

ONGOING ROTATION WITH JUST MINOR EVIDENCE OF DEFENSIVENESS



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Key Takeaways

- Rotation remains the dominant story over the past couple of weeks, though with only minor evidence of true defensiveness so far, and the broader tape stays choppy and trendless.
- Monday's roughly 1% bounce in \$SPX and \$QQQ came on muted breadth and heavier volume in declining than advancing issues, so not much change has happened since last week.
- Options positioning has swung to an extreme negative-gamma posture that argues for sharp, two-sided moves into early July, so it pays to respect \$SPX's tightening range rather than press a directional bet inside it.



US Equity trends remain range-bound rather than broken, and Monday's roughly 1% bounce in \$SPX and \$QQQ does little to change a picture that has gone largely trendless into the close of the first half of 2026. Interest rates and Crude's ongoing softness continue to take pressure off risk assets, so the macro backdrop still seems quite helpful toward risk assets. However, the rotation out of Technology late last week following five straight down days has still pointed toward some minor defensive positioning. However, as I'll discuss in this report, the evidence of genuine risk-off defensiveness is still only minor thus far and likely proves short-lived into mid-July. Sector-wise, it's right to favor Healthcare, Discretionary, Financials, and Utilities while letting this choppy range resolve into mid-July.

Last week's leadership was defensive, but Monday's Technology bounce shows this is a rotation, not a decisive move into safety

The equal-weight sector tables tell the rotation story cleanly: over the past week, equal-weight Healthcare led at +6.54%, with Staples (+3.85%) and Utilities (+3.19%) close behind, while Technology (-2.19%) and Materials (-1.68%) brought up the rear.

That ranking looks defensive on its face, but Telecom and Staples haven't shown real breakouts, which normally can be important toward expecting a true defensive tilt.

On a longer look, the standout weakness is Communication Services, down -5.14% over the past month and -10.38% year-to-date, the worst group on board, followed closely by Energy.

Rotation is alive and broadening beyond Technology, but only Healthcare, REITs, and Utilities, all higher by more than 3% last week, have moved enough to suggest further near-term tactical strength.

Invesco Equal-Weight S&P 500 Sector Performance - Defensives led last week while Technology and Materials lagged

Code	Name	Change (%)	1W% ▼	1Mo %	3Mo %	YTD%	Weekly RSI(14)
RSPH	Invesco S&P 500 Equal Weight Health Care ETF	-0.27%	6.54%	7.05%	12.88%	4.87%	62.6
RSPS	Invesco S&P 500 Equal Weight Consumer Staples ETF	-0.78%	3.85%	2.39%	2.99%	4.94%	52.0
RSPU	Invesco S&P 500 Equal Weight Utilities ETF	-0.67%	3.19%	4.27%	2.20%	9.82%	57.0
RSPR	Invesco S&P 500 Equal Weight Real Estate ETF	-1.20%	2.55%	3.11%	14.25%	10.11%	57.7
RSPD	Invesco S&P 500 Equal Weight Consumer Discretionary ETF	-0.11%	2.07%	1.74%	8.11%	-1.32%	52.0
RSPC	Invesco S&P 500 Equal Weight Communication Services ETF	0.83%	1.54%	-5.14%	-2.28%	-10.38%	37.1
RSP	Invesco S&P 500 Equal Weight ETF	1.15%	1.49%	1.87%	12.88%	11.05%	67.1
RSPN	Invesco S&P 500 Equal Weight Industrials ETF	0.08%	1.07%	4.30%	11.88%	11.73%	65.0
RSPF	Invesco S&P 500 Equal Weight Financials ETF	0.19%	0.73%	3.05%	12.69%	-0.89%	57.2
RSPG	Invesco S&P 500 Equal Weight Energy ETF	-0.25%	-0.14%	-3.86%	-12.80%	23.53%	50.2
RSPM	Invesco S&P 500 Equal Weight Materials ETF	-2.01%	-1.68%	-1.77%	1.18%	12.92%	52.0
RSP T	Invesco S&P 500 Equal Weight Technology ETF	2.11%	-2.19%	-1.99%	42.44%	38.75%	72.2

Source: Optuma

\$SPX bounced over 1% but stayed locked inside a tightening triangle, with greater downside volume than upside

\$SPX rose roughly +1.11% Monday to close near 7,435.60, but the gain came on muted participation and leaves price coiled within the symmetrical triangle that has taken shape since the early-June highs. **Price sits right near the edge of the "open gap" from last Monday into Tuesday and would require a move above 7,550 to expect a push higher right away in July.**

If anything, it's right to consider that the chance for weakness is also a real possibility, given the negative gamma backdrop, which often results in above-average volatility.

The level that matters is the lower triangle support near 7,300, reinforced by the cloud just beneath near 7,294; a daily close under there would be the first real evidence that the consolidation is resolving lower, and cause a decline to 7,160–7,195. This looks increasingly likely given recent weakness in Technology.

S&P 500 Index (\$SPX, daily) - Monday's bounce keeps price coiled inside a tightening triangle and has rallied to test the "open gap" from last week



TradingView

Source: TradingView

Equal-weight Consumer Staples are slowly strengthening, but the relative ratio hasn't broken out, so this isn't massive Staples outperformance yet

Consumer Staples have been quietly gaining ground and finished as the second-best sector last week, but the near-term ratio of equal-weight Staples to equal-weight S&P 500 (\$RSPS/\$RSP) has not broken out in a way that argues for massive, sustained Staples outperformance just yet.

The ratio looks to have carved out a minor reverse head-and-shoulders pattern. However, this won't be confirmed until a push back over June highs.

This squares with the Telecom chart below, where price has slipped to its lowest since 2024, so the tape doesn't look as defensive in the near term as last week's sector ranking alone might suggest. While not shown, Consumer Discretionary is also still trending higher vs. Consumer Staples, so this also hasn't broken down in a way that would merit a larger period of relative strength out of Consumer Staples.

Equal-Weight Consumer Staples vs. Equal-Weight S&P 500 (\$RSPS/\$RSP, weekly) - Relative downtrend turning up but not yet broken out



Source: Symbolik

Telecom has fallen to its lowest since 2024 and remains among the weakest groups in the tape

The S&P 500 Telecommunication Services index has pressed lower within the downtrend off its 2025 peak at 175.03 and has now fallen to 139.98, its lowest level since 2024 and right at the 100% downside measured target near 139.10.

Given the break to new yearly lows, this doesn't look to be a pullback to support, but rather some ongoing weakness in this yield-sensitive sector which might grow worse if/when yields start to eventually turn back higher on the long end.

\$TMUS, \$VZ, and \$T have all fallen to multi-month lows, so it's right to say that Telecom remains a huge source of technical weakness, and this looks to continue in the weeks to come.

S&P 500 Telecommunication Services Index (weekly) - Downtrend off the 2025 peak reaches its 100% downside measured target near 139



Source: Bloomberg

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