

Market Analysis Comment

It's complicated

Market Analysis

Those pesky bearish divergences

The S&P 500 (SPX) scored another all-time high on Friday, but it did so on poor market breadth with only 34% of NYSE (NYA) stocks rising on the day. It's complicated. We continued to view negative divergences as a risk for tactical dips against a bullish backdrop. A lower high for the NYSE stocks advance-decline (A-D) sets up another divergence against last week's higher high on the NYA. The percentage of stocks above 10-day, 50-day and 200-day moving averages (MAs) also have lower highs that show diminishing breadth as the major US equity indices have moved higher in early 2024.

Keeping score on 2024 YTD bearish divergences

Traditional Dow Theory has not confirmed the late 2023 into early 2024 rally with Transports continuing to lag the Industrials, but the NYSE vs the NASDAQ Comp Dow Theory continued to confirm the rally into last week's highs (see our report, [Tactical hangover entering 2024](#)). In addition, the failure of the Russell 2000 (RTY) and S&P 500 Equal weight to join the SPX at new highs also provides a divergence. See our reports, [Tactical overhangs](#) and [Backdrop bullish but keep an eye on divergences](#) for other bearish divergences that we are tracking.

A \$6 trillion dollar love affair with cash

Record high cash levels suggest that investors do not believe in the early 2024 all-time highs on the SPX (see our report, [SPX hits an all-time high and history suggests a continued rally](#)). But high cash levels also suggest dry powder for buying tactical dips in a bullish backdrop. Investors boosted money market fund levels to another record high last week. ICI All Money Market Fund Total Net Assets hit \$6.0 trillion as of 1/31/2024. Retail and Institutional money market fund levels also hit record highs last week.

SPX enters Feb at or above bullish backdrop signal targets

February 2023 saw bullish backdrop signals from a golden cross, the Net Tabs, Farrell Sentiment and the weekly global advance-decline line. The SPX traded between 3943 and 4195 in February 2023, and these signals triggered at a time when most investors were bearish and believed in an unavoidable US economic recession. However, these "rules-based" signals suggested upside potential on the SPX into the 4600 to 4900 area into February 2024. The SPX entered February at 4900.

2023 breadth thrusts suggests SPX 5000+ in 2024

A 3/31/2023 NYSE breadth thrust suggests SPX 4800-5000 into March 2024 (see our report: [Breadth thrust another bullish signal](#)). Post-Great Depression signals show upside to SPX 4975-5140. A 11/3/2023 breadth thrust does not rule out 4975-5100 into November 2024 (see our report, [Breadth thrust = bullish](#)). Post-Great Depression signals does not rule out SPX 5350 into early November. This plus a bullish January Barometer corroborate the view of some shelf-life above 5000 for the SPX in 2024 (see our reports, [January Barometer](#) and [2024 Equity Technical Strategy Year Ahead](#)).

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United States

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BofA Technical Strategy notes
[Chart Blast: Bullish January Barometer supports 5000+ for the S&P 500 in 2024](#)

[Market Analysis Comment: Backdrop bullish but keep an eye on divergences](#)

[Market Analysis Comment: SPX hits an all-time high and history suggests a continued rally](#)

[2024 Equity Technical Strategy Year Ahead: Cyclical uptrend within a secular bull market](#)

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
SPX: S&P 500

Contents

It's complicated	3
Those pesky bearish divergences	3
Keeping score on 2024 YTD bearish divergences	5
A \$6 trillion dollar love affair with cash	6
Dry powder for buying tactical dips in bullish backdrop	6
2023 bullish backdrop signals hit targets	9
SPX enters Feb at or above bullish backdrop signal targets	9
Trust in the thrust	11
2023 breadth thrusts suggests SPX 5000+ in 2024	11
The 3Rs: Ranks, Rotations, and Relatives	12
Sector and group trend ranks and screens	12
Consistent leaders/laggards in tactical ranks	13
Consistent leaders/laggards in 52-week ranks	13
Rotations: Relative rotation graph (RRG)	14
A visit with the sector relatives	15
Sub-sector & group ranks & screens	18
GICS Level 2 trend ranks & screens	19
Net Tabs stall	20
Net Tab: Overhang on drop from overbought	20
Net Tab Bands: Bullish off a +3 oversold but stalled at -2	21
Net Tab methodology	22

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Chart 1: NYSE Composite (top) and the NYSE stocks advance-decline line (bottom): Daily chart

Risk: A lower high for the NYSE stocks advance-decline (A-D) sets up another bearish divergence against last week's higher high on the NYA.



Source: BofA Global Research, Bloomberg

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The percentage of stocks above 10-day, 50-day and 200-day moving averages (MAs) also have lower highs that show diminishing breadth as the major US equity indices have moved higher in early 2024.

Chart 2: NYSE Composite (top) and the % of NYSE stocks above 200-day MAs (bottom)

A YTD bearish divergence a risk on this breadth indicator on the NYSE and other key US equity indices.



Source: BofA Global Research, Bloomberg

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Chart 3: NASDAQ 100 (top) and the % of NASDAQ 100 stocks above 50-day MAs (bottom)

A YTD bearish divergence a risk on this breadth indicator on the NYSE and other key US equity indices.



Source: BofA Global Research, Bloomberg

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Keeping score on 2024 YTD bearish divergences

Traditional Dow Theory has not confirmed the late 2023 into early 2024 rally with Transports continuing to lag the Industrials, but the NYSE vs the NASDAQ Comp Dow Theory continued to confirm the rally into last week's highs (see our report, [Tactical hangover entering 2024](#)). In addition, the failure of the Russell 2000 (RTY) and S&P 500 Equal weight to join the SPX at new highs also provides a divergence. See our reports, [Tactical overhangs](#) and [Backdrop bullish but keep an eye on divergences](#) for other bearish divergences that we are tracking.

Chart 4: S&P 500, S&P 500 Equal weight and Russell 2000: Daily chart

The failure of the Russell 2000 (RTY) and S&P 500 Equal weight to join the SPX at new highs also provides a divergence.



