

XT on Markets

October 27, 2019

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 provided the risk-on drift that markets' stance favored as of the last newsletter. 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 continue expect markets to provide a lower risk re-entry for equities, before year end, and will look to increase exposure on that expected move down. The only changes in allocation since last issue were reductions in GLD and GDX positions back to neutral on the expected higher bounce, when it became likely that Friday's move up will not be sustained.

Market	Last issue		This issue	
	Level	Allocation	Level	Allocation
SPX	2,986.00	80%	3,021.00	80%
RUT	1,535.00	100%	1,558.00	100%
NDX	7,868.00	80%	8,026.00	80%
TLT	139.45	100%	138.55	100%
GLD	140.61	120%	141.66	100%
GDX	27.10	120%	27.57	100%

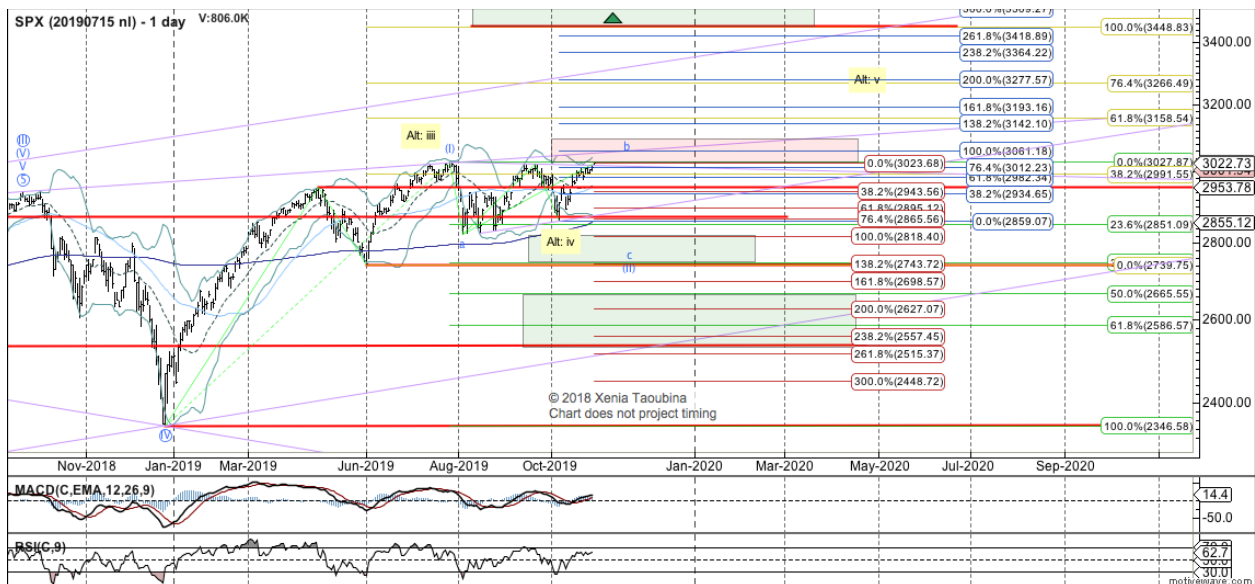
Key features of the newsletter are as follows:

- 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%	3021	2959 2739-2822 2533-2665	3027-3099 3448

