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## Still Expecting Weakness; Many Sector Weighting Changes

We maintain our *near-term* bullish outlook on the S&P 500 (SPX) and Russell 2000 (IWM), which has remained in place since 4/22/25, aside from one week (11/19/25-11/25/25) when we went to neutral. We will stay *near-term* bullish as long as crucial support levels of 6780-6824 on SPX and \$255-\$257 on IWM continue to hold. With that said, we continue to see deterioration in market dynamics that has us concerned of a deeper pullback, likely to 6720-6776, 6690, or 6480-6520 on SPX, but the 6780-6824 support level would need to break to give us confidence that the pullback has begun. Our intermediate-term bullish outlook has been in place since our 5/14/25 *Compass*. We will maintain our bullish intermediate-term outlook, and recommend buying pullbacks, as long as market dynamics remain constructive and the SPX is above 6480-6520 and IWM is above \$245. SPX supports include 6824, 6780-6800, 6720-6770, 6690, and 6480-6520.

- **Near-Term Headwinds.** We still see reason for near-term caution: (1) Defensive Sectors including Staples (XLP), Utilities (XLU), and Real Estate (XLRE) are at 4+ month RS highs, while Energy and Materials are also leadership, a late-cycle warning. (2) High yield spreads are at 8-month wides and testing the key 320bps level. (3) Interest rate volatility (MOVE index) is at 2.5-month highs. (4) The U.S. dollar (DXY) has held above \$96.40 support. (5) The QQQ displays a 9-month uptrend violation. (6) Bitcoin remains long-term bearish. (7) WTI crude oil is bottoming, while other commodities (DJP, UGA) display 3.5+ year breakouts... *see charts below and page 2.*

- **Actionable Industry ETFs: OIH, EMET, GDX, and PICK...** *see page 9.*
- **EM and Int'l Markets.** Remain overweight MSCI EM (EEM), and market weight MSCI EAFE (EFA)... *see page 10.*
- **Actionable Int'l ETFs: EPOL, EWW, EPU, EZA, THD, DXJ, EWA, VGK, EWU, EWL, EWD, and ENOR...** *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 →	X
Energy (RSPG, XLE)		X →	X
Financials (XLF)	X ←	X	
Health Care (XLV)	X		
Industrials (XLI)		X →	X
Materials (XLB)		X →	X
Real Estate (XLRE)	X		
Technology (XLK)		X ←	X
Utilities (XLU)		X	

No "new" changes. Lots of catching up from *Compass* and U.S. MV.

### S&P 500

SP50-USA 6878.88

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



S&P 500 making a lower high (in orange). Short-term support is at 6780-6824 (in blue and purple). We remain near-term bullish as long as 6780 holds, and we are intermediate-term bullish as long as 6480-6520 holds (in red). We do believe a break of 6780 and test of 6480-6520 is coming, but we need to see 6780 break first. Moreover, we cannot call it a top unless it breaks below 6480 -- something we do not expect to happen at this point in time.

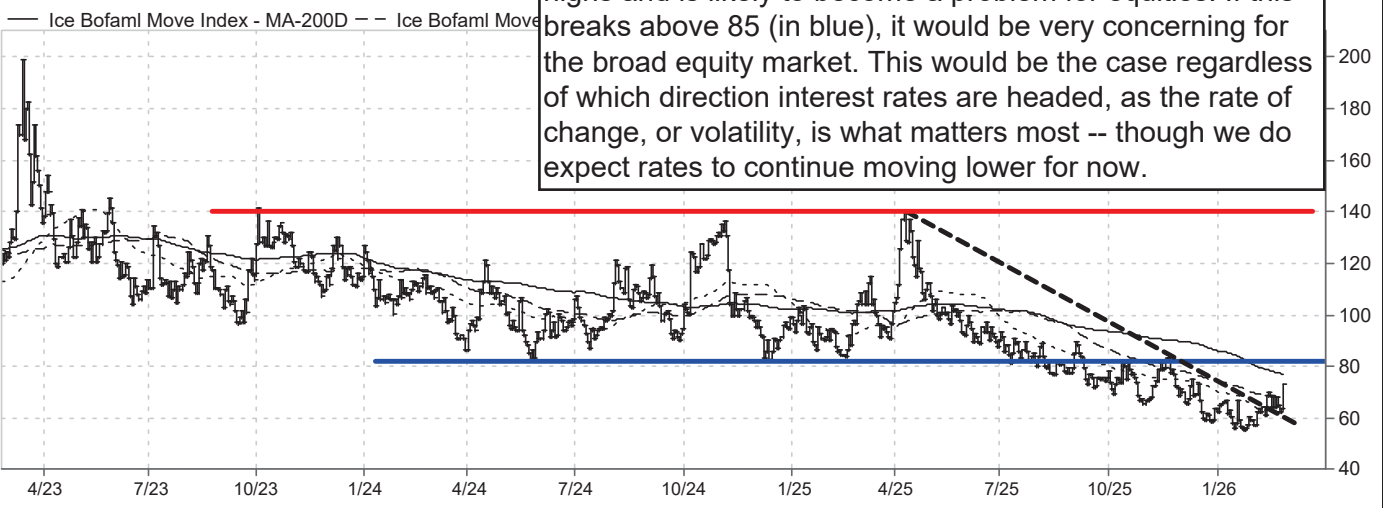
## Concerns: High Yield Spreads, Interest Rate Vol (MOVE index), and Commodities

