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Upgrading SPX/QQQ/IWM Outlook to Bullish; Buy the Dips Market; Downgrading Staples

We are upgrading our outlook to bullish on the S&P 500 (SPX), Nasdaq 100, and Russell 2000 (IWM). Market dynamics have improved considerably ever since the major bullish false breakdowns at 6480-6520 on the SPX, 24,000 on Nasdaq futures (NQ), and \$245 on the IWM. Everything that we see suggests bulls remain firmly in control, so we want to be buying any pullbacks for the foreseeable future to the 20-day MA or 21-day EMAs on SPX, QQQ, and IWM.

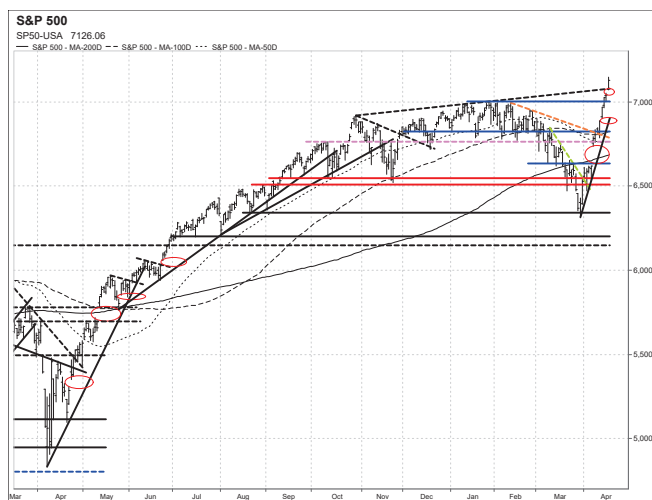
- **Risk-On.** In addition to breakouts to all-time highs on SPX, QQQ, and IWM, additional improvements in market dynamics that supports our bullish outlook include: (1) High yield spreads are back below 320bps. (2) The U.S. dollar (DXY) remains below \$100.25-\$100.80 resistance and also violated its 21-day EMA support. (3) U.S. interest rate volatility (MOVE index) fell back below the crucial 85 level. (4) Semiconductors remain leadership, with the **SMH** ETF holding above \$365 support and the **SOXX** ETF holding above \$308 support – with both now breaking out to new price and RS highs (remain overweight/buy pullbacks). (5) Energy (**XLE**) and defensive Sectors such as Staples (**XLP**) and Health Care (**XLV**) are hitting 3-6-month RS lows, and we are downgrading Staples to market weight. (6) Gold and silver remain bullish. (7) Bitcoin and Ether appear to be bottoming. As long as this list rings true, it supports a bullish outlook.. *see page 2.*

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		
Industrials (XLI)			X
Materials (XLB)			X
Real Estate (XLRE)	X		
Technology (XLK)		X	
Utilities (XLU)		X	

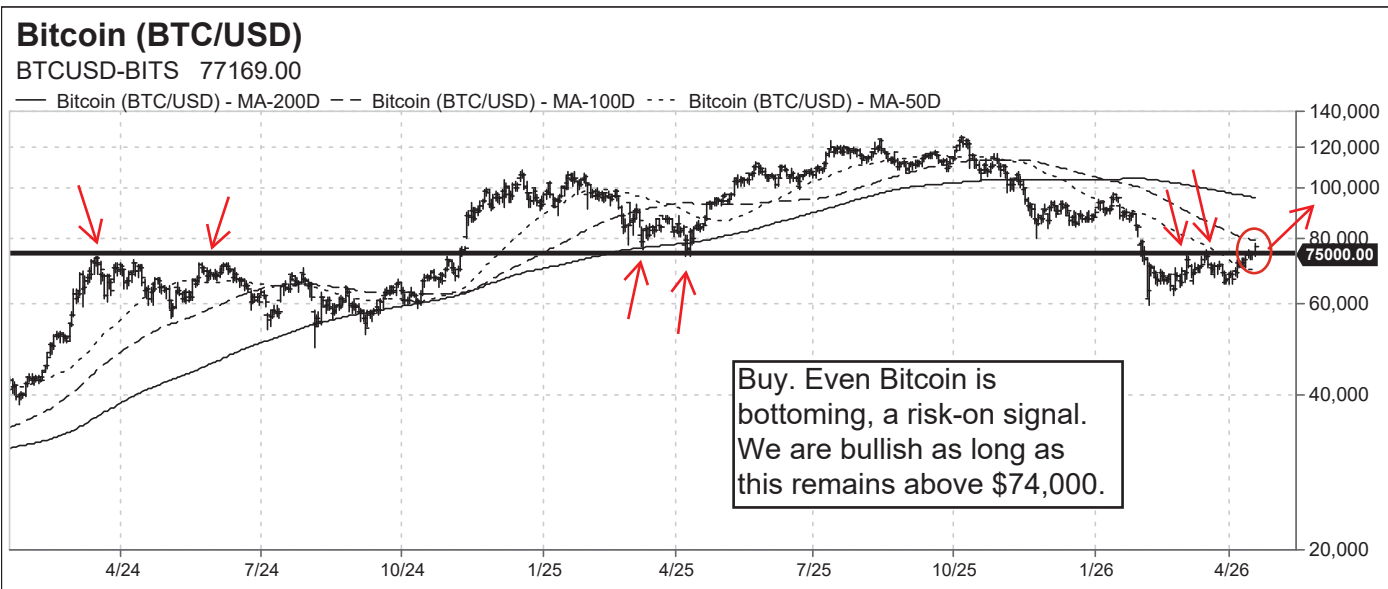
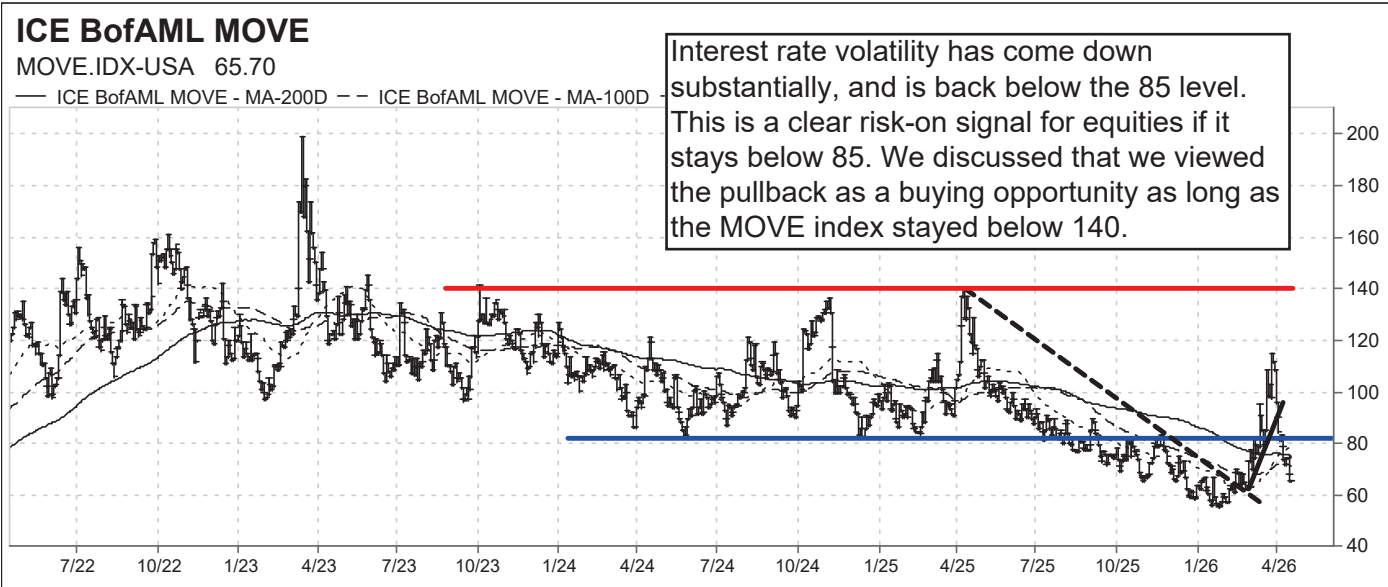
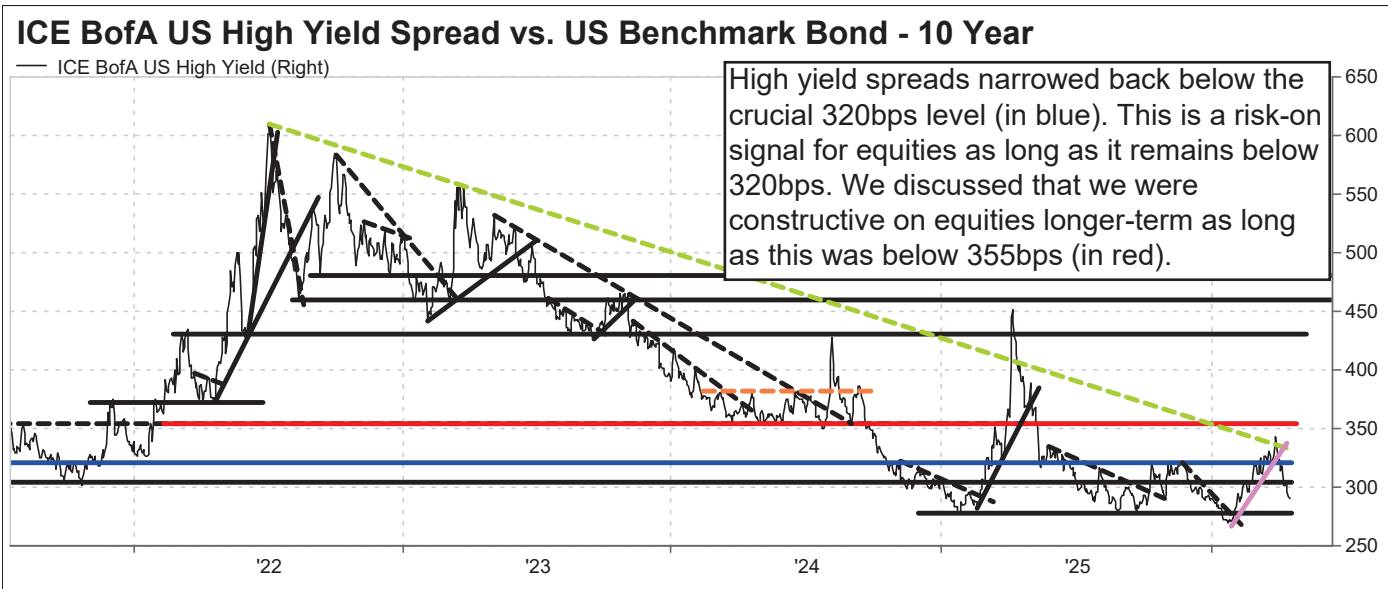
Downgrading Staples.

