

# Market Analysis Comment

## Where the key indicators stand after a big rally

Market Analysis

### Risk of upside exhaustion from Demark and candles

The S&P 500 (SPX) has risky signals from daily and weekly Demark indicators and Japanese candlestick patterns. Weekly Demark shows upside exhaustion risk for the NYSE Composite and NASDAQ Comp. If these bearish signals work, the SPX and other indices could take a well-deserved breather (consolidation or buyable dip) within the mid-cycle bull market from the late 2022 low.

### SPX: Support: 4800/4600. Resistance: 5200/5600.

The SPX remains within a bullish trend with a cup and handle breakout that favors upside to 5200 (measured move) and 5600 (pattern count). Last week's peak at 5189.26 nearly tested 5200. It would not surprise us to see the SPX struggle with the 5200 area ahead of a dip that refreshes the bullish trend for a move toward the 5600s. The upside breakout points (prior resistances) act as key supports in the low 4800s and 4600s.

### Bullish: SPX cumulative net up volume confirms rally

Better late than never. Cumulative net up volume broke out from a double bottom off the October 2022 and October 2023 lows to confirm the rally on the SPX. We view this as bullish. If volume measures conviction, investors are finally gaining conviction, and cumulative up volume vs down volume has room to run to its 2021 highs.

### Bullish confirmation from SPX and NYSE stocks A-D lines

The SPX and NYSE Comp stocks advance-decline (A-D) lines both hit new highs and show a broadening rally, which is bullish. If a pullback occurs, these A-D lines suggest that a dip is not a due to diminishing market breadth, increasing the potential for a buyable dip within ongoing, but maturing, cyclical bull and secular bull markets.

### Risk: Most active A-D line has not confirmed the rally

The US top 15 most active A-D line has a 2024 YTD bearish divergence. We view this as a market risk, but the new highs for the SPX and NYSE stocks A-D lines and stability for the S&P 500 equal weight and small caps suggest that a lagging most active A-D line reflects some rotation away from the mega cap stocks that are near and dear to the hearts of many investors rather than a big bearish market breadth signal.

### Neutral: Individual investors more bullish since late 2023

AAII US Investors Sentiment Bullish Readings (AAIIBULL) show that individual Investors have been persistently more bullish since November 2023. This sentiment indicator is at 51.7 versus climactic bullish levels near 57-60 reached in November 2014, January 2018 and April 2021. Interestingly, the SPX peaked well after these climactic highs in bullish sentiment. This means that both bullish sentiment and the SPX still have more upside.

### Credit spreads benign but financial conditions at risk

See report for more on credit spreads and financial conditions.

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 27 to 28.

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Market Analysis  
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**BofA Technical Strategy notes**  
[Stock Flash: Four bulls: JPM, TMUS, TFC and USB. Two bears: ADBE and WERN](#)

[Market Analysis Comment: Staying overbought is the key for a strong 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](#)).

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

[Stock Flash: Three bulls: FBP, MNND 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

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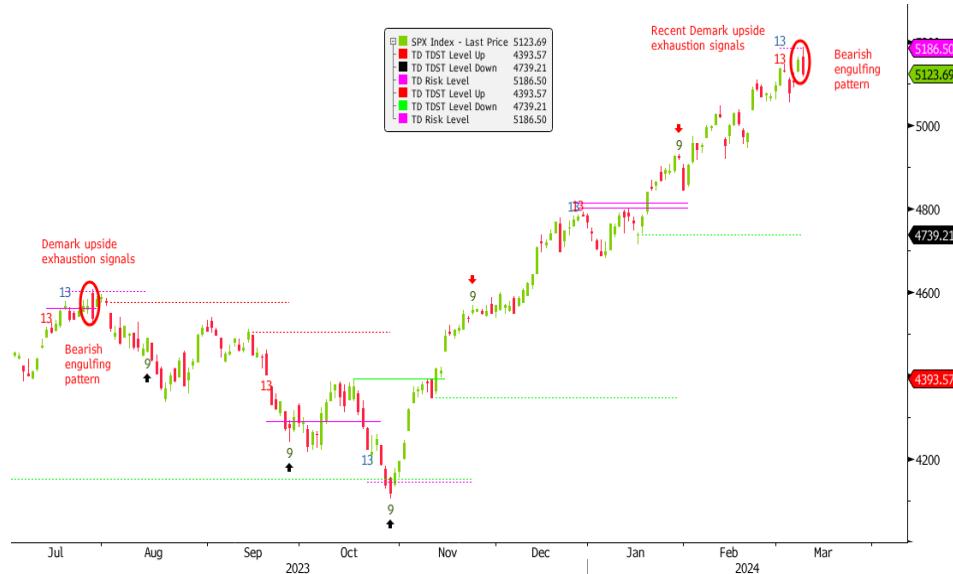
# Charts for this week and beyond

## Risk of upside exhaustion from Demark and candles

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### Chart 1: S&P 500: Daily candlestick chart with Demark upside exhaustion signals

Bearish Demark 13s on 3/1 and a bearish engulfing pattern on 3/7-3/8 are tactical risks for the SPX.



Source: BofA Global Research, Bloomberg

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### Chart 2: S&P 500: Weekly candlestick chart with Demark upside exhaustion signals

A weekly long-legged doji pattern shows indecision (a balance between the bulls and bears) after a 26% from on the SPX from late October 2023. The risk is that the SPX corrects after this pattern.



Source: BofA Global Research, Bloomberg

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### Chart 3: NYSE Composite: Weekly candlestick chart with Demark upside exhaustion signals

Last week's Demark 13 suggests upside exhaustion risk for the NYSE.



Source: BofA Global Research, Bloomberg

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### Chart 4: NASDAQ Composite: Weekly candlestick chart with Demark upside exhaustion signals

The weekly Demark 13 for the week ending 3/1 suggests upside exhaustion risk for the NASDAQ Comp.



Source: BofA Global Research, Bloomberg

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## SPX: Support: 4800/4600. Resistance: 5200/5600.

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### Chart 5: S&P 500: Weekly chart with moving averages

The SPX remains within a bullish trend with a cup and handle breakout that favors upside to 5200 (measured move) and 5600 (pattern count). The upside breakout points (prior resistances) act as key supports in the low 4800s and 4600s.



