

Market Analysis Comment

Tactical overhangs

Market Analysis

Sentiment: Plenty of believers = tactical risk in early 2024

Sentiment indicators such as Farrell Sentiment, asset manager S&P 500 (SPX) E-mini net futures position and the 25-day put/call have risen, entering 2024 near complacent levels. Although not yet euphoric, individual and institutional investor sentiment suggests that many investors have embraced the 34% rally from the October 2022 low and participated in the 16% catch-up rally from late October into yearend. In our view, this fits with the potential for a sideways to lower US equity market over the first few months of 2024 (see our report, [2024 Equity Technical Strategy Year Ahead](#)).

Daily and Weekly Demark exhaustion signals

The overhang from recent daily and weekly Demark upside exhaustion signals remains a key risk in early 2024 (see our report, [Tactical hangover entering 2024](#)). Another bearish weekly Demark 13 may form on the SPX this week. These signals suggest that a sustained move to new highs above the early 2022 peak of 4819 on the SPX may be elusive in early 2024. This fits with the weaker January-May pattern for the SPX in Presidential election years (see our report, [2024 Equity Technical Strategy Year Ahead](#)).

Tactical breadth still bearish

While the major advance-decline lines have confirmed a bullish backdrop for 2024 (see our report, [2024 Equity Technical Strategy Year Ahead](#)), tactical market breadth indicators like the percentage of stocks above 10-day moving averages and the percentage of stocks above 50-day moving averages are on bearish signals, which is another risk for early 2024.

Macro SPX risk from the US Dollar Index and 10-year yield

Recently, downward trends for both the US Dollar Index (DXY) and US 10-year Treasury yield have been positive for the SPX, while a rise in both the DXY and 10-year yield have provided an overhang for the SPX. Peaks in the DXY and 10-year yield coincided with lows for the SPX in October 2022 and October 2023 (see our report, [The chase is on](#)). We think that recoveries from late December lows for the DXY and US 10-year yield provide an overhang that increases the risk for tactical downside on the SPX.

But cyclical and secular uptrends offer a bullish backdrop

Our 2024 Equity Technical Year ahead highlighted the positive backdrop of mid cycle cyclical and secular uptrends confirmed by the major advance-decline lines, credit spreads and financial conditions. This suggests that early 2024 is not like early 2022, which was when many of these indicators did not confirm the rally into the January 2022 peak that preceded the cyclical bear market into the October 2022 low on the SPX. In addition, 2022 was the midterm year, or the weakest year of the Presidential Cycle. 2024 is the Presidential election year, which is a solid year, but it has a more challenging 1H and a much stronger 2H. See our report, [2024 Equity Technical Strategy Year Ahead](#).

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Market Analysis
United States

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Technical Strategy notes

[2024 Equity Technical Strategy Year Ahead: Cyclical uptrend within a secular bull market](#) 12 January 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
- OAS: Option adjusted spread
- P&C: Property and Casualty
- SPX: S&P 500

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Refer to important disclosures on page 24 to 26. Analyst Certification on page 22. 12647185

Contents

Tactical overhangs	3
Sentiment: Plenty of believers = tactical risk in early 2024	3
Daily and Weekly Demark exhaustion signals	7
Tactical breadth still bearish	9
Macro SPX risk from the US Dollar Index and 10-year yield	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 stalls at -2	21
Net Tab methodology	22

Tactical overhangs

Sentiment: Plenty of believers = tactical risk in early 2024

Sentiment indicators such as Farrell Sentiment, asset manager S&P 500 (SPX) E-mini net futures position and the 25-day put/call have risen, entering 2024 near complacent levels. Although not yet euphoric, individual and institutional investor sentiment suggests that many investors have embraced the 34% rally from the October 2022 low and participated in the 16% catch-up rally from late October into yearend. In our view, this fits with the potential for a sideways to lower US equity market over the first few months of 2024 (see our report, [2024 Equity Technical Strategy Year Ahead](#)).

Chart 1: S&P 500 (top) and Farrell Sentiment (bottom): Weekly chart

Although still below euphoric levels, individual investor sentiment as measured by Farrell Sentiment suggests that many investors have embraced the 34% rally from the October 2022 low and participated in the 16% catch-up rally from late October into yearend.



Source: BofA Global Research, Bloomberg

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Chart 2: S&P 500 (top) and CFTC CME E-mini S&P 500 Asset Manager Institutional Net Total/Futures (bottom): Weekly chart

Although still below euphoric levels, institutional investor sentiment as measured by E-mini S&P 500 Asset Manager futures positioning suggests that many professional investors have embraced the 34% rally from the October 2022 low and participated in the 16% catch-up rally from late October into yearend.

