

Market Analysis Comment

Growing YTD 2024 bearish divergences

Market Analysis

Bearish weekly Demark 13 on the SPX last week

Although bearish weekly Demark 13s in late December and mid-January did not trigger a meaningful drop on the S&P 500 (SPX) earlier this year, another bearish 13 last week occurs as negative divergences have grown between the lower highs across indicators and last week's higher high above 5000 on the SPX. We view the 4800 and 4600 areas as the big supports on the SPX if last week's Demark 13 triggers a tactical pullback (see our report, [Nothing magical about SPX 5000](#)).

Most active A-D line shows a growing bearish divergence

The US top 15 most active advance-decline (A-D) line did not confirm last week's probe above 5000 on the SPX. A potential February lower high for this "big money" breadth and volume indicator marks a growing YTD 2023 bearish divergence against the higher highs on the SPX.

% of stocks above MAs show weakening breadth

The percentage (%) of stocks above 10, 50 and 200-day moving averages (MAs) have formed lower highs from December 2023 into February 2024 to suggest growing YTD bearish divergences against the higher highs across the major US equity indices. These divergences are a risk for US equities in 1H 2024.

Bullish: BAA to US 10-year spread remains benign

The US corporate BAA to US 10-year T-note spread has remained benign below 2.0 since mid June 2023 and reached a cycle low at 1.5357 last week. Staying below 2.0 is a positive sign for this macro credit market indicator. Readings from 2.0 to 2.5 area neutral, and spikes above 2.5 tend to coincide with bearish risk-off events.

Bullish: Global breadth pushes weekly A-D line to new high

The weekly A-D line of 73 country indices remains bullish after achieving another all-time high last week. Although many US equity market breadth indicators have YTD 2024 bearish divergences, a stronger global A-D line suggests a bullish backdrop (see our report, [It's complicated](#)).

Risk: Margin debt more than double free credit

FINRA margin debt was more than double free credit from July 2021-November 2021, which was a sign of excess ahead of the 2022 correction for US equities. Margin debt has been more than double net free credit since June 2023. A decline back below 2.0 in the margin debt to free credit ratio would provide a risk-off signal. The last time this happened was in December 2021, which was ahead of the early 2022 peak on the SPX.

21 February 2024

Market Analysis
United States

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BofA Technical Strategy notes

[Market Analysis Comment: Nothing magical about SPX 5000](#)

[Stock Flash: Four bulls: AAPL, DOV, JBHT and SPG. Two bears: CPT and SWKS](#)

[Stock Flash: Four bulls: INSM, RL, THC and UNP. Two bears: WEN and WHR](#)

[Market Analysis Comment: It's complicated](#)

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

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

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Refer to important disclosures on page 20 to 21.

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Key indicators to watch

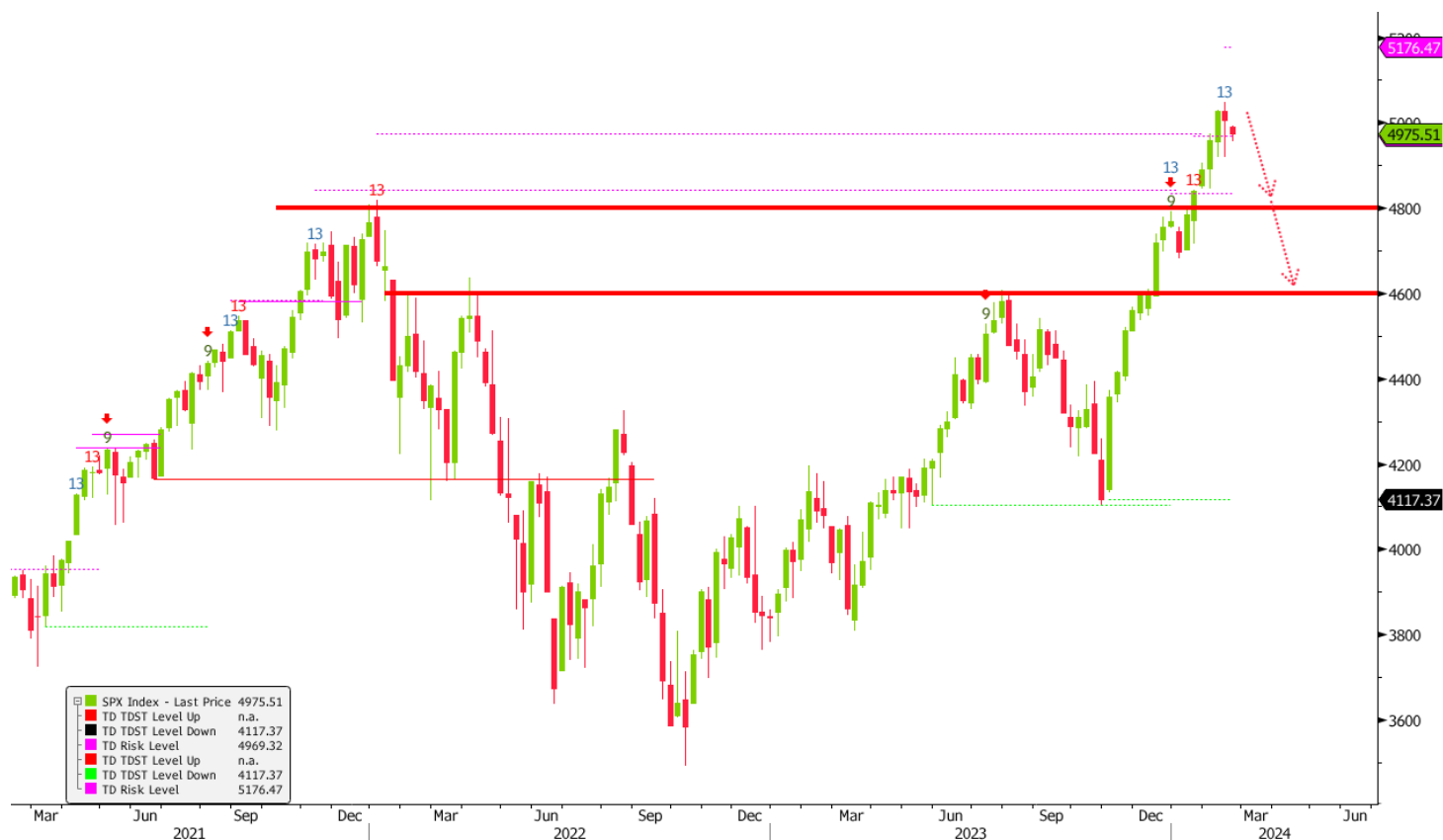
Bearish weekly Demark 13 on the SPX last week

