

ALPHA INSIGHTS

~ REVIEW & OUTLOOK ~

JEFFREY W. HUGE, CMT

CHIEF INVESTMENT OFFICER

JWH INVESTMENT PARTNERS

NOVEMBER 2018

SUMMARY OVERVIEW

❑ **U.S. Market Analysis** (Page 3)

U.S. equity markets plunged in October, posting the worst monthly performance since September 2011, and severely damaging the technical credentials of the 9-year bull market advance. The breach of LT trend lines and key support levels in all the major indexes has led us to downgrade our opinion on equities across the board from Neutral to Bearish. Our analysis supports a continued rotation into high quality, defensive issues. Large-cap value stocks in particular, appear poised for future relative outperformance.

❑ **Sector Analysis** (Page 12)

Our monthly analysis of the eleven S&P 500 equal-weight sectors ranks Health Care, Utilities, Staples, and Industrials as leadership, followed by improvement in Financials. Real Estate, and Technology, have been weakening, while Discretionary, Communications, Energy, and Materials are currently lagging.

Our October Long Leaders/Short Laggards report card reveals >900 bps of positive alpha vs. S&P 500 index for the month.

❑ **Actionable Trade Ideas** (Page 37)

We recommend the purchase of Merck (MRK), Johnson & Johnson (JNJ), Exelon (EXC), FirstEnergy (FE), Hormel (HRL), and Procter & Gamble (PG) on the long side. We recommend the sale of Lyondell Basell (LYB) and Facebook (FB) on the short side.

❑ **Macro Perspectives** (Page 42)

We consider the technical characteristics of foreign equities, gold, WTI crude oil, Bitcoin, the USD index, and the 10-year US Treasury yield.

❑ **Appendix** (Page 49)

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 collapsed in October, breaching prior support levels as well as established intermediate and long-term uptrends, thus aborting the August/September breakout above the January 2018 high.
- ❑ 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 now overtaken small-caps YTD, as a rotation beneath the surface of the market favors large value going forward.
- ❑ Key Resistance = 2873
- ❑ Key Support = 2532

Conclusions:

- ❑ Downgrading opinion from Neutral to Bearish.
- ❑ The bull market advance off the 2009 low appears to have reached a terminal point. A large degree, three wave (A-B-C) correction retracing up to 61.8% of the previous five wave (1-2-3-4-5) advance may now be in progress.
- ❑ Reduce exposure.
- ❑ Wave (A) Target = 2377; Wave (C) Target = 1800



Source: StockCharts.com

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

Observations:

- ❑ Price collapsed in October, breaching an established long-term uptrend as well as key support, thus aborting the August/September breakout above the January 2018 high.
- ❑ Momentum has reversed sharply to the downside, leaving a series of lower highs, and consequently a triple negative divergence in place.
- ❑ YTD, the relative strength of mid-caps has trailed both large and small-cap stocks, and has now breached support.
- ❑ Key Resistance = 2002
- ❑ Key Support = 1770 (*Breached*)

Conclusions:

- ❑ Downgrading opinion from Neutral to Bearish.
- ❑ Like its large-cap cousins, the 9-year bull market for mid-caps has most likely reached a terminal point, and is now poised for a proportional retracement in time and price in order to correct the advance.
- ❑ Reduce exposure.
- ❑ New Target = 1487; 1225



Source: StockCharts.com

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

Observations:

- ❑ Price collapsed in October, breaching an established intermediate-term uptrend as well as important prior support levels, thus aborting the breakout rally above a the January 2018 high.
- ❑ 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 below initial support. Small-caps have outperformed mid-caps, but are now slightly trailing large-cap stocks YTD.
- ❑ Key Resistance = 982
- ❑ Key Support = 878

Conclusions:

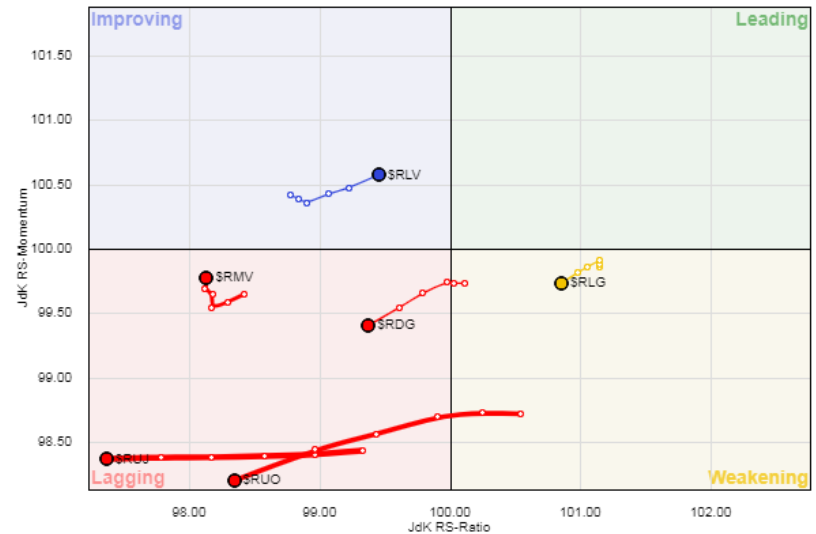
- ❑ Downgrading opinion from Neutral to Bearish.
- ❑ Like its large & mid-cap cousins, the 9-year bull market for small-caps has most likely reached a terminal point, and is now poised for a proportional retracement in time and price in order to correct the advance.
- ❑ Reduce exposure.
- ❑ New Target = 864; 640



Source: StockCharts.com

RUSSELL STYLE BOX LEADERSHIP

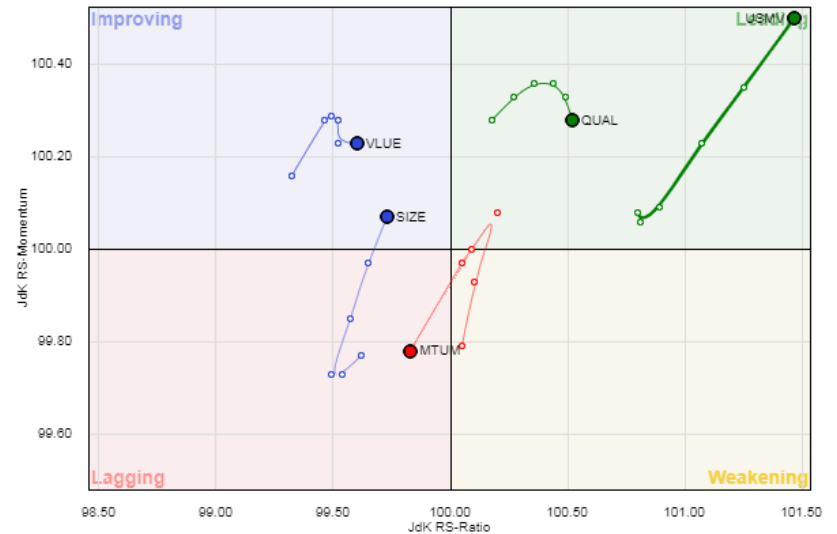
<u>RS-Momentum Rank</u>	<u>Oct % Chg</u>
1. Large-Cap Value (RLV)	-5.3%
2. Large-Cap Growth (RLG)	-9.0%
3. Mid-Cap Growth (RDG)	-9.9%
4. Small-Cap Growth (RUO)	-12.7%
5. Mid-Cap Value (RMV)	-7.3%
6. Small-Cap Value (RUJ)	-9.0%