- **Actionable Industry ETFs:** **CHAT, ARKK, WGMI, and XBI...** *see page 9.*
- **EM and Int'l Markets.** We remain overweight MSCI EM (**EEM**) and market weight MSCI EAFE (**EFA**)... *see page 10.*
- **Actionable Int'l ETFs:** **EWY, EWT, EPOL, TUR, EWC, EWP, EFNL, and EIS..** *see pages 11-12.*



We are upgrading our outlook to bullish following the latest breakout above 7000 and 7080-7100 on SPX. Virtually all market dynamics have improved as SPX staged a bullish failed breakdown at 6480-6520, and has left several unfilled gaps behind, which tells us bulls remain firmly in control. A failed breakout is always possible, but it is not something we would plan for; you react only IF it happens (a break back below 7000). We believe the more likely scenario is any pullback to 7000 support gets bought, and we are buyers there. Expect the other gaps to act as support as well (7041-7075, 6886-6905, and 6618-6740). We also expect to see support at the 20-day MA and 21-day EMA.

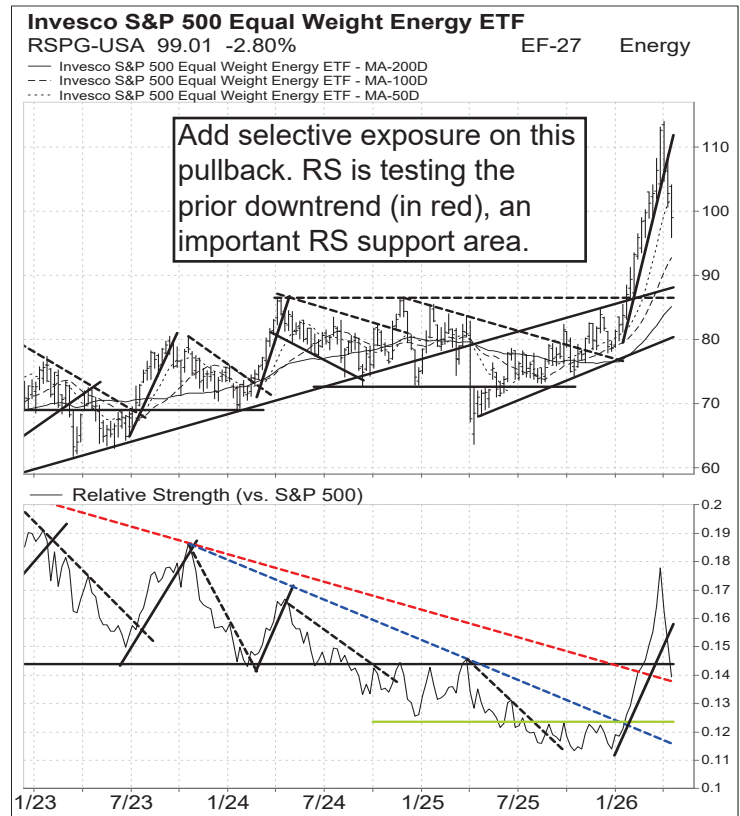
Risk-On: High Yield Spreads, Interest Rate Vol (MOVE index), and Bitcoin



Energy (XLE, RSPG): Overweight

- The Energy Sector has pulled back following steep price and RS uptrend violations. Short-term support is at \$99-\$100 on the *equal-weighted* **RSPG** ETF, followed by major \$86.50 base support. Major base support remains at \$47-\$47.50 on the *cap-weighted* **XLE**. Our expectation is for price and RS to form a higher low, potentially right here at horizontal RS support, or at the prior downtrend (see chart at right, in red).
- Energy equipment/services (**OIH**, **XES**) names are holding up much better than the Sector as a whole -- buy. Attractive names include: **BKR**, **HAL**, and **SLB**.
- Additional attractive names to buy on this pullback include: **APA**, **CTRA**, **CVX**, **DVN**, **FANG**, **KMI**, **TRGP**, and **VLO**.

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

- RS on *cap-weighted* Materials (**XLB**) violated the steep 3-month uptrend in March, but we are on the lookout for a higher low to form. Price on the XLB managed to hold at \$46-\$46.20 (our previously discussed "must hold" level) and quickly reclaimed the \$49 level -- add exposure.
- Metals & Mining stocks (**XME**, **GDX**, **SIL**, **SLX**, **REMX**, **COPX**) are leadership. Buy: **FCX**, **NEM**, **NUE**, and **STLD**.
- Additional attractive names include: **ALB**, **DD**, **SOLS**, **BALL**, and bottom-fishing candidates **IFF**, **PPG**, and **SHW**.

