

10/19/2026

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Caution Warranted in the Near-Term

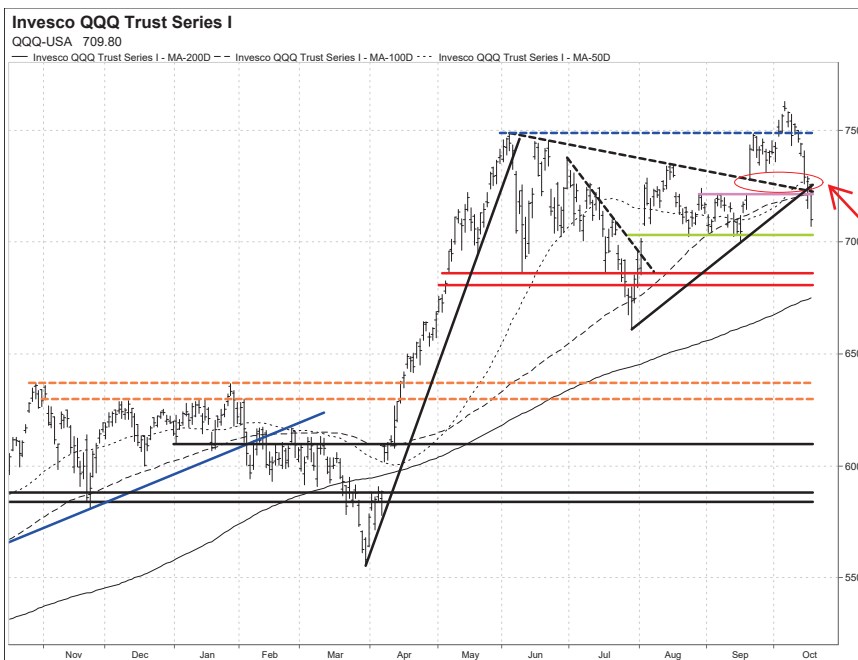
We remain bullish (as of our 4/20/26 *ETF Pathfinder*) on the S&P 500 (SPX), and we will stay that way as long as support at 7507-7580 holds. With that said, the near-term bearish false breakouts on Nasdaq 100 (QQQ) and Technology (XLK) below \$745 and \$197 are reason to be cautious/neutral in the near-term, as it signals a continuation of the 5-month consolidation. The memory ETF (DRAM) is also breaking below gap support at \$51-\$53, and the Russell 2000 (IWM) broke below its 200-day MA and \$274.50 support, providing further reason to be cautious in the near-term. This mostly appears to be a rotation away from A.I. names and other speculative areas considering the equal-weighted S&P 500 (RSP) appears to be bottoming.

- **Risk-On Signals.** Market dynamics continue to support our bullish outlook. Risk-on signals include: (1) The U.S. Dollar (DXY) remains below \$102.00 (though testing this level now). (2) High yield spreads are below 355bps (though are widening above the 320bps level). (3) U.S. interest rate volatility (MOVE index) remains below the 115 and 140 levels. (4) Mag7 (MAGS) remains above its 11-month base at \$69-\$71. (5) Semiconductors (SOXX) are still technically just consolidating above \$464-\$478 support. (6) Consumer Staples (XLP) remain in a 1.5-year RS downtrend (though this is being tested now). (7) Bitcoin and Ether have bottomed (we have been bullish since our 8/25/26 *Compass*). Until the SPX breaks below 7507, we would not be overly concerned... see page 2.

- **Actionable Industry ETFs:** IEO, CRAK, IHF, and IAK... see page 9.

Sector Weighting Recommendations

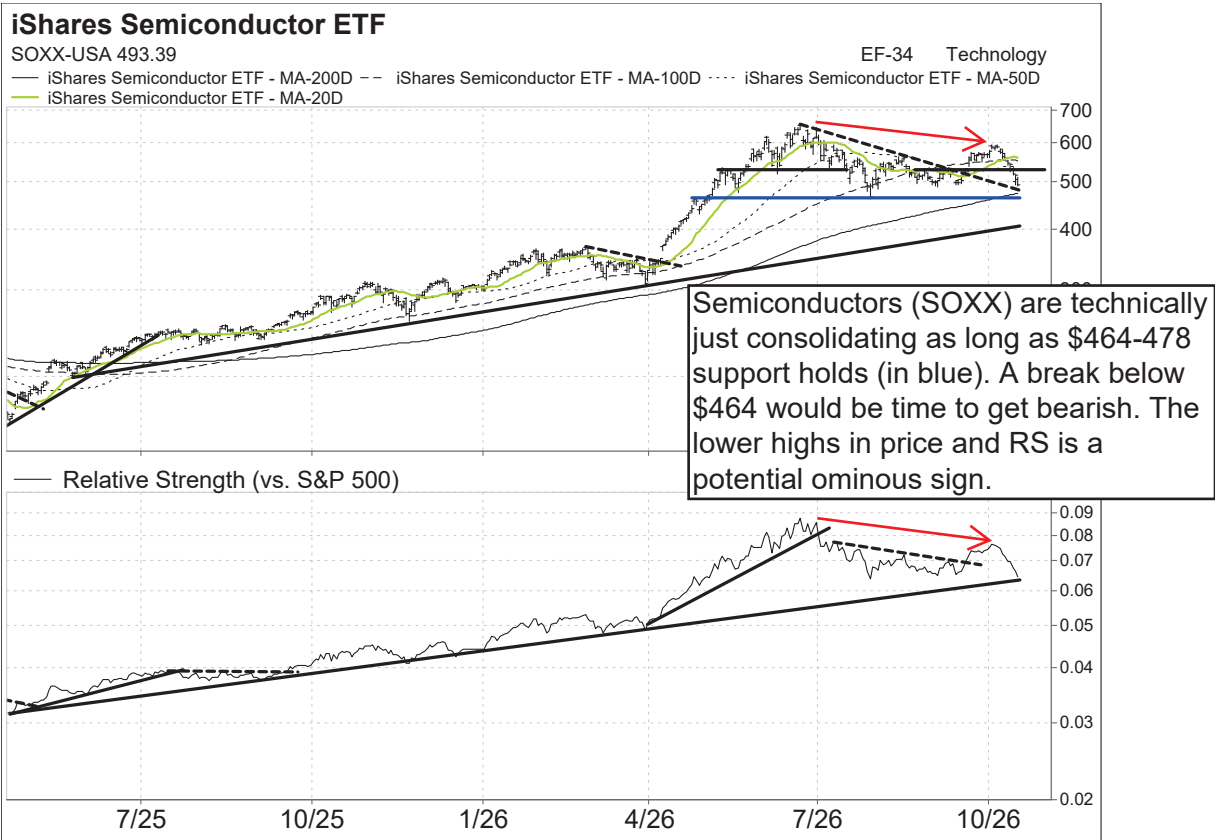
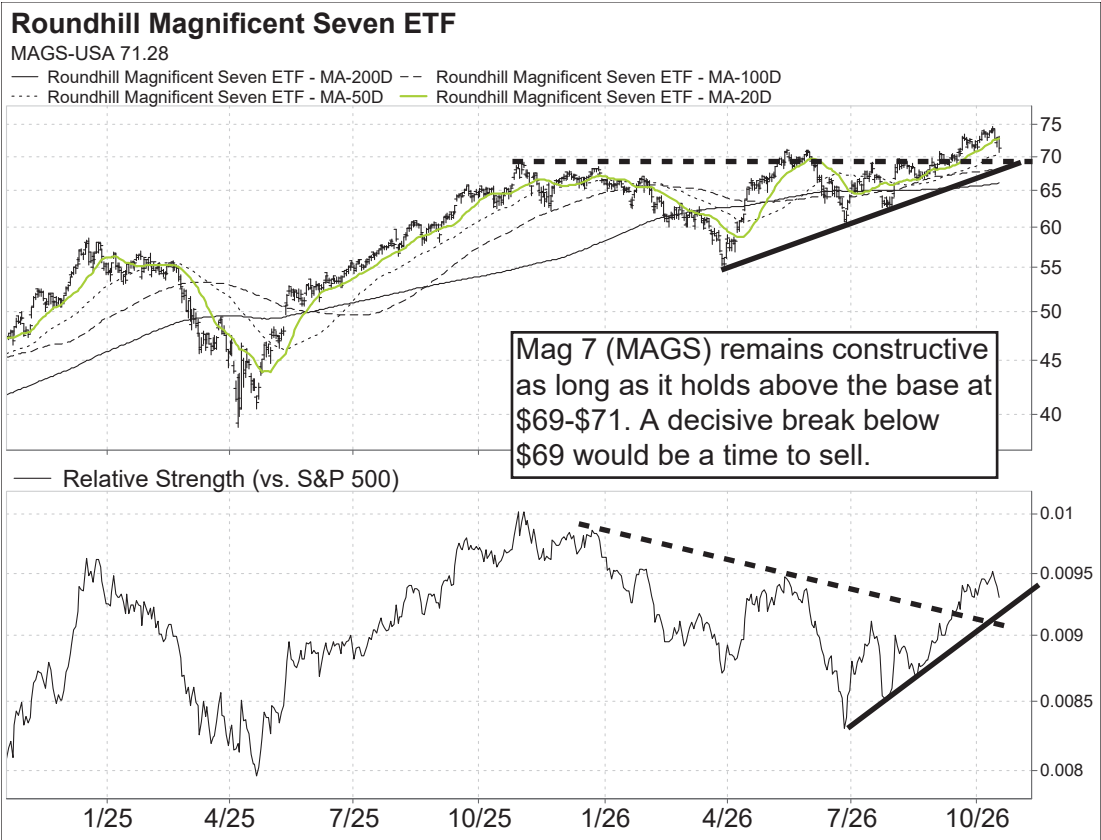
Sector	Under-Weight	Market-Weight	Over-Weight
Comm. Services (XLC)		X	
Cons. Discretionary (XLY)	X		
Cons. Staples (XLP)	X		
Energy (RSPG, XLE)			X
Financials (XLF)		X	
Health Care (RSPH, XLV)			X
Industrials (XLI)		X	
Materials (XLB)		X	
Real Estate (XLRE)	X		
Technology (XLK)		X	
Utilities (XLU)	X		



