

MULTIPLE INDICES NOW LIE NEAR TRENDLINE SUPPORT; HEALTHCARE LOOKS TO BE THE #1 SECTOR INTO MID-NOVEMBER



Mark L. Newton, CMT^{AC}

HEAD OF TECHNICAL STRATEGY

Key Takeaways

- \$QQQ has undercut 733 but has not broken its uptrend line support, and it's likely that Technology tries to bottom this week given both \$SOXX and \$EWY near support as gauges for Semiconductor stocks and Memory.
- \$SPX's chart also lines up with support just below 7,700, and while many are ready to exit long positions, the S&P 500 just made new all-time highs six trading days ago and is down only 1%.
- Healthcare looks to be the #1 sector to favor into mid-November, with Medical Devices (\$IHI) and HMOs (\$XHS) starting to show mean reversion.



US equity indices extended their decline on Wednesday as Technology's selling was again led by Semiconductors, and the pullback has now gone slightly further than I expected in yesterday's report. However, my view is unchanged that this represents short-term consolidation following the push to new all-time highs rather than the start of a larger top, as cap-weighted indices are still holding their uptrends from late July. Friday's October options expiration, followed by what's normally the weakest week of October in midterm years, argues for some choppiness to continue near term. However, this recent selloff looks closer to a tradable low, even if all-time highs take time given the poor sector participation. Meanwhile, Healthcare, which lagged for much of the last three years, has emerged as my top sector to favor into mid-November, as its relative breakout continues to gather strength. Increasing signs of defensive positioning, alongside higher crude, rates, and the US dollar, bear watching, though benchmark indices have now pulled back to important support. Overall, it's right to be patient and to use further weakness into support as an opportunity to add exposure, as I have been expecting it's right to own/buy US equities on weakness into the midterm elections, not

abandon longs. Even if some additional weakness might be likely in \$DJIA or \$RSP, I see near-term technicals suggesting a favorable risk/reward setup this week.

Markets were walloped on Wednesday, but \$SPX and \$QQQ finished right near important trendline support

Markets got walloped on Wednesday, as the S&P 500 fell over 1% and the Nasdaq-100 fell nearly 2%, generally closing closer to the lows of the session than not with only a fractional rally attempt off those lows. Market breadth finished about 3.5:1 negative, a big down day in terms of breadth, though better than the early extremes of more than 4:1 negative. If there's any positive, it's that we still don't see too much weakness in the Dow Jones Industrial Average, which was largely flat, finishing just fractionally negative. Technology was obviously very hard hit as the worst-performing sector of the day, down over 3%, but outside of Tech, REITs was the only sector down more than 1%. Meanwhile, Healthcare was up about 1.35% in equal-weighted terms, and Consumer Staples continued to progress higher, while Utilities finished largely flat. Thus, the strength did come from mostly defensive areas, but most of these, outside of Healthcare, don't look too appealing.

The bad news is that WTI crude continues to push higher, up about 1% on the day. Interest rates spiked higher before reversing off earlier peaks on both the short and long end of the curve, but we did see some bear flattening, with the 10s-2s curve falling to about 38 basis points. Metals saw some pretty decent pressure given the strength in the US Dollar Index, as \$DXY rose about a third of a percent, also down from its highs similar to rates. **Generally, a higher dollar, higher crude, and higher rates, even with rates falling from earlier highs, are a negative for risk assets given recent correlation trends.**

However, the key takeaway from the day was that both \$SPX and \$QQQ finished right near very important trendline support. For \$SPX, this is support that has held since the latter part of July. For \$QQQ, support from the July 29 lows extends to fractionally below current levels near 724, which equates to a 38.2% Fibonacci retracement of the rally from July 29 into October 6. Many

areas are at support, including \$SOXX and \$EWY, which are gauges for Semi and Memory stocks.

Overall, markets probably continue to be pretty choppy between now and the midterms, if not into mid-November, so it's tough to say that markets are bottoming and it's off to the races. However, these last few days have not caused any material technical deterioration, and that's the most important point. Many investors expected at least a 5–10% correction or more, and many are growing quite disgruntled with \$SPX down a scant 1% off all-time highs which were hit just six trading days ago.

I expect a bottom sometime this week, followed by a bounce attempt into late October, and then probably some further backing and filling in some of the indices into November.

\$QQQ has undercut 733, but a confluence of support between 721–724 should help \$QQQ stabilize

As shown below, key charts for both \$QQQ and \$SPX, showing the short-term perspective for \$QQQ (daily chart) and the intermediate-term perspective for \$SPX, are both near support. Meanwhile, \$SOXX has also reached trendline support, so support looks to be the case across the board in many cases.