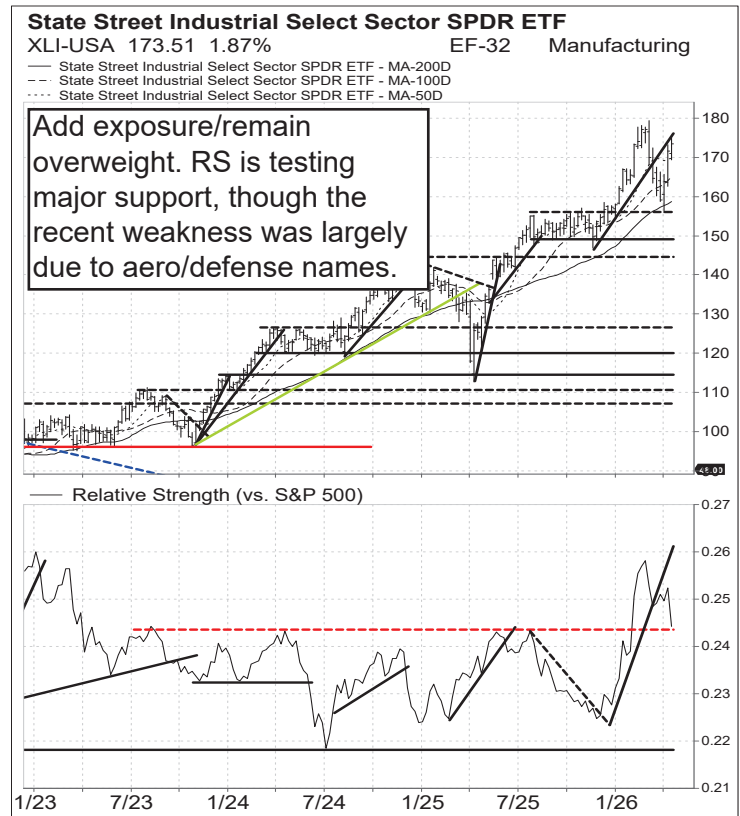
Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	14.0	ECL	4.6
NEM	8.4	CTVA	4.6
FCX	5.8	APD	4.3
SHW	4.9	MLM	4.0
CRH	4.8	NUE	4.0



Industrials (XLI): Overweight

- RS on the **XLI** is testing its 3-year base after violating its steep 2+ month uptrend. Support at this 3-year RS base must hold, or we would downgrade to market weight -- be selective, though much of the weakness is from aero/defense names. Price is concerning following the 3.5-month uptrend violation, however, our previously discussed "must hold" support at \$156-\$159 has held strong.
- Attractive names include: **HWM, CAT, CMI, WAB, CHRW, FDX, CSX, JBHT, ODFL, DAL, JCI, TT, EME, PWR, AME, ETN, GEV, GNRC, HUBB, ROK, FTV, IEX, NDSN, PCAR, PH, GWW**, bottom-fishing candidates **UPS** and **CARR**.

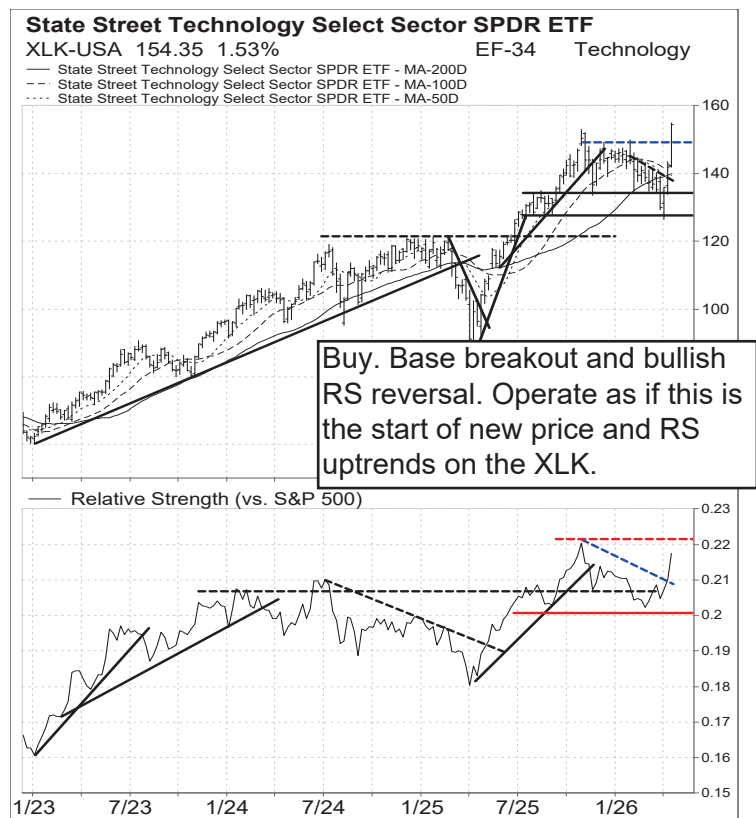
Top 10 Holdings (XLI)			
Ticker	Weight (%)	Ticker	Weight (%)
GE	6.7	DE	2.9
CAT	6.4	UNP	2.9
RTX	5.0	UBER	2.9
GEV	4.4	HON	2.9
BA	3.3	ETN	2.7



Technology (XLK): Market Weight

- RS is reversing above its 5+ month downtrend on *cap-weighted* Technology (**XLK**), while price is breaking out above \$150 resistance -- add exposure. We discussed in our 3/23/26 *ETF Pathfinder* how \$128 was the next potential support level if \$133 breaks, and \$128 held perfectly. We would operate as if this is the start of a new RS uptrend on the XLK, but we prefer to wait for RS to break above the October 2025 highs in order to upgrade the Sector to overweight.
- Data storage/memory names remain leadership. Buy/ stay long: **MU, SNDK, STX**, and **WDC**. Also attractive: **ANET, CSCO, FFIV, APH, GLW, JBL, KEYS, TEL, VRSN, DELL, HPE, ADI, AMAT, AMD, AVGO, INTC, KLAC, LRCX, MCHP, MPWR, NVDA, ON, Q, TER, TXN**, and **ORCL** (bottom-fishing candidate).

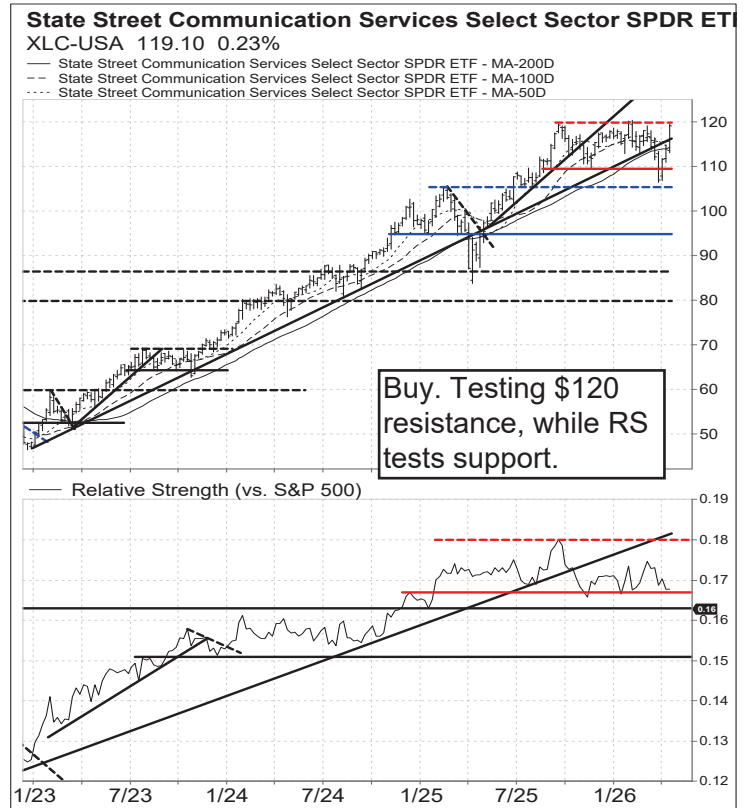
Top 10 Holdings (XLK)			
Ticker	Weight (%)	Ticker	Weight (%)
NVDA	14.7	AMD	2.9
AAPL	13.3	PLTR	2.8
MSFT	10.0	CSCO	2.8
AVGO	5.1	AMAT	2.6
MU	4.1	LRCX	2.6



Communication Svcs (XLC): Market Weight

- Price and RS continue to consolidate on *cap-weighted* Communications (**XLC**); stay at market weight. Price held at the \$105-\$110 support area, and is now testing 7-month resistance at \$120 -- buy on a breakout.
- Internet stocks (**ARKW**, **FDN**) are bottoming -- add exposure. Attractive names include: **GOOGL** and bottom-fishing candidates **NFLX**, **META**, and **MTCH**.
- Additional attractive bottom-fishing candidates include: **CHTR**, **CMCSA**, and **NWSA**.

