

## Weekly Market Look

For Institutional Investors Only

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### Weekly Update:

- Weekly summary of portfolio performance is outlined on pages 4, 5, and 6. Highest performing stock was XONE (19.33%) over the prior week, weakest was WMT (-2.36%).
- On a macroeconomic level, the 4 week average of initial unemployment claims was up 0.46%, after being down 3.48% in last week's reading. (full listing of leading, coincident, and lagging indicators on pgs 7 and 8)
- Last week I noted that prices for the S&P total return index (SPXT) were still below its 200 day moving average, but gaining momentum. A change occurred this week as the SPXT rose 3.12% last week, with prices slightly surpassing the 200 day MA. As I use this as my trend filter, I would be inclined to take a bullish/more aggressive stance on the market overall.
- Global market performance:

	1 Week Performance	Futures
S&P (SPX)	3.06%	-0.12%
NASDAQ (COMPX)	1.38%	-0.08%
Nikkei (NI)	1.14%	-0.14%
FTSE (FTSE)	3.10%	0.05%
USD/JPY	0.53%	-0.01%
EUR/USD	0.06%	0.05%
WTI (OILSW)	2.92%	0.46%
Brent (OILBR)	0.37%	0.43%
Natural Gas (NG2Spot)	-13.97%	0.26%
Copper (HG2Spot)	1.61%	0.39%
Gold (GC2Spot)	0.66%	-0.17%
Soybeans (S2Spot)	-0.81%	0.03%

- Current sector rotation (RRG), relative to the S&P 500

Ticker	Sector	Quadrant
XLU	Utilities	Improving
XLP	Consumer Staples	Improving
XLV	Healthcare	Lagging
XLB	Materials	Lagging
XLI	Industrials	Leading
XLRE	Real Estate	Leading
XLK	Technology	Leading
XOP	E&P	Weakening
XLF	Financials	Weakening
XLY	Consumer Disc	Weakening
XLE	Energy	Weakening

### Thoughts on sector rotation:

- My thoughts last week were that the XOP (Exploration and Production) sector looked poised to move into the “weakening” quadrant relative to the S&P 500, which did actually occur. Consumer Staples as well as Utilities also moved from “lagging” to “improving” which is something else that I thought may take place. My stance is the same on this as it was last week, in that I think it signals an air of overall caution in the marketplace. However...the current sector rotation conflicts with what I mentioned earlier regarding the SPXT trend filter. My expectations would normally be for increased caution to coincide with falling prices in the SPXT, which is not the current case. Taking a look at the advance/decline line for the S&P 500 shows a recent increase as well, implying that the appetite for risk at this time, exceeds levels of concern. As such, the long idea being presented today is from the Tech sector (which leads the S&P 500 as of this writing). This is also a name that was recommended previously, and seen a recent pullback in prices.

### Trade idea (*System 3-MA Crossover*: description on page 3\*, chart on page 9):

- Fortinet (**FTNT**-\$80.14). **Potential long candidate** (prior long call at \$62.87).
- Previous long that we looked at back on 6/27/18. As a recap, FTNT provides integrated cybersecurity solutions to small, medium, and large businesses. Focus areas include Network security, Multicloud security, Web applications, and email.
- Initial recommendation came via a system meant to capture a price retracement in a primary uptrend. This time however it showed up on a screen looking to capture the 10 period moving average (EMA) crossing above the 100 day EMA.
- Prices reached \$92.29 on October 1, 2018, before falling to \$76.74 over the next 10 calendar days. That decline was in lockstep with price declines on the S&P 500 over the identical time period. In short, I don't interpret the decline as having anything to do with FTNT on an individual basis, and everything to do with a decline in overall markets (with correlations essentially going to, as they often do in downturns).
- There was a subsequent decline to \$65.51, which took place on 12/24/18, which has since rebounded to its current level.
- On a technical basis, there is a bullish divergence between the decline in price, and the 14 period RSI (which I use as a proxy for momentum), measuring between Oct 11<sup>th</sup> and Dec 24<sup>th</sup>.
- On a fundamental basis, the same traits that attracted us to FTNT back in June, exist now, i.e. revenue growth rates in excess of 15%, along with a balance sheet that up to this point holds no debt.
- Target price for this long is \$92 per share, but if conditions indicate that the trend is still in place, would likely continue to hold shares. Should the thesis be incorrect, my exit would be at \$76.11 equating to a \$4.03 per share loss relative to current prices. The \$4.13 is equivalent to 1.5x the current average true range (ATR) of \$2.685.

