Trend & Cycle: The Long View – June 2025

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All values in U.S. dollars and priced as of market close on May 30, 2025, unless otherwise noted.

For Important Disclosures, see page 21.

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Wealth Management

Trend & Cycle: The Long View – June 2025

- **Structural trend and cycle** - In last month's Long View we highlighted that while investors were understandably worried about a myriad of fundamental, macro, political and demographic concerns, the structural uptrend for the S&P 500 remains intact with the April-May correction rallying from important support near the rising 4-year moving average which regularly defines the underlying trend for longer-term bull markets. As the calendar turns to June the longer-term outlook remains unchanged, and while we are on the lookout for signs that the secular trend may be ending, we view the 16-18 year generational cycle as being intact and supportive of upside into the mid-2030s.
- **The 4-year cycle** - As a reminder, the structural uptrends of the 1950s-1960s, 1980-1990s and 2010-2020s are defined by a series of smaller 3-4 year cycles that are usually driven by liquidity from central banks and the response to that liquidity by the economy and corporate earnings. We continue to encourage investors to pay close attention to these smaller multi-year liquidity driven cycles given S&P 500 averages just over 100% during the upcycle with an average decline of 20-25%.
- **After a volatile start to 2025, where are we now? Late Q2 into early-mid Q3 is likely a moment of truth.** The 4-year cycle backdrop is now mixed with conflicting technical signals that suggest investors need to be vigilant moving through the balance of 2025. As we have noted here every month this year, one of our main monthly cycle indicators turned negative at the end of January signalling that the cycle which bottomed in Q4 2022 was at risk of peaking. However, after a quick 21% correction and rebound from an important technical support level near the 50-62% retracement of the 2020-2025 rebound coinciding with the S&P's long-term uptrend and 4-year moving average, investors face a dilemma from a technical perspective: Was the April-May rebound merely a bear market bounce or did a mid-cycle 20+% correction successfully retest long-term support with further upside likely?
- Our outlook remains unchanged from May's Long View publication viewing the April lows as a successful test of the S&P's longer-term uptrend with an oversold intermediate-term rebound likely to carry equity markets higher into early-mid Q3 before becoming overbought heading into next quarter's earnings' reports. By mid-late Q3 another pullback is expected, consistent with seasonal weakness into Q4. On the positive side, we view the all-time highs by the S&P advance-decline line to be an encouraging technical event that does not usually develop during a bear market bounce. In addition, new cycle highs by some global equity markets, such as EAFE (Europe, Australasia, Israel and the Far East) along with Germany's DAX and Canada's TSX equity indices, suggest global participation is broadening. Concerns to monitor closely include marginal participation by small-caps and the risk that the U.S. 30-year and 10-year yields break out of their 2-year trading ranges.

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- **Interest Rates** - Our outlook remains unchanged, viewing US longer-term yields to be range bound below their Q4 2023 highs moving into Q3. However, while the widely watched U.S. 10-year yield remains below its critical upper band of 4.7-5%, the U.S. 30-year yield should be closely monitored as it is challenging the upper end of its Q4 2023-Q2 2025 trading range between 5.0-5.18%. A push above that range would be a technical signal that long-term interest rates are trending to the upside, with 6% the next technical extension level. Short-term indicators, tracking 2-4+ week swings, have already moved back to overbought levels suggesting yields are likely to pull back through the balance of Q2. The bottom line is that we expect rates to remain range bound but encourage investors to monitor rates closely in the coming months as a breakout by the US 30-year yield is likely to lead to equity market weakness.

- **Currencies** - The US dollar declined through 2025 as global money manager sentiment turned negative on US assets. After peaking near 110 in early January, the US dollar DXY index remains in a correction but is oversold from a multi-month perspective with early signs of a bottom developing near important support at 98-100 coinciding with the dollar's 2010-2025 uptrend. Conversely, most other currencies versus the US dollar rebounded strongly in Q1 into Q2 but are becoming overbought in the intermediate term, suggesting a pullback in Q2 into early-mid Q3.

- **Commodities** - Gold remains in a longer-term established uptrend but is overbought from an intermediate-term perspective with early signs of stalling at Fibonacci extension levels between 3335-3538. We view a pause to be a healthy breather within a longer-term uptrend with support near 2800. In contrast, **WTI Oil** remains in a weak trend having broken below important support in the low-mid 60s. Short-term support is at 55, where WTI bounced from in early May, with a rally back above the low-mid 60s needed to suggest any meaningful improvement.

