

Katie Stockton, CMT
Fairlead Strategies, LLC

AAll San Diego:
Applying Systematic Technical Analysis to Manage Risk

July 8, 2023

We use **technical analysis** to identify trends for:

- ✓ Risk management
- ✓ Market timing
- ✓ Alpha generation



These are our most valuable concepts and tools:

- ✓ **Support & Resistance**
- ✓ **Technical Indicators**
- ✓ **Relative Strength**
- ✓ **Market Internals**

We combine levels and trends with input from Technical Indicators:

§ Trend-Following

§ Moving Averages

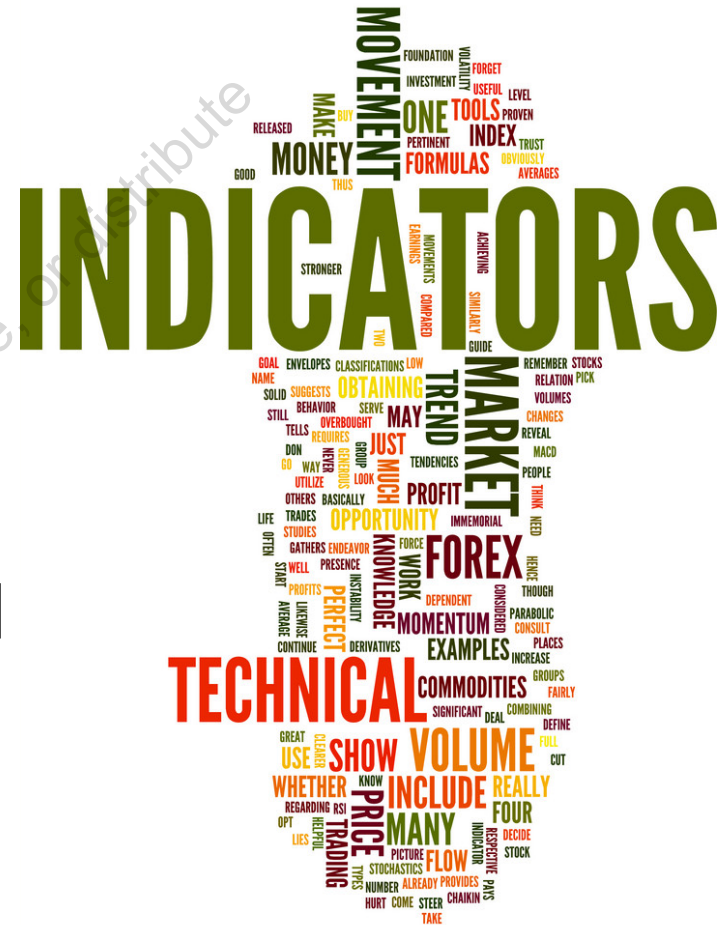
§ MACD

§ Cloud Model

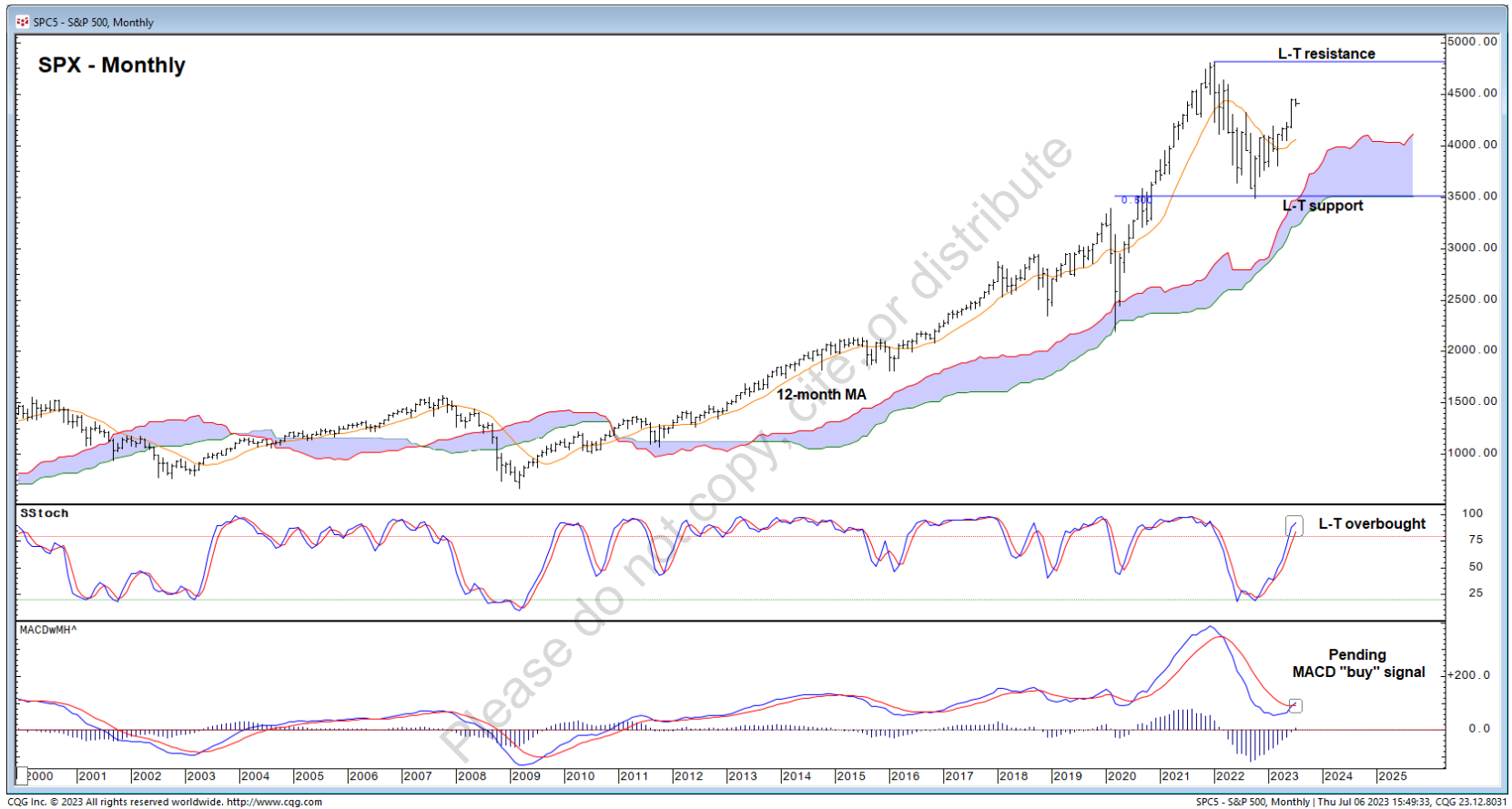
§ Overbought/Oversold

§ Stochastic Oscillator

§ DeMARK Indicators®



Has the SPX entered a wide long-term trading range?

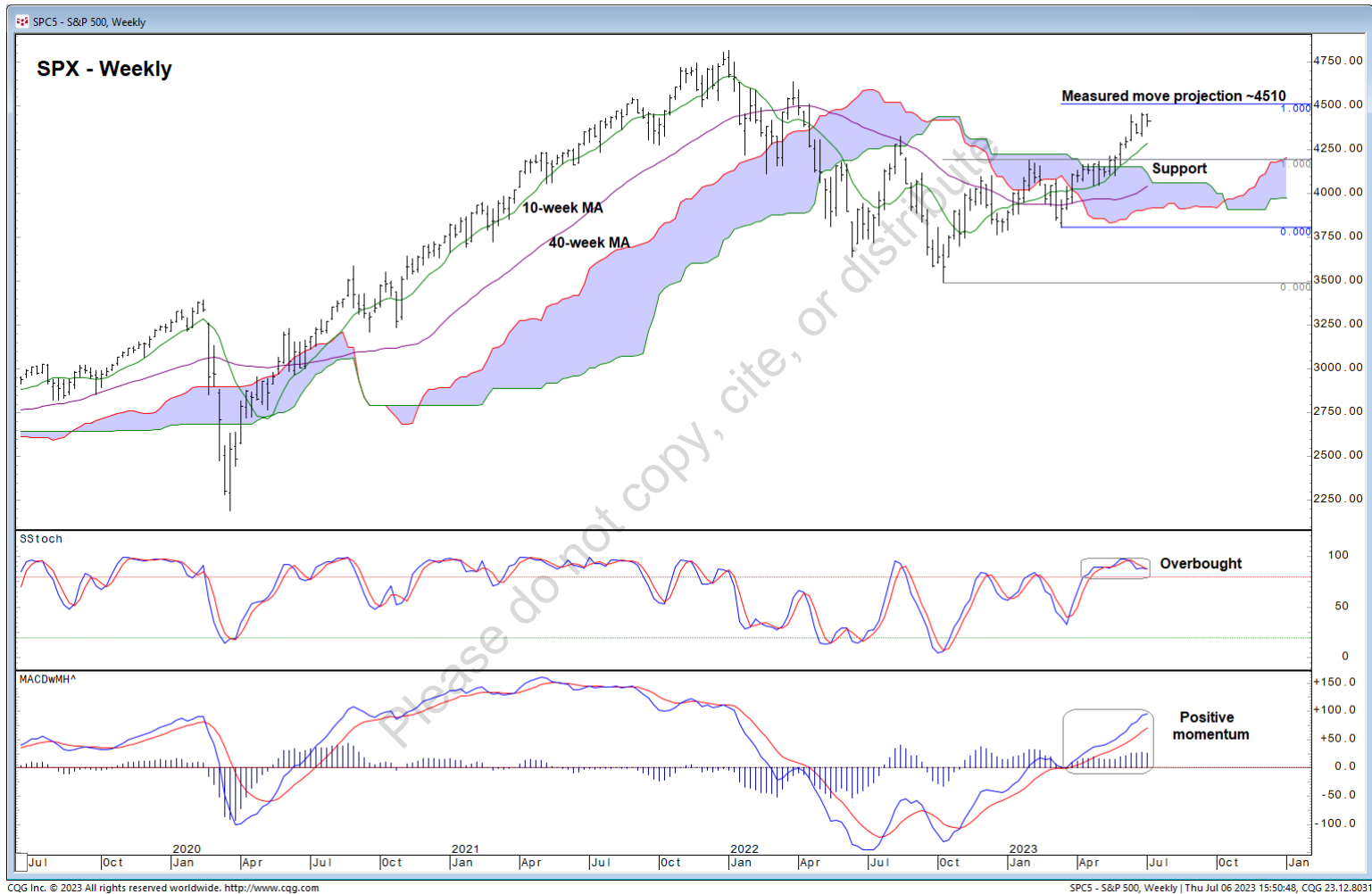


Trend-Following Indicators

MACD. "Moving Average Convergence/Divergence."
Common momentum indicator

- ⌘ **Standard Calculation.** 12-26-9. Difference between 26-period EMA and 12-period EMA, with a 9-period EMA used for signals
- ⌘ **Crossovers.** Source of "buy" and "sell" signals
- ⌘ **MACD Histogram.** A histogram shows the spread between the MACD lines for a more complete picture
- ⌘ **Divergences.** Can be telling, but they are not always good market timing devices

The intermediate-term uptrend has room for follow-through



Overbought/Oversold Measures

Stochastic Oscillator. Common oscillating overbought/oversold measure

⌘ Compares current close relative to a specified high-low range

$$\left(\frac{\text{Today's Close} - \text{Lowest Low in \%K Periods}}{\text{Highest High in \%K Periods} - \text{Lowest Low in \%K Periods}} \right) * 100$$