Source: StockCharts.com

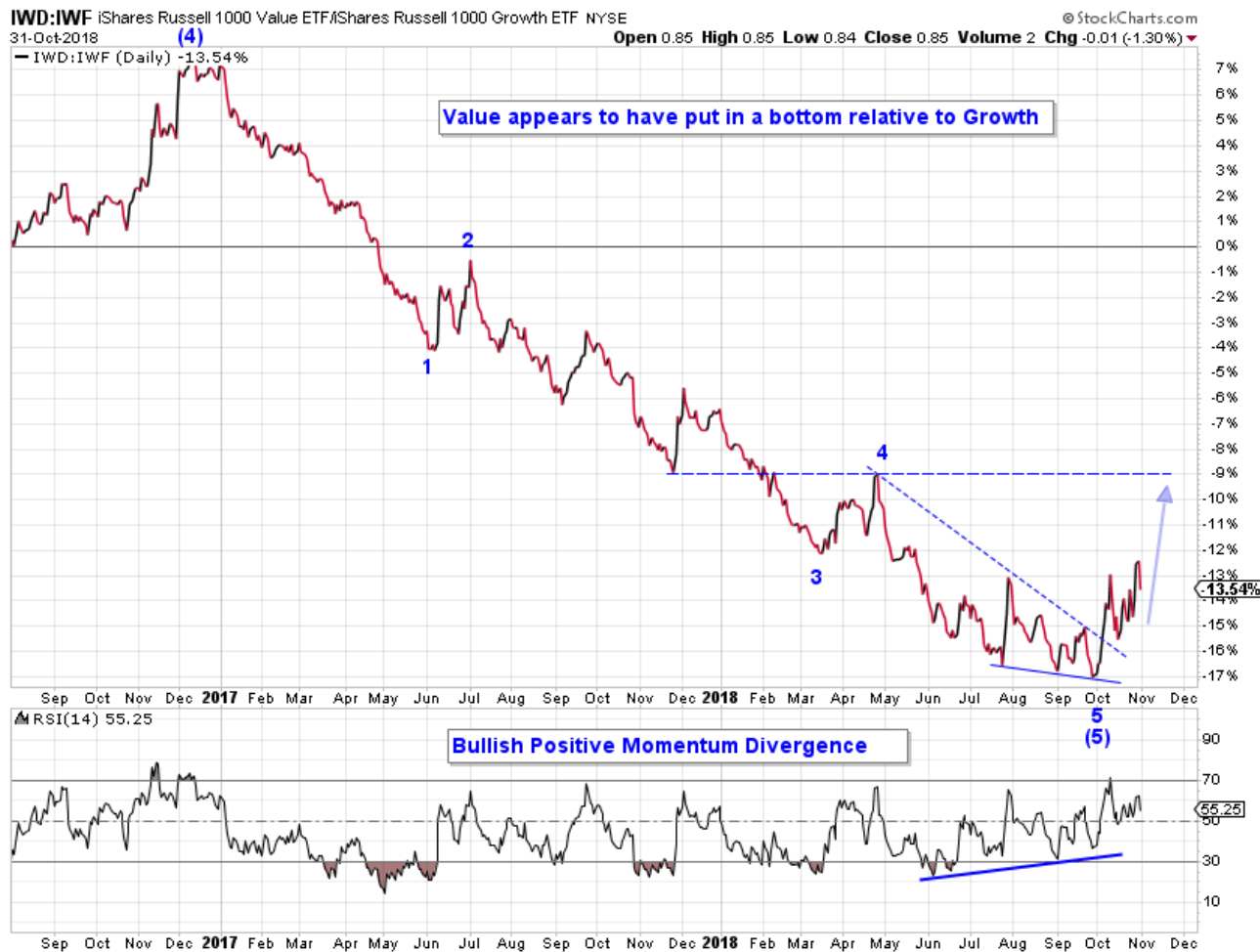
MSCI FACTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>Oct % Chg</u>
1. Low Volatility (USMV)	-4.0%
2. High Quality (QUAL)	-7.6%
3. Low Valuation (VLUE)	-5.9%
4. Small Capitalization (SIZE)	-5.4%
5. High Momentum (MTUM)	-9.9%



Source: StockCharts.com

LONG VALUE / SHORT GROWTH



Source: StockCharts.com

ECONOMIC CYCLE PEAKING



THE DAMAGE IS BROAD-BASED



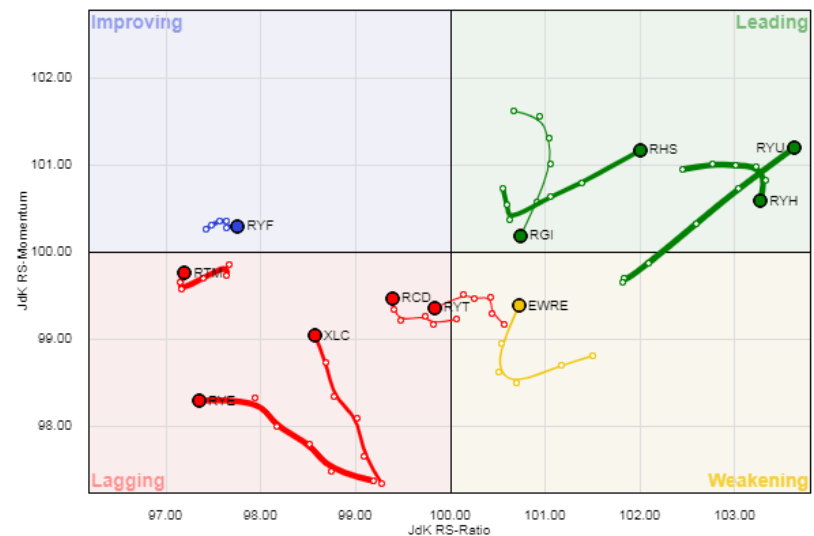
SECTOR ANALYSIS

- ☐ Equal-Weight S&P 500 Sector Leadership
 - ☐ Sector RS-Momentum Rank
 - ☐ Sector Technical Analysis
 - ☐ Sector Ranked Leaders & Laggards
 - ☐ October Report Card

EQUAL-WEIGHT SECTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>Oct % Chg</u>
1. Healthcare (RYH)	-9.2%
2. Utilities (RYU)	+2.2%
3. Staples (RHS)	+0.2%
4. Industrials (RGI)	-11.3%
5. Financials (RYF)	-5.9%
6. Real Estate (EWRE)	-1.5%
7. Technology (RYT)	-9.5%
8. Discretionary (RCD)	-6.8%
9. Communications (XLC)	-6.1%
10. Energy (RYE)	-14.2%
11. Materials (RTM)	-8.5%

S&P 500 Equal-Weight Sectors



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT HEALTH CARE SECTOR LEADING

Observations:

- ❑ Price reversed sharply below initial support to challenge the uptrend off the 2015 low.
- ❑ **Momentum** has turned down, establishing a lower high, 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

Conclusions:

- ❑ Health Care held the #1 rank in our RS-Momentum work this month.
- ❑ Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ **Overweight exposure.**
- ❑ Target = N/A



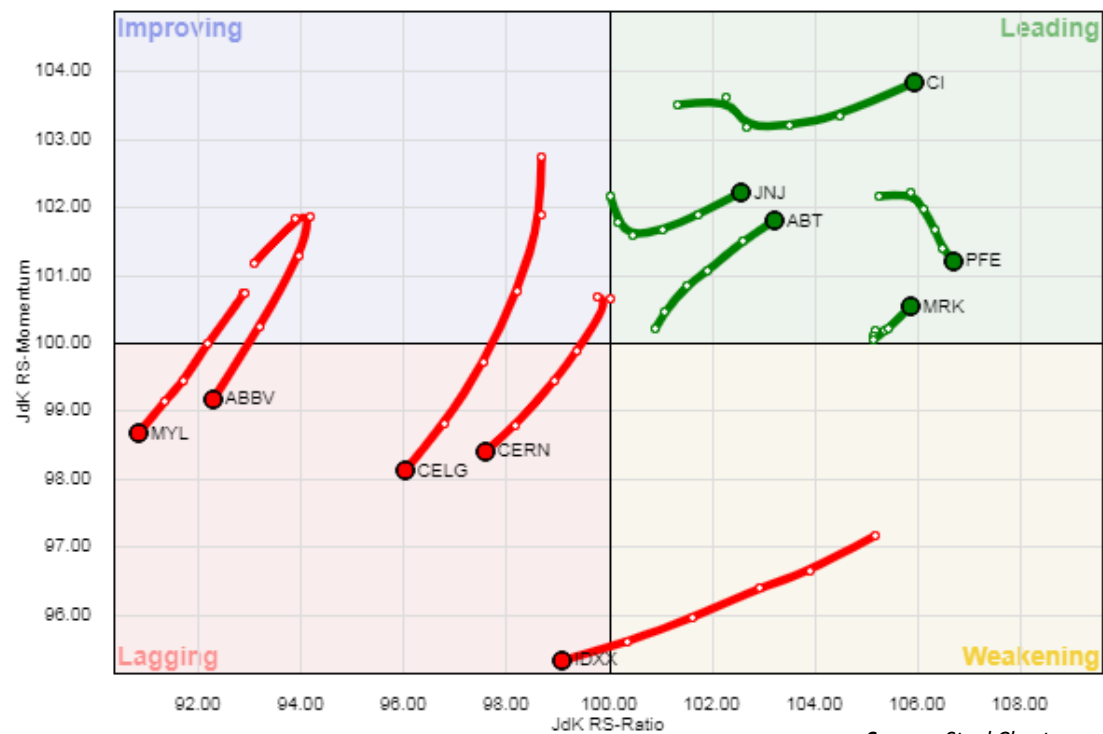
S&P 500 HEALTH CARE SECTOR DRIVERS

Top RS-Momentum Leaders

1. Cigna (CI)
2. Pfizer (PFE)
3. Merck (MRK)
4. Abbott Labs (ABT)
5. Johnson & Johnson (JNJ)

Top RS-Momentum Laggards

1. Mylan Labs (MYL)
2. AbbVie (ABBV)
3. Celgene (CELG)
4. Cerner (CERN)
5. IDEXX Labs (IDXX)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT UTILITIES SECTOR LEADING

Observations:

- ❑ Price posted a new monthly closing high making Utilities one of only two S&P sector to finish the month of October in the black.
- ❑ Momentum appears to have turned up, despite the large degree negative divergence in place, while volume remains subdued.
- ❑ Relative strength vs. the average S&P stock has broken out and reversed above a 2-year descending trendline.
- ❑ Key Resistance = \$99
- ❑ Key Support = \$79

Conclusions:

- ❑ Utilities sprang back to the #2 rank in our sector RS-Momentum work this month, up from #6.
- ❑ Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Overweight exposure.
- ❑ Target = \$99



