

7/17/2026

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Upgrading Communications to Market Weight

We remain bullish (as of our 4/20/26 *ETF Pathfinder*) on the S&P 500 (SPX), Nasdaq 100 (QQQ), and Russell 2000 (IWM). With that said, we have expressed our concern over the past two weeks in our *Compass* and *Int'l Compass/Macro Vision* reports, particularly as it relates to a prolonged consolidation for QQQ/Technology. We continue to believe a consolidation through mid-to-late-August is likely amid ongoing choppy price action for semiconductors (SOXX), memory (DRAM), and optical equipment/photonics (EUUV) names. The equal-weighted S&P 500 (RSP) remains leadership with support at the 20-day MA. RSP leadership tells us this remains a healthy and broad-based bull market, and we believe the current "rotation trade" is likely to continue to outperform for another month. At the same time, SPX and QQQ consolidations remain constructive as long as supports at 7259-7294 on SPX and \$695 and \$681-\$686 on QQQ continue to hold.

- **Risk-On Signals.** Risk-on developments supporting our bullish outlook include: (1) High yield spreads are below 320bps. (2) U.S. interest rate volatility (MOVE index) remains below the 85-90 level. (3) The U.S. Dollar (DXY) remains below \$102 and we are monitoring for a potential break back below \$101.25. (4) MAG7 (MAGS), Financials (XLF), Transports (IYT), and Communications (XLC) have picked up the slack as the A.I. theme pulls back -- and we are upgrading Communications to market weight. (5) The advance/decline (A/D) lines for the IWM and SPX hit fresh YTD highs this week, signaling healthy, broad-based participation. (6) Staples (XLP) remain near all-time RS lows. (7) 10- and 30-year Treasury yields remain below crucial resistances. Significant 10%+ pull-backs rarely happen with this backdrop... *see page 2*.

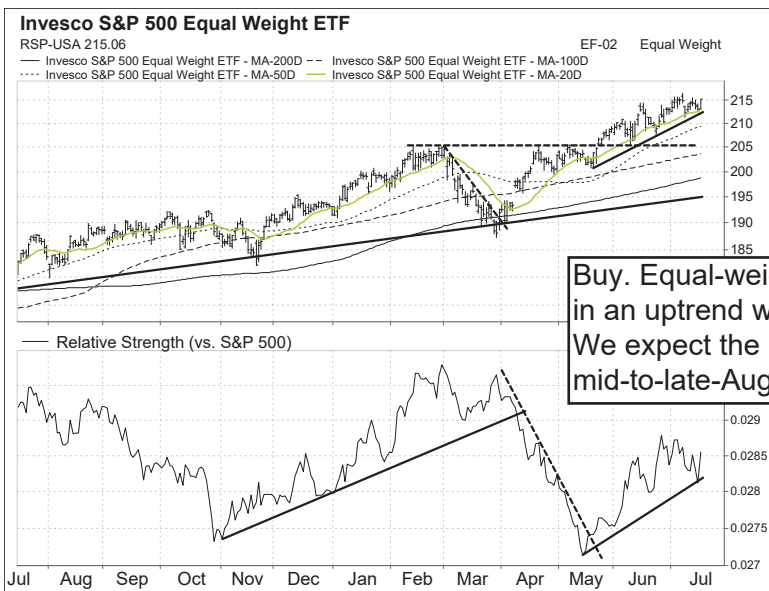
Sector Weighting Recommendations

Sector	Under-Weight	Market-Weight	Over-Weight
Comm. Services (XLC)	X	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	

Upgrading Communications.

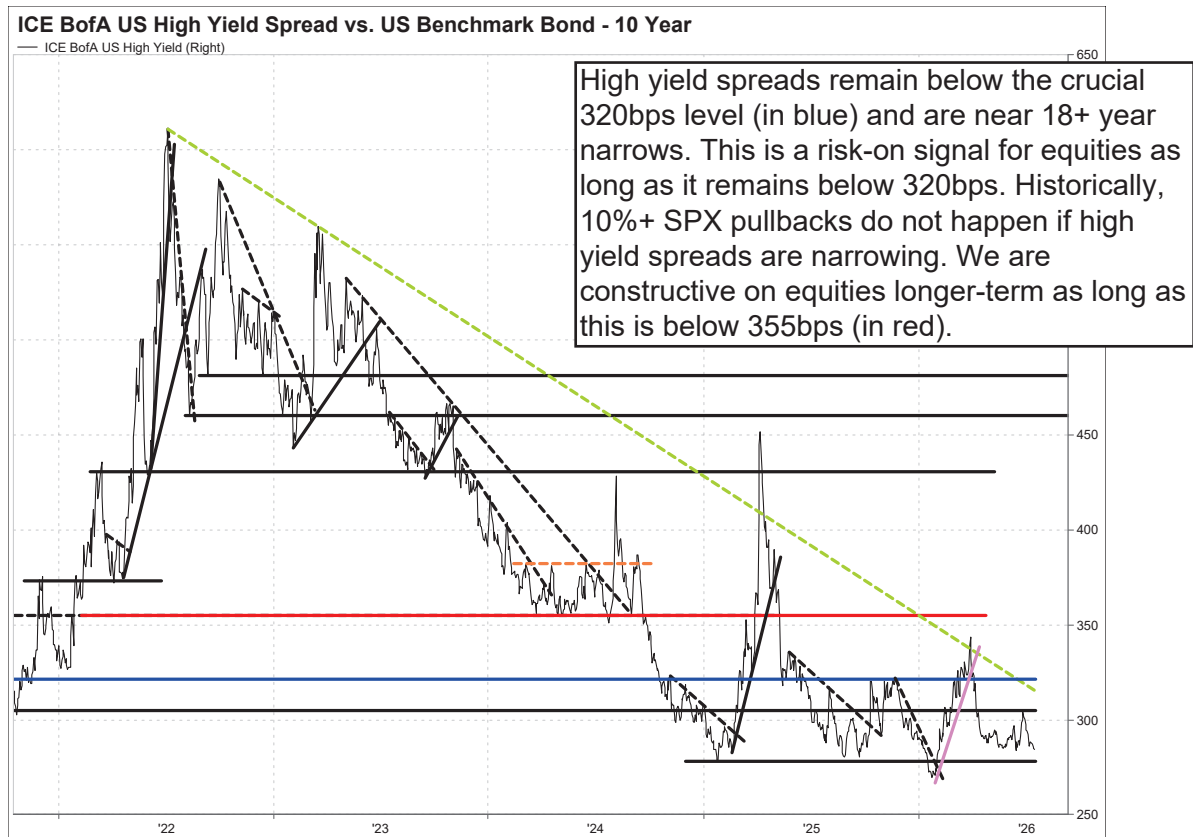
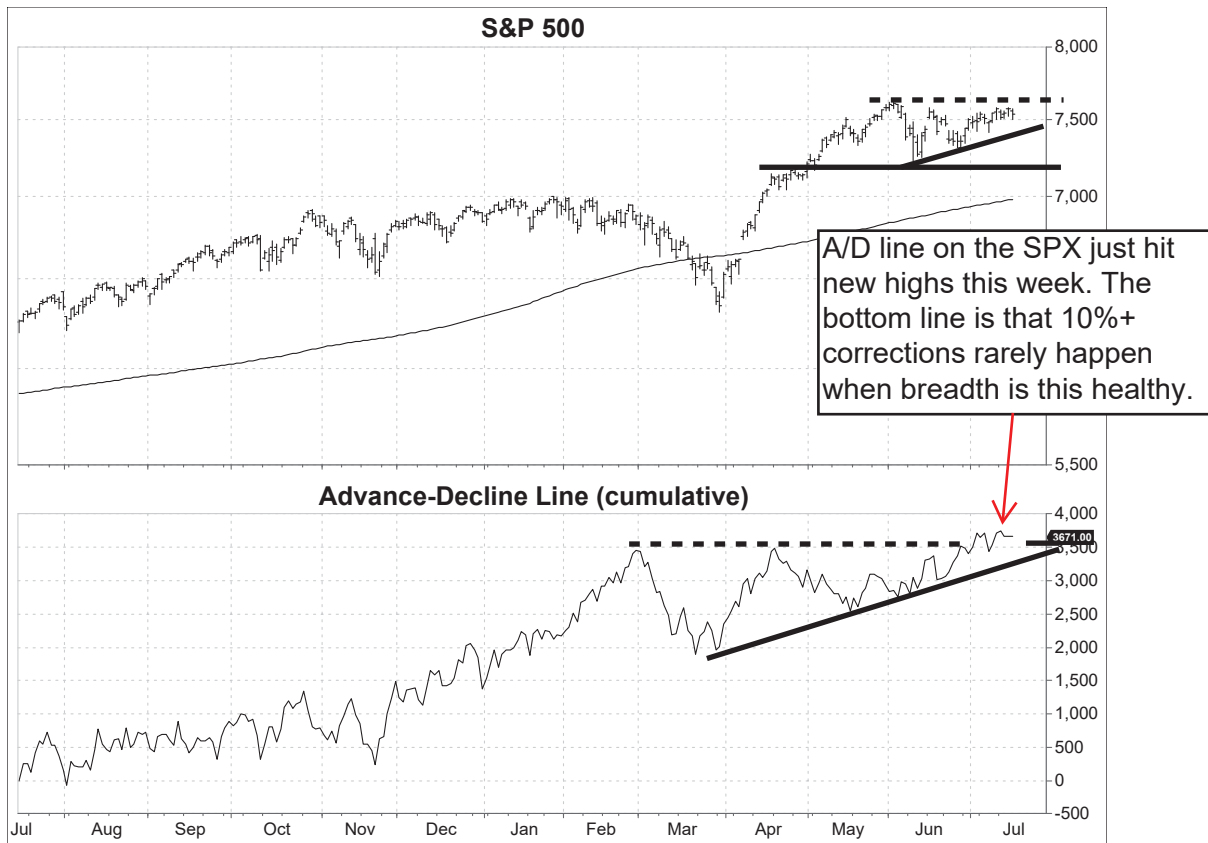
- **Actionable Industry ETFs:** IPAY, PJP, KIE, and CIBR... *see page 9*.

