

The AI Trade: Opportunity Or Warning?

? At a Glance

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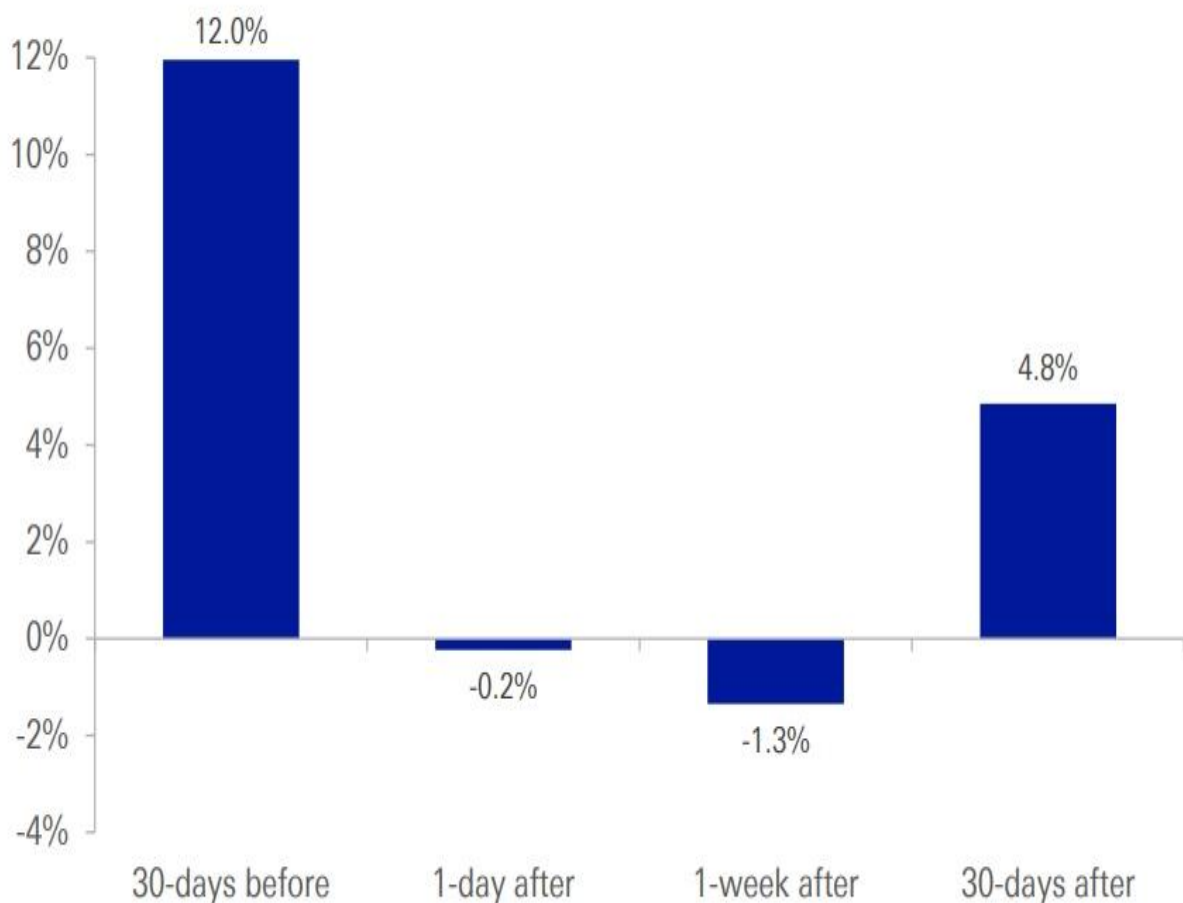
?? Market Brief ? AI Trade Lives On As ?Santa Rally? Comes Into View

The markets experienced another volatile trading week as we head into a shortened trading week due to the Thanksgiving holiday. The S&P 500 and Nasdaq both closed the week lower, but rallied on Friday as options expiration took hold. The consistent selling pressure in AI and semiconductor-related stocks had reversed previous overbought conditions enough for a bounce. The big news was Nvidia?s earnings. Despite the market?s poor reaction (*a very normal response following its earnings report*), the numbers were stellar.

Figure 1: Nvidia performance 30-days before, and 1-day, 1-week and 1-month after earnings since ChatGPT was launched...



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Source : Bloomberg Finance LP, Deutsche Bank

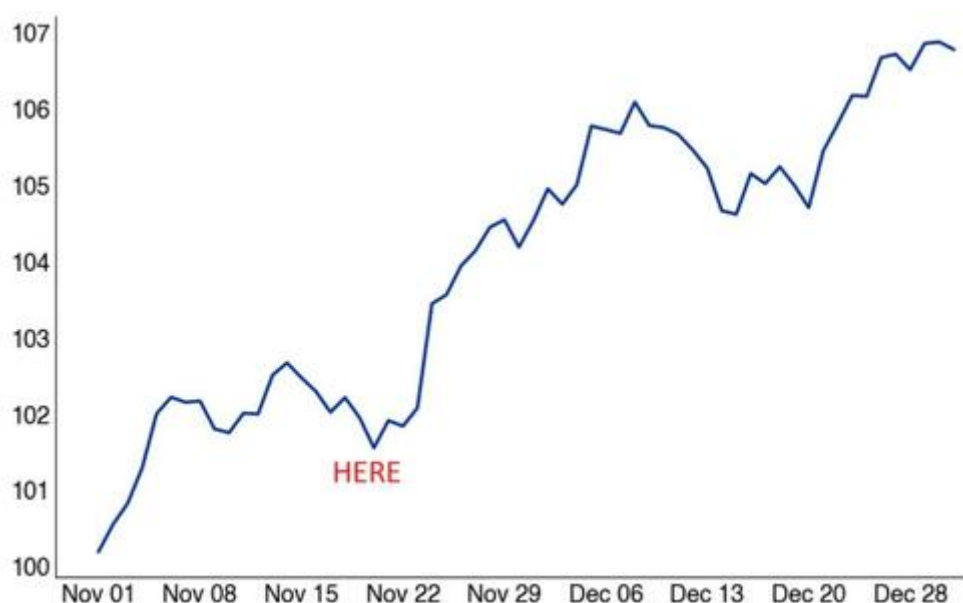
Nvidia's earnings beat didn't just meet expectations; it crushed them on nearly every metric. Revenue jumped 34% quarter over quarter, with data center sales up 41%. Demand for high-performance GPUs continues to outpace supply, and CEO Jensen Huang dismissed fears of a bubble, saying, *"This is the beginning of a new industrial revolution."* That quote made the rounds for good reason. The stock's post-earnings surge lifted the entire tech complex and added another leg to the year's dominant trade: AI infrastructure.

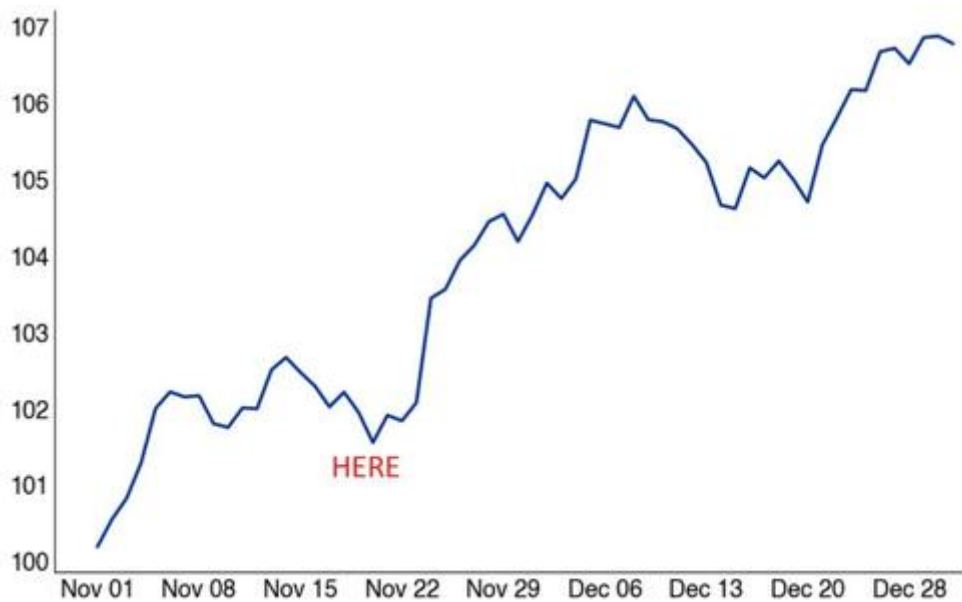
Financials (\$ mn, except EPS)	3Q25				
	Actual	GS	Street	Actual/GS	Actual/Street
Gaming	4,265	4,732	4,453	-9.9%	-4.2%
Pro Viz	760	643	619	18.2%	22.8%
Datacenter	51,215	49,388	49,731	3.7%	3.0%
Compute	43,028	40,613	42,612	5.9%	1.0%
Networking	8,187	8,775	7,365	-6.7%	11.2%
Automotive	592	620	633	-4.5%	-6.4%
OEM & Other	174	173	163	0.6%	6.6%
Total Revenue	57,006	55,556	55,448	2.6%	2.8%
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QoQ	22.0%	18.9%	18.6%		
YoY	62.5%	58.4%	58.1%		
Gross Margin (excl. SBC)	73.6%	73.5%	73.7%	+13 bps	-13 bps
Operating Income (excl. SBC)	37,752	36,616	36,597	3.1%	3.2%
Operating Margin (%)	66.2%	65.9%	66.0%	+32 bps	+22 bps
EPS (excl. SBC)	\$1.30	\$1.28	1.26	1.5%	3.0%

Importantly, Nvidia's numbers were more than a sentiment boost. They were confirmation that capital expenditures in AI, particularly by the largest tech platforms, remain robust. Microsoft, Amazon, and Meta are all spending aggressively on AI buildouts, and Nvidia sits at the center of that spend. That's why the stock's move matters: it's not just about one company, it's a read-through on the entire AI supply chain.

On the macro side, the data flow stayed supportive. Jobless claims ticked up slightly, but not enough to suggest deterioration. Inflation expectations, as measured by both breakevens and consumer surveys, remained anchored. Bond yields eased modestly, allowing equities more breathing room. This backdrop checks the boxes on what Nomura refers to as the 'Santa Rally' setup: cooling inflation, stable employment, improving liquidity, and no immediate Fed pushback.





