

INTERIM DEAL UNDERPINS A CONSTRUCTIVE FRAMEWORK AS INDUSTRIALS BREAK OUT AND SEMIS REBOUND



Mark L. Newton, CMT^{AC}

HEAD OF TECHNICAL STRATEGY

Key Takeaways

- Risk assets have responded positively to the interim Iran deal, with WTI Crude, Treasury yields, and the US Dollar all breaking down together, keeping the near-term framework constructive even if some near-term resistance arises into/past this week's FOMC.
- The rally continues to broaden, as Equal-weight Industrials and Utilities break out and should help Financials and Discretionary show good participation over the next 1-2 months.
- Semiconductors have snapped back sharply alongside the deal, while Energy remains the conspicuous laggard as its consolidation looks set to resolve lower.



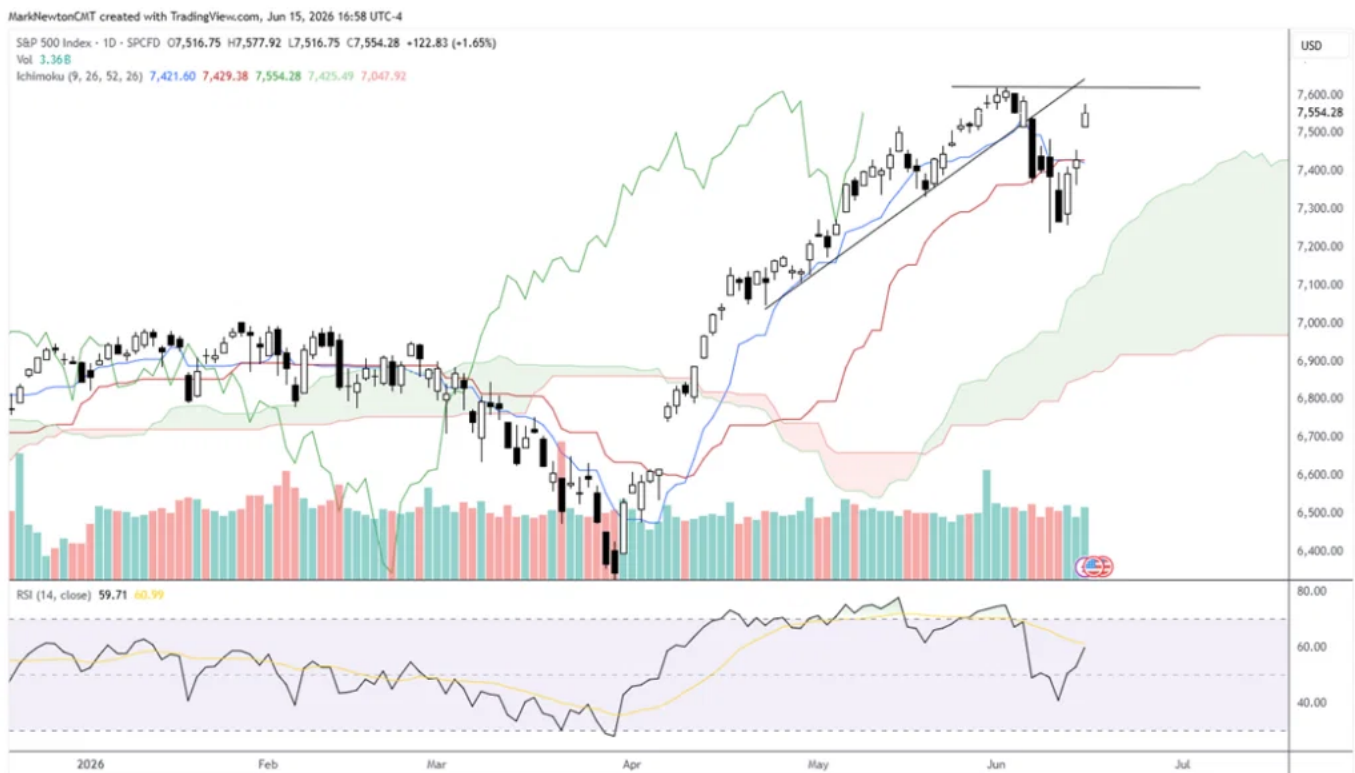
Near-term US Equity trends remain bullish, and Monday's sharp reaction to the announced interim deal has \$SPX and most risk assets pushing higher as WTI Crude, Treasury yields, and the US Dollar all break down in unison. That cross-asset unwind removes a meaningful overhang, and with breadth and momentum slowly improving, sentiment broadly pessimistic, and Central banks likely on hold given the deal, the path of least resistance stays higher into the summer. The timing of the announcement was well planned to avoid further near-term technical deterioration, and while most will reasonably stay skeptical until the terms around nuclear weapons, troops, and sanctions are hammered out over the next couple of months, the market is a forward-looking mechanism and has taken the lead in pricing the positive. The one near-term caveat is this week's FOMC under incoming Chair Warsh, which could bring some temporary resistance and minor backing-and-filling that fills Monday's opening gap before the next push higher. It's right to lean bullish here and use any such weakness as an opportunity to add exposure.

