



ACTIONABLE IDEAS FOR THE ACTIVE INVESTOR

# ALPHA INSIGHTS

VOLUME 2 ~ REVIEW & OUTLOOK ~ ISSUE 12

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# EXECUTIVE SUMMARY

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

The S&P 500 index closed the month of November up +3.40%, posting another new all-time record high, but our Buy/Sell Model has yet to trigger a buy signal. Participation remains tepid with the percentage of NASDAQ stocks above their 200-day MA barely over 50%, while NYSE new 52-week highs numbered just 164. Investor sentiment, as measured by the VIX and the Equity Put/Call ratio, has become very complacent, despite glaring non-confirmations between large and small-cap stocks, as well as the industrial and transportation indexes. Global debt is expected to reach a record \$255 Trillion by year-end, while equity valuations remain historically extreme by most measures. While we've identified a potential "mega-top" in our Economic Cycle Model, the odds of our prior "bear case" scenario unfolding this year have dropped to just 50%. That said, given where prices are today, our prior "bull case" scenario now has the more bearish L-T outcome, so we've switched them. Under either hypothesis, we expect an imminent decline in equity markets, which should surpass the December 2018 low.

## ❑ [Sector Rotation \(Page 22\)](#)

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

## ❑ [Portfolio Positioning \(Page 35\)](#)

We detail our list of long and short alpha candidates by sector for the month of December. We examine last month's portfolio attribution and results in our [November performance report card \(page 47\)](#).

## ❑ [Actionable Trade Ideas \(Page 48\)](#)

We consider the shares of ROK, FTNT, STT, & BBY to be timely for long positions; we consider the shares of MDLZ, ECL, TMUS, & FANG, to be timely for short positions.

## ❑ [Foreign Equity Markets \(Page 57\)](#)

We examine and detail our opinions on 15 developed and emerging foreign equity markets.

## ❑ [Macro Perspectives \(Page 75\)](#)

We examine and detail our opinions on key commodities, currencies, crypto, and rates.



Source: Hedgeye.com

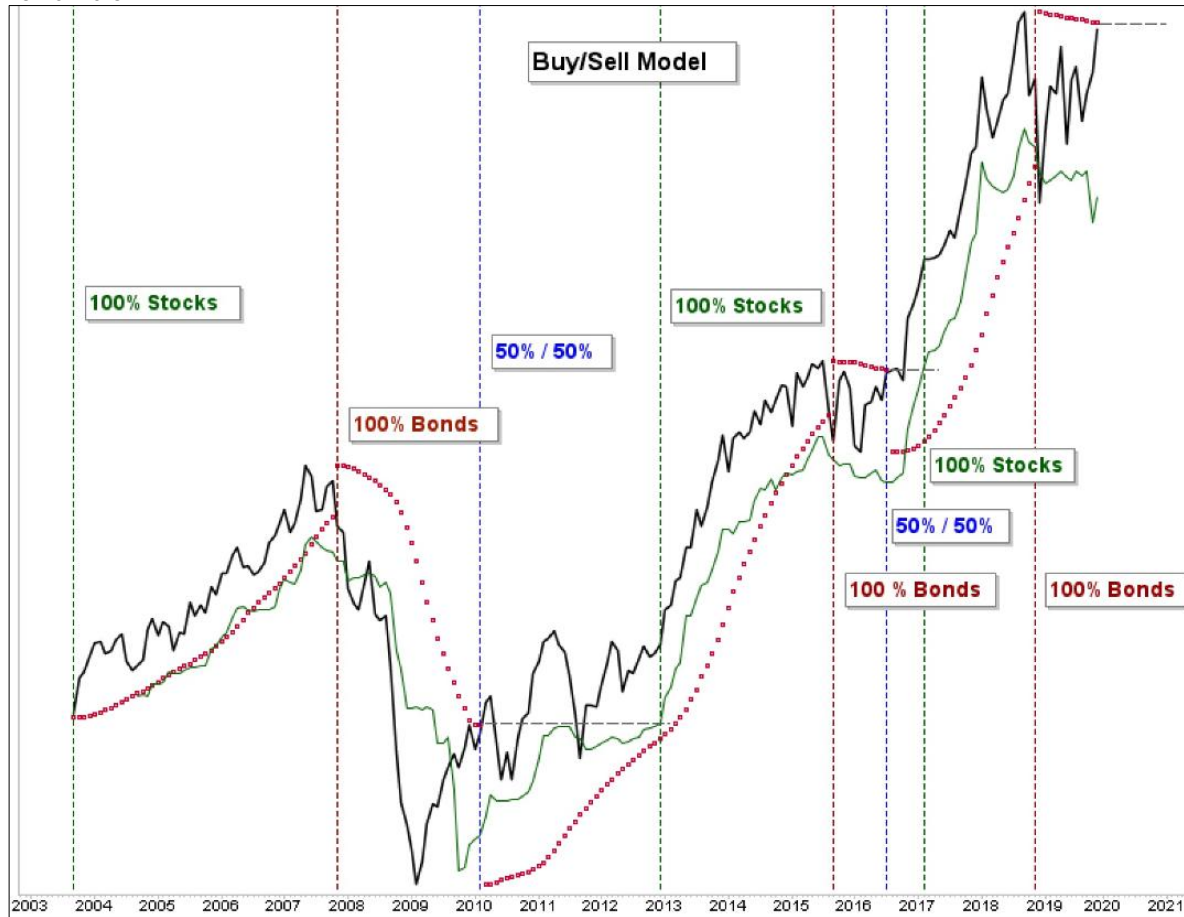
# U.S. EQUITY MARKETS

- ☐ Large-Cap
- ☐ Mid-Cap
- ☐ Small-Cap
- ☐ Asset Class, Factor, & Style Box Leadership
- ☐ Mkt Breadth, Sentiment, Dow Theory, Earnings, Valuation, Economic Cycle, & Yield Curve

# TACTICAL BUY/SELL MODEL

## Model Details & Performance History

29-Nov-2019



Close, but no cigar...  
Past false dawns  
appeared in 2011 &  
2015...Years ending  
the number '9' have  
a long history of  
marking key turning  
points for the major  
averages...Usually highs  
like 1909, 1919, 1929,  
1939, 1959, 1969,  
1989, and, 1999, but  
sometimes lows as in  
1949, 1979, and  
2009...Remain  
defensive for now!

Source: StockCharts.com & JWH Investment Partners

# POTENTIAL PATHS FOR THE S&P 500

The former Bull Case is now more bearish than the former Bear Case...So we switched them!

## Bear Case Scenario:

### Impulsive Wave (5) Ending Diagonal



## Bull Case Scenario:

### Corrective Wave (4) Expanding Triangle



Source: StockCharts.com

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

## BEARISH (+25.30% YTD)

### Observations:

- ❑ **Price** closed up +3.40% in November, posting another new all-time high on the weakest monthly volume of the year. If either of our wave counts on the previous page are correct, then the index is likely hours away from putting in an important top, to be followed by a downside move of significant proportions.
- ❑ **Momentum** is positive and accelerating, having penetrated trend line resistance, but a negative divergence remains in place vs. the 2018 price highs.
- ❑ **Relative strength** of large-cap stocks have now definitively overtaken their small and mid-cap peers, having penetrated the upper boundary of an 8-year trading range, suggesting narrow leadership.
- ❑ **Key Resistance** = 3175
- ❑ **Key Support** = 2945

### Conclusions:

- ❑ **Minimize exposure.** The market is making new highs, but the context of those new highs has very bearish connotations. Bonds have handily outperformed stocks over the trailing 12 months. If and when our tactical Buy/Sell Model triggers a buy signal, we will upgrade our view. Until then, remain defensive.

- ❑ **Target** = 2210



Source: StockCharts.com

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

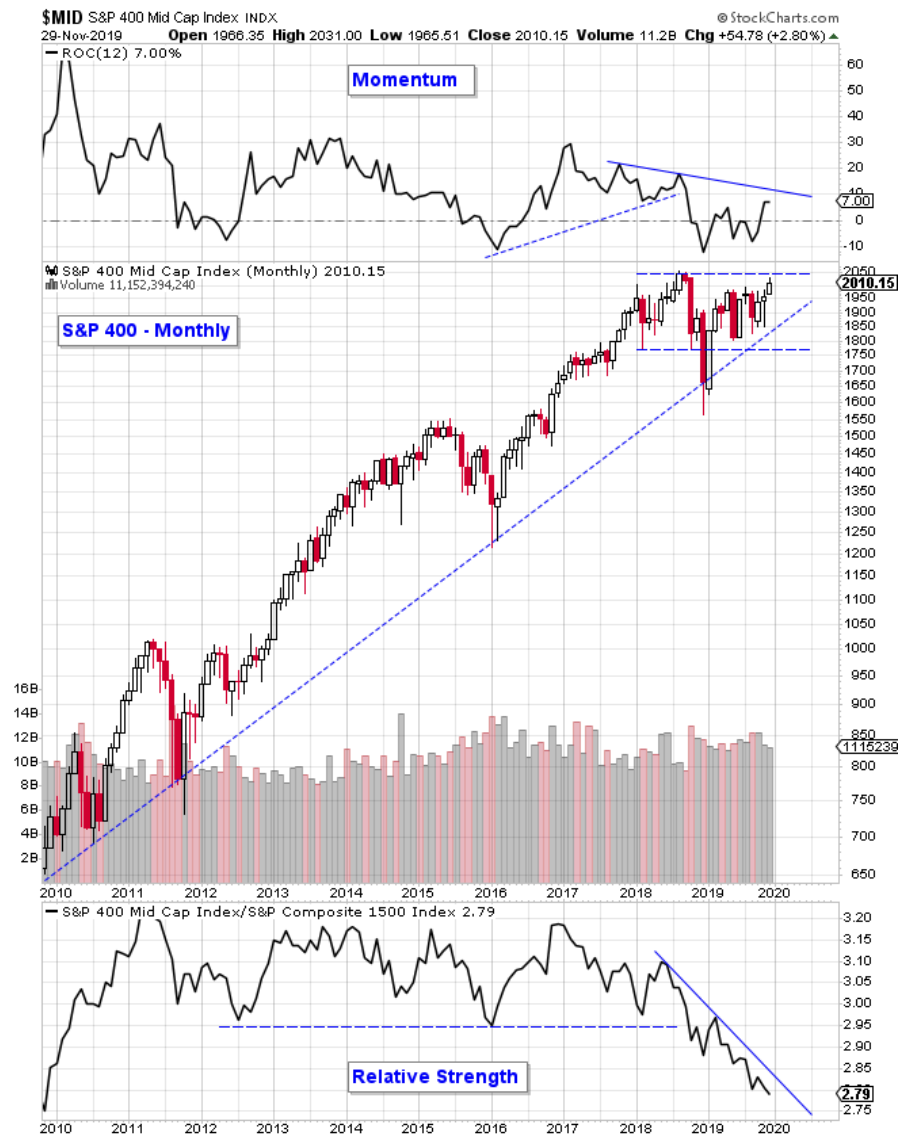
## BEARISH (+20.87% YTD)

### Observations:

- ❑ **Price** closed up 2.80% in November, exceeding the July-April highs, but failing to challenge August 2018 closing high; a continued sign of weakness. A bearish non-confirmation between mid and large-cap stocks remains in place.
- ❑ **Momentum** turned positive after spending a number of months below the zero line, yet its downtrend persists and a negative divergence remains in place.
- ❑ **Relative strength** of mid-cap stocks turned down again in October, after making a 9-year low in August vs. the S&P Composite 1500. A persistent downtrend remains in place.
- ❑ **Key Resistance** = 2045
- ❑ **Key Support** = 1770

### Conclusions:

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



Source: StockCharts.com

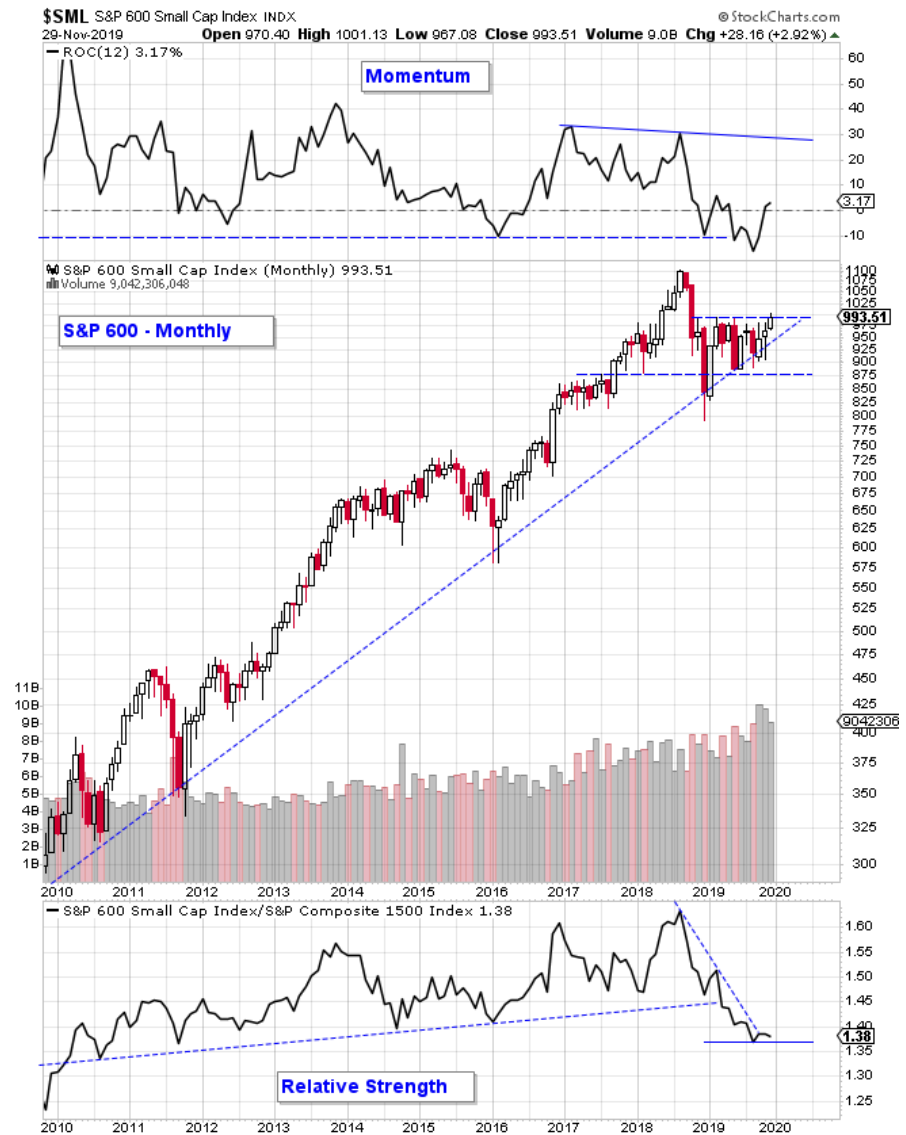
# U.S. SMALL CAP S&P 600 INDEX **BEARISH** (+17.58% YTD)

## Observations:

- ❑ **Price** action over the past year is consistent with the early stages of a developing bear market. The failure by price to close above its 2018 high has created a non-confirmation between small and large-cap stocks. Subsequently, prices have remained below key resistance; a persistent sign of weakness.
- ❑ **Momentum** has turned slightly positive after posting a 9-year low in August. A negative divergence remains in place.
- ❑ **Relative strength** of small-cap stocks breached a 10-year support structure in early 2019. A reprieve from selling in September is now attempting to challenge the steep downtrend off the 2018 high.
- ❑ **Key Resistance** = 994
- ❑ **Key Support** = 879

## Conclusions:

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



Source: StockCharts.com

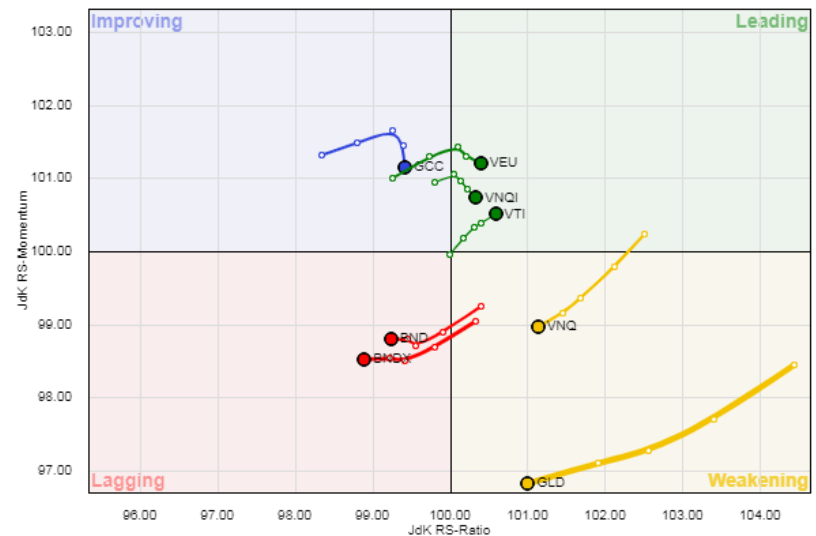


# GLOBAL ASSET CLASS LEADERSHIP

<u>RS-Momentum Rank</u>	<u>NOV Return</u>	<u>TTM Return</u>
1. U.S. Equities (VTI)	+ 3.8%	+ 16.3%
2. Int'l Equities (VEU)	+ 1.1%	+ 10.8%
3. Int'l Real Estate (VNQI)	- 0.7%	+ 14.1%
4. U.S. Real Estate (VNQ)	- 1.3%	+ 18.9%
5. Gold Bullion (GLD)	- 3.2%	+ 19.1%
6. Commodities (GCC)	- 0.4%	- 0.7%
7. U.S. Fixed Income (BND)	- 0.1%	+ 11.0%
8. Int'l Fixed-Income (BNDX)	- 0.5%	+ 9.5%

**RS Benchmark:** 60% MSCI All-Country World Index / 40%  
Barclay's U.S. Aggregate Bond Index

Global Asset Rotation Model



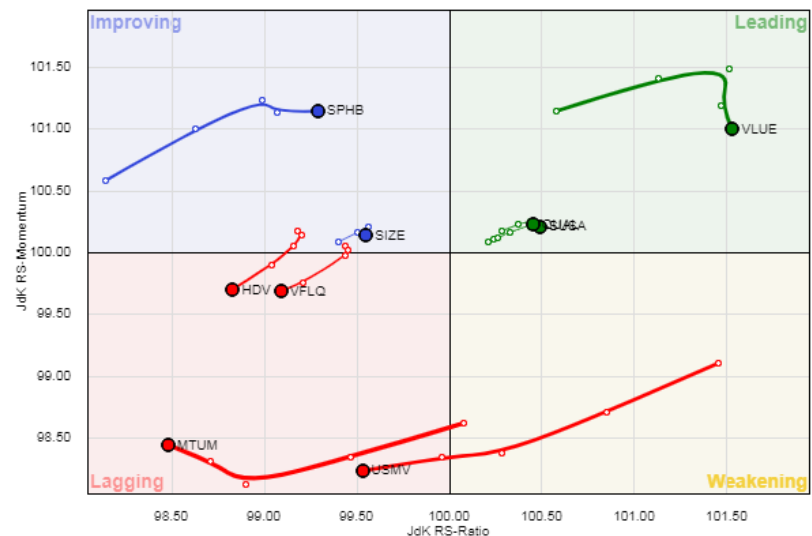
Source: StockCharts.com

# U.S. FACTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>NOV Return</u>	<u>TTM Return</u>
1. Low Valuation (VLUE)	+ 3.7%	+ 10.2%
2. Env/Soc/Gov (SUSA)	+ 3.7%	+ 17.3%
3. High Quality (QUAL)	+ 4.5%	+ 20.3%
4. Small Market Cap (SIZE)	+ 3.8%	+ 14.2%
5. High Beta (SPHB)	+ 4.7%	+ 13.6%
6. Low Volatility (USMV)	+ 1.4%	+ 17.6%
7. High Liquidity (VFLQ)	+ 3.6%	+ 12.8%
8. High Dividend (HDV)	+ 1.4%	+ 8.6%
9. Momentum (MTUM)	+ 3.3%	+ 17.0%

**RS Benchmark:** MSCI USA Index

## U.S. Factor Rotation Model



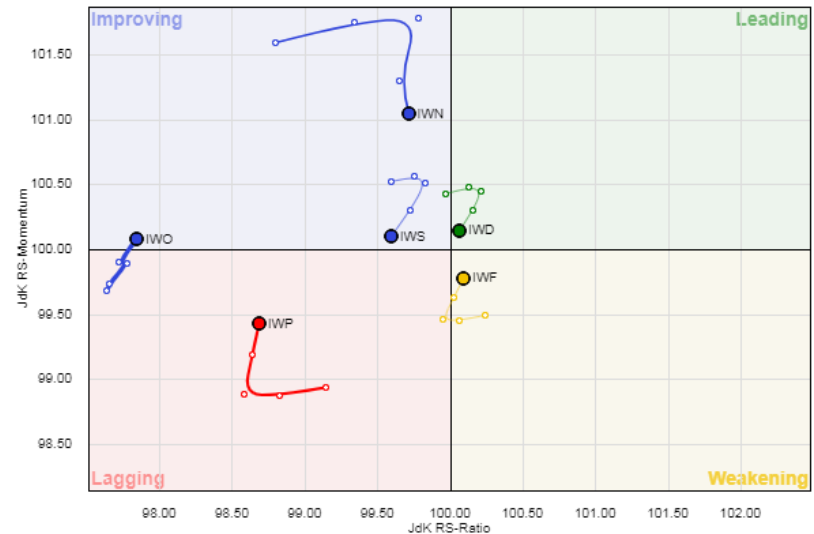
Source: StockCharts.com

# U.S. STYLE BOX LEADERSHIP

<u>RS-Momentum Rank</u>	<u>NOV Return</u>	<u>TTM Return</u>
1. Large-Cap Growth (IWF)	+ 4.4%	+ 21.9%
2. Large-Cap Value (IWD)	+ 3.1%	+ 11.9%
3. Small-Cap Value (IWN)	+ 2.2%	+ 4.1%
4. Mid-Cap Value (IWS)	+ 2.6%	+ 10.9%
5. Small-Cap Growth (IWO)	+ 5.8%	+ 11.5%
6. Mid-Cap Growth (IWP)	+ 4.9%	+ 22.2%