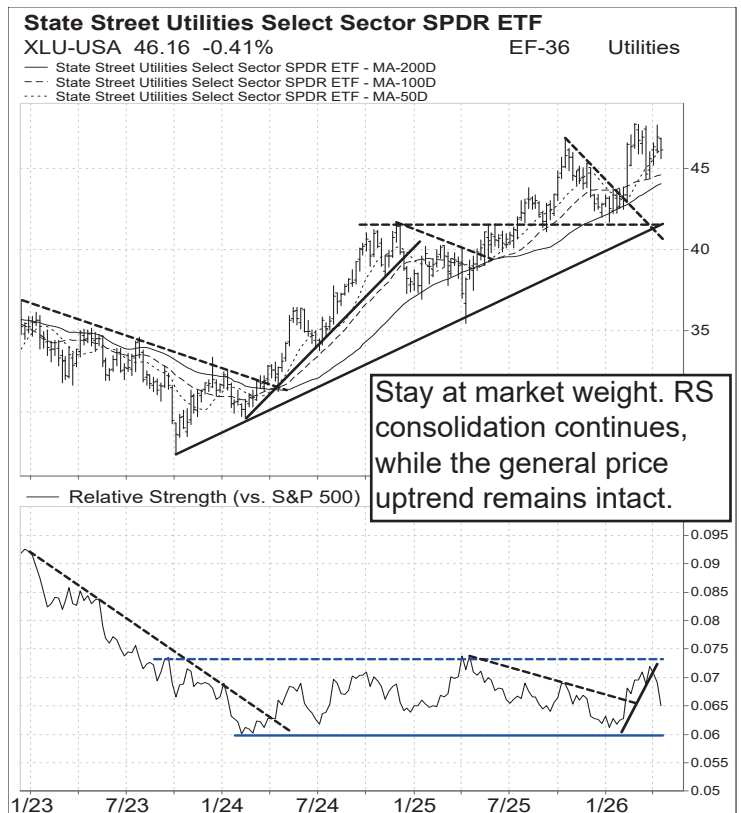
Top 10 Holdings (XLC)			
Ticker	Weight (%)	Ticker	Weight (%)
META	19.4	T	5.1
GOOGL	10.6	CMCSA	5.0
GOOG	8.5	TMUS	4.9
NFLX	5.6	EA	4.4
VZ	5.6	DIS	4.3



Utilities (XLU): Market Weight

- RS on *cap-weighted* Utilities (**XLU**) continues to consolidate within a horizontal range for 2+ years; stay at market weight. The XLU's general uptrend from the 2023 lows remains intact; buy pullbacks to 200-day MA support.
- Attractive names include: **AEP**, **EIX**, **ETR**, **EVRG**, **FE**, **LNT**, **NEE**, **PNW**, **PPL**, **ATO**, **AEE**, **CMS**, **CNP**, and **NI**.

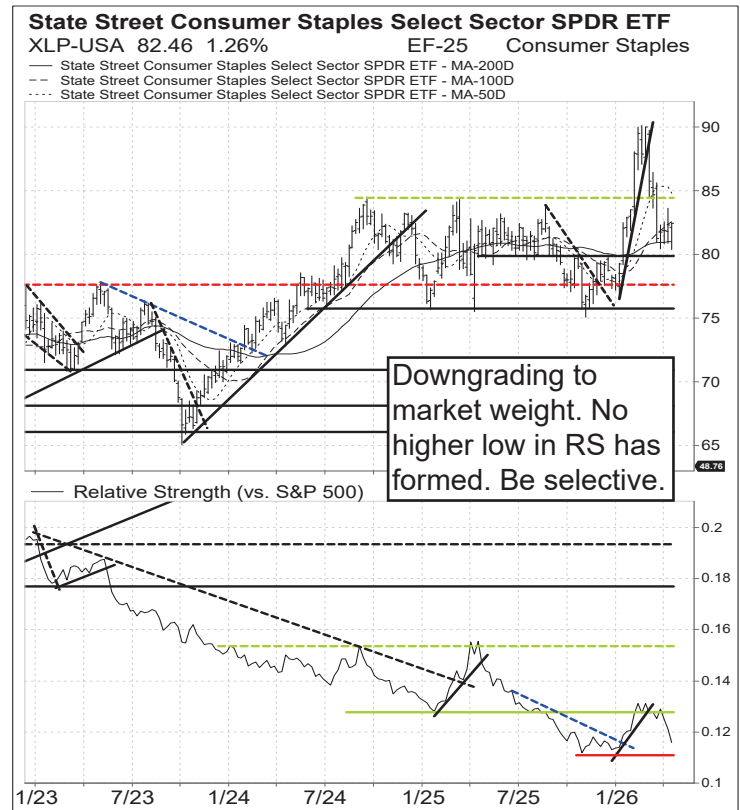
Top 10 Holdings (XLU)			
Ticker	Weight (%)	Ticker	Weight (%)
NEE	13.3	SRE	4.3
SO	7.3	VST	3.8
CEG	7.0	D	3.7
DUK	6.9	EXC	3.4
AEP	4.9	XEL	3.4



Consumer Staples (XLP): Market Weight (downgrading today from Overweight)

- **DOWNGRADE.** RS on *cap-weighted* Staples (XLP) has continued to move lower after violating its 2-month uptrend in March. We were expecting RS to form a higher low, but it has not, so we are downgrading Staples to market weight -- reduce exposure. Price is concerning following the bearish failed breakout at 1.5-year support at \$84.50. \$80 is current support, followed by \$75-\$76.
- Staples retailers remain our favorite area within the Sector. Buy/stay long: **COST, TGT, WMT, and DG.**
- Additional attractive names include: **KO, MNST, ADM, BG, TSN,** and bottom-fishing candidates **STZ** and **CHD.**

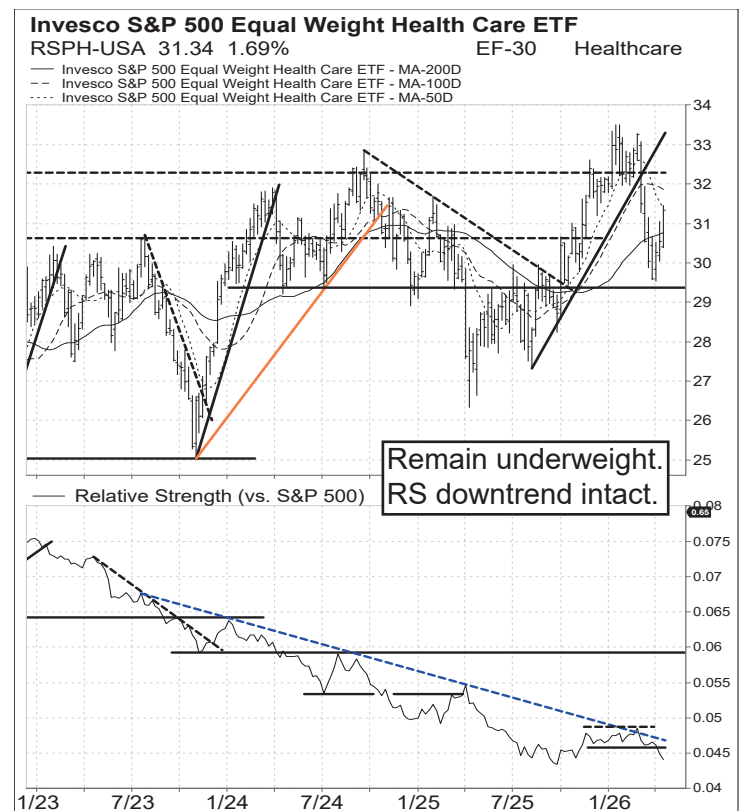
Top 10 Holdings (XLP)			
Ticker	Weight (%)	Ticker	Weight (%)
WMT	11.4	CL	4.8
COST	9.1	PEP	4.7
PG	7.9	MO	4.6
KO	6.4	MDLZ	4.5
PM	5.9	MNST	3.6



