

ACTIONABLE IDEAS FOR THE ACTIVE INVESTOR

ALPHA INSIGHTS

VOLUME 4 ~ REVIEW & OUTLOOK ~ ISSUE 8

JEFFREY W. HUGE, CMT

CHIEF INVESTMENT OFFICER

JWH INVESTMENT PARTNERS

612.963.4777

JHUGE@JWHINVESTMENT.COM

AUGUST 2021

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We detail our analysis of key U.S. equity market indexes, along with market breadth, investor sentiment, valuation, leverage, fiscal and monetary policy issues, economic cycle momentum, and the yield curve. We also update our Strategic Risk Allocation Model for equities, along with our Rotation Models for Global Asset Classes, Factors, and Style Boxes.

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Analysts' Bio, Methodology, and Disclaimer.

EXECUTIVE SUMMARY: TOP-DOWN

- ❑ The S&P 500 index (SPX) posted a total return of 2.38% for the month of July and is now up 17.99% YTD. Health Care was the biggest contributor during the month, followed by Real Estate, Utilities, and Technology. Energy was the biggest detractor. The Nasdaq 100 logged another outsized monthly return of 2.78%, while the Russell 2000 declined by 3.63%. 10-year Treasury yields contracted by another 20 basis points to close the month at 1.24%.
- ❑ U.S. market participation has narrowed considerably over the past three months. While the percentage of NYSE stocks trading above their 200-DMA slipped another 7 points to 73% in July, the same measure for Nasdaq stocks plunged by 15 points to 46%. Investor sentiment remains optimistic, but low Put/Call and volatility (VIX) data have been reversing to the upside of late. In addition, there are numerous short-term non-confirmations evident in some of the key intermarket and breadth data series, as well as negative divergences evident in most momentum measures. Divergences of this nature, if unresolved, tend to precede a change in trend.
- ❑ Margin debt also posted a new record high of \$882.1B in the latest period reported for June, and while the y/y growth rate of 51.5% declined for the third consecutive month -- down from a high of 71.6% logged in March, it's now starting to look like the ROC has peaked around the same level it did preceding the 2000 and 2007 market tops.
- ❑ Monetary policy concerns remain in check following the July FOMC meeting, with the bond market convinced that the Fed will remain accommodative for the foreseeable future, as evidenced by the 5-year inflation breakeven rate at 2.49%. Supply chain bottlenecks have been slow to self-correct and employment trends have wobbled, indicating that the economy remains below full potential.
- ❑ According to FactSet, 59% of S&P 500 companies have reported actual 2Q21 quarterly results, with 88% beating on the bottom line by an average 17.2%, for a blended growth rate of 85.1% y/y. The street has raised their 2021 S&P op-EPS estimates from \$165 to \$194 since the year began. We started the year with a \$195 estimate and raised it to \$210 after getting a look at Q1 results. Today, given the 13% annualized nominal GDP growth rate reported for Q2, we are raising our current year EPS estimate to \$215.
- ❑ We continue to expect a summer melt-up to drive the S&P 500 index toward our long-standing price target of SPX 4600 – implying another 4% upside. That being said, summer is entering its final stretch and our weight of the evidence methodology has detected a number of important warning signals suggesting that time may be running out. Our alternate analysis posits a lower price target of SPX 4459 – suggesting just 1.5% additional upside. In either case, we think stock prices are approaching fair value using our new \$215 estimate for 2021. Indeed, some might even say that stocks are “priced to perfection.” There is an old trader’s maxim: “Bulls make money and bears make money, but pigs get slaughtered.” As such, we are alert to the potential for a trend change in the weeks ahead.

EXECUTIVE SUMMARY: BOTTOM-UP

- ❑ Our Strategic Risk Allocation Model continues to overweight equities, following the monthly bullish signal triggered in December. Our Strategic Stock/Bond portfolio allocation remains at 80/20. However, the 2021 cycle composite is slated to peak on or about August 6th. The SPX has been tracking the composite line with a correlation of > 90% YTD, suggesting the potential for a trend change ahead.
- ❑ Our monthly analysis of the eleven S&P 500 equally-weighted sectors ranks Real Estate, Technology, Communications, and Health Care as core leadership. Energy, Financials, and Industrials have been weakening, while Staples have been improving. Utilities, Materials, and Discretionary are now laggards on the relative strength spectrum. A discernable shift away from cyclicals and into defensives was observed in July.
- ❑ Growth continued to outpace Value during the month, while the performance of Large-Cap issues sharply outstripped Small and Mid-Cap stocks. From a factor perspective, Low Volatility bested High Beta during the month, but High Beta continues retain a structural advantage over all other factors from a long-term perspective. High Liquidity, Low Valuation, and High Dividend have all rotated into the lagging quadrant.
- ❑ We detail our complete list of S&P 500 leaders and laggards by sector. Herein, we identify those issues that we expect to outperform, and those that we expect to underperform during the month of August based upon their RS-Momentum score in July.
- ❑ We have highlighted several actionable bullish trade set-ups, where we consider the shares of AMD, RGEN, ZS, ROKU, and PEAK to be timely for new long positions. We have also highlighted several actionable bearish trade set-ups, where we consider the shares of WYNN, CAT, LYV, EMN, and EVR to be timely sells.
- ❑ Overseas markets broadly underperformed US markets by about 400 bps in July, as China led a sharp decline in the emerging markets. Only Switzerland and the Netherlands logged a noteworthy positive return during the month. We recommend overweight exposure to the Netherlands, South Korea, India, Canada and France. We recommend underweight exposure to the Germany, Japan, Spain, Brazil, and China.
- ❑ On the macro front, commodities strengthened last month led by copper and gold. We remain Neutral on the FX complex. Crypto saw improvement during the month, with Bitcoin rallying more than 20% and Ethereum up over 8%. The US 10-year Treasury Note posted its fourth consecutive higher monthly close in July. While we remain neutral on rates at this juncture, the market seems to be near a tipping point. The Fed's annual meeting at Jackson Hole slated for August 26-28th could prove to be a catalyst for change.

SUMMARY OF OUR MACRO TILTS

- Overweight Equities vs Fixed-Income
- Overweight Large-Cap vs Small-Cap
- Overweight Growth vs Value
- Overweight High Beta vs Low Volatility
- Overweight Domestic vs Foreign
- *Overweight Developed vs Emerging*
- Overweight: *REIT*, Technology, Comm Svcs
- Underweight: Utility, *Materials, Discretionary*
- Overweight Short vs Long Duration
- Overweight Inflation Protected vs Fixed-Rate
- Overweight Corporate vs Government
- Overweight High Quality vs Low Quality
- Overweight U.S. Dollar vs Non-Dollar
- Overweight Crypto vs Foreign Exchange
- Overweight Commodities vs Cash
- Overweight Industrial vs Precious Metals



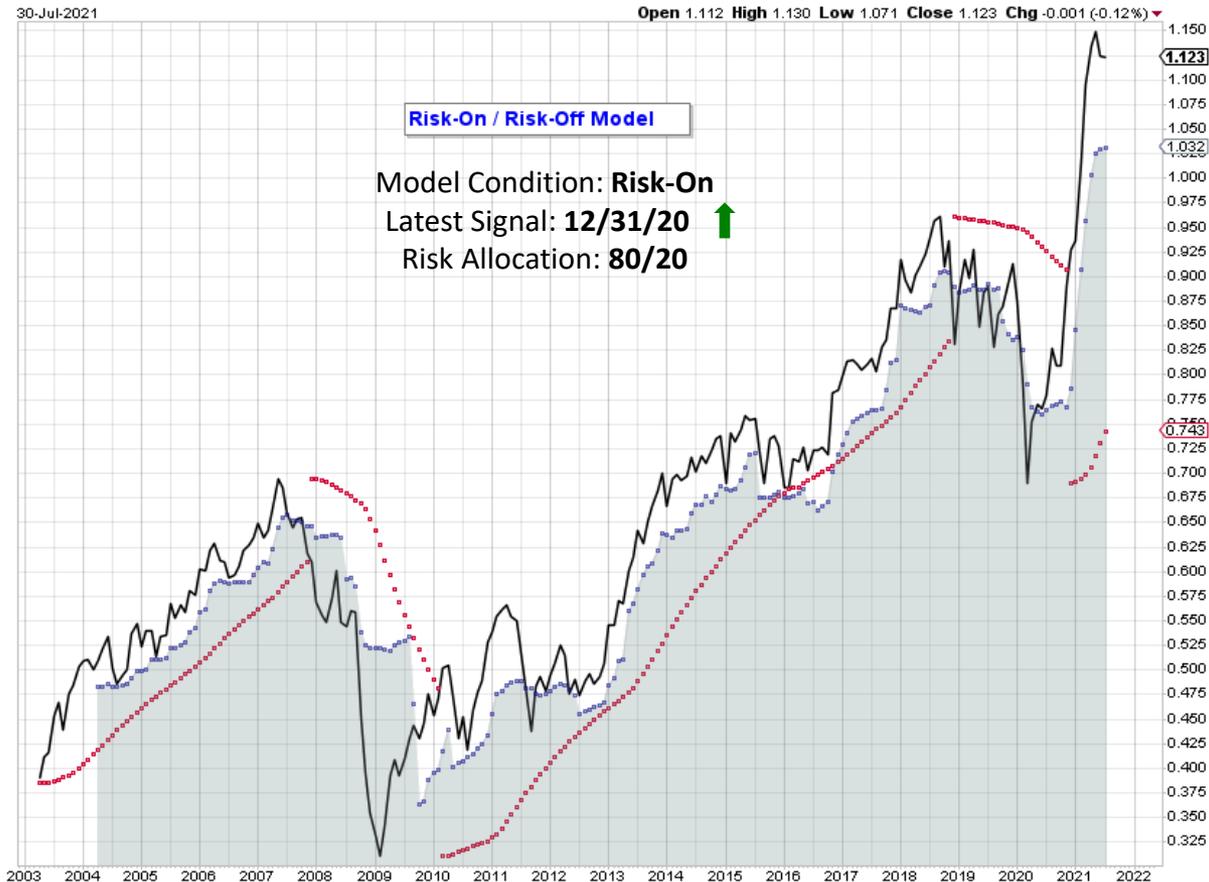
Source: Hedgeye.com

U.S. EQUITY MARKETS

- Strategic Risk Allocation Model
- Large-Cap
- Mid-Cap
- Small-Cap
- Asset Class, Factor, & Style Box Leadership
- Breadth, Sentiment, Valuation, Earnings, Margin Debt, Fiscal & Monetary Policy, Yield Curve, & Inflation

STRATEGIC RISK ALLOCATION: 80/20

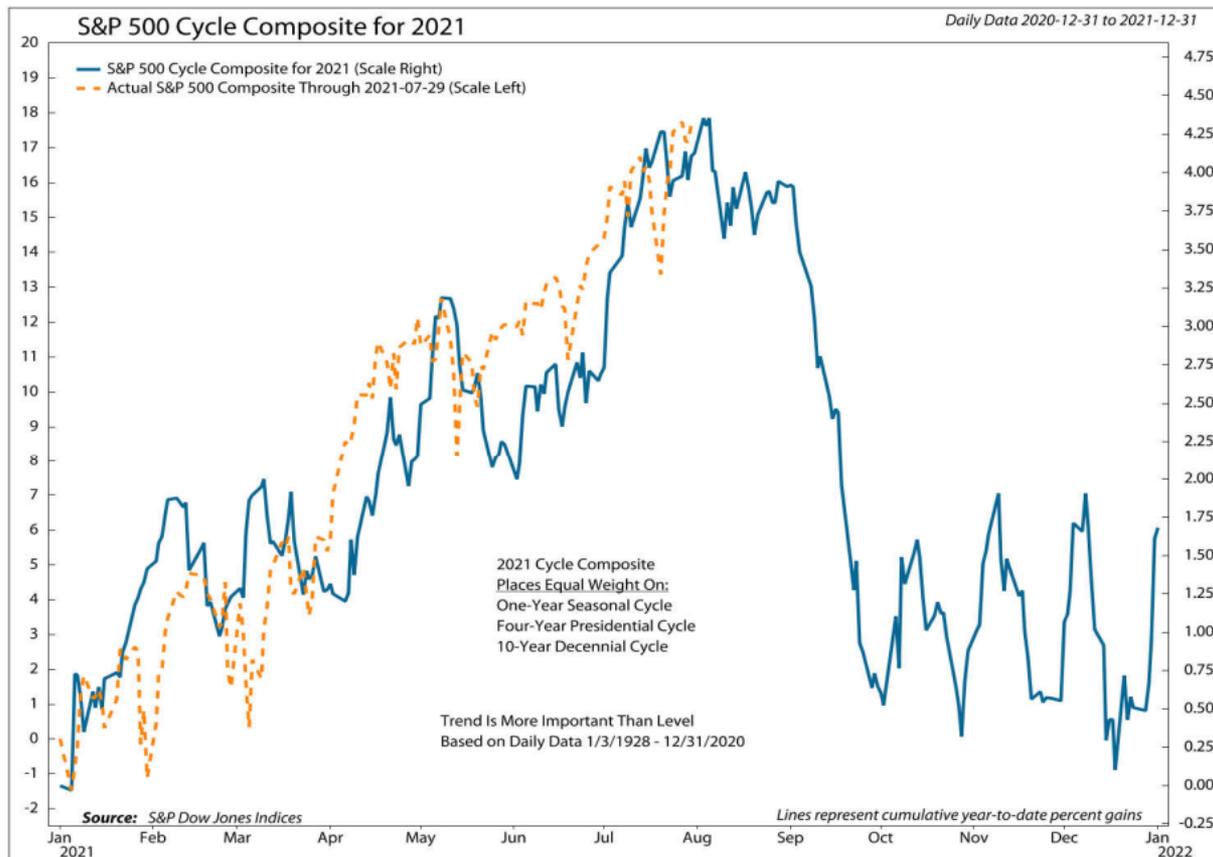
The model seeks to optimize portfolio exposure to equity assets relative to fixed-income assets across three potential strategic Stock/Bond allocation preferences: Risk-On = 80/20; Neutral = 50/50; and Risk-Off = 20/80. The current model condition is Risk-On as of 12/31/20. A decline of 9.1% in the model (basis monthly close) would trigger a Neutral signal.



Source: StockCharts.com

2021 CYCLE COMPOSITE: PEAKING

The cycle composite is based upon an equal-weighting of the one-year seasonal cycle, the four-year Presidential cycle, and the 10-year decennial cycle. YTD, the trend of the S&P 500 index has tracked the model line with a correlation coefficient of > 90%. If that correlation were to remain constant, then the SPX could peak for the year on **August 6th** +/- 3 trading days.



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Source: Ned Davis Research

ELLIOTT WAVE COUNT: NEAR COMPLETE

Cycle degree wave V began in March 2009...Primary degree wave (5) of cycle wave V began in March 2020.

Cycle Wave V:

Wave (5) of V of (I) in Progress



Primary Wave (5):

Wave v of 5 of (5) in Progress



Source: StockCharts.com

U.S. LARGE CAP S&P 500 INDEX BULLISH (+17.02% YTD)

Observations:

- ❑ **Price** closed July up 2.27%, posting a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, holding above structural support after posting a new 20-year high in April.
- ❑ **Relative strength** of large-cap stocks vs. the S&P Composite 1500 is attempting a bullish reversal after reversing off a 10-year high last September.
- ❑ **Trend Bullish: Above 3969**
- ❑ **Trend Bearish: Below 3588**

Conclusions:

- ❑ **Overweight.** The long-term trend remains constructive. While appearing extended, the S&P 500 is only 30% above its February 2020 pre-crisis high. The weight of the evidence from our detailed analysis of fundamental and technical data leaves us somewhat tentative toward the prospects for US equities going forward in 2021, but we still view our target as attainable in the weeks ahead. Maintaining our Bullish technical view for now. A monthly close below the 200-DMA at 3969 would move our view to neutral. A close below chart support at 3588 would warrant a downgrade to bearish.

- ❑ **Target = 4600**



Source: StockCharts.com

U.S. MID CAP S&P 400 INDEX BULLISH (+17.21% YTD)

Observations:

- ❑ **Price** closed July up 0.28%, posting a “Hammer”-like candle line. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has turned down after posting an all-time record high in April.
- ❑ **Relative strength** vs. S&P Composite 1500 has rolled-over after staging an impressive bullish reversal from a 15-year low last September.
- ❑ **Trend Bullish: Above 2488**
- ❑ **Trend Bearish: Below 2109**

Conclusions:

- ❑ **Benchmark Weight.** While the long-term trend remains constructive, the Mid-Cap index has lagged the S&P 500 in recent weeks. Its relative performance drag vs. the senior index may persist if large-cap tech continues to reassert itself going forward. We’re maintaining our bullish technical view, but would underweight mid-caps relative to large-caps. A monthly close below 200-DMA at 2488 would move our rating to neutral. A close below key support at 2109 would warrant a downgrade to bearish.

- ❑ **Target = 3000**



Source: StockCharts.com

U.S. SMALL CAP S&P 600 INDEX BULLISH (+19.87% YTD)

Observations:

- ❑ **Price** closed July down 2.44% to post a “Hammer” candle line. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but turned down after posting an all-time record high to confirm price in February.
- ❑ **Relative strength** vs. S&P Composite 1500 has rolled-over after staging an impressive bullish reversal from a 15-year low last September.
- ❑ **Trend Bullish: Above 1098**
- ❑ **Trend Bearish: Below 845**

Conclusions:

- ❑ **Underweight.** The long-term trend is constructive. Small-caps are relatively undervalued, and under-owned when compared to large and mid-cap stocks. That being said, the relative leadership potential of small-cap stocks has collapsed in recent weeks. We are somewhat dubious at this point as to whether our target can still be achieved this year, hence the shift to Underweight. A monthly close below chart support at 1098 would move our view to neutral. Monthly close below trend support at 845 would warrant a downgrade to bearish.