### ICE BofA US High Yield Spread vs. US Benchmark Bond - 10 Year



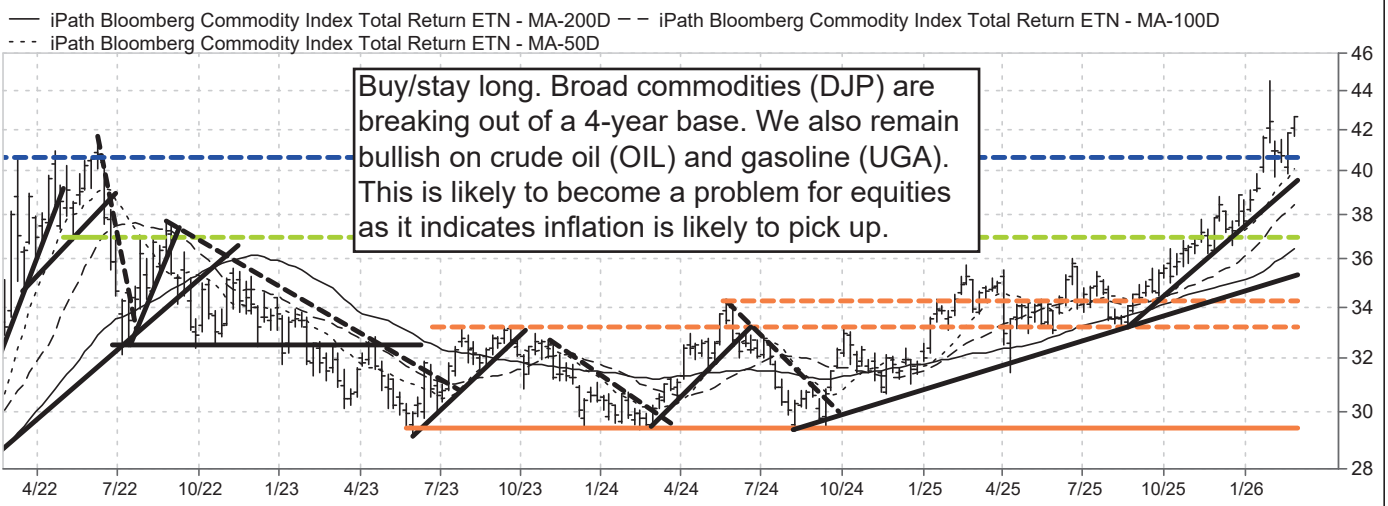
### Ice Bofaml Move Index

MOVE.IDX-USA 73.38



### iPath Bloomberg Commodity Index Total Return ETN

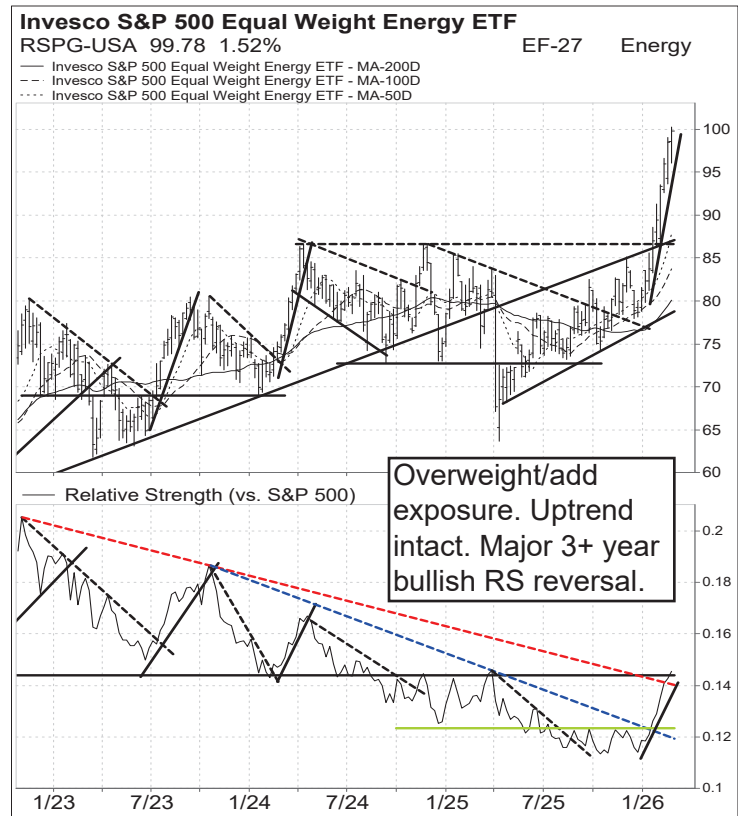
DJP-USA 42.69



## Energy (XLE, RSPG): Overweight (upgrading today from Market Weight)

- **UPGRADE.** This gets us into alignment with other reports, as we upgraded Energy to overweight in our 2/10/26 *U.S. Macro Vision* following 3.5-year (and 18-year) base breakouts above \$86.50 on the *equal-weighted RSPG* ETF and \$47-\$47.50 on the *cap-weighted XLE*. RS on both the RSPG and XLE is reversing above their 3+ year RS downtrends. We expect outperformance to continue, which is generally not a good sign for the broad market.
- Services/equipment (**OIH, XES**) remains leadership. Buy/stay long: **BKR, HAL, and SLB**.
- Virtually the entire Sector is attractive. Additional attractive names include: **APA, COP, CTRA, CVX, DVN, EOG, EQT, FANG, KMI, OKE, OXY, PSX, TPL, TRGP, VLO, WMB, and XOM**.

Top 10 Holdings (XLE)			
Ticker	Weight (%)	Ticker	Weight (%)
XOM	24.2	EOG	3.9
CVX	17.4	KMI	3.7
COP	6.9	BKR	3.7
WMB	4.6	VLO	3.6
SLB	4.4	PSX	3.6



## Materials (XLB): Overweight (upgrading today from Market Weight)

- **UPGRADE.** This gets us into alignment with other reports, as we upgraded Materials to overweight in our 2/10/26 *U.S. Macro Vision*. RS on *cap-weighted Materials (XLB)* continues to climb after reversing above the 3-year downtrend, and price on the *XLB* remains very bullish above \$49 base support -- buy any pull-backs/stay long.
- Metals & Mining stocks (**XME, GDX**) are leading -- remain overweight. Attractive names to buy/stay long include **FCX, NEM, NUE, and STLD**.
- Additional attractive names include: **SOLS, ALB, CF, CTVA, DD, DOW, ECL, IFF, LIN, PPG, MLM, VMC, AMCR, AVY, BALL, PKG, SW**, and bottom-fishing candidates **APD, LYB, and SHW**.

Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	14.0	ECL	4.6
NEM	8.4	CTVA	4.6
FCX	5.8	APD	4.3
SHW	4.9	MLM	4.0
CRH	4.8	NUE	4.0

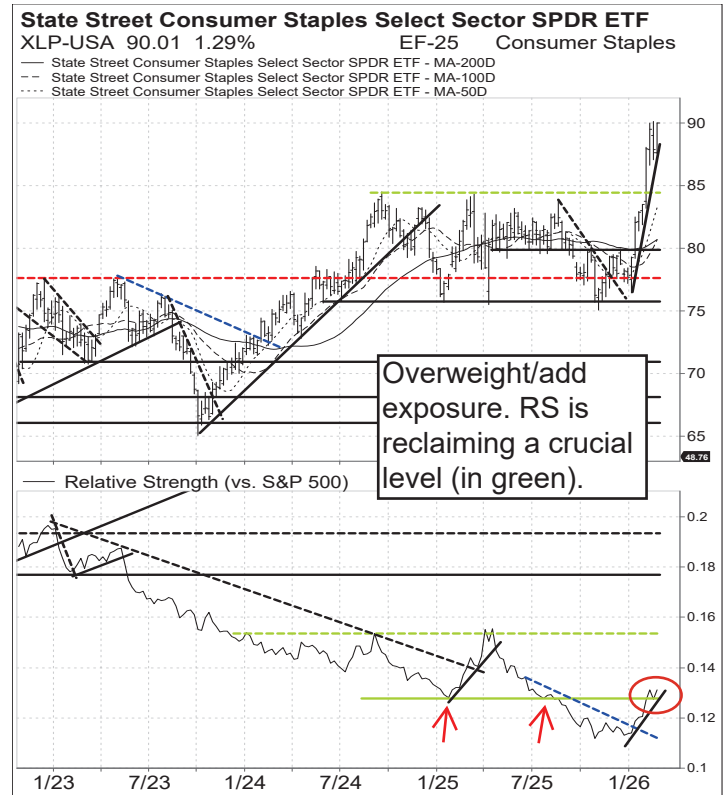


## Consumer Staples (XLP): Overweight (upgrading today from Market Weight)

- **UPGRADE.** We are upgrading Staples to overweight; RS on *cap-weighted* Staples (XLP) has reclaimed the Jan/July 2025 lows, and price remains extremely bullish following the 1.5-year base breakout above \$84.50 -- buy/stay long. \$84.50 is now support. As long as RS on the XLP is not breaking down, the broad equity market is going to struggle for gains.
- There are attractive, outperforming names *everywhere* within Staples. Attractive names to buy/stay long include: **COST, WMT, DG, DLTR, KR, TGT, HSY, TSN, CHD, CL, CLX, PG, EL, KO, MNST, PEP, SY, ADM, BG, MO, PM**, and bottom-fishing candidates **KDP, STZ, TAP, CAG, HRL, MDLZ, MKC, SJM, KMB**, and **KVUE**.

