REEDSTrader Daily Report for Thursday 04/09/20

1. Top-Down Review of Market Action and Internal Stats for Day

Th 04/09/2020	Actual	% of total
Up Volume	1177.8	79%
Down Volume	317.8	21%
Advancers	2584	86%
Decliners	422	14%
Day's % all activity	7 Distrib days	82%
Volume	1506.6	UP Avg
Net Volume	860	>500 or <-500
TRIN	1.63 (3/0.5)	10DMA 1.04 (1.2/0.8)
New Highs	12	NH345/L0
New Lows	2	2377H in NL's
NYHL	10	NH345, NL-2375
Net Top NH-BotNL	3	Neutral (-232L)
Value Line %	70.00%	
Supply Index	1446.4	minus50.9/1306
Monthly High SI	UpTrend	Broke >1306.4 LTHi
Demand Index	1197.3	plus65.6/NewLT Lo
Monthly Low DI	DownTrend	BROKE 838 sup

Mechanical Strategy Brief Summary (current positions in green below and later on in report):

Supply Index Trend is no longer down -so 10% each into longs. Mechanical traders should continue to stand aside and watch for ½ longs, and even look for shorts if we get a bounce without a strong signal in demand to overbought levels ahead.

Mechanical Strategy Positions : March and April rollover –10% JD (3/3o43.56 to 3/9o40.1 -8%); 10% CNNE (3/3o39.41 to 3/4o37.84 -4.08%). 0 official positions (M+0%, Tu+0%, W+0%, Th+0%). 98.6 (Max Drawdown since March 2019 is 18.18%). For comparison, the NYSE index was down -30.8% on a 38.91% max drawdown over the same period as of 3/23/20.

We're in a unique situation we haven't been in since 1998 ala this strategy, which is we get a Supply Index signal during deeply oversold levels and then do a new list. Our rules don't allow us to short in deeply oversold conditions for new positions because even bad bear markets have massive rallies off such levels so the reward/risk is skewed (see Tuesday 3/10/20 and Friday 3/13/20 for examples of sharp rally). Right now we can't short against valid longs (>50DMA) following deeply oversold markets until we get short-term overbought and see volume traction down thereafter, so we'll stand aside until we can put exposure on that is more two-sided again. We'll patiently wait for valid demand response (which we did get 3/24) along with better upside follow-thru ahead (we got 3/25) that leads to overbought short-term conditions (got 4/7), and now will wait for a trigger point signal, and until then remain in cash. Note that during this kind of high volatility cash is a good holdout anyway.

Key Points of the Day

U.S. equity markets finished the day higher, with the S&P 500 +1.44%, the IBD50 +0.61%, the Nasdaq +0.77%, and the Russell 2000 +4.57%. Markets continued their rally on more Fed stimulus measures and an apparent OPEC+1 production cut as well as continued hopes that the coronavirus spread is cresting. Global stocks overall rose with VEU +1.59% touching new rally highs, but with Emerging Market Stocks EEM -0.37%.

US 10yr long bonds managed to inch higher despite a generally risk-on day with IEF +0.22%. The US dollar index fell UUP -0.74%, helping gold to move sharply higher with Gold GLD +2.61% and testing March rally highs, Silver SLV +2.87% to new highs off the 3/18 lows, Gold Miners GDX +10.5% to new rally highs above the 50 and 200DMA's, and Palladium PALL -0.21%. Some miners attempted breakouts today.

Oil rallied early in anticipation of big production cuts but when concrete news didn't materialize it sold off in an outside day down on HV with Crude Oil USO -7.26%. Economically sensitive commodities consolidated with Commodity Index DBC +0.26%, and $Copper -0.02%. Volatility iched lower toward its 50DMA, with VXX -1.96% not to new lows since 3/18, and SVXY +0.9% not to new rally highs. It was a risk-on day with most equities (EM Asia not) and asset-classes higher, even bonds. Gold and miners were upside standouts while oil and energies were downside standouts as the Good Friday holiday-shortened week came to a close.

Asian markets rose overnight but gave back their gains during US trade, with the Asia Region GMF -0.38% stalling under 50DMA resistance. The Bank of Korea left rates unchanged but expanded the range of bonds it could purchase. Japanese markets declined as new cases of coronavirus continued to make weekly new highs. Singapore new cases rose to a new high Thursday. The Asia Region was led by Australia EWA +5.52%, with Taiwan EWT -0.93% lagging on the day.

European markets rose with the European region VGK +2.51% gapping up to new rally highs. ECB President Lagarde urged the EU to rise above political differences and institute fiscal stimulus. Spain and Italy are considering extending lockdowns through the end of April due to a renewed pickup in new coronavirus infections (although not to new daily highs). Italian coronavirus cases rose sharply to 4,204, but remained below the March 21 peak. The European Region was led by UK EWU +3.61%, with Greece GREK -1.97% lagging on the day.

U.S. markets rose again as Trump reiterated that he was anxious to reopen the U.S. economy as soon as after coronavirus outbreak was under control. Jobless claims came out at 6.6 million last week, above the official estimate from Wall Street, magnifying the damage the coronavirus is doing on the economy, although the number was below the unofficial "whisper" number of 7 million claims. That's 17m unemployed in three weeks , over 10% of the workforce. Markets also got another boost after the Federal Reserve announced more new QE/MMT measures of up to 2.3T in loans to business. Rumors of a Russia and Saudi Arabia production cut helped stocks, although oil reversed its gains later in the day after a lack of specifics. On Good Friday it was announced that a 10m bpd cut was agreed although with the proviso that Mexico agrees. Democrats blocked the Republican proposal for more small business support stimulus, trying to angle for more of their spending desires being added to the package Trump and Republicans prepared.

Outperformers on the day included Infra Pffds PFFA +12.62%, Junior Silver Miners SILJ +10.97%, Gold Miners GDX +10.5%, Mtg REITs MORT +10.37%, MLP's AMJ +10.34%, BDC's BIZD +9.86%, Junk Bonds HYLD +9.49%, Dvd Dogs RDOG +9.07%, Small-Cap Fincls PSCF +8.74%, Banks KBWR +8.03%, and Airlines JETS +7.29%.

Newmont Mining NEM +13.42% broke out on a gap up LRHCHV above the March highs on higher gold prices and a bullish report from JPMorgan. Gold +2.97% and miners GDX +10.5% rose after the Federal Reserve announced it would expand its asset purchase program. Wells Fargo WFC +9.64% broke out of a lower daily double-bottom after the Fed eased its prior lending restrictions. Among growth stocks, QLYS +5.45% broke out over its 2018 base highs on a HV lap up, EQIX +3.41% continued higher after an earlier week bo attempt,

and AMT +4.15% broke out to new highs on strong volume. Once again many of the day's upside leaders were in formerly beaten down groups such as airlines and hotels.

Underperformers on the day included Oil OIL -7.58%, Commodities GSP -7.48%, Shorts DWSH -7.31%, Saudi Arabia KSA -4.78%, Livestock COW -4.03%, Nat Gas UNG -3.1%, Cocoa NIB -3.07%, Gasoline UGA -2.56%, Semi's FTXL -2.44%, VIX VIIX -2.44%, and Frontier Mkts FM -2.3%. Semiconductors SMH -2.36% had a HV outside day down off both 50DMA and 200DMA resistance that was a setback for growth stocks on the day. Growth stocks underperformed on the day again with some leaders like NET, FTNT, RNG, CTXS, and TW losing 3.7% to 7.3% on the up-market day in action that shows a leadership concern. While it can sometimes take many weeks for new leadership to clarify in a rally, so far we arent' seeing good leadership materialize in this bounce.

Energy XLE -0.91% fell on concerns the Russia-Saudi Arabia agreement could fall apart, with Diamondback Energy FANG -7% and Pioneer Natural Resources PXD -6% among downside leaders in the sector. AMC Entertainment AMC -21.2% fell sharply after being downgraded by MKM Partners on rising bankruptcy fears. In the growth stock area, Costco COST -1.95%, and TAL Education TAL -2.38% fell on heavy volume.

10 of 11 S&P sectors finished higher on the day, with leaders Financials +5.17%, Real Estate +5.13%, and Utilities +4.73%, and laggards Energy -1.12%, Technology +0.02%, and Health Care +0.54%. Bitcoin $BTCUSD -5.46% fell off 50DMA resistance back below the key 7000 level.

Friday markets are closed for Good Friday. Next week, we get U.S. Manufacturing, Industrial Production for March, Housing Starts and Building Permits for March, Chinese 1Q GDP, and the start of earnings season with reports from JPMorgan (JPM), Bank of America, Citigroup (C), and Schlumberger (SLB).

