

# Trend & Cycle Roadmap

Robert Sluymmer, CFA  
Technical Strategist, Portfolio Advisory Group

November 29, 2023

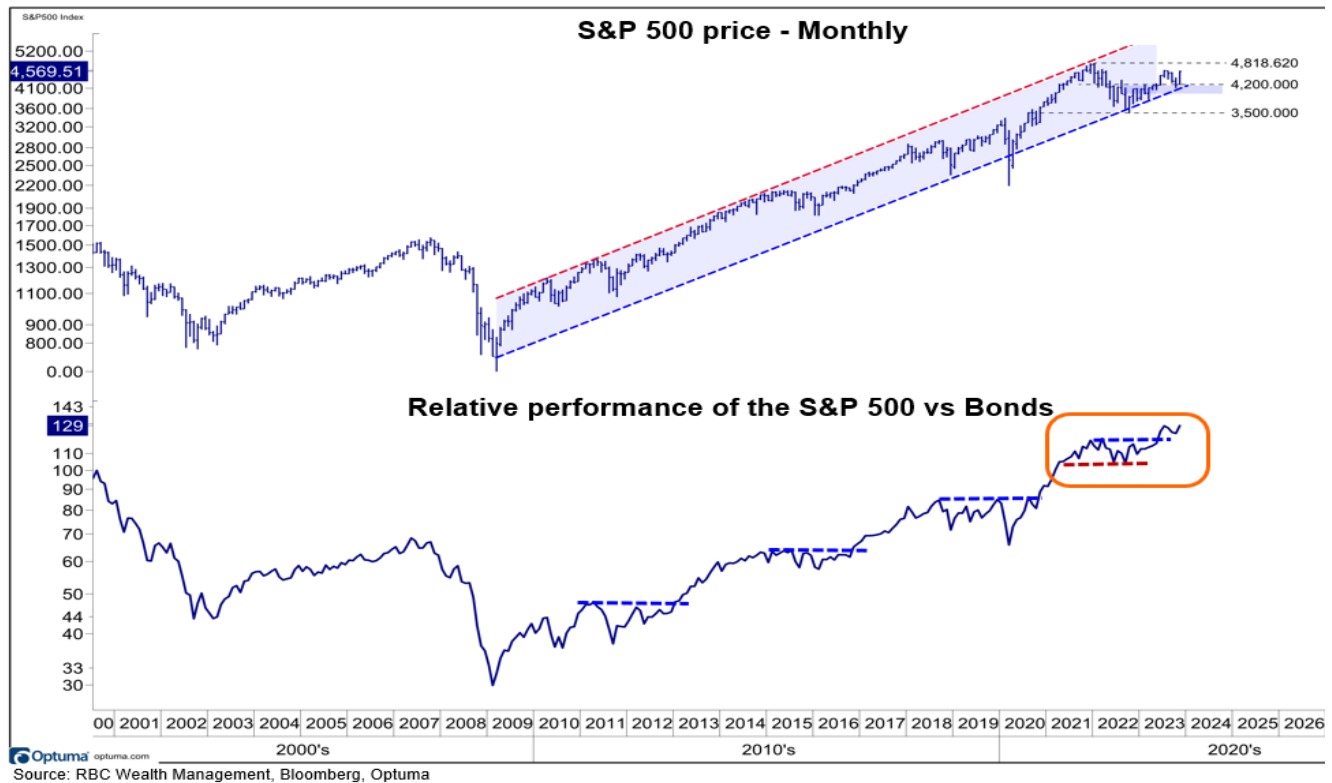


## Equity cycle and trend remain positive – Industrials, Healthcare and even Banks improving

The top panel of chart below illustrates that the long-term uptrend channel for the S&P 500 remains intact with the Q3 pullback continuing to show evidence of strengthening from the low end of the channel. Although 2023 was a choppy year for equity markets, overall we view the lows that developed in 2022 as defining the lows for the cycle, with further upside likely into 2024 as part of an improving 4-year cycle.

The bottom panel illustrates that the relative performance of the S&P 500 to one of the most widely followed bond indices, the All Aggregate Bond index, is in an uptrend with no meaningful evidence of reversing. Interestingly, the recent breakout to new cycle highs following a 1-2 year consolidation is consistent with the pattern that developed over recent 4-year cycles in 2010-2012, 2015-2016 and 2019-2020.

