



Trend & Cycle 2024 Technical Outlook – Navigating the recovery

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All values in U.S. dollars and priced as of market close on December 15, 2023 unless otherwise noted

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Trend & Cycle - 2024 Technical Outlook



+ Secular outlook – Supportive of further upside into the mid 2030s toward S&P 14,000.

- The current secular trend and underlying 16-18 long-term cycle remain positive with potential to trend higher into the mid 2030s. If the prior secular bull markets of 1950s-1960s and 1980s-1990s, both of which generated upside returns of 2300%, are any prologue for the future, then the current secular bull market could move higher through the next decade with potential to reach S&P 14,000. While we appreciate that many investors will view S&P 14,000 as tough to reach from a valuation and annual growth perspective, we would need to see the current uptrend of the S&P 500 show evidence of decelerating to suggest our outlook is incorrect.
- What would change our view? A break below the secular uptrend, defined by the 4-year (200-week moving average) would be needed to signal a negative change to the underlying secular trend.

+ The current cycle - Q4 2022 cycle lows followed by markets emerging from 2-year trading ranges reinforces the 4-year cycle.

- In our 2023 Outlook last year we highlighted that the S&P 500 was establishing cycle low at its rising 4-year moving average, and while H1 2023 was likely to remain choppy with headwinds developing in Q2, a new upcycle should take hold moving into 2024. **We continue to believe the 4-year cycle backdrop remains supportive for stocks moving through 2024 given:**
- A progression of cycle lows have been developing for equity markets and sectors through Q4 2022-Q4 2023 near long-term support, defined by 4-year (200-week moving averages) with evidence of a cycle peak in interest rates now an important macro tailwind.
- Those cycle lows are being followed by a progression of equity markets beginning to break out of broad 2-year trading ranges. How far could markets rally over the next two years? Using a 162% Fibonacci extension of the 2022-2023 trading ranges suggests the next important pause/pullback is near S&P 5638 (+18%). To be clear S&P 5638 is not our target for 2024 but it does represent the next noteworthy technical level for the S&P 500 should it break out, as we expect, to new all-time highs.
- **Interestingly, a move toward S&P 5638 would be consistent with the low end of returns generated by the average 4-year cycle while in a secular bull market of 60-65% from the lows and is in line with the average return generated in year 4 (7-10%) and year 1 (6-8%) of the election cycle. By these measures, the S&P has potential to be up 17%, possibly more, over the next 2 years.**

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Tactical headwinds – Intermediate-term momentum likely to peak by mid-late Q1 suggesting choppy equity markets well into Q2.

- Intermediate-term/weekly technical indicators remain important tools to track the 1-2 quarter swings markets. After bottoming in Q4, weekly momentum and sentiment indicators are moving toward overbought levels that suggest another tactical pause/pullback pending into mid Q1 which likely coincides with equities beginning to digest and consolidate their recent surges moving through earnings season in Q1. Bottom line: While we remain positive on the outlook for equities through 2024, a pullback in mid-late Q1 well into Q2 would be very consistent with the ebb and flow equity markets regularly transition through most years. In fact, the average pattern of year 4 of the election cycle suggests a choppy first half of the year.

Interest rates and the US Dollar – Two headwinds for equities in 2022-2023 have established cycle peaks and are now tailwinds in 2024.

- **(+) Cycle peak in place** - Two primary macro headwinds for equity markets through 2022 and most of 2023 were a rising US 10-year yield and US dollar. While our expectation at the beginning of 2023 was that both asset classes had peaked in Q4 2022 was correct for the US dollar, the US 10-year yield temporarily pushed above the Q4 2022 highs at 4.3% to the next critical level at 5% in September and October. However, monthly cycle momentum indicators continue to signal a cycle peak has been established with the recent decline by US 10-year yields below the prior highs at 4.3-4% confirming the peak.
- **(-) Q1 tactical concerns:** Similar to equity markets, intermediate-term/weekly momentum indicators for interest rates are likely to be oversold by mid-late Q1 suggesting another bounce. Given the positive technical profiles developing within cyclical sectors (see below), we would not be surprised to see investors reevaluating their expectations moving through Q1 for central banks to be cutting interest rates in 2024.

International Equity Markets – Incrementally improving but premature to conclude they are in new long-term outperformance trends vs the US.

- The absolute price patterns and trends for international markets are improving but many regional indices, such as EAFE (Europe, Asia and Far East) along with EM (emerging markets) remain trapped in very broad sideways trading ranges that began in 2008/2009 with relative performance trends in established downtrends versus the S&P 500.
- However, select markets, such as India, Mexico, India along with Japan, are showing are noteworthy technical improvement.

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Growth versus Value remains in an uptrend for large-caps but likely to peak intermediate-term by mid-late Q1.

- Technology, along with communication services followed by the discretionary sector, remain in strong technical price and relative performance uptrends but most stocks, notably technology, are less timely technically following strong rebounds. Our expectation is that pullbacks in Q1 and Q2 will present better opportunities for investors. Within the discretionary sector we view **AMZN**, **NKE** and **HD** to be large-cap growth stocks with positive longer-term technical profiles.

High Beta (SPHB - cyclical) versus Low volatility (SPLV - defensive)

- High Beta (SPHB) established an important cycle low versus Low Volatility (SPLV) in Q4 2022 with an uptrend developing through 2023 that we expect to break out to new 2-year highs in early 2024. Semiconductors continue to drive the performance for high beta, and while many semiconductor stocks have surged and are less timely, we expect they will remain leaders through 2024 into 2025.
- Other cyclical areas, notably **industrials**, with **GE**, **BA**, **XYL** and **UNP** just a few examples, continue to show evidence of emerging following broad consolidations and/or bottoming patterns over the past two years. **Financials** have been notable laggards through 2023 but longer-term price profiles are improving, with **JPM**, **BLK** and **AXP** examples. While we expect the price trends for the sector to continue to build to the upside in 2024 we have yet to see technical evidence suggesting their longer-term relative trend is improving.

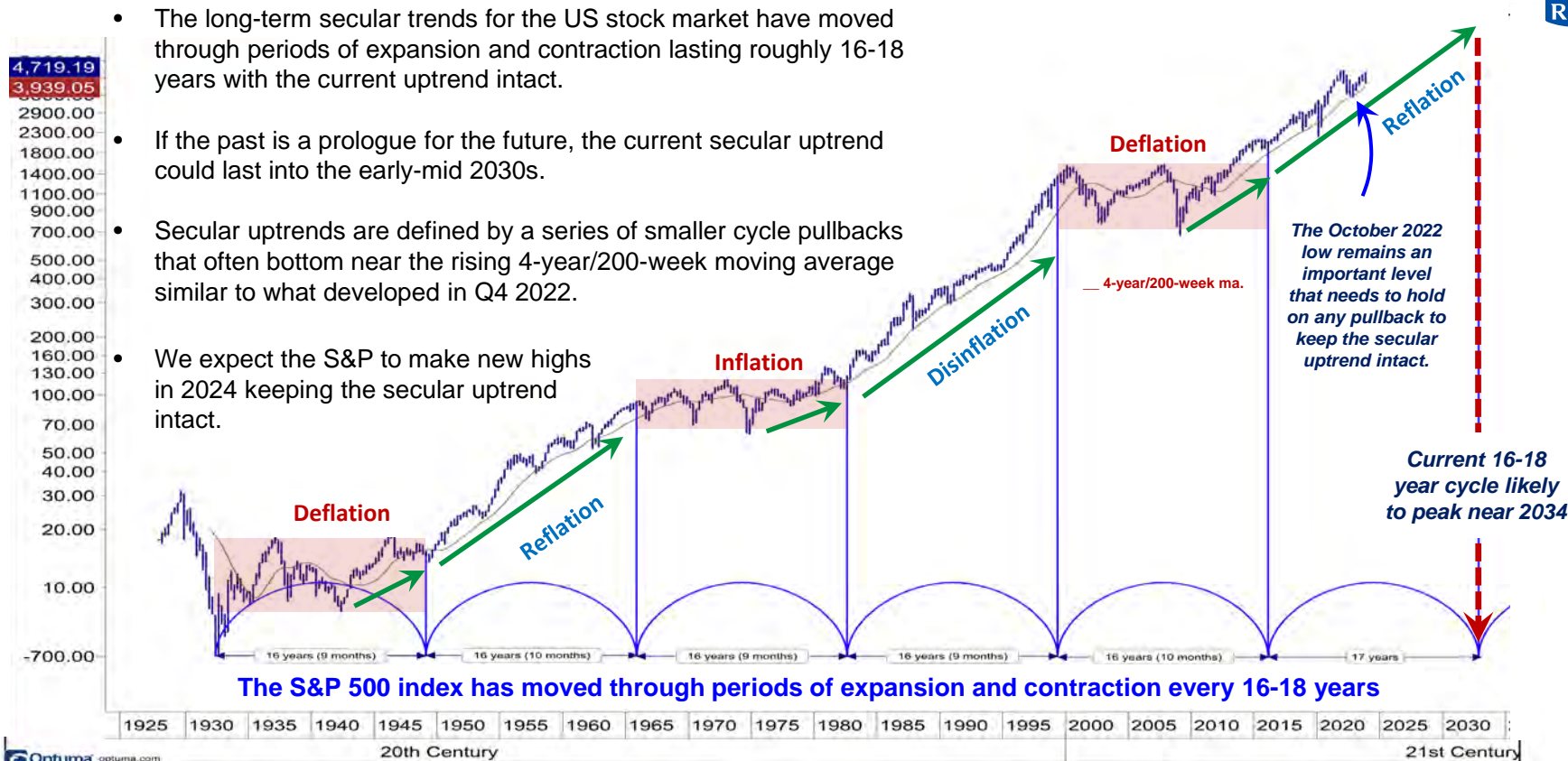
Safety/Defensive

- The staples and utility sector have likely established cycle lows in price but their relative profiles remain weak and unlikely to outperform in the S&P 500 in 2024 in our opinion. Healthcare also remains a lagging sector but names such as **DHR**, **ZTS** and **GILD** are bottoming.

Canada

- Leadership (**GIB.A**), Banks (**BMO**, **TD**) establishing cycle lows, **CNR** bottoming at its 4-year ma, **THI** poised to break out in 2024, **TRP** and **ENB** higher yield/income stocks establishing cycle lows.

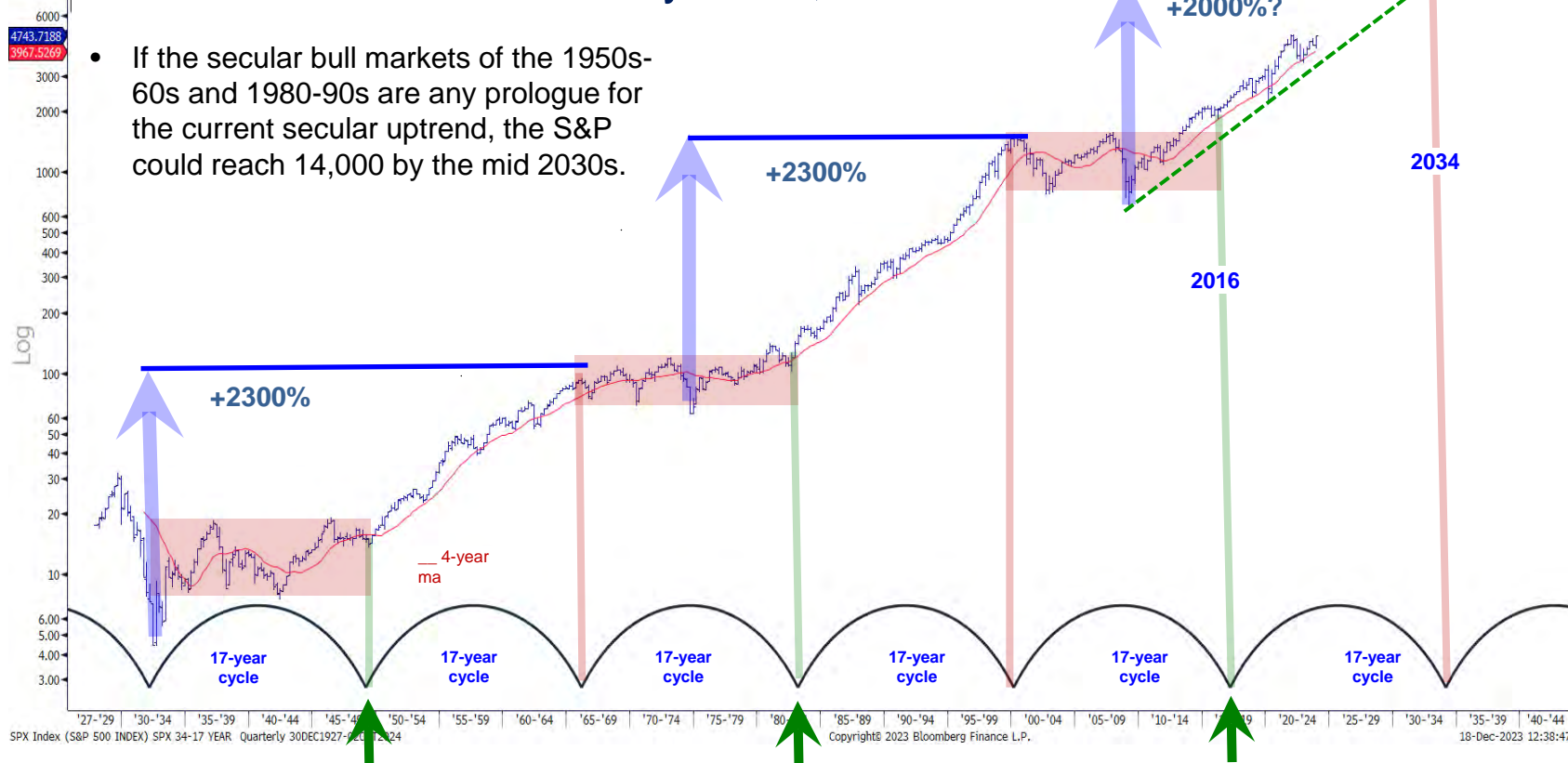
S&P 500 - Generational cycles lasting roughly 16-18 years



Optima optima.com

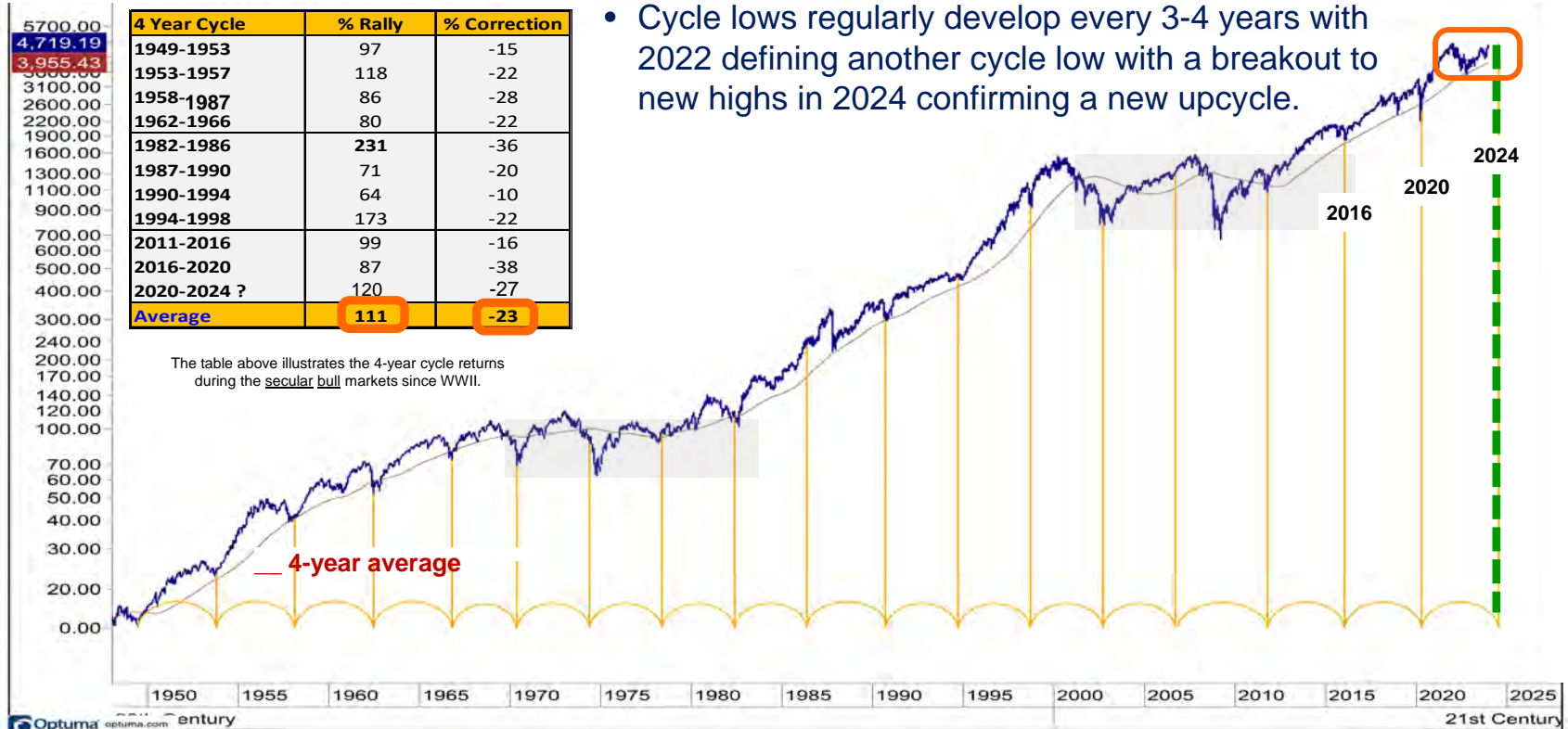
Source: RBC Wealth Management, Bloomberg, Optima

S&P 500 – Could the S&P rally to 14,000?



Source: RBC Wealth Management, Bloomberg, Optima

S&P 500 - A repetitive 3-4 year cycle driven by central bank liquidity and economic growth



- Cycle lows regularly develop every 3-4 years with 2022 defining another cycle low with a breakout to new highs in 2024 confirming a new upcycle.

Source: RBC Wealth Management, Bloomberg, Optuma

S&P and Dow Industrials Average: 2-year consolidations resolving to the upside.



