

12/9/25

Rising Yields a Problem?; Russell 2000 Breakout

Ross LaDuke, CMT
Global Strategist
612-482-8442
Ross@vermilioncap.com

David Nicoski, CMT
Chief Investment Officer
612-682-1900
Dave@vermilioncap.com

Joseph Jasper, CFA
President
612-712-1300
Joe@vermilioncap.com

Eric Anderson
Research Sales
612-482-6622
Eric@vermilioncap.com

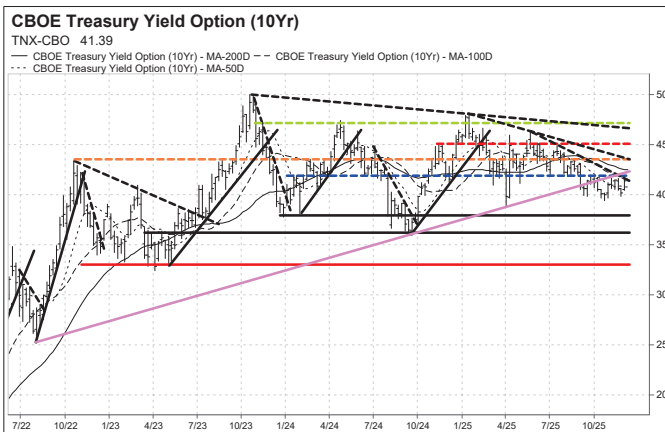
Sean Cusick
Director of Quant Systems
612-712-1400
Sean@vermilioncap.com

Vermilion Research LLC
920 2nd Ave S, Ste. 1225
Minneapolis, MN 55402

We maintain our *near-term* bullish outlook on the S&P 500 (SPX) and Nasdaq 100 (QQQ), which has remained in place since 4/22/25, aside from one week (11/19/25-11/25/25) when we flipped to neutral. Our *intermediate-term* bullish outlook has been in place since our 5/14/25 *Compass*. We will stay *near-term* bullish as long as crucial support levels of 6480-6520 on SPX and \$580-\$583 on QQQ continue to hold. We will maintain our bullish *intermediate-term* view as long as market dynamics remain constructive and the SPX is above 6200. Additionally, as discussed last week (12/2/25 *Compass*) we believe SPX, QQQ, and Russell 2000 (IWM) are in the midst of a new lockout rally, which is likely to run through early-2026, at minimum. Supports to watch on SPX include 6770-6775, 6480-6520, 6450, 6400-6410, 6340-6360, 6290, and 6200. We expect pullbacks to these areas to be buying opportunities.

- **10-Year Treasury Yield; Russell 2000 (IWM).** Bears that were complaining about "bad breadth" -- which we argued was not a big concern -- have moved on to a new worry: rising interest rates. As long as the 10-year Treasury yield is below 4.20% resistance, we believe the equity market has nothing to worry about. And it could very well be that the 10-year yield would need to move above 4.35%, 4.50%, and even 4.70-4.80% in order to become problematic for equities, particularly if bond market volatility (MOVE index) remains subdued. Additionally, the Russell 2000 (IWM) is back above its major 4+ year base, and is extremely bullish as long as base support holds at \$245... see chart below and page 3.
- **Market Dynamics Remain Risk-On.** In addition to bullish technicals on SPX, QQQ, and IWM, additional risk-on market dynamics that support our bullish outlook include: (1) High yield spreads are near 18+ year narrows and have not widened above 320bps, let alone 355bps. (2) The 10-year Treasury yield has not been able to break above 4.20%, let alone 4.35%, 4.50%, or 4.70%-4.80%. (3) The U.S. dollar (DXY) remains below \$100.25-\$100.80 resistance. (4) Defensive Staples (XLP) remain in a 7-month RS downtrend, while RS for Health Care (XLV) is rolling over at long-term resistance. (5) U.S. interest rate volatility (MOVE index) is at 4-year lows. (6) Technology (XLK), semiconductors (SMH), and biotechnology (XBI, IBB) remain leadership, while (7) prior speculative leaders (which we detailed to buy on 11/25/25) have quite likely bottomed after normal/healthy pullbacks in November (QTUM, WGM, DTCR, ARKG, ARKK, IPO). (8) Gold and silver remain bullish. (9) Flows remain bullish into early-2026... see chart below and pages 3-4.

In today's report we highlight attractive Groups and stocks within Financials and Materials: FN-02 U.K. Banks, FN-03 Canadian Banks, and MA-04 Aluminum... see pages 13-21.



The bearish argument *du jour* for equities has turned from "bad breadth" to rising rates. We believe equities have nothing to be worried about if the 10-year Treasury yield is below 4.2% (in blue), and it could very well be that it would need to break above 4.35% (in orange), 4.5% (in red), or even 4.7%-4.8% (in green) in order to become problematic for equities, particularly if interest rate volatility (MOVE index) remains subdued (see MOVE index on page 3).

Sector Relative Strength Rankings & Weighting Recommendations

Sector Relative Strength Rankings (RSR)

Price and RS uptrends remain intact for **Technology (XLK)** and semiconductors (**SMH**), and we continue to believe the low for the recent pullback is "in" as initially discussed in our 11/25/25 *Compass*. Remain overweight and buy pullbacks; leadership from Technology and semiconductors is likely to continue.

We continue to believe that all the speculative growth areas that we had been pounding the table on since May have likely bottomed, after going through a 1-2-month consolidations (following massive gains). We discussed buying these spec growth areas within our 11/25/25 *Compass*, and they are likely to continue outperforming into early-2026. Attractive areas include quantum computing (**RGTI, IONQ, QBTS, BTQ**), semiconductors (**SMH, AVGO, TSM, NVDA, NVTS, ALAB**), health care technology/genomics (**ARKG, GRAL, PRME, TEM, BEAM**), drones (**DPRO, ONDS, SES**), space (**ASTS, PL, RKL, LUNR**), lithium (**SLI, LAC**), energy storage (**AMPX, FLNC, NRGV**), batteries (**TE, ABAT**), data centers (**NBIS, CIFR, WULF, HUT**), software (**BBAI, U**), robotics (**RR, SERV, TSLA**), rare earths (**TMC, MP, NB, CRML**), nuclear (**NLR, OKLO, LEU, NNE**), and Reddit (**RDDT**), to name a handful.

Equal-weighted Health Care remains at the top of our rankings thanks to strength from biotechnology (**XBI, IBB**), a space we continue to like and remain overweight. With that said, RS for the cap- and equal-weighted Sector ETFs (**XLV** and **RSPH**) are turning lower at multi-year RS downtrend resistance, something we discussed last week was a possibility. Remain underweight Health Care as long as the multi-year RS downtrends remain intact on XLV and RSPH.

We are monitoring **Transportation** for a potential *upgrade* to market weight, and we are monitoring **Utilities**

No Weighting Changes

Recent changes:

11/19/25: Downgraded Consumer Discretionary to Underweight (from Market Weight)

Relative Strength Ranking: Sector Summary

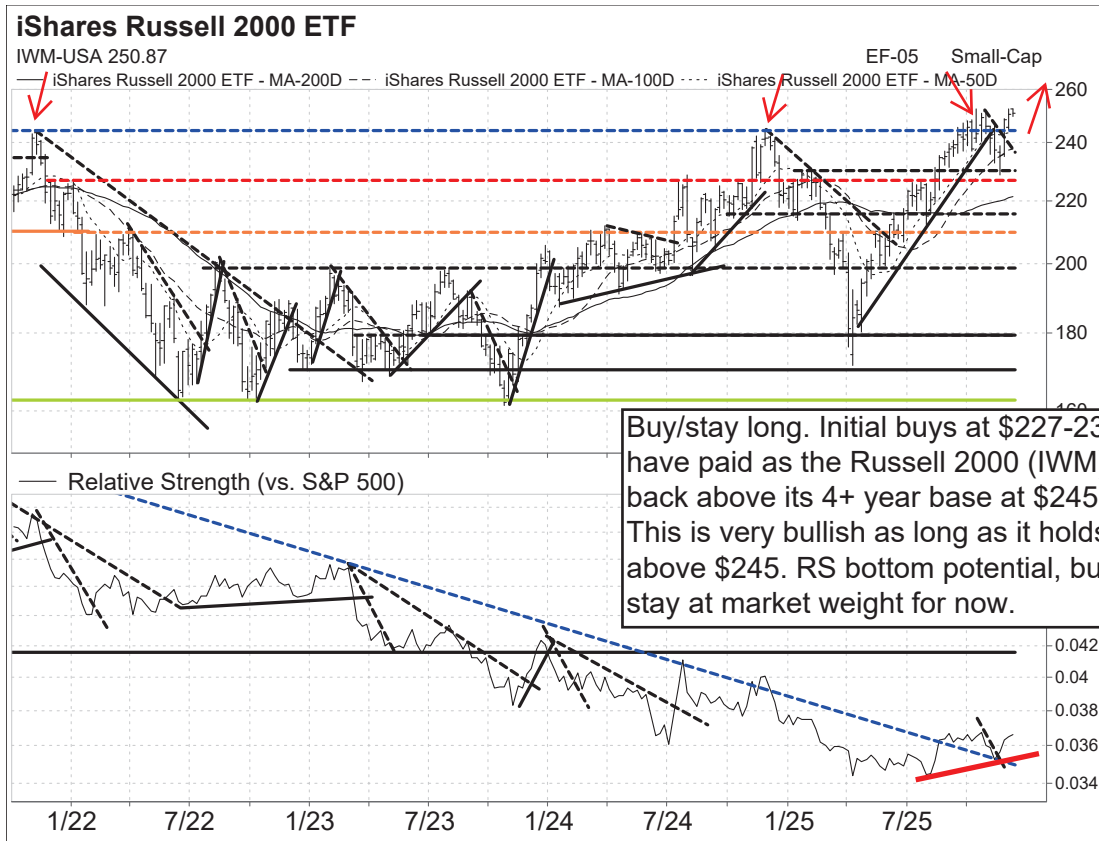
Vermilion Sector	12/05	11/28	11/21	11/14	11/07	10/31	10/24	10/17	10/10	10/03
HC Health Care(AVG)	6	4	5	6	8	7	7	6	6	8
CO Communications(CAP)	7	6	8	11	10	10	10	9	10	9
HC Health Care(CAP)	8	5	5	6	10	12	14	13	11	16
EN Energy(AVG)	9	11	10	7	8	10	10	14	11	11
MA Materials(AVG)	9	8	13	12	13	11	9	7	8	9
TE Technology(CAP)	9	9	9	6	6	5	7	6	6	7
TR Transportation(AVG)	9	13	12	12	12	13	18	14	17	17
MA Materials(CAP)	11	10	13	11	12	11	11	9	9	11
TE Technology(AVG)	11	13	16	10	7	6	6	6	6	5
TR Transportation(CAP)	11	13	15	13	14	13	19	15	15	18
CD Consumer Disc(CAP)	13	13	15	13	11	10	14	12	12	13
FN Financials(CAP)	13	14	15	13	14	16	18	17	15	16
UT Utilities(AVG)	13	9	8	9	9	11	12	10	10	18
FN Financials(AVG)	14	15	15	15	16	19	20	20	19	19
MF Manufacturing(AVG)	14	15	17	16	12	10	8	8	8	9
MF Manufacturing(CAP)	15	15	15	13	12	10	12	12	11	13
EN Energy(CAP)	16	16	13	12	15	18	20	21	21	22
RE Real Estate(CAP)	16	13	12	14	14	17	16	15	19	19
UT Utilities(CAP)	16	11	11	10	10	12	12	9	9	15
CO Communications(AVG)	17	16	15	15	14	12	13	13	11	11
RE Real Estate(AVG)	19	16	15	16	16	19	18	17	19	19
CD Consumer Disc(AVG)	20	21	22	22	23	20	17	16	19	13
CS Consumer Staples(CAP)	20	19	18	21	22	24	24	19	24	27
SV Services(AVG)	22	22	23	23	20	17	14	14	12	14
CS Consumer Staples(AVG)	24	23	22	23	25	25	26	24	26	27
SV Services(CAP)	25	26	25	25	25	24	24	25	23	24

Sector Weighting Recommendations

Vermilion Sector	Under-Weight	Market-Weight	Over-Weight
Communications			X
Cons. Discretionary	X		
Consumer Staples	X		
Energy	X		
Financials	X		
Health Care	X		
Materials	X		
Manufacturing		X	
Real Estate	X		
Services		X	
Technology			X
Transportation	X		
Utilities		X	

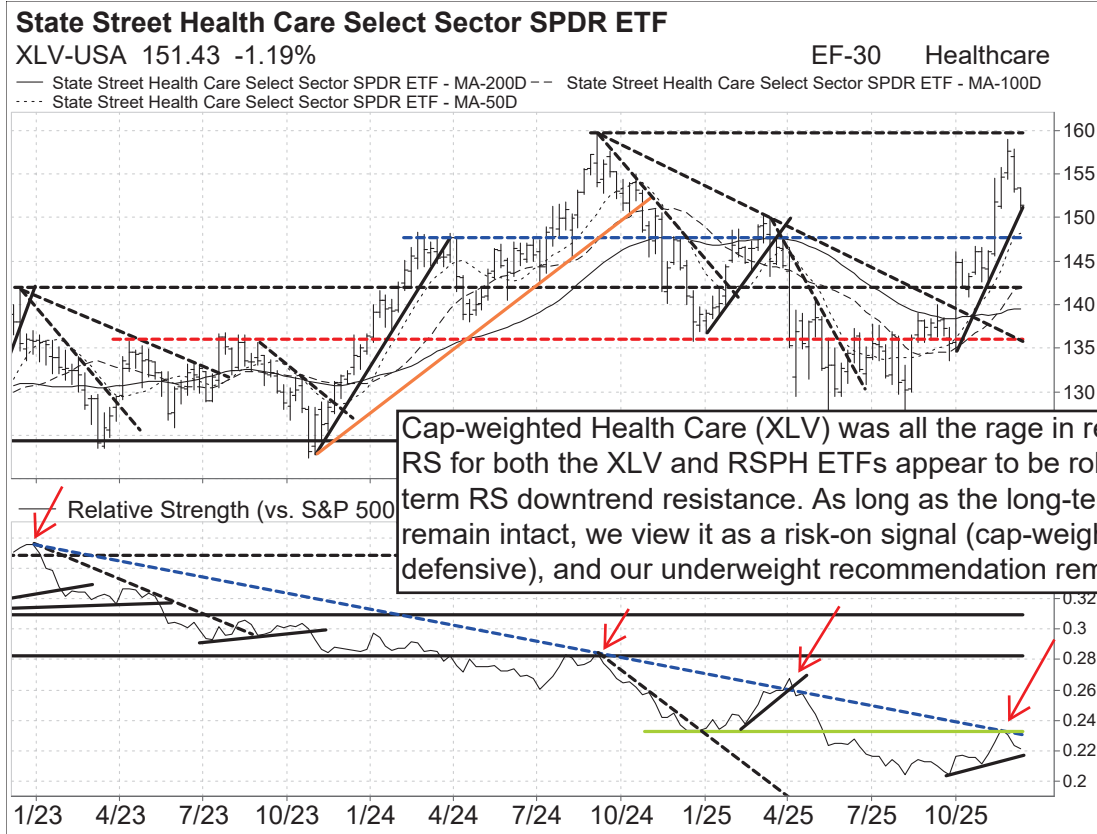
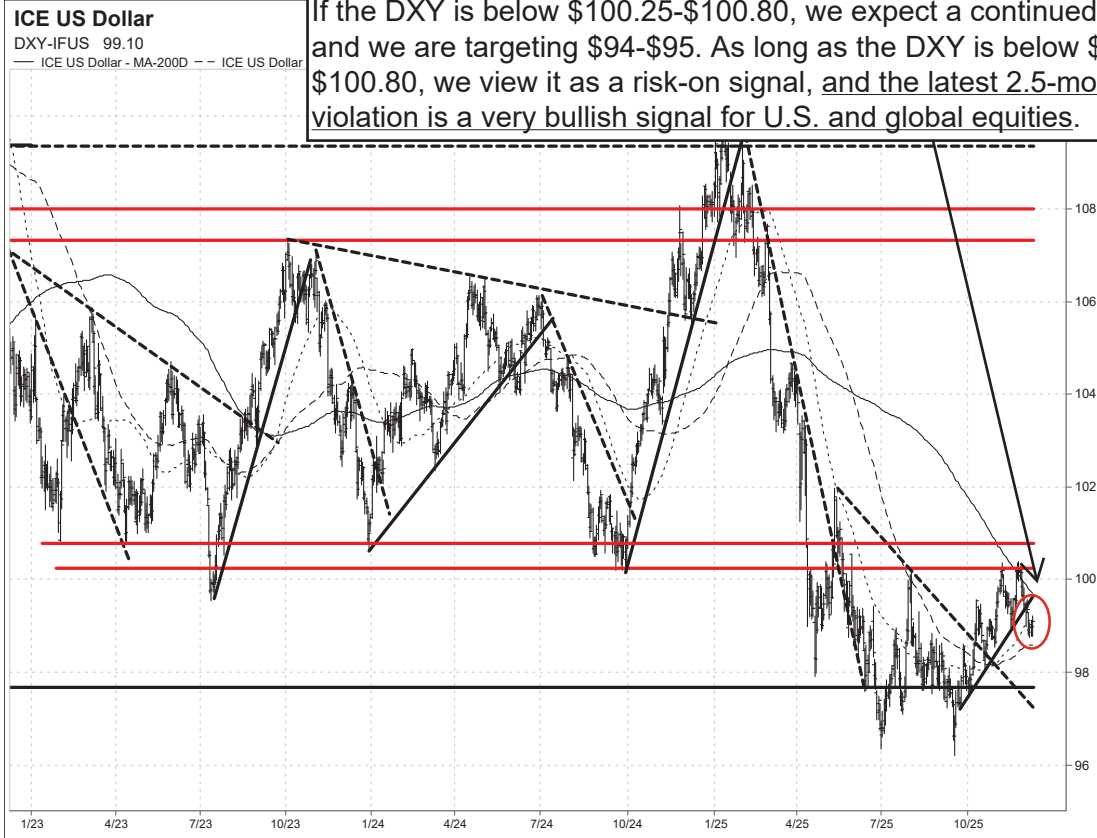
See attached Sector commentary for Group and individual stock recommendations.