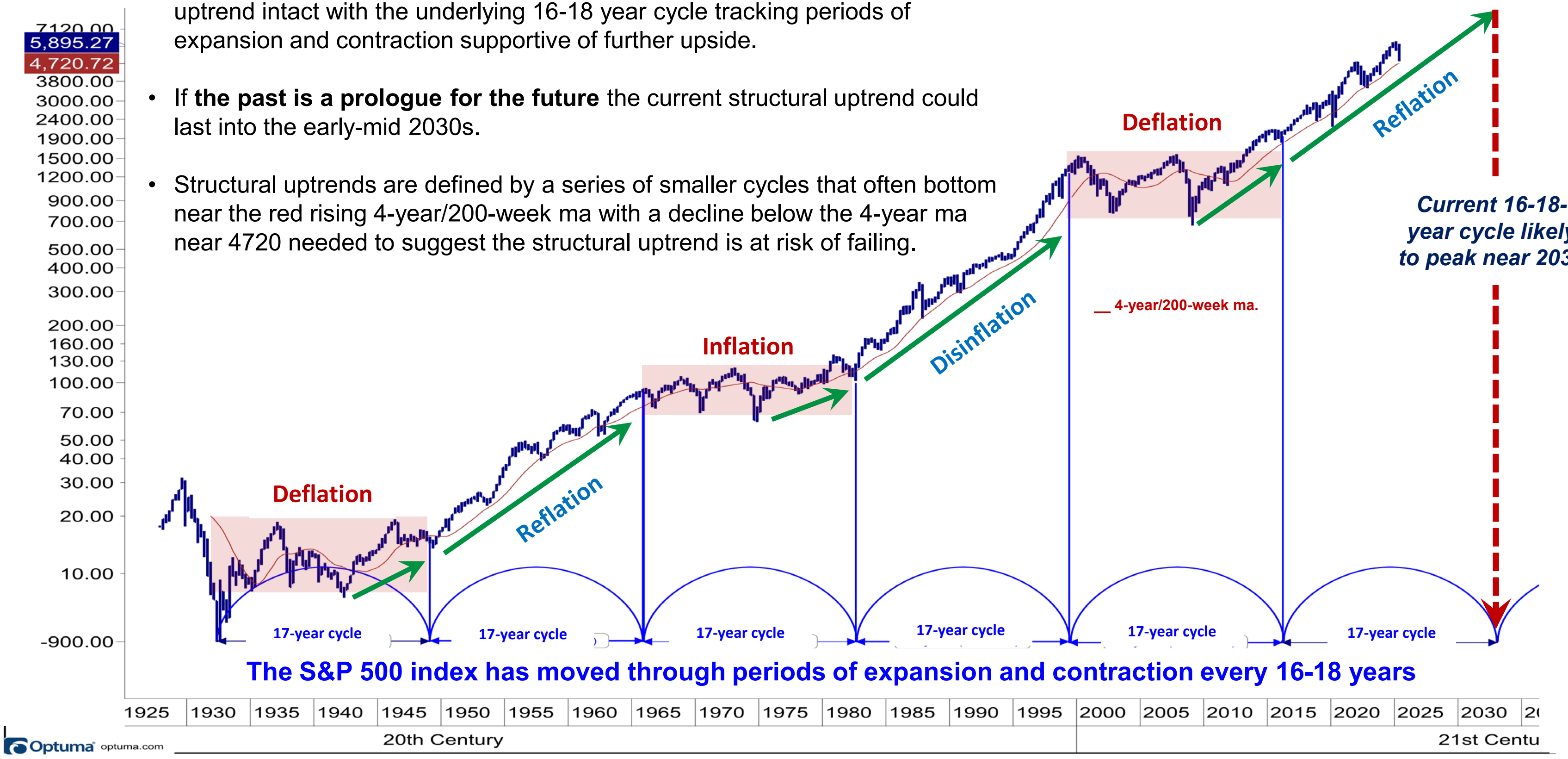
Equity leadership

- **Growth and cyclical stocks** have rebounded strongly from their April correction lows with many stocks rallying from important support levels coinciding with 50-62% retracement levels of their 2020-2025 uptrends near rising 4-year/200-week moving averages similar to the S&P 500 and Nasdaq 100. As noted above our expectation is for the current rebound to last into early-mid Q3 where another tactical pullback is likely to develop. Semiconductors remain a focus group given their July 2024 peak back to long-term support at their rising 4-year moving average appears to be defining a cycle low.

- **Defensive** sectors, such as utilities, staples and healthcare, rebounded from intermediate-term oversold levels in early Q1 toward overbought levels moving into April and May with pullbacks underway as capital rotated back to growth and cyclical stocks. Most of these sectors remain in sideways consolidations or corrections that are likely to become oversold and more timely moving into early-mid Q3.

S&P 500 - Generational trends and cycles lasting roughly 16-18 years,

- Our long-term outlook remains unchanged viewing the generational/structural uptrend intact with the underlying 16-18 year cycle tracking periods of expansion and contraction supportive of further upside.
- If **the past is a prologue for the future** the current structural uptrend could last into the early-mid 2030s.
- Structural uptrends are defined by a series of smaller cycles that often bottom near the red rising 4-year/200-week ma with a decline below the 4-year ma near 4720 needed to suggest the structural uptrend is at risk of failing.