⌘ Oscillates between 0% and 100%;
overbought is > 80% and oversold is < 20%

⌘ Crossovers above/below thresholds generate “buy”/“sell” signals

⌘ Components:

⌘ %K (period)

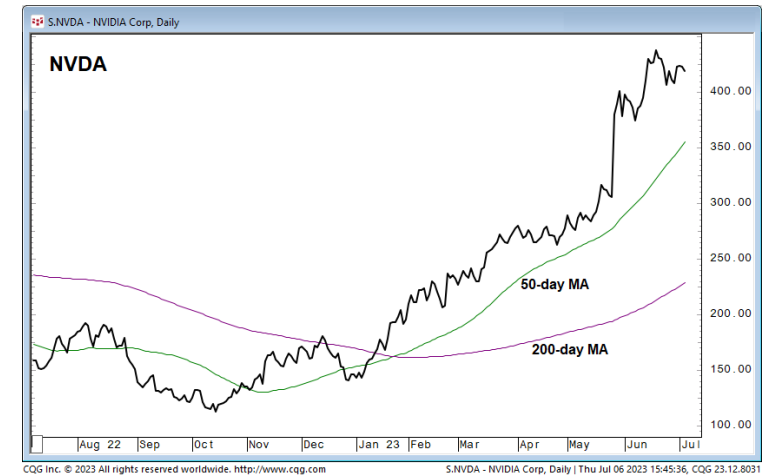
⌘ %D (internal smoothing of %K)

⌘ %DS (moving average of %D, to generate signals)

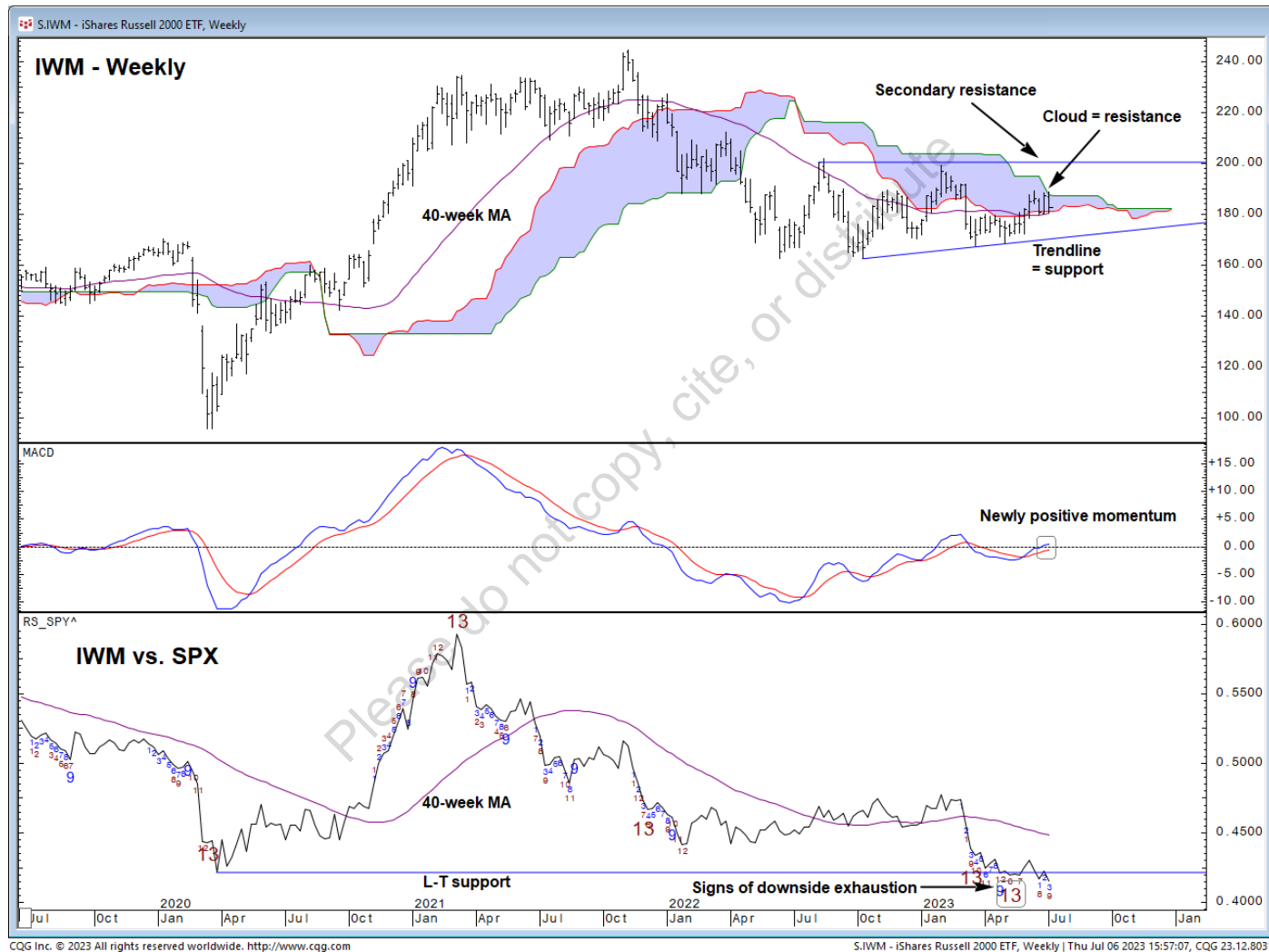
⌘ %DSS (additional smoothing of %DS for slowed stochastic)



Megacaps continue to grind higher, even as breadth expands



Small-cap benchmark IWM shows improvement in its range



We watch for oversold/overbought extremes at inflections

		16-Jun	15-Jun	14-Jun	13-Jun	10-Jun
Price	S&P 500 Index (SPX)	3666.77	3789.99	3735.48	3749.63	3900.86
	SPX % Change	-3.25%	1.46%	-0.38%	-3.88%	-2.91%
Breadth	NYSE Advancers	514	3159	1442	269	653
	NYSE Decliners	3879	1171	2946	4225	3661
	SPX % > 50-day MA	2%	6%	5%	5%	12%
	SPX % Oversold	89%	90%	84%	58%	25%
	SPX % Overbought	0%	0%	0%	0%	2%
	McClellan Oscillator	-243	-135	-255	-255	-129
Sentiment	Fear and Greed Index	13	20	17	17	28
	AAll Bull-Bear Spread	-38.9	-38.9	-25.9	-25.9	-25.9
	CBOE Volatility Index (VIX)	32.95	29.62	32.69	34.02	27.75
Leadership	NYSE New 52-Week Highs	0	1	2	0	2
	NYSE New 52-Week Lows	648	176	474	489	183
	NYSE Highs - Lows	-648	-175	-472	-489	-181
Volume	NYSE Volume (Billions)	5.40	5.36	4.99	5.41	4.72
	NYSE Up/Down Volume	-16.0	3.6	-1.6	-43.2	-7.7

