



ACTIONABLE IDEAS FOR THE ACTIVE INVESTOR

ALPHA INSIGHTS

VOLUME 3 ~ REVIEW & OUTLOOK ~ ISSUE 2

JEFFREY W. HUGE, CMT

CHIEF INVESTMENT OFFICER

JWH INVESTMENT PARTNERS

612.963.4777

JHUGE@JWHINVESTMENT.COM

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We summarize our top-down observations and bottom-up conclusions based upon our comprehensive monthly analysis of price, volume, momentum, and relative strength trends for a broad cross-section of global market and economic data.

❑ [U.S. Equity Markets \(Page 4\)](#)

We detail our analysis of key U.S. equity market indexes, along with market breadth, investor sentiment, valuation, leverage, fiscal and monetary policy issues, economic cycle momentum, and the yield curve. We also update our strategic Buy/Sell Model for risk assets, along with our Rotation Models for Global Asset Classes, Factors, and Style Boxes.

❑ [Sector Rotation \(Page 24\)](#)

We detail our analysis of the eleven S&P 500 sectors and update our Sector Rotation Model.

❑ [Portfolio Positioning \(Page 37\)](#)

We detail our list of 50 long and 50 short alpha candidates by sector for the month of February. We examine the portfolio attribution and results last month's list in our [January performance report card \(page 49\)](#).

❑ [Actionable Trade Ideas \(Page 50\)](#)

We detail our analysis of swing trade set-ups for companies whose shares we consider to be timely for either a long or short position over the next one to six months based upon their current technical credentials.

❑ [Foreign Equity Markets \(Page 59\)](#)

We detail our analysis of 15 developed and emerging foreign equity markets and update our Country Rotation Model.

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We detail our analysis of key commodities, currencies, crypto, and rates.

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Analysts' Bio, Methodology, and Disclaimer.

EXECUTIVE SUMMARY

Top-Down

- ❑ The S&P 500 index closed the month of January down - 0.16% as concerns developed over the outbreak of a new coronavirus in China. Market breadth may have peaked in December with NYSE participation deteriorating by 10 percentage points last month, while the number of new 52-week lows outstripped new highs on the NASDAQ by 25%.
- ❑ Investor sentiment, as measured by the CBOE VIX, remains complacent, while the 10-DMA on the Equity Put/Call ratio, which made a 5-year low in December, barely reacted to the January sell-off in stocks. This, despite glaring non-confirmations between large-caps and small-caps, as well as industrial and transportation indexes.
- ❑ 4Q19 earnings are on track to decline by -1.9% Y/Y, which would make it the fourth consecutive Y/Y quarterly earnings decline. Meanwhile, global equity valuations remain historically extreme by most measures, as global debt scales new heights in both absolute and relative terms.
- ❑ Consecutive \$1 trillion + annual deficits in the US appear likely due to a lack of fiscal discipline in Washington, while Fed officials attempt to prop-up markets through daily liquidity injections amounting to nearly \$80 billion per month. Moreover, we've identified a potential "mega-top" in our economic cycle model, which may portend significant bearish consequences for global equity markets in 2020.
- ❑ Despite the recent Neutral signal triggered by our Buy/Sell Model in December, from an Elliott Wave perspective, our preferred count on the S&P 500 index suggests a significant correction is not only imminent, but now in progress!

Bottom-Up

- ❑ Our monthly RS-Momentum analysis of the eleven S&P 500 equally-weighted sectors ranks Technology and Healthcare as leadership, with notable improvement from Communications, Staples, and Utilities.
- ❑ Financials, Industrials and Discretionary have been weakening, while Real Estate, Materials, and Energy are lagging for now.
- ❑ Our long/short alpha candidates recorded a positive spread of +0.12% for the month of January, producing a positive absolute return of +16.14% for the trailing 12-month period ended 1/31/20.
- ❑ We consider the shares of NOW, COO, EA, & MNST to be timely for long positions; we consider the shares of UAL, NUE, CMA, & HES to be timely for short positions.
- ❑ We initiated coverage of South Korea (EWY) with a Neutral rating and dropped coverage of the Frontier 100 index ETF (FM).
- ❑ We downgraded our opinion on China (FXI) to Bearish from Neutral and established a new target price of \$30.



Source: Hedgeye.com

U.S. EQUITY MARKETS

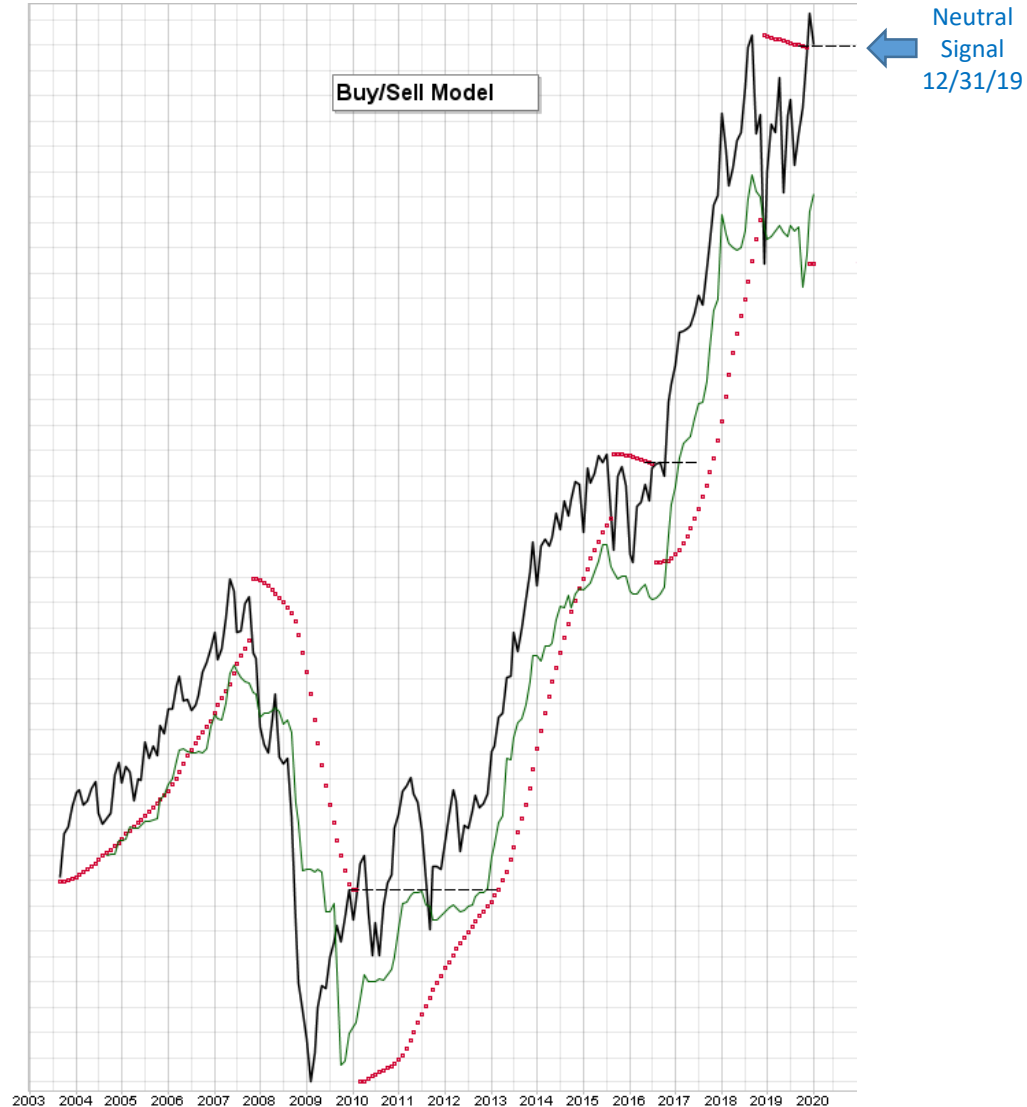
- ☐ Strategic Buy/Sell Model
- ☐ Large-Cap
- ☐ Mid-Cap
- ☐ Small-Cap
- ☐ Asset Class, Factor, & Style Box Leadership
- ☐ Breadth, Sentiment, Valuation, Fiscal & Monetary Policy, Yield Curve, & Economic Cycle

STRATEGIC BUY/SELL MODEL

[Details & Performance History](#)

- ❑ Our Strategic Buy/Sell Model triggered a **neutral signal** in December 2019.
- ❑ This was the first change since the model triggered a sell signal in October 2018, taking us completely out of equities (SPY) in our strategic asset allocation portfolio, and putting us 100% into bonds (TLT).
- ❑ The model's cumulative performance since the last signal on 12/31/19 through 1/31/20 is as follows:
 - **Buy/Sell Model: +3.83%**
 - S&P 500 TR index: -0.04%
- ❑ **Our current allocation remains positioned: 50% in stocks (SPY) and 50% in bonds (TLT).**

31-Jan-2020



Source: StockCharts.com

POTENTIAL PATHS FOR THE S&P 500

Preferred Elliott Wave Count:

Wave (4) Combination / Wave (5) Complete



Alternate Elliott Wave Count:

Wave (4) Expanded Flat / Wave (5) in Progress



Source: StockCharts.com

U.S. LARGE CAP S&P 500 INDEX

NEUTRAL (-0.16% YTD)

Observations:

- ❑ **Price** closed January down -0.16%, posting a bearish “shooting star” candle line on elevated monthly volume. A meaningful correction is likely to follow.
- ❑ **Momentum** remains positive but has reversed one third of its near vertical ascent since August. A small degree negative divergence is now evident.
- ❑ **Relative strength** of large-cap stocks have now definitively overtaken their small and mid-cap peers, penetrating the upper boundary of a 9-year trading range, but also suggesting narrow leadership.
- ❑ **Key Resistance** = 3338
- ❑ **Key Support** = 2950

Conclusions:

- ❑ **Benchmark Weight.** The S&P peaked on January 22nd and has subsequently plunged by 113 handles. While its too early to call *THE* top, the back drop of excessive optimism accompanying this price action suggests that an important top has been completed. If our preferred wave count on the previous page is correct, then the index is likely completing a major top, to be followed by a more significant downside move ahead.

- ❑ Target = N/A



Source: StockCharts.com

U.S. MID CAP S&P 400 INDEX

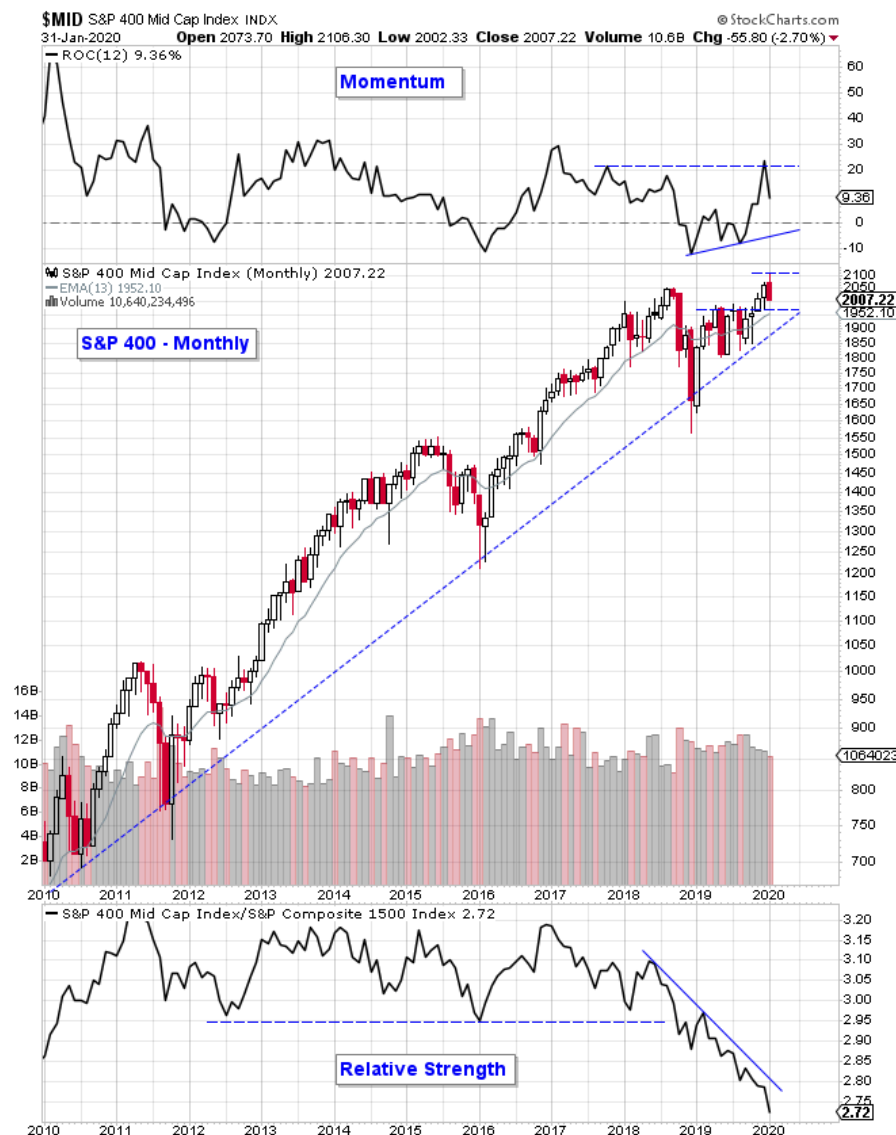
NEUTRAL (-2.70% YTD)

Observations:

- ❑ **Price** closed January down -2.70%, posting a bearish “engulfing” candle line on light volume. A meaningful correction is likely to follow.
- ❑ **Momentum** remains positive but has sharply reversed its near vertical ascent since August. A small degree negative divergence is now evident.
- ❑ **Relative strength** of mid-cap stocks posted a fresh new 10-year low in January vs. the S&P Composite 1500. A persistent downtrend remains in place.
- ❑ **Key Resistance** = 2106
- ❑ **Key Support** = 1970

Conclusions:

- ❑ **Benchmark Weight.** While its too early to call *THE* top, the back drop of excessive optimism accompanying this price action suggests that an important top has been completed. A breach of key support would confirm that a more serious decline is underway.
- ❑ **Target** = N/A



Source: StockCharts.com

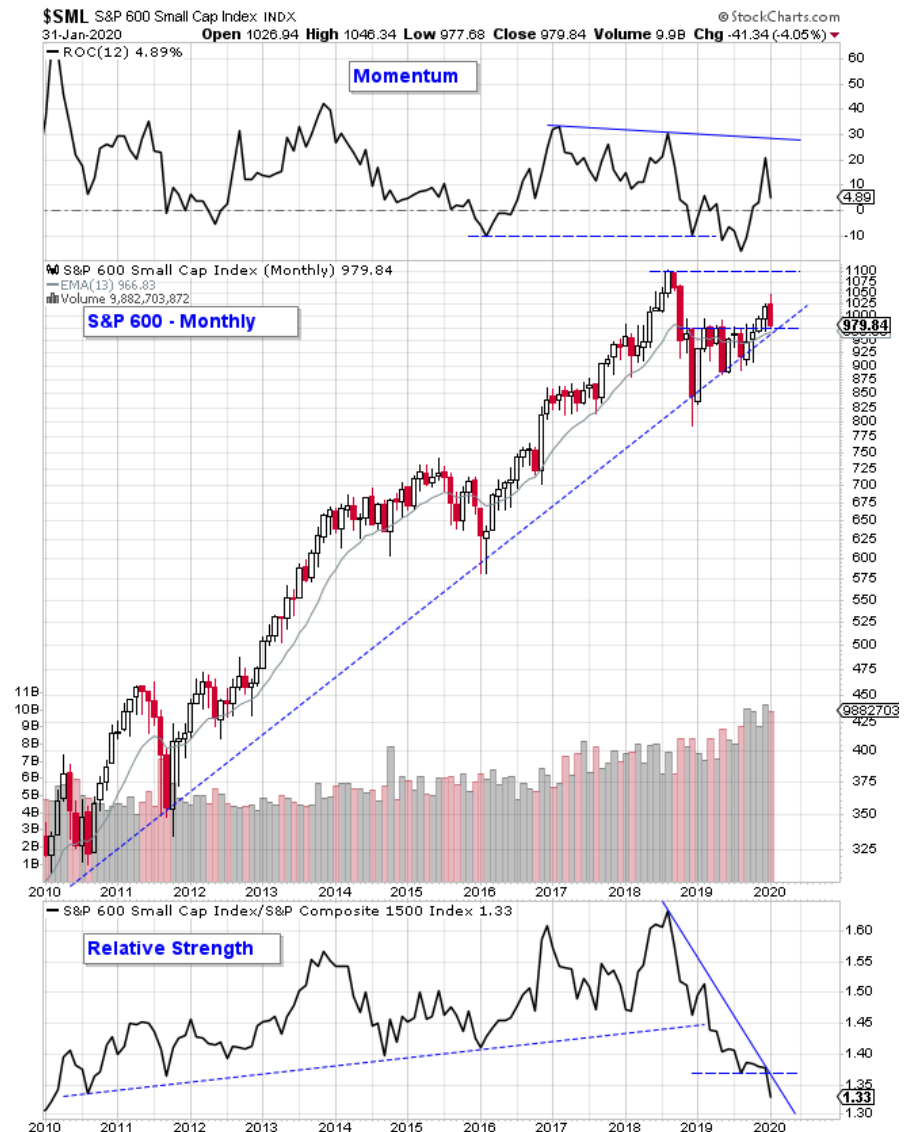
U.S. SMALL CAP S&P 600 INDEX **BEARISH** (-4.05% YTD)

Observations:

- ❑ **Price** closed January down -4.05%, posting a bearish “engulfing” candle line on heavy volume. The failure by price to close above its 2018 high thus far, leaves a glaring non-confirmation between small and large-cap stocks; a sign of market vulnerability.
- ❑ **Momentum** remains positive, but has turned sharply lower on the month. A large degree negative divergence remains in place vs. the 2018 high.
- ❑ **Relative strength** of small-cap stocks vs. the S&P Composite 1500 breached a large support structure in 2019, and is now poised to challenge the 10-year low. A persistent downtrend remains in place.
- ❑ **Key Resistance** = 1100
- ❑ **Key Support** = 970

Conclusions:

- ❑ **Underweight.** The bull market advance in small-caps off the 2009 low appears to have reached its terminal point. A monthly close below key support would confirm this view and project an initial decline to our published target price.
- ❑ **Target** = 750

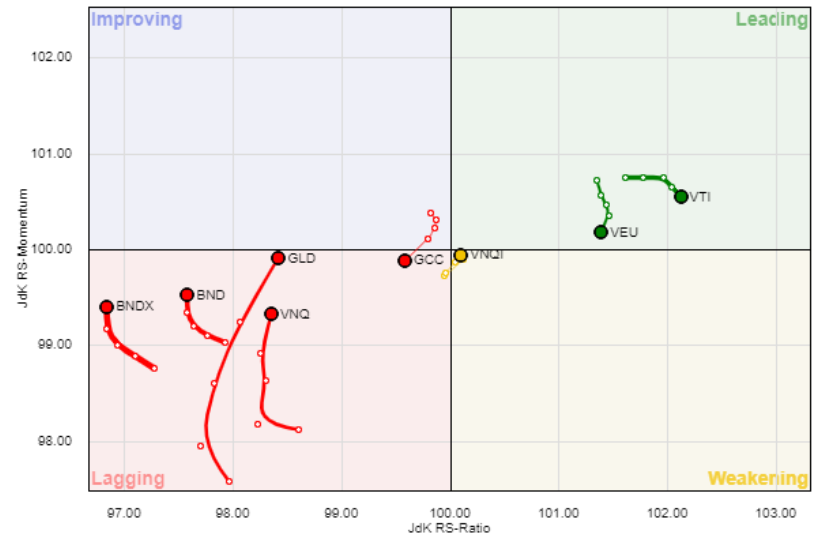


Source: StockCharts.com

GLOBAL ASSET CLASS LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JAN Return</u>	<u>TTM Return</u>
1. U.S. Equities (VTI)	- 0.1%	+ 20.3%
2. Int'l Equities (VEU)	- 3.4%	+ 9.4%
3. Int'l Real Estate (VNQI)	- 2.7%	+ 8.1%
4. Gold Bullion (GLD)	+ 4.5%	+ 19.7%
5. U.S. Real Estate (VNQ)	+ 1.2%	+ 16.7%
6. U.S. Fixed Income (BND)	+ 2.0%	+ 9.8%
7. Int'l Fixed-Income (BNDX)	+ 1.9%	+ 8.8%
8. Commodities (GCC)	- 6.3%	- 2.9%