Risk-On: Russell 2000 (IWM) Above 4+ Year Base; MOVE Index at 4-Year Lows



Risk-On: U.S. Dollar (DXY) Uptrend Violation; Health Care RS Rolling Over?

The U.S. dollar (DXY) hit our late-February 2025 target of \$100 (in April). If the DXY is below \$100.25-\$100.80, we expect a continued move lower and we are targeting \$94-\$95. As long as the DXY is below \$100.25-\$100.80, we view it as a risk-on signal, and the latest 2.5-month uptrend violation is a very bullish signal for U.S. and global equities.



Cap-weighted Health Care (XLV) was all the rage in recent months, but RS for both the XLV and RSPH ETFs appear to be rolling over at long-term RS downtrend resistance. As long as the long-term RS downtrends remain intact, we view it as a risk-on signal (cap-weighted Health Care is defensive), and our underweight recommendation remains appropriate.

Communications: *Overweight*

- Group CO-01 Broadcasting has several bullish names that have built bases and some that are moving up and to the right. **SPOT** is breaking a multi-year uptrend and is below its 200-day moving average and is very topsey. Attractive names include: **SBGI, EVC, and TV.**
- Group CO-03 Cable & Satellite, Mid/Small-Cap has several leadership names including: **SATS, VSAT, QVCGA, and WOW.**
- Group CO-09 Publishing, Small-Cap is a leadership Group. Attractive names include: **NYT, GHC, SCHL, TDAY, PLBY, and SSP.**
- Group CO-11 Telecomm Services, North America is developing into a leadership Group. Attractive names include: **AMX, RCI, and GSAT.**
- Group CO-18 Telecomm. Svcs., Israel is a leadership Group. Attractive names include: **CELJF and BCOMF.**
- Group CO-23 On-Line Search Engines is a leading Group. Attractive names include: **GOOG, BIDU, GOOGL, and NBIS.**
- Group CO-24 Internet Content/Commerce has many names showing good technical improvement. Attractive names include: **ROKU, RVLV, IHRT, TGLO, TCX, and XNET.**

Consumer Discretionary: *Underweight (downgraded 11/19/25 from Market Weight)*

- We recently downgraded the Sector with RS on cap-weighted Discretionary (**XLY**) violating 8-month horizontal support. RS has since reclaimed this support level and may very well be bottoming – add selective exposure as several areas are improving, notably homebuilders (**ITB**) and retail (**XRT**). Price failed to break out above \$240 and is now consolidating. Support is at \$218 on the XLY, which must hold or we would turn bearish from a price perspective. We discussed here in our 11/25/25 *Compass* how this support appeared to be holding, recommending to add exposure at the time.
- Group CD-01 Major Auto Manufacturers displays price and RS consolidations – be selective. Attractive names include: **TSLA, RYCEY, GM, F, and MBGAF.**
- We *had been* avoiding homebuilders (CD-06 and CD-07) as the ITB ETF has been weak. With that said, we discussed in our 11/22/25 *Compass* how we were starting to see signs that homebuilders could be bottoming again. This was further confirmed by the bullish 3-month price and RS downtrend reversals **a few days later** – add exposure. Attractive names include **CVCO** and bottom-fishing candidates include **LEN, PHM, CCS, MHO, TOL, DHI, SKY, and KBH.**
- Group CD-12 Toys displays early signs of price and RS bottoms – add exposure. Attractive names include **HAS, BBW, and MAT.**
- Group CD-13 Sporting Goods/Leisure Products displays 2+ year bullish price and RS downtrend reversals – add exposure. Attractive names include: **DOOO, JOUT, PII, YETI, and MODG.**
- Group CD-36 Retailers, Off-Price displays price and RS base breakouts – add exposure. Attractive names include: **TJX and ROST.**
- **Group CD-45 Retailers, Discount/Variety displays bullish price and RS reversals – add exposure. Attractive names include: FIVE, DG, and DLTR.**
- Group CD-50 Internet Retailers (**IBUY**) displayed steep price and RS uptrend violations back in October, but we maintained all along that we believe this to be a buyable pullback. Add exposure as we believe the pullback is over, **and RS is now confirming with its 2+ month downtrend reversal.** Attractive names include: **W, JMIA, NEGG, BABA, REAL, GLBE, EBAY, LQDT, and TDUP** (November lows must hold or we would sell).
- Equal-weighted retail (ETF: **XRT**) appears to be finding its footing at 200-day MA support at \$77-\$78 which we discussed in our 11/19/25 *Compass* and re-confirmed in our 11/25/25 *Compass* – add exposure. RS appears to be bottoming now as well. Attractive retail names (in addition to those listed above) include: **CVNA** (\$260-\$285 support held strong; we remain bullish on this massive winner that we started recommending in May of 2023), **EYE, AEO, ZUMZ, CTRN, LE, SIG, ULTA, M, DDS, KSS, BOOT, VSCO, CPRI, GAP, and URBN.**
- Group CD-19 Education Services, Small-Cap displays steep price and RS uptrend violations – reduce exposure/be selective. Attractive names include: **LAUR and APEI.**

Consumer Discretionary (cont.): *Underweight (downgraded 11/19/25 from Market Weight)*

- Group CD-20 Hotels & Resorts, Large-Mid-Cap is a long-term leadership Group, and, as discussed in our 11/25/25 *Compass*, appears to be reasserting its leadership status following a period of price and RS consolidation – add exposure. Attractive names include: **TNL, ATAT, H, HLT, IHG, MAR, and HTHT.**
- A bottoms-up approach to stock selection uncovers additional opportunities within the Sector. With this in mind, attractive names include: **OWLT, SONO, VIK, LVMUY, SPHR, TPR, SGI, RL, RCKY, EXPE, AENT, ROKU, PPRUY, GIL, RSI, SGHC, LVS, WYNN, HLF, MOV, SN,** and bottom-fishing candidates **RIVN, BC, VFC, DIN, WING, PLAY, BJRI, EAT, and LZB.**

Consumer Staples: *Underweight*

- RS on Consumer Staples (**XLP**) remains in a 7-month downtrend and is near 25+ year lows. Thankfully, we have been expecting this and we have been very selective for quite some time; we discussed in mid-May reports (5/14/25 *Compass*, 5/19/25 *ETF Pathfinder*), and every report since, how we would not be surprised to see underperformance continue following the steep 3-month RS uptrend violation in May. Continued new RS lows for Staples is very bullish for the broad equity market. RS has moved slightly higher amid the latest pullback in SPX in November, however, not to a meaningful extent, and RS is now turning sharply lower at the RS downtrend (risk-on). Price held above major support in the \$76-\$77.50 range, a constructive sign. Avoid/be extremely selective.
- Group CS-31 Cannabis (ETF: **MSOS**) displays price and RS deterioration – be selective. Attractive names include: **VFF** and **CRON.**
- Group CS-06 Food Distributors remains leadership and is pulling back some – remain overweight/add exposure. Attractive names include: **UNFI** and **WILC.**
- A bottoms-up approach to stock selection uncovers some of our favorite opportunities within the Sector. With this in mind, attractive names include: **TPB, EL, CVS, CASY, MNST, NUS, SENE, SENE, BTI, IMKTA, HLF, COCO, PSMT, MAMA, and SEB.**

Energy: *Underweight*

- Energy appeared to be attempting to bottom and despite the mixed charts on the commodity itself many names attempted to stage reversals and breakouts but in the last few weeks many gave back their attempted moves higher. The services side continues to reflect much stronger RS. We remain somewhat hesitant to move up our weighting in this Sector due to so many false inflections.
- Group EN-01 Oil & Gas, Global, Mega-Cap has many names that have encouraging RS. Attractive names include: **XOM, CVX, SHEL, and BP.**
- Group EN-02 Oil & Gas, Global, Large-Cap is emerging is reflecting improving RS. Attractive names on a RS basis are: **CNQ, APA, DVN, and REPLY.**
- Group EN-04 Oil & Gas, South America is a leadership Group. Attractive names include: **EC, YPF, TGS, GPRK, UGP** and **REPLY.**
- Group EN-05 Oil & Gas E&P, Canadian. This Group shows strong RS. Attractive names: **CNQ, SU, CVE, & IMO.**
- **Group EN-10 Oil & Gas E&P, Domestic Small-Cap has several leadership names including: RRC, CRK, VNOM, BSM, TALO, and VTLE.**
- Group EN-12 Energy Trusts has many leadership names in terms of RS. Attractive names include: **BTE, AAVV, PBT, BCX, OBE, CHKR, and NRT.**
- Group EN-14 Oilfield Services, Large-Cap appears to be attempting a reversal. Attractive names include: **SLB, BKR, and HAL.**
- Group EN-15 Oil & Gas Equip./Svcs., Small-Cap is a leadership Group. Attractive names include: **GTLS, NOV, WFRD, KGS, WHD, LBRT, SEI, XPRO, WTTR, RES, PUMP, NPKI, TTI, CLB, FTK, NGS, and FET.**
- Group EN-16 Oilfield Services, Offshore is our favorite area in the energy patch currently. We have highlighted a number of these names in our reports over the past several months. We would be buyers of this Group. Attractive names include: **FTI, TDW, OII, INVX, OIS, HLX, GIFL, and VTOL.**

Energy (cont.): Underweight

- Group EN-17 Drilling, Offshore is a leadership Group. Many of these names have H&S bottoms in place and we would be buyers on pullbacks. Attractive names include: **VAL, NE, SDRL, BORR, SUBCY, and RIG.**
- Group EN-18 Oil & Gas Drilling, land has several names that appear to be bottoming. Attractive names include: **HP, BORR, PDS, and NBR.**
- Group EN-19 Geophysical is a leadership Group. Previous major turns in the offshore drilling have begun with the majors increasing Capex to companies that provide seismic studies to find offshore oil and this Group affirms how the majors are choosing to allocate capital. Attractive names include: **VIRDY, DWSN, and MIND.**
- Group EN-20 Refining has several names that appear to be bottoming and staging reversals in price and RS or have hit major support levels. Attractive names include: **MPC, PSX, VLO, DINO, PBF, CVI, PARR, CLMT, and DK.**
- Group EN-22 Coal and EN-23 Coal, Small and Micro-Cap are emerging as leadership. Attractive names include: **BTU, YZCAY, AMR, HCC, AREC, and HNRG.**
- Group EN-24 Ethanol is a leadership Group. Attractive names include: **REX, ANDE, ALTO, and GPRE.**

Financials: Underweight

- Financials (**XLF**) currently is developing what appears to be a major price top. A decisive drop through the 200-day moving average at \$51.35 and stay below that level for 2-3 days would be very bearish. Also, the Broker Dealer ETF (**IAI**) is also developing a possible major top and is close to the point of a breakdown; \$168 is the important bull/bear line.
- Group FN-01 European Banks is a leadership Group. Attractive names include: **HSBC, SAN, BBVA, and DB.**
- Group FN-02 U.K. Banks is a leadership Group and is breaking out of a decade long base. **This Group is highlighted in today's Compass. Attractive names including: BCS, LYG, and NWG.**
- Group FN-03 Canadian Banks is a leadership Group. **This Group is highlighted in today's Compass** Attractive names include: **RY, TD, BNS, and BMO.**
- Group FN-04 Asian Banks is a leadership Group. Attractive names include: **MUFG, SMFG, ANGZY, MFG, IX, SHG, and WF.**
- Group FN-05 Latin/South American Banks does have several technically attractive names including: **ITUB, BSBR, BBD, BCH, BSAC, GGAL, BMA, BBAR, and BBDO.**
- **Group FN-15 Banks, Super-Regional, is breaking above a year long base. Attractive names include: BAC, WFC, USB, TFC, KEY, and CMA.**
- Group FN-29 Pawn Shops/Cash Advance is a leadership Group with most names now at new highs. Attractive names include: **FCFS, ENVA, EZPW, and ELA.**
- Group FN-30 Investment Banking & Brokerage, Large-Cap remains a leadership Group. Attractive names include: **JPM, MS, GS, NMR, and C.**

Health Care: Underweight

- Long-term RS downtrends remain intact on the *cap-weighted XLV* and *equal-weighted RSPH*. Remain underweight. With that said, price continues to climb after reversing 1+ year downtrends on both the XLV and RSPH. This price improvement is a welcomed sight, and we have discussed since our 10/7/25 *Compass* how it is *possible* RS is in the early stages of bottoming, but we still want to be selective considering the long-term RS downtrend remains intact. **RS on both the XLV and RSPH are getting rejected at their long-term downtrends, and it is likely that the latest round of outperformance is over.**
- Group HC-01 Pharmaceuticals, Mega-Cap shows signs of bottoming. Attractive names include: **LLY, JNJ, AZN, GSK, and MRK.** **JAZZ** is also attractive within mid-cap Pharmaceuticals (HC-03).
- Group HC-04 Pharmaceuticals, Small-Cap displays bullish short-term price and RS reversals within a longer-term bottoming process – add exposure. Attractive names include: **CRVS, ACIU, SLGL, DBVT, and INDV.**