Source: BofA Global Research, Bloomberg

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## Bullish: SPX cumulative net up volume confirms rally

Better late than never. Cumulative net up volume broke out from a double bottom off the October 2022 and October 2023 lows to confirm the rally on the SPX. We view this as bullish. If volume measures conviction, investors are finally gaining conviction, and cumulative up volume vs down volume has room to run to its 2021 highs.

**Chart 6: S&P 500 (top) and cumulative net up volume (bottom): Daily chart**

Better late than never. Cumulative net up volume broke out from a double bottom off the October 2022 and October 2023 lows to confirm the rally on the SPX. We view this as bullish.



Source: BofA Global Research, Bloomberg

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## Bullish confirmation from SPX and NYSE stocks A-D lines

The SPX and NYSE Comp stocks advance-decline (A-D) lines both hit new highs and show a broadening rally, which is bullish. If a pullback occurs, these A-D lines suggest that a dip is not a due to diminishing market breadth, increasing the potential for a buyable dip within ongoing, but maturing, cyclical bull and secular bull markets.

**Chart 7: S&P 500 (top) and the S&P 500 advance-decline line (bottom): Daily chart**

New highs for the SPX A-D line confirm the rally on the SPX show a broadening out of the market.



Source: BofA Global Research, Bloomberg

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**Chart 8: NYSE Composite (top) and the NYSE stocks advance-decline line (bottom): Daily chart**  
 New highs for the NYSE stocks A-D line show a broadening out of the market, confirming the rally for US equities.



Source: BofA Global Research, Bloomberg

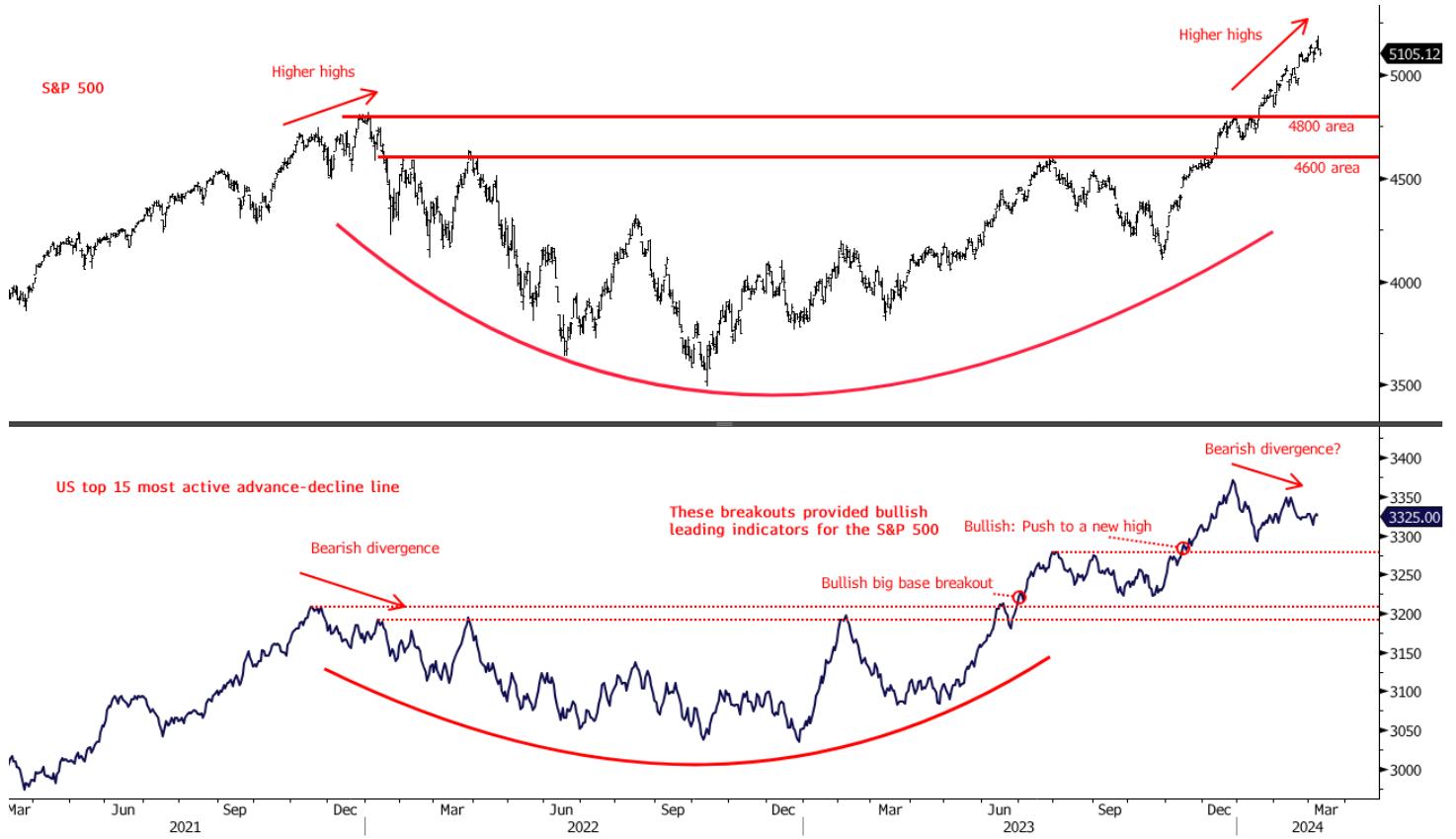
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**Risk: Most active A-D line has not confirmed the rally**

The US top 15 most active A-D line has a 2024 YTD bearish divergence. We view this as a market risk, but the new highs for the SPX and NYSE stocks A-D lines and stability for the S&P 500 equal weight and small caps (see our report, [Staying overbought is the key for a strong 2024](#)) suggest that a lagging most active A-D line reflects some rotation away from the mega cap stocks that are near and dear to the hearts of many investors rather than a big bearish market breadth signal.

**Chart 9: S&P 500 (top) and the US top 15 most active advance-decline line (bottom): Daily chart**

The US top 15 most active A-D line has 2024 YTD bearish divergence, but this could also just reflect some rotation away from the mega cap stocks that are near and dear to the hearts of many investors rather than a big bearish market breadth signal.



**Source:** BofA Global Research, Bloomberg

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## Mixed signals from SPX and NYSE new highs vs new lows

The 10-day moving average of new 52-week highs minus new 52-week lows on the SPX shows a bullish breakout (more highs vs lows) that confirms the bullish breakouts on the SPX. This breadth indicator for NYSE stocks confirmed the bullish breakout for the NYSE in December, but it could form a YTD 2024 bearish divergence given a potential lower high (fewer highs vs lows) moving into March versus December.

