

# The FRED Report – Sector Review

## Sector Weight Notes: No Sector Changes in this Report. No Stock Changes.

**Stocks Indexes have had more of a correction into March we expected, but it looks like the summer rally has started.** The markets started to rally in April, and into May. 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 contemplated moving XLF to Underweight, but it still has upside potential in the face of news.

**Our Over weights are still XLI and XLF.** XLF broke out above 45, retested, and are moving up again. Subgroups are attractive there as well, but banks may be a crowded trade. Favorites are credit cards and insurance. XLI is still outperforming, according making an all time closing high as we got o 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 next month, it will be to upgrade IYZ and downgrade XLV.

**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, like many sectors, broke support and then closed back above it. 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 now in buy mode. If it wasn't for the news, we would say this correction was relatively normal, albeit quicker and more volatile. We continue to have interest rate concerns but still believe equities should rally into July.

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

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## THE FRED REPORT

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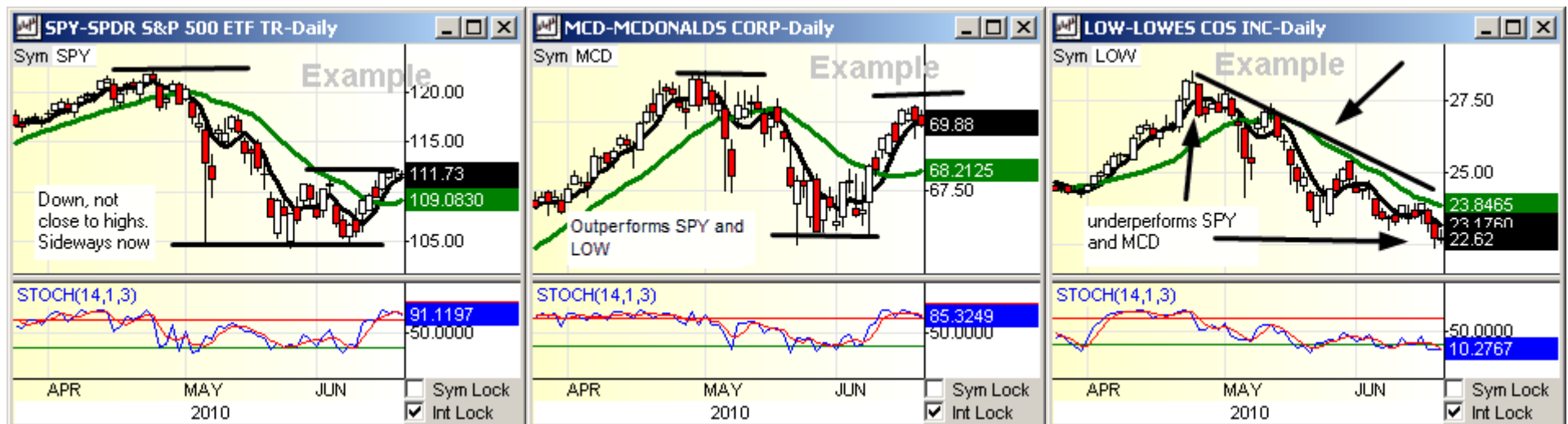
Stock Prices as of 05/16/2025

Sector ETF Stock Component Changes					
<b>Stocks We Like</b>					
No changes					
Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)
<b>Consumer Discretionary (XLY)</b>					
<b>Stocks We Like</b>					
MCD	7/16/2021	234.75	318.61	35.72%	13.44%
AMZN	12/17/2021	170.018	205.59	20.92%	9.46%
HD	7/15/2022	292.41	380.78	30.22%	(20.06%)
<b>Consumer Staples (XLP)</b>					
<b>Stocks We Like</b>					
PG	2/12/2021	127.62	163.28	27.94%	3.01%
WMT	4/12/2024	60.14	98.24	63.35%	51.51%
MDLZ	2/14/2025	60.82	65.32	7.40%	5.59%
<b>Real Estate (XLRE)</b>					
<b>Stocks We Like</b>					
WY	10/14/2016	31.38	26.72	(14.85%)	(48.55%)
SPG	2/18/2022	140.95	165.12	17.15%	23.12%
PLD	1/12/2024	131.55	110.55	(15.96%)	(22.21%)
<b>Health Care (XLV)</b>					
<b>Stocks We Like</b>					
ABBV	6/11/2021	115.42	184.02	59.44%	52.58%
AMGN	2/17/2023	240.53	272.41	13.25%	12.42%
AZN	8/16/2024	84.41	68.81	(18.48%)	(5.54%)
<b>Industrial (XLI)</b>					
<b>Stocks We Like</b>					
ITW	8/15/2014	87.02	251.34	188.83%	16.98%
UNP	1/20/2017	108.60	231.42	113.09%	(13.55%)
CAT	12/17/2024	363.04	353.58	(2.61%)	(11.06%)
<b>Materials (XLB)</b>					
<b>Stocks We Like</b>					
CTVA	6/16/2023	57.23	68.61	19.88%	13.40%
SCCO	4/12/2024	115.25	90.79	(21.22%)	(18.03%)
STLD	12/17/2024	117.00	134.78	15.20%	13.13%
Ticker	Listing Date	Price at Listing	Current Price	Absolute Change	Relative Change to ETF (%)
<b>Energy (XLE)</b>					
<b>Stocks We Like</b>					
PSX	1/22/2019	93.00	125.73	35.19%	(1.68%)
XOM	3/17/2023	99.84	108.19	8.36%	(2.69%)
SHEL	9/13/2024	67.45	66.62	(1.23%)	(1.10%)
<b>Financials (XLF)</b>					
<b>Stocks We Like</b>					
MA	2/14/2020	340.95	583.28	71.07%	5.56%
AFL	1/12/2024	82.74	106.82	29.10%	(8.10%)
AXP	9/13/2024	259	299.72	15.72%	(0.18%)
<b>Utilities (XLU)</b>					
<b>Stocks We Like</b>					
SO	3/13/2020	53.97	88.71	64.37%	21.87%
DUK	2/12/2021	89.82	116.26	29.44%	(1.80%)
SRE	1/12/2024	75.41	77.61	2.92%	(26.87%)
<b>Technology (IYW)</b>					
<b>Stocks We Like</b>					
IBM	4/12/2024	182.27	266.76	46.35%	26.86%
CSCO	1/17/2025	60.23	63.62	5.63%	6.39%
NVDA	3/14/2025	119.53	135.40	13.28%	4.23%
<b>Telecom (IYZ)</b>					
<b>Stocks We Like</b>					
T	12/20/2010	21.99	27.72	26.06%	1.66%
VZ	2/15/2019	55.16	43.99	(20.25%)	(18.47%)
TMUS	3/18/2022	127.18	242.66	90.80%	95.10%

