



Next key technical levels for SPX & Nasdaq - Growth vs Value update and Sector and group relative performance rotation matrix

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With today's surprise employment report out, we wanted to update you on the key technical levels for the S&P and Nasdaq, and at the risk of stating the obvious, **continue to focus on the more important technical event developing within equity markets, the rotation toward oversold/bottoming cyclicals.**

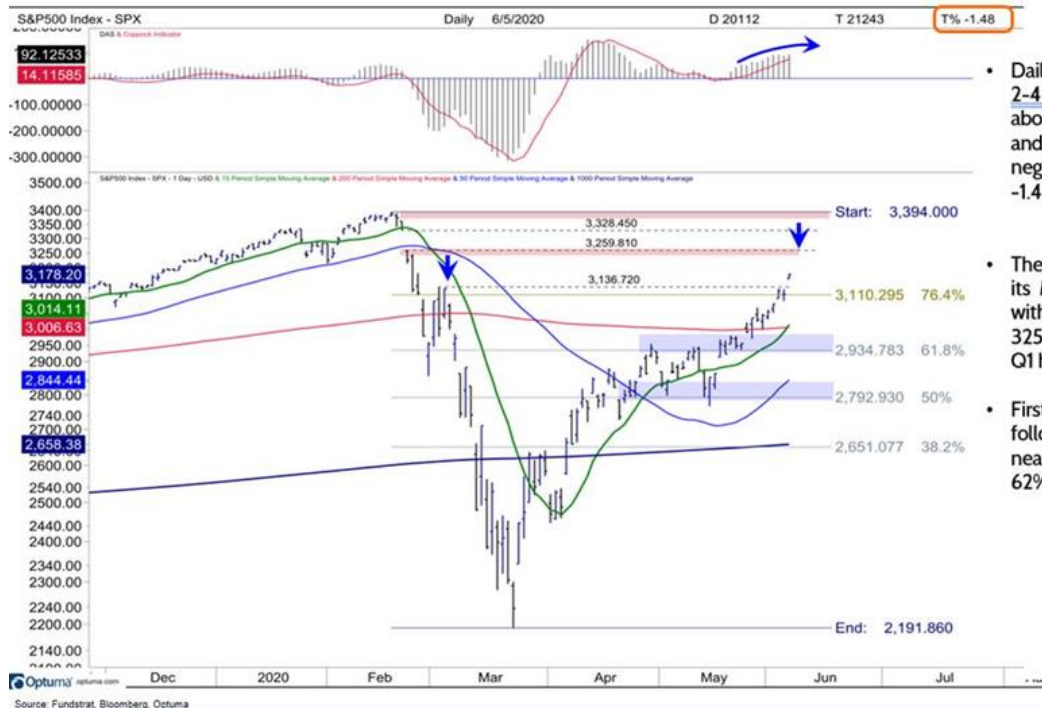
1) MARKETS: Key technical levels for the S&P cash, S&P E-mini futures and Nasdaq 100

- At the index level, there are two short-term levels that bear watching. The S&P today is pushing above short-term resistance at the March 4 bounce highs at 3130 and the Nasdaq 100 (NDX) is attempting to break out above February 19, all time, highs at 9736.
- Next resistance: S&P 3259, 3328 then 3394, NDX 9736 (February 2020 all time highs which it is pushing above today)
- Support: S&P 3100, 3006, 2934 – NDX 9406, 9194, 8810.
- What would suggest the rally is slowing? Short-term momentum indicators remain positive after turning up again following the mid-April to mid-May consolidation. A -1.48% decline by the S&P would be needed to suggest the rally is decelerating and begin to turn short-term momentum indicators negative.

However, should a pullback develop, our expectation continues to be that it will likely be shallow, short-lived and an opportunity to continue building equity exposure given the improving longer-term and intermediate-term trend and cycle backdrop currently in place.

In addition, please see Tom Lee's COVID-19 update from last night as he has included an equity ideas list cross referencing FS Insight's favorably ranked DQM1 quant ideas with our technical recommendations and Brian Rauscher's earnings revision model recommendations.

