Financial Research, Education & Data

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Charts as of
01/15/16

The FRED Report – Sector Review

Sector Weight Notes: We move XLP to an over weight, and XLF to an equal weight. We move XLU to an equal weight, and IYZ to an under weight. We move XLV to an equal weight and XLE to an under weight.

SPY is down around 14 points since the last Sector Review. We were expecting a down first week, but the start to 2016 is weaker than we expected and caution flags are out. We are adjusting sector weightings to reflect a bearish market structure, until the markets broaden out.

We remain with XLY, and add XLP, as over weights. XLP is acting defensively, and the accumulation model has improved. XLF has broken recent lows, suggesting that benefit from rising rates may already be discounted, so we move to an equal weight – we expressed concerns regarding this last month. IYW is an equal weight, but when looking under the hood we note that many tech stocks are lagging. We move IYZ to underweight as it is breaking down through a Head and Shoulders top and could perform much worse than expected by most analysts. XLV continues to have "fast money" in the Biotech area, and we would focus on Drugs and the big Insurers outside of the "liked" stocks we show. The chart suggests an equal weight is correct. We move XLE back to an underweight as it broke support at the 2012 low, and oil continues weak. Oil prices could bottom in this area, but that does not mean they must advance – a base is more likely. We continue to watch XLB and XLI carefully, as they could emerge as leading sectors – but as of now they are weak – XLB is a candidate for underweight and XLI could break the neckline of the Head and Shoulders pattern. For the market to broaden out some of these negative sectors need to turn positive, and these are the two best candidates.

We believe that deflation and China weakness (and now devaluation concerns) are the "elephant in the room" and this is still possible. It could lead to a bear market. We were one of the first to propound this view, and it is now widely accepted, but bears watching nonetheless.

Current Weighting	Previous Months Weighting	ETF Sector	Page
Overweight	Overweight	**ETF** Sector Charts: Consumer Discretionary (XLY)	5-7
Overweight	Equal	**ETF** Sector Charts: Consumer Staples (XLP)	8-10
Underweight	Equal	**ETF** Sector Charts: Energy (XLE)	11-13
Equal	Overweight	**ETF** Sector Charts: Financials (XLF)	14-16
Equal	Underweight	**ETF** Sector Charts: Health Care (XLV)	17-19
Equal	Equal	**ETF** Sector Charts: Industrial (XLI)	20-22
Equal	Equal	**ETF** Sector Charts: Materials (XLB)	23-25
Equal	Underweight	**ETF** Sector Charts: Utilities (XLU)	26-28
Equal	Equal	**ETF** Sector Charts: Technology (IYW)	29-31
Underweight	Equal	**ETF** Sector Charts: Telecom (IYZ)	32-34
		Summary and Performance of Stocks	2-3
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Highlight
Change

THE FRED REPORT
4514 Chamblee-Dunwoody Rd, Suite 112
Dunwoody, GA 30338
Phone: (404) 875-FRED
E-mail: fred@thefredreport.com
See us at: www.thefredreport.com

Stock Prices as of 01/15/16

Sector ETF Stock Component Changes

						Absolute Change	Relative Change to ETF (%)
Stocks We Like							
Materials	Add:	AVY	"Avery Dennison Corpo	Remove:	LYB	(28.10%)	(4.29%)
Materials	Add:	BLL	"Ball Corporation Comr	Remove:	DOW	(16.60%)	9.14%
Stocks We Dislike							
Financials	Add:	COF	"Capital One Financial	Remove:	ACE	5.25%	(19.71%)
Materials	Add:	CF	"CF Industries Holdings	Remove:	MOS	(37.51%)	19.46%

Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)
Consumer Discretionary (XLY)					
Stocks We Like					
HD	10/23/2015	124.61	119.23	(4.32%)	5.89%
SBUX	10/23/2015	62.61	58.00	(7.36%)	2.85%
F	10/23/2015	15.67	11.97	(23.61%)	(13.40%)
Stocks We Dislike					
TGT	5/15/2015	78.53	70.08	(10.76%)	4.11%
CBS	9/18/2015	42.71	45.88	7.42%	(12.67%)
KSS	11/17/2015	44.05	48.15	9.31%	(18.59%)
Consumer Staples (XLP)					
Stocks We Like					
WBA	3/14/2014	67.07	79.93	19.17%	5.74%
CL	3/13/2015	68.46	63.35	(7.46%)	(7.51%)
TSN	11/17/2015	43.94	51.49	17.18%	17.86%
Stocks We Dislike					
MJN	1/18/2013	66.8	69.74	4.40%	28.55%
KO	3/13/2015	39.91	41.50	3.98%	(3.94%)
CVS	11/17/2015	93.79	93.90	0.12%	(0.80%)

Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)
Energy (XLE)					
Stocks We Like					
HAL	3/14/2014	55.19	30.85	(44.10%)	(7.02%)
OXY	6/12/2015	77.78	62.79	(19.27%)	10.10%
PSX	11/17/2015	91.12	78.47	(13.88%)	5.52%
Stocks We Dislike					
COG	10/17/2014	30.95	16.41	(46.98%)	12.57%
NE	10/17/2014	19.5	7.79	(60.05%)	25.64%
WMB	12/11/2015	26.42	16.10	(39.06%)	28.96%
Financials (XLF)					
Stocks We Like					
BAC	9/13/2013	14.49	14.46	(0.21%)	(6.27%)
BK	7/18/2014	38.43	35.78	(6.90%)	(0.39%)
MA	3/13/2015	87.75	88.71	1.09%	13.02%
Stocks We Dislike					
C	6/18/2010	40.01	42.47	6.15%	38.29%
CFR	1/16/2015	62.55	47.09	(24.72%)	16.02%
COF	1/15/2016	62.85	62.85	0.00%	0.00%

Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)
Health Care (XLV)					
Stocks We Like					
BAX	5/16/2014	37.32	35.10	(5.95%)	(20.94%)
GILD	10/17/2014	100.75	91.84	(8.84%)	(18.09%)
BMY	9/18/2015	64.34	62.78	(2.42%)	3.27%
Stocks We Dislike					
BCR	4/10/2015	170.48	176.93	3.78%	(13.49%)
MRK	5/15/2015	60.23	51.14	(15.09%)	5.14%
STJ	9/18/2015	67.31	54.88	(18.47%)	12.77%
Industrial (XLI)					
Stocks We Like					
ITW	8/15/2014	87.02	81.25	(6.63%)	1.39%
CSX	10/17/2014	33.86	22.76	(32.78%)	(27.24%)
TXT	12/11/2015	40.86	37.35	(8.59%)	(1.06%)
Stocks We Dislike					
EMR	5/11/2012	48.18	43.09	(10.56%)	46.95%
PNR	4/10/2015	62.66	44.62	(28.79%)	14.18%
TYC	12/11/2015	32.46	30.29	(6.69%)	(0.85%)
Materials (XLB)					
Stocks We Like					
SHW	10/17/2014	217.01	242.10	11.56%	29.61%
AVY	1/15/2016	58.94	58.94	0.00%	0.00%
BLL	1/15/2016	68.97	68.97	0.00%	0.00%
Stocks We Dislike					
FMC	8/15/2014	66.04	35.04	(46.94%)	23.86%
PX	11/17/2015	113.41	97.39	(14.13%)	(0.72%)
CF	1/15/2016	31.57	31.57	0.00%	0.00%

Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)
Utilities (XLU)					
Stocks We Like					
WEC	12/16/2011	33.44	52.75	57.75%	32.06%
NEE	6/15/2012	67.77	105.26	55.32%	37.77%
SO	1/16/2015	51.59	47.17	(8.57%)	2.04%
Stocks We Dislike					
PEG	6/15/2012	32.33	39.60	22.49%	(4.94%)
PCG	9/14/2012	43.25	52.47	21.32%	(2.52%)
PPL	1/16/2015	35.60	33.29	(6.49%)	(4.12%)
Technology (IYW)					
Stocks We Like					
CSCO	6/12/2015	28.54	23.62	(17.24%)	(7.11%)
INTC	8/14/2015	29.02	29.76	2.55%	11.15%
AAPL	12/11/2015	113.18	97.13	(14.18%)	(4.59%)
Stocks We Dislike					
ORCL	7/18/2014	40.00	34.12	(14.70%)	41.52%
NTAP	10/17/2014	38.82	22.25	(42.68%)	45.22%
CA	4/10/2015	31.545	26.53	(15.90%)	6.90%
Telecom (IYZ)					
Stocks We Like					
T	12/20/2010	29.21	33.99	16.36%	3.54%
AMT	7/12/2013	77.84	88.39	13.55%	17.18%
RKUS	6/12/2015	11.79	8.99	(23.75%)	(9.92%)
Stocks We Dislike					
FTR	9/14/2012	4.65	4.24	(8.82%)	11.70%
USM	6/13/2014	39.66	35.06	(11.60%)	0.35%
VZ	6/12/2015	47.25	44.43	(5.97%)	(7.86%)

Sector Report Investing Methodology:

We treat stock and ETF Investing in this section of the website differently from the “Idea Generation” sections of the site. The difference is that here we are aiming for RELATIVE, and NOT absolute performance. In addition, these ideas are meant to be longer-term in nature. A key difference is that chart patterns are more important in relative performance, whereas indicator patterns get the nod when trying to create absolute returns. In practice this could mean, for example, using the stochastic as a measure of risk, and buying when it is in the upper part of the range rather than waiting for a move into the lower part of the range, which is riskier. This can mean, paradoxically, that stocks we dislike can have stronger short-term moves, as they are more oversold. Look at the examples below. MCD is overbought when looking at the Stochastic, and therefore riskier short-term, but it has outperformed longer-term, a trend we expect to continue.

There are two assumptions here. The first is that one is trying to build a position over time. The second is that, as part of the first assumption, one is adding to the position over time. So, one could take a baseline position, and then add to it when the Stochastic falls. Again, see the examples below. This becomes especially important when advisors are evaluating fundamental recommendations from their own firms. Look for relative outperformance as measured by such things as the position of lows in a stock relative to other stocks, and the market indexes. We show some charts below to further illustrate these ideas.

ETF Sector Charts: Consumer Discretionary (XLY)

Consumer Discretionary is testing major support: This sector remains long-term positive. However, the failed buy signal on the daily stochastic while the weekly is oversold is an indication that the character of the market has changed. We could have started a bear market, which would be confirmed by a break of 69. Both weak and strong stocks in this sector continue to outperform other sectors in spite of recent market weakness. The weekly stochastic is oversold and we have a failed daily stochastic buy signal, but the market itself is near support and we want to see how this trades if SPY bounces off of the 180 area so we will not change weightings at this time. OVERWEIGHT

ETF Sector Charts: Consumer Discretionary (XLY) – Stocks we like/buys

HD: This is a strong intermediate chart that is performing well on this decline in the market. The trend is still up although intermediate support is being tested. Much below 118 targets 100, a concern.

SBUX: This has been a top performer, and as long as above 55 it remains a solid intermediate trend. The next intermediate support is 50 if this area breaks.

F: We have had 17.50 to 18 targets on F for some time, and the latest decline does not necessarily obviate these. This is weakening by we want to see how F works on a market bounce.

ETF Sector Charts: Consumer Discretionary (XLY) – Stocks we dislike/avoid

TGT: We were looking for a move below 77 to suggest a test of 70 or lower. This was quicker than we anticipated and so far 70 support is holding. This retest, if successful, will improve the name and TGT should be watched carefully.