### Prior recommendation(s)

- **NWL-Newell Brand: 1/29/19; BUY; Entry = \$21.13; Current Price = \$21.75; Profit/Loss= +2.93%**

### Entrepreneurship/Venture Capital

- VC investment into Cannabis startups swelled to \$881 billion last year. Everything from product tracking software and retail operations, to CBD extraction
  - <https://pitchbook.com/news/articles/the-top-vc-fundings-investors-in-cannabis-in-2018>
- Women of color severely underrepresented in VC space.
  - <https://www.entrepreneur.com/article/324743>

### Trade System Descriptions\*

- **System 1:** Momentum ranking while accounting for volatility. Basket of stocks are ranked based on their momentum over the last 90 days (using the exponential regression). That number is annualized and then subsequently multiplied by the R2 (coefficient of determination), in order to penalize stocks for excessive volatility. Goal is to locate stocks with strong, steady momentum
- **System 2:** Retracement while in a primary trend. For long ideas, the goal is to identify names that have been moving higher, but have recently pulled back slightly. I look for stocks whose current price lies below the 20 day moving average, but above the 50 day moving average, while momentum (14 period RSI), is pointing higher as well.
- **System 3:** Moving average crossover. Basic system attempting to capture a stock poised to breakout. Can use a 10 day MA crossover above the 100 day MA, 20 above the 50, 50 above the 200, etc... depending on risk tolerance.

# Weekly Market Note

1 Day - Watch List - Watchlist Summary Layout



Code	Name	Last	Sector Name	Mkt Cap	Daily Change	1 Week Change	Relative to S&P	1 Month Change	Quarterly Change	Yearly Change	
- Commercial Servic CNT: 3											
6028.JP	TechnoPro Holdings,Inc.	6,200.000	Commercial Services	206,288.4	8.96%	13.55%	Improving	37.47%	6.35%	0.81%	
BCO	The Brink's Co	74.05	Commercial Services	3,746.9	-0.83%	3.02%	Leading	10.54%	6.95%	-9.86%	
KFY	Korn Ferry	46.57	Commercial Services	2,631.7	2.31%	5.41%	Improving	14.76%	-0.91%	7.58%	
- Consumer Durabl CNT: 3											
ELY	Callaway Golf Co	16.39	Consumer Durables	1,548.9	0.68%	0.00%	Lagging	2.37%	-24.37%	13.11%	
MSA	MSA Safety Inc	100.22	Consumer Durables	3,854.9	0.74%	3.27%	Weakening	4.62%	-5.88%	27.07%	
SWK	Stanley Black & Decker Inc	128.79	Consumer Durables	19,827.9	0.78%	6.25%	Improving	4.58%	3.66%	-21.39%	
- Consumer Non Du CNT: 2											
4985.JP	EARTH CHEMICAL CO LTD	5,230.000	Consumer Non Durable	103,502.2	2.15%	4.18%	Weakening	6.63%	-1.13%	-9.36%	
BF.B	Brown-Forman Corp	47.41	Consumer Non Durable	22,612.7	-0.29%	4.40%	Leading	0.74%	0.34%	-11.55%	
- Consumer Service CNT: 7											
DISH	Dish Network Corp	30.19	Consumer Services	14,119.0	-0.82%	-0.36%	Lagging	6.75%	-2.39%	-35.48%	
HLT	Hilton Worldwide Holding	74.73	Consumer Services	22,192.0	0.42%	3.35%	Leading	6.85%	2.62%	-9.58%	
LBTYK	Liberty Global PLC	24.88	Consumer Services	18,908.3	-4.10%	9.99%	Improving	13.19%	-0.76%	-32.21%	
LYV	Live Nation Entertainment	53.17	Consumer Services	11,053.6	0.76%	0.64%	Weakening	6.34%	-3.06%	18.87%	
SBUX	Starbucks Corp	67.58	Consumer Services	84,022.2	-0.78%	1.02%	Weakening	6.31%	5.07%	21.18%	
TSG	The Stars Group Inc	17.510	Consumer Services	4,764.0	-0.28%	-2.18%	Improving	2.82%	-16.86%	-29.68%	
WWE	World Wrestling Entertain	82.51	Consumer Services	6,437.5	0.34%	0.82%	Leading	7.04%	17.60%	139.02%	
- Distribution Servic CNT: 1											
FERG	Ferguson PLC	51.490	Distribution Services	11,842.5	-0.27%	1.56%	Improving	0.57%	-3.31%	-7.96%	
- Electronic Technol CNT: 1											
FTNT	Fortinet Inc	80.14	Electronic Technology	13,647.8	1.57%	8.71%	Weakening	19.77%	10.45%	78.33%	
- Finance CNT: 7											
CARO	Carolina Financial Corp	34.74	Finance	784.1	0.20%	0.72%	Improving	12.39%	1.58%	-17.07%	
FBNC	First Bancorp	37.42	Finance	1,112.3	1.03%	-0.24%	Lagging	13.81%	-0.64%	1.38%	
LAND	Gladstone Land Corp	12.06	Finance	193.8	1.43%	4.60%	Weakening	0.75%	-2.90%	-0.82%	
NCOM	National Commerce Corp	40.8800	Finance	848.8	0.54%	2.12%	Improving	8.69%	9.89%	-10.74%	
SSB	South State Corp	67.28	Finance	2,410.6	0.69%	1.14%	Improving	8.71%	-1.55%	-25.37%	

