Trend & Cycle: Weekly Chartbook

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All values in U.S. dollars and priced as of market close on October 23, 2023 unless otherwise noted

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Markets

Equities

• The uptrend in interest rates and the US dollar remains the obvious headwind for equities as a broad list of stocks continue corrections from their summer highs. While it is premature to state that rates have peaked and are reversing, weekly indicators are showing early evidence of turning down and the US dollar has notably diverged from rates having peaked in early October.

• On the positive side, intermediate-term/weekly indicators for equities remain in deeply oversold territory suggesting a Q4 seasonal low and rebound is developing.

• Breadth/participation has remained weak through Q3 into Q4 but we note large-cap growth stocks are at important inflection points with early signs of bottoming as many test support coinciding with rising 200-day moving averages. In addition, weaker areas of the market, notably consumer and higher yielding stocks, are now at deeply oversold levels, many near rising 200-week moving averages.

• **Bottom line:** We view the recent pullback to be consistent with seasonal weakness moving into Q4 and continue to see a technical set up that supports an equity rebound into year-end with a pullback in interest rates needed to support that view.

Rates

• The Q3-Q4 uptrend by the US 10-year and 30-year yields remains intact as they challenge their next important upside technical levels near 5%. Weekly momentum indicators, tracking 2-4 month moves, are overbought and turning down suggesting a Q4 peak is likely with a reversal of their uptrends needed to confirm this view. Key downside levels for the US 10-year yield begin at 4.7%-4.5% with a move below 4.24-4.3% needed to signal a reversal of the uptrend that began in Q2. We view the high selling volumes this month in the TLT bond ETF, along with XLU utility ETF as sufficiently elevated to be part of the late stages of correction and potential Q4 bottom. Real yields remain a headwind for equities with 2.3% followed 2% and 1.8% key downside levels.

Currencies

• **US dollar** – Interestingly, similar to October of 2022, the US dollar DXY index has not followed the US 10-year yield higher as it peaked in early October 2023 at its 50% retracement and has already reversed its Q3 uptrend. A break below 105 support, near the rising 50-day ma, would be a further indication that the dollar’s headwind for equities is reversing.

Commodities

• **WTI Oil** remains volatile after peaking under 93-94 resistance while holding above first support between 81.5-85. **Gold** has rebounded strongly from its 200-week ma back to near-term resistance at 1987 within a positive longer-term backdrop. **Copper** remains noteworthy as it stress tests key support between 354-360. Our expectation is for that support level to hold but a decline below 354 would be breakdown with weakness likely to next support between 315-332.
Equity Trends

Growth vs Value

• A noteworthy divergence continues to develop between large and mid-cap growth versus value relative to small-cap growth vs value, with large-caps leading to the upside. In general, larger cap growth stocks, such as MSFT (see below) are showing signs of establishing seasonal lows following Q3 pullbacks, while smaller-caps have yet to establish meaningful bottoms.

High Beta/Cyclicals (SPHB) vs Low Volatility/Safety (SPLV)

• The intermediate-term pullback by high beta versus low volatility continues with early signs of bottoming near the 50-62% retracement levels of the 2023 rebound. Semiconductors remain a key driver of this relationship with a growing list of semis becoming oversold intermediate-term and showing signs of bottoming at next key support. Our expectation is for another 1-3 weeks of choppy trading before a clear technical bottom develops.

US stocks

• Growth/technology stocks continue to show evidence of bottoming with MSFT holding above its Q3 lows with improving relative performance while AAPL and CRM test support at their rising 200-day mas. NVDA and AVGO remain in narrow trading ranges with 403 and 812 key support respectively. KLAC remains resilient above its 40-week ma near 436 while AMD continues to show evidence of bottoming above support.

• Consumer – TSLA remains range bound holding above a key support and stop loss level near 200 while AMZN likely needs further consolidation time above its rising 200-day ma which is at 118.

• Consumer – Restaurants, such as MCD and CMG, are showing early signs of establishing oversold intermediate-term lows near support while other Consumer names, such as NKE, are bottoming.

• Energy – Choppy trading ranges persist as mega mergers develop. FANG remains one of the stronger E&Ps challenging its prior highs, while HAL is pausing under resistance and RIG is at next support at its 200-day ma.

Canadian stocks

• Energy – Similar to the US energy sector, chart profiles vary as broad market weakness weighs on most sectors. CNQ remains a positive technical pattern with CVE showing early signs of pausing. We expect pullbacks to be relatively short lived.

• Banks – Remain weak with TD noteworthy holding above key support while other banks, such as BMO, have broken below their Q1-Q2 2023 lows to test next support/bounce points.