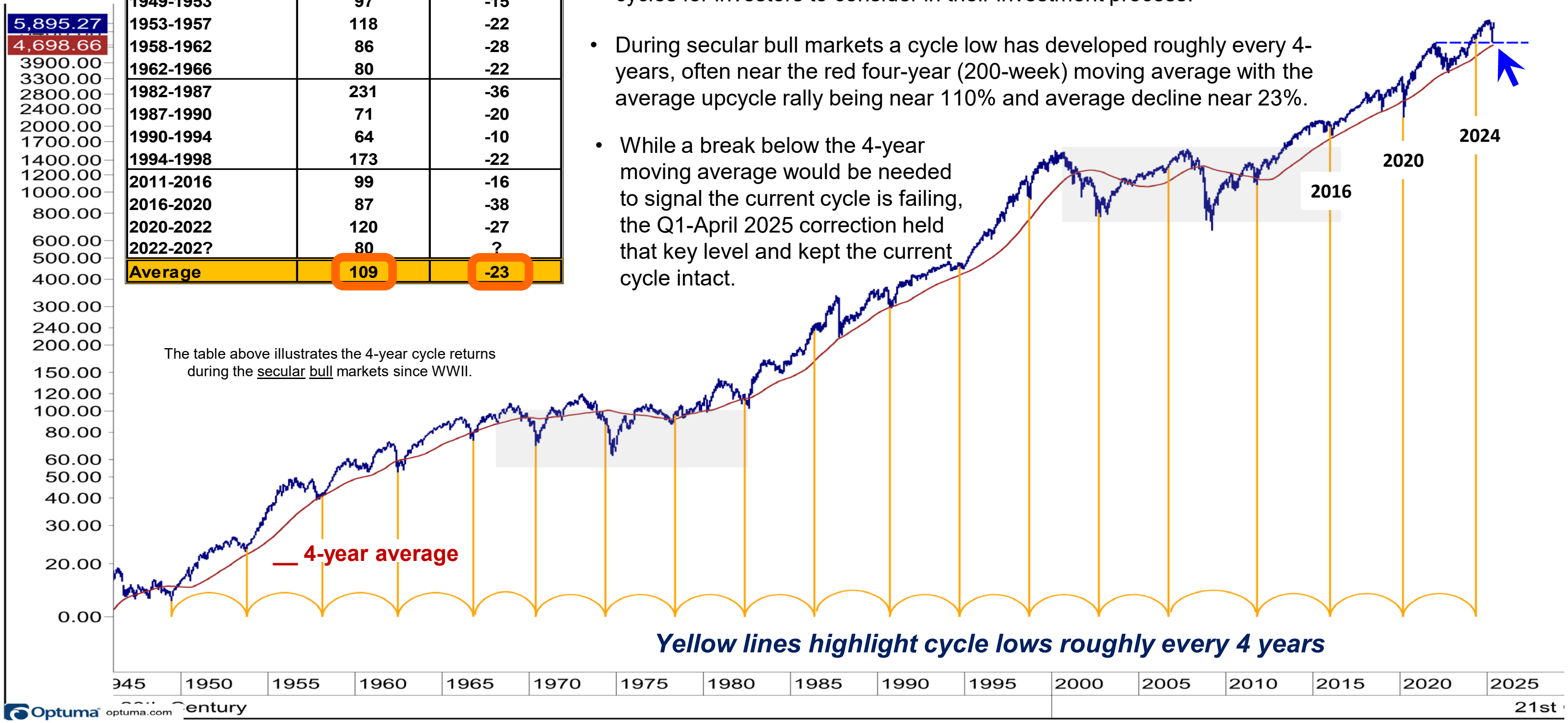
Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 - A repetitive 3-4 year cycle driven by central bank **liquidity** and economic **growth**.

4-Year Cycle	% Rally	% Correction
1949-1953	97	-15
1953-1957	118	-22
1958-1962	86	-28
1962-1966	80	-22
1982-1987	231	-36
1987-1990	71	-20
1990-1994	64	-10
1994-1998	173	-22
2011-2016	99	-16
2016-2020	87	-38
2020-2022	120	-27
2022-202?	80	?
Average	**109**	**-23**

