

## Market Analysis Comment

## Staying overbought is the key for a strong 2024

Market Analysis

## An overbought market is a healthy market

A persistent overbought above -20 on the 28-month Williams %R is a bullish overbought for the S&P 500 (SPX). This longer-term price momentum indicator moved to overbought in November 2023 and stayed overbought in December, January and February (see our report, [Bullish Jan-Feb Barometer for 2024](#)).

## Staying overbought is the key for a strong 2024

In years when monthly Williams %R was overbought from January-December, the SPX is up 100% of the time with average and median returns of 19.0% (SPX 5675) and 16.8% (SPX 5570), respectively. The average and median pullbacks that occurred during these years were 6.4% and 6.9%, respectively. The biggest pullback was 10.8%.

## SPX less robust in years when it does not stay overbought

The SPX began 2024 with an overbought monthly Williams %R. As we highlighted above, a persistent overbought for an entire calendar year is a bullish overbought. Years when the SPX is overbought in January but does not maintain that overbought throughout the year on a monthly closing basis are less robust and more erratic, especially when the monthly Williams %R moves out of overbought for three months or more.

## High Beta: Big breakout vs Low Volatility entering 2024

High beta has scored a bullish breakout versus low volatility from a March 2021 into December 2023 big base that suggests that high beta is setup to lead low volatility in 2024 and potentially beyond. In addition, a rising 200-week MA suggests a bullish secular trend for high beta leadership relative to low volatility.

## SPX equal weight near old high and tests support vs SPX

The S&P 500 equal weight index (SPW) closed at 6649.73 on Monday (3/4) and is approaching its January 2022 peak at 6691.21. A big base for SPW suggests more absolute price upside above the early 2022 peak. The SPW has continued to lag the SPX but briefly probed to a new low below the relative lows from 2020. For a contrarian, this could be a failed breakdown, bear trap or undercut low from where the average stock (SPW) can achieve leadership relative to the largest stocks (SPX).

## IWM: Signs of absolute base amid weakness versus SPX

The iShares Russell 2000 ETF (IWM) has shifted positive on an absolute price basis after defending rising 200- and 40-week MAs (now at 191-187) as support on IWM's recent dip into the 190-187 range. This increases the potential for a bottoming formation from the 2022-2023 lows. A decisive move above 205 would confirm this for upside potential beyond first resistance at 208-212 into the low 230s. The risk is that Russell 2000 remains within a bearish trend versus the SPX and needs signs of a relative bottom.

05 March 2024

Market Analysis  
United States

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## BofA Technical Strategy notes

We have flagged big bases and bullish cup and handle patterns across many indices since last November (see our reports, [Technical globetrotting](#), [Nothing magical about SPX 5000](#), [Plenty of big bases to go around](#) and [Big bases + bullish trends = more upside potential](#)).

[Chart Blast: Bullish Jan-Feb Barometer for 2024](#)

[Stock Flash: Three bulls: FBP, MNDY and NXPI. Three bears: AMCR, CSCO and CBRL](#)

## Acronyms

A-D: Advance-decline  
CPI: Consumer price index  
GICS: Global Industry Classification Standard  
HY: High yield  
ICI: Investment Company Institute  
IG: Investment grade  
INDU: Dow Jones Industrial Average  
MA: moving average  
MACD: Moving average convergence divergence  
MLP: Master Limited Partnership  
NYA: NYSE Composite  
OAS: Option adjusted spread  
P&C: Property and Casualty  
SPW: S&P 500 equal weight  
SPX: S&P 500

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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**Refer to important disclosures on page 21 to 23. Analyst Certification on page 20. 12667325**

Timestamp: 05 March 2024 09:57AM EST

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# SPX fine if it stays overbought

## An overbought market is a healthy market

A persistent overbought above -20 on the 28-month Williams %R is a bullish overbought for the S&P 500 (SPX). This longer-term price momentum indicator moved to overbought in November 2023 and stayed overbought in December, January and February (see our report, [Bullish Jan-Feb Barometer for 2024](#)).

### Chart 1: S&P 500 (top) and the 28-month Williams %R (bottom): Monthly chart

A persistent overbought above -20 on the 28-month Williams %R is a bullish overbought for the SPX.



Source: BofA Global Research, Bloomberg

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## Staying overbought is the key for a strong 2024

In years when monthly Williams %R was overbought from January-December, the SPX is up 100% of the time with average and median returns of 19.0% (SPX 5675) and 16.8% (SPX 5570), respectively. The average and median pullbacks that occurred during these years were 6.4% and 6.9%, respectively. The biggest pullback was 10.8%.

**Table 1: An overbought market is a healthy market. SPX up 100% of the time when monthly Williams %R is overbought from January-December**

S&P 500 returns and biggest corrections in years when the 28-month Williams %R is overbought (-20 or higher) for the entire calendar year

Pres Cycle Year	Year	S&P 500 return	Biggest correction of year	Number of days	Start of correction	End of correction
4	1944	13.8%	6.9%	47	10-Jul-1944	14-Sep-1944
1	1945	30.7%	6.9%	13	7-Mar-1945	26-Mar-1945
3	1951	16.3%	8.1%	40	3-May-1951	29-Jun-1951
4	1952	11.8%	6.9%	51	8-Aug-1952	22-Oct-1952
2	1954	45.0%	4.4%	7	20-Aug-1954	31-Aug-1954
3	1955	26.4%	10.6%	12	23-Sep-1955	11-Oct-1955
3	1959	8.5%	9.2%	35	3-Aug-1959	22-Sep-1959
1	1961	23.1%	4.4%	41	17-May-1961	18-Jul-1961
4	1964	13.0%	3.6%	16	20-Nov-1964	15-Dec-1964
4	1972	15.6%	5.1%	44	14-Aug-1972	16-Oct-1972
3	1983	17.3%	6.9%	32	22-Jun-1983	8-Aug-1983
4	1992	4.5%	6.2%	59	15-Jan-1992	8-Apr-1992
1	1993	7.1%	5.0%	32	10-Mar-1993	26-Apr-1993
3	1995	34.1%	2.5%	5	13-Dec-1995	20-Dec-1995
4	1996	20.3%	7.6%	41	24-May-1996	24-Jul-1996
1	1997	31.0%	10.8%	14	7-Oct-1997	27-Oct-1997
4	2004	9.0%	8.2%	126	11-Feb-2004	12-Aug-2004
1	2005	3.0%	7.2%	31	7-Mar-2005	20-Apr-2005
1	2013	29.6%	5.8%	23	21-May-2013	24-Jun-2013
2	2014	11.4%	7.4%	19	18-Sep-2014	15-Oct-2014
1	2017	19.4%	2.8%	31	1-Mar-2017	13-Apr-2017
1	2021	26.9%	5.2%	21	2-Sep-2021	4-Oct-2021
	<b>Average</b>	<b>19.0%</b>	<b>6.4%</b>	<b>34</b>		
	<b>Median</b>	<b>16.8%</b>	<b>6.9%</b>	<b>31.5</b>		
	<b>Minimum</b>	<b>3.0%</b>	<b>2.5%</b>	<b>5</b>		
	<b>Maximum</b>	<b>45.0%</b>	<b>10.8%</b>	<b>126</b>		
	<b>% of time up</b>	<b>100%</b>				

Source: BofA Global Research, Bloomberg

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## SPX less robust in years when it does not stay overbought

The SPX began 2024 with an overbought monthly Williams %R. As we highlighted above, a persistent overbought for an entire calendar year is a bullish overbought. Years when the SPX is overbought in January but does not maintain that overbought throughout the year on a monthly closing basis are less robust and more erratic, especially when the monthly Williams %R moves out of overbought for three months or more.

