

Market Analysis Comment

Nothing magical about SPX 5000

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The S&P 500 (SPX) closed above 5000 on Friday (2/9). If SPX 5000 rhymes with the history provided by when SPX crossed above the big round figures of 1000 (Feb 1998), 2000 (Aug 2014), 3000 (Oct 2019) and 4000 (Apr 2021), the SPX should spend some time both above and below 5000 prior to continuing its mid cycle cyclical and secular bull markets well beyond SPX 5000 (see our reports, [2024 Equity Technical Strategy Year Ahead](#) and [SPX hits an all-time high and history suggests a continued rally](#)).

SPX: Room above and below 5000, but a big base is bullish

The late 2023 breakout from a bullish cup and handle big base pattern projects a measured move near SPX 5200 and provides a pattern count at SPX 5600 (see our report, [Big bases + bullish trends = more upside potential](#)). Prior highs and bullish pattern breakout points offer supports near SPX 4800 and SPX 4600.

Mixed signals for Dow Theory and A-D lines

The Dow Theory using the Dow Industrials and Dow Transports remains on a bullish signal but has a non-confirmation with the Transports lagging the Industrials. However, the Dow Theory using the NYSE and NASDAQ Comp shows a confirmed bull market. In terms of market breadth, the NYSE stocks advance-decline (A-D) line has weakened as the NYSE has rallied to new YTD highs, which is a bearish divergence. However, new all-time highs for the SPX A-D line confirm last week's move above 5000 on the SPX.

Risk: iBoxx IG shows bearish divergence vs SPX

Lower highs and a weakening trend for the iBoxx US Liquid Investment Grade TR Index (IBOXIG) provided important bearish divergences against higher highs for the SPX into early 2022, August 2022, July 2023 and YTD 2024. The prior three divergences preceded pullbacks in the SPX and the YTD 2024 divergence suggests that the rally above 5000 on the SPX is at risk to fail.

ETFs: More big bases for next big movers

The news is not all bad. Big bases for several ETFs suggest a broadening out of the US equity market. There is the potential for big upside breakouts and bullish rotation for the following ETFs: Health Care Select Sector SPDR Fund (XLV), SPDR S&P Biotech ETF (XBI), iShares Biotechnology ETF (IBB), iShares U.S. Transportation ETF (IYT), Invesco S&P 500 Equal Weight ETF (RSP), Invesco S&P 500 High Beta ETF (SPHB), iShares Russell 2000 ETF (IWM) and Pacer US Small Cap Cash Cows 100 ETF (CALF).

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Market Analysis
United States

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BofA Technical Strategy notes
[Stock Flash: Four bulls: AAPL, DOV, IBHT 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 27 to 29. Analyst Certification on page 26. 12658642

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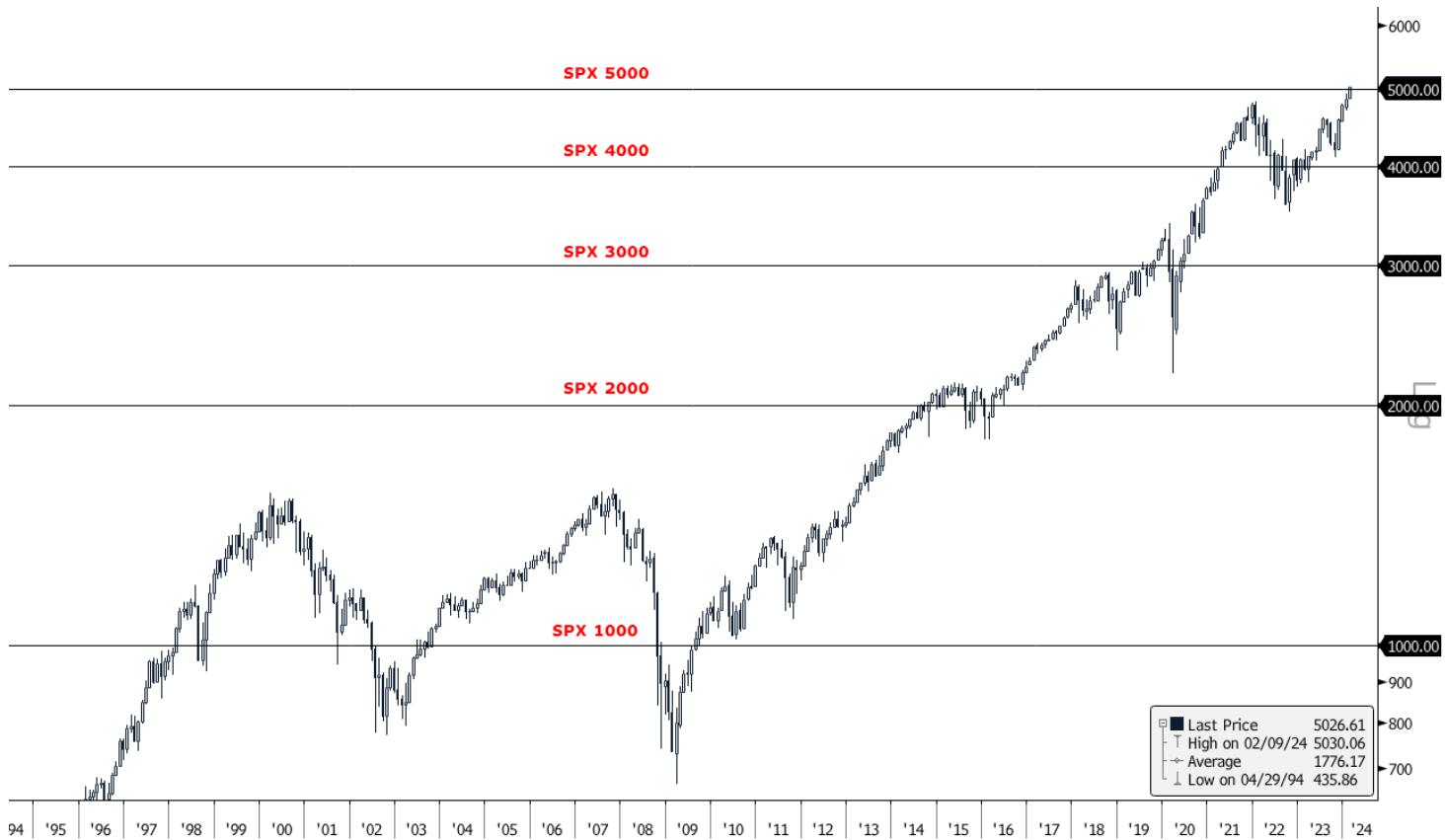
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Chart 1: S&P 500: Monthly candle chart with round figures of 1000, 2000, 3000, 4000 and 5000.

