

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

The short-term selloff expected for equity markets for first days of December completed, with downside finding support exactly where expected, and providing a nice opportunity to increase allocations. This was followed by a rally to new highs, with upside reaching next resistance zone, and topping action causing me to begin trimming equity allocations. While my expectation for equities remains somewhat higher into early 2020, I am on the lookout for signs of divergence across asset classes, with gold and bonds potentially beginning to diverge. At this time, positioning is somewhat defensive, however, I will continue to be nimble as I don't see a lasting top in equities as likely, at this time.

Market	Last issue		This issue	
	Level	Allocation	Level	Allocation
SPX	3,145.00	100%	3,168.00	80%
RUT	1,633.00	100%	1,638.00	80%
NDX	8,396.00	100%	8,487.00	80%
TLT	138.30	120%	139.00	120%
GLD	137.80	100%	187.87	120%
GDX	27.00	100%	27.75	120%

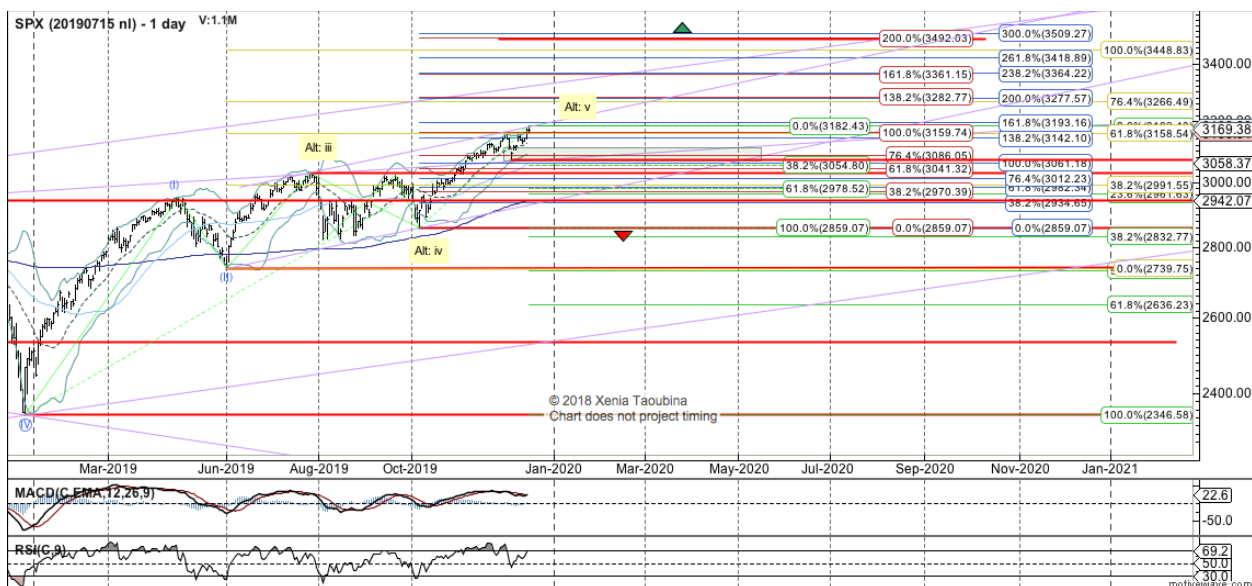
Key features of the newsletter are as follows:

- 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%	3168	3125 3070-3111 2859	3166-3216 3282-3361 3448-3492

