

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

Last week was yet another whipsaw week, presenting plenty of opportunity for traders, but little to do for investors with a multi-week and multi-month timeframe. The only intraweek changes were an upsize in GDX at the start of the week, followed by a reduction back upon what is best viewed as a re-test of the high. My view remains unchanged from last week – I see markets as nearing 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	2,888.00	100%			2,848.00	100%
RUT	1,484.00	120%			1,459.00	120%
NDX	7,600.00	100%			7,469.00	100%
TLT	145.60	60%			145.96	60%
GLD	142.30	90%			144.17	90%
GDX	28.33	90%	27.88	10%	29.64	90%
			29.63	-10%		

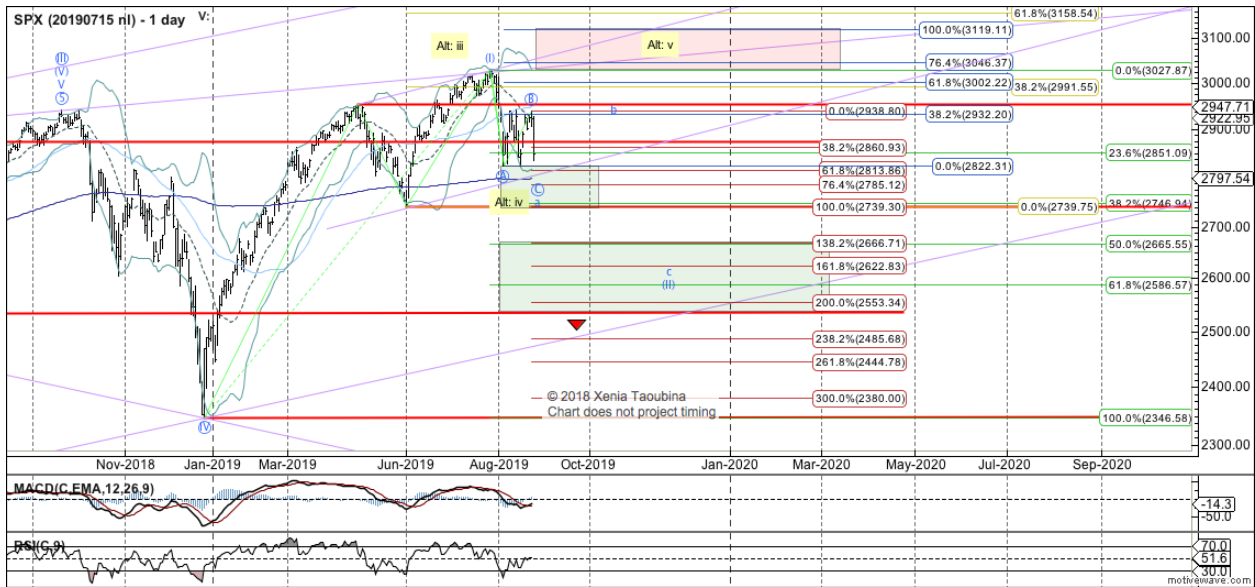
Key features of the newsletter are as follows:

- 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%	2848	2797-2822 2739 2533-2665	2938-2953 3027 3119

Late-week decline seen this week now has fairly good odds of testing the 200 DMA at 2797 this upcoming week. As it stands now, it is likely that SPX will hold 2797, maintaining well above 2739. IF such a test is seen, and IF I deem the stance as constructive, I will consider increasing this position to overweight in the vicinity of 2797. I expect a bottom in that zone to have fairly good odds of producing a new high, or at the very least, a tradable bounce. While I see a break of 2739 unlikely, IF such a break were to happen, I will consider reducing the position to underweight, as in that scenario, SPX would likely see a swift 100-200 point downside followthrough to the 2533-2665 support zone.



