

# ALPHA INSIGHTS

GLOBAL MARKET ANALYSIS | SECTOR ROTATION MODELS | ACTIONABLE STOCK IDEAS

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# EXECUTIVE SUMMARY

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

Investor optimism over the Fed's dovish pivot and continued progress toward a China trade deal has led the S&P 500 to post a monthly close above our long-standing key resistance level of 2817. As such, we are reluctantly obligated to upgrade our rating to Neutral for the large-cap index. But the price action in small and mid-cap stocks is divergent. Both the S&P 400 and 600 indexes remain stubbornly below their respective key resistance levels, while breadth and momentum are showing clear signs of weakness. The number of NASDAQ stocks above their 200-DMA has slipped to 42%, while the S&P 600 narrowly closed above zero on a 12-month ROC basis this month. We maintain our Bearish view toward small and mid-cap stocks.

## ❑ [Sector Rotation and Portfolio Positioning \(Page 14\)](#)

Our monthly RS-Momentum analysis of the eleven S&P 500 equal-weight sectors ranks Technology, Real Estate, and Utilities as leadership, with notable improvement from Consumer Staples. Industrials, Discretionary, Communications, Materials, and Health Care have been weakening, while Energy and Financials lag. We detail a list of long and short alpha candidates for the month of April. Our [March performance report card \(page 38\)](#) examines portfolio attribution and results thru 3/31/2019.

## ❑ [Actionable Trade Ideas \(Page 39\)](#)

We recommend the purchase of Synopsys (SNPS), Xerox (XRX), Equinix (EQIX), Regency Realty (REG), Consolidated Edison (ED), Alliant Energy (LNT), Estee Lauder (EL), and Costco (COST) for new money on the long side. We recommend the sale of E\*TRADE Financial (ETFC), Charles Schwab (SCHW), Expedia (EXPE), and Booking Holdings (BKNG) on the short side.

## ❑ [Foreign Equity Markets \(Page 46\)](#)

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

## ❑ [Macro Perspectives \(Page 64\)](#)

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

## ❑ [Appendix \(Page 72\)](#)

Methodology; Analyst Bio; Disclaimer.



Source: Hedgeye.com

# U.S. EQUITY MARKETS

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

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

**NEUTRAL** (+13.65% YTD)



## Observations:

- ❑ **Price** has now recovered 82% of its Q4 decline, posting a monthly close above prior key resistance of 2817 in March. Despite its compelling advance, upside volume remains anemic and the index has yet to post a new monthly closing high.
- ❑ **Momentum** remains positive after recovering above the zero line, but its downtrend persists and a negative divergence remains in place.
- ❑ **Relative strength** of large-cap stocks have regained the upward trajectory necessary to resume their bullish reversal off the 2016/2018 lows.
- ❑ **Key Resistance = 2941**
- ❑ **Key Support = 2813**

## Conclusions:

- ❑ **Upgrading to Neutral.** The monthly close above 2817 moves our opinion to Neutral. Increase equity exposure to a benchmark weighting. A new all-time high would move our view to Bullish. A monthly close below key support at 2813 would put us back on the defensive, and lead us to downgrade our opinion to Bearish.
- ❑ Target = N/A



Source: StockCharts.com

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

## BEARISH (+14.02% YTD)

### Observations:

- ❑ **Price action** since late-August remains consistent with the early stages of a developing bear market. Despite a 78.6% retracement of the Q4 decline, and related test of overhead resistance at 1967, upside volume remains anemic and the index has yet to post a monthly close above that key resistance level.
- ❑ **Momentum** has halted its decline and recovered above the zero line, a bullish data point to be sure, but its downtrend persists and a negative divergence remains in place.
- ❑ **Relative strength** of mid-caps has turned down again, having trailed the S&P 1500 since 2017, and breaching a well-established six-year support level last July.
- ❑ **Key Resistance = 1967**
- ❑ **Key Support = 1769**

### Conclusions:

- ❑ **Reduce exposure.** The bull market advance off the 2009 low appears to have reached its terminal point. A monthly close above 1967 would negate this view and result in an upgrade of our opinion to Neutral.
- ❑ **Target = 1225**



Source: StockCharts.com

# U.S. SMALL CAP S&P 600 INDEX **BEARISH** (+11.17% YTD)

## Observations:

- ❑ **Price** action since late-August remains consistent with the early stages of a developing bear market. Despite a 2/3s retracement of its decline and related test of overhead resistance at 994, upside volume remains anemic and the index has yet to post a monthly close above key resistance.
- ❑ **Momentum** has halted its decline, but only narrowly held above the zero line. Its downtrend persists and a negative divergence remains in place.
- ❑ **Relative strength** made a new high last August, but has since collapsed and breached support, establishing a new downtrend.
- ❑ **Key Resistance** = 994
- ❑ **Key Support** = 879

## Conclusions:

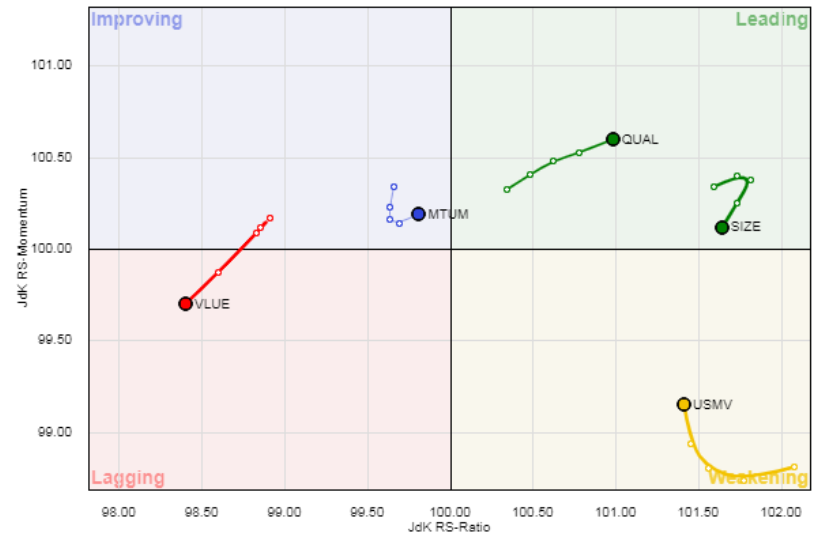
- ❑ **Reduce exposure.** The bull market advance off the 2009 low appears to have reached its terminal point. A monthly close above 994 would negate this view and be grounds to upgrade our opinion to Neutral.
- ❑ **Target** = 643



Source: StockCharts.com

# MSCI FACTOR LEADERSHIP

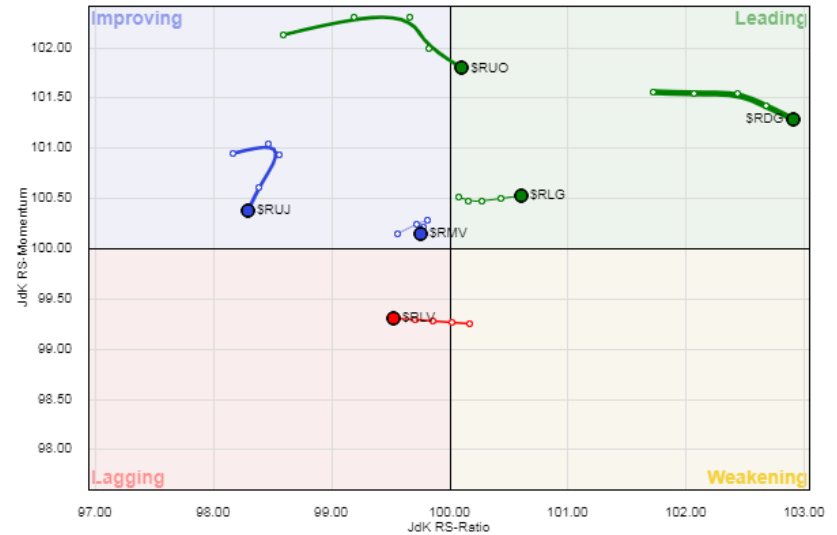
| <u>RS-Momentum Rank</u>  | <u>MAR Return</u> | <u>TTM Return</u> |
|--------------------------|-------------------|-------------------|
| 1. High Quality (QUAL)   | + 2.5%            | + 10.6%           |
| 2. Low Volatility (USMV) | + 2.7%            | + 16.7%           |
| 3. Momentum (MTUM)       | + 2.1%            | + 9.1%            |
| 4. Capitalization (SIZE) | + 0.5%            | + 9.7%            |
| 5. Low Valuation (VLUE)  | - 1.0%            | + 1.3%            |



Source: StockCharts.com

# RUSSELL STYLE BOX LEADERSHIP

|    | <u>RS-Momentum Rank</u> | <u>MAR Return</u> | <u>TTM Return</u> |
|----|-------------------------|-------------------|-------------------|
| 1. | Large-Cap Growth (RLG)  | + 2.7%            | + 13.0%           |
| 2. | Mid-Cap Growth (RDG)    | + 1.3%            | + 12.1%           |
| 3. | Small-Cap Growth (RUO)  | - 1.4%            | + 4.5%            |
| 4. | Large-Cap Value (RLV)   | + 0.4%            | + 4.2%            |
| 5. | Mid-Cap Value (RMV)     | + 0.2%            | + 1.7%            |
| 6. | Small-Cap Value (RUJ)   | - 3.2%            | - 1.1%            |