S&P 500 - Daily

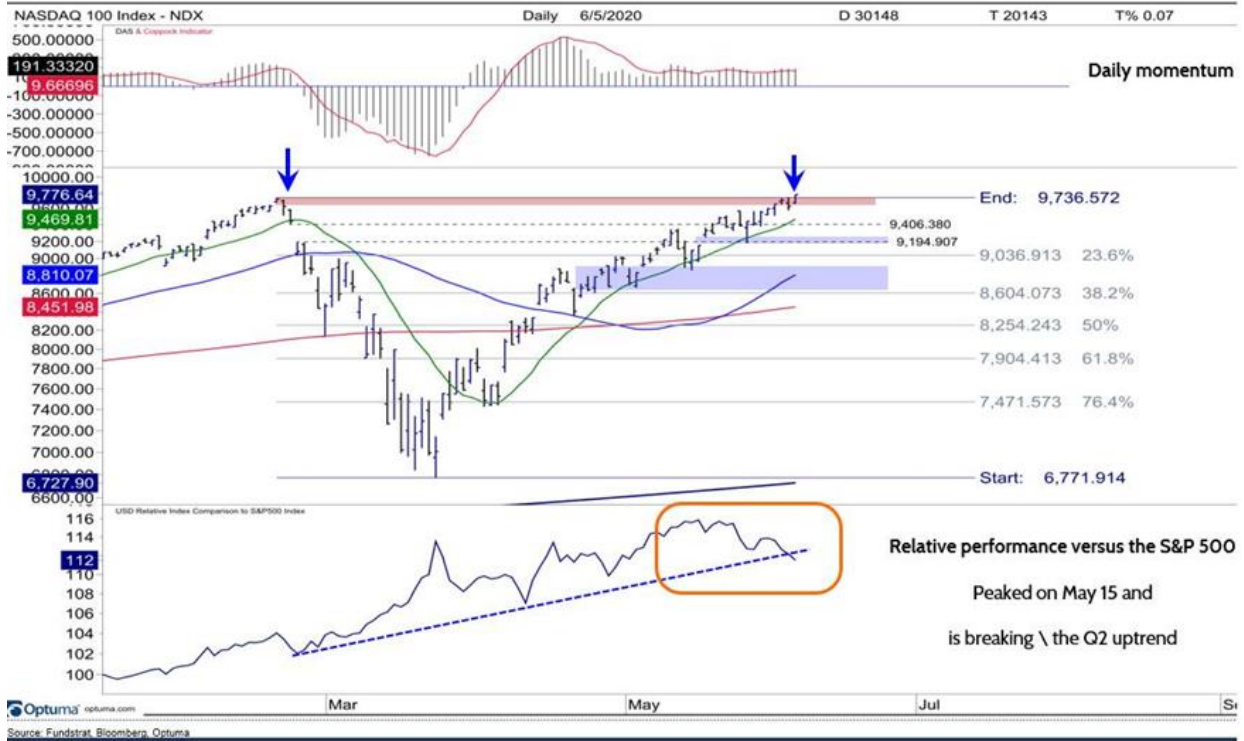


- Daily momentum, tracking 2-4 week shifts, remains above its zero axis (trend) and positive but would turn negative on a decline of -1.48%.
- The S&P is pushing above its March 4 highs at 3136 with next resistance at 3259-3328 followed by the Q1 highs at 3394
- First support is 3136 followed by 2934-3005 near the 200-dma and 62% retracement.

- More importantly, while the Nasdaq 100 is challenging its next key price level at its February highs, **relative performance versus the S&P 500 (bottom panel) has been seesawing lower since May 15 which was the day most cyclicals established secondary lows following their March lows.**
- Relative performance vs the S&P 500 (bottom panel) is now breaking a key uptrend at the Q2 2020 uptrend, which not surprisingly, is similar to the relative trends we are seeing for other Growth proxies. See growth vs value below.

Nasdaq - Daily

Breaking above the February highs with relative performance diverging negatively, breaking the Q2 2020 uptrend

