

VIEW

The Monthly Market Technical View of Bruno Estier Strategic Technicals

February 2025

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S&P 500 - Volatile Weeks to Buy on Dips

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Please re-read our analysis in the BestView of <u>June 2024</u> and check the one of <u>January 2025</u> to grasp the envisioned evolution of the Green Path & Red Path.

On the chart, the Green and Red Paths are zoomed-in to see the past turning point of the CRB Index (mostly oil), the relative strength of Nasdaq vs S&P500 (Mag-7 vs the rest of the US mid-caps), and of the US 10-year yield, which represents the "bond Vigilantes" and which have a definitive strong influence on the turning points of the S&P500 (heavily weighted by the Mag-7).

While some weakness is expected in February due to a "reset" on the expectation around AI among some Mag-7 stocks, the current price evolution of the S&P500 could allow not only volatile weeks but even new all-time highs in Q1 or Q2 along first a widening triangle, then along our preferred pattern – a rising wedge. Often rising wedges display major divergences in breadth measures with preceding peaks, allowing market analysts to call a potential major correction phase late in 2025 and into 2026. Right now, with the S&P500 close at 6040 within a

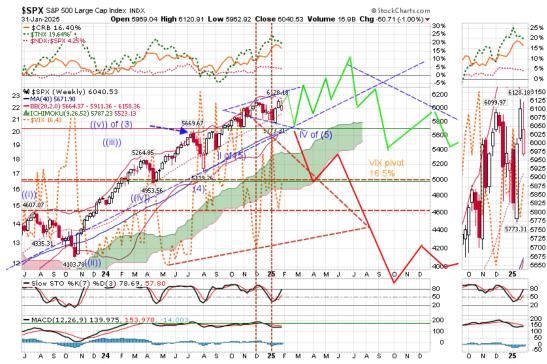
range, which is developing in a widening triangle, the swings will hurt weak hands and favour short-term swing traders. VIX presents a key support near 15% and a key pivotal area of 16.50%, above which Fear is expected to be displayed with a rise toward the 20-30% range. The January close at 16.45 is right below that pivot!

Speaking of the January barometer, the month is up and points to a positive return in 2025 if the S&P500 has two subsequent monthly closes above 6040. Too long to wait? Well, that will be the market for Bulls and Bears! Only Pigs get slaughtered. At this stage, we do not bet that a parabolic rise would take place as in 2023 and 2024. Both years had substantial returns (+ 20%) in a row, and it would be a bet against the historical odds to get a third year above 20%! But we keep an open mind and know that 2025 will not be a year for buy and hold investing, but for agile investors.

Region allocation, foreign exchange, stock selection, and sector rotation are the names of the game. CAVEAT EMPTOR for equity investors again and again...

S&P 500 Weekly Candles with Ichimoku Cloud (July 2023 - 31 January 2025)

- Chart of the S&P500 is on a log scale from July 2023 in weekly candles with an Ichimoku Cloud. The orange dotted line represents the VIX which made a spike low near 15% on January 24th and rebounded on the 31st but is still below the key pivot for the VIX 16.5%.
- UPPER PANEL: in the green dotted line, the US 10-year yield declining from a peak and in the gold solid line the CRB index (mostly oil) also declining from a peak. The red dotted line is the RS line of Nasdaq 100 vs S&P500 with a slight decrease. All three lines are in a percentage point variation since July 2024. Of course, all the lines drawn on the right of the actual date by BEST are for educational purposes assuming some ebb and flows of further sector rotation out of Mag-7 into other sectors. All of that helps us draw a hypothetical Green Path for the capitalised weighted S&P500
- along a hypothetical turning point for the year 2025.
- LOWER PANEL: in mid-January, the momentum shown on the weekly STO crossed up, while the longer-term momentum on the weekly MACD was slowing down (declining positive MACD). The MACD is nearly crossing up but has not done so yet with the January 31 close.



- The **Red Path** is an illustration of an S&P500 decline in late February as envisioned by some market analysts, who are still bearish for 2025.
- The two vertical lines in orange are set to put in evidence the turning point of the US 10-year yield and the capitalized S&P500 (heavily weighted by the Mag-7).

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Data Source: Stockcharts.com Analysis by B.E.S.T.