- **EM and Int'l Markets.** We remain overweight MSCI EM (EEM) and market weight MSCI EAFE (EFA)... *see page 10*. Actionable Int'l ETFs highlighted include EPOL, EUFN, EWS, EWN, EWO, DXJ, EIRL, and EWC... *see pages 11-12*.



Buy. Equal-weighted S&P 500 (RSP) remains in an uptrend with support at the 20-day MA. We expect the rotation trade to continue until mid-to-late-August, at minimum.

SPX Advance/Dcline (A/D) Line Hitting YTD Highs; High Yield Spreads = Risk-On

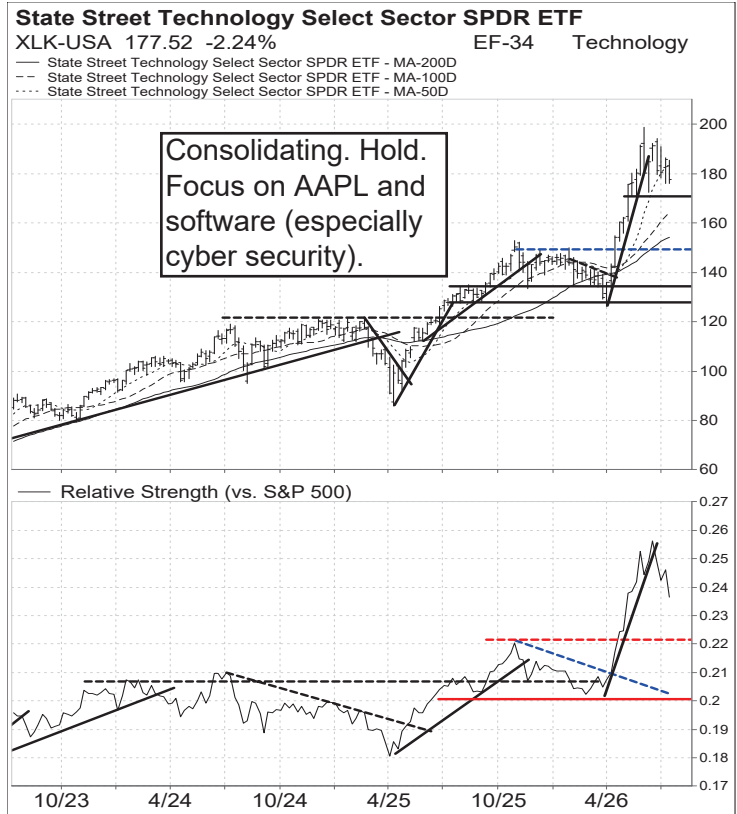


Technology (XLK): Overweight

- Technology (**XLK**, **RSPT**) remains the unquestioned market leader *longer-term* -- remain overweight/add exposure on pullbacks. Shorter-term, price and RS has continued to consolidate following the steep 2+ month price and RS uptrend violations. We expect consolidation to continue for at least another month. \$171 is short-term support, while \$149-\$153 is major base support. Software (**CIBR**, **IGV**) continues to offer the best buy opportunities within Technology, while we would consider trimming semiconductors/memory names as they consolidate (**SOXX**, **SMH**, **DRAM**, **EUV**).
- Buy pullbacks/stay long: **CRWD**, **DDOG**, **FTNT**, **PANW**, **ANET**, **CSCO**, **FFIV**, **AAPL**, and bottom-fishing candidates **ZBRA**, **GDDY**, **HPQ**, **FICO**, **GEN**, and **WDAY**.

Top 10 Holdings (XLK)

Ticker	Weight (%)	Ticker	Weight (%)
NVDA	15.1	AMD	4.9
AAPL	12.1	INTC	3.8
MSFT	8.3	CSCO	2.7
MU	6.1	LRCX	2.5
AVGO	5.4	AMAT	2.3



Industrials (XLI): Market Weight

- RS on the **XLI** remains within a 6+ year horizontal range -- stay at market weight. We remain bullish on price, but we need to see base support at \$177-\$179.50 hold on this pullback. Any break below \$177 would signal a near-term bearish failed breakout.
- Transportation stocks are leading. Buy/stay long: **CHRW**, **EXPD**, **FDX**, **UPS**, **CSX**, **JBHT**, **NSC**, **ODFL**, **UNP**, **DAL**, **LUV**, and **UAL**.
- Additional attractive names include: **WM**, **PAYX**, **NDSN**, **PCAR**, **SNA**, **SWK**, **WAB**, **GWW**, **URI**, **CAT**, **CMI**, **DE**, **DOV**, **FTV**, **IEX**, **ITW**, **GE**, **HWM**, **CARR**, **JCI**, **MAS**, **GEV**, **ROK**, and bottom-fishing candidates **AXON**, **LII**, **CTAS**, **RSG**, **VLTO**, **IR**, **XYL**, **ADP**, **J**, **PAYC**, and **VRSK**.

Top 10 Holdings (XLI)

Ticker	Weight (%)	Ticker	Weight (%)
CAT	7.8	ETN	2.9
GE	5.7	UNP	2.9
GEV	5.3	UBER	2.8
RTX	4.4	DE	2.7
BA	3.5	VRT	2.6



Materials (XLB): Market Weight

- We remain market weight Materials; RS on *cap-weighted* Materials (XLB) violated the steep 3-month uptrend in March, and RS is consolidating sideways. Be selective. Price on the XLB remains rangebound, but is holding above \$49 support.
- Chemicals stocks are attractive. Buy/stay long: **CF**, **CTVA**, **ECL**, **LIN**, and **PPG** (bottom-fishing candidate).
- Additional attractive names include: **NUE**, **STLD**, and bottom-fishing candidates **AMCR**, **BALL**, **PKG**, and **SW**.