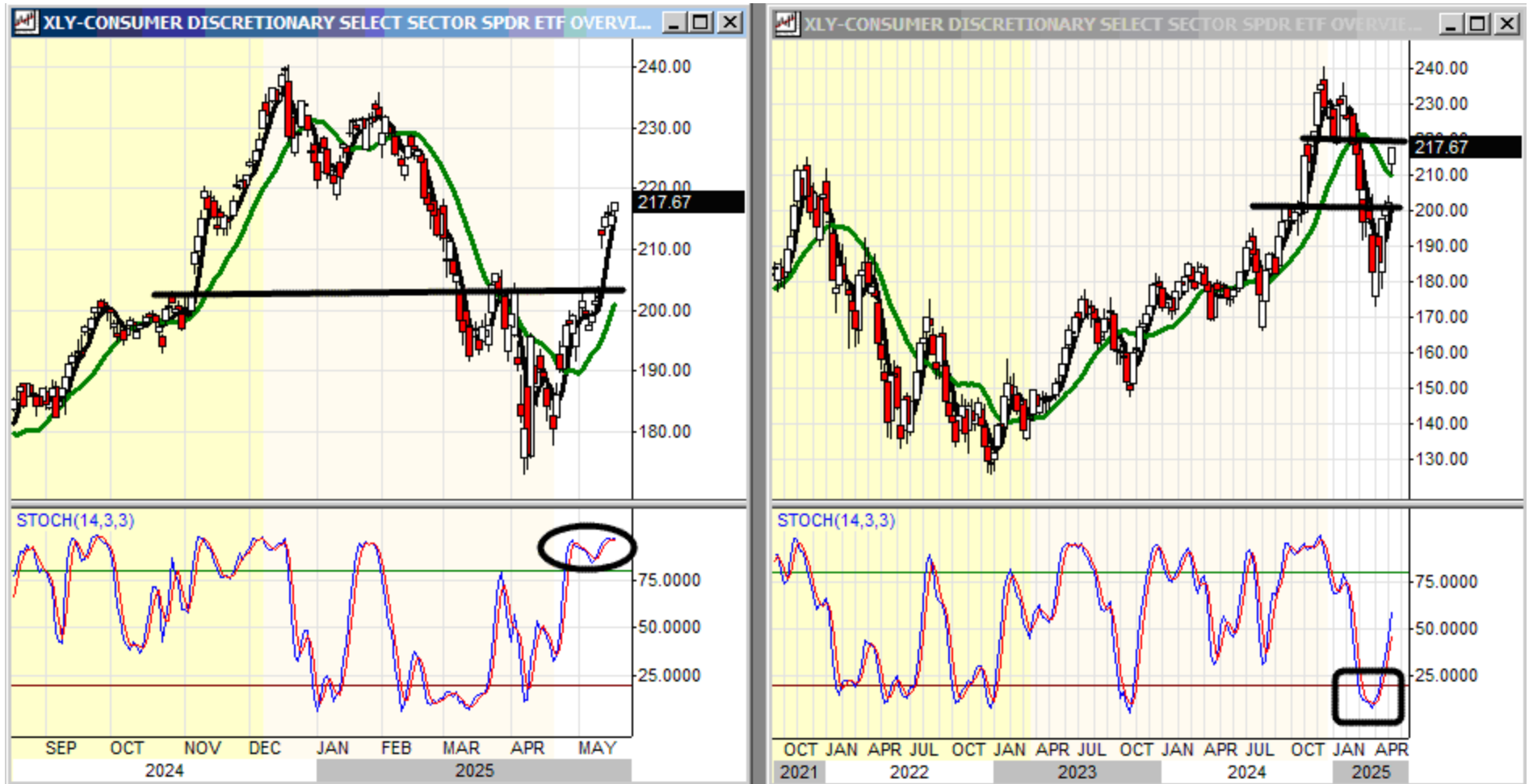
## Sector Report Investing Methodology:

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 has revalidated support in the 200-area:** XLY held the 170-area intermediate support, although it did test it as we thought it might. Note that AMZN, a major component, looks very similar to XLY. This is a neutral chart longer-term although it looks worse short-term. We now have a daily stochastic that is overbought, and a weekly still in buy mode. The Accumulation Model is still weaker than we would like, suggesting a bit more turbulence is possible in this sector in 2025. The gap on this might fill or partially fill although this could take some time. We think our stock ideas are solid names even if the sector is showing less accumulation. We would continue to add money as the weekly is up, as we continue to look for a summer rally. 170 should hold for a while. EQUAL WEIGHT