**RS Benchmark:** Russell 3000 Index

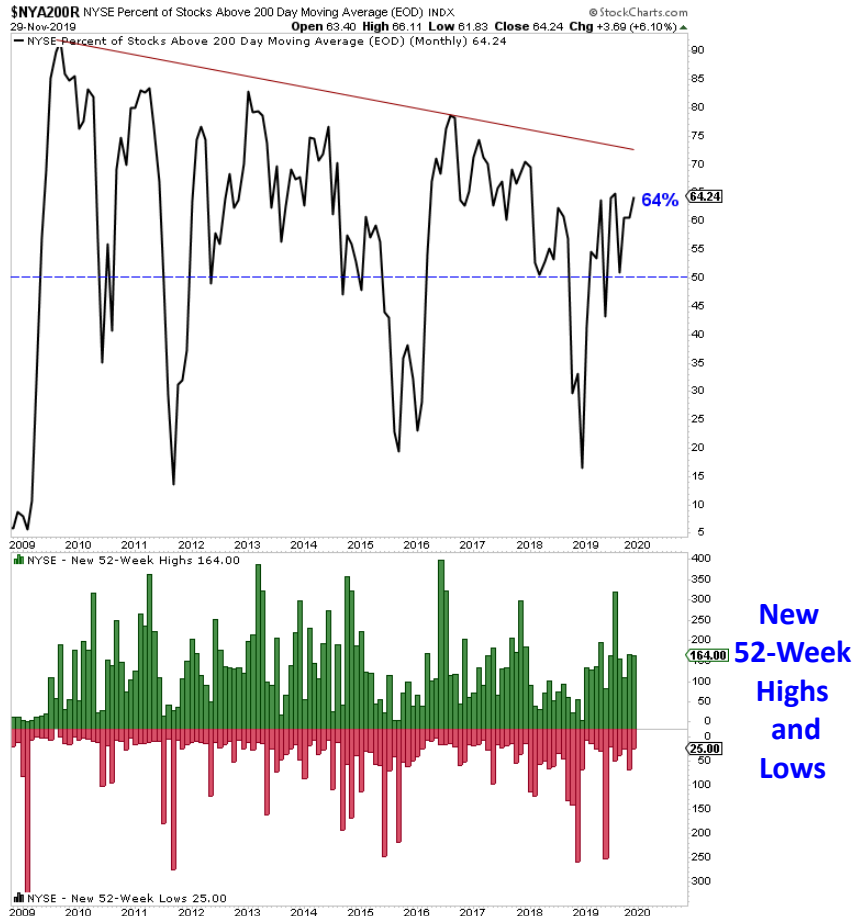
**U.S. Style Box Rotation Model**



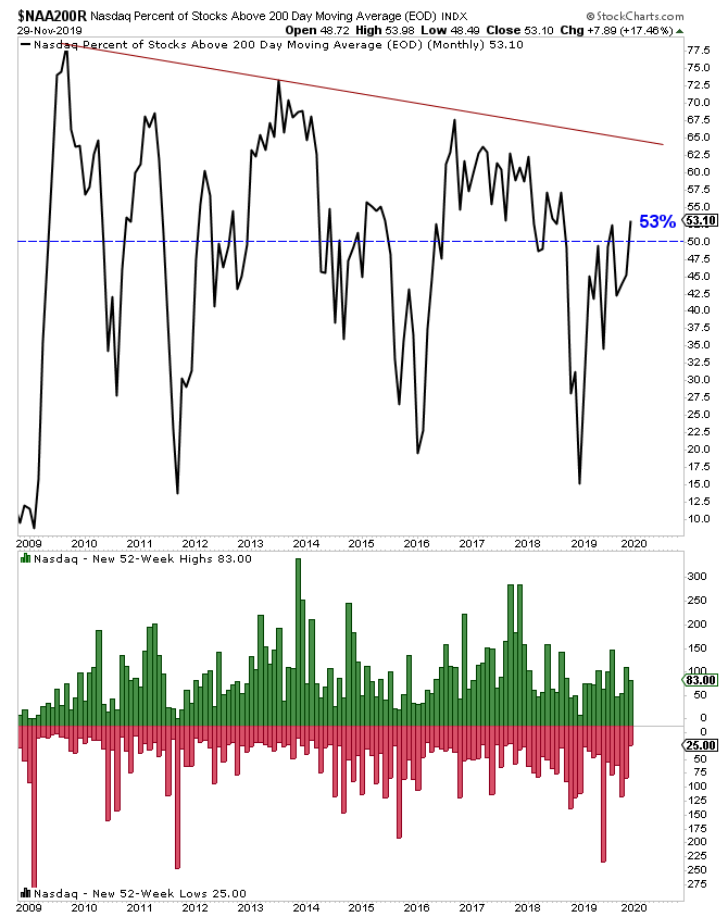
Source: StockCharts.com

# MARKET BREADTH = NEUTRAL AT BEST

## NYSE % Stocks Above 200-DMA



## NASDAQ % Stocks Above 200-DMA



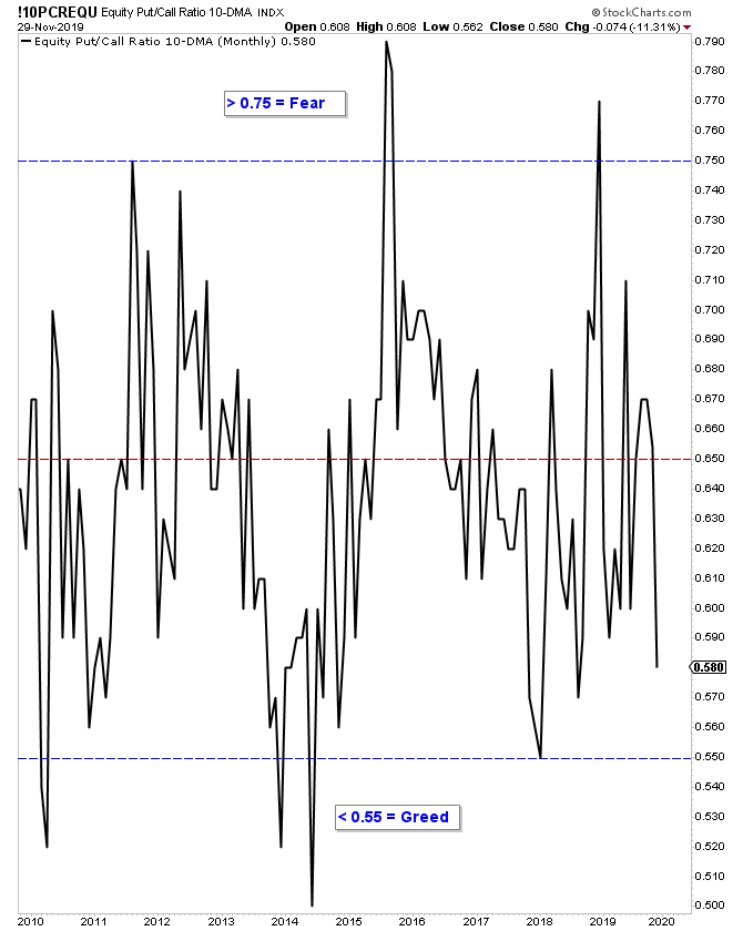
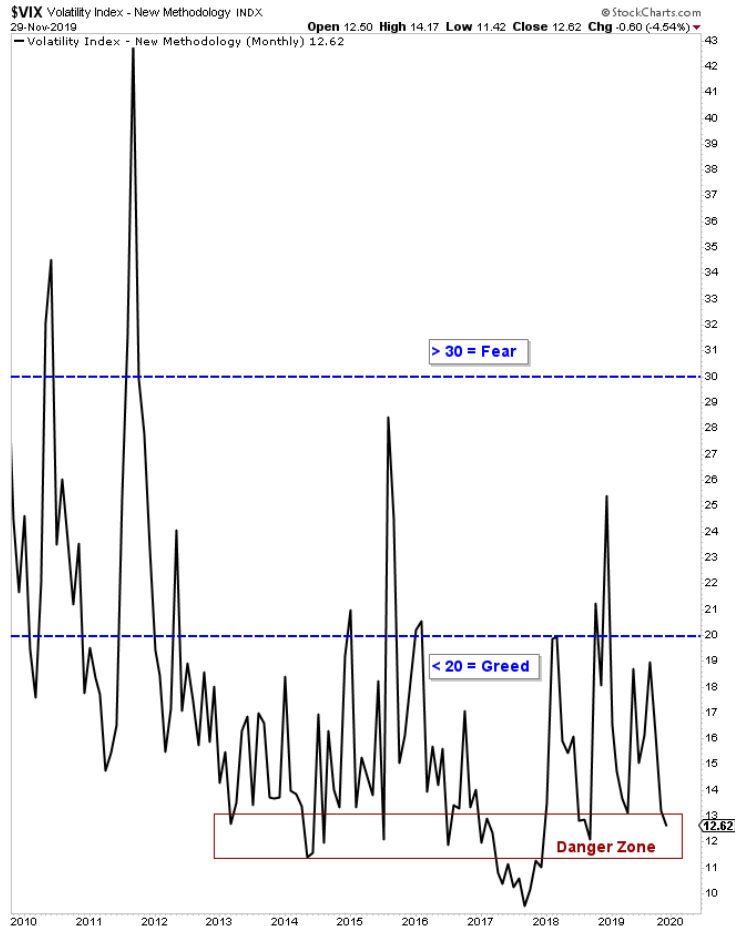
Source: StockCharts.com

# STOCK MARKET SENTIMENT = RISK-ON

CBOE Volatility Index

The Dumb Money

CBOE Equity Put/Call Ratio



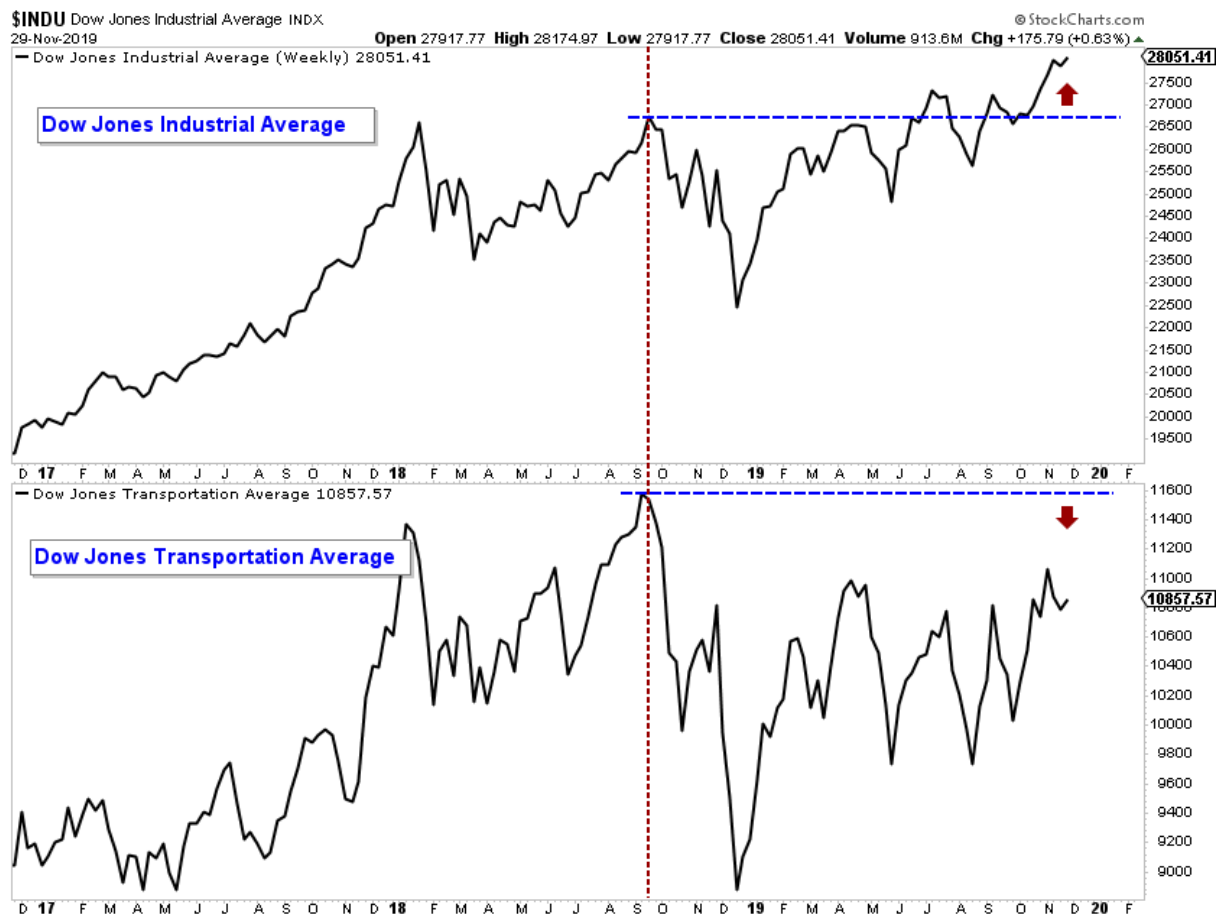
Source: StockCharts.com

# BOND MARKET SENTIMENT = RISK-OFF

## The Smart Money

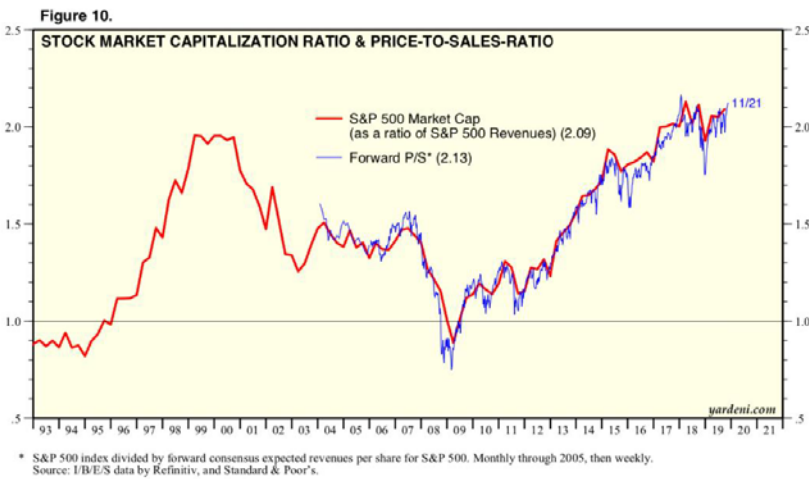
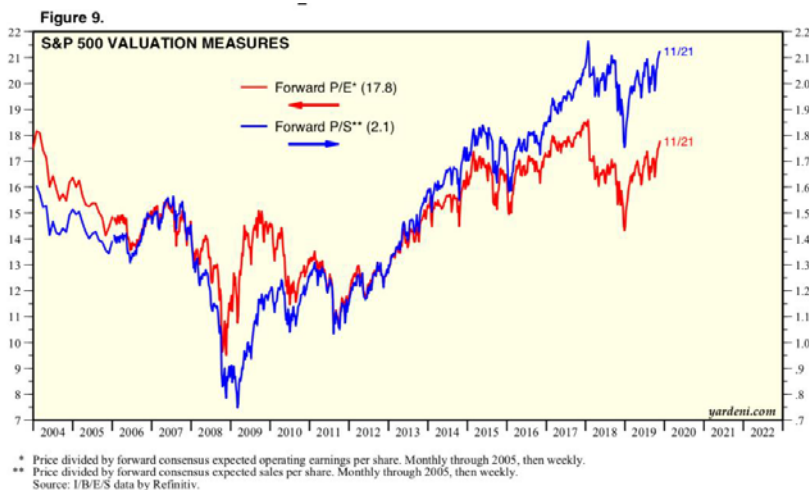
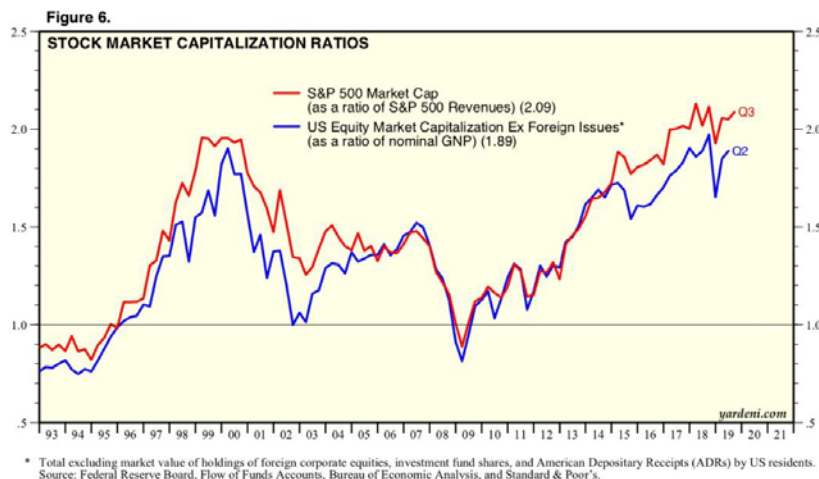
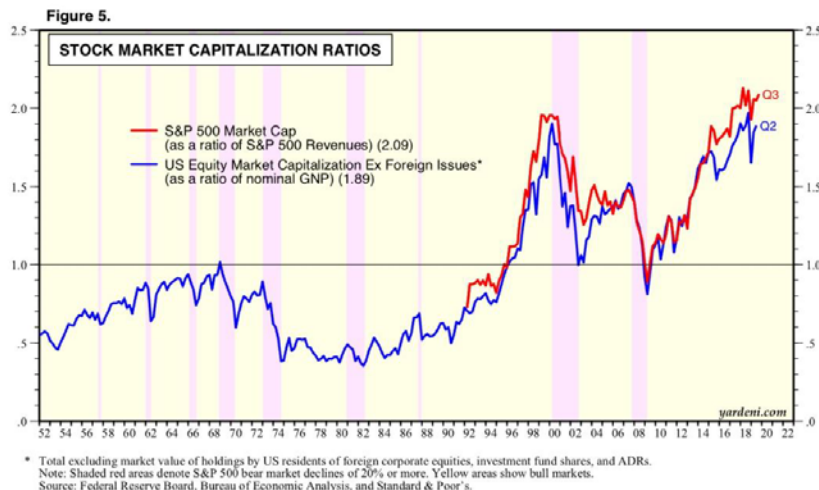


# DOW THEORY = NON-CONFIRMATION



Source: StockCharts.com

# VALUATION = HISTORICALLY EXTREME



Source: Yardeni Research, Inc.