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Source: BofA Global Research, Bloomberg

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Chart 2: S&P 500: Weekly chart with moving averages

The late 2023 breakout from a bullish cup and handle big base pattern projects a measured move near SPX 5200 and provides a pattern count at SPX 5600. Prior highs and bullish pattern breakout points offer supports near SPX 4800 and SPX 4600.



Source: BofA Global Research, Bloomberg

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Mixed signals: Dow Theory

Bullish trend but bearish divergence for INDU and TRAN

The Dow Jones Industrial Average (INDU) has hit new recovery and all-time highs in 2024, but the Dow Jones Transportation Average (TRAN) has not yet confirmed 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 (see our report, [Tactical hangover entering 2024](#)).

Tactical head and shoulders bottom for Transports

Although TRAN has not rallied enough to confirm the highs on the INDU, the Transports confirmed a tactical head and shoulders bottom in December. The late 2023 breakout and early 2024 retest bode well for a catch-up trade on the Transports.

Chart 3: Dow Theory: Industrials (top) and Transports (bottom): Daily closing price chart

The Dow Jones Industrial Average (INDU) has hit new recovery and all-time highs in 2024, but the Dow Jones Transportation Average (TRAN) has not yet confirmed 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.



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 1900 stocks, and the NASDAQ Comp (CCMP) has 3400 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 in early 2024.

Chart 4: Dow Theory: NYSE (top) and NASDAQ Comp (bottom): Daily closing price chart

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Source: BofA Global Research, Bloomberg

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Mixed signals: Advance-decline lines

Bearish divergence for NYSE stocks A-D line

We continued to view negative divergences across a variety of indicators as a risk for tactical dips against a bullish backdrop for US equities (see our reports, [It's complicated](#) and [Backdrop bullish but keep an eye on divergences](#)). A lower high for the NYSE stocks advance-decline (A-D) as the NYSE hit new highs remains an important bearish divergence for market breadth.

Chart 5: NYSE Composite (top) and the NYSE stocks advance-decline line (bottom): Daily chart

A lower high for the NYSE stocks advance-decline (A-D) as the NYSE hit new highs remains an important bearish divergence for market breadth.



Source: BofA Global Research, Bloomberg

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But the SPX A-D line confirms the rally on the SPX

The SPX A-D line is longer-term bullish. It moved to new all-time highs in December to confirm the breakout from the early 2022 into late 2023 bullish cup and handle and provide a leading indicator for new all-time high on the SPX in early 2024 (see our report, [2024 Equity Technical Strategy Year Ahead](#)). A new high for the A-D line confirmed Friday's rally above 5000 on the SPX.

Chart 6: S&P 500 (top) and the S&P 500 advance-decline line (bottom): Daily chart

The SPX A-D line is longer-term bullish. It moved to new all-time highs in December to confirm the breakout from the early 2022 into late 2023 bullish cup and handle and provide a leading indicator for new all-time high on the SPX in early 2024. A new high for the A-D line confirmed Friday's rally above 5000 on the SPX.



Source: BofA Global Research, Bloomberg

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Macro divergences remain a risk

iBoxx IG shows bearish divergence vs SPX

Lower highs and a weakening trend for the iBoxx US Liquid Investment Grade TR Index (IBOXIG) provided important bearish divergences against higher highs for the SPX into early 2022, August 2022, July 2023 and YTD 2024. The prior three divergences preceded pullbacks in the SPX and the YTD 2024 divergence suggests that the rally above 5000 on the SPX is at risk to fail.

Chart 7: S&P 500 (top) and the iBoxx US Liquid Investment Grade TR Index (bottom): Daily chart

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

Recently, a declining US Dollar (DXY) and US 10-year Treasury yield have been positive for the SPX, while a rising DXY and 10-year yield have provided an overhang. 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](#)). The DXY and 10-year yield have risen since late December, and we think that this increases the risk for a dip on the SPX. This divergence has grown since we highlighted it earlier this year (see our report, [Tactical overhangs](#)).

Chart 8: S&P 500, US 10-year yield (inverted scale) and US Dollar Index (inverted scale): Daily chart

The DXY and 10-year yield have risen since late December, and we think that this increases the risk for a dip on the SPX. This divergence has grown since we highlighted it earlier this year. The last divergence preceded the July-October correction on the SPX.