May 2022 peak
overbought readings

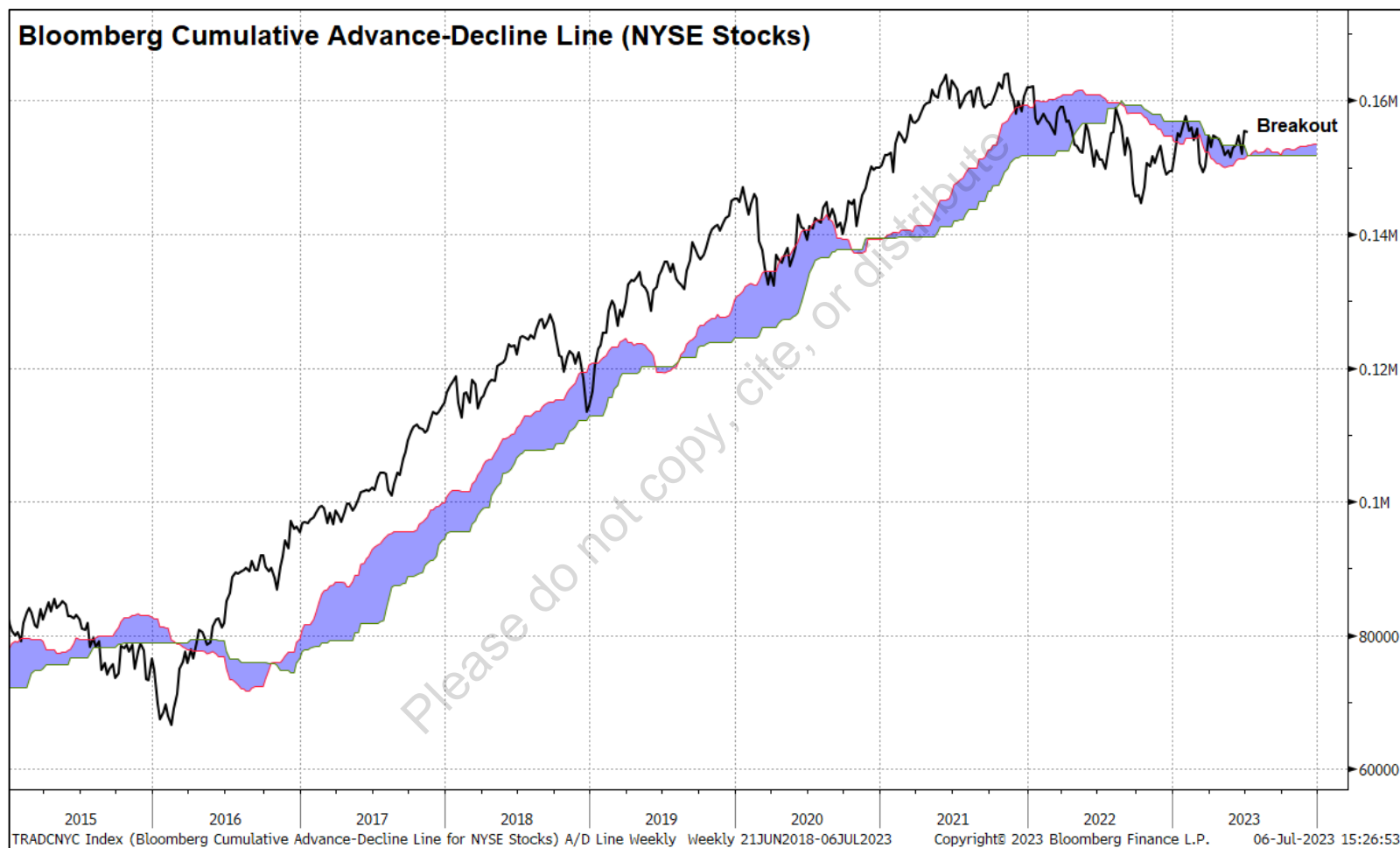


June 2022 low
oversold readings

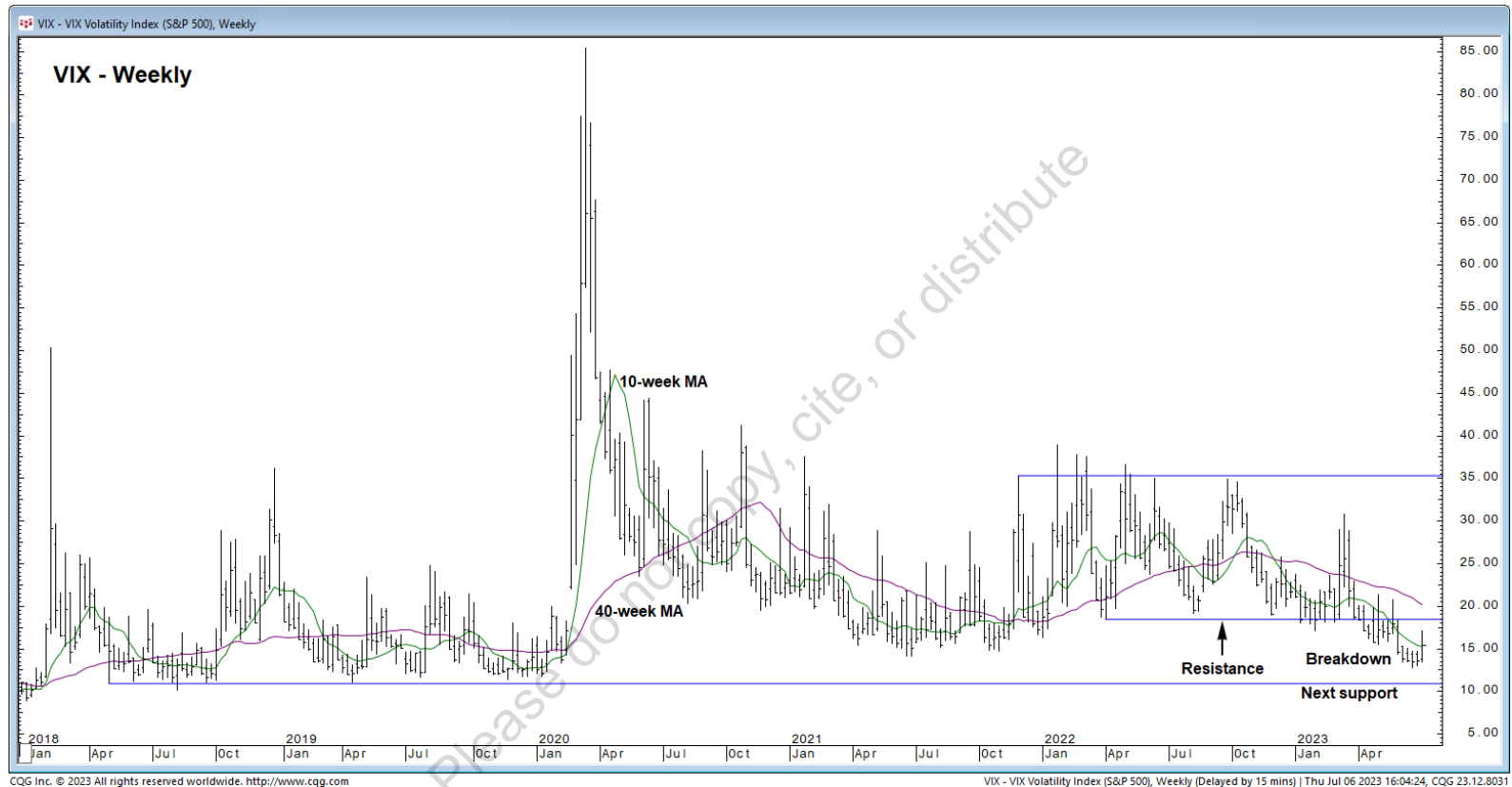
		2-Jun	1-Jun	31-May	27-May	26-May
Price	S&P 500 Index (SPX)	4176.82	4101.23	4132.15	4158.24	4057.84
	SPX % Change	1.84%	-0.75%	-0.63%	2.47%	1.99%
Breadth	NYSE Advancers	3318	1647	1539	3695	3574
	NYSE Decliners	994	2642	2797	589	706
	SPX % > 50-day MA	44%	33%	40%	46%	32%
	SPX % Oversold	1%	0%	0%	0%	1%
	SPX % Overbought	49%	58%	66%	50%	30%
	McClellan Oscillator	262	200	261	351	257
Sentiment	Fear and Greed Index	25	26	21	21	13
	AAll Bull-Bear Spread	-5.1	-5.1	-33.7	-33.7	-33.7
	CBOE Volatility Index (VIX)	24.72	25.69	26.19	26.54	27.5
Leadership	NYSE New 52-Week Highs	52	43	92	81	74
	NYSE New 52-Week Lows	13	21	12	12	25
	NYSE NH - NL	39	22	80	69	49
Volume	NYSE Volume (Billions)	4.21	4.33	6.63	4.16	4.53
	NYSE Up/Down Volume	4.7	-2.1	-2.8	7.1	6.1

Sources: Bloomberg Finance, L.P. & Fairlead Strategies

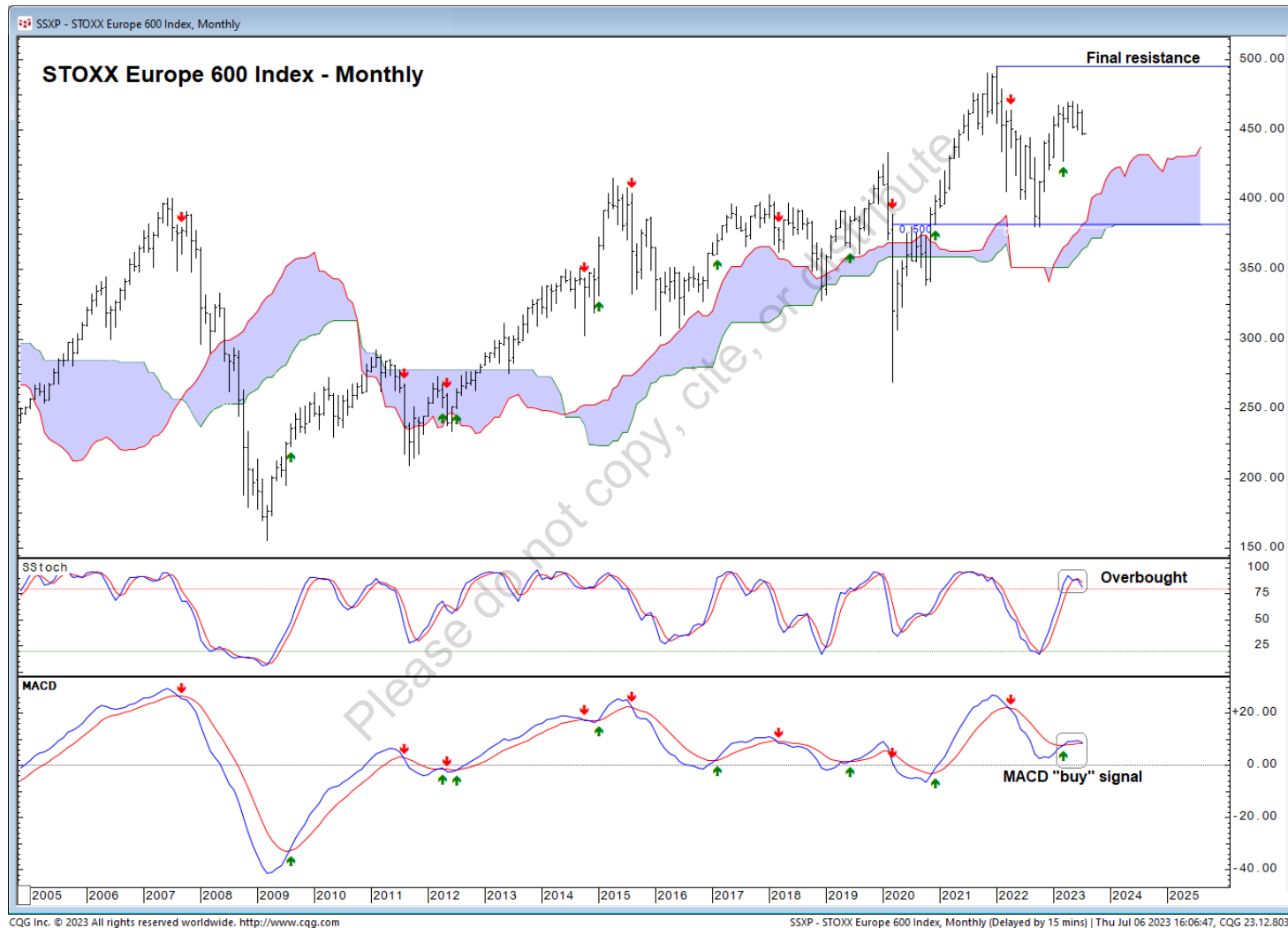
Market breadth, or participation, is now confirming price



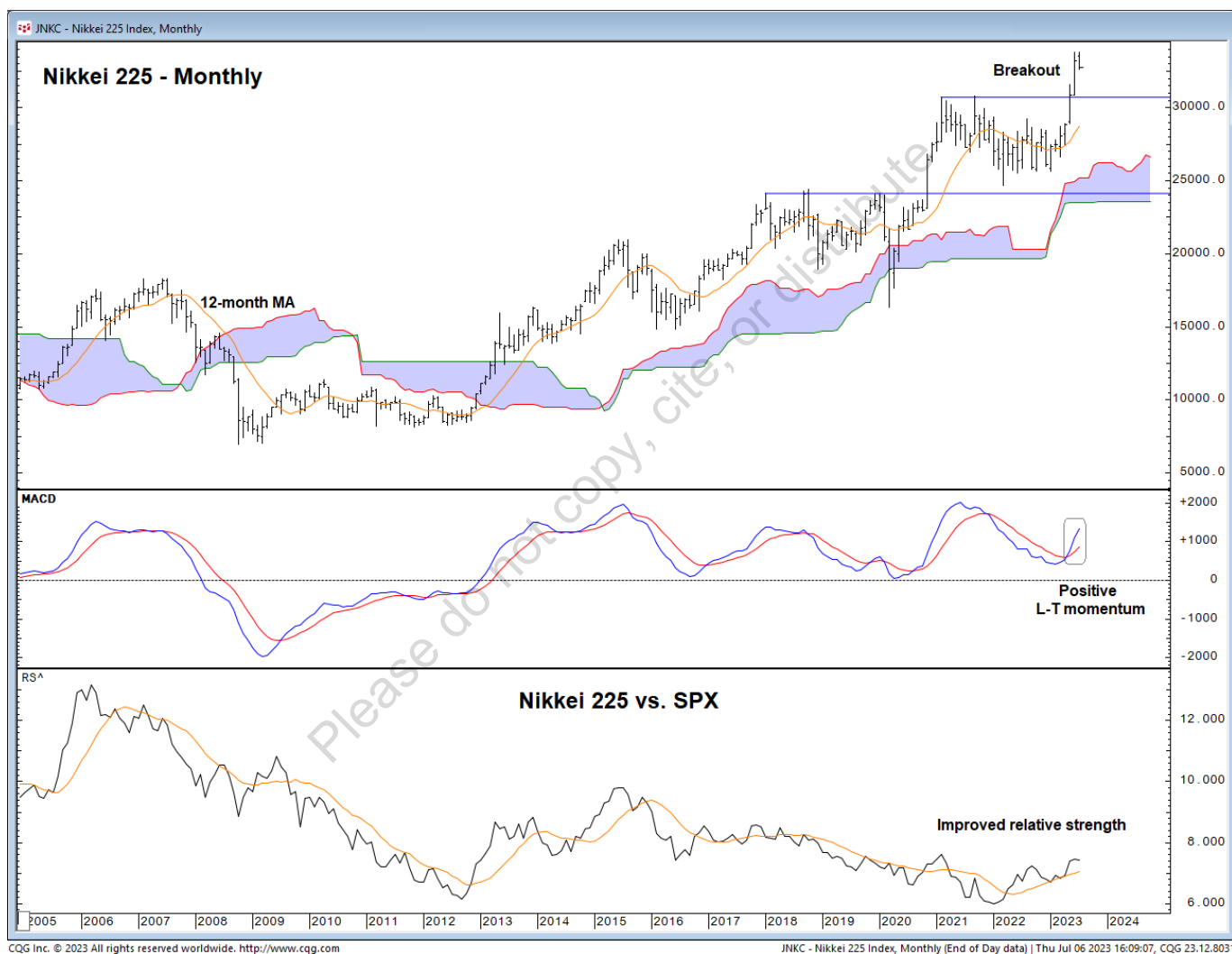
Volatility has contracted, moving the VIX into a new cycle