Source: StockCharts.com

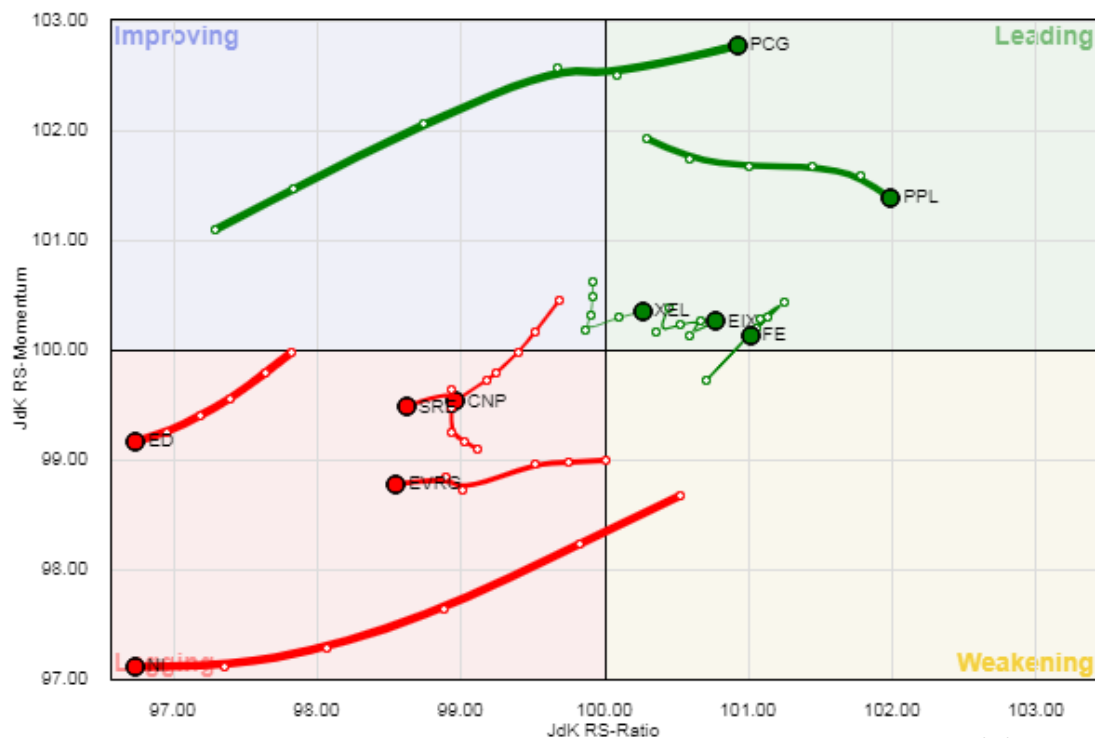
S&P 500 UTILITIES SECTOR DRIVERS

Top RS-Momentum Leaders

1. PPL Corp (PPL)
2. PG&E Corp (PCG)
3. FirstEnergy (FE)
4. Edison Int'l (EIX)
5. Xcel Energy (XEL)

Top RS-Momentum Laggards

1. NiSource (NI)
2. Consolidated Edison (ED)
3. Sempra Energy (SRE)
4. Evergy (EVRG)
5. CenterPoint Energy (CNP)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT STAPLES SECTOR LEADING

Observations:

- ❑ Price continues to recover from its May/June lows following an extended period of consolidation. Staples finished the month of October in the black.
- ❑ After recording a new all-time high in January, a test of key support has proved successful thus far on improving momentum and an uptick in volume.
- ❑ Relative strength vs. the average S&P stock has collapsed since 2015, but appears to have bottomed and is now staging a bullish upside reversal.
- ❑ Key Resistance = \$136
- ❑ Key Support = \$117

Conclusions:

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



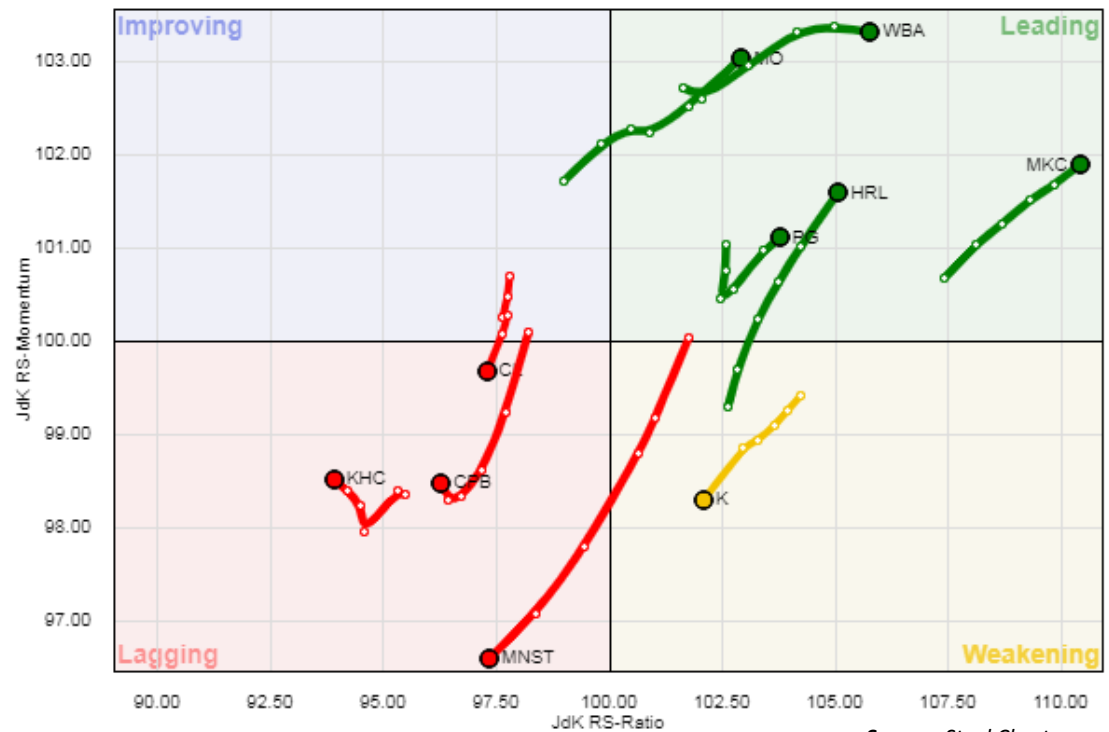
S&P 500 STAPLES SECTOR DRIVERS

Top RS-Momentum Leaders

1. McCormick & Co (MKC)
2. Walgreens Boots Alliance (WBA)
3. Hormel Foods (HRL)
4. Altria Group (MO)
5. Procter & Gamble (PG)

Top RS-Momentum Laggards

1. Kraft Heinz (KHC)
2. Monster Beverage (MNST)
3. Campbell Soup (CPB)
4. Colgate-Palmolive (CL)
5. Kellogg (K)



S&P 500 EQUAL-WEIGHT INDUSTRIAL SECTOR

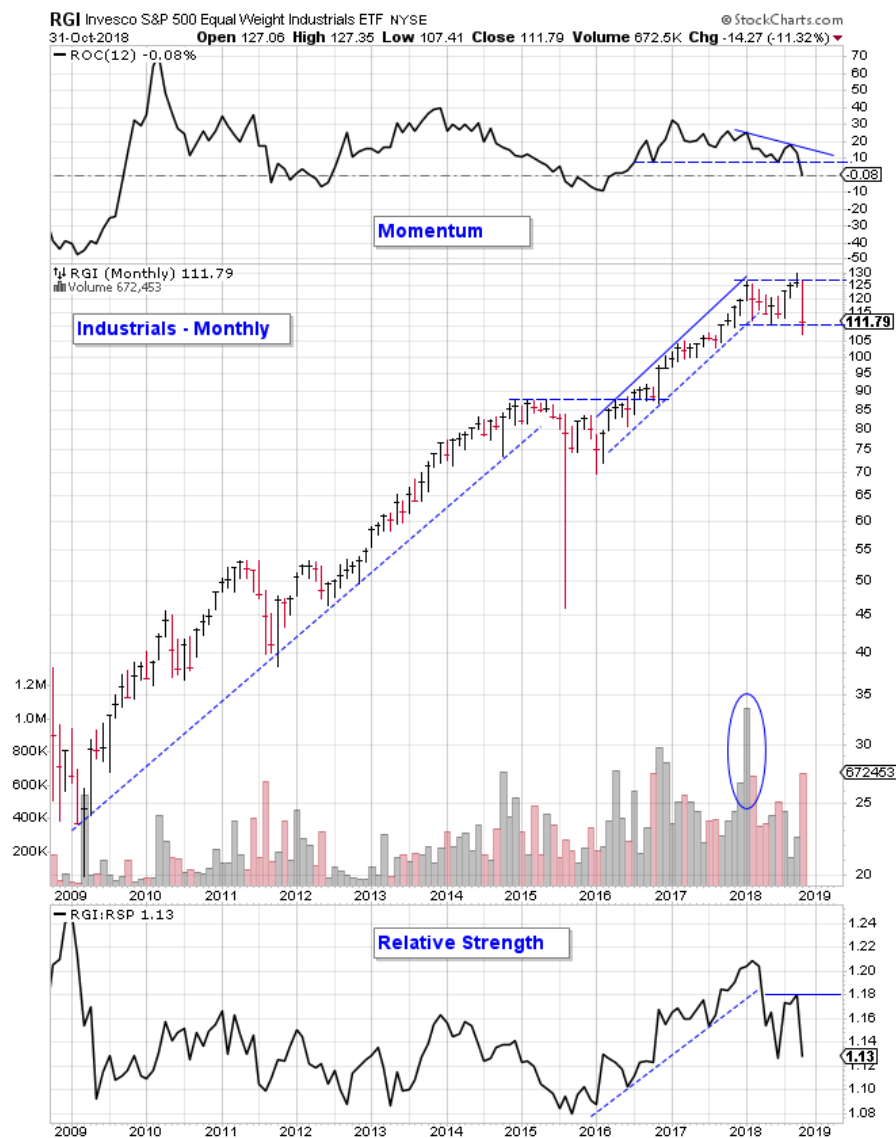
LEADING

Observations:

- ❑ Price reversed sharply below key support to make a new lower low, reversing the uptrend in place since 2015.
- ❑ Momentum has turned negative after establishing a lower high, 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, aborting its prior recovery attempt.
- ❑ Key Resistance = \$111
- ❑ Key Support = \$93

Conclusions:

- ❑ Industrials slipped two positions to the #4 rank in our RS-Momentum work this month.
- ❑ Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Market weight exposure.
- ❑ Target = \$93



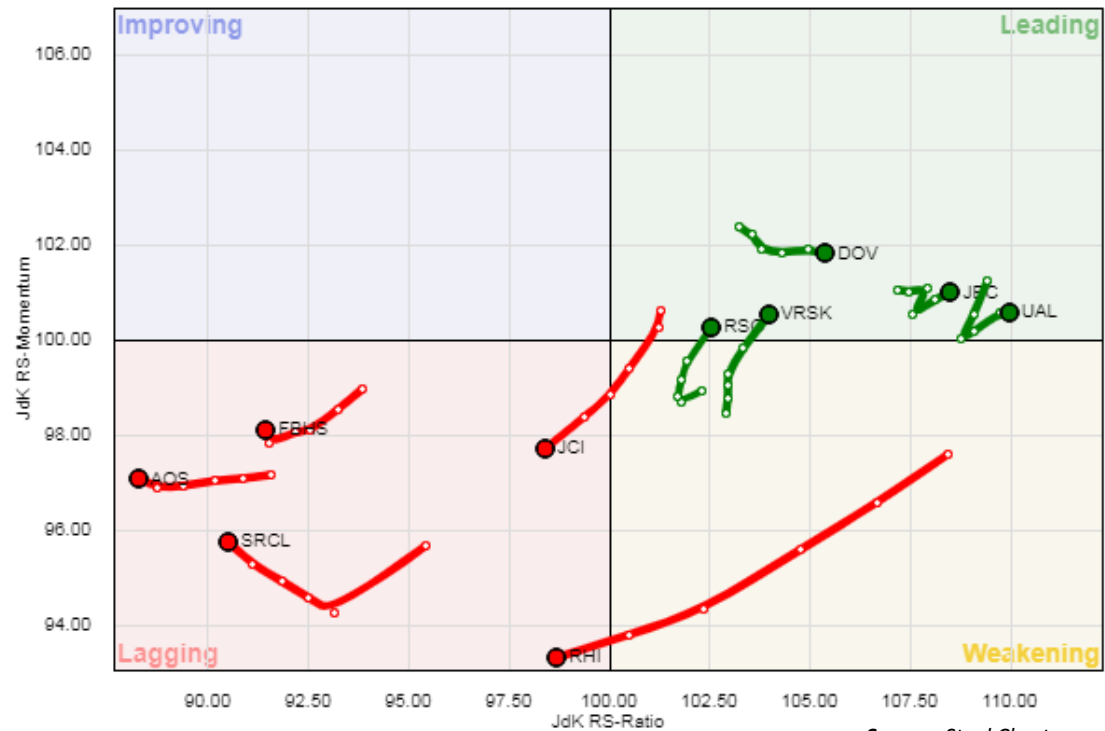
S&P 500 INDUSTRIALS SECTOR DRIVERS

Top RS-Momentum Leaders

1. United Airlines (UAL)
2. Jacobs Engineering (JEC)
3. Dover (DOV)
4. Verisk Analytics (VRSK)
5. Republic Services (RSG)

Top RS-Momentum Laggards

1. A.O. Smith (AOS)
2. Stericycle (SRCL)
3. Fortune Brands (FBHS)
4. Robert Half (RHI)
5. Johnson Controls (JCI)



S&P 500 EQUAL-WEIGHT FINANCIALS SECTOR

IMPROVING

Observations:

- ❑ Price reversed sharply below key support to make a new lower low, potentially reversing the uptrend in place since 2016.
- ❑ 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 now breached the 2017 lows.
- ❑ Key Resistance = \$47
- ❑ Key Support = \$37

Conclusions:

- ❑ Financials slipped one position to the #5 rank in our RS-Momentum work this month.
- ❑ Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Market weight exposure.
- ❑ Target = N/A



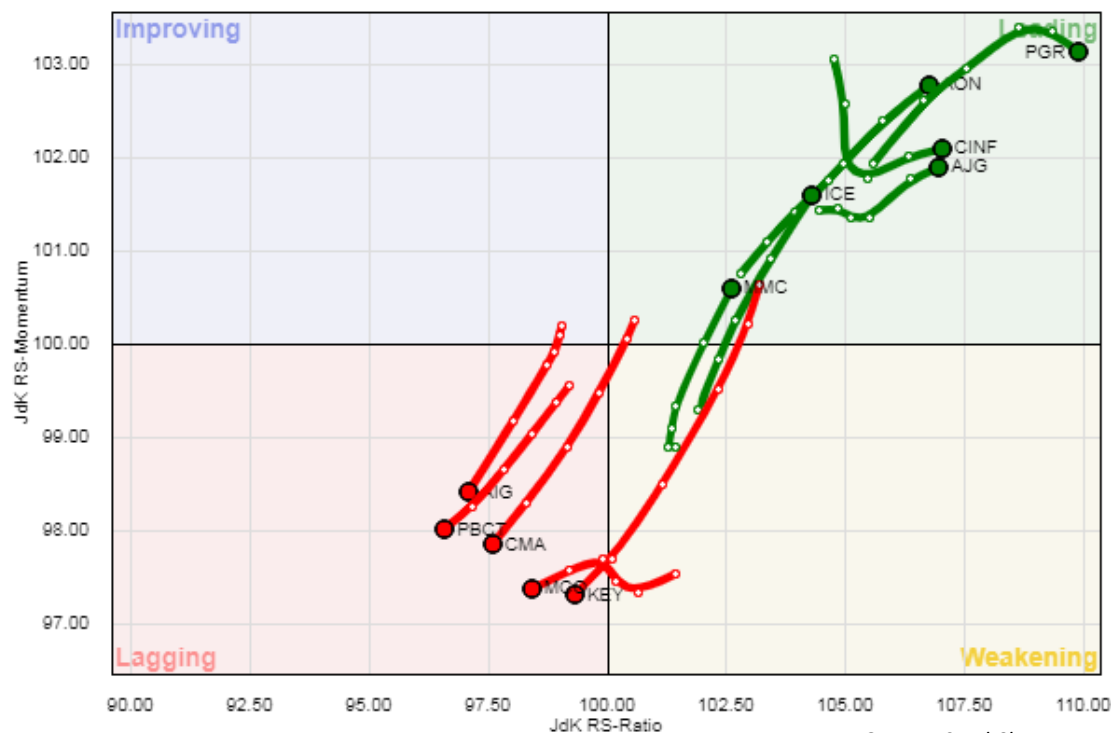
S&P 500 FINANCIALS SECTOR DRIVERS

Top RS-Momentum Leaders

1. Progressive (PGR)
2. AON Corp (AON)
3. Cincinnati Financial (CINF)
4. A.J. Gallagher (AJG)
5. Intercontinental Exchange (ICE)

Top RS-Momentum Laggards

1. Peoples Bank (PBCT)
2. American Int'l Group (AIG)
3. Comerica (CMA)
4. Moody's Corp (MCO)
5. Keycorp (KEY)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT REAL ESTATE SECTOR WEAKENING

Observations:

- ❑ Price reversed back below initial support after posting a new monthly closing high in August.
- ❑ While still positive, momentum has established a series of lower highs, leaving a triple negative divergence in place.
- ❑ Relative strength vs. the average S&P stock has been in decline since 2Q16, but appears to have bottomed and is now staging a bullish upside reversal.
- ❑ Key Resistance = \$33
- ❑ Key Support = \$28

Conclusions:

- ❑ Real Estate slipped one position to the #6 rank in our sector RS-Momentum work for the month.
- ❑ Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Overweight exposure.
- ❑ Target = N/A