**Bottom line:** Despite an understandably worrisome list of macroeconomic and geopolitical concerns, we remain optimistic about the overall technical behavior of equity markets and expect new cycle highs to develop in 2024 as part of a broader 4-year cycle rebound.



RBC Capital Markets, LLC / Portfolio Advisory Group

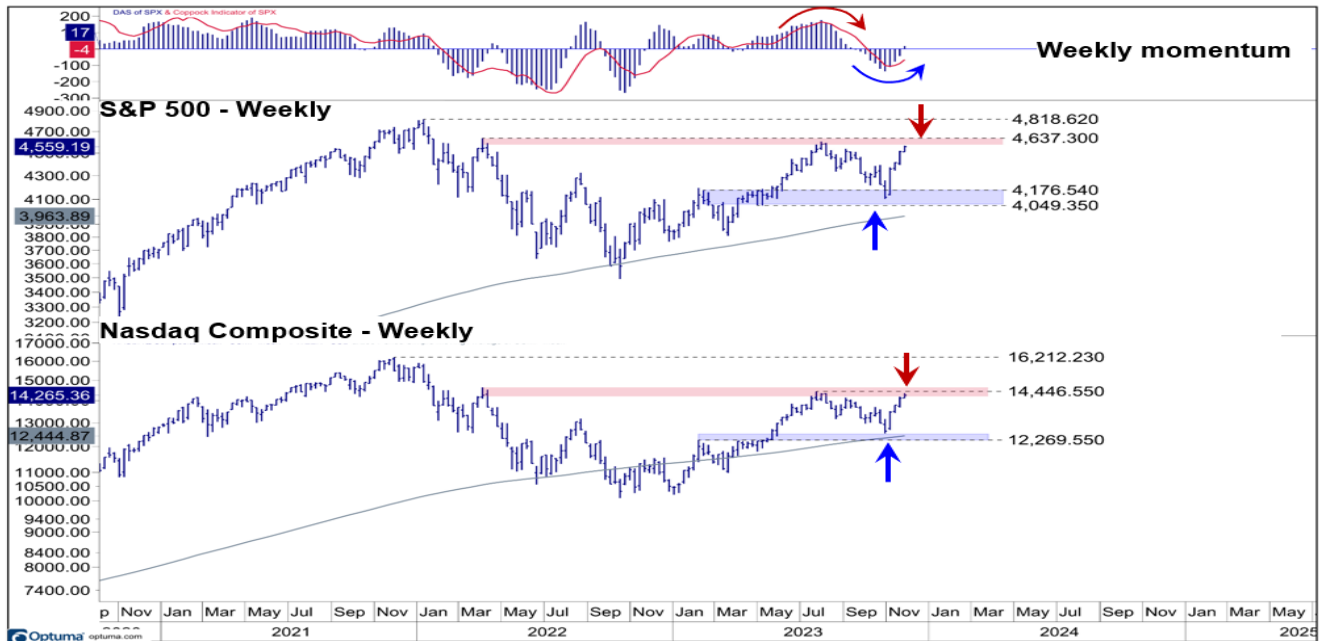
All values in U.S. dollars and priced as of November 29, 2023 12:00 pm ET **unless** otherwise noted.

**For Important Disclosures, see page 4.**

**Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.**

Produced: November 29, 2023 15:53ET; Disseminated: November 29, 2023 16:05ET

**Positive weekly momentum** suggests further upside for equity markets. The strong short-term rebound in November has moved both the S&P and Nasdaq back to key resistance levels near their summer highs suggesting a near-term pause/pullback is likely. However, beyond a near-term pullback, we continue to encourage investors to stay focused on the more important weekly indicators (top panel) being early in upturns from oversold levels that suggest both indices have further upside into Q1.



Source: RBC Wealth Management, Bloomberg, Optuma

**US 10-year yields** continue to trend lower challenging the lower end of their next important support band between 4.24-4.3% with short-term momentum indicators (top panel) being oversold. In our view, while a temporary bounce from near current levels is likely, further downside into Q1 remains probable with next key levels at 3.9-4.0% coinciding with the red 200-day ma and 50-62% retracement levels.