Top 10 Holdings (XLP)

Ticker	Weight (%)	Ticker	Weight (%)
WMT	11.4	CL	4.8
COST	9.1	PEP	4.7
PG	7.9	MO	4.6
KO	6.4	MDLZ	4.5
PM	5.9	MNST	3.6

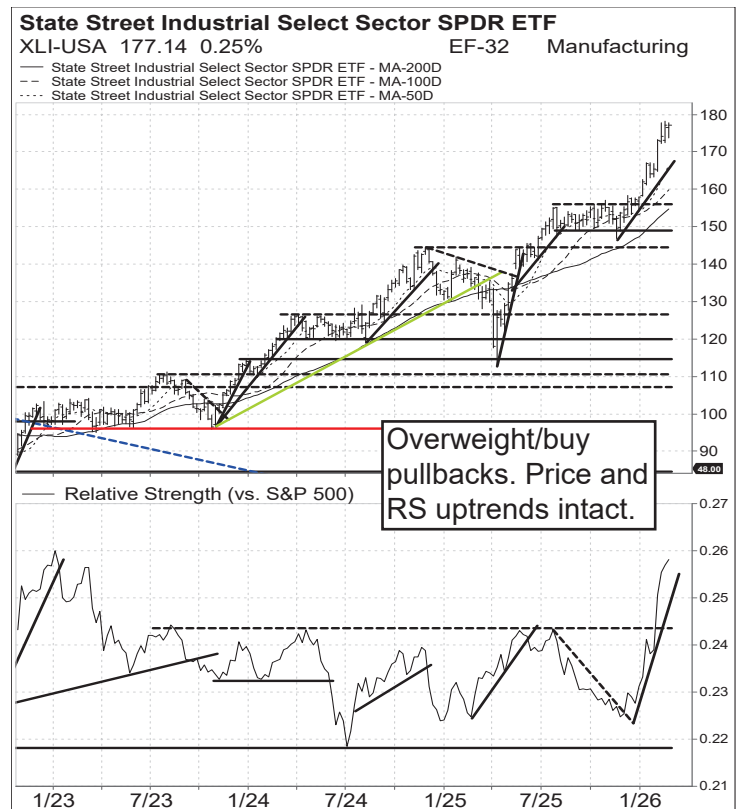


## Industrials (XLI): Overweight (upgrading today from Market Weight)

- **UPGRADE.** This gets us into alignment with other reports, as we upgraded Industrials to overweight in our 2/10/26 *U.S. Macro Vision*. RS on the XLI is breaking above its 3-year base, and price remains bullish with the uptrend intact -- buy pullbacks/stay long. We discussed in our 12/22/25 *ETF Pathfinder* how RS appeared to be bottoming, and it very much did.
- Waste services stocks are bottoming. Buy/stay long: **ROL, WM**, and **RSG**. Also attractive: **GD, GE, HII, HWM, LHX, LMT, NOC, RTX, TXT, CHRW, FDX, UPS, CSX, JBHT, NSC, ODFL, UNP, AOS, JCI, TT, EME, PWR, AME, GEV, HUBB, ROK, HON, CAT, CMI, DE, DOV, FTV, IEX, IR, ITW, NDSN, PCAR, PH, SNA, SWK, WAB, FAST, GWW**, and bottom-fishing candidates **CARR, LII, MAS, CTAS**, and **OTIS**.

Top 10 Holdings (XLI)

Ticker	Weight (%)	Ticker	Weight (%)
GE	6.7	DE	2.9
CAT	6.4	UNP	2.9
RTX	5.0	UBER	2.9
GEV	4.4	HON	2.9
BA	3.3	ETN	2.7



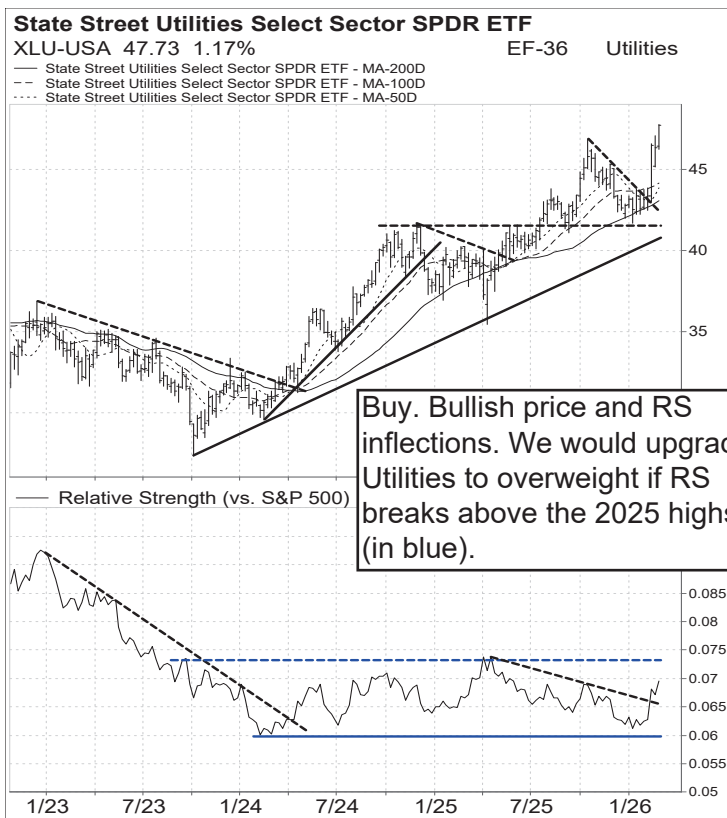


## Utilities (XLU): Market Weight

- RS on *cap-weighted* Utilities (**XLU**) held at long-term support and is now reversing its 10-month RS down-trend – add exposure. Stay at market weight as RS is consolidating within a horizontal range for two years; we would upgrade the Sector to overweight if RS breaks above the 2025 highs. Base support at \$41-\$41.50 held strong on the XLU.
- Leadership is widespread within Utilities. Attractive names include: **AEP, DUK, EIX, ES, ETR, EVRG, EXC, FE, LNT, NEE, NRG, PCG, PNW, PPL, SO, ATO, AEE, CMS, CNP, DTE, ED, NI, PEG, SRE, WEC, and AWK** (bottom-fishing candidate).

### Top 10 Holdings (XLU)

Ticker	Weight (%)	Ticker	Weight (%)
NEE	13.3	SRE	4.3
SO	7.3	VST	3.8
CEG	7.0	D	3.7
DUK	6.9	EXC	3.4
AEP	4.9	XEL	3.4

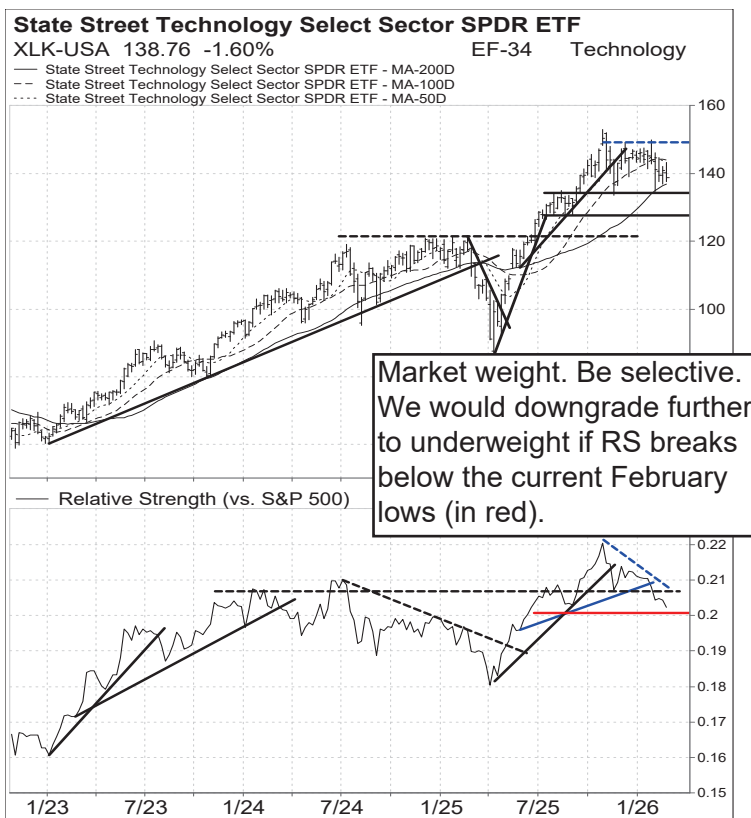


## Technology (XLK): Market Weight (downgrading today from Overweight)

- **DOWNGRADE.** We are downgrading *cap-weighted* Technology (**XLK**) to market weight as RS violated the 8-month uptrend in late-January 2026. We would likely downgrade further to underweight if RS breaks below the current early-February low, particularly if semiconductors begin to deteriorate, something we have yet to materially see. Price supports that we have discussed have held, including \$137.50, \$133-\$135, and \$128.
- Semiconductors (**SMH, SOXX**) remain leadership; remain overweight/buy pullbacks/stay long: **ADI, AMAT, INTC, KLAC, LRCX, MCHP, MPWR, MU, ON, Q, TER, and TXN.**
- Also attractive: **SNDK, STX, WDC, ANET, CSCO, MSI, APH, GLW, JBL, KEYS, TDY, AKAM, and DELL.**