Source: BofA Global Research, Bloomberg

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More big bases

XLV attempts breakout above 141 to target 150 to 164

The Health Care Select Sector SPDR Fund (XLV) has shown some leadership relative to the SPX in 2024. This ETF is breaking out above 141, which has the potential for confirm a big base from late 2021 with upside potential to 164. The January breakout and retest above the 137-136 area projects to 150.

Chart 9: Health Care Select Sector SPDR Fund (XLV): Weekly chart with moving averages

Breaking out from a big base with upside counts to 150 and 164.



Source: BofA Global Research, Bloomberg

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XBI: 2022-2023 bottom breakout watch

The SPDR S&P Biotech ETF (XBI) is forming a double bottom from the 2022 and 2023 lows near 64-62. A decisive breakout above the early 2024 to late 2022 peaks near 94-95 is needed to confirm this bullish setup and favor upside to 118-119 and then 127. Until then, first support is 87-86 with the rising 40-week MA near 81-80.

Chart 10: SPDR S&P Biotech ETF (XBI): Weekly chart with moving averages

The XBI is forming a double bottom. Stay tuned...



Source: BofA Global Research, Bloomberg

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IBB: 2022-2023 bottom breakout watch

The iShares Biotechnology ETF (IBB) is setting up to break out from a bottom off the 2022 and 2023 lows. A YTD bullish pennant bodes well for IBB. A decisive push above resistance at 137-139 would confirm the bottom with upside potential to 165 and 172. Until then, we would like to see higher lows above the rising 40-week MA near 127.

Chart 11: iShares Biotechnology ETF (IBB): Weekly chart with moving averages

The IBB could confirm a bottom off the 2022 and 2023 lows. A YTD bullish pennant bodes well for IBB.



Source: BofA Global Research, Bloomberg

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IYT: Big base breakout looks bullish for 320 and 340

The iShares U.S. Transportation ETF (IYT) has broken out from an early 2021 into early 2024 big triangle base. Holding 265-160 keeps the immediate pattern bullish with next resistance at the early 2022 into 2021 peaks from 280 to 282.40. The big base suggests longer-term upside potential to 320 and 340.

Chart 12: iShares U.S. Transportation ETF (IYT): Weekly chart with moving averages

The IYT has broken out from an early 2021 into early 2024 big triangle base.



Source: BofA Global Research, Bloomberg

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RSP: Big base with upside potential to 177 and 185

Holding the 155-153 area would keep an early 2022 into late 2023 big base intact on the Invesco S&P 500 Equal Weight ETF (RSP) with upside potential beyond the late 2021-early 2022 peaks at 160.45-164.90 to the big base pattern counts at 177 and 185.

Chart 13: Invesco S&P 500 Equal Weight ETF (RSP): Weekly chart with moving averages

Holding the 155-153 area would keep an early 2022 into late 2023 big base intact on the RSP.



Source: BofA Global Research, Bloomberg

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SPHB: Big base favors upside to 103 and 109-110

The Invesco S&P 500 High Beta ETF (SPHB) could confirm a late 2021 into early 2024 big base. Holding above 80-77 keeps this view intact with the potential for new highs above the late 2021 peak at 83.16 toward big base pattern counts at 103 and 109-110.

Chart 14: Invesco S&P 500 High Beta ETF (SPHB): Weekly chart with moving averages

SPHB could confirm a late 2021 into early 2024 big base.



Source: BofA Global Research, Bloomberg

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IWM: Holding 190-187 keeps a potential big base alive

The iShares Russell 2000 ETF (IWM) improves with the potential to confirm a big base and favor upside beyond resistances at 205 and 208-212 toward 234. Holding the 190-187 lows and rising 200- and 40-week MAs near 189-185 keeps this view intact.

Chart 15: iShares Russell 2000 ETF (IWM): Weekly chart with moving averages

Potential to confirm a big base that favors upside beyond resistances at 205 and 208-212 toward 234,



Source: BofA Global Research, Bloomberg

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CALF: Breakout intact above 45-44 with potential to 56

The Pacer US Small Cap Cash Cows 100 ETF (CALF) has a bullish breakout from an early 2022 into late 2023 big base that remains in place above 45-44 and favors upside to 56.

Chart 16: Pacer US Small Cap Cash Cows 100 ETF (CALF): Weekly chart with moving averages

Big base breakout intact above 45-44 with potential to 56.



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 09, 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 Discretionary. Bottom Five: Utilities, Energy, Materials, Staples and Real Estate.

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

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

New highs and new lows: 52-week closing basis highs: SPX (also an all-time weekly closing basis high), Tech, Financials, Industrials, Discretionary and Health Care. Narrow leadership: Only Technology hit a 52-week high vs the SPX as Real Estate, Staples, Materials, Energy and Utilities dropped to 52-week lows versus the SPX. Utilities hit a 13-week absolute price low.

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 Discretionary. Bottom Five: Utilities, Energy, Materials, Staples and Real Estate.

