

The FRED Report – Sector Review

Sector Weight Notes: No Sector Changes in this Report. One Stock Change.

Stocks Indexes have had a rally into June, as we expected, and it looks like the summer rally has started. The markets started to rally in April, and this has continued. Breadth has improved dramatically. Small Cap indexes still have the best accumulation but are trading weaker. QQQ and IYW accumulation improved on the decline. We will hold our allocations as it is often a mistake to make changes in the face of geopolitical news.

Our Overweights are still XLI and XLF. XLF has moved close to all time highs. Subgroups are attractive there as well, but banks may be a crowded trade. Favorites are credit cards and insurance. XLI is still outperforming, including making an all time closing high as we got to press. Most analysts are not talking about the performance of XLI, which has very strong Accumulation. Strong potential here!

Our Underweights are still XLRE and IYZ. XLRE has stabilized, but is still a downtrend, and fundamental concerns remain. It is trading above and below short-term resistance but is still a downtrend and has paused. IYZ rallied through resistance – We thought about upgrading IYZ but it still has less upside potential than other sectors, in our view. If we make a change, it will be to upgrade IYZ and downgrade XLV. For now, we will stand pat.

In our Equal Weights all sectors rallied after the pullback: Defensive sectors fared better, not a surprise. XLU broke out, and retraced but Value and Dividends have improved. IYW is close to the old high. This chart is high risk if anything goes wrong. XLP held up in the pullback, along with some of the Value names. Note that weekly stochastics on most of the sectors are overbought or in slight sell mode. We continue to have interest rate concerns but still believe equities should rally into July. Things looks like they are setting up for us.

Current Weighting	Previous Months Weighting
Equal	Equal
Equal	Equal
Equal	Equal
Overweight	Overweight
Underweight	Underweight
Equal	Equal
Overweight	Overweight
Equal	Equal
Equal	Equal
Equal	Equal
Underweight	Underweight

Highlight
Change

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THE FRED REPORT

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Stock Prices as of 06/13/2025

Sector ETF Stock Component Changes									
Stocks We Like									
Utilities		Add:	AEP	AMERICAN ELECTRIC POW Remove:		SRE	(1.76%)	(30.35%)	
Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)	Ticker	Listing Date	Price at Listing	Current Price
Consumer Discretionary (XLY)						Energy (XLE)			
Stocks We Like						Stocks We Like			
MCD	7/16/2021	234.75	301.91	28.61%	9.66%	PSX	1/22/2019	93.00	122.15
AMZN	12/17/2021	170.018	212.10	24.75%	16.33%	XOM	3/17/2023	99.84	112.12
HD	7/15/2022	292.41	354.66	21.29%	(24.90%)	SHEL	9/13/2024	67.45	72.54
Consumer Staples (XLP)						Financials (XLF)			
Stocks We Like						Stocks We Like			
PG	2/12/2021	127.62	160.28	25.59%	2.35%	MA	2/14/2020	340.95	562.03
WMT	4/12/2024	60.14	94.44	57.03%	46.70%	AFL	1/12/2024	82.74	102.18
MDLZ	2/14/2025	60.82	66.93	10.05%	9.61%	AXP	9/13/2024	259	287.79
Real Estate (XLRE)						Utilities (XLU)			
Stocks We Like						Stocks We Like			
WY	10/14/2016	31.38	26.80	(14.60%)	(47.92%)	SO	3/13/2020	53.97	90.35
SPG	2/18/2022	140.95	156.90	11.32%	17.56%	DUK	2/12/2021	89.82	116.86
PLD	1/12/2024	131.55	107.28	(18.45%)	(24.39%)	AEP	6/13/2025	102.90	102.90
Health Care (XLV)						Technology (IYW)			
Stocks We Like						Stocks We Like			
ABBV	6/11/2021	115.42	191.08	65.55%	56.25%	IBM	4/12/2024	182.27	277.22
AMGN	2/17/2023	240.53	295.22	22.74%	19.60%	CSCO	1/17/2025	60.23	64.09
AZN	8/16/2024	84.41	74.42	(11.84%)	(0.88%)	NVDA	3/14/2025	119.53	141.97
Industrial (XLI)						Telecom (IYZ)			
Stocks We Like						Stocks We Like			
ITW	8/15/2014	87.02	241.48	177.50%	7.79%	T	12/20/2010	21.99	28.19
UNP	1/20/2017	108.60	223.37	105.68%	(19.18%)	VZ	2/15/2019	55.16	43.01
CAT	12/17/2024	363.04	357.05	(1.65%)	(9.25%)	TMUS	3/18/2022	127.18	228.00
Materials (XLB)									
Stocks We Like									
CTVA	6/16/2023	57.23	72.43	26.56%	19.67%				
SCCO	4/12/2024	115.25	94.76	(17.78%)	(14.95%)				
STLD	12/17/2024	117.00	133.48	14.09%	11.63%				

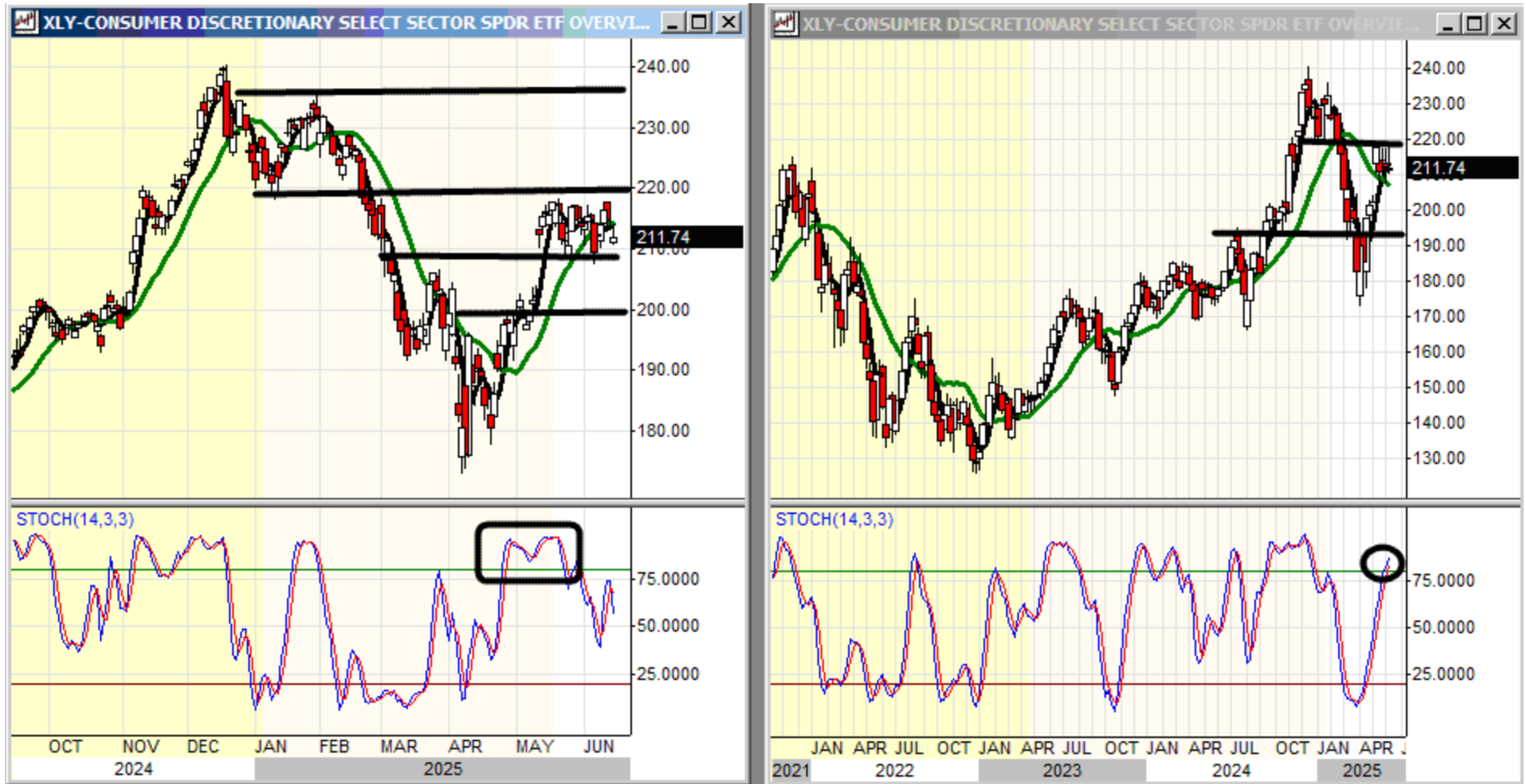
Sector Report Investing Methodology:

We treat stock and ETF Investing in this section of the website differently from the “Idea Generation” sections of the site. The difference is that here we are aiming for RELATIVE, and NOT absolute performance. In addition, these ideas are meant to be longer-term in nature. A key difference is that chart patterns are more important in relative performance, whereas indicator patterns get the nod when trying to create absolute returns. In practice this could mean, for example, using the stochastic as a measure of risk, and buying when it is in the upper part of the range rather than waiting for a move into the lower part of the range, which is riskier. This can mean, paradoxically, that stocks we dislike can have stronger short-term moves, as they are more oversold. Look at the examples below. MCD is overbought when looking at the Stochastic, and therefore riskier short-term, but it has outperformed longer-term, a trend we expect to continue.

There are two assumptions here. The first is that one is trying to build a position over time. The second is that, as part of the first assumption, one is adding to the position over time. So, one could take a baseline position, and then add to it when the Stochastic falls. Again, see the examples below. This becomes especially important when advisors are evaluating fundamental recommendations from their own firms. Look for relative outperformance as measured by such things as the position of lows in a stock relative to other stocks, and the market indexes. We show some charts below to further illustrate these ideas.



ETF Sector Charts: Consumer Discretionary (XLY)



Consumer Discretionary is a short-term consolidation: Note that AMZN, a major component, looks very similar to XLY. This is a neutral chart longer-term and a consolidation short-term. We now have a daily stochastic that is in sell mode, and an overbought weekly. The Accumulation Model has improved a bit from last month, and if this can move above 220 it could have a summer rally to the 240-area. We think our stock ideas are solid names that should participate. We recommended buying the last weekly recycle, in the 190-area. 190 should hold for a while, at least through the summer. EQUAL WEIGHT

ETF Sector Charts: Consumer Discretionary (XLY) – Stocks we like/buys

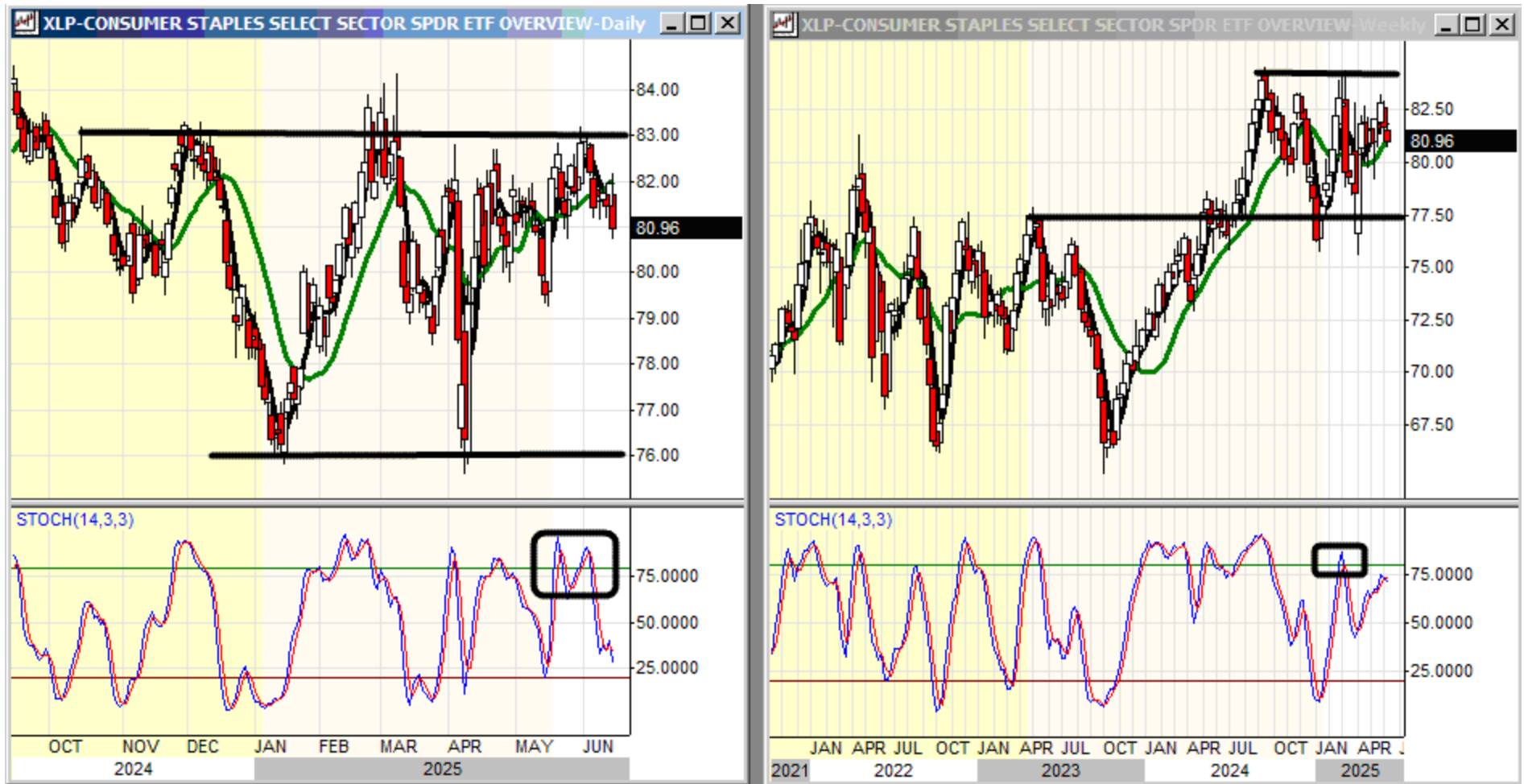


MCD: MCD has had some downgrades but is still in the trading range. MCD is defensive and has a record of outperforming in tough markets. The intermediate chart pattern is strong and suggests higher prices.

AMZN: AMZN held support in the 170-area. It has gapped up, and the weekly stochastic is overbought. This is strong longer-term. Holding 210 is strong. This should trend up into summer. Resistance is 225

HD: This tested support at 340 and held. Back above 380 would target new highs. This has tested intermediate support and should rally into the 400's through the summer.

