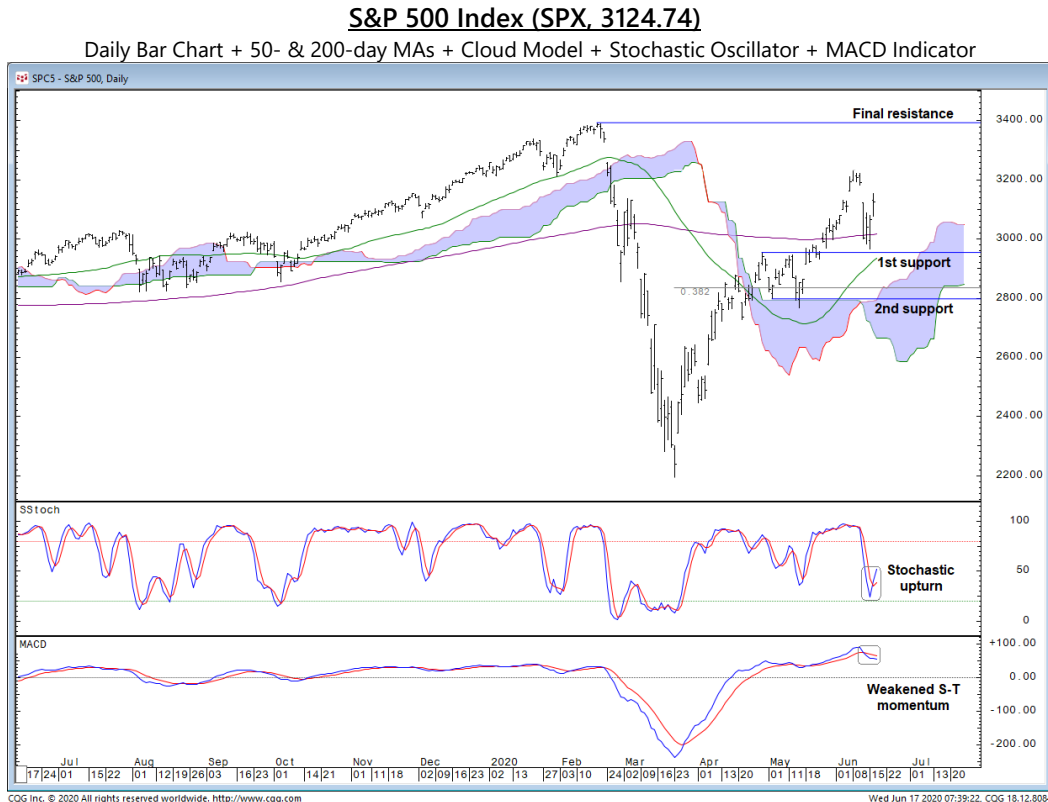


## U.S. Equities

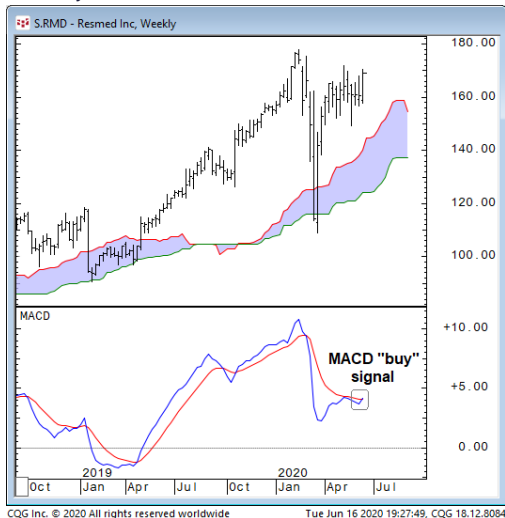


- § **SHORT-TERM BIAS – BEARISH ▼:** The SPX has suffered a loss of short-term momentum that dictates caution in the near term. The daily MACD indicator has flashed a “sell” signal, and the weekly stochastics have crossed over in overbought territory, minimizing the upturn in the daily stochastics. A one-day decline of nearly 6% last week reflected an increase in volatility that we do not think is over yet. However, we think additional weakness will be short-lived within the context of improved intermediate-term momentum. The SPX has initial support near 2955 and secondary support in the 2800 area.
- § **LONG-TERM BIAS – NEUTRAL:** In March, the SPX suffered a significant loss of long-term momentum that has yet to be reversed despite the “V” bottom in March. Ultimately, we expect a resumption of the long-term uptrend that began in 2009, but the monthly MACD indicator is unlikely to give an “all-clear” signal until final resistance from February is cleared. Meanwhile, it makes sense to adhere to short- and intermediate-term gauges for a directional bias.
- § **TACTICS:** Reduce exposure to global equities in the near term, whether via hedging or paring back long positions, keeping core long positions in stocks that have maintained long-term uptrends. Consider selling stocks with overbought “sell” signals per the stochastics and/or DeMARK Indicators® near resistance. Plan to use a deeper pullback to add exposure ahead of a possible run at the highs by the SPX on the next upleg. Keep tight stop losses for longs *and* shorts given increased volatility.

