

ANNIVERSARY ISSUE

# ALPHA INSIGHTS

GLOBAL MARKET ANALYSIS | SECTOR ROTATION MODELS | ACTIONABLE STOCK IDEAS

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# EXECUTIVE SUMMARY

## ❑ [U.S. Equity Markets \(Page 3\)](#)

The S&P 500 posted another modest new all-time high in July. The percentage of stocks above their 200-day MA remains neutral, and has failed to even challenge 2016 and 2013 rally peaks. Investor sentiment, as measured by the CBOE Put/Call ratio and the VIX, remains optimistic. Non-confirmations between large-caps and small-caps, as well as between the industrial and transportation indexes persist. Valuations are historically extreme. We've attached a 70% probability to our "Bear Case" scenario. Under our hypothesis, "wave d" of an expanding triangle (as illustrated on page 4) has either just peaked at 3028, or will peak very soon with one more slight new high. We expect a "wave e" market decline to surpass the December 2018 low.

## ❑ [Sector Rotation \(Page 18\)](#)

Our monthly RS-Momentum analysis of the eleven S&P 500 equally-weighted sectors ranks Technology, Communications, Staples, and Materials as leadership, with some improvement from Health Care. Utilities, Real Estate, Financials, and Industrials have been weakening, while Discretionary, and Energy are lagging.

## ❑ [Portfolio Positioning \(Page 31\)](#)

We detail our list of long and short alpha candidates by sector for the month of August. We examine last month's portfolio attribution and results in our [July performance report card \(page 43\)](#).

## ❑ [Actionable Trade Ideas \(Page 44\)](#)

We consider the shares of DISCA, CPB, and FTI to be timely for long positions; we consider the shares of FTV, RCL, and HP to be timely for short positions.

## ❑ [Foreign Equity Markets \(Page 51\)](#)

We examine and detail our opinions on 15 developed and emerging foreign equity markets including Canada, UK, Australia, Germany, France, Italy, Spain, Switzerland, Netherlands, Japan, China, India, Brazil, Russia, and Frontier Markets.

## ❑ [Macro Perspectives \(Page 69\)](#)

We examine and detail our opinions on commodities, gold, WTI crude oil, MLPs, Bitcoin, the US Dollar index, the EUR/USD and JPY/USD crosses, and the 10-year US Treasury yield.



Source: Hedgeye.com

# U.S. EQUITY MARKETS

- ☐ Large-Cap
- ☐ Mid-Cap
- ☐ Small-Cap
- ☐ Factor & Style Box Leadership
- ☐ Valuation, Breadth, Sentiment, Yield Curve, Economic Cycle, & Bradley Model

# TWO POTENTIAL PATHS FOR THE S&P 500

## Bull Case Scenario:

### Impulsive Wave (5) Diagonal Triangle



## Bear Case Scenario:

### Corrective Wave (4) Expanding Triangle



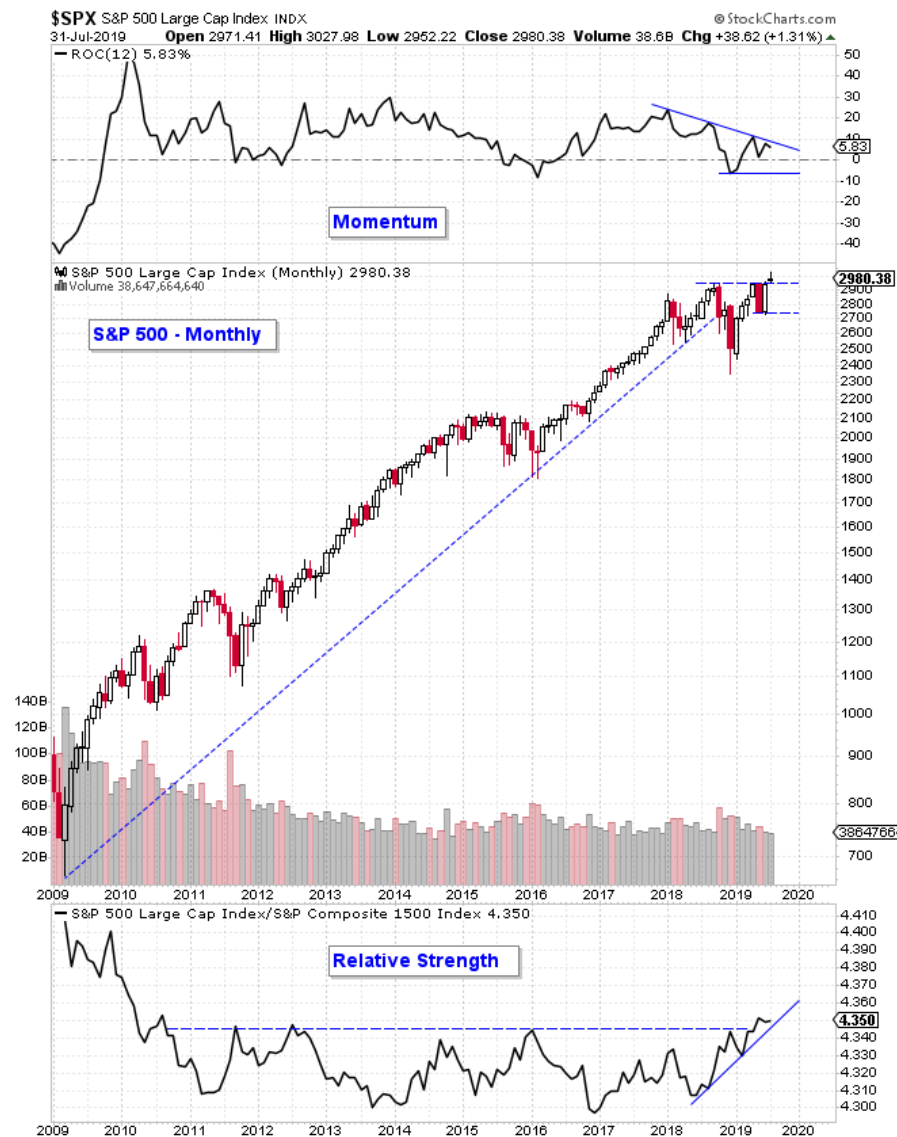
# U.S. LARGE CAP S&P 500 INDEX **BEARISH** (+18.89% YTD)

## Observations:

- ❑ **Price** made a modest new all-time high in July, closing above prior key resistance. If our bear case scenario is now operative, then “wave d of (4)” probably terminated in July at 3028, inline with our previously stated range of 2980-3050, based upon certain Fibonacci relationships.
- ❑ **Momentum** remains positive, but has stalled at trend line resistance and turned down again. A triple negative divergence remains in place.
- ❑ **Relative strength** of large-cap stocks have now definitively overtaken their small and mid-cap peers, inflecting above the upper boundary of an 8-year trading range, suggesting a new risk-off bias.
- ❑ **Key Resistance** = 3050
- ❑ **Key Support** = 2725

## Conclusions:

- ❑ **Maintaining Bearish view.** Underweight large-cap equity exposure. A breach of key support would confirm that a new bear market is in progress. A monthly close above key resistance, while unlikely, would put the bear case back on hold.
- ❑ **Target** = 2210



Source: StockCharts.com

# U.S. MID CAP S&P 400 INDEX

## BEARISH (+18.26% YTD)

### Observations:

- ❑ **Price** challenged key resistance in July, but failed to breakout above it, and closed below the April closing high; a sign of weakness. A non-confirmation between mid and large-cap stocks remains in place.
- ❑ **Momentum** remains slightly negative after halting its advance and reversing back below the zero line in May. Its downtrend persists and a negative divergence remains in place.
- ❑ **Relative strength** of mid-cap stocks flattened somewhat in July after making a new 9-year low in May, thus confirming the downtrend in place.
- ❑ **Key Resistance = 2002**
- ❑ **Key Support = 1770**

### Conclusions:

- ❑ **Maintaining Bearish view.** Underweight mid-cap equity allocation. A breach of key support would confirm that a new bear market is in progress. A monthly close above key resistance, while unlikely, would move our opinion to Neutral.
- ❑ **Target = 1487**



# U.S. SMALL CAP S&P 600 INDEX **BEARISH** (+14.02% YTD)

## Observations:

- ❑ **Price** action over the past year is consistent with the early stages of a developing bear market. The failure by price to make a new high since April created a non-confirmation between small and large-cap stocks. Subsequently, prices have remained below key resistance; a sign of weakness.
- ❑ **Momentum** ticked down again in July and appears poised to challenge the 9-year low established in May. A large negative divergence remains in place.
- ❑ **Relative strength** of small-cap stocks made a new high one year ago, but has since collapsed, breaching a 10-year uptrend, while establishing a steep downtrend in 2019.
- ❑ **Key Resistance** = 994
- ❑ **Key Support** = 879

## Conclusions:

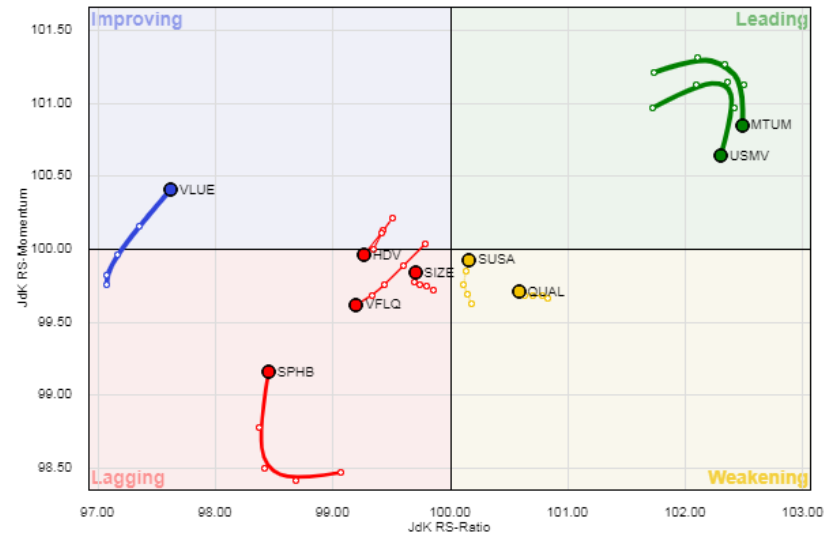
- ❑ **Maintaining Bearish view.** The bull market advance in small-caps off the 2009 low appears to have reached its terminal point. A monthly close above key resistance, while unlikely, would negate this view and result in the upgrade of our opinion to Neutral.
- ❑ **Target** = 643



Source: StockCharts.com

# MSCI FACTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
1. Momentum (MTUM)	+ 1.8%	+ 9.7%
2. Low Volatility (USMV)	+ 1.7%	+ 16.6%
3. Low Valuation (VLUE)	+ 1.6%	- 0.8%
4. Env/Soc/Gov (SUSA)	+ 1.8%	+ 8.3%
5. High Quality (QUAL)	+ 1.4%	+ 9.1%
6. Small Market Cap (SIZE)	+ 1.2%	+ 8.5%
7. High Dividend (HDV)	- 0.2%	+ 10.4%
8. High Liquidity (VFLQ)	+ 1.3%	+ 4.0%
9. High Beta (SPHB)	+ 0.4%	- 1.5%

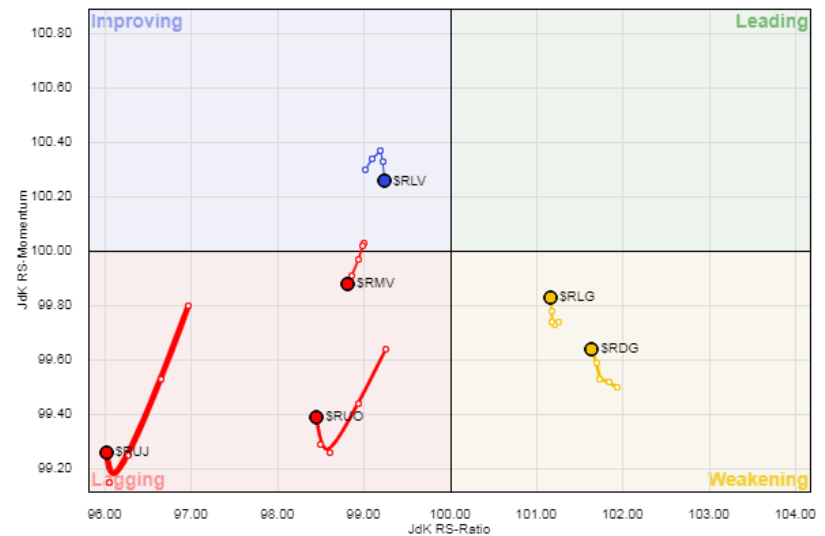


Source: StockCharts.com



# RUSSELL STYLE BOX LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
1. Large-Cap Growth (RLG)	+ 2.2%	+ 9.4%
2. Mid-Cap Growth (RDG)	+ 2.3%	+ 13.1%
3. Large-Cap Value (RLV)	+ 0.7%	+ 2.5%
4. Mid-Cap Value (RMV)	+ 0.7%	- 0.6%
5. Small-Cap Growth (RUO)	+ 0.9%	- 1.9%
6. Small-Cap Value (RUJ)	+ 0.1%	- 9.7%



