

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

I have stayed the course through the August-September volatility, maintaining my view that downside was limited, and didn't warrant any significant reduction in equity allocations. At this time, with SPX and NDX at all time highs, I now see risks aligned to the downside, prompting me to reduce allocations on Friday. That said, I will be paying close attention this upcoming week to what markets can do with this alignment for risk-off; if lack of convincing bearish action is seen, I will be reverting back towards neutral allocations.

Market	Last issue		This issue	
	Level	Allocation	Level	Allocation
SPX	3,021.00	80%	3,066.00	60%
RUT	1,558.00	100%	1,589.00	80%
NDX	8,026.00	80%	8,160.00	60%
TLT	138.55	100%	140.73	100%
GLD	141.66	100%	142.65	100%
GDX	27.57	100%	28.03	100%

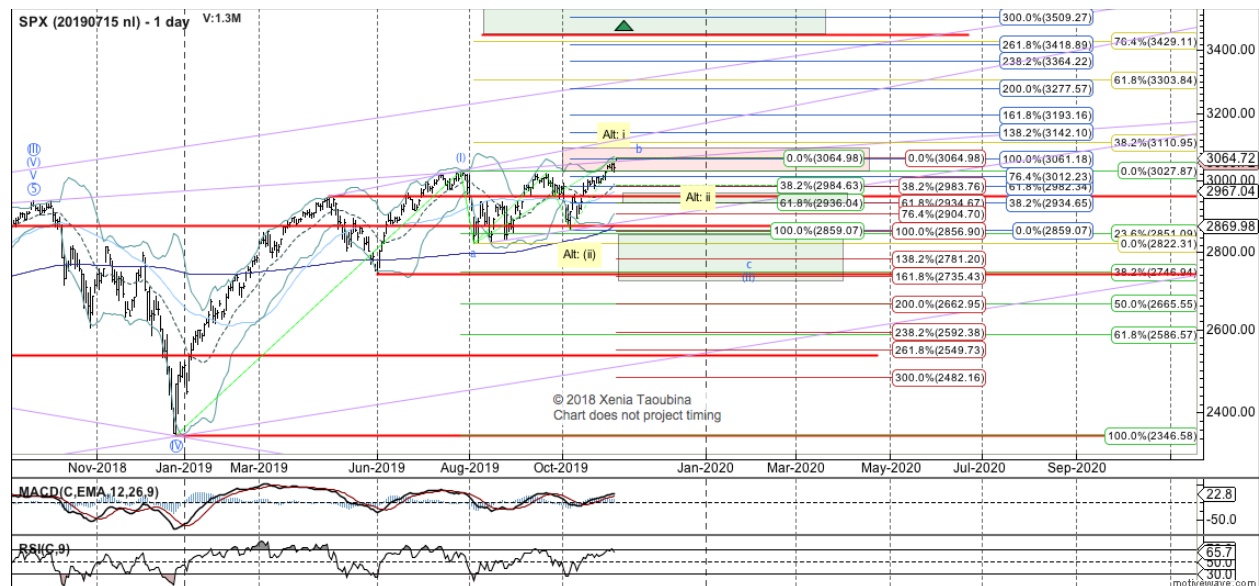
Key features of the newsletter are as follows:

- 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
60%	3066	2936-2994 2739-2822 2533-2665	3027-3099 3193 3448

