

## Rebalancing Portfolio Allocations Amid Trade Wars

By Razan Hilal, CMT

In times of trade wars, shifting monetary policies, and rising macroeconomic uncertainties, portfolio rebalancing becomes less about reacting to daily headlines and more about anticipating market structure shifts, identifying momentum exhaustion, and catching early signals of trend reversals. Here are some key takeaways and tactical tips to help mitigate risks in this environment.

### Read the Higher Time Frames Before the Headlines

Markets often pivot long before headlines catch up. Understanding what higher time frames are signaling — weekly and monthly charts in particular — can be critical for positioning ahead of the crowd.

- **Weekly/monthly momentum and price action** often flag turning points before they make news.
- **VIX spikes** at extremes, especially near levels seen in 2008 and 2020, tend to precede significant market reversals.
- **Extreme sentiment** — especially when pessimism or optimism reaches historical highs — often aligns with key technical lows or highs.
- **Oversold or overbought conditions** on higher time frames, confirmed by signals such as moving average crossovers, declining volume, or strong rejection wicks, can offer early entries into new trends.
- **Safe haven peaks** — notably in Gold or the Swiss Franc — can act as reversal signals if they coincide with market-wide sentiment shifts.

### Case in Point: Trade War Extremes and Technical Lows

During recent trade war escalations, global equity markets sank toward significant technical support zones. Momentum indicators on long-term charts echoed extreme fear — levels not seen since 2008 or 2020. Then came a shift: a 90-day pause in reciprocal tariffs — excluding China — prompted a swift market rebound. Technical positioning helped investors front-run the relief rally:

- **Oil** rallied from \$55 to \$63
- **UAE MSCI Index** surged from 15.40 to 16.90
- **Nasdaq** rebounded from 16,320 to 19,230
- **S&P 500** climbed from 4,800 to 5,490

Each bounce corresponded with resistance zones, where prices now linger as markets assess ongoing trade dynamics.

### Gold: A Sentiment Barometer Hitting Cautionary Highs

Gold — a classic safe-haven asset — remains elevated above \$3,300, signaling sustained risk aversion. But caution is warranted. Monthly RSI levels are revisiting peaks last seen during previous periods of market stress:

- **During the 2020 pandemic surge**, gold declined by more than **\$450** following the momentum peak.
- **In the 2008 financial crisis**, a similar RSI spike preceded a **\$350** correction as markets began to stabilize.

While geopolitical stress and demand for safety fuel gold's rise, these RSI peaks hint at stretched momentum. A resolution or de-escalation of tensions could prompt a sharp pullback, potentially offering a re-entry opportunity once broader uptrends resume.

### Takeaways for Investors

- Consider evaluating portfolio allocations during periods of momentum slowdown, rather than reacting to headlines.
- Monitor sentiment indicators, such as the VIX and gold, alongside price action for potential signs of shifting market dynamics.
- Refer to higher time frame charts and macroeconomic developments to help guide allocation decisions.

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