**Table 2: SPX still solid when overbought in 11 out of 12 months in a calendar year. More erratic when out of overbought for two+ months during the year.**  
S&P 500 returns and biggest corrections in years that start overbought but do not stay overbought for the entire calendar year

Pres Cycle	Year	S&P 500 return	Biggest correction of year	Number of days	Start of correction	End of correction	Notes	Months out of overbought
4	1936	27.9%	12.8%	16	6-Apr-36	29-Apr-36	One month out of overbought: Apr	1
1	1985	26.3%	7.7%	49	17-Jul-85	25-Sep-85	One month out of overbought: Sep	1
2	1986	14.6%	9.4%	17	4-Sep-86	29-Sep-86	One month out of overbought: Sep	1
3	1999	19.5%	12.1%	64	16-Jul-99	15-Oct-99	One month out of overbought: Sep	1
4	2012	13.4%	9.9%	42	2-Apr-12	1-Jun-12	One month out of overbought: May	1
2	2006	13.6%	7.7%	26	5-May-06	13-Jun-06	Two months out of overbought: May-Jun	2
2	1950	21.7%	14.0%	24	12-Jun-50	17-Jul-50	Two months out of overbought: Jun-Jul	2
1	1965	9.1%	9.6%	31	13-May-65	28-Jun-65	Two months out of overbought: Jun-Jul	2
2	1998	26.7%	19.3%	31	17-Jul-98	31-Aug-98	Two months out of overbought: Aug-Sep	2
3	2015	-0.7%	12.4%	66	21-May-15	25-Aug-15	Two months out of overbought: Aug-Sep	2
4	1956	2.6%	10.8%	82	2-Aug-56	29-Nov-56	Out of overbought Sep-Nov	3
4	1980	25.8%	17.1%	30	13-Feb-80	27-Mar-80	Three months out of overbought: Mar-May	3
3	1987	2.0%	33.5%	71	25-Aug-87	4-Dec-87	Out of overbought Oct-Dec	3
4	2000	-10.1%	17.2%	189	23-Mar-00	20-Dec-00	Out of overbought May and Nov-Dec	3
3	2007	3.5%	10.1%	33	9-Oct-07	26-Nov-07	Out of overbought Jul and Nov-Dec	3
4	1984	1.4%	12.7%	138	6-Jan-84	24-Jul-84	Out of overbought Feb and in May-Jul	4
2	1946	-11.9%	26.7%	92	29-May-46	9-Oct-46	Out of overbought Aug-Dec	5
3	2011	0.0%	19.4%	108	29-Apr-11	3-Oct-11	Out of overbought Aug-Dec	5
2	2018	-6.2%	19.8%	65	20-Sep-18	24-Dec-18	Out of overbought Mar-Apr and Oct-Dec	5
4	2020	16.3%	33.9%	23	19-Feb-20	23-Mar-20	Out of overbought Feb-Jun and Oct	6
1	1937	-38.6%	45.5%	178	10-Mar-37	24-Nov-37	Out of overbought Apr-Jun and Aug-Dec	8
2	1994	-1.5%	8.9%	41	2-Feb-94	4-Apr-94	Out of overbought Mar-Jul, Sep and Nov-Dec	8
1	1953	-6.6%	14.8%	176	5-Jan-53	14-Sep-53	Out of overbought Apr-Dec	9
2	1962	-11.8%	26.4%	121	3-Jan-62	26-Jun-62	Out of overbought Apr-Dec	9
2	1966	-13.1%	22.2%	167	9-Feb-66	7-Oct-66	Out of overbought Mar and May-Dec	9
2	2022	-19.4%	25.4%	195	3-Jan-22	12-Oct-22	Out of overbought Apr-Dec	9
2	1934	-4.7%	29.3%	117	6-Feb-34	26-Jul-34	Out of overbought Mar-Dec	10
1	1969	-11.4%	16.0%	150	14-May-69	17-Dec-69	Out of overbought Feb-Mar and May -Dec	10
Average		3.2%	18.0%	84				
Median		1.7%	15.4%	66				
Minimum		-38.6%	7.7%	16				
Maximum		27.9%	45.5%	195				
% of time up		54%						

Source: BofA Global Research, Bloomberg

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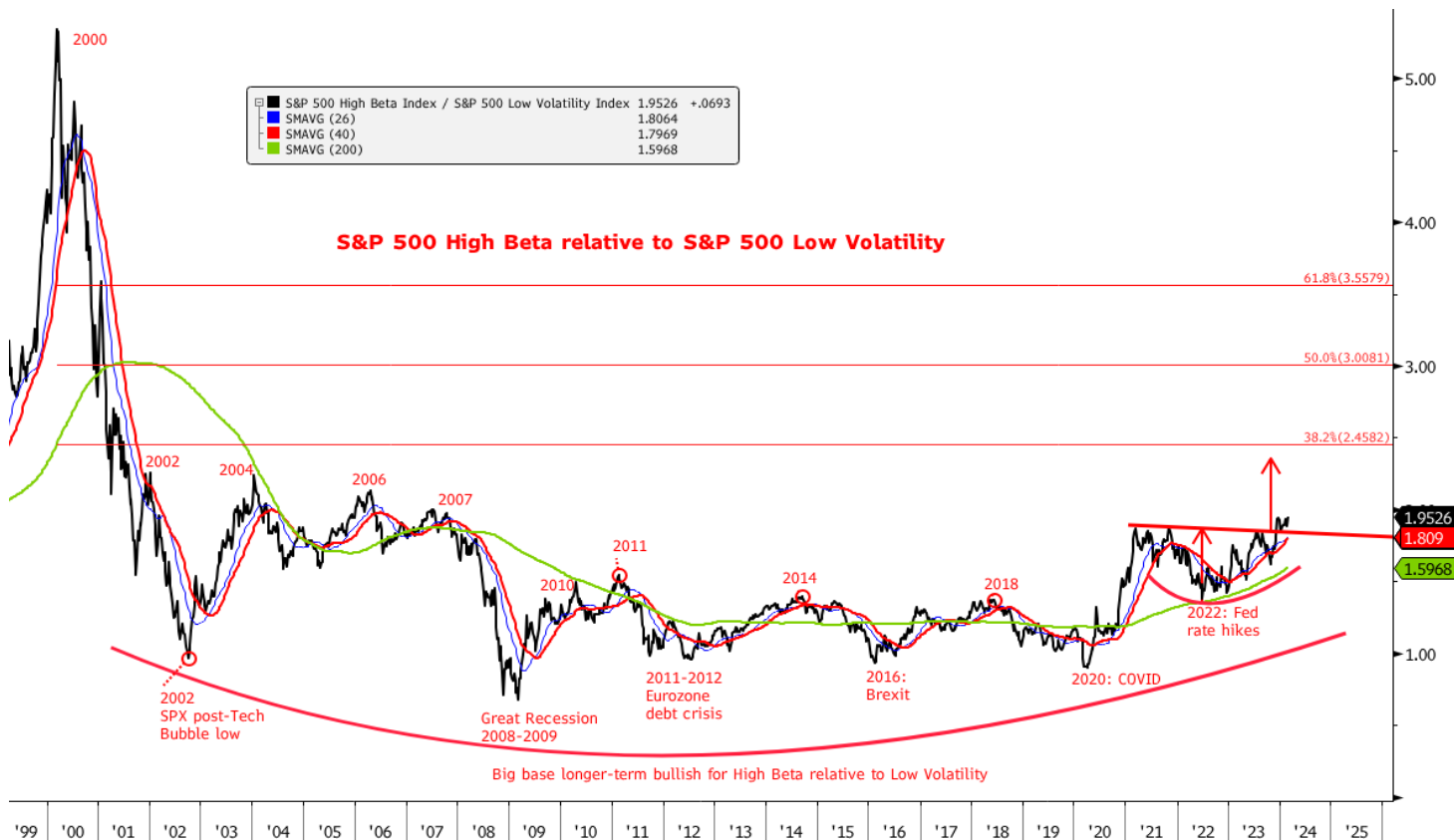
# Key charts for the week and beyond

