

## 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 is a whipsaw week, with the early-week rally for equities being short-lived, yet decline unable to sustain as well. Two intraweek changes were made: TLT position was reduced further, and RUT allocation was increased to overweight. My view is that we are at, or near, a risk-off extreme, and further signs of bottoming will have me consider adding to equities.

Market	Last week		Intraweek changes		This week	
	Level	Allocation	Level	Allocation	Level	Allocation
SPX	2,938.00	100%			2,888.00	100%
RUT	1,533.00	100%	1,465.00	20%	1,484.00	120%
NDX	7,726.00	100%			7,600.00	100%
TLT	140.30	80%	147.00	-20%	145.60	60%
GLD	142.30	90%			142.30	90%
GDX	29.72	90%			28.33	90%

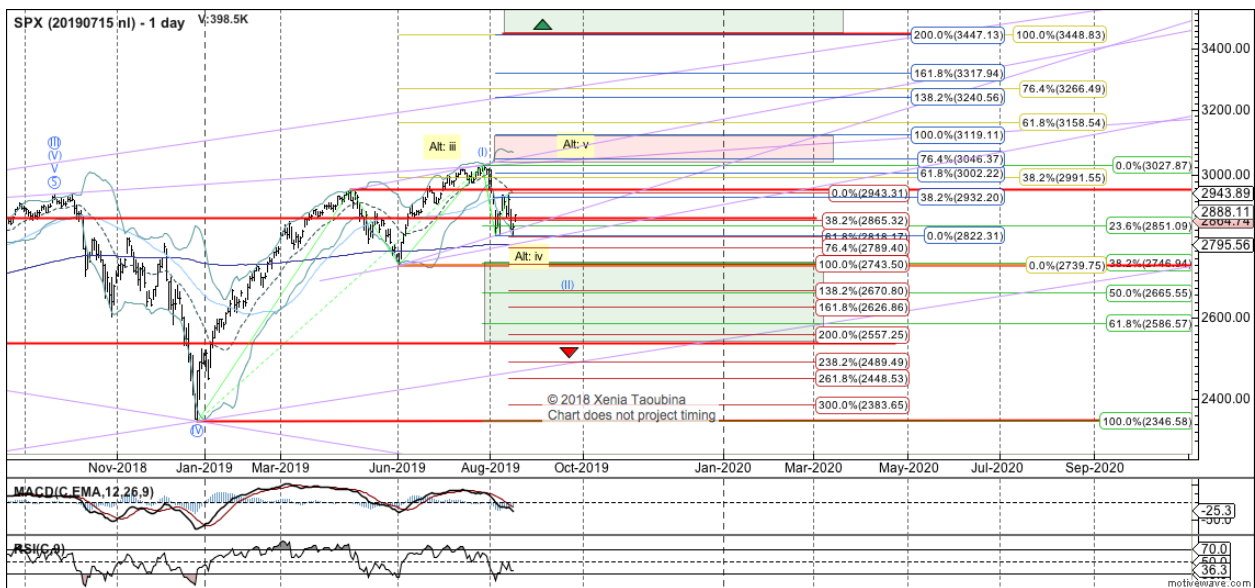
**Key features** of the newsletter are as follows:

- 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
100%	2888	2795-2822	2943-3027
		2739	3119
		2533	3448

It is looking more and more likely that SPX is not ready to break 2739, or even its 200 DMA at 2795, for that matter. My working hypothesis is that we will see an extension to a new high before the rally off December low completes. IF such an extension is seen, I will look for signs of topping at a new high to consider reducing this position once again. I will only look to add if we get a strong candidate for a bottom in the coming days, where I can clearly define risk parameters for any such overweight position.



