Daily Technical Strategy

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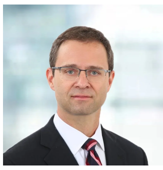
SPX'S TRIANGLE BREAKOUT COINCIDING WITH DEFENSIVE WEAKNESS ARGUES FOR NEW ALL-TIME HIGHS



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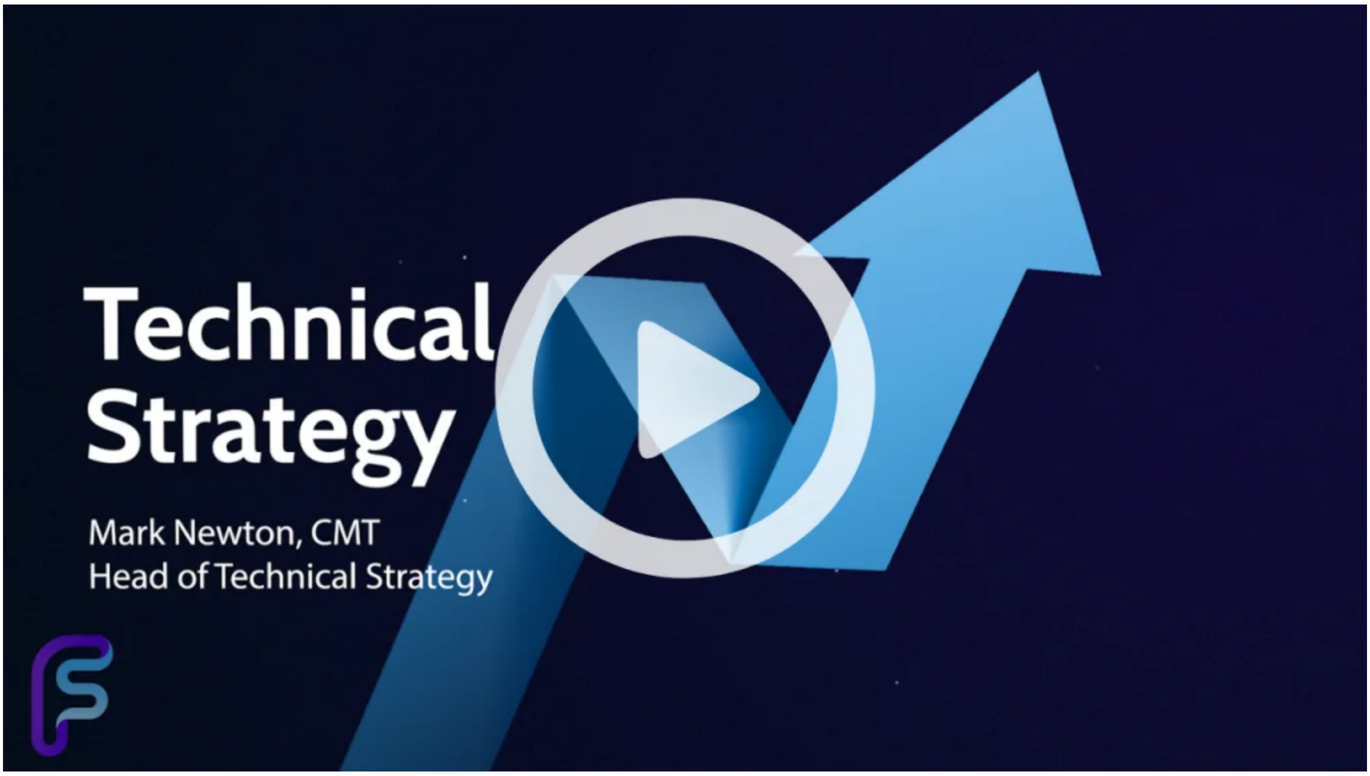
HEAD OF TECHNICAL STRATEGY

Key Takeaways

- $SPX has broken out of the triangle pattern that had confined price since the early-June peak near 7,600, a decisive move which should allow for a push back to new all-time highs.
- Financials, Industrials, and Healthcare all finished last week at new weekly all-time high closes and remain even stronger than Technology in the short run, while $RSP's outperformance of $SPX in cap-weighted form since mid-May very well might continue over the next couple of months.
- REITs pushed down to new weekly lows relative to equal-weight $SPX on Monday, with Utilities and Consumer Staples signaling the same message, and breakdowns in the defensive groups suggest this $SPX breakout likely can extend.



