

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

The past was much more active than the prior week. Two intraweek changes were made – reduction in RUT allocation, and increase in GLD allocation. Multiple support/resistance levels were also changed, as discussed below.

Market	Last week		Intraweek changes		This week	
	Level	Allocation	Level	Allocation	Level	Allocation
SPX	3,012.00	90%			2,953.00	90%
RUT	1,569.00	120%	1,557.97	-20%	1,546.00	100%
NDX	8,003.00	100%			7,801.00	100%
TLT	131.37	120%			134.90	120%
GLD	133.76	100%	132.40	20%	136.30	120%
GDX	27.43	100%			27.85	100%

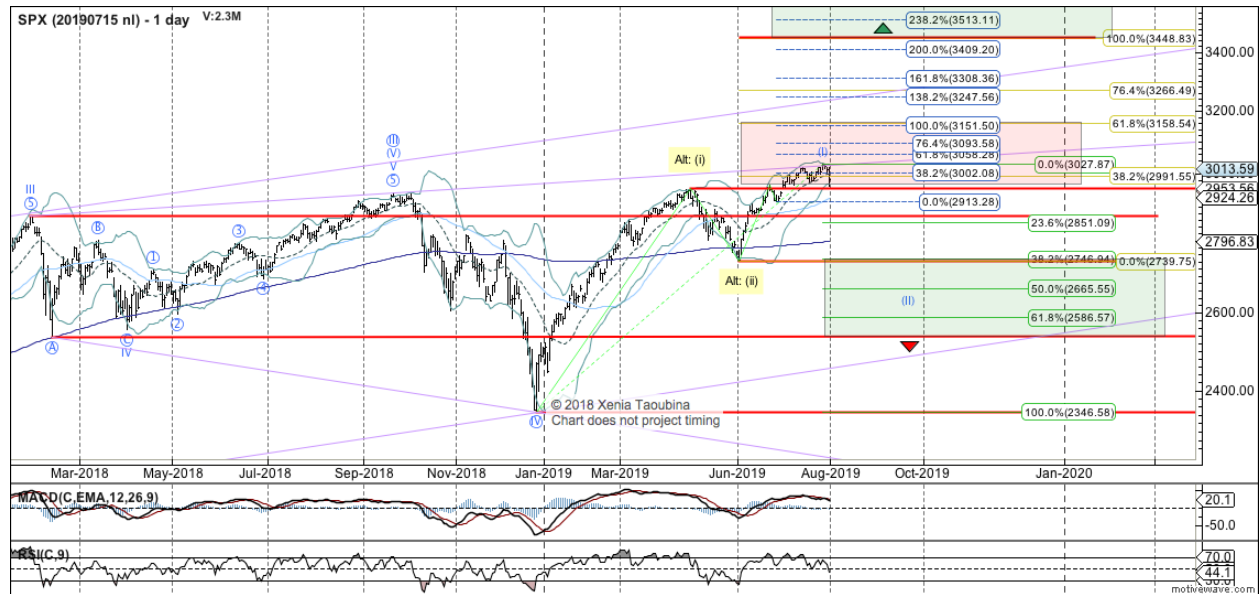
Key features of the newsletter are as follows:

- 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.
- **Support/resistance levels** – levels marked in red mark automatic reduction in positions; levels marked in green mark automatic increase in positions (for details, please review the writeup). The rest of the support/resistance levels are zones where I will consider taking action on a discretionary basis.
- **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%	2953	2913 2739 2533	3000-3158 3448