Source: BofA Global Research, Bloomberg

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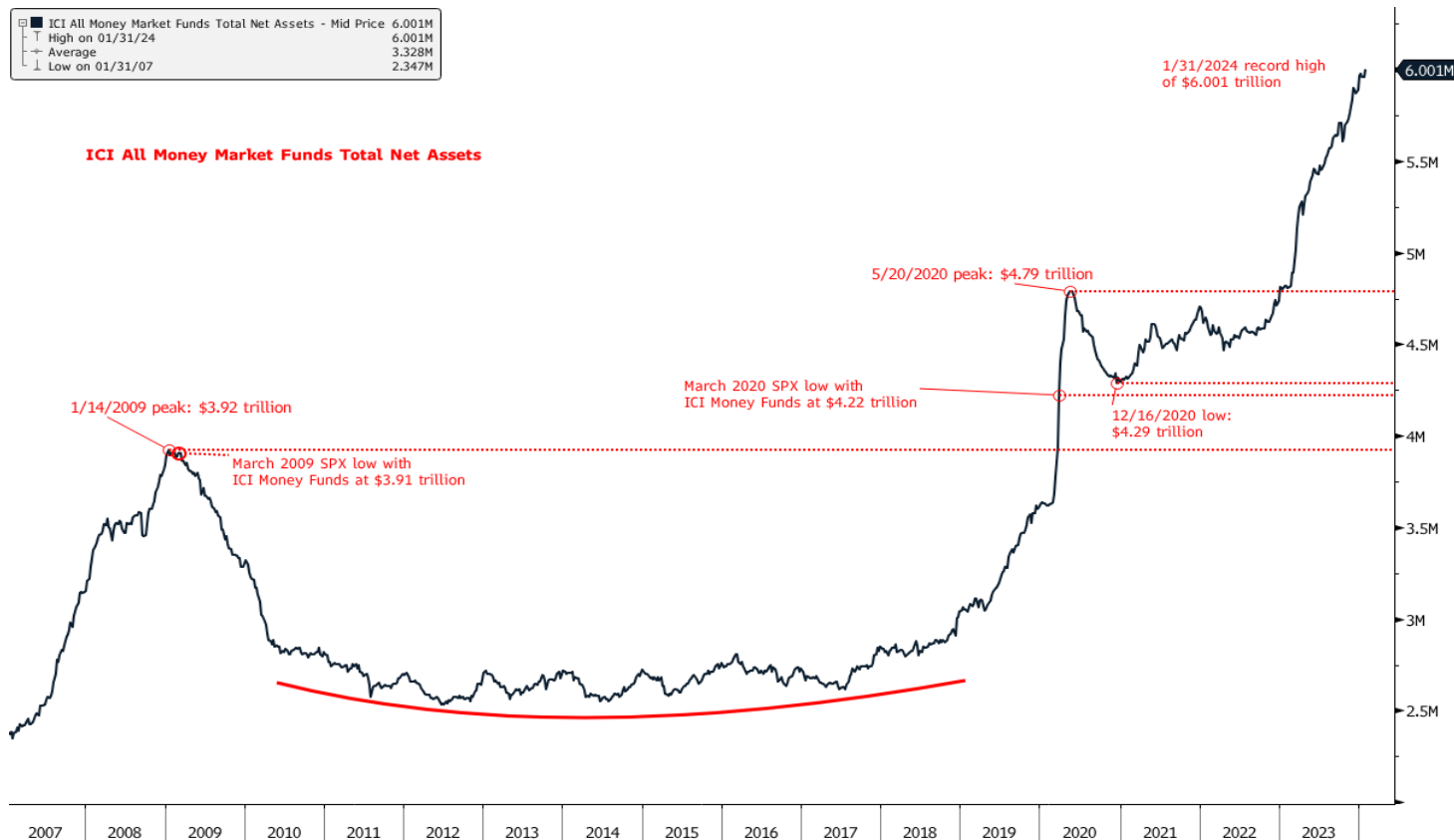
A \$6 trillion dollar love affair with cash

Dry powder for buying tactical dips in bullish backdrop

Record high cash levels suggest that investors do not believe in the new all-time highs on the SPX in early 2024 (see our report, [SPX hits an all-time high and history suggests a continued rally](#)). But high cash levels also suggest dry powder for buying tactical dips in a bullish backdrop. Investors boosted money market fund levels to another record high last week. ICI All Money Market Fund Total Net Assets hit \$6.0 trillion as of 1/31/2024. ICI Retail Money Market Funds and Institutional Money Market Funds also achieved record highs of \$2.347 trillion and \$3.654 trillion, respectively, last week.

Chart 5: ICI All Money Market Funds Total Net Assets: Weekly chart

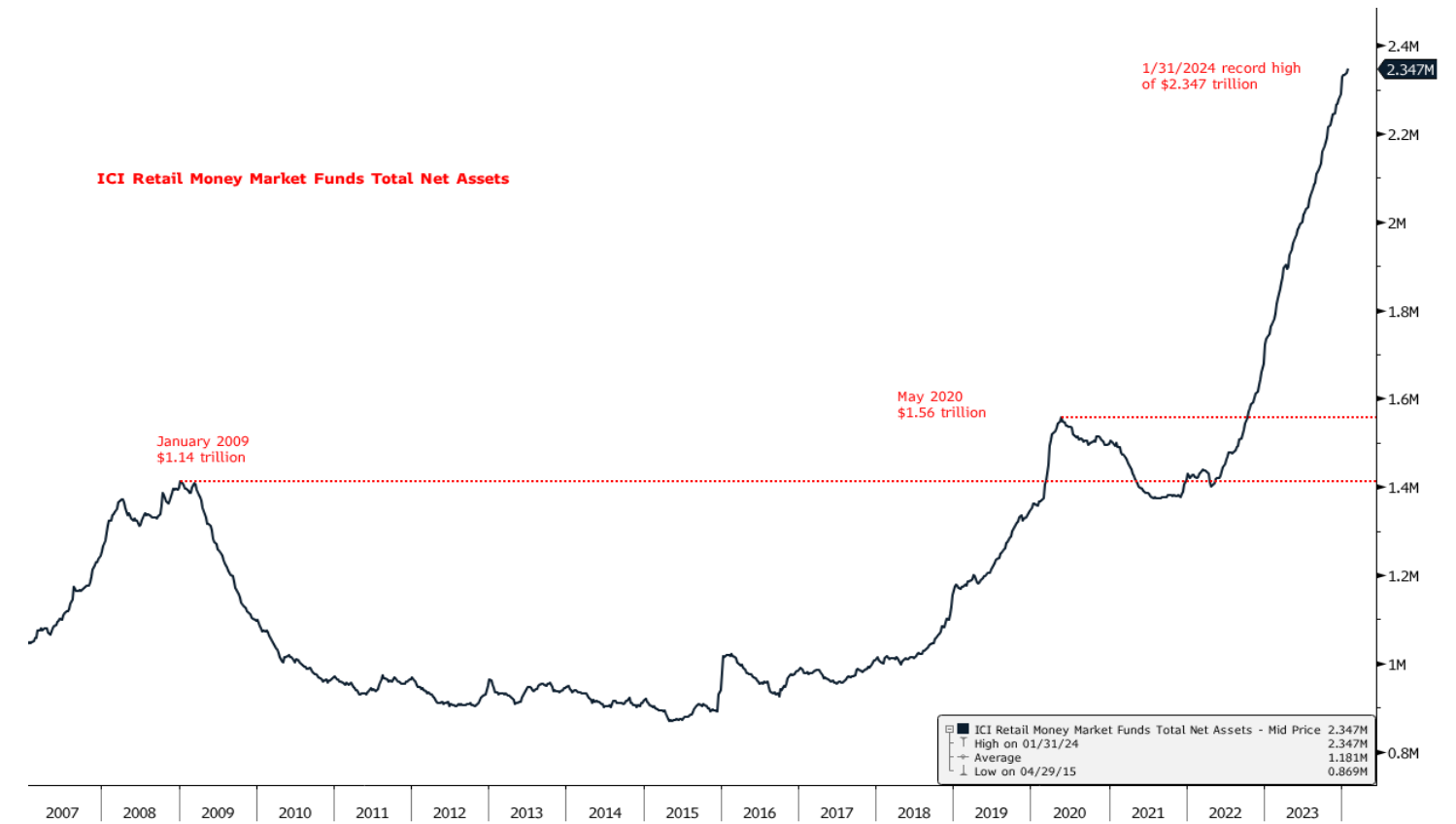
ICI All Money Market Fund Total Net Assets hit a record high of \$6.0 trillion as of 1/31/2024.



