



Technical update: Signs of rotation support rebalancing portfolios

Robert Sluymer, CFA, Technical Strategist – New York

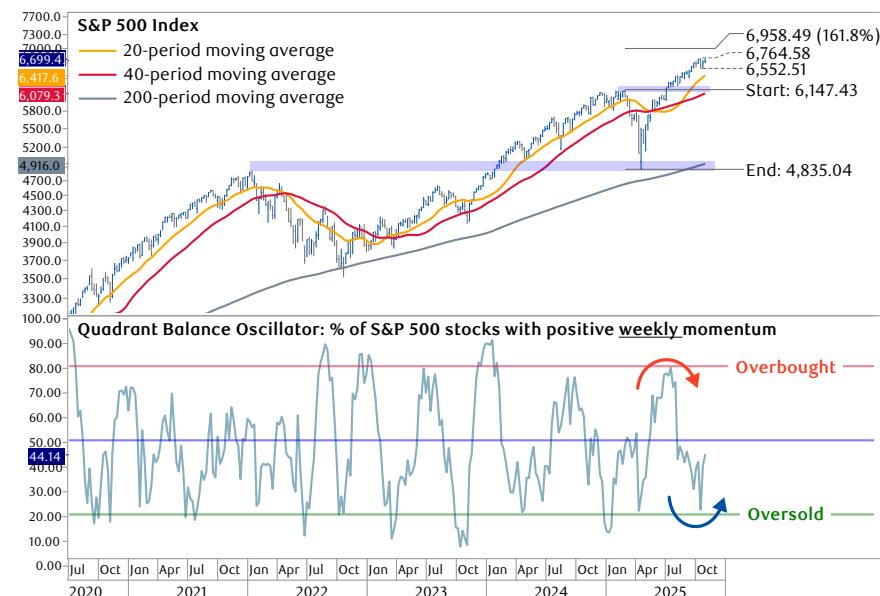
The S&P 500 has remained impressively resilient from a technical perspective despite a myriad of concerns regarding valuations, China-U.S. trade and tariff disputes, and ongoing geopolitical challenges. While growth stocks have continued to dominate equity leadership, we think there are signs other areas of the market are bottoming following corrections through Q3 into Q4 that support our belief that investors should consider portfolio rebalancing.

Despite our moderately cautious outlook in the previous Global Insight Weekly technical update on Aug. 14, the S&P 500 has remained impressively resilient, barely pulling back and notching an additional two to three percent heading into mid-October.

However, while some mega-cap growth stocks have continued to march higher into early Q4, a broad list of stocks across many sectors pulled back meaningfully. For example, regional banks remained weak and sold off further on credit concerns while insurance, Industrials, retail, housing, Materials, and Energy stocks remained volatile through the balance of this past quarter heading into early Q4.

Key S&P 500 levels to monitor:
The chart at right reflects the above-mentioned dual reality within the S&P 500. The top panel illustrates the price of the S&P 500 marching

S&P 500 weekly price and quadrant balance measuring the % of S&P 500 stocks with rising momentum



Source - RBC Wealth Management, Bloomberg, Optuma

For perspectives on the week from our regional analysts, please see [pages 3-4](#).

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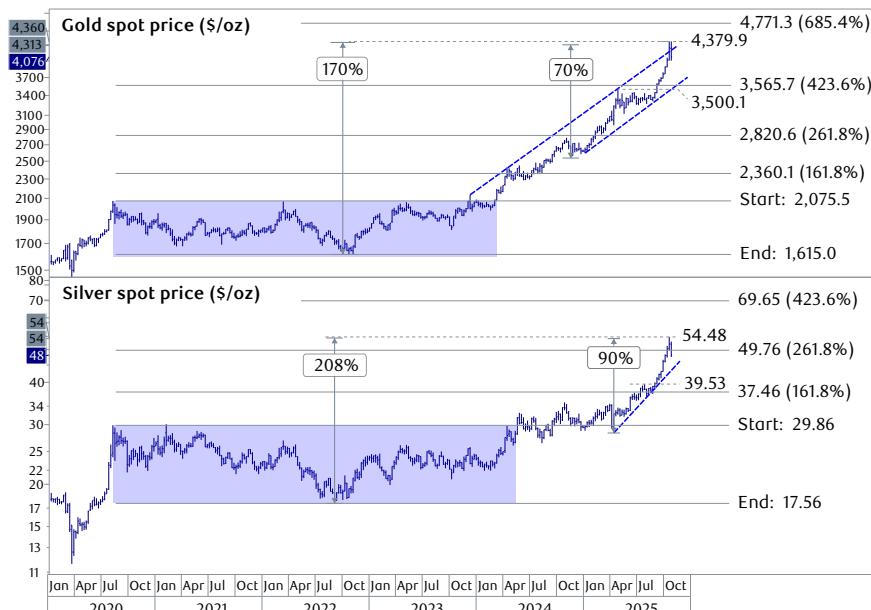
Priced (in USD) as of 10/22/25 market close (unless otherwise stated). Produced: 10/23/25, 15:25 ET; Disseminated: 10/23/25, 15:30 ET