Still, not all signals are green. Valuations, particularly in the tech sector, remain elevated, with the forward P/E ratio on the Nasdaq 100 above 25x, significantly higher than historical averages. Meanwhile, earnings growth has slowed in some areas. The market is clearly pricing in an ideal scenario, continued growth, disinflation, and no policy mistakes. That leaves little room for error.

Heading into December, the seasonal tailwinds remain intact, as noted above. December is historically the best month for equities, with the *Santa Claus rally* often delivering average gains of 1.5% to 2.0%. With corporate buybacks in full swing, adding \$5-6 billion in daily volume, investor positioning remaining stable, and professional managers underweight in exposure, particularly in technology companies, the fuel for a rally is present. However, the market also remains fragile due to poor underlying breadth and rising volatility, so caution is advised.

The near-term outlook is constructive, provided the Fed remains quiet and bond volatility remains contained. But any surprise, in inflation, growth, or geopolitics, could shift sentiment quickly. The key for investors is discipline. Don't chase the rally blindly. Stick to quality, stay diversified, and use elevated prices to trim into strength where appropriate. While the potential for a year-end rally is higher after the recent correction, nothing is guaranteed.

Let's review the technical backdrop.

?Technical Backdrop ? Breadth Tumbles

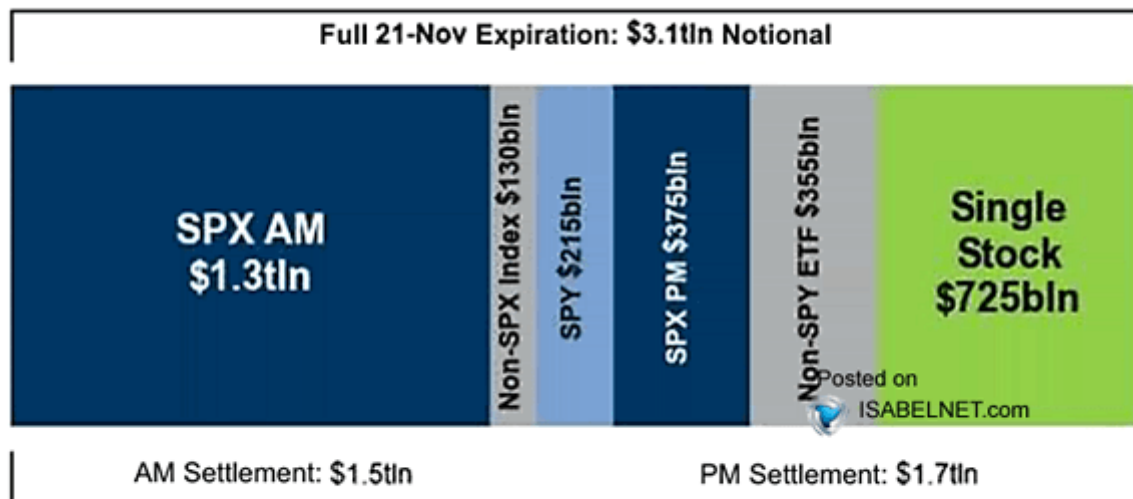
The bullish run of the past few weeks lost its footing as the S&P 500 closed back below its 50-day moving average, ending the week at 6,603. That break is notable. This level, which had previously served as reliable support since the late October low, gave way under broad selling pressure across sectors. Volume picked up on the move lower, and market breadth weakened significantly, with relative strength and breadth remaining very weak. Furthermore, money flows show the shift from accumulation to distribution.





From a technical standpoint, the index broke below the 50-day moving average, a key support level, and fell to the 100-day moving average during Thursday's market reversal. While there was much speculation about why the market reversed so significantly on Thursday, most of that reversal was likely due to positioning changes ahead of the options expiration on Friday, which was the largest November expiration on record.





Source: Goldman Sachs Global Investment Research, OptionMetrics

While Friday's strong bounce of the 100-day moving average is encouraging, we are not out of the woods just yet. As noted above, relative strength and breadth continue to be a concern. Should the 100-day moving average not hold, the next area of support sits around the 200-day moving average near 6,163. However, for now, the current pullback remains within a larger bullish structure, but pressure is mounting that should not be dismissed.

Other markets did not escape the selling pressure this past week. The Nasdaq Composite saw downside follow-through, losing nearly 2.75% on the week and closing back below short-term support levels. The AI-related stock basket declined by more than 5%, while Bitcoin fell by almost 10%. Overall, it was a tough week for investors, but the good news is that most markets are now decently oversold, which is enough for a bounce.

We suggest that investors who struggled emotionally during the recent selloff reassess their positioning. If you found the drawdown difficult to handle, take some action:

1. **Trim Back to Your Risk Tolerance:** *If the recent decline caused panic or second-guessing, it's a signal your risk exposure may be too high. Use the bounce to reduce position sizes in volatile or high-beta names. Rebuild your portfolio around positions you can hold through 10-15% corrections without emotional strain. Don't wait for another leg down to adjust.*
2. **Raise Cash Strategically:** *Cash is not a missed opportunity - it's optionality. If you had no flexibility during the decline, use the rally to raise some cash. Trim weaker positions or those that only work in one market scenario. A 10-20% cash allocation gives you the ability to buy future dips rather than sell into fear.*
3. **Reassess Asset Allocation:** *Market pullbacks test more than individual stock picks - they expose flaws in allocation. Were you too tech-heavy? Too concentrated? Use this bounce to shift into a more balanced mix of growth, value, and defensives. Ensure your exposure isn't overly reliant on a single theme, such as AI, small caps, or speculative sectors.*
4. **Review Your Exit and Stop Levels:** *The last two weeks exposed the cost of not having an exit plan. Use this rally to establish or tighten stop-loss levels based on support/resistance - not emotion. Define your max risk per trade or position and write it down. If the market weakens again, you'll respond with rules, not reactions.*
5. **Document What Went Wrong:** *Use this bounce as a debrief. What specifically made you uncomfortable during the decline? Was it overexposure, leverage, position sizing, or lack of diversification? Write it out. Then build a checklist for your following trades or allocations.*

Market stress is unavoidable, but self-inflicted damage can be minimized with better preparation.

This is not the time to chase losses or gamble on full recovery. Use strength to reposition with discipline and clarity. Let the market work for you, not against your temperament.

? Key Catalysts Next Week

Next week is a shortened trading week due to the Thanksgiving holiday, but that doesn't mean it will be quiet. Liquidity will be thinner, which can exacerbate volatility around key data releases. The most important report to watch is the October PCE Price Index, the Fed's preferred measure of inflation. It will be released on Wednesday and could have a significant impact on rate expectations leading up to December's FOMC meeting.

Markets are coming off a technically weak stretch, and any upside surprise in PCE could pressure yields higher, further challenging equity valuations. On the flip side, a soft print would reinforce the 'Goldilocks' narrative and increase the odds of a continued year-end rally. Also worth watching will be consumer sentiment and spending data. With the holiday shopping season underway, any signs of weakness could impact retail stocks, which have underperformed broadly in the fourth quarter.

Additionally, Fed officials are entering the quiet period ahead of the following policy meeting, meaning this is the final week to hear public comments. Traders should pay attention to any comments around financial conditions or balance sheet policy. With the bond market still adjusting to the Fed's recent dovish tilt, language from speakers like Waller and Goolsbee could matter more than usual.

Key Economic and Market Events – Week of November 24th

Day	Event
Monday	Fed's Waller speaks (9:00 a.m. ET)
Tuesday	Richmond Fed Manufacturing Index (10:00 a.m. ET)
Wednesday	PCE Price Index (8:30 a.m. ET)
	Initial Jobless Claims
	University of Michigan Consumer Sentiment (final)
	FOMC minutes release (2:00 p.m. ET)
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With fewer trading sessions and lower volume, markets will be more sensitive to headline risk. Stay nimble and be selective with your positioning as we enter a potentially volatile week.

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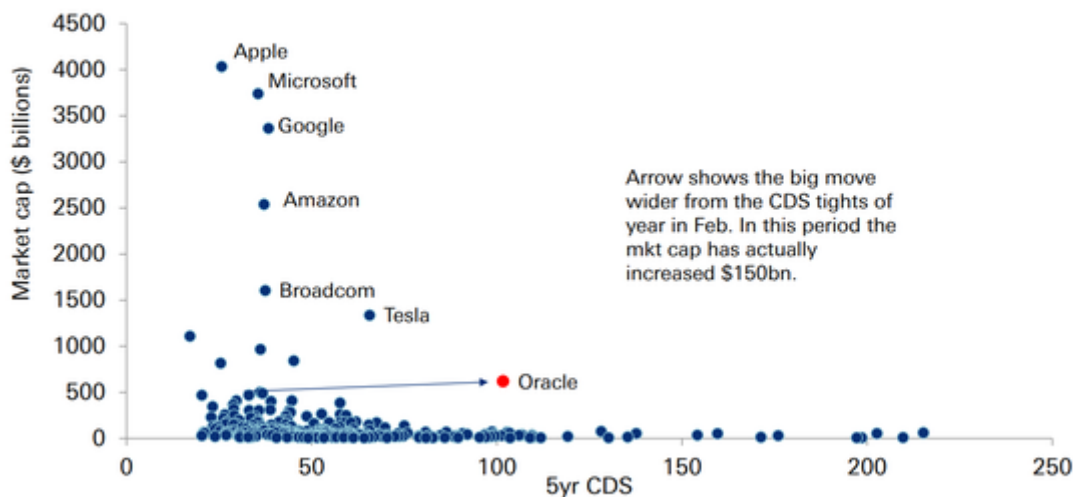
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? AI Trade Falters

The recent market correction places the *?AI trade?* under intense scrutiny. Stocks tied to artificial intelligence infrastructure, software, and platforms have pulled back, signalling more than a simple sentiment swing. According to Reuters, ***?investors are fretting over the pace of rate cuts and pricey valuations of heavyweight artificial intelligence stocks that have fueled much of the rally.?*** However, beyond valuation concerns lies a more profound problem: mounting debt issuance and rising credit default-swap (CDS) spreads in key AI-leveraged firms.

