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Daily Technical Strategy

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CROSS-ASSET VOLATILITY IS COMING BACK, WHILE EQUITY TRENDS AND MOMENTUM REMAIN FRAGILE



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HEAD OF TECHNICAL STRATEGY

Key Takeaways

- The stallout in the $SPX bounce is happening at the same time as cross-asset volatility is starting to lift, which I suspect should be a negative for equities until 11/20.
- ^TNX broke its downtrend from October on hot CPI, and yields should push higher into next week, with 5.12% the key level.
- The US dollar began to lift at the same time as US Treasury yields, while WTI crude has reached initial downside targets.



A hotter-than-expected CPI report caused US equities to gap lower on Tuesday, and the entire rebound attempt since last Thursday still remains a likely "dead-cat bounce" and appears quite unfulfilling toward thinking a low is at hand. Given that Treasury yields and the US dollar are starting to turn back higher at the same time as WTI crude has reached initial downside targets, I suspect the trilogy of crude, the US dollar, and Treasury yields might all push higher into next week at a time when equity momentum and trends remain quite fragile. My expectation is that the 6–9% gains over the past month in sectors like Discretionary, Staples, Financials, and Industrials very well could experience some near-term headwinds. Meanwhile, Technology does not yet appear to have bottomed, and $NVDA's decline looks vulnerable to testing spring 2026 lows before some stabilization and a likely bounce after next week's earnings. Overall, the lack of capitulation in equity indices, coupled with a lack of fear and DeMark-related exhaustion, makes this bounce tough to trust until more evidence of strength in Technology starts to get underway, which might still take another 1–2 weeks. Similar to yesterday's conclusion, a defensive stance looks proper until November expiration, and it's important to watch for

evidence of cross-asset volatility rising further as $NVDA earnings and Anthropic's IPO grow closer. Any move to new monthly lows should be seen as a likely culmination of the decline from late October and should create a very attractive risk/reward situation for a buy-and-hold strategy between November expiration and mid-February initially.

Hotter-than-expected CPI makes Monday's rebound look like a "dead-cat" bounce, and a defensive tone makes sense into November expiration