Technical Long / Short Ideas

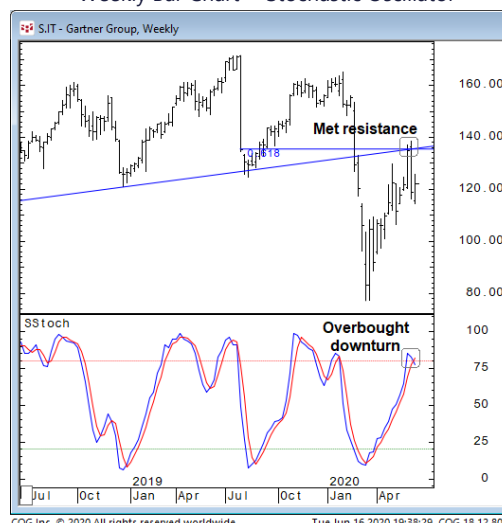
**ResMed Inc. (RMD, \$168.99)**

Weekly Bar Chart + Cloud Model + MACD Indicator



**Gartner, Inc (IT, \$122.08)**

Weekly Bar Chart + Stochastic Oscillator



§ **ADDITIONS:** We added RMD to our long ideas given improved momentum within its long-term uptrend, in addition to LLY (which we had removed on April 22) because it has a fresh breakout.

We added IT to our short ideas given an overbought downturn near resistance, in addition to BWA which shares a similar "sell" signal within its long-term downtrend.

§ **REMOVALS:** We removed Domino's Pizza (DPZ) from our long ideas given signs of upside exhaustion per the DeMARK Indicators®, in addition to SVB Financial Group (SIVB) which faces resistance.

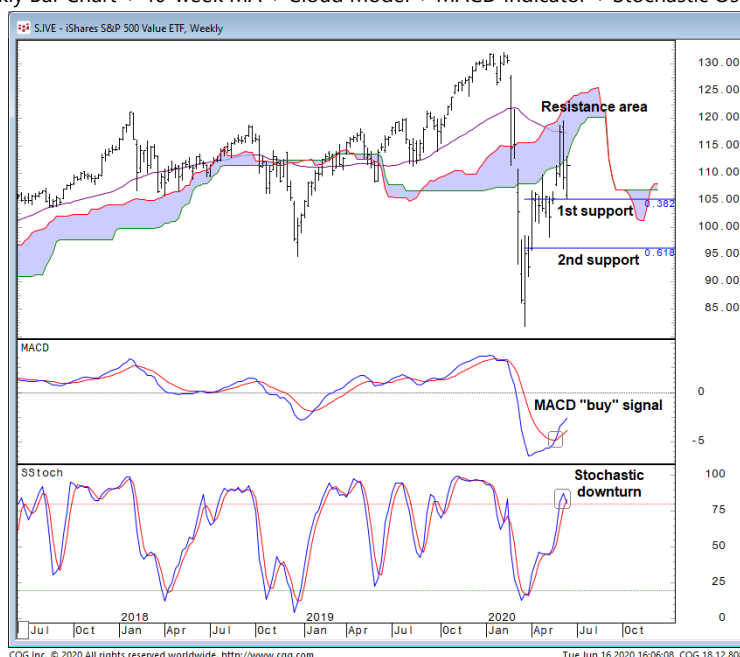
LONG IDEAS		Last Price	200-day MA	Date Added
AMD	ADVANCED MICRO DEVICES	\$54.46	\$43.95	6/10/2020
APD	AIR PRODUCTS & CHEMICALS INC	\$238.04	\$226.16	5/13/2020
AWK	AMERICAN WATER WORKS CO INC	\$129.66	\$124.72	6/3/2020
BKNG	BOOKING HOLDINGS INC	\$1,673.74	\$1,781.68	5/26/2020
CE	CELANESE CORP	\$89.90	\$104.73	5/26/2020
CFG	CITIZENS FINANCIAL GROUP	\$27.24	\$31.71	5/26/2020
CTL	CENTURYLINK INC	\$10.45	\$12.13	4/29/2020
FIS	FIDELITY NATIONAL INFO SERV	\$140.58	\$134.61	5/20/2020
JBHT	HUNT (JB) TRANSPRT SVCS INC	\$116.69	\$108.84	5/26/2020
KIM	KIMCO REALTY CORP	\$14.13	\$16.99	5/26/2020
LLY	ELI LILLY & CO	\$163.71	\$131.81	6/17/2020*
NKE	NIKE INC -CL B	\$99.04	\$92.42	5/26/2020
RMD	RESMED INC	\$168.99	\$152.17	6/17/2020*
SBAC	SBA COMMUNICATIONS CORP	\$302.04	\$262.40	4/29/2020
TDG	TRANSDIGM GROUP INC	\$465.20	\$483.83	5/26/2020