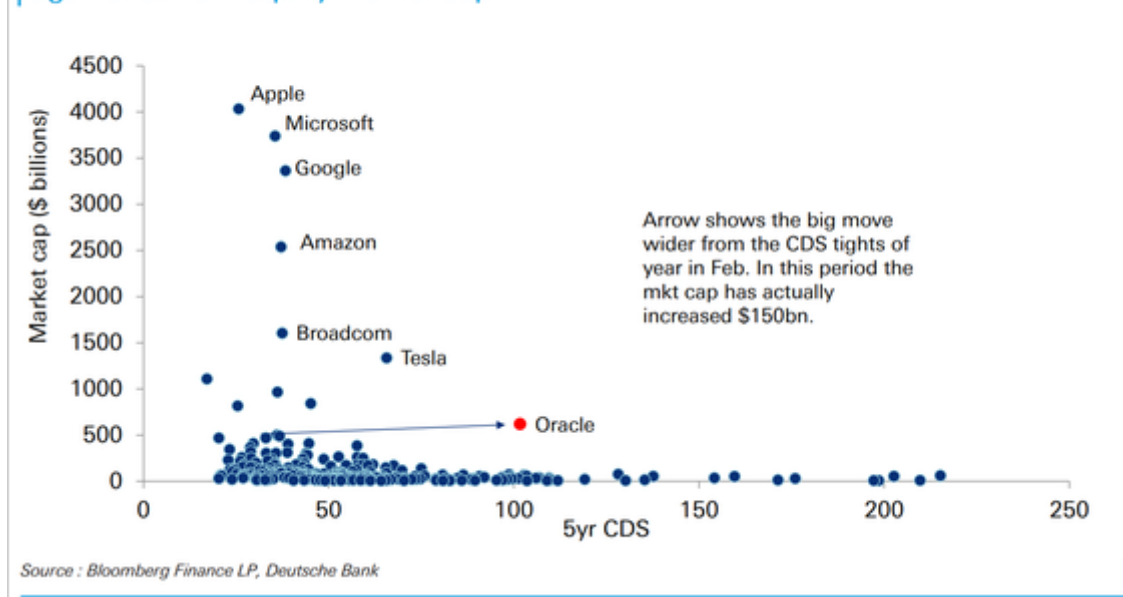
Recently, the credit markets have been flashing warning signs. For example, the 5-year CDS spread for Oracle Corporation has surged to over 100 basis points, up markedly from earlier this year, reflecting increased cost to insure its debt. The trading volume in CDS tied to AI sector debt increased to approximately \$4.2 billion over a recent six-week period.

Figure 1: Current 5yr CDS of all S&P 500 constituents that have a CDS contract, against current equity market cap...



Source : Bloomberg Finance LP, Deutsche Bank

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As we discussed in our [#DailyMarketCommentary](#),

?CDS stands for credit default swaps. These are derivative contracts in which one party, the default protection buyer, pays a quarterly fee, expressed in basis points. In return, the counterparty, or protection provider, assures that in the event of default, the buyer will receive par for their bonds. CDS spreads, or the cost of default insurance, provide the market with an easy way to quantify the implied market default probability. While simplified, here is the math to calculate default risk:?

The “Rule of Thumb” Formula (most used by traders and risk managers)

$$\text{Approximate Annual Default Probability (PD)} \approx \frac{\text{CDS Spread (in bps)}}{10,000} \div (1 - \text{Recovery Rate})$$

Or rearranged:

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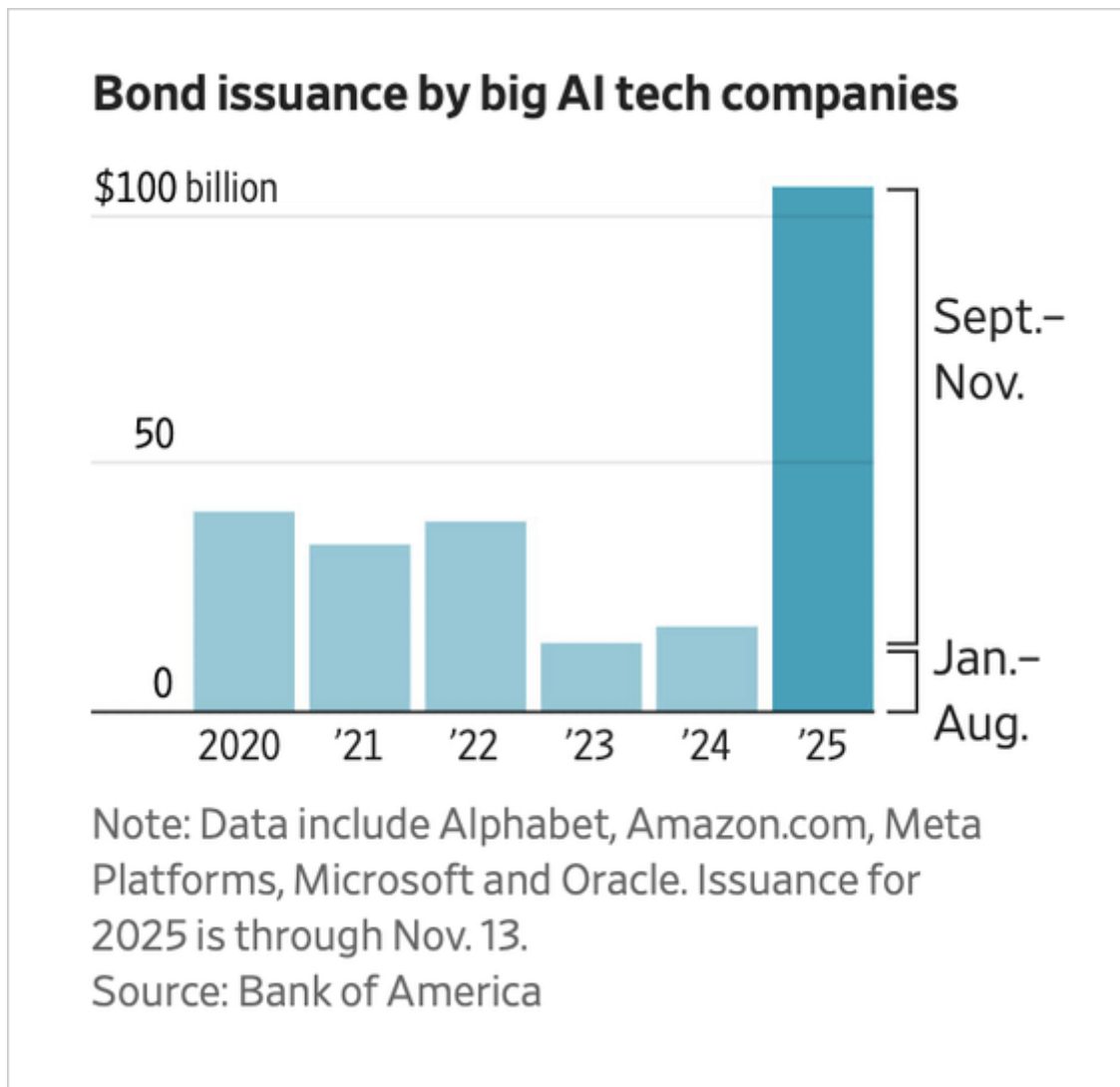
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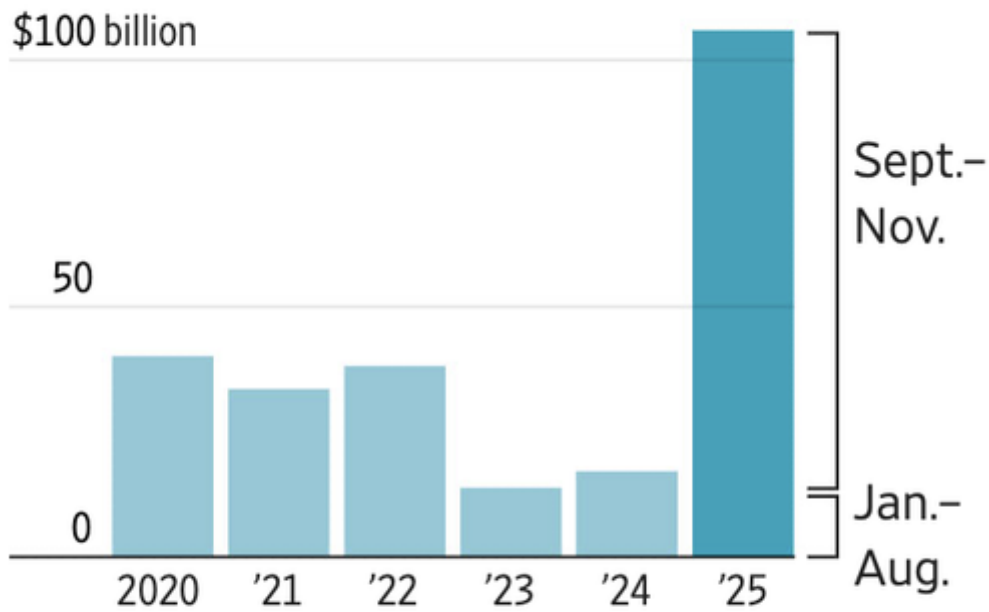
Essentially, the formula divides the cost of insurance by the bond's par value less the recovery rate. The recovery rate represents the percentage of the bondholders' investment that will be recovered in the event of default. Often, the market assumes only a 30- to 40-cent recovery of the original investment. Therefore, if we apply that math to the five-year Oracle and CoreWeave CDS spreads, and assuming a 35% default recovery, we get the following annual default probabilities.

- Oracle CDS 108 bps: $108 / (10,000 * (1 - 0.35)) = 1.66\%$
- CoreWeave CDS 675 bps: $675 / (10,000 * (1 - 0.35)) = 10.38\%$

In other words, despite the fear-mongering of the media, default risks remain exceptionally low. So, why this spike? Because tech firms are raising huge sums to build AI data centres and platforms, which took the markets a bit by surprise. Oracle alone plans a \$38 billion debt raise and could see net debt near \$290 billion by 2028.