Health Care (cont.): *Underweight*

- Group HC-05 Pharmaceuticals, Generic displays bullish price and RS inflections – add exposure. Attractive names include: **AMRX** and **TEVA**.
- Biotechnology (ETFs: **IBB**, **XBI**, Groups HC-06, -07, -08, and -09) remains leadership – remain overweight/add exposure. We started discussing in our 7/15/25 *Compass* how price and RS for biotechnology has bottomed, as determined by the XBI and IBB ETFs. Attractive names include: **GRAL**, **UPB**, **ADPT**, **INSM**, **ONC**, **CRSP**, **XERS**, **MAZE**, **IDYA**, **SION**, **NKTR**, **RAPP**, **SEPN**, **ZBIO**, **BIIB**, **REGN**, **RYTM**, **COGT** (massive winner; buy pullbacks/stay long), **VERA**, **AMLX**, **ARQT**, **PRME**, **PTGX**, **MDGL**, **TBPH**, **CMPX**, **INCY**, **MIRM**, **KNSA**, **AUPH**, **EBS**, **RZLT**, **KOD**, **PVLA**, **LGND**, **TRVI**, **GOSS**, **BBIO**, **IONS**, **TSHA**, **TVTX**, **TERN** (massive winner; stay long/buy pullbacks), **PHAT**, **RLAY**, **NRIX**, **KYTX**, **TNGX**, **FULC**, **GMAB**, **GLUE**, **AQST**, **IMTX**, **MNMD**, **RAPT**, **CYTK**, **IRON**, **KYMR**, **ORKA**, **BEAM**, **IMNM**, **KURA**, **LXRX**, **NAMS**, **BCAX**, **TARS**, **ARWR**, **RCUS**, **APGE**, **MESO**, **ROIV**, **NUVB**, **SVRA**, **GNLX**, **IRMD**, **MBX**, **VRDN**, **RGNX**, **CTKB**, **TXG**, **MNPR**, **CGEM**, **DSGN**, **SNDX**, **XNCR**, **SYRE**, **LXEO**, **OLMA**, **RIGL**, **ESPR**, **DMAC**, **DRUG**, **LQDA**, **ERAS**, **VTYX**, **ZYME**, **CTMX**, **CGON**, **BIOA**, and bottom-fishing candidates **VKTX**, **PRTA**, **MRVI**, **ADMA**, **ALT**, **TECH**, **VCEL**, **DAWN**, and **AVBP**.
- Group HC-14 Diagnostic & Test Products has emerged as leadership – overweight/buy pullbacks. Attractive names include: **IDXX**, **VCYT**, **ANGO**, **CELC**, **CSTL**, **FLGT**, and **BLLN**.
- Group HC-17 Drug Delivery displays bottoming price and RS – add exposure. Attractive names include: **EYPT**, **TNDM**, **OMCL**, and **WST** (bottom-fishing candidate).
- Group HC-22 Life Science Instruments displays multi-year bullish price and RS downtrend reversals – add exposure. Attractive names include: **PGEN**, **TMO**, **CRL**, **BIO**, **PACB**, **ILMN**, **NAUT**, **STE**, **A**, **DHR**, and **RVTY**.
- Group HC-23 Health Care Distributors is a defensive Group that we have been on for several months, but now appears to be going through a corrective phase as cap-weighted Health Care and other defensive areas see price and RS deterioration. Hold. Attractive names include: **COR**, **MCK**, and **CAH**.
- Group HC-29 Hospitals has been leadership for several months, but we would look for this defensive Group to consolidate in terms of price and RS, as defensive areas start to deteriorate. Be selective. Attractive names include: **HCA**, **THC**, and **UHS**.
- Group HC-33 Nursing Homes & Assisted Living is trading within price and RS uptrends – overweight/add exposure. Attractive names include: **BKD**, **ENSG**, **NHC**, **PNTG**, and **SNDA**.
- Health care services and providers (**XHS**, **IHF**) displays price and RS deterioration as defensive areas of the market deteriorate. Be selective. Attractive names include: **IQV**, **BTSG**, **WGS**, **MEDP**, **NTRA**, **GH**, **TEM**, **RDNT**, **PSNL**, **IRTC**, **DGX**, **NUTX**, **NEO**, **FTRE**, and bottom-fishing candidates **TALK**, **CDNA**, and **NRC**.
- Medical devices/equipment (**IHI**) Groups show signs of price and RS deterioration – be selective. Attractive names include: **BBNX**, **BFLY**, **ATEC**, **AXGN**, **AORT**, **TCMD**, **NPCE**, **ISRG**, **MDT**, **SOLV**, **MTD**, **ESTA**, **TMDX**, **LIVN**, **CBLI**, and **BLCO**.
- Group HC-41 Optical displays early signs of price and RS bottoms. Attractive names include: **EYE** and bottom-fishing candidates **GKOS** and **COO**.
- Group HC-42 Pet Health is not leadership, but a few names are attractive, including: **PAHC** and **ELAN**. Add exposure.

Manufacturing: *Market Weight*

- Group MF-01 Industrial, Diversified, Large-Cap is a leadership Group. Many of these are at RS highs. Attractive names include: **ABBNY**, **MMM**, **RTX**, **MITSY**, **DOV**, and **JCI**.
- Group MF-02 Industrial, Diversified, Small-Cap is a leadership Group. Attractive names include: **ITT**, **BRC**, **SPXC**, **SXI**, and **NVRI**.
- Group MF-04 Aero Defense, Small-Cap is a leadership Group. Attractive names include: **COHR**, **AVAV**, **ORBT**, and **HII**.
- Group MF-06 Aerospace, Components & Products, Small-Cap is a leadership Group. Attractive names include: **EMBJ**, **CW**, **HXL**, **AIR**, **ATRO**, **SIF**, and **TATT**.

Manufacturing (cont.): Market Weight

- Group MF-09 Aerospace, Controls/Simulation is emerging as a leadership Group. Attractive names include: **KTOS, MOG.A, MOG.B, and ETCC.**
- Group MF-12 Auto Parts, Large-Cap and MF-13 Auto Parts, Small-Cap is reflecting a price and RS reversal. Attractive names include: **JCI, MGA, BWA, MOD, LEA, LCII, AXL, THRM, STRT, and DAN.**
- Group MF-14 Trucks & Components has a few leadership names including: **CMI, PCAR, REVG, CYD, MEC,** and **TWIN.**
- Group MF-22 Electrical Motors, Generators & Controls is a leadership Group. Attractive names include: **POWL, ALNT, and GHM.**
- Group MF-25 Fluid Filters & Clarification Products has several leadership names including: **ATMU, and PPIH.**
- MF-32 Lighting Products/Systems is a leadership Group. Attractive names include: **AYI, and OESX.**
- Group MF-37 Engineered Metals/Materials is a leadership Group. Attractive names include: **COHR, LECO, VMI, MLI, NVRI, MEUL, PKOH, FSTR, and DBMG.**
- Group MF-39 Batteries is a leadership Group. Attractive names include: **ENS, SLDP, SES, ABAT, and TE.**
- Group MF-40 Energy Storage is a leadership Group. Attractive names include: **QS, ENS, EOSE, FLNC, and AMPX.**

Materials: Underweight

- Group MA-01 Metals, Steel, Integrated, U.S is emerging as a leadership Group. The Group has developed a bullish base and is at 52-week highs and RS is also near a 52-week high. Attractive names include: **NUE, STLD, CMC, SMSMY, RYI, MTUS, and ZEUS.**
- Group MA-02 Metals, Steel, Integrated, Non-U.S. is a leadership Group. Attractive names include: **RIO, MT, PKX, TX, SIM, GGB, and SID.**
- Group MA-04 Aluminum is showing an increase in RS. **This Group is highlighted in today's Compass** Attractive names include: **RIO, AA, NHYDY, CENX, CSTM, and KALU.**
- Group MA-05 Engineered Metals & Materials is a leadership Group. Attractive names include: **MTRN, and EAF.**
- Group MA-11 Cement/Aggregates remains a leadership Group. We have been very bullish in the Engineering and Construction area of the market due to onshoring. We believe this is a secular trend to establish control over the supply chains. This Group is continuing to benefit from this move. Attractive names include: **CX, USLM, and CPAC.**
- Group MA-20 Diversified Mining is a leadership Group. Attractive names include: **BHP, RIO, MGLOY, TECK, ANGPY, NEXA, and SVBL.**
- **Group MA-21 Mining Diversified, South America is a leadership Group. Attractive names include: VALE, BVN, and AUMN.**
- Group MA-23 Copper is staging a price and RS reversal and Copper is nearing all-time highs. Attractive names include: **SCCO, TECK, LUNMF, WRN, TMQ, and TGB.**
- Group MA-24 Mining, Non-Ferrous is a leadership Group. Attractive names include: **LUNMF, HBM, NAK, OMEX, and IE.**
- Group MA-26 Gold, Western Hemisphere, Large-Cap is a leadership Group. Attractive names include: **NEM, AEM, B, and FNV.**
- Group MA-27 Gold, Western Hemisphere remains a leadership Group. Attractive names include: **KGC, AGI, RGLD, IAG, BTG, EGO, BVN, NGD, NG, SA, EXK, TGB, VGZ, USUA, USGO, and MUX.**
- Group MA-30 Silver/Platinum is a leadership Group. Attractive names include: **WPM, PAAS, AG, CDE, HL, MAG, SVM, SSRM, FSM, and USAS.**
- Group MA-31 Mining, Uranium is emerging as a leadership Group. Attractive names include: **CCJ, UEC, LEU, DNN, and UUUU.**

Sector Highlights -- new comments in green

Real Estate: *Underweight*

- Group RE-01 REITs Real Estate Developers has several names that reflect good RS. Attractive names include: **BN, CBRE, JLL, HHH, GRP.U, NDVLY, JOE, FOR, CHCI, CKHUY**, and **FPAFY**.
- Please review the Grids of the Russell 1000 and 2000 in the back of the report for individual names.

Services: *Market Weight (downgraded 11/11/25 from Overweight)*

- RS on the Vermilion equal-weighted Services Sector is violating long-term uptrend support, and we recently downgraded the Sector to market weight. Be selective.
- Data Processing & Outsourcing Svcs. Groups (SV-01, SV-02, and SV-03) are starting to have names that are bottoming. Attractive names include: **JKHY, INOD, III**, and **PAGS**.
- Gov't/Global IT Consulting Groups (SV-04 and SV-05) display early signs of price and RS bottoms – add selective exposure. Attractive names include: **LDOS, CTSH**, and **EPAM**.
- Group SV-06 Research & Consulting Services displays early signs of price and RS bottoms – add selective exposure. Attractive names include: **VSEC, HURN**, and **FICO** (bottom-fishing candidate).
- Group SV-13 Construction & Engineering, Large-Cap displays bullish price and RS reversals within longer-term uptrends – overweight/add exposure. Attractive names include: **PWR, EME**, and **MTZ**.
- Group SV-14 Construction & Engineering, Small-Cap displays bullish price and RS reversals within longer-term uptrends – overweight/add exposure. Attractive names include: **IHS, PRIM, IESC, ECG, STRL, BWXT, DY, MYRG, WLDN, AGX, TPC**, and **ROAD**.
- Group SV-17 Uniforms/Facilities Mgt. appears to show a RS breakout following 1.5+ years of consolidation – add exposure. Attractive names include: **FIX, FIGS, HCSG, MG**, and **VSTS**.
- Group SV-26 Crypto: Mining/Trading & Data Svcs. displays a short-term pullback, but long-term price and RS uptrend remain intact; we discussed to add exposure on the pullback in our 11/25/25 *Compass*, and it has paid off thus far (includes **WGMI**). **WGMI** has been our top bitcoin miner-related stock ETF that we like, and it has provided massive gains since we first discussed buying in April. **APLD, IREN, HUT, WULF, CIFR, BITF, HOOD**, and **GLXY** are our favorite longer-term crypto/data center stocks. Additional attractive names include **CORZ** and **DGXX**. In terms of bitcoin, we have discussed extensively how we needed to see \$98,000-\$100,000 support hold to remain constructive longer-term; this level broke, so we are no longer bullish long-term. \$100,000 needs to get reclaimed or we would stay on the sidelines. This comes after we downgraded our intermediate-term outlook following the break below \$110,000. **\$93,000-\$94,000 is short-term resistance; a break above this level would be a short-term buy signal and could mark the low for the pullback in Bitcoin (first target would be \$98,000-\$100,000).** We are no longer bullish on Ether either, considering its break below \$3,950; **with that said, a decisive break above \$3,370 would be a buy signal and would likely indicate the low is in for this pullback on Ether.**
- A bottoms-up approach to stock selection uncovers additional opportunities within the Sector. With this in mind, attractive names include: **APP, COMP, DAVE, NBIS, NUI, MIR, SOFI, AFRM, APG, CECO, CMPR, CCO, RHL, UPWK**, and **SEZL** (bottom-fishing candidate).

Technology: *Overweight*

- Cap-weighted Technology (**XLK**) **had** been used as a source of funds and was the primary laggard for most of November. However, we started discussing in our 11/19/25 *Compass* how we would caution extrapolating recent underperformance too far out into the future; discussing how we suspected the pullback to be a buying opportunity, and support areas we wanted to be buying included \$275, \$266-\$270, and \$256. We also discussed how we were looking for RS on the **XLK** to hold above its August highs, saying to remain overweight and buy pullbacks. So far, **XLK** bottomed at \$267.48 as RS finds support near the August highs, and we suspect that the price and RS lows are in. Buy any pullbacks. **Price and RS appear poised to test YTD highs in the coming weeks.**
- Technology comments continued on the following page.

Technology (cont.): *Overweight*

- We have been bullish on semiconductors and semi-suppliers (**SMH, SOXX**) since our 5/6/25 *Compass*. The space is going through a consolidation phase, but we are buyers on pullbacks to \$325, \$300, and \$280 on the SMH. We discussed in our 11/25/25 *Compass* how \$325 held as support and that it was likely the low for this pullback. Remain overweight/add exposure on pullbacks to semiconductors and semi-suppliers (see bullet point below for semi-suppliers). As long as SMH remains above \$280 and SOXX remains above \$238, we will remain bullish on semiconductors. Attractive semiconductor names (TE-01, TE-02, and TE-03) include: **CIEN, MU, SIMO, RMBS, TSEM, NVDA, AMD, AVGO, TSM, LSCC, SMTC, FN, INTC, MRVL, QCOM, AIP, ASX, CRUS, KOPN, NVT, WOLF, ALAB, and INDI.**
- Attractive semiconductor equipment/supplies names (TE-04 and TE-05) include: **AEIS, AXTI, DQ, TER, ACLS, KLAC, LRCX, VECO, AMAT, ASML, ONTO, COHU, AMKR, FORM, MKSI, BESY, ACMR, PDFS, KLIC, and ASYS.**
- Group TE-08 Data Storage Solutions & Devices, Large-Cap remains leadership – remain overweight/add exposure on pullbacks. Attractive names include: **STX, WDC, SNDK, and PSTG.**
- Group TE-10 Electronic Connectors displays multi-year price and RS base breakouts – overweight/add exposure. Attractive names include: **APH, TEL, BELFB, and NVT.**
- Group TE-11 Electronic Manufacturing Services remains in multi-year price and RS uptrends – overweight/add exposure. Attractive names include: **CLS, TTMI, FLEX, KE, FN, JBL, and SANM.**
- Group TE-12 Electronic Equipment Components display major price and RS breakouts – overweight/add exposure. Attractive names include: **TTDKY, KYOCY, and CRDO.**
- Group TE-21 Optical equipment remains in price and RS uptrends – overweight/add exposure. Attractive names include: **GLW, CIEN, LITE, VIAV, and LPTH.**
- Software Groups (ETF: **IGV**) and the IGV display broad RS consolidation – be selective. Attractive software stocks include: **PLTR, APP, SHOP, FROG, GCT, NN, FSLY, DDOG, U, BBAI, MDB, SNOW, TEM, TTWO, RDVT, MGIC, CRWD, PEGA, TWLO, LAW,** and bottom-fishing candidates **AKAM, CRWV** (\$65 support must hold or we would sell), and **FICO.**
- Quantum stocks (ETF: **QTUM**) remain leadership, but most are going through a consolidation phase – remain overweight/add exposure on this pullback. As discussed in our 11/25/25 *Compass*, we believe the lows are likely in; buy. These are big movers and highly volatile. Attractive names include: **QBTS, IONQ, RGTI, BTQ, and LAES.**
- Drone stocks have pulled back, and, as discussed in our 11/25/25 *Compass*, we believe the lows are in; add selective exposure. Attractive names include **DPRO, ONDS, KTOS, and SES.**
- Space-related stocks (**ARKX**) have also pulled back, and, as discussed in our 11/25/25 *Compass*, we believe the bottom is likely in – add selective exposure. Attractive names include: **RKLB, ASTS, RCLB, and PL.**
- Group TE-18 Network Infrastructure, Large-Cap remains in price and RS uptrends – overweight/add exposure. One attractive name is **CSCO.**
- Group TE-36 Satellite Technology displays major price and RS bottoms – overweight/add exposure. Attractive names include: **VSAT, FEIM, GSAT, and GILT.**
- Group TE-39 Solar Energy (ETF: **TAN**) displays multi-year bullish price and RS downtrend reversals, and 7+ month price and RS uptrends remain intact – remain overweight/add exposure. Attractive names include: **FSLR, NXT, ENLT, SEDG, RUN, JKS, SHLS, DQ, and CSIQ.**
- Group TE-40 Fuel Cells/Lithium Batteries (ETF: **HYDR**) are leadership – remain overweight/add exposure. Buy/stay long: **BLDP, BE, MVST, PLUG, and FCEL.**
- A bottoms-up approach to stock selection uncovers additional opportunities. With this in mind, attractive names include: **AAPL, IBM, COMM, NBIS, VRT, RR, SERV, UI, IDCC, MRCY, LASR, ALLT, GLW, OSIS, and VNET.**

