

2025 Technical Outlook

A more Subdued year but still likely positive



fundstrat

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Conclusions-SPX End of Year Target 6650 but 7000 or a maximum gain to 7350 can't be ruled out before a reversal lower in 2H

- I expect 2025 to be a transitional year where SPX strengthens in the first half before giving way to weakness in the back half of the year. My 2025 SPX end-of year target is 6650 but SPX likely moves higher into end of 1H to 7000 or a maximum of 7350 before backing off in 2H 2025.
- Industrials, Financials, Technology, and Discretionary look to be sectors to favor into 2025 while Materials, Energy should underperform. Utilities and REITS also look attractive for further gains in 2025 while Consumer Staples remains the weakest of the Defensive sectors
- Both US Dollar and US Treasury yields arguably should start off by weakening in late January into end of 1st Quarter before a bounce into late Summer. Treasury yields should fall to 3.25 before bottoming and pushing back higher.
- Long-term Stock market cycles based on the 41-month cycle, made popular by Edward Dewey, show SPX peaking in mid-2025 and weakening in 2026
- Small-caps are likely to outperform in 2Q-3Q 2025 and likely between March-August as the early year spike in Treasury Yields starts to recede. Thereafter, I expect Large-caps likely dominate performance
- Emerging markets are likely to underperform as US Dollar cycle looks to be strong in 1st Half 2025 before weakening. US should be better than Europe and most of Asia.
- Growth is preferred over Value with the prospects of Energy likely weakening in 2025 while Large-cap Technology strengthens in early 2025
- Commodities could be weak in 2025 as Energy prices weigh on the complex and the US Dollar could remain strong into Summer 2025. Precious Metals are thought to be attractive on 1st Quarter weakness as recent bounce in rates and US Dollar both start to give way and weaken
- Post Election year cycles suggest that this year might lag the last couple years and could moderate following a strong 2023 and 2024
- Sentiment should improve into 2Q 2025 after a volatile 4Q 2024, and seasonality also bodes well for early year Stock market strength, which likely materializes from February into late Summer
- Cryptocurrencies arguably should weaken in 1Q before rising sharply into Fall 2025



Trump's Election win seems to have resulted in sentiment turning more pessimistic than trends would justify (Narrative of Higher inflation given tariffs has now become Consensus)

It's normally wise to avoid joining the herd



Source: Fundstrat



2025 Sector Technical Ratings

Technical
Mark Newton 

	2025	2024
Consumer Discretionary	Overweight	Neutral <i>← Upgrade</i>
Industrials	Overweight	Overweight
Information Technology	Overweight	Overweight
Communication Services	Neutral	Neutral
Basic Materials	Underweight	Neutral <i>← Downgrade</i>
Energy	Underweight	Underweight
Financials	Overweight	Overweight
Real Estate	Neutral <i>← Downgrade</i>	Overweight
Consumer Staples	Underweight	Underweight
Health Care	Underweight	Neutral <i>← Downgrade</i>
Utilities	Neutral	Neutral

Source: Fundstrat



Favorite Areas for Out/Underperformance

Outperform:

- Industrials –Industrials remains attractive following its relative rally to multi-year highs vs. SPX. Transportation issues should help Industrials (Rails, Machinery, Electl.Eqpt.)
- Technology- Tech's 4Q comeback has put this sector in a bullish position despite markets having taken Rate cuts out of the curve (Software)
- Consumer Discretionary stocks expected to outperform after relative breakout vs. SPX (Hotels, High-end Retail, Booking Agency stocks, Cruiseliners)
- Financials-Expecting that deregulation helps Banks and this group can build upon its 4Q outperformance following a relative breakout in Financials vs. SPX in Q4 2024 (Fin-tech, Big banks should outperform in 1st Quarter; Regionals are a work in progress)

Underperform:

- Energy- Expect that Supply/Demand picture and feeble China recovery likely leads Energy lower in 2025 but 1st Quarter might show a brief bounce (Nat Gas related names could outperform oil-based stocks)
- Defensive groups- Consumer Staples remains the laggard of the Defensives. Utilities, REITS and Healthcare look due to bounce in 1Q 2025, but skeptical of intermediate-term strength
- Emerging Markets- Expect that a strong dollar leaves EM weak. While a Back-half bounce in EM is possible for China, India, Mexico, this currently still looks a bit early with US Dollar still strengthening
- European Stocks



Post Election Year Seasonality- This year normally lags both Pre-Election year and Election year returns and is 3rd best out of 4

Inauguration year	President	Party Affiliation	Stock Market Performance...			
			Post-Election Year	Mid-Term Year	Pre-Election Year	Election Year
1873	Ulysses S. Grant	Republican	-8.8%	-2.4%	-1.9%	-20.3%
1877	Rutherford B. Hayes	Republican	-8.7%	10.3%	42.7%	21.2%
1881	James A. Garfield	Republican	-4.4%	-1.7%	-10.9%	-18.2%
1885	Grover Cleveland	Democratic	22.9%	7.2%	-4.9%	-1.4%
1889	Benjamin Harrison	Republican	2.9%	-10.2%	13.9%	2.0%
1893	Grover Cleveland	Democratic	-23.0%	-1.7%	0.6%	-1.2%
1897	William McKinley	Republican	22.2%	22.5%	8.6%	7.6%
1901	William McKinley	Republican	-8.7%	-0.4%	-23.6%	42.6%
1905	Theodore Roosevelt	Republican	37.8%	-2.3%	-37.7%	46.6%
1909	William H. Taft	Republican	15.0%	-17.8%	0.2%	7.7%
1913	Woodrow Wilson	Democratic	-10.3%	-30.7%	81.7%	-4.2%
1917	Woodrow Wilson	Democratic	-21.7%	10.5%	30.5%	-32.9%
1921	Warren G. Harding	Republican	12.3%	21.5%	-2.7%	26.2%
1925	Calvin Coolidge	Republican	30.0%	0.3%	27.7%	37.9%
1929	Herbert C. Hoover	Republican	-11.9%	-28.5%	-47.1%	-14.8%
1933	Franklin D. Roosevelt	Democratic	44.1%	-4.7%	41.4%	27.9%
1937	Franklin D. Roosevelt	Democratic	-38.6%	24.5%	-5.2%	-15.1%
1941	Franklin D. Roosevelt	Democratic	-17.9%	12.4%	19.4%	13.8%
1945	Franklin D. Roosevelt	Democratic	30.7%	-11.9%	0.0%	-0.7%
1949	Harry S. Truman	Democratic	10.5%	21.7%	16.3%	11.8%
1953	Dwight D. Eisenhower	Republican	-6.6%	45.0%	26.4%	2.6%
1957	Dwight D. Eisenhower	Republican	-14.3%	38.1%	8.5%	-3.0%
1961	John F. Kennedy	Democratic	23.1%	-11.8%	18.9%	13.0%
1965	Lyndon B. Johnson	Democratic	9.1%	-13.1%	20.1%	7.7%
1969	Richard M. Nixon	Republican	-11.4%	0.1%	10.8%	15.6%
1973	Richard M. Nixon	Republican	-17.4%	-29.7%	31.5%	19.1%
1977	James Earl Carter	Democratic	-11.5%	1.1%	12.3%	25.8%
1981	Ronald Reagan	Republican	-9.7%	14.8%	17.3%	1.4%
1985	Ronald Reagan	Republican	26.3%	14.6%	2.0%	12.4%
1989	George Bush	Republican	27.3%	-6.6%	26.3%	4.5%
1993	William J. Clinton	Democratic	7.1%	-1.5%	34.1%	20.3%
1997	William J. Clinton	Democratic	31.0%	26.7%	19.5%	-10.1%
2001	George W. Bush	Republican	-13.0%	-23.4%	26.4%	9.0%
2005	George W. Bush	Republican	3.0%	13.6%	3.5%	-38.5%
2009	Barack H. Obama	Democratic	23.5%	12.8%	-0.0%	13.4%
2013	Barack H. Obama	Democratic	29.6%	11.4%	-0.7%	9.5%
2017	Donald J. Trump	Republican	19.4%	-6.2%	28.9%	16.3%
2021	Joseph R. Biden, Jr.	Democratic	26.9%	-19.4%	24.2%	23.3%
2025	Donald J. Trump	Republican	-	-	-	-