Health Care (XLV, RSPH): Underweight

- Long-term RS downtrends remain intact on the **XLV** and **RSPH**, with both recently failing at multi-year RS downtrends and violating 5-month horizontal RS supports. Our underweight recommendation is appropriate. Price on RSPH remains bearish ever since the failed breakout at \$32. Be extremely selective.
- Attractive names include: **VTRS, AMGN, BIIB, MRNA, CAH, MCK, BMY, JNJ, MRK, PFE,** and bottom-fishing candidates **ALGN** and **UNH.**

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

- RS on *cap-weighted* Discretionary (XLY) remains in a 1+ year downtrend -- remain underweight. With that said, RS is reversing above its 2.5-month downtrend and we see RS bottom potential. Price reclaimed the crucial \$110 support level, reversed the 2+ month downtrend, and is now testing \$121 resistance. Add exposure.
- Travel and leisure stocks are leadership. Overweight/ buy/stay long: **HLT**, **MAR**, **ABNB**, and **EXPE**.
- Additional attractive names include: **AMZN**, **EBAY**, **GRMN**, **HAS**, **ROST**, **TJX**, **RL**, **TPR**, **GM**, and bottom-fishing candidates **TSLA**, **DASH**, **SBUX**, and **PHM**.

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

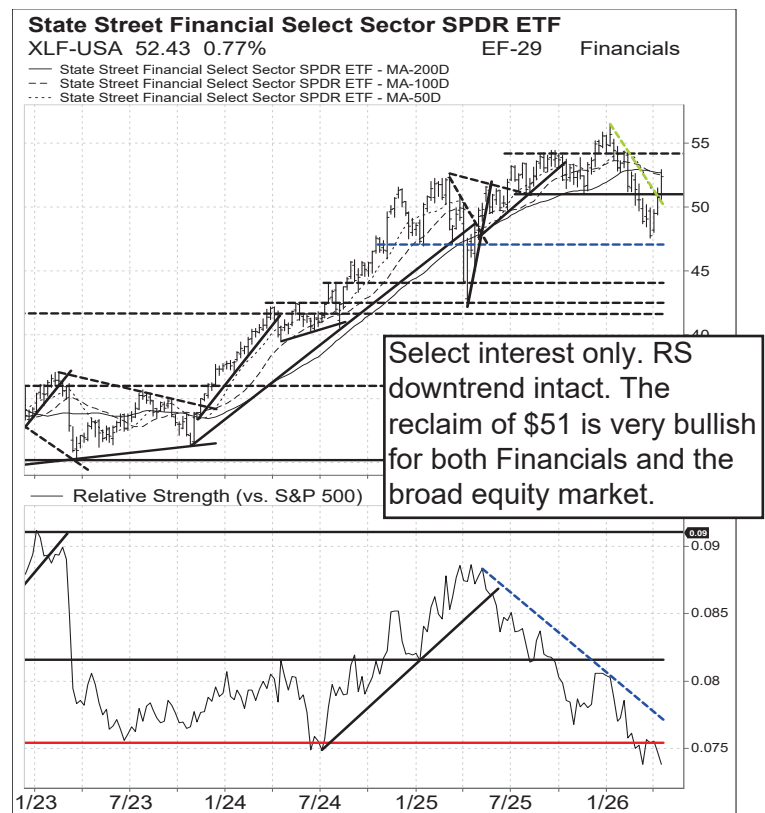


Financials (XLF): Underweight

- RS on *cap-weighted* Financials (XLF) broke below the 2025 lows and remains in a general downtrend -- remain underweight. Price on the XLF reversed above its 2.5-month downtrend and reclaimed the crucial \$51 level -- add selective exposure. We are looking for a test of \$54.50 on the XLF, and will go from there.
- Fintech stocks (**ARKF**) show early signs of price and RS bottoms -- add exposure. Attractive bottom-fishing candidates include **COIN** and **HOOD**.
- Additional attractive names include: **C**, **CFG**, **USB**, **BK**, **CBOE**, **GS**, **IBKR**, **MS**, **NTRS**, **STT**, **SYF**, **CB**, **GL**, **L**, and **PFG**.

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

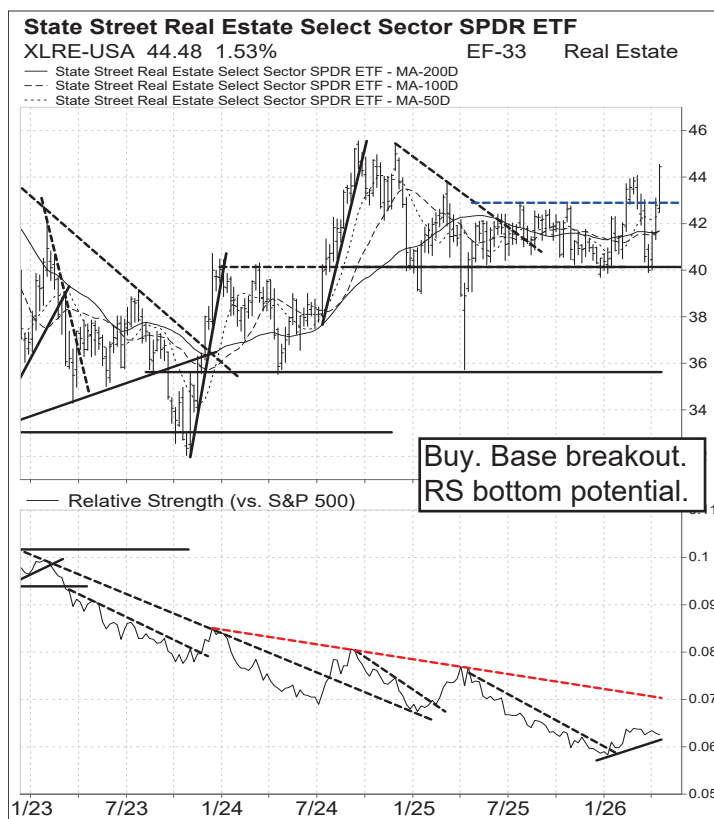


Real Estate (XLRE): Underweight

- The long-term RS downtrend remains intact on Real Estate (**XLRE**) -- remain underweight. Price reclaimed the \$43 level after holding at crucial \$40-\$40.50 "must hold" support. Be selective.
- A.I. data center stocks (**DTCR**) are leading. Buy/stay long **DLR** and **EQIX**.
- Additional attractive names include: **KIM**, **REG**, **SPG**, **IRM**, **VTR**, **WELL**, **HST**, **PLD**, **FRT**, and bottom-fishing candidates **EXR**, **PSA**, and **SBAC**.