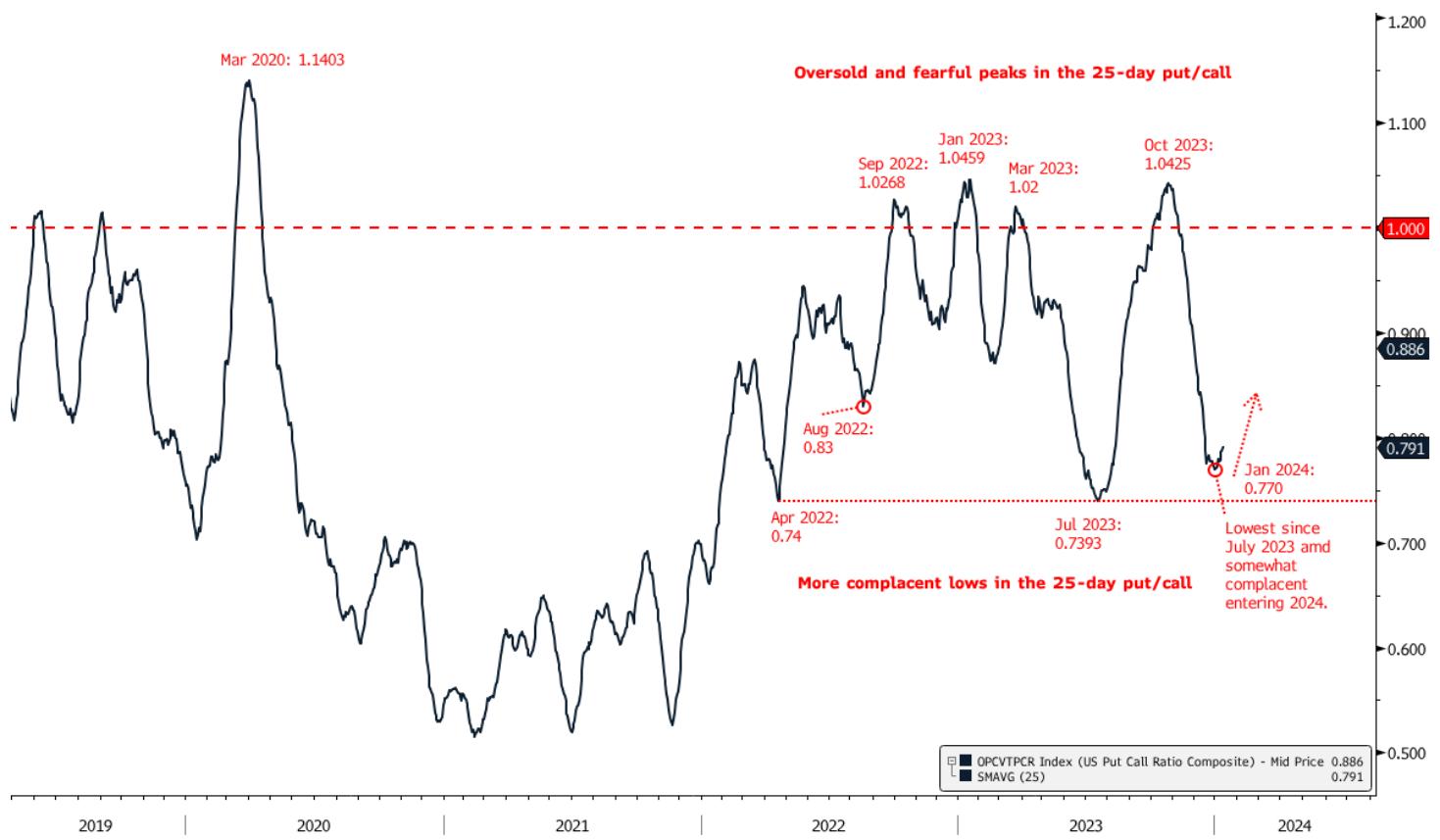


Source: BofA Global Research, Bloomberg

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Chart 3: 25-day put/call ratio: Daily chart

The 25-day put/call ratio has risen after hitting its most complacent level since July in early January. This confirms tactical risk for US equities in early 2024.



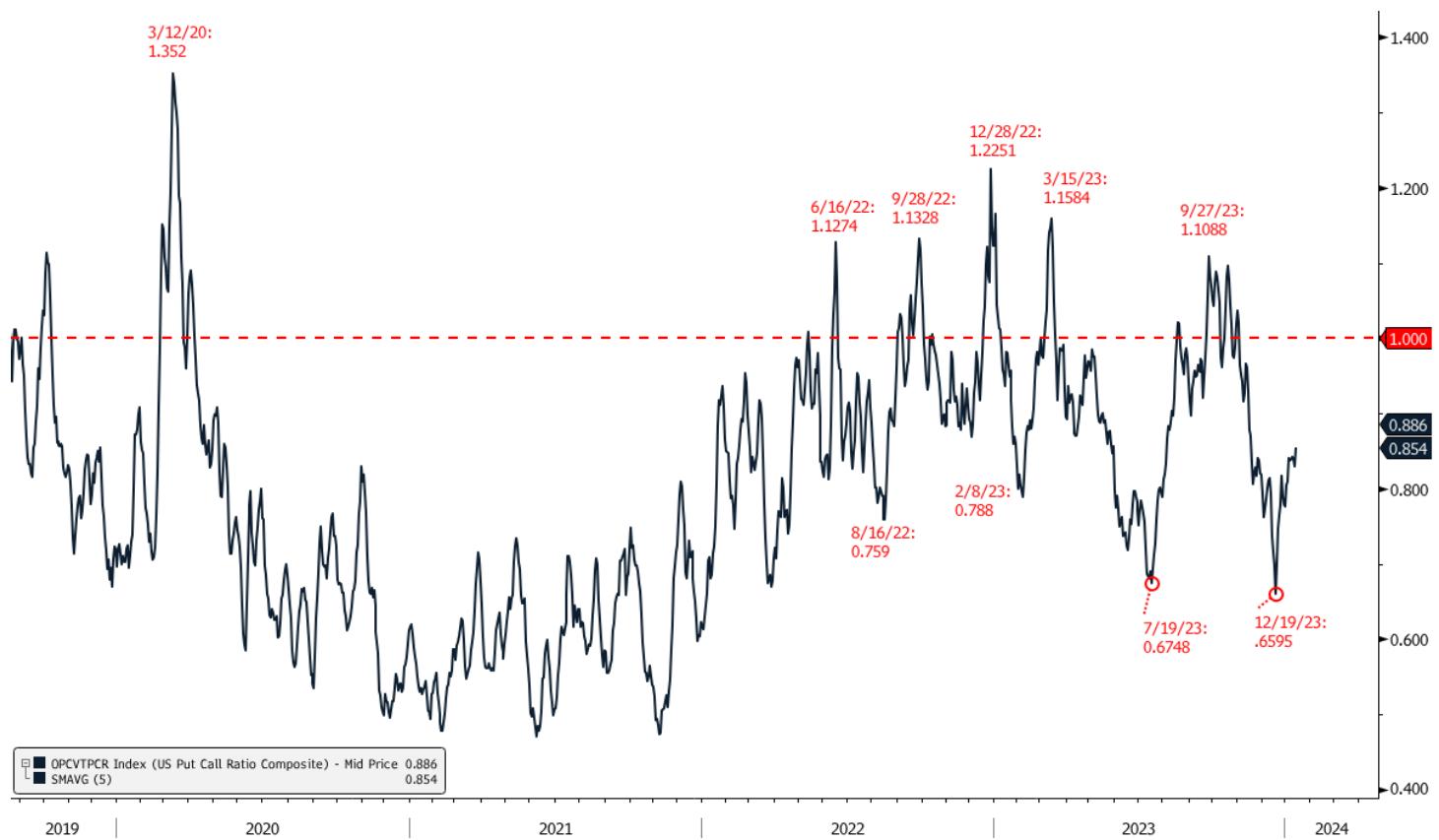
Source: BofA Global Research, Bloomberg

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Chart 4: 5-day put/call ratio: Daily chart

The 5-day put/call ratio has risen after hitting its most complacent level since July in late December. This confirms tactical risk for US equities in early 2024.