\$QQQ's decline extended on Wednesday with a drop of roughly 2%. However, \$QQQ is now approaching an important area of support near 721–724. This represents the confluence of the 38.2% Fibonacci retracement of the July–October rally at 723.89, the uptrend from late-July lows, and the former downtrend from June highs which \$QQQ broke out of in late September. Furthermore, there is an important area near the mid-September "gap-fill" which should act as support, which lies at 720.89.

Overall, there looks to be a confluence of support from various sources directly below, and I expect this area to hold, leading to some stabilization into end of week ahead of a rebound into end of month.

A daily close under 721 would postpone this view and open the door to a test of the 50% retracement near 712. Resistance now lies at 733, then 745.

Invesco QQQ Trust (\$QQQ, daily) — Undercut 733, but now testing a confluence of trendline, Fibonacci, and "gap-fill" support near 721–724



Source: TradingView

S&P 500 cash index is also still above the uptrend from late July, along with its 50% retracement area, and the larger trend remains bullish

The S&P 500 cash index fell more than 1% on Wednesday, but despite having violated an area of "negative gamma" which **SpotGamma** suggests is near the 7,750 area, the larger trendline has not been violated.

Thus, I fail to see either \$QQQ or \$SPX as breaking support as of Wednesday's close.

I continue to expect that \$SPX can likely find support sooner rather than later after this mild setback and begin to push back to new highs into late October, with 7,900 as the next upside target, though a bit more choppiness is likely into Friday's October expiration.

S&P 500 Index (\$SPX, daily) — Pullback has held the uptrend from late-July lows



Source: TradingView

Semiconductors have fallen roughly 13% in six sessions and are now testing the uptrend from late July

The iShares Semiconductor ETF (\$SOXX) fell more than 4% on Wednesday and has now declined roughly 13% from its early-October peak near 598 in just six trading sessions. The weakness that started in Memory with regard to South Korea's KOSPI index has clearly spread to US Semiconductor and Memory stocks this week.

However, \$SOXX has now pulled back to test its uptrend from late-July lows near 515–520, which is important for \$SOXX to hold to keep its intermediate-term uptrend intact. While not shown, \$EWY also has key support right near current levels, and some stabilization in both "Semis" and "Memory" should be constructive for US Technology.

I suspect Semiconductors find support near current levels and stabilize later this week, but given the momentum deterioration, a recovery back above 555

would be needed to suggest this decline has run its course. A move under 488.89, the lows from early September, would clearly be bearish, but is not expected at this time.

iShares Semiconductor ETF (\$SOXX, daily) — Sharp six-day decline has reached the uptrend from late-July lows



Source: TradingView

Healthcare looks to be the #1 sector to favor into mid-November, as its relative breakout remains intact

Healthcare, one of the biggest constituents of the market outside of Technology and Financials, is making a very meaningful breakout, specifically in relative terms, which I view as a big positive for the sector.

Weekly charts of equal-weighted Healthcare vs. equal-weighted \$SPX (\$RSPH/\$RSP) show this ratio exceeding its downtrend from early 2023 this past summer, and it has now pushed to the highest levels since the fall of 2024.

Overall, Healthcare looks quite bullish and appears to be the #1 area to position within sectors between now and mid-November. (Technology will likely play catch-up once it can begin to stabilize and turn back higher in November.)

As part of Healthcare, while Biotech and Pharma are still two clear areas of sub-sector leadership, increasingly it looks smart to start to favor both Medical Devices (\$IHI) and Healthcare Services stocks/HMOs (\$XHS), as both have been showing some considerable near-term strength from oversold conditions.

\$RSPH / \$RSP (weekly) — Equal-weighted Healthcare's relative breakout from its multi-year downtrend has begun to accelerate further to the upside to multi-year highs



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OCT 14, 2026 13:51:14 UTC -04:00

Source: Symbolik

Medical Devices have rebounded off their uptrend from May lows and look poised to push higher into November

The iShares U.S. Medical Devices ETF (\$IHI) broke out of its downtrend from January peaks in July and has spent the last two months consolidating its August rally. The pullback in September and early October successfully held the uptrend from May lows near 50.50, and \$IHI has now begun to push back higher.

I expect \$IHI to push higher to \$55, followed by a test and breakout above August peaks at \$57.08, with an eventual move to the low-to-mid-\$60s possible by year-end.

As the saying goes, "a rising tide lifts all boats," and this looks to be the time to give Med Tech and Healthcare Services some consideration as the Healthcare rally grows even stronger. The chart below is of \$IHI, which I expect can begin to show some relative strength within Healthcare following nearly 18 months of underperformance.

iShares U.S. Medical Devices ETF (\$IHI, daily) — Rebound off the uptrend from May lows looks to lead back to August peaks near 57



Source: TradingView

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