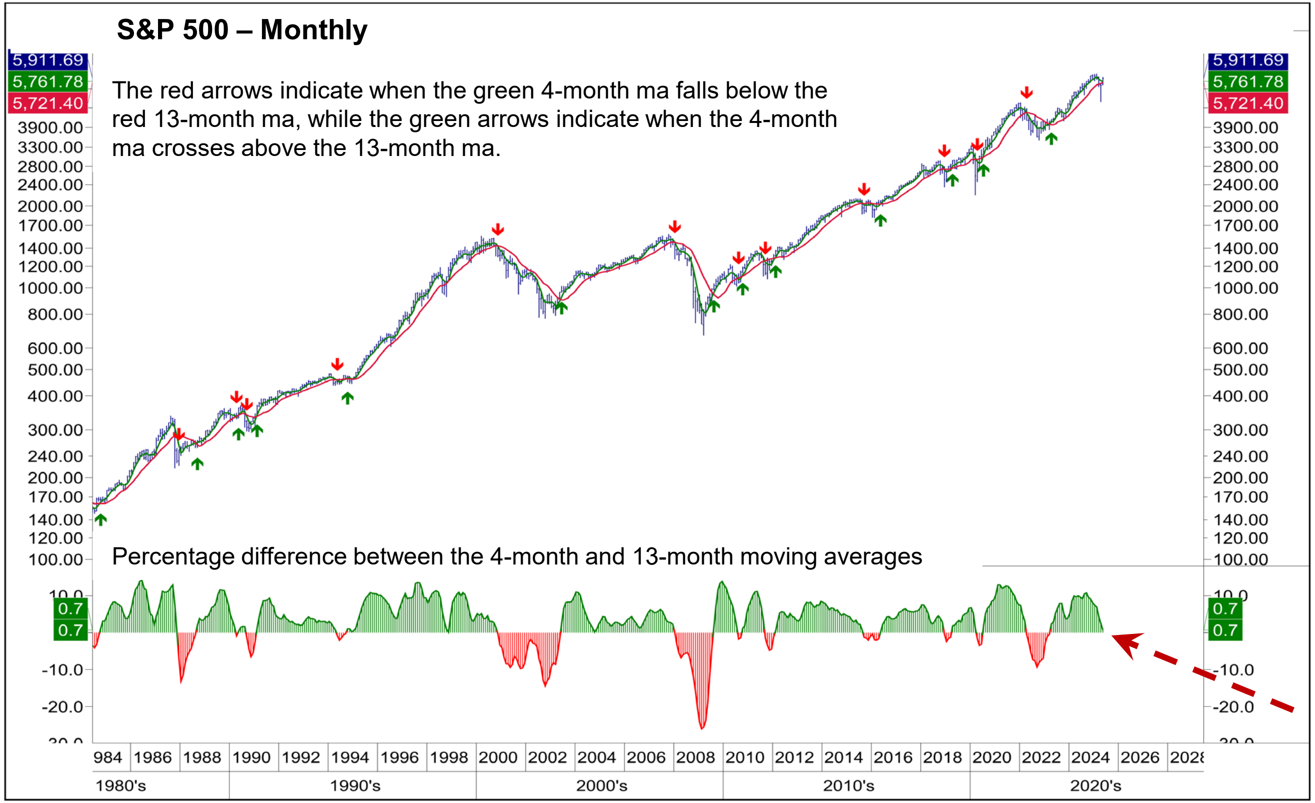
The table above illustrates the 4-year cycle returns during the secular bull markets since WWII.

- We continue to feature the 4-year cycle as one of the more important cycles for investors to consider in their investment process.
- During secular bull markets a cycle low has developed roughly every 4-years, often near the red four-year (200-week) moving average with the average upcycle rally being near 110% and average decline near 23%.
- While a break below the 4-year moving average would be needed to signal the current cycle is failing, the Q1-April 2025 correction held that key level and kept the current cycle intact.



Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 Index – Uptrend intact but momentum has peaked and turned negative.



- One technical tool to monitor the trend of a market is to compare its shorter-term trend, measured by the green 4-month moving average (ma), to its longer-term trend, measured by the red 13-month ma.
- The current trend remains positive but is very close to turning negative given the short-term ma is at 5762 and the longer-term ma is at 5721.
- Another way to track the relationship between these mas is to measure the percentage difference between the two and plot the difference as a histogram, as illustrated in the bottom panel.
- This indicator bottomed in Q4 2022 and has remained above its zero axis since March 2023 but is very close to turning negative. Our expectation is that this indicator will not turn negative, and signal a sell signal, given the S&P has rallied from key support near its rising 4-year moving average.

Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 – Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

