

## 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 was eventful, with changes in allocation across all six markets. Early last week provided an appealing point to increase the bond allocation. This was promptly followed by the expected pullback in equities, which allowed me to upsize equities, as had been planned. Equity supports held perfectly, and the risk-off move didn't stick, prompting me to revert back to neutral in metals, and contemplating doing the same in TLT. Last week's risk-off extremes (lows in equities, and highs in TLT and metals) should now act as an important line in the sand going forward, with preference at this time being toward further risk-on into year end and early 2020.

Market	Last issue		This issue	
	Level	Allocation	Level	Allocation
SPX	3,142.00	65%	3,145.00	100%
RUT	1,624.00	65%	1,633.00	100%
NDX	8,409.00	65%	8,396.00	100%
TLT	140.41	100%	138.30	120%
GLD	137.93	120%	137.80	100%
GDX	27.10	120%	27.00	100%

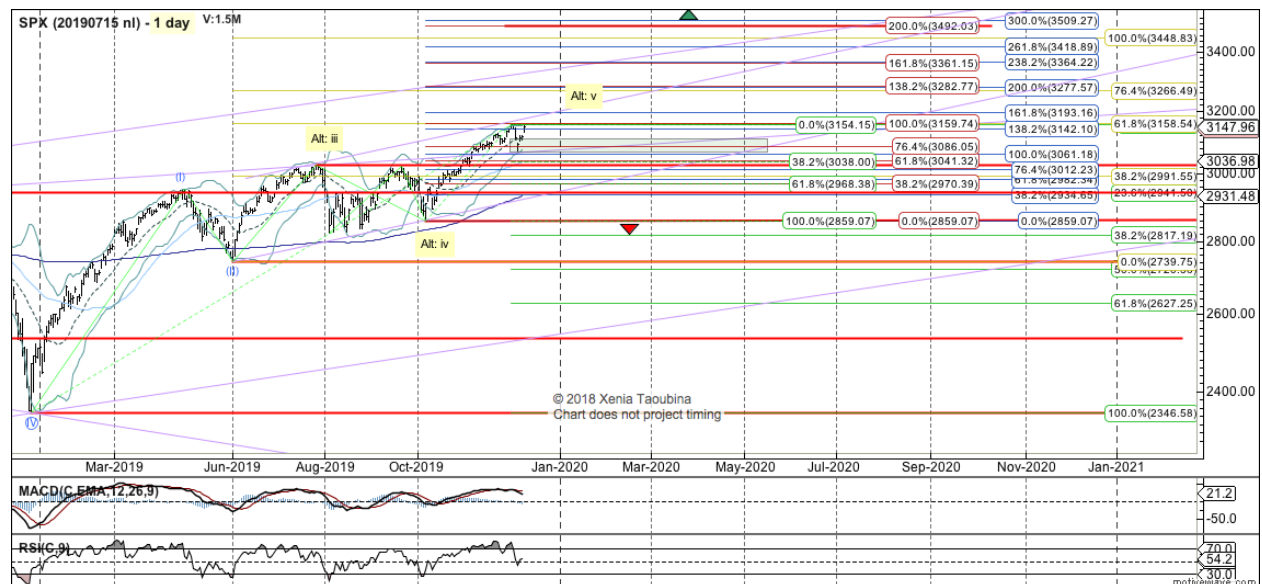
**Key features** of the newsletter are as follows:

- 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
100%	3145	3063-3110	3166-3216
		2968-3038	3282-3361
		2859	3448-3492