### Top 10 Holdings (XLK)

Ticker	Weight (%)	Ticker	Weight (%)
NVDA	14.7	AMD	2.9
AAPL	13.3	PLTR	2.8
MSFT	10.0	CSCO	2.8
AVGO	5.1	AMAT	2.6
MU	4.1	LRCX	2.6

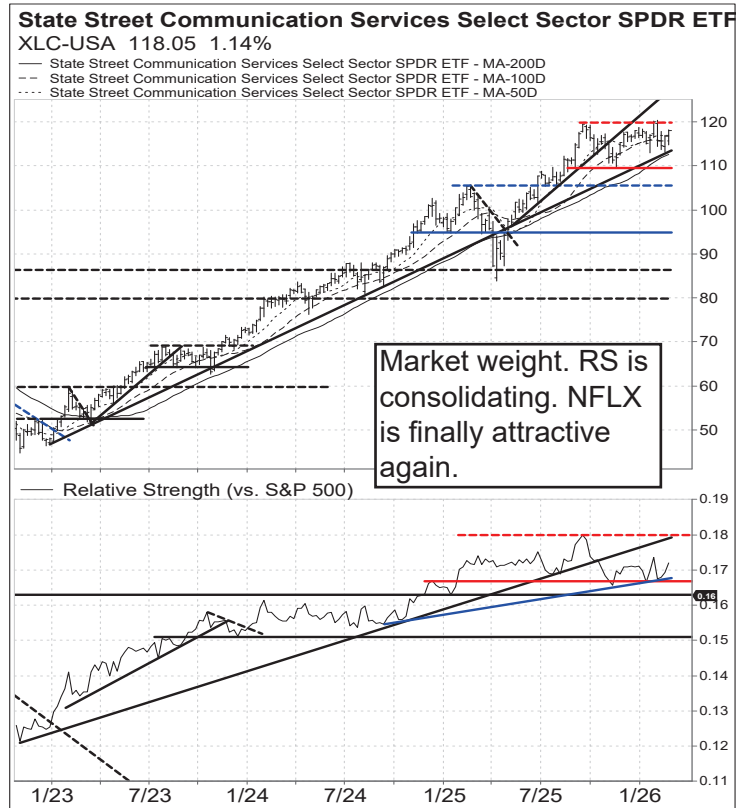


## Communication Svcs (XLC): Market Weight (downgraded 1/26/26 from Overweight)

- RS continues to consolidate on *cap-weighted* Communications (**XLC**); stay at market weight. Price is also consolidating on the XLC, within a longer-term uptrend. Crucial support remains at \$110 on the XLC. The *equal-weighted* Communications Sector (**RSPC**) remains much weaker than the XLC.
- Telecommunications (**IYZ**) is leadership, though a lot of the outperformance from this particular ETF is due to strength from names such as LITE and CIEN, which are more Technology stocks. Attractive names include: **T**, **VZ**, and bottom-fishing candidates **CHTR**, **CMCSA**, and **TMUS**.
- Additional attractive names include: **GOOGL**, **TKO**, **OMC**, **LYV**, and **NFLX** (bottom-fishing candidate).

### Top 10 Holdings (XLC)

Ticker	Weight (%)	Ticker	Weight (%)
META	19.4	T	5.1
GOOGL	10.6	CMCSA	5.0
GOOG	8.5	TMUS	4.9
NFLX	5.6	EA	4.4
VZ	5.6	DIS	4.3

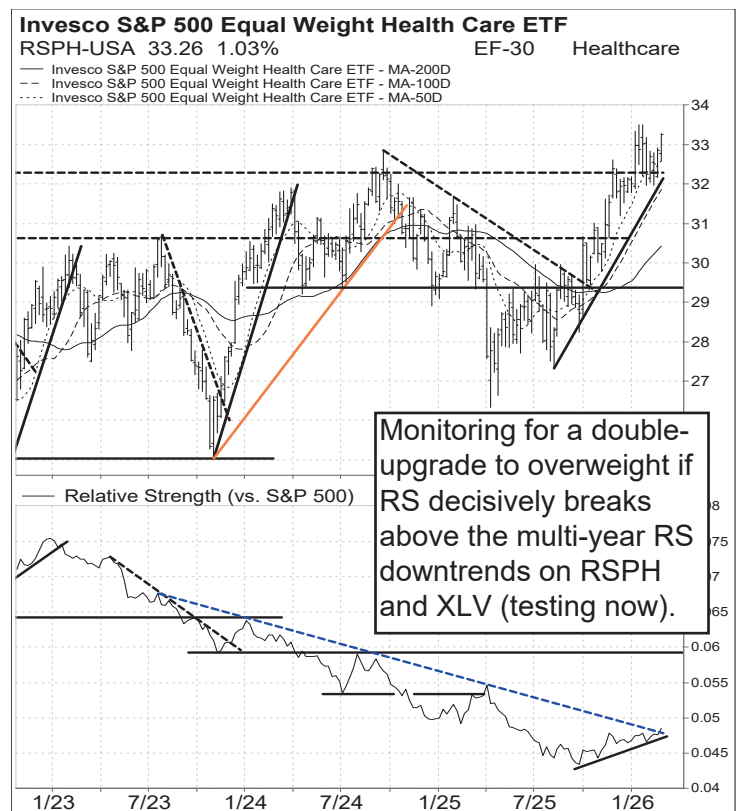


## Health Care (XLV, RSPH): Underweight

- Long-term RS downtrends remain intact on the **XLV** and **RSPH**. With that said, multi-year RS downtrends are currently being tested as RS consolidates in a tight range for 3+ months on both the XLV and RSPH. Our underweight recommendation is appropriate, but we would likely do a double-upgrade to overweight if RS breaks above their long-term downtrends.
- Large-cap biotechnology (**IBB**) is leadership -- remain overweight/add exposure. Attractive names include: **AMGN**, **BIIB**, **GILD**, **INCY**, **MRNA**, **REGN**, and **VRTX**.
- Additional attractive names include: **CAH**, **COR**, **MCK**, **BMJ**, **JNJ**, **LLY**, **MRK**, **PFE**, **VTRS**, **ABBV**, **CVS**, **DGX**, **DVA**, **HCA**, **HSIC**, **LH**, **ALGN**, **BDX**, **COO**, **GEHC**, **SYK**, and bottom-fishing candidates **CI** and **CNC**.

### Top 10 Holdings (XLV)

Ticker	Weight (%)	Ticker	Weight (%)
LLY	14.4	AMGN	3.6
JNJ	10.3	ABT	3.5
ABBV	7.1	TMO	3.4
MRK	5.3	GILD	3.2
UNH	4.6	ISRG	3.1



## Cons. Discretionary (XLY): Underweight (downgrading today from Market Weight)

- **DOWNGRADE.** RS on *cap-weighted* Discretionary (XLY) is violating support from 2025, and price is testing crucial support at \$115 and the 200-day MA after failing to sustain a breakout above major \$121.50 resistance – reduce exposure and be selective.
- Several restaurant stocks are leadership. Buy/stay long: **DRI, MCD, SBUX, and YUM.**
- Additional attractive names include: **ROST, TJX, ULTA, RL, TPR, F, HAS, DHI, PHM, CCL, NCLH, RCL, HLT, MAR, LOW,** and bottom-fishing candidates **ABNB, MHK, AZO, HD, and DECK.**

