

5/19/25

Watching S&P 500 Gap Support at 5700-5785

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Our previous *ETF Pathfinder* (April 14, 2025) was titled "Local Bottom With Potential to be a Major Bottom," referring to the S&P 500 and Nasdaq 100 (**QQQ**). In that report, we discussed how there was already a local bottom, and we have every reason to believe it will prove to be a major bottom as well. To recap, we have been short-term bullish since our 4/22/25 *Compass* -- when the SPX was testing 5100-5120 support -- but we upgraded our intermediate-term outlook to bullish as well, as of last week's *Compass* (5/14/25). Our short- and intermediate-term outlook will remain bullish as long as the SPX is above 5500, while short-term support is at 5700-5785. Buy any pullbacks to these areas; we will see just how much selling comes from Moody's U.S. debt downgrade this past Friday.

- **Sector Weighting Changes.** We are upgrading Technology (**XLK**) to market weight, and we are downgrading Health Care (**XLV**) to underweight... see pages 5 & 7.
- **Major Low in Place.** We got all the ingredients for a major low: (1) Capitulatory selling, (2) the S&P 500, Nasdaq 100 (**QQQ**), and DJIA held at major 3.5-year base supports, and (3) significant buying demand as a "lockout rally" is taking place. But this has all been in place for some time, and has been why we have been short-term bullish since mid-April. Now, we are also upgrading our *intermediate-term* outlook to bullish due to high yield spreads narrowing below the crucial 355bps level, and due to the steep 3.5-month RS uptrend violations on defensive Sectors, Staples (**XLP**) and Utilities (**XLU**). Risk-on... see chart below and pages 2, 4, and 6.
- **Actionable Industry ETFs:** **ITA, IGV, ARKW, and BITQ**... see page 9.
- **EM and Int'l Markets.** MSCI EAFE (**EFA**) is breaking above \$85 resistance, while EM (**EEM**) is currently testing resistance in the \$45.50-\$46.50 area... see page 10.
- **Actionable International ETFs:** **EWS, EUSC, EWI, ENOR, EFNL, EWO, and GREK**... see pages 11-13.

Sector Weighting Recommendations

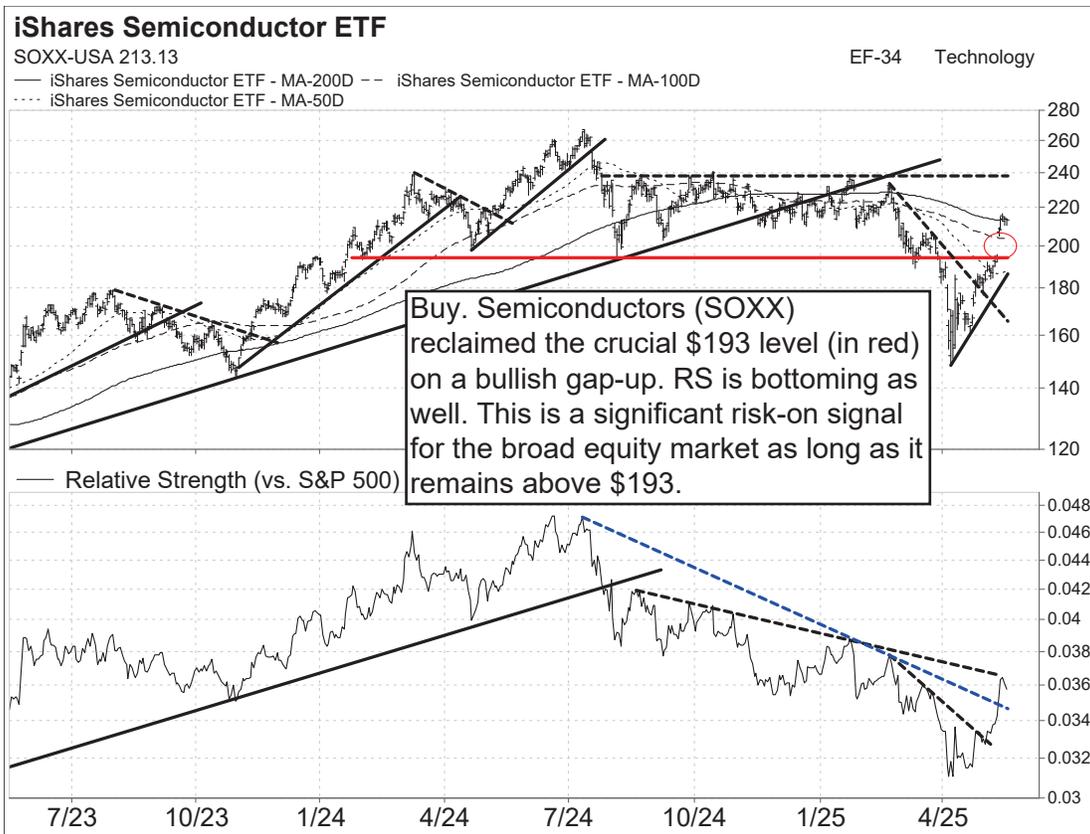
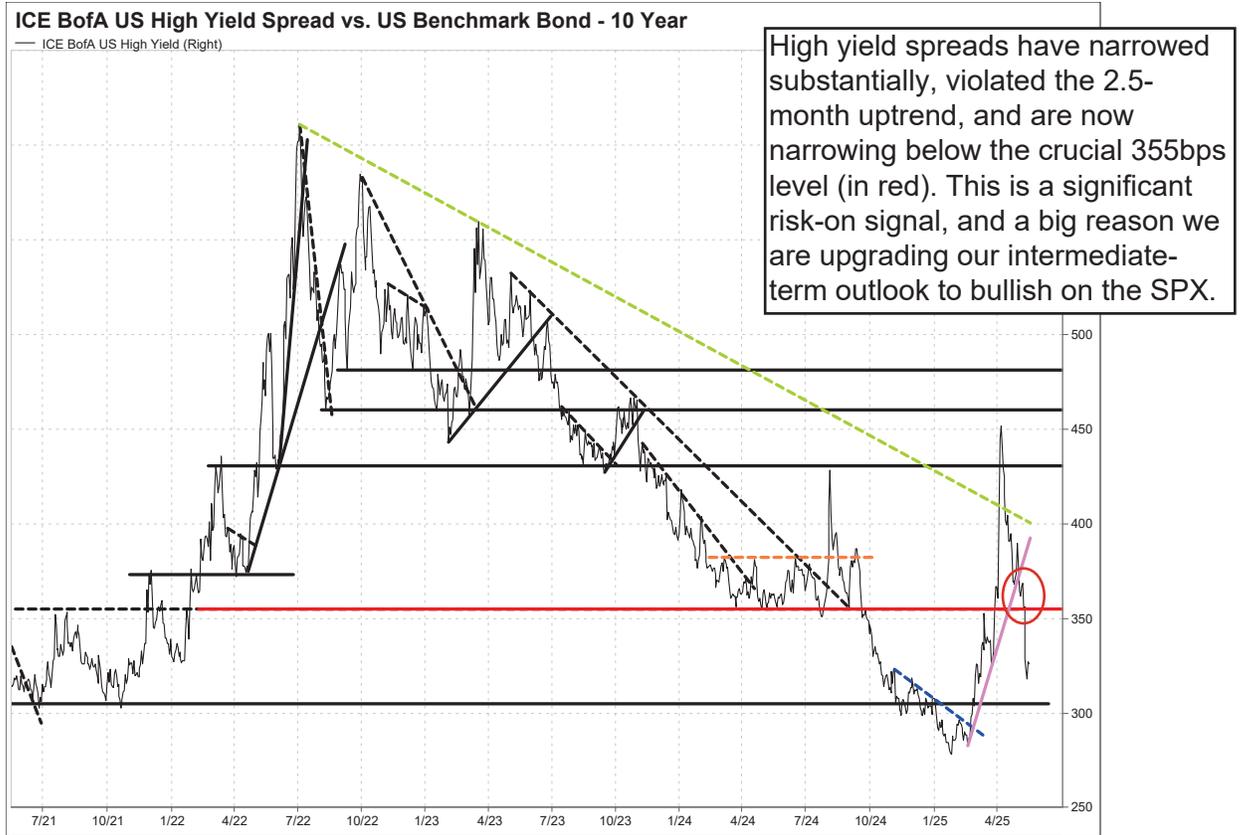
Sector	Under-Weight	Market-Weight	Over-Weight
Comm. Services (XLC)			X
Cons. Discretionary (XLY)		X	
Cons. Staples (XLP)		X	
Energy (RSPG, XLE)		X	
Financials (XLF)			X
Health Care (XLV)	X ←	X	
Industrials (XLI)		X	
Materials (XLB)	X		
Real Estate (XLRE)		X	
Technology (XLK)	X →	X	
Utilities (XLU)			X

