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Daily Technical Strategy

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LOWERING TECHNOLOGY TO NEUTRAL FROM BULLISH ON A TACTICAL BASIS

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Key Takeaways

- I am lowering Technology to Neutral from Bullish, technically, representing a tactical downgrade to allow for consolidation.
- Semiconductor stocks look to be showing evidence of turning lower in the near-term, and I anticipate weakness between now and mid-July.
- Healthcare is taking the leadership baton, with $PPH breaking out to new multi-month highs and the equal-weight Healthcare-vs-Technology ratio ($RSPH/$RSPT) bottoming and turning higher. I anticipate better returns out of Healthcare than Technology over the next month.

The key development this week is that equal-weight Technology has officially broken down versus Equal-weighted $SPX, which I expect could lead to a period of consolidation for the entire Technology sector. I'm lowering Technology to Neutral from Bullish on a tactical basis. Importantly, this rotation looks constructive rather than bearish: the broader market has absorbed real weakness in mega-cap Technology without breaking, with leadership broadening into Healthcare, Financials, Industrials, and Discretionary. Cross-asset signals support the rotation, as Crude continues lower and yields have pulled back on softer PCE data. My $SPX target raise to 8,000 by year-end represented a much-needed hike from 7,300 as the 1H 2026 nears a close, but is intermediate-term in nature, and not a level I expect to be reached right away. US Equity markets increasingly could prove choppy in the weeks ahead given possible weakness in Technology. Overall, while Equal-weighted $SPX finished positive for the week on solid gains from Healthcare, $SPX and $QQQ both finished down on the week and could allow for a choppy time between now and mid-July.

$RSPT / $RSP (Equal-Weight Technology vs. Equal-Weight $SPX, weekly) — Relative uptrend gives way as weekly TD Sequential and TD Combo "13 Countdown" sells confirm

Source: Symbolik

Lowering Technology to Neutral from Bullish: the relative breakdown vs. $SPX and confirmed DeMark sells argue for a tactical consolidation

The most important technical development of the week is the relative breakdown in Technology. The sector has officially confirmed two DeMark-based Sell signals this week as of today's close in relative terms to S&P (Equal-weighted $RSPT vs. Equal-weighted S&P 500 $RSP), and relative charts of Tech have also broken down vs. $SPX by violating uptrends of the past couple of months. (I referenced this ratio chart in last night's Technical note.)

This is a negative for Technology and likely will lead to a short-lived pullback in Technology between now and mid-to-late July. This would line up with the cycle composite posted on the Technology sector last week which called for Technology to begin weakening.

Unfortunately, the stabilization in Software proved short-lived, and the Magnificent 7 stocks also began weakening since mid-May. The last two trading days of this week then brought about a reversal in many Semiconductor names on above-average volume. While trends for many "Semi" stocks remain intact, many lie near key make-or-break levels and momentum has been negatively diverging and sloping downward over the last couple of months on daily, weekly, and monthly timeframes while RSI remains quite overbought.

Overall, given that other sectors are holding up and strengthening, this is not a sell signal for the market per se. However, I anticipate a choppy period for markets over the next month given this rotation, and one should consider Healthcare, Industrials, REITs, Utilities, and Financials as potentially offering better returns than Technology in the near-term.

Invesco QQQ Trust ($QQQ, hourly) — Coiling within a tightening range; 704 support could be broken which should lead to 685 and in worst case 652

Source: TradingView

$QQQ is coiling within a tightening range — expect choppy, two-sided action into mid-to-late July

$QQQ has pulled back to test the lows of a large consolidation range which might give way given the lack of stabilization in Mag-7 coupled with the start of Semiconductor weakness.

While 704 does appear to be near-term support, any break of 704 would likely see a retest of the more important 685 area, near June lows, with intermediate-term support found near 652.

Given that relative charts of Technology have begun to break down vs. S&P, I am anticipating that a test of June lows likely happens before a test of June highs.

For now, it's right to respect the range rather than press a directional bet inside it. **Charts of Semiconductor stock ETFs (shown below) also argue that price has not yet broken down, making this area for both $QQQ (above) and $SMH (below) important over the next week.**

My expectation is that this consolidation resolves higher once Technology likely stabilizes later in the summer, consistent with the larger uptrend and the eventual push toward $SPX 8,000, but the next few weeks are more likely to frustrate than to trend and could prove choppy.

