

4/14/25

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

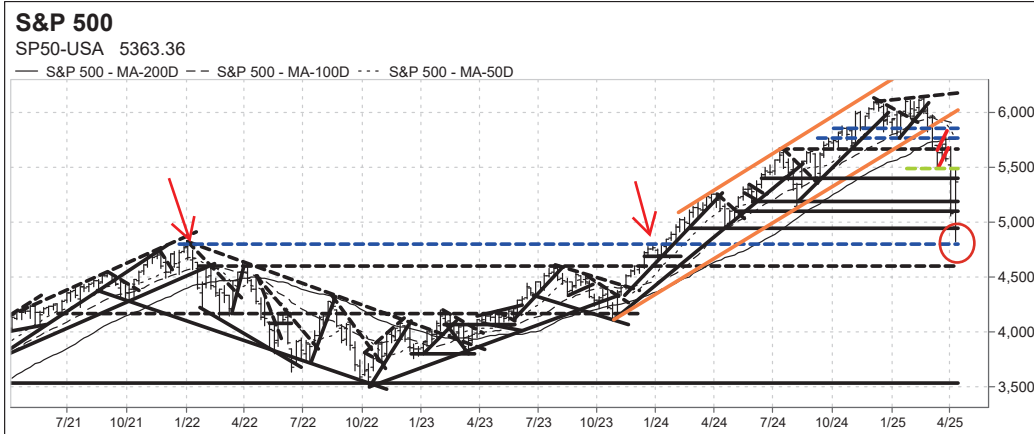
Local Bottom With Potential to be a Major Bottom

Since late-February (2/25/25 *Compass*) we were expecting an 8-10% pullback to provide a buying opportunity. All that changed as of our [3/31/25 ETF Pathfinder](#), when we downgraded our outlook to bearish/cautious, citing several concerning developments. It all led us to believe a break below 5500 and the potential for a prolonged downturn was increasingly likely. A historic selloff ensued. We did get positive trade news and some accommodative comments from the Fed last week after the S&P 500 and Nasdaq 100 (QQQ) tested major supports, so there is at least a *possibility* that the lows are in. However, until market dynamics improve, we remain cautious, and we continue to favor defensives as long as the S&P 500 is below its 200-day MA.

- **Sector Changes.** We are upgrading Health Care (XLV) and Energy (XLE) to market weight, and we are downgrading Technology (XLK) to underweight... see pg 5 & 7.
- **S&P 500 and Nasdaq 100 Testing Long-Term Support.** The S&P 500 and Nasdaq 100 (QQQ) are testing long-term support at prior highs from late-2021/early-2022 at 4800-4820 and \$402-\$412. As discussed in our 4/8/25 *Compass* this week, this is a spot where a local bottom could develop. We *did* get a local bottom that included a historic 1-day rally, so this could end up being a major bottom. If 4800 fails to hold on SPX, the next logical support area would be the 200-week MA (currently 4680) followed by 4600-4605; the 200-week MA has provided ideal buy opportunities since 2011 (it held as support during other 15-30% pullbacks in 2011, 2016, 2018, 2020, and 2022)... see chart below and page 2.
- **Actionable Industry ETFs: GDX, GLD, IHF, and ITA...** see page 9.
- **EM and Int'l Markets.** We got the near-term downside we were expecting on MSCI EAFE (EFA) and EM (EEM), but both have held *above* \$74 and \$39.50... see page 10.
- **Actionable International ETFs: EWG, EUFN, FDD, EWP, EPOL, GREK, MCHI, and ARGV...** see pages 11-13.

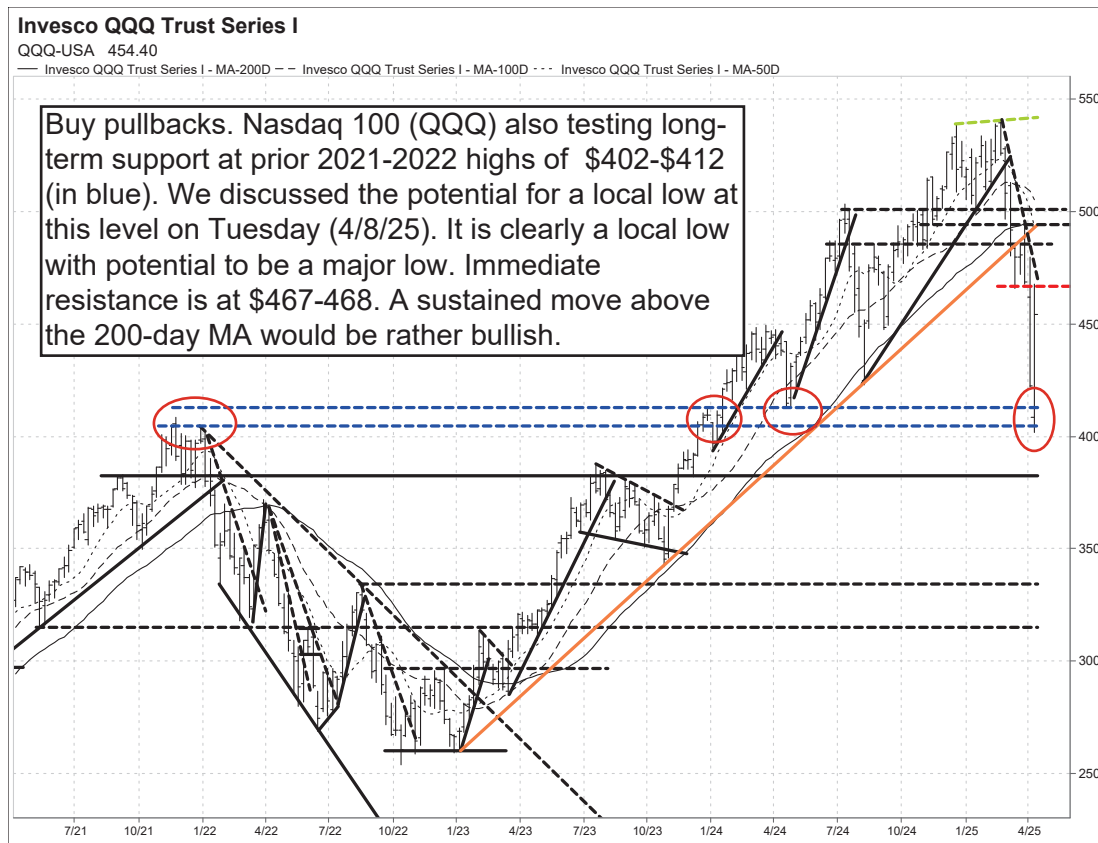
Sector Weighting Recommendations

Sector	Under-Weight	Market-Weight	Over-Weight
Comm. Services (XLC)			X
Cons. Discretionary (XLY)		X	
Cons. Staples (XLP)		X	
Energy (RSPG, XLE)	X →	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



