

## Market Analysis Comment

# Where the 2021-2024 Presidential Cycle stands

Market Analysis

## 2021-2024 Presidential Cycle extended vs average cycles

The 2021-2024 Presidential Cycle is extended when compared to the average and first term cycles as of 2/29/2024. The average returns for these cycles suggest February-June Year 4 levels for the SPX that align with big supports near 4800 and 4600. The average and first term Presidential Cycles returns suggest SPX 5000-5200 into yearend. However, a bullish January-February Barometer and cup and handle pattern do not rule out SPX 5400-5600 by yearend (see our report, [Bullish Jan-Feb Barometer for 2024](#)).

## But the secular bull market Pres Cycle shows room to run

We remain believers in the secular bull market for US equities. The current Presidential Cycle is lagging the average and first term secular bull market cycles as of 2/29/2024. This suggests that the SPX has room to run in 2024. All secular bull market Presidential Cycles put the SPX at 5580-5600 in February-March Year 4, moving up to SPX 6300s into yearend. First term secular bull market cycles suggest SPX 5350-5370 in February-March Year 4, moving up to SPX 6200s into yearend.

## SPX breakouts corroborate secular bull market cycle

The December breakout above the 4600 area on the SPX completed a 2022-2023 cup and handle that favors upside into the 5200s and 5600s. The January breakout above the 4800 area does not rule out 6150, which aligns with the catch-up trade potential for a secular bull market Presidential Cycle into yearend 2024. We highlight this as possible but not probable unless the equity market embarks on a mid to late 1990s-style melt-up.

## Energy sector (XLE) on bullish triangle breakout watch

We have the Energy Select Sector SPDR Fund (XLE) on bullish triangle breakout watch. A decisive push above 93.30-94.71 (highs going back to June 2022) would confirm this bullish setup with upside potential beyond the mid 2024 peak at 98.57 to the pattern count at 110-112. Until then, the 87.11-85.55 area offers tactical support.

## 5-day and 25-day put calls more complacent than fearful

The 5-day and 25-day US put/call ratios have up ticked from mildly complacent levels. One risk for late March into 2Q 2024 is that higher lows for the 5-day put/call in March and February relative to the December low may indicate a bearish divergence against the YTD higher highs on the SPX. This occurs with the 25-day put/call near its July 2023 complacent low that preceded a 10% SPX correction from late July into late October.

## But a bearish divergence on VIX3M vs VIX = wall of worry?

We have highlighted lower highs for the 3-month VIX relative to the VIX (VIX3M/VIX) as a YTD negative divergence against the higher highs on the SPX. However, as a tactical sentiment indicator, a declining VIX3M/VIX suggests that investors have gotten more bearish as the SPX has rallied. In our view, this divergence may not be bearish at all and might just reflect an equity market climbing the so-called wall of worry.

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Refer to important disclosures on page 26 to 29.

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Market Analysis  
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[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](#)).

## Acronyms

A-D: Advance-decline  
CPI: Consumer price index  
XLE: Energy Select Sector SPDR Fund  
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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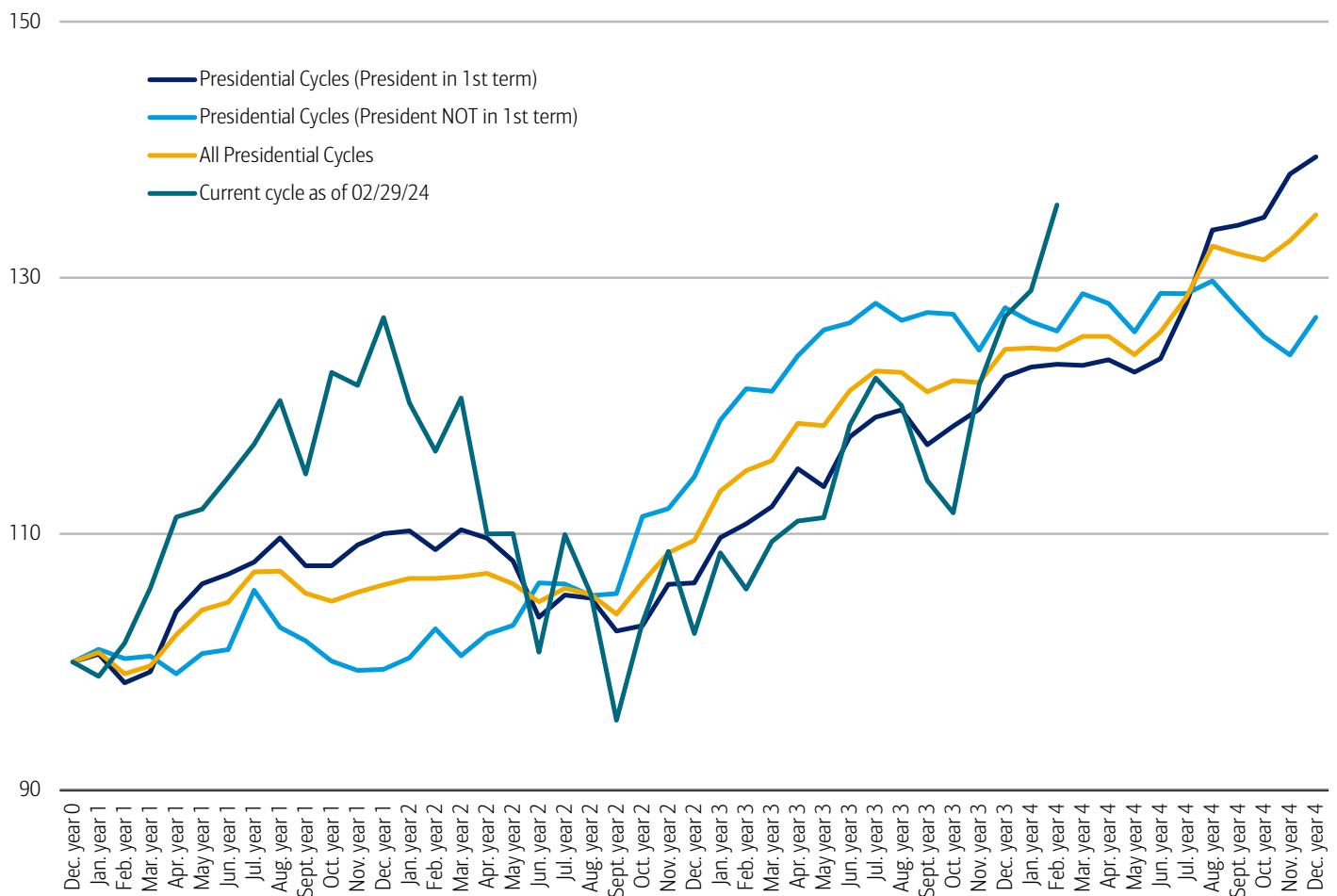
# Presidential Cycle

## 2021-2024 Presidential Cycle extended vs average cycles

The 2021-2024 Presidential Cycle is extended when compared to the average and first term cycles as of 2/29/2024. The average returns for these cycles suggest February-June Year 4 levels for the SPX that align with big supports near 4800 and 4600. The average and first term Presidential Cycles returns suggest SPX 5000-5200 into yearend 2024. However, a bullish January-February Barometer and cup and handle pattern do not rule out SPX 5400-5600 by yearend (see our report, [Bullish Jan-Feb Barometer for 2024](#)).

