

8/24/2026

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Upgrading Energy and Health Care to Overweight

We remain bullish (as of our 4/20/26 *ETF Pathfinder*) on the S&P 500 (SPX), Nasdaq 100 (QQQ), and Russell 2000 (IWM). We are somewhat cautious on QQQ and A.I./Technology areas (**XLK**, **SOXX**, **CHAT**, **DRAM**) as it is becoming clear that more consolidation is likely. Outside of A.I. areas, the market appears healthy; the equal-weighted S&P 500 (**RSP**) is resuming its leadership status with support at the 20-day MA. We will remain bullish on SPX as long as support at 7580-7629 holds.

- **Upgrading Energy and Health Care.** We are upgrading Energy (**XLE**, **RSPG**) and Health Care (**RSPH**, **XLV**) to overweight -- add exposure. RS is starting to make higher highs and higher lows on the XLE and RSPG, while RS on the XLV is decisively reversing above its 3.5-year downtrend. These two Sectors are typically the leading *defensive* Sectors during inflationary periods, so continued outperformance would likely be problematic for the broad equity market... *see pages 3-4.*

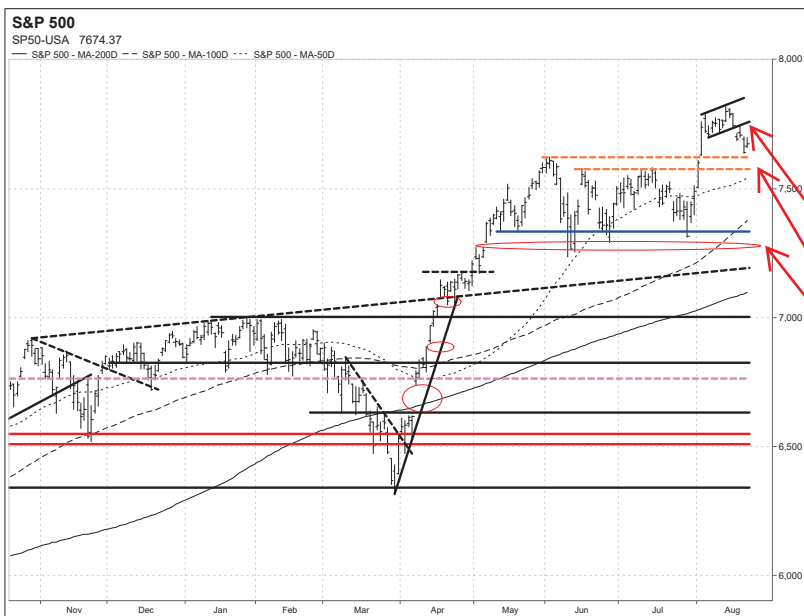
- **Risk-On Signals.** Market dynamics continue to support our bullish outlook. Risk-on signals include: (1) The U.S. Dollar (DXY) displays a bearish false breakout at the \$100.25-\$100.80 level. (2) High yield spreads are below 320bps and are near 19-year narrows. (3) RS is near all-time lows on defensive Sectors including Staples (**XLP**) and Utilities (**XLU**). (4) U.S. interest rate volatility (MOVE index) remains below the 85-90 level. (5) Breadth has remained healthy (A/D lines on SPX and IWM at new highs). (6) The 10-year Treasury yield remains below crucial resistance at 4.70-4.80%. (7) Gold and silver prices have bottomed, and we would buy on any weakness. This remains a bull market until proven otherwise... *see page 2.*

- **Actionable Industry ETFs:** **GDX**, **IEO**, **ARKG**, and **XHE**... *see page 9.*

Sector Weighting Recommendations

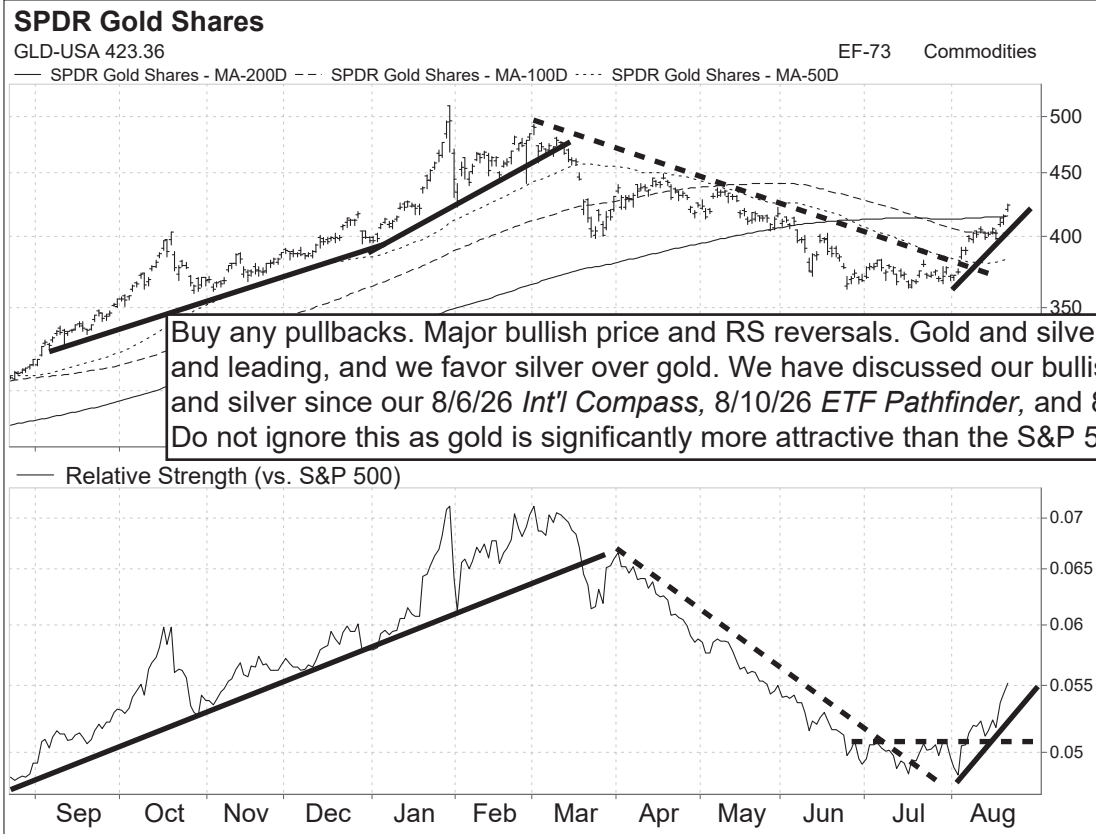
Sector	Under-Weight	Market-Weight	Over-Weight
Comm. Services (XLC)		X	
Cons. Discretionary (XLY)	X		
Cons. Staples (XLP)		X	
Energy (RSPG, XLE)		X →	X
Financials (XLF)		X	
Health Care (RSPH, XLV)		X →	X
Industrials (XLI)		X	
Materials (XLB)		X	
Real Estate (XLRE)	X		
Technology (XLK)			X
Utilities (XLU)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

- **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**, **GREK**, **EZA**, **EPU**, **COLO**, **VGK**, **EWP**, **ENOR**, **EIRL**, **EWC**, **EWS**, and **ENZL**... *see pages 11-13.*



The multi-week bull flag broke down on the S&P 500, which was the first sign of weakness. 7580-7629 support must hold (in orange) or else we would downgrade our outlook. A break below 7580 would likely see 7238-7314 rather quickly.