Source: BofA Global Research, Bloomberg

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Daily and Weekly Demark exhaustion signals

The overhang from recent daily and weekly Demark upside exhaustion signals remains a key risk in early 2024 (see our report, [Tactical hangover entering 2024](#)). Another bearish weekly Demark 13 may form on the SPX this week. These signals suggest that a sustained move to new highs above the early 2022 peak of 4819 on the SPX may be elusive in early 2024. This fits with the weaker January-May pattern for the SPX in Presidential election years (see our report, [2024 Equity Technical Strategy Year Ahead](#)).

Chart 5: S&P 500: Daily chart with Demark exhaustion signals

The overhang from recent daily Demark upside exhaustion signals remains a key risk in early 2024. These signals suggest that a sustained move to new highs above the early 2022 peak of 4819 on the SPX may be elusive in early 2024.



Source: BofA Global Research, Bloomberg

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Chart 6: S&P 500: Weekly chart with Demark exhaustion signals

The overhang from recent weekly Demark upside exhaustion signals remains a key risk in early 2024. Another bearish weekly 13 may form on the SPX this week. These signals suggest that a sustained move to new highs above the early 2022 peak of 4819 on the SPX may be elusive in early 2024.



Source: BofA Global Research, Bloomberg

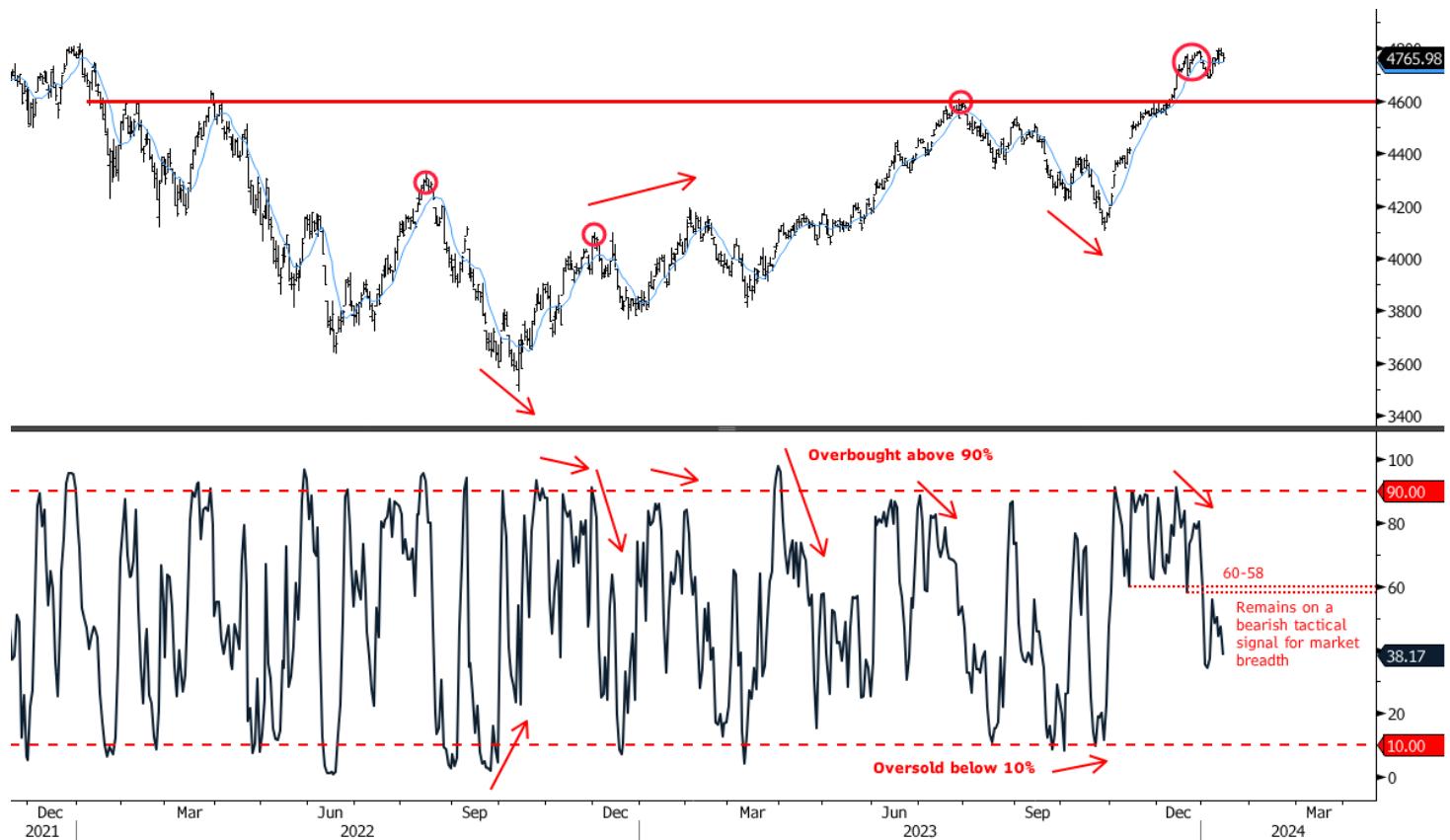
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Tactical breadth still bearish

While the major advance-decline lines have confirmed a bullish backdrop for 2024 (see our report, [2024 Equity Technical Strategy Year Ahead](#)), tactical market breadth indicators like the percentage of stocks above 10-day moving averages and the percentage of stocks above 50-day moving averages are on bearish signals, which is another risk for early 2024.

Chart 7: S&P 500 (top) and the percentage of S&P 500 stocks above 10-day moving averages (bottom): Daily chart

The percentage of stocks above 10-day moving averages is on a bearish signal, which is a risk for early 2024.



