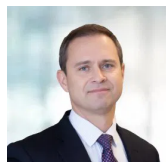


Market requires some immediate strength to avoid a pullback



Mark L. Newton, CMT^{AC}

HEAD OF TECHNICAL STRATEGY

Key Takeaways

- Despite Wed.'s positive close, more volume flowed into Declining vs. Advancing issues.
- Tech Hardware looks to be what to favor within Technology.
- Software still showing evidence of underperformance within Tech; Patience required.



Near-term and intermediate-term technical trends remain bullish for US Equities, and recent underperformance in Technology has not resulted in US Equities showing much weakness, despite a drop in momentum over the last few days. Equities are entering a seasonally tough time between now and mid-October, so it's going to be very important to keep a close eye on near-term price action and market breadth in the days ahead. Despite the rally in Precious and industrial metals, cryptocurrencies, and US Treasuries, Equities appear to be at a standstill. Overall, immediate upside follow-through is necessary on above-average breadth to avoid SPX starting to turn down and follow the seasonal weakness that suggests the first part of September might prove difficult.

While the near-term uptrend remains intact as of today's close, there was more volume flowing into Declining issues than advancing during today's trading, and it's important to keep a close eye on near-term price action in the days ahead.



As I wrote in today's Flash Insights Intra-day commentary, the strength in Technology was not seen in other sectors today, and nearly half of the 11 S&P major sectors fell on the day. Given the choppy range-bound structure of the last few weeks, as shown on hourly charts below, it's imperative technically for \$SPX to push back to new highs right away.

Any failure in the days ahead to recoup 6508, which results in a stalling out and downturn back to test Monday's lows at 6360.58, would be seen as bearish near-term and likely not holding this past Monday's lows.

If this were to happen, then weakness down to challenge 6300 or slightly under could materialize into next week. However, even in this scenario, I'm highly skeptical that the August lows from 8/1/25 of 6212.25 are broken.

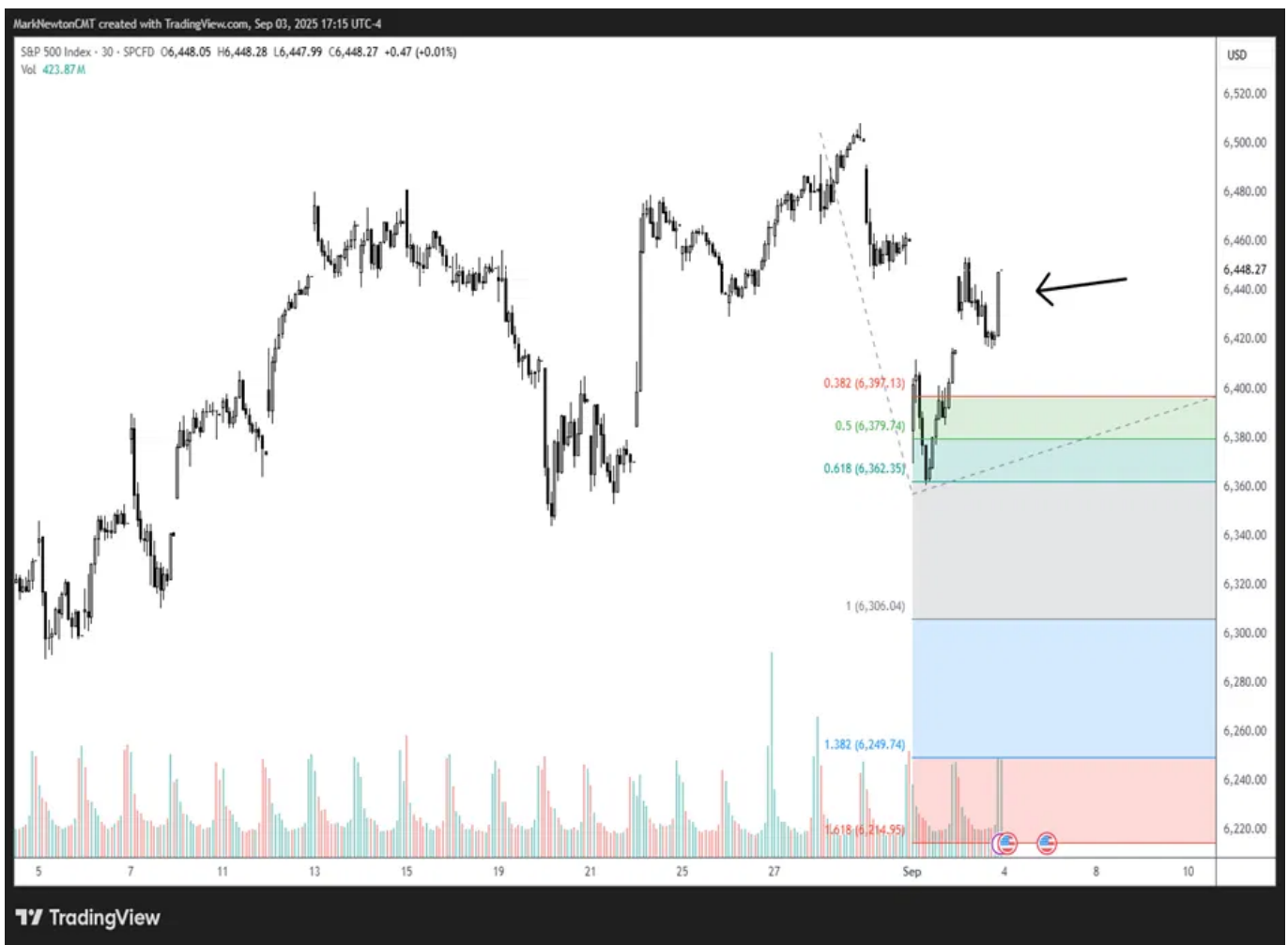
Generally, I find the expansion in breadth and momentum in August to have been bullish for the US Stock market, and the recovery in Small and mid-Cap stocks which helped to drive \$DJIA and Equal-weighted \$SPX briefly to new highs was also seen as quite positive. Sentiment remains guarded, while markets are approaching a likely interest rate cut during a time of good earnings strength.