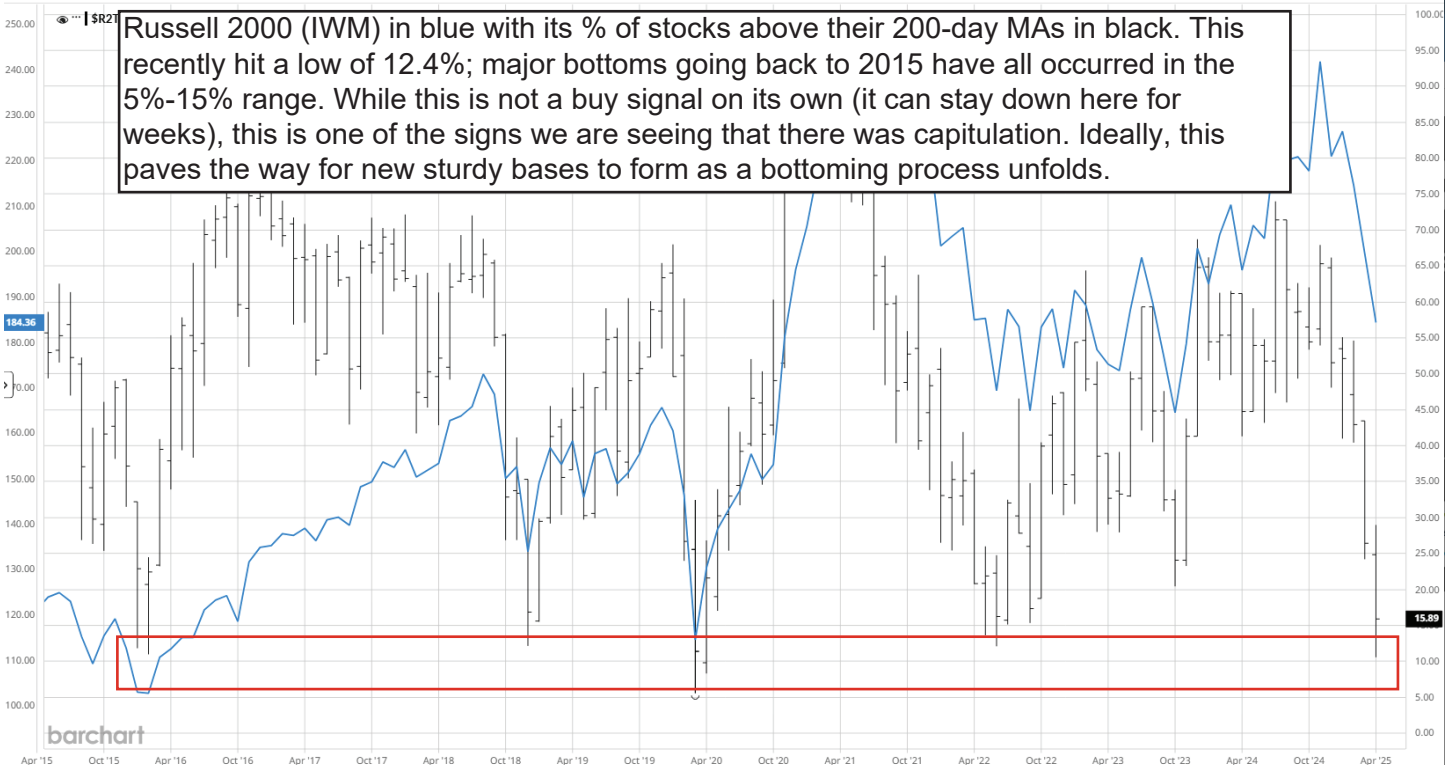
S&P 500 testing long-term support at prior 2021-2022 highs of 4800-4820 (in blue). We discussed in our 4/8/25 *Compass* last week that this is a possible spot for bear market rally to start. It has produced a local low, with the potential to be a major low. 5500 is immediate resistance which coincides with the 20-day MA. The 200-day MA is above that at 5754.

Nasdaq 100 (QQQ) Holding at Long-Term Support; Capitulation Achieved on IWM



Russell 2000 Stocks Above 200-Day Average (\$R2TH) O:14.08 H:16.20 L:13.10 C:15.89 ^+1.65 (+11.59%) 18:13 ET DELAYED

Q Symbol... Monthly 10-Year 1H 1D Indicators Compare f(x) 1x1



Financials (XLF): Overweight

- In our prior *ETF Pathfinder* (3/31/25) we discussed how crucial \$47 support must hold on *cap-weighted* Financials (**XLF**), or we would sell. We got a breakdown, and \$47 is now resistance. \$42-43 is support. Despite price deterioration, the RS uptrend remains intact -- remain overweight.
- We discussed on 3/31/25 how we were sellers of credit card issuers (**AXP**, **COF**, **DFS**, **SYF**) and most banks (**KBE**, **KRE**). We also said to sell the leaders (**JPM**, **C**, **WFC**, **BK**, and **GS**) and look to buy lower. We remain on the sidelines.
- Insurance stocks (**KIE**) and electronic exchanges are leadership; buy pullbacks/stay long: **CBOE**, **CME**, **MKT**, **BRK.B**, **AIG**, **AJG**, **AON**, **BRO**, **MMC**, **PGR**, **WRB**, and **WTW**. Also attractive: **FI** and **V**.

Top 10 Holdings (XLF)