CBS: CBS is now a negative picture but so far 45 support is holding. A retest of the 40 low is likely if the 44 area breaks. However, note that the weak stocks in XLY are holding up better than the market so far.

KSS: This stock looks like a bottoming pattern may be forming. While weak this is another example of discretionary stocks holding up a bit better than the current market. Above 50 would repair KSS.

ETF Sector Charts: Consumer Staples (XLP)

Consumer Staples is trading better, acting defensive in this market decline: XLP is trading better as we move into 2016, and several analysts have cited this as their favorite sector. So far, it is acting defensive as the year has started off badly. The accumulation model on this is still in a favorable configuration. Like other stochastic signals, the daily has a failed buy signal and the weekly is oversold. Positive relative performance and chart strength suggests moving this to an overweight. This could out perform in the first half of 2016. **OVER WEIGHT**

ETF Sector Charts: Consumer Staples (XLP) – Stocks we like/buys

WBA: This stock fell into support on the recent market decline but is still a great intermediate chart. WBA has had more corporate action news and could be choppy, but after a bit it should be totally rad.

CL: This is a high level consolidation as long as 60 holds. CL is still holding intermediate support and trading well. Below 60 would be a concern and target 53, but this and others in the sector are performing well on a relative basis.

TSN: TSN has broken out of the high level consolidation and is holding up well given market weakness. In bad markets, relative performance often is more important than overbought/oversold levels, and this continues to hold up well as does the sector.

ETF Sector Charts: Consumer Staples (XLP) – Stocks we dislike/avoid

MJN: This has been weakening for a while before the bad start to 2016 and is below our target of the mid 70's on the downside. This is still an underperforming stock and much below 70, now being tested, targets 61.

KO: This is a better chart than most dislikes in many respects, but is vulnerable to sudden shifts in the currency markets. Both the Yen and the Euro are confounding market players at this juncture, so caution in this name is indicated.

CVS: We replaced WMT with CVS in June. CVS has a weakening pattern and may be a head and shoulders top. We have concerns because this is related to Healthcare and a break of 90 could lead to lower prices – it is already through the neckline.

ETF Sector Charts: Energy (XLE)

XLE broke the 60-area support near the 2012 low: XLE has broken most support, and now has broken the 2012 low. We did several trading buys in 2015, and they worked out for us – but no investment buy has worked. 2016 started with stochastic buys that have failed, and unless this moves above 63 it is still a negative chart. Last month we suggested that if the oversold condition did not result in a move above 63 we would move to an underweight once again. We realize this could have a strong oversold bounce, but if oil bases here, energy earnings could still weaken, and the chart is intermediate-term weak, so we move to an underweight again. **UNDER WEIGHT**

ETF Sector Charts: Energy (XLE) – Stocks we like/buys

HAL: HAL is fully testing the 30-area support and is showing positive relative strength vs. XLE. This is a premier Oil Service name and should outperform even if oil continues to weaken – but it could still decline.

OXY: OXY is one of our favorite integrated oils. We want to have to have an integrated on this list but invest cautiously. This has decent relative strength vs. XLE, but is still a weak chart.

PSX: This stock still looks positive in relation to oil, but may continue weakening if oil fails to hold at our target of 28 – 30/Bbl which we have used off and on as our worst case for oil.

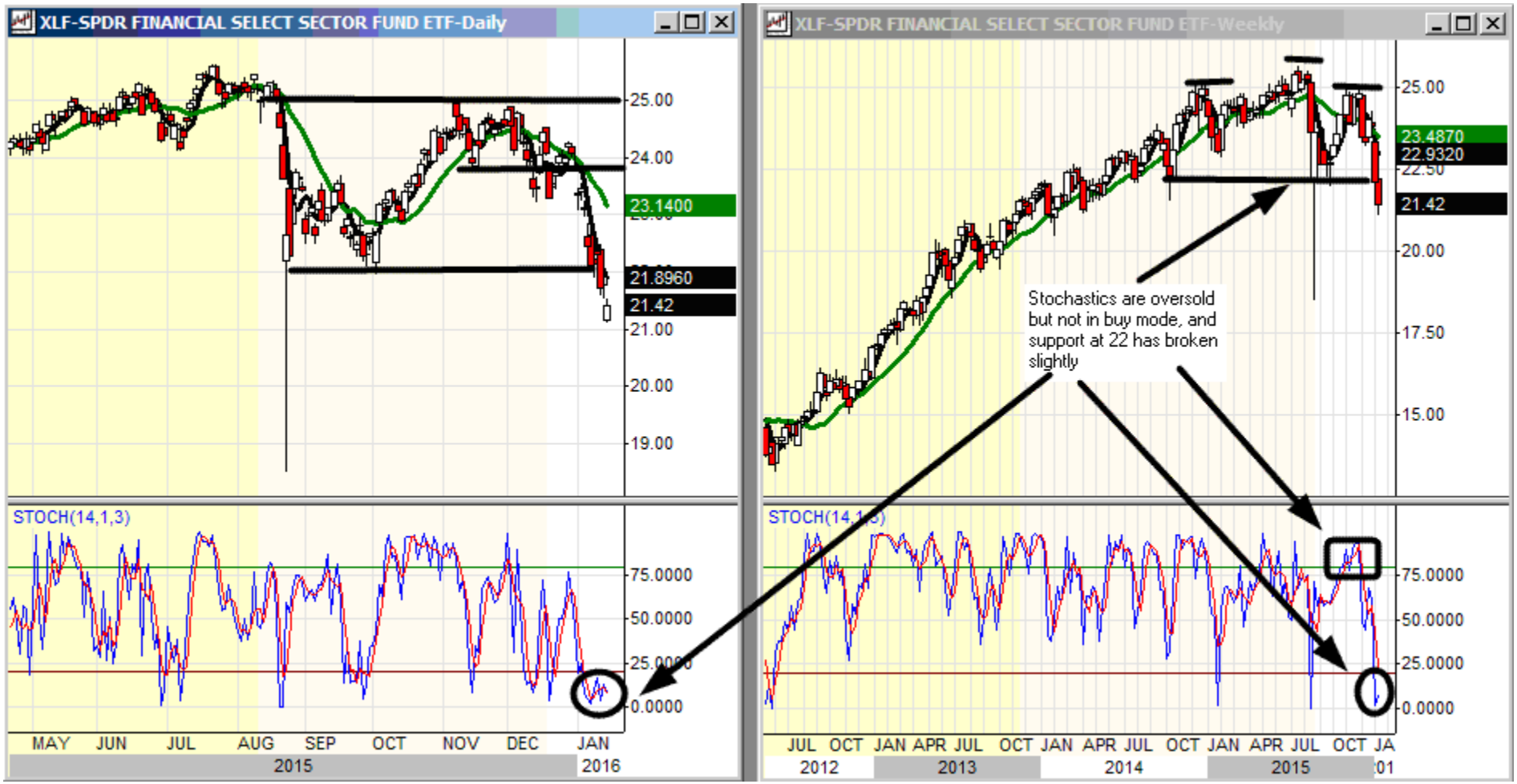
ETF Sector Charts: Energy (XLE) – Stocks we dislike/avoid