Upgrading Technology and downgrading Health Care.



"Lockout rally" continues on the SPX. We remain bullish; buy pullbacks. Moody's U.S. debt downgrade is likely to provide buying opportunity. We expect support at the May 12 gap (circled in red) at 5700-5785, which is also the 200-day MA and the uptrend from the April lows. We will stay bullish as long as SPX is above 5500 (in green).

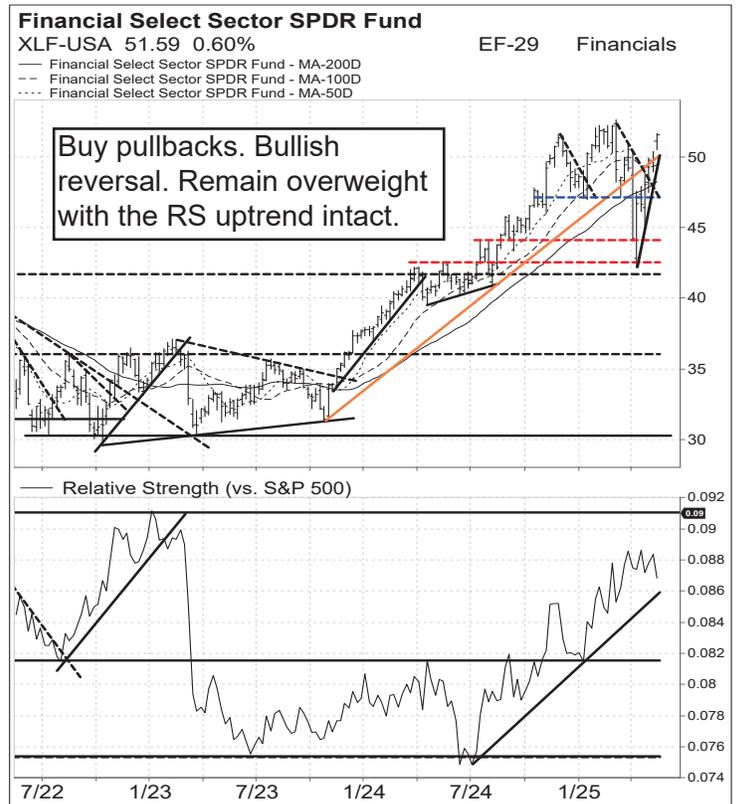
High Yield Spreads Narrowing Substantially; Semiconductors (SOXX) Bottoming



Financials (XLF): Overweight

- *Cap-weighted* Financials (XLF) reclaimed the crucial \$47 level and reversed the 2-month downtrend in late April -- add exposure on pullbacks. \$47 is support. RS is pulling back to the uptrend -- remain overweight.
- Credit card issuers are once again emerging as leadership. Buy: **AXP, COF, DFS**, and **SYF**.
- Additional attractive names include: **COIN** (added to the S&P 500 today), **CBOE, CME, ICE, MA, V, BK, C, JPM, WFC, GS, MS, AMP, BLK, FDS, NTRS, RJF, SCHW, BRK.B, AJG, ALL, CIN, HIG, L, PGR, TRV**, and **WRB**.

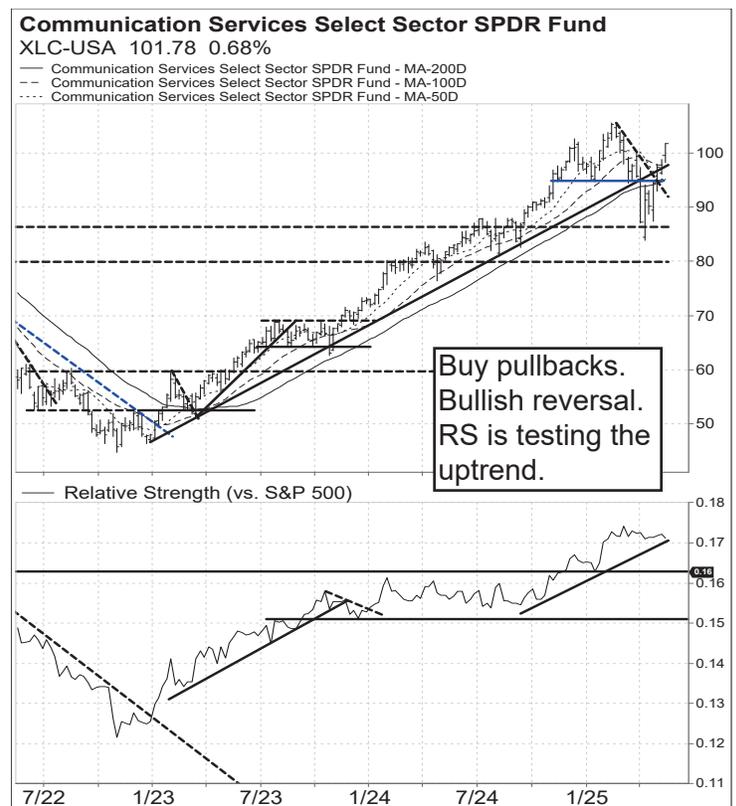
Top 10 Holdings (XLF)			
Ticker	Weight (%)	Ticker	Weight (%)
BRK.B	14.7	WFC	3.1
JPM	10.1	PGR	2.5
V	8.8	GS	2.4
MA	6.4	SPGI	2.2
BAC	3.6	AXP	2.1



