Portfolio Strategy July 7, 2026

JULY 2026 SECTOR ALLOCATION UPDATE

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Market Recap

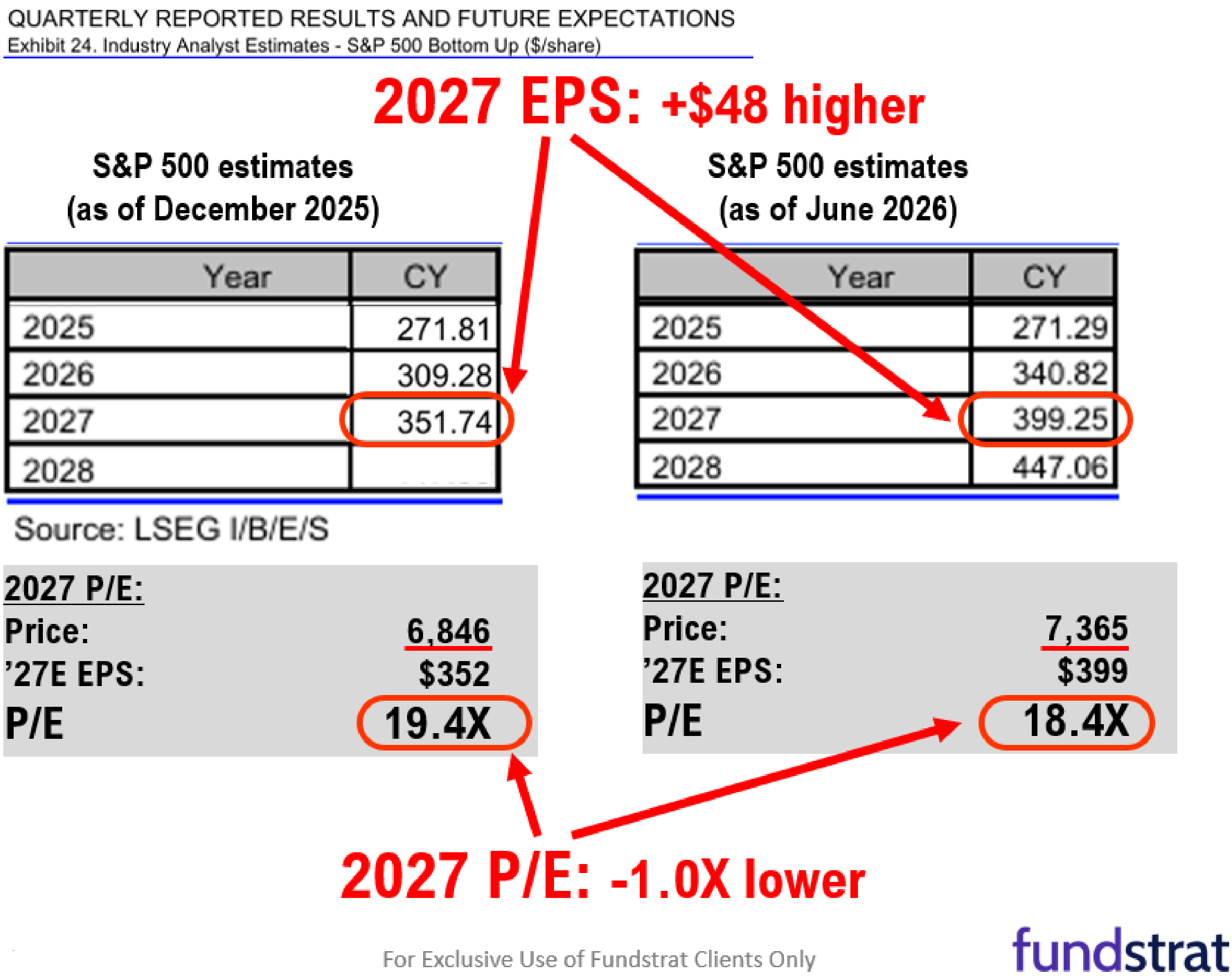
The S&P 500 ended June up 9.55% year-to-date, having notched one of the best quarters for stocks since 2020. Yet June was a relatively lackluster month, with choppy trading that saw the S&P 500 hit new all-time highs at the beginning of the month only to finish down 1.06%.

The middle of the year is a good time to take stock of where we are and where we might be heading. Last December, we released an annual outlook that foresaw the likelihood of a 3-phase market, including gains in the beginning, a challenging period of bear market-like activity in the middle of the year, and a strong rally at the end of the year that would see the S&P 500 reach 7,700 as 2026 came to a close.

We are now revising our year-end target for the index upwards to 8,000, representing a gain of 6.7% from the end of June.

Our thesis continues to rest on our view that U.S. companies continue to find ways to grow earnings. This view seems to be gaining increased acceptance: In December 2025, the consensus estimate for 2027 S&P 500 EPS was $352. That estimate has now risen to $399 – a $48 or 13.3% increase.

That 13.3% increase in earnings expectations is greater than the 9.55% that the S&P 500 has climbed this year. As a result, we are seeing higher stock prices, but based on forward earnings expectations, the S&P 500 P/E is actually one turn lower now than it was in January. A simpler way of putting it is this: The S&P 500 is arguably cheaper now than it was at the beginning of 2026.



S&P 500 estimates (as of December 2025)

Year	CY
2025	271.81
2026	309.28
2027	351.74
2028	

Source: LSEG I/B/E/S

2027 P/E:	
Price:	6,846
’27E EPS:	$352
P/E	19.4X

S&P 500 estimates (as of June 2026)

Year	CY
2025	271.29
2026	340.82
2027	399.25
2028	447.06

2027 P/E:	
Price:	7,365
’27E EPS:	$399
P/E	18.4X

This is central to our decision to raise our year-end outlook. Our original year-end target, based on forward earnings expectations, was 7,700, or 22x forward expectations at the time. Our new 8,000 target actually represents a more conservative multiple of 20x forward P/E – though this still represents a slight expansion in the multiple over present levels.