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	13-week high/low vs. SPX	52-week high/low	52-week high/low vs. SPX
S&P 500 INFO TECH INDEX	3742.20	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
COMVCSSLCTPR	413.82	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 FINANCIALS INDEX	649.17	3	6	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 INDUSTRIALS IDX	989.85	4	4	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High	High
S&P 500 CONS DISCRET IDX	1450.31	5	3	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	High	Low	High
S&P 500 HEALTH CARE IDX	1678.00	6	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High	High
S&P 500 REAL ESTATE IDX	241.26	7	9	Bullish	Bearish	Bullish	Bearish	Bearish	Bearish	Bearish	Low	Low	Low
S&P 500 CONS STAPLES IDX	775.65	8	7	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low	Low	Low
S&P 500 MATERIALS INDEX	524.12	9	8	Bullish	Bearish	Bearish	Bearish at risk	Bullish	Bearish	High	Low	Low	Low
S&P 500 ENERGY INDEX	635.81	10	10	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low	Low	Low
S&P 500 UTILITIES INDEX	305.72	11	11	Bearish	Bearish	Bearish	Bearish	Bullish at risk	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.

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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, Materials and Staples.

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, Materials and Staples.

Sector	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24	05-Jan-24	29-Dec-23	22-Dec-23
S&P 500 Consumer Discretionary	5	5	6	4	6	7	4	4
S&P 500 Consumer Staples	8	7	8	9	9	10	9	9
S&P 500 Energy	10	10	10	11	11	11	11	11
S&P 500 Financials	3	3	3	3	3	1	2	2
S&P 500 Health Care	6	6	5	6	5	6	8	8
S&P 500 Industrials	4	4	4	5	7	5	6	6
S&P 500 Technology	1	2	1	1	1	4	1	1
S&P 500 Materials	9	9	9	8	8	8	7	7
S&P 500 Communication Services	2	1	2	2	2	2	5	5
S&P 500 Utilities	11	11	11	10	10	9	10	10
S&P 500 Real Estate	7	8	7	7	4	3	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, Energy, Real Estate and Staples.

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, Real Estate and Staples.

Sector	09-Feb-24	02-Feb-24	26-Jan-24	19-Jan-24	12-Jan-24	05-Jan-24	29-Dec-23	22-Dec-23
S&P 500 Consumer Discretionary	3	3	3	3	3	3	3	3
S&P 500 Consumer Staples	7	7	7	7	9	10	9	9
S&P 500 Energy	10	9	10	10	10	9	10	10
S&P 500 Financials	6	6	5	5	5	5	6	6
S&P 500 Health Care	5	5	6	6	6	8	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	8	8	8	8	8	6	5	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	9	10	9	9	7	7	7	7

Source: BofA Global Research, Bloomberg

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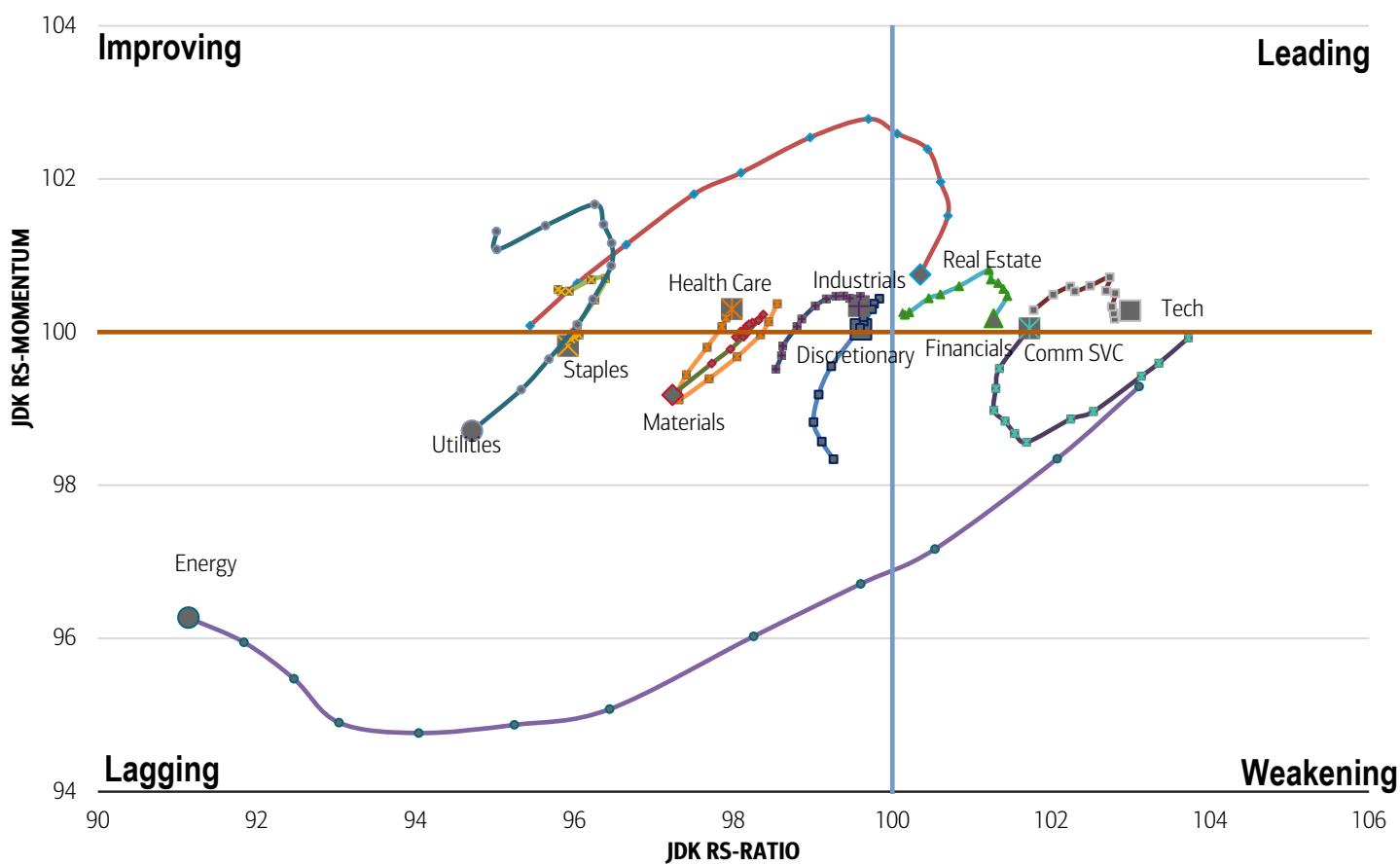