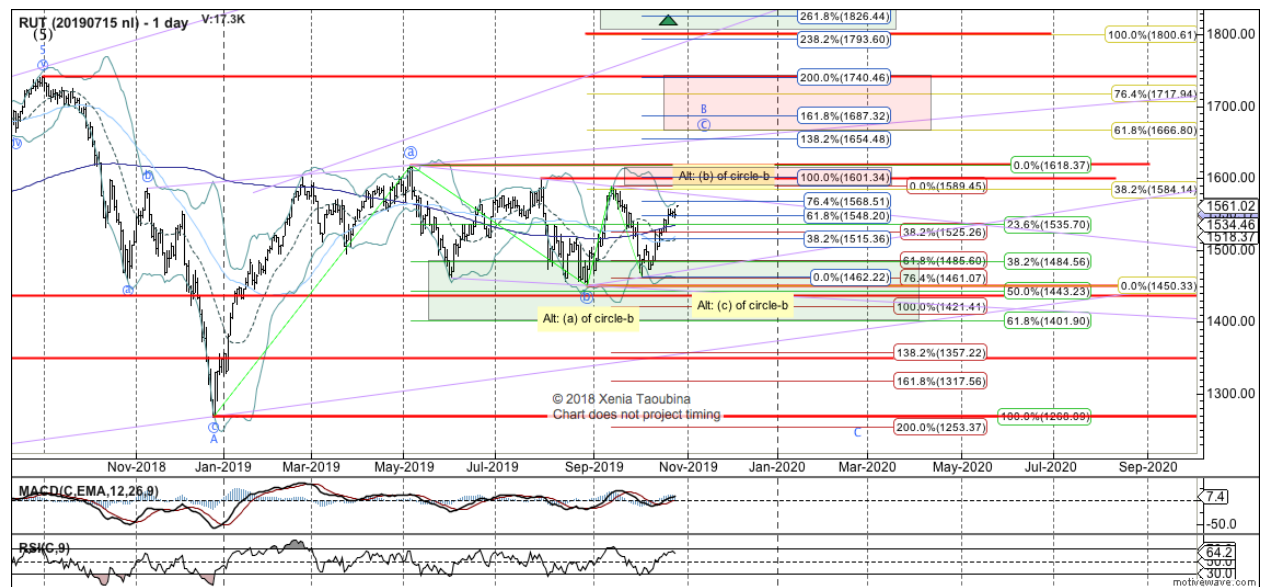
Past week, SPX continued drifting higher towards the 3027-3099 resistance. I continue to view it as unlikely that this zone will be broken directly, and past week's action didn't change that. IF SPX is able to proceed to 3059-3099 while exhibiting further signs of topping, I will look to further trim this position, as from that zone, risk/reward will squarely favor downside. To suggest that downside is developing directly, without a push to the upper portion of the resistance zone, a sustained break below 2959 is needed. Ideally, under that scenario, SPX will continue down to the 2739-2822 zone, and IF that zone is reached, I'll look to go overweight SPX there. However, potential for a more shallow pullback exists, and I will draw my conclusions based on how the decline is proceeding.



Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
100%	1558	1524 1462 1401-1450 1268	1589-1618 1666-1742

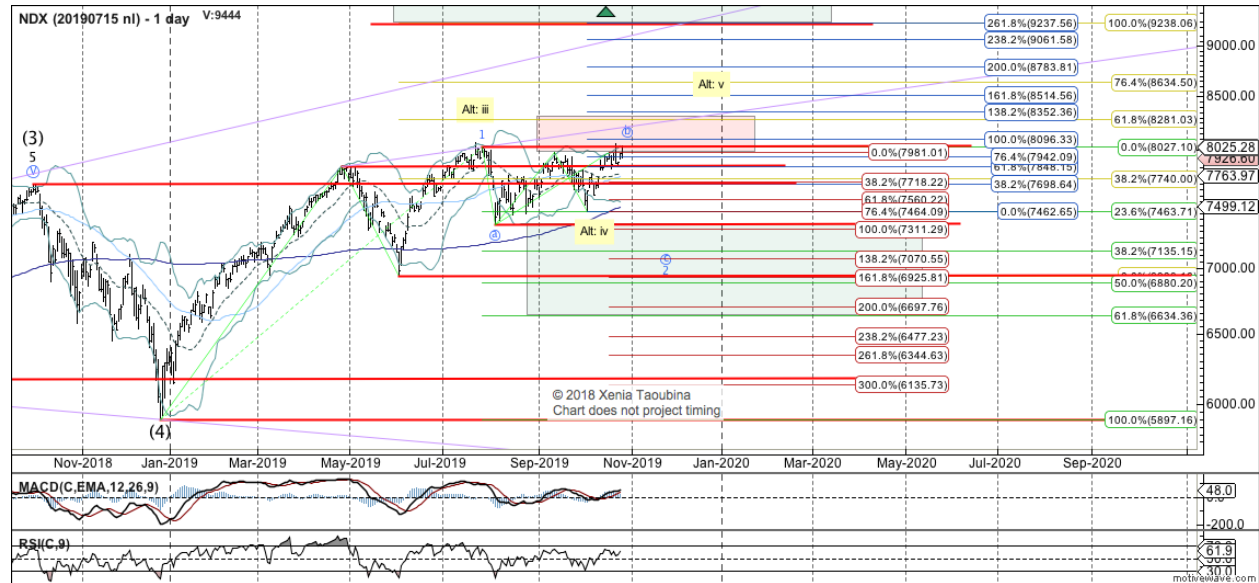
Continued rally, which took RUT over the 1545 resistance, favors the move up to continue to 1589-1618. Ideally, in this move, RUT will now hold over the 1524 support for the remainder of the move. I will monitor such re-test of the September high for signs of topping; should signs of topping be present, 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%	8026	7782 6938-7353 6634	8027-8285 8507 9238