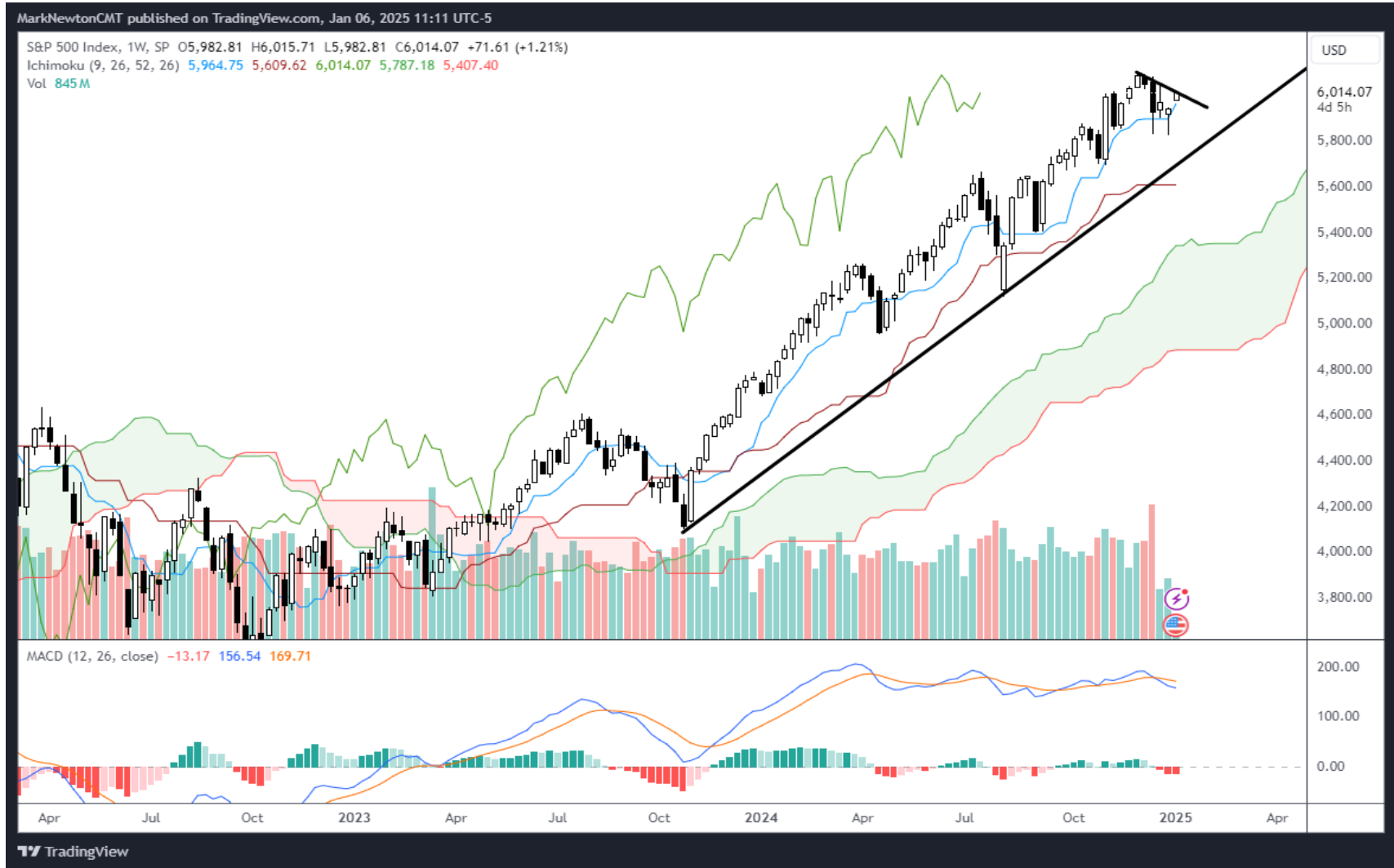
Post-Election year Cycle is typically the Third best year of 4-Year Cycle

	Stock Market Performance...			
	Post-Election Year	Mid-Term Year	Pre-Election Year	Election Year
All Presidents				
Average	5.7%	2.2%	12.1%	7.4%
Median	5.0%	-0.2%	13.1%	8.4%
Win Ratio	55%	50%	71%	68%
Democratic Presidents				
Average	8.0%	2.0%	18.1%	6.1%
Median	10.5%	1.1%	18.9%	9.5%
Win Ratio	65%	53%	71%	59%
Republican Presidents				
Average	3.9%	2.5%	7.2%	8.5%
Median	-4.4%	-0.4%	8.6%	7.7%
Win Ratio	48%	48%	71%	76%

Source: Fundstrat, Bloomberg



SPX – 2025 could prove choppier than 2024, but insufficient weakness has been seen thus far to expect a market top. SPX-6650 is seen as an end of year target which might be exceeded into late Summer before retreating in 2H 2025.



Source: Fundstrat, Trading View



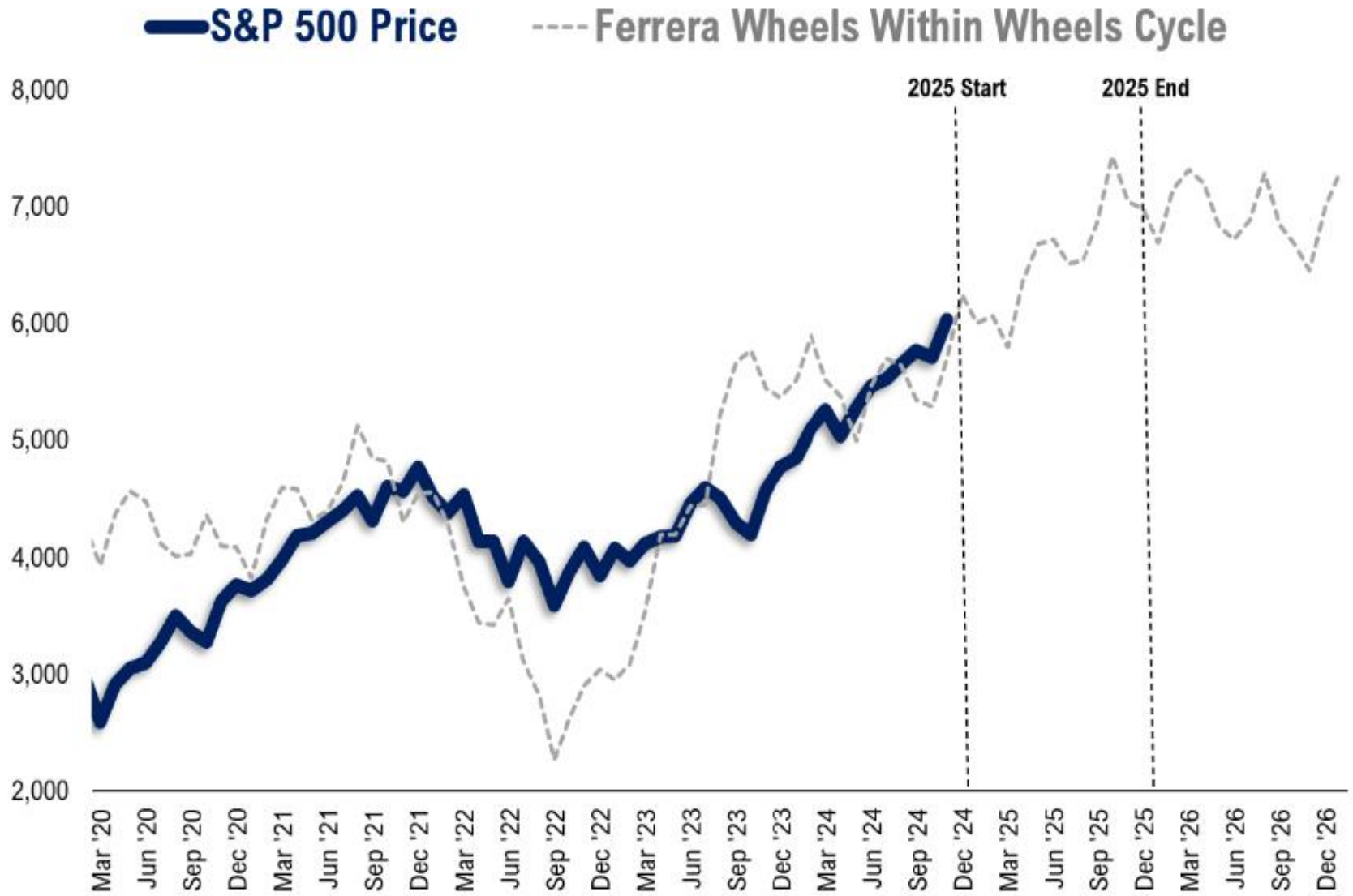
SPX – Monthly- Bullish long-term uptrend has gotten stretched, but pullbacks should make SPX attractive in 1Q with initial intermediate-term support near 4818



Source: Bloomberg



SPX Cycle composite- This particular Cycle composite I often utilize suggests a very good year for SPX, but one which starts with a Spring correction and trends lower into year-end