Source: RBC Wealth Management, Bloomberg, Optuma



## S&P 500 Industrial, Healthcare and Regional Bank index incrementally improving

Large-cap technology stocks have dominated equity market leadership through 2023 with many strategists and the media highlighting the handful of stocks driving S&P 500 returns this year. However, while a few mega-cap growth stocks drove the S&P higher in 2023, we caution investors from concluding all other sectors and groups within the equity market are behaving poorly.

**Industrials and Healthcare: Not so bearish as headlines would suggest** – Rather than viewing the lagging sectors as being a negative, we view the overall price profiles for two other important sectors, Industrials and Healthcare, as having been in a sideways consolidation phase for the past two years. In fact, the recent Q3 pullback bottomed in Q4 very near long-term uptrends defined by the gray rising 200-week moving averages near 800 for the Industrial sector and just above 1400 for the Healthcare sector. Short-term, similar to most equity indices, both sectors are overbought after a strong rebound through November, suggesting a pause/pullback is likely to develop in early December.

The key point, however, is that both sectors are in positive longer-term uptrends following a 2021-2023 pause and a move above the highs at 939 for the Industrial sector and 1667 for the Healthcare sector will be an important bullish technical signal for the overall market cycle and positive confirmation breadth and participation is broadening to other non-technology sectors.

Lastly, while the Regional Bank group has been one of the weakest sectors in the market through 2022-2023, even here there are early signs a bottom is developing at the 2022 and early 2023 lows near 59.

The bottom line is that while many investors are unhappy with the dominant leadership by a few growth stocks, we view the overall price structure of other sectors to be encouraging with potential for some, such as Industrials and Healthcare, to make new cycle highs in 2024 as part of a new market cycle with breadth and participation expanding.



Source: RBC Wealth Management, Bloomberg, Optuma



## Disclosures and disclaimers

This comment is prepared by the Technical Research team at RBC Wealth Management. All views expressed are the opinions of Technical Research based solely on the historical technical behavior (price and volume) and their expectations of the most likely direction of a market or security. Technical Research opinions and recommendations may differ from the opinions, recommendations and / or ratings of RBC Capital Markets' fundamental equity and other research products. Fundamental equity research is available from your RBC Capital Markets salesperson. Opinions and recommendations in Technical Research could result in short-term price movements that are contrary to the recommendations and/or ratings in fundamental equity research.

### Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

### Important Disclosures

In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC which is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada.

In the event that this is a compendium report (covers six or more companies), RBC Wealth Management may choose to provide important disclosure information by reference. To access current disclosures, clients should refer to <https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2> to view disclosures regarding RBC Wealth Management and its affiliated firms. Such information is also available upon request to RBC Wealth Management Publishing, 250 Nicollet Mall, Suite 1800, Minneapolis, MN 55401-1931.

### RBC Capital Markets Distribution of Ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories.

Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

### Distribution of ratings – RBC Capital Markets Equity Research

| Rating                | Count | Percent | Investment Banking Services Provided During Past 12 Months |         |
|-----------------------|-------|---------|--|---------|
|                       |       |         | Count  | Percent |
| Buy [Outperform]      | 820   | 55.97   | 250  | 30.49   |
| Hold [Sector Perform] | 590   | 40.27   | 148  | 25.08   |
| Sell [Underperform]   | 55    | 3.75    | 5  | 9.09    |

### Explanation of RBC Capital Markets Equity Rating System

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

**Ratings: Outperform (O):** Expected to materially outperform sector average over 12 months. **Sector Perform (SP):** Returns expected to be in line with sector average over 12 months. **Underperform (U):** Returns expected to be materially below sector average over 12 months. **Restricted (R):** RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances. **Not Rated (NR):** The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

**Risk Rating:** The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

### Valuation and Risks to Rating and Price Target

When RBC Capital Markets assigns a value to a company in a research report, FINRA Rules and NYSE Rules (as incorporated into the FINRA Rulebook) require that the basis for the valuation and the impediments to obtaining that valuation be described. Where applicable, this information is included in the text of our research in the sections





entitled “Valuation” and “Risks to Rating and Price Target”, respectively.

The analyst(s) responsible for preparing this research report have received (or will receive) compensation that is based upon various factors, including total revenues of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of RBC Capital Markets and its affiliates.

