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# **Weekly Market Update 4-8-20**

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## Weekly Market Update 4-8-20

Dear Subscribers,

I've been waiting for two things to happen to issue the "all clear" in the markets.

I wanted to see:

- 1) Investment grade credit "close the gap" to the upside.
- 2) High yield credit "close the gap" to the upside.

The reason for this is simple...

The credit market is MUCH larger and more sophisticated than the stock market. As such, credit is much more closely aligned with the real economy.

The first has now happened. Investment grade credit has broken out to the upside.



The second is about to happen: high yield credit has just broken out of a triangle formation to the upside. Based on this, it should soon close its own gap too.



Moreover, breadth has broken its downtrend and put in a higher low. We're likely going to retest the broken bull market trendline.





Moreover, the ratio between the S&P 500 and bonds looks to be bottoming:



In light of this, I am comfortable having us move back into the markets. However, we need to steer clear of industries that will not be coming back from this crisis (hotels, cruise lines, casinos, etc.).

First and foremost, we're some of our Crash Trades. We are keeping a few open based on the ugliness in their charts.

While all of these ended up being in the red, if you've been following my guidelines of being 90% in cash and using SMALL positions in our hedges/Crash Trades, **the actual dollar losses should be small.**

Again, as I stated multiple times, the purpose of these trades was NOT to get rich but to show us profits while we are on the sidelines with 90% cash.

**Action to Take: Sell the Ultra Short Semiconductor ETF (SSG)**

**Action to Take: Cover your Trade Desk (TTD) SHORT**

**Action to Take: Cover your CDW Corp (CDW) SHORT**



We are now moving into the market leaders. That means Big Tech.

Microsoft (MSFT) has closed one gap and will soon close another.



**Action to Take: Buy Microsoft (MSFT)**

Apple (AAPL) has reclaimed its 200-day moving average and is in a clear uptrend.



**Action to Take: Buy Apple (AAPL)**

The other clear beneficiaries in this environment are infrastructure plays. The Trump administration has made it clear it wants \$2 trillion infrastructure program in the near future. And this is one item that Democrats are likely to agree with.

Alcoa (AA) has broken out of a triangle formation. There is a major gap to fill at \$10.





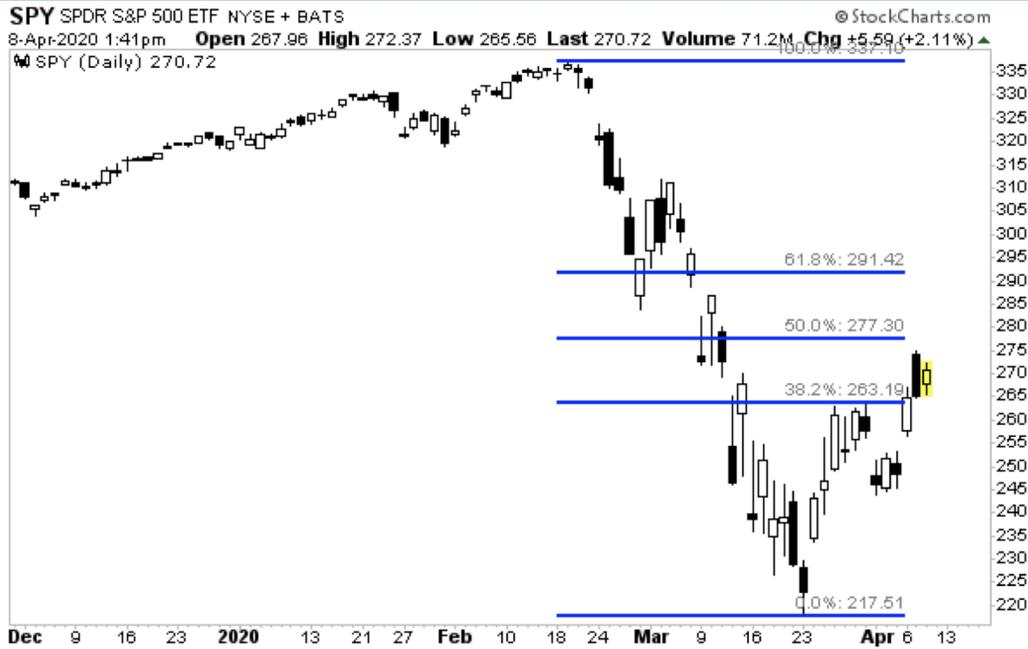
### Action to Take: Buy Alcoa (AA)

US Steel has broken its downtrend. There is a major gap at \$13.



### Action to Take: Buy US Steel (X)

All of the above plays are TRADES, not long-term holdings. We are in a bear market until stocks take out the 61.8% retracement of the drop.



I'll be in touch tomorrow during our weekly market update. Until then...

Best Regards,

Graham Summers  
Chief Market Strategist  
Phoenix Capital Research