COG: Back above 20 would be positive, and this is a name we might swap out later. Still it is an under performing chart, for now. If short, cover at 14 on weakness or a move back up above 20. There are some bottoming signs here.

NE: This is an example of one of the weak service stocks. At first it looked like it was holding but it has fallen hard again. Caution and realize a period of basing should occur before a sustained advance.

WMB: We swapped SWN for this last month as SWN was getting close to $5 and most of the downside potential had been exhausted. WMB has dropped as well but above 22 would be positive.

ETF Sector Charts: Financials (XLF)



XLF is has weakened considerably: XLF remains weak relative to other sectors on a very long-term basis. XLF still has favorable fundamentals to us – we think rates should continue to rise in 2016. The chart is weakening and there may be a Head and Shoulders top with objectives in the 15 area, as mentioned last month. Resistance at 25 - 26 on XLF is heavy on the monthly chart (also not shown), and it does not surprise us that it has held prices for so long Financial stocks have started to weaken again, and could do very badly in a bear market. Because of this we will move to an equal weight. **EQUAL WEIGHT**

ETF Sector Charts: Financials (XLF) – Stocks we like/buys

BAC: BAC has fully tested the 18 resistance and our target for 2015. Support is 14.80, now being tested. This stock continues in a range, and is stronger than some of the big banks, but not by much.

BK: BK is trading ok as long as the 35-area support continues to hold. The long-term pattern is favorable and we would add to positions on a move above 45. This has weakened more short-term than expected.

MA: MA is a strong intermediate chart that could do well. Should the 90 – 87 area fail to hold the stock could test 76 - 72. Caution flags are out on this unit.

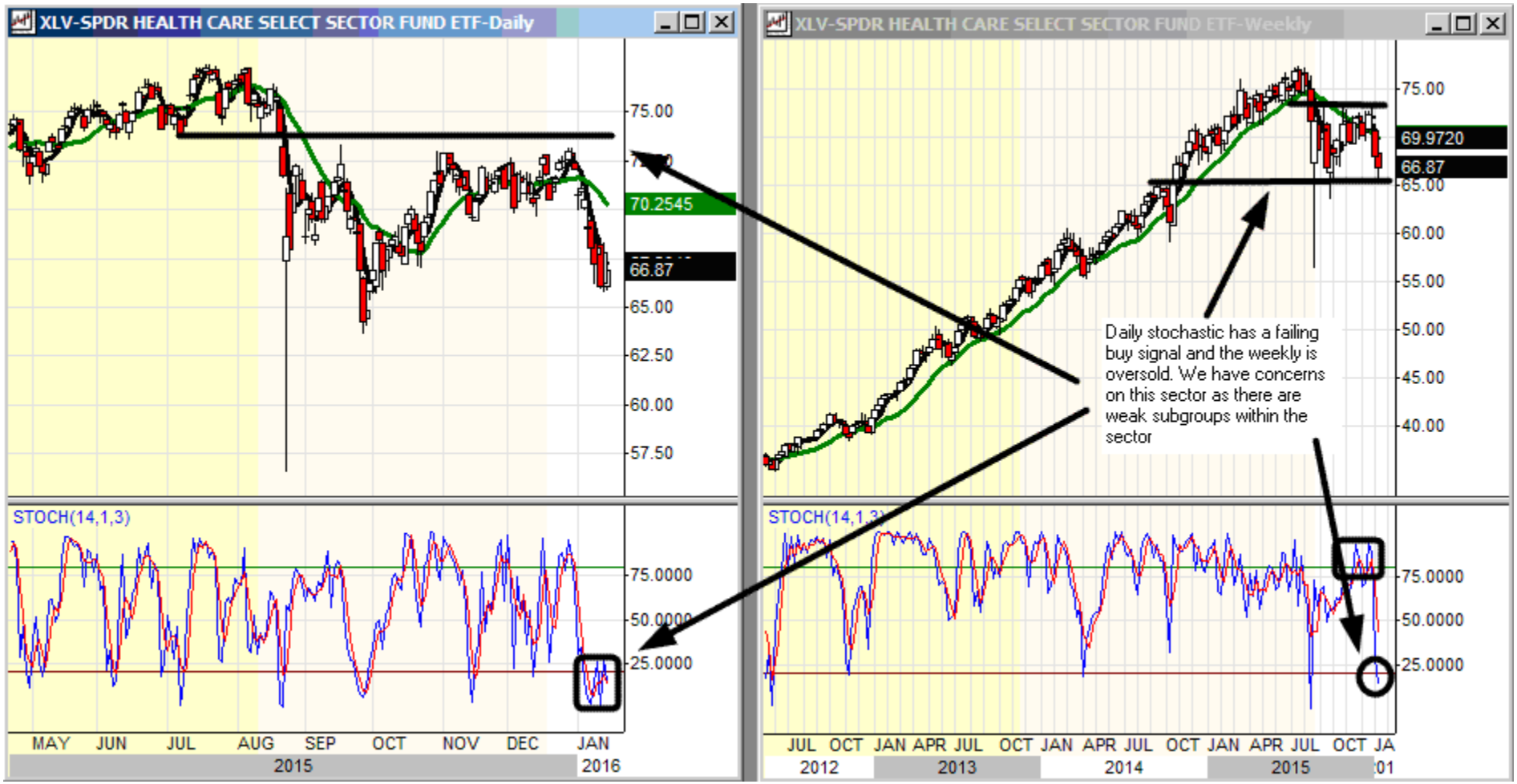
ETF Sector Charts: Financials (XLF) – Stocks we dislike/avoid

