

ALPHA INSIGHTS

~ REVIEW & OUTLOOK ~

JEFFREY W. HUGE, CMT

CHIEF INVESTMENT OFFICER

JWH INVESTMENT PARTNERS

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SUMMARY OVERVIEW

❑ Market Analysis (Page 3)

U.S. equity markets collapsed in December, posting new lows for the year. The breach of LT ascending trend lines and key support levels led us to downgrade U.S. equities in late-October. We maintain our Bearish rating and recommend using any transient strength to reduce equity exposure. Our analysis concludes that global equity markets are in the early stages of a synchronized bear market of potentially epic proportions. A continued rotation away from high beta, growth stocks and into lower volatility, defensive issues remains in force. Large-cap value stocks appear poised for future relative outperformance.

❑ Sector Analysis (Page 13)

Our monthly analysis of the eleven S&P 500 equal-weight sectors ranks Utilities, Real Estate, Staples, and Materials as leadership, with notable improvement from Consumer Discretionary, Technology, and Financials. Health Care has been weakening, while Industrials, Communications, and Energy are lagging.

❑ Portfolio Positioning (Page 26)

We detail a list of long and short portfolio candidates for January. Our December report card (page 38) reveals that the portfolio generated >1300 bps of alpha during the month; a long/short spread of 4.73%.

❑ Actionable Trade Ideas (Page 39)

We recommend the purchase of CenterPoint Energy (CNP), NRG Energy (NRG), Church & Dwight (CHD), Procter & Gamble (PG), Equity Residential (EQR), HCP (HCP), Newmont Mining (NEM), and Air Products (APD) on the long side. We recommend the sale of Alphabet (GOOGL) and Adobe (ADBE) on the short side.

❑ Macro Perspectives (Page 45)

We examine and render technical opinions on foreign equities, gold, WTI crude oil, MLPs, Bitcoin, the USD index, and the 10-year US Treasury yield.

❑ Appendix (Page 53)

Included is an outline of our methodology and rating scale, a glossary, an analyst's bio, and our legal disclaimer.



U.S. MARKET ANALYSIS

- ☐ Large-Cap
- ☐ Mid-Cap
- ☐ Small-Cap
- ☐ Style Box & Factor Leadership
- ☐ Charts of Special Interest

U.S. LARGE CAP S&P 500 INDEX BEARISH

Observations:

- ❑ **Price** action since late-September is consistent with the early stages of a developing bear market. The breach of trend, followed by a dramatic collapse through key support levels has established a range of chart resistance that should repel any near-term rally attempts until overhead supply can be absorbed.
- ❑ **Momentum** has reversed sharply to the downside, establishing a lower high, and consequently leaving a clear negative divergence in place.
- ❑ **Relative strength** of large-caps has overtaken small-caps, as a rotation beneath the surface of the market favors large value going forward.
- ❑ **Key Resistance** = 2604
- ❑ **Key Support** = 2134

Conclusions:

- ❑ **Reduce exposure.** Our initial target has been achieved, but the bull market advance off the 2009 low appears to have reached its terminal point. A large degree correction retracing at least 50% of the previous five wave (1-2-3-4-5) advance may now be in progress.
- ❑ **Target** = 1800



Source: StockCharts.com

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

Observations:

- ❑ **Price** action since late-August is consistent with the early stages of a developing bear market. The breach of trend, followed by a dramatic collapse through key support levels has established a level of chart resistance that should repel any near-term rally attempts until overhead supply can be absorbed.
- ❑ **Momentum** has reversed sharply to the downside, establishing a lower high, and consequently leaving a clear negative divergence in place.
- ❑ **Relative strength** of mid-caps has trailed both large and small-cap stocks, and is now plumbing new lows compared to the large-cap dominated S&P 1500.
- ❑ **Key Resistance** = 1771
- ❑ **Key Support** = 1475

Conclusions:

- ❑ **Reduce exposure.** Our initial target has been achieved, but like its large-cap cousins, the 9-year bull market for mid-caps has most likely reached its terminal point, and is now poised for a proportional retracement in time and price in order to correct the previous advance.
- ❑ **Target** = 1225



U.S. SMALL CAP S&P 600 INDEX BEARISH

Observations:

- ❑ **Price** action since late-August is consistent with the early stages of a developing bear market. The breach of trend, followed by a dramatic collapse through key support levels has established a level of chart resistance that should repel any near-term rally attempts until overhead supply can be absorbed.
- ❑ **Momentum** has reversed sharply to the downside, leaving a large scale negative divergence in place.
- ❑ **Relative strength** made a new high in August, but has since reversed back to test initial support. Small-caps have outperformed mid-caps, but are trailing large-cap stocks.
- ❑ **Key Resistance** = 879
- ❑ **Key Support** = 703

Conclusions:

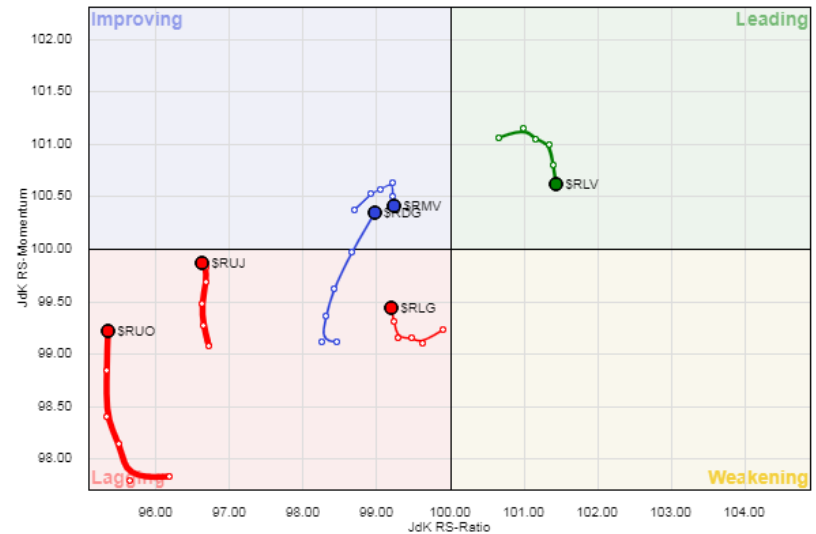
- ❑ **Reduce exposure.** Like its large & mid-cap cousins, the 9-year bull market for small-caps has most likely reached its terminal point, and is now poised for a proportional retracement in time and price in order to correct the previous advance.
- ❑ **Target** = 640



Source: StockCharts.com

RUSSELL STYLE BOX LEADERSHIP

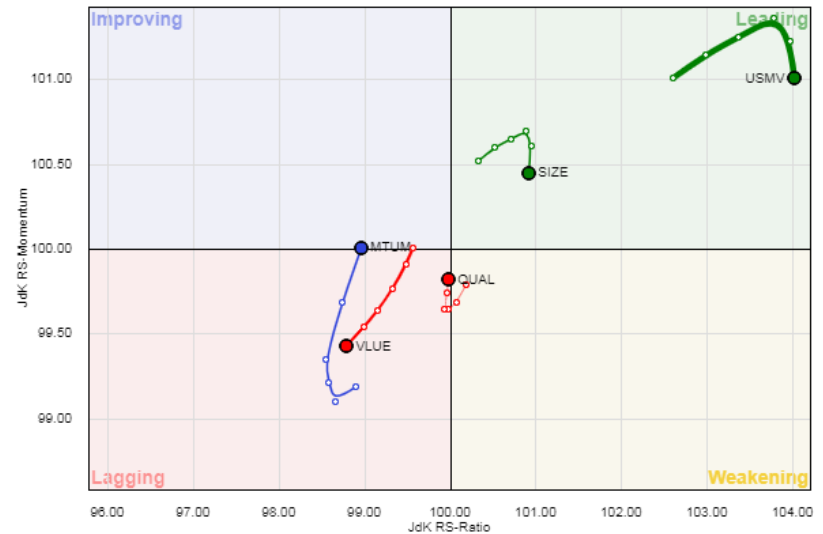
<u>RS-Momentum Rank</u>	<u>Dec % Chg</u>
1. Large-Cap Value (RLV)	- 9.8%
2. Mid-Cap Value (RMV)	-10.8%
3. Mid-Cap Growth (RDG)	- 9.2%
4. Large-Cap Growth (RLG)	-8.7%
5. Small-Cap Value (RUJ)	-12.4%
6. Small-Cap Growth (RUO)	-11.8%



Source: StockCharts.com

MSCI FACTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>Dec % Chg</u>
1. Low Volatility (USMV)	- 6.7%
2. Small Capitalization (SIZE)	- 9.9%
3. High Momentum (MTUM)	- 7.5%
4. High Quality (QUAL)	- 8.5%
5. Low Valuation (VLUE)	-11.1%