- **EM and Int'l Markets.** We are downgrading MSCI EM (EEM) to market weight, and we remain underweight MSCI EAFE (EFA)... see page 10. Actionable Int'l ETFs highlighted include EPOL, ILF, GREK, COLO, EWZ, ENOR, DXJ, and EWC... see pages 11-12.

This bearish failed breakout on the Nasdaq 100 (QQQ) at \$745 is our signal that caution is warranted and that the 5-month consolidation is set to continue. The break below gap support at \$722-\$728 is also problematic and suggests a test of the June or July lows (\$680-\$687) is likely. Look for resistance at \$722-\$728; we would reduce exposure. \$700 is another support to watch.

Monitoring Mag7 (MAGS) and Semiconductors (SOXX)

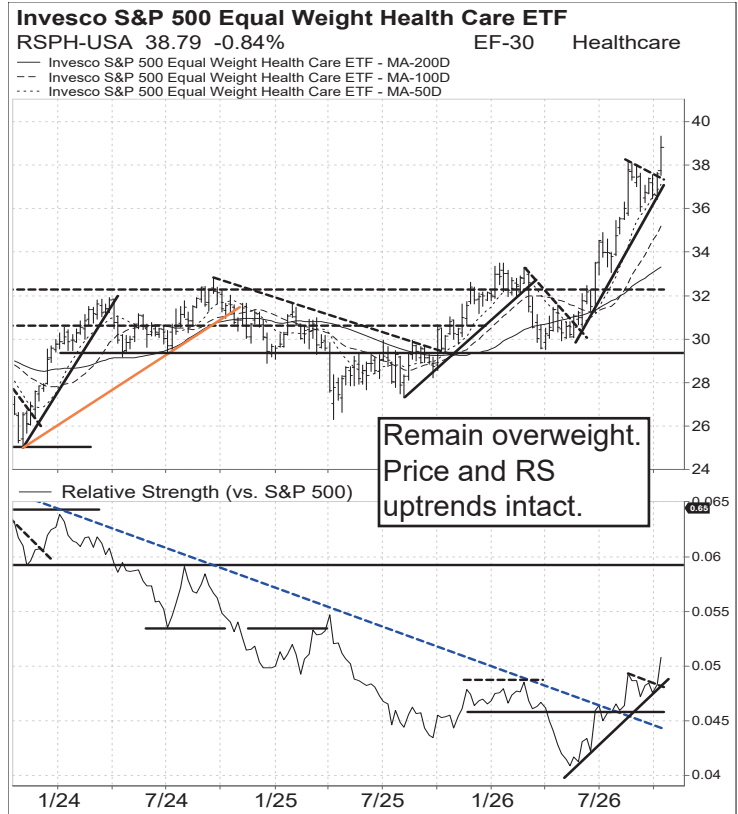


Health Care (XLV, RSPH): Overweight

- RS remains in a 4.5-month uptrend after reversing its long-term RS downtrend on the *equal-weighted RSPH*. Price and RS on RSPH is breaking out to new highs following the recent two month consolidation. Remain overweight/add exposure on pullbacks.
- Life science instruments names remain leadership. Buy pullbacks/stay long: **A, CRL, DHR, IGV, MTD, RVTY, TMO, WAT, and WST.**
- Also attractive: **BAX, BDX, DXCM, CAH, CNC, DGX, ELV, HUM, MCK, ABBV, AMGN, BIIB, GILD, MRNA, LLY, MRK, PFE, VTRS,** and bottom-fishing candidates **IDXX, ISRG, MDT, RMD, CI, COR, HCA, UHS, and UNH.**