Although bearish weekly Demark 13s in late December and mid January did not trigger a meaningful drop on the S&P 500 (SPX) earlier this year, another bearish 13 last week occurs as negative divergences have grown between the lower highs across indicators and last week's higher high above 5000 on the SPX. We view the 4800 and 4600 areas as the big supports on the SPX if last week's Demark 13 triggers a tactical pullback (see our report, [Nothing magical about SPX 5000](#)).

Demark 13s in a rising trend increase the risk for tactical upside exhaustion ahead of an interim pullback.

Chart 1: S&P 500: Weekly candle chart with Demark exhaustion signals

Although bearish weekly Demark 13s in late December and mid January did not trigger a meaningful drop on the S&P 500 (SPX) earlier this year, another bearish 13 last week occurs as negative divergences have grown between the lower highs across indicators and last week's higher high above 5000 on the SPX. We view the 4800 and 4600 areas as the big supports on the SPX if last week's Demark 13 triggers a tactical pullback.



Source: BofA Global Research, Bloomberg

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Most active A-D line shows a growing bearish divergence

The US top 15 most active advance-decline (A-D) line did not confirm last week's probe above 5000 on the SPX. A potential February lower high for this "big money" breadth and volume indicator marks a growing YTD 2023 bearish divergence against the higher highs on the SPX.

The US most active A-D line is a "big money" market breadth and volume indicator.

Chart 2: S&P 500 (top) and the top 15 US most active advance-decline line (bottom): Daily chart

The US top 15 most active advance-decline line did not confirm last week's probe above 5000 on the SPX. A potential February lower high for this market breadth and volume indicator marks a growing YTD bearish divergence against the higher highs on the SPX.



Source: BofA Global Research, Bloomberg

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% of stocks above MAs show weakening breadth

The percentage (%) of stocks above 10, 50 and 200-day moving averages (MAs) have formed lower highs from December 2023 into February 2024 to suggest growing YTD bearish divergences against the higher highs across the major US equity indices. These divergences are a risk for US equities in 1H 2024.

Chart 3: S&P 500 (top) and % stocks above 10-day MAs (bottom)

Risk: A growing YTD 2024 negative divergence.

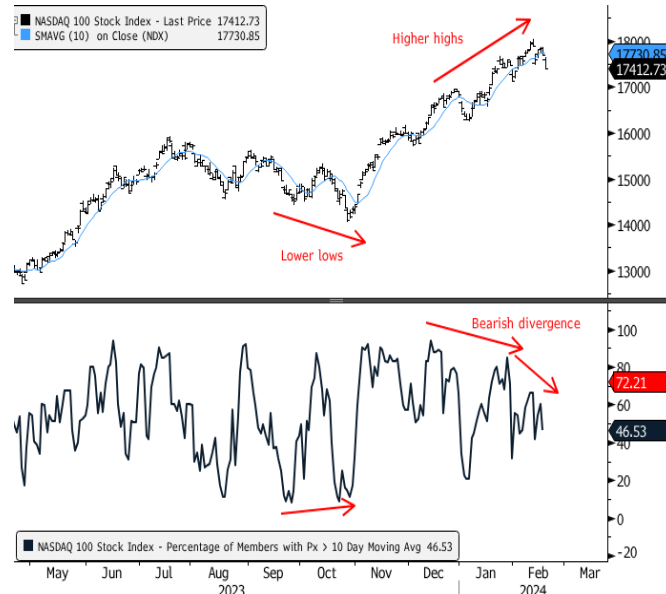


Source: BofA Global Research, Bloomberg

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Chart 4: NASDAQ 100 (top) and % stocks above 10-day MAs (bottom)

Risk: A growing YTD 2024 negative divergence.



Source: BofA Global Research, Bloomberg

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Chart 5: S&P 500 (top) and % stocks above 50-day MAs (bottom)

Risk: A growing YTD 2024 negative divergence.



Source: BofA Global Research, Bloomberg

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Chart 6: NASDAQ 100 (top) and % stocks above 50-day MAs (bottom)

Risk: A growing YTD 2024 negative divergence.



Source: BofA Global Research, Bloomberg

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Bullish: BAA to US 10-year spread remains benign

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Chart 7: US corporate BAA to US 10-year T-note spread: Daily chart

The US corporate BAA to US 10-year T-note spread has remained at a benign level below 2.0 since mid June 2023 and reached a cycle low at 1.5357 last week. Staying below 2.0 is a positive sign for this macro credit market indicator. Readings from 2.0 to 2.5 area neutral, and spikes above 2.5 tend to coincide with bearish risk-off events.