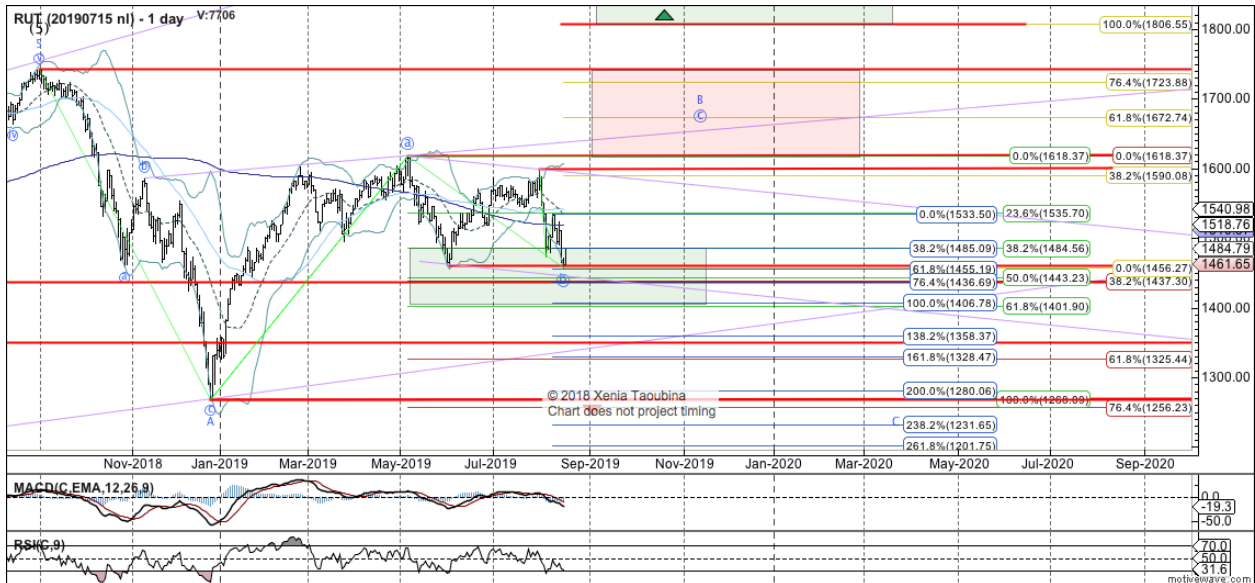
### Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	90%	3001	90%
8/6/19	10%	2865	100%

## Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
120%	1484	1441-1460	1533
		1400	1599
		1268	1618
			1696-1742

RUT fulfilled the pattern for a move down to 1460 that I was favoring ever since it broke below 1557. At this point, potential for a bottom of the corrective move that I've been tracking since May exists, and I increased allocation to 120% of neutral at 1465, with a stop for the add-on at 1400. I will consider further adding to this position IF we see further signs of bottoming towards 1441, OR a clearly constructive stance to the upside.



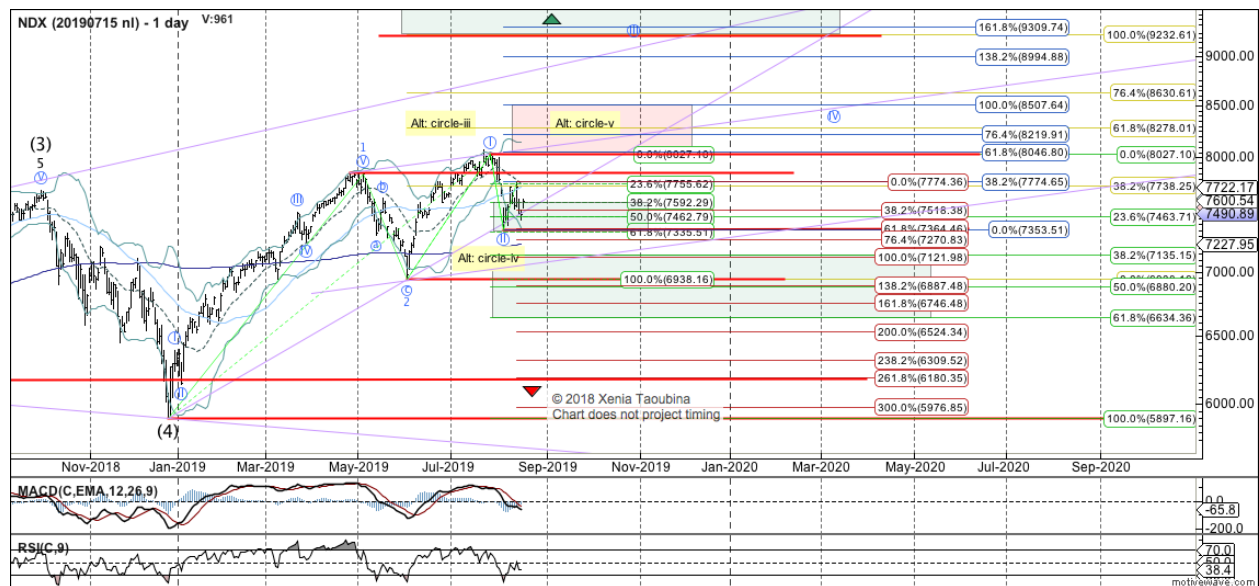
### Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	120%	1559	120%
8/1/19	-20%	1557.97	100%
8/14/19	20%	1465	120%

## Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
100%	7600	7353 7227 6938	7774-7850 8027-8507 9232

It is looking more and more likely that NDX is not ready to break 6938, or even its 200 DMA at 7227, for that matter. My working hypothesis is that we will see an extension to a new high before the rally off December low completes. IF such an extension is seen, I will look for signs of topping at a new high to consider reducing this position once again. I will only look to add if we get a strong candidate for a bottom in the coming days, where I can clearly define risk parameters for any such overweight position.