The combination of this means that selloffs, for now, should prove short-lived from both a price and time perspective.

However, I was a bit concerned on Wednesday with the lack of broad-based recovery and poor volume into Advancing issues.

For now, until Monday's lows of 6360.58 are broken, it's proper **not to give this pullback much validity. However, it's right not to be complacent given that markets are in September and indices have shown some minor stalling out. (\$SPX's 6448.27 close today was lower than where \$SPX closed three weeks ago, on Wednesday, August 13th (6466.59).)**

S&P 500 Index



Source: TradingView

1-month performance data shows the ongoing Bifurcation within Technology

Incredibly enough, a quick scan of 1-month performance for the 25 GICS Level 2 groups that make up the S&P 500 shows that Technology Hardware has dominated the performance of all these groups with a performance of +14.47%.

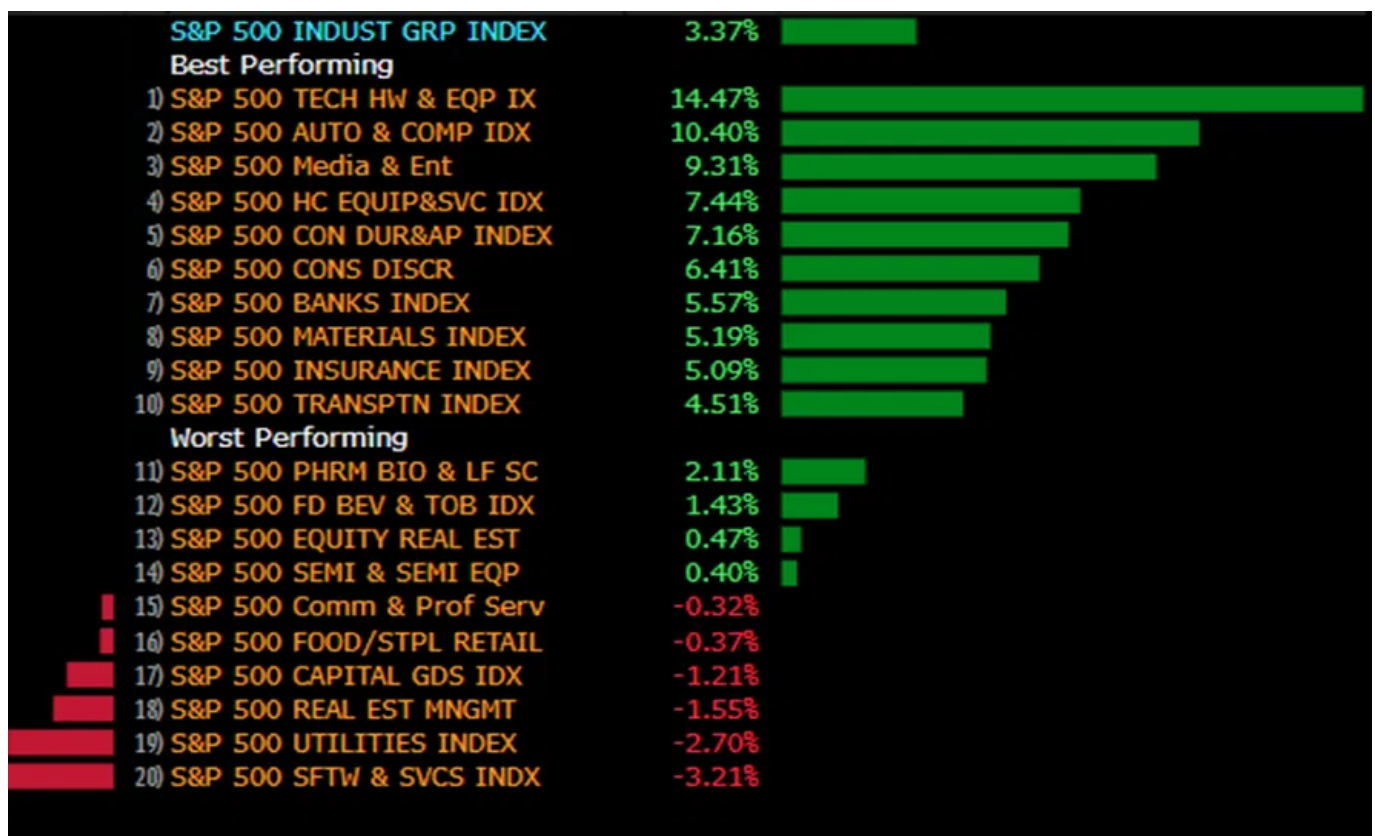
However, Software and Software Services were lower by -3.21%, the worst performing of all 25 groups. **Thus, Technology is both leading and lagging when looking at Sub-sector performance, representing the best and the worst performing groups within the \$SPX.**

Despite the outperformance of stocks like \$AAPL, \$DELL, \$ANET, \$STX, and others, Technology as a sector underperformed the \$SPX in the last month, when viewing \$XLK and Equal-weighted Technology (\$RSPT).

The key takeaway is that with a 30% representation within \$SPX, it's going to be necessary for Technology to start to work sooner rather than later when expecting \$SPX to push higher without any material pullback this fall.

While both \$GOOGL and \$AAPL showed good performance on Wednesday, the Equal-weighted S&P 500 showed negative performance on the day of -0.15%.

S&P 500 INDUST GRP INDEX



Source: Bloomberg

Tech Hardware looks to be clearly the way to play Technology in the near-term

Those investors who wish to be invested in Technology in the months ahead despite the recent underperformance in the sector might be wise to overweight Technology Hardware (\$S5TECH- Bloomberg) which still looks in very good shape technically.

As shown below, the S5TECH index just pushed above August peaks which sets this up to likely rally to challenge the former peaks from last December.

Given AAPL's early year underperformance, S5TECH index has not yet reached all-time highs. Yet the comeback has been formidable and this sub-sector still has some very good strength. Overall, this area within "Tech" would be my pick in the near-term.

