U.S. Equities Sector Rotation

APR 08 2026 • DATA CURRENT

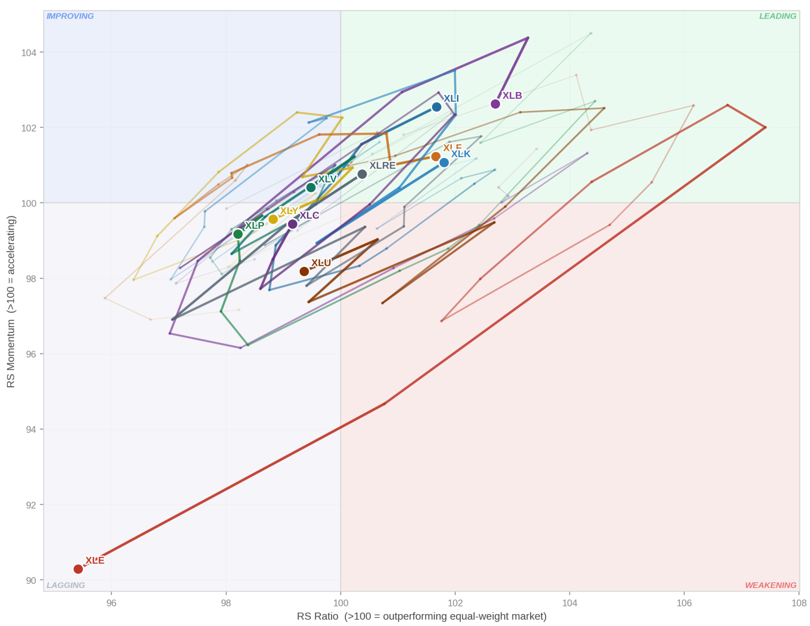
RELATIVE ROTATION ANALYSIS — EQUAL-WEIGHT & FULL-MARKET PCA BENCHMARK — POLYGON.IO OHLCV

The ceasefire is reshuffling the deck. Iran, the U.S., and Israel agreed to a two-week ceasefire overnight, sending oil down 18% — the sharpest single-session drop since April 2020. Energy stocks logged their worst day in a year (**XLE -4.7%**). Meanwhile tech rallied as supply chain fears eased, beginning what looks like a **regime swap** between the two sectors.

Against the **equal-weight sector benchmark**, tech's RS ratio leads at **101.61** while energy has fallen to the bottom. Separately, the **full-market PCA** (computed over the last year across all equities + commodities) shows **every asset — equities and commodities alike — below 100**, a sign of broad dislocation from the war-to-ceasefire whipsaw and ongoing tariff drag. In that view, relative positioning within the cluster is the signal, not absolute level. The broader story: a year of tariff headwinds (15% universal surcharge since Feb'26) compressed everything into a tight band, and the ceasefire just broke the equilibrium.

Sector Rotation — 3-Month Trails

BENCHMARK: EQUAL-WEIGHT SECTOR COMPOSITE



All 11 GICS sectors, weekly samples over 12 weeks vs equal-weight composite. Fading line = older position. Bright dot = current.

HOW TO READ THIS

Each line traces a sector's path over the last 3 months. **Top-right = outperforming & accelerating.** Bottom-left = underperforming & decelerating. Sectors rotate clockwise through the cycle: Improving → Leading → Weakening → Lagging.

KEY OBSERVATIONS

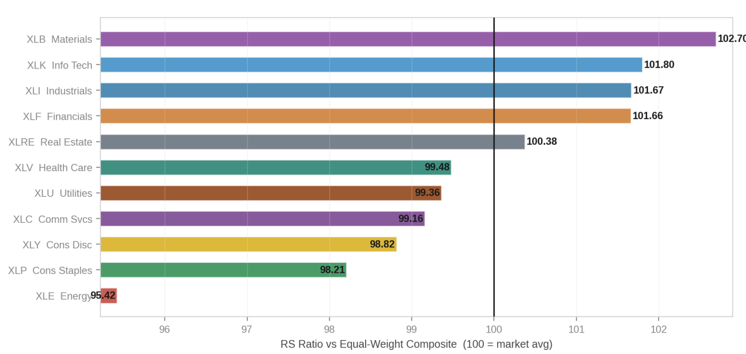
Energy (XLE) had been leading since the Iran conflict began Feb 28 — oil spiked to $112, energy stocks surged 40–50%. The ceasefire today reversed that entire trajectory. The trail shows it curving sharply downward.