SHORT IDEAS		Last Price	200-day MA	Date Added
APA	APACHE CORP	\$14.57	\$19.63	6/10/2020
BWA	BORGWARNER INC	\$33.60	\$35.08	6/17/2020*
DD	DUPONT DE NEMOURS INC	\$53.13	\$55.71	6/10/2020
HRL	HORMEL FOODS CORP	\$47.80	\$45.04	5/26/2020
IT	GARTNER INC	\$122.08	\$136.31	6/17/2020*
NOC	NORTHROP GRUMMAN CORP	\$324.74	\$346.90	6/3/2020
NUE	NUCOR CORP	\$44.59	\$47.26	6/10/2020
ORCL	ORACLE CORP	\$54.59	\$53.22	4/29/2020

Technical Themes

**iShares S&P 500 Value ETF (IVE, \$111.46)**

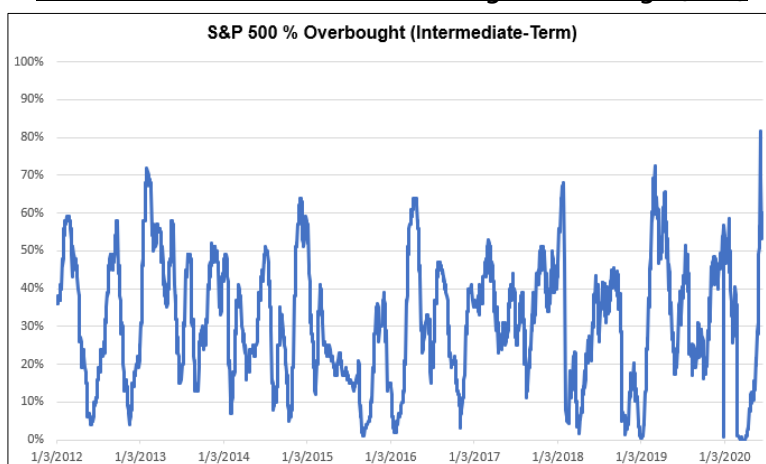
Weekly Bar Chart + 40-week MA + Cloud Model + MACD Indicator + Stochastic Oscillator



**SUPPORT: ~105 | RESISTANCE: ~116-117**

§ Value stocks have been in focus recently because they exhibited upside leadership off mid-May's low. We are encouraged by the brief phase of outperformance as indicative of expanding breadth, and intermediate-term momentum has improved notably behind IVE. However, there is a stochastic downturn near strong resistance that tells us to let value stocks work off their excesses before adding exposure. Initial support for IVE is near \$105 based on a Fibonacci retracement level.