Source: BofA Global Research, Bloomberg

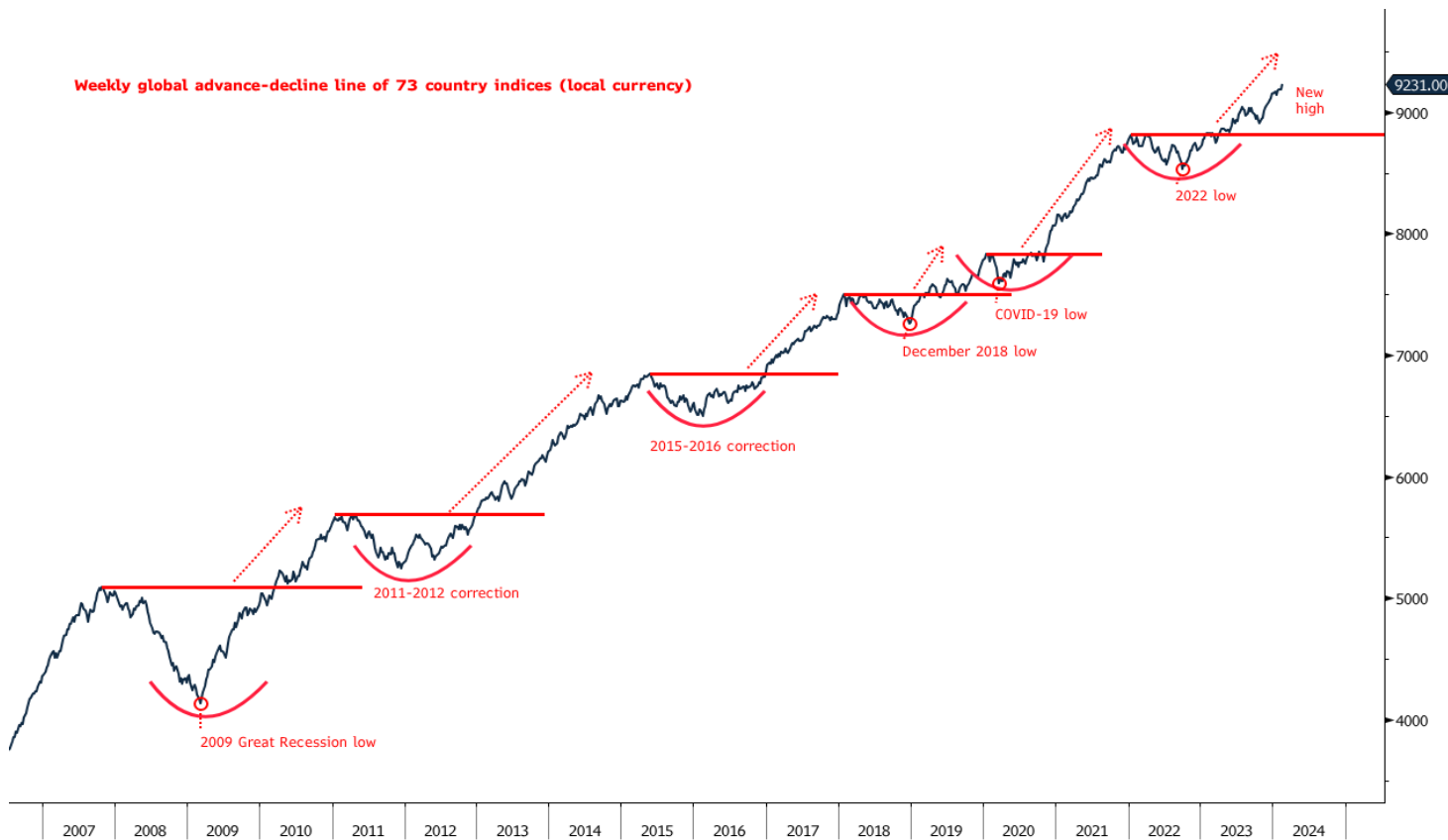
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Bullish: Global breadth pushes weekly A-D line to new high

The weekly A-D line of 73 country indices remains bullish after achieving another all-time high last week. Although many US equity market breadth indicators have YTD 2024 bearish divergences, a stronger global A-D line suggests a bullish backdrop (see our report, [It's complicated](#)).

Chart 8: The weekly global advance-decline line of 73 country indices

The weekly A-D line of 73 country indices remains bullish after achieving another all-time high last week. Although many US equity market breadth indicators have YTD 2024 bearish divergences, a stronger global A-D line suggests a bullish backdrop.