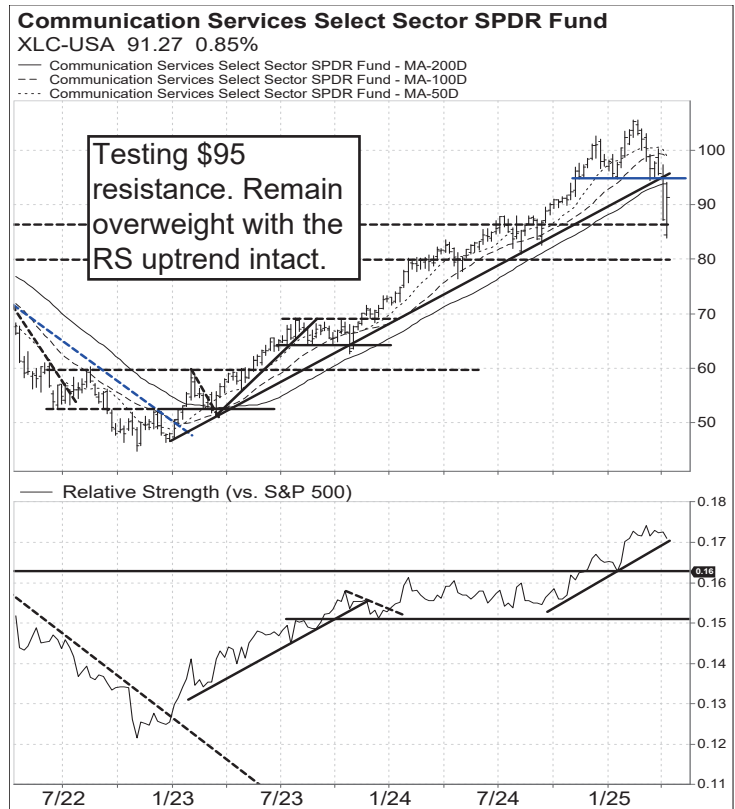
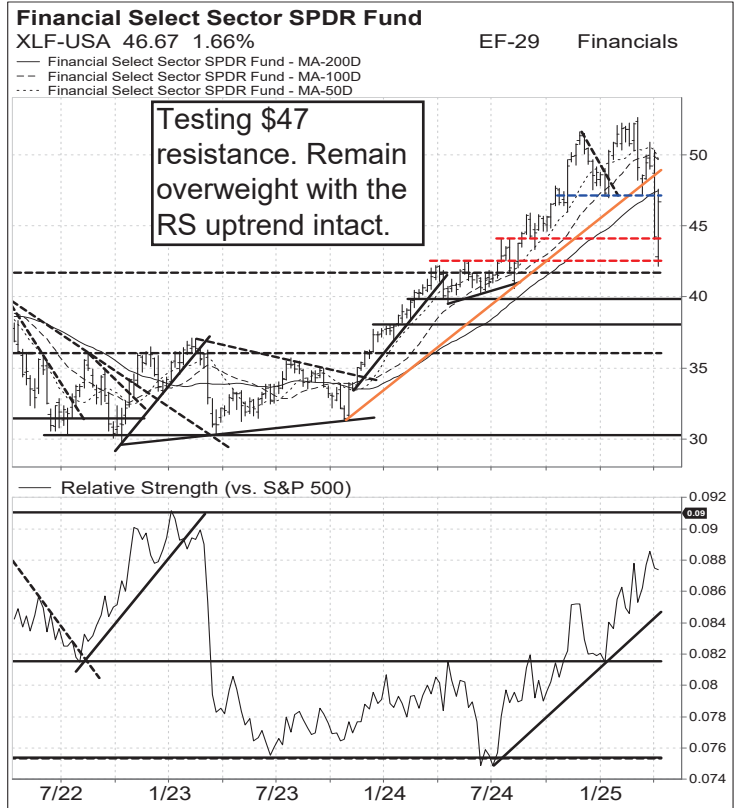
Ticker	Weight (%)	Ticker	Weight (%)
BRK.B	14.7	WFC	3.1
JPM	10.1	PGR	2.5
V	8.8	GS	2.4
MA	6.4	SPGI	2.2
BAC	3.6	AXP	2.1

Communication Svcs (XLC): Overweight

- In our prior *ETF Pathfinder* (3/31/25) we discussed how crucial \$94-\$95 support needed to hold in order to remain bullish on *cap-weighted* Communications (**XLC**). The break is bearish and now \$95 is resistance, while support is at \$86-\$88. With that said, the RS uptrend remains intact; stay overweight.
- Large-cap telecommunication names (**IYZ**) remain leadership -- buy pullbacks/remains overweight. Attractive names include: **T**, **TMUS**, and **VZ**.
- Additional attractive names include: **NFLX**, **TTWO**, and **LYV**.

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

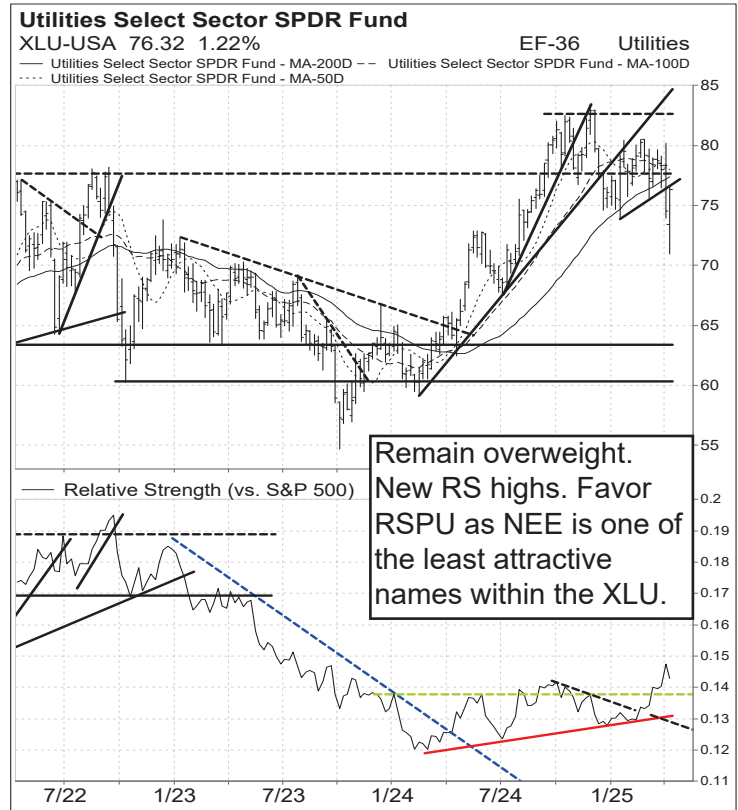


Utilities (XLU): Overweight

- 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. RS is breaking out again. Price on the XLU is certainly not bullish, but *is* still constructive as long as it holds above \$74.
- Attractive names include: **AEP, DUK, ETR, EVRG, EXC, PNW, PPL, SO, XEL, ATO, AEE, CMS, CNP, ED, NI, WEC**, and **AWK** (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



Cons. Discretionary (XLY): Market Weight (downgraded 3/31/25 from Overweight)

- We recently downgraded Discretionary to market weight with RS on *cap-weighted* Discretionary (**XLY**) violating its 7-month uptrend. Price on XLY remains bearish as long as it is below its 200-day MA (currently \$204.57). Next support is at \$169.
- Auto parts retailers are leadership. Buy pullbacks/stay long **AZO, ORLY**, and **LKQ** (bottom-fishing candidate).
- Additional attractive names include: **TJX, DRI, MCD**, and bottom-fishing candidates **ROST** and **DPZ**.

Top 10 Holdings (XLY)

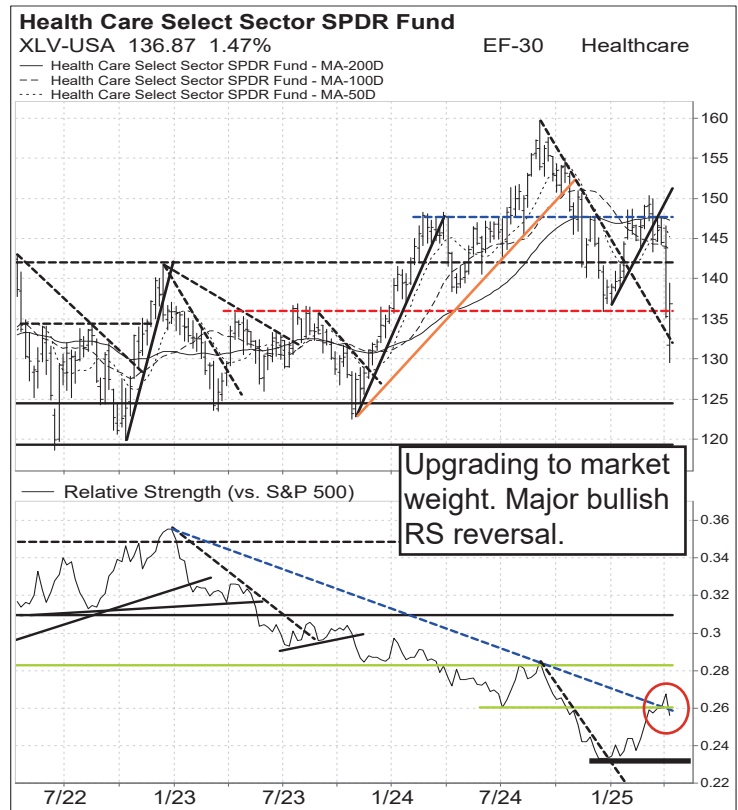
Ticker	Weight (%)	Ticker	Weight (%)
AMZN	22.2	TJX	4.3
TSLA	14.9	LOW	3.7
HD	7.4	SBUX	2.9
MCD	4.8	ORLY	2.4
BKNG	4.5	CMG	2.0