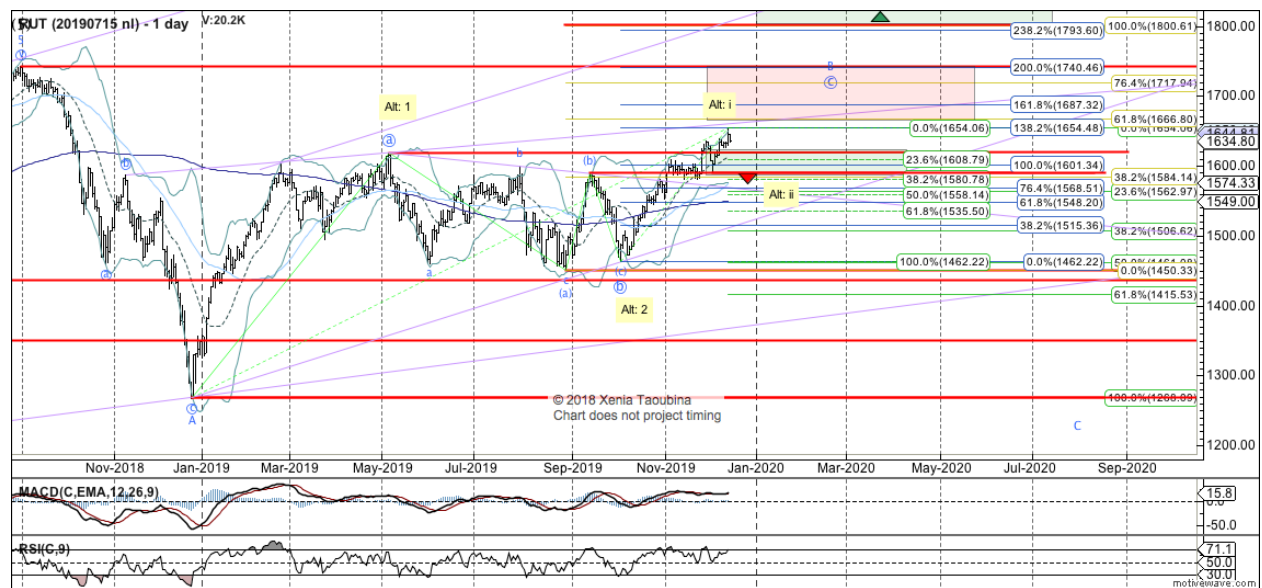
SPX reached its next resistance zone, 3166-3216, as was favored in last week's issue, and was showing signs of topping. This prompted me to reduce this position to 80% of neutral at 3160. To suggest that the rally off Dec 3 low topped, SPX will need to reverse below 3125, with an ideal target for the decline being back in the vicinity of the Dec 3 low (3070). If such pullback develops, I will look to upsize this position back to neutral. It will take a sustained break back below 3070 for me to consider trimming this position below 80%. My base case expectation is that no such sustained break will be seen, and I continue to view SPX as positioned to rally into the early part of 2020 before risks may meaningfully increase again.



Russell 2000 Index (Ticker: RUT)

Allocation	Level	Support Levels	Resistance Levels
80%	1638	1589-1618	1654-1687
		1535-1570	1742
		1462	1800
		1268	

