

ALPHA INSIGHTS

~ REVIEW & OUTLOOK ~

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SUMMARY OVERVIEW

❑ U.S. Market Analysis (Page 3)

Growth stocks, led by small-caps, continued to dominate U.S. equity market performance in August. But our analysis suggests that a rotation is underway beneath the surface of the indexes favoring traditionally defensive sectors. Large-cap value stocks in particular, appear poised for future outperformance.

❑ Sector Analysis (Page 10)

Our monthly analysis of the ten S&P 500 equal-weight sectors ranks Real Estate, Utilities, and Health Care as most bullish, followed by Staples and Industrials; Energy, Technology, and Discretionary have been losing momentum, while Financials and Materials rank as bearish. Our August report card reveals positive alpha for the month.

❑ Actionable Trade Ideas (Page 33)

Our top actionable trade ideas for September include: Realty Income (O), Digital Realty (DLR), CenturyLink (CTL), Verizon (VZ), Eli Lilly (LLY), Biogen (BIIB), Kroger (KR), Kimberly Clark (KMB), United Parcel (UPS), and Eaton (ETN) on the long side. Our August report card reveals positive alpha for the month.

❑ Macro Perspectives (Page 40)

From a macro perspective, 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 47)

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

U.S. MARKET ANALYSIS

- ☐ Large-Cap
- ☐ Mid-Cap
- ☐ Small-Cap
- ☐ Style Box Leadership
- ☐ Factor Leadership

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

Observations:

- ❑ Price made a new monthly closing high in August, resolving the well-defined trading range bound by the Jan 2018 high and the Feb 2018 lows.
- ❑ Momentum remains positive, and has turned up, but a breakout above nearby highs is needed in order for us to upgrade our opinion to Bullish.
- ❑ Relative strength of large-caps has underperformed small-caps YTD, but a rotation beneath the surface of the market favors large value going forward.
- ❑ Key Resistance = 3214
- ❑ Initial Support = 2848
- ❑ Key Support = 2742

Conclusions:

- ❑ The trend remains decidedly bullish, but the weakness evident in momentum suggests late cycle rotation into traditionally defensive sectors.
- ❑ Add to leadership areas opportunistically; A monthly close below initial support would warn of additional consolidation ahead.
- ❑ Target = 3214



Source: StockCharts.com

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

Observations:

- ❑ Price made a new monthly closing high in August, resolving the well-defined trading range flanked by the Jan 2018 high and the Feb 2018 low.
- ❑ While momentum remains positive, and has turned up, a negative divergence remains in place; A breakout above nearby highs is needed in order for us to upgrade our opinion to Bullish.
- ❑ YTD, relative strength of mid-caps has outperformed large-caps, but underperformed small-cap stocks.
- ❑ Key Resistance = 2233
- ❑ Initial Support = 2002
- ❑ Key Support = 1932

Conclusions:

- ❑ The trend remains decidedly bullish, but the weakness evident in momentum suggests caution is still warranted.
- ❑ Add to leadership areas opportunistically; A monthly close below initial support would warn of additional consolidation ahead.
- ❑ Target = 2233



Source: StockCharts.com

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

Observations:

- ❑ Price made a new monthly closing high in August, slightly exceeding our prior target of 1085.
- ❑ Momentum has penetrated the upper boundary of a lateral consolidation pattern, and appears poised to accelerate higher.
- ❑ Relative strength made a new high in August, confirming price; small-caps have outperformed both mid-cap and large-cap stocks YTD.
- ❑ Key Resistance = 1160
- ❑ Initial Support = 982
- ❑ Key Support = 879

Conclusions:

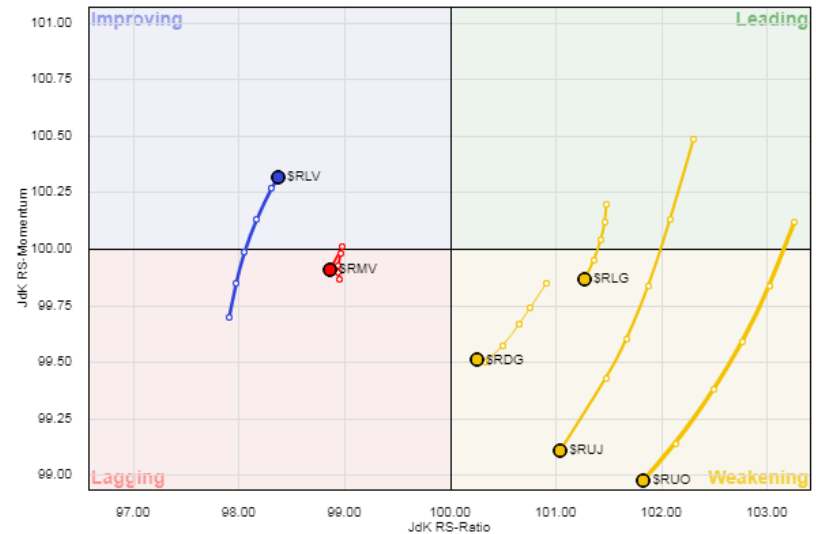
- ❑ The trend remains decidedly bullish.
- ❑ Buy into strength with an eye toward adding to leadership areas above initial support.
- ❑ A monthly close below initial support would warn of additional consolidation ahead.
- ❑ New Target = 1160



Source: StockCharts.com

RUSSELL STYLE BOX LEADERSHIP

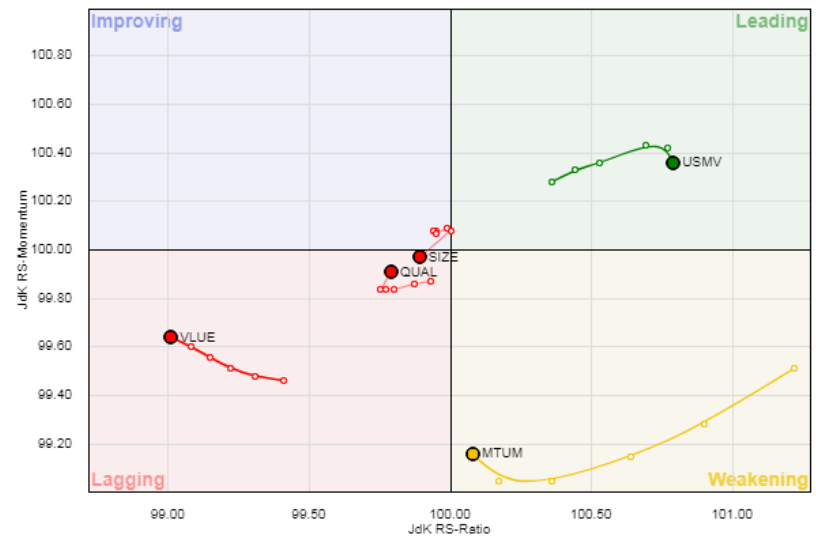
<u>RS-Momentum Rank</u>	<u>August %Chg</u>
1. Large-Cap Value (RLV)	+1.2%
2. Small-Cap Growth (RUO)	+6.2%
3. Small-Cap Value (RUJ)	+2.2%
4. Large-Cap Growth (RLG)	+5.3%
5. Mid-Cap Growth (RDG)	+5.7%
6. Mid-Cap Value (RMV)	+1.1%