Bond issuance by big AI tech companies



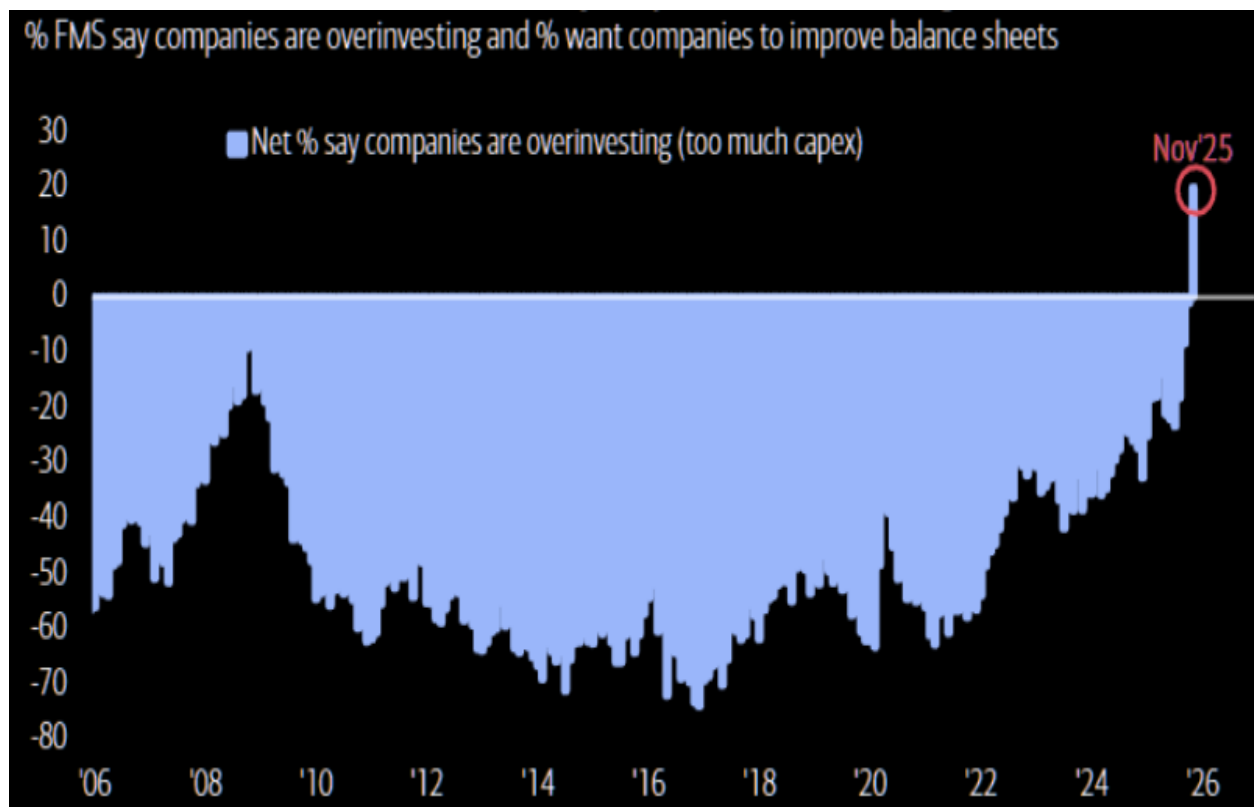
Note: Data include Alphabet, Amazon.com, Meta Platforms, Microsoft and Oracle. Issuance for 2025 is through Nov. 13.

Source: Bank of America

The increased leverage introduces refinancing and interest-rate risks, which were previously mostly nonexistent. While the *Mega-cap* companies have large free cash flows, a rising concern is that they are *over-investing* in the future.

For the first time since Aug'05, a majority (net 20%) of FMS investors say companies are overinvesting; this jump is driven by concerns over the magnitude & financing of the AI capex boom.?? BofA





These are companies counting on large future cash flows to justify their expenditures and debt loads. **When investors buy CDS protection, it means they assign a non-trivial probability to default or distress.** That signals the market's growing caution toward the AI growth narrative. Therefore, it is understandable why the recent correction in the *AI trade* has been more than just a minor fluctuation. It is reflecting investors' demand for proof regarding execution, earnings, and balance-sheet resilience.

From an investor's viewpoint, this means determining whether the current correction is genuinely a *thesis shift* or just a long-overdue price correction. The AI trade that powered recent rallies was built on promise and narrative. Now, the same firms are being evaluated on their ability to convert that promise into profits while managing sizable debt burdens in a higher interest rate environment.

These concerns raise a critical question.

Is the recent equity sell-off an early warning or an entry point?

Opportunity or Warning?

The structural opportunity for the *AI trade* remains substantial. According to a report from McKinsey & Company, generative AI and other advanced AI use cases could unlock as much as \$4.4 trillion in productivity gains for business users alone. Meanwhile, research from S&P Global Market Intelligence indicates that the market for code-generation tools is projected to grow at a compound annual growth rate (CAGR) of about 53% from 2024 to 2029.

These data points underscore a broad expectation: companies that adopt AI at scale will see top-line growth and cost efficiency improvements. Another research piece from the Boston Consulting Group shows that the adoption of *agentic AI* is set to rise from 17% of total AI value in 2025 to 29% by 2028, suggesting a transition from pilot phases to genuine business deployments. Further adding to the opportunity, the Bank of England has flagged that between 2025 and 2028, AI infrastructure capital expenditure may reach as high

as \$2.9 trillion, with roughly \$1.5 trillion of that coming from external capital sources.



While debt is being used to build data centers, that same debt is *productive* and will boost economic growth, which in turn increases revenues to these companies from increased demand. For more on the impact of spending on economic growth, you can read:

Further supporting the bull case, Nvidia's recent earnings shattered expectations. The company reported record sales and raised its guidance again, with **CEO Jensen Huang explicitly rejecting the notion of an AI bubble.**

"We are at the beginning of a new computing era. What we see is not hype. It's real, broad-based demand across nearly every industry." ? CNBC

Demand for GPUs remains so high that hardware is selling out despite increased supply, a sign that adoption is continuing at a substantial pace. These fundamentals suggest that companies

correctly positioned in the AI ecosystem may experience significant increases in revenue and cash flow. For example, platforms that host AI workloads, chipmakers who supply the infrastructure, and software vendors who embed AI into enterprise applications could all benefit from a multi-year growth phase. Given that many firms are still in the early stages of monetizing their AI investments, the long-term horizon remains favorable. **In other words, if this thesis proves to be true, the current weakness in some AI stocks could represent a tactical entry point for the patient and selective investor.**

However, the warning side of the ledger is equally essential.

The rapid advance of AI-related mega-cap stocks in 2025 has already delivered exceptional gains. According to Business Insider, investors are *rethinking the red-hot AI trade*, noting that some firms with strong earnings still experienced share-price declines because valuation expectations had outpaced actual performance. Similarly, the Bank of England has raised concerns that a *sharp market correction has increased given stretched valuations*, especially in the AI-tech segment. Goldman Sachs analysts estimate that much of the upside from the AI boom may already be reflected in current stock prices, as they estimate \$5 trillion to \$19 trillion in extra revenue upside. **As noted, their concern, and a valid one, is that the market has already priced in a significant portion of that.**

From a fundamental perspective, the warning is two-fold:

- 1. While long-term revenue growth expectations remain strong, many companies have yet to convert investments into substantial cash flows. A study in the arXiv preprint archive introduces a Capability Realisation Rate (CRR) model. It states that many AI-native firms are valued based on their future potential rather than their current results, creating a valuation misalignment risk.*
- 2. The sheer pace of gains in AI-exposed stocks has raised the bar for future performance. As one analyst put it: Even a company like Palantir Technologies has seen its share price hammered, even though its results did top expectations, nosebleed valuations got in the way. In other words, the risk is not just execution, but also expectations that are unrealistically high and already factored into the price.*

In summary, the fundamentals support the AI opportunity, driven by a large addressable market, accelerated adoption, and potential for margin improvement. But at the same time, the warning signs are real, from elevated valuations, compressed margins for error, and a market that has already rewarded much of the expected growth. This brings us to two crucial takeaways:

- If you take the long view and are willing to invest in companies with proven execution and realistic valuation, then a measured exposure makes sense.*
- But if you are chasing momentum in speculative names, this moment leans more toward caution than indiscriminate buying.*

To succeed, you must know yourself.

Know Your Investing Behavior Before You Bet on AI

Before you take a position in the AI trade, you need to understand how you respond to volatility. This is not a casual theme. It is a long-term investment tied to one of the most transformational technologies in decades, but it also comes with risk, hype cycles, and rapid repricing. How you behave during corrections will shape your outcomes more than your entry point.

If you tend to panic sell at the first sign of a 10% decline, then the warning signs discussed earlier should weigh heavily in your decision-making. AI stocks have seen massive runs and are now facing increased scrutiny. The price declines we've seen recently are not anomalies, and they are reminders that high-momentum sectors can turn quickly. Even companies with strong fundamentals are vulnerable if investor expectations are unrealistic. As Credit Suisse's recent behavioral finance outlook put it:

?Narrative-driven investing creates price swings that reward patience and punish emotional decisions.?

This is the phase we're entering now.

If you're a long-term investor and can withstand volatility, the AI trade may still be early in its cycle. According to Goldman Sachs, the bulk of AI-driven revenue gains may not materialize until 2027 or later, especially for enterprise use cases and infrastructure services. If you understand that, and you're building a position with a 3-5 year horizon, the current reset offers an opportunity to build into positions that you will want to own. **This assumes you're disciplined about risk, diversified in your exposures, and clear-eyed about the timeline required for these investments to deliver.**

If you don't know how to manage risk, read: [**Portfolio Risk Management: Accepting The Hard Truth ? RIA**](#)

AI is not a meme stock story. It's a structural transition playing out unevenly across sectors and balance sheets. The volatility will continue, and if you're inclined to sell during the inevitable drawdowns, then your odds of capturing the long-term value shrink. Recognize your personal investment behavior before deciding how ? or if ? to engage.

? Taking On The AI Trade

If you decide to participate in the AI trade, you need a tactical plan that reflects both the opportunity and the risk.