- ❑ **Target = 1600**

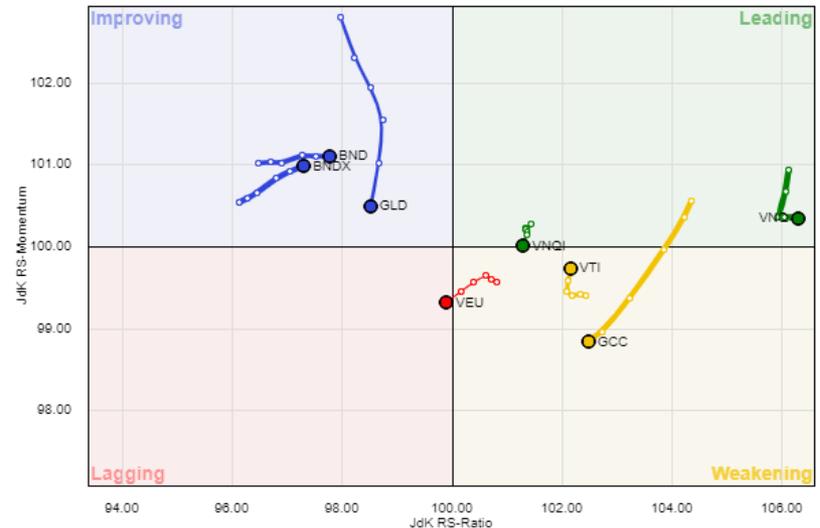


Source: StockCharts.com

GLOBAL ASSET CLASS LEADERSHIP

△ <u>Global Asset Class Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
1. U.S. Equities (VTI)	+ 1.7%	+ 39.7%
2. U.S. Real Estate (VNQ)	+ 4.4%	+ 35.2%
↓ 3. Commodities (GCC)	+ 1.0%	+ 34.8%
↓ 4. Int'l Equities (VEU)	- 1.4%	+ 27.4%
5. Int'l Real Estate (VNQI)	+ 0.1%	+ 23.5%
6. Benchmark (AOR)	+ 0.8%	+ 19.5%
7. Int'l Fixed-Inc (BNDX)	+ 1.5%	+ 0.5%
8. U.S. Fixed-Inc (BND)	+ 1.2%	+ 0.7%
9. Gold Bullion (GLD)	+ 2.5%	- 7.6%

Global Asset Rotation Model



Source: StockCharts.com

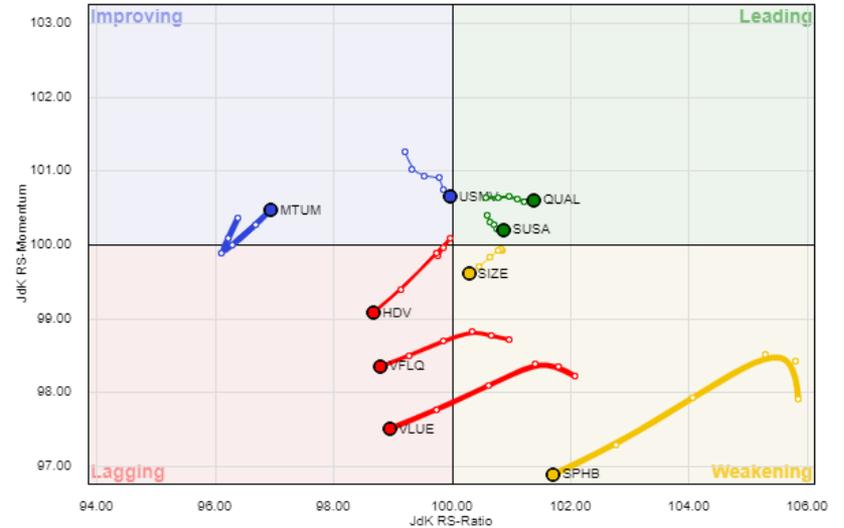
Benchmark: 60% MSCI All-Country World Index / 40%
Barclay's Global Aggregate Bond Index

U.S. FACTOR LEADERSHIP

△	<u>U.S. Factor Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
	1. High Beta (SPHB)	- 3.7%	+ 79.0%
	2. Small Market Cap (SIZE)	+ 1.3%	+ 44.3%
↓	3. High Liquidity (VFLQ)	- 0.1%	+ 45.1%
↓	4. Low Valuation (VLUE)	- 0.7%	+ 45.4%
	5. Env/Soc/Gov (SUSA)	+ 2.9%	+ 41.1%
	6. High Quality (QUAL)	+ 3.4%	+ 39.6%
	7. Benchmark (VTI)	+ 1.7%	+ 39.7%
	8. Momentum (MTUM)	+ 0.9%	+ 26.1%
	9. Low Volatility (USMV)	+ 3.6%	+ 22.4%
↓	10. High Dividend (HDV)	+ 0.8%	+ 21.1%

Benchmark: CRSP U.S. Total Market Index

U.S. Factor Rotation Model



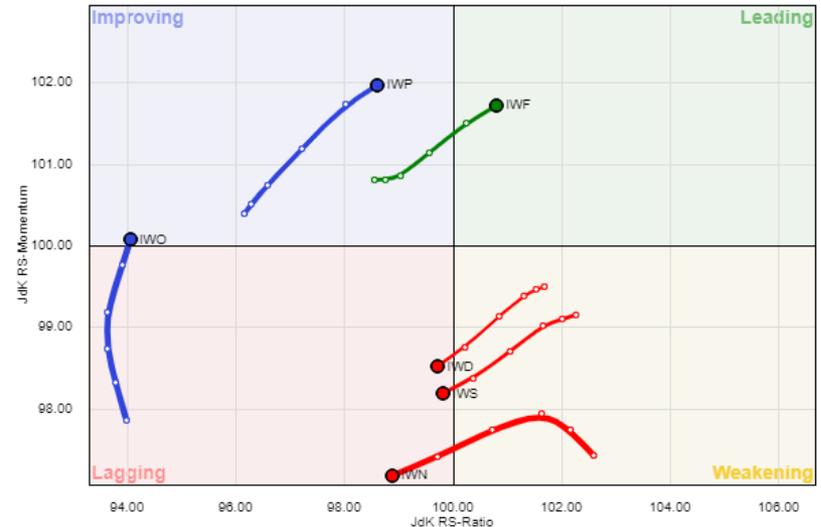
Source: StockCharts.com

U.S. STYLE BOX LEADERSHIP

 <u>U.S. Style Box Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
 1. Small-Cap Value (IWN)	- 3.5%	+ 61.5%
 2. Mid-Cap Value (IWS)	+ 0.6%	+ 46.4%
 3. Large-Cap Growth (IWF)	+ 3.4%	+ 38.7%
4. Benchmark (I WV)	+ 1.7%	+ 39.2%
 5. Large-Cap Value (IWD)	+ 0.9%	+ 38.7%
 6. Small-Cap Growth (IWO)	- 3.7%	+ 39.5%
7. Mid-Cap Growth (IWP)	+ 1.0%	+ 34.7%

Benchmark: Russell 3000 Index

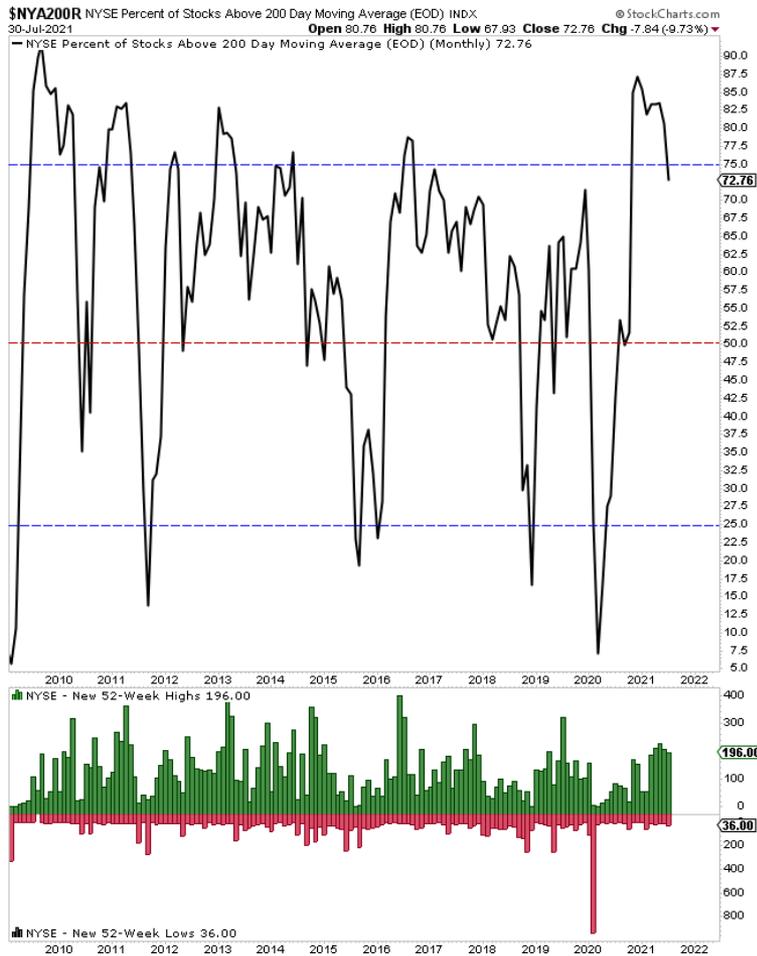
U.S. Style Box Rotation Model



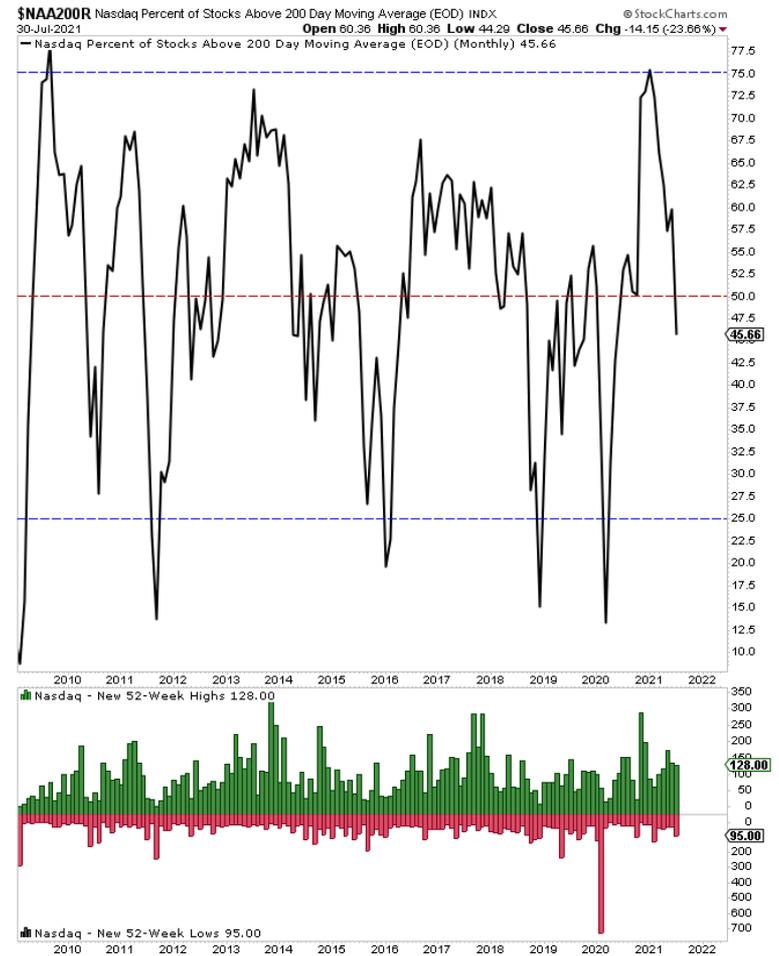
Source: StockCharts.com

MARKET PARTICIPATION: NARROWING

NYSE % Stocks Above 200-DMA



NASDAQ % Stocks Above 200-DMA

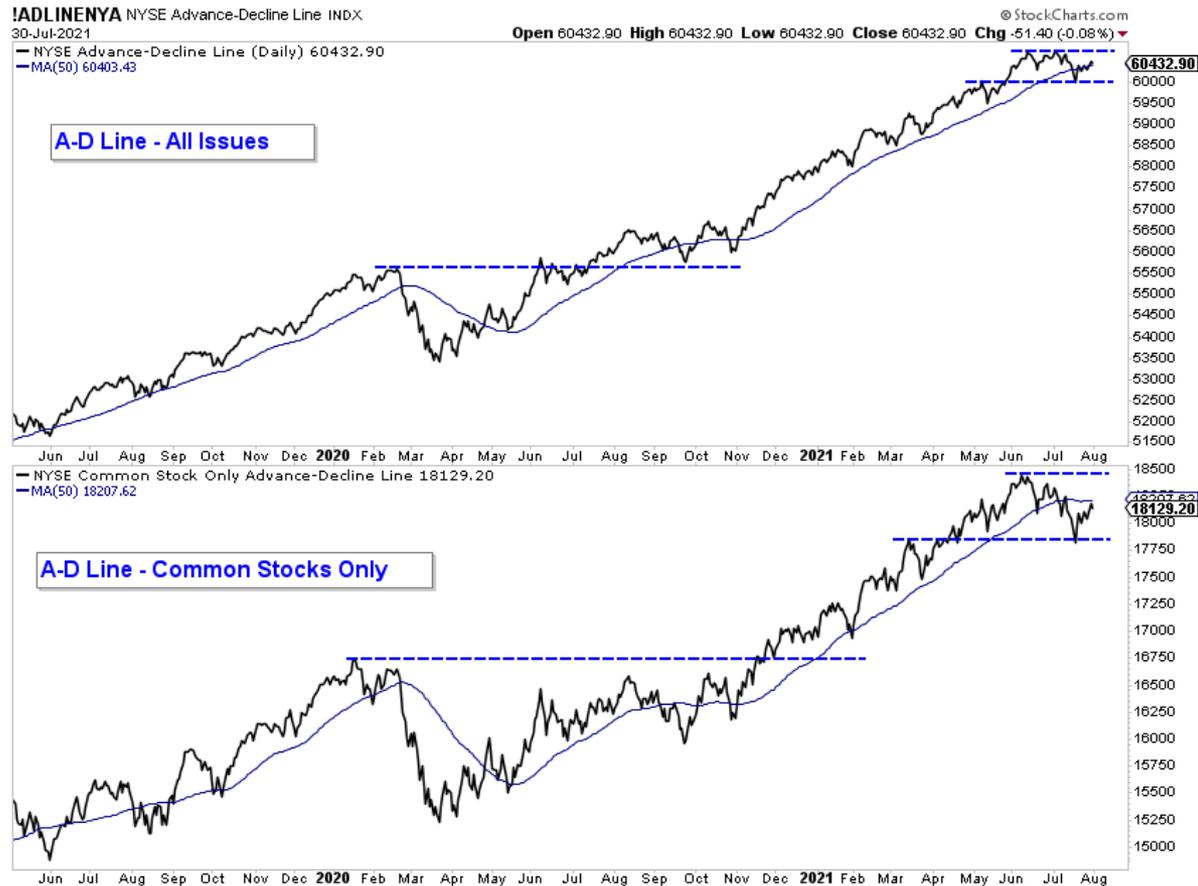


New
52-Week
Highs
and
Lows

Source: StockCharts.com

ADVANCE-DECLINE LINE: DIVERGING

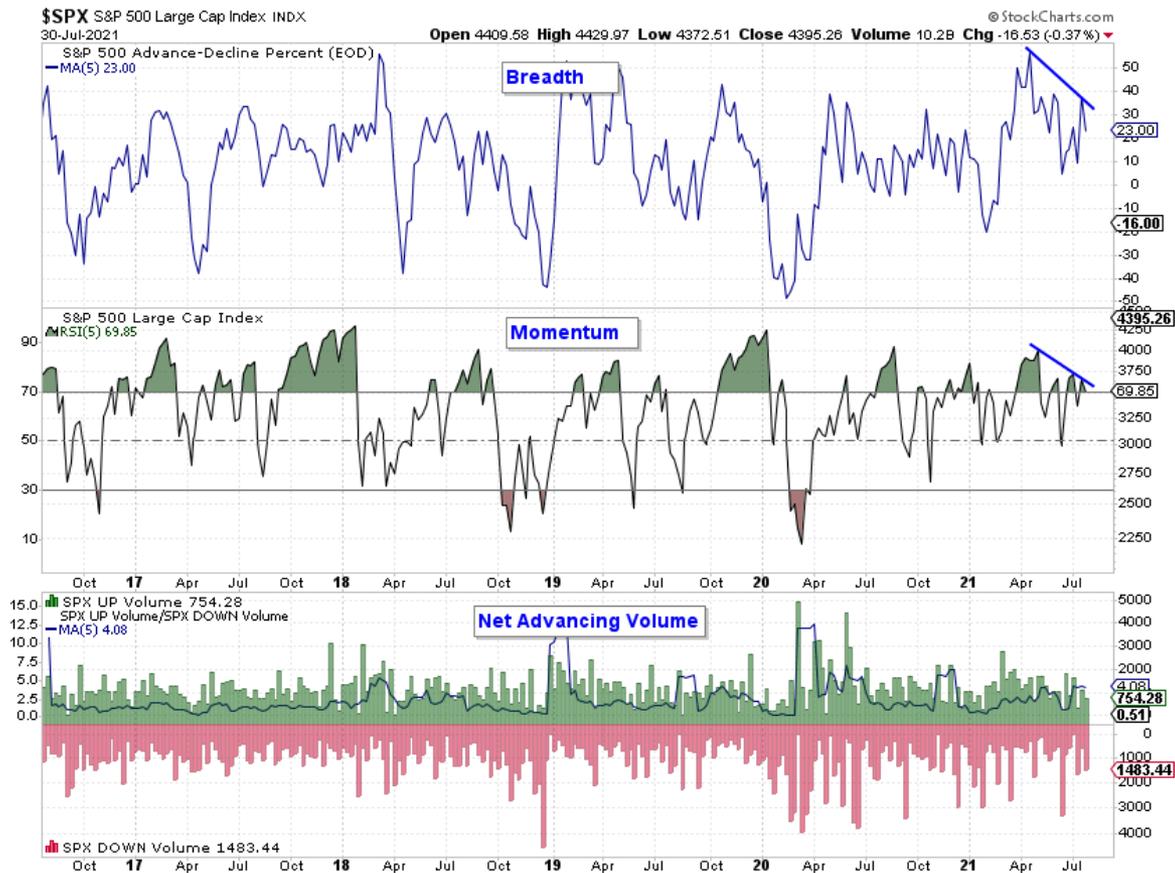
Both versions of the A/D Line are holding above their key support levels. Yet, the All Issues version has recovered its 50-DMA, while the Common Stocks Only version has not. Importantly, both have failed to confirm the recent new ATH in the S&P 500 index. Negative divergences can be resolved over time, but they often serve as a reliable warning of broad market weakness ahead.