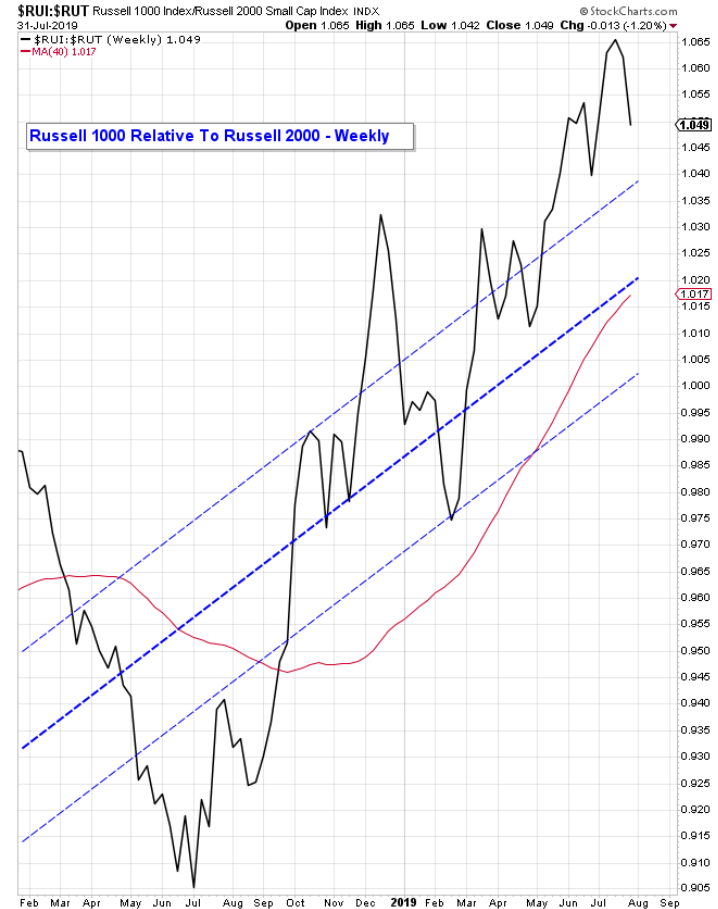
Source: StockCharts.com

# RUSSELL STYLE BOX...CONTINUED

## Growth Still Leading



## Large-Cap Still Leading



# MARKET VALUATION = NEW EXTREME

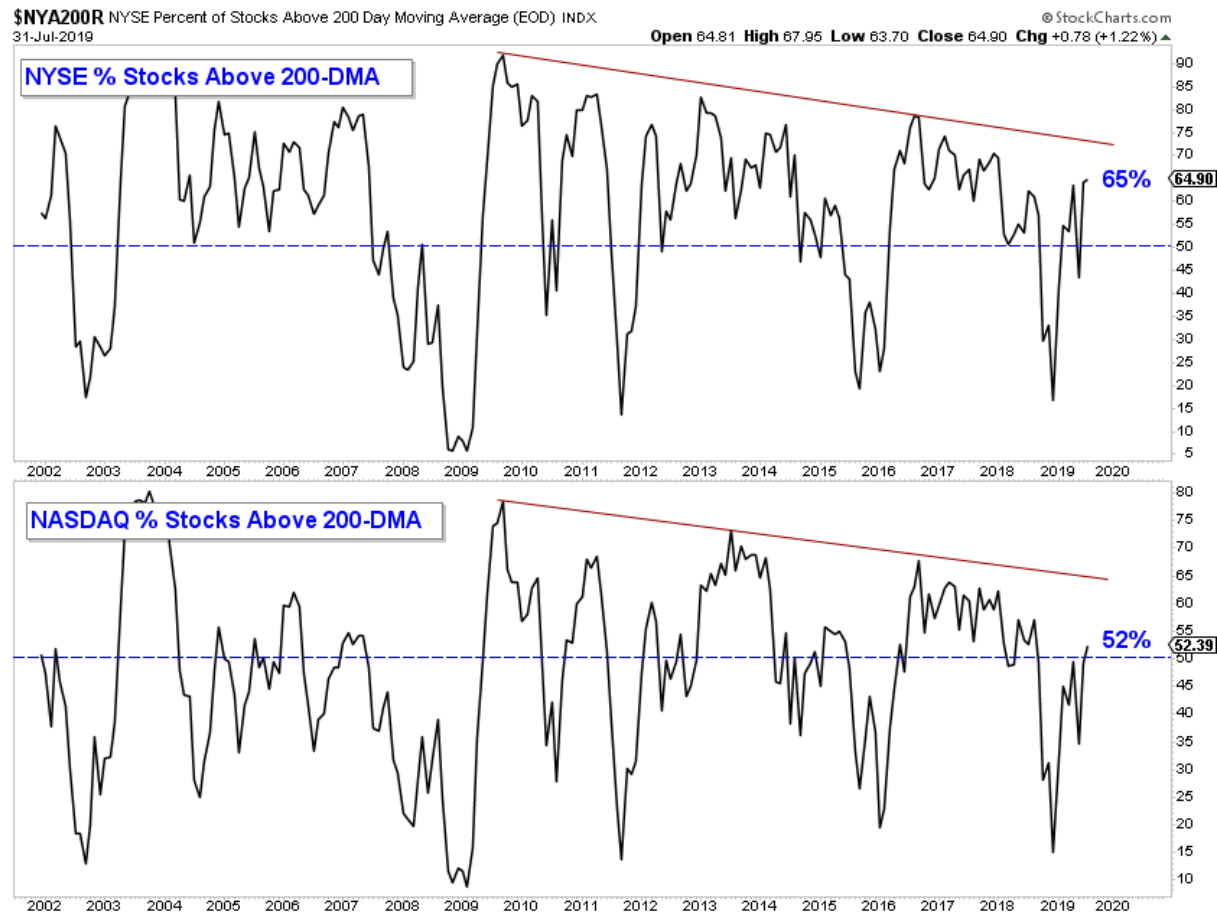
## The Buffett Indicator

Wilshire 5000 / GDP Ratio



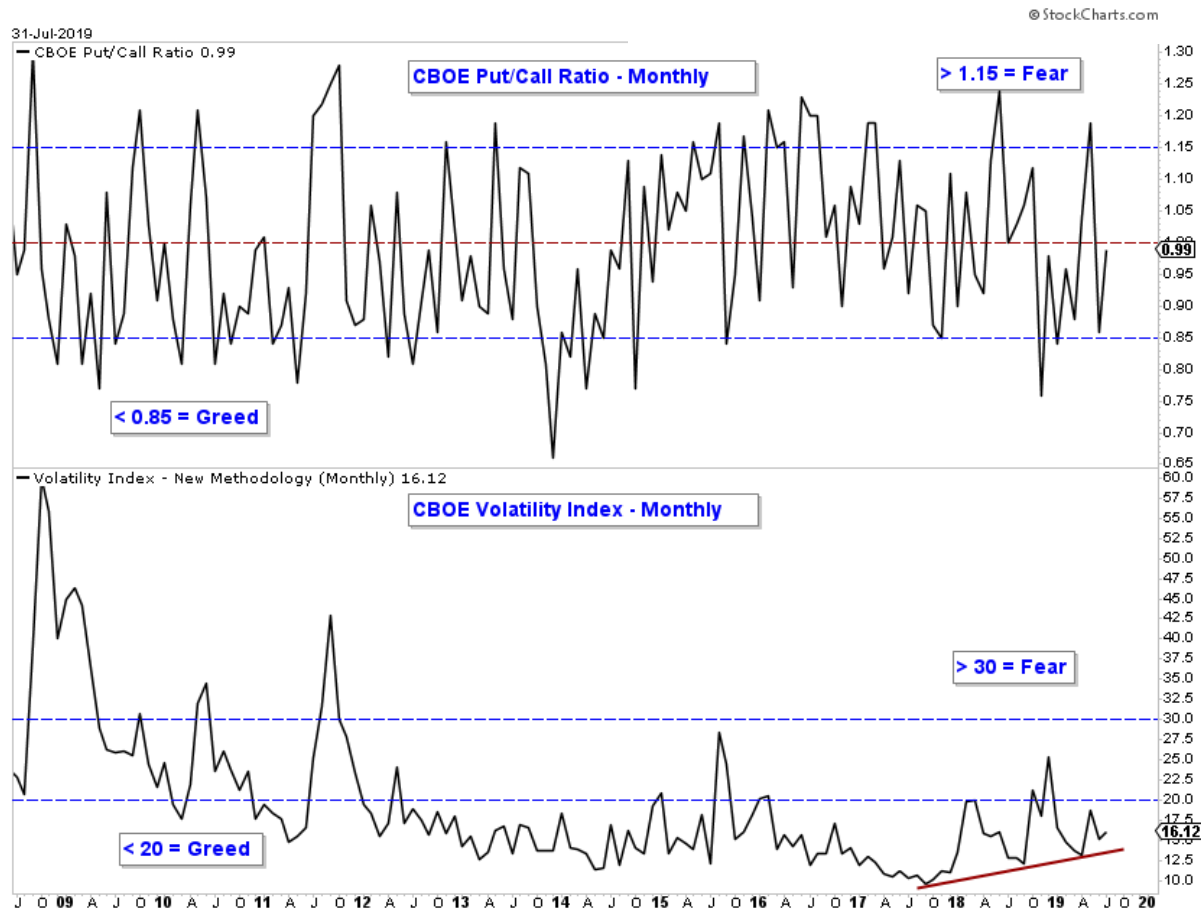
Source: [www.highcharts.com](http://www.highcharts.com)