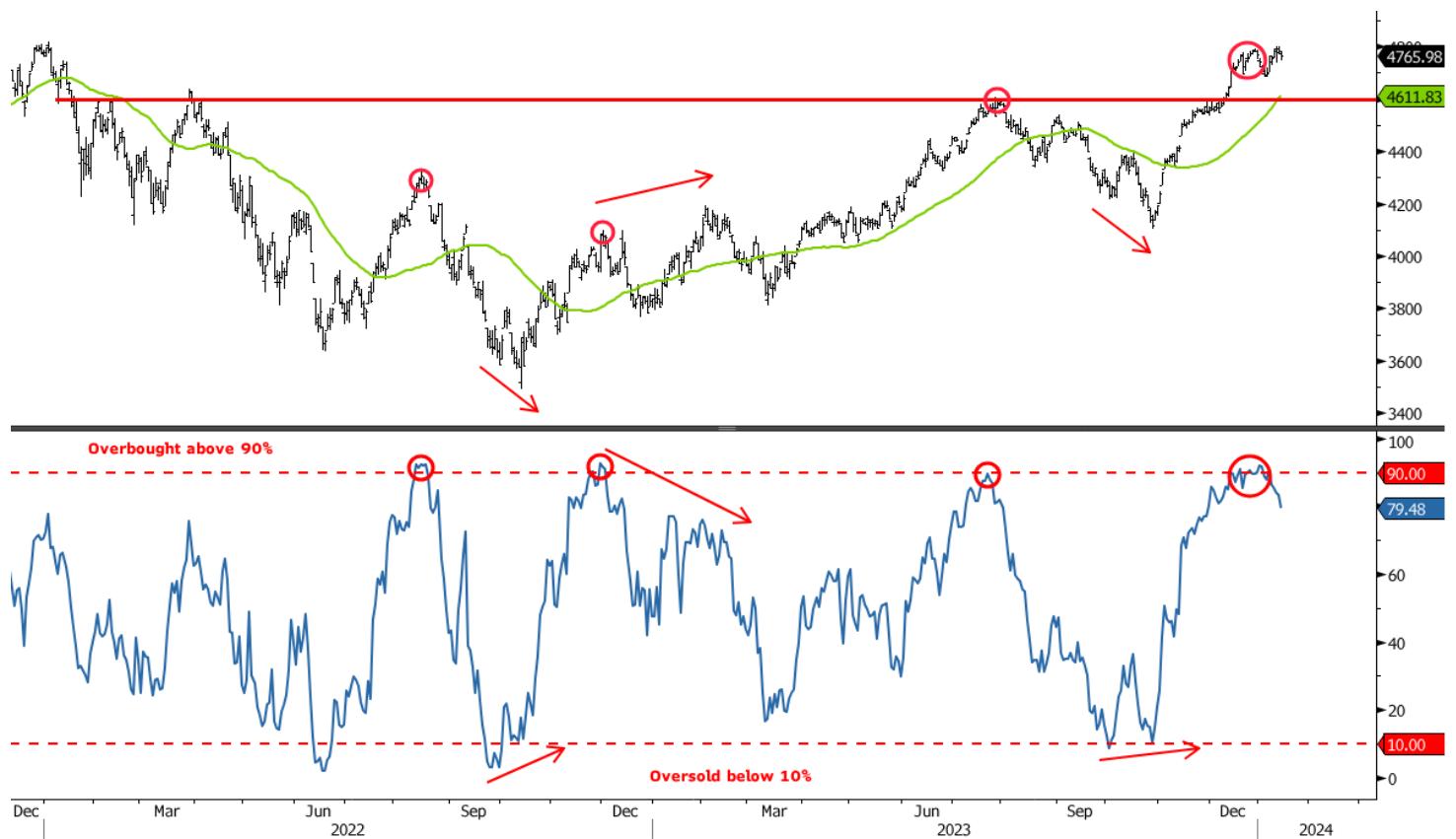
Source: BofA Global Research, Bloomberg

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Chart 8: S&P 500 (top) and the percentage of S&P 500 stocks above 50-day moving averages (bottom): Daily chart

The percentage of stocks above 50-day moving averages is on a bearish signal, which is a risk for early 2024.



Source: BofA Global Research, Bloomberg

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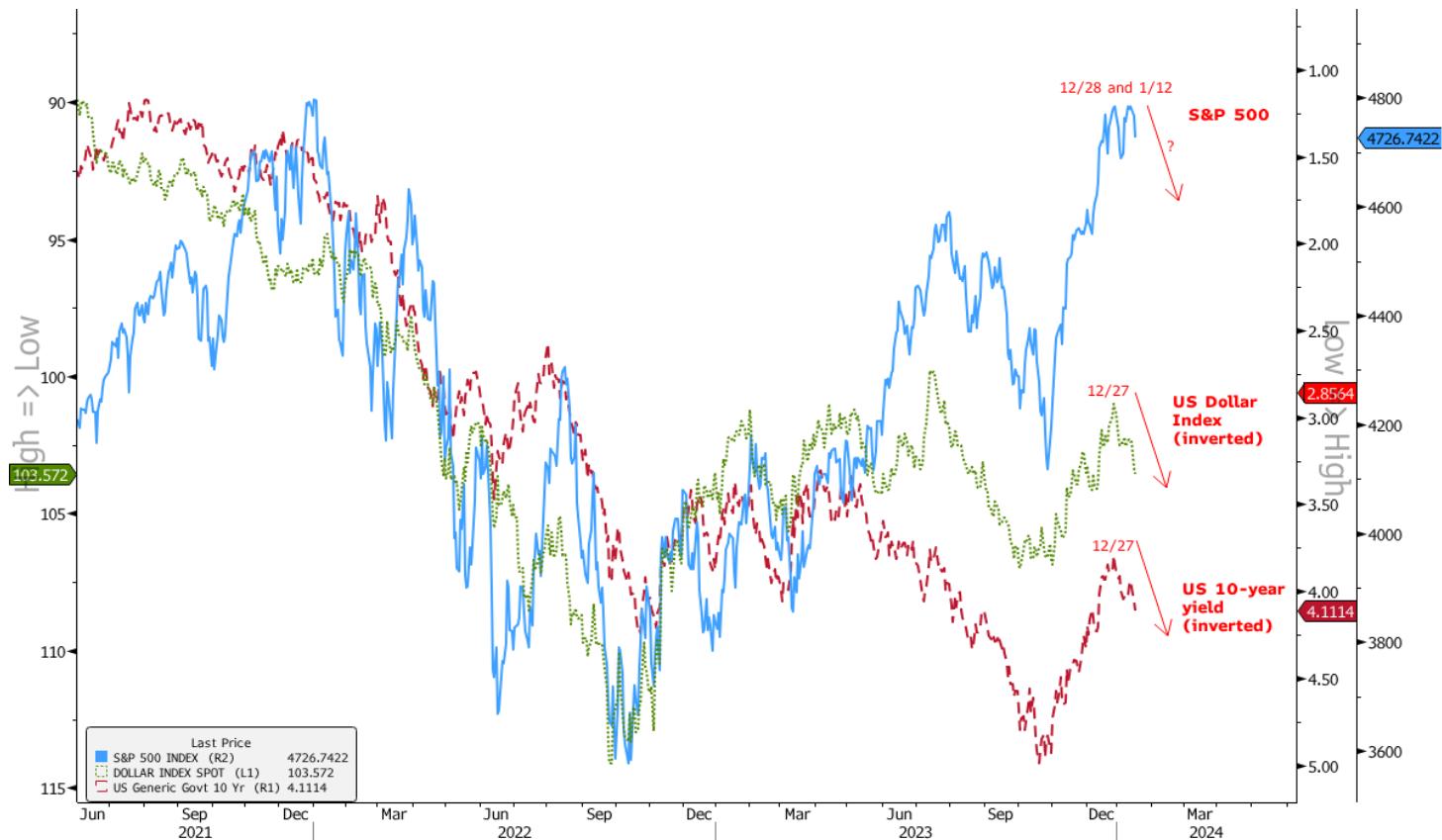
Macro SPX risk from the US Dollar Index and 10-year yield