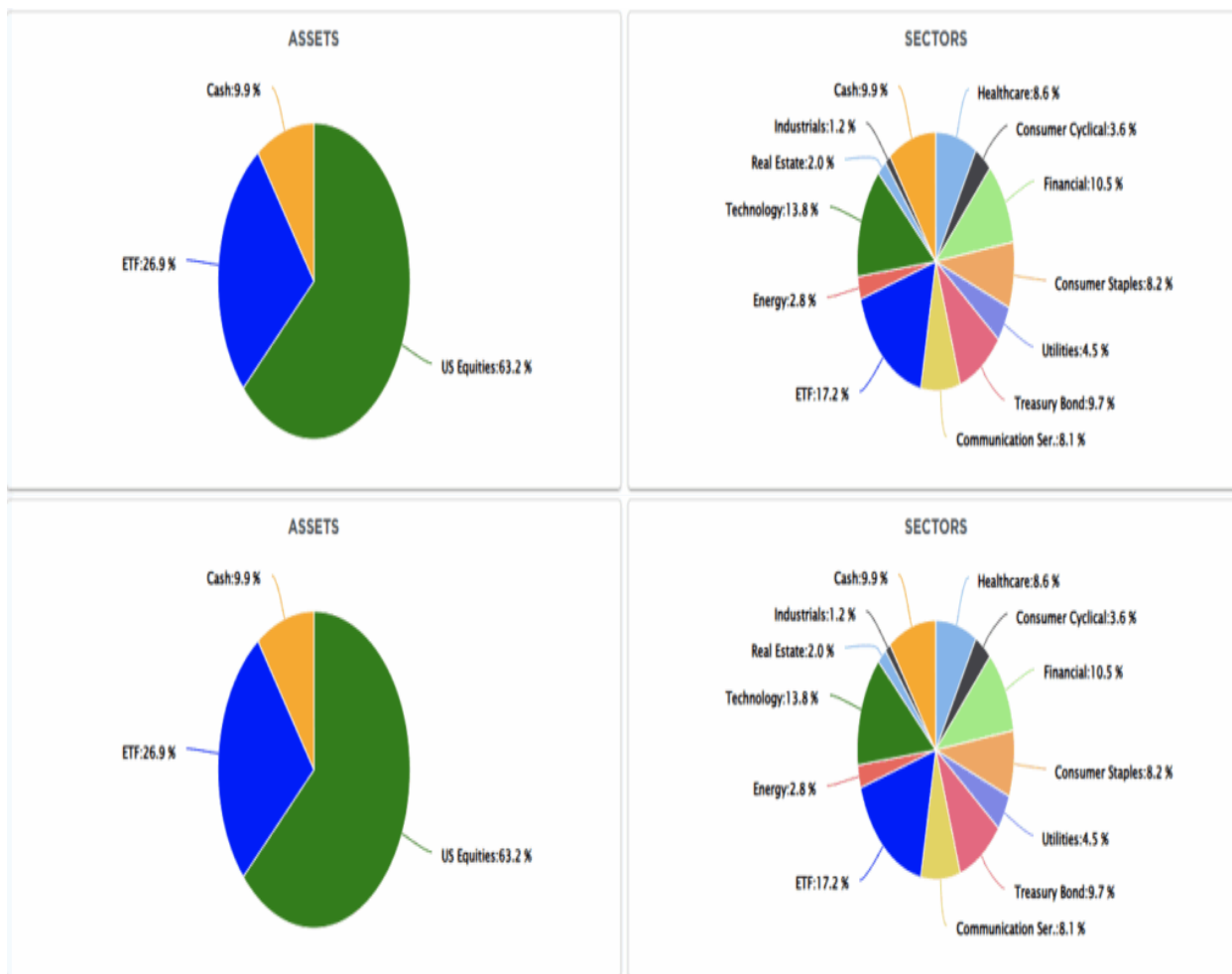
- **Start by narrowing your exposure to quality.** Look for firms with proven revenue growth, strong balance sheets, and a clearly defined strategy for monetizing AI. That includes companies like Nvidia, which sits at the center of AI hardware, and Microsoft, which is embedding AI across its product stack. These are firms that have already shown cash flow strength while expanding their AI footprint.
- **Next, avoid overconcentration.** The ?Magnificent Seven? tech stocks are deeply tied to AI but also dominate major indexes. Owning too many of them increases risk if sentiment toward mega-cap tech sours. Consider exposure through ETFs or sector baskets that include both infrastructure and software, but cap your weightings. BlackRock recommends thematic exposure at no more than 5-10% of a diversified portfolio.
- **Separate AI narratives from fundamentals.** Some companies are tagging AI in their earnings calls without a viable product or strategy. Use earnings transcripts and capital expenditures (Capex) disclosures to determine if their AI investment is credible or marketing-driven.
- **Build positions slowly.** The volatility in this theme means you are better off accumulating on pullbacks than chasing rallies. Dollar-cost averaging works better in high-beta themes, such as AI.
- **Keep dry powder.** As the recent spike in credit default swaps shows, debt is a growing concern in the AI build-out. If a major player missteps or if rates stay higher, you'll see

dislocations. Having capital ready lets you take advantage without being forced to sell other positions.

- **Have an exit strategy.** Whether you're investing for growth, valuation expansion, or long-term disruption, be aware of your time horizon and risk limits. AI will reshape multiple industries, but not every company betting on it will win. Use fundamentals, sentiment, and your personal discipline to guide how and when you enter or exit.

If you approach this like a venture investor, sizing appropriately, remaining patient, and staying rational, the AI trade can add meaningful upside to your portfolio over time. But if you're relying on momentum, news cycles, or short-term speculation, you may not be able to stomach the ride.

Trade accordingly.



?? From Lance's Desk

This week's [#2013266080;#MacroView](#) blog [#2013266080](#); examines how the massive AI data center buildout boom is masking underlying economic weakness.

Capex Spending On AI Is Masking Economic Weakness



By Lance Roberts | Nov 21, 2025



Capex Spending On AI Is Masking Economic Weakness



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Is the AI trade over, or is this just a correction within an ongoing bullish trend?

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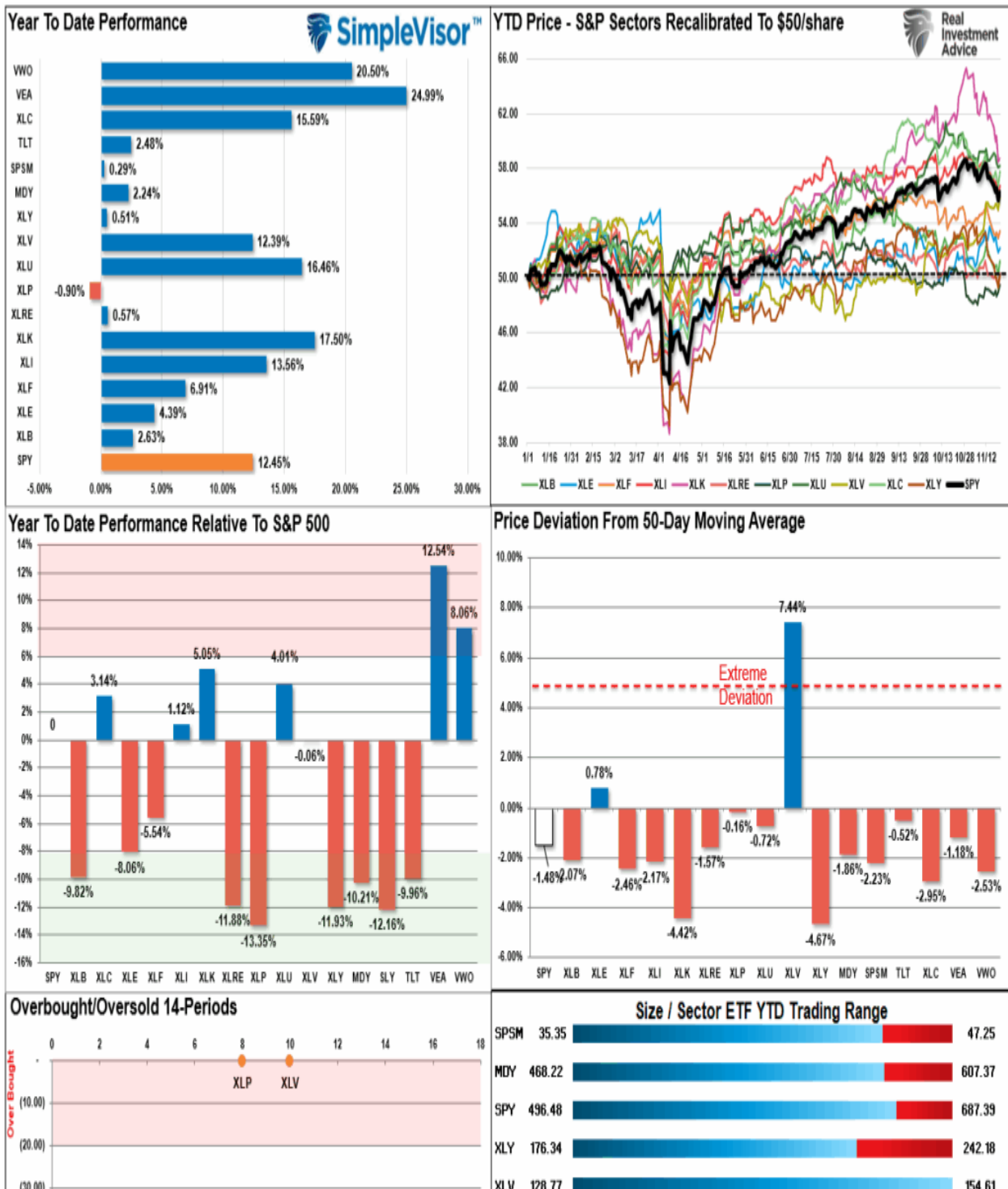
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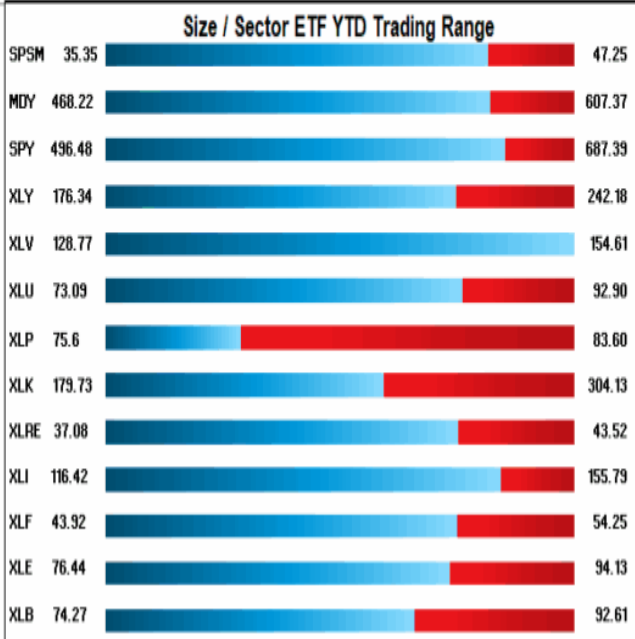
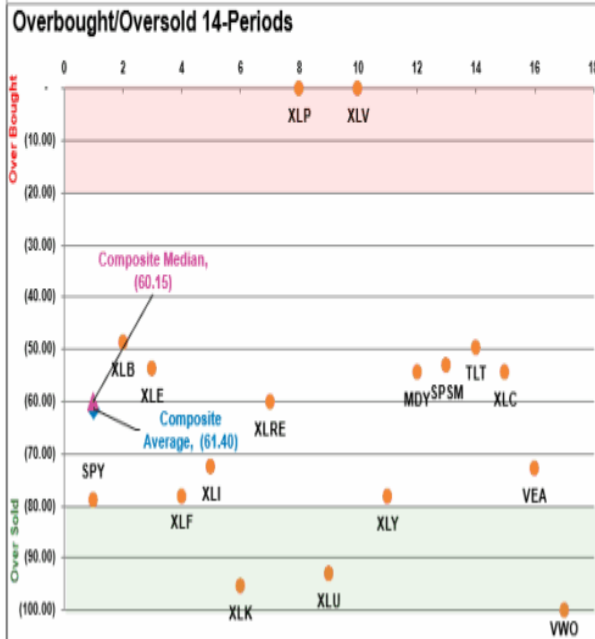
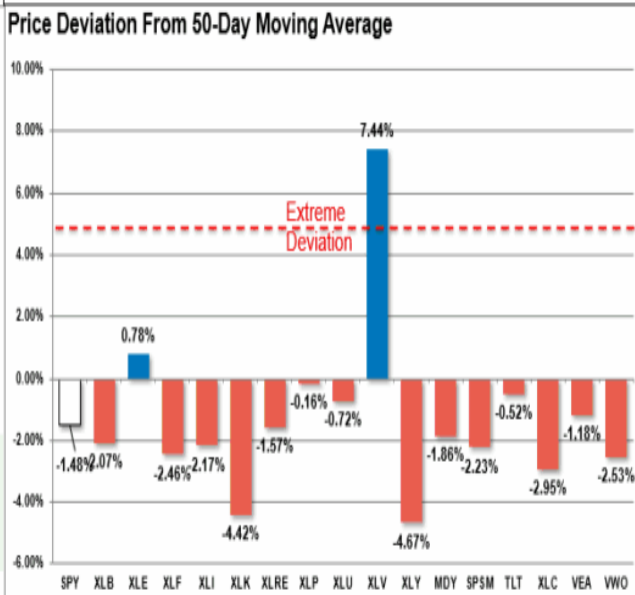
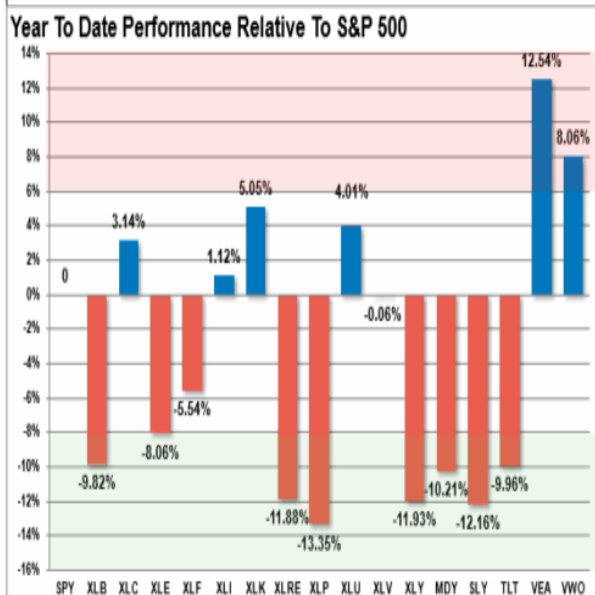
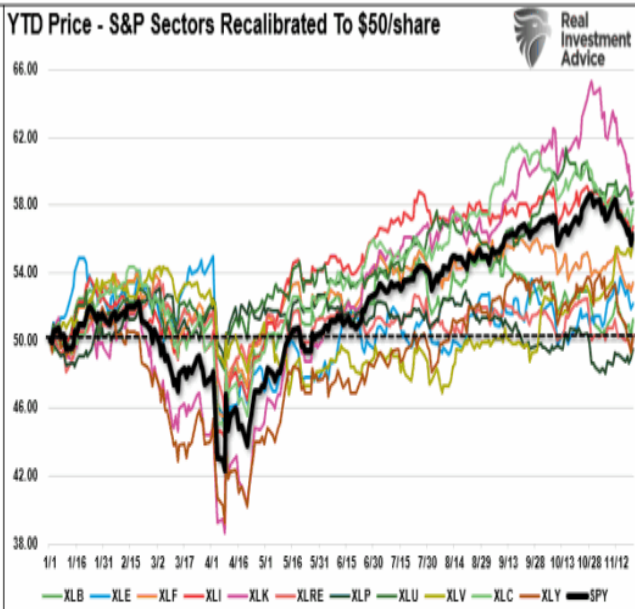
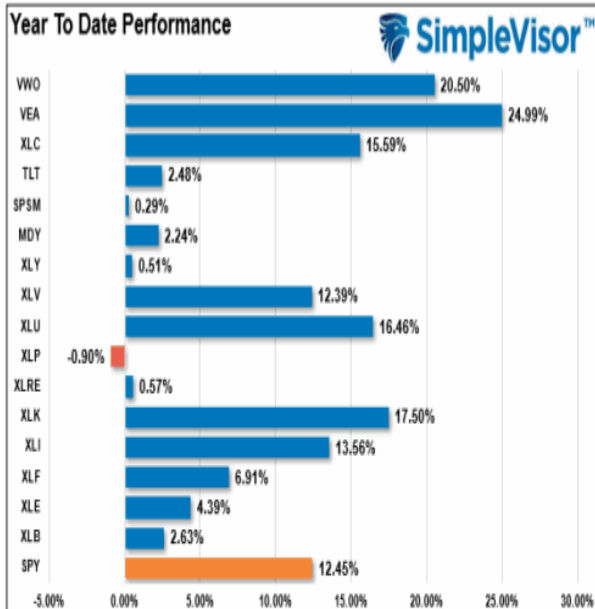
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? Market & Sector X-Ray: Pullback To Support