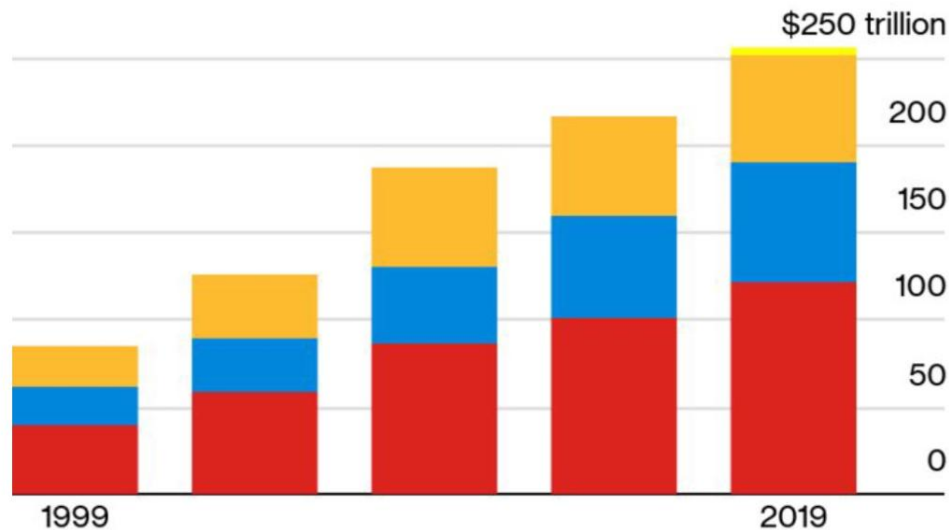


# RECORD GLOBAL DEBT = \$255 TRILLION

## New Record

Global debt on track to surpass \$255 trillion in 2019

■ Private non-financial sector\* ■ General government  
■ Financial sector ■ Projected debt accumulation in 2H 2019



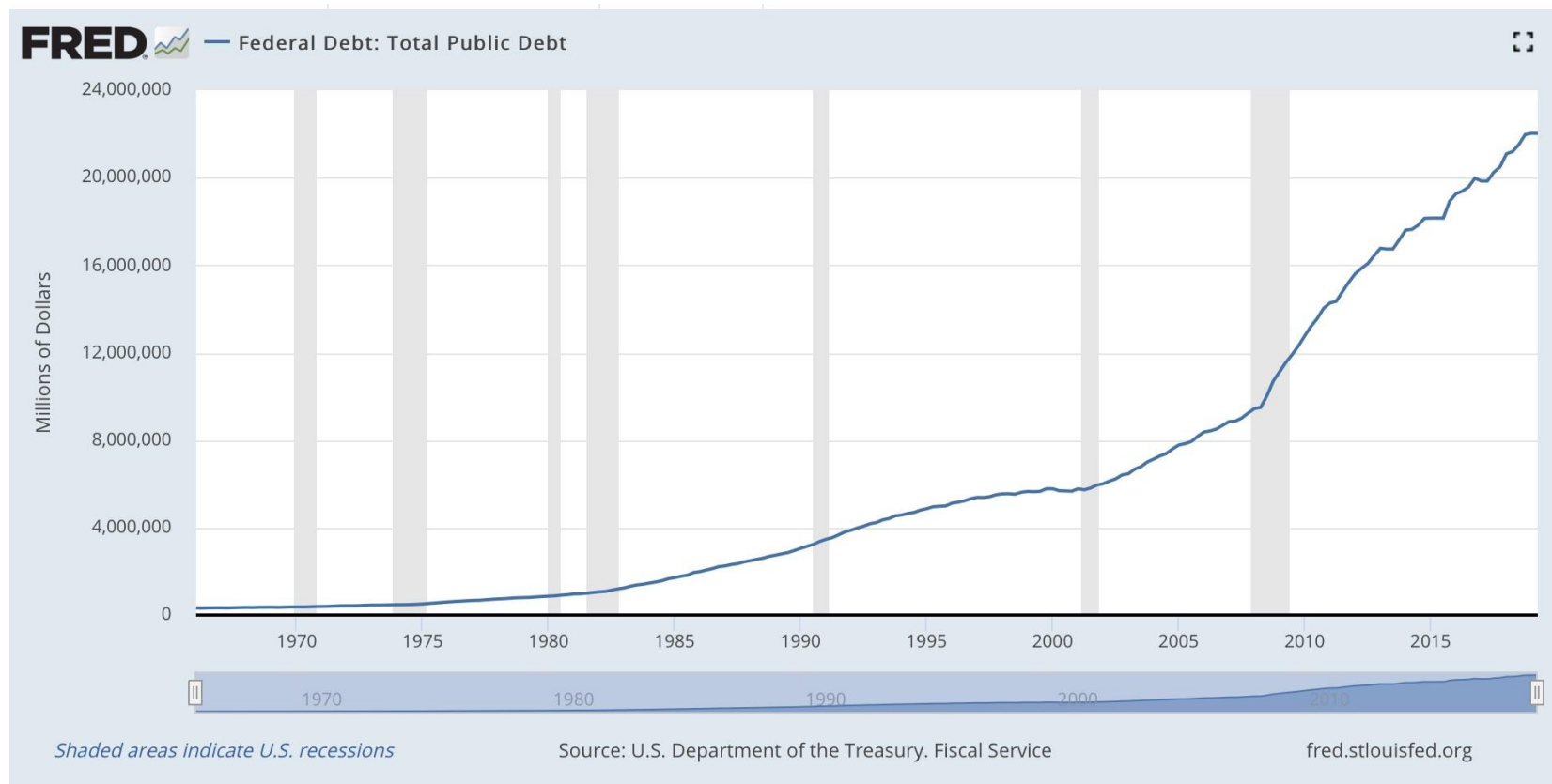
Source: IIF, BIS, IMF

**Bloomberg**

*Source: Bloomberg*

# FISCAL POLICY = TIPPING POINT AHEAD

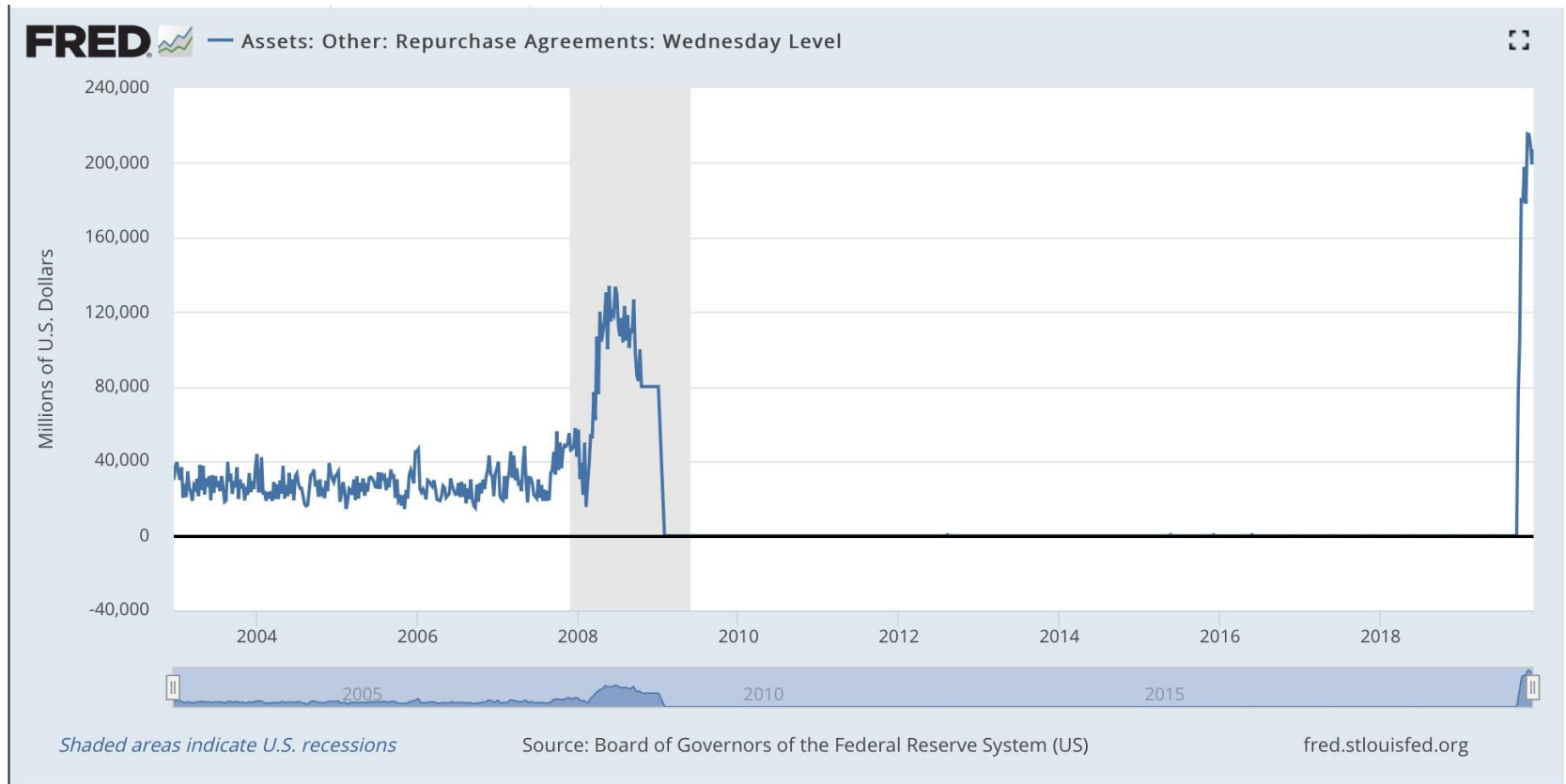
Total U.S. Public Debt Outstanding = \$23.08 Trillion as of 11/27/19



**Source:** St. Louis Federal Reserve Bank

# MONETARY POLICY = LIQUIDITY CRISIS AHEAD

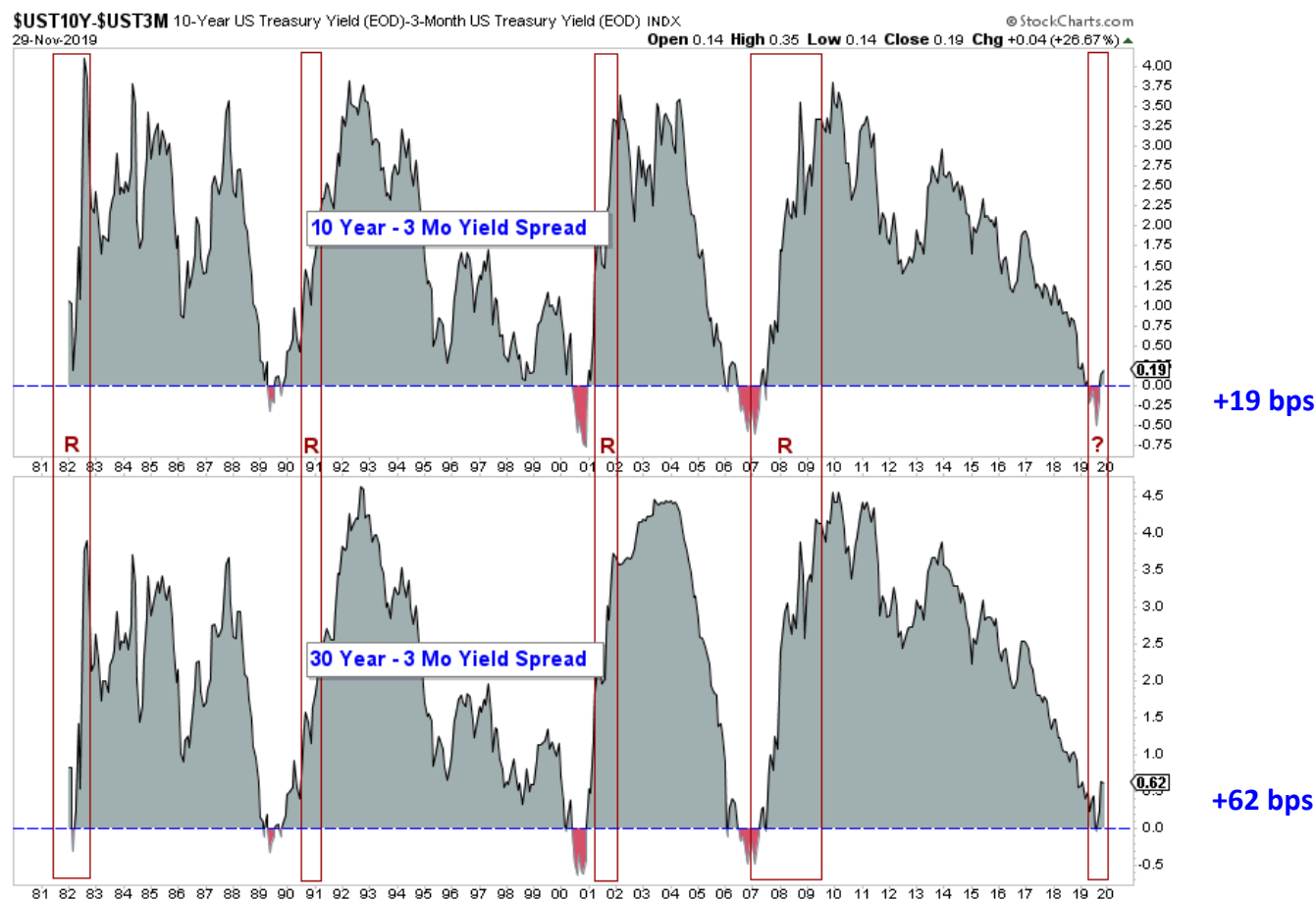
Record Repo Spike...Shaded area represents the last U.S. recession...Hmmm?



Source: St. Louis Federal Reserve Bank

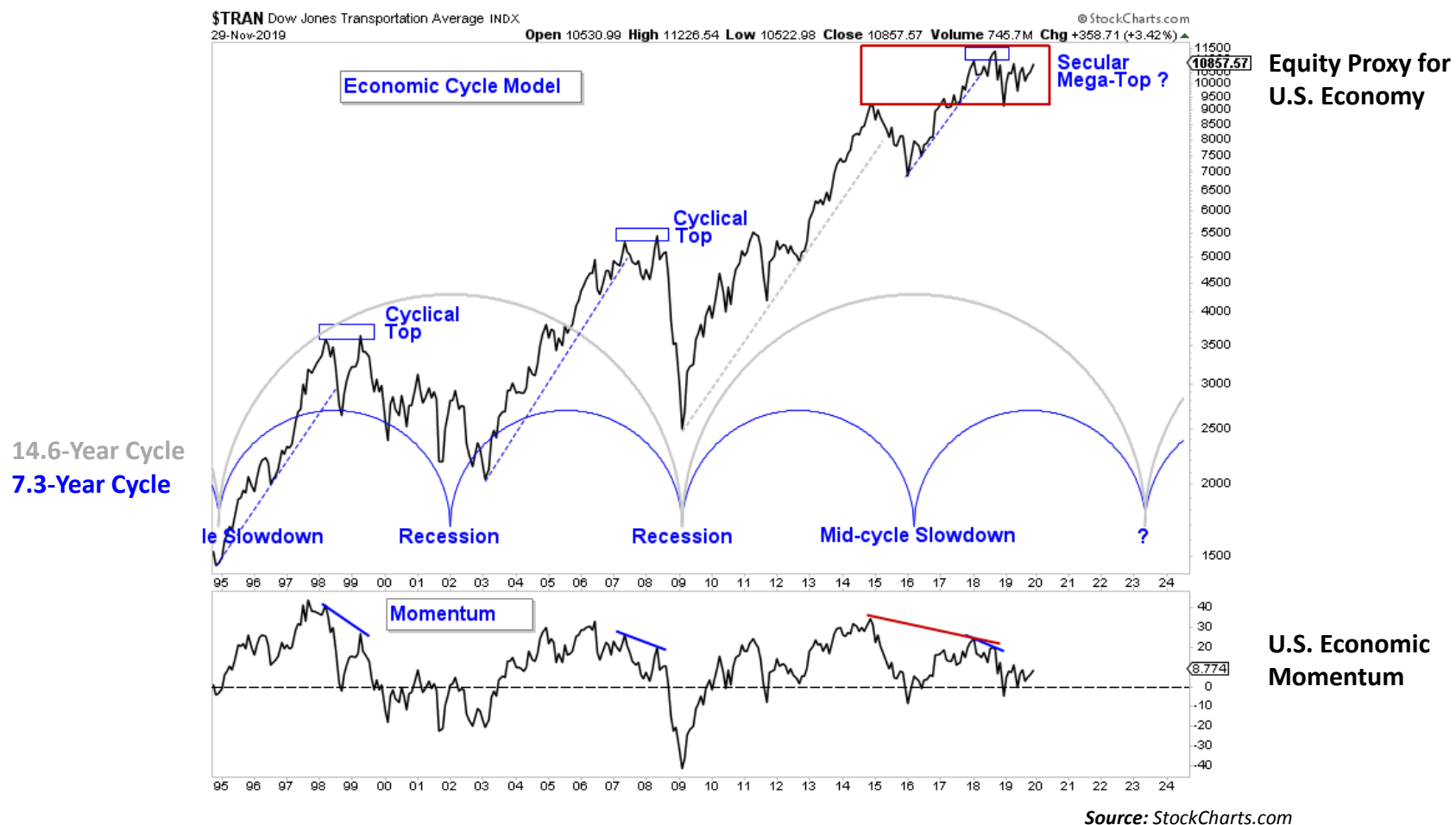
# YIELD CURVE = RECESSION LIKELY

Recessions typically emerge during the steepening phase immediately following an inversion



Source: StockCharts.com

# ECONOMIC CYCLE = SECULAR TOP?





Source: Hedgeye.com

# SECTOR ROTATION

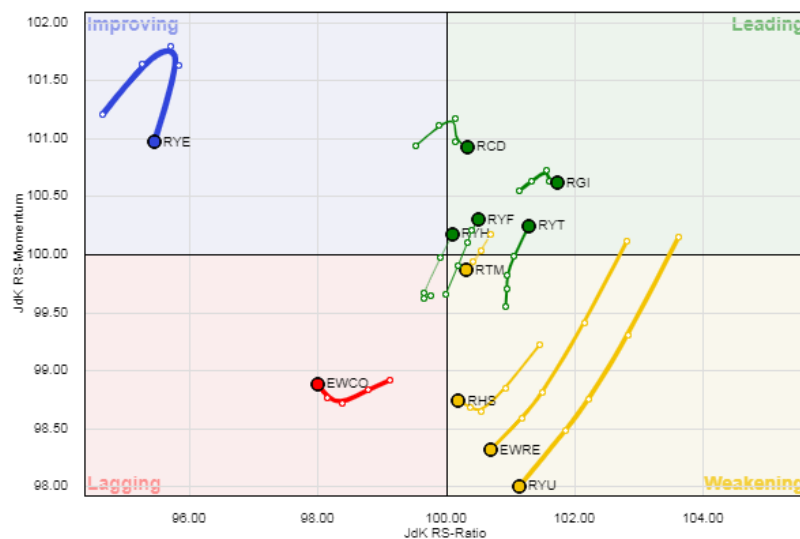
- ☐ S&P 500 Sector Leadership
  - ☐ Sector RS-Momentum Rank
  - ☐ Sector Technical Analysis

\*Effective January 1, 2020 we will be switching our sector technical analysis from the equal-weight to cap-weight index ETFs.

# U.S. EQUAL-WEIGHT SECTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>NOV Return</u>	<u>TTM Return</u>
1. Industrials (RGI)	+ 3.8%	+ 17.3%
2. Technology (RYT)	+ 5.6%	+ 27.2%
3. Financials (RYF)	+ 5.4%	+ 15.4%
4. Healthcare (RYH)	+ 5.6%	+ 11.5%
5. Discretionary (RCD)	+ 2.5%	+ 10.2%
6. Utilities (RYU)	- 2.1%	+ 15.9%
7. Real Estate (EWRE)	- 1.4%	+ 15.9%
8. Staples (RHS)	+ 2.7%	+ 12.8%
9. Materials (RTM)	+ 3.5%	+ 11.1%
10. Communications (EWCO)	+ 3.4%	+ 5.7%
11. Energy (RYE)	+ 1.4%	- 12.8%

**U.S. Sector Rotation Model**



Source: StockCharts.com

**RS Benchmark:** S&P 500 Equal-Weight Index

# S&P 500 EQUAL-WEIGHT INDUSTRIAL SECTOR

## BULLISH (+31.59% YTD)

### Observations:

- ❑ **Price** closed November up +3.78% on heavy volume, posting a new all-time monthly closing high. The bullish inflection above prior key resistance of \$128 targets initial upside potential to approximately \$141.
- ❑ **Momentum** turned sharply higher into positive territory after penetrating trend line resistance. A negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock penetrated trend line resistance in April, and is now staging an impressive bullish reversal.
- ❑ **Key Resistance** = \$141
- ❑ **Key Support** = \$128

### Conclusions:

- ❑ Industrials advanced two positions to the **#1 rank** in our RS-Momentum work this month.
- ❑ **Overweight.** The synchronous upside breakout in price, momentum, and RS continue to support our bullish technical opinion. URI and ROK are new leaders, while NLSN and TXT are new laggards.
- ❑ **Target** = \$141



Source: StockCharts.com



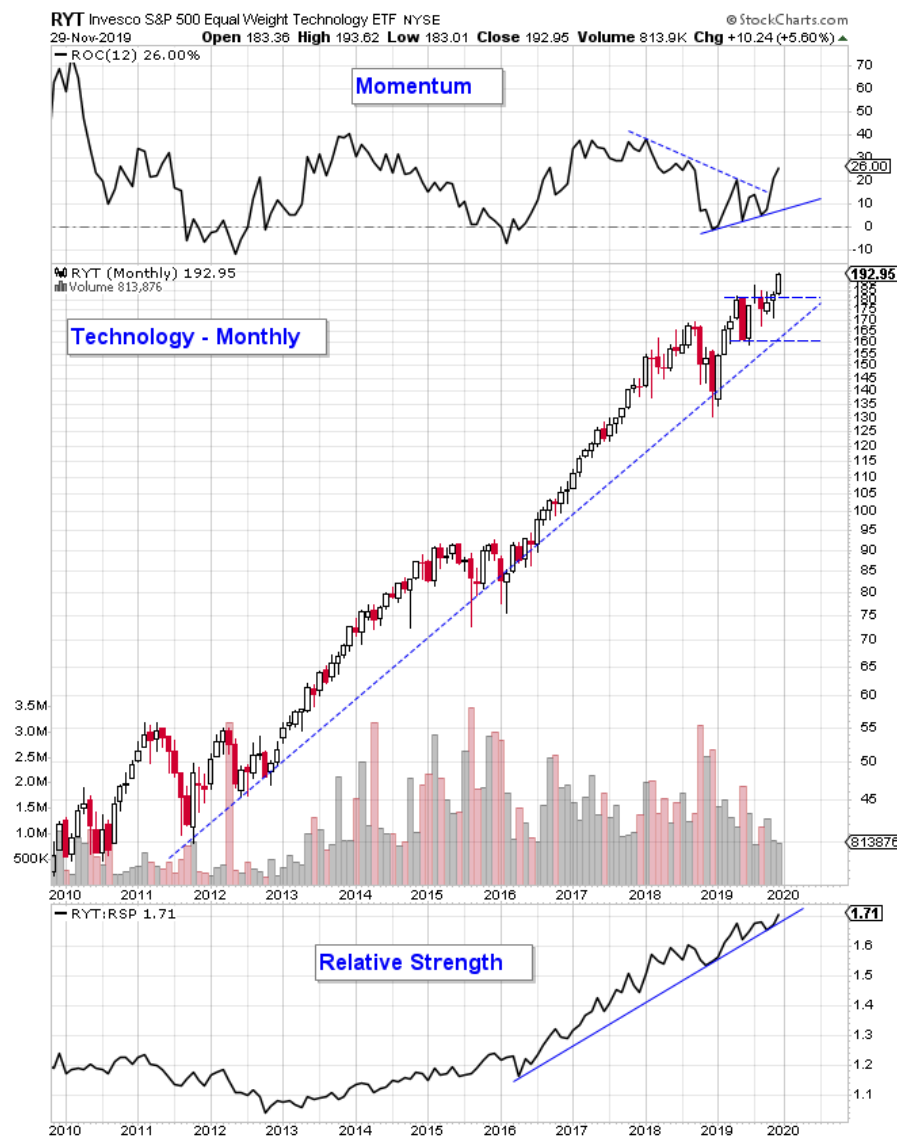
# S&P 500 EQUAL-WEIGHT TECHNOLOGY SECTOR BULLISH (+38.07% YTD)