Rotations: Relative rotation graph (RRG)

- **Leading** (positive relative trend and positive relative momentum): Communication Services (from Weakening), 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 and Materials.
- **Improving** (negative relative trend and positive relative momentum): Discretionary, Health Care and Industrials.

Chart 17: 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 and Materials. Improving: Discretionary, Industrials and Health Care.



Source: BofA Global Research, Bloomberg

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A visit with the sector relatives

Cyclical sectors: Financials and Industrials stable relative to the SPX

Financials are building a 2023 into 2024 base versus the SPX. Clearing relative resistance would confirm this bullish pattern and suggest sustainable leadership for Financials. Industrials have struggled but may form a double bottom if the sector can hold the relative low from November 2023 and rally above the December 2023 peak.

Chart 18: 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 19: 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 20: Materials relative to the S&P 500: Weekly Chart

Lagging sector below prior support. Lowest level versus SPX since 2000.



Source: BofA Global Research, Bloomberg

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Chart 21: 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 22: 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 23: 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

BofA GLOBAL RESEARCH

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 is near a big resistance versus the SPX. Semiconductors (SOX) remain in a leadership trend. The SOX broke out above the June 2000 peak versus the SPX to confirm a big base and reassert its leadership. This is bullish for the SOX. The next resistance is the March 2000 peak.

Chart 24: Comm Services relative to the S&P 500: Weekly Chart

Breakout from a bullish trend reaffirms the positive trend.



Source: BofA Global Research, Bloomberg

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Chart 25: 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

BofA GLOBAL RESEARCH



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

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

Chart 26: 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

BofA GLOBAL RESEARCH

Chart 27: 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

BofA GLOBAL RESEARCH

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 again dropped to new relative lows within a long-term lagging trend. Health Care has struggled and looks vulnerable. The loss of the 30-year uptrend line versus the SPX is a big risk, but massive support at the late 2021 relative low is holding so far.

Chart 28: Real Estate relative to the S&P 500: Weekly Chart

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

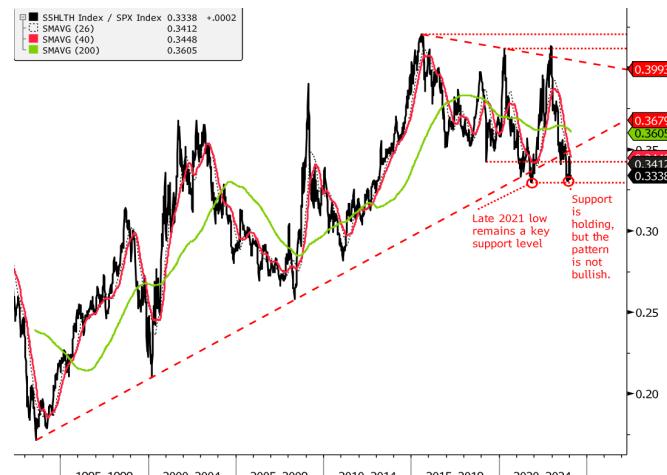


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Chart 29: 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

BofA GLOBAL RESEARCH

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

Sectors with bearish trading cycles

We list the bearish trading cycles, as defined by falling 26- and 40-week moving averages on both an absolute and relative basis: Consumer Staples, NYSE ARCA Biotechnology, Energy, Utilities and Gold & Silver.

