

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

Past week presented us with more whipsaw. I continue to view it as unlikely that equities see a sustained breakout in this stance, so maintaining an underweight position there. I am expecting markets to provide a lower risk re-entry for equities. At the same time, action makes it unlikely that bonds, gold and miners are heading for new highs directly either, so the whipsaw may not be done yet. Given these developments, I will consider reducing these positions in the upcoming week.

| Market | Last issue | | This issue | |
|--------|------------|------------|------------|------------|
| | Level | Allocation | Level | Allocation |
| SPX | 2,944.00 | 80% | 2,985.00 | 80% |
| RUT | 1,495.00 | 100% | 1,525.00 | 100% |
| NDX | 7,741.00 | 80% | 7,898.00 | 80% |
| TLT | 145.90 | 100% | 140.40 | 100% |
| GLD | 141.80 | 120% | 139.90 | 120% |
| GDX | 27.85 | 120% | 27.00 | 120% |

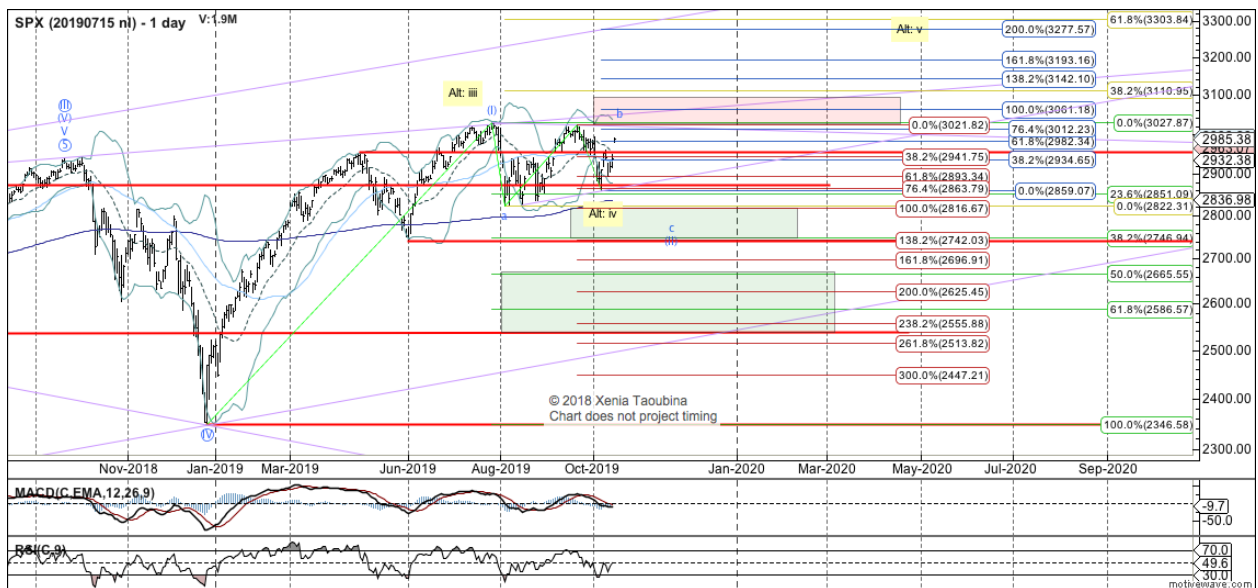
Key features of the newsletter are as follows:

- 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% | 2985 | 2892 2739-2822 2533-2665 | 3027-3099 3448 |