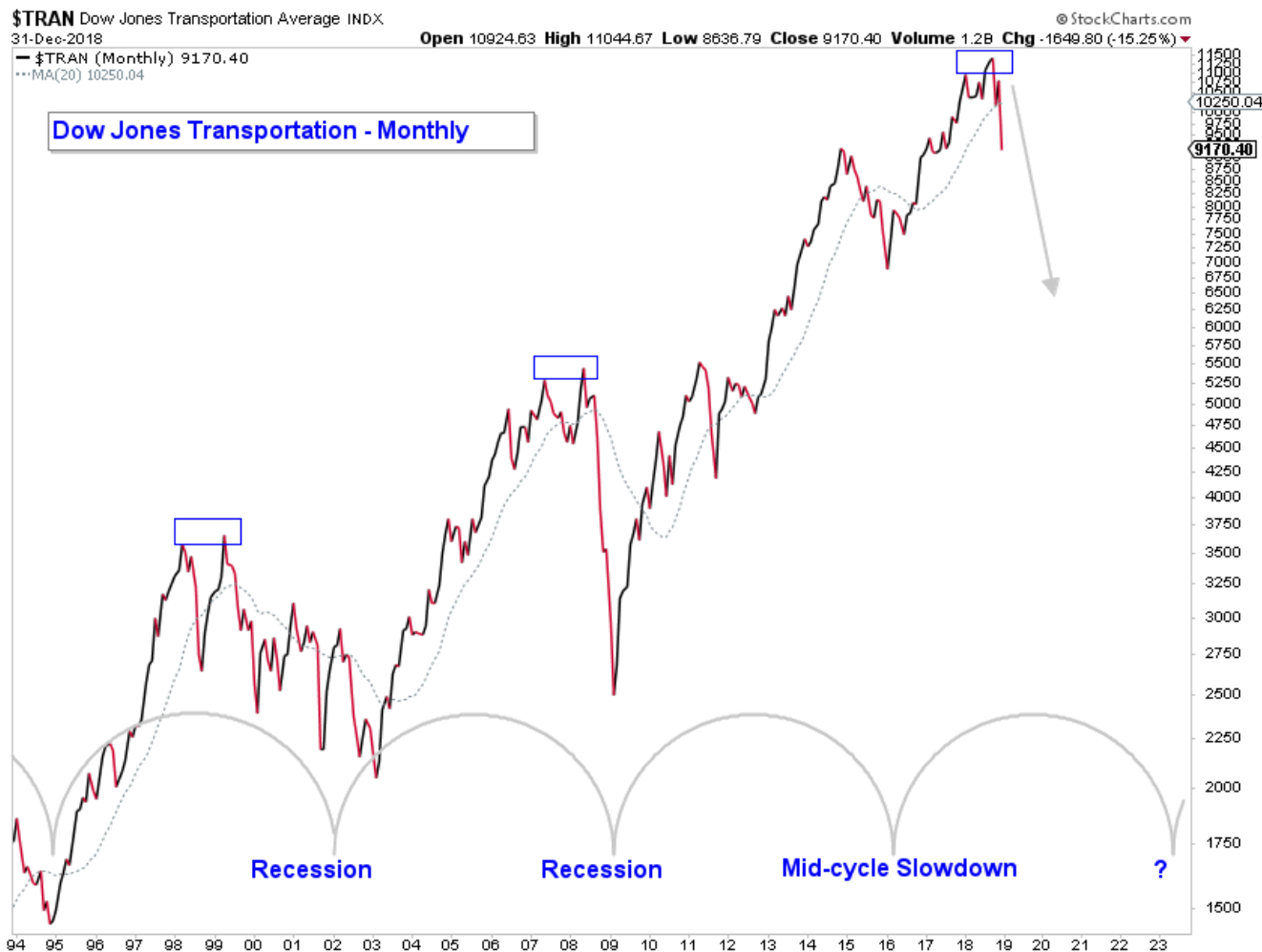


Source: StockCharts.com

LONG VALUE / SHORT GROWTH

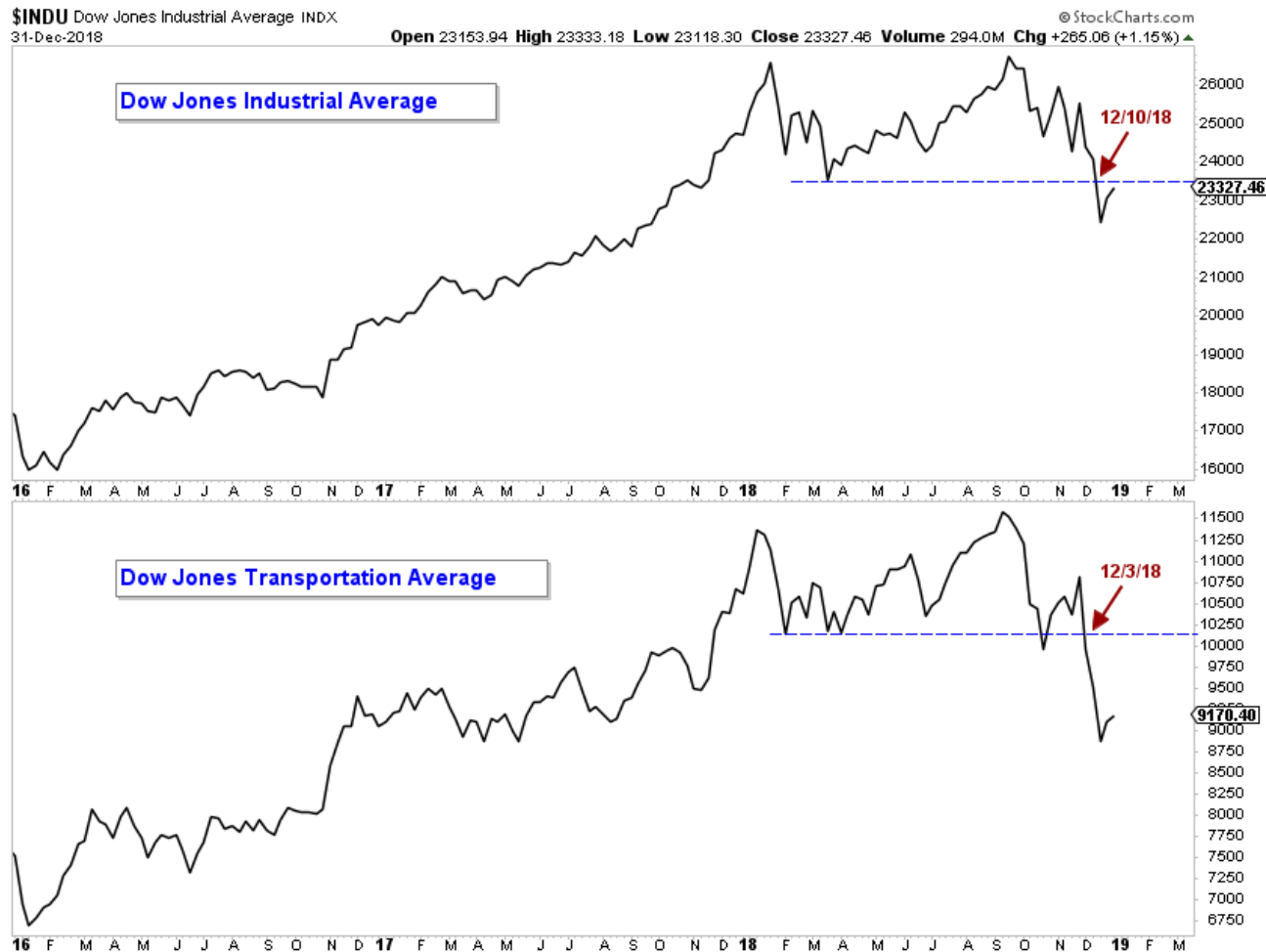


ECONOMIC CYCLE PEAKING



Source: StockCharts.com

DOW THEORY SELL SIGNAL NOW ACTIVE



Source: StockCharts.com

INVESTOR SENTIMENT NOT FEARFUL





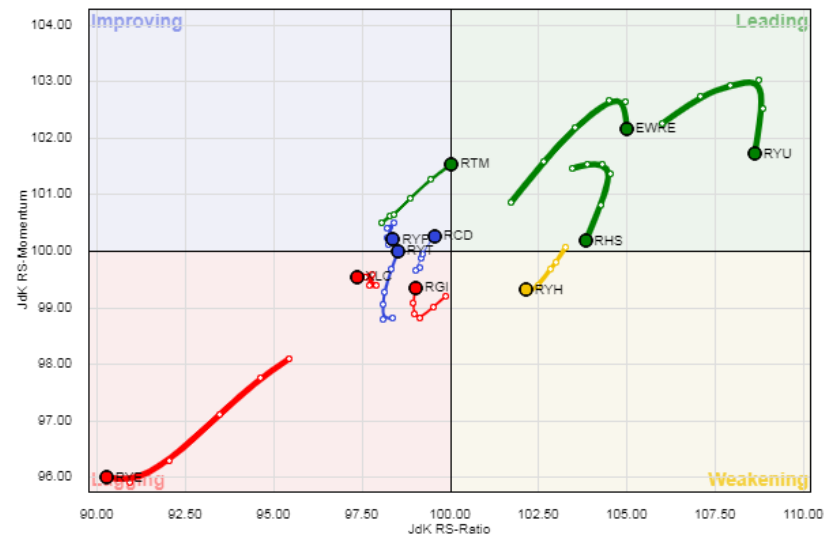
SECTOR ANALYSIS

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

EQUAL-WEIGHT SECTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>Dec % Chg</u>
1. Utilities (RYU)	-3.5%
2. Real Estate (EWRE)	-7.4%
3. Staples (RHS)	-9.6%
4. Materials (RTM)	-8.2%
5. Discretionary (RCD)	-9.9%
6. Technology (RYT)	-8.7%
7. Financials (RYF)	-11.8%
8. Healthcare (RYH)	-9.8%
9. Industrials (RGI)	-11.5%
10. Communications (XLC)	-8.0%
11. Energy (RYE)	-14.7%

S&P 500 Equal-Weight Sectors



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT UTILITIES SECTOR LEADING

Observations:

- ❑ **Price** made a new intra-month high, but posted an outside down monthly bar on diminishing volume. The successful test of trend support may be setting-up for a potential rally in January. Stay tuned.
- ❑ **Momentum** ticked up, continuing its 2018 advance, despite an obvious triple negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock has broken out and reversed sharply above a 2-year descending trendline.
- ❑ **Key Resistance** = \$95
- ❑ **Key Support** = \$82