Table 5: Sectors, groups and sub-groups

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

Name	Price	Tactical	52-	40-week	40-week	26-week	26-week	13-week	13-week	13-week	52-week	
		trend	week		trend vs.		trend		high/low	high/low vs. SPX	high/low	
PHILA SEMICONDUCTOR INDX	4567.30	1	3	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 Media & Ent	1133.10	2	1	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 SFTW & SVCS INDX	4704.51	3	4	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 RETAILING INDEX	4295.24	4	6	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 INFO TECH INDEX	3742.20	5	2	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 PROP&CASULTY IDX	1097.74	6	11	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High	High
S&P 500 ROAD & RAIL INDX	3118.20	7	10	Bullish	Bullish	Bullish	Bullish	Bearish at risk	Bullish	High	High	High
COMSVCSSLCTPR	413.82	8	5	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
PHILA HOUSING INDEX	657.51	9	7	Bullish	Bullish	Bullish	Bullish	Bullish	Bullish at risk	High	High	High
S&P 500 MACHINERY INDEX	2055.20	10	12	Bullish	Bullish	Bullish	Bearish at risk	Bullish	Bullish	High	High	High
S&P 500 FINANCIALS INDEX	649.17	11	19	Bullish	Bearish at risk	Bullish	Bullish	Bullish	Bullish at risk	High	High	High
S&P 500 PHARM INDEX	1095.21	12	13	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High	High
S&P 500 INSURANCE INDEX	686.21	13	15	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	High	High
KBW BANK INDEX	93.63	14	33	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Low	High	High
S&P 500 INDUSTRIALS IDX	989.85	15	14	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High
S&P 500 CONS DISCRET IDX	1450.31	16	8	Bullish	Bullish at risk	Bullish	Bearish	Bullish	Bearish	High	Low	High
KBW CAPITAL MARKETS INDX	599.52	17	22	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Low	High	High
S&P 500 TELECOMM SVCS IX	122.19	18	27	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bullish at risk	High	Low	High
S&P 500 HEALTH CARE IDX	1678.00	19	17	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	High
S&P 500 TRANSPN INDEX	1033.87	20	20	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bullish at risk	High	Low	Low
S&P 500 HC EQUIP&SVC IDX	1965.80	21	18	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High	Low
NASDAQ BIOTECH INDEX	4376.86	22	21	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Low	High	Low
S&P 500 LIFE&HLTH IN IDX	478.43	23	26	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low	High
S&P 500 AERO & DEFNS IDX	1478.14	24	23	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	Low	High
ALERIAN MLP INDEX	259.36	25	16	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	Low	Low
S&P 500 REAL ESTATE IDX	241.26	26	28	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Bearish	Low	Low
S&P 500 TECH HW & EQP IX	3525.48	27	9	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	Low	Low	Low
S&P 500 CONS STAPLES IDX	775.65	28	24	Bearish at risk	Bearish	Bearish at risk	Bearish	Bearish	Bullish	Low	Low	Low
KBW REGIONAL BANKING INX	98.55	29	34	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	Low	Low	Low
S&P 500 MATERIALS INDEX	524.12	30	25	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	Low	Low	Low
NYSE Arca Biotechlgly Idx	5084.12	31	29	Bearish	Bearish	Bearish at risk	Bearish	Bullish at risk	Bearish	Low	Low	Low
S&P 500 ENERGY INDEX	635.81	32	30	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low	Low
S&P 500 UTILITIES INDEX	305.72	33	31	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low	Low
PHILA GOLD & SILVER INDX	109.32	34	32	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low	Low

Source: BofA Global Research, Bloomberg

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



GICS Level 2 trend ranks & screens

Sectors with bullish trading cycles

Bullish trading cycles as defined by rising 26- and 40-week moving averages on both an absolute and relative basis: Semiconductors & Semiconductor Equip, Media & Entertainment, Software & Services, Retailing and Banks.

Sectors with bearish trading cycles

We list the bearish trading cycles, as defined by falling 26- and 40-week moving averages on both an absolute and relative basis: Household & Personal Products, Energy, 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	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 vs. SPX	high/low vs. SPX
S&P 500 SEMI & SEMI EQP	3971.54	1	1	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 Media & Ent	1133.10	2	2	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 SFTW & SVCS INDX	4704.51	3	3	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 RETAILING INDEX	4295.24	4	4	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 FOOD/STPL RETAIL	750.07	5	8	Bullish	Bearish at risk	Bullish	Bullish	Bullish	High	High	High
S&P 500 BANKS INDEX	350.17	6	18	Bullish	Bullish	Bullish	Bullish	Bullish	High	High	High
S&P 500 DIV FINANCIAL IX	1137.79	7	11	Bullish	Bearish at risk	Bullish	Bullish at risk	Bullish	Bullish at risk	High	High
S&P 500 INSURANCE INDEX	686.21	8	10	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bearish	High	High
S&P 500 CAPITAL GDS IDX	1044.39	9	9	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 PHRM BIO & LF SC	1365.31	10	12	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	High	High
S&P 500 CONS SRV IDX	1669.39	11	7	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish at risk	High	High
S&P 500 TELECOMM SVCS IX	122.19	12	19	Bullish	Bearish	Bullish	Bullish at risk	Bullish	Bullish at risk	High	High
S&P 500 Comm & Prof Serv	601.09	13	6	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	High
S&P 500 TRANSPN INDEX	1033.87	14	14	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bullish at risk	High	Low
S&P 500 HC EQUIP/SVC IDX	1965.80	15	13	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	High	Low
S&P 500 CON DUR&AP INDEX	421.73	16	15	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish	Low	Low
S&P 500 REAL ESTATE INDX	240.95	17	21	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish at risk	Low	Low
S&P 500 HH & PR PDTs IDX	842.25	18	16	Bearish at risk	Bearish	Bearish at risk	Bearish	Bullish	Bearish	High	Low
S&P 500 TECH HW & EQP IX	3525.48	19	5	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish	Low	Low
S&P 500 MATERIALS INDEX	524.12	20	17	Bullish	Bearish	Bearish at risk	Bearish	Bullish	Bearish	Low	Low
S&P 500 ENERGY INDEX	635.81	21	23	Bearish	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low
S&P 500 FD BEV & TOB IDX	778.01	22	22	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low
S&P 500 UTILITIES INDEX	305.72	23	24	Bearish	Bearish	Bearish	Bearish	Bullish at risk	Bearish	Low	Low
S&P 500 AUTO & COMP IDX	111.55	24	20	Bullish at risk	Bearish	Bearish	Bearish	Bearish	Bearish	Low	Low

Source: BofA Global Research, Bloomberg

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

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Net Tabs stall

Net Tab: Overhang on drop from overbought

After a +5 oversold (inverted scale) helped to confirm a low near SPX 3500 in late 2022, the Net Tab finally hit a -3 overbought (-3 to -6) to confirm the cyclical rally in late December and early January. However, the Net Tab out of overbought, deteriorating zero last week even as the SPX surpassed 5000, which we view 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 moved back to 0 from -1 last week. The move out of a late December into early January overbought is a potential overhang.