# MARKET BREADTH = UNDERWHELMING



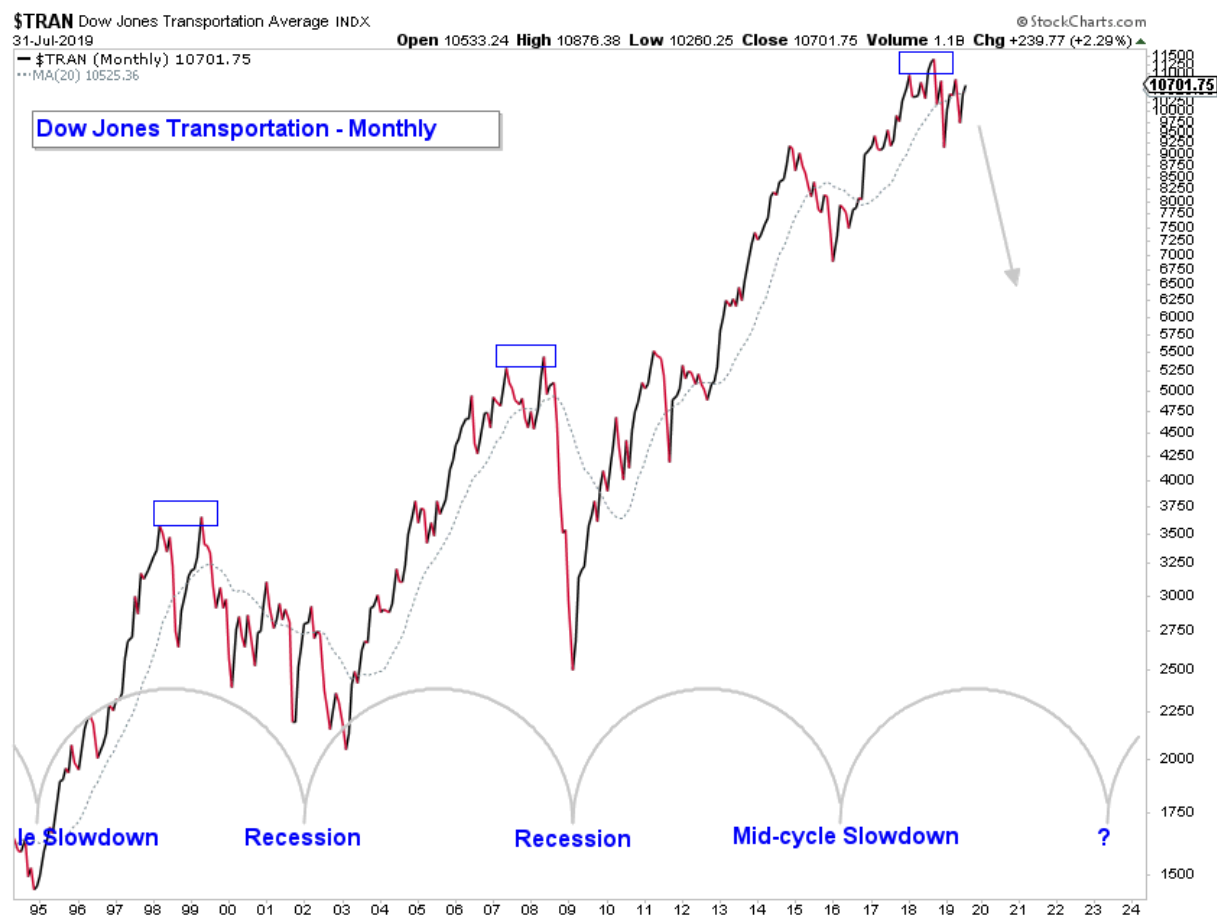
Source: StockCharts.com

# INVESTOR SENTIMENT = OPTIMISTIC



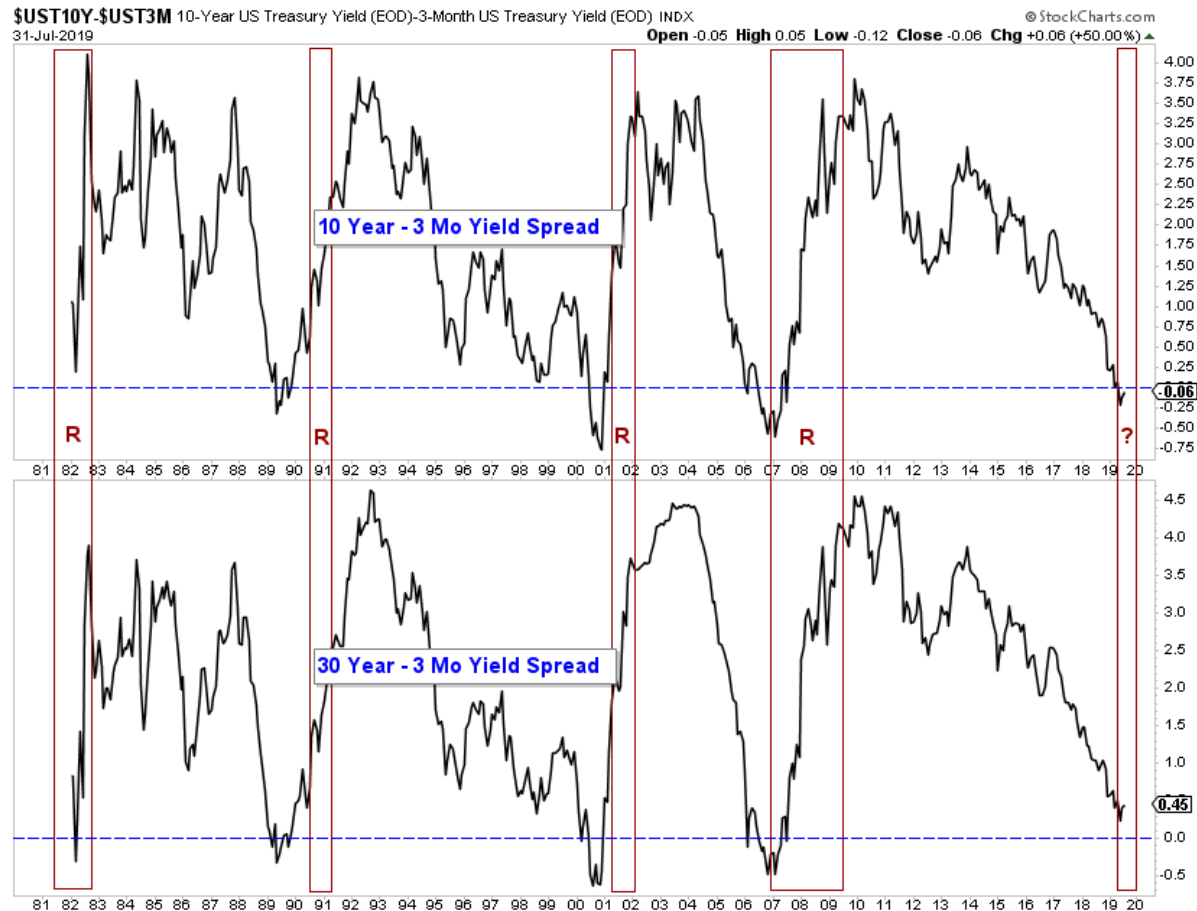
Source: StockCharts.com

# ECONOMIC CYCLE = PEAKING



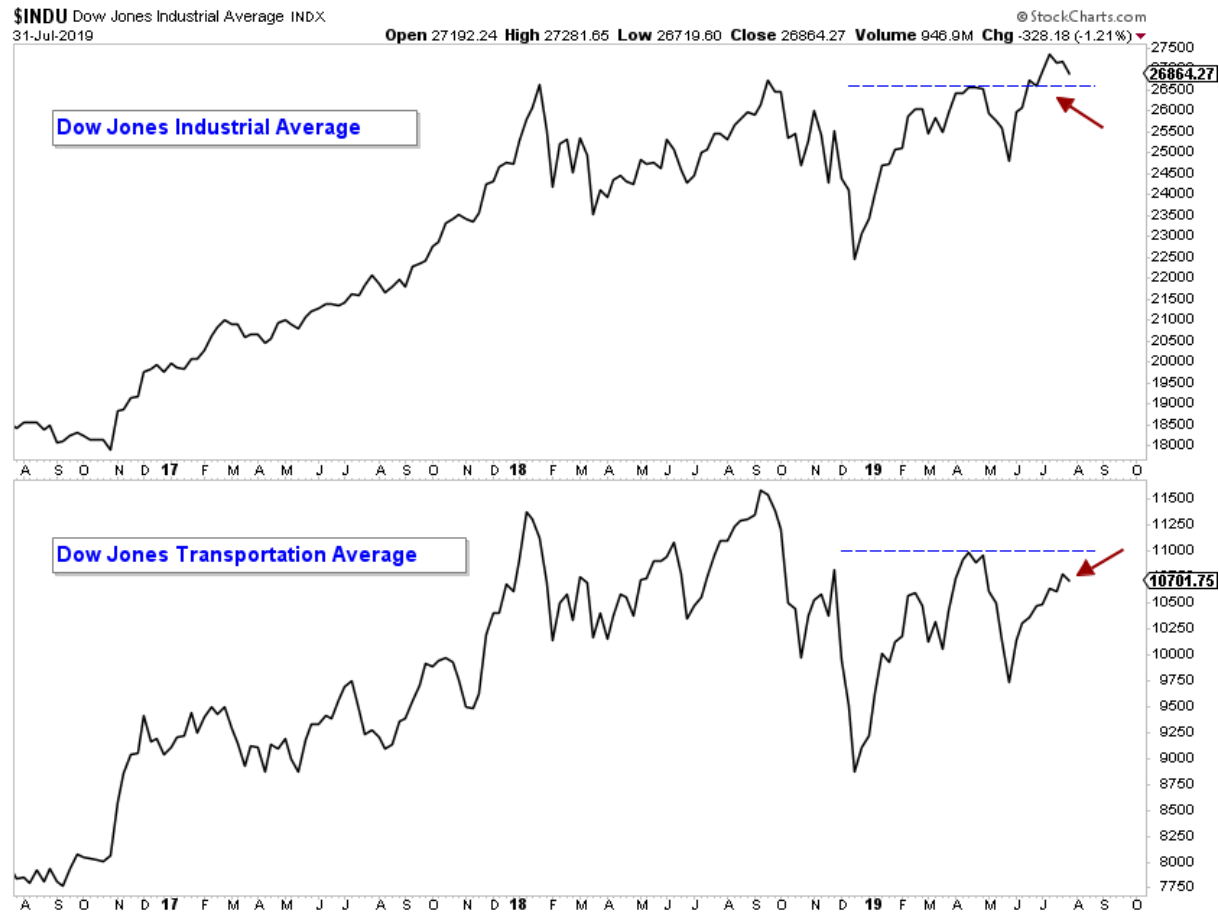
Source: StockCharts.com

# YIELD CURVE = INVERTED/RECESSION RISK



Source: StockCharts.com

# DOW THEORY = NON-CONFIRMATION

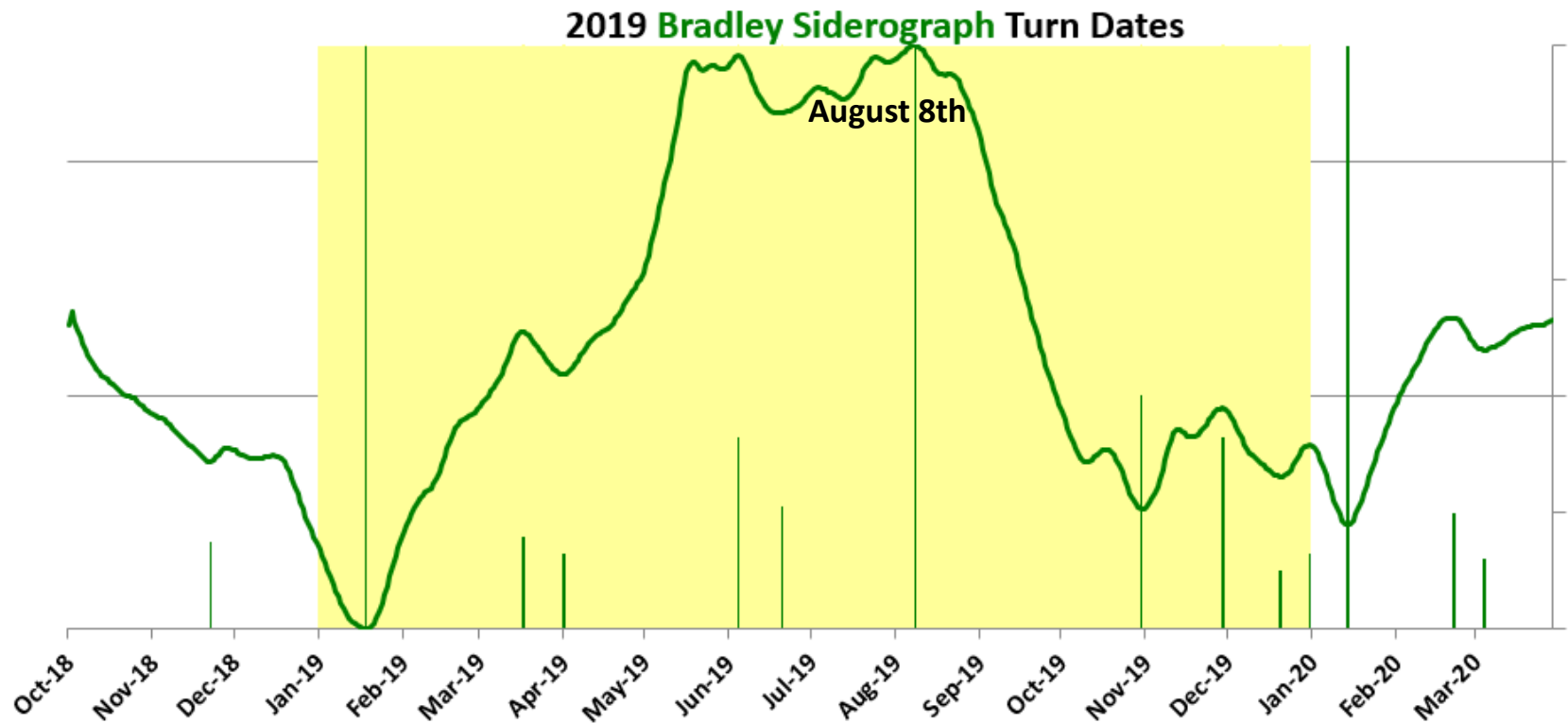


Source: StockCharts.com

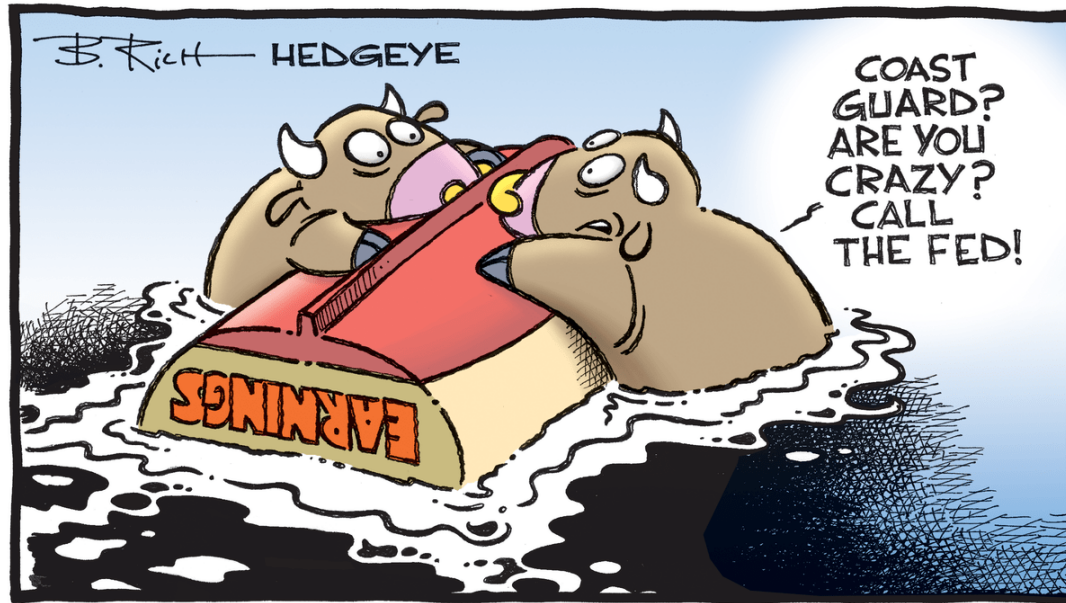


# BRADLEY MODEL = POTENTIAL TOP

[What the hell is the Bradley Model?](#)



Source: [www.bradleysiderograph.com](http://www.bradleysiderograph.com)



Source: Hedgeye.com

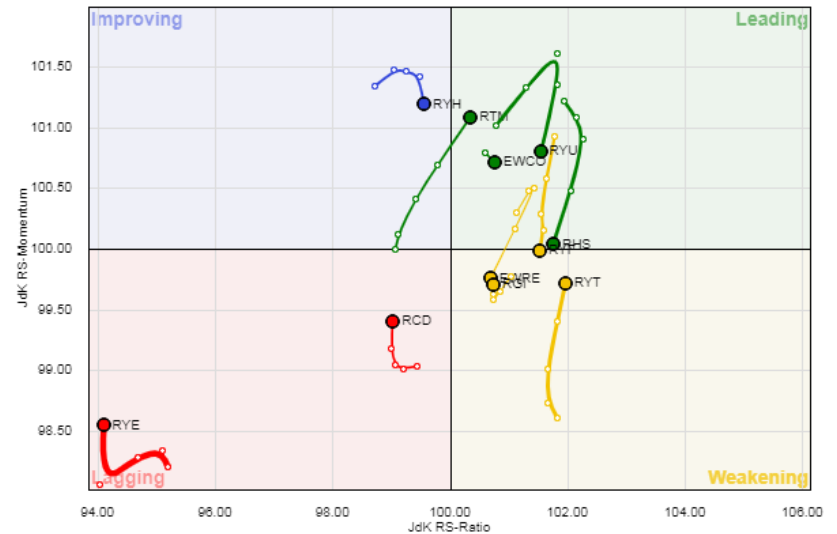
# SECTOR ROTATION

- ☐ S&P 500 Sector Leadership
  - ☐ Sector RS-Momentum Rank
  - ☐ Sector Technical Analysis

# S&P EQUAL-WEIGHT SECTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
1. Technology (RYT)	+ 2.5%	+ 13.9%
2. Communications (EWCO)	+ 0.6%	+ 5.9%
3. Staples (RHS)	+ 1.5%	+ 8.9%
4. Utilities (RYU)	+ 0.2%	+ 17.3%
5. Materials (RTM)	+ 0.7%	+ 2.0%
6. Healthcare (RYH)	- 0.8%	+ 4.7%
7. Financials (RYF)	+ 2.6%	+ 3.6%
8. Real Estate (EWRE)	+ 1.6%	+ 13.5%
9. Industrials (RGI)	+ 0.3%	+ 4.3%
10. Discretionary (RCD)	+ 0.8%	+ 2.8%
11. Energy (RYE)	- 1.8%	- 23.3%

**S&P 500 Sector RS-Momentum Chart**



Source: StockCharts.com

# S&P 500 CAP-WEIGHT COMMUNICATIONS SECTOR BULLISH (+23.53% YTD)

## Observations:

- ❑ **Price** rallied to make a new all-time monthly closing high in July, but closed below key resistance; a reason to be cautious.
- ❑ **Momentum** remains positive, but has halted its advance after testing a descending trend line off the 2018 highs. A negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock broke its downtrend, and is now attempting to reverse higher.
- ❑ **Key Resistance** = \$51
- ❑ **Key Support** = \$47

## Conclusions:

- ❑ Communications advanced three positions to the **#2 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** While price holds above key support, the odds still favor the bull case, but an acceleration in momentum would give us more confidence. TTWO is leading, while EA is lagging badly. Long T/Short VZ is an interesting pairs trade in our view.
- ❑ **Target= \$52**



Source: StockCharts.com

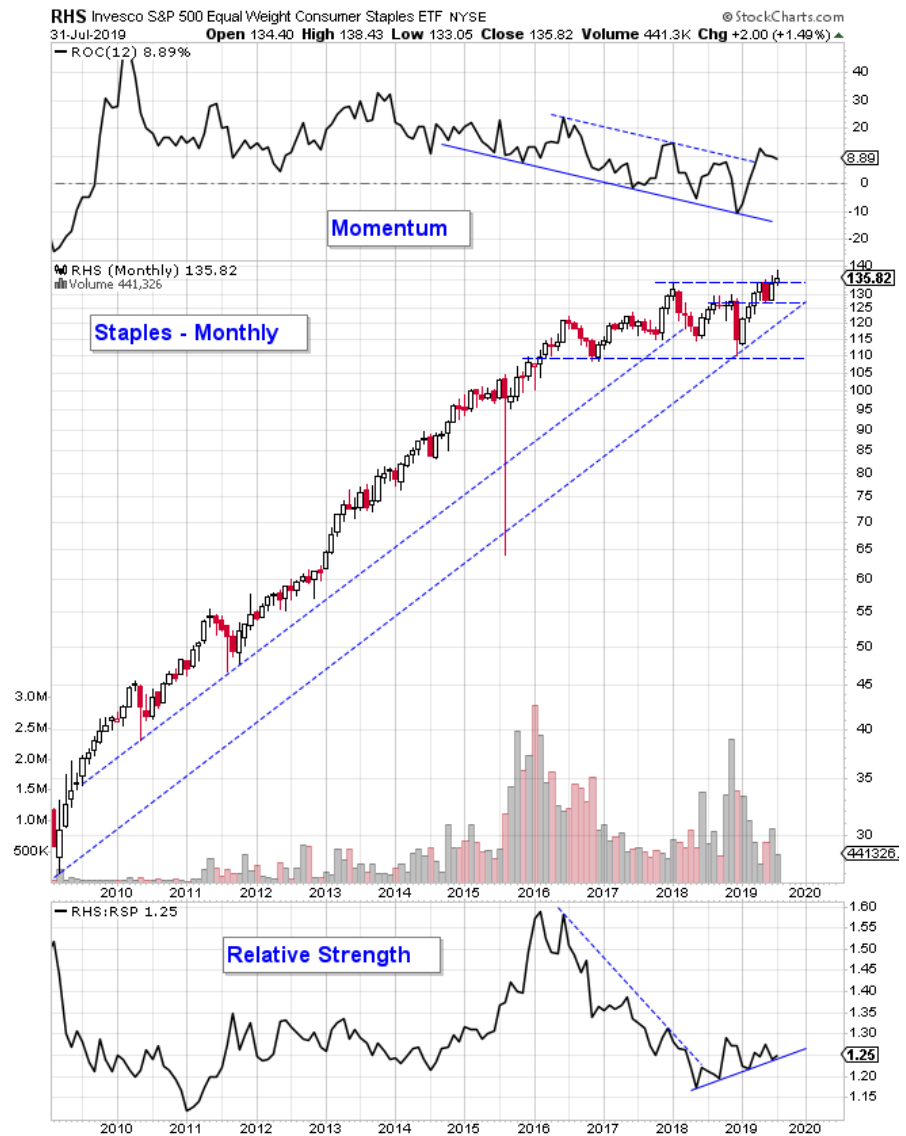
# S&P 500 EQUAL-WEIGHT STAPLES SECTOR BULLISH (+17.94% YTD)

## Observations:

- ❑ **Price** rallied to post a new all-time monthly closing high in July. The attendant weak volume is concerning, and leaves some doubt about the potential for follow through.
- ❑ **Momentum** turned down slightly, but remains positive after penetrating the upper boundary of its descending trend channel. A successful challenge of the 2018 high would negate a prior negative divergence.
- ❑ **Relative strength** vs. the average S&P stock has collapsed since 2016, but appears to have bottomed in mid-2018 and is now struggling to reverse higher.
- ❑ **Key Resistance** = \$139
- ❑ **Key Support** = \$134

## Conclusions:

- ❑ Consumer Staples slipped two positions to the **#3 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** Despite sluggish momentum and RS in July, strong price action gives us reason to favor this sector. COST and EL are leading, while SJM and SYU lag.
- ❑ **Target** = \$139



# S&P 500 EQUAL-WEIGHT MATERIALS SECTOR

## BULLISH (+17.86% YTD)

### Observations:

- ❑ **Price** posted a new recovery high in July, but closed below key resistance. The long-term picture is becoming more constructive and may suggest that we are near completing a lateral consolidation pattern.
- ❑ **Momentum** recovered back above the zero line, but has failed to penetrate the descending trend line off the 2017 highs. A clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock has halted its decline and reversed above trend line resistance.
- ❑ **Key Resistance** = \$110
- ❑ **Key Support** = \$97

### Conclusions:

- ❑ Materials advanced four positions to the **#5 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** The failure to clear key resistance, remains a stumbling block for the bull case. An upside breakout in momentum would add some credibility. Goldminer NEM is leading, while paper producer IP is a laggard.
- ❑ **Target** = \$115



# S&P 500 EQUAL-WEIGHT TECHNOLOGY SECTOR NEUTRAL (+29.76% YTD)

## Observations:

- ❑ **Price** rallied to make a new all-time high in July, but still closed below key resistance; a reason to be cautious.
- ❑ **Momentum** remains positive for now, but has struggled to overcome a descending trend line off the 2018 highs, thus establishing a rare quadruple negative divergence.
- ❑ **Relative strength** vs. the average S&P stock is challenging the April high, after staging a successful test of support in May.
- ❑ **Key Resistance** = \$182
- ❑ **Key Support** = \$159

## Conclusions:

- ❑ Technology jumped seven positions to the **#1 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** The upward surge in the RS-Momentum chart and second best monthly performance among the 11 sectors in July supports a more bullish view, but the technical picture suggests that *if* another new high materializes, it could be the last. Semiconductor Cap-equipment stocks are leading.
- ❑ Target = \$186 (*achieved*)



# S&P 500 EQUAL-WEIGHT UTILITIES SECTOR

## NEUTRAL (+13.07% YTD)

### Observations:

- ❑ **Price** ended the month exactly where it began in July. The Japanese call this candlestick form “doji,” meaning indecision. Of additional note, the two long shadows side-by-side warn of what is known as a “tweezer top.” Another reason for caution.
- ❑ **Momentum** ticked down in July, but remains positive, having penetrated a multi-year descending trend line. A negative divergence is now evident.
- ❑ **Relative strength** vs. the average S&P stock broke out above a 2-year descending trend line in mid-2018, and is struggling to reverse higher after consolidating its initial advance.
- ❑ **Key Resistance** = \$101
- ❑ **Key Support** = \$94

### Conclusions:

- ❑ Utilities slipped one position to the **#4 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** Tepid price action and flat momentum support a neutral technical view on this sector. ETR and EIX are leading; EXC and PPL lagging.
- ❑ Target = \$99 (*achieved*)



Source: StockCharts.com



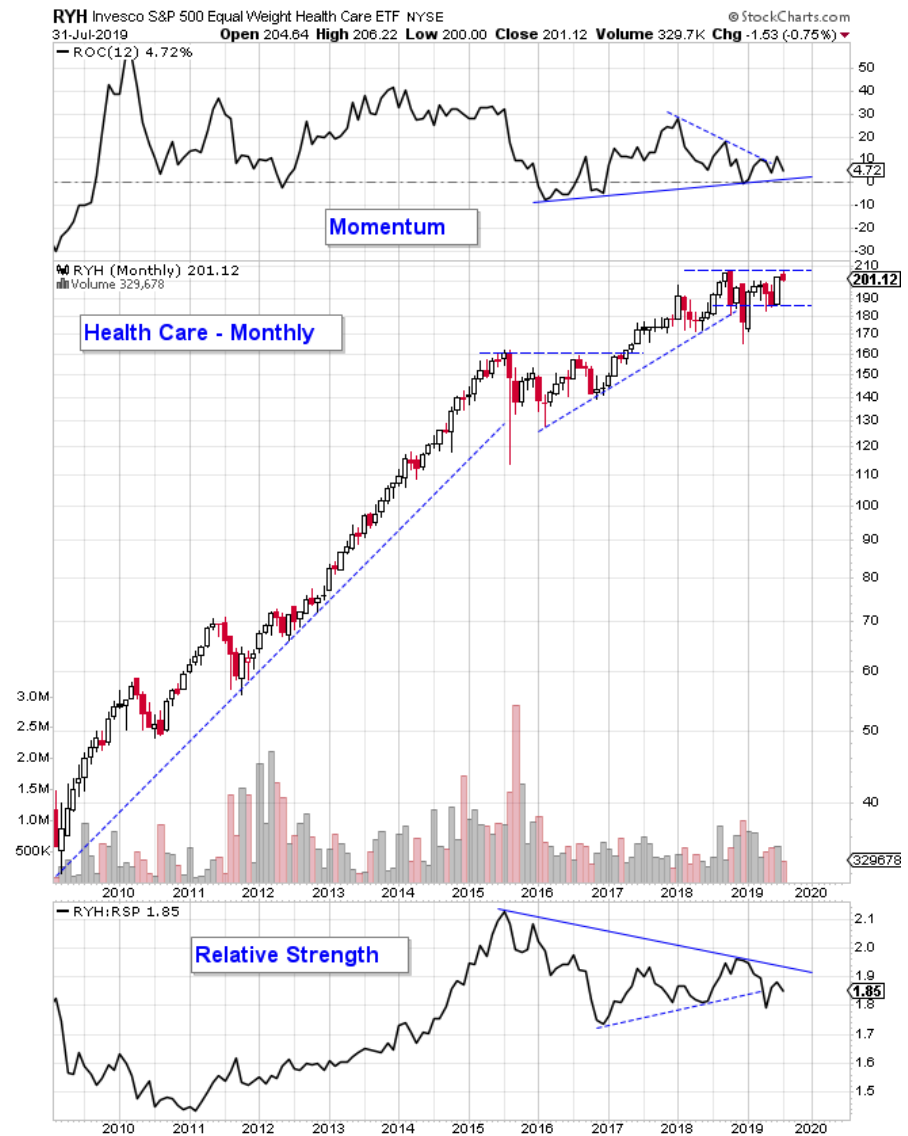
# S&P 500 EQUAL-WEIGHT HEALTH CARE SECTOR NEUTRAL (+13.58% YTD)