## High Beta: Big breakout vs Low Volatility entering 2024

We have flagged big bases and bullish cup and handle patterns across many indices since last November (see our reports, [Technical globetrotting](#), [Nothing magical about SPX 5000](#), [Plenty of big bases to go around](#) and [Big bases + bullish trends = more upside potential](#)). High beta has scored a bullish breakout versus low volatility from a March 2021 into December 2023 big base that suggests that high beta is setup to lead low volatility in 2024 and potentially beyond. A rising 200-week MA suggests a bullish secular trend for high beta leadership relative to low volatility.

### Chart 2: S&P 500 High Beta relative to S&P 500 Low Volatility: Weekly chart with moving averages

High beta has scored a bullish breakout versus low volatility from a March 2021 into December 2023 big base that suggests that high beta is setup to lead low volatility in 2024 and potentially beyond. A rising 200-week MA suggests a bullish secular trend for high beta leadership relative to low volatility.



Source: BofA Global Research, Bloomberg

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## SPX equal weight near old high and tests support vs SPX

The S&P 500 equal weight index (SPW) closed at 6649.73 on Monday (3/4) and is approaching its January 2022 peak at 6691.21. A big base for SPW suggests more absolute price upside above the early 2022 peak. The SPW has continued to lag the SPX but briefly probed to a new low below the relative lows from 2020. For a contrarian, this could be a failed breakdown, bear trap or undercut low from where the average stock (SPW) can achieve leadership relative to the largest stocks (SPX).

### Chart 3: S&P 500 equal weight index: Daily chart with moving averages

The S&P 500 equal weight index (SPW) closed at 6649.73 on Monday (3/4) and is approaching its January 2022 peak at 6691.21. A big base for SPW suggests more absolute price upside above the early 2022 peak.



Source: BofA Global Research, Bloomberg

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### Chart 4: S&P 500 equal weight index relative to the S&P 500: Daily chart with moving averages

The SPW has continued to lag the SPX but briefly probed to a new low below the relative lows from 2020. For a contrarian, this could be a failed breakdown, bear trap or undercut low from where the average stock (SPW) can achieve leadership relative to the largest stocks (SPX).



Source: BofA Global Research, Bloomberg

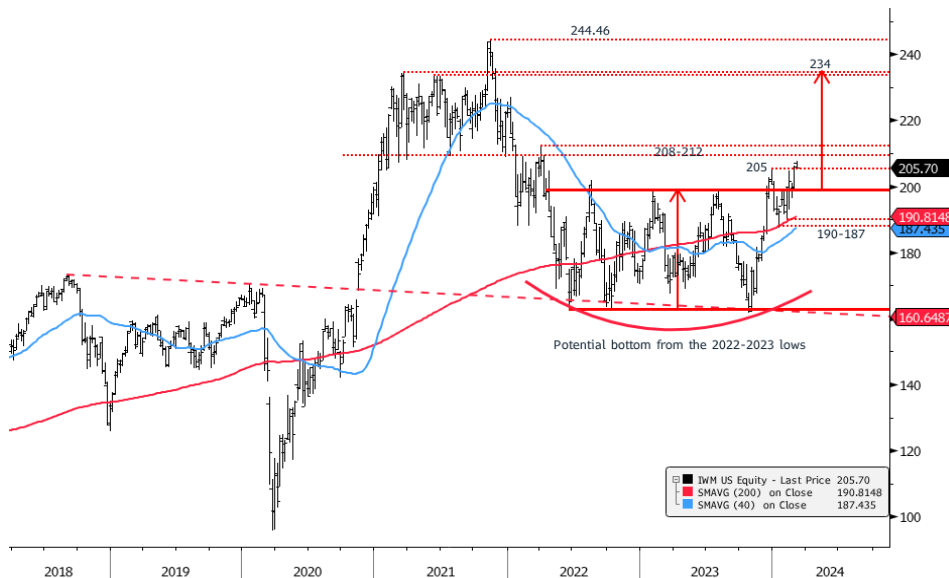
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## IWM: Signs of absolute base amid weakness versus SPX

The iShares Russell 2000 ETF (IWM) has shifted positive on an absolute price basis after defending rising 200- and 40-week MAs (now at 191-187) as support on IWM's recent dip into the 190-187 range. This increases the potential for a bottoming formation from the 2022-2023 lows. A decisive move above 205 would confirm this for upside potential beyond first resistance at 208-212 into the low 230s. The risk is that Russell 2000 remains within a bearish trend versus the SPX and needs signs of a relative bottom.

### Chart 5: Russell 2000: Weekly chart with moving averages

IWM shows a bottoming formation from the 2022-2023 lows. A decisive move above 205 would confirm this bullish setup for upside potential beyond first resistance at 208-212 into the low 230s. Big support: 190-187.



Source: BofA Global Research, Bloomberg

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### Chart 6: Russell 2000 relative to the S&P 500: Small caps remain in a downtrend versus large caps

The risk is that Russell 2000 remains within a bearish trend versus the SPX and needs signs of a relative bottom.



Source: BofA Global Research, Bloomberg

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# The 3Rs: Ranks, Rotations, and Relatives

## Sector and group trend ranks and screens

We highlight the 11 S&P 500 GICS Level 1 sectors and other subgroup indices. We sort these groups by their tactical trend rank and show their 40-, 26-, and 13-week absolute and relative trends. The tactical relative rank is a technical/quantitative screen using short- to intermediate-term moving averages (13-, 26-, and 40-week; the 40-week trend is the most important) to determine the relative price ranks of the stocks within each sector. We flag changes in weekly trends over the last week – green for improvement and red for deterioration in trend.

We show 13-week and 52-week absolute and relative highs and lows (High or Low) from the last four weeks and highlight if these changes occurred in the most recent week – green for High and red for Low. See our report, [Technical Explained: Equity technical analysis for the fundamental investor](#). All data are as of the Friday, Mar 01, close.

**Table 3: Weekly price and moving average (13-, 26-, 40-, and 200-week) trend positions**

Price and moving average trend positions are determined by 1) the slope of the moving average and 2) the price relative (above or below) the moving average.

### Moving average trend

Bullish  
Bullish at risk  
Bearish at risk  
Bearish

### Criteria used on both an absolute & relative price basis

Weekly closing price ABOVE a RISING or bullish MA  
Weekly closing price BELOW a RISING or bullish MA  
Weekly closing price ABOVE a FALLING or bearish MA  
Weekly closing price BELOW a FALLING or bearish MA

Source: BofA Global Research, Bloomberg

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## Ranks: GICS 1 ranks wrap-up

**Tactical ranks:** Top Five: Technology, Comm Services, Financials, Industrials and Discretionary. Bottom Five: Utilities, Energy, Staples, Real Estate and Materials.

