

■ Daily Technical Strategy

March 5, 2025

4 Technically attractive Alternatives to consider outside of Tech stocks



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HEAD OF TECHNICAL STRATEGY

Key Takeaways

- Steep slide for US Equities looks close to bottoming and might happen this week.
- Gold, Silver and Copper all look technically attractive among precious and industrial metals.
- FXI and TLT both look appealing for intermediate-term investments this year.
- Defensive sectors like Utilities, REITS, and Staples have all outperformed lately .



Recent selling pressure should be nearly complete following the pullback since 2/19. Short-term momentum has gotten oversold and many key large-cap Tech stocks look to be at/near support. Furthermore, Treasury yields and the US Dollar have been breaking down sharply, which is viewed as a constructive development for US risk assets. Moreover, sentiment has continued to grow more and more negative, given the constant rhetoric regarding tariffs and/or a growth slowdown, yet the Magnificent 7 looks to be trading near support. Moreover, the mention of a one-month delay for tariffs on Automakers, which are following USMCA guidelines, seems like a temporary but bullish catalyst for US stocks. Overall, given that DeMark-based counter-trend exhaustion is now present on VIX, TNX, SPY, and QQQ, I sense that stocks are well positioned to bottom out.

Has SPX Bottomed? Maybe, but we'll need to see a bit more strength



The thoughts of a partial rollback on Tariffs was announced on Wednesday, as Automakers that comply with USMCA agreement are having tariffs postponed a month. This coincided with a 1% rally in US Stocks on Wednesday that nearly reached yesterday's intra-day highs in SPX.

From a pure price perspective, that's a minor positive, no doubt. However, it remains necessary to push higher on excellent breadth to break the ongoing downtrend line from mid-February before being able to have too much conviction.

Overall, I think that's possible, and given the improved breadth of late compared to mid-January and evidence of Technology starting to stabilize, I feel that this week should prove important for an initial Equity index bottom.

As to whether it's sustainable or not is a very difficult question at present, and much will depend on the shape, structure, and participation on an upcoming bounce before being able to say SPX is headed back to new highs.

My two short-term cycle composites show that lows should be right around the corner, which results in meaningful rallies back to new highs. One earmark is 3/14 (the end of next week), while the other targets mid-April. It's my view that even if this second April low turns out to be the case, then SPX and QQQ will still likely push up into late March before a minor "backing and filling" into April at higher lows. (I'll show these cycle composites later this week.)

At present the two most likely areas of short-term resistance lie near 5865 and then 5931. The ability for SPX to eclipse 5931 would go a long way towards suggesting a meaningful low is in place, in my view.

S&P 500 Index



Source: TradingView

4 Technically attractive ideas that have outperformed in a lackluster Equity market for those in search of diversification

Several things continue to work quite well and are attractive technically for those who wish to diversify away from US stocks. Given that this multi-year rally has resulted in many investors having accumulated oversized positions in many Magnificent 7 names (which, as a group, haven't been working as well since December 2024), it's worthwhile to discuss areas for possible diversification for those who have grown impatient waiting for "the market" to bottom.

1. Precious and Industrial Metals

Gold and Silver are both very appealing here technically and arguably should move back to new all-time highs



Both Gold and more recently Silver have begun to trade back sharply higher and I believe both should be favored for outperformance in the weeks and months ahead. Given the persistent multi-week decline in US Treasury yields and the US Dollar, precious metals have appeal.

Moreover, these are starting to work better as economic downside surprises have occurred, which raise the number of rate cuts planned for 2025 into 2026.