Tech (XLK) was suppressed by supply chain fears and tariff costs (Apple: $800M–$1.1B/quarter). With the ceasefire removing shipping and fuel headwinds, tech is now the strongest sector by RS ratio.

Materials (XLB) and **Financials (XLF)** remain near the top of the cluster — the beneficiaries of the broader "Great Rotation" out of mega-cap growth that's defined 2026.

Relative Strength Ranking & Signals

BENCHMARK: EQUAL-WEIGHT SECTOR COMPOSITE



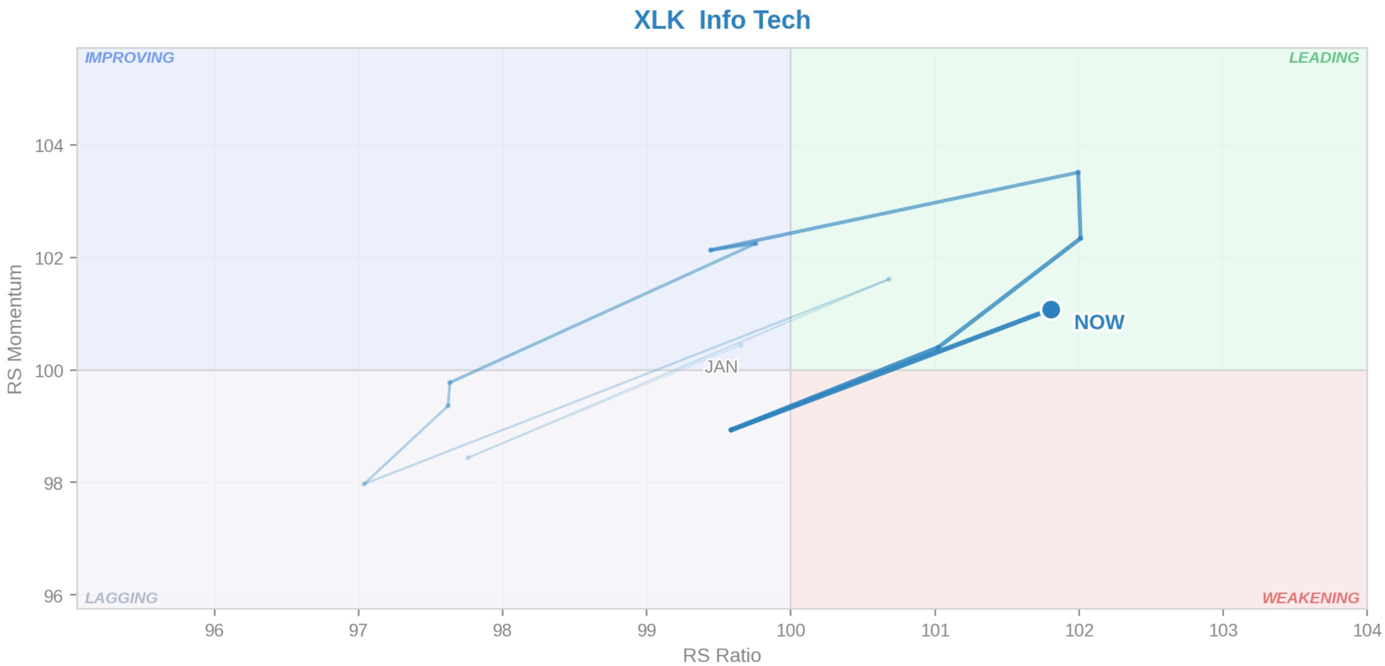
RS Ratio vs equal-weight composite. Black line = market average (100). Right of line = outperforming.