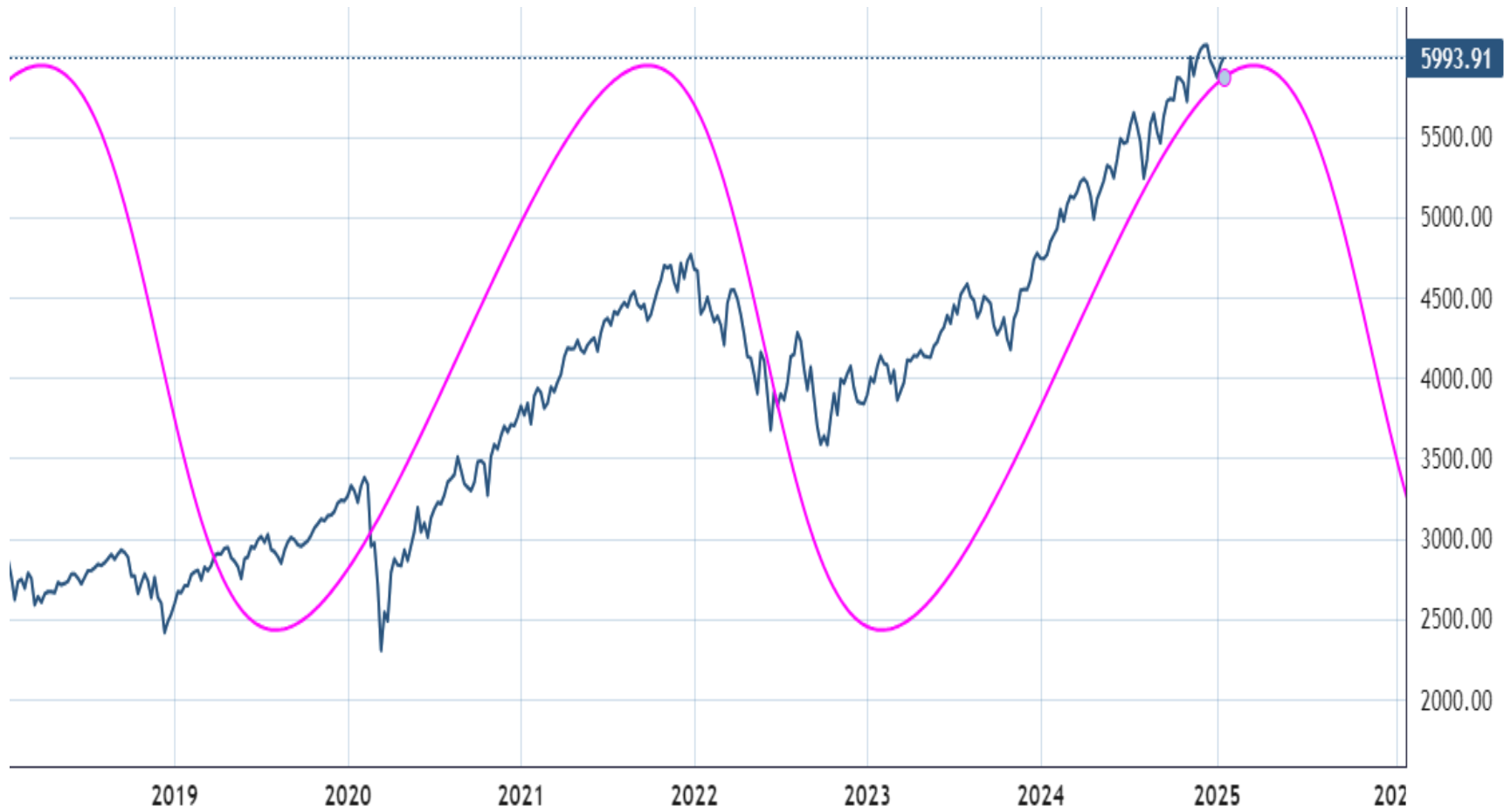


Source: Ferrera Wheels within Wheels Book



SPX Cycle composite- Trend weakens in the back half of 2025 into 2026. (180 week, (41-month cycle), made popular by Edward Dewey)

(Pink line measures amplitude, not magnitude)



Source: Foundation for the Study of Cycles



Post Election year could be strongest in the 1st half, weakening in August and September given tendencies since 1953

Post-election	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1953	-0.7%	-1.8%	-2.4%	-2.6%	-0.3%	-1.6%	2.5%	-5.8%	0.1%	5.1%	0.9%	0.2%
1957	-4.2%	-3.3%	2.0%	3.7%	3.7%	-0.1%	1.1%	-5.6%	-6.2%	-3.2%	1.6%	-4.1%
1961	6.3%	2.7%	2.6%	0.4%	1.9%	-2.9%	3.3%	2.0%	-2.0%	2.8%	3.9%	0.3%
1965	3.3%	-0.1%	-1.5%	3.4%	-0.8%	-4.9%	1.3%	2.3%	3.2%	2.7%	-0.9%	0.9%
1969	-0.8%	-4.7%	3.4%	2.1%	-0.2%	-5.6%	-6.0%	4.0%	-2.5%	4.4%	-3.5%	-1.9%
1973	-1.7%	-3.7%	-0.1%	-4.1%	-1.9%	-0.7%	3.8%	-3.7%	4.0%	-0.1%	-11.4%	1.7%
1977	-5.1%	-2.2%	-1.4%	0.0%	-2.4%	4.5%	-1.6%	-2.1%	-0.2%	-4.3%	2.7%	0.3%
1981	-4.6%	1.3%	3.6%	-2.3%	-0.2%	-1.0%	-0.2%	-6.2%	-5.4%	4.9%	3.7%	-3.0%
1985	7.4%	0.9%	-0.3%	-0.5%	5.4%	1.2%	-0.5%	-1.2%	-3.5%	4.3%	6.5%	4.5%
1989	7.1%	-2.9%	2.1%	5.0%	3.5%	-0.8%	8.8%	1.6%	-0.7%	-2.5%	1.7%	2.1%
1993	0.7%	1.0%	1.9%	-2.5%	2.3%	0.1%	-0.5%	3.4%	-1.0%	1.9%	-1.3%	1.0%
1997	6.1%	0.6%	-4.3%	5.8%	5.9%	4.3%	7.8%	-5.7%	5.3%	-3.4%	4.5%	1.6%
2001	3.5%	-9.2%	-6.4%	7.7%	0.5%	-2.5%	-1.1%	-6.4%	-8.2%	1.8%	7.5%	0.8%
2005	-2.5%	1.9%	-1.9%	-2.0%	3.0%	-0.0%	3.6%	-1.1%	0.7%	-1.8%	3.5%	-0.1%
2009	-8.6%	-11.0%	8.5%	9.4%	5.3%	0.0%	7.4%	3.4%	3.6%	-2.0%	5.7%	1.8%
2013	5.0%	1.1%	3.6%	1.8%	2.1%	-1.5%	4.9%	-3.1%	3.0%	4.5%	2.8%	2.4%
2017	1.8%	3.7%	-0.0%	0.9%	1.2%	0.5%	1.9%	0.1%	1.9%	2.2%	2.8%	1.0%
2021	-1.1%	2.6%	4.2%	5.2%	0.5%	2.2%	2.3%	2.9%	-4.8%	6.9%	-0.8%	4.4%
Average	0.7%	-1.3%	0.8%	1.7%	1.6%	-0.5%	2.2%	-1.2%	-0.7%	1.3%	1.7%	0.8%
Median	-0.0%	0.2%	0.9%	1.4%	1.5%	-0.4%	2.1%	-1.2%	-0.5%	2.1%	2.8%	0.9%
Win Ratio	50%	50%	50%	67%	67%	39%	67%	44%	44%	61%	72%	78%

2025

Source: Fundstrat, Bloomberg



Technical Positives to consider heading into 2025

- SPX remains bullish structurally and following SPX, NASDAQ, DJIA and DJ Transportation Avg having rallied to new highs last year. Despite the 4Q consolidation, intermediate-term uptrends remain intact.
- Momentum as a factor has not shown sufficient evidence of deterioration to consider fading this in 2025. While this might eventually weaken, it looks right to stick with Large-cap Technology and the “Magnificent 7” this year while being patient on Small and Mid-Cap strength.
- Financials, Technology, Industrials and Utilities were all higher by >20% in the last 12 months, and one-month weakness in many sectors has not caused these intermediate-term trends to show any damage.
- Relative multi-year trend breakouts in both Financials and Consumer Discretionary vs. SPX make both of these sectors technical Overweights this year
- Sentiment has retreated in the last month given broad-based weakening in US Equities coupled with possible fear over Tariffs and inflation. Given a lack of trend damage, it’s encouraging from a counter-trend perspective to see sentiment turn more muted.
- Seasonality remains constructive into Spring and it’s thought that markets will push higher following the best Election year performance since 1980.
- Intermediate-term Cycles show positive bias between now and next Summer and maintain a bullish bias from the 2022 and 2023 lows