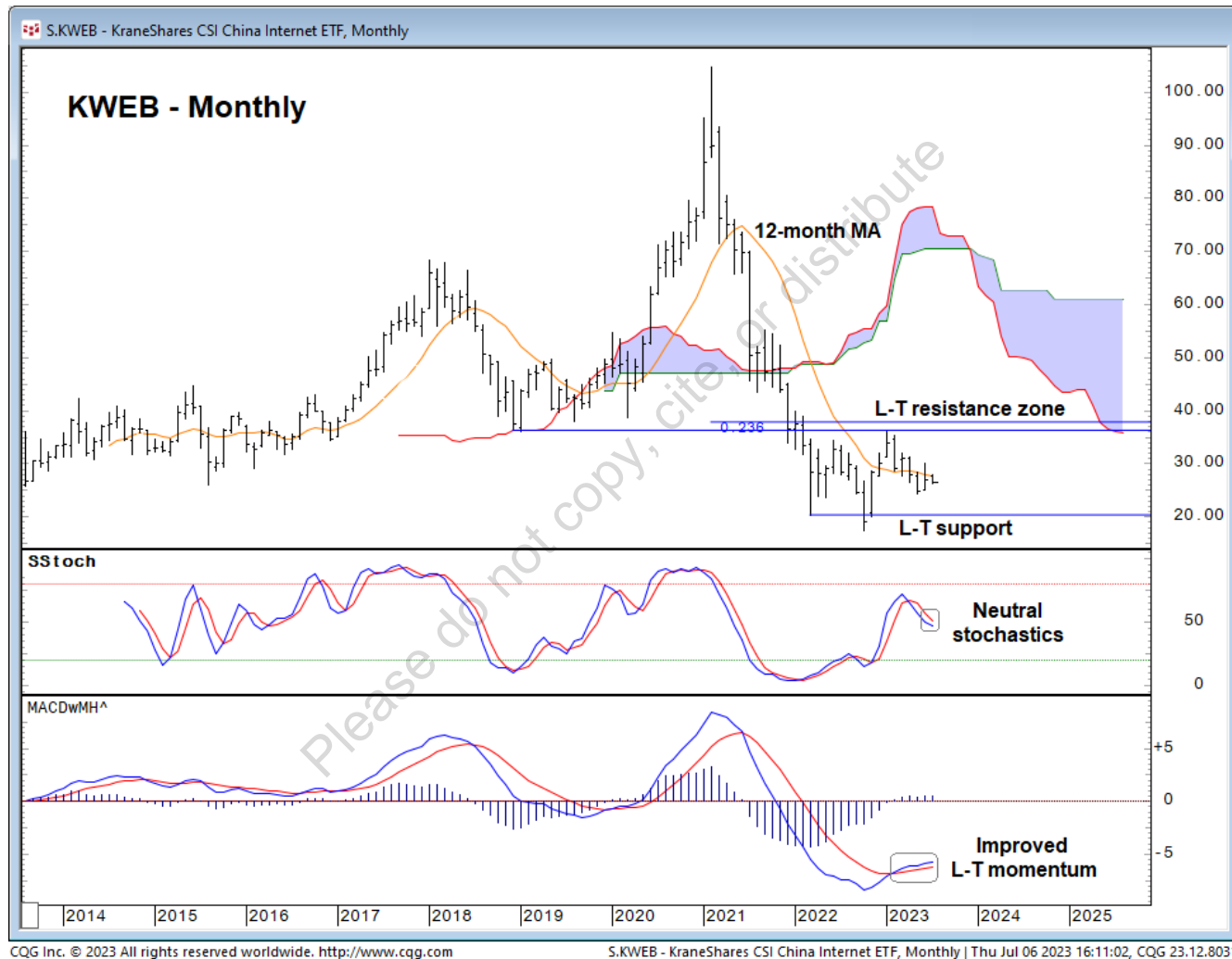
Europe's STOXX 600 is overbought from a long-term perspective



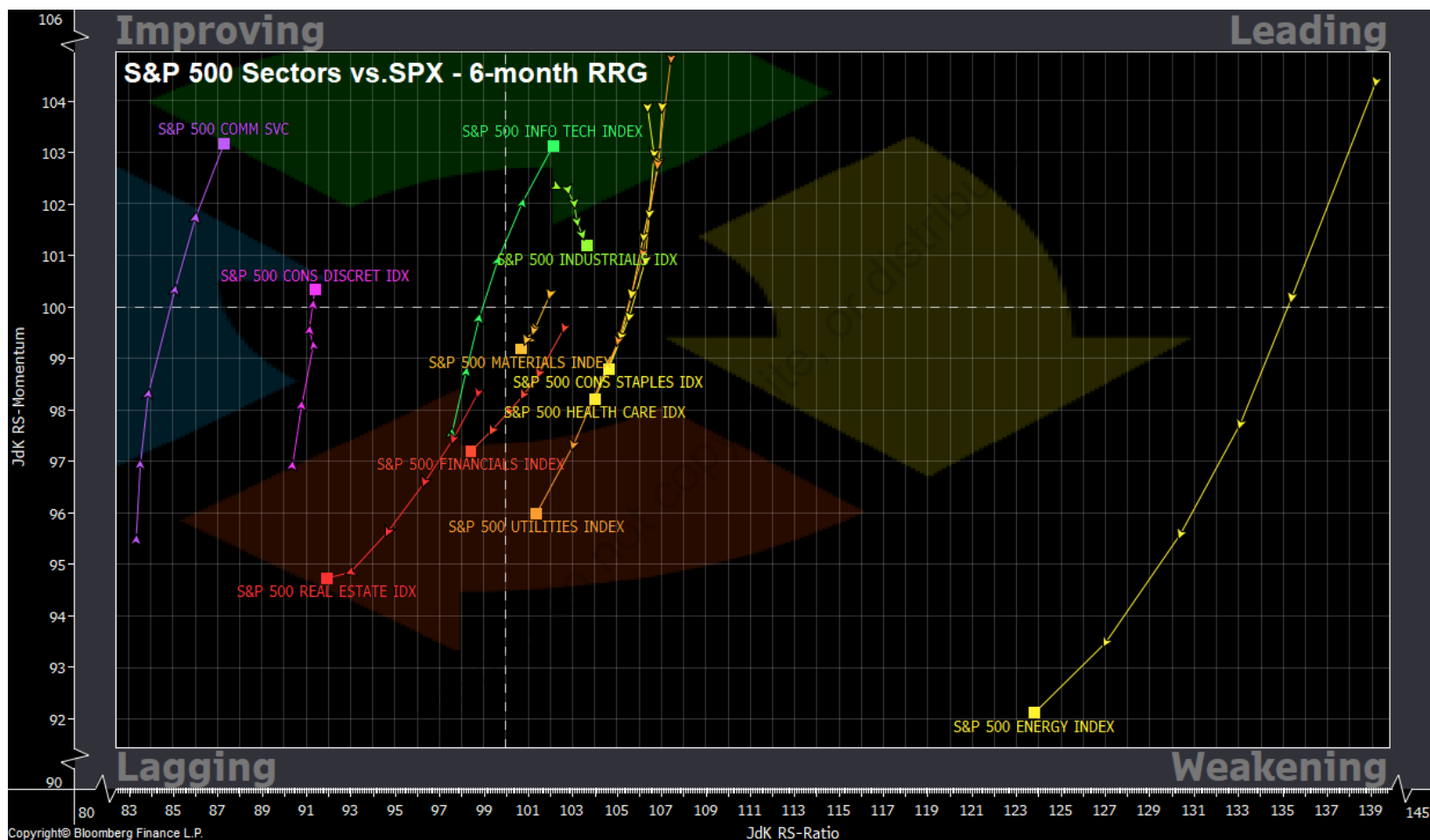
Japan's Nikkei-225 has broken out on strong momentum