## Observations:

- ❑ **Price** rallied in July to challenge key resistance, but closed below the June close; a reason for caution.
- ❑ **Momentum** penetrated a descending trend line off the 2018 highs and remains positive, but has turned down again. A negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock peaked in December and has since reversed lower to breach a two-year ascending trend line. After a recovery attempt in June, it turned down again in July.
- ❑ **Key Resistance** \$207
- ❑ **Key Supports** = \$186

## Conclusions:

- ❑ Health Care held onto the **#6 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** Tepid price action, coupled with weak momentum and RS support a neutral technical view on this sector. Medical equipment and suppliers SYK, RMD, and TFX are leading, while biotech companies ALXN, ABBV, and GILD are lagging.
- ❑ Target = N/A



# S&P 500 CAP-WEIGHT REAL ESTATE SECTOR NEUTRAL (+22.33% YTD)

## Observations:

- ❑ **Price** posted an inside month providing little new information in July. As stated last month, June's long shadow suggests a period of consolidation ahead.
- ❑ **Momentum** has flattened out, but remains staunchly positive after reversing above a multi-year descending trend line in January, and negating a prior negative divergence.
- ❑ **Relative strength** vs. the average S&P stock had been in decline since 2Q16, but has since bottomed in early 2018 and is now battling to stage a bullish reversal.
- ❑ **Key Resistance** = \$38
- ❑ **Key Support** = \$33

## Conclusions:

- ❑ Real Estate slumped four positions to the **#8 rank** in our sector RS-Momentum work for the month.
- ❑ **Market Weight.** Despite solid price action, flattening momentum and RS raise some doubts about the sustainability of this sectors leadership. SBAC remains a strong leader, while MAC is lagging badly.
- ❑ Target = \$38 (*achieved*)



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT FINANCIALS SECTOR

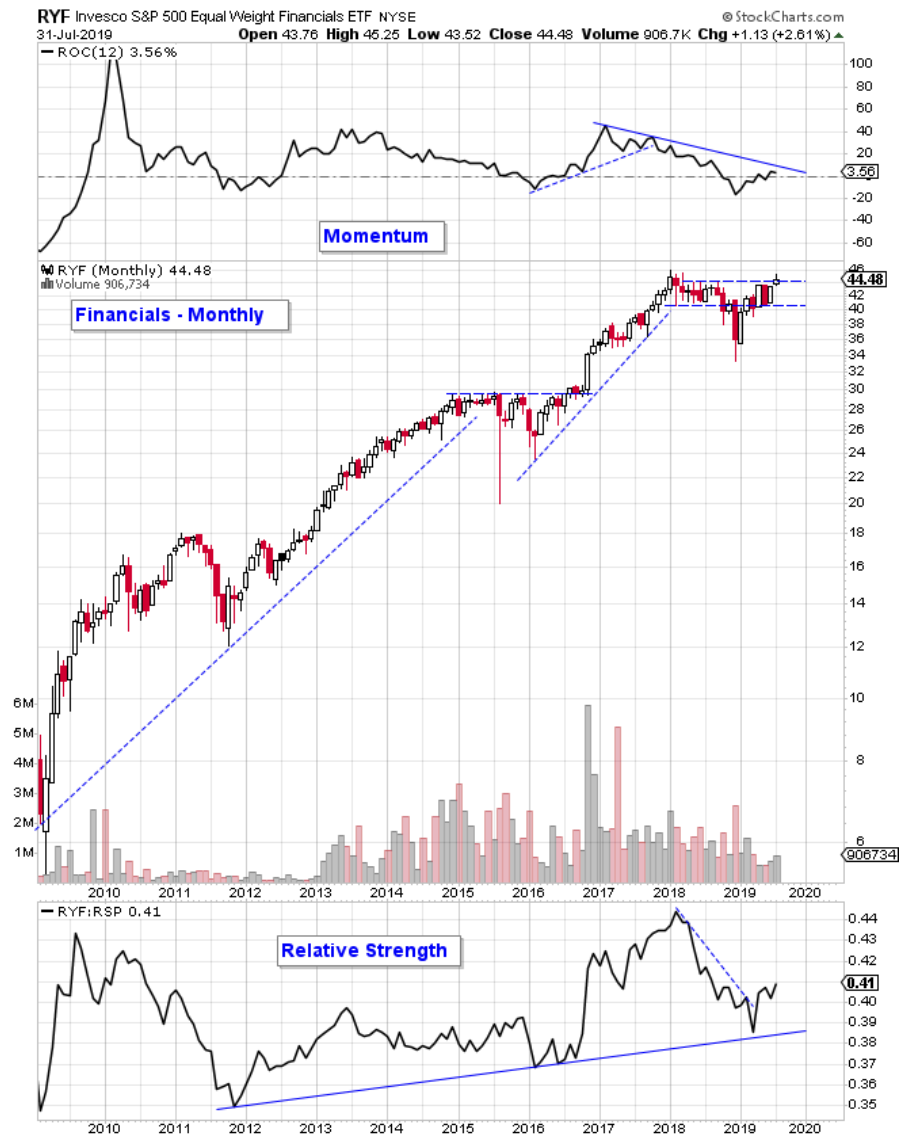
## NEUTRAL (+23.68% YTD)

### Observations:

- ❑ **Price** rallied to post a new recovery high in July, closing above key resistance, but falling just short of its January 2018 all-time high.
- ❑ **Momentum** has recovered above the zero line, but was flat in July. Its downtrend persists, and a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock broke down spectacularly in 1Q18, plunging to test trend line support ascending off the 2012/16 lows, and is now attempting a bullish reversal.
- ❑ **Key Resistance** = \$46
- ❑ **Key Support** = \$41

### Conclusions:

- ❑ Financials plummeted five positions to the **#7 rank** in our RS-Momentum work this month.
- ❑ **Market Weight.** Despite improving price action and an uptick in RS, a lack of confirmation by momentum supports a neutral view on this sector. Exchanges ICE and CME are showing leadership, while regional banks ZION and MTB are lagging.
- ❑ Target = N/A



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT INDUSTRIAL SECTOR

## BEARISH (+23.26% YTD)

### Observations:

- ❑ **Price** rallied to another new monthly closing high in July, but closed back below key resistance; a sign of weakness.
- ❑ **Momentum** held above the zero line, but has turned down from trend line resistance, establishing a new triple negative divergence.
- ❑ **Relative strength** vs. the average S&P stock has penetrated a year-long descending trend line off the 2018 highs, but is struggling to stage a bullish reversal.
- ❑ **Key Resistance** = \$128
- ❑ **Key Support** = \$115

### Conclusions:

- ❑ Industrials gained one position to the **#9 rank** in our RS-Momentum work this month.
- ❑ **Market Weight.** The new monthly closing high is somewhat encouraging, but it must be confirmed by momentum and RS in order for it to hold any weight. Airlines DAL and UAL are sector leaders, while railroad CSX is a new laggard.
- ❑ **Target** = \$115



# S&P 500 EQUAL-WEIGHT DISCRETIONARY SECTOR **BEARISH** (+18.39% YTD)

## Observations:

- ❑ **Price** rallied to challenge key resistance in July, but closed below it; a sign of weakness. The attendant weak volume is also concerning, and leaves some question about the potential for follow through.
- ❑ **Momentum** has recovered back above the zero line, but was flat in July and has stalled below trend line resistance. A negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock has been range bound since penetrating a descending trend line off the 2015 high, and now appears poised to re-test the 2017 low.
- ❑ **Key Resistance** = \$108
- ❑ **Key Support** = \$96

## Conclusions:

- ❑ Discretionary held at the **#10 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight**. The weak relative recovery off the May low speaks to the deteriorating health of the sector. Restaurateurs SBUX and YUM stand out as leaders, while cruise lines operators NCLH and RCL are clear laggards.
- ❑ **Target** = \$96



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT ENERGY SECTOR

**BEARISH** (+11.72% YTD)

## Observations:

- ❑ **Price** remains in a broad, lateral consolidation of the “Symmetrical Triangle” variety. As long as key support at the ascending lower boundary holds, the long-term pattern will remain intact.
- ❑ **Momentum** remains deeply negative. It breached support last year and has been trending lower since.
- ❑ **Relative strength** vs. the average S&P stock has been under pressure since 2011 and posted a new 10-year monthly low in July.
- ❑ **Key Resistance** = \$54
- ❑ **Key Support** = \$42

## Conclusions:

- ❑ Energy held at the **#11 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight**. Energy posted the worst sector performance for the month of July, as weak momentum and relative strength continue to pressure the overall trend. Services providers FTI and BHGE are leading; E&P companies XEC and APA lag.
- ❑ **Target** = \$42





Source: Hedgeye.com

# PORTFOLIO POSITIONING

- ☐ Leaders and Laggards
  - ☐ Long/Short Alpha Candidate List by Sector – August
  - ☐ Long/Short Performance Report Card – July

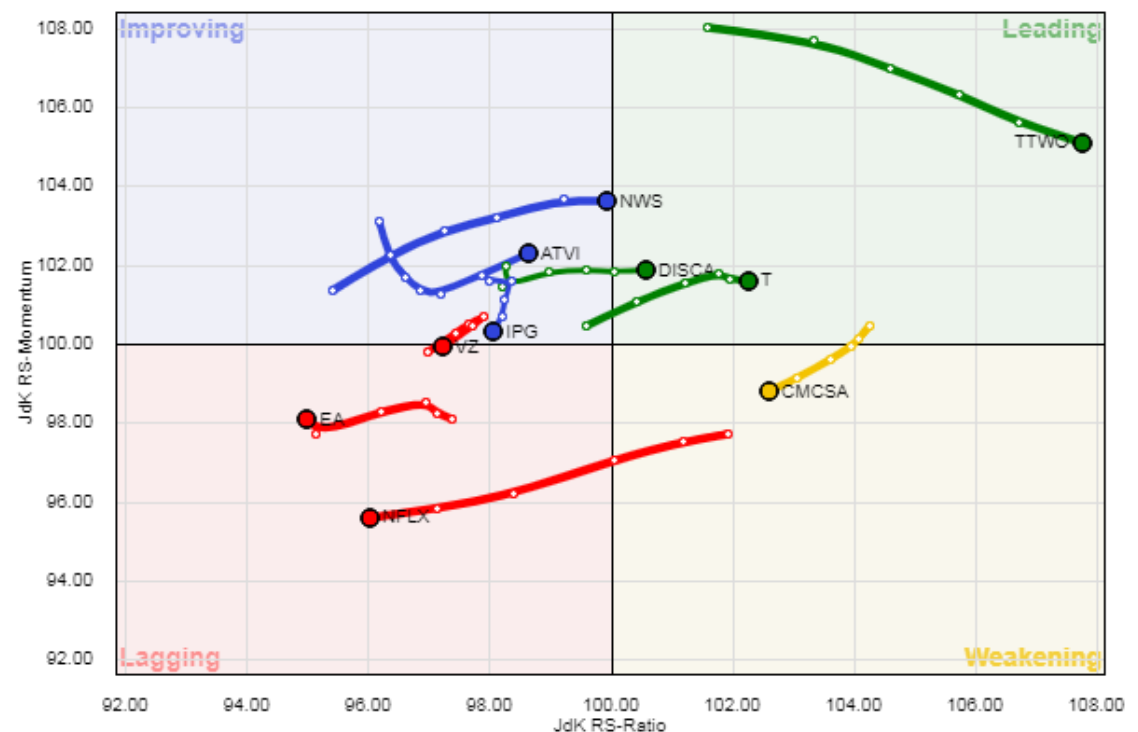
# S&P 500 COMMUNICATIONS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Take-Two Interactive (TTWO)
2. AT & T (T)
3. Discovery (DISCA)
4. News Corp (NWS)
5. Activision Blizzard (ATVI)

## Short RS-Momentum Laggards

1. Electronic Arts (EA)
2. Verizon (VZ)
3. Netflix (NFLX)
4. Interpublic Group (IPG)
5. Comcast (CMCSA)



Source: StockCharts.com



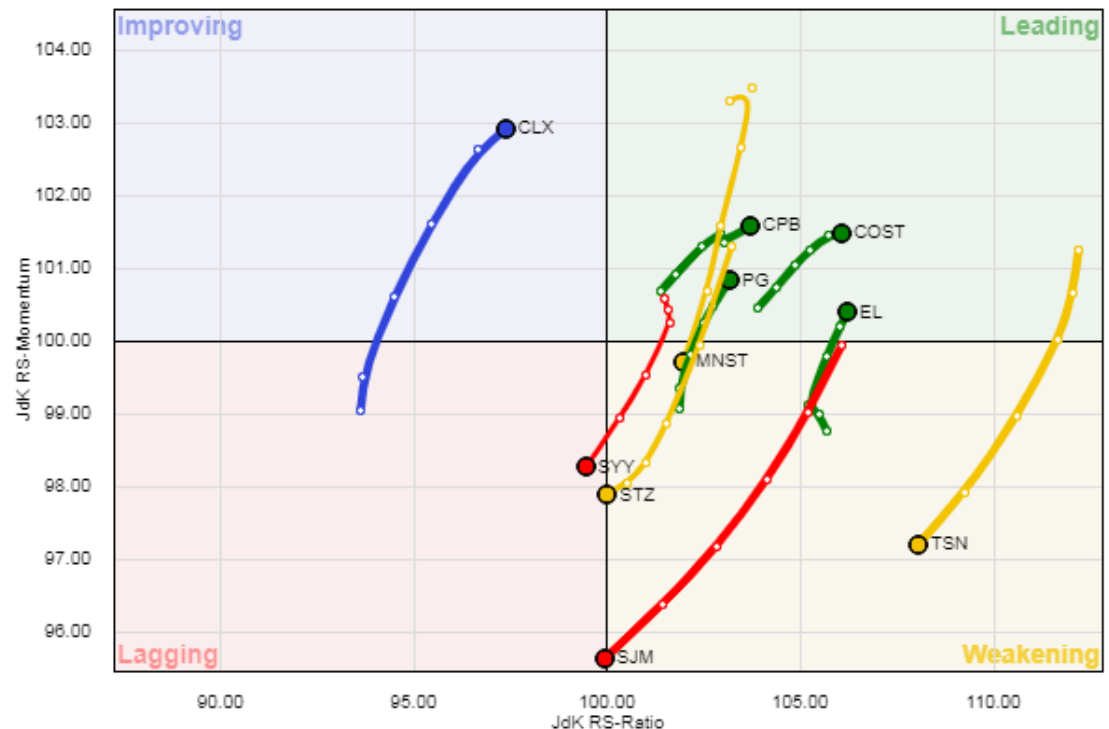
# S&P 500 STAPLES ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Costco (COST)
2. Estee Lauder (EL)
3. Campbell Soup (CPB)
4. Procter & Gamble (PG)
5. Clorox (CLX)