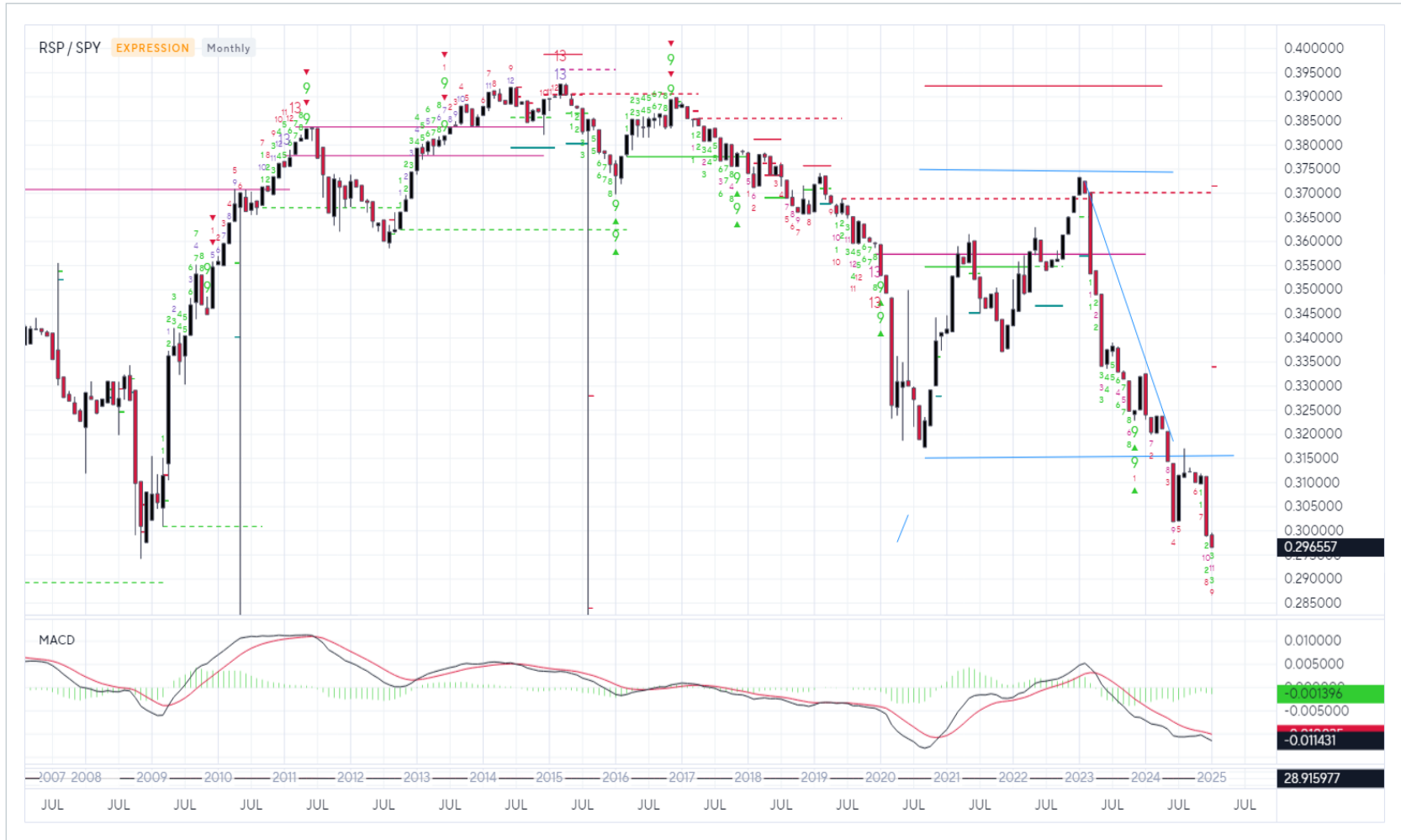
2024 Outperformance by Financials, Technology and Industrials, and Utilities which all showed better than 20% gains last over the last 12 months is constructive heading into 2025 (Optuma data through 1/6/2025)

Code	Name	Change (%)	1W%	1Mo %	3Mo %	YTD%	Weekly RSI(14)	12Mo % ▼
RSPF	Invesco S&P 500 Equal Weight Financials ETF	0.62%	-0.28%	-5.32%	6.14%	0.44%	57.3	25.30%
RSPT	Invesco S&P 500 Equal Weight Technology ETF	1.71%	-0.45%	-2.71%	2.18%	1.58%	53.6	21.24%
RSPN	Invesco S&P 500 Equal Weight Industrials ETF	1.00%	-0.71%	-7.50%	-0.43%	0.46%	49.8	20.56%
RSPU	Invesco S&P 500 Equal Weight Utilities ETF	1.07%	0.97%	-4.05%	-3.59%	1.40%	53.3	20.20%
RSPC	Invesco S&P 500 Equal Weight Communication Services ETF	0.17%	-0.56%	-4.16%	6.73%	0.66%	62.0	19.08%
RSPD	Invesco S&P 500 Equal Weight Consumer Discretionary ETF	0.72%	-1.39%	-3.89%	3.90%	-0.17%	55.9	15.73%
RSP	Invesco S&P 500 Equal Weight ETF	0.92%	-0.21%	-5.37%	-0.49%	0.62%	50.2	13.37%
RSPR	Invesco S&P 500 Equal Weight Real Estate ETF	1.38%	0.64%	-6.44%	-5.08%	0.33%	46.1	7.75%
RSPG	Invesco S&P 500 Equal Weight Energy ETF	1.12%	4.69%	-5.75%	-2.94%	2.87%	48.9	4.09%
RSPH	Invesco S&P 500 Equal Weight Health Care ETF	1.23%	-0.17%	-4.85%	-5.46%	1.02%	41.1	-0.03%
RSPM	Invesco S&P 500 Equal Weight Materials ETF	0.07%	-1.65%	-12.12%	-12.17%	-0.98%	34.6	-3.06%
RSPS	Invesco S&P 500 Equal Weight Consumer Staples ETF	-0.30%	-1.25%	-5.47%	-5.25%	-0.47%	36.4	-4.89%

Source: Optuma



SPX Equal-weighted ETF vs. SPY failed to break out sufficiently in Q4 2024 to drive a Cyclical rally. Trend still favors SPY over RSP(i.e. Large-cap Technology)



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Source: Symbolik



TNX unlikely to exceed 5% highs in 1st Quarter 2025 but could bounce a bit longer before pulling back to near 3.20-5%



Source: Trading View



TNX cycle composite shows a downward bias for 2025 which goes against the narrative of higher inflation.

TNX target = 3.25%



Source: Foundation for the Study of Cycles



DXY- A breakout of 2022 DXY peaks looks unlikely but near-term trend likely remains higher into February ahead of a turn back lower to consolidate gains since last Fall.



Source: Trading View



DXY- Cycle composite trends up into mid-2025 before 2H 2025 weakness. Expect USDJPY could peak near Summer 2024 highs

Technical Strategy



Source: Trading View



US vs. World - US still favored for Outperformance in 2025

US outperformance began to accelerate into/past US Election and this pickup in momentum looks meaningful

(SPY vs. Ishares MSCI ACWI ETF (All-Country World Index))



Source: StockCharts.com



EEM- US Dollar strength likely will prohibit EEM from showing meaningful outperformance in 2025. EEM uptrend remains lackluster compared to the steepness of 2021-2022 decline



Source: TradingView



India- One of my favorite areas within Emerging markets despite a rising US Dollar. Recent weakness likely should not undercut 72k in SENSEX and should represent an attractive opportunity on a bit more weakness in Q1



Source: Bloomberg



FXI- Pullbacks into late February should make FXI attractive

China looks early to favor in 2025 given a rising US Dollar, but pullbacks under \$27.50 would help this gain appeal



Source: Fundstrat, Trading View



Small Caps - Outperformance will depend on a relative breakout vs. Equal-weighted S&P 500. This might be a 2Q 2025 event.

(Ishares Russell 2000 ETF (\$IWM) vs Equal-weighted S&P 500 (\$RSP))

Momentum turned positive after the election but no breakout yet vs. RSP



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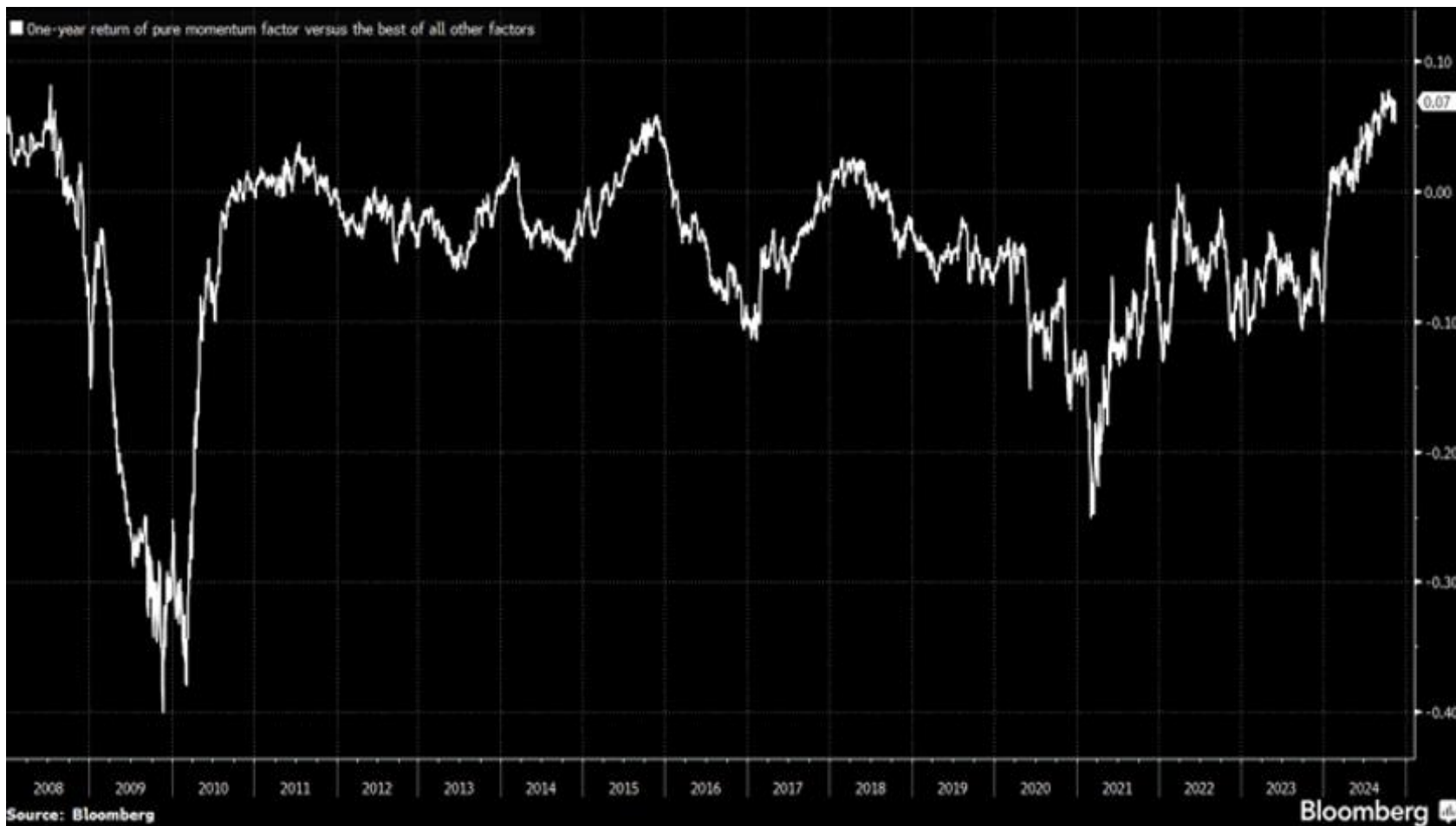
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Source: Symbolik