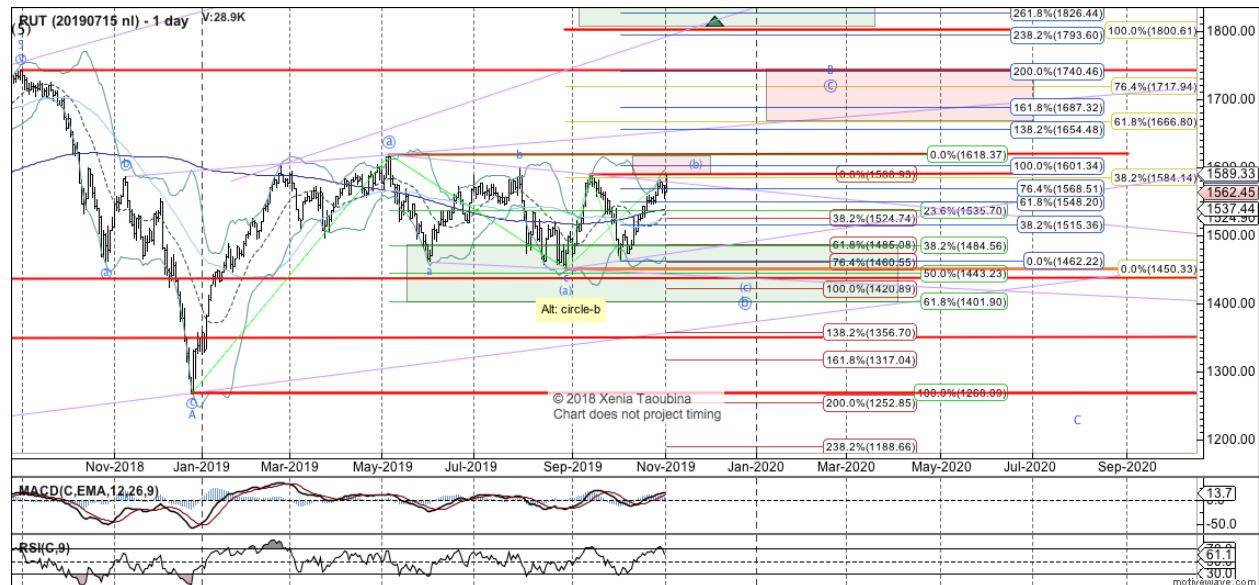
Past week, SPX made it to the 3059-3099 upper portion of the resistance zone, and I reduced allocation to 60% of neutral, as had been planned. The fact that it was able to reach this zone does reduce the odds of summer lows being broken, and potential exists that it's setting up for acceleration higher. That said, out of this zone, I favor an imminent reversal to the downside this upcoming week, targeting 2936-2994 support zone at a minimum. IF action into this support zone is not clearly bearish, I will look to add back some of the allocation there. Conversely, IF SPX is able to defy the odds and continue over 3099 directly, I will have to view it as being in a direct acceleration higher, and will then look to bring the position back to neutral upon such break to the upside.



Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
80%	1589	1510-1552 1462 1401-1450 1268	1589-1618 1666-1742