## Observations:

- ❑ **Price** closed November up +5.60% on light volume, posting a new all-time monthly closing high. The bullish inflection above prior key resistance of \$182 targets initial upside potential to approximately \$198.
- ❑ **Momentum** has reversed sharply higher in to positive territory, penetrating trend line resistance, but a triple negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock has resumed its uptrend, posting a new high in November.
- ❑ **Key Resistance** = \$198
- ❑ **Key Support** = \$181

## Conclusions:

- ❑ Technology advanced two positions to the **#2 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight**. Improved price action, coupled with the sharp uptick in momentum and RS, continue to support our Bullish technical opinion. QVVO and NVDA are leadership, while XLNX and CSCO are lagging.
- ❑ **Target** = \$198



# S&P 500 EQUAL-WEIGHT FINANCIALS SECTOR

## BULLISH (+29.68% YTD)

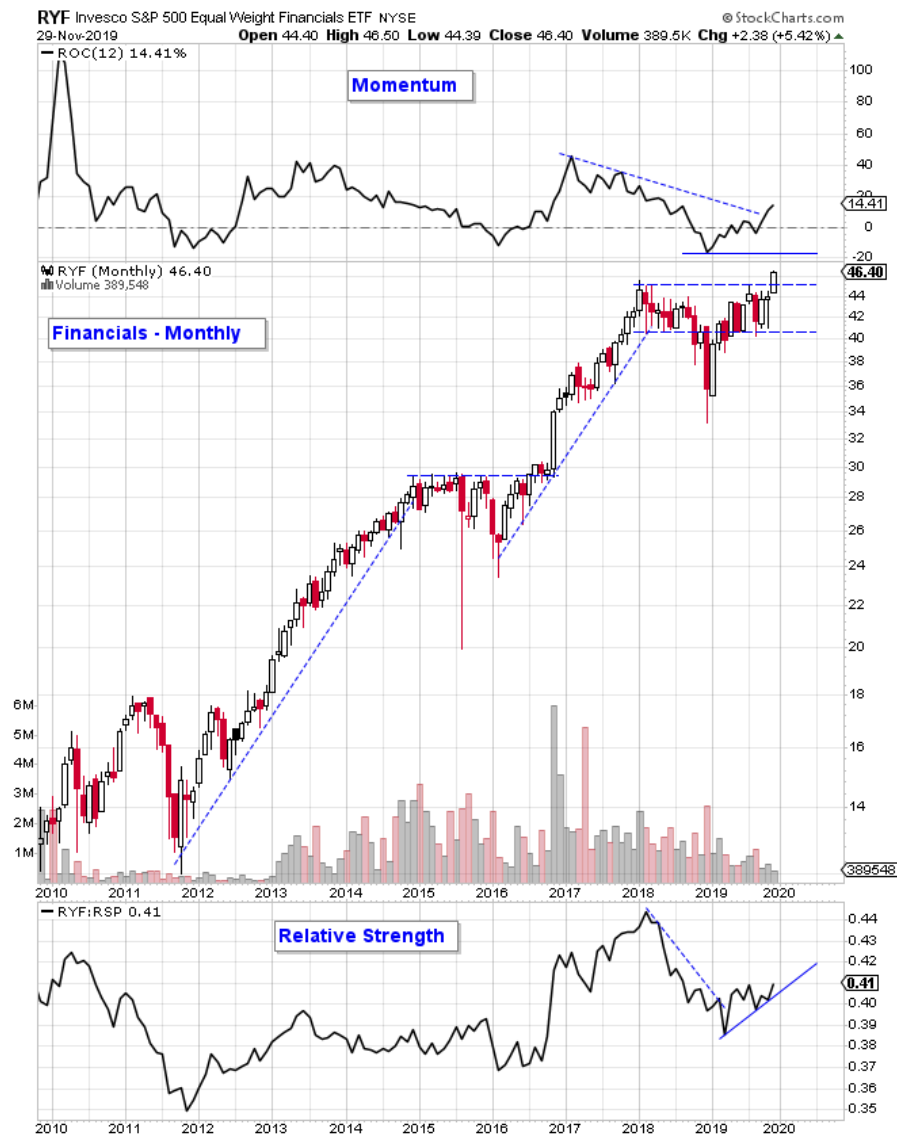


### Observations:

- ❑ **Price** closed November up +5.42% on light volume, posting a new all-time monthly closing high. The bullish inflection above prior key resistance at \$46 targets initial upside potential to approximately \$50.
- ❑ **Momentum** continues to advance after penetrating trend line resistance in October, yet a negative divergence remains in place vs. the 2018 price high.
- ❑ **Relative strength** vs. the average S&P stock broke down spectacularly in 1Q18, plunging to test trend line support ascending off the 2012/16 lows, and has been struggling to stage a sustained bullish reversal.
- ❑ **Key Resistance** = \$50
- ❑ **Key Support** = \$41

### Conclusions:

- ❑ Financials jumped six positions to the **#3 rank** in our RS-Momentum work this month.
- ❑ **Market weight.** The upside breakout in price, coupled with strong momentum, and improving RS support **upgrading our technical opinion to Bullish** from Neutral. STT is a new leader; BEN a new laggard.
- ❑ **New Target** = \$50



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT HEALTH CARE SECTOR NEUTRAL (+22.65% YTD)

## Observations:

- ❑ **Price** closed November up +5.62% on light volume, posting a new all-time and monthly closing high. The near-term trend has improved, but is approaching channel resistance.
- ❑ **Momentum** turned sharply positive in October, penetrating trend line resistance, yet a negative divergence remains in place vs. the 2018 price high.
- ❑ **Relative strength** vs. the average S&P stock peaked in 2015 and appears poised to challenge the upper boundary of a lateral consolidation pattern.
- ❑ **Key Resistance** \$223
- ❑ **Key Supports** = \$206

## Conclusions:

- ❑ Health Care advanced four positions to the **#4 rank** in our sector RS-Momentum work this month.
- ❑ **Market weight.** Strong price action, with improving momentum suggest change may be afoot; continued follow-through from RS would support an upgrade to our technical view. DVA and HUM are new leaders, while IQV and MYL are new laggards.
- ❑ Target = N/A



# S&P 500 EQUAL-WEIGHT DISCRETIONARY SECTOR

## NEUTRAL (+22.20% YTD)

### Observations:

- ❑ **Price** closed November up +2.53% on average volume, posting a new all-time monthly closing high. The near-term trend remains neutral, but could improve with additional follow-through.
- ❑ **Momentum** has turned solidly positive, penetrating trend line resistance in October, but a negative divergence remains in place vs. the August 2018 high.
- ❑ **Relative strength** vs. the average S&P stock has been under pressure since 2015 and is now challenging the 9-year low just posted in August.
- ❑ **Key Resistance** = \$108
- ❑ **Key Support** = \$96

### Conclusions:

- ❑ Discretionary improved one position to the **#5 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** While still contained in a trading range with weak RS, the acceleration in momentum supports our Neutral technical opinion. LEG and JWN are new leaders, while UAA and EXPE are new laggards.
- ❑ Target = N/A



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT UTILITIES SECTOR

## BULLISH (+18.66% YTD)

### Observations:

- ❑ **Price** closed November down -2.05% on light volume, and held above key support. The 2-year uptrend remains intact, but its steep ascent may require some additional consolidation.
- ❑ **Momentum** remains staunchly positive, but has turned down after posting a 3-year high in September, and resolving a minor negative divergence vs. the February high.
- ❑ **Relative strength** vs. the average S&P stock has been advancing off the 2018 low, but is checking back to trend after posting a new 3-year high in September.
- ❑ **Key Resistance** = \$123
- ❑ **Key Support** = \$100

### Conclusions:

- ❑ Utilities dropped five positions to the **#6 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** Consistent price action and positive momentum support a bullish technical view. SO and PPL are leading; NI and CNP are lagging.
- ❑ **Target** = \$123



Source: StockCharts.com

# S&P 500 CAP-WEIGHT REAL ESTATE SECTOR BULLISH (+27.23% YTD)

## Observations:

- ❑ **Price** closed November down -1.73% on light volume, after posting a new all-time high in October. The near-term trend remains constructive, but is approaching channel resistance.
- ❑ **Momentum** remains decidedly positive, but has turned down slightly. A minor negative divergence vs. April's high was resolved in September.
- ❑ **Relative strength** vs. the average S&P stock has been advancing off the 2018 low, but is now checking back to trend after posting new recovery high in August.
- ❑ **Key Resistance** = \$42
- ❑ **Key Support** = \$37

## Conclusions:

- ❑ Real Estate dropped five positions to the **#7 rank** in our sector RS-Momentum work for the month.
- ❑ **Market weight.** Solid price action, positive momentum, and consistent RS leadership support a continued bullish technical view. KIM remains a leader for the third month running, while PSA continues to lag badly.
- ❑ **Target** = \$42



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT STAPLES SECTOR

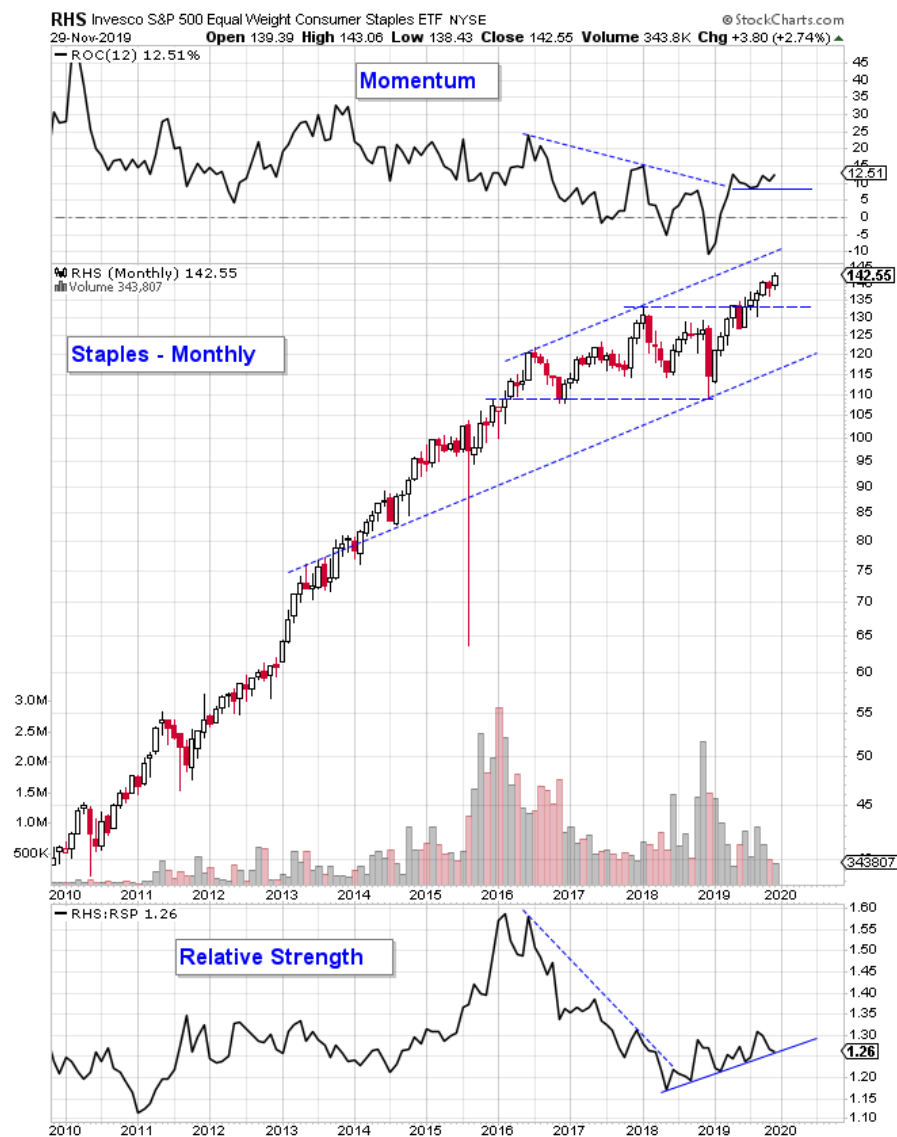
**BULLISH** (+24.50% YTD)

## Observations:

- ❑ **Price** closed November up +2.74% on light volume, posting a new all-time and monthly closing high. The near-term trend remains constructive, and is holding well-above key support.
- ❑ **Momentum** remains positive after penetrating trend resistance, and appears poised to resume its advance. A successful challenge of the 2018 high would negate a negative divergence that remains in place.
- ❑ **Relative strength** vs. the average S&P stock has been advancing off the 2018 low, but has checked back to trend after posting new recovery high in August.
- ❑ **Key Resistance** = \$157
- ❑ **Key Support** = \$134

## Conclusions:

- ❑ Staples slipped three positions to the **#8 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** Despite transient price weakness, positive momentum, stable RS, and a steady uptrend continue to support our Bullish technical view. Leaders include CPB and LW, while CHD and CAG lag.
- ❑ **Target** = \$157



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT MATERIALS SECTOR NEUTRAL (+21.03% YTD)

## Observations:

- ❑ **Price** closed November up +3.49% on very light volume, posting a new monthly closing high. The near-term trend remains neutral, and is holding below key resistance.
- ❑ **Momentum** turned positive in September, penetrating the descending trend line off the 2017 highs. Yet, a negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock has halted its decline, penetrating its downtrend, but is struggling to reverse higher.
- ❑ **Key Resistance** = \$115
- ❑ **Key Support** = \$105

## Conclusions:

- ❑ Materials slipped two positions to the **#9 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** The failure to clear key resistance, remains a stumbling block for the bull case. The upside breakout in momentum adds some credibility to the story, but more work is needed. LYB and AVY are leaders, while SEE and DD are laggards.
- ❑ Target = N/A





# S&P 500 CAP-WEIGHT COMMUNICATIONS SECTOR NEUTRAL (+28.15% YTD)

## Observations:

- ❑ **Price** closed November +3.83% on light volume, to post a new all-time and monthly closing high. The near-term trend remains neutral, although improved.
- ❑ **Momentum** remains positive, and has accelerated its advance after penetrating trend line resistance. A large degree negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock penetrated trend line resistance, but has been struggling to reverse higher since.
- ❑ **Key Resistance** = \$51
- ❑ **Key Support** = \$47

## Conclusions:

- ❑ Communications maintained the **#10 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** Despite improving momentum, weak RS with mixed price action in recent months favors caution, hence our neutral technical view. CTL and DISCA are leading, while TWTR and TTWO lag.
- ❑ Target = N/A



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT ENERGY SECTOR **BEARISH** (+2.83% YTD)

## Observations:

- ❑ **Price** closed November up +1.40% on very light volume, and remains in a broad, lateral consolidation of the “Symmetrical Triangle” variety. As long as key support at the ascending lower boundary holds, the long-term pattern will remain intact.
- ❑ **Momentum** remains deeply negative, but has reversed higher after posting a 3-year low in August.
- ❑ **Relative strength** vs. the average S&P stock has been under pressure since 2011 and is now challenging the 10-year monthly low just posted in August.
- ❑ **Key Resistance** = \$54
- ❑ **Key Support** = \$42

## Conclusions:

- ❑ Energy maintained the **#11 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight**. The sector is still testing 2018 lows while the rest of the market advances. Weak momentum and very weak RS continue to pressure the overall trend. MPC is leading, while EOG continues to lag.
- ❑ **Target** = \$42





Source: Hedgeye.com

# PORTFOLIO POSITIONING

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

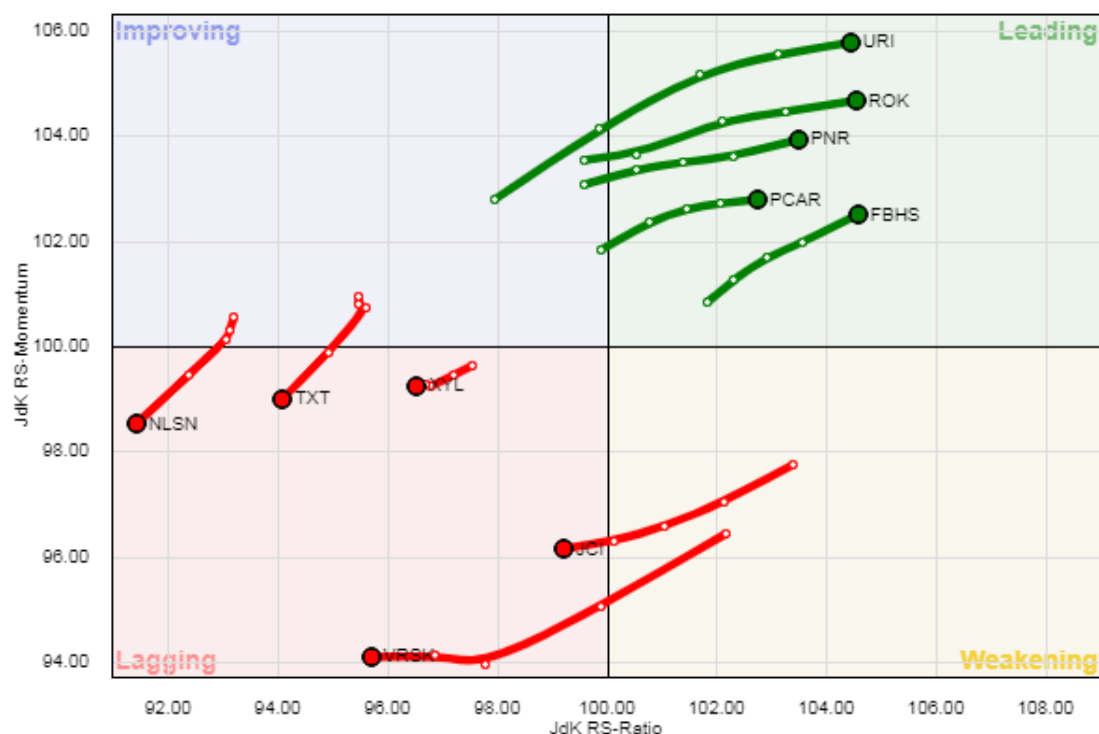
# S&P 500 INDUSTRIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. United Rentals (URI)
2. Rockwell Automation (ROK)
3. Pentair (PNR)
4. Fortune Brands (FBHS)
5. PACCAR (PCAR)

## Short RS-Momentum Laggards

1. Nielsen (NLSN)
2. Verisk Analytics (VRSK)
3. Textron (TXT)
4. Johnson Controls (JCI)
5. Xylem (XYL)



Source: StockCharts.com

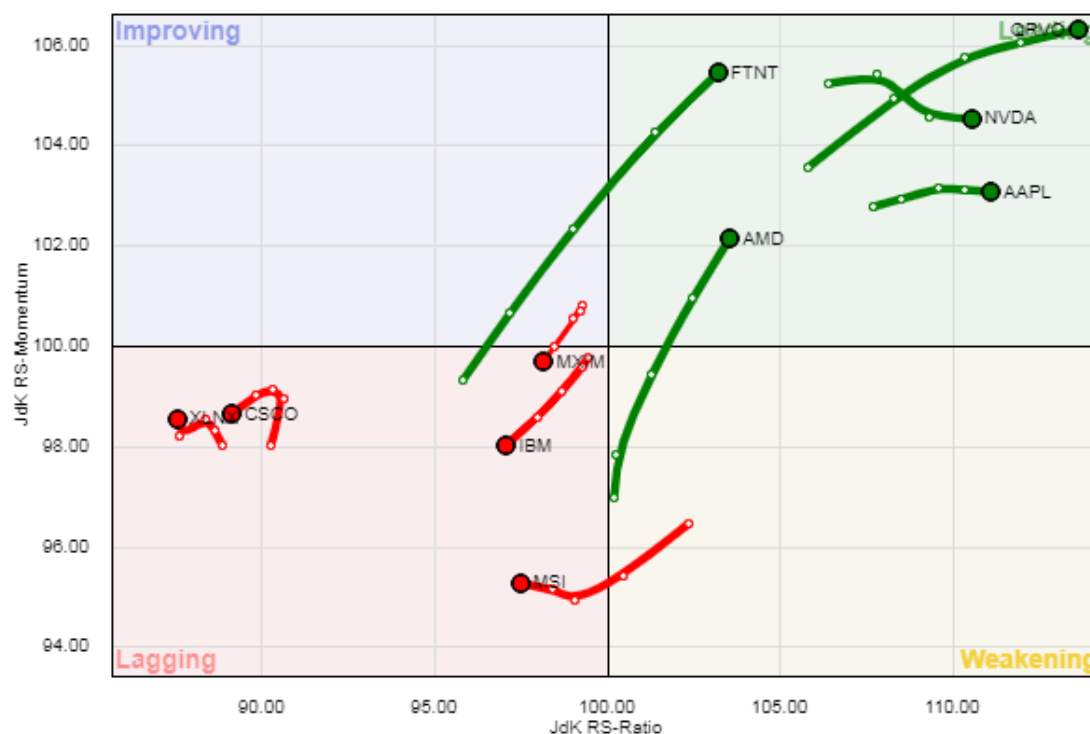
# S&P 500 TECHNOLOGY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Qorvo (QRVO)
2. NVIDIA (NVDA)
3. Apple (AAPL)
4. Fortinet (FTNT)
5. Advanced Micro Devices (AMD)