Source: BofA Global Research, Bloomberg

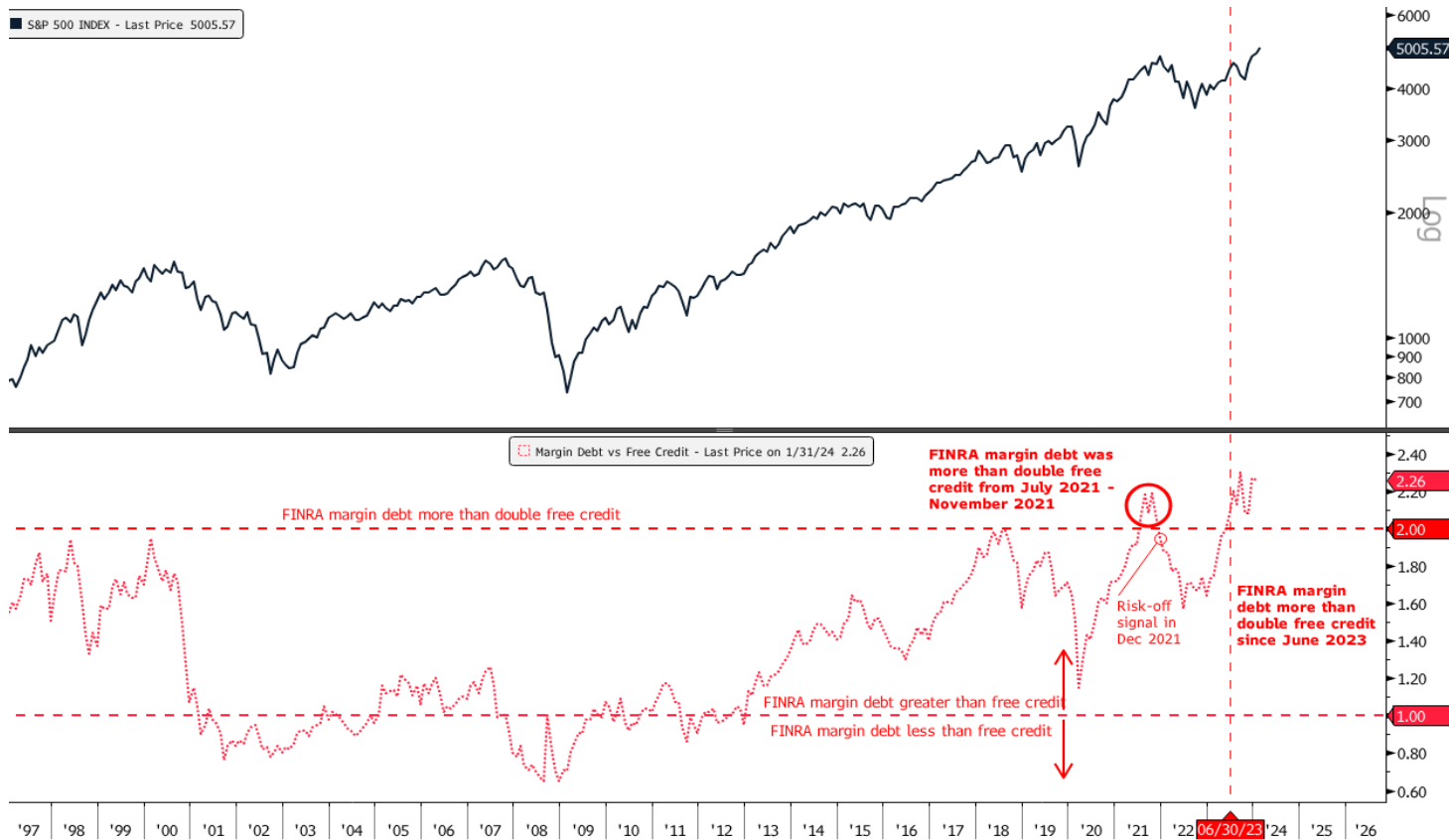
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Risk: Margin debt more than double free credit

FINRA margin debt was more than double free credit from July 2021-November 2021, which was a sign of excess ahead of the 2022 correction for US equities. Margin debt has been more than double net free credit since June 2023. A decline back below 2.0 in the margin debt to free credit ratio would provide a risk-off signal. The last time this happened was in December 2021, which was ahead of the early 2022 peak on the SPX.

Chart 9: S&P 500 (top) and FINRA margin debt vs free credit (bottom): Monthly chart

FINRA margin debt was more than double free credit from July 2021-November 2021, which was a sign of excess ahead of the 2022 correction for US equities. Margin debt has been more than double net free credit since June 2023. A decline back below 2.0 in the margin debt to free credit ratio would provide a risk-off signal. The last time this happened was in December 2021, which was ahead of the early 2022 peak on the SPX.



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 16, 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

Criteria used on both an absolute & relative price basis

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

Source: BofA Global Research, Bloomberg

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Ranks: GICS 1 ranks wrap-up

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

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

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

New highs and new lows: 52-week closing basis highs: the SPX dropped from its 2/9 high, but Financials, Industrials and Health Care achieved new 52-week last week. Energy hit a 13-week absolute high.

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, Comm Services, Financials, Industrials and Health care. Bottom Five: Utilities, Energy, Staples, Real Estate and Materials.

Name	Price	Tactical trend rank	52-week Rank	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low vs. SPX	13-week high/low vs. SPX	52-week high/low vs. SPX	52-week high/low vs. SPX
S&P 500 INFO TECH INDEX	3650.21	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
COMSVCSLSCTPR	412.73	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FINANCIALS INDEX	658.55	3	6	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 INDUSTRIALS IDX	998.28	4	4	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
S&P 500 HEALTH CARE IDX	1695.12	5	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High		High	
S&P 500 CONS DISCRET IDX	1439.11	6	3	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	Low	High	
S&P 500 MATERIALS INDEX	536.49	7	7	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		Low
S&P 500 REAL ESTATE IDX	240.82	8	10	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 CONS STAPLES IDX	776.82	9	8	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 ENERGY INDEX	649.59	10	9	Bullish	Bearish	Bearish	Bearish	Bearish at risk	Bearish	High	Low		Low
S&P 500 UTILITIES INDEX	309.85	11	11	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low		Low

Source: BofA Global Research, Bloomberg

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

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Consistent leaders/laggards in tactical ranks

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

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

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

Sector	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24	05-Jan-24	29-Dec-23
S&P 500 Consumer Discretionary	6	5	5	6	4	6	7	4
S&P 500 Consumer Staples	9	8	7	8	9	9	10	9
S&P 500 Energy	10	10	10	10	11	11	11	11
S&P 500 Financials	3	3	3	3	3	3	1	2
S&P 500 Health Care	5	6	6	5	6	5	6	8
S&P 500 Industrials	4	4	4	4	5	7	5	6
S&P 500 Technology	1	1	2	1	1	1	4	1
S&P 500 Materials	7	9	9	9	8	8	8	7
S&P 500 Communication Services	2	2	1	2	2	2	2	5
S&P 500 Utilities	11	11	11	11	10	10	9	10
S&P 500 Real Estate	8	7	8	7	7	4	3	3

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. Materials over the last six weeks.