YEAR-END TARGET: S&P 500 now 8,000 vs 7,700 prior

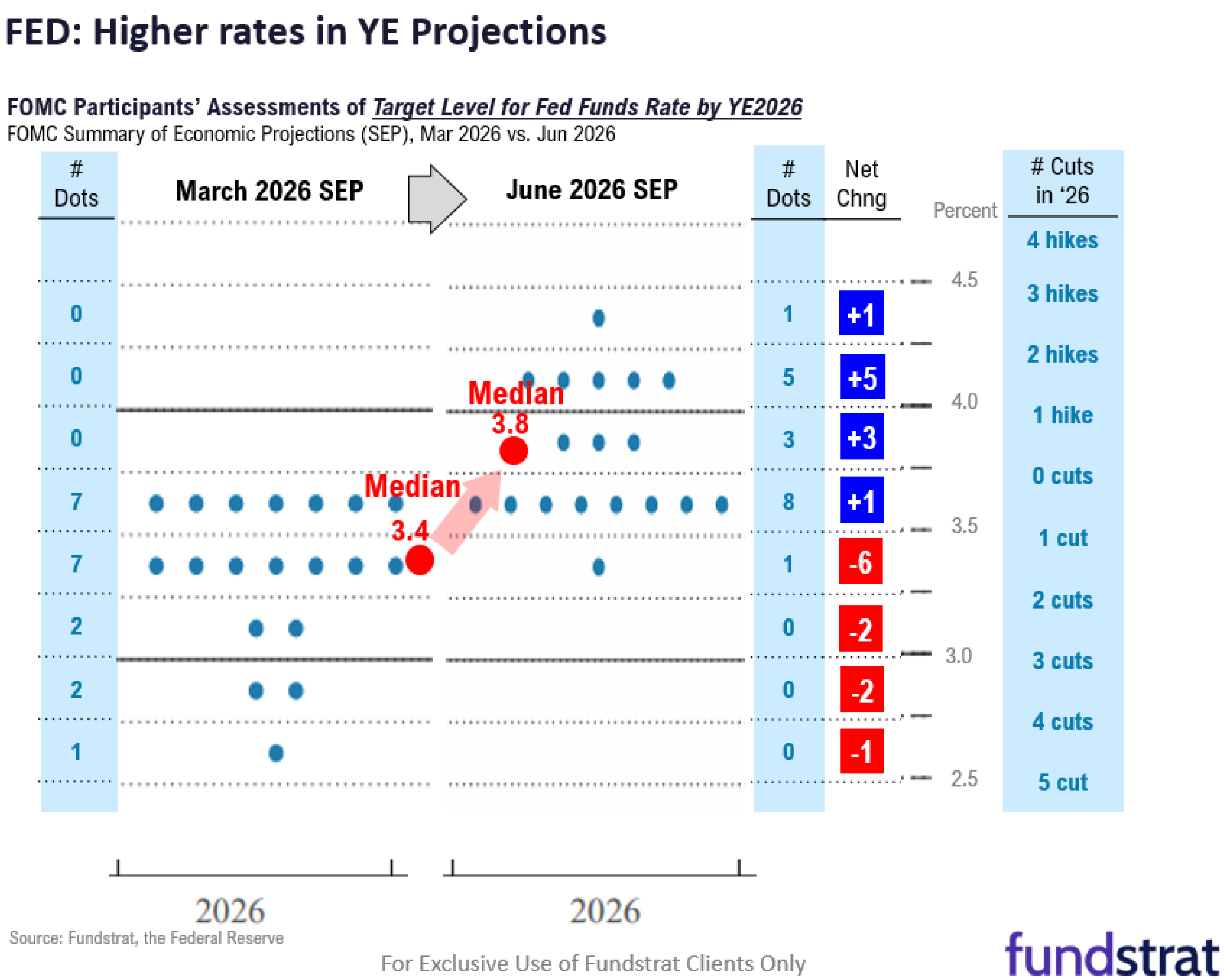
	As of Dec 2025	As of June 2026	
2027E EPS	$350	$400	
P/E Target	22X	20X	Target P/E -2.0X lower
Price Target	**7,700**	**8,000**	

Odds of a straight path are far from certain

Yet, consistent with the details of our original outlook, we do not necessarily see equities rising to this new target in a straight line. As we discussed last month, we continue to see potential catalysts that might trigger a downturn or correction later in the summer, even though we have already had rolling bear markets in the Magnificent 7, in crypto, and in software (as well as bear markets last year in energy and financials.) For one thing, the Iran war continues, lasting longer than expected and thus increasing the likelihood of a supply shock in petroleum products like diesel and jet fuel later in the year.

We previously discussed the implications of a new chair at the Federal Reserve, noting that history shows that markets have a strong tendency to test new Fed chairs in the first year of their respective tenure. Now with Kevin Warsh having overseen his first Federal Open Market Committee (FOMC) meeting as chair, we have some additional thoughts on what his leadership of the Fed might look like.

Warsh appears likely to continue the practice of releasing the Summary of Economic Projections dot plot. As seen in the latest version, 9 of 18 Fed officials who submitted "dots" now anticipate an interest-rate hike this year, up from none in March. Notably, however, Warsh himself did not submit a "dot" of his own.