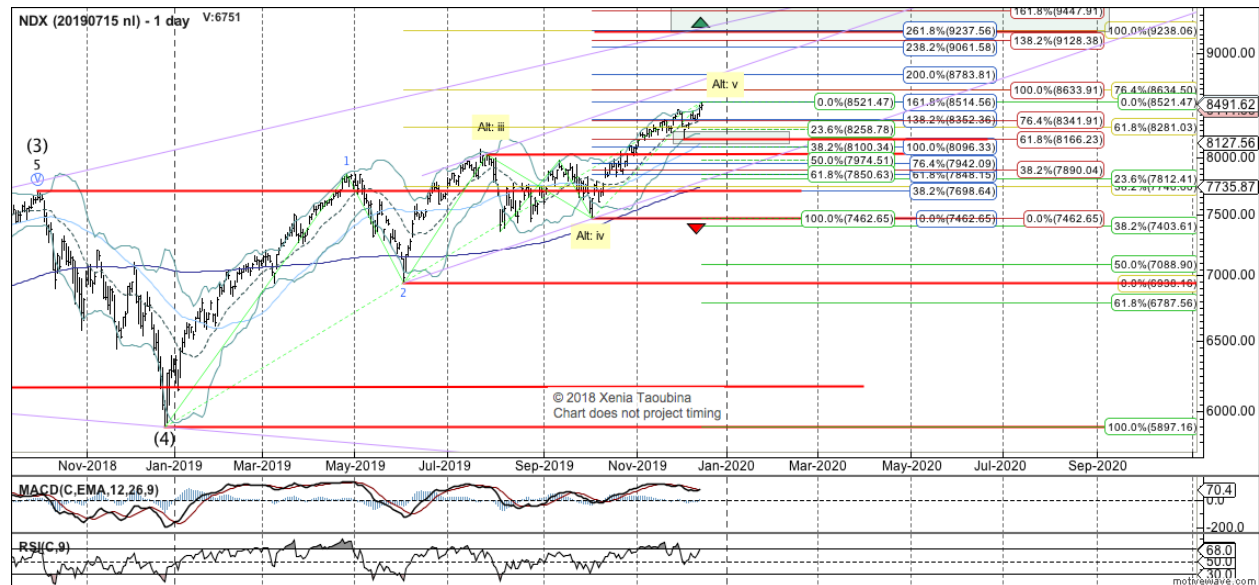
RUT held well over the 1589 “line in the sand” level, and continued extending higher, reaching the bottom of the next resistance area and nearly reaching the ideal topping area identified in the summer. Given topping action into resistance, I reduced this position to 80% of neutral at 1642. To suggest that the move off Dec 3 low completed, RUT needs to reverse below 1626. Ideal target, then, will be 1602 area, with 1589 as key support. For as long as this level is not broken, further upside is favored, with RUT ideally targeting 1689-1742 area. IF a break below 1589 is seen, it would open up potential for the entire corrective bounce off Dec 2018 low to have completed, with such potential increasing in probability below 1535. Big picture, until a break over 1742 is seen with confirmation over 1800, risks are now high in RUT, and stance is likely to remain cautious.



Nasdaq 100 Index (Ticker: NDX)

Allocation	Level	Support Levels	Resistance Levels
80%	8487	8336	8486-8633
		8165-8296	9238
		7824-8056	
		7462	

NDX reached its next resistance zone, 8486-8633, as was favored in last week's issue, and was showing signs of topping. This prompted me to reduce this position to 80% of neutral at 8439. To suggest that the rally off Dec 3 low topped, NDX will need to reverse below 8336, with an ideal target for the decline being back in the vicinity of the Dec 3 low (8165). If such pullback develops, I will look to upsize this position back to neutral. It will take a sustained break back below 8165 for me to consider trimming this position below 80%. My base case expectation is that no such sustained break will be seen, and I continue to view NDX as positioned to rally 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%	139	137.2 134.45 129.68	141.77-146.03 148.9-154.5