C: This was the weakest large cap bank and it improved for a while but is now giving back that out performance. Unless back above 51 soon this could meander around in the high 39's to mid-40's.

CFR: This is a San Antonio bank that normally has high exposure to the oil industry. This oil decline is having an effect on other businesses. This is a weak chart, especially below 60, although CFR is oversold.

COF: This is a new breakdown and suggests some weaker than expected consumer spending. We are also seeing this in recent weak retail sales numbers and store closings by M and WMT. 50 is possible.

ETF Sector Charts: Health Care (XLV)



XLV has continued to lag: XLV outperformed the SPY and traded at all-time highs for much of 2014 and the first half of 2015. XLV has weakened and IBB, an important subgroup, weakened more than many expected. XLV lagged going into the end of 2015, but has made higher lows in the first part of Q1 2016, as we thought it might. A lot of the "fast money" is trapped in this sector and for this reason we were underweight into yearend 2015. We move to an equal weight now, but suggest emphasizing drug and health insurance names and not biotech, which could still be a drag on the sector in 2016. **EQUAL WEIGHT**

ETF Sector Charts: Health Care (XLV) – Stocks we like/buys

BAX: BAX had a false breakout, and recently a false breakdown below the 2013 low. It is holding on, and flat in a bad market. Short-term support is 34 – 32.

GILD: This has been our favorite Biotech stock for several years. It is consolidating in the face of a weak IBB and market. Support has held. We feel we have to have a biotech on this list and this is our favorite.

BMY: This is one of the stocks we added late in 2015, as it is trading extremely well. Drugs are a strong subgroup in Healthcare. BMY is holding support and the uptrend as long as above 59.

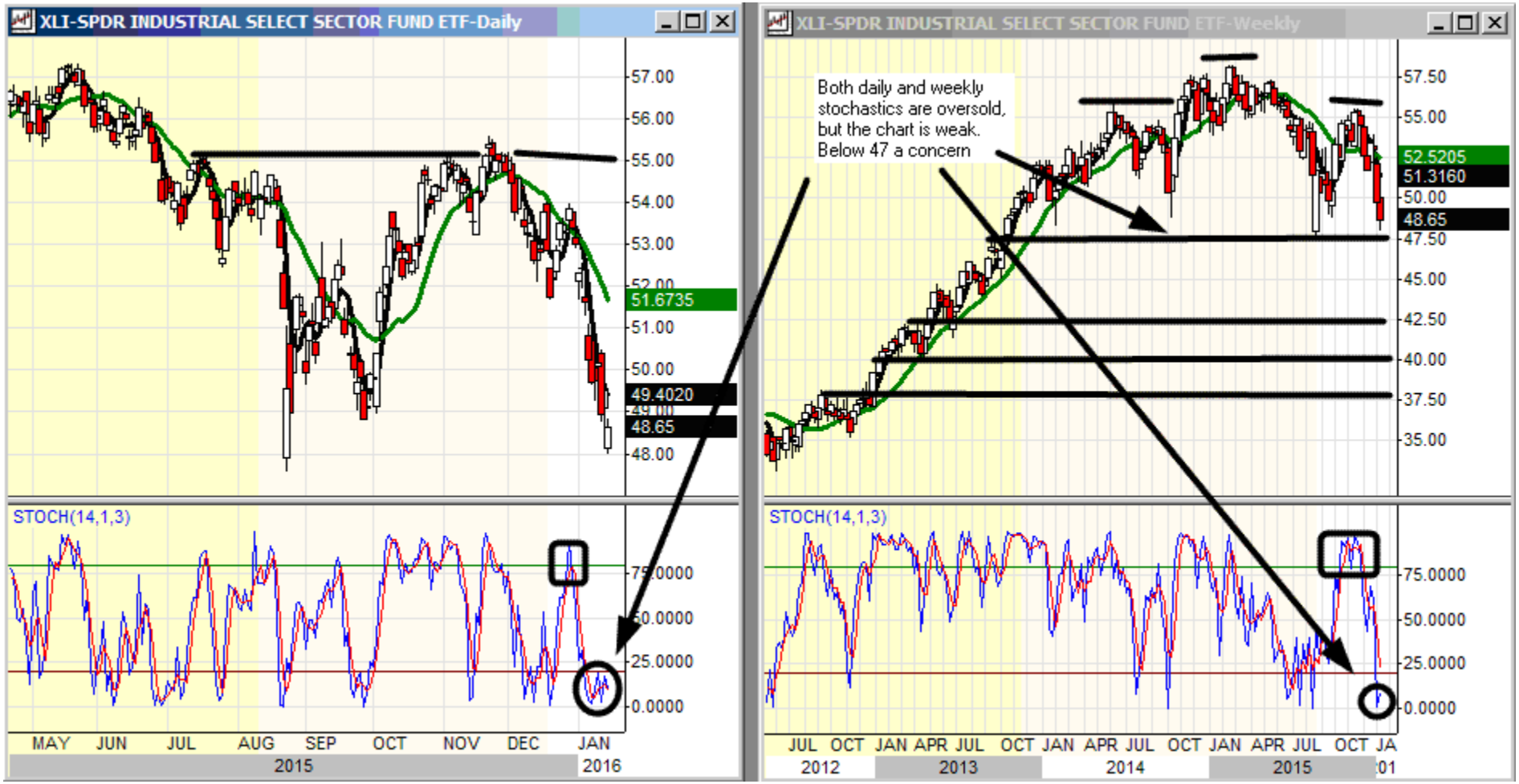
ETF Sector Charts: Health Care (XLV) – Stocks we dislike/avoid