2024 saw Momentum outperform other factors by the largest amount since 2008. This likely won't continue in 2025, but no signs yet of any mean reversion

One-Year Return of Pure Momentum factor vs. the best of all other factors



Source: Bloomberg



Momentum was the clear leader vs. other Factors but also has shown the best returns over the last Decade

Year-to-Date Ranking of Factor Returns on Long-Only Portfolios

Style	Factor/Driver Name (13)	1D Ret	1wk ↗	YTD ↓ ↗	1Yr ↗	10Yr ↗	
Highlights	Filter						
	Equally Weighted Universe Return	-0.03%	1.08%	21.81%	30.92%	159.25%	
1) ↗	Momentum	Momentum	-0.30%	0.96%	37.79%	47.00%	277.33%
2) ↗	Revisions	3M EPS Revision % (FY1)	0.06%	0.79%	29.51%	37.73%	232.24%
3) ↗	Multi-Factor	BI MWP Multi-Factor Score	-0.29%	1.12%	28.47%	36.08%	207.26%
4) ↗	Size	Market Capitalization	-0.32%	0.69%	25.22%	31.12%	196.83%
5) ↗	Quality	Quality	-0.11%	0.58%	24.47%	32.18%	202.61%
6) ↗	Growth	Growth	0.53%	1.06%	23.77%	34.07%	196.06%
7) ↗	Dividends	Dividend Yield	-0.44%	0.78%	22.30%	30.90%	149.07%
8) ↗	Volatility	Low Volatility	-0.66%	1.10%	20.36%	23.40%	144.54%
9) ↗	Share Buybacks	1Y Share Buyback	0.14%	1.21%	20.08%	27.93%	230.64%
10) ↗	Trade Activity	Liquidity	0.56%	1.32%	19.82%	29.83%	163.07%
11) ↗	Value	Value	0.08%	0.84%	19.40%	29.31%	201.07%
12) ↗	Short Interest	SI Days to Cover	-0.07%	1.67%	19.35%	31.39%	99.03%
13) ↗	ESG	ESG Disclosure Score	-0.26%	0.79%	18.90%	25.45%	205.15%

Source: Bloomberg



Growth vs. Value– Growth is only strong on a Large-cap basis vs. Value. Both Small-cap and Mid-cap Growth vs. Value peaked out last Summer (Mid-cap Growth is trying to stabilize)

Price Ratio: Ishares Mid-cap 400 Growth (IJK) / Ishares Mid-cap 400 Value (IJJ)



Source: Optuma



Small-cap Growth vs. Value– Value has proven to be the leader over Growth since Summer 2024 and broke its uptrend from 2023. Until this changes, Small-cap Value is preferred v. Growth

Price Ratio: Ishares Small-cap 600 Growth (IJT) / Ishares Small-cap 600 Value (IJS)



Source: Optuma



Large-cap Growth vs. Value– Growth is clearly preferred vs. Value structurally, but could use some consolidation.

Price Ratio: Ishares Russell 1000 Growth (IWF) / Ishares Russell 1000 Value (IWD)



Source: Optuma



“Magnificent 7” contribution to SPX was 40% of total SPX gains

Ticker	Name	Index Weight	% Change	Contribution to S&P 500 in 2024		Annual Earnings (\$ Billion)			
				Contribution to % Chg	Contribution to \$ Chg	CY 2023	CY 2024	Contribution to % Chg	Contribution to \$ Chg
SP50	S&P 500	100%	23.3%	23.3%	1111.8	\$1,823	\$2,015	10.5%	\$192
Magnificent 7		33.3%	40.2%	13.4%	638.3	\$341	\$454	6.2%	\$114
1	NVDA Nvidia Corp	6.3%	171.2%	5.0%	238.1	32	72	2.2%	40
2	META Meta Platforms Inc-Class A	2.5%	65.4%	1.2%	58.4	33	49	0.9%	16
3	AAPL Apple Inc	7.3%	30.1%	2.1%	102.4	95	92	-0.2%	-3
4	MSFT Microsoft Corp	6.0%	12.1%	0.8%	38.4	73	88	0.8%	15
5	AMZN Amazon.Com Inc	4.4%	44.4%	1.7%	79.2	30	54	1.3%	24
6	GOOGL Alphabet Inc-CI A	2.1%	35.5%	0.7%	33.4	34	47	0.7%	13
7	GOOG Alphabet Inc-CI C	2.0%	35.1%	0.7%	32.2	33	44	0.6%	11
8	TSLA Tesla Inc	2.5%	62.5%	1.2%	56.2	10	8	-0.1%	-2
Rest of S&P 500		66.7%	14.9%	9.9%	473.5	\$1,482	\$1,561	4.3%	\$78

Source: Fundstrat, Factset



Industrials –Overweight - 4Q 2024 weakness makes Industrials attractive given its ongoing relative uptrend after a multi-decade relative breakout to SPX

Invesco’s Equal-weighted Industrials ETF vs. Equal-weighted S&P 500 (RGI to RSP) shown below

Technical Strategy



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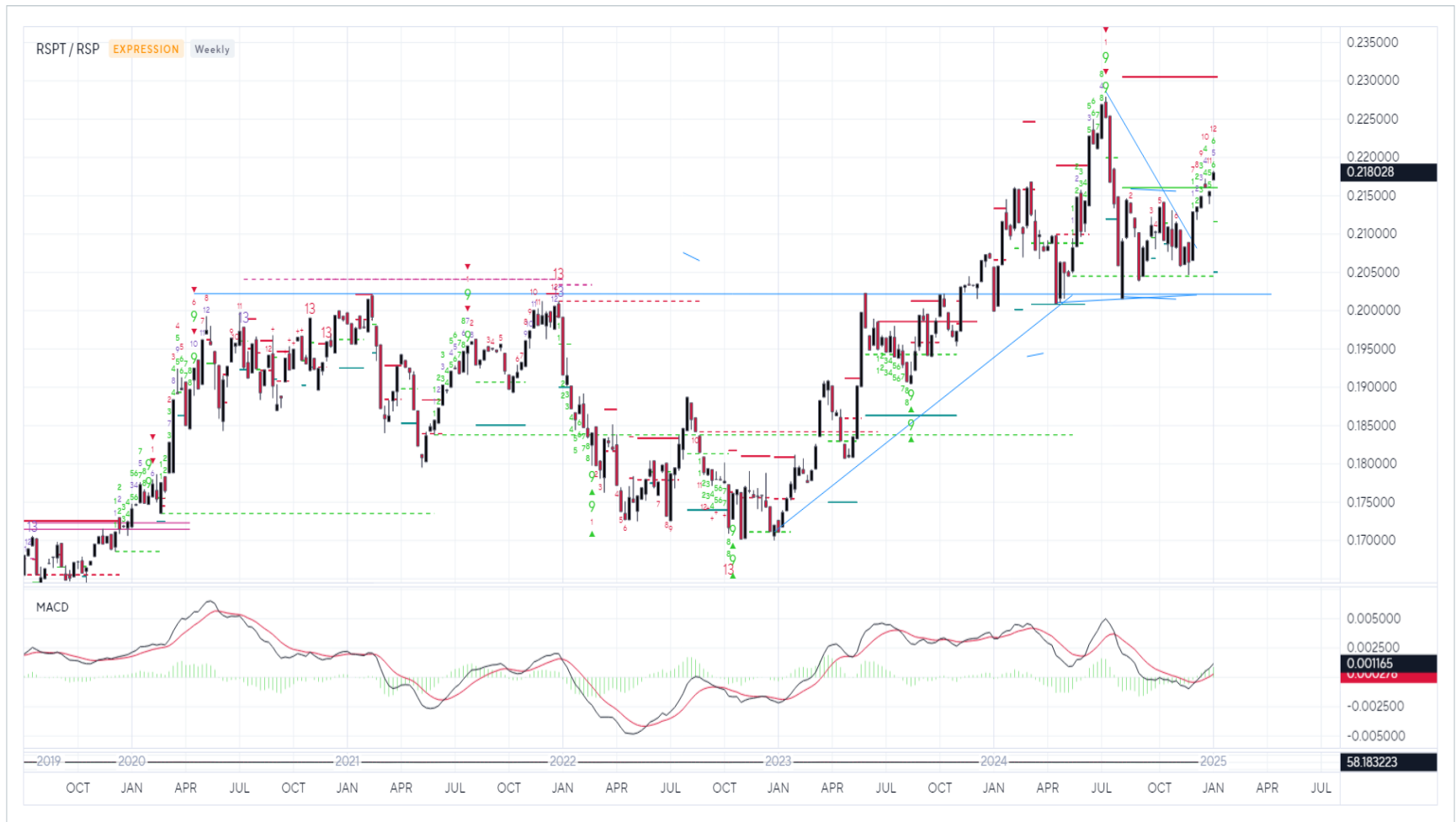
JAN 06, 2025 15:33:54 UTC-05:00