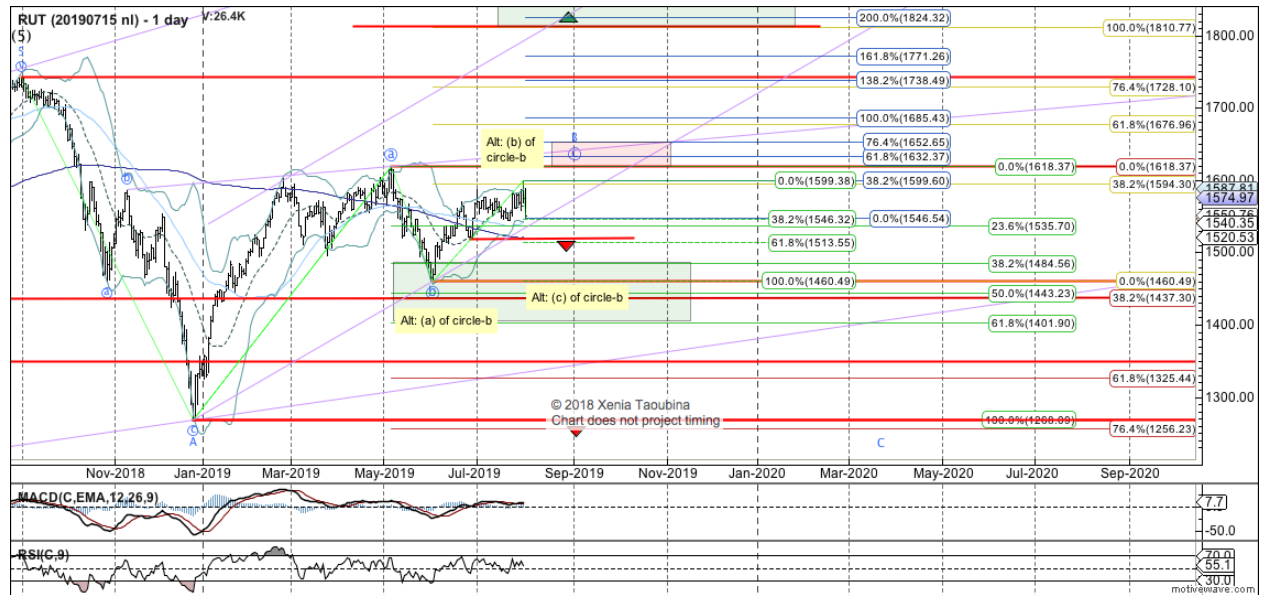
We are seeing reversal out of the resistance zone, which can be viewed as topping. To suggest that a lasting top is in place, a sustained break below 2913 is needed; until then, structure can subdivide higher into the resistance zone. At this point, if we get strong signs of bottoming over 2913, I will consider adding to this position to bring it back to neutral (it was reduced to below neutral at SPX 3115). Conversely, below 2913 I will consider further reducing allocations (note, both decisions will be discretionary and are not automatic). Conversely, topping action (subjectively defined by me) at higher levels, 3027- 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
100%	1546	1517 1460 1268	1599 1618 1696-1742

After bullish action early this week, I posted an alert that any breach of 1557.97 will have me stop out of the overweight portion of the position, which was carried from 1472 area noted in my article on May 31. That stop triggered today, so as of 1557.97, I am now neutral RUT. While potential for this scenario yet to deliver remains, odds are now not strong enough to bet money on it, and I would rather protect profits off the 1472 entry. IF a move over 1599 is seen, I will have to make a discretionary decision on the odds of topping vs breaking out. Conversely, below 1517 I will consider reducing allocations to below neutral.