On Thursday 2/27/20 the Supply Index Trend turned up signaling a down-trend in the market/bear market. However we have rules against shorting deeply oversold markets and there are still some developments to assess, so our official stance is to stand aside for now.

2. Context of Market Environment

The intermediate-term trend has turned to down and investors should adapt a defensive posture near-term to the market.

One of the great advantages of internals is that they force you to focus on what investors are doing and not on what they are saying. **Our short-term trigger point of 70% down-volume accompanied by 5 distribution days came on Feb 21 just two days after the all-time highs on the S&P, with our Bear Market signal coming just three days later.** Since that first warning day we have had eight 90% down-days and three 80% down-days over the next eighteen trading days for the largest conflagration of these intense one-sided selling panic sessions in market history, including the crash of 1929, the two months of meltdown into the Oct-Nov 2008 momentum bottom of the GFC, and even the 1987 crash.

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Let's keep a list of early breakouts and how they are doing as well as potential bases setting up. Thursday we got base breakouts in almost list QLYS which had a nice HV bo but the risk to the handle low is too high, in AMT which had a decent bo but no handle, and in EQIX which had a HV continuation breakout but the risk is too high to the handle. We'll keep track of these ahead. Gold miners GOLD, WPM, and NEM tried or had breakouts but have resistance not far overhead and really needs to clear this fully to have upside room. So far the breakout follow-thru trend for early breakouts in this rally is mediocre but may be improving ahead. TW,

QLYS, EQIX, and IPHI have had potential follow-thru, while we've had consolidations following breakouts in VRTX, IPHI, MSFT, AMZN, and CTXS. We've gone back into the range after breakout attempts in SGEN, NET, FTNT, and RNG. Setting up in potential bases we have LLY, NFLX, REGN, KGC, CCOI, ZTO, DOCU, DXCM, DPZ, RGEN, MASI, NVDA, RHHBY, AUDC, PJT, and NTDOY. Let's see if we get a clearer trend of follow-thru and growing base breakouts that would herald a better long environment ahead. Keep your eye on emerging trends and secular themes to note big potential long-term winners. Important groups in new trends and themes often make the most substantial gains over the intermediate-term and long-term.

The stock rally this week was heavily fueled by hopes that the worst of the coronavirus outbreak was being reached or at least coming into focus straight ahead in the US and Europe.

In October 2008 the bear market reached a momentum trough and some key downside leaders began to outperform off the lows. Yet the market overall still had one more decline of 20% before the overall bottom. After that bottom some of the those performers off the Oct 2008 lows began to take over new leadership for the new bull market.

Watching some of the victims of the lock-out that have been particularly smashed could provide clues to market action therefore. Airlines, cruise-lines, hotels, industrials, and casinos are among the groups to watch closely here. JETS, NCLH, and $DJUSHL the Dow hotel index all bottomed before the overall market on 2/19 but have not broken out of their bases with the market this week. BJK and XLI bottomed early and did breakout over its rally highs on Thursday. If the market retests or makes new lows ahead and these groups hold recent lows and then begin to outperform at the next correction-over signal, some of these could even become new leaders if a bull move follows ahead. Industrials XLI would be one of our potential favorites in this group so far.

When the US economy comes back after the lockdown, it probably won't look the same as it did before the coronavirus hit. Even when lockdowns are ended there will probably be a transition period of weeks to months where masks and gloves are required. There may be other continued social distancing measures. This means it may take longer than the lockdown end before people are willing to crowd into airlines, restaurants, bars, stadiums, and shopping malls again. People will likely be uncertain, hesitant, and cautious. We may get rolling openings beginning in May sometime in barely hit areas if new cases and deaths clearly peter out, with harder-hit areas waiting a bit longer. The fear of renewed shut-downs will lead state authorities to start slow and assess and phase in the unfreezing of nonessential business. Small gatherings will be allowed and then later if those happen without renewed increases in cases, gradually larger ones. Look for a "masked recovery" where things like large gatherings, public transport, restaurants, and full-scale international airline and cruise travel take longer to come back to normal levels.

This gradual thaw in economic activity will require massive coronavirus testing to ID new cases as well as those who have already developed antibodies via exposure and are safer to return to normal activity. Some kind of surveillance may be increased, such as passing a fever-check infrared thermometer before entering a Starbucks as was instituted in Asia. SBUX, WMT, AMZN, and Burger King have already adopted these tests to check all employees before they start work, and customers may be checked in the same way as things re-open, with DIS and many schools also considering such a policy. And tens of thousands may be hired to track down and test people close to those known to have had the virus.

While a full-scale vaccine is unlikely until 2021, less effective treatments and remedies could be ready sooner. At first masks were poo-pooed by viral experts, but their success in Asia has led them to change their tune – with the CDC now encouraging people to wear masks in public, and some LA-area cities mandating mask wearings in public. Antibody drugs and antiviral drugs could also reduce the spread or cut symptoms and serious risks for those who contract the virus sooner than a vaccine. FDA commissioner Gottlieb recently suggested we could have these kinds of drugs potentially available by summer or fall, citing antibody drugs by Lilly, VIR, Regeneron, and Amgen as having the best near-term promise.

Such partial treatments, the proliferation of on-demand testing with quick results, and other remedies could help give people more confidence to resume normal activities, although masks may still be worn as a precaution for some time, and mass gatherings may have to wait for a vaccine. Airline traffic is down a staggering 95%.

New York has seen some days of a reduction in new cases, and because of the success of social distancing it is also doubling down on restrictions and considering extending them until June.

Right now it looks like a best-case scenario is that the transition to a masked economy could begin sometime in May and rollout through June. Disney may not open theme parks until the end of September, with analysts suggesting way under capacity numbers potentially until a vaccine is developed.

The CDC still cautions people to avoid groups of 10 people or more and that caution may not be removed until after the lockdown has been lifted for some weeks or months. Most viral experts still expect a second wave of outbreak at least in the fall to winter months, if not sooner. The second wave of the Spanish Influenza of 1918 was actually deadlier than the first, although subsequent mutations then became increasingly less deadly it is theorized.

Germany will mandate masks, limit gatherings, and strive to be able to track 80% of the people who have come into contact with a infected person. Italy suggests that reopening of bars, restaurants, nightclubs, and gyms may be much further off than allowing more movement again. Limited hours to allow for cleaning time, plexiglass screens for cashiers and workers, and other changes may become common-place for months, although these measures may reduce worker productivity and lead to lower overall sales.

Substantial economic recovery from the coronavirus pandemic may be more dependent upon when people actually feel confident that they can return to normal contact and activity than when nonessential business activity is re-opened, or when the spread of new cases peaks sustainably, although such a peak may lead markets to start to look forward thereafter.

And the recovery showing up is likely to be different for different industries for quite a while. As long as it's a mask-economy and people are concerned about contact, lots of kinds of businesses will still be in recession or even depression conditions. Businesses that require much contact with customers or service providers may be in for a more prolonged haitus before normal conditions return.

Those who have already contracted the virus and recovered are likely much safer to go back to normal activity right away. Testing to find these people on a widespread basis will likely become important since many people who fought off the virus never developed any symptoms. These people will be safer for all kinds of public exposure tasks, and these may be the first to run the new economy. There is a debate among experts about how widespread this group may be, and some are suggesting it is much more substantial than what we realize. As broader testing begins to hit in late May and June we will find out a bit better where we are in this regard.

