22. Friday Footnotes

Weekly Market Guide

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Window of Uncertainty/Risk Near-term

Last week served as a **timely reminder of the risks of complacency** in an environment marked by fluid dynamics and a growing wall of worry for equities. Markets experienced a brief pullback last week, with the S&P 500 declining ~3.4% as it approached its 200-day moving average before equities rebounded following Trump's familiar pattern of quickly walking back aggressive rhetoric. Despite the volatility, fear indicators such as high-yield credit spreads, the VIX, and the MOVE Index remained relatively subdued, suggesting that the **market is not pricing in significant systemic risk**. In the near term, after a robust ~23% rally from intraday trough to peak, we believe the market would **benefit from a period of consolidation or basing**, rather than viewing last week's modest 3.4% decline as sufficient. **We continue to view weakness as an opportunity for selective accumulation.**

Sector Leadership and Risk-On Rotation

Cyclical and growth sectors—particularly Technology, Industrials, Consumer Discretionary, and Communication Services—have led the market higher, all outperforming the S&P 500 since the lows. Industrials were the first to reclaim prior highs, and Technology continues to show strong momentum, with around 90% of its constituents trading above their 50-day moving average. This broad participation supports the case for sustained strength. In contrast, Health Care and Energy have lagged. **Continued outperformance by risk-on sectors, especially if Consumer Discretionary maintains leadership over Consumer Staples, would reinforce confidence in the rally's durability.**

Long-Term Opportunity Supported by Technicals and Macro Trends

Despite short-term uncertainty, the **broader technical picture remains constructive.** The market's strong breadth thrust from the recent lows points to further upside over the next 3–6 months. Internationally, persistent US dollar weakness—historically inversely correlated with emerging market performance—could serve as a tailwind for EM equities. With improving risk sentiment and strong sector leadership, the long-term outlook for equities remains positive.

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