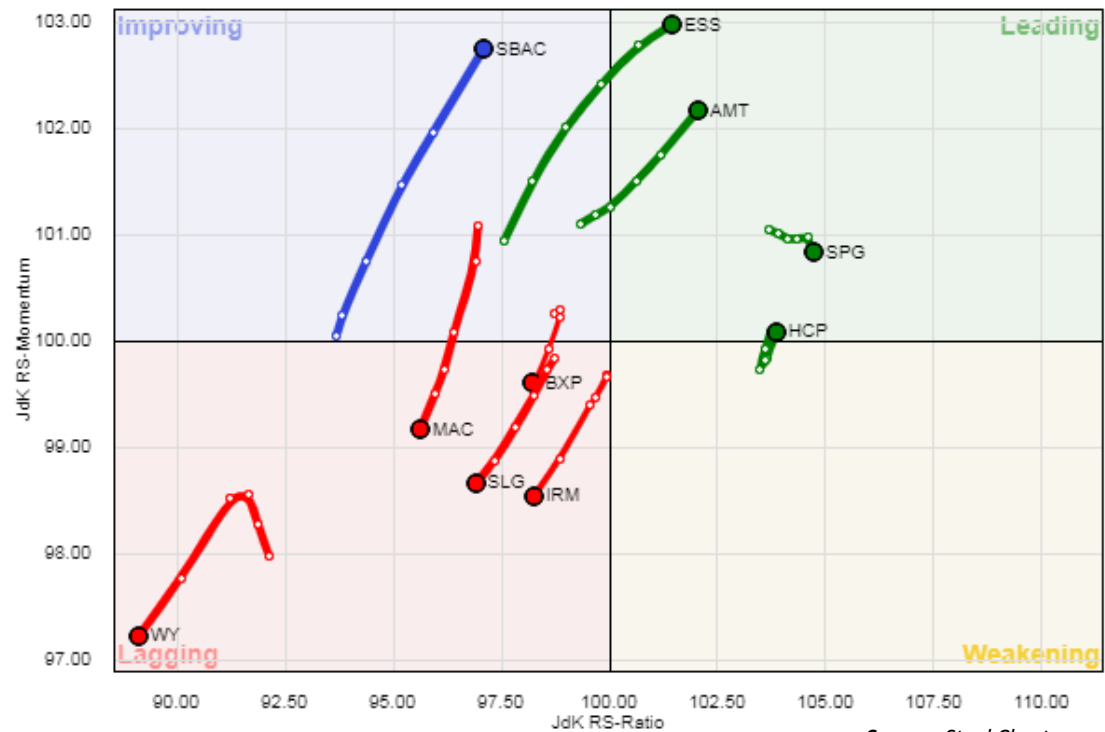
S&P 500 REAL ESTATE SECTOR DRIVERS

Top RS-Momentum Leaders

1. Simon Property Group (SPG)
2. HCP (HCP)
3. Essex Property Trust (ESS)
4. American Tower (AMT)
5. SBA Communications (SBAC)

Top RS-Momentum Laggards

1. Weyerhaeuser (WY)
2. Macerich (MAC)
3. SL Green (SLG)
4. Iron Mountain (IRM)
5. Boston Properties (BXP)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT TECHNOLOGY SECTOR WEAKENING

Observations:

- ❑ Price breached the lower boundary of the wave (5) trend channel, and reversed sharply below support.
- ❑ Momentum has collapsed, establishing a lower high, and consequently leaving a **clear negative divergence in place**. Monthly volume spiked to its highest level in 2-years as trend was breached.
- ❑ Relative strength vs. the average S&P stock has breached a multi-year uptrend and **is now reversing lower**.
- ❑ Key Resistance = \$159
- ❑ Key Support = \$138

Conclusions:

- ❑ Technology is holding at the #7 rank in our sector RS-Momentum work for the fourth month in a row.
- ❑ Rarely does such a textbook example present itself so clearly as the 5-wave Elliott impulse pattern evident in the Technology sector. October's plunge is likely the initial decline of three wave (A-B-C) correction that could retrace up to 61.8% of the entire 9-year advance. **Underweight exposure.**
- ❑ Target = \$106



Source: StockCharts.com

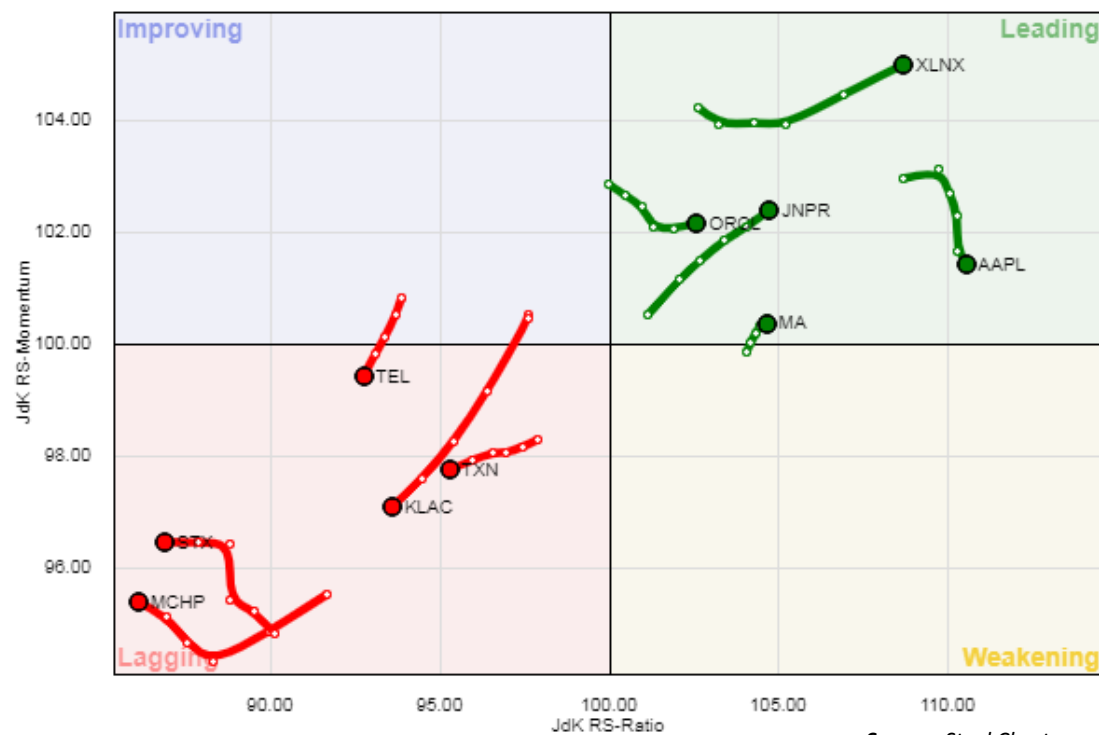
S&P 500 TECHNOLOGY SECTOR DRIVERS

Top RS-Momentum Leaders

1. Apple Computer (AAPL)
2. Xilinx (XLNX)
3. Juniper Networks (JNPR)
4. MasterCard (MA)
5. Oracle (ORCL)

Top RS-Momentum Laggards

1. Microchip Tech (MCHP)
2. Seagate Tech (STX)
3. KLA-Tencor (KLAC)
4. TE Connectivity (TEL)
5. Texas Instruments (TXN)



S&P 500 EQUAL-WEIGHT DISCRETIONARY SECTOR

LAGGING

Observations:

- ❑ Price reversed sharply below initial support and breached the uptrend off 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 = \$108
- ❑ Key Support = \$94

Conclusions:

- ❑ Consumer discretionary is holding at the #8 rank in our sector RS-Momentum work this month.
- ❑ Rotation away from economically sensitive sectors, and into traditionally defensive, and value oriented sectors appears underway.
- ❑ Underweight exposure.
- ❑ Target = \$80



Source: StockCharts.com

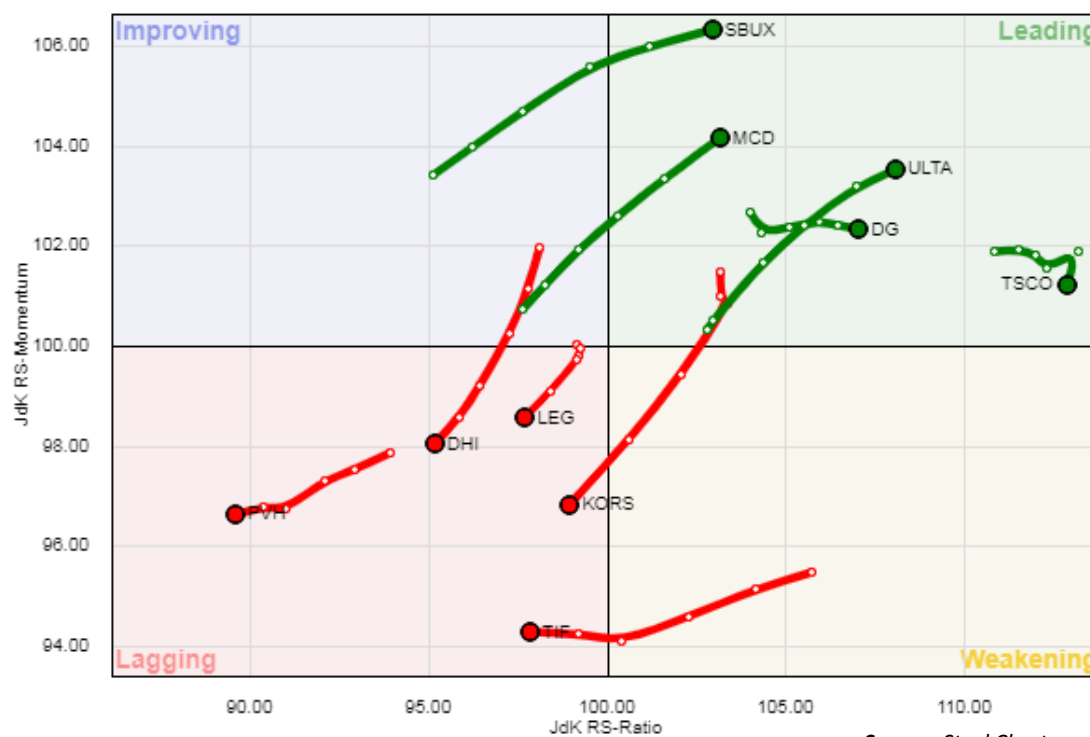
S&P 500 DISCRETIONARY SECTOR DRIVERS

Top RS-Momentum Leaders

1. Tractor Supply Co (TSCO)
2. Ulta Beauty (ULTA)
3. Dollar General (DG)
4. Starbucks (SBUX)
5. McDonalds (MCD)

Top RS-Momentum Laggards

1. Philips Van Heusen (PVH)
2. DR Horton (DHI)
3. Tiffany (TIF)
4. Leggett & Platt (LEG)
5. Michael Kors (KORS)



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 rolled over, establishing a lower high, and leaving a clear negative divergence in place.
- ❑ Relative strength vs. the average S&P stock remains in an uptrend, but has breach initial support.
- ❑ Key Resistance = \$49
- ❑ Key Support = \$43 (Breached)