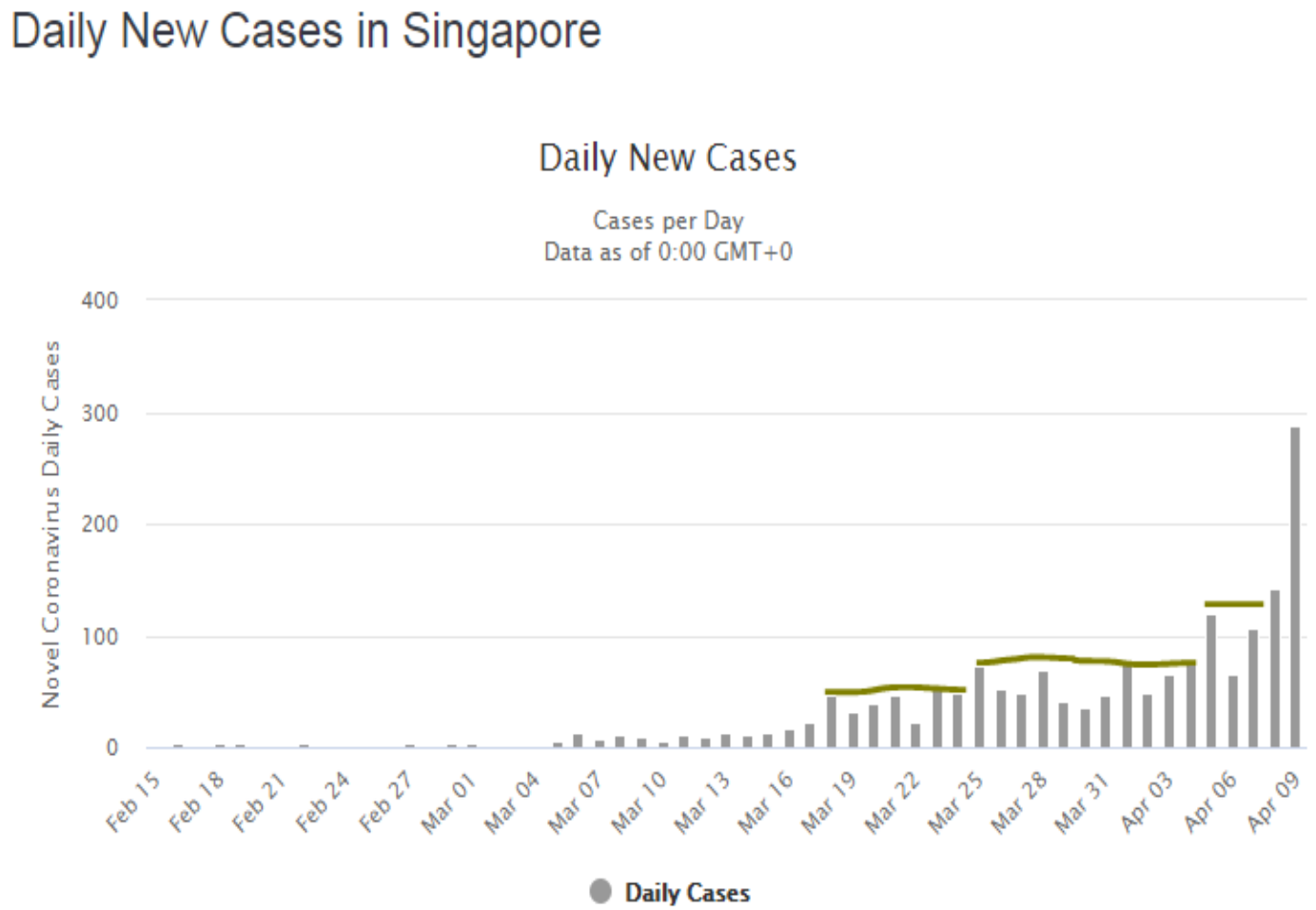
There's a growing consensus that Q2 GDP is going to drop at a historic level. What is not so much agreed upon is what type of recovery we will get and how soon after the first phase of lifting lockdowns. The "V" or "rocketship" recovery is actually not very likely because of the phase-in of activity. A deep checkmark may be a better description of what the recovery will look like, with the best estimates looking for a 30% or so annual rate of drop in Q2 then 0% or around there in Q3 and then a sharper recovery in Q4 of 5%-10%. DB research is assuming about a $5 Trillion annual rate of decline or about 23% of GDP in Q2 that may still look like lowballing of the extent of the damage. And that more gradual checkmark recovery thereafter of course assumes that we don't have a substantial relapse in Q4 of the virus outbreak that requires ramping up social distancing measures anew –an outcome many experts suspect is quite likely. Even if optimism on no new wave of outbreaks becomes correct, notice that we're still looking at a bigger drop in GDP for the year of over 5% than witnessed during any recession since the Great Depression. The realization is growing that the thaw will be gradual after a very deep freeze, and that economic output is unlikely to return to precrisis levels until a vaccine is widely distributed. Social distancing mandates and the gradual phasing out of them put somewhere around 37 million American jobs at risk in food service, retail, lodging, gaming and other personal services. We now have at least 16.5 million new unemployed that we know about through claims. How many more we

get, what percentage of these are merely furloughed and for how long, and how many small and medium sized businesses fail before things return to normal will be important in determining how muted consumption will be on the other side of the virus battle. And once you get to certain numbers of unemployed you start getting self-reinforcing negative feedback like mortgage defaults soaring, lower consumption and higher savings rates, and other follow-on impacts that can snowball in an already over-indebted economy and lead to deeply depressed levels of demand for cyclical good like autos, transportation, housing, and oil production. How many will travel by air internationally if they have to quarantined for two weeks plus after returning?

Testing will be key to allowing the steepest recovery curve possible. The US is now testing 140,000 people a day, and the ABT 5-minute test can scale up to 50,000 tests per week additionally. Other tests still take a day or longer to process. Testing still may need to ramp up to about 3.8 million a week just to test those going to a doctor. More will be needed to isolate higher risk people who've had close contact with the virus, and much more to find those who've built up antibodies and resisted the virus without symptoms.

In addition to ramping up testing, health authorities insist that we will need thresholds for when we re-institute social distancing and lockdowns once we start to try to open them again because the risk of new waves of outbreak are so high.

Former FDA commissioner Gottlieb and other health authorities are suggesting individual states re-impose lockdowns if they see a sustained rise in new cases for five days or if a substantial number of new cases develop that can't be tracked to previously known cases. Singapore had to increase renewed shutdowns recently as new cases rose again after looking to have peaked.



Singapore thought they had the spread of new cases under control after more than five days below a prior peak in late March, and then again after 10 straight days of lower new cases up to early April, but new cases took off anew lately, requiring a renewed shift back to more lockdowns. Courtesy worldometers.com

Italy decided to extend lockdowns even after 19 consecutive days of lower new cases since March 21. Singapore and Japan both had a peak remain in place for 10-12 days but then new cases rose above those levels subsequently. The US has had a peak in new cases in place for five days and markets are hoping that is it, but the track record of other countries so far suggests that there could still be more increases in new cases to new highs many days later yet to come.

The shutdown is harsh and hurts businesses severely, but from a health point of view, now that we've started on the lockdown path, the rise out of it may be slower and more deliberate and more on and off and precarious than many have assumed. The on may be more like an 80% of normal economy, and there may be rolling areas under shut-down and off and then back again repeatedly until a vaccine is found and widely distributed in 2021 some time. Whether government stimulus and other efforts can really paper over such a prolonged period of time is questionable without substantial unintended negative consequences unless the virus outbreak falls sustainably by May.

Remember that we like to look for macro confirmation with our internal indicators to find situations where there is agreement with some scenario. Looking at our internal indicators to get a read on the market action, what we would say is that right now ***patience may be necessary in order to wait for a clearer directional bias*** in the market ***based on objective internal indications that can improve conviction and put better probabilities in our favor***. There are two ways that market indications can go ahead to watch out for here.

First, technically we're in a bear market, and we have rallied into overbought conditions and into volume resistance levels that we've been watching closely. If we get a 70% down-day along with other signals concurrently, or we get an 80%+ down-day off of a rally high from resistance, then we'll have a correction-over trigger of one kind or another that will suggest a potential shorting opportunity for a move to eventually retest supports below and potentially even develop into a new leg down to new bear market lows. The key here will be whether we get such a trigger and then how the character of that decline evolves if and when it follows. Sometimes initial triggers are not a signal of the final high, but in most instances the upside is not very substantial thereafter and follow-up signals two or three prove more timely and do develop. The first trigger therefore tells you that it is likely getting close to a time when if you get short signals they will start to gain traction. And if you give yourself some wiggle room (and plenty of time in the event of options), market index shorts or ETF's or put options may have to endure some pain for a while thereafter, but then have a good chance to gain traction eventually with potential R's being high (double-digit) in the event of a new bear leg down.

Second we're in a rally off historically oversold levels amidst the most globally coordinated fiscal and monetary stimulus ever attempted, and the rally could turn into something more sustainable than a bear-rally. In this event we may not get a short trigger, or we may get one that then must yield to subsequent bullish action. We will need to see things like a continued steeper decline in Supply that balances with the rise in Demand better in further rallies, a break thru of resistance, improved upside volume on rallies and a decline in volume on some of declines, improved RS of cumulative net volume, of OBV, and of A-D lines, improved RS of mid and small caps, improved leadership to new RS leaders, improved number of base breakouts and a higher percentage of those breakouts leading to continued upside follow-thru. We would probably also like to see evidence that the coronavirus is peaking in new cases and that new waves of new cases are not developing to worrisome levels anywhere that lockdowns have come off the boil.

