

Market Analysis Comment

Tactical hangover entering 2024

Market Analysis

Tactical risks from Demark, put/calls and breadth

After a November-December rally of 13.7% for the S&P 500 (SPX), daily and weekly upside exhaustion signals from Demark, complacent put/call ratios and bearish divergences for both the 3-month VIX vs the VIX and the percentage of stocks above 10-day moving averages suggest are tactical risks entering 2024.

The SPX also tends to struggle in early Pres Cycle Year 4

The SPX tends to have a strong December in Presidential Cycle Year 3 and rallied 4.4% in December 2023. Although Presidential Cycle Year 4 has solid average and median returns, the SPX can struggle in early Year 4 given lackluster January through May average returns in Presidential Election years.

But big bases and confirmation support a healthy 2024

Given big bases across many US equity indices and plenty of confirmation from other key indicators in late 2023 (see our report, [Plenty of big bases to go around](#)), we believe that a tactical hangover in early 2024 should precede a solid 2024. The Presidential Cycle corroborates this view with the potential for a solid June through August summer rally and a November through December post-election relief rally.

SPX: Cup and handle breakout targets 5200s and 5600s

The SPX broke out above resistance at 4595-4637 in December to complete a big base going back to early 2024. Prior resistance shifts its role to support, and this cup and handle breakout remains firmly in place above 4637-4595 with upside potential beyond the early 2022 peak at 4819 to the 5200s (measured move) and 5600s (pattern count).

US high yield OAS confirmed the SPX rally into yearend

A narrowing US high yield option adjusted spread (OAS) provides a bullish backdrop for credit markets. New cycle lows for the high yield OAS confirmed the cyclical bull market highs for the SPX on its rally into yearend 2023.

Dow Theory: Bullish trend but bearish non-confirmation

The Dow Jones Industrial Average (INDU) hit new recovery and all-time highs in late 2023, but the Dow Jones Transportation Average (TRAN) did not confirm these highs. The Dow Theory remains on its bullish signal from mid July, but this bearish divergence sets up a non-confirmation, which is a tactical risk for US equities entering 2024.

But bullish confirmation from NYSE and NASDAQ Comp

The INDU and TRAN are price-weighted indices of 30 and 20 stocks, respectively. The NYSE (NYA) has 1913 stocks, and the NASDAQ Comp (CCMP) has 3418 stocks. Using these two broad-based indices for Dow Theory shows a confirmed primary uptrend (aka bull market) with new recovery highs for both indices into late December 2023.

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Market Analysis
United States

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Technical Strategy notes

[Market Analysis Comment: Late December seasonality and the Santa Claus Rally 18 December 2023](#)

[Market Analysis Comment: Plenty of big bases to go around 12 December 2023](#)

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

OAS: Option adjusted spread

P&C: Property and Casualty

SPX: S&P 500

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Refer to important disclosures on page 27 to 29.

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Risk of early 2024 hangover

Tactical risks from Demark, put/calls and breadth

After a November-December rally of 13.7% for the S&P 500 (SPX), daily and weekly upside exhaustion signals from Demark, complacent put/call ratios and bearish divergences for both the 3-month VIX vs the VIX and the percentage of stocks above 10-day moving averages suggest are tactical risks entering 2024.

Early 2024 risk from Demark upside exhaustion signals

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

Risk from daily Demark upside exhaustion signals entering 2024.



Source: BofA Global Research, Bloomberg

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Chart 2: NYSE Comp: Daily candle chart with Demark exhaustion signals

Risk from daily Demark upside exhaustion signals entering 2024.



Source: BofA Global Research, Bloomberg

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Chart 3: S&P 500: Weekly candle chart with Demark exhaustion signals

Risk from weekly Demark 9 and 13 upside exhaustion signals entering 2024.



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Chart 4: NYSE Comp: Weekly candle chart with Demark exhaustion signals

Risk from a weekly Demark 9 upside exhaustion signal entering 2024.



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Chart 5: NASDAQ 100: Weekly candle chart with Demark exhaustion signals

Risk from a weekly Demark 9 upside exhaustion signal entering 2024.



Source: BofA Global Research, Bloomberg

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Chart 6: NASDAQ Comp: Weekly candle chart with Demark exhaustion signals

Risk from weekly Demark 9 and 13 upside exhaustion signals entering 2024.