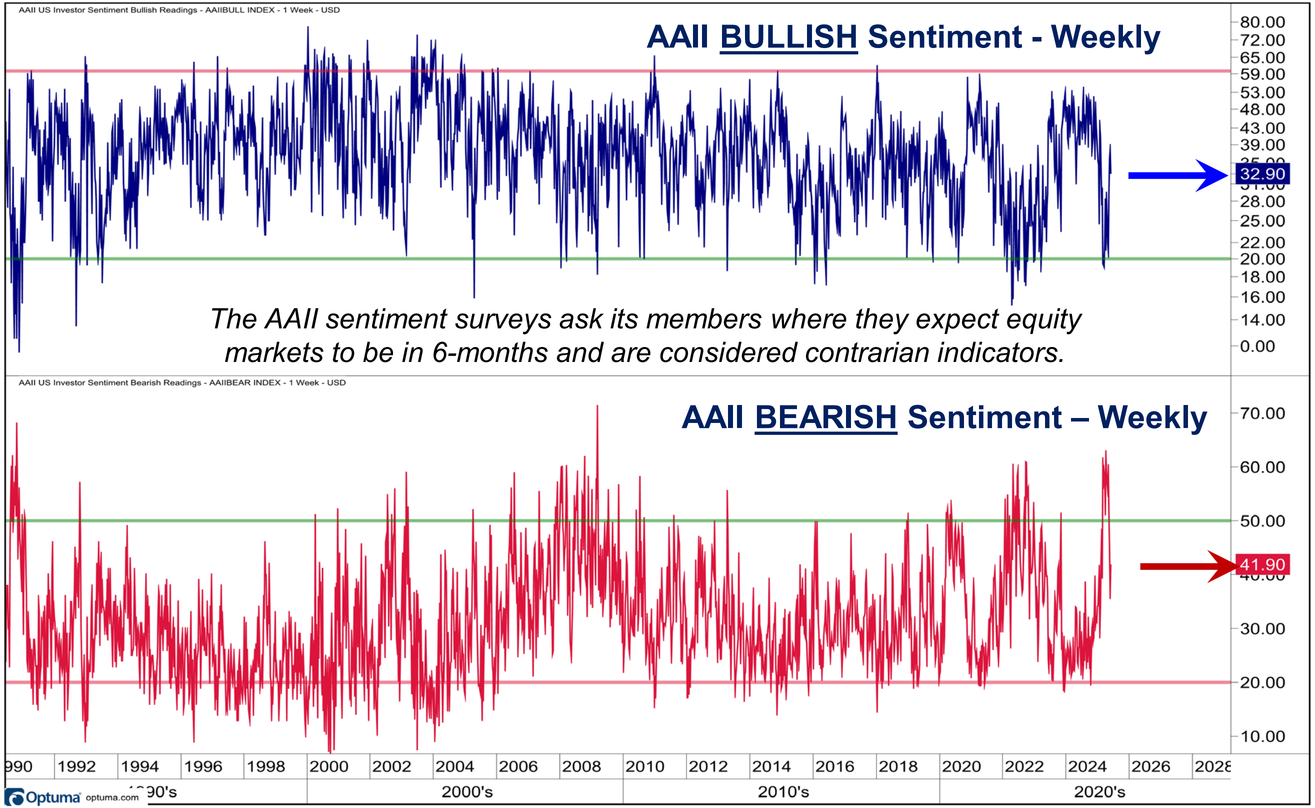
- The S&P rebounded from a critical support band between 4506-4819 coinciding with the 50-62% retracements of the 2022-2025 rally near the rising 4-year/200-week ma currently at 4726.
- The Q2 rebound has kept the S&P's secular uptrend intact but monthly momentum, tracking 2-4 year cycles, remains negative after peaking at the end of January 2025.
- While cycle momentum is negative and suggests caution, we view the longer-term trend to be positive with the recent pullback and rally a successful test of the lower end of the 2009-2025 uptrend channel with further upside expected into early-mid Q3.
- A break below the April lows, however, would raise the risk that the secular bull market is prematurely failing.

S&P 500 with weekly Quadrant Balance momentum

Source: RBC Wealth Management, Bloomberg, Optuma

- Weekly momentum is early in an upturn from oversold levels established in April with potential to build into early-mid Q3 before peaking.
- Resistance begins at current levels between 6008-6147 where a near-term pause is underway.
- Next key upside level above 6147 is at the 162% extension at 6958.
- We expect a short-term pause followed by further upside into Q3.
- The weekly quadrant oscillator, tracking the percentage of stocks within the S&P 500 with rising weekly momentum, is building positively reflecting our expectation that this indicator peaks at overbought levels in early-mid Q3 setting the stage for a seasonal pullback into Q4.

AAII US Bullish and Bearish Sentiment Survey –



- (+) Bullish Sentiment is improving as equity markets rebound…

  while

- …bearish Sentiment is falling from elevated levels in early April.
- We view the recovery from tactical extremes to be supportive of further upside for US equities into early-mid Q3 before reaching elevated/complacent levels.