Source: StockCharts.com

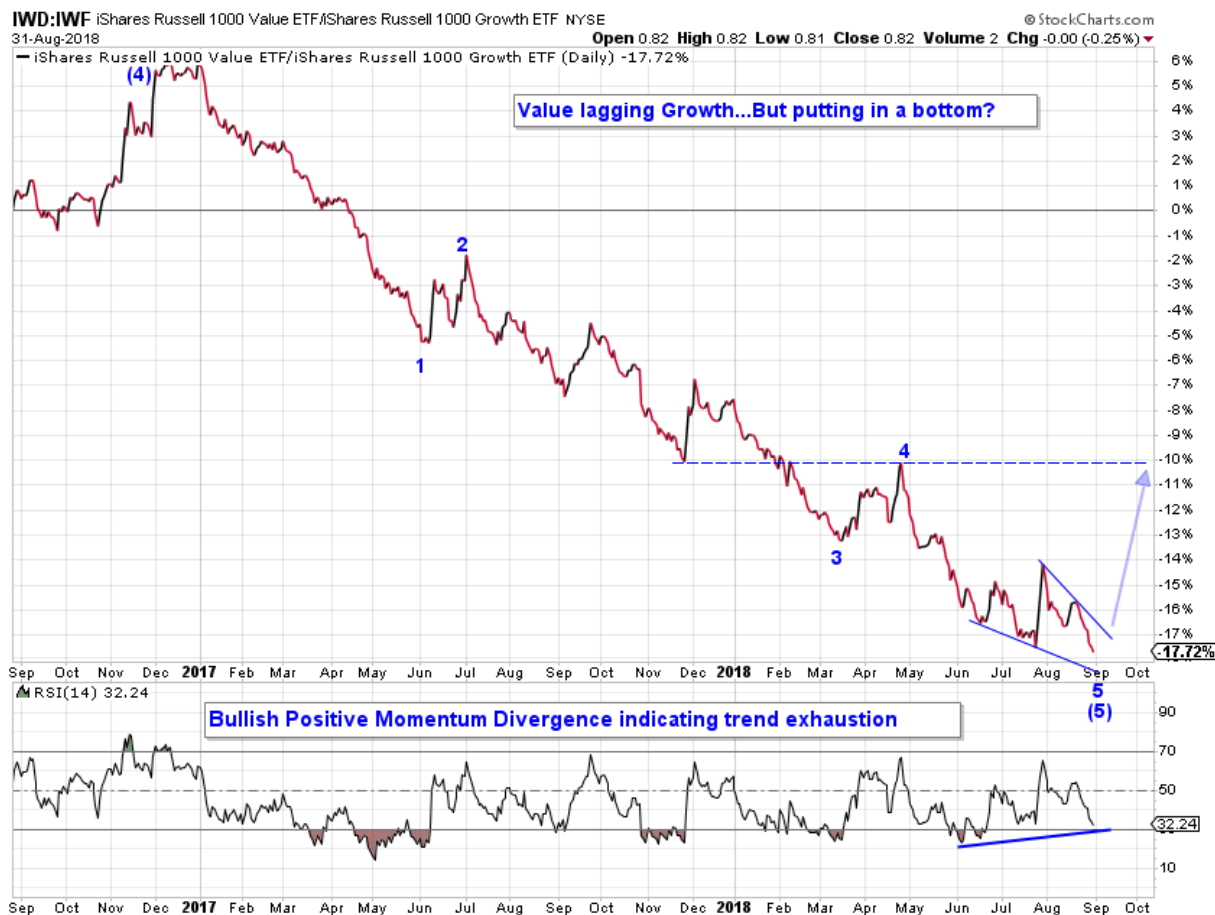
MSCI FACTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>August %Chg</u>
1. Low Volatility (USMV)	+3.1%
2. High Momentum (MTUM)	+5.9%
3. Small Capitalization (SIZE)	+2.0%
4. High Quality (QUAL)	+3.7%
5. Low Valuation (VLUE)	+3.6%



Source: StockCharts.com

VALUE LAGGING GROWTH...FOR NOW



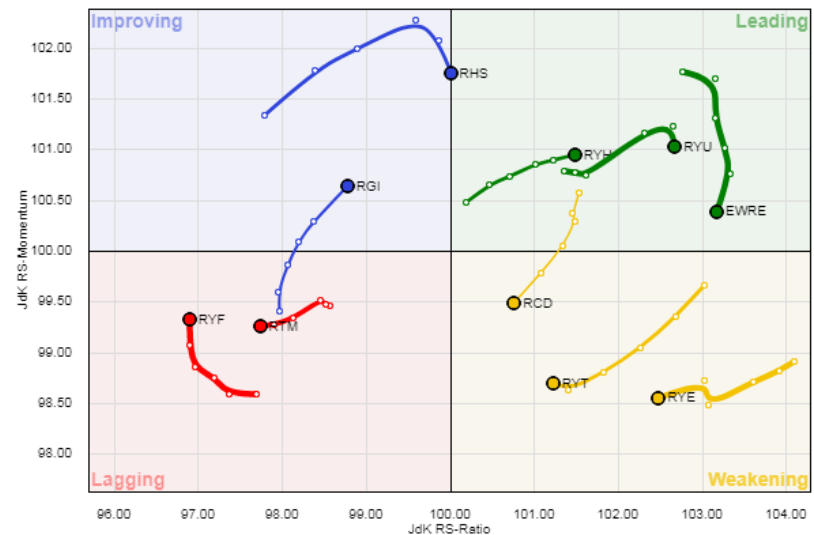
SECTOR ANALYSIS

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

EQUAL-WEIGHT SECTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>August % Chg</u>
1. Real Estate (EWRE)	+2.8%
2. Utilities (RYU)	+1.8%
3. Healthcare (RYH)	+6.9%
4. Staples (RHS)	+1.4%
5. Industrials (RGI)	+1.8%
6. Energy (RYE)	-3.0%
7. Technology (RYT)	+5.3%
8. Discretionary (RCD)	+1.9%
9. Financials (RYF)	+0.6%
10. Materials (RTM)	-1.4%

S&P 500 Equal-Weight Sectors



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT REAL ESTATE SECTOR LEADING

Observations:

- ❑ Price resolved a year long consolidation recording a new monthly closing high in August.
- ❑ Momentum has not yet confirmed the breakout in price, leaving a **negative divergence in place**.
- ❑ Relative strength vs. the average S&P stock has been in decline since 2Q16, but appears to be attempting a reversal.
- ❑ Key Resistance = \$32
- ❑ Key Support = \$26

Conclusions:

- ❑ Real Estate holds the #1 rank in our sector RS-Momentum work for the second month in a row, driven by its superior relative strength ratio and continued strong momentum of that ratio when compared to other sectors.
- ❑ Increase exposure.
- ❑ Target = \$32



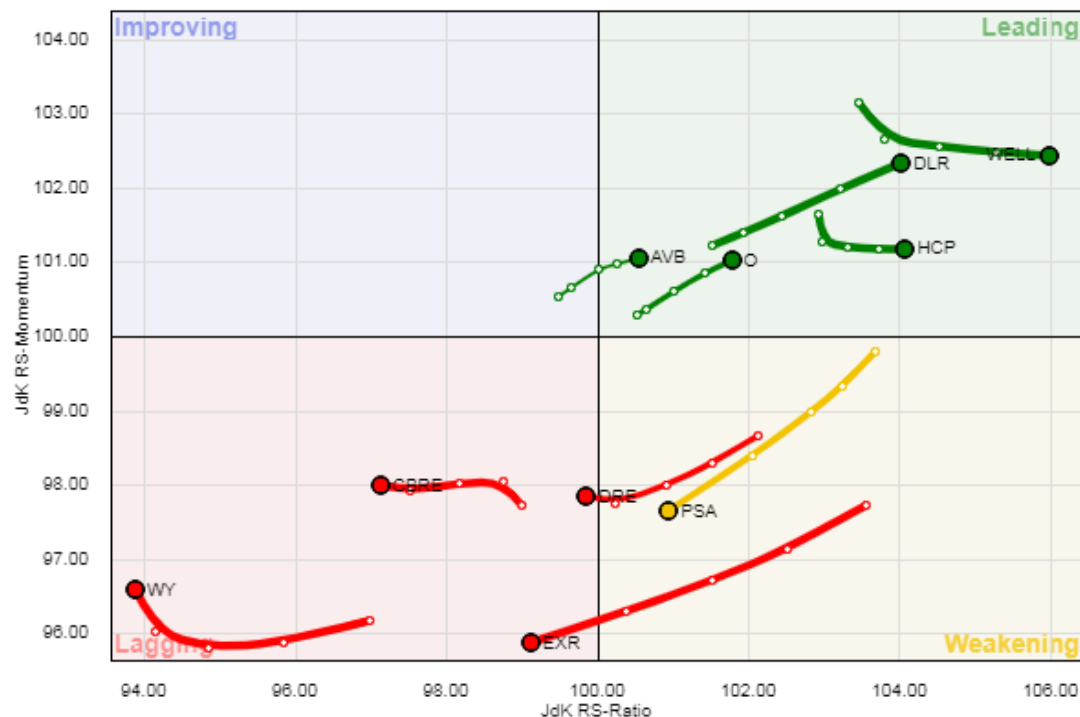
S&P 500 REAL ESTATE SECTOR DRIVERS

Top RS-Momentum Leaders

1. Welltower (WELL)
2. Digital Realty (DLR)
3. HCP (HCP)
4. Realty Income (O)
5. Avalonbay Communities (AVB)

Top RS-Momentum Laggards

1. Weyerhaeuser (WY)
2. Extra Space Storage (EXR)
3. CBRE Group (CBRE)
4. Duke Realty (DRE)
5. Public Storage (PSA)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT UTILITY/TELCO SECTOR LEADING