### Chart 1: Presidential Cycle S&P 500 returns

The current Presidential Cycle is extended when compared to the average and first term cycles as of 2/29/2024. The average returns for these cycles suggest February-June Year 4 levels for the SPX that align with big supports near 4800 and 4600. The average and first term Presidential Cycles returns suggest SPX 5000-5200 into yearend 2024.



**Source:** BofA Global Research, Bloomberg

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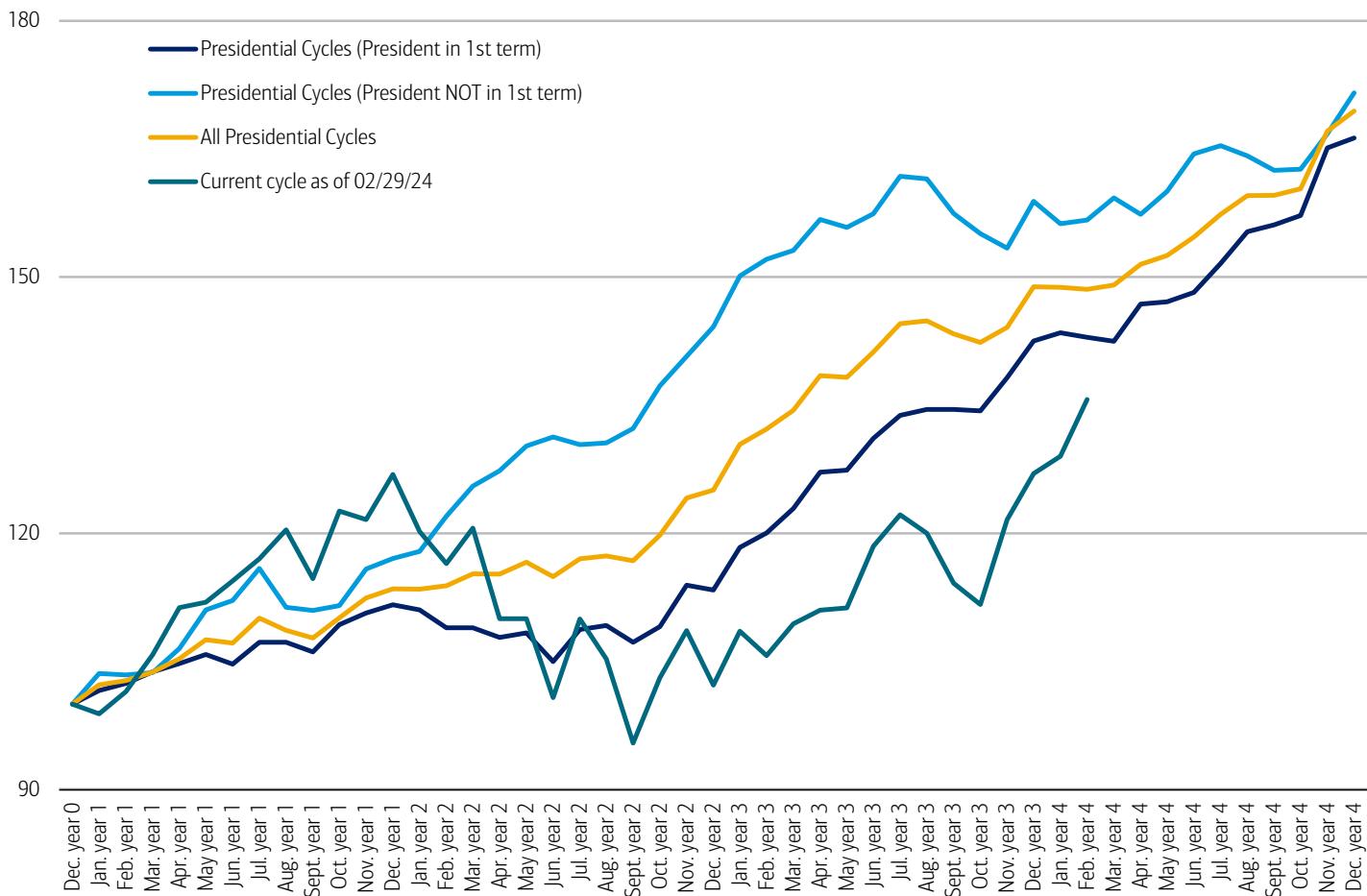


## But the secular bull market Pres Cycle shows room to run

We remain believers in the secular bull market for US equities (see our report, [Cyclical uptrend within a secular bull market](#)). Given the cyclical correction in 2022, the current Presidential Cycle is lagging the average and first term secular bull market cycles as of 2/29/2024. This suggests that the SPX has room to run in 2024. All secular bull market Presidential Cycles put the SPX at 5580-5600 in February-March Year 4, moving up to SPX 6300s into yearend. First term secular bull market cycles suggest SPX 5350-5370 in February-March Year 4, moving up to SPX 6200s into yearend.

### Chart 2: Secular bull market Presidential Cycle S&P 500 returns

We remain believers in the secular bull market for US equities. Given the big cyclical correction in 2022, the current Presidential Cycle is lagging the average and first term secular bull market cycles as of 2/29/2024. This suggests that there is room for the SPX to run in 2024.



Source: BofA Global Research, Bloomberg

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## SPX breakouts corroborate secular bull market cycle

The December breakout above the 4600 area on the SPX completed a 2022-2023 cup and handle that favors upside into the 5200s and 5600s. The January breakout above the 4800 area does not rule out 6150, which aligns with the catch-up trade potential for a secular bull market Presidential Cycle into yearend 2024. We highlight this as possible but not probable unless the equity market embarks on a mid to late 1990s-style melt-up.

