Daily Technical Strategy

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DJIA joins SPX, QQQ back at new all-time highs

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Key Takeaways

- DJIA has finally joined SPX and QQQ back at new all-time high territory.
- Performance data shows Technology having lagged over the last month.
- Healthcare's bounce looks to be nearing resistance, and this sector remains difficult.

Near-term and intermediate-term technical trends remain bullish for US Equities, but it's thought that the rally in US Stocks likely will face some meaningful resistance at marginally higher levels, which might begin sometime next week, before August 20th. DJIA has now officially joined both SPX and QQQ back at new all-time highs following the sharp move in UNH this week, and it's still thought that SPX should push up above 6500 next week before much resistance sets in. Overall, despite some of the minor concerns regarding Elliott-wave patterns nearing completion, seasonal/cyclical periods of weakness approaching and waning breadth, it's going to be necessary to see evidence of US Equity index prices turning down in a manner that would help to add conviction to these concerns. Both US Dollar and US Treasury yields seem to be headed lower in the weeks to come, and this is thought to be helpful for US risk assets. Overall, while it's proper not to grow too complacent in August, it's also proper to let this rally run its course until the market demonstrates evidence of starting to weaken. For now, it still appears that the path of least resistance remains higher.

Friday's new development concerned $DJIA pushing back to new all-time highs with its weekly close above 44910 and daily push above $45200.

While many feel it's right to criticize $DJIA given its price-weighted nature, this is a very important gauge for US stocks, and it's positive to see the recent negative divergence with $SPX and $QQQ having been eliminated.

Stocks like $JNJ, $HD, $AAPL, $SHW, $VZ, $TRV, and $NKE, not to mention $UNH, have all risen more than 5% in the last month, and the broad-based list of various constituents hitting new all-time highs is thought to be a positive.

While Healthcare's rise is not thought to be something that might persist much longer (and has been a component of this $DJIA rally), it's a positive to see $DJIA back at new highs.

I think this bullish breakout speaks to the possibility of the broader market slowly but surely joining the rally that had largely just occurred in Technology, Industrials, and Financials, and the recent discussion of Consumer Discretionary earlier this week amplified this point.

Overall, while there might be some churning in $DJIA between 45-$46,000 before the start of a larger rally, I expect $DJIA to push steadily higher in Q4, and dips should prove to make $DJIA more appealing.

I'll provide some year-end targets on $DJIA once markets make it past the month of September, which I feel could bring some consolidation. However, it's right to note this week's push to new highs as a big positive for $DJIA, as it helps to strip away some of the Dow Theory negative divergences that had been present.

Dow Jones Industrial Average Index

Source: TradingView

Performance shows strong movement out of former laggards like Healthcare, Materials, and Financials this week, which is a positive

Recent performance data (when viewed on an Equal-weighted basis of the 11 major ETFs that represent the $SPX) shows that Technology hasn't really been leading this past week, nor for the past month.

Sectors like Healthcare, Financials, Consumer Discretionary and Materials have charged ahead with solid relative strength over this past week, which is encouraging to see given recent underperformance in many of these on a 3-month, and YTD basis.

While I had discussed the bifurcation within Technology as being something to keep an eye on in recent weeks, it's still right to favor Technology for leadership in the months ahead, in my view.

However, the upticks in relative strength in various non-technology sectors seem particularly helpful to the overall health of this recent rally, despite the minor waning of breadth since late July.

Invesco S&P 500 Equal Weight ETF

Code	Name	Change (%)	1W%	1Mo %	3Mo %	YTD%
RSPH	Invesco S&P 500 Equal Weight Health Care ETF	-0.24%	4.02%	0.52%	3.42%	-1.02%
RSPC	Invesco S&P 500 Equal Weight Communication Services ETF	-0.52%	3.30%	2.66%	7.45%	13.45%
RSPM	Invesco S&P 500 Equal Weight Materials ETF	-1.21%	3.00%	-2.86%	3.88%	1.17%
RSPF	Invesco S&P 500 Equal Weight Financials ETF	0.14%	3.00%	0.81%	5.49%	7.11%
RSPD	Invesco S&P 500 Equal Weight Consumer Discretionary ETF	-1.28%	2.92%	3.03%	8.40%	6.98%
RSPT	Invesco S&P 500 Equal Weight Technology ETF	-0.60%	2.06%	1.44%	8.17%	11.04%
RSP	Invesco S&P 500 Equal Weight ETF	-0.65%	1.95%	0.93%	5.49%	6.33%
RSPG	Invesco S&P 500 Equal Weight Energy ETF	0.24%	1.81%	-2.79%	-0.93%	-1.89%
RSPN	Invesco S&P 500 Equal Weight Industrials ETF	-1.14%	1.31%	0.98%	6.78%	10.70%
RSPS	Invesco S&P 500 Equal Weight Consumer Staples ETF	-1.09%	-0.31%	2.11%	4.21%	2.56%
RSPU	Invesco S&P 500 Equal Weight Utilities ETF	-0.74%	-0.53%	4.81%	7.82%	14.71%
RSPR	Invesco S&P 500 Equal Weight Real Estate ETF	-1.15%	-0.77%	-2.82%	0.06%	-2.00%

Source: Optuma

Healthcare ETF looks to be nearing resistance

It might be surprising to see such huge outperformance by Healthcare this past week, but it's come on the heels of strong moves out of $UNH, $LLY, $CI, $HUM, and $CNC, many of which had proven to be big laggards in recent months.

Technically, the SPDR Select Healthcare ETF, $XLV, has now reached an area of near-term trendline resistance, and my view is this could present some headwinds to progress.

Despite Healthcare's recent bounce, this remains within a steep relative downtrend vs. SPX (shown later in this report) and has lagged performance over the last 1 month, 3 months, and YTD basis.

I suspect it's too early to think Healthcare will begin any larger outperformance, and $XLV likely should not get immediately above $138 (which lies near former July 2025 peaks).

SPDR Select Sector Fund – Health Care

Source: TradingView

Biotechnology breakout has helped XBI reach the highest levels since February

Biotech has come back with a vengeance, and following four straight days of gains, the S&P Biotech SPDR ETF ($XBI) has achieved a minor breakout above July highs to the highest levels since February.

Technically, I expect another 2-3 days of gains out of $XBI before this stalls out between $92.50-$93.85 and am not expecting an immediate move over February highs at $94.89.

Following a pullback in September, weakness back to the high $80's would be thought to represent a better risk/reward situation for $XBI.

Source: Trading View

Healthcare still looks quite negative vs. SPX despite recent bounce

Despite the counter-trend exhaustion shown by DeMark indicators in late 2024 on the relative ratio of Equal-weighted Healthcare vs. Equal-weighted S&P 500, this signal was never confirmed, and the underperformance has continued much of this year.

While Healthcare has bounced along with other sectors like Consumer Staples of late, it's difficult to embrace this sector as having any real appeal when compared to $RSP.

Thus, even when viewing Healthcare vs. an Equal-weighted SPX, which doesn't have the same overweight of Technology, the downtrend has persisted for over two years, and doesn't seem complete.

It will take a breakout of the downtrend from 2023 before being able to trust that Healthcare can begin to show some outperformance, and this looks quite premature.

RSPH / RSP

Source: Symbolik

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