Global Asset Rotation Model



Source: StockCharts.com

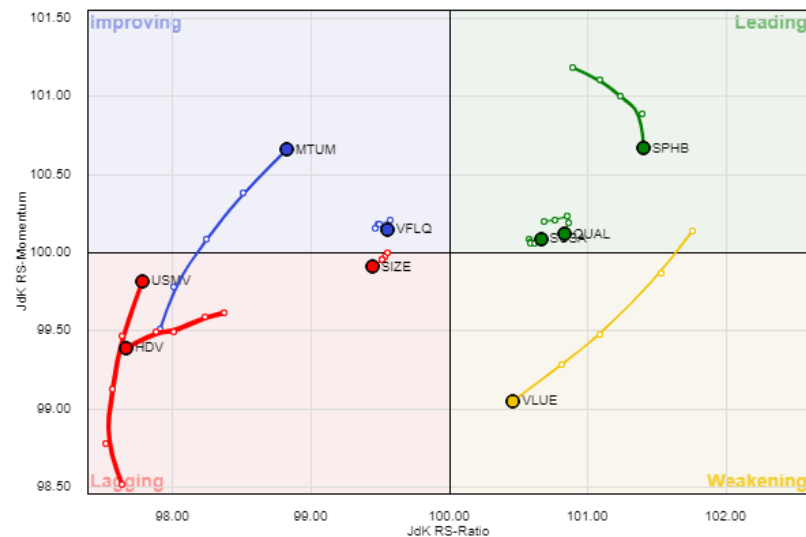
RS Benchmark: 60% MSCI All-Country World Index / 40%
Barclay's U.S. Aggregate Bond Index

U.S. FACTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JAN Return</u>	<u>TTM Return</u>
1. High Beta (SPHB)	- 4.1%	+ 13.8%
2. High Quality (QUAL)	- 0.7%	+ 22.9%
3. Env/Soc/Gov (SUSA)	+ 0.3%	+ 22.8%
4. High Liquidity (VFLQ)	- 3.0%	+ 14.2%
5. Momentum (MTUM)	+ 3.7%	+ 24.0%
6. Low Volatility (USMV)	+ 2.4%	+ 23.7%
7. Small Market Cap (SIZE)	- 1.3%	+ 15.6%
8. Low Valuation (VLUE)	- 3.8%	+ 11.4%
9. High Dividend (HDV)	- 4.1%	+ 10.0%

RS Benchmark: MSCI USA Index

U.S. Factor Rotation Model



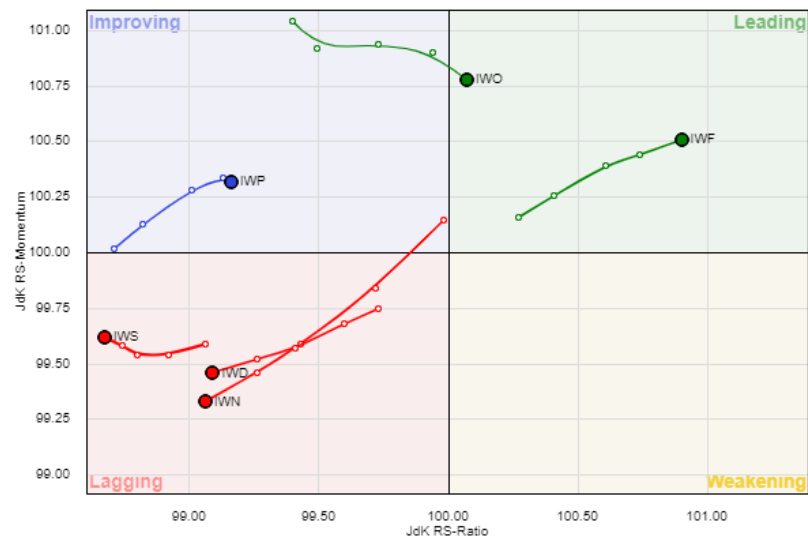
Source: StockCharts.com

U.S. STYLE BOX LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JAN Return</u>	<u>TTM Return</u>
1. Large-Cap Growth (IWF)	+ 2.3%	+ 27.6%
2. Small-Cap Growth (IWO)	- 1.0%	+ 14.0%
3. Mid-Cap Growth (IWP)	+ 0.9%	+ 22.4%
4. Mid-Cap Value (IWS)	- 1.9%	+ 12.8%
5. Large-Cap Value (IWD)	- 2.1%	+ 14.7%
6. Small-Cap Value (IWN)	- 5.2%	+ 4.2%

RS Benchmark: Russell 3000 Index

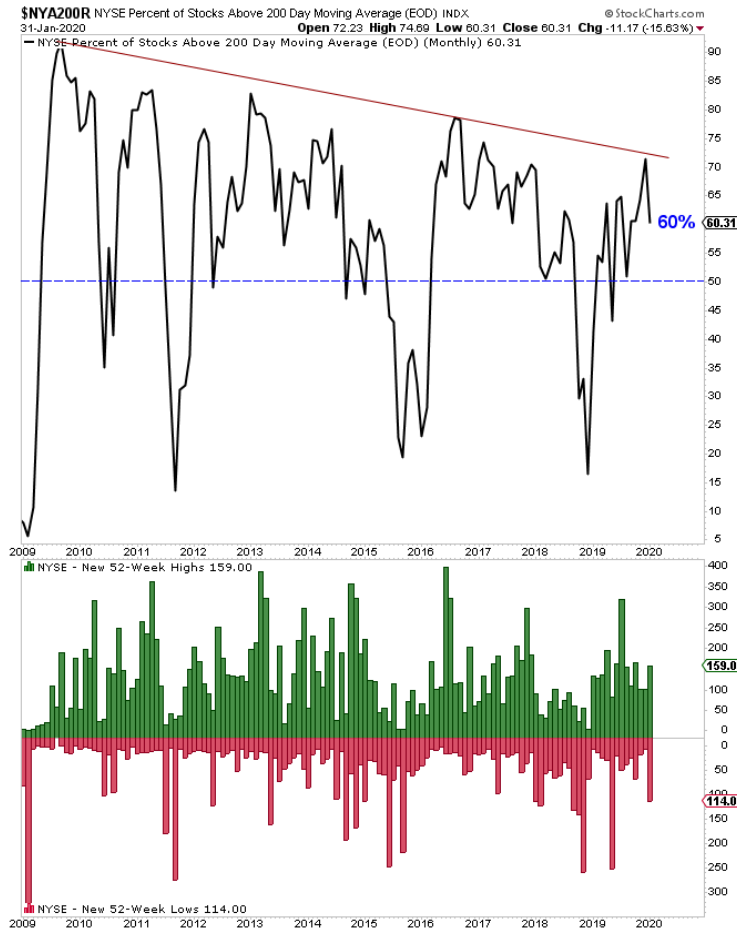
U.S. Style Box Rotation Model



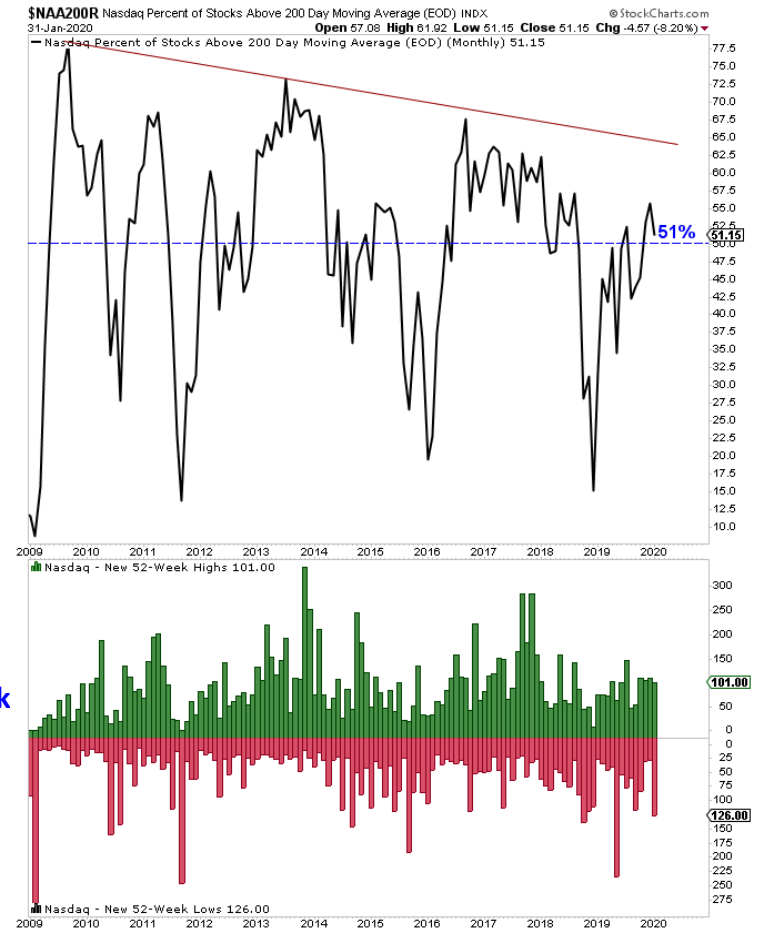
Source: StockCharts.com

MARKET BREADTH = DETERIORATING

NYSE % Stocks Above 200-DMA



NASDAQ % Stocks Above 200-DMA



New
52-Week
Highs
and
Lows

Source: StockCharts.com

DOW THEORY = NON-CONFIRMATION



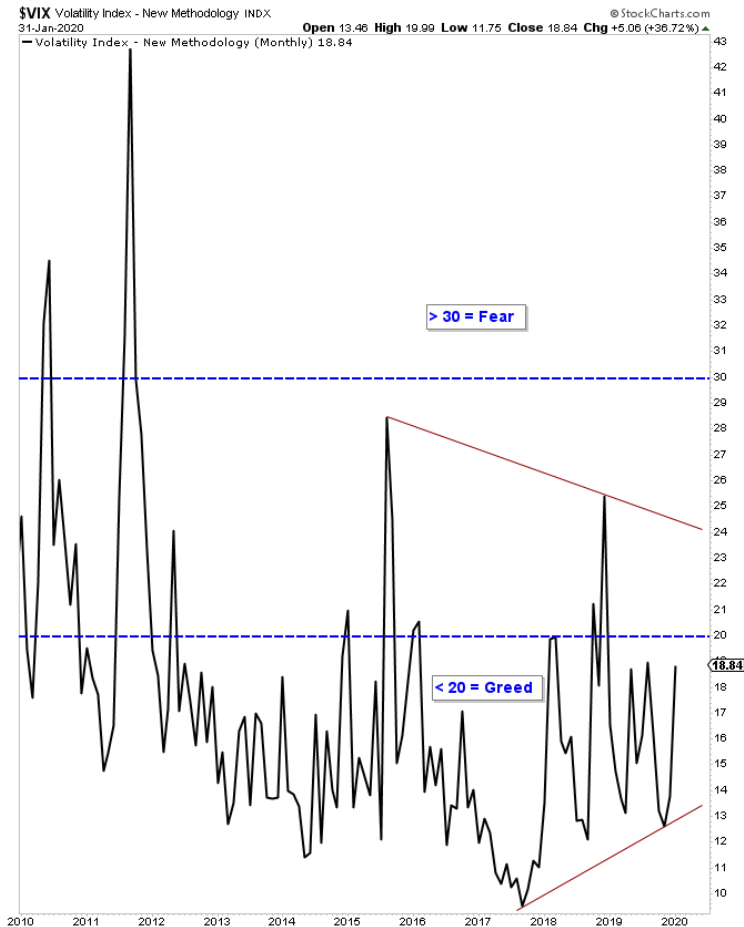
Source: StockCharts.com

STOCK MARKET SENTIMENT = RISK-ON

CBOE Volatility Index

The Dumb Money

CBOE Equity Put/Call Ratio



Source: StockCharts.com

BOND MARKET SENTIMENT = RISK-OFF

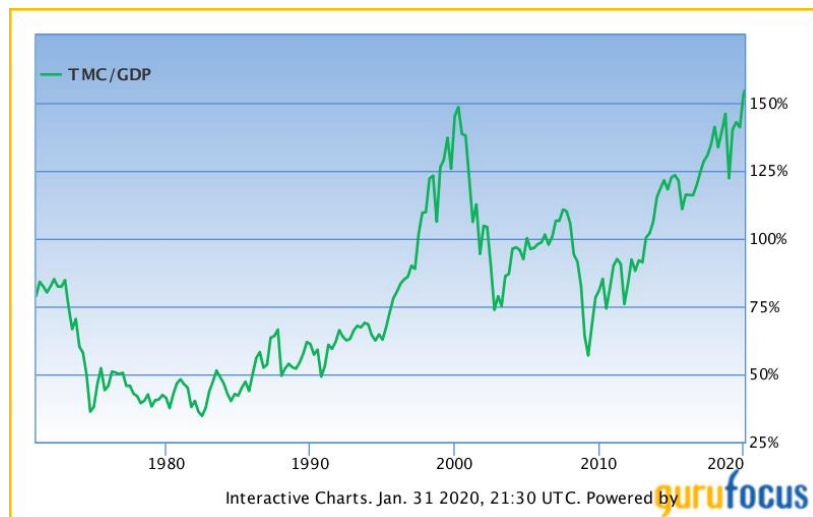
The Smart Money



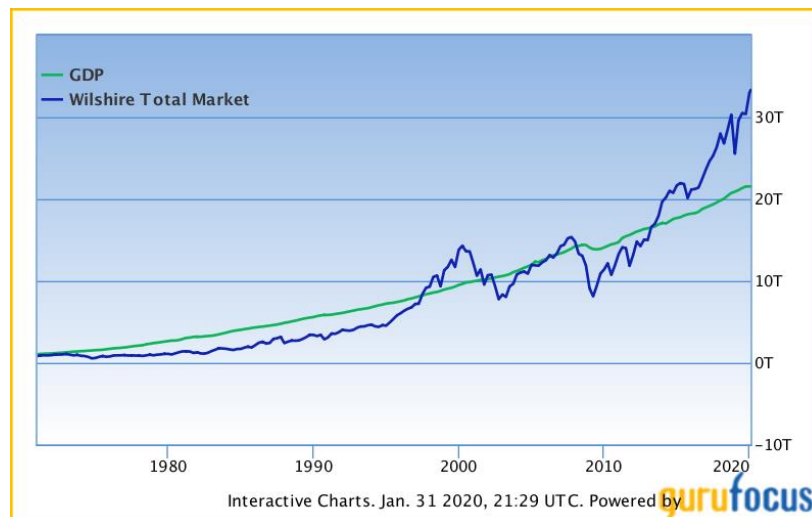
VALUATION = HISTORICALLY EXTREME

Total U.S. Market Cap to GDP Hit a New Extreme of 155% in January

Total Market Cap to GDP Ratio



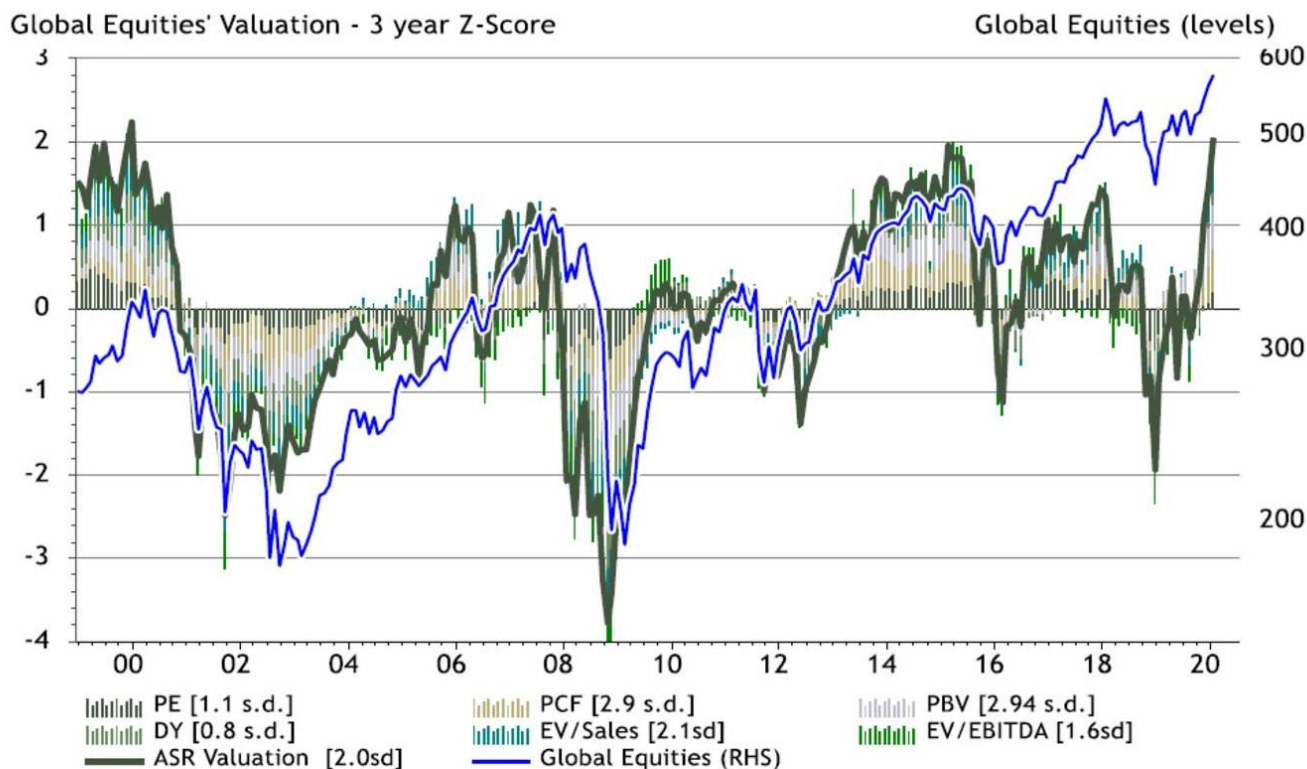
Total Market Cap Relative to GDP



Source: GuruFocus.com

VALUATION = GLOBALLY EXTREME

ASR Global Equity Composite Valuation Model Approaching 2000 Peak



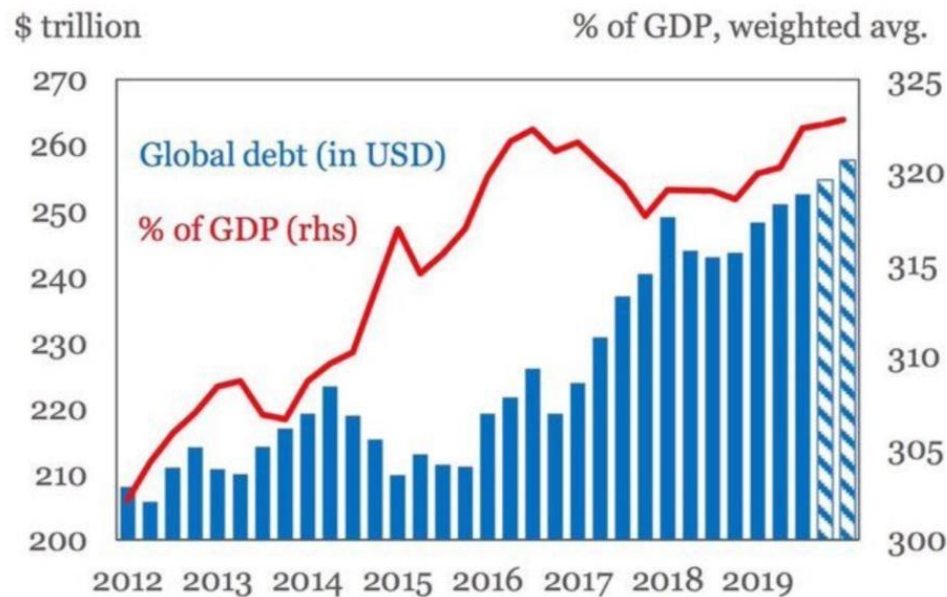
Source: ASR Ltd. / WorldScope / Datastream from Refinitiv

Source: Absolute-Strategy.com

GLOBAL DEBT = TIPPING POINT AHEAD

Global Debt Estimated to Exceed \$257 Trillion in 1Q 2020

Chart 1: Global debt hits a fresh record of 322% of GDP

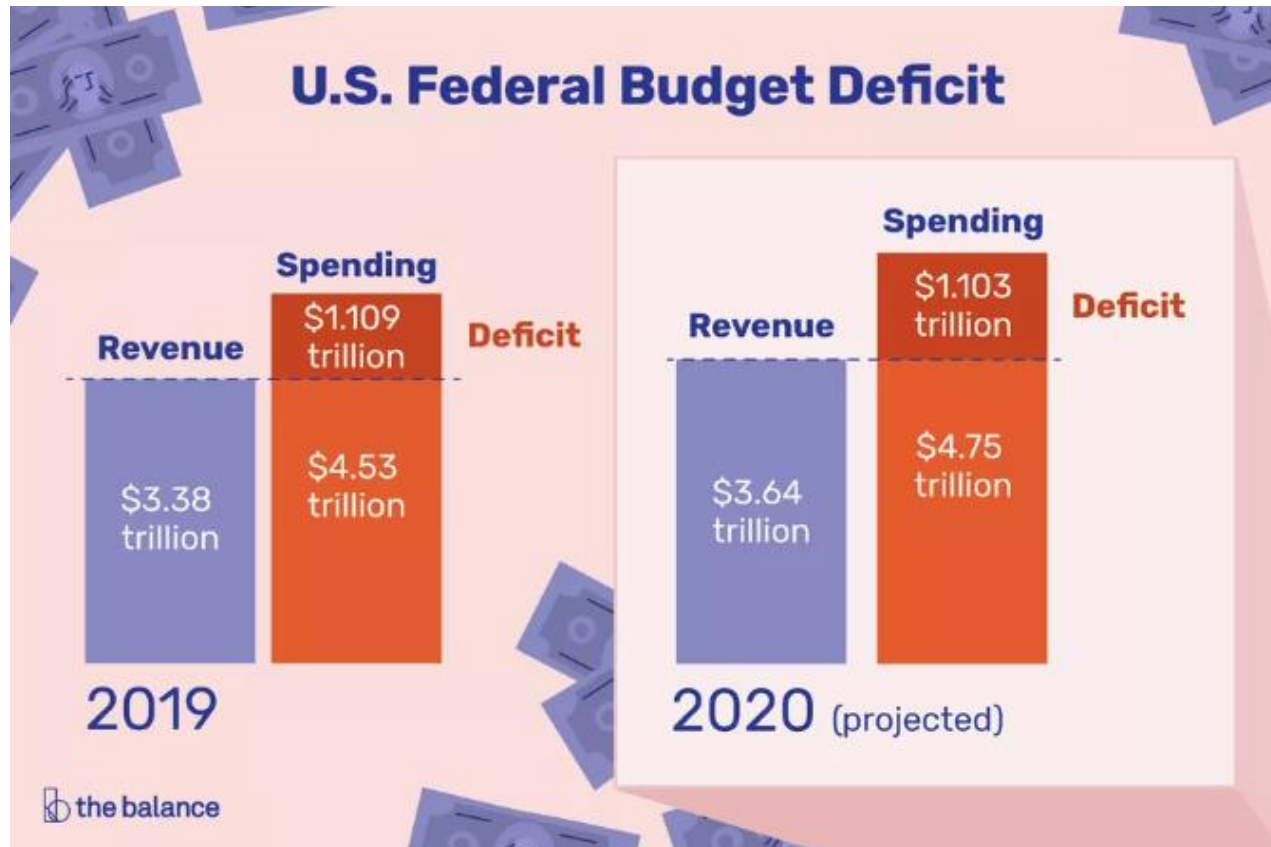


Source: IIF, BIS, IMF

Source: NorthmanTrader.com

FISCAL POLICY = \$1.1 TRILLION DEFICIT!