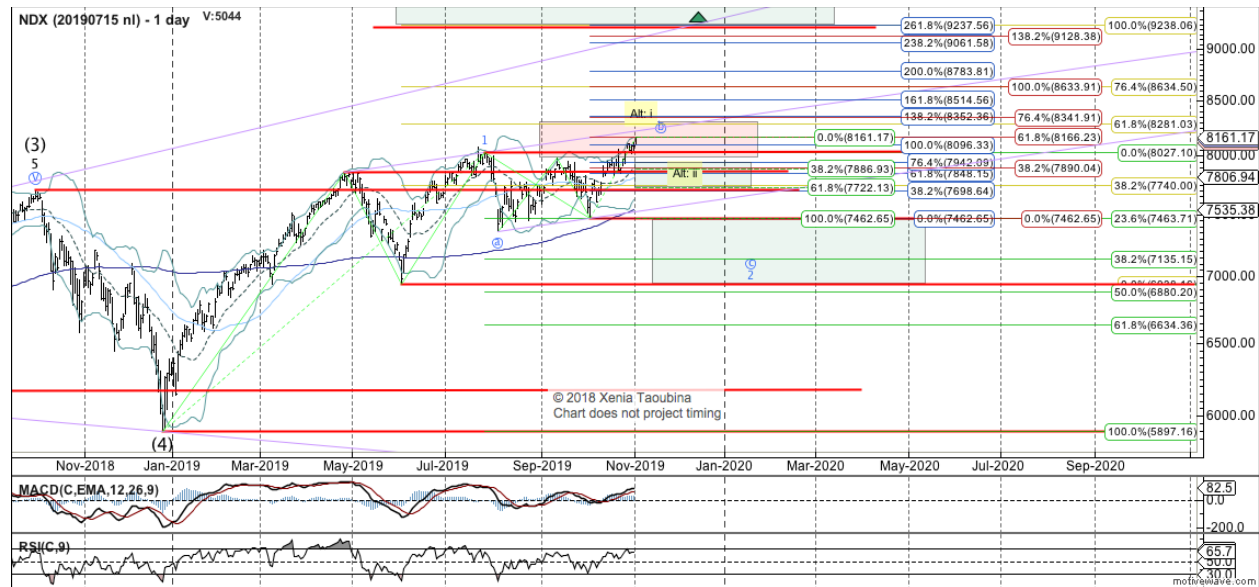
RUT reached the 1589-1618 zone which was favored with a break over 1545, and I trimmed the position to 80%. At this point, RUT has a decision to make. Either it stages a direct break over 1618, with a target of 1666-1742, or it declines strongly with a move to 1401-1450 support zone, and from there finally delivers the long-awaited move to the 1666-1742 area. To suggest that the bearish detour is, in fact, unfolding, RUT needs to break below the 1510-1552 support zone. As it stands now, I favor an imminent reversal to the downside this upcoming week; IF action into this support zone is not clearly bearish, I will look to add to this position. While I view a direct break over 1618 as unlikely, IF it's seen, I will have to assess the structure to determine the optimal place to add back the underweight portion of the position.



Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
60%	8160	7720-7940 6938-7462 6634	8027-8285 8507 9238

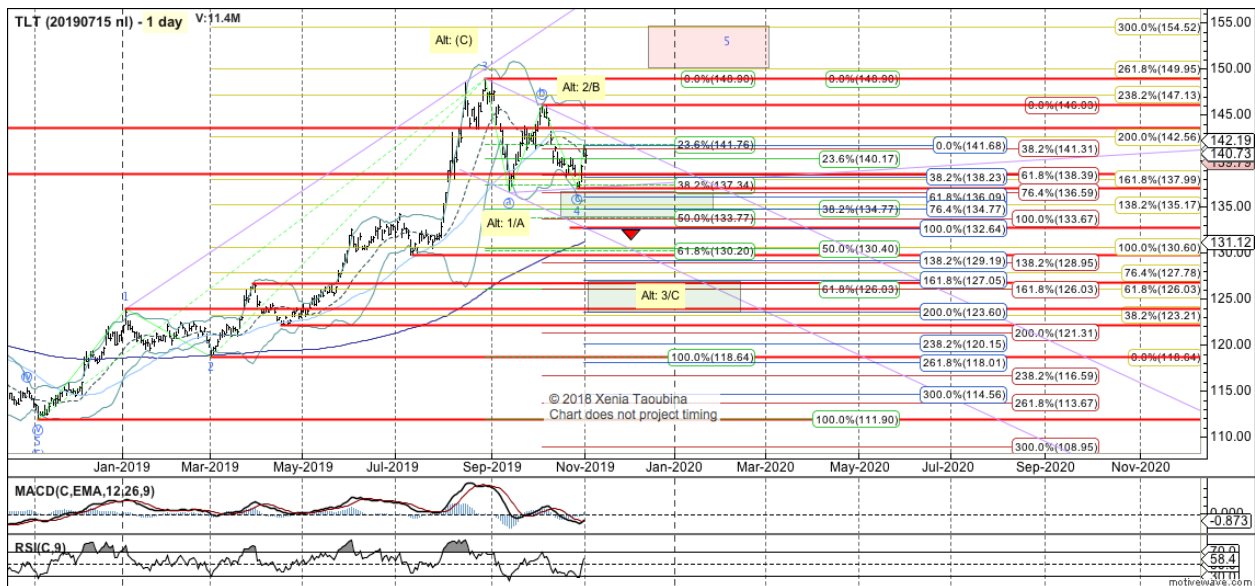
Past week, NDX made it to the 8152-8285 upper portion of the resistance zone, and I reduced allocation to 60% of neutral, as had been planned. The fact that it was able to reach this zone does reduce the odds of summer lows being broken, and potential exists that it's setting up for acceleration higher. That said, out of this zone, I favor an imminent reversal to the downside this upcoming week, targeting 7720-7940 support zone at a minimum. IF action into this support zone is not clearly bearish, I will look to add back some of the allocation there. Conversely, IF NDX is able to defy the odds and continue over 8285 directly, I will have to view it as being in a direct acceleration higher, and will then look to bring the position back to neutral upon such break to the upside.