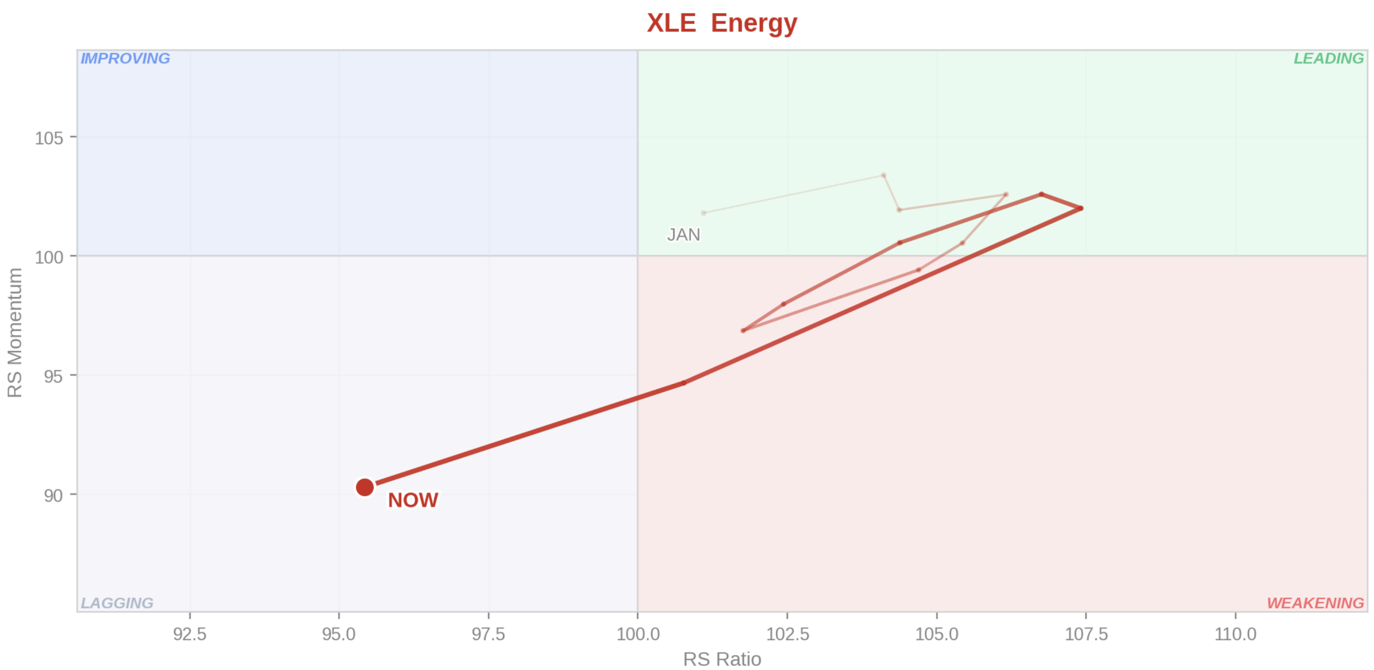
ETF	SECTOR	SIGNAL	RS	MOM
XLK	Info Tech	BUY	101.61	100.40
XLB	Materials	BUY	101.22	100.07
XLF	Financials	HOLD	100.93	99.88
XLI	Industrials	HOLD	100.66	99.75
XLRE	Real Estate	HOLD	100.10	99.41
XLV	Health Care	HOLD	99.54	99.30
XLU	Utilities	HOLD	99.48	98.95
XLC	Comm Svcs	HOLD	99.37	99.12
XLY	Cons Disc	SELL	98.92	98.44
XLP	Cons Staples	SELL	98.67	98.10
XLE	Energy	SELL	97.88	96.21

Signals from RRG quadrant + momentum direction. RS computed vs equal-weight sector composite, 4W rolling window.

The Swap: Tech & Energy Changing Places

WTI fell 18% to $92/bbl on the ceasefire. Energy stocks that surged 40–50% since Feb are reversing. Roth downgraded 6 E&P names, sees $70 oil. Meanwhile tech — hurt by shipping/fuel/tariff costs (Apple: $800M+/qtr) — is the beneficiary: Goldman calls Mag 7 a "historical valuation opportunity."