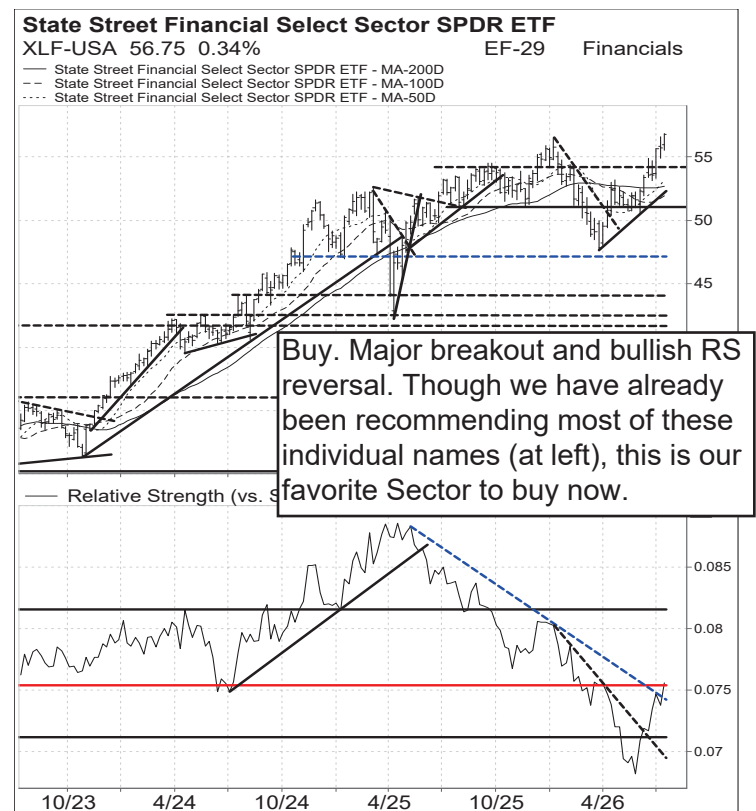
Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	14.3	CTVA	4.6
NEM	7.8	CRH	4.5
NUE	5.8	VMC	4.4
FCX	5.8	SHW	4.2
APD	4.7	MLM	4.1



Financials (XLF): Market Weight (upgraded 6/29/26 from Underweight)

- RS on *cap-weighted* Financials (XLF) continues to move higher after reversing above the YTD downtrend, and RS is now testing the 1+ year downtrend -- add exposure. Price on the XLF remains in an uptrend off of the March lows, and we got the breakout above \$54-\$54.50, as expected. \$54 is now support. All areas within Financials are attractive -- banks (**KBE**), insurance (**KIE**), payments (**IPAY**, **LATR**) and broker-dealers/capital markets (**IAI**, **KCE**). Attractive names include: **BNY**, **BAC**, **C**, **CFG**, **FITB**, **HBAN**, **JPM**, **KEY**, **MTB**, **PNC**, **RF**, **TFC**, **USB**, **WFC**, **GS**, **MS**, **AMP**, **BEN**, **HOOD**, **IBKR**, **IVZ**, **MCO**, **MSCI**, **NTRS**, **SCHW**, **STT**, **TROW**, **AXP**, **COF**, **CPAY**, **V**, **XYZ**, **AFL**, **AIZ**, **ALL**, **CB**, **CINF**, **EG**, **GL**, **MET**, **PFG**, **PRU**, **TRV**, and bottom-fishing candidates **BLK**, **BX**, **FDS**, **KKR**, **NDAQ**, **SPGI**, **GPN**, **JKHY**, **MA**, **PYPL**, **AJG**, **AON**, **BRO**, and **WTW**.

Top 10 Holdings (XLF)			
Ticker	Weight (%)	Ticker	Weight (%)
BRK.B	12.2	GS	3.9
JPM	11.1	MS	3.2
V	7.4	WFC	3.1
MA	5.5	C	3.0
BAC	4.6	AXP	2.3

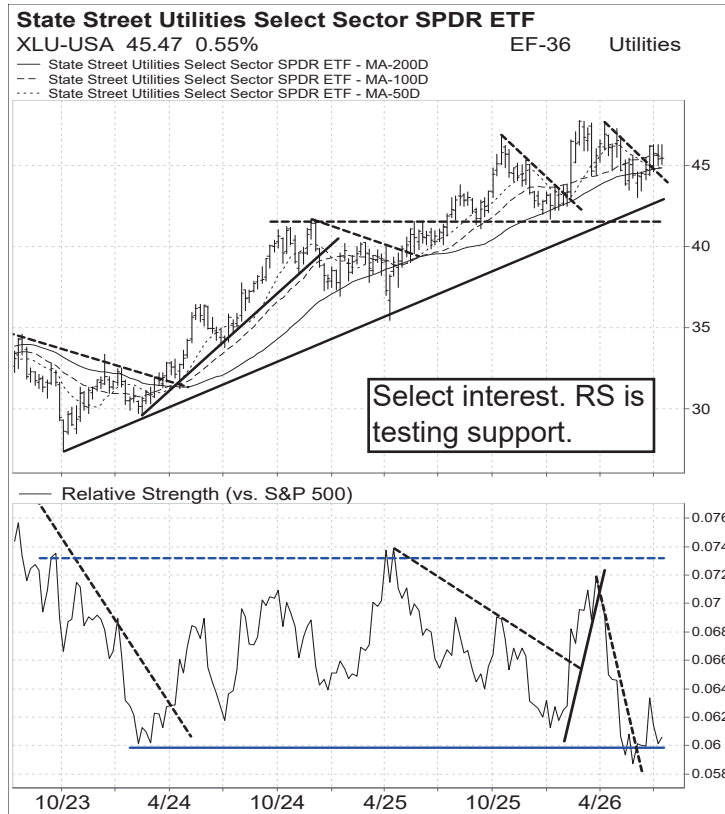


Utilities (XLU): Market Weight (upgraded 6/29/26 from Underweight)

- RS on the *cap-weighted* **XLU** reclaimed 2.5-year horizontal support for a bullish false breakdown. Add selective exposure. The XLU's general price uptrend from the 2023 lows remains intact, and price appears to be resuming its uptrend. Support remains at \$43.50-\$44.00.
- Attractive names include: **AEP**, **EIX**, **ETR**, **EVRG**, **PNW**, and **D**.

Top 10 Holdings (XLU)

Ticker	Weight (%)	Ticker	Weight (%)
NEE	14.3	SRE	4.3
SO	7.4	D	3.9
DUK	7.0	ETR	3.7
CEG	6.2	XEL	3.4
AEP	5.0	VST	3.3

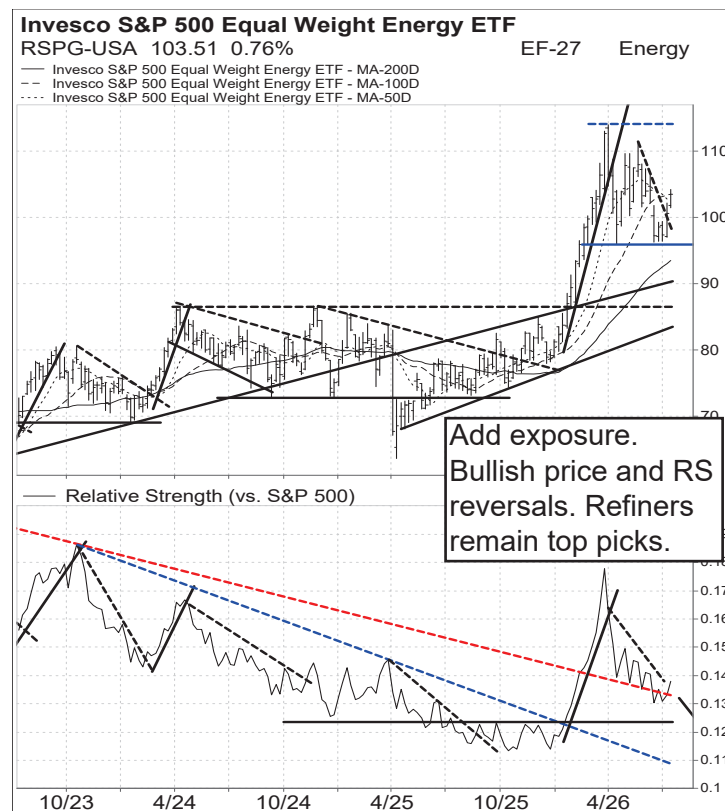


Energy (XLE, RSPG): Market Weight

- In our 6/29/26 *ETF Pathfinder* we discussed how "we had been vocal throughout April and May, noting that we saw crude oil prices topping; now that crude oil prices have returned to pre-Iran war levels, it is possible that further price and RS downside is limited for the Sector." We also discussed how we were selective buyers with \$96 support being tested on *equal-weighted* Energy (**RSPG**), specifically calling out the refiners as buys. Price and RS display bullish reversals, and we would still be buying. Still, broader consolidation continues between support at \$96 and resistance at \$114 on RSPG. Refiners remain leadership. Buy pull-backs/stay long: **MPC**, **PSX**, and **VLO**.
- Additional attractive names include: **COP**, **CVX**, **EOG**, **OKE**, **TPL**, **TRGP**, **WMB**, and **XOM**.