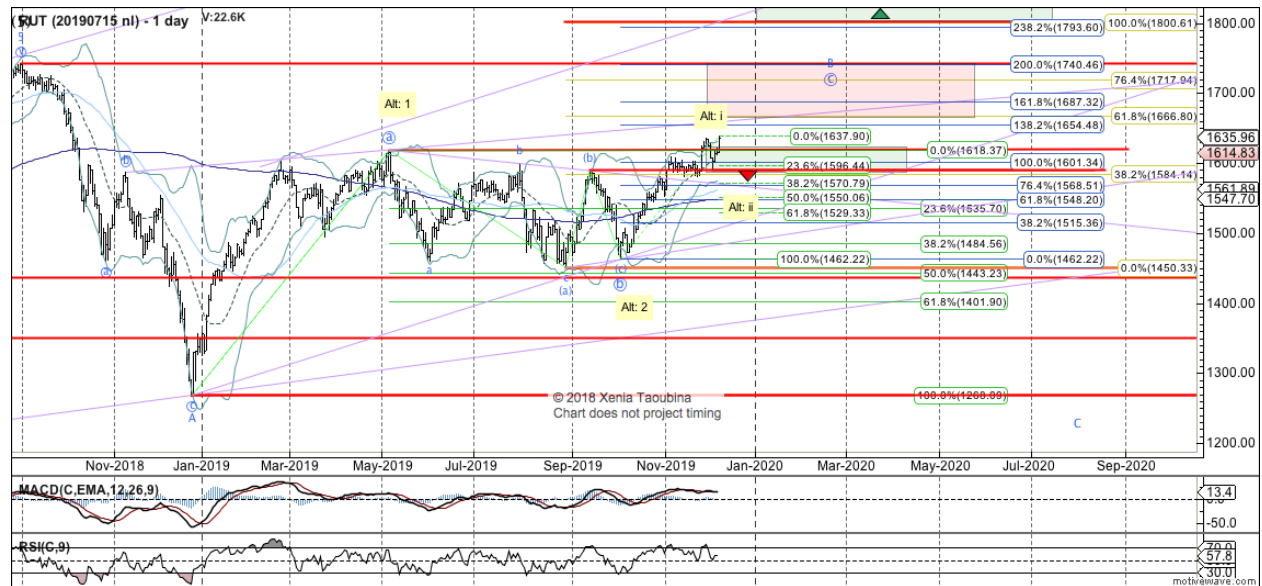
Back in the Fall, SPX had reasonably high odds of a meaningful decline as it was approaching its 2018-2019 highs yet again. This stance prompted me to go underweight, with the bulk of the underweight taken off around 3070. The bearish potential hinged upon SPX topping sub-3099. When SPX failed to do so, and provided meaningful extensions to the upside, it became likely that it's heading over 3200. My nuanced work was pointing to a likely pullback in the early part of past week, as was noted in the last newsletter. The pullback came right on schedule, and perfectly tested the upper support zone provided last week. Given that my prevalent scenario is now for a continued rally, I brought this allocation back to neutral on this pullback, with an average cost basis only slightly higher than where the bulk of the position was taken off – a small price to pay, in my opinion, for what was a very high-risk window in the market. At present time, I see SPX as being well positioned for a move to the next resistance zone, 3166-3216, before another pullback to the support zone develops. IF clear topping into the resistance zone is seen, I will look to trim this position to somewhat underweight, or alternatively, set a stop loss on part of it. At this point, however, my timing preference is that rally will take SPX into the early part of 2020 before risks may meaningfully increase again.



## Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
100%	1633	1589-1618	1654-1687
		1528-1568	1742
		1462	1800
		1268	

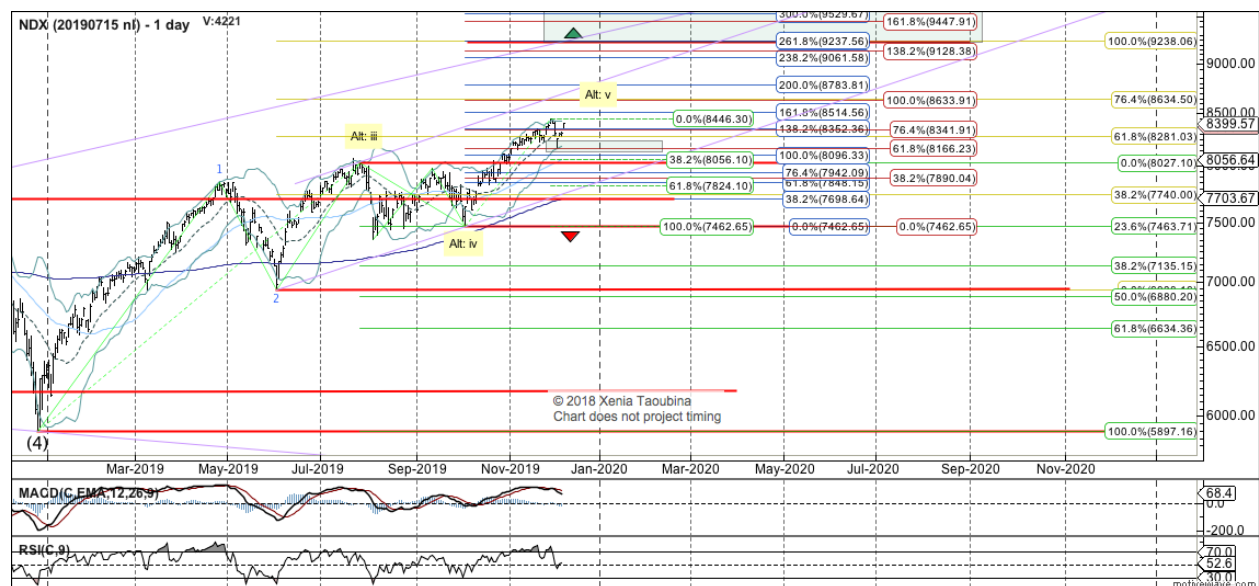
RUT provided a perfect re-test of the all-important 1581 level, with last week's low just above it, at 1589. This pullback, which came right on schedule, allowed me to bring the position back to neutral. With RUT making a new high on Friday, and ending the week in a breakout stance, I can now raise the "line in the sand" level to past week's low, 1589. For as long as RUT is holding over this level, and ideally holding 1622, the 1654-1687 resistance zone is the likely target. IF clear topping into this zone develops, I will consider reducing this position to somewhat underweight yet again, or alternatively, will consider putting a stop loss on a portion of this position. IF a break below 1589 is seen, it would open up potential for the entire corrective bounce off Dec 2018 to have completed, with such potential increasing in probability below 1528.



## Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
100%	8409	8141-8301 7824-8056 7462	8486-8633 9238

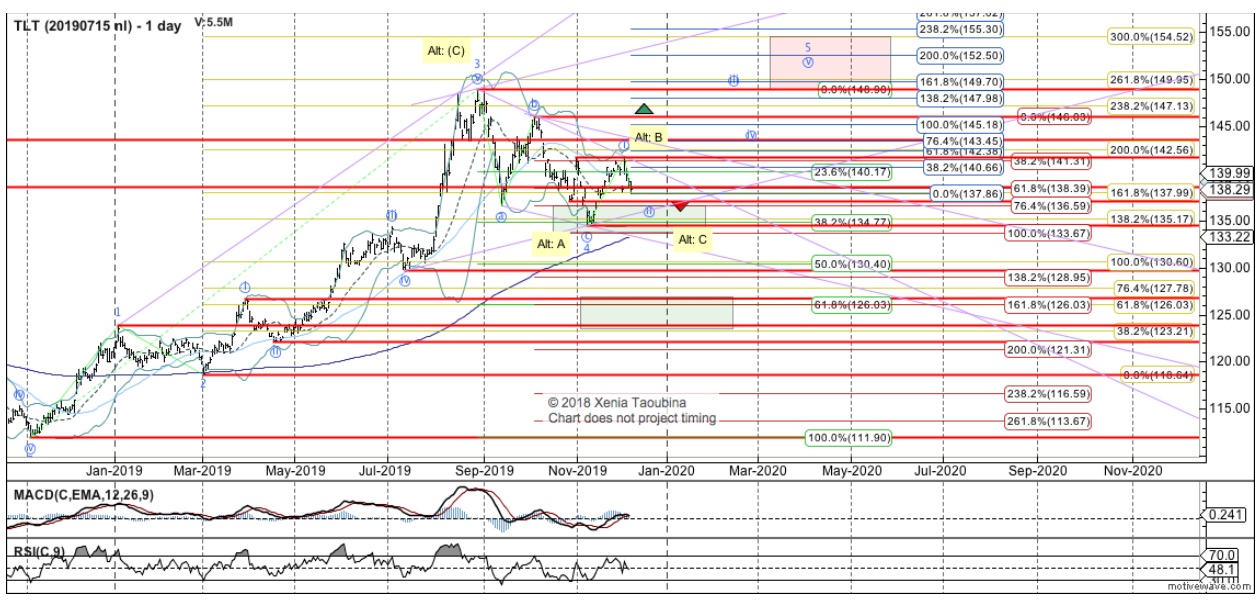
Back in the Fall, NDX had reasonably high odds of a meaningful decline as it was approaching its 2018-2019 highs yet again. This stance prompted me to go underweight, with the bulk of the underweight taken off around 8170. The bearish potential hinged upon NDX topping sub-8285. When NDX failed to do so, and provided meaningful extensions to the upside, it became likely that it's heading towards 8600. My nuanced work was pointing to a likely pullback in the early part of past week, as was noted in the last newsletter. The pullback came right on schedule, and perfectly tested the upper support zone provided last week. Given that my prevalent scenario is now for a continued rally, I brought this allocation back to neutral on this pullback, with an average cost basis only slightly higher than where the bulk of the position was taken off – a small price to pay, in my opinion, for what was a very high-risk window in the market. At present time, I see NDX as being well positioned for a move to the next resistance zone, 8486-8633, before another pullback to the support zone develops. IF clear topping into the resistance zone is seen, I will look to trim this position to somewhat underweight, or alternatively, set a stop loss on part of it. At this point, however, my timing preference is that rally will take NDX into the early part of 2020 before risks may meaningfully increase again.