Communication Svcs (XLC): Overweight

- *Cap-weighted* Communications (XLC) reclaimed the crucial \$95 level, a very bullish development -- add exposure on pullbacks. \$95 is support. RS is testing uptrend support; stay overweight, but we would downgrade the Sector to market weight on a decisive RS uptrend violation.
- Internet names (**FDN, ARKW**) are emerging as leadership -- buy pullbacks. Attractive names include: **NFLX** and **META**.
- Additional attractive names include: **TTWO, LYV, T, FOXA**, and **CHTR**.

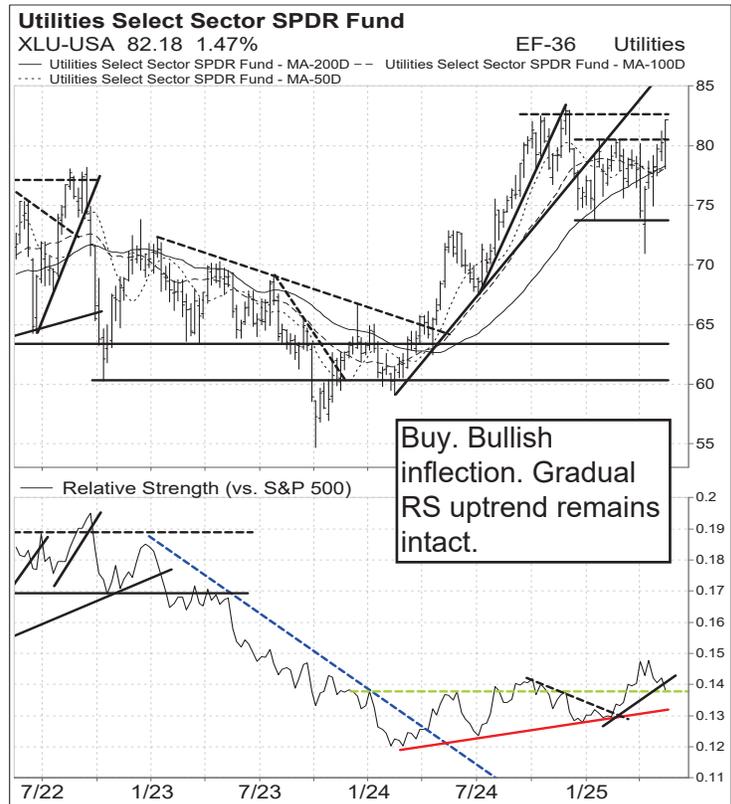
Top 10 Holdings (XLC)			
Ticker	Weight (%)	Ticker	Weight (%)
META	15.0	TTWO	4.7
GOOGL	8.9	EA	4.7
GOOG	7.3	TMUS	4.6
NFLX	6.4	VZ	4.6
LYV	4.8	T	4.5



Utilities (XLU): Overweight

- RS remains in a gradual uptrend from the February 2024 lows on *cap-weighted* Utilities (XLU); as long as the RS uptrend holds, our overweight recommendation is appropriate. With that said, RS is violating the steep 3.5-month uptrend, a bullish risk-on signal for the broad equity market. Price on the XLU remains constructive as long as it holds above \$74.
- Independent power production stocks are leadership, and is where we want to be overweight within Utilities. Attractive names include **NRG** and **CEG**.
- Additional attractive names include: **ETR**, **EVRG**, **XEL**, **ATO**, **AEE**, **CNP**, **DTE**, **NI**, **WEC**, and **NEE** (bottom-fishing candidate).

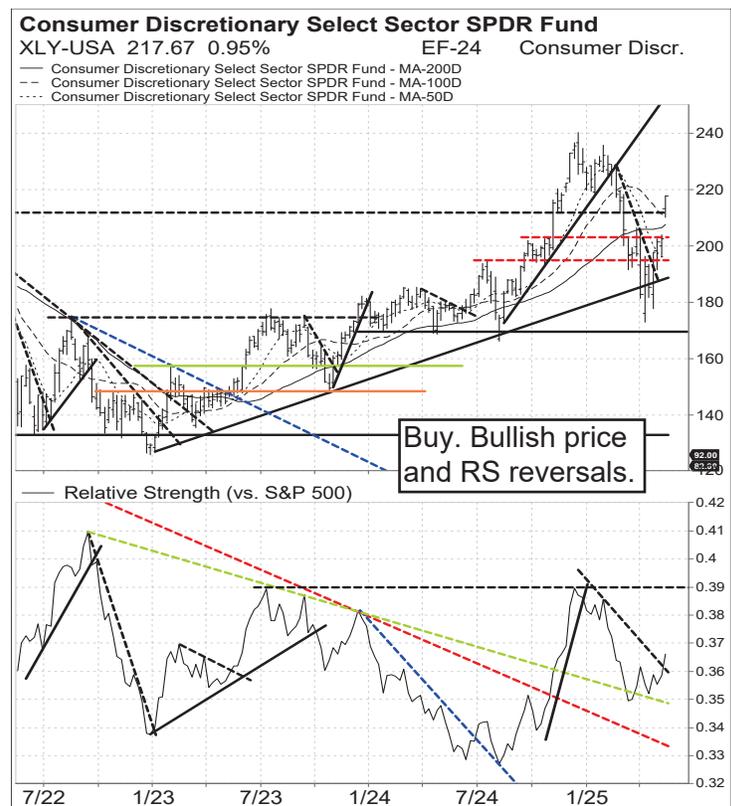
Top 10 Holdings (XLU)			
Ticker	Weight (%)	Ticker	Weight (%)
NEE	11.6	EXC	4.0
SO	8.4	D	3.8
DUK	7.9	SRE	3.7
CEG	5.6	PEG	3.5
AEP	4.8	XEL	3.4



Consumer Discretionary (XLY): Market Weight

- RS on *cap-weighted* Consumer Discretionary (XLY) found support at the prior 2.5-year downtrend (in green) and is turning higher. Price on XLY remains bullish as long as it is above its 200-day MA or \$205. Buy any pullbacks; this Sector is an upgrade candidate as it appears to be emerging as leadership.
- Retail stocks (**XRT**, **RTH**) are improving. Buy pullbacks/stay long: **EBAY**, **AMZN**, **ROST**, **TJX**, **RL**, **TPR**, **AZO**, and **ORLY**.
- Additional attractive names include: **TSLA**, **CCL**, **RCL**, **HLT**, **BKNG**, **DRI**, and bottom-fishing candidates **APTV**, **BWA**, **GPC**, **DPZ**, and **WYNN**.