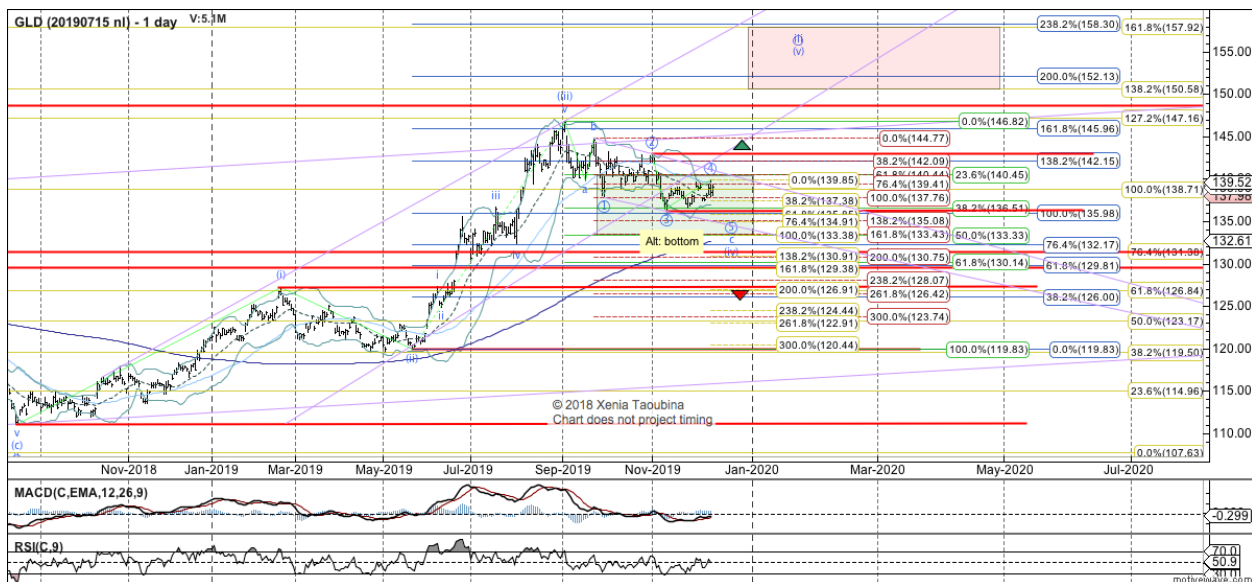
Past week presented a fair bit of volatility, with TLT staging an unsustainable move down, followed by a reversal up, to end the week positive. While positioning is at the same 120% of neutral as it was of as of the last newsletter, in reality position was reduced to 100% at 138.4 when constructive stance deteriorated, and was brought back to 120% of neutral at 137.5 when TLT was able to regain a constructive stance. I have placed a stop on the 20% overweight position at 137.2; IF it's able to maintain over this level, I will be watching carefully for signs of topping into the 141.77-146.03 resistance zone, and should such signs be seen, will look to reduce this position down to neutral and potentially down to underweight. If and when a new high is reached, I intend to go significantly underweight, as that is likely to form a multi-month top in TLT.



SPDR Gold Shares ETF (Ticker: GLD)

Allocation	Level	Support Levels	Resistance Levels
120%	138.87	133.3-136.2	142.90
		132.1	146.82
		127.21	150.5-157.9

Past week's action in GLD was constructive, and odds have increased that the November low will hold, prompting me to again upsize this position to 120% of neutral at 138.4. To suggest that bottom is in, GLD needs to rally over 142.90. Until then, potential for a lower low, expected to hold 133.3, remains. GLD's ability to deliver a strong move up this week, or lack thereof, will be very telling, as its stance here is one favoring a strong move one direction or another. IF action does not support the immediate bullish hypothesis, I will consider trimming this position down to neutral yet again.



Market Vectors Gold Miners ETF (Ticker: GDX)

Allocation	Level	Support Levels	Resistance Levels
120%	27.75	27.32	28.13-29.58
		26.85	30.96
		24.48-25.97	33.58-37.89
		23.70	

Past week's action in GDX was constructive, and odds have increased that the November low will hold, prompting me to again upsize this position to 120% of neutral at 27.60. To suggest that bottom is in, GDX needs to rally over 29.58. Until then, potential for a lower low, expected to hold 24.48, remains. GDX's ability to deliver a strong move up this week, or lack thereof, will be very telling, as its stance here is one favoring a strong move one direction or another, with a break below 27.32 needed to open up potential to a failure. IF action does not support the immediate bullish hypothesis, I will consider trimming this position down to neutral yet again.



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%
SPX	12/12/19	-20%	3160	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%
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%
RUT	12/12/19	-20%	1642	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%
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%
NDX	12/12/19	-20%	8439	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%
TLT	12/2/19	20%	138	120%
TLT	12/12/19	-20%	138.4	100%
TLT	12/2/19	20%	137.5	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%
GLD	12/12/19	20%	138.4	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%
GDX	10/25/19	-20%	28.05	100%

GDX	11/26/19	20%	26.18	120%
GDX	12/6/19	-20%	27.12	100%
GDX	12/12/19	20%	27.6	120%