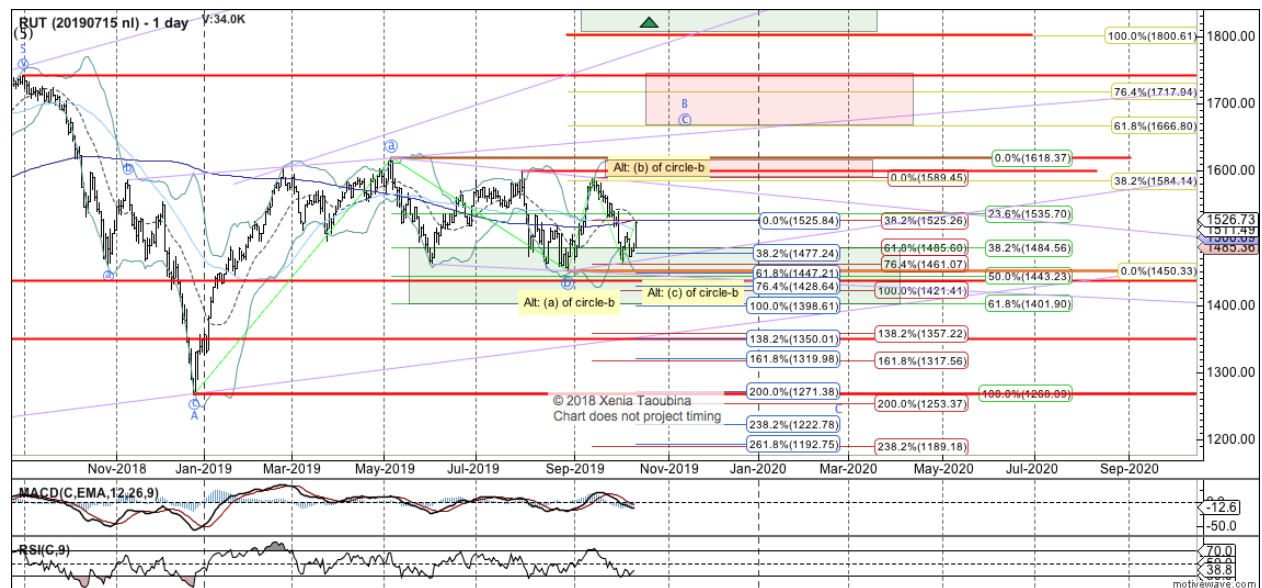
While ideal resolution would be for SPX to provide a move down to the 2739-2822 area, it's been stubbornly reluctant to do so. And so, the whipsaw continues. Downside resolution is still my preferred path. Earliest indication that we are getting said downside resolution is a break below 2892. At present time, I see it as unlikely that a direct break over 3099 be seen; IF SPX is able to proceed to that zone, it will open up potential that the summer correction completed at the October 3 low. Should that play out, I will consider adding to the position on a pullback that's expected to follow.



Russell 2000 Index (Ticker: RUT)

| Allocation | Level | Support Levels | Resistance Levels |
|------------|-------|-------------------|--------------------------------|
| 100% | 1525 | 1401-1450 1268 | 1545 1589-1618 1666-1742 |

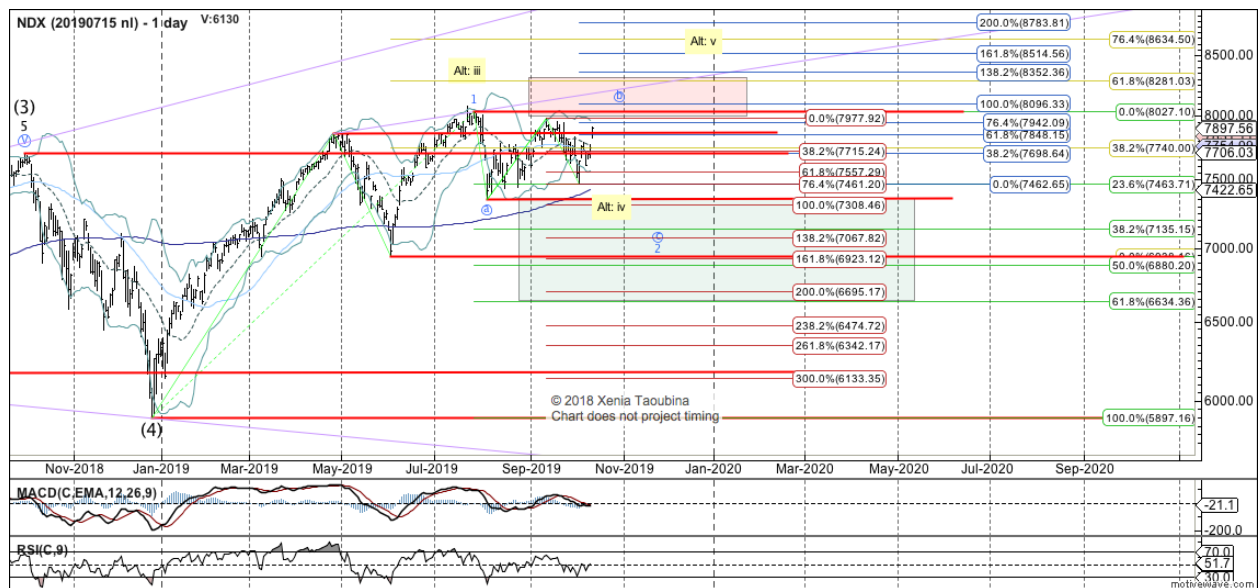
Action this week was not significant, with RUT consolidating between its breakdown point and support, so last week's analysis still stands: a reversal below 1535 made me favor RUT to target 1401-1450 yet again, and this past week, it came very close to that range. Downside doesn't look done; ideally, 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% | 7898 | 7609 6938-7353 6634 | 8027-8285 8507 9238 |