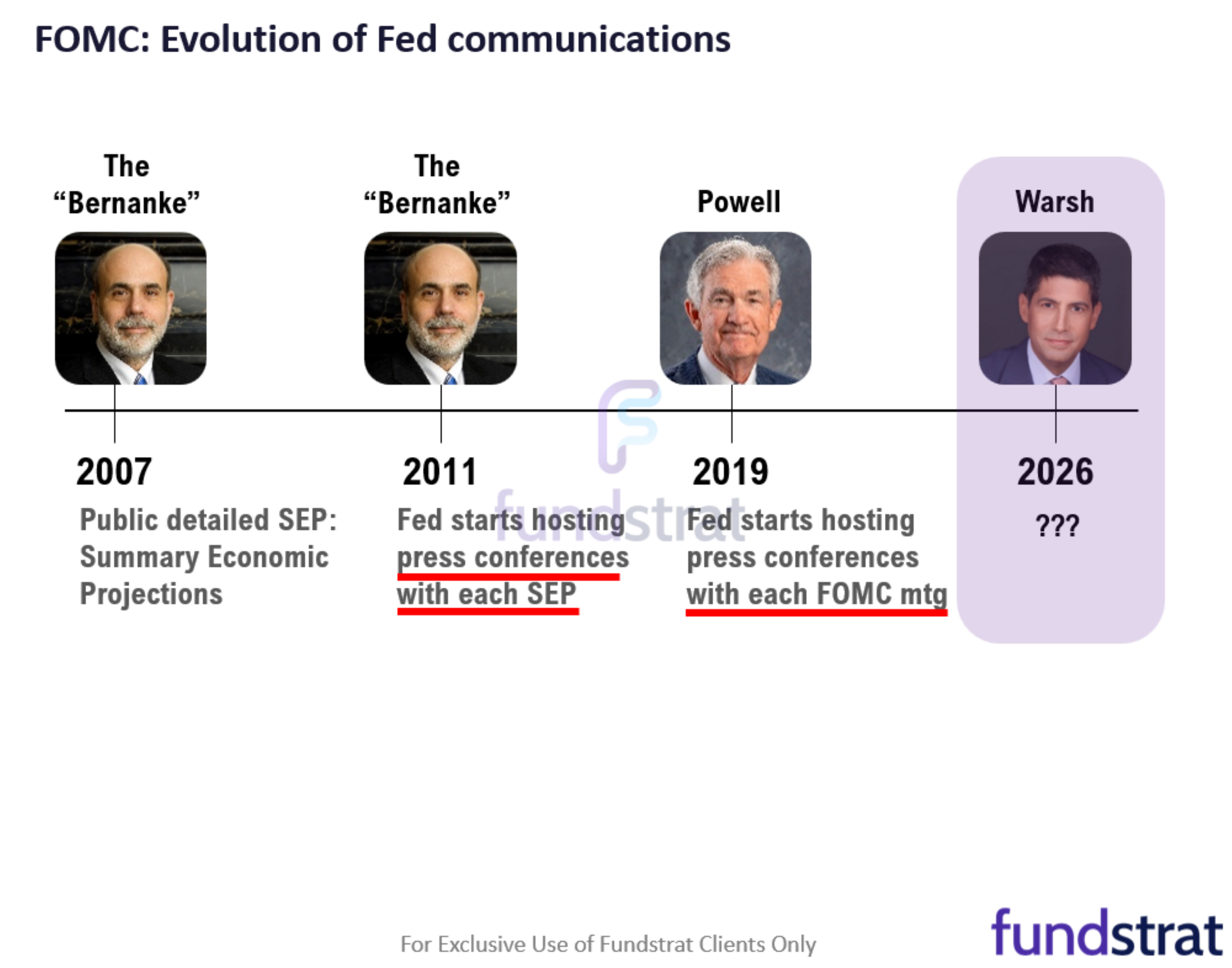


This hawkish shift in the aggregate rate expectations of FOMC members comes even as a downward shift in median expectations for 2026 GDP (down from 2.4% to 2.2%) and core inflation (up from 2.7% to 3.3%). However, as Warsh noted during the post-meeting press conference, many of the dots were submitted in pencil – easily erasable and revisable. "My colleagues understand the world's changing quickly. I didn't hear tons of conviction. What I heard was the kind of humility that we think we should have."

To us, this shows that Warsh really does care about the SEP.

Yet one area that Warsh does want to change is in how the Fed communicates with the public. Warsh cited the influence of his mentor, George Shultz (an economist who served in four different Cabinet positions under Presidents Richard Nixon and Ronald Reagan) in informing reporters that going forward, the Fed might not always have a press conference after each meeting – only when there is "something important to say."

This is not actually unusual. Historically, the Fed has not generally viewed it as necessary to communicate with the markets. Paul Volcker (who led the central bank from 1979-1987) and Alan Greenspan (who led it from 1987-2006), were both effective Fed chairs, and neither had any press conferences after rate decisions. Until Ben Bernanke took over in 2007, the Fed did not even publish detailed summary economic projections. It was Bernanke who began the practice of holding press conferences after SEP releases (essentially to explain the SEP estimates), and it was only under Jerome Powell that you began to get a press conference after each meeting.



I think Warsh's press conference shows that he is neither hawkish (as many believe) or dovish. Instead, he's navigating dynamically. Consider Warsh's interaction with Nick Timiraos of the *Wall Street Journal.* Timiraos asked: "Chairman Warsh, you've said repeatedly credibility is earned by delivery. If credibility requires delivering, the move would be to tighten or at least threaten to. Now you, you didn't do that today. Why not?"

Warsh responded: "The judgment you expressed was not expressed by any of the 19 people around the table. We'll be meeting in six weeks, and we'll take up that issue again."

The latest data

Warsh has previously discussed his dissatisfaction about using personal consumption expenditure (PCE) to track inflation, and he announced the creation of a task force to consider alternatives. However, for now, core PCE remains the Fed's preferred inflation indicator. The latest numbers, released on June 25, show that core PCE MoM came in lower than expected (0.32% versus 0.34%). We view this as significantly more cool than the reading suggests, because the biggest contributor to core PCE was the financial services component. This accounted for 0.1% of the core PCE, which basically means that one third of inflation in May was due to the stock market going up. To us, that should not be considered inflation.

Excluding the financial services component, core PCE would have come in at around 0.22% from the previous month, which works out to be an inflation rate that is pretty close to the Fed's target.

INFLATION: Core PCE In-Line with Expectations

Core PCE %MoM, %-Point Contribution, and Current Less Prior Month %YoY
Sorted by May '26 Contribution

Core Personal Consumption Expenditures - May 2026

	Expenditure Category	Weight (%)	MoM % Change	CTG MoM % Change	MoM% Chg Prior Month
	PCE Core	100.0	0.32	0.32	0.25
1	Financial services	6.4	1.64	0.10	-0.64
2	Housing	17.6	0.31	0.05	0.53
3	Hospital and nursing home services	10.0	0.40	0.04	0.12
4	Outpatient services	9.0	0.36	0.03	-0.06
5	Public transportation	1.7	1.45	0.03	1.31
6	Food services	6.8	0.28	0.02	0.27
7	Telecommunication services	1.0	1.58	0.02	0.23
8	Other durable goods	1.6	0.82	0.01	1.00
9	Magazines, newspapers, and stationery	0.7	1.86	0.01	-0.08
10	Professional and other services	1.6	0.79	0.01	0.37

