

MARKETS ARE IN BETTER SHAPE THAN MANY INVESTORS FEEL; TECHNOLOGY NEARS DEMARK EXHAUSTION



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Key Takeaways

- \$SPX is just 2% off its all-time high close, and its weekly chart shows no damage despite Tech's sharp correction.
- Equal-weight's recent outperformance vs. \$SPY is unlikely to last much longer as Technology nears support, which bodes well for some mean reversion in \$SPY and a bounce in Technology.
- Russell 3000 stocks above their 20-day m.a. have doubled since September, showing the broader market is stabilizing.



US equity indices finished a volatile week with Technology's sharp correction overshadowing a broader market that has quietly stabilized and begun to rally. October options expiration has now passed, and while next week is normally the weakest week of October in midterm years, DeMark exhaustion for Technology could be in place as early as Monday, and I expect \$SPX to resume its uptrend starting Monday/Tuesday of next week into end of month. The recent rotation into non-Technology sectors has helped breadth stabilize during Technology's pullback, but this relative outperformance looks close to running its course as Technology nears support on both an absolute and relative basis. Breadth remains the key area to monitor, and shorter-term breadth has improved sharply even as longer-term measures still have work to do. Meanwhile, both Treasury yields and the US dollar have slipped from early-week highs and have begun short-term downtrends. For those growing impatient on Technology, Healthcare remains the #1 sector to favor technically into the midterms, but my analysis shows some much-needed stabilization in Technology arriving by early next week, which should buoy the indices and result in a bounce. Overall, it's right to maintain long exposure, as the

Technology weakness is camouflaging a market which looks to be in better shape than many feel.

\$SPX is a mere 2% from its all-time high close, and its weekly chart shows zero damage despite Tech's severe correction

Yet again, it seemed like markets were crashing, but it's proper to put this into perspective of the entire market, not just Technology, which certainly has experienced a very severe short-term correction. **Last week's \$SPX close represented all-time highs on a weekly close, and today's finish of 7,659.44 is a mere 2% down from the all-time high close from 10/6, just eight trading days ago.**

\$SPX has not violated October lows, and meanwhile, broader breadth gauges have risen sharply in the last two weeks, owing largely to the broader market (outside Technology) having stabilized and starting to rally. While this will take time, the \$SPX weekly chart shows zero damage (even with its huge Tech exposure) and is holding above short-term and long-term uptrend lines.

While \$SPX did undercut 7,669.66, DeMark exhaustion is present on hourly and four-hour charts for \$SPY and could be present by Tuesday on many Technology-based charts, in all likelihood. **Simply stated, this looks to be a brief undercut which has broken the 50% retracement, but price and time will be in better alignment early next week for a low.**

Overall, I see this pullback as being not out of the ordinary ahead of the midterm elections. While some investors might have expected 10–15% lower, \$SPX is a mere 2% down from all-time highs in early October. Given the breadth improvement, it's worth continuing to stress that market structure is in better shape than what many investors feel, even if there's work to be done.

S&P 500 Index (\$SPX, weekly) — Holding above both short-term and long-term uptrend lines, showing zero damage despite Tech's correction



TradingView

Source: TradingView

\$SPY vs. \$RSP has pulled back sharply from early-October peaks following DeMark exhaustion

The daily ratio of \$SPY to \$RSP has given back a bit more than one-third of the rally from late July as of today's close. While many investors feel this Tech selloff is extraordinarily volatile, and they're correct, this doesn't come close to the rally that happened from late July into early October, when Technology dominated performance and rose over 6% for the month of September alone.

As this ratio chart of \$SPY vs. the equal-weighted S&P 500 ETF (\$RSP) shows, \$SPY peaked relative to the broader market back in early October, coinciding nicely with a DeMark-based sell signal (13 Countdown exhaustion) on this ratio.

Based specifically on my own interpretation of the formation of a possible TD Buy Setup early next week, this looks to possibly happen by Tuesday at the earliest, given that the count currently has run 7 out of a maximum of 9 bars. *(Each daily close*

under the close from four days prior without being interrupted generates a signal. Thus, if \$SPY underperforms \$RSP next Monday in a way that makes a close under the close from four days ago, this would represent bar 8, the minimum expectation for a possible low in \$SPY relative to \$RSP.)

My view remains that equal-weight's outperformance over the cap-weighted \$SPX is unlikely to last much longer, and this ratio likely hits support and stabilizes by Monday/Tuesday of next week.

\$SPY / \$RSP (daily) — Pullback from early-October peaks looks close to support



symbolik.com

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OCT 16, 2026 12:16:38 UTC -04:00

Source: Symbolik

Equal-weighted Technology's relative pullback has reached its uptrend from March, an important area to hold

Seen a slightly different way, equal-weighted Technology vs. equal-weighted \$SPX (\$RSPT/\$RSP) has dropped to nearly test the uptrend from late March over the last two weeks following a DeMark 13 Countdown signal at the early-October peak.

Holding this trendline would suggest that Technology's relative pullback is simply a correction within an ongoing uptrend, and I expect Tech to begin recovering in relative terms in the weeks ahead.

