

2019 Technical Strategy

Establishing Cycle Lows

January 2019

- **Secular outlook: Bullish into early 2030's**
- **Cycle: 4-year cycle evident since 1950s**
 - **Cycle low likely developing at 200-week sma**
 - **A roadmap through 2019 - New up cycle in 2020**
- **Global markets - Weak but oversold. FIFO for EM?**
- **US 10-year yields - Stalling at secular downtrend**
- **USD - Peaking - Q1 2019 vs Q1 2018 contrasted**

A market of stocks - Barbell between:

- **Established and emerging leaders: V, PYPL, KEYS, HD, NKE, DG, VRTX, DE**
- **Stocks bottoming at rising rising 200-weeks sma's: AMAT, MCHP, BK, SCHW, PHM, HON, ITW, VLO**
- **Laggards in broad trading ranges: AMGN, BIIB, DIS**

fundstrat

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Markets Overview

<p>Secular Outlook <i>Positive into 2034</i></p>	<p>Secular backdrop remains bullish – Long-term inflection points have developed in the equity and bond markets coinciding with 17 and 34-year cycles that, in theory, should support an further equity gains well into the early- to mid 2030s. While the obvious risk to the this analysis is the very small sample size, we would note that the secular trend for equities remains positive as defined by the 4-year/200-week sma.</p>
<p>Market Cycle <i>Cycle lows likely developing (again) at rising 200-week sma</i></p>	<p>Equity markets are likely establishing cycle lows at their 200-week sma? Since the 1950s equity markets have established multi-year cycle lows at a relatively consistent, although not perfect, 4-year frequency. During the secular bull markets of the 1950s-60s and 1980s-90s, cycle corrections bottomed near rising 200-weeks moving averages with an average gain of 100%, with the smallest rebound 65% in 1994, while the average decline was just over -20%.</p> <p>The current cycle appears to be following a very similar profile given the 2016-2018 rally was +62% followed by -20% correction back to the 200-week sma. While it is premature to conclude an ‘all clear’ signal is in place given the technical damage that developed in Q4, our opinion is equity markets are in the process of establishing cycle lows. Market internals (Sentiment, Momentum) reached suitably oversold extremes that the risk/reward favors an upside rebound in Q1.</p> <p>Our expectation is that the S&P trades in a volatile sideways range through most of 2019 under 2800-2900 resistance ultimately emerging to new highs in 2020 consistent with a new 4-year up-cycle. IF, history repeats, a 65% return from the recent cycle low at S&P 2346 would be consistent with the lower end of cycle rebound for a potential move to 3870+ by 2023.</p>
<p>International Equities <i>Tactical trade in EM LatAm leading</i></p>	<p>Index price and relative performance trends remain weak but oversold. Markets that corrected first are showing early evidence of bottoming first notably EM.</p> <p>Tactically overweight EM for an intermediate-term trade in Q1. Favor LatAm.</p>
<p>Rates <i>Range bound 2.50-3.00%</i></p>	<p>US 10-year bond yields have peaked on track at their secular downtrend. Intermediate-term/weekly indicators are already becoming oversold suggesting rates trade sideways in broad band between 2.50-3.00% well through Q1, potentially Q2.</p>
<p>Currencies <i>USD Peaking</i></p>	<p>In contrast to Q1 2018, Q1 2019 is beginning with the USD (DXY Index) peaking intermediate-term which should be positive for equities, notably Cyclical.</p>
<p>WTI – Oil <i>\$60-64 resistance</i></p>	<p>Oversold rebound from 61.2% retracement near 42 underway with the upside likely capped between 60-64 at a 50-62% retracement of the Q4 2018 decline.</p>

20 Equity Ideas

Given our expectation for a volatile zig-zag market through 2019, we recommend exposure to stocks with similar chart profiles to the 20 examples below representing three main chart profiles:

- Established and emerging leadership
- Former leaders that have corrected back to support at rising 200-week sma's
- Laggards that are in bases

Sector	Established and Emerging Leadership	Bottoming at rising 200-wk ma's	Laggards/bottoming
Technology	Financials Processors: V, PYPL 5G: KEYS	Semis: AMAT, MCHP	
Healthcare	Biotech: VRTX		Biotech: AMGN, BIIB
Discretionary	Retail: HD, DG – Footwear: NKE	Homebuilders: PHM	
Communication Services			Movies & Ent: DIS
Industrials	Ag: DE	Machinery: HON, ITW	
Financials		Select Banks/Brokers: BK, SCHW	
Energy		Refiners: VLO	

Technical Strategy

Secular Perspective – The Big Picture

4-year cycles within secular bull markets

The Current Cycle – Where are we now?

International Equity Markets

Rates, Currencies and Commodities

US Sector and Group Leadership

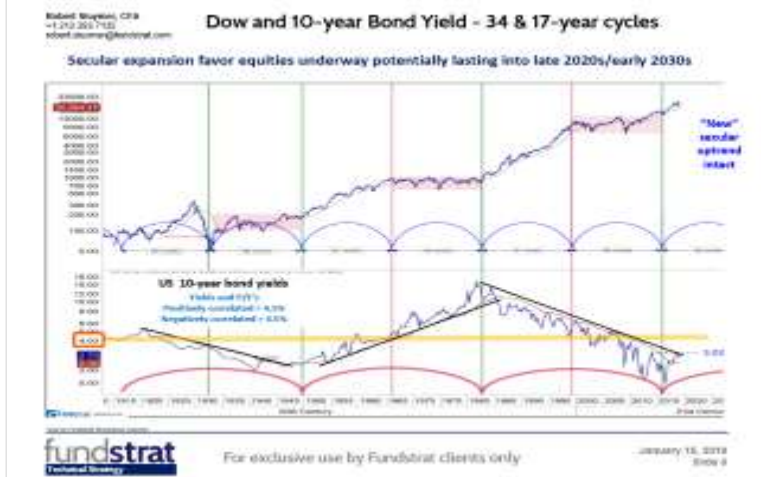
Equity Ideas charts

Appendix

Source: Fundstrat, Bloomberg, Optima

Key secular perspectives in this report...

34 & 17 year secular cycle perspective



The 4-year cycle in the 1950's-1960's



The 4-year cycle in the 1980's-1990's



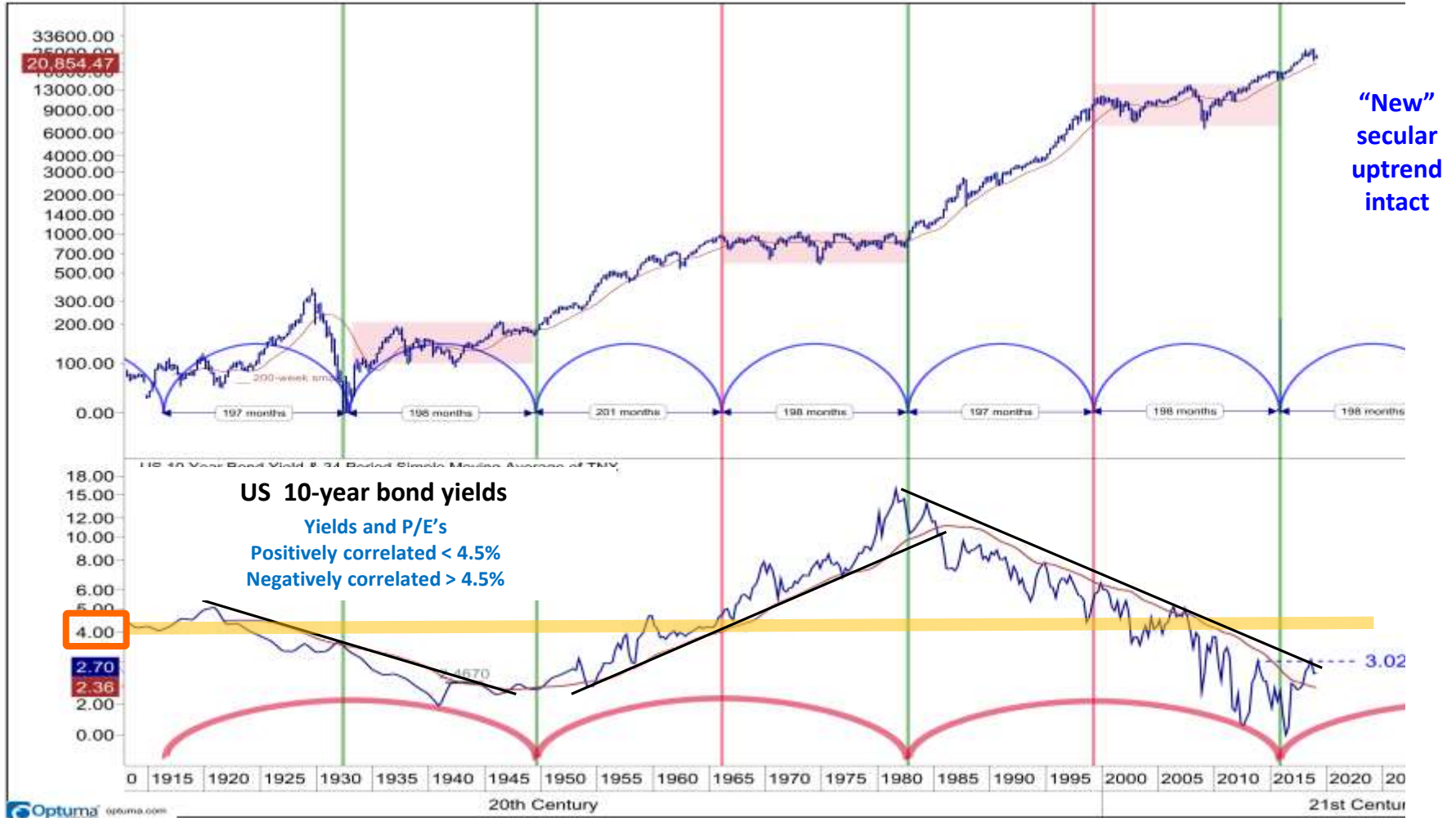
The current cycle - Early signs of bottoming



Source: Fundstrat, Bloomberg, Optima

Dow and 10-year Bond Yield - 34 & 17-year cycles

Secular expansion favor equities underway potentially lasting into late 2020s/early 2030s



Source: Fundstrat, Bloomberg, Optuma

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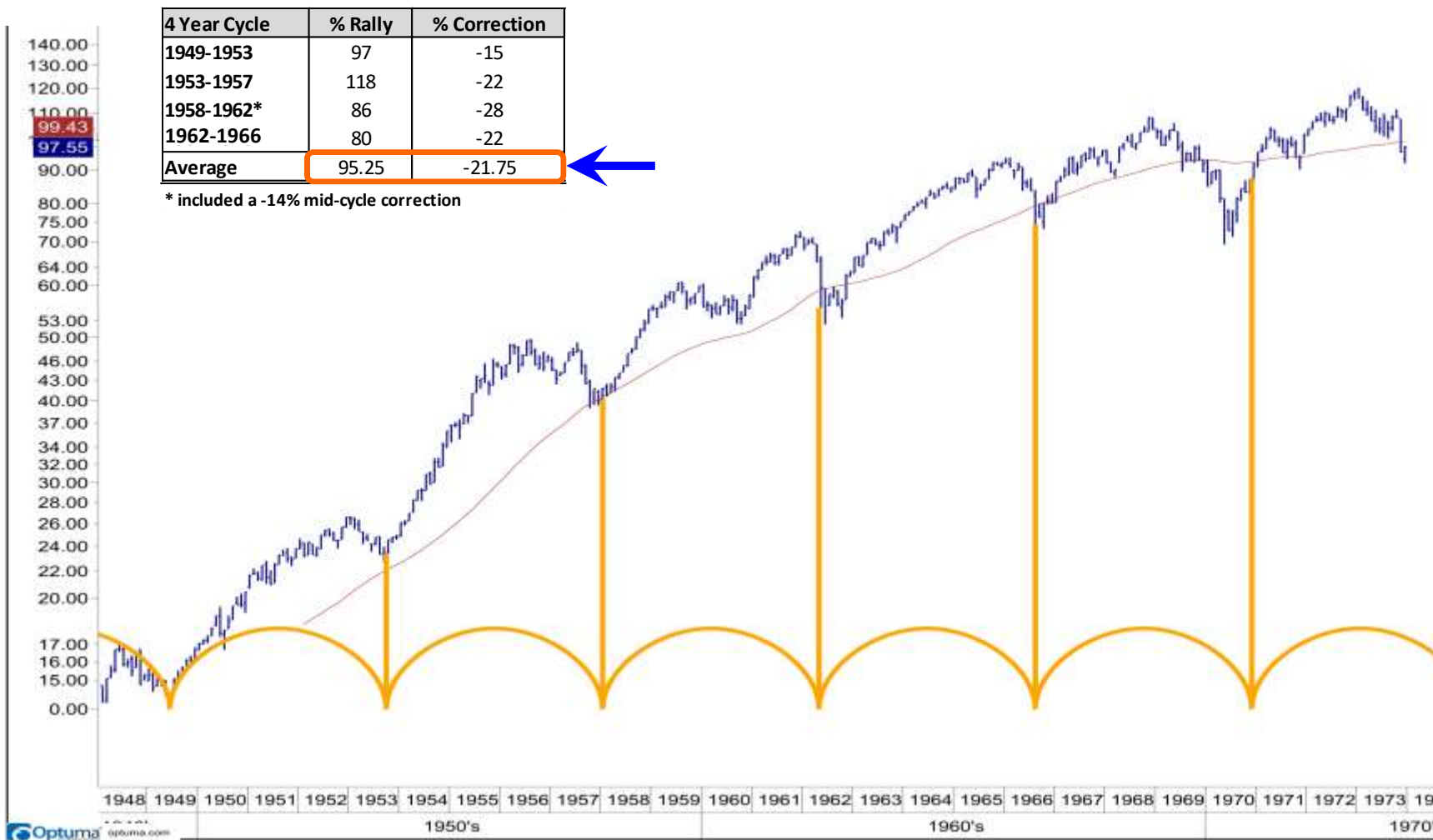
Equity Ideas charts

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Source: Fundstrat, Bloomberg, Optima