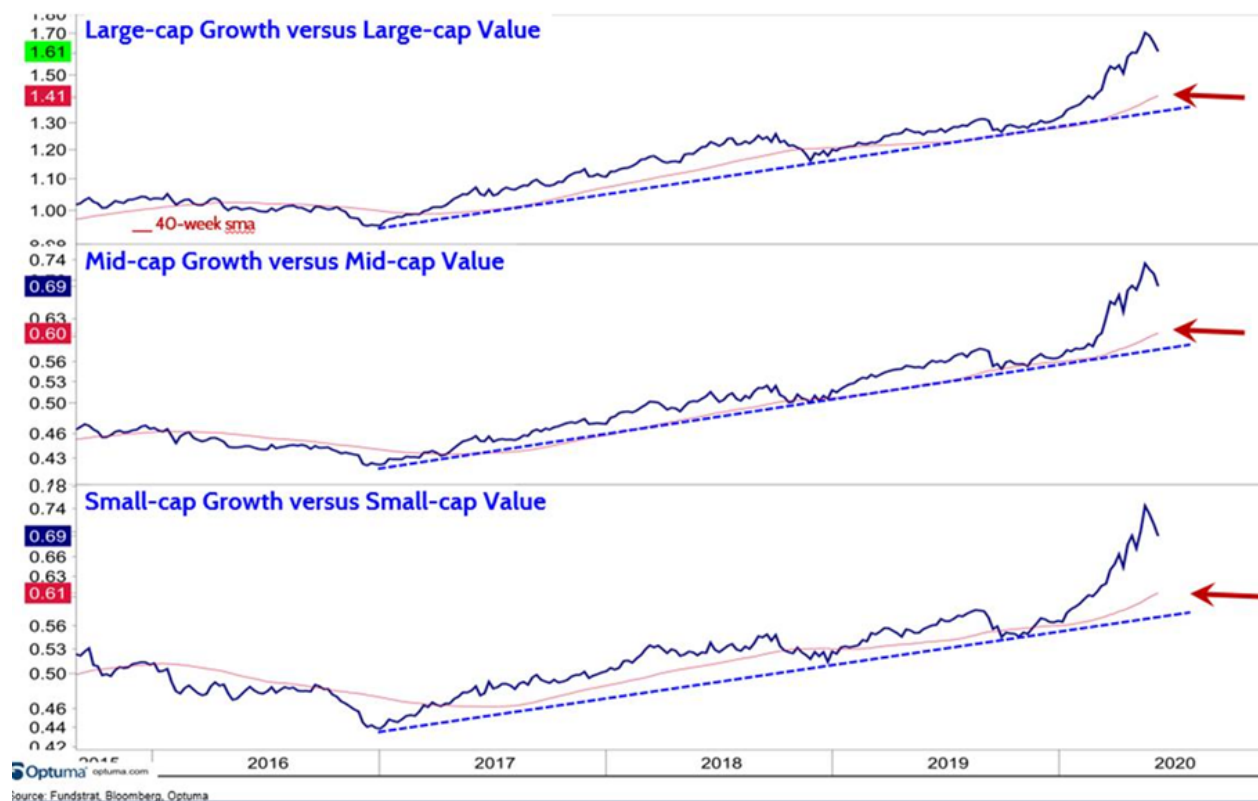


2) Style rotation – Growth vs Value

- The intermediate-term trend of Growth vs Value has been well advanced above its 3-year trend for many weeks but is now showing evidence of mean-reverting.
- Although there is insufficient technical evidence at this point to signal this move is a much longer-term reversal, simply catching up to the 40-week sma and/or linear uptrend will meaningfully impact portfolio performance into YE.

Growth versus Value – Weekly

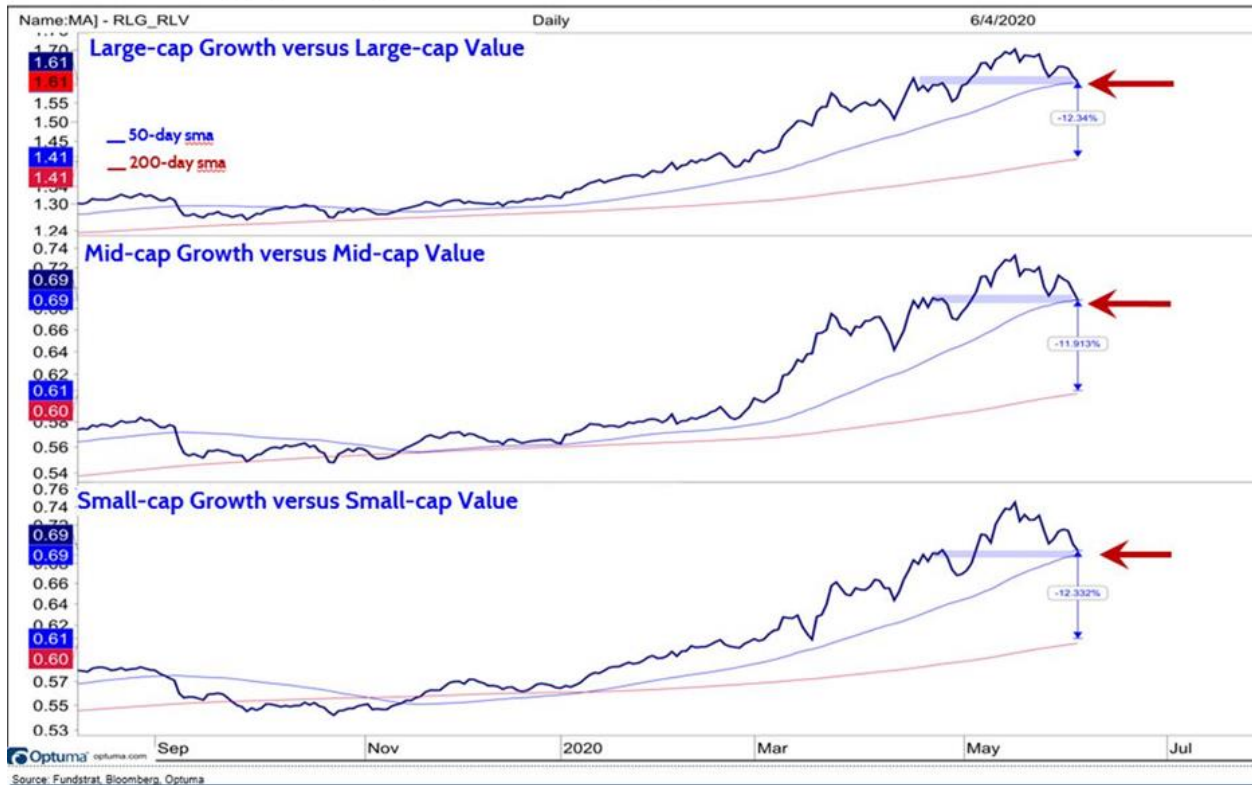
Growth vs Value uptrend stalling at from advanced levels.