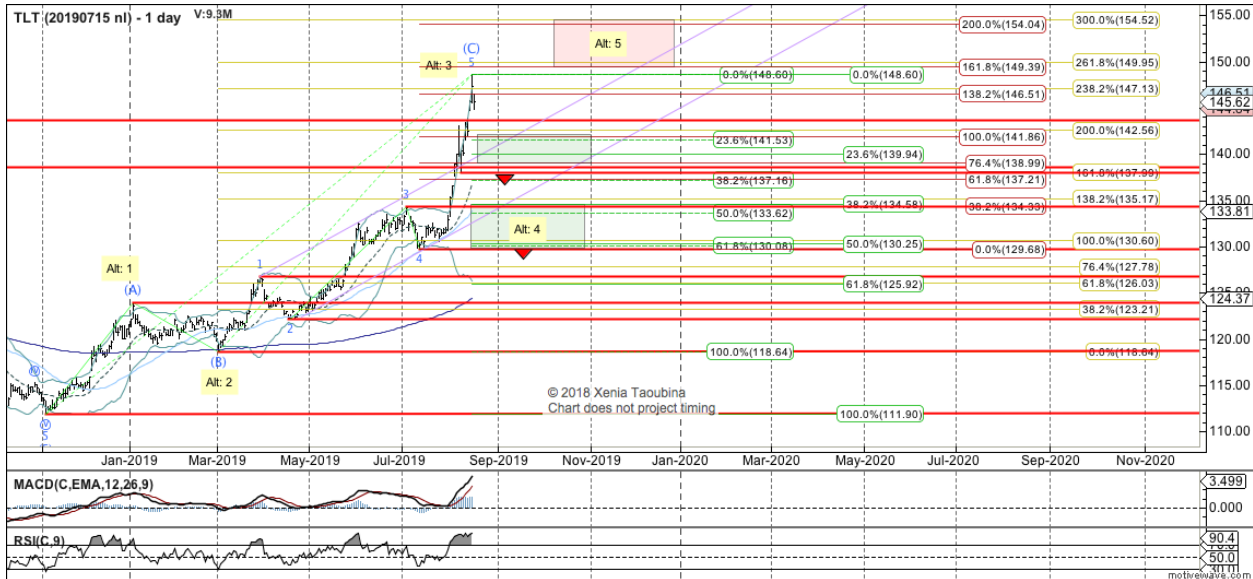
### Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	100%	7916	100%

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

Allocation	Level	Support Levels	Resistance Levels
60%	145.6	138-141.9 129.68-134.29	149.3-154.5

This move up has been nothing short of breathtaking, exceeding reasonably probable topping zones. That's not uncommon for bonds during panics, and spikes of this sort usually end abruptly. At this time, TLT is bumping into the long-term channel defined by panic highs of 2008, 2001-2012 and 2016. While this time may be different, I am taking a stance that it's an extension of the pattern I've been tracking, prompting me to further reduce this position from 80% of neutral to 60% of neutral at 147.0. IF another extension higher is seen, I will consider reducing it further to the minimum allocation under the framework of the newsletter, which is 50% of neutral. Conversely, a pullback towards 138, if it shows clear bottoming, will have me consider adding back some of the position. A break below 138, IF seen, will have me expect a multi-week and potentially multi-month move down.



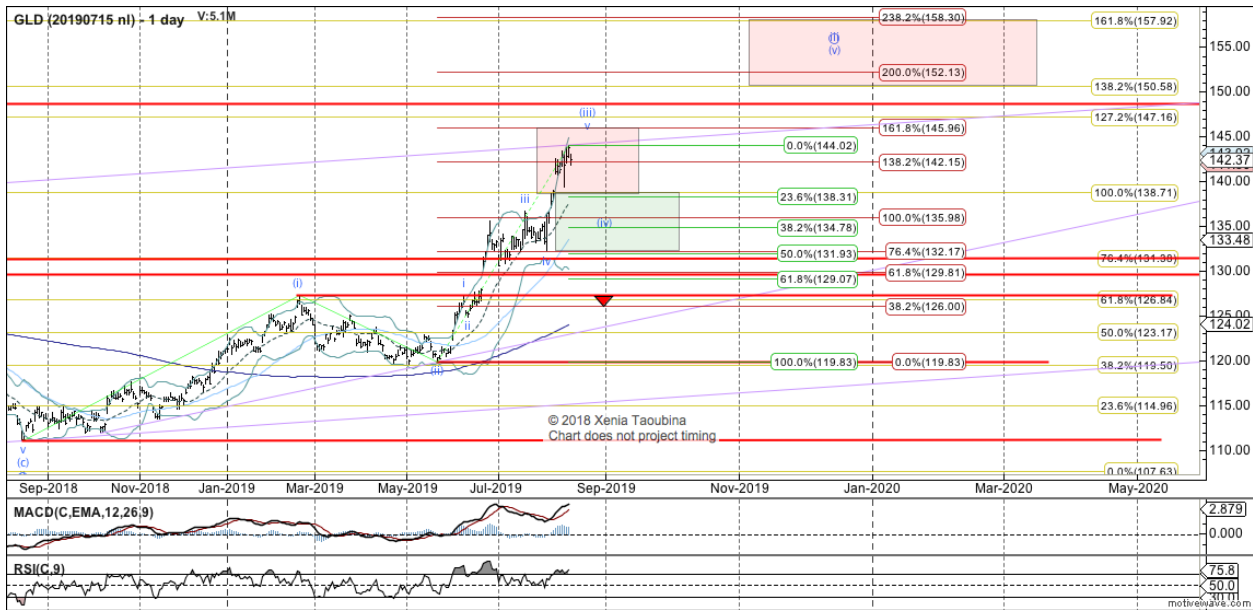
### Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	120%	131.78	120%
8/2/19	-20%	135.7	100%
8/5/19	-20%	138.15	80%
8/15/19	-20%	147	60%

## SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
90%	142.3	132.3-138.7 127.21	142.4-145.9 150.5-157.9

This was a surprisingly uneventful week for gold, so last week's analysis still stands: IF further signs of topping towards 145.9 resistance are seen, I will consider taking off another 10% of allocation. Conversely, IF bottoming into 132.3-138.7 zone is seen, I will look to bring this position back to neutral, and will consider going overweight.



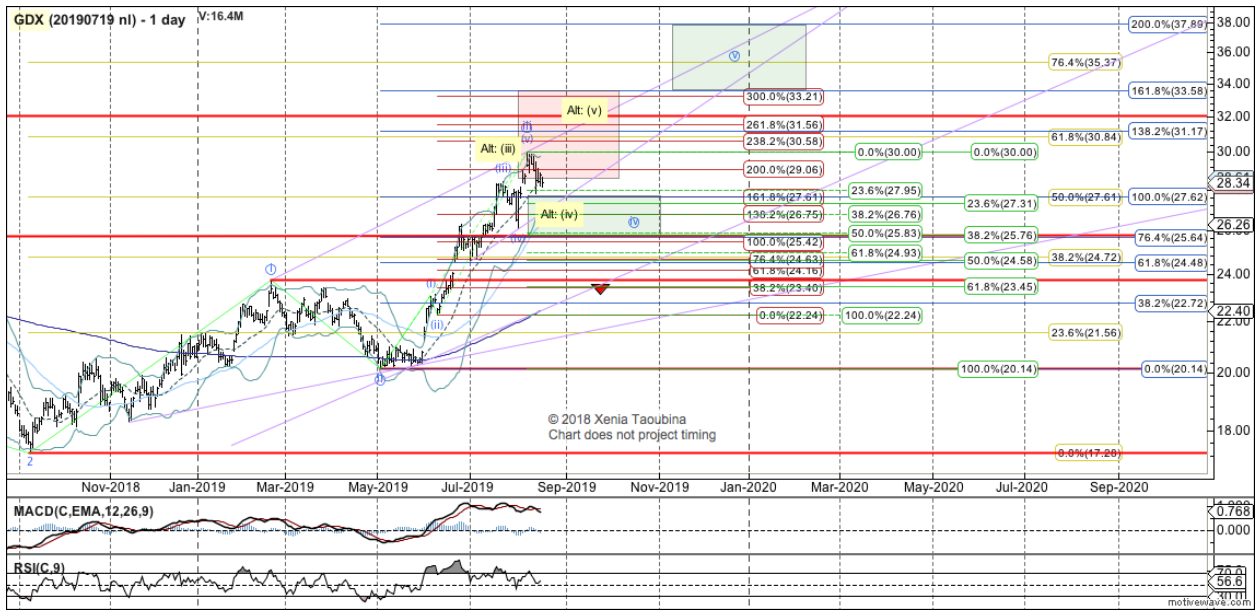
### Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	100%	134.83	100%
8/1/19	20%	132.4	120%
8/5/19	-20%	137.95	100%
8/8/19	-10%	142	90%

## Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
90%	28.33	25.64-27.62 23.70	30.00-31.56 31.17-33.58

Last week's analysis still stands: IF higher, towards 31.56, is seen in the upcoming week, I will consider reducing allocation further, to 80% of neutral. Conversely, a pullback to 25.64-27.62 support zone will have me increasing the position to neutral, and potentially, going overweight.



### Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	100%	27.82	100%
8/8/19	-10%	29.6	90%