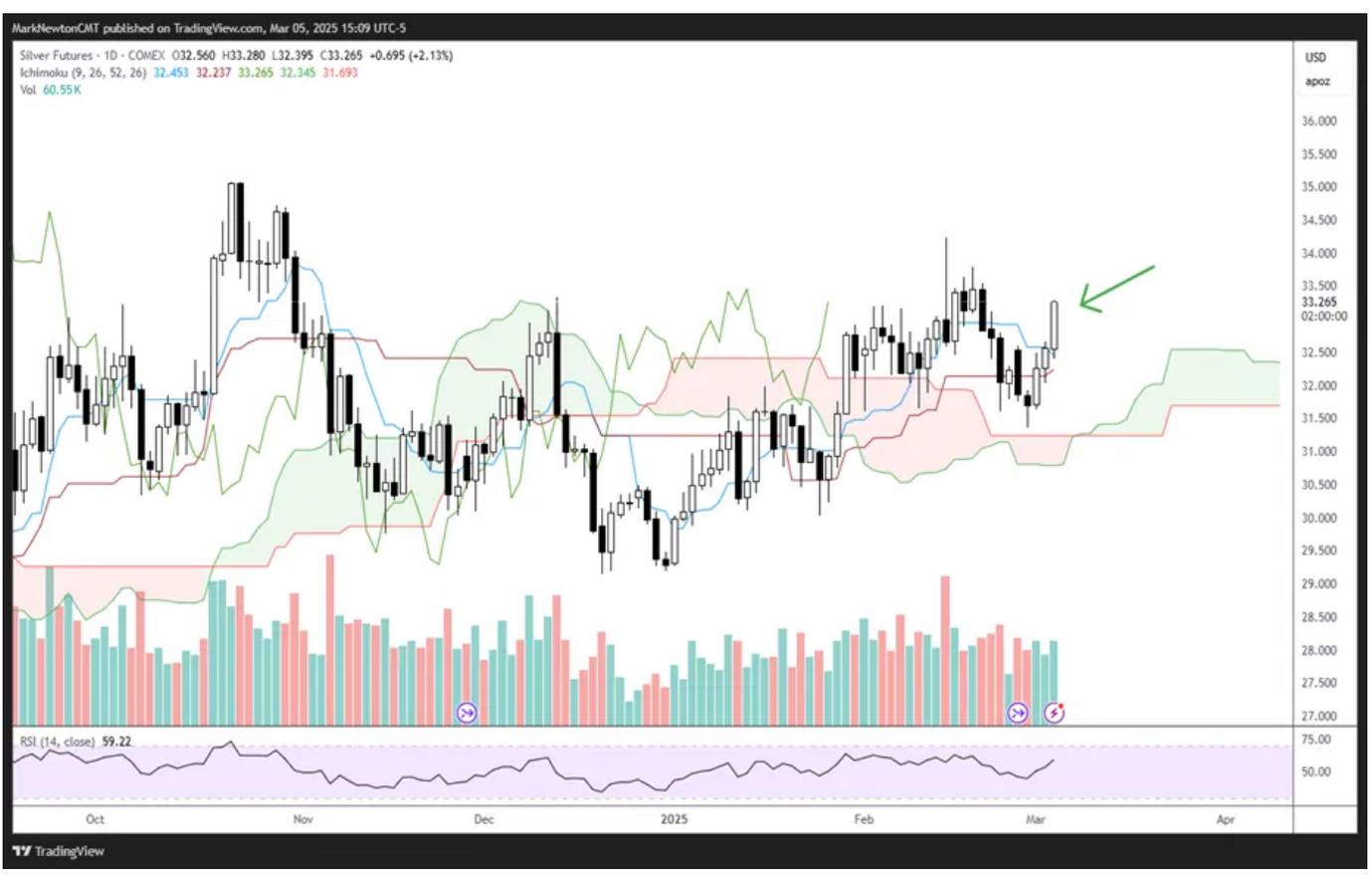
While many have come to think of Gold as being an inflation hedge, the better answer is that it tends to work well as real rates start to drop on disappointing economic data.

My target for Gold is 3280 while I expect Silver reaches the high \$30's/low \$40's. Silver Futures shown below on daily charts, are likely to push back to new all-time highs, and look appealing in the near-term.