Conclusions:

- ❑ Utilities maintained the #1 rank in our sector RS-Momentum work this month for a second consecutive month.
- ❑ **Overweight exposure.** Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ **Target** = \$99



S&P 500 EQUAL-WEIGHT REAL ESTATE SECTOR LEADING

Observations:

- ❑ **Price** reversed back below key resistance in December, but remains well above key support.
- ❑ **Momentum** is now negative and has established a series of lower highs, leaving a triple negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock had been in decline since 2Q16, but appears to have bottomed and is now staging a bullish upside reversal.
- ❑ **Key Resistance** = \$34
- ❑ **Key Support** = \$28

Conclusions:

- ❑ Real Estate moved up a position to the #2 rank in our sector RS-Momentum work for the month.
- ❑ **Overweight exposure.** Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ **Target** = \$38



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT STAPLES SECTOR LEADING

Observations:

- ❑ **Price** reversed sharply lower in December, penetrating key support, but is holding above the Nov/Dec 2016 lows for now.
- ❑ **Momentum** turned negative in December and has reversed sharply lower, breaching support to make a new 9-year low.
- ❑ **Relative strength** vs. the average S&P stock had collapsed since 2016, but appears to have bottomed and is now staging a bullish upside reversal.
- ❑ **Key Resistance** = \$136
- ❑ **Key Support** = \$117 (*Breached*)

Conclusions:

- ❑ Consumer Staples slipped one position to the #3 rank in our sector RS-Momentum work this month, ending its progress of the past several months.
- ❑ **Overweight exposure.** Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT MATERIALS SECTOR LEADING

Observations:

- ❑ **Price** reversed back below support leaving the trading range that had been in place since January as new resistance.
- ❑ **Momentum** has turned sharply negative after establishing a lower high, and consequently leaving a clear negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock bottomed in late 2015 and experienced a sustained 2-year recovery, then breached the 2017 low in August, but is now attempting to reverse back above it.
- ❑ **Key Resistance** = \$101
- ❑ **Key Support** = \$86

Conclusions:

- ❑ Materials moved up one more position to the #4 rank in our sector RS-Momentum work this month.
- ❑ **Overweight exposure.** While a rotation away from economically sensitive sectors has been underway since July, we've detected a rather dramatic upside reversal in the RS-Momentum of the precious metals miners.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT DISCRETIONARY SECTOR IMPROVING

Observations:

- ❑ **Price** finally breached key support and appears poised to challenge the 2015 low.
- ❑ **Momentum** turned down after testing a shelf of resistance that has been in place since 2014.
- ❑ **Relative strength** vs. the average S&P stock had been in decline since mid-2015, and is now struggling to reverse higher with little progress.
- ❑ **Key Resistance** = \$94
- ❑ **Key Support** = \$76

Conclusions:

- ❑ Consumer discretionary jumped three positions to the #5 rank in our sector RS-Momentum work this month.
- ❑ **Market weight exposure.** Rotation away from economically sensitive sectors, and into traditionally defensive, and value oriented sectors appears underway.
- ❑ Target = N/A



S&P 500 EQUAL-WEIGHT TECHNOLOGY SECTOR

IMPROVING

Observations:

- ❑ **Price** breached the lower boundary of the wave (5) trend channel, but is holding above key support.
- ❑ **Momentum** has collapsed, turning negative after establishing a lower high, and consequently leaving a clear negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock has breached a multi-year uptrend and is now reversing lower.
- ❑ **Key Resistance** = \$158
- ❑ **Key Support** = \$138 (*Breached*)

Conclusions:

- ❑ Technology moved up two positions to the #6 rank in our sector RS-Momentum work this month.
- ❑ **Market weight exposure.** The selling panic has now subsided, but monthly volume spiked to its highest level in 2-years as trend was breached. The October-December plunge was likely the initial decline of a multi-year correction that could retrace up to 61.8% of the entire 9-year advance.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT FINANCIALS SECTOR

IMPROVING

Observations:

- ❑ **Price** reversed back below key support leaving the trading range that had been in place since January as new resistance.
- ❑ **Momentum** has turned negative after establishing a series of lower highs, consequently leaving a triple negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock broke trend in January and has since made a new 2-year low.
- ❑ **Key Resistance** = \$41
- ❑ **Key Support** = \$30

Conclusions:

- ❑ Financials slipped one position to the #7 rank in our RS-Momentum work this month.
- ❑ **Market weight exposure.** Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT HEALTH CARE SECTOR WEAKENING

Observations:

- ❑ **Price** finally breached the uptrend off the 2015 low in December, and challenged key support.
- ❑ **Momentum** has turned negative, after establishing a lower high in September, and consequently leaving a clear negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock appears to have bottomed and is now staging an upside reversal.
- ❑ **Key Resistance \$199**
- ❑ **Key Supports = \$171 (Breached)**

Conclusions:

- ❑ Health Care fell four positions to the #8 rank in our RS-Momentum work this month.
- ❑ **Market weight exposure.** Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Target = N/A



S&P 500 EQUAL-WEIGHT INDUSTRIAL SECTOR

LAGGING

Observations:

- ❑ **Price** breached key support to leave the trading range that had been in place since January as new resistance.
- ❑ **Momentum** has turned decidedly negative, establishing a lower high, and consequently leaving a clear negative divergence in place.
- ❑ **Relative strength** vs. the average S&P stock breached a 2-year ascending trendline, and has since made a lower high, establishing a new range of support and resistance.
- ❑ **Key Resistance** = \$111
- ❑ **Key Support** = \$87

Conclusions:

- ❑ Industrials slipped another two positions to the #9 rank in our RS-Momentum work this month.
- ❑ **Underweight exposure.** Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 CAP-WEIGHT COMMUNICATIONS SECTOR LAGGING

Observations:

- ❑ The Communication Services sector made its untimely debut in October only to plummet sharply, breaching key support and its L-T uptrend.
- ❑ **Momentum** has turned decidedly negative, establishing a lower high, and leaving a clear negative divergence in place.
- ❑ Relative strength vs. the average S&P stock broke its uptrend, and is now reversing lower.
- ❑ **Key Resistance = \$43**
- ❑ **Key Support = \$39**

Conclusions:

- ❑ Communications slipped one position to the #10 rank in our sector RS-Momentum work this month.
- ❑ **Underweight exposure.** Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT ENERGY SECTOR LAGGING

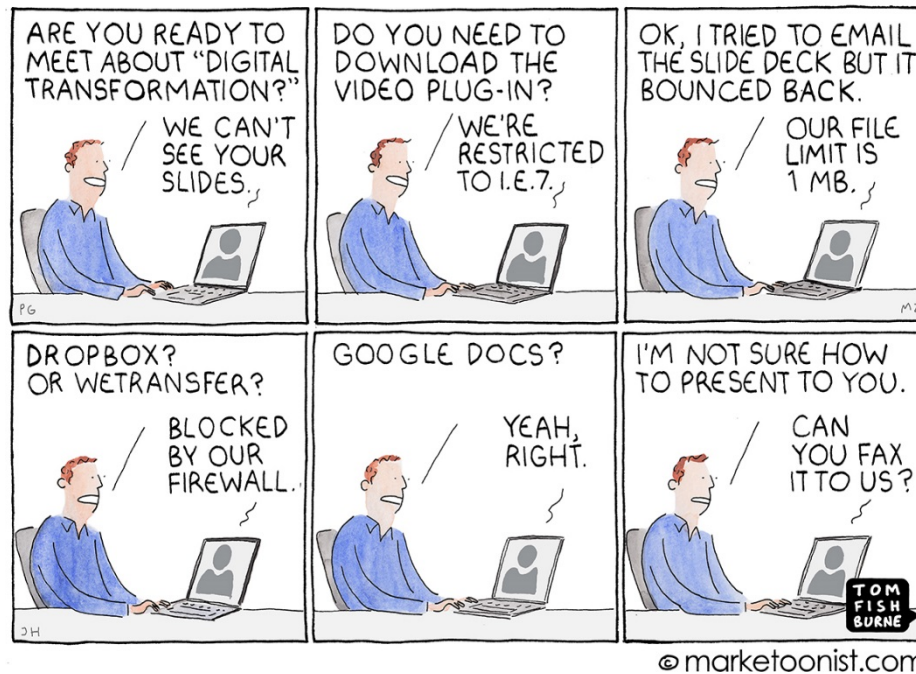
Observations:

- ❑ **Price** remains well below its 2014 high, and range-bound between the 2016 high and low. After challenging the upper boundary of that range, price reversed below support and breached an ascending trendline off the 2016 low.
- ❑ **Momentum** ticked down again this month and remains deeply negative, while volume remained elevated.
- ❑ **Relative strength** vs. the average S&P stock has been under pressure since 2011 and made new 10-year monthly low in December.
- ❑ **Key Resistance** = \$47
- ❑ **Key Support** = \$34

Conclusions:

- ❑ Energy maintained its last place status, with the #11 rank in our sector RS-Momentum work this month.
- ❑ **Underweight exposure.** Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Target = N/A





PORTFOLIO POSITIONING

- ☐ S&P 500 Leaders & Laggards
 - ☐ Sector Ranked Long Alpha Candidates
 - ☐ Sector Ranked Short Alpha Candidates
 - ☐ December Performance Report Card: +4.73%