The decline in our Supply Index has been much less substantial than ideal within the context of a more sustainable rally thus far. That doesn't necessarily mean that this won't improve in the weeks and months ahead, but it is a warning sign. Another warning sign is the underperformance of both the NYSE A-D line and the NYSE Cumulative Net Volume Line. The best period for buying stocks usually comes out of a time when the NYSE A-D line and the NYSE Cumulative Net Volume line are both above their long-term DMA's and rising commensurately or even more substantially than the S&P itself.

We've looked at the Supply Index in charts recently, and below we look at both the NYSE A-D line and the NYSE Cumulative Net Volume lines along with the S&P in the top panel of the chart. What we can see is that while the S&P has now retraced nearly 50% of its Feb 19-Mrch 23 decline in the recent rally off of a corrective

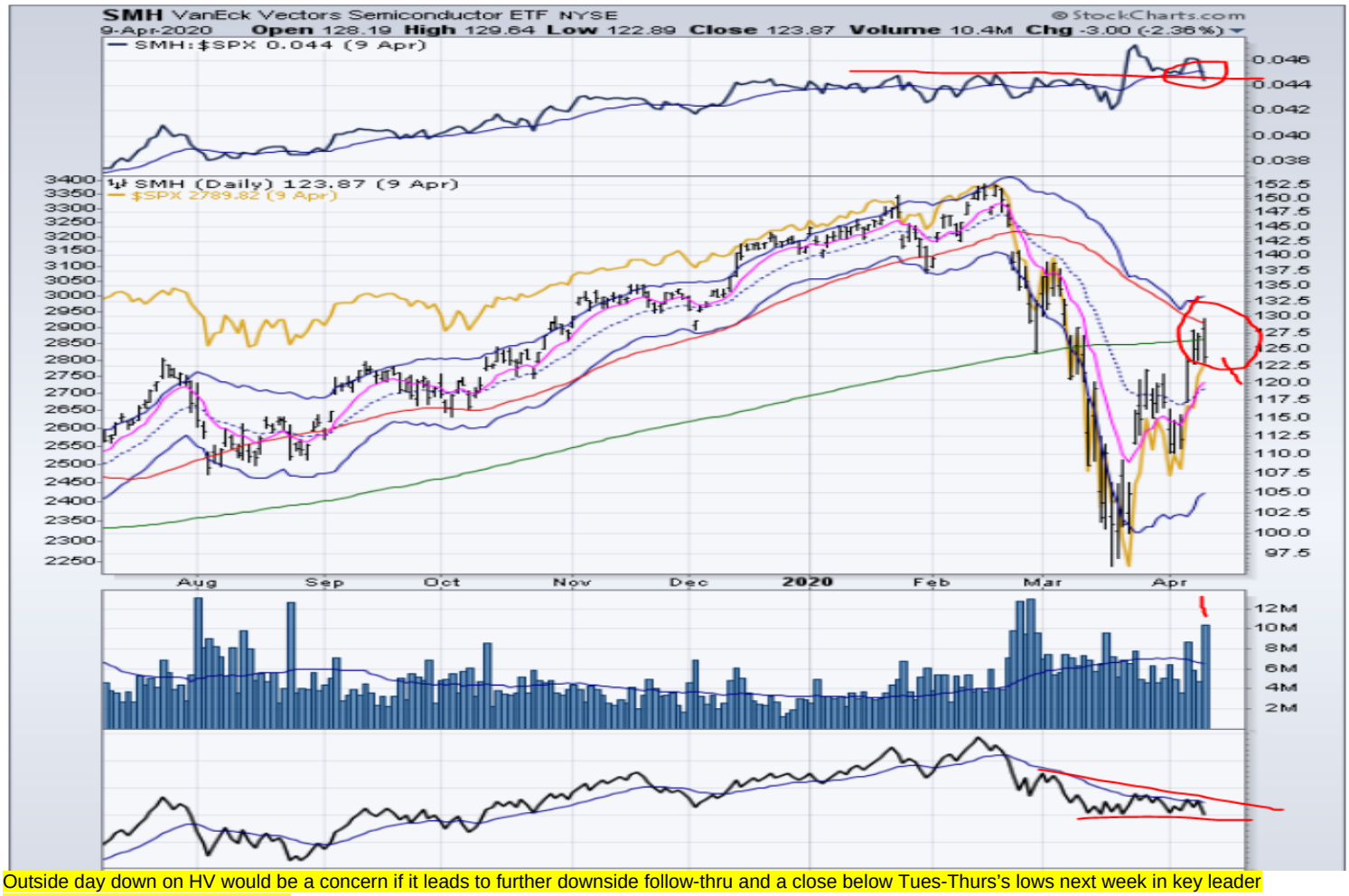
low, the NYSE A-D line has barely retraced 38% of its decline, and the NYSE Cumulative Net Volume line has not even retraced that much. The S&P is below its long-term 200DMA, and the Cumulative Net Volume is below its long-term 150DMA, (Cumulative net points unshown are also below their 150DMA), while the NYSE A-D line did rise above its long-term 150DMA line for the first time on Thursday. Like the action in the Supply Index, the action in the A-D line and cumulative net volume line has been improving the past couple days, but it needs to continue to improve before we can suggest that a more sustainable low has been reached. That may come ahead, or it may not, in the meantime we have reached overbought levels and are into resistance from here to 298 or so on the SPY as related in the second chart below. We're now watching for an 80% down-day or other sell signal to consider tactical shorts. If we get such a signal we'll watch the ensuing decline to determine whether we're likely looking merely at a retest of the prior lows or even the 2300 level only, or whether new lows in a continuing bear market are indicated. Such a sell signal would also launch us back into long/shorts in the mechanical strategy. Take a look at what happened to shorts since the 3/23 market lows to understand why you don't want to short a deeply oversold market.

The S&P is rising more than both the $NYAD and the Cumulative Net Volume line so far – and when Supply is also not falling as much as the indexes this is a concern that will need to come undone to expect a more sustainable and substantial rally in stocks ahead just yet. Courtesy StockCharts.com

The SPY is into 50% retracement and the start of Volume resistance between here and 298 to watch closely. It has been rising on declining volume. OBV is lagging. If we get a clear 80% down-volume day or other signal off of this zone we may look for tactical shorts – whether those evolve into merely a retest or into new bear market lows will then depend on the character of the ensuing decline. Courtesy StockCharts.com

The sharp rise on weakening volume in SPY is a concern. OBV is way weaker than prices, suggesting institutional conviction in the rally is not strong. You expect volume to come off from panic levels, but consistently declining volume into resistance is a combination that often leads to setbacks. If we get a sell signal off of this rally – 80%+ down-day or mix of many models, market timers may want to play leveraged plays like calls in inverse ETF's such as SH, 2X short SDS, or 3X short SPXS. Give yourself lots more time and wiggle-room than you estimate in such positions for now. A sell signal would allow mechanical strategy positions to be added back as they develop. It would also be a warning sign to Slow Reeds investors to not add further longs ahead until the coast is rendered clear for longs again. More advanced Slow Reeds traders could even begin to look for 3month+ topping formations in key groups for sell signals to play on a more intermediate-term basis for shorts (see our comments on JETS on 2/24 and 2/26 in this column for example).

Another concern is the poor action of prior RS leaders on Thursday. We had key reversals or outside days down on HV in a host of key tech groups, including SMH (see chart below). SMH was grappling with 200DMA resistance on Tuesday and Wednesday, and gapped above this on Thursday even temporarily rising above the 50DMA resistance level early in the day. However that resistance held with SMH falling below it, and back below the 200DMA on Thursday on very high volume via an outside day down. OBV has been behaving surprisingly poorly on this rally in SMH and would break to new lows during this market rally on follow-thru down next week. Similarly follow-thru down and a weak close below the lows of Tues-Thursday next week (as well as the 3/26 highs) would be a negative technical sign for this key tech leader, undermining some of the strength the market rally off of 3/23 has been based on. It is worth noting too that ARKW the internets broke out on Thursday above a mid-base (that bulls could even use as a potential entry), along with SKYY the cloud ETF. QQQ's are still grappling with 50/200DMA resistance too. Techs are not fully aligned on the reversal therefore. Let's watch the action in SMH and techs closely next week therefore.



Outside day down on HV would be a concern if it leads to further downside follow-thru and a close below Tues-Thurs's lows next week in key leader SMH. Courtesy StockCharts.com

Further strong sessions with a weaker Supply Index, broader participation, and more breakouts that follow-thru upside could turn the market backdrop into a much stronger picture, but until we get some more of these shortcomings addressed we still have to watch upside resistance and remain unclear whether the main trend has shifted or not. But given the action thus far, Slow Reeds investors should only be lightly dipping their toes or even waiting for better quality breakouts before doing much.

Investors need to keep up their watch-lists on both the long and short side of the market in this environment.