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1 Day - Watch List - Watchlist Summary Layout



Code	Name	Last	Sector Name	Mkt Cap	Daily Change	1 Week Change	Relative to S&P	1 Month Change	Quarterly Change	Yearly Change	
<b>Finance</b>											
TOWN	Towne Bank	26.6500	Finance	1,931.2	1.56%	4.35%	Improving	5.71%	-4.62%	-11.75%	
V	Visa Inc	141.500	Finance	172,131.8	0.96%	4.05%	Weakening	5.87%	1.23%	17.03%	
<b>Health Services</b>											
EVHC	Envision Healthcare Corp	45.990	Health Services	4,874.5	0.00%	0.13%	Weakening	1.23%	2.79%	9.92%	
<b>Health Technology</b>											
ALXN	Alexion Pharmaceuticals Inc	123.75	Health Technology	27,608.6	-2.00%	3.81%	Improving	16.75%	0.76%	6.54%	
CSII	Cardiovascular Systems Inc	32.6700	Health Technology	1,133.8	2.77%	12.77%	Lagging	12.38%	6.52%	33.08%	
NEOG	Neogen Corp	62.15	Health Technology	3,236.9	2.02%	4.14%	Improving	10.78%	-1.83%	5.16%	
TGTX	TG Therapeutics Inc	4.02	Health Technology	333.4	0.00%	-1.71%	Improving	-12.80%	-20.71%	-65.93%	
<b>Non Energy Minerals</b>											
SUM	Summit Materials Inc	16.300	Non Energy Minerals	1,092.4	2.32%	7.66%	Improving	17.27%	7.38%	-47.42%	
VMC	Vulcan Materials Co (Holding	104.200	Non Energy Minerals	16,733.8	-0.20%	1.51%	Leading	2.63%	2.45%	-20.46%	
<b>Producer Manufacturing</b>											
5301.JP	Tokai Carbon Co Ltd	1,545.000	Producer Manufacturi	323,781.2	1.71%	2.05%	Lagging	26.74%	-18.60%	-5.10%	
AME	AMETEK Inc	73.70	Producer Manufacturi	17,106.9	0.40%	5.06%	Leading	8.30%	1.47%	-4.60%	
APT	Aptiv PLC	78.59	Producer Manufacturi	20,755.4	0.73%	7.61%	Improving	25.50%	-1.09%	-16.58%	
LECO	Lincoln Electric Holdings Inc	87.93	Producer Manufacturi	5,666.7	1.34%	4.44%	Improving	11.60%	4.55%	-7.50%	
NWL	Newell Brands Inc	21.75	Producer Manufacturi	10,152.9	2.21%	1.40%	Leading	13.52%	14.53%	-22.27%	
PCAR	Paccar Inc	65.25	Producer Manufacturi	22,615.7	0.45%	6.44%	Leading	10.54%	11.92%	-10.12%	
WSO	Watsco Inc	148.80	Producer Manufacturi	5,569.2	1.06%	1.71%	Improving	4.14%	-0.29%	-15.66%	
XONE	The ExOne Co	9.57	Producer Manufacturi	155.3	6.45%	19.33%	Lagging	37.90%	33.66%	6.93%	
XYL	Xylem Inc	70.32	Producer Manufacturi	12,636.5	0.24%	1.40%	Improving	5.05%	3.38%	-7.06%	
<b>Retail Trade</b>											
2782.JP	Seria Co Ltd	3,820.000	Retail Trade	288,949.3	0.26%	14.03%	Lagging	0.00%	-11.06%	-39.84%	
3182.JP	Oisix Inc.	1,767.000	Retail Trade	57,214.6	3.70%	-1.72%	Improving	-4.02%	-9.38%	-44.61%	
9435.JP	HIKARI TSUSHIN INC	17,900.000	Retail Trade	813,381.0	1.30%	5.17%	Lagging	6.80%	-9.09%	10.49%	
OLLI	Ollie's Bargain Outlet Holdin	80.53	Retail Trade	5,058.3	1.49%	5.02%	Lagging	16.29%	-13.16%	49.82%	
WMT	Walmart Inc	94.77	Retail Trade	275,970.2	0.97%	-2.36%	Weakening	1.42%	-6.48%	-9.29%	

