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Daily Technical Strategy

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FINANCIALS SNAP BACK TO LIFE AS MARKETS MARK TIME AHEAD OF GOOGL AND TSLA

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Key Takeaways

- Wednesday's session showed barely any real net change, leaving $SPX just shy of its 7,513.33 trigger, with $GOOGL and $TSLA earnings tonight the likely catalyst that decide whether the triangle breakout finally arrives.
- Small caps have begun to show some minor underperformance ever since Treasury yields started pushing up aggressively, and while just fractional thus far, this bears watching for evidence of style shifts as "Mag-7" comes back to life.
- Financials are snapping back to life on a relative basis following a sharp rebound off June lows, and this recovery looks to have further to run into the fall.

US equity trends remain near-term bullish following Tuesday's Tech-led rally, and Wednesday's flat session ($SPX off a fractional -0.02%) did nothing to change that thesis, with Energy gaining on further crude strength while Technology eased ahead of tonight's earnings. Treasury yields continue to hover near their highest levels since May, and stocks and yields pushing higher in unison likely remains tolerable until/unless ^TNX exceeds 4.70%, which would be the level where a faster ascent in yields starts to matter for equities. Sector rotation continues to look encouraging, with defensive groups still being shunned while cyclical groups like Financials begin to reassert themselves, and this week's earnings calendar remains the dominant short-term catalyst, with $GOOGL and $TSLA reporting after Wednesday's close and $META, $MSFT, $AMZN, and $AAPL all on deck next week. Technically speaking, it's right to lean bullish, and there would need to be at least a daily close at new multi-day lows to cause any real concern.

$IWM has shown just fractional weakness, but a near-term pullback to 286 is possible as "Mag-7" comes back to life

$IWM on an absolute basis has shown just fractional weakness in recent days, hardly the kind of deterioration that would constitute any change of trend following its big run-up off the April lows. However, my expectation is that a near-term pullback to 286 is possible, and following such a lengthy stretch of Small-cap strength, it's worth monitoring this group closely for evidence of style shifts as "Mag-7" comes back to life into earnings. Only a daily close at new multi-day lows would begin to suggest the short-term uptrend is at risk, and until that happens, this weakness looks more like consolidation than the start of anything larger.

iShares Russell 2000 ETF ($IWM, daily) — Fractional weakness following the run-up from April lows; 286 possible on a near-term pullback

Source: TradingView

Small-cap relative strength has begun to wane as Treasury yields push higher, though no trendline violation has happened yet

The daily ratio of $IWM vs. $RSP peaked in early July and has begun to show some minor underperformance ever since Treasury yields started pushing up aggressively, which makes sense given Small caps' greater sensitivity to borrowing costs. This pullback has now brought the ratio down to test the rising trendline from April lows, and daily MACD has slipped below its signal line, so short-term relative momentum has turned negative even as the larger uptrend remains intact. A violation of this trendline would argue for a larger style rotation back toward Large-cap growth, while a successful test that holds would keep the Small-cap relative advance alive; until one of those happens, this is a minor concern worth monitoring rather than a trend break.

$IWM / $RSP (iShares Russell 2000 ETF vs. Invesco S&P 500 Equal Weight ETF, daily) — The pullback from early-July peaks is now testing the rising trendline from April lows

Source: Symbolik

Financials are snapping back to life on a relative basis, and this recovery looks to extend into October

The weekly ratio of equal-weighted Financials ($RSPF) vs. equal-weighted S&P 500 ($RSP) has rebounded sharply off its June lows after a difficult stretch that began at the January peak, and this rally has now recouped the downtrend from those January highs, a meaningful step in repairing the relative structure. Weekly MACD is close to turning back positive, which adds to the case that June's low marked an important bottom for Financials' relative performance. The next real test lies at the area of the January breakdown, as former support should now become resistance on this initial approach, but my expectation is that this recovery has further to run into October, and Financials' reawakening fits neatly with the broader rotation out of defensive groups that has been underway.

$RSPF / $RSP (Invesco S&P 500 Equal Weight Financials vs. Invesco S&P 500 Equal Weight, weekly) — Sharp rebound off June lows has recouped the downtrend from January's peak

Source: Symbolik

Refiners remain the way to own Energy, as $CRAK vs. $XLE pushes to the highest levels since early 2022

The monthly ratio of the VanEck Oil Refiners ETF ($CRAK) vs. the Energy Select Sector SPDR ($XLE) bottomed out at major multi-year lows in early 2025 and has trended steadily higher ever since, with July's month-to-date push carrying this ratio up to the highest levels since early 2022. Monthly MACD remains above its signal line, so the relative trend is firmly positive, and Wednesday's Energy-led session with crude pushing higher again only helps the group. Initial resistance lies near the 2020 peak in the ratio, with the larger test being the late-2021 range highs, and until this relative uptrend shows evidence of stalling, Refiners remain the preferred way to own Energy over the broad sector ETF.

$CRAK / $XLE (VanEck Oil Refiners ETF vs. Energy Select Sector SPDR, monthly) — Relative strength has pushed to the highest levels since early 2022

Source: Symbolik

$GOOGL looks attractive on an intermediate-term basis, but needs a bit more stabilization before a push back to new highs

$GOOGL eased fractionally Wednesday ahead of tonight's report, leaving the stock coiled near the base of its daily Ichimoku cloud following the two-month consolidation off the May peak, and while the stock looks attractive on an intermediate-term basis, recent weakness still warrants a bit more stabilization before expecting an immediate move back to new highs. Getting back over 375 would be quite good technically and should lead to a test of May peaks just over 400. Meanwhile, support lies at $341.36, the intraday low from last Friday, which looks important, and under there would lead to a test and possible break of $330, while the area which lines up with the long-term trend lies near $315. Overall, I like owning $GOOGL here and expect this stock to be higher into year-end, and if/when post-earnings weakness materializes, it's right to use any dips as an opportunity to buy.

Alphabet Inc ($GOOGL, daily) — Coiled at the Ichimoku cloud ahead of earnings, with important support at $341.36, last Friday's intraday low

Source: TradingView

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