Source: StockCharts.com

S&P 500 INTERNALS: MIXED

The 5-week breadth, momentum, and net advancing volume measures appear mixed. While all are positive, breadth and momentum are failing to confirm the recent new ATHs in price. These negative divergences illustrate a potential weakening in the underlying strength of the market's trend. Conversely, up volume averaged 4.1x down volume over the past 5 weeks.



Source: StockCharts.com

INTERMARKET SIGNALS: MIXED

S&P 500 Cap-Weight vs. S&P 500 Equal-Weight



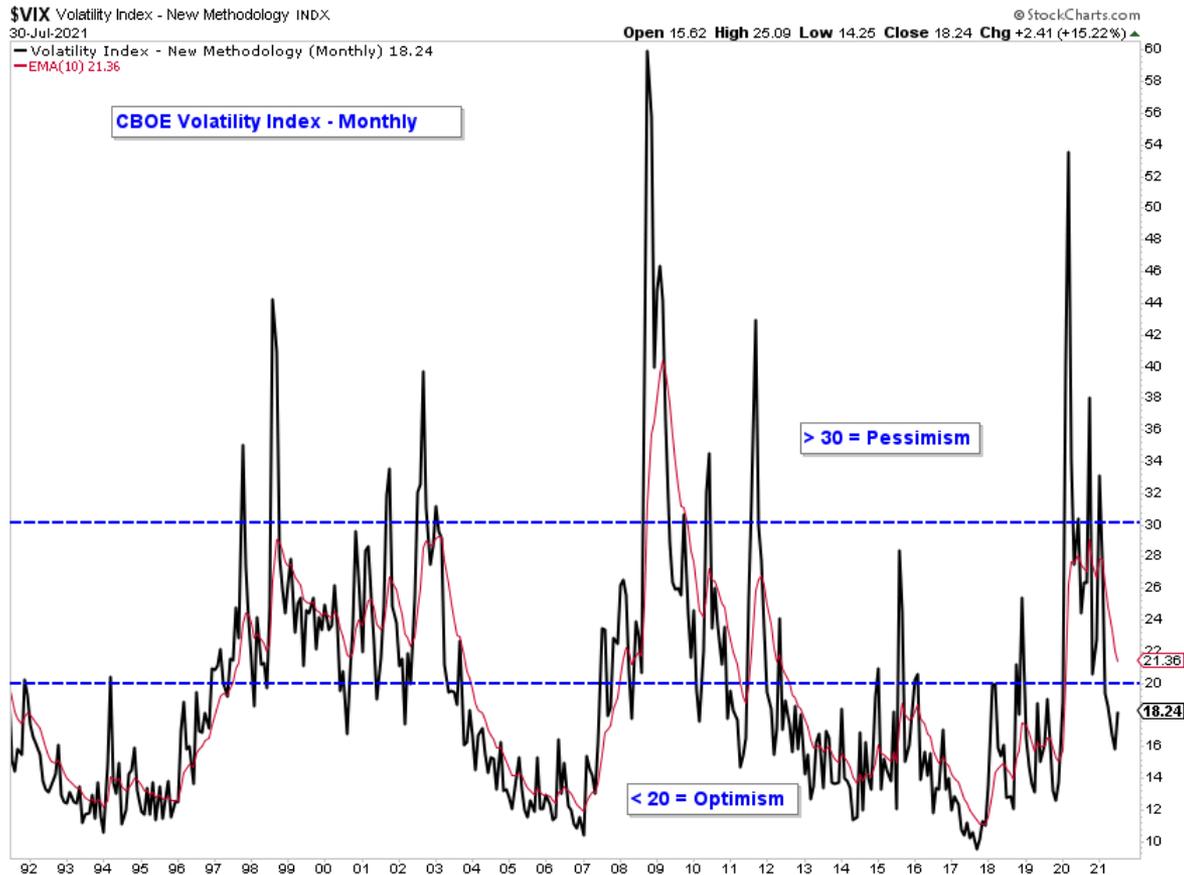
NASDAQ OTC Stocks vs. NYSE Listed Stocks



Source: StockCharts.com

VOLATILITY: CAUTION AHEAD

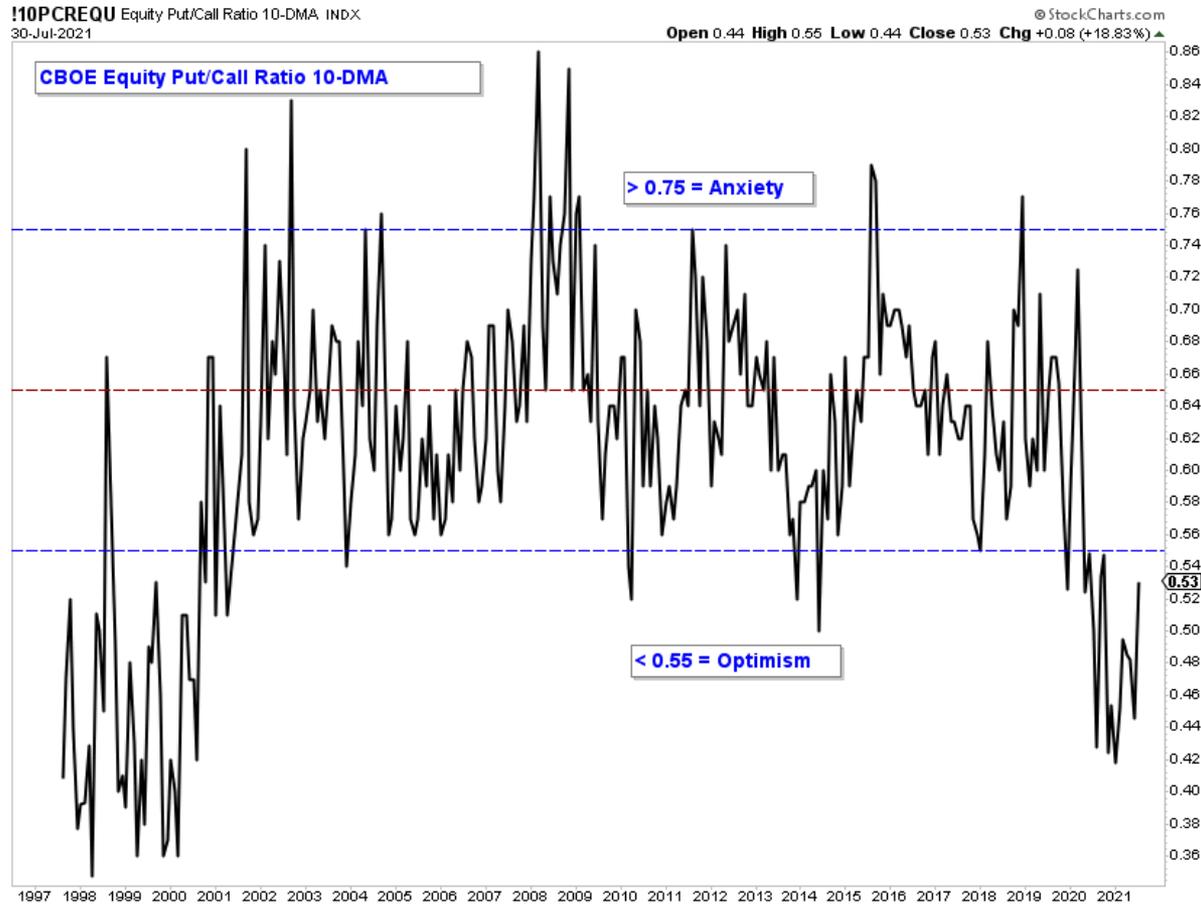
Volatility, as measured by the VIX, has retreated below the lower boundary of the neutral zone. While optimism has been building for months, the index is never reached its prior extremes. The contraction in volatility is positive. However, the VIX has been diverging negatively (*rising*) as the S&P 500 index made its recent new ATH, a potential bearish signal.



Source: StockCharts.com

INVESTOR SENTIMENT: OPTIMISTIC

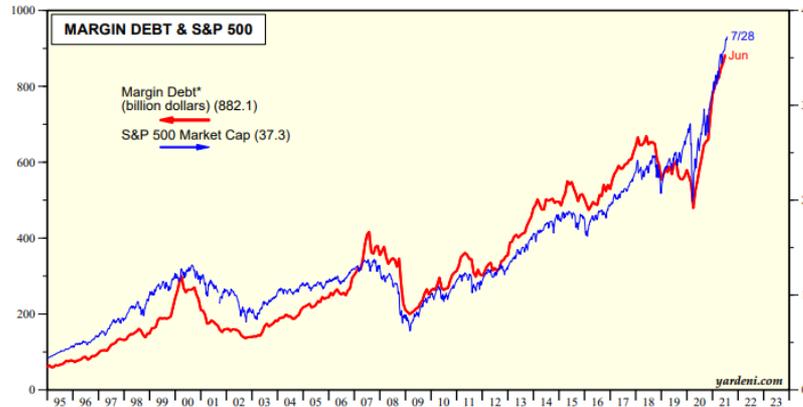
The Equity Put/Call Ratio's 10-DMA remains in the zone of optimism after testing past extremes. While potentially a contrarian bearish signal, past sharp reversals into neutral territory tended to occur coincidentally with the onset of a change in trend.



Source: StockCharts.com

MARGIN DEBT: ROC PEAKED/REVERSING

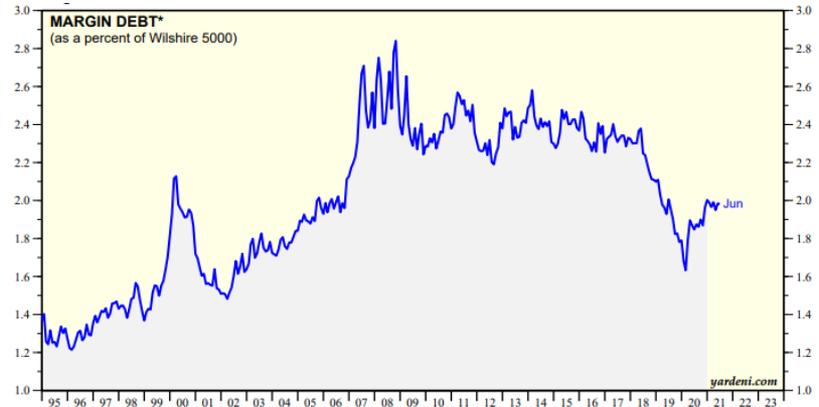
Total margin debt reached a new all-time record high of \$882.1 billion in June, but Y/Y growth peaked in March at 71% and has reversed lower by nearly 20 percentage points to 51.5%. Indeed, margin debt remains below 2% of total market cap.



* Debit balances in margin accounts at broker/dealers.
Source: New York Stock Exchange through December 1996, FINRA thereafter, and Standard & Poor's.



* Debit balances in margin accounts at broker/dealers.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.
Source: New York Stock Exchange through December 1996, FINRA thereafter, and Haver Analytics.



* Debit balances in margin accounts at broker/dealers.
Source: New York Stock Exchange through December 1996, FINRA thereafter, and Haver Analytics.

Source: Yardeni.com

GROWTH & EARNINGS: FAIR VALUE

According to FactSet, 59% of S&P 500 companies have reported actual 2Q21 quarterly results. Of those that have reported, 88% beat consensus estimates on the bottom line by an average of 17.2%, for a blended (actual & estimated) y/y growth rate of 85.1% vs. estimates of 63.1% on June 30th. Since January 1st, consensus estimates have moved up from \$165 to \$194 for 2021, and from \$192 to \$214 for 2022. Our op-EPS estimates have averaged 10-15% above the street since we initiated our 21/22 numbers on February 1st, and we believe that the street continues to underestimate revenue growth potential and the implications of record net profit margins on the bottom line. We are raising our EPS estimates for this year and next year by \$5 respectively, to reflect our expectation for continued margin expansion and higher nominal GDP and revenue growth.

US Real GDP Growth Estimates

	<u>Consensus</u>
2021e	7.1%
2022e	3.5%

S&P 500 Op-EPS Estimates

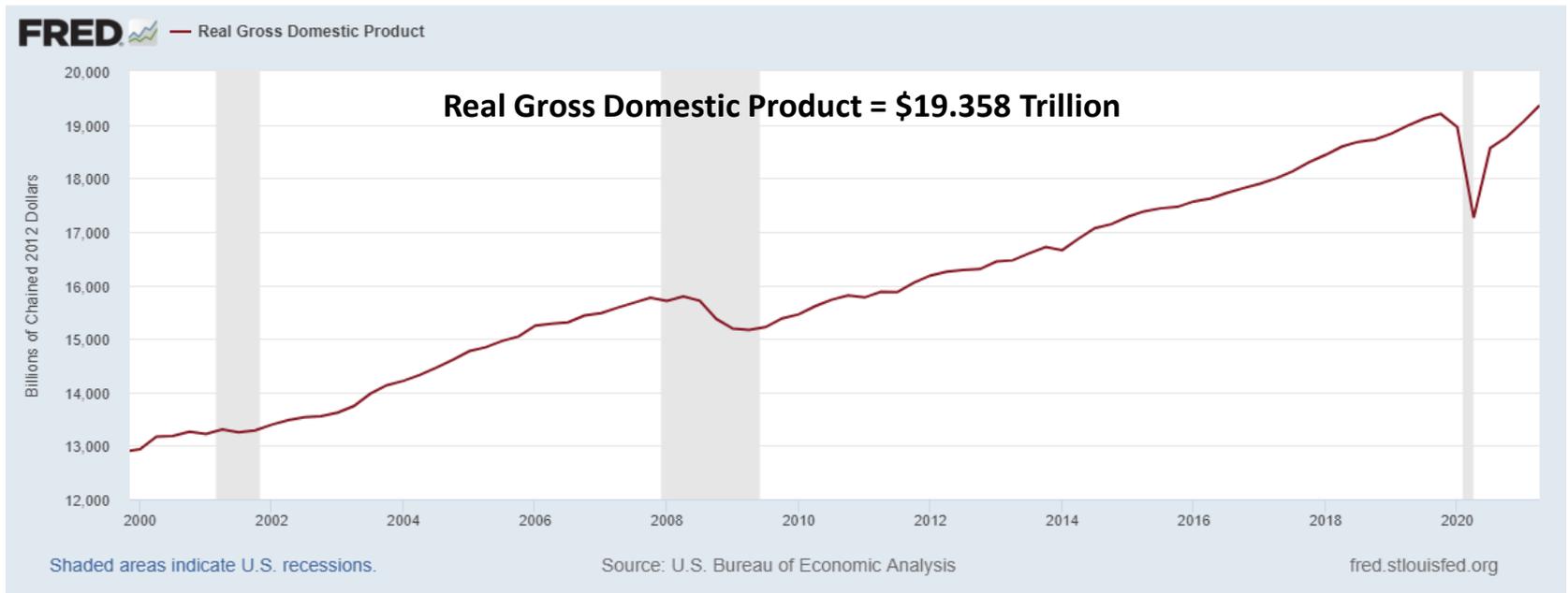
	<u>Consensus</u>
2021e	\$194 ↑
2022e	\$214 ↑

<u>Alpha Insights</u>	<u>Mkt Cap / GDP+Fed</u>
8.0%	143%
6.0% ↑	133%
<u>Alpha Insights</u>	<u>P/E Ratio</u>
\$215 ↑	20.6
\$245 ↑	18.0

Sources: JWH Investment Partners, Moody's Analytics, Yardeni.com

ECONOMIC RECOVERY: COMPLETE

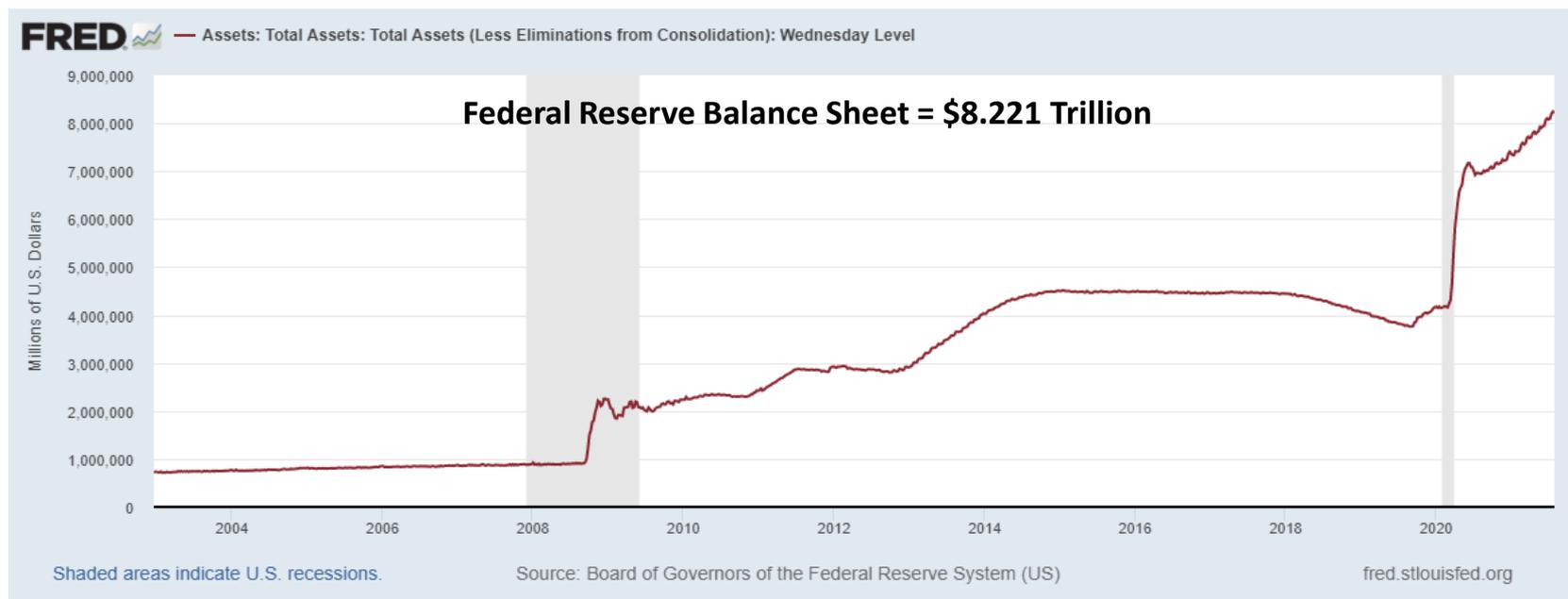
Real GDP increased at an annualized rate of 6.5% in the second quarter, posting a new all-time record high of \$19.358 Trillion. According to the Atlanta Fed's GDPNow, annualized real GDP growth for Q3 is expected to come in at 6.1%. We have been forecasting 8.0% real GDP growth for the FY21 since March, vs. today's consensus estimate of 7.1%. Our estimate assumes that inflation remains tame in the back half of the year. However, it is important to understand that nominal GDP growth is what drives revenue and EPS growth, regardless of the headline inflation rate. From that lens, investors should pay more attention to the fact that current-dollar GDP rose by 13% on an annualized basis in Q2, up from a revised 10.9% in Q1.