• QSR is showing early signs of bottoming at intermediate-term oversold levels similar to MCD and CMG above.

• GIB.A remains resilient above key support at its rising 40-week ma.

• SHOP is back to key support and a stop loss level with early signs of bottoming.
S&P 500 – Monthly – Uptrend intact – Key levels we are watching

Cycle momentum
- Remains positive but potentially stalling.

Uptrend intact
- Key support: 4000-4200
- Next support: 3500

What would change our positive view?
- A break below S&P 4000, just above the 4-year moving average, would be needed to suggest the cycle is beginning to fail.

Source: RBC Wealth Management, Bloomberg, Optuma
S&P 500 – Monthly Seasonality – Usually positive for Q4

- Monthly seasonality data varies widely depending on the start date but history suggests markets improve moving into Q4.
S&P 500 – Weekly Seasonality since 1980

- Equity markets are at a key point heading into November with the FOMC meeting on 11/01.

We are here right on track with the weekly seasonal pattern.
S&P 500 with weekly Quadrant Balance momentum oscillator

- Early signs of bottoming between 4200-4300 near the 200-day ma.
- Resistance: 4512-4637.
- Support: 4200-4050 then 3800.

- The percentage of stocks with rising weekly momentum is beginning to bottom as most stocks have sold off through Q3-Q4.
• Daily momentum peaked last week as the S&P’s rebound peaked at first resistance near 4401-4447 near the blue declining 50-day ma.

• We expect a choppy volatile trading range into the FOMC meeting on 11/1 that should establish a bottoming range.

• Key support bands are 4169-4200.
• The RSP equal weight S&P 500 ETF remains weak, challenging its March 2023 lows…

• …notably diverging from the S&P 500 A-D line which is declining after making new highs in late July 2023…

• …while the NYSE Stock Only A-D line is at risk of deteriorating below its Q4 2022 lows…

• …and the NYSE ‘All’ A-D line, which includes ETFs, has a similar corrective trend as it challenges its March 2023 lows.
Russell 2000 Index

- Weak but oversold testing critical support 1641-1712.
- A break below that lower range would be needed to signal a failing cycle.
- Relative performance remains weak in a downtrend.
S&P/TSX Composite Index

- The TSX is attempting to bottom near its 200-week ma near 19,000.

- Weekly Quadrant Balance data, tracking the percentage of stocks with rising weekly momentum, is now oversold and likely to bottom in the coming weeks consistent with a seasonal low.

Source: RBC Wealth Management, Bloomberg, Optuma
AAII US Investor Bullish and Bearish Sentiment (contrarian indicators)

- AAII bullish sentiment readings (top panel) continue to decline from moderately advanced levels that developed heading into the summer while bearish sentiment (bottom panel) is rising.

- While these readings are not at contrarian levels associated with a major low, they are moving in the right direction to support a Q4 rebound and are not at exuberant levels usually associated with a market top.

Source: RBC Wealth Management, Bloomberg, Optuma
iShares MSCI EAFE Index Fund ETF

- Weekly momentum is becoming oversold with EAFA showing very early signs of bouncing from next support near 65.

- First resistance is near 69 followed by 71 near the 40-week ma.

- EAFE bottomed in Q4 relative to the S&P 500 and is now in a key test of that downtrend line but has yet to show a meaningful upturn to support adding exposure versus the US.

Source: RBC Wealth Management, Bloomberg, Optuma
Weekly momentum remains negative for the TOPIX with the break below 2215 likely to see a test of the 40-week ma near 2167 (200-day ma = 2150) and possibly the support band between 2048-2120.
• After a brief bounce back to resistance near the 50-day ma, the TOPIX has stalled and is now breaking first trading support at 2218 with a test of the 200-day ma near 2150.
Short-term momentum has turned negative following the HSI failure at 18,279 resistance with a test of next support near 16,730-16,836 underway.

While a bounce from that support band may develop, we think it is premature to conclude a meaningful bottom is developing.

Next support below 16,730 is near 15,945.
US 10 Year Yield: 5-5.15% remains an important upside hurdle.

The US 10-year yield has pushed above a key level at the Q4 highs of 2022 at 4.33% with the current trend of higher lows and higher highs intact.

The next key technical hurdle is between 5.0-5.15%.

The 1970's equity bear market began as 10-year yields rose above 5% until interest rates peaked in 1981.
US 30-Year Yield – Are long rates showing early signs of peaking?

- The recent uptrend in interest rates has remained a major headwind for equities through 2022 and 2023.
- The US 30-year yield is noteworthy given the recent surge in Q3 has been one of the reasons stocks have corrected.
- Interestingly, the 30-year yield is showing early signs of topping at its next important technical level at 5.05% with weekly momentum in the bottoming panel, tracking 2-4+ moves, overbought and peaking.
• The recent breakout above 4.3% by US 10-year yields remains an ongoing headwind for equities with next key level at 5.00% near the 162% Fibonacci extension.