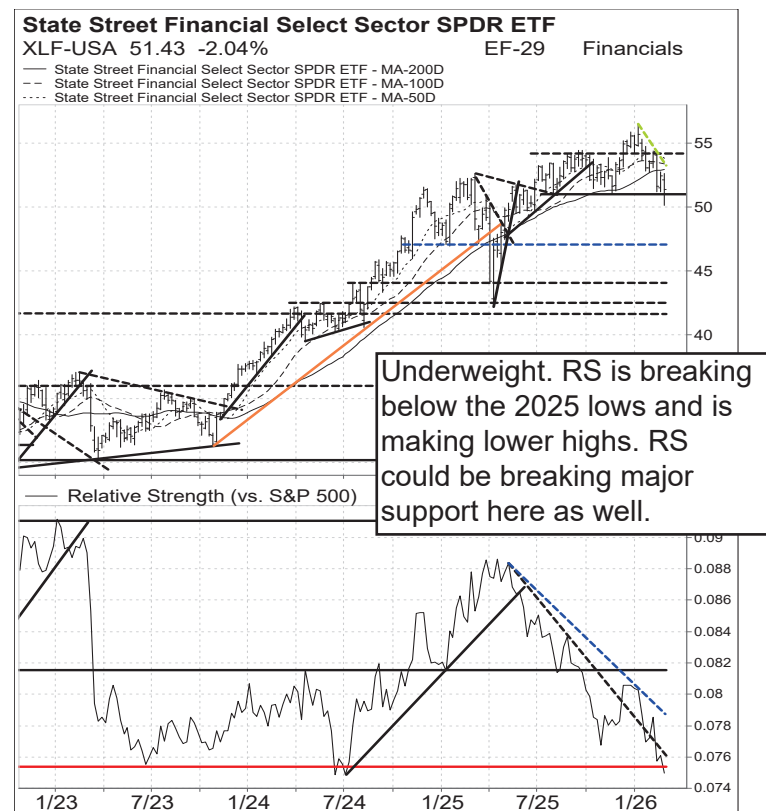
Top 10 Holdings (XLY)			
Ticker	Weight (%)	Ticker	Weight (%)
AMZN	21.3	LOW	3.5
TSLA	19.0	BKNG	3.2
HD	6.4	SBUX	2.6
MCD	5.1	ORLY	1.9
TJX	4.2	RCL	1.9



## Financials (XLF): Underweight (downgrading today from Market Weight)

- **DOWNGRADE.** RS on *cap-weighted* Financials (XLF) broke below the 2025 lows and remains in a general downtrend. Price on the XLF managed to hold at 8-month support at \$51, but remains below the 200-day MA and current resistance at \$53 -- be very selective. Even the largest banks -- *and the most important* -- are now starting to falter. We would avoid or sell names that we have been bullish on for a long time, such as GS, C, and MS.
- Insurance (**IAK**) is starting to lead. Attractive names include: **CB, GL, HIG, L, PFG, TRV,** and bottom-fishing candidates **BRK.B, ACGL, AFL, ALL, and PGR.**
- Additional attractive names include: **BK, CBOE, CME, NTRS, and STT.**

Top 10 Holdings (XLF)			
Ticker	Weight (%)	Ticker	Weight (%)
BRK.B	12.6	GS	3.5
JPM	11.1	WFC	3.5
V	7.3	MS	2.7
MA	5.8	C	2.7
BAC	4.5	AXP	2.3



## Real Estate (XLRE): Underweight

- The long-term RS downtrend remains intact on Real Estate (**XLRE**) (in red). The shorter-term (9-month) RS downtrend was reversed, suggesting more near-term outperformance is likely. We still want to be buying names in this Sector, as the list of attractive names has expanded. We discussed in our 1/12/26 *ETF Pathfinder* how there has not been any downside follow-through after breaking below \$40.50, suggesting a break *above* \$40.50 would be a good time to buy; that was indeed an ideal time to buy, with the XLRE now breaking above major resistance at \$43. \$43 is now support.
- Attractive names: **VTR, WELL, HST, PLD, FRT, KIM, O, REG, SPG, EQIX**, and bottom-fishing candidates **AMT, DLR, EXR, IRM, PSA, SBAC**, and **VICI**.

Top 10 Holdings (XLRE)			
Ticker	Weight (%)	Ticker	Weight (%)
WELL	10.3	SPG	4.8
PLD	9.6	PSA	4.8
EQIX	6.9	DLR	4.6
AMT	6.5	VTR	4.1
O	4.9	CCI	4.0

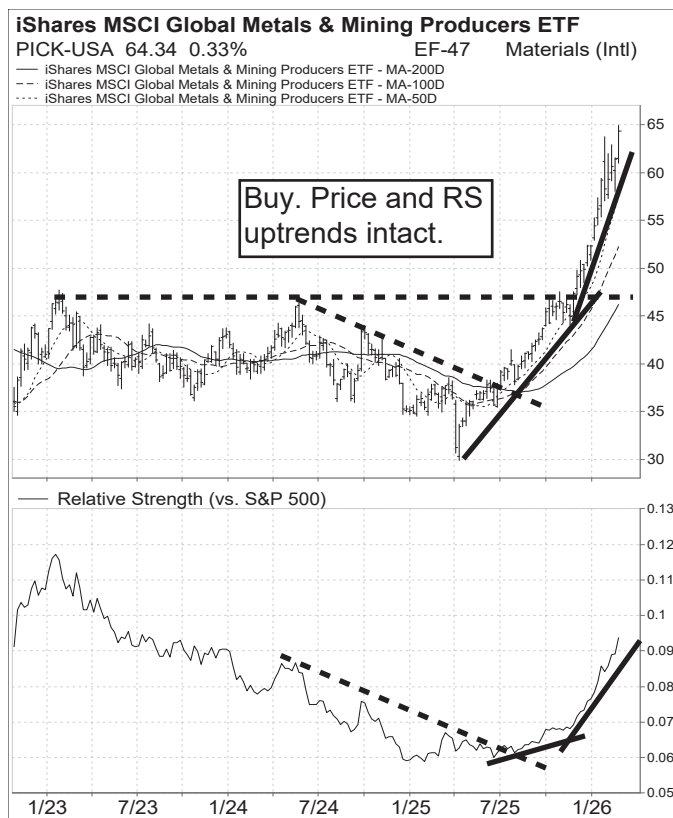
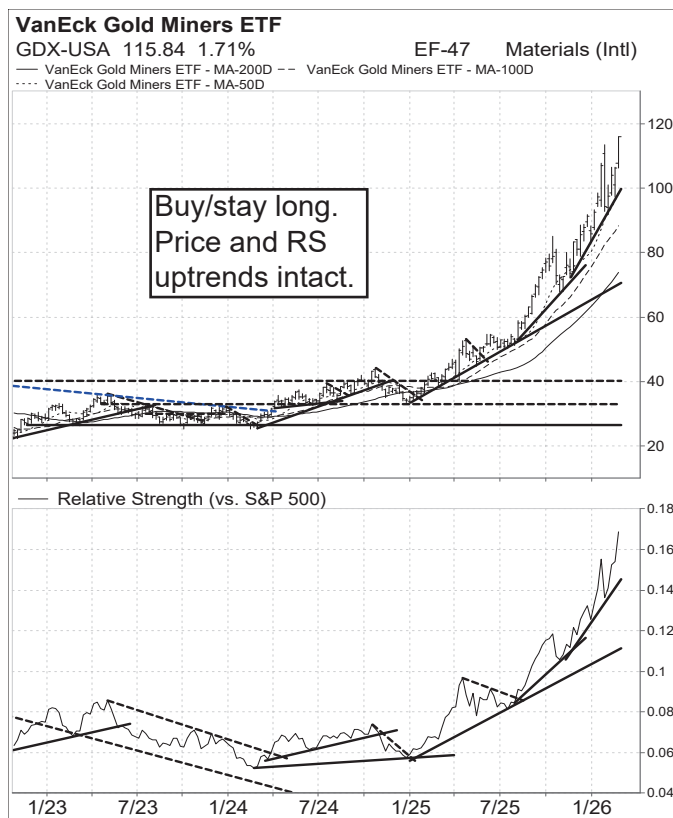
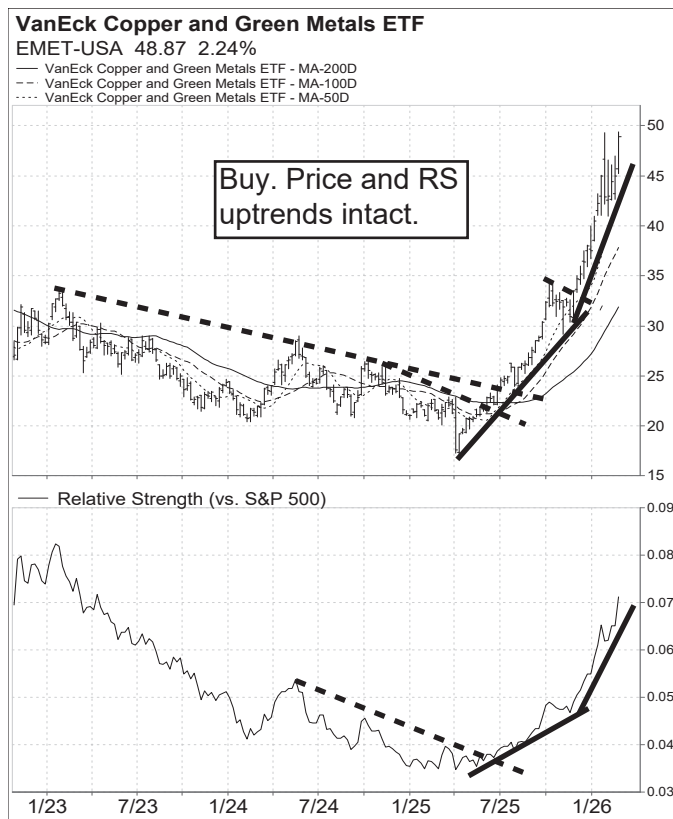
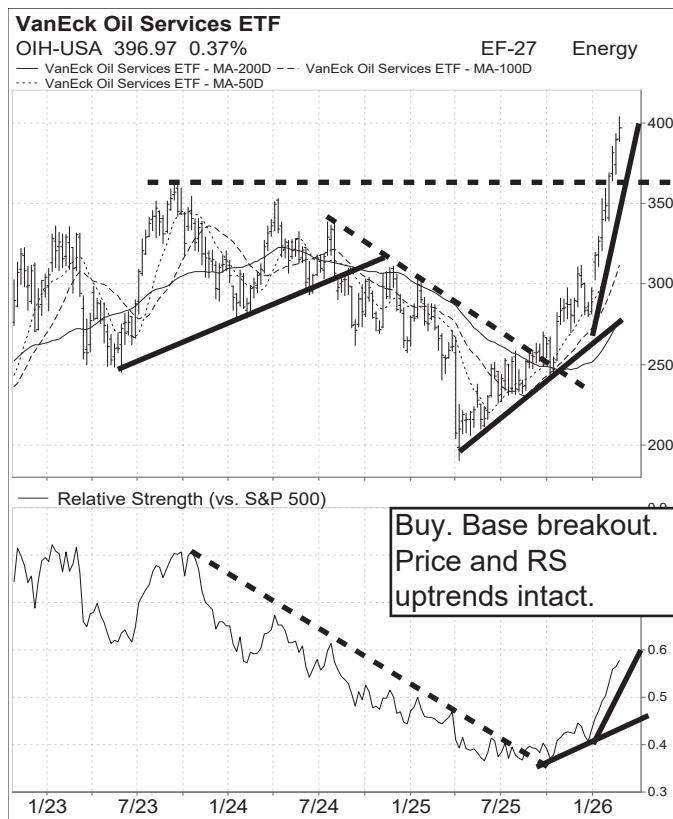