Conclusions:

- ❑ Communications starts at the #9 rank in our sector RS-Momentum work this month.
- ❑ Rotation away from momentum charged sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Underweight exposure.
- ❑ Target = \$38



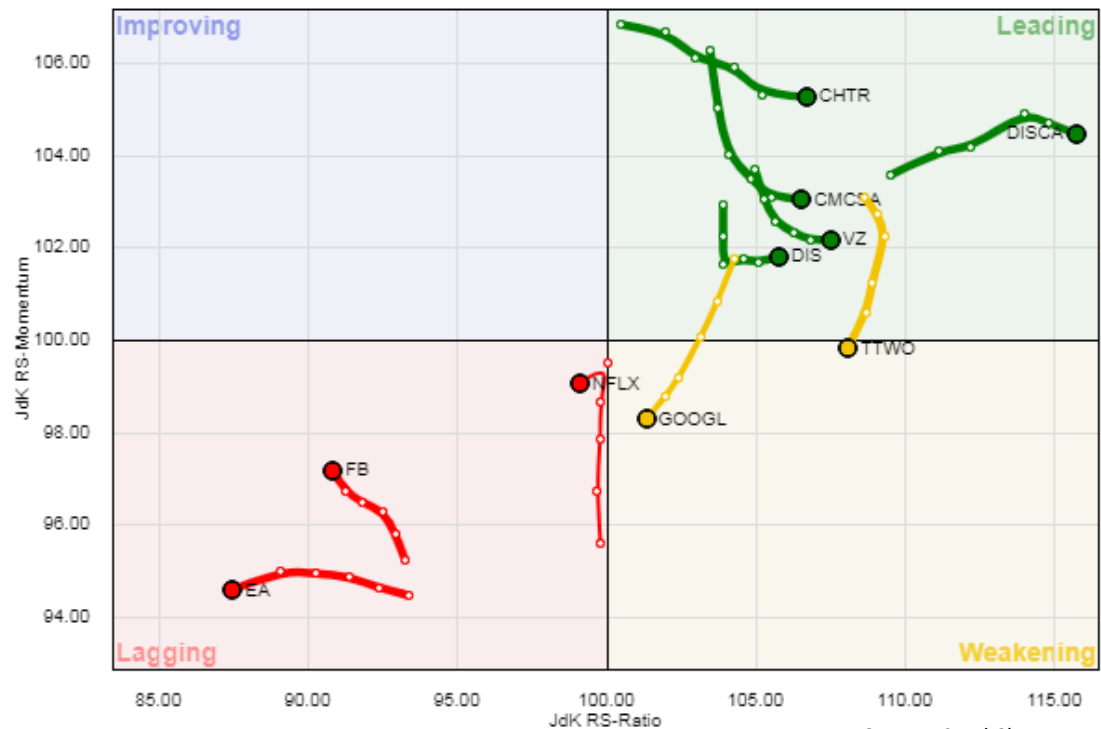
S&P 500 COMMUNICATIONS SECTOR DRIVERS

Top RS-Momentum Leaders

1. Discovery (DISCA)
2. Verizon Communications (VZ)
3. Charter Comm (CHTR)
4. Comcast (CMCSA)
5. Walt Disney (DIS)

Top RS-Momentum Laggards

1. Electronic Arts (EA)
2. Facebook (FB)
3. Netflix (NFLX)
4. Alphabet (GOOGL)
5. Take-Two Interactive (TTWO)



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 2017 low. **After challenging the upper boundary of that range, Energy stocks have reversed below support and breached an ascending trendline off the 2016 low.**
- ❑ Momentum ticked down again this month establishing a clear negative divergence, while volume spiked to a new 10-year monthly high.
- ❑ Relative strength vs. the average S&P stock has been under pressure since 2011 and the latest challenge of its descending trend line appears to have failed.
- ❑ Key Resistance = \$65
- ❑ Key Support = \$47

Conclusions:

- ❑ Energy slipped one position to the #10 rank in our sector RS-Momentum work this month.
- ❑ Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Underweight exposure.
- ❑ Target = \$47



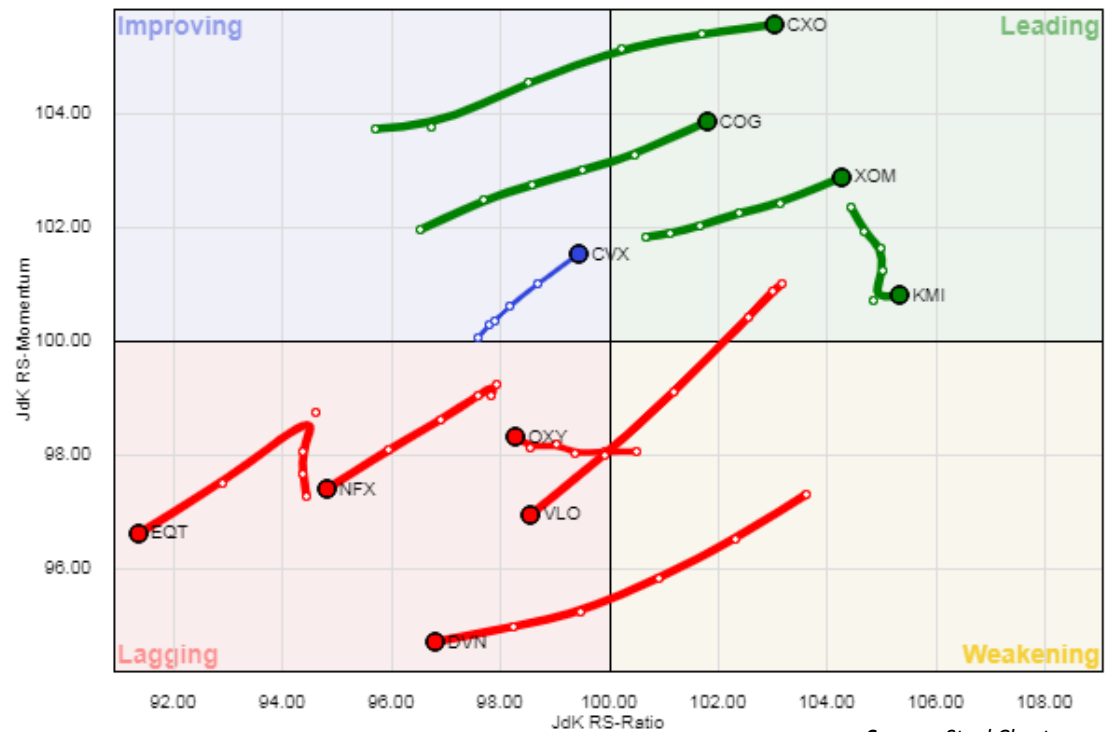
S&P 500 ENERGY SECTOR DRIVERS

Top RS-Momentum Leaders

1. Kinder Morgan (KMI)
2. Exxon Mobil (XOM)
3. Concho Resources (CXO)
4. Cabot Oil & Gas (COG)
5. Chevron (CVX)

Top RS-Momentum Laggards

1. EQT (EQT)
2. Newfield Exploration (NFX)
3. Devon Energy (DVN)
4. Valero Energy (VLO)
5. Occidental Petroleum (OXY)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT MATERIALS SECTOR

LAGGING

Observations:

- ❑ Price reversed sharply below key support to make a new lower low, reversing the uptrend in place since 2015.
- ❑ Momentum has turned sharply negative after establishing a lower high, consequently leaving a clear negative divergence in place.
- ❑ Relative strength vs. the average S&P stock, which bottomed in late 2015 and experienced a sustained 2-year recovery, breached the 2017 low in August.
- ❑ Key Resistance = \$102
- ❑ Key Support = \$87

Conclusions:

- ❑ Materials finish in last place for the second month in a row, ranking #11 in our sector RS-Momentum work.
- ❑ Rotation away from economically sensitive sectors, and into traditionally defensive and value oriented sectors appears underway.
- ❑ Underweight exposure.
- ❑ Target = \$87