China's equity market appears to be bottoming

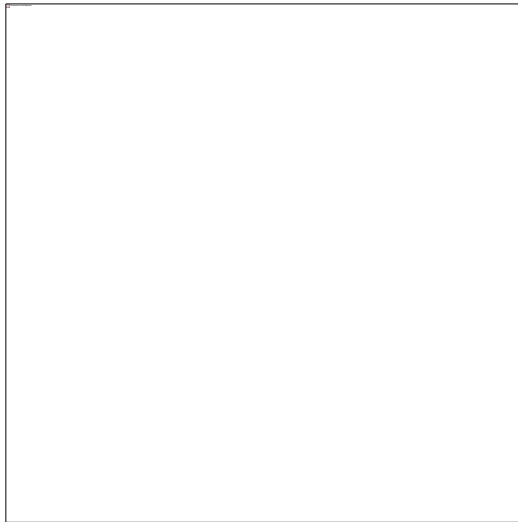


Sector relative strength is on the offensive per an RRG®



Watching the ratios can help find sources of outperformance

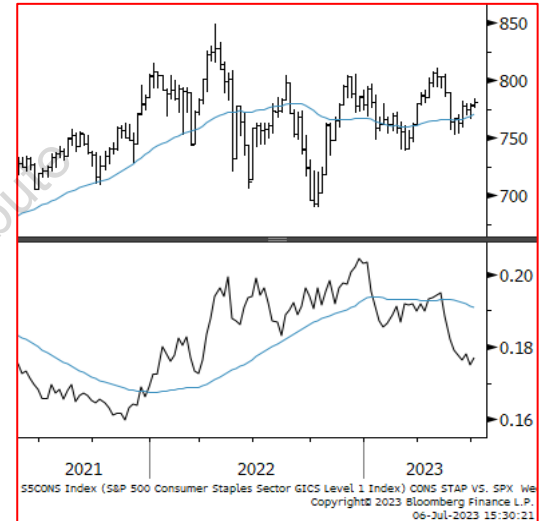
Communication Services



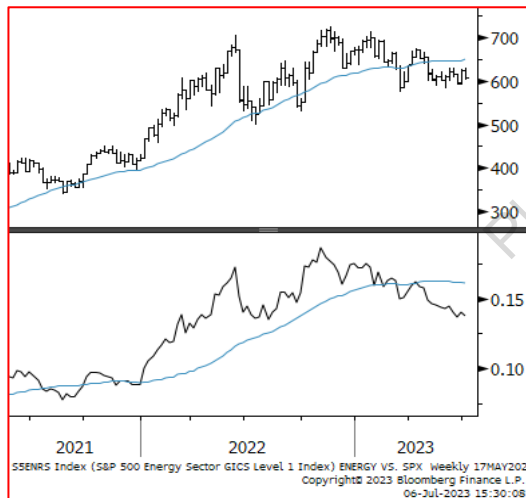
Consumer Discretionary



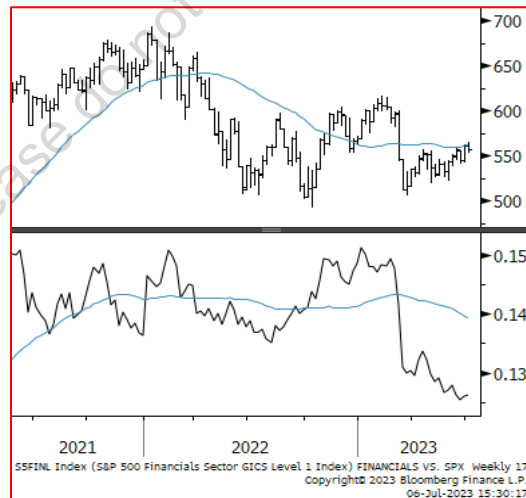
Consumer Staples



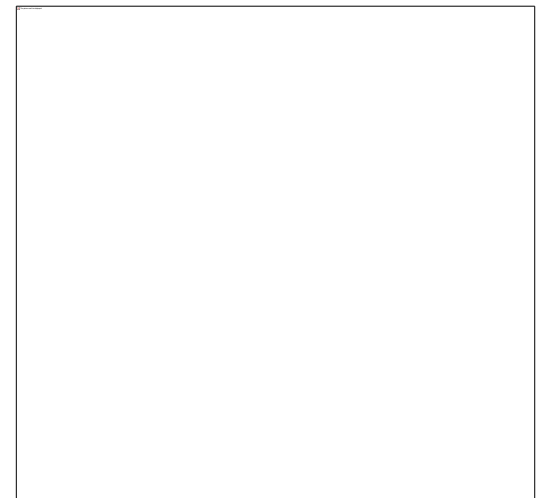
Energy



Financials

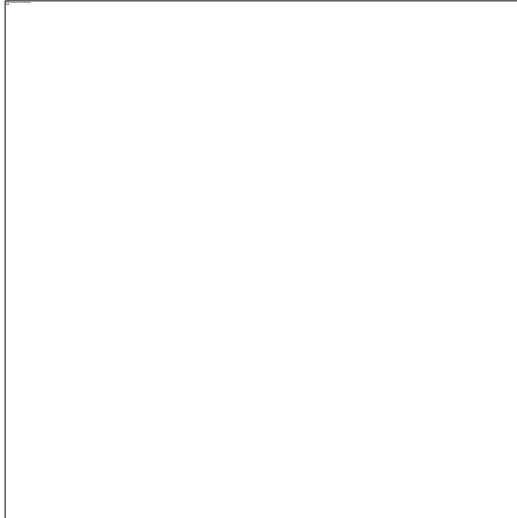


Healthcare

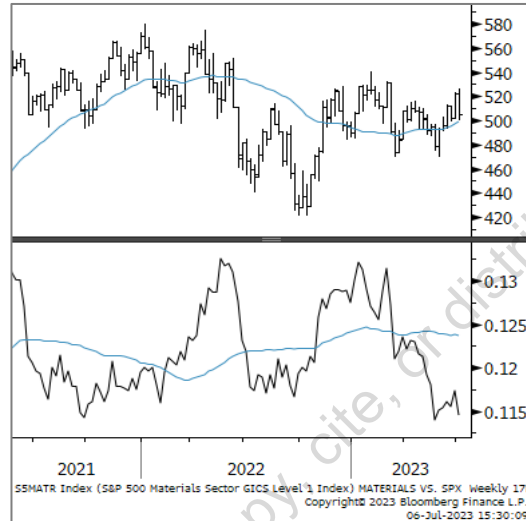


The technology sector has exhibited upside leadership

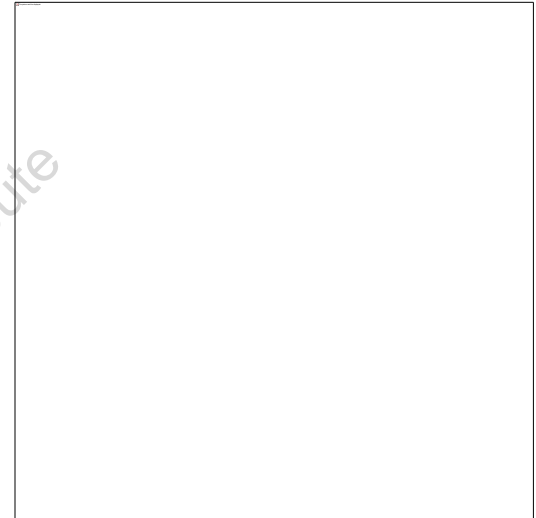
Industrials



Materials



Real Estate



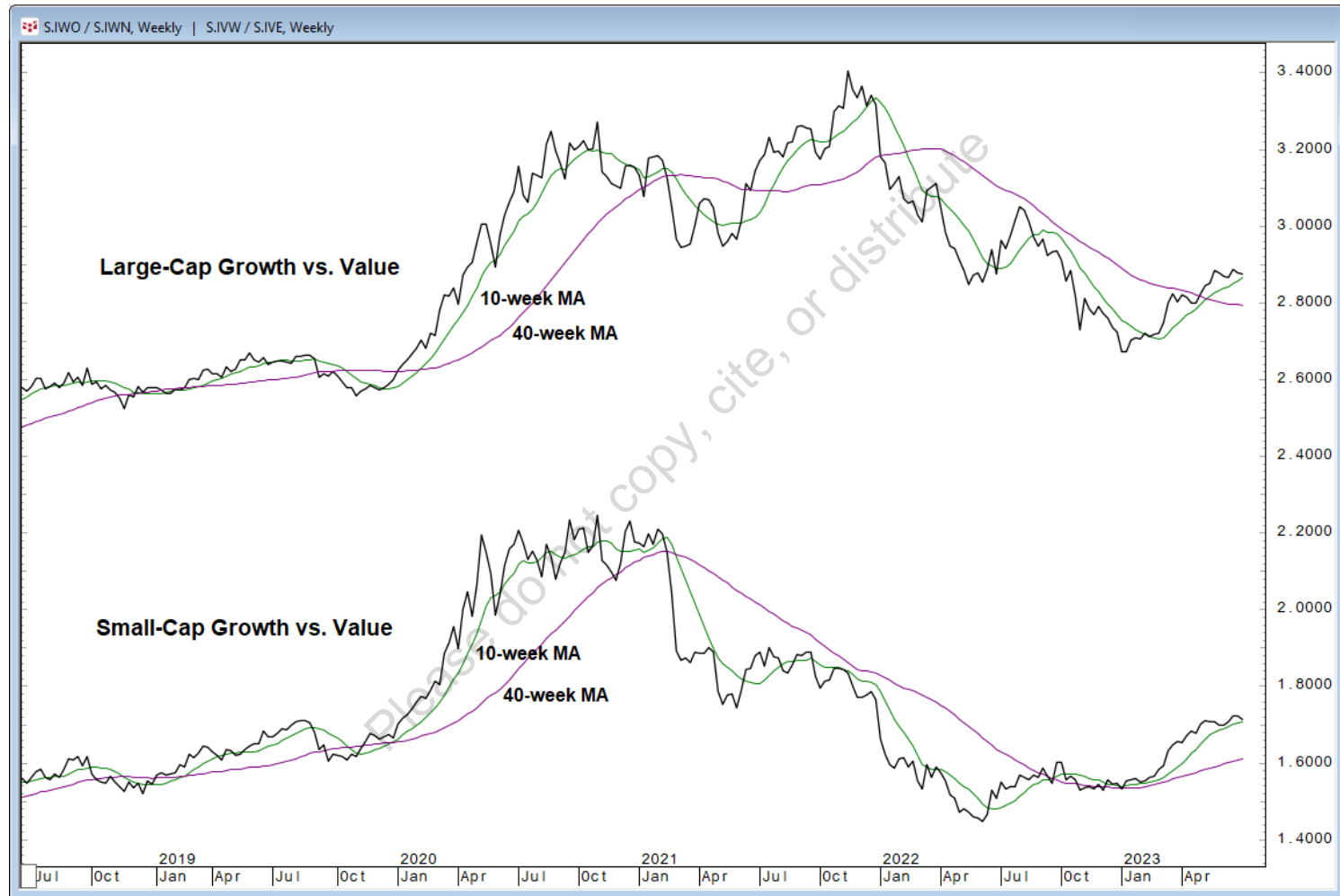
Technology



Utilities



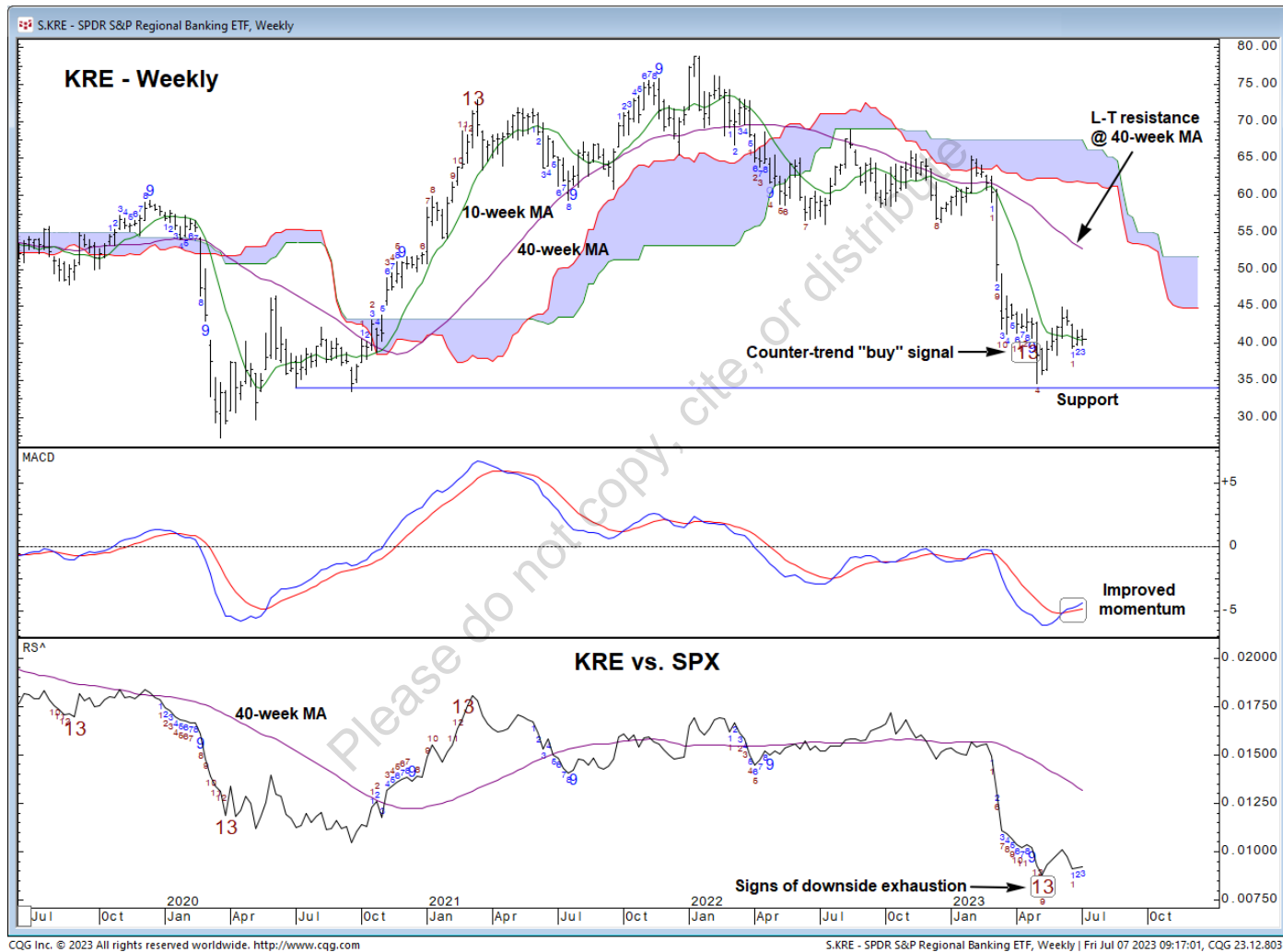
Growth stocks have recovered relative to value stocks



