

6/16/25

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Selling Contained Despite Israel-Iran Tensions

Our previous *ETF Pathfinder* (May 19, 2025) was titled "Watching S&P 500 Gap Support at 5700-5785." In that report, we discussed that we would be buyers on a pullback to the 5700-5785 range following the Moody's U.S. debt downgrade. The SPX fell 2.5% that week but bottomed at 5767, which has marked the low ever since. We remain near-term bullish since our 4/22/25 *Compass*, and our intermediate-term outlook remains bullish as well (as of our 5/14/25 *Compass*). We will maintain our bullish view as long as market dynamics remain healthy and the SPX is above 5700-5785 (up from 5500). We continue to be buyers in the 5700-5785 range, and also at 5804-5854.

- **Sector Weighting Changes.** We are upgrading Technology (XLK) and Consumer Discretionary (XLY) to over-weight, and we are downgrading Financials (XLF) to market weight... see pages 3-5.

- **Market Dynamics Remain Risk-On.** We remain bullish due to continued risk-on market dynamics, including: (1) The Russell 2000 (IWM) broke above major resistance at \$209-\$210 (though is testing support at \$209 today). (2) High yield spreads are well-below the important 355bps level. (3) Defensive Sectors (Staples, Utilities, Health Care, Real Estate) are underperforming while (4) semi-conductors (SMH) and speculative growth areas (ARKW, ARKF, ARKX, etc.) have re-emerged as leadership. (5) The 10-year Treasury yield has not been able to break above 4.50%, let alone the major 4.70%-4.80% resistance level. (6) Interest rate volatility (MOVE index) has fallen to the low-end of its 3-year range... see chart below and page 2.

- **Actionable Industry ETFs:** ARKW, ARKX, TAN, and GDX... see page 9.

- **EM and Int'l Markets.** MSCI EAFE (EFA) remains bullish as it holds above \$85 base support, while EM (EEM) is breaking above crucial resistance at \$46.50... see page 10.

- **Actionable International ETFs:** EWC, ENOR, EIRL, EWY, EWT, GREK, EWZ, and EPU... see pages 11-13.

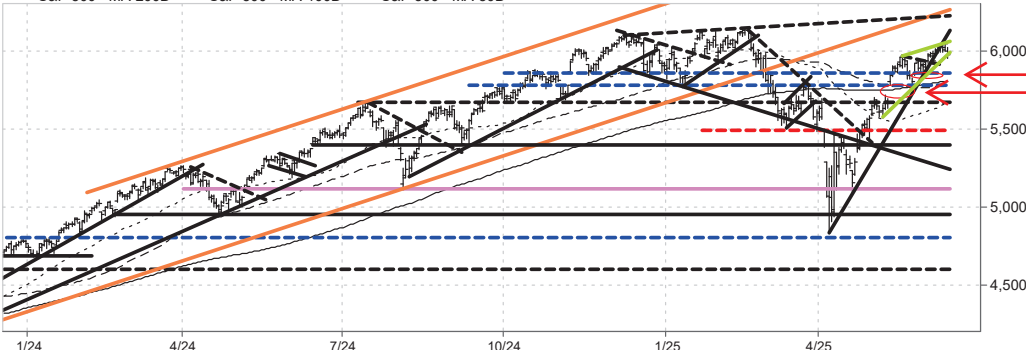
Sector Weighting Recommendations

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

S&P 500

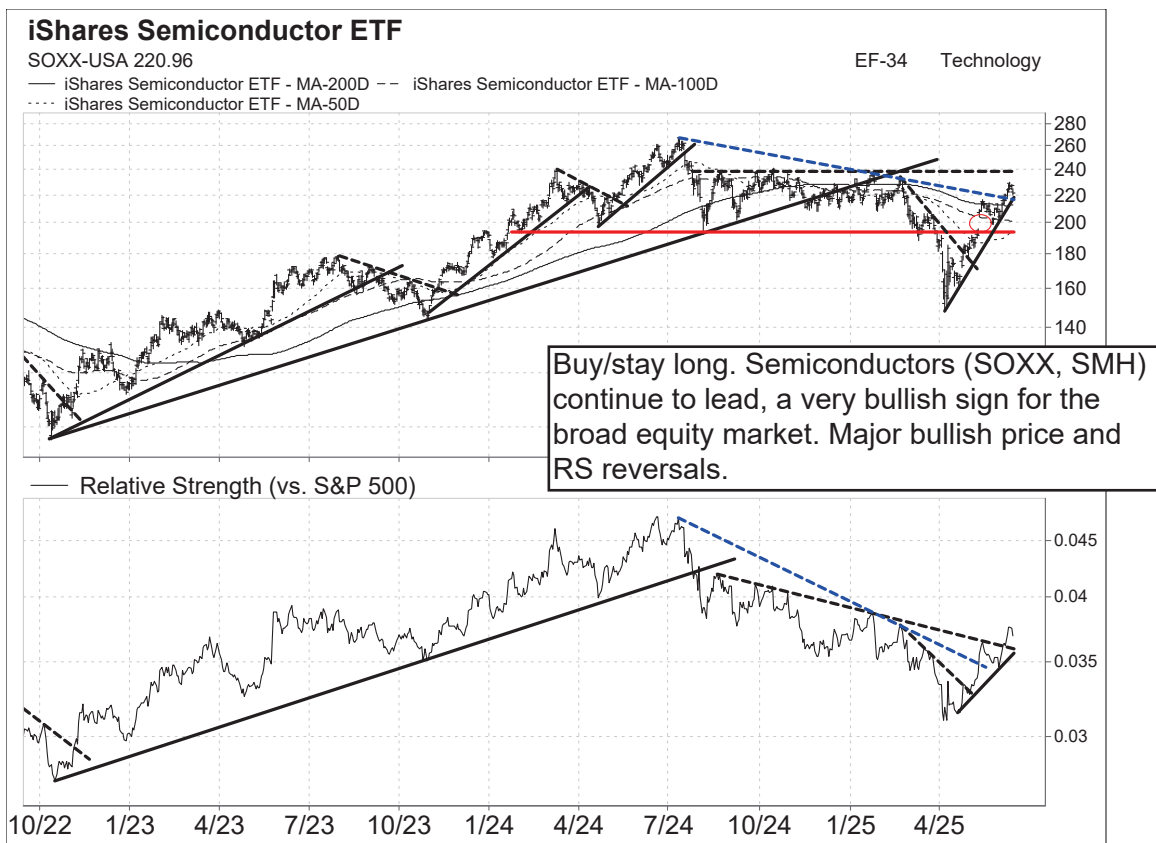
SP50-USA 5976.97

— S&P 500 - MA-200D — S&P 500 - MA-100D --- S&P 500 - MA-50D



Major 5700-5785 gap from 5/12/25 was defended on SPX, and now yet another bullish gap from 5/27/25 remains unfilled at 5804-5854. Buy pullbacks to these levels should we get more selling. Unfilled upside gaps such as these signal power remains firmly in the hands of bulls. We remain bullish and continue to expect a test of all-time highs soon.