Source: StockCharts.com

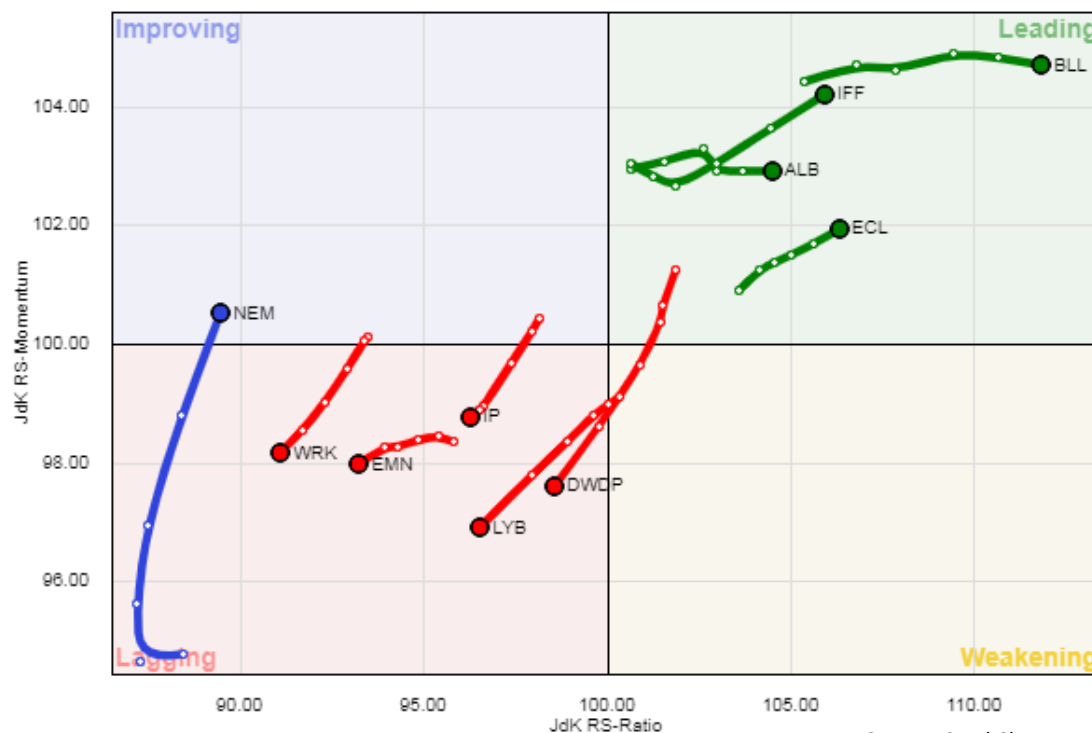
S&P 500 MATERIALS SECTOR DRIVERS

Top RS-Momentum Leaders

1. Ball Corp (BLL)
2. Int'l Flavors & Fragrances (IFF)
3. Ecolab (ECL)
4. Albemarle (ALB)
5. Newmont Mining (NEM)

Top RS-Momentum Laggards

1. WestRock (WRK)
2. Eastman Chemical (EMN)
3. Lyondell Basell (LYB)
4. International Paper (IP)
5. DowDuPont (DWDP)



OCTOBER REPORT CARD

Long Leaders / Short Laggards

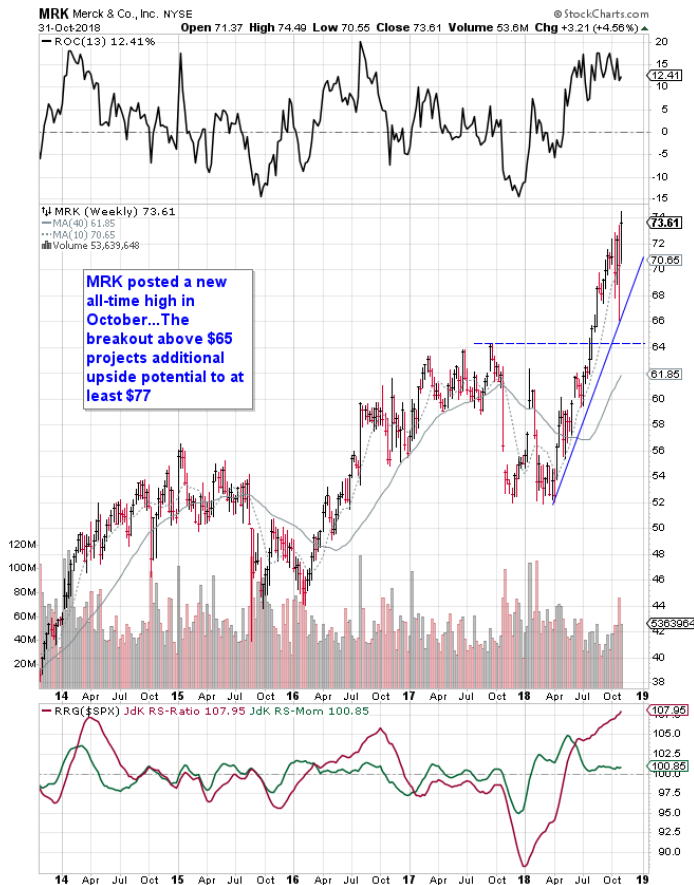
	<u>Sector</u>		<u>October</u>		<u>Sector</u>		<u>October</u>				<u>October</u>	
	RYH		-9.15%		RYU		2.22%		S&P 500 Equal-Weight		-7.29%	
		Leaders	-7.45%			Leaders	-0.14%					
		Laggards	-7.81%			Laggards	1.64%					
	RGI		-11.32%		RYT		-9.48%		Equal-Weight Leaders		-5.59%	
		Leaders	-16.55%			Leaders	-10.17%		Equal-Weight Laggards		-7.74%	
		Laggards	-14.43%			Laggards	-8.73%		Long/Short Spread		2.15%	
	RHS		0.22%		RCD		-6.80%		Long Alpha		1.70%	
		Leaders	3.45%			Leaders	-1.62%		Short Alpha		0.45%	
		Laggards	0.08%			Laggards	-11.73%					
	RYF		-5.93%		RYE		-14.16%		S&P 500 Index		-6.94%	
		Leaders	-6.96%			Leaders	-11.14%					
		Laggards	-4.80%			Laggards	-20.31%		Sector Neutral Leaders		-5.71%	
	EWRE		-1.55%		RTM		-8.51%		Sector Neutral Laggards		-8.23%	
		Leaders	-1.42%			Leaders	-3.87%		Long/Short Spread		2.52%	
		Laggards	-1.83%			Laggards	-9.51%		Long Alpha		1.23%	
									Short Alpha		1.29%	

ACTIONABLE TRADE IDEAS

- ❑ Top Bullish Health Care Trade Set-ups...MRK & JNJ
- ❑ Top Bullish Utilities Trade Set-ups...EXC & FE
- ❑ Top Bullish Staples Trade Set-ups...HRL & PG
- ❑ Top Bearish Short Sale Set-ups...LYB & FB

BULLISH HEALTH CARE SET-UPS...

Merck (MRK)



Johnson & Johnson (JNJ)



Source: StockCharts.com

BULLISH UTILITIES SET-UPS...

Exelon (EXC)



FirstEnergy (FE)



Source: StockCharts.com

BULLISH STAPLES SET-UPS...

Hormel (HRL)



Procter & Gamble (PG)



Source: StockCharts.com

BEARISH SHORT SALE SET-UPS...

Lyondell Basell (LYB)



Facebook (FB)