S&P 500: 4- year cycle – 1950s-1960s

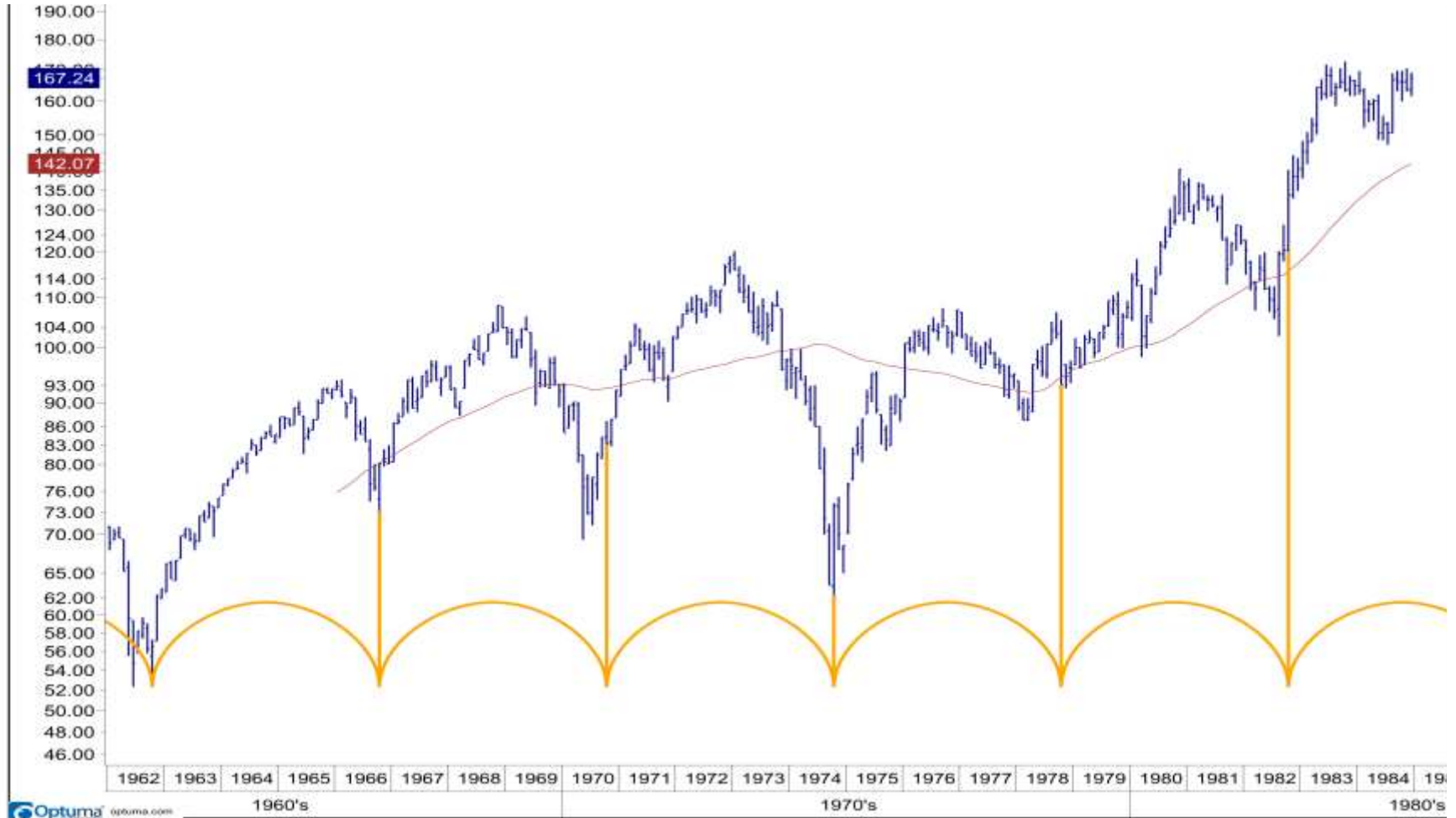
- 4-year cycle lows consistently developed near the rising 200-week during the secular bull market of the 1950s-1960s



Source: Fundstrat, Bloomberg, Optuma

S&P 500: 4- year cycle – 1970s

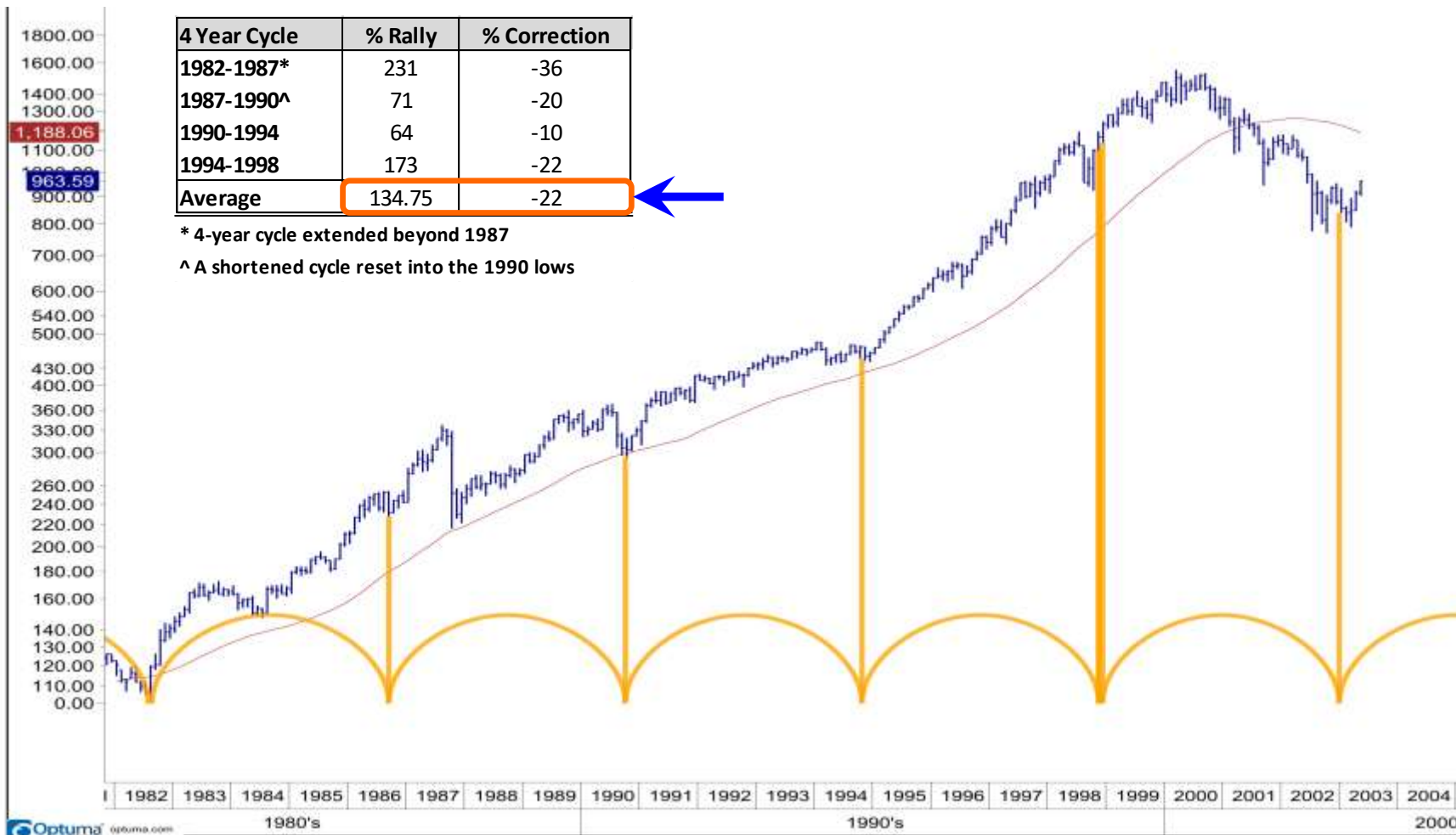
- During the secular consolidation of the inflationary 70s, a 4 year cycle continued to develop, but in contrast to the secular uptrend of the 1950s-60s and 1980s-90s, the cycles were more symmetrical consisting of 2-years up and down.



Source: Fundstrat, Bloomberg, Optuma

S&P 500: 4- year cycle – 1980s-1990s

- Similar to the secular uptrend of the 1950s-1960s, 4-year cycle lows developed near the rising 200-week during the 1980s-1990s



Source: Fundstrat, Bloomberg, Optuma

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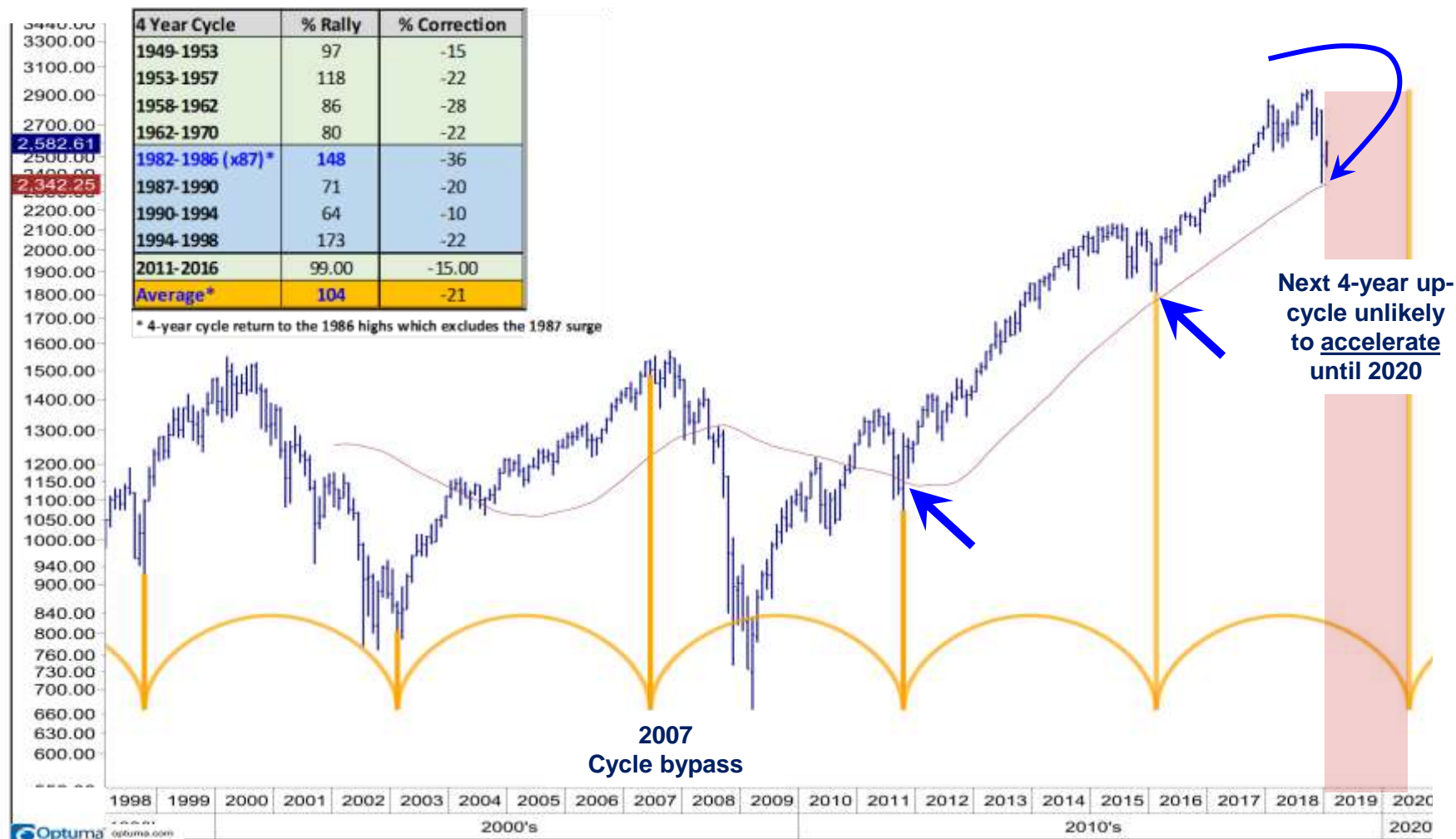
Equity Ideas charts

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Source: Fundstrat, Bloomberg, Optima

S&P 500: 4-year cycle in 2000-2018

The Q4 2018 correction appears to be consistent with the cycle corrections that developed in prior secular bull markets. The recent rebound from the 200-week moving average likely defines a cycle low with a new up-cycle expected to develop in 2020

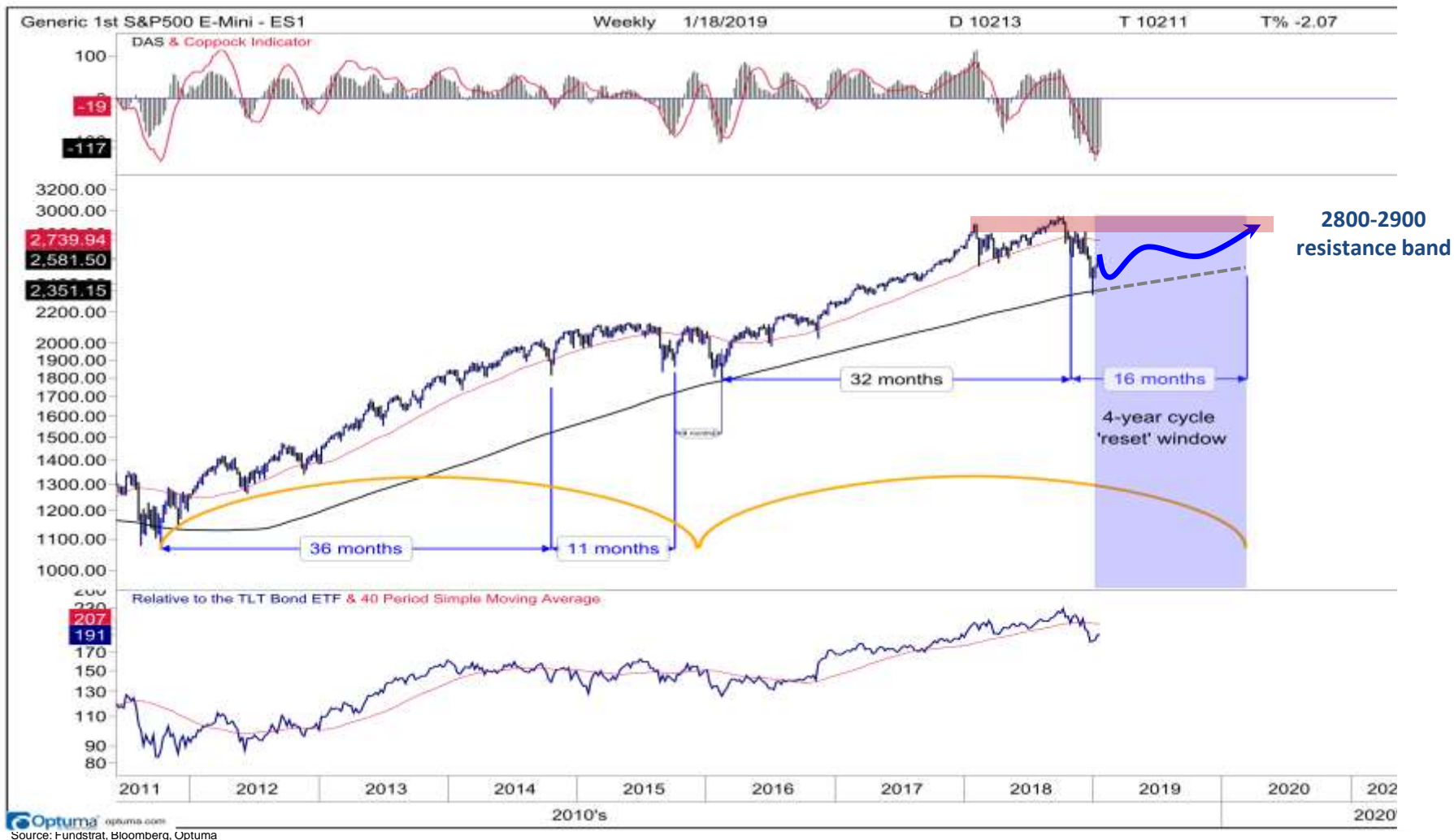


Next 4-year up-cycle unlikely to accelerate until 2020

Source: Fundstrat, Bloomberg, Optuma

S&P Emini Futures - Weekly

- Bounce from the rising 200-week sma establishes an intermediate-term and likely a cycle low
- 2019 could see a zig-zag sawtooth pattern into 2020 at which point a new 4-year upcycle is likely to reaccelerate