Near-term US equity trends have strengthened coming out of the July 4th holiday, with Monday's session providing the upside resolution to the churning consolidation that had been in place since early June. Sentiment remains a tailwind, as last week's AAII survey still showed far more bears than bulls, while WTI crude's slide under $70 and a steepening yield curve both continue to support the risk-on trade. Within Technology, the bifurcation persists: index-important stocks like $AAPL are making very good movement while others like $NVDA have not budged of late and remain trending down over the last couple of months, so the momentum trade is attempting to snap back but hasn't yet fully reasserted itself. The larger story remains the broadening in sector rotation, and with no evidence whatsoever of defensive positioning, it's arguably right to lean bullish and expect $SPX to push toward 8,000 into mid-August, using any near-term weakness as an opportunity to add exposure.

SPX exceeds last Thursday's intraday highs, breaking its six-week triangle decisively

Monday's rally carried $SPX above last Thursday's intraday highs of 7,540.75, a technical breakout which resolves the symmetrical triangle that had confined the tape since early June. While $QQQ has not yet managed a similar breakout, and "Tech" hasn't finished back above the peaks it made in early June, this does speak to the degree that the broader market has been leading of late, and **Financials, Industrials, and Healthcare all appear stronger than Technology in the short run.**

Overall, until/unless $QQQ can follow suit, the leadership baton stays with the broadening trade, and it remains logical to consider a more balanced portfolio vs. an all-AI type composition given Tech's bifurcation.

Bottom line, Monday's $SPX breakout is thought to be a very good sign that the churning of the last month has run its course, and new all-time highs should follow in the weeks to come.

S&P 500 Index ($SPX, daily) — Breakout above last Thursday's intraday highs of 7,540.75 resolves the six-week triangle and should lead to new all-time highs

Source: TradingView

REITs break down to new relative lows vs. $RSP — defensive weakness that supports the breakout

Monday's session sent the weekly ratio of Equal-weight Real Estate ($RSPR) vs. Equal-weight S&P 500 ($RSP) down under the floor of the range that had contained this ratio since late last year, pushing REITs to new relative lows and extending the larger downtrend from the 2025 peak.

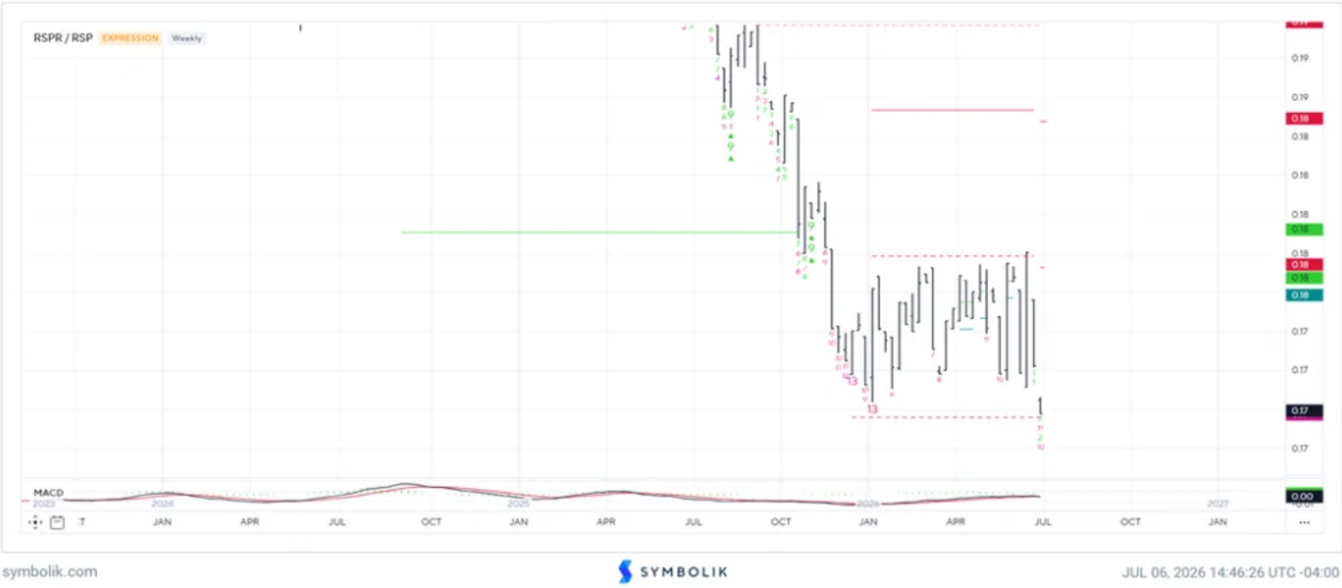
It's always a positive, in my view, when big defensive weakness coincides with the broader market index breaking out, and that's exactly what's been happening lately and was quite pronounced today.

