XT on Markets

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Published by Xenia Taoubina

Mission

The goal of this newsletter is to assist investors with tactical decision-making.

Author

Xenia Taoubina is a capital markets professional with 17 years of experience. Xenia spent the first 10 years of her career working on trading desks of some of the top investment banks on Wall Street. In 2011, Xenia left an Executive Director position at J.P. Morgan to become an independent trader. Soon after, Xenia established a reputation as an Elliott Wave expert, having built a six year track record of market forecasts, with a high degree of accuracy.

Methodology

The basis for the views expressed in this newsletter is technical analysis – Elliott Wave Theory, as well as traditional technical analysis. The underlying premise of my analysis is that anything can happen in the markets. As such, my work is to distill the slew of possibilities down to what is likely to happen, and to identify levels that require me to reassess my working hypothesis. I use that information strategically to increase, or decrease allocation to a particular market.

Executive Summary

This past week presented us with a dull summer market. No allocation changes were made intraweek, or in this edition. The only change of note is a tightened stop in RUT.

Market	Last week		Intraweek changes		This week	
	Level	Allocation	Level	Allocation	Level	Allocation
SPX	3,001	90%			3,012	90%
RUT	1,559	120%			1,569	120%
NDX	7,916	100%			8,003	100%
TLT	131.78	120%			131.37	120%
GLD	134.83	100%			133.76	100%
GDX	27.82	100%			27.43	100%

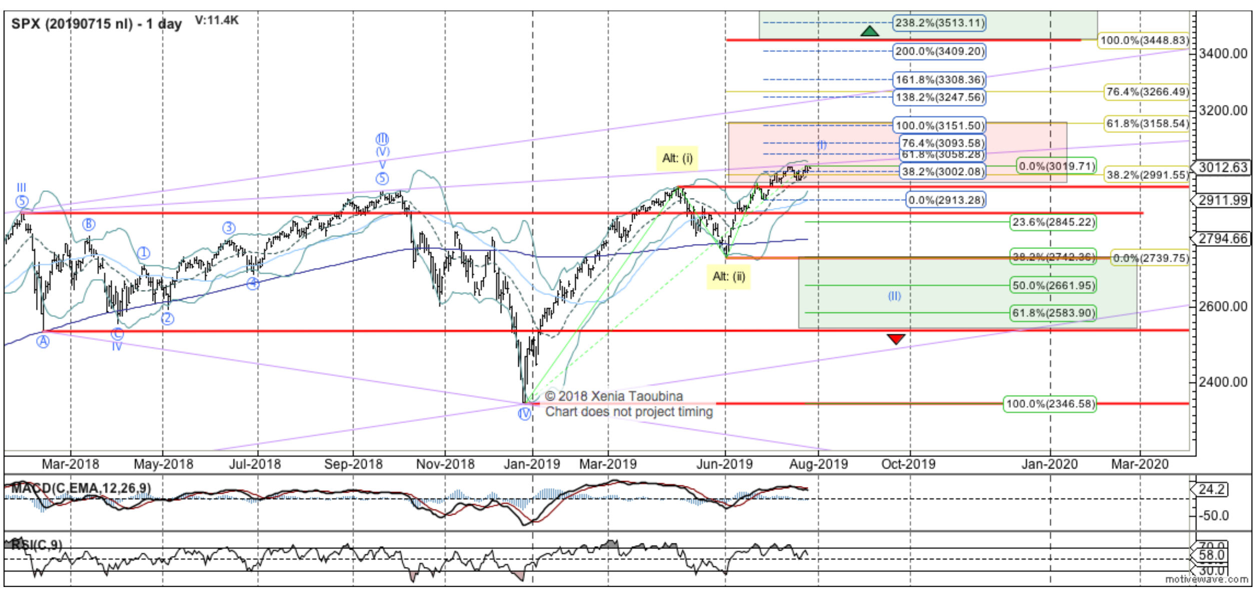
Key features of the newsletter are as follows:

