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Coming Up for Air

The S&P 500 declined 18.9% from February 19 through April 8. Since then, the S&P 500 jumped 13.6% through May 9, along with all sizes, styles, sectors, and 94% of the 155 sub-industries in the S&P 1500. What's more, the S&P 500 regained nearly 60% of the point decline and is now only 1.5% below its 200-day moving average. Does this near resurfacing signal the beginning of a complete recovery, or does history tell us that the risk of reversal remains? Unfortunately, like a whale coming up for air, nearly two-thirds of all bear markets since WWII started with double-digit declines that recovered to within 2% or higher of the 200-day moving average only to reverse course and dive once again to set an even lower low. Even though a reversal remains a possibility, it is not CFRA's current outlook. Indeed, from a fundamental perspective, the backward-looking "hard" data continue to contradict the more forward-looking "soft" data, indicating that a recession is not imminent. What's more, recent news of thawing global trade relations offers encouragement that this "manufactured correction" may have run its course. Finally, based on a multitude of proprietary indicators by **Lowry Research**, CFRA's technical analysis arm, while a digestion of gains is always possible, the recent return of robust demand is likely to persist and push the market higher in the months ahead.

For the week ending May 9, the S&P 500 slipped 0.5%, along with both styles and five of 11 sectors. Consumer discretionary, energy, and industrials were the strongest, while communication services, consumer staples, and health care were the weakest. Finally, 54% of the S&P 1500's sub-industries were higher, with auto parts, fertilizers, and passenger airlines on top, vs. diversified chemicals, diversified metals & mining, and paper products on the bottom.

Benchmark, Sector, and Sub-Industry Price Returns*

Regions/Sizes/Sectors	% Chg.	Best S&P 1500 Sub-Industries	% Chg.
WTI Oil	**3.9**	Passenger Airlines	6.5
Industrials	1.1	Fertilizers & Agric. Chemicals	6.0
10-Yr Note Yield	**0.9**	Automotive Parts & Equipment	5.4
Consumer Discretionary	0.9	Education Services	5.2
Energy	0.6	Alternative Carriers	4.9
S&P SmallCap 600	**0.5**	Oil & Gas Refining & Marketing	4.9
S&P MidCap 400	**0.5**	Electrical Components & Equipment	4.9
Utilities	0.4	Gold	4.7
S&P Emerging BMI Index	**0.4**	Technology Distributors	4.6
Info. Technology	0.3	Apparel, Acc. & Luxury Goods	4.1
Financials	0.1	**Worst S&P 1500 Sub-Industries**	**% Chg.**
S&P Developed Ex-U.S. BMI	**0.0**	Interactive Media & Services	(4.2)
Nasdaq-100	**(0.2)**	Multi Sector Holdings	(4.8)
S&P 500 Value	**(0.4)**	Marine Transportation	(6.1)
Materials	(0.4)	Pharmaceuticals	(7.1)
S&P 500	**(0.5)**	Biotechnology	(8.2)
S&P 500 Growth	**(0.6)**	Security & Alarm Services	(8.7)
Real Estate	(0.6)	Real Estate Operating Companies	(9.3)
Consumer Staples	(1.1)	Diversified Metals & Mining	(10.7)
Communication Services	(2.3)	Diversified Chemicals	(11.5)
Health Care	(4.2)	Paper Products	(12.5)
Positive Sectors:	**55%**	**Positive Sub-Industries:**	**54%**

Source: CFRA, S&P DJ Indices. *5/2/25-5/9/25.

In the week ahead, investors will focus on inflation reports, where three of the four readings for the Consumer Price Index (CPI) and Producer Price Index (PPI) should come in hotter than the March reports, thanks to tariffs, though with a gasoline price headwind. In addition, retail sales are projected to be positive, but below last month's revised results. Finally, housing data and the preliminary reading for the Michigan Sentiment survey should show upticks in results.

Representative U.S.-listed companies from the sub-industries with the highest WTD returns are: United Airlines Holdings Inc. (UAL 77 ****), CF Industries Holdings Inc. (CF 82 ****), Aptiv PLC (APTV 62 *****), TAL Education Group (TAL 9 ***), Lumen Technologies Inc. (LUMN 4 ***), Valero Energy Corporation (VLO 123 ****), Vertiv Holdings Co. (VRT 94 *****), Newmont Corporation (NEM 54 *****), TD SYNNEX Corporation (SNX 118 ****), and lululemon athletica inc. (LULU 280 *****).

Trade Talk Update

CFRA's political strategy group, **Washington Analysis** (WA), thinks the decision to approve the U.K. deal was meant to serve as leverage ahead of China negotiations. In addition, WA wrote "The administration appears to favor piecemeal deals that function as tactical ceasefires, often with promises of further negotiations rather than comprehensive settlements. These mini deals are designed to keep countries engaged under the ongoing threat of tariff escalation and provide flexibility for follow-up agreements as circumstances change."

WA goes on to say "It ultimately shows that the President is most interested in getting as many possible concessions from each country rather than to some stable end state. Even in successful deal scenarios, we expect the global baseline tariff of 10% to remain in place for most countries. Reductions below that level are likely to be limited and targeted, or involve considerations beyond trade." Steel, aluminum, autos, semiconductors, and pharmaceuticals largely remain subject to Section 232 tariffs. WA writes that the U.K.'s deal illustrates a preferred U.S. model: exemptions granted in exchange for enforceable quotas or other commitments that preserve U.S. protectionist goals in these sectors; at best a quota will replace a tariff.