Top 10 Holdings (XLE)

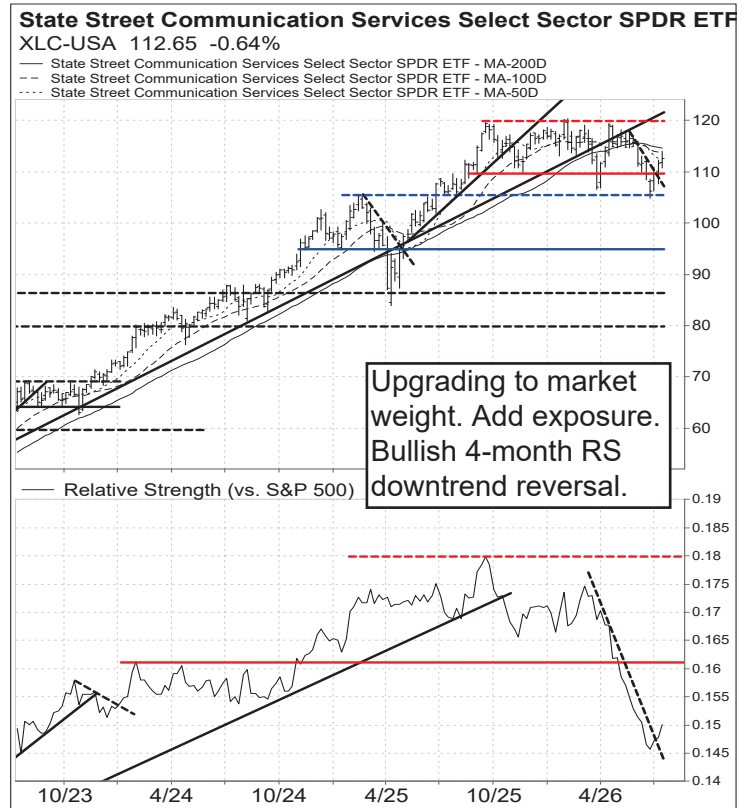
Ticker	Weight (%)	Ticker	Weight (%)
XOM	22.6	VLO	4.2
CVX	16.6	MPC	4.2
COP	6.8	EOG	4.1
SLB	4.7	PSX	3.9
WMB	4.5	BKR	3.7



Comm. Services (XLC): Market Weight (upgrading today from Underweight)

- **UPGRADE.** RS on *cap-weighted* Communications (**XLC**) is reversing above its 4-month downtrend, and we are upgrading the Sector to market weight -- add exposure. Support at \$105.50 held and price appears to be bottoming. Resistance remains at \$120.
- Attractive names include **MTCH**, **NWSA**, **OMC**, **META**, **GOOGL**, and **LYV**.

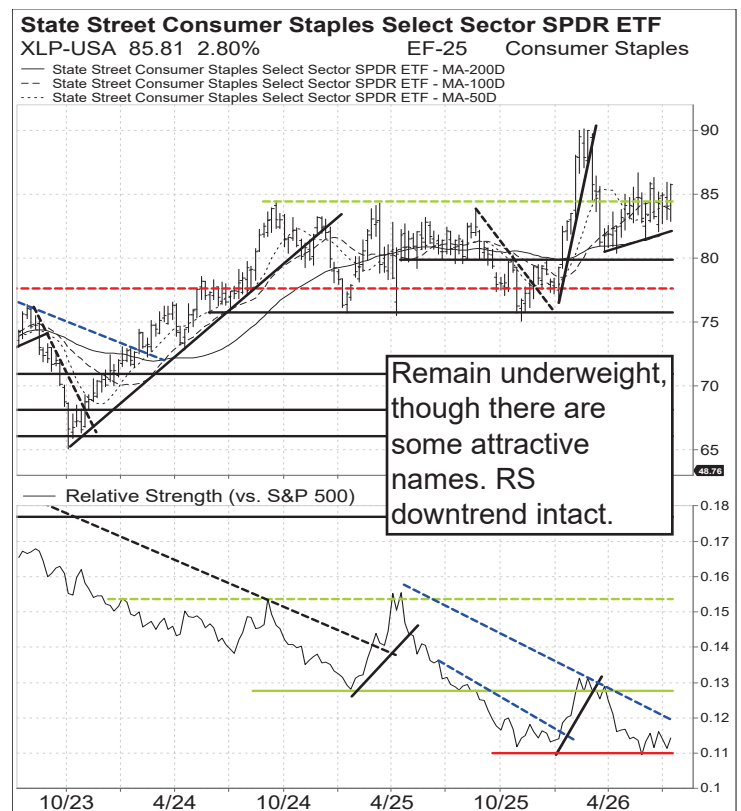
Top 10 Holdings (XLC)			
Ticker	Weight (%)	Ticker	Weight (%)
META	13.6	LYV	4.7
GOOGL	10.3	DIS	4.6
GOOG	8.2	WBD	4.2
TTWO	4.9	EA	4.1
SATS	4.7	OMC	4.1



Consumer Staples (XLP): Underweight

- We remain underweight Staples; RS on the *cap-weighted* **XLP** continues to make lower highs and lower lows. RS held at horizontal support, but we expect a clean breakdown shortly. Be extremely selective. Price is constructive as long as it holds above \$80-\$81 support and the 200-day MA.
- Beverage stocks remain largely attractive and are leading. Buy/stay long **MNST**, **KDP**, and **KO**.
- Additional attractive names include: **DG**, **DLTR**, **TGT**, **ADM**, **MO**, **PM**, and bottom-fishing candidates **HRL**, **KHC**, **SJM**, **CL**, **KMB**, and **KVUE**.

Top 10 Holdings (XLP)			
Ticker	Weight (%)	Ticker	Weight (%)
WMT	12.1	MDLZ	4.9
COST	9.6	MO	4.8
PG	6.9	CL	4.4
KO	6.5	PEP	4.3
PM	6.1	MNST	4.0