Source: fred.stlouisfed.org as of 7/29/21

MONETARY STIMULUS: QE 4-EVER?

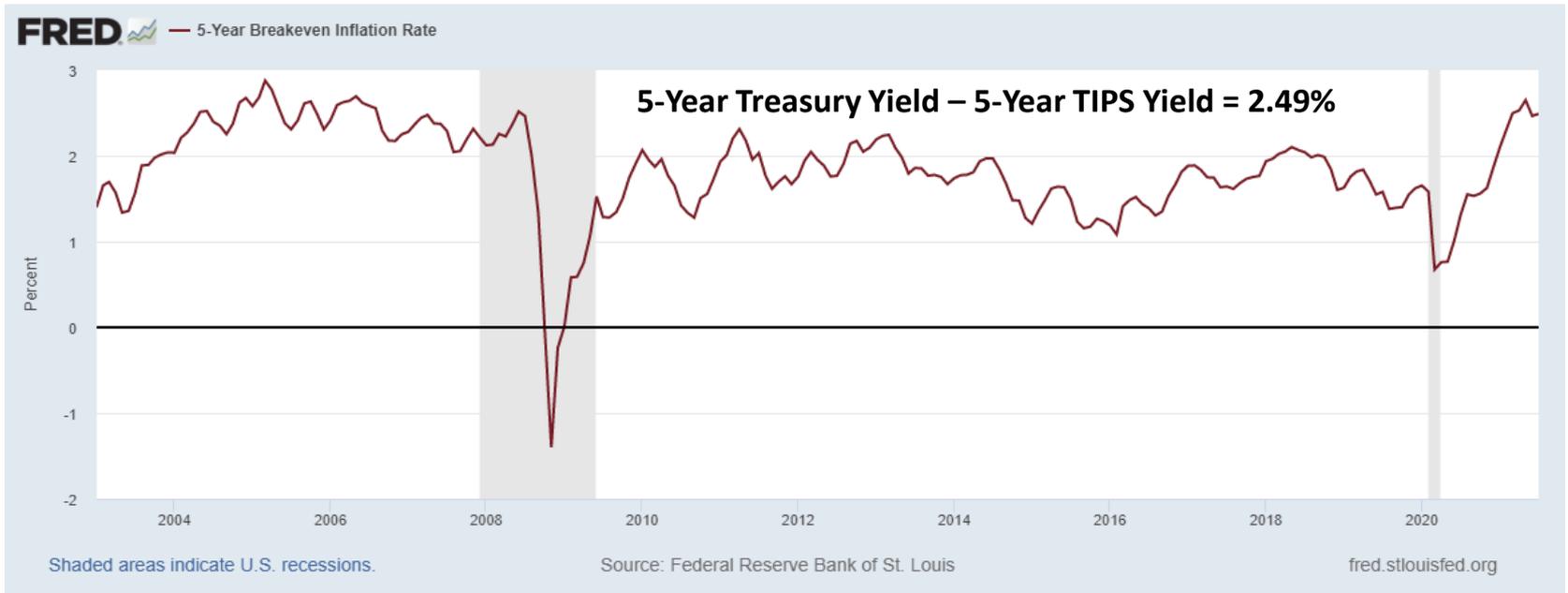
Following its July meeting, the FOMC said in a statement, “Last December, the Committee indicated that it would continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month until substantial further progress has been made toward its maximum employment and price stability goals.” Interestingly, the June FOMC meeting minutes contained this statement: “Participants generally judged that, as a matter of prudent planning, it was important to be well positioned to reduce the pace of asset purchases, if appropriate, in response to unexpected economic developments, including faster-than- anticipated progress toward the Committee’s goals or the emergence of risks that could impede the attainment of the Committee’s goals.”



Source: fred.stlouisfed.org as of 7/28/21

INFLATION EXPECTATIONS: PEAKING?

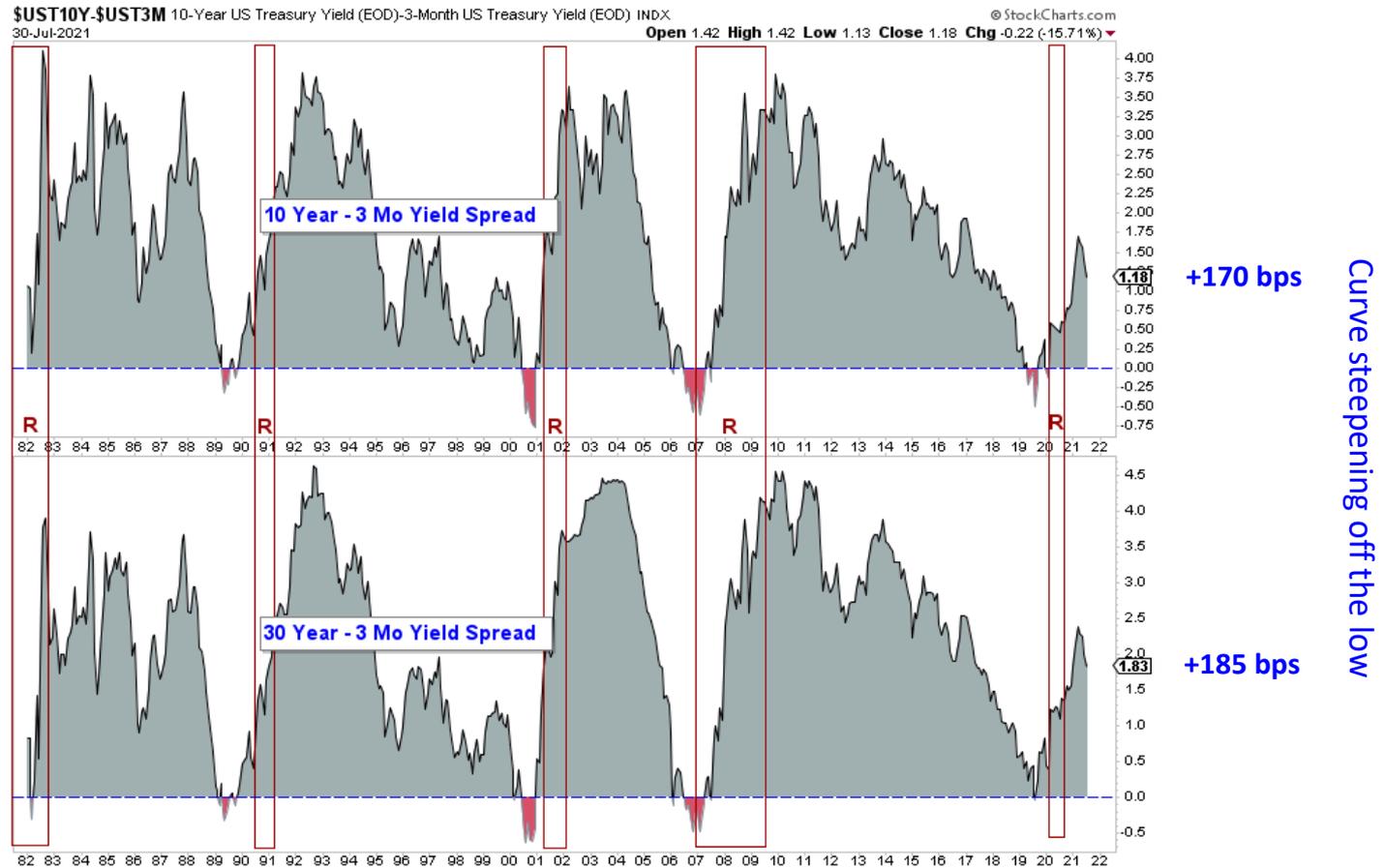
While 10-year Treasury yields have pulled back to 1.24% from a March high of 1.77%, the debate rages on among market participants over the risk of future inflation. Yet, as illustrated by the 5-year breakeven inflation rate, even with the current rate at 2.49%, the sharp recovery off the 2020 low still remains below the peak witnessed in 2005, the last extreme at which the markets became overtly concerned about inflation. Indeed, Fed Chair Jerome Powell has been vocal about the need to allow the economy to run hotter than the Fed's 2% target rate in order to insure a sustained recovery. The Fed views any near-term inflation spikes to be transitory, short-term supply/demand dislocations related to reopening the economy, rather than runaway labor costs. Frankly, we're inclined to agree. Just look at lumber prices – they're down 64% since May 10th.



Source: fred.stlouisfed.org as of 7/28/21

YIELD CURVE: STEEPENING

The shortest recession in US history has ended. Current reflationary policies should yield a steady recovery. A rise in interest rates at this point in the cycle likely reflects improving growth expectations, not inflation.



Source: StockCharts.com

HIGH YIELD VS. HIGH QUALITY

Our model favors **High Quality** bonds over High Yield bonds.



Source: StockCharts.com

SHORT DURATION VS. LONG DURATION

Our model favors **short duration** bonds over long duration bonds. That bias is currently on watch for a potential reversal. A monthly close in the ratio above the regression mean would tilt our preference toward long duration.



INFLATION PROTECTED VS. FIXED-RATE

Our model continues to favor **inflation protected** bonds over fixed-rate bonds.



Source: StockCharts.com



Source: Hedgeye.com

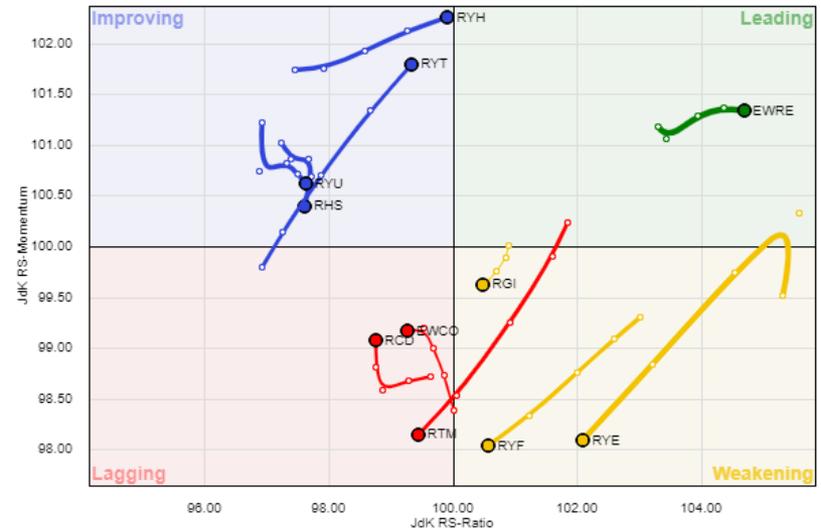
SECTOR ROTATION

- S&P 500 Sector Leadership
 - Equal-Weight Sector RS-Momentum Rank
 - Cap-Weight Sector Technical Analysis

U.S. EQUAL-WEIGHT SECTOR LEADERSHIP

△	<u>U.S. Sector EW Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
	1. Real Estate (EWRE)	+ 4.5%	+ 48.1%
↑	2. Technology (RYT)	+ 2.9%	+ 44.9%
↓	3. Comm Svcs (EWCO)	+ 1.7%	+ 50.6%
	4. Healthcare (RYH)	+ 5.3%	+ 29.2%
	5. Benchmark (RSP)	+ 1.3%	+ 45.1%
	6. Energy (RYE)	- 10.3%	+ 52.1%
	7. Staples (RHS)	- 0.9%	+ 14.1%
↓	8. Industrials (RGI)	+ 1.7%	+ 51.2%
	9. Financials (RYF)	- 0.5%	+ 58.4%
	10. Discretionary (RCD)	- 0.2%	+ 56.8%
↓	11. Materials (RTM)	+ 0.8%	+ 56.9%
	12. Utilities (RYU)	+ 3.5%	+ 13.4%

U.S. Sector Rotation Model



Source: StockCharts.com

Benchmark: S&P 500 Equal-Weight Index

S&P 500 SECTOR REAL ESTATE

BULLISH (+28.96% YTD)

Observations:

- ❑ **Price** closed July up 4.62% to post a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains decidedly positive, and is holding near a 10-year high after surging above a key resistance structure in April.
- ❑ **Relative strength** vs. the average S&P stock has been range bound for a decade. It recently surged higher after finding trend support at a 10-year low.
- ❑ **Trend Bullish: Above \$40**
- ❑ **Trend Bearish: Below \$34**

Conclusions:

- ❑ Real Estate vaulted eight positions to the **#1 rank** in our sector RS-Momentum work for the month.
- ❑ **Overweight.** The long-term trend remains constructive. Improving price action, momentum, and RS support a bullish technical view. A monthly close below chart support at \$40 would warrant a downgrade to neutral. A monthly close below trend support at \$34 would warrant a downgrade to bearish.
- ❑ **Target = \$56**



Source: StockCharts.com

S&P 500 SECTOR TECHNOLOGY

BULLISH (+18.45% YTD)

Observations:

- ❑ **Price** closed July up 3.89% to post a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** is decidedly positive, and appears poised to challenge a 12-year resistance structure. Yet, a negative divergence remains evident.
- ❑ **Relative strength** vs. the average S&P stock has turned up after finding support at the upper boundary of a prior expanding range.
- ❑ **Trend Bullish: Above \$134**
- ❑ **Trend Bearish: Below \$124**

Conclusions:

- ❑ Technology jumped five positions to the **#2 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** The long-term trend remains constructive. Strong price action, stable momentum, and improving RS suggests that the sector may now be poised to reassert itself. Maintaining our bullish technical view. A monthly close below the 200-DMA at \$134 would move our view to neutral. A monthly close below chart support at \$124 would warrant a downgrade to bearish.
- ❑ **Target = \$157**



Source: StockCharts.com

S&P 500 SECTOR COMMUNICATIONS

BULLISH (+22.54% YTD)

Observations:

- ❑ **Price** closed July up 1.77% to post a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains decidedly positive, but has rolled-over and failed to make a new high with price, leaving a slight negative divergence in place.
- ❑ **Relative strength** vs. the average S&P appears to be turning up after a successful test of support.
- ❑ **Trend Bullish: Above \$73**
- ❑ **Trend Bearish: Below \$63**

Conclusions:

- ❑ Communications advanced one position to the **#3 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** The long-term trend remains constructive. Strong price action and improving RS suggests that the sector may now be poised to reassert itself. Maintaining our bullish technical view. A monthly close below the 200-DMA at \$73 would move our view to neutral. A close below chart support at \$63 would warrant a downgrade to bearish.
- ❑ **New Target = \$89**



Source: StockCharts.com

S&P 500 SECTOR HEALTH CARE

BULLISH (+17.35% YTD)

Observations:

- ❑ **Price** closed July up 4.92%, posting a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains decidedly positive, posting a new multi-year high to confirm price after penetrating an 8-year resistance structure in April.
- ❑ **Relative strength** vs. the average S&P stock found support and may now be attempting to stage a bullish reversal.
- ❑ **Trend Bullish: Above \$118**
- ❑ **Trend Bearish: Below \$112**

Conclusions:

- ❑ Health Care jumped five positions to the **#4 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** The long term trend remains constructive, improving price action, momentum, and weak now RS, supports our bullish technical opinion. A monthly close below chart support at \$118 would move our view to neutral. A close below trend support at \$112 would warrant a downgrade to bearish.
- ❑ **New Target = \$137**



S&P 500 SECTOR ENERGY

NEUTRAL (+33.05% YTD)

Observations:

- ❑ **Price** closed July down 8.32% to post a bearish engulfing candle line, but held above the 200-DMA, leaving a primary downtrend intact.
- ❑ **Momentum** remains positive, but has pulled back to trend support after surging above a 7-year resistance structure to confirm price in February.
- ❑ **Relative strength** vs. the average S&P stock bounced after posting a new 20-year monthly low in September and is now challenging trend resistance.
- ❑ **Trend Bullish: Above \$63**
- ❑ **Trend Bearish: Below \$43**