Testing the 200-Day Moving Average

The optimist likes to say, "the trend is your friend." The pessimist, however, prefers to wonder, "what could go wrong?" With the S&P 500 on the verge of overtaking its 200-day moving average, both have a point. More times than not (58% of the time) corrections, or declines of 10.0% to 19.9%, did not suffer reversals and peaked an average of 38 calendar days after the low. Yet, 64% of the time, bear markets laid well camouflaged traps for the bulls, which were later confirmed by recession overlays for nine of these 14 bear markets, in the form of a post-correction recovery that peaked at an average of 58 calendar days after the primary low. May 2 – which saw the S&P 500 move closest to its 200-day moving average – was the 24th day after the current low. CFRA will continue to monitor Lowry's technical signals to see if the current advance has further to run or falls victim to yet another bull trap.

Frequencies of Major Declines Testing 200-Day Moving Average Before Closing Even Lower

Decline		Initial Selloff		Within 2% of 200D		Ultimate Decline		Recession
Type	Start	% Drop	Date	% Away	Date	% Drop	End	Overlap?
Corrections	02/05/46	(10.2)	2/26/46	--	--	(10.2)	2/26/46	
Bear Markets	05/29/46	(26.7)	10/9/46	(2.0)	2/11/47	(28.5)	5/19/47	
Bear Markets	06/15/48	(13.5)	11/29/48	(1.8)	1/8/49	(20.6)	6/13/49	Y
Corrections	06/12/50	(14.0)	7/17/50	--	--	(14.0)	7/17/50	
Corrections	01/05/53	(11.7)	6/10/53	(1.1)	8/3/53	(14.8)	9/14/53	Y
Corrections	09/23/55	(10.6)	10/11/55	--	--	(10.6)	10/11/55	
Bear Markets	08/02/56	(10.8)	11/29/56	(1.0)	1/4/57	(21.6)	10/22/57	Y
Corrections	08/03/59	(11.9)	3/8/60	2.2	6/9/60	(13.9)	10/25/60	Y
Bear Markets	12/12/61	(28.0)	6/26/62	--	--	(28.0)	6/26/62	
Bear Markets	02/09/66	(22.2)	10/7/66	--	--	(22.2)	10/7/66	
Corrections	09/25/67	(10.1)	3/5/68	--	--	(10.1)	3/5/68	
Bear Markets	11/29/68	(17.4)	7/29/69	(0.0)	11/10/69	(36.1)	5/26/70	Y
Corrections	04/28/71	(13.9)	11/23/71	--	--	(13.9)	11/23/71	
Bear Markets	01/11/73	(16.4)	8/22/73	(0.5)	9/27/73	(48.2)	10/3/74	Y
Corrections	11/07/74	(13.6)	12/6/74	--	--	(13.6)	12/6/74	
Corrections	07/15/75	(14.1)	9/16/75	--	--	(14.1)	9/16/75	
Corrections	09/21/76	(10.9)	5/31/77	0.7	7/19/77	(19.4)	3/6/78	
Corrections	10/05/79	(10.1)	10/25/79	(0.0)	11/7/79	(10.2)	11/7/79	
Corrections	02/13/80	(10.1)	3/10/80	0.9	3/11/80	(17.1)	3/27/80	Y
Bear Markets	11/28/80	(20.3)	9/25/81	(1.3)	11/30/81	(27.1)	8/12/82	Y
Corrections	10/10/83	(10.6)	2/22/84	(0.7)	5/2/84	(14.4)	7/24/84	
Bear Markets	08/25/87	(33.5)	12/4/87	--	--	(33.5)	12/4/87	
Corrections	10/09/89	(10.2)	1/30/90	--	--	(10.2)	1/30/90	
Bear Markets	07/16/90	(19.9)	10/11/90	--	--	(19.9)	10/11/90	Y
Corrections	10/07/97	(10.8)	10/27/97	--	--	(10.8)	10/27/97	
Corrections	07/17/98	(19.3)	8/31/98	--	--	(19.3)	8/31/98	
Corrections	07/16/99	(10.6)	9/29/99	2.1	10/8/99	(12.1)	10/15/99	
Bear Markets	03/24/00	(12.9)	10/12/00	(0.9)	11/2/00	(49.1)	10/9/02	Y
Corrections	11/27/02	(14.7)	3/11/03	--	--	(14.7)	3/11/03	
Bear Markets	10/09/07	(18.6)	3/10/08	(0.1)	5/20/08	(56.8)	3/9/09	Y
Corrections	04/23/10	(12.3)	5/26/10	(0.1)	5/27/10	(16.0)	7/2/10	
Corrections	04/29/11	(19.4)	10/3/11	--	--	(19.4)	10/3/11	
Corrections	05/21/15	(12.4)	8/25/15	2.3	11/13/15	(14.2)	2/11/16	
Corrections	01/26/18	(10.2)	2/8/18	--	--	(10.2)	2/8/18	
Corrections	09/20/18	(10.2)	11/23/18	1.0	12/3/18	(19.8)	12/24/18	
Bear Markets	02/19/20	(33.9)	3/23/20	--	--	(33.9)	3/23/20	Y
Bear Markets	01/03/22	(13.0)	3/8/22	3.4	3/29/22	(25.4)	10/12/22	
Corrections	07/31/23	(10.3)	10/27/23	--	--	(10.3)	10/27/23	
Corrections	02/19/25	(18.9)	4/8/25	(1.0)	5/2/25	?	?	?
Corrections					**42%**			**5**
Bear Markets					**64%**			**9**

Source: CFRA, S&P Global, NBER. Past performance is no guarantee of future results. Data through 5/9/25.

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