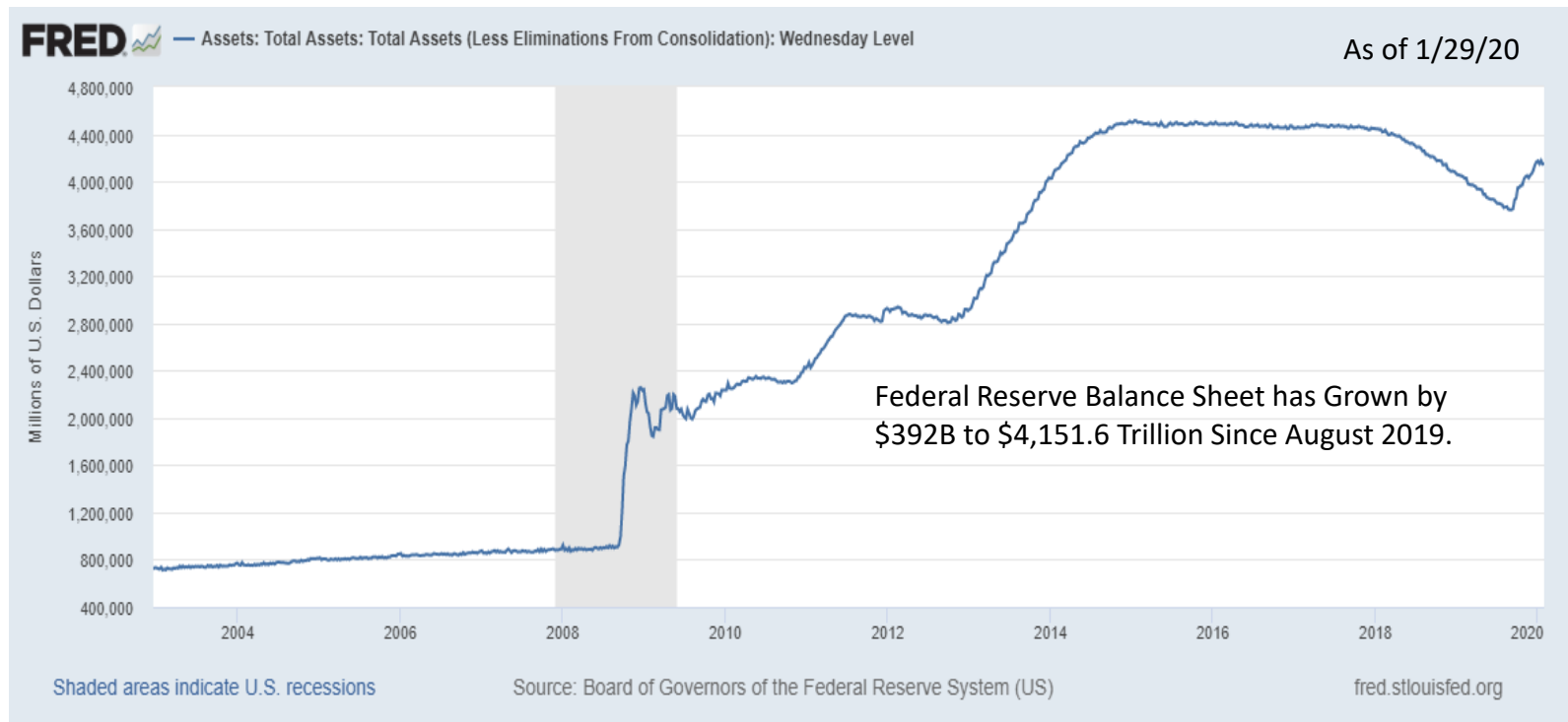
“Tax Cuts 2.0 to help the middle class...That’s still our goal.” ~ Larry Kudlow, 1/15/20



Source: thebalance.com

MONETARY POLICY = DAILY LIQUIDITY!

“This is not QE. In no sense is this QE.” ~ Jerome Powell, 10/8/19

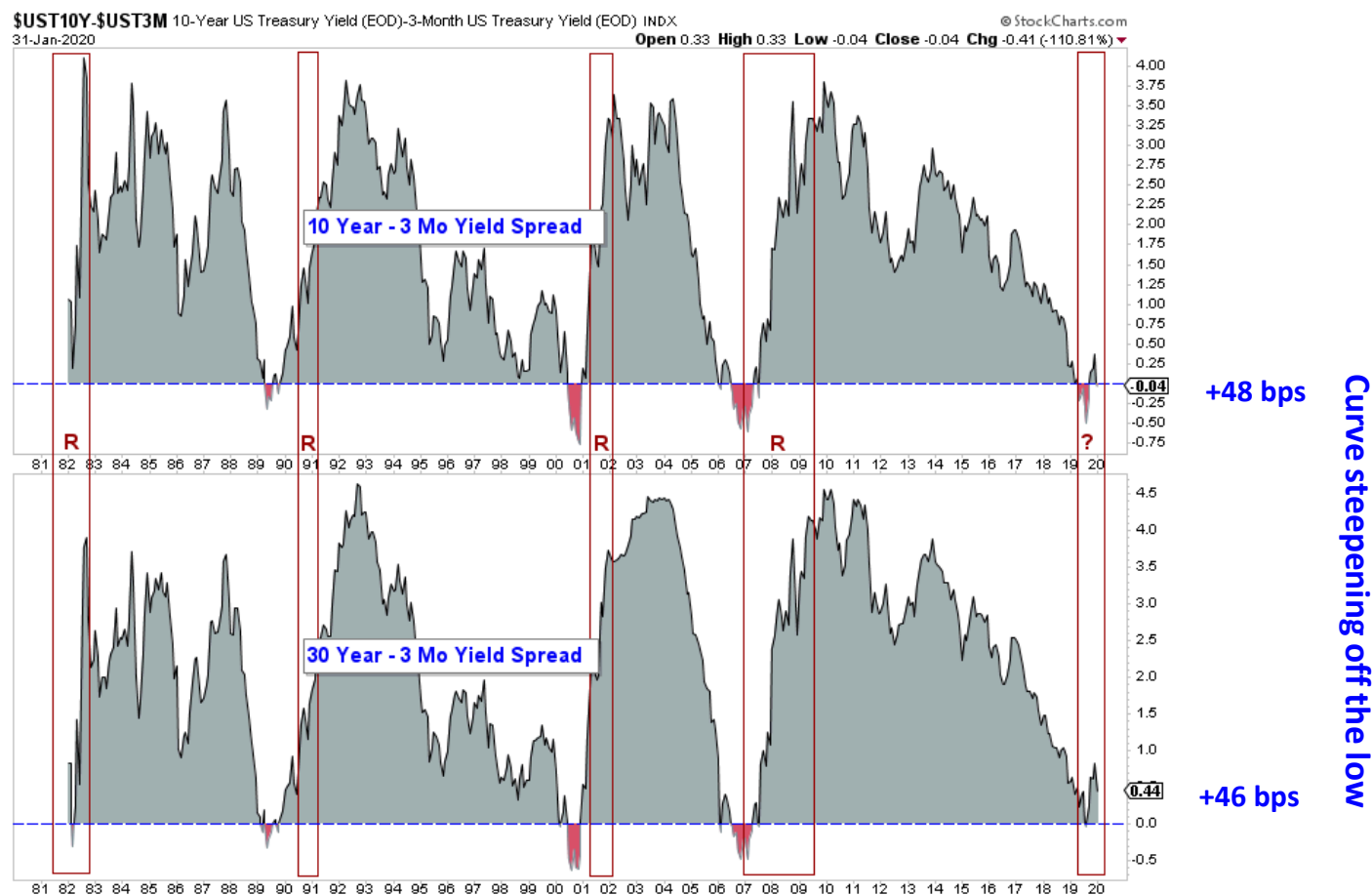


Federal Reserve Balance Sheet has Grown by \$392B in Five Months to \$4,151.6 Trillion

Source: St. Louis Federal Reserve Bank

YIELD CURVE = 2020 RECESSION LIKELY

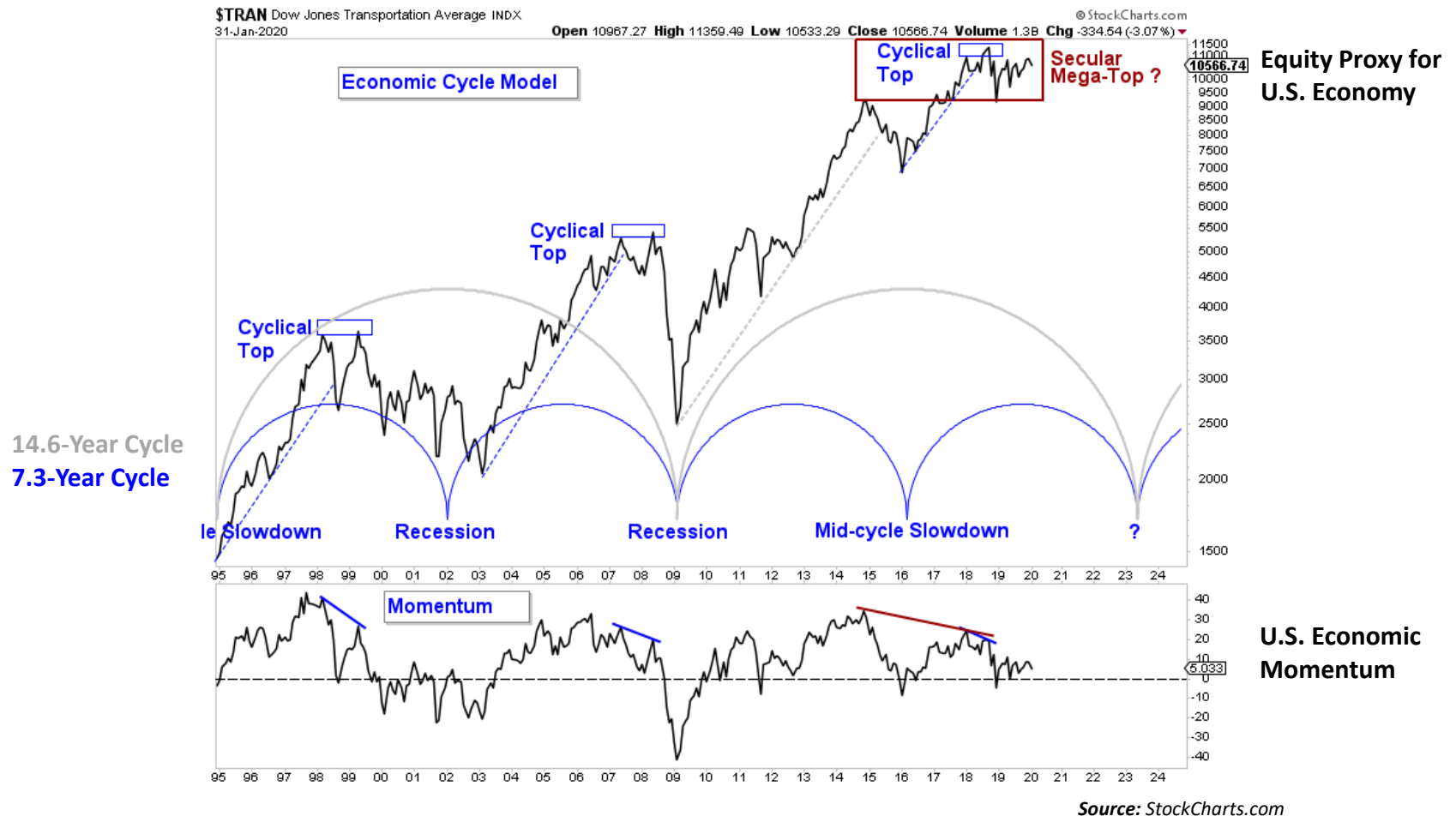
Recessions typically emerge during the steepening phase immediately following an inversion

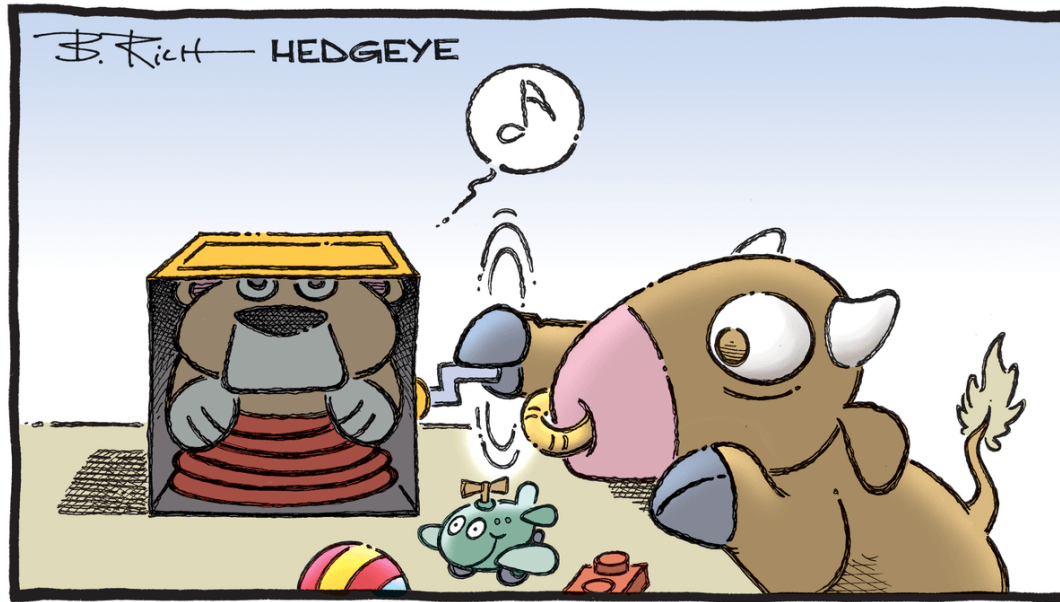


Source: StockCharts.com

ECONOMIC CYCLE = SECULAR TOP?

The Economic Cycle Appears to be Losing Momentum





Source: Hedgeye.com

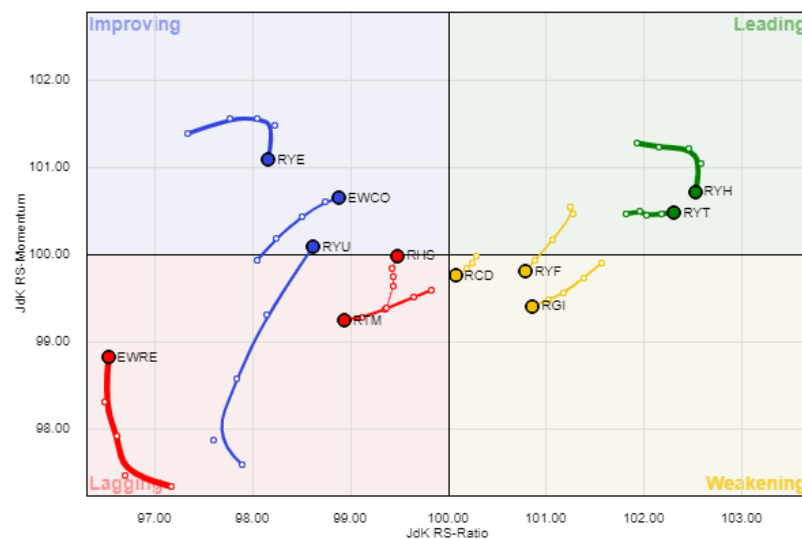
SECTOR ROTATION

- ☐ S&P 500 Sector Leadership
 - ☐ Equal-Weight Sector RS-Momentum Rank
 - ☐ Cap-Weight Sector Technical Analysis

U.S. EQUAL-WEIGHT SECTOR LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JAN Return</u>	<u>TTM Return</u>
1. Technology (RYT)	+ 0.2%	+ 28.8%
2. Healthcare (RYH)	- 1.8%	+ 12.7%
3. Communications (EWCO)	- 1.6%	+ 8.3%
4. Utilities (RYU)	+ 5.8%	+ 26.3%
5. Staples (RHS)	- 0.6%	+ 20.6%
6. Financials (RYF)	-1.7%	+ 17.3%
7. Industrials (RGI)	- 1.0%	+ 18.8%
8. Discretionary (RCD)	- 3.8%	+ 9.9%
9. Real Estate (EWRE)	+ 0.9%	+ 12.6%
10. Materials (RTM)	- 6.5%	+ 8.8%
11. Energy (RYE)	- 12.2%	- 13.8%

U.S. Sector Rotation Model



Source: StockCharts.com

RS Benchmark: S&P 500 Equal-Weight Index

S&P 500 SECTOR TECHNOLOGY

BULLISH (+3.99% YTD)

Observations:

- ❑ **Price** closed January up +3.99% on light volume, posting a new all-time and monthly closing high, but the long shadow candle line suggests late month profit taking.
- ❑ **Momentum** is staunchly positive, but pulled back modestly, following last month's surge to a new 9-year high, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock remains in a steep uptrend, posting a fresh new all-time high.
- ❑ **Key Resistance** = \$99
- ❑ **Key Support** = \$82

Conclusions:

- ❑ Technology advance one position to the **#1 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** Robust price action, coupled with new highs RS, continue to support our Bullish technical opinion. That said, the same conditions existed at the 2000 and 2007 highs. Be alert for an abrupt trend change. ADSK and PAYC are leading, while FFIV and JNPR are lagging.
- ❑ **Target** = \$107



S&P 500 SECTOR HEALTH CARE

BULLISH (-2.67% YTD)

Observations:

- ❑ **Price** closed January down -2.67% on light volume, posting a new all-time high, but closing near the monthly lows. The long shadow candle line suggests late month profit taking.
- ❑ **Momentum** remains positive but has pulled back from a near vertical ascent, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock has been range bound since 2015 and has been struggling to challenge the upper boundary of the range.
- ❑ **Key Resistance** \$105
- ❑ **Key Support** = \$94

Conclusions:

- ❑ Health Care slipped one position to the **#2 rank** in our sector RS-Momentum work this month.
- ❑ **Overweight.** The trend remains constructive supporting a bullish technical view, yet profit taking, a sharp reversal in momentum, and lackluster RS warn of an impending correction. LLY and JNJ are leaders; EW and INCY are laggards.
- ❑ **Target** = \$109