Observations:

- ❑ Despite breaching its 9-year uptrend line earlier this year, **price recovered to make a new monthly closing high in August**.
- ❑ Momentum appears lackluster at best, with a **large degree negative divergence in place**, while volume has been diminishing since mid-2015.
- ❑ Relative strength vs. the average S&P stock has already broken down, but an attempt to challenge its descending trendline may be underway.
- ❑ Key Resistance = \$94
- ❑ Key Support = \$79

Conclusions:

- ❑ Utilities are ranked #2 in our sector RS-Momentum work for the second month in a row.
- ❑ Rotation away from cyclical sectors including Technology and Energy, and into traditionally defensive sectors such as Real Estate, Utilities, Health Care, and Staples appears underway.
- ❑ Increase exposure.
- ❑ Target = \$101



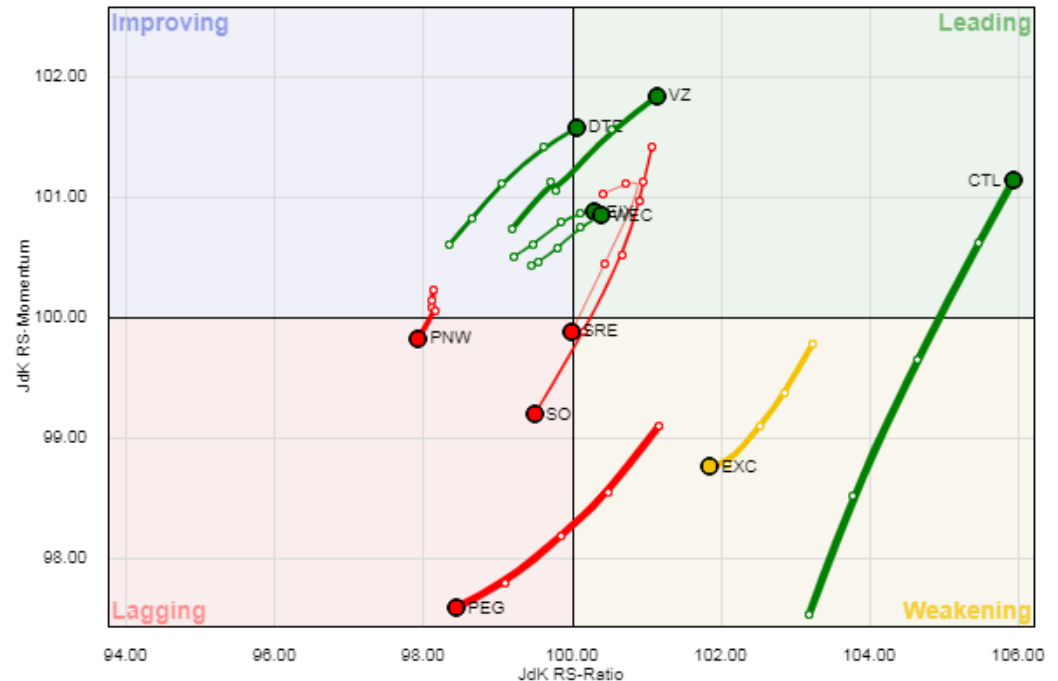
S&P 500 UTILITY/TELCO SECTOR DRIVERS

Top RS-Momentum Leaders

1. CenturyLink (CTL)
2. Verizon Communications (VZ)
3. DTE Energy (DTE)
4. WEC Energy Group (WEC)
5. Edison Int'l. (EIX)

Top RS-Momentum Laggards

1. Public Service Enterprise (PEG)
2. Southern (SO)
3. Pinnacle West Cap (PNW)
4. Sempra Energy (SRE)
5. Exelon (EXC)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT HEALTH CARE SECTOR LEADING

Observations:

- ❑ Price made a new monthly closing high in August, re-asserting itself after emerging from a 2-year consolidation that ended in mid-2017.
- ❑ Momentum has turned up, but remains well-below its nearby high, leaving a **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 \$210**
- ❑ **Key Supports = \$179**

Conclusions:

- ❑ Health Care moved up one position to the #3 rank in our RS-Momentum work this month. Biotech and Pharma industries both appear to be important sector drivers.
- ❑ Increase exposure.
- ❑ Target = \$226



Source: StockCharts.com

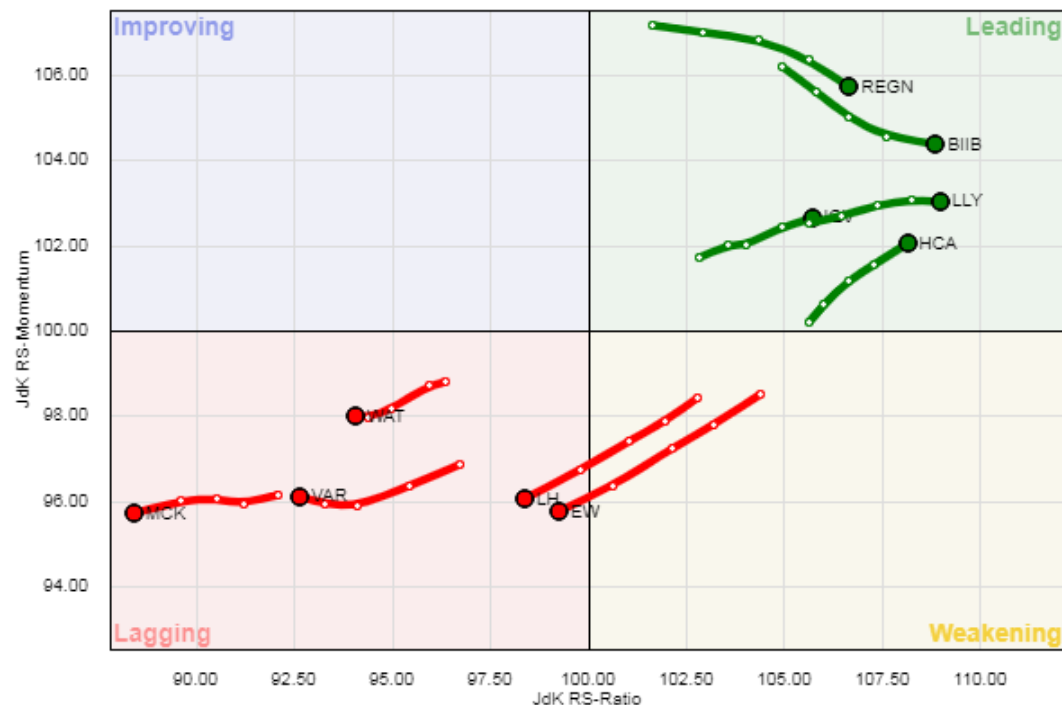
S&P 500 HEALTH CARE SECTOR DRIVERS

Top RS-Momentum Leaders

1. Biogen (BIIB)
2. Eli Lilly & Co. (LLY)
3. Regeneron Pharma (REGN)
4. HCA Healthcare (HCA)
5. Iqvia Holdings (IQV)

Top RS-Momentum Laggards

1. McKesson (MCK)
2. Varian Medical Systems (VAR)
3. Waters (WAT)
4. Lab Corp of America (LH)
5. Edwards Lifesciences (EW)



