

LATE-DAY FAILURE IN TECH'S BOUNCE COUPLED WITH NO BREADTH IS NOT ENCOURAGING AND MIGHT REQUIRE ONE MORE RETEST



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Key Takeaways

- Monday's Tech bounce came on poor breadth, failed to generate DeMark-based exhaustion in \$QQQ and \$RSPT, and can't be trusted as being meaningful. A minor break of last Friday's lows is still possible.
- \$QQQ likely could still undercut 707.24 into Tuesday/Wednesday, with support near 699–702, before a low is in place.
- Tech's recent selloff has narrowed the bifurcation vs. other sectors, as many have shown better performance in the last two weeks, while Technology's recent performance has been worse.
- Within Healthcare, Pharmaceutical stocks look preferred over Biotech for the next month.



US equity indices bounced early on Monday as Technology rallied, but the move lacked breadth and gave way to late-day selling, failing to produce the DeMark exhaustion which was a necessary precondition of a larger Technology rally getting underway. Given the push higher in interest rates and the US dollar, along with a move up in WTI crude oil off its early lows, the poor close in many indices very well could follow through lower into Tuesday and/or Wednesday before a more meaningful low is in. While a low still looks near, there's a real lack of confidence early this week given Monday's price action. Thus, a final pullback to undercut last Friday's lows looks likely into midweek before a more durable low can form, and the next few days could prove volatile. Overall, I still expect a low to form this week, with \$SPX resuming its uptrend into end of October, and Healthcare remains the #1 sector to favor technically, while Technology's dip should constitute a buying opportunity for outperformance between now and year-end, even if November is volatile.

Monday's early bounce in Technology came on poor breadth and failed to show sufficient evidence of a bottom

Monday's session confirmed that the early signs of poor breadth likely were unable to lift markets and/or show sufficient evidence of bottoming, with \$SPX, \$QQQ, and \$DJIA all having fallen to close under Monday's opening print.

10 sectors out of 11 were lower. So while seeing \$SPY up +0.41% might make some believe the market might be stabilizing, it wasn't helpful to give up over half of today's early gains.

Thus, we're left with a potentially volatile few days this week, where I'm actually expecting a minor decline to undercut last week's lows, followed by the start of a rally sometime this week. However, as of Monday's close, despite the Tech gains, I actually do not view today's activity as constructive and expect a possible pullback which might follow through lower on the heels of Monday's late-day decline.

Healthcare, Energy, and Technology are the only equal-weighted sectors higher over the last month

Equal-weighted sector performance shows Healthcare (\$RSPH) leading all sectors over the past month with a gain of 4.62%, followed by Energy (\$RSPG) at 2.63% and Technology (\$RSPT) at 2.07%. These are the only three sectors with positive returns over that span, while equal-weighted \$SPX (\$RSP) has fallen 1.36%.

On the downside, Communication Services (-7.73%), Financials (-5.94%), and Real Estate (-4.91%) have been the weakest performers over the last month.

What's interesting and potentially helpful to some extent is the degree that the broader market has held up despite Technology's sharp short-term correction, with nine of 11 sectors having in the past week.

Invesco S&P 500 Equal Weight Sector ETFs — Performance ranked by one-month returns

Code	Name	Change (%)	1W%	1Mo % ▼	3Mo %	YTD%	Weekly RSI(14)
RSPH	Invesco S&P 500 Equal Weight Health Care ETF	1.35%	3.43%	4.62%	14.17%	20.16%	68.6
RSPG	Invesco S&P 500 Equal Weight Energy ETF	-0.41%	5.18%	2.63%	13.33%	47.93%	63.9
RSPT	Invesco S&P 500 Equal Weight Technology ETF	-3.36%	-5.15%	2.07%	5.11%	43.33%	59.9
RSPS	Invesco S&P 500 Equal Weight Consumer Staples ETF	1.92%	4.91%	-0.07%	0.46%	4.50%	50.6
RSPU	Invesco S&P 500 Equal Weight Utilities ETF	-0.20%	1.59%	-0.11%	-9.14%	-0.98%	43.0
RSP	Invesco S&P 500 Equal Weight ETF	-0.57%	0.71%	-1.36%	-0.64%	10.72%	52.4
RSPN	Invesco S&P 500 Equal Weight Industrials ETF	-0.66%	0.31%	-2.13%	-7.05%	3.16%	38.2
RSPM	Invesco S&P 500 Equal Weight Materials ETF	0.19%	1.45%	-2.81%	-1.90%	10.78%	44.2
RSPD	Invesco S&P 500 Equal Weight Consumer Discretionary ETF	-0.40%	1.33%	-3.08%	-4.77%	-7.86%	40.4
RSPR	Invesco S&P 500 Equal Weight Real Estate ETF	-1.04%	1.71%	-4.91%	-8.68%	-0.53%	36.9
RSPF	Invesco S&P 500 Equal Weight Financials ETF	-0.81%	0.74%	-5.94%	-4.24%	-0.16%	45.3
RSPC	Invesco S&P 500 Equal Weight Communication Services ETF	-0.52%	-0.80%	-7.73%	-3.13%	-12.68%	37.5