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

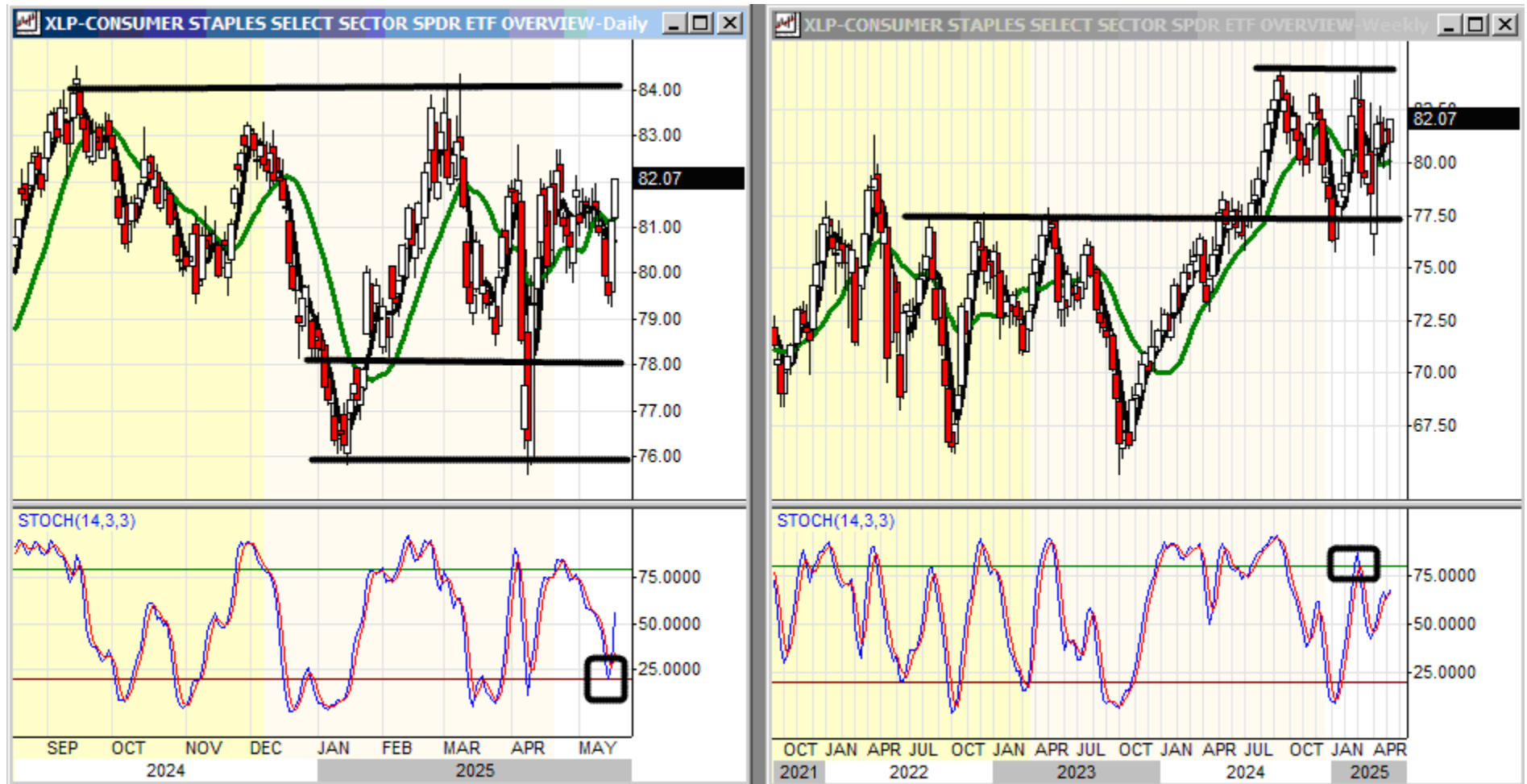


**MCD:** MCD had a false breakout, remaining in the trading range. MCD is defensive and has a record of outperforming in tough markets. The intermediate chart pattern is strong and suggests higher prices.

**AMZN:** AMZN is tested support in the 170-area. It has gapped up, and the weekly stochastic has recycled. This is strong longer-term. Back above 210 would be strong. This should trend up into summer.

**HD:** This tested support at 340 and held. Back above 380, now being tested, would target new highs. This has tested intermediate support and should rally into the 400's from here.

## ETF Sector Charts: Consumer Staples (XLP)



**XLP is defensive and trading 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 recycles. 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 buy 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, as just occurred. EQUAL WEIGHT

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

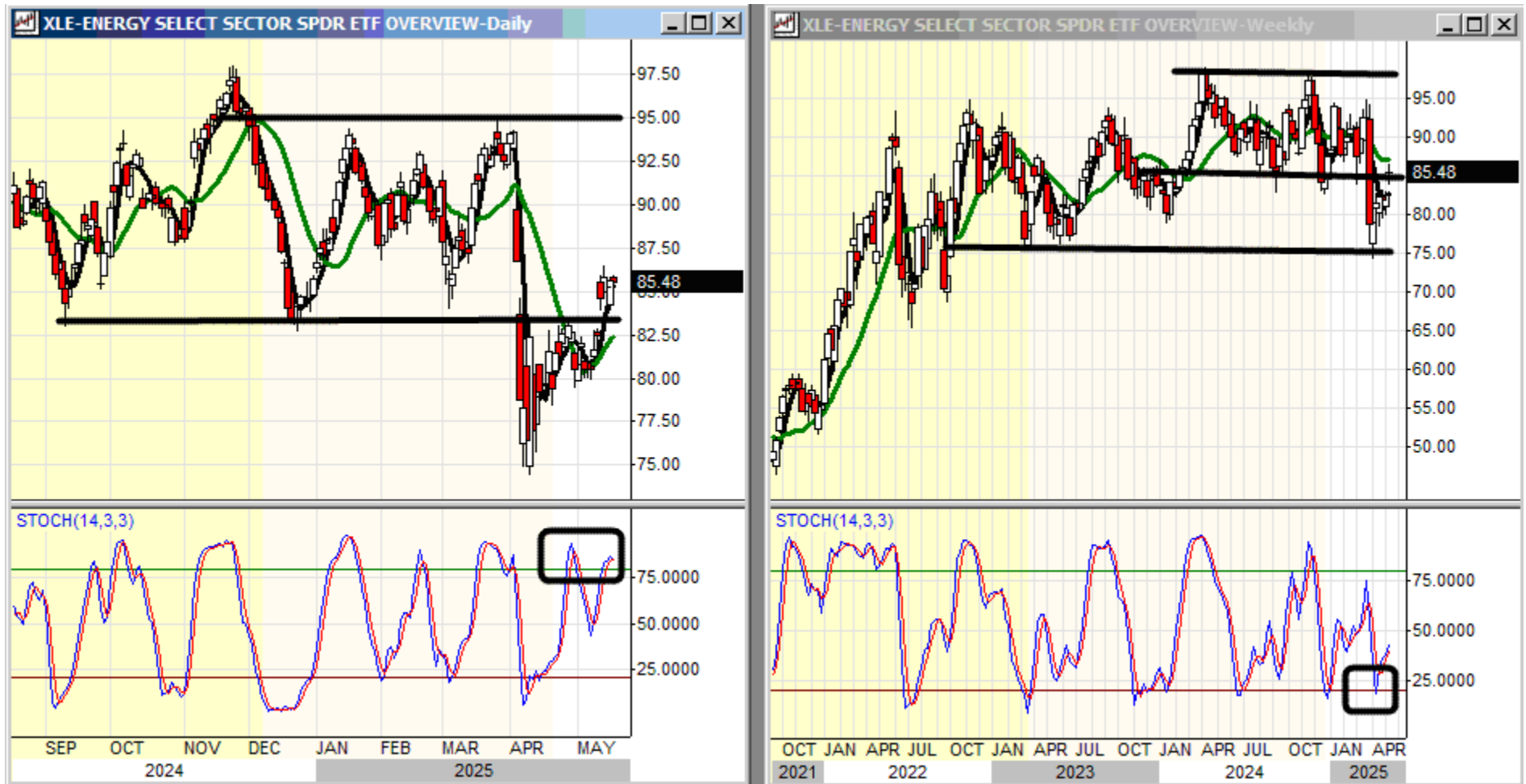


**PG:** PG is a strong chart that had a breakout that has failed. This has support is the 160 to 155-area. This is a solid chart in this sector, without much change this month. It is a base with a daily stochastic that is in buy mode. The weekly is oversold. You can buy this here.