A break of this uptrend, which I don't expect to happen ahead of the midterm elections, would be a more meaningful negative, postponing Technology's rebound.

\$RSPT / \$RSP (daily) — Relative pullback has nearly reached the uptrend from late-March lows



Source: Symbolik

Breadth has expanded in the short run, as Russell 3000 stocks above their 20-day m.a. have doubled since September

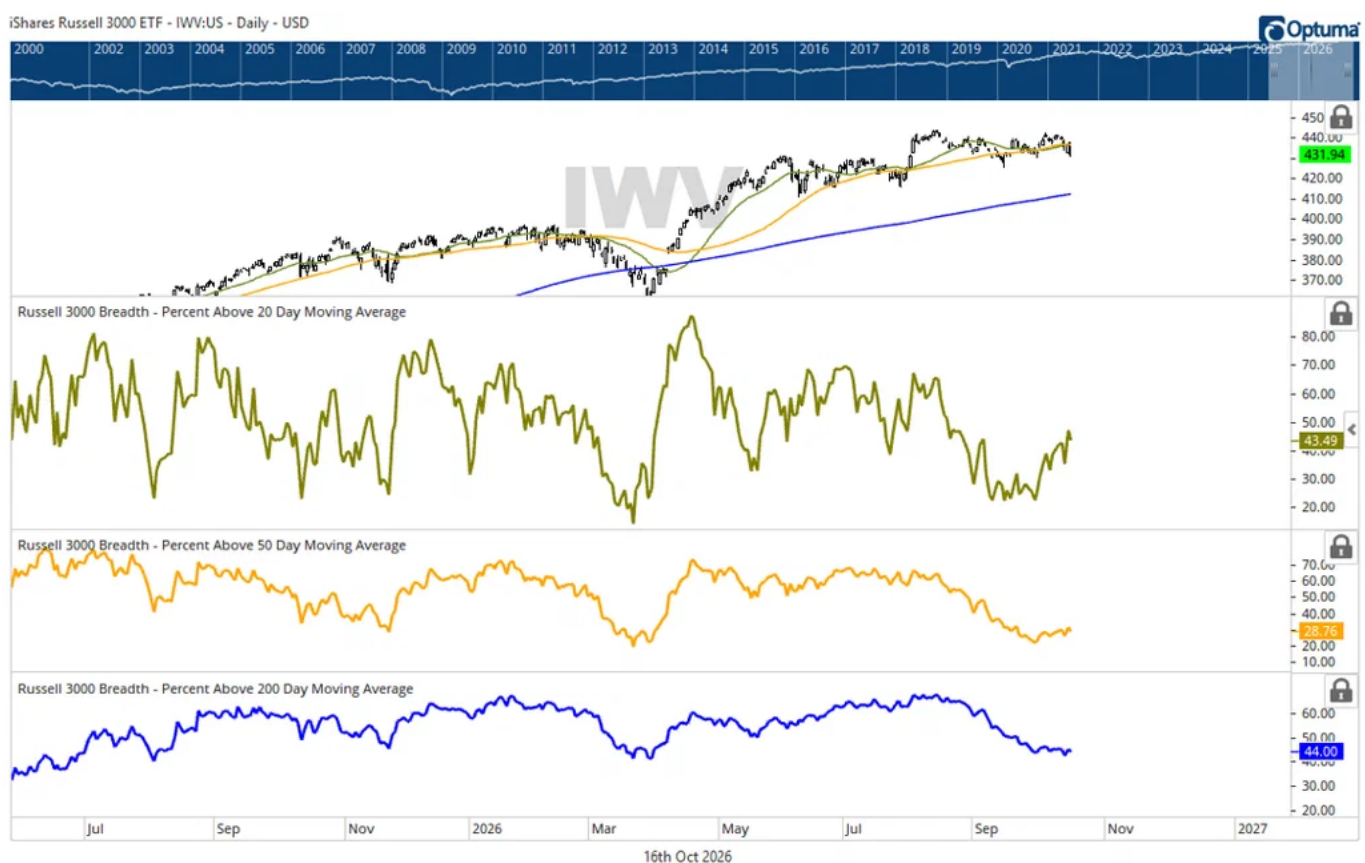
The Russell 3000, a very widespread benchmark incorporating nearly the entire tradable universe compared to \$SPX, shows the percentage of stocks above their 20-day moving average at double what it was at this time in September, having risen from 20% to over 43%. In other words, breadth has expanded in the short run.

The percentages above the 50- and 200-day m.a. stand at roughly 29% and 44%, respectively, and have yet to show the same degree of improvement, which suggests the broader market's recovery will take some time.

Thus, the sharp rise in shorter-term breadth is a technical positive, and continued improvement in the 50- and 200-day metrics would help confirm that the broader market's low is in place, which should happen by mid-November.

Thus, while many feel like stock indices have been hammered relentlessly, this chart serves to prove that market breadth has stabilized and has actually improved since mid-September.

Russell 3000 Breadth (daily) — % of stocks above their 20-day m.a. has doubled since September to over 43%



Source: Optuma

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