Conclusions:

- ❑ Energy plummeted four positions to the **#5 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** The long-term trend is down. Mixed price action, momentum, and RS support a Neutral technical rating. A monthly close above trend resistance at \$63 would warrant an upgrade to bullish. A monthly close below chart support at \$43 would warrant a downgrade to bearish.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 SECTOR STAPLES NEUTRAL (+7.28% YTD)

Observations:

- ❑ Price closed July up 2.20%, posting a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ Momentum remains positive, but failed to make a new high to confirm price, leaving a negative divergence in place.
- ❑ Relative strength vs. the average S&P stock is holding near a 14-year low.
- ❑ Trend Bullish: Above \$67
- ❑ Trend Bearish: Below \$61

Conclusions:

- ❑ Staples jumped four positions to the #6 rank in our sector RS-Momentum work this month.
- ❑ Market Weight. The long term trend remains constructive, but weak RS and the negative momentum divergence support a neutral technical view. A monthly close below trend support at \$61 would move our view to bearish. A new momentum high to confirm price would permit an upgrade to bullish.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 SECTOR INDUSTRIALS

BULLISH (+17.45% YTD)

Observations:

- ❑ **Price** closed July up 0.94%, posting a “Hammer” candle line. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has rolled over after posting a new all-time high in April.
- ❑ **Relative strength** vs. the average S&P stock has been coiling for the past two years. A break in either direction could be telling.
- ❑ **Trend Bullish: Above \$94**
- ❑ **Trend Bearish: Below \$84**

Conclusions:

- ❑ Industrials slipped one position to the **#7 rank** in our RS-Momentum work this month.
- ❑ **Market Weight.** The long-term trend remains constructive. Weak price action coupled with deteriorating momentum and RS raise near-term concerns. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at \$94 would move our view to neutral. A monthly close below trend support at \$84 would warrant a downgrade to bearish.
- ❑ **Target = \$120**



Source: StockCharts.com

S&P 500 SECTOR FINANCIALS

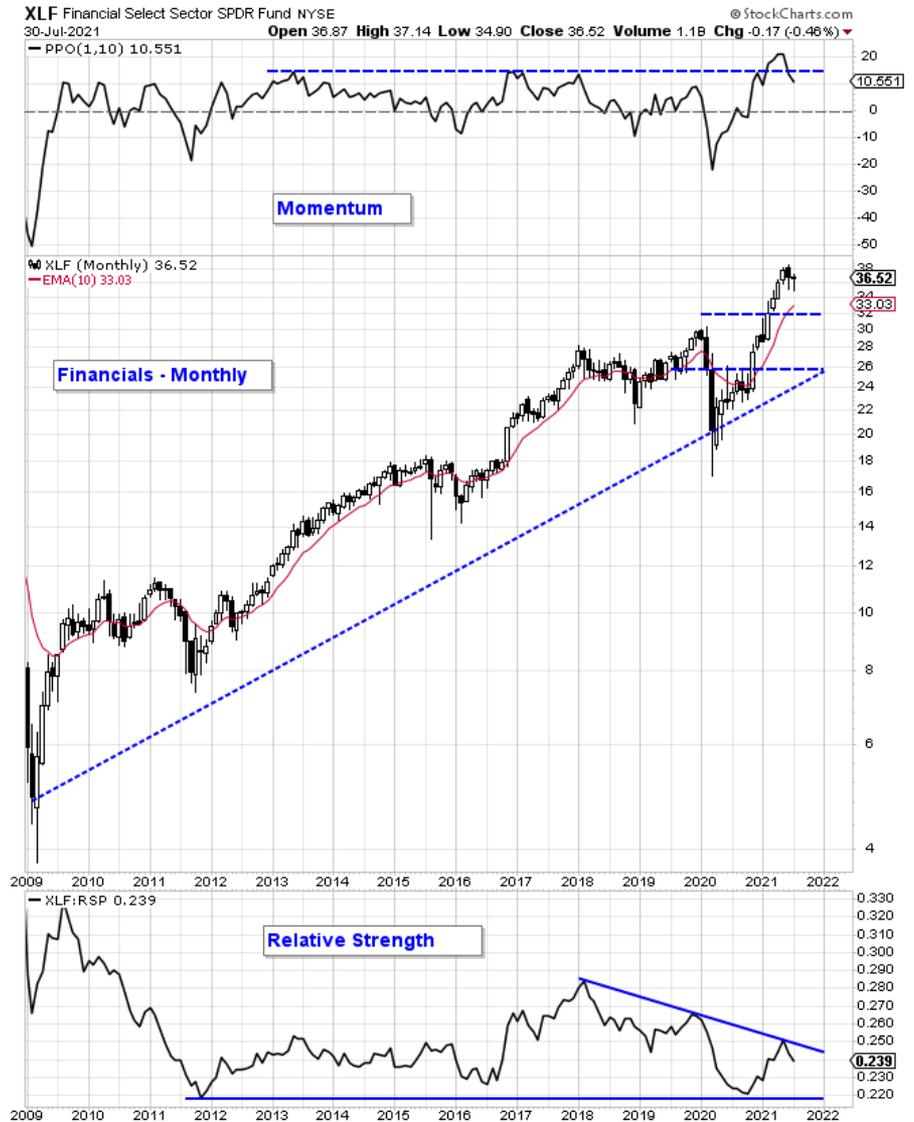
BULLISH (+24.92% YTD)

Observations:

- ❑ Price closed July down 0.46%, but held above key support posting a “Hammer” candle line. A primary uptrend remains intact.
- ❑ Momentum remains positive, but reversed below an 8-year support structure after posting a new all-time high in May.
- ❑ Relative strength vs. the average S&P stock was rejected at trend resistance after bouncing off a 9-year low.
- ❑ Trend Bullish: Above \$33
- ❑ Trend Bearish: Below \$26

Conclusions:

- ❑ Financials plunged 5 positions to the #8 rank in our RS-Momentum work this month.
- ❑ Market Weight. The long-term trend remains constructive. Maintaining bullish technical view, but the reversals in momentum and RS give us some pause. A monthly close below the 200-DMA at \$33 would warrant a downgrade to neutral. A monthly close below trend support at \$26, a downgrade to bearish.
- ❑ Target = \$43



Source: StockCharts.com

S&P 500 SECTOR DISCRETIONARY BULLISH (+12.57% YTD)

Observations:

- ❑ **Price** closed July up 1.05%, posting a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, and held above nearby support, but a negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock ticked up in June, but appears poised to test trend support after posting an all-time high last September.
- ❑ **Trend Bullish: Above \$165**
- ❑ **Trend Bearish: Below \$125**

Conclusions:

- ❑ Discretionary collapsed seven positions to the **#9 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** The long-term trend is constructive, yet the weakening RS and negative momentum divergence raise some near-term concerns. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at \$165 would move our view to neutral. A close below trend support at \$125 would warrant a downgrade to bearish.
- ❑ **Target = \$196**



Source: StockCharts.com

S&P 500 SECTOR MATERIALS

BULLISH (+17.06% YTD)

Observations:

- ❑ **Price** closed July up 2.08% to post a “Hammer” candle line, after testing the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but reversed below a 10-year support structure after posting a new all-time high in May.
- ❑ **Relative strength** vs. the average S&P stock breached nearby trend support after making a lower high in May.
- ❑ **Trend Bullish: Above \$77**
- ❑ **Trend Bearish: Below \$60**

Conclusions:

- ❑ Materials plunged five positions to the **#10 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** The long-term trend remains constructive, but with our price target price achieved, a new high is necessary to restart the music. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at \$77 would move our view to neutral. A monthly close below chart support at \$60 would warrant a downgrade to bearish.
- ❑ **Target = \$85 (achieved)**



Source: StockCharts.com

S&P 500 SECTOR UTILITIES NEUTRAL (+6.82% YTD)

Observations:

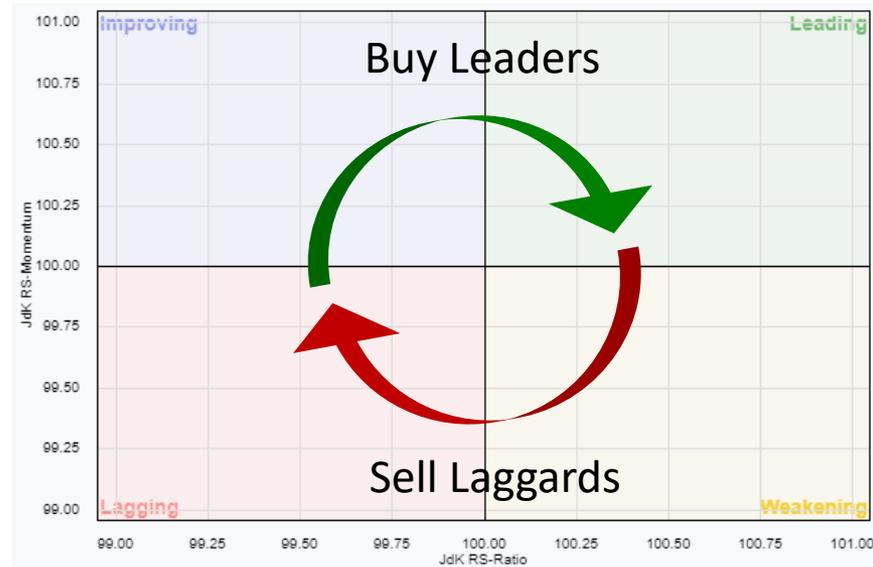
- ❑ **Price** closed July up 4.33%, holding below chart resistance, but above the 200-DMA. A primary uptrend remains intact, the nearby trend is flat.
- ❑ **Momentum** remains positive, but is range-bound within a well-defined 8-year, lateral channel structure.
- ❑ **Relative strength** vs. the average S&P stock turned down after posting an 8-year high in March, and posted a new all-time record low in June.
- ❑ **Trend Bullish: Above \$68**
- ❑ **Trend Bearish: Below \$62**

Conclusions:

- ❑ Utilities maintained the **#11 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** The nearby trend is flat. Inconsistent price action, lackluster momentum, and plunging RS support a neutral technical view at best. Only a monthly close above \$68 would warrant an upgrade to bullish. A monthly close below \$62 would warrant a downgrade to bearish.
- ❑ Target = N/A



Source: StockCharts.com



Source: StockCharts.com

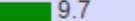
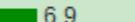
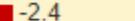
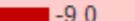
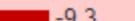
PORTFOLIO POSITIONING

Buying the prior month leaders and selling the prior month laggards has been a consistent means of generating positive alpha.

- Leaders and Laggards
 - Top 5 Ranked RS-Momentum Leaders by Sector
 - Bottom 5 Ranked RS-Momentum Laggards by Sector

REAL ESTATE

July Leaders vs. Laggards
Long/Short Spread = +16.3%

chart	visible	tail	symbol	name	sector	industry	price	%chg
☺☺☺	<input checked="" type="checkbox"/>		MAA	Mid-America Apartment Communities Inc.	Real Estate	Residential REITs	193.10	 14.1
☺☺☺	<input checked="" type="checkbox"/>		UDR	United Dominion Realty Trust	Real Estate	Residential REITs	54.99	 11.1
☺☺☺	<input checked="" type="checkbox"/>		ARE	Alexandria R E Eqty, Inc.	Real Estate	Industrial & Office REITs	201.34	 9.7
☺☺☺	<input checked="" type="checkbox"/>		AVB	Avalonbay Communities, Inc.	Real Estate	Residential REITs	227.83	 7.3
☺☺☺	<input checked="" type="checkbox"/>		SBAC	SBA Communications Corp.	Real Estate	Specialty REITs	340.99	 6.9
☺☺☺			XLRE	Real Estate Select Sector SPDR Fund			46.38	 3.8
☺☺☺	<input checked="" type="checkbox"/>		WY	Weyerhaeuser Co.	Real Estate	Specialty REITs	33.73	 -1.6
☺☺☺	<input checked="" type="checkbox"/>		SPG	Simon Property Group, Inc.	Real Estate	Retail REITs	126.52	 -2.4
☺☺☺	<input checked="" type="checkbox"/>		SLG	SL Green Realty Corp.	Real Estate	Industrial & Office REITs	74.46	 -9.0
☺☺☺	<input checked="" type="checkbox"/>		HST	Host Hotels & Resorts Inc.	Real Estate	Hotel & Lodging REITs	15.93	 -9.3
☺☺☺	<input checked="" type="checkbox"/>		VNO	Vornado Realty Trust	Real Estate	Industrial & Office REITs	43.50	 -9.9

Source: StockCharts.com

TECHNOLOGY

July Leaders vs. Laggards
Long/Short Spread = +12.7%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	<input checked="" type="checkbox"/>		ADSK	Autodesk, Inc.	Technology	Software	321.13	11.2
	<input checked="" type="checkbox"/>		AAPL	Apple, Inc.	Technology	Computer Hardware	145.86	9.6
	<input checked="" type="checkbox"/>		INTU	Intuit, Inc.	Technology	Software	529.97	9.2
	<input checked="" type="checkbox"/>		NOW	ServiceNow, Inc.	Technology	Software	587.89	7.9
	<input checked="" type="checkbox"/>		ADBE	Adobe Systems, Inc.	Technology	Software	621.63	7.2
			XLK	Technology Select Sector SPDR Fund			153.40	5.6
	<input checked="" type="checkbox"/>		MXIM	Maxim Integrated Products, Inc.	Technology	Semiconductors	99.91	-2.7
	<input checked="" type="checkbox"/>		HPQ	HP Inc.	Technology	Computer Hardware	28.87	-2.8
	<input checked="" type="checkbox"/>		MCHP	Microchip Technology Inc.	Technology	Semiconductors	143.12	-3.8
	<input checked="" type="checkbox"/>		INTC	Intel Corp.	Technology	Semiconductors	53.72	-3.9
	<input checked="" type="checkbox"/>		MU	Micron Technology, Inc.	Technology	Semiconductors	77.58	-5.4

Source: StockCharts.com

COMMUNICATIONS SERVICES

July Leaders vs. Laggards
 Long/Short Spread = +15.5%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	<input checked="" type="checkbox"/>		GOOGL	Alphabet Inc.	Communication Services	Internet	2694.53	10.0
	<input checked="" type="checkbox"/>		FB	Facebook, Inc.	Communication Services	Internet	356.30	4.4
	<input checked="" type="checkbox"/>		EA	Electronic Arts, Inc.	Communication Services	Internet	143.96	3.9
	<input checked="" type="checkbox"/>		CHTR	Charter Communications Inc.	Communication Services	Entertainment	744.05	3.2
	<input checked="" type="checkbox"/>		TWTR	Twitter, Inc.	Communication Services	Internet	69.75	2.7
			XLC	Communication Services Select Sector SPDR Fund			82.40	2.2
	<input checked="" type="checkbox"/>		FOX	Fox Corporation	Communication Services	Entertainment	33.24	-8.7
	<input checked="" type="checkbox"/>		OMC	Omnicom Group, Inc.	Communication Services	Media Agencies	72.82	-9.2
	<input checked="" type="checkbox"/>		ATVI	Activision Blizzard Inc.	Communication Services	Internet	83.62	-9.4
	<input checked="" type="checkbox"/>		LUMN	Lumen Technologies Inc	Communication Services	Fixed Telecommunications	12.47	-11.2
	<input checked="" type="checkbox"/>		LYV	Live Nation Entertainment, Inc.	Communication Services	Entertainment	78.89	-14.8

Source: StockCharts.com

HEALTH CARE

July Leaders vs. Laggards
 Long/Short Spread = +18.0%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	<input checked="" type="checkbox"/>		DXCM	DexCom Inc.	Health Care	Medical Supplies	515.51	19.8
	<input checked="" type="checkbox"/>		ALGN	Align Technology, Inc.	Health Care	Medical Supplies	695.80	13.1
	<input checked="" type="checkbox"/>		RMD	Resmed, Inc.	Health Care	Medical Equipment	271.80	11.2
	<input checked="" type="checkbox"/>		TMO	Thermo Fisher Scientific Inc.	Health Care	Medical Equipment	540.01	9.6
	<input checked="" type="checkbox"/>		MTD	Mettler Toledo Intl, Inc.	Health Care	Medical Equipment	1473.71	9.0
			XLV	Health Care Select Sector SPDR Fund			132.15	5.1
	<input checked="" type="checkbox"/>		CI	CIGNA Corp.	Health Care	Health Care Providers	229.49	-3.2
	<input checked="" type="checkbox"/>		HUM	Humana, Inc.	Health Care	Health Care Providers	425.86	-3.4
	<input checked="" type="checkbox"/>		TFX	Teleflex, Inc.	Health Care	Medical Supplies	397.43	-3.6
	<input checked="" type="checkbox"/>		BAX	Baxter Intl Inc.	Health Care	Medical Supplies	77.35	-5.9
	<input checked="" type="checkbox"/>		INCY	Incyte Corp.	Health Care	Biotechnology	77.35	-10.9

Source: StockCharts.com

ENERGY

July Leaders vs. Laggards
Long/Short Spread = +11.7%

chart	visible	tail	symbol	name	sector	industry	price	%chg
☺☺☺	☑	■	KMI	Kinder Morgan Inc.	Energy	Pipelines	17.38	■ -3.5
☺☺☺	☑	■	COG	Cabot Oil & Gas Corp.	Energy	Exploration & Production	16.00	■ -4.9
☺☺☺	☑	■	CVX	Chevron Corp.	Energy	Integrated Oil & Gas	101.81	■ -5.1
☺☺☺	☑	■	WMB	Williams Cos., Inc.	Energy	Pipelines	25.05	■ -6.5
☺☺☺	☑	■	OKE	Oneok, Inc.	Energy	Pipelines	51.97	■ -6.5
☺☺☺			XLE	Energy Select Sector SPDR Fund			49.39	■ -10.8
☺☺☺	☑	■	HFC	HollyFrontier Corp.	Energy	Exploration & Production	29.40	■ -15.2
☺☺☺	☑	■	APA	APA Corporation	Energy	Exploration & Production	18.75	■ -15.4
☺☺☺	☑	■	MRO	Marathon Oil	Energy	Integrated Oil & Gas	11.59	■ -17.6
☺☺☺	☑	■	VLO	Valero Energy Corp	Energy	Exploration & Production	66.97	■ -18.4
☺☺☺	☑	■	PSX	Phillips 66	Energy	Integrated Oil & Gas	73.43	■ -18.4