**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 considering its Chinese tariff exposure. We would buy this regardless of tariffs or threats thereof.

**MDLZ:** This has broken a major downtrend as drawn. It tested 60 and is back above it. The weekly stochastic is overbought, and the daily is turning up. We would buy this here – it is showing strength off the support at 60.

## ETF Sector Charts: Energy (XLE)



**XLE is an intermediate-term consolidation:** Seasonal weakness ends in May/June. The daily stochastic is overbought, and the weekly is a buy recycle. XLE has decent 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 rallied into the end of March. We need to be careful as seasonals are still negative for another few weeks, but the support at 75 has held so far. Buy the next daily recycle. EQUAL WEIGHT



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

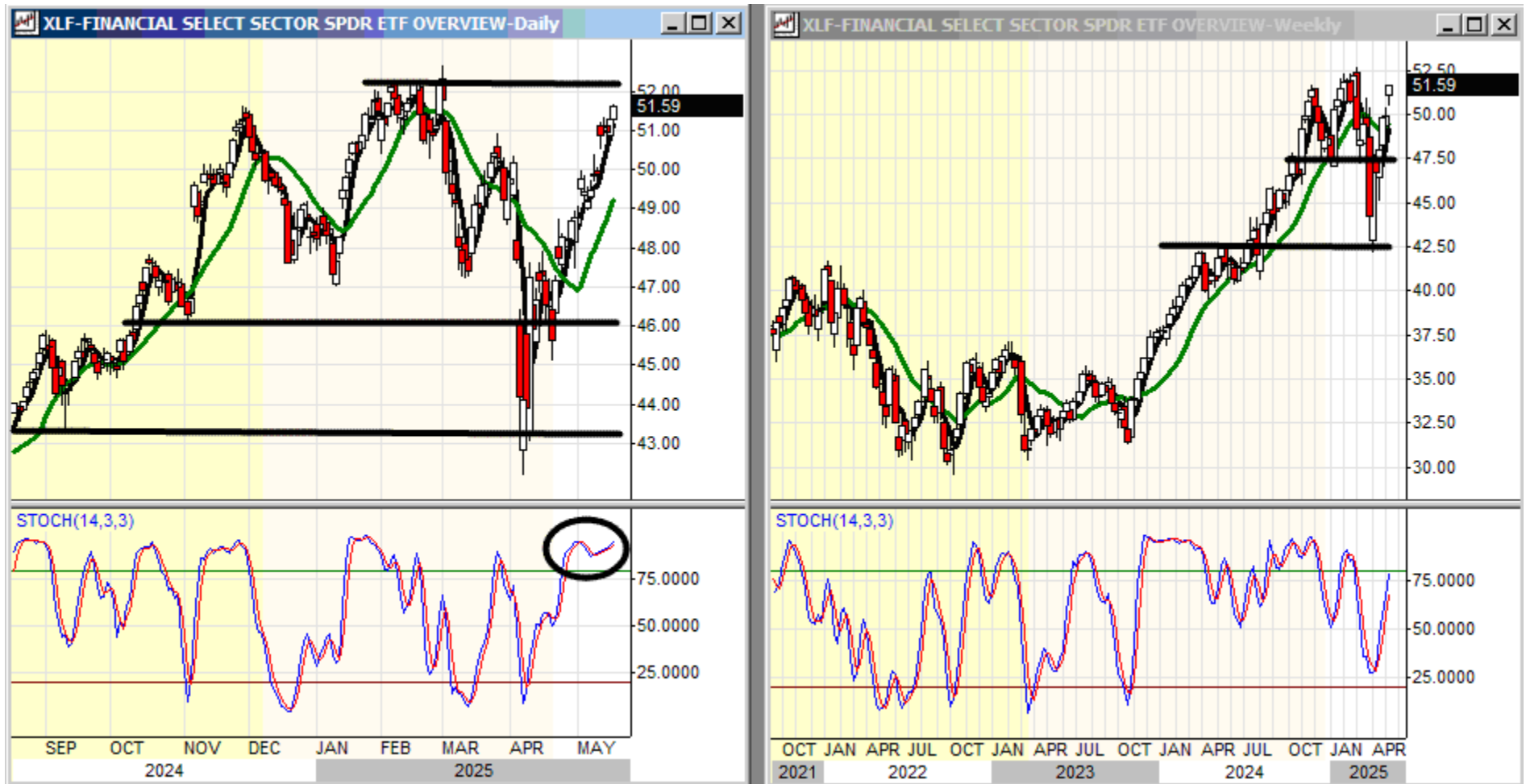


**PSX:** PSX broke down to test 2023 support. This is weaker than we thought it would be. However, this rally has carried prices through resistance at 120, testing second resistance at 125. Now, with favorable seasonality coming, we look for a move to 150.

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

**SHEL:** SHEL held support around 60, and resistance is 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, buyable here if you want.

## ETF Sector Charts: Financials (XLF)



**XLF tested and held support:** XLF hit new highs but sold off with the market. The daily Stochastic is overbought. The weekly turned up in a high risk buy. We are surprised at the weakness in Banks, but other subgroups are strong, such as credit cards. 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 start to do better there could be problems.