Source: StockCharts.com

# RUSSELL STYLE BOX...CONTINUED

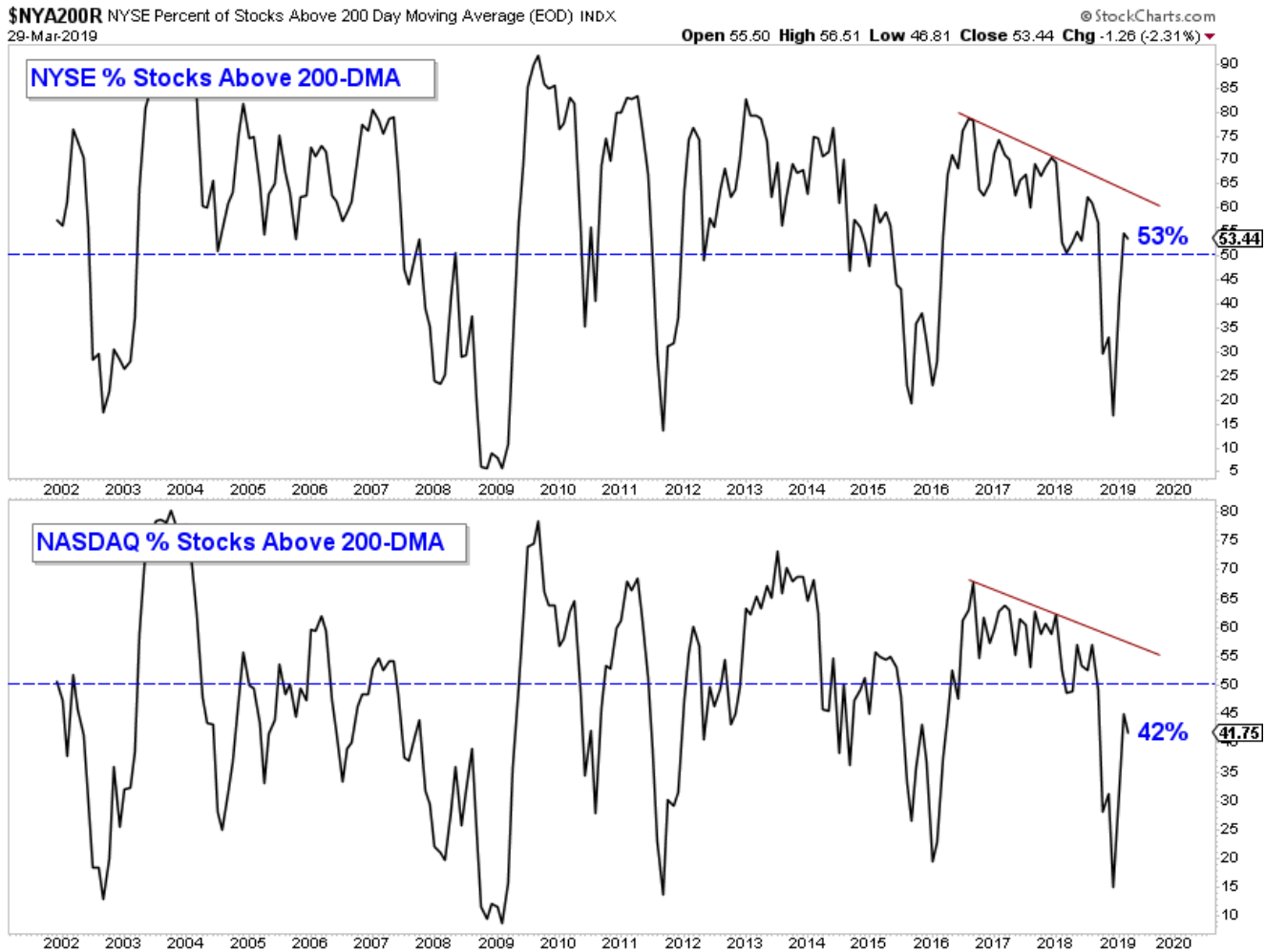
## Growth is Leading



## Large-Cap is Leading

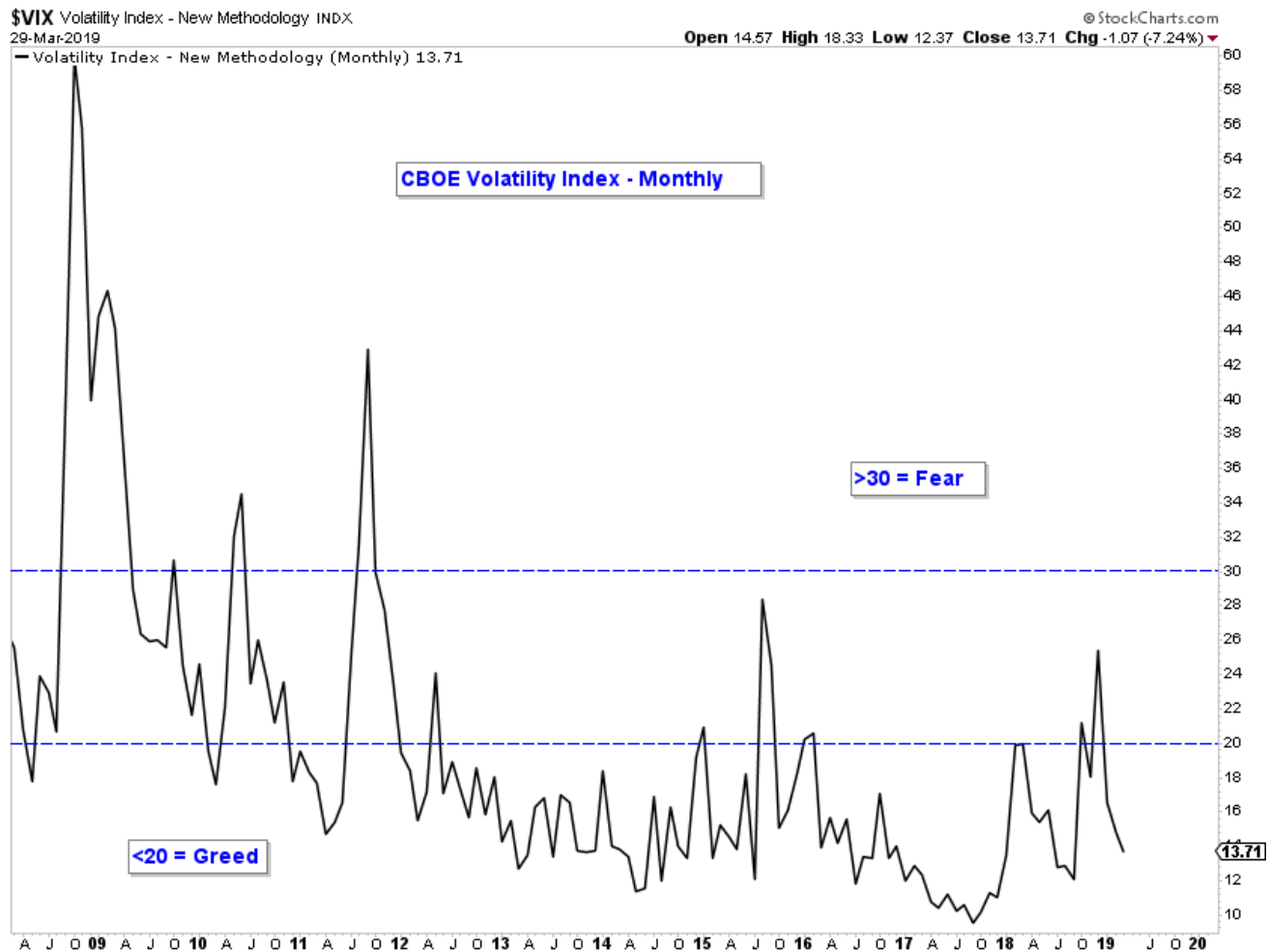


# MARKET BREADTH = WEAKENING



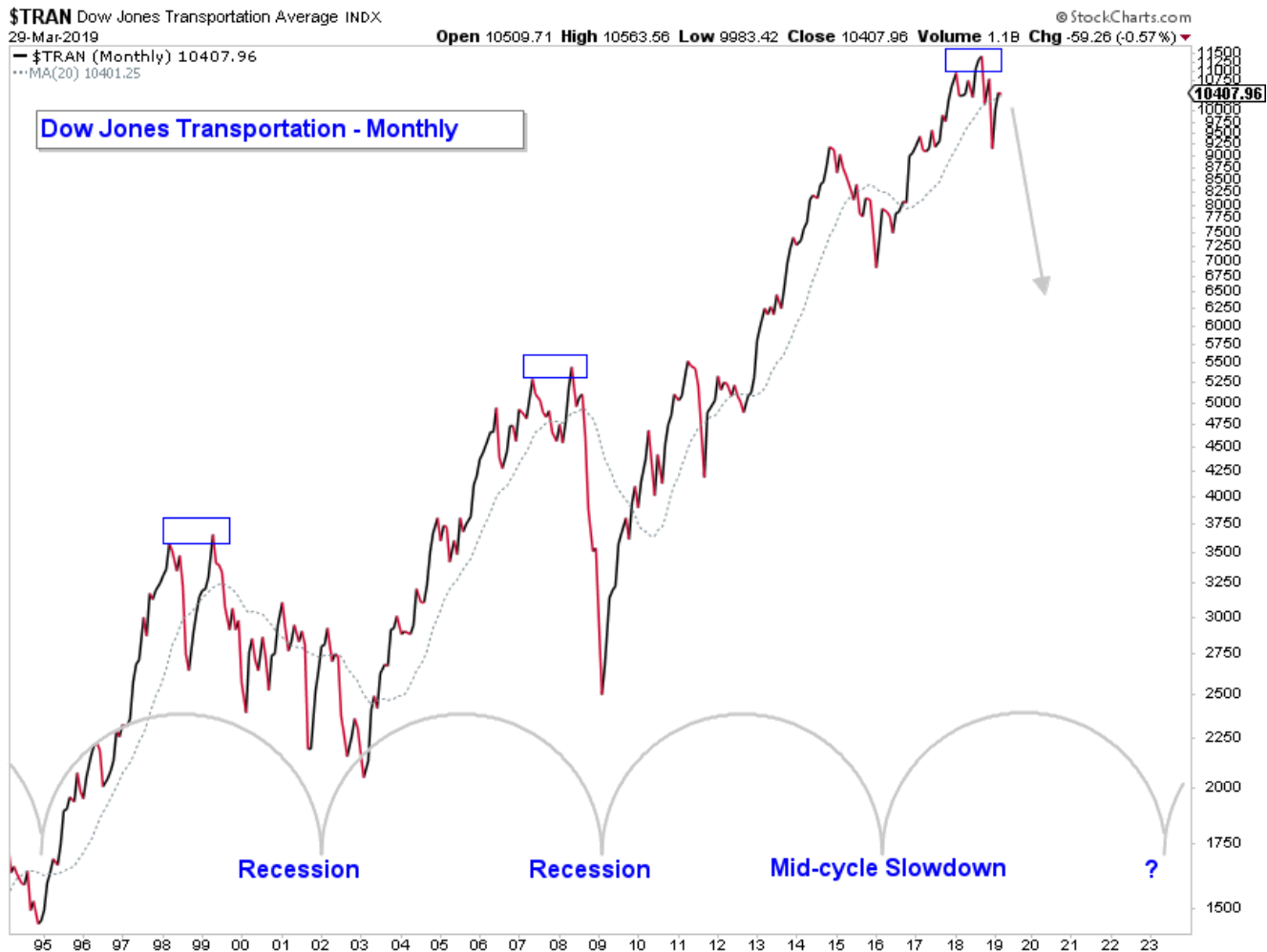
Source: StockCharts.com

# INVESTOR SENTIMENT = OPTIMISTIC



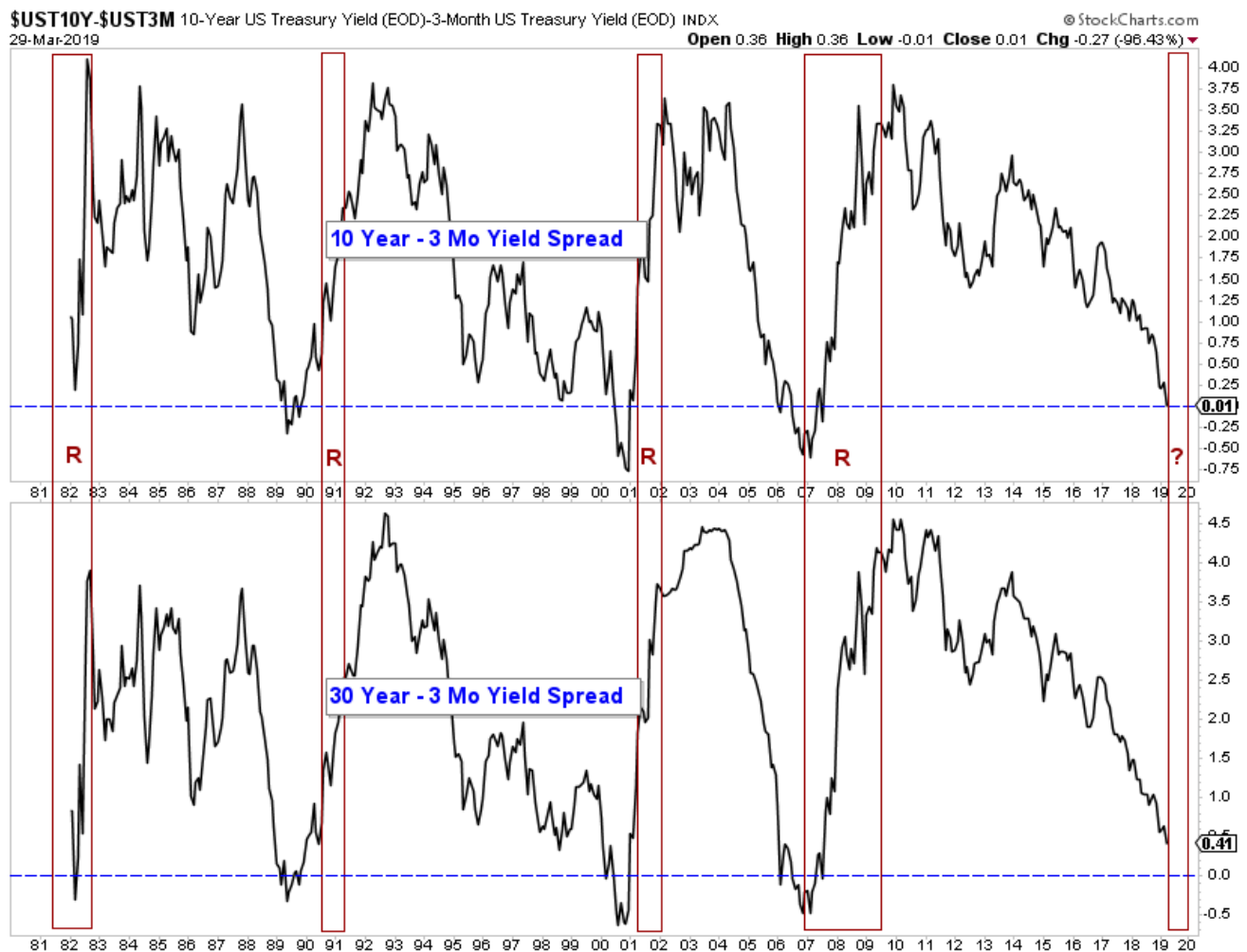
Source: StockCharts.com

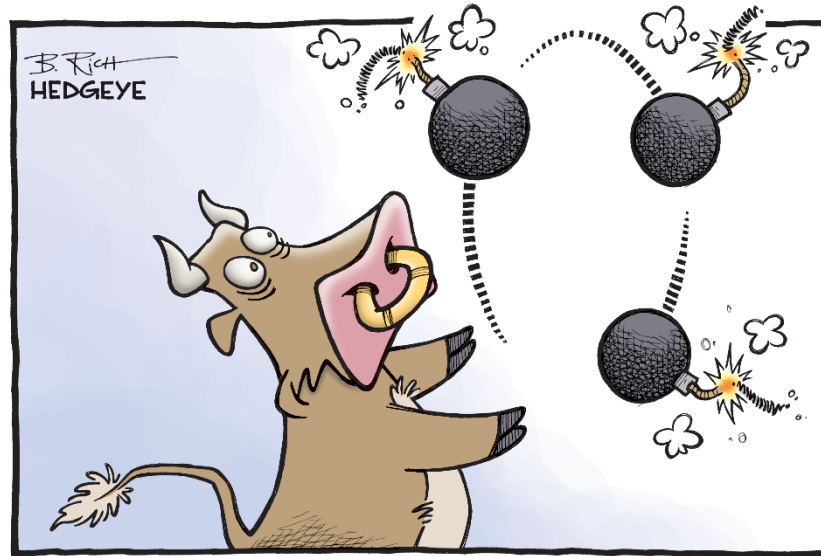
# ECONOMIC CYCLE = PEAKING



Source: StockCharts.com

# YIELD CURVE = FLAT





Source: Hedgeye.com

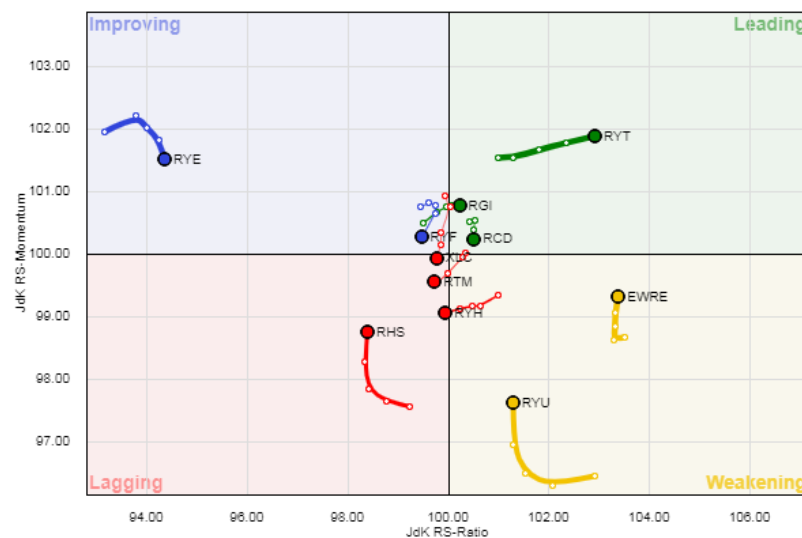
# SECTOR ROTATION

- ☐ S&P 500 Sector Leadership & Positioning
  - ☐ Sector RS-Momentum Rank
  - ☐ Sector Technical Analysis
  - ☐ Long/Short Alpha Candidates by Sector - April
  - ☐ Long/Short Performance Report Card - March

# S&P SECTOR LEADERSHIP

|                          | <u>RS-Momentum Rank</u> | <u>MAR Return</u> | <u>TTM Return</u> |
|--------------------------|-------------------------|-------------------|-------------------|
| 1. Technology (RYT)      |                         | + 2.3%            | + 14.8%           |
| 2. Real Estate (EWRE)    |                         | + 3.7%            | + 19.7%           |
| 3. Utilities (RYU)       |                         | + 3.1%            | + 21.7%           |
| 4. Staples (RHS)         |                         | + 4.0%            | + 7.4%            |
| 5. Industrials (RGI)     |                         | - 0.1%            | + 4.2%            |
| 6. Discretionary (RCD)   |                         | + 1.4%            | + 9.1%            |
| 7. Communications (EWCO) |                         | - 0.4%            | + 9.1%            |
| 8. Materials (RTM)       |                         | + 0.6%            | + 3.3%            |
| 9. Healthcare (RYH)      |                         | + 0.1%            | + 11.3%           |
| 10. Energy (RYE)         |                         | + 2.6%            | - 2.8%            |
| 11. Financials (RYF)     |                         | - 3.5%            | - 5.0%            |

