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Weekend Report for Monday, March 17, 2025

Bottom Line:

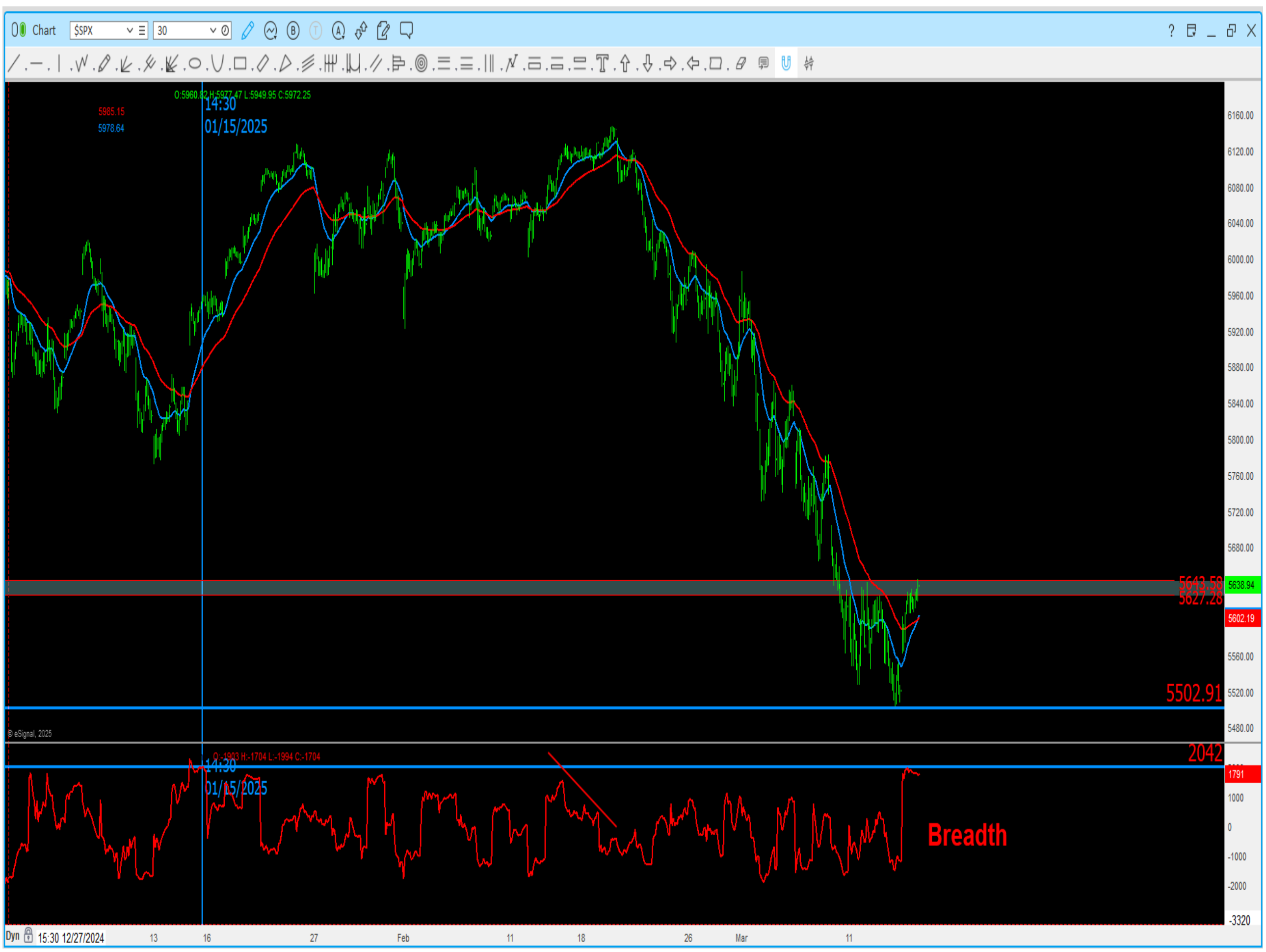
The US stock indices rallied very strongly into the close on Friday, but it's unlikely the indices simply trade straight up from here. A 3%-5% rally after such a period of unrelenting and grinding selling is not a surprise. It will be important to keep an eye on upside KRAs next week.

Next Friday is a big triple-witch option expiration which will likely make things interesting as we get toward the end of the week.