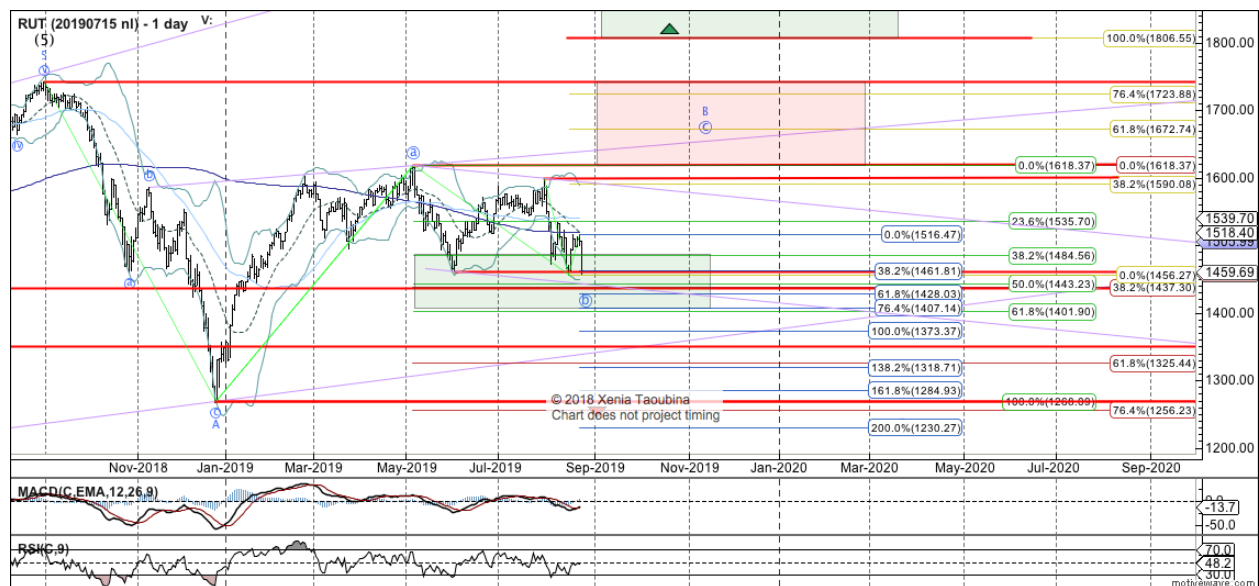
Past allocation changes

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%	1459	1441-1460 1400 1268	1516 1599 1618 1696-1742

Despite past week's whipsaw, my view analysis here is unchanged from the week before: 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.



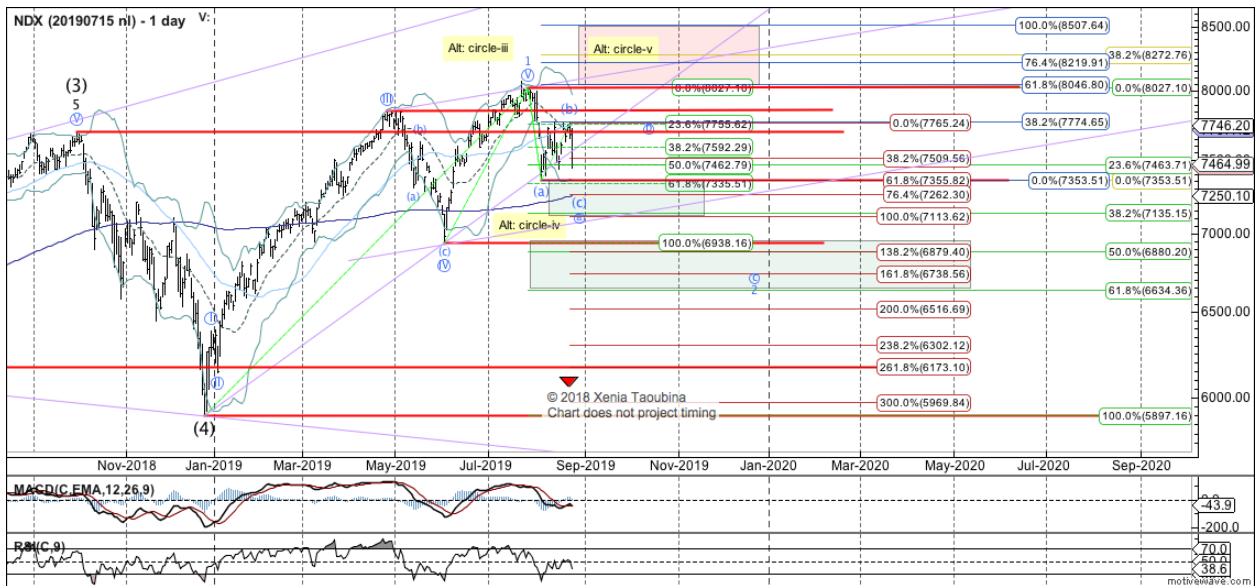
Past allocation changes

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%	7469	7113-7353 6634-6938	7700-7851 8027-8507

Late-week decline seen this week now has fairly good odds of testing the 200 DMA at 7250 this upcoming week. As it stands now, I favor no sustained break below 7250, with NDX expected to bottom over 7113. IF such a test is seen, and IF I deem the stance as constructive, I will consider increasing this position to overweight in the vicinity of 7250. I expect a bottom in that zone to have fairly good odds of producing a new high, or at the very least, a tradable bounce. While I see a break of 7113 unlikely, IF such a break were to happen, I will consider reducing the position to underweight.