	Level	Change	Current Week	Last Week	Change
S&P 500					
NYSE Stocks over 200 DMA	0	0	5026.61	4958.61	1.37%
5 week A/D Diffusion	0	1	52.18%	53.22%	-1.05%
Investment Services Bearish	-1	0	*	*	*
BofA Short Term Sentiment	-1	0	47.80%	46.50%	1.30%
30 Day Arms Index	1	0	1.18	1.23	-3.54%
25 day CBOE Put/Call	1	0	94.84	96.32	-1.54%
This Week net	0				
Last Week net	-1				

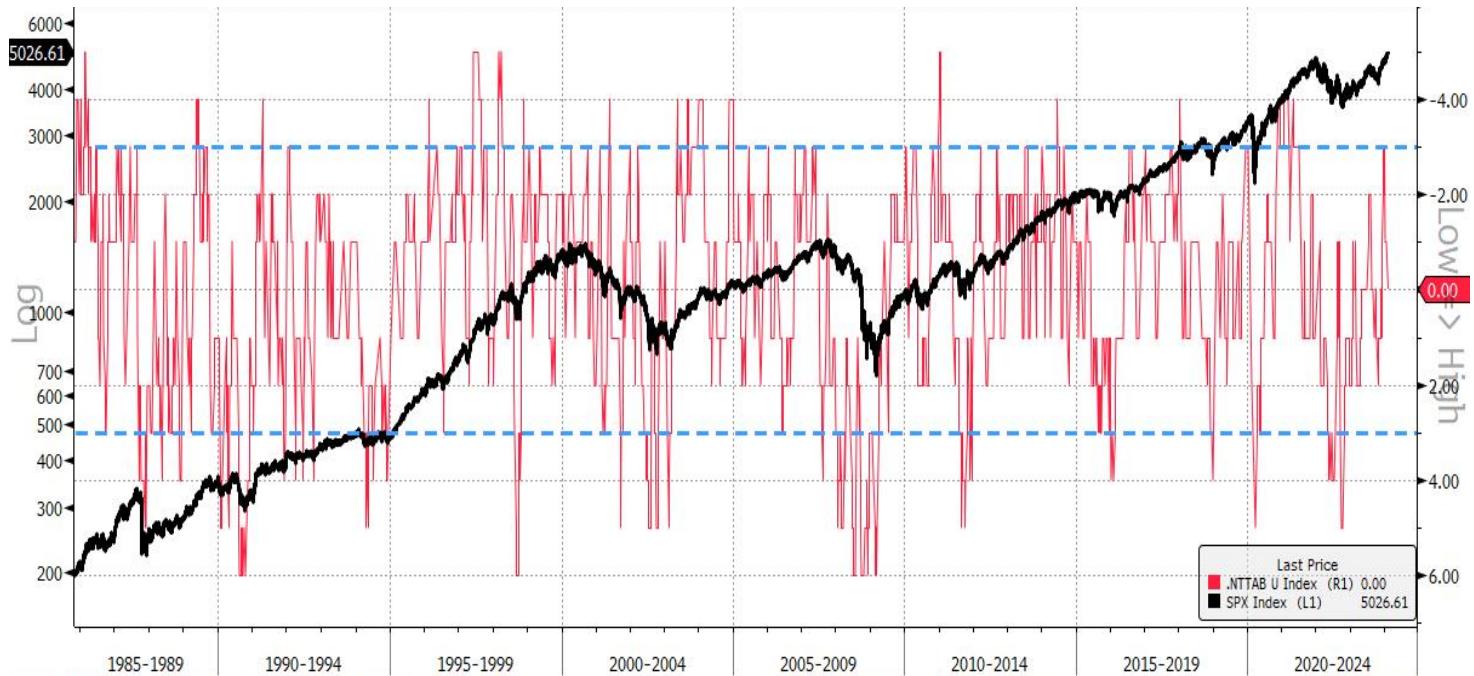
Source: BofA Global Research, Bloomberg

*Data restricted by provider

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Chart 30: Net Tab Indicator: Components and values

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



Source: BofA Global Research, Bloomberg

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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					
NYSE Stocks over 200 DMA	0	0	65.05%	66.02%	-0.97%
McClellan Summation Index	0	0	575.30	661.18	-12.99%
Investment Services Bearish	0	1	*	*	*
BofA Short Term Sentiment	-1	0	47.80%	46.50%	1.30%
30 Day Arms Index	0	-1	1.18	1.23	-3.54%
25 day CBOE Put/Call	0	0	94.84	96.32	-1.54%
This Week net	-1				
Last Week net	-1				