Sitting in cash is unusual but also very helpful at certain times. Many investors are impatient, but you don't want to be getting lots of signals with the market really violent that can lead to whipsaws during this elevated period of volatility. Nothing since the 1930's compares to these markets in terms of volatility, and this level of volatility makes it very difficult to control risk. Risk control is a key component of any viable strategy. Let's take SPY the S&P ETF for example. Back in January it had an ATR of under 3, so risking a typical 2ATR swing-trade amount was 2%. Now with an ATR of 16-30 over the last 8 trading days, that same 2ATR's equates to 13%-24%. It's not just that this is very high risk but to make at least three times this amount in profit required to justify this risk, SPY would have to go up 39%-72% to have a good reward/risk equation. And that is repeated pretty much across nearly every stock in this unprecedented surge in volatility. To use our favorite Black Jack analogy, if your strategy is to only bet when the dealer's deck shows a favorable shoe (deck still undealt) that gives you strong odds, if the shoe has already dealt out nearly all of its tens and aces and is unfavorable, your best option is not to bet.

If you are an experienced expert intra-day trader then this is your market, but otherwise wait for volatility to come in. You want markets and the stocks you are trading to line up appropriately to give you decent reward/risk and odds. Even when you wait for only those favorable developments to line-up, you will still have to experience some drawdowns and runs of trades against you – but at least then you'll know that if you keep betting on such trades you will make money the more bets you expose yourself to. But when those things don't line up you need to be able to stand aside and wait for the market to provide those things before going back in. And you need to develop a psychology that allows you to be patient when things aren't lining up properly, so that you don't inadvertently drive yourself crazy while you're waiting for your strategy to line up in ways you need to do to follow your strategy.

When markets fall this far this fast they are setting themselves up for a period ahead when a return to rising earnings can lead to years of rising stock prices. And we may get some incredible short-term trading opportunities both short and long before prices bottom. **Great opportunities are being built so hang in to benefit from not getting caught up in this historic decline – that's how you compound outperformance.**

Fiscal policy announcements, BREXIT, coronavirus news, Oil War developments, and Growth shifts are top watching points ahead.

3. Leadership and Stock List Status and Review

ETF Sectors Relative Strength Report for NEW March 2020 list

TOP RELATIVE STRENGTH FUND SECTORS AND INSTRUMENTS						
Tech Status	RS	Symbol	Group	WAM RS	Combo RS	Comments
	99	VXX	VIX	43	71	Climax peak in ahead of stock rally? Gp dn a concern
	96	PALL	Palladium	48	72	Climax peak in ahead of stock rally?
	96	TLT	Long Treas Bonds	69	82.5	Bear rally after V spike peak in late Feb?
	94	BTAL	Long/short	57	75.5	Inching up toward 3/16 peak
	94	GLD	Gold	98	96	Rising on lower V toward 3/9 peak on QE infinity; Gp up on HV a plus
	94	KURE	China HC	80	87	Cl bak > 50DMA resistance on HV a plus;
	94	CLIX	online/bricks	97	95.5	Retesting 2/20 peak; Vt up on HV a plus
	93	ESPO	Video Gaming	74	83.5	Gp up > 50 DMA a plus
	88	UUP	US Dollar	54	71	Rising on Volume toward 3/19 QE peak ; Gp dn a concern, test 50 DMA now
	90	TIPZ	TIPs	86	88	Watch for inflation concern indicator; Vt up a plus
	87	FUT	Mngd Futures	55	71	In uptrend and testing 3/23 peak ; Gp dn a concern
	89	^MBB	Mtg Bonds	90	89.5	Making higher highs still ; Vt up a plus
	90	DFND	L/S Dvd	58	74	Testing 200DMA s; Gp up > 200 DMA a plus; Oday dn < 50 DMA on HV a concern
	86	BIL	TBills	3	44.5	Trying to stay over 200DMA
	88	FXF, FXY	Swiss Frnc, Jap Yen	39	63.5	50MDA res turns lower again; Gp dn a concern
	88	WEAT	WHEAT	69	78.5	Steady gainer in times of trouble; Vt up a plus
	91	QLTA	Aaa Corp Bonds	94	92.5	testing 200 DMAs FXF; breaking it FXY ; Gp up a plus
	90	CNXT	Small&Med China	56	73	50/200 tug of war ; Test of 50 DMA, but cl <
	89	BBH	Biotech	70	79.5	Gp up > 200DMA and 50 DMA; O-day dn on HV & cl bak < 50 DMA a concern
	82	MRGR	Merger Arb	69	75.5	Still below key ma's after big bounce off overdone lows
	86	CHIK	China Techs	36	61	Cl bak > 200 DMA a plus
*	94	<RING	Gold Miners	80	87	Still below key ma's after big bounce; Gp up > both DMA's a plus
	89	IEIH, PTH	Health Care	70	79.5	Gp > 200DMA a plus; Move and cl > 50 DMA a plus
	87	QQQ	Nasdaq 100	50	68.5	Corona demand boost but still below key ma's; test > 200DMA but cl back blw
	87	XLK	Techs	49	68	Strange holdout for bear market - still below key ma's ; Gp up a plus & test of 200DMA now
	80	XLP	Staples	61	70.5	Strange holdout for bear market - still below key ma's ; Test 50 DMA now
	78	EWL	Switzerland	53	65.5	Still below key ma's ; Gp up a plus
	81	EDEN	Denmark	51	66	Still below key ma's ; Gp up a plus
	84	SMH	Semiconductors	49	66.5	O-day dn on HV off of both DMA's a concern
*	88	<ARKW	Internets	50	69	Cl >200 DMA and prior swing highs now a plus; Gp up a plus

(note on lists the relative strength rank is listed in front of the symbol, bold means recent new highs, * means multiple models are in positive technical status, while greens are ones that are holding up relatively well to watch for new leadership once the correction ends; + means performing better than $SPX at recent highs and lows, >50 or 200 means above 50 or 200DMA, LRHCHV means Large Range High Close High Volume, V means Volume, brk means broke, vt means volume traction, NH means New High).

Summary for ETF Sectors

The new April ETF list shows a negative plurality even though it has been expanded to include many non-equity uncorrelated plays. With a bear market we will look for both longs and shorts ahead in ETF's. For now, those holding up best to renewed virus fears and leading the current rally-mode are KURE, ,<ARKW, <SKYY, XLK, QQQ, ESPO, ARKG, and SMH (HV outside day dn off 50/200DMA a concern if follow-thru ahead). In uncorrelateds, GLD or PHYS, GDX, and CLIX appear to look the strongest for now. (see full least hit list below too).

Top Stocks (Relative Strength with EPS and PEG) for NEW April 2020 list

LONGS WATCH LIST

TechStatus	RS	Symbol	Earn date	Industry Group	WAM	Combo RS	Comments
	98	ZM	06-06-2020	Computer Sftwr-Enterprse	61	79.5	Staircasing higher even during bear - 107.5s ; Vt up a plus, Signal day up off 50 DMA
*	99	ACMR	05-07-2020	Elec-Semiconductor Equip	51	75	s.c. lower but holding belw 50; Cl > 50 DMA a plus
*	95	DXCM	04-28-2020	Medical-Systems/Equip	54	74.5	Potl flag over 50DMA; Strong Cl > 50 DMA a plus
*	99	ELMD	05-07-2020	Medical-Systems/Equip	82	90.5	Trying to hold at 50DMA; LRHVHC bar launched off of 50 DMA a plus
*	99	ENPH	04-30-2020	Energy-Solar	49	74	Gp up > 200DMA a plus; Vt up a plus
*	99	PLMR	05-16-2020	Insurance-Diversified	86	92.5	bakn2 and below 50DMA anew
*	98	OESX	06-04-2020	Electrical-Power/Equipmt	40	69	basing anew around 200DMA? Cl bak > 200 DMA a plus
*	97	DOCU	06-06-2020	Computer Sftwr-Enterprse	81	89	HV rally back ovr 50DMA
*	97	AUDC	04-30-2020	Telecom-Cable/Satl Eqp	90	93.5	VTup above 50DMA; 28.50ATHr
	96	ZTO	05-15-2020	Transportation-Logistics	90	93	trying to hold at 50DMA
	98	VIPS	05-22-2020	Retail-Internet	72	85	LRHC bar off of 50 DMA & Gp a plus
*	96	FNV	05-08-2020	Mining-Gold/Silver/Gems	81	88.5	Basing around 50-200? Vt up > 50 DMA a plus
*	97	^^GOLD	05-09-2020	Mining-Gold/Silver/Gems	99	98	New RS highs and VTup>50; 22.73 Mbase res; Cl > Feb Highs on HV a plus
*	94	PJT	05-01-2020	Finance-Investment Mgmt	79	86.5	New RS highs and flag bo>50; 53.15Mr; O-day dn on HV a concern, but at 50 DMA sup now
	96	RAD	04-16-2020	Retail-Drug Stores	38	67	Bak undr 50DMA
	92	TMUS	04-25-2020	Telecom Svcs-Wireless	59	75.5	Cl bak > 50DMA a plus
	94	FLGT	05-07-2020	Medical-Research Eqp/Svc	30	62	bak undr 200DMA; Vt dn a problem
	94	HMI	06-03-2020	Consumer Prod-Electronic	41	67.5	bak undr 50DMA
	94	CRUS	05-01-2020	Elec-Semicondctor Fablss	43	68.5	Tug of war between 50 & 200 DMA's
	98	DVA	05-07-2020	Medical-Outpnt/Hm Care	79	88.5	HC off of 200DMA a plus
*	93	NTDOY	05-07-2020	Computer Sftwr-Gaming	89	91	Brkout flag bak ovr 200DMA on HV a plus
*	96	WPM	05-06-2020	Mining-Gold/Silver/Gems	87	91.5	Trying to hold at 200DMA; Cl > 50 DMA a plus
	90	MLNX	04-23-2020	Elec-Semicondctor Fablss	85	87.5	VTdn but trying to hold ovr 50DMA