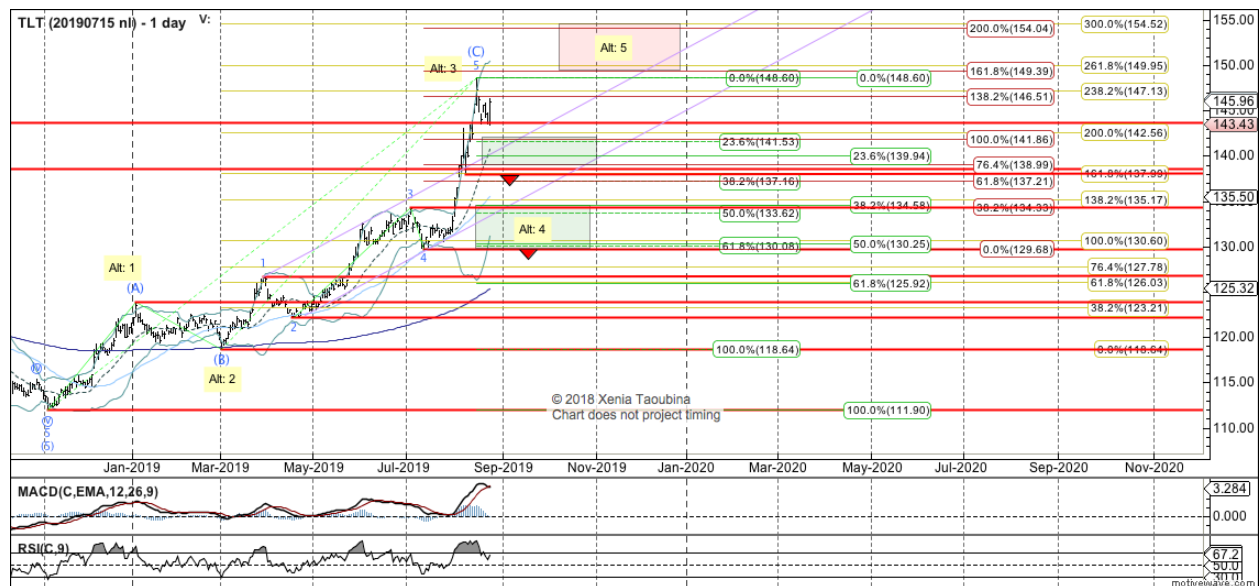
Past allocation changes

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%	145.96	138-141.9 129.68-134.29	149.3-154.5

With TLT having spent the week in consolidation, from last week still stands: 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 reduce this position to significantly underweight. 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.



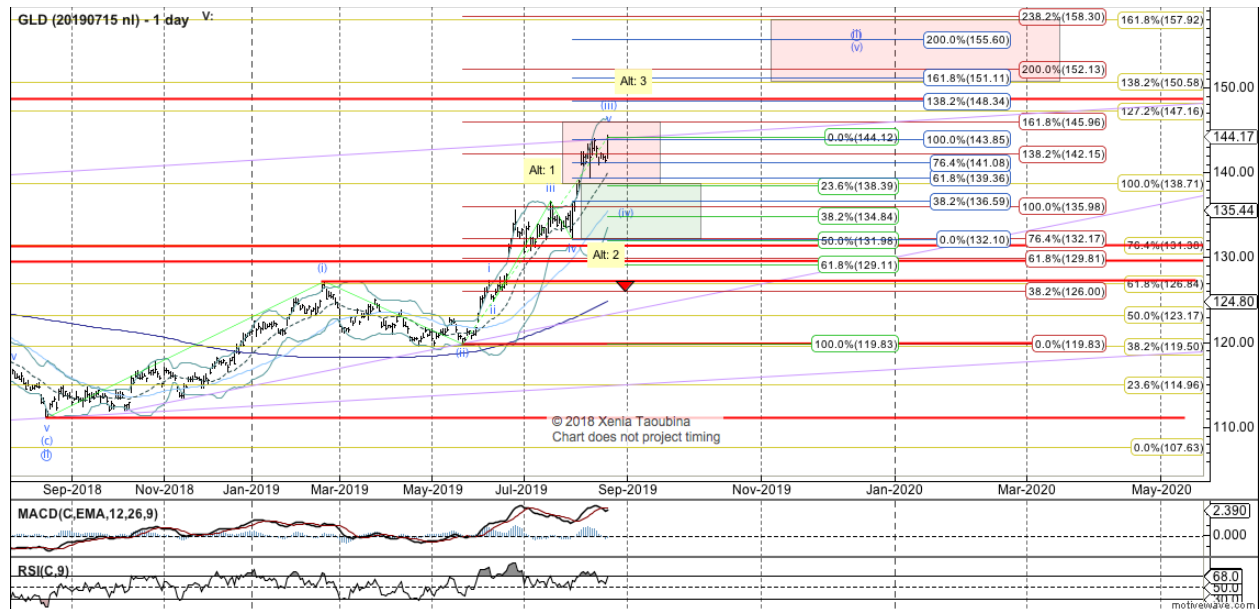
Past allocation changes

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%	144.17	132.3-138.7 127.21	142.4-145.9 150.5-157.9