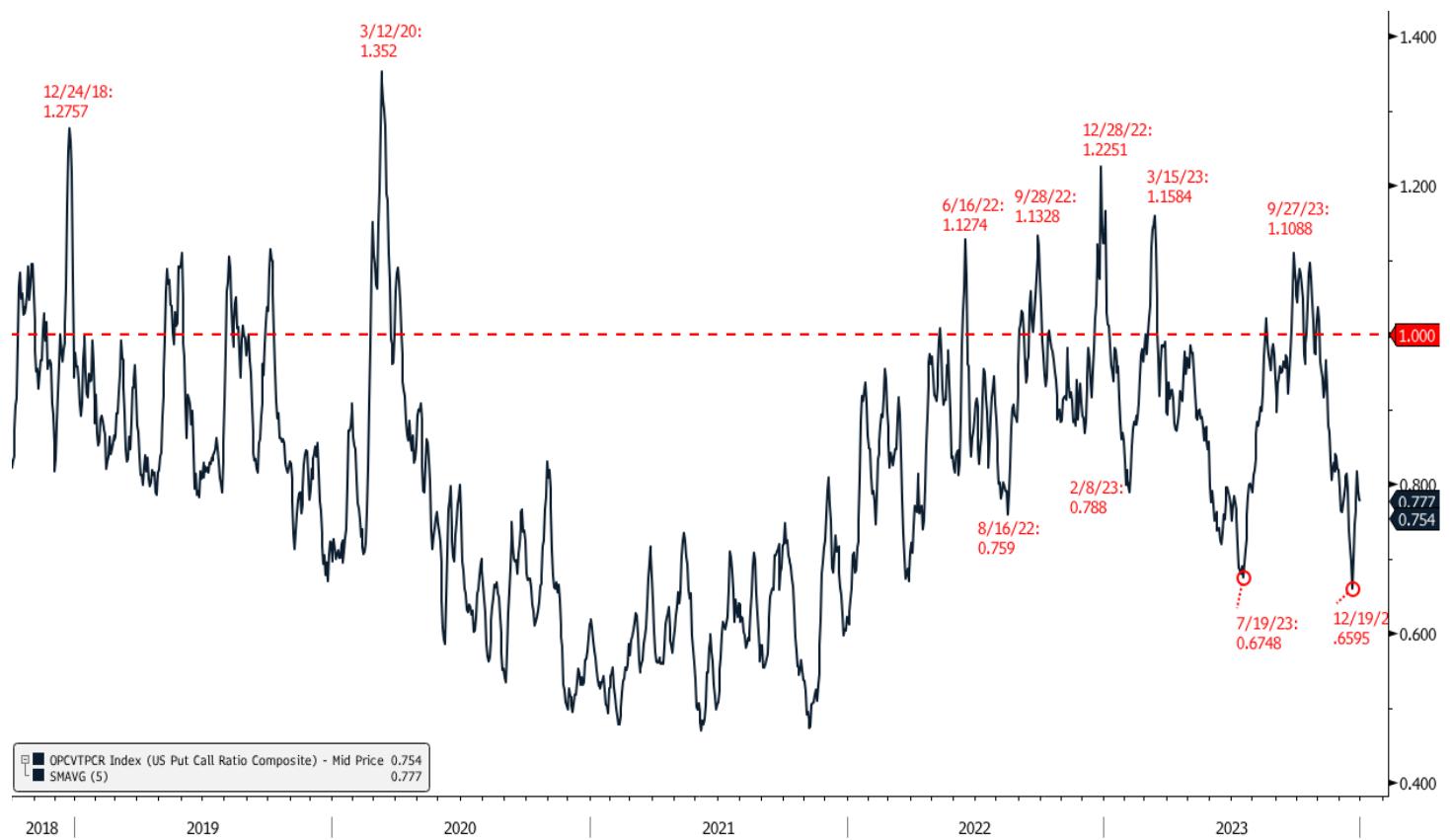
Source: BofA Global Research, Bloomberg

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More complacent put/call ratios also a tactical risk

Chart 7: 5-day US put/call composite: Daily chart

The 5-day put/call hit a complacent level in late December, slightly exceeding the level of complacency hit just prior to the late July in late October correction on the SPX.



Source: BofA Global Research, Bloomberg

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Chart 8: 25-day US put/call composite: Daily chart

The 25-day put/call hit its most complacent level since July entering 2024. We view this as a tactical risk for US equities.



Source: BofA Global Research, Bloomberg

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A bearish divergence for the % of stocks > 10-day MAs

Chart 9: S&P 500 (top) and the percentage of stocks above 10-day moving averages (bottom): Daily chart

The late December rally on the SPX occurs with a lower high on the percentage of SPX stocks above 10-day MAs. Fewer stocks above the 10-day MA sets up a tactical negative divergence for this breadth indicator entering 2024. Below indicator support at 60-58% could signal more downside volatility for equities.



Source: BofA Global Research, Bloomberg

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A bearish divergence for the 3-month VIX vs the VIX

Chart 10: S&P 500 (top) and the 3-month VIX relative to the VIX (bottom): Daily chart

A July into December and a late December negative divergence for the 3-month VIX vs the VIX against the higher highs that the SPX achieved on its rally into year-end provide a risk for early 2024.



Source: BofA Global Research, Bloomberg

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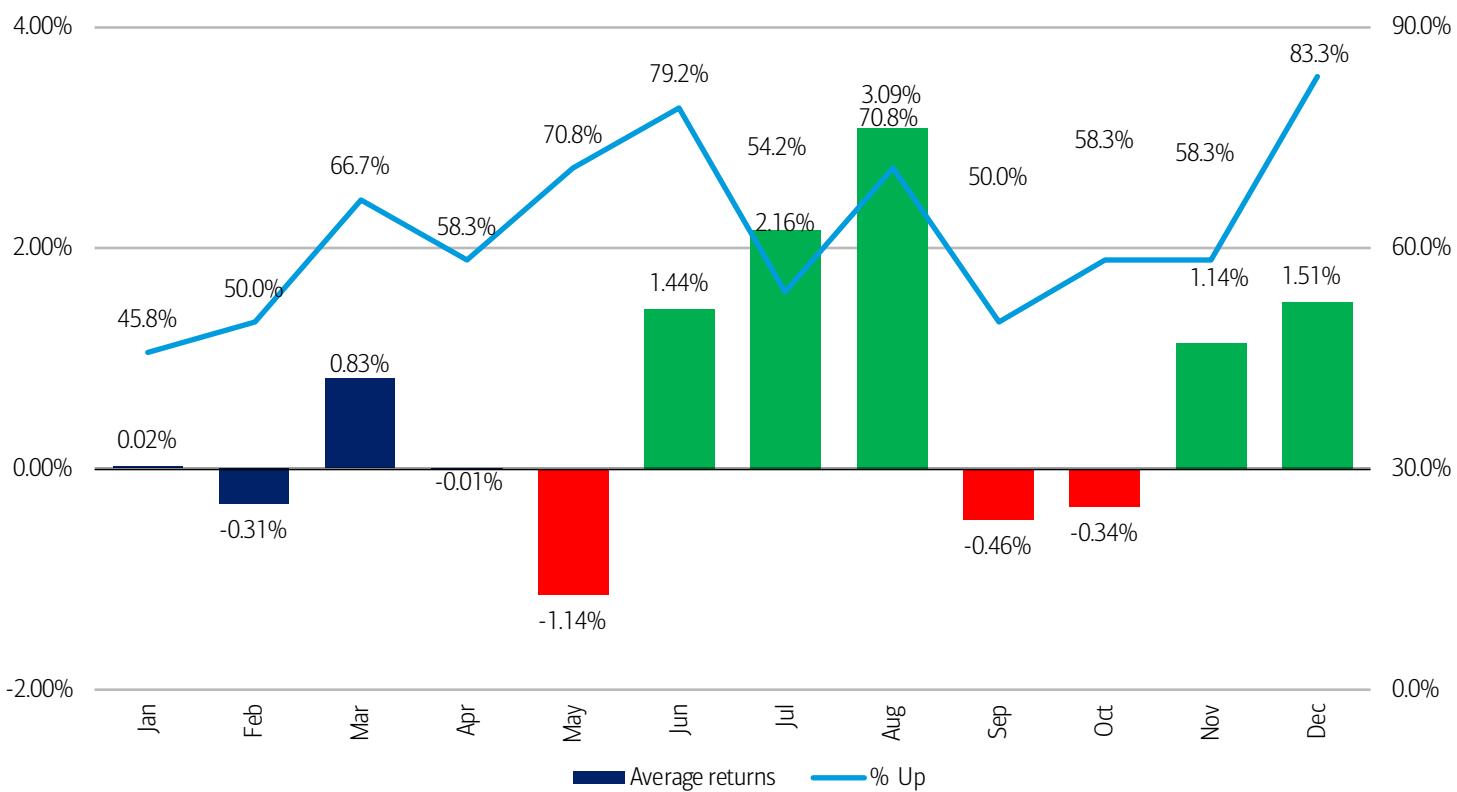
But SPX tends to struggle in early Year 4

Average monthly Year 4 pattern sideways until summer

The SPX tends to have a strong December in Presidential Cycle Year 3 (see our report, [Thankful for bullish holiday seasonality](#)) and rallied 4.4% in December 2023. Although Presidential Cycle Year 4 has solid average and median returns (see our report, [A peek into Presidential Cycle Year 4](#)), the SPX can struggle in early Year 4 given lackluster January through May average returns in Presidential Election years.