S&P 500 SECTOR COMMUNICATIONS NEUTRAL (+0.52% YTD)

Observations:

- ❑ **Price** closed January up +0.52% on average volume, making a new all-time and monthly closing high, but posting a “gravestone doji” candle line. The implication is that the trend may have reached its end.
- ❑ **Momentum** remains positive, but has sharply reversed its near vertical ascent, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock penetrated trend line resistance, and is now attempting to sustain a bullish reversal.
- ❑ **Key Resistance** = \$57
- ❑ **Key Support** = \$51

Conclusions:

- ❑ Communications advanced four positions to the **#3 rank** in our sector RS-Momentum work this month.
- ❑ **Market weight.** Tepid price action and deteriorating momentum, despite improving RS continues to favor a neutral technical view. EA and NFLX are leading, while CMCSA and VZ are lagging.
- ❑ Target = N/A



Source: StockCharts.com

S&P 500 SECTOR UTILITIES BULLISH (+6.75% YTD)

Observations:

- ❑ **Price** closed January up +6.75% on light volume, posting a new all-time and monthly closing high. The trend remains constructive, and the bullish “long body” candle line implies conviction among buyers.
- ❑ **Momentum** remains staunchly positive, and is poised to challenge its all-time high.
- ❑ **Relative strength** vs. the average S&P stock has been advancing sporadically off the 2018 low, and has resolved to the upside, posting a new 3-year high.
- ❑ **Key Resistance** = \$70
- ❑ **Key Support** = \$64

Conclusions:

- ❑ Utilities jumped six positions to the **#4 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** Consistent upward price action and positive momentum, confirmed leading RS support a bullish technical view. NEE and LNT are leaders; CNP and NRG are laggards.
- ❑ **Target** = \$69 (*achieved*)



Source: StockCharts.com

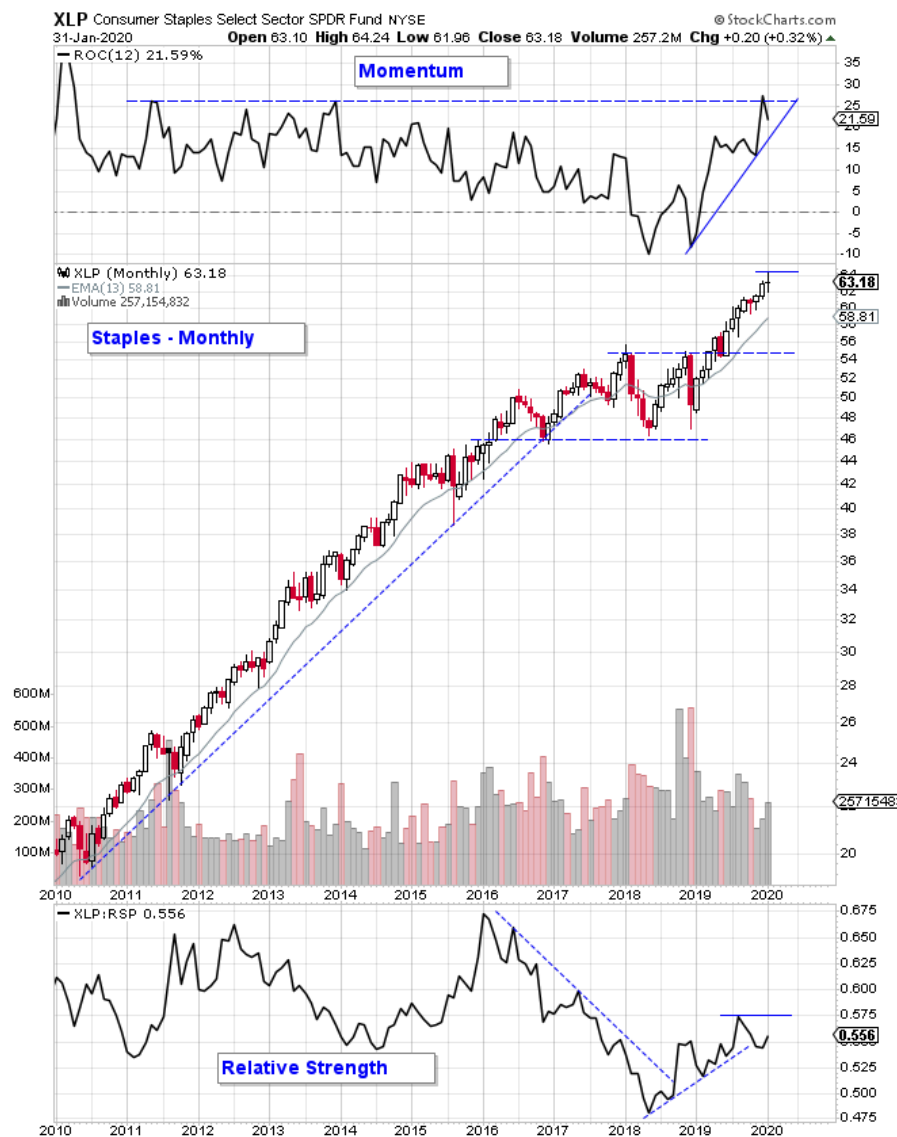
S&P 500 SECTOR STAPLES BULLISH (+0.32% YTD)

Observations:

- ❑ **Price** closed January up +0.32% on average volume, posting a new all-time and monthly closing high. The near-term trend remains constructive, but the “long-legged doji” candle line suggests investor indecision.
- ❑ **Momentum** remains positive, but has pulled back following a new 9-year high last month, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock had been advancing sporadically off the 2018 low, but has since violated trend support; a short-term negative.
- ❑ **Key Resistance** = \$64
- ❑ **Key Support** = \$54

Conclusions:

- ❑ Staples jumped three positions to the **#5 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** Steady price action and positive momentum support our Bullish technical view, but lackluster RS suggests limiting exposure to a market weight for now. Leaders include CAG and MNST, while WBA and WMT are laggards.
- ❑ **Target** = \$65



Source: StockCharts.com

S&P 500 SECTOR FINANCIALS

BULLISH (-2.66% YTD)

Observations:

- ❑ **Price** closed January down -2.66% on light volume, posting a slight new all-time with a bearish “engulfing” candle line. The implication is for a meaningful correction to follow.
- ❑ **Momentum** remains positive, but has pulled back following a near vertical ascent, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P has been gradually recovering from its 2019 low after a successful challenge of trend line resistance in April.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$28

Conclusions:

- ❑ Financials slipped three positions to the **#6 rank** in our RS-Momentum work this month.
- ❑ **Market Weight.** Recent price action suggests a correction lay ahead, but the trend remains constructive supporting our Bullish technical view. MSCI and MCO are leaders; SYF and WFC are laggards.
- ❑ **Target** = \$36



S&P 500 SECTOR INDUSTRIALS BULLISH (-0.44% YTD)

Observations:

- ❑ **Price** closed January down -0.44% on above average volume, making a new all-time high, but posting a “shooting star” candle line. The implication is for a meaningful correction to follow.
- ❑ **Momentum** remains positive, but has pulled-back off it near vertical ascent, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock penetrated trend line resistance in April, but is now struggling to sustain a bullish reversal.
- ❑ **Key Resistance** = \$85
- ❑ **Key Support** = \$77

Conclusions:

- ❑ Industrials slipped three positions to the **#7 rank** in our RS-Momentum work this month.
- ❑ **Market weight.** Recent price action suggests a correction lay ahead, but the trend remains constructive supporting our Bullish technical view. TDG and CPRT are leading, while BA joins UAL are lagging.
- ❑ **Target** = \$94



Source: StockCharts.com

S&P 500 SECTOR DISCRETIONARY NEUTRAL (-0.08% YTD)

Observations:

- ❑ **Price** closed January down -0.08% on above average volume, posting a new all-time high. The “spinning top” candle line, however, implies investor indecision, suggesting a potential pause in the advance.
- ❑ **Momentum** remains positive, but has pulled back following a near vertical ascent, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock turned down from its August high and breached trend line support in October and is struggling to recover.
- ❑ **Key Resistance** = \$129
- ❑ **Key Support** = \$119

Conclusions:

- ❑ Discretionary slipped three positions to the **#8 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** Recent price action suggests a correction lay ahead, but while the trend is still constructive, the breakdown in RS supports our Neutral technical view. BBY and HLT are leaders, while DLTR and KSS are laggards.
- ❑ Target = N/A



S&P 500 SECTOR REAL ESTATE BULLISH (+1.45% YTD)

Observations:

- ❑ **Price** closed January up 1.45% on average volume, posting a new all-time and monthly closing high. The “spinning top” candle line, however, implies indecision, suggesting a potential pause in the advance.
- ❑ **Momentum** remains positive, but has breached trendline support and has been struggling to challenge its 2015 high.
- ❑ **Relative strength** vs. the average S&P stock has checked back to trend, correcting a steep advance, after posting new recovery high in August.
- ❑ **Key Resistance** = \$40
- ❑ **Key Support** = \$37

Conclusions:

- ❑ Real Estate advanced two positions to the **#9 rank** in our sector RS-Momentum work for the month.
- ❑ **Market Weight.** Steady price action and positive momentum, support a continued bullish technical view, but the recent downturn in RS suggests minimizing exposure until it re-asserts its leadership. SLG and PLD are leaders, while REG and SPG are lagging.
- ❑ **Target** = \$43



S&P 500 SECTOR MATERIALS NEUTRAL (-6.17% YTD)

Observations:

- ❑ **Price** closed January down -6.17% on heavy volume, testing key support. The bearish “engulfing” candle line implies additional corrective price action ahead.
- ❑ **Momentum** remains positive, but turn sharply lower from its recent high, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. the average S&P stock breached a shelf of support, posting a fresh new 10-year low.
- ❑ **Key Resistance** = \$62
- ❑ **Key Support** = \$57

Conclusions:

- ❑ Materials slipped one position to the **#10 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** The failure to clear key resistance, remains a stumbling block for the bull case. The breach of key support adds to the bear case. It’s a close call, so we will remain on the sidelines until next month to see if there is any downside follow-through. FCX and NEM are leaders, while DD and CF are laggards.
- ❑ Target = N/A



S&P 500 SECTOR ENERGY NEUTRAL (-10.99% YTD)

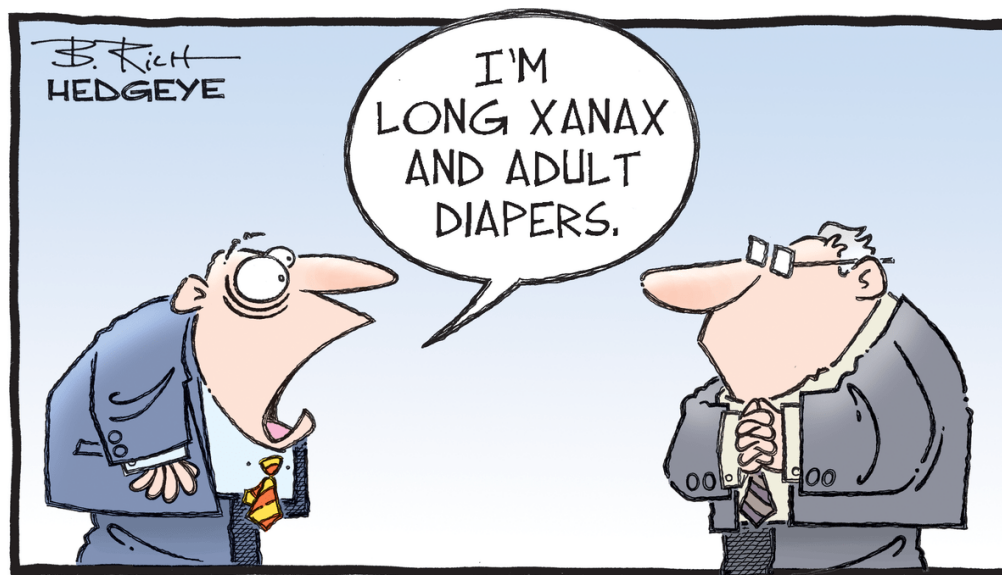
Observations:

- ❑ **Price** closed January down -10.99% on heavy volume, posting an outside down month, but held above trendline and key support. The overall pattern resembles a broad, lateral consolidation of the “Symmetrical Triangle” variety, implying a potential future bullish resolution.
- ❑ **Momentum** has reversed back below the zero line, following a brief ascent into positive territory.
- ❑ **Relative strength** vs. the average S&P stock just posted a fresh new 10-year monthly low.
- ❑ **Key Resistance** = \$63
- ❑ **Key Support** = \$53

Conclusions:

- ❑ Energy fell five positions back to the **#11 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight**. Exceptionally weak price action and negative momentum have allayed the sector’s latest recovery attempt. A breach of key support would move our technical view back to bearish.
- ❑ Target = N/A





Source: Hedgeye.com

PORTFOLIO POSITIONING

- ☐ Leaders and Laggards
 - ☐ Long/Short Alpha Candidate List by Sector – February
 - ☐ Long/Short Performance Report Card – January

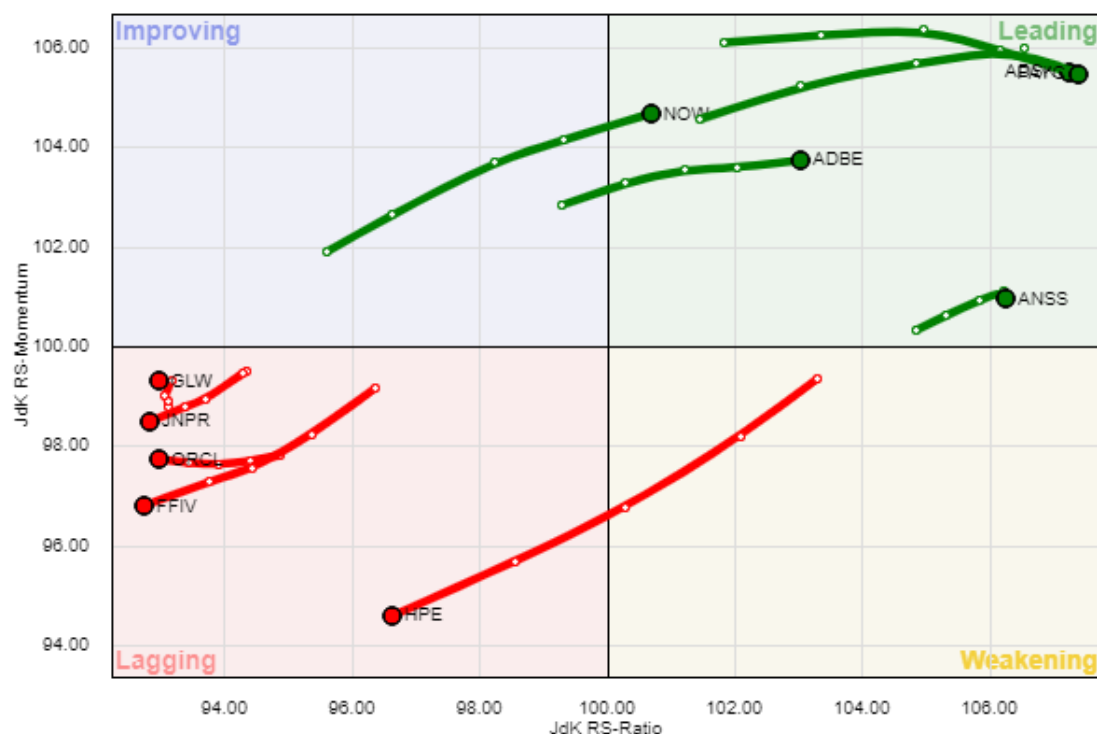
S&P 500 TECHNOLOGY ALPHA DRIVERS

Long RS-Momentum Leaders

1. Autodesk (ADSK)
2. Paycom Software (PAYC)
3. ANSYS (ANSS)
4. Adobe Systems (ADBE)
5. ServiceNow (NOW)

Short RS-Momentum Laggards

1. F5 Networks (FFIV)
2. Oracle (ORCL)
3. Juniper Networks (JNPR)
4. Corning (GLW)
5. Hewlett Packard Ent (HPE)



Source: StockCharts.com

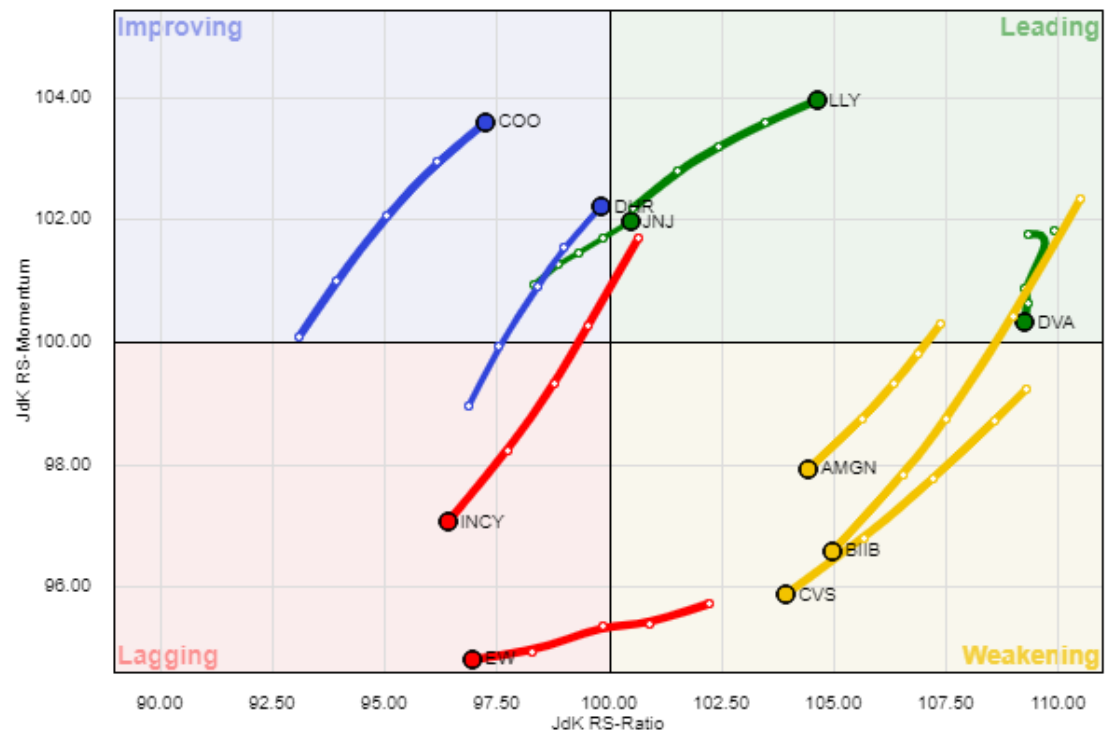
S&P 500 HEALTH CARE ALPHA DRIVERS

Long RS-Momentum Leaders

1. DaVita (DVA)
2. Eli Lilly (LLY)
3. Johnson & Johnson (JNJ)
4. Danaher (DHR)
5. Cooper Cos (COO)

Short RS-Momentum Laggards

1. Edwards Lifesciences (EW)
2. Incyte (INCY)
3. CVS Health (CVS)
4. Biogen (BIIB)
5. Amgen (AMGN)



Source: StockCharts.com

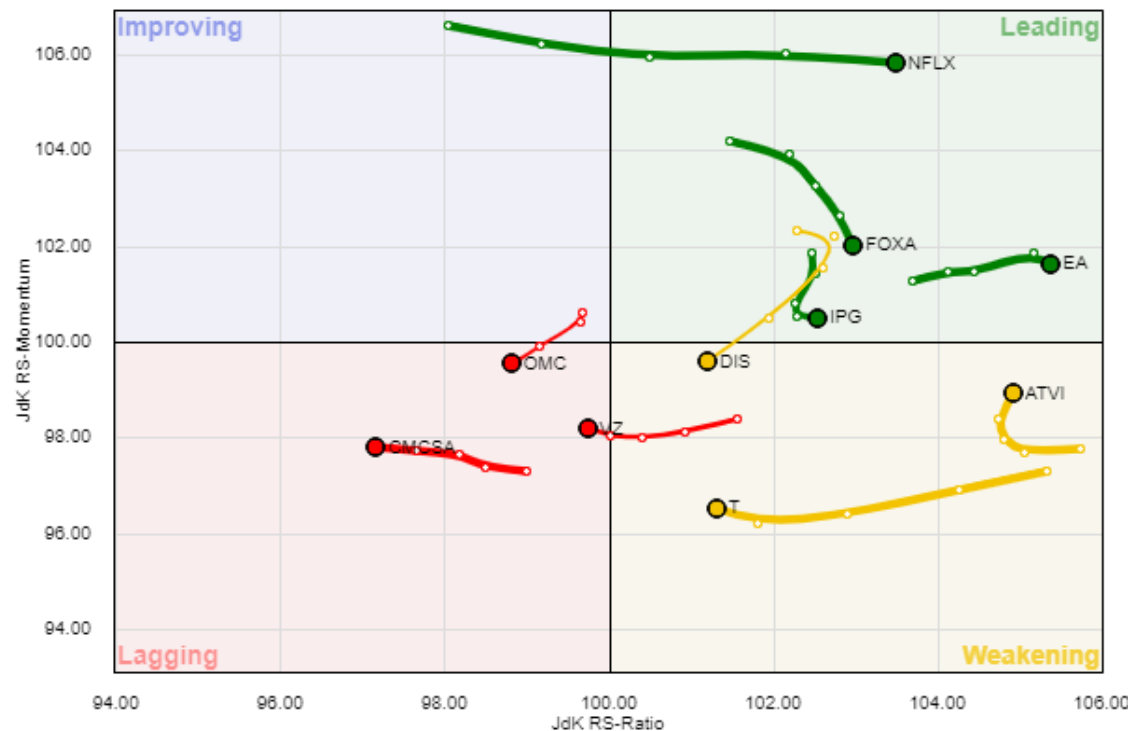
S&P 500 COMMUNICATIONS ALPHA DRIVERS

Long RS-Momentum Leaders

1. Electronic Arts (EA)
2. Netflix (NFLX)
3. 21st Century Fox (FOXA)
4. Interpublic Group (IPG)
5. Activision Blizzard (ATVI)