Stock market gains drove 33% of the May inflation

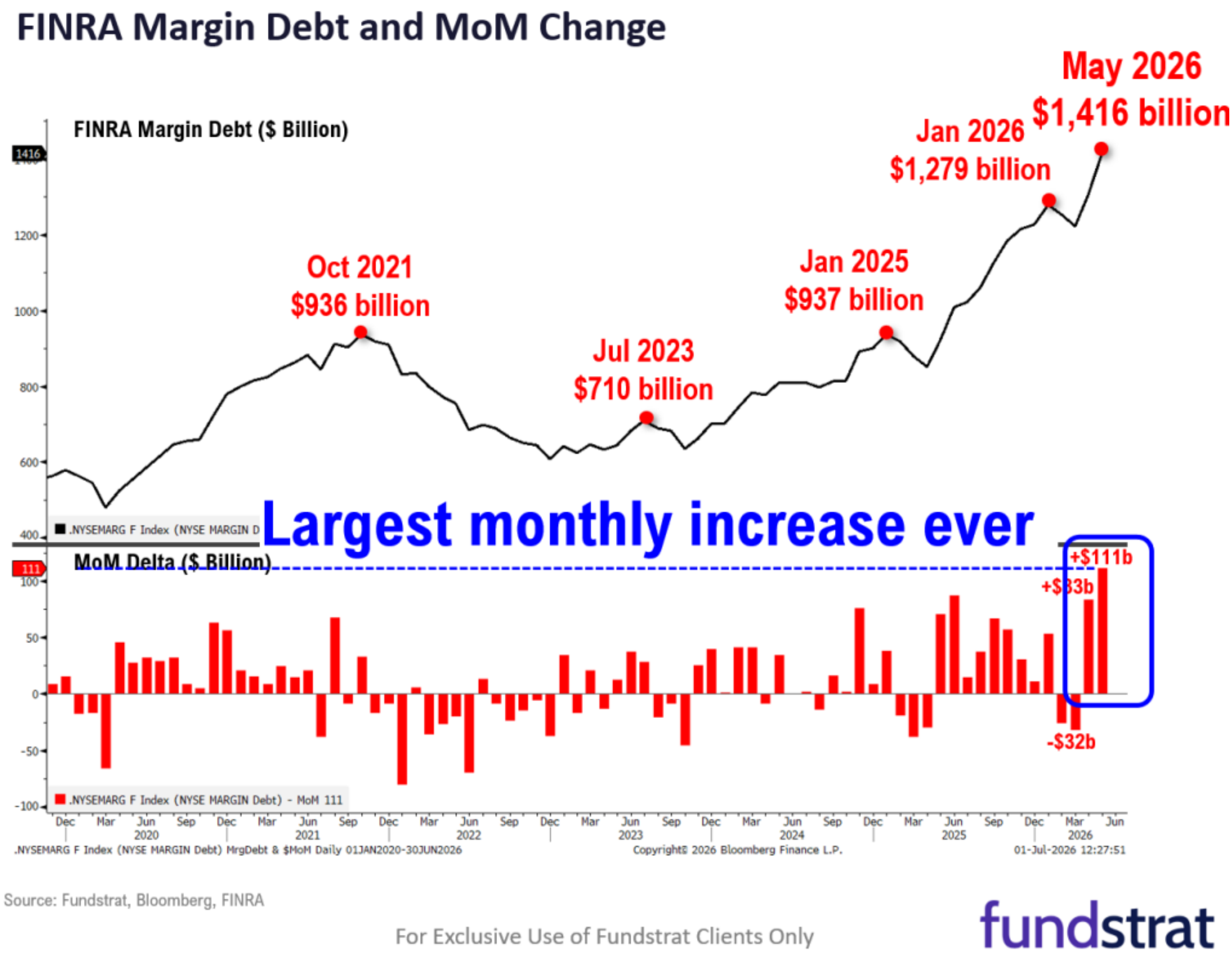
30	Glassware, tableware, and household utensils	0.3	-0.58	-0.00	1.35	0.00	-0.01	14.61	14.68	-0.06
31	Personal care products	1.2	-0.22	-0.00	0.40	0.00	-0.01	2.53	2.77	-0.24
32	Motor vehicle parts and accessories	0.7	-0.52	-0.00	-0.10	-0.00	-0.00	2.48	4.23	-1.75
33	Recreational items	1.8	-0.22	-0.00	0.13	0.00	-0.01	2.92	4.06	-1.14
34	New motor vehicles	2.1	-0.27	-0.01	-0.17	-0.00	-0.00	0.21	0.18	0.02
35	Household maintenance	0.7	-1.50	-0.01	1.35	0.01	-0.02	3.31	5.17	-1.85
36	Furniture and furnishings	1.6	-1.17	-0.02	-0.30	-0.00	-0.01	1.13	2.13	-1.00
37	Final consumption expenditures of nonprofit ir	3.4	-0.86	-0.03	1.20	0.04	-0.07	0.30	2.16	-1.86
38	Pharmaceutical and other medical products	3.8	-0.88	-0.03	-0.27	-0.01	-0.02	-2.20	-0.83	-1.37
39	Net foreign travel	0.4		n/a		n/a	n/a			
40	Net expenditures abroad by U.S. residents	0.1		n/a		n/a	n/a			