Optuma optuma.com
 Source: Fundstrat, Bloomberg, Optuma

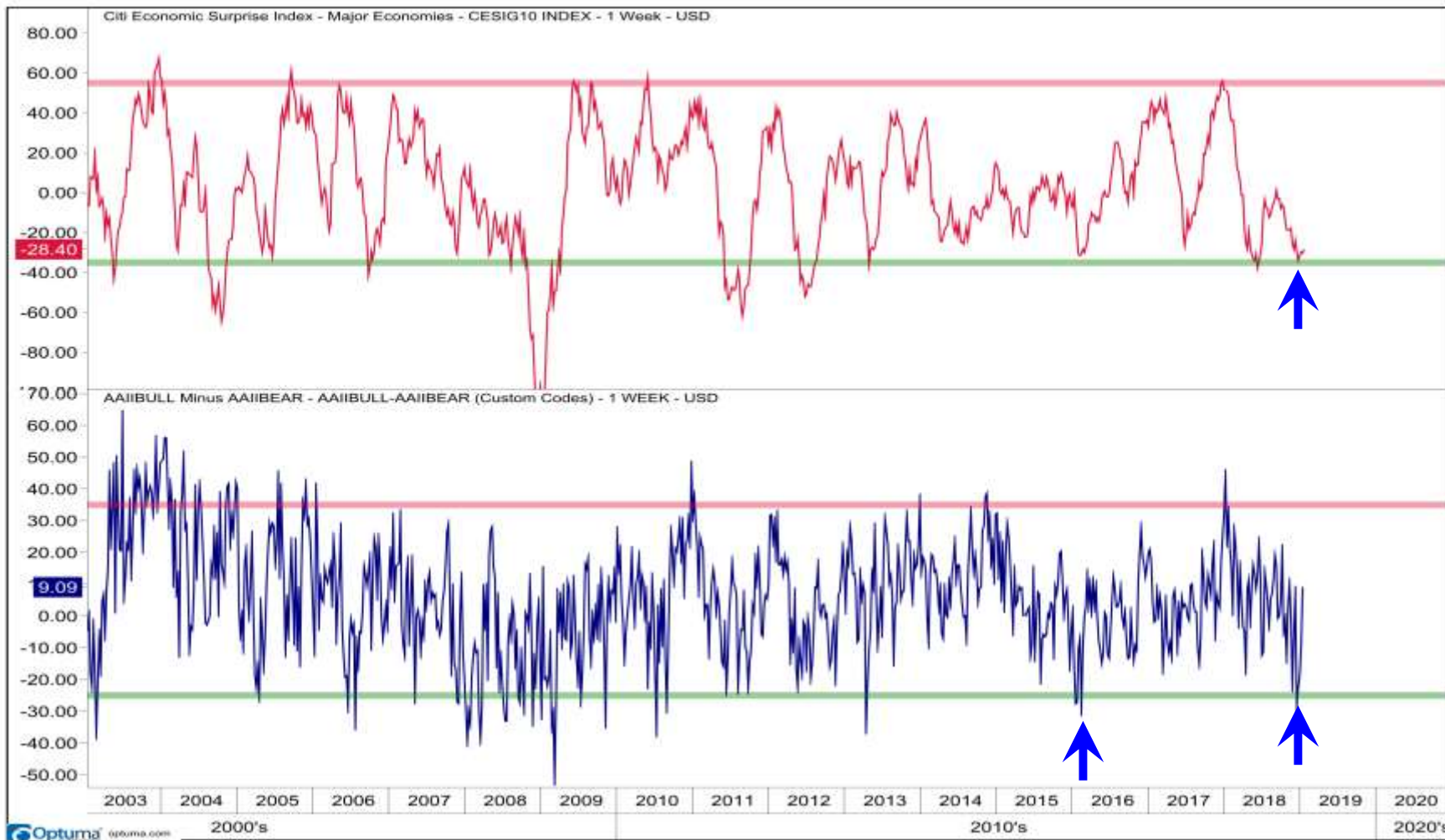
S&P 500 - Weekly

- Bottoming at rising 200-week ma with weekly momentum indicators (top and bottom panels) turning up from oversold levels



Citi G10 Economic Surprise AAII Bullish-Bearish Sentiment

- Economic and Equity (AAII Bulls-AAII Bears) sentiment is depressed/oversold and bullish for a rebound



Source: Fundstrat, Bloomberg, Optuma

Russell 2000 - Weekly

- Weekly Quadrant Balance Data (bottom panel) tracking the percentage of stocks with rising weekly momentum, reflects a broad-based upturn from oversold levels within the Russell 2000.



S&P 500 - Daily

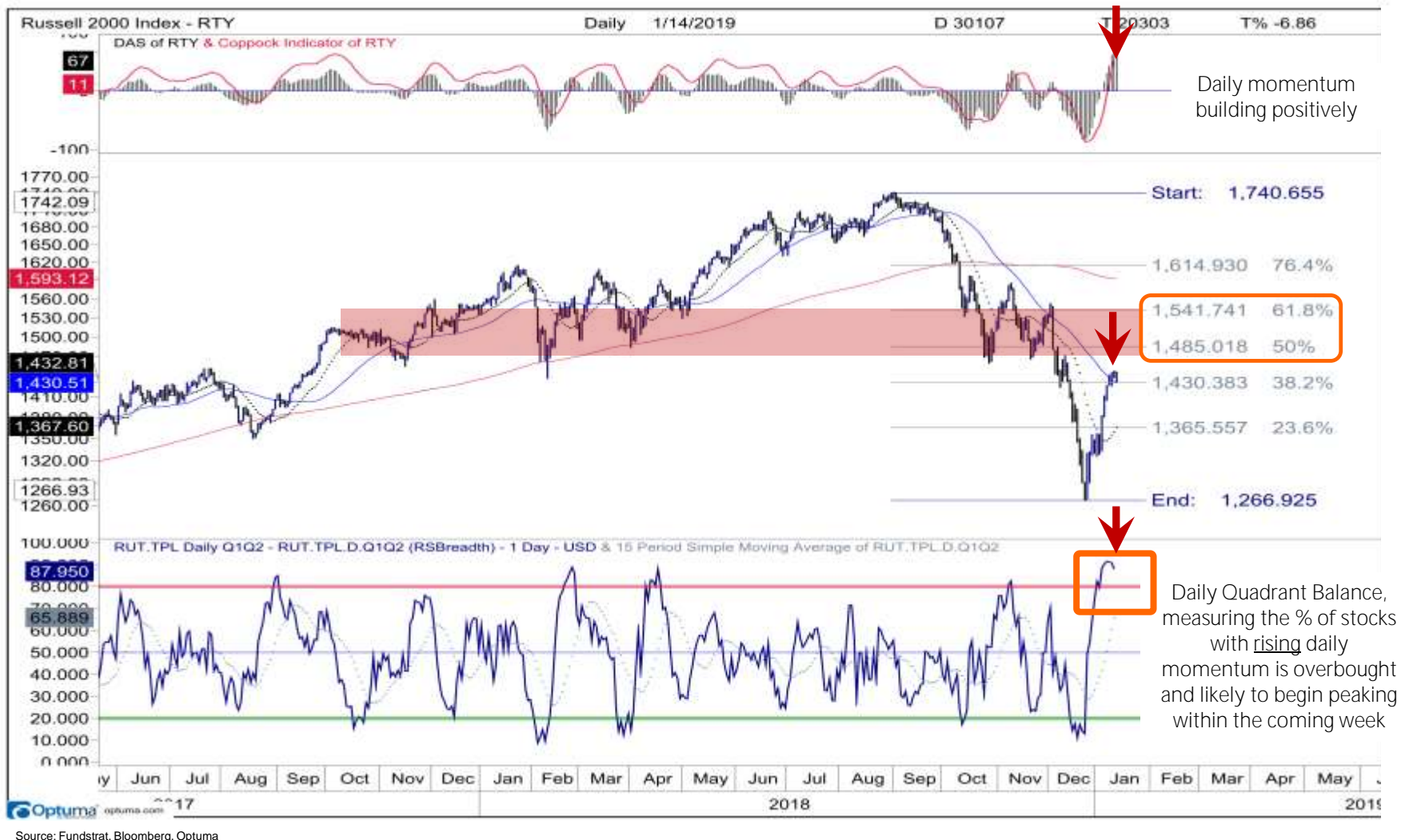
Resistance begins at 2600 followed by 2643-2713 at 50-62% retracement of the Q4 decline



Optuma optuma.com
 Source: Fundstrat, Bloomberg, Optuma

Russell 2000 - Daily

- Short-term momentum becoming overbought and poised to peak as the Russell tests first trading resistance.



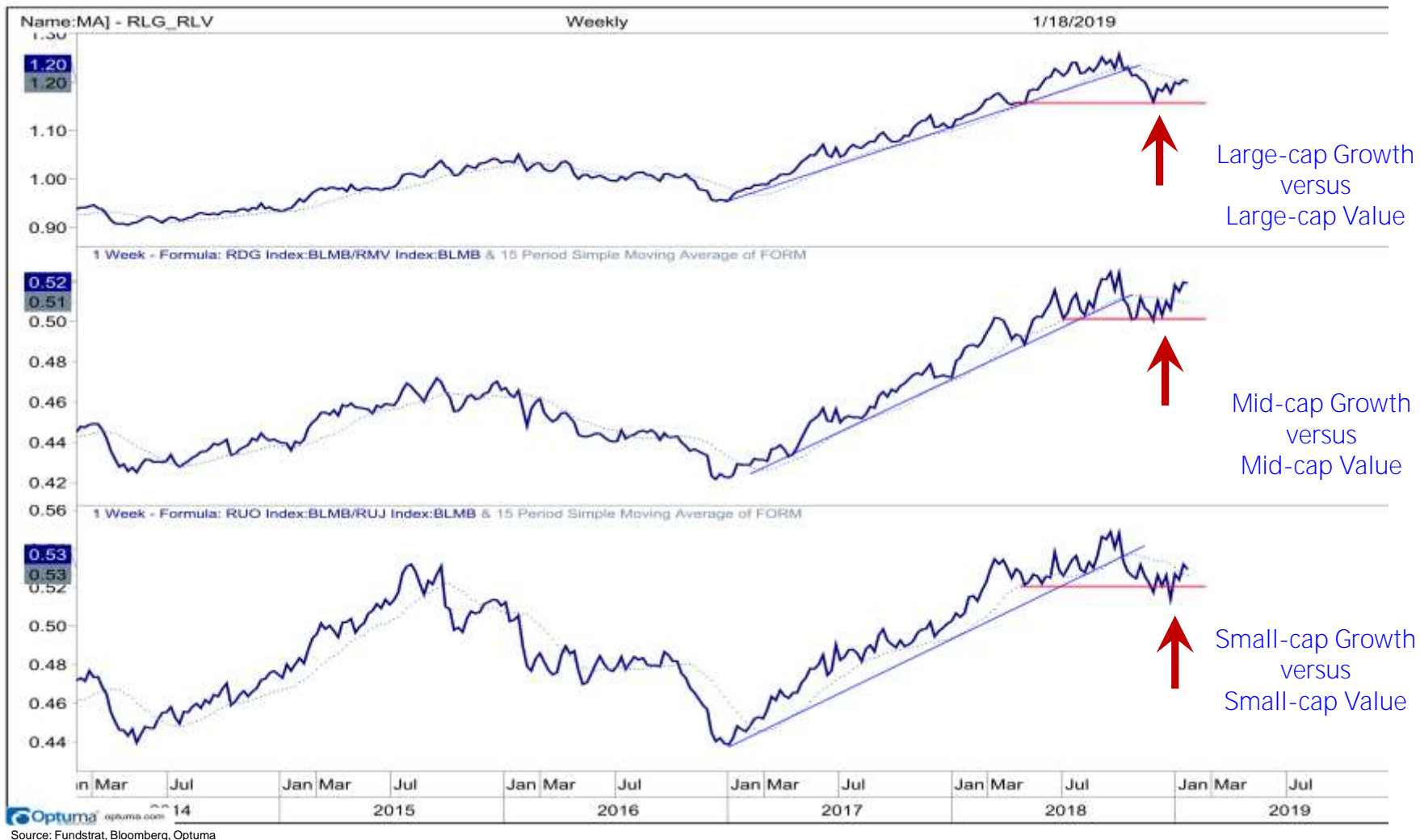
MSCI Cyclical vs Defensive Sectors (MXCXDRN Index)

- More evidence of a cycle peak/reversal with 2+ year 'cycle' uptrend reversal in place with a 50-61/2% retracement of the 2016-2018 rally likely.