ETF Sector Charts: Consumer Staples (XLP)



XLP is defensive and holding up well: The intermediate-term chart broke out above 77.50 then moved below, is now above it once again. We recommended buying the last daily and weekly cycles. XLP is defensive and trading well. Since it moved above 77.50, it hit new highs, per our comments in the August Monthly. The daily stochastic is in sell mode and the weekly is a sell pattern, although somewhat inconclusive. This is short-term up as long as above 77. It looks like some money is flowing in here. Keep adding on recycles. EQUAL WEIGHT

ETF Sector Charts: Consumer Staples (XLP) – Stocks we like/buys

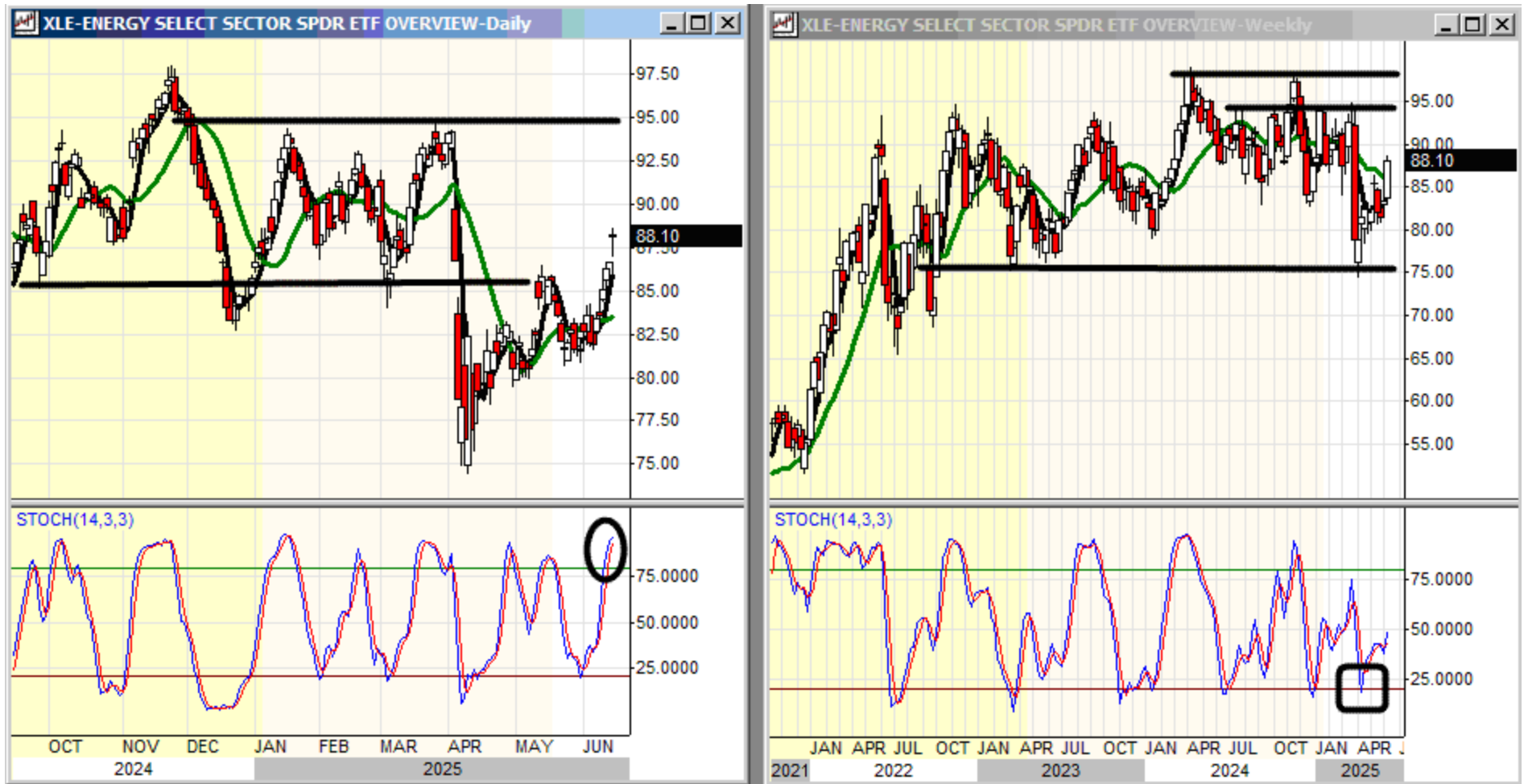


PG: PG has support is the 160 to 155-area, now being tested. This is a solid chart in this sector, without much change this month. It is a base with an oversold daily stochastic. The weekly is in buy mode. You can buy this here.

WMT: WMT is a strong chart and also has some fundamental potential on expansion into India. We bought the last weekly recycle. WMT is trading well and we would buy the next daily recycle. We would buy this regardless of tariffs or threats thereof.

MDLZ: This has moved below 60 and is back above it. The weekly stochastic is in sell mode, and the daily is as well. We would buy the next daily recycle, ideally between here and 60. The chart, while overbought, is strong enough that we would also buy a move above 70 and look for new highs by summer.

ETF Sector Charts: Energy (XLE)



XLE is an intermediate-term consolidation: Seasonal strength has started. The daily stochastic is overbought, and the weekly is a buy recycle. XLE has strong accumulation. Compare this to USO – it is weaker but this should change. XLE does have some capitalization issues, but weakness in CVX is balanced by some strength in XOM. The move above 90 targeted 93 on a trading basis, which hit, and suggests 110 is possible for investors in 2025. This is a trading range since 2022. Support at 75 has held so far. We would expect this to rally into July and test the 95-area at least. The 110-area is still possible but watch carefully in July. EQUAL WEIGHT

