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EQUAL-WEIGHTED S&P 500 PUSHES TO NEW ALL-TIME HIGHS AS THE MARKET ABSORBS TECHNOLOGY'S WEAKNESS

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Key Takeaways

- The equal-weighted S&P 500 closed at a brand-new all-time high Thursday despite another down day for Technology, a clear sign the market is absorbing Tech's weakness through rotation.
- Technology's decline broadened beyond Semiconductors and Memory on Thursday, and its relative downtrend versus the equal-weighted market has grown more pronounced, so it's right to hold off on being too aggressive in Tech until it can stabilize.
- $QQQ and South Korea's $EWY are both nearing meaningful support after their recent declines, and $QQQ looks to be within a few trading days of an important low. This very well could prove to be a bigger buy signal for "Mag-7" and parts of Biotechnology than the Memory space, though that looks to be getting close to support.

US equity trends remain bullish, and this has become a genuine tale of two markets: parts of Technology continue to correct sharply, yet the average stock keeps pushing higher, and Thursday offered as clear a demonstration as we've seen that rotation is driving this market, not deterioration. Despite Tech's weakness broadening beyond Semiconductors and Memory, above-average strength showed up across many different sectors — the Transports broke out of their multi-month consolidation — with only scant evidence of defensive rotation. The triangle consolidations that have ruled the major cap-weighted indices for the past month remain intact, and the market weathering this degree of Technology weakness without any meaningful damage to breadth is a very big positive technically. Technology's decline is getting closer to short-term support, and while it's right to hold off on being too aggressive in Tech until it stabilizes, Healthcare, Financials, and Industrials continue to act quite well and remain the right places to position. Once Tech's pullback runs its course, a broad-based push back to new highs should get underway.

Equal-weight S&P 500's new all-time high close confirms the market is absorbing Technology's weakness

$RSP closed Thursday at 215.06, higher by +0.98%, a brand-new all-time high on a closing basis, and it happened on a day when Technology fell sharply once again. In the words of Charles Dickens, these are the best of times and the worst of times: the S&P 500 in equal-weighted terms looks excellent while charts like $EWY are accelerating lower, yet the average stock simply refuses to break down. Thursday's advance came directly off the rising trendline from April's lows, and six of the eleven sectors (based on equal-weighted sector ETFs) showed gains of 1% or greater in trading. That degree of participation despite the carnage in parts of Technology means this remains rotation, and dips toward the April trendline should continue to be buyable.

Invesco S&P 500 Equal Weight ETF ($RSP, daily) — A new all-time-high close on a day of Technology weakness confirms rotation, not deterioration

Source: TradingView

$QQQ is now testing the bottom of its triangle, and a low looks close at hand

$QQQ's pullback has carried price down to touch the bottom of the triangle formation that began in early June, closing Thursday at 705.94, an area that's very important as it marks the lows of this pattern.

However, it's tough to rule out a test of early-July intraday lows, and this lies at 700.94 and also looks important.

Below that, 685 — the early-June lows — also represents important support. My expectation is that $QQQ should be bottoming in the next three to five trading days; we look to be close, technically speaking, and the bottom of this triangle is being tested at a time when other areas of the market are working quite well. It remains tough to trust short-term moves in either direction until this pattern is resolved, but this support zone should hold ahead of an eventual push back toward the upper trendline.

Invesco QQQ Trust ($QQQ, hourly) — Price is testing the bottom of the triangle formation from early June, with a low expected between now and next week

Source: TradingView

South Korea's 30% correction is nearing meaningful support, and after stabilizing, a tactical bounce looks likely

$EWY closed Thursday at 163.36 after having fallen very sharply in three of the last four weeks, a decline of more than 30% from its highs. Important technical support lies near 155, only about $8 below, or around -5%: not only is this the 38.2% Fibonacci retracement of the whole rally from 2025's lows, but it also lines up very well with the highs from early 2026. Thus, those technical areas of significance could come together and form meaningful support over the next week, allowing prices to stabilize and rally.

However, the one negative is that momentum has rolled over very sharply on a weekly basis, with MACD having made a bearish crossover, so while the pullback from overbought territory is certainly encouraging, it's important that $EWY stabilizes sooner rather than later. My thinking is this represents a tactical buying opportunity at slightly lower levels, but I remain unconvinced that lows for the third quarter are in: a bounce between now and mid-to-late August or September looks likely, but further weakness in parts of Memory and Semiconductors probably lies ahead sometime this fall.

iShares MSCI South Korea ETF ($EWY, weekly) — Korea's correction is approaching meaningful support near 155, where the 38.2% retracement lines up with early-2026 highs

Source: TradingView

Technology's relative downtrend has grown more pronounced, and Thursday's weakness spread beyond Semis

The weekly ratio of equal-weight Technology vs. the equal-weight S&P 500 ($RSPT/$RSP) started to turn down about a month ago and continues to head lower, which speaks plainly to Technology being out of favor right now. What's interesting is that the degree of underperformance grew more pronounced, and Thursday showed many more parts of Technology joining Semiconductors and Memory on the downside.

Meanwhile, the broader market was quite strong, with big breakouts in the Transports and continued strength in Healthcare and Financials, and that contrast argues for patience in Technology rather than immediate bottom-fishing: it's right to hold off on being too aggressive within Technology until this ratio stabilizes.

As shown below, weekly MACD has crossed over to bearish territory by undercutting the signal line, which speaks to the degree of recent Technology underperformance.

$RSPT / $RSP (weekly) — Equal-weight Technology's relative downtrend vs. the equal-weight S&P 500 has grown more pronounced over the last month

Source: Symbolik

Transports' breakout to multi-month highs is exactly what bulls want to see from rotation

The Dow Jones Transportation Average jumped +3.23% Thursday to close at 22,826.60, breaking out above its mid-June highs to the highest levels since April of this year.

Stocks like $JBHT, $ODFL, and $FDX all rose more than 5% in trading, while S&P Transportation Average stocks like $CSX and $DAL, which are both part of my Upticks list, rose +2.95% and +0.86% respectively. (Airlines should start to push higher more aggressively once WTI crude can start pulling back to new weekly lows.)

This is a bullish short-term breakout in Transports on a day when Technology was quite weak, and precisely the kind of rotation that argues this bull market remains healthy. This near-term move in the DJ Transportation Average is quite positive for Transportation stocks and should help to aid Industrials.

Additional gains toward April's highs look achievable in the weeks/months to come.

Dow Jones Transportation Average ($DJT, daily) — Thursday's +3.23% surge represents a breakout to the highest levels since April

Source: TradingView

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