Growth versus Value - Weekly

- A break below the Q4 2018 relative lows (red arrow) would confirm a trend reversal between Growth and Value



Optuma | Source: Fundstrat, Bloomberg, Optuma

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4-year cycles within secular bull markets

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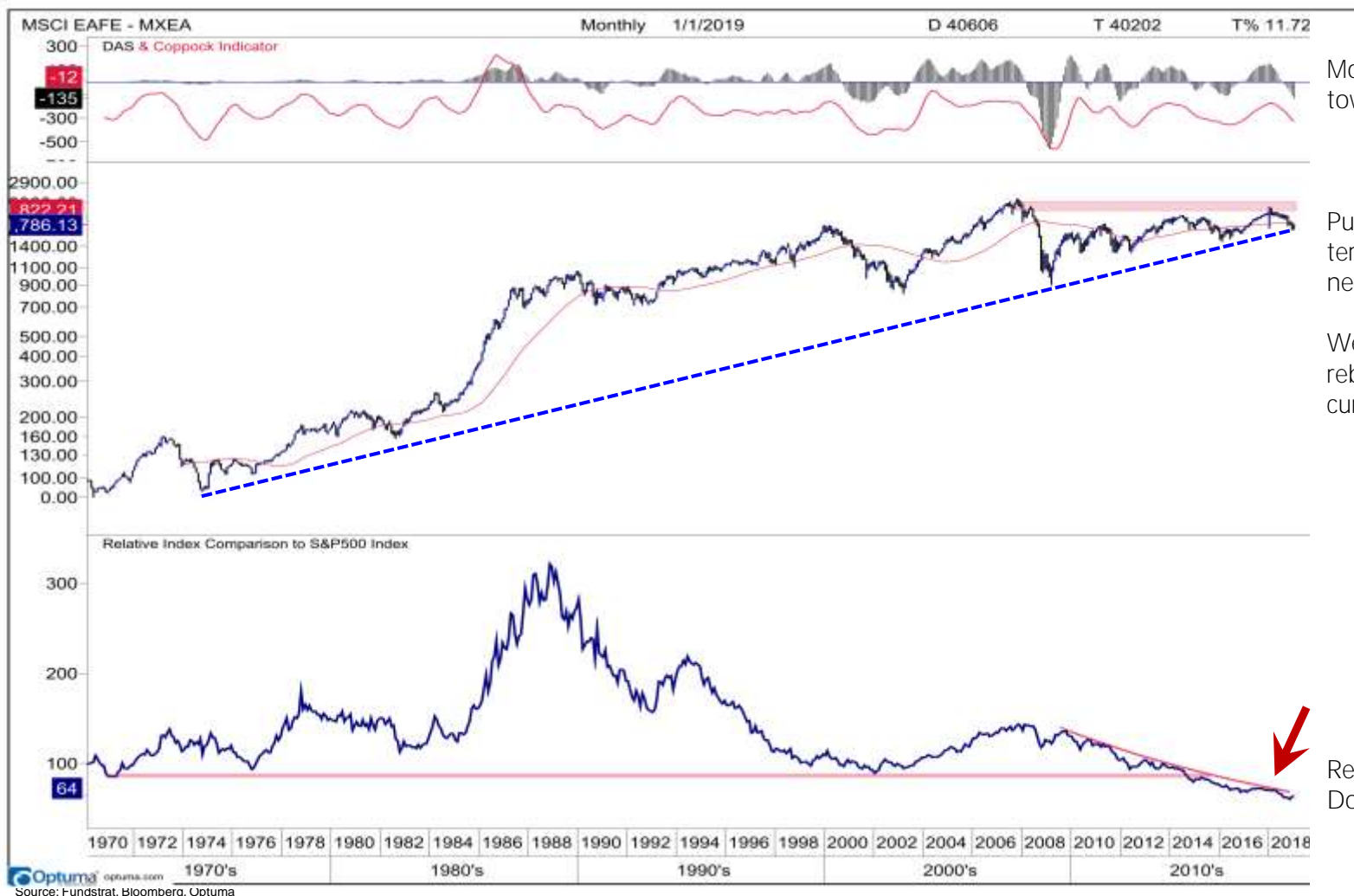
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Source: Fundstrat, Bloomberg, Optima

Global Markets – MSCI EAFE (MXEA) – Long-term

- Index price is back to trend support



Momentum working toward oversold

Pullback to long-term trend support near 48-month sma.

We expect a rebound from current levels

Relative to S&P 500 Downtrend intact

EAFE Regional Relative Performance vs. MSCI EAFE

Monthly Data



EUROPE vs EAFE
 Oversold bounce stalling

UK vs EAFE
 Range-bound/stalling

JAPAN vs EAFE
 Testing uptrend and showing very early signs of firming

ASIA EX-JAPAN vs EAFE
 Oversold recovery underway

Daily data



Source: Fundstrat, Bloomberg, Update

EAFE Sector Relative Performance vs. MSCI EAFE



FINANCIALS

Weak but oversold

UTILITIES

Rebound becoming overbought

TELCOs

Downtrend reversal underway

STAPLES

Rebound beginning to stall

HEALTHCARE

Rebound back to resistance

Weekly data



DISCRETIONARY

Intermediate-term lows developing

TECHNOLOGY

Challenging/breaking uptrend

INDUSTRIALS

Breaking uptrend

MATERIALS

Weak but nearing next support

ENERGY

Pullback to long-term bottoming range

Source: Fundstrat, Bloomberg, Update

Global Markets – MSCI EM (MXEF) – Long-term

- Early signs of stabilizing at 4-year/48-month sma with momentum becoming oversold.



Momentum becoming oversold

Early signs of stabilizing near the 4-year/48-month sma

Relative downtrend intact vs the S&P 500

Global Markets – MSCI EM (EEM ETF) - Weekly

- Early signs of bottoming as the EEM begins to stabilize at its 200-week sma and **61.8% retracement**...
AND beginning to reverse the 2018 downtrend



Momentum bottoming

Early signs of downtrend reversal following a correction to support at the 200-week sma and 62% retracement

Relative performance vs S&P 500 reversing the 2018 downtrend

EM Sector Relative Performance vs. MSCI Emerging Markets

Weekly data



FINANCIALS
 Relative performance weak but oversold with early signs of improving

UTILITIES
 Stalling

TELCOs
 Reversing downtrend

STAPLES
 Range bound

HEALTHCARE
 Range bound

Weekly data



DISCRETIONARY
 Weak but oversold

TECHNOLOGY
 Breaking/challenging uptrend

INDUSTRIALS
 Reversing downtrend

MATERIALS
 Challenging uptrend

ENERGY
 Uptrend intact

Source: Fundstrat, Bloomberg Optuma

Japan - Nikkei 225

- Early signs of stabilizing/bottoming at support at the rising 200-week sma.



China – Shanghai Composite – Weekly

- Nearing lower end of long-term trend channel with divergences developing (see next page)



Source: Fundstrat, Bloomberg, Optuma

China – Shanghai Composite – Weekly

- Early signs of bottoming near 76% retracement near above 2400-2500 support.
- Note RSI is bottoming.



Source: Fundstrat, Bloomberg, Optuma

MSCI – Latin America – MXLA - Monthly

- Correction from resistance near 3340 is now showing early evidence of bottoming near the 4-year sma WITH relative performance showing early signs of improving. Tactical/intermediate-term lows developing



MSCI – Latin America – MXLA - Weekly

- Beginning to reverse the 2018 downtrend WITH improving relative performance



S&P TSX - Monthly

- Stalled under resistance and challenging/bouncing from key support near the 5-decade uptrend
- Relative performance remains weak



Relative performance remains weak

Source: Fundstrat, Bloomberg, Optuma

S&P TSX - Weekly

- Weekly momentum has bottomed and turned following a 50% retracement of the 2016-2018 rally.
- Heavy resistance begins near 14,655 up to 15,393.



Source: Fundstrat, Bloomberg, Optuma

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Source: Fundstrat, Bloomberg, Optima

US 10-year bond yields - Monthly 1980+

- Pausing under secular downtrend (blue line) and 50% retracement of the 2007-2016 decline at 3.32%.
- Our expectation is that rates will consolidate sideways near current levels well into Q1 2019.



US 10-year bond yields - Weekly

- Weekly momentum (bottom panel) is becoming oversold suggesting rates are likely to begin stabilizing near current levels and consolidate in a range between 2.50-3.00/3.25 through H1 2019.



US 10-year bond yields - Daily

- Pullback from 3.25 nearing 'support' near 2.50-2.60% as RSI becomes oversold and bottoms.
- 2.80-3.00% short-term yield resistance



US Dollar Index - DXY - Weekly

- Intermediate-term backdrop continues to suggest a pause/pullback likely developing for the USD well into/through Q1.



Weekly momentum is peaking

Source: Fundstrat, Bloomberg, Optuma

EUR-USD

- Weekly momentum is positively diverging as the Euro tests 113 support suggesting an upturn heading into Q1.



CADUSD - Weekly

- Stabilizing above 127 while other risk assets, notably equities correct.



Source: Fundstrat, Bloomberg, Optuma

Oil WTI - Weekly

- Reversal and trend break from \$75-80 resistance and now below support at 55. See next page for a short-term perspective.



Source: Fundstrat, Bloomberg, Optuma

WTI Crude Oil Futures - Daily

- WTI is rebounding from oversold levels near the 61.8% retracement of its 2016-2018 rally.
- First resistance is near 53 (50-dma) with 60-64 next major resistance at the 50-62% retracement of the 2018 correction.



Gold Spot - XAU - Weekly

- Range bound with heavy resistance between 1300-1375 and support near 1150



Gold GCA Futures – Daily

- Short-term rebound showing early evidence of stalling near a 62% retracement 1288



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Equity Ideas charts

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Source: Fundstrat, Bloomberg, Optima

ETF Monthly relative performance trend versus the S&P 500

EARLY
 OUTPERFORMANCE
 Relative close **above declining** trend

ESTABLISHED
 OUTPERFORMANCE
 Relative close **above rising** trend

MARKET
 PERFORMANCE
 Flat/neutral trend

EARLY
 UNDERPERFORMANCE
 Relative close **below rising** trend

ESTABLISHED
 UNDERPERFORMANCE
 Relative close **below declining** trend

MAJOR US EQUITY MARKETS

RUSSELL STYLES

CANADA & SOUTH AMERICA

- > ILF - ISHARES LATIN AMERICA 40
- > EWZ - ISHARES MSCI BRAZIL ETF
- BRF - VANECK VECTORS BRAZIL SM

MSCI EAFE & EMERGING MARKETS

EURO, RUSS, TURKEY, S AFRICA

ASIA - PACIFIC

- > EWH - ISHARES MSCI HONG KONG ET

BONDS

- BKLN - INVESCO SENIOR LOAN ETF
- TLT - ISHARES 20+ YEAR TREASUR
- IEF - ISHARES 7-10 YEAR TREASU
- HYG - ISHARES IBOX HIGH YLD C
- LQD - ISHARES IBOX INVESTMENT
- TIP - ISHARES TIPS BOND ETF
- JNK - SPDR BBG BARC HIGH YIELD
- * BIL - SPDR BBG BARC 1-3 MONTH T

CURRENCIES

- FXE - INVESCO CURRENCYSHARES E
- FXI - INVESCO CURRENCYSHARES J
- CYB - WISDOMTREE CHINESE YUAN
- * UUP - INVESCO DB US DOLLAR INDE

COMMODITIES

- SLV - ISHARES SILVER TRUST
- GLD - SPDR GOLD SHARES
- > UNG - US NATURAL GAS FUND LP
- \ DBA - INVESCO DB AGRICULTURE FI
- > DBO - INVESCO DB OIL FUND
- DBC - INVESCO DB COMMODITY IND
- * JCTF - IPATH BLOOMBERG COPPER
- SLX - VANECK VECTORS STEEL ETF

Lat-Am emerging...

...with Global Markets
 showing very early
 evidence of testing
 downtrends vs the S&P

- * SSO - PROSHARES ULTRA S&P500
- * SPY - SPDR S&P 500 ETF TRUST
- * IWB - ISHARES RUSSELL 1000 ETF
- * IWD - ISHARES RUSSELL 1000 VALU
- * IWM - ISHARES RUSSELL 2000 ETF
- * IWO - ISHARES RUSSELL 2000 GRO
- * IWN - ISHARES RUSSELL 2000 VALU
- * IWR - ISHARES RUSSELL MID-CAP E
- * IWS - ISHARES RUSSELL MID-CAP V
- * EWC - ISHARES MSCI CANADA ETF
- * EWW - ISHARES MSCI MEXICO ETF
- * EEB - INVESCO BRIC ETF
- * EFA - ISHARES MSCI EAFE ETF
- * SCZ - ISHARES MSCI EAFE SMALL-C
- * EEM - ISHARES MSCI EMERGING MAR
- * IEV - ISHARES EUROPE ETF
- * EZU - ISHARES MSCI EUROZONE ETF
- * EWG - ISHARES MSCI GERMANY ETF
- * EZA - ISHARES MSCI SOUTH AFRICA
- * TUR - ISHARES MSCI TURKEY ETF
- * EWU - ISHARES MSCI UNITED KINGD
- * RSX - VANECK VECTORS RUSSIA ETF
- HAO - INVESCO CHINA SMALL CAP
- * FXI - ISHARES CHINA LARGE-CAP E
- * AAXJ - ISHARES MSCI ALL COUNTRY
- * EWA - ISHARES MSCI AUSTRALIA ET
- * EWJ - ISHARES MSCI JAPAN ETF
- * SCJ - ISHARES MSCI JAPAN SMALL
- * EWM - ISHARES MSCI MALAYSIA ETF
- * EPP - ISHARES MSCI PACIFIC EX J
- * EWS - ISHARES MSCI SINGAPORE ET
- * EWY - ISHARES MSCI SOUTH KOREA
- EWT - ISHARES MSCI TAIWAN ETF
- * VPL - VANGUARD FTSE PACIFIC ETF

Source: Fundstrat, Bloomberg, Optuma

ETF weekly relative performance trend versus the S&P 500

	EARLY OUTPERFORMANCE Relative close above declining trend	ESTABLISHED OUTPERFORMANCE Relative close above rising trend	MARKET PERFORMANCE Flat/neutral trend	EARLY UNDERPERFORMANCE Relative close below rising trend	ESTABLISHED UNDERPERFORMANCE Relative close below declining trend
FINANCIALS	IYR - ISHARES US REAL ESTATE E > KIE - SPDR S&P INSURANCE ETF			IAI - ISHARES U.S. BROKER-DEAL	* XLF - FINANCIAL SELECT SECTOR * IXG - ISHARES GLOBAL FINANCIALS KBE - SPDR S&P BANK ETF KRE - SPDR S&P REGIONAL BANKIN
UTILITIES	> PHO - INVESCO WATER RESOURCES E JXI - ISHARES GLOBAL UTILITIES				
COMMUNICATION SERVICES	> XLC - COMM SERV SELECT SECTOR S PBS - INVESCO DYNAMIC MEDIA ET IYZ - ISHARES US TELECOMMUNICA				* IXP - ISHARES GLOBAL COMM SERVI
CONSUMER STAPLES	XLP - CONSUMER STAPLES SPDR				* KXI - ISHARES GLOBAL CONSUMER S
HEALTH CARE	XLV - HEALTH CARE SELECT SECTO IXJ - ISHARES GLOBAL HEALTHCAR > IBB - ISHARES NASDAQ BIOTECHNOL	* IHI - ISHARES U.S. MEDICAL DEVI		+ PPH - VANECK VECTORS PHARMACEUT	
CONSUMER DISCRETIONARY		XLY - CONSUMER DISCRETIONARY S	> XRT - SPDR S&P RETAIL ETF		* PEJ - INVESCO DYNAMIC LEISURE A * RXI - ISHARES GLOBAL CONSUMER D * XHB - SPDR S&P HOMEBUILDERS ETF
INFORMATION TECHNOLOGY		* RTH - VANECK VECTORS RETAIL ETF			
INDUSTRIALS		* IGV - ISHARES EXPANDED TECH-SO Software leadership intact...			* SMH - VANECK VECTORS SEMICONDUCT ...Semis bottoming
MATERIALS	> MOO - VANECK VECTORS AGRIBUSINE GDX - VANECK VECTORS GOLDMINE				* XLY - CONSUMER DISCRETIONARY S * XRT - SPDR S&P RETAIL ETF * PEJ - INVESCO DYNAMIC LEISURE A * RXI - ISHARES GLOBAL CONSUMER D * XHB - SPDR S&P HOMEBUILDERS ETF * IYN - ISHARES GLOBAL TECH ETF * SMH - VANECK VECTORS SEMICONDUCT * XLI - INDUSTRIAL SELECT SECT SP * PPA - INVESCO AEROSPACE & DEFEN * SEA - INVESCO SHIPPING ETF * EXI - ISHARES GLOBAL INDUSTRIAL * MXI - ISHARES GLOBAL MATERIALS * XLB - MATERIALS SELECT SECTOR S XME - SPDR S&P METALS & MINING
ENERGY				PBW - Invesco WilderHill Clean Energy	XLE - ENERGY SELECT SECTOR SPD FCG - FIRST TRUST NATURAL GAS * TAN - INVESCO SOLAR ETF IXC - ISHARES GLOBAL ENERGY ET XOP - SPDR S&P OIL & GAS EXP & KOL - VANECK VECTORS COAL ETF OIH - VANECK VECTORS OIL SERVI

XLU - UTILITIES SELECT SECTOR S
 Utilities stalling

Retail improving.
 Homebuilders bottoming

IGV - ISHARES EXPANDED TECH-SO
 Software leadership intact...