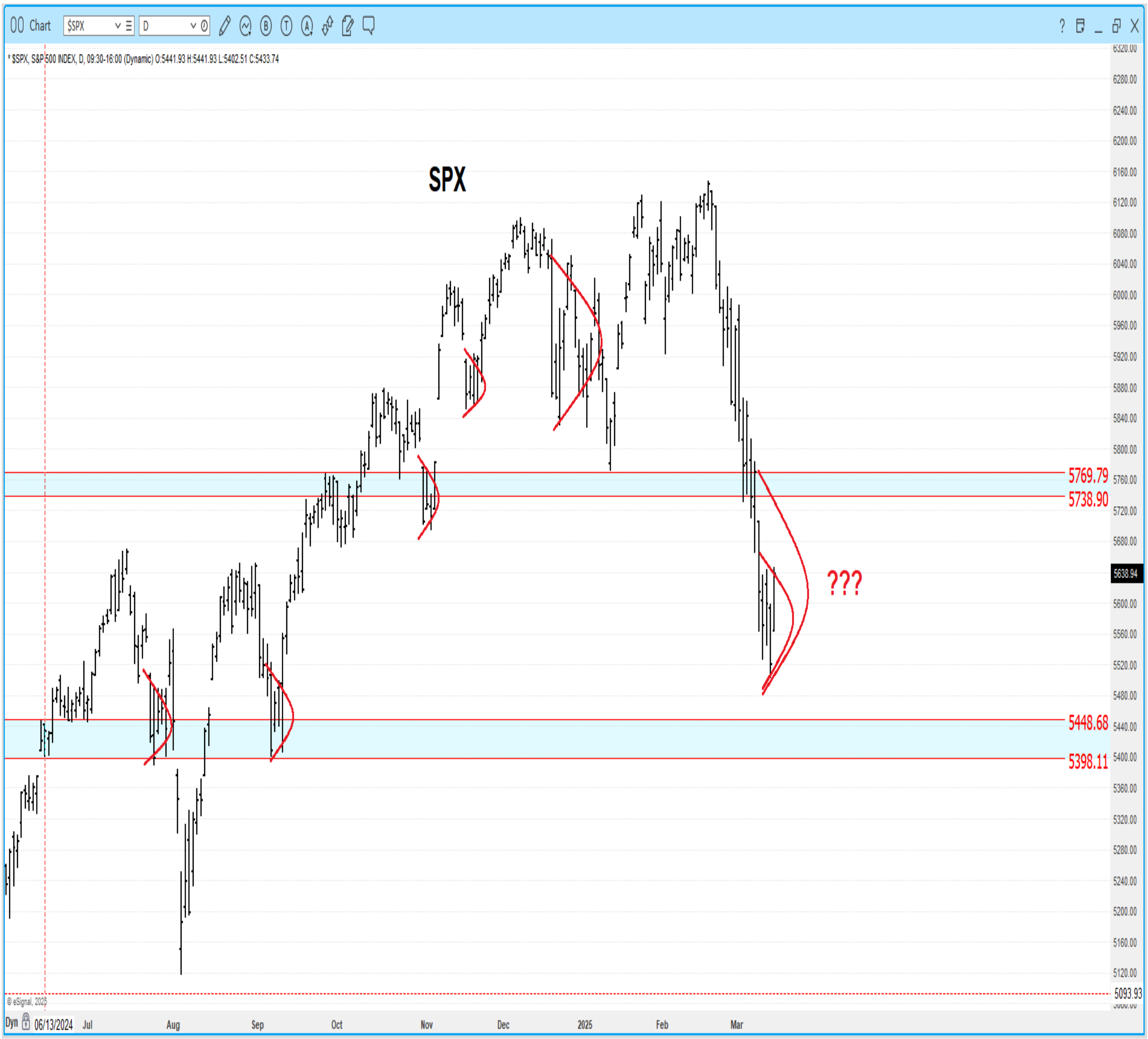
SPX

Upper KRA: 5739-5770
Lower KRA: 5448-5398

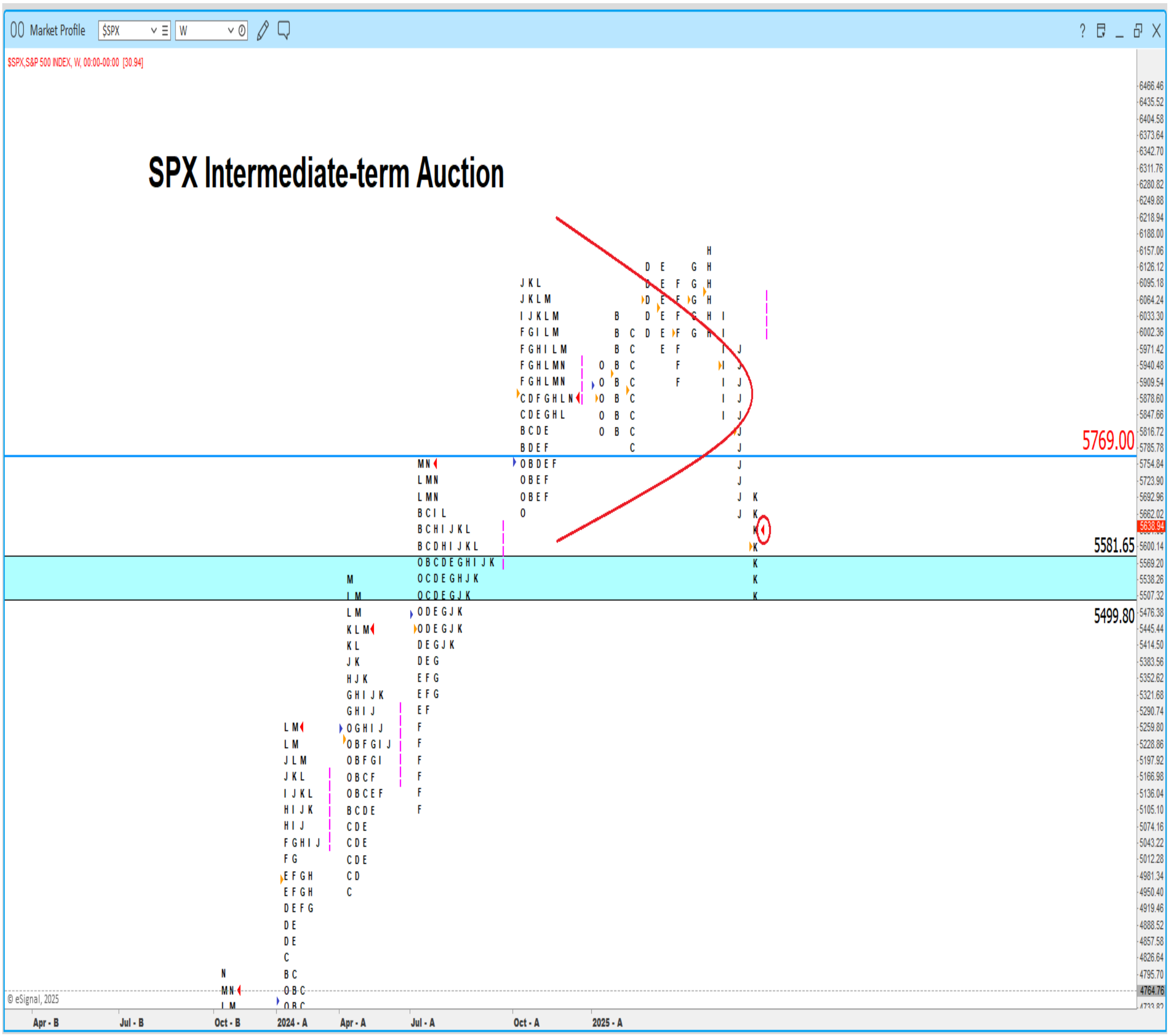
The SPX has already reached a minor KRA. Breadth is also at a level that has marked highs since the end of January. If this was a result of a short-term low being put in from an extremely compressed downside condition we should see continued, immediate breadth expansion. Breadth doesn't have to exceed Friday's levels, but it should be persistently positive if Friday's rally is going to continue. Early next week will be a good test of the importance of Friday's low.



