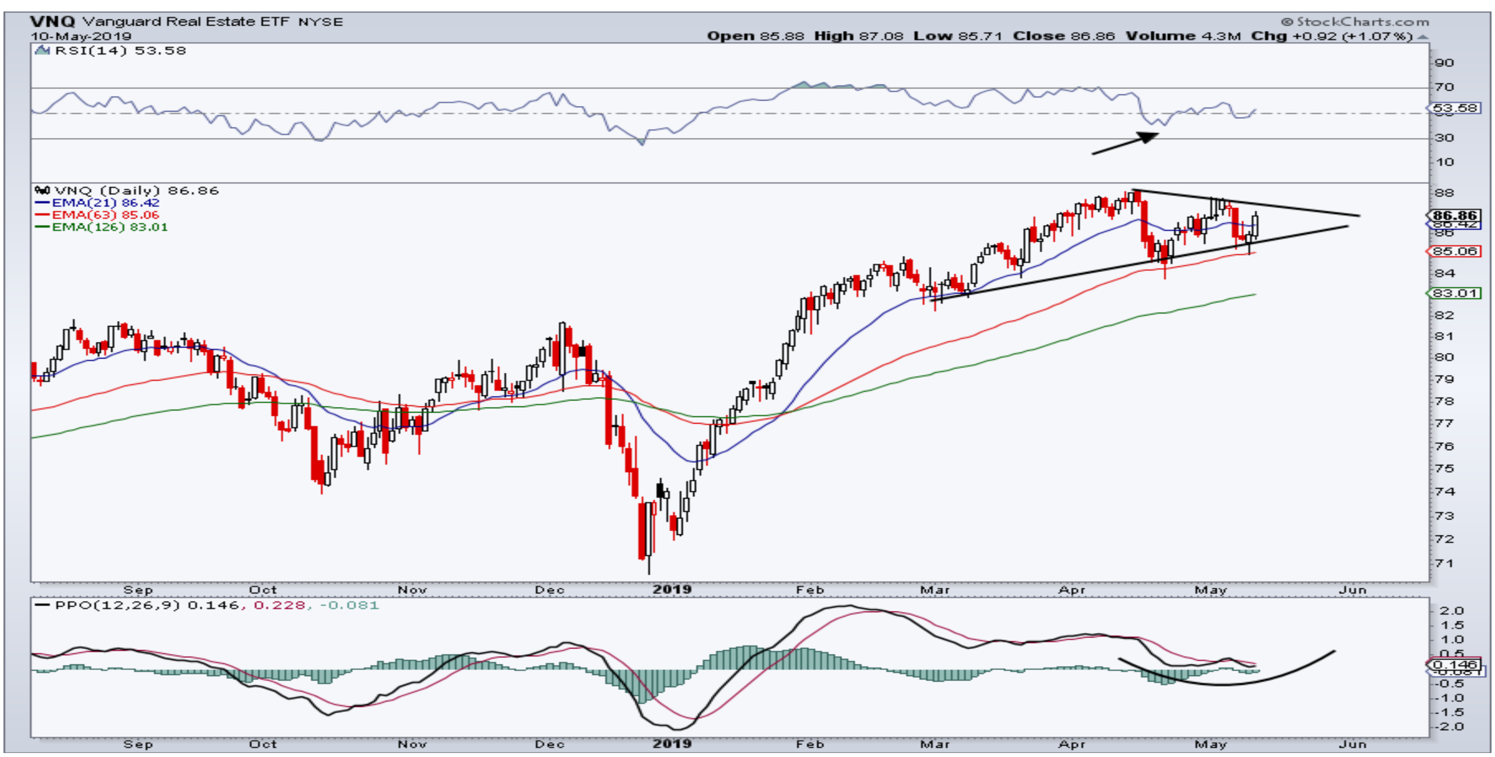
Insurance ($KIE)

The insurance industry has been a relative leader both in terms of broad market analysis and within its own financial sector. See below, the strength that it has posted versus $XLF for quite some time, this really isn't something new that all of a sudden started to show up. Recently however, it has started to outperform $SPY by a wide margin. With new highs, we expect this to continue.



Real Estate ($VNQ)

The real estate sector might be one of the safest plays right now in terms of capturing yield, while sitting in a sector with a strong trend. $VNQ is consolidating sideways right now in a coiled pattern as the RSI is staying elevated above 30-40. The PPO is also looking to turn up here above the zero line.



Aggregate Bond vs. High Yield ($AGG:$HYG)

Safe haven bonds vs. high yielding bonds tend to give a great risk on perspective in the market place. Notice $AGG on this most recent high registering a lower high in RSI and PPO. Do we eventually get a rollover here or is this name headed higher? Giving a more defensive natured risk appetite.

When compared with $HYG we are making a higher low currently on the relative ratio, with an RSI that did not reach oversold conditions. When this ratio is trending up and to the right, the broad market tends to follow as seen by the high correlation between the ratio and $SPX.