Transportation: *Underweight*

- Group TR-01 Airlines, Major is developing a bullish base and RS appears to be consolidating. Attractive names include: **DAL, AAL, and UAL.**

Sector Highlights -- new comments in green; Attractive Groups & Stocks Highlighted

Transportation (cont.): *Underweight*

- Group TR-03 Airlines, South America is a leadership Group. Attractive names include: **CPA**, **CPCAY**, and **VLRS**.
- Group TR-05 Air Freight & Logistics, Large-Cap. Is a leadership Group. Attractive names include: **UPS**, **FDX**, **EXPD**, and **ZTO**.
- Group TR-07 Airport Operations is a leadership Group. Attractive names include: **PAC**, **ASR** and **OMAB**.
- Group TR-08 Shipping, Dry-Bulk has many names that have bottomed out. Attractive names include: **SBLK**, **DAC**, **CMRE**, **NMM**, **ASC**, **SB**, **GNK**, **GSL**, **ESEA**, and **HSHP**.
- Group TR-09 Shipping, Energy is staging a reversal due to the recent sanctions on tankers that have hauled Russian crude; Many names are breaking topside of 52-week bases. Attractive names include: **FRO**, **CMBT**, **STNG**, **INSW**, **DHT**, **TNK**, **NVGS**, **SFL**, **TEN**, **NAT**, **TNK**, and **TK**.
- Group TR-15 Airlines, Europe/U.K. is a leadership Group. Attractive names include: **RYAAY**, **ICAGY**, and **DLAKY**.
- Group TR-16 Technology Sol. Ridesharing/Transport is a leadership Group. Attractive names include: **LYFT**.

Utilities: *Market Weight*

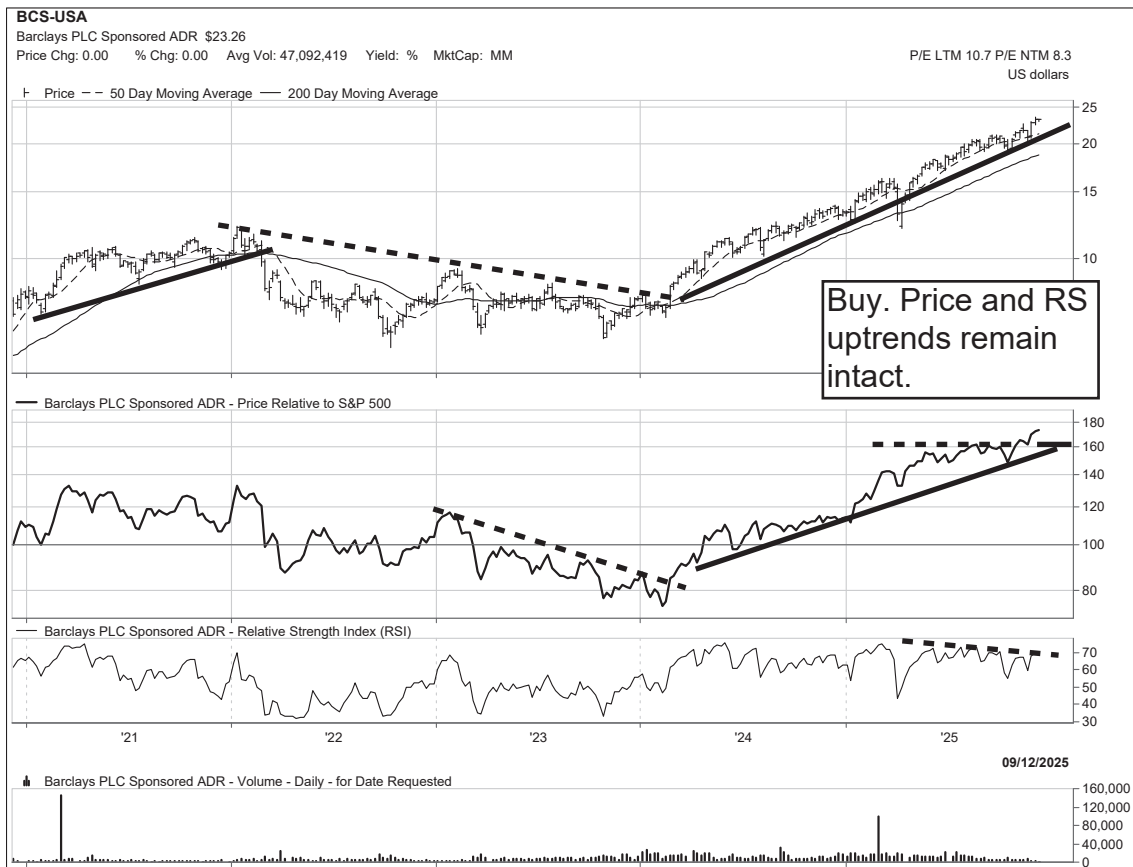
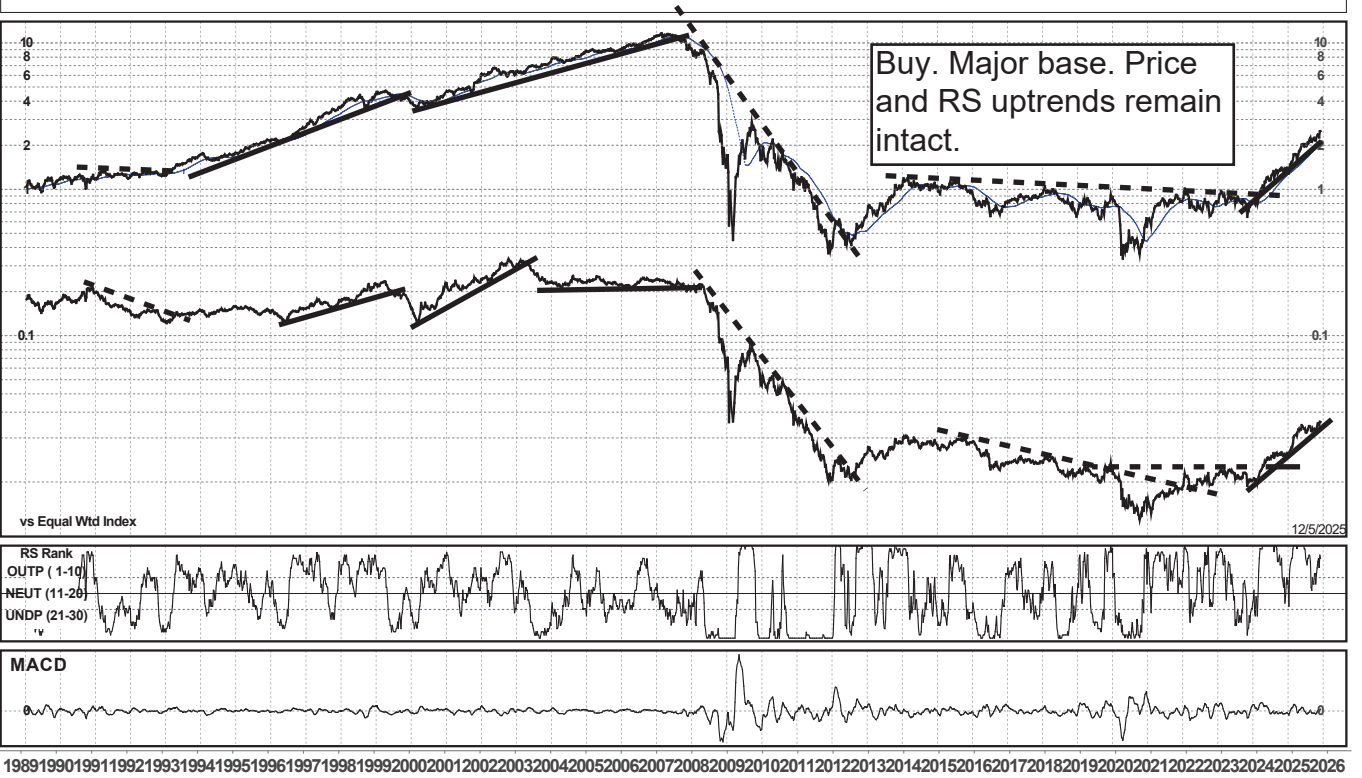
- RS on *cap-weighted* Utilities (**XLU**) *has deteriorated, but is near logical support* within a larger consolidation phase – stay at market weight, *but we are monitoring for a potential downgrade to underweight. Price is violating the uptrend – be very selective.* Base support is at \$41-\$41.50 on the XLU.
- Group UT-18 Independent Power Production remains in price and RS uptrends – remain overweight/add exposure. Use this pullback as an opportunity to buy. These names tend to outperform during risk-on environments. Attractive names include: **TLN**, **GEV**, **CEG**, **NRG**, **TAC**, **BEPC**, **ORA**, **CDZI**, and **AES**.
- Most other Groups within Utilities look virtually identical to the XLU and RSPU ETFs. Therefore, we prefer to evaluate the Sector from a bottoms-up perspective. Attractive names include: **NEE**, **ETR**, **KEN**, **ATO**, and **NWE**.

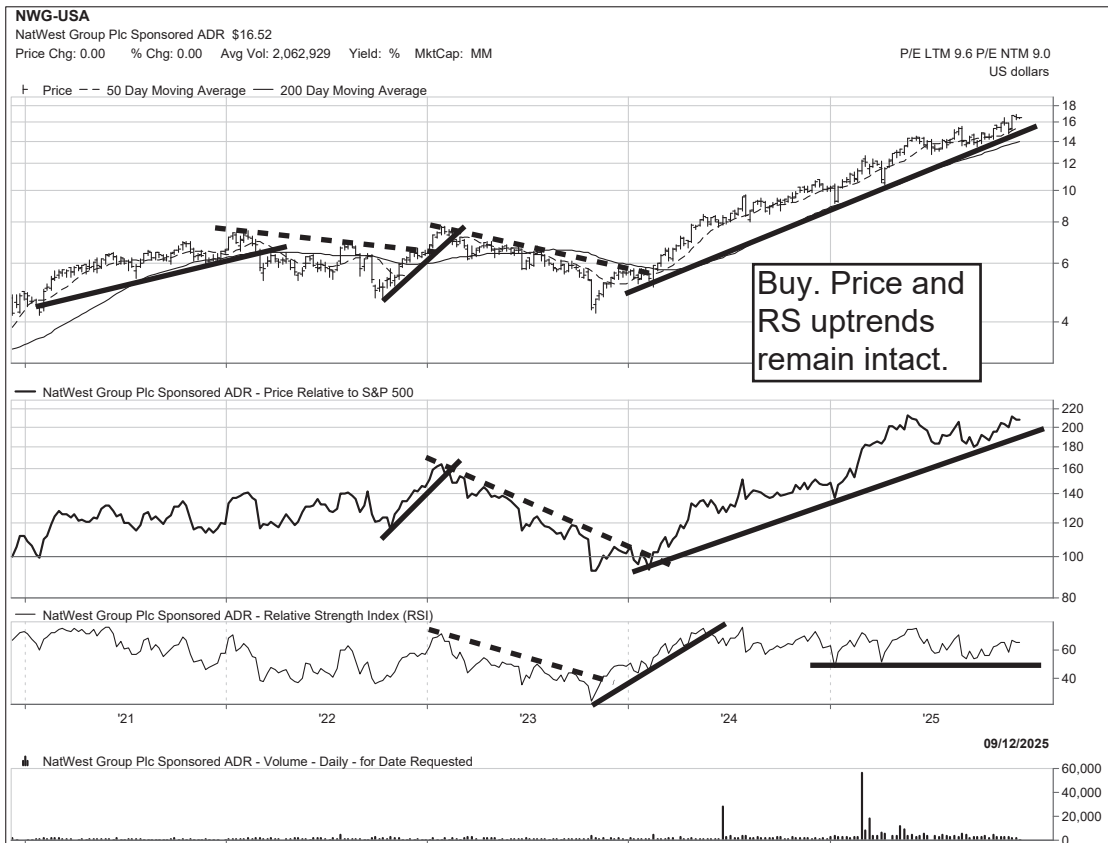
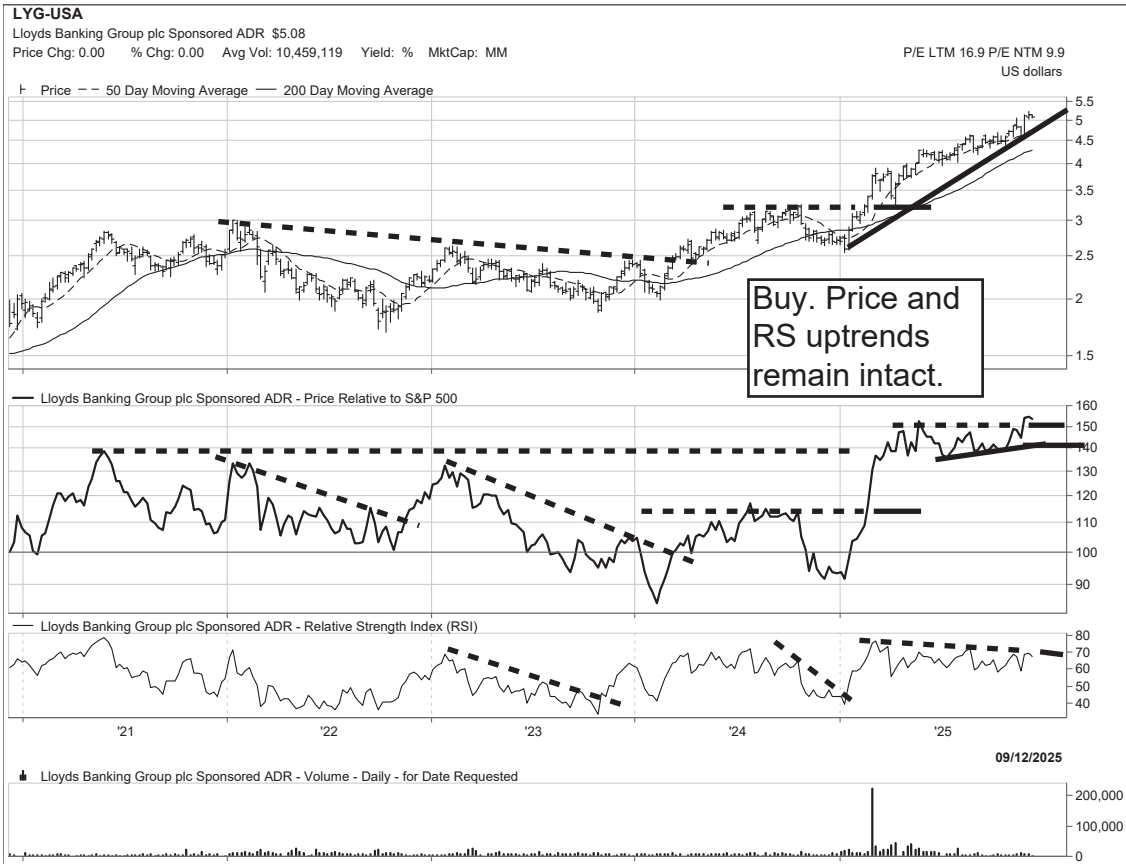
On the following pages we highlight attractive Groups and stocks within Financials and Materials:

- **FN-02 U.K. Banks** – Stocks highlighted: **BCS**, **LYG**, and **NWG**
- **FN-03 Canadian Banks** – Stocks highlighted: **RY**, **TD**, **NMO**, and **BNS**
- **MA-04 Aluminum** – Stocks highlighted: **RIO**, **NHYDY**, **AA**, **CENX**, **CSTM**, and **KALU**

FN-02 U.K. Banks

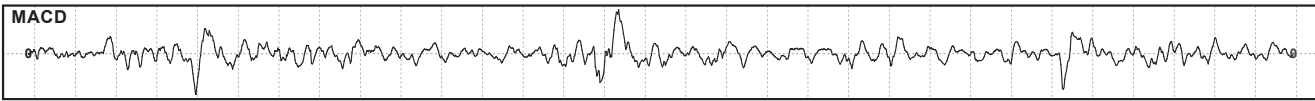
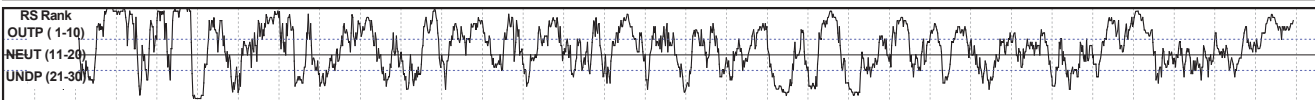
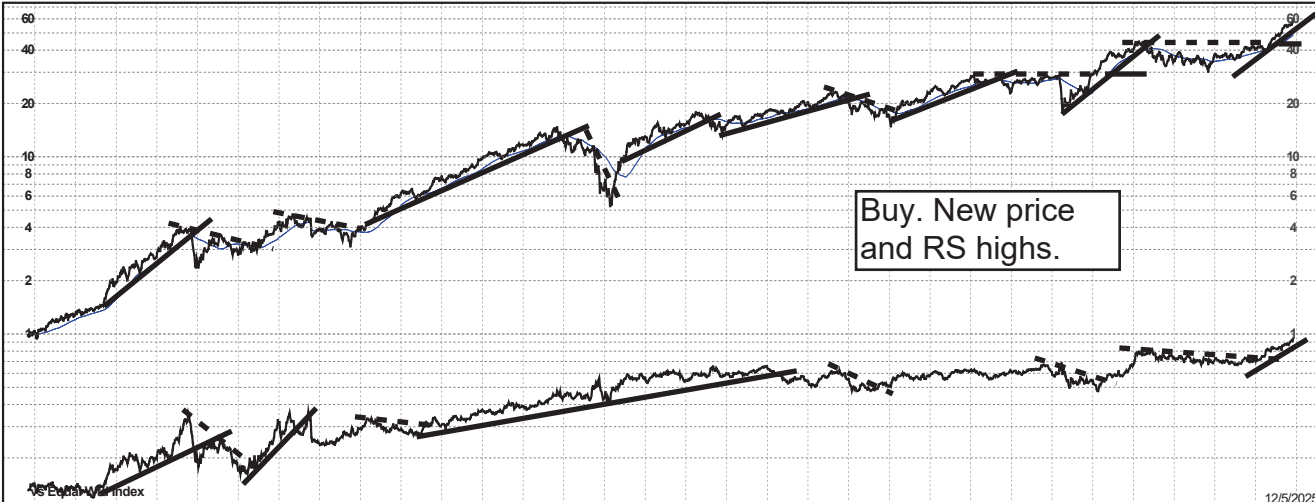
SYMBOL	RSR	TC	MD
BCS	4	U3	+
LYG	5	U3	+
NWG	5	U3	+



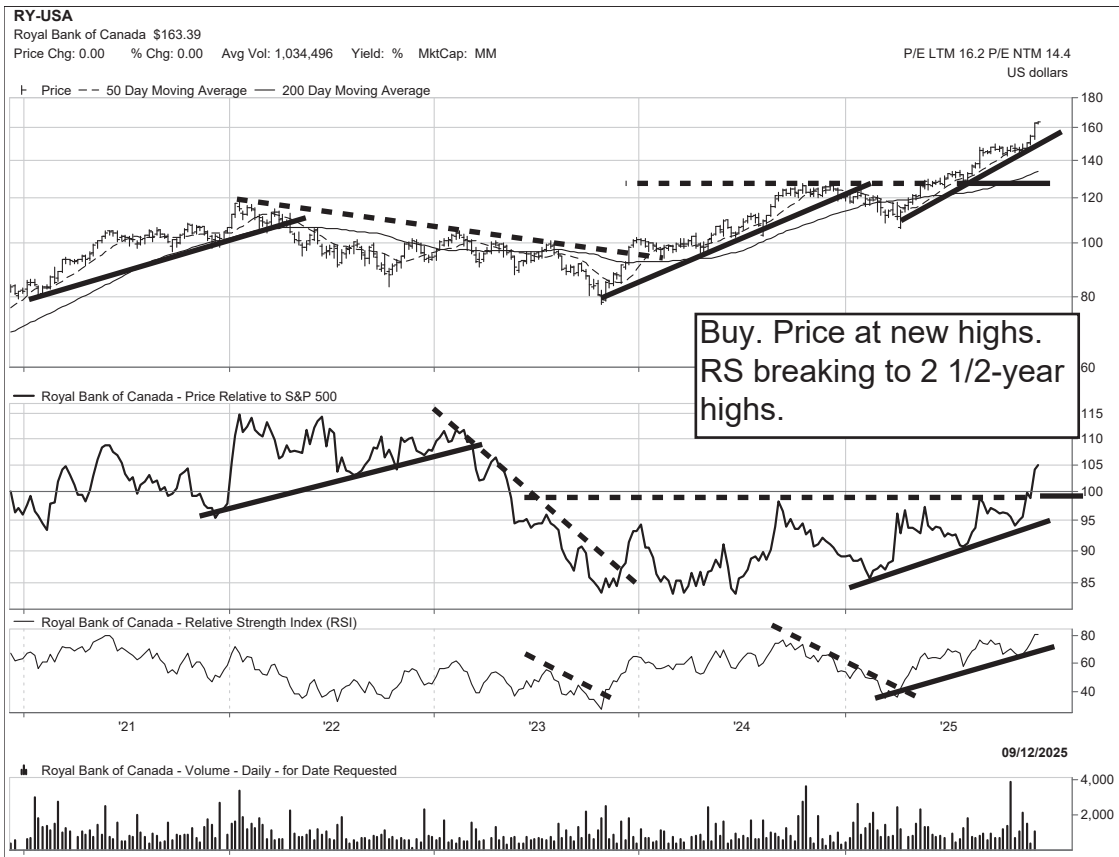


FN-03 Canadian Banks

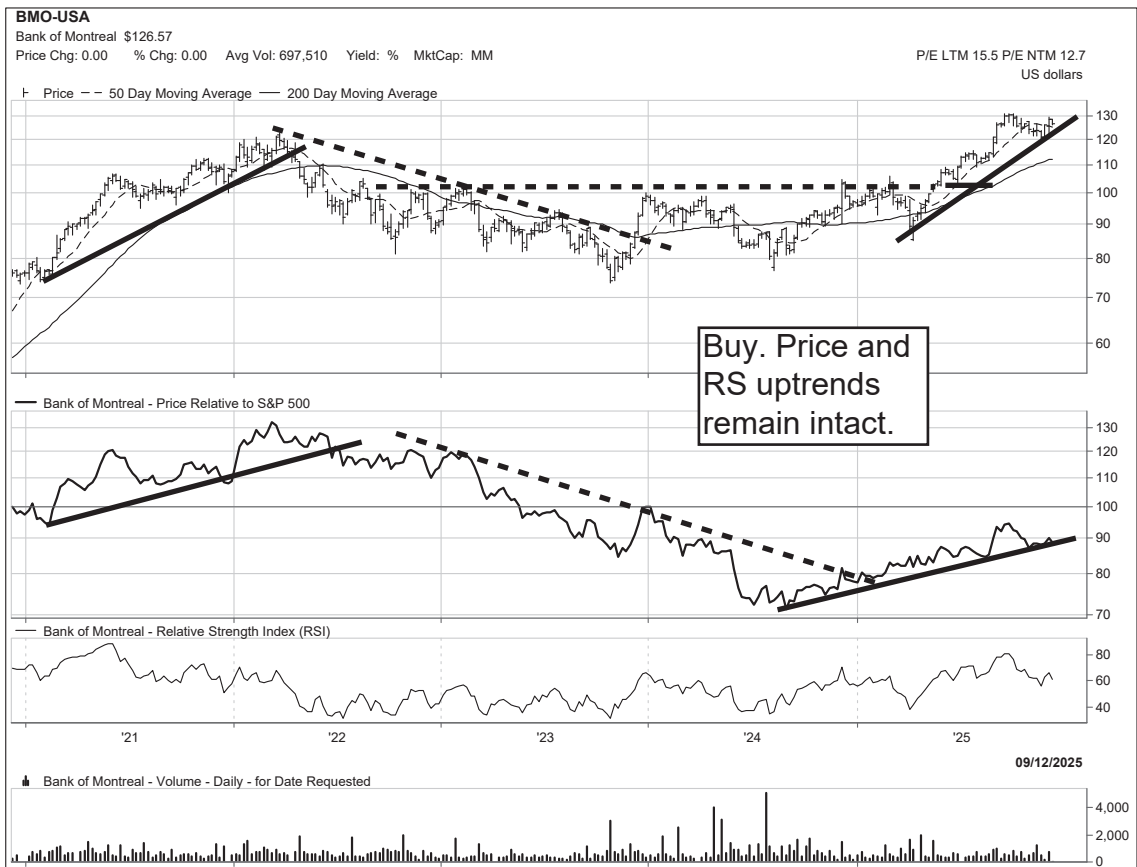
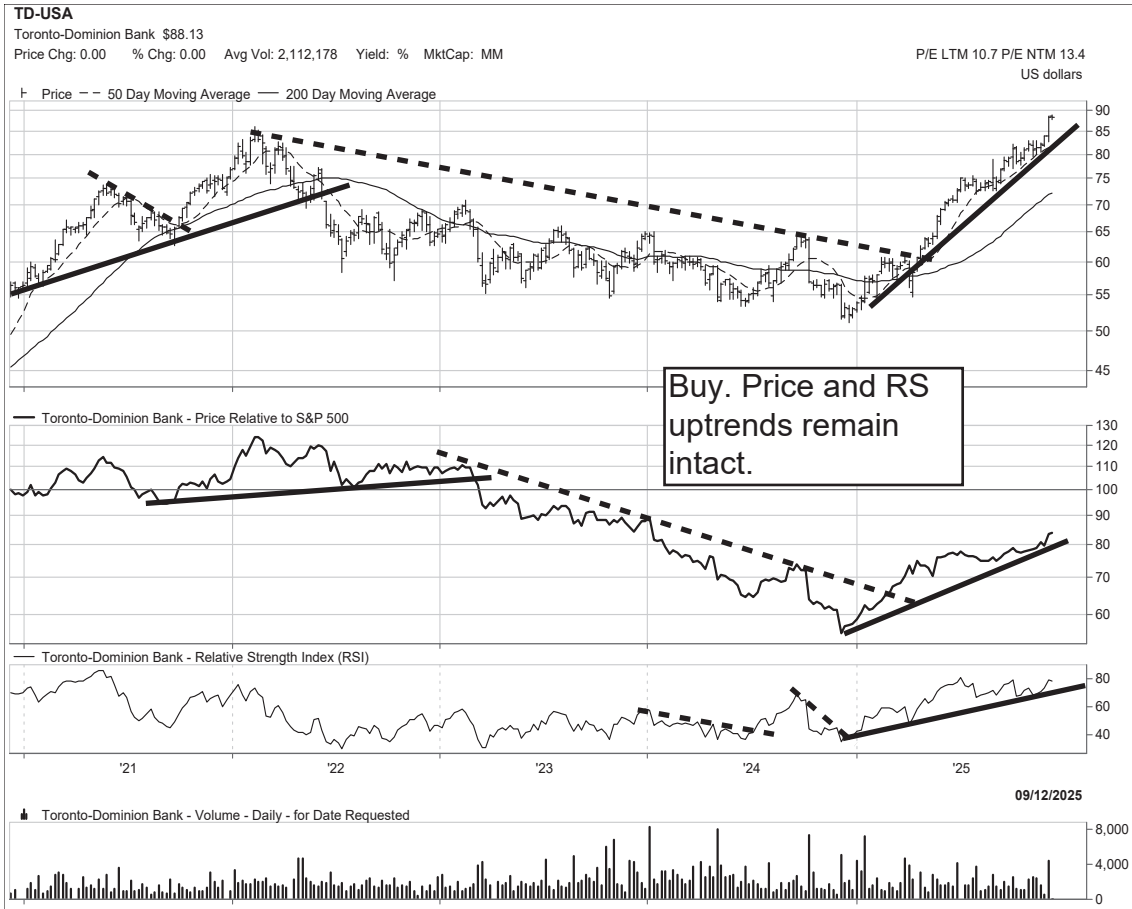
SYMBOL	RSR	TC	MD
RY	4	U3	-
TD	4	U3	-
BMO	8	D1	-
BNS	3	U3	-