Short RS-Momentum Laggards

1. Comcast (CMCSA)
2. Omnicom Group (OMC)
3. Verizon (VZ)
4. AT&T (T)
5. Disney (DIS)



Source: StockCharts.com

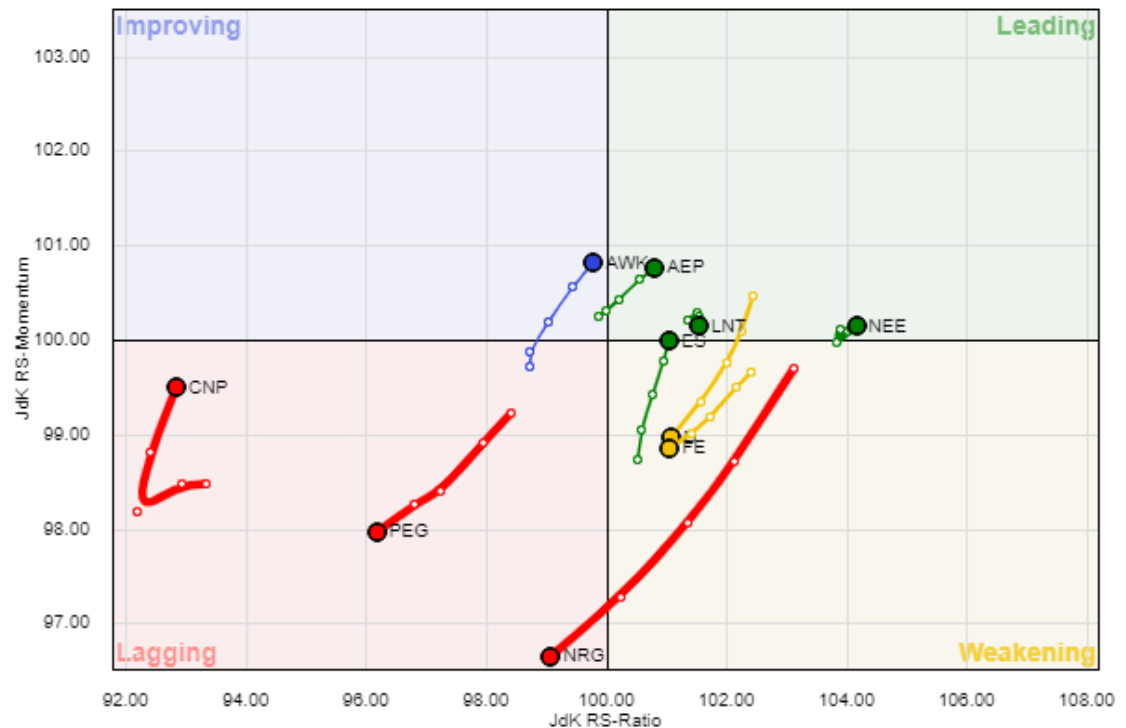
S&P 500 UTILITIES ALPHA DRIVERS

Long RS-Momentum Leaders

1. NextEra Energy (NEE)
2. Alliant Energy (LNT)
3. American Electric Power (AEP)
4. Eversource Energy (ES)
5. American Water Works (AWK)

Short RS-Momentum Laggards

1. CenterPoint Energy (CNP)
2. Public Service Enterprise (PEG)
3. NRG Energy (NRG)
4. FirstEnergy (FE)
5. Dominion Energy (D)