OVERWEIGHT

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

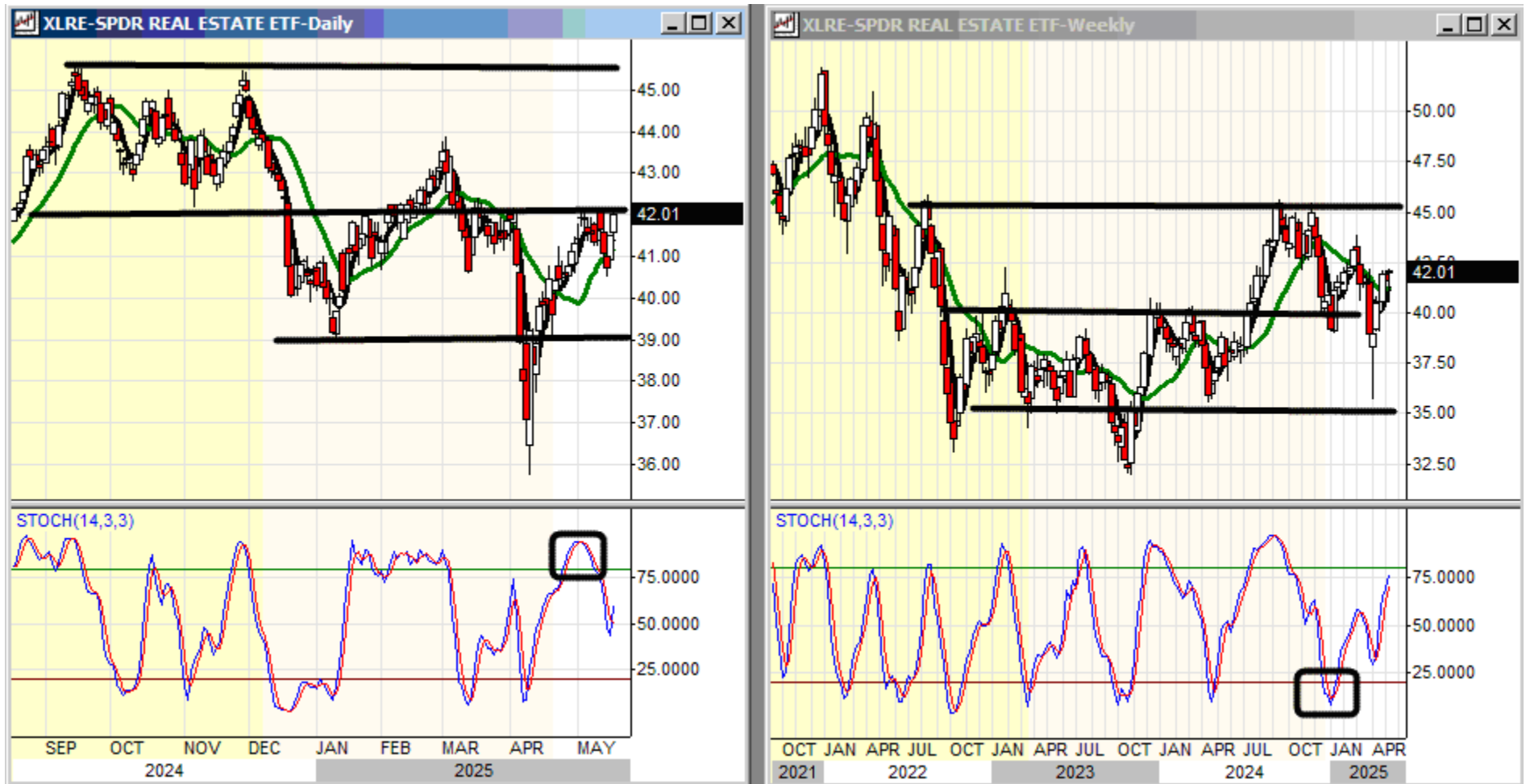


**MA:** This is an intermediate breakout. The last decline tested the breakout, and it is now at new highs. This is the strongest credit card stock right now. Buy it here and on weekly recycles

**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. This pullback held intermediate support in the 225 to 200 area. This is at resistance, but 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 was a concern, but this may trade 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

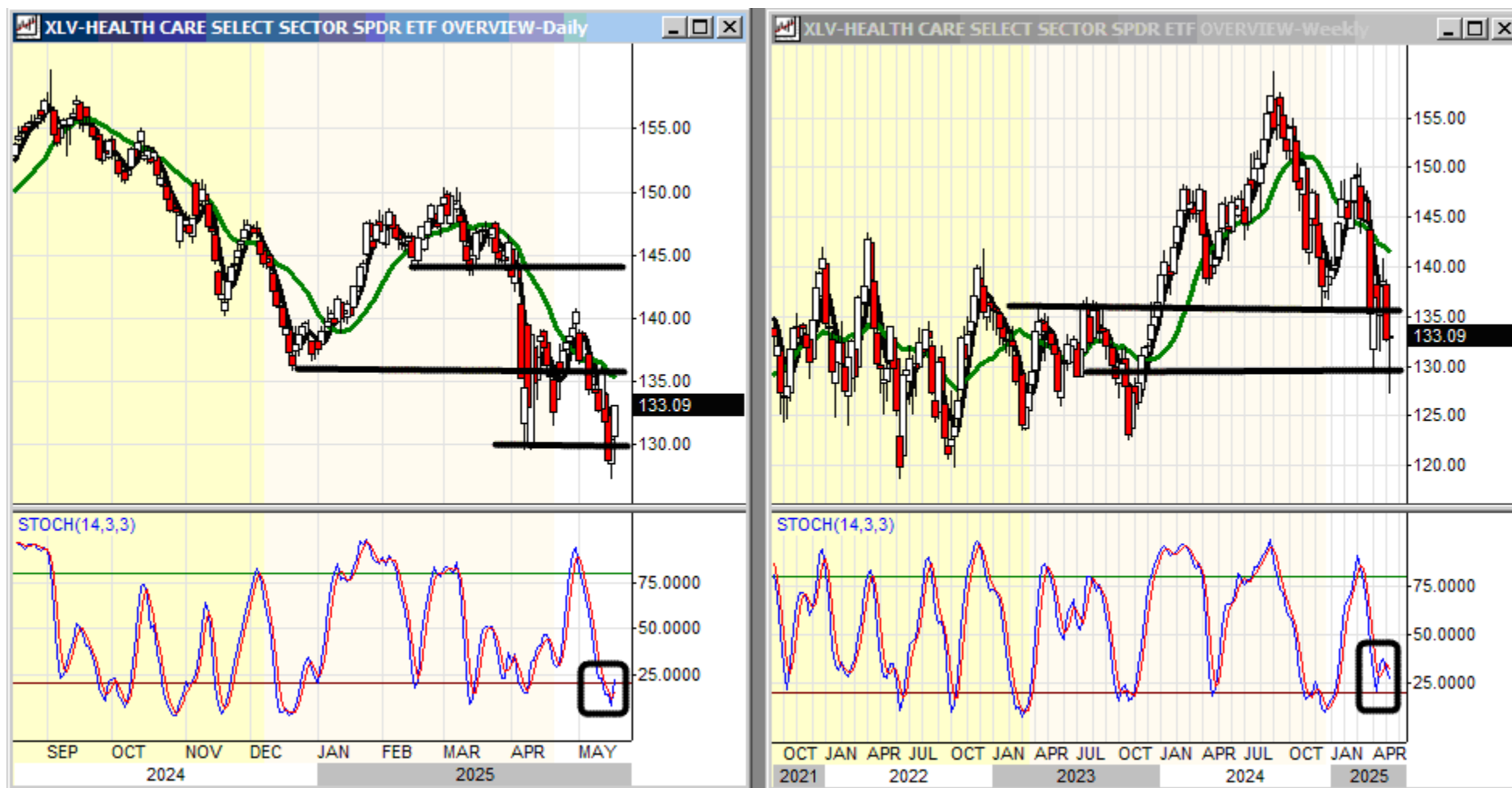


**WY:** This has moved through the bottom of the range and below 27 is a concern. It is difficult to find attractive stocks in this sector, and this needs to move back above 27.50 soon, or we will remove it.