Source: StockCharts.com

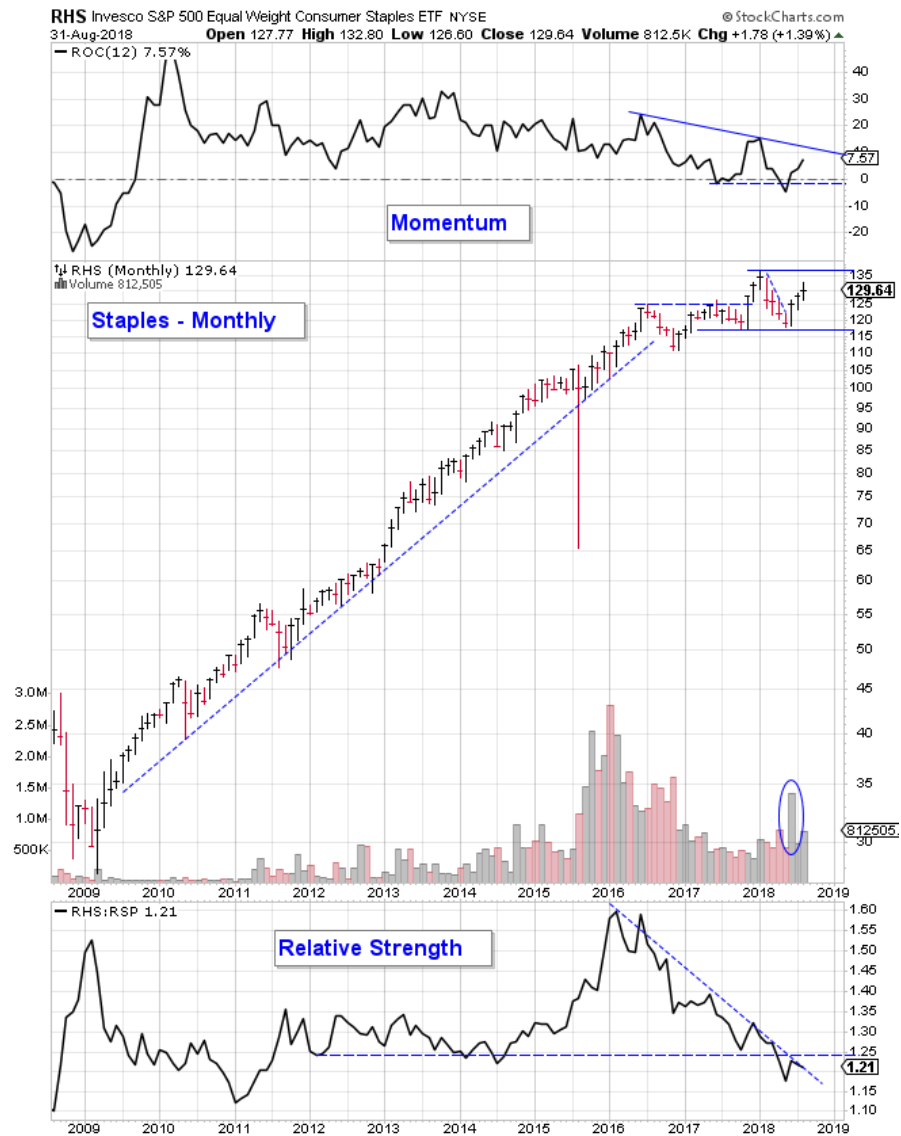
S&P 500 EQUAL-WEIGHT STAPLES SECTOR IMPROVING

Observations:

- ❑ Price continues to recover from its May/June lows following an extended period of consolidation.
- ❑ 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 poised to challenge and penetrate its descending trendline**.
- ❑ **Key Resistance = \$137**
- ❑ **Key Support = \$117**

Conclusions:

- ❑ Consumer Staples moved up a position to the #4 rank in our sector RS-Momentum work this month, continuing its progress of the past several months.
- ❑ **Opportunistically increase exposure.**
- ❑ **Target = \$157 (pending monthly close above \$137)**



Source: StockCharts.com

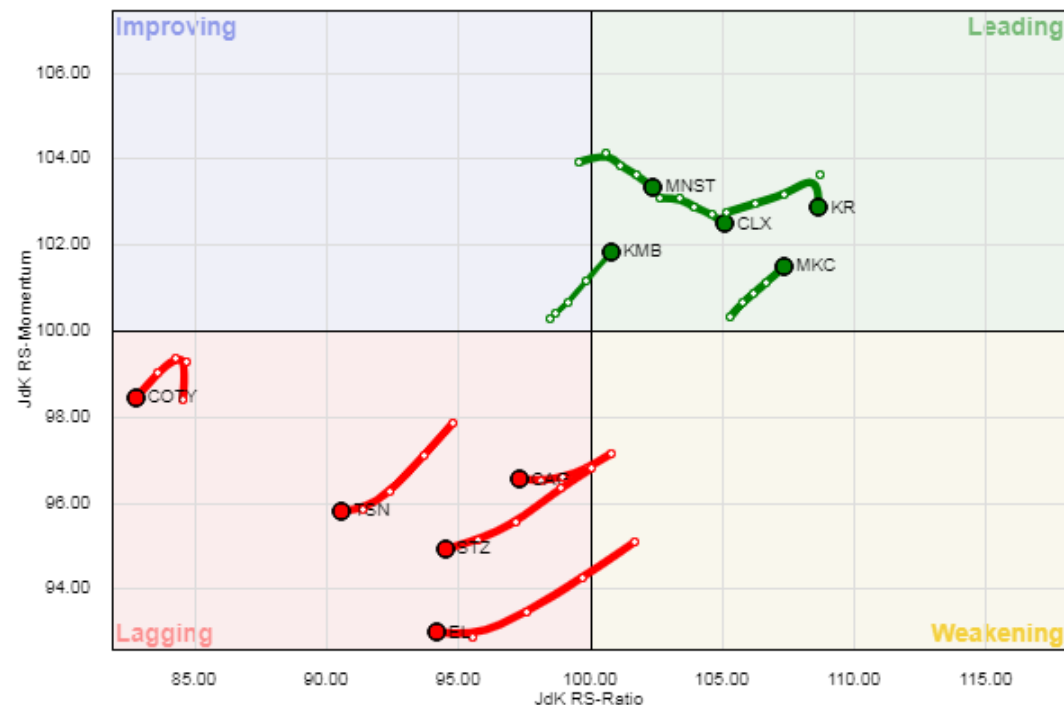
S&P 500 STAPLES SECTOR DRIVERS

Top RS-Momentum Leaders

1. Kroger (KR)
2. McCormick & Co. (MKC)
3. Clorox (CLX)
4. Monster Beverage (MNST)
5. Kimberly Clark (KMB)

Top RS-Momentum Laggards

1. Coty (COTY)
2. Tyson Foods (TSN)
3. Estee Lauder (EL)
4. Constellation Brands (STZ)
5. ConAgra Brands (CAG)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT INDUSTRIAL SECTOR

IMPROVING

Observations:

- ❑ Price continues to recover from its May lows, despite penetrating the lower boundary of a parallel trend channel.
- ❑ Momentum has turned up off the lows, but a large scale negative divergence remains in place. Conspicuously absent is any sign of volume acceleration.
- ❑ Relative strength vs. the average S&P stock peaked in Q1, then collapsed. A recovery appears underway, but much work remains.
- ❑ Key Resistance = \$127
- ❑ Key Support = \$111

Conclusions:

- ❑ Industrials experienced the most dramatic improvement in our sector RS-Momentum work this month, jumping from #9 to the #5 rank.
- ❑ Opportunistically increase exposure.
- ❑ Target = \$143 (pending monthly close above \$127)