**52-week ranks:** Top Five: Technology, Comm Services, Discretionary, Industrials and Health care. Bottom Five: Utilities, Energy, Real Estate, Materials and Staples.

**Trading cycles:** Bullish (rising 26 and 40-week MAs): Tech, Comm Services and Financials. Bearish (declining MAs): Utilities.

**New highs and new lows:** 52-week closing basis highs: The SPX and the following five sectors: Technology, Communication Services, Industrials, Discretionary and Materials. No 13-week or 52-week highs for any sectors versus the SPX. Defensive Staple and Utilities dropped to a 52-week lows relative to the SPX.

**Table 4: S&P 500 GICS Level 1 Sectors with 40-, 26-, and 13-week absolute & relative price trends sorted by Tactical Trend rank**

Top Five: Technology, Comm Services, Financials, Industrials and Discretionary. Bottom Five: Utilities, Energy, Staples, Real Estate and Materials.

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low	13-week high/low vs. SPX	52-week high/low	52-week high/low vs. SPX
S&P 500 INFO TECH INDEX	3815.25	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
COMSVCSLSCTPR	417.78	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 FINANCIALS INDEX	668.58	3	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High		High	
S&P 500 INDUSTRIALS IDX	1026.20	4	4	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
S&P 500 CONS DISCRET IDX	1491.02	5	3	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High		High	
S&P 500 HEALTH CARE IDX	1702.79	6	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High		High	
S&P 500 MATERIALS INDEX	553.03	7	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 REAL ESTATE IDX	248.07	8	9	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		Low
S&P 500 CONS STAPLES IDX	788.91	9	7	Bearish at risk	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 ENERGY INDEX	660.81	10	10	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 UTILITIES INDEX	311.46	11	11	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low

Source: BofA Global Research, Bloomberg

Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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## Consistent leaders/laggards in tactical ranks

- Consistent among top five over last eight weeks: Technology, Communication Services and Financials. Industrials in seven of the last eight weeks.
- Consistent among bottom five over last eight weeks: Utilities, Energy, Staples and Materials. Real Estate for the last seven weeks.

**Table 5: Tactical trend ranks – current and historical sector rankings**

Consistent top five over last eight weeks: Technology, Communication Services, and Financials. Consistent bottom five over last eight weeks: Utilities, Energy, Staples and Materials.

Sector	01-Mar-24	23-Feb-24	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24
S&P 500 Consumer Discretionary	5	6	6	5	5	6	4	6
S&P 500 Consumer Staples	9	8	9	8	7	8	9	9
S&P 500 Energy	10	10	10	10	10	10	11	11
S&P 500 Financials	3	3	3	3	3	3	3	3
S&P 500 Health Care	6	5	5	6	6	5	6	5
S&P 500 Industrials	4	4	4	4	4	4	5	7
S&P 500 Technology	1	1	1	1	2	1	1	1
S&P 500 Materials	7	7	7	9	9	9	8	8
S&P 500 Communication Services	2	2	2	2	1	2	2	2
S&P 500 Utilities	11	11	11	11	11	11	10	10
S&P 500 Real Estate	8	9	8	7	8	7	7	4

Source: BofA Global Research, Bloomberg

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## Consistent leaders/laggards in 52-week ranks

- Consistent among top five over last eight weeks: Technology, Communication Services, Discretionary and Industrials.
- Consistent among bottom five over last eight weeks: Utilities, Energy, Real Estate, Materials and Staples.

**Table 6: 52-week ranks – current and historical sector rankings**

Consistent top five over last eight weeks: Technology, Communication Services, Discretionary and Industrials. Consistent bottom five over last eight weeks: Utilities, Energy, Real Estate, Materials and Staples.

Sector	01-Mar-24	23-Feb-24	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	7	8	8	7	7	7	7	9
S&P 500 Energy	10	10	9	10	9	10	10	10
S&P 500 Financials	6	6	6	6	6	5	5	5
S&P 500 Health Care	5	5	5	5	5	6	6	6
S&P 500 Industrials	4	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	1	1	1
S&P 500 Materials	8	7	7	8	8	8	8	8
S&P 500 Communication Services	2	2	2	2	2	2	2	2
S&P 500 Utilities	11	11	11	11	11	11	11	11
S&P 500 Real Estate	9	9	10	9	10	9	9	7

Source: BofA Global Research, Bloomberg

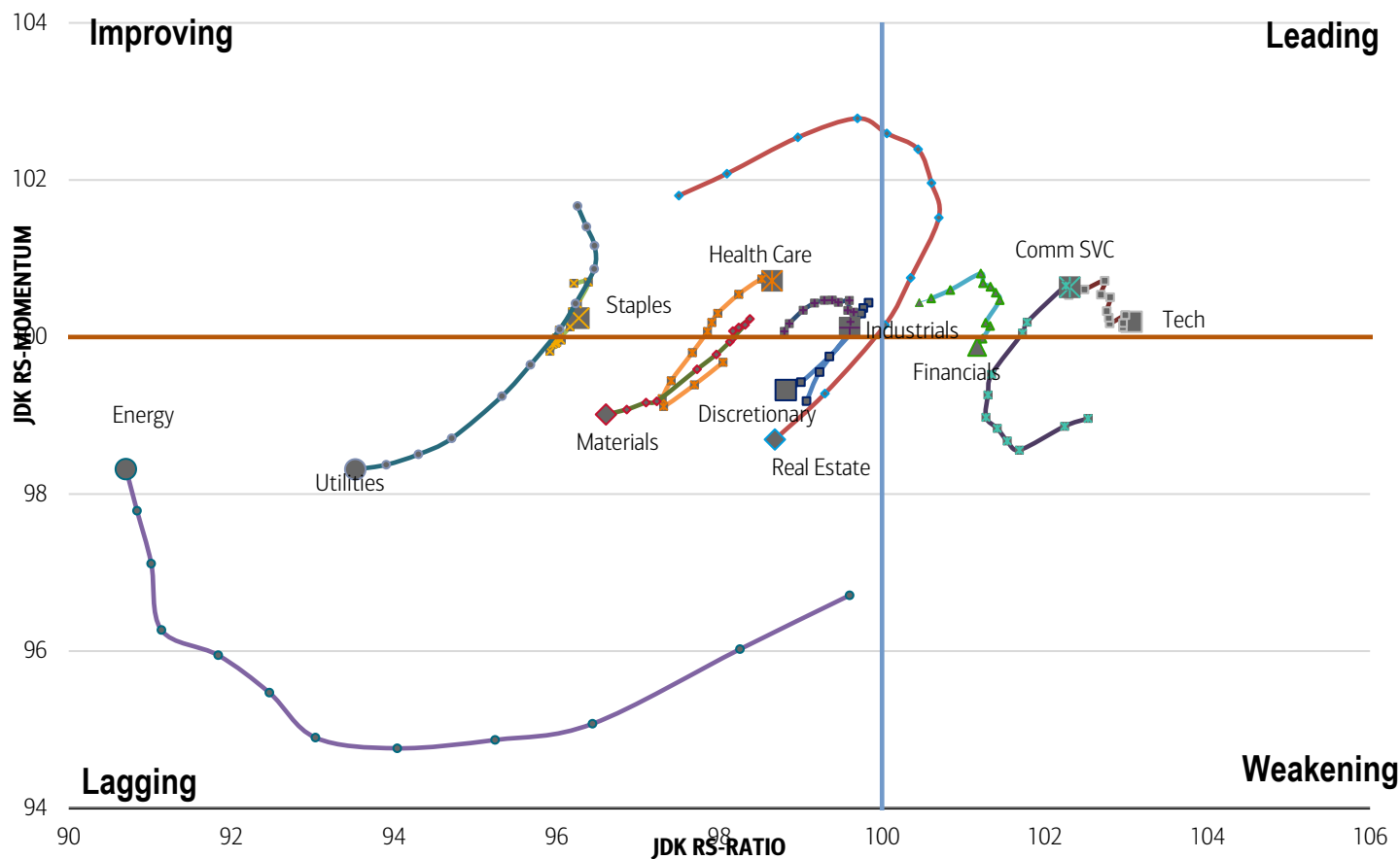
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## Rotations: Relative rotation graph (RRG)