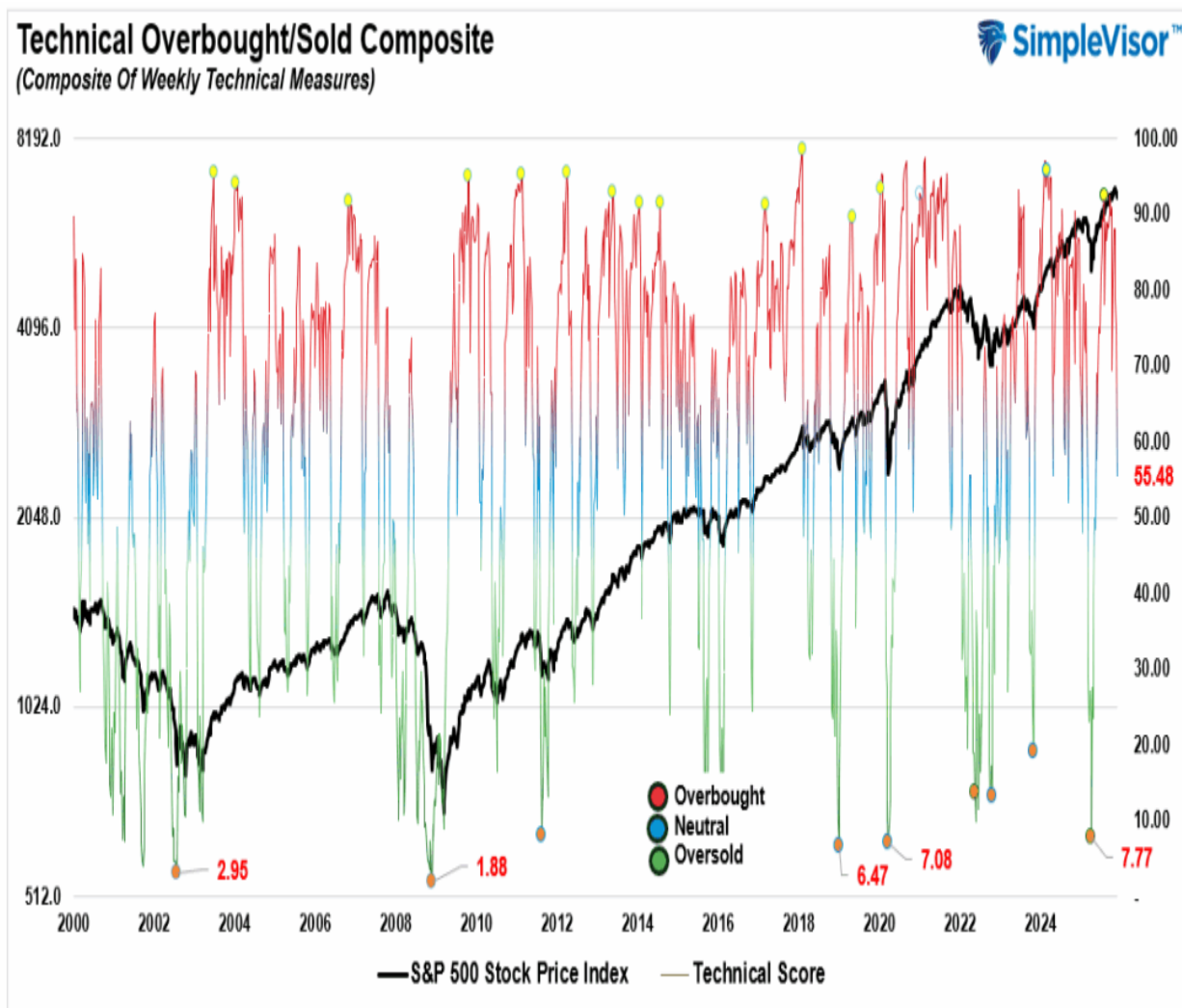
Last week, we warned investors to **Look for short-term corrections to reverse some excess, but remain long equities heading into year-end.** This week, the market corrected back to the 100-day moving average after ending a prolonged streak above the 50-day moving average. The good news is that the broad market is becoming increasingly oversold, setting the stage for a rally into year-end. Staples and healthcare, which were oversold going into the sell-off, benefited from the defensive rotation. Those sectors are now overbought, and as noted below, technology is oversold. Take profits and rebalance accordingly.