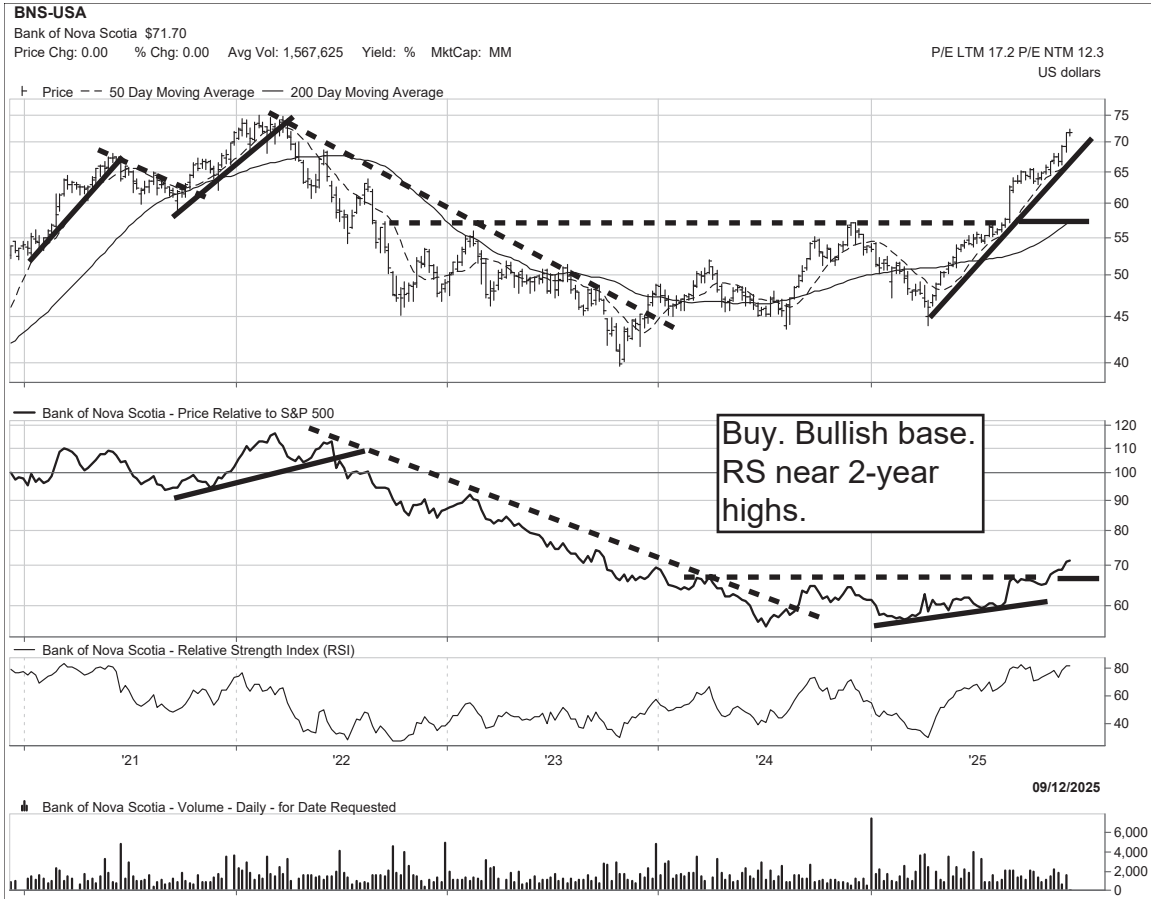


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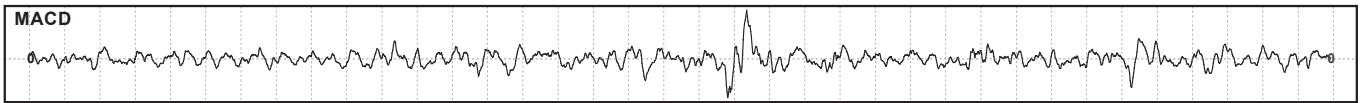
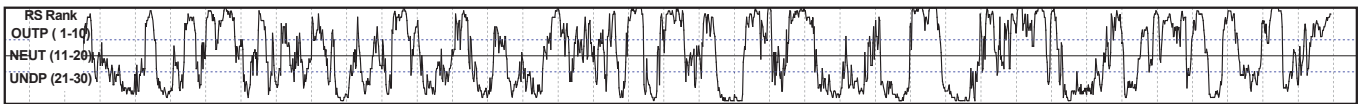
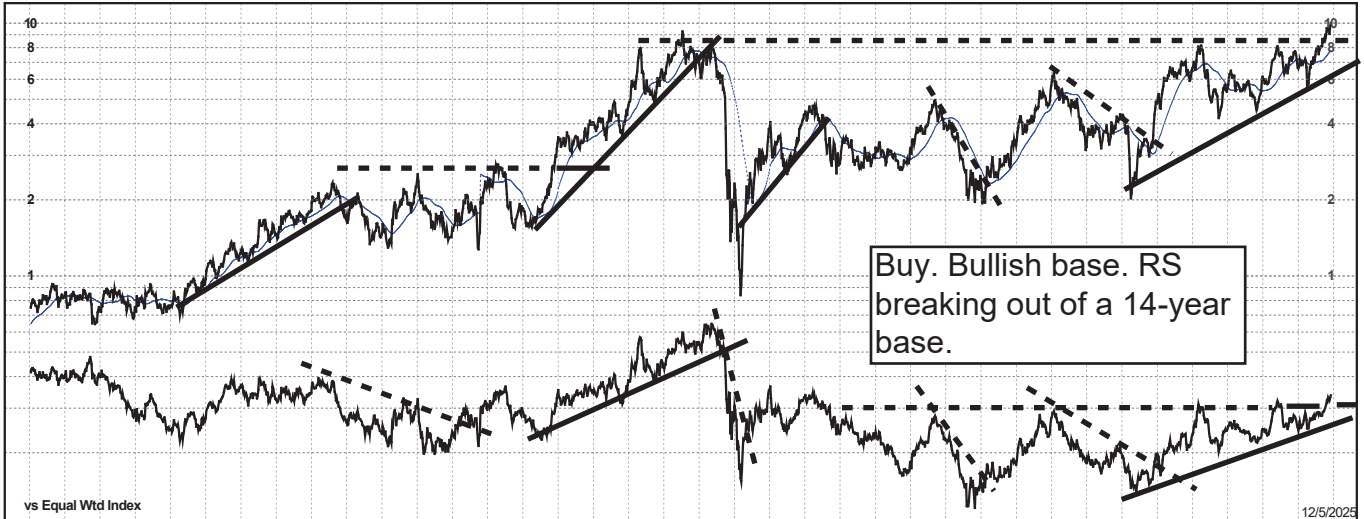
Attractive Groups: FN-03 Canadian Banks



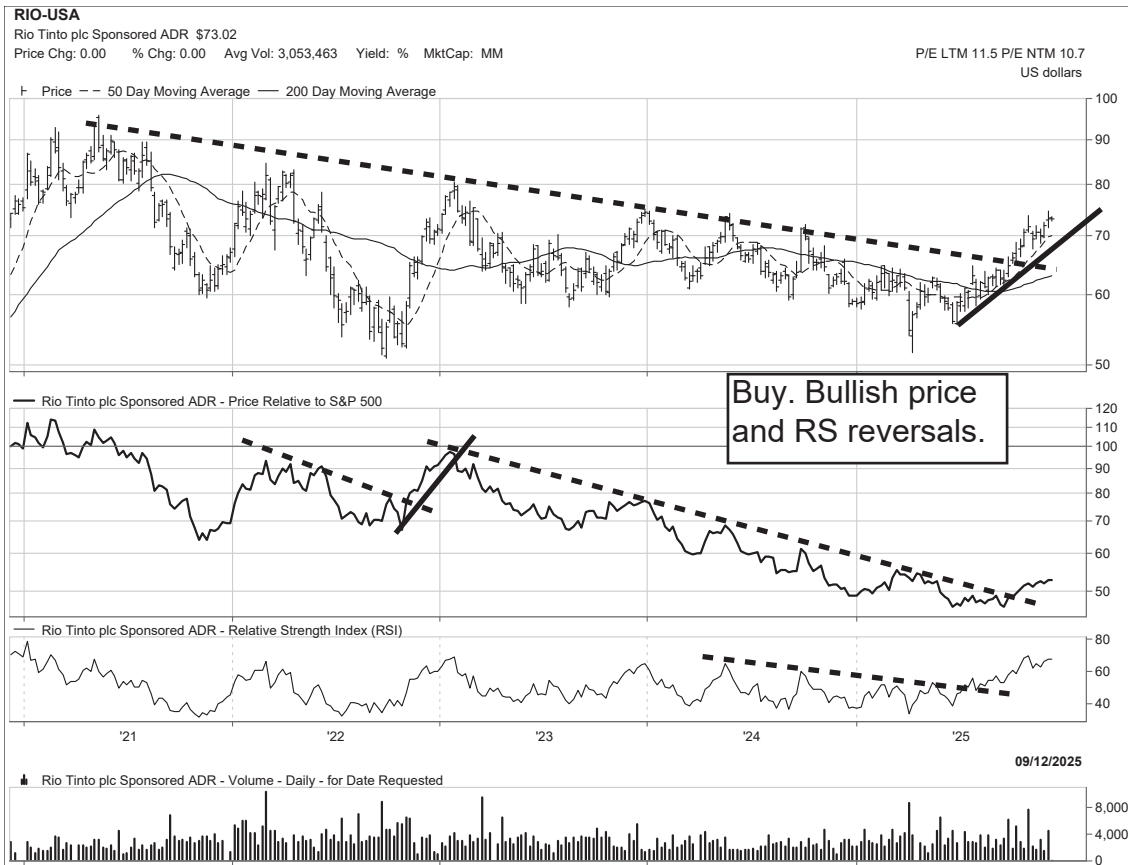


MA-04 Aluminum

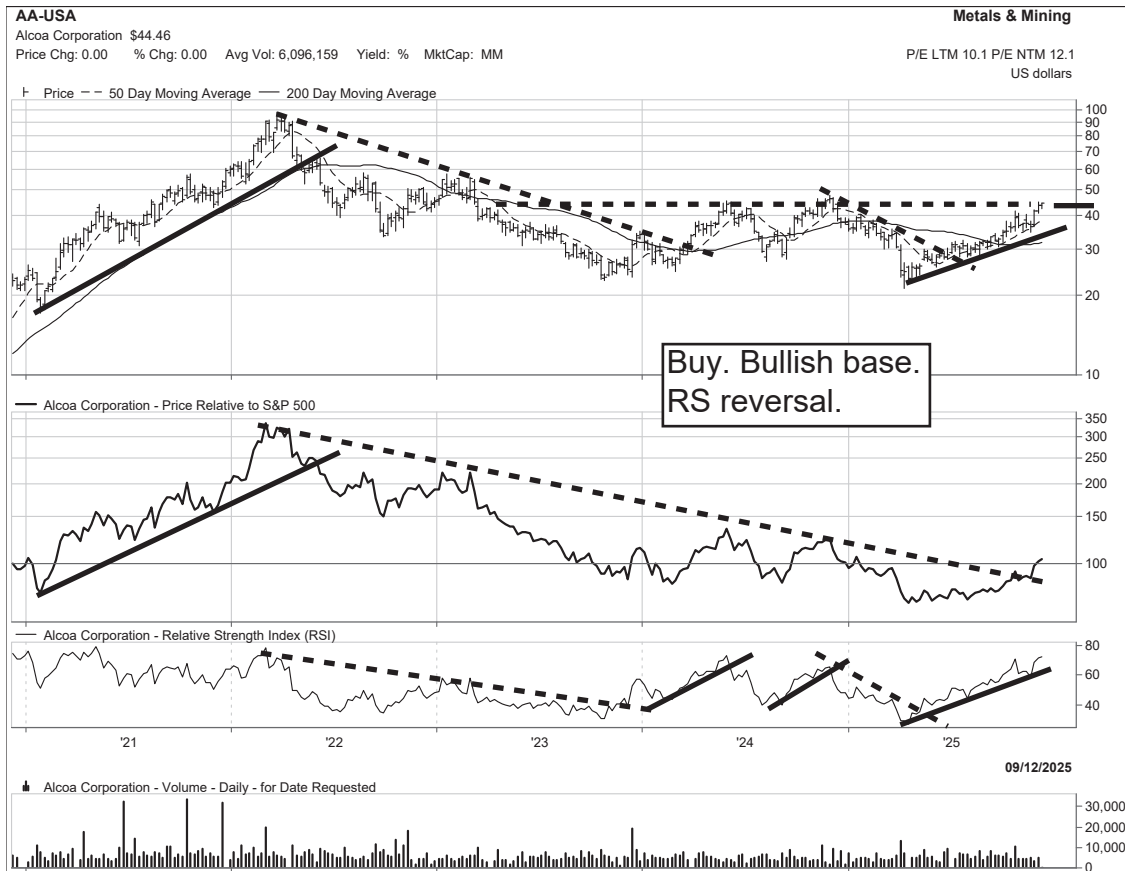
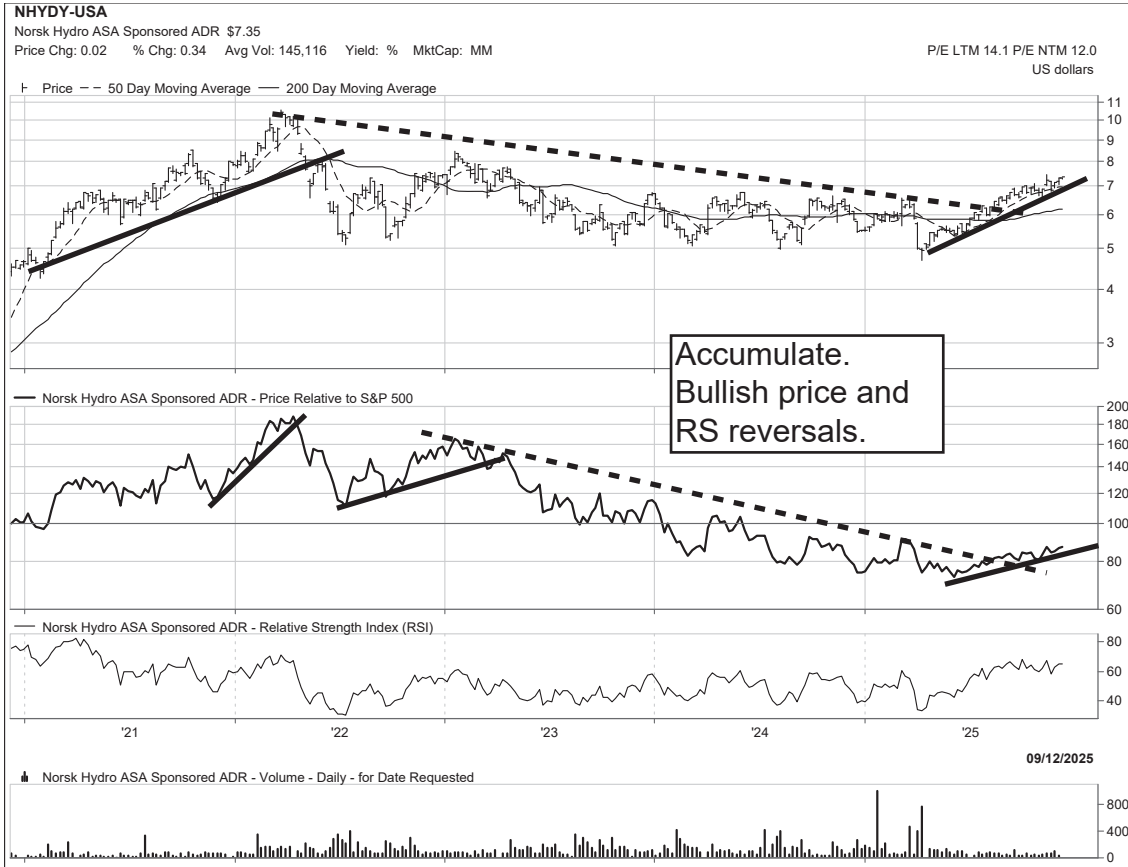
SYMBOL	RSR	TC	MD	SYMBOL	RSR	TC	MD
RIO	5	U3	+	CSTM	3	U3	+
HWM	16	U3	-	KALU	2	U3	-
NHYDY	5	U3	-				
AA	1	U3	-				
CENX	2	D1	-				