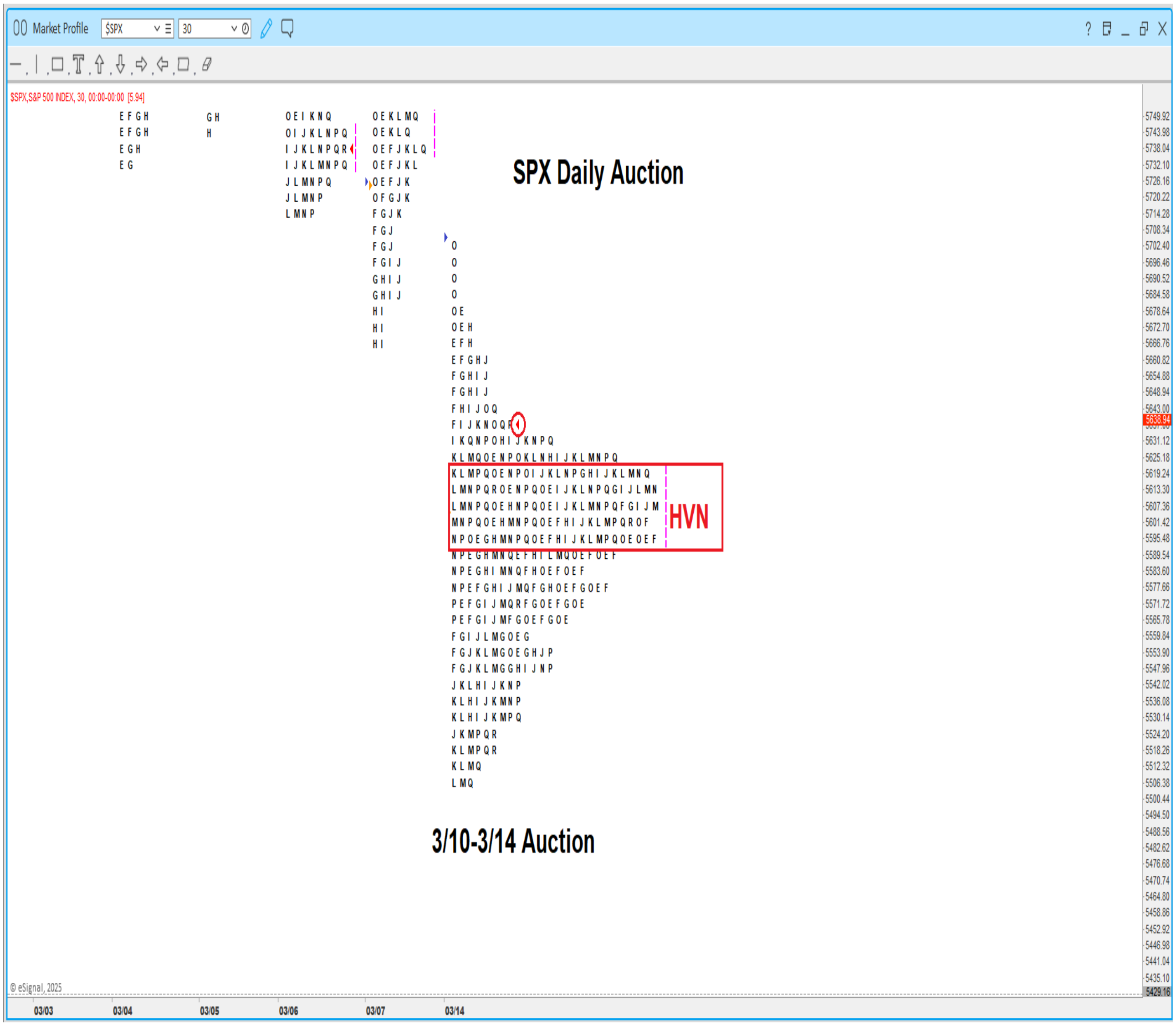
Right now I think there are two potential paths of development. I think the least likely scenario is an unrelenting rip higher deep into the decline off the highs.



It is possible the SPX has begun a significant Initiative move lower.