Source: RBC Wealth Management, Bloomberg, Optuma

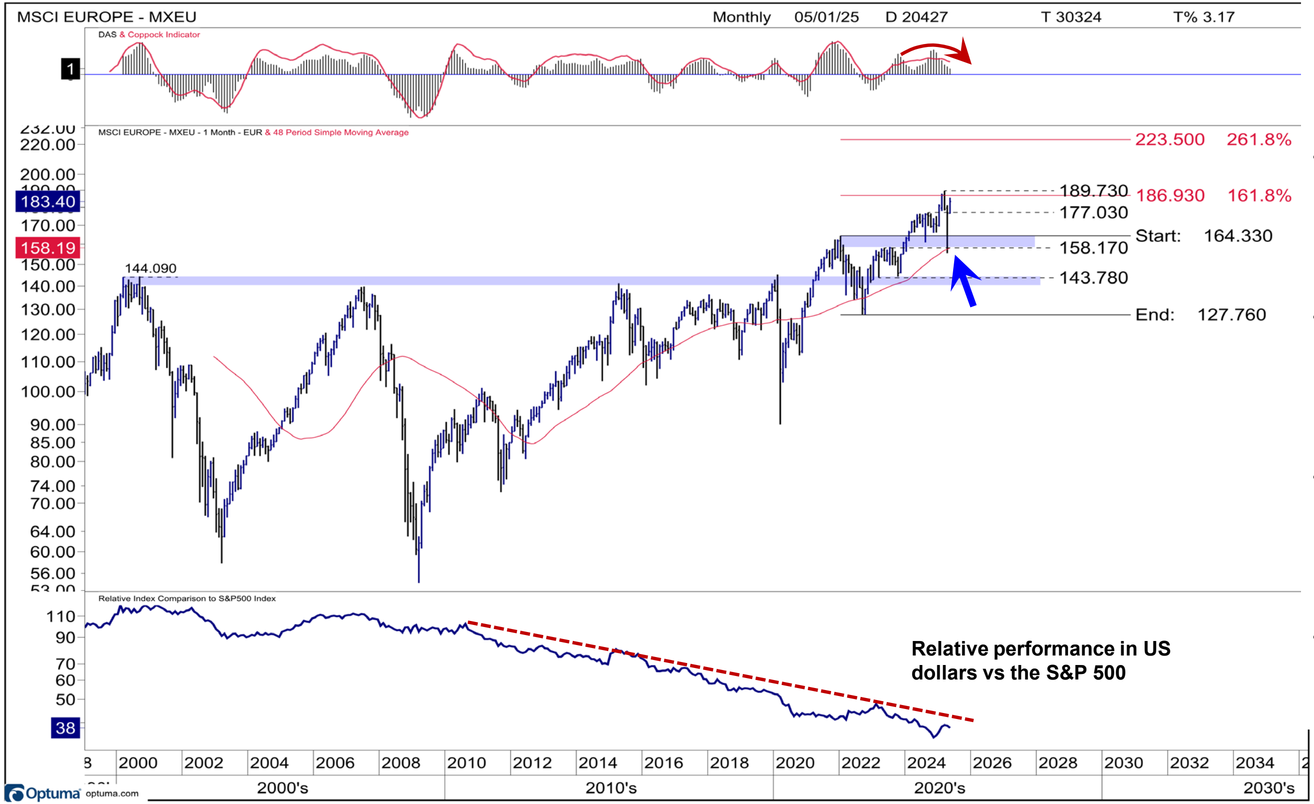
MSCI EAFE – Monthly with relative performance vs the S&P 500

Source: RBC Wealth Management, Bloomberg, Optuma

EAFE (Europe, Australasia, Israel and Far East)

- The EAFE index pushed above a 16+year resistance band coinciding with the 2008, 2021, 2024 and early 2025 highs to make all-time highs in May.
- While well advanced in the very short-term, our expectation is for pullbacks to be short lived with further upside into early-mid Q3 with potential to reach its next extension level near 2909 in 2025.
- Relative performance versus the S&P 500 remains in a downtrend but is challenging that trendline.
- An upside trend reversal would be the first longer-term signal that a shift in leadership is taking hold versus the S&P 500.

MSCI EUROPE – Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- MSCI Europe's long-term price trend remains positive following the Q1-April correction back to support near the red rising 4-year moving average.
- The April lows now serve as important long-term support with resistance between 187-190 where a near-term pause is likely.
- Our expectation is that lows hold on pending pullbacks but further choppy trading under the 190 resistance band continues into June.
- Relative performance vs the S&P 500, however, remains in an established downtrend with the April-May rebound beginning to stall.
- A reversal of the red dashed downtrend line is needed to support overweighting Europe versus the US.

S&P/TSX Composite – Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- The TSX long-term trend, represented by the blue dashed uptrend line, remains positive with the TSX probing all-time highs following the February-April correction to support near 22K.
- While a short-term pullback should not be a surprise given the strong rebound from the April lows, pullbacks are expected to be short lived.
- Above current levels, the next important technical level is near 29K coinciding with the 262% extension level.
- Relative performance versus the S&P 500 has improved near-term but remains in a downtrend of lower highs and lower lows.

US 10 Year Yield: Cycle peak likely in place but 5% remains a critical technical level.

Source: RBC Wealth Management, Bloomberg, Optuma

US 30-year and 10-year yield – Weekly – Challenging key upside levels

- The US 30-year yield is challenging an important technical band between 5-5.18% where we expect a pullback to develop.
- However, a move above that band could support a move higher toward 5.95-6% with equities likely to correct in response to such a breakout.
- We expect the US 10-year yield to remain range bound below its critical technical band between 4.7-5%.
- Similar to the US 30-year yield, a move above 5% would suggest further upside to 5.9-6%.
- Near-term, the US 10-year yield is showing early signs of stalling below 4.5-4.6% resistance.

Source: RBC Wealth Management, Bloomberg, Optuma

US Dollar DXY Index – Monthly

- The US dollar DXY index had a steep pullback in Q1-Q2 to challenge the lower end of its longer-term uptrend at a key support band between 98-100.
- While consensus opinion expects a lower US dollar, our expectation is that an oversold intermediate-term rally is developing.
- A break below the uptrend near 98, however, would signal a longer-term trend reversal with 95 next support followed by 88-89.

Source: RBC Wealth Management, Bloomberg, Optuma

Canadian Dollar / US Dollar - Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- The CADUSD has bounced back from an important support band at the 2016-2020 lows near 0.68 toward resistance between its 2021-2024 downtrend and a band between 0.736-.0745 where we expect the CADUSD to stall and consolidate in a range above 0.71 support.