While REITs, as per $XLRE, and $RSPR were on the verge of a multi-year absolute breakout as of last month, this has not yet happened and price has stalled near this former high.

However, a clear breakdown of this year's consolidation range in $RSPR vs. $RSP in relative terms is a short-term negative for REIT outperformance.

In the short run it's right to be tactically neutral on REITs and not look to overweight on this move as this sector is underperforming on the $SPX breakout.

$RSPR / $RSP (Equal-weight Real Estate vs. Equal-weight S&P 500, weekly) — Breakdown under the floor of the multi-month range to new relative lows is a short-term negative



Source: Symbolik

Utilities' bounce from June looks to be giving way — expect this relative uptrend to break in a similar fashion to REITs

The daily $RSPU/$RSP ratio has pulled back over the last week to test the rising trendline from its early-June lows, following a bounce that stalled out in late June well beneath the highs from this past March.

Given the extent of the weakness in Utilities over the last couple of weeks, its bounce in June has the look of a counter-trend move within the larger decline from the March peak.

Thus, similar to REITs, I expect this trendline gives way in the days ahead, sending Utilities back down to test their June relative lows.

Weakness of this sort out of another defensive group would be consistent with what REITs and Staples are already showing, **and it looks prudent to turn tactically neutral on Utilities, and REITs until these sectors can start to gain strength.**

It's thought that this fall might bring about a time when these will start to act a bit better relatively speaking.

In the short run, REITs, Utilities, and Consumer Staples could all show relative weakness in July.

$RSPU / $RSP (Equal-weight Utilities vs. Equal-weight S&P 500, daily) — Testing the rising trendline from early-June lows; a break targets a retest of June lows

Source: Symbolik

Consumer Staples' relative downtrend remains fully intact with no signs of bottoming

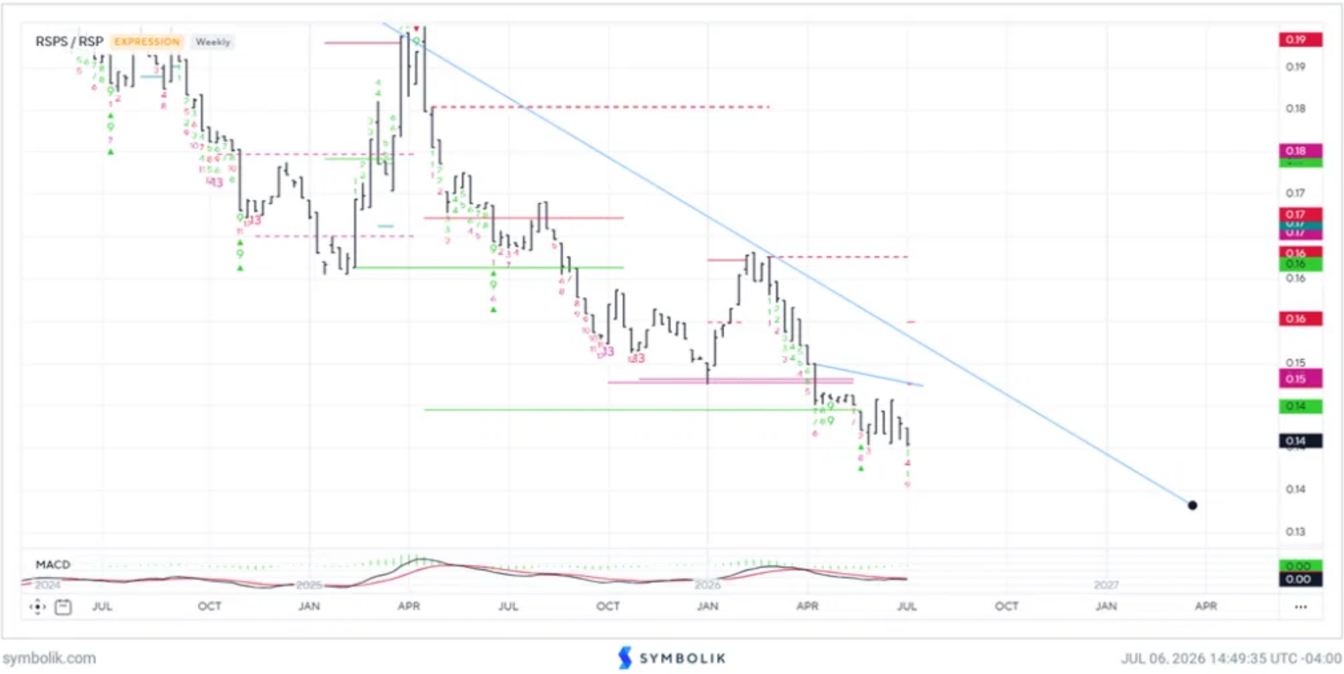
Equal-weight Consumer Staples ($RSPS) vs. $RSP continues to press down to new lows, keeping intact the steep downtrend that's been in place since the ratio peaked in the spring of 2025.

