

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

At the end of the month, technical picture shifted strongly in favor of risk off, prompting me to reduce equity allocations, and increase TLT, GLD and GDX positions. And, markets delivered promptly, with a strong move down in equities on October 1-3. At this time, it's unclear whether further downside will be seen directly, or if we are in for more chop; what is unlikely is a direct and sustained breakout in equities, so I am maintaining a defensive stance.

Market	Last issue		This issue	
	Level	Allocation	Level	Allocation
SPX	2,946.00	80%	2,944.00	80%
RUT	1,520.00	100%	1,495.00	100%
NDX	7,671.00	80%	7,741.00	80%
TLT	142.50	80%	145.90	100%
GLD	141.10	100%	141.80	120%
GDX	27.45	100%	27.85	120%

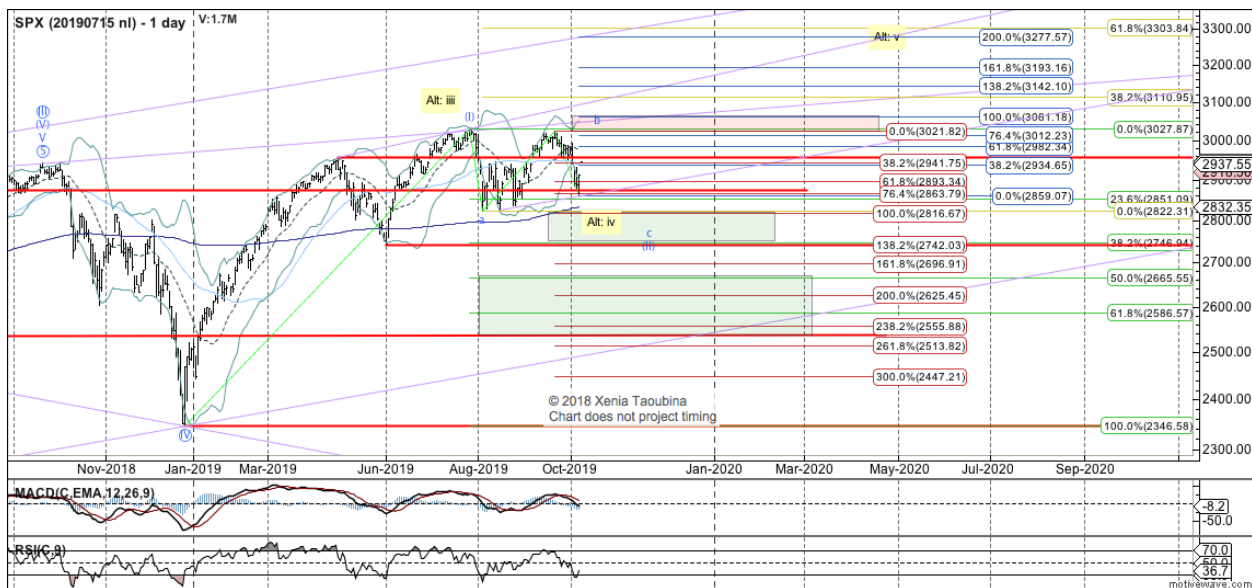
Key features of the newsletter are as follows:

- 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
80%	2944	2739-2822 2533-2665	3027-3061 3448