Source: Symbolik



Technology- Overweight; Recent consolidation out of Technology from July into end of year has now given way to strength into early 2025

A late Q1 downturn in interest rates should help Technology and also Growth- Bullish



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JAN 06, 2025 15:36:16 UTC -05:00

Source: Symbolik



Magnificent Seven ETF by Roundhill (\$MAGS- modeled after the seven companies recognized for their market dominance in technological innovation) still looks excellent. 1Q 2025 potential weakness should afford buying opportunities

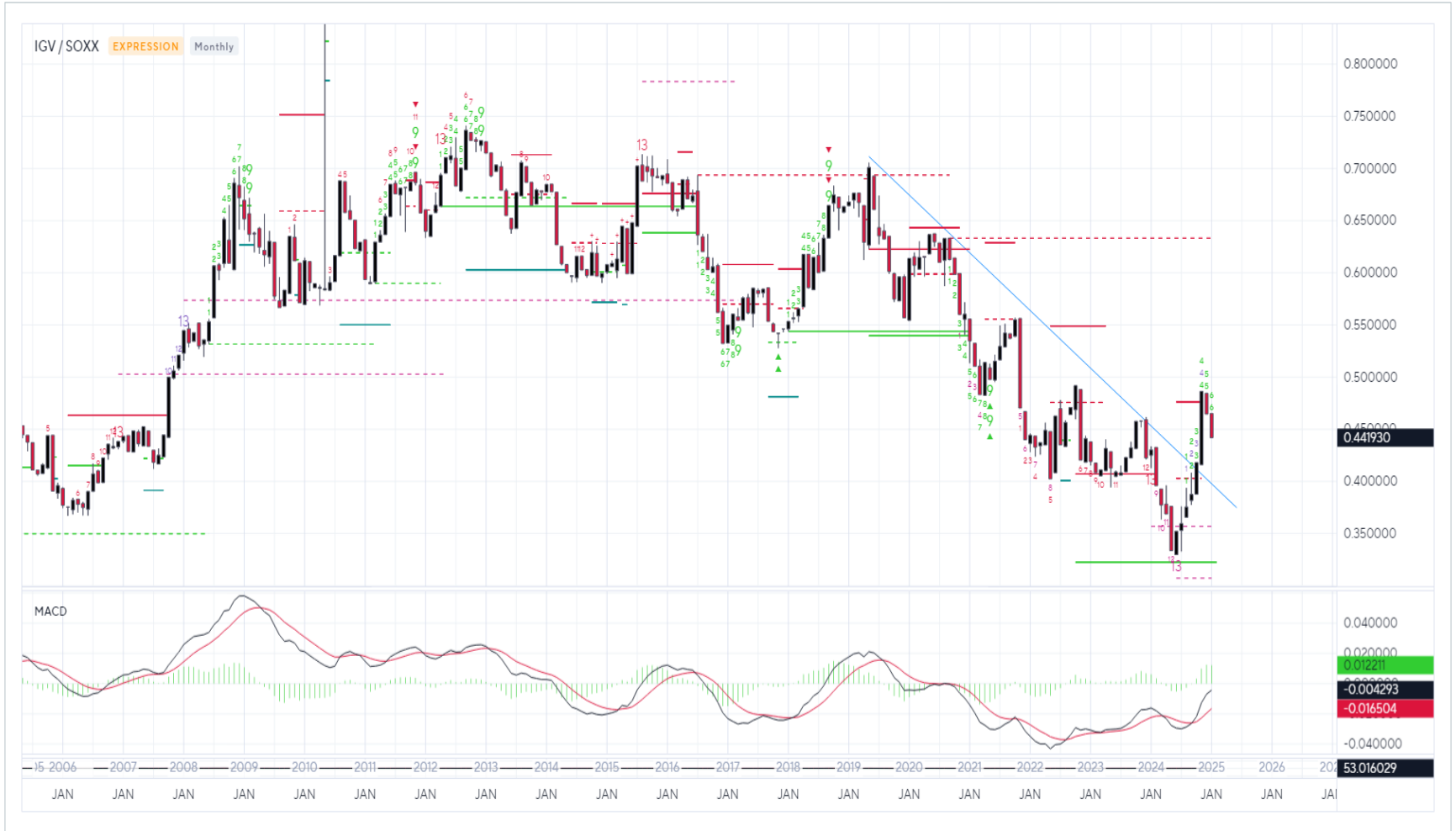


Source: Trading View



Software looks preferable to Semiconductor stocks following multi-year breakout & two months of consolidation

Technical Strategy



Source: Symbolik



Financials- Overweight; Relative breakout in Financials vs. Equal-weighted S&P 500 (\$RSPF vs. \$RSP) is promising for 2025 outperformance



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JAN 06, 2025 15:45:52 UTC-05:00

Source: Symbolik



Consumer Discretionary- Overweight; Late year Breakout has happened vs. S&P similar to Financials- Tailwind for 2025



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JAN 06, 2025 15:47:01 UTC -05:00

Source: Symbolik



Healthcare – Underweight

Relative damage vs S&P 500 in Equal-weighted terms has been extreme. While an oversold bounce is likely into 2nd Q 2025, it's difficult to overweight Healthcare



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JAN 06, 2025 15:48:31 UTC-05:00

Source: Symbolik



Energy – Underweight

Relative damage vs S&P 500 in Equal-weighted terms took Energy down to multi-year lows. While a bounce is possible in 1Q 2025, it's difficult to overweight Energy given projections of WTI Crude falling down below \$50



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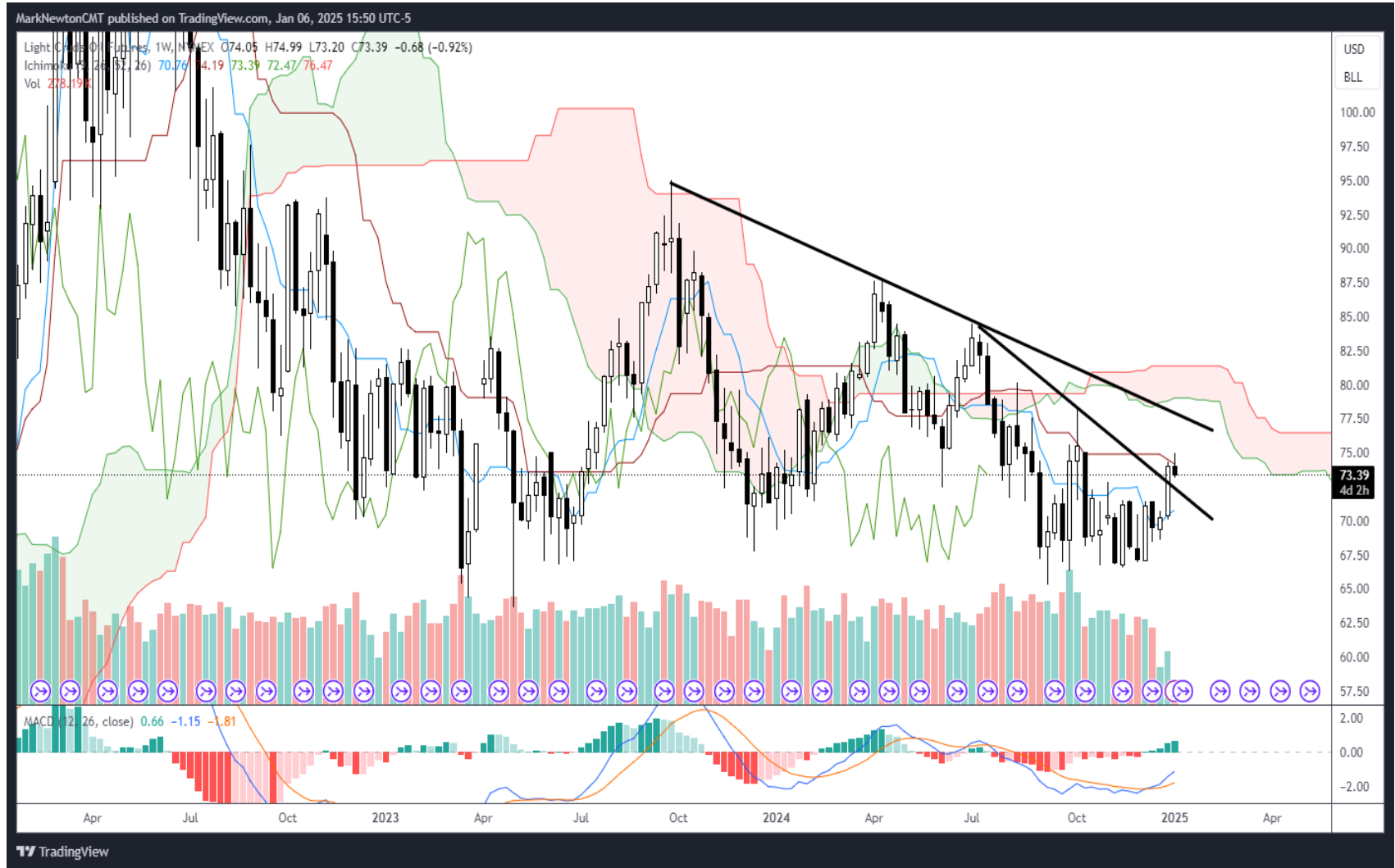
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Source: Symbolik