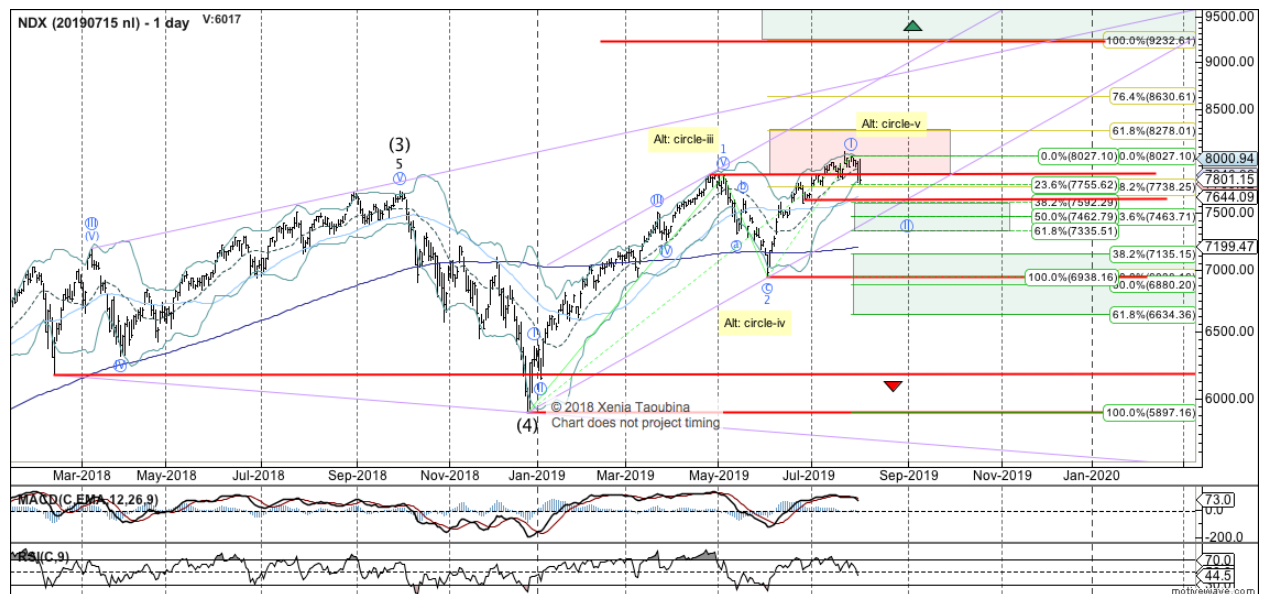


Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
100%	7801	7615	8027
		7315	8278
		6938	9232

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.

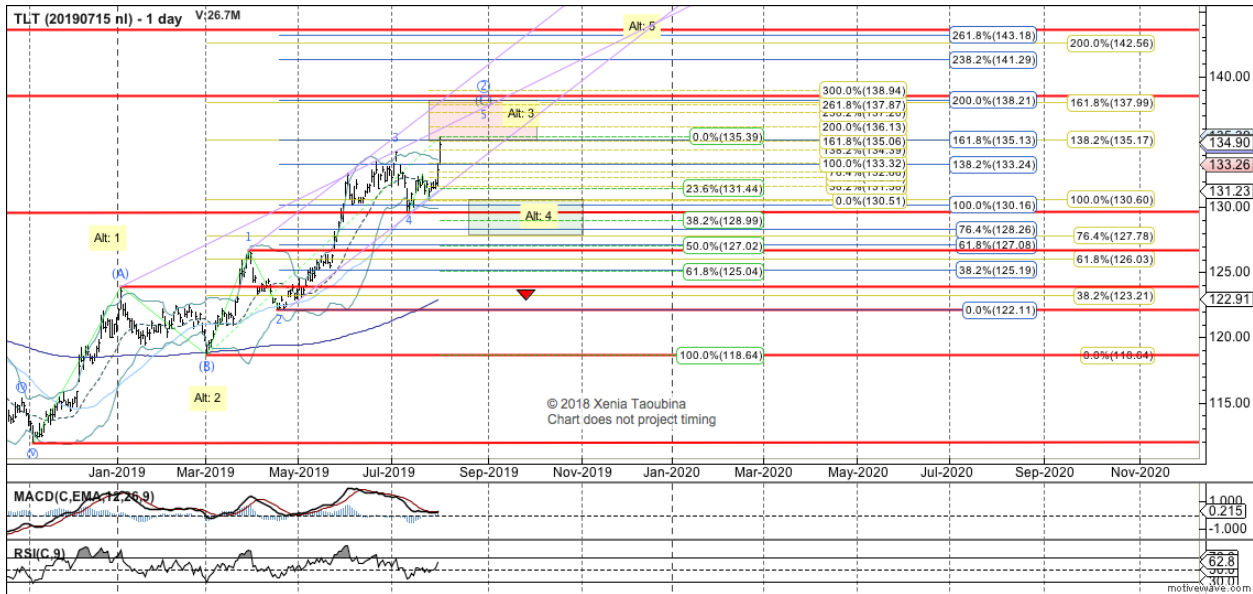
At this time, structure can be viewed as topping, so I’m watching this action closely to potentially further reduce allocations. In the upcoming week, I may trim this position to below neutral -- decision will be subjective, based on the market action. Ultimately, the 6938 level has structural significance, 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%	134.9	133.00	135.1-138.2
		127.7-130.6	137.9
		123.86	142.5-143.6