**Chart 10: S&P 500 (top) and the 10-day moving average of new 52-week highs minus new 52-week lows (bottom): Daily chart**

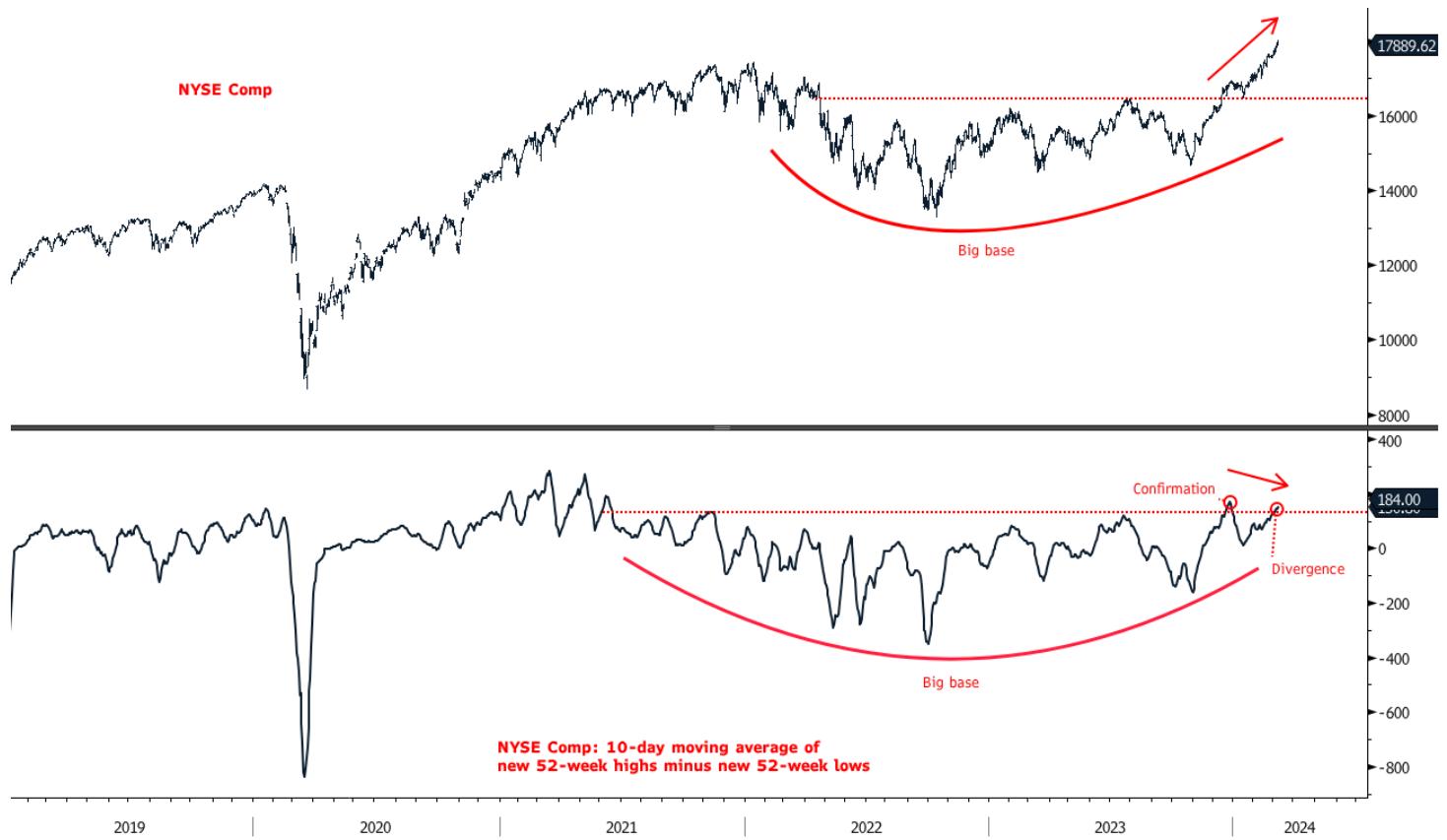
The 10-day moving average of new 52-week highs minus new 52-week lows shows a bullish breakout (more highs vs lows) that confirms the bullish breakouts on the SPX.



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**Chart 11: NYSE Composite (top) and the 10-day moving average of new 52-week highs minus new 52-week lows (bottom): Daily chart**

The 10-day moving average of new 52-week highs minus new 52-week lows confirmed the bullish breakout for the NYSE in December, but this breadth indicator could form a YTD 2024 bearish divergence given a potential lower high (fewer highs vs lows) moving into March versus December.