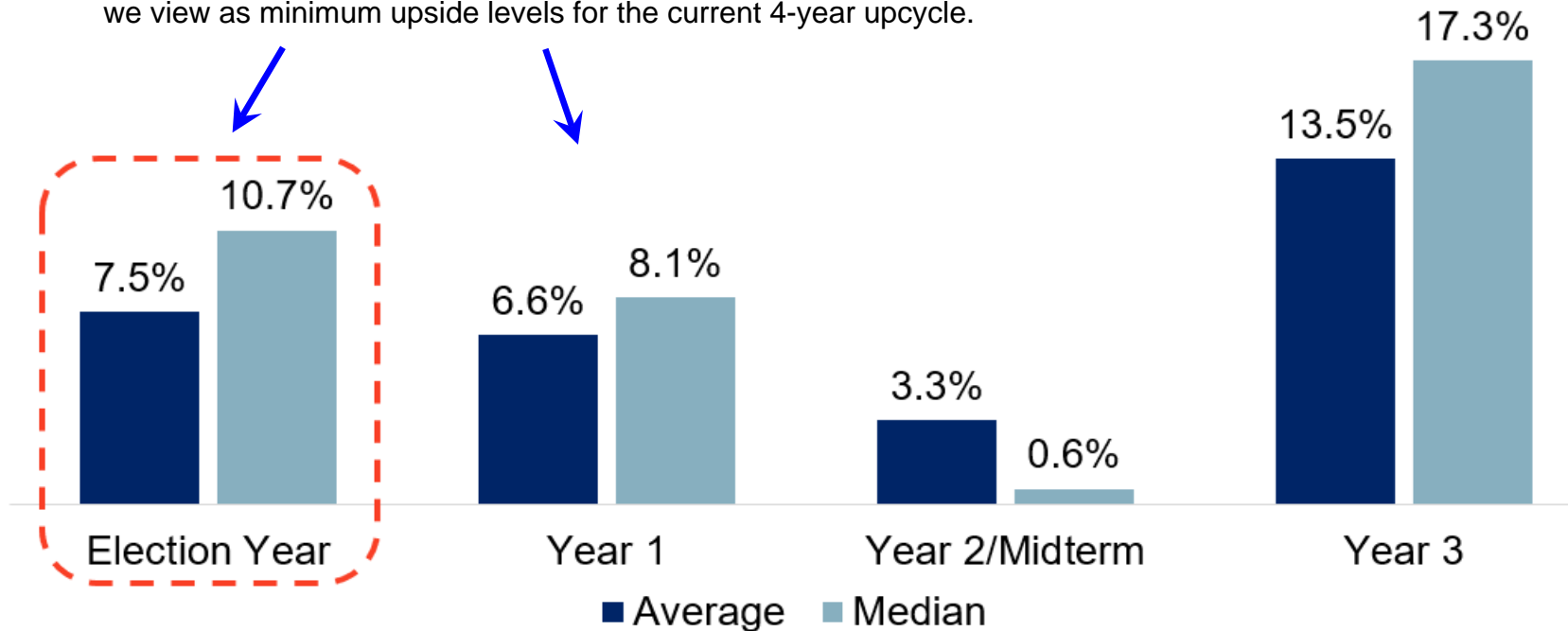
Source: RBC Wealth Management, Bloomberg, Optima

- US equity markets are beginning to resolve 2-year trading ranges to the upside confirming a new 4-year cycle.
- How far could they rally? Using a Fibonacci extension of 161.8% of the prior range suggests S&P 5,638 and Dow 42,076 as next important pause points.
- **To be clear, those levels are not 2024 targets** but are the next significant technical levels. In fact, rallying roughly 7-10% in 2024 would be consistent with the average move during an election year.
- For reference the average 4-year cycle upside from a cycle low is between 65-110%

Four year presidential cycle track record – S&P 500 performance since 1928



The average returns for year 4 (an election year) and year 1 combined are consistent with the next Fibonacci levels at S&P 5638 (+17%) over the coming 2 years which we view as minimum upside levels for the current 4-year upcycle.

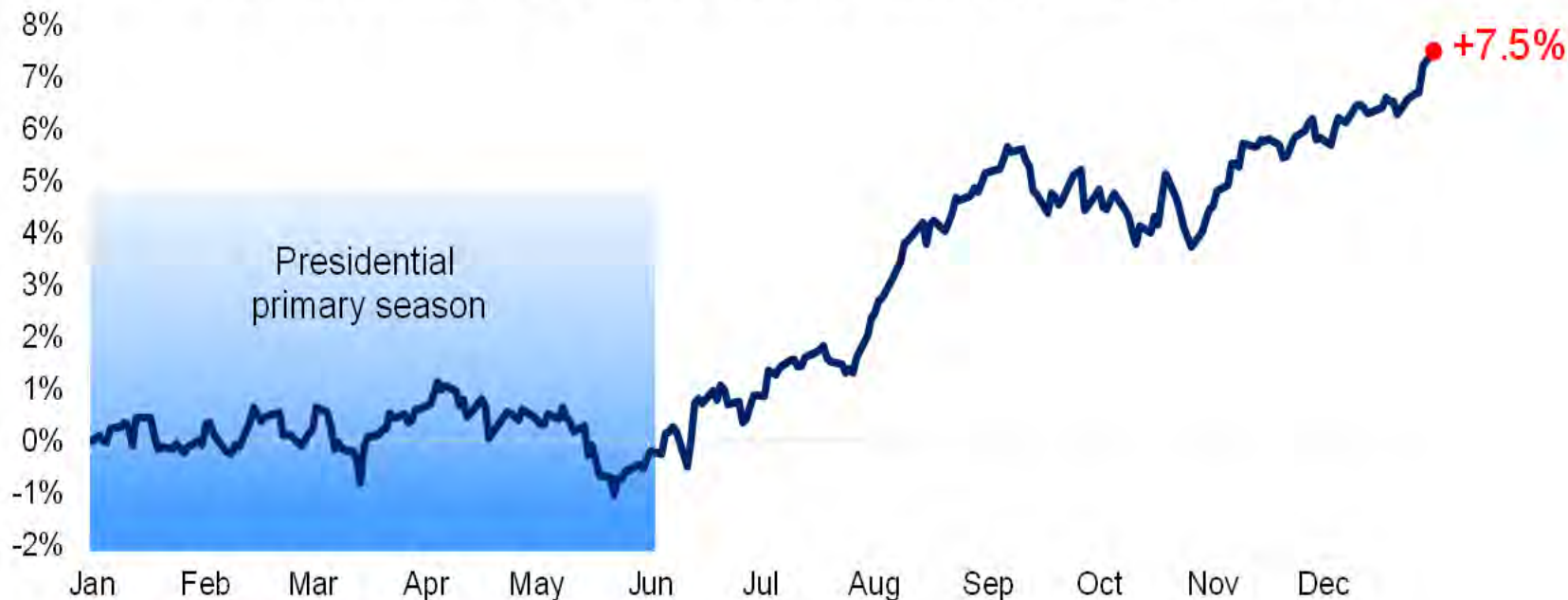


Source: RBC Wealth Management, Bloomberg, annual data through 2022

Year 4 (election years) of the presidential cycle have been choppy during 1H

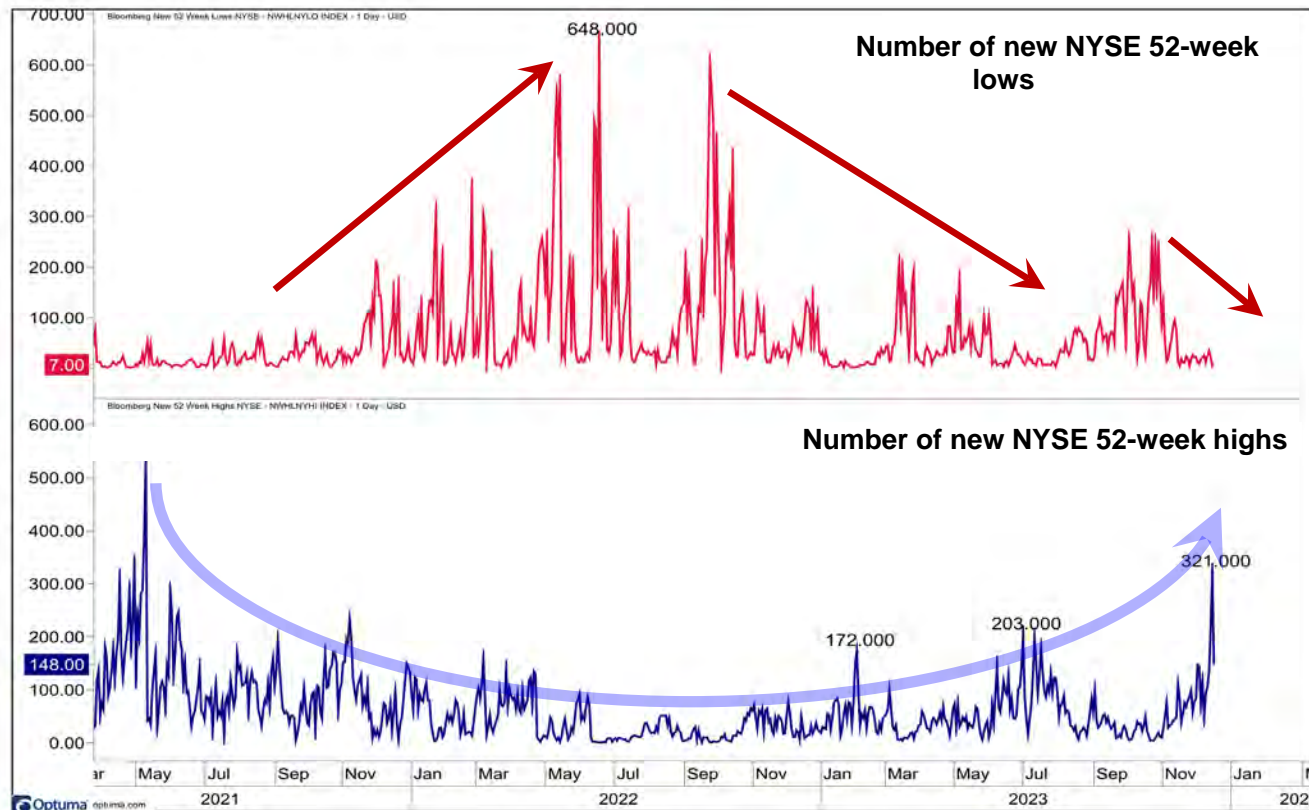


Average path of S&P 500 during election years since 1928



Source: RBC Wealth Management, Bloomberg, annual data through 2022

NYSE new 52-week lows and highs – Cycle participation is expanding with more new highs.



Source: RBC Wealth Management, Bloomberg, Optuma

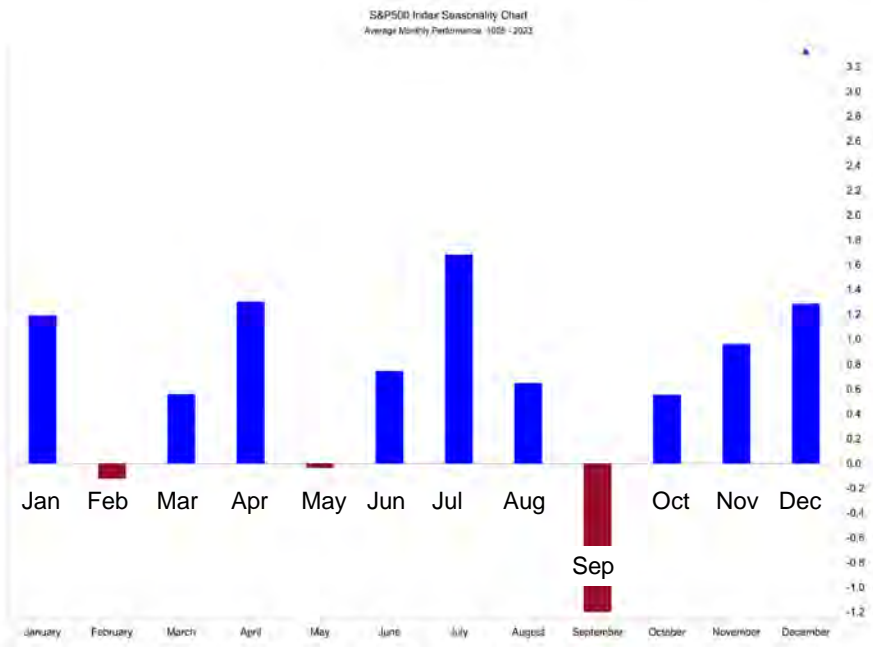
- NYSE new 52-week lows expanded through Q4 2021 into June 2022 when they peaked despite the S&P 500 making temporary new lows in October accompanied by fewer new 52-week lows. New lows continued to decline through 2023 aside from the Q3 correction.
- In contrast, new NYSE 52-week highs peaked in May 2021 and contracted through 2022 only to incrementally expand from Q4 2022 through 2023, with December 2023 registering another new high.
- Overall, we view these trends as a net positive for equities in 2024 indicating participation is broadening.

S&P 500 – Seasonality remains positive into early 2024 with February often weak.

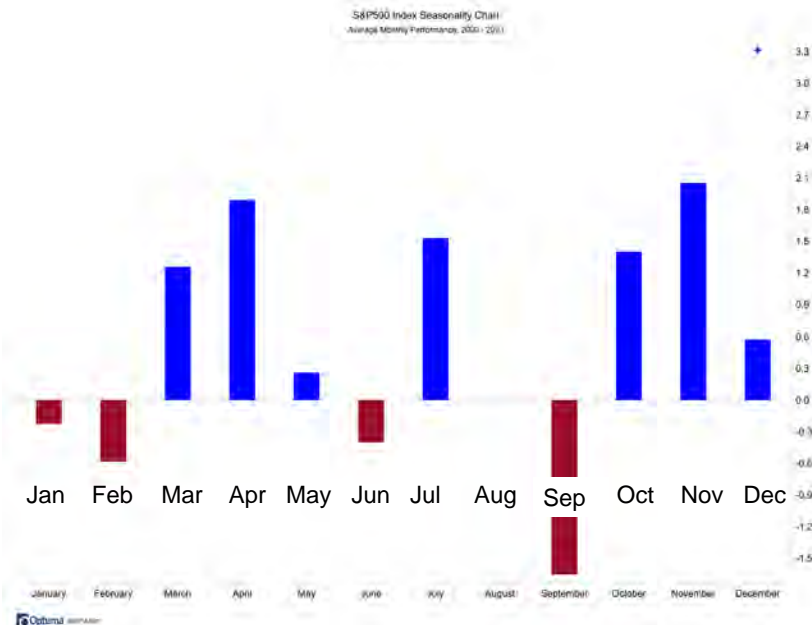


- Monthly seasonality data varies widely depending on the start date but history suggests markets continue improving into Q1 which corresponds to when our intermediate-term/weekly indicators likely peak.

Monthly seasonality since 1928



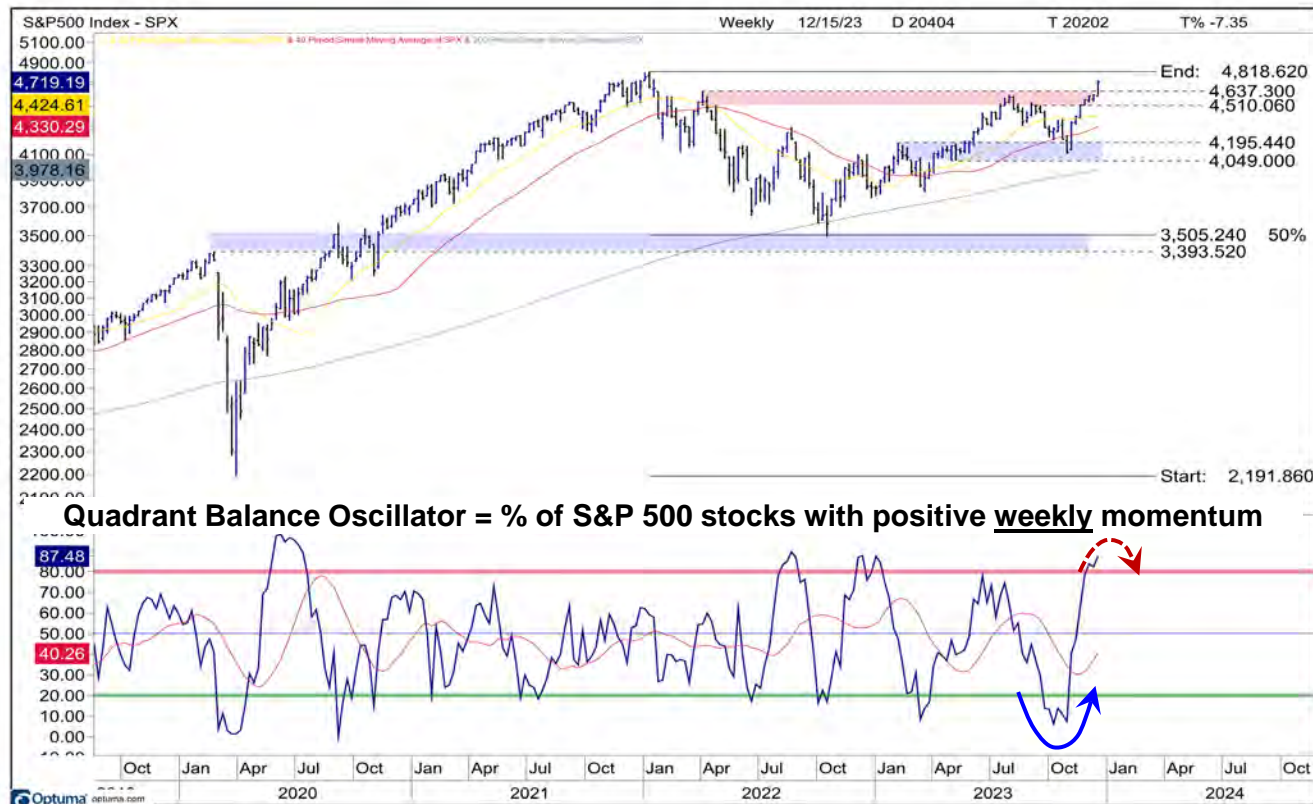
Monthly seasonality since 2000



Optima

Source: RBC Wealth Management, Bloomberg, Optima

S&P 500 with weekly Quadrant Balance likely to peak by mid-late Q1.