Top 10 Holdings (XLRE)

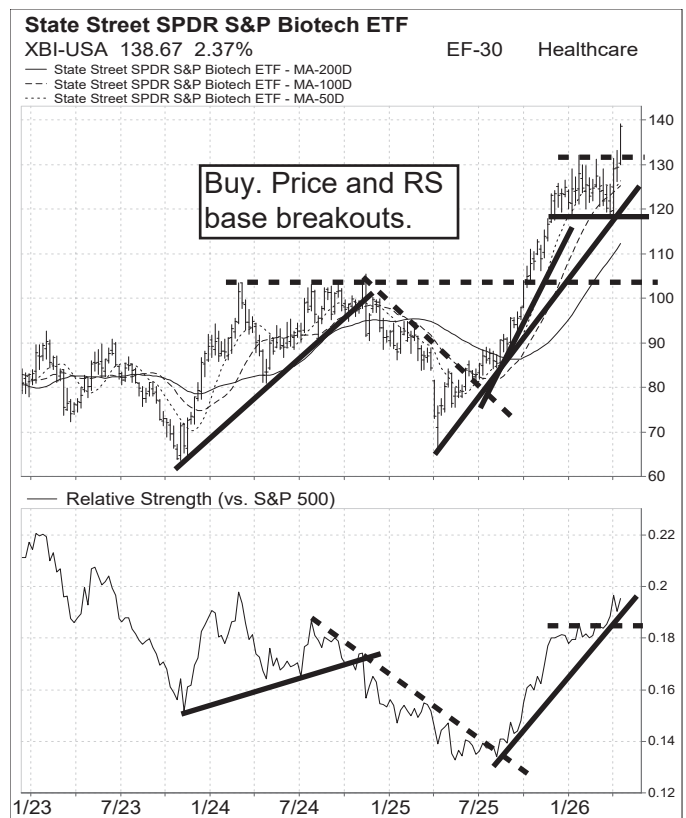
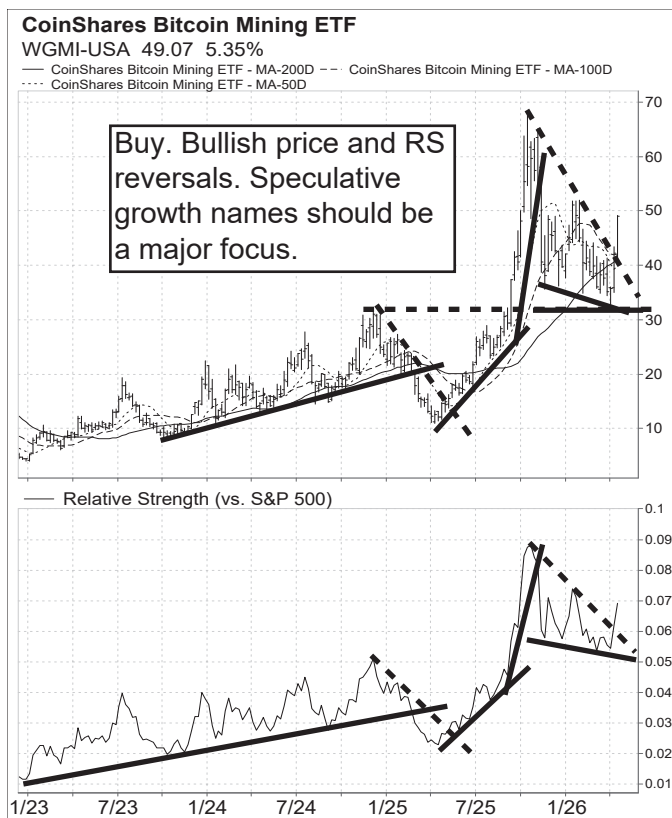
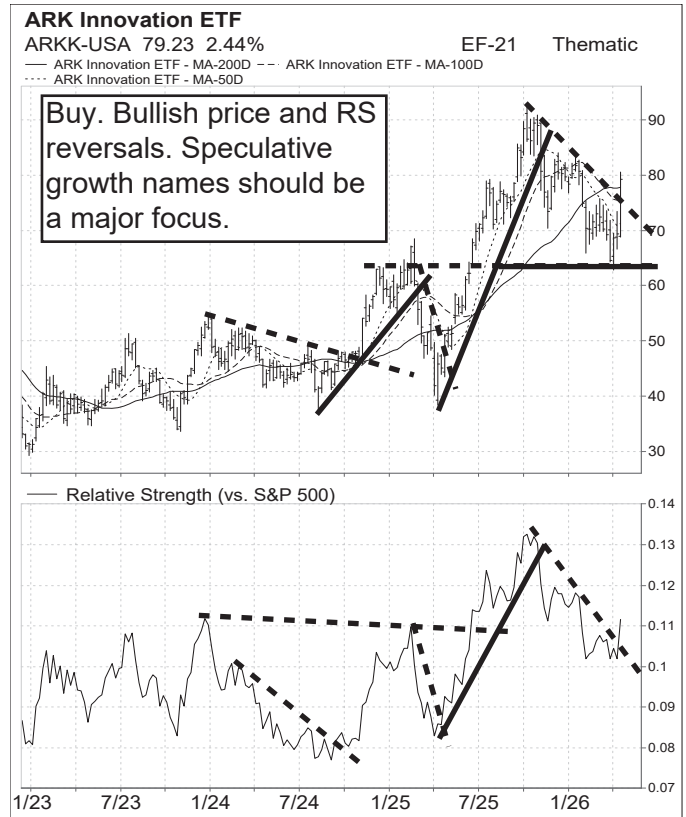
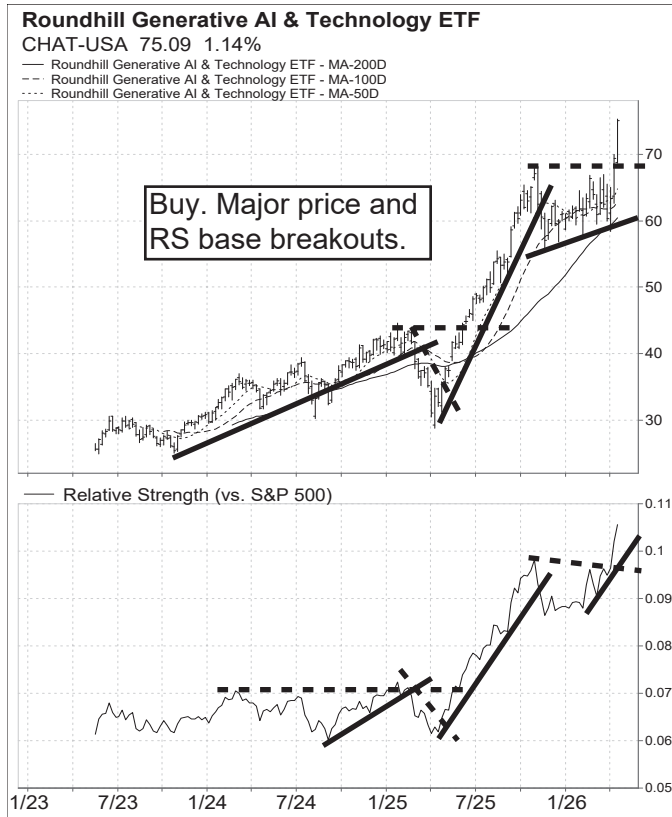
Ticker	Weight (%)	Ticker	Weight (%)
WELL	10.3	SPG	4.8
PLD	9.6	PSA	4.8
EQIX	6.9	DLR	4.6
AMT	6.5	VTR	4.1
O	4.9	CCI	4.0



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Actionable Industry ETFs

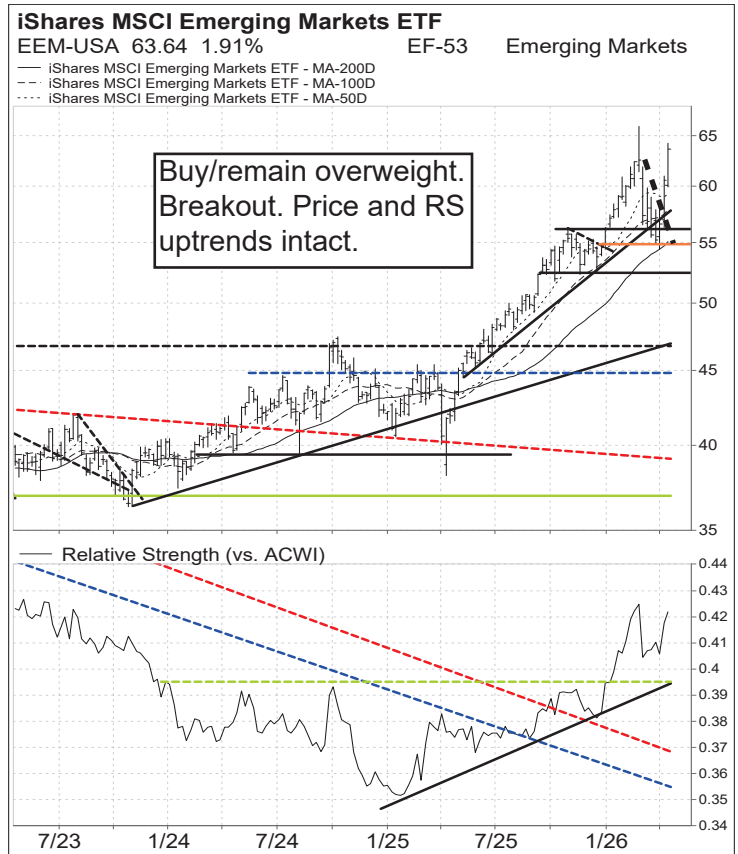
- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: CHAT, ARKK, WGMI, and XBI



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). Crucial support at \$55 held strong, and EEM quickly reclaimed the \$56-\$56.50 level -- add exposure and remain overweight with the RS uptrend intact.