Source: Fundstrat, BEA

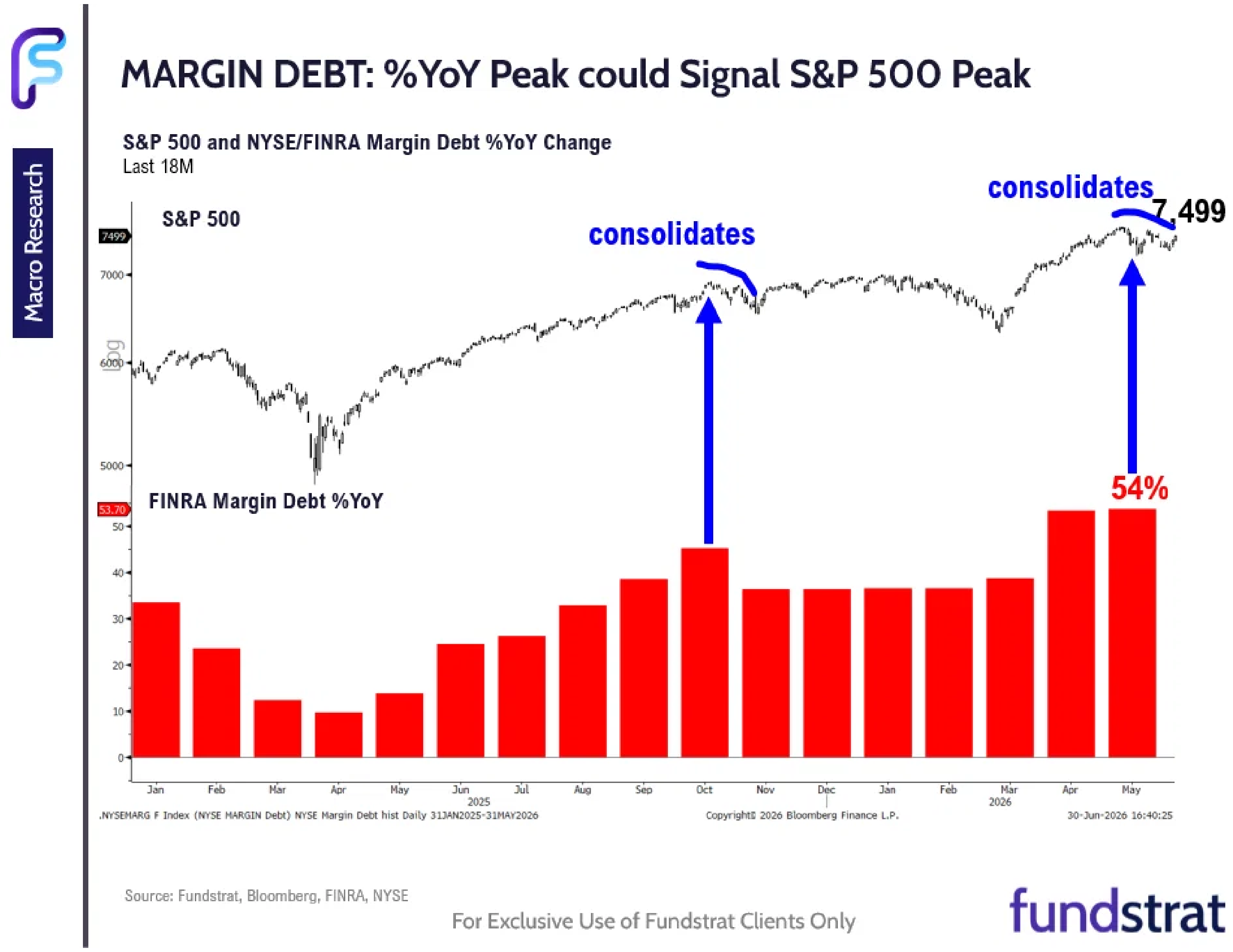
fundstrat

Margin debt

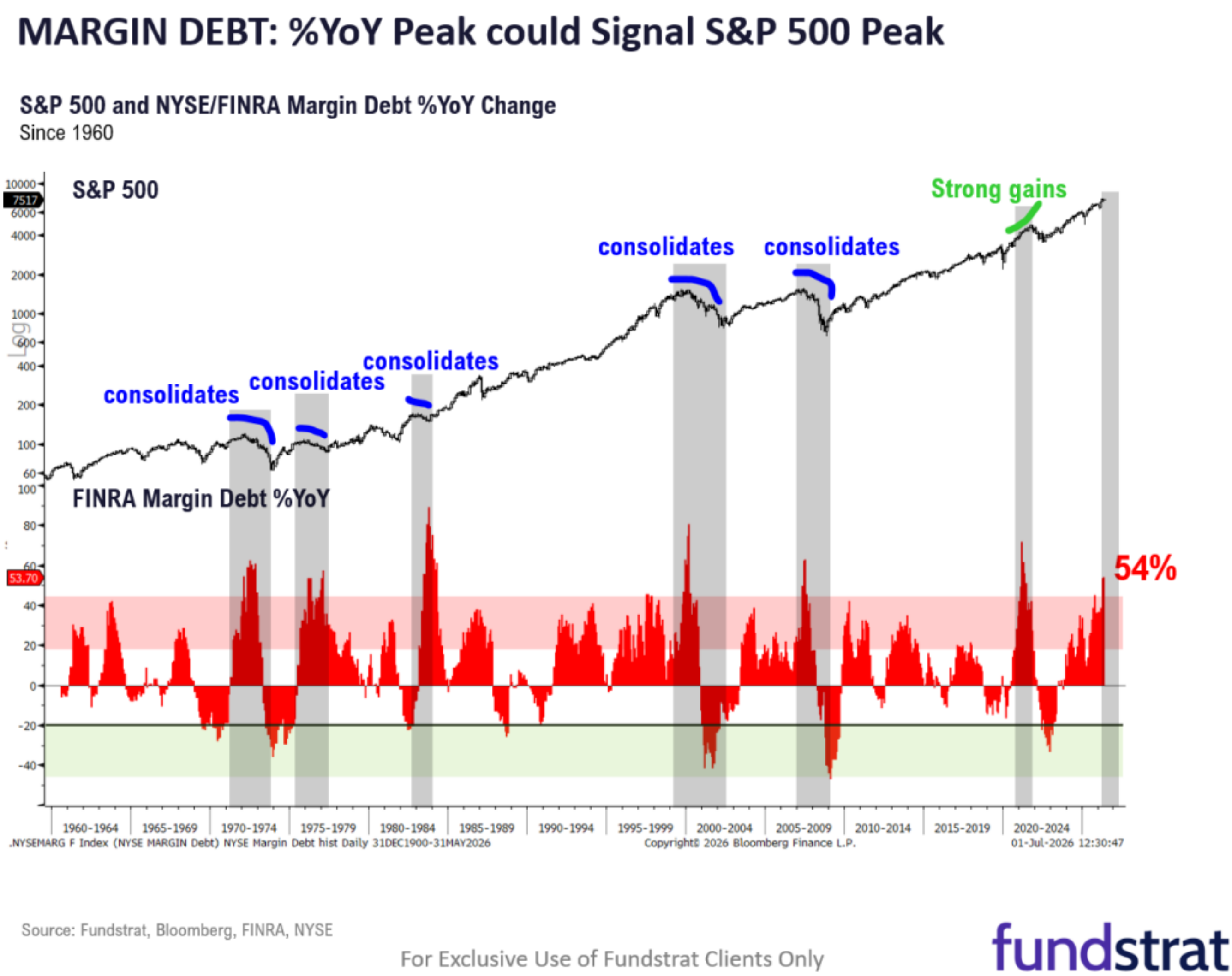
A new potential catalyst for a correction in the coming months emerged in June. The latest numbers on margin debt showed that in May, margin debt saw the biggest single monthly rise ever, and because this is coming after 12 months of sizable monthly increases, the May numbers came in at roughly 54% higher than they were in May 2025. This represents a short-term risk to markets, in our view.



This seems clear if we look at October 2025, when we saw a 50% YoY increase in margin debt. The market consolidated after that number. In fact, we could make a case that markets consolidated a bit in June because investors have used up a lot of "firepower."