Source: StockCharts.com

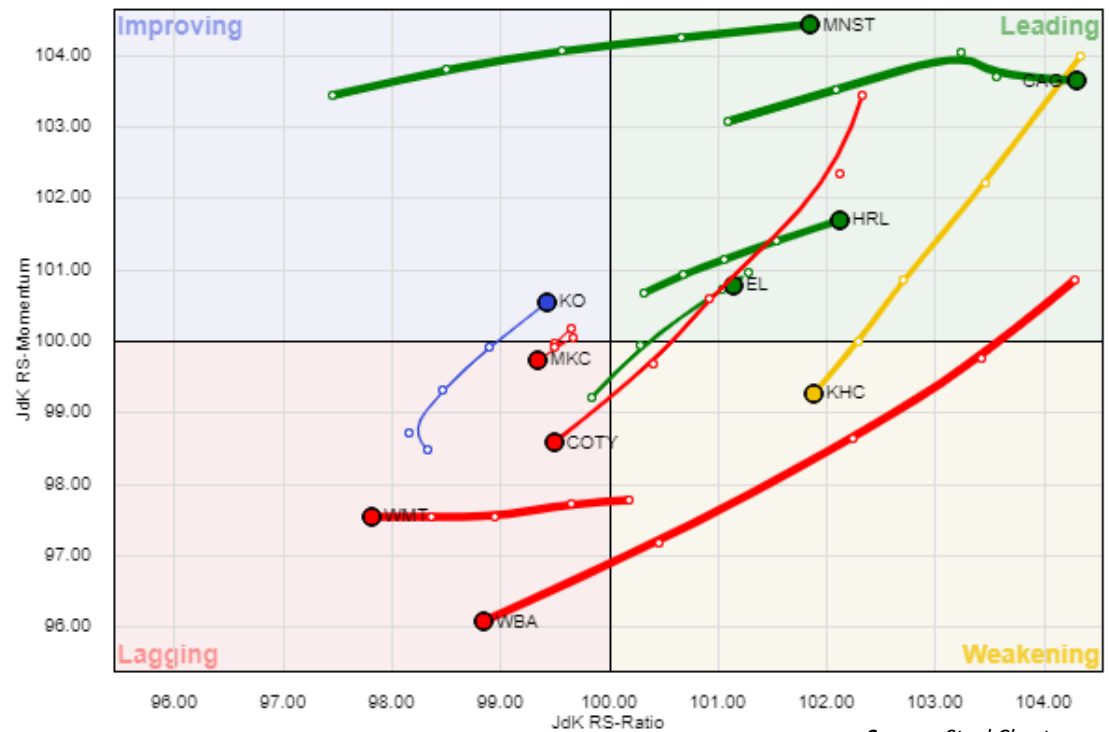
S&P 500 STAPLES ALPHA DRIVERS

Long RS-Momentum Leaders

1. ConAgra Brands (CAG)
2. Monster Beverage (MNST)
3. Hormel Foods (HRL)
4. Estee Lauder (EL)
5. Coca Cola (KO)

Short RS-Momentum Laggards

1. Walgreens Boots (WBA)
2. Walmart (WMT)
3. Coty (COTY)
4. McCormick & Co (MKC)
5. Kraft Heinz (KHC)



Source: StockCharts.com

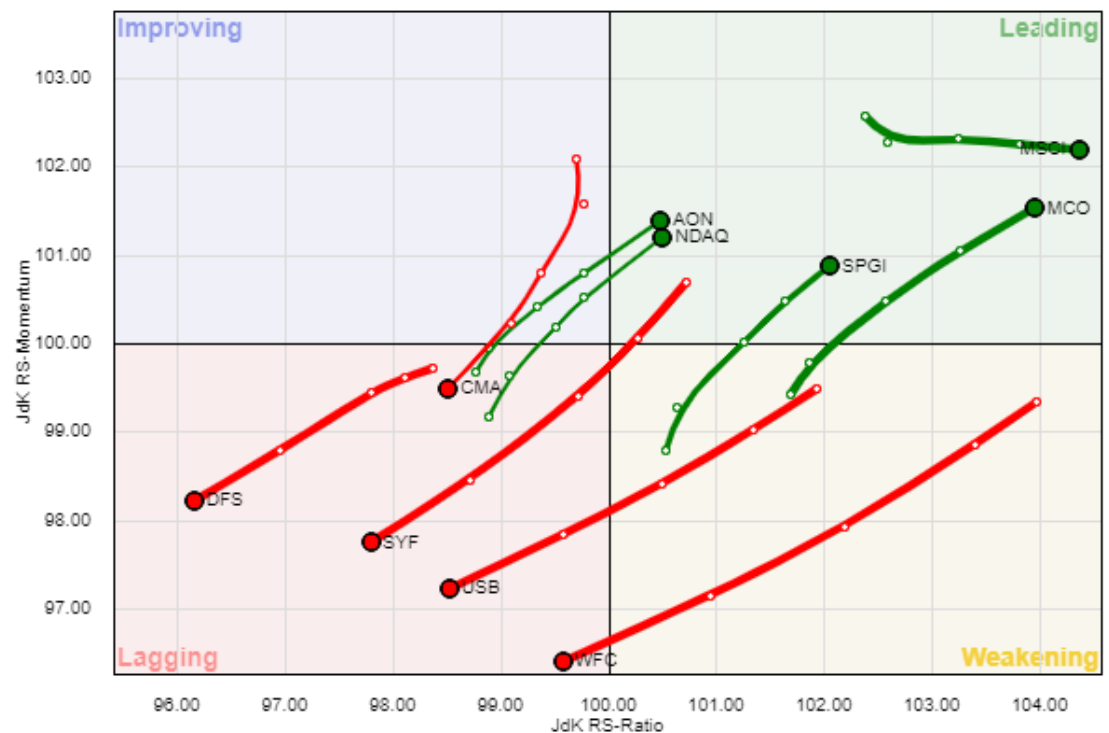
S&P 500 FINANCIALS ALPHA DRIVERS

Long RS-Momentum Leaders

1. MSCI (MSCI)
2. Moody's (MCO)
3. S&P Global (SPGI)
4. Aon (AON)
5. Nasdaq OMX (NDAQ)

Short RS-Momentum Laggards

1. Discover Financial (DFS)
2. Wells Fargo (WFC)
3. Synchrony Financial (SYF)
4. US Bancorp (USB)
5. Comerica (CMA)



Source: StockCharts.com

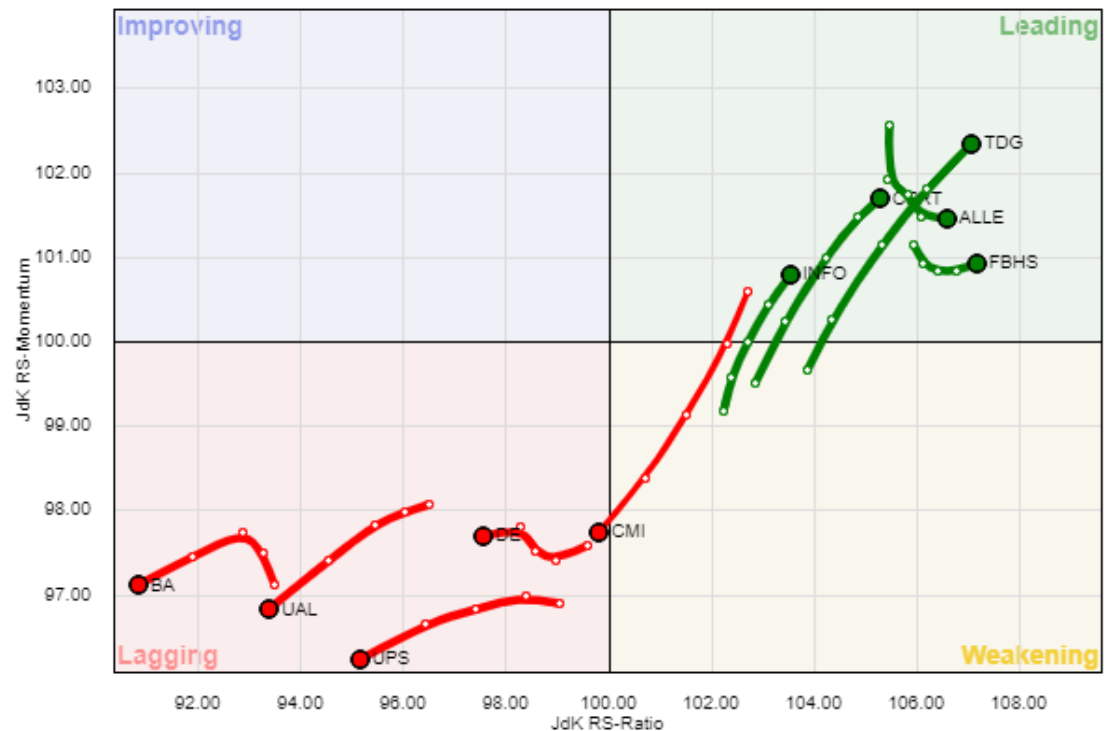
S&P 500 INDUSTRIALS ALPHA DRIVERS

Long RS-Momentum Leaders

1. TransDigm Group (TDG)
2. Copart (CPRT)
3. Fortune Brands (FBHS)
4. Allegion Public (ALLE)
5. IHS Markit (INFO)

Short RS-Momentum Laggards

1. Boeing (BA)
2. United Airlines (UAL)
3. United Postal Service (UPS)
4. Deere & Co (DE)
5. Cummins (CMI)



Source: StockCharts.com

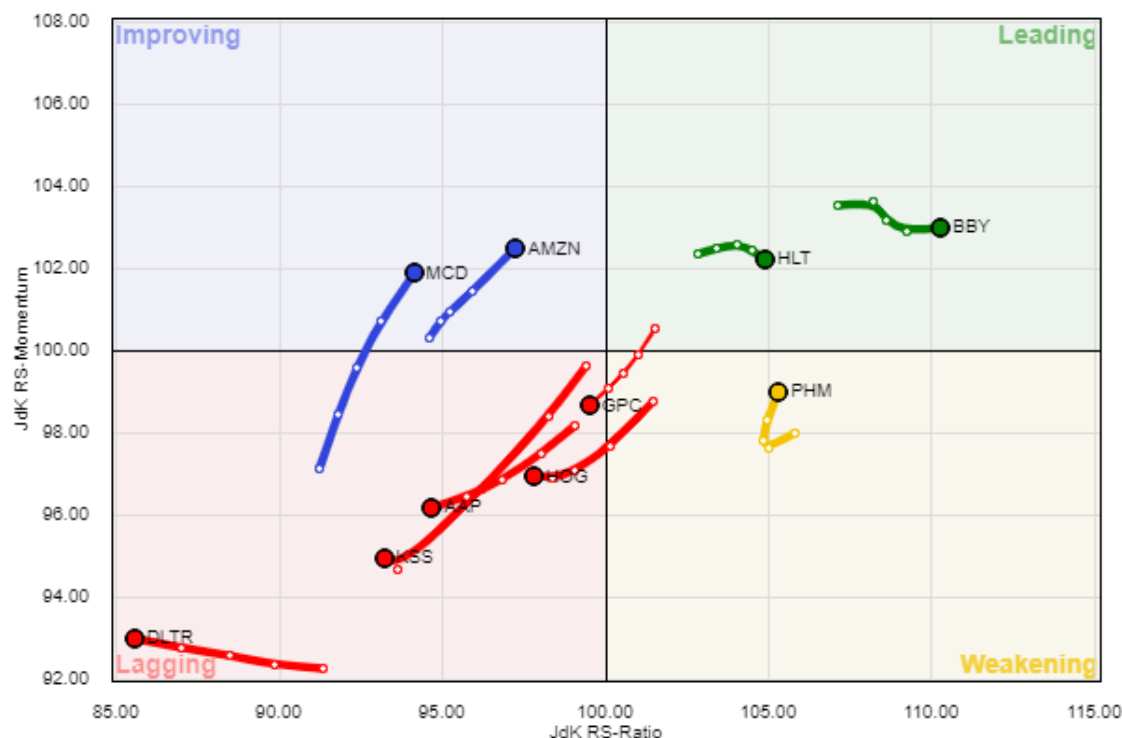
S&P 500 DISCRETIONARY ALPHA DRIVERS

Long RS-Momentum Leaders

1. Best Buy Co (BBY)
2. Hilton Worldwide (HLT)
3. Pulte Homes (PHM)
4. Amazon.com (AMZN)
5. McDonalds (MCD)

Short RS-Momentum Laggards

1. Dollar Tree (DLTR)
2. Kohls (KSS)
3. Advance Auto Parts (AAP)
4. Harley Davidson (HOG)
5. Genuine Parts (GPC)



Source: StockCharts.com

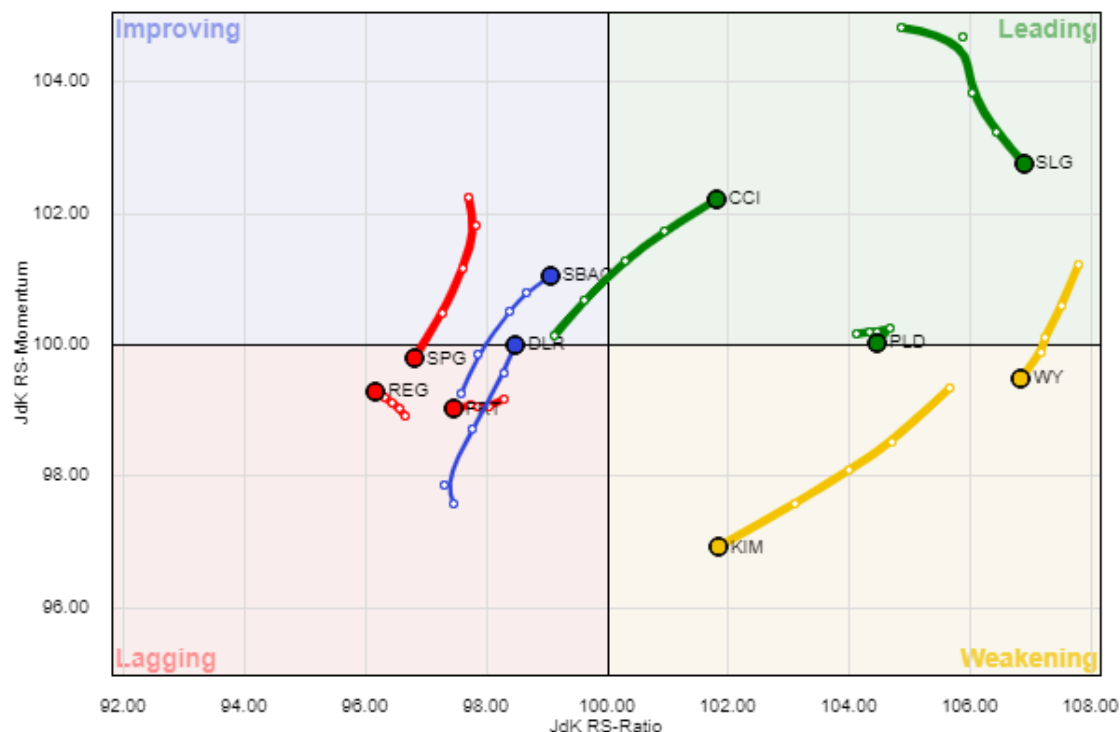
S&P 500 REAL ESTATE ALPHA DRIVERS

Long RS-Momentum Leaders

1. SL Green Realty (SLG)
2. Crown Castle (CCI)
3. ProLogis (PLD)
4. SBA Communications (SBAC)
5. Digital Realty (DLR)

Short RS-Momentum Laggards

1. Regency Realty (REG)
2. Simon Property Group (SPG)
3. Federal Realty (FRT)
4. Kimco Realty (KIM)
5. Weyerhaeuser (WY)



Source: StockCharts.com

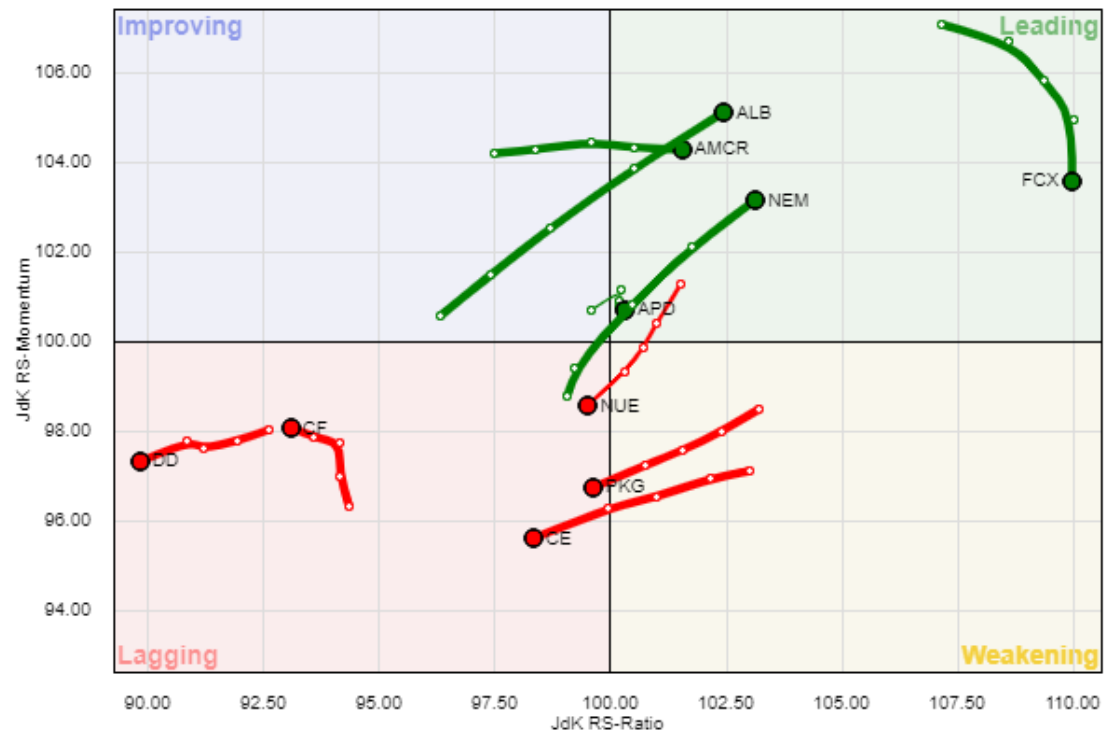
S&P 500 MATERIALS ALPHA DRIVERS

Long RS-Momentum Leaders

1. Freeport-McMoRan (FCX)
2. Newmont Mining (NEM)
3. Albemarle (ALB)
4. Amcor (AMCR)
5. Air Products (APD)

Short RS-Momentum Laggards

1. DuPont (DD)
2. CF Industries (CF)
3. Celanese (CE)
4. Packaging Corp (PKG)
5. Nucor (NUE)



Source: StockCharts.com

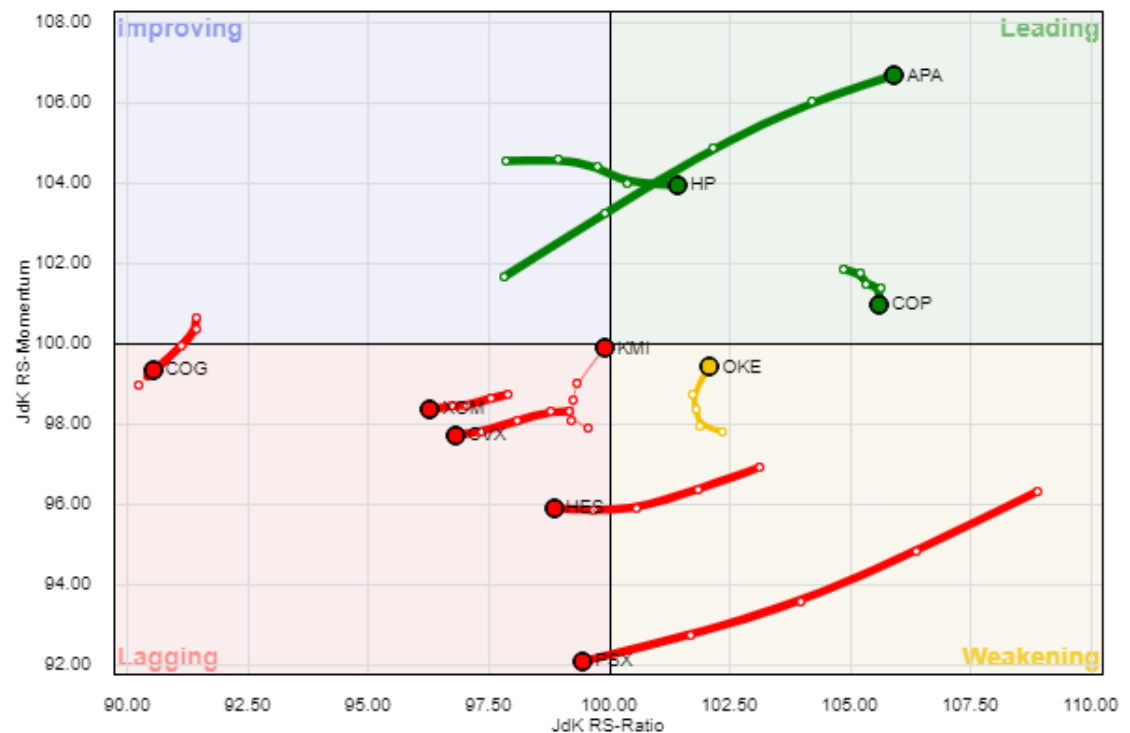
S&P 500 ENERGY ALPHA DRIVERS

Long RS-Momentum Leaders

1. Apache (APA)
2. Kinder Morgan (KMI)
3. Oneok (OKE)
4. Conoco Phillips (COP)
5. Helmerich & Payne (HP)

Short RS-Momentum Laggards

1. Cabot Oil & Gas (COG)
2. Phillips 66 (PSX)
3. Hess (HES)
4. ExxonMobil (XOM)
5. Chevron (CVX)



Source: StockCharts.com

JANUARY PERFORMANCE REPORT CARD

Long the Leaders / Short the Laggards

[illegible]

Source: Bloomberg and JWH Investment Partners



Source: Hedgeye.com

ACTIONABLE TRADE IDEAS

Targeting a minimum 15% appreciation potential over six months with a 3:1 positive risk skew.

☐ Bullish Long Set-ups:

- ☐ ServiceNow (NOW)
- ☐ Cooper Cos (COO)
- ☐ Electronic Arts (EA)
- ☐ Monster Beverage (MNST)

☐ Bearish Short Set-ups:

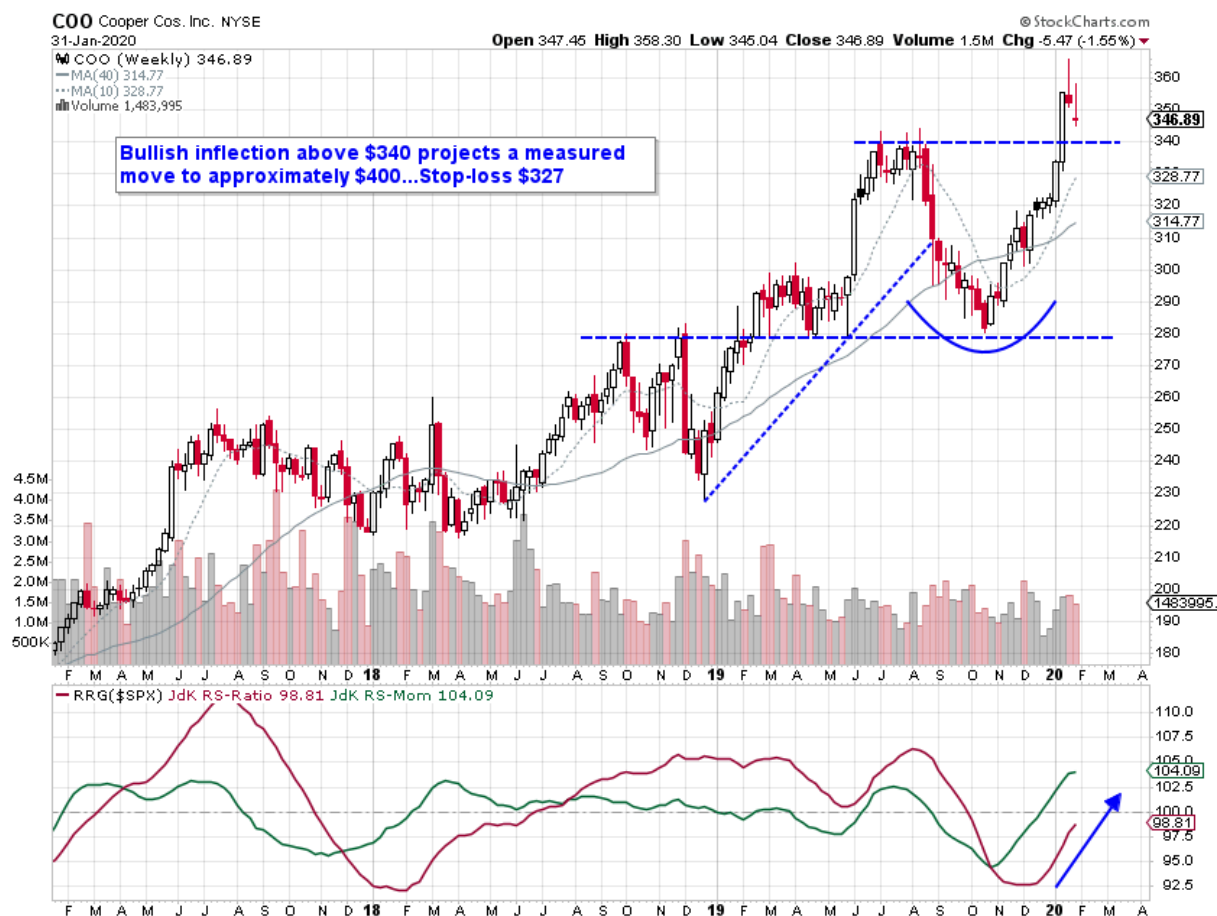
- ☐ United Airlines (UAL)
- ☐ Nucor (NUE)
- ☐ Comerica (CMA)
- ☐ Hess Corp (HES)

BULLISH SERVICENow (NOW)



Source: StockCharts.com

BULLISH COOPER Cos (COO)



Source: StockCharts.com

BULLISH ELECTRONIC ARTS (EA)

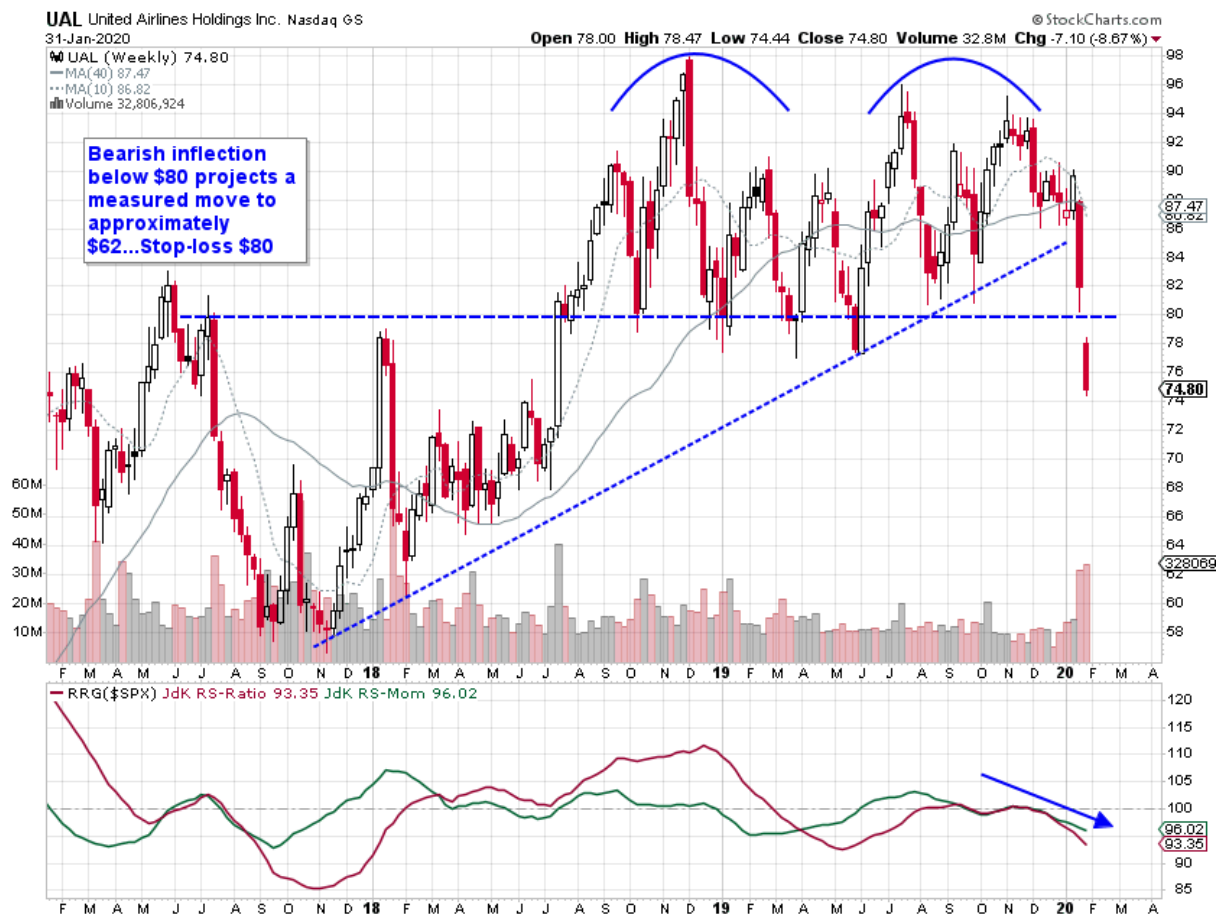


BULLISH MONSTER BEVERAGE (MNST)



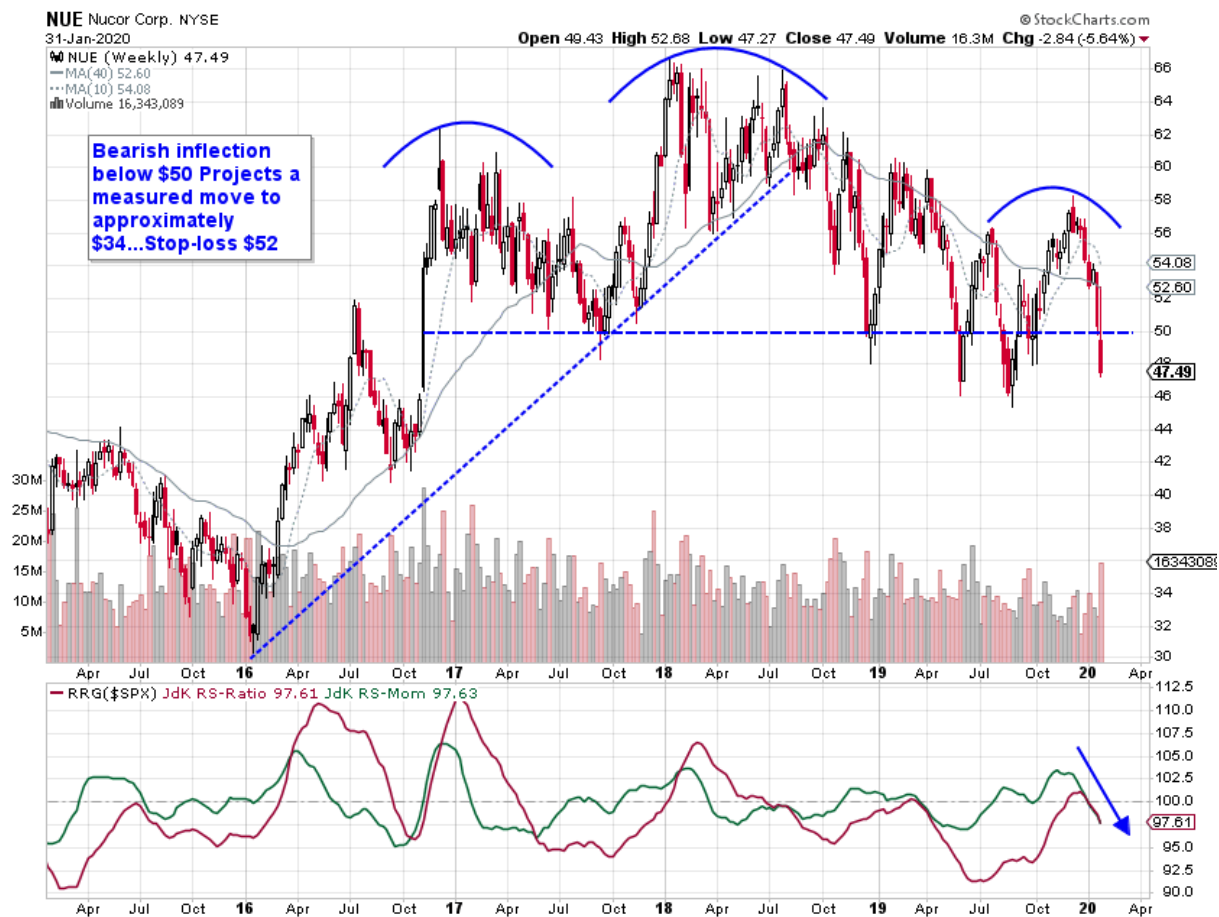
Source: StockCharts.com

BEARISH UNITED AIRLINES (UAL)



Source: StockCharts.com

BEARISH NUCOR (NUE)



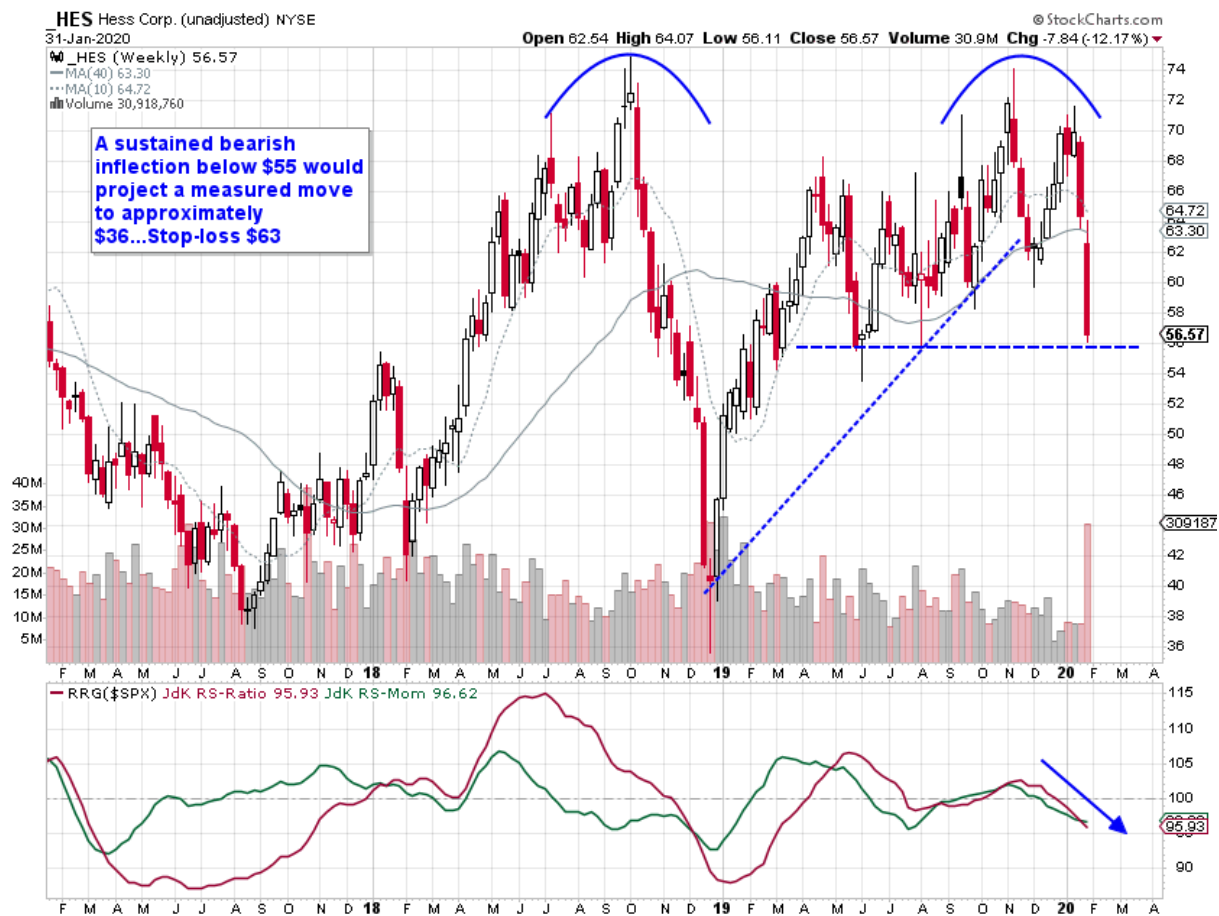
Source: StockCharts.com

BEARISH COMERICA (CMA)