\$GLD and \$IAU arguably are appealing for Gold, while \$GDX, or the more aggressive \$NUGT, is available for Gold Mining issues. \$SLV, or \$SILJ are ETF's which cover Silver and Silver miners. \$CEF is also an interesting choice as a closed-end fund of physical gold and silver run by Spratt.

Silver as shown below, should rally to test \$35 initially and then eclipse this level back to the low \$40's in my view.

Silver Futures



Source: Symbolik

Copper is also highly attractive, along with Aluminum as tariffs on these have resurfaced.

Trump’s announcement of a 25% tariff on Copper, Steel, and Aluminum managed to spark a sharp gain in Copper today. Today represents a meaningful technical move in reclaiming \$4.70/lb in COMEX Copper Futures. Today’s move is quite bullish technically and should pave the way for a move up to challenge last May’s peak near \$5.20 made in 2024. Stocks involved in Copper production, like Freeport McMoran’s \$FCX, are higher by nearly 7% today. Overall, Copper is bullish and should extend gains in the days/weeks ahead, given today’s move.

Outside of Copper futures, ETF’s like \$COPX, the Global X Copper Miners ETF, can help give exposure to Copper miners, while FCX is one of the large-cap, liquid Stocks which might benefit on a bump in Copper prices.

Copper Futures



Source: TradingView

2. Chinese Equities, along with many Emerging markets, have finally started to wake up as the US Dollar declines

The chart below highlights FXI (Ishares China Large-cap ETF) which has reached the highest levels on a weekly basis since 2022.

As the US Dollar’s pullback has begun to accelerate, Chinese Equities have begun to strengthen more quickly.

FXI did bottom in early 2024 and has outperformed SPX since that time. However, it’s been the recent breakout early this year in key stocks like \$BABA and \$TCEHY, which has turned investor’s heads.

Overall, I think Chinese Equities remain appealing at a time of Dollar weakness, while FXI has nearly reached the initial target of this latest rally which lies near October 2024 peaks as well as the 50 % retracement of the 2021-2024 decline.

Movement over this level, however, is likely which should help FXI advance to \$41.75. For those who follow my technical stock list, I added Alibaba \$BABA in the most recent February report.

While US Equities ultimately are expected to do much better than Chinese Equities, at present, FXI has been working well and appears like an interesting choice for those looking to reduce exposure to US Technology. Other Emerging markets of interest are India (\$INDA) and Mexico (\$EWW).