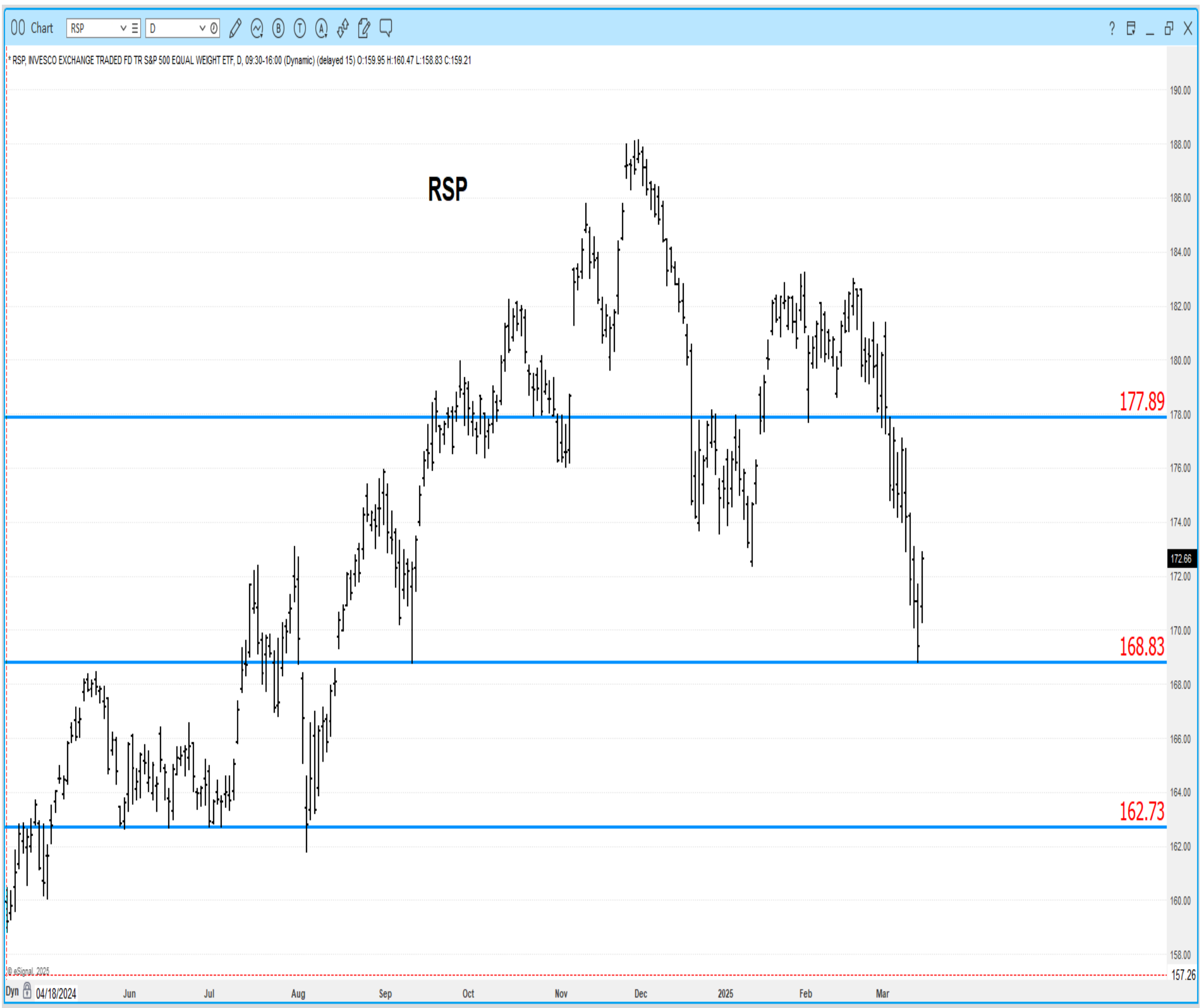


The SPX formed a Balance Area in last week's trade. It closed above the HVN, but it has not broken Initiatively higher out of the Balance Area.



RSP Weekly (Equal Weight S&P 500)