ETF Sector Charts: Energy (XLE) – Stocks we like/buys

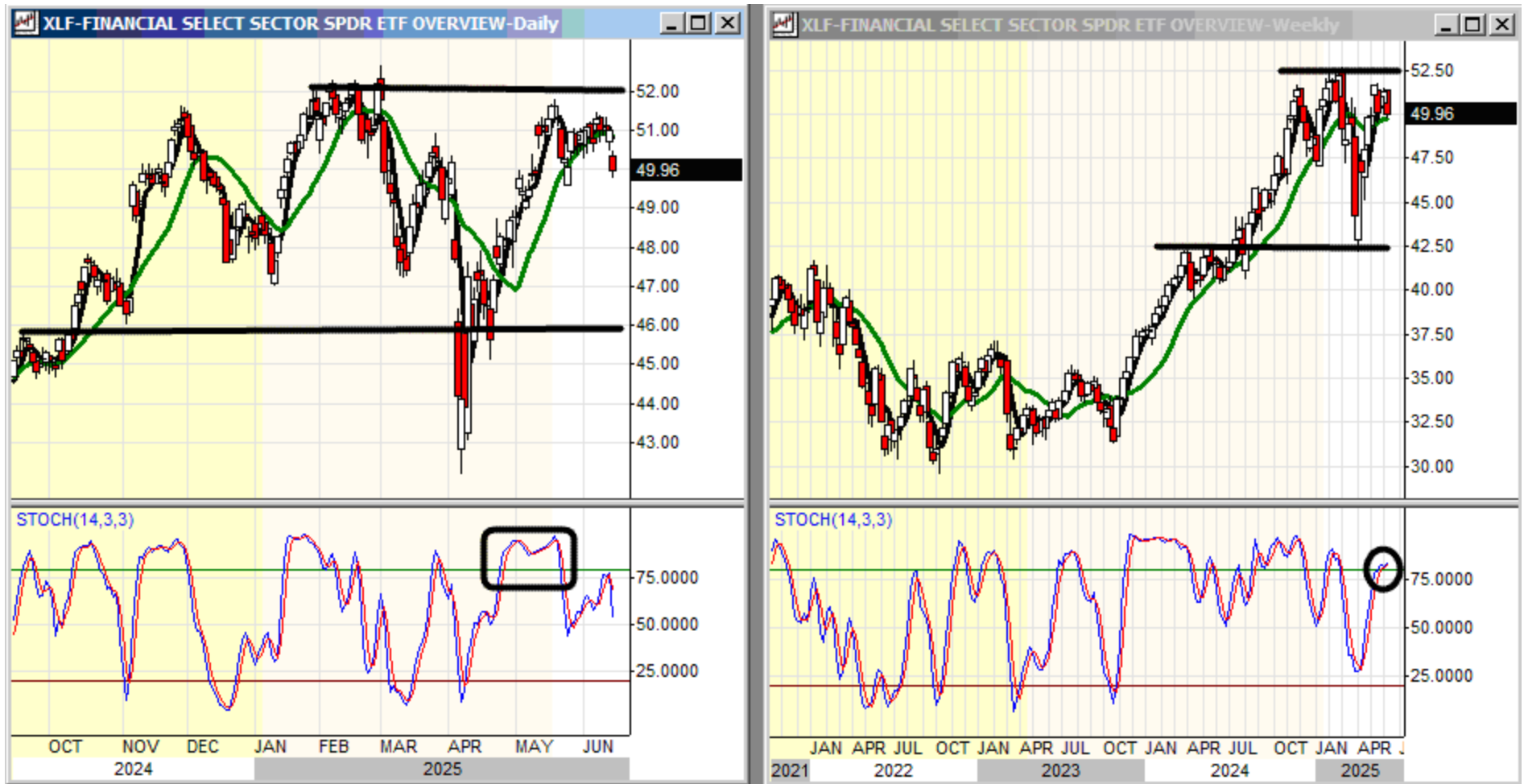


PSX: PSX broke down to test 2023 support. This is weaker than we thought it would be. However, this rally has carried prices through resistance at 120, testing second resistance at 125. Now, with favorable seasonality we look for a move to 150.

XOM: XOM is a solid intermediate range. The daily stochastic is overbought, and the weekly is in buy mode. We recommended this near the 100-area support. Watch this at the end of summer.

SHEL: SHEL held support around 60, and it is through resistance the 70-area. This should do well into summer of 2025. It is a better long-term chart than some of the US oil companies, watch into July.

ETF Sector Charts: Financials (XLF)



XLF is close to new highs: XLF hit new highs but sold off with the market. The last rally has tested this area. The daily Stochastic is in sell mode. The weekly is overbought. This is likely to hit new highs in a summer rally, which we expect. We added on the last daily recycle. XLF should still outperform in 2025, and the chart is one of the strongest in this report. However, this has turned into a crowded trade and we will watch this at the end of a summer rally. Watch banks carefully as if they don't rally there could be problems. OVERWEIGHT

ETF Sector Charts: Financials (XLF) – Stocks we like/buys

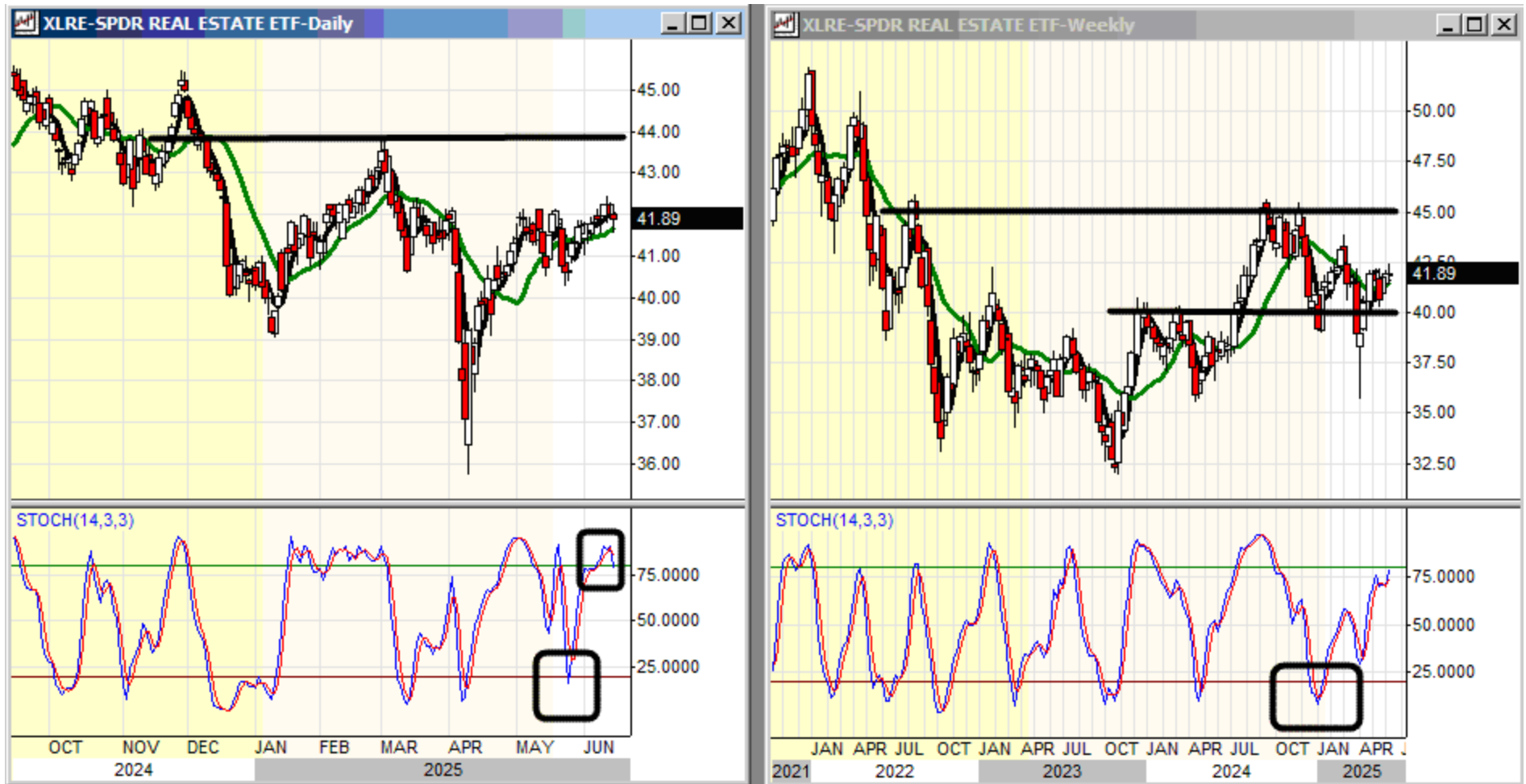


MA: This is an intermediate breakout. The last decline tested the breakout, and it is selling off from another new high. Stochastics are overbought but this is a strong pattern.

AFL: This stock came close to our target at 120 and has entered consolidation. This held support at 100 in spite of the market decline. As long as above 90, this is strong, and should see some upside into the summer.

AXP: Three months ago, we removed BAC with a gain, and added AXP, a stronger chart. The last pullback held intermediate support in the 225 to 200 area. This is at resistance, and much through 300 suggests new highs.