**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 broke below, and above support:** XLV broke down, below support in the 130-area, but is now above it. Ideally it will be back above 135 this month. XLV has a daily and weekly recycle. Accumulation on XLV remains strong. This could be the retest we have been talking about, but with XLV instead of the broad market. XLV is holding support on a closing basis, and back above 145 would be ideal. This chart is weak given recent market action. Below 130 would be a concern. EQUAL WEIGHT

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

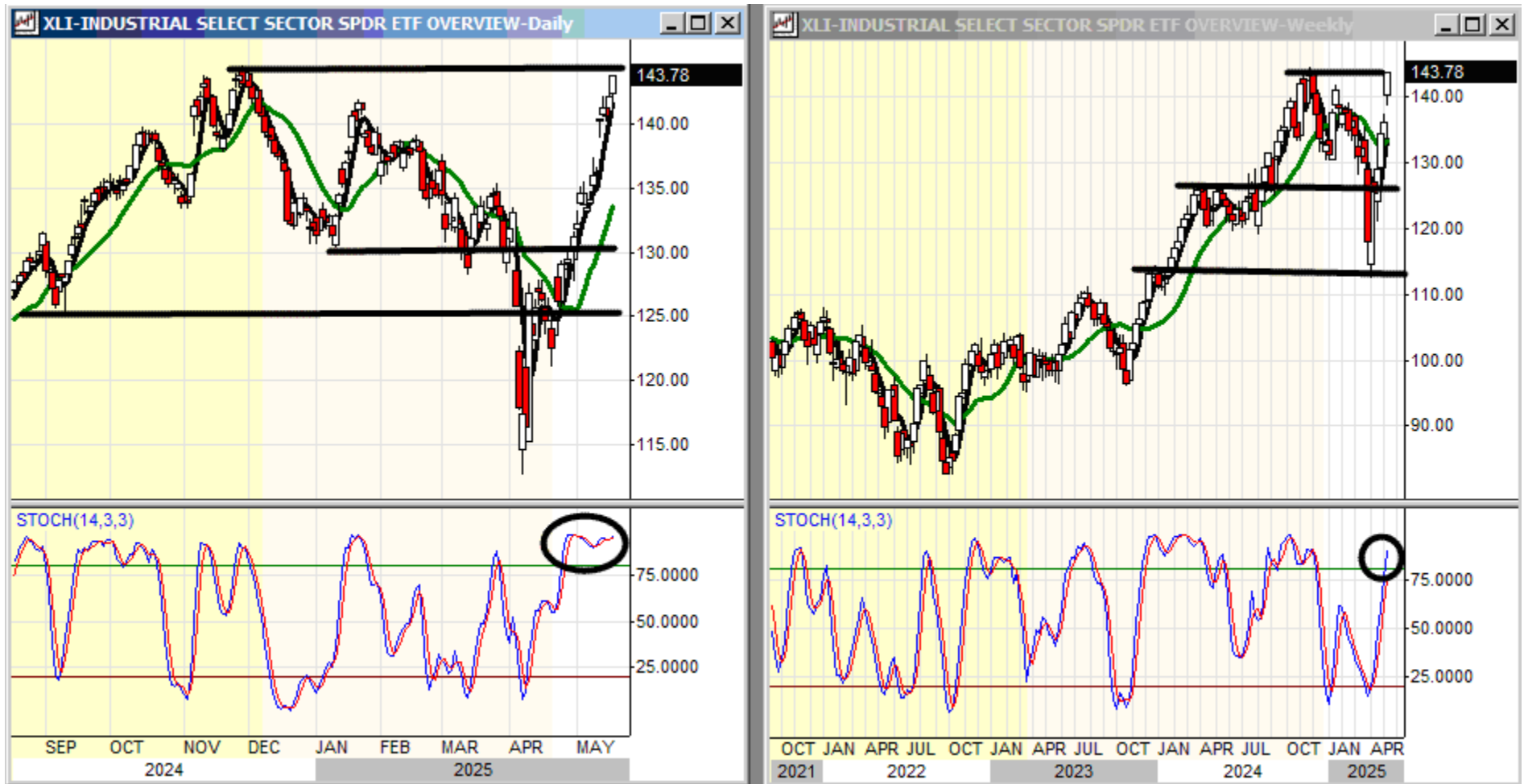


**ABBV:** is trading well, given market conditions. As long as above 150 the intermediate chart is positive. This has a good yield as well. This has maintained the breakout in the face of market turmoil. It could consolidate here, but within that context it should test 220.

**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 would improve the chart. This is building a base for a possible advance.

## ETF Sector Charts: Industrial (XLI)



**XLI is close to all-time highs:** The accumulation model on XLI remains very strong. The daily stochastic is overbought, and the weekly is also. XLI's strength is not widely acknowledged, so it should have more to run. This remains a strong formation as long as XLI is above 115 and holding this general area and closing above it was strong in this correction. 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