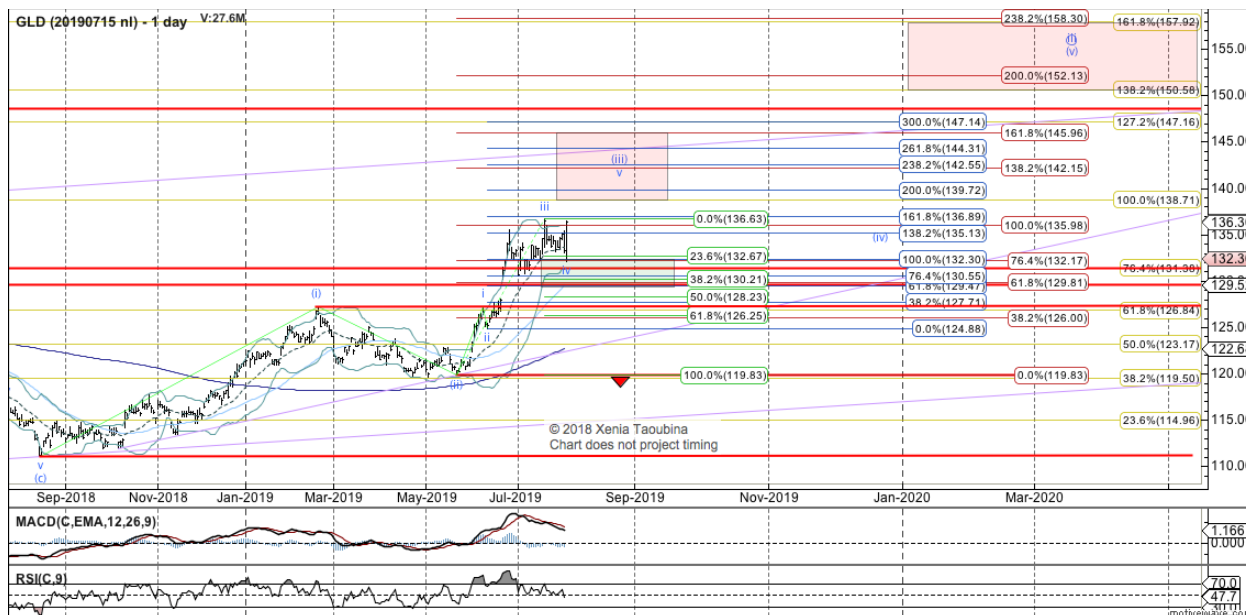
This week has certainly been constructive for the overweight TLT position. With today's action, TLT enters the 135.1-138.2 target zone, however, action is not yet suggestive of topping. At this point, I am putting what is known as a "bracket order" on the overweight portion of the position, entered into at 130.2: a reversal down to 133.0 OR a rally to 137.9 will have me to automatically book this portion, and move back to neutral positioning. Note that if I see sufficient evidence of topping below the 137.9 automatic sell trigger, I will make a discretionary exit of this portion of the position. Big picture, I see potential for a significant top forming in TLT. IF strong indications of topping develop, OR bearish action into the 127.7-130.6 support zone is seen, I will consider reducing this position to below neutral.



SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
120%	136.3	132.3 129.4-132.3	138.7-145.9 150.5-157.9

With GLD opening at 132.3 and scratching the top of the support zone, I posted an alert that I'm adding 20% to this position, to make 120% of neutral. GLD didn't make me wait, staging a strong rally intraday. At this point, I am putting a stop on this additional segment at 132.30, making it practically riskless. On the upside, ideally, the pattern will extend to at least 138.7, however, if I get strong enough indications of topping, I will consider booking the add-on piece - while the targeted timeframe of these trades is multiple weeks, I'm not going to argue with the market if it's able to deliver what is typically multi-week price action within a couple of days.



Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
100%	27.85	26.04 24.48-25.64 23.70	28.41-31.56 31.17-33.58

This week's low of 26.04 is now the upper-most support for the structure. For as long as it holds, potential to extend as high as 31.56 before the next meaningful pullback exists. IF new highs are seen, I will consider reducing allocation to below neutral. On the downside, IF 26.04 is taken out, structure can still be viewed as constructive for as long as 24.48-25.64 is holding. Reaching that zone in a stance that doesn't favor bottoming, OR breaking below 23.70, will have me consider reducing allocations to below neutral.