Chart 11: S&P 500 Presidential Cycle Year 4 monthly average returns: 1928 to present

Average monthly returns for the SPX during Presidential Cycle Year 4 show a lackluster January through May, a June through August summer rally, a September through October pre-election dip and a November through December post-election relief rally.



Source: BofA Global Research, Bloomberg

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S&P 500 overview

But big bases and confirmation support a healthy 2024

Given big bases across many US equity indices and plenty of confirmation from other key indicators in late 2023 (see our report, [Plenty of big bases to go around](#)), we believe that a tactical hangover in early 2024 should precede a solid 2024. The Presidential Cycle corroborates this view with the potential for a solid June through August summer rally and a November through December post-election relief rally.

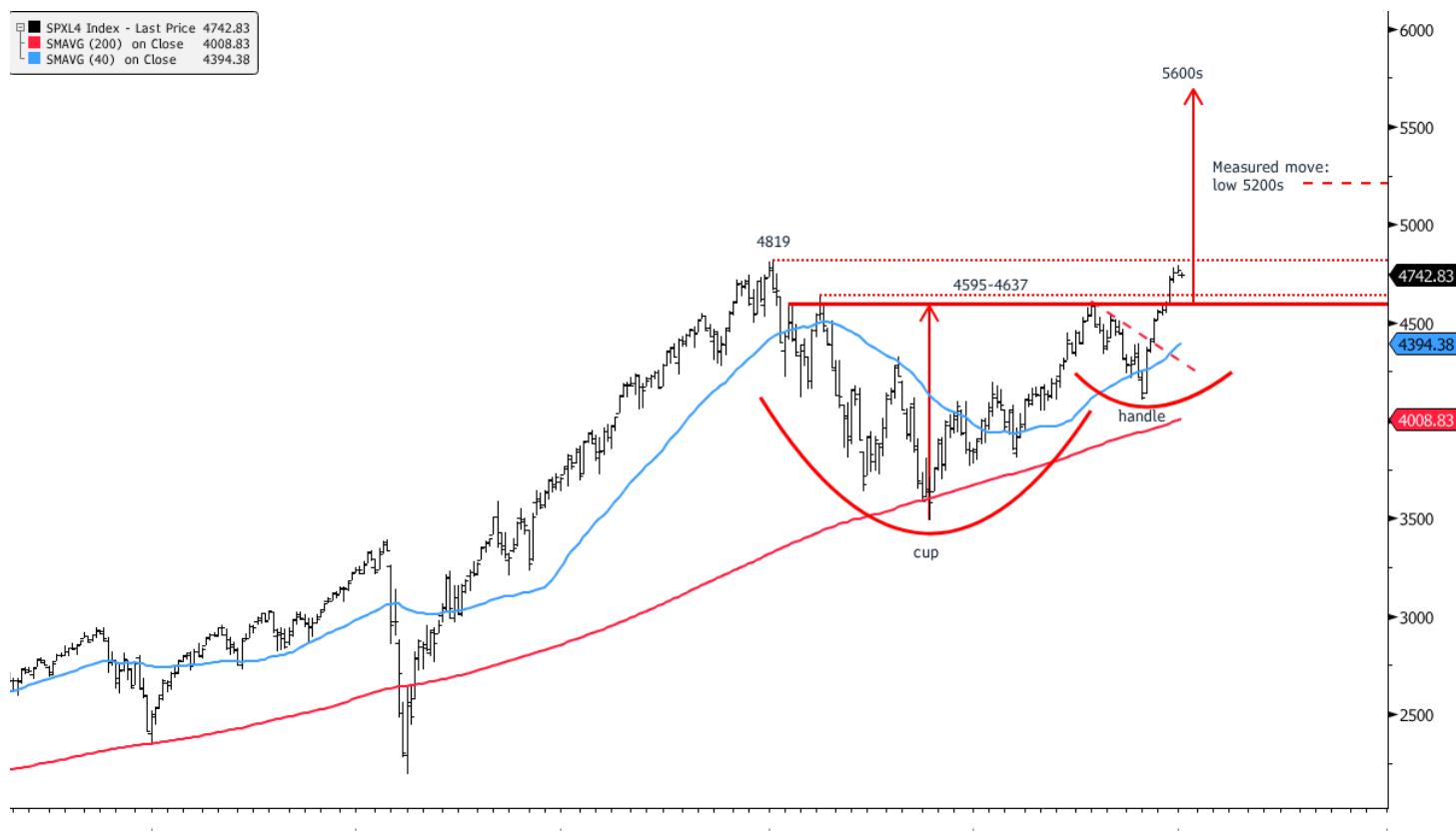
SPX: Cup and handle breakout targets 5200s and 5600s

The S&P 500 (SPX) broke out above resistance at 4595-4637 in December to complete a big base going back to early 2024 (see our report, [Big bases + bullish trends = more upside potential](#)). Prior resistance shifts its role to support, and this cup and handle breakout remains firmly in place above 4637-4595 with upside potential beyond the early 2022 peak at 4819 to the 5200s (measured move) and 5600s (pattern count). The rising 40-week MA near 4400 and rising 200-week MA near 4000 reflect the cyclical and secular bullish trends, respectively, that underpin this technical setup.

See our reports, [Late December seasonality and the Santa Claus Rally](#) and [Plenty of big bases to go around](#) for more charts of big bases.

Chart 12: S&P 500: Weekly chart with moving averages

If the SPX can decisively surpass the 4595-4637 area, it would confirm a bullish cup and handle from early 2022 with upside potential beyond the all-time high at 4819 toward a measured move in the low 5200s and the big base pattern count in the 5600s.



Source: BofA Global Research, Bloomberg

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Bullish confirmation from HY OAS

US high yield OAS confirmed the SPX rally into yearend

A narrowing US high yield option adjusted spread (OAS) provides a bullish backdrop for credit markets. New cycle lows for the high yield OAS confirmed the cyclical bull market highs for the SPX on its rally into yearend 2023. Some investors are concerned that early 2024 sets up bearishly like early 2022, but this credit spread was rising from a July 2021 low and showing a negative divergence against the higher highs on the SPX into January 2022. This sort of bearish divergence for credit markets does not exist entering 2024.