Source: Optuma

\$QQQ likely needs to undercut last Friday's lows at 707.24 to complete its pattern, with support near 699–705

DeMark signals showed a good possibility of downside exhaustion heading into this week, which was written about last Friday. **However, price failed to generate the necessary condition for that low. Thus, today's bounce cannot be trusted.** A break to new lows on Tuesday could generate the TD Buy Setup, which did not happen last week and didn't happen today.

Unfortunately, \$QQQ has been down seven of the last nine days. **It failed to close above last Friday's highs, it failed to close above Ichimoku initial resistance at 731, and MACD is negatively sloped, being below the signal line on a daily and weekly basis.** TD Buy Setups did not appear today and actually require a break of last Friday's lows at 707.24 before signaling any type of trading low. Similar charts shown last week on ratios of \$SPY/\$RSP and \$RSPT/\$RSP also failed to trigger.

Monday's early bounce was a bit unsatisfying for purposes of having provided exhaustion signals that would have suggested an imminent rise, and while this pullback looks nearly complete, weakness into Tuesday/Wednesday would be more important for short-term purposes that have to do with both DeMark exhaustion and/or Elliott-wave patterns being complete, and a test of last Friday's lows is likely necessary before one can claim that a possible low is near.

My target for \$QQQ lies near September lows, and any break of 707.24 from last Friday would help to create support near the 699–705 area.

Invesco QQQ Trust (\$QQQ, daily) — Monday's bounce failed to produce TD Buy Setups; a break of 707.24 should lead to support near 699–702



TradingView

Source: TradingView

Semiconductors have pulled back into an area of Fibonacci support

The VanEck Semiconductor ETF (\$SMH) rose 1.62% on Monday to 548.52 after last week's decline took prices below the uptrend from late-July lows.

\$SMH had pulled back for nine straight sessions, which has only occurred in 2001 and 2006. As shown below, the minor uptrend from July was in fact broken, bringing price down to test support from 535–545, near August/September lows and the 61.8% Fibonacci level. This looks like a logical area for Semiconductors to stabilize, but it's expected that a possible retest of this area could come about this week.

If price stabilizes this week but the resulting rally does not reach October peaks and then turns back lower into November in a way that violates 535, I suspect a test of July lows or lower to 471 could very well be possible into November.

For now, I'm taking the optimistic outlook that any retest of last Friday's lows likely does result in some stabilization and then a sharp bounce into late October/early November. The higher the bounce, the more likelihood that resulting November weakness could prove mild. Stay tuned.

VanEck Semiconductor ETF (\$SMH, daily) — Pullback into the 535 Fibonacci support zone



Source: TradingView

Pharma has begun to outperform Biotech following weekly DeMark exhaustion

Weekly charts of Pharmaceuticals vs. Biotechnology (\$PPH/\$IBB) show this ratio having declined from 0.73 in the spring of 2025 to near 0.51 in recent weeks, before weekly DeMark exhaustion signals appeared at the lows.

The ratio has since snapped back to 0.55–0.56, exceeding its steep downtrend from this past June.

This looks to be an early sign that Pharma can begin to outperform Biotech, though the larger downtrend from 2025 near 0.59 remains resistance. Within Healthcare, both sub-sectors remain attractive technically, but it looks right to favor Pharmaceutical stocks between now and December, as this bounce might prove short-lived only before Biotechnology reasserts its strength starting in mid-November.

\$PPH / \$IBB (weekly) — Rebound to break this sub-sector downtrend coinciding with confirmed weekly DeMark exhaustion signals



Source: Symbolik

Discretionary vs. Staples has pulled back to test key support from earlier this year

It's interesting but potentially not surprising given this year's massive rotation that equal-weighted Consumer Discretionary vs. equal-weighted Consumer Staples (\$RSPD/\$RSPS) has been in a downtrend since its January 2026 peak.

This is much different from 2025, when the ratio literally rose most of the year.

This decline earlier this year reflected the pickup in defensive positioning into the spring low. However, even on the market rebound, this failed to break the downtrend from January.

The good news is that this ratio is nearing areas which have held twice before this year, and this pattern does not necessarily require a breakdown.

Overall, my expectation is that Consumer Discretionary should begin to turn back higher vs. Consumer Staples in the weeks ahead, and it's right to monitor this ratio for evidence of this breaking out in November and/or evidence of it breaking down (not expected).

\$RSPD / \$RSPS (daily) — Testing support near 1.72, which held in March and May



Source: Symbolik

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