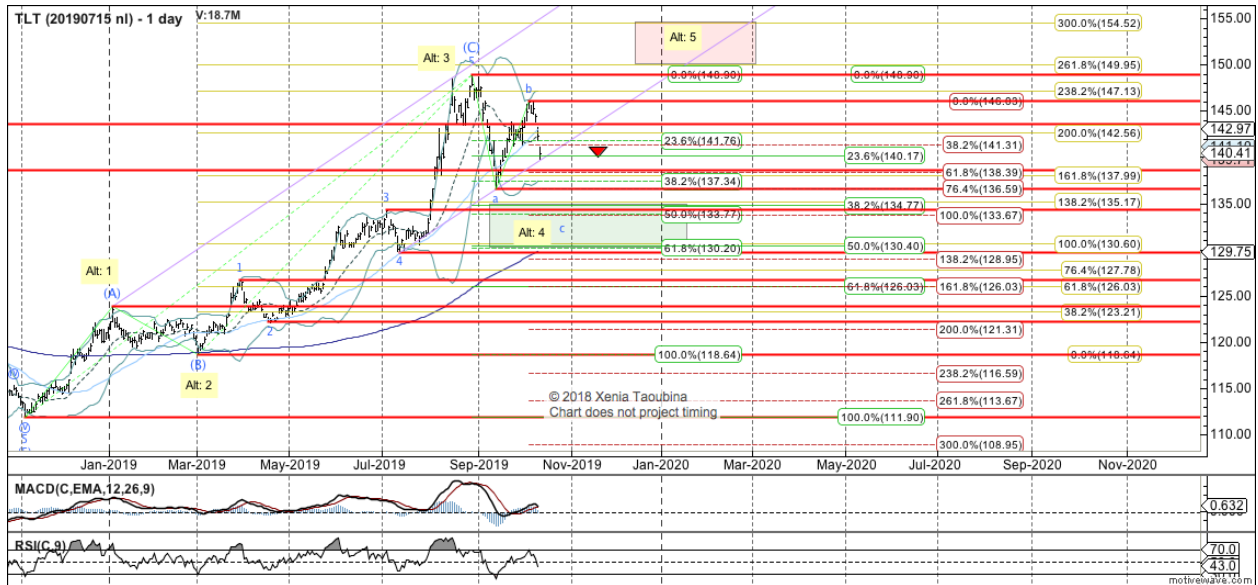
While ideal resolution would be for NDX to provide a move down to the 6938-7353 area, it's been stubbornly reluctant to do so. And so, the whipsaw continues. Downside resolution is still my preferred path. Earliest indication that we are getting said downside resolution is a break below 7609. At present time, I see it as unlikely that a direct break over 8285 be seen; IF NDX is able to proceed to that zone, it will open up potential that the summer correction completed at the October 3 low. Should that play out, I will consider adding to the position on a pullback that's expected to follow.



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

| Allocation | Level | Support Levels | Resistance Levels |
|------------|-------|-------------------------|--------------------------------|
| 100% | 140.4 | 136.54 129.68-134.29 | 146.03 148.9 149.9-154.5 |

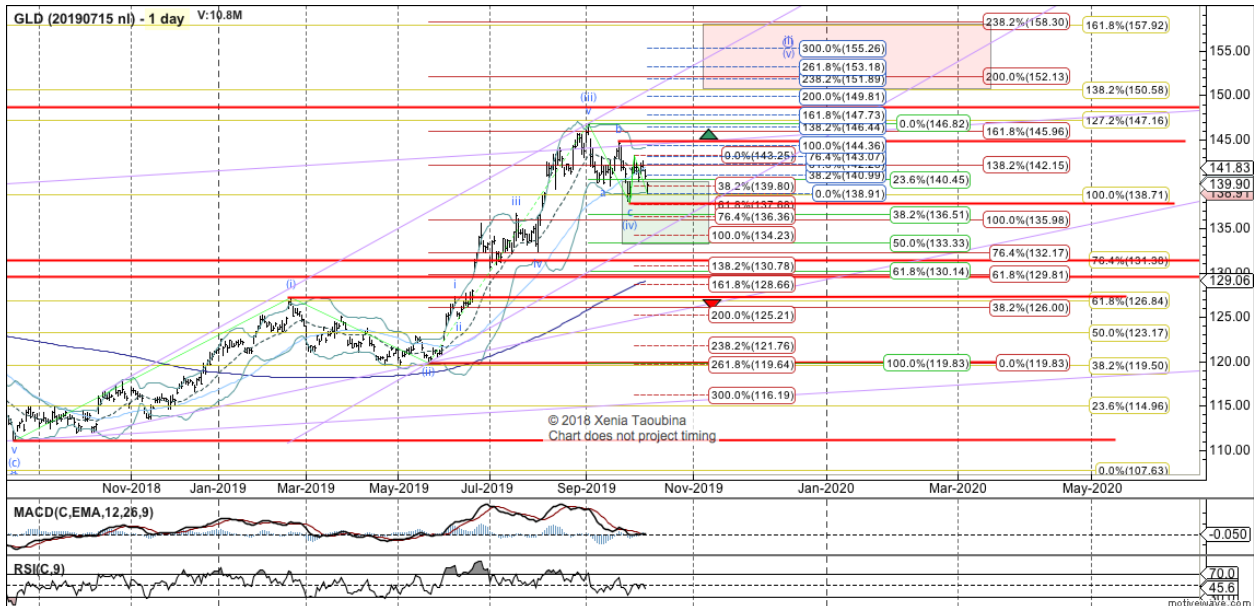
Last week's action is significant, as TLT showed that it's unlikely to proceed to a new high directly. My expectation is that this week, a bounce, expected to remain below 146.03, will be seen. I will consider reducing this position to underweight upon that bounce, with the expectation for a move down to 136.54 or lower to follow. IF it proceeds to the support zone directly, without a meaningful bounce, bottoming into support will have me consider going overweight.