Top 10 Holdings (XLY)			
Ticker	Weight (%)	Ticker	Weight (%)
AMZN	22.2	TJX	4.3
TSLA	14.9	LOW	3.7
HD	7.4	SBUX	2.9
MCD	4.8	ORLY	2.4
BKNG	4.5	CMG	2.0



Technology (XLK): Market Weight (upgrading today from Underweight)

- **UPGRADE.** We are upgrading Technology to market weight; the *cap-weighted XLK* is reversing topside its 10-month RS downtrend, and the *equal-weighted RSPT* displays a bullish 1+ year RS downtrend reversal. Price is approaching \$240-\$242 resistance on the XLK, but we expect a breakout. Buy any pullbacks.
- Semiconductors (**SMH, SOXX**) are bottoming, while software (**IGV**) is also leadership -- buy. Attractive semiconductors include **AVGO, NVDA**, and bottom-fishing candidates include **AMAT, AMD, FSLR, KLAC, LRCX, MCHP, MPWR, MU, QRVO**, and **TXN**. Attractive software stocks include: **VRSN, FFIV, CDNS, FICO, FTNT, INTU, MSFT**, and **NOW**.
- Also attractive: **IBM, APH, JBL, TEL**, and **SMCI**.

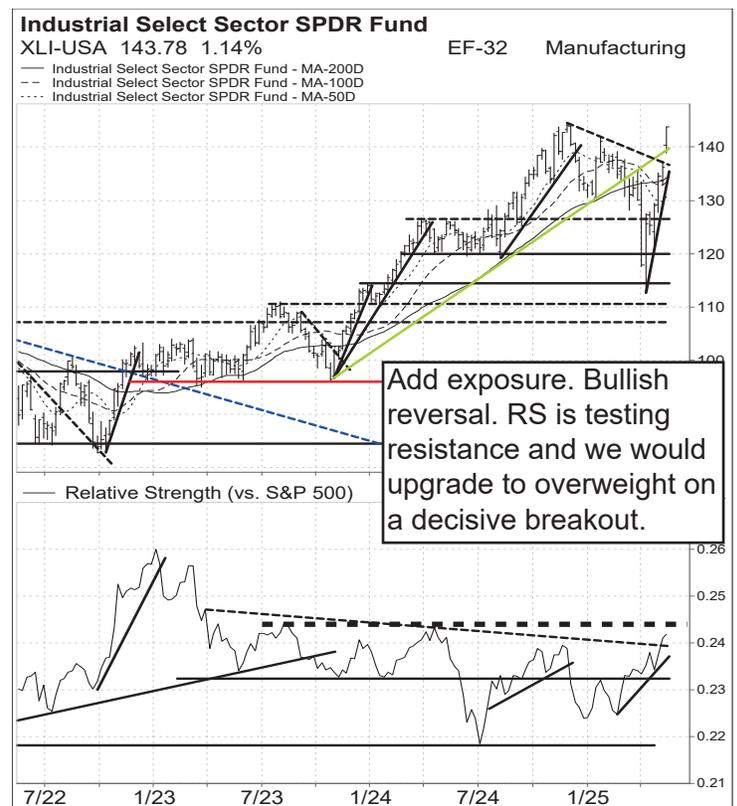
Top 10 Holdings (XLK)			
Ticker	Weight (%)	Ticker	Weight (%)
AAPL	14.5	CSCO	2.9
MSFT	14.0	IBM	2.8
NVDA	13.2	ORCL	2.7
AVGO	4.5	PLTR	2.3
CRM	3.1	ACN	2.3



Industrials (XLI): Market Weight

- Price on the **XLI** remains bullish following the reclaim of \$126.50 resistance and subsequent bullish 3+ month downtrend reversal -- buy any pullbacks. RS remains within a broad consolidation, but is currently testing resistance. We would upgrade to overweight on a RS breakout.
- Aerospace/defense (**ITA, XAR, PPA**) remains leadership. Buy/stay long: **AXON, GE, HWM, RTX, BA**, and bottom-fishing candidates **HII, LHX**, and **TXT**.
- Additional attractive names include: **UBER, DE, CARR, JCI, TT, CPRT, CTAS, ROL, RSG, PWR, GEV, MMM, PNR, WAB, ADP, BR, LDOS, PAYC, PAYX, VRSK, FAST, GWW, URI**, and bottom-fishing candidates **VLTO, ROK**, and **EFX**.

Top 10 Holdings (XLI)			
Ticker	Weight (%)	Ticker	Weight (%)
GE	5.1	HON	3.3
RTX	4.4	ADP	3.2
UBER	3.9	BA	3.1
CAT	3.6	DE	3.0
UNP	3.4	ETN	2.8



Real Estate (XLRE): Market Weight

- RS on *cap-weighted* Real Estate (XLRE) remains in a horizontal range -- stay at market weight. Price is consolidating, but we cannot be bullish as long as the 5.5-month downtrend remains intact. Be very selective.
- Attractive names include: **VTR**, **WELL**, and **IRM** (bottom-fishing candidate).

