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Daily Technical Strategy

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MONDAY'S 4.7% SURGE IS A WELCOME START, BUT HISTORY SHOWS RETESTS ARE THE NORM



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Key Takeaways

- $SPX's bounce hasn't achieved enough to rule out a retest, and getting above 7,327–7,350 would be the first sign of progress.
- $IWM and $DJIA have not surpassed resistance enough to say a proper low is in place, and a test of Friday's lows can't be ruled out.
- Technology confirmed its first buy signal vs. the broader market since October, which should lead Tech higher into year-end.



US equities snapped back to life on Monday, with a broad-based rally arriving right within the Monday–Wednesday window that looked ideal for a low ahead of Thanksgiving. Technology outperformed after having suffered the worst of last week's liquidation and looks likely to resume its leadership role in December. While encouraging, one day does not repair the technical damage of the past two weeks, and near-term trends remain negative until indices can reclaim the areas which were broken last week. Sharp one-day thrusts following severe weekly declines have historically proven more common as part of a bottoming process than at the exact lows, and volatility likely persists through this holiday-shortened week and potentially into early December. However, cycles, seasonality, and early evidence of downside exhaustion within Technology are starting to line up in favor of the bulls, and the post-midterm history discussed last Friday continues to argue for higher prices over the next 3–6 months. Overall, I view any backing and filling into early December as an opportunity for those with an intermediate-term horizon to add exposure.

Sharp one-day gains following a 5% weekly decline have led to higher prices three months later in six of eight selloffs since 1990

Monday's 4.74% gain to 7,237 followed an 8.6% decline over the prior five trading days and marks the first rally of this size during this selloff. Since 1990, $SPX has gained 4.5% or more in a single session following a weekly decline of more than 5% on 18 occasions, but these fell within just eight separate selloffs. *(The table below counts each selloff only once, which keeps 2008 and 2020 from dominating the results.)*

Six of the eight prior instances were higher three months later, with gains which ranged from 5.5% to 16.0%. The two exceptions, September 2008 and March 2020, were crashes where the initial thrust arrived weeks before the final low.

Overall, the intermediate-term message from this study is a positive one, though the path over the first few days and weeks has been far less consistent.

S&P 500 — First +4.5% day following a -5% week, counting one signal per selloff, 1990–2026

S&P 500: First +4.5% Day Following a −5% Week (One Signal per Selloff, 1990–2026)

Date	SPX Close	Day Gain	Prior Week	+3 Days	+1 Week	+1 Month	+3 Months	Max Drawdown	Low Date
Oct 28, 1997	921.85	+5.1%	−8.2%	−0.8%	+2.1%	+3.2%	+6.9%	−2.0%	Oct 30, 1997
Sep 8, 1998	1,023.46	+5.1%	−5.2%	−1.4%	+1.4%	−5.2%	+16.0%	−6.3%	Oct 8, 1998
Jul 24, 2002	843.42	+5.7%	−11.5%	+6.6%	+8.1%	+14.1%	+5.5%	−7.9%	Oct 9, 2002
Sep 30, 2008	1,166.36	+5.4%	−8.3%	−5.8%	−14.6%	−20.3%	−23.6%	−35.5%	Nov 20, 2008
Aug 9, 2011	1,172.53	+4.7%	−13.0%	+0.5%	+1.7%	+1.1%	+7.6%	−6.3%	Oct 3, 2011
Dec 26, 2018	2,467.70	+5.0%	−7.7%	+1.6%	−0.8%	+7.1%	+14.1%	−0.8%	Jan 3, 2019
Mar 2, 2020	3,090.23	+4.6%	−11.5%	−2.1%	−11.1%	−16.4%	−1.1%	−27.6%	Mar 23, 2020
Apr 9, 2025	5,456.90	+9.5%	−11.5%	−0.9%	−3.3%	+3.7%	+14.7%	−5.5%	Apr 21, 2025
Nov 23, 2026	**7,237**	**+4.74%**	**−8.6%**	**?**	**?**	**?**	**?**	**?**	**?**

Returns measured from the signal-day close. 1 week = 5 trading days; 1 month = 21; 3 months = 63. Prior week = 5 trading days before the signal. Max drawdown = lowest close within 3 months. First qualifying day only; signals within 3 months of a prior signal excluded. Source: Bloomberg, Fundstrat.