SPDR Gold Shares ETF (Ticker: GLD)

| Allocation | Level | Support Levels | Resistance Levels |
|------------|-------|----------------|-------------------|
| 120% | 139.9 | 133.3-137.8 | 144.77 |
| | | 132.1 | 146.82 |
| | | 127.21 | 150.5-157.9 |

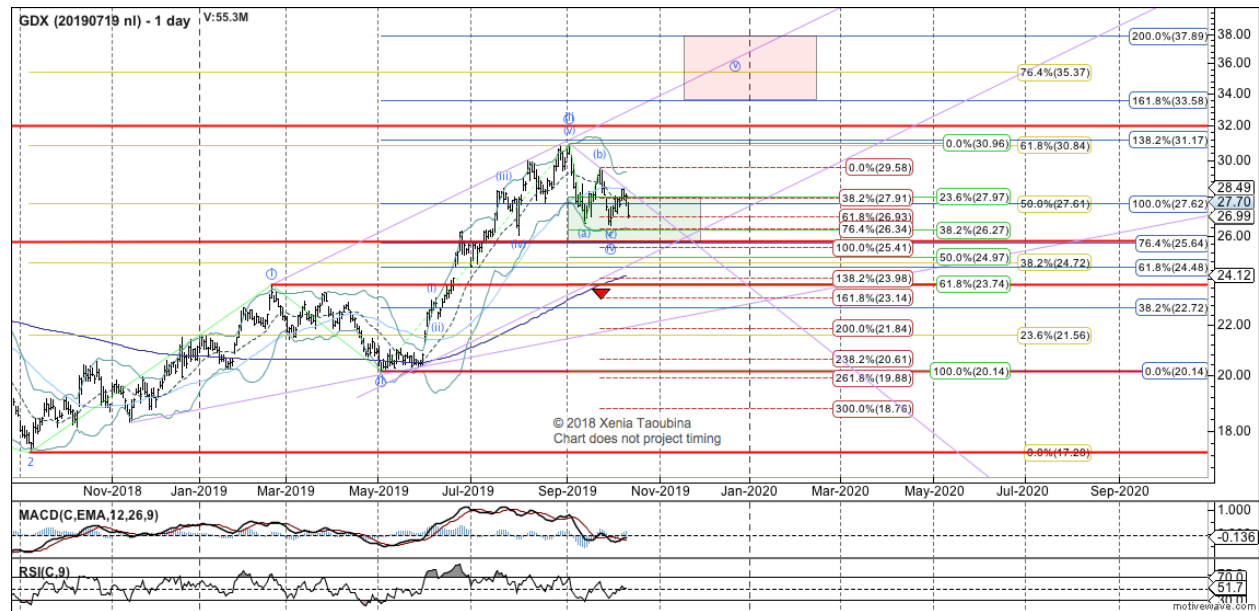
While potential for GLD to have completed a corrective pullback and be on its way to a new high exists, this week's action diminished that potential, and favors a larger corrective consolidation. So, if a move up to 143.25-144.7 is seen this week, I will consider reducing this position back to neutral in expectation of a better entry. IF, instead, it proceeds directly below 137.8, I will look for signs of bottoming over 133.3 and will consider further upsizing the position.



Market Vectors Gold Miners ETF (Ticker: GDX)

| Allocation | Level | Support Levels | Resistance Levels |
|------------|-------|----------------------|-------------------------------|
| 120% | 27.00 | 25.64-26.51 23.70 | 29.58 30.96 33.58-37.89 |

While potential for GDX to have completed a corrective pullback and be on its way to a new high exists, this week's action diminished that potential, and favors a larger corrective consolidation. So, if a move up to 28.38-29.58 is seen this week, I will consider reducing this position back to neutral in expectation of a better entry. IF, instead, it proceeds directly below 26.51, I will look for signs of bottoming over 25.64 and will consider further upsizing the position.



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% |