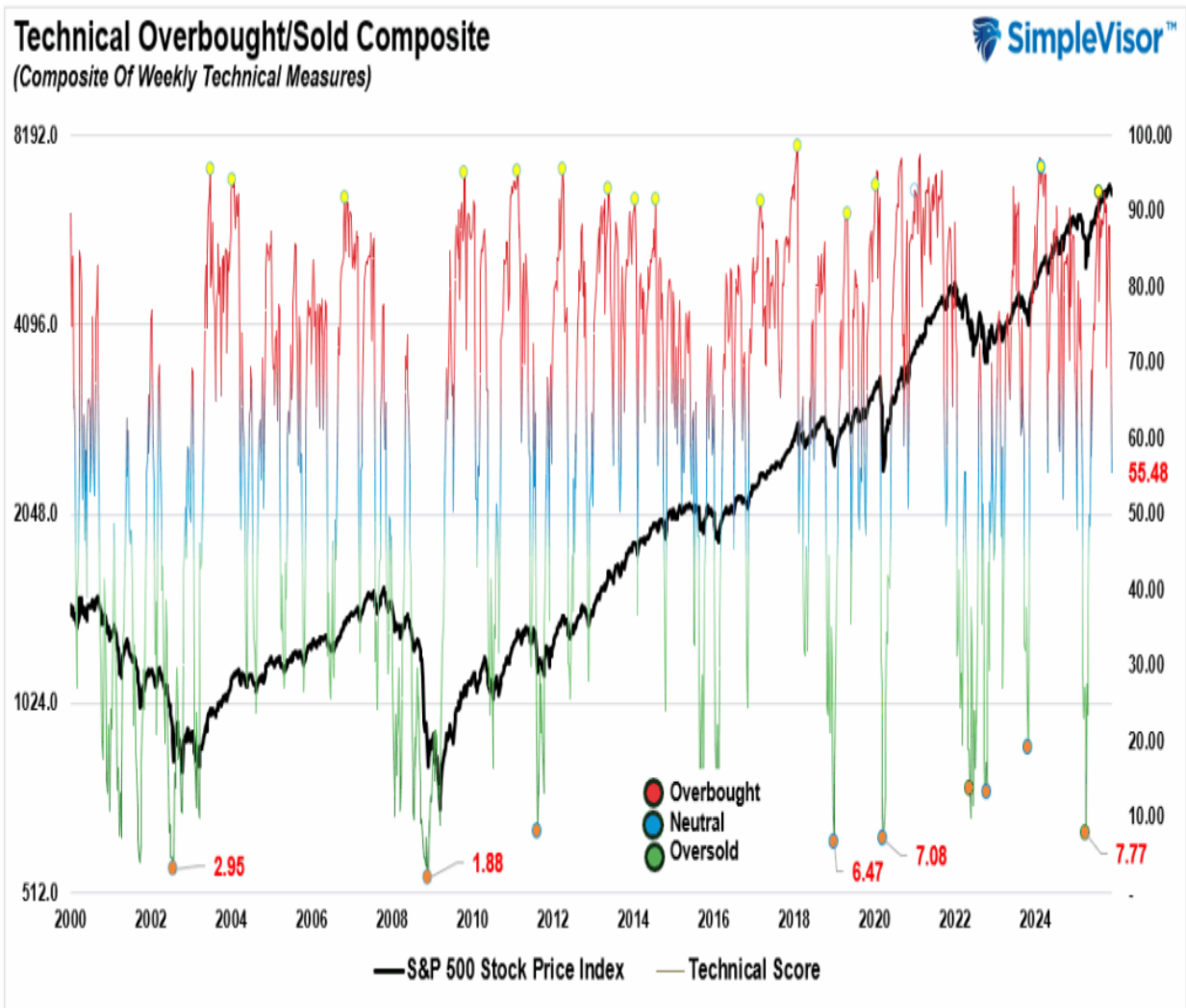




? Technical Composite: 55.48 ? Correcting Previous Overbought

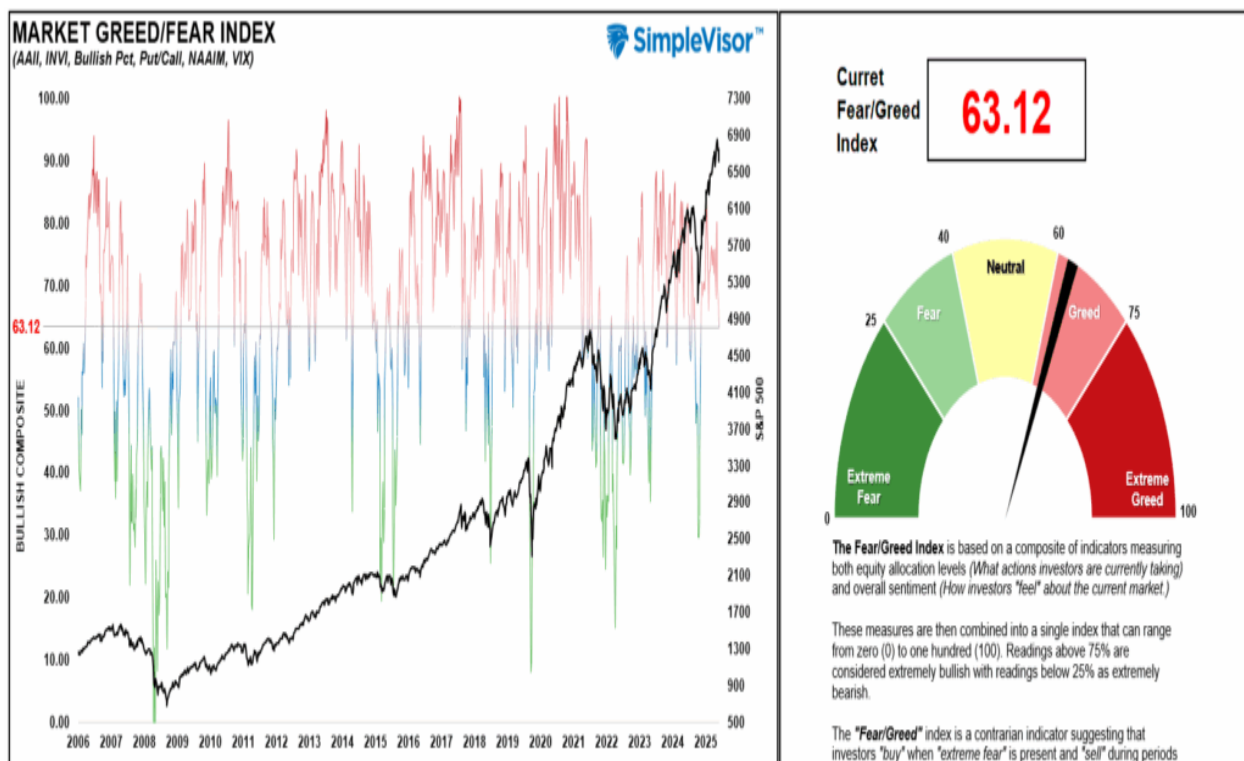
The overall technical condition decreased notably this past week as the market corrected. As we warned three weeks ago, conditions that are typically overbought (90 or above) increase the risk of a short-term correction, which has been underway. If this is just a pullback, markets are oversold enough for a decent bounce into the end of the month.

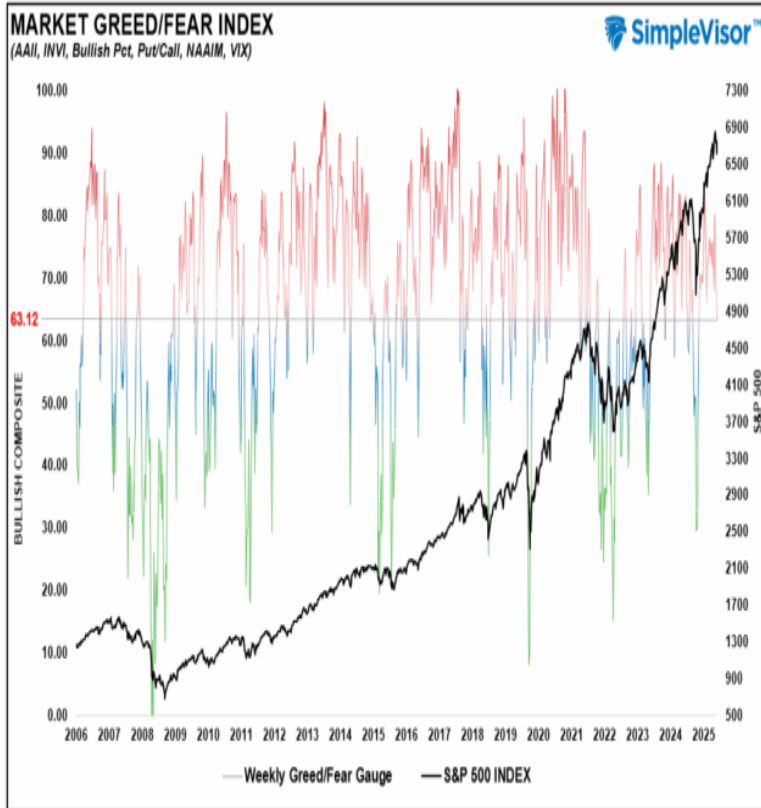




? Fear/Greed Index: 63.12 ? Heading To Neutral

The selloff this past week finally put a decent dent in investor positioning and allocations, albeit modestly relative to the media headlines and market narratives. With some of the previous exuberance reversed, it was unsurprising to see *?dip buyers?* step in on Friday. We could see some follow-through buying this coming week.





Current Fear/Greed Index **63.12**



The **Fear/Greed Index** is based on a composite of indicators measuring both equity allocation levels (What actions investors are currently taking) and overall sentiment (How investors "feel" about the current market.)

These measures are then combined into a single index that can range from zero (0) to one hundred (100). Readings above 75% are considered extremely bullish with readings below 25% as extremely bearish.

The "**Fear/Greed**" index is a contrarian indicator suggesting that investors "buy" when "extreme fear" is present and "sell" during periods of "extreme greed."

? Relative Sector Performance

We have discussed for the past few weeks that a market rotation was likely, and the leadership of Technology would give way. This past week, that is precisely what happened, and Technology is now moving back into relative oversold conditions, along with Transportation and Discretionary. The reset was necessary for the market to regain its footing.