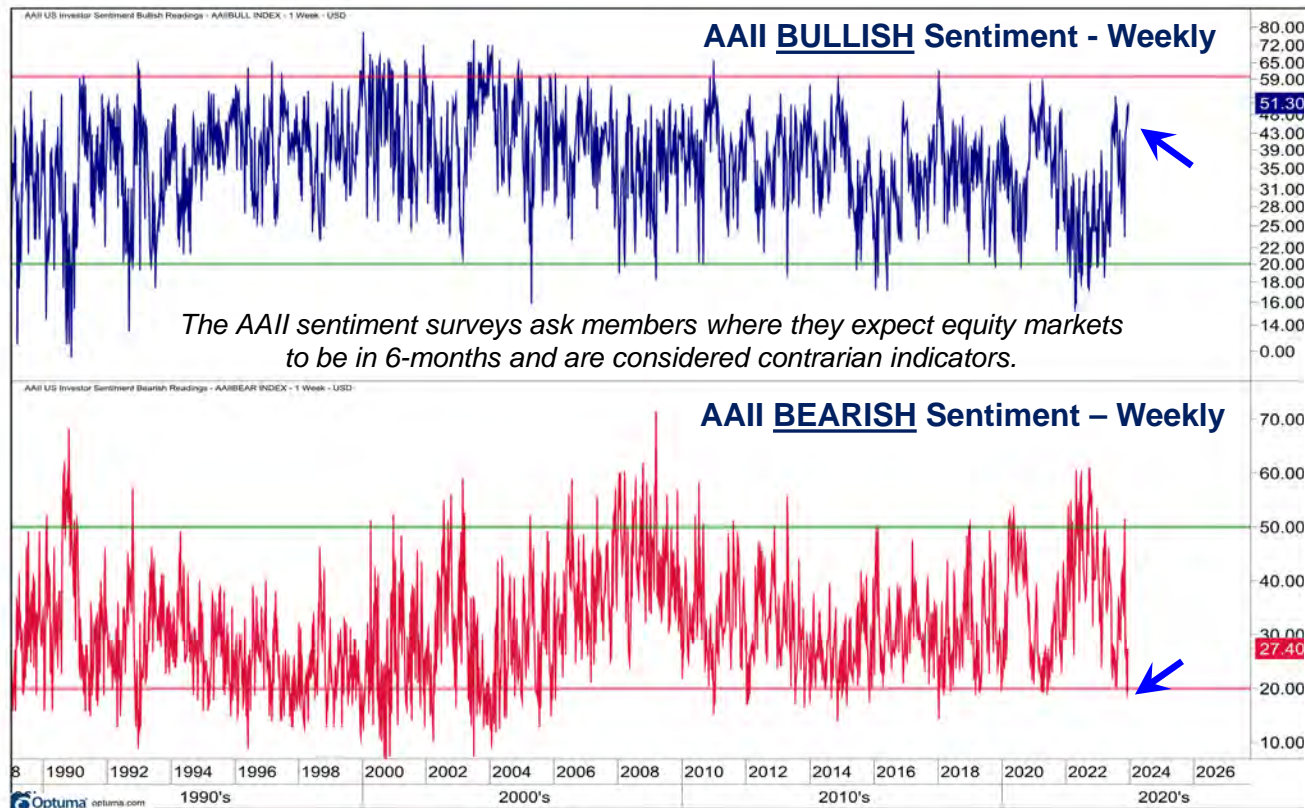


Source: RBC Wealth Management, Bloomberg, Optuma

Tactical concerns:

- The trend for the S&P remains positive with a break to new highs likely into Q1 2024 consistent with an ongoing cycle improvement from the Q4 2022 lows.
- However, by mid-late Q1, our weekly quadrant balance indicator, tracking the percentage of stocks with rising weekly momentum (bottom panel), will likely begin to peak and turn down.
- Although this indicator can remain elevated/overbought in strong trend markets, our expectation is that many stocks will be in need of a pullback consolidation heading into earnings season following impressive surges from their Q4 lows.

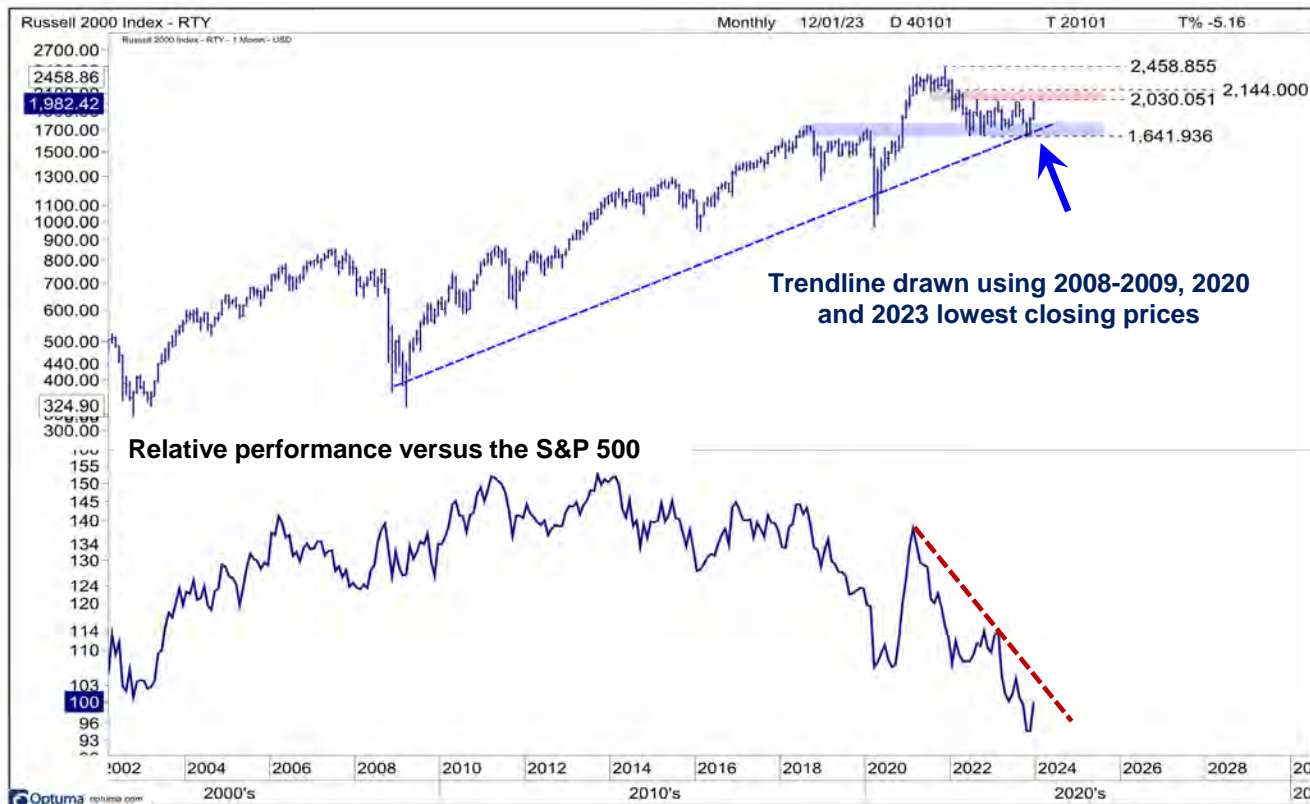
AAII US Bullish and Bearish Sentiment – Supportive of a Q1 equity pullback



Source: RBC Wealth Management, Bloomberg, Optima

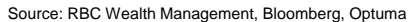
- Sentiment has snapped back to relatively high levels of AAI bullish sentiment (top panel) and low levels of AAI bearish sentiment (bottom panel).
- While it is premature to conclude a major peak is developing in equities, the sentiment backdrop is less supportive of stocks than it was in early Q4 suggesting investors remain more selective when adding equity exposure.
- We view the sentiment backdrop to be consistent with the weekly momentum backdrop suggesting equity markets are likely to pause and pull back in Q1 into Q2.

Russell 2000 – Monthly- Early signs of bottoming at its long-term uptrend.



Source: RBC Wealth Management, Bloomberg, Optuma

- The Russell 2000 small-cap index is showing early evidence of bottoming near support at 1642 which interestingly coincides with its 2009-2020-2023 uptrend line drawn using the closing low prices.
- Key resistance remains between 2030-2144 with relative performance still in a downtrend with very early signs of improving.
- Our expectation is that the Russell 2000 continues to build to the upside through 2024 although it is premature to conclude it will significantly outperform the S&P.



- Weekly momentum continues to build to the upside and is likely to become overbought by mid Q1.
- **The Russell 2000's rebound is nearing next its next resistance band** starting at 2007 with a pause likely near 2047-2144, coinciding with the 50-62% retracement in Q1.
- Support is at 1824-1879 near the 200-day and 200-week mas.
- Relative performance is recovering but remains in a downtrend with an upside trend break needed to signal any meaningful improvement.

S&P/TSX Composite - Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- Monthly cycle momentum continues to build to the upside as the TSX successfully retests support coinciding with the 4-year ma and the uptrend line that began in 1977.
- Our view is that the TSX is completing a secondary low with potential to break out above key resistance at 22,217 in 1H 2024 with 24,884 the next key resistance level.
- Relative performance remains flat to weak versus the S&P and would need to push above the 2020-2022 highs to support overweighting the TSX vs the S&P 500.

Global equity market ETFs relative performance trend vs the S&P 500



Relative performance trend vs the S&P 500

INVESTING Long-term 6+ monthly trend	TACTICAL Medium term 8-16+ weekly trend	TRADING Short-term 10-20+ daily trend	Code	Name
A	B	C		
↑ 2) Early Up	1) Established Up	2) Early Up	ILF	ISHARES LATIN AMERICA 40 ETF
2) Early Up	1) Established Up (-)	3) Neutral (+)	EWZ	ISHARES MSCI BRAZIL ETF
↑ 2) Early Up	2) Early Up	1) Established Up	EWV	ISHARES MSCI MEXICO ETF
↓ 4) Early Down	2) Early Up	4) Early Down	EWG	ISHARES MSCI GERMANY ETF
↓ 4) Early Down	2) Early Up	4) Early Down	EZU	ISHARES MSCI EUROZONE ETF
↓ 4) Early Down	↓ 4) Early Down	↓ 4) Early Down	BRF	VANECK BRAZIL SMALL-CAP ETF
↓ 4) Early Down	↓ 5) Established Down	5) Established Down	EWJ	ISHARES MSCI JAPAN ETF
↓ 4) Early Down	5) Established Down	5) Established Down	TUR	ISHARES MSCI TURKEY ETF
5) Established Down	4) Early Down	↓ 4) Early Down	EWC	ISHARES MSCI CANADA ETF
5) Established Down	↓ 4) Early Down	↓ 4) Early Down	EWT	ISHARES MSCI TAIWAN ETF
5) Established Down	↓ 4) Early Down	↓ 3) Neutral (-)	EZA	ISHARES MSCI SOUTH AFRICA ET
5) Established Down	5) Established Down	5) Established Down	AAXJ	ISHARES MSCI ALL COUNTRY ASI
5) Established Down	5) Established Down	5) Established Down	EEM	ISHARES MSCI EMERGING MARK
5) Established Down	5) Established Down	5) Established Down	EWI	ISHARES MSCI MALAYSIA ETF
5) Established Down	5) Established Down	5) Established Down	EWS	ISHARES MSCI SINGAPORE ETF
5) Established Down	5) Established Down	5) Established Down	FXI	ISHARES CHINA LARGE-CAP ETF
5) Established Down	5) Established Down	5) Established Down	VPL	VANGUARD FTSE PACIFIC ETF
5) Established Down	5) Established Down	2) Early Up	EWK	ISHARES MSCI HONG KONG ETF
5) Established Down	5) Established Down	↓ 4) Early Down	EWU	ISHARES MSCI UNITED KINGDOM
5) Established Down	5) Established Down (+)	2) Early Up	EPP	ISHARES MSCI PACIFIC EX JAPA
5) Established Down	5) Established Down (+)	↓ 4) Early Down	SCZ	ISHARES MSCI EAFE SMALL-CAP
5) Established Down (+)	↑ 1) Established Up	1) Established Up	EWA	ISHARES MSCI AUSTRALIA ETF
5) Established Down (+)	3) Neutral	4) Early Down	IEV	ISHARES EUROPE ETF
5) Established Down (+)	3) Neutral (+)	↓ 4) Early Down	EWY	ISHARES MSCI SOUTH KOREA ETI
5) Established Down (+)	↓ 4) Early Down	1) Established Up (-)	INDY	ISHARES INDIA 50 ETF
5) Established Down (+)	↓ 5) Established Down	4) Early Down	EFA	ISHARES MSCI EAFE ETF

Source: RBC Wealth Management, Bloomberg, Optuma

- Most regional indices remain in longer-term relative downtrends versus the S&P 500, except Mexico along with LatAm which are emerging.
- India remains one of the leading regional market indices although the INDY ETF is lagging.

S&P/TSX – Weekly



Source: RBC Wealth Management, Bloomberg, Optima

- Weekly momentum, tracking multi-month swings, is building to the upside with resistance between 20,843 followed by 22,213.
- Similar to the S&P 500, weekly Quadrant Balance data, tracking the percentage of stocks with rising weekly momentum, continues to build to the upside and is unlikely to peak until mid-Q1.

MSCI EAFE – Monthly with relative performance vs the S&P 500

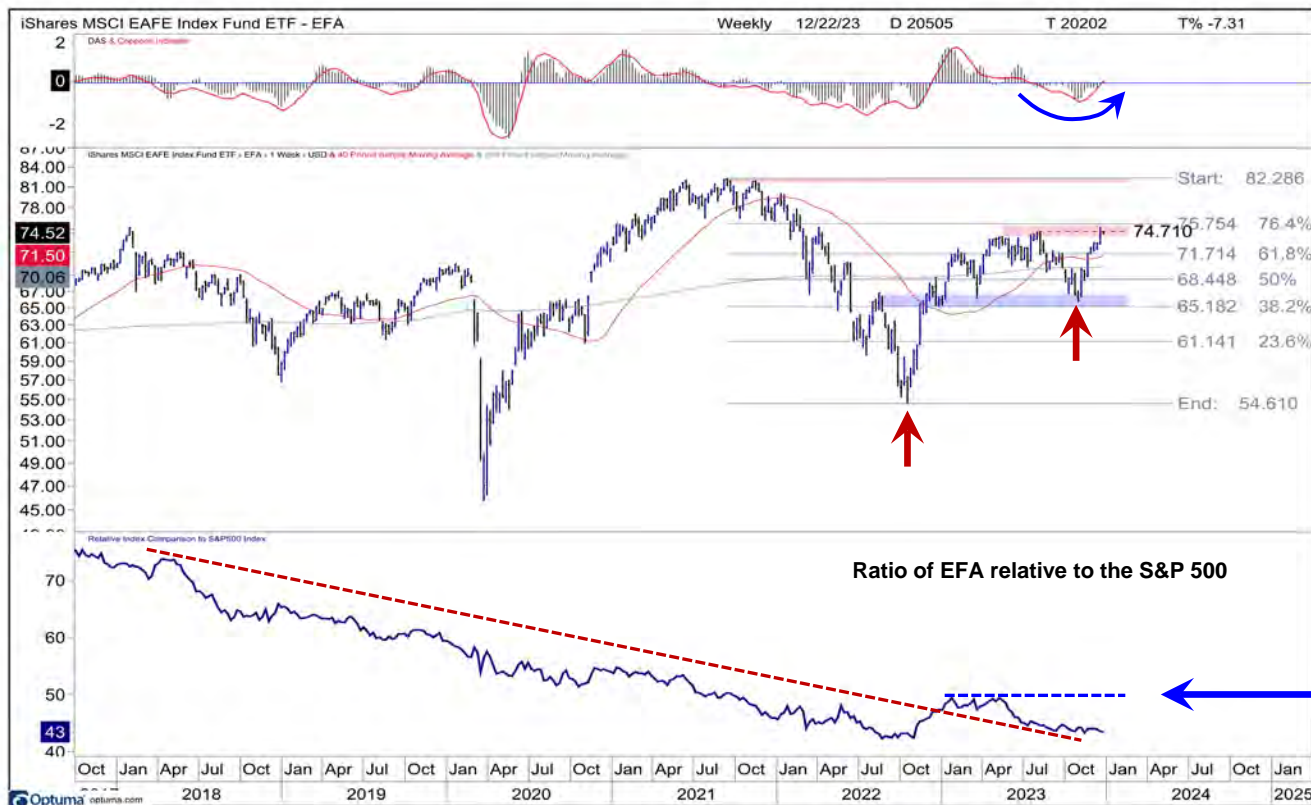


EAFE (Europe, Asia and Far East)

- EAFE remains range bound longer-term testing next tactical resistance at 2227.
- Further upside is likely in Q1 but with 2416 heavy resistance that will need to be exceeded to suggest any change in EAFE's secular trading range.
- Relative performance versus the S&P 500 remains in an established downtrend with no meaningful change in trend to support overweighting EAFE.

Source: RBC Wealth Management, Bloomberg, Optima

EFA - MSCI EAFE Index Fund ETF - Weekly



- The EAFE (Europe, Asia and Far East) EFA ETF is now at resistance so a pause/pullback would not be surprising but additional upside is likely given its weekly momentum continues to build positively.
- Next resistance is at 82 where we would expect EFA to stall.
- Relative performance versus the S&P 500 remains lackluster with a move above the 2023 highs needed to signal an improving longer-term trend to technically justify overweighting EAFE.

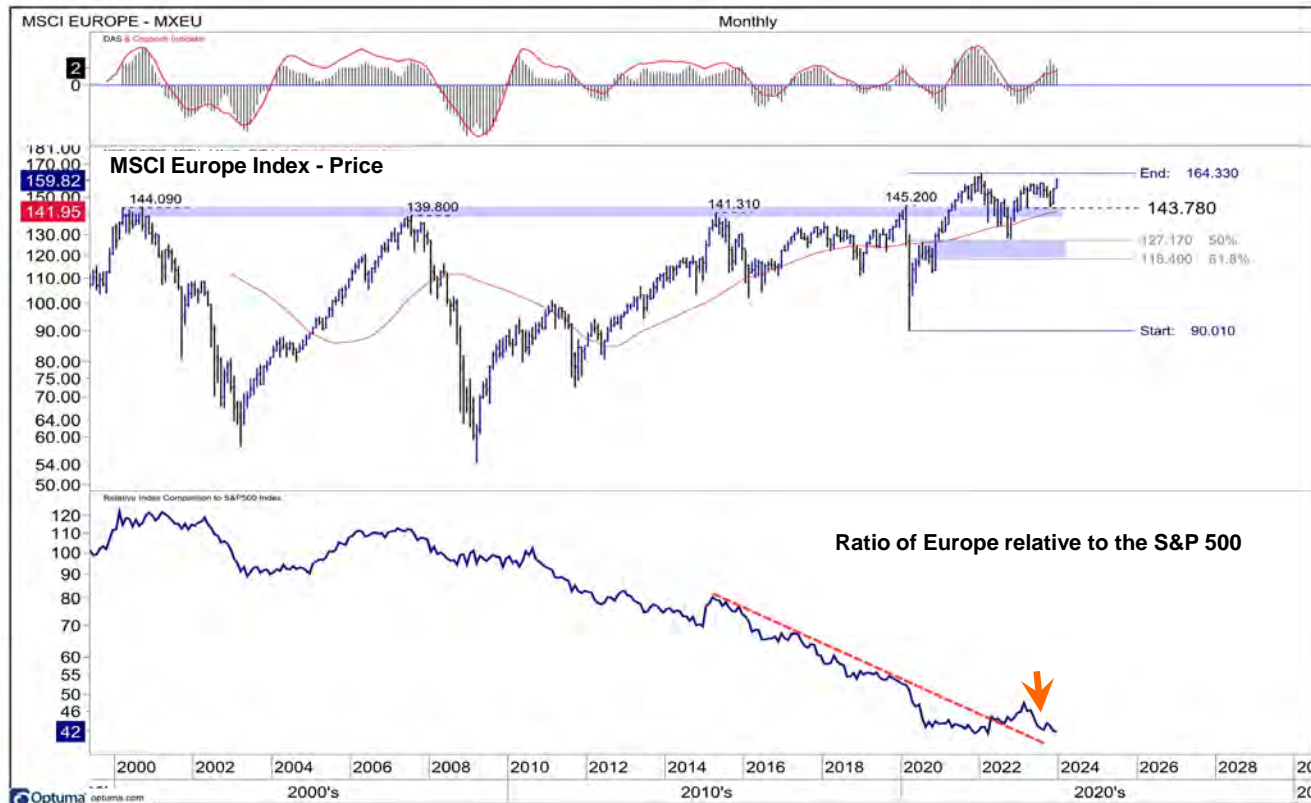
MSCI Emerging Market Index and relative performance vs S&P 500



Source: RBC Wealth Management, Bloomberg, Optima

- Monthly momentum remains positive with the MSCI Emerging Market (EM) index showing early signs of bottoming above the 2022 lows.
- While a cycle low is likely developing for EM in price, a move above 1057 would be needed to complete a cycle bottom with a move above a heavy band of resistance at 1204-1337 needed to signal a positive change in the secular trend.
- While a tactical price bottom is in the early stages of developing, relative performance versus the S&P 500 remains in a downtrend and would need to reverse to signal any meaningful relative change to technically support overweighting EM versus the S&P 500.