Chart 13: Bloomberg US Corporate High Yield Average OAS: Daily chart

A narrowing US high yield option adjusted spread (OAS) provides a bullish backdrop for credit markets. New cycle lows for the high yield OAS confirmed the cyclical bull market highs for the SPX on its rally into yearend 2023.



Source: BofA Global Research, Bloomberg

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Dow Theory

Bullish trend but bearish divergence for INDU and TRAN

The Dow Jones Industrial Average (INDU) hit new recovery and all-time highs in late 2023, but the Dow Jones Transportation Average (TRAN) did not confirm these highs. The Dow Theory remains on its bullish signal from mid July, but this bearish divergence sets up a non-confirmation, which is a tactical risk for US equities entering 2024.

Chart 14: Dow Theory: Industrials (top) and Transports (bottom): Daily closing price chart

The Dow Jones Industrial Average (INDU) hit new recovery and all-time highs in late 2023, but the Dow Jones Transportation Average (TRAN) did not confirm these highs. The Dow Theory remains on its bullish signal from mid July, but this bearish divergence sets up a non-confirmation, which is a tactical risk for US equities entering 2024.



Source: BofA Global Research, Bloomberg

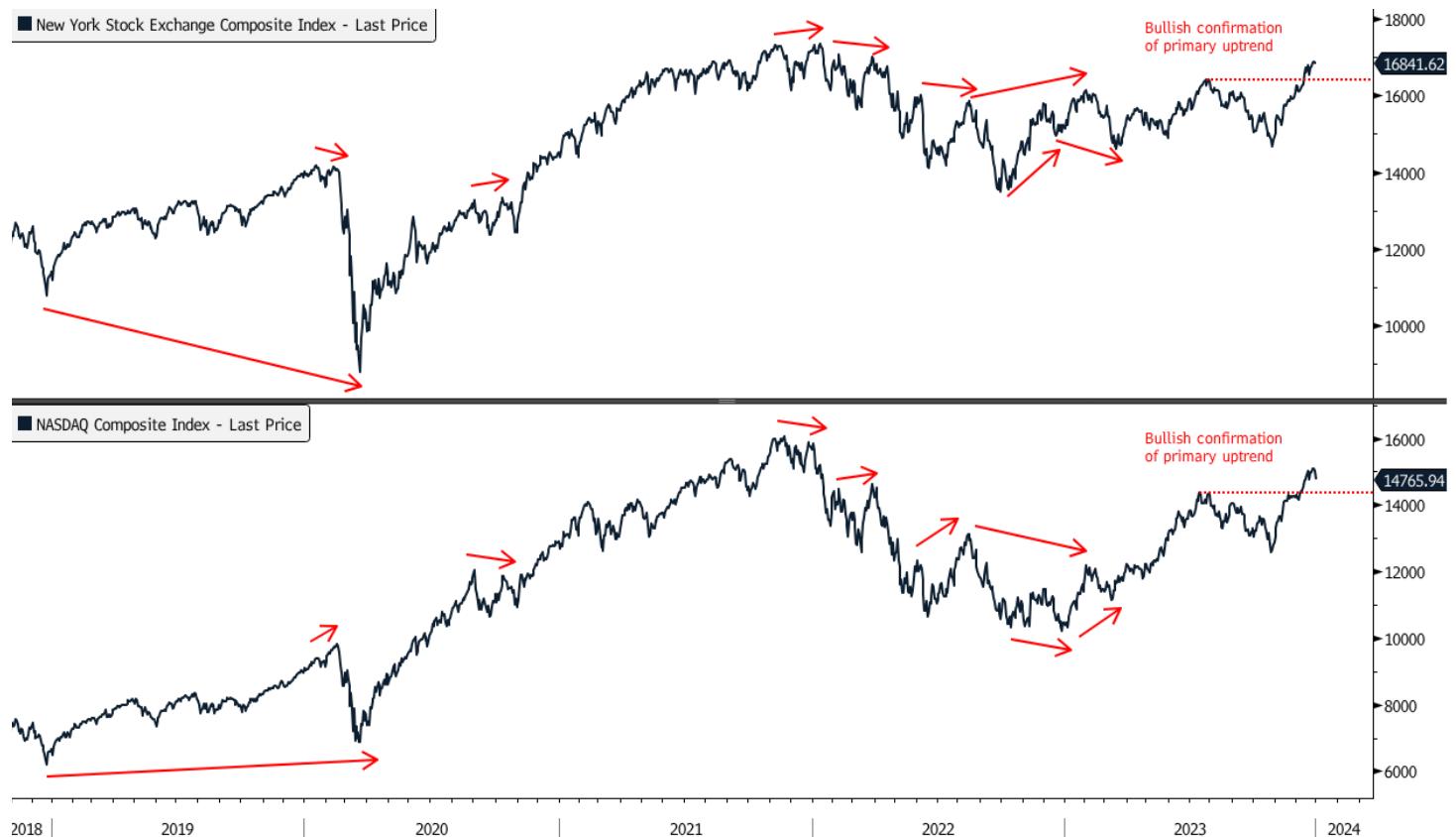
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Bullish confirmation from NYSE and NASDAQ Comp

The INDU and TRAN are price-weighted indices of 30 and 20 stocks, respectively. The NYSE (NYA) has 1913 stocks, and the NASDAQ Comp (CCMP) has 3418 stocks. Using these two broad-based indices for Dow Theory shows a confirmed primary uptrend (aka bull market) with new recovery highs for both indices into late December 2023.

Chart 15: Dow Theory: NYSE (top) and NASDAQ Comp (bottom): Daily closing price chart

The INDU and TRAN are price-weighted indices of 30 and 20 stocks, respectively. The NYSE (NYA) has 1913 stocks, and the NASDAQ Comp (CCMP) has 3418 stocks. Using these two broad-based indices for Dow Theory shows a confirmed primary uptrend (aka bull market) with new recovery highs for both indices into late December 2023.



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, Dec 29, 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, Real Estate, Discretionary and Comm Services. Bottom Five: Energy, Utilities, Staples, Health Care and Materials.

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

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

New highs and new lows: 52-week closing basis highs: SPX, Tech, Financials, Comm Services, Industrials and Health Care. 13-week highs: Real Estate and Staples. 13- week high vs SPX: Industrials. 52-week low vs SPX: Energy.

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, Real Estate, Discretionary and Comm Services. Bottom Five: Energy, Utilities, Staples, Health Care and Materials.