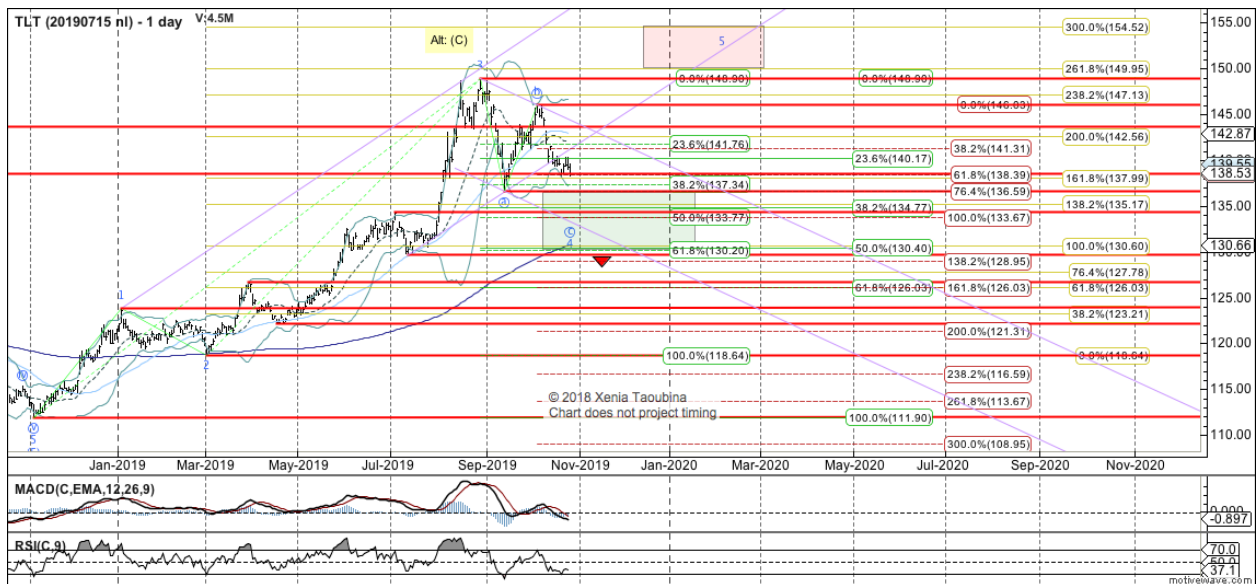
Past week, NDX continued drifting higher towards the 8027-8285 resistance, making a marginal new high. I continue to view it as unlikely that this zone will be broken directly, and past week's action didn't change that. IF NDX is able to proceed to 8152-8285 while exhibiting further signs of topping, I will look to further trim this position, as from that zone, risk/reward will squarely favor downside. To suggest that downside is developing directly, without a push to the upper portion of the resistance zone, a sustained break below 7782 is needed. Ideally, under that scenario, NDX will continue down to the 6938-7353 zone, and IF that zone is reached, I'll look to go overweight NDX there. However, potential for a more shallow pullback exists, and I will draw my conclusions based on how the decline is proceeding.



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

Allocation	Level	Support Levels	Resistance Levels
100%	138.55	129.68-136.54 123.86	146.03 148.9 149.9-154.5

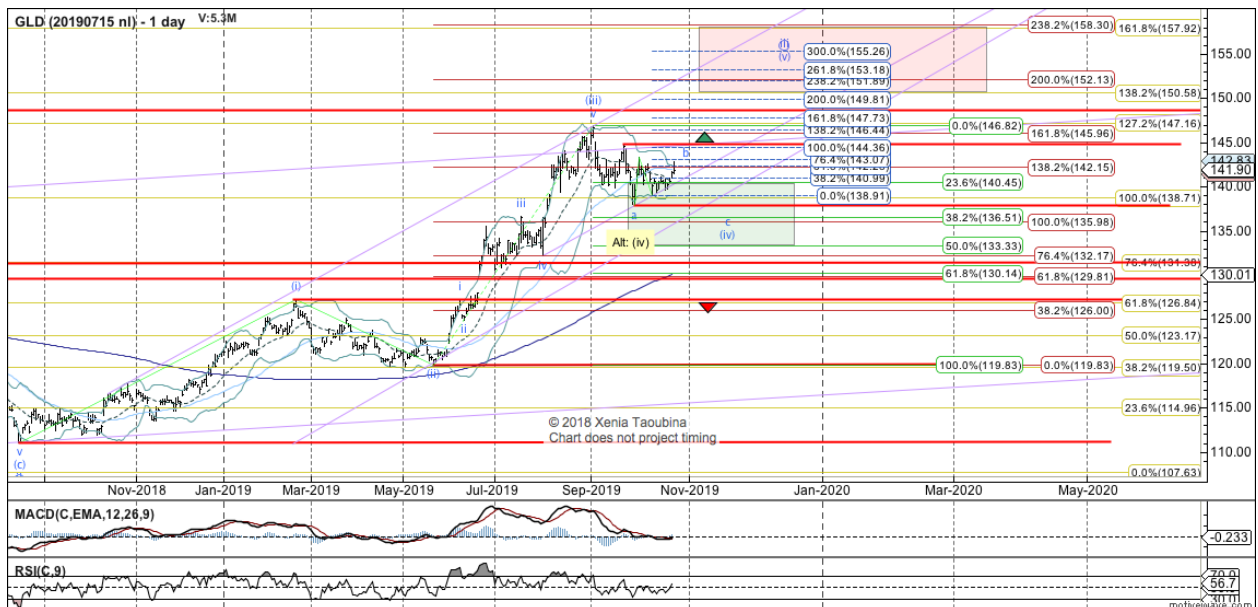
I continue maintaining a near-term bearish bias, with ideal resolution for TLT to head to the 136.54 level directly. IF it proceeds to the support zone directly, without a meaningful bounce, bottoming into support will have me consider going overweight.



SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
100%	141.66	133.3-137.8	144.77
		132.1	146.82
		127.21	150.5-157.9

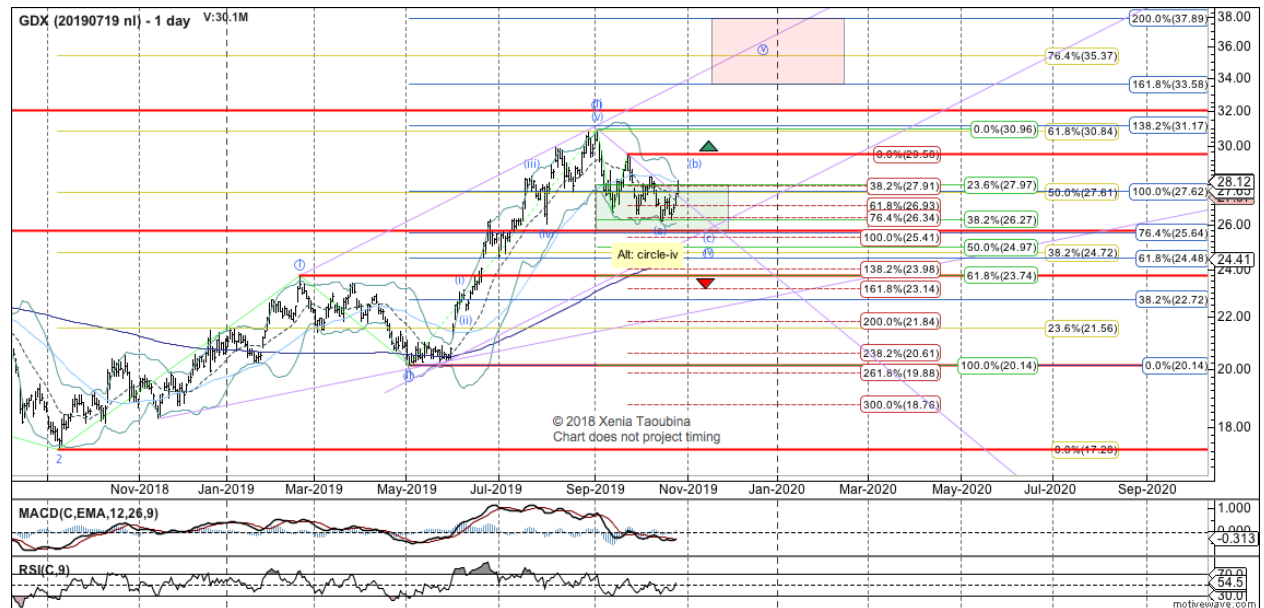
Past week, GLD provided the higher bounce that was favored in last week's writeup. While ideally, a little higher will be seen (and may yet be seen at the start of this week), structural characteristics of this week's advance diminished the odds of such followthrough, making me trim this position down to neutral on Friday morning at 142.6, from 138.4 entry. I continue to favor a larger consolidation for as long as GLD doesn't exceed 144.77; another decline to the 133.3-137.8 support zone will have me looking to go overweight GLD.



Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
100%	27.57	25.64-26.18 23.70	29.58 30.96 33.58-37.89

Past week, GDX provided the higher bounce that was favored in last week's writeup. While ideally, a little higher will be seen (and may yet be seen at the start of this week), structural characteristics of this week's advance diminished the odds of such followthrough, making me trim this position down to neutral on Friday morning at 28.05, from 26.97 entry. I continue to favor a larger consolidation for as long as GDX doesn't exceed 29.58; another decline to the 25.64-26.18 support zone will have me looking to go overweight GDX.



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%
GLD	10//25/19	-20%	142.6	100%

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%
GDX	10/25/19	-20%	28.05	100%