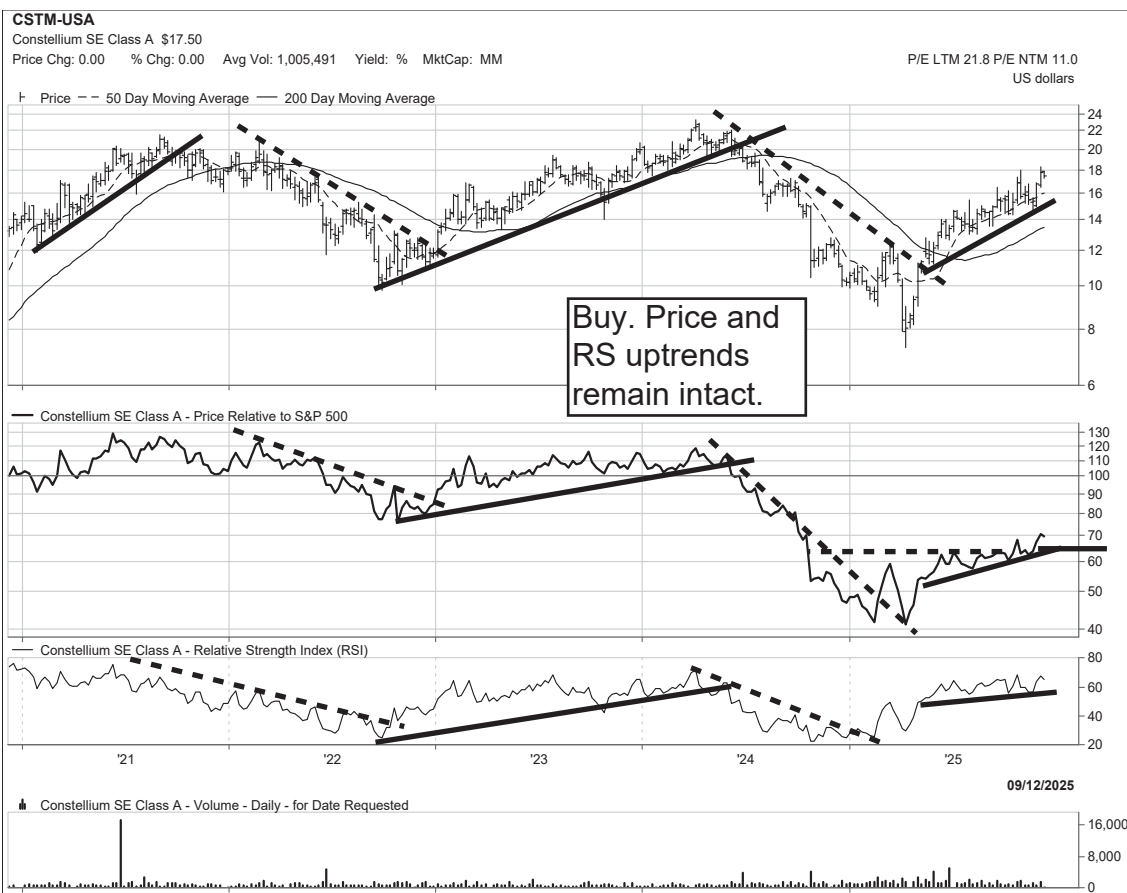
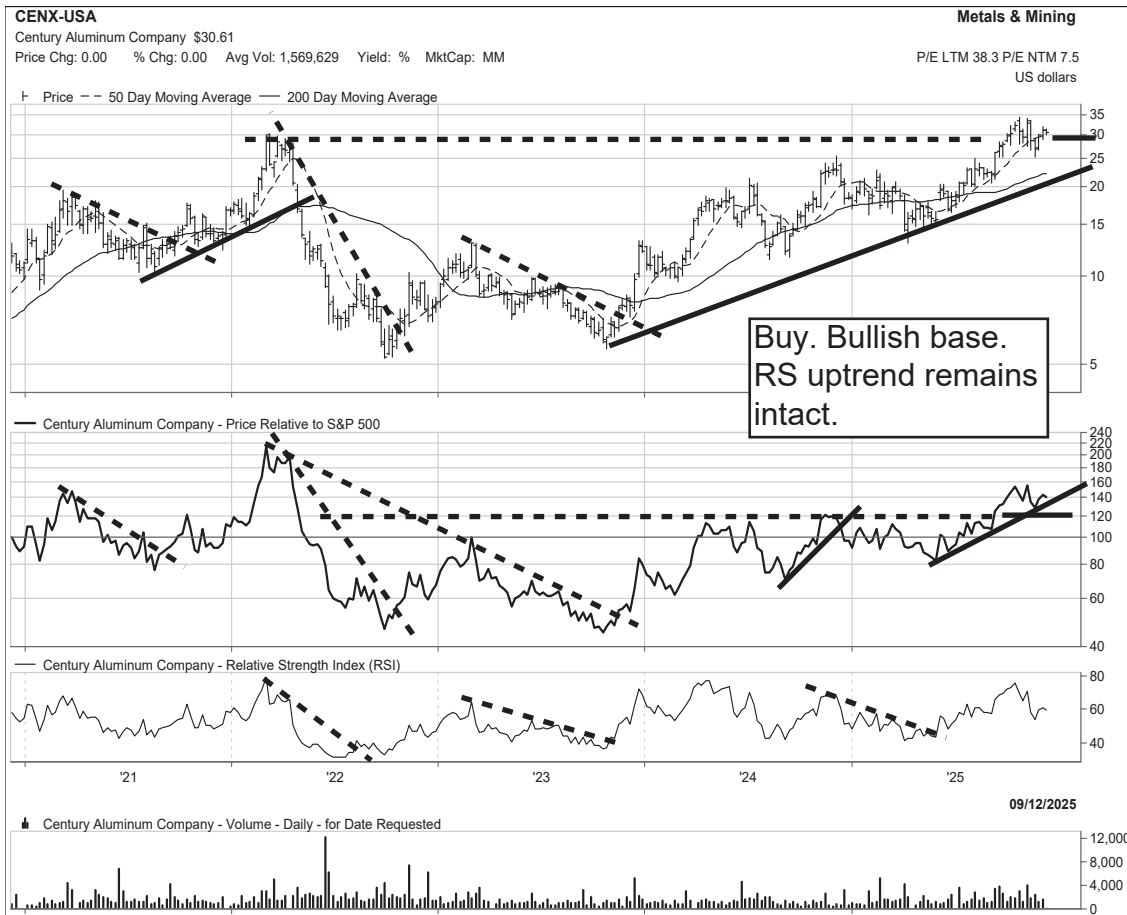


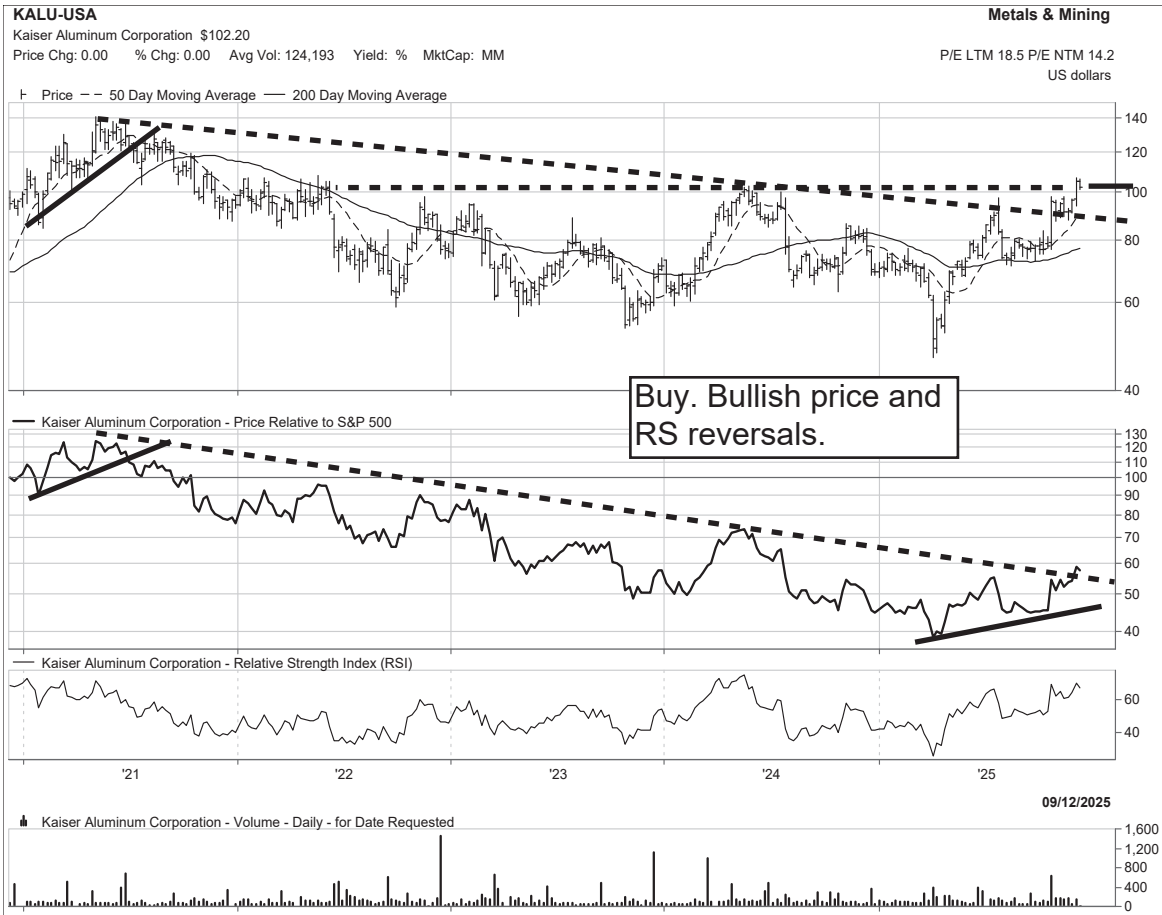
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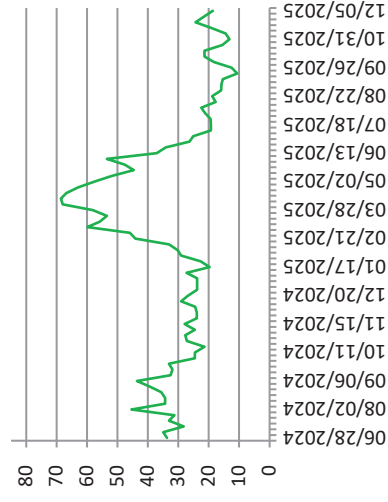
Attractive Groups: MA-04 Aluminum



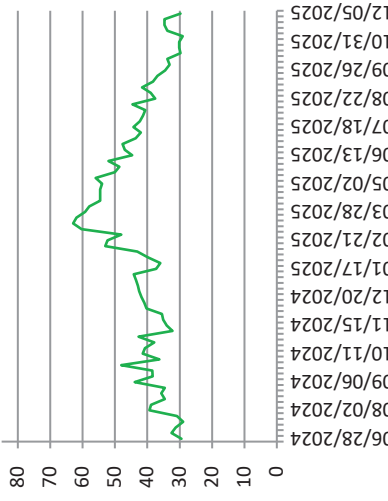




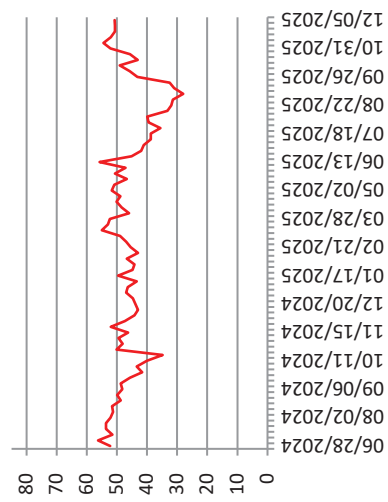
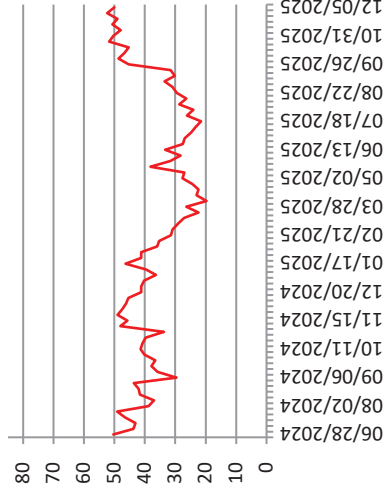
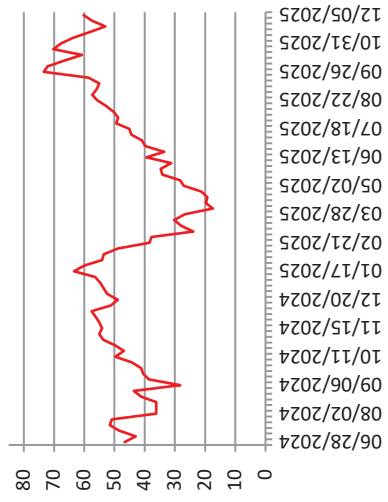
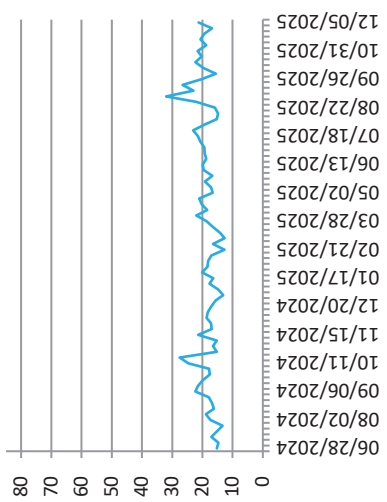
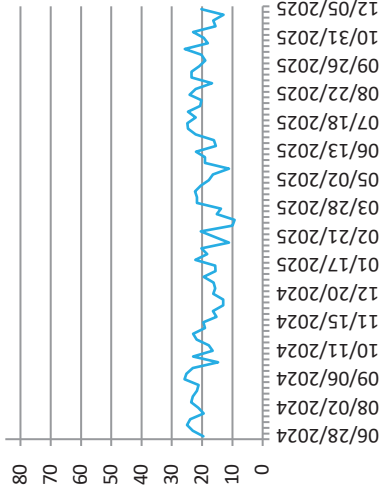
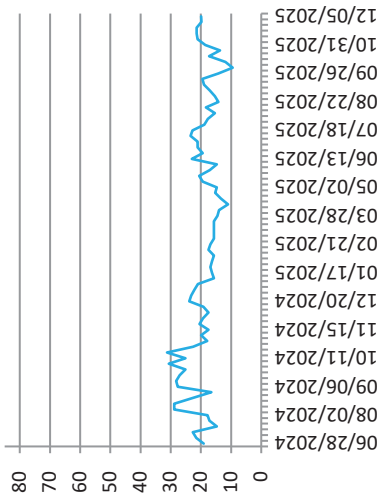
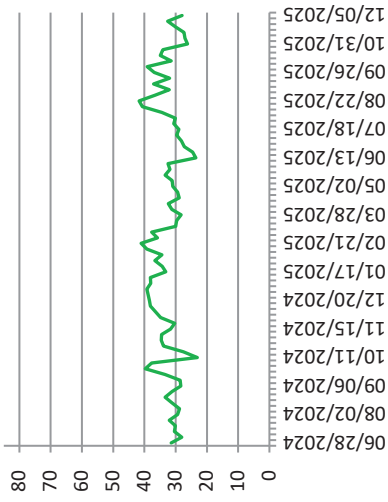
Consumer Staples