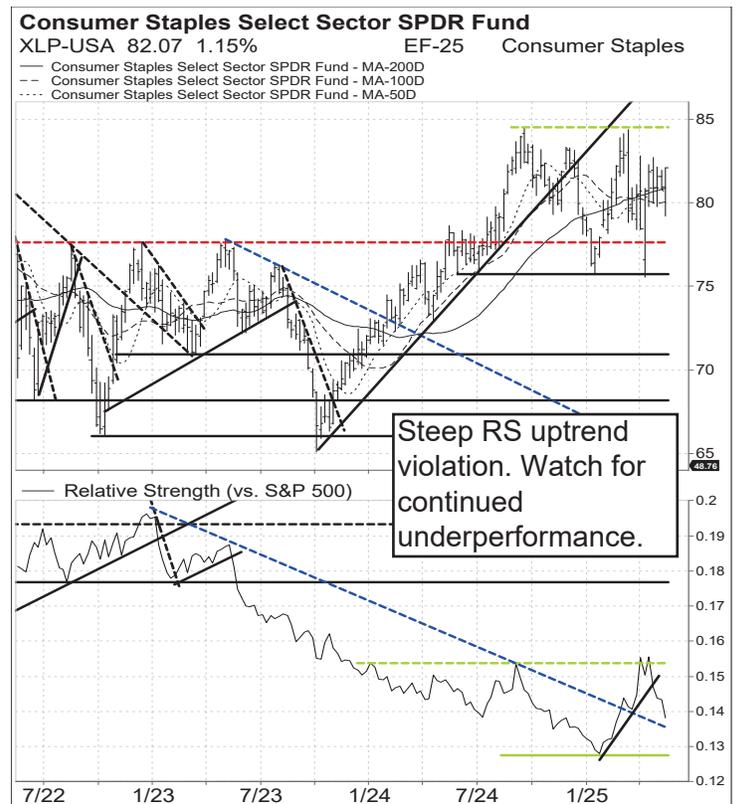
Top 10 Holdings (XLRE)			
Ticker	Weight (%)	Ticker	Weight (%)
AMT	9.9	DLR	4.6
PLD	8.9	SPG	4.5
WELL	8.7	PSA	4.4
EQIX	7.5	CCI	4.2
O	4.8	CBRE	3.4



Consumer Staples (XLP): Market Weight

- RS remains in a horizontal range on Consumer Staples (XLP) -- stay at market weight. With that said, the steep 3-month RS uptrend is decisively breaking down on the XLP, and we would not be surprised to see underperformance continue -- be very selective. Of course, this RS breakdown for the primary defensive Sector is very bullish for the broad equity market. Price has held above major support in the \$76-\$77.50 range, but is still neutral at best.
- Staples retailers remain leadership. Remain overweight and buy pullbacks in **COST**, **WMT**, and **KR**.
- Additional attractive names include: **MO**, **PM**, **MNST**, **KVUE**, and bottom-fishing candidates **DG** and **DLTR**.

Top 10 Holdings (XLP)			
Ticker	Weight (%)	Ticker	Weight (%)
COST	10.1	PEP	4.7
WMT	9.5	CL	4.6
PG	9.2	MDLZ	4.6
KO	6.5	MO	4.4
PM	5.6	KMB	2.9



Energy (XLE, RSPG): Market Weight

- RS downtrends (bottom clip at right, in red) remain intact on *equal-weighted* and *cap-weighted* Energy (**RSPG, XLE**). With that said, the silver lining is that RS has not made a new low since December 2024. As long as RS does not break to new lows, our market weight recommendation will be appropriate. Price on the XLE is reclaiming the crucial \$83 level -- add selective exposure.
- Refiners display bullish price and RS reversals. Attractive bottom-fishing candidates include **MPC, PSX**, and **VLO**. **MPC** is our top pick out of these three.
- Additional attractive names remain unchanged, and include: **EQT, KMI**, and **WMB**.

Top 10 Holdings (XLE)			
Ticker	Weight (%)	Ticker	Weight (%)
XOM	23.9	OKE	4.0
CVX	15.4	KMI	4.0
COP	7.5	SLB	3.7
WMB	5.0	PSX	3.1
EOG	4.3	MPC	3.1



Health Care (XLV): Underweight (downgrading today from Market Weight)

- **DOWNGRADE.** We are downgrading Health Care to underweight – reduce exposure/avoid. RS is breaking to new YTD lows on the *cap-weighted XLV* and *equal-weighted RSPH*. Price on the XLV remains bearish as well, as it continues to melt through supports. Next *potential* supports are at \$125 and \$120 on the XLV.
- Hospitals are improving. Attractive names to buy include **HCA** and **UHS** (bottom-fishing candidate).
- Additional attractive names include: **GILD, CAH, COR, MCK, DGX, ABT, BSX, IDXX, ISRG, PODD, SOLV, STE**, and **EW** (bottom-fishing candidate).

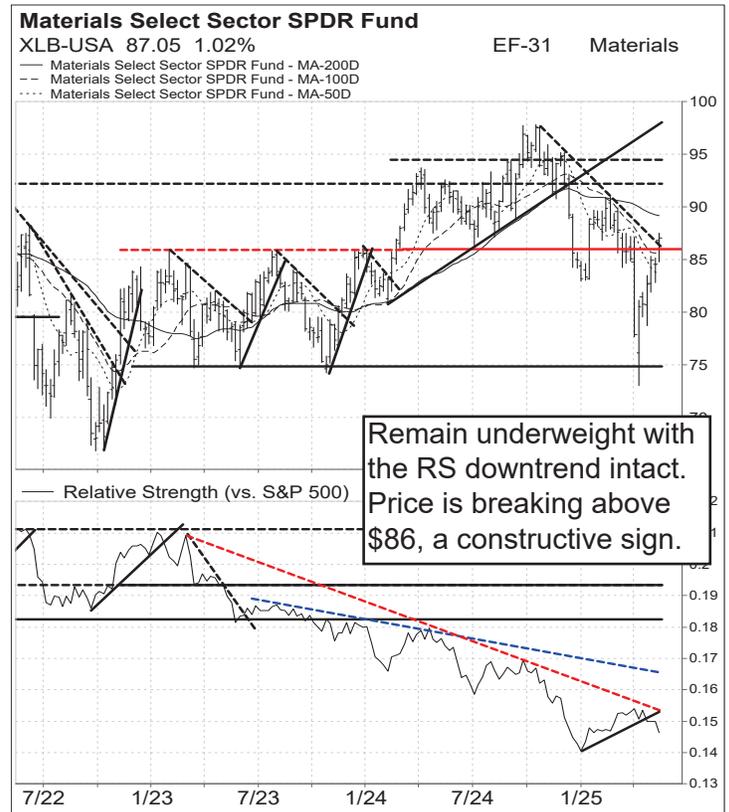
Top 10 Holdings (XLV)			
Ticker	Weight (%)	Ticker	Weight (%)
LLY	11.6	MRK	4.0
UNH	11.1	ISRG	3.5
JNJ	7.3	TMO	3.4
ABBV	6.2	AMGN	3.1
ABT	4.4	BSX	2.8



Materials (XLB): Underweight

- RS on *cap-weighted* Materials (XLB) remains in a downtrend -- remain underweight. Price on the XLB appears to be breaking above the multi-month downtrend and \$86 level (top clip at right, in red) -- add selective exposure. Support remains at \$75 (the 2023 lows).
- Attractive names include: **CTVA**, **MOS**, **MLM**, **VMC**, and **CF** (bottom-fishing candidate).