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

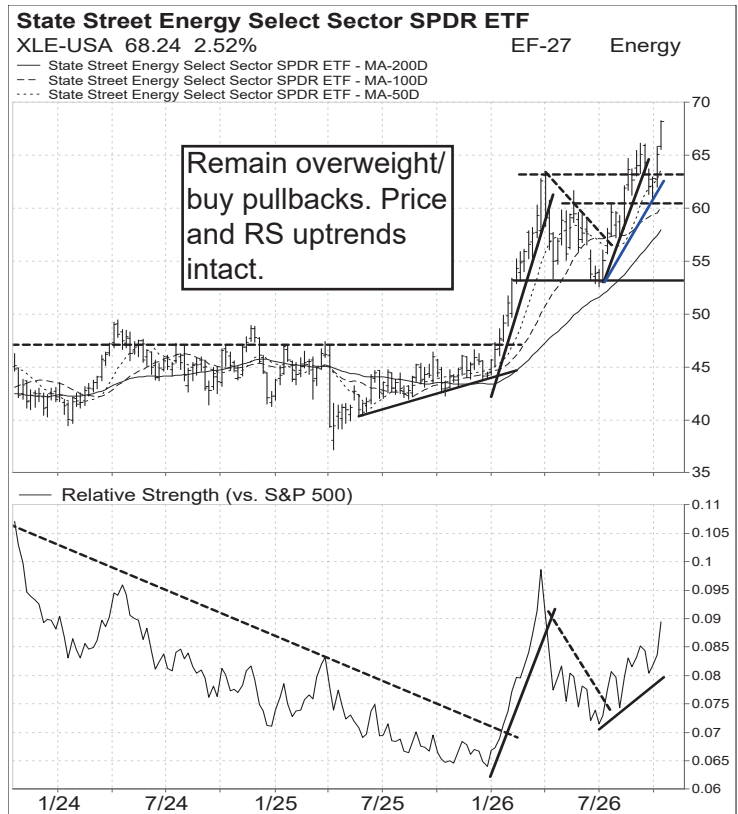


Energy (XLE, RSPG): Overweight

- Price on the cap- and equal-weighted Sectors (**XLE, RSPG**) remains bullish following the successful test of 6.5-month base supports. RS remains in an uptrend off of the early-July lows. Remain overweight/add exposure. We discussed several times since late August how \$60.50-\$61.50 support on **XLE** was a great spot to buy.
- Refiners (**CRAK**) remain leadership. Buy pullbacks/stay long: **MPC, PSX, and VLO.**
- Exploration & production names (**XOP, IEO**) remain leadership -- buy pullbacks/stay long. Attractive names include: **APA, COP, CVX, DVN, EOG, OXY, and XOM.**
- Also attractive: **KMI** 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

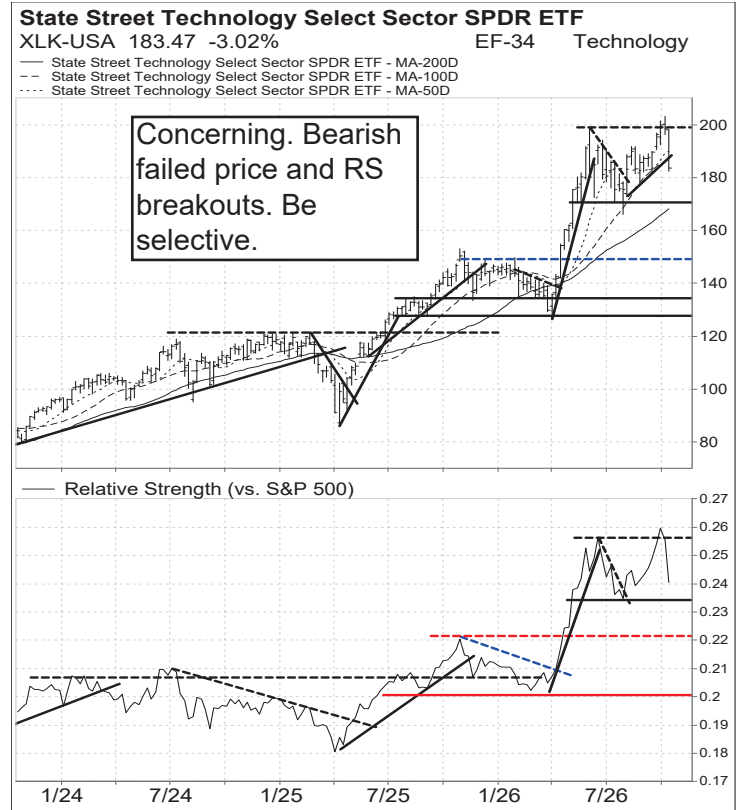


Technology (XLK): Market Weight

- Technology (**XLK**, **RSPT**) displays bearish failed price and RS breakouts, which signals a continuation of the 4.5+ month price and RS consolidations. Short-term support on the XLK at \$189 also broke; next crucial support is at \$179-\$182.25. Software (**CIBR**, **IGV**) remains attractive.
- Attractive names include: **AAPL**, **ACN**, **CTSH**, **VRSN**, **CRM**, **CRWD**, **FTNT**, **MSFT**, **NOW**, **TYL**, **WDAY**, **ADI**, **NVDA**, **SWKS**, **CSCO**, **FFIV**, **MSI**, **APH**, and bottom-fishing candidates **CDW**, **EPAM**, **GDDY**, and **IT**.

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

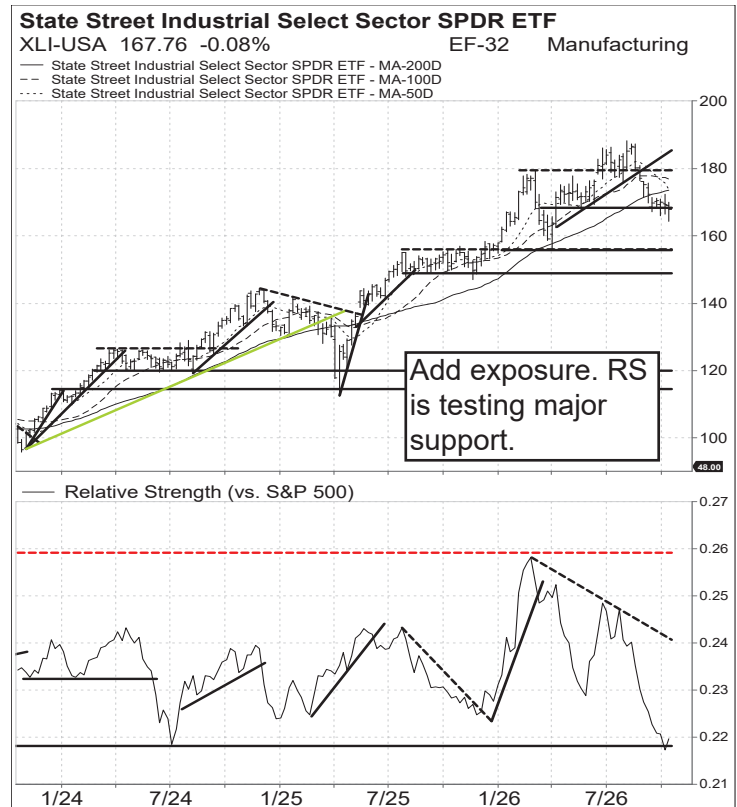


Industrials (XLI): Market Weight

- RS on the **XLI** is near multi-year lows, but RS remains within a 6+ year horizontal range and is testing support. This is where we would expect the Sector to start outperforming again. The break below base support at \$177-\$179.50 was a bearish sign, but next support at \$165-\$168.50 has held for now. \$157 would be next support if \$165 fails to hold.
- Attractive names include: **EXPD**, **CSX**, **UNP**, **JCI**, **CTAS**, **RSG**, **VLTO**, **WAB**, **ADP**, **PAYC**, **FAST**, **GWW**, and bottom-fishing candidates **ALLE**, **WM**, **BR**, and **J**.

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

- RS on *cap-weighted* Materials (XLB) is holding at 1-year support. Price on the XLB quickly reclaimed \$49-\$50 support -- add selective exposure.
- Metals and mining names continue to be where we want to be within Materials. Buy/stay long: **FCX**, **NEM**, **NUE**, and **STLD**.
- Additional attractive names include: **CF**, **CTVA**, **ECL**, **IFF**, and bottom-fishing candidates **APD** and **LYB**.