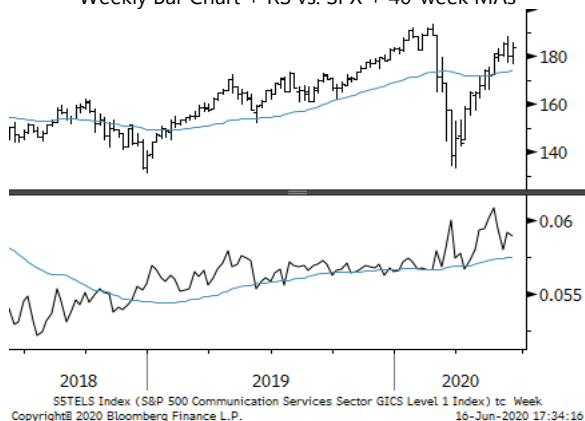
**S&P 500 Intermediate-Term Overbought Percentage (60%)**



§ Breadth has expanded notably since the March low was established. Our cumulative gauges have maintained long-term uptrends, contributing to our belief that the SPX may ultimately resume the uptrend that began in 2009. However, oscillating measures of breadth like the percentage of S&P 500 stocks that are overbought based on the weekly stochastics have reached extremes that are supportive of a pullback. The recent reading of 82% is the highest since we began keeping the data and we would see additional contraction in breadth as constructive.

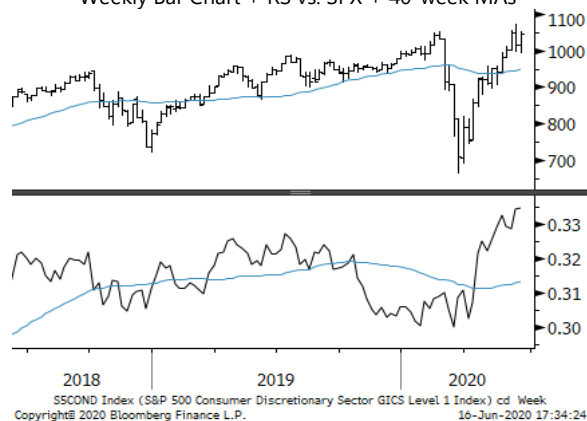
U.S. Sectors

**S&P 500 Communication Services Index**  
Weekly Bar Chart + RS vs. SPX + 40-week MAs



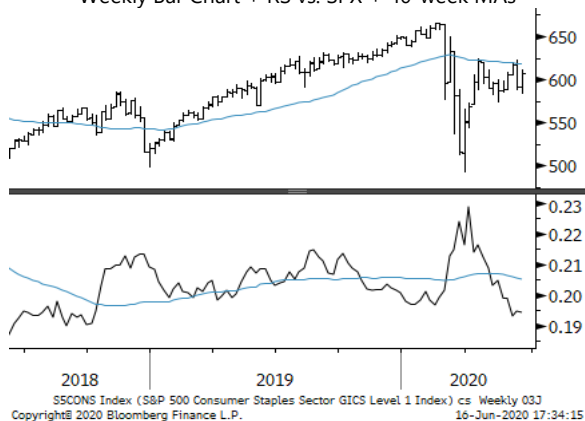
§ **OVERWEIGHT:** The communication services sector has maintained its gradual uptrend relative to the SPX as it has digested its gains below the highs from Q1.

**S&P 500 Consumer Discretionary Index**  
Weekly Bar Chart + RS vs. SPX + 40-week MAs



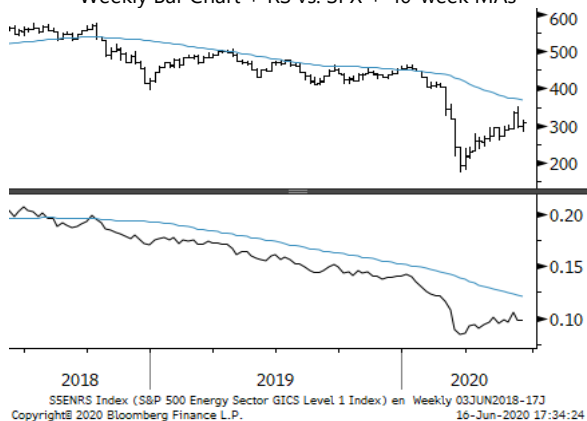
§ **OVERWEIGHT:** Amazon.com (AMZN) has helped lift consumer discretionary benchmarks to new highs, with participation from SMID members.