Source: BofA Global Research, Bloomberg

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Chart 6: ICI Retail Money Market Funds Total Net Assets: Weekly chart
ICI Retail Money Market Funds achieved a record high of \$2.347 trillion last week.

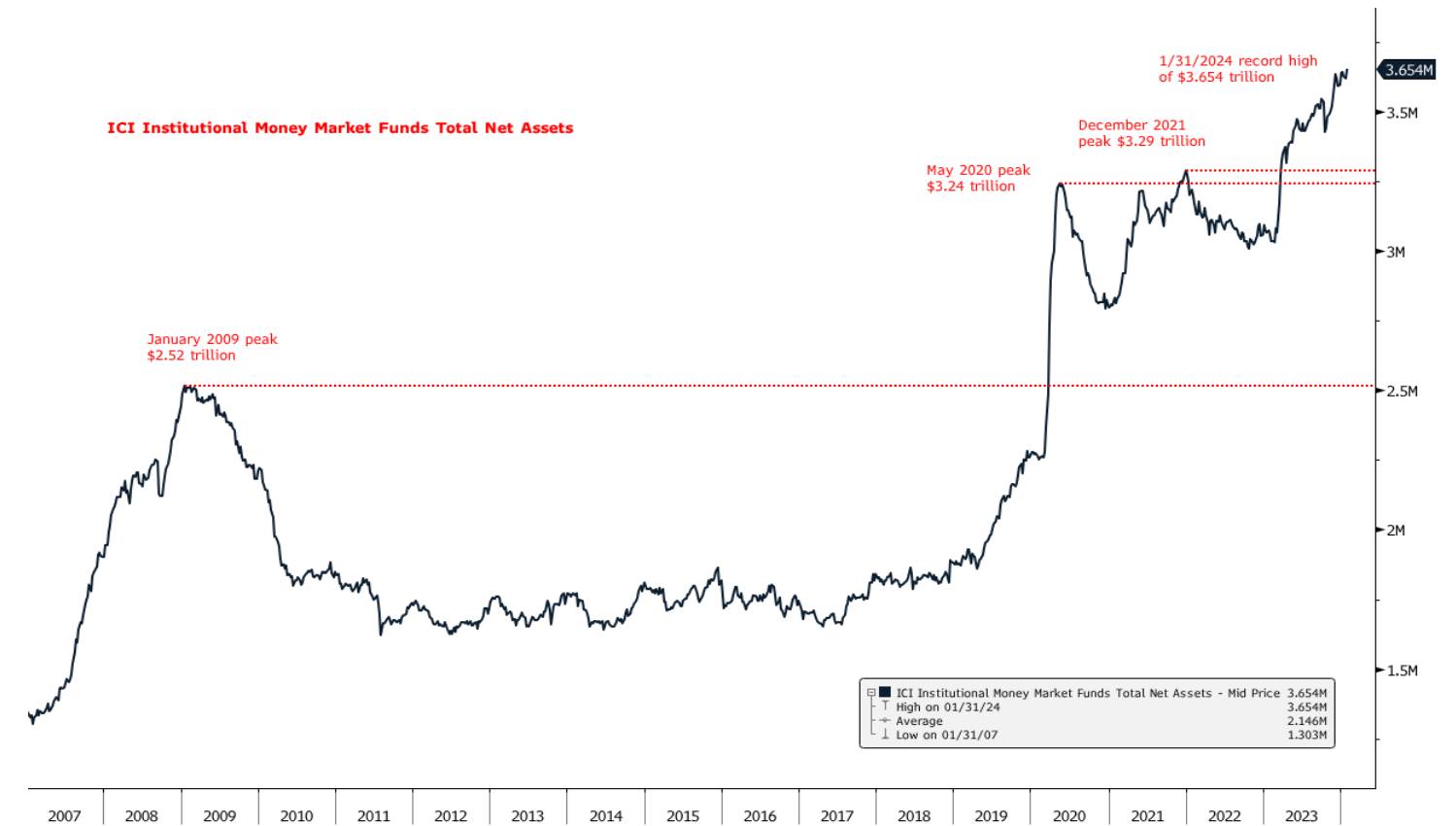


Source: BofA Global Research, Bloomberg

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Chart 7: ICI Institutional Money Market Funds Total Net Assets: Weekly chart
ICI Institutional Money Market Funds achieved a record high of \$3.654 trillion last week.



Source: BofA Global Research, Bloomberg

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2023 bullish backdrop signals hit targets

SPX enters Feb at or above bullish backdrop signal targets

February 2023 saw bullish backdrop signals from a golden cross, the Net Tabs, Farrell Sentiment and the weekly global advance-decline line. Bullish technical backdrop signals can and often provide a positive leading indicator. The SPX traded between 3943 and 4195 in February 2023, and these signals triggered at a time when most investors were bearish and believed that a US economic recession was unavoidable. However, these “rules-based” signals suggested upside potential on the SPX into the 4600 to 4900 area into February 2024. The SPX entered the month at 4900.