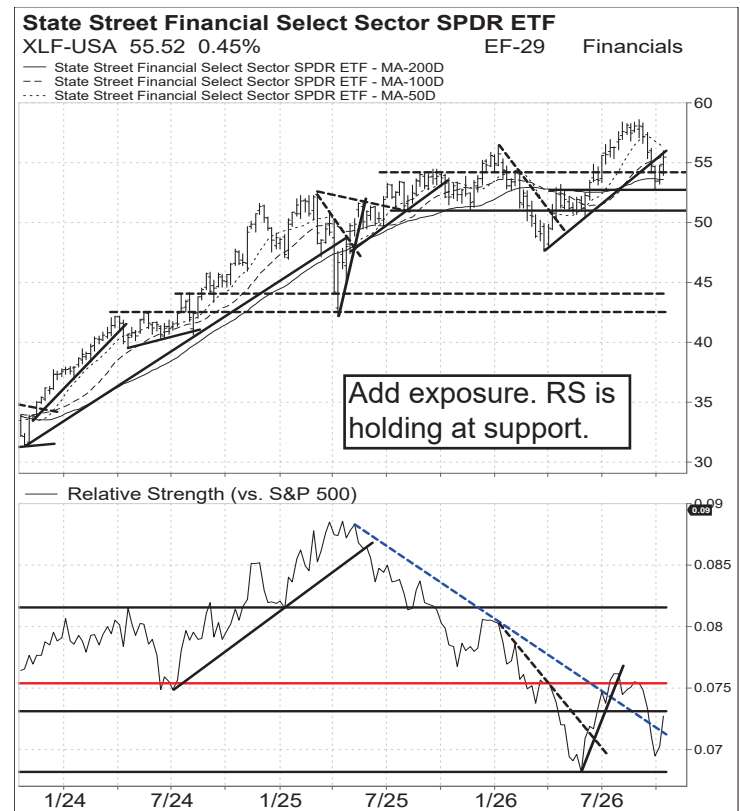
Top 10 Holdings (XLB)			
Ticker	Weight (%)	Ticker	Weight (%)
LIN	12.9	CTVA	4.7
NEM	8.0	ECL	4.7
FCX	6.3	VMC	4.3
SHW	4.9	NUE	4.1
APD	4.7	MLM	4.1



Financials (XLF): Market Weight

- We discussed in our 8/24/26 *ETF Pathfinder* how RS on *cap-weighted* Financials (XLF) displayed waning upside momentum, and RS has been moving lower since. However, RS now appears to be bottoming at support, and price on the XLF held at \$53-\$54 support -- add exposure.
- Electronic exchanges/markets are breaking out. Buy: **CBOE**, **CME**, and **ICE** (bottom-fishing candidate).
- Additional attractive names include: **CPAY**, **MA**, **V**, **TRV**, **WRB**, **BRK.B**, **AFL**, **AIG**, **AIZ**, **CB**, **CINF**, **EG**, **MET**, **PFG**, **PRU**, **JPM**, **BNY**, and bottom-fishing candidates **BLK**, **FDS**, **GPN**, **PYPL**, **XYZ**, **ACGL**, **AJG**, and **PGR**.

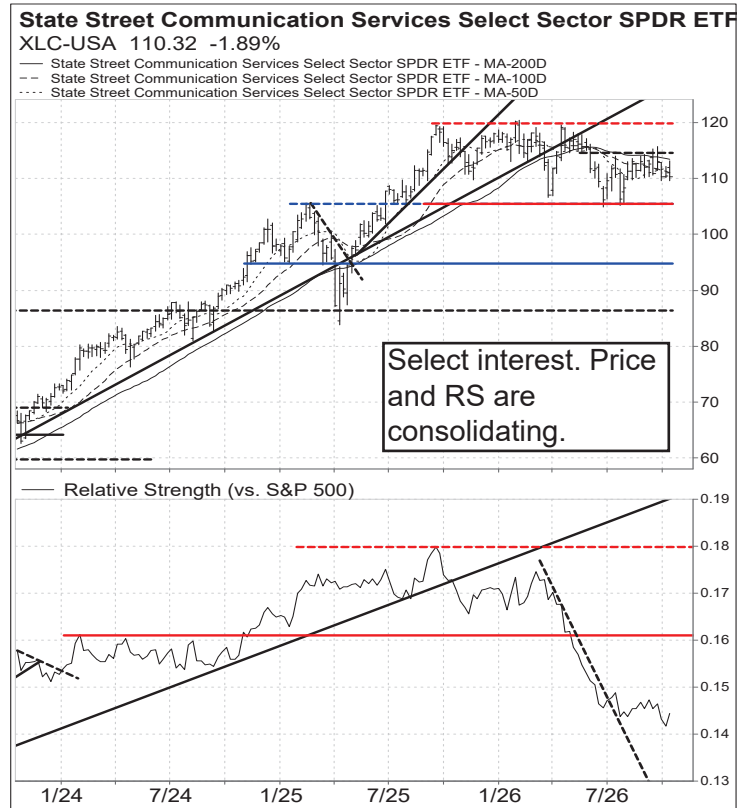
Top 10 Holdings (XLF)			
Ticker	Weight (%)	Ticker	Weight (%)
JPM	11.6	GS	3.8
BRK.B	11.2	MS	3.2
V	7.6	WFC	3.2
MA	5.8	C	2.8
BAC	5.0	SCHW	2.3



Comm. Services (XLC): Market Weight

- RS on *cap-weighted* Communications (XLC) has stabilized after reversing above its 4-month downtrend in July -- add selective exposure. Support at \$105.50 held, but price has not been able to break above \$114 resistance. Additional resistance is at \$120.
- Attractive names include **META**, **MTCH**, **NWSA**, and bottom-fishing candidates **DIS** and **FOXA**.

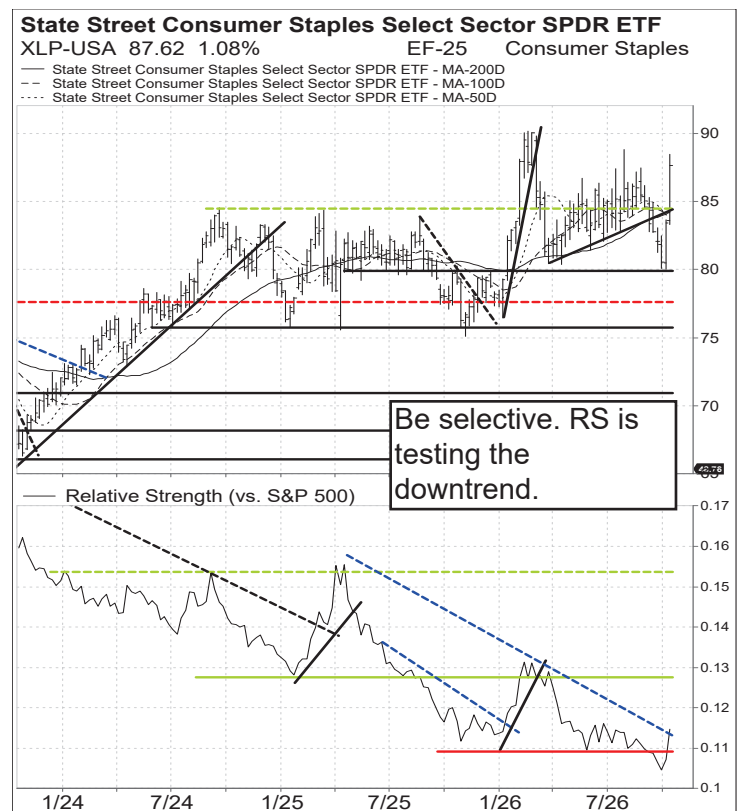
Top 10 Holdings (XLC)			
Ticker	Weight (%)	Ticker	Weight (%)
META	16.1	CMCSA	4.9
GOOGL	10.5	DIS	4.9
GOOG	8.4	NFLX	4.8
T	5.1	WBD	4.7
VZ	5.0	TMUS	4.7



Consumer Staples (XLP): Underweight (downgraded 10/5/26 from Market Weight)

- RS on the *cap-weighted* XLP has remained within a 1.5-year downtrend, though is fast-approaching the downtrend. Stay underweight as long as the RS downtrend remains intact. Price managed to hold above the crucial \$80-\$81 support level that we have discussed for months.
- Attractive names include: **KDP**, **KO**, **MNST**, **ADM**, **SJM**, **COST**, **WMT**, **DG**, **TGT**, **PM**, and bottom-fishing candidates **BF.B**, **KR**, **PG**, and **EL**.