Upper KRA: ?
Lower KRA: 168.83



NDX

Upper KRA: 20065-20272
Lower KRA: 18677-18401

DOW

Upper KRA: 41907-41596
Lower KRAs: 39963

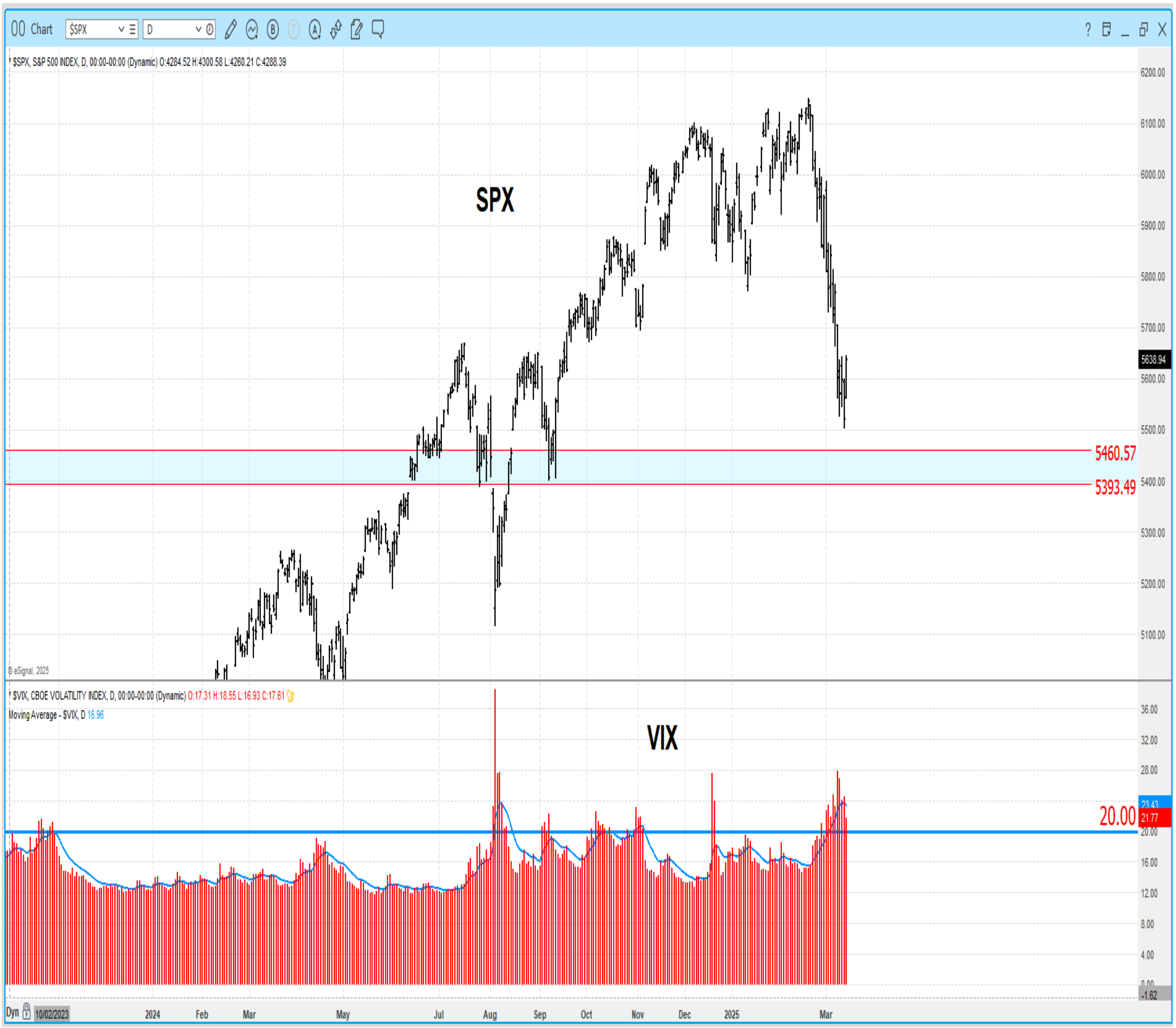
RUT

Upper KRA: 2084-2104
Lower KRA: 2015-1990; 1932-1895

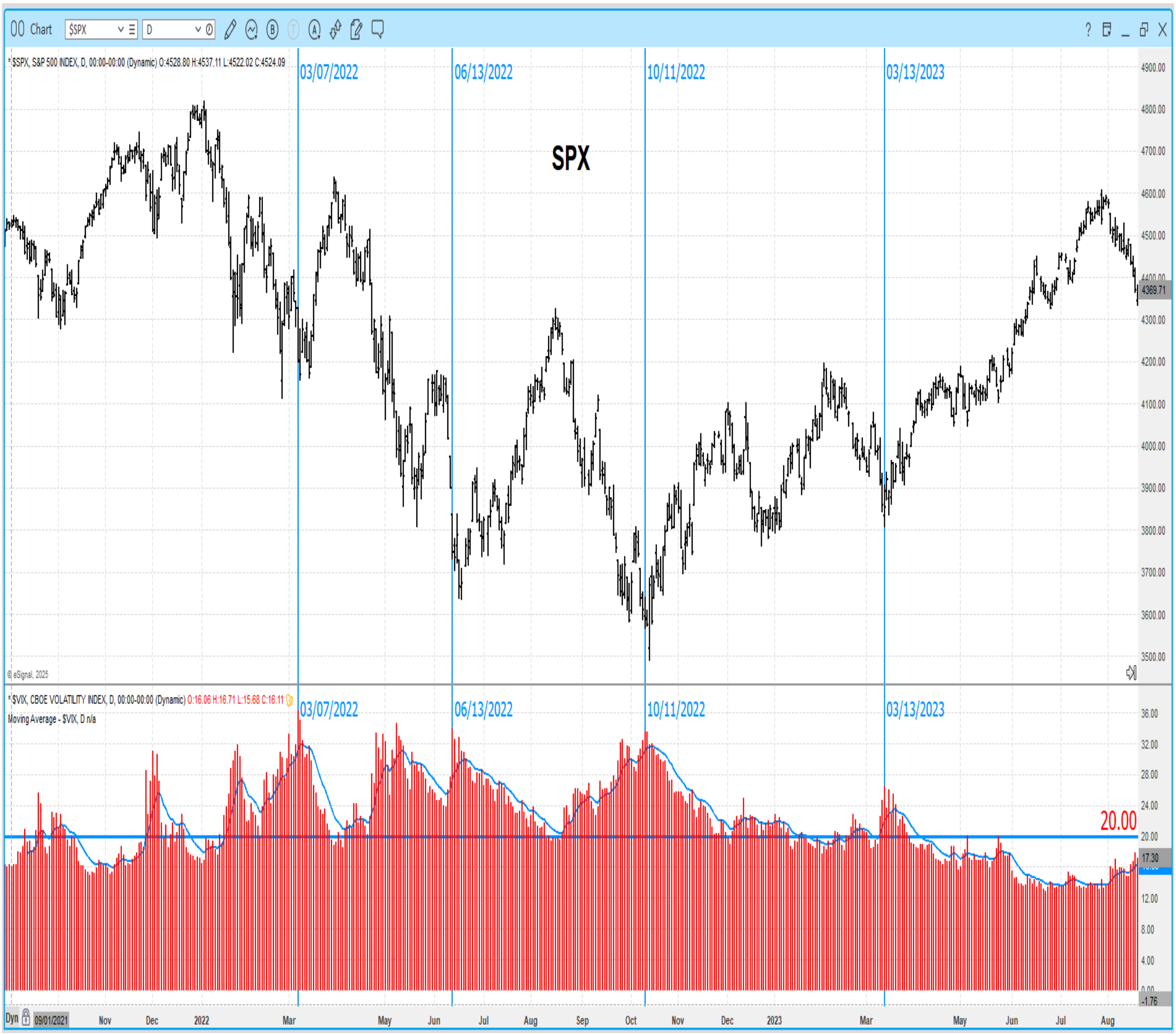
New York Composite

Upper KRA: 19507-19610
Lower KRAs: 18915-18812

VIX has been stubbornly holding above 20 and many are pointing to such a “high” VIX as signs of an impending low.