SMH - VANECK VECTORS SEMICONDUCT
 ...Semis bottoming

MOO - VANECK VECTORS AGRIBUSINE

Source: Fundstrat, Bloomberg, Optuma

S&P 500 Sector Relative Performance vs. S&P 500

Weekly data



FINANCIALS
 Correction back to 2012
 relative uptrend
 beginning to bottom

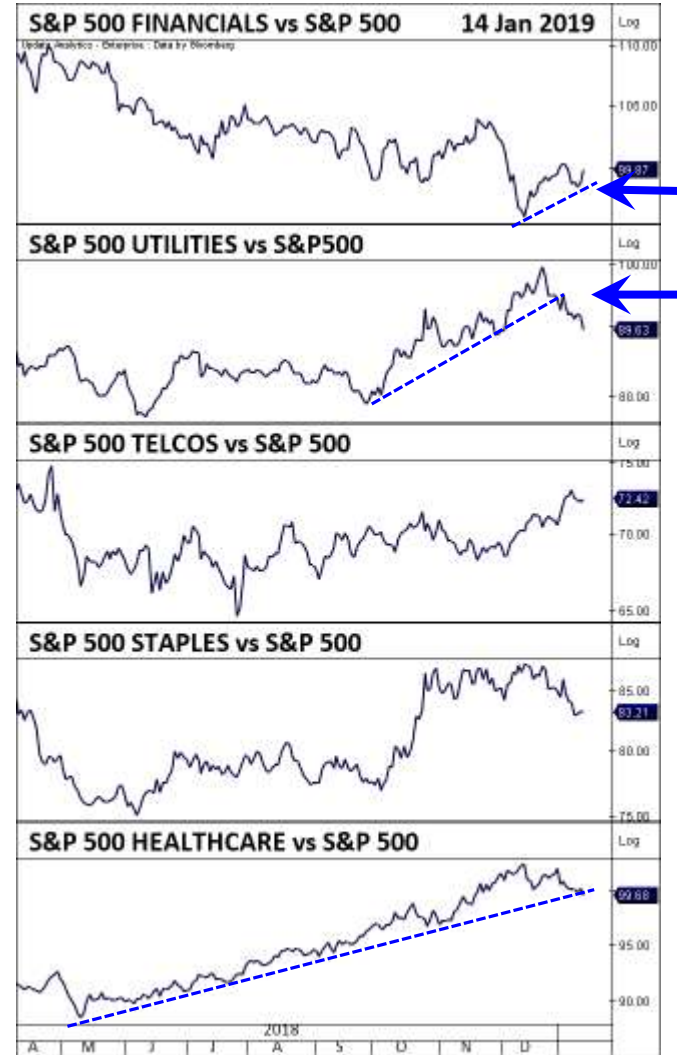
UTILITIES
 2018 defensive rebound
 beginning to stall

Communications Services
 Downtrend reversal
 beginning to develop

STAPLES
 Downtrend reversal
 stalling short-term

HEALTHCARE
 Trend reversal continues

Daily data



Source: Fundstrat, Bloomberg Optuma

S&P 500 Sector Relative Performance vs. S&P 500

Weekly data



DISCRETIONARY
 Leadership intact with
 oversold trading lows
 developing

TECHNOLOGY
 2017-2018 uptrend break
 in place against an uptrend
 that began in 2012

INDUSTRIALS
 Early evidence of oversold
 lows developing at the low
 end of 2013-2018 range

MATERIALS
 Weak but oversold

ENERGY
 Downtrend intact

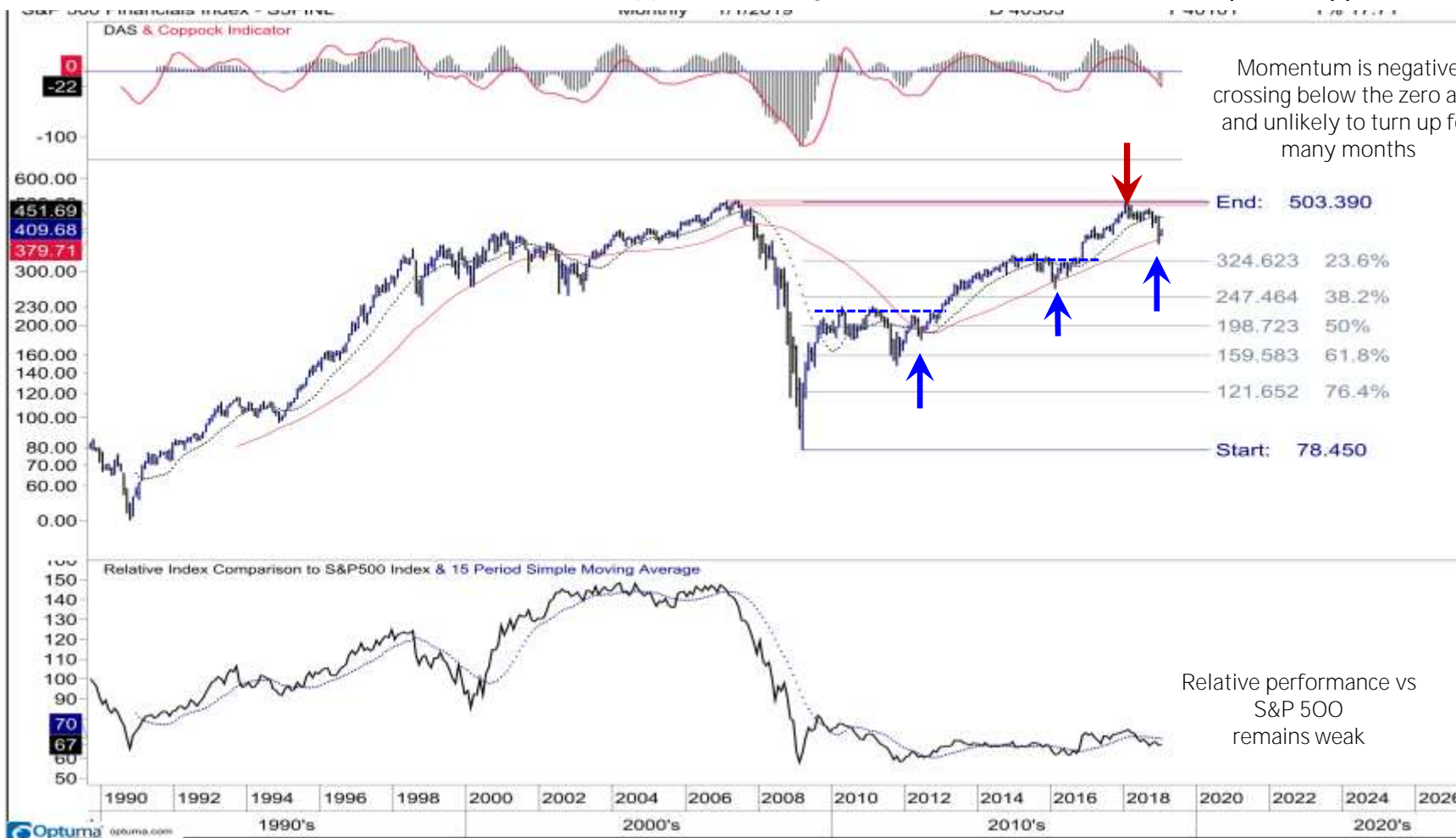
Daily data



Source: Fundstrat, Bloomberg Optuma

S&P 500 Financials - Monthly

- Financials technical profile remains weak after stalling under the 2007 highs BUT remains in a longer-term uptrend with higher highs
- However, the Financial sector is now back to next support at its rising 200-week sma which 'should' be cyclical support



Momentum is negative crossing below the zero axis and unlikely to turn up for many months

Relative performance vs S&P 500 remains weak

Source: Fundstrat, Bloomberg, Optuma

XLF - S&P 500 Financials (XLF ETF) - Weekly

- Intermediate-term lows developing at the long-term uptrend/ 200-week sma.



Source: Fundstrat, Bloomberg, Optuma

BKX Bank Index

- Oversold intermediate-term lows developing at rising 200-week near the 50-62% retracement



Weekly momentum is oversold and turning up

Bounce from 50-62% retracement near 200-week sma.

Downtrend intact

Source: Fundstrat, Bloomberg, Optuma

KRE - Regional Bank ETF (KRE ETF) - Weekly

- 2018 correction has take the KRE back to key support at the 2015 highs and 62% retracement.
- Our expectation is that the KRE is establishing longer-term lows but will likely be range bound/base for the coming 1-2 quarters



Source: Fundstrat, Bloomberg, Optima

S&P 500 Utilities - Monthly

- Price uptrend intact retesting the 2017 price highs.
- Despite the absolute price strength the long-term relative performance downtrend remains intact and beginning to peak



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Staples - Weekly

- Relative performance beginning to stall following a rebound in 2018



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Healthcare - Monthly

- Long-term relative uptrend (bottom panel) intact



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Healthcare Index - Weekly

- Intermediate-term relative performance beginning to stall after outperforming in Q3 through Q4



Source: Fundstrat, Bloomberg, Optuma

Biotech iShares IBB - Weekly

- Biotech is oversold tactically within a broad trading range.



Source: Fundstrat, Bloomberg, Optuma

iShares Dow Jones Medical Devices ETF - IHI - Weekly

- Long-term uptrend (higher highs and higher lows) intact with intermediate-term oversold lows developing



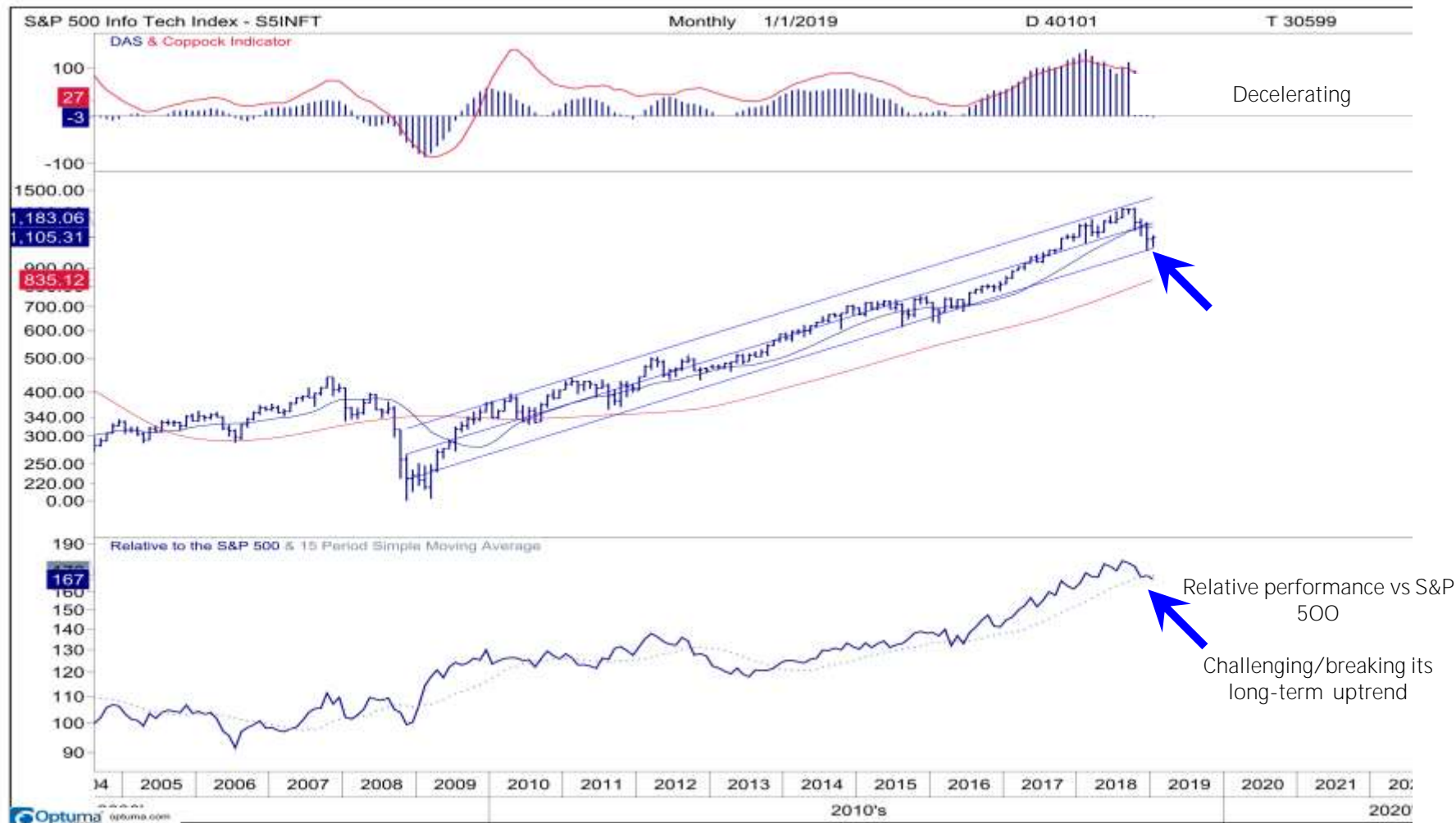
S&P Consumer Discretionary Sector - Weekly

- Bottoming intermediate-term at the 200-week sma and 62% retracement



S&P 500 Technology - Monthly

- Firming/rebounding from lower end 9 year 2 standard deviation band.



S&P 500 Technology Sector - Weekly

- Intermediate-term lows in developing as weekly momentum begins to bottom and turn up



Momentum is bottoming at oversold territory

2016-2018 uptrend has been broken but holding above the prior intermediate-term lows in Q1 2018.