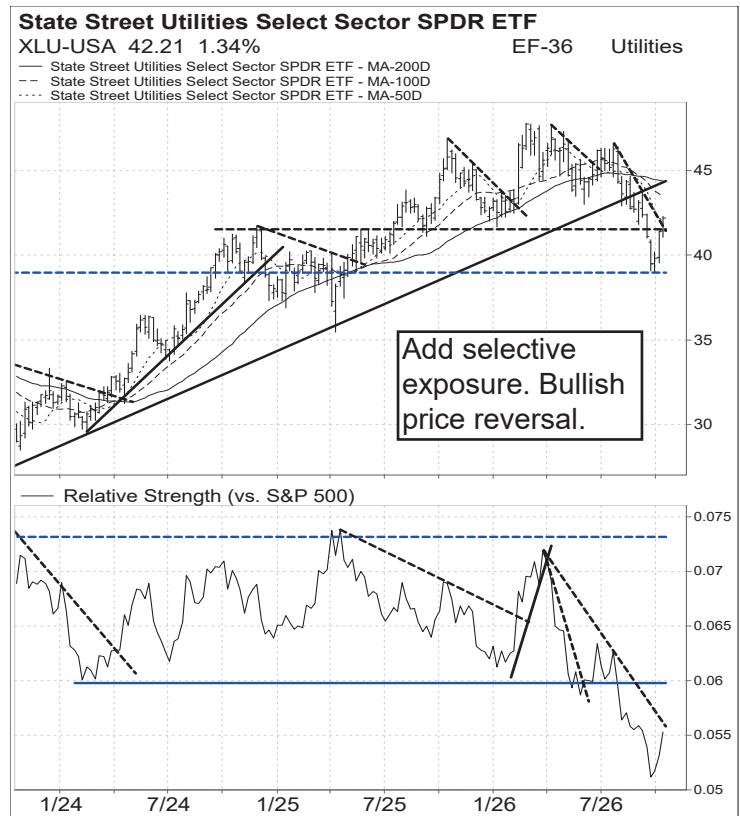
Top 10 Holdings (XLP)			
Ticker	Weight (%)	Ticker	Weight (%)
WMT	9.6	TGT	4.7
COST	8.9	CL	4.5
KO	7.5	MDLZ	4.5
PG	7.1	PEP	4.5
PM	6.2	MNST	4.3



Utilities (XLU): Underweight (downgraded 9/21/26 from Market Weight)

- RS on the *cap-weighted* XLU remains in a downtrend after violating multi-year support. While we remain underweight, RS is testing the downtrend and we would upgrade the Sector on a bullish RS reversal. Price was able to hold above 4.5-year base support at \$39 and is reversing the multi-month downtrend. Add exposure.
- Attractive names include: **AEP, EVRG, PNW, AEE, ED**, and bottom-fishing candidates **CEG, VST**, and **WEC**.

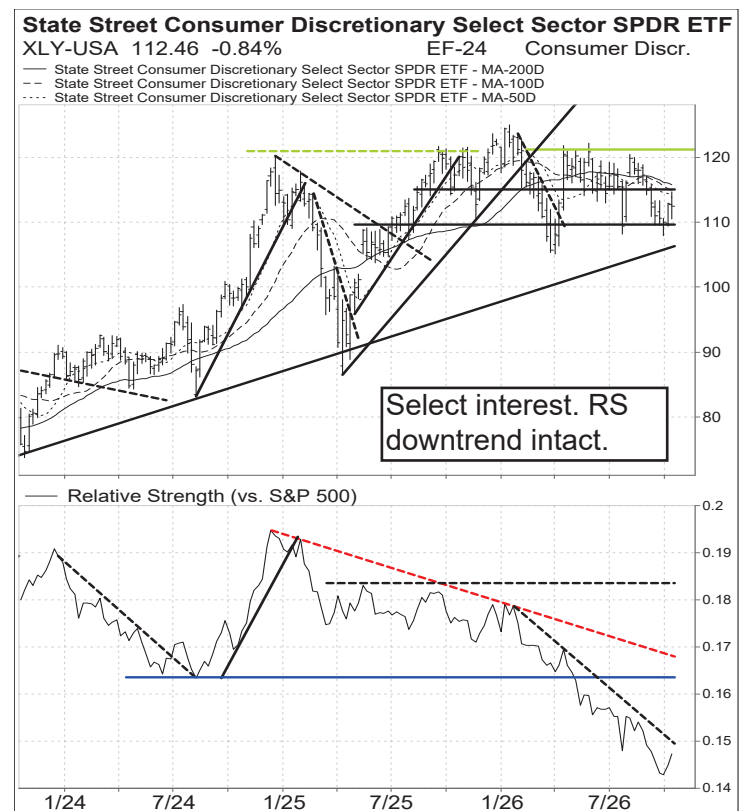
Top 10 Holdings (XLU)			
Ticker	Weight (%)	Ticker	Weight (%)
NEE	13.1	D	4.4
SO	7.5	SRE	4.1
DUK	7.0	ETR	3.6
CEG	6.6	XEL	3.6
AEP	5.0	EXC	3.4



Consumer Discretionary (XLY): Underweight

- RS on *cap-weighted* Discretionary (XLY) remains in a YTD downtrend -- remain underweight. We would need to see RS reverse this YTD downtrend in order to upgrade the Sector to market weight. Price held at \$110 support yet again and also the 6.5-year uptrend. Be selective.
- Hotels/resorts display bullish price and RS reversals -- add exposure. Attractive names include: **HLT** and **MAR**.
- Additional attractive names include: **ULTA, WSM, AMZN, EBAY, ABNB, EXPE, GRMN, HAS, BBY**, and **DASH** (bottom-fishing candidate).

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

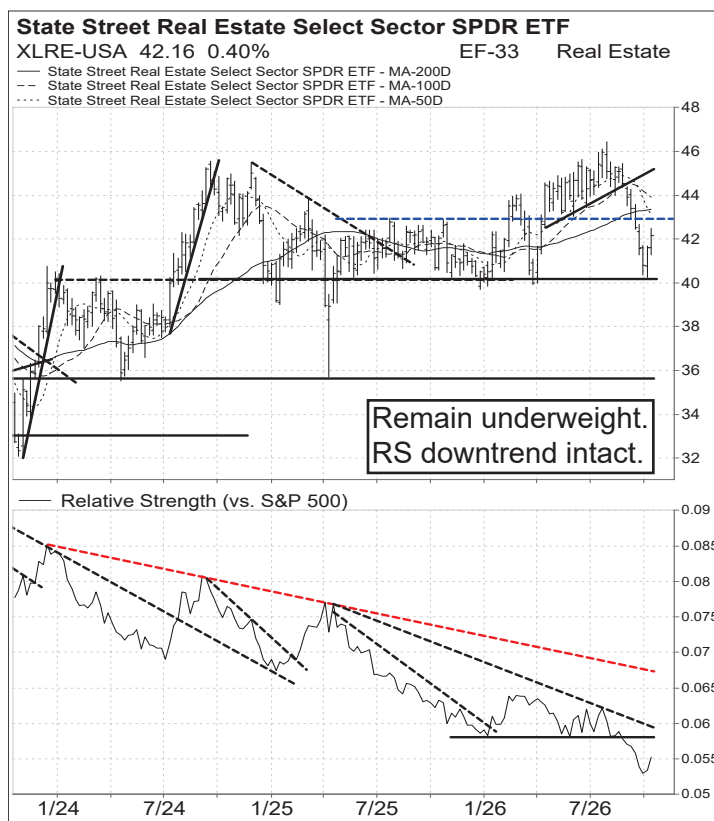


Real Estate (XLRE): Underweight

- The long-term RS downtrend remains intact on Real Estate (**XLRE**) -- remain underweight. We discussed in our 9/21/26 *ETF Pathfinder* how the XLRE could be poised to test crucial support at \$40-\$40.50, and that is where support showed up. Be selective. \$40-\$40.50 remains crucial support.
- Attractive names include: **WELL**, **HST**, and **AMT** (bottom-fishing candidate).