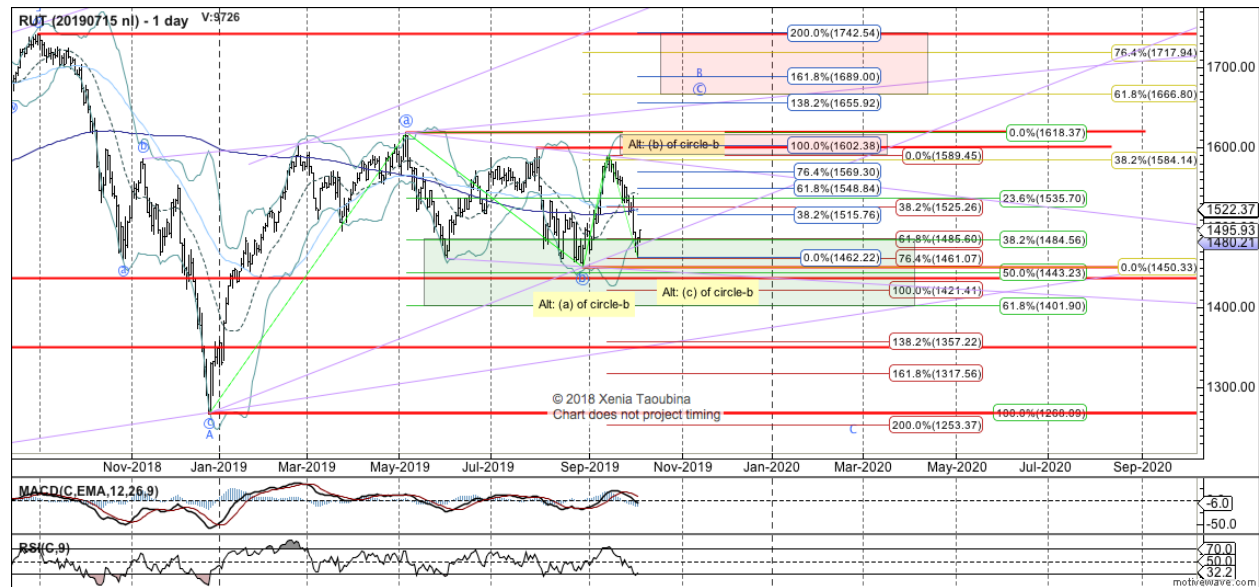
I've warned of continued weakening stance over the past two weeks, so it came as no surprise that SPX retested its August low this past week. Ideally, that low will be breached, setting up potential for a move to a new high to follow, however late week rally further complicated matters, reducing the odds of a direct bearish followthrough. I see it as unlikely that a sustained bullish breakout will be seen, in this stance. IF SPX is able to make a new high, I expect it not to exceed 3061. At present time, I maintain underweight bias, and IF a new high in the 3027-3061 range is seen, I will look view it as an opportunity to reduce exposure further.



Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
100%	1495	1401-1450 1268	1545 1589-1618 1666-1742

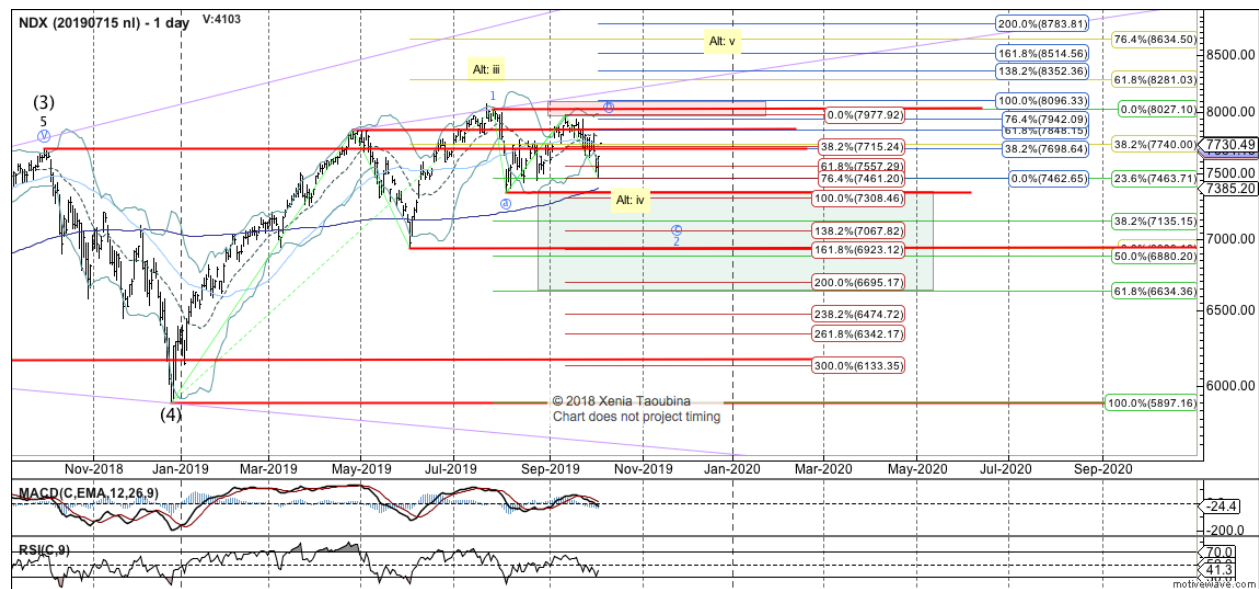
A reversal below 1535 made me favor RUT to target 1401-1450 yet again, and this past week, it came very close to that range. Downside doesn't look done; ideally, RUT will proceed there directly, providing me with an opportunity to yet again go overweight on the position below 1450. IF, instead, RUT gets over 1545, it will favor a move to 1589-1618 before another trip to the support zone. IF such a re-test of the September high is seen, I will look to reduce allocation to below neutral.



Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
80%	7741	6938-7353 6634	8027-8096 8507 9238

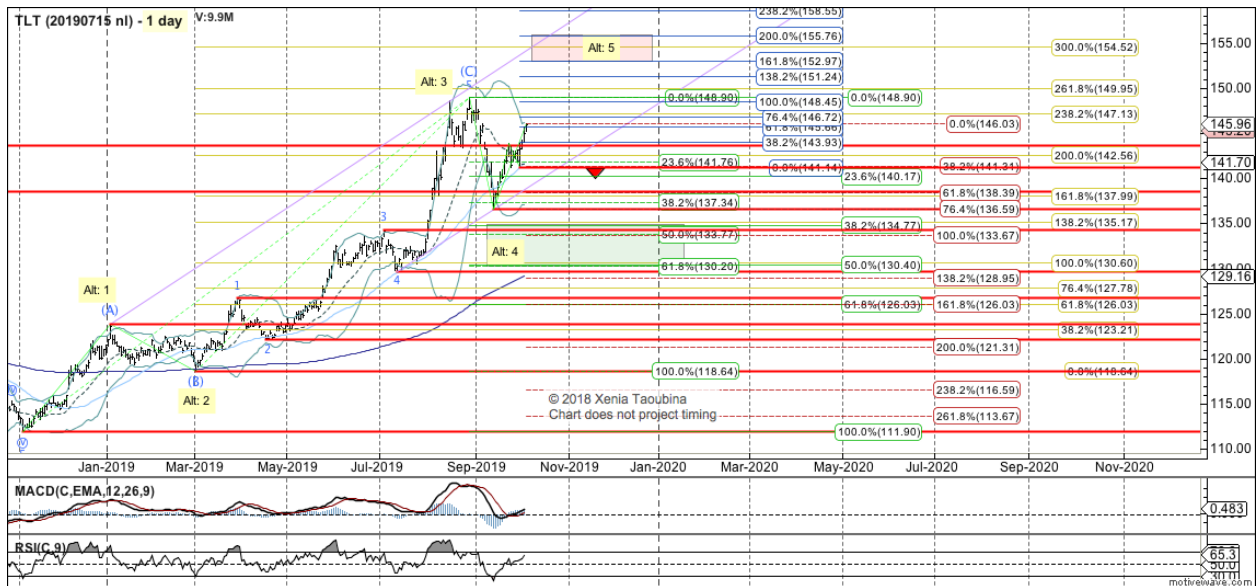
I've warned of continued weakening stance over the past two weeks, so it came as no surprise that NDX retested its August low this past week. Ideally, that low will be breached, setting up potential for a move to a new high to follow, however late week rally further complicated matters, reducing the odds of a direct bearish followthrough. I see it as unlikely that a sustained bullish breakout will be seen, in this stance. IF NDX is able to make a new high, I expect it not to exceed 8096. At present time, I maintain underweight bias, and IF a new high in the 8027-8096 range is seen, I view it as an opportunity to reduce exposure further.