## Short RS-Momentum Laggards

1. J.M. Smucker (SJM)
2. Sysco (SYY)
3. Constellation Brands (STZ)
4. Monster Beverage (MNST)
5. Tyson Foods (TSN)



Source: StockCharts.com

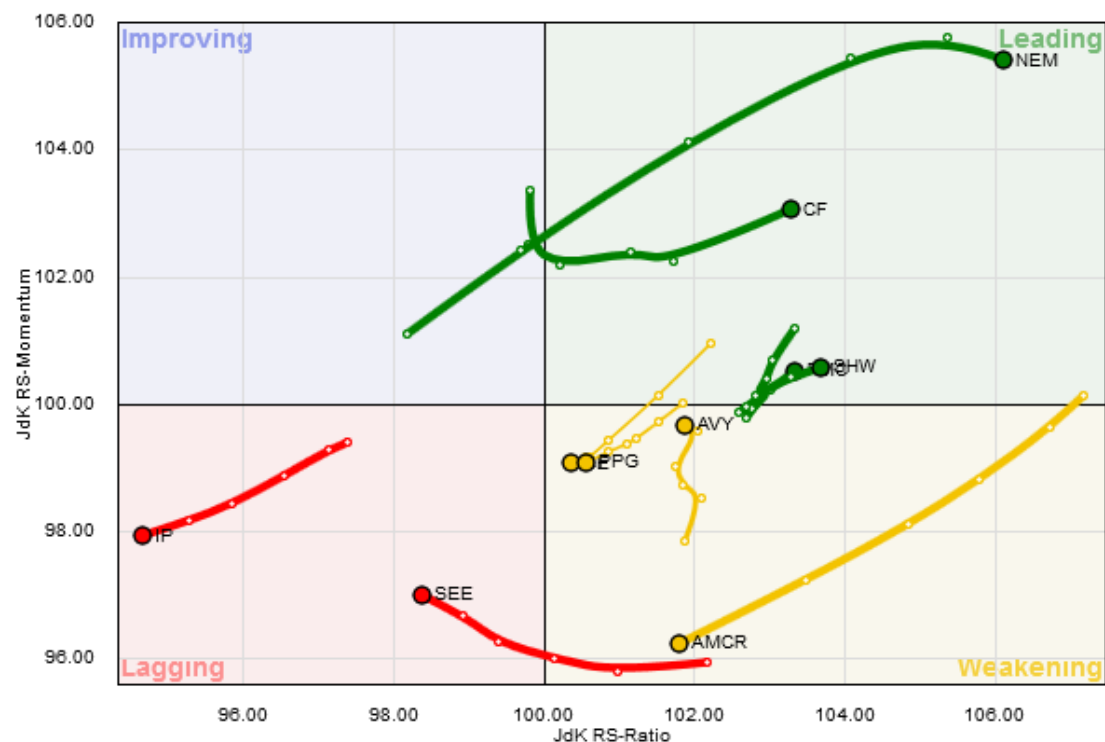
# S&P 500 MATERIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Newmont Goldcorp (NEM)
2. CF Industries (CF)
3. Sherwin Williams (SHW)
4. FMC Corp (FMC)
5. Avery Dennison (AVY)

## Short RS-Momentum Laggards

1. International Paper (IP)
2. Sealed Air (SEE)
3. Amcor (AMCR)
4. Celanese (CE)
5. PPG Industries (PPG)



Source: StockCharts.com

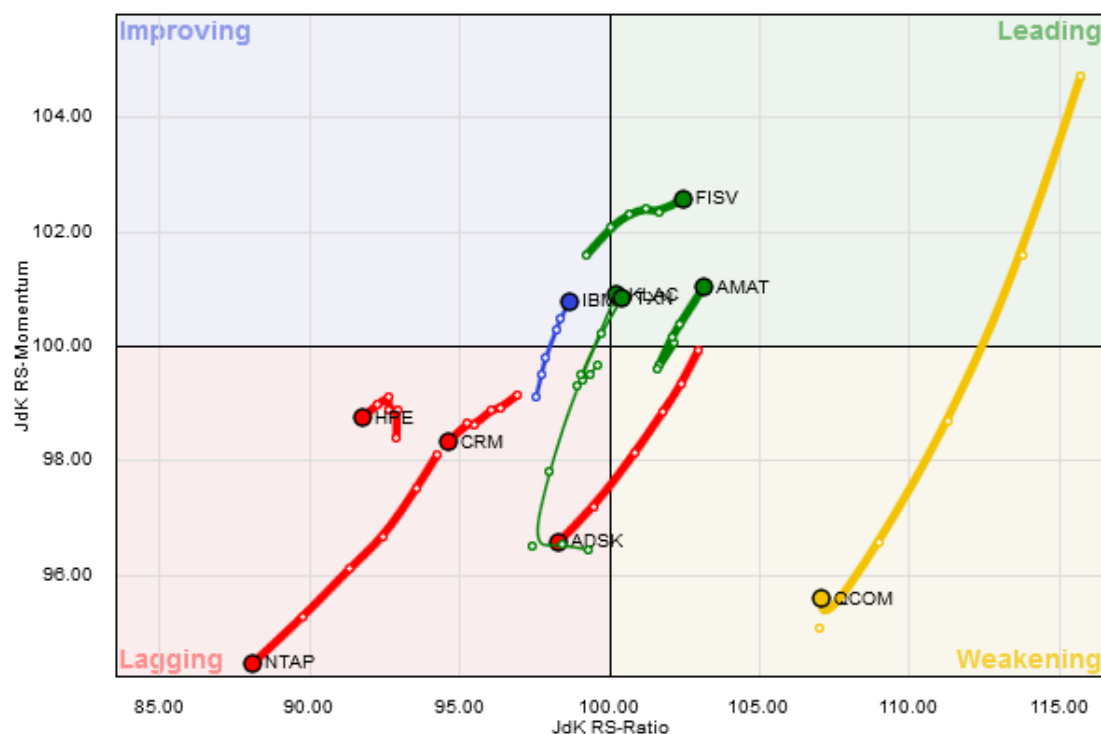
# S&P 500 TECHNOLOGY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Applied Materials (AMAT)
2. Fiserv (FISV)
3. Texas Instruments (TXN)
4. KLA Corp (KLAC)
5. Int'l Business Machines (IBM)

## Short RS-Momentum Laggards

1. NetApp (NTAP)
2. Hewlett Packard Ent (HPE)
3. Salesforce.com (CRM)
4. Autodesk (ADSK)
5. Qualcomm (QCOM)



Source: StockCharts.com

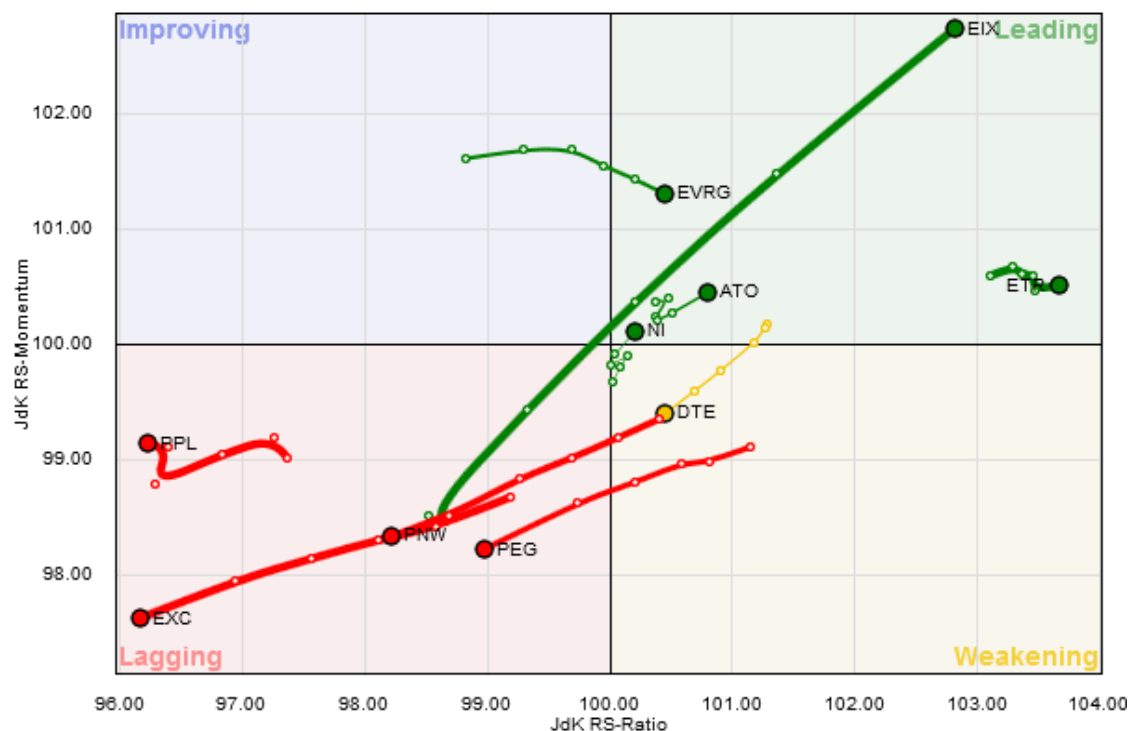
# S&P 500 UTILITIES ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Entergy (ETR)
2. Edison International (EIX)
3. Atmos Energy (ATO)
4. Evergy (EVRG)
5. NiSource (NI)

## Short RS-Momentum Laggards

1. Exelon (EXC)
2. PPL (PPL)
3. Pinnacle West (PNW)
4. Public Service Enterprise (PEG)
5. DTE Energy (DTE)



Source: StockCharts.com

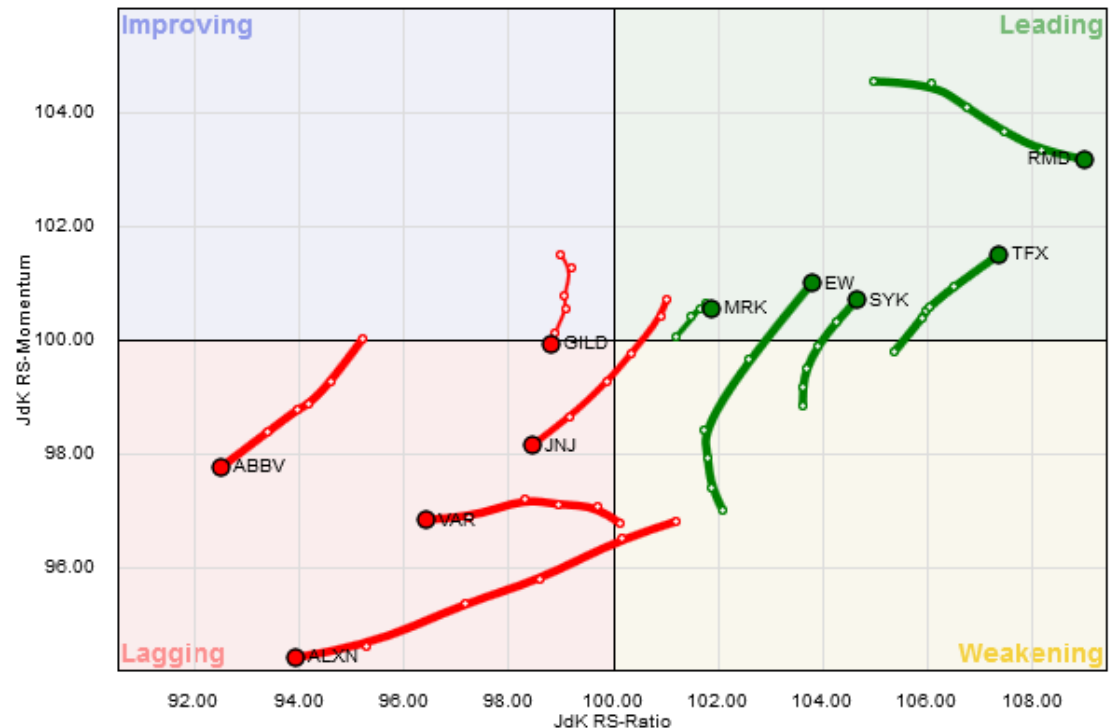
# S&P 500 HEALTH CARE ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Resmed (RMD)
2. Teleflex (TFX)
3. Stryker (SYK)
4. Edwards Lifesciences (EW)
5. Merck (MRK)

## Short RS-Momentum Laggards

1. Alexion Pharma (ALXN)
2. AbbVie (ABBV)
3. Varian Medical (VAR)
4. Johnson & Johnson (JNJ)
5. Gilead Sciences (GILD)



Source: StockCharts.com

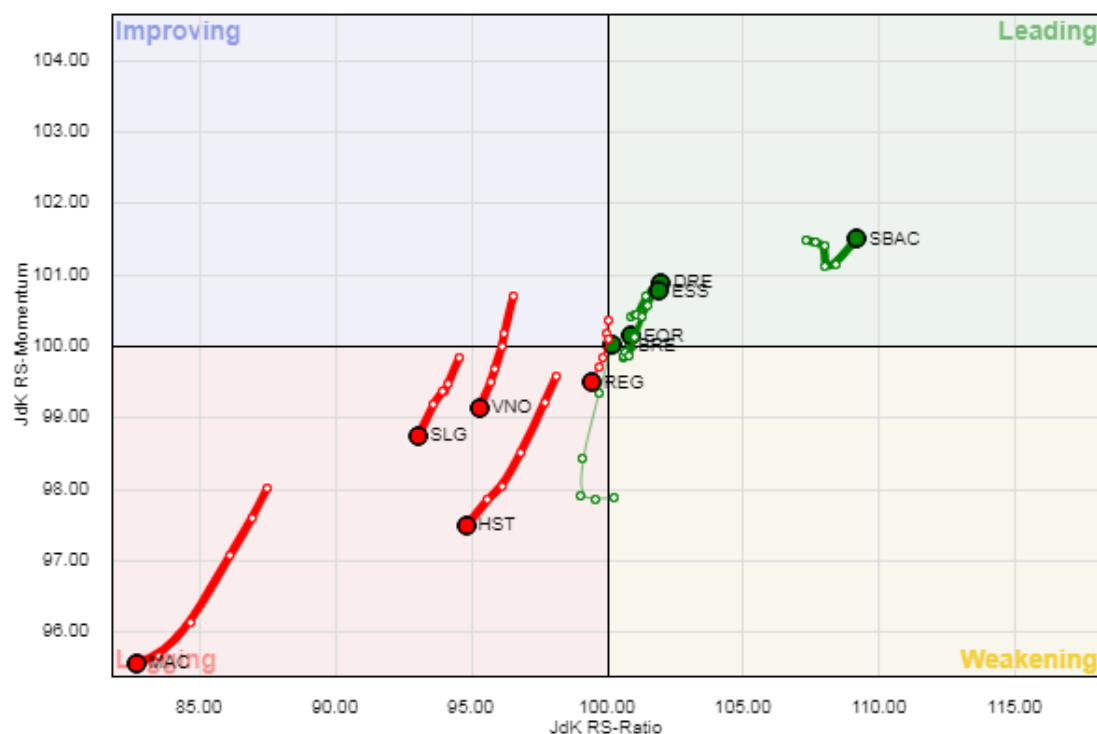
# S&P 500 REAL ESTATE ALPHA DRIVERS

## Long RS-Momentum Leaders

1. SBA Communications (SBAC)
2. Duke Realty (DRE)
3. Essex Property (ESS)
4. Equity Residential (EQR)
5. CBRE Group (CBRE)

## Short RS-Momentum Laggards

1. Macerich (MAC)
2. SL Green Realty (SLG)
3. Host Hotels & Resorts (HST)
4. Vornado Realty (VNO)
5. Regency Realty (REG)



Source: StockCharts.com

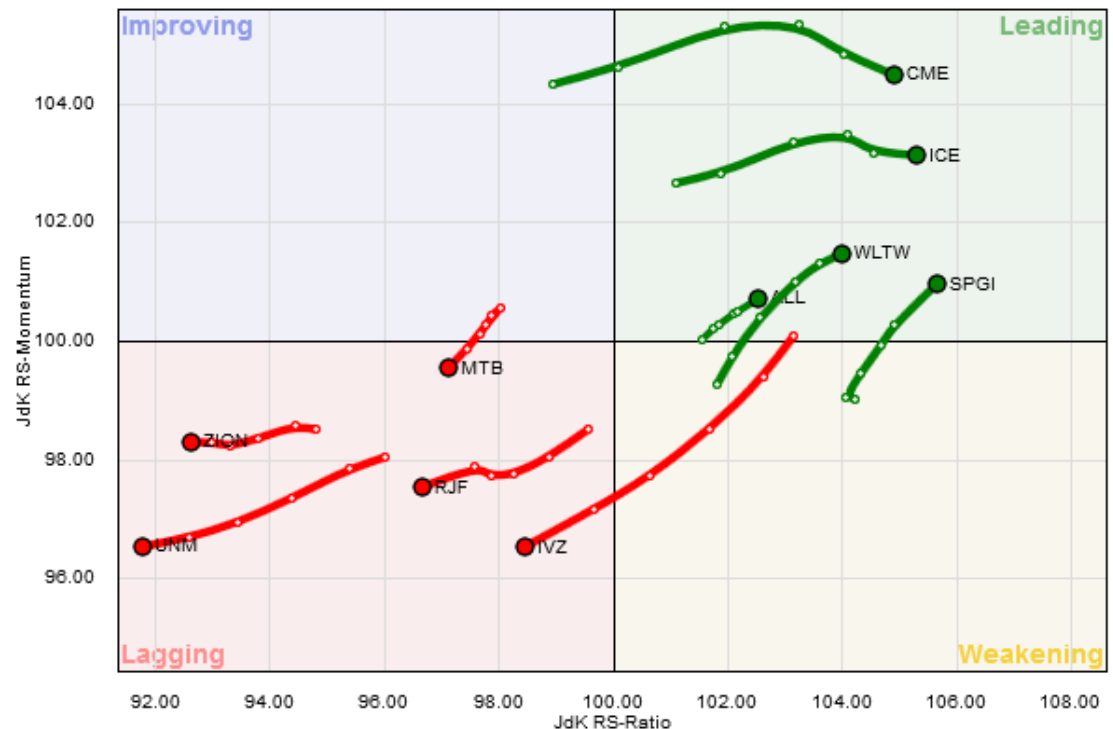
# S&P 500 FINANCIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. S&P Global (SPGI)
2. Intercontinental Exchange (ICE)
3. CME Group (CME)
4. Willis Towers Watson (WLTW)
5. Allstate (ALL)