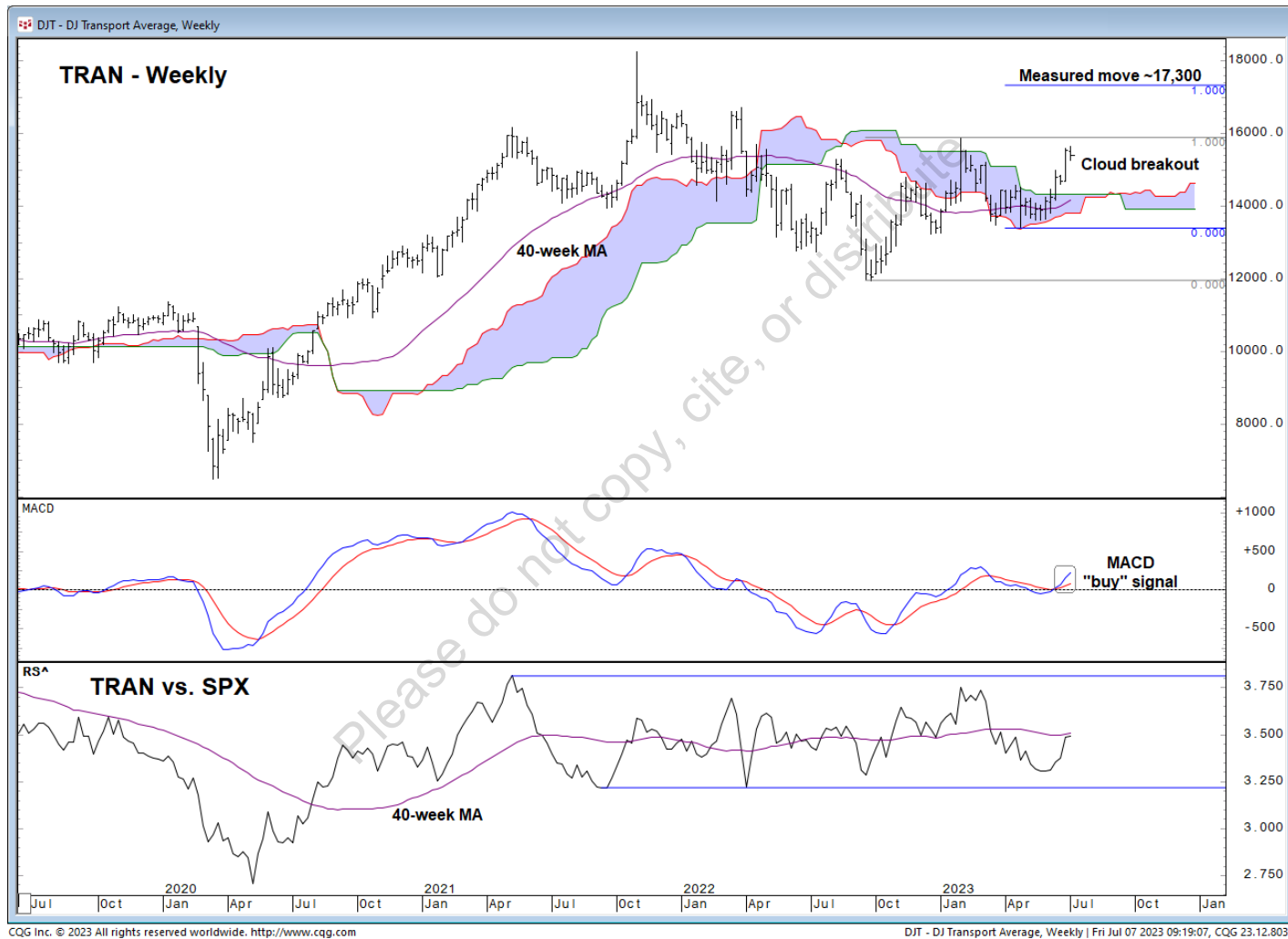
CQG Inc. © 2023 All rights reserved worldwide. <http://www.cqg.com>

S.IWO / S.IWN, Weekly | S.IVW / S.IVE, Weekly | Fri Jul 07 2023 09:15:46, CQG 23.12.8031

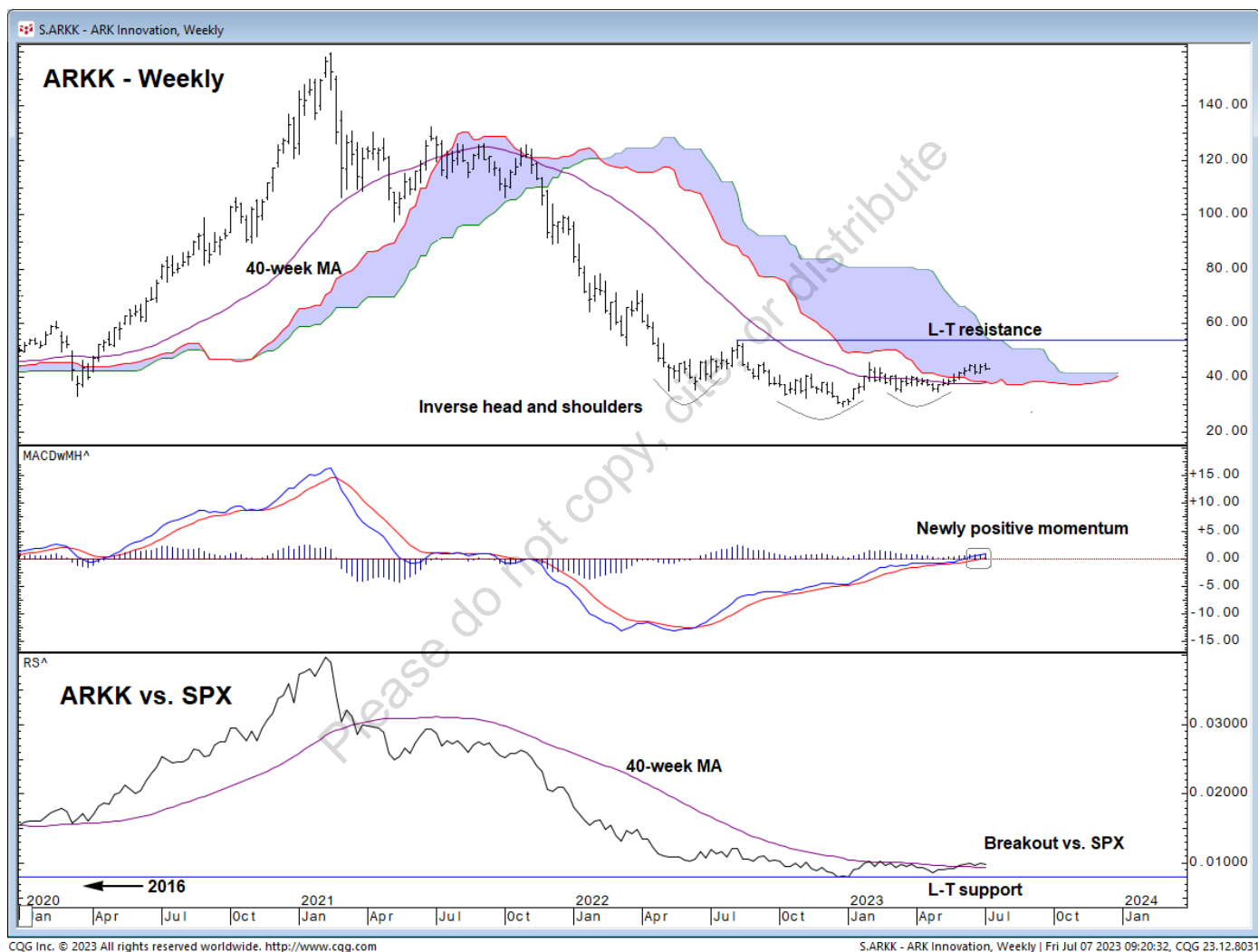
Regional bank stocks are coming off oversold levels



Transports show improved momentum with other cyclicals



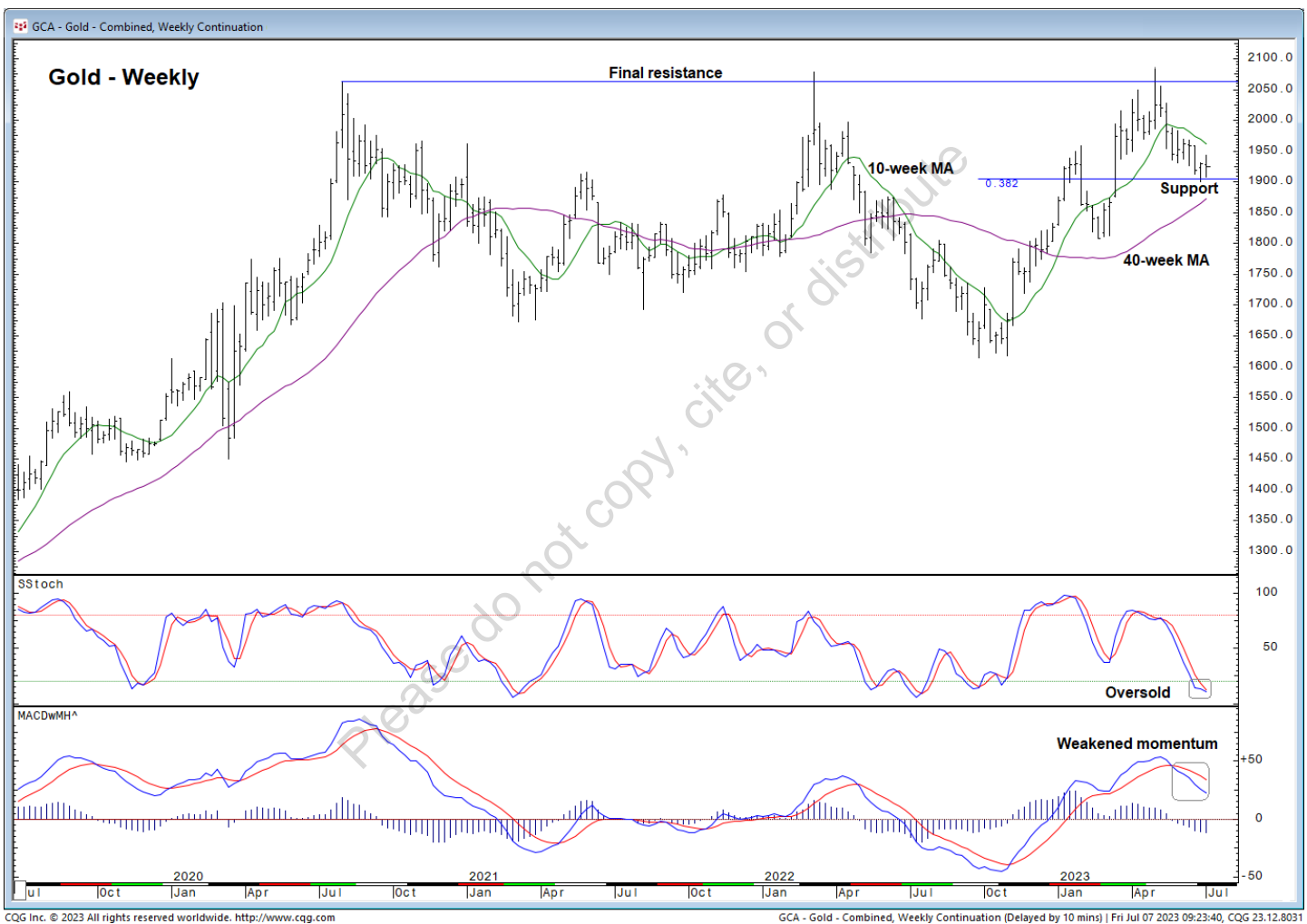
High-growth stocks appear to have built bases