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

Allocation	Level	Support Levels	Resistance Levels
100%	140.73	136.99 133.67-136.54 123.86-126.03	146.03 148.9 149.9-154.5

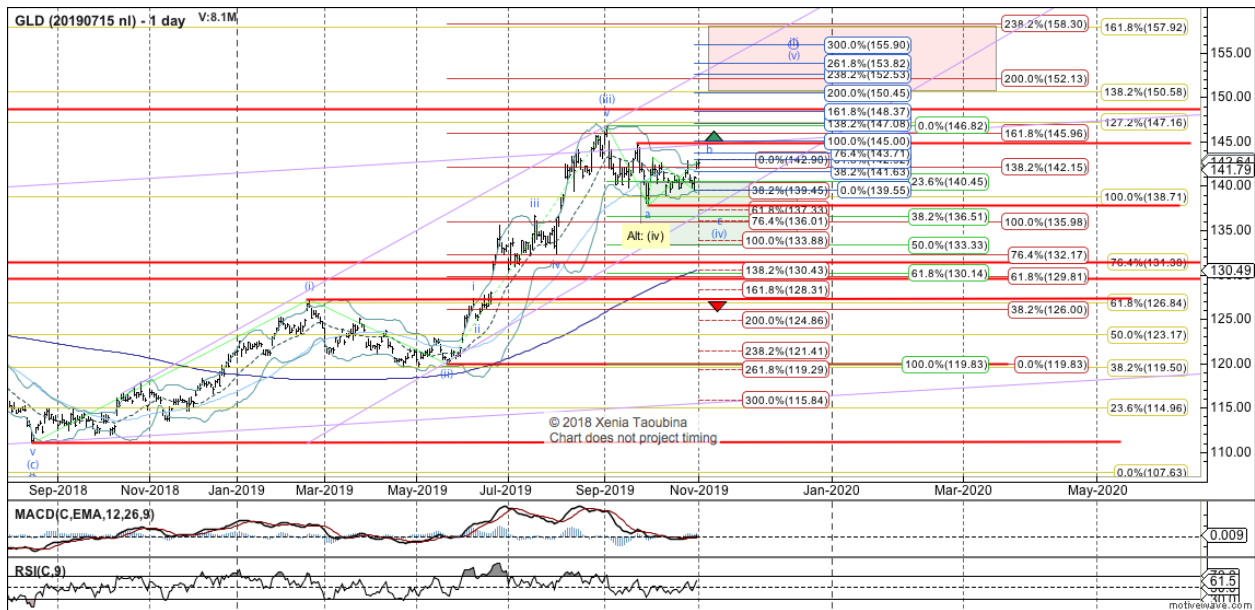
Past week, TLT came just short of the favored 136.54 level, bottoming at 136.99. At this point, this level is significant and should not be breached, IF TLT intends to deliver on the higher high. IF this level is breached, I will consider reducing the position to below neutral. On the upside, it will take a break over 146.03 to favor corrective consolidation complete; until such a break is seen, potential for a larger consolidation remains. The next high, if we get it, should set up a multi-month decline, so I intend to go strongly underweight upon such higher high.



SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
100%	142.65	133.3-137.8	144.77
		132.1	146.82
		127.21	150.5-157.9

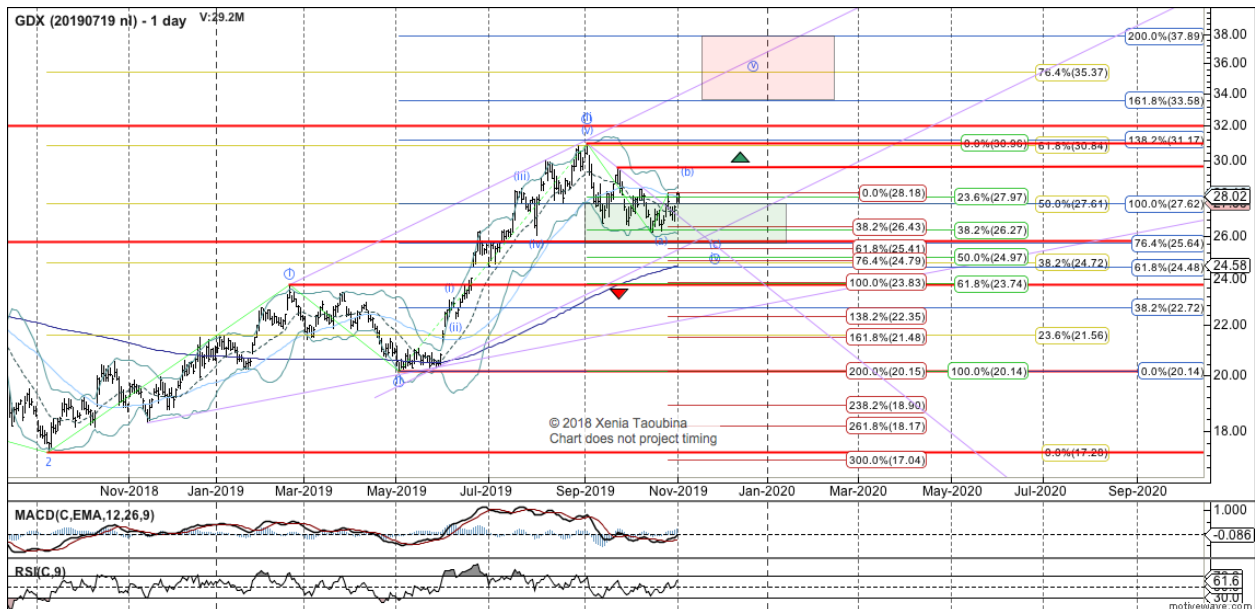
Past week, GLD provided the expected whipsaw, with downside action at the start of the week, just to end the week unchanged relative to past week's highs. I continue to favor a larger consolidation for as long as GLD doesn't exceed 144.77; another decline to the 133.3-137.8 support zone will have me looking to go overweight GLD. IF it's able to break over 144.77, it will open up potential for completion of the corrective decline, with the expectation at that time being that GLD will target the lower end of the 150.5-157.9 resistance zone. IF topping into that zone is seen, I will look to reduce this position to below neutral.



Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
100%	28.03	25.64-26.18 23.70	29.58 30.96 33.58-37.89

Past week, GDX provided the expected whipsaw, with downside action at the start of the week, just to end the week unchanged relative to past week's highs. 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. IF it's able to break over 29.58, it will open up potential for completion of the corrective decline and a move to the 33.58-37.89 resistance zone. IF topping into that zone is seen, I will look to reduce this position to below neutral.



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%
SPX	11/1/19	-20%	3058	60%

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%
RUT	11/1/19	-20%	1585	80%

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%
NDX	11/1/19	-20%	8120	60%

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%