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, Real Estate, Energy and Staples.

Sector	16-Feb-24	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24	05-Jan-24	29-Dec-23
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	8	7	7	7	7	9	10	9
S&P 500 Energy	9	10	9	10	10	10	9	10
S&P 500 Financials	6	6	6	5	5	5	5	6
S&P 500 Health Care	5	5	5	6	6	6	8	8
S&P 500 Industrials	4	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	1	1	1
S&P 500 Materials	7	8	8	8	8	8	6	5
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	10	9	9	7	7	7

Source: BofA Global Research, Bloomberg

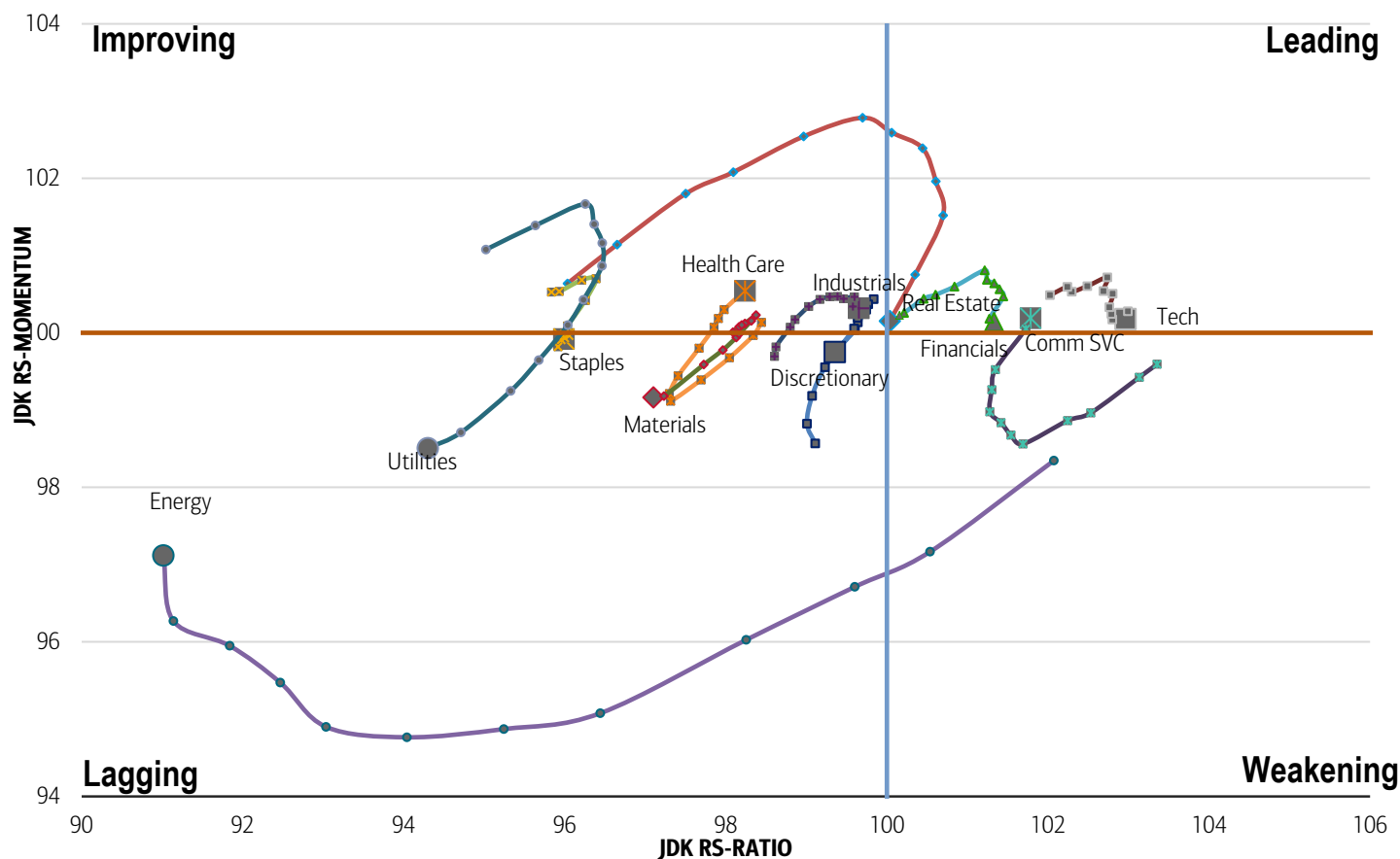
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Rotations: Relative rotation graph (RRG)

- **Leading** (positive relative trend and positive relative momentum): Communication Services, Technology, Real Estate and Financials.
- **Weakening** (positive relative trend and negative relative momentum): None.
- **Lagging** (negative relative trend and negative relative momentum): Energy, Utilities, Staples, Discretionary and Materials.
- **Improving** (negative relative trend and positive relative momentum): Health Care and Industrials.

Chart 10: S&P 500 GICs Level 1 sector weekly relative rotation graph

Leading: Communication Services, Technology, Real Estate and Financials. Weakening: None. Lagging: Energy, Utilities, Staples, Discretionary and Materials. Improving: 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 and rally above the December 2023 peak.

Chart 11: 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 12: 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 13: Materials relative to the S&P 500: Weekly Chart

Lagging sector below prior support. Hit lowest level versus SPX since 2000.