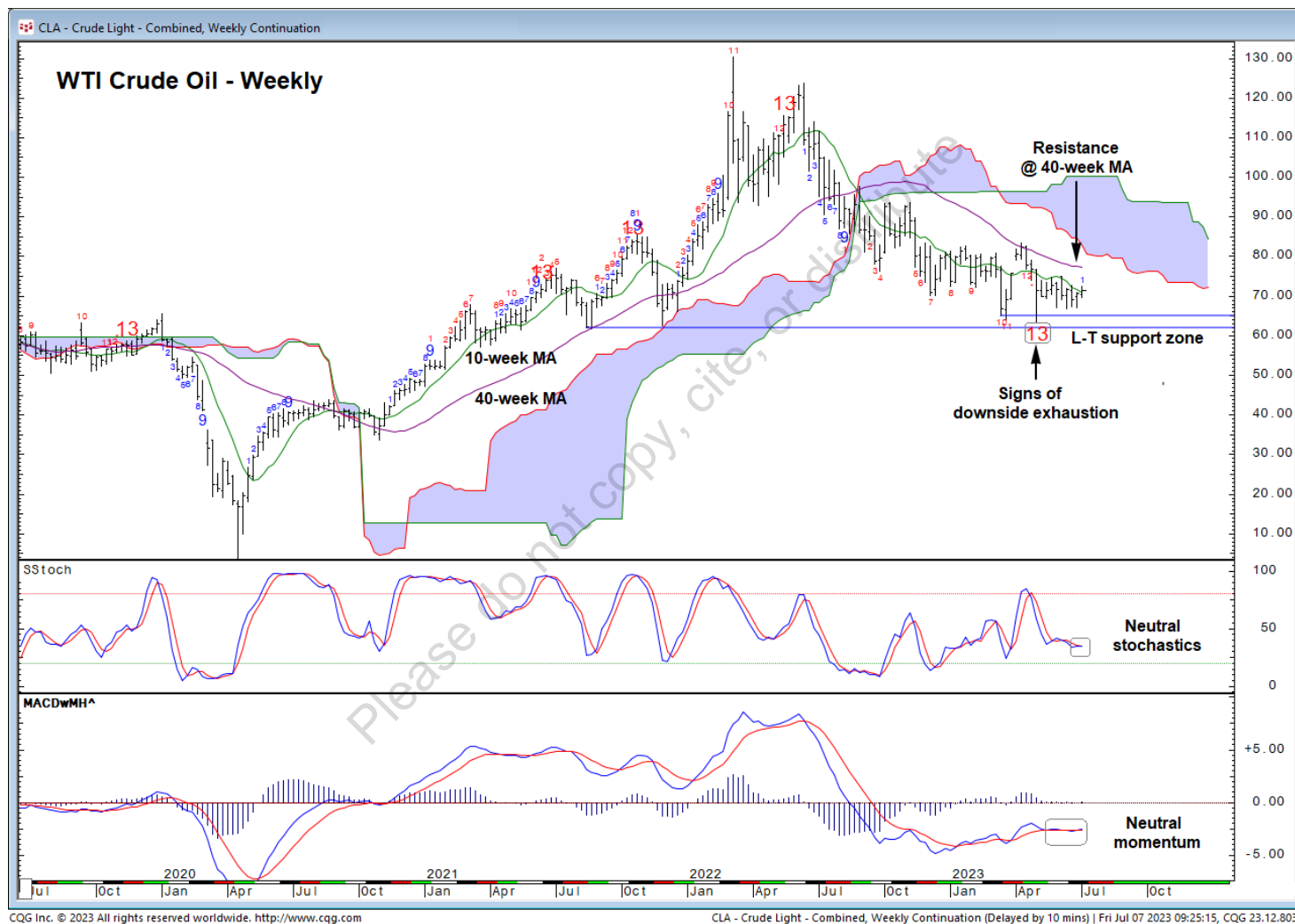
10-year Treasury yields are consolidating in their uptrend



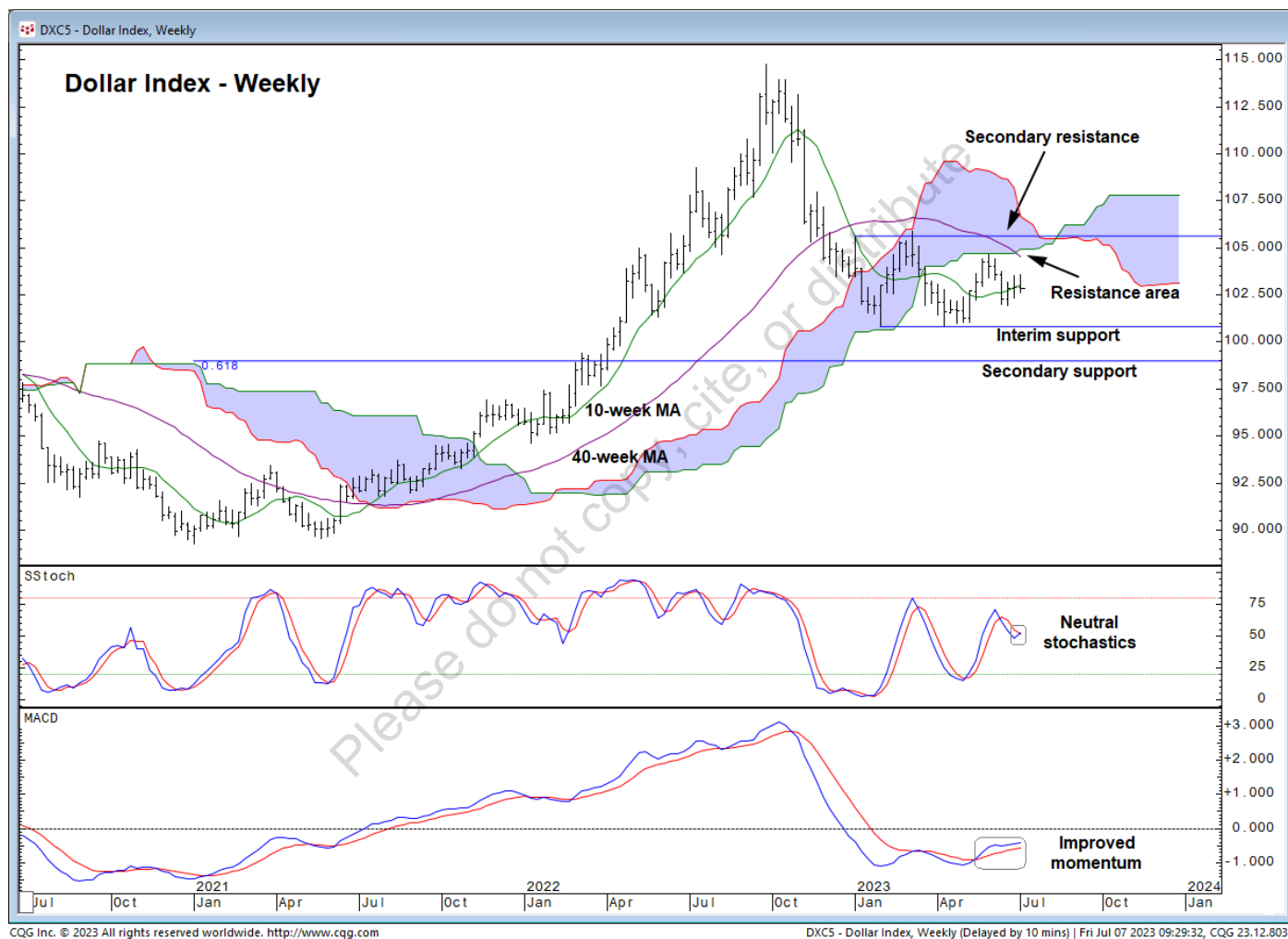
Gold is oversold after correcting from final resistance