Top 10 Holdings (XLRE)

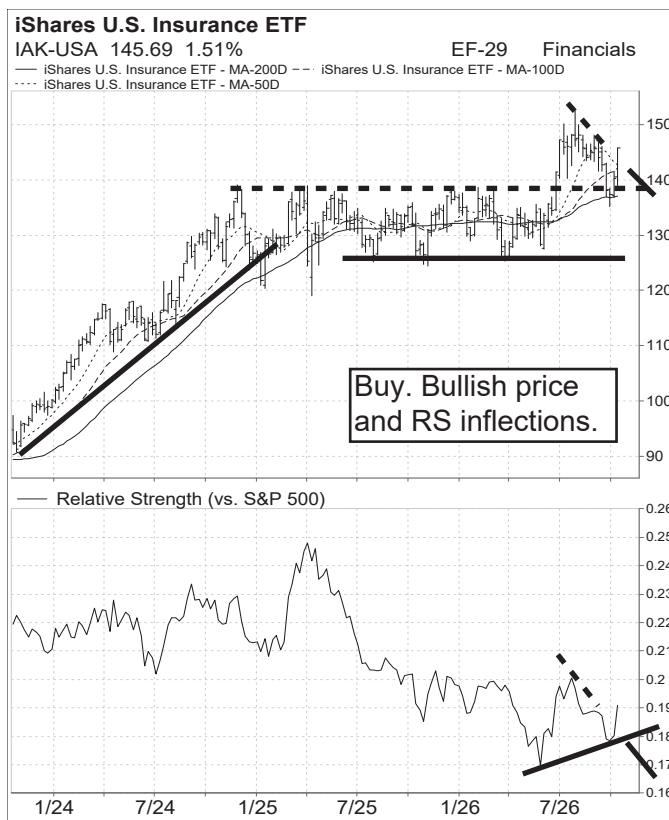
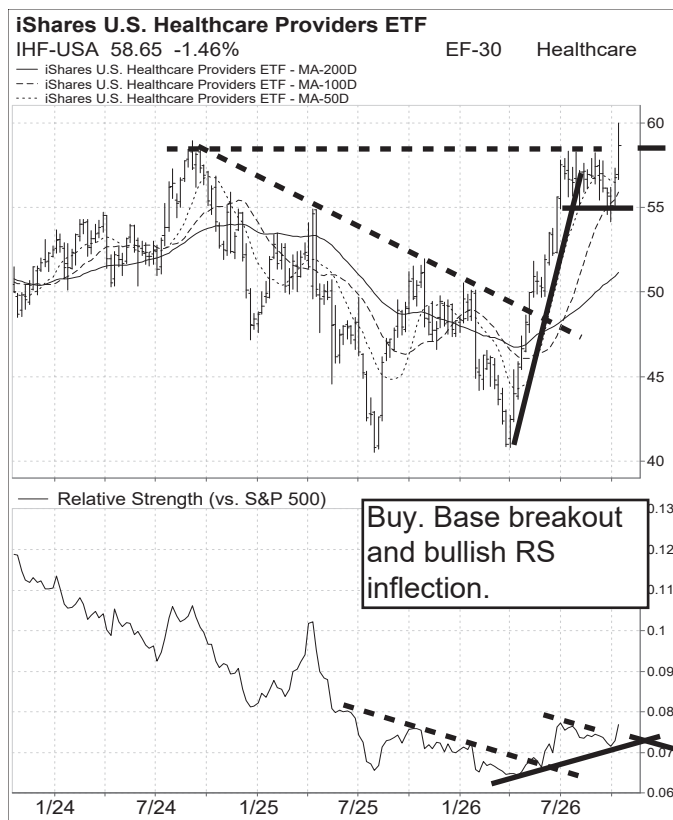
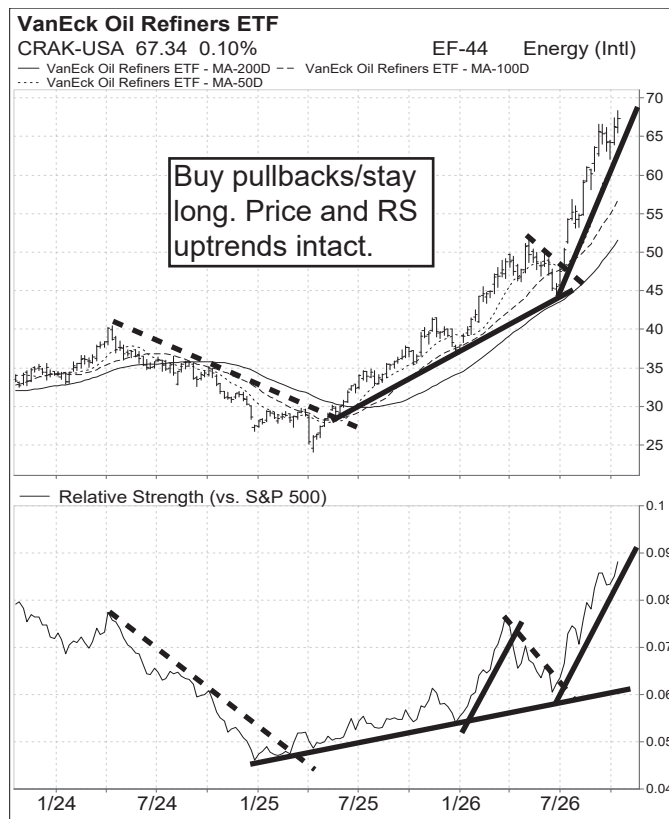
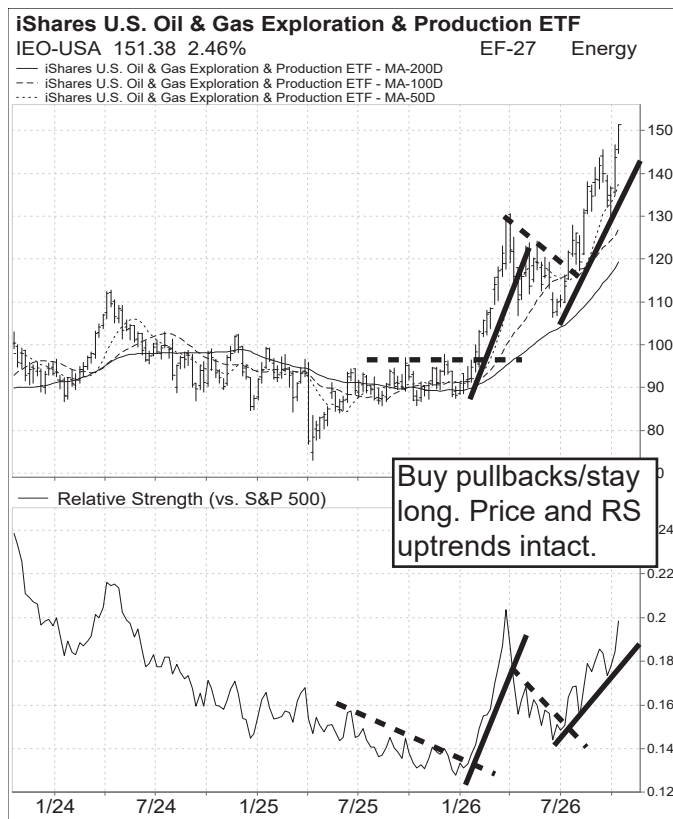
Ticker	Weight (%)	Ticker	Weight (%)
WELL	11.3	DLR	5.0
PLD	9.0	SPG	4.8
EQIX	7.1	PSA	4.7
AMT	5.5	VTR	4.6
VMRK	5.0	CBRE	4.5