However….VIX can (and has…and eventually will again) go much higher and stay there for quite a while.



NYSE Data is not yet unequivocally "extreme", but at levels that have supported at least short-term rallies consistently over time. However, there has been no washout that includes a -2000 NYSE closing breadth reading.

US Dollar

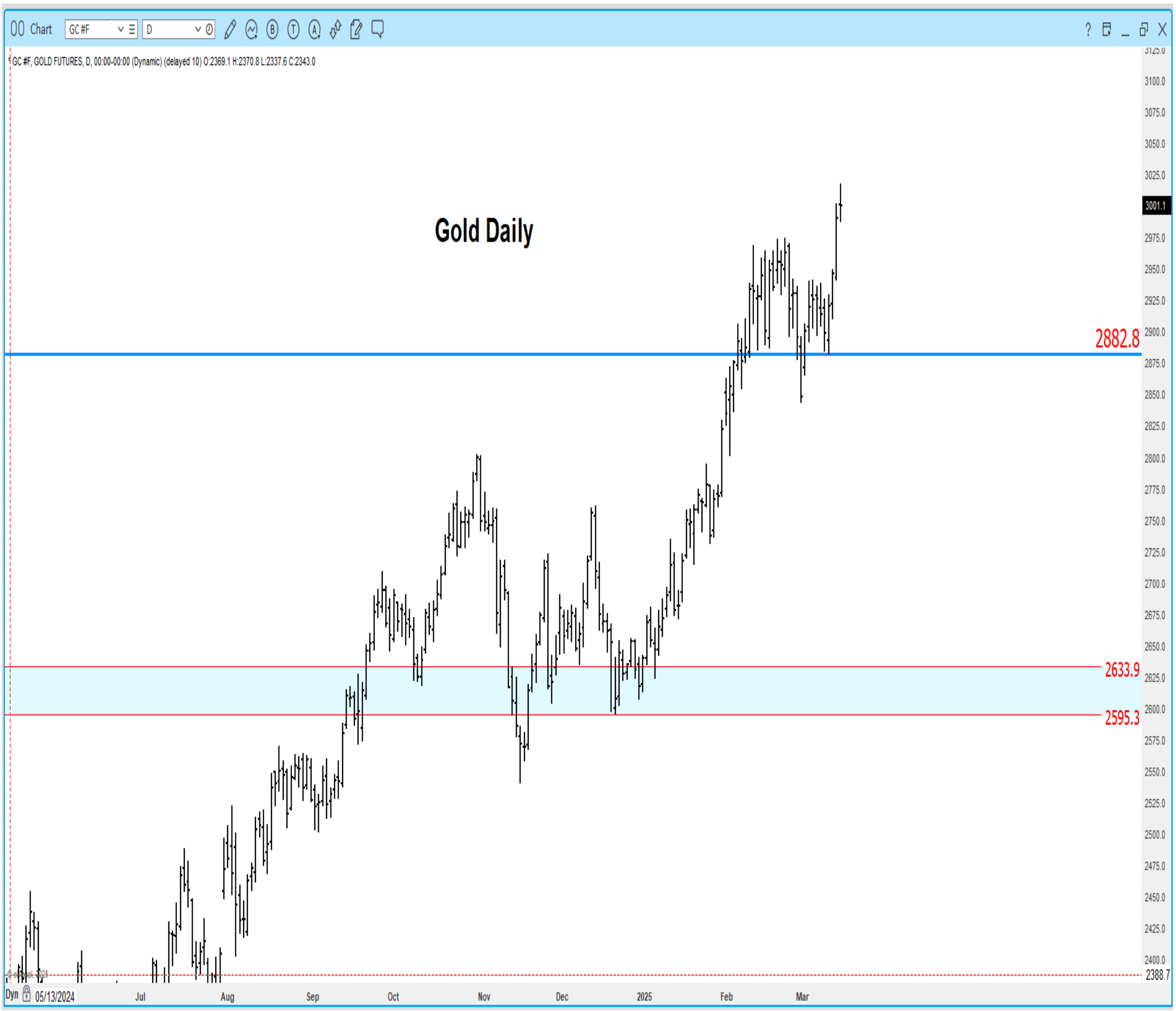
Continue to favor shorts.

