

US FORTNIGHTLY



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For Subscribers Only

Slowly & Steadily Towards Life Highs

Over the last one month the US markets have seen a gradual move up. It has almost been a grind with little momentum. This is actually a good way to stay in an uptrend as it keeps euphoria at bay. Despite all the happenings on the geopolitical front and around the trump trade the US markets have been super strong. The rally has been so solid that the indices are now within striking distance of lifetime highs. Since the move has been gradual, we do not see any major overbought or topping signs. We think the platform has been laid for a move towards lifetime highs for all the popular indices. There are some geopolitical concerns around the Middle East but it seems the same will be discounted without much damage. There is always a possibility of a 2 to 4% pullback, which one can't overprepare for. The level of 5850 is most important for the S&P 500 and until the index is above the same all as well. We continue to work with 6150 and beyond.

In this report we have shared the view on all the top indices along with levels. While all three top major indices have a similar setup the one that really stands out is the Russell 2000. We have seen a quality come back in the recent past and there have been some breakouts on the ratio charts.

One clear takeaway is the breakout on silver which has the looks of a megatrend. If all goes as per plan we should see silver at levels of 43 and eventually 50. This can be played through the ETF. We have also highlighted the breadth reading and the semiconductor ETF.

Conclusion : The US markets are likely to continue to grind higher. We might not see across the board strength and therefore one will have to be selective. Tech and Financial Services are the preferred sectors.

Sector Trends

SECTOR	TREND	OUTLOOK	RANK
Technology	↑	Outperformer	1
Financials	↑	Outperformer	2
Industrials	↑	Excellent relative strength	3
Utilities	↑	Readying for a fresh breakout	4
Con. Staples	↑	Holding above supports	5
Materials	↔	Close to an uptrend	6
Healthcare	↔	Underperformer	7
Energy	↓	Underperformer	8

Dow Jones Industrial Average (42967)

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Dow Jones Industrial Average Index - 1W - TVC 042,786.19 H43,115.69 L42,567.55 C42,865.77 +102.90 (+0.24%)



A Gradual Recovery

Since our last update the Dow has seen a very gradual move up. The working target was 42800, which was tested and the index has been trading around the same in the last one week. With the action of the last few weeks it is quite clear that the index is still consolidating. We see better momentum ahead.

Technically, once the index clears the 42800 area with some margin we expect quality strength. The index has the potential to move to 45000 levels with stopover at 44100. 41600-42000 is now a very strong support. Till the index stays above the same, all is well. None of the technical studies are significantly overbought at this point and hence there are no concerns.

Conclusion : The market remains on a strong footing. While the trend and trajectory are strongly in favour of the bulls, the momentum has been missing but should find its way helping the index back to the highs.

Levels To Watch

Support : 42300, 41750

Resistance : 43200, 43900

S&P 500 (6045)



Eyeing Life Highs

The S&P 500 has seen a very strong move up in the last few weeks. This has the looks of a V recovery. Since our last update the index is up by almost 9%. This despite all the newsflow around the Trump trade. The price action has been clean and support levels have just not been challenged. All studies hint at higher levels in the near term.

Technically, the fact that the index has seen a series of higher highs in the recent past validates the strong uptrend in play. The next stop is only around the 6150 level. This is where the bulls could be tested and from where the market could see some correction. However, we think even bigger levels are likely post a correction from life highs. 5930 and 5800 are the supports.

Conclusion : The S&P 500 look on track to test life highs. We still do not see overbought signs. There is a lot of participation across the board that has made it easy for the index to inch higher. Stay prepared for life highs where we review.

Levels To Watch

Support : 5940, 5850

Resistance : 6090, 6150

Nasdaq Composite (19662)



Outperformer

The NASDAQ index has been an outperformer in the last many weeks. We have seen a series of higher highs without any problems. The momentum has been super strong and the participation has been excellent. It has been an outperforming index and is looking good for a lot more. The working target stays around the 20000 level where we review. Some technical studies are overbought but they can be overlooked at this point of time.

Technically, since the index has rallied very gradually there have never been any negative triggers on the charts. A lot of technology stocks have supported this move for the index. This despite the fact that Apple has been an underperformer all along. We do not want to work with targets beyond 20000 at this point of time. Strong support seen around the 18800 level. All dips towards the same are a buying opportunity.

