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Daily Technical Strategy

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TECHNOLOGY'S CORRECTION CONTINUES, BUT THE BROADER MARKET'S UPTREND REMAINS INTACT

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HEAD OF TECHNICAL STRATEGY

Key Takeaways

- Both $SPX and $QQQ seem to have held important levels on today's weakness. Remaining above July 8th lows at 7,421.82 still gives $SPX a chance to rally; a daily close below would signal that this decline could show more volatility into late July.
- $SOX broke down from a two-month head-and-shoulders pattern Thursday, but should find strong support near mid-May lows; this remains a short-term pullback within an intermediate-term bull trend.
- WTI crude's breakout above $80.87 likely lifts front-month futures to $83–$85.25 over the next three to five trading days before finding resistance and turning back lower.

Technology's correction has grown more pronounced this week and has been anything but stealthy; what's notable is how little of this has bled into the broader market, which continues to quietly consolidate near all-time highs without any deterioration in its technical trend. Both the equal-weighted S&P 500 and the Dow Jones Industrial Average maintain uptrends which have not been broken, and following Thursday's breakout in the DJ Transportation Average and $RSP's new all-time high close, it's difficult to view this past week as anything more than rotation. Both $SPX and $QQQ lie near make-or-break support and have not completely broken down, which is important: until these levels are violated along with a breakdown in the equal-weighted S&P 500's trend, I'm still inclined to view Technology's decline as something the broader market can absorb. Some stabilization in the Memory space will be important before getting too optimistic about an immediate move higher, and that could start early next week, or, if $SPX and $QQQ break, might take until the end of the month.

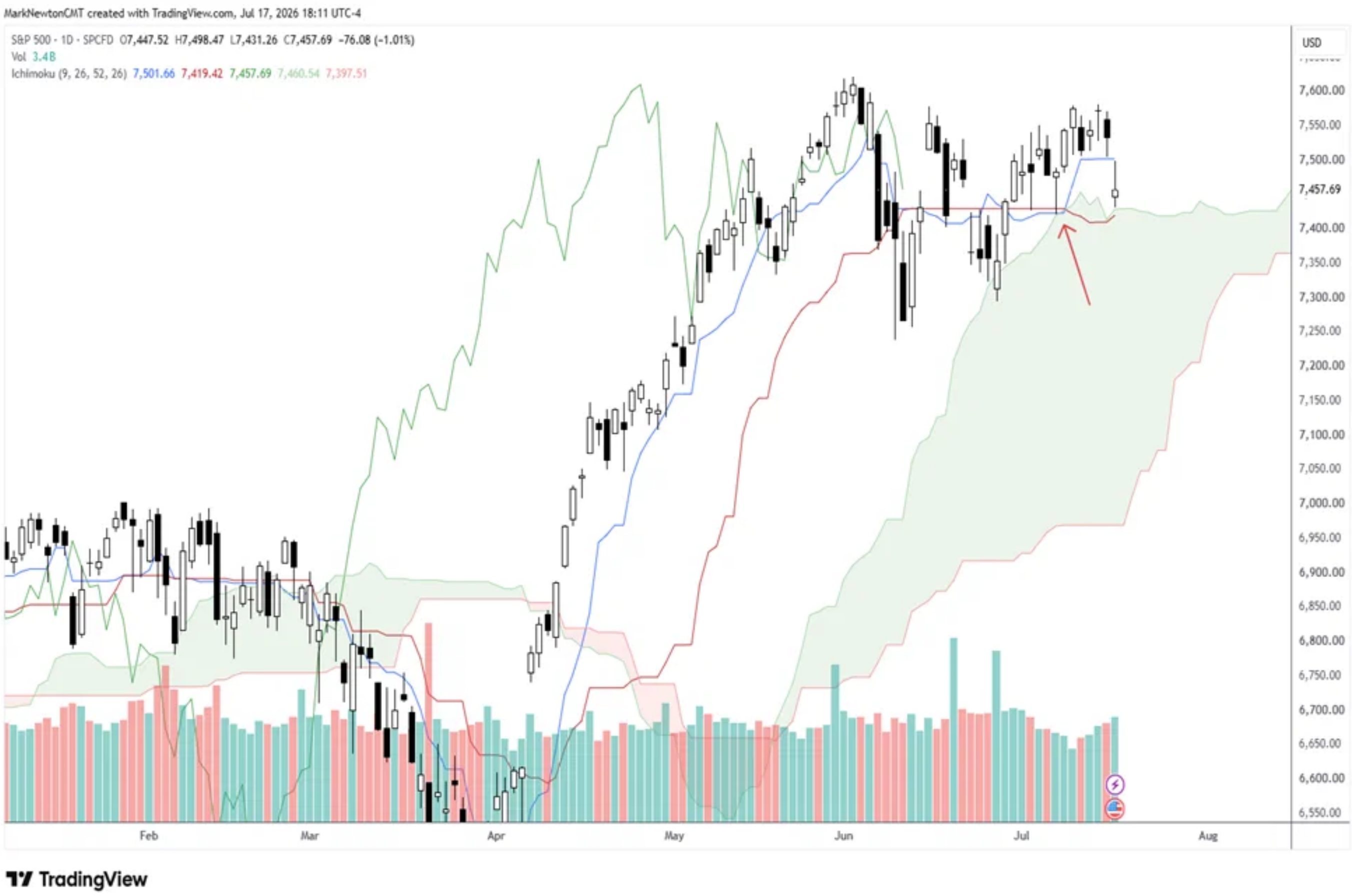
$SPX is testing make-or-break support at 7,421.82, and holding this level keeps the rally's chances alive

$SPX fell -1.01% Friday to close at 7,457.69, bringing price down within striking distance of what I consider the key level for this entire short-term pullback: 7,421.82, the intraday low from Wednesday, July 8th, which also aligns with Ichimoku support on daily charts. Remaining above this level still gives $SPX a chance to rally, and technically speaking, this decline has not done sufficient damage to argue that a larger correction is underway.