- Zooming in to the shorter-term, daily chart, Growth vs Value is now just challenging its 50-dma(sma). How much farther could Growth fall vs Value?
- There's no magic number here, but using the 200-dma as proxy for the intermediate-term trend, a break below the 50-dma could see a ~-12% decline.

Growth versus Value – Daily

Challenging next key technical level at rising 50-dma's with 200-dma's ~11-12% lower



3) Sector and group rotation

- Moving on to what really matters, the relative performance matrix below is one of the more efficient technical tools I've used over the past 28 **years to track leadership shifts**.
- What this screen illustrates is what most investors are now likely well aware of but understandably may not fully agree with fundamentally. Regardless, the technical backdrop is worth paying attention to as it reflects the emerging relative performance improvement that has been developing since May 15th for cyclicals and the weakening relative performance of safety sectors (utilities, staples and more recently healthcare).
- This is a 2D screen that highlights the intermediate-term, 1-2 quarter relative performance trends vs the S&P 500 in each column while the green and red highlights indicate ETFs that are making 2-week relative performance highs and lows respectively. It's an effective way to flag/highlight the shorter-term 1-2 week shifts developing (red and green highlights) within the more important 1-2 quarter relative performance trends organized in columns.
- The key takeaway is that while many cyclicals have surged recently from oversold levels and are overbought very short-term, financials, consumer discretionary, industrials, materials and energy are still early in intermediate-term, 1-2 quarter relative performance uptrends with most pressing to multi-week relative highs as of 10am this morning. Sure, some are becoming overbought short-term in absolute price but we believe it's important to stay focused on the bigger tactical trends developing.
- Technology is noteworthy given most groups remain in established relative performance uptrends but the more secular growth groups are showing evidence of decelerating making multi-week relative performance lows (highlighted in red) while the more cyclical Semis also remain in established uptrends BUT are continuing to notch multi-week relative performance highs (highlighted in red). We would recommend tech investors continue to add to Semis.
- Bottom line: Continue to increase exposure to cyclical, using safety stocks as a source of funds.

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ETF INTERMEDIATE-TERM TREND vs S&P 500