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Sectors Factors

Sectors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
XTN	Transportation	-0.58	-0.60	Chart
XLY	Consumer Discretionary	-0.64	-0.55	Chart
XLK	Technology	-0.31	-0.32	Chart
XLI	Industrials	-0.49	-0.22	Chart
XLRE	Real Estate	-0.53	-0.14	Chart
XLB	Materials	-0.36	-0.10	Chart
XLF	Financial	-0.35	-0.06	Chart
XLU	Utilities	-0.10	-0.04	Chart
XLC	Communication Services	-0.32	0.02	Chart
XLP	Consumer Staples	-0.18	0.10	Chart
XLE	Energy	0.32	0.17	Chart
XLV	Health Care	0.71	0.56	Chart

How it works

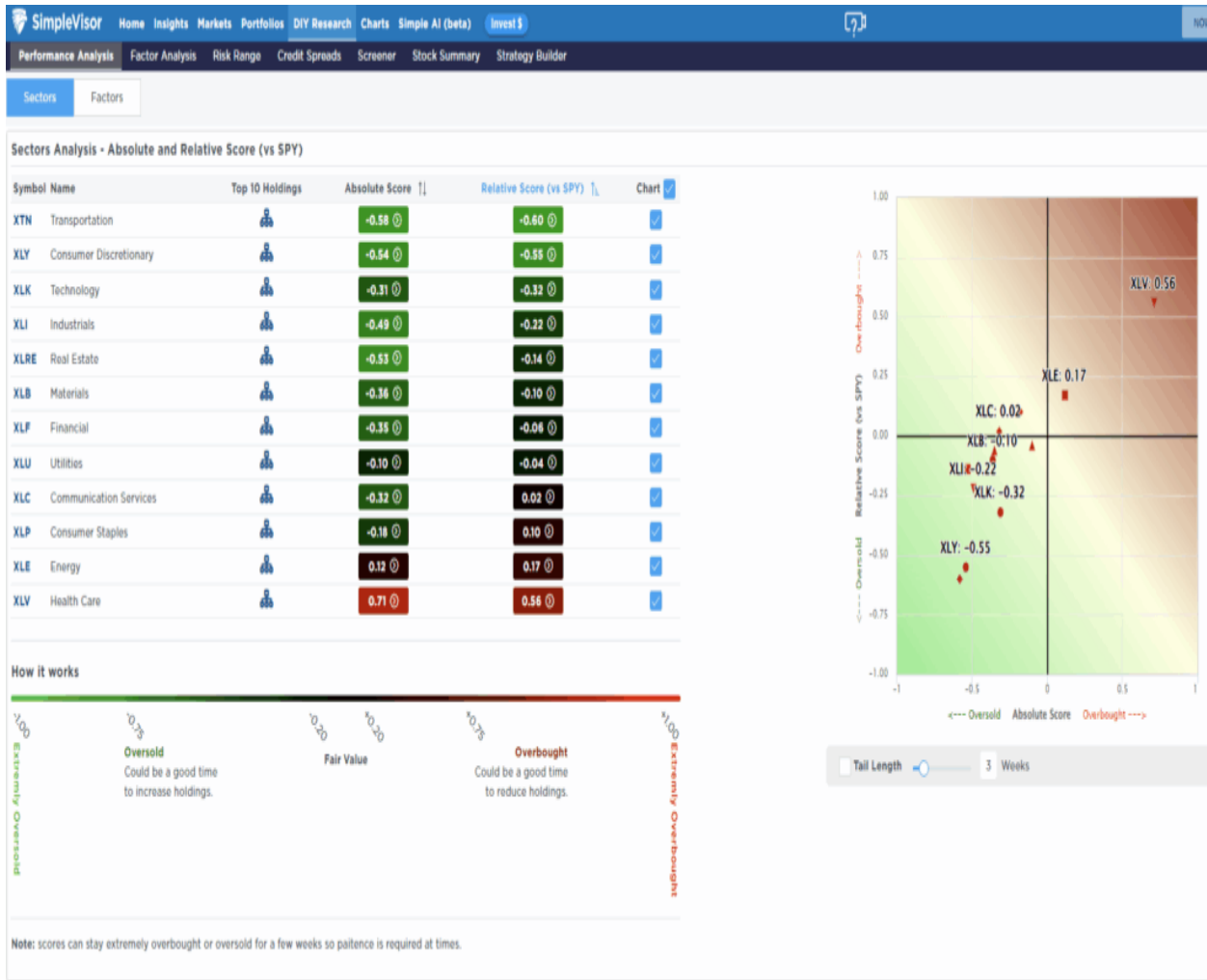
Extremely Oversold | Oversold | Fair Value | Overbought | Extremely Overbought

Oversold: Could be a good time to increase holdings.

Fair Value: Fair Value

Overbought: Could be a good time to reduce holdings.

Note: scores can stay extremely overbought or oversold for a few weeks so patience is required at times.



? Most Oversold Sector Holdings

As noted, Technology has reversed much of its previous overbought condition with the recent correction. Within the top 10 holdings of the sector, CRM, MSFT, ORCL, PLTR, and NVDA are the most oversold, suggesting we could see some buying enter these stocks next week.





? Sector Model & Risk Ranges

Three weeks ago, we started warning that many sectors were exceedingly above their long-term means, and a correction was likely to reverse those conditions. The correction this past week significantly reduced some of those larger deviations, except for gold and gold miners. Notably, healthcare, which was previously oversold, benefited from the risk-off rotation and is now overbought, 12% above its long-term mean. Take profits and look for a rotation back into technology and discretionary stocks, in particular, which may receive a technical bounce this week given their respective short-term oversold conditions. The overall bullish backdrop continues to improve with every primary market and sector, save Staples, on a bullish moving average crossover.

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT	MONTH END	REL S&P	RISK RANGE		% DEV -	% DEV -	M/A XVER	
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	LONG WMA	PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	662.28	(1.93)	(2.68)	2.15	10.01	10.67	667.44	623.54	685.23	1.00	702.36	668.10	-1%	6%	BULLISH
XLB	SPDR-MATLS SELS	86.35	1.45	(0.31)	(8.58)	(11.64)	(18.89)	88.94	87.60	85.67	1.03	88.69	82.65	-3%	-1%	BULLISH

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XLC	SPDR-COMM SV SS	111.90	2.44	(0.48)	(1.70)	(2.12)	4.84	114.81	108.90	114.81	1.02	118.86	110.76	-3%	5%	BULLISH
XLE	SPDR-EGY SELS	88.42	(0.90)	4.21	(3.23)	(2.81)	(18.74)	88.77	86.18	88.13	0.75	91.00	85.26	1%	4%	BULLISH
XLF	SPDR-FINL SELS	51.67	0.44	(0.03)	(6.45)	(9.25)	(8.81)	53.11	51.56	52.37	0.99	54.20	50.54	-3%	0%	BULLISH
XLK	SPDR-TECH SELS	273.20	(3.26)	(4.26)	1.94	4.60	6.29	281.17	253.37	300.68	1.21	311.83	289.53	-3%	8%	BULLISH
XLI	SPDR-INDU SELS	149.63	0.36	(0.73)	(3.72)	(6.77)	(5.77)	152.68	145.96	155.06	1.08	160.60	149.52	-2%	3%	BULLISH
XLP	SPDR-CONS STPL	77.90	2.76	1.18	(5.72)	(14.65)	(15.48)	78.58	80.25	76.28	0.52	78.59	73.97	-1%	-3%	BEARISH
XLRE	SPDR-RE SELS	40.90	1.81	(1.42)	(5.49)	(12.35)	(17.90)	41.65	41.45	40.90	1.00	42.33	39.47	-2%	-1%	BULLISH
XLU	SPDR-UTIL SELS	88.15	1.24	(0.86)	2.39	(1.44)	(2.44)	87.81	83.85	89.10	0.82	91.88	86.32	0%	5%	BULLISH
XLV	SPDR-HLTH CR	154.61	3.76	8.56	10.35	5.04	(3.42)	142.52	137.71	144.25	0.63	148.76	138.74	8%	12%	BULLISH
XLY	SPDR-CONS DISCR	225.50	(0.40)	(2.44)	(4.85)	(3.73)	(7.27)	235.91	220.76	239.93	1.21	248.84	231.02	-4%	2%	BULLISH
XTN	STSR-SP TRANSP	82.20	0.69	0.27	(6.72)	(4.72)	(21.68)	84.59	80.40	85.21	1.42	88.55	81.87	-3%	2%	BULLISH
SDY	STSR-SP DIV ETF	138.26	1.96	1.73	(4.33)	(7.77)	(13.51)	139.16	136.61	137.22	0.79	141.74	132.70	-1%	1%	BULLISH
RSP	INVS-SP5 EQ ETF	185.76	1.09	(0.20)	(3.67)	(6.06)	(10.54)	188.40	181.45	187.93	0.99	194.49	181.37	-1%	2%	BULLISH
SPSM	STSR-PRT SC	45.05	0.81	(1.94)	(4.30)	(2.67)	(17.99)	46.08	43.34	45.92	1.10	47.57	44.27	-2%	4%	BULLISH
MDY	SPDR-SP MC 400	582.32	1.27	(0.66)	(4.31)	(5.72)	(15.31)	594.21	568.48	592.98	1.08	614.21	571.75	-2%	2%	BULLISH
EEM	ISHARS-EMG MKT	53.10	(1.45)	(0.95)	4.34	3.16	12.02	53.33	49.12	55.30	0.65	57.04	53.56	0%	8%	BULLISH
EFA	ISHARS-EAFE	92.65	(0.81)	0.17	(0.87)	(6.77)	8.79	93.55	89.51	94.49	0.84	97.64	91.34	-1%	4%	BULLISH
IAU	ISHARS-GOLD TR	76.61	1.45	1.77	15.53	12.62	39.31	73.04	66.47	75.39	0.09	77.34	73.44	5%	15%	BULLISH
GDX	VANECK-GOLD MNR	73.65	(1.37)	3.85	14.44	32.66	81.73	72.40	59.47	72.06	0.53	74.24	69.88	2%	24%	BULLISH
UUP	INVS-DB US\$ BU	28.39	2.93	4.40	1.57	(6.55)	(17.06)	27.76	27.57	28.21	(0.22)	28.85	27.57	2%	3%	BULLISH
BOND	PIMCO-ACTV BOND	93.66	2.32	1.98	(0.95)	(6.30)	(8.27)	93.42	92.08	93.88	0.28	96.48	91.27	0%	2%	BULLISH
TLT	ISHARS-20+YTB	89.50	2.64	0.53	1.20	(5.15)	(11.65)	89.48	87.96	90.29	0.53	93.02	87.56	0%	2%	BULLISH
BNDX	VANGD-TTL INT B	49.56	2.13	2.24	(1.65)	(9.28)	(11.63)	49.52	49.35	49.85	0.22	51.21	48.49	0%	0%	BULLISH
HYG	ISHARS-IBX HYCB	80.37	2.12	1.80	(2.76)	(8.66)	(9.56)	80.74	79.88	80.80	0.41	83.15	78.45	0%	1%	BULLISH



RISK RANGE REPORT



Have a great week.

Lance Roberts, CIO, RIA Advisors