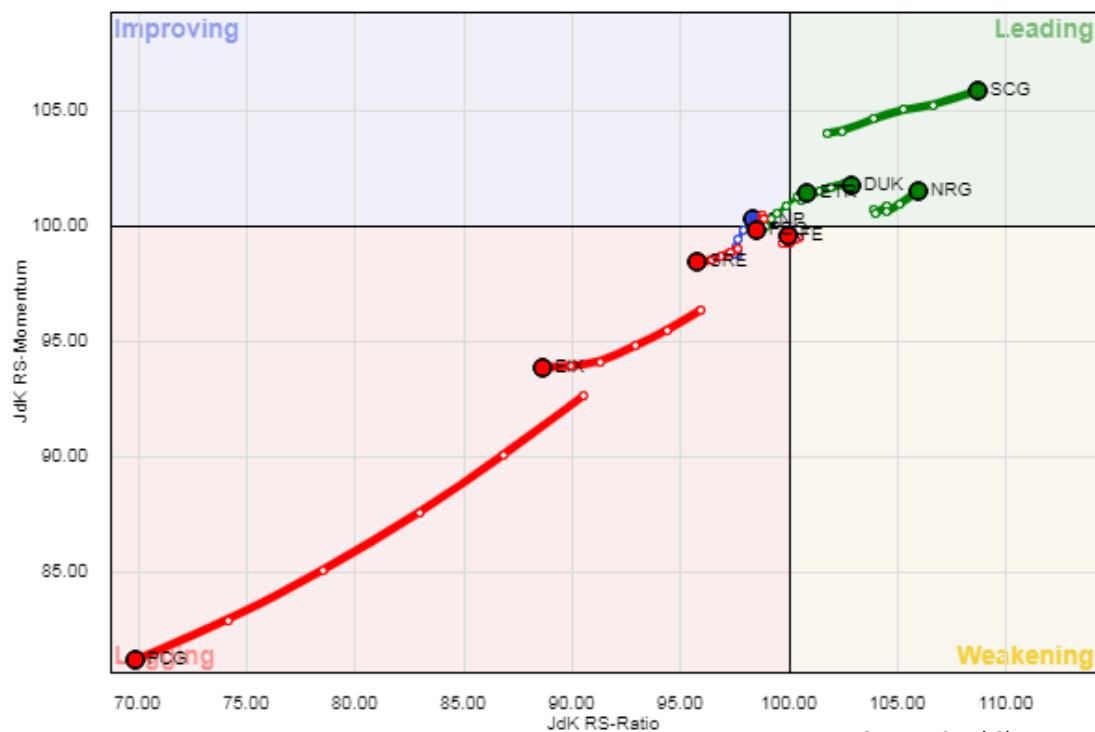
S&P 500 UTILITIES ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Scana Corp (SCG)
2. NRG Energy (NRG)
3. Entergy (ETR)
4. Duke Energy (DUK)
5. CenterPoint Energy (CNP)

Sell RS-Momentum Laggards

1. PG&E Corp (PCG)
2. Edison Int'l (EIX)
3. Sempra Energy (SRE)
4. FirstEnergy (FE)
5. Public Service Enterprise (PEG)



Source: StockCharts.com

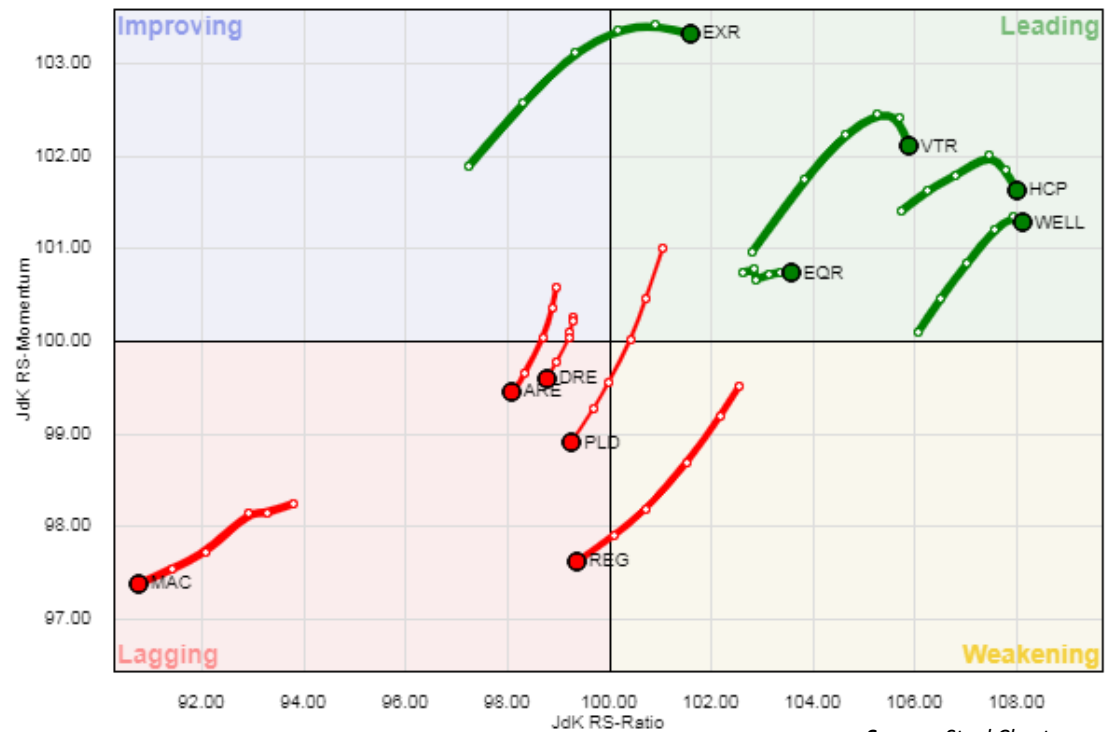
S&P 500 REAL ESTATE ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Welltower (WELL)
2. HCP (HCP)
3. Ventas (VTR)
4. Equity Residential (EQR)
5. Extra Space (EXR)

Sell RS-Momentum Laggards

1. Macerich (MAC)
2. Regency Realty (REG)
3. Alexandria RE Equity (ARE)
4. ProLogis (PLD)
5. Duke Realty (DRE)



Source: StockCharts.com

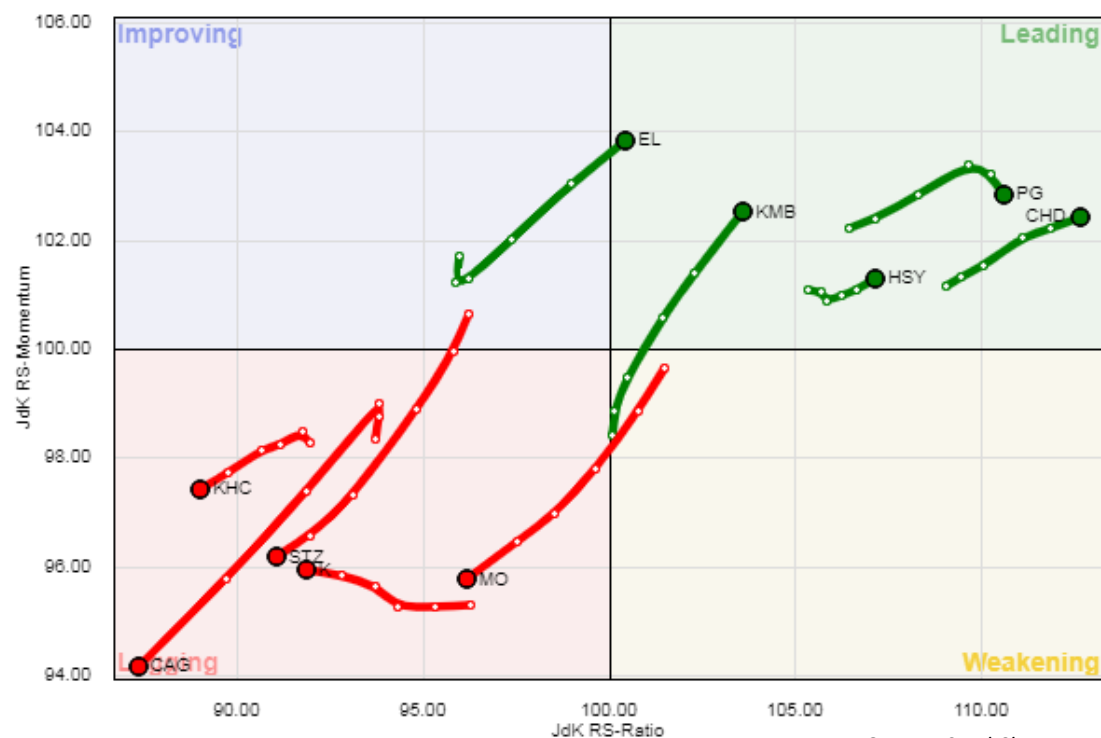
S&P 500 STAPLES ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Church & Dwight (CHD)
2. Procter & Gamble (PG)
3. Hershey Foods (HSY)
4. Kimberley Clark (KMB)
5. Estee Lauder (EL)