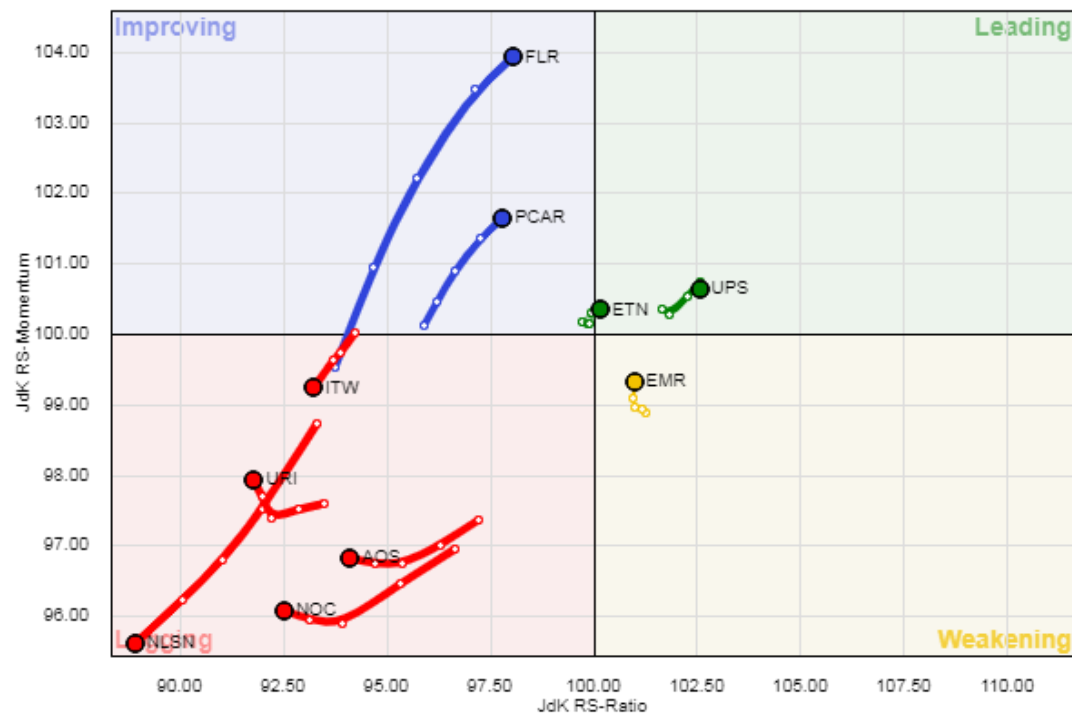
S&P 500 INDUSTRIALS SECTOR DRIVERS

Top RS-Momentum Leaders

1. United Parcel Service (UPS)
2. Eaton (ETN)
3. Emerson Electric (EMR)
4. Flour (FLR)
5. PACCAR (PCAR)

Top RS-Momentum Laggards

1. Nielsen (NLSN)
2. United Rentals (URI)
3. Northrup Grumman (NOC)
4. Illinois Tools Works (ITW)
5. AO Smith (AOS)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT ENERGY SECTOR

WEAKENING

Observations:

- ❑ Price remains well below its 2014 high, and range-bound between the 2016 high and 2017 low. **After challenging the upper boundary of the range on better volume in May, Energy stocks are now consolidating just below key resistance.**
- ❑ **Momentum ticked up this month on above average volume, despite the energy sectors dismal August performance (-2.96%).**
- ❑ Relative strength vs. the average S&P stock has been under pressure since 2011, and the recent attempt to challenge its descending trendline failed.
- ❑ Key Resistance = \$65
- ❑ Key Support = \$47

Conclusions:

- ❑ Energy is holding at the #6 rank in our sector RS-Momentum work this month. A mixed bag to be sure. **A monthly close above \$65 would probably tip the balance in favor of the bull case, but prudence demands caution.**
- ❑ **Selectively reduce exposure.**
- ❑ Target = N/A



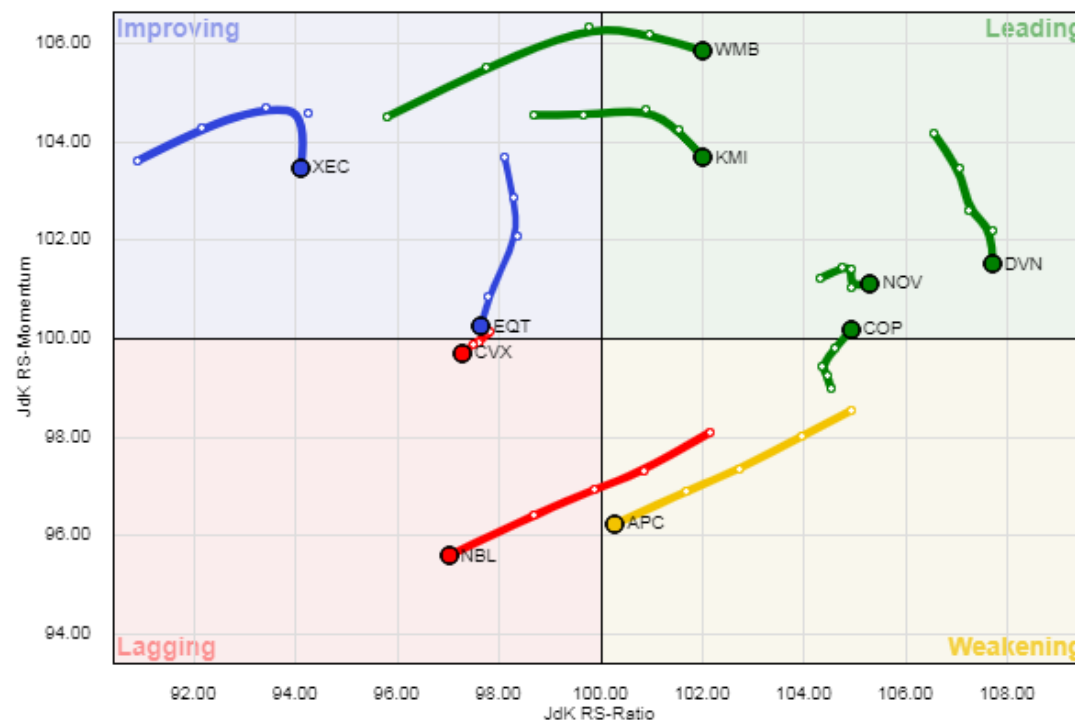
S&P 500 ENERGY SECTOR DRIVERS

Top RS-Momentum Leaders

1. Devon Energy (DVN)
2. National Oilwell Varco (NOV)
3. ConocoPhillips (COP)
4. Williams Cos (WMB)
5. Kinder Morgan (KMI)

Top RS-Momentum Laggards

1. Noble Energy (NBL)
2. Chevron (CVX)
3. Cimarex Energy (XEC)
4. EQT (EQT)
5. Anadarko Petroleum (APC)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT TECHNOLOGY SECTOR

WEAKENING

Observations:

- ❑ Price made a new monthly closing high in August, and remains in a well-established uptrend originating off the 2009 lows. Tech is likely in the very late stages of its advance.
- ❑ Rarely does such a textbook example present itself so clearly as the 5-wave Elliott impulse pattern evident in the Technology stocks. Note how volume has declined throughout wave 5, while momentum appears to be flat lining just as prices are cresting to all-time highs – typical terminal wave behavior.
- ❑ Relative strength vs. the average S&P stock remains robust, but if wave 5 is terminating as we suspect, that could quickly reverse.
- ❑ Key Support = \$159

Conclusions:

- ❑ Technology is holding at the #7 rank in our sector RS-Momentum work for the second month in a row. **Rotation away from cyclical and momentum charged sectors, and into traditionally defensive sectors appears underway.**
- ❑ **Selectively reduce exposure.**
- ❑ Target = N/A



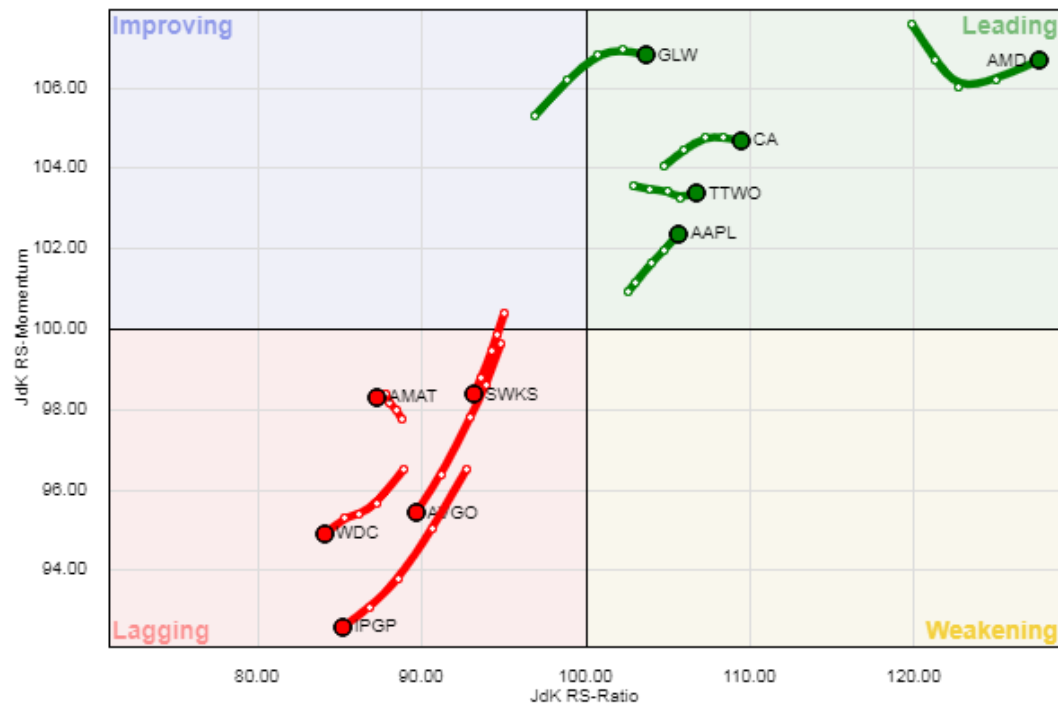
S&P 500 TECHNOLOGY SECTOR DRIVERS

Top RS-Momentum Leaders

1. Advanced Micro Devices (AMD)
2. CA (CA)
3. Take-Two Interactive (TTWO)
4. Apple Computer (AAPL)
5. Corning (GLW)

Top RS-Momentum Laggards

1. Western Digital (WDC)
2. IPG Photonics (IPGP)
3. Applied Materials (AMAT)
4. Broadcom (AVGO)
5. Skyworks Solutions (SWKS)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT DISCRETIONARY SECTOR WEAKENING