Source: Bloomberg, Fundstrat

However, near-term follow-through has been mixed, and a retest has been the norm

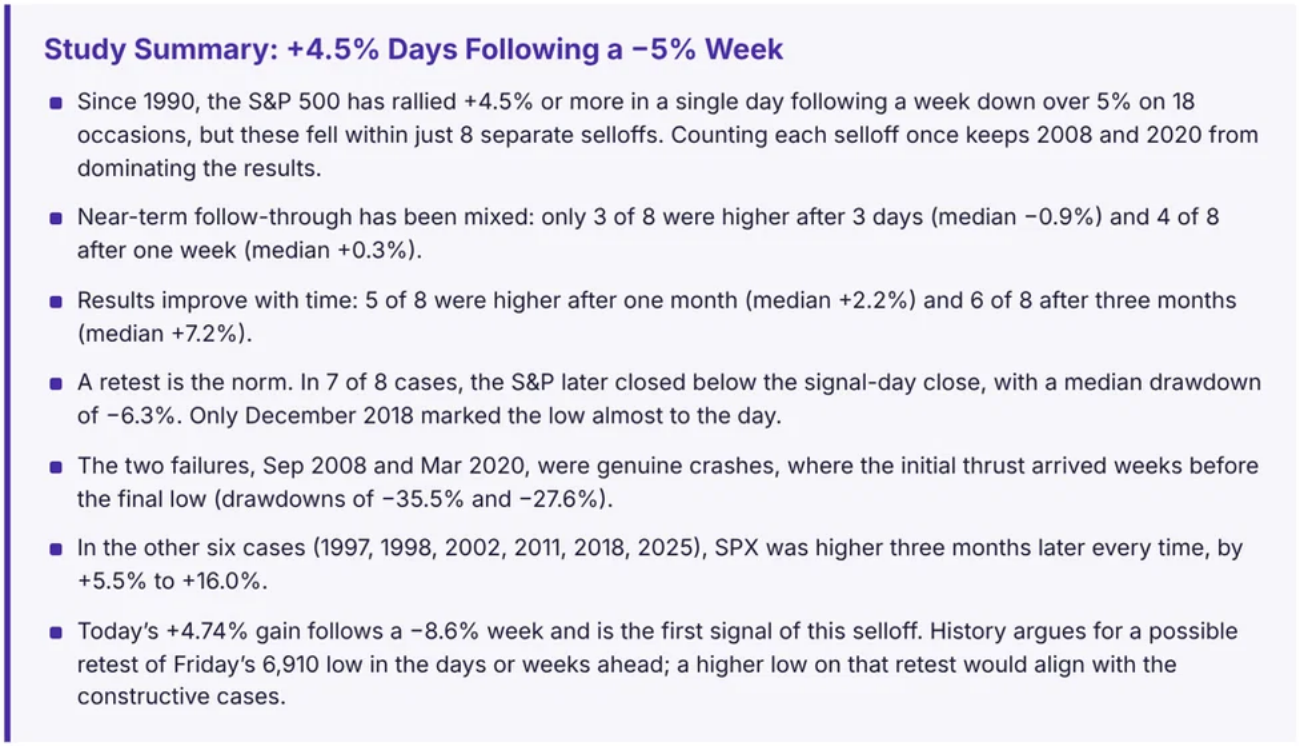
Only three of the eight prior instances were higher three days later, and four of eight after one week. Results improved with time, as five of eight were higher after one

month, with a median gain of 2.2%.

More importantly, $SPX later closed below its signal-day close in seven of the eight cases, with a median drawdown of 6.3%. Only December 2018 marked the low almost to the day. For perspective, a pullback to Friday's 6,910 close would represent a 4.5% decline from Monday's close.

Thus, history argues for a possible retest in the days or weeks ahead, and a higher low on that retest would align with the constructive cases.

S&P 500 — Study summary of +4.5% days following a -5% week



Source: Bloomberg, Fundstrat

$SPX's bounce hasn't achieved enough to rule out a retest, and getting above 7,327–7,350 would be the first sign of progress

Today's early $NVDA-led surge was certainly a good one-day move on above-average breadth but sadly didn't achieve enough to rule out a retest given the massive volatility that began last week. Normally, sharp bounces within ongoing

downtrends require some backing and filling at a minimum, and until downtrends can be successfully recouped, I honestly do not think we can rule that out.

It's not wrong in my view to have a VIX hedge going out until mid-December. Recall, there were reasons for a low early this week, but even now, I cannot say with a lot of confidence yet that this is in place. Tactical bearishness from a sentiment perspective is far different from structural bearishness. Thus, my view is that we remain in a very volatile time.

If/when $SPX can get above 7,327, that would be the first sign of progress, and I discussed last Friday that getting back above 7,350, near the early November lows, would be encouraging toward thinking the trend is starting to change. Momentum remains quite negative across timeframes, and sentiment, while negative, did not fully get washed out by any type of panic. Thus, while many parts of AI/Tech look compelling on an intermediate-term basis, it's the short term that is tricky right now, and more progress will be needed toward having some confidence.

I think Technology should put in a low before the broader market (and the signal I discuss later suggests this process has gotten underway), so it's right to utilize $SPY and/or $DIA for hedges vs. $QQQ for those who are considering this. The daily chart of $SPX helps to put this bounce today into perspective.