• However, weekly RSI momentum is building toward overbought levels that have resulted in prior tactical peaks in rates through 2021-2022.

• Our expectation is for a similar peak to develop in early-mid Q4.
• Short-term momentum is diverging with lower highs as…

• …the US 10-year yield pulls back from 5% coinciding with the 162% extension of the Q4-2022-Q3 2023 trading range.

• While a near-term pause is a reprieve, the uptrend remains intact and will need to reverse, with 4.7% followed by 4.5% first downside technical levels.

• A decline below the band between 4.3-4.24% will be needed to signal a meaningful trend reversal in the 10-year yield.
The TLT long bond ETF is showing very early signs of bouncing from between support bands between 82.5-87.3.

We are not Elliot Wave experts but often the first and third downside moves are similar declines, which is the case for the TLT near current levels WITH volumes reaching record levels through this month.
Although the TLT failed to hold the October 2022 lows…

… weekly RSI momentum (bottom panel) continues to positively diverge with higher lows in place, which is often a technical event that develops at lows.

Source: RBC Wealth Management, Bloomberg, Optuma
US 10-year real rates (nominal less inflation) – Daily

- The US 10-year real rate remains in an uptrend but so far has yet to exceed its October 6 highs at 2.58%.

- It is premature to conclude a major reversal is taking hold but the early stages of a divergence with the RSI momentum is in place with a move below 2.25% followed by 2.0% needed to signal a reversal.

- Daily RSI momentum peaked three weeks ago and is weakening.
Weekly momentum is becoming overbought with early signs of beginning to peak as...

...the US dollar’s rebound is showing early signs of stalling at its 50% retracement of the 2022 decline.

First support is near 105.3 followed by 103.5 near the declining 40-week ma.
The US dollar has notably diverged from the US 10-year yield peaking in early October and reversing its Q3 uptrend to challenge first important support at 105.8-105.3 with a break below that level a positive for equities.
**WTI Crude Oil Future - Weekly**

- Weekly momentum for WTI is peaking suggesting further consolidation/sideways trading over the coming weeks, with resistance at 93-94 and support between 82-84.

- Note: For reference, we are using 10 to be the low end of WTI's long-term trading range for the Fibonacci retracements rather than the temporary spike into negative territory at -40.
WTI Crude Oil Future - Daily

- After stalling at the 50% retracement level near 93-94, WTI is consolidating above first key support in the low to mid 80s.

- Next key support below 81.5 is near the 200-day mas near 77-78.

Source: RBC Wealth Management, Bloomberg, Optuma
• After temporarily breaking below 1900 support, gold has rebounded from its 200-week ma near 1800 to challenge 1987 resistance.

• A short-term pause is likely near current levels but a decline in real rates would likely see gold challenge its all time highs near 2000-2075.
Copper Futures - Weekly

- After stalling under 395-400 resistance, copper continues to stress test next key support at 354-360, which we expect will hold.

- Short-term (daily) indicators are oversold and beginning to bottom.

- Should copper break below 354 next support is at 315-322.
S&P 500 GIC Level I SECTOR Relative Performance Trends

Noteworthy:

- **Growth** pullback/pause in technology (XLK), communication services (XLC) and discretionary (XLY) is showing evidence of maturing to the upside with weekly/intermediate-term lows developing consistent with a seasonal rebound.

- **Cyclicals** – Energy remains in a choppy consolidation while Industrials are becoming oversold intermediate-term but likely require a few more weeks before bottoming. Financials remain weak.

- **Safety** sectors remain weak, notably utilities and staples, following steep corrections in Q3 BUT are likely in the early stages of establishing intermediate-term/weekly lows. Healthcare continues to show evidence of bottoming tactically after underperforming through most of 2023.

### Relative performance trend vs the S&P 500

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Source: RBC Wealth Management, Bloomberg, Optuma

October 24, 2023

RBC Wealth Management Portfolio Advisory Group | Robert Sluymer, CFA – robert.sluymer@rbc.com

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- **Cyclicals** – Energy remains in a choppy consolidation while Industrials are becoming oversold intermediate-term but likely require a few more weeks before bottoming. Financials remain weak.