as of 10am 06/05

EARLY OUTPERFORMANCE	ESTABLISHED OUTPERFORMANCE	MARKET PERFORMANCE	EARLY UNDERPERFORMANCE	ESTABLISHED UNDERPERFORMANCE
<p>FINANCIALS</p> <ul style="list-style-type: none"> > XLF - FINANCIAL SELECT SECTOR S > IXG - ISHARES GLOBAL FINANCIALS > IAJ - ISHARES U.S. BROKER-DEALER > KBE - SPDR S&P BANK ETF > KRE - SPDR S&P REGIONAL BANKING <p>UTILITIES</p> <ul style="list-style-type: none"> PHO - INVESCO WATER RESOURCES <p>COMMUNICATION SERVICES</p> <ul style="list-style-type: none"> PBS - INVESCO DYNAMIC MEDIA ET <p>CONSUMER STAPLES</p> <p>HEALTH CARE</p> <p>CONSUMER DISCRETIONARY</p> <ul style="list-style-type: none"> > PEJ - INVESCO DYNAMIC LEISURE A > RXI - ISHARES GLOBAL CONSUMER > XHB - SPDR S&P HOMEBUILDERS ET <p>INFORMATION TECHNOLOGY</p>	<ul style="list-style-type: none"> * XLC - COMM SERV SELECT SECTOR S SOCL - GLOBAL X SOCIAL MEDIA E <ul style="list-style-type: none"> XLY - CONSUMER DISCRETIONARY S > XRT - SPDR S&P RETAIL ETF * RTH - VANECK RETAIL ETF <ul style="list-style-type: none"> HACK - EFTMG PRIME CYBER SECUR CLOU - GLOBAL X CLOUD COMPUTIN FINX - GLOBAL X FINTECH ETF AIG - Global X Future Analytic SNSR - GLOBAL X INTERNET OF TH BOTZ - GLOBAL X ROBOTICS & ART PXQ - INVESCO DYNAMIC NETWORKI * IGV - ISHARES EXPANDED TECH-SOF * IXN - ISHARES GLOBAL TECH ETF * XLK - TECHNOLOGY SELECT SECT SP SMH - VANECK SEMICONDUCTOR 	<ul style="list-style-type: none"> ITYZ - ISHARES US TELECOMMUNICA 	<ul style="list-style-type: none"> IXP - ISHARES GLOBAL COMM SERVI <ul style="list-style-type: none"> KXI - ISHARES GLOBAL CONSUMER <ul style="list-style-type: none"> \ XLV - HEALTH CARE SELECT SECTOR \ IXJ - ISHARES GLOBAL HEALTHCARE \ IBB - ISHARES NASDAQ BIOTECHNOL \ IHI - ISHARES U.S. MEDICAL DEVI \ PPH - VANECK PHARMACEUTICAL 	<ul style="list-style-type: none"> * IYR - ISHARES US REAL ESTATE ET * KIE - SPDR S&P INSURANCE ETF <ul style="list-style-type: none"> * JXI - ISHARES GLOBAL UTILITIES * XLU - UTILITIES SELECT SECTOR S <ul style="list-style-type: none"> * XLP - CONSUMER STAPLES SPDR
<p>INDUSTRIALS</p> <ul style="list-style-type: none"> > XLI - INDUSTRIAL SELECT SECT SP > PPA - INVESCO AEROSPACE & DEFEN > EXI - ISHARES GLOBAL INDUSTRIAL > IYT - ISHARES TRANSPORTATION AV <p>MATERIALS</p> <ul style="list-style-type: none"> MXI - ISHARES GLOBAL MATERIALS XLB - MATERIALS SELECT SECTOR XME - SPDR S&P METALS & MINING > MOO - VANECK AGRIBUSINESS <p>ENERGY</p> <ul style="list-style-type: none"> > XLE - ENERGY SELECT SECTOR SPDR FCG - FIRST TRUST NATURAL GAS TAN - INVESCO SOLAR ETF PBW - INVESCO WILDERHILL CLEAN > IXC - ISHARES GLOBAL ENERGY ETF XOP - SPDR S&P OIL & GAS EXP & > KOL - VANECK COAL ETF > OIH - VANECK OIL SERVICES <p>THEMATIC</p> <ul style="list-style-type: none"> DRIV - GLOBAL X AUTONOMOUS&ELE BFIT - GLOBAL X HEALTH & WELLN LIT - GLOBAL X LITHIUM & BATTER PAVE - GLOBAL X US INFRASTRUCT > PKW - INVESCO BUYBACK ACHIEVERS 	<ul style="list-style-type: none"> * GDX - VANECK GOLD MINERS 			
	<ul style="list-style-type: none"> EBIZ - GLOBAL X E-COMMERCE ETF * GNOM - GLOBAL X GENOMICS & BIOT * LNCR - GLOBAL X LONGEVITY THEM A MILN - GLOBAL X MILLENNIALS TH * PDP - INVESCO DWA MOMENTUM ETF 		<ul style="list-style-type: none"> \ MTUM - ISHARES EDGE MSCI USA MC 	<ul style="list-style-type: none"> * PFM - INVESCO DIVIDEND ACHIEVER

For those that enjoy blues guitar once in a while, I'll leave you with a Shuggie Otis classic instrumental [Slow Goonbash Blues](#) to listen while working through data.

Have a safe and relaxing weekend.

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