

Trend & Cycle Roadmap

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Three measures of S&P’s trend – Revisiting key levels for rates, dollar, semis, gold and copper

Investors, understandably, perpetually debate the risk-reward of remaining invested in equities with valuation, inflation and economic growth concerns in the forefront followed closely by a long list of geopolitical worries.

However, equity markets have continued to climb that wall of worries to use a well worn investing cliché. The chart below illustrates the three main measures of the US equity market’s trend: Price (top panel), relative performance versus bonds (center panel) and breadth of participation (bottom panel) which measures the number of stocks advancing each week minus the number of stocks declining.

While we are certainly not dismissing the fundamental concerns listed in the first paragraph, we also respect the message from the market itself - that the uptrend remains intact supported by a broad list of stocks. Of course, markets do not trend in a straight line with short-term pullbacks a normal part of a trending market (see page 2), we recommend investors remain invested until the underlying trends supporting the market show evidence of weakening.



Source: RBC Wealth Management, Bloomberg, Optuma

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All values in U.S. dollars and priced as of May 22 2024 at 11 am ET unless otherwise noted.

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S&P short-term update – After a 7.5% rebound from the late April lows, short-term momentum indicators, tracking 2-4 week swings, are again overbought and at risk of peaking suggesting another near-term pullback is pending. Given the underlying positive trend for the S&P 500, our expectation is that pullbacks will be short-lived with first support between 5224-5284 followed by a band between 5104-5147 near the rising blue 50-day ma at 5168.



Source: RBC Wealth Management, Bloomberg, Optuma

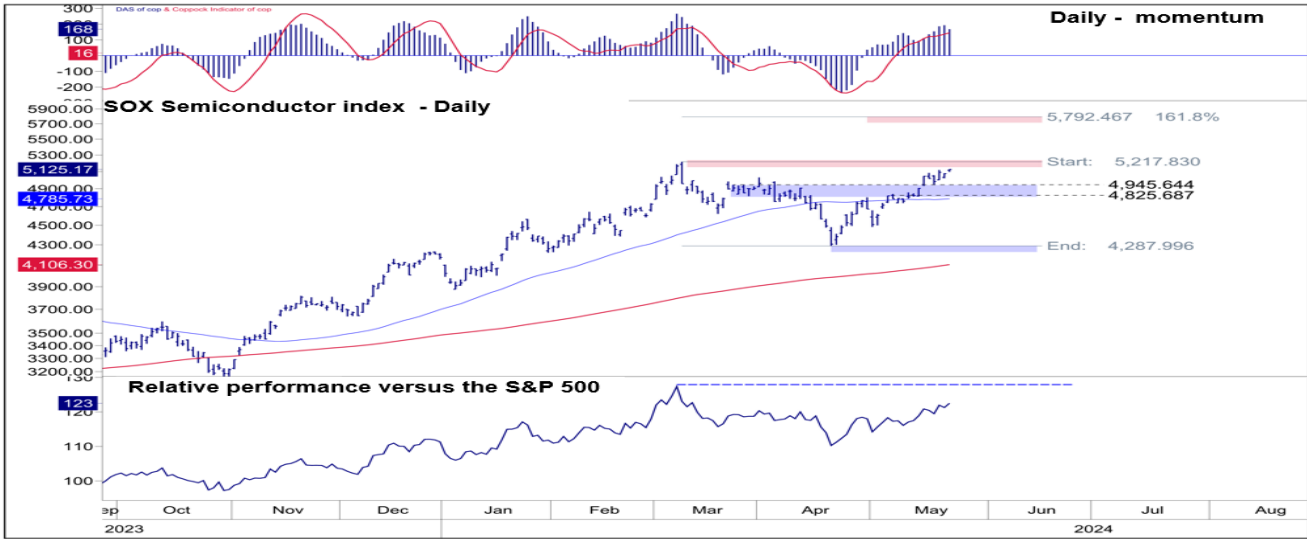
US 10-year yields (center panel) and the **US dollar DXY index** (bottom panel) pulled back from short-term overbought levels (top panel) at the end of April to short-term oversold levels near support at 4.3% and 104 respectively. Our expectation is for a temporary bounce from current levels with resistance at 4.5% followed by 4.7% for the US 10-year yields and 105-106 for the US dollar. A bounce by both is likely to be a catalyst for the S&P to pull back in the coming weeks.