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



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT TECHNOLOGY SECTOR OVERWEIGHT (+21.09% YTD)



## Observations:

- ❑ **Price** made a new all-time monthly closing high in March. Despite anemic upside volume, the successful penetration of key resistance may now be setting-up a rally to further new highs in April.
- ❑ **Momentum** has halted its decline and recovered nicely above the zero line, but its downtrend persists and a negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock has rallied aggressively after testing support and just posted a new recovery high in March.
- ❑ **Key Resistance** = \$173
- ❑ **Key Support** = \$170

## Conclusions:

- ❑ Technology maintained the **#1 rank** in our sector RS-Momentum work for a second month.
- ❑ **Upgrade to Overweight.** The monthly close above \$170 moves our technical view to the bullish side on this sector. Select software stocks appear to be leading the charge.
- ❑ **Target** = \$180



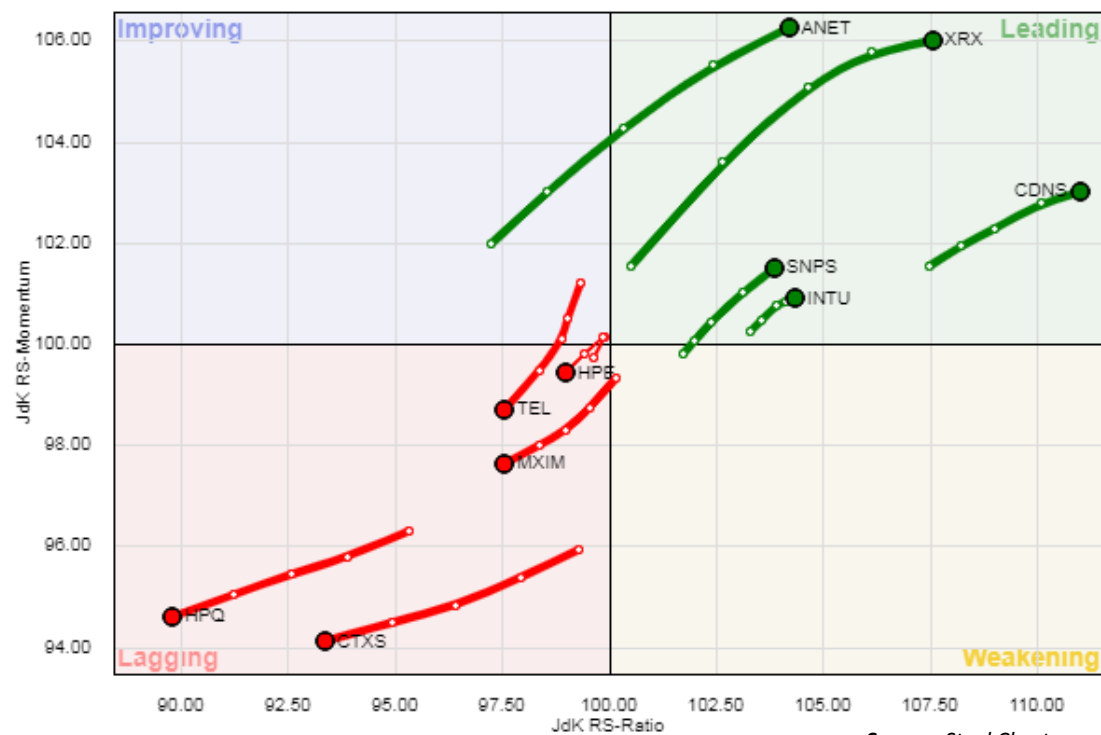
# S&P 500 TECHNOLOGY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Cadence Design (CDNS)
2. Xerox (XRX)
3. Arista Networks (ANET)
4. Intuit (INTU)
5. Synopsys (SNPS)

## Short RS-Momentum Laggards

1. HP (HPQ)
2. Citrix Systems (CTXS)
3. Maxim Integrated (MXIM)
4. TE Connectivity (TEL)
5. Hewlett Packard Ent (HPE)



# S&P 500 CAP-WEIGHT REAL ESTATE SECTOR OVERWEIGHT (+16.81% YTD)

## Observations:

- ❑ **Price** made a third consecutive new all-time monthly closing high in March, holding well-above key support throughout the month.
- ❑ **Momentum** is resolutely positive and has reversed sharply above a multi-year descending trend line, negating a prior negative divergence.
- ❑ **Relative strength** vs. the average S&P stock had been in decline since 2Q16, but appears to have bottomed in early 2018 and is now staging a bullish upside reversal.
- ❑ Key Resistance = N/A
- ❑ Key Support = \$33

## Conclusions:

- ❑ Real Estate popped six positions to the **#2 rank** in our sector RS-Momentum work for the month.
- ❑ **Maintain Overweight.** Solid price action and improving momentum continue to support our favorable technical view on this sector. Cell Tower REITs appear exceptionally strong.
- ❑ **Target = \$38**



Source: StockCharts.com

# S&P 500 REAL ESTATE ALPHA DRIVERS

## Long RS-Momentum Leaders

1. American Tower (AMT)
2. Alexandria RE Equity (ARE)
3. Crown Castle Int'l (CCI)
4. Equinix (EQIX)
5. Regency Realty (REG)

## Short RS-Momentum Laggards

1. Macerich (MAC)
2. Public Storage (PSA)
3. Iron Mountain (IRM)
4. Ventas (VTR)
5. HCP (HCP)



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT UTILITIES SECTOR

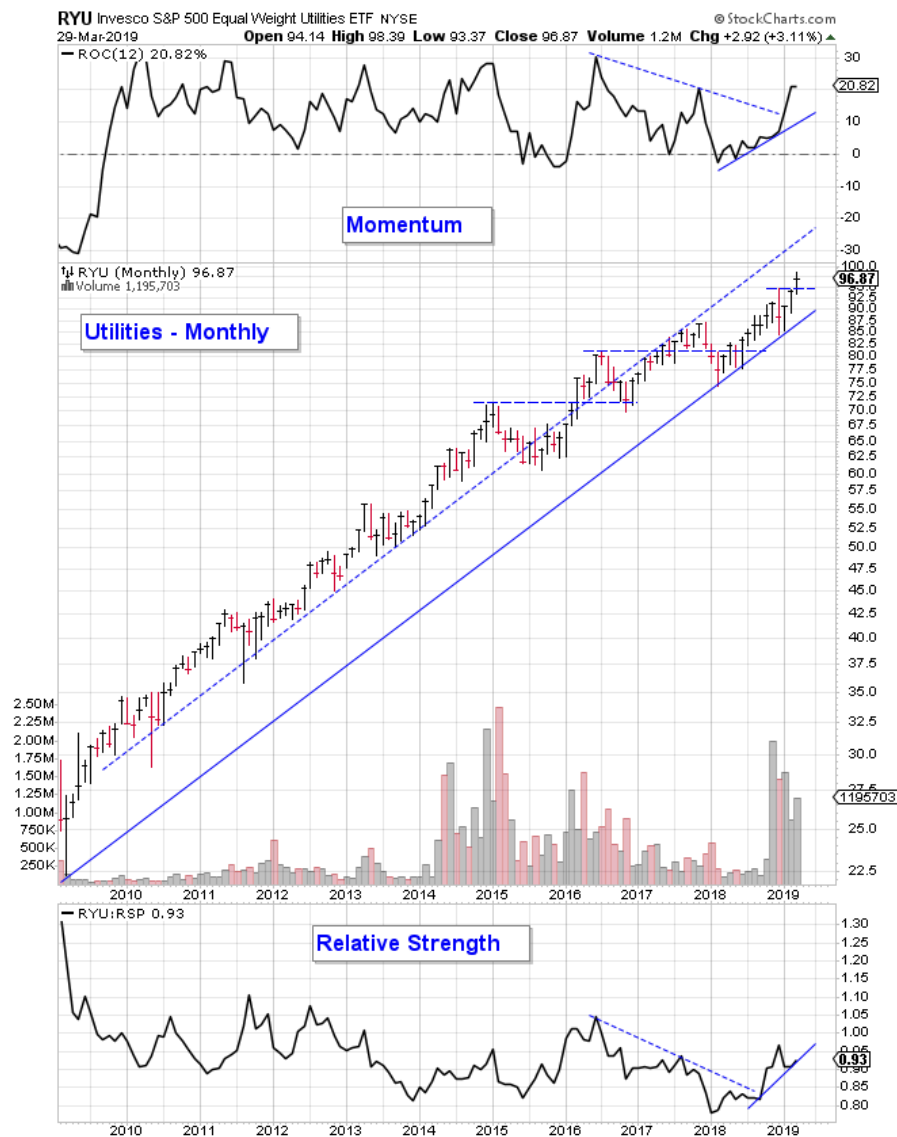
## OVERWEIGHT (+9.92% YTD)

### Observations:

- ❑ **Price** made another new all-time monthly closing high in March. The successful challenge of key resistance may now be setting-up a rally to further new highs in April.
- ❑ **Momentum** remains resolutely positive, and penetrated a multi-year descending trend line, negating a prior negative divergence.
- ❑ **Relative strength** vs. the average S&P stock broke out above a 2-year descending trend line in mid-2018, and has now regained the upward trajectory necessary to resume its bullish reversal.
- ❑ Key Resistance = N/A
- ❑ Key Support = \$94

### Conclusions:

- ❑ Utilities jumped six positions to the **#3 rank** in our sector RS-Momentum work this month.
- ❑ **Maintain Overweight.** Solid price action and improving momentum continue to support our favorable technical view on this sector.
- ❑ **Target = \$104**



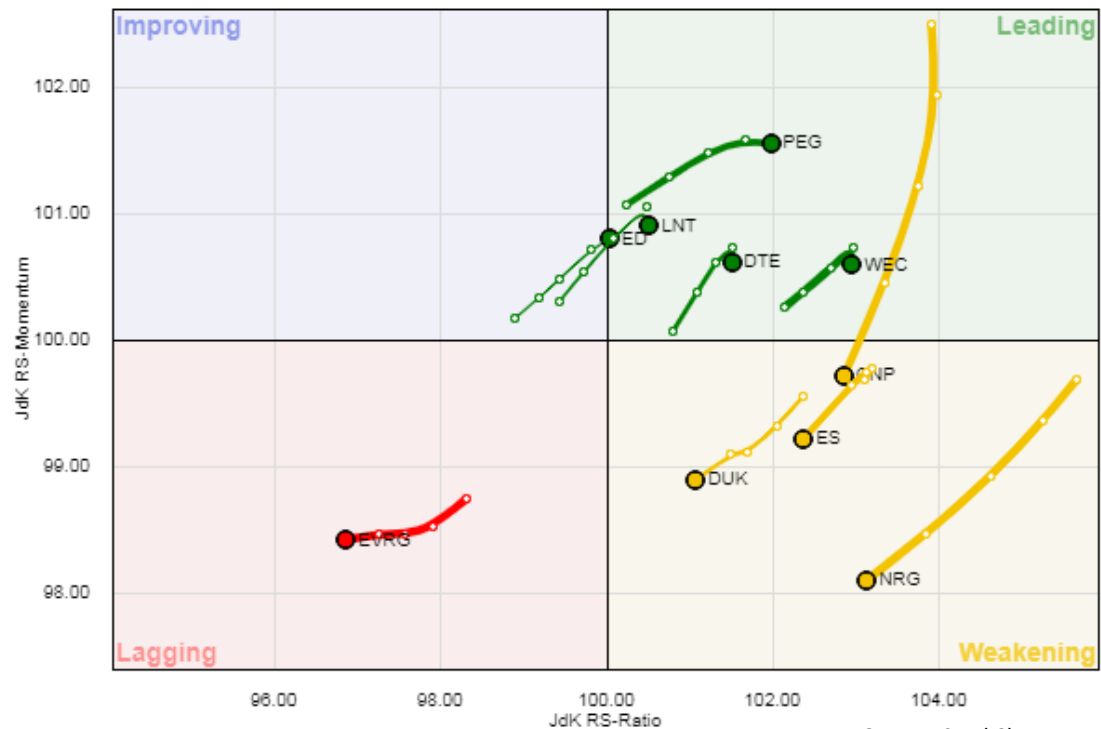
# S&P 500 UTILITIES ALPHA DRIVERS

## Long RS-Momentum Leaders

1. WEC Energy (WEC)
2. Public Service Enterprise (PEG)
3. DTE Energy (DTE)
4. Alliant Energy (LNT)
5. Consolidated Edison (ED)

## Short RS-Momentum Laggards

1. Evergy (EVRG)
2. Duke Energy (DUK)
3. EverSource Energy (ES)
4. CenterPoint (CNP)
5. NRG Energy (NRG)



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT STAPLES SECTOR OVERWEIGHT (+13.32% YTD)

## Observations:

- ❑ **Price** posted its highest monthly close in 14 months, exceeding the upper boundary of a well-defined trading range. Despite anemic upside volume, the successful penetration of key resistance may now be setting-up a rally to further new highs in April.
- ❑ **Momentum** has recovered above the zero line and is poised to challenge the upper boundary of its descending trend channel, but its downtrend persists and a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock had collapsed since 2016, but appears to have bottomed in mid-2018 and is now striving to reverse higher.
- ❑ **Key Resistance** = \$135
- ❑ **Key Support** = \$130

## Conclusions:

- ❑ Consumer Staples rallied seven positions to the **#4 rank** in our sector RS-Momentum work this month.
- ❑ **Maintain Overweight.** Solid price action and improving momentum continue to support our favorable technical view on this sector.
- ❑ **Target** = \$135