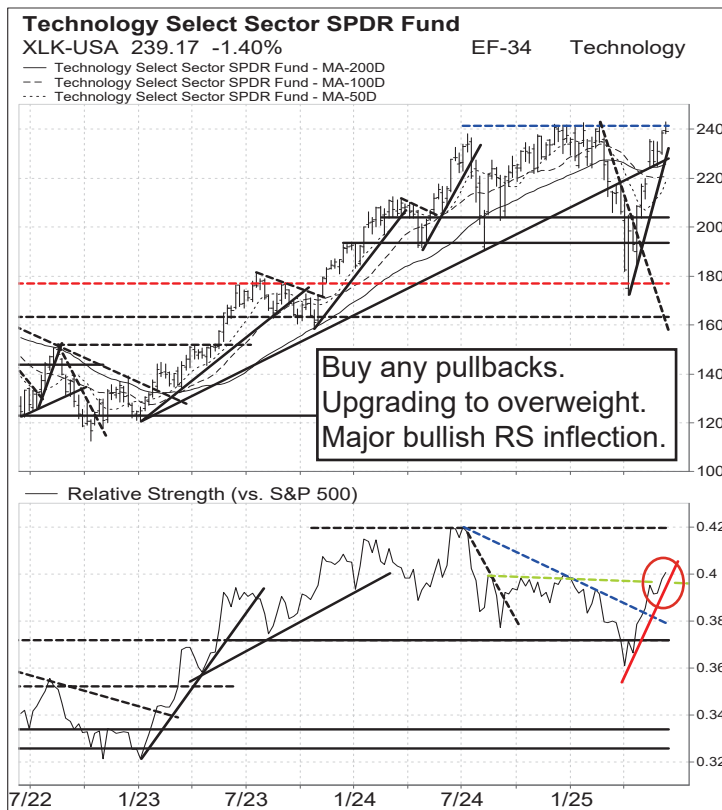
Semiconductors (SOXX, SMH) Leading; Interest Rate Volatility at 3-Year Lows



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

- **UPGRADE.** We are upgrading Technology to overweight; RS on the *cap-weighted XLK* is breaking above 9.5-month horizontal resistance. Price is testing \$243 resistance on the XLK (all-time highs), but we expect a breakout. Buy any pullbacks.
- Semiconductors (**SMH**, **SOXX**) are bottoming and are re-emerging as leadership. Buy/stay long: **AVGO**, **NVDA**, **KLAC**, **LRCX**, **MCHP**, **MU**, and bottom-fishing candidates **ADI**, **AMAT**, **AMD**, **MPWR**, **NXPI**, **ON**, **QRVO**, **TXN**, **FSLR**, and **SMCI**.
- Also attractive: **STX**, **WDC**, **CSCO**, **FFIV**, **APH**, **JBL**, **TEL**, **IBM**, **VRSN**, **GEN**, **INTU**, **MSFT**, **NOW**, and **ORCL**.

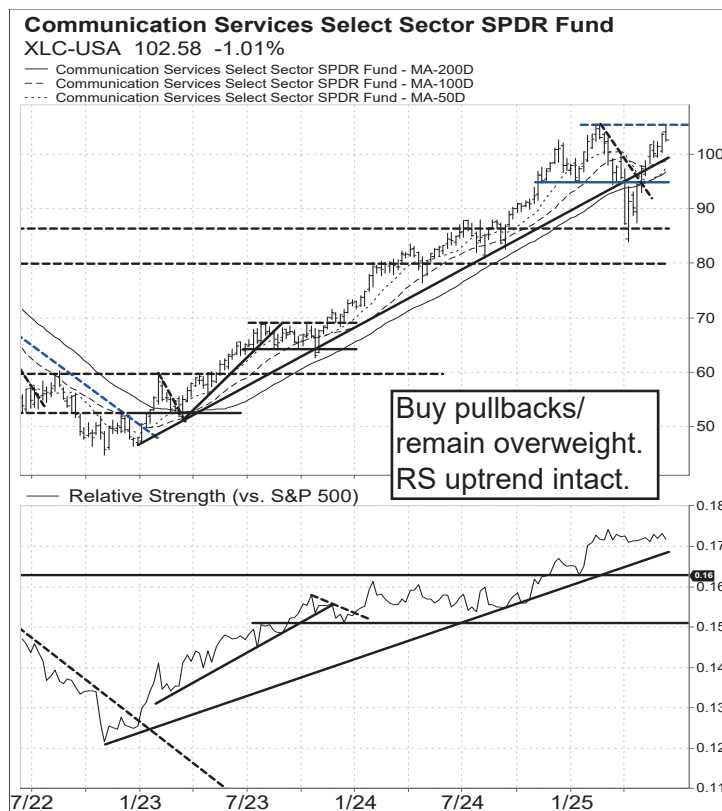
Top 10 Holdings (XLK)			
Ticker	Weight (%)	Ticker	Weight (%)
AAPL	14.5	CSCO	2.9
MSFT	14.0	IBM	2.8
NVDA	13.2	ORCL	2.7
AVGO	4.5	PLTR	2.3
CRM	3.1	ACN	2.3



Communication Svcs (XLC): Overweight

- *Cap-weighted* Communications (**XLC**) is now testing all-time highs after reclaiming the crucial \$95 level which, something we discussed was a very bullish development in our 5/19/25 *ETF Pathfinder*. \$102 and \$100 are short-term supports, followed by \$95. RS is simply consolidating, but remains in a long-term uptrend; stay overweight, but RS consolidation can continue.
- Internet names (**FDN**, **ARKW**) remain leadership -- buy pullbacks/stay long. Attractive names include: **NFLX**, **META**, and **GOOGL** (bottom-fishing candidate).
- Additional attractive names include: **TTWO**, **T**, and **DIS**.

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. Price on the XLU remains bullish after breaking above the base.
- Independent power production stocks are leadership, and is where we want to be overweight within Utilities. Buy/stay long: **NRG** and **CEG**.
- Additional attractive names include: **ETR**, **EVRG**, **CNP**, **NI**, and **NEE** (bottom-fishing candidate).