S5TECH Index



Source: Bloomberg

Ratio charts of US Software vs. Equal-weighted Technology still show a possibility of further relative underperformance in Software

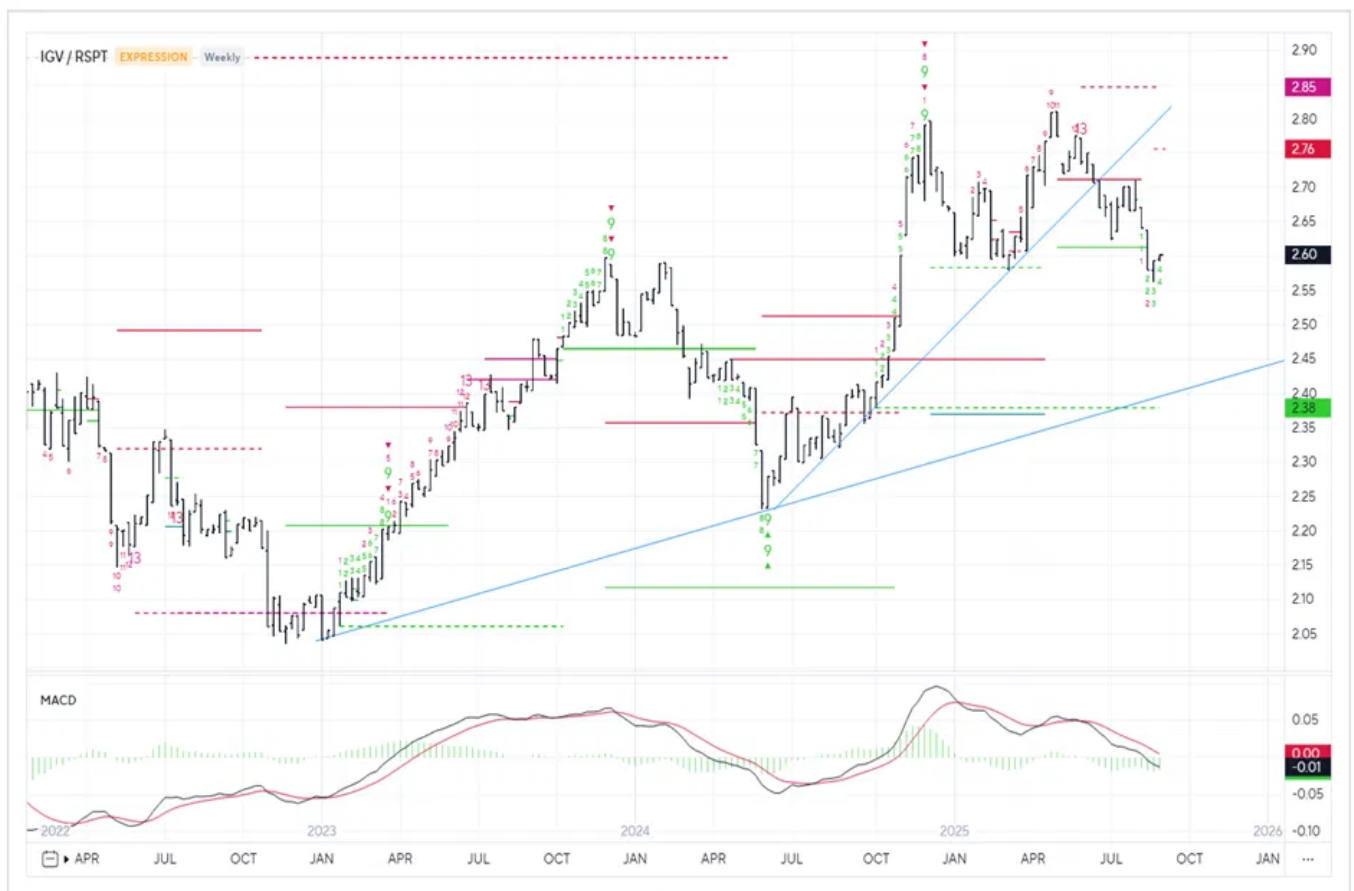
When utilizing ratio charts within Symbolik software to see how Software (represented by \$IGV) might be faring vs. Technology, we see that the sub-sector remains trending sharply lower relatively speaking, a trend that began this past spring.



Despite a strong 2024 for Software stocks, this year has proven quite different and much weaker.

At present, momentum gauges like MACD remain bearish on a weekly timeframe and until some evidence of strength arises, it's better to favor Tech Hardware, or Semiconductor stocks, both which look relatively more attractive.

(Chart shown below is a ratio of \$IGV vs. \$RSPT)



www.symbolik.com

SYMBOLIK

SEP 03, 2025 11:06:53 UTC -04:00

Source: Symbolik



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