Gold and Silver Have Bottomed -- Buy; IWM A/D Line Hitting YTD Highs

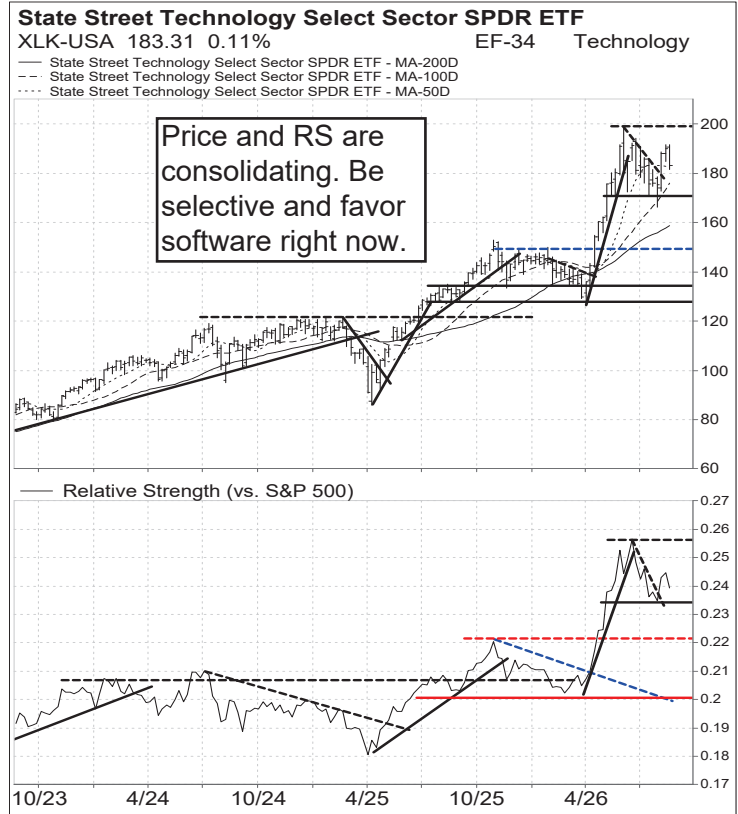


Technology (XLK): Overweight

- Technology (**XLK**, **RSPT**) made bullish 2-month price and downtrend reversals in early-August, but both price and RS remain stuck in consolidations -- remain overweight and be selective. Short-term support is at \$182.25 followed by \$171.
- Software (**IGV**, **CIBR**) is our top theme. Buy/stay long: **CRWD**, **GEN**, **PANW**, **PLTR**, **ANET**, **CSCO**, **FFIV**, and bottom-fishing candidates **ADBE**, **ADSK**, **CRM**, **INTU**, **MSFT**, **NOW**, **PTC**, **ROP**, **TYL**, and **WDAY**.
- Also attractive: **MSI**, **APH**, **ZBRA**, **MU**, **SNDK**, **STX**, **HPQ**, **NTAP**, and bottom-fishing candidates **CDW**, **TRMB**, **ACN**, **CTSH**, **GDDY**, **IT**, and **SMCI**.

Top 10 Holdings (XLK)

Ticker	Weight (%)	Ticker	Weight (%)
NVDA	14.2	AMD	4.0
AAPL	12.4	INTC	3.0
MSFT	9.8	CSCO	2.9
AVGO	4.8	PLTR	2.8
MU	4.1	LRCX	2.6

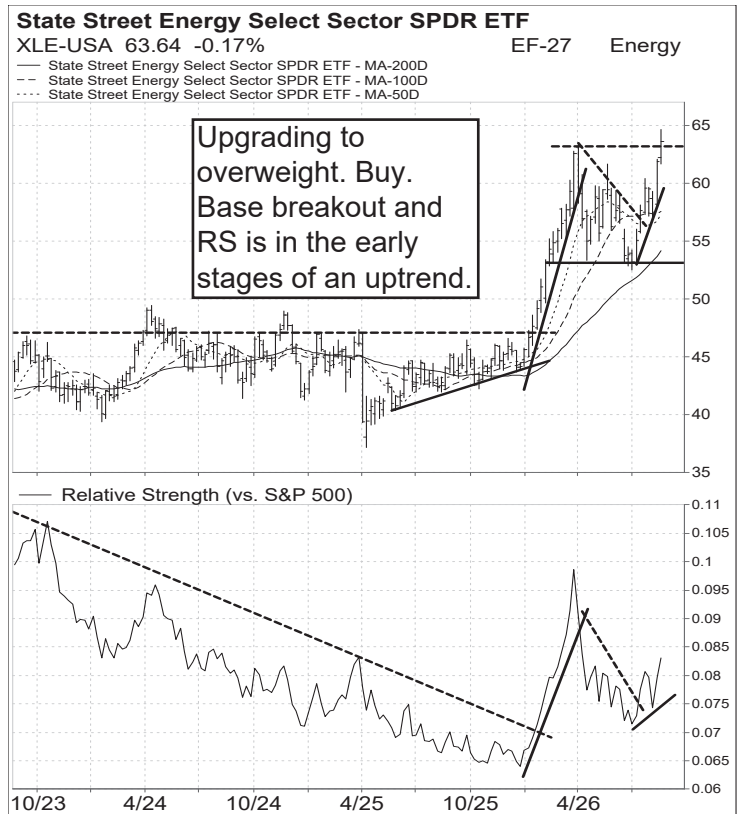


Energy (XLE, RSPG): Overweight (upgrading today from Market Weight)

- UPGRADE.** We are upgrading Energy to overweight; price on the cap- and equal-weighted Sectors (**XLE**, **RSPG**) display 4.5-month base breakouts, and RS is making higher lows and higher highs since bottoming in early-July. Add exposure. \$60.50-\$61.50 is support on **XLE** and would be a great spot to buy.
- Refiners (**CRAK**) remain leadership. Buy pullbacks/ stay long: **MPC**, **PSX**, and **VLO**.
- Exploration & production names (**XOP**, **IEO**) are emerging as leadership -- add exposure. Attractive names include: **APA**, **COP**, **CVX**, **DVN**, **EOG**, **FANG**, **OXY**, and **XOM**.
- Also attractive: **BKR**, **SLB**, and **TRGP**.

Top 10 Holdings (XLE)

Ticker	Weight (%)	Ticker	Weight (%)
XOM	20.6	VLO	5.0
CVX	15.0	SLB	4.4
COP	6.4	EOG	4.4
PSX	5.3	TRGP	3.8
MPC	5.3	BKR	3.6

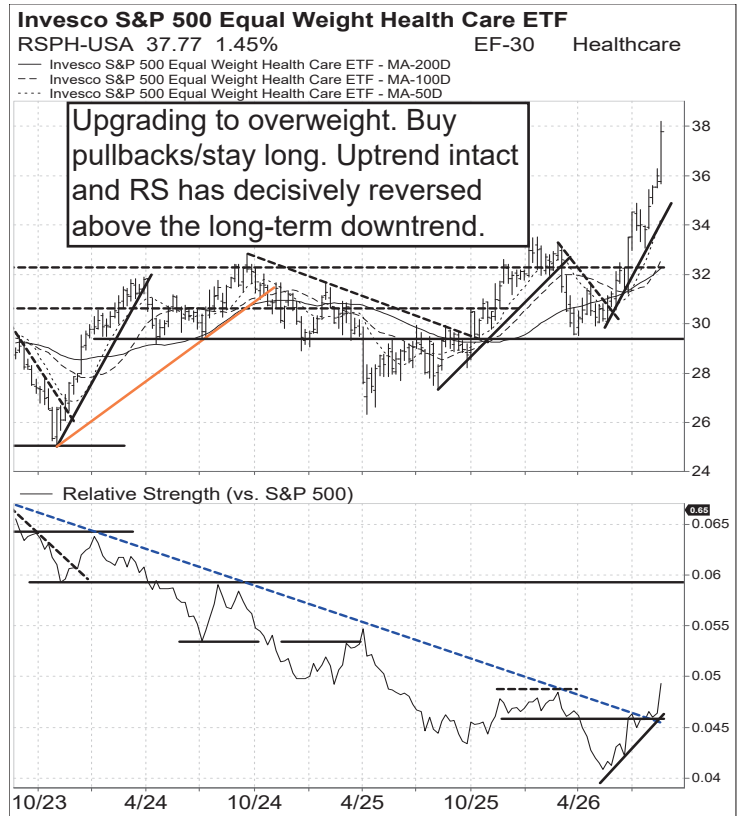


Health Care (XLV, RSPH): Overweight (upgrading today from Market Weight)