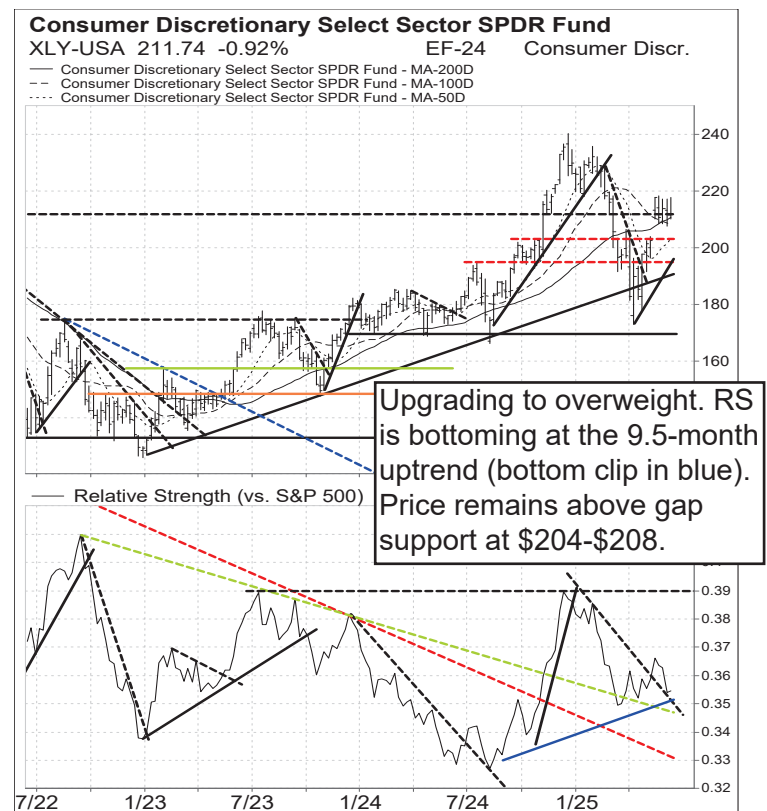
Top 10 Holdings (XLU)			
Ticker	Weight (%)	Ticker	Weight (%)
NEE	11.6	EXC	4.0
SO	8.4	D	3.8
DUK	7.9	SRE	3.7
CEG	5.6	PEG	3.5
AEP	4.8	XEL	3.4



Consumer Discretionary (XLY): Overweight (upgrading today from Market Weight)

- **UPGRADE.** We are upgrading *cap-weighted* Consumer Discretionary (**XLY**) to overweight; RS is finding support at the 10-month uptrend. Price on XLY remains bullish as long as it is above its 200-day MA and \$205.
- There are several leaders within retail/apparel. Buy pullbacks/stay long: **EBAY**, **AMZN**, **ULTA**, **RL**, **TPR**, **AZO**, **ORLY**, and **ETSY** (bottom-fishing candidate).
- Additional attractive names include: **TSLA**, **RCL**, **BKNG**, and **DRI**.

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

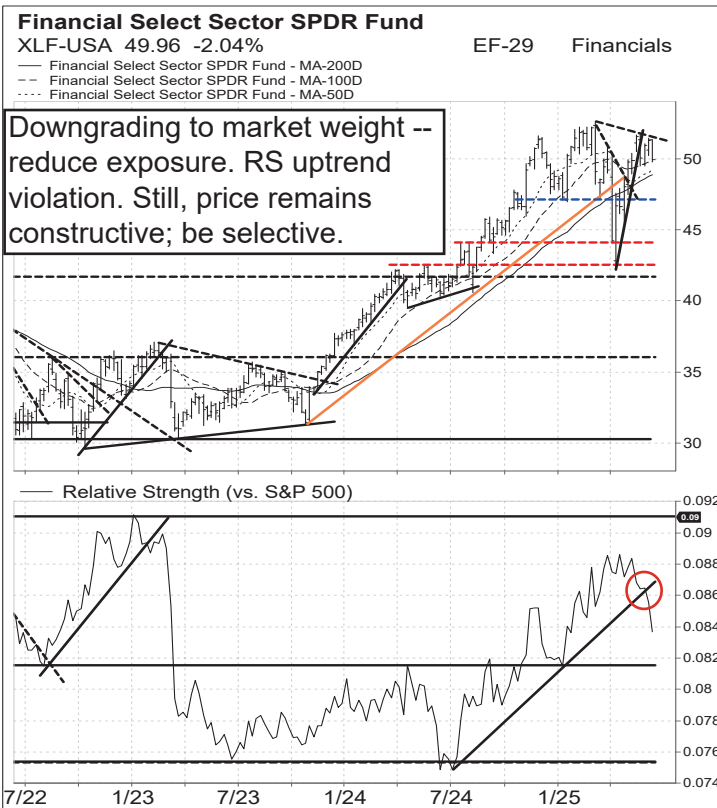


Financials (XLF): Market Weight (downgrading today from Overweight)

- **DOWNGRADE.** We are downgrading Financials (XLF) to market weight with RS violating the 9.5-month uptrend. With that said, there is nothing wrong with the price trend on the XLF as it consolidates below all-time highs at \$52-\$52.50, as it is likely setting up for a breakout. Be selective as banks and insurance stocks are not broadly attractive.
- Electronic exchanges are attractive. Buy/stay long: **COIN, NDAQ, CBOE, CME, and ICE.**
- Additional attractive names include: **SCHW, COF, SYF, MA, V, AIG, AJG, ALL, HIG, L, PGR, TRV, WRB, JPM, BK, GS, and BEN** (bottom-fishing candidate).