Source: BofA Global Research, Bloomberg

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Chart 14: 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 last week. 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 15: Technology relative to the S&P 500: Weekly Chart

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

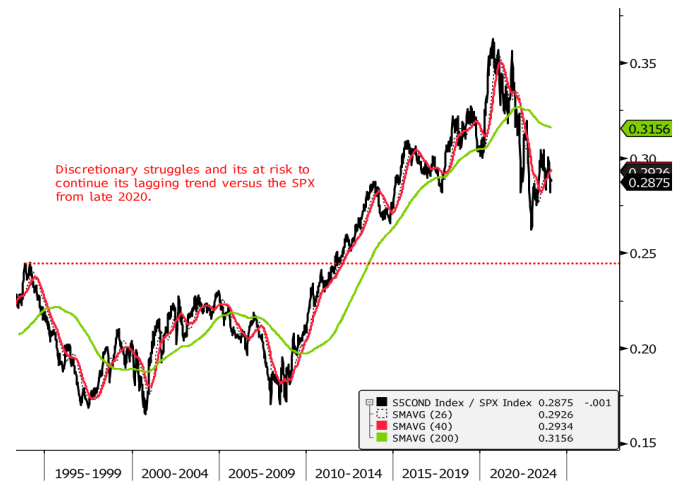


Source: BofA Global Research, Bloomberg

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Chart 16: 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 near relative resistance, SOX broke out from big base versus SPX

Comm Services remains in a leadership trend from late 2022. The breakout from a bull flag after holding rising 26- and 40-week MAs versus the SPX as support corroborates this view, but the sector hit some 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 17: Comm Services relative to the S&P 500: Weekly Chart

Uptrend from late 2022 hits resistance in early 2024.



Source: BofA Global Research, Bloomberg

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Chart 18: Semiconductors (SOX) versus the S&P 500: Weekly Chart

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



Source: BofA Global Research, Bloomberg

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

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

Chart 19: 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 20: Staples relative to the S&P 500: Weekly Chart

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



Source: BofA Global Research, Bloomberg

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Real Estate at new lows vs SPX, 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. After stalling at its declining 40-week MA versus the SPX, this sector has once against 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 21: Real Estate relative to the S&P 500: Weekly Chart

New lows vs SPX after relative rally stalled within long-term lagging trend.



Source: BofA Global Research, Bloomberg

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Chart 22: 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: Semiconductors, P&C Insurance, Road & Rail, Media, Retailing, Information Technology, Communication Services, Housing 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: Consumer Staples, NYSE ARCA Biotechnology, Utilities and Gold & Silver.

Table 5: Sectors, groups and sub-groups

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

Name	Price	Tactical 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 high/low vs. SPX	13-week high/low	52-week high/low high/low vs. SPX	52-week high/low
PHILA SEMICONDUCTOR INDX	4527.68	1	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 PROP&CASULT IDX	1122.85	2	10	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 ROAD & RAIL INDX	3191.13	3	8	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	
S&P 500 Media & Ent	1111.79	4	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4224.71	5	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 INFO TECH INDEX	3650.21	6	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
COMSVCSLSCTPR	412.73	7	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
PHILA HOUSING INDEX	652.89	8	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk				
S&P 500 SFTW & SVCS INDX	4526.40	9	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High	High	High
S&P 500 PHARM INDEX	1119.73	10	11	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bearish at risk	High	High	High	
S&P 500 FINANCIALS INDEX	658.55	11	19	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High		High	
S&P 500 INSURANCE INDEX	697.68	12	14	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bearish at risk	High		High	
S&P 500 MACHINERY INDEX	2058.25	13	15	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
KBW BANK INDEX	95.44	14	33	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish at risk				
S&P 500 INDUSTRIALS IDX	998.28	15	16	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High		High	
S&P 500 TELECOMM SVCS IX	123.26	16	28	Bullish	Bearish at risk	Bullish	Bullish at risk	Bullish	Bearish	High	Low	High	
S&P 500 HEALTH CARE IDX	1695.12	17	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High		High	
S&P 500 TRANSPN INDEX	1049.62	18	18	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High			
KBW CAPITAL MARKETS INDX	602.38	19	23	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk				
ALERIAN MLP INDEX	267.73	20	12	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	Low	High	
S&P 500 CONS DISCRET IDX	1439.11	21	9	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	Low	High	
S&P 500 HC EQUIP&SVC IDX	1978.10	22	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
NASDAQ BIOTECH INDEX	4411.65	23	22	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk				
S&P 500 LIFE&HLTH IN IDX	486.05	24	25	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	
S&P 500 AERO & DEFNS IDX	1478.21	25	24	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		
S&P 500 MATERIALS INDEX	536.49	26	21	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		Low		Low
KBW REGIONAL BANKING INX	99.97	27	34	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bullish at risk		Low		
S&P 500 REAL ESTATE IDX	240.82	28	29	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 CONS STAPLES IDX	776.82	29	26	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low		Low
S&P 500 ENERGY INDEX	649.59	30	27	Bullish	Bearish	Bearish	Bearish	Bearish at risk	Bearish	High	Low		Low
NYSE Arca Biotechlgy Idx	5124.87	31	30	Bearish	Bearish	Bearish at risk	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 TECH HW & EQP IX	3412.04	32	13	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish		Low		Low
S&P 500 UTILITIES INDEX	309.85	33	32	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low		Low
PHILA GOLD & SILVER INDX	107.86	34	31	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low		Low

Source: BofA Global Research, Bloomberg

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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, Banks 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: Household & Personal Products, Food Beverage & Tobacco and Utilities.