MSCI EUROPE – Monthly with relative performance vs S&P 500



- MSCI Europe's long-term price pattern has the potential to break out to all time new highs which would reinforce the longer-term improving cycle backdrop developing for other equity markets.
- Resistance is at the Q1 2022 highs near 164 with key support and a stop loss level at 143.
- Overall, we expect the MXEU index to build positively from current levels into Q1 and through 2024 but we do not see any meaningful evidence that suggests Europe will be able to reverse its relative performance downtrend to the S&P 500 to support overweighting the region.

Source: RBC Wealth Management, Bloomberg, Optuma

MSCI Europe (MXEU) – Weekly



Source: RBC Wealth Management, Bloomberg, Optuma

- Weekly momentum remains positive for the MXEU Europe index with potential to continue moving higher into mid-Q1.
- Currently the MXEU is testing resistance between 158-164 with a breakout to new recovery highs supportive of further upside toward 176.
- Support begins near 146/147 just above the rising the 200-week day ma at 142.
- Europe's relative performance remains weak versus the S&P 500 with no meaningful evidence of an improvement.

Germany - DAX Index - Weekly



Source: RBC Wealth Management, Bloomberg, Optuma

- Weekly momentum continues to build positively for the DAX as it too begins to resolve a 2-year trading range to the upside.
- While overbought short-term and likely to see a pullback, next important resistance is near 19K.
- Relative performance to the S&P 500 is improving but remains in a downtrend.

Tokyo Stock Exchange TOPIX - Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- The TOPIX's uptrend remains intact with a pause developing near a resistance band between 2364-2435 coinciding with the 76% retracement.
- Above 2435 next resistance is at 2881.
- Support remains near 2045.
- While a pause is likely in Q1 we view the overall trend for the TOPIX be positive with further upside in 2024. Next resistance is at 2881.
- Relative performance vs the S&P in USD remains in a downtrend but with early signs of improving.

Tokyo Stock Exchange TOPIX -Weekly



Source: RBC Wealth Management, Bloomberg, Optima

- Weekly momentum is flip flopping as the TOPIX pauses under resistance near 2433 with a broad band of support near 2215-2175 near its 40-week ma.
- A near-term pause is beginning to take hold under resistance near 2433 but our expectation is for it to be relatively shallow, similar to our view for other equity markets and given the bullish longer-term pattern in place for the TOPIX.

Hang Seng Index– Monthly – Retesting/stress testing key support



Source: RBC Wealth Management, Bloomberg, Optima

- The longer-term trend for the HSI remains negative with a critical test of support underway between 14,597-16,170 with relative performance versus the S&P 500 weak and probing new lows.
- While an oversold bounce from near current levels would not be a surprise, there is very little technical evidence to support the case that a major cycle low is developing.



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India - BSE Sensex 30 Index – Weekly



Source: RBC Wealth Management, Bloomberg, Optima

- India's BSE Sensex remains a leading international equity market index breaking out to new recovery highs.
- Our expectation is that pullbacks will be relatively short lived with support near 69,156.
- Next major resistance is near 80,336 coinciding with the next Fibonacci extension level.

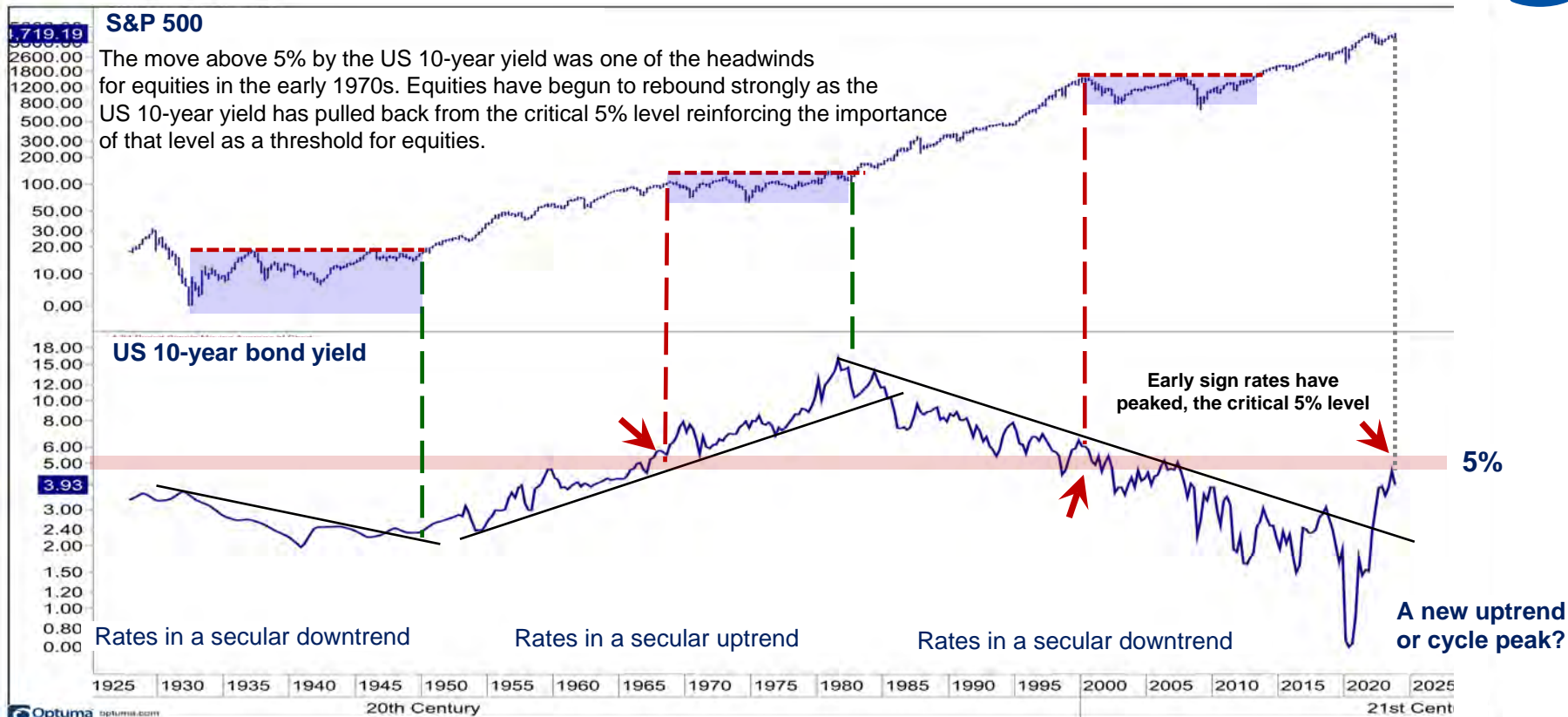
Mexico – MEXBOL – Monthly – Breaking out to new cycle highs



Source: RBC Wealth Management, Bloomberg, Optima

- Mexico's MEXBOL index is also resolving its 2022-2023 to the upside reinforcing the broader 4-year equity cycle.
- Short-term the index is overbought but further upside is likely through 2024, with relative performance one of the few international markets improving versus the S&P 500.

S&P 500 and US 10-year yields



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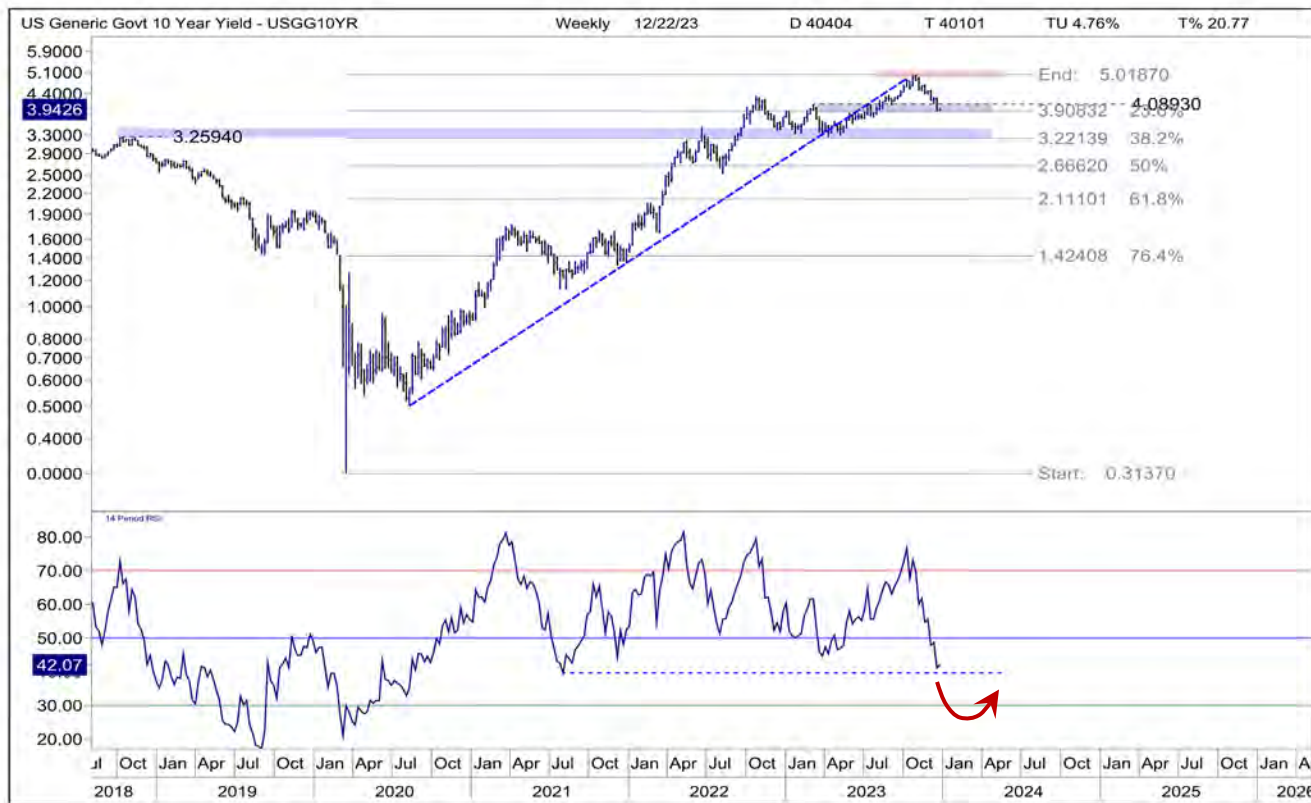
Source: RBC Wealth Management, Bloomberg, Optuma

US 10 Year Yield – Monthly cycle momentum has peaked



- The US 10-year bond yield has stalled/peaked under the key 5% level with...
- ...long-term monthly cycle momentum (RSI) peaking at lower highs than the levels in October 2022.
- **We view this data as confirmation that the rate cycle has peaked, which in turn is supportive of further upside for equities.**

US 10-Year Yield – Weekly



Source: RBC Wealth Management, Bloomberg, Optuma

- The US 10-year bond yield has peaked under the key 5% level and is beginning to challenge next support at 3.9 - 4%.
- While a bounce is likely, next key downside levels are near 3.22.
- Weekly momentum remains negative but is working toward oversold levels and likely to bottom by mid-late Q1 consistent with a tactical pullback in equities.

US 10 Year Yield - Daily



Source: RBC Wealth Management, Bloomberg, Optima

- The **US 10-year yield** has declined to the lower end of its next support band between the 50-62% retracement level with very early signs of bottoming.
- Below 3.9% next support is at 3.67-3.7%.
- With short-term indicators oversold a bounce could develop anytime but it will likely be short lived.
- First resistance is at 4.1% followed by 4.3% where we expect bounces to stall.

US Dollar DXY Index – Monthly



Source: RBC Wealth Management, Bloomberg, Optima

- Monthly momentum, which tracks the direction of multi-year cycles, remains negative but is working toward oversold levels.
- Similar to the US 10-year yield, we view the dollar to have established a cycle peak and likely to remain weak over the coming year.
- Support remains near 98.7-100.8 with major support between 93.7- 88.7 coinciding with the 50-62% retracement bands.

Canadian Dollar / US Dollar - Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- Monthly cycle momentum continues to build positively from oversold levels in 2022-2023 reinforcing our view that the Canadian dollar is in a bottoming pattern.
- Overall, the price behavior of the Canadian dollar continues to track that of a cycle low developing above 0.715 support with a break below that level needed to negate our positive view.
- Next key resistance is in the 0.76-0.77 range followed by 0.83-0.84.

WTI Crude Oil Future - Weekly



Source: RBC Wealth Management, Bloomberg, Optuma

- Weekly momentum for WTI continues to decline from overbought levels and is moving toward oversold levels suggesting Oil is likely bottoming in mid-high 60s support band.
- Resistance begins near 73 followed by 81.5.
- Overall we view WTI to be at the low end of its trading range for 2024.
- Note: For reference, we are using 16.94 to be the low end of WTI's long-term trading range for the Fibonacci retracements coinciding with the weekly closing value during the week WTI temporary spiked into negative territory at -40.

Gold – Monthly



- After bottoming in Q3 near key support at 1800 near its rising red 200-week ma, gold has rallied back to resistance between 2000-2075 with a near-term pullback underway.
- Gold would need to break below 1800 (which we do not expect) to suggest the bigger positive pattern is failing.
- Overall, the longer-term pattern for gold remains positive with a move above 2075 likely in Q1 and the next key resistance level near 2359 coinciding with the 162% Fibonacci extension of 2021-2023 trading range.

Source: RBC Wealth Management, Bloomberg, Optuma

Copper Futures



Source: RBC Wealth Management, Bloomberg, Optuma

- Monthly momentum bottomed in Q4 2022 as copper established its cycle lows near major support between 320-330.
- After an initial rebound a pullback developed that we view to be bottoming near 360 support which we expect will define the lows for the balance of 2024.
- The ratio of copper vs gold remains range bound with a breakout above the 2017 and 2021 relative highs needed to confirm a new upcycle for copper.

S&P 500 GIC Level I **SECTOR** Relative Performance Trends



Noteworthy:

- **Growth** remains led by the technology sector (XLK) which is again overbought short-term while communication services (XLC) are poised to move higher along with the discretionary sector (XLY) as part of participation expanding within discretionary.
- **Cyclicals** are showing further evidence of improving as industrials along with financials and materials begin to bottom from oversold levels established in October-November.
- **Safety** sectors have rebounded but short-term many names have already rallied back to trading resistance with relative performance weak.

Relative performance trend vs the S&P 500

INVESTING Long-term 6+ monthly trend	TACTICAL Medium term 8-16+ weekly trend	TRADING Short-term 10-20+ daily trend	Code	Name
A	B	C		
1) Established Up	1) Established Up (-)	4) Early Down	XLK	TECHNOLOGY SELECT SECT SPDR
1) Established Up (-)	4) Early Down	5) Established Down (+)	XLC	COMM SERV SELECT SECTOR SPD
3) Neutral (+)	1) Established Up	1) Established Up	XLY	CONSUMER DISCRETIONARY SEL
↑ 3) Neutral (+)	2) Early Up	1) Established Up (-)	XLI	INDUSTRIAL SELECT SECT SPDR
5) Established Down	3) Neutral (+)	↓ 3) Neutral (-)	XLB	MATERIALS SELECT SECTOR SPDR
↓ 5) Established Down	5) Established Down	5) Established Down	XLE	ENERGY SELECT SECTOR SPDR
5) Established Down	5) Established Down	5) Established Down	XLP	CONSUMER STAPLES SPDR
5) Established Down	5) Established Down	↓ 5) Established Down	XLU	UTILITIES SELECT SECTOR SPDR
5) Established Down	5) Established Down	4) Early Down	XLV	HEALTH CARE SELECT SECTOR
5) Established Down (+)	↑ 1) Established Up	1) Established Up (-)	XLFX	FINANCIAL SELECT SECTOR SPDR
5) Established Down (+)	2) Early Up	1) Established Up (-)	IYR	ISHARES US REAL ESTATE ETF

Source: RBC Wealth Management, Bloomberg, Optuma

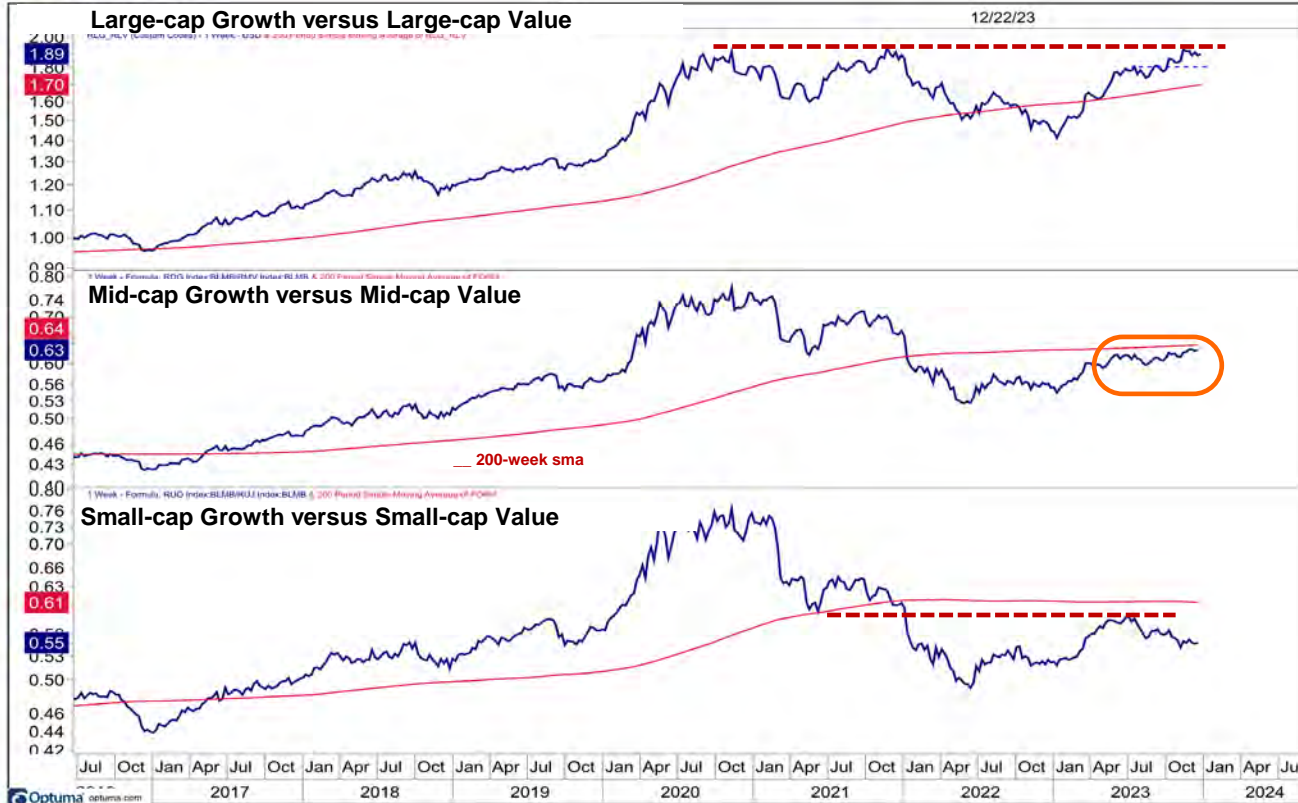
Growth vs Value – Monthly – A very mixed recovery in 2023



- Large-cap Growth versus Value has recovered to a key resistance level with a pause/pullback likely in Q1.
- Small-cap Growth versus Value continues to notably lag large-caps.