Bullish Golden Cross: SPX 4600 to SPX 4700s into February 2024

The SPX triggered a golden cross in early February 2023. This occurs when the 50-day MA crosses above the 200-day MA and often provides a bullish signal for the SPX, especially when the 200-day is declining (see report: [S&P 500 scores a golden cross](#)). Average and median returns for all Golden Cross signals do not rule out SPX 4600 into February 2024. The signal with a declining 200-day MA suggested upper 4700s to 4800.

Table 1: Bullish backdrop signal: Golden Cross

An early February Golden Cross supports SPX 4600 into February 2024.

Golden Cross	260-day returns	S&P 500 early Feb 2024
All signals average	9.72%	4586
All signals median	10.66%	4625
Average / Median	10.19%	4606

Source: BofA Global Research, Bloomberg

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Table 2: Bullish backdrop signal: Golden Cross declining 200-day MA

Golden Cross with declining 200-day MA does not rule out SPX 4700s.

Golden Cross	260-day returns	S&P 500 early Feb 2024
Declining 200-day MA average	14.09%	4769
Declining 200-day MA median	14.85%	4800
Average / Median	14.47%	4785

Source: BofA Global Research, Bloomberg

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Bullish continuation signals from Net Tabs: SPX 4700s and even higher

Both the Net Tab and Net Tab Bands generated bullish trend continuation signals in early February 2023. These signals occurred after big oversold levels from the Net Tabs (see report: [Bullish continuation signals from Net Tabs and sentiment](#)). Bullish continuation signals for the Net Tab projected SPX 4700 into February 2024. The Net Tab Bands indicator suggested even higher.

Table 3: Bullish backdrop signal: Net Tabs and Net Tab Bands bullish trend continuation signals

Bullish continuation signals for the Net Tab projects SPX 4700 into February 2024.

Net Tab	52-week returns	S&P 500 early Feb 2024
Net Tab average	15.12%	4762
Net Tab median	15.41%	4774
Net Tab Bands average	23.92%	5126
Net Tab Bands median	18.58%	4905

Source: BofA Global Research, Bloomberg

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Bullish Farrell Sentiment: SPX 4700 into February 2024 and SPX 5000 into June

A mid February 2023 bullish signal for Farrell Sentiment suggested upside potential to mid SPX 4700s into February 2024 (see our report: [Risk management supports pressured](#)). Farrell Sentiment also trigger another bullish signal in early June 2023 that does not rule out SPX 5000-5015 into June 2024 (see our report, [FOMO on SPX push above 4200](#)).

Table 4: Bullish backdrop signal: Farrell Sentiment

A bullish signal for Farrell Sentiment suggests upside potential to SPX 4700s into February 2024

Farrell Sentiment	52-week returns	S&P 500 into Feb 2024	S&P 500 into Jun 2024
Average	16.22%	4745	5000
Median	16.66%	4759	5015

Source: BofA Global Research, Bloomberg

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Bullish breakout for global breadth: SPX 4900 into February 2024

Upside breakouts for the weekly global advance-decline (A-D) line of 73 country indices tend to provide a bullish trend continuation signal for US and global equity markets (see report: [March and April have better seasonality for the SPX](#)). The February 2023 breakout for this global market breadth indicator does not rule out SPX 4900 into February 2024, which the SPX achieved entering the month.

Table 5: Bullish backdrop signal: weekly global advance-decline (A-D) line of 73 country indices
The breakout for this global market breadth indicator does not rule out SPX 4900 into February 2024

Global A-D line breakout	52-week returns	S&P 500 into Feb 2024
Average	18.49%	4901
Median	19.42%	4940

Source: BofA Global Research, Bloomberg

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Trust in the thrust

2023 breadth thrusts suggests SPX 5000+ in 2024

A 3/31/2023 NYSE breadth thrust suggests SPX 4800-5000 into March 2024 (see our report: [Breadth thrust another bullish signal](#)). Post-Great Depression signals show upside to SPX 4975-5140. A 11/3/2023 breadth thrust does not rule out 4975-5100 into November 2024 (see our report, [Breadth thrust = bullish](#)). Post-Great Depression signals does not rule out SPX 5350 into early November. This plus a bullish January Barometer corroborate the view of some shelf-life above 5000 for the SPX in 2024 (see our reports, [January Barometer](#) and [2024 Equity Technical Strategy Year Ahead](#)).

Table 6: Bullish backdrop signal: Zweig Breadth Thrust simple MA method on 3/31/2023

Average and median returns for the prior 33 signals suggest SPX 4800s to 4900s into March 2024.

Breadth Thrust	52-week returns	S&P 500 end of Mar 2024
Average	17.50%	4828
Median	21.17%	4979

Source: BofA Global Research, Bloomberg

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Table 7: Post-Great Depression signals: Zweig Breadth Thrust simple MA method on 3/31/2023

Average and median returns for the prior 19 signals suggest SPX 4975 to 5140 into March 2024

Breadth Thrust	52-week returns	S&P 500 end of Mar 2024
Average	21.07%	4975
Median	25.11%	5140

Source: BofA Global Research, Bloomberg

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Table 8: Bullish backdrop signal: Zweig Breadth Thrust exponential MA method on 11/3/2023

Average and median returns for the prior 32 signals suggest SPX 4980 to 5100 into November 2024

Breadth Thrust	52-week returns	S&P 500 start of Nov 2024
Average	14.30%	4980
Median	17.00%	5100

Source: BofA Global Research, Bloomberg

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Table 9: Post-Great Depression signals: Zweig Breadth Thrust exponential MA on 11/3/2023

Average and median returns for the prior 19 signals suggest SPX 5350 into November 2024

Breadth Thrust	52-week returns	S&P 500 start of Nov 2024
Average	22.70%	5350
Median	22.80%	5350

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, Feb 02, close.

Table 10: Weekly price and moving average (13-, 26-, 40-, and 200-week) trend positions

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

Moving average trend

Bullish
Bullish at risk
Bearish at risk
Bearish

Criteria used on both an absolute & relative price basis

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

Source: BofA Global Research, Bloomberg

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Ranks: GICS 1 ranks wrap-up

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

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

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

New highs and new lows: 52-week closing basis highs: SPX (also an all-time weekly closing basis high), Comm Services Tech, Financials, Industrials, Discretionary and Health Care. Only Comm Services hit a 52-week high vs the SPX. The laggards that hit 52-week lows vs the SPX: Utilities, Materials and Real Estate.