Observations:

- ❑ Price continues to recover from the April lows following an extended consolidation phase that ended last year.
- ❑ Momentum has turned up again and appears poised to re-accelerate higher.
- ❑ 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 fell dramatically from third position to the #8 rank in our sector RS-Momentum work this month.
- ❑ Rotation away from cyclical and momentum charged sectors, and into traditionally defensive sectors appears underway.
- ❑ Selectively reduce exposure.
- ❑ Target = N/A



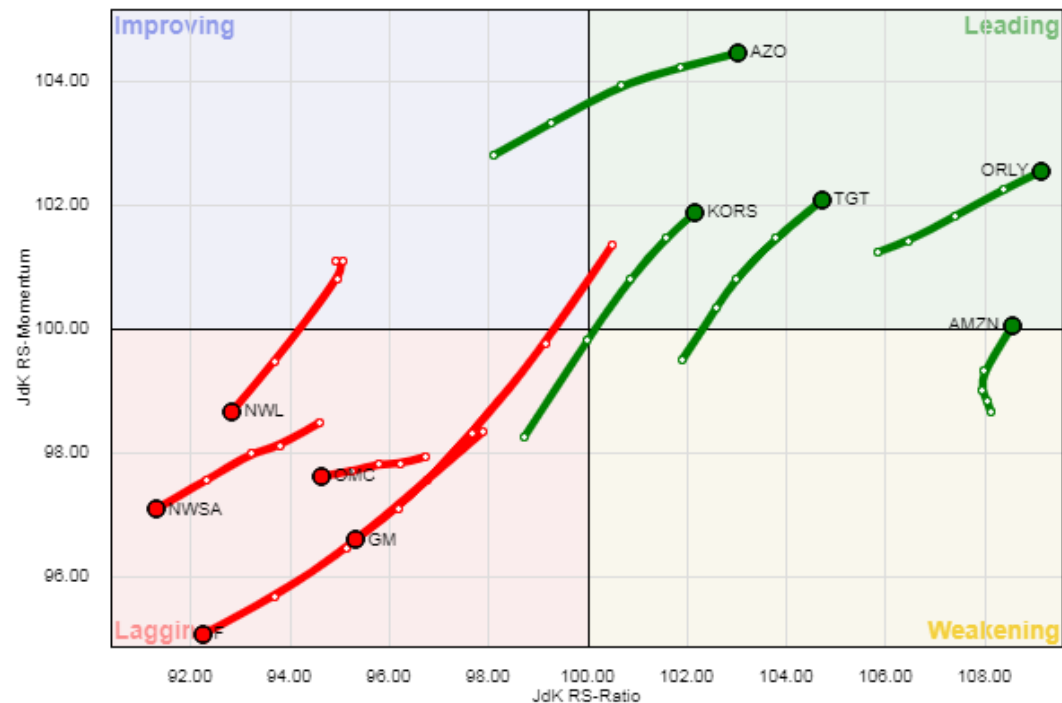
S&P 500 DISCRETIONARY SECTOR DRIVERS

Top RS-Momentum Leaders

1. O'Reilly Automotive (ORLY)
2. Amazon.com (AMZN)
3. Target (TGT)
4. Autozone (AZO)
5. Michael Kors (KORS)

Top RS-Momentum Laggards

1. Ford Motor (F)
2. News Corp (NWSA)
3. Newell Brands (NWL)
4. General Motors (GM)
5. Omnicom Group (OMC)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT FINANCIALS SECTOR

LAGGING

Observations:

- ❑ After posting a new all-time high in January, price breached the lower boundary of a parallel trend channel off the 2016 low.
- ❑ Momentum has been struggling to make any net progress since breaking trend last year. While still positive, it remains well below resistance.
- ❑ Relative strength vs. the average S&P stock which began to exhibit renewed leadership following the bottom in Treasury yields, has since broken trend in January and appears **poised to test the 2017 lows**.
- ❑ Key Resistance = \$47
- ❑ Key Support = \$41

Conclusions:

- ❑ Financials moved up from last place to the #9 rank in our sector RS-Momentum work this month.
- ❑ Reduce exposure.
- ❑ Target = N/A



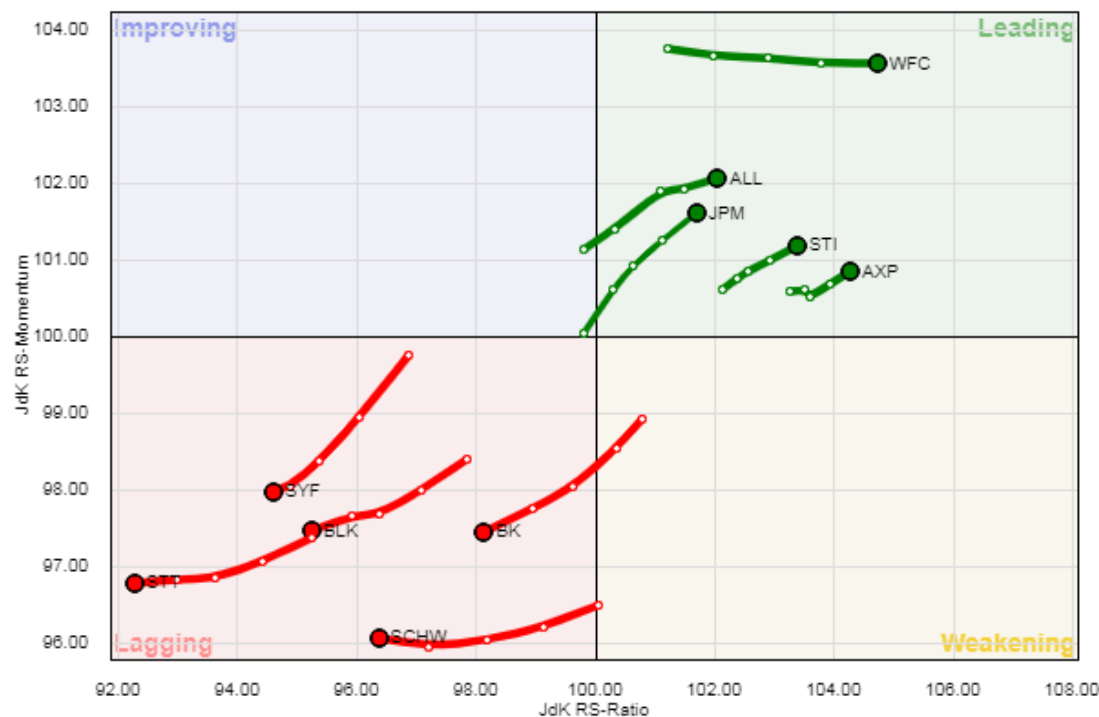
S&P 500 FINANCIALS SECTOR DRIVERS

Top RS-Momentum Leaders

1. Wells Fargo (WFC)
2. American Express (AXP)
3. Suntrust Banks (STI)
4. Allstate (ALL)
5. JP Morgan Chase (JPM)

Top RS-Momentum Laggards

1. State Street (STT)
2. Synchrony Financial (SYF)
3. Blackrock (BLK)
4. Charles Schwab (SCHW)
5. Bank of New York Mellon (BK)



Source: StockCharts.com

S&P 500 EQUAL-WEIGHT MATERIALS SECTOR

LAGGING

Observations:

- ❑ After posting a new all-time high on record volume in January, **price has breached the lower boundary** of a parallel trend channel off the 2016 low.
- ❑ **Momentum remains flat** while Materials stocks consolidate above key support; **A negative divergence remains in place.**
- ❑ **Relative strength** vs. the average S&P stock, which bottomed in late 2015 and experienced a sustained 2-year recovery, **just breached the 2017 lows.**
- ❑ Key Resistance = \$118
- ❑ Key Support = \$102