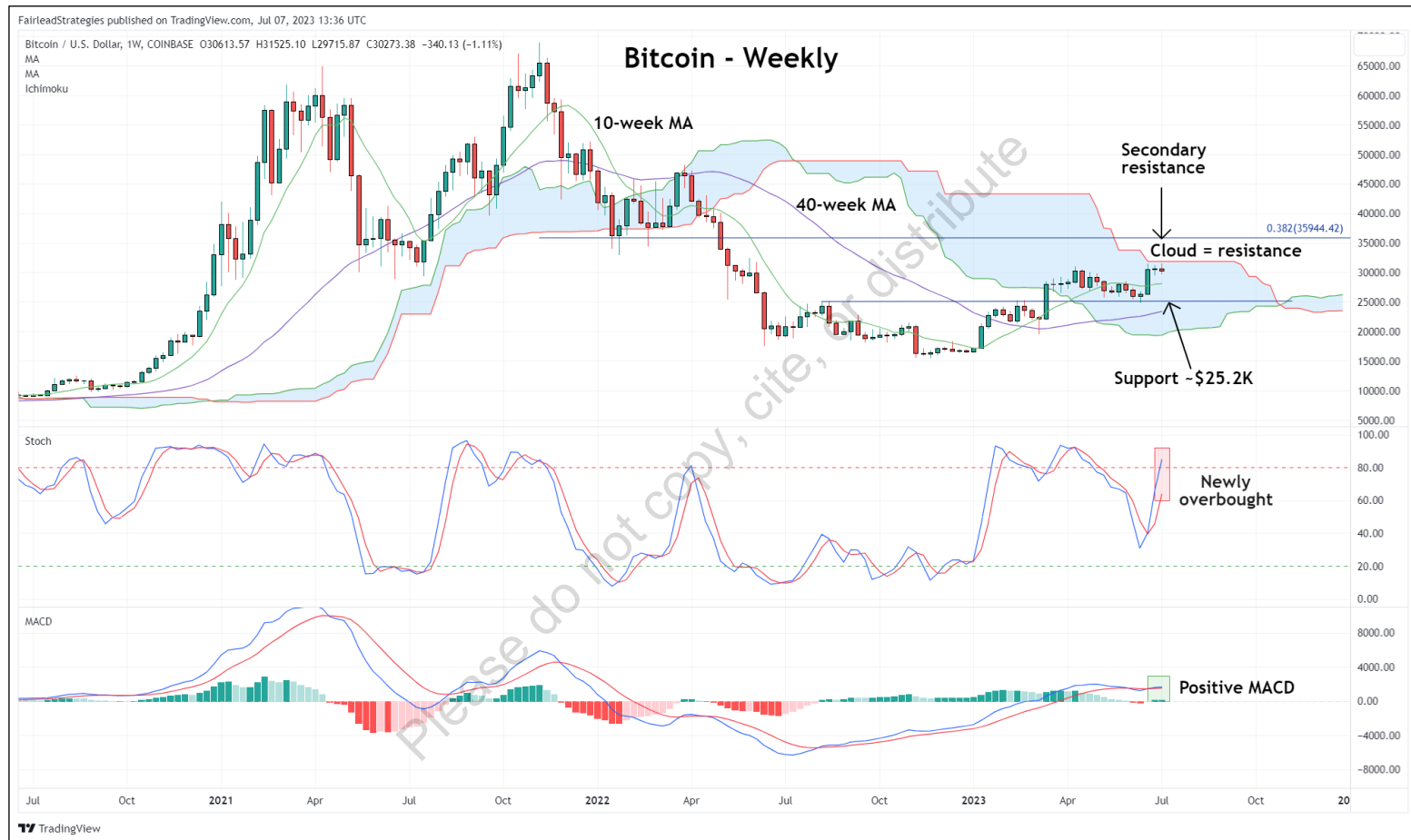
WTI crude oil is trying to find a footing in its downtrend



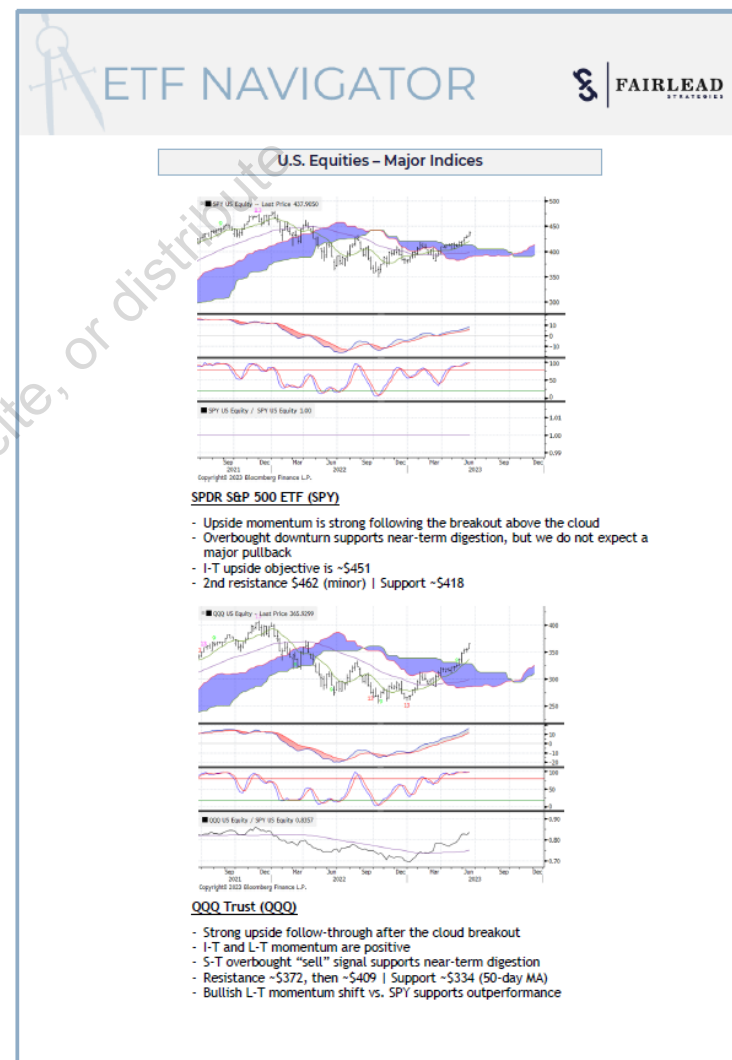
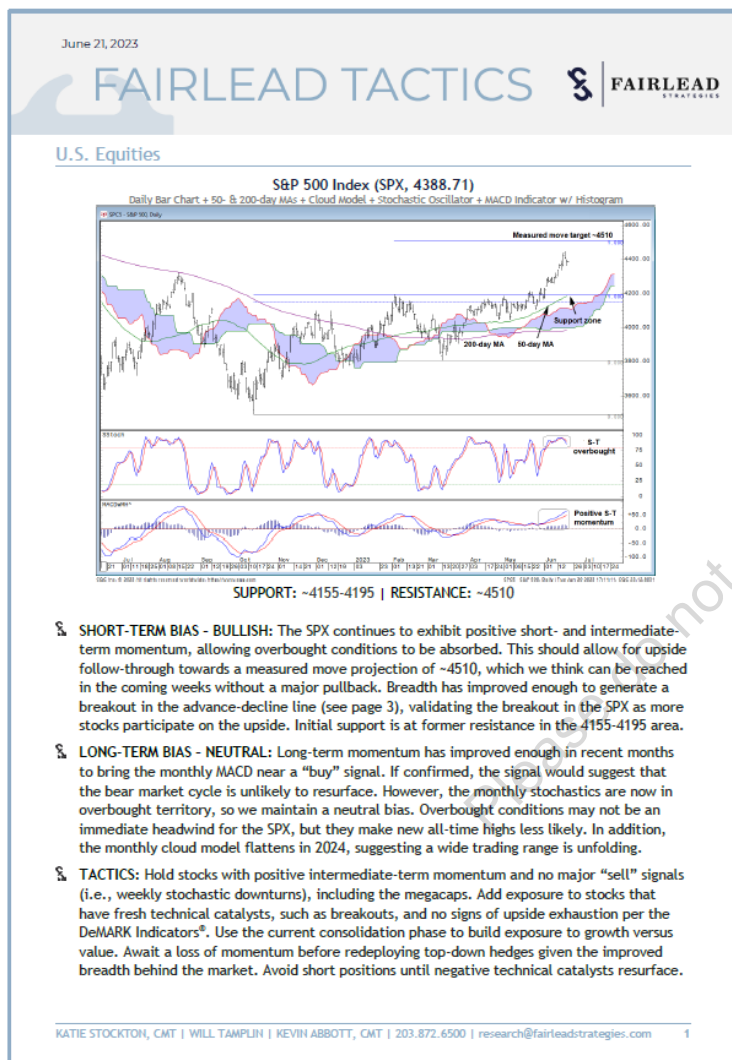
The Dollar Index is range-bound after pivoting lower last year



Bitcoin has completed a basing phase, but faces resistance



Putting it all together – Fairlead Strategies research



Putting it all together - Fairlead Tactical Sector ETF (TACK)



RISK ON:

Materials Select Sector SPDR Fund (XLB)
Communication Services Select Sector SPDR Fund (XLC)
Energy Select Sector SPDR Fund (XLE)
Financial Select Sector SPDR Fund (XLF)
Industrial Select Sector SPDR Fund (XLI)
Technology Select Sector SPDR Fund (XLK)
Consumer Staples Select Sector SPDR Fund (XLP)
The Real Estate Select Sector SPDR Fund (XLRE)
Utilities Select Sector SPDR Fund (XLU)
Health Care Select Sector SPDR Fund (XLV)
Consumer Discretionary Select Sector SPDR Fund (XLY)



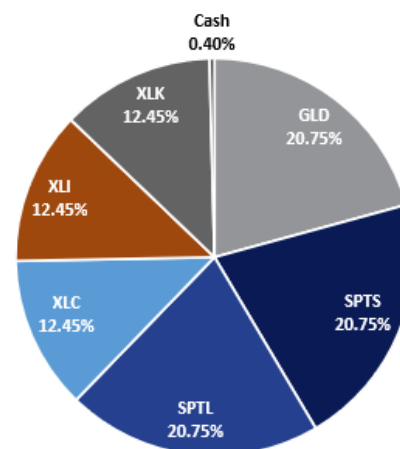
RISK OFF:

SPDR Portfolio Long Term Treasury ETF (SPTL)
SPDR Portfolio Short Term Treasury ETF (SPTS)
SPDR Gold Shares (GLD)

TACK Comparative Returns



Current TACK Model



Want to learn more about technical analysis or TACK?

For a free trial of our
research, please visit
www.FairleadStrategies.com



FAIRLEAD
STRATEGIES

To learn more about TACK,
please visit
www.FairleadFunds.com



TACK **FAIRLEAD TACTICAL
SECTOR ETF**

Disclaimers & Disclosures

Information presented herein has been obtained from sources believed to be reliable, but the accuracy and completeness of summaries, conclusions, and opinions based on this information are not guaranteed. It should never be assumed that recommendations will be profitable or will equal the past performance of listed or recommended securities. For access to our full disclaimers and disclosures, including our policy regarding editor securities holdings, go to <https://www.fairleadstrategies.com/disclaimers-and-disclosures> or email info@fairleadstrategies.com.

Please do not copy, circulate or distribute this document

Disclaimers & Disclosures (TACK)

The performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. For performance information current to the most recent month-end, please call toll-free 877-865-9549.

Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. Eastern time, when the NAV is normally calculated for ETFs. Your returns may differ if you traded shares at other times. NAV returns represent the closing price of underlying securities.

Investors should carefully consider the investment objectives, risks, charges and expenses of the fund before investing. The prospectus contains this and other information about the fund, and it should be read carefully before investing. Investors may obtain a copy of the prospectus by calling 877-865-9549 or emailing info@fairleadstrategies.com

The fund is distributed by Northern Lights Distributors, LLC (Member FINRA). Northern Lights Distributors, LLC, Fairlead Strategies, LLC, and Cary Street Partners Asset Management LLC are separate and unaffiliated. Cary Street Partners is the trade name used by Cary Street Partners LLC, Member FINRA/SIPC; Cary Street Partners Investment Advisory LLC and Cary Street Partners Asset Management LLC, registered investment advisers. Cary Street Partners is the Adviser for the Fairlead Tactical Sector ETF (TACK).

Investors cannot invest directly in an index. The S&P 500 is a stock market index tracking the stock performance of ~500 large companies listed on exchanges in the United States.

Important Risk Information:

Investing involves risk, including loss of principal. There is no guarantee the fund will achieve its investment objective. As an actively-managed ETF, the fund is subject to management risk. The ability of the Adviser to successfully implement the fund's investment strategies will significantly influence the fund's performance. The success of the fund will depend in part upon the skill and expertise of certain key personnel of the Adviser, and there can be no assurance that any such personnel will be successful. Neither the Adviser nor the SubAdviser has previously served as an adviser or a subadviser to a mutual fund or exchange-traded fund. As a result, there is no long-term track record against which an investor may judge the Adviser and/or Subadviser.