### Chart 3: S&P 500: Weekly chart with moving averages

The December breakout above the 4600 area on the SPX completed a 2022-2023 cup and handle that favors upside into 5200s and 5600s. The January breakout above the 4800 area does not rule out 6150, which aligns with the catch-up trade potential for a secular bull market Presidential Cycle into yearend 2024.



Source: BofA Global Research, Bloomberg

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# Energy sector

## XLE on bullish triangle breakout watch

We have the Energy Select Sector SPDR Fund (XLE) on bullish triangle breakout watch. A decisive push above 93.30-94.71 (highs going back to June 2022) would confirm this bullish setup with upside potential beyond the mid 2024 peak at 98.57 to the pattern count at 110-112. Until then, holding the tactical breakout above 87.11, which is backed up by improving weekly MAs near 86-85.55, would keep the positive pattern in place.

Crude oil is breaking out from a base, which should support the Energy sector (see our report, [Commodities Technical Advantage: Is oil marching to a breakout? 29 February 2024](#)).

### Chart 4: Energy Select Sector SPDR Fund (XLE): Weekly chart with moving averages

We have the Energy Select Sector SPDR Fund (XLE) on bullish triangle breakout watch. A decisive push above 93.30-94.71 (highs going back to June 2022) would confirm this bullish setup with upside potential beyond the mid 2024 peak at 98.57 to the pattern count at 110-112. Until then, the 87.11-85.55 area offers tactical support.



**Source:** BofA Global Research, Bloomberg

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## Energy has a H&S top overhang versus the SPX

Energy broke down from a June 2022 into December 2023 head and shoulders (H&S) top relative to the SPX. One risk for Energy is that tactical leadership from the mid January and early February relative lows is corrective against the overhang provided by this H&S top and declining 26 and 40-week MAs versus the SPX. It would take a move above the pattern neckline and then the weekly MAs to call the H&S top into question.

### Chart 5: S&P 500 Energy (S5ENRS) relative to the S&P 500: Weekly chart with moving averages

Energy broke down from a June 2022 into December 2023 head and shoulders (H&S) top relative to the SPX. One risk for Energy is that tactical leadership from the mid January and early February relative lows is corrective against the overhang provided by this H&S top and declining 26 and 40-week MAs versus the SPX.



Source: BofA Global Research, Bloomberg

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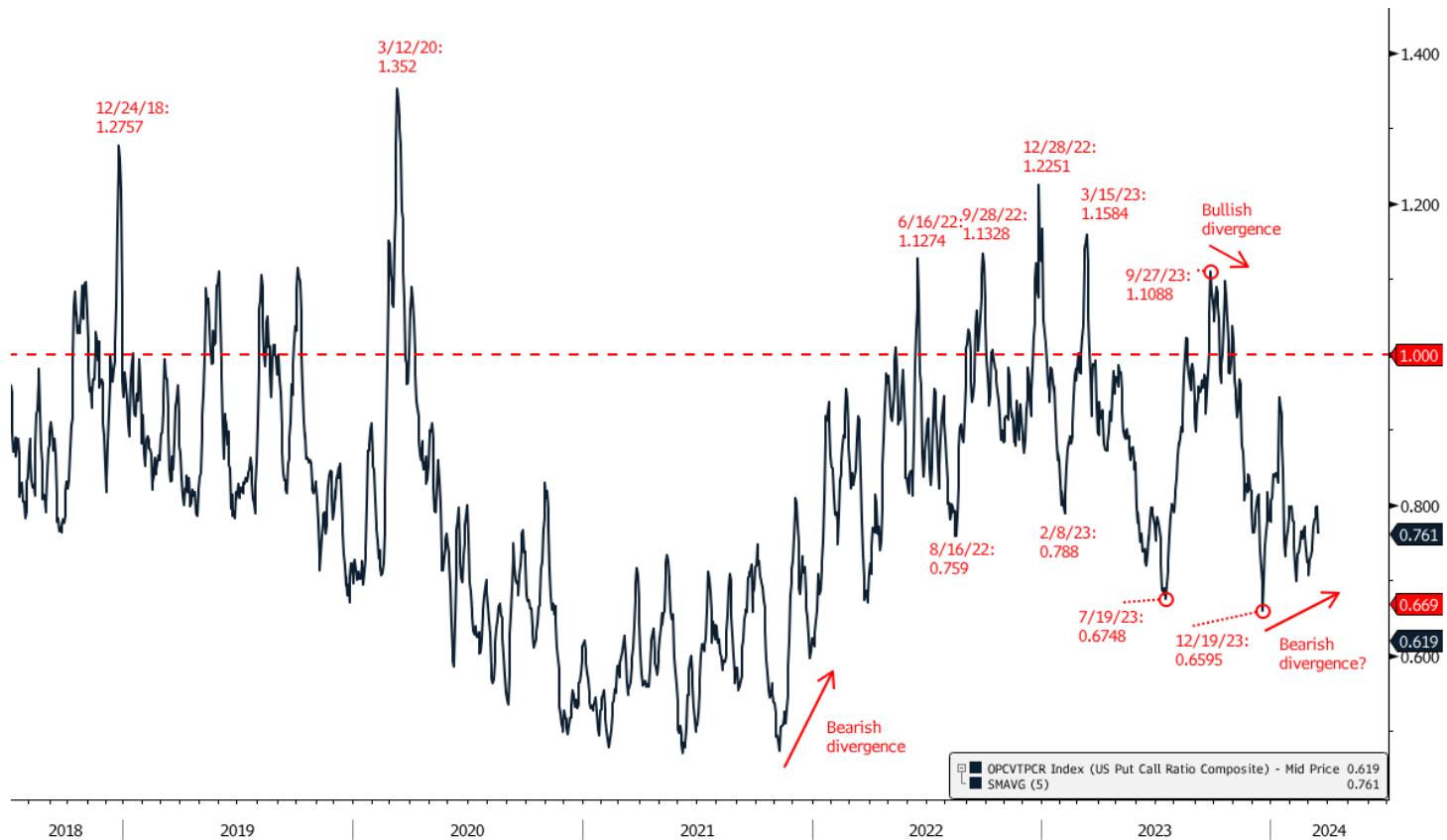
# Tactical sentiment

## 5-day and 25-day put calls more complacent than fearful

The 5-day and 25-day US put/call ratios have up ticked from mildly complacent levels. One risk for late March into 2Q 2024 is that higher lows for the 5-day put/call in March and February relative to the December low may indicate a bearish divergence against the YTD higher highs on the SPX. This occurs with the 25-day put/call near its July 2023 complacent low that preceded a 10% SPX correction from late July into late October.