steadily higher from the oversold lows in Q2 through Q3 with a narrow consolidation currently underway. Interestingly, the index has remained in a tight 3.25% trading range between 6,552 and 6,764, despite concerns regarding historically elevated valuations, ongoing China-U.S. trade and tariff disputes, ongoing geopolitical concerns, and volatility around corporate earnings. From a technical perspective, those levels are likely to prove important with a move in either direction outside of that range expected by us to signal the next direction move for the S&P 500. While it may seem overly simplistic, we think a rally above 6,764 would signal that investors are looking past the list of concerns in anticipation of a stronger earnings outlook. A break below 6,552 would signal to us the Q2-Q3 uptrend is stalling and a corrective phase is likely underway.

Peeling back the onion for a look at change underway within the S&P 500: In contrast, the volatile quadrant balance indicator in the bottom panel of the chart on page 1 reflects the behavior of the average stock in the S&P 500. This indicator tracks the percentage of stocks within the S&P 500 with rising weekly momentum which tells us how many stocks within the index are rallying or are in sideways to down trends over a three- to six-month time frame. This indicator was elevated (overbought) heading into the summer months and was one of the reasons we expected the market and many stocks to pull back moving into Q4. Now, however, this indicator is low (oversold) but beginning to turn up, suggesting to us that a growing percentage of S&P 500 stocks that have been weak for the past two to three months are beginning to improve.

A case to continue rebalancing: The bottom line from these two conflicting chart panels is that there is evidence of a rotation developing within the S&P 500, and it reinforces our view highlighted in August that investors should consider rebalancing portfolios. Many of the aggressive growth, high-momentum, and high-valuation stocks have begun to pull back quickly over the past few weeks while many of the lagging areas, such as Healthcare, select Consumer Staples, and even Energy, are beginning to stabilize and improve.

What comes next for gold and silver?



Source - RBC Wealth Management, Bloomberg, Optuma

Gold and silver – What now? The chart above reflects the impressive rally in gold (top panel) and silver (bottom panel) that has developed in 2024 and 2025 following broad trading ranges between 2020 and 2024. Concerns regarding a declining U.S. dollar, expanding U.S. deficits, and global central banks accumulating gold have accelerated demand for both of the precious metals, with gold and silver surging 70% and 90%, respectively, in 2025.

However, the rally in both precious metals accelerated dramatically in September and into October with prices becoming very extended above their technical uptrends and steep corrections developing over the past week. We view the reversals in both metals to be part of a broader derisking process taking hold across more speculative market areas such as quantum computing, drones, and space-related equities, that were rising at an unsustainable pace over the past two months. The bottom line technically is that the long-term trends for gold and silver remain intact, but we caution traders not to expect an immediate rebound to new highs. After such a dramatic rally, we project a broad consolidation to develop, which we view as a healthy pause within their longer-term uptrends.