Looking further out, YoY margin-debt increases of 50% or more have typically been followed by consolidation in equity markets. This pattern is obvious in the chart below:



This doesn't mean the market is going to go straight down for the next 12 months. As noted previously, we think we are likely to have a correction and then a strong recovery. To us, the surge in margin debt could ultimately serve as one of the headwinds or catalysts that leads to a correction before our anticipated end-of-year rally.

Bottom line

We continue to see a three-phase market in 2026 that includes a mid-year drawdown. However, we are not yet cautious, as we still see impressive resilience in equity markets. We continue to favor Mag Seven ($MAGS) and chips ($SMH and $DRAM), followed by industrials ($XLI), financials (large cap and regional banks, $XLF and $KRE), small-caps ($IWM), and energy/basic materials ($XLE and $XLB).

Strategic Sector Ratings

As we enter the 2nd half of 2026, Tom left his strategic ratings unchanged as 2026 has been playing out consistent with his 3-phase prediction at the end of last year. Mark, on the other hand, made four changes: two upgrades and two downgrades. If June's changes were about stepping aside while an overbought Technology complex consolidated, July's changes are about following the confirmation. The broadening Mark flagged last month is no longer a forecast: equal-weight Financials, Healthcare, and Industrials all closed the first week of July at new weekly all-time highs, even as semiconductors broke their uptrend from the April lows. His rating changes simply move the ratings to where the leadership actually went.

On the upgrades:

- **Industrials (Neutral to Overweight):** This completes the call Mark telegraphed a month ago, when he flagged the XLI/SPY ratio at multi-year trendline support and noted that Industrials should be a sector to favor in the months to come. Since our June update, Industrials gained 9.5%, outperforming the S&P 500 by 5.8%, and equal-weight Industrials closed at new weekly all-time highs alongside Financials and Healthcare. Breadth is confirming: 73.8% of members are above their 20-day moving average and 74.7% above their 200-day. Crude's slide below $70 (Mark sees $60 next) is a direct tailwind for the transports and airlines within the sector. The upgrade restores the double-Overweight with Tom, making Industrials one of two sectors where both strategists are Overweight.
- **Consumer Discretionary (Underweight to Neutral):** Mark had been Underweight since May, when travel and consumer services weakness drove the sector to the bottom of the 11 GICS 1 sectors. The setup has improved considerably. Equal-weight Discretionary (RSPD) rallied to test its 2026 downtrend with weekly MACD crossing back positive. The driver is the same crude decline benefiting Industrials, since falling energy prices function as a consumer tax cut. The sector rose 4.2% since the June update, and Discretionary made Mark's short list of favored groups in his late-June rotation work.

On the downgrades:

- **Communication Services (Neutral to Underweight):** The weakest group in the tape, and the downgrade acknowledges it. Equal-weight Communication Services was down 10.4% YTD as of late June, the worst of the 11 sectors, and the S&P Telecom index has fallen to its lowest level since 2024, with TMUS, VZ, and T all at multi-month lows. Mark called Telecom "a huge source of technical weakness" and expects the weakness to continue, with added risk if long-end yields eventually turn back higher given the group's yield sensitivity.
- **Basic Materials (Overweight to Neutral):** This one is a tactical step back rather than a reversal, and it ends the joint-Overweight in place since the sector's equal-weight breakout earlier this year. The metals complex that drove the rating took a washout in late June: silver fell 5% in a single session to its lowest close of the year and copper was hit alongside it. Mark reads the decline as the final leg of a five-wave pullback and still expects a rally in precious metals (Gold) and base/industrial metals (Silver, Copper) in the months ahead, but he wants the low to form first. The sector itself has held up fine, up 5.5% since the June update, so this is about letting the washout complete rather than avoiding the sector.

With these changes, the two strategists now share the same rating on 4 of 11 sectors: Industrials and Real Estate (Overweight by both), Consumer Discretionary (Neutral by both), and Consumer Staples (Underweight by both).

Sector ETF Allocations – Strategic Sector Ratings

	Macro *Thomas Lee* 	Technical *Mark Newton* 
Consumer Discretionary	Neutral	Neutral *Upgrade* Underweight
Industrials	Overweight	Overweight *Upgrade* Neutral
Information Technology	Overweight	Neutral
Communication Services	Overweight	Neutral *Downgrade* Underweight
Basic Materials	Overweight	Overweight *Downgrade* Neutral
Energy	Overweight	Underweight
Financials	Overweight	Neutral
Real Estate	Overweight	Overweight
Consumer Staples	Underweight	Underweight
Health Care	Neutral	Overweight
Utilities	Neutral	Overweight

Source: Fundstrat

Tactical OW/UW: Mark's Top 3 and Bottom 3 Sector Picks

As a reminder, since the April update Mark directly selects his top 3 and bottom 3 sectors on a forward-looking technical basis, with the quantitative composite (DQM, EPS Score, Trend Score, and the moving-average screens) serving as a reference rather than the final word.

This month, less overriding was needed on the long side: Mark's top 3 (Financials, Industrials, Health Care) matches the top 3 of the quant composite exactly. The turnover tells the story of the rotation. Real Estate and Utilities, June's defensive top 3 picks, drop out in favor of Financials and Industrials, while Health Care carries over.

On the short side, Mark still departs from the model. The composite's lowest scores this month belong to Real Estate, Consumer Staples, and Consumer Discretionary, but Mark keeps Real Estate, which he rates Overweight, and the just-upgraded Discretionary out of the bottom 3, shorting Communication Services, Energy, and Consumer Staples instead.

Top 3 (Tactical Overweight, +2% each)

- **Financials:** New to the top 3, and the quant composite's top-ranked sector. Equal-weight Financials (RSPF) jumped 3.9% in the first week of July to a clean breakout at new all-time highs, and because it is the equal-weight measure, the move reflects broad participation rather than a handful of money-center banks. It follows the Insurance (KIE) breakout from a lengthy base in late June. The sector gained 7.8% since the June update and 85.5% of members are above their 20-day moving average. Mark named Financials one of the groups (the other two are Industrials and Healthcare) where he would concentrate exposure while Semiconductors consolidate.
- **Industrials:** Returns to the top 3 after sitting out June, pairing with the strategic upgrade. New weekly all-time highs on the equal-weight index, the strongest 30-day momentum in the sector table, and the JETS breakout as the airline kicker. Both the strategic and tactical layers now point the same direction, which is why Industrials sees the largest weight increase this month.
- **Health Care:** The only carry-over from June's top 3, and the June call worked: the sector gained 6.3% and outperformed by 2.6% since the last update. The technical case keeps strengthening. Equal-weight Healthcare (RSPH) extended its breakout above the multi-year resistance connecting the 2021 and 2024 highs on notably heavy volume, and the strength has now broadened into Pharma, where PPH broke out and MRNA, INCY, ABBV, MRK, DHR, TMO, and JNJ all rose more than 10% in a single late-June week. The equal-weight Healthcare vs. Technology ratio

(RSPH/RSPT) has bottomed and turned higher, and 89.8% of members are above their 20-day moving average. Mark continues to view Healthcare as a technical Overweight into late summer.