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

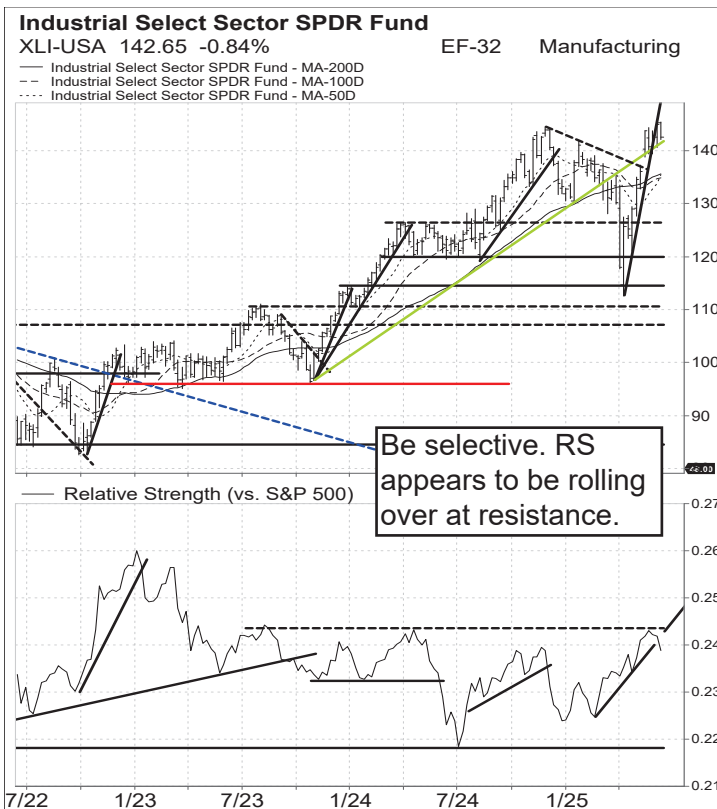


Industrials (XLI): Market Weight

- Price on the **XLI** remains bullish following the reclaim of \$126.50 resistance, and is now testing all-time highs at \$145 -- buy pullbacks. RS appears to be rolling over after testing resistance; be selective and stay at market weight.
- Aerospace/defense (**ITA, XAR, PPA**) remains leadership. Buy/stay long: **AXON, BA, GE, HWM, LHX, RTX,** and bottom-fishing candidates **HII, LMT, NOC,** and **TXT.**
- Additional attractive names include: **PWR, EMR, GEV, ROK, UBER, DE, ADP, JCI, TT, CTAS, ROL, RSG,** and **WM.**

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 testing resistance the 6.5-month downtrend -- be selective.
- Attractive names include: **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

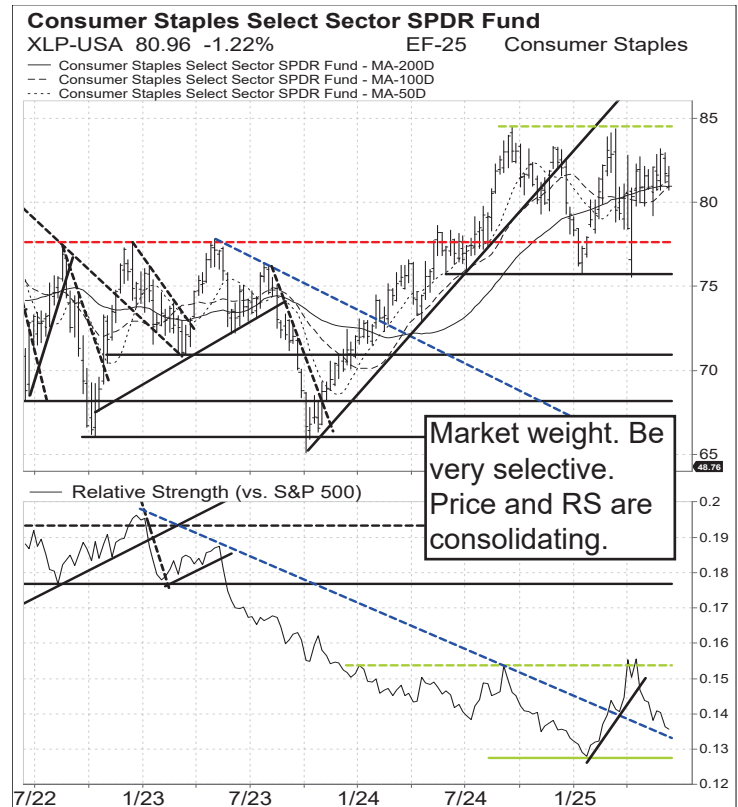


Consumer Staples (XLP): Market Weight

- RS remains in a horizontal range on Consumer Staples (XLP) -- stay at market weight. With that said, we would not be surprised to see underperformance continue following the steep 3-month RS uptrend violation in May -- be very selective. This RS breakdown for a defensive Sector such as Staples 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.
- Dollar stores are leadership. Buy pullbacks/stay long **DG** and **DLTR**.
- Additional attractive names include: **MO**, **PM**, **MNST**, **COST**, **WMT**, and **ADM** (bottom-fishing candidate).

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

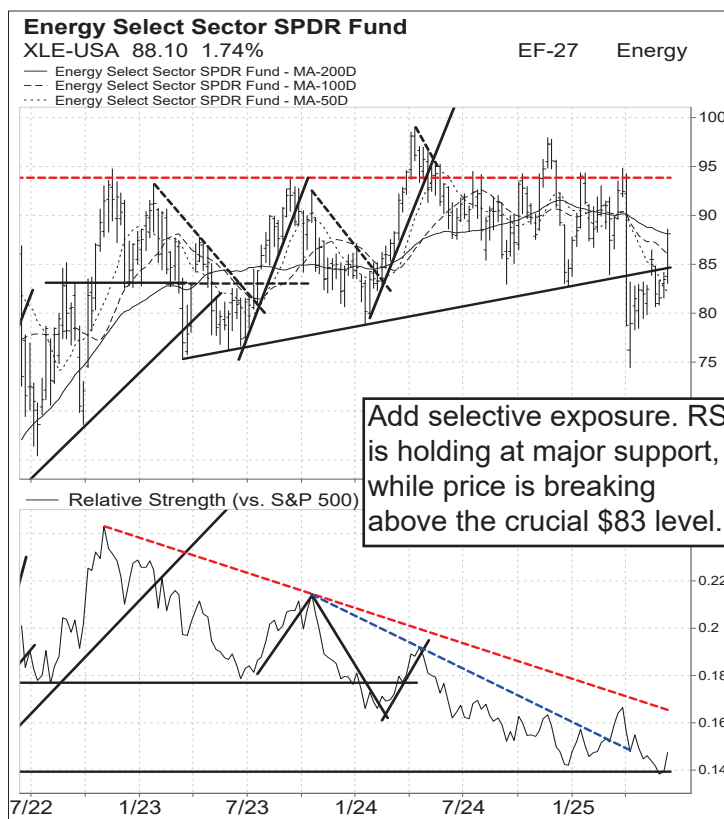


Energy (XLE, RSPG): Market Weight

- Long-term RS downtrends (bottom clip at right, in red) remain intact on *equal-weighted* and *cap-weighted* Energy (**RSPG, XLE**). With that said, RS is holding above support and inflecting higher in the short-term as WTI crude oil breaks above the crucial \$65 level -- add exposure. Price on the XLE is reclaiming the crucial \$83 level, a bullish development.
- Refiners (**CRAK**) remain our favorite area to be buying within Energy -- buy/stay long. Attractive names include **MPC** and bottom-fishing candidates **PSX** and **VLO**. **MPC** remains our top pick out of these three.
- Additional attractive names include: **EQT, KMI, WMB**, and bottom-fishing candidates **APA, CTRA**, and **FANG**.