Summary for Top Stocks

Leadership is trying to turn up from negative on our new April list following our correction over signal where demand is rising sharply but Supply isn't following much so we will continue to label this as a bear-rally for now (?). We got a decent 90% up-volume day 3/24 and some follow-thru 3/25 for a correction-over in a bear-market signal that suggests a decent bounce at some point ahead. ACMR, DXCM, ELMD, PLMR, DOCU, AUDC, GOLD, PJT, NTDOY, and WPM are positive via the scans and also above the 50DMA's in stocks to consider on the longside for a bounce trade, and there are some other technically strong looking stocks to consider for this on our short-term list. Look over the least hit list and short-term list for additional ideas for potential buys if the market turns up with further demand conviction and better Supply declines ahead. VRTX broke out 4/6 on a LRHCHV on our held-up list, while AMZN, and MSFT also did but not on high volume. On 4/9 we got bo's in QLYS (HV lap), AMT (handle way far away), EQIX (HV follow-thru), GOLD (Mr 22.68 just overhead), WPM, and NEM.

Ratio 10: 8/11=72.7% Ratio List: 13/23=56.5% ETF Ratio: 5/30=16.7% - LEADERSHIP MIXED.
Upgrade to *: **DXCM, PLMR, OESX, DOCUM, FNV, WPM. 6**
Downgrade no * **CLIX, CNXT, SMH, ZTO, CRUS, DVA. 6**
NH's: CLIX, MBB, GOLD (base bo but Mly res 22.73 needs to be cleared).
Potl Flags: **NTDOY, DXCM**.
Potl Cheats: none.
Potl base bo's: **HLI.**
Potl bases: **KGC, GOLD (both weekly bases), CCOI, ZTO, DXCM, REGN, NFLX, MASI, NVDA, LLY, , RHHBY, AUDC, PJT, NTDOY, DPZ.**
Recent Flag bo's: none.
Recent bo's: VRTX, AMZN, MSFT, GOLD, WPM, NEM, TW, IPHI, SGEN, NET, FTNT, RNG, CTXS, ARKW, RING, QLYS, AMT, EQIX.

Bo and Runs (for shorter-term traders and new cheat watch): Bo and Runs (for shorter-term traders and new cheat watch): (as list has grown take only all three 90's or prior members): SEE BO AND RUN LIST IN OTHER THINGS TO WATCH SECTION BELOW FOR LIST AND EXPLANATION

Least hit by virus selling include: ENPH, *DXCM*, ZNGA, *JD*, ZM, CLX, *REGN*, *CCOI*, *ZTO*, NFLX in base<423.31; ARKW, XLK, ARKG, MASI, EXPO, **SE,** QDEL, NVDA, TMUS, KNSL, **DPZ,** MSFT, LLY, BIIB Mr450, VRTX, RHHBY, BAH, BRO, RNG, *TEAM*, ADBE, ABBV Mr126, AWR, COST, DOCU, AMZN, VIPS, GOLD, FNV, NEM, CTXS, AMD, PLMR, MLNX, SVXY, AUDC, PJT, HLI, ACMR, *WPM*, ELMD, DG, AMT, CCI, MKTX, WING, and *NTDOY*. (see short-term section below, blue are outperformers on the rally attempt).

9090 and 1010 Lists For Short-term Traders or Hedgers

90/90 List Rankings Thur 04/09							
TechStatus	RS	Symbol	Earn date	Industry Group	WAM RS	Combo RS	Comments
*	97	^^GOLD	05-09-2020	Mining-Gold/Silver/Gems	99	98	New RS highs and VTup>50; 22.73 Mbase res; CI > Feb Highs on HV a plus
*	97	AUDC	04-30-2020	Telecom-Cable/Satl Eqp	90	93.5	VTup above 50DMA; 28.50ATHr
	96	ZTO	05-15-2020	Transportation-Logistics	90	93	trying to hold at 50DMA

10/10 List Ranking							
Tech Status	RS	Symbol	Earn date	Industry Group	WAM RS	Combo RS	Comments
	2	SAGE	05-02-2020	Medical-Biomed/Biotech	5	3.5	Testing March lows after minor bounce off Ms; nxt Ms 18 ; Vtup a concern
	10	BLUE	05-02-2020	Medical-Biomed/Biotech	10	10	basing over Mrch L's but with Ws35-7 just below ; Vt up a concern

90/90 and 10/10 listings rank stocks by RS and WAMRS combined and give you current rank each day, so you can see how stocks are ranked by both RS formulas currently, not just at last PSL listing. The 5Mech9090 (MU) is simply the mechanical technical screen rules on the 9090 list and has outperformed the mechanical strategy on a reward/risk basis during nearly all of our back-tests so far. The FAB5 trades too often but is still kept up for statistical purposes and to see easily at a glance what the top 5 on the list are that meet technical screens. Note that the balance of 9090's vs 1010's has shifted back to more 9090s than 1010's again barely – what we're really seeing is fewer opportunities on both sides in this rally-mode, suggesting limited high likelihood opportunities.

5Mech9090: none. (nochng) 0. (M +0%, Tu+0%, W+0%, Th+0%). Since 6/11/19 90.45 (Max DD 16.95%) For comparison the NYSE index (representing the average stock on the New York stock exchange) over the exact same period since 6/11/19 to 3/23/20 was down -31.79% on a maximum drawdown of 38.91%.
FAB5: GOLD, AUDC.

Our 9090 trading is in a similar boat as our mechanical strategy here. Normally if it is a real and sustainable bear market we get a signal before we get to deeply oversold levels. And if we haven't already been shorting and our first such signal comes amidst deeply oversold levels as it did, we have rules against starting new shorting campaigns until we get to overbought levels because the snap back in shorts off deeply oversold levels can be massive (see the action in shorts since 3/23!), even though sometimes markets keep dropping sharply thereafter too. However it also doesn't make sense to buy when we can't short against new longs and normally our exposure here would be mixed in this environment. We now have more 9090's following our 90% up-volume day but whether that upside traction continues or reverses off resistance in reliable fashion will be key ahead.

Remember going to 0 positions is usually very near the end of the decline and happens before the strategy is likely to experience a rise ahead. It is a good opportunity to add to the strategy historically.