**Chart 6: 5-day US Put Call Ratio Composite: Daily chart**

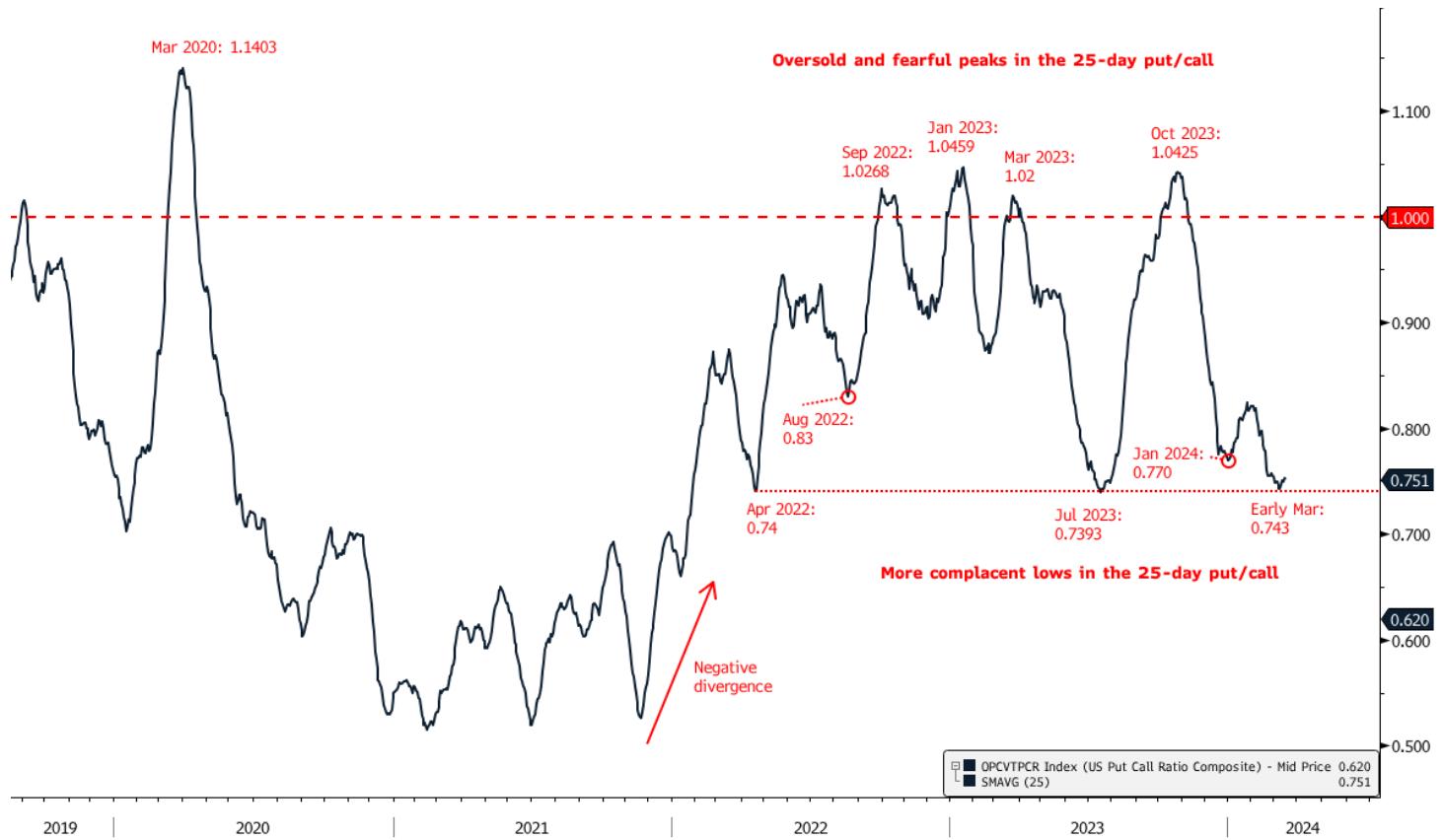
One risk for late March into 2Q 2024 is that higher lows for the 5-day put/call in March and February relative to the December low may indicate a bearish divergence against the YTD higher highs on the SPX.



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**Chart 7: 25-day US Put Call Ratio Composite: Daily chart**

The 25-day put/call is near its July 2023 complacent low that preceded a 10% SPX correction from late July into late October.



Source: BofA Global Research, Bloomberg

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## But a bearish divergence on VIX3M vs VIX = wall of worry?

We have highlighted lower highs for the 3-month VIX relative to the VIX (VIX3M/VIX) as a YTD negative divergence against the higher highs on the SPX. However, as a tactical sentiment indicator, a declining VIX3M/VIX suggests that investors have gotten more bearish as the SPX has rallied. In our view, this divergence may not be bearish at all and might just reflect an equity market climbing the so-called wall of worry.

### Chart 8: S&P 500 (top) and the 3-month VIX relative to the VIX: Daily chart

As a tactical sentiment indicator, a declining VIX3M/VIX suggests that investors have gotten more bearish as the SPX has rallied. In our view, this divergence may not be bearish at all and might just reflect an equity market climbing the so-called wall of worry.



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## Credit markets

**New low for high yield OAS = bullish leading indicator**

A new cycle low for the US Corporate High Yield Average Option Adjusted Spread (OAS) provides a potential bullish leading indicator for new cycle and all-time highs on the SPX.

**Chart 9: S&P 500 (top) and US Corporate High Yield Average OAS (bottom): Daily chart**

A new cycle low for the US Corporate High Yield Average Option Adjusted Spread (OAS) provides a potential bullish leading indicator for new cycle and all-time highs on the SPX.



**Source:** BofA Global Research, Bloomberg

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## Market breadth and volume

**% of SPX stocks above 200-day MAs: Bullish confirmation**

Last week's higher high on the percentage of SPX stocks above 200-day MAs confirmed the cyclical bull market for the SPX from its late 2022 low. This has not yet happened on the NYSE, NASDAQ Comp, NASDAQ 100 (chart on next page) and Russell 2000.

**Chart 10: S&P 500 (top) and percentage of S&P 500 stocks above 200-day moving averages (bottom): Daily chart**

Last week's higher high on the percentage of SPX stocks above 200-day MAs confirmed cyclical bull market for the SPX from its October 2022 low.



**Source:** BofA Global Research, Bloomberg

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### Chart 11: NASDAQ 100 (top) and percentage of NASDAQ 100 stocks above 200-day moving averages (bottom): Daily chart

Unlike the SPX, the NDX has a bearish divergence on its percentage of stocks above 200-day MAs.