Source: StockCharts.com

MACRO PERSPECTIVES

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

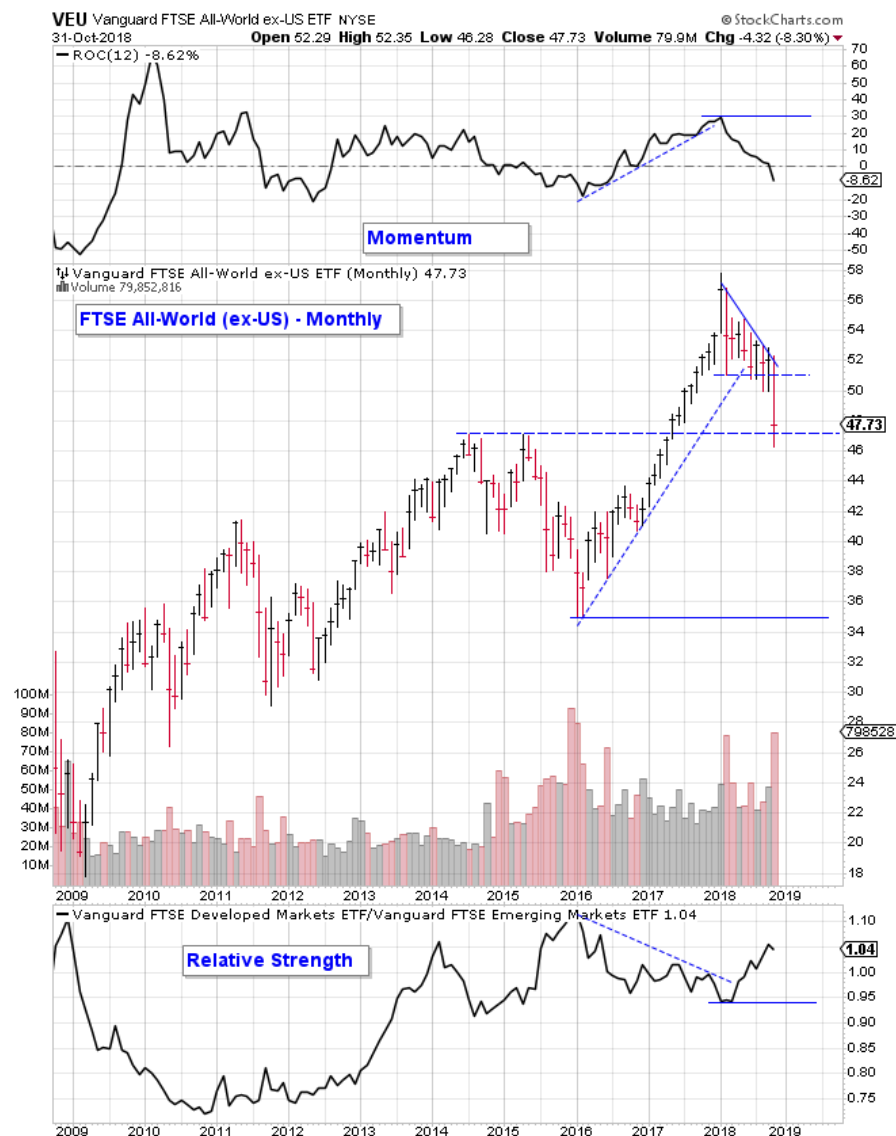
FOREIGN MARKETS FTSE ALL-WORLD (EX-US) BEARISH

Observations:

- ❑ Foreign market equities have breached a multi-year trendline ascending off the 2016 lows, and have challenged structural support.
- ❑ Momentum has turned negative and is trending decidedly down.
- ❑ Broadly speaking, domestic markets have outperformed foreign markets since the end of the financial crisis; Internally, **relative strength favors developed foreign markets over emerging markets.**
- ❑ Key Resistance = \$51
- ❑ **Structural Support = \$47 (Breached)**

Conclusions:

- ❑ With price action and momentum deteriorating, and emerging markets displaying relative weakness, a sustained breach of structural support may be on the horizon for foreign market equities.
- ❑ Underweight exposure.
- ❑ Target: \$35



Source: StockCharts.com

COMMODITY GOLD BULLION NEUTRAL

Observations:

- ❑ The price of gold has violated its ascending trendline off the 2015 low calling into question the status of the 5-year base formation evident in the chart. **An established range bound by the 2016 high and low remains in place and will continue to hold the key to gold's long-term prospects.**
- ❑ Momentum has broken its uptrend and turned decidedly negative.
- ❑ **Relative strength vs. the other 16 commodities that make up the CRB index has been lackluster and trending down.**
- ❑ **Key Resistance = \$1378**
- ❑ **Key Support = \$1124**

Conclusions:

- ❑ Based upon poor trader sentiment data and the increased "Commercial" interest, **another challenge of the upper boundary appears more probable at this juncture than a collapse to new lows.**
- ❑ Target = N/A



COMMODITY

WTI CRUDE OIL

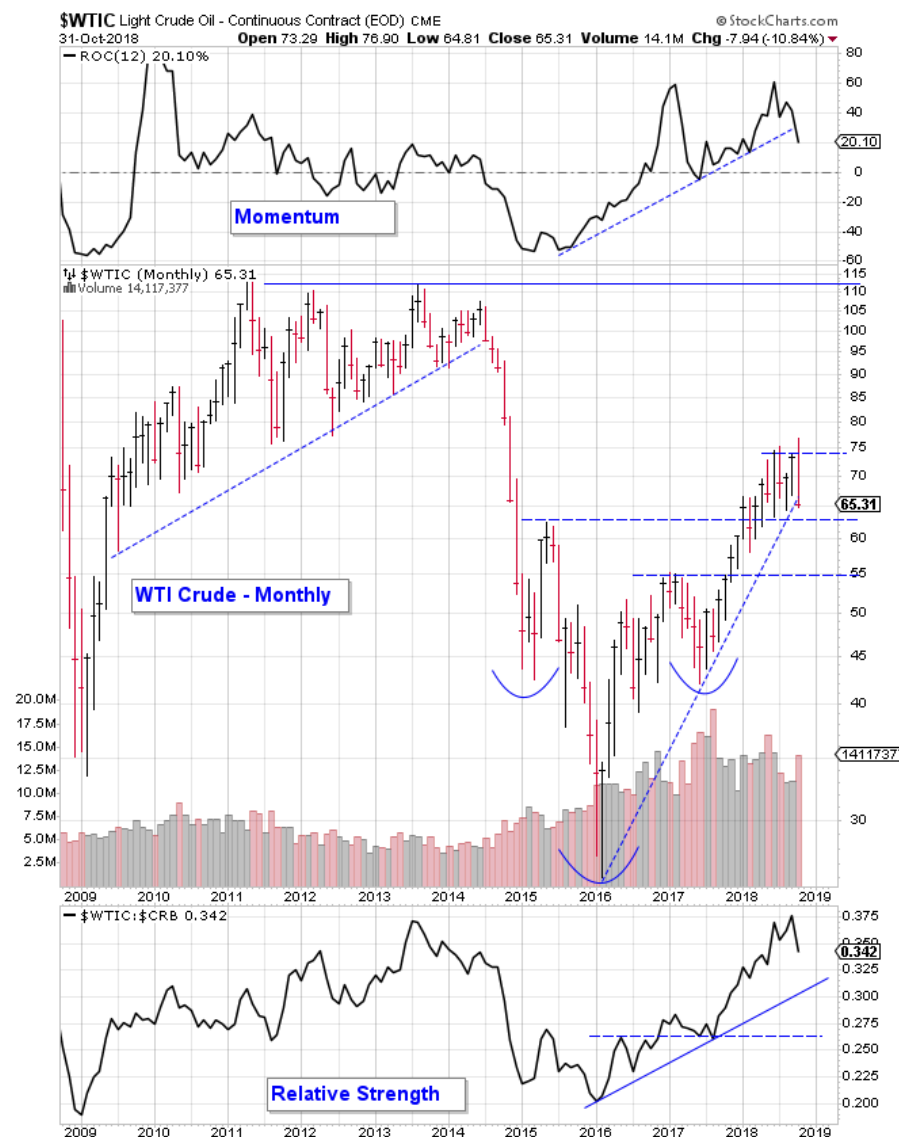
NEUTRAL

Observations:

- ❑ WTI crude price has breached the uptrend established off the 2017 low, but is holding and remains constructive above key support.
- ❑ Momentum double topped and has breached the uptrend off the 2015 low.
- ❑ Relative strength vs. the other 16 commodities that make up the CRB index has been robust, but now appears poised to test its 3-year uptrend.
- ❑ Key Resistance = \$75
- ❑ Key Support = \$62

Conclusions:

- ❑ Downgrading opinion from Bullish to Neutral.
- ❑ Notwithstanding the potential for continued price volatility within the recent consolidation range, **WTI crude appears to have unfinished business to the upside, but may need more time to further consolidate. A monthly close below \$62 would be cause for concern.**
- ❑ Reduce exposure.
- ❑ Target = N/A



Source: StockCharts.com

COMMODITY NYSE BITCOIN INDEX BEARISH

Observations:

- ❑ Price breached a year-long trendline ascending off the 2017 lows, and has challenged and violated key support.
- ❑ While still positive, momentum has collapsed, but is attempting to stabilize.
- ❑ 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 = \$9,593
- ❑ Key Support = \$6,546

Conclusions:

- ❑ Given the poor price action and sharp momentum deterioration evident since last December, Bitcoin appears to have unfinished business to the downside.
- ❑ Reduce exposure.
- ❑ Target: \$3,175



Source: StockCharts.com

CURRENCY US DOLLAR INDEX BULLISH

Observations:

- ☐ Price tested and held an established uptrend in January and has since rallied strongly to challenge, and penetrate key resistance.
- ☐ Momentum has reversed sharply above the zero line, penetrating a descending trendline marking the 2015 and 2017 peaks.
- ☐ Key Resistance = 99
- ☐ Key Support = 95

Conclusions:

- ☐ While a state of “heightened volatility” best describes the price action in the USD index since its 2015 high, the trend off the 2011 low has been decidedly bullish.
- ☐ Increase exposure.
- ☐ Target = 102



Source: StockCharts.com

US INTEREST RATES

10-YEAR TREASURY

BULLISH

Observations:

- ❑ The 10-year Treasury yield has advanced sharply from its 2016 low, and penetrated key resistance.
- ❑ Due to the heightened media attention surrounding the 3.00% level, it may be lost on many that **significant trendline resistance exists from the structural downtrend converging upon 3.60%.**
- ❑ **Structural Resistance = 3.60%**
- ❑ **Key Resistance = 3.25% (Breached)**
- ❑ Key Support = 2.71%

Conclusions:

- ❑ **Upgrading opinion from Neutral to 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, but we do expect 10-year Treasury yields to continue higher in the short-term.**
- ❑ **Target = 3.50%**



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 over 28 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 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 along-side the firm's founder, 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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