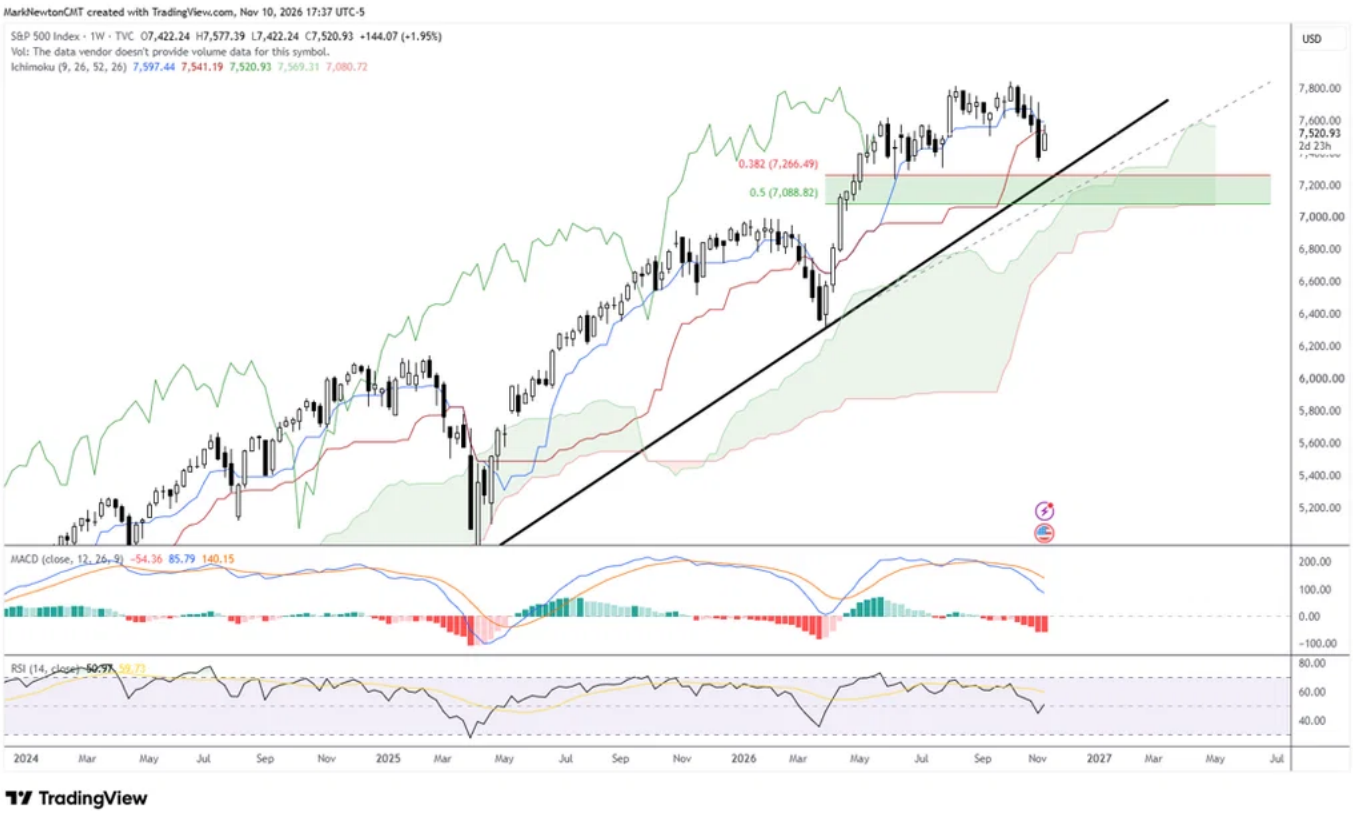
$SPX's weekly chart shows the choppy, range-bound pattern which has been ongoing since May as part of the uptrend from spring 2025 lows. While the last four weeks have been lower for $SPX, there still hasn't been too much technical damage to the intermediate-term trend, thanks to rebounds in most sectors outside of Technology and Energy.

Unfortunately, while the larger trend remains bullish, the near-term trend has suffered some technical deterioration and doesn't seem ready to bottom just yet. Daily and weekly momentum remain negatively sloped, and $SPX remains under its Ichimoku "Base Line" and "Conversion Line," which are important for trend-following purposes. As discussed in recent days, the wave structure of this decline doesn't look complete following last week's outsized decline on Thursday, and the recent rebound attempt has proven technically unsatisfying. The key level of importance in the short run for $SPX lies at 7,444, which, if violated, could lead to a minor move to new lows into next week. $SPX levels, which look important if/when last week's 7,350 lows are undercut, lie at 7,297, right below 7,300.

Overall, a defensive tone makes sense between now and November expiration until some evidence of capitulation/fear/exhaustion occurs in US equities. (Note, I do feel that $NVDA is growing quite close and could bottom between $163–$164, which has nearly been reached.)

Weakness into either 11/13 or 11/20 would be important toward expecting a possible low. However, my expectation is for additional selling pressure and volatility, but not something which lasts longer than 11/20–11/23, and I expect that, while volatile, markets are getting closer to bottoming.

S&P 500 Index ($SPX, weekly) — Bounce failed to exceed resistance; 7,297 is important support if last week's 7,350 lows are undercut



Source: TradingView

Huge sector bifurcation requires patience, but doesn't look too bearish

The most interesting insight when eyeing performance over the last month is that more than seven sectors have rallied more than 5% in the past month, with greater than 10% gains out of both consumer sectors, Discretionary and Staples.

Unfortunately, not many investors seem to care too much about sectors outside of Technology, and this remains (if possible) still a crowded trade despite equal-weighted Technology ($RSPT) having fallen 14.39% over the last month.