Source: BofA Global Research, Bloomberg

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## NYSE cumulative net up volume scores bullish breakout

NYSE cumulative net up volume broke out from year-long head and shoulders bottom. This is a bullish sign for market volume, suggesting a trend toward accumulation (up or buying volume) relative to distribution (down or selling volume) on the broad-based NYSE. This breakout corroborates the breakout from a double bottom on SPX cumulative net up volume (see our report, [Where the key indicators stand after a big rally](#)).

**Chart 12: NYSE Composite (top) and NYSE cumulative net up volume (bottom): Daily chart**

NYSE cumulative net up volume broke out from year-long head and shoulders bottom. This is a bullish sign for market volume, suggesting a trend toward accumulation (up or buying volume) relative to distribution (down or selling volume) on the broad-based NYSE.



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

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

**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 its 3/1 weekly closing basis 52-week high. Financials and Materials hit 52-week highs last. Energy and Staples hit 13-week highs. Health Care, Discretionary and Real Estate dropped to 13-week lows with Real Estate also hitting a 52-week low relative to the SPX.

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

Name	Price	Tactical trend		52-week trend		40-week trend		26-week trend vs. SPX		26-week trend vs. SPX		13-week trend vs. SPX		13-week trend vs. SPX		13-week high/low vs. SPX		52-week high/low vs. SPX	
		rank	week Rank	trend	Rank	trend	vs. SPX	trend	SPX	trend	SPX	trend	SPX	trend	SPX	high/low	SPX	high/low	SPX
S&P 500 INFO TECH INDEX	3760.29	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High			High	
S&P 500 FINANCIALS INDEX	676.95	2	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High			High	
S&P 500 INDUSTRIALS IDX	1030.54	3	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High			High	
COMSVCSSLSCPTR	413.85	4	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	Bullish	Bullish	Bullish	Bullish	High			High	
S&P 500 MATERIALS INDEX	570.26	5	6	Bullish	Bearish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bearish at risk	High			High	
S&P 500 HEALTH CARE IDX	1690.34	6	8	Bullish	Bearish	Bearish	Bullish	Bearish	Bearish	Bearish	Bullish	Bullish	Bullish	Bullish	High		Low		High
S&P 500 ENERGY INDEX	693.48	7	7	Bullish	Bearish	Bearish	Bearish at risk	Bearish	Bearish	Bearish	Bullish	Bullish	Bullish	Bearish at risk	High				
S&P 500 CONS STAPLES IDX	799.72	8	10	Bullish	Bearish	Bearish	Bullish	Bearish	Bearish	Bearish	Bullish	Bullish	Bearish	Bearish	High		Low		Low
S&P 500 CONS DISCRET IDX	1435.10	9	4	Bullish	Bearish	Bearish	Bullish	Bearish	Bearish	Bearish	Bullish	Bullish	Bearish	Bearish	High		Low	High	Low
S&P 500 REAL ESTATE IDX	243.82	10	9	Bullish	Bearish	Bearish	Bullish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Bearish	Bearish	High		Low	High	Low
S&P 500 UTILITIES INDEX	319.70	11	11	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish	Bearish	Bearish at risk	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.

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## Consistent leaders/laggards in tactical ranks

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

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

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

Sector	15-Mar-24	08-Mar-24	01-Mar-24	23-Feb-24	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24
S&P 500 Consumer Discretionary	9	8	5	6	6	5	5	6
S&P 500 Consumer Staples	8	9	9	8	9	8	7	8
S&P 500 Energy	7	10	10	10	10	10	10	10
S&P 500 Financials	2	2	3	3	3	3	3	3
S&P 500 Health Care	6	6	6	5	5	6	6	5
S&P 500 Industrials	3	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	1	2	1
S&P 500 Materials	5	5	7	7	7	9	9	9
S&P 500 Communication Services	4	3	2	2	2	2	1	2
S&P 500 Utilities	11	11	11	11	11	11	11	11
S&P 500 Real Estate	10	7	8	9	8	7	8	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, Staples, Real Estate and Energy.

**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, Staples, Real Estate and Energy.

Sector	15-Mar-24	08-Mar-24	01-Mar-24	23-Feb-24	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24
S&P 500 Consumer Discretionary	4	3	3	3	3	3	3	3
S&P 500 Consumer Staples	10	9	7	8	8	7	7	7
S&P 500 Energy	7	10	10	10	9	10	9	10
S&P 500 Financials	3	5	6	6	6	6	6	5
S&P 500 Health Care	8	6	5	5	5	5	5	6
S&P 500 Industrials	5	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	1	1	1
S&P 500 Materials	6	7	8	7	7	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	8	9	9	10	9	10	9