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

- **UPGRADE.** We are upgrading Health Care to market weight with RS reversing 2+ year downtrends on the *cap-weighted XLV* and *equal-weighted RSPH*. Still, price on the XLV remains a concern as it held below resistance at \$148 (in blue), and also broke below \$142-\$143, and is testing \$135-\$136 support (in red) -- be very selective.
- Health care distributors are leadership, and are among our favorite themes in the entire market. Buy/stay long: **CAH, COR, and MCK.**
- Additional attractive names include: **GILD, VRTX, ABT, BSX, DGX, CVS, MOH, UNH,** and bottom-fishing candidates **CI, CNC, ELV, and HUM.**

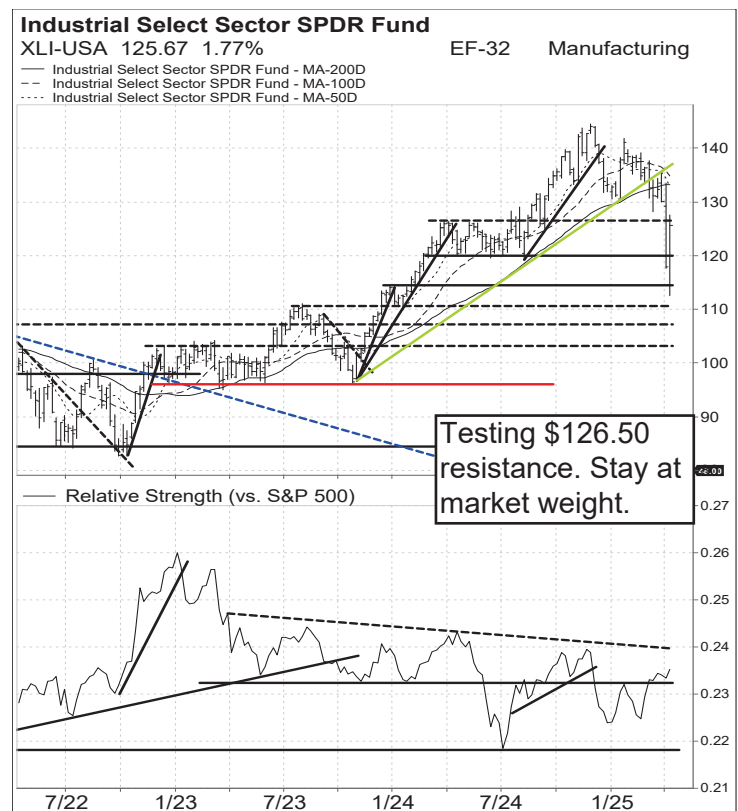
Top 10 Holdings (XLV)			
Ticker	Weight (%)	Ticker	Weight (%)
LLY	11.6	MRK	4.0
UNH	11.1	ISRG	3.5
JNJ	7.3	TMO	3.4
ABBV	6.2	AMGN	3.1
ABT	4.4	BSX	2.8



Industrials (XLI): Market Weight

- Price on the **XLI** remains a concern after its long-term uptrend violation (in green), and is now below \$126.50 (which is now resistance). Support is at \$110.50 and \$114.50. Continue to overweight defensives (waste services and aerospace/defense). RS remains within a broad consolidation -- be selective.
- Waste services stocks and aerospace/defense remain leadership. Buy/stay long: **ROL, RSG, WM, AXON, HWM, NOC, RTX,** and bottom-fishing candidates **GD, HII, LHX, and LMT.**
- Additional attractive names include: **CPRT, PAYX, VRSK,** and **FAST.**

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

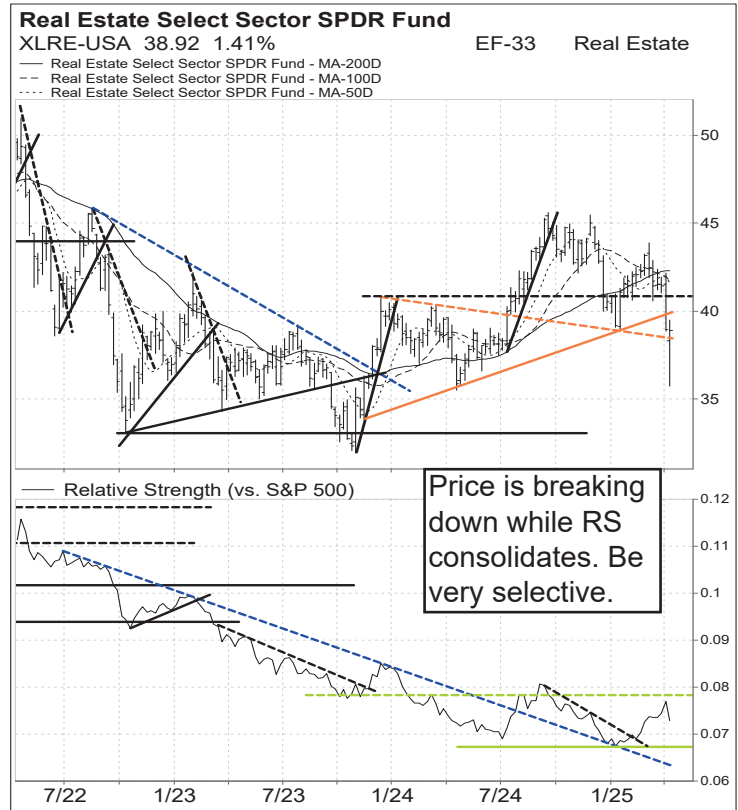


Real Estate (XLRE): Market Weight

- RS on *cap-weighted* Real Estate (**XLRE**) remains in a horizontal range -- stay at market weight. Price is violating the uptrend (in orange), a bearish development. Be very selective.
- Attractive names include: **VTR**, **WELL**, and **AMT** (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