\$SPX pushes back up toward the prior highs on the deal, with FOMC the only near-term hurdle

\$SPX rallied +1.65% Monday to close near 7,554.28, gapping up on the interim-deal announcement and clearing near-term resistance at 7,517 with price now back above both the downtrend from early June and within striking distance of all-time highs. The next overhead test lies into the prior highs near 7,600–7,620, and I would not be surprised to see some temporary resistance arise into this week's FOMC under incoming Chair Warsh, with minor backing-and-filling that fills Monday's opening gap before the next push higher. However, the developments of the last few days have been broadly positive and should serve to postpone any larger setback until late summer.

Support on any weakness this week could be contained near 7,430 and would take a daily close back beneath 7,396 to reopen any near-term concern.

S&P 500 Index (\$SPX, daily) - Gap higher on the interim deal grows closer to all-time highs, which already were achieved by Equal-weighted \$SPX and \$DJIA



TradingView

Source: TradingView

Semiconductors snap back sharply on the deal, recovering the early-June pullback

iShares Semiconductor (\$SOXX) surged roughly +4.22% Monday to trade near 621.43, pushing back to new all-time high territory and recovering the entire early-June pullback in short order. This is a miraculously short period of weakness that occurred, lasting a mere five trading days before snapping back quickly to new highs today.

I had expressed concern about how extended "Semis" had gotten, and I still feel that this sector is quite overbought, with monthly RSI levels in the high 80s above levels where prices peaked in late 2021 ahead of the bear market.

However, it's going to be right to let price dictate the momentum and not be quick to fade this move until price starts to turn lower. Given this deal having just been announced, I am skeptical that June lows are undercut right away.

Thus, overbought conditions could certainly grow a whole lot more overbought.

The key for trend followers will be when price turns down to break Ichimoku Conversion and Base line levels on daily charts, which currently lie at 553.72 up to 575.86. A break of this would certainly cause concern, but it seems premature given the push back to new highs.

While near-term backing and filling certainly could happen later this week post-FOMC meeting, my thinking is that 575–576 likely would serve as support on weakness.

Overall, "Semis" reasserting strength is a net positive for the tape even as leadership broadens beneath the surface. Short-term trend followers are right to stick with this move until 553 is broken, while last week's lows at 521.99 are important on a weekly close.

iShares Semiconductor ETF (\$SOXX, daily) - Sharp snapback recovers the early-June pullback and has pushed back to new all-time highs



Source: TradingView

Equal-weight Energy remains the conspicuous laggard, and its consolidation looks set to resolve lower

Equal-weight Energy (\$RSPG) fell roughly -2.56% Monday to trade near 101.48, underperforming as WTI Crude breaks down on the deal, with price pressing down to the lowest levels in months.