Table 11: S&P 500 GICS Level 1 Sectors with 40-, 26-, and 13-week absolute & relative price trends sorted by Tactical Trend rank

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

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low	13-week high/low vs. SPX	52-week high/low	52-week high/low vs. SPX
COMSVCSLSCTPR	416.75	1	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 INFO TECH INDEX	3625.92	2	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FINANCIALS INDEX	648.01	3	6	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 INDUSTRIALS IDX	978.44	4	4	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High		High	
S&P 500 CONS DISCRET IDX	1429.55	5	3	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish	High	Low	High	
S&P 500 HEALTH CARE IDX	1654.34	6	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High		High	
S&P 500 CONS STAPLES IDX	786.09	7	7	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 REAL ESTATE IDX	240.65	8	10	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk		Low		Low
S&P 500 MATERIALS INDEX	524.02	9	8	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish		Low		Low
S&P 500 ENERGY INDEX	637.35	10	9	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low
S&P 500 UTILITIES INDEX	312.21	11	11	Bearish	Bearish	Bearish	Bearish	Bullish at risk	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, and Financials. Communication Services for the last seven weeks.
- Consistent among bottom five over last eight weeks: Utilities, Energy, Materials and Staples.

Table 12: Tactical trend ranks – current and historical sector rankings

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

Sector	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24	05-Jan-24	29-Dec-23	22-Dec-23	15-Dec-23
S&P 500 Consumer Discretionary	5	6	4	6	7	4	4	2
S&P 500 Consumer Staples	7	8	9	9	10	9	9	10
S&P 500 Energy	10	10	11	11	11	11	11	11
S&P 500 Financials	3	3	3	3	1	2	2	3
S&P 500 Health Care	6	5	6	5	6	8	8	8
S&P 500 Industrials	4	4	5	7	5	6	6	5
S&P 500 Technology	2	1	1	1	4	1	1	1
S&P 500 Materials	9	9	8	8	8	7	7	7
S&P 500 Communication Services	1	2	2	2	2	5	5	6
S&P 500 Utilities	11	11	10	10	9	10	10	9
S&P 500 Real Estate	8	7	7	4	3	3	3	4

Source: BofA Global Research, Bloomberg

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Consistent leaders/laggards in 52-week ranks

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

Table 13: 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, Real Estate, Energy, and Staples.

Sector	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24	05-Jan-24	29-Dec-23	22-Dec-23	15-Dec-23
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	7	7	7	9	10	9	9	10
S&P 500 Energy	9	10	10	10	9	10	10	8
S&P 500 Financials	6	5	5	5	5	6	6	5
S&P 500 Health Care	5	6	6	6	8	8	8	9
S&P 500 Industrials	4	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	1	1	1
S&P 500 Materials	8	8	8	8	6	5	5	6
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	10	9	9	7	7	7	7	7

Source: BofA Global Research, Bloomberg

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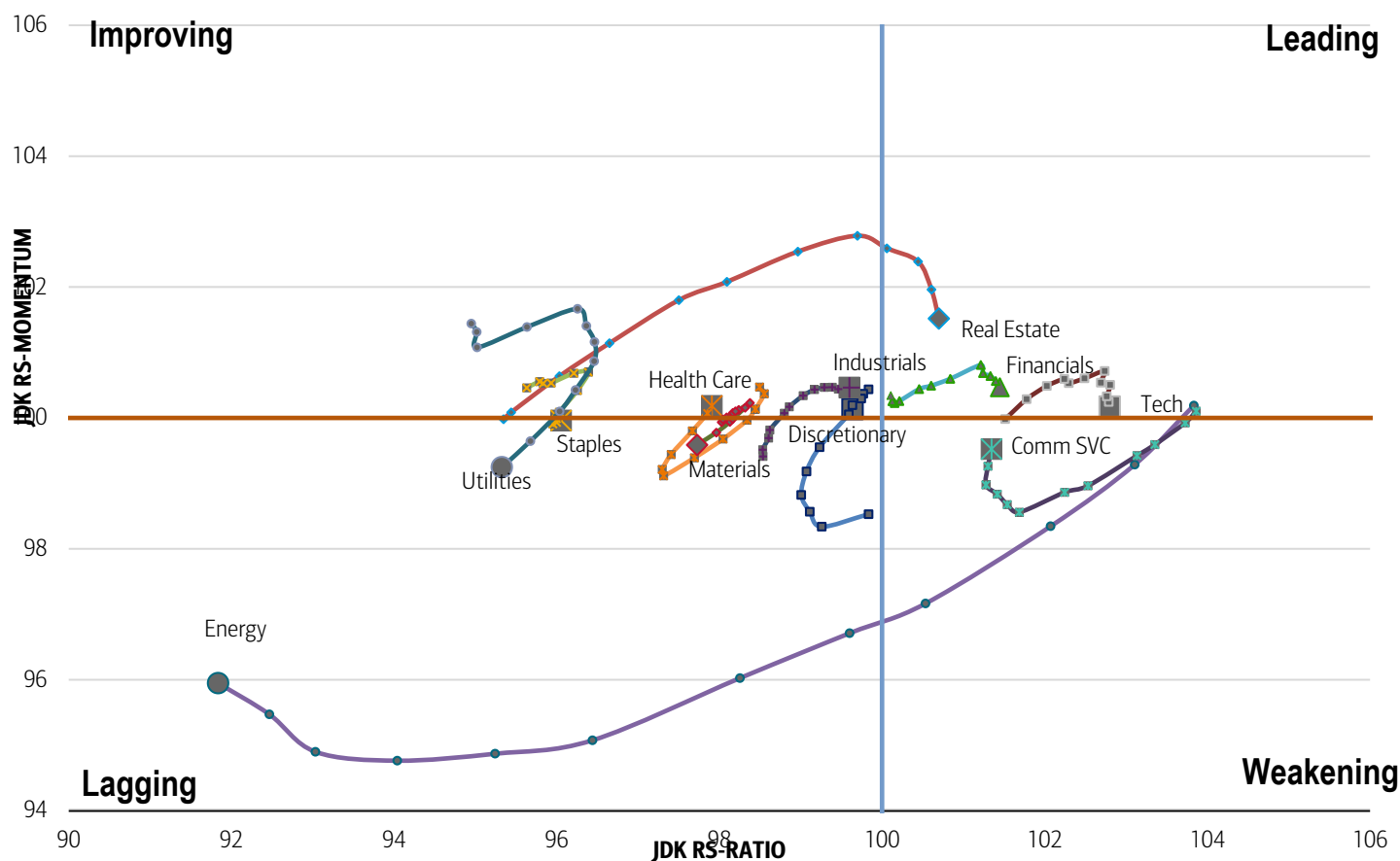


Rotations: Relative rotation graph (RRG)

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

Chart 8: S&P 500 GICs Level 1 sector weekly relative rotation graph

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

Chart 9: 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 10: 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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Materials below 2020 low as a H&S top vs SPX provides an overhang for Energy

The break below support at the mid-2023 and late-2021 lows for Materials versus the SPX suggested risk back to the 2020 relative low, which this lagging sector has broken below. Materials must regain broken supports versus the SPX to improve the outlook. 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 11: Materials relative to the S&P 500: Weekly Chart

Lagging sector below prior support.