ETF Sector Charts: Real Estate (XLRE)



XLRE is holding up: This has probably made an intermediate-term bottom. Please see the long-term charts of IYR as it is similar to XLRE, but with more data. Interest rates have affected the real estate markets and XLRE is reflecting the rate situation, which the markets think is improving, but we are not sure it is – watch TNX, and TYX, which have failed at 5% so far, but could go through that number. This has held but it is not doing well. Below 42 is a concern, but XLRE is trading back and forth around this area. The latest trading has held support, and the intermediate chart is a base. However, this still is weak relative to the other sectors. UNDERWEIGHT

ETF Sector Charts: Real Estate (XLRE) – Stocks we like/buys

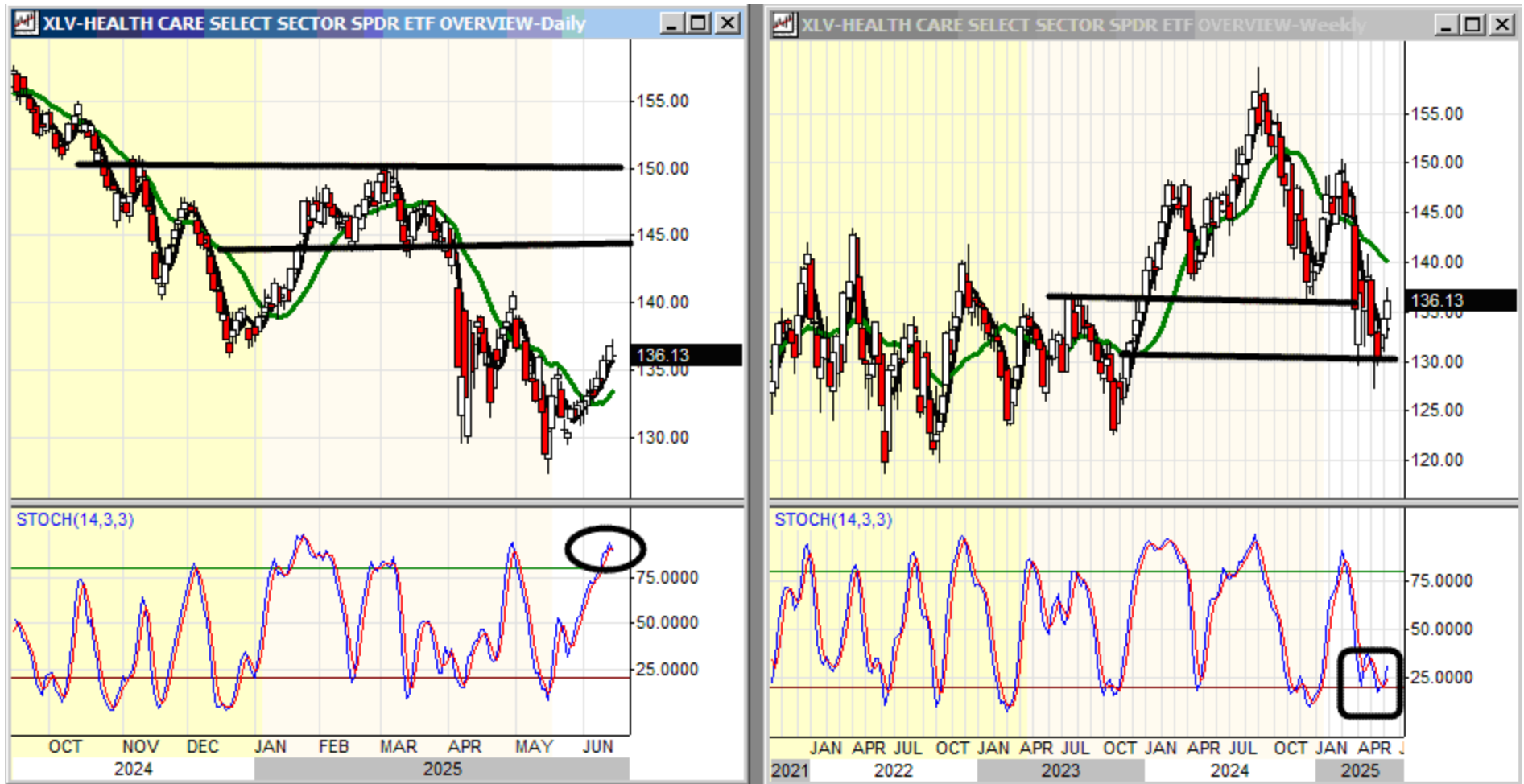


WY: This has moved through the bottom of the range and below 27.50 is a concern, although it is testing that area (now resistance). The weekly stochastic is in buy mode so you can try this here.

SPG: SPG is strong in this environment for REITs. This held the 150-area support. It should challenge 175. The daily stochastic is in sell mode, but the weekly is a buy pattern. This should go higher.

PLD: This is an intermediate-term base, and back above 100 improves the chart. PLD is in a base from roughly 100 to 130. The daily stochastic is a sell pattern, but the weekly is in buy mode.

ETF Sector Charts: Health Care (XLV)



XLV is holding support: XLV is basing around the 135-area. This is overbought on the daily, but a new weekly recycle. Accumulation on XLV remains positive, but it has weakened. XLV is holding support on a closing basis, but back above 145 would be ideal. This weekly recycle should spark an advance above 145 by this summer. Failure to achieve this would be a concern for the second half of 2025. We remain an equal weight for at least one more month, as we feel this weakness is overdone. EQUAL WEIGHT