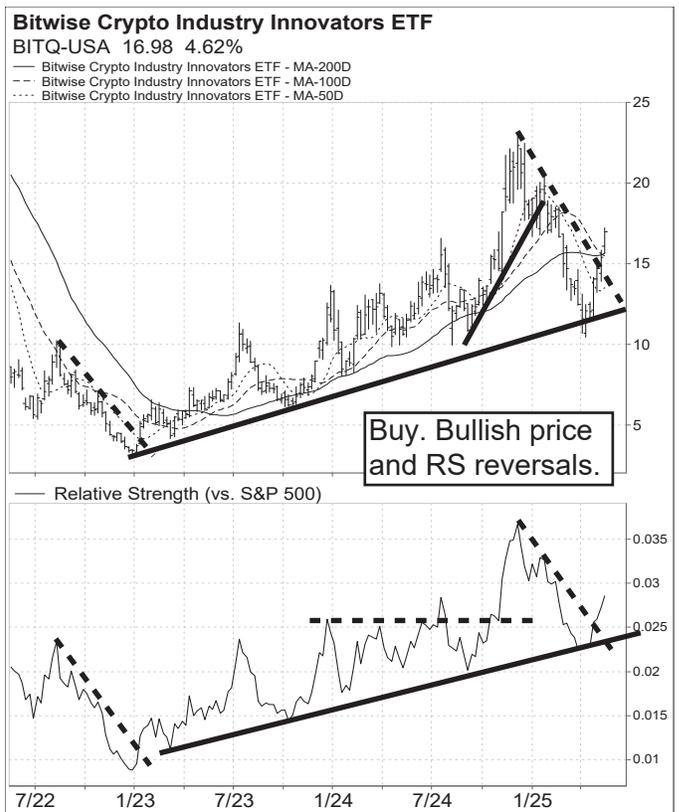
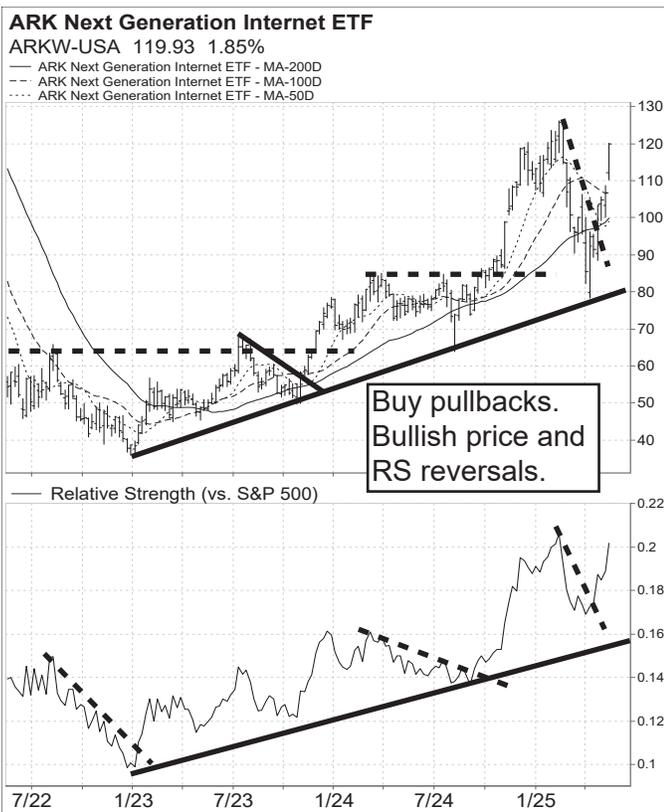
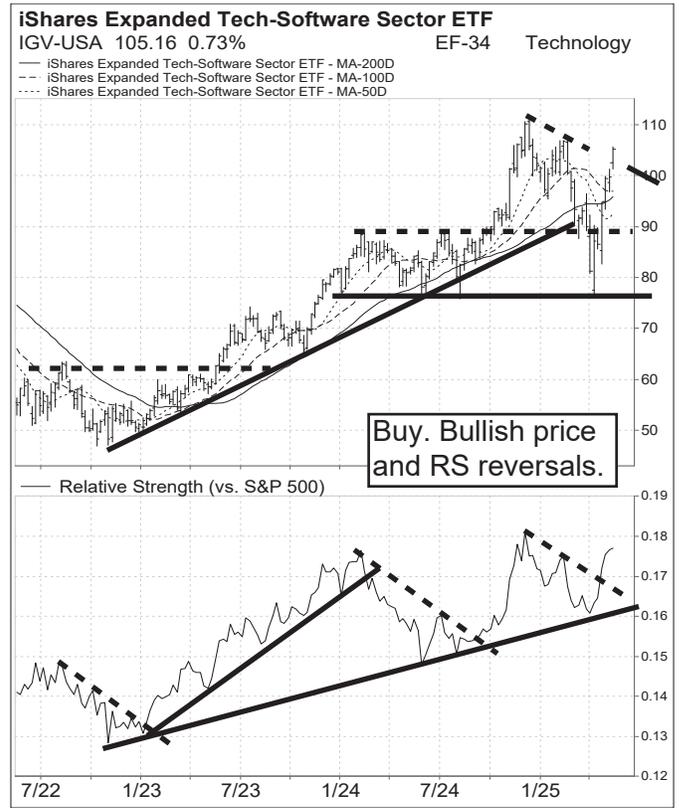
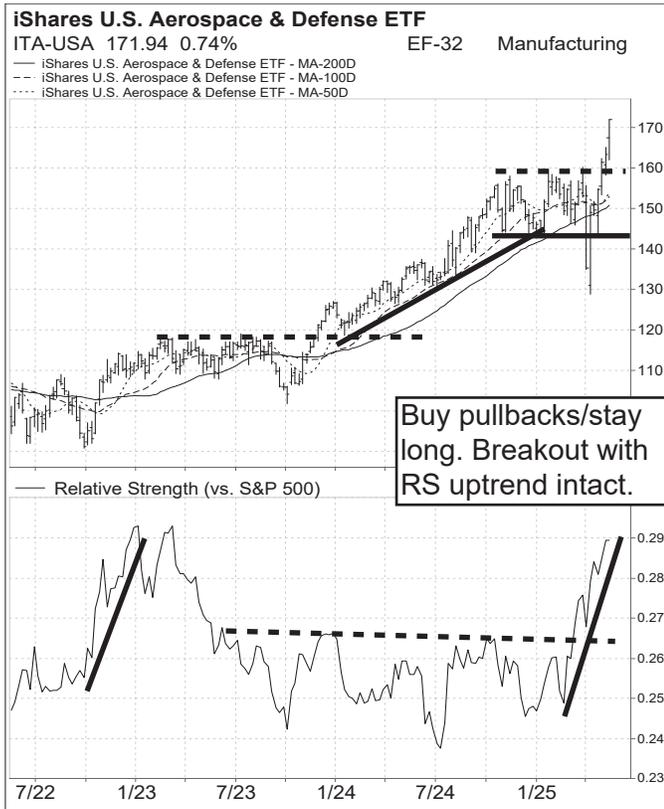
Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	19.4	CTVA	4.9
SHW	7.2	VMC	4.6
NEM	6.1	FCX	4.4
APD	5.5	MLM	4.3
ECL	5.5	NUE	3.8