Source: BofA Global Research, Bloomberg

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Chart 12: 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 from 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. 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 13: Technology relative to the S&P 500: Weekly Chart

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

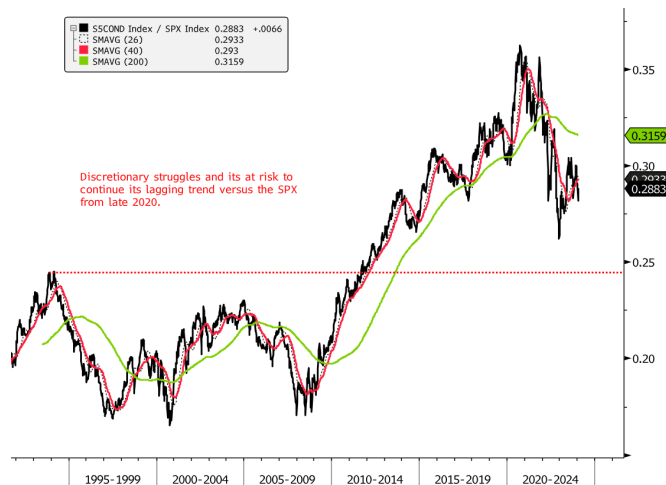


Source: BofA Global Research, Bloomberg

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Chart 14: Discretionary relative to the S&P 500: Weekly Chart

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



Source: BofA Global Research, Bloomberg

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Comm Services completes bullish flag, SOX breaks out from big base versus SPX

Comm Services remains in a leadership trend from late 2022. The sector corrected (lagged the SPX) from an October peak versus the SPX but rising 26-/40-week MAs held, keeping this leadership trend intact. The breakout from a bull flag corroborates this view, but the sector is near a potentially big resistance versus the SPX. Semiconductors (SOX) remain in a leadership trend. The SOX broke out above the June 2000 peak versus the SPX to confirm a big base and reassert its leadership. This is bullish for the SOX. The next resistance is the March 2000 peak.

Chart 15: Comm Services relative to the S&P 500: Weekly Chart

Breakout from a bullish trend reaffirms the positive trend.



Source: BofA Global Research, Bloomberg

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Chart 16: Semiconductors (SOX) versus the S&P 500: Weekly Chart

Leadership is bullish. Breakout confirms a big base for SOX versus SPX.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

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

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

Chart 17: Utilities relative to the S&P 500: Weekly Chart

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

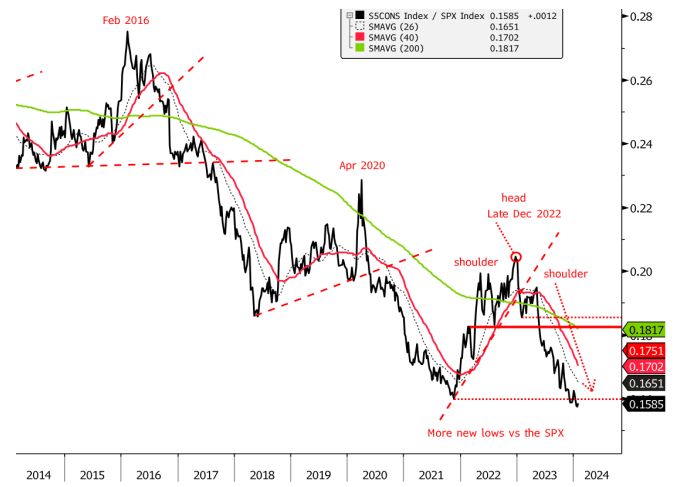


Source: BofA Global Research, Bloomberg

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Chart 18: Staples relative to the S&P 500: Weekly Chart

A weak relative trend for this defensive sector.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Real Estate's bounce in downtrend stalls, Health Care holds 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. This sector rebounded versus the SPX, but the longer-term relative downtrend remains intact with risk to lower lows after stalling near a declining 40-week MA versus the SPX. 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 19: Real Estate relative to the S&P 500: Weekly Chart

Rebound within longer-term lagging trend stalled. Risk to lower lows vs SPX.



Source: BofA Global Research, Bloomberg

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Chart 20: Health Care relative to the S&P 500: Weekly Chart

Below 30-year uptrend line but holding big support from late 2021 so far.



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: Media, P&C Insurance, Retailing, Semiconductors, Software & Services, Communication Services, Information Technology and Housing.

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: Consumer Staples, NYSE ARCA Biotechnology, Energy, Utilities and Gold & Silver.

Table 14: Sectors, groups and sub-groups

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

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low vs. SPX	13-week high/low	52-week high/low vs. SPX	52-week high/low
S&P 500 Media & Ent	1114.84	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 PROP&CASULT IDX	1093.46	2	8	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 RETAILING INDEX	4239.05	3	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
PHILA SEMICONDUCTOR IDX	4336.73	4	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 SFTW & SVCS IDX	4608.05	5	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
COMSVCSLSCTPR	416.75	6	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 INFO TECH INDEX	3625.92	7	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
PHILA HOUSING INDEX	653.80	8	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High		High	
S&P 500 TELECOMM SVCS IX	127.80	9	26	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 ROAD & RAIL IDX	3047.18	10	13	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High	
S&P 500 MACHINERY INDEX	2042.15	11	11	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
KBW BANK INDEX	94.74	12	33	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish at risk				
S&P 500 FINANCIALS INDEX	648.01	13	19	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
KBW CAPITAL MARKETS IDX	594.85	14	24	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bullish at risk				
S&P 500 INSURANCE INDEX	675.32	15	14	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High		High	
S&P 500 INDUSTRIALS IDX	978.44	16	15	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High		High	
S&P 500 CONS DISCRET IDX	1429.55	17	9	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	Low	High	
NASDAQ BIOTECH INDEX	4386.92	18	22	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High		High	
S&P 500 HEALTH CARE IDX	1654.34	19	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High		High	
ALERIAN MLP INDEX	262.21	20	12	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	Low	High	
S&P 500 HC EQUIP&SVC IDX	1943.79	21	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 PHARM INDEX	1051.90	22	16	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High		High	
S&P 500 TRANSPN INDEX	1010.32	23	23	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High			
S&P 500 AERO & DEFNS IDX	1472.86	24	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		
S&P 500 CONS STAPLES IDX	786.09	25	21	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
KBW REGIONAL BANKING INX	99.86	26	34	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bullish at risk				
S&P 500 REAL ESTATE IDX	240.65	27	29	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk		Low		Low
S&P 500 LIFE&HLTH IN IDX	468.69	28	27	Bullish	Bearish	Bullish	Bullish at risk	Bullish at risk	Bearish	High	Low	High	
S&P 500 MATERIALS INDEX	524.02	29	25	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish		Low		Low
S&P 500 TECH HW & EQP IX	3472.26	30	10	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish		Low		Low
NYSE Arca Biotechlgy ldx	5101.89	31	30	Bearish	Bearish	Bearish at risk	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 ENERGY INDEX	637.35	32	28	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low
S&P 500 UTILITIES INDEX	312.21	33	31	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish		Low		Low
PHILA GOLD & SILVER INDX	114.06	34	32	Bearish	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

