Daily Technical Strategy September 11, 2025

Technology has broken out again, while DJIA, RSP back at new highs

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HEAD OF TECHNICAL STRATEGY

Key Takeaways

- DJIA and RSP have pushed back to new all-time high territory today.
- Technology has rebounded sharply to make another breakout after August weakness.
- IWM remains on track to hit $245 in the week ahead.

Near-term and intermediate-term technical trends remain bullish for US Equities and Treasuries have also begun to trend higher over the past week. Market breadth rebounded sharply on Thursday but generally has been trending lower since July. Thus far, Equities have not shown the kind of weakness that cycles and seasonality had both projected as being possible for September. While these remain negative through October, I suspect that it's important to keep a firm eye on Technology, as this sector has rebounded sharply in the last two weeks and remains the most important piece of the Equity puzzle. Meanwhile, Treasury yields continue to collapse, but bad news thus far has not proven damaging to Equities. Overall, I'll believe weakness when I see it, but Thursday's upside follow-through for the broader market was certainly positive and coincided with much better than average market breadth. September's FOMC could serve as a catalyst for some kind of pullback, but until SPX gets back under 6443, it will prove difficult to call for a trend change of any sort.

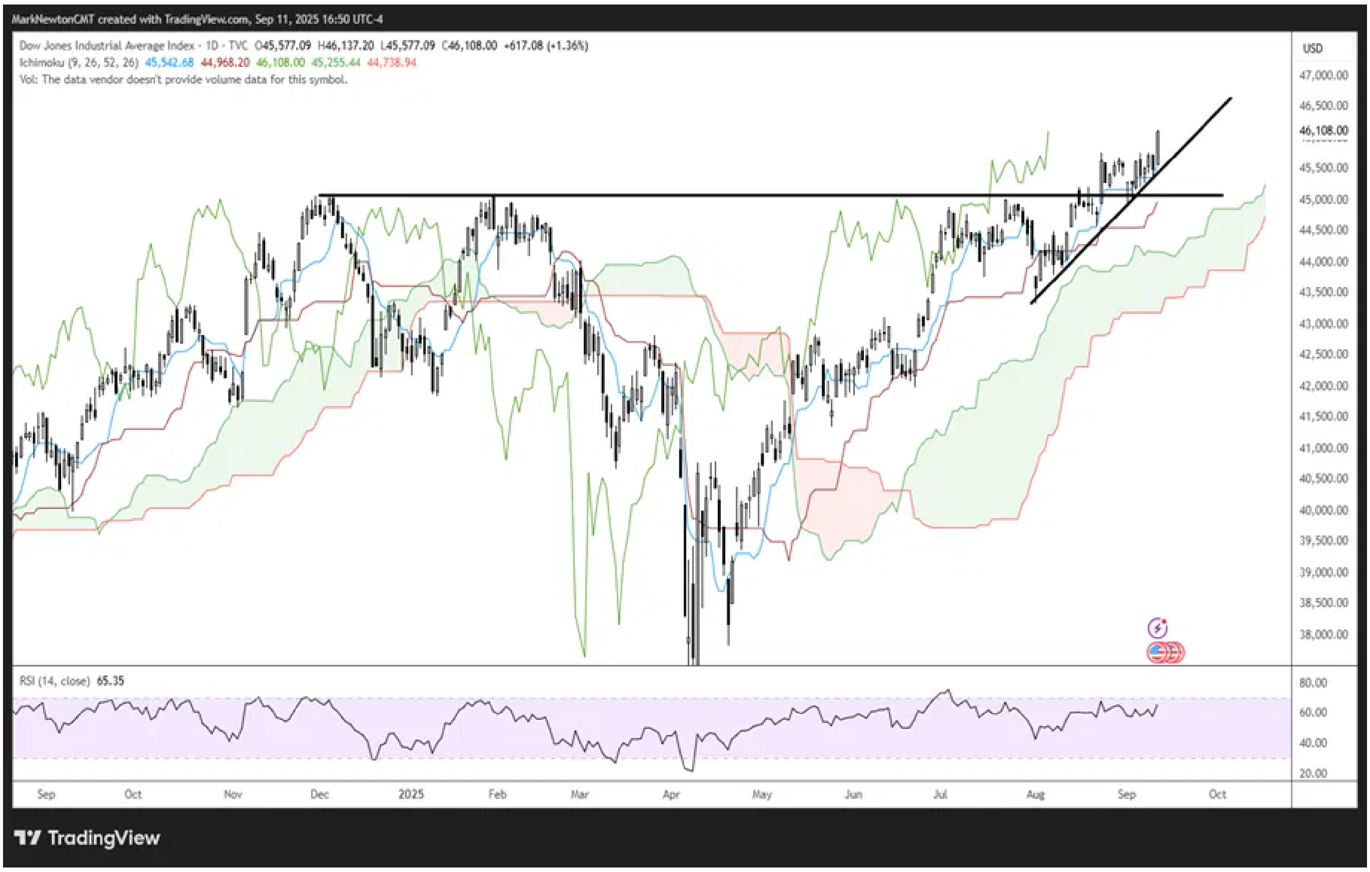
The price action in recent days looks reminiscent of a blow-off type activity, with huge 30% gains in $ORCL which have now been followed by sharp gains in $ADBE along with Equal-weighted $SPX and $DJIA pushing back to new highs. This kind of acceleration makes it difficult to be too negative, but it's wise to watch prices carefully in the month of September.