US 10-yr Notes

Notes have formed a Balance Area. Favor the direction of the break.

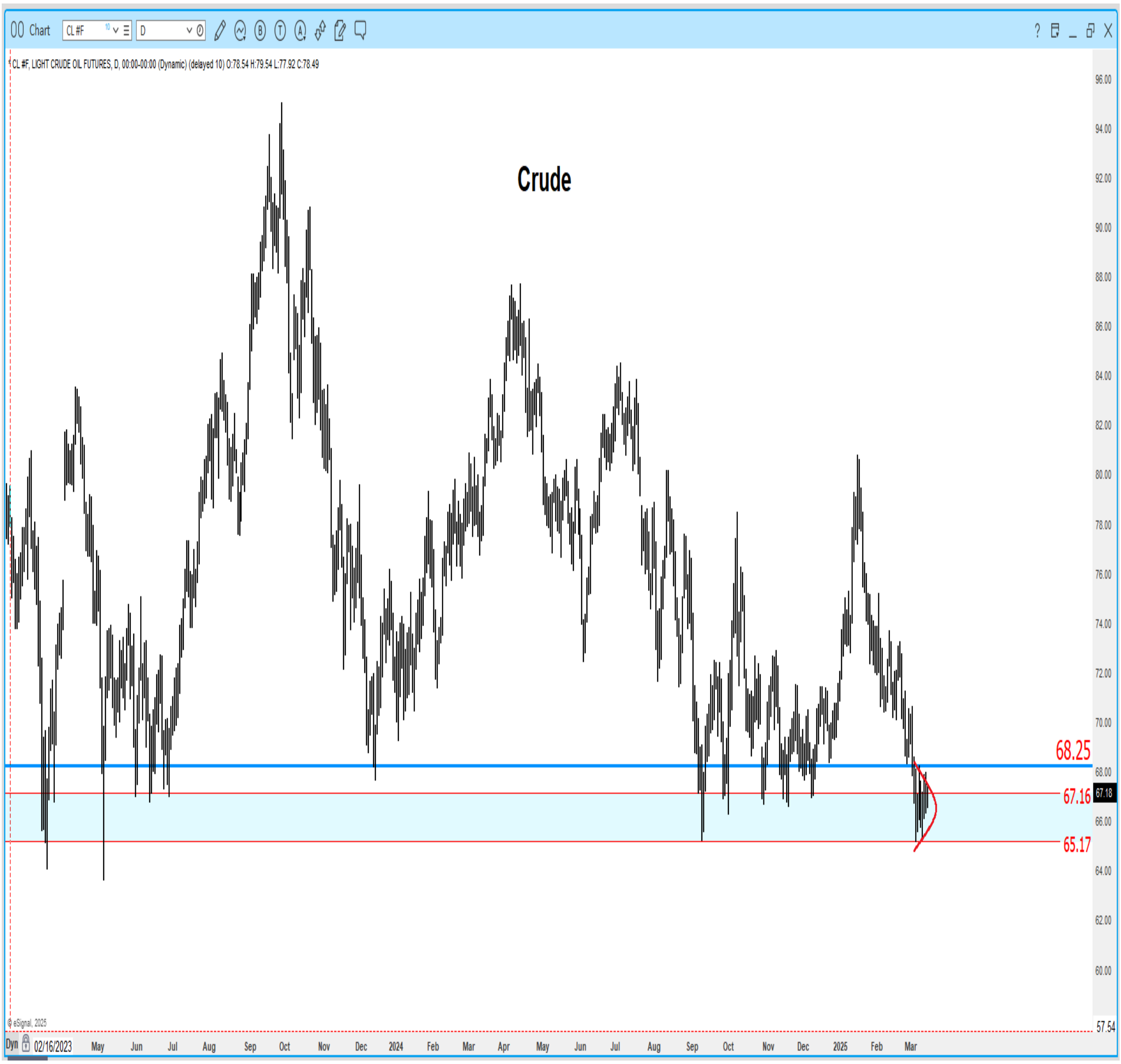
Gold

Gold continues to make higher highs and lows. Longs MUST be favored.



Crude

Crude has formed a minor Balance Area in a CRITICAL intermediate term KRA. Favor the direction of the break.



Bitcoin

Bitcoin is just above a critical intermediate term KRA. It needs to break the lower high-lower low pattern it has been in to restore a bullish case.