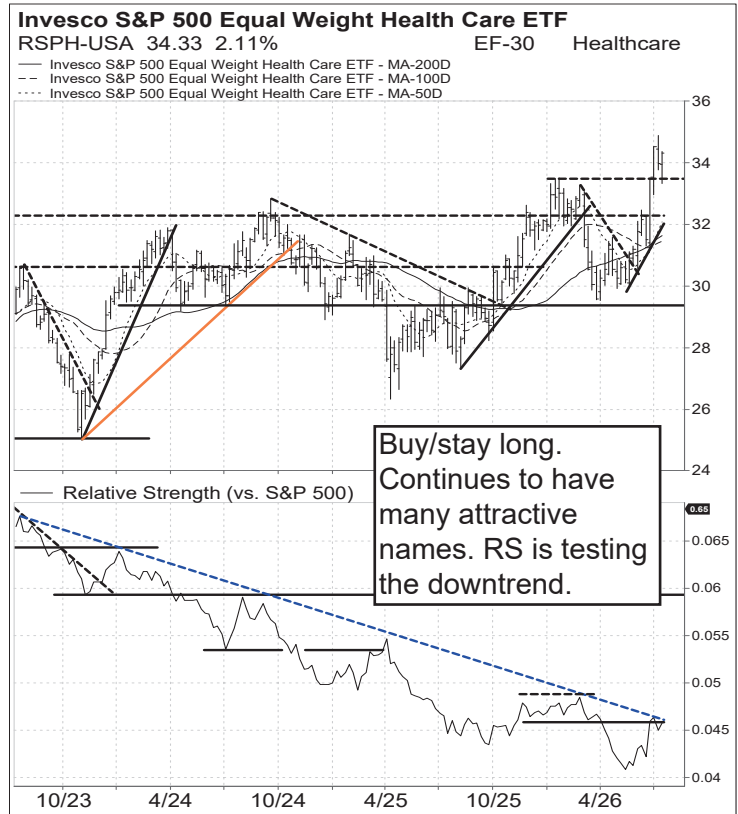


Health Care (XLV, RSPH): Underweight

- RS is testing long-term downtrends on the **XLV** and **RSPH**; we will stay underweight as long as RS downtrends continue, but we would likely do a double upgrade on bullish RS reversals. Support on RSPH is at \$33-\$33.30 followed by \$32.30-\$32.60. Buy this pull-back.
- Pharmaceuticals (**PJP**) are attractive. Buy/stay long: **ABBV, BMY, JNJ, LLY, MRK, VTRS**, and **ABT** (bottom-fishing candidate).
- Also attractive: **AMGN, GILD, INCY, CAH, CNC, CVS, DGX, DVA, HSIC, HUM, MOH, UNH, WST**, and bottom-fishing candidates **ALGN, BAX, BDX, DXCM, SOLV, COR, MCK, A, CRL, DHR, IQV, MTD, RVTY**, and **TMO**.

Top 10 Holdings (XLV)

Ticker	Weight (%)	Ticker	Weight (%)
LLY	15.2	AMGN	3.4
JNJ	10.5	TMO	3.2
ABBV	7.0	GILD	3.1
UNH	6.9	ISRG	2.9
MRK	5.3	PFE	2.8

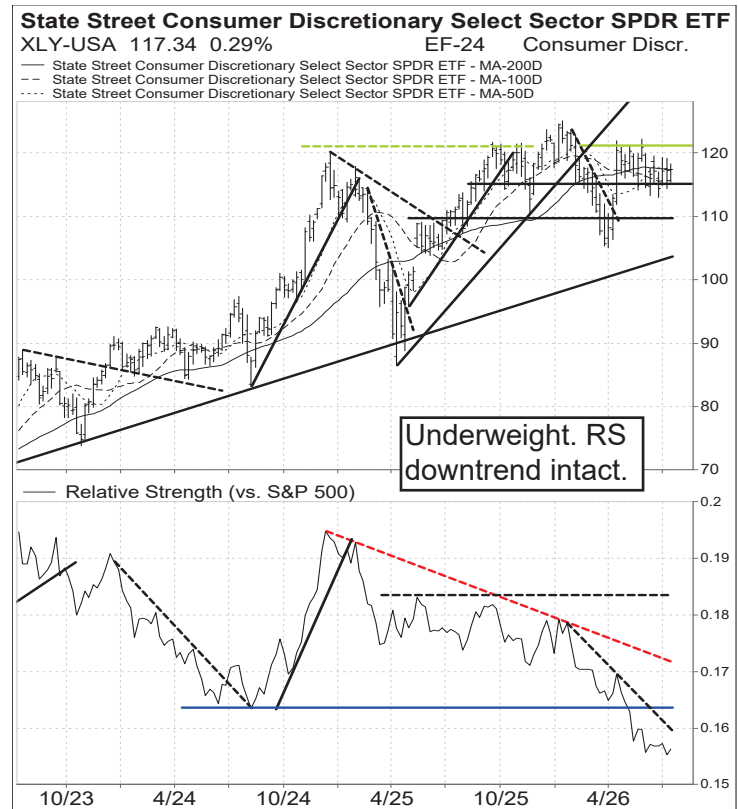


Consumer Discretionary (XLY): Underweight

- RS on *cap-weighted* Discretionary (**XLY**) remains in a 1+ year downtrend -- remain underweight. Price has held above \$113-\$115 support. \$110 is the next support level below \$113. Favor the equal-weighted Sector (**RSPD**).
- Homebuilders (**ITB**) and home furnishings continue to show signs of bottoming. Add exposure/stay long: **WSM, GRMN**, and bottom-fishing candidates **DHI, MHK, NVR, HD**, and **PHM**.
- Additional attractive names include: **HLT, MAR, MGM, EBAY, SBUX, BBY, RL, TPR**, and bottom-fishing candidates **ABNB, BKNG, EXPE, GPC, DASH, RCL**, and **DECK**.

Top 10 Holdings (XLY)

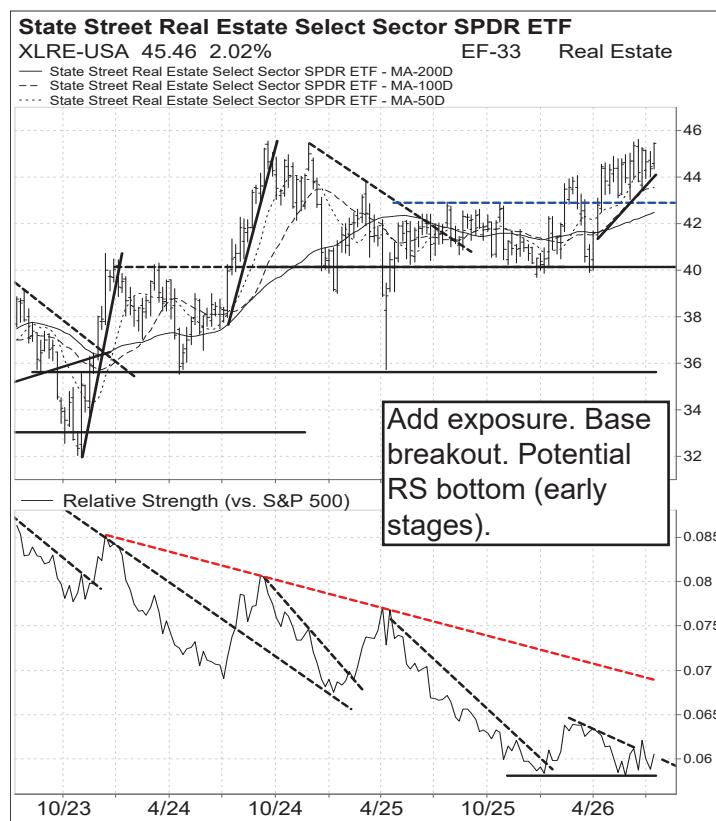
Ticker	Weight (%)	Ticker	Weight (%)
AMZN	28.0	BKNG	2.9
TSLA	20.9	LOW	2.8
HD	5.0	SBUX	2.8
TJX	3.7	MAR	1.8
MCD	3.7	ORLY	1.7



Real Estate (XLRE): Underweight

- The long-term RS downtrend remains intact on Real Estate (**XLRE**) -- remain underweight. With that said, price reclaimed the \$43 level after holding at crucial \$40-\$40.50 "must hold" support. Add exposure with price developing positively.
- Health Care REITs remain leadership. Buy pullbacks/ stay long: **DOC**, **VTR**, and **WELL**.
- Additional attractive names include: **HST**, **PLD**, **BXP**, **ESS**, **UDR**, **FRT**, **KIM**, **O**, **REG**, **SPG**, **PSA**, and bottom-fishing candidates **AVB**, **CPT**, **EQR**, **INVH**, and **EXR**.