BCR: The intermediate trend is up and improving, but our concern is a break of 174 targets 150. This could happen – the stock is starting to show weakness short-term.

MRK: MRK has continued to lag the sector since summer and is still short-term weak. Support at 50 is being retested, and unless MRK moves above 55 it could see continued weakness.

STJ: We moved this to dislikes because our target of 80 was hit on a spike and the chart is now weak and a short-term downtrend. It has broken 60 support could test 48 unless it recovers soon.

ETF Sector Charts: Industrial (XLI)



XLI is testing support at 47 - 48: We remain an equal weight but the chart is weakening, and below the neckline at 47 could target as low as 37. Accumulation models have held up. Below 47 again would break the neckline of the Head and Shoulders, and target as much as a decline to 37. We have expected this sector to show continued slow improvement over the next several months, but this may be overly optimistic in a bear environment. Caution flags are out. EQUAL WEIGHT

ETF Sector Charts: Industrial (XLI) – Stocks we like/buys

ITW: Support at 80 is being tested on extreme weakness over the last two weeks. This could be a Head and Shoulders top if 80 fails to hold, targeting the 60-area.

CSX: The stock broke the 30 support and continues to live below that number. The break of 25 is a concern and could target 14. Above 25 would be a trading buy. A bear market would not be kind to this sort of chart.

TXT: We eliminated HON and added TXT in December. Defense stocks look strong in Industrials, but even some of these have topping formations. We still think these could hold up but there is added risk here.

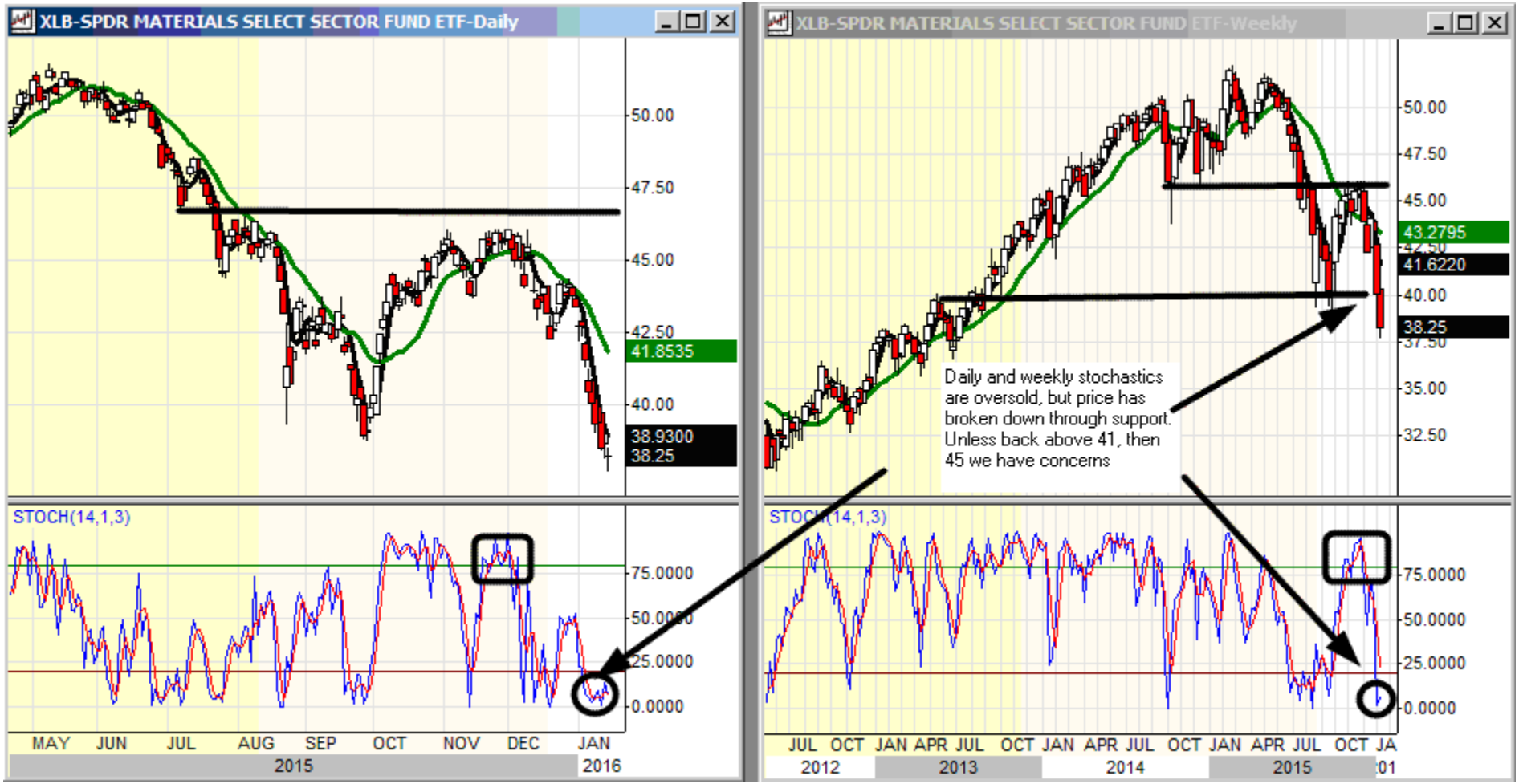
ETF Sector Charts: Industrial (XLI) – Stocks we dislike/avoid

EMR: This has fallen along with the sector and is now stronger than the sector. Players willing to take risk could try and buy here, but unless above 50 this is still a weak picture.