BofA GLOBAL RESEARCH



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, Media & Entertainment, Retailing, Software & Services and Banks.

Sectors with bearish trading cycles

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

Table 15: S&P 500 GICS Level 2 Sectors

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

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low vs. SPX	13-week high/low	52-week high/low vs. SPX	52-week high/low
S&P 500 SEMI & SEMI EQP	3735.21	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 Media & Ent	1114.84	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4239.05	3	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 SFTW & SVCS INDX	4608.05	4	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 TELECOMM SVCS IX	127.80	5	18	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 BANKS INDEX	353.59	6	19	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk				
S&P 500 FOOD/STPL RETAIL	745.76	7	9	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 DIV FINANCIAL IX	1134.83	8	11	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 CAPITAL GDS IDX	1035.02	9	8	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bullish at risk	High		High	
S&P 500 INSURANCE INDEX	675.32	10	10	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High		High	
S&P 500 CONS SRV IDX	1653.86	11	7	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	Low	High	
S&P 500 Comm & Prof Serv	596.86	12	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	
S&P 500 PHRM BIO & LF SC	1343.18	13	13	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High		High	
S&P 500 HC EQUIP&SVC IDX	1943.79	14	12	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 TRANSPN INDEX	1010.32	15	15	Bullish	Bearish	Bearish at risk	Bearish	Bullish at risk	Bearish	High			
S&P 500 CON DUR&AP INDEX	414.80	16	16	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bullish at risk		Low		
S&P 500 HH & PR PDTS IDX	848.43	17	14	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 REAL ESTATE INDX	240.34	18	23	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk		Low		Low
S&P 500 MATERIALS INDEX	524.02	19	17	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish		Low		Low
S&P 500 TECH HW & EQP IX	3472.26	20	6	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 FD BEV & TOB IDX	801.06	21	22	Bearish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 ENERGY INDEX	637.35	22	20	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low
S&P 500 UTILITIES INDEX	312.21	23	24	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 AUTO & COMP IDX	108.83	24	21	Bullish at risk	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

BofA GLOBAL RESEARCH

Net Tabs stall

Net Tab: Overhang on drop from overbought

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab finally hit a -3 overbought (-3 to -6) to confirm the cyclical rally in late December and early January. However, the January 2024 move to -1 puts the Net Tab out of overbought, which we view as a potential overhang for the SPX that is aligned with the lackluster, or sideways, seasonal pattern for the index during the first half of the Presidential election year (see our report, [2024 Equity Technical Strategy Year Ahead: Cyclical uptrend within a secular bull market](#)).

Table 16: Net Tab Indicator: Components and values

The Net Tab remained at -1 last week. The move out of a late December into early January overbought is a potential overhang.

	Level	Change	Current Week	Last Week	Change
<i>S&P 500</i>			4958.61	4890.97	1.38%
NYSE Stocks over 200 DMA	0	0	66.02%	68.62%	-2.60%
5 week A/D Diffusion	-1	0	53.22%	54.58%	-1.36%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	46.50%	46.20%	0.30%
30 Day Arms Index	1	0	1.23	1.20	2.29%
25 day CBOE Put/Call	1	0	96.32	96.04	0.29%
This Week net	-1				
Last Week net	-1				