VanEck Semiconductor ETF ($SMH, daily) — Uptrend intact but increasing signs of potential weakening given stretched conditions and negative momentum divergence

Source: TradingView

Semiconductors remain in an uptrend but are stretched and stalling — watch for any break of trendline support next week

Semiconductors are the clearest example of why I want to lighten rather than add within Technology here. $SMH remains in a well-defined uptrend and continues to hold above its uptrend line, so the trend is not broken, but price has stalled at the highs and daily momentum is now diverging negatively, with RSI carving out lower highs even as price pushed to marginal new highs. Overbought conditions of this sort are most dangerous when price begins to retreat from them, which is what this week's stall may be signaling.

Given how extended the group is, along with high volume on recent negative days in $SMH along with confirmed sell signals on relative charts of $RSPT vs. $RSP, **I prefer to trail this trend using the Ichimoku "Kijun-sen," otherwise known as the Conversion line (the average of the 26-period high and low, shown in brown right near the uptrend).**

Any weekly close below it ($611, but I'll use this past Wednesday's lows of $606.23) would be the first concrete evidence that the long-awaited consolidation in Semis has begun and would dovetail with the bearish Technology cycle composite I discussed earlier in the week. Moreover, many Semiconductor stocks are among the "last ones standing" within Technology given Software weakness having been followed recently by weakness in "Mag-7."

Net-net, I'm not turning negative on Semiconductors as an intermediate-term theme — this remains a leadership group within a bull market — but the risk/reward of chasing strength here is poor, and the negative momentum divergence argues for patience. I'd let the group correct and look to revisit it as attractive into 3Q.

VanEck Pharmaceutical ETF ($PPH, daily) — Breakout above the cloud and prior resistance along with some defensive positioning confirms Pharma leadership

Source: TradingView

Pharmaceuticals are breaking out to new highs — Healthcare is emerging as the rotation's primary beneficiary

Healthcare strength is now finally starting to shift to Pharmaceutical stocks, following the recent breakouts having been seen in Biotechnology and Healthcare Services. This confirms that strength is broadening across the sector rather than being confined to a single sub-group.

The breakout of June highs today on a big low-to-high range is quite bullish for Pharma stocks, and I anticipate a coming test and breakout back above February 2026 peaks near $111.67.

When looking at stocks within the Pharmaceutical, Biotechnology and Life Sciences index, stocks like $MRNA, $INCY, $ABBV, $MRK, $DHR, $TMO, and $JNJ all rose more than 10% this past week.

I continue to view Healthcare as a technical Overweight and one of the more appealing places to be positioned for a bounce into late summer, both on an absolute basis and — as the next chart shows — increasingly on a relative basis as well.

$RSPH / $RSPT (Equal-Weight Healthcare vs. Equal-Weight Technology, daily) — Long relative downtrend bottoming and reversing, with MACD curling higher

Source: Symbolik

Healthcare vs. Technology has bottomed and turned higher — it's right to favor Healthcare instead of Technology over the next month

The ratio of equal-weight Healthcare to equal-weight Technology ($RSPH/$RSPT) has just turned up sharply to recover above 0.55, breaking out above June highs to the highest levels since early May.

This is the relative mirror image of the $RSPT/$RSP breakdown shown earlier, and the two charts tell a single, consistent story: capital is rotating out of an exhausted, overbought Technology complex and into Healthcare, where momentum is taking the early head start and price is beginning to confirm.

The fact that the bottom in this ratio coincided with DeMark-style stabilization signals near the lows (9-13-9) adds to my conviction that this is a genuine reversal and not a one-week bounce.

Pulling it together: the confirmed relative breakdown in Technology and the stall in Semiconductors argue for a stretch of Technology underperformance, and $QQQ is likely to chop and could possibly weaken on a breakdown in Semiconductors to join Mag-7 and Software in the weeks ahead. However, breakouts in Pharmaceuticals and the reversal in the Healthcare-vs-Technology ratio mark Healthcare as the rotation's primary beneficiary. Overall, the next few weeks should be choppy at best into mid-to-late July, and the right posture is to lean into the broadening leadership while letting Technology consolidate. Happy summer!

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