Source: BofA Global Research, Bloomberg

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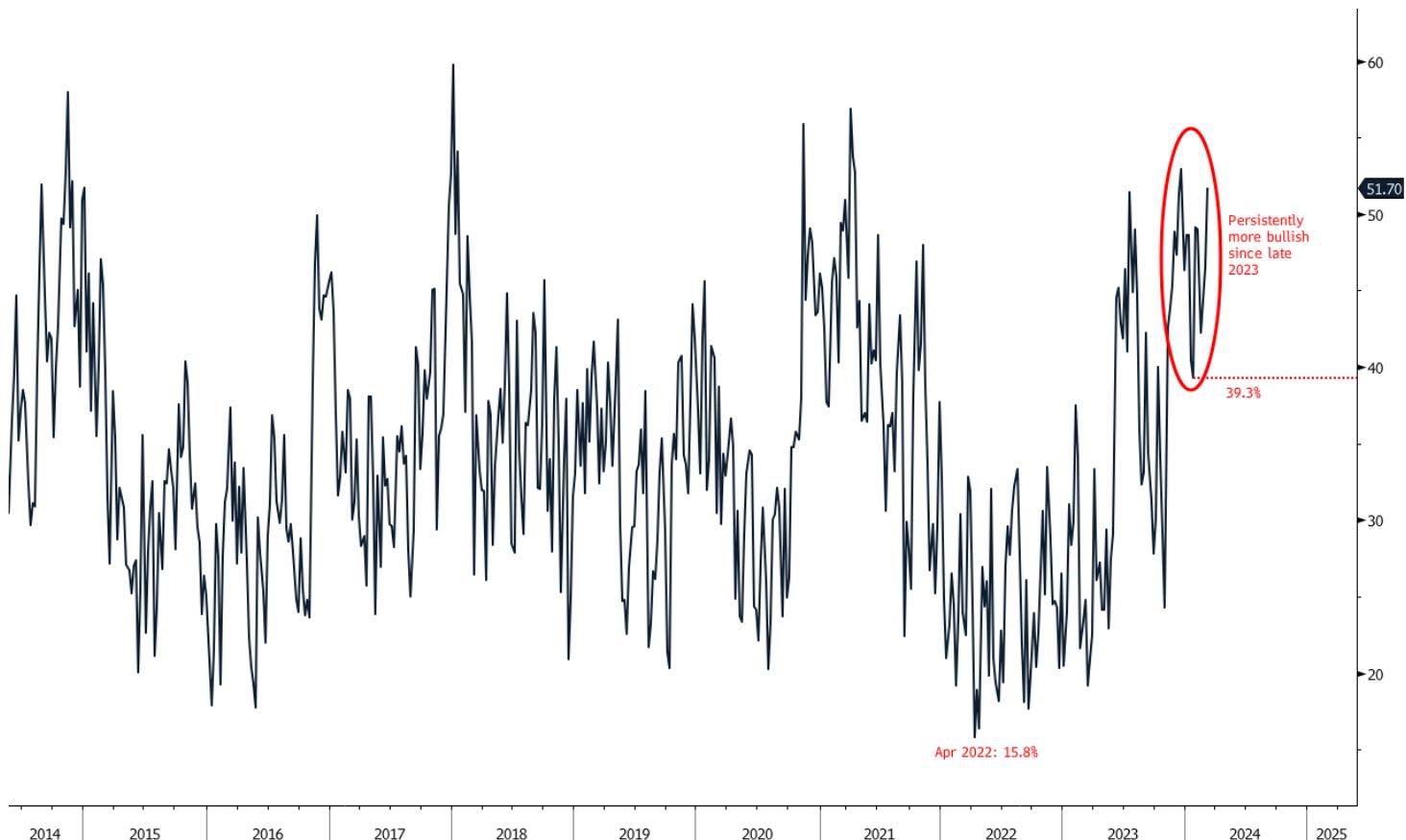


## Neutral: Individual investors more bullish since late 2023

AAII US Investors Sentiment Bullish Readings (AAIIBULL) show that individual Investors have been persistently more bullish since November 2023. This sentiment indicator is at 51.7 versus climactic bullish levels near 57-60 reached in November 2014, January 2018 and April 2021. Interestingly, the SPX peaked well after these climactic highs in bullish sentiment. This means that both bullish sentiment and the SPX still have more upside.

### Chart 12: AAII US Investor Sentiment Bullish Readings (AAIIBULL): Weekly chart

AAII US Investors Sentiment Bullish Readings (AAIIBULL) show that individual Investors have been persistently more bullish since November 2023. This sentiment indicator is at 51.7 versus climactic bullish levels near 57-60 reached in November 2014, January 2018 and April 2021.



Source: BofA Global Research, Bloomberg

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## Risk: Potential bearish divergence for financial conditions

The Chicago Fed National Financial Conditions Index confirmed the SPX cyclical bull market from October 2022 into late January 2024. Since then, financial conditions have deteriorated as the SPX has continued to new all-time highs. This is a potential bearish divergence for US equities.

### Chart 13: S&P 500 and Chicago Fed National Financial Conditions Index: Weekly chart

The Chicago Fed National Financial Conditions Index confirmed the SPX cyclical bull market from October 2022 into late January 2024. Since then, financial conditions have deteriorated as the SPX has continued to new all-time highs. This is a potential bearish divergence for US equities.



Source: BofA Global Research, Bloomberg

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## Bullish: Benign levels for the high yield OAS

The Bloomberg US Corporate High Yield Average option adjust spread (OAS) remains bullish with a new cycle low at 3.05 in late February. This credit spread has seen even lower levels in July 2021 (2.62) May 2007 (2.33), March 2005 (2.50) and September 1997 (2.35), so a continued narrowing of the high yield OAS is not rule out.

### Chart 14: Bloomberg US Corporate High Yield Average OAS: Daily chart

The Bloomberg US Corporate High Yield Average option adjust spread (OAS) remains bullish with a new cycle low at 3.05 in late February. This credit spread has seen even lower levels in July 2021 (2.62) May 2007 (2.33), March 2005 (2.50) and September 1997 (2.35), so a continued narrowing of the high yield OAS is not rule out



Source: BofA Global Research, Bloomberg

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## Bullish: Corp BAA spread benign below 2.00

The Corporate BAA versus the US 10-year Treasury Note spread has had a benign, or bullish, reading below 2.00 since June 2023. This credit spread hit a new cycle low at 1.4993 in late February, which was the lowest since early 2005. March 1989 saw the all-time low for the BAA spread at 1.153, and January 1995 low at 1.168 nearly retested the all-time low. The current bullish cycle may have room to run toward these historic lows.

### Chart 15: Corporate BAA versus the US 10-year Treasury Note spread: Daily chart

The Corporate BAA versus the US 10-year Treasury Note spread has had a benign, or bullish, reading below 2.00 since June 2023. This credit spread hit a new cycle low at 1.4993 in late February, which was the lowest since early 2005.



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 08, close.

**Table 1: 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

**Source:** BofA Global Research, Bloomberg

### 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

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## Ranks: GICS 1 ranks wrap-up

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

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

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

**New highs and new lows:** The SPX eased back from a 52-week high in the prior week, but the following four sectors achieved weekly closing price 52-week highs last week: Financials, Industrials, Materials and Real Estate. 13-week highs: Staples and Energy. No 13-week or 52-week highs or lows for any sectors versus the SPX last week.

**Table 2: 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, Financials, Comm Services, Industrials and Materials. Bottom Five: Utilities, Energy, Staples, Discretionary and Real Estate.