GLD is bumping up against a potential channel resistance, while in the topping zone. IF further signs of topping 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. There is an outside potential that gold is holding a more bullish stance than I had anticipated, and a break over 145.9 without a meaningful pullback to at least 138.7 will have me favor such acceleration higher. So, because of that potential, and because the long-term upside pattern is unlikely to be complete under most scenarios I track, I would be unwilling to go below 80% of neutral.



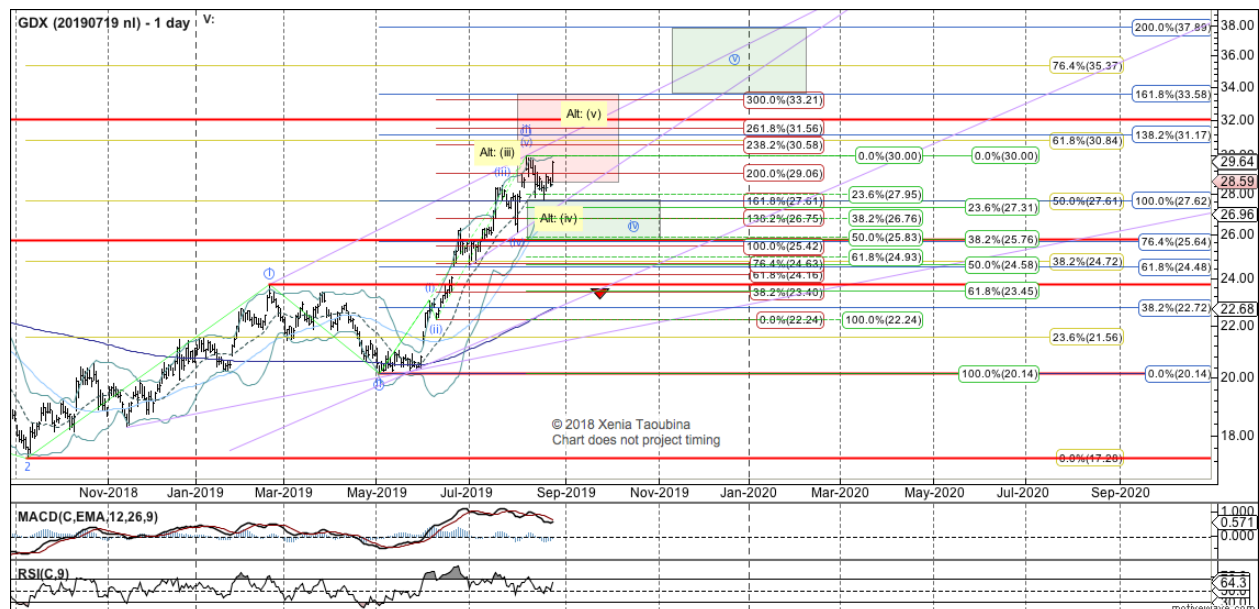
Past allocation changes

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%	29.64	25.64-27.61 23.70	30.00-31.56 31.17-33.58

At the start of the week, GDX dipped to the top of the support zone noted in last week's update, arriving there in a constructive stance. This prompted me to upsize the position back to neutral at 27.88. The way the action developed during the week, however, made favor a deeper pullback, so I chose to trim the position back to 90% at 29.63, on Friday. IF we get the move back to the 25.64-27.62 support zone this upcoming week, I will be looking to increase the position to neutral, and potentially, going overweight. Conversely, IF a direct break higher, towards 31.56, is seen in the upcoming week, I will consider reducing allocation further, to 80% of neutral. With the long-term upside pattern unlikely to be complete under most scenarios I track, and upside surprises always a possibility, I would be unwilling to go below 80% of neutral, even in the face of a likely pullback.



Past allocation changes

Change Date	Transaction	Price	Total Position
7/19/19	100%	27.82	100%
8/8/19	-10%	29.6	90%
8/19/19	10%	27.88	100%
8/23/19	-10%	29.63	90%