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Actionable Industry ETFs

- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: ITA, IGV, ARKW, and BITQ

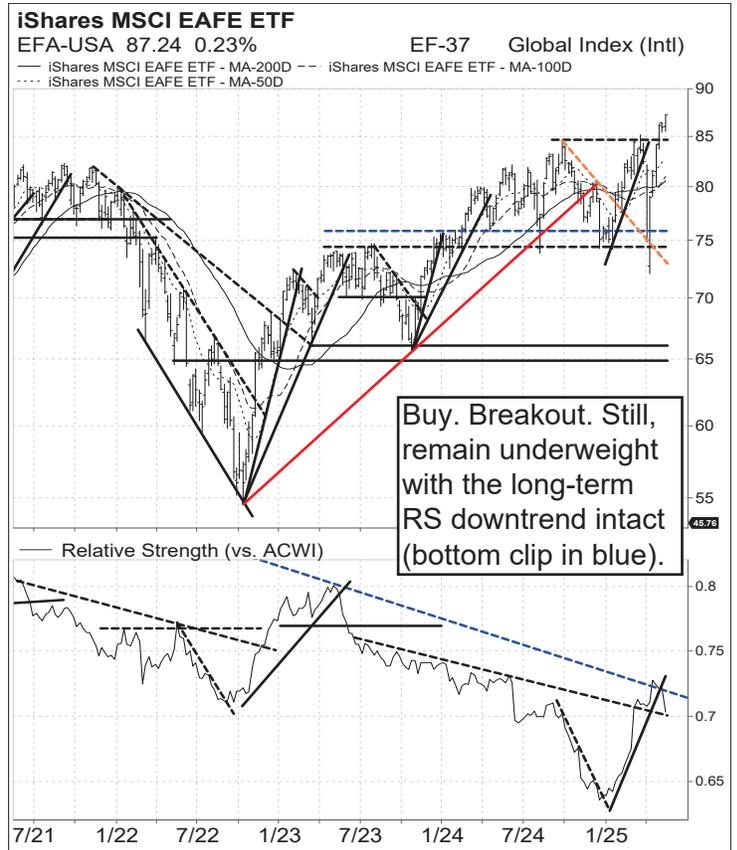


International Equities

Developed Int'l Markets

Support at \$74 held strong on MSCI EAFE (**EFA**), and it is now breaking above \$85 resistance -- buy. With that said, stay underweight EAFE (vs. MSCI ACWI) with RS below the long-term downtrend (which was recently tested).

Developed int'l countries/regions highlighted to buy/stay long: Singapore (**EWS**), European Hedged Small-Caps (**EUSC**), Italy (**EWI**), Norway (**ENOR**), Finland (**EFNL**), and Austria (**EWO**)... see charts on pages 11-12.



Emerging Markets

MSCI EM (**EEM**) held above key support at \$39.50, broke above \$44.50-\$45.00 resistance (in blue), and is now testing the crucial \$45.50-\$46.50 resistance level -- breakout potential. RS (vs. MSCI ACWI) remains in a well-defined downtrend (in red); remain underweight EM (vs. MSCI ACWI).

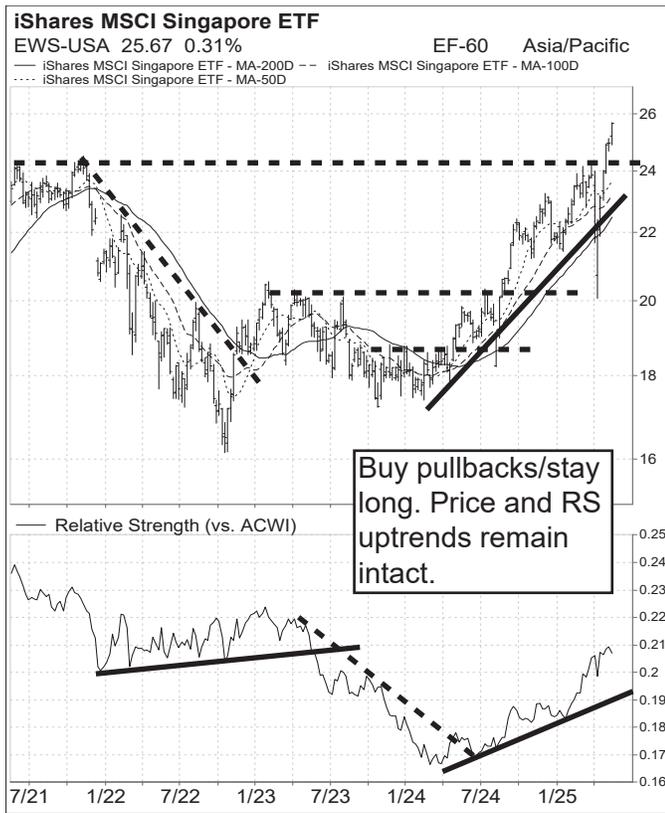
EM countries/regions highlighted to buy/stay long: Greece (**GREK**) and Taiwan (**EWT**)... see charts on page 12.

We discussed here in our 3/31/25 *ETF Pathfinder* how all the China ETFs (**KWEB**, **FXI**, **MCHI**) were testing major multi-year resistances and that a pullback is likely. After a significant pullback, we discussed how we would buy **FXI** and **MCHI** in our 4/14/25 *ETF Pathfinder*. We would consider selling yet again as they approach multi-year resistances, and it is possible they all make a lower high as well.



