



More Red Flags

I am traveling this week so that I will keep my weekly commentary brief.

Over the last few weeks, I have highlighted several red flags regarding the S&P 500.

Many stocks that were *not* part of the big Al-driven rally have started to fall off. That weakness is masked by the strong performance of the Al Leaders, which dominate the index.

But even those that benefit most from the moves in AI stocks are starting to question whether there is a "bubble."

Some of the big companies, such as Nvidia, are starting to weaken. Shares have slid over the past month.



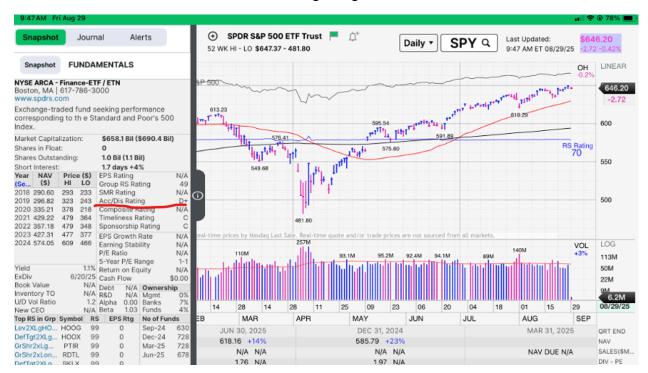
There's even bigger trouble brewing for the index.

As the chart below shows, the S&P 500 has been trending toward all-time highs, but the accumulation/distribution rating is a "D+". Refer to the red line on the left below.

This measures the balance between supply and demand for a stock or index. When a market is moving higher, we'd like to see a lot of accumulation. That means the market is moving up on high volume and pulling back on low volume. In that case, strong hands are in control.

The opposite is happening with the S&P 500. Strong hands (e.g., the smart money) are selling into this rally, presumably to speculators who fear missing out.

And now, of course, stocks like Nvidia are getting hit.



As I have noted in recent weeks, significant damage has already been done to non-Al stocks.

If the shine is off the AI stocks for a while, the average stock should start to perform better and close the performance gap.

That's the bet I'm going to make by allocating to the Equal-Weight S&P 500 (RSP). Not just yet, though. I'm still waiting for the market to become deeply oversold. Then I will pounce.

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