

MARKAY'S MARKET BREAKDOWN

JUNE 2020

In this month's issue:

June's Tug of War in the Market
Things to Look For
Upcoming Trends
Best Idea

RISK WARNING:

Trading involves a substantial risk of loss. Past performance is not necessarily indicative of future results.

THE JUNE TUG OF WAR

Last month saw a lot of conflict in the U.S. market.

Early in June, we saw a big rise. From June 2-8, the market went straight up and was threatening to reach the pre-Covid highs we saw earlier in the year.

The traders who believed in the V-shaped recovery looked like they were right.

But then the tide turned!

June 10th and 11th were very negative days, with June 11th being one of the worst all year. It looked like the slow-recovery traders were finally making their voices heard.

And then the V-shaped believers struck again, taking the market back immediately upward.

But June 17th to the end of the months saw sideways to down action. With rising Covid rates in the U.S. it appears that the extreme optimism we've seen since late March is under extreme pressure.

Both sides of the market are very passionate and we've seen a lot of volatility as a result.

What does that mean for us?

WHAT TO WATCH FOR

There were some excellent buy trades last month even though the last part of the month saw a downward market.

For example, we had a nice one-day trade in Apple as it broke out and gapped up:



It turns out that exiting with a 70%-ish gain was the right thing to do because the market then turned.

But that's what has to be on the top of our minds going forward.

We will probably still see some great Long trends even if the market turns negative.

There are parts of the market that are definitely bullish (like tech!) and we can try to exploit those.

We want to make sure we don't get greedy, though. If we see a nice move and find ourselves with a big win, we need to take the profits and move out.

That's what we'll be looking for. Bullish, explosive companies that are making new highs and creating quick profits.

And then take those profits!

The other thing we'll be watching in the month ahead is the pandemic.

If the rates keep rising and governments start locking places down (Texas and Florida have started putting restrictions on bars, for example), then we could see a big turndown.

If that happens, the news will get very negative and the volume will pick up and the moves down will start to get bigger.

If we see these warning signs, we'll be ready to look for setups to profit on the fall.

POSSIBLE TRENDS FOR NEXT MONTH

If we don't see a big lockdown, the trends in Covid-friendly stocks should remain strong.

If it has anything to do with staying home, the trend is up.

Tech, online meeting software, at home entertainment, and healthcare should all stay strong. This means we'll be watching AAPL, MSFT, ZM, NFLX, and ABBV, and others like them.

But what goes up also comes down.

If the numbers get really bad and volumes pick up, we'll also be watching the action on high-flying stocks. Some could really fall.

And the travel and leisure stocks could also face pressure. If we have a lockdown, hotels, cruises, and restaurants could all see drops like we saw in March.

We'll be ready either way.

IDEA OF THE MONTH

DLTR (Dollar Tree) saw a 60% rise from March through June.

In a lockdown with high unemployment, DLTR saw a lot of demand.

Recently, DLTR took a step back due to optimism that the economy would fully recover.

A move toward lockdown could change that and lead to another big move up.

If it breaks above it's recent high around \$99.35, we could see a filling of the gap back in November 2019 and a move to new highs. Here's the chart:



Happy trading!