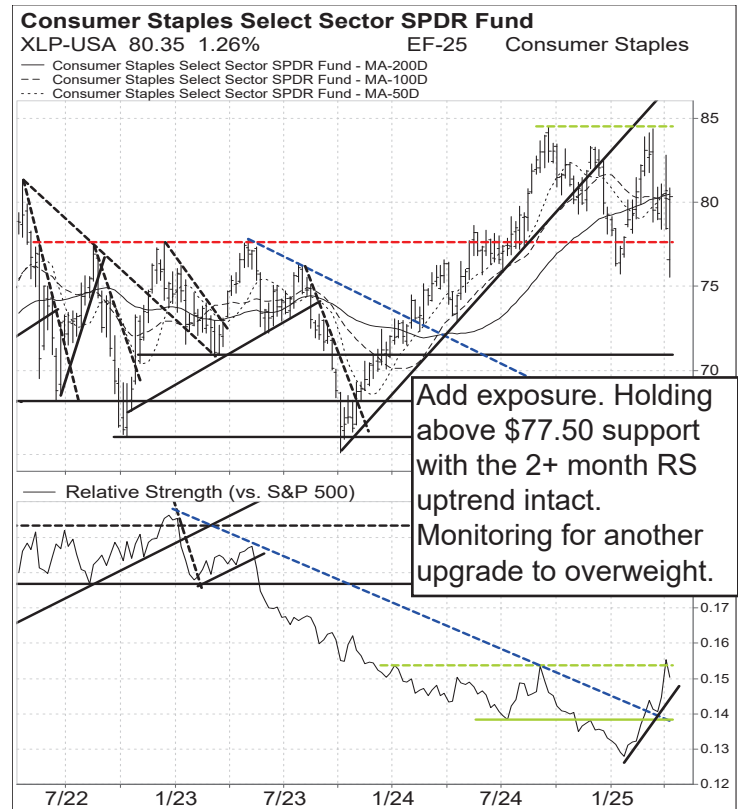


Consumer Staples (XLP): Market Weight (upgraded 3/31/25 from Underweight)

- We recently upgraded Consumer Staples with RS on the **XLP** reversing above its long-term downtrend, noting that this is a risk-off signal for the broad equity market. RS is testing another resistance level, and we would upgrade to overweight on a RS breakout. Price has held above major support in the \$77.50-\$79 range, but is still neutral at best. Be selective.
- Staples retailers remain leadership. Remain overweight/buy **COST**, **WMT**, and **KR**.
- Additional attractive names include: **MO**, **PM**, **KO**, **MNST**, and bottom-fishing candidates **KDP**, **TAP**, **DG**, **MDLZ**, **SJM**, **CL**, and **KMB**.

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 (upgrading today from Underweight)

- **UPGRADE.** 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 breaking below major support at \$83. Be very selective.
- Attractive names 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



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

- **DOWNGRADE.** We are downgrading Technology to underweight with RS breaking long-term supports on the *cap-weighted* **XLK** and *equal-weighted* **RSPT**. We already discussed to reduce exposure in our 3/31/25 *ETF Pathfinder* as the XLK violated its long-term uptrend, and now we would reduce exposure *further*. \$176-\$177 is major base support; a breakdown would indicate much more downside ahead. Also watch the \$190-\$192 level as it is an attractive level to trade against.
- Attractive names include: **FFIV, IBM, and VRSN.**

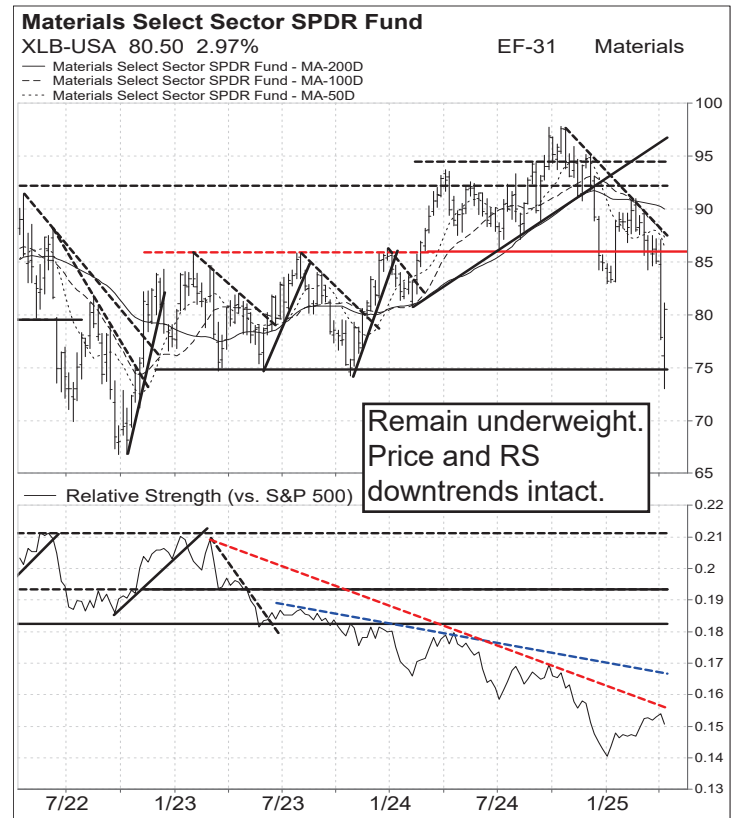
Top 10 Holdings (XLK)			
Ticker	Weight (%)	Ticker	Weight (%)
AAPL	14.5	CSCO	2.9
MSFT	14.0	IBM	2.8
NVDA	13.2	ORCL	2.7
AVGO	4.5	PLTR	2.3
CRM	3.1	ACN	2.3



Materials (XLB): Underweight

- RS on *cap-weighted* Materials (**XLB**) remains in a downtrend -- remain underweight. Price on the XLB is below resistance at the multi-month downtrend and 200-day MA, and is now testing support at \$75 (the 2023 lows!). Be extremely selective.
- Gold miners (**GDX**) remain leadership, and are arguably the most attractive space within the entire market. Buy pullbacks/stay long **NEM**.
- The rest of the Sector is generally unattractive from a price perspective.