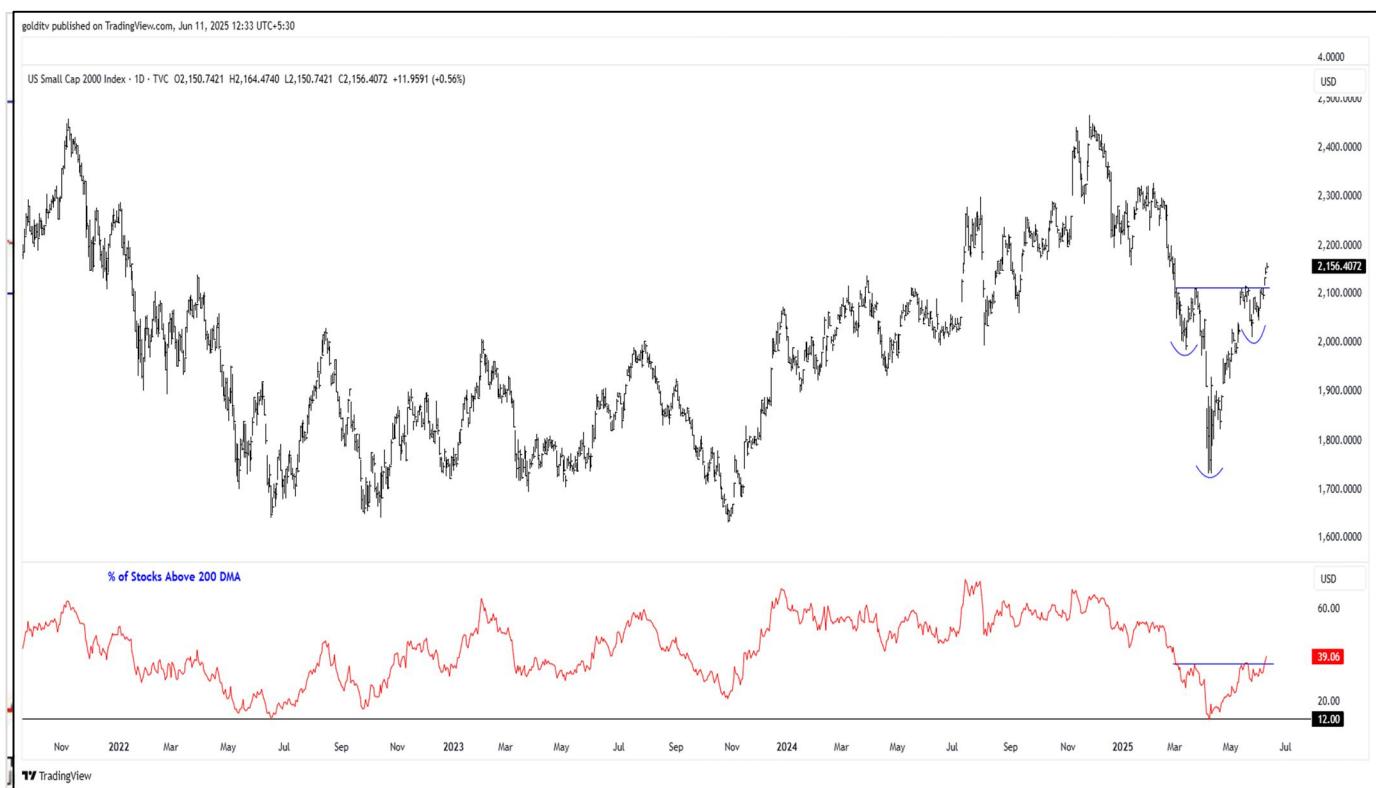
Conclusion : The Index remains rock solid on the charts. It has led the entire U.S. market higher. This is a good place to be in as always. One should stay committed but not extrapolate too much into the future.

Levels To Watch

Support : 19200, 18860

Resistance : 19885, 20200

The US Small-cap 2000 (2140)



The Time Has Come

We have seen a very strong move on the Russell 2000 in the recent past. The price action has been excellent and the follow up is ideal. After a long time the small caps in the US markets have moved hand in hand with the large caps. The chart presented above depicts the bullish pattern breakout the index has seen. This breakout calls for a gradual move back to 2300 levels.

Technically, this index also seems to have got into V shape recovery mode. All the moving averages seem to have got cleared comfortably. This makes the risk reward excellent even at current levels. There are still no major overbought signs and hence no concerns. The area around 2050 is now the major support. Till the index is above the same we believe in our working target of 2300. There is a possibility that the large caps could take a back seat while the small caps do better. A strong Russell 2000 is great for the overall health of the market.

Conclusion: The Index looks on track to register greater upside. It could remain the surprise element in the US markets. We maintain a working target of about 2300 and review there.

Levels To Watch

Support : 2110, 2050

Resistance : 2200, 2240

Silver (36)



Star In The Making

We have been maintaining a bullish stance on Silver for many months now. After going through a lot of consolidation it seems to have finally broken out in the last fortnight that sets it up beautifully for the coming months. The price action has been excellent and it has not moved hand in hand with gold which is important to note. We think the breakout has already got confirmed and therefore silver could see a potential 20% move from current levels.

Technically, all major breakouts in the past have worked beautifully. This can be understood from the chart explained above. With important resistance levels cleared there is now no major supply point till about 43 levels . If all goes as per plan we should see a level of 50 possibly sometime in the next 6 to 12 months. All dips are a buying opportunity.

Conclusion : Silver has the potential of being the opportunity of the rest of the year. We think a lot of fundamental factors will eventually kick in as well. One should think long term and stay invested.

Levels To Watch

Support : 35.6, 35

Resistance : 37.5, 40.5, 43

Ishares Semiconductor ETF – SOXX (226)



A New Trend

This is the chart of the semiconductor ETF that seems to have got into a new uptrend. Notice the excellent looking breakout after months of consolidation. A move back to 240 level seems likely in the coming weeks. This is the most important resistance and once cleared the ETF could see a move back to lifetime highs. This seems to be on the cards and therefore one should be prepared.