Source: BofA Global Research, Bloomberg

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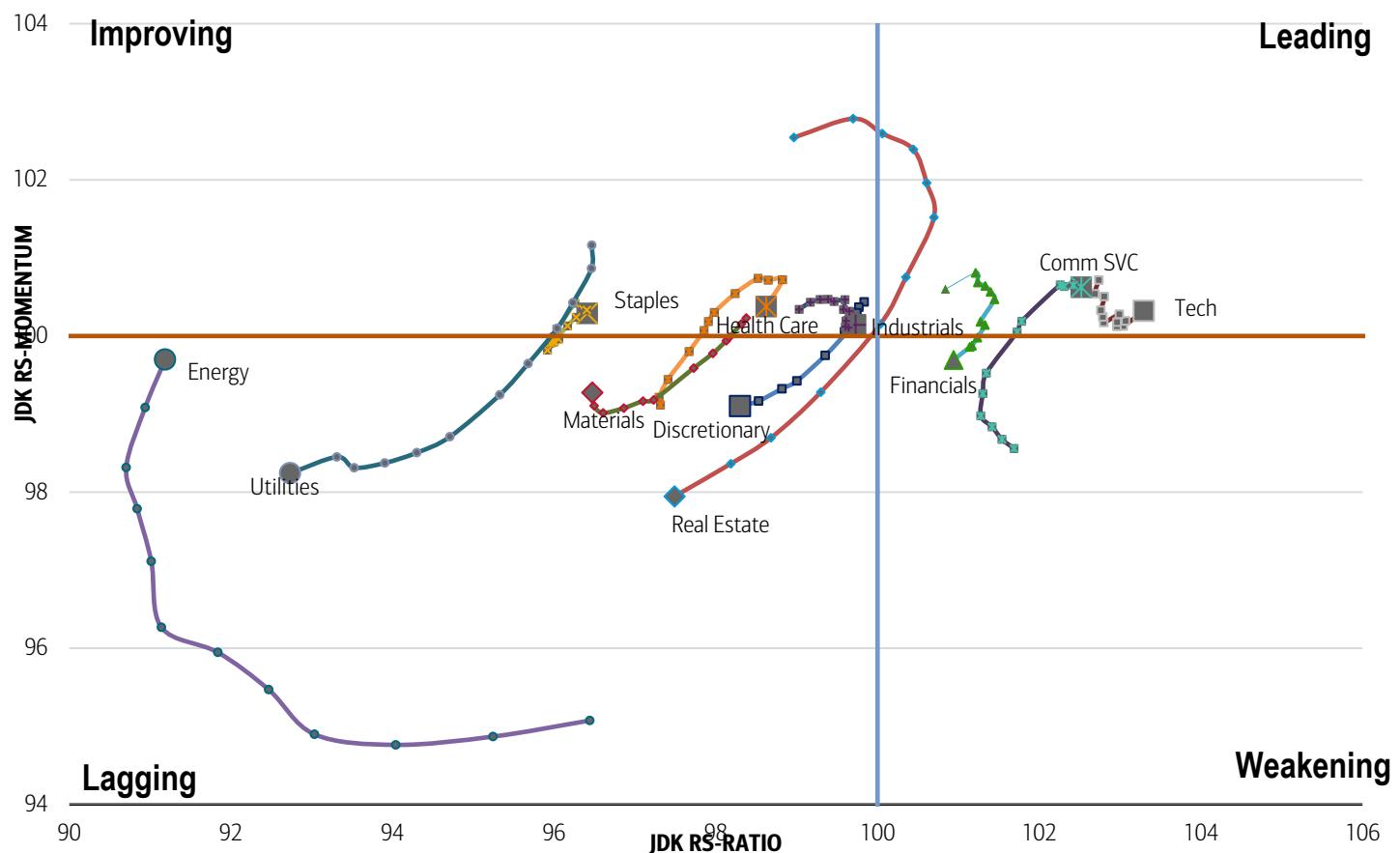


## Rotations: Relative rotation graph (RRG)

- **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 13: 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 14: 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 15: 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 to mark a false breakdown (aka bear trap) versus the market. We view this 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 16: Materials relative to the S&P 500: Weekly Chart**

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



Source: BofA Global Research, Bloomberg

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**Chart 17: 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 18: 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 19: 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 20: 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 21: 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 22: 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 23: 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 24: 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 25: 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, P&C Insurance, Housing, Retailing, Machinery, Information Technology, Insurance, Media, Financials, Road & Rail, Banks, Software & Services, Communication Services and MLPs.

### 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: Gold & Silver, Utilities and NYSE ARCA Biotechnology.

**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.	SPX	trend		high/low vs. SPX	high/low	high/low vs. SPX	high/low	
PHILA SEMICONDUCTOR INDEX	4757.71	1	3	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High	
S&P 500 PROP&CASULT IDX	1173.46	2	8	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High	
PHILA HOUSING INDEX	692.35	3	1	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High	
S&P 500 RETAILING INDEX	4372.74	4	4	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High	
S&P 500 MACHINERY INDEX	2173.60	5	10	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High	
S&P 500 INFO TECH INDEX	3760.29	6	5	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High	
S&P 500 INSURANCE INDEX	727.62	7	9	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	High	High	High	
S&P 500 Media & Ent	1124.80	8	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 FINANCIALS INDEX	676.95	9	13	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 ROAD & RAIL INDEX	3148.56	10	11	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High	High	
KBW BANK INDEX	98.05	11	17	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High	High	High	
S&P 500 INDUSTRIALS INDEX	1030.54	12	16	Bullish	Bullish	Bullish	Bullish	Bearish at risk	Bullish	High	High	High	
S&P 500 SFTW & SVCS INDEX	4578.11	13	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High	High	High	
COMSVCSSLSCPR	413.85	14	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High	High	
ALERIAN MLP INDEX	278.21	15	15	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	High	High	High	
S&P 500 MATERIALS INDEX	570.26	16	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High	High	
S&P 500 LIFE&HLTH IN INDEX	507.31	17	12	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish at risk	High	High	High	
KBW CAPITAL MARKETS INDEX	611.37	18	18	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	High	High	
S&P 500 PHARM INDEX	1095.73	19	19	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High	High	
S&P 500 HEALTH CARE INDEX	1690.34	20	22	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	Low	High	
S&P 500 TRANSPN INDEX	1048.04	21	23	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High	
S&P 500 ENERGY INDEX	693.48	22	21	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish at risk	High	High	High	
S&P 500 TELECOMM SVCS IX	122.30	23	31	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	Low	Low	Low	
S&P 500 HC EQUIP&SVC INDEX	1975.94	24	24	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	
S&P 500 CONS STAPLES INDEX	799.72	25	29	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	Low	
S&P 500 CONS DISCRET INDEX	1435.10	26	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	
NASDAQ BIOTECH INDEX	4365.69	27	26	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Bullish at risk	High	High	
S&P 500 AERO & DEFNS INDEX	1485.63	28	27	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	
PHILA GOLD & SILVER INDEX	120.50	29	33	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish	Bearish at risk	Bearish at risk	Low	Low	Low
S&P 500 REAL ESTATE INDEX	243.82	30	28	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Bearish	High	Low	High
NYSE Arca Biotechlgd Iidx	5204.83	31	32	Bearish at risk	Bearish	Bullish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low	Low
S&P 500 UTILITIES INDEX	319.70	32	34	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish	Bearish at risk	Bearish	Low	Low	Low
KBW REGIONAL BANKING INX	96.60	33	30	Bullish	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Low	Low	Low
S&P 500 TECH HW & EQP IX	3286.96	34	25	Bullish at risk	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



## 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, Food & Staples Retailing, Insurance, Media & Entertainment, Capital Goods 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, Food Beverage & Tobacco and Automobiles & Components.