**S&P 500 Consumer Staples Index**  
Weekly Bar Chart + RS vs. SPX + 40-week MAs



§ **EQUAL-WEIGHT ▲:** The consumer staples sector has pulled back relative to the SPX, such that the ratio is now showing signs of downside exhaustion per the DeMARK Indicators®.

**S&P 500 Energy Index**  
Weekly Bar Chart + RS vs. SPX + 40-week MAs



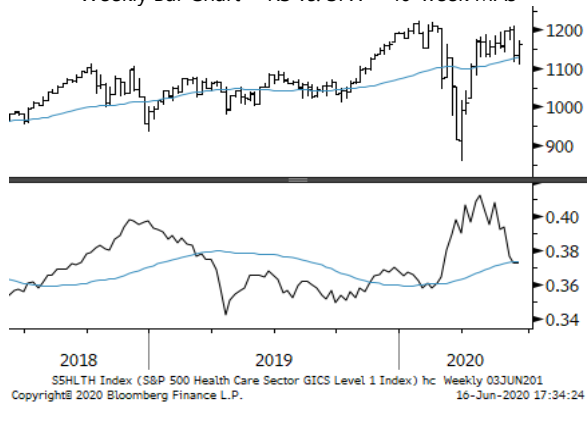
§ **UNDERWEIGHT ▼:** The energy sector is now overbought in absolute and relative terms within its long-term downtrend, dictating a move back to an underweight weighting.

**S&P 500 Financials Index**  
Weekly Bar Chart + RS vs. SPX + 40-week MAs



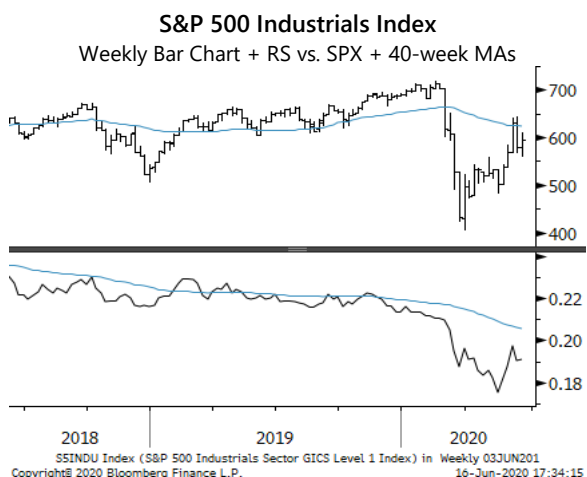
§ **EQUAL-WEIGHT:** The financial sector has risen from its lows in absolute and relative terms, improving the intermediate-term outlook for many of its constituents.

**S&P 500 Health Care Index**  
Weekly Bar Chart + RS vs. SPX + 40-week MAs

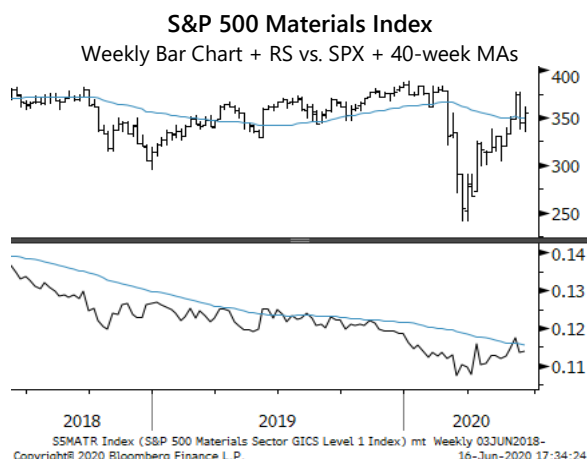


§ **OVERWEIGHT ▲:** The healthcare sector has pulled back relative to the SPX and is now showing signs of downside exhaustion near its rising 200-day MA.