How one manages these volatile movements all depends on one's timeframe and risk tolerance, but more will be needed from my perspective to call for a low in US stock indices.

S&P 500 Index ($SPX, daily) — Getting above 7,327–7,350 would be the first sign of progress following Monday's bounce



Source: TradingView

Small-caps have not surpassed resistance at $270.23, and a test of last Friday's lows can't be ruled out

While the $QQQ bounce was encouraging today, other indices like $SPX, $DJIA, and/or the Russell 2000 ETF ($IWM) don't look to have surpassed resistance enough to say that a proper low is already in place, technically speaking. This is based on wave structure, and both $IWM and $DJIA appear to have made just three waves of decline from November 5, which should make 270.23 on $IWM and 50,998 on $DJIA quite strong as resistance before a possible pullback to make a "final" low to this decline.

Given $NVDA's rise today on Jensen Huang's return, I'm less concerned with $NVDA needing to retrace as much and feel that Technology should begin to lead the broader market on the rally in December. However, it's difficult still, technically speaking, to be too positive just yet on the broader markets turning back up to new

monthly highs, or for this example, Small-caps ($IWM, the iShares Russell 2000 ETF).

Given the weak technical structure, bearish momentum, and lack of capitulation, I don't think it's possible to rule out a test and break of last Friday's lows. Ultimately, price will decide which course is right and wrong, so it's just important to understand where the key levels are for the upside and then downside.

For $IWM, this lies at 270.23, and any undercut of 256 would likely encounter strong support around $252. The most positive and least anticipated outcome is just a push straight higher to 280 if/when $270 has been exceeded, but it's right to recognize if/when this level is broken from the downside back higher, regardless of when this occurs.

iShares Russell 2000 ETF ($IWM, daily) — $270.23 is key resistance, while any undercut of $256 should find strong support near $252



Source: TradingView

$NVDA's cycle composite is bottoming and points higher into January

NVIDIA ($NVDA) remains the largest percentage holding within $SPX and $QQQ, and its cycle composite peaked this fall right near the stock's highs before turning down sharply. This composite shows a low in late November, followed by a rally into January 2027 before turning back lower into next spring.

As always when I show this cycle composite, it's worth rehashing that this composite measures amplitude and not magnitude, so the timing of the turn carries the information, not the price levels the projection itself implies.

While this is simply one piece of the puzzle, when taking this cycle composite in isolation, it suggests a bounce in $NVDA is likely into early next year. However, it also suggests that next spring very well could prove choppy and might not be straight up. I'll discuss this again in early January but expect that $NVDA should be higher into that time. I had listed $213 last week as a possible strong resistance level. However, $190 looks like the initial area of importance if/when hit in late December.

This cycle composite involves combining cycles of 248, 152, 93, and 80 days for those interested.

Overall, the timing of this cycle low lines up well with Monday's sharp rebound in $NVDA and should serve as a momentum tailwind for cap-weighted indices into year-end.

NVIDIA ($NVDA, daily) — Cycle composite bottoms in late November and turns higher into January 2027



Source: Foundation for the Study of Cycles

Technology has confirmed its first buy signal vs. the broader market since the October peak, which should lead Tech higher into year-end

For those who care about DeMark, it's important to note that today actually DID confirm the first official buy signal on Technology vs. the broader market since the October peak. And yes, as many know, there was no daily 13 for $SPY, nor for $QQQ, which came close but finished on a 12 as of last Friday. Meanwhile, $SOXX also did not accomplish this ahead of today's surge. My conclusions are as follows:

- **This marks a short-term bottom for Technology vs. the broader market ($RSP) and should lead Tech higher into year-end, even if not in a straight line.**
- **This makes a retest of some sort highly likely into next week for $SPX, $IWM, and $DJIA, even if all major indices do not go back to lows or undercut. Some might, but I expect increasingly that markets will start to show positive divergence and lows are growing closer.**

Thus, the absence of DeMark "13s" (Countdown exhaustion signals based on TD Sequential and/or TD Combo) does not mean this system failed. Keep in mind it successfully pinpointed quite a few lows and highs for many indices in the last couple of years. However, it is worth reiterating that in a violent downdraft like what we've

seen, immediate follow-through straight up without any backing and filling is probably unlikely.

Thus, Tech should outperform, but I suspect a choppy, volatile one-week period.

For now, I don't mind staying long Technology but expect volatility and would much rather buy pullbacks into next week. This indicator, overlaid on the ratio of equal-weighted Tech vs. equal-weighted $SPX, is worth following in my view.

Equal-weighted Technology vs. Equal-weighted S&P 500 ($RSPT/$RSP, daily) — First DeMark-based buy signal for Technology vs. the broader market since the October peak



Source: Symbolik

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