- **UPGRADE.** RS is making yet another higher high after reversing the long-term downtrend on the *equal-weighted RSPH*, and we are upgrading Health Care to overweight. Support on RSPH is at the 20-day MA followed by \$34.50. All areas within Health Care are attractive, including devices/equipment (**IHI, XHE**), life science instruments, biotechnology (**XBI, IBB**), pharmaceuticals (**PJP**), and services/providers (**XHS, IHF**).
- Attractive names: **A, CRL, DHR, IQV, RVTY, TMO, WAT, WST, ABBV, AMGN, BIIB, GILD, INCY, MRNA, REGN, VRTX, ABT, BAX, BDx, DXCM, SOLV, BMY, JNJ, LLY, MRK, PFE, VTRS, CNC, DGX, ELV, HSIC, HUM, LH, MCK, MOH**, and bottom-fishing candidates **BSX, COO, GEHC, MDT, RMD, STE, ZBH, COR, HCA, and UHS**.

Top 10 Holdings (XLV)

Ticker	Weight (%)	Ticker	Weight (%)
LLY	15.8	AMGN	3.8
JNJ	10.3	TMO	3.7
ABBV	7.4	ABT	3.2
MRK	6.0	GILD	2.9
UNH	5.6	PFE	2.5

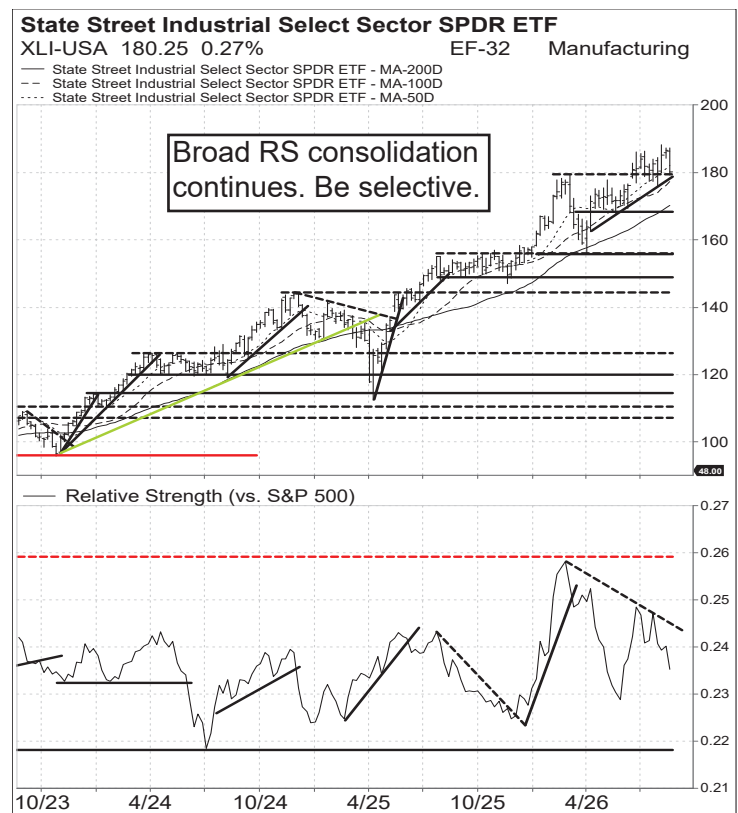


Industrials (XLI): Market Weight

- RS on the **XLI** remains within a 6+ year horizontal range -- stay at market weight. We remain constructive on price as long as base support holds at \$177-\$179.50. Any break below \$177 would raise concerns as it would signal a near-term bearish failed breakout.
- Services names are leading. Buy/stay long: **ADP, J, PAYC, PAYX**, and bottom-fishing candidates **BR, EFX**, and **LDOS**.
- Additional attractive names include: **EXPD, CSX, JBHT, NSC, UNP, HWM, ALLE, JCI, GEV, MMM, DE, IEX, NDSN, PCAR, SWK, WAB**, and bottom-fishing candidates **AXON, CPRT, CTAS, VLTO**, and **UBER**.

Top 10 Holdings (XLI)

Ticker	Weight (%)	Ticker	Weight (%)
CAT	6.7	BA	3.0
GE	6.4	ETN	2.9
RTX	5.0	DE	2.9
GEV	4.5	UBER	2.8
UNP	3.2	PH	2.2

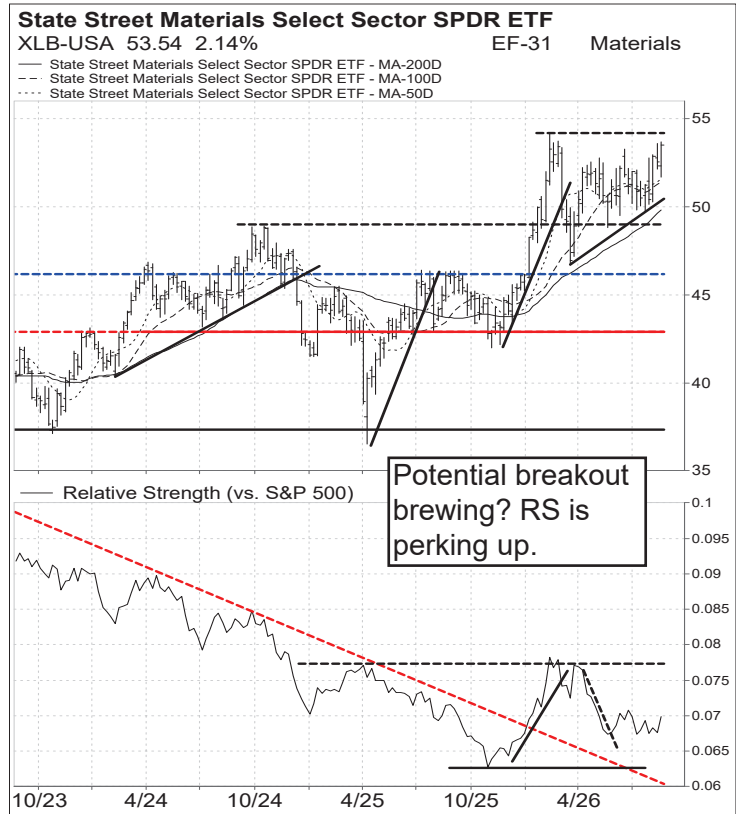


Materials (XLB): Market Weight

- 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-\$50 support.
- Gold and copper mining stocks (GDX, COPX) remain leadership. Buy pullbacks/stay long: **FCX** and **NEM**.
- Additional attractive names include: **CF**, **DOW**, **IFF**, **LYB**, **AMCR**, **BALL**, **PKG**, **SW**, and bottom-fishing candidates **ALB**, **APD**, **MOS**, **SHW**, **AVY**, and **IP**.