ETF Sector Charts: Health Care (XLV) – Stocks we like/buys

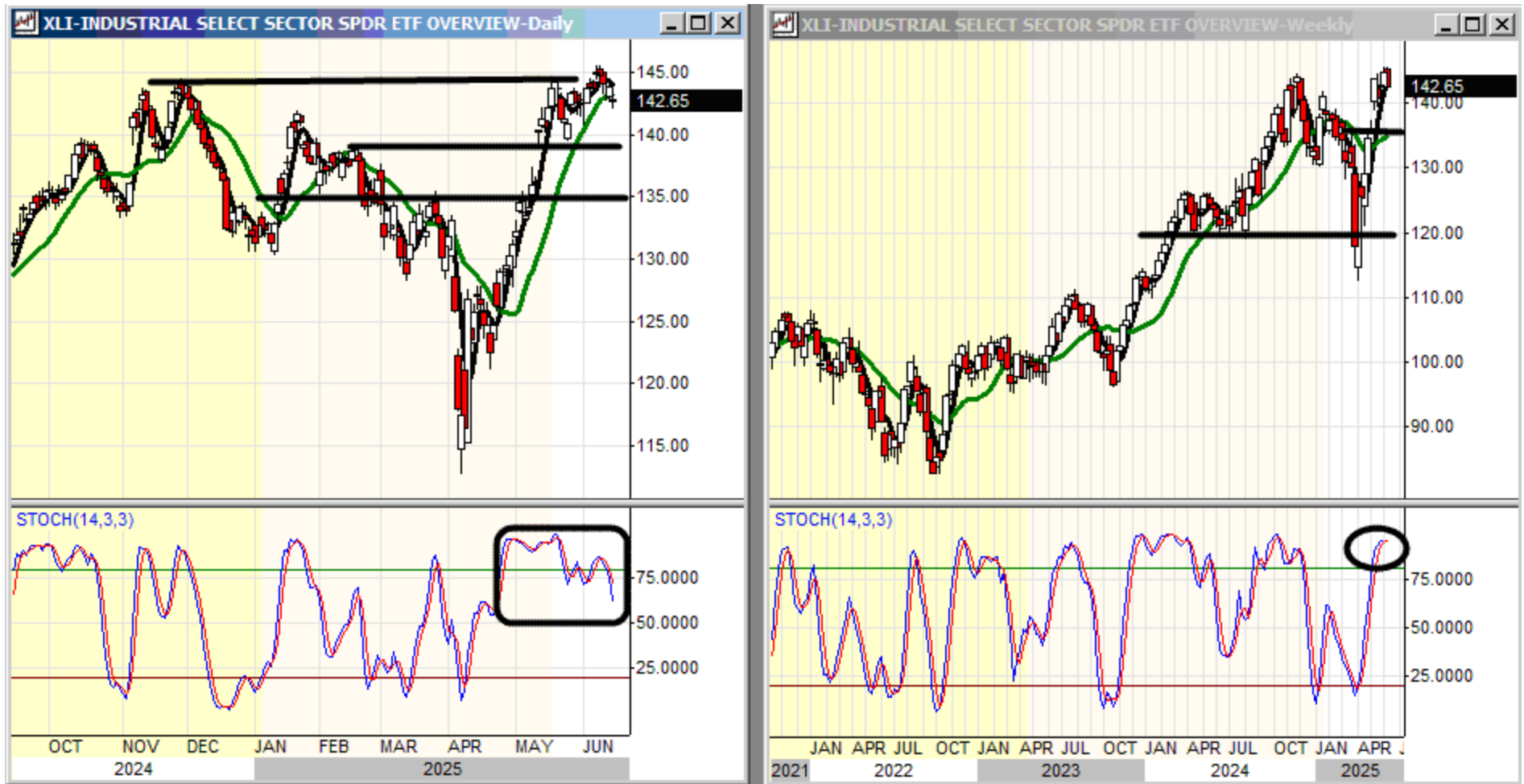


ABBV: is trading well, given market conditions. As long as above 150 the intermediate chart is positive. This has a good yield as well. This has maintained the breakout in the face of market turmoil. It could consolidate here, but within that context it should test 220.

AMGN: This broke the high-level consolidation but it tested and held 250 support. This is a giant range, as drawn. This remains in a slow uptrend. AMGN is trading well in this environment. Healthcare is trying to do better, but there are a lot of headwinds. This is still doing a bit better than XLV.

AZN: We replaced LLY, a big winner, with this name in August. The break of 75 suggested sideways trading for a while. Back above 70 improves the chart. This is building a base for a possible advance.

ETF Sector Charts: Industrial (XLI)



XLI hit new highs and is trading well: The accumulation model on XLI remains very strong. The daily stochastic is in sell mode, and the weekly is overbought. XLI's strength is still not widely acknowledged, so it should have more to run. This remains a strong formation as long as XLI is above 135 and holding this general area is important. XLI performed well in 2024 yet the markets are ignoring the performance of XLI. This is performing well and should do even better in the summer. OVERWEIGHT

ETF Sector Charts: Industrial (XLI) – Stocks we like/buys

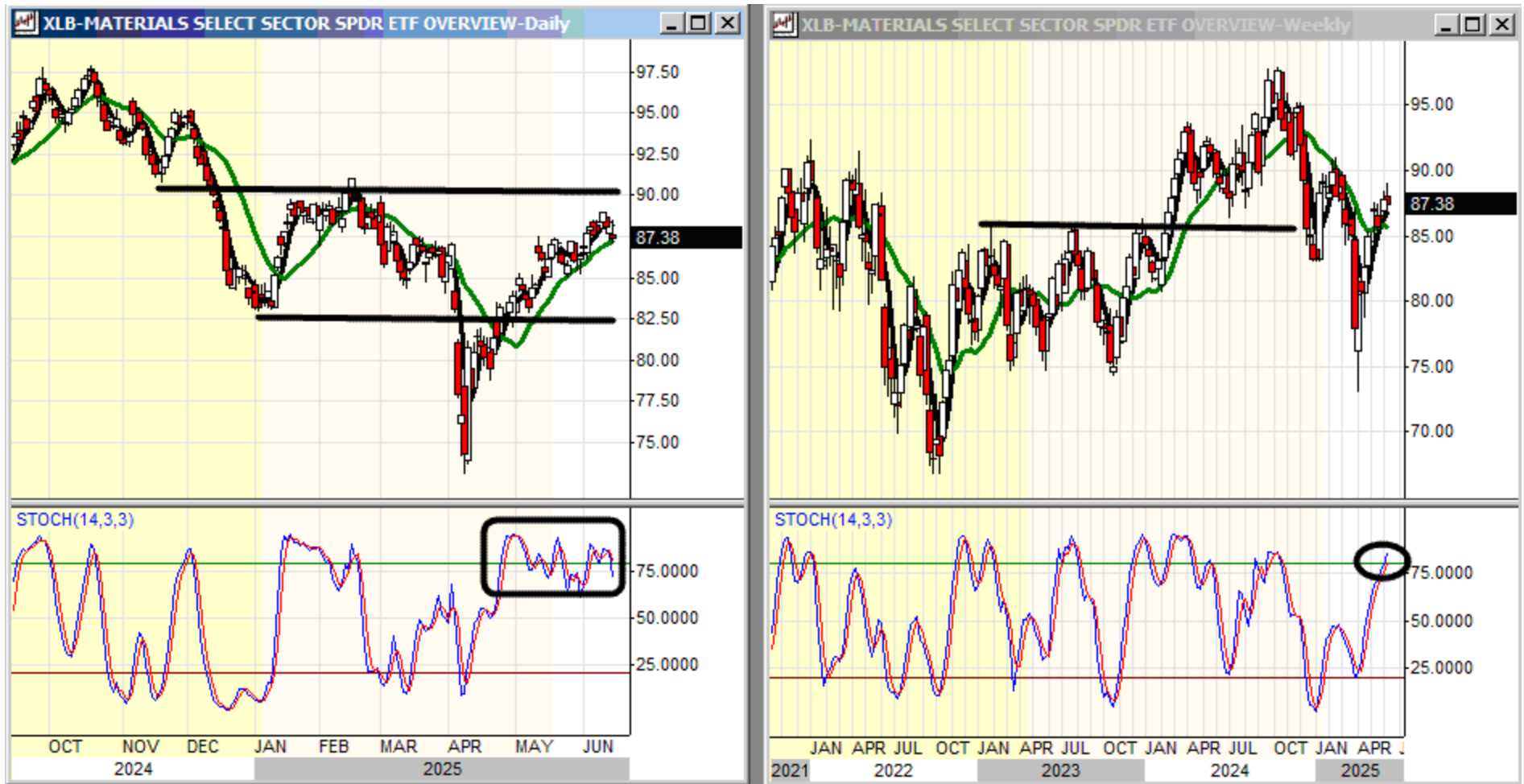


ITW: This intermediate chart is a triple bottom. Traders can buy on daily recycles. Investors continue to hold. Trading Target of 274 hit before the pullback and should be retested. Investors look for 290. Below 225 would be a concern. So far, ITW has held this area.

UNP: This has held 200 and looks like a multi-year consolidation is under way. This could recover and trade well in the third quarter, but careful if it starts making new lows. We think this is an excellent risk.

CAT: Two months ago, we removed LMT and added CAT. Defense stocks may have trouble under Trump, but construction should do well. CAT may be building an inverse Head and Shoulders. Buy stochastic recycles.