Name	Price	Tactical trend rank	52-week trend	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	3774.23	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 FINANCIALS INDEX	673.97	2	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High		High	
COMSVCSSLCTPR	415.45	3	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 INDUSTRIALS IDX	1032.45	4	4	Bullish	Bullish	Bullish	Bullish	Bearish at risk	Bullish	High		High	
S&P 500 MATERIALS INDEX	561.79	5	7	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High		High	
S&P 500 HEALTH CARE IDX	1703.26	6	6	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High		High	
S&P 500 REAL ESTATE IDX	251.68	7	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High		High	
S&P 500 CONS DISCRET IDX	1452.39	8	3	Bullish	Bullish at risk	Bullish	Bearish at risk	Bullish	Bearish	High		High	
S&P 500 CONS STAPLES IDX	796.14	9	9	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High		Low	
S&P 500 ENERGY INDEX	668.50	10	10	Bullish	Bearish	Bearish at risk	Bearish at risk	Bearish	Bearish	High		Low	
S&P 500 UTILITIES INDEX	321.41	11	11	Bearish at risk	Bearish	Bearish at risk	Bearish at risk	Bearish	Bearish	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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## Consistent leaders/laggards in tactical ranks

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

**Table 3: Tactical trend ranks – current and historical sector rankings**

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

Sector	08-Mar-24	01-Mar-24	23-Feb-24	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24
S&P 500 Consumer Discretionary	8	5	6	6	5	5	6	4
S&P 500 Consumer Staples	9	9	8	9	8	7	8	9
S&P 500 Energy	10	10	10	10	10	10	10	11
S&P 500 Financials	2	3	3	3	3	3	3	3
S&P 500 Health Care	6	6	5	5	6	6	5	6
S&P 500 Industrials	4	4	4	4	4	4	4	5
S&P 500 Technology	1	1	1	1	1	2	1	1
S&P 500 Materials	5	7	7	7	9	9	9	8
S&P 500 Communication Services	3	2	2	2	2	1	2	2
S&P 500 Utilities	11	11	11	11	11	11	11	10
S&P 500 Real Estate	7	8	9	8	7	8	7	7

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, Staples, Real Estate and Materials.

**Table 4: 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, Staples, Real Estate and Materials.

Sector	08-Mar-24	01-Mar-24	23-Feb-24	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	9	7	8	8	7	7	7	7
S&P 500 Energy	10	10	10	9	10	9	10	10
S&P 500 Financials	5	6	6	6	6	6	5	5
S&P 500 Health Care	6	5	5	5	5	5	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	7	8	7	7	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	8	9	9	10	9	10	9	9

Source: BofA Global Research, Bloomberg

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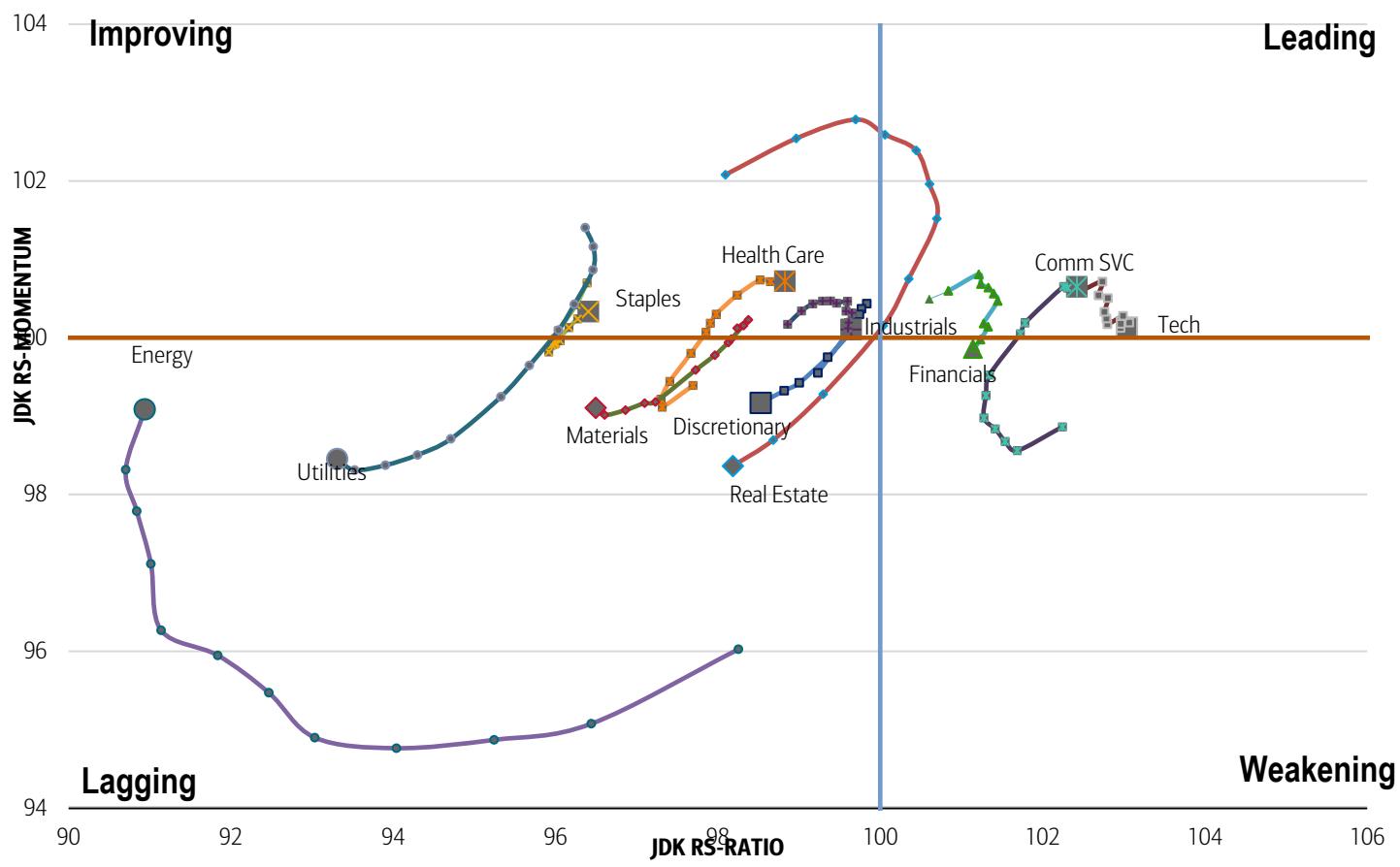