Incredibly enough, AAII data has gotten more and more negative in recent weeks and now shows a 21-point Percentage spread in favor of the Bears over Bulls. This kind of negativity directly follows recent reports, which showed negative S&P Futures exposure as a percentage of Open Interest by Speculators.

Given that $SPX has reached the top of its trading channel, there are certainly reasons why pullbacks could happen. However, normally, a push back to new all-time highs for indices like $DJIA and Equal-weighted $SPX are thought to be bullish. As seen below, the $DJIA had stalled out, similar to Equal-weighted $SPX, over the last two weeks.

However, this push to new highs today on above-average breadth is certainly quite constructive. Until/unless there is evidence of this reversing, I'm inclined to expect some upside follow-through into next week.

Dow Jones Industrial Average Index



Source: TradingView

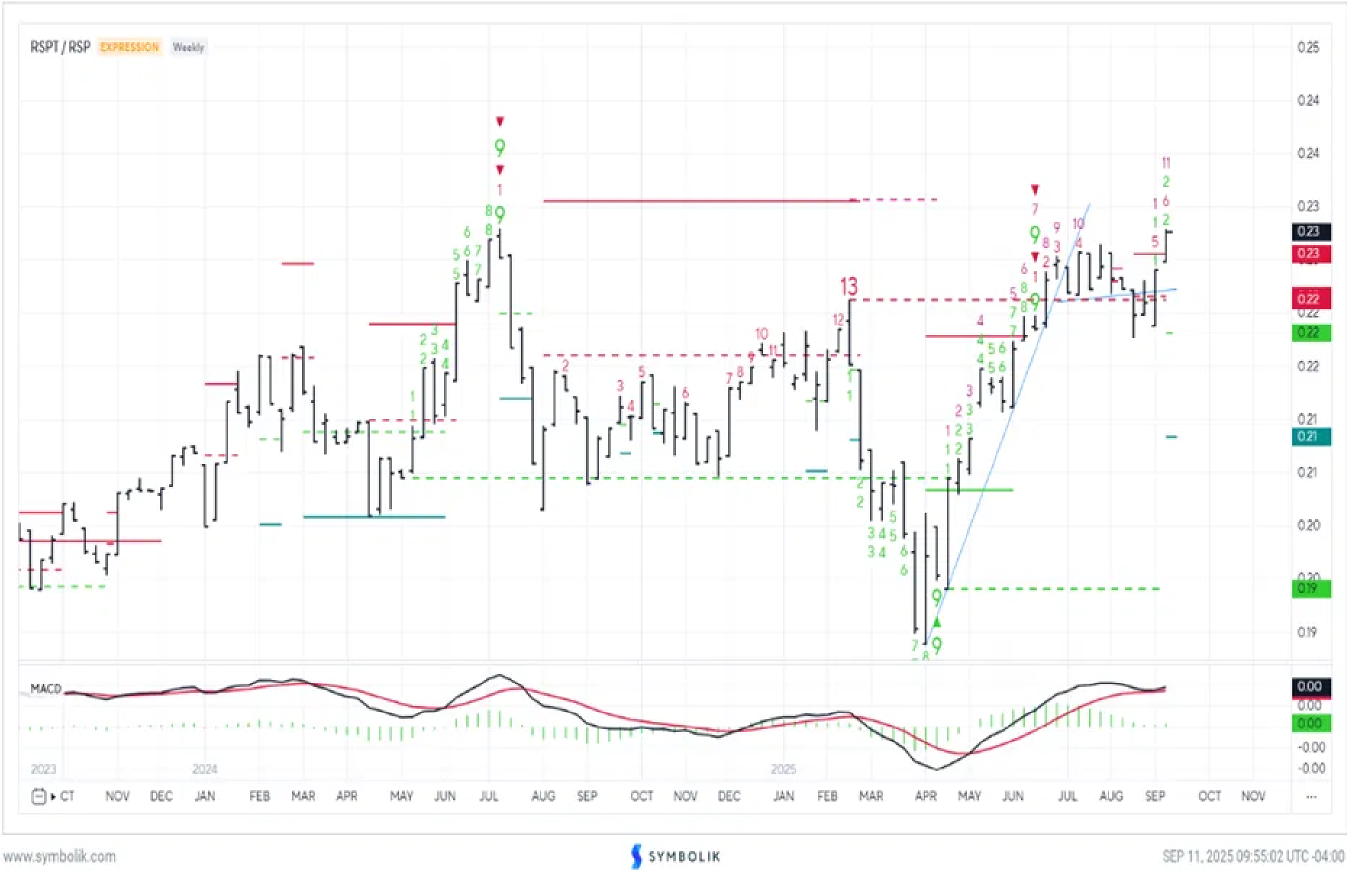
Equal-weighted Technology has snapped back in resounding fashion