UNITED STATES

Atul Bhatia, CFA – Minneapolis

- **Several high-profile bankruptcies—including auto retailer Tricolor Holdings and car parts supplier First Brands—have raised concerns about potential hidden problems in lender balance sheets.** Subsequent news of regional bank writedowns due to a fraud linked to commercial real estate exacerbated those worries and led to a 6.2% one-day drop in the KBW Regional Bank Index. The banking index has since recovered some of the lost ground, but remains down just over 3% from Oct. 15 through the Oct. 22 close.
- **We think an element of caution is warranted regarding credit markets. Aggressive pricing has left lenders with a smaller margin for error, and banks' reliance on collateral has left them susceptible to borrower fraud. That said, we see little sign that recent events represent a meaningful systemic bank risk.** To begin with, economic growth is solid, corporate earnings are strong, and all-in borrowing costs are quite reasonable by historical standards. This macroeconomic backdrop, we believe, reduces the risk of widespread borrower defaults. We note that the two recent headline-drawing bankruptcies had strong policy components: Tricolor's borrowers were hit hard by immigration enforcement, and at First Brands, tariffs sparked a cash crunch, according to court filings. In addition, press reports indicate most losses in these filings were so-called "real money" that did not involve additional leverage or borrowed funds. While this doesn't mitigate the sting for those who lost money on the deals, it does lower the risk to the broader financial system. In short, we think there are significant risk factors at the individual deal level—and potentially for some specific lenders—but we do not see meaningful risk at the banking system level.
- **The U.S. government remains shut down pending funding legislation from Congress. There has been limited movement toward a negotiated solution, and we do not have an anticipated reopening date.** Courts have currently stayed the Trump administration's attempt to terminate federal employees during the shutdown, potentially reducing the long-term macroeconomic impact of the closure. For investors, the lack of economic data is a key cost, and one that we believe will complicate the Fed's rate-setting process.
- **The U.S. Supreme Court is scheduled to hear a legal challenge to the majority of the administration's tariff programs.** The Nov. 5 hearing is an expedited review of all tariffs issued under the International Emergency Economic Powers Act (IEEPA), including substantially all of the so-called "Liberation Day" tariffs as well as the majority of single-country tariffs. There is no firm timeline

for a decision, but we believe the court will move quickly. If the court invalidates the tariff program, we think investors will focus on the remedy. The court may require affected tariff payers to sue individually, potentially letting the U.S. keep a substantial portion of the taxes collected so far. If the court requires a more streamlined or proactive approach to returning funds, the effect on the U.S. budget would likely be more pronounced.

CANADA

Matt Altro, CFA – Toronto

- **Headline inflation continues to run above the Bank of Canada's (BoC) 2% target, with September's reading coming in at 2.4% y/y, up from 1.9% in August.** Energy prices declined on a year-over-year basis, yet the rate of that decline slowed relative to prior months and was not enough to offset the headwind of higher food prices that marked a 3.8% increase. **The breadth of inflation remained widespread**, with about 47% of components seeing annualized three-month inflation rates exceeding 3%, but this is down from 50% in August. Food and energy aside, core inflation did not accelerate in September, staying steady at 2.4% and remaining stuck in the mid-2% range since the beginning of the summer. As we look ahead, **another rate cut is on the table with a 25 basis point reduction likely** at the BoC's Oct. 29 meeting. RBC Economics believes that **additional cuts beyond the October meeting will be more difficult** as the central bank would be cutting into outright stimulative levels of interest rates amid sticky inflation and the likelihood of additional fiscal support to be announced as part of the federal budget in early November.
- **Canadian Prime Minister Mark Carney highlighted some goals of his government's upcoming fall budget release in a speech at the University of Ottawa.** Detailing the need to diversify economic and trade relationships, Carney touted a goal for Canada to double non-U.S. exports of natural gas over the next decade, which, if realized, would represent around CA\$300 billion in trade. He also highlighted the steps taken so far to expand economic collaboration, including a free trade agreement with Indonesia and other agreements with the United Arab Emirates, the EU, and Germany on AI, defense, and critical minerals, respectively. Carney provided some additional previews of the budget, due for release on Nov. 4, including a new immigration and climate strategy plan, a high-level talent training and retention scheme, support for domestic purchases of Canadian products, and investment in Canadian projects and infrastructure. Many details of the budget remain unclear, but economists broadly expect notable deficit increases as a result.