## Rotations: Relative rotation graph (RRG)

- **Leading** (positive relative trend and positive relative momentum): Communication Services and Technology.
- **Weakening** (positive relative trend and negative relative momentum): Financials.
- **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 16: 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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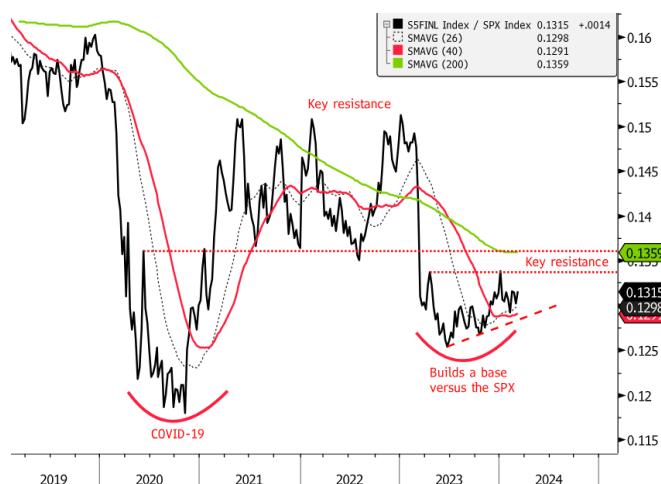
## A visit with the sector relatives

### 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 17: 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 18: 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 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) versus 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 19: 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 20: 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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## Growth sectors: Tech stronger than Discretionary

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 21: 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 22: 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 hit resistance, SOX tests the March 2000 peak versus SPX

Communication Services remains in a leadership trend from late 2022 but hit resistance versus the SPX. A tactical loss of leadership is not ruled out for Communication Services. 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 probed above its March 2000 peak versus the SPX.

### Chart 23: 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 24: 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

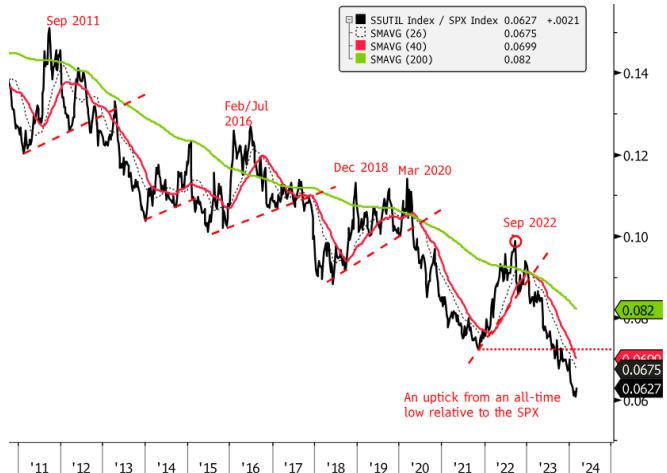
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## Utilities and Staples remain in relative downtrends but could uptick

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, but both Utilities and Staples could uptick within bearish longer-term trends.

### Chart 25: Utilities relative to the S&P 500: Weekly Chart

An uptick from an all-time low vs the SPX.



Source: BofA Global Research, Bloomberg

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### Chart 26: Staples relative to the S&P 500: Weekly Chart

Remains within a weak trend relative to the SPX but an uptick not ruled out.



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

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

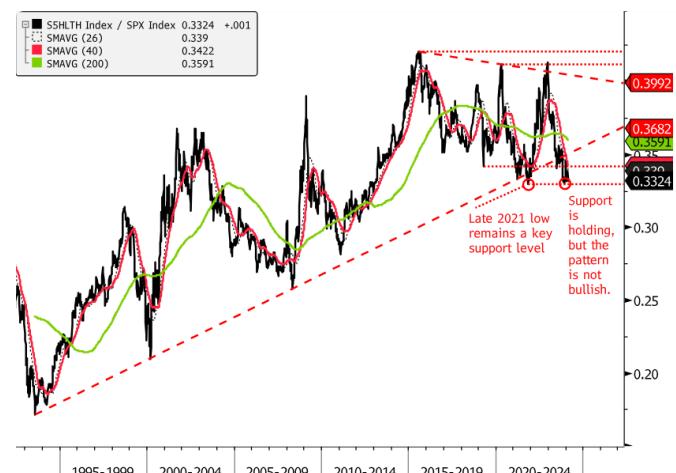


Source: BofA Global Research, Bloomberg

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### Chart 28: 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, Housing, P&C Insurance, Retailing, Road & Rail, Information Technology, Banks, Media, Financials, Insurance, Communication Services and Software & Services.

### 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: Utilities and Gold & Silver.

**Table 5: 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	52-	40-week	40-week	26-week	26-week	13-week	13-week	13-week	52-week
		trend	week		trend vs.		trend		high/low vs. SPX	high/low vs. SPX	high/low vs. SPX
PHILA SEMICONDUCTOR INDEX	4957.78	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
PHILA HOUSING INDEX	702.74	2	3	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 PROP&CASULTY INDEX	1140.65	3	10	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 RETAILING INDEX	4376.75	4	5	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 ROAD & RAIL INDEX	3238.64	5	9	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 INFO TECH INDEX	3774.23	6	4	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 MACHINERY INDEX	2144.84	7	11	Bullish	Bullish	Bullish	Bearish at risk	Bullish	High	High	High
KBW BANK INDEX	99.23	8	26	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High
S&P 500 Media & Ent	1118.33	9	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 FINANCIALS INDEX	673.97	10	16	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 INSURANCE INDEX	713.37	11	12	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bearish at risk	High	High
COMSVCSSLSCPR	415.45	12	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High
S&P 500 INDUSTRIALS IDX	1032.45	13	15	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 SFTW & SVCS INDEX	4552.31	14	6	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bearish		
ALERIAN MLP INDEX	278.30	15	13	Bullish	Bullish	Bullish	Bearish	Bullish	Bearish at risk	High	High
KBW CAPITAL MARKETS INDEX	616.60	16	17	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 TRANSPN INDEX	1070.99	17	22	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 PHARM INDEX	1107.84	18	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High	High
S&P 500 MATERIALS INDEX	561.79	19	24	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 HEALTH CARE IDX	1703.26	20	19	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 LIFE&HLTH IN IDX	498.80	21	18	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish		
S&P 500 TELECOMM SVCS IX	123.05	22	32	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	Low	
S&P 500 REAL ESTATE IDX	251.68	23	25	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High
NASDAQ BIOTECH INDEX	4460.31	24	23	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	Low
S&P 500 CONS DISCRET IDX	1452.39	25	8	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	High
S&P 500 HC EQUIP&SVC IDX	1979.56	26	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High
S&P 500 AERO & DEFNS IDX	1498.10	27	28	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	High
S&P 500 CONS STAPLES IDX	796.14	28	27	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
NYSE Arca Biotechlg Iidx	5324.98	29	30	Bearish at risk	Bearish	Bullish	Bearish	Bullish	Bearish		
KBW REGIONAL BANKING INX	100.23	30	34	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	Low	Low
S&P 500 ENERGY INDEX	668.50	31	29	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	
S&P 500 UTILITIES INDEX	321.41	32	33	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish	Bearish at risk	Bearish	Low
PHILA GOLD & SILVER INDEX	117.36	33	31	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish	Bearish at risk	Bearish	Low
S&P 500 TECH HW & EQP IX	3270.41	34	21	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	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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## 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, Banks, Retailing, Media & Entertainment, Insurance and Software & Services.

