

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

While only minor progress towards risk-on was made in the past week, sending another week in a risk-on stance does diminish the odds of a bearish resolution. That said, 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, the stance in bonds, gold and miners has me lean bullish in those at the start of the week, so potential for further whipsaw remains.

Market	Last issue		This issue	
	Level	Allocation	Level	Allocation
SPX	2,985.00	80%	2,986.00	80%
RUT	1,525.00	100%	1,535.00	100%
NDX	7,898.00	80%	7,868.00	80%
TLT	140.40	100%	139.45	100%
GLD	139.90	120%	140.61	120%
GDX	27.00	120%	27.10	120%

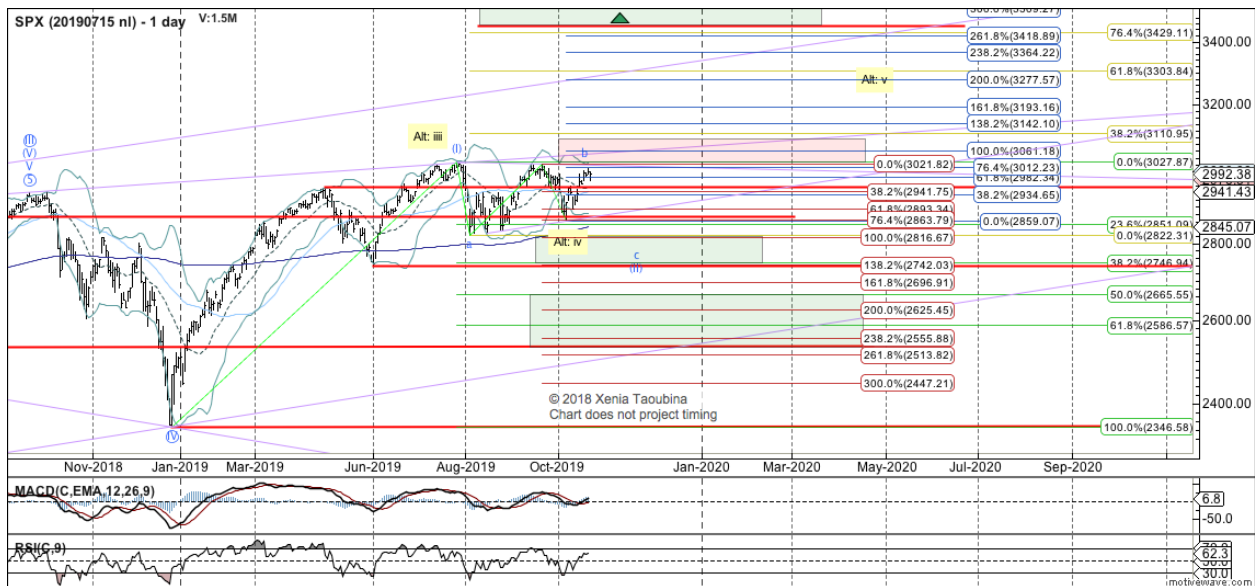
Key features of the newsletter are as follows:

- 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%	2986	2959 2739-2822 2533-2665	3027-3099 3448

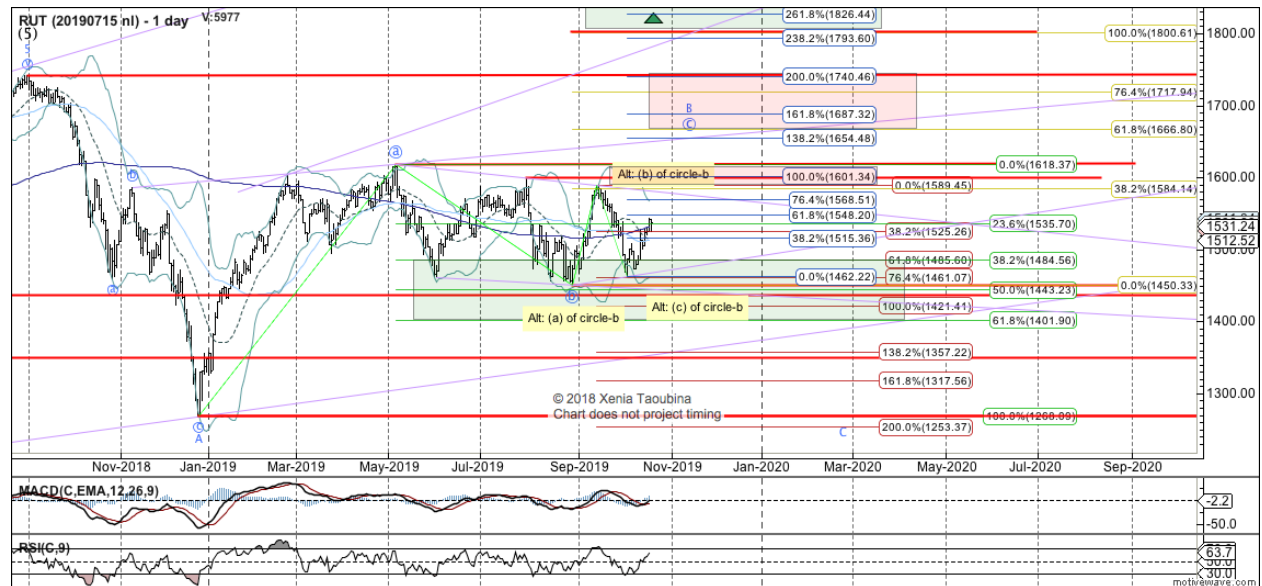
While ideal resolution would be for SPX to provide a move down to the 2739-2822 area, it's been stubbornly reluctant to do so. And so, the whipsaw continues. Earliest indication that we are getting said downside resolution is a break below 2959. On the upside, I see it as unlikely that a direct break 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%	1535	1462 1401-1450 1268	1545 1589-1618 1666-1742