### Other Disclosures

Prepared with the assistance of our national research sources. RBC Wealth Management prepared this report and takes sole responsibility for its content and distribution. The content may have been based, at least in part, on material provided by our third-party correspondent research services. Our third-party correspondent has given RBC Wealth Management general permission to use its research reports as source materials, but has not reviewed or approved this report, nor has it been informed of its publication. Our third-party correspondent may from time to time have long or short positions in, effect transactions in, and make markets in securities referred to herein. Our third-party correspondent may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.

RBC Wealth Management endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. In certain investment advisory accounts, RBC Wealth Management or a designated third party will act as overlay manager for our clients and will initiate transactions in the securities referenced herein for those accounts upon receipt of this report. These transactions may occur before or after your receipt of this report and may have a short-term impact on the market price of the securities in which transactions occur. RBC Wealth Management research is posted to our proprietary Web sites to ensure eligible clients receive coverage initiations and changes in rating, targets, and opinions in a timely manner. Additional distribution may be done by sales personnel via e-mail, fax, or regular mail. Clients may also receive our research via third-party vendors. Please contact your RBC Wealth Management Financial Advisor for more information regarding RBC Wealth Management research.

**Conflicts Disclosure:** RBC Wealth Management is registered with the Securities and Exchange Commission as a broker/dealer and an investment adviser, offering both brokerage and investment

advisory services. RBC Wealth Management’s Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on our website at

<https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2>. Conflicts of

interests related to our investment advisory business can be found in Part 2A Appendix 1 of the Firm’s Form ADV or the RBC Advisory Programs Disclosure Document. Copies of any of these documents are available upon request through your Financial Advisor. We reserve the right to amend or supplement this policy, Part 2A Appendix 1 of the Form ADV, or the RBC Advisory Programs Disclosure Document at any time.

The author is employed by RBC Wealth Management, a division of RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in Minnesota and New York, USA.

### Third-party disclaimers

The Global Industry Classification Standard (“GICS”) was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

### Disclaimer

The information contained in this report has been compiled by RBC Wealth Management, a division of RBC Capital Markets, LLC, from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Wealth Management, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Wealth Management’s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as



well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients, including clients who are affiliates of Royal Bank of Canada, and does not have regard to the particular circumstances or needs of any specific person who may read it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. To the full extent permitted by law neither Royal Bank of Canada nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct, indirect or consequential loss arising from, or in connection with, any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior written consent of Royal Bank of Canada in each instance. Additional information is available upon request.

**To U.S. Residents:** This publication has been approved by RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. RBC Capital Markets, LLC, is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC. International investing involves risks not typically associated with U.S. investing, including currency fluctuation, foreign taxation, political instability and different accounting standards.

**To Canadian Residents:** This publication has been approved by RBC Dominion Securities Inc. RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member-Canadian Investor Protection Fund. ©Registered trademark of Royal Bank of Canada. Used under license. RBC Wealth Management is a registered trademark of Royal Bank of Canada. Used under license.

**RBC Wealth Management (British Isles):** This publication is distributed by RBC Europe Limited and Royal Bank of Canada (Channel Islands) Limited. RBC Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FCA registration number: 124543). Registered office: 100 Bishopsgate, London, EC2N 4AA, UK. Royal Bank of Canada (Channel Islands) Limited is regulated by the Jersey Financial Services Commission in the conduct of investment business in Jersey. Registered office: Gaspé House, 66-72 Esplanade, St Helier, Jersey JE2 3QT, Channel Islands.

**To persons receiving this from Royal Bank of Canada, Hong Kong Branch:** This document is distributed in Hong Kong by Royal Bank of Canada, Hong Kong Branch which is regulated by the Hong Kong Monetary Authority and the SFC. This document is not for distribution in Hong Kong, to investors who are not “professional investors”, as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made under that Ordinance. This document has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Past performance is not indicative of future performance. **WARNING:** The contents of

this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the investment. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

**To persons receiving this from Royal Bank of Canada, Singapore Branch:** This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch, a registered entity licensed by the Monetary Authority of Singapore. This publication is not for distribution in Singapore, to investors who are not “accredited investors” and “institutional investors”, as defined in the Securities and Futures Act 2001 of Singapore. This publication has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch.

© 2023 RBC Capital Markets, LLC – Member NYSE/FINRA/SIPC

© 2023 RBC Dominion Securities Inc. – Member Canadian

Investor Protection Fund

© 2023 RBC Europe Limited

© 2023 Royal Bank of Canada

All rights reserved