- **Leading** (positive relative trend and positive relative momentum): Communication Services and Technology.
- **Weakening** (positive relative trend and negative relative momentum): Financials (from Leading).
- **Lagging** (negative relative trend and negative relative momentum): Energy, Real Estate, Utilities, Discretionary and Materials.
- **Improving** (negative relative trend and positive relative momentum): Health Care, Staples and Industrials.

**Chart 7: S&P 500 GICs Level 1 sector weekly relative rotation graph**

Leading: Communication Services and Technology. Weakening: Financials. Lagging: Energy, Real Estate, Utilities, Discretionary and Materials. Improving: Industrials, Staples and Health Care.



Source: BofA Global Research, Bloomberg

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## A visit with the sector relatives

### Cyclical sectors: Financials and Industrials stable relative to the SPX

Financials are building a 2023 into 2024 base versus the SPX. Clearing relative resistance would confirm this bullish pattern and suggest sustainable leadership for Financials. Industrials have struggled but may form a double bottom if the sector can hold the relative low from November 2023 and rally above the December 2023 peak.

**Chart 8: Financials relative to the S&P 500: Weekly Chart**

Builds a 2023 into 2024 base / bottom relative to the SPX.



Source: BofA Global Research, Bloomberg

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**Chart 9: Industrials relative to the S&P 500: Weekly Chart**

On alert for a double bottom if the November 2023 low versus the SPX holds



Source: BofA Global Research, Bloomberg

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### A bear trap on Materials? A H&S top vs SPX provides an overhang for Energy.

Materials dropped below its 2020 low versus the SPX but closed back above that big relative low last week. Although the prevailing relative trend remains bearish for the sector, this could mark a false breakdown (aka bear trap) for Materials vs the market, which we would view as tactically positive for the sector. Energy broke out from a 2020 into 2022 head and shoulders (H&S) bottom versus the SPX that resembled the bottom from 1999-2000. After a 2-year leadership trend, the sector has stalled and broke down from a H&S top relative to the SPX, which is bearish.

**Chart 10: Materials relative to the S&P 500: Weekly Chart**

Break below and move back above the 2020 low marks a potential bear trap.



Source: BofA Global Research, Bloomberg

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**Chart 11: Energy relative to the S&P 500: Weekly Chart**

Breakdown from 2022-2023 head and shoulders top provides an overhang.



Source: BofA Global Research, Bloomberg

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Technology achieved a major leadership breakout on the move above its 2021 and 2000 peaks versus the SPX in May 2023. Holding this breakout has kept Technology's long-term leadership trend intact with the sector hitting another new high versus the SPX in February. Discretionary failed to hold weekly closes above its 26- and 40-week MAs, which means that the sector is at risk to continue its lagging trend from late 2020.

### Chart 12: Technology relative to the S&P 500: Weekly Chart

Bullish: Massive breakout remains intact above 2000-2021 peaks versus the SPX.



**Source:** BofA Global Research, Bloomberg

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### Chart 13: Discretionary relative to the S&P 500: Weekly Chart

Needs help. Below weekly MAs. At risk to continue lagging trend from 2020.



**Source:** BofA Global Research, Bloomberg

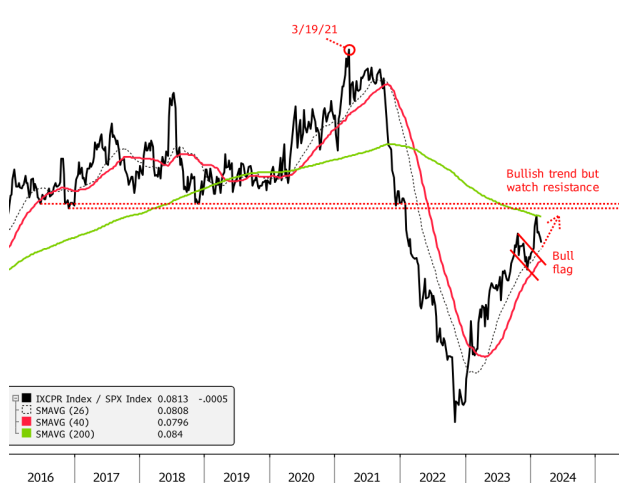
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### Comm Services near relative resistance, SOX tests the March 2000 peak versus SPX

Comm Services remains in a leadership trend from late 2022. The breakout from a bull flag after holding rising 26-and 40-week MAs versus the SPX as support corroborates this view, but the sector hit resistance versus the SPX. Semiconductors (SOX) remain in a leadership trend. The SOX broke out above the June 2000 peak versus the SPX to confirm a big base and reassert its leadership. This is bullish for the SOX, which is testing the March 2000 peak versus the SPX with the potential to exceed it.

### Chart 14: Comm Services relative to the S&P 500: Weekly Chart

Uptrend from late 2022 hit resistance in early 2024



**Source:** BofA Global Research, Bloomberg

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### Chart 15: Semiconductors (SOX) versus the S&P 500: Weekly Chart

Leadership is bullish. Breakout above Jun 2000 peak tests Mar 2000 peak



**Source:** BofA Global Research, Bloomberg

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## Lack of defensive strength bullish: Utilities and Staples hit new lows vs the SPX

Long-term lagging trends for defensive sectors are a bullish market signal. The SPX bottomed in late 2022. Utilities and Staples peaked relative to the SPX in September and December 2022, respectively. Breakdowns for these sectors below relative uptrend lines from late 2021 and the weekly MAs confirmed a less defensive equity market in early 2023. Weak defensive sectors remain a bullish market signal in early 2024. Utilities hit an all-time relative low. Staples hit its lowest level versus the SPX since late 2000.

**Chart 16: Utilities relative to the S&P 500: Weekly Chart**

A weak relative trend drops to another all-time low vs the SPX.



Source: BofA Global Research, Bloomberg

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**Chart 17: Staples relative to the S&P 500: Weekly Chart**

A weak relative trend for this defensive sector hits new lows once again.



Source: BofA Global Research, Bloomberg

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## Real Estate hit a new low vs SPX, Health Care near big support versus SPX

The 2022 relative breakdown for Real Estate resembled past bearish breaks and shifts to lagging trends in 2013, 2016, and 2019. After tactical strength stalled at its declining 40-week MA versus the SPX, this sector has once again dropped to new relative lows within a long-term lagging trend. Health Care has struggled and looks vulnerable. The loss of the 30-year uptrend line versus the SPX is a big risk, but massive support at the late 2021 relative low is holding so far.