Top 10 Holdings (XLB)

Ticker	Weight (%)	Ticker	Weight (%)
LIN	12.9	CTVA	4.7
NEM	8.0	ECL	4.7
FCX	6.3	VMC	4.3
SHW	4.9	NUE	4.1
APD	4.7	MLM	4.1

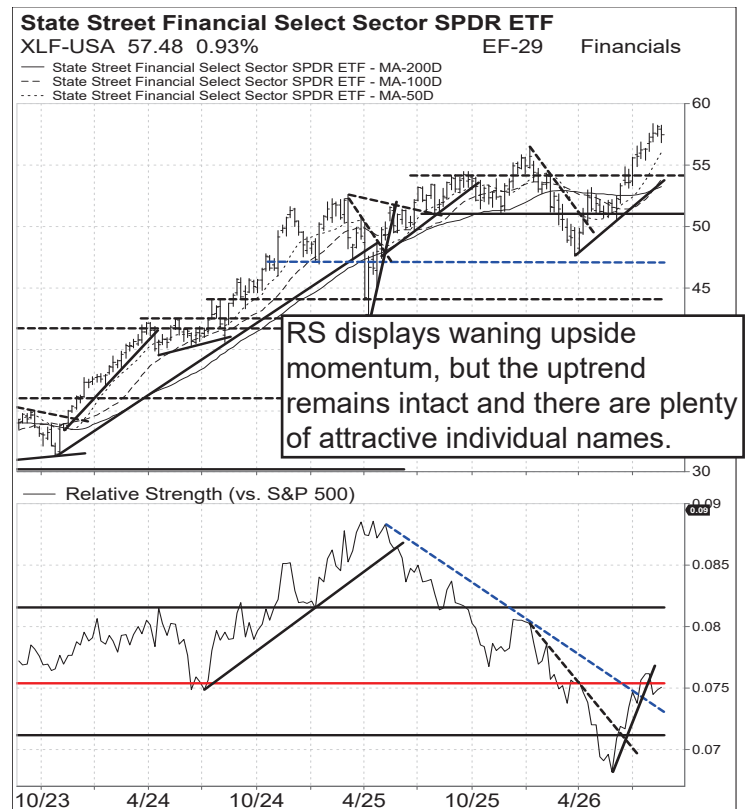


Financials (XLF): Market Weight

- RS on *cap-weighted* Financials (XLF) displays waning upside momentum following strong outperformance in June and July. Stay at market weight. Price on the XLF remains in an uptrend off of the March lows. \$54 remains support.
- Equal-weighted capital markets (KCE) are leadership. Buy/stay long: **AMP**, **BEN**, **BLK**, **IBKR**, **IVZ**, **NDAQ**, **NTRS**, **RJF**, **SCHW**, **STT**, and bottom-fishing candidates **ARES**, **BX**, **COIN**, **FDS**, **HOOD**, **ICE**, **KKR**, **MCO**, and **APO**.
- Also attractive: **CPAY**, **GPN**, **JKHY**, **MA**, **PYPL**, **V**, **XYZ**, **BAC**, **C**, **CFG**, **JPM**, **BNY**, **GS**, **MS**, **AIZ**, **AJG**, **MET**, **PFG**, **PRU**, **TRV**, **WTW**, and bottom-fishing candidates **COF**, **SYF**, **BRO**, **ERIE**, **MRSH**, and **PGR**.

Top 10 Holdings (XLF)

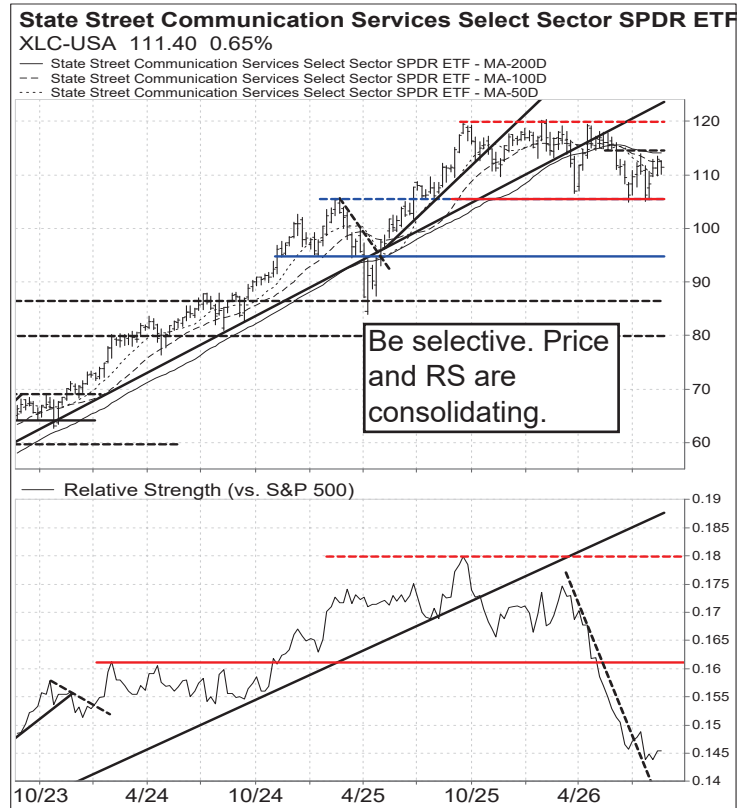
Ticker	Weight (%)	Ticker	Weight (%)
JPM	11.6	GS	3.8
BRK.B	11.2	MS	3.2
V	7.6	WFC	3.2
MA	5.8	C	2.8
BAC	5.0	SCHW	2.3



Comm. Services (XLC): Market Weight

- RS on *cap-weighted* Communications (XLC) has stabilized after reversing above its 4-month downtrend -- add selective exposure. Support at \$105.50 held and price appears to be bottoming. Resistance is at \$114 followed by \$120.
- Attractive names include **VZ**, **MTCH**, **FOXA**, **NWSA**, **OMC**, **LYV**, **GOOGL**, and bottom-fishing candidates **T**, **DIS**, **NFLX**, **TTWO**, and **CMCSA**.

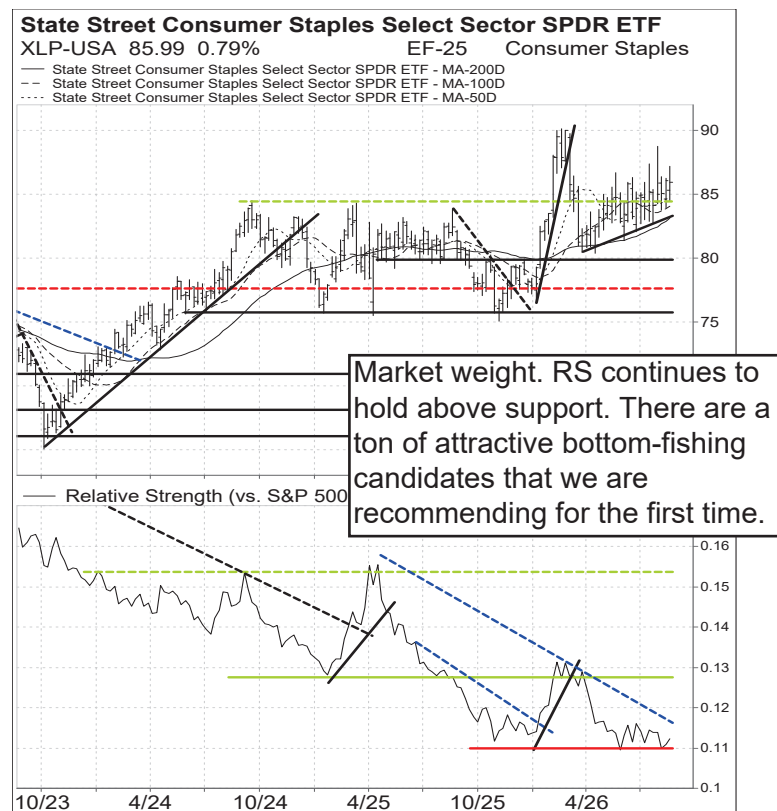
Top 10 Holdings (XLC)			
Ticker	Weight (%)	Ticker	Weight (%)
META	16.1	CMCSA	4.9
GOOGL	10.5	DIS	4.9
GOOG	8.4	NFLX	4.8
T	5.1	WBD	4.7
VZ	5.0	TMUS	4.7



Consumer Staples (XLP): Market Weight (upgraded 8/10/26 from Underweight)

- RS has stabilized and remains above support on the *cap-weighted* XLP. Still, be extremely selective as RS remains in a 1+ year downtrend. Price is constructive as long as it holds above \$80-\$81 support and the 200-day MA.
- Attractive names include: **TGT**, **KO**, **MNST**, **ADM**, **SJM**, and bottom-fishing candidates **BF.B**, **KDP**, **CAG**, **CPB**, **GIS**, **KHC**, **LW**, **MDLZ**, **CLX**, **KMB**, **EL**, and **KVUE**.