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1 Day - Watch List - Watchlist Summary Layout



Code	Name	Last	Sector Name	Mkt Cap	Daily Change	1 Week Change	Relative to S&P	1 Month Change	Quarterly Change	Yearly Change
- Technology Services										
<input type="checkbox"/> CYBR	CyberArk Software Ltd	88.4400	Technology Services	3,189.2	-0.05%	5.12%	Leading	27.40%	30.19%	99.86%

Type Code or Name to add an item to the watchlist



## Weekly Market Note

1 Day - Watch List - No Layout

	Code	Name	Last	1 Month Change	3 Month Change	6 Month Change	9 Month Change	12 Month Change	
- Leading Indicators									
<input type="checkbox"/>	USSLIND	Leading Index for the United States	0.98	-30.99%	-26.32%	-33.33%	-35.53%	-29.50%	
<input type="checkbox"/>	UMCSENT	University of Michigan: Consumer Sentiment®	98.30	0.82%	-1.80%	0.10%	-3.06%	2.50%	
<input type="checkbox"/>	T10YFF	10-Year Treasury Constant Maturity Minus Federal Funds Rate	0.23	-20.69%	-75.79%	-78.10%	-81.75%	-83.33%	
<input type="checkbox"/>	SP500	S&P 500®	2,706.53	7.97%	-1.23%	-3.80%	1.95%	-4.09%	
<input type="checkbox"/>	PERMIT	New Private Housing Units Authorized by Building Permits	1,328.00	4.98%	6.33%	2.08%	0.53%	1.92%	
<input type="checkbox"/>	NFCI	Chicago Fed National Financial Conditions Index	-0.81	14.08%	-4.71%	-1.22%	5.19%	-12.90%	
<input type="checkbox"/>	NEWORDER	Manufacturers' New Orders: Nondefense Capital Goods Excluding Aircraft	69,288.00	-0.58%	-0.59%	1.41%	2.91%	2.89%	
<input type="checkbox"/>	IC4WSA	4-Week Moving Average of Initial Claims	220,250.00	0.46%	3.89%	1.03%	-3.93%	-8.04%	
<input type="checkbox"/>	DGORDER	Manufacturers' New Orders: Durable Goods	250,827.00	0.76%	-3.58%	0.57%	0.91%	3.46%	
<input type="checkbox"/>	AWHMAN	Average Weekly Hours of Production and Nonsupervisory Employees: Manufacturing	42.00	-0.24%	0.00%	-0.71%	-0.94%	0.24%	
- Coincident Indicators									
<input type="checkbox"/>	W875RX1	Real personal income excluding current transfer receipts	13,590.50	0.20%	0.32%	1.01%	11.45%	12.17%	
<input type="checkbox"/>	RSAFS	Retail and Food Services Sales	513,531.00	0.23%	0.99%	1.82%	4.42%	4.03%	
<input type="checkbox"/>	PCE	Personal Consumption Expenditures	14,243.50	0.38%	1.22%	2.62%	3.50%	4.25%	
<input type="checkbox"/>	PAYEMS	All Employees: Total Nonfarm Payrolls	150,574.00	0.20%	0.56%	1.00%	1.44%	1.83%	
<input type="checkbox"/>	INDPRO	Industrial Production Index	109.95	0.35%	0.91%	1.92%	3.20%	2.47%	
<input type="checkbox"/>	CDSP	Consumer Debt Service Payments as a Percent of Disposable Personal Income	5.58	-0.02%	-0.02%	-0.50%	-4.57%	-4.08%	
<input type="checkbox"/>	BUSLOANS	Commercial and Industrial Loans, All Commercial Banks	2,316.81	1.75%	4.38%	4.85%	8.37%	9.09%	
- Lagging Indicators									
<input type="checkbox"/>	ULCNFB	Nonfarm Business Sector: Unit Labor Cost	109.05	-0.26%	-0.26%	-0.49%	-0.18%	0.60%	
<input type="checkbox"/>	UEMPMEAN	Average (Mean) Duration of Unemployment	20.50	-5.96%	-8.89%	-11.64%	-11.26%	-14.94%	
<input type="checkbox"/>	MPRIME	Bank Prime Loan Rate	5.50	2.80%	4.76%	10.00%	15.79%	22.22%	
<input type="checkbox"/>	MNFCTRIRSA	Manufacturers: Inventories to Sales Ratio	1.34	0.00%	-0.74%	-0.74%	-0.74%	-1.47%	
<input type="checkbox"/>	CIVPART	Civilian Labor Force Participation Rate	63.20	0.16%	0.48%	0.48%	0.64%	0.80%	
Type Code or Name to add an item to the watchlist									