Table 6: 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 high/low vs. SPX	13-week high/low	52-week high/low high/low vs. SPX	52-week high/low
S&P 500 SEMI & SEMI EQP	3972.04	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 Media & Ent	1111.79	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4224.71	3	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 BANKS INDEX	360.77	4	18	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FOOD/STPL RETAIL	756.53	5	9	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 SFTW & SVCS INDX	4526.40	6	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High	High	High
S&P 500 INSURANCE INDEX	697.68	7	8	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bearish at risk	High	High	High	High
S&P 500 DIV FINANCIAL IX	1146.20	8	11	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 PHRM BIO & LF SC	1383.16	9	12	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High	High
S&P 500 CAPITAL GDS IDX	1049.60	10	10	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish at risk	High	High	High	High
S&P 500 Comm & Prof Serv	609.92	11	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	Low	High	High
S&P 500 TELECOMM SVCS IX	123.26	12	20	Bullish	Bearish at risk	Bullish	Bullish at risk	Bullish	Bearish	High	Low	High	High
S&P 500 TRANSPN INDEX	1049.62	13	13	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High	High
S&P 500 CONS SRV IDX	1661.98	14	7	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	High
S&P 500 HC EQUIP&SVC IDX	1978.10	15	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High	Low
S&P 500 CON DUR&AP INDEX	416.87	16	15	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish	Low	Low	Low	Low
S&P 500 MATERIALS INDEX	536.49	17	16	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	Low	Low	Low
S&P 500 HH & PR PDTS IDX	841.41	18	17	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low	Low	Low
S&P 500 REAL ESTATE INDX	240.14	19	21	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish	Low	Low	Low	Low
S&P 500 ENERGY INDEX	649.59	20	19	Bullish	Bearish	Bearish	Bearish	Bearish at risk	Bearish	High	Low	Low	Low
S&P 500 TECH HW & EQP IX	3412.04	21	6	Bullish	Bearish	Bullish	Bearish	Bullish at risk	Bearish	Low	Low	Low	Low
S&P 500 UTILITIES INDEX	309.85	22	24	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low	Low	Low
S&P 500 FD BEV & TOB IDX	776.43	23	23	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low	Low	Low
S&P 500 AUTO & COMP IDX	114.09	24	22	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Bearish	Low	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 2023 and early January 2024. However, the Net Tab moved out of overbought, deteriorating zero even as the SPX surpassed 5000. We view this as a bearish divergence and 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](#)).

Table 7: Net Tab Indicator: Components and values

The Net Tab remained at 0 last week. The move out of a late December into early January overbought is a potential overhang.

	Level	Change	Current Week	Last Week	Change
S&P 500			5005.57	5026.61	-0.42%
NYSE Stocks over 200 DMA	0	0	66.85%	65.05%	1.80%
5 week A/D Diffusion	0	0	51.81%	52.18%	-0.37%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	48.20%	47.80%	0.40%
30 Day Arms Index	1	0	1.18	1.20	-1.52%
25 day CBOE Put/Call	1	0	92.28	94.84	-2.70%
This Week net	0				
Last Week net	0				