Recently, downward trends for both the US Dollar Index (DXY) and US 10-year Treasury yield have been positive for the SPX, while a rise in both the DXY and 10-year yield have provided an overhang for the SPX. Peaks in the DXY and 10-year yield coincided with lows for the SPX in October 2022 and October 2023 (see our report, [The chase is on](#)).

We think that recoveries from late December lows for the DXY and US 10-year yield provide an overhang that increases the risk for tactical downside on the SPX.

Chart 9: S&P 500, US 10-year yield (inverted scale) and US Dollar Index (inverted scale): Daily chart

Peaks in the DXY and 10-year yield coincided with lows for the SPX in October 2022 and October 2023. Recoveries from late December lows for the DXY and US 10-year yield provide an overhang that increases the risk for tactical downside on the SPX in early 2024.



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, Jan 12, 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, Comm Services, Financials, Real Estate, and Health Care. Bottom Five: Energy, Utilities, Staples, Materials and Industrials.

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

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

New highs and new lows: 52-week closing basis highs: SPX (also an all-time weekly closing basis high), Tech, Comm Services and Health Care. Staples hit a 13-week high last week. 52-week lows vs SPX: Materials and 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, Comm Services, Financials, Real Estate, and Health care. Bottom Five: Energy, Utilities, Staples, Materials and Industrials

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	52-week high/low	52-week high/low vs. SPX
S&P 500 INFO TECH INDEX	3417.85	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
COMSVCSSLCTPR	385.56	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	High	High	High
S&P 500 FINANCIALS INDEX	625.08	3	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 REAL ESTATE IDX	248.37	4	7	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High
S&P 500 HEALTH CARE IDX	1637.75	5	6	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High	High
S&P 500 CONS DISCRET IDX	1390.05	6	3	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	High	High	High
S&P 500 INDUSTRIALS IDX	949.41	7	4	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High	High
S&P 500 MATERIALS INDEX	526.40	8	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High
S&P 500 CONS STAPLES IDX	771.38	9	9	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low	Low
S&P 500 UTILITIES INDEX	321.70	10	11	Bearish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low	Low
S&P 500 ENERGY INDEX	631.77	11	10	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Low	Low	Low

Source: BofA Global Research, Bloomberg

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

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Consistent leaders/laggards in tactical ranks

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

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, Staples and Energy.

Sector	12-Jan-24	05-Jan-24	29-Dec-23	22-Dec-23	15-Dec-23	08-Dec-23	01-Dec-23	24-Nov-23
S&P 500 Consumer Discretionary	6	7	4	4	2	2	4	3
S&P 500 Consumer Staples	9	10	9	9	10	10	10	9
S&P 500 Energy	11	11	11	11	11	11	11	10
S&P 500 Financials	3	1	2	2	3	4	2	4
S&P 500 Health Care	5	6	8	8	8	8	8	8
S&P 500 Industrials	7	5	6	6	5	6	6	5
S&P 500 Technology	1	4	1	1	1	1	1	1
S&P 500 Materials	8	8	7	7	7	7	7	6
S&P 500 Communication Services	2	2	5	5	6	3	3	2
S&P 500 Utilities	10	9	10	10	9	9	9	11
S&P 500 Real Estate	4	3	3	3	4	5	5	7

Source: BofA Global Research, Bloomberg

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Consistent leaders/laggards in 52-week ranks

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

Table 4: 52-week ranks – current and historical sector rankings

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

Sector	12-Jan-24	05-Jan-24	29-Dec-23	22-Dec-23	15-Dec-23	08-Dec-23	01-Dec-23	24-Nov-23
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	9	10	9	9	10	10	10	9
S&P 500 Energy	10	9	10	10	8	7	9	10
S&P 500 Financials	5	5	6	6	5	5	5	6
S&P 500 Health Care	6	8	8	8	9	9	8	7
S&P 500 Industrials	4	4	4	4	4	4	4	4
S&P 500 Technology	1	1	1	1	1	1	1	2
S&P 500 Materials	8	6	5	5	6	6	6	5
S&P 500 Communication Services	2	2	2	2	2	2	2	1
S&P 500 Utilities	11	11	11	11	11	11	11	11
S&P 500 Real Estate	7	7	7	7	7	8	7	8