Despite the mild absolute stabilization in Staples discussed in recent notes, there has been zero relative improvement, and this ratio hasn't even begun the basing process that would precede any true defensive rotation.

My expectation is that Staples continue to underperform in the weeks and months to come, and pullbacks in the broader market should prove short-lived as long as ratios like this one keep pointing straight down.

Staples look far weaker than either Utilities or REITs, and this sector merits an Underweight, which is my current technical rating.

$RSPS / $RSP (Equal-weight Consumer Staples vs. Equal-weight S&P 500, weekly) — Downtrend from the 2025 peak fully intact as the ratio presses to new lows



Source: Symbolik

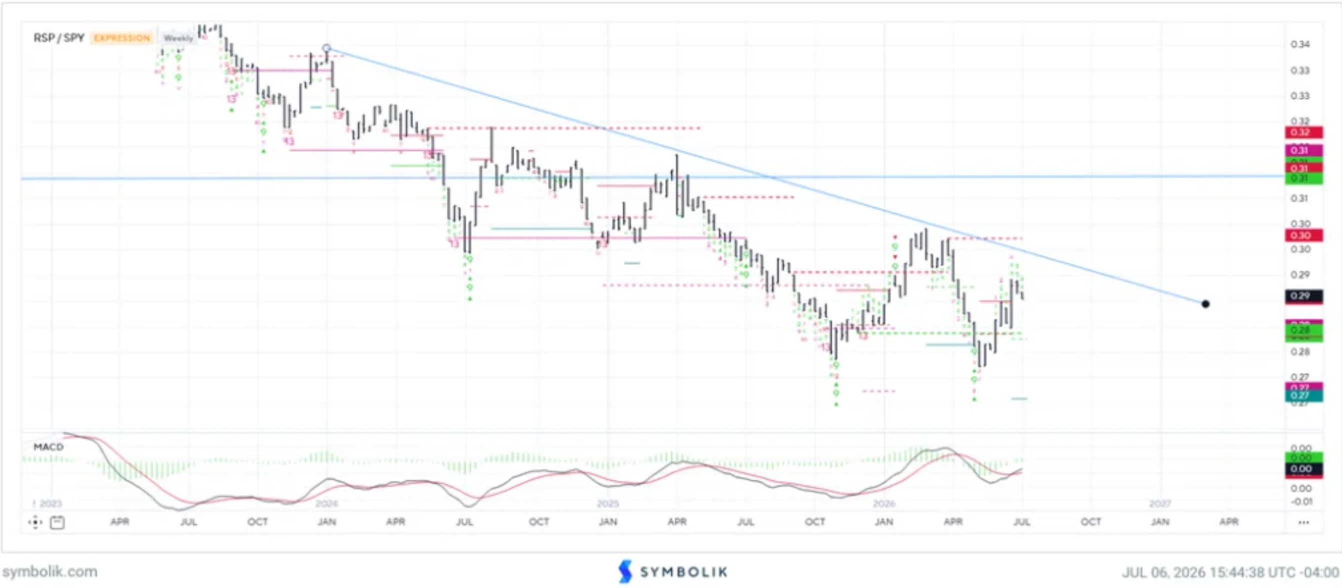
RSP's outperformance vs. SPY since mid-May looks to be in its early stages

The weekly ratio of Equal-weight S&P 500 ($RSP) vs. $SPY bottomed in mid-May and has been steadily turning higher since, and this improvement out of the average S&P 500 stock relative to the cap-weighted index is the clearest expression of the broadening discussed above.

The ratio is still below the multi-year descending trendline from its late-2023 peak, and I expect further broad-based strength to help the ratio of $RSP/$SPY to challenge this trendline, despite Monday's Tech outperformance.

A weekly close above that downtrend line would confirm equal-weight leadership on an intermediate-term basis; until then, the mid-May lows should contain any relative weakness, and this dynamic favors equal-weight exposure over cap-weighted while Semiconductor-heavy "Tech" consolidates.

$RSP / $SPY (Equal-weight vs. cap-weighted S&P 500, weekly) — Turning higher since mid-May, should rally to test the multi-year downtrend from the late-2023 highs



Source: Symbolik

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