- **Safety** sectors remain weak, notably utilities and staples, following steep corrections in Q3 BUT are likely in the early stages of establishing intermediate-term/weekly lows. Healthcare continues to show evidence of bottoming tactically after underperforming through most of 2023.
S&P 500 sectors relative performance vs the S&P 500

**FINANCIALS**
Financials remain weak and struggling to bottom.

**UTILITIES**
Relative trend remains weak but oversold.

**COMMUNICATION SVCS**
Recovery continues to develop after correcting through June-July but leadership is very narrow.

**STAPLES**
Relative trend remains weak but oversold with early signs of bottoming.

**HEALTHCARE**
Relative trend remains weak but continues to show evidence of bottoming.

Source: RBC Wealth Management, Bloomberg, Optuma
S&P 500 sectors relative performance vs the S&P 500

DISCRETIONARY
Pullback continues with short-term lows developing for mega-cap growth.

TECHNOLOGY
Uptrend intact with the multi-week seasonal pause showing incremental evidence of maturing to the upside.

INDUSTRIALS
Choppy volatile pullback continues as the sector tests a key level its 5-year downtrend line.

MATERIALS
Beginning to break below its 2-year trading range.

ENERGY
Rebound has reversed its 2023 downtrend and remains in a choppy uptrend.

Source: RBC Wealth Management, Bloomberg, Optuma
• Relative performance of large-cap growth versus value is leading to the upside following a Q3 pause/pullback while…

• …mid-cap growth vs value is also beginning to resolve its Q3 consolidation to the upside while…

• …small-cap growth vs value continues to lag.
Critical test for cyclicals continues.

- High beta (SPHB) relative to Low Volatility (SPLV) completed a cycle bottom in Q4 but continues to pull back from overbought levels reached in the summer with further choppy trading likely over the coming weeks.

The S&P High Beta is dominated by cyclicals while the S&P Low Volatility Index is dominated by safety stocks and growth stocks.

Source: RBC Wealth Management, Bloomberg, Optuma
• Weekly momentum is bottoming consistent with a seasonal Q4 low with 309-315 key support and 340-350 next resistance.

• Note relative performance is building to the upside.
• Weekly momentum is poised to turn up from oversold levels through the coming 1-2 weeks as AAPL begins to bottom near 170 support.
Weekly momentum is becoming oversold and likely to bottom in the coming 1-2 weeks as CRM pulls back to first key support near its rising 40-week ma.
• 400-403 remains a key support band with next support closer to the 40-week ma at 357.
Broadcom Inc

Weekly momentum is becoming oversold as AVGO continues to consolidate above a key support band and stop loss level between 812 and 778.

Relative leadership remains intact probing new highs.

Source: RBC Wealth Management, Bloomberg, Optuma
• Weekly momentum is becoming oversold as KLAC continues to consolidate above key support at its 40-week ma.
• Weekly momentum is oversold and turning up as AMD begins to bottom near support at its 50% retracement and 40-week/200-day ma.
• Weekly momentum is becoming oversold for TSLA but its overall technical profile remains in a range above its gray 200-week ma and 300-320 resistance.

• We view 200-202 to be a key downside risk control level.
• Weekly momentum is not yet suitably oversold to support a rebound suggesting a few more weeks of consolidation.

• First key support is near 122-125 followed by the 40-week ma at 118.
• MCD is deeply oversold on an intermediate-term basis with early evidence of tactical lows developing near a band of support between the rising 200-week ma at 240 its 62% retracement at 248.
Weekly momentum is turning up as CMG becomes oversold and begins to bottom near 1754-1800 support.
Nike, Inc. - Ordinary Shares - Class B

• NKE continues to show evidence of establishing a secondary low versus the Q4 2022 low.

• First resistance is at 105 with pullbacks likely to be short lived and further upside expected through Q4.
Diamondback Energy Inc – FANG remains a positive technical pattern as it tests resistance near 168. A breakout above 168 could support further upside toward the 162% extension level near 200. First support is near 157.
Halliburton Co.

- Weekly momentum has peaked as HAL pauses at next resistance near 44 with first support between 35-38.
Transocean – Daily chart

- Short-term indicators are oversold and likely to bottom in the coming week as RIG pulls back to next key support at its red 200-day ma near 7.
Canadian Natural Resources Ltd remains a positive technical profile in Canada, pausing just above its recent breakout band between 84-88.

We expect pullbacks to remain shallow with 81 next key support.
• Weekly momentum is beginning to peak and turn as CVE begins to pause near 30-31 resistance with support near 26.
TD continues to hold above key support between 76-79 while other Canadian banks have broken below their 2023 lows as illustrated by BMO on the following slide.
BMO has broken below 111 support to test next support at its 50% retracement level near 105.
Weekly momentum is oversold and beginning to turn up as QSR begins to bottom above key support at 82-87.
GIB.A is showing early evidence of stabilizing near its 40-week/200-day ma.
• SHOP is showing early signs of stabilizing above a key downside risk control and stop loss level near 67.
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