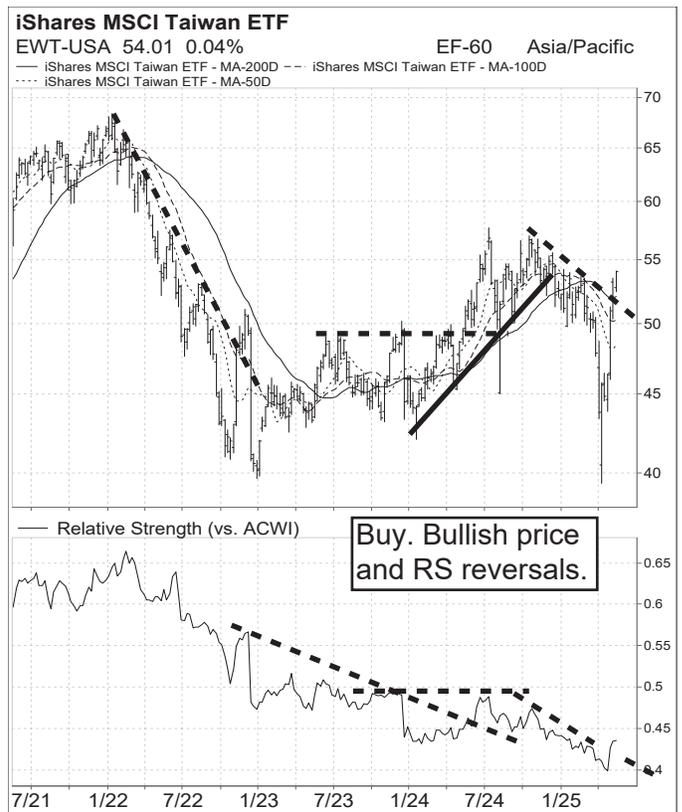
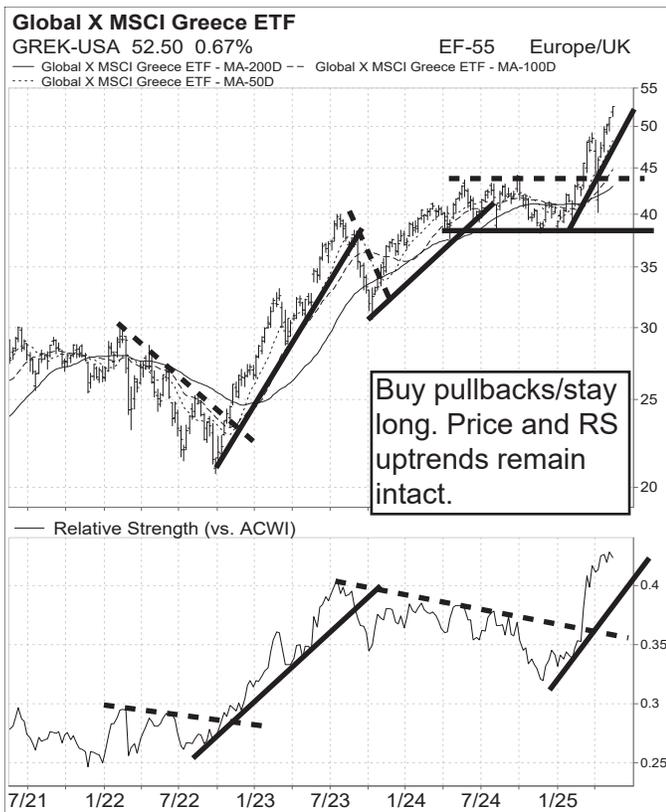
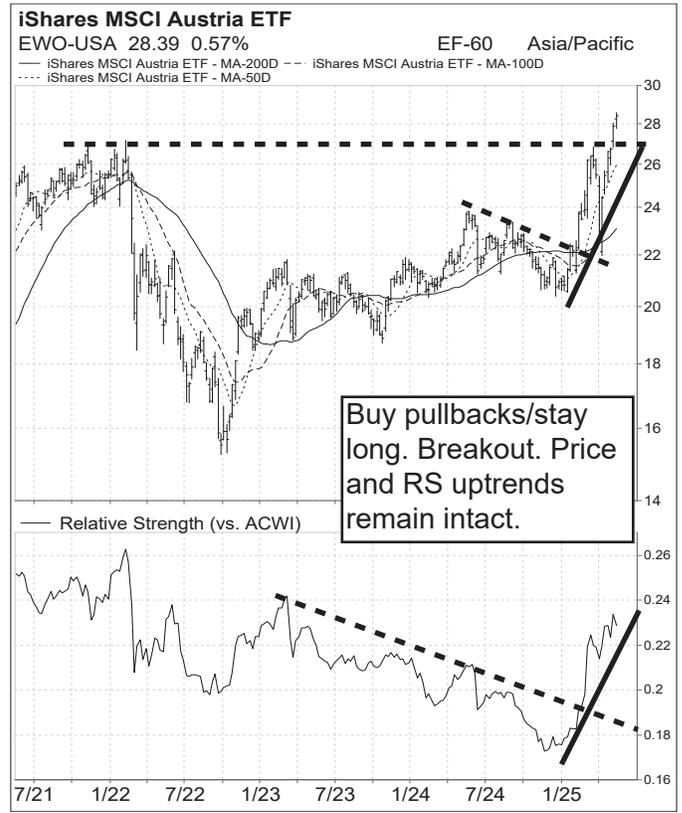
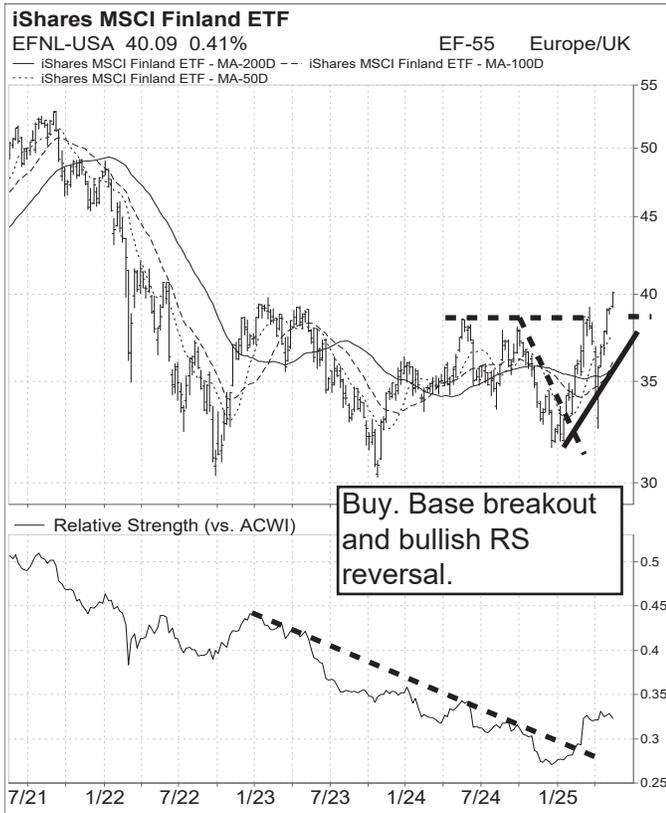
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EWS, EUSC, EWI, ENOR, EFNL, EWO, and GREK



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