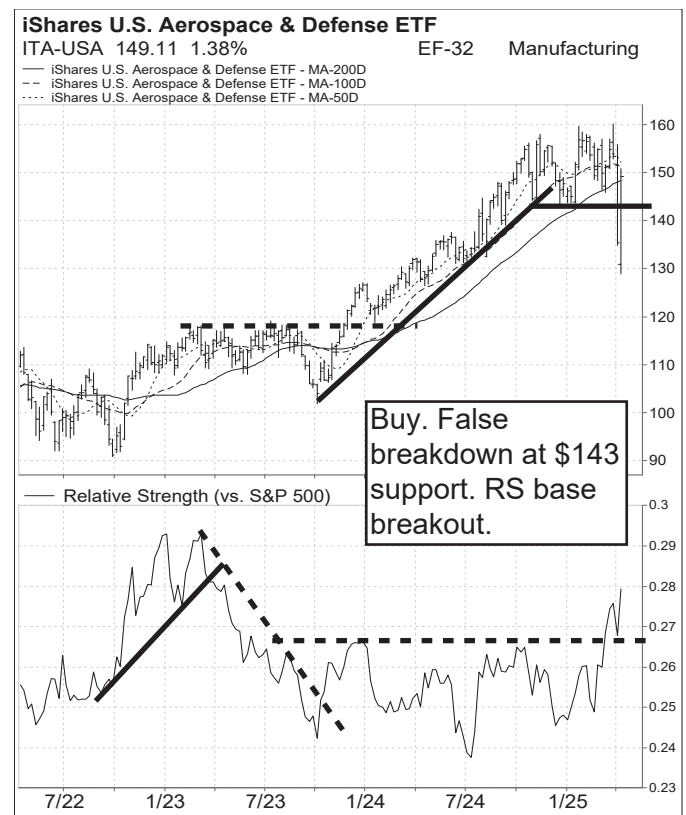
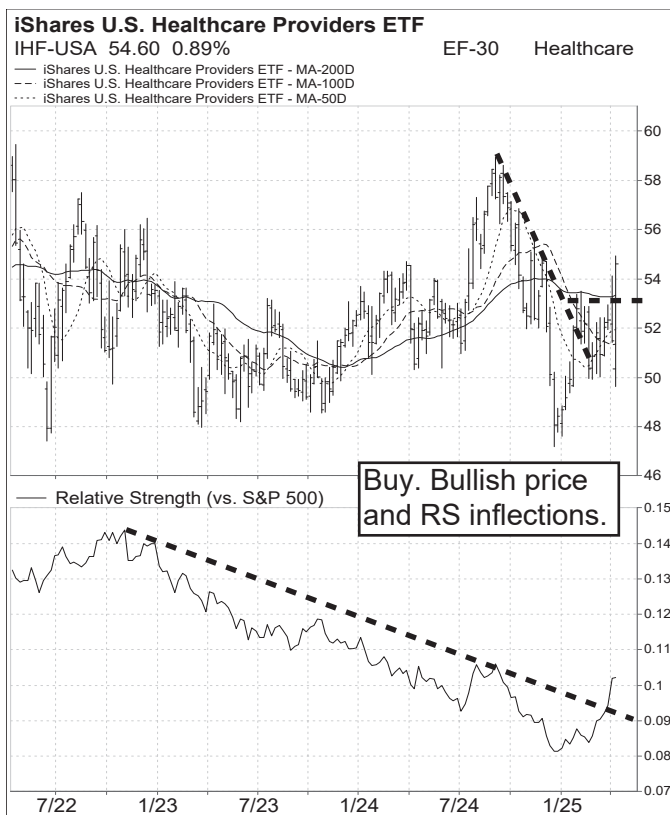
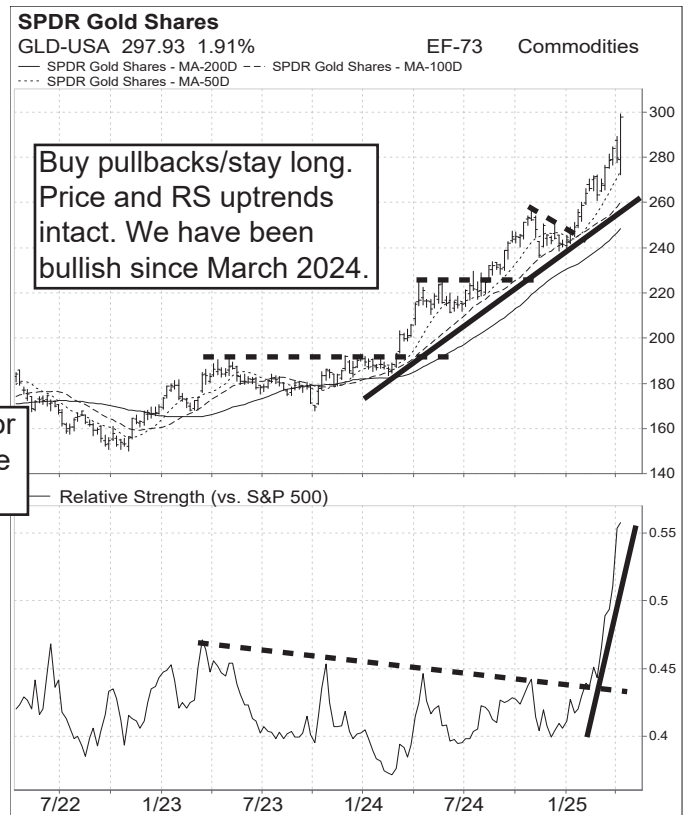
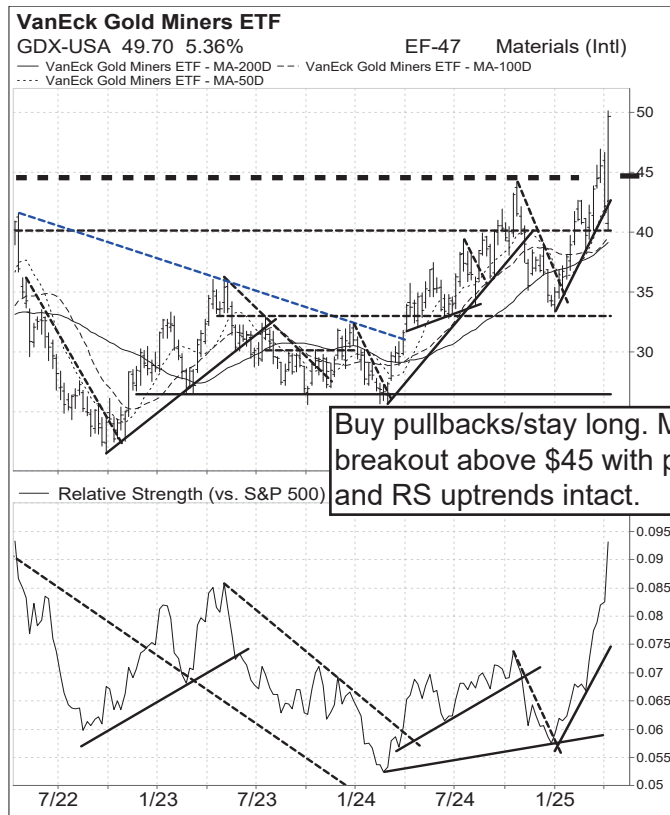
Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	19.4	CTVA	4.9
SHW	7.2	VMC	4.6
NEM	6.1	FCX	4.4
APD	5.5	MLM	4.3
ECL	5.5	NUE	3.8