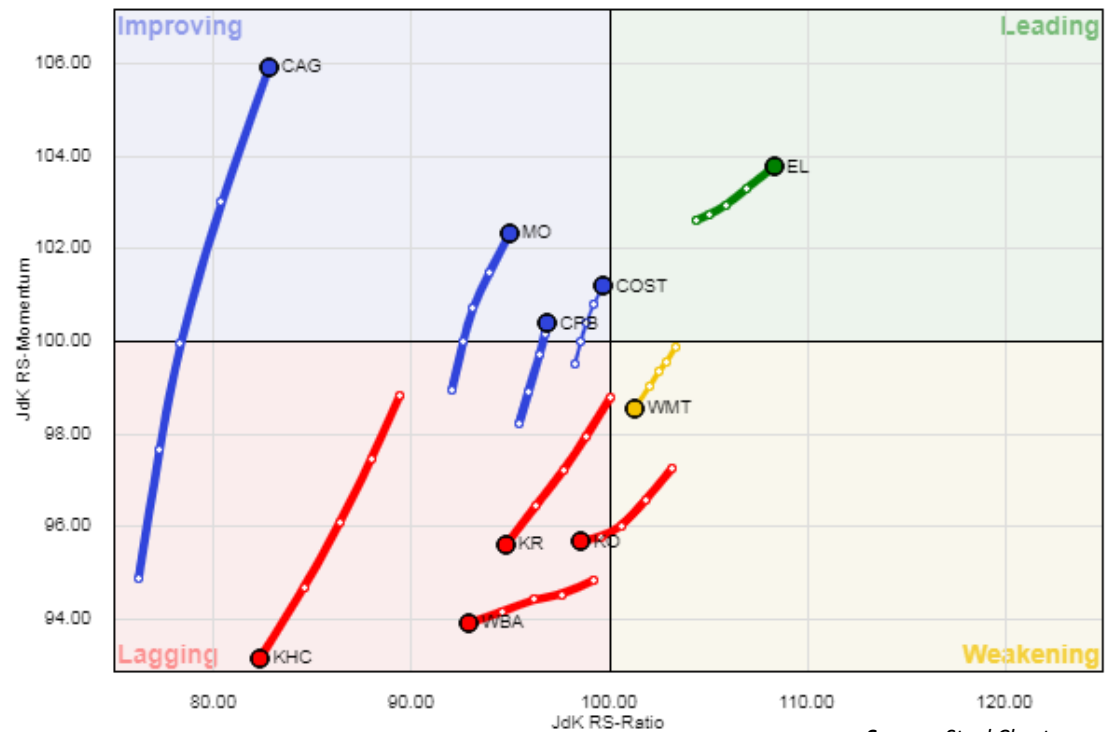
# S&P 500 STAPLES ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Estee Lauder (EL)
2. ConAgra (CAG)
3. Altria (MO)
4. Campbell Soup (CPB)
5. Costco (COST)

## Short RS-Momentum Laggards

1. Kraft Heinz (KHC)
2. Walgreens Boots (WBA)
3. Kroger (K)
4. Coca Cola (KO)
5. Walmart (WMT)



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT INDUSTRIAL SECTOR

## MARKET WEIGHT (+16.85% YTD)

### Observations:

- ❑ **Price** has recovered 80% of its Q4 decline after closing below key support in December, and violating a multi-year ascending trend line off the 2016 low last October. Despite its compelling advance, the sector has yet to post a monthly close above key resistance.
- ❑ **Momentum** has recovered and is holding above the zero line, but its downtrend persists and a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock breached a 2-year ascending trend line last March, and has since made a series of lower highs.
- ❑ **Key Resistance** = \$126
- ❑ **Key Support** = \$110 (*Breached*)

### Conclusions:

- ❑ Industrials slipped one position to the **#5 rank** in our RS-Momentum work this month.
- ❑ **Maintain Market Weight.** Two consecutive monthly closes at \$120 confirms our neutral technical view on this sector. Airlines continue to look vulnerable.
- ❑ **Target** = N/A



Source: StockCharts.com

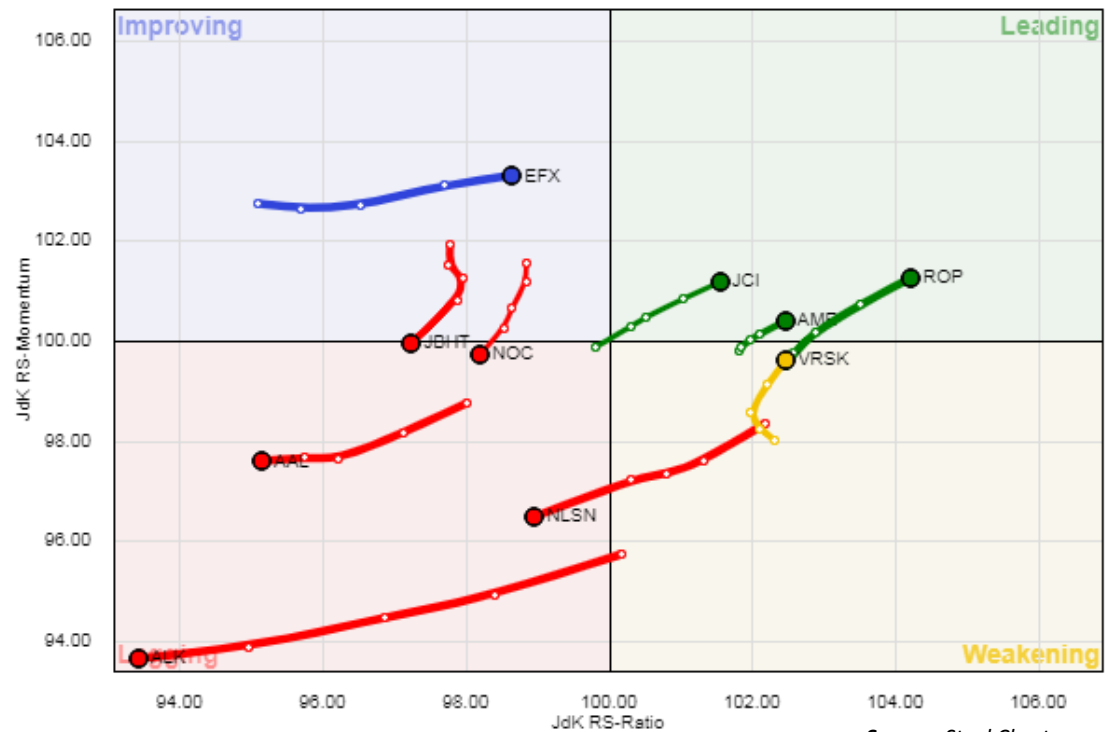
# S&P 500 INDUSTRIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Roper Technologies (ROP)
2. Ametek (AME)
3. Johnson Controls (JCI)
4. Equifax (EFX)
5. Verisk Analytics (VRSK)

## Short RS-Momentum Laggards

1. Alaska Air Group (ALK)
2. American Airlines (AAL)
3. Nielsen (NLSN)
4. J.B. Hunt Transport (JBHT)
5. Northrop Grumman (NOC)



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT DISCRETIONARY SECTOR MARKET WEIGHT (+16.15% YTD)

## Observations:

- ❑ **Price** has recovered 86% of its Q4 decline after closing below key support in December, and violating a multi-year ascending trend line off the 2015 low in October. Despite its compelling advance, the sector has yet to post a new monthly closing high.
- ❑ **Momentum** has halted its decline and recovered above the zero line, but a shelf of resistance remains and has been in place since 2014.
- ❑ **Relative strength** vs. the average S&P stock had been in decline since mid-2015, and is now struggling to reverse higher with little progress.
- ❑ **Key Resistance** = \$107
- ❑ **Key Support** = \$94 (*Breached*)

## Conclusions:

- ❑ Discretionary sank four positions to the **#6 rank** in our sector RS-Momentum work this month.
- ❑ **Maintain Market Weight.** Two consecutive monthly closes above the prior month's range - yet below key resistance - suggests progress, but confirms our neutral technical view on this sector.
- ❑ Target = N/A



Source: StockCharts.com

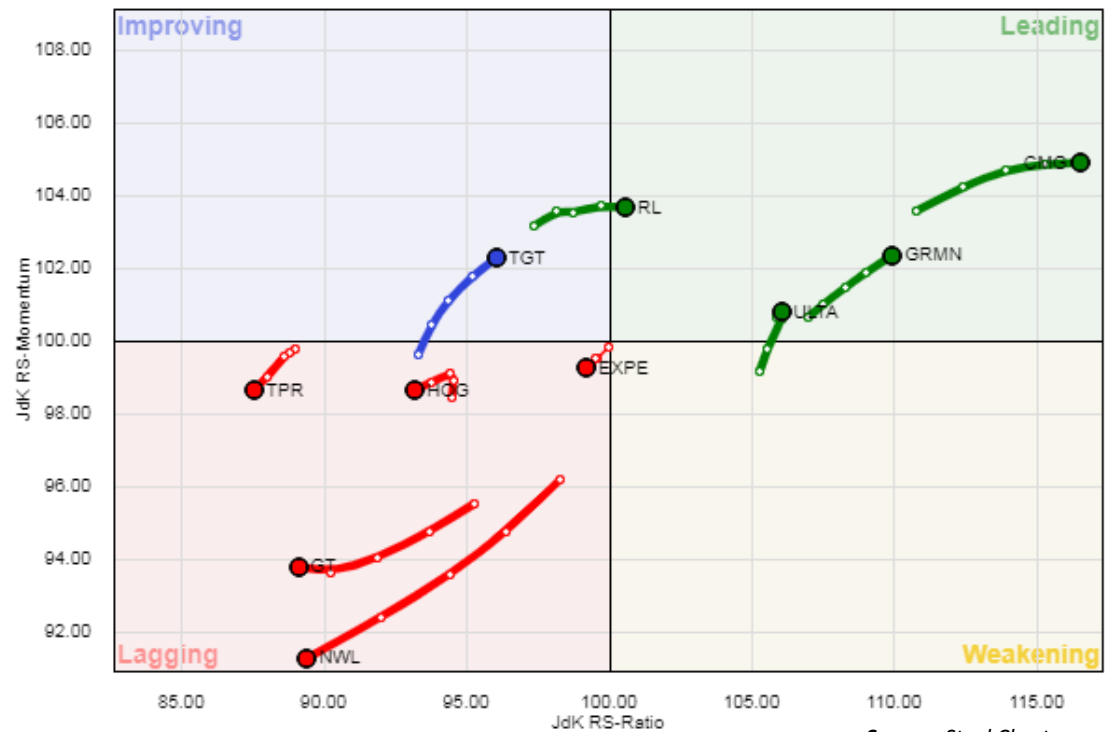
# S&P 500 DISCRETIONARY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Chipotle Mex Grill (CMG)
2. Garmin (GRMN)
3. Ulta Beauty (ULTA)
4. Polo Ralph Lauren (RL)
5. Target (TGT)

## Short RS-Momentum Laggards

1. Newell Brands (NWL)
2. Goodyear Tire (GT)
3. Tapestry (TPR)
4. Harley Davidson (HOG)
5. Expedia (EXPE)



# S&P 500 CAP-WEIGHT COMMUNICATIONS SECTOR MARKET WEIGHT (+13.50% YTD)

## Observations:

- ❑ **Price** has recovered a Fibonacci 76.4% of its Q4 decline, after posting a monthly close below key support in December, and violating a ten-year trend line ascending off the 2009 lows in September. Despite its compelling advance, the sector has yet to post a monthly close above key resistance.
- ❑ **Momentum** has halted its decline and recovered above the zero line, but its downtrend persists and a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock broke its uptrend, and is now reversing lower.
- ❑ **Key Resistance** = \$47
- ❑ **Key Support** = \$43 (*Breached*)

## Conclusions:

- ❑ Communications slipped one position to the **#7 rank** in our sector RS-Momentum work this month.
- ❑ **Maintain Market Weight.** The failed challenge of key resistance at \$47 confirms our neutral technical view on this sector. A momentum divergence is apparent between the TV content distributors and producers.
- ❑ Target = N/A



Source: StockCharts.com

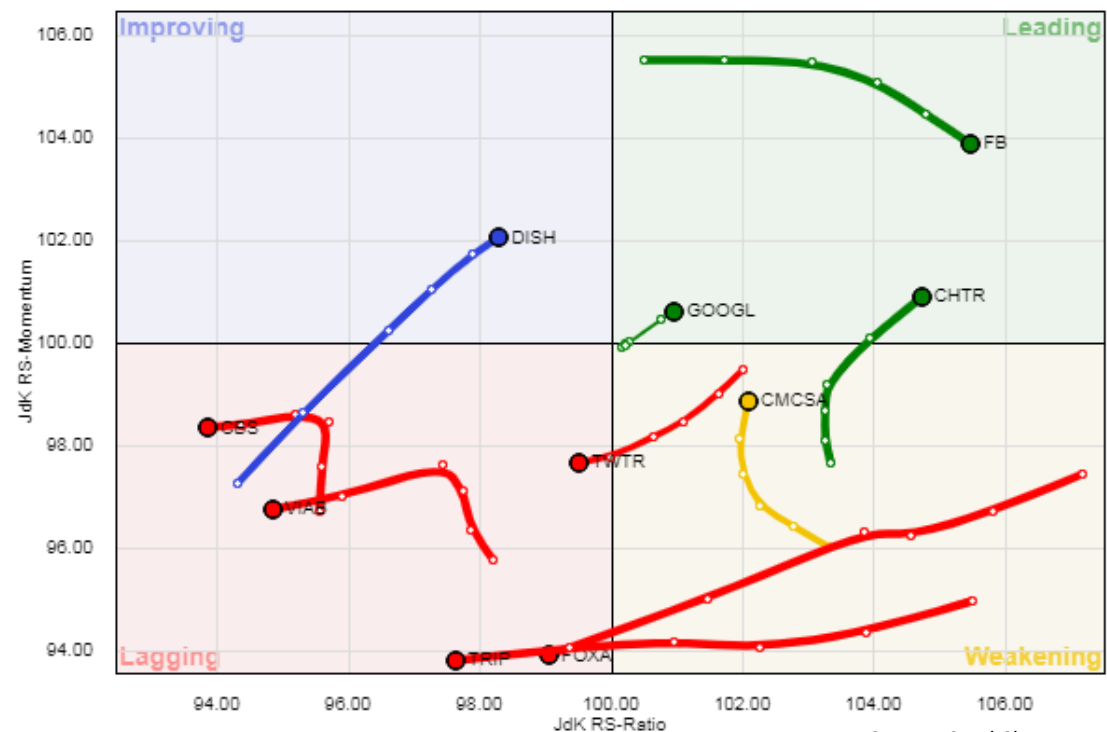
# S&P 500 COMMUNICATIONS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Facebook (FB)
2. Charter Comm (CHTR)
3. Alphabet (GOOGL)
4. Dish Network (DISH)
5. Comcast (CMCSA)