Top 10 Holdings (XLP)			
Ticker	Weight (%)	Ticker	Weight (%)
WMT	9.6	TGT	4.7
COST	8.9	CL	4.5
KO	7.5	MDLZ	4.5
PG	7.1	PEP	4.5
PM	6.2	MNST	4.3



Utilities (XLU): Market Weight

- RS on the *cap-weighted* **XLU** is back to test 2026 lows, and we are monitoring the Sector for a downgrade to underweight. When adjusting for dividends, RS is still testing support from early-2024. The XLU's price uptrend from the 2023 lows is being violated, a concerning development. Be extremely selective.
- Attractive names include: **PCG** and bottom-fishing candidates **CEG** and **AWK**.

Top 10 Holdings (XLU)

Ticker	Weight (%)	Ticker	Weight (%)
NEE	13.1	D	4.4
SO	7.5	SRE	4.1
DUK	7.0	ETR	3.6
CEG	6.6	XEL	3.6
AEP	5.0	EXC	3.4



Consumer Discretionary (XLY): Underweight

- RS on *cap-weighted* Discretionary (**XLY**) remains in a YTD downtrend -- remain underweight, though we would likely upgrade the Sector if RS reverses this downtrend. Price has held above \$113-\$115 support. \$110 is the next support level below \$113.
- Online travel names are leadership. Buy/stay long: **ABNB**, **BKNG**, and **EXPE**.
- Additional attractive names include: **GM**, **GRMN**, **MHK**, **HAS**, **BBY**, **ROST**, **WSM**, **RL**, **DRI**, **SBUX**, **HLT**, and bottom-fishing candidates **GPC**, **PHM**, **TSCO**, **ULTA**, **LULU**, **CMG**, and **DASH**.

Top 10 Holdings (XLY)

Ticker	Weight (%)	Ticker	Weight (%)
AMZN	24.0	TJX	3.6
TSLA	16.9	SBUX	3.0
HD	5.5	LOW	3.0
MCD	4.1	DASH	2.1
BKNG	4.0	GM	2.0

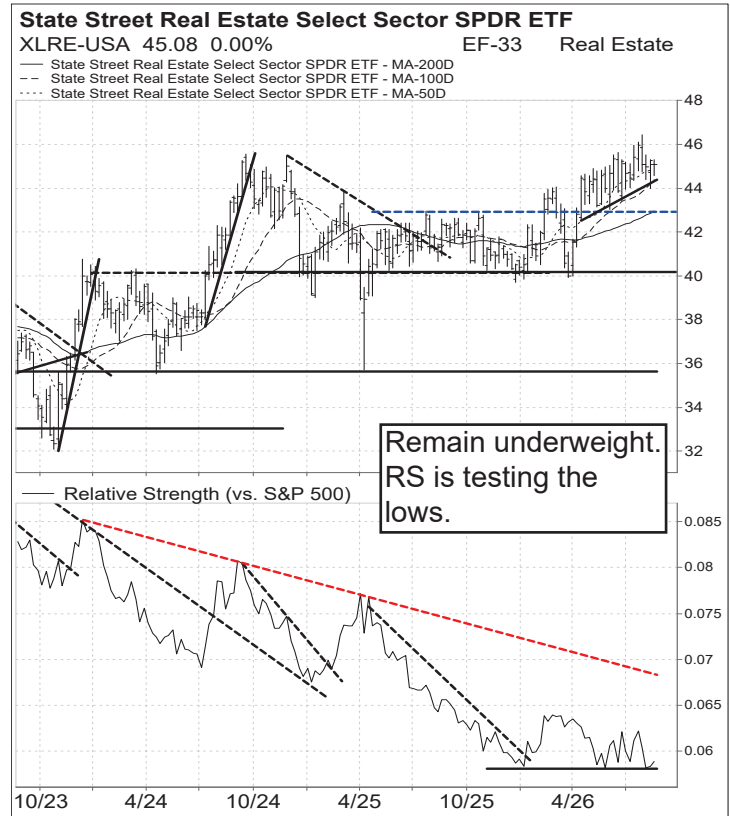


Real Estate (XLRE): Underweight

- 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. Be selective.
- Health Care REITs remain leadership. Buy/stay long: **DOC**, **VTR**, and **WELL**.
- Additional attractive names include: **SPG** and **CBRE** (bottom-fishing candidate).

Top 10 Holdings (XLRE)