The chart below shows the ratio of Invesco's Equal-weighted Technology ETF ($RSPT), which has now snapped back sharply, vs. the Equal-weighted S&P 500 ETF ($RSP).

This weekly relative chart shows the breakdown in Technology which happened during the first part of August which has now strengthened back so sharply (with one trading day left in the week) that this weekly ratio might close at the highest levels since last July.

Software has rebounded in recent days this week (and might move higher again given $ADBE earnings) while the strength of Disk-drive makers like $STX, $WDC have helped Technology Hardware outperform all other parts of Technology in the last month.

RSPT/RSP



Source: Symbolik

IWM could push up to test 2024 highs into next week

$IWM has come back with a vengeance of late. Thursday's outperformance nearly bested that of the $SPX by nearly 100 bps. $IWM's weekly chart has now exceeded the peaks of the last two weeks to reach the highest levels since last year.

I expect a test of $245 is likely in the next week, but this level might prove important given that it also lies near prior peaks from 2021.

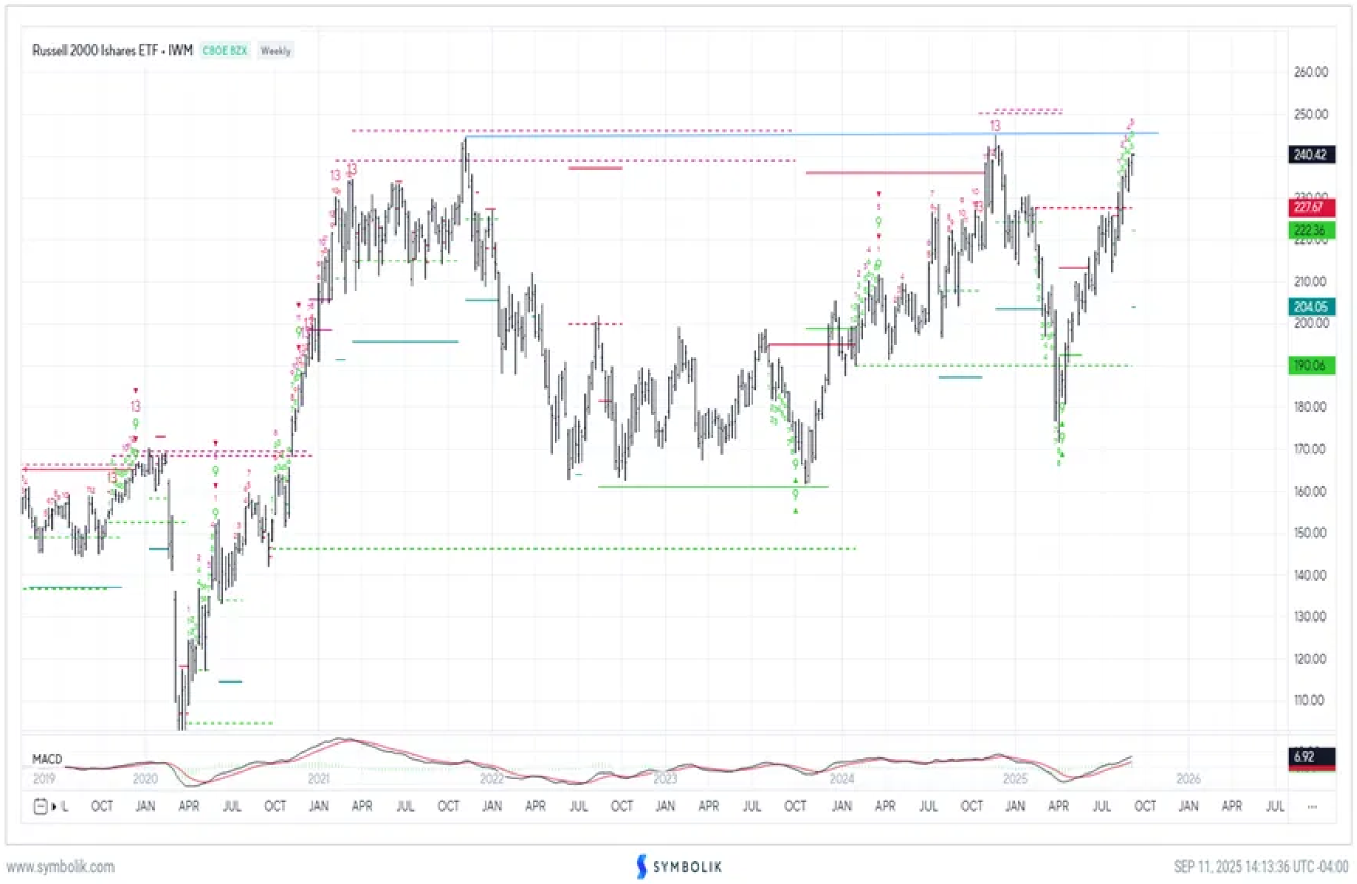
On an intermediate-term basis (meaning in this case through year-end), I expect Small-cap outperformance over both Equal and Cap-weighted $SPX.

However, the next week likely brings about the biggest test for $IWM in the 3rd quarter. Bottom line, there doesn't look to be anything between current levels ($240.80)

However, I suspect that given that this area has held twice thus far starting with the initial peak in 2021, I expect that $IWM will reach $245 and then stall.

Any consolidation into October/November should make $IWM quite attractive for an eventual breakout of $245. Such a development should allow for more meaningful upside acceleration and likely outperformance.

Russell 2000 Ishares ETF – IWM



Source: Symbolik

Treasury yields are still dropping sharply but approaching support into next week, which likely holds for now

The implosion in long yields over the last two weeks has resulted in a flattening in the 10's-2's yield curve, which I discussed early last week.

US 10-Year Treasury yields are now within the range of April lows, and I am not expecting an immediate undercut of 3.86%.

Overall, the next 2-3 days of downside follow-through should result in yields starting to stabilize followed by a bounce into the month of October.

Thereafter, additional weakness looks likely based on seasonality and cycles into year-end.

US Government Bonds 10 YR Yield

Source: TradingView

When does the Correlation break between Treasuries and Equities

Thus far, most of the last seven months have brought about a positive correlation between Equities and Treasuries, as below-average economic news (which has helped price in rate cuts to the market) has helped Equities rally.