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Actionable Industry ETFs

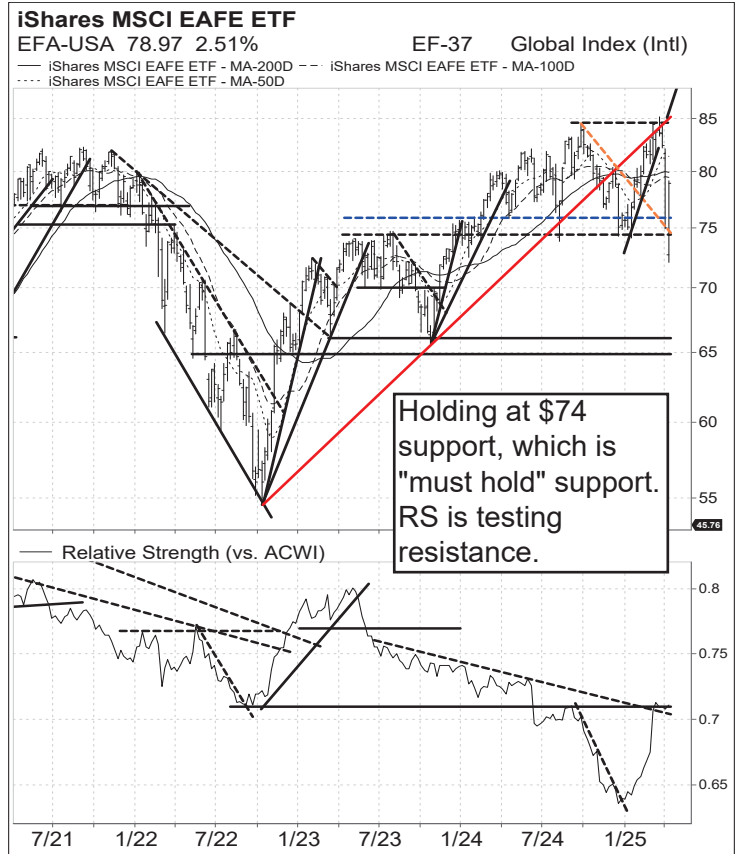
- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: GDX, GLD, IHF, and ITA



Developed Int'l Markets

In our 3/31/25 *ETF Pathfinder* we discussed reducing exposure to MSCI EAFE (**EFA**) following its 2.5-month uptrend violation after failing to break above \$85 resistance. Support at \$74 needs to hold, or else there a trip to \$65-66 is likely. Additionally, stay underweight EAFE (vs. MSCI ACWI) with RS below the longer-term downtrend, which is being tested now.

Developed int'l countries/regions highlighted to buy/stay long: Germany (**EWG**), European Financials (**EUFN**), European Dividend (**FDD**), and Spain (**EWP**)... see charts on page 11.

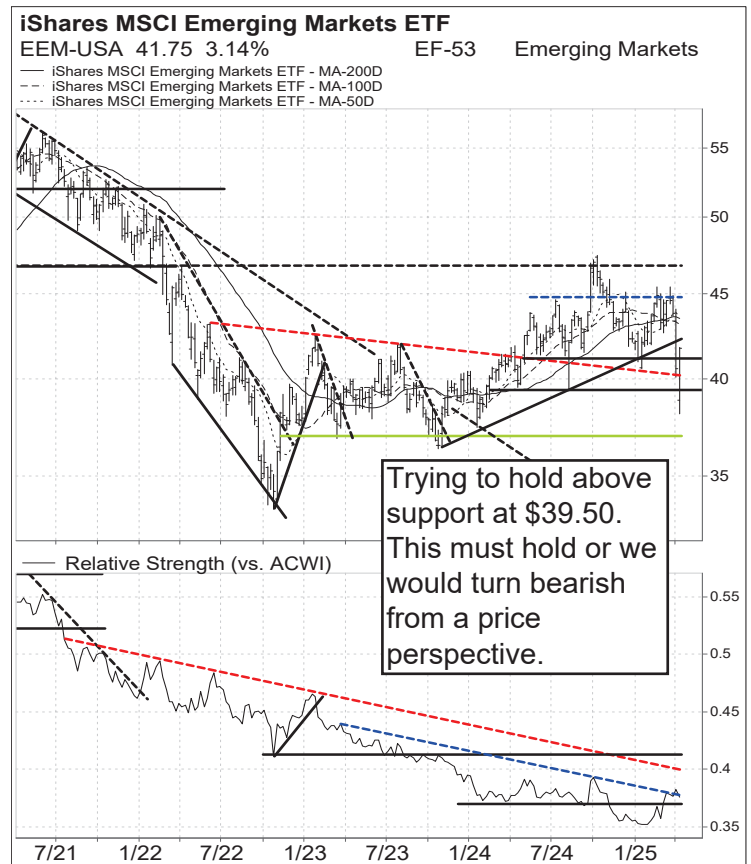


Emerging Markets

MSCI EM (**EEM**) failed to break above \$44.50-\$45.00 resistance (in blue), and is desperately trying to hold on to support at \$39.50. This support must hold or we would turn bearish. RS (vs. MSCI ACWI) remains in a well-defined downtrend (in red); remain underweight EM (vs. MSCI ACWI).

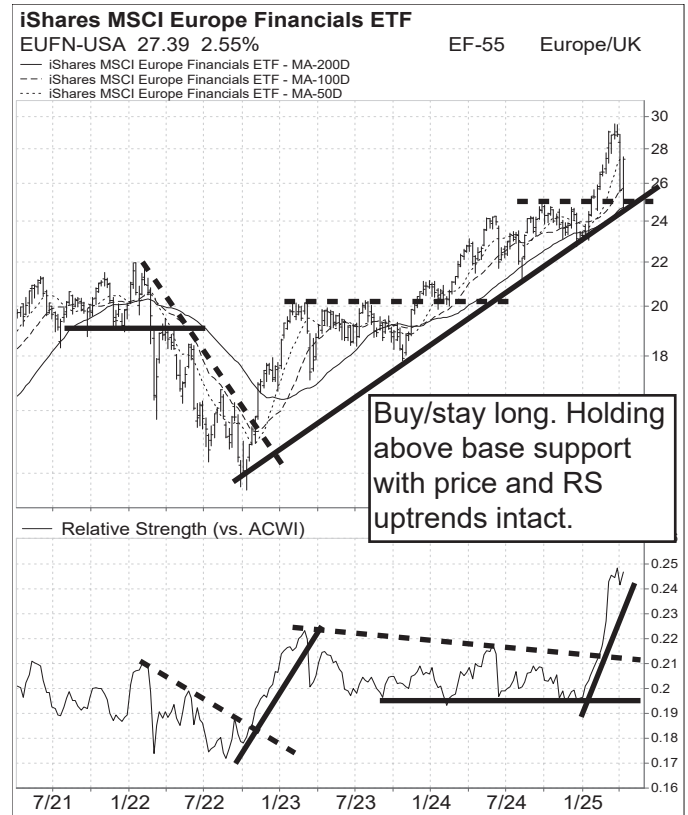
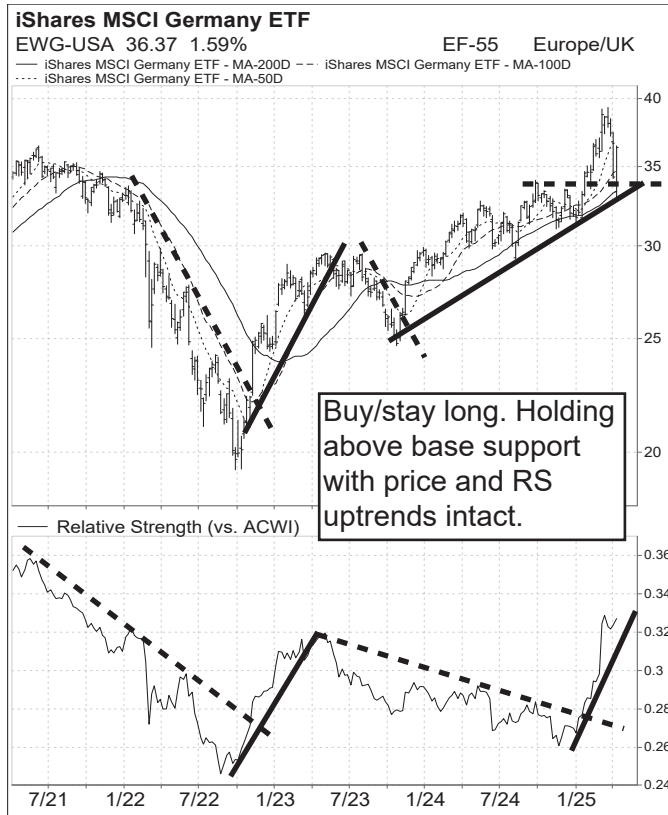
EM countries/regions highlighted to buy/stay long: Poland (**EPOL**), Greece (**GREK**), China (**MCHI**, **FXI**), and Argentina (**ARGT**)... see charts on page 12.