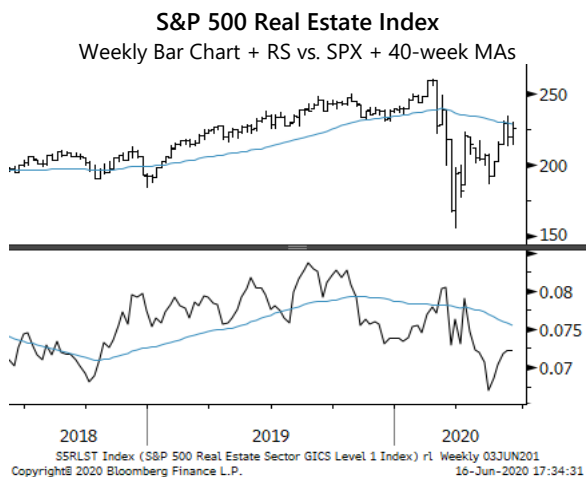
U.S. Sectors



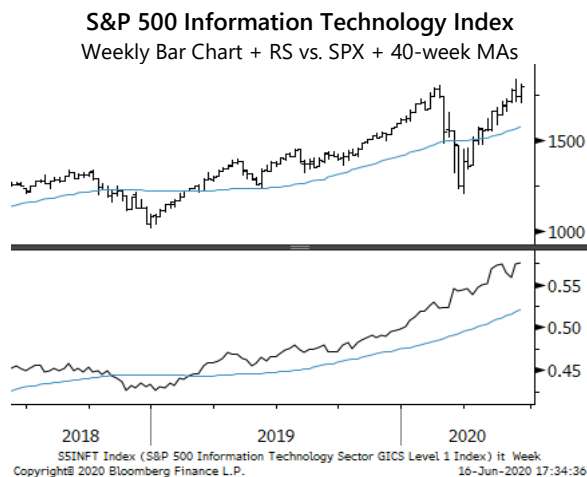
⌘ **EQUAL-WEIGHT:** Industrial stocks outperformed off the mid-May low, reflecting a loss of downside momentum that calls for an equal-weight bias.



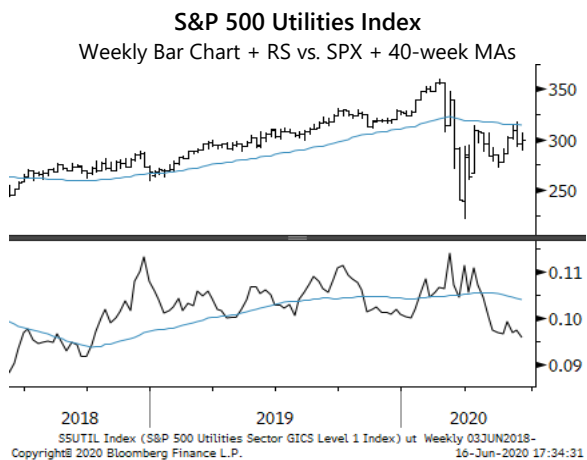
⌘ **EQUAL-WEIGHT:** Like industrials, materials stocks have seen relative strength improve during the relief rally, but within the context of a long-term downtrend versus the SPX.



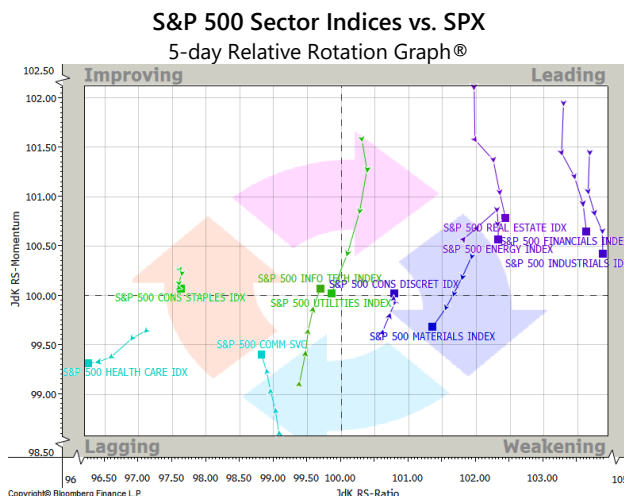
⌘ **UNDERWEIGHT:** REITs have seen a rebound recently relative to the broader market, such that they are at a proving ground now facing resistance versus the SPX.



⌘ **OVERWEIGHT:** The technology sector has upheld its leadership stronghold despite the temporary shift to value stocks in late May.



⌘ **UNDERWEIGHT:** The utility sector is near its yearly lows relative to the SPX, unable to capture relative strength as Treasury yields have lifted from their lows.