Sell RS-Momentum Laggards

1. ConAgra Brands (CAG)
2. Kraft Heinz (KHC)
3. Constellation Brands (STZ)
4. Kellogg (K)
5. Altria Group (MO)



Source: StockCharts.com

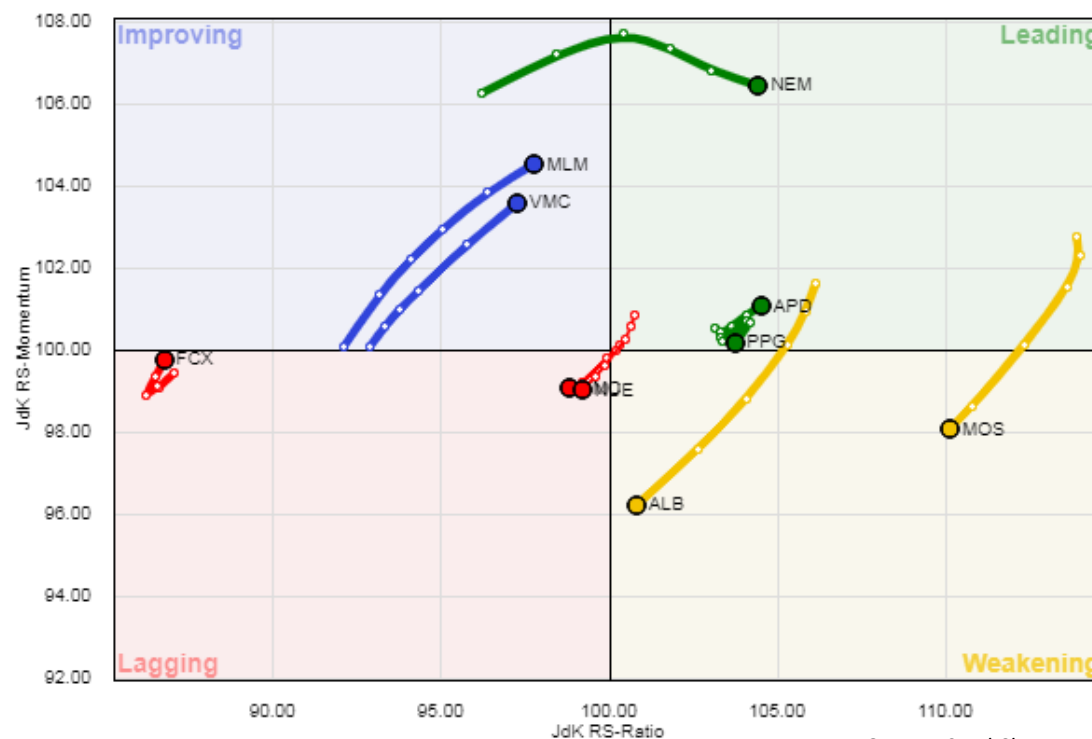
S&P 500 MATERIALS ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Newmont Mining (NEM)
2. Air Products (APD)
3. PPG Industries (PPG)
4. Martin Marietta (MLM)
5. Vulcan Materials (VMC)

Sell RS-Momentum Laggards

1. Freeport-McMoRan (FCX)
2. FMC Corp (FMC)
3. Nucor (NUE)
4. Albemarle (ALB)
5. Mosaic (MOS)



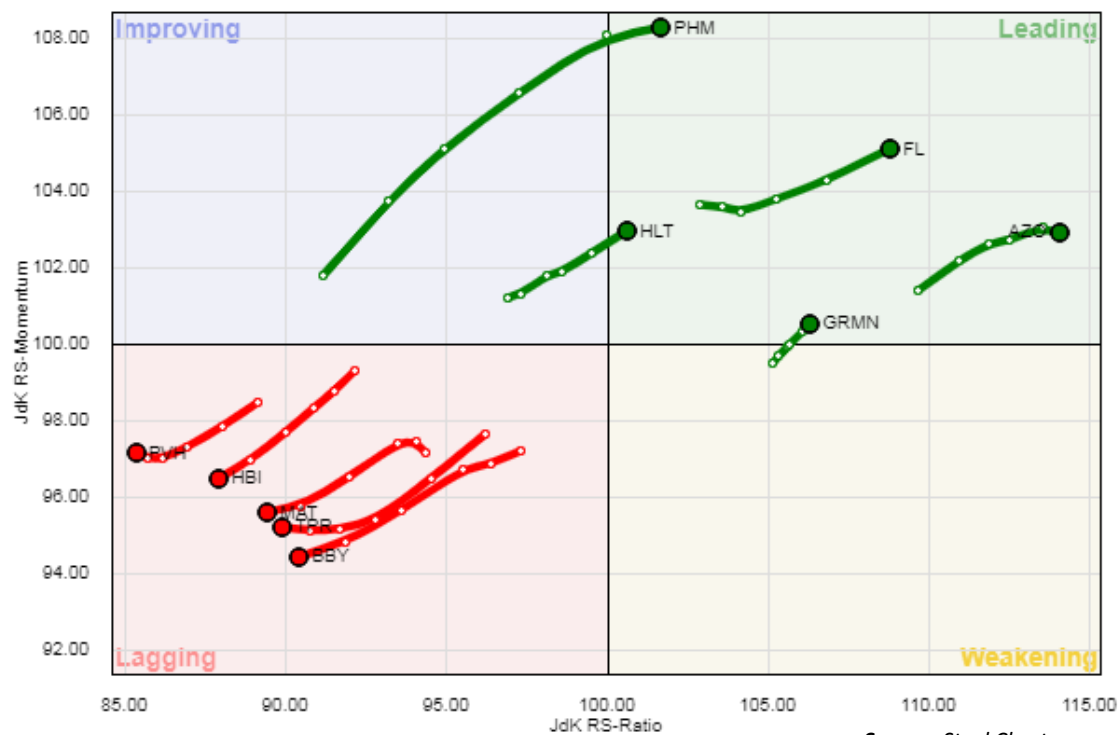
S&P 500 DISCRETIONARY ALPHA DRIVERS

Buy RS-Momentum Leaders

1. AutoZone (AZO)
2. Foot Locker (FL)
3. Garmin (GRMN)
4. PulteGroup (PHM)
5. Hilton Worldwide (HLT)

Sell RS-Momentum Laggards

1. PVH Corp (PVH)
2. HanesBrands (HBI)
3. Mattel (MAT)
4. Tapestry (TPR)
5. Best Buy (BBY)



Source: StockCharts.com

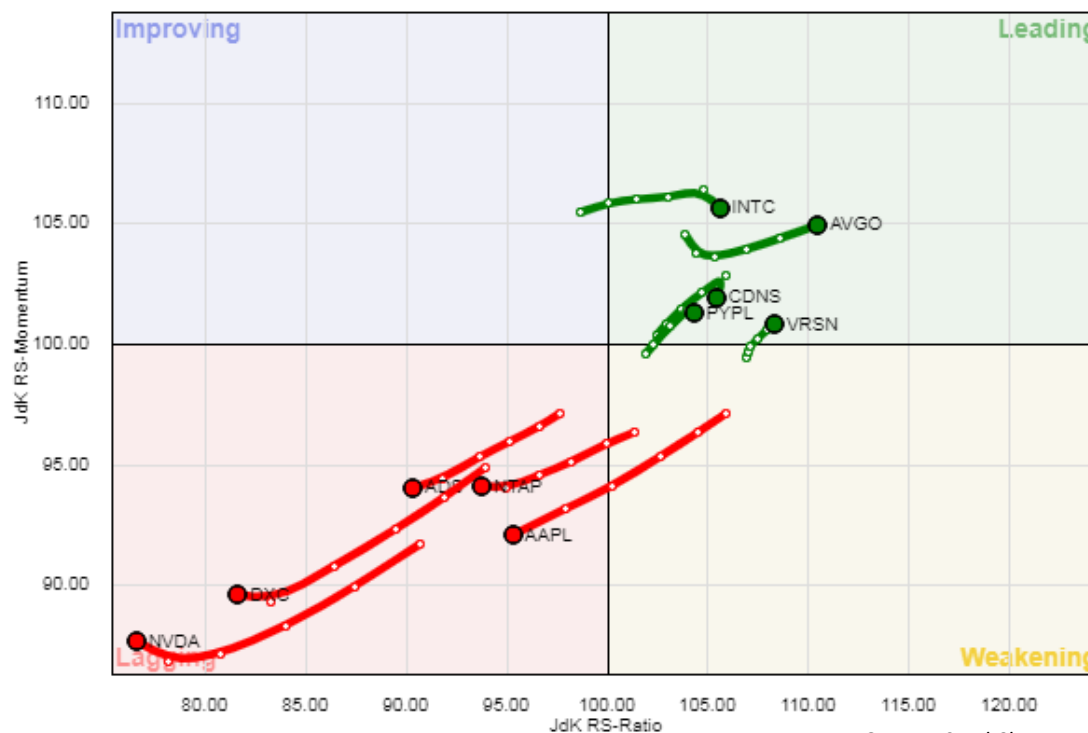
S&P 500 TECHNOLOGY ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Broadcom (AVGO)
2. VeriSign (VRSN)
3. Intel (INTC)
4. Cadence Design (CDNS)
5. PayPal (PYPL)

Sell RS-Momentum Laggards

1. NVIDIA (NVDA)
2. DXC Technology (DXC)
3. Alliance Data Systems (ADS)
4. Network Appliance (NTAP)
5. Apple Computer (AAPL)