Relative performance has broken to lower lows BUT is attempting to stabilize

Source: Fundstrat, Bloomberg, Optuma

Software Index IGV ETF - Weekly

- Intermediate-term lows developing with relative performance leading to the upside.



Momentum is oversold and bottoming

Breaking the 2016-2018 uptrend

Relative performance is rebuilding to the upside

Source: Fundstrat, Bloomberg, Optuma

Semiconductor ETF (SMH)- Weekly

- Oversold lows developing near the SMH's rising 200-week sma and 50% retracement.



Weekly momentum oversold and beginning to turn up

Bounce from support

Relative vs S&P 500 Downtrend intact

Relative vs Sector Beginning to reverse the 2018 downtrend.

Source: Fundstrat, Bloomberg, Optuma

S&P 500 Industrial Sector - Monthly

- Challenging rising 4-year sma with early signs of relative performance improving



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Industrial Sector - Weekly

- Weak technical profile following the break of the 2016-2018 **uptrend BUT...**
- **...bottoming intermediate**-term at the 50-62% retracement and 200-week sma.



Source: Fundstrat, Bloomberg, Optuma

Dow Jones Transportation Index - Weekly

- Oversold bound from rising 200-week sma and 50% retracement



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Materials - Monthly

- Test of rising 4-year sma underway with monthly momentum becoming oversold



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Materials Sector ETF (XLB)

- Intermediate-term lows developing at key support at the rising 200-week sma and 50-62% retracement



Source: Fundstrat, Bloomberg, Optuma

Gold - GDx

- Intermediate-term rebound nearing next resistance near the 40- and 200-week **sma's** and 50% retracement between 21-22.
- Note relative performance is showing early signs of stalling as risk assets begin to bounce back from oversold levels



Source: Fundstrat, Bloomberg, Optuma

S&P 500 Energy - Monthly

- Challenging/breaking a long-term uptrend that began in the early 1990s with relative performance yet to reverse its established downtrend.



Source: Fundstrat, Bloomberg, Optuma

Technical Strategy

Secular Perspective – The Big Picture

4-year cycles within secular bull markets

The Current Cycle – Where are we now?

International Equity Markets

Rates, Currencies and Commodities

US Sector and Group Leadership

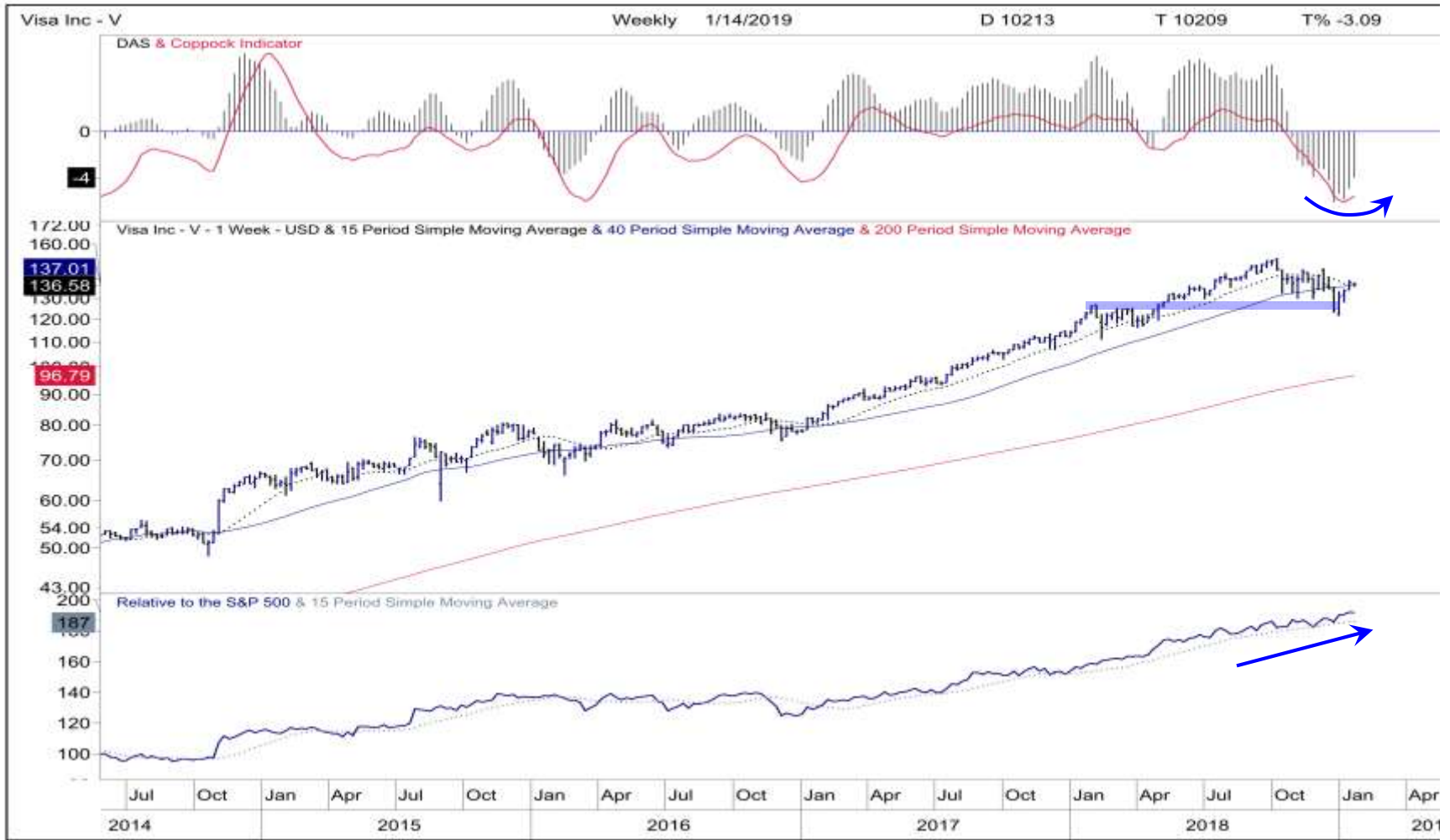
Equity Ideas charts

Appendix

Source: Fundstrat, Bloomberg, Optima



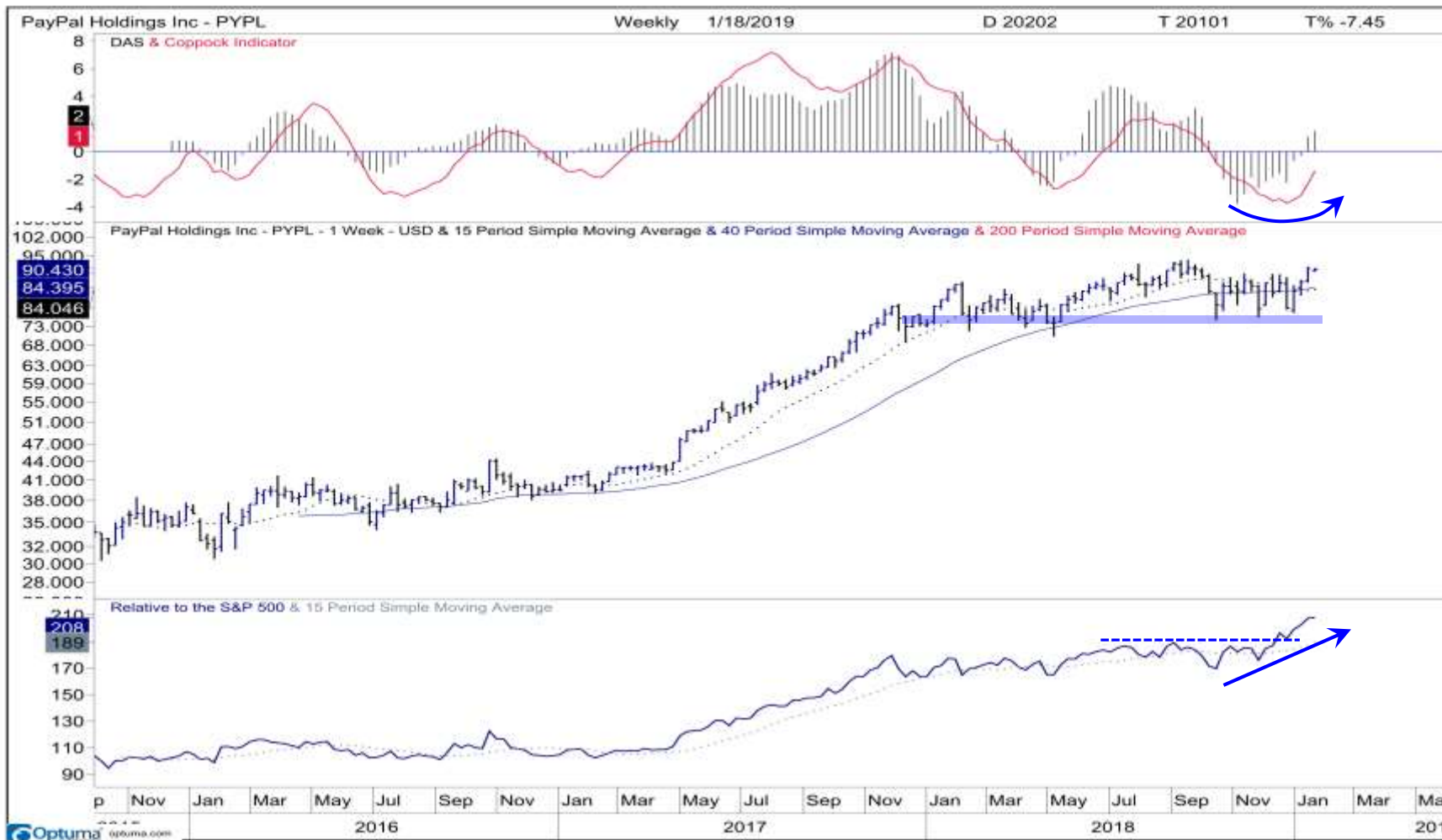
- Momentum leadership intact with relative performance (bottom panel) making new high intermediate-term momentum bottoms



Source: Fundstrat, Bloomberg, Optuma

PYPL

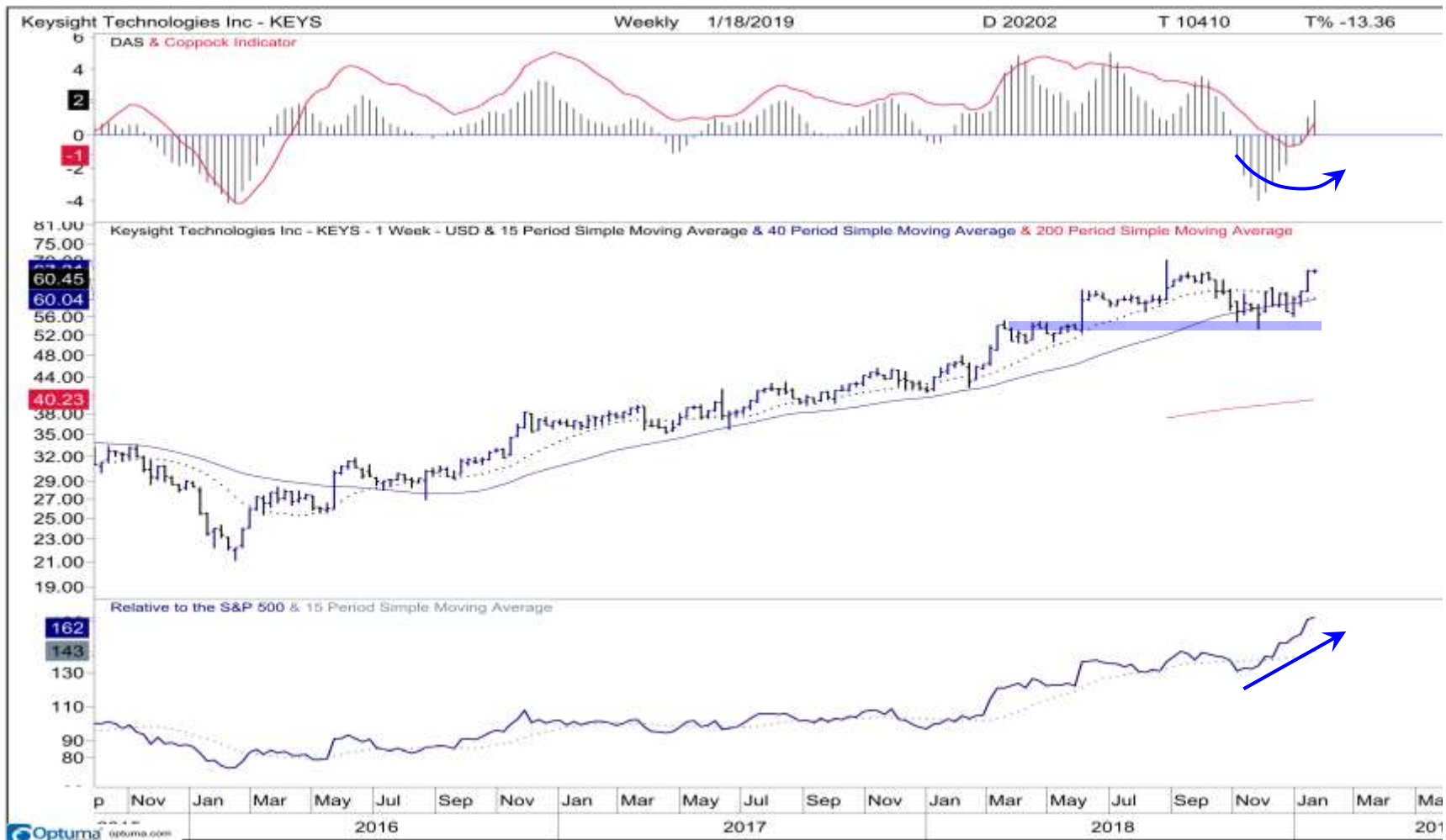
- Relative performance continues to lead to the upside as price begins to rally from support