ETF Sector Charts: Materials (XLB)



XLB broke and revalidated 82-area support: XLB is weaker than we thought it would be. Short-term support from 82 broke on a gap. The Accumulation was weak, suggesting this could have problems and this is why we have been an equal weight. The weekly stochastic is a buy pattern, the daily is overbought. Back above 85 has improved the chart. Above 90 would be strong. The intermediate-term trend is now sideways rather than up, and the weak Accumulation and price action keeps it from being a favorite. EQUAL WEIGHT

ETF Sector Charts: Materials (XLB) – Stocks we like/buys

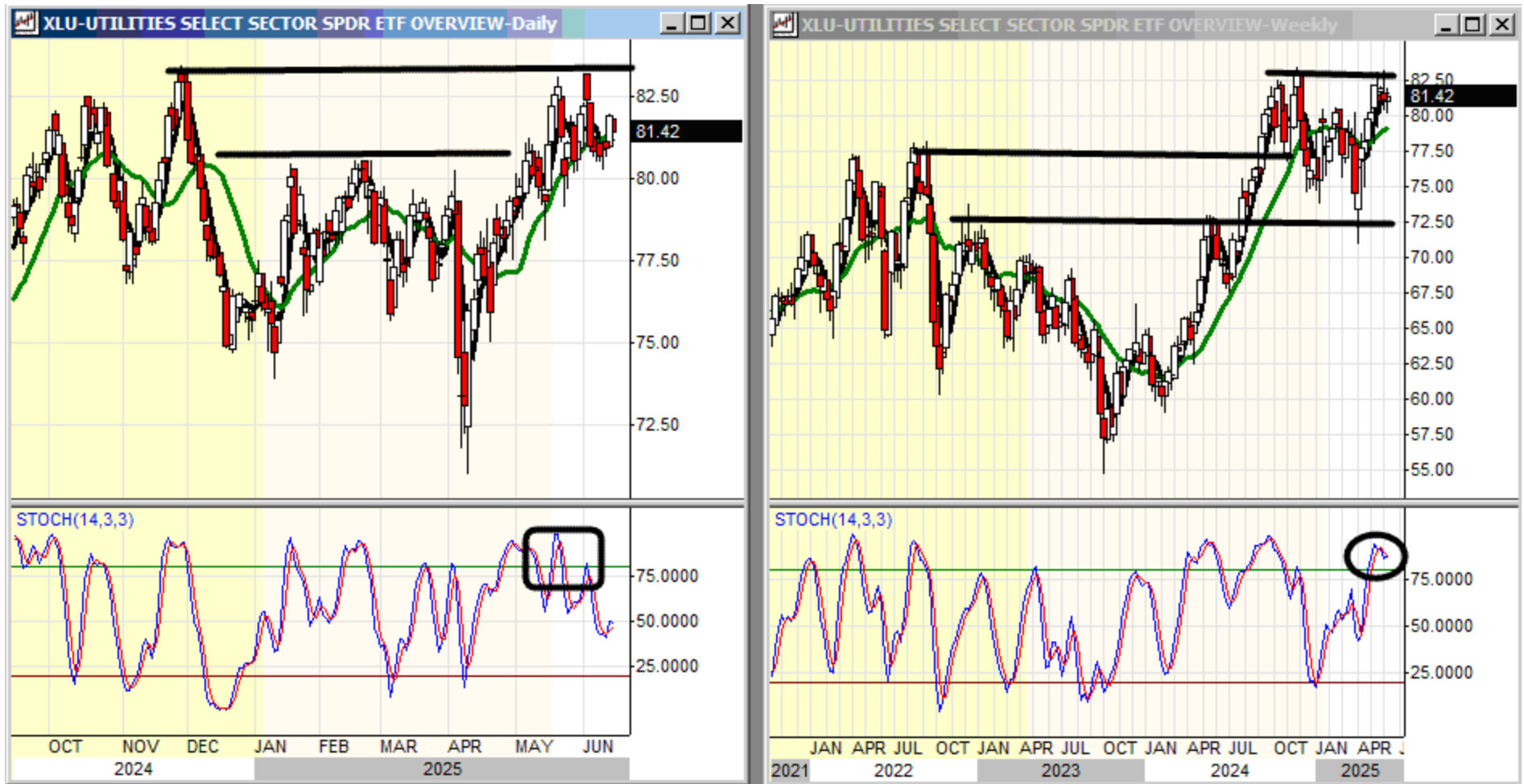


CTVA: This rallied off intermediate-term support at 50, and this breakout is strong. You can buy daily recycles. CTVA has hit trading targets, and traders can sell the stock. Investors may see some consolidation there, but then it could hit 74 to 78 by July.

SCCO: This is held 75-area support. This is close to challenging resistance at 100. Traders can consider sale at 100 or so, but through this would target 120 for investors. This looks like a good risk for a summer rally.

STLD: We replaced NUE with STLD three months ago. STLD has filled a gap and held short-term support at 120 on the last pullback. This is trading at 100 resistance, but steel is weaker than we would like to see.

ETF Sector Charts: Utilities (XLU)



XLU held the 72-area support: This broke out above 77 and is above there once again. The daily stochastic is in sell mode. The weekly is overbought. Income Investors were buying this on pullbacks, as we have recommended over the last six years. This is also an AI play, as the power grid should be attracting more money. These can do well in 2025, but for now it is a range. So far, this is performing well and is functioning as a defensive sector. We remain an equal weight. Back below 75 would suggest the rally is over, but this is still an income play for now, and dividend stocks look a bit better. EQUAL WEIGHT

ETF Sector Charts: Utilities (XLU) – Stocks we like/buys

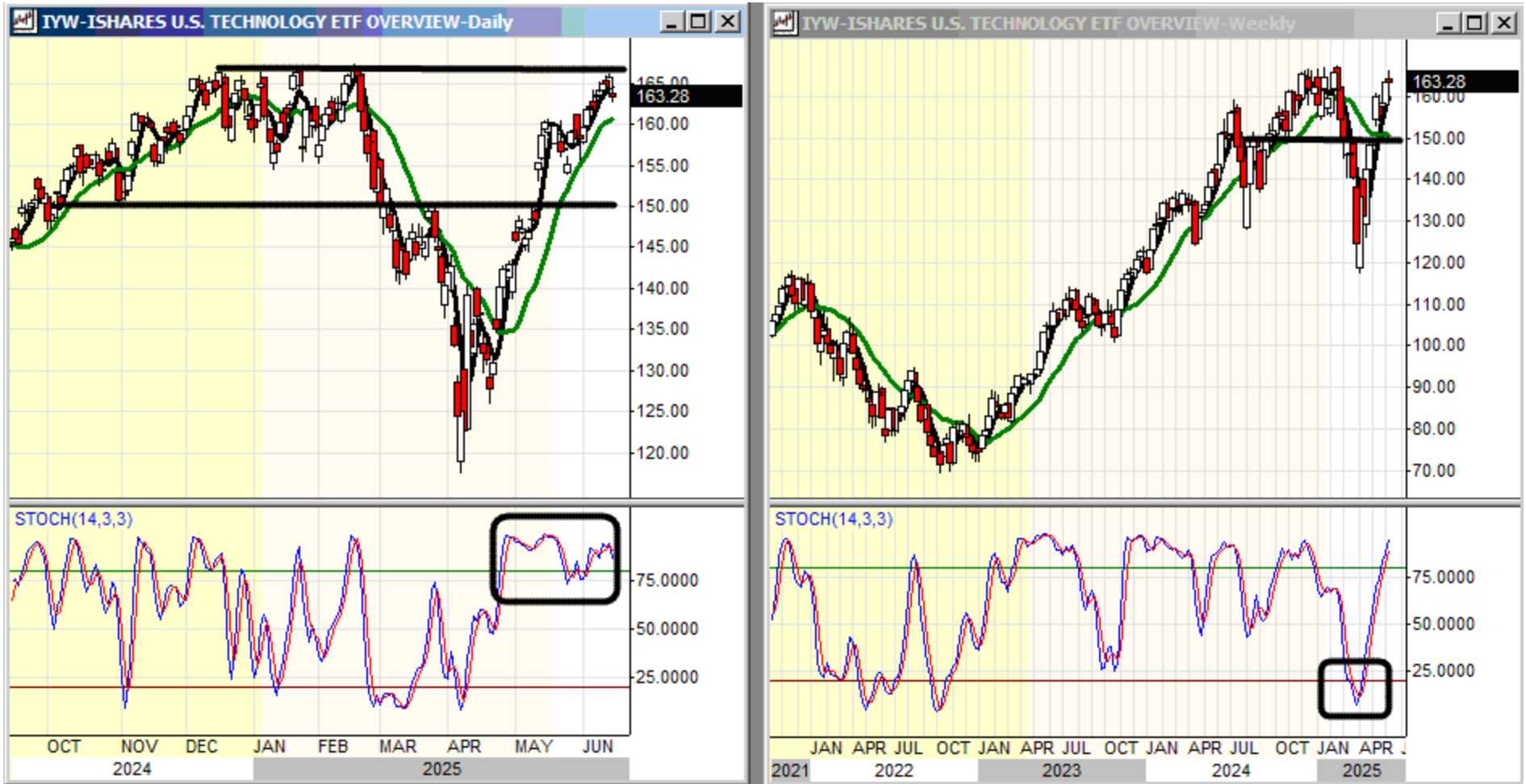


SO: SO is a breakout and a successful retest. One reason this may be doing so well is nuclear power. The stochastics are overbought and in slight sell mode. We would buy on recycles. SO is our favorite Utility.