Technically, the breakout from the pattern has excellent eye appeal and therefore looks genuine. The moving averages are all safely below the price action which is great. Also notice the mega breakout on the ratio chart versus the S&P 500. This is the most important development and it tells us that the ETF could outperform the index for the coming months.

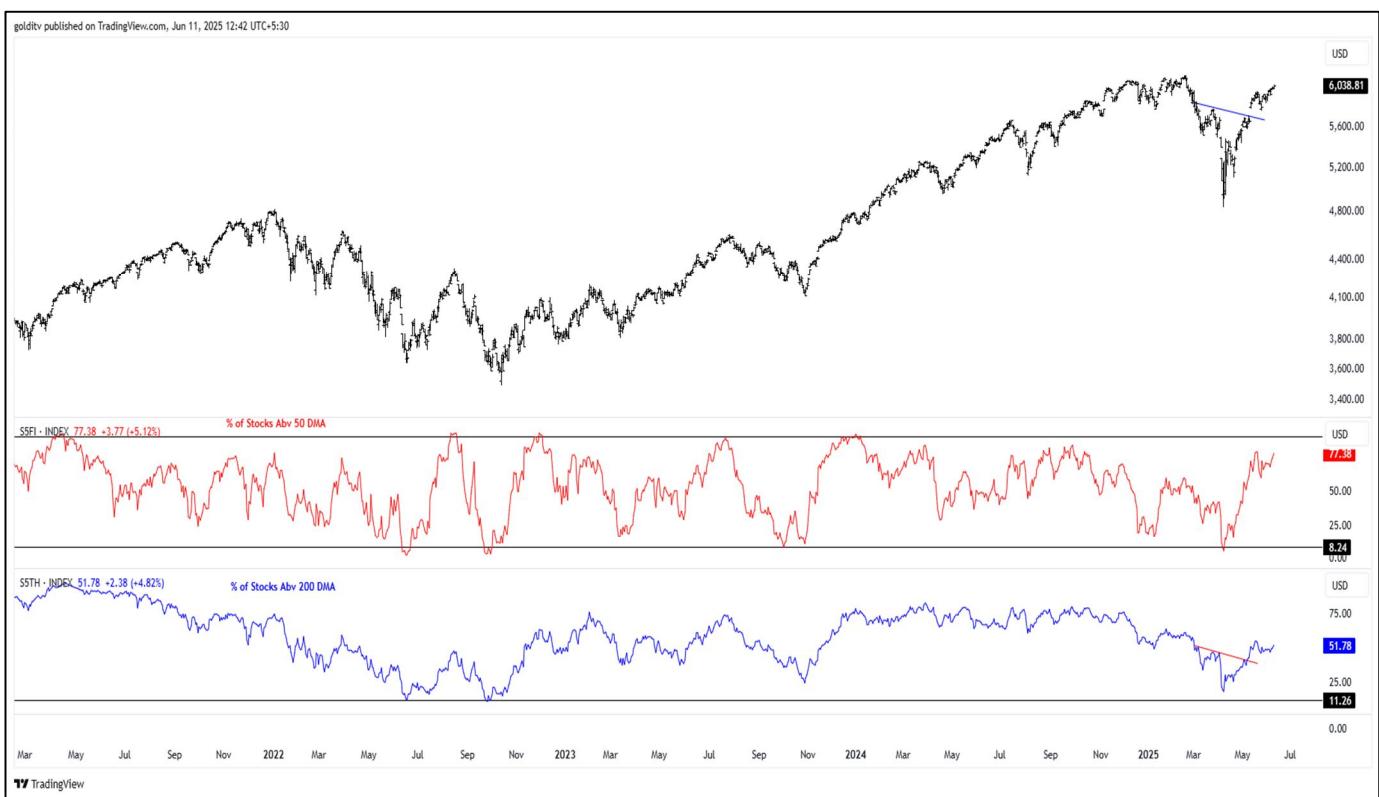
Conclusion : We see a gradual move back to the February 2025 highs. The working target is around 240 where we review. This is clearly a sector in focus.

Levels To Watch

Support : 220, 215

Resistance : 230, 240

Breadth – S&P 500



Not Majorly Overbought Yet

The chart above depicts the percentage of stocks in the S&P 500 that are trading above the 50-day moving average and 200 day moving average. Notice the red line that seems to be approaching the overbought levels. This is the percentage of stocks that are trading above the 50-day moving average. Given the recent move up it is obvious that the S&P 500 is slightly overbought on the breadth studies. However, we don't see an out-of-the-box reading as yet. This could lead to some consolidation/volatility. The percentage of stocks above the 200-exponential moving average is still at neutral levels. It is currently around the level of 51. Historically markets have topped out when this number gets close to 75. Hence it is quite clear that there is room for a lot more upside and the participation should get better going forward.

Conclusion : There are no major concerns on the breadth studies at this point of time. Some correction is likely but is unlikely to impact the trend in play. Stock and sector rotation will continue to be in play.

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