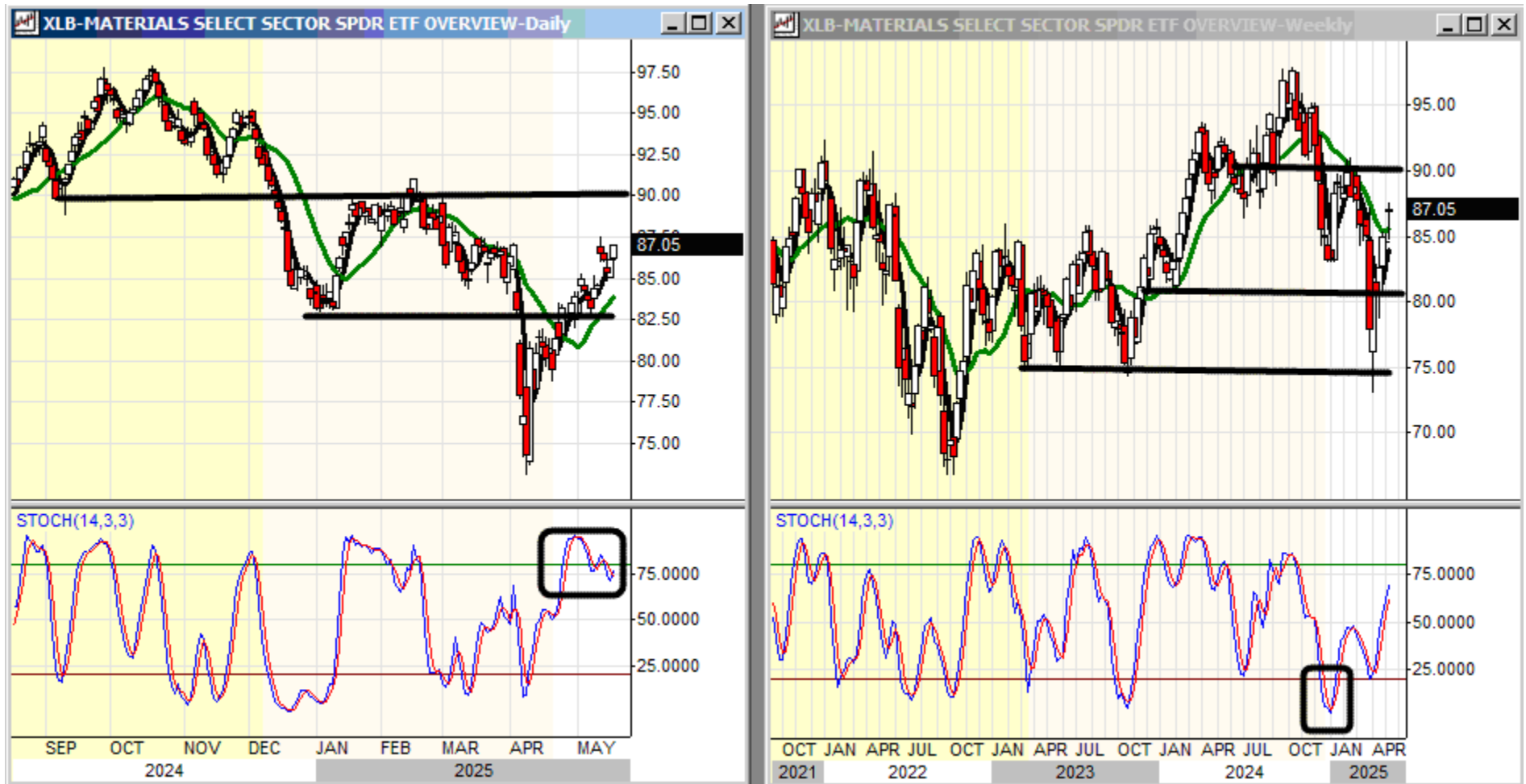


**ITW:** This intermediate chart is a triple bottom. Traders can buy on daily recycles. Investors continue to hold. Trading Target of 274 hit before the pullback and should be retested. Investors, look for 290. Below 225 would be a concern. So far, this held this area.

**UNP:** This broke the 225-area support but is back above it. You can buy this now that it is back above 225 on a closing basis. 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 has support in the 300 area, which has held. Buy stochastic recycles. The weekly is positive, suggesting a summer advance.

## 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 in sell mode. Back above 85 starts to repair this chart. 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