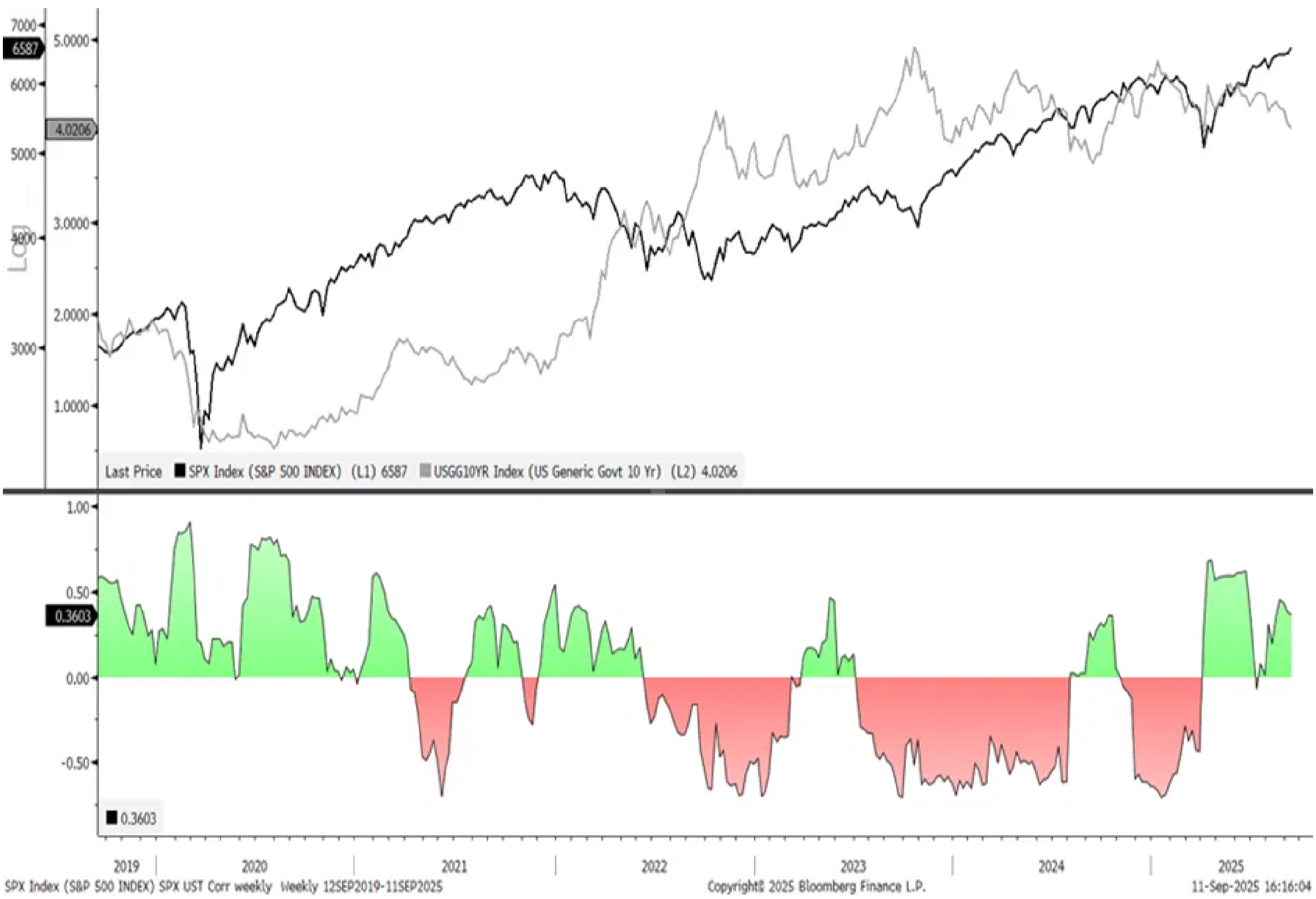
Thus, lower yields have coincided with Equities rallying. This hasn't always been the case, however, and the last few years brought about the opposite.

Most of 2022 into 2024 saw Equities rally as yields pushed higher during a time of rate hikes. However, that changed this year and the opposite occurred as weaker data brought about conditions for FOMC rate cuts from September into next year.

I think it's wise to watch this correlation carefully, as "bad economic" news likely won't continue to drive Equities higher.

However, if TNX holds near 3.95 and turns up into October, this might also lead Equities down in the short run. Thus, until the correlation starts to break, it's thought to be wise to continue to advocate weaker data leading Equities higher (despite this intuitively not seeming to make much sense). Provided that rate cuts continue to grow in number and in amount into next year, it's thought that lowering interest rates likely could be a force that cushions the Economy.

S&P 500 Index



Source: Bloomberg, Fundstrat

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