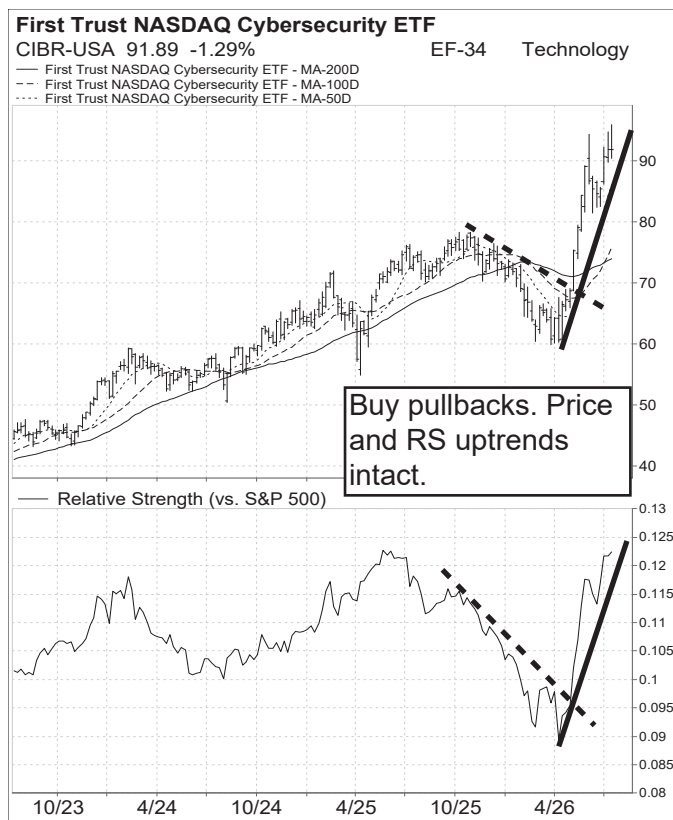
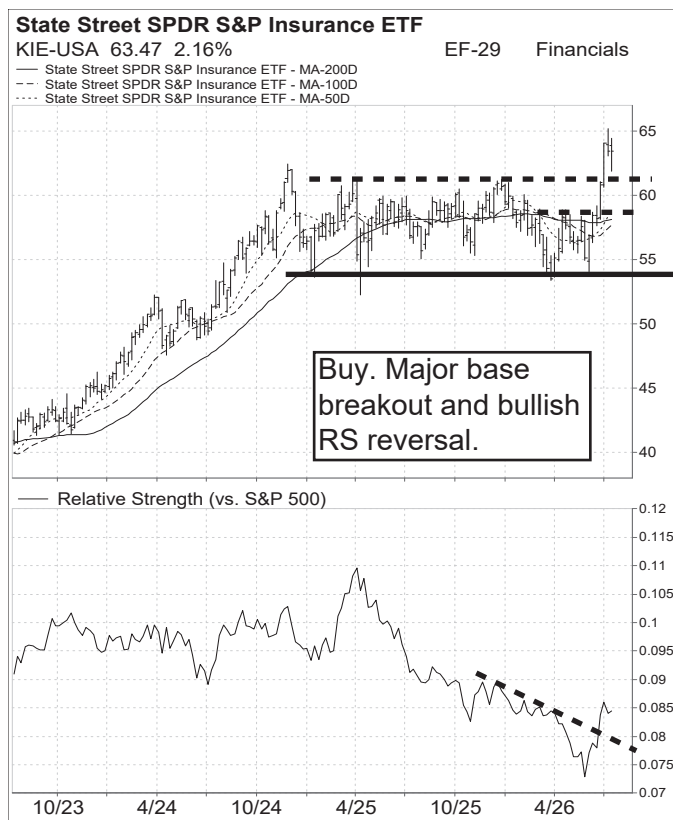
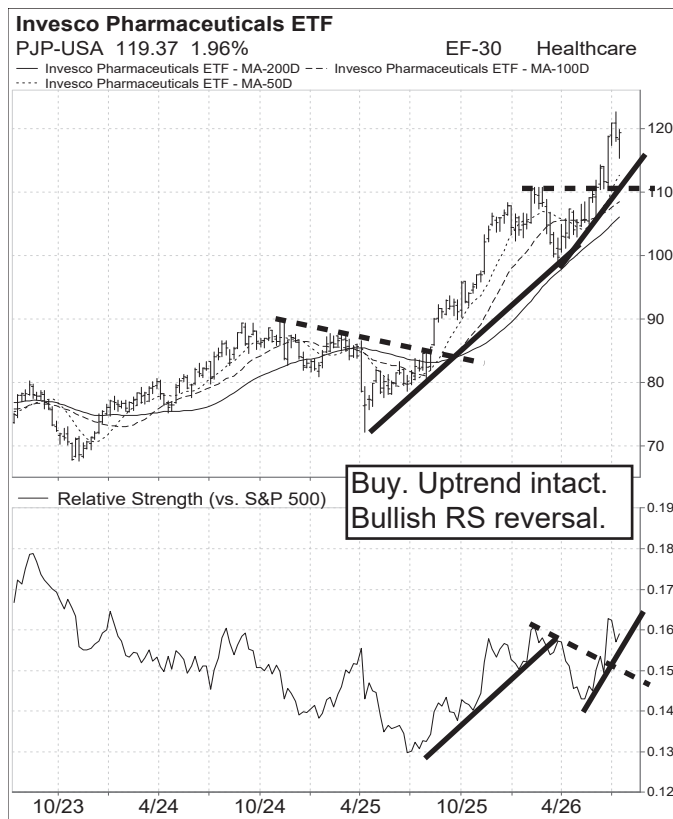
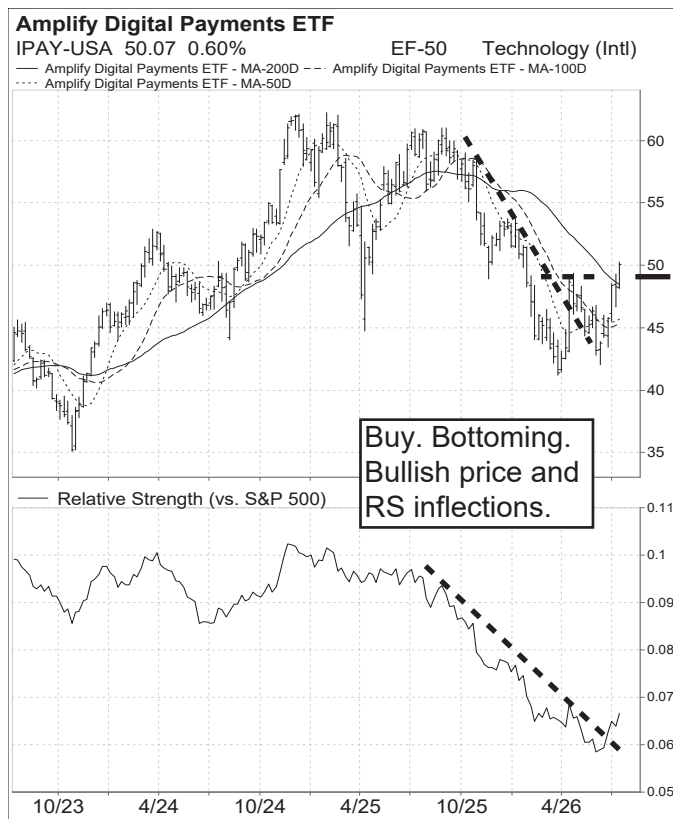
Top 10 Holdings (XLRE)			
Ticker	Weight (%)	Ticker	Weight (%)
WELL	10.5	SPG	4.6
PLD	9.1	VTR	4.5
EQIX	7.3	PSA	4.4
AMT	5.6	CBRE	4.3
DLR	4.6	CCI	4.1