PNR: This flat chart has started to fall off and short-term has hit our target in the low 40's. We would watch this as it has hit downside targets, but failure to move above 50 soon targets the mid-30's.

TYC: New lows on the weekly chart suggest this could be weak into Q1 2016. This is a negative picture that could test the low 20's unless back above 33 soon.

ETF Sector Charts: Materials (XLB)



XLB is now breaking long-term support at 40, and could test 32 at least unless it rallies immediately: XLB has broken support, and accumulation models have fallen off precipitously. We note that in spite of this there are some stocks in the sector that are trading well and we made some changes to reflect this. We felt that XLB could be strong in 2016, and we think that if this market broadens out there continues to be a chance of moving into Materials and Industrials, but for now things continue to look weak. Because this has a chance to bounce if the market improves we will leave our equal weight for now. EQUAL WEIGHT

ETF Sector Charts: Materials (XLB) – Stocks we like/buys

SHW: This stock remains a strong intermediate picture. The downside target of 220 was hit. In this recent weakness the stock is holding support and if the market improves SHW could do well.

AVY: This is also a strong intermediate picture that is outperforming the market and also the sector. As long as above 55, we would consider adding this to portfolios at this time.

BLL: This is a sideways intermediate chart, with prices holding near the top end of the trading range – in other words this is stronger than the market and MUCH stronger than the sector. A successful test of 60 would be a buying opportunity.

ETF Sector Charts: Materials (XLB) – Stocks we dislike/avoid

FMC: This has continued to weaken. Unless it moves quickly above 45 we have concerns. We would continue to avoid this name unless willing to accept risk of a break of this short-term support.

PX: This stock failed at resistance and is now making new lows. Above 100 would be a positive for this chart. It is trading in line with XLB and is breaking down again as the sector falls off. A test of 86 is possible unless the market can advance.

CF: This has started to break down below 40 and replaces MOS, which has started to show bottoming signs (although it is a weak chart also). Unless back above 40 this could test 22.

ETF Sector Charts: Utilities (XLU)

XLU has acted defensive in the latest market turmoil: XLU has not advanced with the recent short-term rally in bonds, but the stochastic pattern is improving. Support at the 40-area has held, and while there has not been much rally at least XLU has not collapsed. XLU has remained in the recent range, but we have concerns that if bonds do badly later in 2016 then this sector will suffer. A move below 40 targets 32. We are concerned that this will suffer on a market rally but will move to an equal weight due to market conditions. **EQUAL WEIGHT**

ETF Sector Charts: Utilities (XLU) – Stocks we like/buys

WEC: The intermediate-term chart is stronger than XLU. WEC is the strongest short-term chart for now, but the intermediate remains a touch weaker than NEE although it is still attractive.

NEE: NEE looks strong above 90 and is our favorite in this sector. This has hit 100-area price targets and as such is a hold for us and it is now a consolidation. Given market action we are very happy with this name.

SO: This is very choppy and the intermediate-term support held. Short-term we are seeing a rounding bottom, as drawn. We would add to this name at 45 if we had the chance. Improving chart.

ETF Sector Charts: Utilities (XLU) – Stocks we dislike/avoid

PEG: This stock is a high level consolidation but overall has traded less well than XLU. It could test the 35 support and even if it holds it is weakening relative to the sector. A hold if you have it.

PCG: This stock held support, but could decline from this resistance and it could test the mid 40's again if 50 breaks. Not a bad chart but vulnerable relative to the sector.

PPL: The stock fully tested 30-area support and if this breaks we would look for a test of 24. The two gaps down make this weaker than other utility names. There is support at 32, but the structure is down.

ETF Sector Charts: Technology (IYW)

IYW is an equal weight chart but remains with some concerns: IYW has improved, and remains an equal weight but we have concerns as everyone is overweight the sector. The stocks are volatile, witness AAPL, and the broad based technology indexes have been lagging big caps. Un-weighted indexes of technology are weaker (see QQQ vs. QQEW for example), and still fewer tech stocks have positive patterns. There are layers of support from 105 – 95 and this has held on a closing basis. IYW has had trouble in the first few weeks of January and some of the so-called "FANG" stocks have been defanged. We are tempted to underweight this but the chart is still ok. EQUAL WEIGHT

ETF Sector Charts Technology (IYW) – Stocks we like/buys

CSCO: CSCO is a positive intermediate chart and the support at 22.50 has held. We would look at this carefully above 30, but for now it is in a range. This could be strong in 2016 if the market recovers.

INTC: This has resistance at around 35. A move above 35 targets 39 or higher, and could occur in 2016. Right now it is a range from 25 to 35, and trading in the upper half, a sign of strength.

AAPL: We added AAPL for stability in this sector. AAPL may under perform slightly, but it should hold up well in a decline. Our big concern is that this is no longer a growth name, and could lag for a bit.