**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-	40-week	40-		26-week	13-week	13-week		52-week	
		trend	week		vs.	trend	vs.	trend	trend vs.	high/low		
		rank	Rank	SPX	trend	SPX	SPX	SPX	high/low	high/low vs. SPX	high/low vs. SPX	
S&P 500 SEMI & SEMI EQP	4415.62	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 BANKS INDEX	379.51	2	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 RETAILING INDEX	4372.74	3	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 FOOD/STPL RETAIL	784.19	4	10	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 INSURANCE INDEX	727.62	5	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 Media & Ent	1124.80	6	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 CAPITAL GDS IDX	1100.16	7	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 SFTW & SVCS INDX	4578.11	8	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 DIV FINANCIAL IX	1161.97	9	9	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish at risk	High	Low	High
S&P 500 MATERIALS INDEX	570.26	10	12	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bearish at risk	High	High	High
S&P 500 Comm & Prof Serv	616.16	11	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High
S&P 500 PHRM BIO & LF SC	1377.53	12	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High	High
S&P 500 TRANSPN INDEX	1048.04	13	15	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High
S&P 500 ENERGY INDEX	693.48	14	13	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish at risk	High		
S&P 500 TELECOMM SVCS IX	122.30	15	21	Bullish	Bearish	Bullish	Bullish at risk	Bullish at risk	Bearish		Low	
S&P 500 HH & PR PDTs IDX	869.69	16	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High		
S&P 500 HC EQUIP&SVC IDX	1975.94	17	16	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High
S&P 500 CON DUR&AP INDEX	425.87	18	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low	
S&P 500 CONS SRV IDX	1647.22	19	11	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High
S&P 500 REAL ESTATE INDX	241.85	20	19	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish	High	Low	High
S&P 500 UTILITIES INDEX	319.70	21	23	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish at risk	Bearish		Low	Low
S&P 500 FD BEV & TOB IDX	793.90	22	22	Bearish	Bearish	Bearish	Bearish at risk	Bearish	Bearish		Low	Low
S&P 500 TECH HW & EQP IX	3286.96	23	17	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low	Low
S&P 500 AUTO & COMP IDX	97.58	24	24	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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# 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 remained at -2 last week.

	Level	Change	Current Week	Last Week	Change
S&P 500			5117.09	5123.69	-0.13%
NYSE Stocks over 200 DMA	0	0	68.56%	69.34%	-0.78%
5 week A/D Diffusion	-1	0	53.93%	53.03%	0.90%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	50.30%	49.20%	1.10%
30 Day Arms Index	0	0	1.01	1.03	-2.65%
25 day CBOE Put/Call	1	0	94.28	94.04	0.26%
<b>This Week net</b>	<b>-2</b>				
<b>Last Week net</b>	<b>-2</b>				

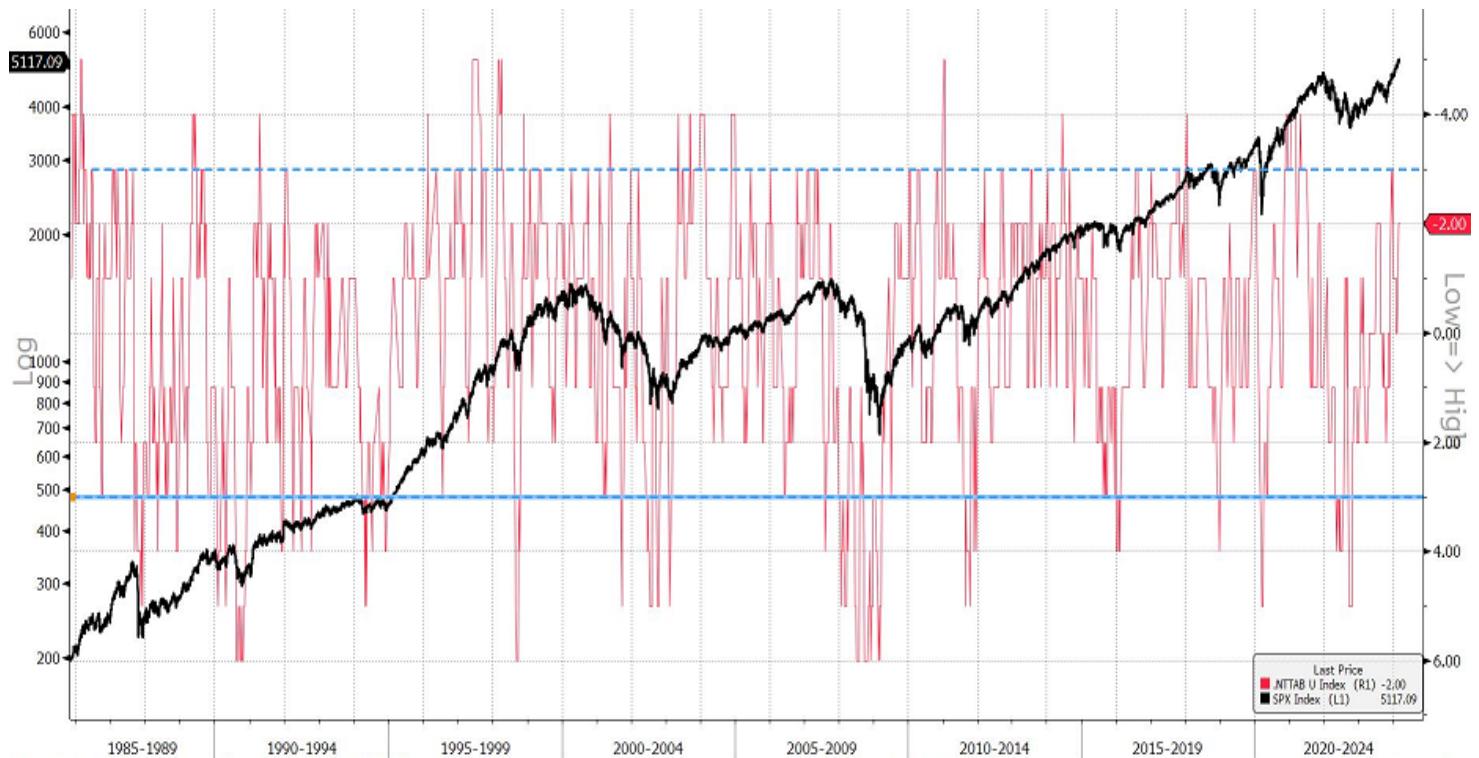
Source: BofA Global Research, Bloomberg

\*Data restricted by provider

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## Chart 26: 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. The last two 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 two 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			5117.09	5123.69	-0.13%
NYSE Stocks over 200 DMA	0	0	68.56%	69.34%	-0.78%
McClellan Summation Index	-1	0	786.93	758.69	3.72%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	50.30%	49.20%	1.10%
30 Day Arms Index	0	0	1.01	1.03	-2.65%
25 day CBOE Put/Call	0	0	94.28	94.04	0.26%
<b>This Week net</b>	<b>-3</b>				
<b>Last Week net</b>	<b>-3</b>				