## Short RS-Momentum Laggards

1. TripAdvisor (TRIP)
2. CBS (CBS)
3. 21<sup>st</sup> Century Fox (FOXA)
4. Viacom (VIAB)
5. Twitter (TWTR)



# S&P 500 EQUAL-WEIGHT MATERIALS SECTOR MARKET WEIGHT (+12.06% YTD)

## Observations:

- ❑ **Price** has recovered 79% of its Q4 decline, after closing below key support in October, and violating a multi-year trend line ascending off the 2016 lows last January. Despite its compelling advance, the sector has yet to post a monthly close above key resistance.
- ❑ **Momentum** has halted its decline and recovered above the zero line, but its downtrend persists and a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock peaked in late 2017 after a 2-year advance, breached the 2017 low last August, and is has been trending lower since.
- ❑ **Key Resistance** = \$112
- ❑ **Key Support** = \$101 (*Breached*)

## Conclusions:

- ❑ Materials sank five positions to the **#8 rank** in our sector RS-Momentum work this month.
- ❑ **Maintain Market Weight.** An inside month confirms our neutral technical view on this sector. The precious metals and mining industry remains technically strong.
- ❑ Target = N/A



Source: StockCharts.com

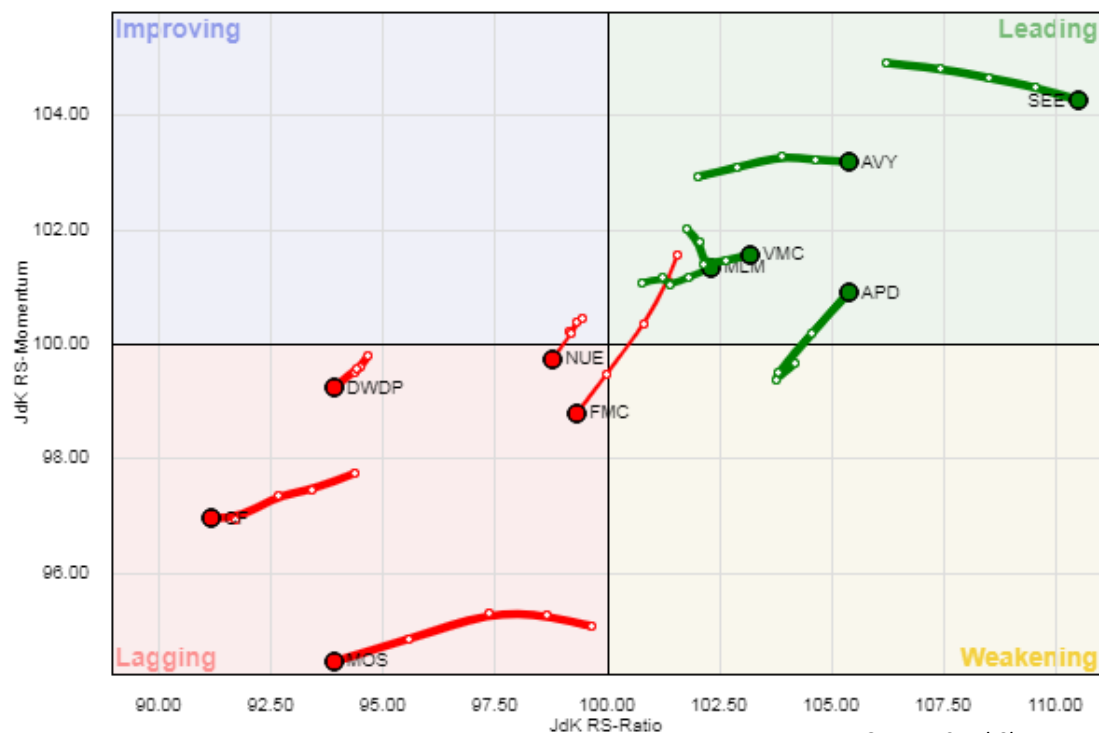
# S&P 500 MATERIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Air Products (APD)
2. Sealed Air (SEE)
3. Avery Dennison (AVY)
4. Vulcan Materials (VMC)
5. Martin Marietta (MLM)

## Short RS-Momentum Laggards

1. CF Industries (CF)
2. Mosaic (MOS)
3. DowDuPont (DWDP)
4. FMC (FMC)
5. Nucor (NUE)



# S&P 500 EQUAL-WEIGHT HEALTH CARE SECTOR MARKET WEIGHT (+11.33% YTD)



## Observations:

- ❑ **Price** has recovered 84% of its Q4 decline after violating trend and testing key support in December. Despite its compelling advance, the sector has yet to post a monthly close above key resistance.
- ❑ **Momentum** remains positive and poised to challenge its downtrend, but a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock appears to have bottomed, but has turned down again after staging an upside reversal attempt.
- ❑ **Key Resistance \$199**
- ❑ **Key Supports = \$171 (Breached)**

## Conclusions:

- ❑ Health Care moved up one position to the **#9 rank** in our sector RS-Momentum work this month.
- ❑ **Decrease to Market Weight.** Two failed challenges of key resistance, with monthly closes at \$197, leads us to downgrade our technical view to neutral on this sector. The PBMs continue to remain vulnerable.
- ❑ Target = N/A



Source: StockCharts.com

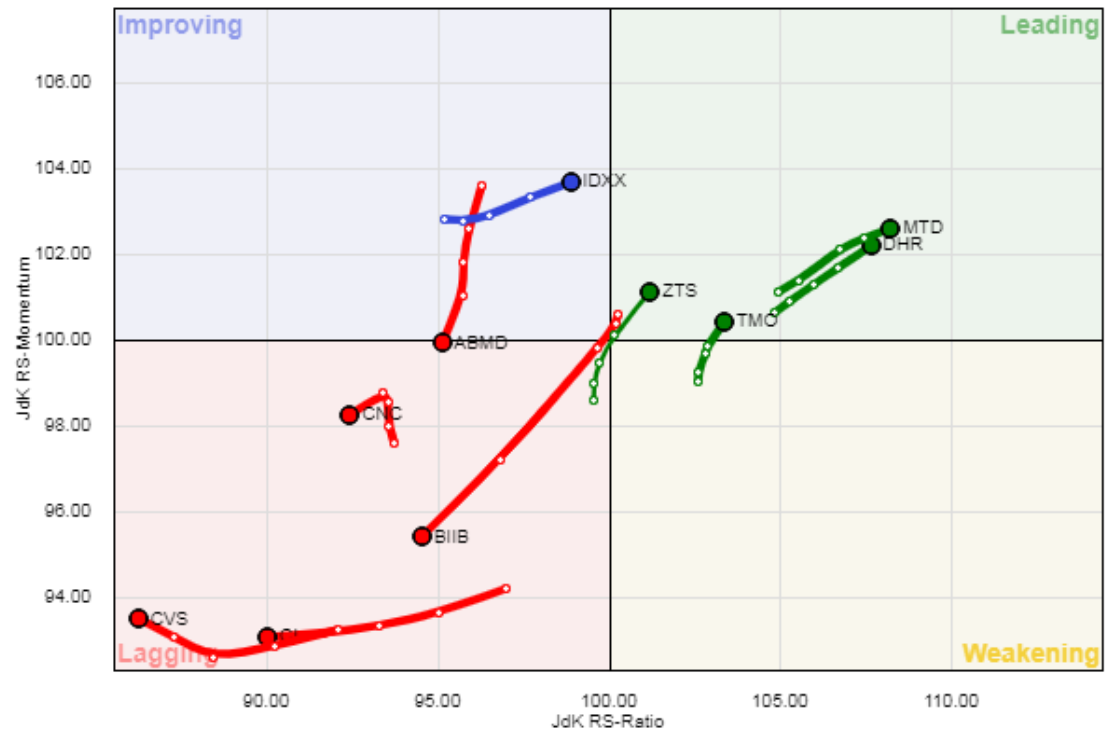
# S&P 500 HEALTH CARE ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Mettler Toledo (MTD)
2. Danaher (DHR)
3. Thermo Fisher Scientific (TMO)
4. Zoetis (ZTS)
5. IDEXX Labs (IDXX)

## Short RS-Momentum Laggards

1. CVS Health (CVS)
2. CIGNA (CI)
3. Centene (CNC)
4. Biogen (BIIB)
5. ABIOMED (ABMD)



# S&P 500 EQUAL-WEIGHT ENERGY SECTOR MARKET WEIGHT (+18.04% YTD)

## Observations:

- ❑ **Price** remains well below its 2014 high, and range-bound between the 2016 high and low. After challenging the upper boundary of that range, price reversed below support and breached an ascending trendline off the 2016 low.
- ❑ **Momentum** breached trend last year and bottomed in December. It held flat in March after ticking up for two consecutive months prior, but remains squarely negative.
- ❑ **Relative strength** vs. the average S&P stock has been under pressure since 2011 and is now challenging the 10-year monthly low it made in December.
- ❑ **Key Resistance** = \$65
- ❑ **Key Support** = \$47 (*Breached*)

## Conclusions:

- ❑ Energy sank three positions to the **#10 rank** in our sector RS-Momentum work this month.
- ❑ **Maintain Market Weight.** Mixed data confirms our neutral technical view on this sector. MLPs appear to have some merit given their higher dividend yields.
- ❑ Target = N/A



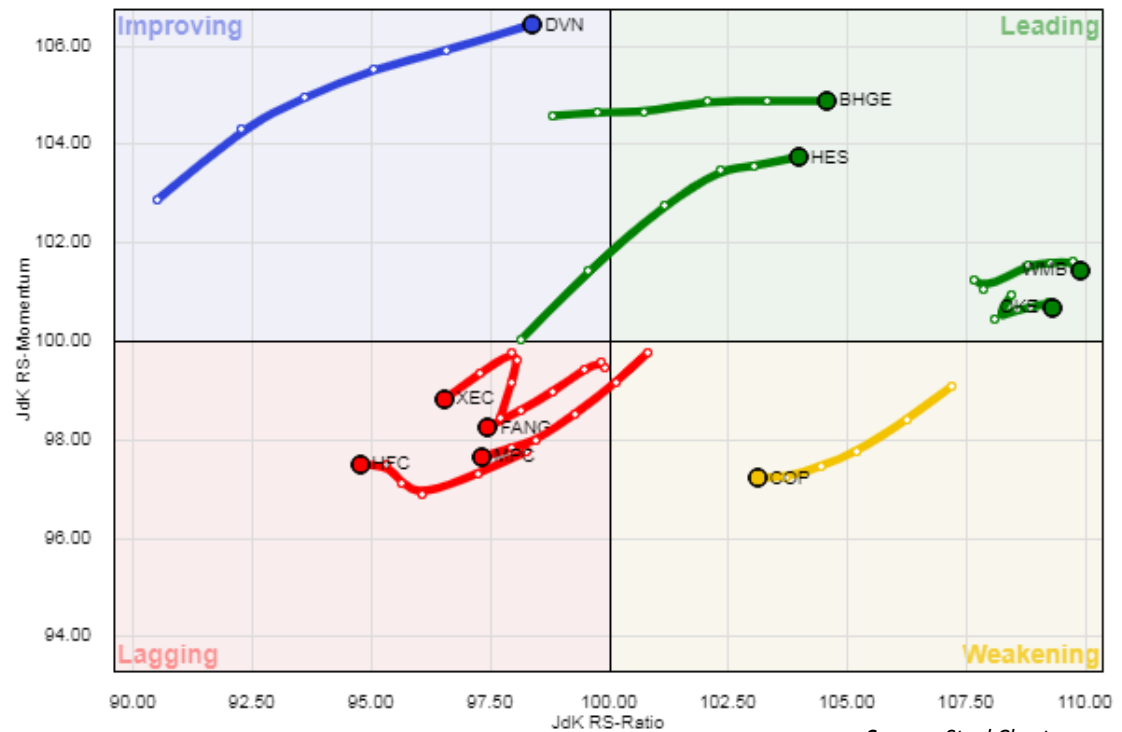
# S&P 500 ENERGY ALPHA DRIVERS

## Long RS-Momentum Leaders

1. Williams Cos (WMB)
2. Oneok (OKE)
3. Baker Hughes (BHGE)
4. Hess (HES)
5. Devon Energy (DVN)

## Short RS-Momentum Laggards

1. HollyFrontier (HFC)
2. Cimarex Energy (XEC)
3. Marathon Petroleum (MPC)
4. Diamondback Energy (FANG)
5. ConocoPhillips (COP)



Source: StockCharts.com

# S&P 500 EQUAL-WEIGHT FINANCIALS SECTOR

## UNDERWEIGHT (+11.47% YTD)



### Observations:

- ❑ **Price** posted a monthly close back below key support at \$41 after recovering a Fibonacci 78.6%% of its Q4 decline. Following the breach of a multi-year ascending trend line off the 2016 low last January, a new downtrend was established.
- ❑ **Momentum** has halted its decline, but remains negative. Its downtrend persists and a clear negative divergence remains in place.
- ❑ **Relative strength** vs. the average S&P stock broke trend last January and has since plunged to a new 2-year low.
- ❑ **Key Resistance** = \$41
- ❑ **Key Support** = \$35

### Conclusions:

- ❑ Financials fell six positions to the last place **#11 rank** in our RS-Momentum work this month.
- ❑ **Decrease to Underweight.** This month's close below key support at \$41 leads us to downgrade our technical view to bearish on this sector. The brokers look especially vulnerable.
- ❑ **Target** = \$35