Bottom 3 (Tactical Underweight, -2% each)

- **Communication Services:** New to the bottom 3, aligning the tactical layer with the strategic downgrade. Worst YTD performance in our coverage and the Telecom sub-group at its lowest since 2024. Down 1.9% relative to the S&P 500 since the June update.
- **Energy:** A fourth consecutive month in the bottom 3, and June was the vindication: the sector fell 8.3% since the last update, underperforming the S&P 500 by 12.0%. WTI undercut $70 in early July and Mark sees it en route to $60, which he views as supportive for nearly every risk asset except this one. Only 33.3% of members are above their 20-day moving average.
- **Consumer Staples:** Stays in the bottom 3. Late June produced a defensive-looking week on the surface (Staples were briefly the second-best sector), but Mark found no evidence of genuine defensive positioning and pointed out that the equal-weight Staples vs. S&P ratio (RHS/RSP) has not broken out, and the sector remains in a sharp downtrend versus the equal-weight index. Within the defensive group, Staples look far weaker than either Utilities or REITs, and this sector merits an Underweight.

Sector ETF Allocations – Tactical Sector OW/UW

	#	Ticker	ETF Name	YTD Return	30D Return	DQM Rank Prior	DQM Rank Current	EPS Score Prior	EPS Score Current	Trend Score Prior	Trend Score Current	Price / 20D	20D / 200D	Price > 20D > 200D	Total
+2%	1	XLF	Financials	2.5%	7.3%	7	6	2	2	5	1	104%	101%	Y	5
+2%	2	XLI	Industrials	19.6%	6.5%	6	5	3	3	7	2	103%	108%	Y	5
+2%	3	XLV	Health Care	4.6%	5.8%	3	8	6	7	3	3	104%	103%	Y	4
	4	XLB	Materials	14.6%	2.7%	4	4	8	8	9	4	101%	106%	Y	3
	5	XLU	Utilities	6.1%	2.1%	8	7	4	4	8	11	100%	100%	Y	2
	6	XLK	Information Technology	27.5%	1.8%	1	1	1	1	6	5	99%	121%	N	1
-2%	7	XLC	Communication Services	-6.4%	-1.3%	5	2	10	10	11	7	100%	95%	N	-1
-2%	8	XLE	Energy	18.8%	-7.9%	2	3	5	5	2	10	96%	107%	N	-1
	9	XLY	Consumer Discretionary	-1.2%	2.7%	11	11	7	6	10	6	101%	98%	N	-2
-2%	10	XLP	Consumer Staples	8.3%	0.8%	10	9	9	9	4	8	99%	103%	N	-3
	11	XLRE	Real Estate	9.8%	-0.9%	9	10	11	11	1	9	99%	105%	N	-4

Source: Fundstrat, Bloomberg

* if an UW sector weight is less than 2%, we will bring down the sector weight to 0% (instead of making it negative). The weight addition to each OW sector will be based on the total reduction of UW sector weight divided by 3.

Portfolio Weight Changes vs Last Month

July weights unwind much of June's defensive rotation. The additions go to the cyclical side ex-Technology (Industrials, Financials, Consumer Discretionary), funded out of Communication Services, Real Estate, and Utilities. Technology is roughly flat and remains the largest position.

Increases

- **Industrials +2.7% to 10.0%.** The largest increase this month. The strategic upgrade restores the double-Overweight uplift, and the sector re-enters the tactical top 3. At +2.6% versus the benchmark, Industrials is now our largest overweight.
- **Financials +2.4% to 12.3%.** Entry into the tactical top 3 on top of Tom's existing Overweight. Now +2.1% versus the index, our second-largest tilt.
- **Consumer Discretionary +1.9% to 8.5%.** Mark's strategic upgrade plus exiting the tactical bottom 3. The position normalizes back to market weight after two

months underweight.

- **Health Care +0.3% to 9.8%.** Modest increase on top of June's big increase; the +2.0% overweight versus the benchmark is maintained.

Decreases

- **Communication Services -2.3% to 6.7%.** Largest reduction, on the strategic downgrade by Mark plus entry into the tactical bottom 3. Now -1.9% versus the index.
- **Real Estate -2.0% to 2.0%.** Entirely the tactical layer: June's top-3 weight comes off as Financials and Industrials take those slots. The sector remains a strategic double-Overweight and still sits +0.5% above benchmark.
- **Utilities -1.9% to 1.8%.** Same mechanics as Real Estate. Out of the tactical top 3, back to market weight. Mark keeps his strategic Overweight.
- **Information Technology -0.4% to 31.0%.** Essentially flat on unchanged ratings (Tom Overweight, Mark Neutral). Still the largest position, and +0.4% versus the index.
- **Basic Materials -0.4% to 1.6%.** Mark's downgrade removes the double-Overweight uplift; the position moves to market weight.
- **Energy -0.2% to 0.6%.** Near the floor, -2.0% versus the index, with Mark Underweight on both layers.
- **Consumer Staples -0.1% to 0.6%.** The double-Underweight plus tactical short keeps this at -3.8% versus the index, our largest underweight in absolute terms.