Name	Price	Tactical trend rank	52-week trend	40-week trend	40-week trend vs. SPX	26-week trend	26-week trend vs. SPX	13-week trend	13-week trend vs. SPX	13-week high/low vs. SPX	52-week high/low vs. SPX
S&P 500 INFO TECH INDEX	3397.16	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 FINANCIALS INDEX	626.35	2	6	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 REAL ESTATE IDX	251.58	3	7	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 CONS DISCRET IDX	1418.09	4	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
COMSVCSSLCTPR	380.18	5	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	Low
S&P 500 INDUSTRIALS IDX	964.73	6	4	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 MATERIALS INDEX	539.62	7	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 HEALTH CARE IDX	1590.36	8	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
S&P 500 CONS STAPLES IDX	762.32	9	9	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low
S&P 500 UTILITIES INDEX	321.92	10	11	Bearish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low
S&P 500 ENERGY INDEX	640.05	11	10	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Low	Low

Source: BofA Global Research, Bloomberg

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

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Consistent leaders/laggards in tactical ranks

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

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

Consistent top five over last eight weeks: Technology, Financials and Discretionary. Consistent bottom five over last eight weeks: Utilities, Staples and Health Care.

Sector	29-Dec-23	22-Dec-23	15-Dec-23	08-Dec-23	01-Dec-23	24-Nov-23	17-Nov-23	10-Nov-23
S&P 500 Consumer Discretionary	4	4	2	2	4	3	3	3
S&P 500 Consumer Staples	9	9	10	10	10	9	11	9
S&P 500 Energy	11	11	11	11	11	10	8	6
S&P 500 Financials	2	2	3	4	2	4	4	4
S&P 500 Health Care	8	8	8	8	8	8	9	8
S&P 500 Industrials	6	6	5	6	6	5	5	5
S&P 500 Technology	1	1	1	1	1	1	1	1
S&P 500 Materials	7	7	7	7	7	6	6	7
S&P 500 Communication Services	5	5	6	3	3	2	2	2
S&P 500 Utilities	10	10	9	9	9	11	10	11
S&P 500 Real Estate	3	3	4	5	5	7	7	10

Source: BofA Global Research, Bloomberg

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Consistent leaders/laggards in 52-week ranks

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

Sector	29-Dec-23	22-Dec-23	15-Dec-23	08-Dec-23	01-Dec-23	24-Nov-23	17-Nov-23	10-Nov-23
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	9	9	10	10	10	9	9	6
S&P 500 Energy	10	10	8	7	9	10	10	9
S&P 500 Financials	6	6	5	5	5	6	6	8
S&P 500 Health Care	8	8	9	9	8	7	7	7
S&P 500 Industrials	4	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	2	2	1
S&P 500 Materials	5	5	6	6	6	5	5	5
S&P 500 Communication Services	2	2	2	2	2	1	1	2
S&P 500 Utilities	11	11	11	11	11	11	11	11
S&P 500 Real Estate	7	7	7	8	7	8	8	10

Source: BofA Global Research, Bloomberg

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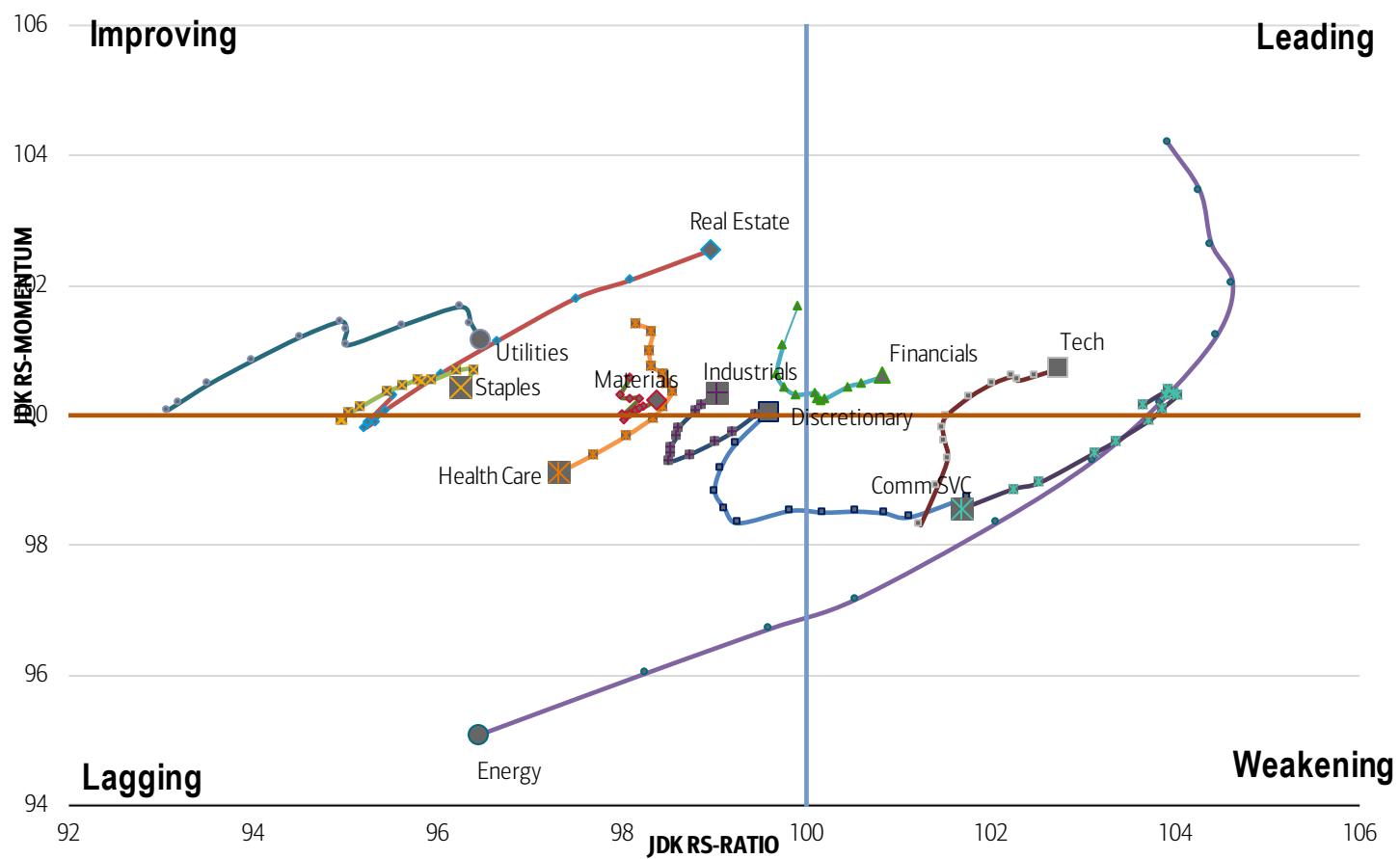


Rotations: Relative rotation graph (RRG)

- **Leading** (positive relative trend and positive relative momentum): Technology and Financials. Both showed bullish (up and to the right) rotation last week.
- **Weakening** (positive relative trend and negative relative momentum): Communication Services, which had bearish (down and to the left) rotation last week.
- **Lagging** (negative relative trend and negative relative momentum): Energy and Health Care. Bearish rotation for Health Care and Energy last week.
- **Improving** (negative relative trend and positive relative momentum): Utilities, Materials, Discretionary (from Lagging) Real Estate, Industrials and Staples. Bullish rotation last week for Discretionary, Industrials, Materials and Real Estate last week. Bearish rotation for Staples and Utilities lost relative momentum.