## Short RS-Momentum Laggards

1. Xilinx (XLNX)
2. Cisco Systems (CSCO)
3. Motorola Solutions (MSI)
4. Int'l Business Machines (IBM)
5. Maxim Integrated Prod (MXIM)



Source: StockCharts.com

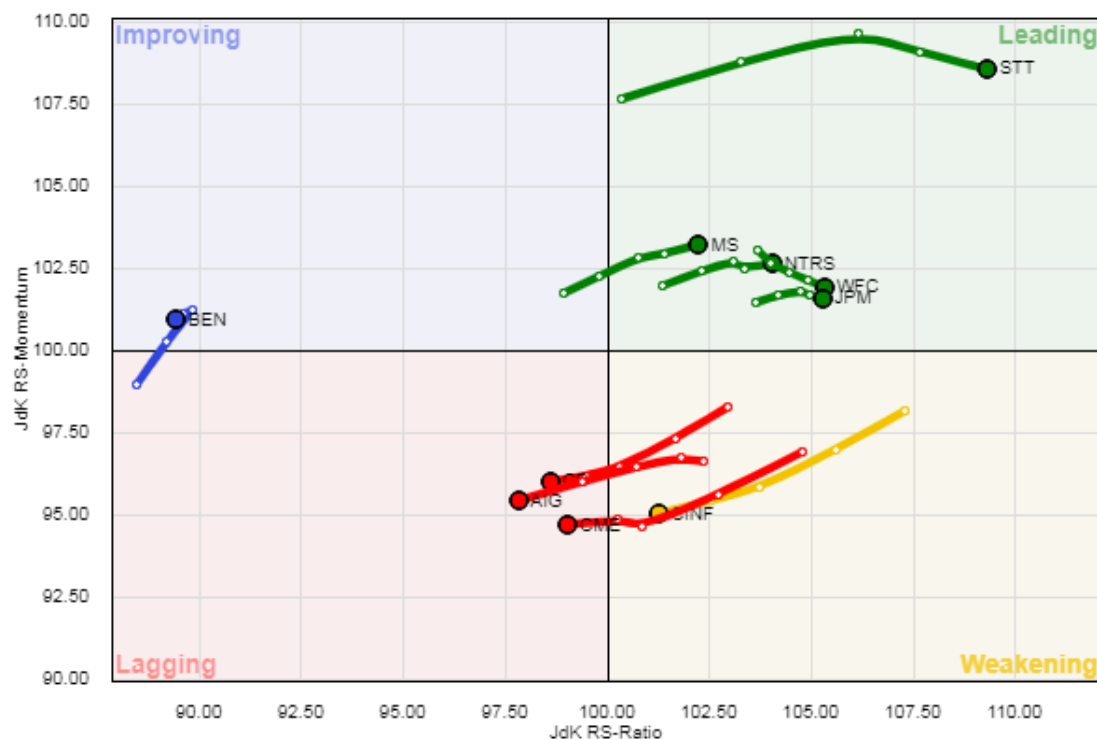
# S&P 500 FINANCIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. State Street (STT)
2. Well Fargo (WFC)
3. J.P. Morgan (JPM)
4. Northern Trust (NTRS)
5. Morgan Stanley (MS)

## Short RS-Momentum Laggards

1. Franklin Resources (BEN)
2. American Int'l Group (AIG)
3. Chubb (CB)
4. CME Group (CME)
5. Cincinnati Financial (CINF)



Source: StockCharts.com

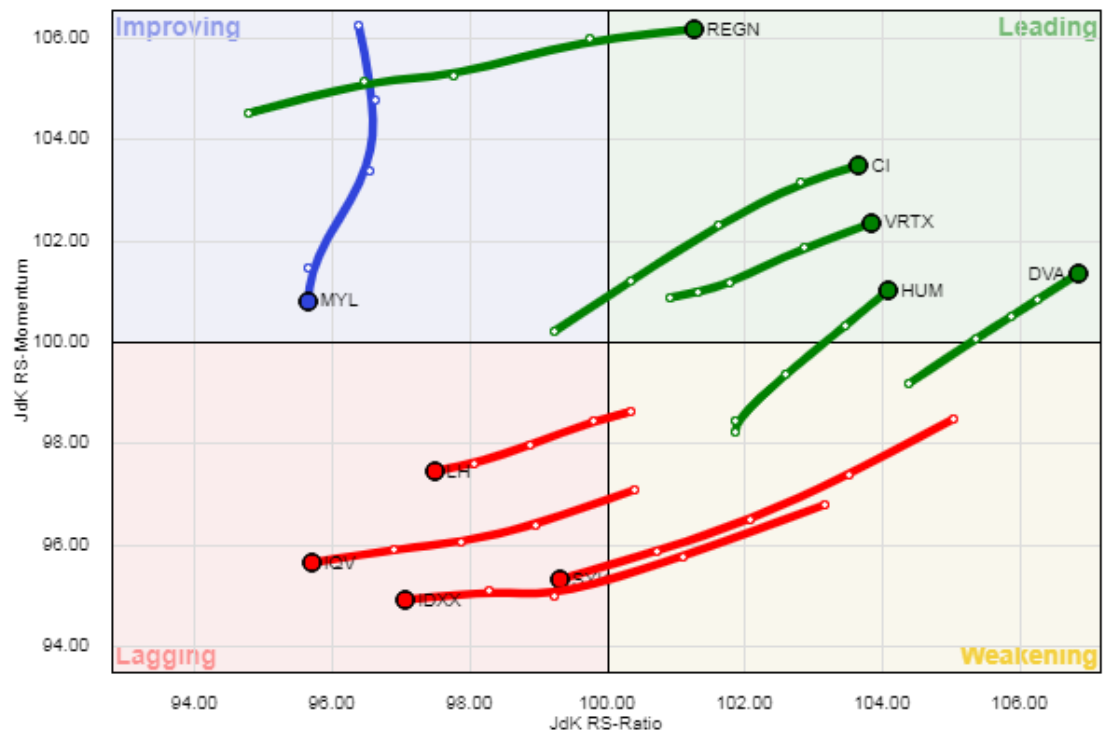
# S&P 500 HEALTH CARE ALPHA DRIVERS

## Long RS-Momentum Leaders

1. DaVita (DVA)
2. Regeneron Pharma (REGN)
3. CIGNA (CI)
4. Vertex Pharma (VRTX)
5. Humana (HUM)

## Short RS-Momentum Laggards

1. Iqvia Hldgs (IQV)
2. IDEXX Labs (IDXX)
3. Stryker (SYK)
4. Lab Corp of America (LH)
5. Mylan Labs (MYL)



Source: StockCharts.com

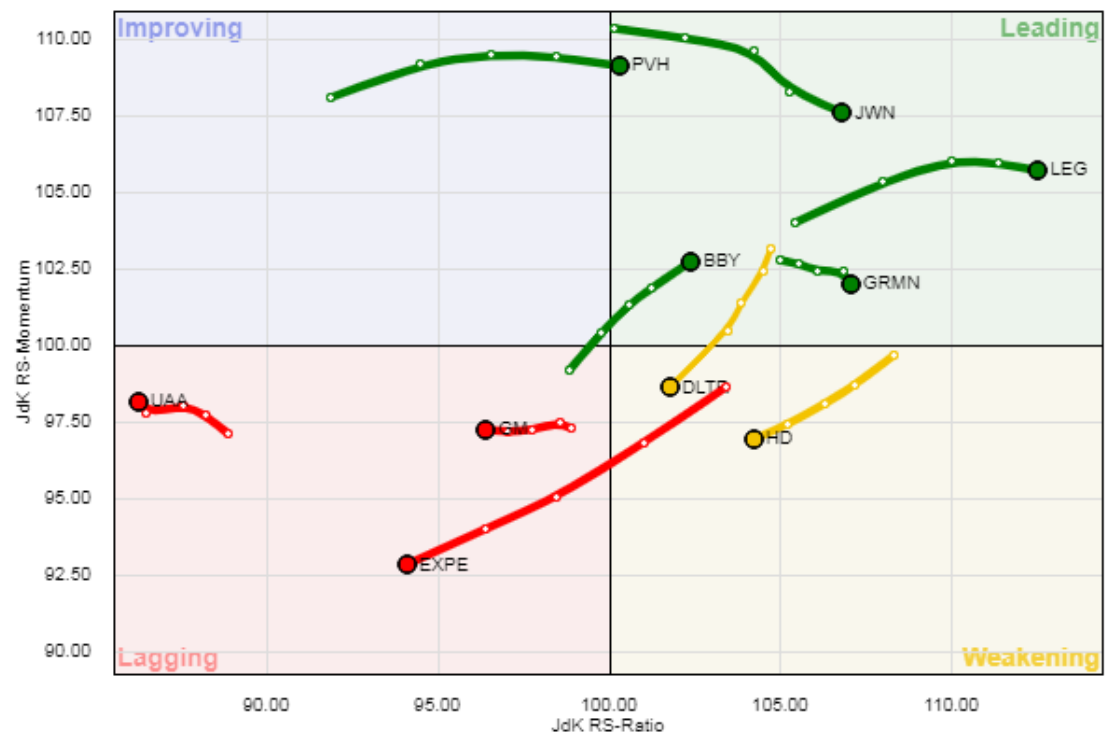
# S&P 500 DISCRETIONARY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Leggett & Platt (LEG)
2. Nordstrom (JWN)
3. Garmin (GRMN)
4. Best Buy Co (BBY)
5. PVH Corp (PVH)

## Short RS-Momentum Laggards

1. Under Armour (UAA)
2. Expedia (EXPE)
3. General Motors (GM)
4. Dollar Tree (DLTR)
5. Home Depot (HD)



Source: StockCharts.com



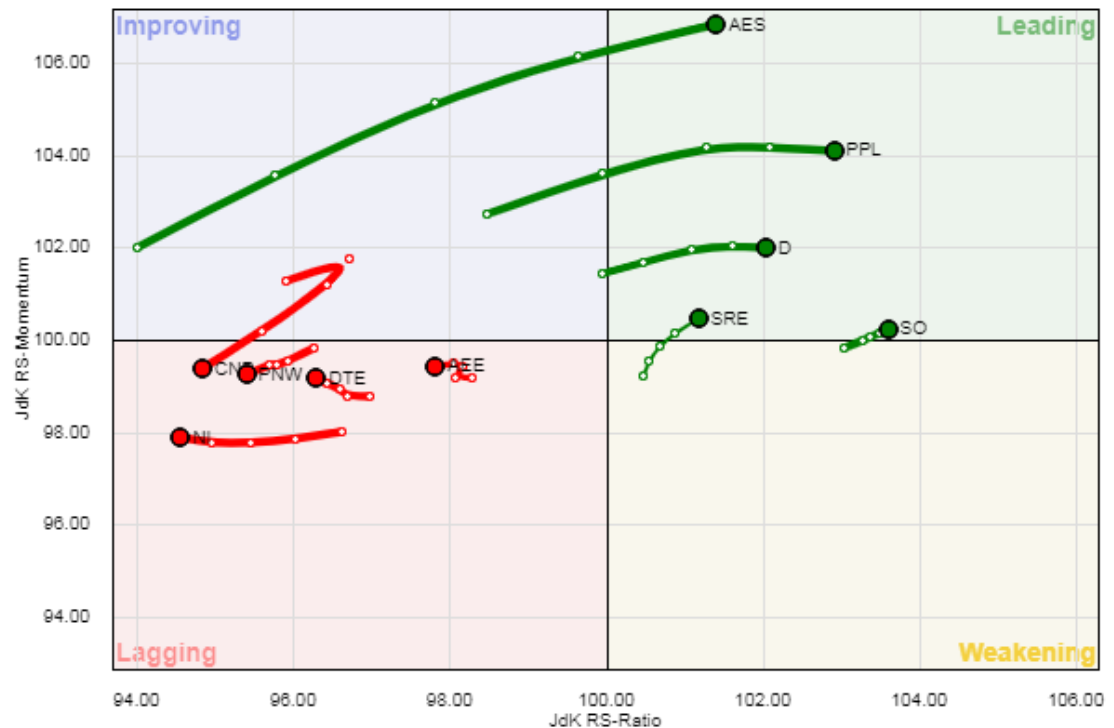
# S&P 500 UTILITIES ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Southern (SO)
2. PPL Corp (PPL)
3. Dominion Energy (D)
4. AES Corp (AES)
5. Sempra Energy (SRE)

## Short RS-Momentum Laggards

1. NiSource (NI)
2. CenterPoint Energy (CNP)
3. Pinnacle West Cap (PNW)
4. DTE Energy (DTE)
5. Ameren (AEE)



Source: StockCharts.com

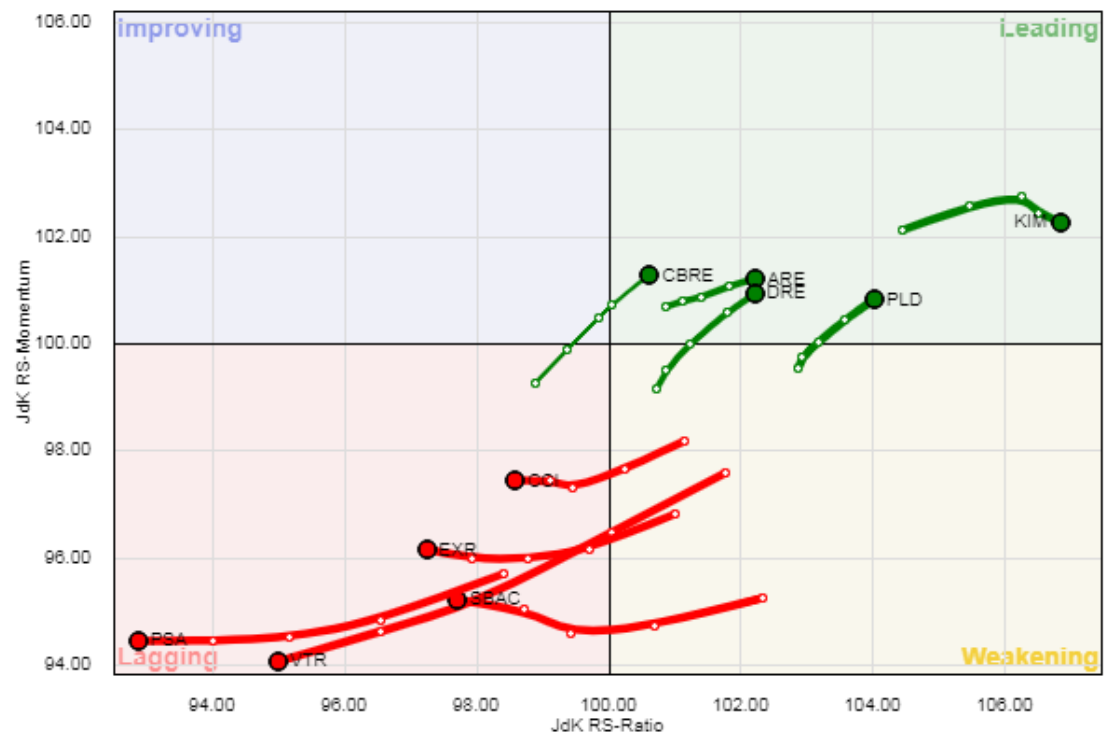
# S&P 500 REAL ESTATE ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Kimco Realty (KIM)
2. Prologis (PLD)
3. Alexandria RE Equity (ARE)
4. Duke Realty (DRE)
5. CBRE Group (CBRE)

## Short RS-Momentum Laggards

1. Public Storage (PSA)
2. Ventas (VTR)
3. Extra Space Storage (EXR)
4. SBA Communications (SBAC)
5. Crown Castle Int'l (CCI)



Source: StockCharts.com

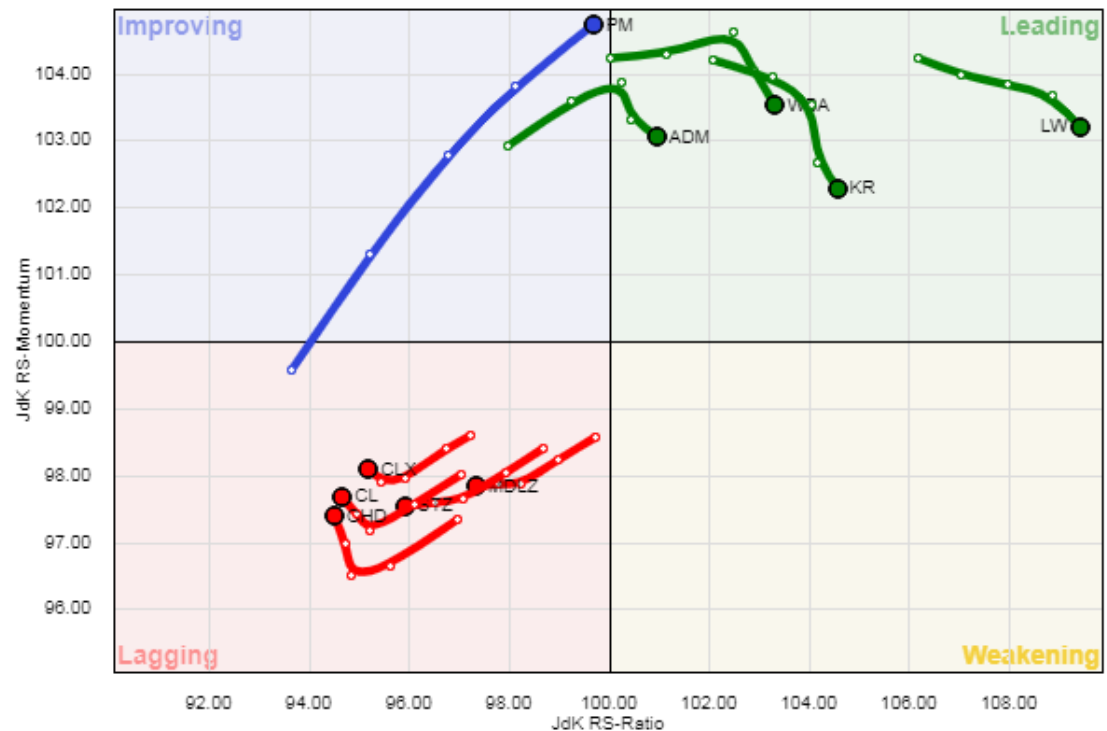
# S&P 500 STAPLES ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Lamb Weston (LW)
2. Kroger (KR)
3. Walgreens Boots Alliance (WBA)
4. Archer Daniels Midland (ADM)
5. Phillip Morris (PM)

## Short RS-Momentum Laggards

1. Church & Dwight (CHD)
2. Colgate (CL)
3. Clorox (CLX)
4. Constellation Brands (STZ)
5. Mondelez Int'l (MDLZ)



Source: StockCharts.com

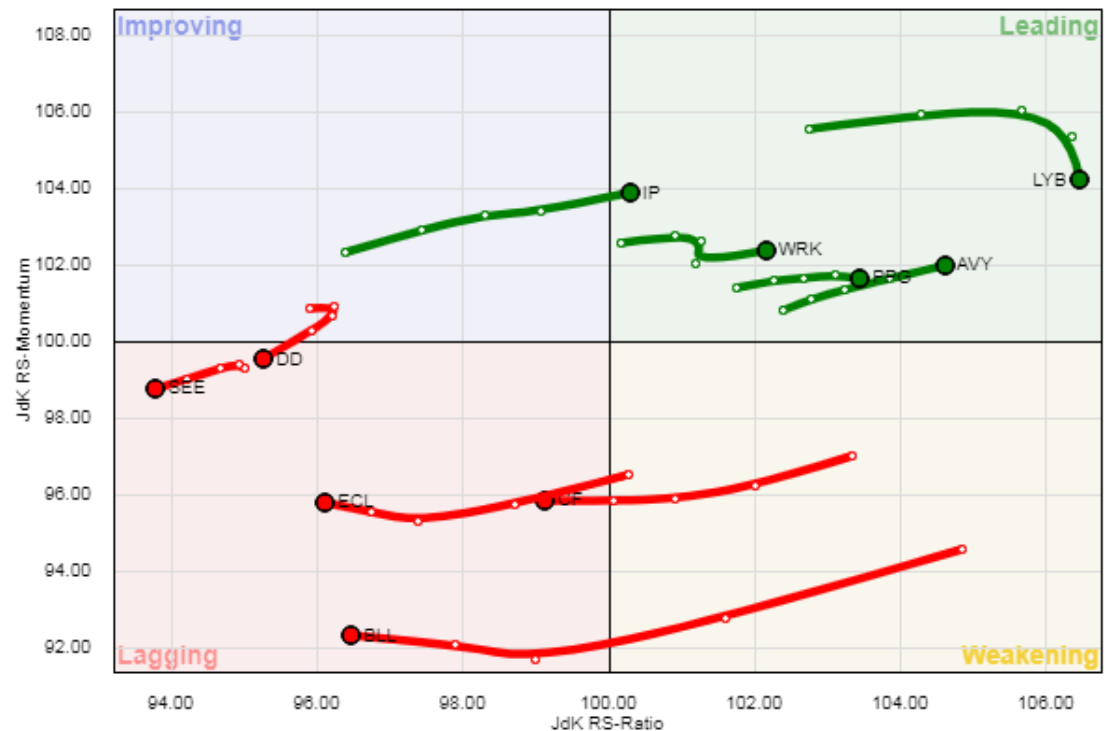
# S&P 500 MATERIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. LyondellBasell (LYB)
2. Avery Dennison (AVY)
3. WestRock (WRK)
4. PPG Industries (PPG)
5. Int'l Paper (IP)