Summary

	Name	Ticker	vs Prior Allocation: Prior Result	Current	Delta vs Prior	vs Benchmark Index: Index Weight	Current	Delta vs Index	Delta Last 12M
Sector ETFs (85%)	***Cyclical***								
	Consumer Discretionary	XLY	6.6%	8.5%	1.9%	8.5%	8.5%	-	
	Industrials	XLI	7.3%	10.0%	2.7%	7.4%	10.0%	2.6%	
	Information Technology	XLK	31.4%	31.0%	-0.4%	30.6%	31.0%	0.4%	
	Communication Services	XLC	9.0%	6.7%	-2.3%	8.6%	6.7%	-1.9%	
	Materials	XLB	2.0%	1.6%	-0.4%	1.6%	1.6%	0.0%	
	Near-cyclical								
	Energy	XLE	0.8%	0.6%	-0.2%	2.5%	0.6%	-2.0%	
	Financials	XLF	9.8%	12.3%	2.4%	10.1%	12.3%	2.1%	
	Real Estate	XLRE	4.1%	2.0%	-2.0%	1.5%	2.0%	0.5%	
	Defensive								
	Consumer Staples	XLP	0.7%	0.6%	-0.1%	4.4%	0.6%	-3.8%	
	Health Care	XLV	9.5%	9.8%	0.3%	7.8%	9.8%	2.0%	
	Utilities	XLU	3.8%	1.8%	-1.9%	1.8%	1.8%	-	
Individual ETFs (15%)	First Trust NASDAQ Cybersecurity I	CIBR	3.0%	3.0%	-				
	U.S. Global Jets ETF	JETS	-	3.0%	3.0%				
	iShares Biotechnology ETF	IBB	-	3.0%	3.0%				
	ARK Genomic Revolution ETF	ARKG	3.0%	3.0%	-				
	Invesco S&P 500 High Beta ETF	SPHB	-	3.0%	3.0%				
	iShares U.S. Healthcare Providers E	IHF	3.0%	-	-3.0%				
	Global X Autonomous & Electric Ve	DRIV	3.0%	-	-3.0%				
	iShares US Transportation ETF	IYT	3.0%	-	-3.0%				
	Total		100%	100%		85%	85%		

Source: Fundstrat, Bloomberg
* when comparing allocation to benchmark index weight, we scaled the total benchmark index weight to 85%, so they are comparable.

ETF Performance Recap and 5 ETF Picks for July

June's basket was the payoff for the healthcare rotation. Since the June report (6/10), the 5 tactical ETFs returned +11.6% on average, beating the S&P 500 by 7.9%, with 4 of 5 outperforming on a relative basis.

- **Best performing:** ARK Genomic Revolution ETF (ARKG), +32.6% absolute and +28.9% relative, as the genomics trade accelerated alongside the biotech breakout. First Trust NASDAQ Cybersecurity ETF (CIBR) added +11.6% (+7.9%

relative), and iShares U.S. Healthcare Providers ETF (IHF) gained +7.6% (+3.9% relative).

- **Laggard:** Global X Autonomous & Electric Vehicles ETF (DRIV), +1.0% absolute but -2.7% relative, the only pick to trail the S&P 500.

REVIEW: June 2026 Tactical ETF Picks:

Previous List

ETF Name	Ticker	% change (6/10 - 7/6) Abs	Rel (vs SPX)
First Trust Nasdaq Cybersecu	CIBR	11.6%	7.9%
Ishares U.S. Healthcare Prov	IHF	7.6%	3.9%
Global X Autonomous&Elec-ETF	DRIV	1.0%	-2.7%
Ark Genomic Revolution ETF	ARKG	32.6%	28.9%
Ishares US Transportation Et	IYT	5.0%	1.3%
Avg Return (6/10 - 7/6)		11.6%	7.9%

For July, Mark keeps 2 of 5 and rotates in three new names. The basket concentrates further in the two working themes, healthcare and falling crude, and adds a high-beta market expression.

- **U.S. Global Jets ETF (JETS) (NEW, replacing IYT as JETS is the cleaner crude-decline play within transports):** Mark flagged in mid-June that a weekly close above $32 would mark a major multi-year breakout from the descending trendline off the 2018 highs, and JETS has since delivered it, closing at $33.34 with a +19.3% 30-day return. Besides, Airlines are among the purest beneficiaries of crude's decline toward $60 given jet fuel's share of operating costs.
- **iShares Biotechnology ETF (IBB) (NEW, replacing IHF as Biotech is where the fresh breakouts are):** In mid-June, with XBI already at multi-year highs, Mark

set the trigger: IBB "requires a move above $179.48 to join suit in this rally." It cleared that level decisively and now trades near $195 with a +16.0% 30-day return. IBB brings the large-cap biotech complement (Vertex, Amgen, Gilead, Regeneron) to the basket's healthcare exposure, sitting between IHF's departed managed-care names and ARKG's small-cap genomics.

- **Invesco S&P 500 High Beta ETF (SPHB) (NEW):** The top-ranked ETF in this month's individual composite with the only score of 6, backed by a Morningstar Silver medalist rating and 5 stars. With a beta near 1.7, SPHB is the basket's expression of Mark's market call: he expects the current churning consolidation to bottom and the S&P 500 to push back toward 8,000 into mid-August, supported by still-bearish AAII sentiment (42.3% bears vs. 31.4% bulls), falling crude, and a steepening curve.
- **First Trust NASDAQ Cybersecurity ETF (CIBR) (Carry-over):** Kept after a +11.6% month. Cybersecurity remains the highest-quality part of software in the tape and the segment of Technology least exposed to the semiconductor consolidation. Within Tech, Mark's work favors Mag 7 and software over semis near term, and CIBR sits on the right side of that bifurcation.
- **ARK Genomic Revolution ETF (ARKG) (Carry-over):** Kept after a +32.6% month, the basket's best performer. The genomics trade remains the leveraged expression of the healthcare overweight, and the sector's breadth continues to improve as strength spreads from services and biotech into pharma. Worth noting the momentum is extreme (+30.4% over 30 days), so this is the position to watch most closely for exhaustion signals.

Current Five ETF Picks

- First Trust NASDAQ Cybersecurity ETF (CIBR): Carry-over
- U.S. Global Jets ETF (JETS): NEW
- iShares Biotechnology ETF (IBB): NEW
- ARK Genomic Revolution ETF (ARKG): Carry-over
- Invesco S&P 500 High Beta ETF (SPHB): NEW

July 2026: 5 Tactical ETF Picks

- **First Trust NASDAQ Cybersecurity ETF ($CIBR)** *Carry-over*
- **U.S. Global Jets ETF ($JETS)** NEW
- **iShares Biotechnology ETF ($IBB)** NEW
- **ARK Genomic Revolution ETF ($ARKG)** *Carry-over*
- **Invesco S&P 500 High Beta ETF ($SPHB)** NEW
- iShares U.S. Healthcare Providers ETF ($IHF) ***DELETE***
- Global X Autonomous & Electric Vehicles ETF ($DRIV) ***DELETE***
- iShares US Transportation ETF ($IYT) ***DELETE***

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