The symmetrical triangle for Invesco's Equal-weighted Energy ETF was broken in late May, but the subsequent bounce attempts failed before turning down to new monthly lows.

This is a negative for Energy, technically speaking, and opens the door toward the early-year lows near \$96 for \$RSPG. With Crude's larger breakdown still in force, I am maintaining Energy at Underweight and would use any bounce as an opportunity to reduce rather than add. This remains the one group working directly against the otherwise constructive, broadening tape.

Invesco S&P 500 Equal Weight Energy ETF (\$RSPG, daily) - Symmetrical triangle pressing lower as Crude breaks down



Source: TradingView

Equal-weight Industrials break out above multi-month resistance, joining the broadening leadership

Equal-weight Industrials (\$RSPN) pushed up +1.42% Monday to trade near 62.89, breaking out above the descending trendline that had capped the group since the February highs and clearing the prior consolidation near \$62. The cap-weighted \$XLI broke back out to new all-time highs (not shown).

This is a genuine upside breakout rather than a test, and it adds another sector to the broadening list of Financials, REITs, and Materials, which look like attractive alternatives to Technology over the next couple of months.

An immediate push up to test \$64 looks correct, technically speaking, while watching carefully for evidence of more meaningful relative strength vs. the \$SPX (which, as shown two charts lower, has not yet occurred).

Invesco S&P 500 Equal Weight Industrials ETF (\$RSPN, daily) - Breakout above the multi-month descending trendline



Source: TradingView

The Industrials relative ratio is bouncing to test two different trendlines, but has not yet shown a relative breakout to the Equal-weighted \$SPX

On a relative basis, the daily ratio of equal-weight Industrials versus equal-weight S&P 500 (\$RSPN/\$RSP) still has some "work to do" before joining the bullish absolute breakout being seen in charts of \$RSPN and \$XLI for Industrials.

Following a healthy +1.85% gain in Capital Goods on Monday, the Industrials sector has begun to strengthen lately.

However, it's right to call this trend "neutral" relatively speaking, not bullish or bearish, until more trend confirmation starts. This will be one to watch carefully, as Transportation strength on Airline gains (given a larger WTI Crude oil decline) should help to power the DJ Transportation Average (and by extension, Industrials) higher.

Disclosures

This research is for the clients of Fundstrat Global Advisors only. For additional information, please contact your sales representative or Fundstrat Global Advisors at 150 East 52nd Street, New York, NY, 10022 USA.

Analyst Certification (Reg AC)

Mark L. Newton, CMT, the research analyst denoted by an “AC” on the cover of this report, hereby certifies that all of the views expressed in this report accurately reflect his personal views, which have not been influenced by considerations of the firm’s business or client relationships. Neither I, nor a member of my household is an officer, director, or advisory board member of the issuer(s) or has another significant affiliation with the issuer(s) that is/are the subject of this research report. There is a possibility that we will from time to time have long or short positions in, and buy or sell, the securities or derivatives, if any, referred to in this research.

Conflicts of Interest

This research contains the views, opinions and recommendations of Fundstrat. At the time of publication of this report, Fundstrat does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

Fundstrat Global Advisors is an independent research company and is not a registered investment advisor and is not acting as a broker-dealer under any federal or state securities laws.

Fundstrat Global Advisors is a member of IRC Securities’ Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of Fundstrat (i.e., Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by Fundstrat clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of Fundstrat, which is available to select institutional clients that have engaged Fundstrat.

As registered representatives of IRC Securities, our analysts must follow IRC Securities’ Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

Fundstrat does not have the same conflicts that traditional sell-side research organizations have because Fundstrat (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of Fundstrat Global Advisors only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but Fundstrat Global Advisors does not warrant its completeness or accuracy except with respect to any disclosures relative to Fundstrat and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies.

The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein.

Except in circumstances where Fundstrat expressly agrees otherwise in writing, Fundstrat is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fundstrat.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

Copyright 2026 Fundstrat Global Advisors LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of Fundstrat Global Advisors LLC.