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 (downgraded 5/19/25 from Market Weight)

- Remain underweight Health Care with RS downtrends intact on the *cap-weighted* **XLV** and *equal-weighted* **RSPH**. One positive is that price on the XLV has reversed above the 3-month downtrend, a sign that it could be bottoming. Still, the 9+ month downtrend remains intact. Be selective.
- Health Care distributors remain leadership. Buy/stay long **CAH, COR**, and **MCK**.
- Additional attractive names include: **DGX, LH, HCA, GILD, ABT, BSX, IDXX, PODD, STE**, and **CVS** (bottom-fishing candidate).

Top 10 Holdings (XLV)

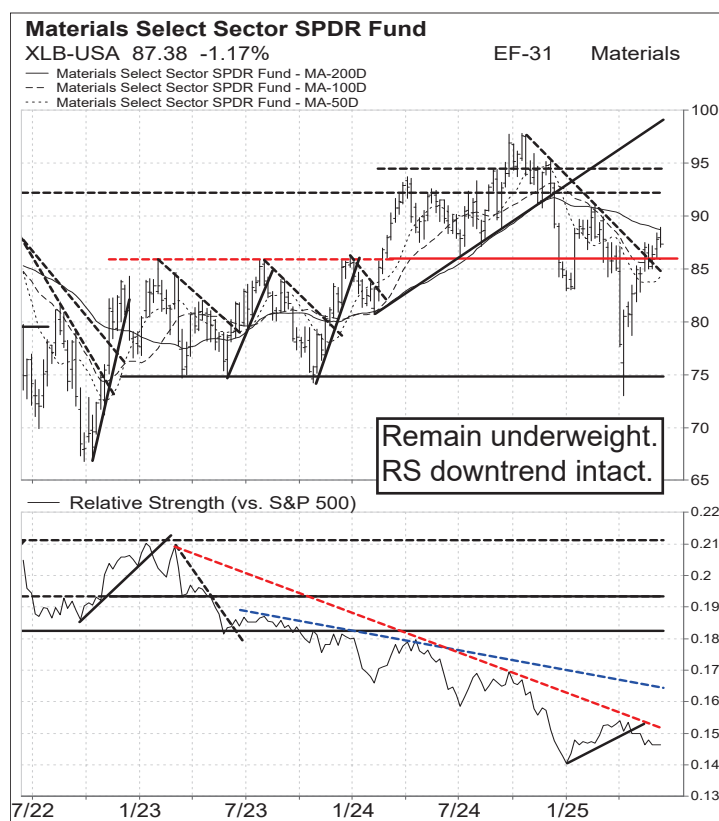
Ticker	Weight (%)	Ticker	Weight (%)
LLY	11.6	MRK	4.0
UNH	11.1	ISRG	3.5
JNJ	7.3	TMO	3.4
ABBV	6.2	AMGN	3.1
ABT	4.4	BSX	2.8



Materials (XLB): Underweight

- RS on *cap-weighted* Materials (**XLB**) remains in a downtrend -- remain underweight. Price on the XLB has drifted higher after breaking above the multi-month downtrend and \$86 level (top clip at right, in red) -- add selective exposure.
- Gold miners (**GDX**) remain leadership, and the same goes for agricultural chemicals. Buy pullbacks/stay long these areas.
- Attractive names include: **CF**, **CTVA**, **MOS**, **NEM**, and **FCX** (bottom-fishing candidate).