**Chart 18: Real Estate relative to the S&P 500: Weekly Chart**

A new low vs SPX after relative rally stalled within long-term lagging trend.

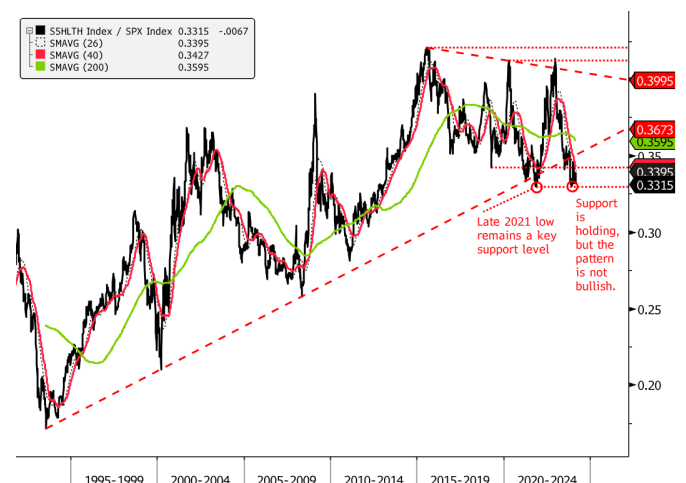


Source: BofA Global Research, Bloomberg

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**Chart 19: Health Care relative to the S&P 500: Weekly Chart**

Below 30-year uptrend line and near big support from late 2021.



Source: BofA Global Research, Bloomberg

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## Sub-sector & group ranks & screens

### Sectors & groups with bullish trading cycles

We list the bullish trading cycles as defined by rising 26- and 40-week moving averages (MAs) on both an absolute and relative basis: Semiconductors, Retailing, Road & Rail, Housing, Information Technology, P&C Insurance, Media, Software & Services, Communication Services, Financials, Insurance and Banks.

### Sectors with bearish trading cycles

We list the bearish trading cycles, as defined by falling 26- and 40-week moving averages on both an absolute and relative basis: NYSE ARCA Biotechnology, Utilities and Gold & Silver.

**Table 7: Sectors, groups and sub-groups**

40-, 26-, and 13-week absolute & relative price trends sorted by Tactical Trend rank, new absolute, and relative highs and lows

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low	13-week high/low vs. SPX	52-week high/low	52-week high/low vs. SPX
PHILA SEMICONDUCTOR INDX	4929.58	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4446.27	2	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 ROAD & RAIL INDX	3285.54	3	9	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
PHILA HOUSING INDEX	697.60	4	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 INFO TECH INDEX	3815.25	5	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 PROP&CASULT IDX	1119.64	6	11	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 Media & Ent	1126.12	7	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 SFTW & SVCS INDX	4649.74	8	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High	High	High	High
S&P 500 MACHINERY INDEX	2128.93	9	14	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High	High
COMSVCSLSCTPR	417.78	10	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FINANCIALS INDEX	668.58	11	18	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High	High	High
S&P 500 INDUSTRIALS IDX	1026.20	12	15	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High	High
S&P 500 PHARM INDEX	1125.02	13	10	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High	High	High	High
S&P 500 TRANSPN INDEX	1076.23	14	19	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High	High
S&P 500 INSURANCE INDEX	701.31	15	16	Bullish	Bullish at risk	Bullish	Bullish at risk	Bullish	Bearish	High	High	High	High
KBW BANK INDEX	96.38	16	33	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bullish at risk	High	High	High	High
S&P 500 CONS DISCRET IDX	1491.02	17	8	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	High	High	High
ALERIAN MLP INDEX	276.00	18	12	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish at risk	High	Low	High	High
KBW CAPITAL MARKETS INDX	612.80	19	22	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	High	High	High	High
NASDAQ BIOTECH INDEX	4515.22	20	21	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High	High	High
S&P 500 HEALTH CARE IDX	1702.79	21	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	Low	High	High
S&P 500 TELECOMM SVCS IX	123.38	22	28	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	Low	High	High
S&P 500 MATERIALS INDEX	553.03	23	25	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 LIFE&HLTH IN IDX	490.77	24	23	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 REAL ESTATE IDX	248.07	25	27	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 HC EQUIP&SVC IDX	1963.08	26	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 AERO & DEFNS IDX	1489.69	27	26	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 CONS STAPLES IDX	788.91	28	24	Bearish at risk	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
NYSE Arca Biotechlgy Idx	5313.63	29	30	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 ENERGY INDEX	660.81	30	29	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low	High	Low
KBW REGIONAL BANKING INX	97.38	31	34	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish	Low	Low	High	Low
S&P 500 TECH HW & EQP IX	3400.57	32	13	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Low	Low	High	Low
S&P 500 UTILITIES INDEX	311.46	33	31	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low	High	Low
PHILA GOLD & SILVER INDX	108.65	34	32	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low	High	Low

Source: BofA Global Research, Bloomberg

Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions

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## GICS Level 2 trend ranks & screens

### Sectors with bullish trading cycles

Bullish trading cycles as defined by rising 26- and 40-week moving averages on both an absolute and relative basis: Semiconductors & Semiconductor Equip, Retailing, Media & Entertainment, Banks, Software & Services, Diversified Financials and Insurance.

### Sectors with bearish trading cycles

We list the bearish trading cycles, as defined by falling 26- and 40-week moving averages on both an absolute and relative basis: Food Beverage & Tobacco and Utilities.

**Table 8: S&P 500 GICS Level 2 Sectors**

40-, 26-, and 13-week absolute & relative price trends sorted by Tactical Trend rank, new absolute, and relative highs and lows

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low	13-week high/low vs. SPX	52-week high/low	52-week high/low vs. SPX
S&P 500 SEMI & SEMI EQP	4409.54	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4446.27	2	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FOOD/STPL RETAIL	781.70	3	6	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 Media & Ent	1126.12	4	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 BANKS INDEX	369.16	5	16	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High		High	
S&P 500 SFTW & SVCS INDX	4649.74	6	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High	High	High	High
S&P 500 CAPITAL GDS IDX	1083.03	7	9	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
S&P 500 DIV FINANCIAL IX	1163.03	8	11	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bullish at risk	High		High	
S&P 500 TRANSPN INDEX	1076.23	9	13	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
S&P 500 INSURANCE INDEX	701.31	10	10	Bullish	Bullish at risk	Bullish	Bullish at risk	Bullish	Bearish	High		High	
S&P 500 PHRM BIO & LF SC	1401.51	11	12	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High		High	
S&P 500 Comm & Prof Serv	618.81	12	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High		High	
S&P 500 TELECOMM SVCS IX	123.38	13	19	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish		Low		
S&P 500 CONS SRV IDX	1674.60	14	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	
S&P 500 CON DUR&AP INDEX	429.73	15	15	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		
S&P 500 MATERIALS INDEX	553.03	16	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 HC EQUIP&SVC IDX	1963.08	17	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 REAL ESTATE INDX	247.13	18	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		Low
S&P 500 HH & PR PDTS IDX	852.99	19	18	Bearish at risk	Bearish	Bullish	Bearish	Bullish	Bearish	High			
S&P 500 ENERGY INDEX	660.81	20	21	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 TECH HW & EQP IX	3400.57	21	7	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish		Low		Low
S&P 500 UTILITIES INDEX	311.46	22	24	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low
S&P 500 FD BEV & TOB IDX	779.82	23	23	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low
S&P 500 AUTO & COMP IDX	115.97	24	22	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Bearish				

Source: BofA Global Research, Bloomberg

Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions

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# Net Tabs stall

## Net Tab: Overhang on drop from overbought

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab finally hit a -3 overbought (-3 to -6) to confirm the cyclical rally in late December 2023 and early January 2024. However, the Net Tab moved out of overbought, deteriorating zero even as the SPX surpassed 5000 prior to an improvement to -1 last week. We view this bearish divergence as a potential overhang that is aligned with the lackluster, or sideways, seasonal pattern for the SPX during the first half of the Presidential election year (see our report, [2024 Equity Technical Strategy Year Ahead](#)).