EUROPE

Rufaro Chiriseri, CFA & Thomas McGarrity, CFA – London

- **UK September inflation data surprised to the downside, and it seems the peak may have been reached, in our view. Headline CPI inflation was unchanged at 3.8% y/y from August, and services inflation, which is closely watched by the Bank of England (BoE), was also unchanged at 4.7% y/y. More importantly, these figures were large downside surprises relative to the BoE's forecasts of 4% y/y for headline inflation and 5% y/y for services inflation.**
- **As a result, the market-implied probability of a November rate cut jumped to 35% from 12% previously. Two-year and 10-year Gilts initially rallied around 12 basis points to reach intraday yield lows of 3.74% and 4.37%, respectively, before settling a little higher; however, yields remain at year-to-date lows.** While the recent inflation and labour data are positive, we think the central bank will hold the Bank Rate at 4% in November. But by December, the BoE will have assessed two more inflation and labour market reports; we therefore continue to think that a December cut is possible, should the data evolve favourably in line with BoE forecasts.
- **Software giant SAP, the second-largest company in Europe by market capitalisation, reported Q3 results that were broadly in line with consensus expectations.** Its Current Cloud Backlog (the total contractually committed cloud revenue the company expects to recognize over the next 12 months) grew 27% y/y. The CEO noted SAP's confidence in accelerating total revenue growth next year, citing AI as the key enabler.
- **The equity market seems to have become hypersensitive to any risk of AI disruption or competition, with a prevailing narrative over recent months among investors, as noted by NVIDIA CEO Jensen Huang, who stated that “software ate the world, now AI will eat software.”** AI disruption fears have weighed on SAP's share price, as well as those of many other global software stocks (via valuations rerating lower rather than earnings downgrades), despite there being no meaningful impact in many instances. In fact, AI has been supporting the growth of some software firms. This dynamic will remain an acute near-term focus, in our view.

ASIA-PACIFIC

Nicholas Gwee, CFA – Singapore

- **Washington announced sanctions on Russia's two largest oil producers on Wednesday, sending jitters across China and India.** The U.S. Treasury Department blacklisted partially state-owned oil giant Rosneft PJSC and privately held Lukoil PJSC due to “Russia's lack of serious commitment to a peace process to end the war in Ukraine.” The latest move is a significant step up

Japan equities hit all-time high with new PM

Nikkei 225 Index



Source - RBC Wealth Management, Bloomberg; price data through 10/23/25

from previous efforts such as price caps, which limited Russia's oil export revenue but did not impact Russian oil flows. Bloomberg estimates that as much as 20% of China's crude oil imports this year have come from Russia. **Chinese refiners now face pressure to maintain production while avoiding dealing with sanctioned entities or risk facing penalties such as losing access to Western banking systems and the U.S. dollar.** Observers believe that if Chinese refiners comply with the latest sanctions, they will lose access to discounted Russian crude, which has kept petrochemical prices low for Chinese consumers. Over in India, Bloomberg reports unnamed sources stating that refiners expect supply from Russia to drop to near zero. However, The Times of India indicated the country's government refineries typically do not purchase Russian oil directly from Rosneft and Lukoil, and instead purchase it from intermediary parties, indicating there could be ways to work around the sanctions. According to analytics firm Kpler, India has imported 36% of its crude from Russia this year. RBC Capital Markets noted that if the Trump administration does indeed back up its announcement with action, refiners seeking to retain access to U.S. capital markets will forgo Russian barrels.

- **Sanae Takaichi became Japan's first female prime minister** after winning the parliamentary vote on Tuesday. This came after weeks of intense negotiations following the withdrawal of the Liberal Democratic Party's junior partner from the coalition government. Takaichi is starting her term with high approval ratings: 64.4% according to Kyodo News and 71% according to the Yomiuri Shimbun newspaper. The new prime minister is known to be a fiscal expansionist and has vowed to do more for households struggling with rising costs. According to Reuters, **the new administration has started working on a large stimulus package**, likely to exceed last year's US\$92 billion, to help combat inflation. **The Nikkei 225 Index reached a new all-time high** on Tuesday as investors welcomed news that Takaichi had garnered enough support to be elected.