Source: RBC Wealth Management, Bloomberg, Optuma

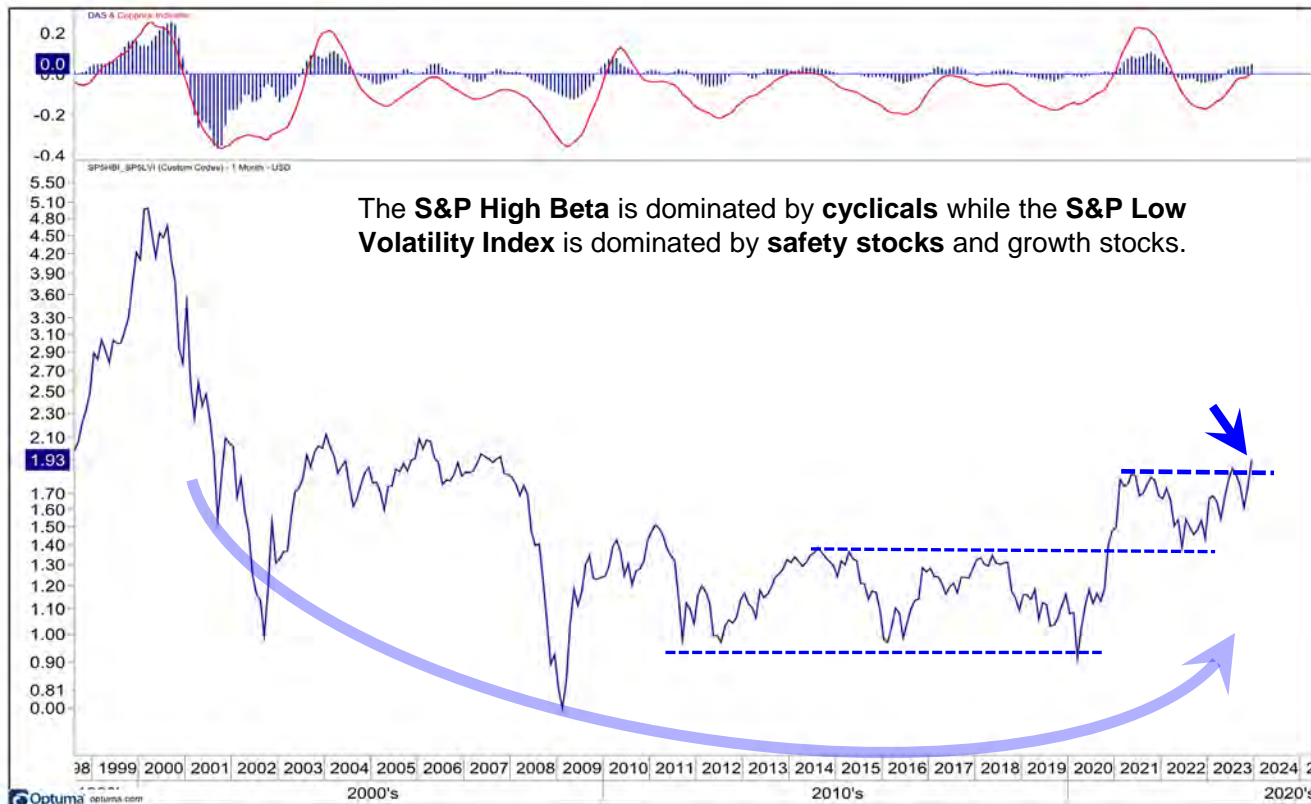
Growth versus Value - Weekly



Source: RBC Wealth Management, Bloomberg, Optima

- Relative performance of large-cap growth versus value continues to lead to the upside but is showing early signs of pausing following the Q4 surge.
- ...mid-cap growth vs value is beginning to resolve its Q3-Q4 consolidation to the upside...
- ...but small-cap growth vs value continues to lag.

S&P high beta index vs S&P low volatility index – New cycle highs!



- We view this longer-term relationship of cyclical stocks (that is strongly influenced by semiconductors) versus defensive stocks, to reflect an important longer-term improvement taking hold following the cycle lows in 2022.

S&P high beta ETF (SPHB) vs S&P low volatility (SPLV) - Weekly

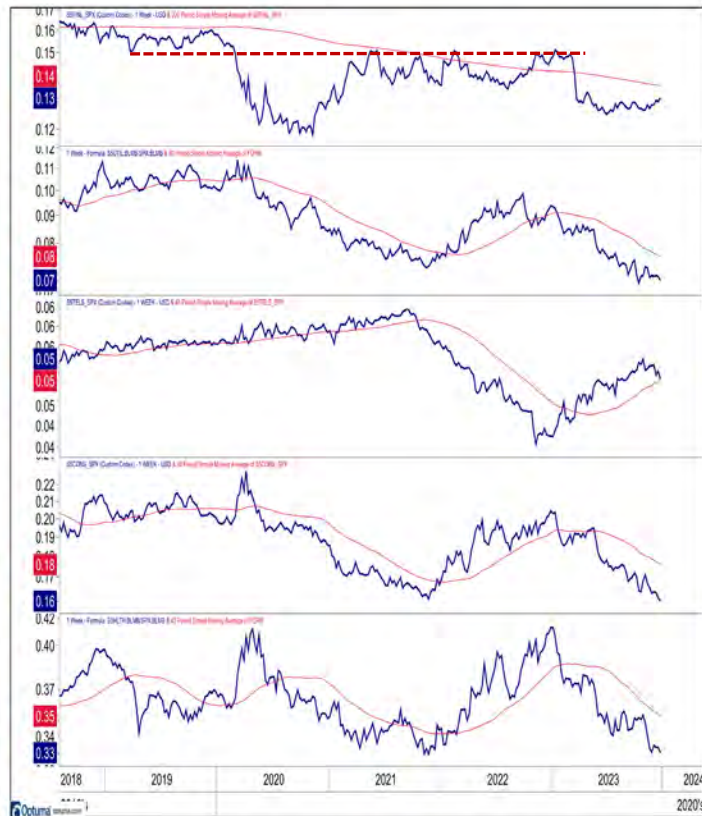


Source: RBC Wealth Management, Bloomberg, Optuma

- High beta (SPHB) relative to Low Volatility (SPLV) completed an important cycle bottom in Q4 and remains in an uptrend with yet another rally from the 2023 uptrend underway that has now broken out above a 2-year trading range to new highs.
- Weekly momentum (top panel) is bottoming suggesting further upside into Q1 with pullbacks expected to be short lived.

S&P 500 sectors relative performance vs the S&P 500

Weekly



FINANCIALS

Financials remain weak but with early signs of improving from 4-5 month bases.

UTILITIES

Relative trend remains negative with recent price bounces back to resistance.

COMMUNICATION SVCS

Pullback nearing support within an uptrend.

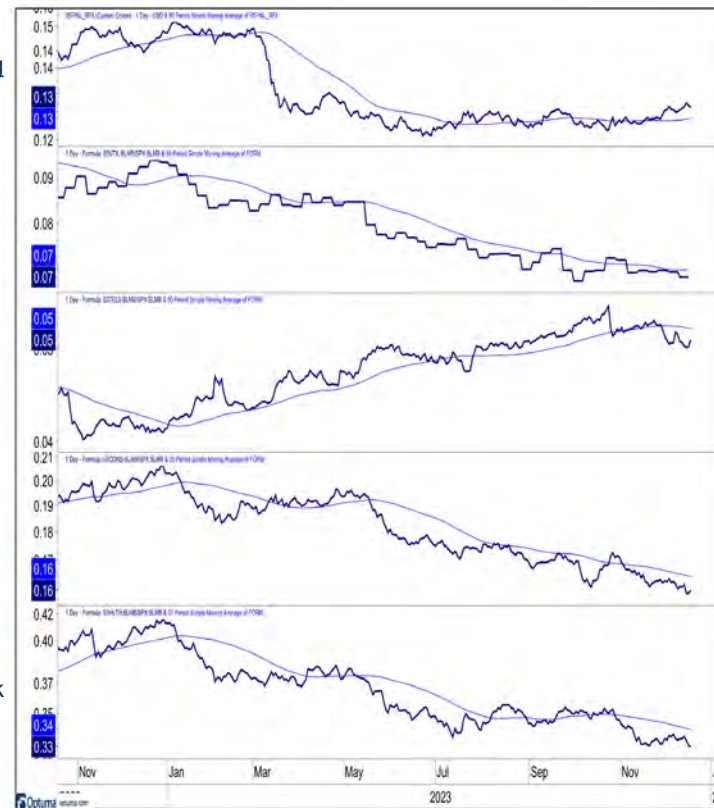
STAPLES

Relative trend remains weak with the recent oversold price bounces struggling to reverse downtrends.

HEALTHCARE

Relative trend remains weak with an oversold short-term low developing.

Daily

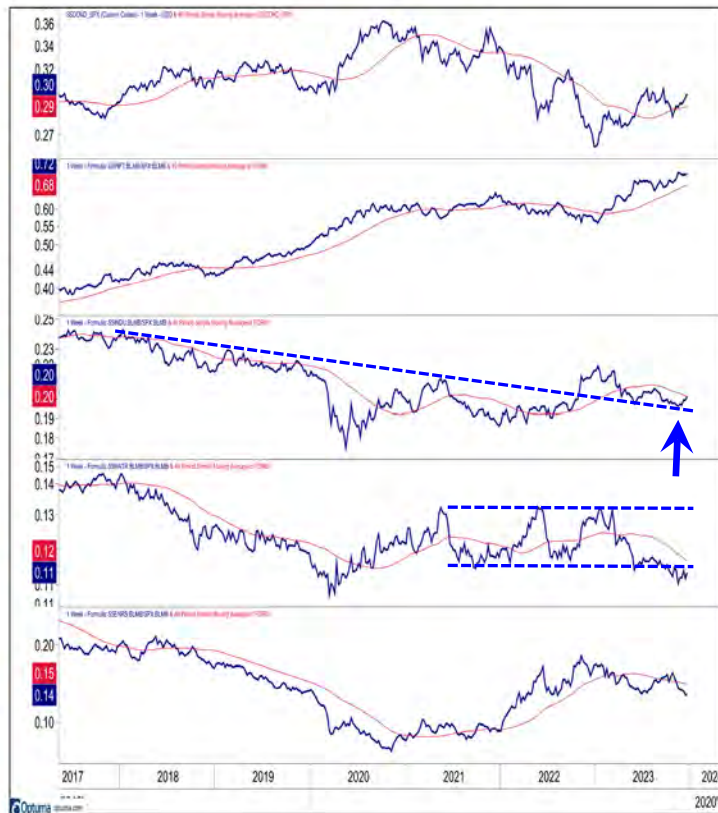


Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 sectors relative performance vs the S&P 500

Weekly

Daily



DISCRETIONARY

Tactical rebound underway along with breadth expanding to laggards.

TECHNOLOGY

Uptrend intact with pullback beginning to firm near rising 50-day ma.

INDUSTRIALS

Pullback is testing a key level at the sector's 5-year downtrend line with signs of improving.

MATERIALS

Weak but with short-term lows attempting to develop.

ENERGY

Pullback becoming oversold at key downtrend support.



Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 Info Tech Index



Source: RBC Wealth Management, Bloomberg, Optima

- The technology sector remains established leadership making new price and relative performance highs.
- While a near-term pullback would not be a surprise, there is no meaningful evidence of a reversal or trend change developing.

S&P 500 Cons Discretionary Index



- The discretionary sector has completed a cycle low near its long-term uptrend and 200-week ma and continues to trend higher with...

- ...relative performance beginning to improve.

Source: RBC Wealth Management, Bloomberg, Optima

AMZN – Cycle recovery from 62% retracement continues with potential to make new highs in 2024.



Amazon.com Inc. - AMZN

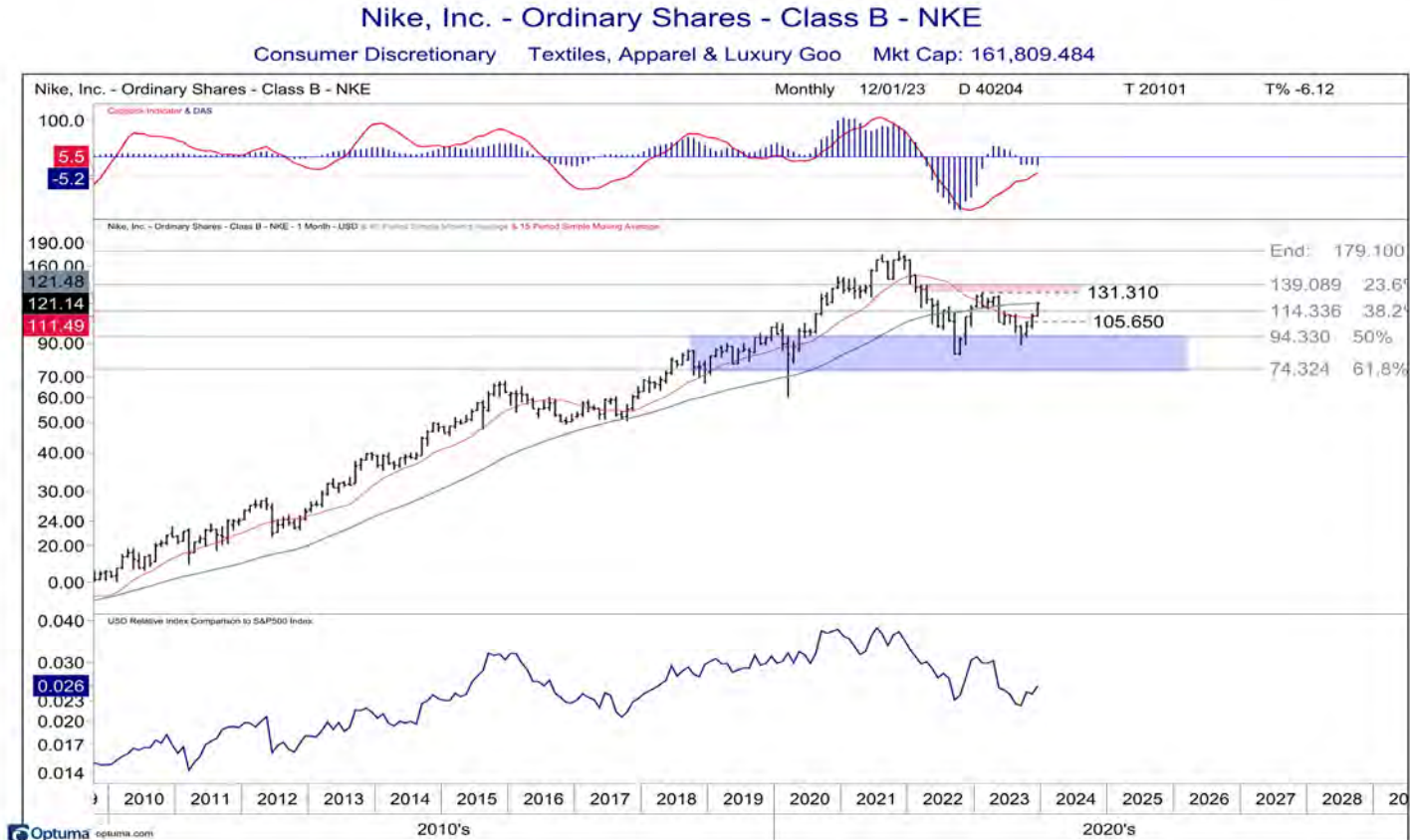
Consumer Discretionary Broadline Retail Mkt Cap: 1,516,415.648



Optuma optuma.com

Source: RBC Wealth Management, Bloomberg, Optuma

NKE – Bottoming pattern above 50% retracement continues – 131-130 then 179 resistance.