**Table 9: Net Tab Indicator: Components and values**

The Net Tab improved to -1 from 0 last week. The move out of a late December into early January overbought is a potential overhang.

	Level	Change	Current Week	Last Week	Change
S&P 500			5137.08	5088.8	0.95%
NYSE Stocks over 200 DMA	0	0	68.13%	66.61%	1.52%
5 week A/D Diffusion	-1	-1	52.62%	52.21%	0.42%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	47.90%	47.70%	0.20%
30 Day Arms Index	1	0	1.06	1.17	-8.92%
25 day CBOE Put/Call	1	0	93.44	92.72	0.78%
<b>This Week net</b>	<b>-1</b>				
<b>Last Week net</b>	<b>0</b>				

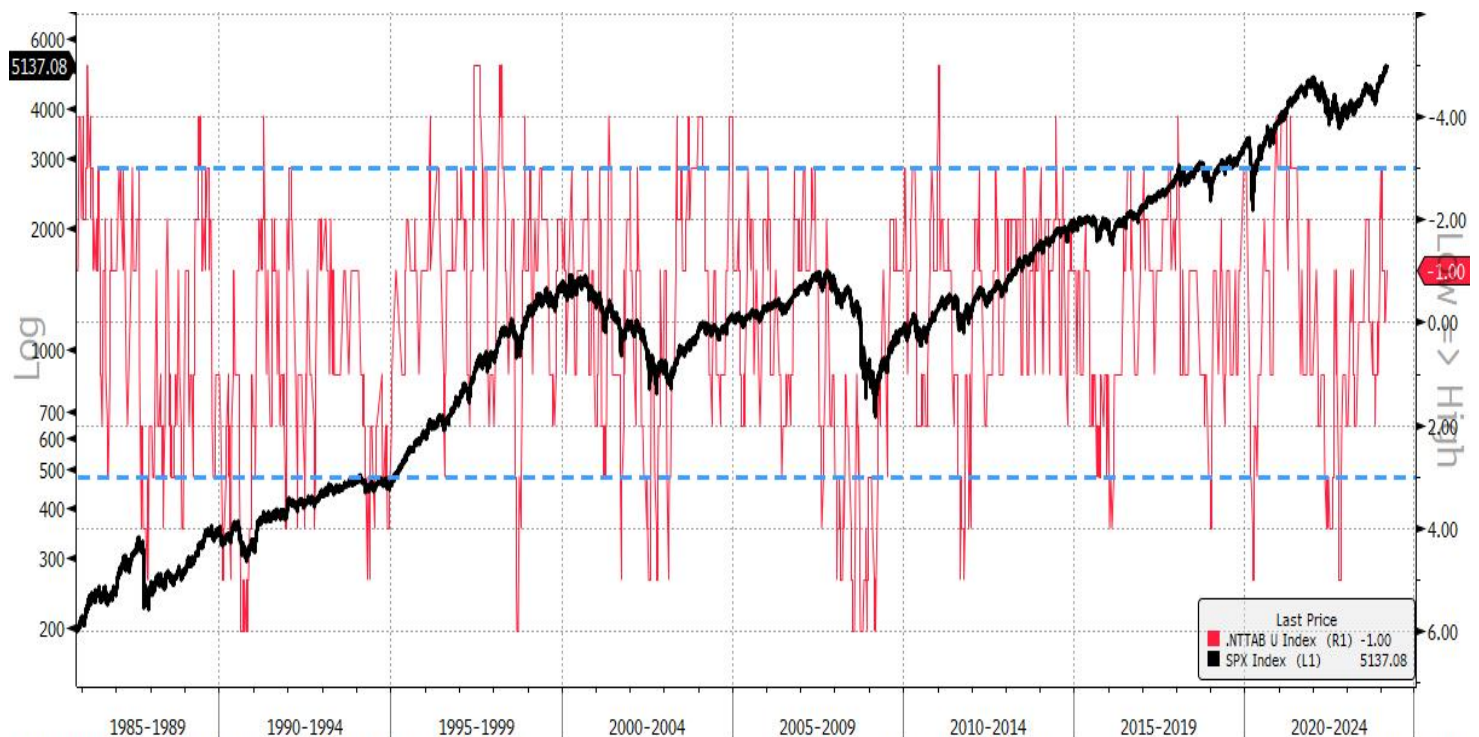
Source: BofA Global Research, Bloomberg

\*Data restricted by provider

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**Chart 20: Net Tab Indicator: Components and values**

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab finally hit a -3 overbought (-3 to -6) to confirm the cyclical rally in late December 2023 and early January 2024. However, the Net Tab moved out of overbought, deteriorating zero even as the SPX surpassed 5000 prior to an improvement to -1 last week. We view this as a bearish divergence and potential overhang for the SPX.



Source: BofA Global Research, Bloomberg

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## Net Tab Bands: Bullish off a +3 oversold but stalled at -2

Oversold levels (+3 to +6) from 10/27 through 11/10 (inverted scale) triggered a rally into yearend and early 2024, but a “bullish confirming” overbought from -3 to -6 has proven to be elusive with the Net Tab Bands stalling at -2 since mid December. The Net Tab Bands improved to -2 from -1 in late February, which is encouraging.

The Net Tab Bands initiated a bullish trend continuation signal for US equities on the 2/3 move to -1 after reaching deep oversold levels of +5 to +6 (inverted scale) to suggest a bottoming process for US equities in mid-to-late 2022 (see our report, [Bullish continuation signals from Net Tabs and sentiment](#)).

**Table 10: Net Tab Bands Indicator: Components and values**

The Net Tab Bands remained at -2 last week.

	Level	Change	Current Week	Last Week	Change
S&P 500			5137.08	5088.8	0.95%
NYSE Stocks over 200 DMA	0	0	68.13%	66.61%	1.52%
McClellan Summation Index	0	0	693.36	668.00	3.80%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	47.90%	47.70%	0.20%
30 Day Arms Index	0	0	1.06	1.17	-8.92%
25 day CBOE Put/Call	0	0	93.44	92.72	0.78%
<b>This Week net</b>	<b>-2</b>				
<b>Last Week net</b>	<b>-2</b>				