Attractive EM countries/regions highlighted include: Korea (**EWY**), Taiwan (**EWT**), Poland (**EPOL**), and Turkey (**TUR**)... see charts on page 11.



Developed Int'l Markets

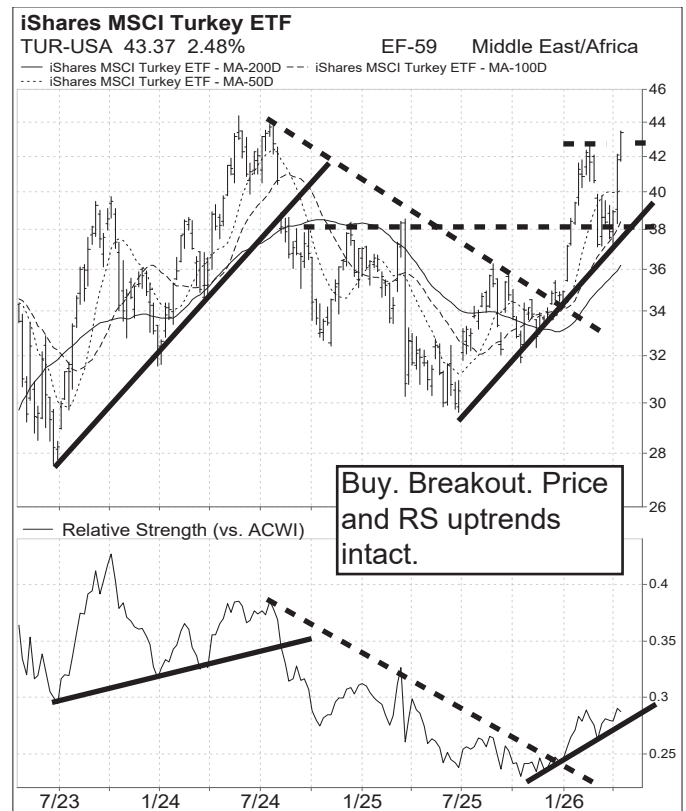
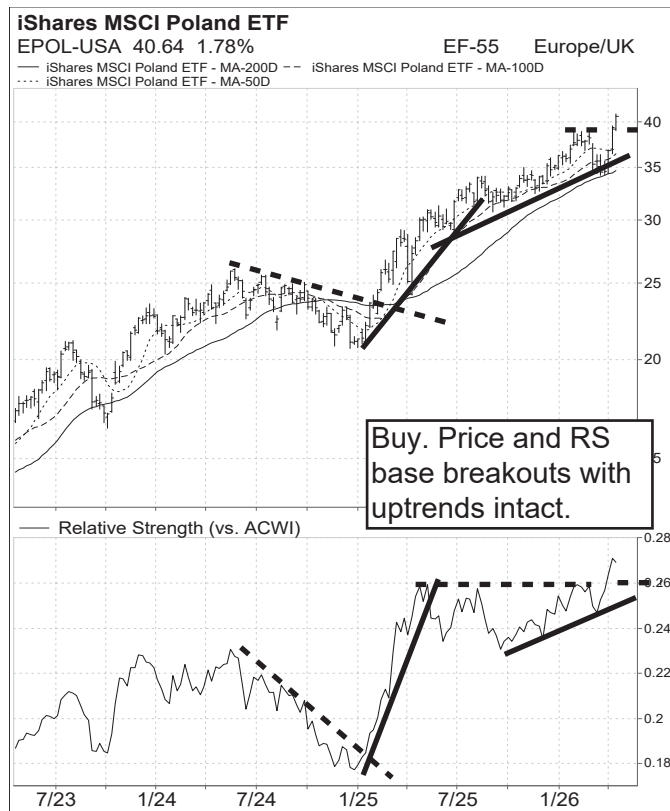
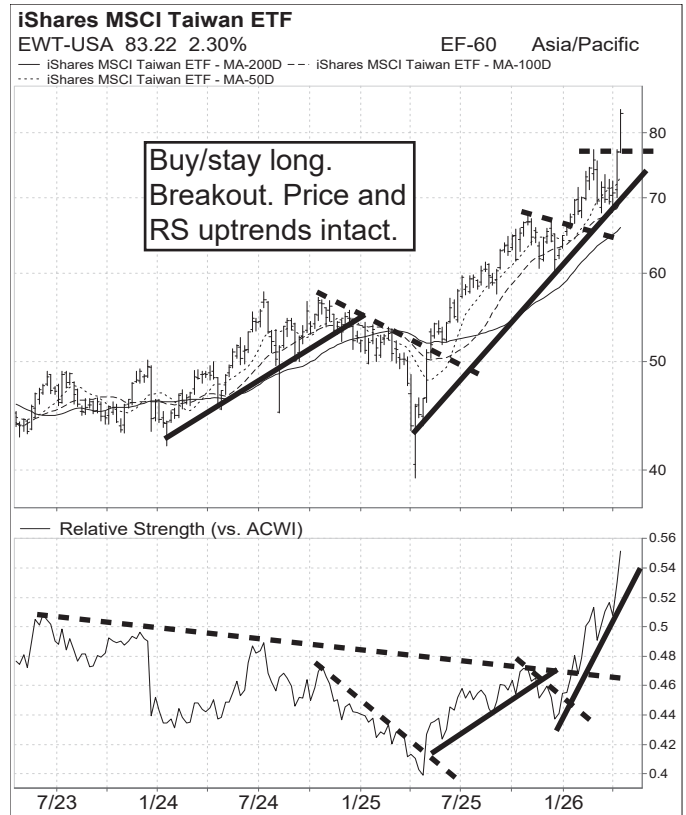
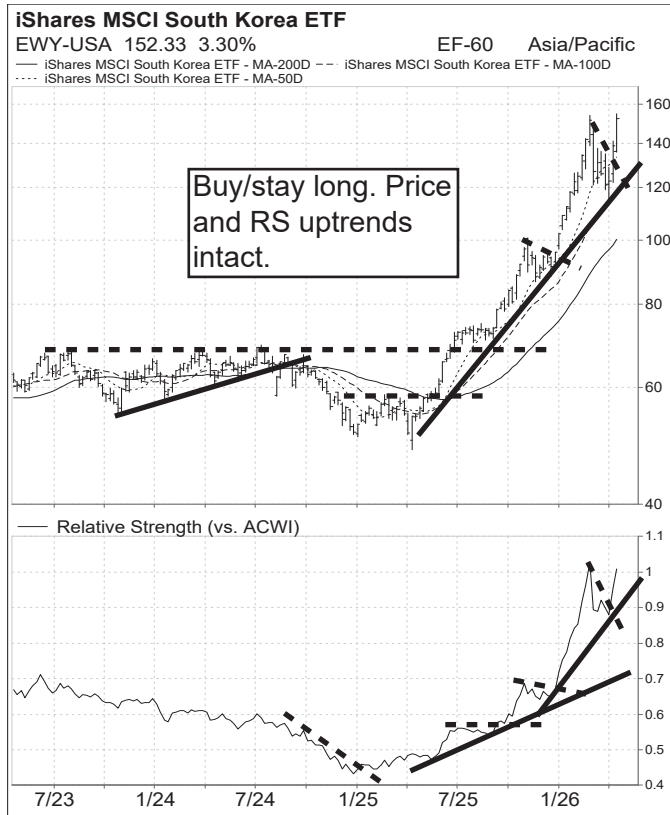
We also upgraded MSCI EAFE (**EFA**) to market weight in our 1/26/26 *ETF Pathfinder*, as RS displayed a 7-month downtrend reversal. RS is now consolidating; stay at market weight. EFA held at \$94 support and reclaimed the prior uptrend -- add exposure.