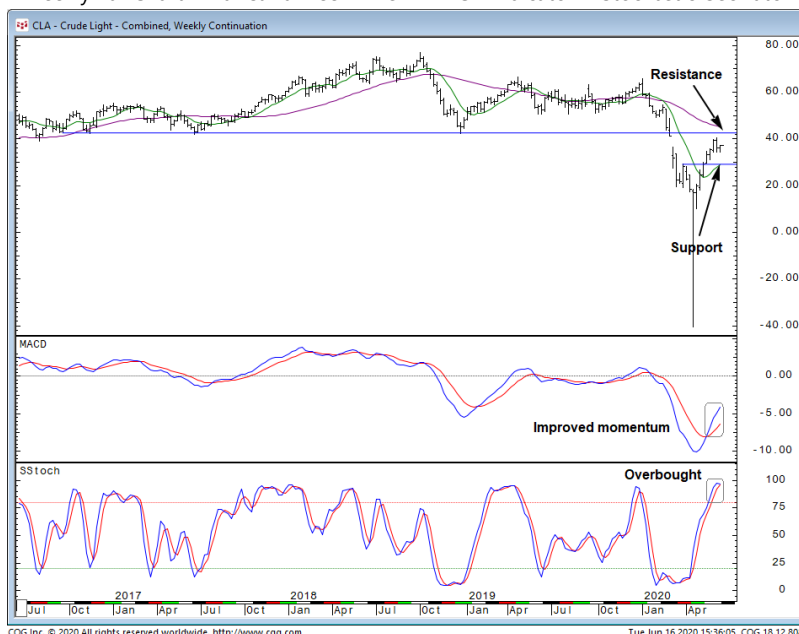


⌘ Cyclical sectors have seen a loss of upside momentum versus the SPX according to a short-term RRG®, with relative strength having shifted back to FAANG stocks.

**WTI Crude Oil and Gold**

**WTI Crude Oil (CL1, \$38.38/bbl.)**

Weekly Bar Chart + 10- & 40-week MAs + MACD Indicator + Stochastic Oscillator

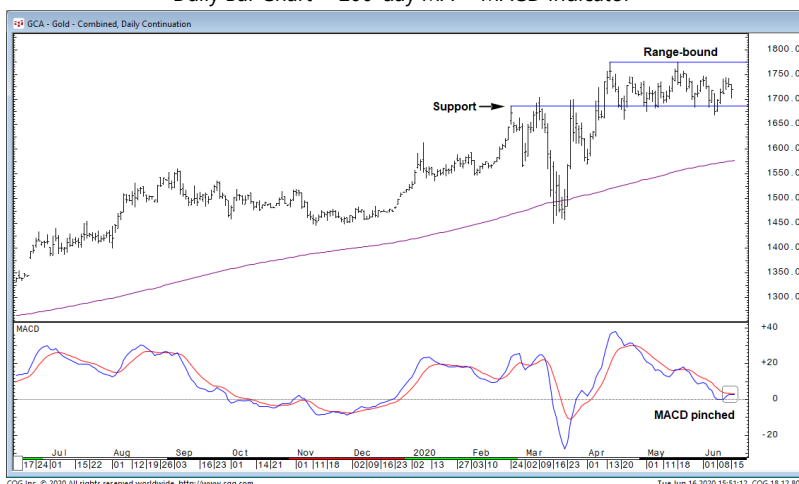


**SUPPORT: ~29.1 | RESISTANCE: ~45.5**

⌘ WTI crude oil has seen a loss of short-term momentum below strong resistance in the mid-\$40s in a natural response to intermediate-term overbought conditions. The chart is characterized by a long-term downtrend, but intermediate-term momentum has improved enough to suggest that WTI crude oil will see only a partial retracement of its relief rally. We expect a higher low to follow a deeper pullback. Initial support for the generic contract is currently ~\$29/bbl., a level that will soon be bolstered by a rising 50-day (~10-week) MA.