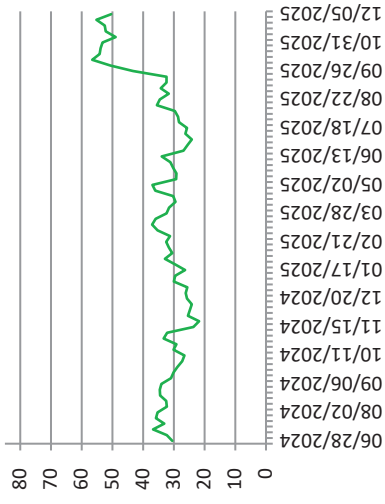
Communications



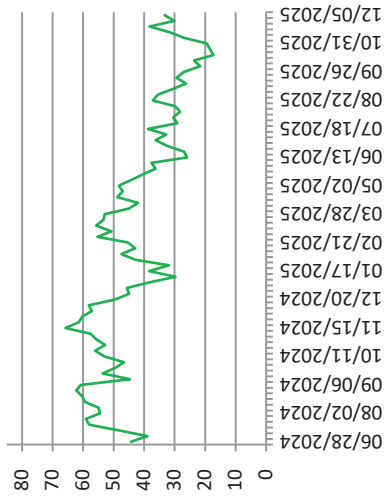
Consumer Discretionary



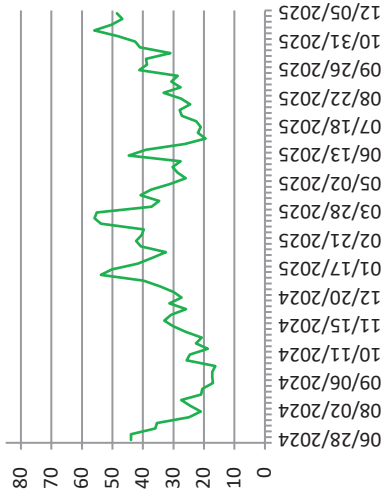
Health Care



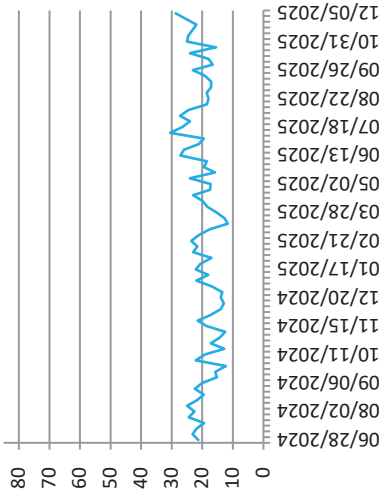
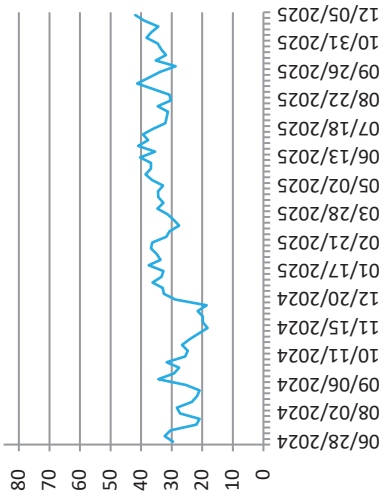
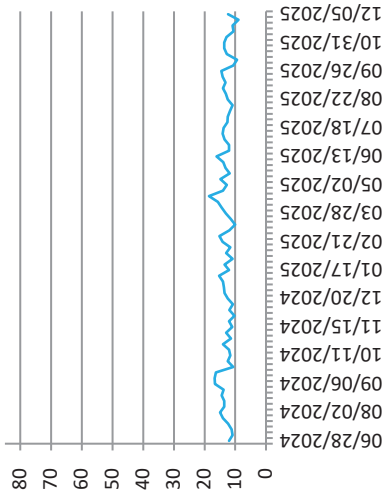
Financials



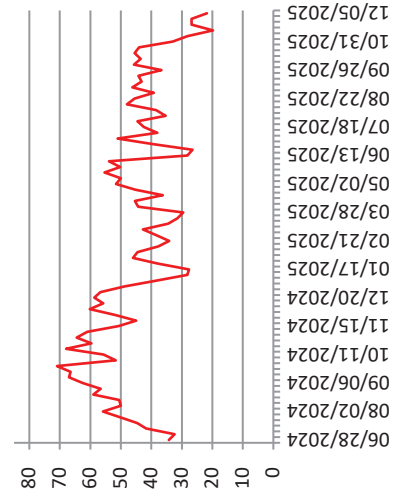
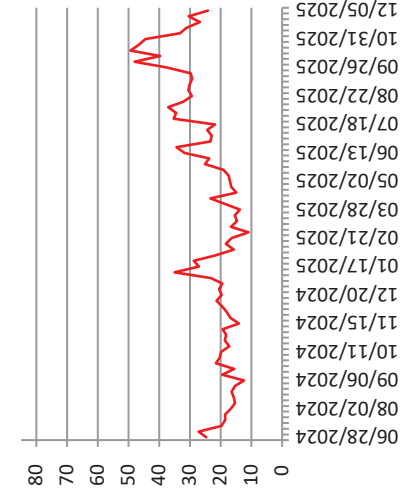
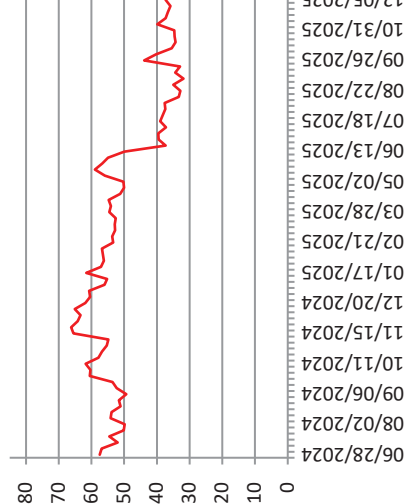
Energy



RSR 1-10
(% of stocks)

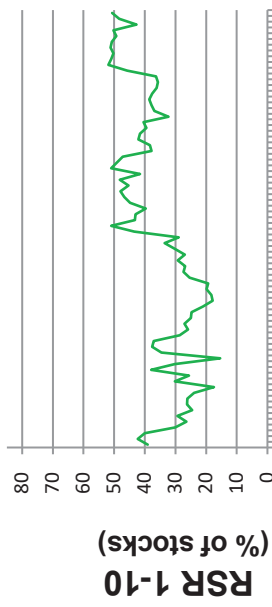


RSR 11-20
(% of stocks)

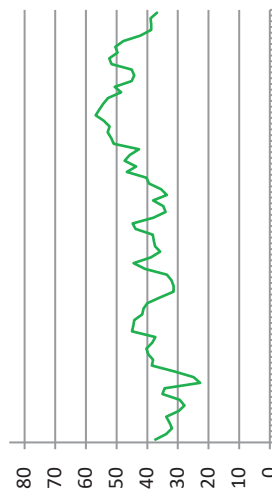


RSR 21-30
(% of stocks)

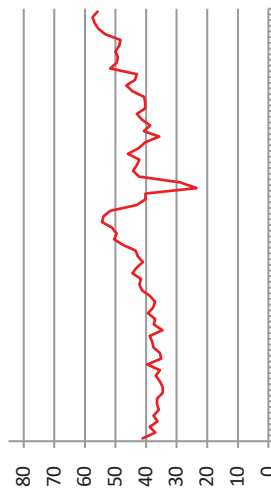
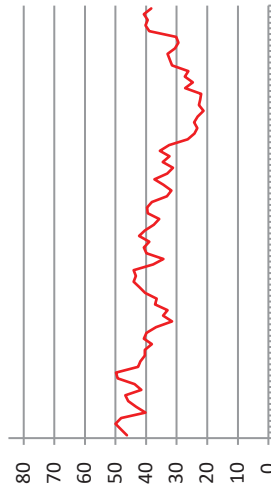
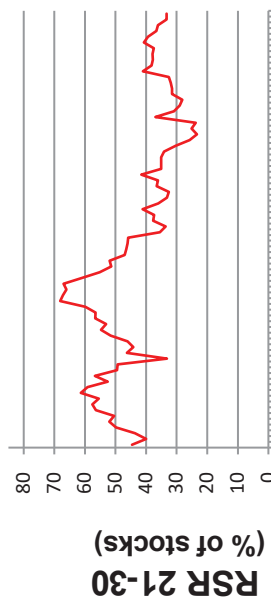
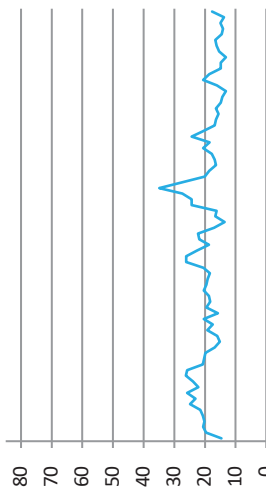
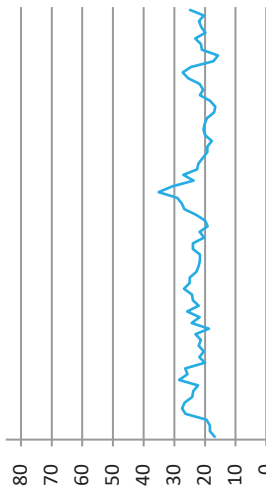
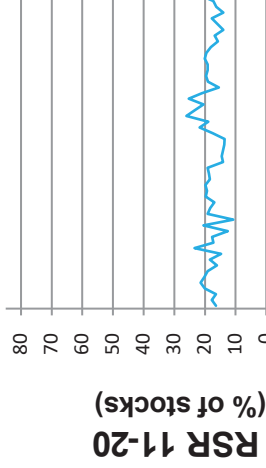
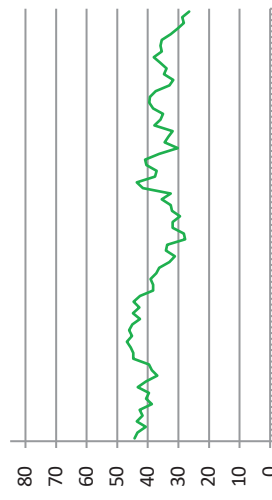
Materials



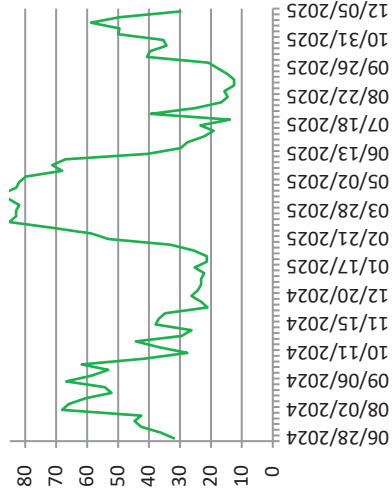
Manufacturing



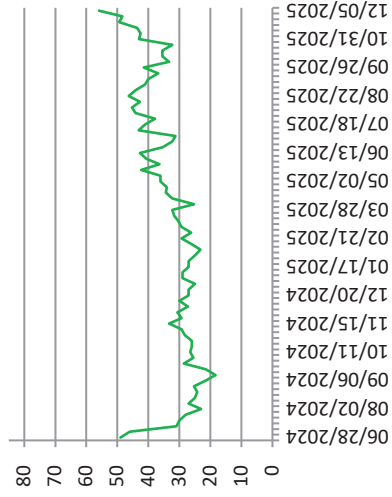
Services



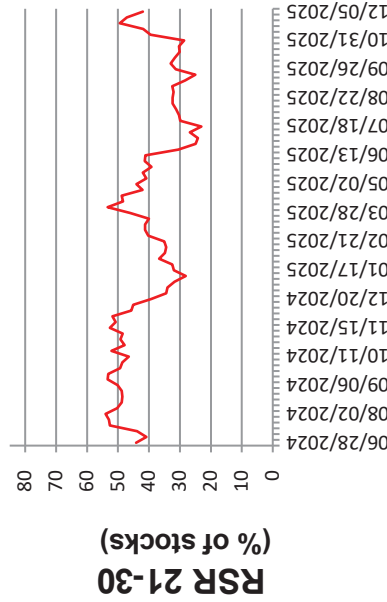
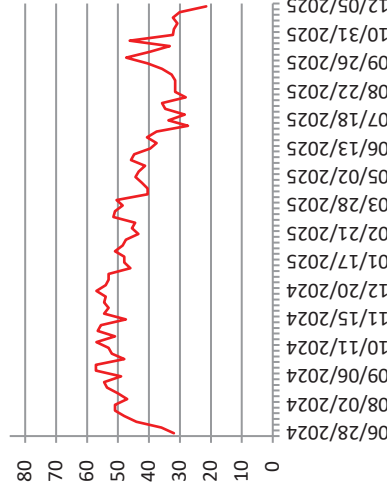
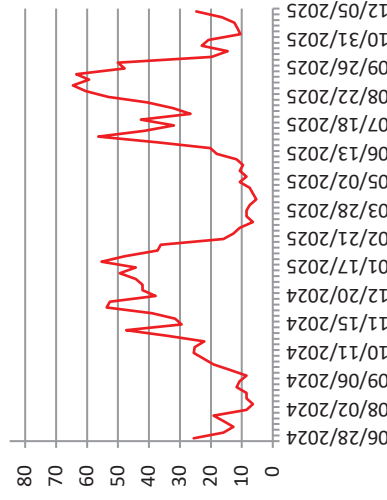
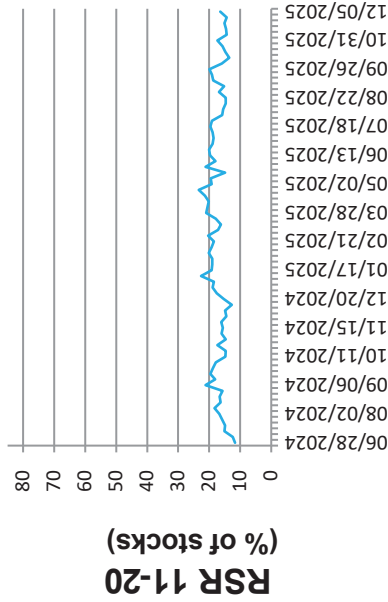
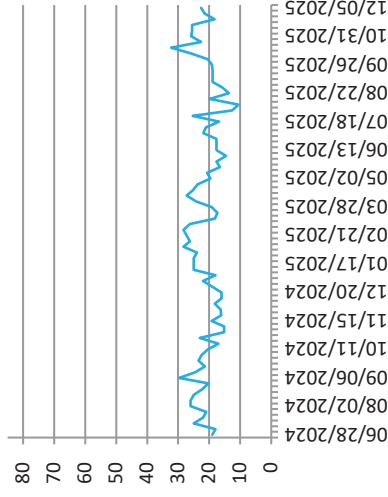
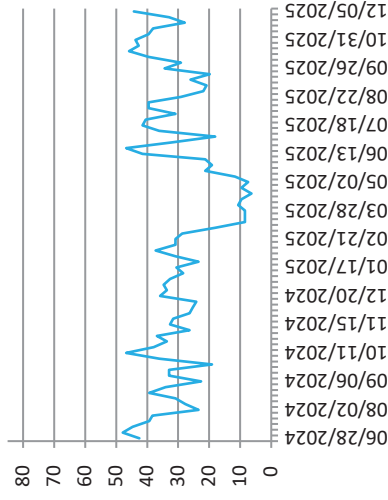
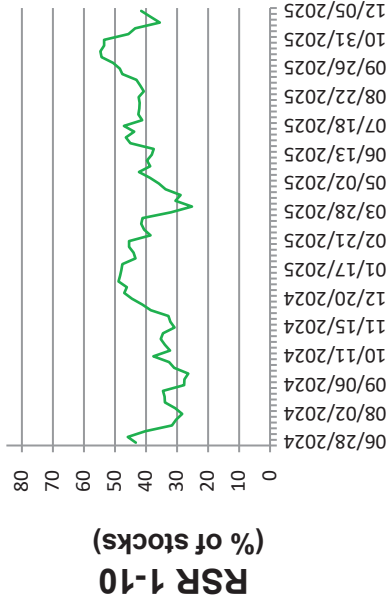
Utilities



Transports



Technology



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David P. Nicoski, CMT
612-682-1900
dave@vermilioncap.com

Joe W. Jasper, CFA
612-712-1300
joe@vermilioncap.com

Ross W. LaDuke, CMT
612-482-8442
ross@vermilioncap.com

920 Second Avenue S., Ste. 1225 • Minneapolis, MN 55402 • 612-482-6800 • www.vermilioncap.com

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