Bottom RS/EPS Short-List Stocks for NEW January 2020 short list

SHORTS WATCH LIST

TechStatus	RS	Symbol	Earn date	Industry Group	WAM RS	RS COMBO	Comments
	6	CPRI	05-29-2020	Apparel-Clothing Mfg	23	14.5	basing ovr Mrch ATL lows? Vt dn a plus
*	2	PTLA	05-08-2020	Medical-Biomed/Biotech	11	6.5	basing ovr Mrch ATL lows? O-day dn a plus
	2	SAGE	05-02-2020	Medical-Biomed/Biotech	5	3.5	Testing March lows after minor bounce off Ms; nxt Ms 18 ; Vtup a concern
	5	SAVE	04-24-2020	Transportation-Airline	16	10.5	Consolidating ovr Mrch ATL lows after IPO bd? Vtup a concern
	5	AA	04-22-2020	Mining-Metal Ores	12	8.5	basing ovr Mrch ATL lows? Gp up on HV a concern
	9	AXL	05-03-2020	Auto/Truck-Original Eqp	18	13.5	LRLCHV twrd Mrch Lows ; Vt up a concern
	6	MRC	04-28-2020	Oil&Gas-Machinery/Equip	14	10	basing ovr Mrch ATL lows?
	10	EB	05-01-2020	Computer Sftwr-Edu/Media	16	13	Testing March lows after IPONL; Vt up a concern
	7	ERJ	05-12-2020	Aerospace/Defense	13	10	Consolidating ovr Mrch ATL lows after IPO bd? Vt up a concern
	10	BLUE	05-02-2020	Medical-Biomed/Biotech	10	10	basing over Mrch L's but with Ws35-7 just below ; Vt up a concern
	18	WRLD	05-09-2020	Finance-Consumer Loans	25	21.5	Tri bdn new corr lows but Ws42 and Ms25-7 below.; Gp up on HV a problem; test 50 DMA now
	17	VNE	04-24-2020	Auto/Truck-Original Eqp	29	23	VTdn in Consol ovr Mrch ATL lows.; Gp up a concern
	15	MYGN	05-07-2020	Medical-Research Eqp/Svc	22	18.5	Basing ovr Mrch L's after 10yr TT brkdn<14.11; LRHC bar a concern
	23	LYFT	05-07-2020	Leisure-Services	35	29	Consolidating ovr Mrch ATL lows after IPO bd? Gp up on HV a concern
	20	NVST	04-28-2020	Medical-Systems/Equip	32	26	Consolidating ovr Mrch ATL lows after IPO bd? Gp up a concern
*	16	PRO	04-25-2020	Computer Sftwr-Enterprse	23	19.5	Basing ovr Mrch L's? Vtdn a plus
	28	W	05-05-2020	Retail-Internet	51	39.5	Potl bull flag after very sharp bounce off Mrch L's; Gp > 50 DMA on HV a problem
*	13	AXGN	05-08-2020	Medical-Products	5	9	New corr low but Ws just below; Vt up a concern
	19	HCC	05-01-2020	Energy-Coal	22	20.5	basing ovr Mrch Lows?
	14	ZGNX	05-08-2020	Medical-Biomed/Biotech	18	16	Basing ovr Mrch L's?
*	21	AERI	05-07-2020	Medical-Biomed/Biotech	26	23.5	VTdn in consol ovr Mrch L's but Ms8.8-11 just below ; LRHC bar a concern
*	15	NTNX	05-30-2020	Computer Sftwr-Enterprse	18	16.5	Consolidating ovr Mrch ATL lows after IPO bd? Vtup a concern
	18	YELP	05-09-2020	Internet-Content	27	22.5	Basing ovr Mrch L's after test of ATL's; O-day dn a plus
	22	PD	06-06-2020	Computer Sftwr-Desktop	31	26.5	Consolidating ovr Mrch ATL lows after IPO bd? test 50 DMA now
	18	CGC	05-29-2020	Consumer Prod-Specialty	26	22	Basing ovr Mrch L's?
	26	NAV	06-04-2020	Trucks & Parts-Hvy Duty	18	22	Severe test of Mrch L's at Ms ; Vt up a concern
	27	AIMT	05-08-2020	Medical-Biomed/Biotech	22	24.5	Basing ovr Mrch L's after test of ATL's
*	18	ZUO	05-30-2020	Comp Sftwr-Spec Enterprs	26	22	Consolidating ovr Mrch ATL lows after IPO bd?
	26	KURA	05-07-2020	Medical-Biomed/Biotech	34	30	consol off base aftr potl Mlybd but 5.9 Ms just below ; O-day Dn a plus
*	26	CKH	04-24-2020	Oil&Gas-Field Services	25	25.5	consol off base aftr potl Mlybd but 20.6-21.4 Ms just below
	37	MTX	05-02-2020	Chemicals-Specialty	38	37.5	Basing ovr Mrch L's after 7yr DT brkdn<35.3 and retrace to it; Gp up a concern
	25	TBI	04-29-2020	Comml Svcs-Staffing	19	22	Vtup in base off Mlybd but also near Ms10-12
	32	AGCO	05-02-2020	Machinery-Farm	38	35	bouncing off Mrch L's and test of Ms35.2 ; Gp up on HV a concern
	39	DORM	04-29-2020	Auto/Truck-Replace Parts	37	38	Messy New corr L's but Ms37-47.4 just below ; Gp up a concern
	31	SCSC	05-09-2020	Wholesale-Electronics	39	35	Potl bull flag after sharp bounce off Ms13.5-14; O-day on HV dn a plus
	35	GOSS	05-14-2020	Medical-Biomed/Biotech	32	33.5	Basing ovr Mrch L's after test of ATL's
*	31	MDGL	05-08-2020	Medical-Biomed/Biotech	20	25.5	new corr low but potl Ms42 not far below ; Vt up a concern
	48	LBTYA	05-06-2020	Telecom Svcs-Cable/Satl	37	42.5	Vtdn in base off Mrch L's and Ms15.15; Vt up a problem; test 50 DMA now
	42	RYTM	05-03-2020	Medical-Biomed/Biotech	34	38	Basing ovr Mrch L's after test of ATL's; Cl > 50 DMA a concern
	35	TDC	05-02-2020	Computer-Data Storage	34	34.5	Consol off Mrch L after Mlybd<22, 11.2nxtMs ; O-day dn & Cl > 50 DMA a plus
	62	ALLO	05-07-2020	Medical-Biomed/Biotech	39	50.5	weak bounce off Mrch ATL's so far ; Vt up a problem; test 50 DMA now
	81	ETSY	05-08-2020	Retail-Internet	66	73.5	VTup in consol aftr MlyH&Sbdn<38 ; Cl > 200 a problem

Summary for Short-watch Stocks

On the new April short-list 8/42 or 19% are rated negative via technical screens showing that after the correction low, shorts are now negative in plurality with technical screens and falling fast – normally this either occurs toward the end of a bear correction or the beginning of a more sustainable rally. Notice that we have marked the top 5 on the list so when the mechanical strategy for shorts is allowed we are ready, and that only one of these top 5 are currently short, showing deterioration of shorts in the rally. Remember that shorts are wild up and down and reflect internal weakness, so broadening or weakening of the plurality of short-list stocks meeting negative technical screens has ramifications worth noting. **Shorts after deeply oversold levels and a demand response don't make sense and fly against our rules, but let's watch shorts on any bounce to see if they maintain relative weakness for potential shorting ahead. Don't look to put new short exposure on now, things are way too volatile and too extended to consider NEW shorts – unless they are a hedge against long exposure for very experienced short-term oriented traders. See short-term short list for potential short-term stocks to trade on the short-side ahead.**

Other things to watch

The intermediate and long-term trends are still higher, and demand even looks better after 11/1's breakout.

Let the market action guide your actions and confirm the recent signal.

Shorter-term traders can look at our Breakout and Run list and our 9090 list for potential selection of short-term vehicles for short-term patterns more now that stronger demand has finally developed.

Breakout and RUN after breakouts Top RS/EPS Not on lists:

Symbol	WAM	RS	Combo RS	EPS
GOLD	99	97	98	05-09-2020
NEM	98	98	98	05-05-2020
REGN	98	98	98	05-05-2020
AMT	99	95	97	05-03-2020
GLD	98	94	96	03-29-2020
QLYS	94	96	95	05-01-2020
LLY	94	95	94.5	04-23-2020
MASI	93	96	94.5	04-28-2020
SBAC	92	97	94.5	04-29-2020
DG	93	95	94	05-30-2020
MKTX	93	95	94	04-24-2020
AUDC	90	97	93.5	04-28-2020
CCI	92	95	93.5	04-29-2020
WING	92	94	93	05-06-2020
ZTO	90	96	93	05-15-2020

For Shorter-term traders and for those watching for top patterns in top groups, the above list should be monitored.