## Short RS-Momentum Laggards

1. Sealed Air (SEE)
2. DuPont (DD)
3. Ecolab (ECL)
4. Ball Corp (BLL)
5. CF Industries (CF)



Source: StockCharts.com

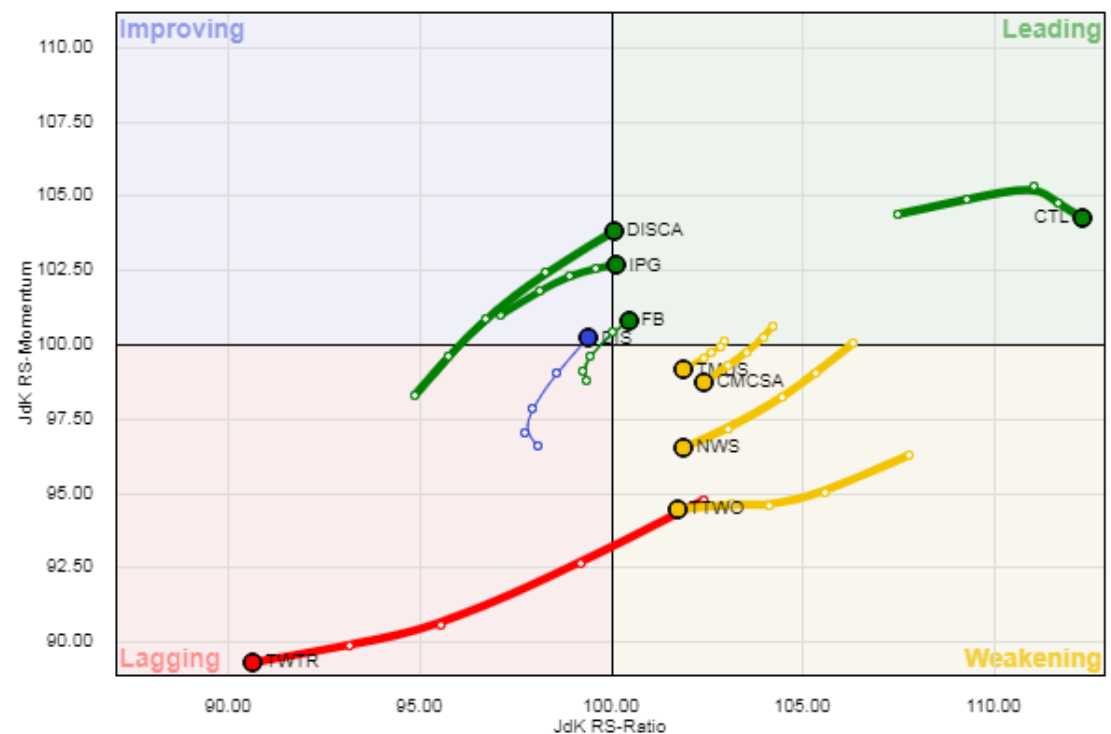
# S&P 500 COMMUNICATIONS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Century Link (CTL)
2. Discovery (DISCA)
3. Interpublic Group (IPG)
4. Facebook (FB)
5. Disney (DIS)

## Short RS-Momentum Laggards

1. Twitter (TWTR)
2. Take-Two Interactive (TTWO)
3. News Corp (NWS)
4. Comcast (CMCSA)
5. T-Mobile US (TMUS)



Source: StockCharts.com

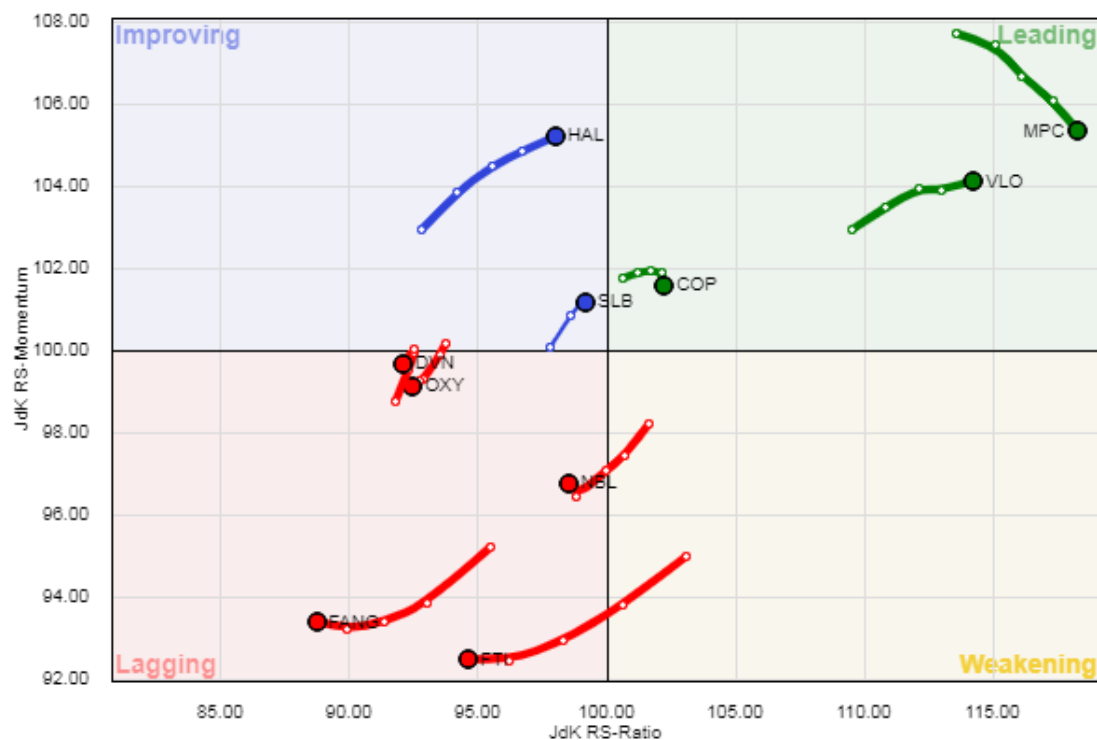
# S&P 500 ENERGY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Marathon Petroleum (MPC)
2. Valero Energy (VLO)
3. Conoco Phillips (COP)
4. Haliburton (HAL)
5. Schlumberger (SLB)

## Short RS-Momentum Laggards

1. Diamondback Energy (FANG)
2. Devon Energy (DVN)
3. Occidental Petroleum (OXY)
4. TechnipFMC (FTI)
5. Noble Energy (NBL)



Source: StockCharts.com

# NOVEMBER PERFORMANCE REPORT CARD

## Long the Leaders / Short the Laggards

[illegible]

**Source:** Bloomberg and JWH Investment Partners



Source: Hedgeye.com

# ACTIONABLE TRADE IDEAS

## ☐ Bullish Long Set-ups:

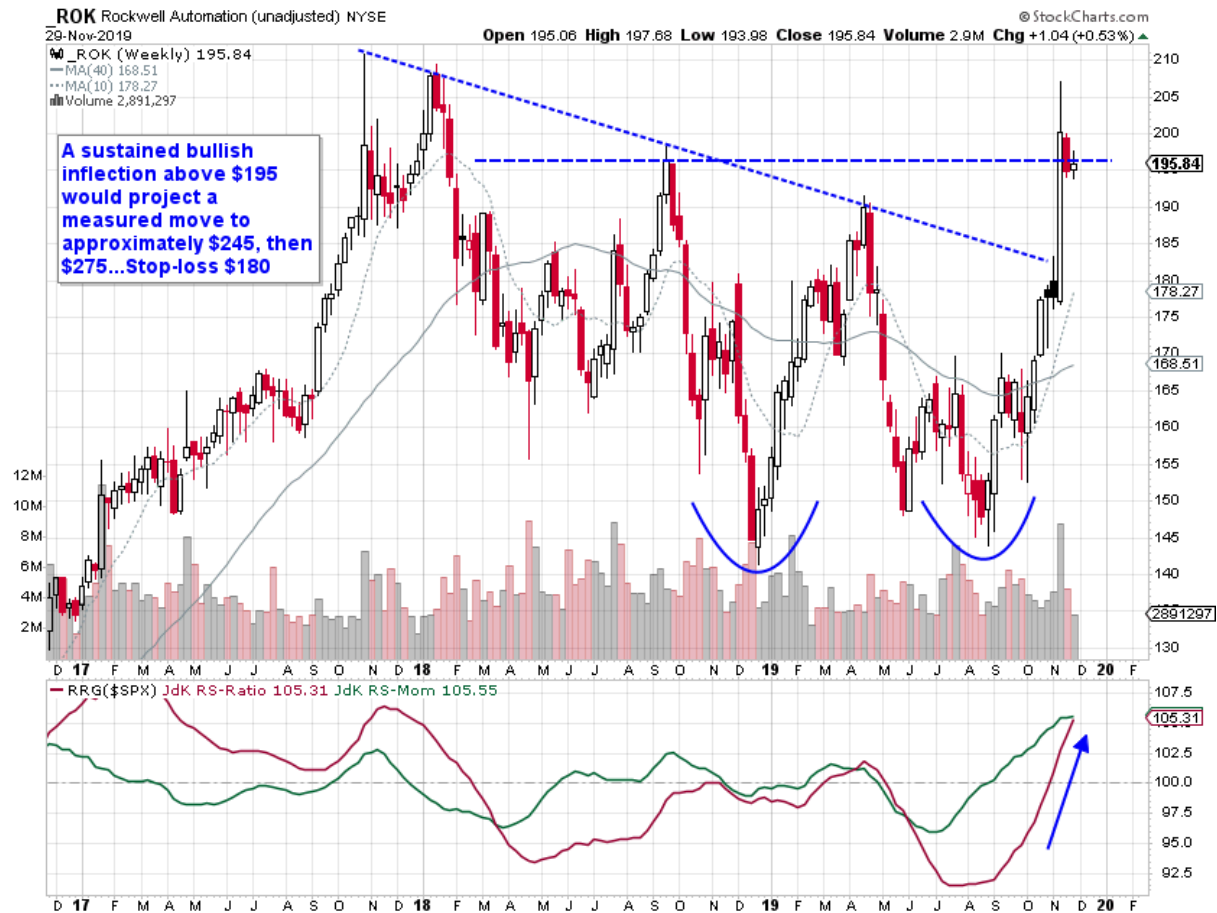
- ☐ Rockwell Automation (ROK)
- ☐ Fortinet (FTNT)
- ☐ State Street Corp (STT)
- ☐ Best Buy Co (BBY)

## ☐ Bearish Short Set-ups:

- ☐ Mondelez Int'l (MDLZ)
- ☐ Ecolab (ECL)
- ☐ T-Mobile US (TMUS)
- ☐ Diamondback Energy (FANG)