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Actionable Industry ETFs

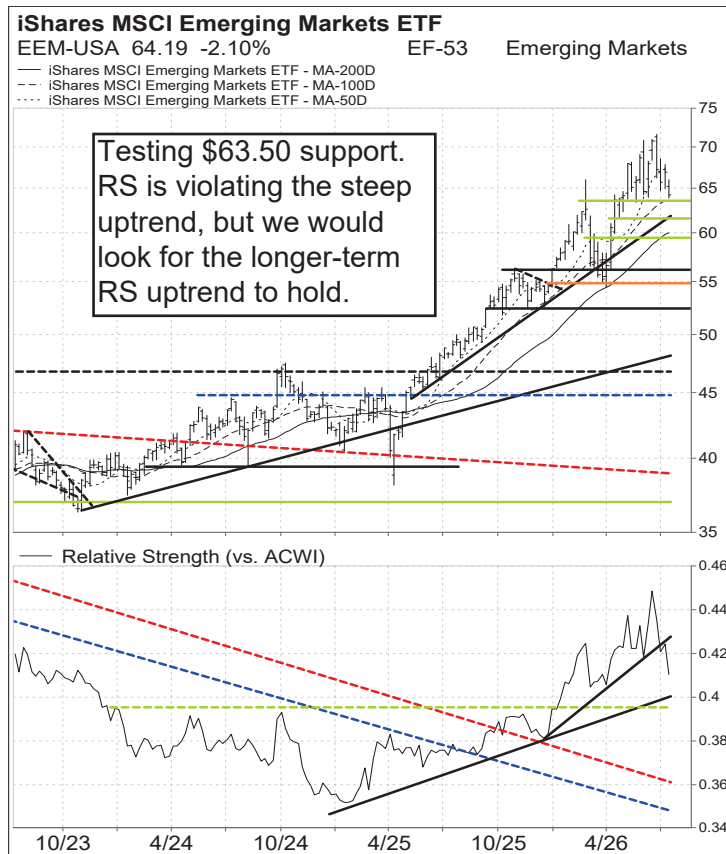
- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: IPAY, PJP, KIE, and CIBR



Emerging Markets

RS on MSCI EM (**EEM**) violated the YTD uptrend, but our overweight recommendation remains appropriate as long as the 1.5+ year RS uptrend remains intact. Price remains bullish with the uptrend intact. Support is at \$63.50 followed by \$61.60 and \$59.50. Buy pull-backs/stay long and remain overweight with the RS uptrend intact.

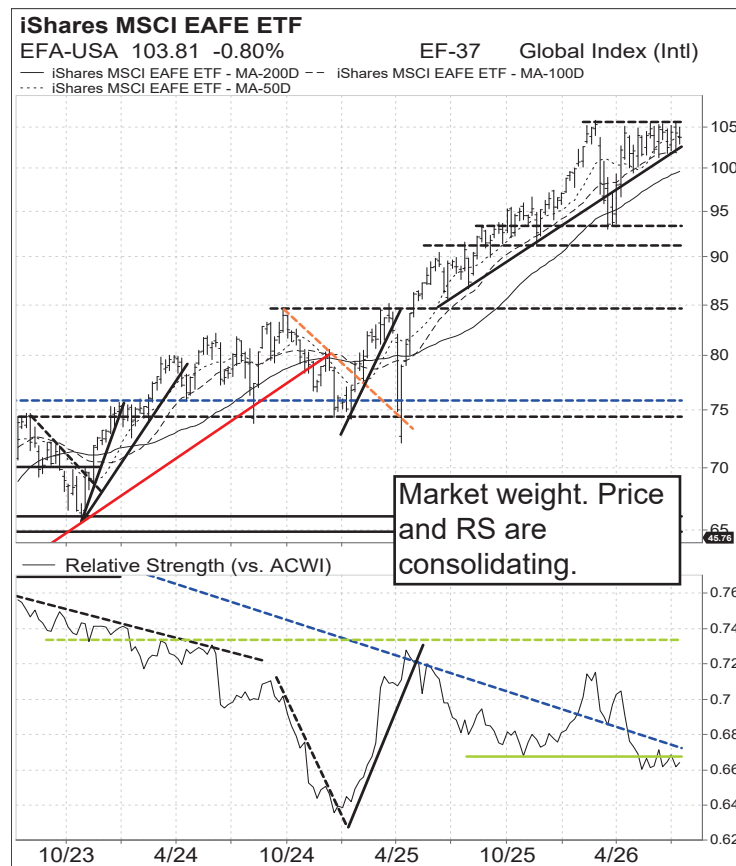
Attractive EM countries/regions highlighted include: Poland (**EPOL**)... see chart on page 11.