iShares China Large-Cap ETF



Source: TradingView

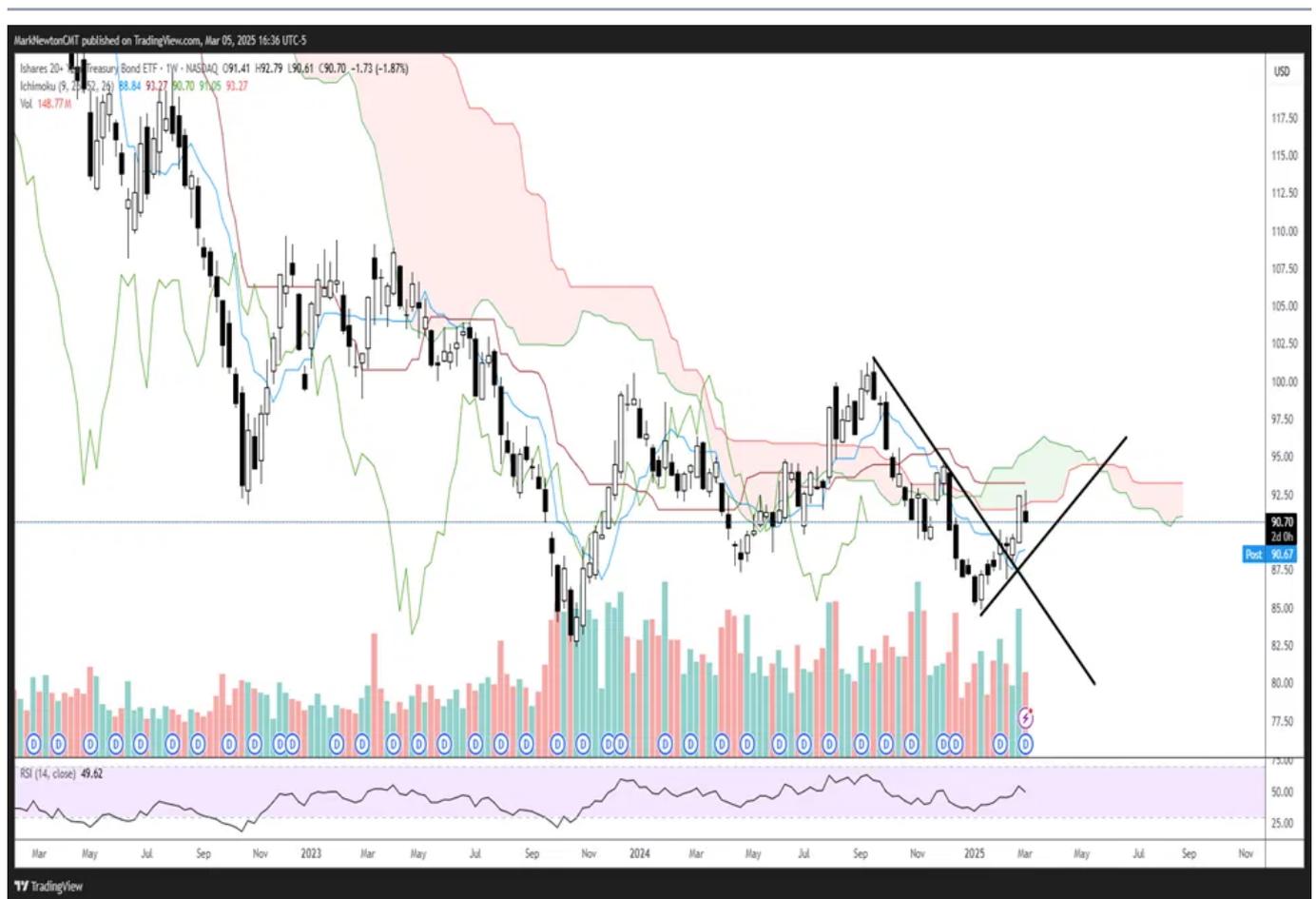
3. Treasuries should likely show further intermediate-term strength into Summer 2025

Treasuries have shown some abnormally strong outperformance in recent months which has gone directly opposite the narrative espoused by many in the Financial media of what would happen following Trump’s Inauguration.

The consensus seemed to call for higher inflation and rising bond yields this year. In fact, we’ve seen the opposite. Treasury yields have now fallen for seven straight weeks which represents the longest streak in 5.5 years.

Treasuries, as I pointed out in yesterday’s report, have been outperforming Equities for the last few weeks, and dips on TLT should make this attractive for a push higher to \$96.50 with an outside chance of \$99.

Ishares 20+ Year Treasury Bond ETF



Source: TradingView



4. Defensive sectors have been strengthening lately

While some investors might not pay attention to sectors outside of US Technology, the Defensive sectors have begun to “come alive” in recent weeks.

Looking at 1-month rolling returns, Consumer Staples, Real Estate, and Utilities have been the only sectors with positive returns through 34/25 out of the 11 Equal-weighted major Sectors that represent the SPX.

While a bottoming in US equities and a rally back in Technology is expected in the near future, which could cause underperformance in the Defensive sectors, it's thought that both REITS and Utilities might continue to offer above-average performance and should serve as a choice for those who wish to lower their portfolio correlation and reduce their Technology exposure.

I recently raised Utilities to a Technical Overweight, expecting that power generation stocks might continue to help this sector thrive even if SPX and QQQ can successfully bottom out in the near-term.

Utilities ETF, which is Equal-weighted, is \$RSPU, while REITS is \$RSPR, both by Invesco.

RSPU/RSP



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