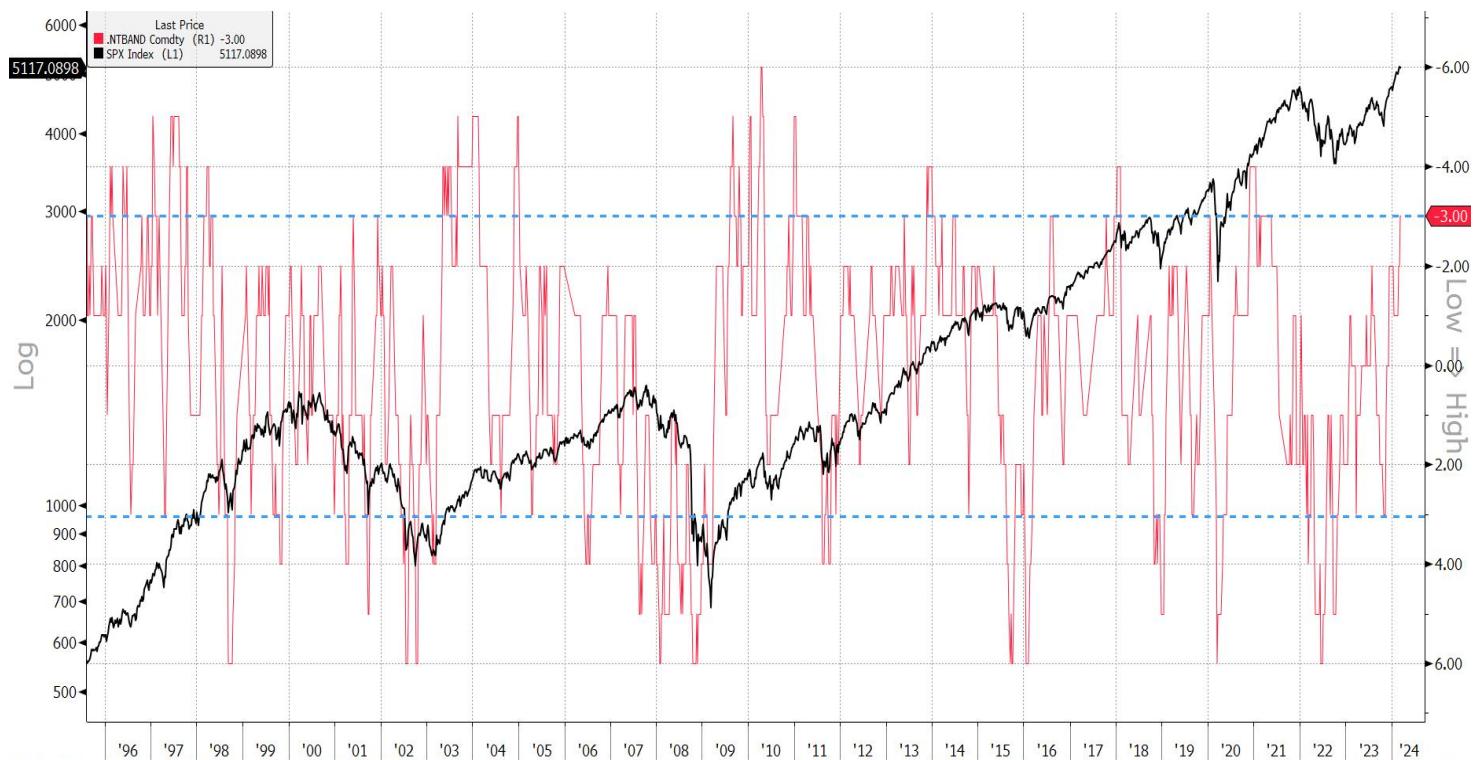
**Source:** BofA Global Research, Bloomberg

\*Data restricted by provider

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**Chart 27: 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. The last two 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.

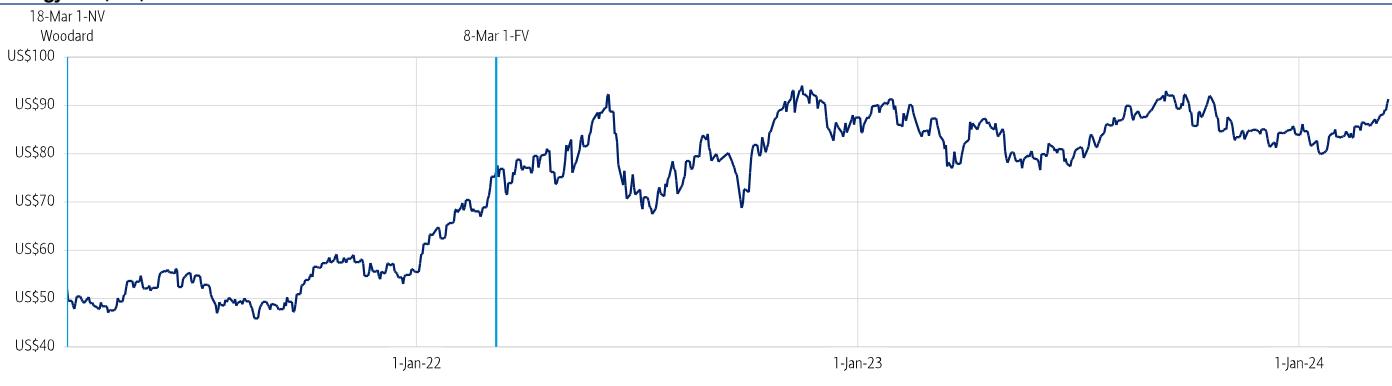
During a bull market, history suggests that, following a confirmed reversal from a buy signal of +3 or higher, the Net Tab tends to move to the -3 to -6 sell range. During bear markets, the indicator may only achieve a reading of -2.



# Disclosures

## Important Disclosures

### SPDR Energy ETF (XLE) Price Chart



XLE —

1-FV, 2-FV, 3-FV, 1-NV, 2-NV, 3-NV, 1-UF, 2-UF, 3-UF – refer to Opinion Key below, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Exchange-Traded Fund Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Exchange-Traded Funds Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	80	19.61%	Buy	53	66.25%
Hold	317	77.70%	Hold	241	76.03%
Sell	11	2.70%	Sell	7	63.64%

<sup>R1</sup> Exchange-traded funds (ETFs), or the ETF providers, that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only ETFs. An ETF rated 1-FV is included as a Buy; an ETF rated 2-FV, 3-FV, 1-NV, 2-NV, 3-NV, 1-UF or 2-UF is included as a Hold; and an ETF rated 3-UF is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

**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.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

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