Source: StockCharts.com

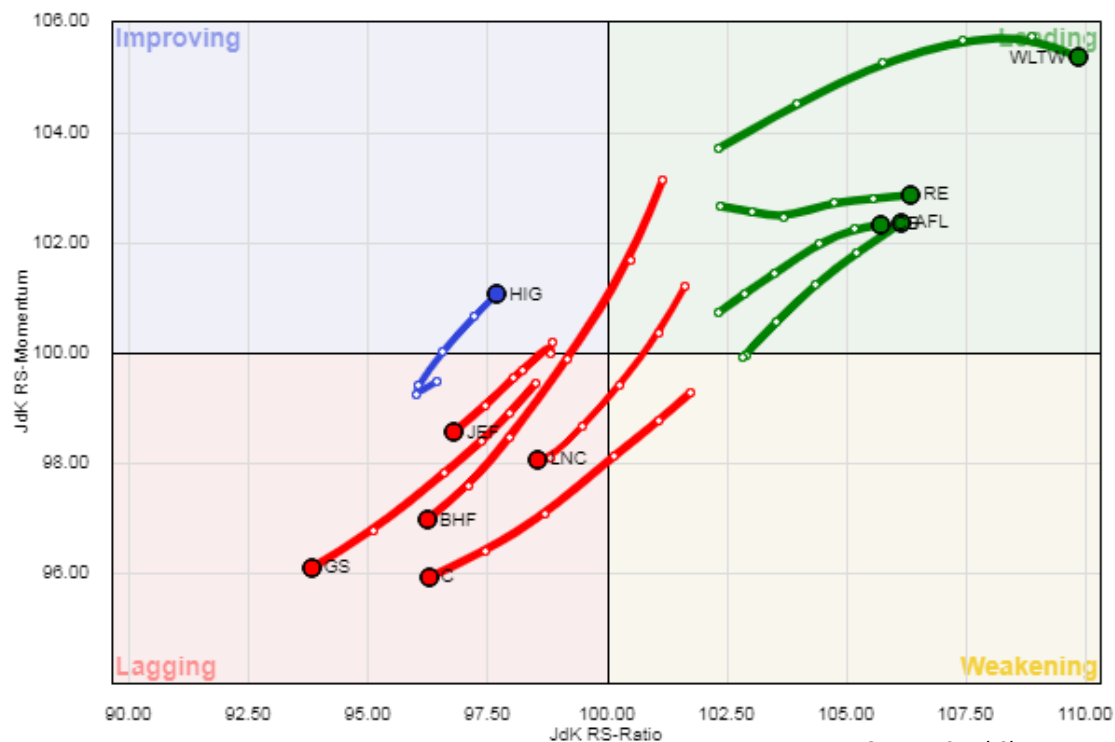
S&P 500 FINANCIALS ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Willis Towers Watson (WLTW)
2. Everest RE (RE)
3. Aflac (AFL)
4. Chubb (CB)
5. Hartford Financial (HIG)

Sell RS-Momentum Laggards

1. Goldman Sachs (GS)
2. Citigroup (C)
3. Brighthouse Financial (BHF)
4. Jefferies Financial (JEF)
5. Lincoln National (LNC)



Source: StockCharts.com

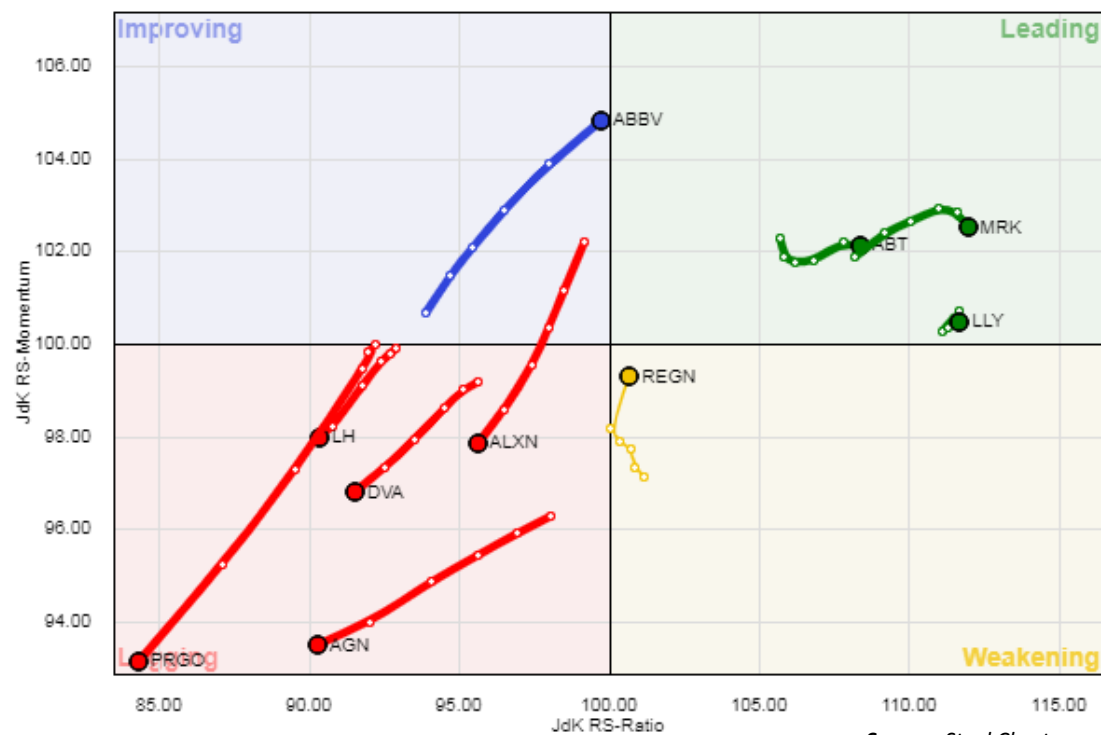
S&P 500 HEALTH CARE ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Merck (MRK)
2. Eli Lilly (LLY)
3. Abbott Labs (ABT)
4. AbbVie (ABBV)
5. Regeneron Pharma (REGN)

Sell RS-Momentum Laggards

1. Perrigo (PRGO)
2. Allergan (AGN)
3. Lab Corp of America (LH)
4. DaVita (DVA)
5. Alexion Pharma (ALXN)



Source: StockCharts.com

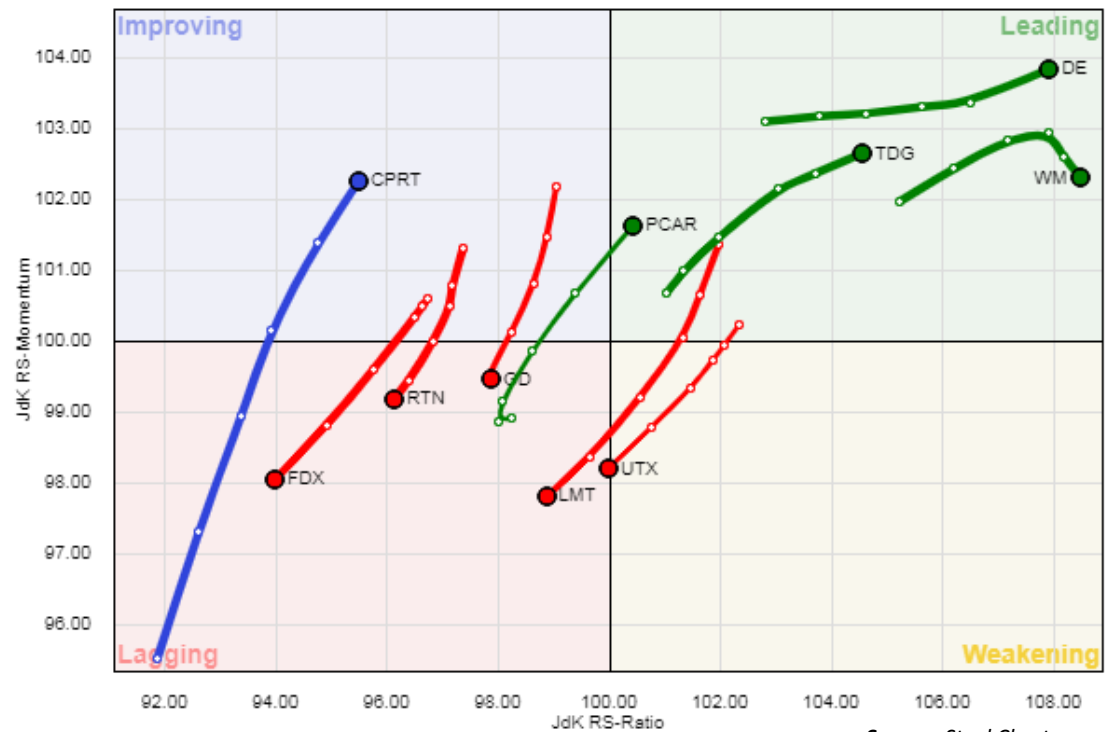
S&P 500 INDUSTRIALS ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Deere & Co (DE)
2. Waste Management (WM)
3. TransDigm Group (TDM)
4. PACCAR (PCAR)
5. Copart (CPRT)