Chart 16: S&P 500 GICs Level 1 sector weekly relative rotation graph

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



Source: BofA Global Research, Bloomberg

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A visit with the sector relatives

Cyclical sectors: Financials and Industrials firm up relative to the SPX

Weekly closes above the 40-week MA and the September and August peaks versus the SPX suggests a tactical leadership breakout for Financials. The next step for Financials is clearing big relative resistance. The Industrials sector has improved. Regaining broken support, weekly MAs and the 2023 downtrend line suggests that this cyclical sector can resume leadership in 2024.

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

Above 40-week MA suggests a tactical leadership breakout.



Source: BofA Global Research, Bloomberg

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

A "bear trap" suggest that Industrials can resume leadership in 2024.



Source: BofA Global Research, Bloomberg

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A breakdown for Materials, Energy at risk for H&S top versus SPX

The break below support at the mid-2023 and late-2021 lows for Materials versus the SPX suggests risk back to the 2020 relative low. Materials must regain broken supports versus the SPX to improve the outlook. Energy broke out from its 2020 into 2022 head and shoulders (H&S) bottom versus the SPX. This bottom resembled that from 1999-2000, but Energy has stalled. The sector is at risk for a head and shoulders (H&S) top relative to the SPX that would suggest that Energy continues to lag.

Chart 19: Materials relative to the S&P 500: Weekly Chart

Big support going back to late 2021 broke. Risk to 2020 low versus SPX.



Source: BofA Global Research, Bloomberg

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Chart 20: Energy relative to the S&P 500: Weekly Chart

At risk for a relative head and shoulders top.



Source: BofA Global Research, Bloomberg

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Growth sectors: 2023 leadership for Tech and Discretionary

Technology achieved a major leadership breakout on the move above its 2021 and 2000 peaks versus the SPX in May. Holding this breakout would keep the long-term leadership trend intact. Discretionary improved near rising 26/40-week MAs. Continued closes above these MAs would continue the leadership trend for this sector.

Chart 21: Technology relative to the S&P 500: Weekly Chart

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



Source: BofA Global Research, Bloomberg

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Chart 22: Discretionary relative to the S&P 500: Weekly Chart

Weekly closes above rising 26/40-week MAs needed for leadership.



Source: BofA Global Research, Bloomberg

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Comm Services dip in uptrend, SOX breaks out from big base versus SPX

Comm Services remains in a yearlong+ leadership trend. While the sector has corrected (lagged the SPX) since late October, the rising 26-/40-week MAs suggest a tactical dip in a bullish relative trend. A potential bull flag corroborates this view. 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 leadership. This is bullish for the SOX.

Chart 23: Comm Services relative to the S&P 500: Weekly Chart

Tactically positive with a bull flag above 26-/40-week MAs versus the SPX.



Source: BofA Global Research, Bloomberg

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Chart 24: 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

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Defensive Utilities and Staples remain within weak relative trends versus 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. Utilities hit an all-time relative low. Staples hit its lowest level versus the SPX since late 2000.

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

A weak relative trend with continued risk to new lows versus the SPX.



Source: BofA Global Research, Bloomberg

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

A weak relative trend for this defensive sector. Hit a new low in December.



Source: BofA Global Research, Bloomberg

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Real Estate rebounds in downtrend, Health Care pressures 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 has rebounded versus the SPX as the US 10-year yield has dropped from its October peak near 5% but the longer-term downtrend versus the SPX remains intact. Health Care has struggled. The sector is below its 30-year uptrend line versus the SPX and pressuring big support at the late 2021 relative low. This relative support is at risk.

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

A rebound within a longer-term lagging trend.



Source: BofA Global Research, Bloomberg

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Chart 28: Health Care relative to the S&P 500: Weekly Chart

Below its 30-year uptrend line and pressuring 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: Housing, Semiconductors, Software & Services, Information Technology, Retailing, Media, Consumer Discretionary and Communication 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 and Utilities.

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		26-week	13-week	13-week	52-week	
		trend rank	week Rank	trend	trend vs. SPX	trend	trend vs. SPX	trend vs. SPX	high/low vs. SPX	
PHILA HOUSING INDEX	658.46	1	3	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
KBW REGIONAL BANKING INX	109.52	2	31	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High
PHILA SEMICONDUCTOR INDEX	4175.47	3	2	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
KBW BANK INDEX	96.02	4	32	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High
KBW CAPITAL MARKETS INDEX	610.38	5	13	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High
S&P 500 SFTW & SVCS INDEX	4246.53	6	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High
S&P 500 INFO TECH INDEX	3397.16	7	4	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 RETAILING INDEX	3888.77	8	8	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High
S&P 500 ROAD & RAIL INDEX	2899.04	9	14	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High
S&P 500 FINANCIALS INDEX	626.35	10	17	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High
S&P 500 MACHINERY INDEX	1975.10	11	10	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bearish at risk	High
S&P 500 REAL ESTATE IDX	251.58	12	19	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish	High
S&P 500 Media & Ent	1003.41	13	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High
S&P 500 CONS DISCRET IDX	1418.09	14	9	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High
S&P 500 AERO & DEFNS IDX	1513.05	15	21	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High
COMSVCSSLCTPR	380.18	16	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High
S&P 500 INDUSTRIALS INDEX	964.73	17	12	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish	High
NASDAQ BIOTECH INDEX	4370.59	18	23	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bearish at risk	High
S&P 500 PROP&CASULTY INDEX	980.65	19	18	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish at risk	Low
S&P 500 LIFE&HLTH IN INDEX	479.98	20	26	Bullish	Bearish at risk	Bullish	Bullish at risk	Bullish	Bearish	Low
S&P 500 TELECOMM SVCS IX	118.93	21	30	Bearish at risk	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High
NYSE Arca Biotechlgd Idx	5418.80	22	25	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish at risk	High
S&P 500 MATERIALS INDEX	539.62	23	15	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High
S&P 500 TECH HW & EQP IX	3555.85	24	7	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	Low
S&P 500 TRANSPN INDEX	997.91	25	16	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High
PHILA GOLD & SILVER INDEX	125.69	26	22	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	High
ALERIAN MLP INDEX	254.31	27	11	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	Low
S&P 500 INSURANCE INDEX	639.04	28	20	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	Low
S&P 500 HC EQUIP&SVC INDEX	1899.15	29	24	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low
S&P 500 HEALTH CARE INDEX	1590.36	30	27	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High
S&P 500 CONS STAPLES INDEX	762.32	31	28	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	Low
S&P 500 PHARM INDEX	989.35	32	29	Bullish	Bearish	Bearish at risk	Bearish	Bearish at risk	Bearish	Low
S&P 500 UTILITIES INDEX	321.92	33	34	Bearish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	Low
S&P 500 ENERGY INDEX	640.05	34	33	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	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, Software & Services, Retailing and Media & Entertainment.