Source: BofA Global Research, Bloomberg

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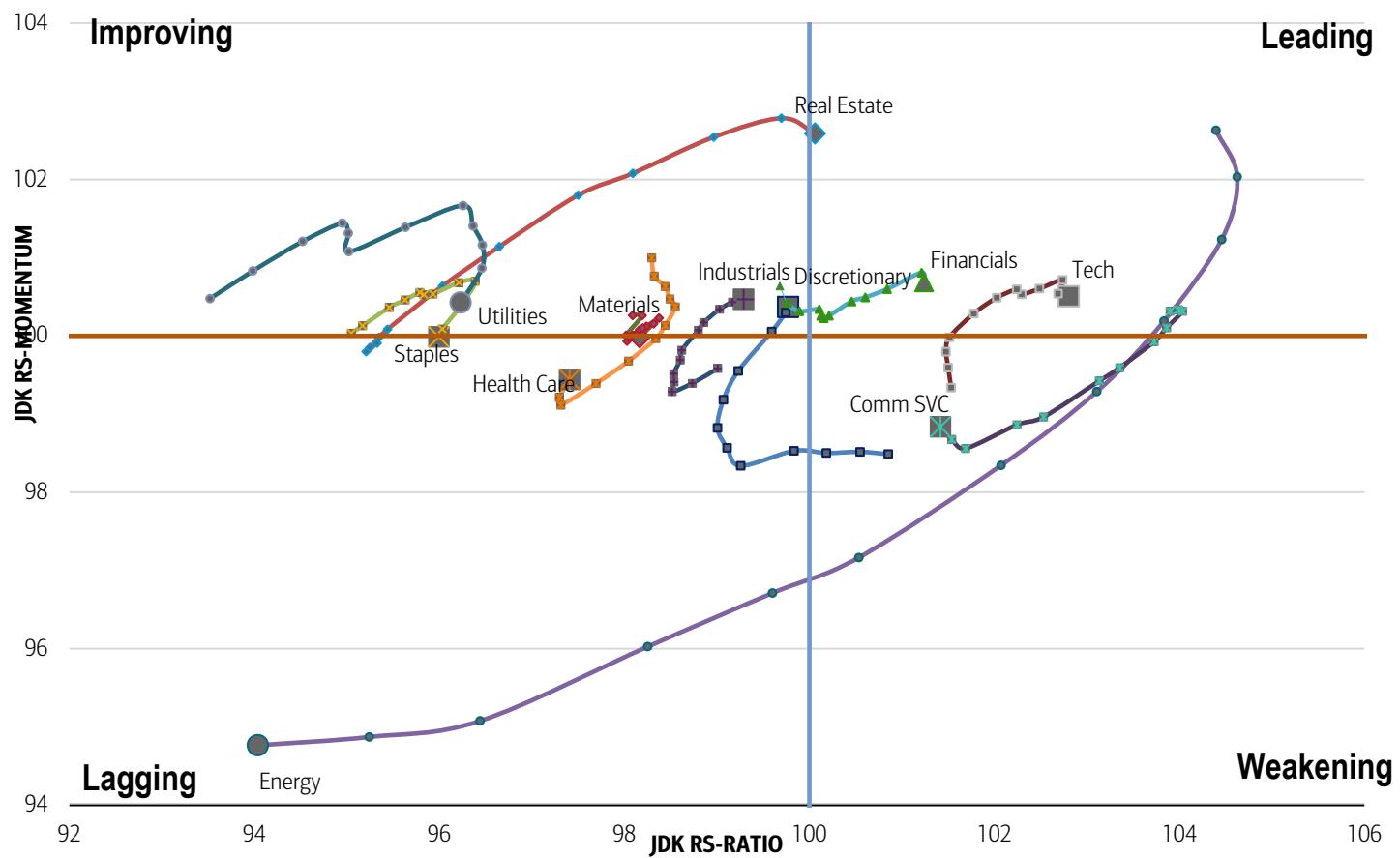


Rotations: Relative rotation graph (RRG)

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

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

Leading: Technology, Real Estate and Financials. Weakening: Communication Services. Lagging: Energy, Health Care, Staples and Materials. Improving: Discretionary, Industrials 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, which would provide a signal for a bigger base. 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 11: Financials relative to the S&P 500: Weekly Chart

Above 40-week MA as this sector forms a potential bigger base vs the SPX.



Source: BofA Global Research, Bloomberg

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Chart 12: 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 breaking down from a 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 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 is at risk for a H&S top relative to the SPX that would suggest that Energy continues to lag.

Chart 13: 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 14: Energy relative to the S&P 500: Weekly Chart

Breaking lower a relative head and shoulders top versus the SPX.



Source: BofA Global Research, Bloomberg

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Growth sectors: Tech stronger than Discretionary relative to the SPX

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 the long-term leadership trend intact. Discretionary improved near rising 26/40-week MAs. Continued closes above these MAs are required to continue the leadership trend for this sector.

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

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 leadership trend from late 2022. The sector has corrected (lagged the SPX) since late October but 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 its leadership. This is bullish for the SOX.

Chart 17: 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 18: 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 19: 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 20: 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 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 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 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

A rebound within a longer-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 its 30-year uptrend line but is held 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: Housing, Software & Services, Banks, Semiconductors, Retailing, Media, Information Technology, Capital Markets, Communication Services, Financials, Life Insurance, Road & Rail and Machinery.

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	40-week	26-week	26-week	13-	13-week	13-week	52-week
		trend	week		trend vs.		trend	trend vs.	trend	high/low	high/low vs. SPX
		rank	Rank	SPX	trend	SPX	trend	trend	SPX	high/low	high/low vs. SPX
PHILA HOUSING INDEX	654.04	1	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 SFTW & SVCS INDX	4350.64	2	4	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
KBW BANK INDEX	94.11	3	34	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
PHILA SEMICONDUCTOR INDX	4052.43	4	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
KBW REGIONAL BANKING INX	105.01	5	31	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 PROP&CASULT IDX	1017.16	6	11	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 RETAILING INDEX	3935.02	7	8	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 Media & Ent	1027.70	8	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	High	High
S&P 500 INFO TECH INDEX	3417.85	9	3	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
NASDAQ BIOTECH INDEX	4472.72	10	22	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High
KBW CAPITAL MARKETS INDX	593.02	11	21	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
COMSVSSLCTPR	385.56	12	6	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish at risk	High	High
S&P 500 FINANCIALS INDEX	625.08	13	19	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 LIFE&HLTH IN IDX	484.84	14	24	Bullish	Bullish	Bullish	Bullish	Bullish	Bearish	High	Low
S&P 500 ROAD & RAIL INDX	2868.58	15	14	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 TELECOMM SVCS IX	119.79	16	29	Bearish at risk	Bearish	Bullish	Bullish	Bullish	Bullish	High	High
S&P 500 REAL ESTATE IDX	248.37	17	25	Bullish	Bearish	Bullish	Bearish at risk	Bullish	Bullish	High	High
S&P 500 INSURANCE INDEX	657.65	18	15	Bullish	Bearish at risk	Bullish	Bullish at risk	Bullish	Bearish	High	Low
S&P 500 HEALTH CARE IDX	1637.75	19	20	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 MACHINERY INDEX	1929.30	20	13	Bullish	Bullish at risk	Bullish	Bullish at risk	Bullish	Bearish at risk	High	High
S&P 500 CONS DISCRET IDX	1390.05	21	9	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 INDUSTRIALS IDX	949.41	22	12	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High
ALERIAN MLP INDEX	258.91	23	10	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	High
S&P 500 PHARM INDEX	1046.05	24	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 HC EQUIP&SVC IDX	1926.04	25	16	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
S&P 500 AERO & DEFNS IDX	1471.30	26	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 TRANSPN INDEX	987.97	27	23	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High
NYSE Arca Biotechlg Idx	5305.34	28	28	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 MATERIALS INDEX	526.40	29	26	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	High
S&P 500 CONS STAPLES IDX	771.38	30	27	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low
S&P 500 TECH HW & EQP IX	3452.33	31	7	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	Low
PHILA GOLD & SILVER INDX	120.64	32	33	Bearish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	Low
S&P 500 UTILITIES INDEX	321.70	33	32	Bearish	Bearish	Bearish	Bearish at risk	Bearish	Bearish	Low	Low
S&P 500 ENERGY INDEX	631.77	34	30	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