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 this significant pullback, now they are back near support and we would add to **FXI** and **MCHI**, only turning bearish if the recent lows do not hold.



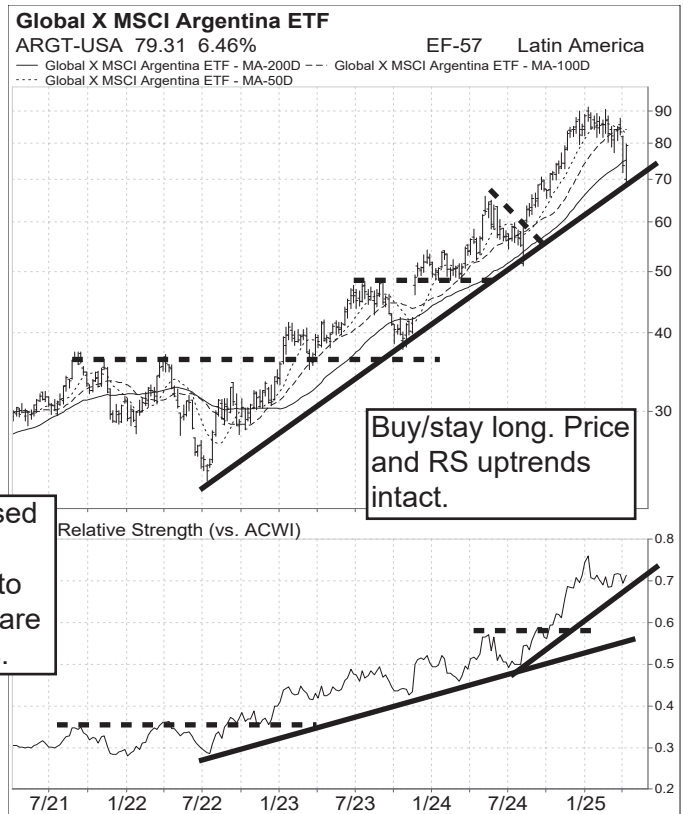
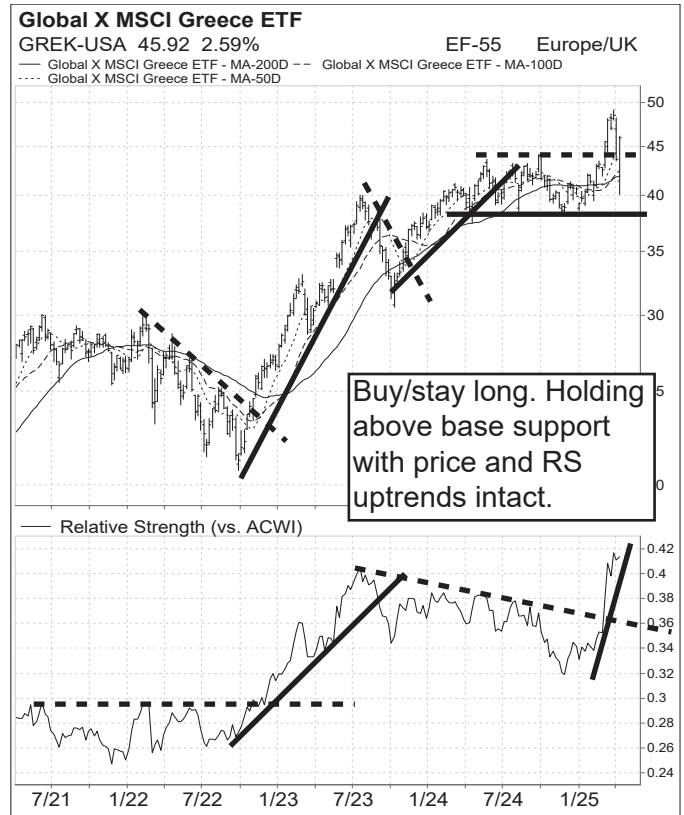
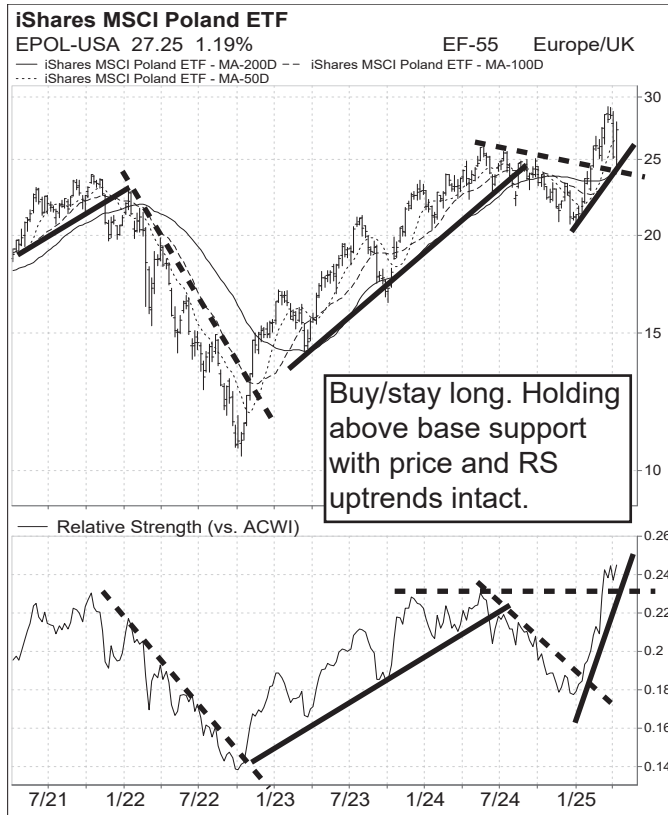
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EWG, EUFN, FDD, EWP, EPOL, GREK, MCHI, and ARG



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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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