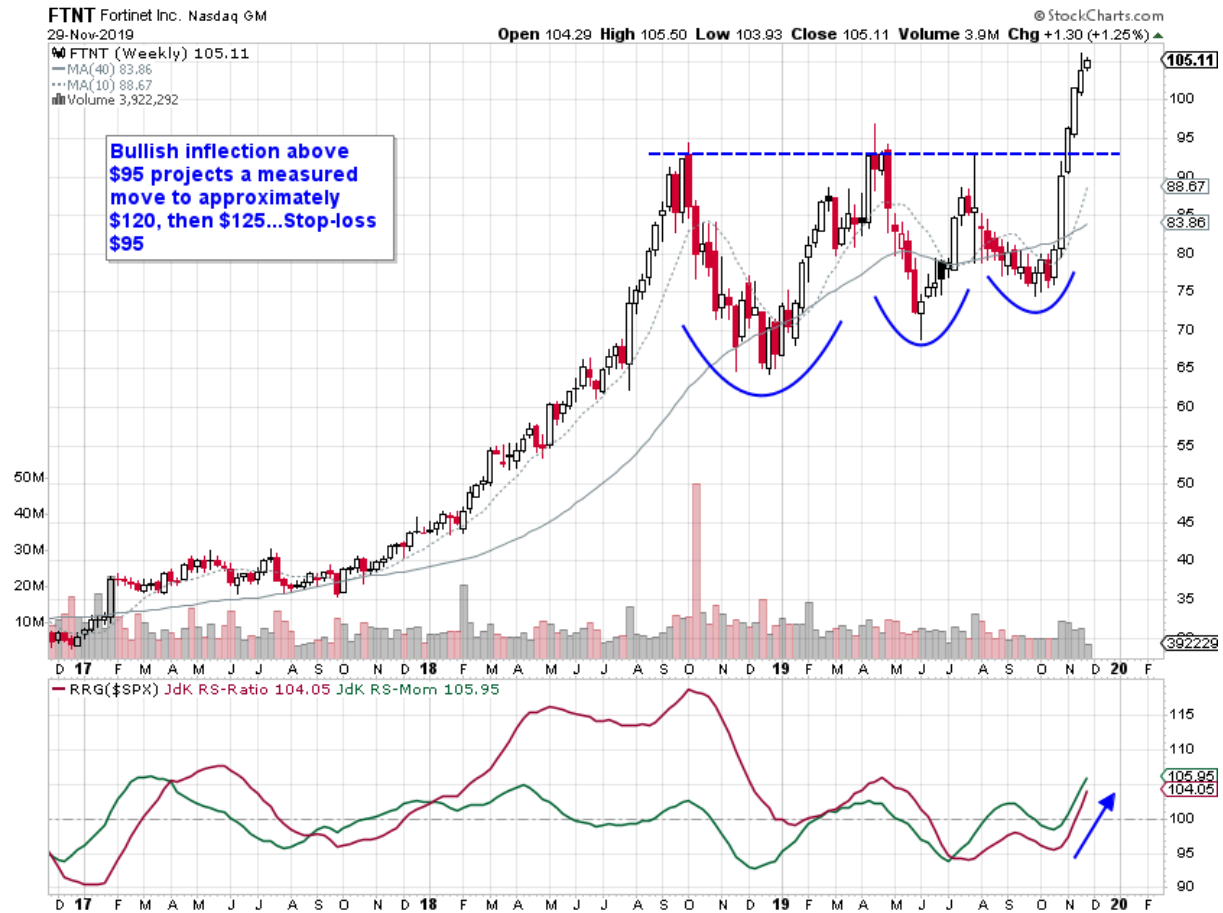


# BULLISH ROCKWELL AUTOMATION (ROK)



Source: StockCharts.com

# BULLISH FORTINET (FTNT)



# BULLISH STATE STREET CORP (STT)

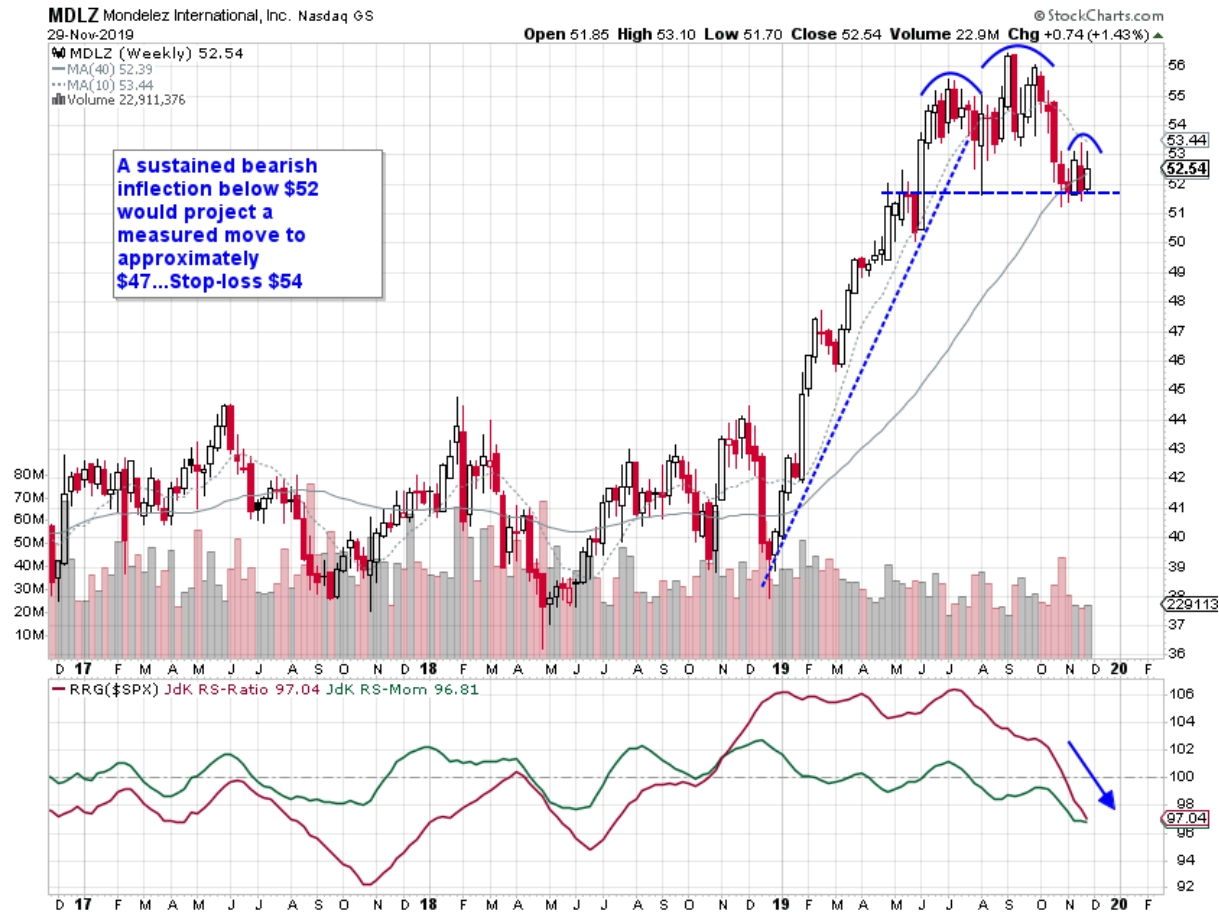


# BULLISH BEST BUY Co (BBY)



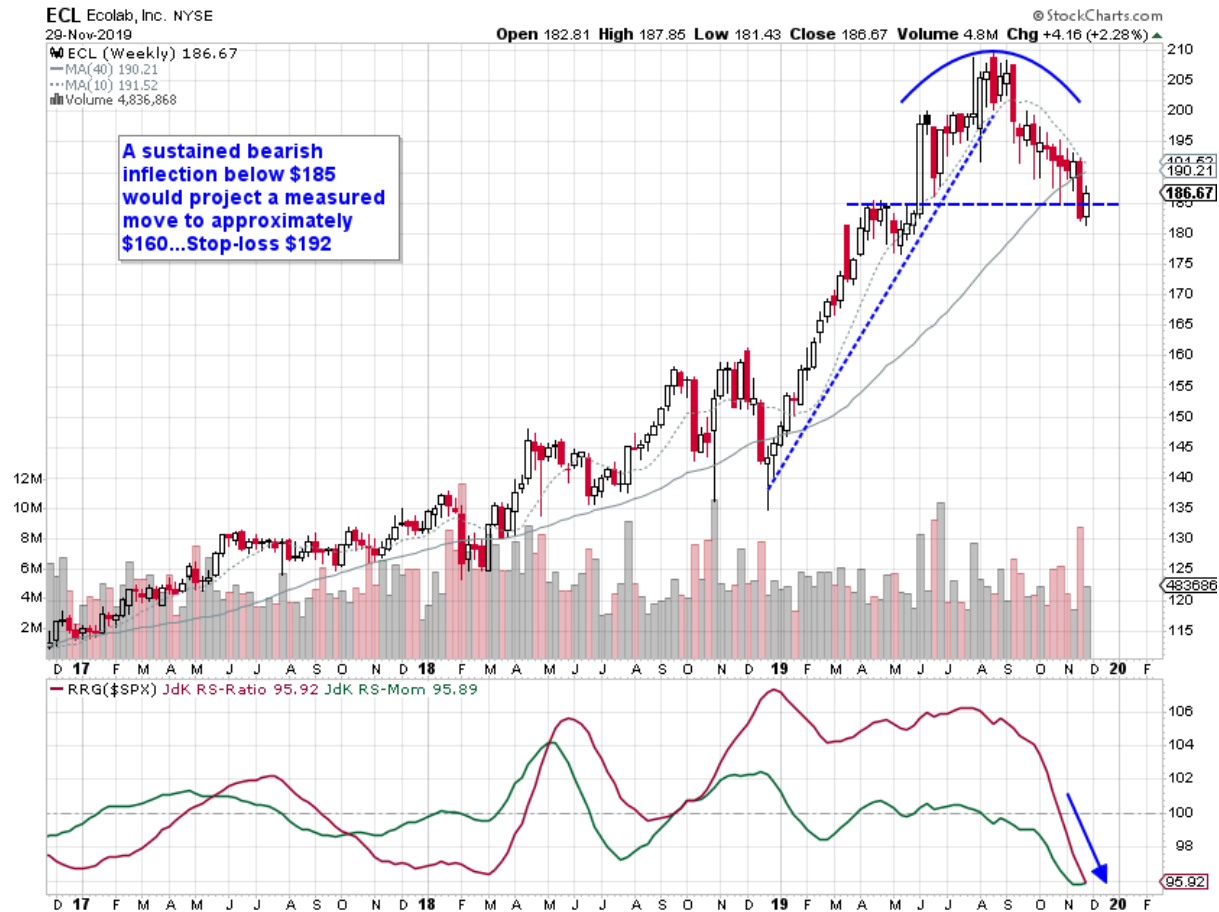
Source: StockCharts.com

# BEARISH MONDELEZ INT'L (MDLZ)



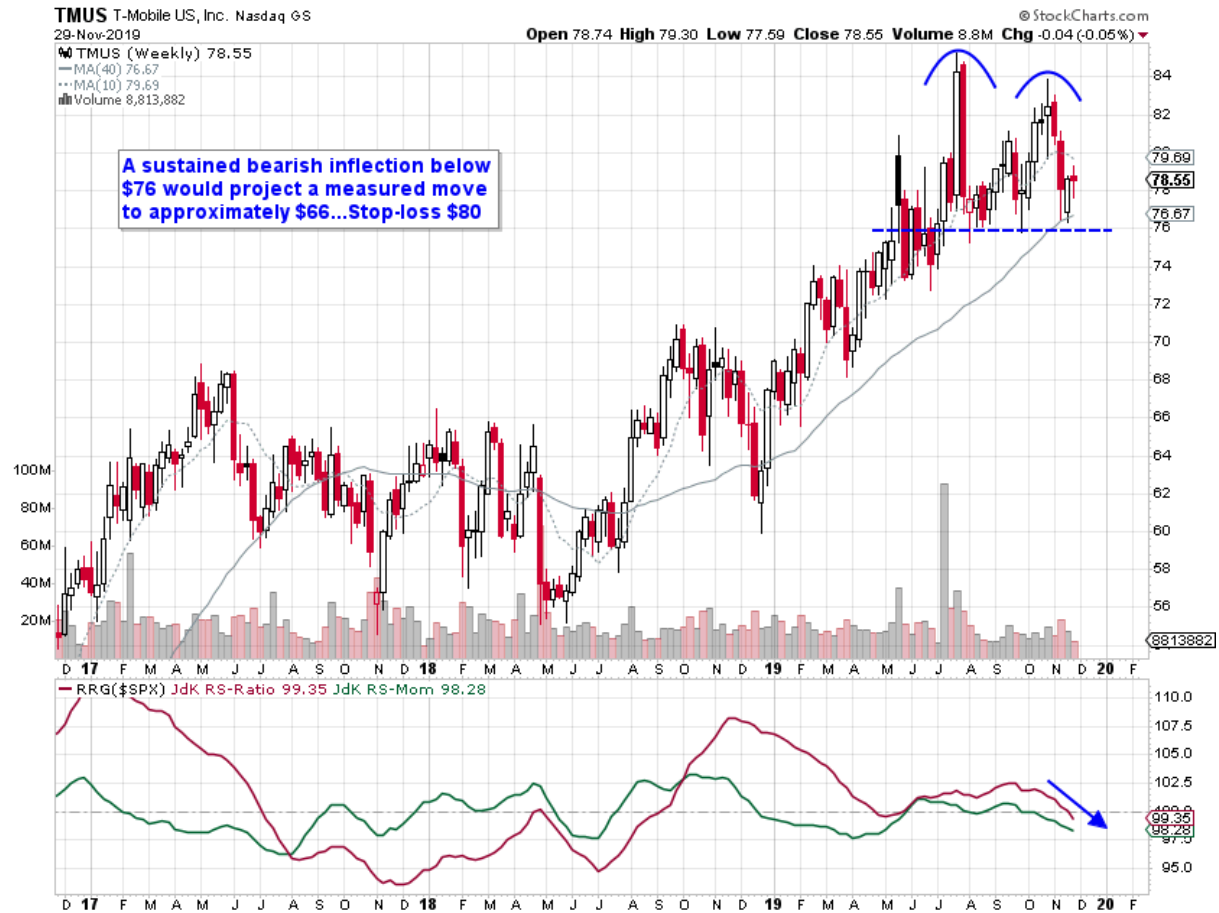
Source: StockCharts.com

# BEARISH ECOLAB (ECL)



Source: StockCharts.com

# BEARISH T-MOBILE US (TMUS)



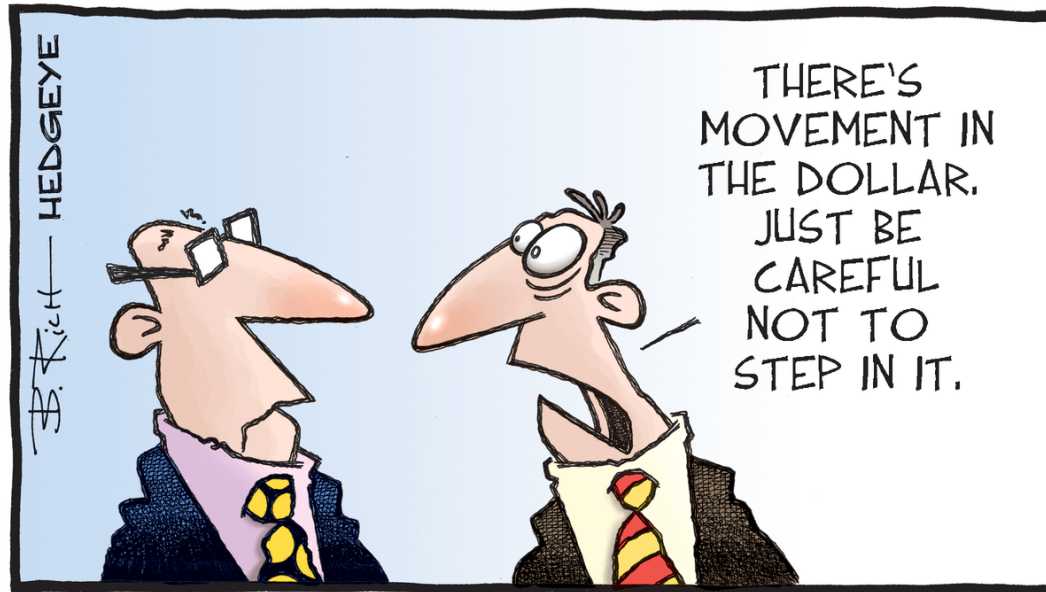
Source: StockCharts.com

# BEARISH DIAMONDBACK ENERGY (FANG)



Source: StockCharts.com





Source: Hedgeye.com

# FOREIGN EQUITY MARKETS

## ☐ Developed

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

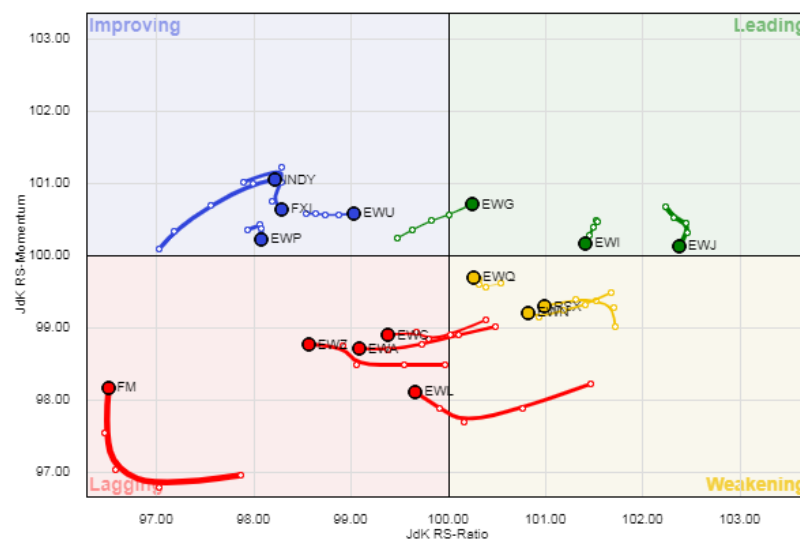
## ☐ Emerging

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

# MSCI FOREIGN MARKET LEADERSHIP

<u>RS-Momentum Rank</u>	<u>NOV Return</u>	<u>TTM Return</u>
1. Japan (EWJ)	+ 1.3%	+ 9.3%
2. Italy (EWI)	+ 0.1%	+ 18.9%
3. Russia (RSX)	+ 0.8%	+ 22.2%
4. Netherlands (EWN)	+ 1.2%	+ 17.7%
5. Germany (EWG)	+ 1.4%	+ 9.8%
6. France (EWQ)	+ 1.4%	+ 15.4%
7. Switzerland (EWL)	+0.8%	+ 19.5%
8. Canada (EWC)	+ 3.0%	+ 14.2%
9. United Kingdom (EWU)	+ 1.2%	+ 8.9%
10. Australia (EWA)	+ 1.3%	+ 15.1%
11. Brazil (EWZ)	- 4.8%	+ 9.7%
12. India (INDY)	+ 0.4%	+ 7.5%
13. China (FXI)	- 0.5%	+ 0.9%
14. Spain (EWP)	- 1.6%	+ 2.1%
15. Frontier 100 (FM)	+ 3.4%	+ 9.9%

**MSCI Country Rotation Model**



Source: StockCharts.com

# FOREIGN MARKET LEADERSHIP...CONTINUED

## Emerging Mkts Lagging Developed Mkts



## Foreign Mkts Lagging Domestic Mkts



# DEVELOPED MARKETS AUSTRALIA

**BULLISH** (+19.42% YTD)

## Observations:

- ❑ **Price** closed November up +1.33% on average volume, posting a new all-time and monthly closing high. The near-term trend remains constructive, and is holding well above key support.
- ❑ **Momentum** remains positive, and having penetrated trend line resistance, is staging a bullish reversal. A negative divergence remains in place vs. the 2018 high.
- ❑ **Relative strength** vs. developed markets is consolidating since penetrating major trend line resistance.
- ❑ **Key Resistance** = \$27
- ❑ **Key Support** = \$21

## Conclusions:

- ❑ **Increase exposure.** The new monthly closing high following the successful re-test of neckline support in August supports our constructive technical view and sets-up a bullish resolution to the presumed "Cup & Handle" base as illustrated.
- ❑ **Target: \$27**



Source: StockCharts.com

# DEVELOPED MARKETS CANADA BULLISH (+24.79% YTD)



## Observations:

- ❑ **Price** closed November up +2.95% on light volume, posting a new all-time and monthly closing high. If sustained, this resolves a bullish multi-year base formation of the “Cup & Handle” variety.
- ❑ **Momentum** remains staunchly positive, and having penetrated trend line resistance, is staging a bullish reversal. A slight negative divergence remains in place vs. the 2018 price high.
- ❑ **Relative strength** vs. developed markets made a new recovery high in August, but has been struggling to stage a bullish reversal after penetrating trend line resistance.
- ❑ **Key Resistance** = \$35
- ❑ **Key Support** = \$27

## Conclusions:

- ❑ **Increase exposure.** Strong price action and solid momentum, coupled with improving RS supports the **upgrade of our technical view to Bullish** from Neutral. A breach of key support, would move us back to the sidelines.
- ❑ **New Target: \$35**



Source: StockCharts.com

# DEVELOPED MARKETS UNITED KINGDOM NEUTRAL (+15.07% YTD)

## Observations:

- ❑ **Price** closed November up +1.23% on average volume, posting a slight new recovery high, but falling just short of key resistance. A sustained inflection above key resistance would greatly improve the near-term trend.
- ❑ **Momentum** turned sharply positive in October after penetrating trend line resistance and putting in a series of higher lows.
- ❑ **Relative strength** vs. developed markets has bounced somewhat, after breaching channel support to post a new 10-year low in August.
- ❑ **Key Resistance** = \$33
- ❑ **Key Support** = \$28

## Conclusions:

- ❑ **Maintain exposure.** The recent close above its primary downtrend line and sharp acceleration in momentum supports our Neutral technical view. A bullish inflection above key resistance would confirm that a new advance is underway, but the continued overhang of Brexit may require some patience.
- ❑ Target: N/A



# DEVELOPED MARKETS GERMANY BULLISH (+17.29% YTD)

## Observations:

- ❑ **Price** closed November up +1.37% on light volume, posting a new monthly closing recovery high. If sustained, this greatly improves the near-term trend, and projects a measured move to \$32.
- ❑ **Momentum** has turned up sharply into positive territory after penetrating trend line resistance in September.
- ❑ **Relative strength** vs. developed markets collapsed in 2018 and made a new low in Q1. A successful test of that low has resulted in a bullish reversal attempt, with the penetration of trend line resistance.
- ❑ **Key Resistance** = \$32
- ❑ **Key Support** = \$25

## Conclusions:

- ❑ **Increase exposure.** Accelerating momentum, improving RS, and the new monthly close above key resistance continues to support our Bullish technical view. A breach of key support, would move us back to the sidelines.
- ❑ **Target: \$32**



Source: StockCharts.com

# DEVELOPED MARKETS FRANCE

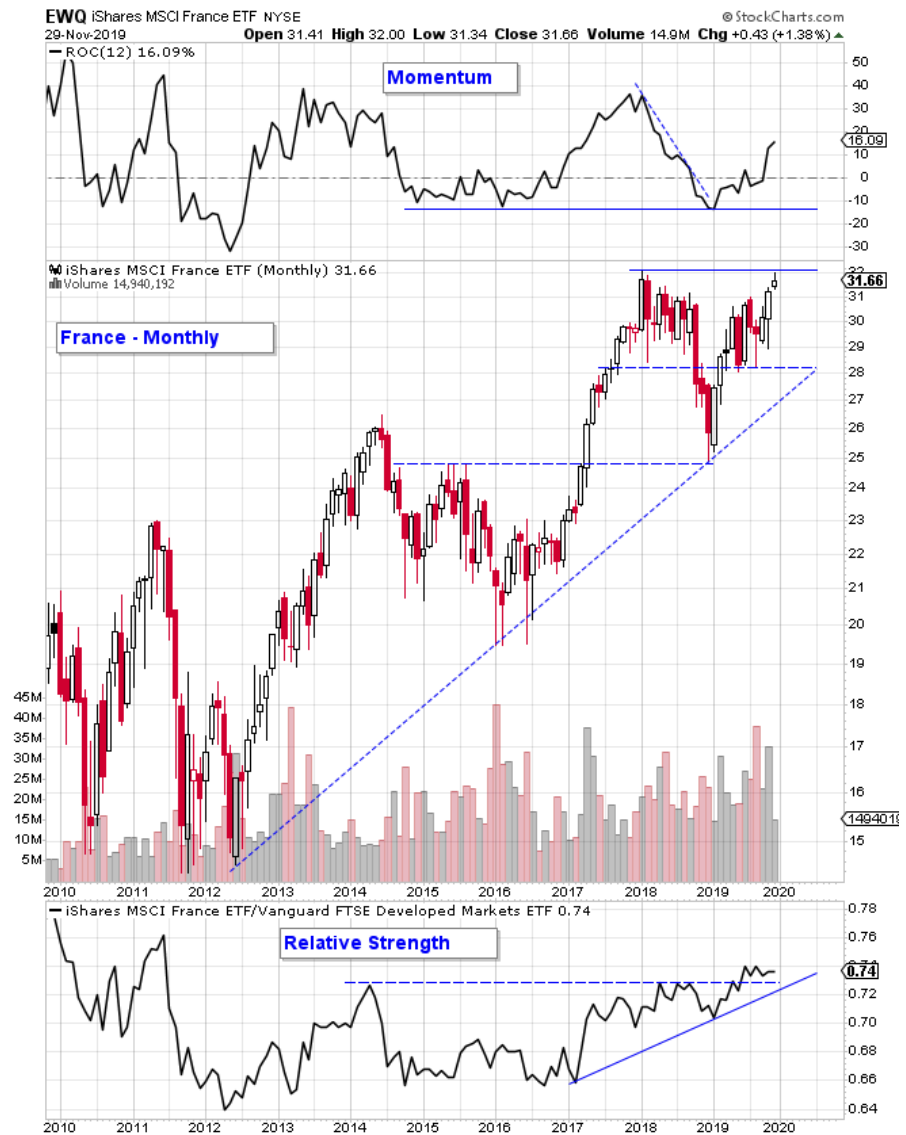
**BULLISH** (+22.36% YTD)

## Observations:

- ❑ **Price** closed November up +1.38% on light volume, posting a new monthly closing recovery high. If sustained, this greatly improves the near-term trend, and projects a measured move to \$34.
- ❑ **Momentum** turned up sharply into positive territory. After halting its decline at a well-established support level last year, a bullish reversal is now underway.
- ❑ **Relative strength** vs. developed markets broke out above established resistance to post an 8-year high in June, and has since been consolidating its gains.
- ❑ **Key Resistance** = \$32
- ❑ **Key Support** = \$28

## Conclusions:

- ❑ **Increase exposure.** Accelerating momentum, improving RS, and the monthly close above important resistance continues to support our Bullish technical view. A breach of key support, would move us back to the sidelines.
- ❑ **Target: \$34**





# DEVELOPED MARKETS ITALY NEUTRAL (+23.49% YTD)

## Observations:

- ❑ **Price** closed November essentially flat on light volume, posting a new recovery high, but closing back below key resistance. The near-term trend remains constructive, and is holding well above key support.
- ❑ **Momentum** remains positive, and has accelerated steadily higher after penetrating trend line resistance in January.
- ❑ **Relative strength** vs. developed markets remains range bound in a multi-year consolidation pattern.
- ❑ **Key Resistance** = \$29
- ❑ **Key Support** = \$22

## Conclusions:

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



Source: StockCharts.com

# DEVELOPED MARKETS SPAIN

**NEUTRAL** (+7.25% YTD)

## Observations:

- ❑ **Price** closed November down -0.80% on average volume, holding below key resistance. The near-term trend remains neutral after a successful test key support, and the lower boundary of the triangle pattern ascending off the 2012/26 lows.
- ❑ **Momentum** has turned up slightly into positive territory, after penetrating trend line resistance.
- ❑ **Relative strength** vs. developed markets made a new 7-year low in August, after failing at trend resistance twice in the last year, and remains depressed.
- ❑ **Key Resistance** = \$30
- ❑ **Key Support** = \$26

## Conclusions:

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



Source: StockCharts.com

# DEVELOPED MARKETS SWITZERLAND BULLISH (+25.95% YTD)

## Observations:

- ❑ **Price** closed November up +0.83% on light volume, posting a new all-time and monthly closing high. The near-term trend remains constructive and the consistent price action should lead to further gains in the months ahead.
- ❑ **Momentum** remains staunchly positive and accelerated higher after a brief pull-back. It has now penetrated trend line resistance, and appears poised to resolve a negative divergence vs. the 2017 high.
- ❑ **Relative strength** vs. developed markets posted an all-time high in August, but has turned down breaching trend line support.
- ❑ **Key Resistance** = \$42
- ❑ **Key Support** = \$36

## Conclusions:

- ❑ **Increase exposure.** Switzerland has by far the most constructive technical credentials on the European continent. The monthly close above \$36 portends that a major bullish reversal may now be underway. A monthly close below key support would lead us to move to the sidelines.
- ❑ **Target: \$42**



Source: StockCharts.com

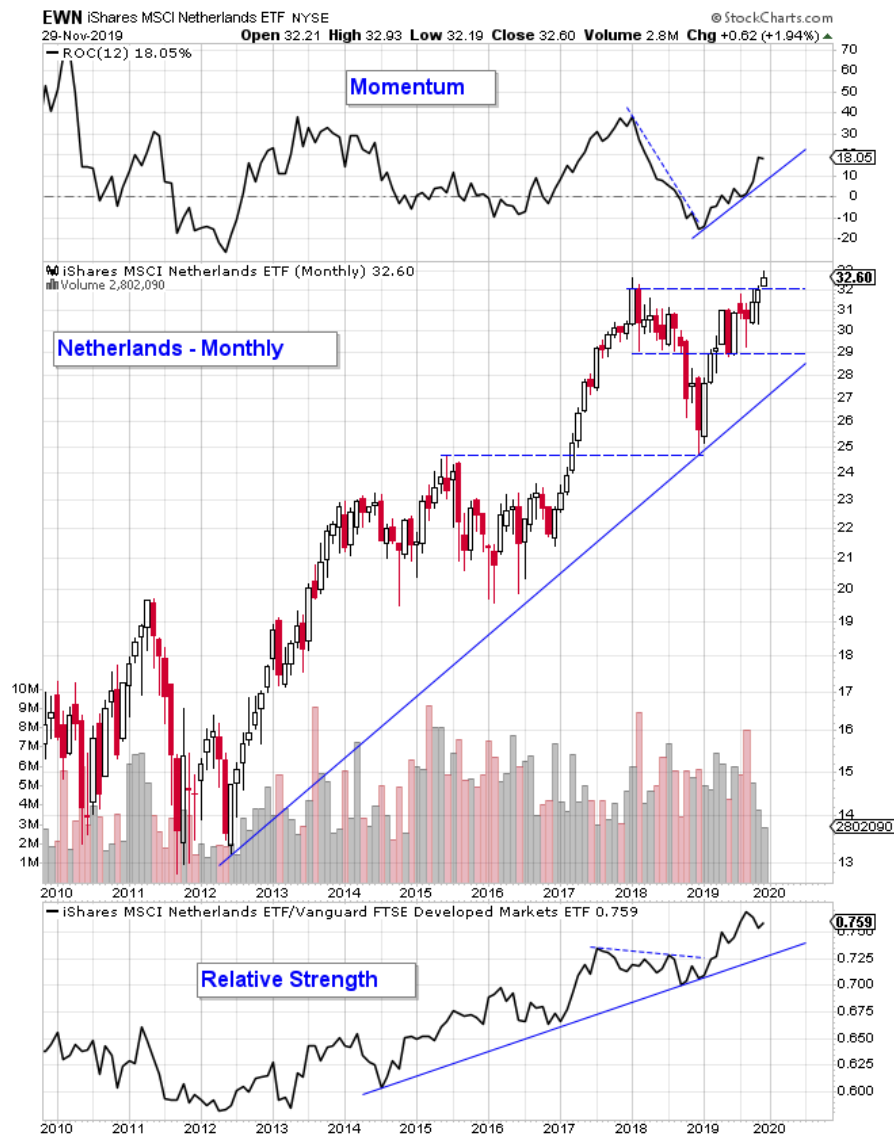
# DEVELOPED MARKETS NETHERLANDS BULLISH (+27.00% YTD)

## Observations:

- ❑ **Price** closed November up +1.94% on light volume, posting a new all-time and monthly closing high. The set-up remains bullish and the consistent price action should lead to further gains in the months ahead.
- ❑ **Momentum** has accelerated sharply higher into positive territory, and is staging an impressive bullish reversal.
- ❑ **Relative strength** vs. developed markets posted an all-time high in August, and appears poised to test support.
- ❑ **Key Resistance** = \$35
- ❑ **Key Support** = \$29