Crude oil's 1st Quarter bounce should prove brief before resulting in WTI Crude turning lower to 40-50 in 2025 into this Summer. A late 2025 rebound is possible but likely from much lower levels



Source: Trading View



WTI Crude oil cycle composite – Bearish into Fall 2025

Energy might underperform given Crude's bearish bias for the first 6-9 months of 2025

Technical Strategy



Source: Foundation for the Study of Cycles



Gold –Bullish for 1H 2025- Gold likely can begin to turn higher post 2025’s Inauguration as Yields and US Dollar begin to retreat

Rally to 3280 in 1H of 2025 as an upside target



Source: Trading View



Bitcoin- Bullish but extended; BTCUSD should correct in 1st Quarter 2025 before uptrend can resume - Minimum retracement to 74-83k, and potential for 63k or 52k before rally can continue ideally to \$135-\$139k, then \$153k



Source: Bloomberg



Bitcoin likely to retreat in 1st Quarter 2025 before turning higher from March into October

Cycle composite suggests BTCUSD might have peaked in mid-December 2024 and should bottom in early March 2025

Technical Strategy



Source: Foundation for the Study of Cycles



SPX Breadth Percentage of Stocks >200-day moving average has pulled back to just above 50%. This breadth deterioration needs to improve over the next six months.



Source: Optuma



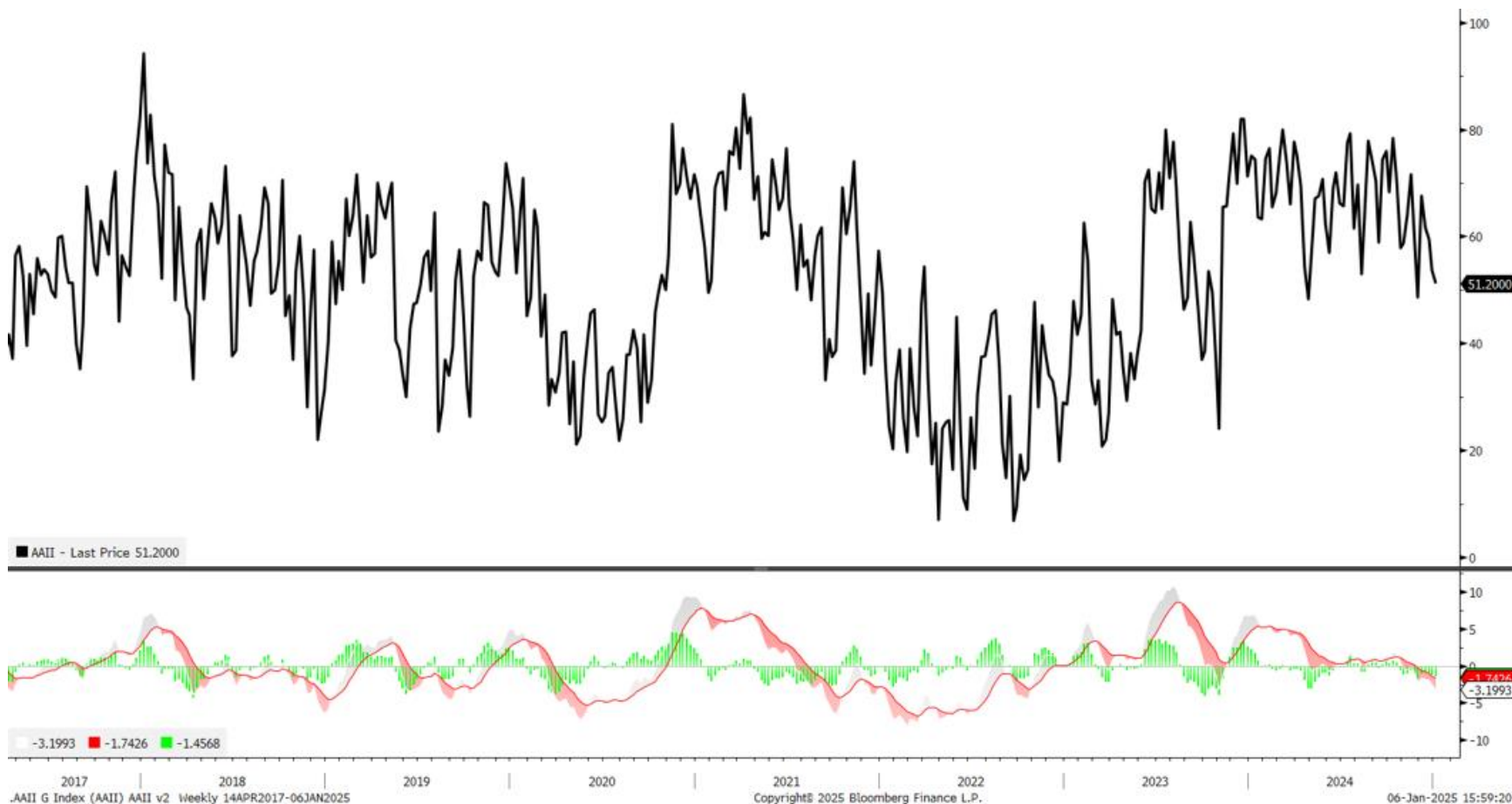
Coppock breadth indicator has joined momentum in breaking down, which was clearly shown ahead of time given negative MACD divergence. Overall, I expect this to turn back higher from February into late Summer



Source: Optuma



AAII Bulls-Bears spread has tightened in recent weeks, despite lack of meaningful trend damage (American Association of Individual Investors)



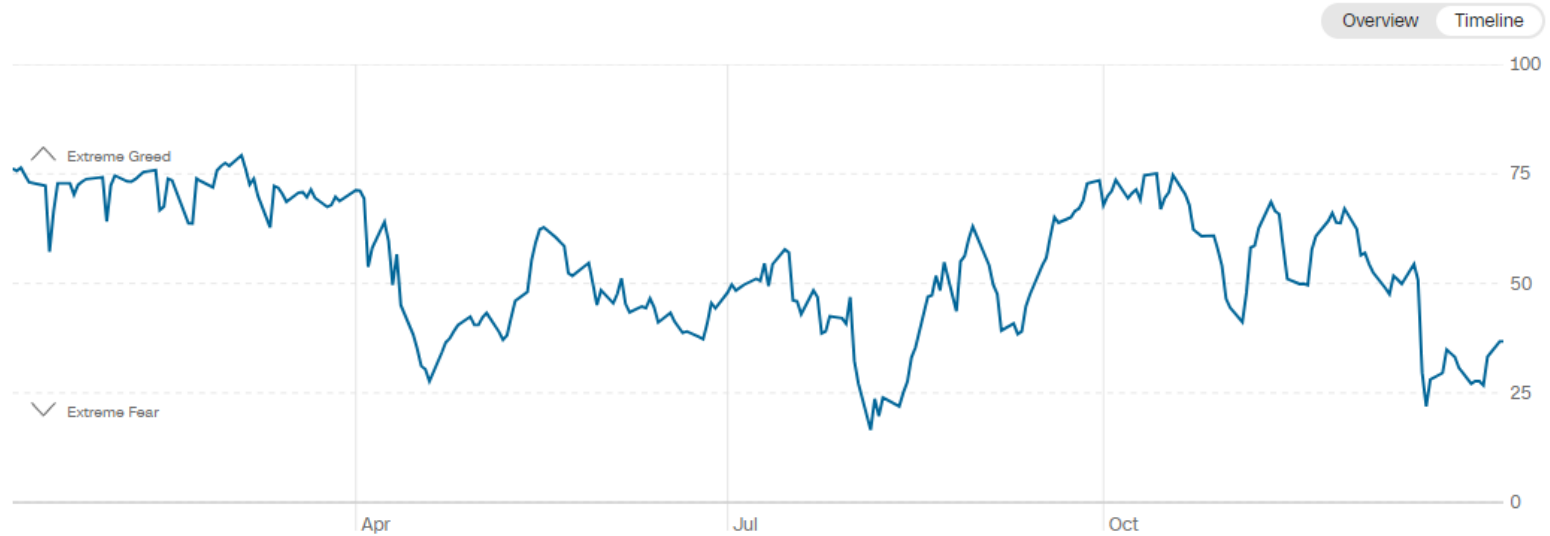
Source: Bloomberg



Fear and Greed index – Close to lower end of its one-year range which from a contrarian standpoint is bullish for Equities