Source: RBC Wealth Management, Bloomberg, Optuma

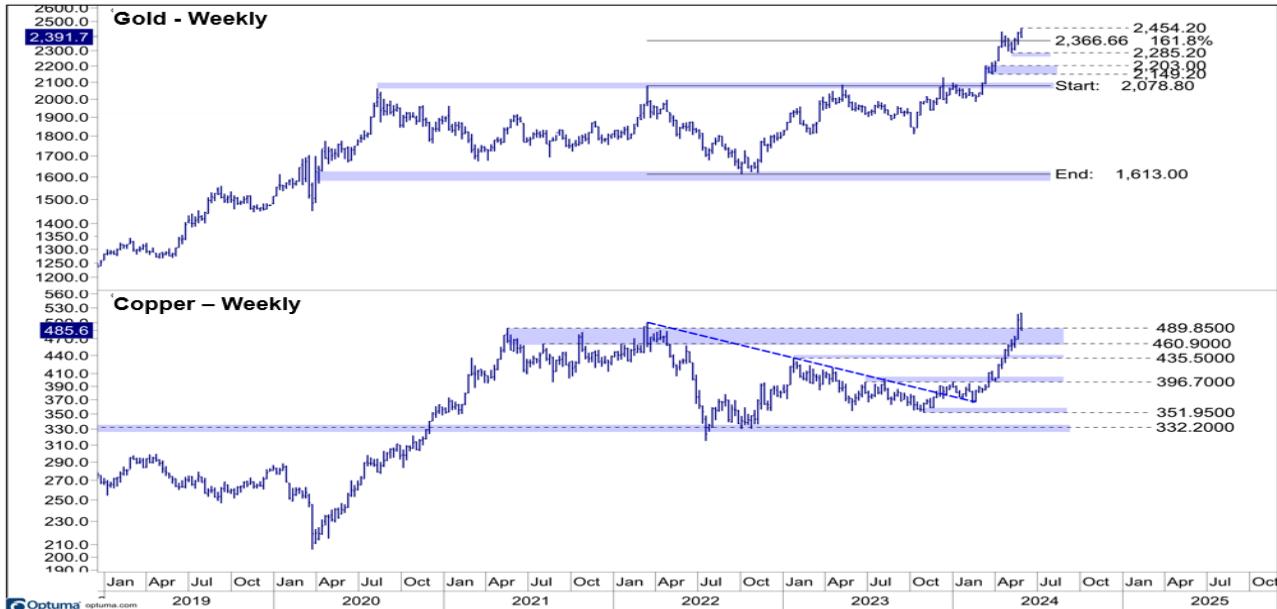


The behavior of **SOX Semiconductor index** will be a major focus for investors tomorrow (05/23) following the earnings report of an AI bellwether after the close today (05/22). Overall, similar to the S&P 500, the trend for the SOX remains positive but a pullback would not be surprising given it is overbought short-term as it tests important resistance at its Q1 high at 5217. Pullbacks are likely to be short-lived with a key band of support between 4825-4945 near its rising blue 50-day moving average. Should the SOX rally above 5217, the next key technical level is at 5792 coinciding with a 162% extension of the April-May trading range.



Source: RBC Wealth Management, Bloomberg, Optuma

Gold and Copper update – Both commodities surged in 2024 following a choppy sideways to down trading pattern through 2022-2023. We view the long-term charts for gold and copper to be positive but after the strong surge in 2024, both are overbought and starting to pause just above resistance near 2400 for gold and just above the 2021-2022 highs near 500 for copper. Given the positive long-term chart profiles, we expect pullbacks to be short-lived with support starting at 2285, followed by 2149-2203 for gold and 460 followed by 435 for copper.



Source: RBC Wealth Management, Bloomberg, Optuma



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