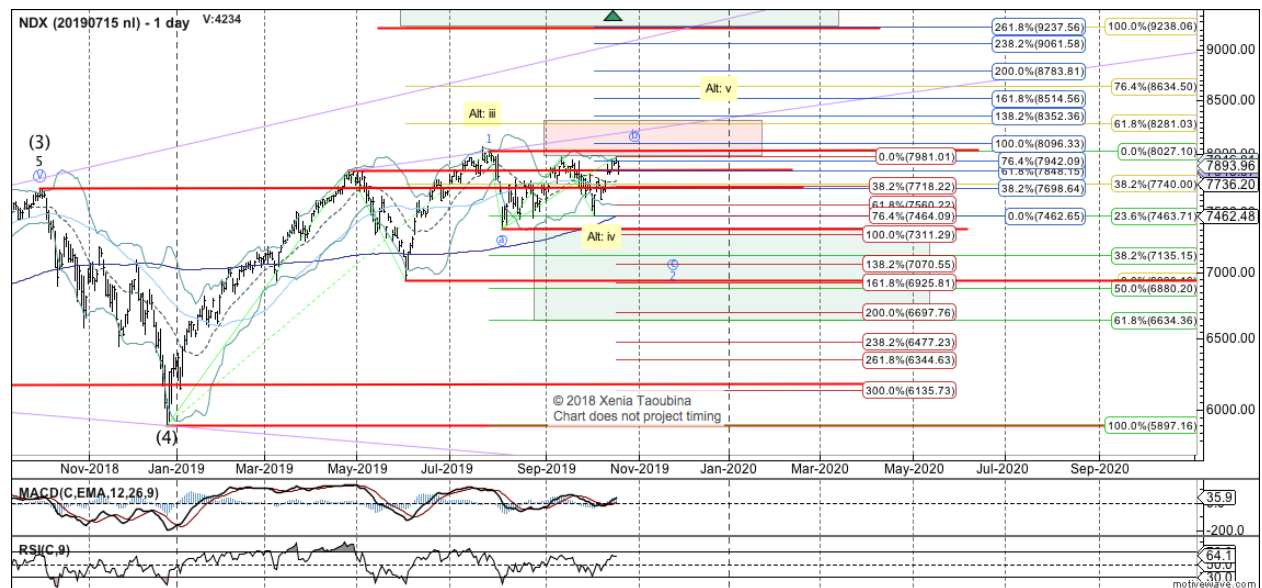
Further rally seen this week reduces the odds of the preferred scenario for a minor breach of the August low before higher, favoring a move to 1589+ next. A re-test of the September high will have to be monitored for signs of topping. Should such a re-test be seen, and should signs of topping be present, I will consider reducing this allocation to below neutral. IF that zone is approached without clear signs of topping, it will open up potential that RUT is finally headed for a break of the 2019 high and a move to 1666-1742 resistance. Signs of topping in that zone will have me looking to reduce exposure to meaningfully below neutral.



Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
80%	7868	7782	8027-8285
		6938-7353	8507
		6634	9238

The perspective voiced in last week's newsletter still stands: 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. Earliest indication that we are getting said downside resolution is a break below 7782. On the upside, 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%	139.45	129.68-136.54 123.86	146.03 148.9 149.9-154.5