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, Banks, 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	13-	13-week	13-week	52-week			
		trend	week		trend vs.		trend	trend vs.	high/low	high/low			
		rank	Rank	SPX	SPX	SPX	trend	SPX	vs. SPX	vs. SPX			
S&P 500 SEMI & SEMI EQP	3334.47	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High		
S&P 500 SFTW & SVCS INDX	4350.64	2	4	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High		
S&P 500 BANKS INDEX	345.46	3	19	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High		
S&P 500 RETAILING INDEX	3935.02	4	6	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High		
S&P 500 Media & Ent	1027.70	5	2	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High		
S&P 500 FOOD/STPL RETAIL	717.71	6	9	Bullish	Bearish at risk		Bullish	Bullish	High	High	High		
S&P 500 REAL ESTATE INDX	248.60	7	17	Bullish	Bearish		Bullish	Bullish	High	High	High		
S&P 500 TELECOMM SVCS IX	119.79	8	22	Bearish at risk		Bullish	Bullish	Bearish at risk		High	High		
S&P 500 CON DUR&AP INDEX	422.92	9	14	Bullish	Bearish	Bullish	Bearish at risk		Bullish	High	High		
S&P 500 DIV FINANCIAL IX	1086.03	10	11	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High	High		
S&P 500 PHRM BIO & LF SC	1328.83	11	16	Bullish	Bearish	Bullish	Bearish		Bullish at risk	High	High		
S&P 500 CAPITAL GDS IDX	1003.15	12	10	Bullish	Bearish		Bullish	Bullish	Bullish	High	High		
S&P 500 INSURANCE INDEX	657.65	13	12	Bullish	Bearish at risk	Bullish	Bearish at risk		Bearish	High	Low		
S&P 500 CONS SRV IDX	1603.19	14	7	Bullish	Bearish	Bullish	Bearish		Bullish at risk	High	High		
S&P 500 HC EQUIP&SVC IDX	1926.04	15	13	Bullish	Bearish	Bullish	Bearish		Bearish	High	Low		
S&P 500 Comm & Prof Serv	575.85	16	8	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low		
S&P 500 TRANSPN INDEX	987.97	17	15	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		High		
S&P 500 MATERIALS INDEX	526.40	18	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish		High		
S&P 500 TECH HW & EQP IX	3452.33	19	5	Bullish	Bearish	Bullish		Bearish	Bullish		Low		
S&P 500 UTILITIES INDEX	321.70	20	24	Bearish		Bearish	Bearish at risk	Bearish	Bullish	Bearish			
S&P 500 HH & PR PDTs IDX	818.78	21	21	Bearish	Bearish	Bearish at risk		Bearish	Bullish	Bearish	High		
S&P 500 FD BEV & TOB IDX	802.54	22	20	Bearish	Bearish	Bearish at risk		Bearish	Bullish	Bearish	Low		
S&P 500 ENERGY INDEX	631.77	23	23	Bullish at risk	Bearish	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Low		
S&P 500 AUTO & COMP IDX	121.66	24	3	Bullish at risk		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



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, last week's 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](#)).

Table 7: Net Tab Indicator: Components and values

The Net Tab moved back to -1 from -3 last week. This move out of overbought is a potential overhang.

	Level	Change	Current Week	Last Week	Change
S&P 500					
NYSE Stocks over 200 DMA	0	1	69.16%	70.31%	-1.15%
5 week A/D Diffusion	-1	0	56.58%	57.12%	-0.54%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	47.70%	48.60%	-0.90%
30 Day Arms Index	1	1	1.12	1.05	6.47%
25 day CBOE Put/Call	1	0	95.24	92.76	2.67%
This Week net	-1				
Last Week net	-3				