- Newsletter is written in **plain English**, without the use of technical terms. Those interested in the technical discussion should feel free to reach out to me directly.
- **Markets covered** are: US equity markets (SPX, NDX and RUT), bonds (TLT), and gold and miners (GLD and GDX).
- **Investor focus –** assessment is from the long-only perspective, and degrees of risk appetite are stated in terms of underweight/overweight allocation for the asset in question.
- **Risk management –** with the exception of extraordinary market situations, the goal is to have allocations between 50% and 150% of neutral, where "neutral" is defined as one's target allocation model. Given that everyone's allocation model is different, I leave it to the readers to determine what their "neutral" is.
- **Tactical –** strategically adjusting level of market exposure with the goal of outperforming the market on a risk adjusted basis.
- **Publication frequency –**absent action that requires intraweek tactical allocation adjustments, frequency will be weekly. If intraweek adjustments are required, an additional alert will be posted.
- **Charts** are included as a bonus for more technically inclined readers and are not required reading. That said, for those who want to understand the charts: red zones are resistance zones where, upon topping action, reduction of exposure is considered. Conversely, green zones are support zones: bottoming into those zones is a consideration for adding exposure. Lines marked with a green and red arrow are ultimate support/resistance levels; breaching those changes the odds away from the primary scenario and likely warrants a change in allocations.

S&P 500 Index (Ticker: SPX)

Allocation	Level	Support Levels	Resistance Levels
90%	3012	2913	3000-3158
		2739	3448
		2533	

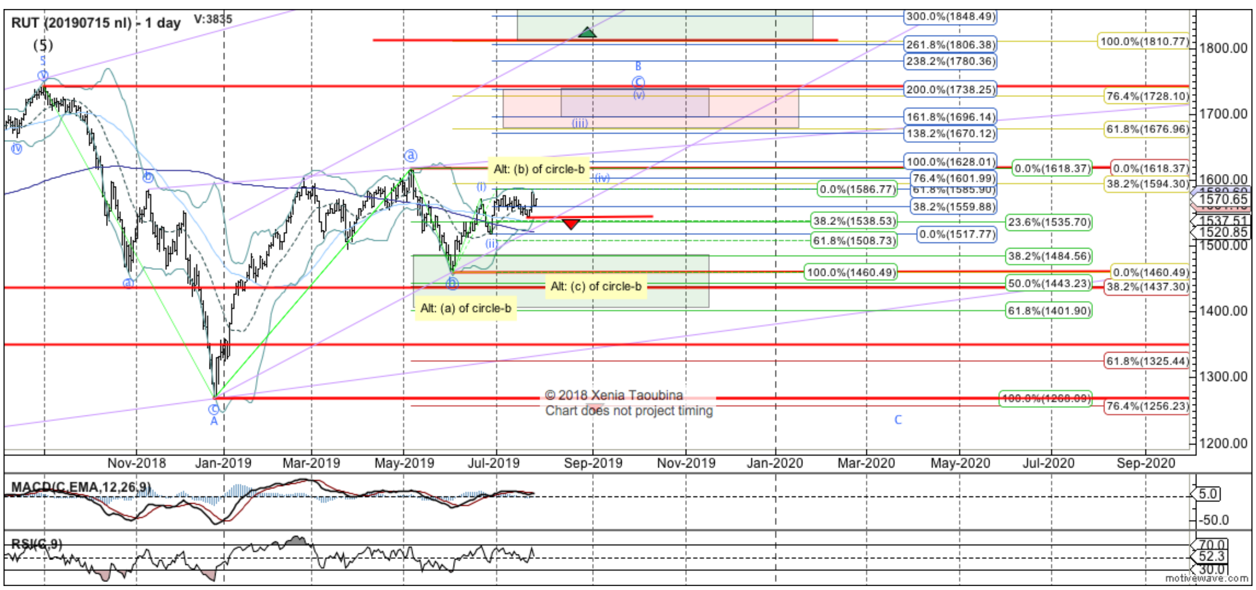
No significant action was seen this past week, so last week's assessment still stands:
On May 31, with SPX around 2750, I voiced an unequivocal bullish bias for equities (though this date precedes the initiation of this newsletter, those familiar with my work, including my followers on LinkedIn, may have seen my bullish article published that day). My minimum expectation off that low, a move back to 2953+, has been met, thus warranting what would have been a reduction back to "neutral" at that level.
Reaching expanding top resistance last week, in what is best viewed as topping action, had me reduce allocations to 90% of neutral. IF SPX breaks below 2913, a further 20% reduction, to 70% of neutral, will be seen. Conversely, topping action (subjectively defined by me) at higher levels, towards 3158, will also likely prompt further reduction in allocations. Below 2913, key level is 2739. Break of that level will suggest that the rally off December 2018 low completed, and SPX is in a larger degree correction.



Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
120%	1569	1543	1618
		1460	1696-1742
		1268	

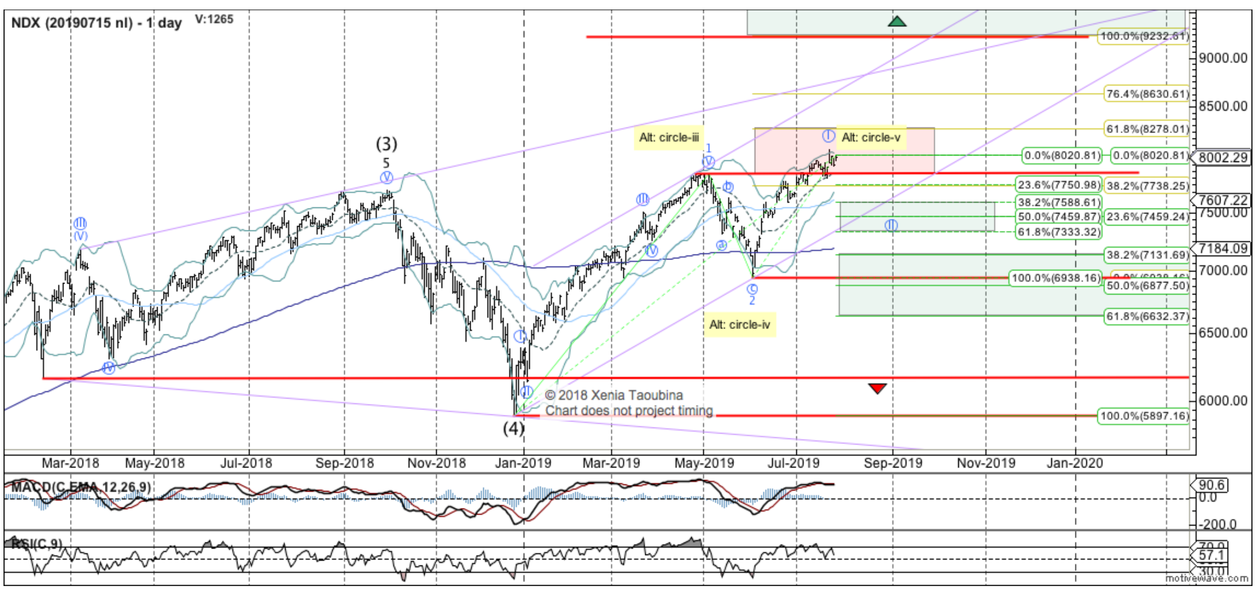
On May 31, I voiced an unequivocal bullish bias for equities, and RUT in particular (though this date precedes the initiation of this newsletter, those familiar with my work, including my followers on LinkedIn, may have seen the bullish article published that day). My minimum expectation off that low, a move back to 1618+, has not yet been met, so I continue to favor an overweight position in RUT, to be trimmed back to neutral at 1618. This week's action is significant, and for the bullish move to remain likely, RUT needs to hold 1543 going forward. So, I am raising the stop from last week's 1517 to 1543; below it, I will move the view to 100% of neutral, with the expectation that 1460 will likely be revisited (at which time, I will look at the structure of the decline for an optimal spot to add to exposure).



Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
100%	8003	7615	8278
		7315	9232
		6938	

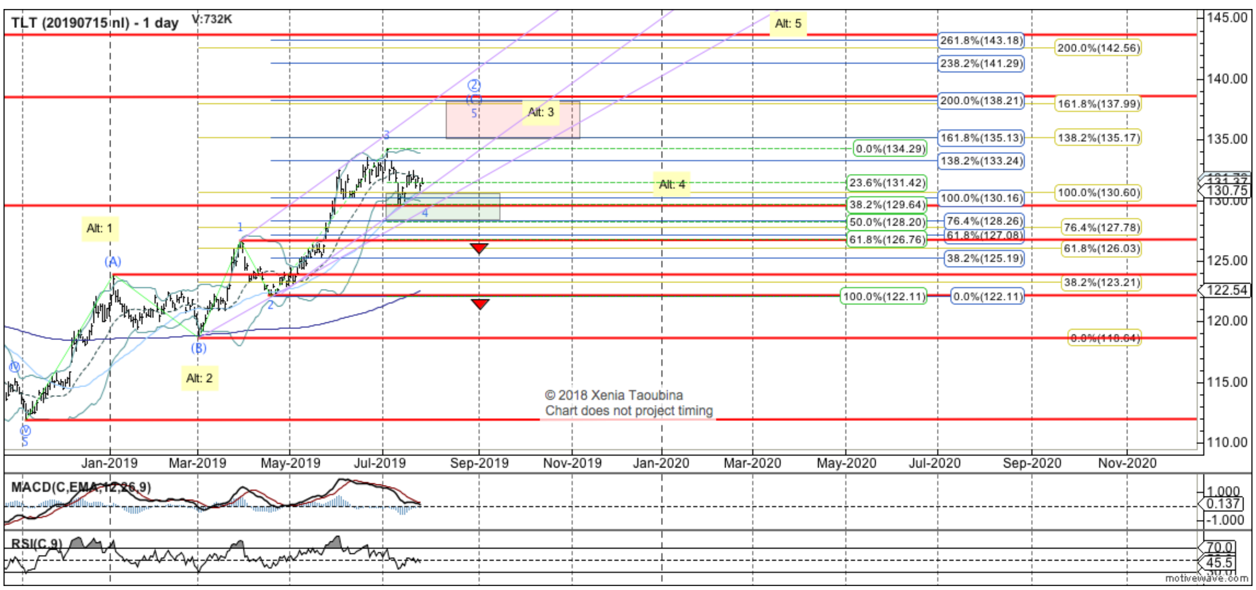
No significant action was seen this past week, so last week's assessment still stands:
On May 31, with NDX around 6950, I voiced an unequivocal bullish bias for equities (though this date precedes the initiation of this newsletter, those familiar with my work, including my followers on LinkedIn, may have seen my bullish article published that day). My minimum expectation off that low, a move back to 7851+, has been met, thus warranting what would have been a reduction back to "neutral" at that level.
At this time, structure can be viewed as topping, so I'm watching this action closely to potentially further reduce allocations. On the downside, a reversal below 7615 will have me consider reducing allocation (decision will be subjective, based on the shape of the decline). Ultimately, the 6938 level has structural significance, and if it gets tested on the downside, the structure of the decline will be a key determinant of whether I would be increasing or reducing allocations there.



iShares 20+ Year Treasury Bond ETF (Ticker: TLT)

Allocation	Level	Support Levels	Resistance Levels
120%	131.37	128.2-130.6	135.1-138.2
		126.69	142.5-143.6
		122.11	