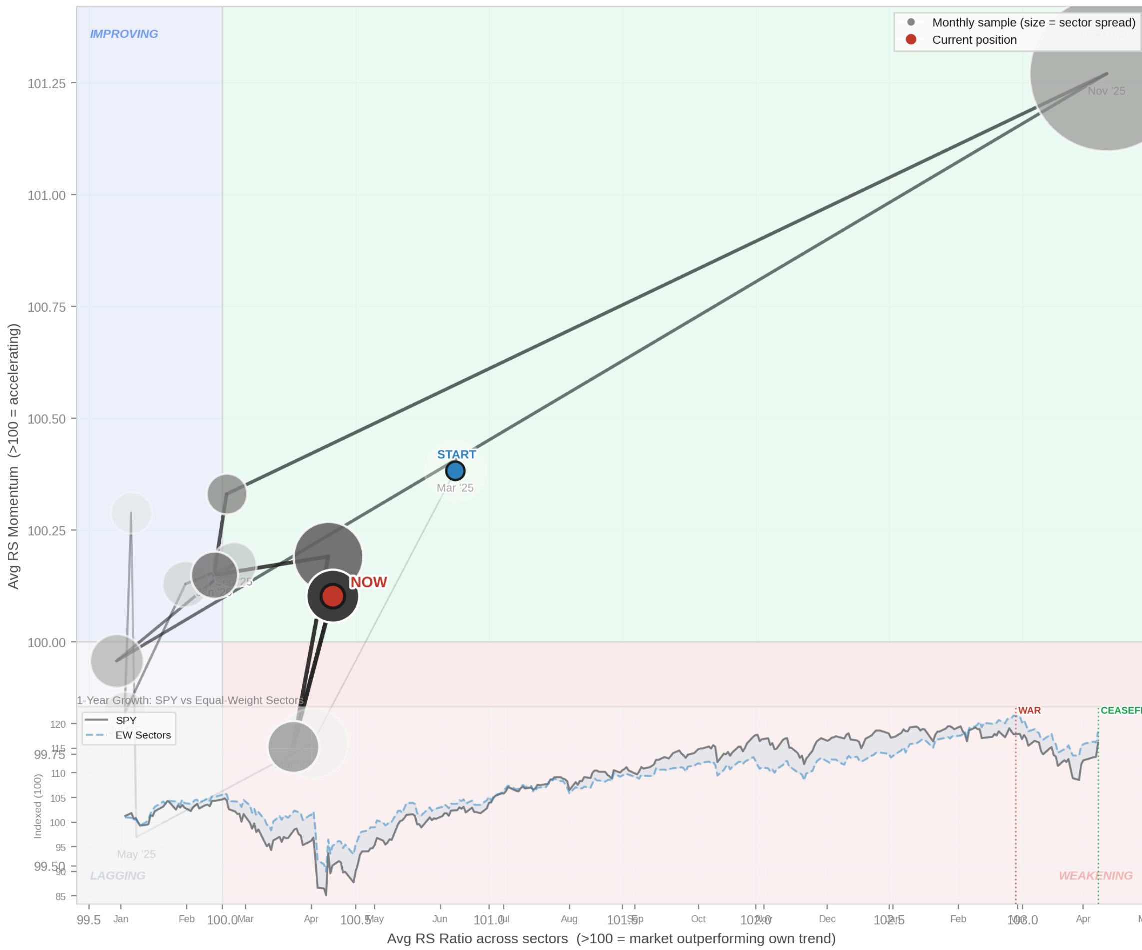


3-month rotation trails: Tech (left) vs Energy (right). January to today.

Holistic Market Rotation

MEAN RS ACROSS ALL SECTORS • 10-DAY SMOOTHED • MONTHLY SAMPLES

This chart plots the **average RS position across all 11 GICS sectors** sampled monthly. Each circle is one month — **larger circles = wider sector spread** (more disagreement between sectors). The path shows how the overall market has rotated through RRG quadrants over time. The inset shows indexed growth of SPY vs equal-weight sectors since Jan 2025.



Reading the path: The market cycled through LEADING in mid-2025, weakened during the tariff overhang, and is now in transition after the ceasefire shock. Circle size shows when sectors were moving together (small) vs diverging (large). Current position is marked in red.

Tariff drag: 15% universal tariff (Section 122, Feb 24) weighs on all equities. J.P. Morgan: cons. disc. earnings at pandemic lows. Ford: $2B tariff losses. GM: $4B in '26. Structural compression across all sectors.

BOTTOM LINE

The ceasefire is the catalyst for a regime change.

1. Energy's 3-month leadership run is over. The war premium that drove XLE up 40%+ is unwinding. Oil heading to $70 (Roth) means energy earnings estimates get cut.
2. Tech is swapping into the leadership position. Supply chain de-risking + "historical valuation opportunity" (Goldman) + strongest RS ratio in the equal-weight field.
3. The full-market PCA (1-year lookback) shows *every* asset — equities and commodities — below 100, signaling broad dislocation from trend caused by the war/ceasefire whipsaw and 15% universal tariff drag. This is not risk-on — it's rotation within a dislocated, compressed market.
4. The sector spread is tight (101.61 to 97.88 on equal-weight). Compression precedes breakout. Watch whether tech can sustain above 100 or if it rolls back into the cluster.
5. Action: Overweight **XLK** + **XLB**. Underweight **XLE**, **XLY**, **XLP**. Financials and Industrials are holds — near the top but momentum is flat.