However, a daily close below 7,421.82 would signal that this decline could show more volatility into late July, and any rally attempt would likely prove premature until that weakness runs its course.

Conversely, any turn back higher in the early part of next week that manages to recoup Thursday's (7/16) lows at 7,504.02 would be a technical positive that would argue the selloff might be complete. Those are the two levels that matter, in my view, and it's right to let price resolve this range before getting aggressive in either direction.

S&P 500 Index ($SPX, daily) — Pullback is nearing make-or-break Ichimoku support at 7,421.82



Source: TradingView

Equal-weighted S&P 500 holding above 211.40 keeps the broader market's uptrend fully intact

$RSP closed Friday at 213.39, just one day removed from Thursday's new all-time high close, and the level of support which is paramount to hold lies at 211.40, the intraday low from July 8th, the exact same session that formed $SPX's key support. A break below 211.40 would certainly be a short-term negative, as that would violate the uptrend in place since the middle part of May.

Remaining above that level, however, keeps this uptrend intact for the broader market, and one really can't make too much of this week's churning with prices still comfortably above those July 8th lows. **The average stock continues to hold up far better than the cap-weighted indices would suggest, and that remains the single most important technical underpinning of this market.**

Invesco S&P 500 Equal Weight ETF ($RSP, hourly) — Uptrend from mid-May remains intact above key support at 211.40

Source: TradingView

$SOX's head-and-shoulders breakdown could lead to a test of mid-May lows, but this is no bear market

The Philadelphia Semiconductor Index ($SOX) did in fact break down from a two-month head-and-shoulders pattern on Thursday, 7/16, a technical negative in the near term which very well could lead to a test of mid-May lows at 10,895.75. That's an important level, as it also lies near the 50% retracement of the entire rally from late March, and it's the logical downside target for this move if weakness persists.

What I find personally amusing is the financial media proclaiming that $SOX is now in a bear market because it's technically down 20% from its all-time highs. This index at current levels remains higher by nearly 65% for 2026, and a one-month decline of 20% following that kind of advance simply does not constitute a bear market.

Semiconductor stocks remain in intermediate-term bull trends, and this remains a short-term pullback within a larger bull market.

What's important is to watch carefully for any evidence of price pushing back above the neckline of this pattern, which lies at 11,960.84. Additionally, $SOX has a downtrend line that must be exceeded, currently intersecting near 12,500, and this level drops daily. The ability to climb above both levels would argue that this selloff is officially complete.

Philadelphia Semiconductor Index ($SOX, daily) — Two-month head-and-shoulders breakdown targets a possible test of mid-May lows at 10,895.75

Source: TradingView

Equal-weight Technology's relative break argues for patience until this ratio can move back above its base

The daily ratio of equal-weighted Technology vs. the equal-weighted S&P 500 ($RSPT/$RSP) turned down about two days ago, and this week's decline actually breaks the trend going back to the middle part of June. That's a near-term bearish development, and it means Technology very well could show further near-term technical weakness before this starts to stabilize and turn higher.

I downgraded Technology to Neutral from Overweight last month, and many of my cycles showed the sector could remain weak until the beginning of August. This recent deterioration fits exactly what those cycles suggested, and my expectation remains that Technology makes an early-summer low right toward the end of July before turning up. Until this ratio can stabilize and recapture its base, it's right to hold off on being too aggressive within the sector, as volatility is rampant.

$RSPT / $RSP (equal-weight Technology vs. equal-weight S&P 500, daily) — This week's break of the trend from mid-June keeps Technology in a short-term downtrend

Source: Symbolik

WTI crude's breakout targets $83–$85.25, and that's a short-term headwind for US equities

WTI crude's breakout above Thursday's highs of $80.87 in front-month futures likely lifts crude to targets of $83–$85.25 before this move hits meaningful resistance, and that push looks likely to play out over the next three to five trading days.

Given the correlation between crude and $SPX, a crude breakout in the short run could still affect the S&P 500 negatively and potentially cause some early-week pullback attempt. This bears close watching as one more reason to let US equities stabilize before buying dips aggressively, though Energy itself should benefit as this move plays out.

WTI Crude Oil front-month futures (hourly) — Breakout above $80.87 targets $83–$85.25 before meaningful resistance

Source: TradingView

Overall, this remains a market where the average stock is absorbing a fairly severe correction in Technology, and until $SPX closes beneath 7,421.82 and $RSP violates 211.40, it's premature to treat this pullback as anything more than rotation. Crude's push toward the mid-$80s and the lack of stabilization in Semiconductors and Memory argue for patience early next week rather than heroics, but with Technology's decline in its latter stages and cycles pointing to a summer low toward the end of July, weakness into late month should give way to a better buying opportunity and an eventual rally into the fall. Stay tuned.

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