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Actionable Industry ETFs

- Below we highlight industry-specific ETFs with timely technical patterns.
- Highlighted charts: IEO, CRAK, IHF, and IAK

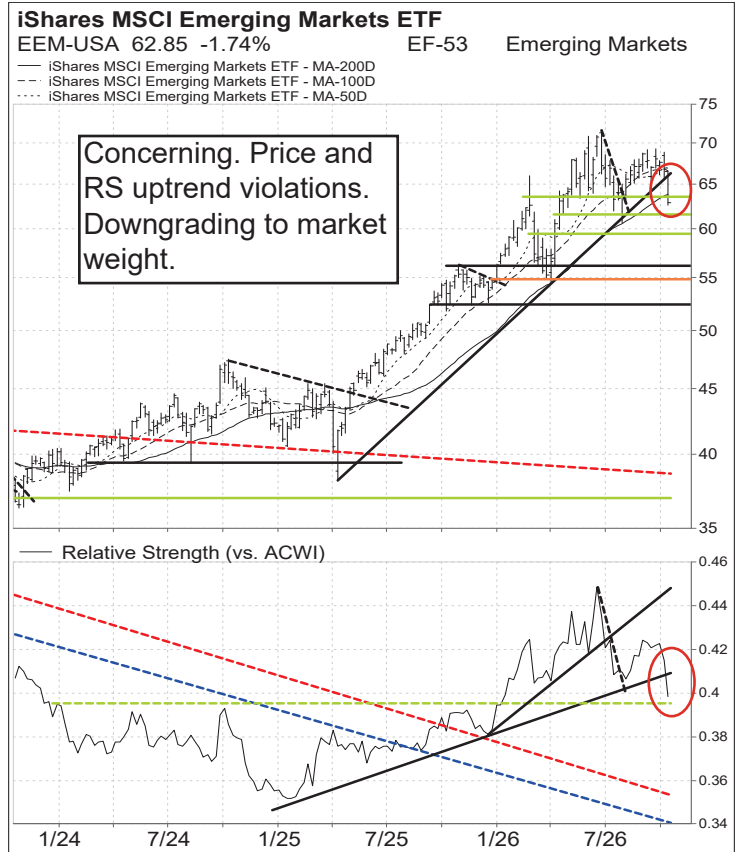


International Equities

Emerging Markets

RS on MSCI EM (**EEM**) is violating the 1.5+ year uptrend, and we are downgrading EM to market weight. Price is currently testing the 1.5-year uptrend and 200-day MA. Support at \$65.50 broke; next supports include \$63.00 (testing now) and \$61.60.

Attractive EM countries/regions highlighted include: Poland (**EPOL**), Latin America (**ILF**), Greece (**GREK**), Colombia (**COLO**), and Brazil (**EWZ**)... see charts on pages 11-12.



Developed Int'l Markets

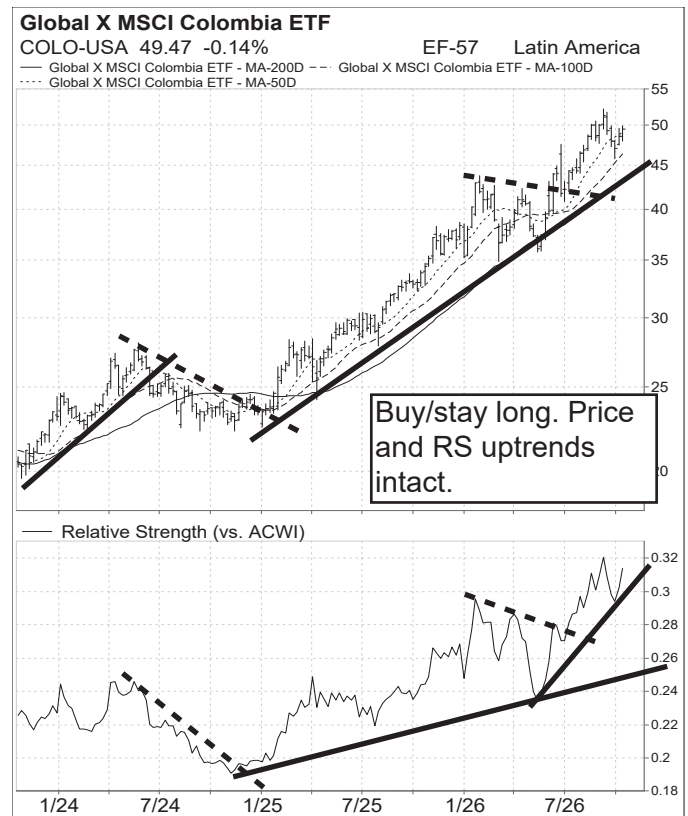
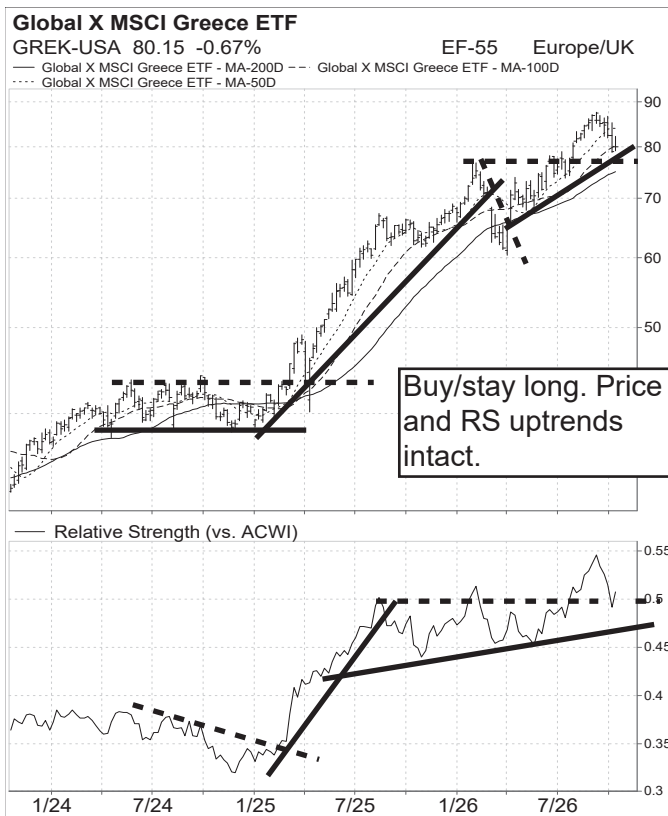
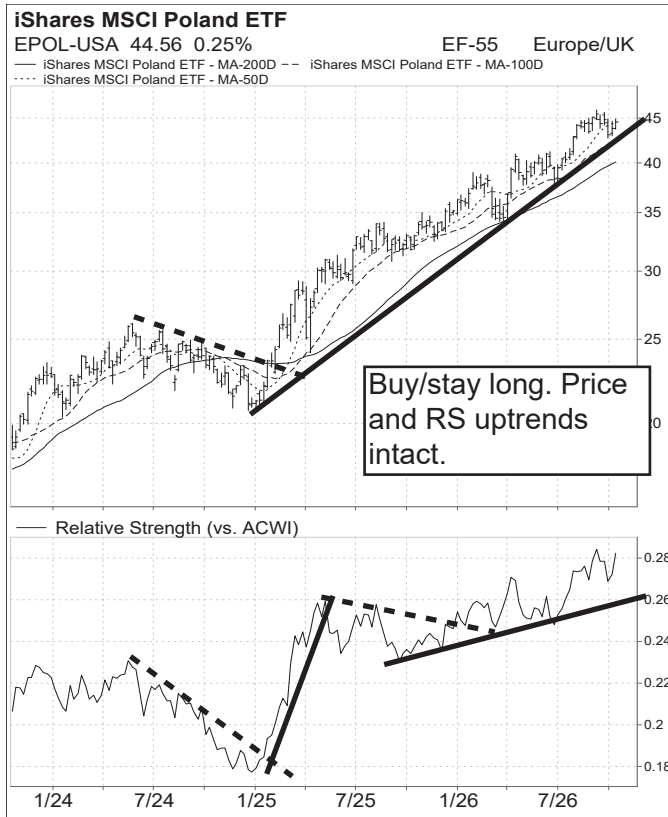
RS on MSCI EAFE (**EFA**) remains in an 8-month downtrend -- remain underweight. Price on EFA has held at \$101.50-\$102.50 support, which coincides with the 200-day MA.

