

XT on Markets

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Published by Xenia Taoubina

Mission

The objective of this newsletter is to assist investors with tactical decision-making. The goal is to outperform a buy-and-hold strategy for each of the individual markets covered.

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

Given that I skipped last week's issue due to hurricane Dorian, today's update covers changes since August 24. Market is validating my bias towards risk-on expressed in recent issues; it remains to be seen, however, whether this move will be sustained. For this reason, I'm putting stops in place; if those are breached, they will trigger the positions to move back towards neutral from their current risk-on bias.

Market	Last issue		Intraweek changes		This issue	
	Level	Allocation	Level	Allocation	Level	Allocation
SPX	2,848.00	100%			2,979.00	100%
RUT	1,459.00	120%			1,515.00	120%
NDX	7,469.00	100%			7,866.00	100%
TLT	145.96	60%	148.80	-10%	145.41	50%
GLD	144.17	90%	145.50	-10%	143.30	80%
GDX	29.64	90%	30.62	-10%	29.22	80%

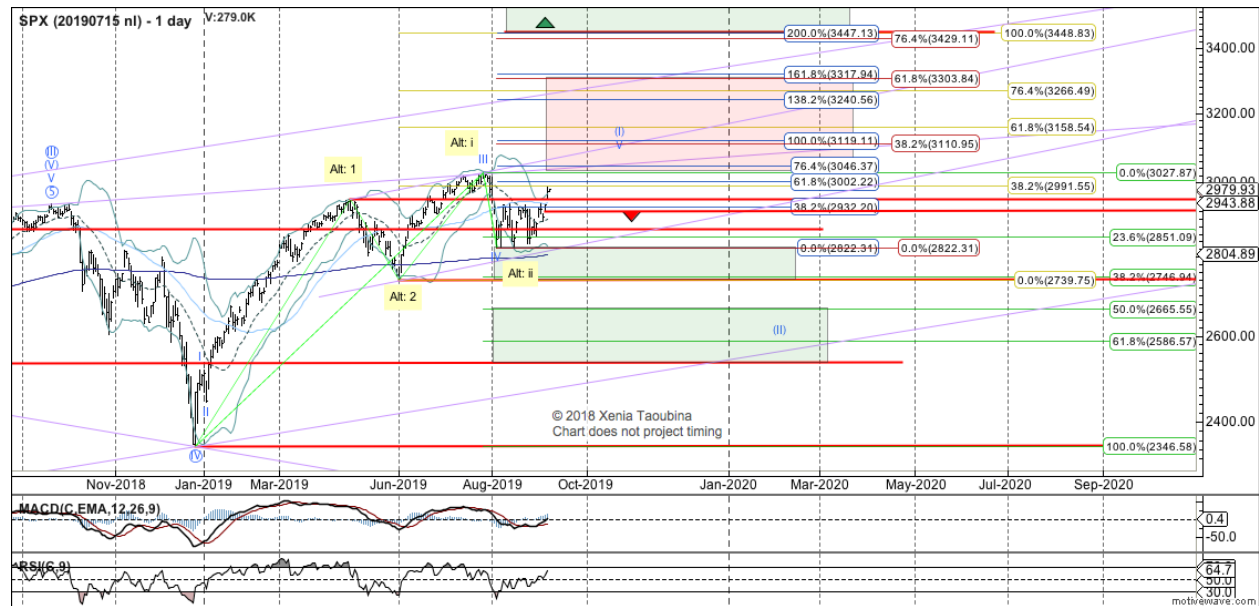
Key features of the newsletter are as follows:

- 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%	2979	2935	3027-3119
		2739-2822	3304
		2533-2665	3448

SPX is providing the upside resolution that I've been favoring, resolving higher without giving me a clean enough entry to increase exposure to overweight. At this time, I have a bullish bias for as long as it can hold over the 2940 breakout area. For as long as it's holding, I see SPX heading to a new high, at which time I will need to reassess its stance in order to determine whether this will be a sustained breakout, or a completing bullish move. While I consider downside resolution unlikely at this time, failure to hold 2940 area will suggest that 2822 will likely be revisited, so at this time, I'm setting a stop in place at 2935 (note, raised slightly since yesterday's post) on 20% of the allocation – breach of this level will have me reduce the position from neutral to 80% of neutral, and watch for bottoming in the 2739-2822 zone in order to add it back.