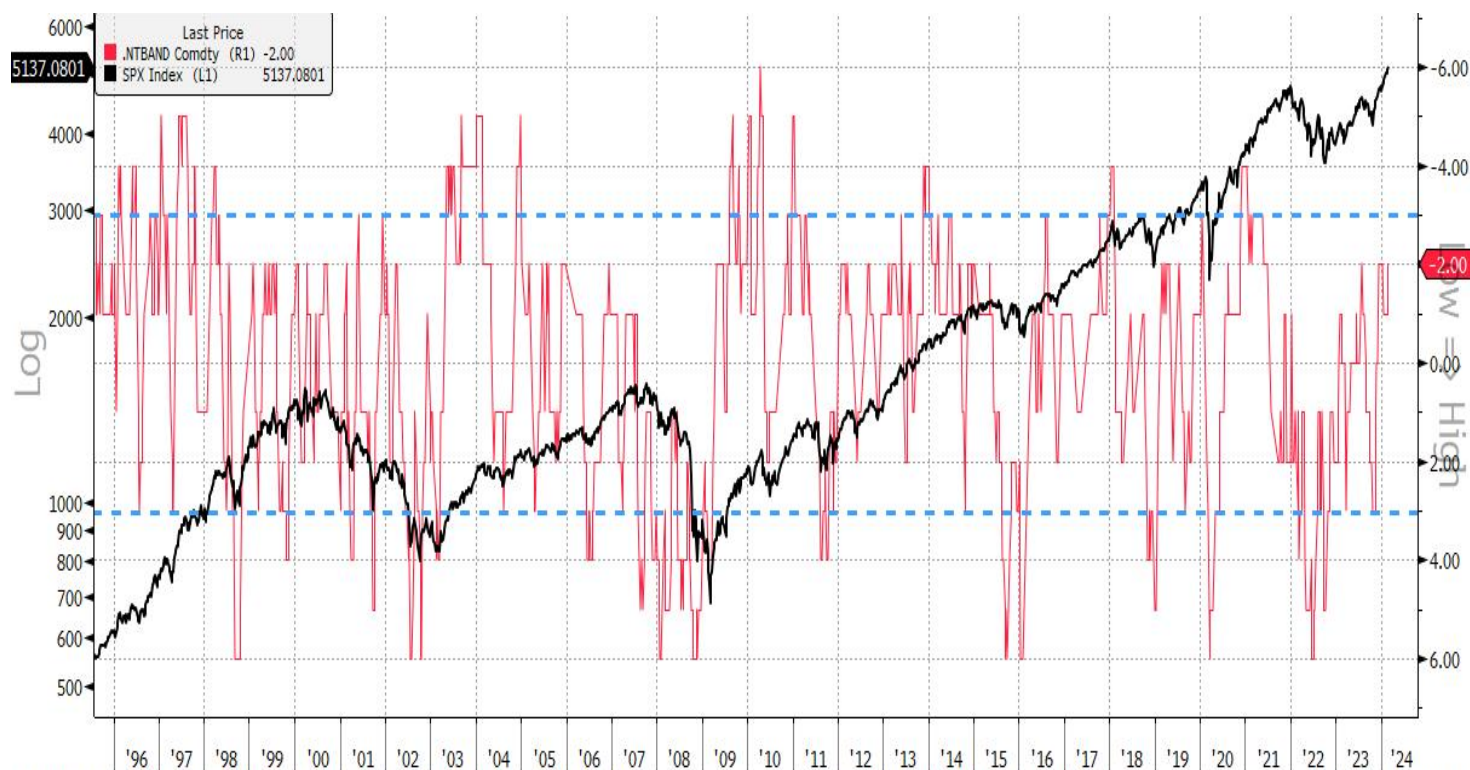
Source: BofA Global Research, Bloomberg

\*Data restricted by provider

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**Chart 21: S&P 500 with the Net Tab Bands: Weekly Chart**

Oversold levels (+3 to +6) from 10/27 through 11/10 (inverted scale) triggered a rally into yearend and early 2024, but a “bullish confirming” overbought from -3 to -6 has proven to be elusive with the Net Tab Bands stalling at -2 since mid December. The Net Tab Bands improved to -2 from -1 in late February, which is encouraging.



Source: BofA Global Research, Bloomberg

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# Appendix

## Net Tab methodology

The Net Tab is a leading breadth and sentiment indicator designed to measure macro overbought and oversold conditions. The indicator is made up of six factors, each of which employs a different method to measure investor sentiment and market breadth. The values achieved by each component factor of +1 (oversold), -1 (overbought) or 0 (neutral) are summed to produce the Net Tab. A variation of the Net Tab, the "Net Tab Bands," is composed in the same way with a slight variation in the factors used and how overbought, oversold and neutral scores are achieved. The underlying idea powering these indicators is that extreme overbought and oversold conditions should achieve consistent readings across various measures of market health.

## Net Tab methodology

The Net Tab is a composite indicator of six separate indicators that gauge market breadth (NYSE Stocks > 200-day MA, 5-week A/D Diffusion and 30-day Arms Index) and sentiment (Investors Intelligence % Bears, BofA Short-term Sentiment, and 25-day CBOE Put/Call ratio). Each of these indicators is assigned a +1 (oversold), 0 (neutral), or -1 (overbought) reading. These readings are summed up or "tabbed" to get the Net Tab reading, which is on a scale of +6 to -6. Readings of +6 to +3 are oversold, +2 to -2 are neutral and -3 to -6 are overbought.

## Bands Net Tab methodology

The Net Tab Bands is a companion to the traditional Net Tab. It also has six components (retaining five from the original Net Tab), but the overbought/ oversold readings are dynamic, not constant, reflecting the fact that the market is dynamic. The overbought/oversold extremes are based on a one standard deviation envelope around the 208-week moving average (MA) of the indicator being analyzed. The 208-week MA was chosen to be in harmony with the well-known and well-regarded Four-Year Cycle.

Five of the six components are the same as the traditional Net Tab; the exception is that we have replaced the Five-Week Advance Decline Diffusion Index with the McClellan Summation Oscillator. As is the case with the original Net Tab, buy readings are +3 or higher, and sell readings are in the -3 to -6 range. Both types of signals tend to occur as one-time events or as a cluster of such readings. Trend lines are also important.

Market bottoms tend to be more emotional than tops and take less time to develop. To help confirm a buy signal, we usually also want to see the indicator reverse from buy readings of +3 or higher to neutral readings of +2 or lower. We also like to see a confirming reversal through a dominant downtrend line.

During a bull market, history suggests that, following a confirmed reversal from a buy signal of +3 or higher, the Net Tab tends to move to the -3 to -6 sell range. During bear markets, the indicator may only achieve a reading of -2.

## Security mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
iwm	IWM US	iShares Russell ETF	US\$ 205.7	2-FV

Source: BofA Global Research



## Analyst Certification

I, Stephen Suttmeier, CFA, CMT, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

BofA Securities is currently acting as a Financial Advisor to Canadian Solar Inc in connection with its subsidiary Recurrent Energy LLC's secured preferred equity investment commitment, convertible into common equity, for Recurrent Energy BV from BlackRock Inc through a fund managed by its Climate Infrastructure business, which was announced on January 23, 2024.

# Disclosures

## Important Disclosures

EXCHANGE-TRADED FUNDS (ETF) INVESTMENT OPINION KEY: Opinions reflect both an Outlook Rating and a Category Rating. OUTLOOK RATINGS reflect the analyst's assessment of the ETF's attractiveness relative to other ETFs within its category (including sector, region, asset class, thematic, and others). There are three outlook ratings: 1 - the ETF is more attractive than covered peers in the same category over the next 12 months; 2 - the ETF is similarly attractive to covered peers in the same category over the next 12 months; and 3 - the ETF is less attractive than covered peers in the same category over the next 12 months. CATEGORY RATINGS, indicators of the analyst's view of the ETF's category and which incorporate published views of BofA Global Research department analysts, are: FV - Favorable view, NV - Neutral view and UF - Unfavorable view.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: iShares Russell ETF.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: BlackRock, Inc.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: BlackRock, Inc.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: BlackRock, Inc.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: BlackRock, Inc.

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