Sell RS-Momentum Laggards

1. FedEx (FDX)
2. Raytheon (RTN)
3. Lockheed Martin (LMT)
4. General Dynamics (GD)
5. United Technologies (UTX)



Source: StockCharts.com

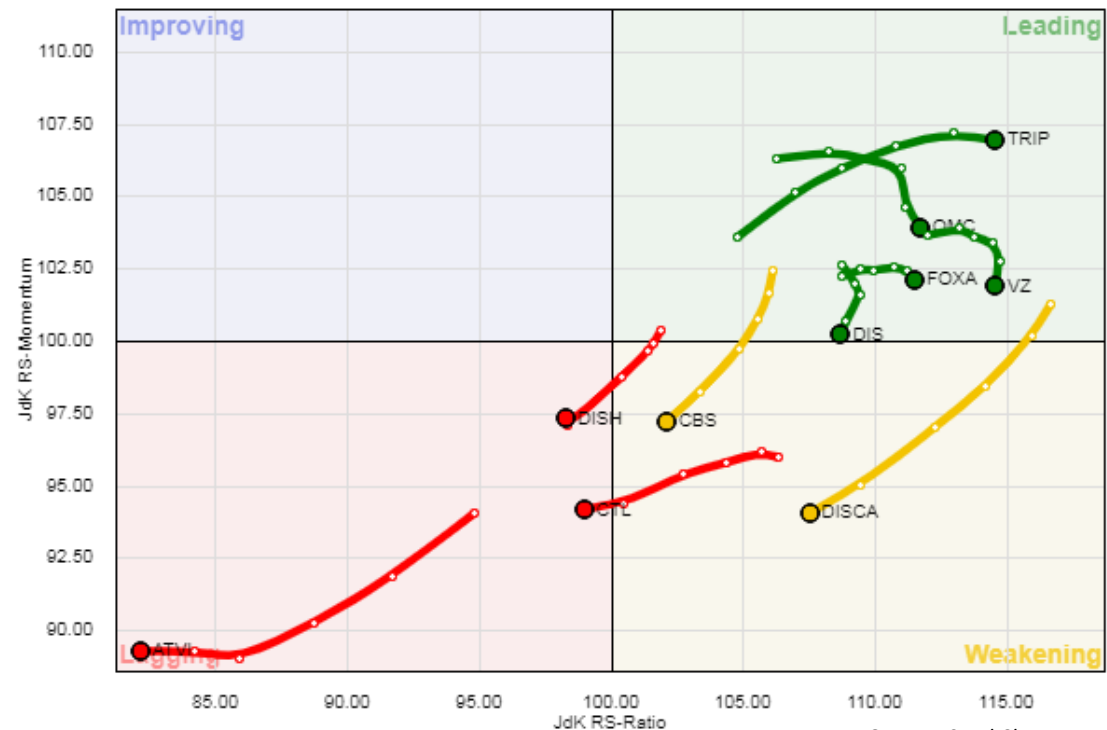
S&P 500 COMMUNICATIONS ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Trip Advisor (TRIP)
2. Verizon Communications (VZ)
3. Omnicom (OMC)
4. 21st Century Fox (FOXA)
5. Walt Disney (DIS)

Sell RS-Momentum Laggards

1. Activision Blizzard (ATVI)
2. CenturyTel (CTL)
3. DISH Network (DISH)
4. CBS Corp (CBS)
5. Discovery (DISCA)



Source: StockCharts.com

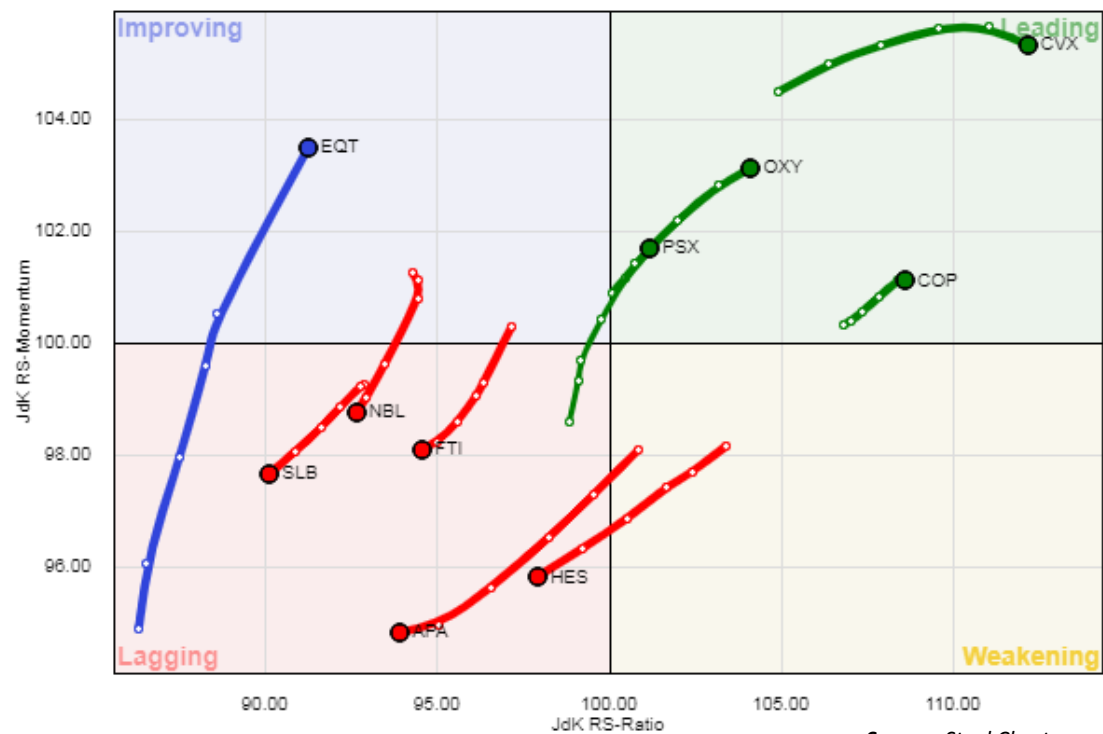
S&P 500 ENERGY ALPHA DRIVERS

Buy RS-Momentum Leaders

1. Chevron (CVX)
2. ConocoPhillips (COP)
3. Occidental Petroleum (OXY)
4. Phillips 66 (PSX)
5. EQT Corp (EQT)

Sell RS-Momentum Laggards

1. Schlumberger (SLB)
2. Apache (APA)
3. Noble Energy (NBL)
4. FMC Technologies (FTI)
5. Hess Corp (HES)



Source: StockCharts.com

DECEMBER PERFORMANCE REPORT CARD

Long the Leaders / Short the Laggards

	Sector		December		Sector		December				December	
	RYU		-3.52%		RGI		-11.46%			Equal-Weight		
		Leaders	-0.91%			Leaders	-10.84%			S&P 500 EW Index	-9.91%	
		Laggards	-4.22%			Laggards	-11.12%			Long Leaders	-7.09%	
	RHS		-9.63%		RCD		-9.90%			Short Laggards	-11.30%	
		Leaders	-6.82%			Leaders	-4.75%			Long/Short Spread	4.22%	
		Laggards	-18.42%			Laggards	-12.14%			Long Alpha	2.82%	
	EWRE		-7.43%		RYT		-8.74%			Short Alpha	1.39%	
		Leaders	-4.10%			Leaders	-8.92%					
		Laggards	-13.68%			Laggards	-11.06%			Sector Neutral		
	RYH		-9.84%		XLC		-7.99%			S&P 500 Index	-9.18%	
		Leaders	-7.64%			Leaders	-6.02%			Long Leaders	-7.61%	
		Laggards	-18.15%			Laggards	-6.43%			Short Laggards	-12.34%	
	RTM		-8.21%		RYE		-14.68%			Long/Short Spread	4.73%	
		Leaders	-6.03%			Leaders	-9.92%			Long Alpha	1.57%	
		Laggards	-5.41%			Laggards	-14.93%			Short Alpha	3.16%	
	RYF		-11.77%									
		Leaders	-7.78%									
		Laggards	-12.08%									
		Hypothetical Return		Aug	Sep	Oct	Nov	Dec	2018			
		Equal-Weight L/S		1.10%	0.70%	2.15%	0.00%	4.22%	8.37%			
		Sector Neutral L/S		2.11%	2.06%	2.52%	-0.03%	4.73%	11.88%			
		S&P 500 Index		3.03%	0.43%	-6.94%	1.79%	-9.18%	-10.97%			



ACTIONABLE TRADE IDEAS

- ☐ Top Bullish Utilities Trade Set-ups...CNP & NRG
- ☐ Top Bullish Real Estate Trade Set-ups...EQR & HCP
- ☐ Top Bullish Staples Trade Set-ups...CHD & PG
- ☐ Top Bullish Materials Trade Set-ups...NEM & ADP
- ☐ Top Bearish Short Sale Set-ups...GOOGL & ADBE

BULLISH UTILITIES SET-UPS...

CenterPoint Energy (CNP)



NRG Energy (NRG)



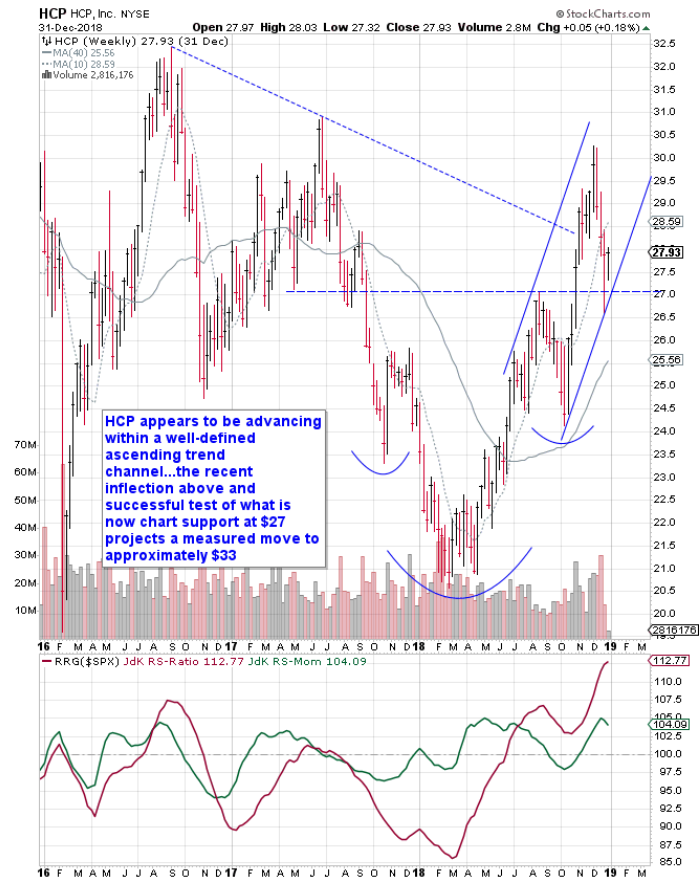
Source: StockCharts.com

BULLISH REAL ESTATE SET-UPS...

Equity Residential (EQR)



HCP (HCP)



Source: StockCharts.com

BULLISH STAPLES SET-UPS...

Church & Dwight (CHD)



Procter & Gamble (PG)



Source: StockCharts.com

BULLISH MATERIALS SET-UPS...