DUK: DUK held 110 to 105 support. This has started to trade sideways. Buy recycles as long as above 100. This is a strong chart and this consolidation is helping the weekly stochastic come down and recycle.

AEP: We replace SRE with this name. That stock had a gap down that should take some time to recover. In contrast, this is a strong uptrend as long as above 90. You can buy here as the daily is a recycle.

ETF Sector Charts: Technology (IYW)



IYW has rallied close to the last high: IYW broke and revalidated intermediate support at 130. Tech has been everyone's favorite overweight for a while, and because of this Tech has been overvalued. To some extent the last correction masked an unwind of many tech over weights. The daily stochastic is in slight sell mode, and the weekly is overbought and not in sell mode. We have consistently said not to sell the ultra high relative strength tech names, and they are trading better than the rest of the sector, but there are less of them. Buy the very best companies on recycles for your Tech allocation. We still think Tech should have problems later in 2025, so be a little careful after a summer rally. Accumulation has started to improve on IYW and QQQ so this should be up into July, per our forecast. EQUAL WEIGHT

ETF Sector Charts Technology (IYW) – Stocks we like/buys

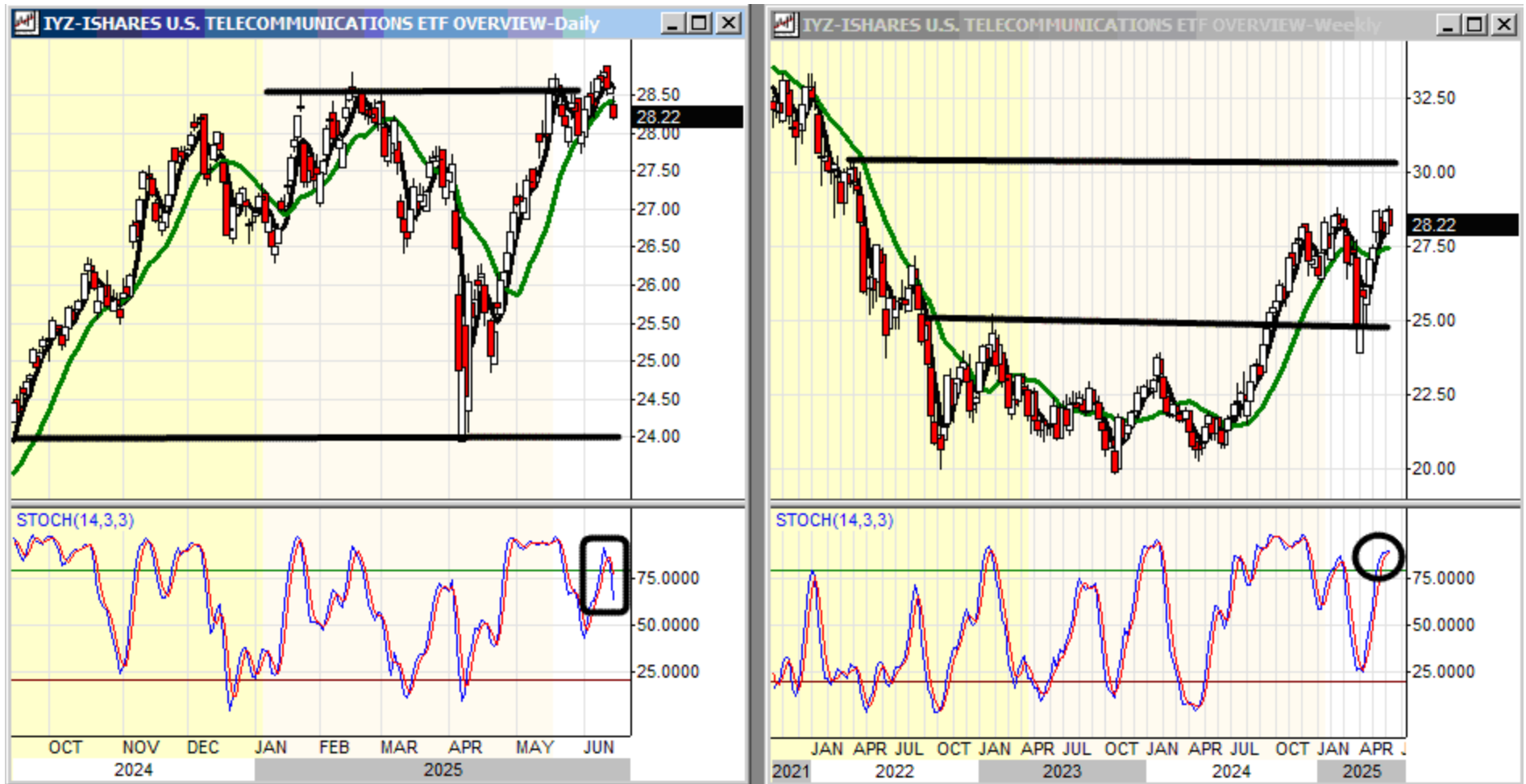


IBM: This pulled back to the intermediate-term uptrend and rallied. In addition to being an AI play, IBM has a strong yield. Keep buying recycles. Support is 200 and this is trading at new highs.

CSCO: We added CSCO a couple of months ago. CSCO is a strong chart as long as above 55, and this testing the recent high. We did not want to use a Mag 7 name. This hit trading targets and pulled back and rebounded. You can buy the next recycle.

NVDA: This AI stock has consolidated and moved below and above the 100-area support. NVDA replaced AAPL a couple of months ago. This has consolidated enough and a move through 150 should take it to new highs by summer.

ETF Sector Charts: Telecom (IYZ)



This tested and held 25-area support: This broke out above 25 and retested that area, now support. IYZ is defensive and holding. We moved to an Underweight in February 2021. We have seen some advance in T, which is the probably the biggest reason this improved. The daily stochastic is in slight sell mode, and the weekly is overbought. This is still one of the weaker sectors intermediate-term, but it is improving and part of the rotation out of Tech we are seeing. We will maintain our underweight. UNDERWEIGHT

ETF Sector Charts: Telecom (IYZ) – Stocks we like/buys



T: T built a double bottom in the 14 area. It has started a new uptrend and has exceeded the top of the range at 25, now support. This stock is good for income, and it is a consolidation. It could head for 28 to 30. We will look at this again in July.

VZ: VZ broke support in the 40 area but has revalidated this area. We would continue to use this for income as it is improving. Continuing to hold above 40 would continue the basing pattern. Above 45 would be strong. Below 35 would be a concern.

TMUS: TMUS is a strong chart that has started a consolidation. This has been our favorite of these for a while. Short-term this has started to fill the gap. It is still a strong chart.

Disclaimers:

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