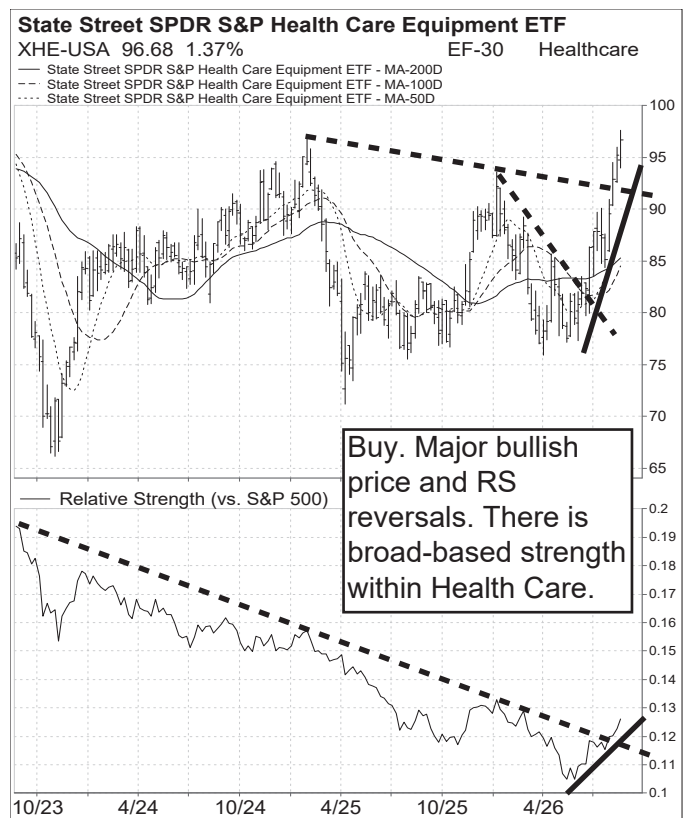
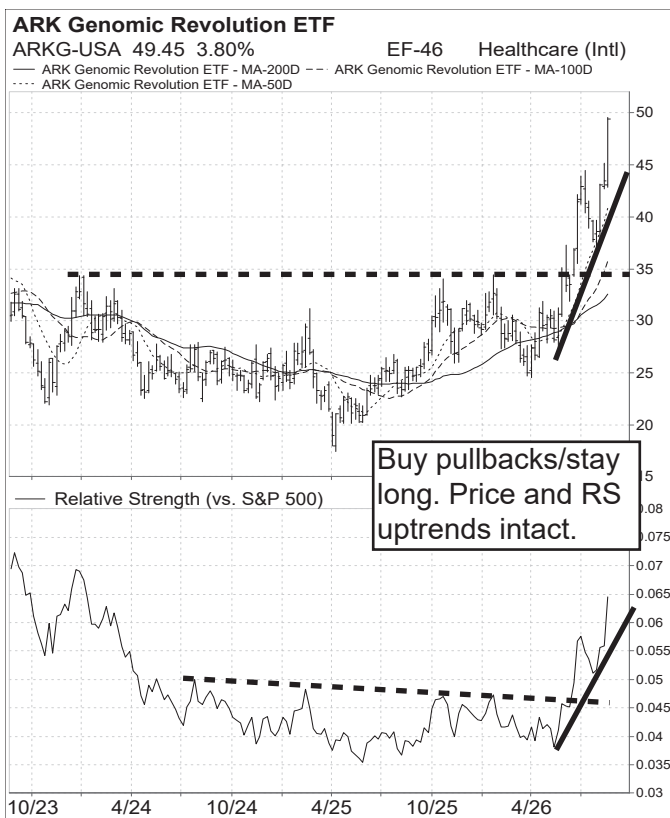
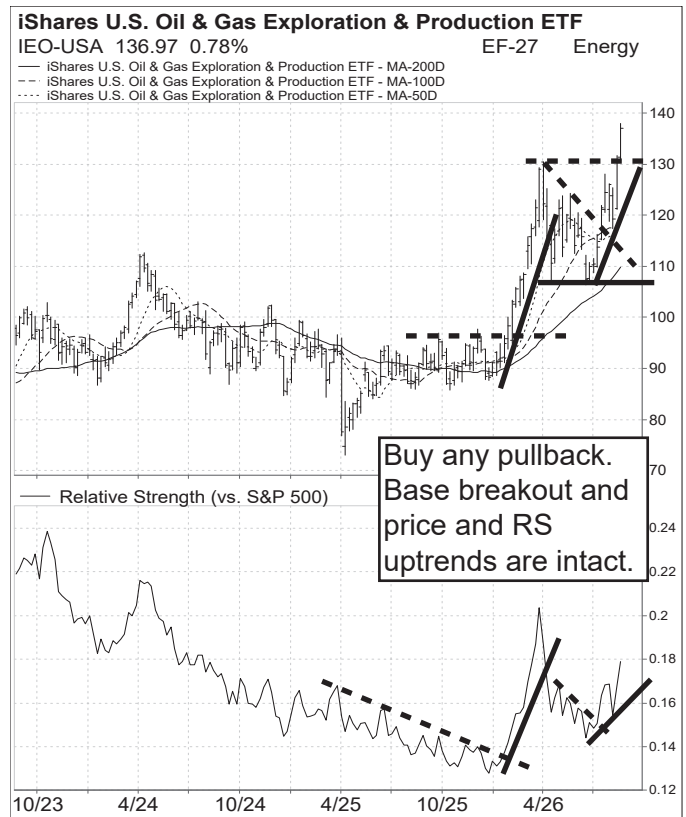
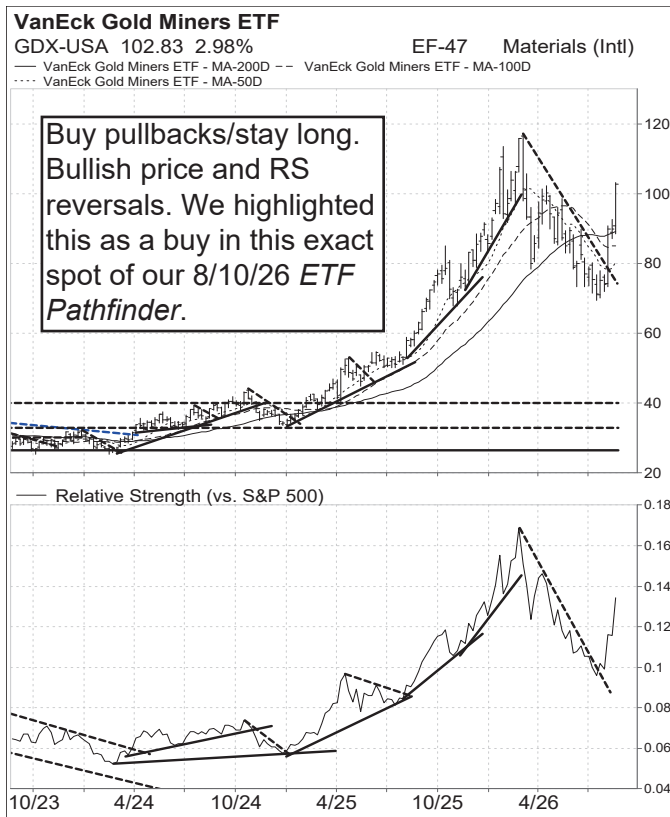
Ticker	Weight (%)	Ticker	Weight (%)
WELL	11.3	DLR	5.0
PLD	9.0	SPG	4.8
EQIX	7.1	PSA	4.7
AMT	5.5	VTR	4.6
VMRK	5.0	CBRE	4.5



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Actionable Industry ETFs

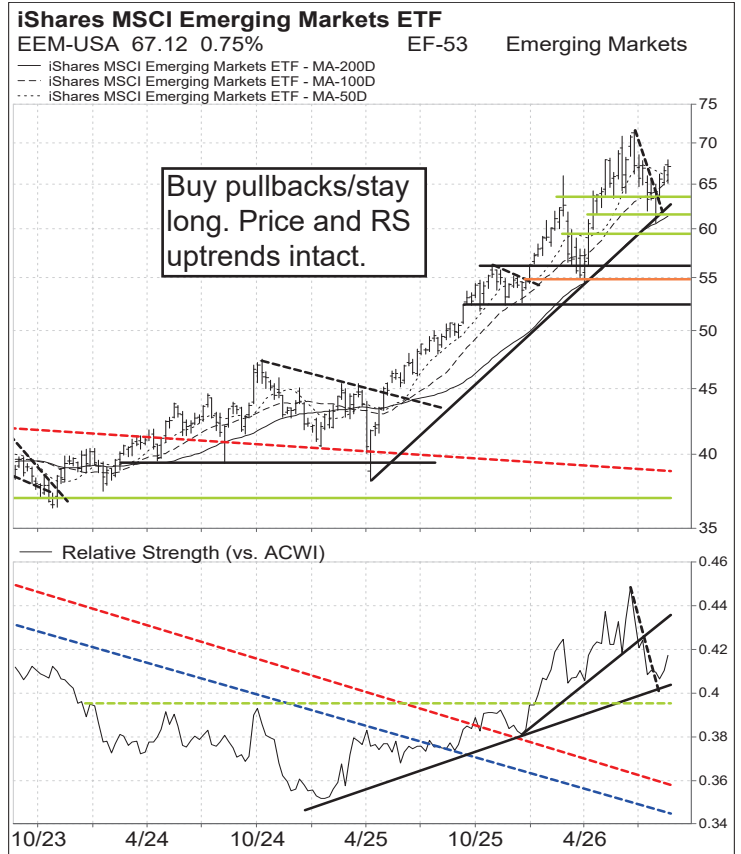
- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: GDX, IEO, ARKG, and XHE



Emerging Markets

RS on MSCI EM (**EEM**) continues to hold at the 1.5+ year uptrend, which continues to support our overweight recommendation. Price remains bullish with the 1.5-year uptrend intact, and price and RS also reversed above 1.5-month downtrends in early-August. Support is at \$63.00 followed by \$61.60 and \$59.50.

Attractive EM countries/regions highlighted include: Poland (**EPOL**), Greece (**GREK**), South Africa (**EZA**), and Peru (**EPU**)... see charts on page 11.