Fear & Greed Index

What emotion is driving the market now?
[Learn more about the index](#)

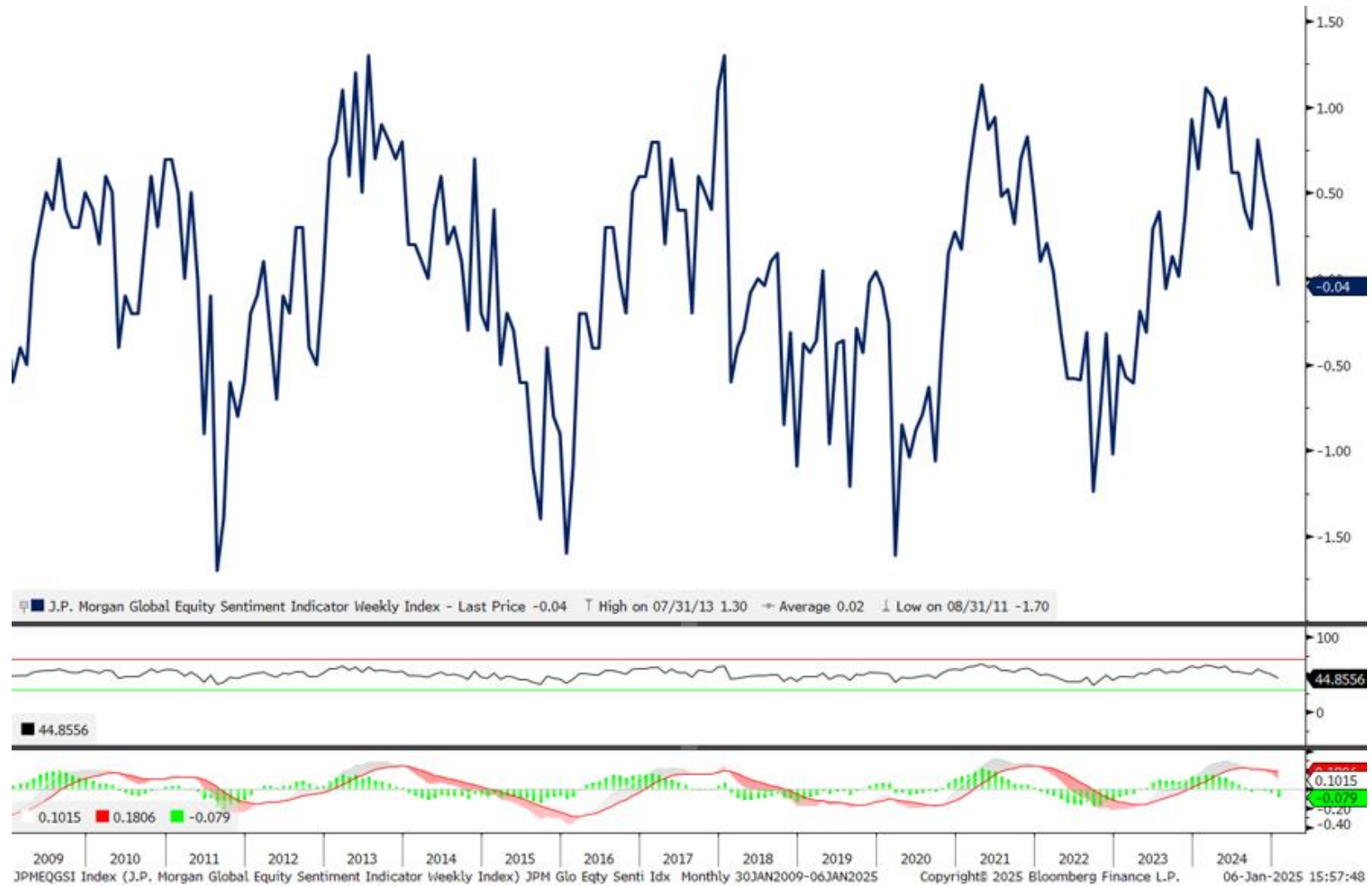


Last updated Jan 6 at 4:09:47 PM EST

Source: Money.cnn.com



JPM Global Equity Sentiment indicator- Neutral; Has been retreating following the test of the high end of its range last year



Source: Bloomberg



CFTC S&P Non-Commercial Net Longs- -56.8k - Leveraged funds have retreated a bit on exposure after ramping up post US Election results



Source: Bloomberg



Breadth – Has begun to weaken sharply over the last couple months

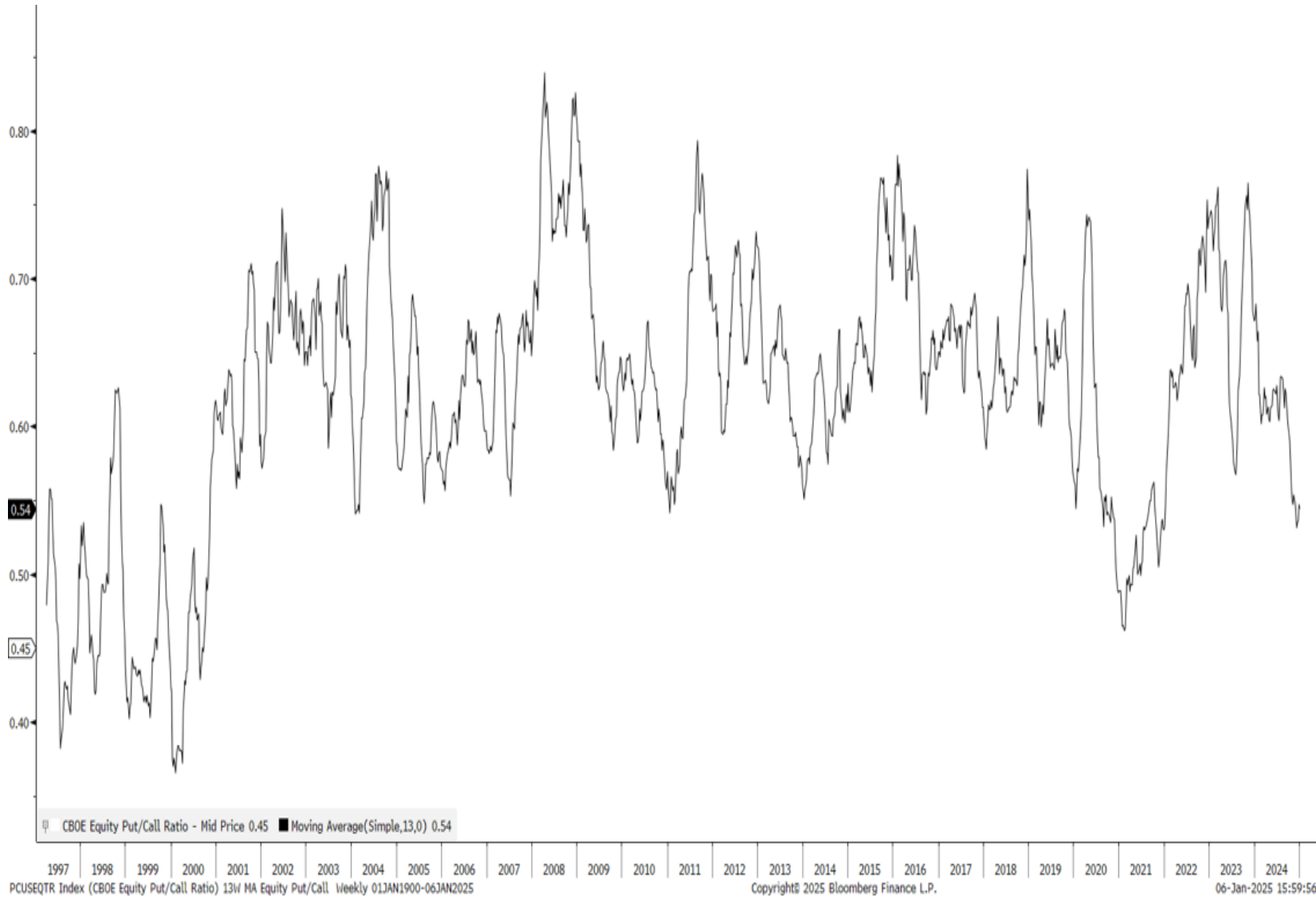
Percentage of SPX names within 20% of 12-month highs remains constructive over 70%



Source: Optuma



Equity Put/Call Ratio-Decline to lowest since 2021 not yet a concern but further drop into Summer 2025 would signal complacency



Source: Bloomberg



Warning Signs to keep in mind into mid-year 2025 which I believe would signal trouble ahead for 2H 2025 (Only one of these has begun)

Structural weakness begins- Indices break trendline From August and challenge uptrend from 2023 lows

Sentiment reaches bullish extremes

Technology breaks pivot area/support

Breadth starts to roll over meaningfully

High Yield Spreads v. Investment grade corporates start to widen meaningfully

Defensive trading starts to improve with strength in Consumer Staples

US Dollar and Treasury yields start to rally very sharply in 2025 where TNX exceeds 5%

Source: Fundstrat



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