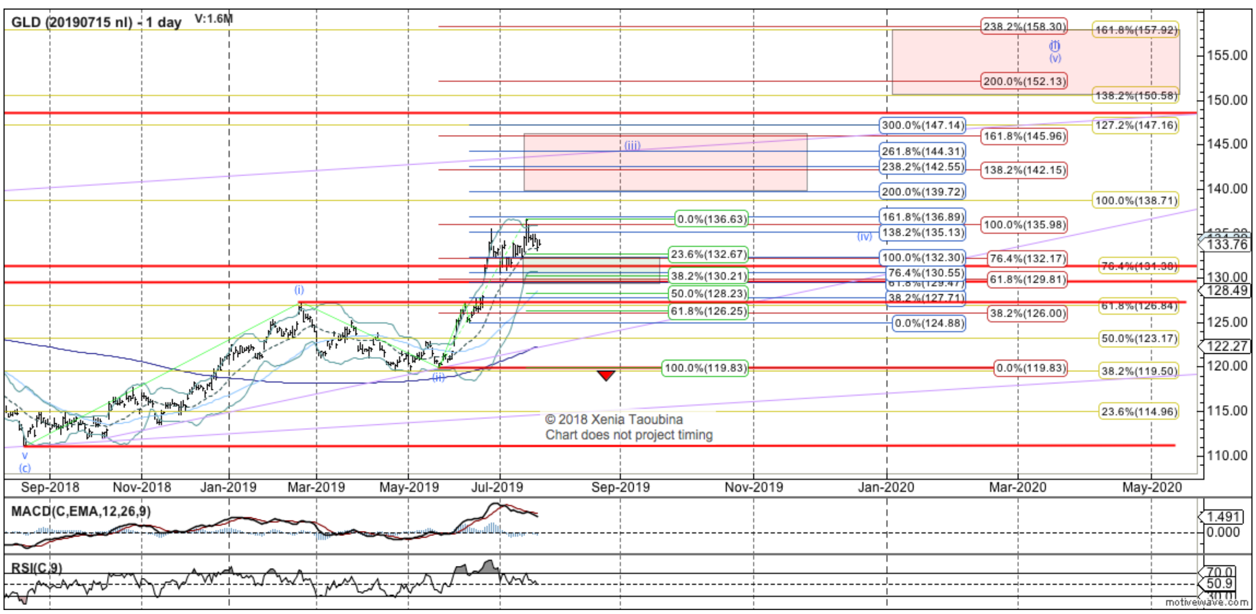
No significant action was seen this past week, so last week's assessment still stands: Though this predates the initiation of this newsletter, those who have been following my work know that I've been tracking a bullish pattern off November 2018 lows in TLT this entire year. In this pattern, TLT is in the latter stages of the rally, however higher, to 135.1-138.2, remains favored. I view 128.2-130.6 as accumulation zone, and the pullback into that zone that we saw a week ago was an opportunity to add to the position to 120% of neutral, with target of 135.1-138.2. If TLT pulls back deeper into that zone, I will consider adding more. Stop level for this additional allocation is 126.69; if it's breached, I will revert back to neutral, and if TLT continues to below 122.11, that will put it in a long-term bearish stance, making me drop allocations to significantly below neutral.



SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
100%	133.76	129.4-132.3	139.7-145.9
		127.21	150.5-157.9
		119.83	

No significant action was seen this past week, so last week's assessment still stands: I view gold as being in a bullish stance, with upside structure off May low unlikely to be complete. However, nuances of this rally are not entirely clear, which makes me more cautious than I would have otherwise been. IF we see a pullback to the 129.4-132.3 zone, I will likely increase allocations to above neutral with target in the 139.7-145.9 range. Conversely, reversal below 127.21 will have me stop out of any overweight position I may have, and will have me consider reducing further to below neutral.



Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
100%	27.43	24.48-25.64	27.62-29.06
		23.70	31.17-33.58
		20.14	

No significant action was seen this past week, so last week's assessment still stands: Those who are familiar with my work know that I was strongly bullish GDX in early May, and it certainly delivered, following the more bullish of the two routes I shared at the time. At this point, GDX has reached resistance for that viewpoint, so the overweight position off early May lows has been trimmed to neutral. I see 24.48-25.64 as support for further extensions higher; constructive action into that support zone will have me consider adding to the position against the 23.7 level. Conversely, continuing higher to 31.17-33.58 will have me consider trimming the position to underweight.