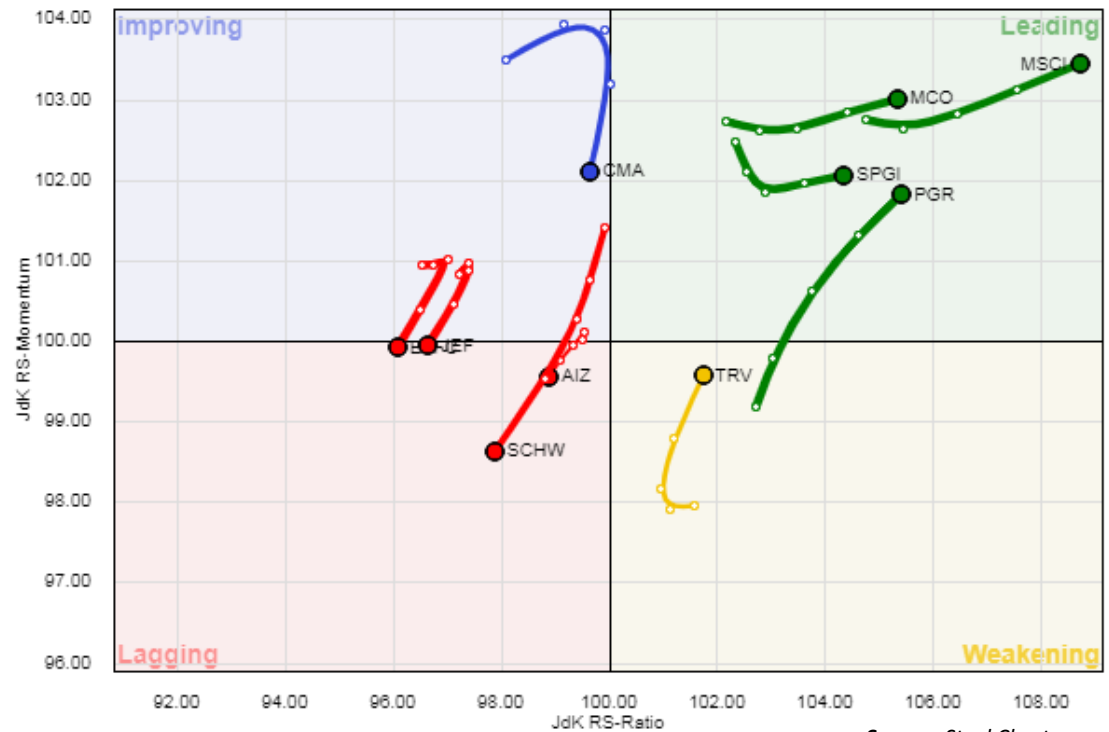
# S&P 500 FINANCIALS ALPHA DRIVERS

## Long RS-Momentum Leaders

1. MSCI (MSCI)
2. Moody's (MCO)
3. Progressive (PGR)
4. S&P Global (SPGI)
5. The Travelers Cos (TRV)

## Short RS-Momentum Laggards

1. E\*TRADE Financial (ETFC)
2. Jeffries Financial (JEF)
3. Charles Schwab (SCHW)
4. Assurant (AIZ)
5. Comerica (CMA)



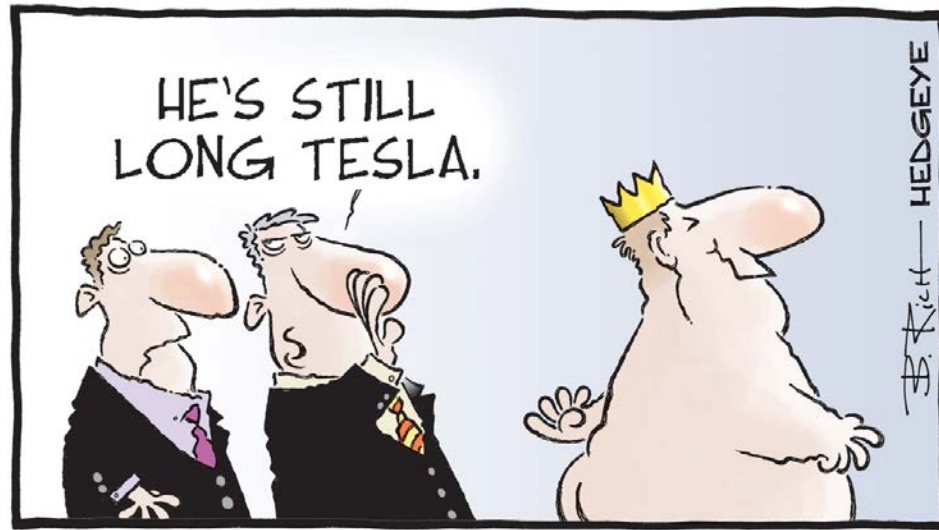
Source: StockCharts.com

# MARCH PERFORMANCE REPORT CARD

## Long the Leaders / Short the Laggards

|  |  |            |              |            |               |            |              |                          |            |              |                |
|--|--|------------|--------------|------------|---------------|------------|--------------|--------------------------|------------|--------------|----------------|
|  | <u>Sector</u>  |            | <u>March</u> |            | <u>Sector</u> |            | <u>March</u> |                          |            | <u>March</u> |                |
|  | RYT  |            | 2.30%        |            | RYE           |            | 2.59%        | <u>Equal-Weight</u>      |            |              |                |
|  |  | L/S Spread | 6.76%        |            |               | L/S Spread | 4.84%        | S&P 500 EW Index         |            | 0.68%        |                |
|  |  |            |              |            |               |            |              | Long Leaders             |            | 2.57%        |                |
|  | RCD  |            | 1.38%        |            | EWRE          |            | 3.66%        | Short Laggards           |            | -0.66%       |                |
|  |  | L/S Spread | 4.06%        |            |               | L/S Spread | 0.33%        | Long Alpha               |            | 1.89%        |                |
|  |  |            |              |            |               |            |              | Short Alpha              |            | 1.34%        |                |
|  | RTM  |            | 0.58%        |            | RYU           |            | 3.11%        | <u>Long/Short Spread</u> |            | <b>3.23%</b> |                |
|  |  | L/S Spread | 2.98%        |            |               | L/S Spread | 0.51%        |                          |            |              |                |
|  |  |            |              |            |               |            |              | <u>Sector Neutral</u>    |            |              |                |
|  | RGI  |            | -0.13%       |            | RYH           |            | 0.12%        | S&P 500 Index            |            | 1.79%        |                |
|  |  | L/S Spread | 3.79%        |            |               | L/S Spread | 4.03%        | Long Leaders             |            | 2.66%        |                |
|  |  |            |              |            |               |            |              | Short Laggards           |            | -1.17%       |                |
|  | RYF  |            | -3.48%       |            | RHS           |            | 4.02%        | Long Alpha               |            | 0.87%        |                |
|  |  | L/S Spread | 0.61%        |            |               | L/S Spread | 5.31%        | Short Alpha              |            | 2.96%        |                |
|  |  |            |              |            |               |            |              | <u>Long/Short Spread</u> |            | <b>3.83%</b> |                |
|  | EWCO   |            | -0.41%       |            |               |            |              |                          |            |              |                |
|  |  | L/S Spread | 2.34%        |            |               |            |              |                          |            |              |                |
|  |  |            |              |            |               |            |              |                          |            |              |                |
|  |  |            |              |            |               |            |              |                          |            |              |                |
|  | <u>Implied Net Return</u>  |            | <u>Aug</u>   | <u>Sep</u> | <u>Oct</u>    | <u>Nov</u> | <u>Dec</u>   | <u>Jan</u>               | <u>Feb</u> | <u>Mar</u>   | <u>8-mo TR</u> |
|  | Equal-Weight L/S   |            | 1.10%        | 0.70%      | 2.15%         | 0.00%      | 4.22%        | -0.43%                   | 1.93%      | 3.23%        | <b>13.56%</b>  |
|  | Sector Neutral L/S   |            | 2.11%        | 2.06%      | 2.52%         | -0.03%     | 4.73%        | -1.16%                   | 2.23%      | 3.83%        | <b>17.36%</b>  |
|  | S&P 500 Index  |            | 3.03%        | 0.43%      | -6.94%        | 1.79%      | -9.18%       | 7.87%                    | 2.97%      | 1.79%        | 0.65%          |
|  | *Note: Performance data is for illustration purposes only. All long and short positions assume an 8% hard stop-loss provision. |            |              |            |               |            |              |                          |            |              |                |

Source: Bloomberg, JWH Investment Partners



Source: Hedgeye.com

# ACTIONABLE TRADE IDEAS

## ☐ Top Bullish Long Set-ups:

- ☐ Technology...SNPS & XRX
- ☐ Real Estate...EQIX & REG
- ☐ Utilities...ED & LNT
- ☐ Staples...EL & COST

## ☐ Top Bearish Short Set-ups:

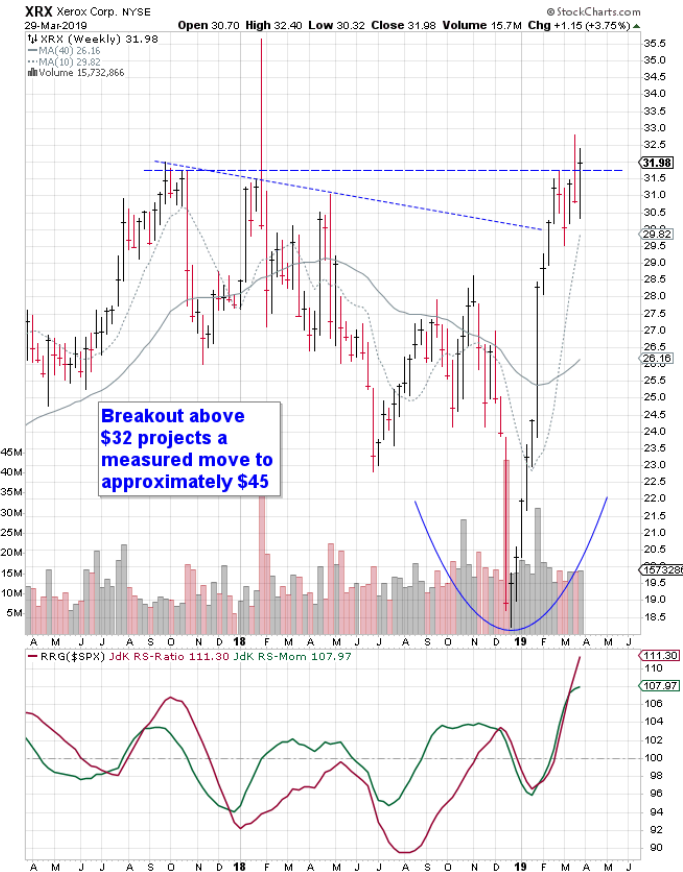
- ☐ Financials...ETFC & SCHW
- ☐ Discretionary...EXPE & BKNG

# BULLISH TECHNOLOGY SET-UPS...

## Synopsys (SNPS)



## Xerox (XRX)



Source: StockCharts.com

# BULLISH REAL ESTATE SET-UPS...

## Equinix (EQIX)



## Regency Realty (REG)



Source: StockCharts.com

# BULLISH UTILITIES SET-UPS...

## Consolidated Edison (ED)



## Alliant Energy (LNT)



Source: StockCharts.com

# BULLISH STAPLES SET-UPS...

## Estee Lauder (EL)



## Costco (COST)



Source: StockCharts.com

# BEARISH FINANCIALS SET-UPS...

## E\*TRADE Financial (ETFC)



## Charles Schwab (SCHW)



Source: StockCharts.com

April 1, 2019

ALPHA INSIGHTS



**Source:** StockCharts.com





Source: Hedgeye.com

# FOREIGN EQUITY MARKETS

## ☐ Developed

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

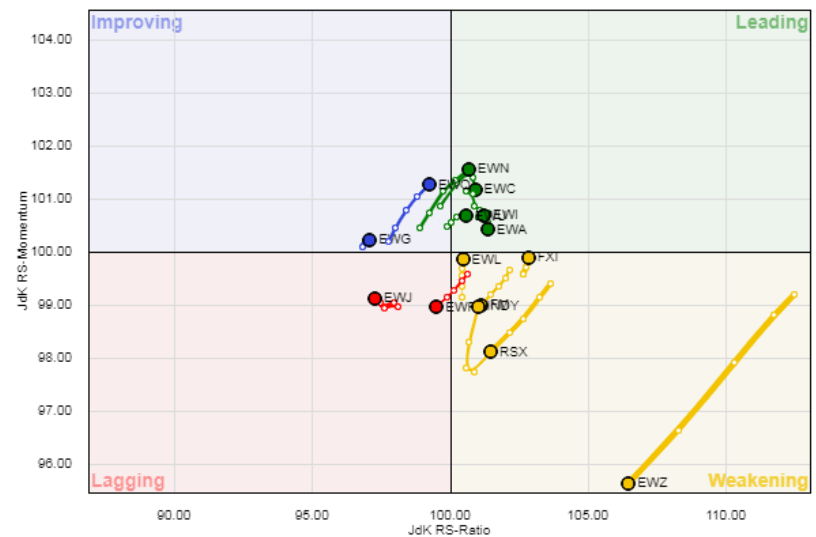
## ☐ Emerging

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

# MSCI FOREIGN MARKET LEADERSHIP

| <u>RS-Momentum Rank</u> | <u>MAR Return</u> | <u>TTM Return</u> |
|-------------------------|-------------------|-------------------|
| 1. Netherlands (EWN)    | + 0.8%            | - 4.0%            |
| 2. United Kingdom (EWU) | + 1.4%            | - 0.2%            |
| 3. Switzerland (EWL)    | + 2.3%            | + 5.9%            |
| 4. India (INDY)         | + 9.7%            | - 9.0%            |
| 5. China (FXI)          | + 1.5%            | - 2.8%            |
| 6. France (EWQ)         | + 0.4%            | - 3.0%            |
| 7. Germany (EWG)        | - 1.4%            | - 12.7%           |
| 8. Japan (EWJ)          | + 0.7%            | - 7.3%            |
| 9. Canada (EWC)         | - 0.8%            | + 4.6%            |
| 10. Australia (EWA)     | + 1.1%            | + 4.3%            |
| 11. Italy (EWI)         | + 2.4%            | - 9.4%            |
| 12. Spain (EWP)         | - 1.6%            | - 8.3%            |
| 13. Frontier 100 (FM)   | + 0.1%            | - 14.9%           |
| 14. Russia (RSX)        | + 0.9%            | - 2.3%            |
| 15. Brazil (EWZ)        | - 4.7%            | - 2.8%            |

**MSCI Country RS-Momentum Chart**



Source: StockCharts.com

# FOREIGN MARKETS FTSE ALL-WORLD (EX-US) **BEARISH** (+10.42% YTD)

## Observations:

- ❑ **Price** has recovered a Fibonacci 78.6% of its Q4 decline, after closing below key support in December, and violating a multi-year trendline ascending off the 2016 lows last January. Despite its compelling advance, the index has yet to post monthly close above key resistance amid two failed attempts.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** of emerging markets vs. developed markets halted its decline in October and has been attempting a bullish reversal.
- ❑ **Key Resistance** = \$51
- ❑ **Key Support** = \$46 (*Breached*)