Source: Fundstrat, Bloomberg, Optuma

KEYS

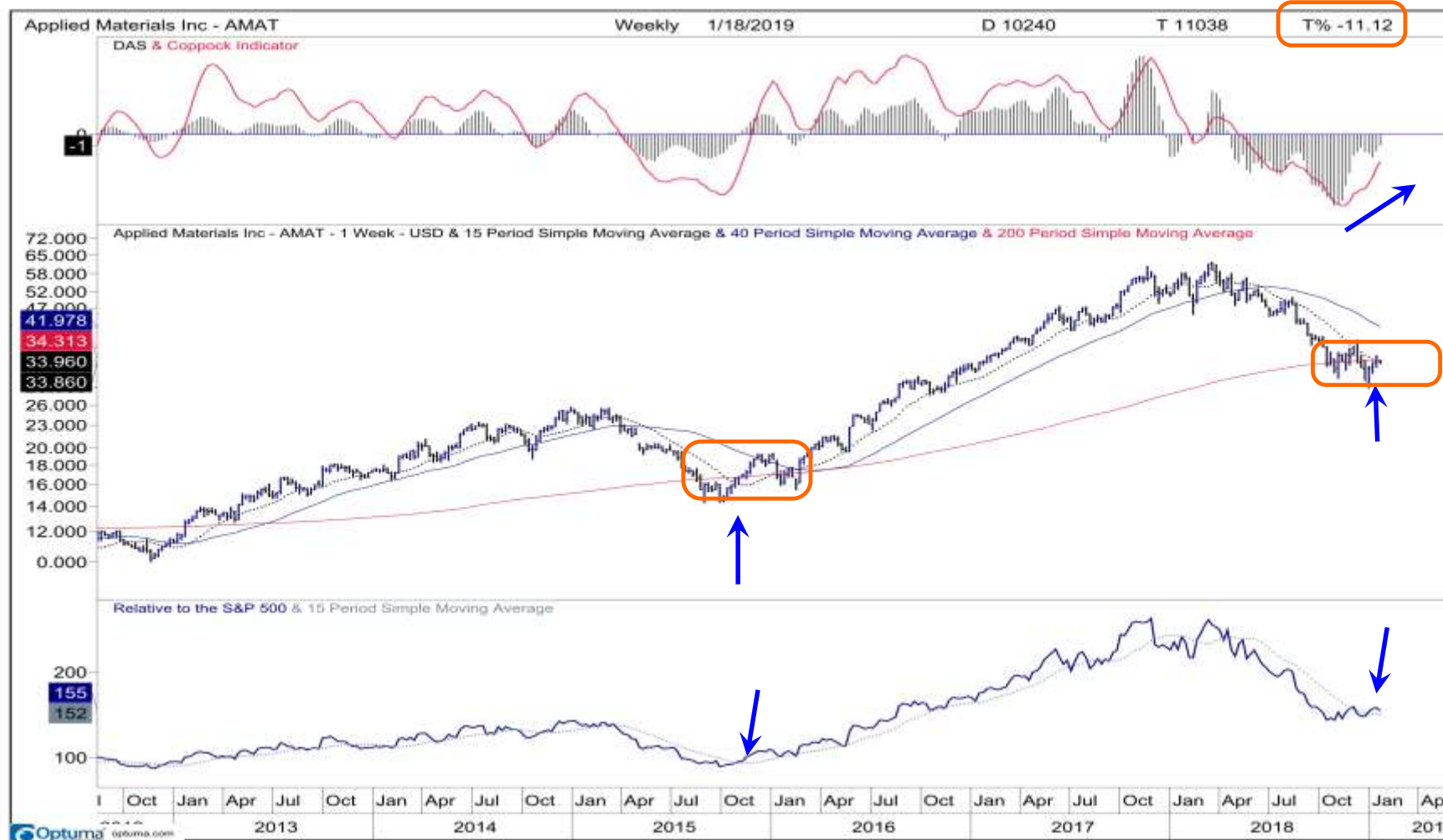
- Momentum leader reaccelerating from support at its 40-week sma WITH relative performance leading to the upside.



Source: Fundstrat, Bloomberg, Optuma

AMAT – Early 2018 downside leader beginning to bottom

Weekly momentum has bottomed as AMAT begins to stabilize at its rising 200-week sma. Expect a multi-quarter bottoming process to develop similar to late 2015/early 2016.



Source: Fundstrat, Bloomberg, Optuma

MCHP – Early 2018 laggard beginning to bottom

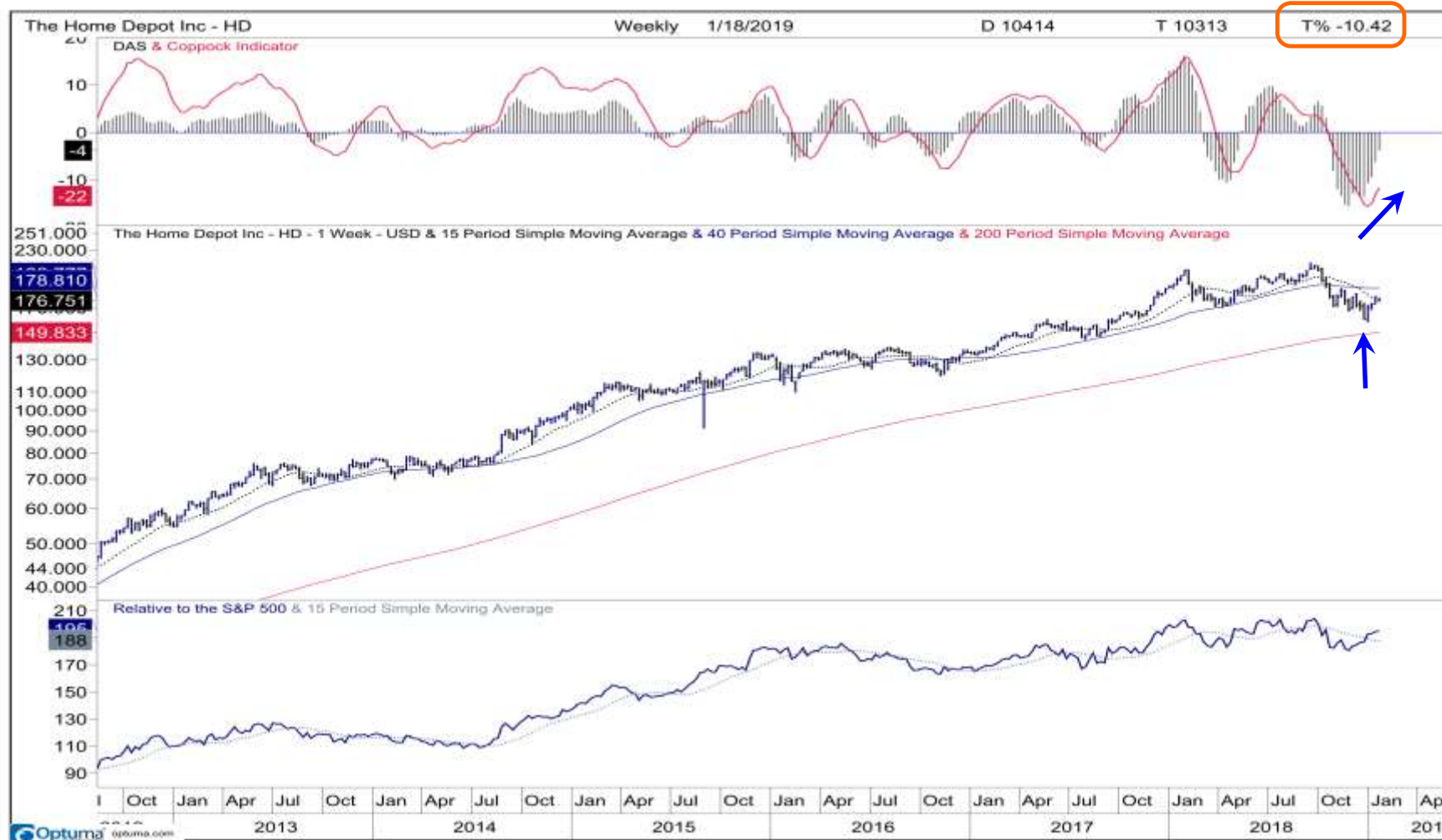
Early evidence MCHP is bottoming at its 200-week sma.
Similar to 2015, a multi-quarter bottoming phase is expected.



Source: Fundstrat, Bloomberg, Optuma

HD – Oversold nearing support

Weekly momentum beginning to bottom as HD nears its rising 200-week sma.



Source: Fundstrat, Bloomberg, Optuma

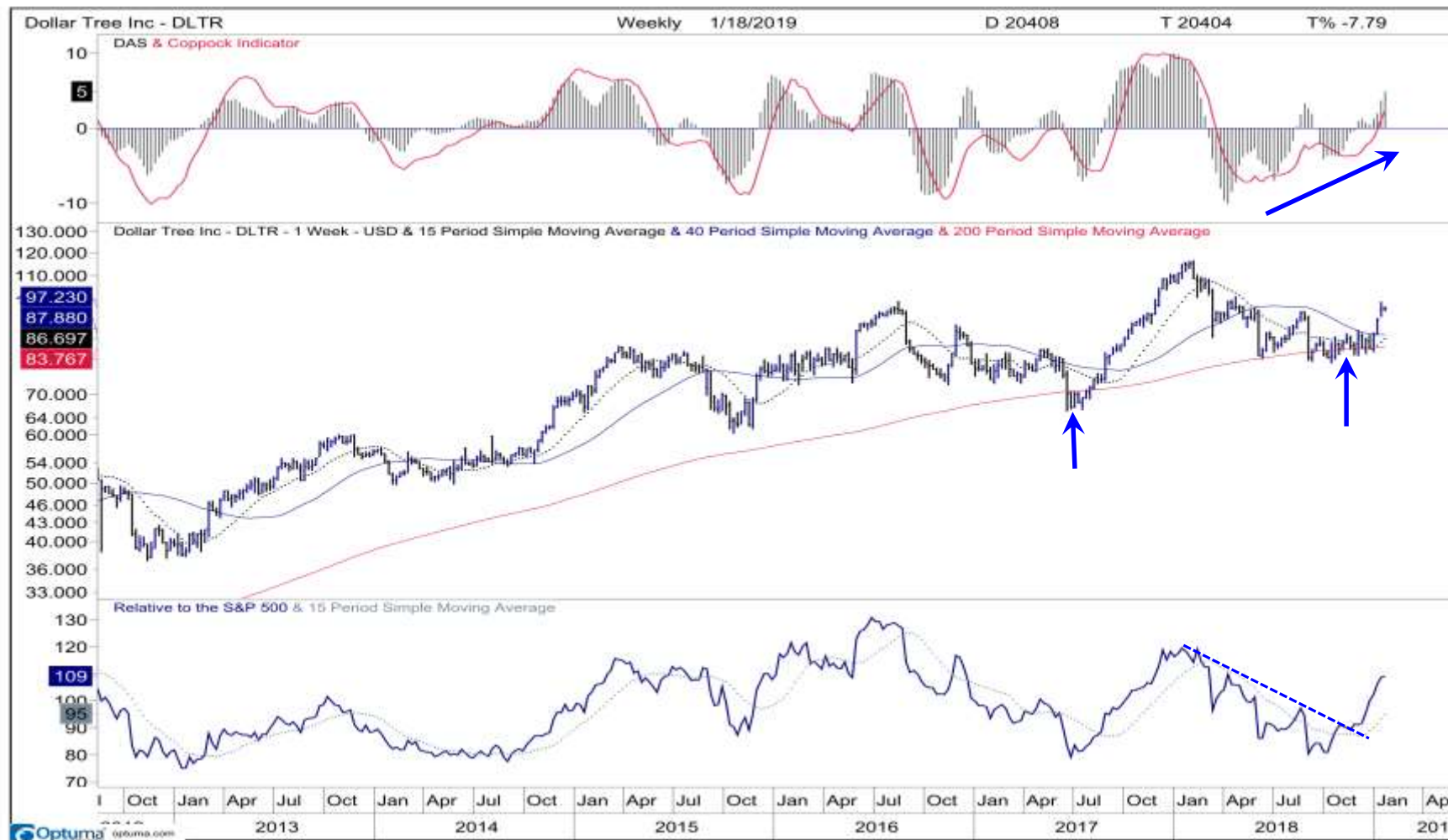
- Bottoming at its 40-week sma with relative performance leading to the upside.



Source: Fundstrat, Bloomberg, Optuma

DLTR – Bottoming at 200-week sma

Bottoming at its long-term uptrend defined by its rising 200-week sma with relative performance improving



Source: Fundstrat, Bloomberg, Optuma

NKE

- Bottoming intermediate-term at support with relative performance building to the upside



PHM

- Recovery continues from long-term support at rising 200-week sma WITH improving relative performance



Source: Fundstrat, Bloomberg, Optuma

DIS

- Intermediate-term pullback bottoming at 200-week (again) WITH relative performance building to the upside



Source: Fundstrat, Bloomberg, Optuma

VRTX

- Intermediate-term lows developing WITH relative performance leading to the upside breaking out to new highs.



Source: Fundstrat, Bloomberg, Optuma

AMGN

- Bottoming intermediate-term at the upper end of long-term support WITH relative performance building to the upside



Source: Fundstrat, Bloomberg, Optuma

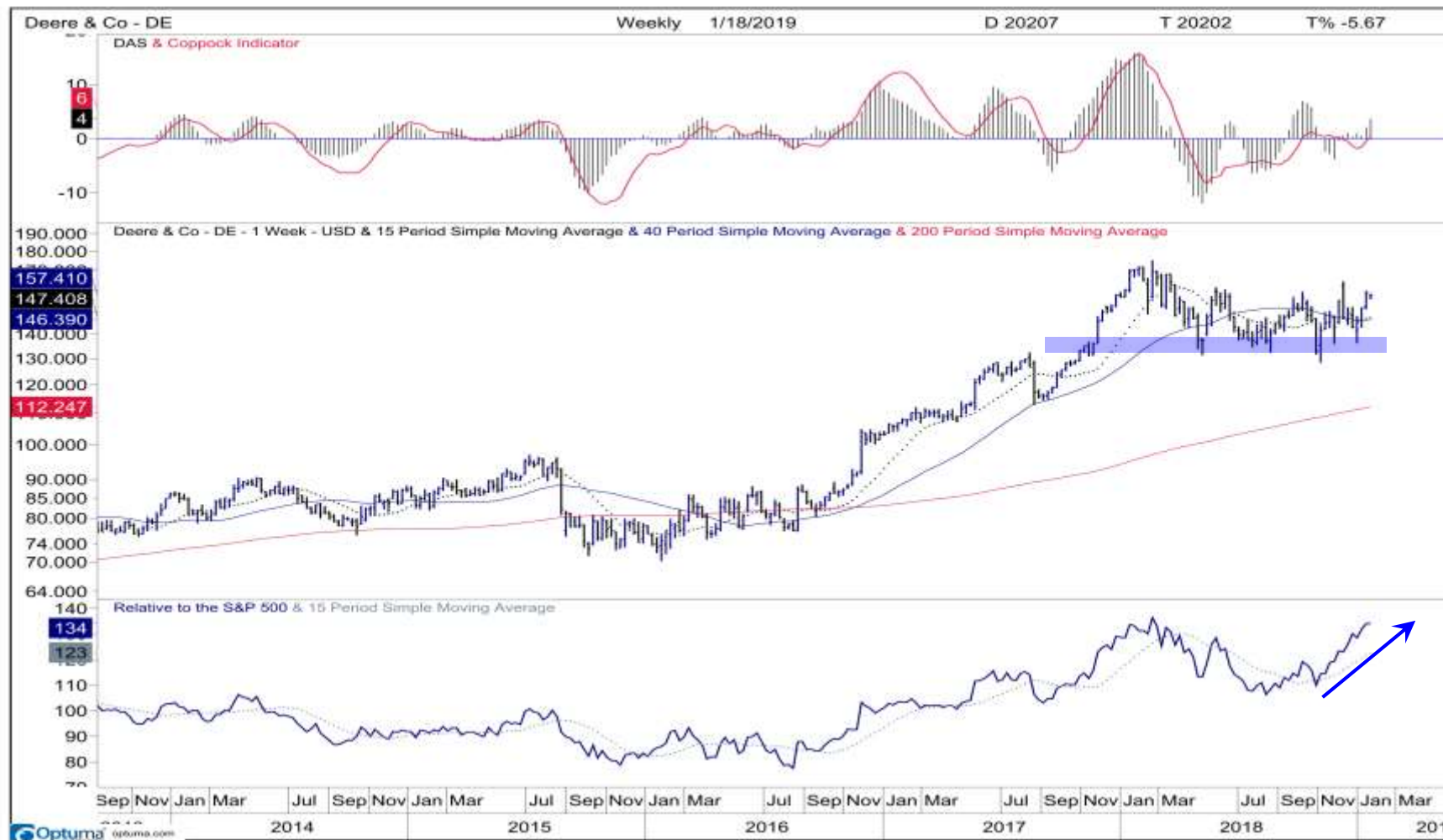
BIIB

- Bottoming intermediate-term within a longer-term basing profile



Source: Fundstrat, Bloomberg, Optuma

- Resiliently consolidating above 2018 support with relative performance rebuilding to the upside