Conclusions:

- ❑ **Materials dropped two positions to the #10 rank** in our sector RS-Momentum work this month.
- ❑ **Reduce exposure.**
- ❑ Target = N/A



Source: StockCharts.com

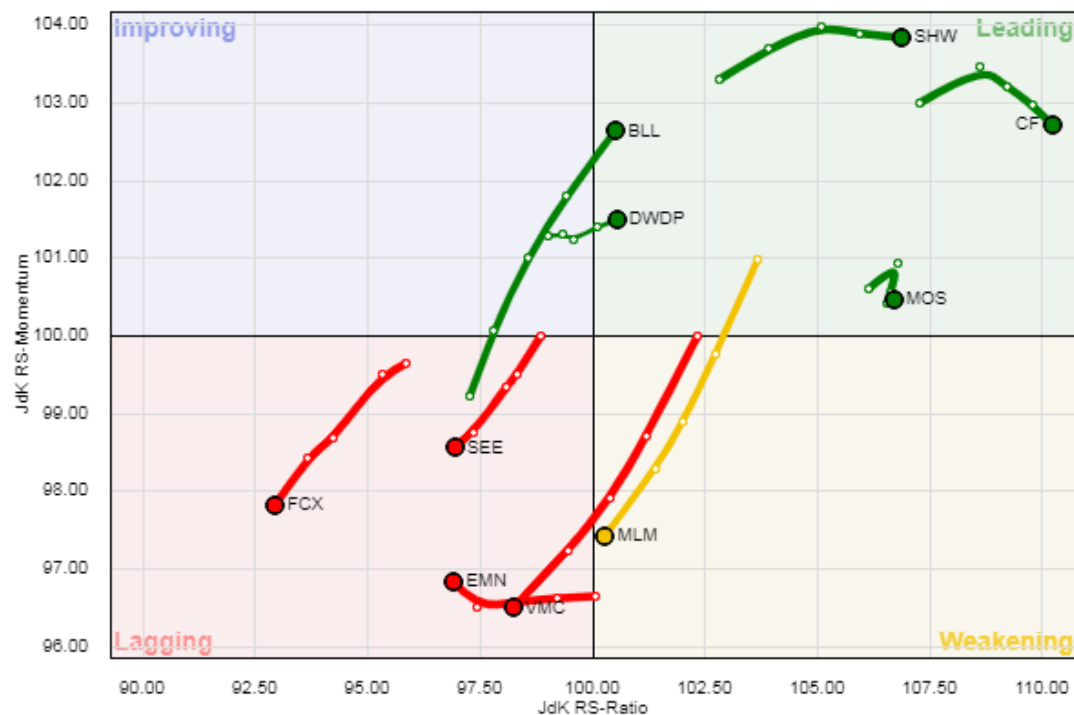
S&P 500 MATERIALS SECTOR DRIVERS

Top RS-Momentum Leaders

1. CF Industries (CF)
2. Sherwin Williams (SHW)
3. Mosaic (MOS)
4. Ball Corp (BLL)
5. DowDuPont (DWDP)

Top RS-Momentum Laggards

1. Freeport-McMoRan (FCX)
2. Sealed Air (SEE)
3. Eastman Chemical (EMN)
4. Vulcan Materials (VMC)
5. Martin Marietta (MLM)



Source: StockCharts.com

AUGUST REPORT CARD

Leaders vs. Laggards

	Sector	August		Sector	August			August
	EWRE	2.78%		RYE	-2.96%		S&P Equal-Weight Index	1.79%
	Leaders	4.03%		Leaders	-4.05%			
	Laggards	0.96%		Laggards	-4.82%		Equal-Weight Leaders	1.88%
	RYU	1.83%		RYT	5.26%		Equal-Weight Laggards	0.78%
	Leaders	0.05%		Leaders	6.50%		Long/Short Spread	1.10%
	Laggards	5.55%		Laggards	-1.07%		Long Alpha	0.09%
	RCD	1.90%		RTM	-1.35%		Short Alpha	1.01%
	Leaders	1.78%		Leaders	-1.48%			
	Laggards	0.03%		Laggards	-3.48%		S&P 500 Index	3.03%
	RYH	4.03%		RGI	1.83%			
	Leaders	4.43%		Leaders	3.51%		Sector Neutral Leaders	3.11%
	Laggards	5.20%		Laggards	3.59%		Sector Neutral Laggards	0.88%
	RHS	1.39%		RYF	0.57%		Long/Short Spread	2.23%
	Leaders	1.41%		Leaders	1.60%		Long Alpha	0.08%
	Laggards	1.50%		Laggards	0.29%		Short Alpha	2.15%

ACTIONABLE TRADE IDEAS

- ❑ Top Bullish Real Estate Trade Set-ups...O & DLR
- ❑ Top Bullish Utility/Telco Trade Set-ups...CTL & VZ
- ❑ Top Bullish Health Care Trade Set-ups...LLY & BIIB
- ❑ Top Bullish Staples Trade Set-ups...KR & KMB
- ❑ Top Bullish Industrials Trade Set-ups...UPS & ETN
- ❑ August Report Card

BULLISH REAL ESTATE SET-UPS...

Realty Income (O)



Digital Realty Trust (DLR)



Source: StockCharts.com

BULLISH UTILITY/TELCO SET-UPS...

CenturyLink (CTL)



Verizon Comm (VZ)



Source: StockCharts.com

BULLISH HEALTH CARE SET-UPS...

Eli Lilly (LLY)



Biogen (BIIB)



Source: StockCharts.com

BULLISH STAPLES SET-UPS...

Kroger (KR)



Kimberly Clark (KMB)



Source: StockCharts.com

BULLISH INDUSTRIAL SET-UPS...

United Parcel Service (UPS)



Eaton (ETN)



Source: StockCharts.com

AUGUST REPORT CARD

Actionable Trade Ideas

	<u>Date</u>	<u>L/S</u>	<u>Trade Ideas</u>	<u>August</u>	
	8/1/2018	Long	Simon Property Group (SPG)	5.06%	
	8/1/2018	Long	Realty Income (O)	5.42%	
	8/1/2018	Long	Ameren (AEE)	1.89%	
	8/1/2018	Long	Excelon (EXC)	3.67%	
	8/1/2018	Long	Under Armour (UAA)	2.40%	
	8/1/2018	Long	Trip Advisor (TRIP)	-6.35%	
	8/1/2018	Long	Eli Lilly (LLY)	7.51%	
	8/1/2018	Long	Medtronic (MDT)	6.85%	
	8/1/2018	Long	Kroger (KR)	9.13%	
	8/1/2018	Long	Kellogg (K)	1.86%	
			Equal-Weight Average Return =	3.74%	
			S&P 500 Index =	3.03%	
			Alpha =	0.71%	