Source: StockCharts.com

BEARISH HESS CORP (HES)



Source: StockCharts.com



Source: Hedgeye.com

FOREIGN EQUITY MARKETS

☐ Developed

- ☐ Canada, Australia, UK, Germany, Switzerland, France, Netherlands, Italy, Spain, and Japan

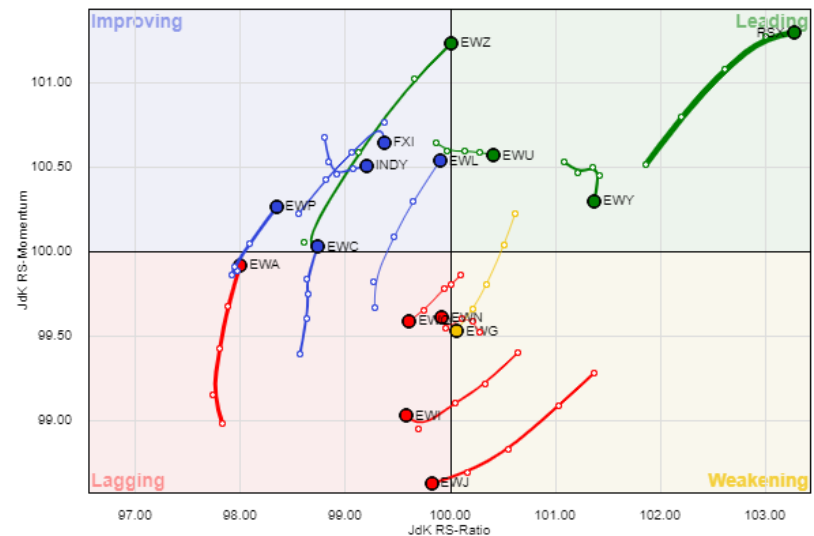
☐ Emerging

- ☐ China, India, Brazil, Russia, and South Korea

MSCI FOREIGN MARKET LEADERSHIP

<u>RS-Momentum Rank</u>	<u>JAN Return</u>	<u>TTM Return</u>
1. Russia (RSX)	- 1.5%	+ 22.6%
2. Brazil (EWZ)	- 7.8%	- 0.9%
3. United Kingdom (EWU)	- 4.3%	+ 8.2%
4. Switzerland (EWL)	+ 0.3%	+ 24.8%
5. South Korea (EWY)	- 7.3%	- 9.0%
6. India (INDY)	- 2.8%	+ 8.4%
7. Canada (EWC)	- 0.7%	+ 12.2%
8. Spain (EWP)	- 3.2%	+ 1.5%
9. Australia (EWA)	- 1.7%	+ 12.6%
10. China (FXI)	- 8.9%	- 5.2%
11. Netherlands (EWN)	- 3.5%	+ 18.7%
12. Germany (EWG)	- 3.0%	+ 9.4%
13. France (EWQ)	- 4.0%	+ 14.6%
14. Italy (EWI)	- 2.4%	+ 14.6%
15. Japan (EWJ)	- 2.5%	+ 8.6%

MSCI Country Rotation Model



Source: StockCharts.com

FOREIGN MARKET LEADERSHIP...CONTINUED

Emerging Mkts Lagging Developed Mkts



Foreign Mkts Lagging Domestic Mkts



Source: StockCharts.com

DEVELOPED MARKETS AUSTRALIA

BULLISH (-1.68% YTD)

Observations:

- ❑ **Price** closed January down -1.68% on light volume, making a new all-time high, while posting a “shooting star” candle line. The implication being a likely near-term correction.
- ❑ **Momentum** remains positive, and having penetrated trend line resistance, is staging a bullish reversal. A negative divergence remains in place vs. the 2018 high.
- ❑ **Relative strength** vs. developed markets is consolidating since penetrating major trend line resistance.
- ❑ **Key Resistance** = \$24
- ❑ **Key Support** = \$21

Conclusions:

- ❑ **Overweight.** Despite the likely need for further consolidation ahead, the uptrend remains intact, supporting our constructive technical view for a bullish resolution to the presumed “Cup & Handle” base as illustrated.
- ❑ **Target:** \$27



Source: StockCharts.com

DEVELOPED MARKETS CANADA

BULLISH (-0.74% YTD)

Observations:

- ❑ **Price** closed January down -0.74% on average volume, despite making a new all-time high. The “shooting star” candle line implies some corrective price action may soon follow.
- ❑ **Momentum** remains positive, but has pulled back from a near vertical ascent, establishing new small degree negative divergence.
- ❑ **Relative strength** vs. developed markets made a new recovery high in August, but has been struggling to stage a bullish reversal after penetrating trend line resistance.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$27

Conclusions:

- ❑ **Overweight.** The trend remains constructive supporting our Bullish technical view, but some corrective price action may precede an implied bullish resolution to the multi-year “Cup & Handle” base formation. A breach of key support, would move us to the sidelines.
- ❑ **Target:** \$35



Source: StockCharts.com

DEVELOPED MARKETS UNITED KINGDOM BULLISH (-4.28% YTD)

Observations:

- ❑ **Price** closed January down -4.28% on light volume, but held above key support. The near-term trend remains constructive, and appears poised for further gains in the months ahead.
- ❑ **Momentum** remains positive, but has pulled back from the peak of a near vertical ascent. A slight negative divergence remains in place vs. the 2018 high.
- ❑ **Relative strength** vs. developed markets has bounced somewhat, after breaching trend support to post a new 10-year low in August.
- ❑ **Key Resistance** = \$34
- ❑ **Key Support** = \$32

Conclusions:

- ❑ **Overweight.** With the overhang of Brexit behind us, investors may begin to see the potential for an organic economic recovery, which could produce a bullish resolution to the multi-year "Cup & Handle" base formation. A breach of key support would move our opinion back to Neutral.
- ❑ **New Target: \$40**



Source: StockCharts.com

DEVELOPED MARKETS GERMANY BULLISH (-2.96% YTD)

Observations:

- ❑ **Price** closed January down -2.96% on light volume, posting a bearish “engulfing” candle line, but holding above key support.
- ❑ **Momentum** remains positive, but has back off the near vertical ascent to recent highs.
- ❑ **Relative strength** vs. developed markets collapsed in 2018 and made a new low in Q1. A successful test of that low and penetration of trend line resistance, has resulted in a stalled bullish reversal attempt.
- ❑ **Key Resistance** = \$34
- ❑ **Key Support** = \$25

Conclusions:

- ❑ **Overweight.** Recent price action and deteriorating momentum suggest some additional consolidation may be necessary, but our Bullish technical view will remain valid as long as price hold trend. A breach of key support, would move us back to the sidelines.
- ❑ **Target: \$32**



Source: StockCharts.com

DEVELOPED MARKETS FRANCE

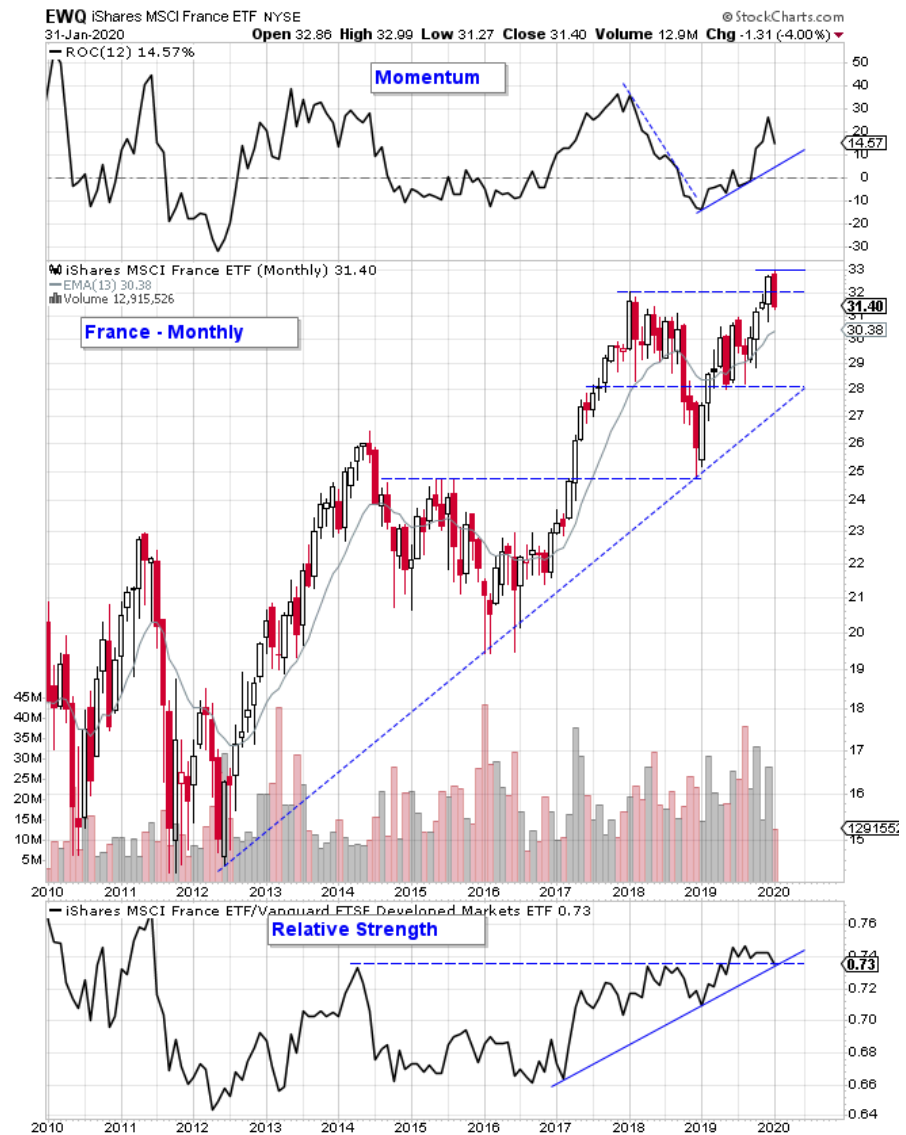
BULLISH (-4.00% YTD)

Observations:

- ❑ **Price** closed January down -4.00% on light volume, posting a bearish “engulfing” candle line, but held above key support.
- ❑ **Momentum** remains slightly positive, but has pulled back from recent highs. A negative divergence remains in place vs. the 2018 high.
- ❑ **Relative strength** vs. developed markets broke out above established resistance to post an 8-year high in June, and has since been consolidating back to trend.
- ❑ **Key Resistance** = \$33
- ❑ **Key Support** = \$28

Conclusions:

- ❑ **Overweight.** Price action and deteriorating momentum suggest some further consolidation may lay ahead, yet the constructive trend supports our Bullish technical view. A breach of key support, would move us back to the sidelines.
- ❑ **Target:** \$39



Source: StockCharts.com

DEVELOPED MARKETS ITALY

NEUTRAL (-2.44% YTD)

Observations:

- ❑ **Price** closed January down -2.44% on light volume, despite posting a new recovery high. The near-term trend remains constructive, and is holding well-above key support.
- ❑ **Momentum** remains positive, but has pulled back from recent highs following a near vertical ascent.
- ❑ **Relative strength** vs. developed markets remains range bound in a multi-year consolidation pattern.
- ❑ **Key Resistance** = \$31
- ❑ **Key Support** = \$22

Conclusions:

- ❑ **Market Weight.** The long-term trend appears to have the characteristics of a lateral consolidation pattern of the “Barrier Triangle” variety. If this proves accurate, then a bullish inflection above the 2018 high, if sustained, could portend significant upside potential. Stay tuned.
- ❑ **Target:** N/A



Source: StockCharts.com

DEVELOPED MARKETS SPAIN

NEUTRAL (-3.15% YTD)

Observations:

- ❑ **Price** closed January down -3.15% on light volume, holding below key resistance. The near-term trend remains neutral after a successful test key support, and the lower boundary of the triangle pattern ascending off the 2012/16 lows.
- ❑ **Momentum** has turned decidedly positive, after penetrating trend line resistance in August.
- ❑ **Relative strength** vs. developed markets made a new 10-year low in November, after failing at trend resistance twice in the last year, and remains depressed.
- ❑ **Key Resistance** = \$30
- ❑ **Key Support** = \$25

Conclusions:

- ❑ **Market Weight.** The long-term trend appears to have the characteristics of a lateral consolidation pattern of the "Symmetrical Triangle" variety. If this proves accurate, then a bullish inflection above the 2018 high, if sustained, could portend significant upside potential. Stay tuned.
- ❑ **Target:** N/A



Source: StockCharts.com

DEVELOPED MARKETS SWITZERLAND BULLISH (+0.25% YTD)

Observations:

- ❑ **Price** closed January up +0.25% on average volume, posting a new all-time and monthly closing high. The near-term trend remains constructive, but the “shooting star” candle line portends a consolidation of gains before the next serious upside extension.
- ❑ **Momentum** remains staunchly positive, but has backed-off recent highs, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. developed markets posted a fresh new all-time high in January.
- ❑ **Key Resistance** = \$42
- ❑ **Key Support** = \$36

Conclusions:

- ❑ **Overweight.** Switzerland has by far the most constructive technical credentials on the European continent. The monthly close above \$36 portends that a major bullish reversal may now be underway. A monthly close below key support would lead us to move to the sidelines.
- ❑ **Target: \$42**



Source: StockCharts.com

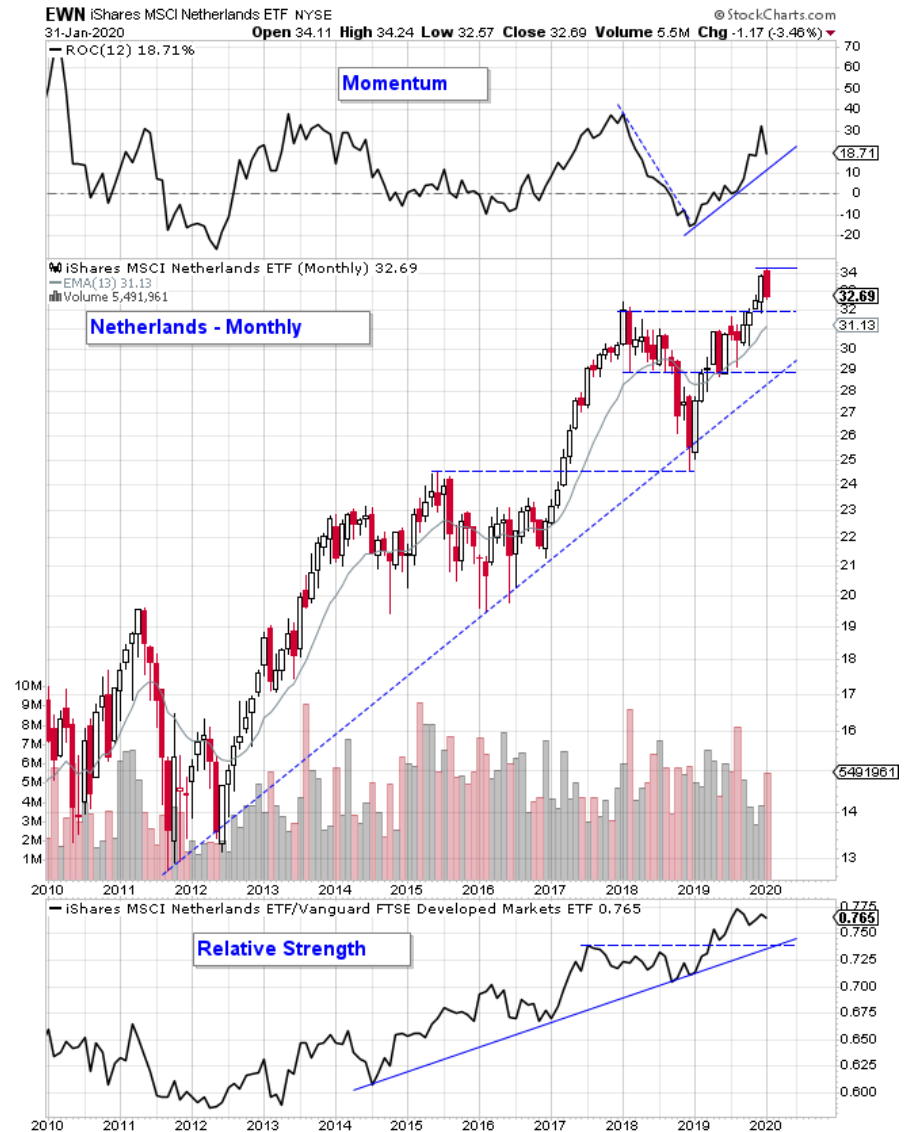
DEVELOPED MARKETS NETHERLANDS BULLISH (-3.46% YTD)

Observations:

- ❑ **Price** closed January down -3.46% on above average volume, despite posting a new all-time high. The trend remains constructive, although the bearish “long body” candle line suggest some additional consolidation may be necessary before the next leg advance takes hold.
- ❑ **Momentum** remains positive, but has backed-off the recent high, establishing a new small degree negative divergence.
- ❑ **Relative strength** vs. developed markets posted an all-time high in August, and appears poised to challenge that level again.
- ❑ **Key Resistance** = \$35
- ❑ **Key Support** = \$29

Conclusions:

- ❑ **Overweight.** The long-term trend is decidedly bullish. The monthly close above \$32 confirms that the next leg of the advance is underway. A monthly close below key support would lead us to move to the sidelines.
- ❑ **Target:** \$35



Source: StockCharts.com

DEVELOPED MARKETS JAPAN BULLISH (-2.52% YTD)

Observations:

- ❑ **Price** closed January down -2.52% on average volume, posting a bearish “engulfing” candle line and filling an open chart gap. The near-term trend remains constructive, and is holding well above key support.
- ❑ **Momentum** remains positive, but has back-off from recent highs following a near vertical ascent.
- ❑ **Relative strength** vs. developed markets has been range bound since late 2015. A successful challenge of the upper boundary of the range would strengthen the bull case.
- ❑ **Key Resistance** = \$62
- ❑ **Key Support** = \$55

Conclusions:

- ❑ **Overweight.** Greatly improved price action and momentum, support our Bullish technical view. A monthly close below key support would move us back to the sidelines.
- ❑ **Target: \$70**



Source: StockCharts.com

EMERGING MARKETS CHINA

BEARISH (-8.92% YTD)

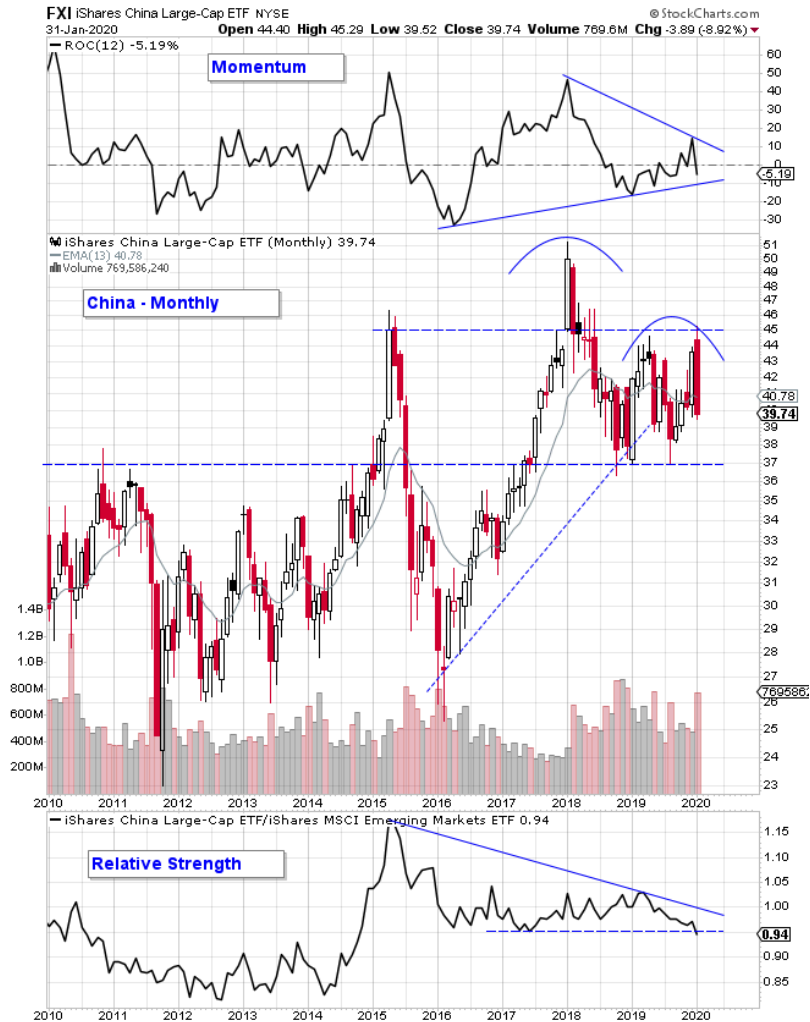


Observations:

- ❑ **Price** closed January down -8.82% on heavy volume, posting a bearish outside down month, but still held above trendline and key support. The near-term trend appears poised for further deterioration.
- ❑ **Momentum** has turned negative again, and remains in a lateral consolidation pattern.
- ❑ **Relative strength** vs. emerging markets had been range bound since late 2016, but just posted a fresh new 5-year low in January.
- ❑ **Key Resistance** = \$45
- ❑ **Key Support** = \$39

Conclusions:

- ❑ **Downgrading to Bearish** from Neutral.
- ❑ **Underweight.** The future performance of China's stock market appears dependent upon multiple externalities including but not limited to the resolution of the Wuhan coronavirus, the timing and terms of a phase 2 trade deal with the U.S., and geopolitical events in Hong Kong and the South China Sea. A monthly close above key resistance would lead us to upgrade our rating back to Neutral.
- ❑ **Target: \$30**



Source: StockCharts.com

EMERGING MARKETS

INDIA

NEUTRAL (-2.77% YTD)

Observations:

- ❑ **Price** closed January down -2.77% on very light volume, posting an outside down month, but holding above key support. The near-term trend remains neutral, following a second failed challenge of key resistance.
- ❑ **Momentum** turned positive in September, after penetrating trend line resistance, but is consolidating. A negative divergence remains in place.
- ❑ **Relative strength** vs. emerging markets posted a new all-time record high in May, but has since pulled-back and breached trend line support.
- ❑ **Key Resistance** = \$39
- ❑ **Key Support** = \$35

Conclusions:

- ❑ **Market Weight.** Bearish price action, deteriorating momentum, and lackluster RS suggest additional consolidation may be necessary. A new monthly closing high would lead us to upgrade our view to Bullish. A monthly close below trend line support would lead us to downgrade our opinion to Bearish.
- ❑ **Target:** N/A



Source: StockCharts.com

EMERGING MARKETS BRAZIL

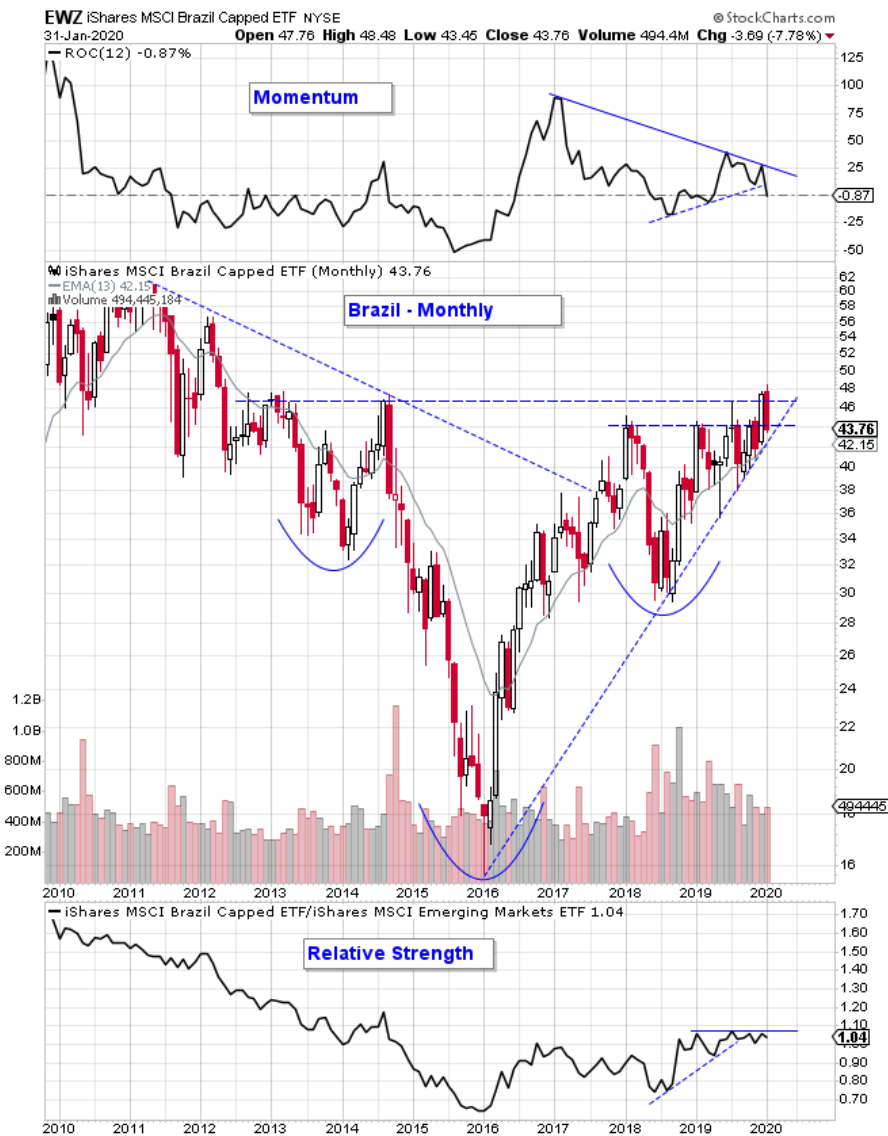
BULLISH (-7.78% YTD)

Observations:

- ❑ **Price** closed January down -7.78% on average volume, despite posting a new recovery high. The set-up remains bullish and appears poised to resolve a multi-year base formation of the inverted “Head & Shoulders” variety. A new primary uptrend has been established.
- ❑ **Momentum** turned slightly negative after a failed challenge of trend resistance.
- ❑ **Relative strength** vs. emerging markets has stalled and breached trend line support. A new recovery high would re-establish the bullish reversal previously in progress.
- ❑ **Key Resistance** = \$48
- ❑ **Key Support** = \$42

Conclusions:

- ❑ **Overweight.** The monthly close above \$47 confirms that a major bullish reversal is underway. A monthly close below key support would lead us to downgrade our opinion to Neutral.
- ❑ **Target: \$62**



Source: StockCharts.com

EMERGING MARKETS RUSSIA BULLISH (-1.48% YTD)

Observations:

- ❑ **Price** closed January down -1.48% on average volume, posting a new recovery high. The set-up remains bullish following a successful test of key support after resolving above the neckline of a multi-year base formation of the “Head & Shoulders” variety. A new primary uptrend has been established.
- ❑ **Momentum** turned positive in April and appears to be staging a successful bullish reversal after penetrating trend line resistance.
- ❑ **Relative strength** vs. emerging markets has been ascending steadily higher after penetrating trend line resistance and posted a new 5-year high in January.
- ❑ **Key Resistance** = \$28
- ❑ **Key Support** = \$22

Conclusions:

- ❑ **Overweight.** The monthly close above \$23 projects a measured move to approximately \$35. A monthly close below key support would lead us to downgrade our opinion to Neutral.
- ❑ **Target: \$28; then \$35**



Source: StockCharts.com

EMERGING MARKETS SOUTH KOREA

NEUTRAL (-7.30% YTD)

Observations:

- ❑ **Price** closed January down -7.30% on average volume, following a failed challenge of key resistance. The near-term trend remains neutral after a successful test key support last August.
- ❑ **Momentum** turned negative, after what appeared to be a developing bullish reversal, but thus far is holding above initial support.
- ❑ **Relative strength** vs. emerging markets has turned down after penetrating a multi-year descending trend line from an eight-year low.
- ❑ **Key Resistance** = \$64
- ❑ **Key Support** = \$49

Conclusions:

- ❑ **Initiating coverage with a Neutral view.**
- ❑ **Market Weight.** The 2018-19 decline began earlier and lasted longer than most other countries, while the recovery has been shallow, hence our neutral technical view. A monthly close above key resistance would lead us to upgrade our opinion to Bullish. A close below key support would result in a downgrade to Bearish.
- ❑ Target: N/A



Source: StockCharts.com



Source: Hedgeye.com

MACRO PERSPECTIVES

- ☐ Commodities: CRB Index, Copper, Gold Bullion, WTI Crude Oil
- ☐ Infrastructure: MLP Index
- ☐ Currencies: Bitcoin, U.S. Dollar Index, EURUSD, JPYUSD
- ☐ Rates: 10-Year U.S. Treasury Note

COMMODITY REUTERS/JEFFRIES CRB INDEX NEUTRAL (-8.33% YTD)

Observations:

- ❑ **Price** closed January down -8.33%, but appears to have completed an (a-b-c-d-e) “Symmetrical Triangle” formation. This is typical of 4th waves and its considered to be a continuation pattern of the larger degree trend. If this interpretation is correct, then wave 5 down should terminate below the wave 3 low to complete the impulse pattern before a larger degree upward correction ensues.
- ❑ **Momentum** has turned negative, as wave 5 takes the stage, leaving a negative divergence in place.
- ❑ **Relative strength** vs. the S&P 500 index has been in decline since mid-2011, but may be stabilizing.
- ❑ **Key Resistance** = 190 (= “wave e” high)
- ❑ **Key Support** = 166

Conclusions:

- ❑ **Benchmark Weight.** The wave count projects one more lower low. Once we have identified a high confidence low, we’ll position to take advantage of a what could be a sizable bounce. Until then, we’ll stay on the sidelines.
- ❑ **Target** = N/A



Source: StockCharts.com

COMMODITY

COPPER

NEUTRAL (-10.01% YTD)

Observations:

- ❑ **Price** closed January down 10.01%, posting an outside down month, but holding above key support. The near-term trend has been down since 2017 and appears suspect below key resistance. The long-term trend has been down since 2011.
- ❑ **Momentum** has finally turned negative again after numerous finally moving into positive territory in December.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index breached trend line support, and is now trending lower.
- ❑ **Key Resistance** = \$3.00
- ❑ **Key Support** = \$2.50

Conclusions:

- ❑ **Benchmark Weight.** The sharp reversal sets-up a small degree "Head & Shoulders" top formation. A monthly close below \$2.50 would confirm a move lower and lead us to downgrade our view to Bearish. A monthly close above key resistance would result in an upgrade to Bullish.
- ❑ Target = N/A



Source: StockCharts.com

COMMODITY GOLD BULLION BULLISH (+4.25% YTD)

Observations:

- ❑ **Price** closed January up +4.25% to post a new recovery high, and has resolved above the neckline of a six-year base formation of the “Cup & Handle” variety. There is an old technician’s maxim that states: “The bigger the base, the higher in space.”
- ❑ **Momentum** turned positive in May and is now consolidating well-above trend line support.
- ❑ **Relative strength** vs. the other 16 commodities that make up the CRB index broke out to a new all-time record high in January.
- ❑ **Key Resistance** = \$1735 (= 78.6% retracement)
- ❑ **Key Support** = \$1442

Conclusions:

- ❑ **Overweight.** The new recovery highs, along with strong momentum and renewed leadership among its CRB peers, make this barbarous relic a triple threat. Price now appears to have resumed its advance after completing what we’ve labeled a 4th wave consolidation. Only a monthly close below key support would move us to the sidelines.
- ❑ **Target** = \$1735



Source: StockCharts.com

COMMODITY

WTI CRUDE OIL

BULLISH (-15.56% YTD)

Observations:

- ❑ **Price** closed January down -15.59%. Recall that September witnessed the largest single-day gain in this commodity's history following a major terrorist attack on Saudi Arabia's oil production infrastructure. That rally penetrated a key down trend off the 2018 high. As long as price can hold above key support, the bull case will remain alive and well.
- ❑ **Momentum** reversed sharply lower back into negative territory, after struggling for months to move above the zero line.
- ❑ **Volatility** is often considered to be a contrarian measure of sentiment. Higher levels imply fear. Spikes in the OVX above 40% have tended to closely correspond with important lows in price (blue arrow).
- ❑ **Key Resistance** = \$66
- ❑ **Key Support** = \$51

Conclusions:

- ❑ **Overweight.** Our Bullish opinion assumes a minimum 100% retracement of the Q418 decline, and is based upon further geopolitical unrest in the Middle East, a dovish Fed policy tilt, and a bearish US dollar tilt.
- ❑ **Target** = \$75



Source: StockCharts.com

INFRASTRUCTURE ALERIAN MLP INDEX NEUTRAL (-6.60% YTD)

Observations:

- ❑ **Price** closed January down -6.60%, but held above last months low. If that low continues to hold, it is possible to consider it a successful test of the 2016 lows.
- ❑ **Momentum** turned sharply lower into negative territory after a failed challenge of trend line resistance.
- ❑ **Relative strength** vs. the S&P 500 index may be attempting to bottom, after posting 10-year low in November, perhaps putting an end to the steep decline progressing since 2014.
- ❑ **Key Resistance = 240**
- ❑ **Key Support = 180**

Conclusions:

- ❑ **Benchmark Weight.** MLPs came under pressure during the month due to their high correlation to crude oil. While we find the high dividend yield to be an attractive feature of the asset class, we would recommend waiting for a bullish inflection above key resistance to get more aggressively involved.
- ❑ **Target = N/A**



COMMODITY NYSE BITCOIN INDEX BULLISH (+28.10% YTD)

Observations:

- ❑ **Price** closed January up +28.10%, reversing back above a 7-month downtrend line, and holding above trend line and key support levels. The impulsive character of that advance of the 2018 low suggests that it should be respected.
- ❑ **Momentum** remains strongly positive, and has emerged from a year-long base to make a new high.
- ❑ **Relative Strength** vs. the 17 most widely traded commodities, illustrated by the CRB index, penetrated trend line resistance in January and has resumed its bullish reversal.
- ❑ **Key Resistance** = 15400 (= 78.6% retracement)
- ❑ **Key Support** = 6500

Conclusions:

- ❑ **Overweight.** Despite a normal consolidation of gains, the successful challenge of prior resistance allows for additional upside potential near-term. A new all-time high would project a measured move to approximately 34200. A failure to hold key support would move us to the sidelines.
- ❑ **Target: 15400**



Source: StockCharts.com

CURRENCY

US DOLLAR INDEX

BEARISH (+1.20% YTD)

Observations:

- ❑ **Price** closed January up +1.20%, posting an inside month. By our work the close beneath the lower boundary of the “ending diagonal triangle” pattern in December confirms a trend change lower.
- ❑ **Momentum** remains slightly positive, and is holding below trend resistance, while a negative divergence has been established vs. the October high in price. A breach of the zero line would confirm our analysis.
- ❑ **Key Resistance** = 99
- ❑ **Key Support** = 95

Conclusions:

- ❑ **Underweight.** The monthly close below trend line support, the lower boundary of the “ending diagonal triangle” pattern confirms a trend change is in progress. A monthly close below key support at \$95 would open the door for a test of the structural uptrend off the 2011/14 lows and possibly the 2018 low. A close above key resistance would move us back to the sidelines.
- ❑ **Target** = 92, then 88



CURRENCY

EURO/US DOLLAR

BULLISH (-1.10% YTD)

Observations:

- ❑ **Price** closed January down -1.10%, despite posting a new recovery high, but held above key support. By our work, the close above the upper boundary of the “ending diagonal triangle” pattern confirms a trend change higher.
- ❑ **Momentum** remains slightly negative, and is holding above trend support, while a positive divergence has been established vs. the October low in price. A monthly close back above the zero line would confirm our analysis.
- ❑ **Key Resistance = 1.157**
- ❑ **Key Support = 1.09**

Conclusions:

- ❑ **Overweight.** The technical characteristics of the Euro nearly mirror those of the US Dollar. A monthly close above key resistance at 1.157 would open the door to a test of the structural downtrend off the 2011/14 highs and possibly the 2018 high. A breach of key support would move us back to the sidelines.
- ❑ **Target = 1.24, then 1.26**



Source: StockCharts.com

CURRENCY

YEN/US DOLLAR

BULLISH (+0.23% YTD)

Observations:

- ❑ **Price** closed January up +0.23%, and remains within a well-defined trading range bound by converging trend lines from above and below that are characteristic of a lateral consolidation of the “Barrier Triangle” variety. If the wave (B) triangle of a larger degree three wave correction is near complete, then wave (C) should advance to the 61.8% retracement of the 2012/15 five wave decline.
- ❑ **Momentum** remains slightly positive after penetrating trend line resistance, but is consolidating that advance.
- ❑ **Key Resistance = 0.95**
- ❑ **Key Support = 0.87**

Conclusions:

- ❑ **Overweight.** Generally, we would take a neutral stand and wait to see which way price breaks, but triangle patterns are fairly predictable. They tend to resolve in the direction of the prior trend. If our analysis of waves (A) and (B) is correct, then wave (C) should soon make a new recovery high.
- ❑ **Target = 1.12**



Source: StockCharts.com

INTEREST RATES

10-YEAR US TREASURY NOTE

NEUTRAL (+2.57% YTD)

Observations:

- ❑ **Price** closed January up +2.57%, but held below key resistance. Concerns over Wuhan coronavirus and a global growth recovery have increased demand for safe haven assets like T-Notes, putting pressure on 10-year yields, which are re-testing their September lows, after penetrating trend line resistance.
- ❑ **Momentum** is positive, but remains subdued since peeking in October.
- ❑ **Fed** fund futures are now pricing in a 83.4% probability of no change in policy rates at the March 18th FOMC meeting, according to the CME FedWatch Tool. This suggests that the market believes the Fed is no longer behind the curve.
- ❑ **Key Resistance** = 133
- ❑ **Key Support** = 127

Conclusions:

- ❑ **Benchmark Weight.** Talk of a bubble in sovereign debt, makes it difficult to become too bearish on bonds long-term, however, near-term sentiment has become bullish enough to warrant some caution. That said, the bond market is the smart money!
- ❑ Target = N/A



Source: StockCharts.com



Source: Hedgeye.com

APPENDIX

- ☐ Methodology
- ☐ Analyst Bio
- ☐ Disclaimer

METHODOLOGY

- ❑ The analysis contained herein utilizes data visualization techniques related to historical monthly and weekly price and volume statistics for publicly traded securities and popular indexes.
- ❑ The analysis employs an evidence-based approach to identify change and to evaluate the sustainability of long-term price trends for a variety of broad markets, their sub-sectors, and the constituents that comprise their indexes.
- ❑ Emphasis has been placed on the use of equal-weight index data to conduct this analysis where appropriate in order to reduce the influence of more heavily weighted large-cap issues and their ability to skew the results of a given study.
- ❑ Relative strength (RS) measures the performance of one or more variables vs. a benchmark. Of all the factors that have ever been tested, RS has consistently demonstrated the greatest efficacy in terms of its predictive value. Our analysis considers both the RS factor and its 2nd derivative, the momentum of the RS factor over a specified time period.
- ❑ Observations are objective, based upon the body of knowledge that comprises the subject of technical analysis as defined by the CMT Association, but conclusions are subjective and are based upon the judgement and experience of this analyst.
- ❑ Ratings reflect this analyst's opinion: Bullish / Bearish / Neutral correspond to Overweight / Underweight / Market Weight. A Bullish rating indicates that the data support further improvement. A Bearish rating indicates that the data support further deterioration. A Neutral rating indicates that the data is currently inconclusive.
- ❑ The use of plain language where possible has been given preference over industry jargon in order to simplify the explanation and interpretation of this analysis. A glossary of terms specific to the discipline of technical analysis can be found at: https://stockcharts.com/school/doku.php?id=chart_school:glossary_a
- ❑ Some readers may be unfamiliar with the use of Relative Rotation Graphs. A detailed discussion of this subject can be found at: https://stockcharts.com/school/doku.php?id=chart_school:chart_analysis:rrg_charts

ANALYST BIO

- ❑ Jeffrey W. Huge, CMT has 30 years of investment industry experience across global equity and debt capital markets. He is President & Chief Investment Officer at JWH Investment Partners, a private family office and independent research firm.
- ❑ Prior to launching JWH Investment Partners, Mr. Huge was Managing Director of The Leuthold Group and Leuthold Management, where he co-managed a global macro hedge fund alongside respected contrarian-value investor Steve Leuthold.
- ❑ Previously, he held senior level positions in institutional sales, trading, and portfolio management at several top investment banks including Oppenheimer, Citigroup, and Merrill Lynch, where he specialized in equity markets, technical analysis, and global macro strategy.
- ❑ Mr. Huge earned his MBA in Finance from the University of St. Thomas, and holds a Bachelor's degree in Economics from the University of Minnesota. He completed advanced training and was certified in portfolio management under the instruction of Professor Emanuel Derman, Ph.D. at Columbia University's Center for Financial Engineering.
- ❑ Mr. Huge is a [CMT Charterholder](#) and has been a member of the CMT Association since 2005.

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