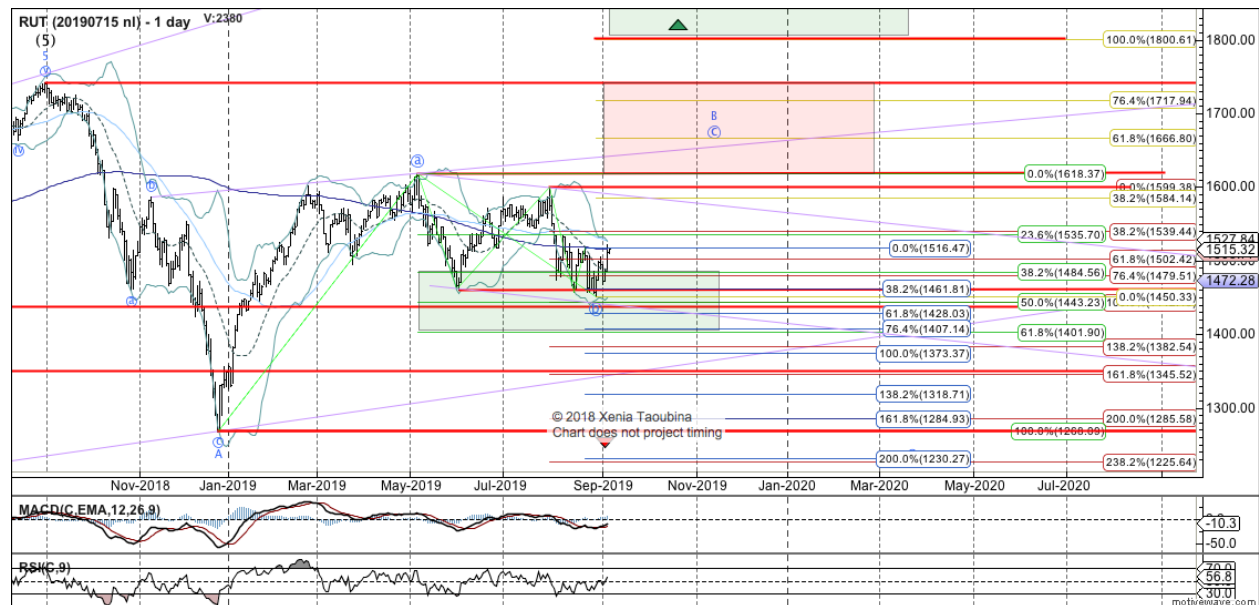
Past allocation changes

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%	1515	1467 1401-1450 1268	1542 1599 1618-1742

RUT fulfilled the pattern for a move down to 1460 that I was favoring ever since it broke below 1557. 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. Given the broader landscape, I am now taking a protective stance on the add-on piece, and setting a stop at 1467. Should that level be breached, I will be expecting a new low to be seen, and then I will look for signs of bottoming to add this piece back. I will consider further adding to this position IF bottom is confirmed, and a clearly constructive stance to the upside develops.