## Weekly Market Note

1 Day - Watch List - No Layout

<input type="checkbox"/>	Code	Name	Last	1 Month Change	3 Month Change	6 Month Change	9 Month Change	12 Month Change	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Men	86,577.00	0.16%	0.50%	0.73%	0.49%	0.75%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Women	76,652.00	-0.19%	0.21%	0.47%	1.69%	1.95%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: White	126,351.00	-0.26%	0.26%	0.50%	0.49%	0.81%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Black or African American	20,628.00	0.82%	0.18%	0.65%	2.02%	2.06%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Hispanic or Latino	28,985.00	0.08%	1.70%	1.72%	2.68%	4.17%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 16 to 19 years	5,939.00	-0.54%	-0.35%	0.63%	1.85%	-0.64%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 16 to 19 years, White	4,560.00	-0.33%	0.18%	-0.26%	-0.22%	-3.08%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 16 to 19 years, Black or African American	842.00	3.06%	1.81%	12.27%	14.71%	10.94%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 years and over, Men	83,599.00	0.12%	0.38%	0.65%	0.48%	0.81%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 years and over, Women	73,691.00	-0.11%	0.41%	0.55%	1.65%	2.05%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 years and over, White Men	66,051.00	-0.09%	0.50%	0.67%	0.10%	0.49%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 years and over, White Women	55,740.00	-0.46%	-0.02%	0.37%	1.02%	1.54%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 years and over, Black or African American Men	9,367.00	0.89%	-0.63%	0.50%	1.19%	1.22%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 years and over, Black or African American Women	10,419.00	0.58%	0.79%	-0.07%	1.86%	2.18%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 20 to 24 years	15,054.00	0.63%	0.95%	-0.80%	-0.90%	-1.45%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 25 to 54 years	104,210.00	0.14%	0.72%	0.54%	0.55%	1.11%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: 55 years and over	38,044.00	0.50%	1.19%	1.76%	3.09%	3.53%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Less than a High School Diploma, 25 years and over	10,283.00	0.90%	0.92%	-2.14%	0.48%	1.33%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: High School Graduates, No College, 25 years and over	36,154.00	0.70%	-0.19%	0.29%	0.81%	0.63%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Bachelor's degree and higher, 25 years and over	58,701.00	0.43%	2.52%	3.69%	3.37%	5.10%	<input type="checkbox"/>
<input type="checkbox"/>	LNS	Civilian Labor Force Level: Some College or Associate Degree, 25 years and over	37,175.00	-0.79%	-0.66%	-1.82%	-1.10%	-1.93%	<input type="checkbox"/>

Type Code or Name to add an item to the watchlist



# Weekly Market Note



# Weekly Market Note

1 Day Relative Rotation Graph® Date: 2/1/2019 Benchmark: S&P 500 INDEX - SPX (WI)