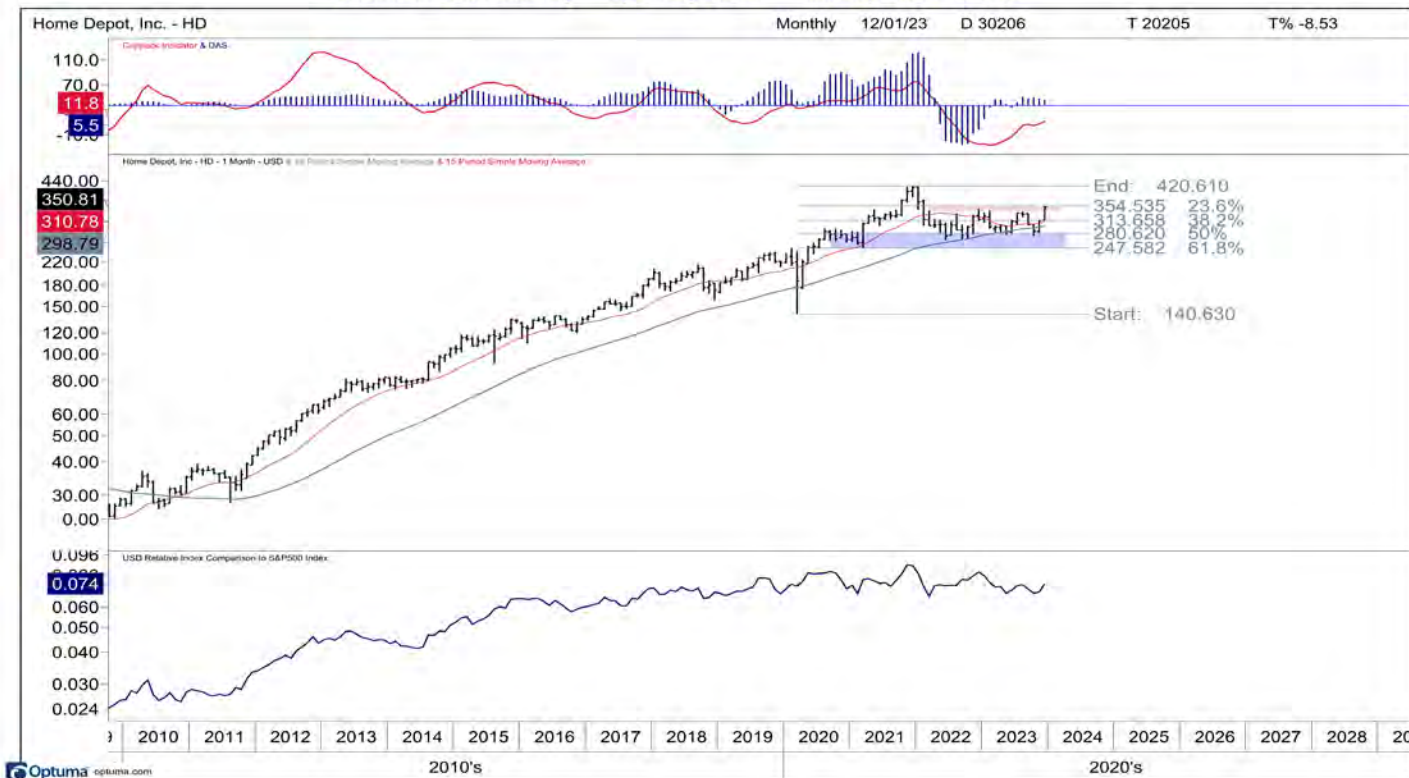
Source: RBC Wealth Management, Bloomberg, Optima

HD – Cycle low completing after pullback to 62% retracement and rising 200-week ma.



Home Depot, Inc. - HD

Consumer Discretionary Specialty Retail Mkt Cap: 309,227.855



Source: RBC Wealth Management, Bloomberg, Optima

S&P 500 Industrials Index



- The industrial sector is noteworthy given it is beginning to emerge from its 2+ year trading range with relative performance reversing a 5-year relative performance downtrend with additional signs of improving.

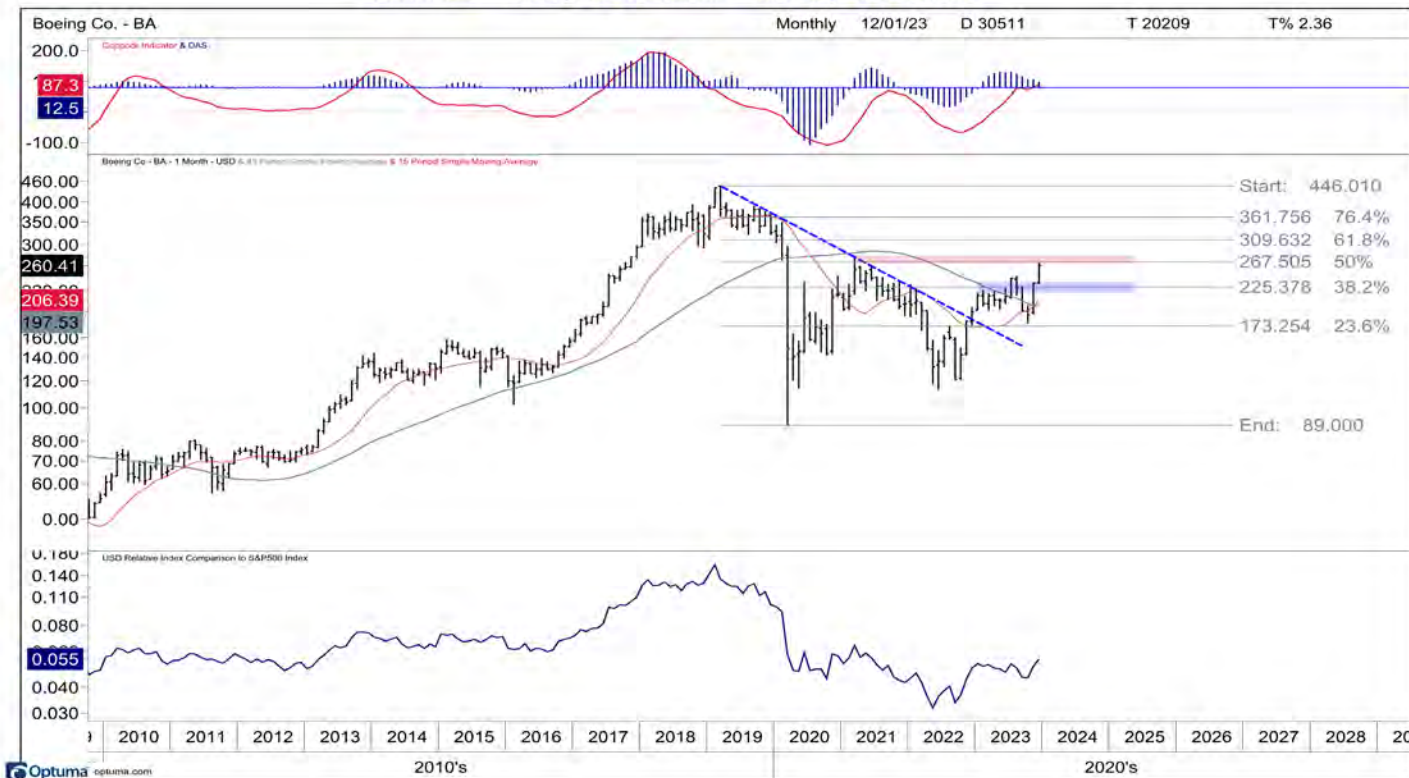
Source: RBC Wealth Management, Bloomberg, Optima

BA – At next resistance near 267 with pullbacks expected to hold 225 support.



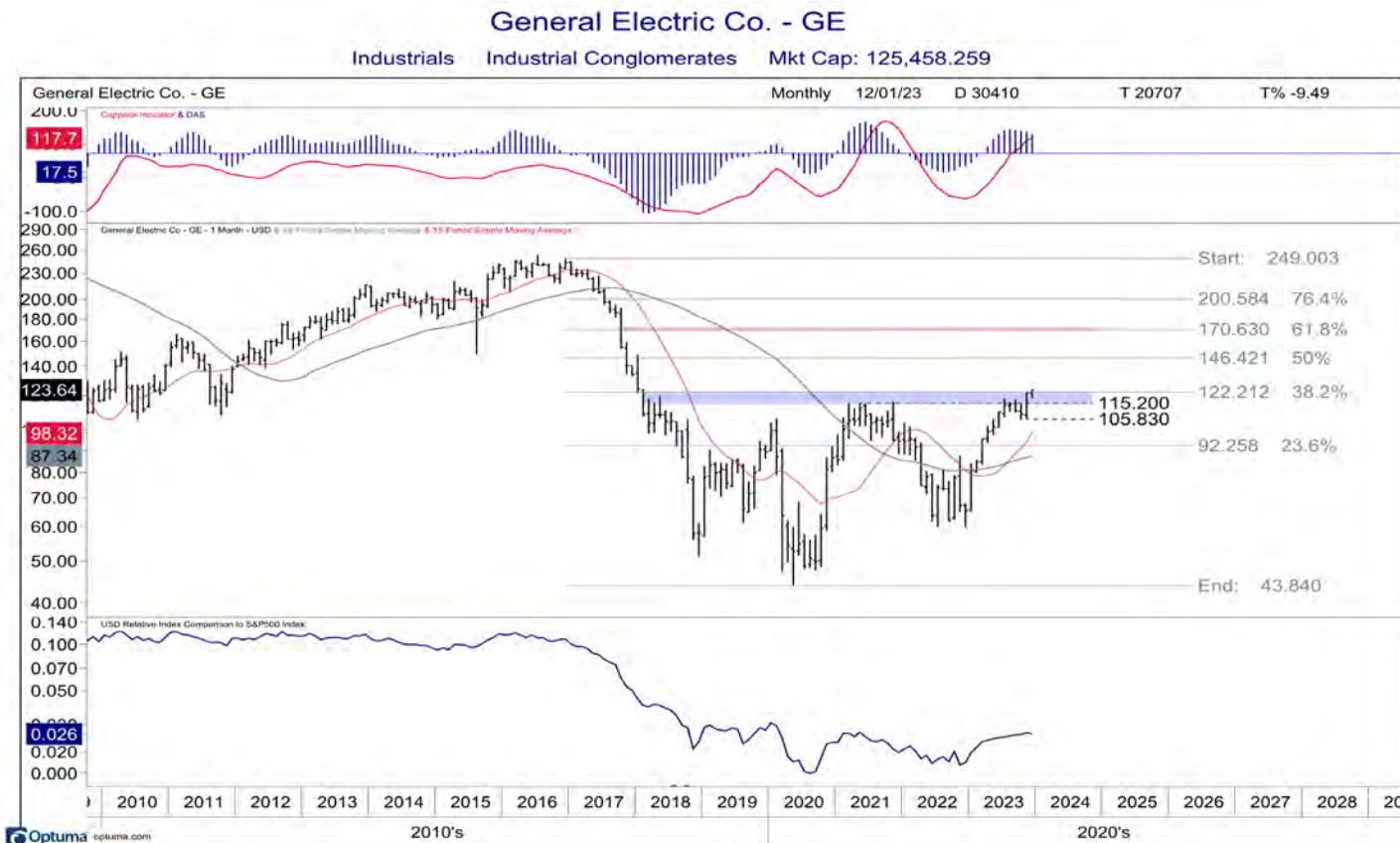
Boeing Co. - BA

Industrials Aerospace & Defense Mkt Cap: 118,968.687



Source: RBC Wealth Management, Bloomberg, Optima

GE – Long-term multi-year bottoming pattern completing. 146 then 170 resistance.



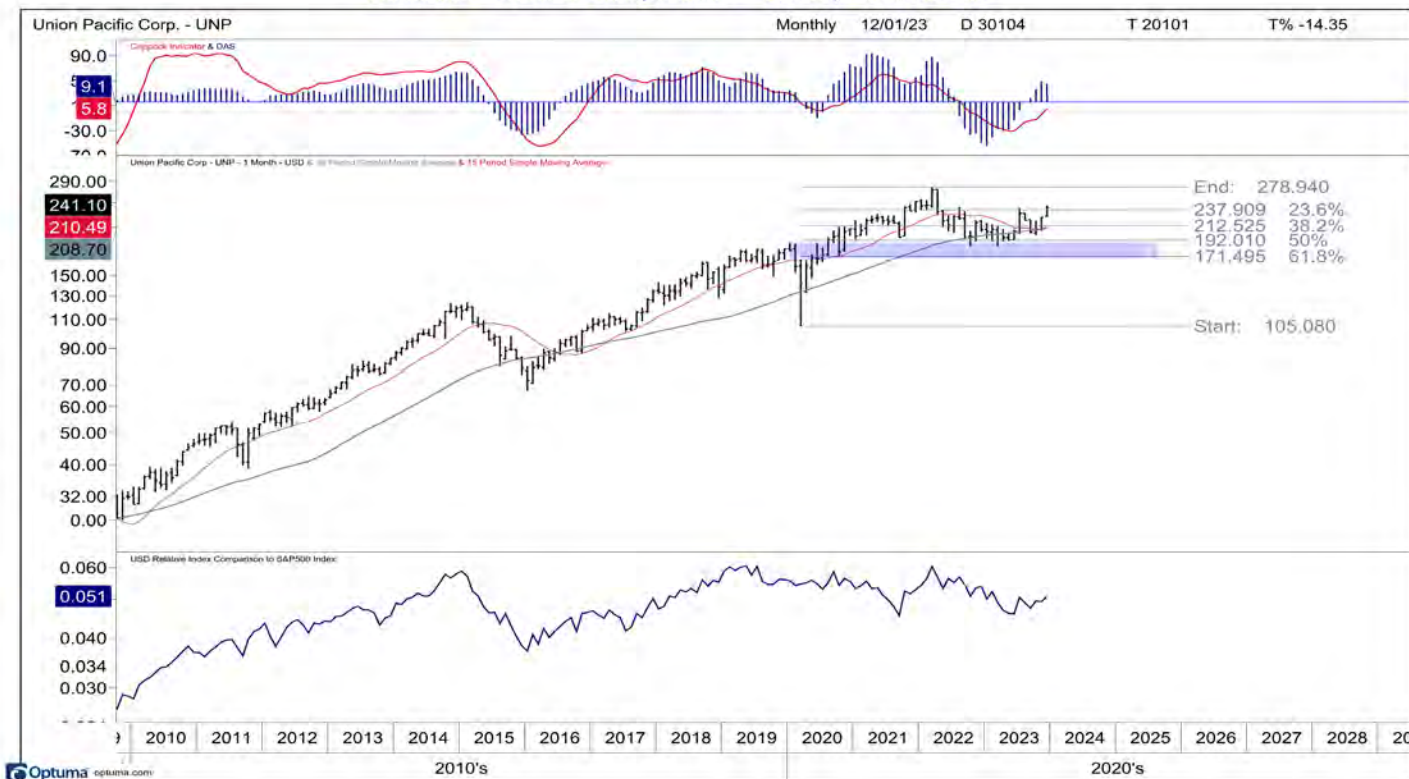
Source: RBC Wealth Management, Bloomberg, Optima

UNP – Cycle lows completing following pullback to long-term uptrend and 200-wk ma.



Union Pacific Corp. - UNP

Industrials Ground Transportation Mkt Cap: 134,782.006



Source: RBC Wealth Management, Bloomberg, Optima

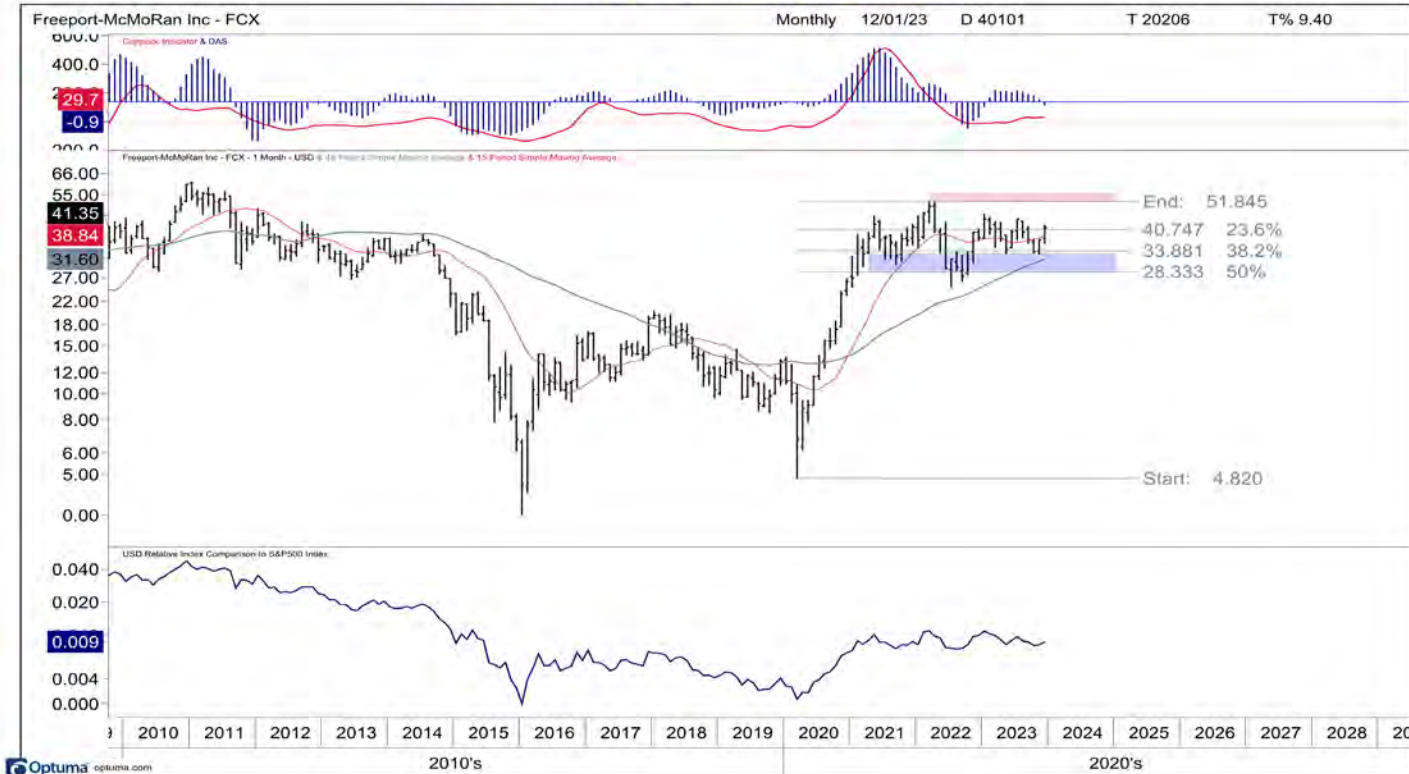
XYL – Secondary lows completing with resistance at 113 then 139.



FCX – 2-year consolidation likely bottom at support near its 200-week ma.