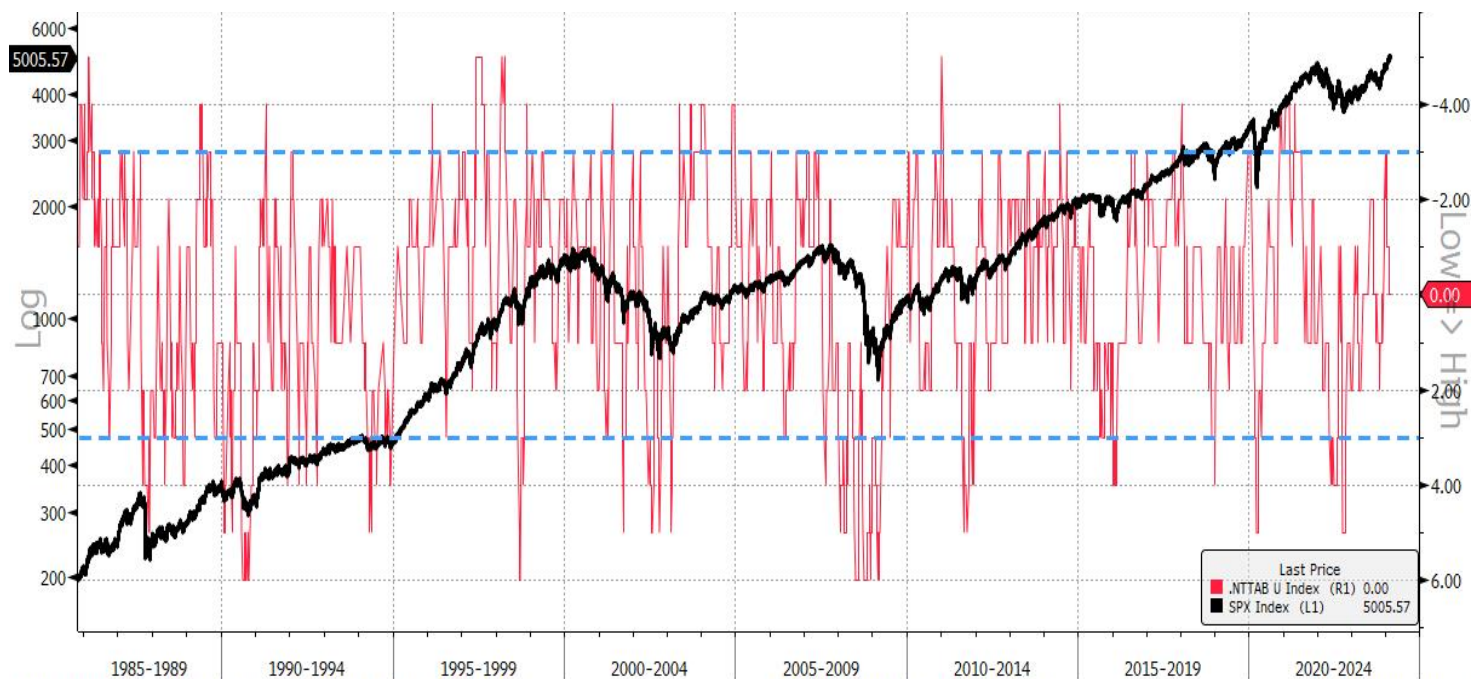
Source: BofA Global Research, Bloomberg

*Data restricted by provider

BofA GLOBAL RESEARCH

Chart 23: Net Tab Indicator: Components and values

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab finally hit a -3 overbought (-3 to -6) to confirm the cyclical rally in late December 2023 and early January 2024. However, the Net Tab moved out of overbought, deteriorating zero even as the SPX surpassed 5000. We view this as a bearish divergence and 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. This provides a bearish divergence against the YTD and all-time high above SPX 5000.

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 8: Net Tab Bands Indicator: Components and values

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

	Level	Change	Current Week	Last Week	Change
S&P 500			5005.57	5026.61	-0.42%
NYSE Stocks over 200 DMA	0	0	66.85%	65.05%	1.80%
McClellan Summation Index	0	0	652.91	575.30	13.49%
Investment Services Bearish	0	0	*	*	*
BofA Short Term Sentiment	-1	0	48.20%	47.80%	0.40%
30 Day Arms Index	0	0	1.18	1.20	-1.52%
25 day CBOE Put/Call	0	0	92.28	94.84	-2.70%
This Week net	-1				
Last Week net	-1				

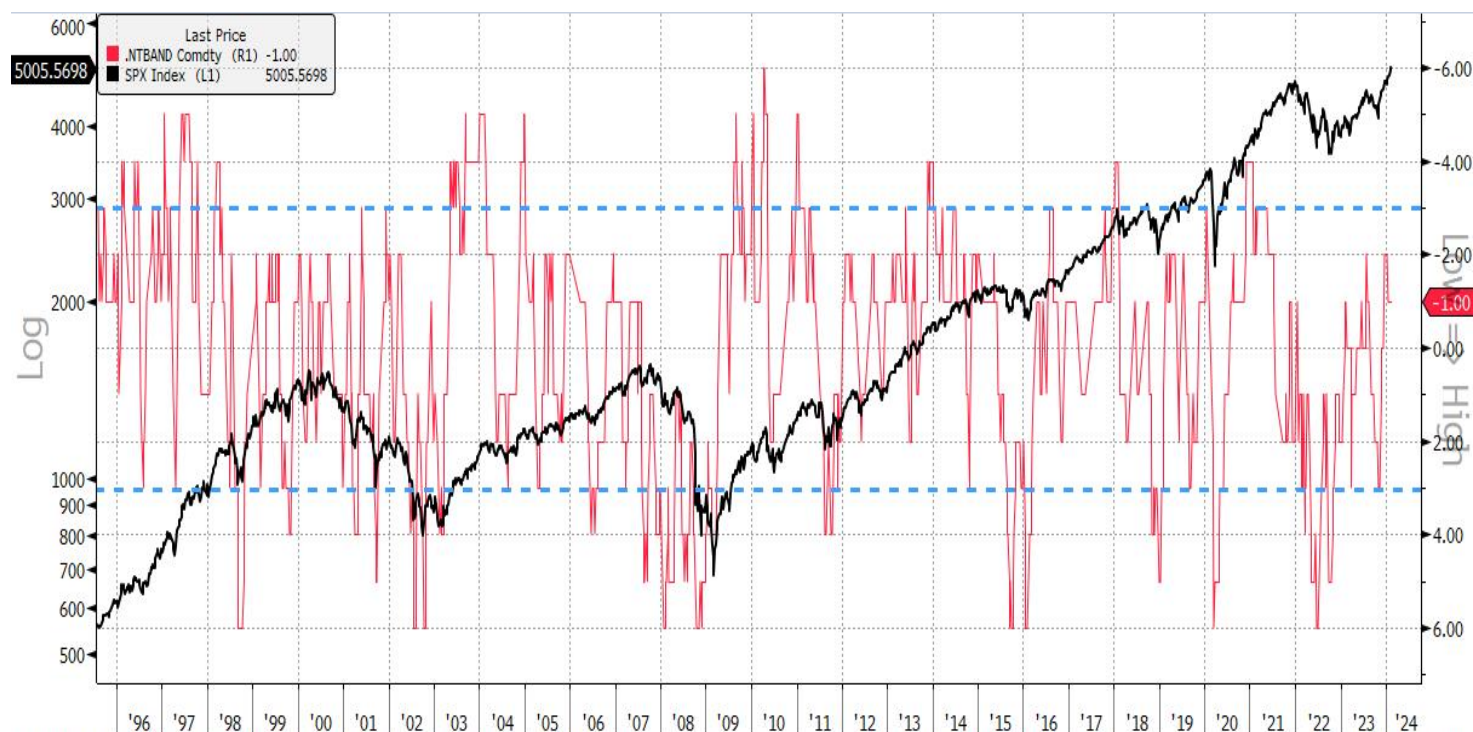
Source: BofA Global Research, Bloomberg

*Data restricted by provider

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Chart 24: 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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Appendix

Net Tab methodology

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

Net Tab methodology

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

Bands Net Tab methodology

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

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

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

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



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