Developed Int'l Markets

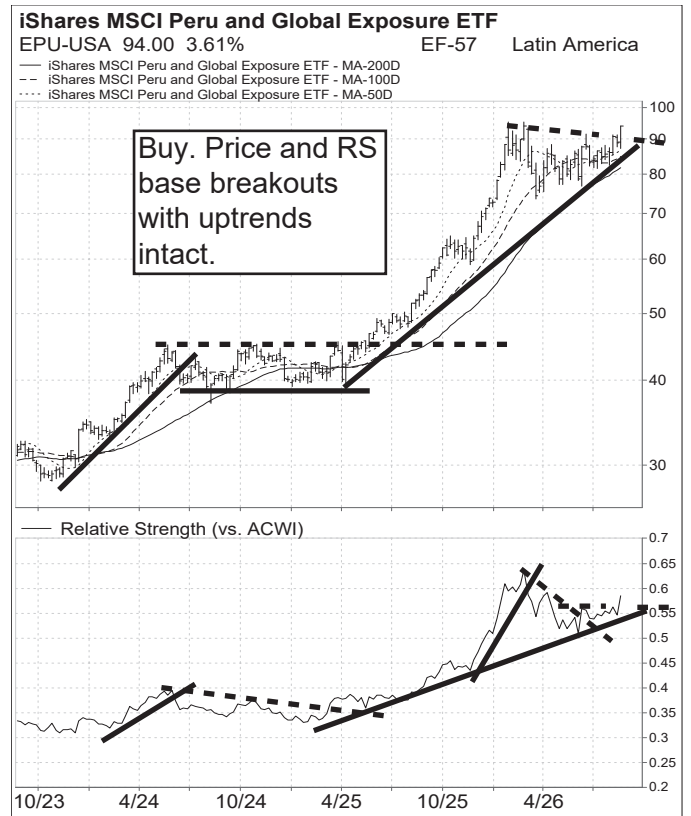
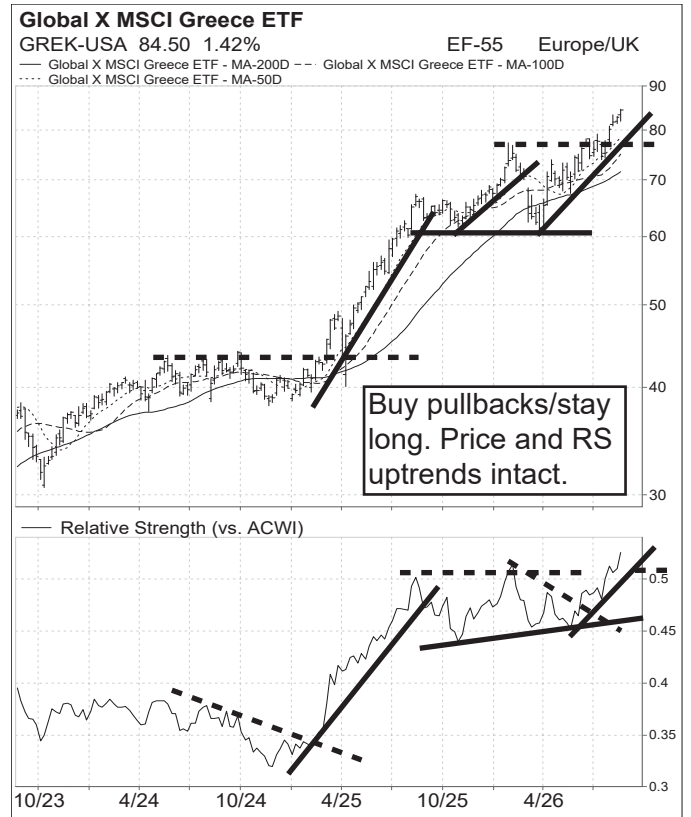
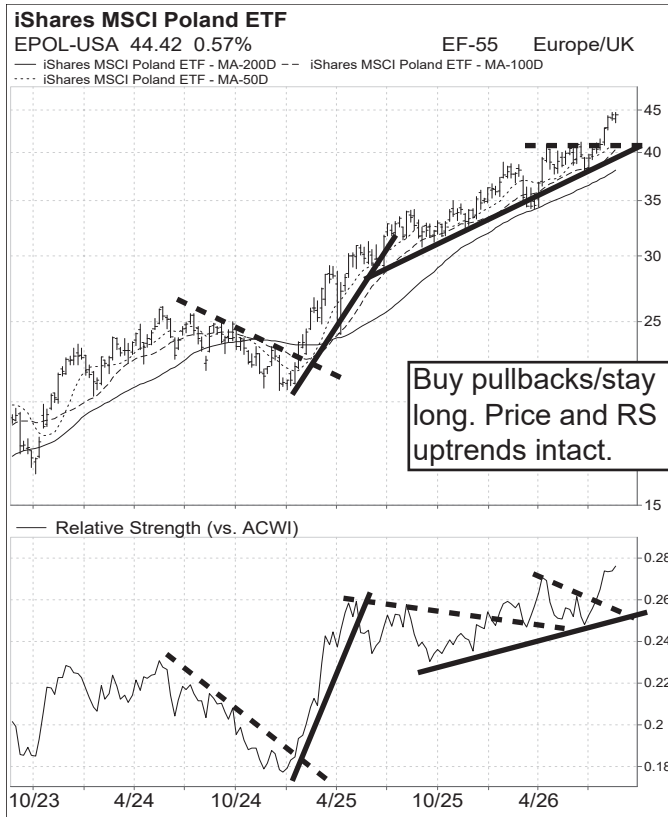
RS is consolidating for MSCI EAFE (**EFA**) and is testing support; stay at market weight. Price on EFA displays a gorgeous 5.5-month base breakout above \$105-\$106 resistance, as we have been expecting -- buy. Support is at \$105 and \$101.50-\$102. We continue to recommend adding exposure to many European countries.

Attractive developed int'l countries/regions highlighted include: Europe (**VGK**), Spain (**EWP**), Norway (**ENOR**), Ireland (**EIRL**), Canada (**EWC**), Singapore (**EWS**), and New Zealand (**ENZL**)... see charts on pages 12-13.