Freeport-McMoRan Inc - FCX
Materials Metals & Mining Mkt Cap: 48,296.354



Source: RBC Wealth Management, Bloomberg, Optima

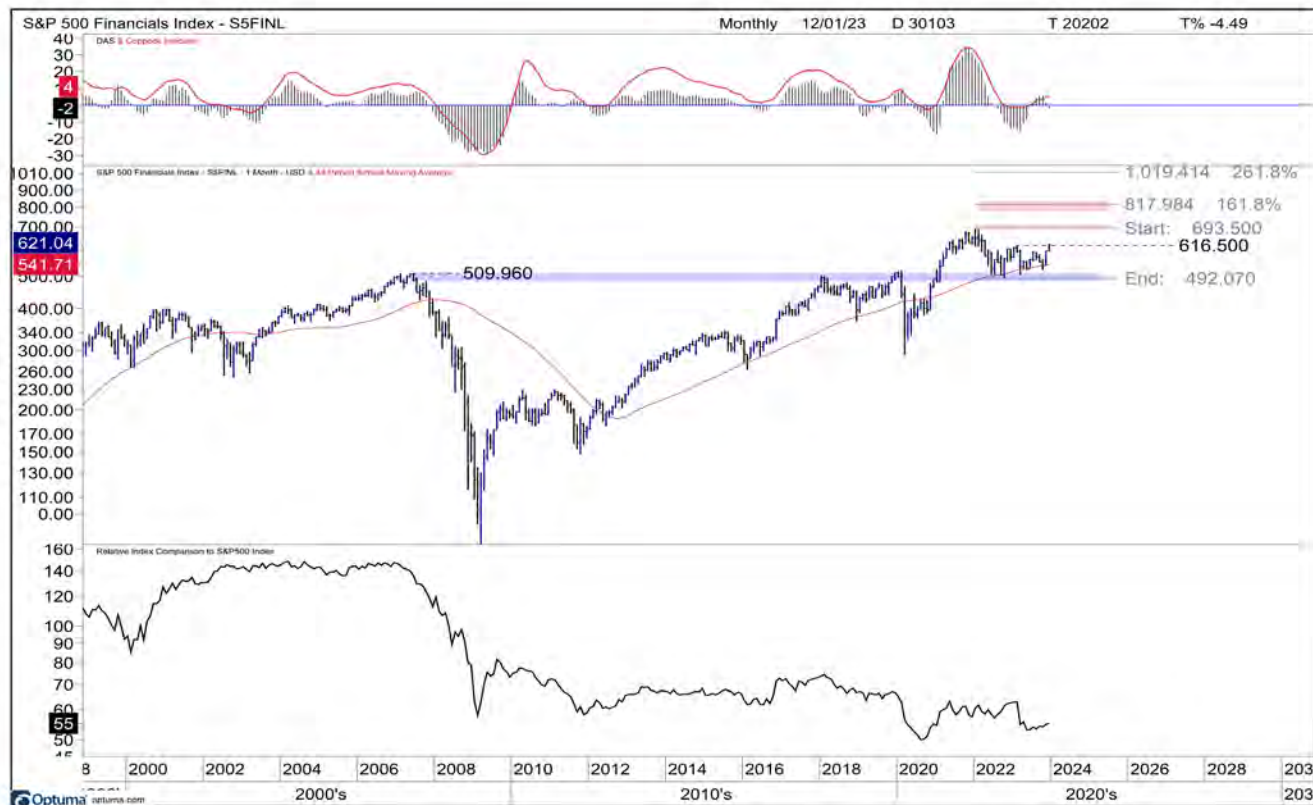
S&P 500 Financials Index



- Monthly cycle momentum has bottomed with the sector index bottoming at key support near 500 near its rising 4 year moving average.
- Overall a cycle low is completing but relative performance remains lackluster.
- Next resistance levels are at 693 then 817.

Source: RBC Wealth Management, Bloomberg, Optima

S&P 500 Financials – Cycle lows completing but relatively weak.



- Monthly cycle momentum has bottomed with the sector index bottoming at key support near 500 around its rising 4 year moving average.
- Overall a cycle low is completing but relative performance remains lackluster.
- Next resistance levels are at 693 then 817.

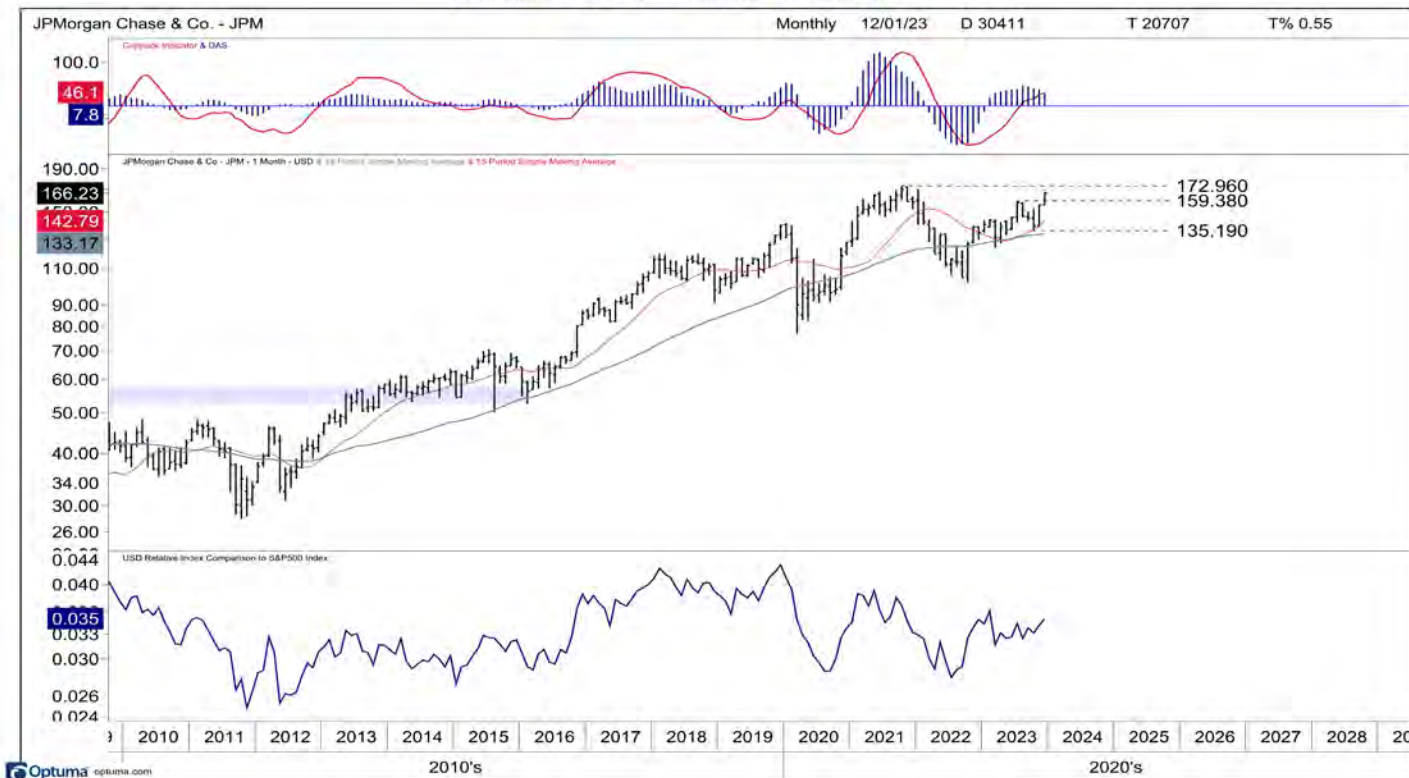
Source: RBC Wealth Management, Bloomberg, Optuma

JPM – Sector leadership intact with potential to challenge the 2021 highs.



JPMorgan Chase & Co. - JPM

Financials Banks Mkt Cap: 443,885.421



Optima optima.com

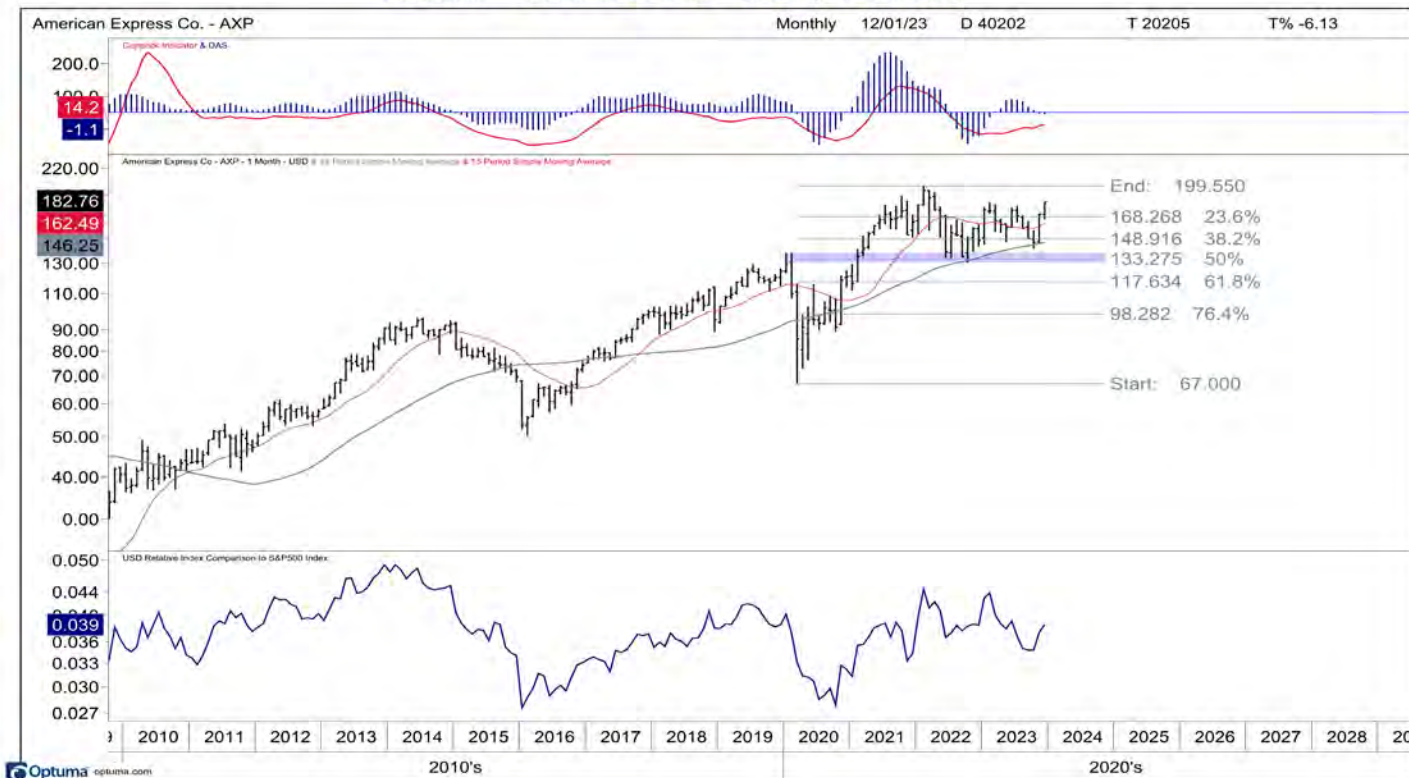
Source: RBC Wealth Management, Bloomberg, Optima

AXP – Bottoming pattern above its rising 200-week ma continues.



American Express Co. - AXP

Financials Consumer Finance Mkt Cap: 119,820.348



Source: RBC Wealth Management, Bloomberg, Optima

Financials Capital Markets Mkt Cap: 109,317.23



Source: RBC Wealth Management, Bloomberg, Optuma

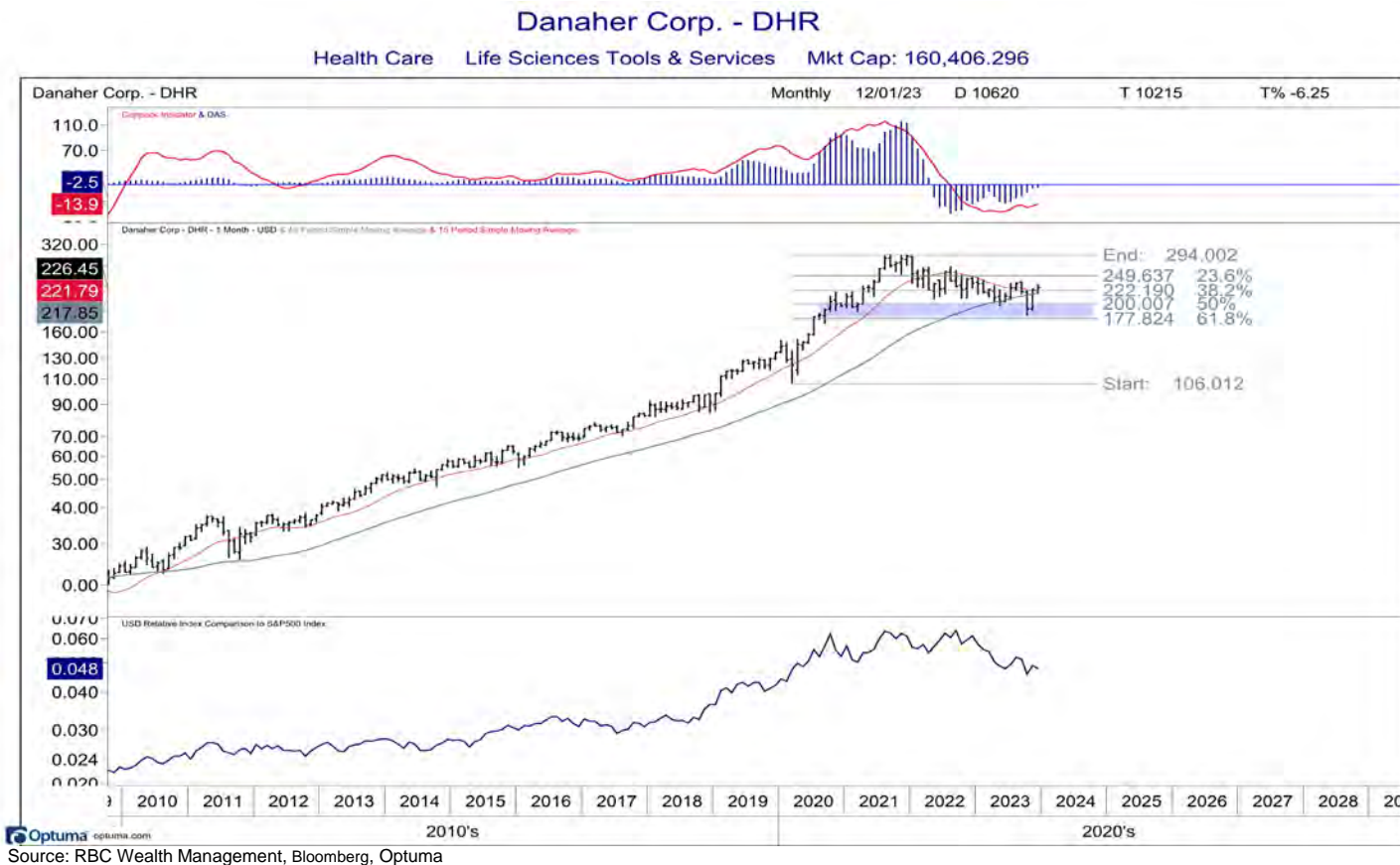
S&P 500 Health Care Index



Source: RBC Wealth Management, Bloomberg, Optuma

- The healthcare sector has consolidated sideways in a broad trading range toward support at its long-term uptrend defined by its rising 200-week ma but...
- ... similar to staples, relative performance has yet to show evidence of improving.

DHR – Further signs of bottoming at 62% retracement near rising 200-week ma.



ZTS – Bottoming pattern completing near its 200-week ma at 62% retracement.



GILD – Further evidence of a major cycle low developing above 74 support.



Gilead Sciences, Inc. - GILD

Health Care Biotechnology Mkt Cap: 94,599.501



Source: RBC Wealth Management, Bloomberg, Optima

S&P 500 Energy Index - Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- The energy sector is consolidating under its 2014 highs.
- We view 594 as the first key support and stop loss level followed by 513 which is just above the rising 40-week moving average.
- Relative performance has also stalled at a key downtrend and will need to reverse that trend to signal a longer-term improvement taking hold.

S&P 500 Consumer Staples



Source: RBC Wealth Management, Bloomberg, Optima

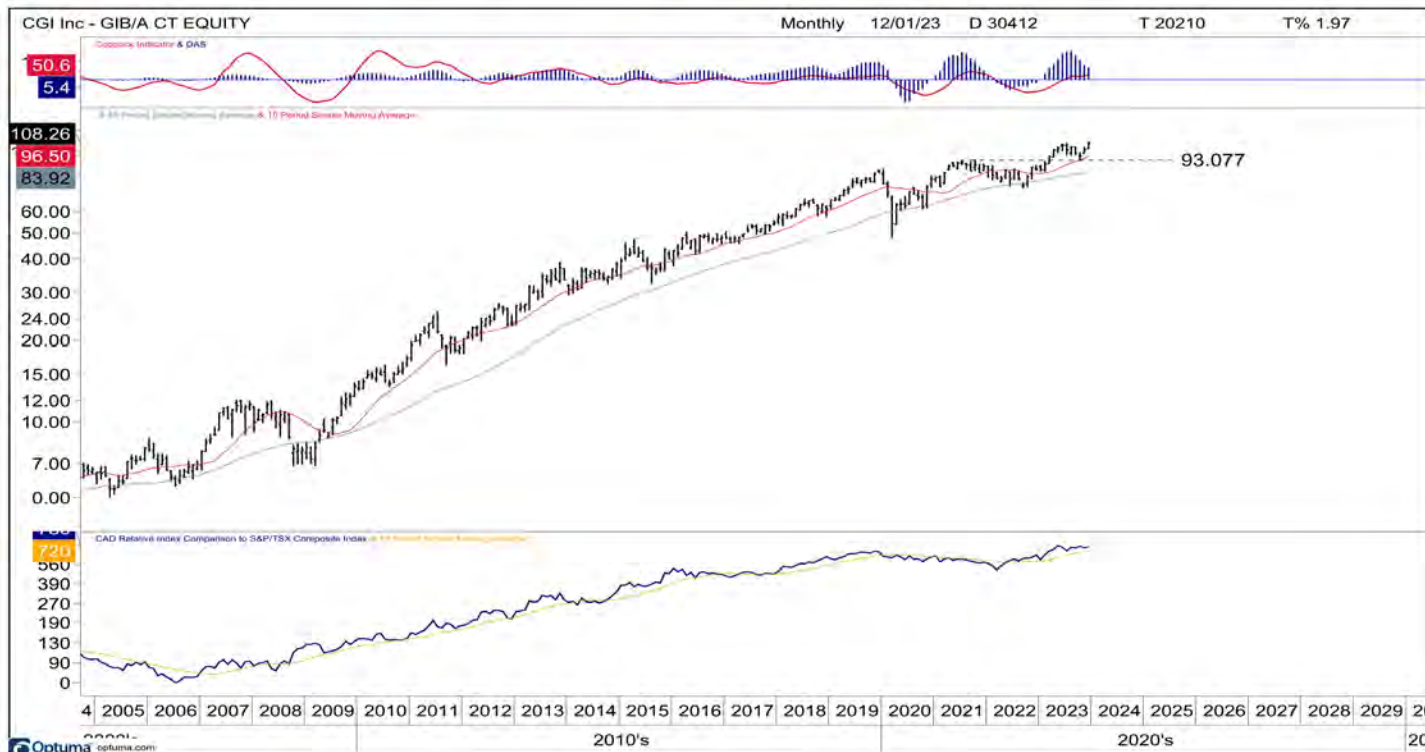
- The staples sector is bottoming in price along with most markets and sectors near key support at its rising 200-week ma....
- ...but relative performance remains weak probing new lows in an established downtrend.