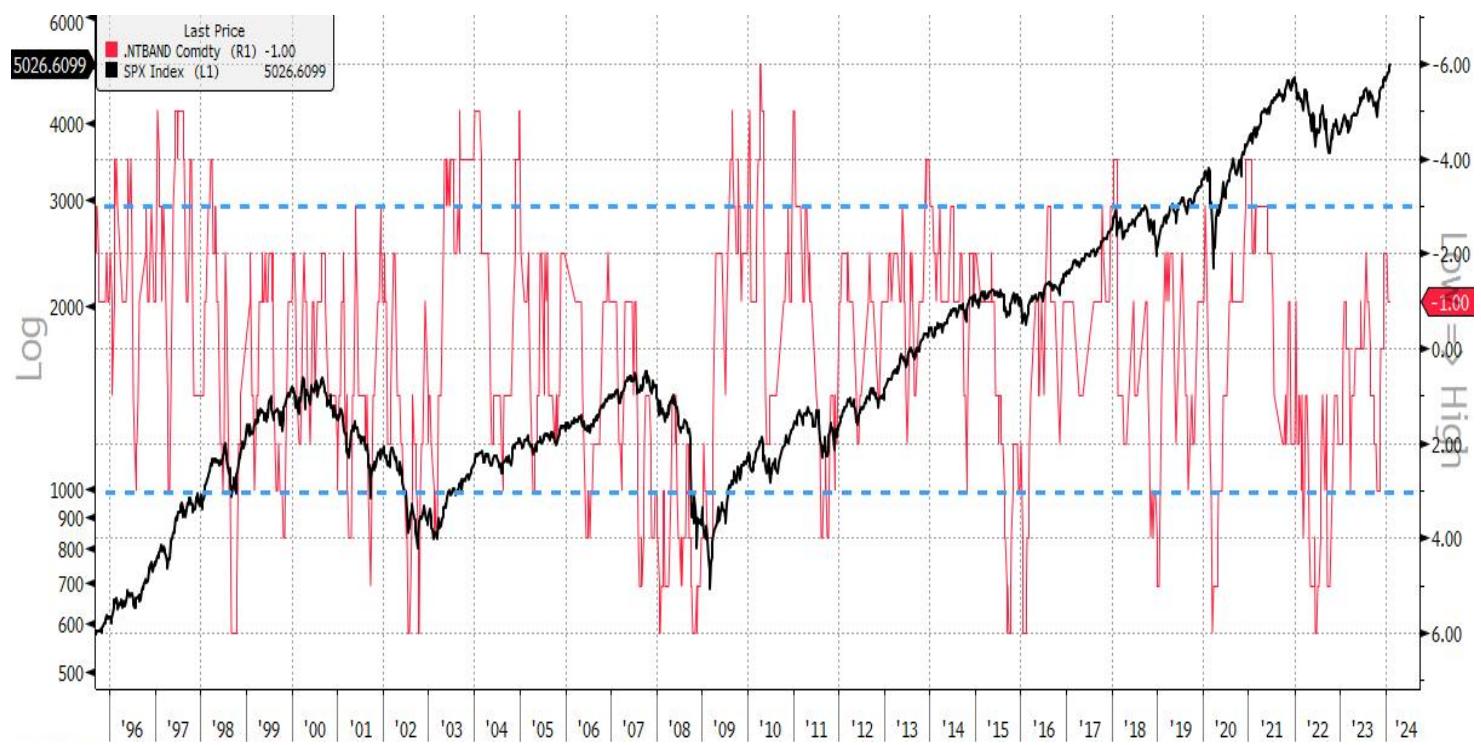
Source: BofA Global Research, Bloomberg

*Data restricted by provider

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Chart 31: 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.



ETFs mentioned in this report

Exhibit 1: ETFs mentioned in this report

ETFs mentioned in this report

Ticker	Company Name	BofA Rating	Price	Dividend Yield
SPHB	INvesco S&P 500		84.05	0.81
RSP	INvesco S&P 500	1-NV	160.01	1.52
IBB	iShares Biotechn	2-UF	135.76	0.37
IWM	iShares Russell	2-FV	202.96	1.45
IYT	iShares US Trans		271.99	1.25
CALF	Pacer US Small C	1-FV	48.82	1.34
XBI	SPDR S&P Biotech	1-UF	93.10	0.06
XLV	SPDR-Health Care	1-FV	144.20	1.66

Source: BofA Global Research, Bloomberg

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Analyst Certification

I, Stephen Suttmeyer, CFA, CMT, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as a Financial Advisor to Canadian Solar Inc in connection with its subsidiary Recurrent Energy LLC's secured preferred equity investment commitment, convertible into common equity, for Recurrent Energy BV from BlackRock Inc through a fund managed by its Climate Infrastructure business, which was announced on January 23, 2024.

Disclosures

Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	80	19.61%	Buy	53	66.25%
Hold	317	77.70%	Hold	241	76.03%
Sell	11	2.70%	Sell	7	63.64%

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

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

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

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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

EXCHANGE-TRADED FUNDS (ETF) INVESTMENT OPINION KEY: Opinions reflect both an Outlook Rating and a Category Rating. OUTLOOK RATINGS reflect the analyst's assessment of the ETF's attractiveness relative to other ETFs within its category (including sector, region, asset class, thematic, and others). There are three outlook ratings: 1 - the ETF is more attractive than covered peers in the same category over the next 12 months; 2 - the ETF is similarly attractive to covered peers in the same category over the next 12 months; and 3 - the ETF is less attractive than covered peers in the same category over the next 12 months. CATEGORY RATINGS, indicators of the analyst's view of the ETF's category and which incorporate published views of BofA Global Research department analysts, are: FV - Favorable view, NV - Neutral view and UF - Unfavorable view.

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

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Invesco S&P EW ETF, Invesco S&P HB, iShares Biotech ETF, iShares Russell ETF, iShares-DJ US TR, Pacer US S Cap C Cow, SPDR Healthca ETF, SPDR S&P Biotech ETF.

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