MARKET Scorecard

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	6,699.40	0.2%	13.9%	14.5%	58.6%
Dow Industrials (DJIA)	46,590.41	0.4%	9.5%	8.5%	40.6%
Nasdaq	22,740.40	0.4%	17.8%	22.4%	75.1%
Russell 2000	2,451.55	0.6%	9.9%	9.9%	45.9%
S&P/TSX Comp	29,982.98	-0.1%	21.3%	21.3%	56.9%
FTSE All-Share	5,145.32	1.7%	15.2%	13.3%	28.9%
STOXX Europe 600	572.29	2.5%	12.7%	10.0%	31.9%
EURO STOXX 50	5,639.21	2.0%	15.2%	14.2%	40.1%
Hang Seng	25,781.77	-4.0%	28.5%	25.8%	50.1%
Shanghai Comp	3,913.76	0.8%	16.8%	19.1%	31.2%
Nikkei 225	49,307.79	9.7%	23.6%	28.4%	57.7%
India Sensex	84,426.34	5.2%	8.0%	5.2%	29.1%
Singapore Straits Times	4,393.92	2.2%	16.0%	22.5%	42.8%
Brazil Ibovespa	144,872.79	-0.9%	20.4%	11.5%	28.0%
Mexican Bolsa IPC	61,322.78	-2.5%	23.9%	17.1%	27.0%
Gov't bonds (bps change)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Treasury	3.951%	-19.9	-61.8	-25.6	-96.3
Canada 10-Yr	3.062%	-12.1	-16.3	-17.2	-101.0
UK 10-Yr	4.417%	-28.2	-15.1	25.1	-23.4
Germany 10-Yr	2.563%	-14.8	19.6	24.5	-32.6
Fixed income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	4.20%	1.3%	7.5%	6.5%	18.6%
U.S. Investment-Grade Corp	4.68%	1.3%	8.3%	7.2%	22.7%
U.S. High-Yield Corp	6.73%	0.1%	7.3%	8.0%	26.8%
Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot \$/oz)	4,099.17	6.2%	56.2%	49.1%	106.9%
Silver (spot \$/oz)	48.49	4.0%	67.8%	39.1%	107.4%
Copper (\$/metric ton)	10,593.28	3.6%	22.4%	12.2%	34.4%
Oil (WTI spot \$/bbl)	59.15	-5.2%	-17.5%	-17.9%	-33.4%
Oil (Brent spot \$/bbl)	63.26	-5.6%	-15.2%	-16.8%	-31.4%
Natural Gas (\$/mmBtu)	3.45	4.5%	-5.0%	49.4%	19.1%
Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	98.9100	1.2%	-8.8%	-5.0%	-6.8%
CAD/USD	0.7149	-0.5%	2.8%	-1.2%	-1.9%
USD/CAD	1.3988	0.5%	-2.8%	1.2%	2.0%
EUR/USD	1.1611	-1.0%	12.1%	7.5%	9.6%
GBP/USD	1.3361	-0.6%	6.8%	2.9%	9.8%
AUD/USD	0.6489	-1.9%	4.9%	-2.9%	2.8%
USD/JPY	151.9300	2.7%	-3.4%	0.6%	1.4%
EUR/JPY	176.4000	1.7%	8.4%	8.1%	11.1%
EUR/GBP	0.8690	-0.4%	5.0%	4.5%	-0.2%
EUR/CHF	0.9241	-1.1%	-1.7%	-1.1%	-2.2%
USD/SGD	1.2976	0.6%	-5.0%	-1.4%	-5.5%
USD/CNY	7.1251	0.0%	-2.4%	0.0%	-2.6%
USD/MXN	18.4454	0.7%	-11.4%	-7.6%	1.1%
USD/BRL	5.3993	1.5%	-12.6%	-5.1%	7.3%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.71 means 1 Canadian dollar will buy 0.71 U.S. dollar. CAD/USD 2.8% return means the Canadian dollar has risen 2.8% vs. the U.S. dollar year to date. USD/JPY 151.93 means 1 U.S. dollar will buy 151.93 yen. USD/JPY -3.4% return means the U.S. dollar has fallen 3.4% vs. the yen year to date.

Source - Bloomberg; data as of 10/22/25

Authors

Matt Altro, CFA – Toronto, Canada

matt.altro@rbccm.com; RBC Dominion Securities Inc.

Atul Bhatia, CFA – Minneapolis, United States

atul.bhatia@rbccm.com; RBC Capital Markets, LLC

Rufaro Chiriseri, CFA – London, United Kingdom

rufaro.chiriseri@rbccm.com; RBC Europe Limited

Nicholas Gwee, CFA – Singapore

nicholas.gwee@rbccm.com; Royal Bank of Canada, Singapore Branch

Thomas McGarrity, CFA – London, United Kingdom

thomas.mcgarrity@rbccm.com; RBC Europe Limited

Robert Sluymer, CFA – New York, United States

robert.sluymer@rbccm.com; RBC Capital Markets, LLC

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As of September 30, 2025

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	Count	Percent	Count	Percent
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Hold [Sector Perform]	552	37.94	140	25.36
Sell [Underperform]	41	2.82	5	12.20

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