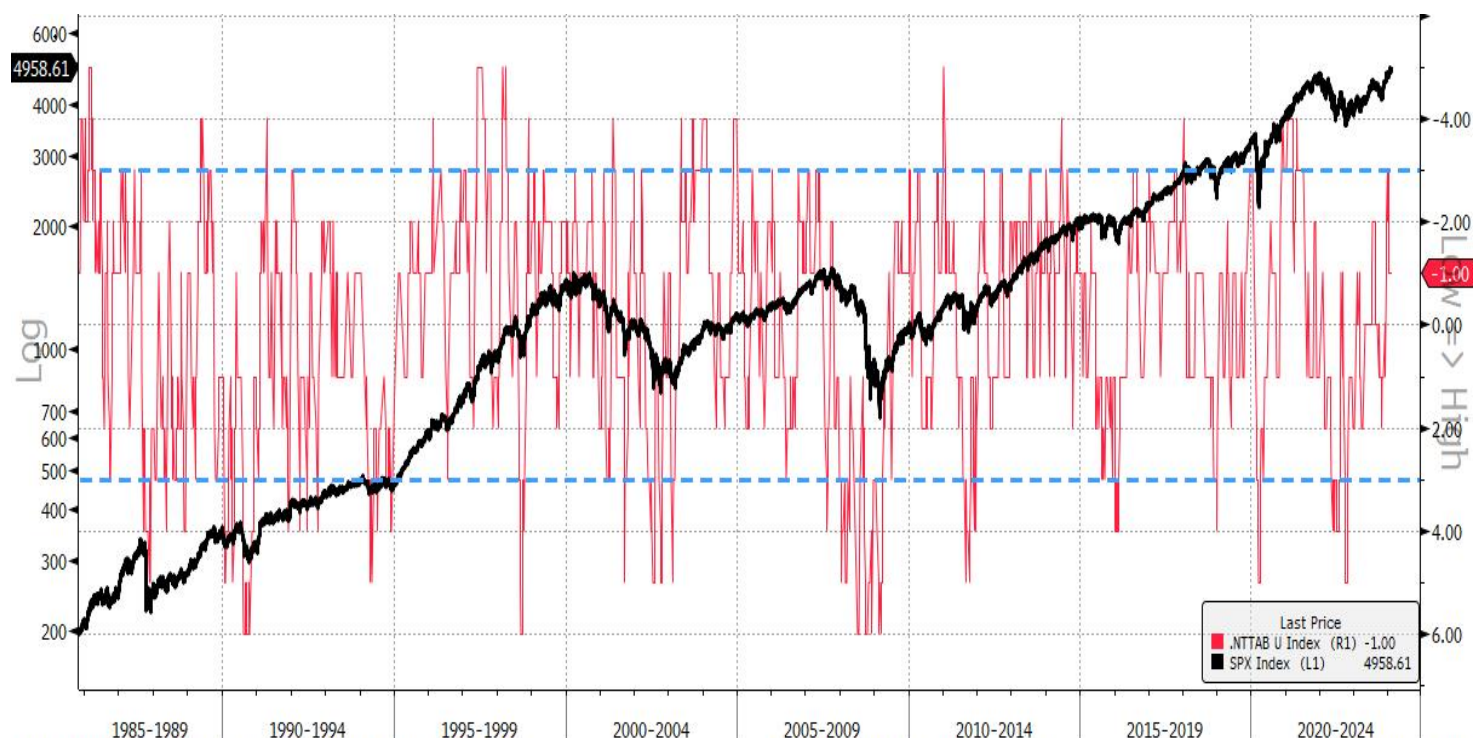
Source: BofA Global Research, Bloomberg

*Data restricted by provider

BofA GLOBAL RESEARCH

Chart 21: Net Tab Indicator: Components and values

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab finally hit a -3 overbought (-3 to -6) to confirm the cyclical rally in late December and early January. However, the January 2024 move to -1 puts the Net Tab out of overbought, which we view as a potential overhang for the SPX.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

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

The Net Tab Bands moved back to -1 from -2 after reaching oversold levels (+3 to +6) from 10/27 through 11/10 (inverted scale). This oversold triggered a rally into yearend, but a “bullish confirming” overbought reading from -3 to -6 has proven to be elusive with the Net Tab Bands stalling at -2 for the five weeks prior to moving back to -1.

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

Table 17: Net Tab Bands Indicator: Components and values

The Net Tab Bands indicator remained at -1 last week.

	Level	Change	Current Week	Last Week	Change
<i>S&P 500</i>			4958.61	4890.97	1.38%
NYSE Stocks over 200 DMA	0	0	66.02%	68.62%	-2.60%
McClellan Summation Index	0	0	661.18	625.89	5.64%
Investment Services Bearish	-1	-1	*	*	*
BofA Short Term Sentiment	-1	0	46.50%	46.20%	0.30%
30 Day Arms Index	1	1	1.23	1.20	2.29%
25 day CBOE Put/Call	0	0	96.32	96.04	0.29%
This Week net	-1				
Last Week net	-1				

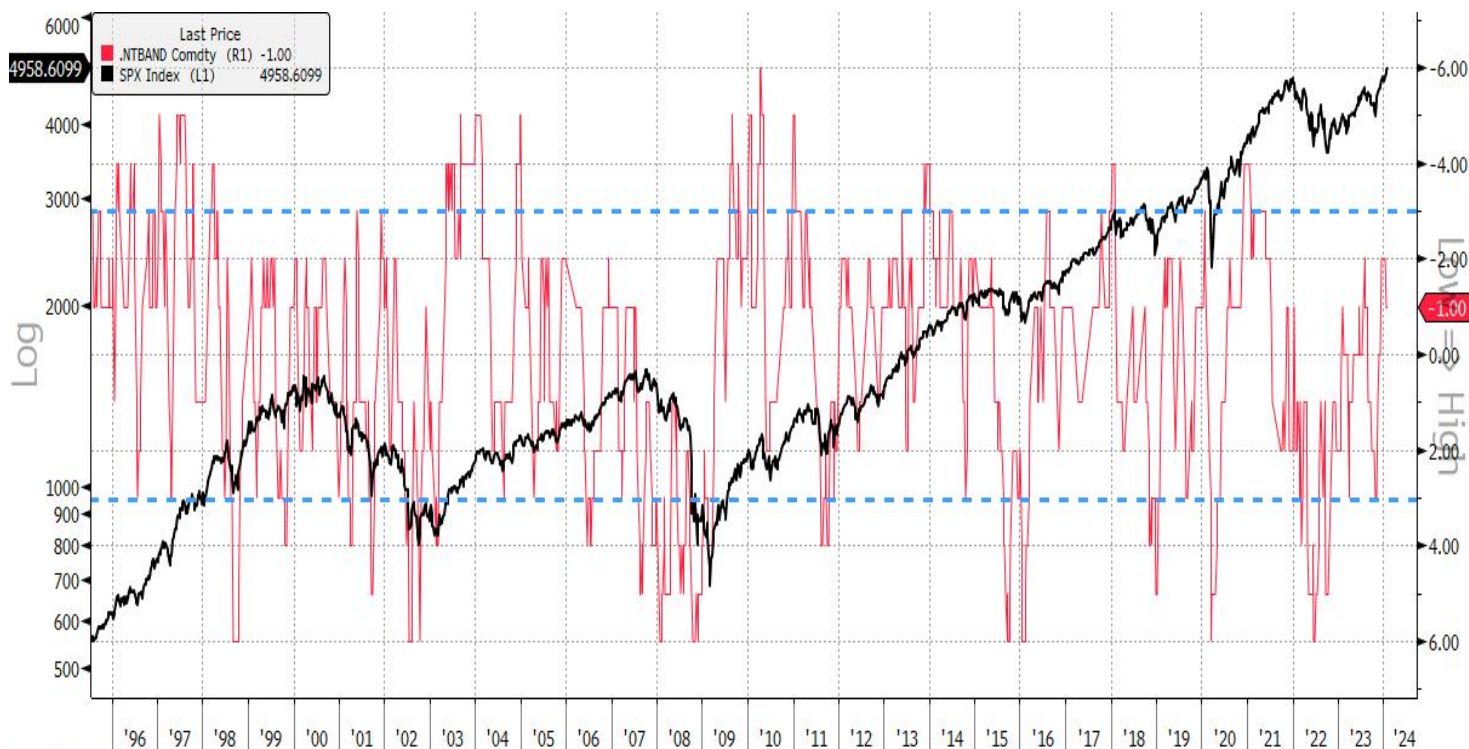
Source: BofA Global Research, Bloomberg

*Data restricted by provider

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Chart 22: S&P 500 with the Net Tab Bands: Weekly Chart

The Net Tab Bands remained at -1 last week after reaching oversold levels (+3 to +6) from 10/27 through 11/10 (inverted scale). This oversold triggered a rally into yearend, but a “bullish confirming” overbought reading from -3 to -6 has proven to be elusive with the Net Tab Bands stalling at -2 prior to move to -1.



Source: BofA Global Research, Bloomberg

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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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