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

Date	Allocation	Level	Support Levels	Resistance Levels
10/6/19	100%	145.9	141.14 136.54 129.68-134.29	148.9 149.9-154.5

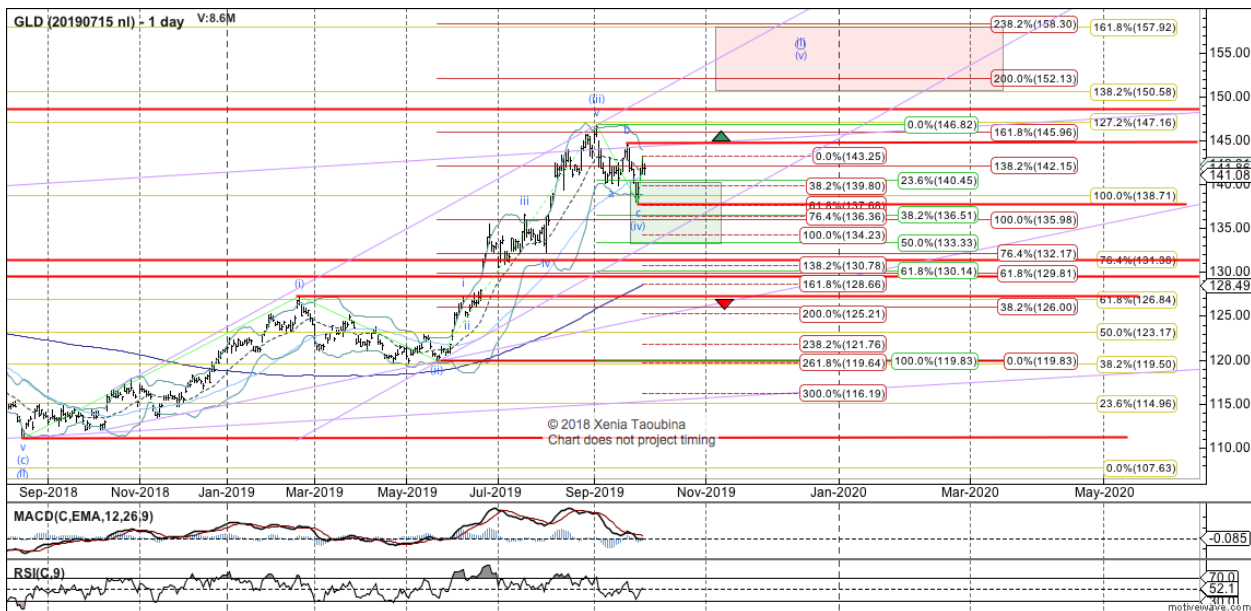
As noted in last week's update, I was looking for the opportunity to bring the TLT position back to neutral, given that a bottom did become likely. That potential presented itself on the morning of October 1, before cash markets opened, prompting me to add to the position shortly after the open. At this time, I'm closely watching TLT's stance as it approaches prior high. IF signs of topping short of prior high develop, I will consider reducing this position back to underweight. A break below 141.14 will favor a move back to 136.54. IF August high is broken, I will look to trim it in the vicinity of 154.5, which is where the move would likely be targeting.



SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
120%	141.8	133.3-140.5	144.77
		132.1	146.82
		127.21	150.5-157.9