GIB.A – Long-term uptrend intact with 2023 pause beginning to resolve to the upside.



CGI Inc - GIB/A CT EQUITY

Information Technology IT Services Mkt Cap: 32,438.63



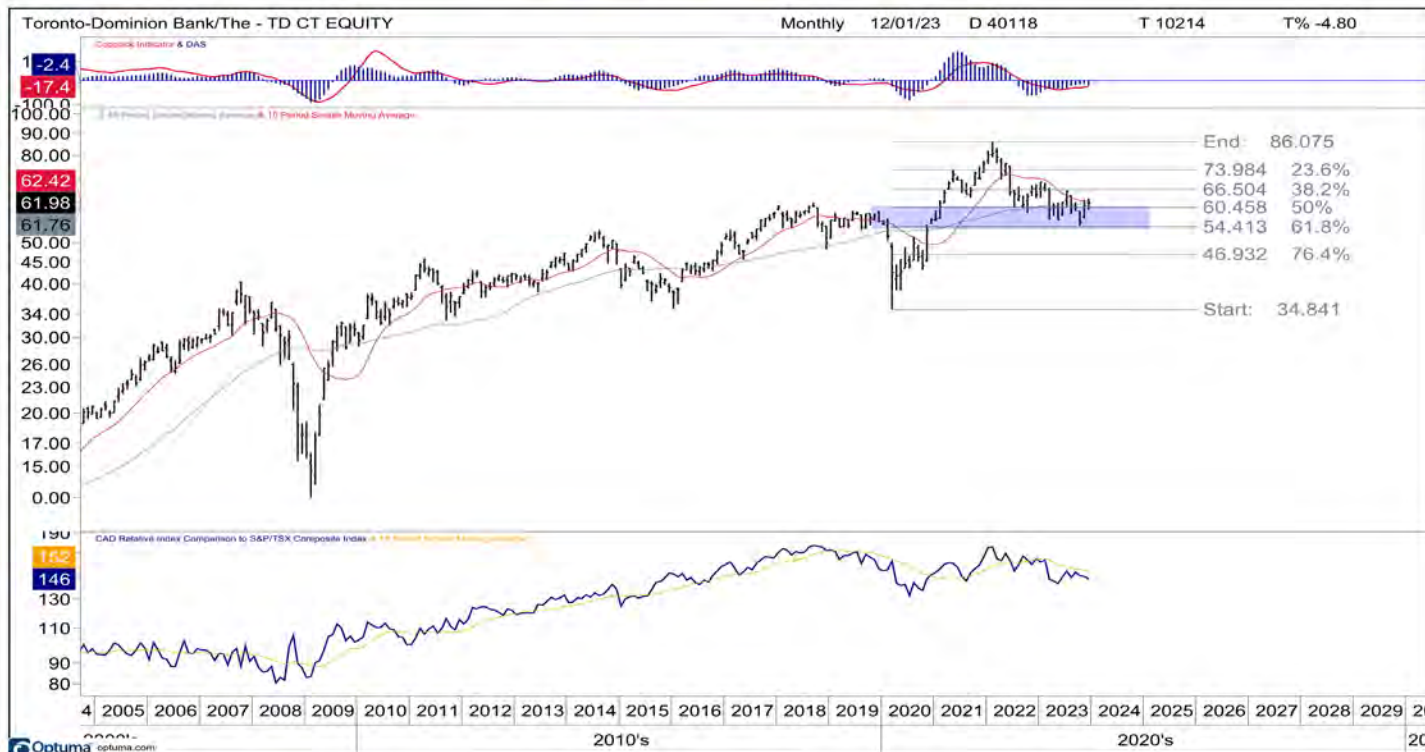
Source: RBC Wealth Management, Bloomberg, Optuma

TD bottoming pattern continues near long-term support.



Toronto-Dominion Bank/The - TD CT EQUITY

Financials Banks Mkt Cap: 151,101.15

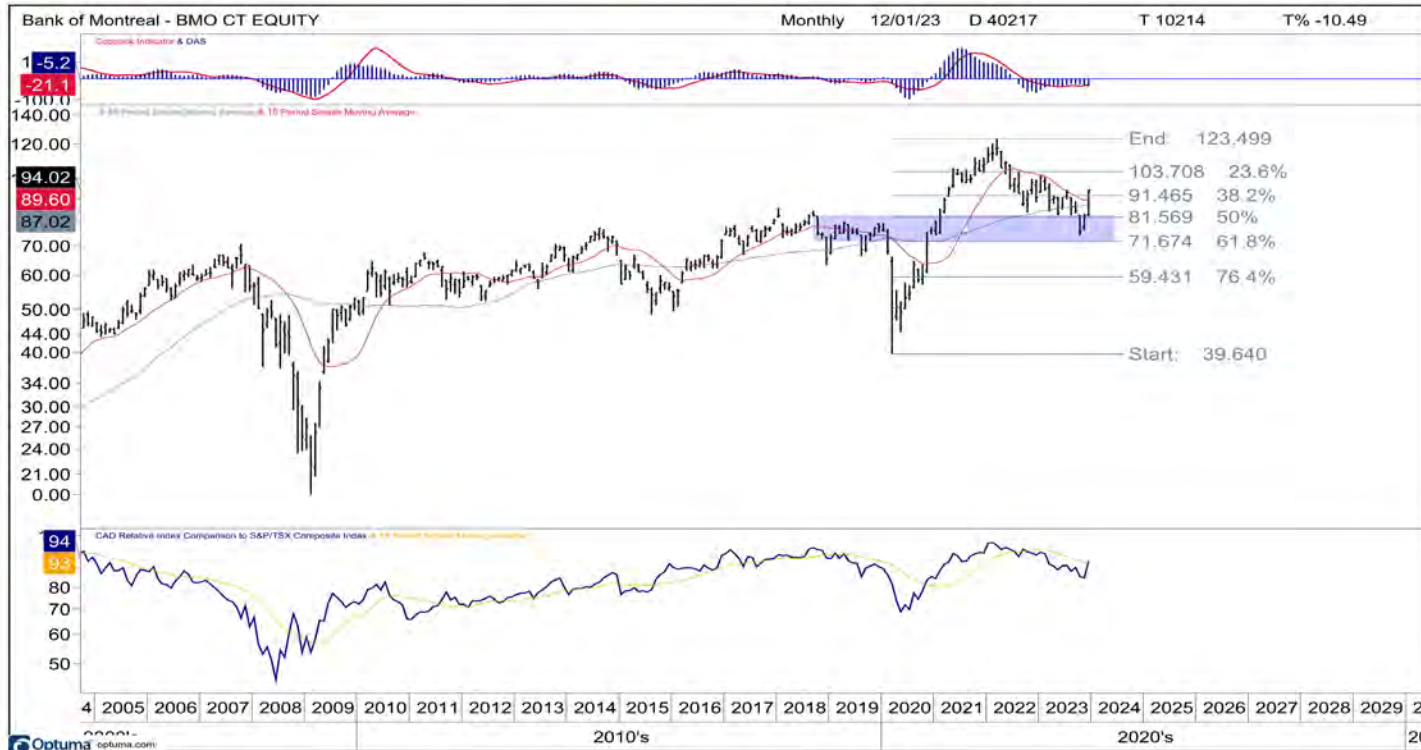


BMO – Rebound becoming advanced short-term but cycle lows now in place.



Bank of Montreal - BMO CT EQUITY

Financials Banks Mkt Cap: 80,591.37



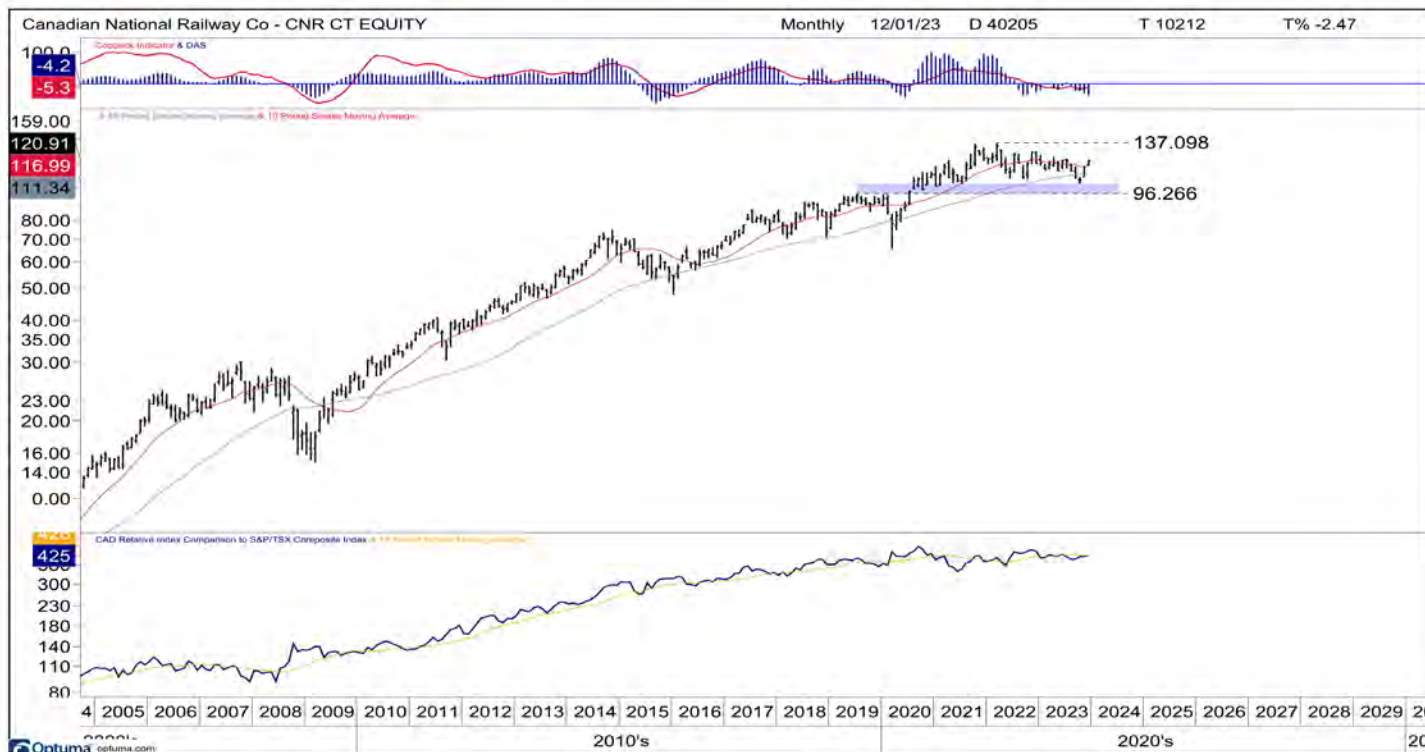
Source: RBC Wealth Management, Bloomberg, Optima

CNR – Cycle lows completing near its rising 200-week ma.



Canadian National Railway Co - CNR CT EQUITY

Industrials Ground Transportation Mkt Cap: 102,390.40



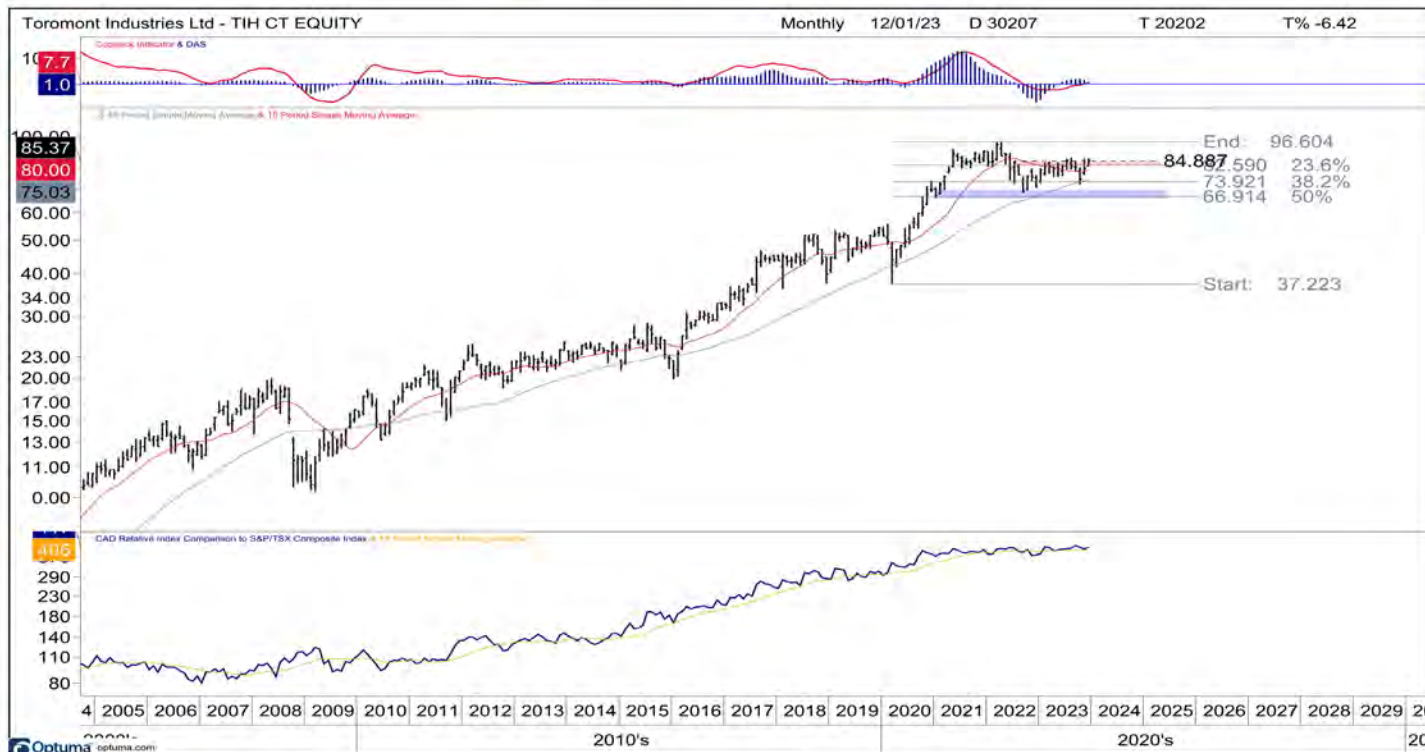
Source: RBC Wealth Management, Bloomberg, Optuma

THI – Consolidation to long-term support at rising 200-week ma continues.



Toromont Industries Ltd - TIH CT EQUITY

Industrials Trading Companies & Distributors Mkt Cap: 9,300.07



Optima optima.com

Source: RBC Wealth Management, Bloomberg, Optima

TRP – Oversold laggard continues to show evidence of completing a cycle low.



TC Energy Corp - TRP CT EQUITY

Energy Oil, Gas & Consumable Fuels Mkt Cap: 50,600.00



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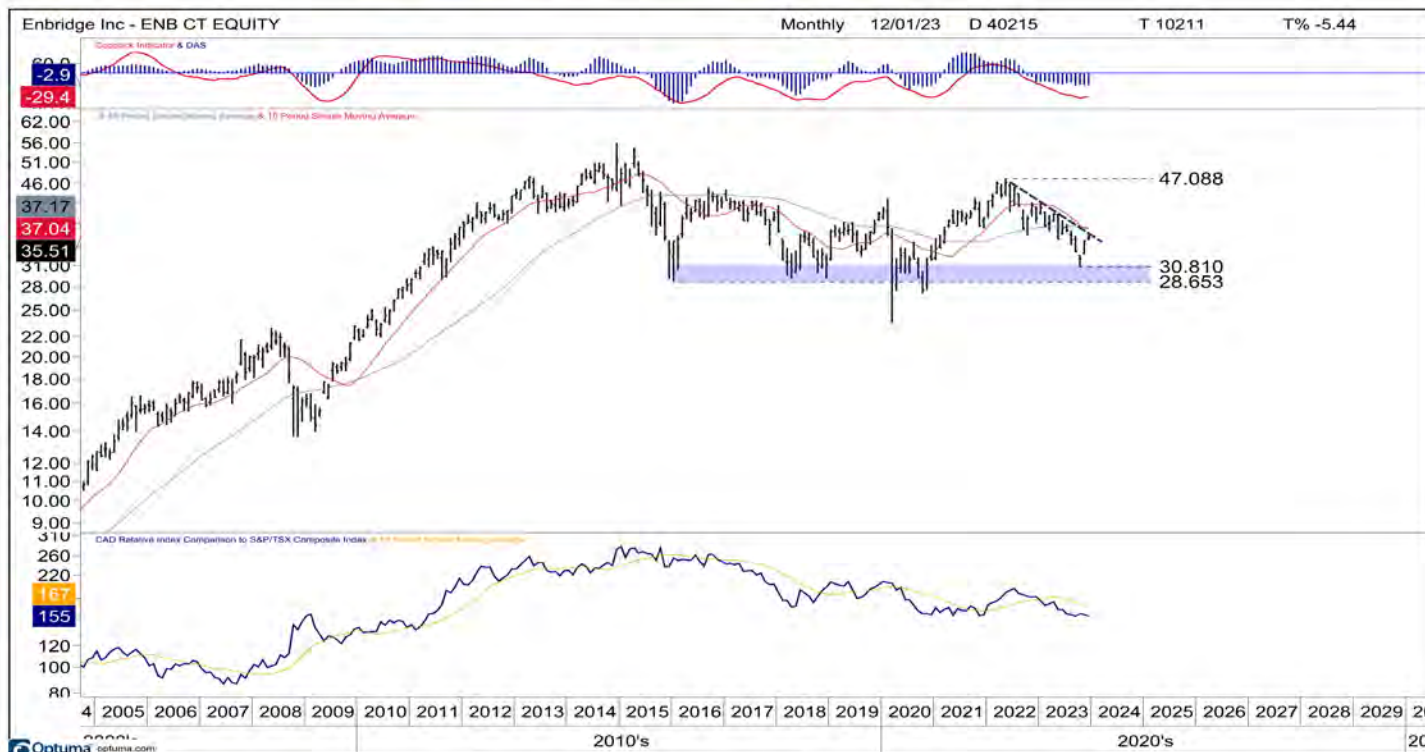
Source: RBC Wealth Management, Bloomberg, Optima

ENB – Similar to TRP, oversold laggard completing cycle lows.



Enbridge Inc - ENB CT EQUITY

Energy Oil, Gas & Consumable Fuels Mkt Cap: 98,265.31



Source: RBC Wealth Management, Bloomberg, Optima

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			Count	Percent
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