## Short RS-Momentum Laggards

1. Unum Group (UNM)
2. Zion Bancorp (ZION)
3. Raymond James (RJF)
4. Invesco Ltd (IVZ)
5. M&T Bank (MTB)



Source: StockCharts.com

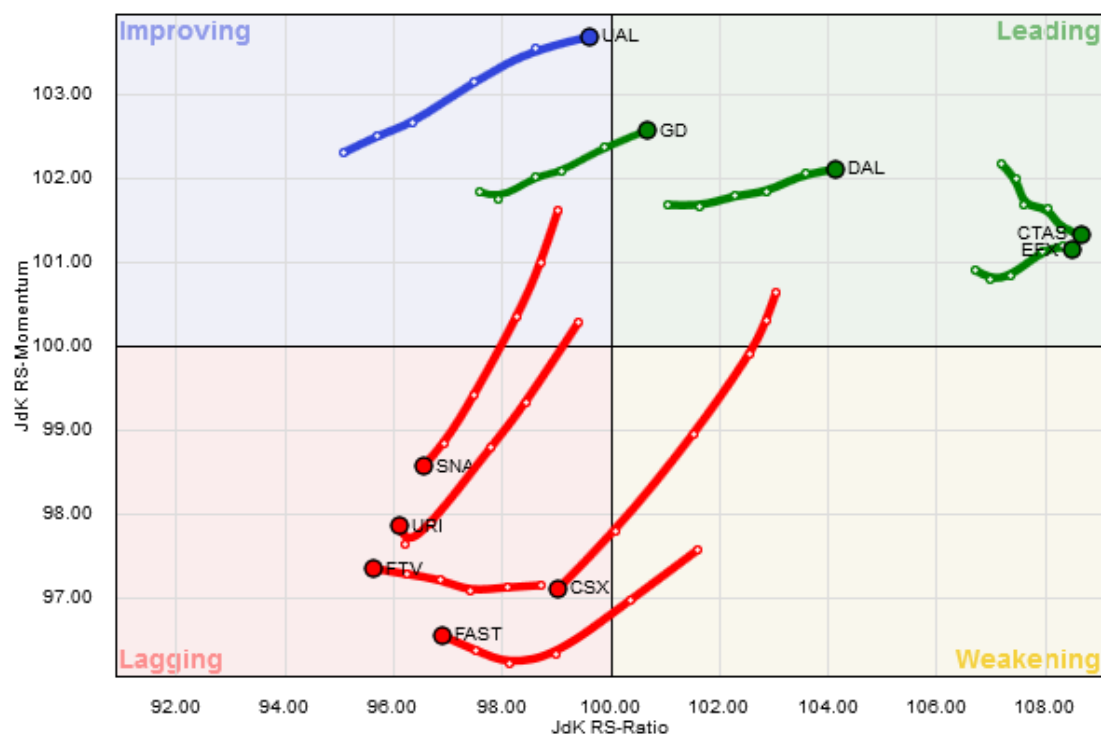
# S&P 500 INDUSTRIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Cintas (CTAS)
2. Equifax (EFX)
3. Delta Air Lines (DAL)
4. General Dynamics (GD)
5. United Air Lines (UAL)

## Short RS-Momentum Laggards

1. Fortive (FTV)
2. Fastenal (FAST)
3. United Rentals (URI)
4. Snap-on Tools (SNA)
5. CSX Corp (CSX)



Source: StockCharts.com



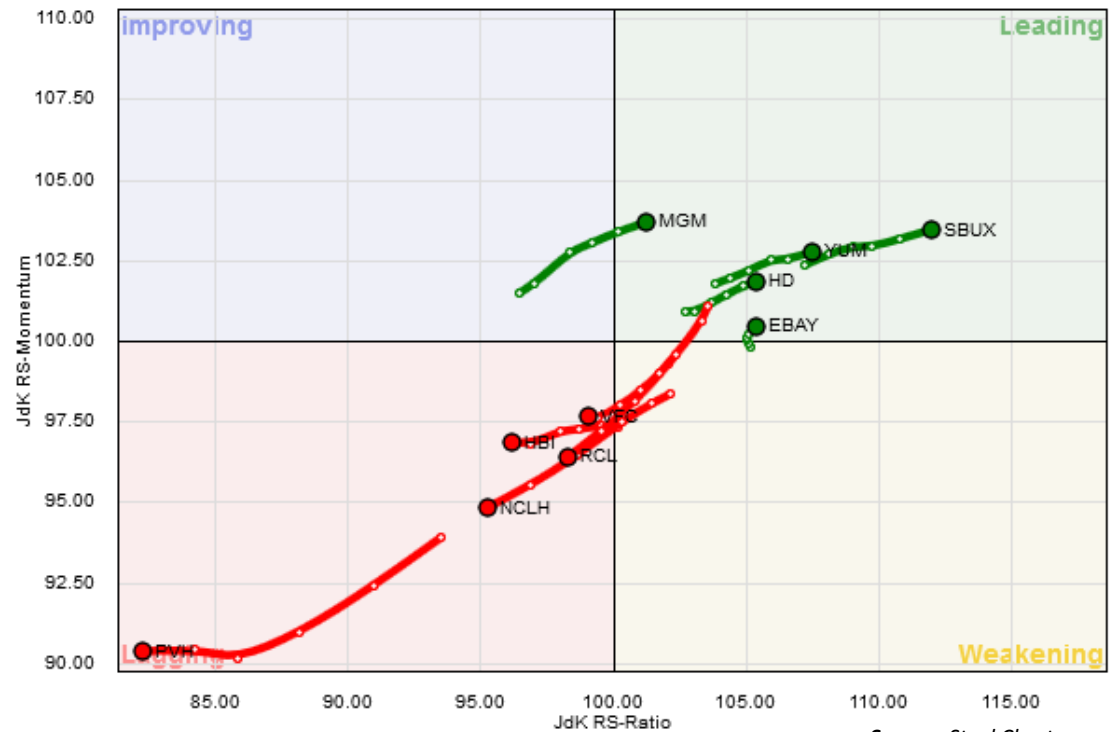
# S&P 500 DISCRETIONARY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Starbucks (SBUX)
2. Yum! Brands (YUM)
3. Home Depot (HD)
4. eBay (EBAY)
5. MGM Resorts Int'l (MGM)

## Short RS-Momentum Laggards

1. PVH Corp (PVH)
2. Norwegian Cruise Lines (NCLH)
3. Hanes Brands (HBI)
4. Royal Caribbean (RCL)
5. VF Corp (VFC)



Source: StockCharts.com

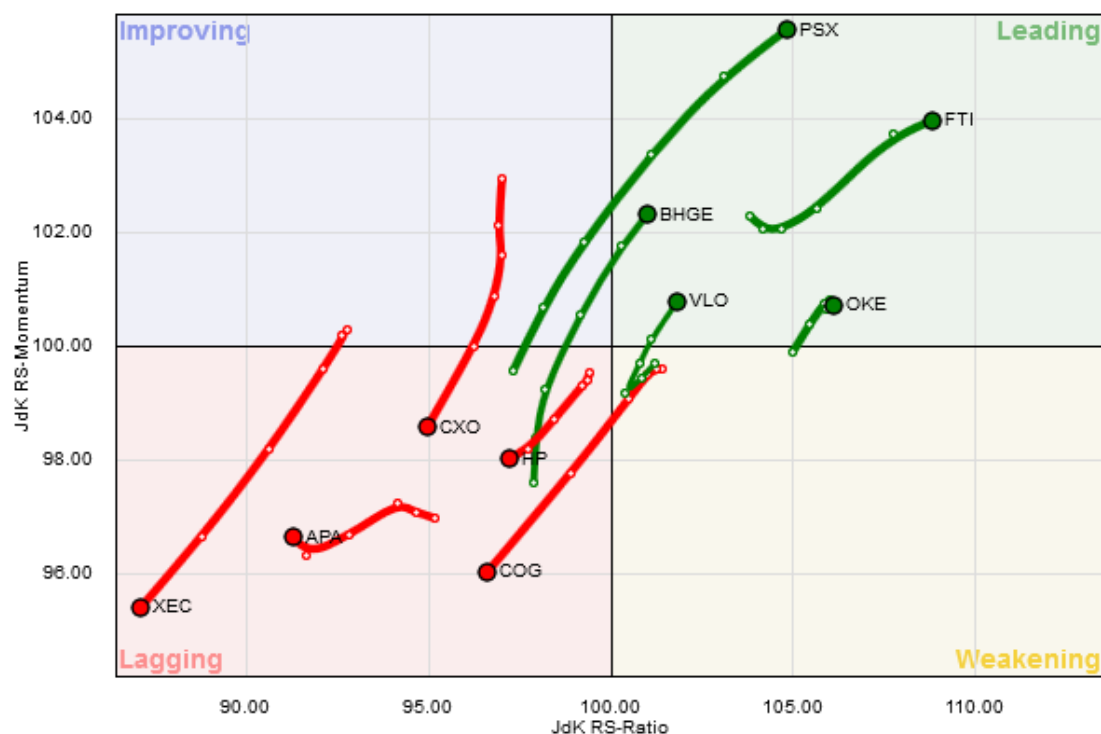
# S&P 500 ENERGY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. FMC Technologies (FTI)
2. Phillips 66 (PSX)
3. Oneok (OKE)
4. Baker Hughes (BHGE)
5. Valero (VLO)

## Short RS-Momentum Laggards

1. Cimarex Energy (XEC)
2. Apache (APA)
3. Concho Resources (CXO)
4. Cabot Oil & Gas (COG)
5. Helmerich & Payne (HP)



Source: StockCharts.com

# JULY PERFORMANCE REPORT CARD

## Long the Leaders / Short the Laggards

[illegible]

**Source:** Bloomberg and JWH Investment Partners



Source: Hedgeye.com

# ACTIONABLE TRADE IDEAS

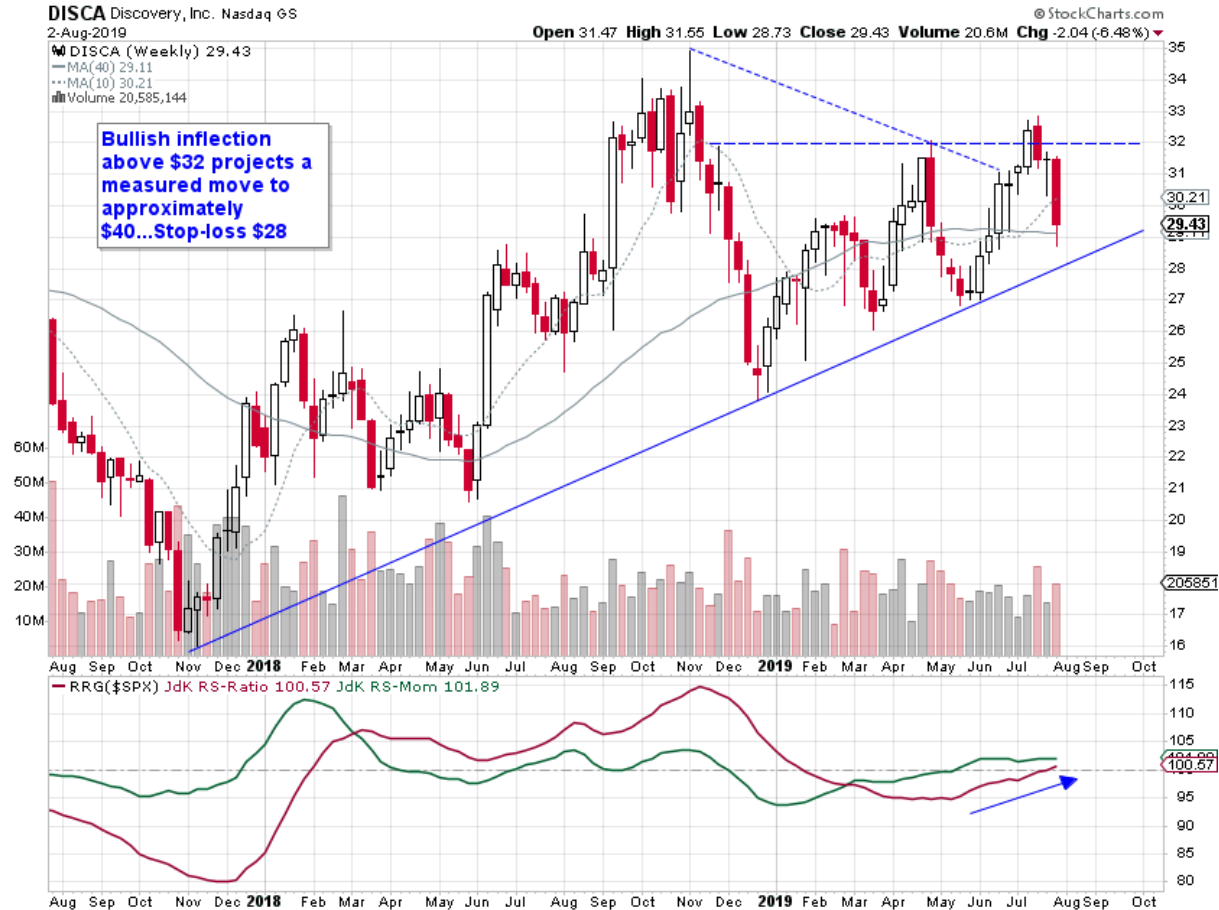
## ☐ Bullish Long Set-ups:

- ☐ Communications...DISCA
- ☐ Staples...CPB
- ☐ Materials...FTI

## ☐ Bearish Short Set-ups:

- ☐ Industrials...FTV
- ☐ Discretionary...RCL
- ☐ Energy...HP

# BULLISH DISCOVERY



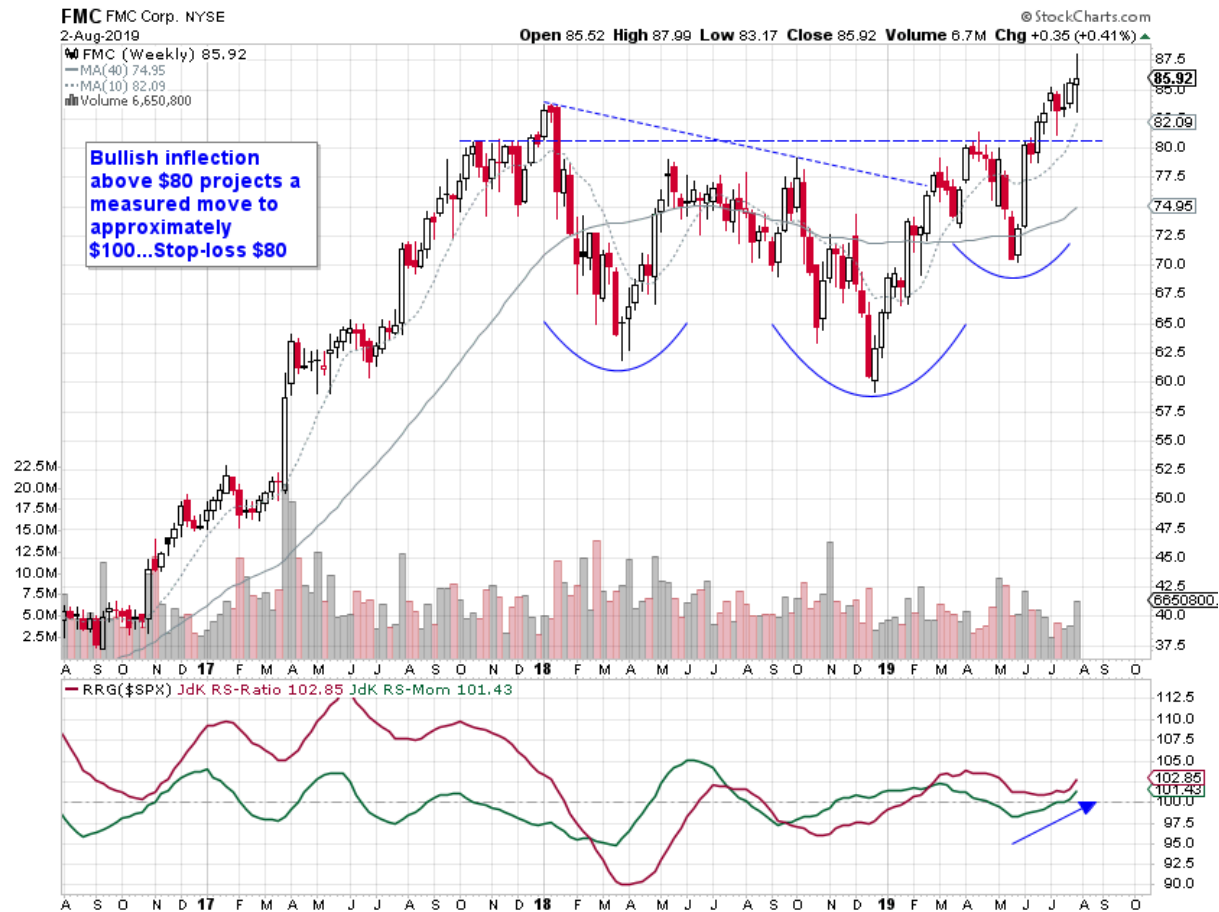
Source: StockCharts.com

# BULLISH CAMPBELL SOUP



Source: StockCharts.com

# BULLISH FMC CORP



Source: StockCharts.com

# BEARISH FORTIVE CORP



Source: StockCharts.com



# BEARISH ROYAL CARIBBEAN



Source: StockCharts.com

# BEARISH HELMERICH & PAYNE



Source: StockCharts.com



Source: Hedgeye.com

# FOREIGN EQUITY MARKETS

## ☐ Developed

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

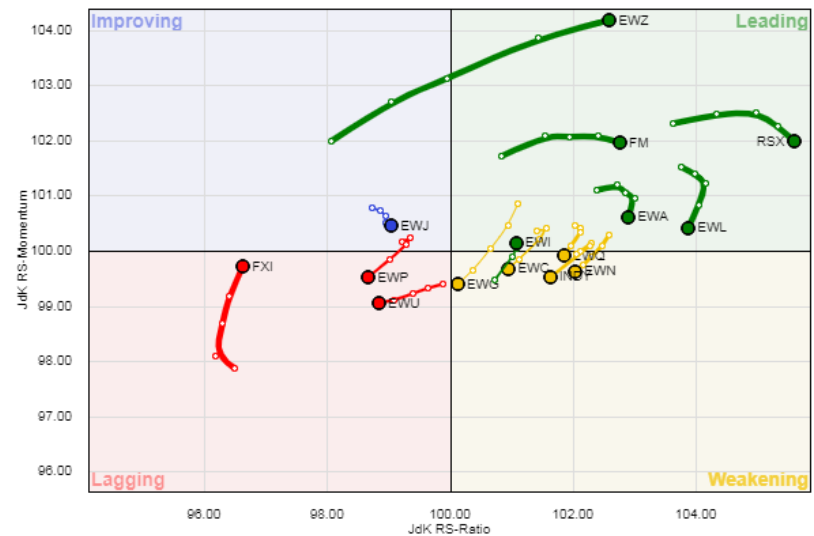
## ☐ Emerging

- ☐ China, India, Brazil, Russia, and the Frontier 100

# MSCI FOREIGN MARKET LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JUL Return</u>	<u>TTM Return</u>
1. Brazil (EWZ)	+ 1.8%	+ 26.8%
2. Russia (RSX)	- 0.5%	+ 13.3%
3. Frontier 100 (FM)	+ 0.2%	+ 3.8%
4. Switzerland (EWL)	- 1.0%	+ 9.3%
5. Australia (EWA)	- 0.6%	+ 3.6%
6. Italy (EWI)	- 1.9%	- 5.1%
7. Netherlands (EWN)	+ 0.0%	+ 0.1%
8. France (EWQ)	- 2.8%	- 3.3%
9. India (INDY)	- 5.6%	- 2.4%
10. Canada (EWC)	- 0.8%	- 0.3%
11. Japan (EWJ)	- 0.4%	- 5.6%
12. Germany (EWG)	- 4.4%	- 12.0%
13. United Kingdom (EWU)	- 2.4%	- 5.9%
14. Spain (EWP)	- 5.1%	- 10.2%
15. China (FXI)	- 3.9%	- 3.8%

**MSCI Country RS-Momentum Chart**



Source: StockCharts.com

# FOREIGN MARKET LEADERSHIP...CONTINUED

## Emerging Mkts Lagging Developed Mkts



## Foreign Mkts Lagging Domestic Mkts



# DEVELOPED MARKETS AUSTRALIA

**BULLISH** (+18.78% YTD)

## Observations:

- ❑ **Price** made a new all-time high in July, following through on the June inflection above the neckline of a lateral consolidation pattern of the “Cup & Handle” variety.
- ❑ **Momentum** remains positive, having penetrated a two-year descending trend line, and is attempting to stage a bullish reversal. Yet, a negative divergence remains in place versus the 2018 high.
- ❑ **Relative strength** vs. developed markets has accelerated higher after penetrating a multi-year descending trend line.
- ❑ **Key Resistance** = \$27
- ❑ **Key Support** = \$21

## Conclusions:

- ❑ **Maintaining Bullish view.** The new all-time record high supports a constructive technical view on this country. A breach of key support at \$21 would lead us to downgrade our view to Neutral.
- ❑ **New Target: \$27**



Source: StockCharts.com

# DEVELOPED MARKETS CANADA

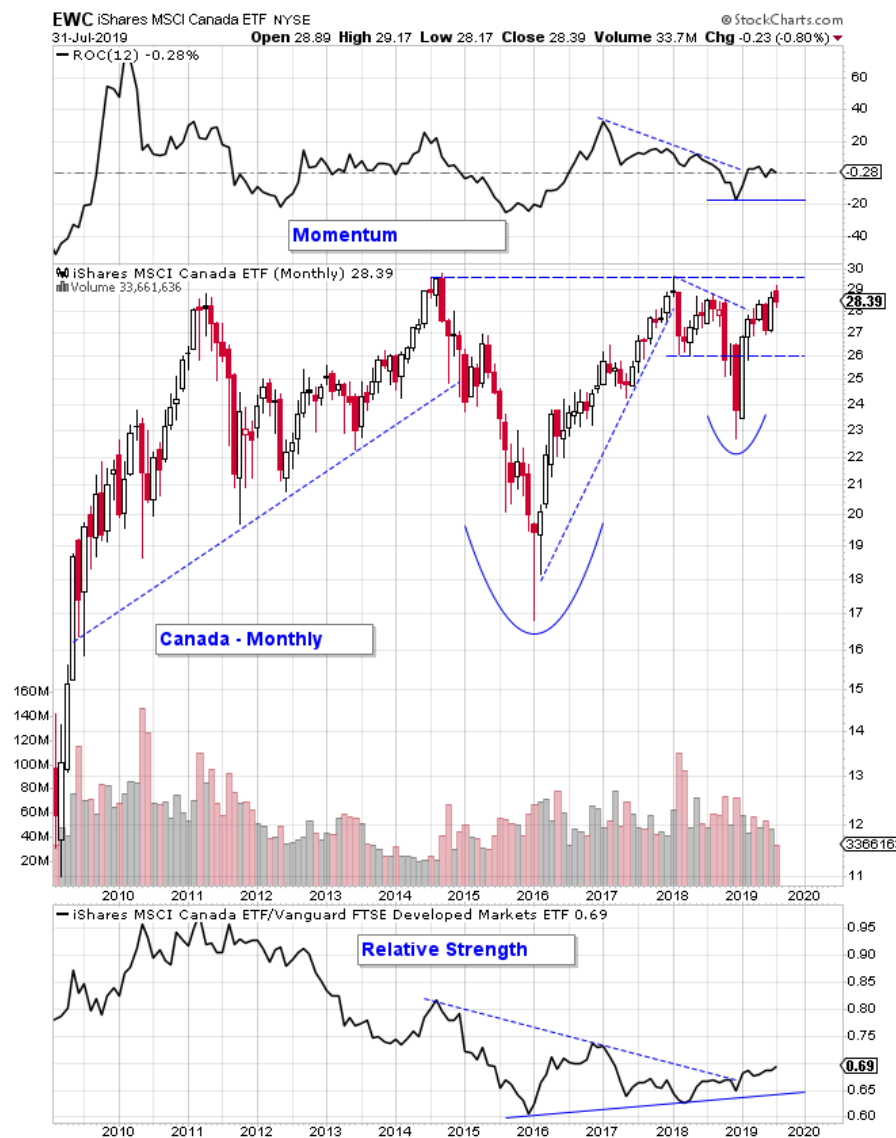
**NEUTRAL** (+19.57% YTD)

## Observations:

- ❑ **Price** rallied to make a new recovery high in July, but held below key resistance.
- ❑ **Momentum** turned slightly positive after penetrating a two-year descending trend line, but is struggling to stage a bullish reversal.
- ❑ **Relative strength** vs. developed markets is attempting turn up after penetrating a multi-year descending trend line.
- ❑ **Key Resistance** = \$30
- ❑ **Key Support** = \$26

## Conclusions:

- ❑ **Maintaining Neutral view.** Mixed price action and flat momentum, coupled with flat RS supports a neutral technical view. A new monthly closing high would lead us to upgrade our rating to Bullish; If instead a breach of key support, then a downgrade to Bearish.
- ❑ **Target:** N/A



Source: StockCharts.com

# DEVELOPED MARKETS UNITED KINGDOM **BEARISH** (+10.21% YTD)

## Observations:

- ❑ **Price** failed at trend resistance establishing a series of lower highs, but continues to hold well-above key support in July.
- ❑ **Momentum** remains negative, after penetrating a descending trend line off the 2018 peak, but the higher lows may foretell a bullish reversal ahead.
- ❑ **Relative strength** vs. developed markets halted its decline last January and reversed above a multi-year descending trend line, but remains range-bound with little progress to show for it.
- ❑ **Key Resistance** = \$33
- ❑ **Key Support** = \$28

## Conclusions:

- ❑ **Maintaining Bearish view.** The failure to clear its primary downtrend line and key resistance confirms our Bearish technical view on this country. The continued overhang of Brexit may require significantly more time to heal the damage.
- ❑ **Target: \$29**



Source: StockCharts.com



# DEVELOPED MARKETS GERMANY

**NEUTRAL** (+8.70% YTD)

## Observations:

- ❑ **Price** rallied to penetrate a descending trend line off the 2018 highs in April, but posted a bearish outside-down bar in May, negating the progress of the prior month. June was an inside month that close below key resistance once again.
- ❑ **Momentum** remains deeply negative, and has turned down again after a failed challenge of the zero line, re-establishing a new downtrend.
- ❑ **Relative strength** vs. developed markets collapsed in 2018 and made a new low in Q1. The latest reversal attempt failed at trend line resistance.
- ❑ **Key Resistance** = \$28
- ❑ **Key Support** = \$24

## Conclusions:

- ❑ **Maintaining Neutral view.** Negative momentum, deteriorating RS, and the continued failure to penetrate key resistance supports our neutral technical view. A new monthly closing high would lead us to upgrade our rating to Bullish; A breach of key support, would result in a downgrade to Bearish.
- ❑ **Target:** N/A



Source: StockCharts.com

# DEVELOPED MARKETS FRANCE

**NEUTRAL** (+15.13% YTD)

## Observations:

- ❑ **Price** made a new recovery high in July, but failed to hold above the June close, after penetrating trend line resistance. A challenge of key resistance remains elusive.
- ❑ **Momentum** halted its decline at a well-established support level and has attempted a weak bullish reversal, but is struggling to hold above the zero line.
- ❑ **Relative strength** vs. developed markets broke out above established resistance to post a new 8-year high in June and now appears poised to test support.
- ❑ **Key Resistance** = \$32
- ❑ **Key Support** = \$28

## Conclusions:

- ❑ **Maintaining Neutral view.** Price is holding below key resistance on weak momentum, but improving RS may indicate that a resumption of the uptrend is close at hand. A new monthly closing high would lead us to upgrade our rating to Bullish; If instead support is breached, then a downgrade to Bearish would follow.
- ❑ **Target:** N/A



Source: StockCharts.com

# DEVELOPED MARKETS ITALY

**NEUTRAL** (+15.54% YTD)

## Observations:

- ❑ **Price** rallied to a new recovery high in July, but failed just below key resistance, posting an inverted hammer candle line to end the month below the June close.
- ❑ **Momentum** has halted its decline, but is struggling to reverse trend, and remains slightly negative.
- ❑ **Relative strength** vs. developed markets remains range bound in a multi-year consolidation pattern.
- ❑ **Key Resistance** = \$29
- ❑ **Key Support** = \$22

## Conclusions:

- ❑ **Maintaining Neutral view.** The long-term trend appears to have the characteristics of a lateral consolidation pattern of the “Barrier Triangle” variety. If this proves accurate, then a bullish inflection above the 2018 high, if confirmed by momentum, would portend significant upside potential.
- ❑ **Target:** N/A



Source: StockCharts.com

# DEVELOPED MARKETS SPAIN

**NEUTRAL** (+3.74% YTD)

## Observations:

- ❑ **Price** posted a bearish engulfing candle line, making July an outside down month, and in so doing, took out the May low.
- ❑ **Momentum** has halted its decline, but is struggling to reverse trend, and remains staunchly negative.
- ❑ **Relative strength** vs. developed markets made a fresh 7-year low after failing at trend resistance twice in the last year.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$26

## Conclusions:

- ❑ **Maintaining Neutral view.** The long-term trend appears to have the characteristics of a lateral consolidation pattern of the “Symmetrical Triangle” variety. If this proves accurate, then a bullish inflection above the 2018 high, if confirmed by momentum, would portend significant upside potential.
- ❑ **Target:** N/A



# DEVELOPED MARKETS SWITZERLAND BULLISH (+20.35% YTD)

## Observations:

- ❑ **Price** recorded a modest new all-time high in July, but ended below the record June close. The action appears to be a shallow consolidation of recent gains. The consistent price action should lead to further gains in the months ahead.
- ❑ **Momentum** remains positive following a powerful bullish reversal that appears poised to challenge resistance to negate a negative divergence versus the 2017 high.
- ❑ **Relative strength** vs. developed markets bottomed in 2018 and has reversed sharply higher to post another new all-time high in July.
- ❑ **Key Resistance** = \$38
- ❑ **Key Support** = \$36

## Conclusions:

- ❑ **Maintaining Bullish view.** Switzerland is by far the strongest market on the European continent. The monthly close above \$37 portends a potential major bullish reversal may be under way. A monthly close below key support would lead us to downgrade our opinion to Neutral.
- ❑ **New Target: \$42**



Source: StockCharts.com

# DEVELOPED MARKETS NETHERLANDS BULLISH (+20.10% YTD)

## Observations:

- ❑ **Price** saw follow through on the June strength to post a bullish inflection above key resistance in July.
- ❑ **Momentum** has recovered above the zero line and is now attempting to stage a bullish reversal.
- ❑ **Relative strength** vs. developed markets has staged successful a bullish reversal and made a fresh new all-time high in July.
- ❑ **Key Resistance** = \$33
- ❑ **Key Support** = \$29

## Conclusions:

- ❑ **Maintaining Bullish view.** The long-term trend is decidedly up and to the right. A monthly close above key resistance would confirm the next leg of the advance is underway. A breach of key support would lead us to downgrade our opinion to Neutral.
- ❑ **Target: \$35**



Source: StockCharts.com

# DEVELOPED MARKETS JAPAN

**BEARISH** (+8.20% YTD)

## Observations:

- ❑ **Price** rallied to make a new recovery high on the weakest monthly volume in seven years, but failed again at key resistance in July, and remains in an established downtrend.
- ❑ **Momentum** has halted its decline and penetrated trend resistance, but remains staunchly negative.
- ❑ **Relative strength** vs. developed markets has been range bound since late 2015 and appears to be testing the lower boundary of the range for a third time.
- ❑ **Key Resistance** = \$57
- ❑ **Key Support** = \$50

## Conclusions:

- ❑ **Maintaining Bearish view.** With price action and momentum still showing scant evidence of improvement, our Bearish technical view appears warranted. A monthly close above key resistance would lead us to upgrade our rating to Neutral.
- ❑ **Target: \$40**



Source: StockCharts.com

# EMERGING MARKETS CHINA

**NEUTRAL** (+6.24% YTD)

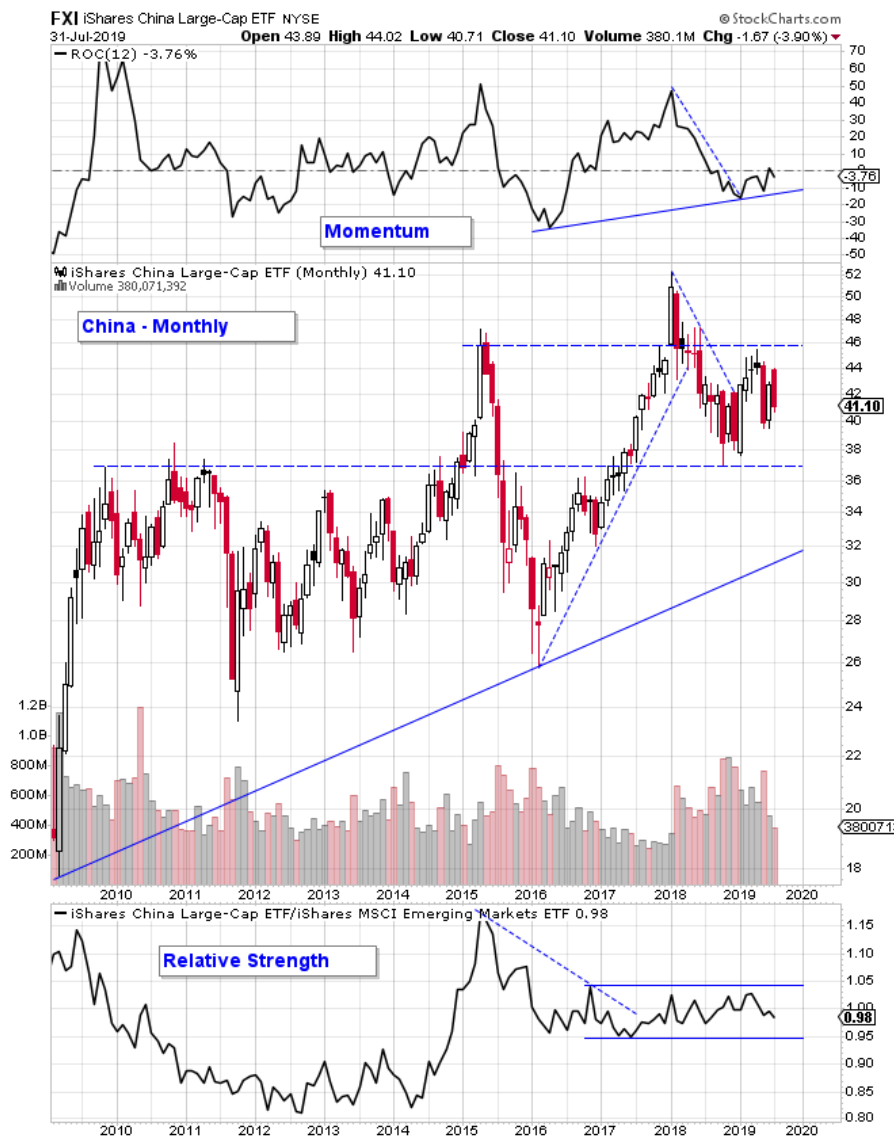
## Observations:

- ❑ **Price** made a new recovery high in July, but failed to hold above the June close. A challenge of key resistance remains elusive.
- ❑ **Momentum** has halted its decline, establishing a new uptrend, but is struggling to hold the zero line.
- ❑ **Relative strength** vs. emerging markets has been range bound since late 2016 and has turned down from the upper boundary of the range for at least the third time; a sign of continued weakness.
- ❑ **Key Resistance** = \$46
- ❑ **Key Support** = \$37

## Conclusions:

- ❑ **Maintaining Neutral view.** The future performance of China's stock market will be determined by the timing and terms of a trade deal with the U.S. To a certain extent the outcome is binary. We prefer to wait on the sidelines to see which way the market breaks. A monthly close above key resistance would lead us to upgrade our rating to Bullish. A monthly close below key support would lead us to downgrade our rating to Bearish.