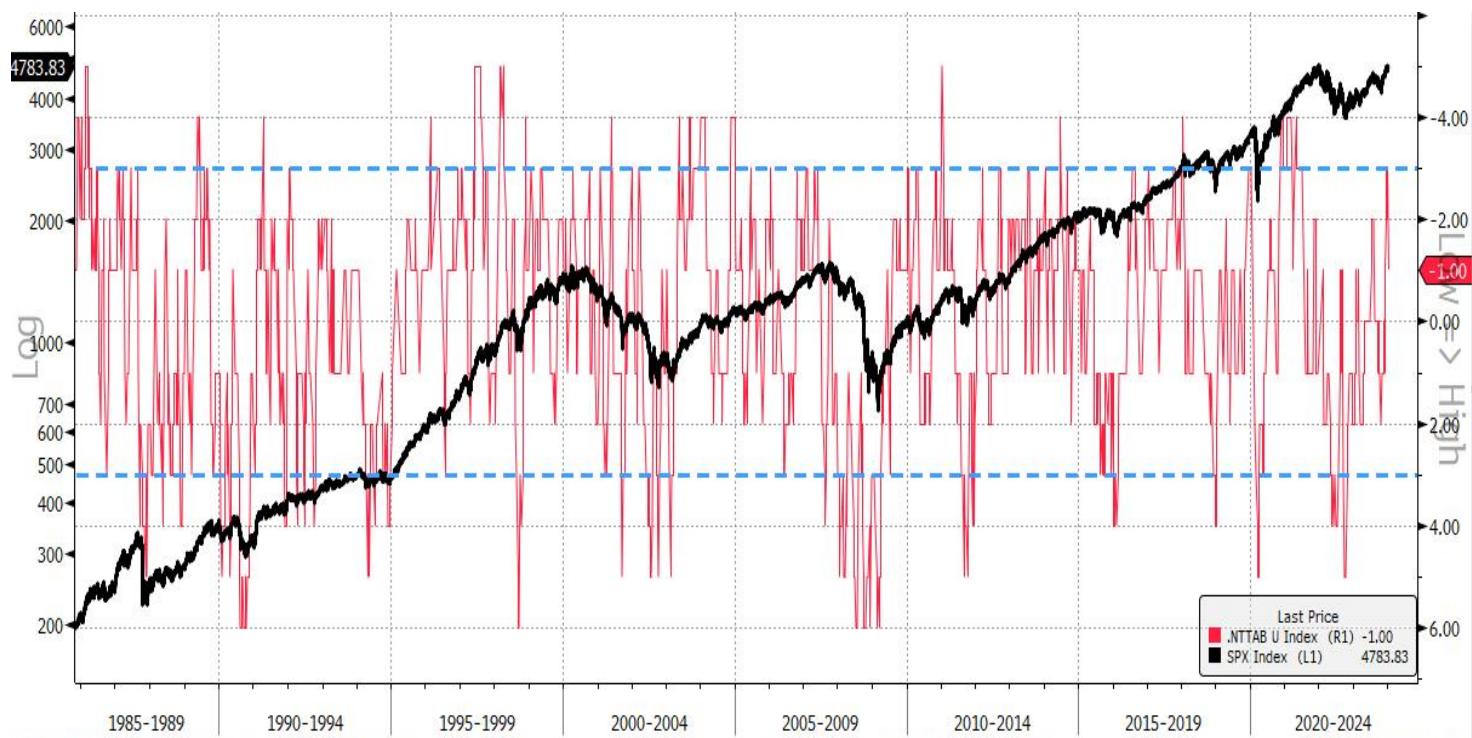
Source: BofA Global Research, Bloomberg

*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 and early January. However, last week's 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 stalls at -2

The Net Tab Bands moved at -2 in December 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 last five weeks.

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 -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	4783.83	4697.24	1.84%
McClellan Summation Index	-1	0	874.86	985.84	-11.26%
Investment Services Bearish	0	0	*	*	*
BofA Short Term Sentiment	-1	0	47.70%	48.60%	-0.90%
30 Day Arms Index	0	0	1.12	1.05	6.47%
25 day CBOE Put/Call	0	0	95.24	92.76	2.67%
This Week net	-2				
Last Week net	-2				

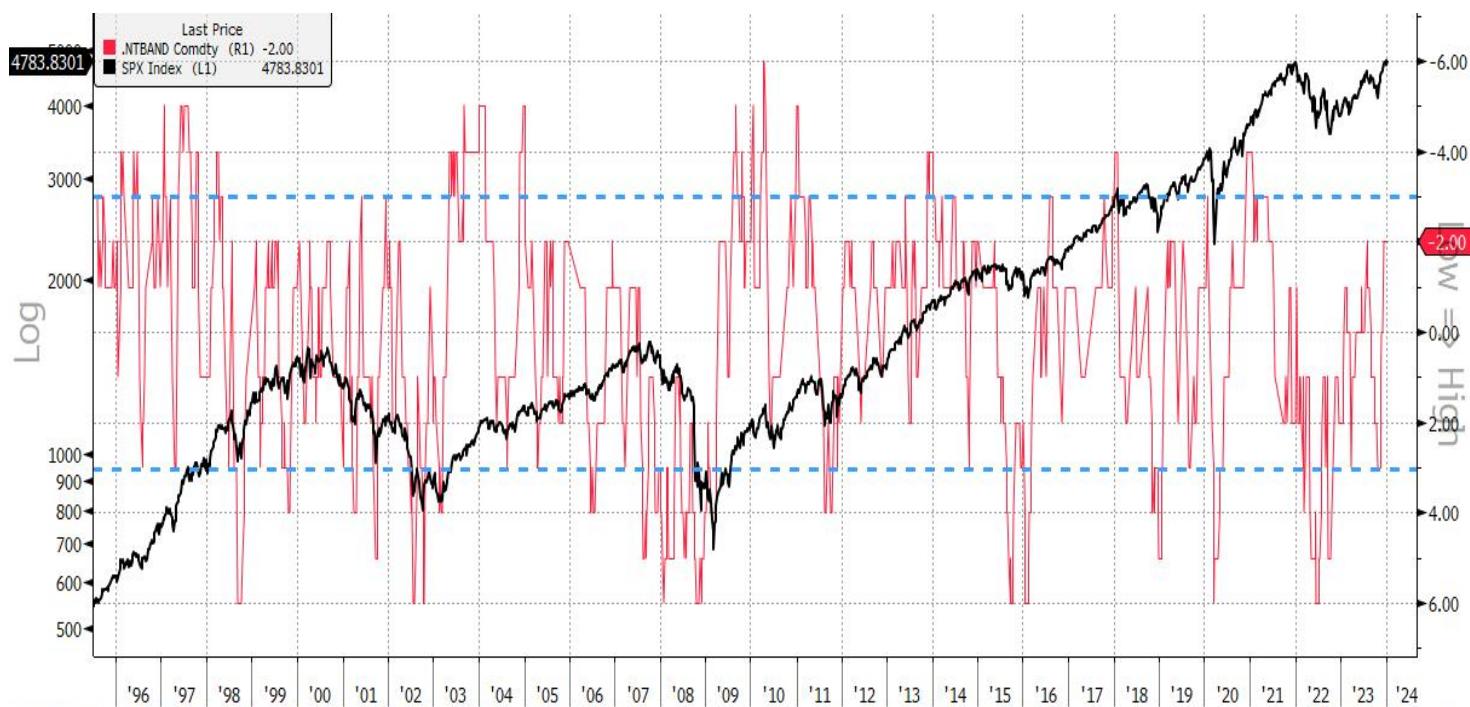
Source: BofA Global Research, Bloomberg

*Data restricted by provider

BofA GLOBAL RESEARCH

Chart 24: S&P 500 with the Net Tab Bands: Weekly chart

The Net Tab Bands moved at -2 in December 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 last five weeks.



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.

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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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