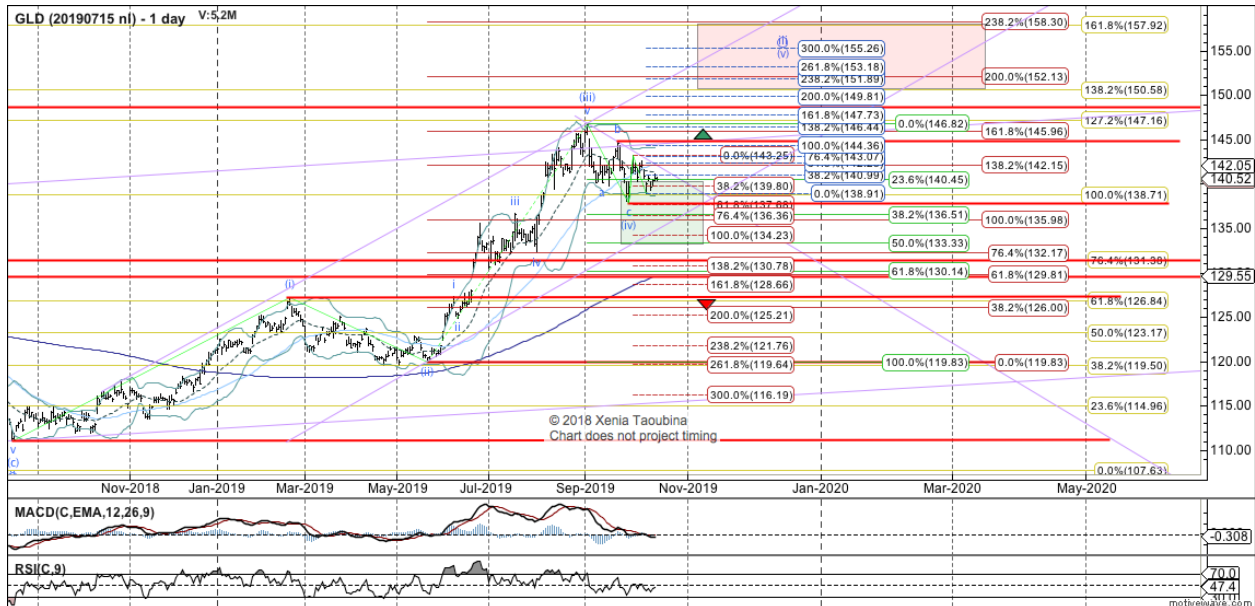
In the last newsletter, I noted that near term action was setting up bearishly, and was favoring for an intervening bounce to develop and provide an opportunity to reduce the position. The bounce we got at the start of the week was smaller than anticipated; such lack of a bounce increases the odds that TLT is heading to the 136.54 level directly. 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%	140.61	133.3-137.8	144.77
		132.1	146.82
		127.21	150.5-157.9

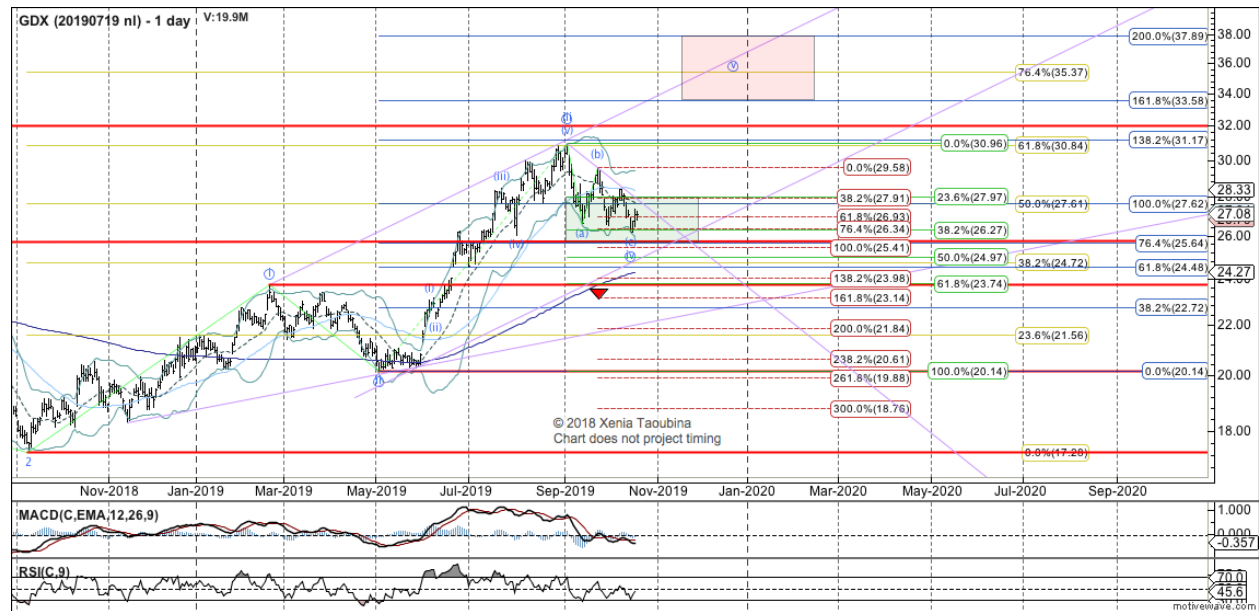
Last week's analysis still stands: While potential for GLD to have completed a corrective pullback and be on its way to a new high exists, this week's action diminished that potential, and favors a larger corrective consolidation. So, if a move up to 143.25-144.7 is seen this week, I will consider reducing 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%	27.10	25.64-26.18 23.70	29.58 30.96 33.58-37.89

Last week's analysis still stands: 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%