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Target: \$37**



Source: StockCharts.com

# DEVELOPED MARKETS CANADA

**BEARISH** (+15.36% YTD)

## Observations:

- ❑ **Price** has recovered 77% of its 2018 decline, after closing below key support in December, and violating a two-year trend line ascending off the 2016 lows a year prior. Despite its compelling advance, a new primary downtrend has been established.
- ❑ **Momentum** has halted its decline and recovered above the zero line, penetrating a two-year downtrend line, but a clear negative divergence remains in place.
- ❑ **Relative strength** vs. developed markets halted its decline in December and has reversed above a multi-year descending trend line.
- ❑ **Key Resistance** = \$29
- ❑ **Key Support** = \$26 (*Breached*)

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Target: \$23**



# DEVELOPED MARKETS AUSTRALIA

**BEARISH** (+11.79% YTD)

## Observations:

- ❑ **Price** has recovered 72% of its 2018 decline, after closing below key support in October, and violating a two-year trend line ascending off the 2016 lows the year prior. Despite its compelling advance, a new primary downtrend has been established.
- ❑ **Momentum** has halted its decline, penetrating a two-year downtrend line and is now attempting to reverse trend.
- ❑ **Relative strength** vs. developed markets halted its decline in 1Q18 and has now penetrated a multi-year descending trend line.
- ❑ **Key Resistance** = \$23
- ❑ **Key Support** = \$20 (*Breached*)

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Target: \$19**



Source: StockCharts.com

# DEVELOPED MARKETS UNITED KINGDOM **BEARISH** (+12.47% YTD)

## Observations:

- ❑ **Price** has recovered 68% of its 2018 decline, after closing below key support in December, and violating a two-year trend line ascending off the 2016 lows last July. Despite its compelling advance, a new primary downtrend has been established.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. developed markets halted its decline last January and has reversed above a multi-year descending trend line, but with little progress.
- ❑ **Key Resistance** = \$35
- ❑ **Key Support** = \$29 (*Breached*)

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Target: \$29**



Source: StockCharts.com

# DEVELOPED MARKETS GERMANY

**BEARISH** (+6.19% YTD)

## Observations:

- ❑ **Price** has recovered a 33% of its 2018 decline, after closing below key support in October, and simultaneously violating a ten-year trend line ascending off the 2009 lows. A new primary downtrend has been established.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains deeply negative.
- ❑ **Relative strength** vs. developed markets collapsed in 2018 and is plumbing a new 10-year low.
- ❑ **Key Resistance** = \$29
- ❑ **Key Support** = \$25 (*Breached*)

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Target: \$21**



# DEVELOPED MARKETS FRANCE

**BEARISH** (+11.12% YTD)

## Observations:

- ❑ **Price** has recovered 66% of its 2018 decline, but failed to close above \$30 following a challenge of that key resistance level this month. Since violating a two-year trend line ascending off the 2016 lows last January, then closing below key support in October, a new primary downtrend has been established.
- ❑ **Momentum** halted its decline at a well-developed support level, and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. developed markets triple topped in 2018, then violated an ascending trend line off the 2017 low, but has since halted its decline.
- ❑ **Key Resistance** = \$30
- ❑ **Key Support** = \$25

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board.
- ❑ **Target: \$25**



Source: StockCharts.com

# DEVELOPED MARKETS ITALY

**NEUTRAL** (+14.79% YTD)

## Observations:

- ❑ **Price** has recovered about 50% of its 2018 decline, after closing below key support last May, and simultaneously violating a two-year trend line ascending off the 2016 low. The February surge closed above a descending trend line off the 2018 high, but price remains well-below key resistance.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. developed markets halted its decline in August and has been attempting a bullish reversal.
- ❑ **Key Resistance** = \$29
- ❑ **Key Support** = \$23

## 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 would portend significant upside potential.
- ❑ **Target:** N/A



Source: StockCharts.com

# DEVELOPED MARKETS SPAIN

**NEUTRAL** (+6.67% YTD)

## Observations:

- ❑ **Price** has recovered about 40% of its 2018 decline, after closing below key support last May, and violating a two-year trend line ascending off the 2016 low last January. The monthly close above the descending trend line off the 2018 high in February was reversed in March.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. developed markets bottomed in 2018 at a well-established support level, and posted a failed challenge of a five-year descending trend line.
- ❑ **Key Resistance** = \$31
- ❑ **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 would portend significant upside potential.
- ❑ Target: N/A



Source: StockCharts.com

# DEVELOPED MARKETS SWITZERLAND

**BULLISH** (+12.21% YTD)

## Observations:

- ❑ **Price** posted its highest monthly close since January 2018, successfully challenging prior key resistance at \$35, and simultaneously penetrating a descending trend line off the 2018 high.
- ❑ **Momentum** has halted its decline, recovered above the zero line, and is attempting to reverse trend.
- ❑ **Relative strength** vs. developed markets bottomed in 2018 and has reversed sharply higher to post a new two-year high.
- ❑ **Key Resistance** = \$37
- ❑ **Key Support** = \$26

## Conclusions:

- ❑ **Initiating coverage with a Bullish rating.**
- ❑ **Increase Exposure.** The monthly close above \$35 portends a potential bullish reversal may be under way.
- ❑ **Target: \$37**



Source: StockCharts.com

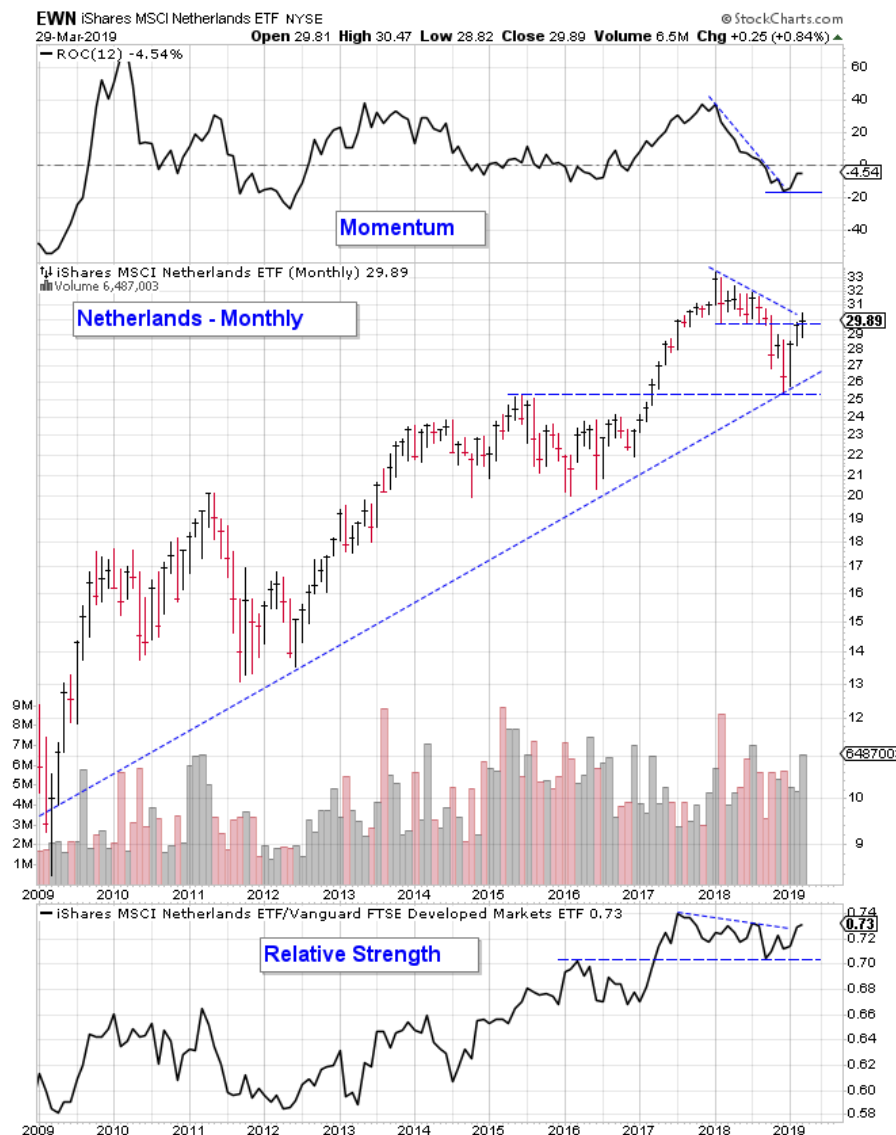
# DEVELOPED MARKETS NETHERLANDS BULLISH (+13.65% YTD)

## Observations:

- ❑ **Price** posted its highest monthly close since September 2018, successfully challenging prior key resistance at \$29, and simultaneously penetrating a descending trend line off the 2018 high.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. developed markets bottomed in 2018 at a well-established support level and has reversed higher to penetrate an 18-month descending trend line.
- ❑ **Key Resistance** = \$33
- ❑ **Key Support** = \$25

## Conclusions:

- ❑ **Initiating coverage with a Bullish rating.**
- ❑ **Increase Exposure.** The monthly close above \$29 portends a potential bullish reversal may be under way. A positive reading from the momentum study would strongly support the bullish case.
- ❑ **Target: \$33**



Source: StockCharts.com

# DEVELOPED MARKETS JAPAN

**BEARISH** (+7.95% YTD)

## Observations:

- ❑ **Price** has recovered just 43% of its 2018 decline, after closing below key support in October, and successfully testing a ten-year ascending trend line off the 2009 low. A monthly close below \$49 would confirm that a new downtrend has been established.
- ❑ **Momentum** has halted its decline, but remains negative as its downtrend persists.
- ❑ **Relative strength** vs. developed markets has been range bound since late 2015 and appears poised to test the lower boundary of the range for a third time.
- ❑ **Key Resistance** = \$56
- ❑ **Key Support** = \$49

## Conclusions:

- ❑ **Reduce exposure.** A synchronized global bear market appears to be in force. With price action and momentum deteriorating, a sustained decline may be on the horizon for foreign market equities across the board. A monthly close above \$56 would lead us to upgrade our rating to Neutral.
- ❑ **Target: \$40**



Source: StockCharts.com

# EMERGING MARKETS CHINA

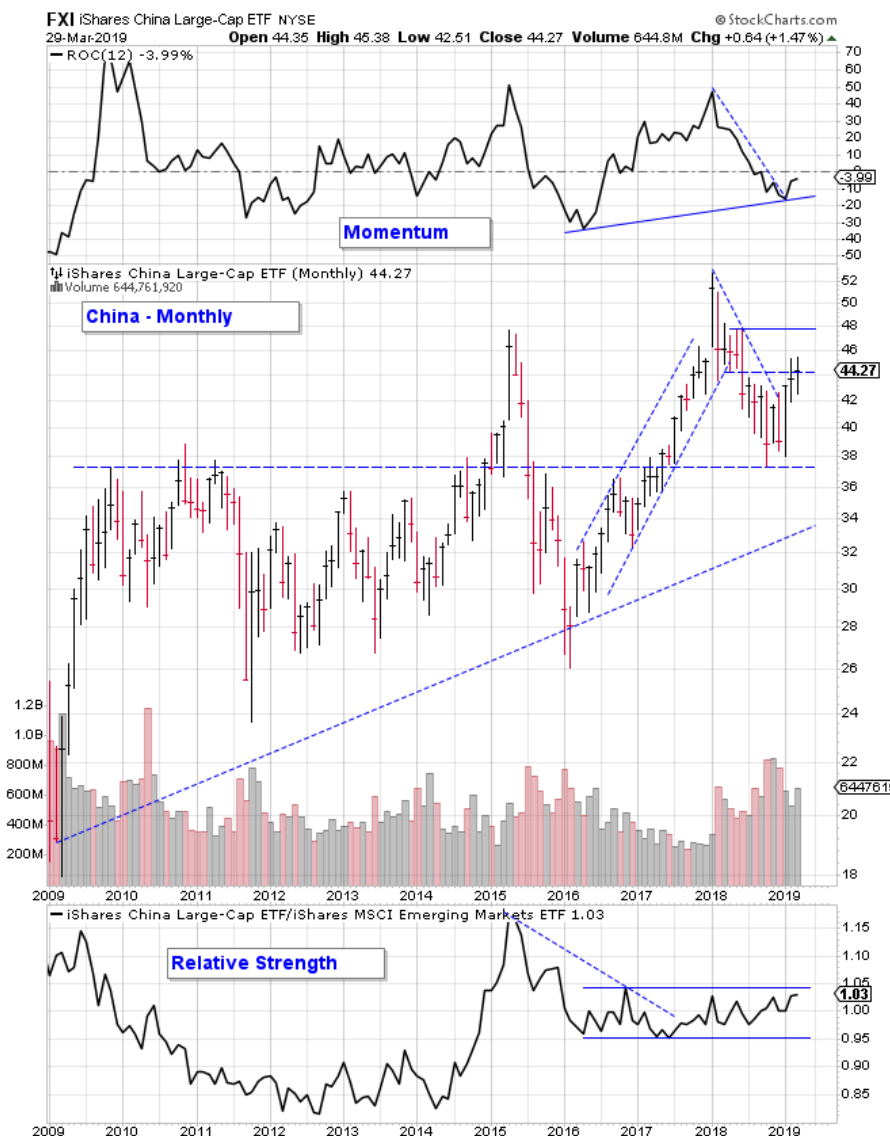
**NEUTRAL** (+13.28% YTD)

## Observations:

- ❑ **Price** posted a monthly close above prior key resistance at \$44 in March, and has now recovered 52% of its 2018 decline. The February surge closed above a descending trend line off the 2018 high and confirmed the January breakout.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. emerging markets has been range bound since late 2016 and is poised to challenge the upper boundary of the range for at least the third time.
- ❑ **Key Resistance** = \$48
- ❑ **Key Support** = \$44

## Conclusions:

- ❑ **Maintain Exposure.** The monthly close above key resistance confirms our neutral technical view on this emerging country.
- ❑ **Target:** N/A