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## Actionable Industry ETFs

- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: OIH, EMET, GDX, and PICK



## Emerging Markets

We upgraded EM to overweight in our 1/26/26 *ETF Pathfinder*, as RS on MSCI EM (vs. MSCI ACWI) broke above 2-year horizontal resistance (see bottom clip at right, in green). Remain overweight/buy pullbacks with price and RS uptrends intact on the EEM. Supports to watch on EEM include the 20-day MA, \$58.30, \$55-\$56, and \$52-\$52.50.

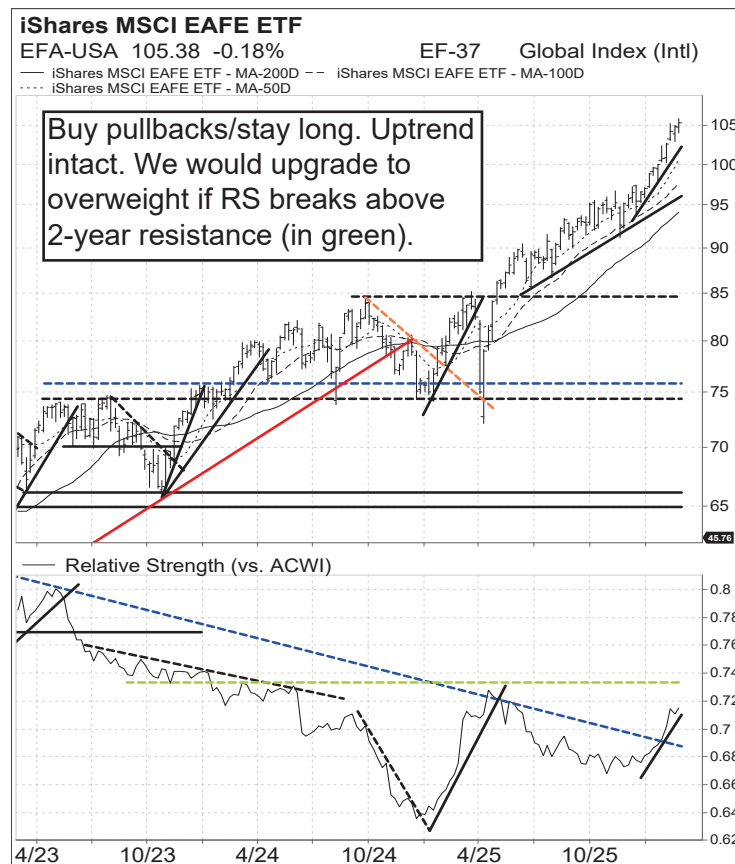
EM countries/regions highlighted to buy/stay long: Poland (**EPOL**), Mexico (**EWX**), Peru (**EPW**), South Africa (**EZA**), and Thailand (**THD**)... see charts on pages 11-12.