Attractive developed int'l countries/regions highlighted include: Canada (**EWG**), Spain (**EWP**), Finland (**EFNL**), and Israel (**EIS**)... see charts on page 12.



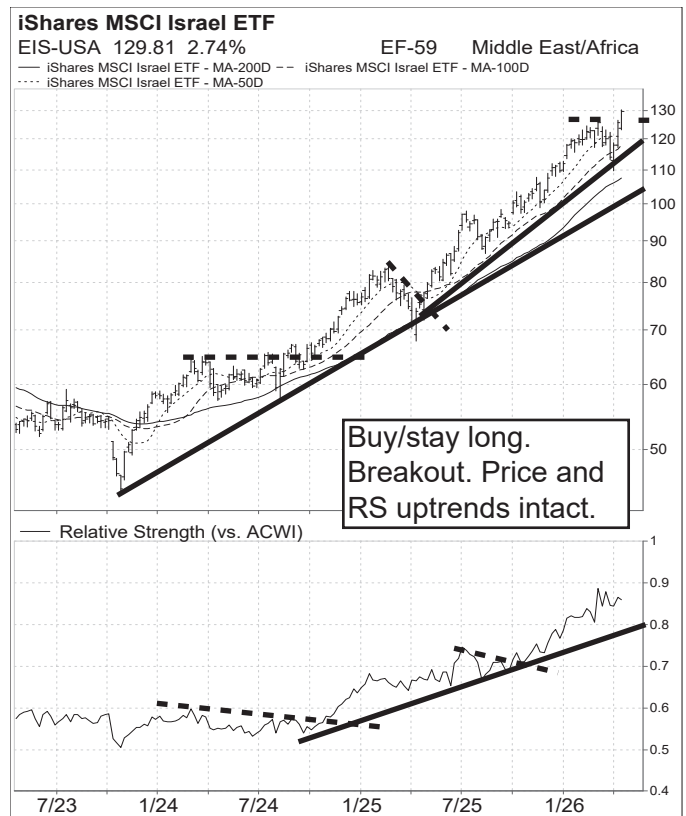
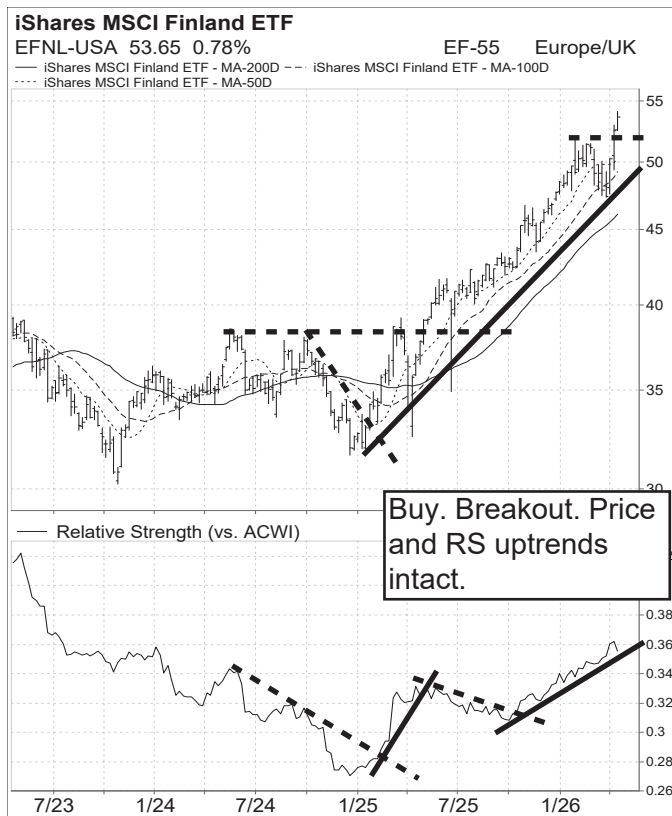
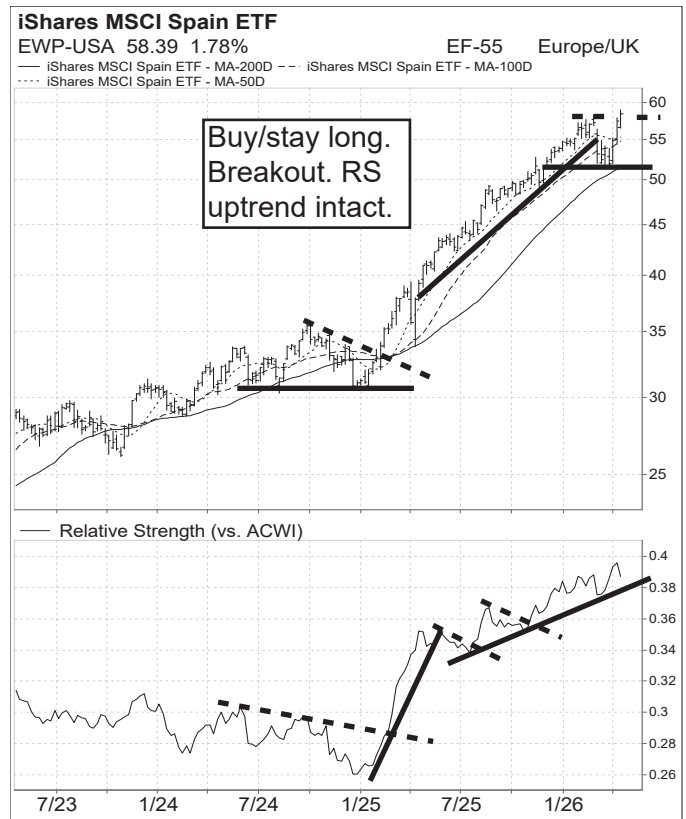
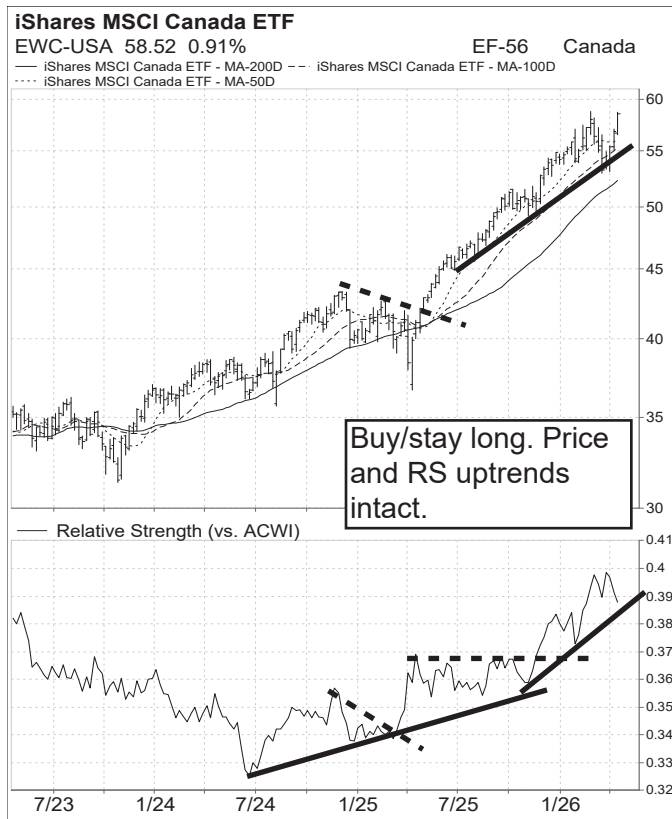
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EWY, EWT, EPOL, TUR, EWC, EWP, EFNL, and EIS



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