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

Allocation	Level	Support Levels	Resistance Levels
120%	138.3	134.4	141.77
		132.64	146.03
		123.86-126.03	148.9-154.5

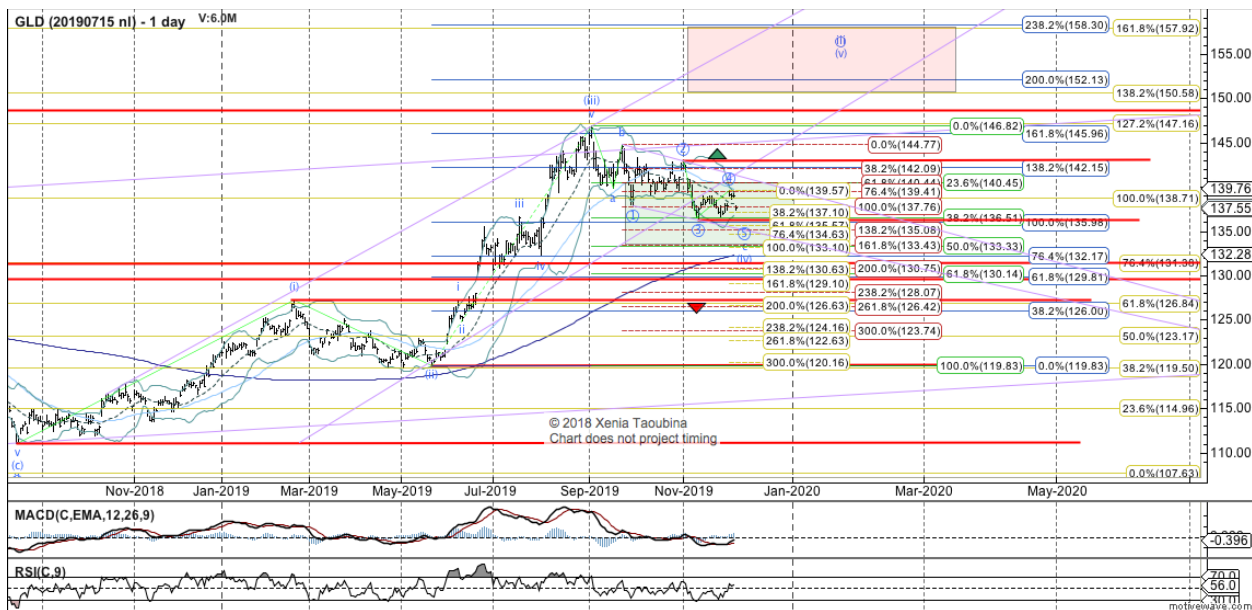
Opening trading hours of December provided a nice bullish setup in bonds, prompting me to increase this allocation to overweight at 138.0, with a stop for this add-on at 134.4. TLT didn't make us wait long, rocketing to 141.77 within 24 hours of the add-on. When it reached its November high, I debated reducing this position back to neutral, even posting on LinkedIn and Twitter that the high probability portion of the bullish setup has played out, however ultimately, decided against it, staying with the "multi-week and multi-month" timeframe of the newsletter. At this point, with late week action demonstrating that TLT is not ready to break out, and yet with larger degree stance remaining constructive, I will consider reducing this allocation back to neutral if a meaningful bounce develops. If no such opportunity develops, I will be comfortable holding it with the stated stop.



## SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
100%	137.8	133.3-136.2	142.90
		132.1	146.82
		127.21	150.5-157.9

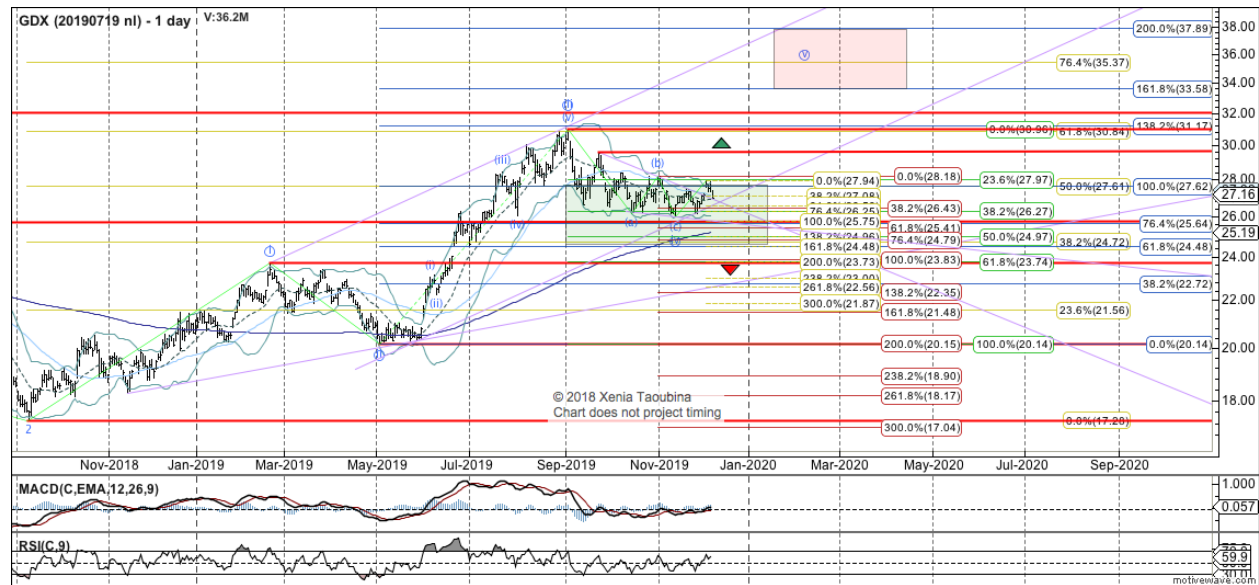
I started the week with an overweight GLD position, as I saw a smaller degree pattern favoring a move higher, though it was unclear whether such a move will be strong enough to trigger the next rally to a new high. GLD obliged early this week, however it then failed to hold its bullish structure. With the reversal seen on Friday favoring correction in GLD to be not yet complete, I reduced this position back to neutral, booking a small gain on the add-on. At this point, I favor a break of the November low, with the expectation that such lower low will hold 133.3. Should such decline develop, I will look to increase this position to overweight. Conversely, a break over 142.90 will favor bottom to be in place, which will also have me looking for attractive points to add to this position.



## Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
100%	27.00	24.48-25.97 23.70	28.18-29.58 30.96 33.58-37.89

After continued benign consolidation and smaller degree action that favored bottoming, I added to this allocation on November 26 at 26.18, within pennies of what proved to be the low of the week. Last week, GDX showed promising signs for completion of downside, with a strong upside followthrough at the start of the week. My nuanced work suggested that if that was, in fact, the case, then it should not see much below 27.50, prompting me to set a stop on the add-on at 27.30. Unfortunately, that stop was broken in a gap-down, resulting in an exit somewhat lower, at 27.12, which nonetheless was meaningfully higher than the entry just ten days earlier. At this point, ideal resolution would be for a minor break below 25.97. IF such a break is seen, I will consider increasing this position to overweight. Conversely, a break over 29.58 will favor bottom to be in place, which will also have me looking for attractive points to add to this 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%
SPX	11/1/19	-20%	3058	60%
SPX	11/7/19	-10%	3094	50%
SPX	11/15/19	15%	3095	65%
SPX	12/2/19	15%	3114	80%
SPX	12/3/19	20%	3082	100%

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%
RUT	11/7/19	-30%	1601	50%
RUT	11/15/19	15%	1590	65%
RUT	12/2/19	15%	1610	80%
RUT	12/3/19	20%	1597	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%
NDX	11/1/19	-20%	8120	60%
NDX	11/7/19	-10%	8260	50%
NDX	11/15/19	15%	8256	65%
NDX	12/2/19	15%	8283	80%
NDX	12/3/19	20%	8211	100%

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%
TLT	12/2/19	20%	138	120%

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%
GLD	11/26/19	20%	136.7	120%
GLD	12/6/19	-20%	137.7	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%
GDX	11/26/19	20%	26.18	120%
GDX	12/6/19	-20%	27.12	100%