### 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: Utilities and Food Beverage & Tobacco.

**Table 6: 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 52-week trend		40-week trend vs. SPX	26-week trend vs. SPX		13-week trend vs. SPX	13-week high/low		52-week high/low	
		rank	Rank		trend	SPX		high vs. SPX	low vs. SPX	high vs. SPX	low vs. SPX
S&P 500 SEMI & SEMI EQP	4509.52	1	1	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 BANKS INDEX	380.41	2	11	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4376.75	3	3	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FOOD/STPL RETAIL	789.59	4	6	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High	High
S&P 500 Media & Ent	1118.33	5	2	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 CAPITAL GDS IDX	1095.64	6	8	Bullish	Bullish	Bullish	Bearish at risk	Bullish	High	High	High
S&P 500 INSURANCE INDEX	713.37	7	7	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bearish at risk	High	High
S&P 500 SFTW & SVCS INDX	4552.31	8	4	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bearish	Low	High
S&P 500 DIV FINANCIAL IX	1158.50	9	9	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 TRANSPN INDEX	1070.99	10	15	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 PHRM BIO & LF SC	1393.86	11	12	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 Comm & Prof Serv	616.88	12	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High
S&P 500 MATERIALS INDEX	561.79	13	16	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 CONS SRV IDX	1679.17	14	10	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	High
S&P 500 TELECOMM SVCS IX	123.05	15	21	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	Low	High
S&P 500 REAL ESTATE INDX	251.09	16	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
S&P 500 CON DUR&AP INDEX	428.10	17	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	Low
S&P 500 HC EQUIP&SVC IDX	1979.56	18	13	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	High
S&P 500 HH & PR PDTS IDX	866.37	19	19	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	Low
S&P 500 ENERGY INDEX	668.50	20	20	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low
S&P 500 UTILITIES INDEX	321.41	21	23	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish at risk	Bearish	Low	Low
S&P 500 FD BEV & TOB IDX	783.82	22	24	Bearish	Bearish	Bearish at risk	Bearish	Bearish	Bearish	Low	Low
S&P 500 TECH HW & EQP IX	3270.41	23	14	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Low	Low
S&P 500 AUTO & COMP IDX	102.86	24	22	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Bearish	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



# Net Tabs mixed

## Net Tab: Tactical non-confirmation

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab 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 -2. If the Net Tab remains out of overbought, this provides a tactical non-confirmation (aka bearish divergence) for US equities.

**Table 7: Net Tab Indicator: Components and values**

The Net Tab improved to -2 from -1 last week.

	Level	Change	Current Week	Last Week	Change
S&P 500			5123.69	5137.08	-0.26%
NYSE Stocks over 200 DMA	0	0	69.34%	68.13%	1.21%
5 week A/D Diffusion	-1	0	53.03%	52.62%	0.41%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	49.20%	47.90%	1.30%
30 Day Arms Index	0	-1	1.03	1.06	-2.97%
25 day CBOE Put/Call	1	0	94.04	93.44	0.64%
<b>This Week net</b>	<b>-2</b>				
<b>Last Week net</b>	<b>-1</b>				

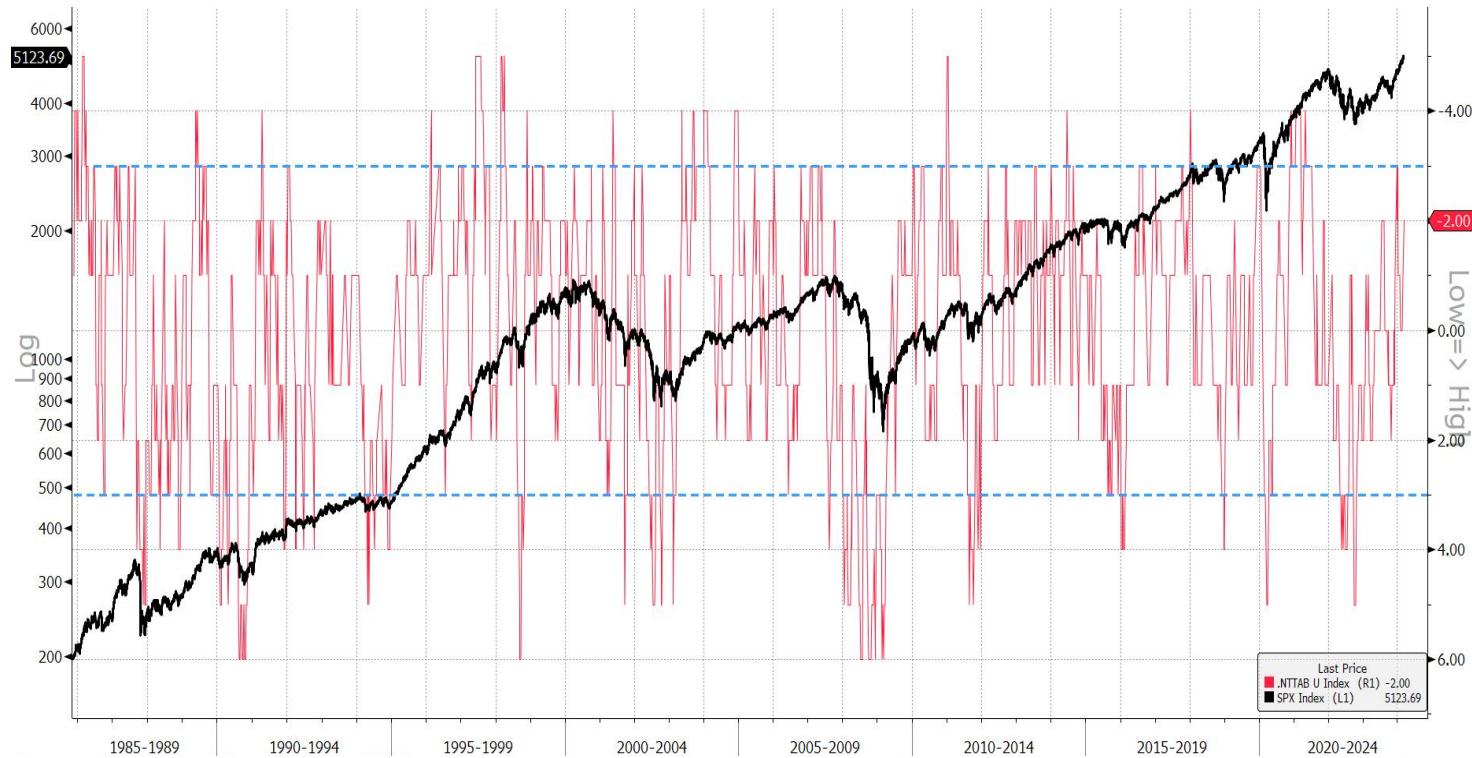
**Source:** BofA Global Research, Bloomberg