Developed Int'l Markets

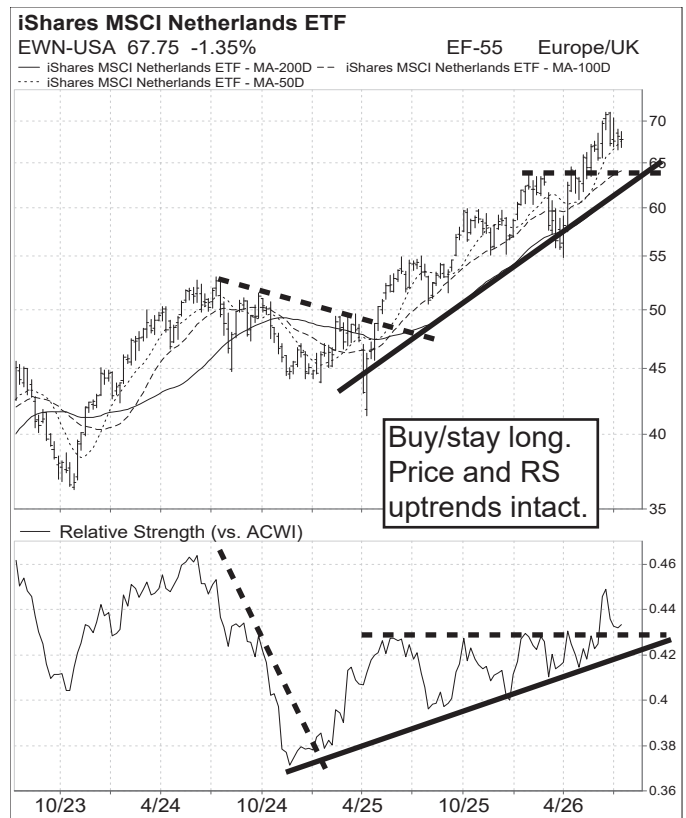
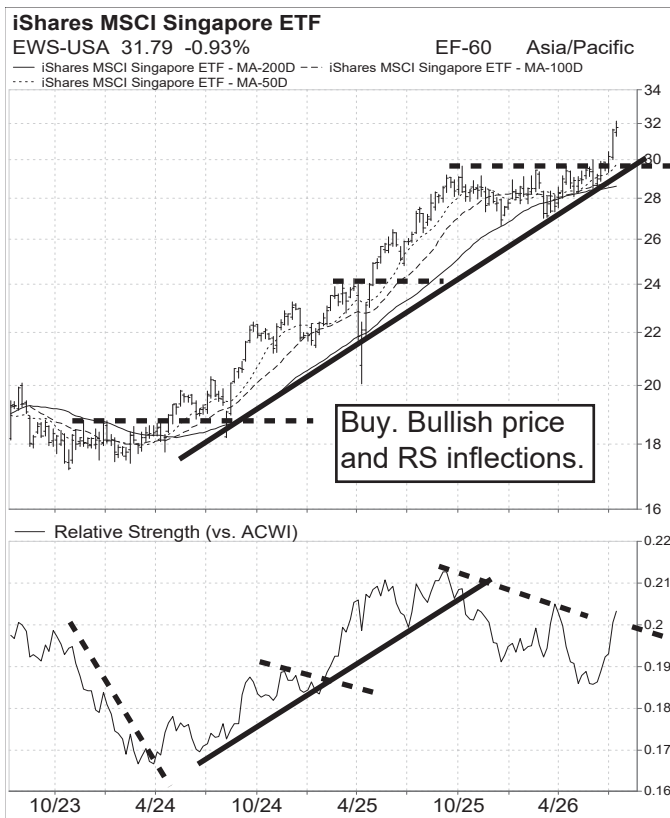
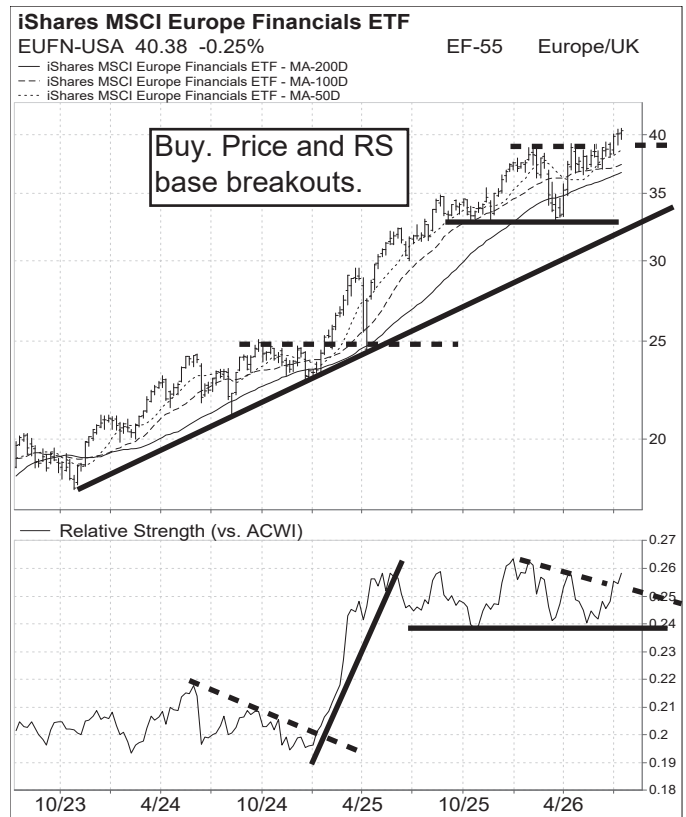
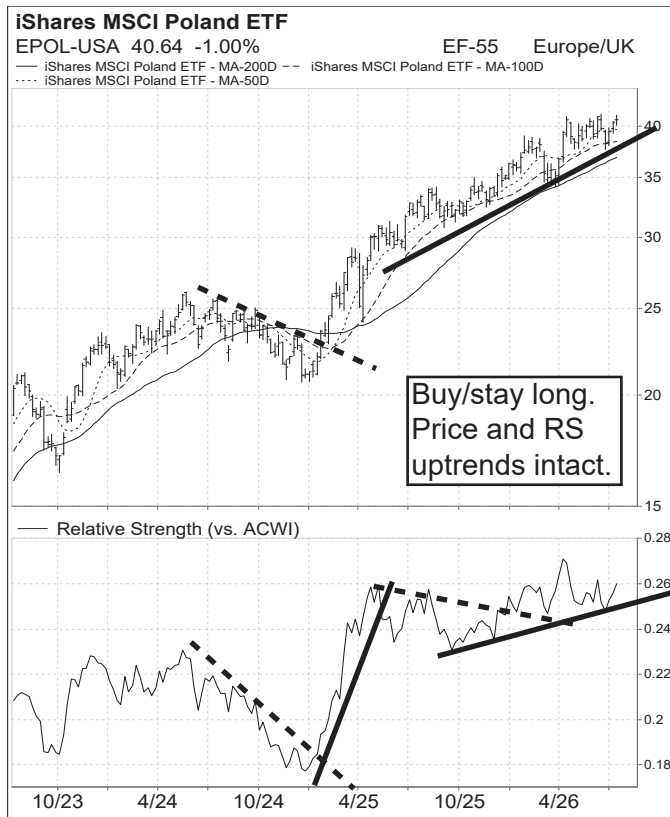
RS is consolidating for MSCI EAFE (**EFA**) and is testing support; stay at market weight as there has been zero downside follow-through in RS. We have been concerned that RS potentially made a failed breakout above the 18-year RS downtrend (see bottom clip of chart at right, in blue). We would downgrade EAFE to underweight if RS decisively breaks below support (in green). Price on EFA remains constructive as it forms a tight consolidation below \$105-\$106 resistance. Support is at \$101.50-\$102 followed by \$99.50 and \$94. We expect price to break out above \$106 resistance, and we continue to recommend adding exposure to many European countries.

Attractive developed int'l countries/regions highlighted include: European Financials (**EUFN**), Singapore (**EWS**), Netherlands (**EWN**), Austria (**EWO**), Japan Hedged (**DXJ**), Ireland (**EIRL**), and Canada (**EWC**)... see charts on pages 11-12.



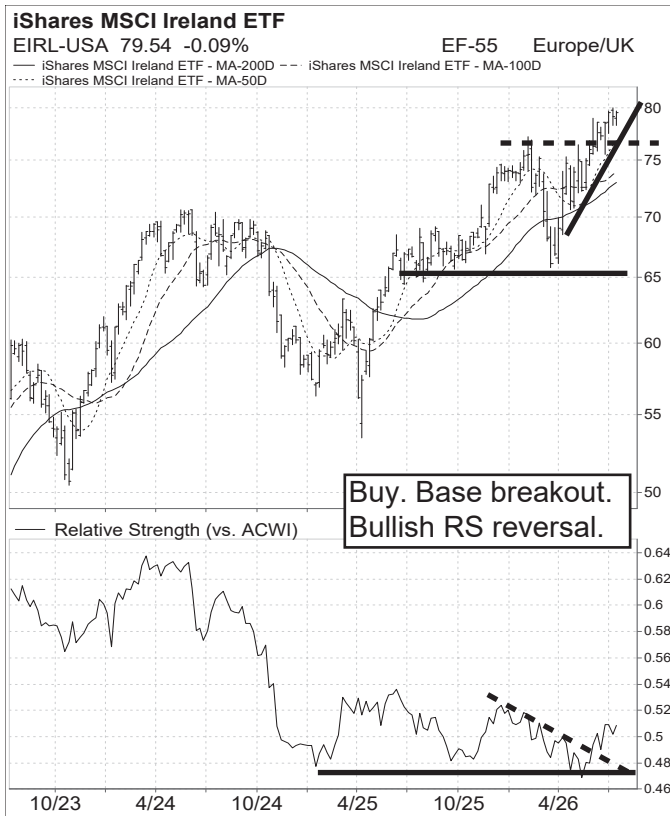
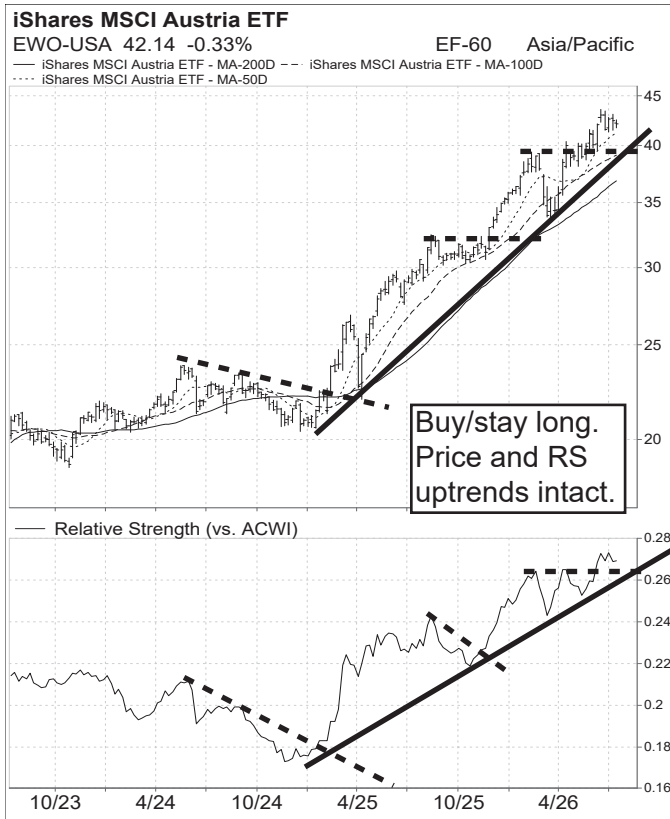
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EPOL, EUFN, EWS, EWN, EWO, DXJ, EIRL, and EWC



Actionable International ETFs

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