From the list above we will now make a new list – the breakout and run list (underlined and bold above). These are stocks that continued higher to +20% or more above their original breakout point and/or have displayed 5/21 RU criteria and continue to display technical strength and are 9090 RS and WAMRS leaders, and should be among those you watch for correction patterns to get second chance entries ahead or for shorter-term patterns or even intra-day patterns: Bo and Runs (for shorter-term traders): *JD* e5/10 Mr50, CCOI enh e5/2, MASI e5/6, RNG e5/6, EXPO e4/18, *SBAC* e4/29, SE e5/21, NVDA ebo e5/16, TMUS e4/25, KNSL e5/2, DPZ e4/24, *REGN* e5/7 Mr606, ZNGA e5/1, *FNV* e3/09, VIPS eminibo Mr19.14 e5/22, ZM ebo e6/6, ARKG, QDEL e5/8, ZTO e5/15, CLX e5/1, AWR e5/2, *CTXS* e4/24, PLMR e5/16, MLNX e4/16, and HLI 5/8/20, *VRTX* e4/30, DG e5/30, *MKTX* e4/24, GLD Mr159.37), GOLD Mr22.63 inches away e5/9, *AUDC* e4/28, LLY e4/23, NEM e5/05, *QLYS* e5/1 Mr98.4, (*AMT* e5/3, *CCI* e4/29, MKTX e4/24, WING e5/6). Remember strong volume tends to lead price. We now have including new lists, short-term trading opps worth hunting for in:. none in prime-list QLYS, AMT, as well as MASI, REGN, ZTO, CTXS, DG. (see least hit list below too). Remember strong volume tends to lead price. Underlined and *Italic* show both new recent ATH's and recent strong volume traction up. **Bold** show even more upside potential from a recent base breakout or run through resistance. Larger symbols mean this is also a 9090 list member. Green means a new high, while yellow means a change in status from the day before. The more of these attributes that a stock has the more likely it will continue higher and the more upside potential if it does. If you are not a large trader, stick to 5 or so of the stocks with the top attributes that also look good according to your short-term strategy, and have performed well with that strategy in the recent past, that also have the most attributes noted above. Be sure to look at the first list with colors to make sure earnings announcements are not too close at hand as well. Short-term traders should switch to a long and short opportunistic trading bias with about ¼ or less of normal size in trades because of massive volatility in both directions.

Least hit by virus selling include: ENPH, *DXCM*, ZNGA, *JD*, ZM, CLX, *REGN*, *CCOI*, *ZTO*, NFLX in base<423.31; ARKW, XLK, ARKG, MASI, EXPO, **SE,** QDEL, NVDA, TMUS, KNSL, **DPZ,** MSFT, LLY, BIIB Mr450, VRTX, RHHBY, BAH, BRO, RNG, *TEAM*, ADBE, ABBV Mr126, AWR, COST, DOCU, AMZN, VIPS, GOLD, FNV, NEM, CTXS, AMD, PLMR, MLNX, SVXY, AUDC, PJT, HLI, ACMR, *WPM*, ELMD, DG, AMT, CCI, MKTX, WING, and *NTDOY*. (blue are outperformers on the rally attempt).

Short-term Trading Potential Short List: Like a BO and Run list off our 9090's above, below is a list of shorts for short-term traders to stalk via short-term patterns – it's essentially a 1010 list that also meets our fuel criteria used on our PSL lists updated a bit early to adapt to current developments. Because we are deeply oversold already, short-term traders should cut the size of any new trades by 75%+ for now and try to work toward a balance of short-term long trades and short-term short trades at a minimum. **For all but very experienced short-term traders it is best to avoid short patterns until we get a bounce into overbought levels in the broad market that comes without a clear demand response.** After we bounce we will assess when to look more aggressively for shorts ahead.

Symbol	RS	WAM	Combo RS	EPS
OIS	1	6	3.5	4/24/2020
SAGE	2	5	3.5	5/2/2020
BTU	2	7	4.5	5/1/2020
PLYA	2	7	4.5	5/7/2020
SDC	6	4	5	4/28/2020

Almost meeting short list for short-term traders to look at on the short-side.

From this almost list and our 1010 list the following are setup for potential short-term patterns on the short-side (stand aside from new shorts until market becomes less volatile and less oversold): *BNFT* e5/1; *PTLA* e5/8; OIS (price getting so low just take profits) e4/24; SAGE ebd e5/2, *SDC* ebd e4/28, GOSS e3/22, HUD e5/14 airport news, TLRY ebd e5/14, MRC IPO bd e5/2, BDTX too early after IPO, LYFT e5/7, AA e4.17, *PLYA* (hotel weak group but under 2 just take profits) e5/7, *AERI* Ms11 e5/7, DXC e5/23, GKOS Ms26 e5/8, *LPSN* e5/2, MTSC mbd e5/6, MYGN e5/7, REAL mbd 4/28, TBI mbd e4/29, ATRA e5/9, *NTNX* e 5/30, AXGN e 5/3, *BA* (watchout for bailout) e4/24, EB e5/1, *EOG* e5/2, SAVE e4/24, BLUE Ms35.37 e5/2, OSW e5/8, ZGNX Ms8 e5/8, RCL e5/1 (bailout?), ERJ e5/12, (*NOV* e4/27). We now have including new lists, short-term trading opps on the short-side for short-term patterns worth hunting for in: Take profits on all but partial profitable short-term positions and hedge every close or take full profits by every close because now there is risk of a market closure with a re-open potentially leading to huge gap risk. You could neutralize exposure with stronger longs, but even here the gap risk of a closure could change the picture. Move to the sidelines mostly. Only expert intra-day traders could look to short some against longs in neutral exposure overall in green and blues above displaying clear short-term patterns. Shorts watch out for bear-rally that could push some of these overdone names sharply higher.

The trend is now down at least temporarily, although recent Demand dominance means short-term traders should lean long in the very near-term. Only short-term traders should consider any shorts until we get a bounce that doesn't come off of strong demand evidence ahead.

Wait for overbought to look for shorts, and wait for short ability to look for longs.

The big key to making big money in stocks is to 1) align your fundamentals (our list criteria or close to it) with 2) constructive price action creating a good reward/risk setup, 3) in a healthy overall market backdrop. You want all three forces behind you – fundamentals, technicals R/R, and market backdrop. You should buy a stock only when you believe that enough factors are lining up into an optimal setup for an imminent explosion in share price; and you should only short when there is much more downside than the risk. Wait for strong cards before you bet.

Final Summary

Slow Reeds traders continue to stand aside until we get better confirmation of the renewed correction-over signal, or until we get a bear-rally over signal to look for shorts. Mechanical traders should continue to stand aside and watch for ½ longs, and even look for shorts if we get a trigger-signal now that we've reached overbought levels.

Remember that there is a relatively random distribution between wins and losses for any set of variables that define an edge, and that every moment in the market is unique – with different buyers and different sellers that could behave differently. The goal of your strategy is to put the historical odds in your favor and attempt to exploit those odds estimates via strong reward/risk opportunities. **To exploit an edge you need to consistently and systematically take a large series of trades**. No one trade is important, the overall benefit from exploiting that edge systematically is what makes you money. In other words **it is not important what happens in any one, two, three, four, or five trades in a row – it is only important that you exploit a historically consistent edge in a systematic way that gives you reward/risk benefits when you are correct**. Remember the goal is not to avoid losses – the goal is to take lots of losses on your way to making consistent profits. Wait for your signals before taking positions and make sure your ducks are lining up properly before every trade.

Remember too, that you are going to have to withstand periodic drawdowns in any strategy you employ. Understand the maximum historical drawdown of your strategy and expect to have to confront it at some point in time. If the mechanical strategy has a 23% historic drawdown for instance, expect that you'll face a 25% or so drawdown at some point in the future, and periodic drawdowns of 10%-16% or so. Consider the drawdowns as the investment you must make to earn the profits of the strategy. And learn how to employ additional tools to lower your drawdown and put the odds and reward/risk of your trades more heavily in your favor.

Goals are good for setting a direction and a vision, but systems are best for making progress. Remember to setup a routine that will allow you to exploit the strategies in Reedstrader and your success using it will follow with consistency.

Every Olympian has the goal to win a gold medal. It is only by implementing a better system of continuous small improvements and consistent habits that the winners achieve a better outcome. **In order to consistently perform at a top level we need to setup the routine and habits that create the results we desire.**

Watching internals doesn't always lead to perfect market analysis, but it helps enough over the long-term that if you make it part of your daily routine, you will garner enormous compound benefits from its edge. Top relative strength stocks with fuel don't always outperform either, but they do outperform enough of the time and by a substantial enough margin, that if you focus your strategy on them you will garner a further edge - and leverage your market direction edge that much more.

Reading Reedstrader doesn't guarantee your outperformance in any one quarter, but applying the market timing edge of internals along with the

performance edge of RS stocks with fuel can make an enormous difference to your long-term returns if you apply these edges consistently and make them part of your investing routine.

We have spent the last 30+ years distilling and revising the systems required to monitor internals to put the trend on your side most of the time – both long-term and intermediate-term. We have distilled and revised the methods for making a consistent list of stocks the top tier of which are set to massively outperform. As a subscriber to Reedstrader **you now have the opportunity to incorporate these systems into your routine and make using them a habit that can transform your long-term profits in the markets. Taking advantage of that opportunity and designing your own routine and habits will determine whether you exploit the edges we have taught or not ahead. We urge you to take this opportunity in hand by integrating Reedstrader into your investment routine now.**

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