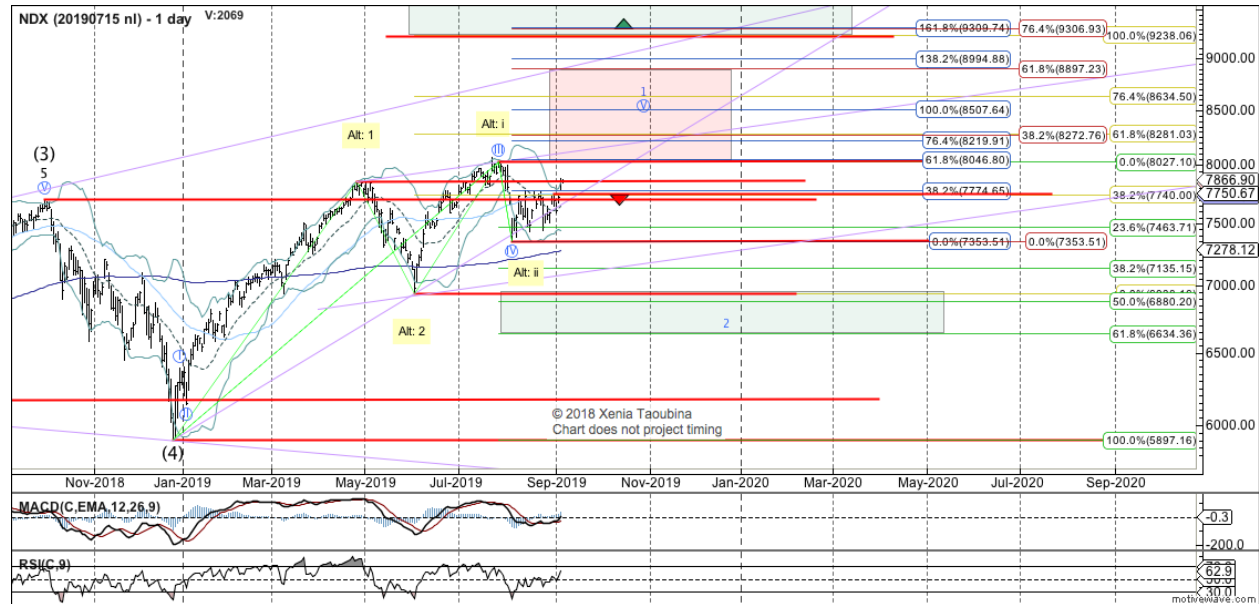
Past allocation changes

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%	7866	7740	8027-8507
		6938-7353	8897
		6634	9238

NDX is providing the upside resolution that I've been favoring, resolving higher without giving me a clean enough entry to increase exposure to overweight. At this time, I have a bullish bias for as long as it can hold over the 7770 breakout area. For as long as it's holding, I see NDX heading to a new high, at which time I will need to reassess its stance in order to determine whether this will be a sustained breakout, or a completing bullish move. While I consider downside resolution unlikely at this time, failure to hold 7770 area will suggest that 7353 will likely be revisited, so at this time, I'm setting a stop in place at 7740 (note, raised slightly since yesterday's post) on 20% of the allocation – breach of this level will have me reduce the position from neutral to 80% of neutral, and watch for bottoming in the 2739-2822 zone in order to add it back.