Source: StockCharts.com

# EMERGING MARKETS INDIA

**BULLISH** (7.36% YTD)

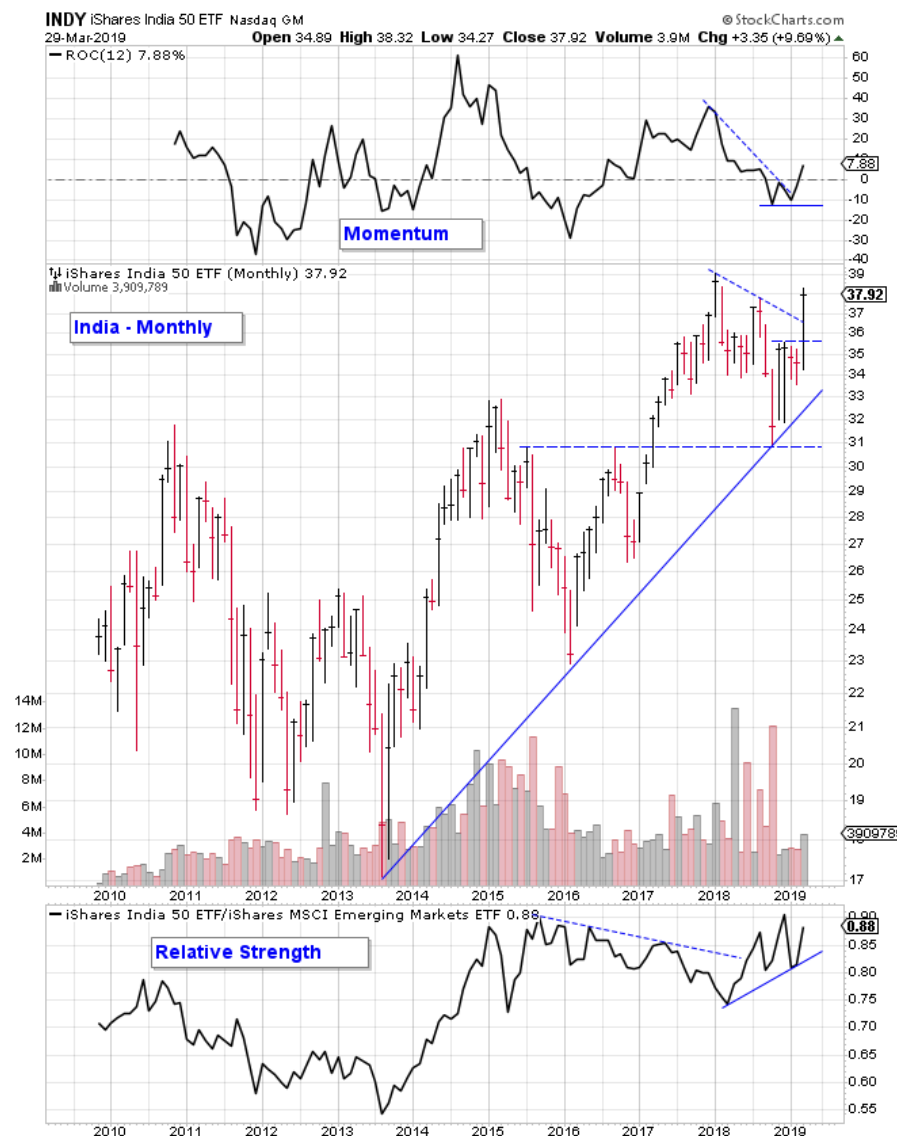


## Observations:

- ❑ **Price** posted its highest monthly close since January 2018, successfully challenging prior key resistance at \$35/\$36, and simultaneously penetrating a descending trend line off the 2018 high.
- ❑ **Momentum** has halted its decline, recovered above the zero line, and is attempting to reverse trend.
- ❑ **Relative strength** vs. emerging markets penetrated a three-year descending trend line and has been consolidating within a broad range. It now appears poised to challenge the 2015/2018 highs.
- ❑ **Key Resistance** = \$39
- ❑ **Key Support** = \$35

## Conclusions:

- ❑ **Upgrade to Bullish.**
- ❑ **Increase Exposure.** The price surge and monthly close above key resistance at \$37, simultaneously penetrating the key descending trend line, leads us to upgrade our technical view to bullish.
- ❑ **Target: \$43**



Source: StockCharts.com

# EMERGING MARKETS BRAZIL

**BULLISH** (+7.30% YTD)

## Observations:

- ❑ **Price** recovered over 90% of its 2018 decline, and appears to be near completing a potential multi-year base formation of the inverted “Head & Shoulders” variety. A monthly close above \$49 will confirm that a new primary uptrend has been established.
- ❑ **Momentum**, while still slightly negative, halted its decline in August and has been attempting a bullish reversal.
- ❑ **Relative strength** vs. emerging markets double bottomed and has resumed a previously stalled bullish reversal, making a new recovery high in January.
- ❑ **Key Resistance** = \$46/49
- ❑ **Key Support** = \$30

## Conclusions:

- ❑ **Increase exposure.** While a synchronized global bear market appears to be in force, price action (on both an absolute and relative basis) along with gradually improving momentum, suggests that Brazil could prove to be an oasis within foreign equity markets.
- ❑ **Target: \$62**



Source: StockCharts.com

# EMERGING MARKETS RUSSIA

**NEUTRAL** (+9.87% YTD)

## Observations:

- ❑ **Price** has recovered 50% of its 2018 decline, and appears to be near completing a multi-year base formation of the inverted “Head & Shoulders” variety. A monthly close above \$23 will confirm that a new primary uptrend has been established.
- ❑ **Momentum**, while still negative, appears to be flattening out.
- ❑ **Relative strength** vs. emerging markets triple bottomed over the past 18 months and appears poised to challenge its descending trend line off the 2017 high.
- ❑ **Key Resistance** = \$23
- ❑ **Key Support** = \$18

## Conclusions:

- ❑ **Maintain exposure.** While a synchronized global bear market appears to be in force, price action alone in Russia suggests the possibility for relative outperformance at the very least may be at hand.
- ❑ **Target:** N/A



Source: StockCharts.com

# EMERGING MARKETS FRONTIER 100

## NEUTRAL (+8.83% YTD)

### Observations:

- ❑ **Price** has recovered just 1/3 of its 2018 decline, after closing below key support in June, and simultaneously violating a two-year trend line ascending off the 2016 lows. The three consecutive monthly closes above prior key resistance confirms the January breakout.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains deeply negative.
- ❑ **Relative strength** vs. emerging markets has been range bound since late 2016 in a contracting nature, suggesting a directional resolution should soon be a hand.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$28

### Conclusions:

- ❑ **Maintain Exposure.** The third consecutive monthly close in the \$28/29 range and recovery of prior key resistance confirms our neutral technical view on the frontier markets.
- ❑ **Target:** N/A



Source: StockCharts.com



Source: Hedgeye.com

# MACRO PERSPECTIVES

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

# COMMODITY REUTERS/JEFFRIES CRB INDEX BULLISH (+8.22% YTD)

## Observations:

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

## Conclusions:

- ❑ **Increase exposure.** Our Bullish opinion is based upon improved price action and expected US dollar weakness.
- ❑ **Target** = 240



Source: StockCharts.com

# COMMODITY GOLD BULLION BULLISH (+1.34% YTD)

## Observations:

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

## Conclusions:

- ❑ **Increase exposure.** Improved price action, accelerating momentum, and renewed leadership among its CRB peers make gold a triple threat.
- ❑ **Target** = 1371



Source: StockCharts.com

# COMMODITY

## WTI CRUDE OIL

### BULLISH (+32.44% YTD)

#### Observations:

- ❑ **Price** has now recovered over 50% of its Q4 decline after violating the ascending trend line off the 2016 low along with initial support at \$64 in late-October, and then closing below key support at \$55 in November. February's monthly close back above \$55 re-activated the bull case.
- ❑ **Momentum** has halted its decline and is attempting to reverse trend, but remains negative.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index turned down sharply and breached a multi-year uptrend, but has arrested its decline and appears to be attempting a bullish reversal.
- ❑ **Key Resistance** = \$64
- ❑ **Key Support** = \$55

#### Conclusions:

- ❑ **Increase exposure.** Our Bullish opinion assumes a minimum 61.8% retracement of the Q4 decline, and is based upon improved price action, a dovish Fed policy tilt, and a neutral US dollar.
- ❑ **Target** = \$64



Source: StockCharts.com

# INFRASTRUCTURE

## ALERIAN MLP INDEX

### NEUTRAL (+14.48% YTD)

#### Observations:

- ❑ **Price** has recovered over 50% of its 2018 decline and remains in a downtrend. The rally back above the 1Q18 lows suggests a period of stabilization may be at hand.
- ❑ **Momentum** has turned positive, halting its decline at trend support, and is now attempting a bullish reversal, having penetrated the descending trend line off the 2017 peak.
- ❑ **Relative strength** vs. the S&P 500 index has been flat for the past year following a steep decline since 2014.
- ❑ **Key Resistance** = 294
- ❑ **Key Support** = \$200

#### Conclusions:

- ❑ MLPs have experienced an increased correlation to WTI crude in recent months.
- ❑ **Maintain exposure.** Notwithstanding the potential for continued price volatility within the recent consolidation range, we find the high dividend yield (> 8.0%) to be an attractive feature of the asset class.
- ❑ Target = N/A



# COMMODITY NYSE BITCOIN INDEX **BEARISH** (+8.05% YTD)

## Observations:

- ❑ **Price** breached key support last June, along with a 3-year trendline ascending off the 2015 lows in November. A new primary downtrend has been established.
- ❑ **Momentum** is deeply negative, having collapsed and posting a new all-time monthly low in December, but has since stabilized.
- ❑ **Relative Strength:** In mid-June of 2018, the SEC announced that Bitcoin did not meet the definition of a security, but would be treated as a commodity. By comparison, the 17 most widely traded commodities, illustrated by the CRB index, have all significantly outpaced Bitcoin since December 2017.
- ❑ **Key Resistance** = \$6,547
- ❑ **Key Support** = \$2,695

## Conclusions:

- ❑ **Reduce exposure.** Given the poor price action and sharp momentum deterioration evident since December 2017, Bitcoin appears to have unfinished business to the downside.
- ❑ **Target: \$1,012**



# CURRENCY US DOLLAR INDEX NEUTRAL (+1.16% YTD)



## Observations:

- ❑ **Price** moved higher to challenge key resistance in March, after closing below key support in January. The monthly range expanded beyond the February range, but posted an inside monthly close. This price action suggests that there is change afoot.
- ❑ **Momentum** has remains positive after penetrating a descending trend line off the 2015 high, and continues to advance steadily, taking out the 2017 high, and posting a new recovery high in March.
- ❑ **Key Resistance** = 97.50
- ❑ **Key Support** = 95.50 (*Breached*)

## Conclusions:

- ❑ **Upgrade to Neutral.**
- ❑ **Maintain Exposure.** The challenge of key resistance increases the probability that a more significant attempt to move higher may be developing. That said, the potential for a re-test of the primary trend line cannot yet be ruled out. Hence we'll move to the sidelines and watch to see which way it breaks.
- ❑ **Target** = N/A



Source: StockCharts.com

# INTEREST RATES

## 10-YEAR US TREASURY

### NEUTRAL (-28 bps YTD)

#### Observations:

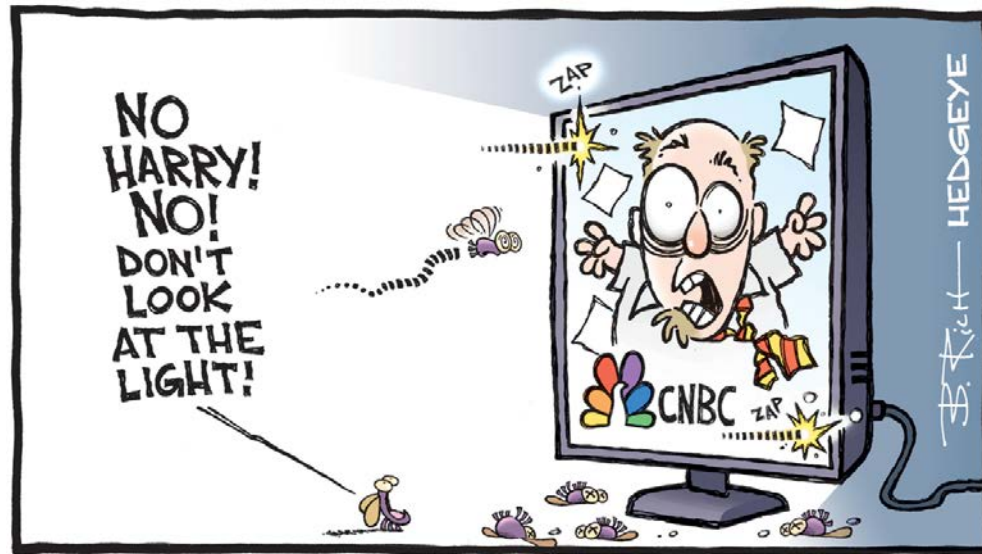
- ❑ **Yield** collapsed through long-standing key support at 2.61% temporarily inverting the yield curve (10yr.-3mo.) on heightened fears over tight Fed policy and a weak global economic growth outlook.
- ❑ **Momentum** collapsed in the fourth quarter of last year and turned negative in December. A clear negative divergence remains in place.
- ❑ **Fed** decision to raise rates in December and move to a data dependent approach on monetary policy has elevated speculation around when the Fed might begin cutting rates next.
- ❑ **Key Resistance** = 2.61%
- ❑ **Key Support** = 2.03%

#### Conclusions:

- ❑ **Maintain exposure.** With the 2-year/10-year Treasury ratio nearing a level that has previously marked the top for 10-year yields, it is difficult to become too bearish on bonds long-term.
- ❑ **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 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 correspond to Overweight / Underweight / Market Weight.** A Bullish rating indicates that the data support further improvement. A Bearish rating indicates that the data support further deterioration. A Neutral rating indicates that the data is currently inconclusive.
- ❑ The use of plain language where possible has been given preference over industry jargon in order to simplify the explanation and interpretation of this analysis. **A glossary of terms specific to the discipline of technical analysis can be found at:** [https://stockcharts.com/school/doku.php?id=chart\\_school:glossary\\_a](https://stockcharts.com/school/doku.php?id=chart_school:glossary_a)
- ❑ Some readers may be unfamiliar with the use of **Relative Rotation Graphs**. A detailed discussion of this subject can be found at: [https://stockcharts.com/school/doku.php?id=chart\\_school:chart\\_analysis:rrg\\_charts](https://stockcharts.com/school/doku.php?id=chart_school:chart_analysis:rrg_charts)

# ANALYST BIO

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

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