## Developed Int'l Markets

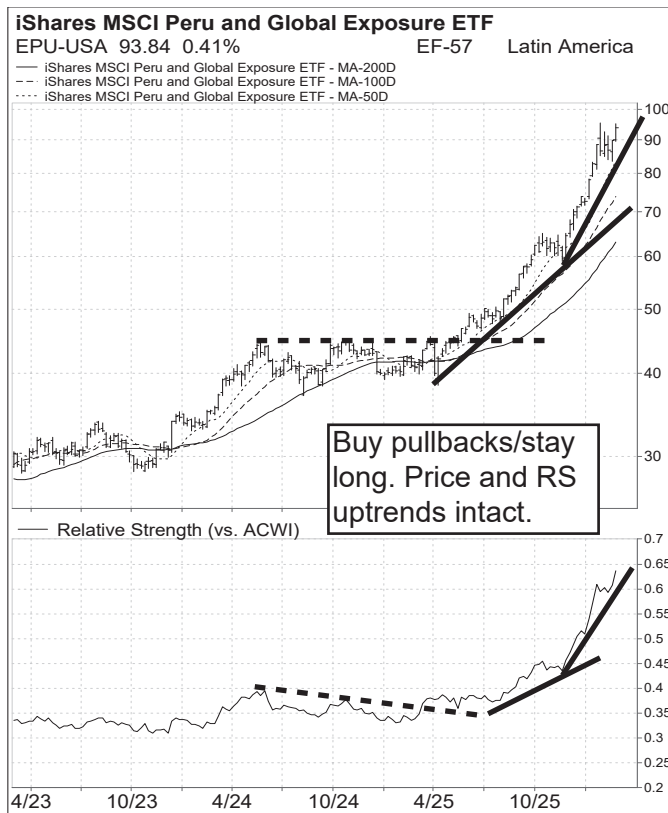
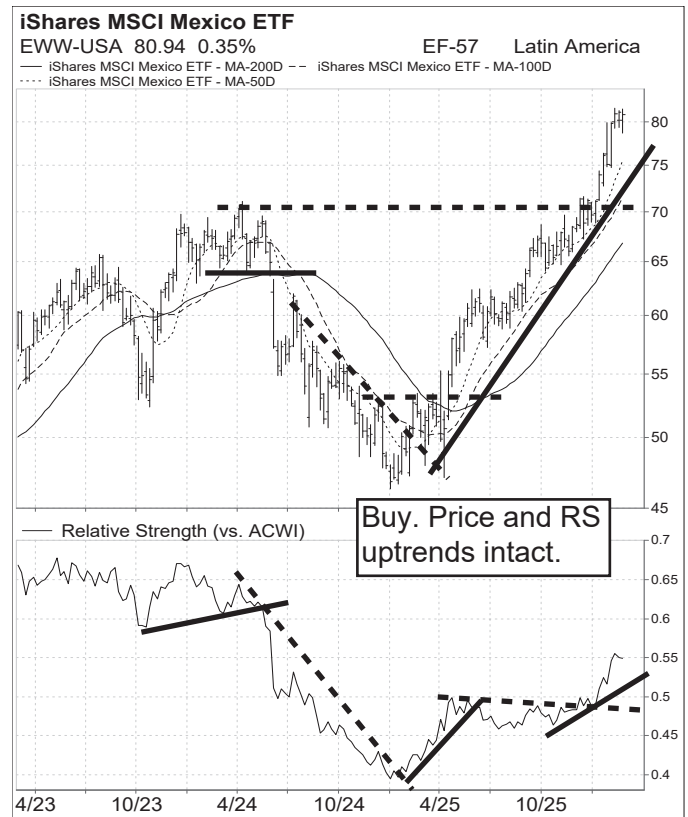
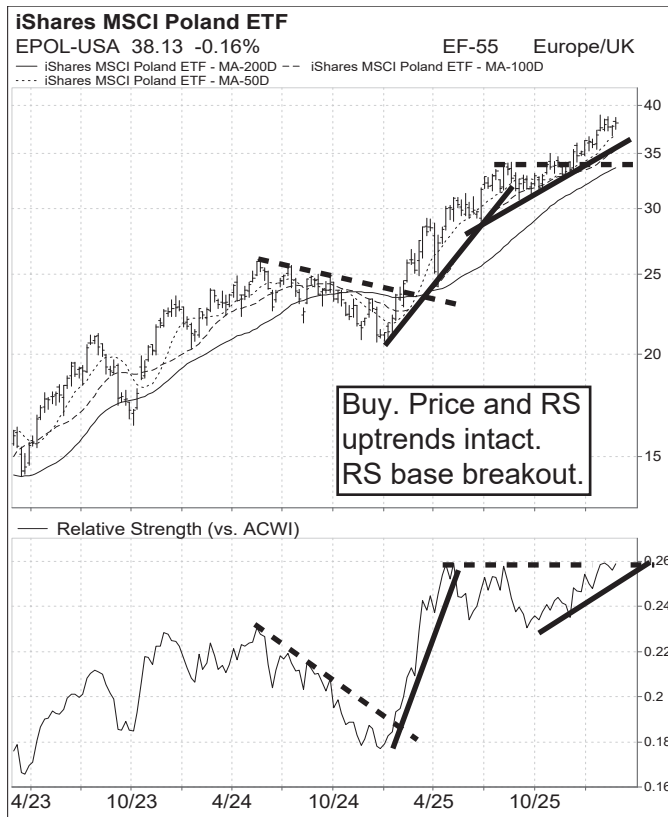
We also upgraded MSCI EAFE (**EFA**) to market weight in our 1/26/26 *ETF Pathfinder*, as RS displayed a 7-month downtrend reversal. RS is now reversing above its 18+ year RS downtrend (vs. MSCI ACWI) shown in blue. We would upgrade EAFE to overweight if RS breaks above 2-year horizontal resistance (see bottom clip at right, in green). EFA remains in an accelerated uptrend with support at the 20-day MA (currently \$103.75). Stay long and buy any pullbacks. Additional supports to watch are at \$102, \$100, and \$97-\$98.

Developed int'l countries/regions highlighted to buy/stay long: Japan Hedged (**DXJ**), Australia (**EWA**), Europe (**VGK**), United Kingdom (**EWU**), Switzerland (**EWL**), Sweden (**EWD**), and Norway (**ENOR**)... see charts on pages 12-13.



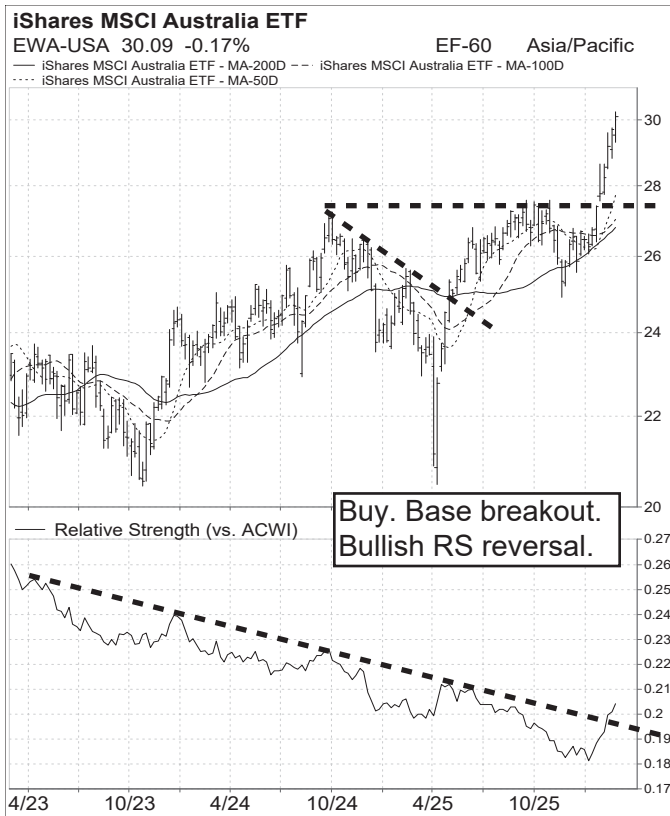
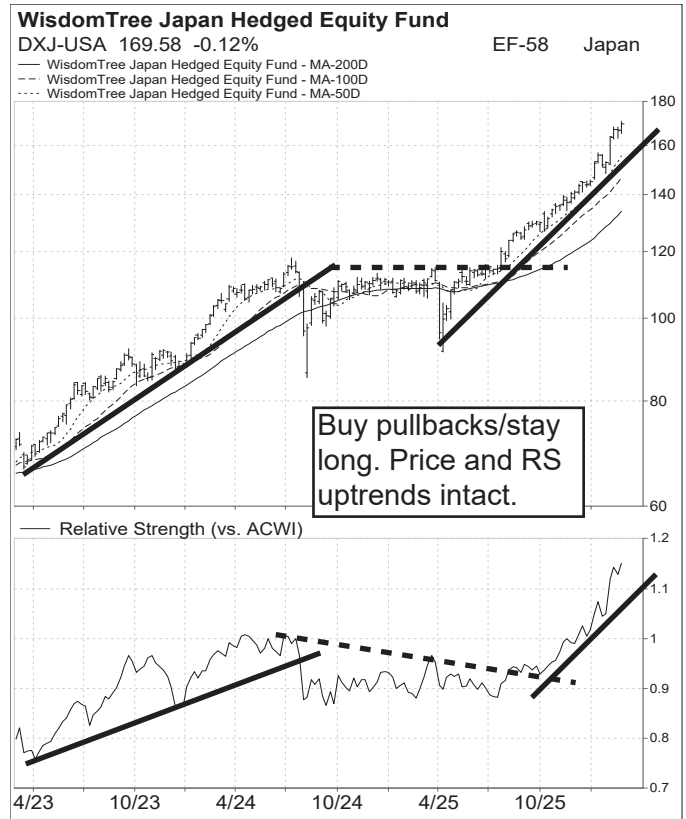
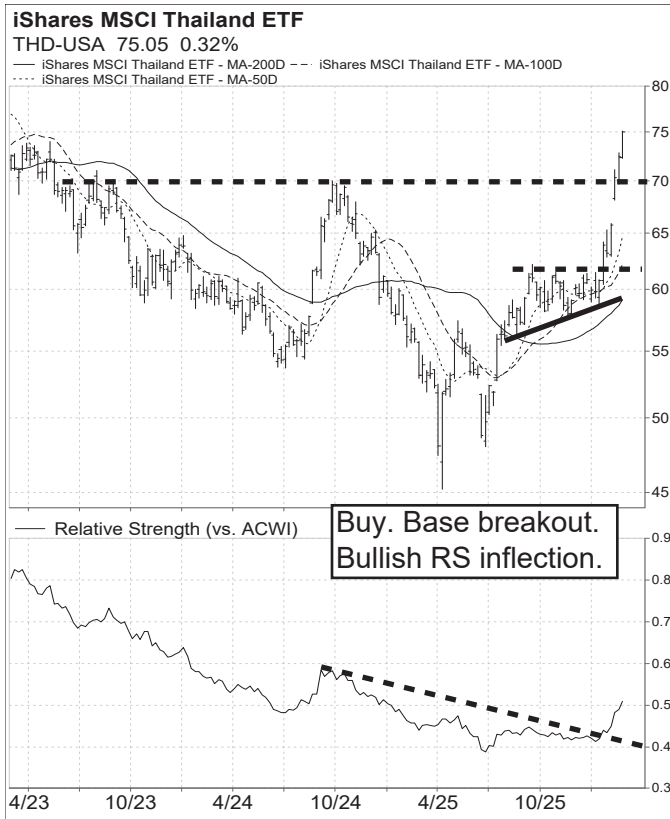
## Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EPOL, EWW, EPU, EZA, THD, DXJ, EWA, VGK, EWU, EWL, EWD, and ENOR