Source: StockCharts.com

INDUSTRIALS

July Leaders vs. Laggards
Long/Short Spread = +16.2%

chart	visible	tail	symbol	name	sector	industry	price	%chg
☺☺☺	☑	■	TT	Trane Technologies Inc	Industrial	Building Materials	203.61	■ 13.1
☺☺☺	☑	■	DOV	Dover Corp.	Industrial	Industrial Machinery	167.12	■ 11.9
☺☺☺	☑	■	CPRT	Copart, Inc.	Industrial	Transportation Services	147.00	■ 10.3
☺☺☺	☑	■	OTIS	Otis Worldwide Corp.	Industrial	Industrial Machinery	89.55	■ 9.7
☺☺☺	☑	■	CTAS	Cintas Corp.	Industrial	Business Support Services	394.18	■ 4.2
☺☺☺			XLI	Industrial Select Sector SPDR Fund			103.36	■ 1.0
☺☺☺	☑	■	SWK	Stanley Black & Decker Inc.	Industrial	Diversified Industrials	197.05	■ -3.8
☺☺☺	☑	■	CAT	Caterpillar, Inc.	Industrial	Commercial Vehicles	206.75	■ -3.9
☺☺☺	☑	■	PCAR	PACCAR, Inc.	Industrial	Commercial Vehicles	82.99	■ -6.7
☺☺☺	☑	■	LUV	Southwest Airlines Co.	Industrial	Airlines	50.52	■ -7.4
☺☺☺	☑	■	DAL	Delta Air Lines Inc.	Industrial	Airlines	39.90	■ -10.2

Source: StockCharts.com

CONSUMER STAPLES

July Leaders vs. Laggards
 Long/Short Spread = +14.2%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	<input checked="" type="checkbox"/>		COST	Costco Wholesale Corp.	Consumer Staples	Personal Products	429.72	9.1
	<input checked="" type="checkbox"/>		PEP	Pepsico, Inc.	Consumer Staples	Soft Drinks	156.95	7.2
	<input checked="" type="checkbox"/>		PG	Procter & Gamble Co.	Consumer Staples	Personal Products	142.23	6.1
	<input checked="" type="checkbox"/>		KO	Coca Cola Co.	Consumer Staples	Soft Drinks	57.03	5.0
	<input checked="" type="checkbox"/>		WMT	Walmart Inc.	Consumer Staples	Personal Products	142.55	2.9
			XLP	Consumer Staples Select Sector SPDR Fund			71.51	2.6
	<input checked="" type="checkbox"/>		CPB	Campbell Soup Co.	Consumer Staples	Food Products	43.72	-3.7
	<input checked="" type="checkbox"/>		TSN	Tyson Foods Inc CIA	Consumer Staples	Food Products	71.46	-4.1
	<input checked="" type="checkbox"/>		CAG	ConAgra Brands, Inc.	Consumer Staples	Food Products	33.49	-6.1
	<input checked="" type="checkbox"/>		WBA	Walgreens Boots Alliance, Inc.	Consumer Staples	Drug Retailers	47.15	-9.6
	<input checked="" type="checkbox"/>		LW	Lamb Weston Holdings, Inc.	Consumer Staples	Food Products	66.77	-17.2

Source: StockCharts.com

FINANCIALS

July Leaders vs. Laggards
Long/Short Spread = +16.7%

chart	visible	tail	symbol	name	sector	industry	price	%chg
☺☺☺	☑	█	MSCI	MSCI, Inc.	Financial	Specialty Finance	595.96	█ 12.1
☺☺☺	☑	█	MS	Morgan Stanley	Financial	Investment Services	95.98	█ 9.4
☺☺☺	☑	█	MMC	Marsh and McLennan Co.	Financial	Insurance Brokers	147.22	█ 5.8
☺☺☺	☑	█	NDAQ	Nasdaq OMX Group Inc.	Financial	Investment Services	186.73	█ 4.9
☺☺☺	☑	█	SPGI	S&P Global Inc.	Financial	Specialty Finance	428.72	█ 4.0
☺☺☺			XLF	Financial Select Sector SPDR Fund			36.52	█ -1.1
☺☺☺	☑	█	PNC	PNC Financial Services Gr	Financial	Banks	182.41	█ -5.0
☺☺☺	☑	█	SCHW	Charles Schwab Corp.	Financial	Investment Services	67.95	█ -7.9
☺☺☺	☑	█	CFG	Citizens Financial Group Inc.	Financial	Banks	42.16	█ -10.1
☺☺☺	☑	█	MTB	M&T Bank Corp.	Financial	Banks	133.85	█ -11.6
☺☺☺	☑	█	WLTW	Willis Towers Watson Public Ltd. Co.	Financial	Insurance Brokers	206.08	█ -12.5

Source: StockCharts.com

CONSUMER DISCRETIONARY

July Leaders vs. Laggards
Long/Short Spread = +26.0%

chart	visible	tail	symbol	name	sector	industry	price	%chg
📊	✓	🟢	DPZ	Domino's Pizza Group LTD	Consumer Discretionary	Restaurants & Bars	525.49	🟢 14.7
📊	✓	🟢	DG	Dollar General Corp.	Consumer Discretionary	Specialty Retailers	232.64	🟢 10.0
📊	✓	🟢	GRMN	Garmin Ltd.	Consumer Discretionary	Recreational Products	157.20	🟢 8.9
📊	✓	🟢	TGT	Target Corp.	Consumer Discretionary	Broadline Retailers	261.05	🟢 8.5
📊	✓	🟢	POOL	SCP Pool Corp.	Consumer Discretionary	Recreational Products	477.82	🟢 4.8
📊			XLY	Consumer Discretionary Select Sector SPDR Fund			180.43	🟢 1.4
📊	✓	🔴	EXPE	Expedia, Inc	Consumer Discretionary	Travel & Tourism	160.87	🔴 -5.9
📊	✓	🔴	RCL	Royal Caribbean Cruises	Consumer Discretionary	Recreational Services	76.87	🔴 -13.8
📊	✓	🔴	LVS	Las Vegas Sands Corp.	Consumer Discretionary	Gambling	42.35	🔴 -19.6
📊	✓	🔴	WYNN	Wynn Resorts Ltd	Consumer Discretionary	Gambling	98.33	🔴 -20.7
📊	✓	🔴	CCL	Carnival Corp.	Consumer Discretionary	Recreational Services	21.65	🔴 -23.0

Source: StockCharts.com

BASIC MATERIALS

July Leaders vs. Laggards
 Long/Short Spread = +15.3%

chart	visible	tail	symbol	name	sector	industry	price	%chg
☺☺	<input checked="" type="checkbox"/>		ALB	Albemarle Corp.	Materials	Specialty Chemicals	206.04	 23.5
☺☺	<input checked="" type="checkbox"/>		NUE	Nucor Corp.	Materials	Steel	104.02	 8.0
☺☺	<input checked="" type="checkbox"/>		LIN	Linde plc	Materials	Commodity Chemicals	307.39	 7.8
☺☺	<input checked="" type="checkbox"/>		ECL	Ecolab, Inc.	Materials	Specialty Chemicals	220.83	 6.4
☺☺	<input checked="" type="checkbox"/>		SHW	Sherwin Williams Co.	Materials	Specialty Chemicals	291.03	 6.2
☺☺			XLB	Materials Select Sector SPDR Fund			84.02	 2.3
☺☺	<input checked="" type="checkbox"/>		LYB	LyondellBasell Industries NV	Materials	Commodity Chemicals	99.33	 -2.5
☺☺	<input checked="" type="checkbox"/>		CTVA	Corteva Inc.	Materials	Specialty Chemicals	42.78	 -3.1
☺☺	<input checked="" type="checkbox"/>		EMN	Eastman Chemical Co.	Materials	Commodity Chemicals	112.72	 -3.5
☺☺	<input checked="" type="checkbox"/>		WRK	WestRock Co.	Materials	Containers & Packaging	49.21	 -7.6
☺☺	<input checked="" type="checkbox"/>		CF	CF Industries Holdings, Inc.	Materials	Specialty Chemicals	47.25	 -7.9

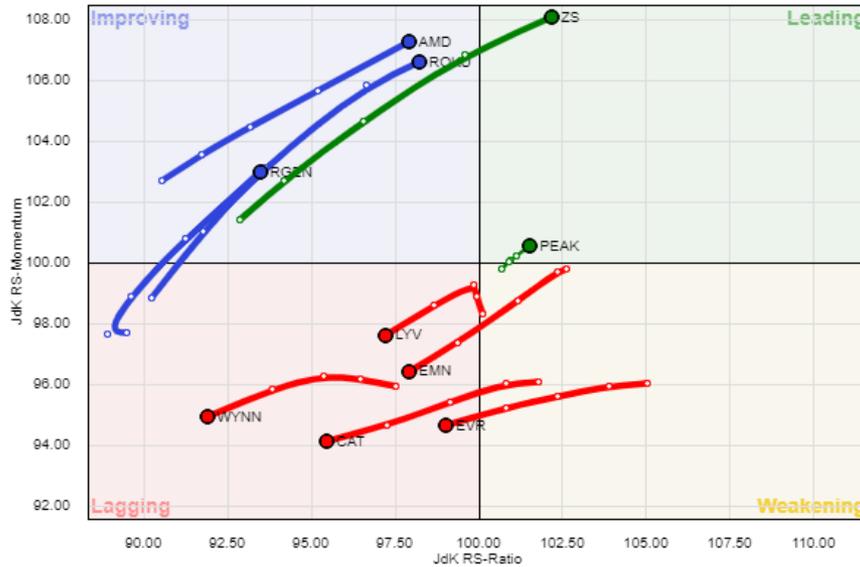
Source: StockCharts.com

UTILITIES

July Leaders vs. Laggards
Long/Short Spread = +8.2%

chart	visible	tail	symbol	name	sector	industry	price	%chg
☺☺☺	☑	■	AWK	American Water Works Co. Inc.	Utilities	Water	170.11	■ 9.6
☺☺☺	☑	■	DUK	Duke Energy Corp.	Utilities	Multiutilities	105.11	■ 5.4
☺☺☺	☑	■	EXC	Exelon Corp.	Utilities	Conventional Electricity	46.80	■ 4.9
☺☺☺	☑		AEP	American Elec Pwr Co., Inc.	Utilities	Conventional Electricity	88.12	■ 4.0
☺☺☺	☑	■	LNT	Alliant Energy Corp.	Utilities	Conventional Electricity	58.53	■ 3.1
☺☺☺			XLU	Utilities Select Sector SPDR Fund			65.97	■ 3.1
☺☺☺	☑	■	PPL	PPL Corp.	Utilities	Conventional Electricity	28.37	0.2
☺☺☺	☑		D	Dominion Energy, Inc.	Utilities	Conventional Electricity	74.87	-0.3
☺☺☺	☑	■	NI	Nisource, Inc.	Utilities	Gas Distribution	24.77	-0.5
☺☺☺	☑	■	SRE	Sempra Energy	Utilities	Multiutilities	130.65	■ -4.2
☺☺☺	☑	■	AES	AES Corp.	Utilities	Conventional Electricity	23.70	■ -9.0

Source: StockCharts.com



Source: StockCharts.com

ACTIONABLE TRADE IDEAS

Targeting a minimum 15% appreciation potential over 3-6 months with a 3:1 positive risk skew.

Top Bullish Set-Ups:

- Advanced Micro (AMD)
- Repligen Corp (RGEN)
- Zscaler (ZS)
- Roku (ROKU)
- Health Peak Properties (PEAK)

Top Bearish Set-Ups:

- Wynn Resorts (WYNN)
- Caterpillar (CAT)
- Live Nation Entertainment (LYV)
- Eastman Chemical (EMN)
- Evercore Partners (EVR)