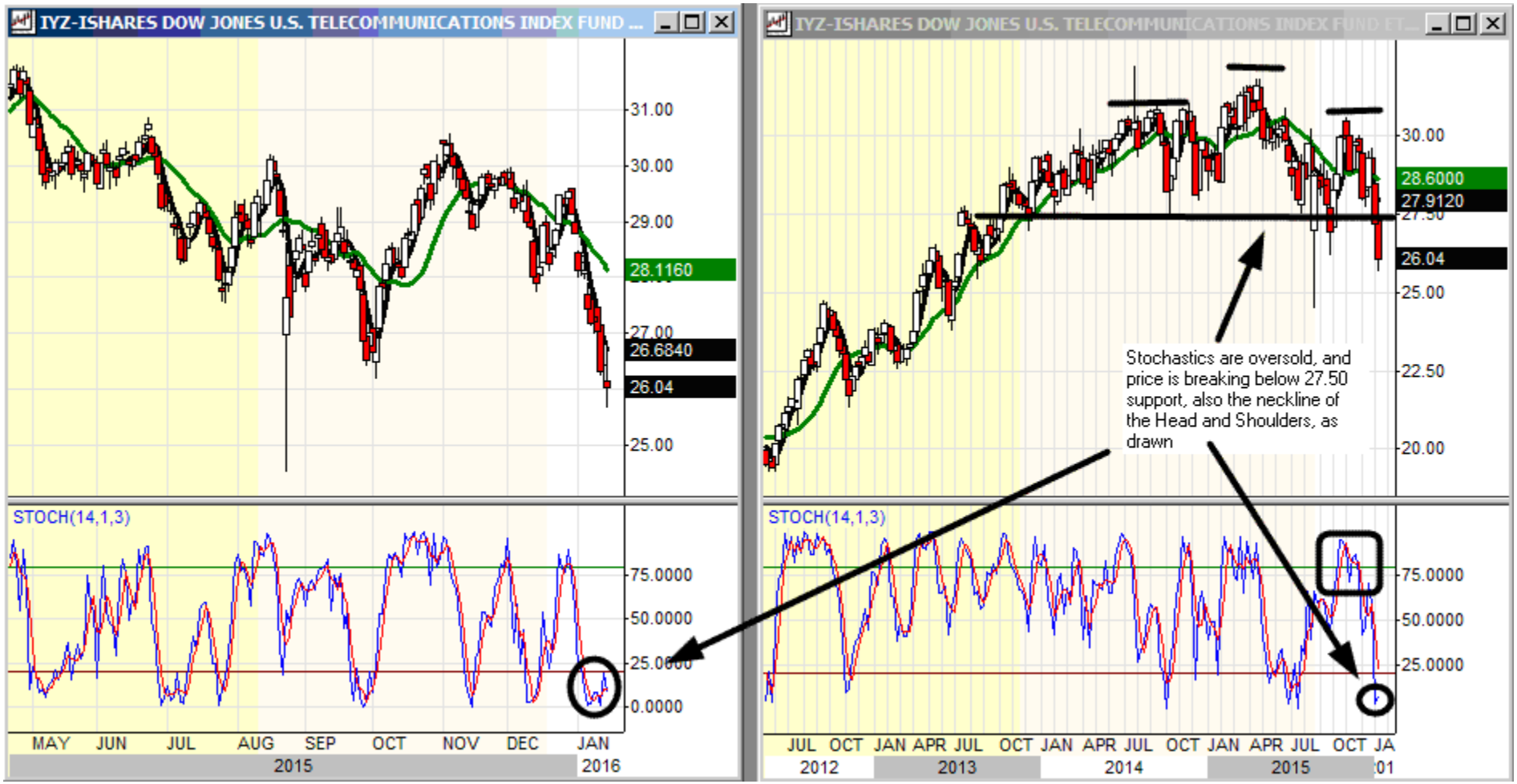
ETF Sector Charts: Technology (IYW) – Stocks we dislike/avoid

ORCL: This stock continues weaker than other tech names. ORCL failed at 40 resistance and has started to break down through support. This chart could test the mid-20's.

NTAP: This broke down through intermediate support in a strong market for tech. It has declined to test our target of 22. Avoid until the stock builds a base, although maybe shorts should cover here.

CA: CA failed at resistance, and has made lower highs, not a strong name on a relative basis. CA is actually holding support, and is the strongest "disliked stock", but it is still worse than the "liked" names.

ETF Sector Charts: Telecom (IYZ)



IYZ is a neutral chart, and some stocks have great yields: Telecom may have a Head and Shoulders pattern as drawn and the neckline at 27 or so is breaking. While this revalidated once before, that was during a period of market strength and not weakness. A long-term view of the sector shows no real change since mid-2013. Our biggest concern is that this head and shoulders top targets 20 or below and we achieve that level. Ultimately IYZ will outperform bonds if rates advance, but the break below the neckline of the Head and Shoulders suggests moving this to an underweight again. **UNDER WEIGHT**

ETF Sector Charts: Telecom (IYZ) – Stocks we like/buys

AMT: AMT is still holding support, and is the strongest chart in the group. We have been looking to add to this on a breakout, but advisors could also start a position now. A test of 80 is possible, and we would add there as well.

T: T is holding intermediate support and looks fairly strong. We would add to this position above 35, as right now it is a base. We could see a breakout in this name in 2016. Note: it continues to outperform AAPL.

RKUS: This is a relatively new and it is challenging support. Below this level targets 6 or so and above 11 would repair the chart and suggest a move up to 13 again.

ETF Sector Charts: Telecom (IYZ) – Stocks we dislike/avoid

FTR: Trading objective on FTR was the 8 area, and it has traded down from there. This was a strong trading idea. Support at 4 has held but is being retested and a break of this would be negative.

USM: This has failed at the 42.50 area several times and now is there again. USM has held 35-area support and could bounce, but below this could make new multi-year lows. This is still a weak chart.

VZ: This stock is still trading badly when compared to T. The triple bottom in the 45 area failed and we are still slightly below that number. Objectively, it is weaker than T but not a horrible chart. A hold for us.

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