## Actionable International ETFs

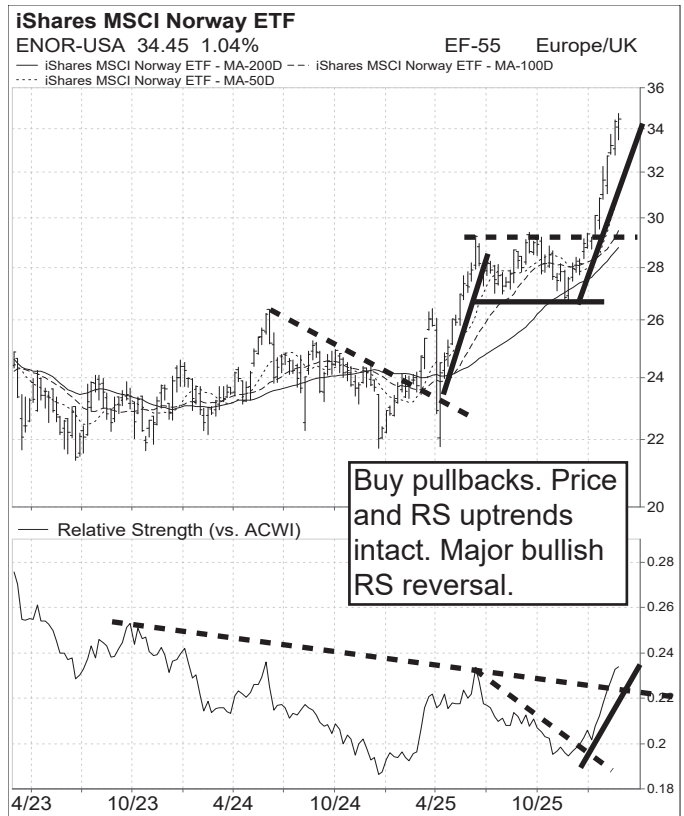
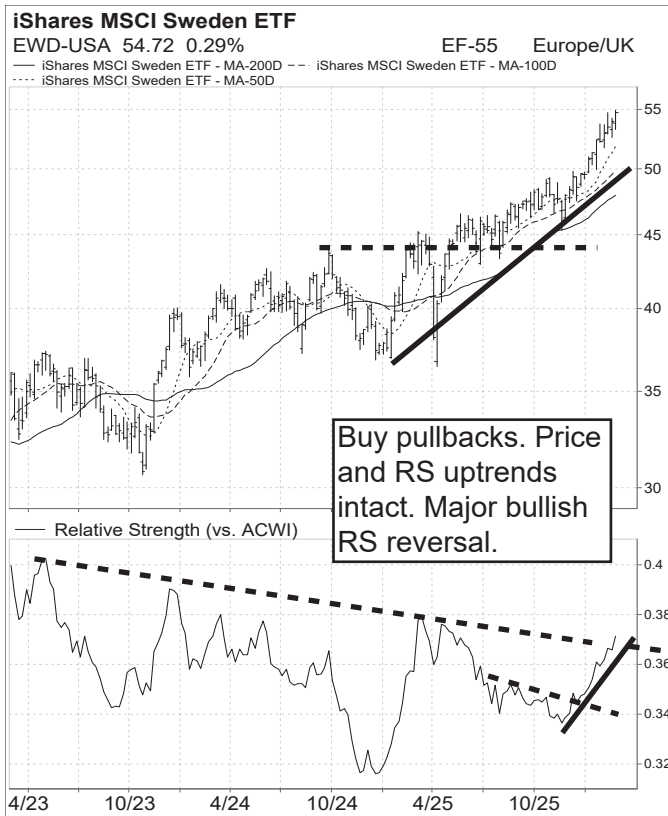
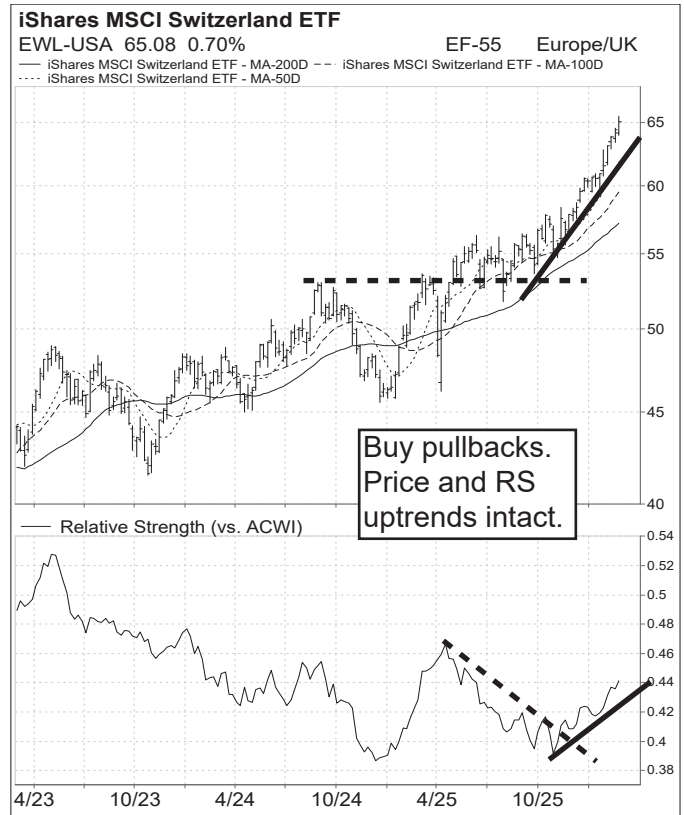
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## Actionable International ETFs

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