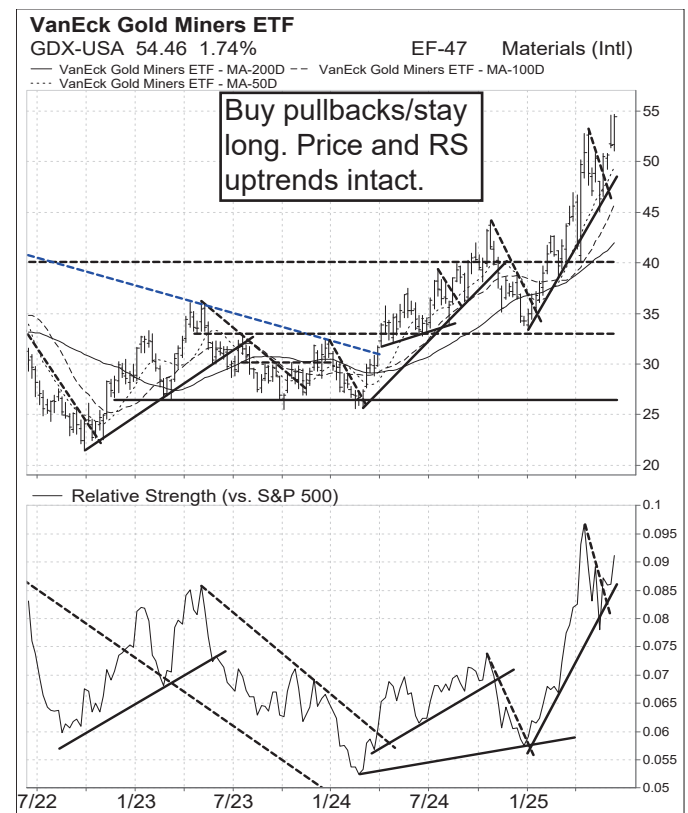
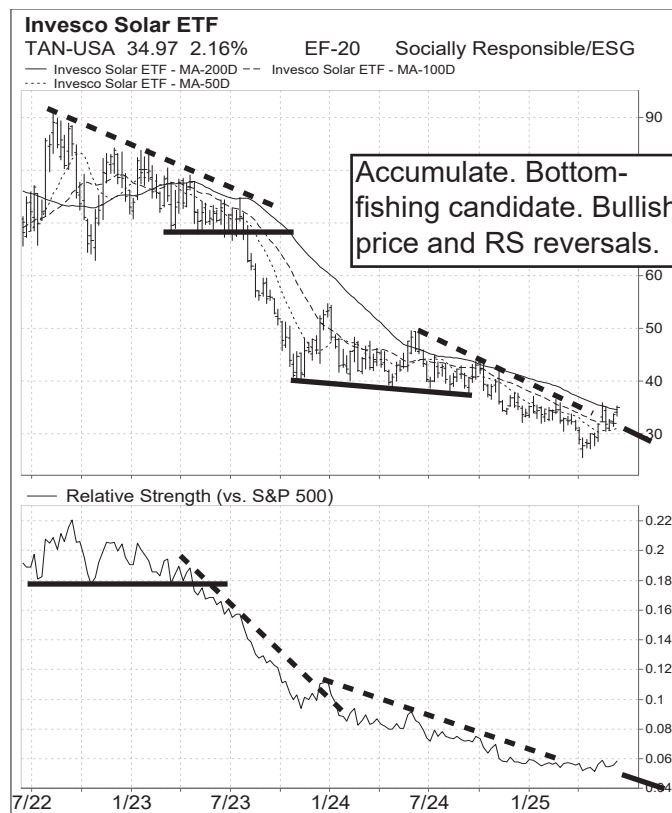
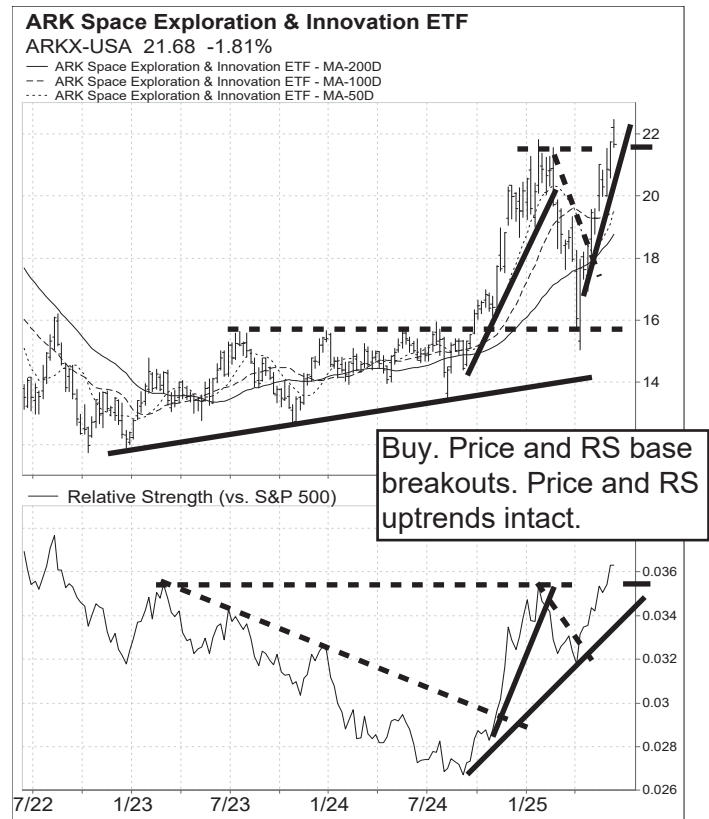
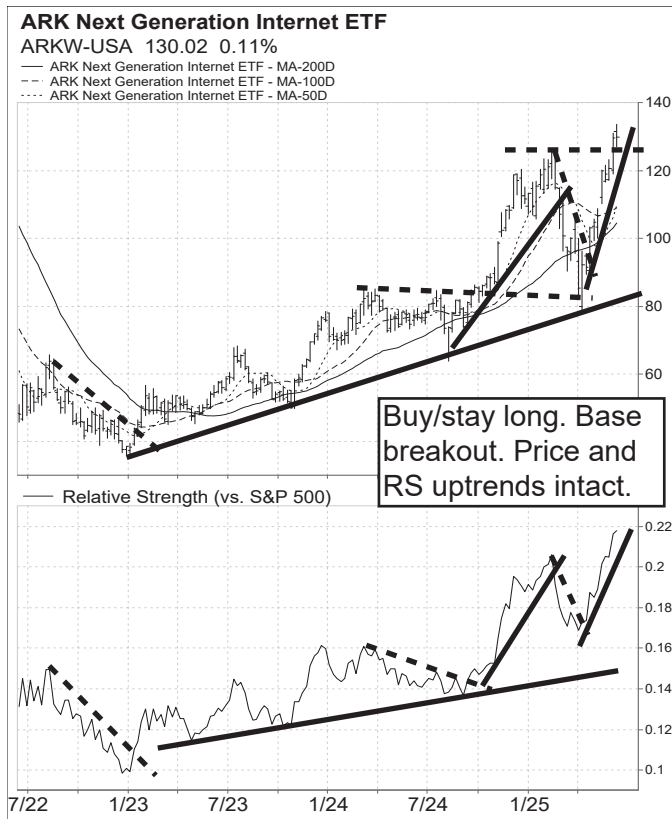
Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	19.4	CTVA	4.9
SHW	7.2	VMC	4.6
NEM	6.1	FCX	4.4
APD	5.5	MLM	4.3
ECL	5.5	NUE	3.8



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Actionable Industry ETFs

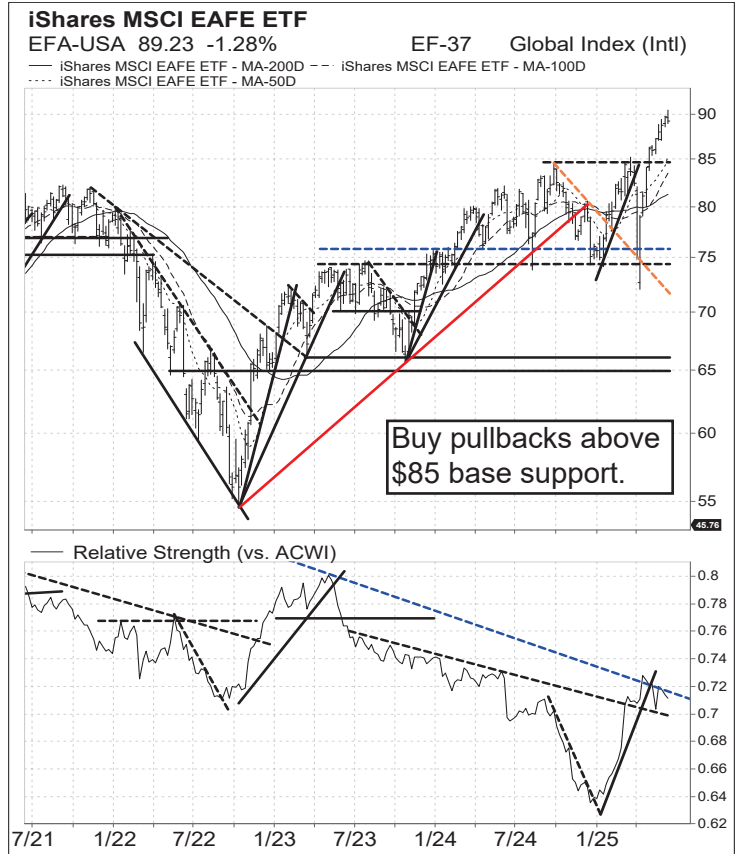
- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: ARKW, ARKX, TAN, and GDX



Developed Int'l Markets

MSCI EAFE (**EFA**) remains topside the base and is still bullish from a price perspective -- buy pullbacks/stay long. Support is at \$85. With that said, stay underweight EAFE (vs. MSCI ACWI) with RS below the long-term downtrend.