## Conclusions:

- ❑ **Increase exposure.** The long-term trend is decidedly bullish. The monthly close above \$32 confirms that the next leg of the advance is underway. A monthly close below key support would lead us to move to the sidelines.
- ❑ **Target: \$35**



Source: StockCharts.com

# DEVELOPED MARKETS JAPAN

**BULLISH** (+18.31% YTD)



## Observations:

- ❑ **Price** closed November up +1.28% on average volume, posting a new monthly closing recovery high, and penetrating key resistance. The near-term trend remains constructive, and is holding well above key support. It would appear that change is afoot.
- ❑ **Momentum** has turned sharply higher into positive territory after penetrating trend line resistance in May.
- ❑ **Relative strength** vs. developed markets has been range bound since late 2015 and appears to have successfully tested the lower boundary of the range.
- ❑ **Key Resistance** = \$70
- ❑ **Key Support** = \$55

## Conclusions:

- ❑ **Increase exposure.** Greatly improved price action and momentum, support **upgrading our technical view to Bullish** from Neutral (see Interim Bulletin dated 11/6/19). A monthly close below key support would move us back to the sidelines.
- ❑ **New Target: \$70**



Source: StockCharts.com

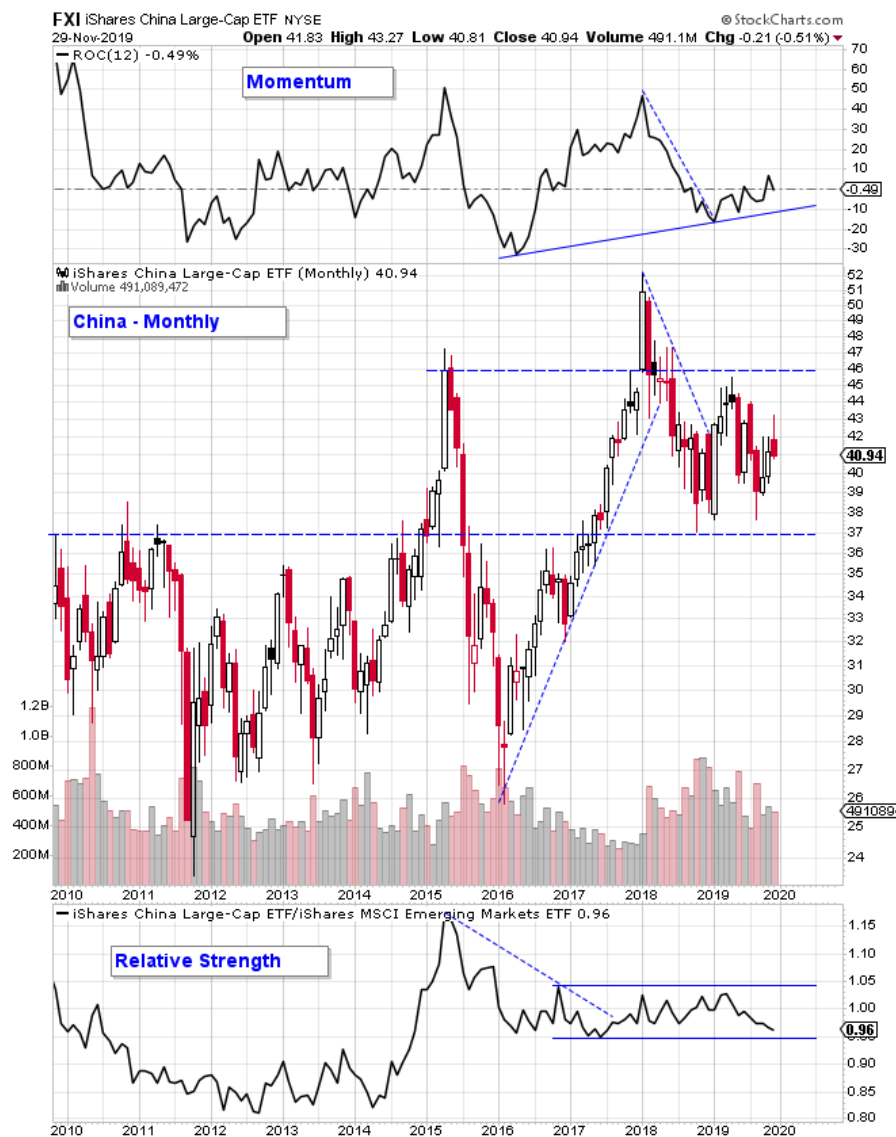
# EMERGING MARKETS CHINA NEUTRAL (+5.82% YTD)

## Observations:

- ❑ **Price** closed November down -0.51% on average volume, and held well-below key resistance. The near-term trend remains neutral after a successful test key support.
- ❑ **Momentum** has turned slightly negative, but is attempting a bullish reversal after halting its decline and penetrating trend line resistance in January.
- ❑ **Relative strength** vs. emerging markets has been range bound since late 2016 and has turned down from the upper boundary of the range for at least the third time; a sign of continued weakness.
- ❑ **Key Resistance** = \$46
- ❑ **Key Support** = \$37

## Conclusions:

- ❑ **Maintain exposure.** The future performance of China's stock market will be determined by the timing and terms of a trade deal with the U.S. To a certain extent the outcome is binary. A monthly close above key resistance would lead us to upgrade our rating to Bullish. A monthly close below key support, a downgrade to Bearish.
- ❑ Target: N/A



Source: StockCharts.com

# EMERGING MARKETS INDIA

**NEUTRAL** (+7.48% YTD)

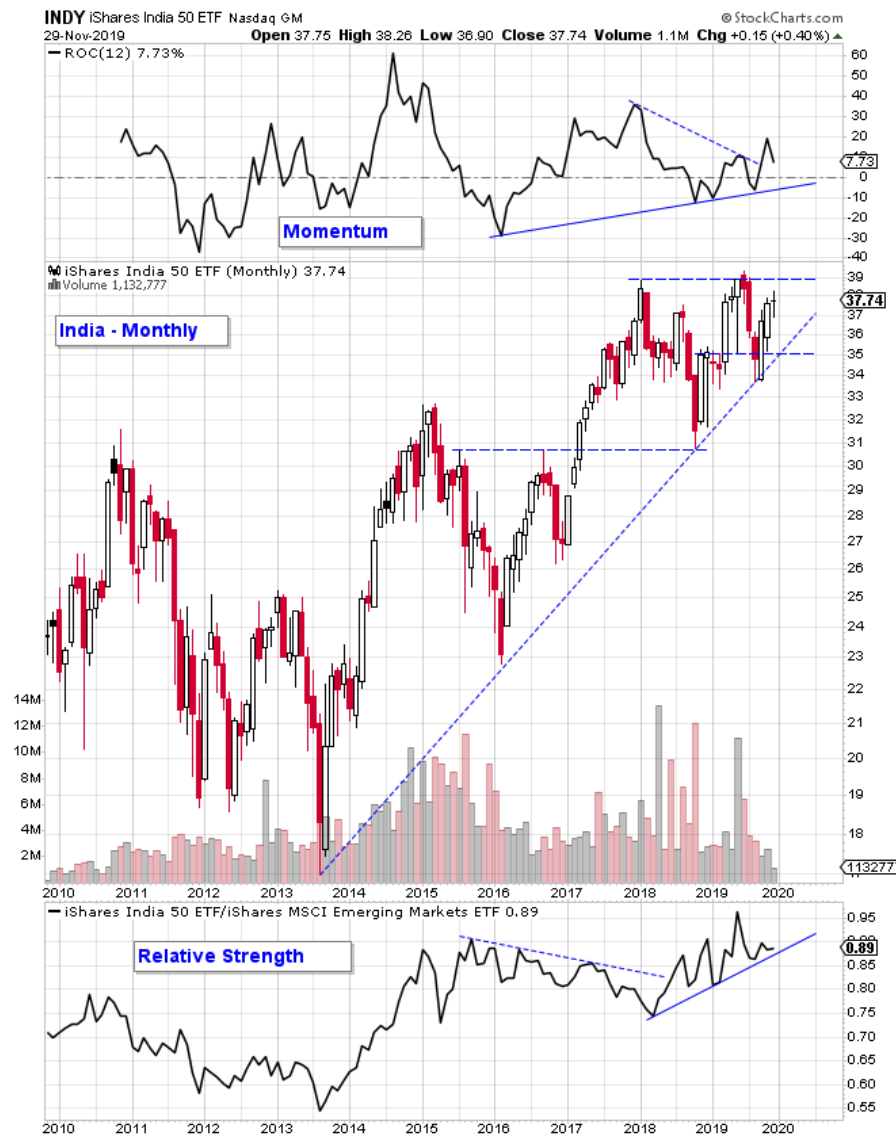
## Observations:

- ❑ **Price** closed November up +0.40% on very light volume, holding below key resistance. The near-term trend remains neutral, following a successful test of support in August.
- ❑ **Momentum** turned positive in September, after penetrating trend line resistance, but is consolidating gains. A negative divergence remains in place.
- ❑ **Relative strength** vs. emerging markets posted a new all-time record high in May, but has since retrenched and appears to be testing trend line support.
- ❑ **Key Resistance** = \$39
- ❑ **Key Support** = \$35/34

## Conclusions:

- ❑ **Maintain exposure.** The successful test of trend line support followed by bullish price action the past two months puts the bull case back within reach. A new monthly closing high would lead us to upgrade our view to Bullish. A monthly close below trend line support would lead us to downgrade our opinion to Bearish.

- ❑ Target: N/A



Source: StockCharts.com

# EMERGING MARKETS BRAZIL BULLISH (+12.59% YTD)

## Observations:

- ❑ **Price** closed November down -4.78% on average volume, but held well-above key support. The set-up remains bullish and appears to be very near completing a potential multi-year base formation of the inverted “Head & Shoulders” variety. A monthly close above \$46 would confirm that a new primary uptrend has been established.
- ❑ **Momentum** turned positive in April and has been attempting to stage a bullish reversal.
- ❑ **Relative strength** vs. emerging markets turned down and breached trend support. A new recovery high would re-establish the bullish reversal previously in progress.
- ❑ **Key Resistance** = \$46/48
- ❑ **Key Support** = \$36

## Conclusions:

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



Source: StockCharts.com



# EMERGING MARKETS RUSSIA BULLISH (+29.39% YTD)

## Observations:

- ❑ **Price** closed November up +0.75% on average volume, posting a fresh new monthly closing recovery high. The set-up remains bullish following a successful test of key support after resolving above the neckline of a multi-year base formation of the “Head & Shoulders” variety. A new primary uptrend has been established.
- ❑ **Momentum** turned positive in April and appears to be staging a successful bullish reversal after penetrating trend line resistance.
- ❑ **Relative strength** vs. emerging markets has been ascending steadily higher after penetrating trend line resistance in April.
- ❑ **Key Resistance** = \$28
- ❑ **Key Support** = \$22

## Conclusions:

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



Source: StockCharts.com

# EMERGING MARKETS FRONTIER 100

**NEUTRAL** (+14.84% YTD)

## Observations:

- ❑ **Price** closed November up +3.40% on light volume, holding well-below key resistance. The near-term trend remains neutral after a successful test key support. The weak advance off the December low has only recovered about 62% of the 2018 decline.
- ❑ **Momentum** is positive, having staged an impressive bullish reversal.
- ❑ **Relative strength** vs. emerging markets has turned up after consolidating its recent advance since resolving sharply to the upside above a multi-year descending trend line from a six-year low.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$27

## Conclusions:

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

- ❑ Target: N/A



Source: StockCharts.com



Source: Hedgeye.com

# MACRO PERSPECTIVES

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

# COMMODITY REUTERS/JEFFRIES CRB INDEX NEUTRAL (+4.04% YTD)

## Observations:

- ❑ **Price** closed November essentially flat, but appears to be near completing an (a-b-c-d-e) “Symmetrical Triangle” formation. This is typical of 4<sup>th</sup> waves and its considered to be a continuation pattern of the larger degree trend. If this interpretation is correct, then wave 5 down should terminate below the wave 3 low to complete the impulse wave before a larger degree upward correction ensues.
- ❑ **Momentum** remains negative after penetrating trend line resistance, and is struggling to stage a bullish reversal.
- ❑ **Relative strength** vs. the S&P 500 index has been in decline since mid-2011, but in recent months has begun to flatten out somewhat.
- ❑ **Key Resistance = 190** (= potential “wave e” high)
- ❑ **Key Support = 166**

## Conclusions:

- ❑ **Limit exposure.** The wave count projects one more lower low. Once we have identified a high confidence low, we’ll position to take advantage of a what could be a sizable bounce. Until then, we’ll stay on the sidelines.
- ❑ Target = N/A



# COMMODITY COPPER BEARISH (+1.16% YTD)

## Observations:

- ❑ **Price** closed November up +0.89%, holding well-below key resistance. The near term trend has been down since 2018 and appears suspect below key resistance. The long-term trend has been down since 2011.
- ❑ **Momentum** has been attempting to turn up after penetrating trend line resistance, but remains negative.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index breached trend line support, establishing a new downtrend in July.
- ❑ **Key Resistance** = \$3.00
- ❑ **Key Support** = \$2.50

## Conclusions:

- ❑ **Minimize exposure.** Copper is technically very weak. Our Bearish opinion assumes a breach of key support and subsequent breach of the 2016 low. A monthly close above \$2.70 would move our opinion to neutral.
- ❑ **New Target** = \$1.70



Source: StockCharts.com

# COMMODITY GOLD BULLION BULLISH (+14.94% YTD)

## Observations:

- ❑ **Price** has resolved above the neckline of a six-year base formation of the “Cup & Handle” variety. There is an old technician’s maxim that speaks to the significance of the long-term nature of the pattern: “The bigger the base, the higher in space.”
- ❑ **Momentum** turned positive in May and is now consolidating its advance at much higher levels after penetrating trend line resistance.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index broke out to a new all-time record high in July and has since been consolidating.
- ❑ **Key Resistance** = \$1735 (= 78.6% retracement)
- ❑ **Key Support** = \$1450

## Conclusions:

- ❑ **Increase exposure.** The slight new recovery high in September along with strong momentum and renewed leadership among its CRB peers make this barbarous relic a triple threat. While price may need to further consolidate its gains in the near-term, the long-term pattern remains very constructive. Only a *monthly close* below key support would move us to the sidelines. We’ve raised our price target.
- ❑ **New Target = \$1735**



Source: StockCharts.com

# COMMODITY

## WTI CRUDE OIL

### BULLISH (+21.49% YTD)

#### Observations:

- ❑ **Price** closed November up +1.83%. Recall that September witnessed the largest single-day gain in the commodity's history following a major terrorist attack on Saudi Arabia's oil production infrastructure. That rally penetrated a key down trend off the 2018 high. As long as price can hold above key support, the bull case will remain alive and well.
- ❑ **Momentum** turned sharply higher in November and is now positive, after struggling for months to rally since penetrating trend line resistance.
- ❑ **Volatility** is often considered to be a contrarian measure of sentiment. Higher levels imply fear. Spikes in the OVX above 40% have tended to closely correspond with important lows in price.
- ❑ **Key Resistance** = \$66
- ❑ **Key Support** = \$51

#### Conclusions:

- ❑ **Increase exposure.** Our Bullish opinion assumes a minimum 100% retracement of the Q418 decline, and is based upon geopolitical unrest in the Middle East, a dovish Fed policy tilt, and a bearish US dollar tilt.
- ❑ **Target** = \$81



Source: StockCharts.com

# INFRASTRUCTURE ALERIAN MLP INDEX NEUTRAL (-9.74% YTD)

## Observations:

- ❑ **Price** closed November down another -6.83%, posting a new monthly closing low, and breach of key support. If this low holds, it's possible to consider it a successful test of the 2016 lows.
- ❑ **Momentum** turned back down, and remains deeply negative after breaching trend line support in August.
- ❑ **Relative strength** vs. the S&P 500 index made a fresh new 10-year low in November, following the steep decline in progress since 2014.
- ❑ **Key Resistance** = 260
- ❑ **Key Support** = 180

## Conclusions:

- ❑ **Limit exposure.** MLPs have experienced an increased correlation to WTI crude oil in recent months. Notwithstanding the potential for continued price volatility within the recent consolidation range, we find the high dividend yield to be an attractive feature of the asset class, but would recommend waiting for a bullish inflection above key resistance to get involved.
- ❑ Target = N/A





# COMMODITY NYSE BITCOIN INDEX BULLISH (+105.60% YTD)

## Observations:

- ❑ **Price** closed November down -16.36%, holding above key support, and leaving a long shadow in its wake suggesting an interim low. The impulsive character of that advance suggests that it should be respected.
- ❑ **Momentum** remains strongly positive, and appears poised to emerge from a year-long base.
- ❑ **Relative Strength:** By comparison, the 17 most widely traded commodities, illustrated by the CRB index, have all significantly underperformed Bitcoin since December. Despite a near-term pull-back, the crypto-king has been staging a powerful bearish-to-bullish reversal in RS since January.
- ❑ **Key Resistance = 15400** (= 78.6% retracement)
- ❑ **Key Support = 6500**

## Conclusions:

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



Source: StockCharts.com

# CURRENCY

## US DOLLAR INDEX

### BEARISH (+2.58% YTD)

#### Observations:

- ❑ **Price** closed November up +1.08%, retracing 2/3s of last months decline, and closing well-below key resistance. By our work a close beneath the lower boundary of the “ending diagonal triangle” pattern would confirm a trend change.
- ❑ **Momentum** remains very slightly positive, but a negative divergence has been established vs. the new high in price. A breach of the zero line would confirm our analysis.
- ❑ **Key Resistance** = 99
- ❑ **Key Support** = 95

#### Conclusions:

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



Source: StockCharts.com

# CURRENCY

## EURO/US DOLLAR

### BULLISH (-3.86% YTD)

#### Observations:

- ❑ **Price** closed November down -1.20%, retracing 2/3s of the October advance, and holding well-above key support. By our work a monthly close above the upper boundary of the “ending diagonal triangle” pattern would confirm a trend change.
- ❑ **Momentum** remains slightly negative, after turning sharply higher in October. Since penetrating trend line resistance, it has been attempting a bullish reversal. A positive divergence is now evident.
- ❑ **Key Resistance = 1.145**
- ❑ **Key Support = 1.09**

#### Conclusions:

- ❑ **Increase exposure.** The technical characteristics of the Euro nearly mirror those of the US Dollar. A monthly close above key resistance at 1.145 would open the door to a test of the structural downtrend off the 2011/14 highs. A breach of key support would move us back to the sidelines.
- ❑ **Target = 1.24**



Source: StockCharts.com

# CURRENCY

## YEN/US DOLLAR

### BULLISH (+0.12% YTD)

#### Observations:

- ❑ **Price** closed November down -1.33%, and remains within a well-defined trading range bound by converging trend lines from above and below that are characteristic of a lateral consolidation of the “Barrier Triangle” variety. If the wave B triangle of a larger degree three wave (A-B-C) correction is near complete, then wave C should advance to the 61.8% retracement of the 2012/15 decline (1-2-3-4-5).
- ❑ **Momentum** is now positive after penetrating trend line resistance, and is consolidating its advance at a much higher level.
- ❑ **Key Resistance = 0.95**
- ❑ **Key Support = 0.87**

#### Conclusions:

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



Source: StockCharts.com

# INTEREST RATES

## 10-YEAR US TREASURY NOTE

### NEUTRAL (+5.85% YTD)

#### Observations:

- ❑ **Price** closed November down -0.80%, but held well above key support. Heightened fears over trade policy and a weak global growth outlook continue fuel demand for safe haven assets like T-Notes, pushing 10-year yields to near their 2016 lows.
- ❑ **Momentum** turned positive in January and is now consolidating gains after accelerating higher in a near vertical ascent.
- ❑ **Fed** fund futures are now pricing in a 94.8% probability of no change in policy rates at the December 11<sup>th</sup> FOMC meeting, according to the CME FedWatch Tool. This suggests that the market is comfortable that the Fed is no longer behind the curve.
- ❑ **Key Resistance = 133**
- ❑ **Key Support = 127**

#### Conclusions:

- ❑ **Maintain exposure.** With so much talk about a bubble in sovereign debt, it is difficult to become too bearish on bonds long-term, however, near-term bullish sentiment may still be a tad too hot. That being said, the bond market is the smart money!
- ❑ Target = N/A



Source: StockCharts.com



Source: Hedgeye.com

# APPENDIX

- ☐ Methodology
- ☐ Analyst Bio
- ☐ Disclaimer

# METHODOLOGY

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

# ANALYST BIO

- ❑ Jeffrey W. Huge, CMT has 29 years of investment industry experience across global equity and debt capital markets. He is President & Chief Investment Officer at JWH Investment Partners, a private family office and independent research firm.
- ❑ Prior to launching JWH Investment Partners, Huge worked at The Leuthold Group and Leuthold Management, where he co-managed a global macro hedge fund alongside respected contrarian-value investor Steve Leuthold.
- ❑ Previously, he held senior level positions in institutional sales, trading, and portfolio management at several top-tier investment banks including Oppenheimer, Citigroup, and Merrill Lynch, where he specialized in equity markets, technical analysis, and global macro strategy.
- ❑ Huge earned his MBA in Finance from the University of St. Thomas, and holds a Bachelor's degree in Economics from the University of Minnesota. He completed advanced training and was certified in portfolio management under the instruction of Professor Emanuel Derman, Ph.D. at Columbia University's Center for Financial Engineering.
- ❑ Huge is a [CMT Charterholder](#) and has been a member of the CMT Association since 2005.



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