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 Household & Personal Products.

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	52-	40-week	40-week	26-week	26-week	13-week	13-week	13-week	52-week
		trend	week		trend vs.		trend		high/low vs. SPX	high/low	high/low vs. SPX
S&P 500 SEMI & SEMI EQP	3279.51	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 BANKS INDEX	351.16	2	17	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High	
S&P 500 SFTW & SVCS INDX	4246.53	3	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High
S&P 500 CON DUR&AP INDEX	432.49	4	10	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 RETAILING INDEX	3888.77	5	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 CAPITAL GDS IDX	1023.65	6	9	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 REAL ESTATE INDX	250.96	7	15	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 Media & Ent	1003.41	8	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High	Low
S&P 500 DIV FINANCIAL IX	1090.79	9	11	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bearish at risk	High	High
S&P 500 CONS SRV IDX	1632.73	10	7	Bullish	Bearish at risk	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 FOOD/STPL RETAIL	705.42	11	12	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 TELECOMM SVCS IX	118.93	12	20	Bearish at risk	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 Comm & Prof Serv	579.03	13	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
S&P 500 MATERIALS INDEX	539.62	14	13	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 TECH HW & EQP IX	3555.85	15	5	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	High	Low
S&P 500 TRANSPN INDEX	997.91	16	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 INSURANCE INDEX	639.04	17	16	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish		Low
S&P 500 AUTO & COMP IDX	136.48	18	2	Bullish	Bullish at risk	Bearish at risk	Bearish	Bearish at risk	Bearish	Low	
S&P 500 HC EQUIP&SVC IDX	1899.15	19	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
S&P 500 PHRM BIO & LF SC	1275.84	20	19	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	
S&P 500 UTILITIES INDEX	321.92	21	24	Bearish	Bearish	Bearish	Bearish at risk	Bearish	Bearish	High	Low
S&P 500 FD BEV & TOB IDX	797.79	22	23	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish at risk	High	Low
S&P 500 HH & PR PDTs IDX	805.07	23	22	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish at risk	Bearish	Low
S&P 500 ENERGY INDEX	640.05	24	21	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Low	Low

Source: BofA Global Research, Bloomberg

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

BofA GLOBAL RESEARCH



Bullish: Net Tabs have firmed up

Net Tab achieved a confirming overbought in December

After reaching a +5 oversold (inverted scale) near SPX 3500 in late 2022, the Net Tab triggered a bullish trend continuation signal on a move to -1 in early February 2023 (see our report, [Bullish continuation signals from Net Tabs and sentiment](#)). A nearly oversold +2 reading in late October, which was after a 10% correction from late July, preceded a strong rebound into yearend (see our report, [Tracking the corrective phase](#)). This rally took the Net Tab to a mild overbought level of -3 versus the overbought zone from -3 to -6. We view this as a confirming overbought prior to last week's move back to -2.

Table 7: Net Tab Indicator: Components and values

The Net Tab moved back to -2 from -3 last week.

	Level	Change	Current Week	Last Week	Change
S&P 500			4769.83	4754.63	0.32%
NYSE Stocks over 200 DMA	-1	0	72.66%	72.70%	-0.04%
5 week A/D Diffusion	-1	0	57.19%	56.93%	0.27%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	49.10%	47.70%	1.40%
30 Day Arms Index	1	1	1.06	1.06	0.53%
25 day CBOE Put/Call	1	0	92.36	92.36	0.00%
This Week net	-2				
Last Week net	-3				