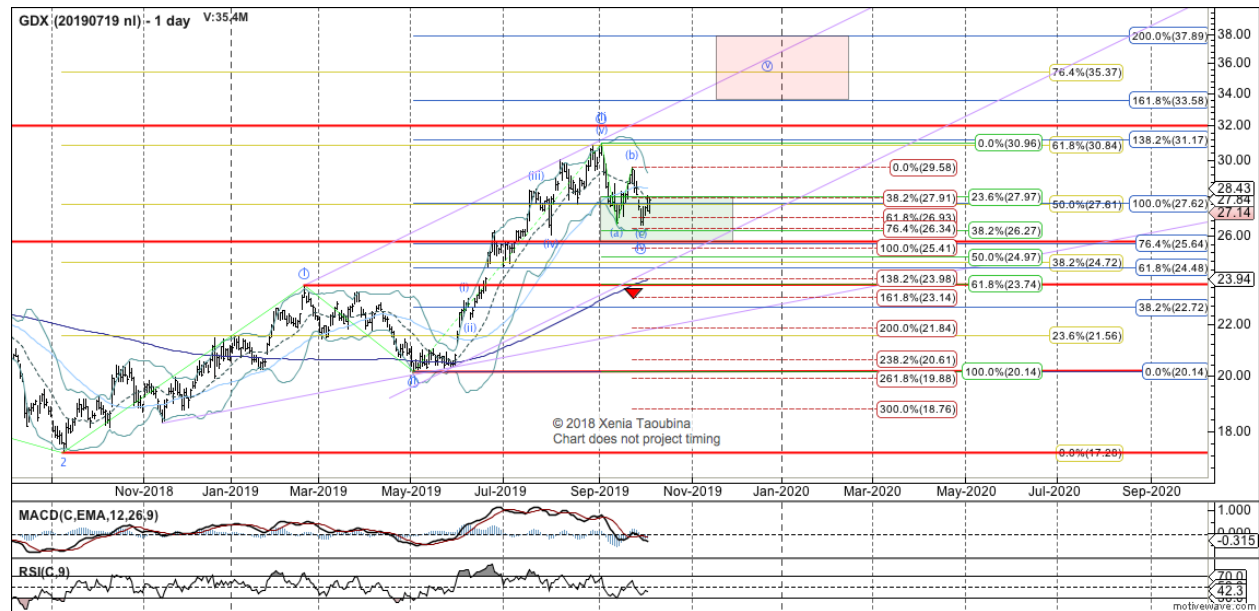
This past week, GLD provided with a clear enough indication of impending bullish action, prompting me to bring this position to overweight. While said bullish action did follow, it is not yet clear whether it will be able to proceed to a new high directly. A break over 144.77, if seen, will make that likely; until then, potential for a decline deeper into the support zone remains. IF a new high becomes unlikely, I will consider reducing this position to neutral. Conversely, bottoming action deeper into the support zone will have me consider adding.



Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
120%	27.85	25.64-27.97 23.70	29.58 30.96 33.58-37.89

This past week, GDX provided with a clear enough indication of impending bullish action, prompting me to bring this position to overweight. While said bullish action did follow, it is not yet clear whether it will be able to proceed to a new high directly. A break over 29.58, if seen, will make that likely; until then, potential for a decline deeper into the support zone remains. IF a new high becomes unlikely, I will consider reducing this position to neutral. Conversely, bottoming action deeper into the support zone will have me consider adding.



Past allocation changes

Underlying	Change Date	Transaction	Price	Total Position
SPX	7/19/19	90%	3001	90%
SPX	8/6/19	10%	2865	100%
SPX	9/24/19	-20%	2965	80%
SPX	9/26/19	20%	2974	100%
SPX	9/27/19	-20%	2952	80%

Underlying	Change Date	Transaction	Price	Total Position
RUT	7/19/19	120%	1559	120%
RUT	8/1/19	-20%	1557.97	100%
RUT	8/14/19	20%	1465	120%
RUT	9/24/19	-20%	1535	100%

Underlying	Change Date	Transaction	Price	Total Position
NDX	7/19/19	100%	7916	100%
NDX	9/24/19	-20%	7740	80%
NDX	9/24/19	20%	7757	100%
NDX	9/29/19	-20%	7646	80%

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%
TLT	9/6/19	10%	145.85	60%
TLT	9/9/19	20%	143.6	80%
TLT	10/1/19	20%	143.3	100%

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%
GLD	9/6/19	10%	142.35	90%
GLD	9/9/19	10%	141.83	100%
GLD	9/11/19	10%	140.87	110%
GLD	9/19/19	-10%	141.55	100%
GLD	9/23/19	-20%	143.63	80%
GLD	9/27/19	20%	140.4	100%
GLD	10//1/19	20%	139.4	120%

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%
GDX	9/6/19	10%	28.79	90%
GDX	9/9/19	10%	28.03	100%
GDX	9/9/19	10%	27.9	110%
GDX	9/19/19	-10%	27.95	100%
GDX	9/23/19	-20%	29.11	80%
GDX	9/27/19	20%	27.46	100%
GDX	10/1/19	20%	26.97	120%