- ❑ Target: N/A



Source: StockCharts.com



# EMERGING MARKETS INDIA

**NEUTRAL** (+3.18% YTD)

## Observations:

- ❑ **Price** collapsed in July, closing below key support, and calling the bull case into question.
- ❑ **Momentum** turned negative, and appears poised to test trend line support, while a multi-year negative divergence remains in place.
- ❑ **Relative strength** vs. emerging markets posted a new all-time record high in May, but has since retrenched and appears poised to test trend line support.
- ❑ **Key Resistance** = \$39
- ❑ **Key Support** = \$35

## Conclusions:

- ❑ **Downgrading to Neutral.**
- ❑ **Reduce to benchmark weighting.** The breach of prior key support at \$38, coupled with a negative momentum reading, calls the bull case into question. A new monthly closing high would lead us to reconsider the bull case. A monthly close below key support would lead us to downgrade our opinion to Bearish.
- ❑ Target: N/A



Source: StockCharts.com

# EMERGING MARKETS BRAZIL

## BULLISH (+17.98% YTD)

### Observations:

- ❑ **Price** rallied to post a new recovery high in July, challenging key resistance, and appears to be very near completing a potential multi-year base formation of the inverted “Head & Shoulders” variety. A monthly close above \$46 would confirm that a new primary uptrend has been established.
- ❑ **Momentum** turned positive in April and has been staging a clear bearish-to-bullish reversal since.
- ❑ **Relative strength** vs. emerging markets double bottomed mid-year 2018 and has turned decidedly up after penetrating a descending trend line. A bullish reversal remains in progress.
- ❑ **Key Resistance** = \$46/48
- ❑ **Key Support** = \$36

### Conclusions:

- ❑ **Maintaining Bullish view.** A monthly close above \$46 would portend that a major bullish reversal is underway. A monthly close below key support would lead us to downgrade our opinion to Neutral.
- ❑ **Target:** \$62



Source: StockCharts.com

# EMERGING MARKETS RUSSIA

**BULLISH** (+25.39% YTD)

## Observations:

- ❑ **Price** has resolved above the neckline of a multi-year base formation of the “Head & Shoulders” variety. A new primary uptrend has been established.
- ❑ **Momentum** turned positive in April and appears to be staging a bullish reversal after penetrating a descending trend line off the 2017 high.
- ❑ **Relative strength** vs. emerging markets is accelerating higher after it successfully challenged, and penetrated a descending trend line off the 2017 high.
- ❑ **Key Resistance** = \$25
- ❑ **Key Support** = \$22

## Conclusions:

- ❑ **Maintaining Bullish view.** The monthly close above \$23 projects a measured move to approximately \$35. A monthly close below key support would lead us to downgrade our opinion to Neutral.
- ❑ **Target: \$28; then \$35**



# EMERGING MARKETS FRONTIER 100

## NEUTRAL (+16.61% YTD)

### Observations:

- ❑ **Price** rallied to a new recovery closing high in July, but failed just below key resistance, posting an inverted hammer candle line. When looked at in the context of the broad market, the advance off the December low has only recovered about 62% of the 2018 decline.
- ❑ **Momentum** has recovered above the zero line and is now staging a near vertical bullish reversal.
- ❑ **Relative strength** vs. emerging markets has resolved sharply to the upside above a multi-year descending trend line after making a new six-year low in April.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$27

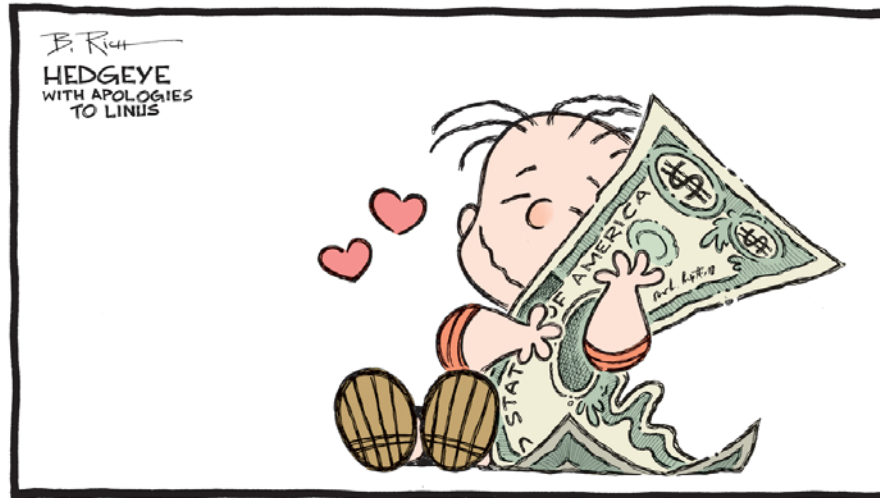
### Conclusions:

- ❑ **Maintaining Neutral view.** The 2018 decline has a distinctively impulsive character, while the 2019 recovery appears corrective thus far, taking on the appearance of an (A-B-C) swing move, hence our neutral technical view. A monthly close above key resistance would lead us to upgrade our opinion to Bullish. A close below key support would result in a downgrade to Bearish.

- ❑ Target: N/A



Source: StockCharts.com



Source: Hedgeye.com

# MACRO PERSPECTIVES

- ☐ Commodities: CRB Index, Gold Bullion, WTI Crude Oil, Bitcoin Index
- ☐ Infrastructure: MLP Index
- ☐ Currencies: U.S. Dollar Index, EUR/USD, JPY/USD
- ☐ Rates: 10-Year Treasury Yield

# COMMODITY REUTERS/JEFFRIES CRB INDEX BULLISH (+5.14% YTD)

## Observations:

- ❑ **Price** appears to have bottomed in three waves (A-B-C) as of late-2015, followed by three small-degree impulsive advances, each bifurcated by a three-wave partial correction. The most recent decline allows for a 1-2-(i)-(ii)-i-ii wave count. The alternative could be 1 up, followed by w-x-y (a corrective flat). Both are bullish set-ups.
- ❑ **Momentum** went deeply negative after violating a multi-year ascending trend line, and appears now to have bottomed and is attempting to reverse above a descending trend line off the 2018 high.
- ❑ **Relative strength** vs. the S&P 500 index has been in decline since mid-2011, but in recent months has begun to flatten out.
- ❑ **Key Resistance** = 207
- ❑ **Key Support** = 166

## Conclusions:

- ❑ **Maintaining Bullish view.** Our opinion is based upon price pattern and an impending 3<sup>rd</sup> wave advance. While somewhat speculative, the positive risk skew (4:1) makes this trade appear attractive.
- ❑ **Target = 240**



# COMMODITY GOLD BULLION BULLISH (+12.21% YTD)

## Observations:

- ❑ **Price** has resolved above the neckline of a six-year base formation of the “Cup & Handle” variety. There is an old technician’s maxim that speaks to the significance of the long-term nature of the pattern: “The bigger the base, the higher in space.”
- ❑ **Momentum** turned positive in May and is now accelerating higher after penetrating a descending trend line off the 2016 high.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index broke out to a new all-time record high in July.
- ❑ **Key Resistance** = \$1480 (= 50% retracement)
- ❑ **Key Support** = \$1350

## Conclusions:

- ❑ **Maintaining Bullish view.** A new recovery high in July coupled with accelerating momentum and renewed leadership among its CRB peers make this barbarous relic a triple threat. While price may need to further consolidate its gains in the near-term, the long-term pattern remains constructive. Only a monthly close below key support would move us to the sidelines.
- ❑ **New Targets** = \$1580 (= 61.8% retracement)



Source: StockCharts.com

# COMMODITY NYSE BITCOIN INDEX BULLISH (+166.81% YTD)

## Observations:

- ❑ **Price** is taking its first breather since embarking upon a near vertical ascent since January. The impulsive character of the advance suggests that it should be respected.
- ❑ **Momentum** remains positive, and appears poised to emerge from a year-long base.
- ❑ **Relative Strength:** By comparison, the 17 most widely traded commodities, illustrated by the CRB index, have all significantly underperformed Bitcoin since December. The crypto-king has been staging a powerful bearish-to-bullish reversal in RS since January.
- ❑ **Key Resistance = 15400** (= 78.6% retracement)
- ❑ **Key Support = 6500**

## Conclusions:

- ❑ **Maintaining Bullish view.** Despite a normal consolidation of gains, the successful challenge of prior resistance allows for additional upside potential near-term. A new all-time high would project a measured move to approximately 34200! A failure to hold key support would cause us to move to the sidelines.
- ❑ **New Target: 15400**



Source: StockCharts.com



# COMMODITY

## WTI CRUDE OIL

### BULLISH (+29.00% YTD)

#### Observations:

- ❑ **Price** turned down in July after topping slightly above the June high, but the recovery remains intact for now. February's monthly close back above \$55 re-activated the bull case. April's monthly close above \$62 built upon those bullish credentials. A close above key resistance at \$66 would confirm that a new leg to the advance is now under way.
- ❑ **Momentum** remains negative, but has turned up from a higher low, penetrating the descending trend line off the 2018 highs.
- ❑ **Volatility** is often considered to be a contrarian measure of sentiment. Higher levels imply fear. Spikes in the OVX above 40% have tended to closely correspond with important lows in price.
- ❑ **Key Resistance** = \$66
- ❑ **Key Support** = \$51

#### Conclusions:

- ❑ **Maintaining Bullish view.** Our opinion assumes a complete retracement of the Q4 decline, and is based upon geopolitical unrest in the Middle East, a dovish Fed policy tilt, and a bearish US dollar tilt.
- ❑ **New Target** = \$81



Source: StockCharts.com

# INFRASTRUCTURE

## ALERIAN MLP INDEX

### NEUTRAL (+11.32% YTD)

#### Observations:

- ❑ **Price** has stalled after making a new recovery high March, and remains in a downtrend. The weak rally back above the 1Q18 lows suggests a period of stabilization at best.
- ❑ **Momentum** has turned negative again, after attempting to bullish reversal, having penetrated the descending trend line off the 2017 peak.
- ❑ **Relative strength** vs. the S&P 500 index made a new 10-year low after a brief consolidation, following the steep decline since 2014.
- ❑ **Key Resistance** = 258
- ❑ **Key Support** = 240

#### Conclusions:

- ❑ MLPs had experienced an increased correlation to WTI crude in recent months, but that appears to be abating now.
- ❑ **Maintaining Neutral view.** Notwithstanding the potential for continued price volatility within the recent consolidation range, we find the high dividend yield to be an attractive feature of the asset class.
- ❑ Target = N/A



Source: StockCharts.com

# CURRENCY

## US DOLLAR INDEX

### BEARISH (+2.64% YTD)

#### Observations:

- ❑ **Price** reversed sharply higher in July, to challenge the upper boundary of a rising wedge-type pattern, but held below key resistance. This probably represents the final push to a modest new high in a pattern that appears to be a text book “ending diagonal triangle.” A monthly close below key support would confirm it.
- ❑ **Momentum** turned up in July, and remains positive, after breaching an ascending trend line off the 2018 low, but has established a negative divergence vs. the new high in price. A test the zero line would confirm our analysis.
- ❑ **Key Resistance = 99**
- ❑ **Key Support = 95**

#### Conclusions:

- ❑ **Maintaining Bearish view.** The new recovery high was unconfirmed by momentum, leaving a bearish negative divergence in place. A monthly close below key support at \$95 would open the door for a test of the structural uptrend off the 2011/14 lows. A close above key resistance would move us back to the sidelines.
- ❑ **Target = 91**



Source: StockCharts.com

# CURRENCY

## EURO/US DOLLAR

### BULLISH (-3.47% YTD)

#### Observations:

- ❑ **Price** reversed sharply lower in July, but held above trend line support. This volatile price action, after penetrating a descending trend line off the 2018 high, suggests that a change of trend may be forthcoming. A monthly close above key resistance would confirm it.
- ❑ **Momentum** turned down in July, and remains negative after penetrating a descending trend line off the 2018 high, but is attempting a bullish reversal.
- ❑ **Key Resistance = 1.145**
- ❑ **Key Support = 1.09**

#### Conclusions:

- ❑ **Maintaining Bullish view.** The technical characteristics of the Euro nearly mirror those of the US Dollar. Penetration of the upper boundary of a falling wedge pattern signals a trend change ahead. A monthly close above key resistance at 1.145 would open the door to a test of the structural downtrend off the 2011/14 highs. A breach of key support would move us back to the sidelines.
- ❑ **Target = 1.24**



Source: StockCharts.com

# CURRENCY

## YEN/US DOLLAR

### BULLISH (+0.72% YTD)

#### Observations:

- ❑ **Price** remains within a well-defined trading range bound by converging trend lines from above and below that are characteristic of a lateral consolidation of the “Symmetrical Triangle” variety. If the wave B triangle of a larger degree three wave (A-B-C) correction is complete, then wave C should advance to the 61.8% retracement of the 2012/15 decline (1-2-3-4-5).
- ❑ **Momentum** is now positive after penetrating a descending trend line off the 2016 high.
- ❑ **Key Resistance** = 0.95
- ❑ **Key Support** = 0.87

#### Conclusions:

- ❑ **Maintaining Bullish view.** Generally, we would take a neutral stand and wait to see which way price breaks, but triangle patterns are fairly predictable. They tend to resolve in the direction of the prior trend. If our analysis of waves A and B is correct, then wave C should soon make a new recovery high.
- ❑ **Target** = 1.12



Source: StockCharts.com

# INTEREST RATES

## 10-YEAR US TREASURY

### NEUTRAL (-67 bps YTD)

#### Observations:

- ❑ **Yield** breached key support in July, but closed above the lows, about where it began the month. This speaks to indecision. Heightened fears over trade policy and a weak global growth outlook continue to overshadow dovish Fed policy actions.
- ❑ **Momentum** remains deeply negative after collapsing in the fourth quarter of last year. A clear negative divergence remains in place.
- ❑ **Fed** fund futures are pricing in a 100% probability of a further 25 bps cut at the September FOMC meeting, following the 25 bps cut on July 31<sup>st</sup>.
- ❑ **Key Resistance** = 2.03%
- ❑ **Key Support** = 1.63%

#### Conclusions:

- ❑ **Maintaining Neutral view.** With the 2-year/10-year Treasury ratio turning down from a level that has previously marked the top for 10-year yields, it is difficult to become too bearish on bonds long-term, however, near-term bullish sentiment may be overheating.
- ❑ **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 ever possible 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 2<sup>nd</sup> 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 correspond to Overweight / Underweight / Market Weight. 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: [https://stockcharts.com/school/doku.php?id=chart\\_school:glossary\\_a](https://stockcharts.com/school/doku.php?id=chart_school:glossary_a)
- ❑ Some readers may be unfamiliar with the use of Relative Rotation Graphs. A detailed discussion of this subject can be found at: [https://stockcharts.com/school/doku.php?id=chart\\_school:chart\\_analysis:rrg\\_charts](https://stockcharts.com/school/doku.php?id=chart_school:chart_analysis:rrg_charts)



# ANALYST BIO

- ❑ Jeffrey W. Huge, CMT has 29 years of investment industry experience across global equity and debt capital markets. He is Managing Partner and Chief Investment Officer at JWH Investment Partners, a private family office and independent research firm.
- ❑ Prior to launching JWH Investment Partners, Huge worked at 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 investment banks including Oppenheimer, Citigroup, and Merrill Lynch, where he specialized in equity markets, technical analysis, and global macro strategy.
- ❑ Huge 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.
- ❑ Huge is a [CMT Charterholder](#) and has been a member of the CMT Association since 2005.

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