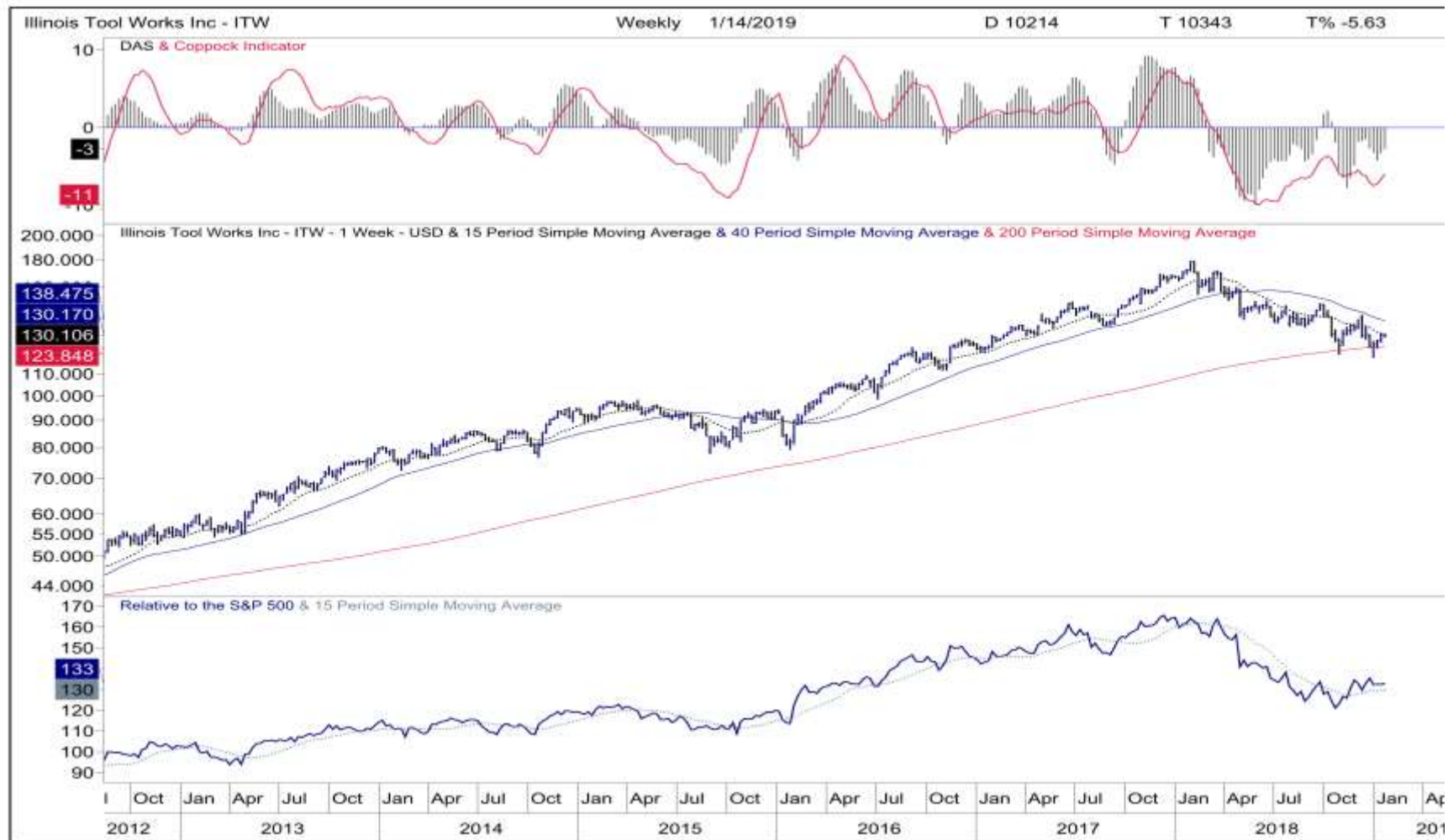


- Bottoming intermediate-term at its 200-week sma



Source: Fundstrat, Bloomberg, Optuma

- Bottoming intermediate-term at its 200-week sma with improving relative performance



Source: Fundstrat, Bloomberg, Optuma

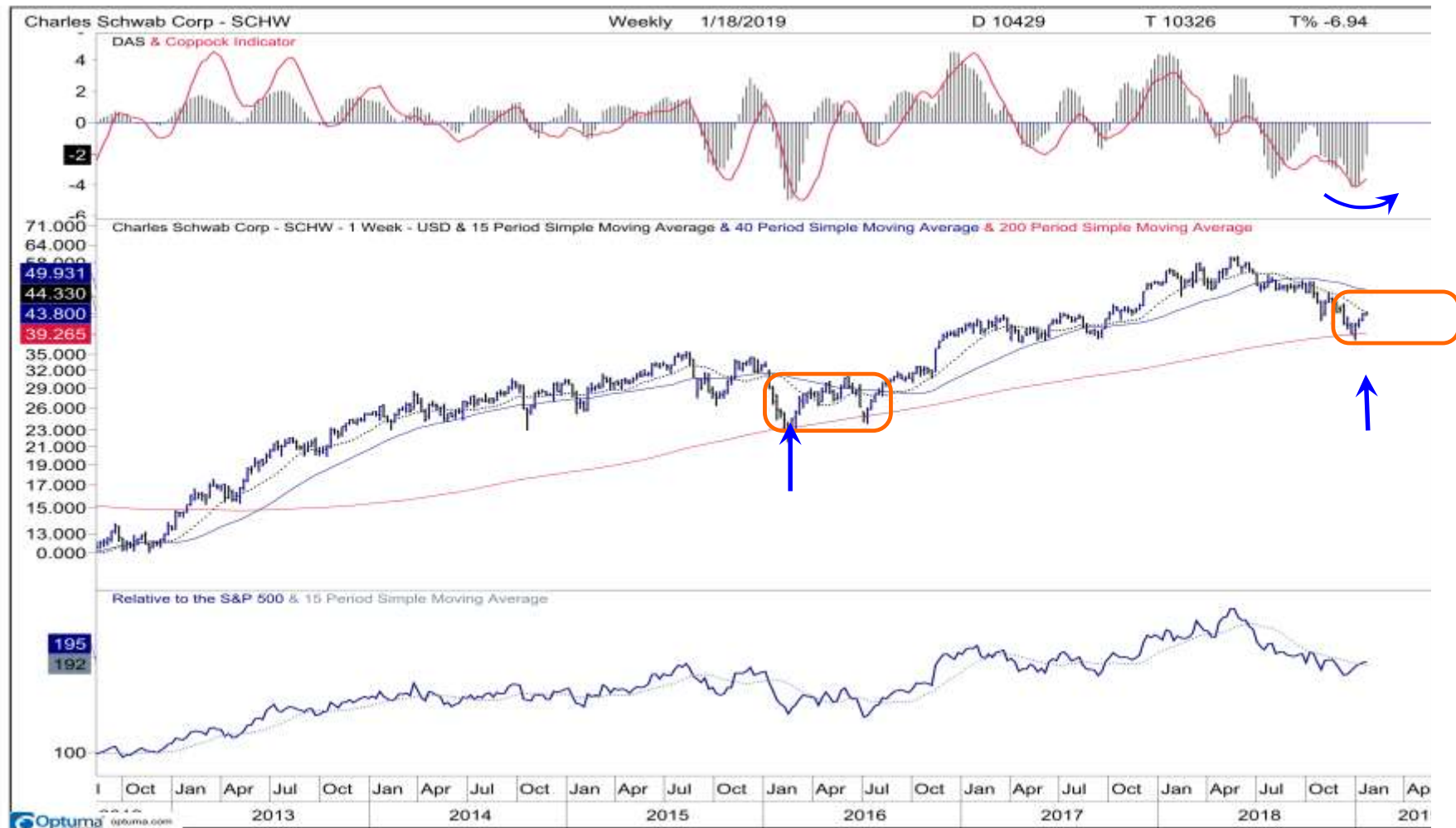
BK - Testing long-term trend support

Test of support at long-term uptrend at its rising 200-week sma.
Note relative performance is beginning to reverse its 2018 downtrend.



SCHW – Testing 200-week sma support

Weekly momentum oversold and bottoming as SCHW tests its rising 200-week sma.
Expect a multi-quarter bottoming/basing process well into 2019



Source: Fundstrat, Bloomberg, Optuma

VLO – Energy leader back to rising 200-week sma

Weekly momentum has turned up from oversold levels for TSO as it tests/bounces from its long-term uptrend at its rising 200-week sma.



Source: Fundstrat, Bloomberg, Optuma

DUK – Defensive performance stalling

Weekly momentum is peaking/turning negative as DUK stalls near resistance near 90 and its 2015, 2016 and 2017 highs. Note relative performance is beginning to peak at its downtrend.



KO – Defensive leaders stalling

Weekly momentum has peaked for KO as relative performance stalls under its long-term downtrend



Source: Fundstrat, Bloomberg, Optuma

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Source: Fundstrat, Bloomberg, Optuma

Categorizing Relative Performance Trends through a "Life Cycle"

EARLY OUTPERFORMANCE

Relative performance is breaking **ABOVE** a **DECLINING** relative moving average

ESTABLISHED OUTPERFORMANCE

Relative performance is trending **ABOVE** a **RISING** relative moving average

MARKET PERFORMANCE

Relative performance is **RANGE BOUND** around a **FLAT/NEUTRAL** relative moving average

EARLY UNDERPERFORMANCE

Relative performance is breaking **BELOW** a **RISING** relative moving average

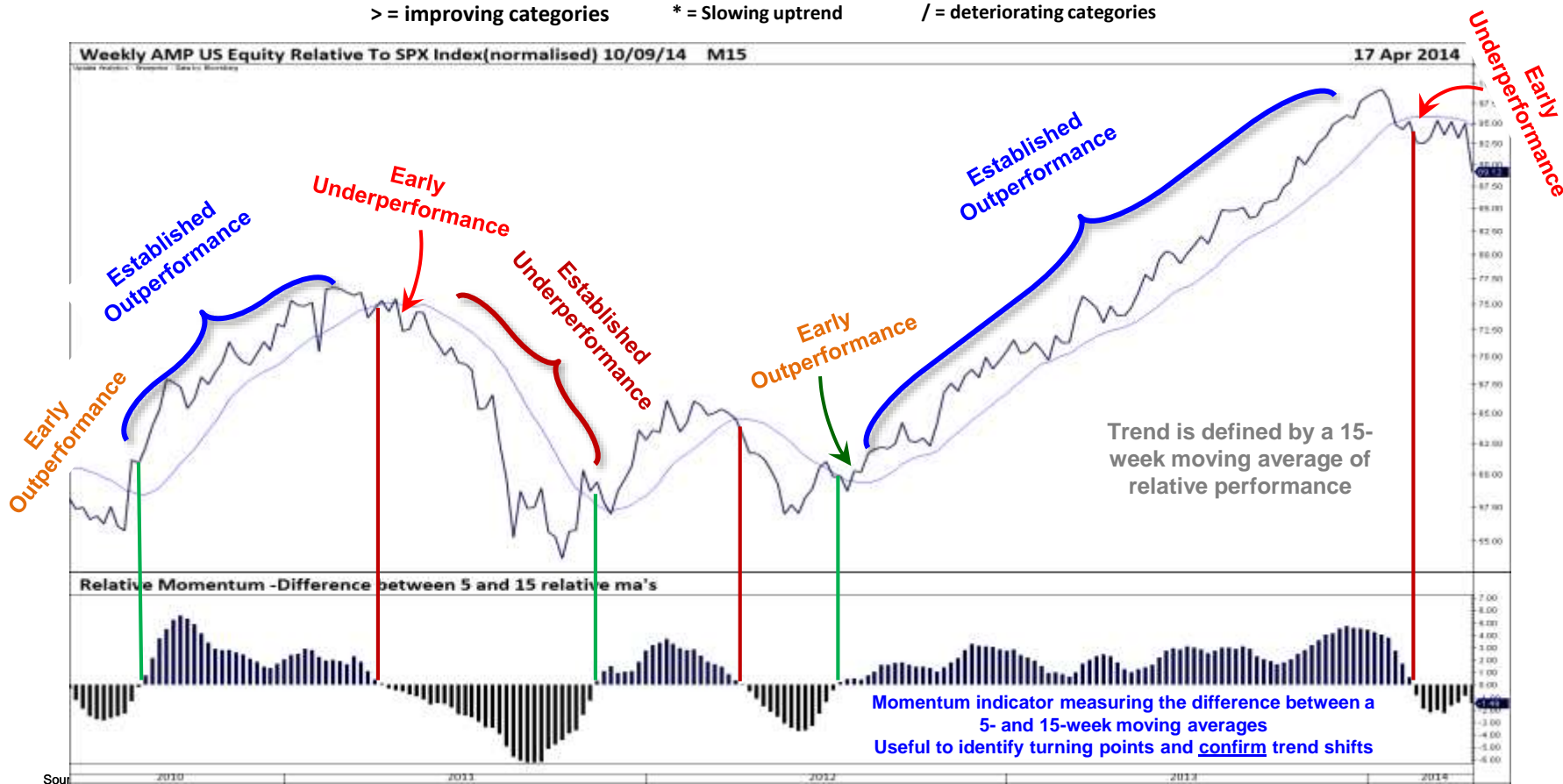
ESTABLISHED UNDERPERFORMANCE

Relative performance is trending **BELOW** a **DECLINING** relative moving average

> = improving categories

* = Slowing uptrend

/ = deteriorating categories



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