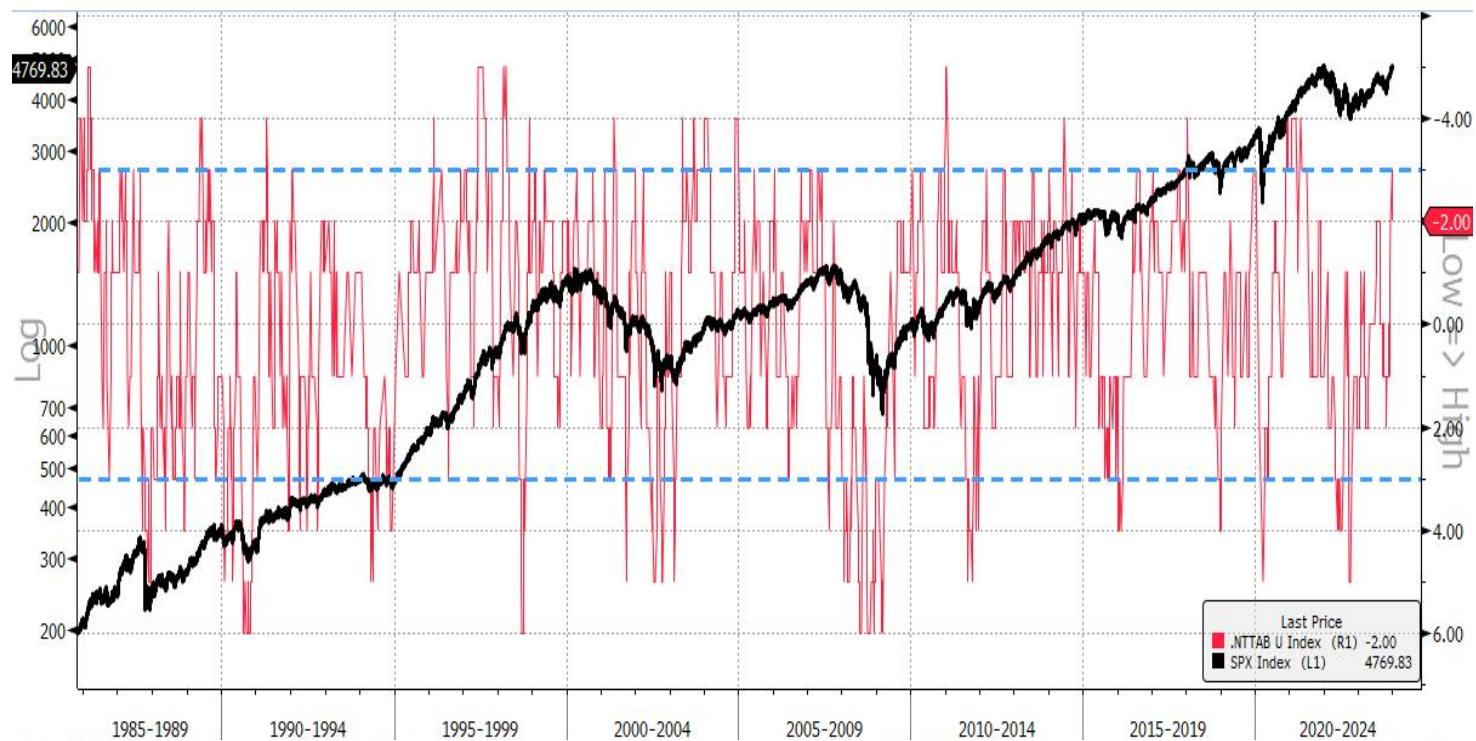
Source: BofA Global Research, Bloomberg

*Data restricted by provider

BofA GLOBAL RESEARCH

Chart 29: Net Tab Indicator: Components and values

A nearly oversold +2 reading in late October preceded a strong rebound into yearend. This rally took the Net Tab to a mild overbought level of -3 versus the overbought zone from -3 to -6. We view this as a confirming overbought prior to last week's move back to -2 on the Net Tab.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Net Tab Bands: Bullish off a +3 oversold

The Net Tab Bands moved at -2 in December after reaching oversold levels (+3 to +6) from 10/27 through 11/10 (inverted scale). The last +3 oversold in late March preceded a solid rally into late July, and the late October into early November oversold triggered a rally into yearend.

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](#)). At -2 last week, this indicator is closer to a “bullish confirming” overbought reading from -3 to -6.

Table 8: Net Tab Bands Indicator: Components and values

The Net Tab Bands indicator remained at -2 last week after hitting a +3 oversold from late Oct into early Nov.

	Level	Change	Current Week	Last Week	Change
S&P 500					
NYSE Stocks over 200 DMA	0	0	4769.83	4754.63	0.32%
McClellan Summation Index	-1	0	1,078.47	920.70	17.14%
Investment Services Bearish	0	0	*	*	*
BoFA Short Term Sentiment	-1	0	49.10%	47.70%	1.40%
30 Day Arms Index	0	0	1.06	1.06	0.53%
25 day CBOE Put/Call	0	0	92.36	92.36	0.00%
This Week net	-2				
Last Week net	-2				

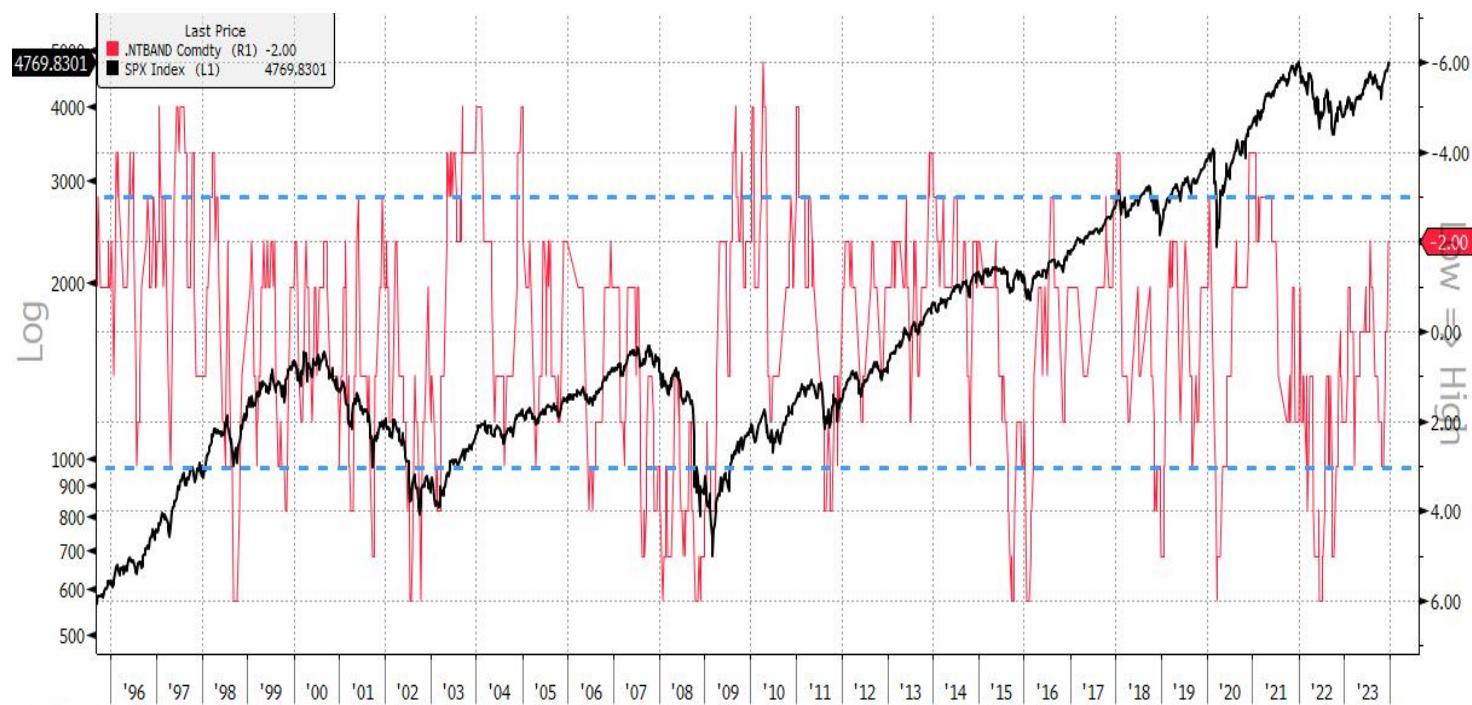
Source: BofA Global Research, Bloomberg

*Data restricted by provider

BofA GLOBAL RESEARCH

Chart 30: S&P 500 with the Net Tab Bands: Weekly chart

The Net Tab Bands remained at -2 last week after reaching oversold from 10/27 through 11/10 (inverted scale). The prior +3 oversold in late March preceded a solid rally into late July, and the late October into early November oversold has triggered a rally into yearend.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



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

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1}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.

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