\*Data restricted by provider

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## Chart 29: 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 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 -2. If the Net Tab remains out of overbought, this provides a tactical non-confirmation (aka bearish divergence).



**Source:** BofA Global Research, Bloomberg

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## Net Tab Bands: Bullish confirming overbought

Oversold levels (+3 to +6) from 10/27 through 11/10 (inverted scale) for the Net Tab Bands triggered a rally into yearend and into 2024 with the SPX hitting another new all-time high last week. Last week's Net Tab Bands reading of -3 provides a bullish confirming overbought (-3 to -6) for the cyclical bull market from October 2022.

The Net Tab Bands initiated a bullish trend continuation signal for US equities on the February 3, 2023 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 8: Net Tab Bands Indicator: Components and values**

Last week's Net Tab Bands reading of -3 provides a bullish confirming overbought (-3 to -6) for the cyclical bull market from October 2022.

	Level	Change	Current Week	Last Week	Change
S&P 500			5123.69	5137.08	-0.26%
NYSE Stocks over 200 DMA	0	0	69.34%	68.13%	1.21%
McClellan Summation Index	-1	-1	758.69	693.36	9.42%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	49.20%	47.90%	1.30%
30 Day Arms Index	0	0	1.03	1.06	-2.97%
25 day CBOE Put/Call	0	0	94.04	93.44	0.64%
<b>This Week net</b>	<b>-3</b>				
<b>Last Week net</b>	<b>-2</b>				

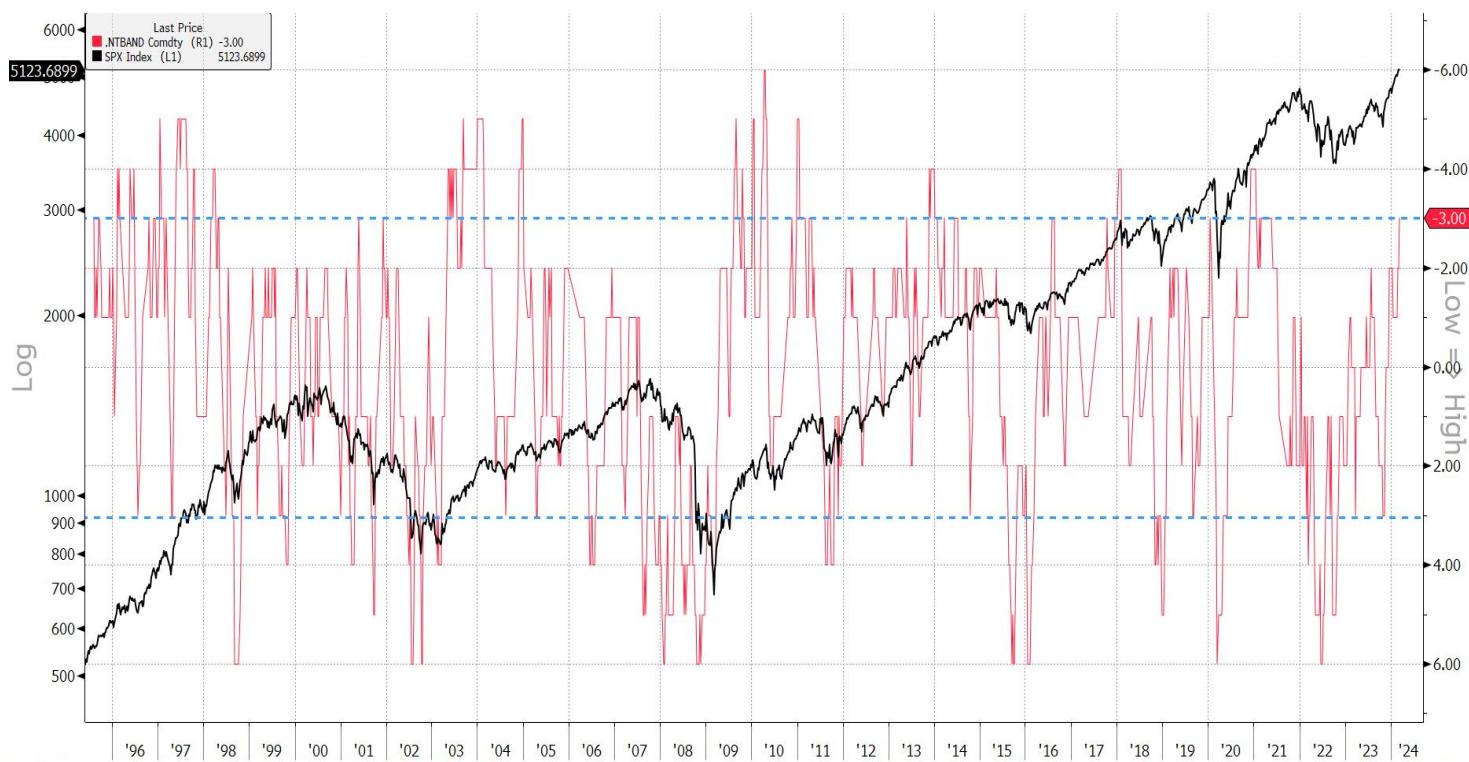
**Source:** BofA Global Research, Bloomberg

\*Data restricted by provider

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**Chart 30: 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. Last week's Net Tab Bands reading of -3 provides a bullish confirming overbought (-3 to -6) for the cyclical bull market from October 2022.



**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.

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