As shown below, this is by far the worst of any equal-weighted sectors, while most other sectors have shown strong gains since October 1. Interestingly enough, the equal-weighted S&P 500 hit new all-time highs just last Wednesday, one day ahead of the Technology plunge which caused $SOXX and $DRAM to violate their July lows.

My expectation is that a bounce in Treasury rates might prove detrimental to the likelihood of the consumer sectors continuing to show this kind of strength, and markets look to be growing closer to a time when Technology can begin to mean revert higher and rally while many of the other sectors might lag performance. For now, this still looks premature but would be timely to consider if/when $SPX and $QQQ pull back to new lows into November.

Equal-Weighted S&P 500 Sector Performance — Technology lags badly over the last month

Code	Name	Change (%)	1W%	1Mo %	3Mo %	YTD%	Weekly RSI(14)
RSPD	Invesco S&P 500 Equal Weight Consumer Discretionary ETF	-0.71%	3.57%	10.58%	-0.15%	2.08%	60.6
RSPS	Invesco S&P 500 Equal Weight Consumer Staples ETF	0.43%	3.51%	10.11%	4.62%	11.66%	63.2
RSPH	Invesco S&P 500 Equal Weight Health Care ETF	-0.50%	3.04%	9.59%	14.40%	29.34%	76.8
RSPM	Invesco S&P 500 Equal Weight Materials ETF	-0.21%	0.31%	7.66%	-1.31%	18.22%	56.8
RSPF	Invesco S&P 500 Equal Weight Financials ETF	0.36%	1.89%	7.58%	0.74%	8.18%	63.1
RSPR	Invesco S&P 500 Equal Weight Real Estate ETF	-0.66%	1.85%	6.59%	-0.85%	7.03%	54.4
RSPU	Invesco S&P 500 Equal Weight Utilities ETF	0.08%	0.60%	5.88%	1.38%	3.88%	52.6
RSPC	Invesco S&P 500 Equal Weight Communication Services ETF	-0.51%	5.25%	4.32%	-0.56%	-8.90%	50.9
RSPN	Invesco S&P 500 Equal Weight Industrials ETF	-0.32%	-0.86%	4.29%	-4.74%	8.41%	53.6
RSP	Invesco S&P 500 Equal Weight ETF	-0.33%	0.43%	3.37%	0.00%	14.96%	62.6
RSPG	Invesco S&P 500 Equal Weight Energy ETF	0.68%	-6.73%	-6.13%	-0.35%	35.14%	48.6
RSPT	Invesco S&P 500 Equal Weight Technology ETF	-1.53%	-5.21%	-14.39%	-9.00%	29.11%	45.2

Source: Symbolik

^TNX's breakout on hot CPI is a decidedly negative move for bonds, and yields should push higher into next week

This move in ^TNX of 11 bps today to 5.00% is technically important given that yields are pressing up to weekly highs in a large "low-to-high" one-day bar, breaking the downtrend, and should result in an upward acceleration in rates in the short term. Note, even with an 11 bp rise on the long end, the short end (2-year yields) rose by 18 bps, leading to a curve flattening today. If Waller continues his "50 bp" rhetoric while data comes in hot like today's CPI did, I suspect the bond market will tighten pretty sharply in the short run.

Overall, I view today's bond market selloff as quite bearish, and yields can climb over the next couple of weeks, in my view. Above 5.12% could lead to a "final" push up to test and exceed September yield peaks. It's this kind of return in cross-asset volatility which could spook equity markets when momentum is already quite fragile after last week and near-term trends remain bearish.

While I suspect a bond selloff proves short-lived, most DeMark counts on monthly ^TNX charts (not shown) would benefit from a push back to new highs before sounding official alarm bells in the form of exhaustion that could drive rates down just as quickly in December as they're rising this month.

Bottom line, I think today is a decidedly negative move for the bond market in the near term, and rates should push higher into next week.

US 10-Year Treasury Yield (^TNX, daily) — Break of the downtrend from early October on a large one-day "low-to-high" bar



Source: TradingView

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