Developed int'l countries/regions highlighted to buy/stay long: Canada (**EWC**), Norway (**ENOR**), and Ireland (**EIRL**)... see charts on page 11.



Emerging Markets

MSCI EM (**EEM**) is breaking above crucial resistance at \$46.50 -- buy. We noted there was breakout potential in our previous *ETF Pathfinder* (5/19/25). Immediate support is at \$46.50 followed by \$44.50-\$45.50 (in blue). RS (vs. MSCI ACWI) remains in a well-defined downtrend (in red); remain underweight EM (vs. MSCI ACWI).

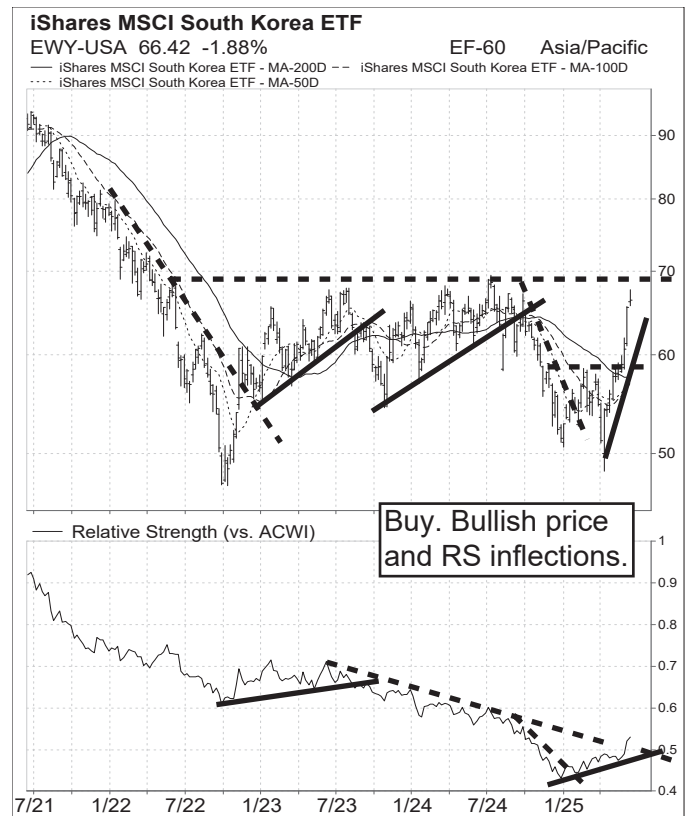
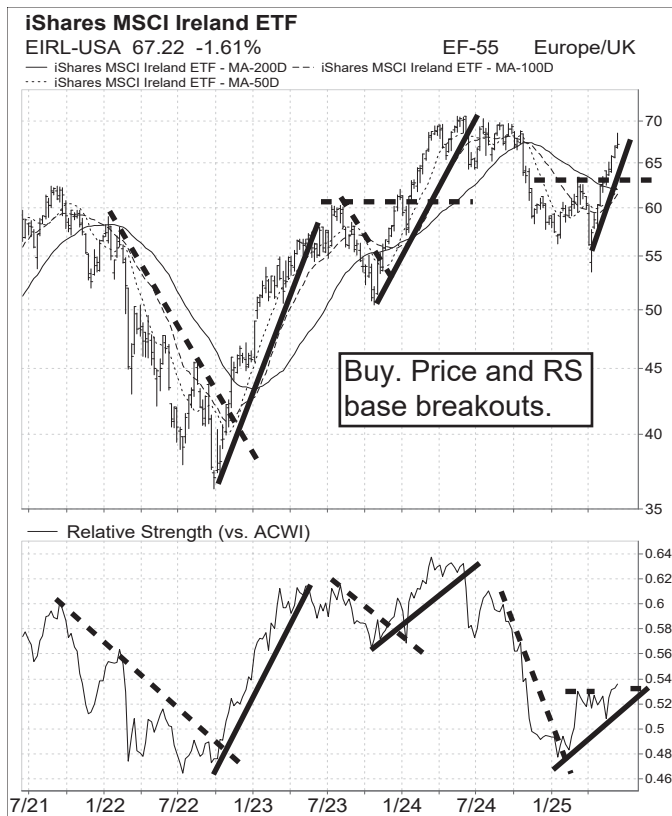
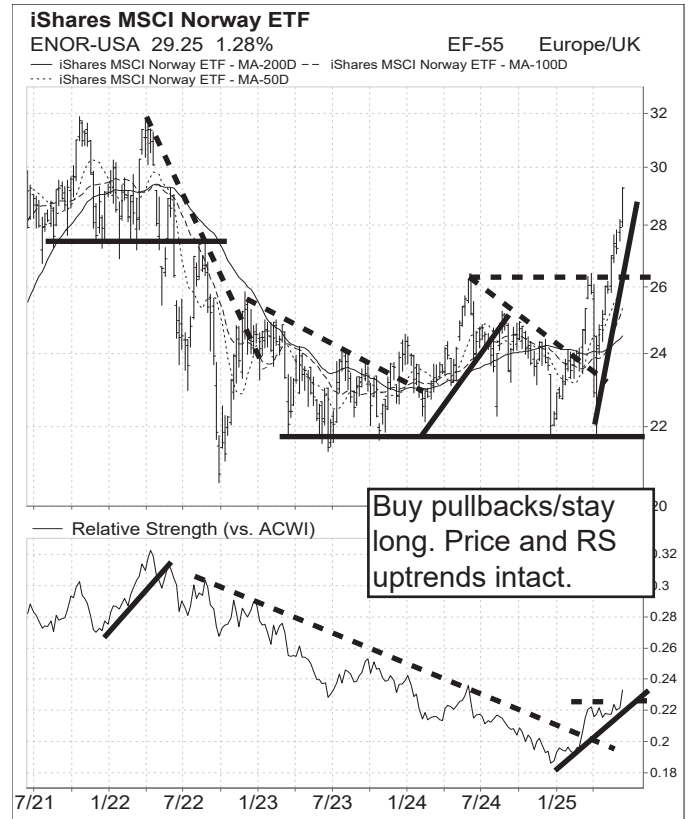
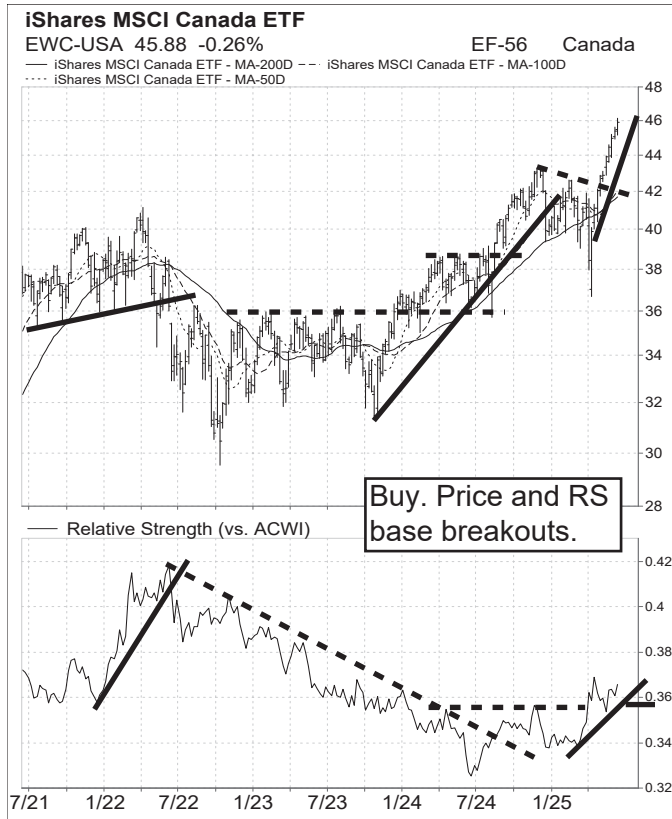
EM countries/regions highlighted to buy/stay long: Korea (**EWY**), Taiwan (**EWT**), Greece (**GREK**), Brazil (**EWZ**), and Peru (**EPU**)... see charts on pages 11-12.