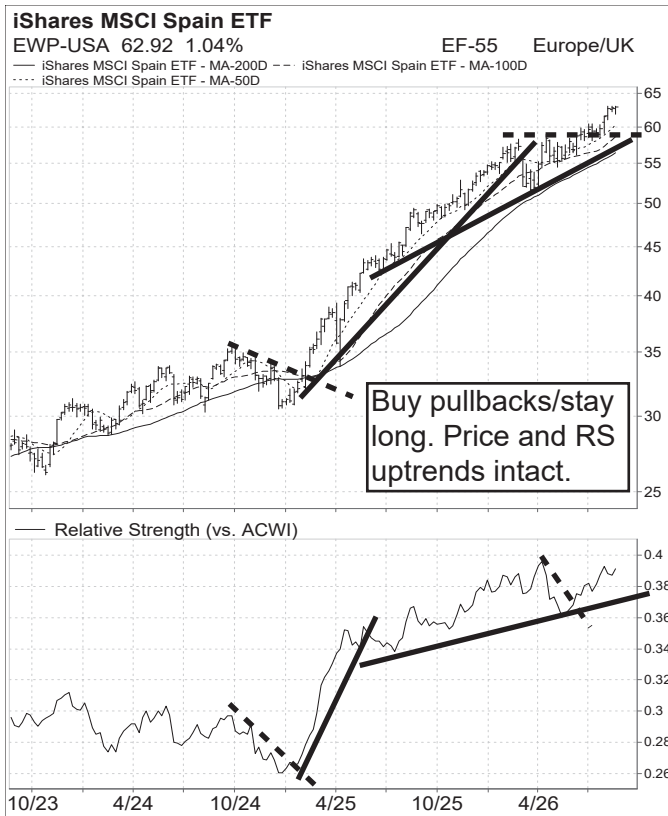
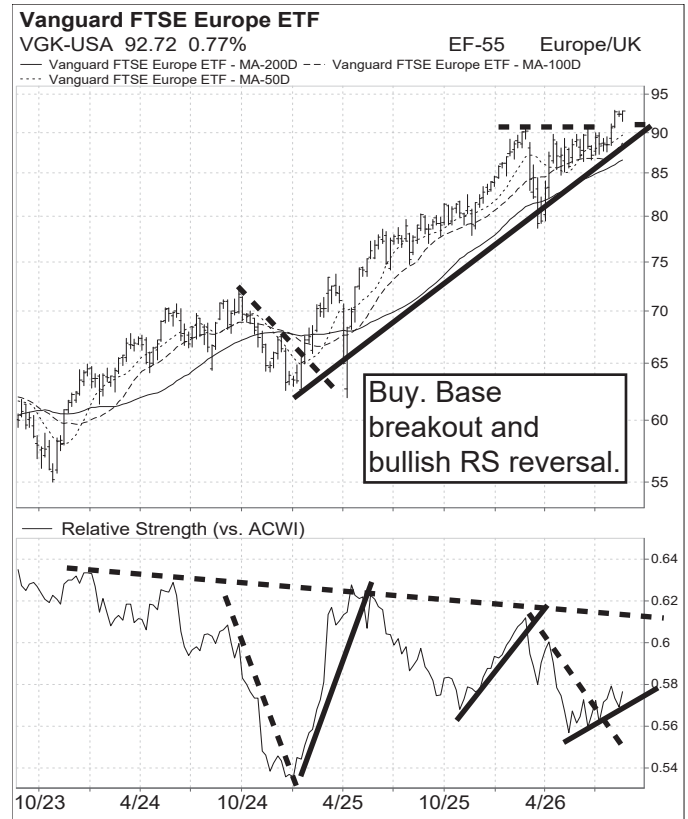
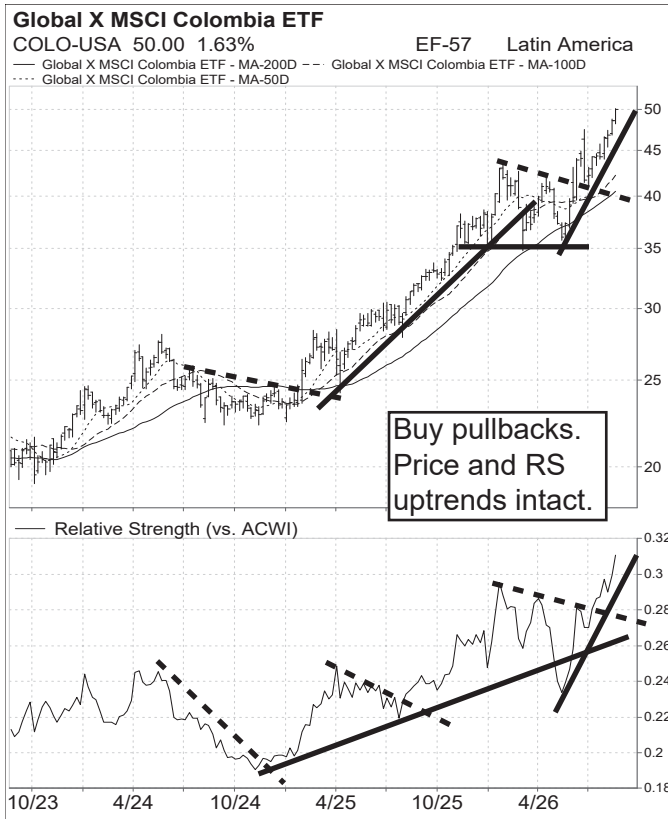
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EPOL, GREK, EZA, EPU, COLO, VGK, EWP, ENOR, EIRL, EWC, EWS, and ENZL



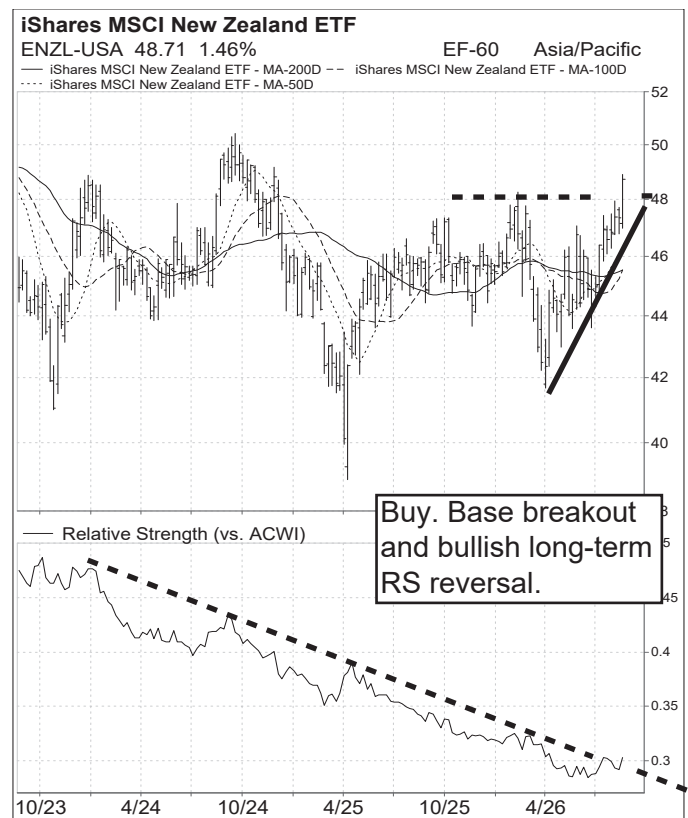
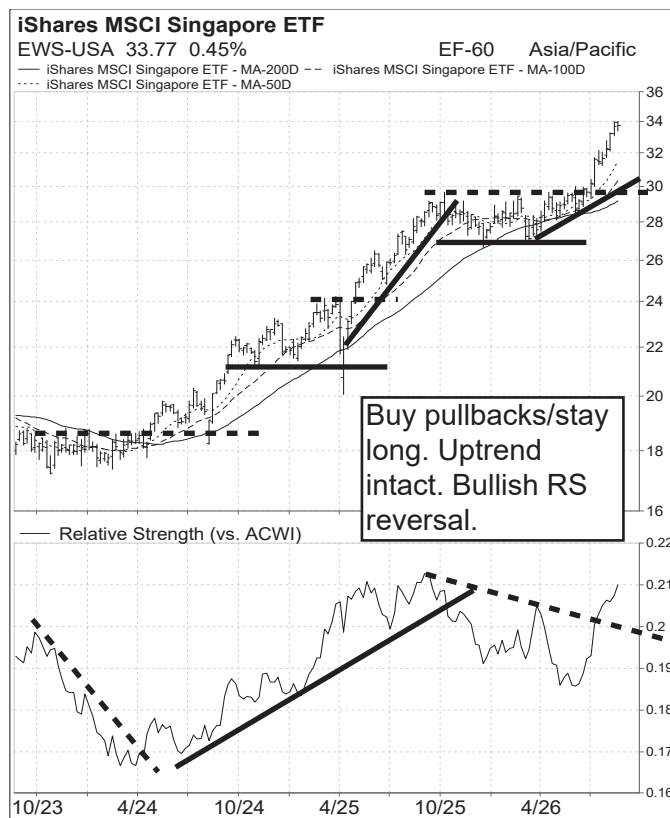
Actionable International ETFs

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Actionable International ETFs

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