Attractive developed int'l countries/regions highlighted include: Norway (**ENOR**), Japan (**DXJ**), and Canada (**EWC**)... see charts on page 12.



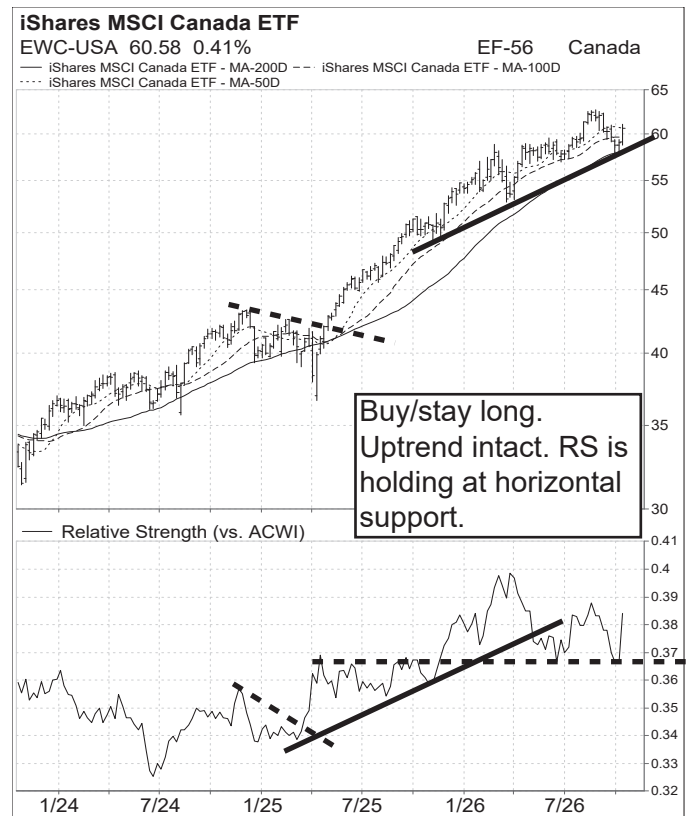
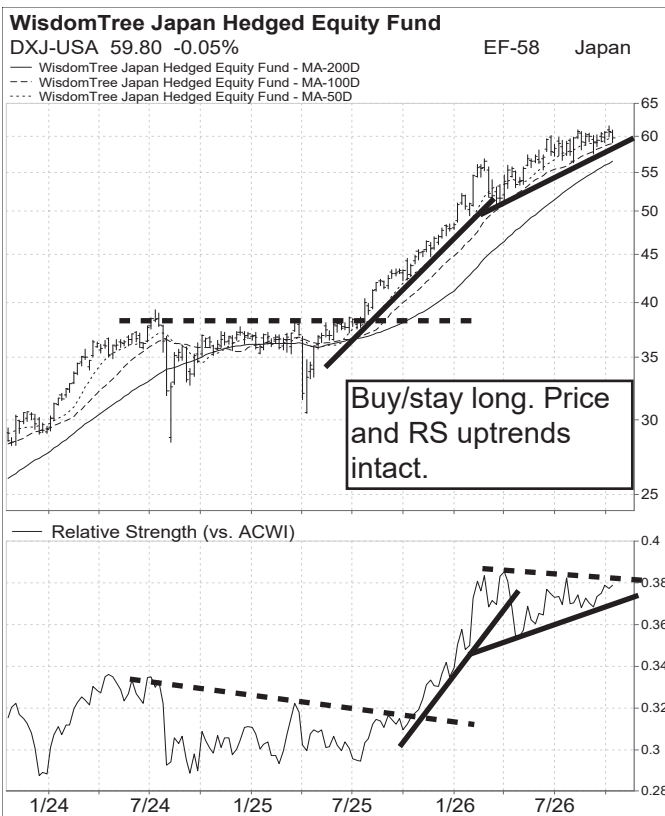
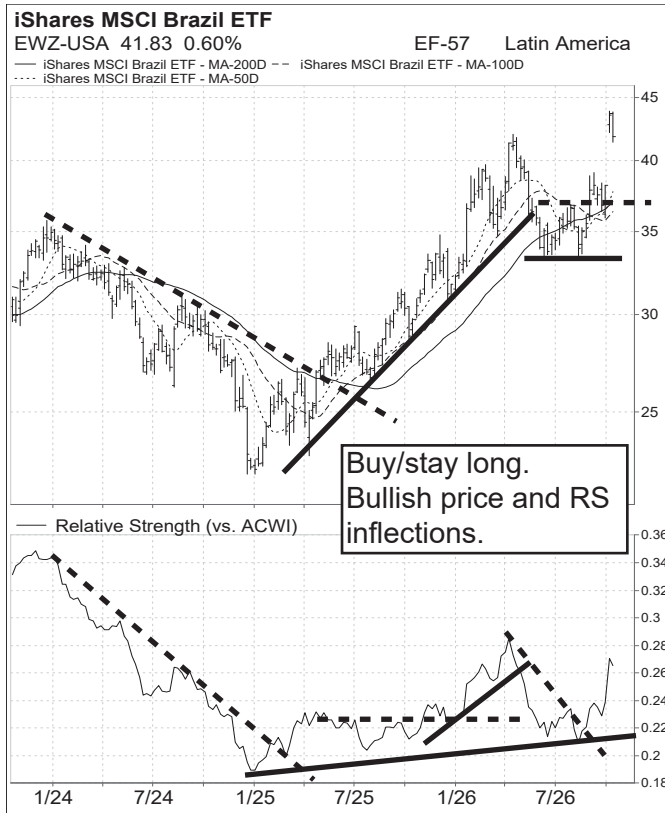
Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EPOL, ILF, GREK, COLO, EWZ, ENOR, DXJ, and EWC



Actionable International ETFs

- Below we highlight international-focused ETFs with timely technical patterns.
- Highlighted charts: EPOL, ILF, GREK, COLO, EWZ, ENOR, DXJ, and EWC



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