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.



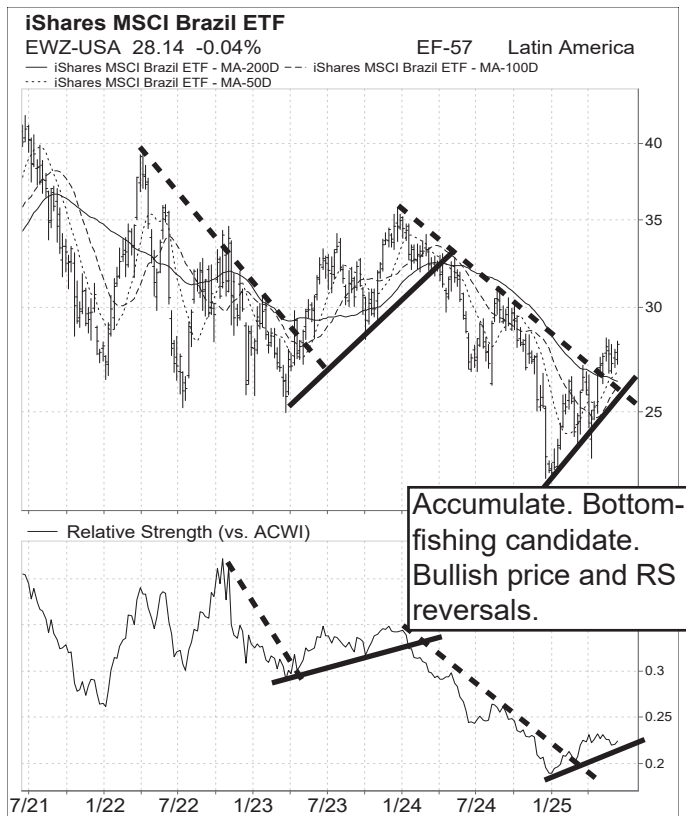
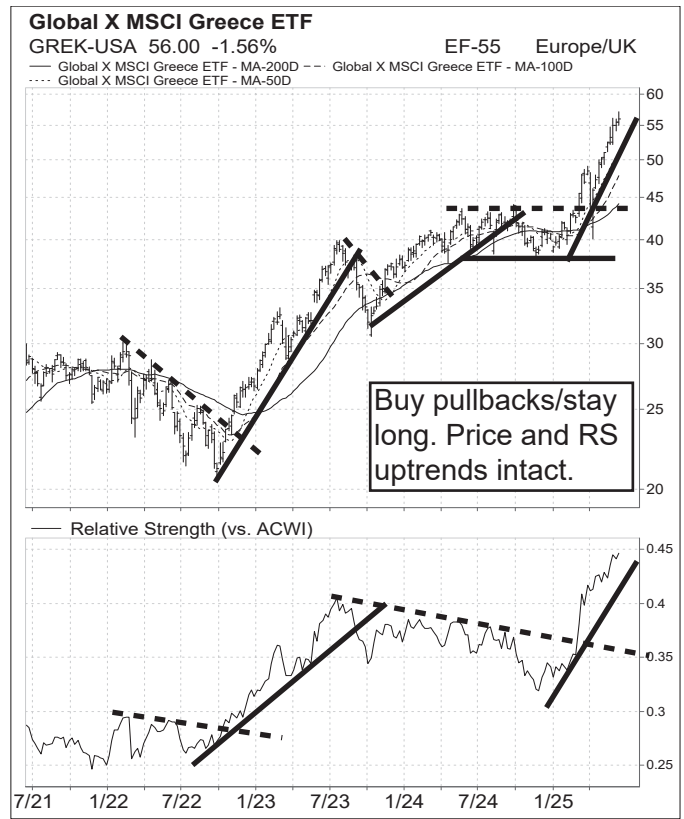
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EWC, ENOR, EIRL, EWY, EWT, GREK, EWZ, and EPU



Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EWC, ENOR, EIRL, EWY, EWT, GREK, EWZ, and EPU



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