ADVANCED MICRO DEVICES

Reports 3Q21 October 26th @ 4:15 PM ET



Source: StockCharts.com

REPLIGEN CORP

Reports 3Q21 October 26th @ 7:30 AM ET



Source: StockCharts.com

ZSCALER

Reports 4Q21 August 24th @ 4:05 PM ET



ROKU

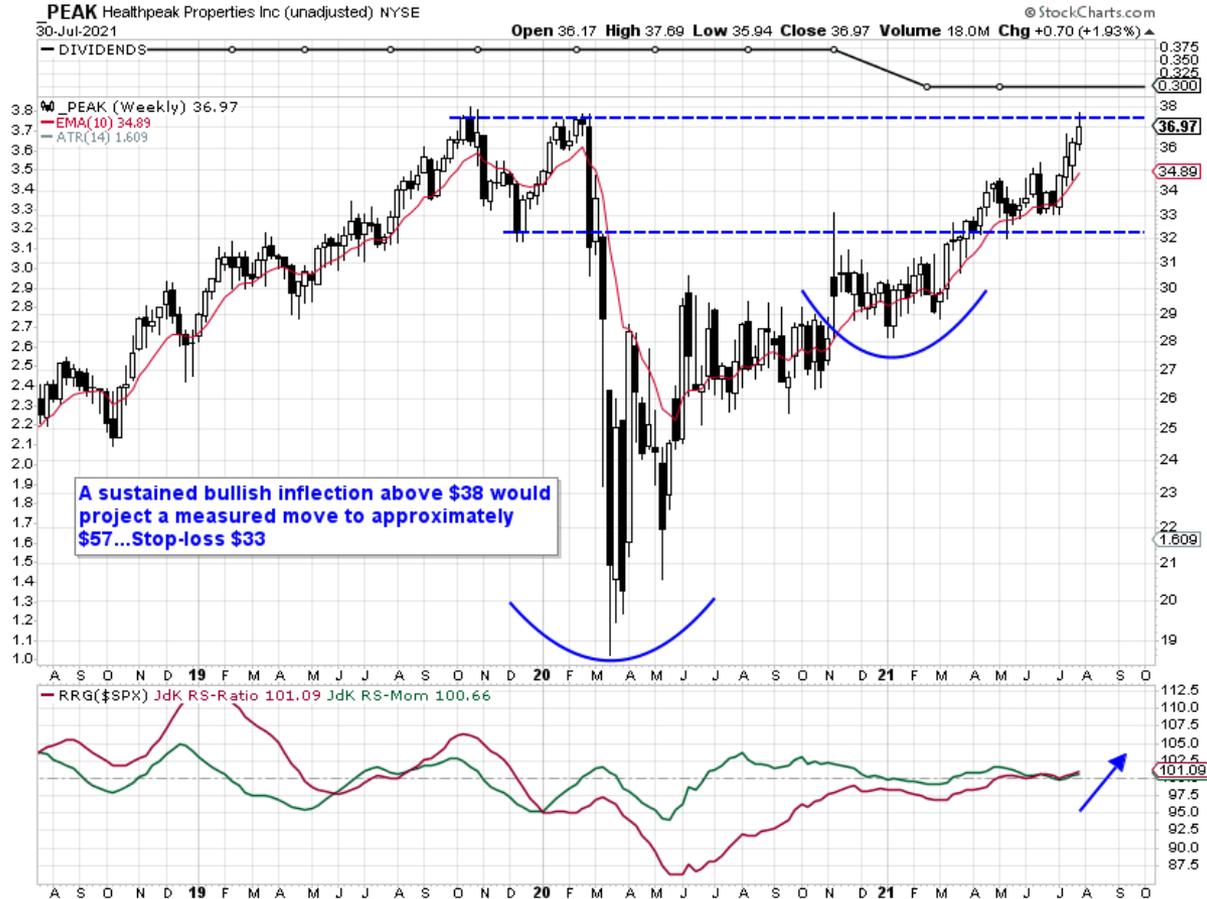
Reports 2Q21 August 4th @ 4:00 PM ET



Source: StockCharts.com

HEALTH PEAK PROPERTIES

Reports 2Q21 August 3rd @ 4:15 PM ET



Source: StockCharts.com

WYNN RESORTS

Reports 2Q21 August 4th @ 4:00 PM ET



Source: StockCharts.com

CATERPILLAR

Reports 4Q21 October 30th @ 6:30 AM ET



Source: StockCharts.com

LIVE NATION ENTERTAINMENT

Reports 2Q20 August 3rd @ 4:05 PM ET



Source: StockCharts.com

EASTMAN CHEMICAL

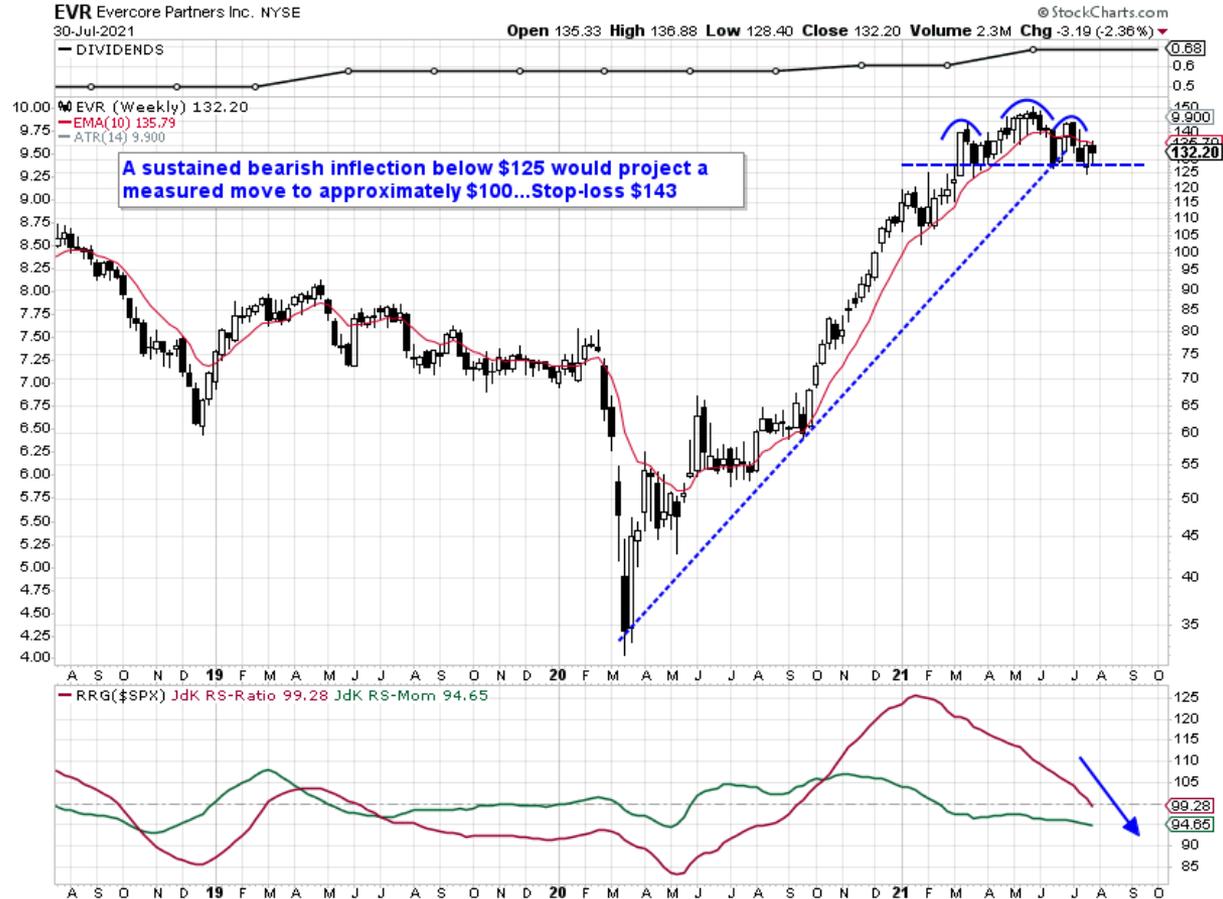
Reports 2Q21 August 2nd @ 5:10 PM ET



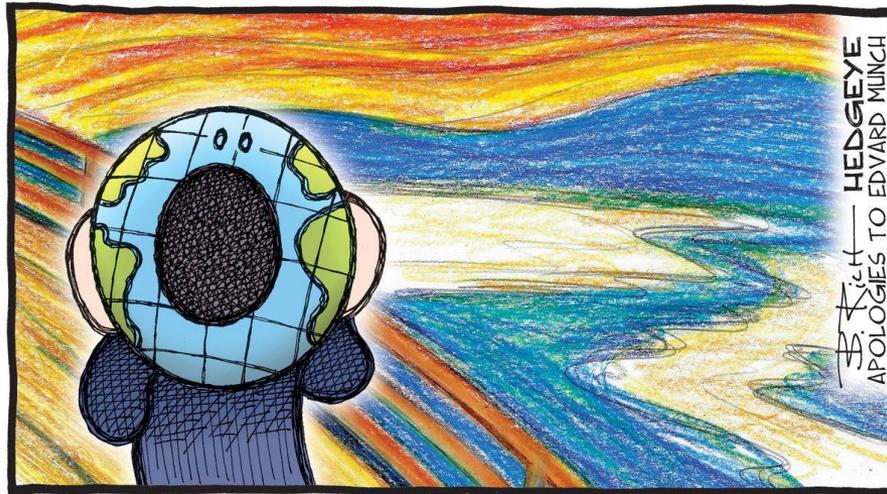
Source: StockCharts.com

EVERCORE PARTNERS

Reports 3Q21 October 27th @ 6:00 AM ET



Source: StockCharts.com



Source: Hedgeye.com

FOREIGN EQUITY MARKETS

Developed

- Canada, Australia, UK, Germany, Switzerland, France, Netherlands, Italy, Spain, and Japan

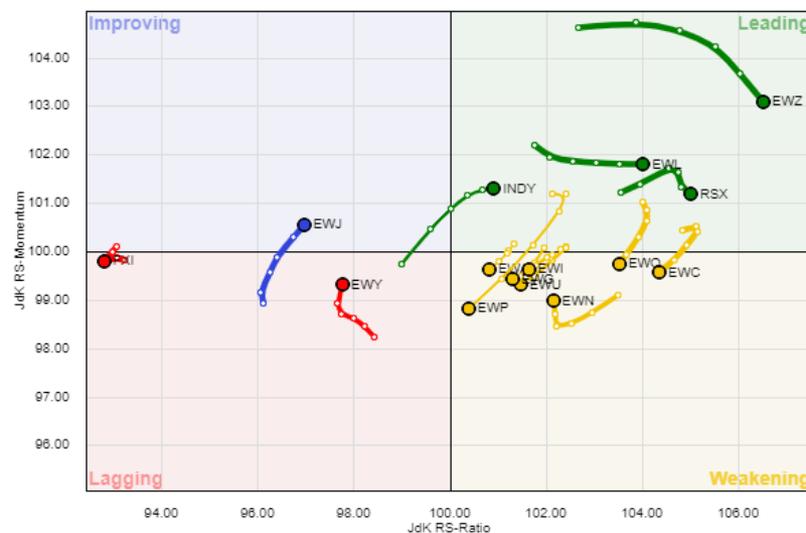
Emerging

- China, India, Brazil, Russia, and South Korea

MSCI FOREIGN MARKET LEADERSHIP

△	MSCI Foreign Market Rank	JUL Return	TTM Return
	1. Netherlands (EWN)	+ 3.1%	+ 46.2%
	2. South Korea (EWY)	- 4.8%	+ 47.0%
↑	3. India (INDY)	+ 0.2%	+ 39.7%
↓	4. Canada (EWC)	+ 0.2%	+ 38.6%
↓	5. France (EWQ)	+ 1.3%	+ 36.1%
	6. Russia (RSX)	- 0.8%	+ 35.0%
	7. Italy (EWI)	+ 0.3%	+ 31.2%
↓	8. Australia (EWA)	- 0.8%	+ 29.8%
↓	9. United Kingdom (EWU)	+ 0.3%	+ 27.4%
	10. Switzerland (EWL)	+ 3.3%	+ 23.6%
	11. Benchmark (ACWX)	- 1.7%	+ 26.2%
↓	12. Germany (EWG)	- 0.2%	+ 22.8%
↑	13. Japan (EWJ)	- 0.6%	+ 21.7%
↓	14. Spain (EWP)	- 2.3%	+ 23.0%
	15. Brazil (EWZ)	- 7.8%	+ 14.6%
↓	16. China (FXI)	- 12.5%	- 1.2%

MSCI Country Rotation Model



Source: StockCharts.com

Benchmark: MSCI All-Country ex-US Index

FOREIGN MARKETS: BULLISH

Developed Markets ex-US



Emerging Markets



Source: StockCharts.com

DEVELOPED MARKETS AUSTRALIA

BULLISH (+9.11% YTD)

Observations:

- ❑ **Price** closed July down 0.81%, but posted a “Hammer” candle line to hold above the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has rolled-over following the surge above an 8-year prior resistance structure to confirm price in November.
- ❑ **Relative Strength** vs. developed markets rallied off a 4-year after breaching trend support in March, but has since stalled below trend resistance.
- ❑ **Trend Bullish Above: \$24**
- ❑ **Trend Bearish Below: \$20**

Conclusions:

- ❑ **Market Weight.** The long-term trend remains constructive. Weakening price action, momentum, and RS all suggest that a multi-month consolidation may be in progress. Maintaining our bullish technical view. A monthly close below chart support at \$24 would move our view to neutral. A monthly close below trend support at \$20 would warrant a downgrade to bearish.
- ❑ **Target: \$33**



Source: StockCharts.com

DEVELOPED MARKETS CANADA BULLISH (+21.79% YTD)

Observations:

- ❑ **Price** closed July up 0.16% to post a “Hammer” candle line, holding above the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive after posting a new 14-year high in May to confirm price, and is now holding above a key prior resistance structure.
- ❑ **Relative Strength** vs. developed markets has turned up to penetrate trend resistance after testing the lower boundary of a lateral consolidation structure.
- ❑ **Trend Bullish: Above \$34**
- ❑ **Trend Bearish: Below \$28**

Conclusions:

- ❑ **Overweight.** The long-term trend remains constructive. Lackluster price action, momentum, and RS all suggest that a multi-month consolidation may be in progress. Maintaining our bullish technical view. A monthly close below chart support at \$34 would move our view to neutral. A monthly close below trend support at \$28 would warrant a downgrade to bearish.
- ❑ **New Target: \$42**



Source: StockCharts.com

DEVELOPED MARKETS UNITED KINGDOM BULLISH (+13.85% YTD)

Observations:

- ❑ **Price** closed July up 0.28% to post a “Hammer” candle line, holding above the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but failed to hold above a 10-year prior resistance structure, after posting a new 17-year high to confirm price in May.
- ❑ **Relative strength** vs. developed markets has stabilized following an all-time low last October, and now appears poised to challenge the lower boundary of a 9-year descending trend channel.
- ❑ **Trend Bullish: Above \$30**
- ❑ **Trend Bearish: Below \$27**

Conclusions:

- ❑ **Market Weight.** The long-term trend remains constructive. Lackluster price action, momentum, and RS all suggest that a multi-month consolidation may be in progress. Maintaining our bullish technical rating. A monthly close below the 200-DMA at \$30 would move our view to neutral. A monthly close below trend support at \$27 would warrant a downgrade to bearish.
- ❑ **New Target: \$43**



Source: StockCharts.com

DEVELOPED MARKETS GERMANY

BULLISH (+10.50% YTD)

Observations:

- ❑ **Price** closed July down 0.23%, but posted a “Hammer” candle line to hold above the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has turned down after failing at a 7-year resistance structure.
- ❑ **Relative strength** vs. developed markets has turned down breaching trend support to re-establish its downtrend.
- ❑ **Trend Bullish: Above \$32**
- ❑ **Trend Bearish: Below \$24**

Conclusions:

- ❑ **Underweight.** The long-term trend remains constructive. Lackluster price action, momentum, and RS all suggest that a multi-month consolidation may be in progress. Maintaining our bullish technical rating. A monthly close below chart support at \$32 would warrant a downgrade to neutral. A monthly close below trend support at \$24 would move our view to bearish.
- ❑ **Target: \$45**



Source: StockCharts.com

DEVELOPED MARKETS FRANCE

BULLISH (+16.56% YTD)

Observations:

- ❑ **Price** closed July up 1.29% to post a “Hammer” candle line, holding above the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has turned down after failing at an 11-year resistance structure.
- ❑ **Relative strength** vs. developed markets has turned up from a higher low to penetrate trend resistance and appears poised to accelerate higher.
- ❑ **Trend Bullish: Above \$35**
- ❑ **Trend Bearish: Below \$32**

Conclusions:

- ❑ **Overweight.** The long-term trend remains constructive. Lackluster price action and weakening momentum suggest a multi-month consolidation may be in progress. Maintaining our bullish technical view. A monthly close below chart support at \$35 would move our view to neutral. A monthly close below trend support at \$32 would warrant a downgrade to bearish.
- ❑ **New Target: \$45**



Source: StockCharts.com

DEVELOPED MARKETS ITALY

BULLISH (+11.70% YTD)

Observations:

- ❑ **Price** closed July up 0.31% to post a “Hammer” candle line, holding above the 200-DMA. A recovery uptrend remains intact.
- ❑ **Momentum** remains positive, but is consolidating after penetrating a 6-year resistance structure in November.
- ❑ **Relative strength** vs. developed markets has turned up from an all-time low in October, and is now attempting to challenge trend resistance.
- ❑ **Trend Bullish: Above \$30**
- ❑ **Trend Bearish: Below \$22**

Conclusions:

- ❑ **Market Weight.** A recovery uptrend remains intact. Lackluster price action, momentum, and RS all suggest that a multi-month consolidation may be in progress. A monthly close below chart support at \$30 would warrant a downgrade to neutral. A monthly close below trend support at \$22 would move our view to bearish.
- ❑ **Target: \$38**



Source: StockCharts.com

DEVELOPED MARKETS SPAIN

NEUTRAL (+4.20% YTD)

Observations:

- ❑ **Price** closed July down 2.25%, but posted a “Hammer” candle line to hold above the 200-DMA. The trend remains flat.
- ❑ **Momentum** remains slightly positive, but appears to be consolidating after surging above a 6-year resistance structure in November.
- ❑ **Relative strength** vs. developed markets has turned down again and appears poised to retest its October low.
- ❑ **Trend Bullish: Above \$32**
- ❑ **Trend Bearish: Below \$21**

Conclusions:

- ❑ **Underweight.** The long-term trend remains flat. With price, momentum, and RS all holding below trend resistance we are maintaining our neutral technical rating. A monthly close above chart resistance at \$32 would warrant an upgrade to bullish. A monthly close below trend support at \$21 would move our view to bearish.
- ❑ **Target: N/A**



Source: StockCharts.com

DEVELOPED MARKETS SWITZERLAND

BULLISH (+14.52% YTD)

Observations:

- ❑ **Price** closed July up 3.31% to post a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains decidedly positive, holding above an 8-year prior resistance structure to make a new 4-year high.
- ❑ **Relative strength** vs. the developed markets has turned up and has now penetrated trend resistance.
- ❑ **Trend Bullish: Above \$45**
- ❑ **Trend Bearish: Below \$38**

Conclusions:

- ❑ **Market Weight.** The long-term trend remains constructive. The new all-time and monthly closing high supports our bullish technical view. A monthly close below chart support at \$45 would move our view to neutral. A monthly close below trend support at \$38 would warrant a downgrade to bearish.
- ❑ **Target: \$54**



Source: StockCharts.com

DEVELOPED MARKETS NETHERLANDS

BULLISH (+21.66% YTD)

Observations:

- ❑ **Price** closed July up 3.12% after posting a new all-time and monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has turned down below a 10-year prior resistance structure.
- ❑ **Relative strength** vs. developed markets posted a new all-time high in July.
- ❑ **Trend Bullish: Above \$44**
- ❑ **Trend Bearish: Below \$36**

Conclusions:

- ❑ **Overweight.** The Netherlands has some of the most constructive technical credentials on the European continent. The new all-time highs in price and RS support our bullish technical view. A monthly close below the 200-DMA at \$44 would warrant a downgrade to neutral. A monthly close below chart support at \$36 would warrant a downgrade to bearish.
- ❑ **Target: \$54**



Source: StockCharts.com

DEVELOPED MARKETS JAPAN BULLISH (+0.07% YTD)

Observations:

- ❑ **Price** closed July down 0.64%, failing to make any forward progress, but holding above chart support and the 200-DMA. A recovery uptrend remains intact.
- ❑ **Momentum** remains slightly positive, but has turned down after surging above a 7-year resistance structure to confirm price in November.
- ❑ **Relative strength** vs. developed markets has breached trend support after failing at chart resistance, and appears poised to trend lower.
- ❑ **Trend Bullish: Above \$64**
- ❑ **Trend Bearish: Below \$59**

Conclusions:

- ❑ **Underweight.** The recovery uptrend remains intact. After 7 months of consolidation, price appears no closer to resuming its advance. Weak momentum and RS are a real concern. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at \$64 would move our view to neutral; A monthly close below trend support at \$59 would warrant a downgrade to bearish.
- ❑ **Target: \$82**



Source: StockCharts.com

EMERGING MARKETS CHINA NEUTRAL (-12.40% YTD)

Observations:

- ❑ **Price** closed July down 12.50% to breach the 200-DMA. The LT trend remains flat.
- ❑ **Momentum** turned negative after failing well-below a 9-year resistance structure, leaving a multi-year negative divergence in place.
- ❑ **Relative strength** vs. emerging markets has collapsed to post a new all-time low in July.
- ❑ **Trend Bullish: Above \$50**
- ❑ **Trend Bearish: Below \$36**

Conclusions:

- ❑ **Underweight.** The LT trend remains flat. The close below the 200-DMA suggests that the recovery may be in trouble. Maintaining our neutral technical rating for now. A monthly close above chart resistance at \$50 would warrant an upgrade to bullish. A monthly close below trend support at \$36 would move our view to bearish.
- ❑ **Target: N/A**



Source: StockCharts.com

EMERGING MARKETS INDIA BULLISH (+10.38% YTD)

Observations:

- ❑ **Price** closed July up 0.21% just one penny shy of the all-time monthly closing high. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has stalled, leaving a negative divergence in place, after surging to an all-time high in November.
- ❑ **Relative strength** vs. emerging markets is staging an impressive bullish reversal after penetrating trend resistance.
- ❑ **Trend Bullish: Above \$43**
- ❑ **Trend Bearish: Below \$39**

Conclusions:

- ❑ **Overweight.** The long-term trend remains constructive. A multi-month consolidation of recent gains appears to have ended in April. Maintaining our bullish technical view. A monthly close below the 200-DMA at \$43 would move our view to neutral. A monthly close below chart support at \$39 would warrant a downgrade to bearish.
- ❑ **New Target: \$56**



Source: StockCharts.com

EMERGING MARKETS BRAZIL

BEARISH (+2.44% YTD)

Observations:

- ❑ **Price** closed July down 7.75% to post a bearish engulfing candle line, but held above the 200-DMA. A primary downtrend remains intact.
- ❑ **Momentum** remains positive, but turned down after failing at a 10-year resistance structure.
- ❑ **Relative strength** vs. emerging markets has reversed above trend resistance and is attempting to stabilize after posting a new 18-year low in February.
- ❑ **Trend Bullish: Above \$60**
- ❑ **Trend Bearish: Below \$46**

Conclusions:

- ❑ **Underweight.** The long-term trend remains down. Weakening price action, momentum and RS support our bearish technical rating. A monthly close above chart resistance at \$47 would move our view to neutral. Only a monthly close above \$62 would warrant a bullish opinion.
- ❑ **Target: N/A**



Source: StockCharts.com

EMERGING MARKETS RUSSIA BULLISH (+19.13% YTD)

Observations:

- ❑ **Price** closed July down 0.83% to post a “Hammer” candle line, holding above the 200-DMA. A recovery uptrend remains intact.
- ❑ **Momentum** remains positive, and is challenging a 10-year resistance structure.
- ❑ **Relative strength** vs. emerging markets appears poised to challenge the upper boundary of a multi-year lateral consolidation range.
- ❑ **Trend Bullish: Above \$24**
- ❑ **Trend Bearish: Below \$17**

Conclusions:

- ❑ **Market Weight.** The recovery uptrend remains intact. Lackluster price action and momentum suggest a temporary consolidation may be in progress. Maintaining our bullish technical view. A monthly close below chart support at \$24 would warrant a downgrade to neutral. A monthly close below trend support at \$17 would move our view to bearish.
- ❑ **New Target: \$39**



EMERGING MARKETS SOUTH KOREA

BULLISH (+3.14% YTD)

Observations:

- ❑ **Price** closed July down 4.75%, but continues to hold above the 200-DMA. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has turned sharply lower after surging to an 18-year high in November.
- ❑ **Relative strength** vs. emerging markets posted a new 15-year high in July.
- ❑ **Trend Bullish: Above \$84**
- ❑ **Trend Bearish: Below \$62**

Conclusions:

- ❑ **Overweight.** The long-term trend remains constructive. Despite the strong RS performance, recent price action and momentum suggest that a multi-month consolidation is currently underway. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at \$83 would move our view to neutral; A monthly close below trend support at \$52 would warrant a downgrade to bearish.
- ❑ **Target: \$103**



Source: StockCharts.com



Source: Hedgeye.com

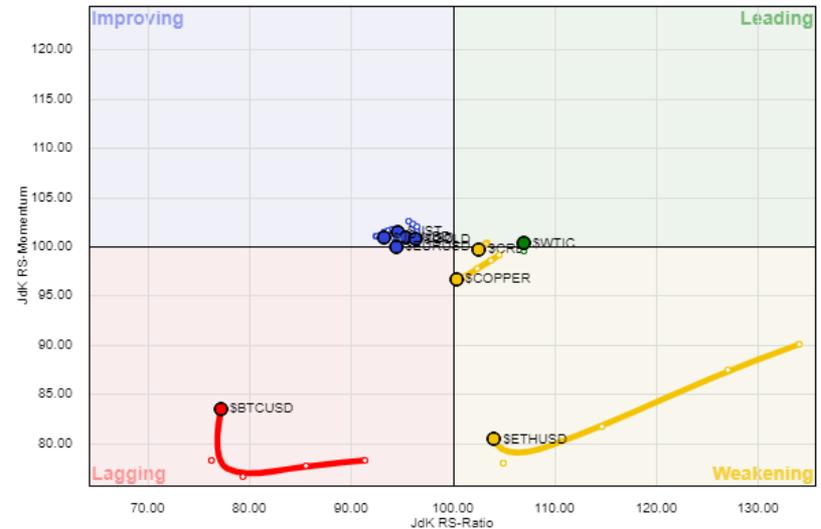
MACRO PERSPECTIVES

- Macro Leadership & Rotation Model
- Commodities: CRB Index, Copper, Gold Bullion, WTI Crude Oil
- Crypto: Bitcoin, Ethereum
- Currencies: U.S. Dollar Index, EURUSD, JPYUSD
- Rates: 10-Year U.S. Treasury Note

MACRO ASSET LEADERSHIP

△ <u>Macro Asset Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
1. Ethereum (\$ETHUSD)	+ 8.2%	+ 635.4%
2. Bitcoin (\$BTCUSD)	+ 20.5%	+ 279.7%
↑ 3. WTI Crude (\$WTIC)	+ 0.7%	+ 85.3%
4. Copper (\$Copper)	+ 4.5%	+ 53.8%
↓ 5. CRB Index (\$CRB)	+ 2.2%	+ 52.7%
6. Benchmark (\$SPX)	+ 2.3%	+ 35.4%
7. Euro (\$EURUSD)	+ 0.1%	+ 0.2%
8. U.S. Dollar (\$USD)	- 0.3%	- 0.9%
9. 10-Year T-Note (\$UST)	+ 1.5%	- 4.5%
10. Japanese Yen (\$JPYUSD)	+ 1.3%	- 4.5%
11. Gold (\$Gold)	+ 2.6%	- 7.6%

Macro Rotation Model



Source: StockCharts.com

Benchmark: S&P 500 Index

COMMODITY R/J CRB INDEX NEUTRAL (+29.97% YTD)

Observations:

- ❑ **Price** closed July up 2.20% to post a new monthly recovery closing high, penetrating chart and trend resistance to reverse above a decade-plus primary downtrend.
- ❑ **Momentum** is decidedly positive, having surged above a 13-year resistance structure in November. However, a negative divergence is now evident.
- ❑ **Relative strength** vs. the S&P 500 index has been in decline since mid-2008, but has stabilized around a 50-year low established in 2020.
- ❑ **Trend Bullish: Above 210**
- ❑ **Trend Bearish: Below 153**

Conclusions:

- ❑ **Benchmark Weight.** Given the price action in the oil patch since last April, it's likely that the CRB has made a low. The November momentum surge is probably confirming a durable trend reversal. Once we have identified a high confidence bullish set-up, we'll position to take advantage of a what could be a more sizable bounce. That would include some notable improvement in RS, in addition to the evolution of a readable price pattern followed by a breakout.

- ❑ **Target = N/A**



Source: StockCharts.com

COMMODITY COPPER BULLISH (+27.38% YTD)

Observations:

- ❑ **Price** closed July up 4.51%, retracing 50% of the June decline. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has is consolidating after surging above a 4-year resistance structure in mid-2020.
- ❑ **Relative strength** vs. the other 18 commodities that make up the CRB index is consolidating after posting an all-time high in May.
- ❑ **Trend Bullish: Above \$4.00**
- ❑ **Trend Bearish: Below \$3.32**

Conclusions:

- ❑ **Overweight.** The trend remains up. However, the sharp reversal in price, momentum, and RS off the highs suggest that a consolidation may now be underway. Maintaining our bullish technical view. A monthly close below chart support at \$4.00 would move our view back to neutral. A monthly close below trend support at \$3.32 would warrant a downgrade to bearish.
- ❑ **Target = \$5.35**



Source: StockCharts.com

COMMODITY GOLD BULLION NEUTRAL (-4.11% YTD)

Observations:

- ❑ **Price** closed July up 2.57%, recovering the 200-DMA and retracing 38.2% of the June decline. The primary uptrend remains in question.
- ❑ **Momentum** has turned slightly positive again, after breaching the zero bound in June.
- ❑ **Relative strength** vs. the other 18 commodities that make up the CRB index is trending down but appears poised to soon test chart and trend support.
- ❑ **Trend Bullish: Above \$1,924**
- ❑ **Trend Bearish: Below \$1,767**

Conclusions:

- ❑ **Benchmark Weight.** The long-term trend is now flat. We would expect gold to continue to move higher if inflationary pressures following the myriad monetary stimulus initiatives sponsored by global central banks turns out to be something more than transitory. A monthly close above \$1,924 would put us back in the bullish camp. A monthly close below \$1767 would warrant an downgrade to bearish.
- ❑ **Target = N/A**



Source: StockCharts.com

COMMODITY WTI CRUDE OIL NEUTRAL (+52.41% YTD)

Observations:

- ❑ **Price** closed July up 0.65%, posting an outside up month. The LT trend appears to have bottomed, after breaching prior chart support, and posting a new 40-year low in April. So far, it's looking like our double zigzag (W-X-Y) count is correct. A new advance appears to be in progress and should carry beyond the prior (X) wave.
- ❑ **Momentum** remains decidedly positive, penetrating and holding near a 10-year prior resistance structure.
- ❑ **Volatility** is often considered to be a contrarian measure of sentiment. Higher levels imply fear. Spikes in the OVX above 50% have tended to closely correspond with important price lows. A new all-time historical extreme high was posted in March 2020.
- ❑ **Trend Bullish: Above \$75**
- ❑ **Trend Bearish: Below \$33**

Conclusions:

- ❑ **Benchmark Weight.** As all will know, the downside risk is no longer limited to zero in the front month futures contract, but the historic extreme in volatility and the 40-year low in momentum suggest that a price low may have been achieved in 2020. A monthly close above \$75 would move our view to Bullish.
- ❑ **Target = N/A**



Source: StockCharts.com

CRYPTOCURRENCY BITCOIN/US DOLLAR NEUTRAL (+45.77% YTD)

Observations:

- ❑ **Price** closed July up 29.47%, retracing 38.2% of the April-June, but held below chart resistance. A primary uptrend remains intact.
- ❑ **Momentum** has turned positive again after holding at trend support.
- ❑ **Relative Strength** vs. the 19 most widely traded commodities, as illustrated by the CRB index, posted an all-time high in March, then plunged by > 50%. It is now attempting to stage a bullish reversal.
- ❑ **Trend Bullish: Above \$45,261**
- ❑ **Trend Bearish: Below \$19,870**

Conclusions:

- ❑ **Benchmark Weight.** The long-term trend is up. The up tick in price action, momentum, and RS suggest that the consolidation may have run its course. Maintaining our neutral technical view for now. A monthly close above \$45,261 would move technical view back to bullish. A monthly close below chart support at \$19,870 would warrant a downgrade to bearish.
- ❑ **Target: N/A**



Source: StockCharts.com

CRYPTOCURRENCY ETHEREUM/US DOLLAR NEUTRAL (+234.21% YTD)

Observations:

- ❑ **Price** closed July up 8.24%, retracing almost one-third of the May-June decline, but held below chart resistance. A primary uptrend remains intact.
- ❑ **Momentum** remains positive, but has been trending lower since breaching trend support in May.
- ❑ **Relative Strength** vs. Bitcoin resolved above a classic patterned base formation, but may have peaked for now.
- ❑ **Trend Bullish: Above \$2,800**
- ❑ **Trend Bearish: Below \$1,422**

Conclusions:

- ❑ **Benchmark Weight.** The long-term trend remains constructive, however, a consolidation of the heretofore epic YTD gains appears underway and may take weeks to months before completion. A monthly close above chart resistance at \$2800 would move our view back to bullish. A monthly close below trend support at \$1422 would warrant a downgrade to bearish.
- ❑ **Target: N/A**



Source: StockCharts.com

FOREIGN EXCHANGE US DOLLAR INDEX NEUTRAL (+2.55% YTD)

Observations:

- ❑ **Price** closed July down 0.26%, posting a neutral “doji” candle line. The long-term trend remains up, and the decline since the 2017 high appears countertrend. Headlines abound predicting the end of the U.S. Dollar. We are more sanguine.
- ❑ **Momentum** turned slightly negative, but any push into positive territory is all it would take at this point to resolve the 5-year resistance structure.
- ❑ **Relative Strength** vs. the G10 Currency Harvest Index has breached a 6-year support shelf, but may now be attempting to stabilize.
- ❑ **Trend Bullish: Above 94.80**
- ❑ **Trend Bearish: Below 88.15**

Conclusions:

- ❑ **Overweight.** On the one hand, a close above key resistance would suggest that a bearish-to-bullish reversal was in progress. A bullish resolution would project a measured move to approximately 115. On the other hand, a monthly close below key support would favor the double-top bear case. That translates to a 5:1 positive risk skew.

- ❑ Target = N/A



Source: StockCharts.com

FOREIGN EXCHANGE EURO/US DOLLAR NEUTRAL (-2.86% YTD)

Observations:

- ❑ **Price** closed July up 0.09%, posting a neutral “doji” candle line. While the long-term trend remains down, the recent advance appears to be part of a larger degree countertrend rally.
- ❑ **Momentum** remains slightly negative, but has been coiling around the zero bound since 2016. A break in one direction or the other would be telling.
- ❑ **Relative Strength** vs. the G10 Currency Harvest Index has held trend support and is attempting to stage a bullish reversal.
- ❑ **Trend Bullish: Above 1.24**
- ❑ **Trend Bearish: Below 1.09**

Conclusions:

- ❑ **Benchmark Weight.** Price action in this currency pair is essentially the mirror image of the DXY. On the one hand, a close below key support would suggest a new leg of the decline was underway. A bearish resolution would project a measured move to approximately 0.80. On the other hand, a monthly close above key resistance would suggest a test of the 2014 high.
- ❑ Target = N/A



Source: StockCharts.com

FOREIGN EXCHANGE YEN/US DOLLAR NEUTRAL (-5.87% YTD)

Observations:

- ❑ **Price** closed July up 1.27%, but held below the 200-DMA. The trend is now flat.
- ❑ **Momentum** plunged into negative territory in January after coiling around the zero bound for the prior 3-years. It is now attempting to stage a bullish reversal.
- ❑ **Relative Strength** vs. the G10 Currency Harvest Index remains contained below an 8-year shelf of resistance, and is now attempting to stabilize after penetrating trend support.
- ❑ **Trend Bullish: Above 0.99**
- ❑ **Trend Bearish: Below 0.86**

Conclusions:

- ❑ **Benchmark Weight.** The breach of trend and nearby chart support open up the possibility for additional weakness in the months ahead, with risk to the lower channel boundary. A monthly close above 0.99 would move our opinion back to Bullish. A monthly close below 0.86 would warrant a downgrade to bearish.
- ❑ **Target = N/A**



Source: StockCharts.com

INTEREST RATES

10-YEAR US TREASURY NOTE

NEUTRAL (-2.64% YTD)

Observations:

- ❑ **Price** closed July up 1.52% to penetrate chart resistance and recover the 200-DMA. On-again/off-again inflation concerns have increased the volatility around 10-year Treasury yields.
- ❑ **Momentum** has turned slightly positive again after breaching trend support and the zero bound last year.
- ❑ **Fed funds rate** will likely remain in the zero to 25 bps range until 2023. Chairman Powell has indicated that the FRB is willing to allow the economy to run hot for a while before raising rates again. The tapering of Fed asset purchases is a key risk for bond prices in the months ahead.
- ❑ **Trend Bullish: Above 140**
- ❑ **Trend Bearish: Below 130**

Conclusions:

- ❑ **Benchmark Weight.** Bonds remain a reliable hedge to equities, but are now at risk below prior chart support. We still expect bonds to trade countertrend to stocks for now, but it's possible we are witnessing the end of the bond bull market. A monthly close below 130 would warrant a downgrade to bearish.
- ❑ Target = N/A



Source: StockCharts.com



Source: Hedgeye.com

APPENDIX

- Methodology
- Analyst Bio
- Disclaimer

METHODOLOGY

- ❑ The analysis contained herein utilizes data visualization techniques related to historical monthly and weekly price and volume statistics for publicly traded securities and popular indexes.
- ❑ The analysis employs an evidence-based approach to identify change and to evaluate the sustainability of long-term price trends for a variety of broad markets, their sub-sectors, and the constituents that comprise their indexes.
- ❑ Emphasis has been placed on the use of equal-weight index data to conduct this analysis where appropriate in order to reduce the influence of more heavily weighted large-cap issues and their ability to skew the results of a given study.
- ❑ Relative strength (RS) measures the performance of one or more variables vs. a benchmark. Of all the factors that have ever been tested, RS has consistently demonstrated the greatest efficacy in terms of its predictive value. Our analysis considers both the RS factor and its 2nd derivative, the momentum of the RS factor over a specified time period.
- ❑ Observations are objective, based upon the body of knowledge that comprises the subject of technical analysis as defined by the CMT Association, but conclusions are subjective and are based upon the judgement and experience of this analyst.
- ❑ Ratings reflect this analyst's opinion: Bullish / Bearish / Neutral. A Bullish rating indicates that the data support further improvement. A Bearish rating indicates that the data support further deterioration. A Neutral rating indicates that the data is currently inconclusive.
- ❑ The use of plain language where possible has been given preference over industry jargon in order to simplify the explanation and interpretation of this analysis. A glossary of terms specific to the discipline of technical analysis can be found at: [Technical Analysis Glossary of Terms](#)
- ❑ Some readers may be unfamiliar with the use of Relative Rotation Graphs. A detailed discussion of this subject can be found at: [Relative Rotation Graphs 101](#)

ANALYST BIO

- ❑ Jeffrey W. Hugel, CMT has over 30 years of investment industry experience across global equity and debt capital markets. He is President & Chief Investment Officer at JWH Investment Partners, a private family office and independent research firm.
- ❑ Prior to launching JWH Investment Partners, Mr. Hugel was Managing Director of The Leuthold Group and Leuthold Management, where he co-managed a global macro hedge fund alongside respected contrarian-value investor Steve Leuthold.
- ❑ Previously, he held senior level positions in institutional sales, trading, and portfolio management at several top investment banks including Oppenheimer, Citigroup, and Merrill Lynch, where he specialized in equity markets, technical analysis, and global macro strategy.
- ❑ Mr. Hugel earned his MBA in Finance from the University of St. Thomas, and holds a Bachelor's degree in Economics from the University of Minnesota. He completed advanced training and was certified in portfolio management under the instruction of Professor Emanuel Derman, Ph.D. at Columbia University's Center for Financial Engineering.
- ❑ Mr. Hugel is a [CMT Charterholder](#) and has been a member of the CMT Association since 2005.

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