**Gold (GC1, \$1729.60/oz.)**

Daily Bar Chart + 200-day MA + MACD Indicator



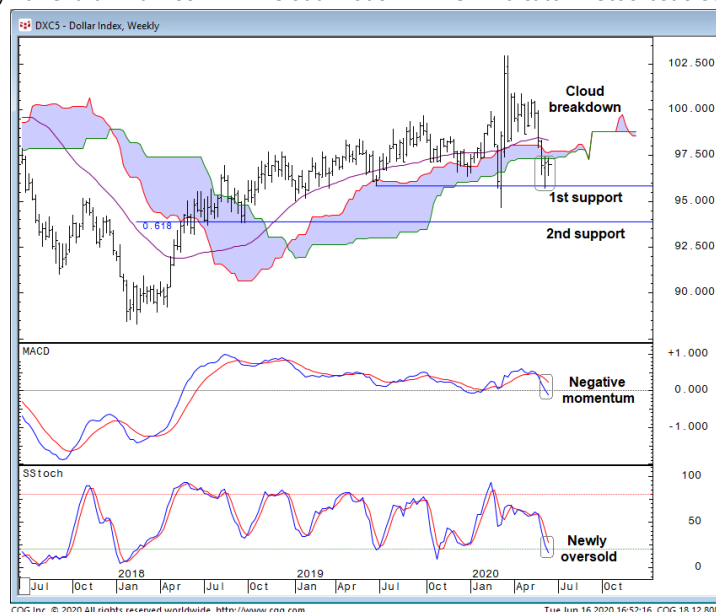
**SUPPORT: ~1675-1685 | RESISTANCE: ~1775-1800**

⌘ Gold prices have been range-bound since early April, when short-term momentum deteriorated near long-term resistance of ~1800/oz. The tight trading range has well-defined boundaries that we will be watching closely given conflicting takeaways from our indicators. The prevailing trend behind gold is higher, as evidenced by the 200-day MA, but a catalyst for a breakout has been lacking. Should the pinched MACD indicator yield a “buy” signal, that would favor a breakout over a breakdown.

Currencies and Treasury Yields

**Dollar Index (DXY, 96.96)**

Weekly Bar Chart + 40-week MA + Cloud Model + MACD Indicator + Stochastic Oscillator

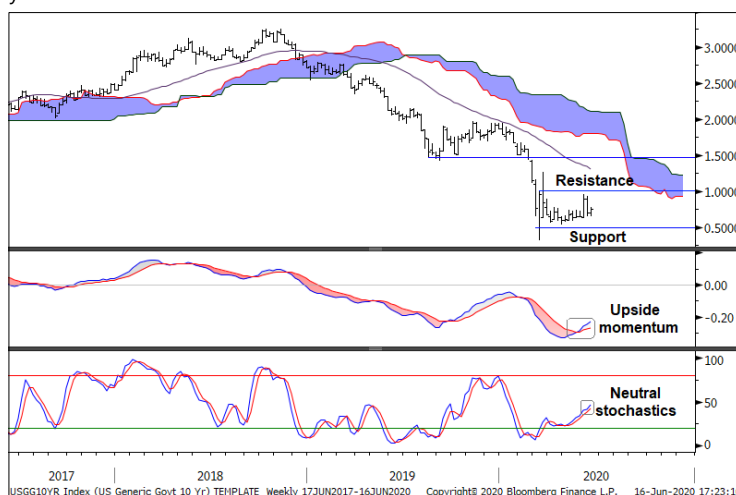


**SUPPORT: ~95.8 | RESISTANCE: ~98.8**

⌘ The Dollar Index broke down this month below important support defined by the cloud model, reversing the uptrend that began in early 2018. Momentum has weakened from intermediate- and long-term perspectives, which minimizes the potential impact of oversold conditions. We expect near-term stabilization to be followed by a breach of initial support just below 96. This would increase risk to secondary support near 94, from which a significant relief rally would be more likely for the U.S. dollar.

**10-Year U.S. Treasury Yields (USGG10YR, 0.75%)**

Weekly Bar Chart + 40-week MA + Cloud Model + MACD Indicator + Stochastic Oscillator



**SUPPORT: ~0.5% | RESISTANCE: ~1.0%**

⌘ 10-year Treasury yields have stabilized within their long-term downtrend, having found support near 0.5%. Intermediate-term momentum has shifted to the upside following a positive divergence in the weekly stochastics, which are now in neutral territory. This increases the likelihood of an eventual breakout above the psychologically-significant 1.0% level for a target of secondary resistance near 1.4%-1.5%. While this would still mark a counter-trend move, it could be the start of a lasting shift for 10-year Treasury yields.

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