WTI Oil Future - Monthly

Source: RBC Wealth Management, Bloomberg, Optuma

- WTI Oil has broken below a 4-year support band in the low-mid 60s coinciding with its 62% retracement level leaving WTI in a downtrend.
- While a bounce has developed from 55, WTI will need to rally above its prior support band, which is now resistance in the low-mid 60s.
- A break below 55 would suggest further downside toward its next support band between 45-51.
- Note: For reference, we are using 10 to be the low end of WTI's long-term trading range for the Fibonacci retracements rather than the temporary spike into negative territory at -40.

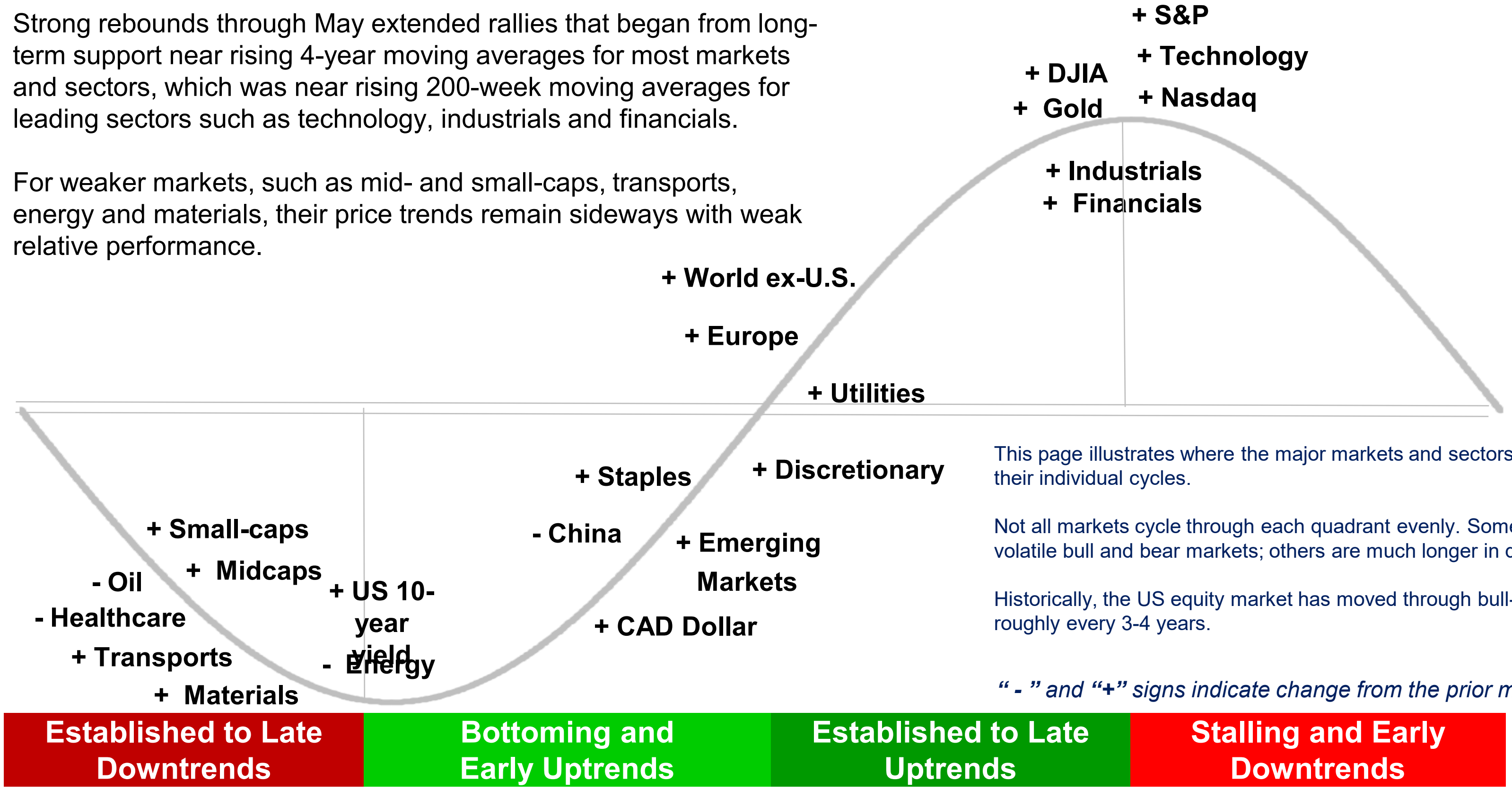
Gold Monthly- Longer-term profile remains positive but becoming advanced above trend.

- Gold remains in an uptrend after completing a major breakout above its 2011-2024 trading range in Q1 2024.
- However, from a tactical multi-month perspective, gold is well advanced after a strong surge back to resistance at two Fibonacci extension levels between 3335-3538 where we are seeing early evidence of a pause.
- Our expectation is for gold to remain in a choppy trading range into mid Q3.
- Support is in a band between 2500-2800 round numbers.