Newmont Mining (NEM)



Air Products (APD)



Source: StockCharts.com

BEARISH SHORT SALE SET-UPS...

Alphabet (GOOGL)



Adobe (ADBE)



Source: StockCharts.com



MACRO PERSPECTIVES

- ☐ Foreign Markets
- ☐ Gold Bullion
- ☐ WTI Crude Oil
- ☐ Bitcoin Index
- ☐ MLP Index
- ☐ U.S. Dollar Index
- ☐ 10-Year Treasury Yield

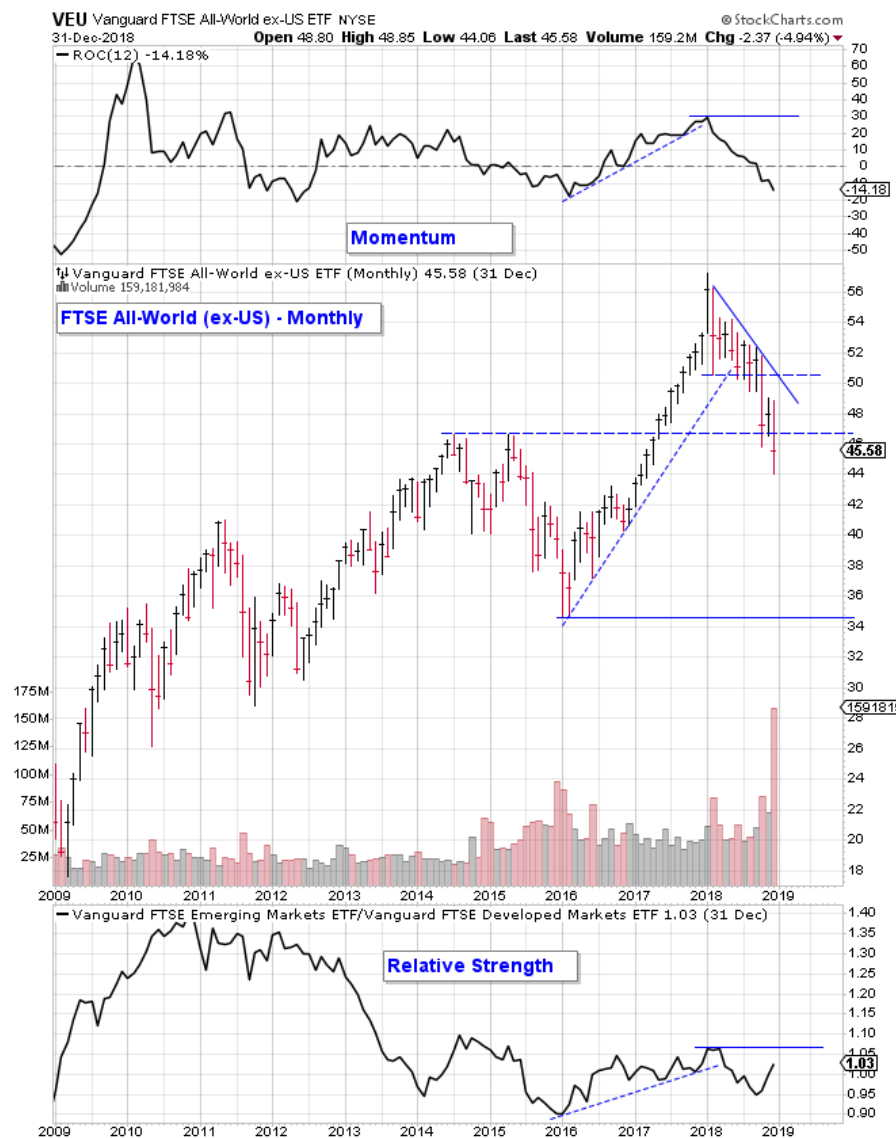
FOREIGN MARKETS FTSE ALL-WORLD (EX-US) BEARISH

Observations:

- ❑ **Price** breached and closed below key support, after violating a multi-year trendline ascending off the 2016 lows in May. A new downtrend has been established.
- ❑ **Momentum** has turned negative and is trending decidedly down.
- ❑ **Relative strength** of emerging markets vs. developed foreign markets halted its decline in October and has been attempting a bullish reversal.
- ❑ **Key Resistance** = \$47
- ❑ Initial Support = \$42-40
- ❑ **Key Support** = \$35

Conclusions:

- ❑ A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Reduce exposure.**
- ❑ **Target: \$35**



Source: StockCharts.com

COMMODITY GOLD BULLION BULLISH

Observations:

- ❑ **Price** posted an encouraging reversal above initial resistance, penetrating a minor downtrend line off the early 2018 high. But the established range bound by the year's high and low remains in place and will continue to hold the key to gold's longer-term prospects.
- ❑ **Momentum** broke its uptrend and turned down, but appears now to be in the process of reversing higher.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index has exploded to the upside posting a new 3-year high in December.
- ❑ **Key Resistance** = \$1371
- ❑ **Key Support** = \$1167

Conclusions:

- ❑ **Opinion upgraded to Bullish from Neutral** based upon improved price action, accelerating momentum, and renewed leadership among its CRB peers.
- ❑ **Increase exposure.**
- ❑ **Target = 1371**



Source: StockCharts.com

COMMODITY

WTI CRUDE OIL

NEUTRAL

Observations:

- ❑ **Price** has breached the ascending trend line established off the 2016 low, along with key support levels at \$62 and \$55, but is still holding above the important \$40 break-even level for many frackers.
- ❑ **Momentum is deeply negative** after double topping in June and violating the uptrend off the 2015 low.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index has turned down sharply and breached a 3-year uptrend.
- ❑ **Key Resistance** = \$63
- ❑ **Key Support** = \$42

Conclusions:

- ❑ We downgraded our rating to Neutral in November anticipating further weakness in WTI crude, but the dramatic 35% price decline over the past two months vastly exceeded our expectations. While we are maintaining our Neutral rating for now, price must hold above \$42 in order to retain the benefit of the doubt.
- ❑ **Maintain exposure.**
- ❑ Target = N/A



Source: StockCharts.com

INFRASTRUCTURE

ALERIAN MLP INDEX

NEUTRAL

Observations:

- ❑ **Price** has been declining in fits and starts from its 2017 rally high. The breach of the March low last month sets key support as the 2016 low.
- ❑ **Momentum**, while deeply negative, has been trending higher since the 2016 low, but has slightly violated that uptrend in December.
- ❑ **Relative strength** vs. the S&P 500 index has been flat YTD following a steep decline since mid-2014.
- ❑ **Key Resistance** = 294
- ❑ **Initial Resistance** = \$232
- ❑ **Key Support** = 199

Conclusions:

- ❑ MLPs have experienced an increased correlation to WTI crude in recent months.
- ❑ Notwithstanding the potential for continued price volatility within the recent consolidation range, we find the high dividend yield (approximately 8.50%) to be an attractive feature of the asset class.
- ❑ **Maintain exposure.**
- ❑ **Target** = N/A



Source: StockCharts.com

COMMODITY NYSE BITCOIN INDEX BEARISH

Observations:

- ❑ **Price** breached key support, along with a 3-year trendline ascending off the 2015 lows.
- ❑ **Momentum** has collapsed and made a new all-time low in November.
- ❑ In mid-June of this year, the SEC announced that Bitcoin did not meet the definition of a security, but would be treated as a commodity. By comparison, the 17 most widely traded commodities, illustrated by the CRB index, have all significantly outpaced Bitcoin since December 2017.
- ❑ **Key Resistance** = \$6,547
- ❑ **Key Support** = \$2,695
- ❑ **Structural Support** = \$1012

Conclusions:

- ❑ **Reduce exposure.** Given the poor price action and sharp momentum deterioration evident since last December, Bitcoin appears to have unfinished business to the downside.
- ❑ **Target: \$2,750**



CURRENCY US DOLLAR INDEX BEARISH

Observations:

- ❑ **Price** slightly violated the established trend line ascending off the March low, after retracing 61.8% of the decline off the 2017 high, thus increasing the probability of a re-test of trend.
- ❑ **Momentum** has reversed above the zero line, penetrating a descending trendline marking the 2015 and 2017 peaks, but appears to be stalling short of the 2017 high.
- ❑ **Key Resistance** = 99
- ❑ **Key Support** = 95

Conclusions:

- ❑ **Opinion downgraded to Bearish from Neutral** in anticipation of a breach of support at \$95 and re-test of trend at \$92.
- ❑ **Reduce exposure.**
- ❑ **Target = 92**



INTEREST RATES

10-YEAR US TREASURY

NEUTRAL

Observations:

- ❑ **Yield** has advanced sharply from its 2016 low, and penetrated key resistance, only to reverse lower on heightened fears over economic uncertainty.
- ❑ The recent media attention surrounding the Fed decision to raise rates in December and move to a data dependent approach to monetary policy has elevated speculation around when the Fed might begin cutting rates next.
- ❑ **Key Resistance** = 3.25%
- ❑ **Key Support** = 2.61%

Conclusions:

- ❑ **Opinion downgraded to Neutral from Bullish.** With the 2-year/10-year Treasury ratio nearing a level that has previously marked the top for 10-year yields, it is difficult to become too bearish on bonds long-term.
- ❑ **Maintain exposure.**
- ❑ **Target** = N/A



Source: StockCharts.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 2nd derivative, the momentum of the RS factor over a specific 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: 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

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 family office and proprietary trading 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 along-side 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 in portfolio management under the instruction of Emanuel Derman at Columbia University's Center for Financial Engineering.
- ❑ Huge is a Chartered Market Technician, and has been a member of the CMT Association since 2005.

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