MACRO PERSPECTIVES

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

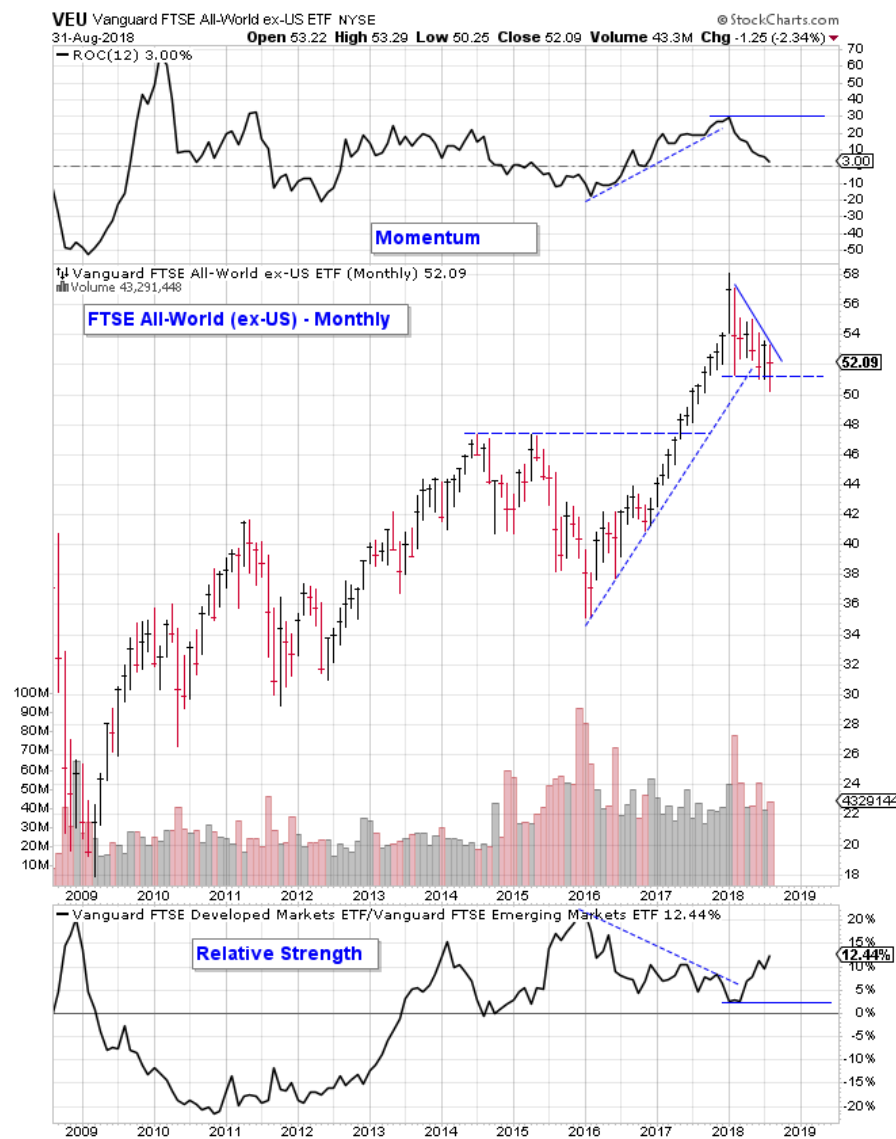
FOREIGN MARKETS FTSE ALL-WORLD (EX-US) BEARISH

Observations:

- ❑ Foreign market equities have breached a multi-year trendline ascending off the 2016 lows, and have challenged key support.
- ❑ Momentum has turned decidedly down, but remains positive for now.
- ❑ 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 = \$58
- ❑ Key Support = \$51
- ❑ Structural Support = \$47

Conclusions:

- ❑ With price action and momentum deteriorating, and emerging markets displaying relative weakness, a test of structural support may be on the horizon for foreign market equities.
- ❑ Reduce exposure.
- ❑ Target: N/A



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.**
- ❑ While momentum has broken its uptrend and turned decidedly negative, **Money Flow turned positive for the first time since January.**
- ❑ According the TradeFutures.com, trader sentiment reached a low of 6% Bulls in August. Meanwhile, the latest Commitment of Traders data for "Commercials" (not shown) has gone net positive for the first time since 2001.
- ❑ **Key Resistance = \$1378**
- ❑ **Key Support = \$1124**

Conclusions:

- ❑ Based upon the 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.**



Source: StockCharts.com

COMMODITY

WTI CRUDE OIL

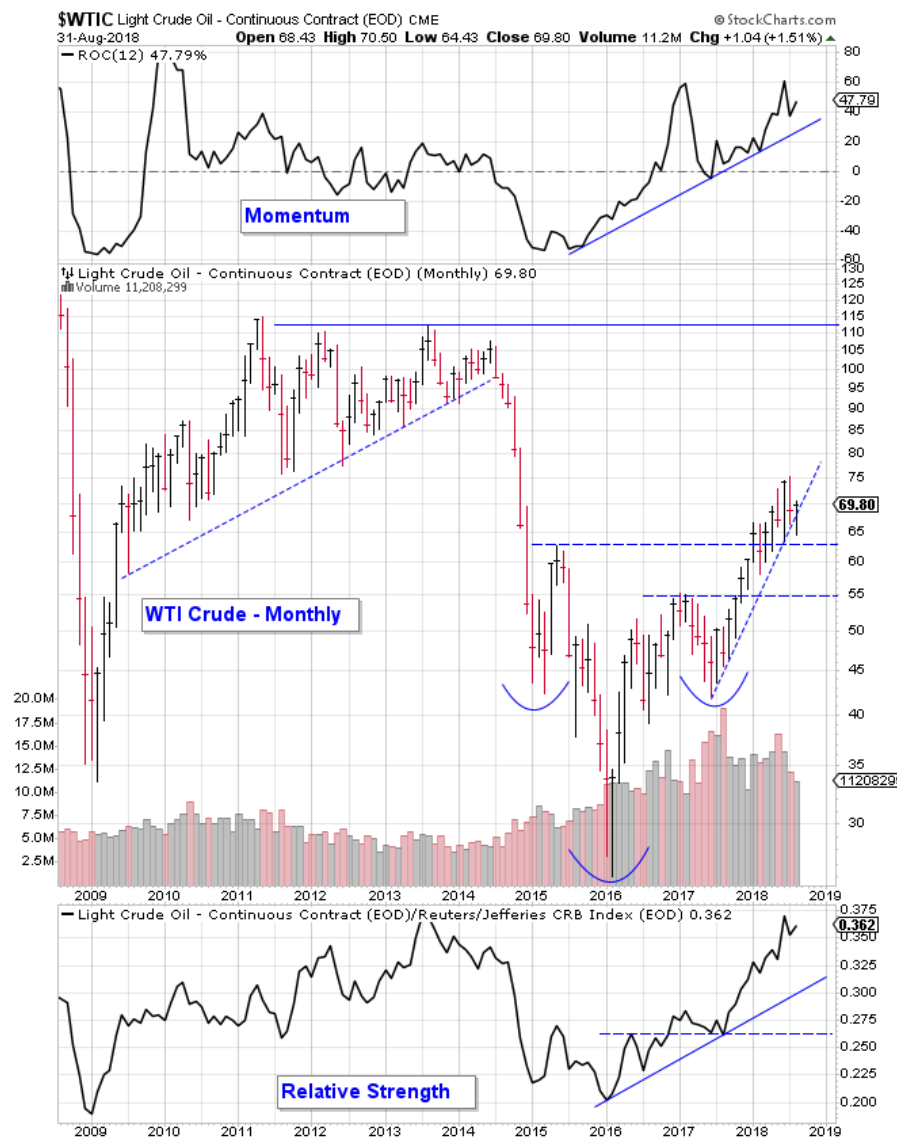
BULLISH

Observations:

- ❑ WTI crude prices have established a new uptrend off the 2017 low, penetrating two important resistance levels in the process and remain very constructive above key support.
- ❑ Momentum bottomed in 2015 ahead of price and the trend since remains north by northeast.
- ❑ Relative strength vs. the other 16 commodities that make up the CRB index has been robust and appears poised for a breakout to new highs.
- ❑ Key Resistance = \$85
- ❑ Key Support = \$62

Conclusions:

- ❑ Notwithstanding the potential for continued price volatility within the recent consolidation range, **WTI crude appears to have unfinished business to the upside.**
- ❑ **Target = \$85**



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 NEUTRAL

Observations:

- ☐ Price tested and held an established uptrend in January and has since rallied strongly to challenge key resistance.
- ☐ Momentum has reversed sharply above the zero line, penetrating a descending trendline marking the 2015 and 2017 peaks.
- ☐ Key Resistance = 95
- ☐ Key Support = 88

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.
- ☐ A monthly close above key resistance would re-establish that bull case.
- ☐ Target \$102 (pending monthly close above \$95)



Source: StockCharts.com

US INTEREST RATES

10-YEAR TREASURY

NEUTRAL

Observations:

- ❑ The 10-year Treasury yield has advanced sharply from its 2016 low, only to stall at the moment of truth, as it challenged the well-established 3.03-3.07% resistance zone in May.
- ❑ 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 3.65%.**
- ❑ **Structural Resistance = 3.65%**
- ❑ **Key Resistance = 3.12%**
- ❑ Key Support = 2.71%

Conclusions:

- ❑ With the **2-year/10-year Treasury ratio** nearing a level that has previously marked the top for 10-year yields, it might behoove investors to remember that the longer-term technical trend for bonds remains resoundingly bullish at present.
- ❑ Until both of the above cited resistance levels are sustainably penetrated, there is no evidence of a structural trend change at this time.



Source: StockCharts.com

APPENDIX

- ☐ Methodology
- ☐ Analyst Bio
- ☐ Disclosures

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 private family office and proprietary trading firm.
- ❑ Prior to launching JWH Investment, 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 a variety of Wall Street firms, 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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