Source: RBC Wealth Management, Bloomberg, Optuma

Major equity market and S&P sector cycles

- Strong rebounds through May extended rallies that began from long-term support near rising 4-year moving averages for most markets and sectors, which was near rising 200-week moving averages for leading sectors such as technology, industrials and financials.
- For weaker markets, such as mid- and small-caps, transports, energy and materials, their price trends remain sideways with weak relative performance.



This page illustrates where the major markets and sectors are within their individual cycles.

Not all markets cycle through each quadrant evenly. Some have short, volatile bull and bear markets; others are much longer in duration.

Historically, the US equity market has moved through bull-bear phases roughly every 3-4 years.

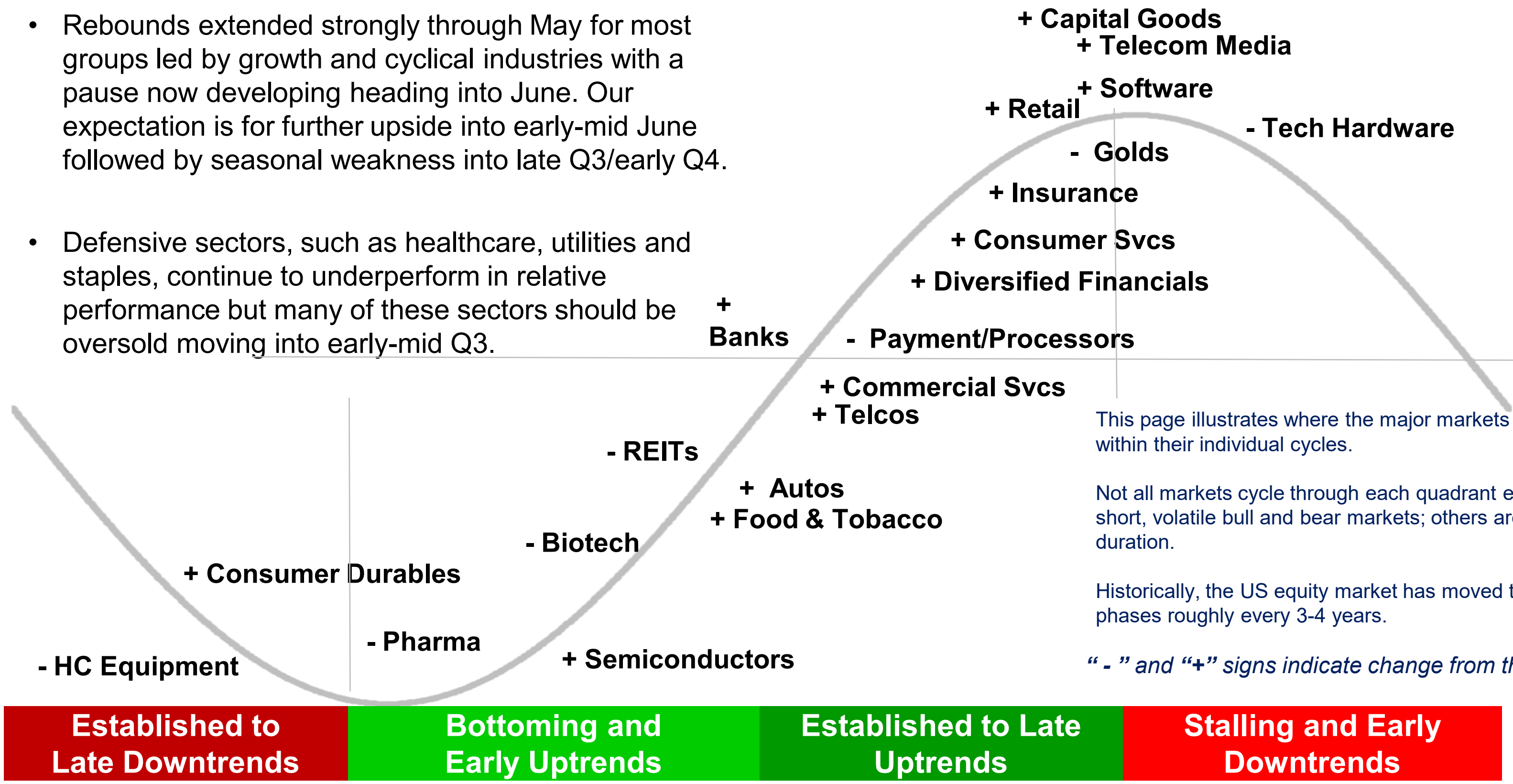
“ - ” and “+” signs indicate change from the prior month.

Source: RBC Wealth Management, Bloomberg, Optuma

Industry group cycles

- Rebounds extended strongly through May for most groups led by growth and cyclical industries with a pause now developing heading into June. Our expectation is for further upside into early-mid June followed by seasonal weakness into late Q3/early Q4.

- Defensive sectors, such as healthcare, utilities and staples, continue to underperform in relative performance but many of these sectors should be oversold moving into early-mid Q3.



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