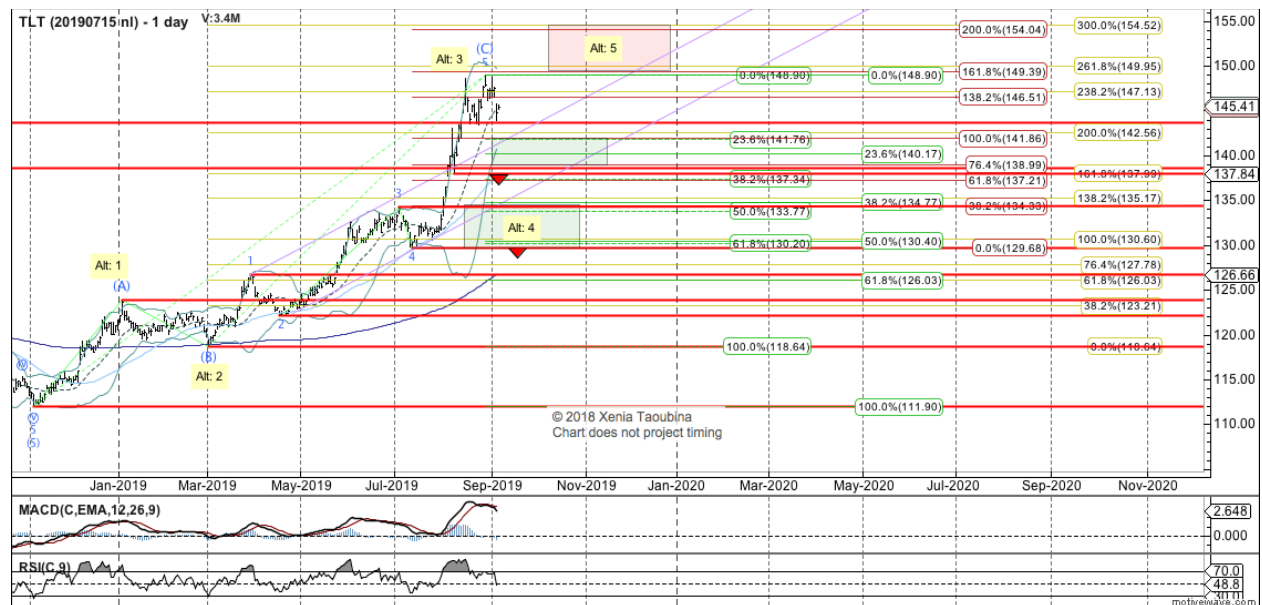
Past allocation changes

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
50%	145.41	139.0-141.9 138.0 129.68-134.29	150.0 148.9 154.0-154.5

My TLT allocation is now down to bare bones, 50% of neutral, as I continue to favor a multi-week top to be either forming, or already be in place. That said, action is yet to confirm that perspective, as it will require a break below 138. At this time, under most scenarios I track, a larger consolidation is favored, with 139-141.9 area as target. Declining into that zone will have me bring the position closer to neutral. Conversely, a rally over 150 will also have me automatically “stop into” the position, bringing it back to 80% of neutral there, as I will have to view my premise of topping as having been wrong, and view it as a breakout. I will then look for an attractive place to add back the remaining 20% of allocation.



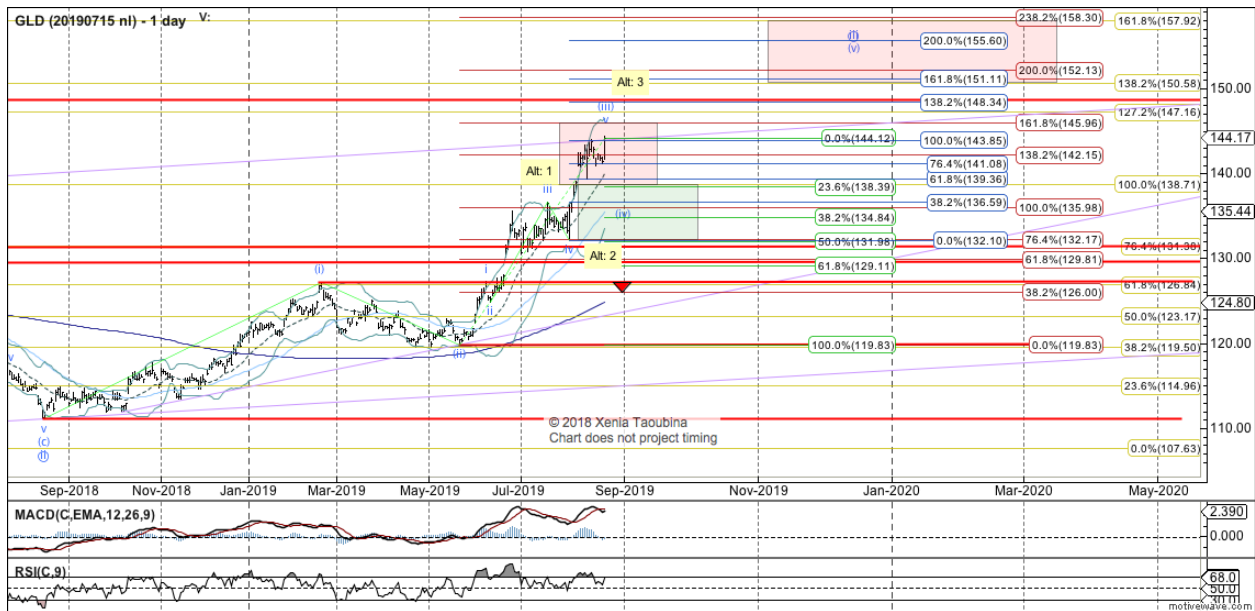
Past allocation changes

Underlying	Change Date	Transaction	Price	Total Position
TLT	7/19/19	120%	131.78	120%
TLT	8/2/19	-20%	135.7	100%
TLT	8/5/19	-20%	138.15	80%
TLT	8/15/19	-20%	147	60%
TLT	8/28/19	-10%	148.8	50%

SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
80%	143.3	133.3-140.5 132.1 127.21	146.8 150.5-157.9

I reduced this allocation to 80% of neutral, and GLD seems to be finally providing the expected pullback. At this time, I favor further downside, with support zone of 133.3-140.5 as target. Further downside into that support zone will have me look to bring the position back to neutral, and consider going to overweight. Conversely, any further highs without a more meaningful pullback first will put GLD into a more bullish configuration than had been premised, and will have me looking for an attractive place to add back the exposure that was taken off.



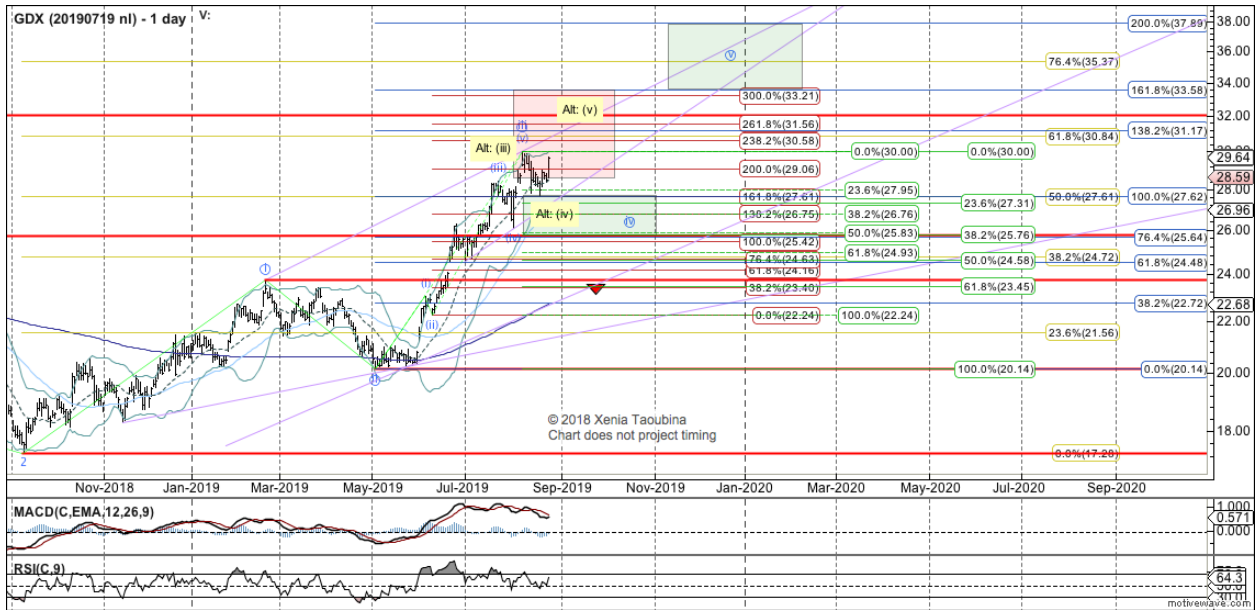
Past allocation changes

Underlying	Change Date	Transaction	Price	Total Position
GLD	7/19/19	100%	134.83	100%
GLD	8/1/19	20%	132.4	120%
GLD	8/5/19	-20%	137.95	100%
GLD	8/8/19	-10%	142	90%
GLD	8/28/19	-10%	145.5	80%

Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
80%	29.22	25.64-27.97 23.70	30.00-31.56 33.58

I reduced this allocation to 80% of neutral, and GDX seems to be providing the expected pullback. At this time, I favor further downside, with support zone of 25.64-27.97. Further downside into that support zone will have me look to bring the position back to neutral, and consider going to overweight.



Past allocation changes

Underlying	Change Date	Transaction	Price	Total Position
GDX	7/19/19	100%	27.82	100%
GDX	8/8/19	-10%	29.6	90%
GDX	8/19/19	10%	27.88	100%
GDX	8/23/19	-10%	29.63	90%
GDX	8/28/19	-10%	30.62	80%