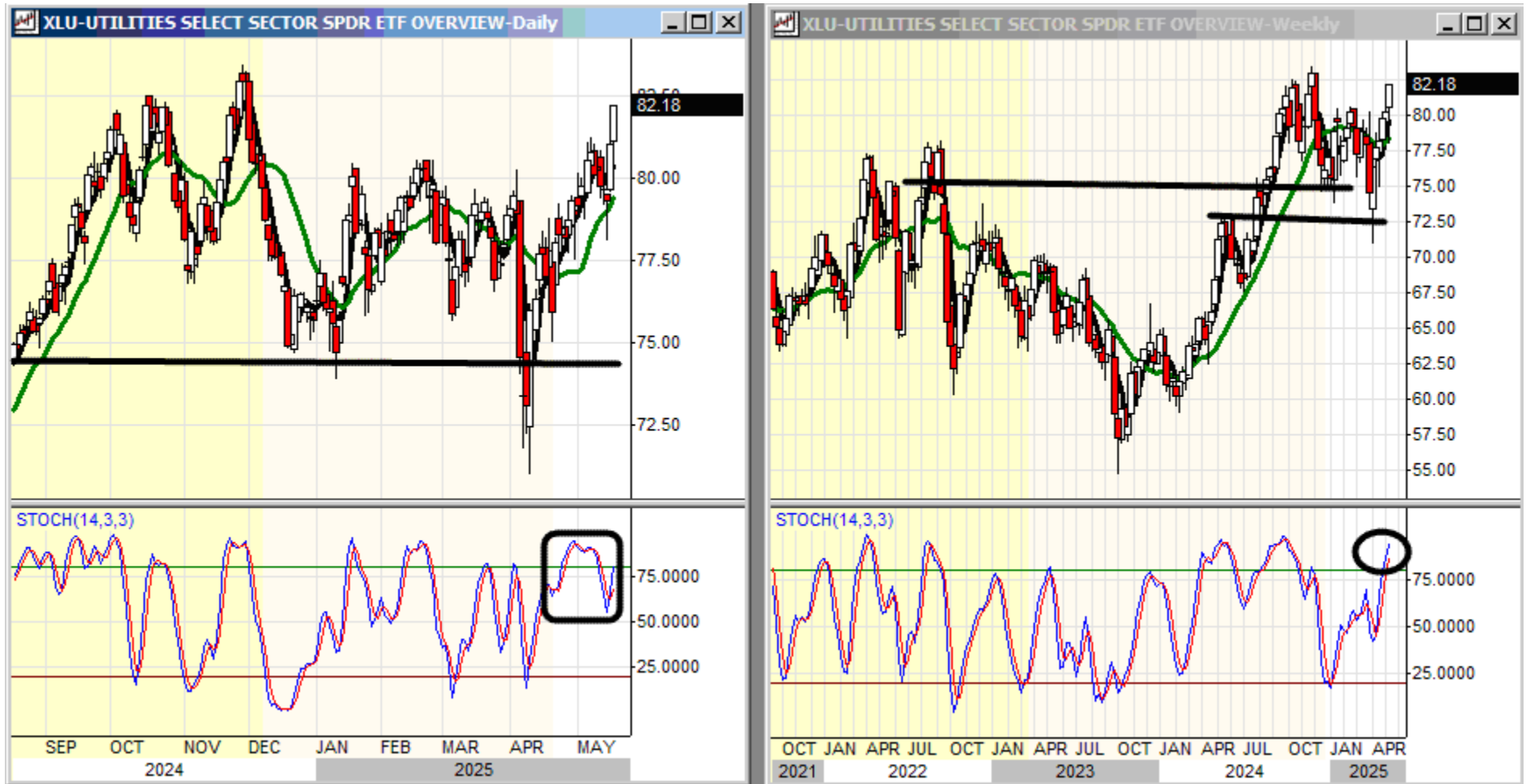


**CTVA:** This rallied off intermediate-term support at 50, and this breakout is strong. You can buy daily recycles. CTVA has hit trading targets, and traders can sell the stock. Investors may see some consolidation there, but then it could hit 74 or so.

**SCCO:** This is holding the 75-area support. The daily stochastic is in buy mode, and the weekly is a buy pattern but showing little momentum. The move back above 86 sets up a test of 100. Traders can consider sale at 100 or so.

**STLD:** We replaced NUE with STLD three months ago. STLD has filled a gap and held short-term support at 120, albeit after breaking below and above that number. This trading at 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, even after this correction is over. So far, this is outperforming and is functioning as a defensive sector. We remain an equal weight. Back below 75 again 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

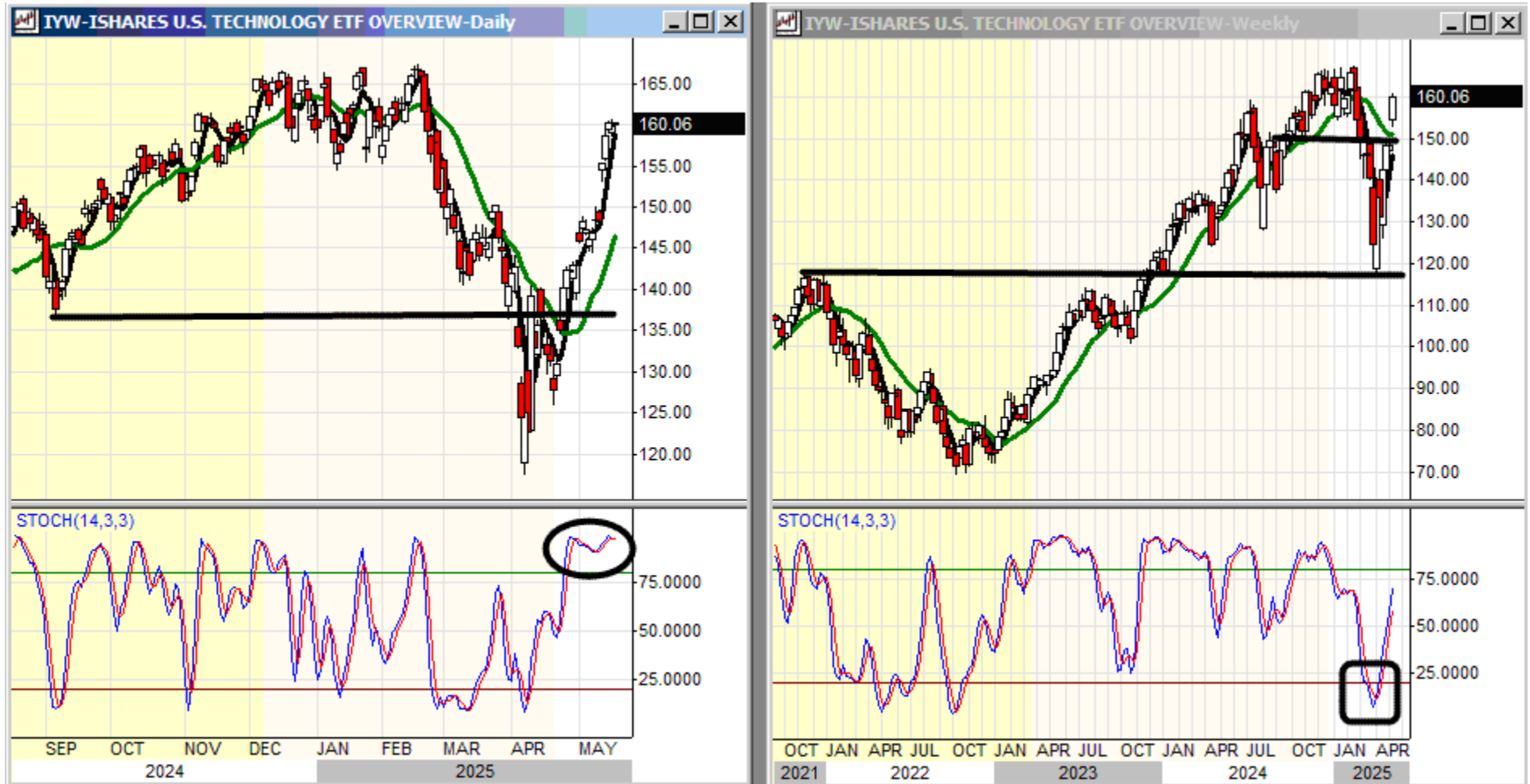


**SO:** SO is a breakout and a successful retest. One reason this may be doing so well is nuclear power. The stochastics are overbought, so we would start to buy on recycles. SO is our favorite Utility.

**DUK:** DUK held 110 to 105 support. This has started to trade sideways in this pullback. Buy recycles as long as above 100. This could make new highs on this signal, in spite of the overbought weekly stochastic.

**SRE:** SRE broke 80 -area support and has moved to long-term 70-area support. This is a bad break and a surprise. We will try and sell a rally. This might take some time but we could see 80 where we would sell.

## ETF Sector Charts: Technology (IYW)



**IYW Broke and revalidate the key 130-area:** IYW broke support in the 130-area, but it is now back above it. Tech has been everyone's favorite overweight for a while, and because of this Tech has been overvalued. To some extent this correction is masking an unwind of many tech over weights. The daily stochastic is overbought, and the weekly is in buy mode and not overbought. 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 thought Tech should have problems later in 2025, so weakness here is not a surprise, although the overall market weakness was. Accumulation has started to improve on IYW and QQQ so the strong stocks should do well. EQUAL WEIGHT

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

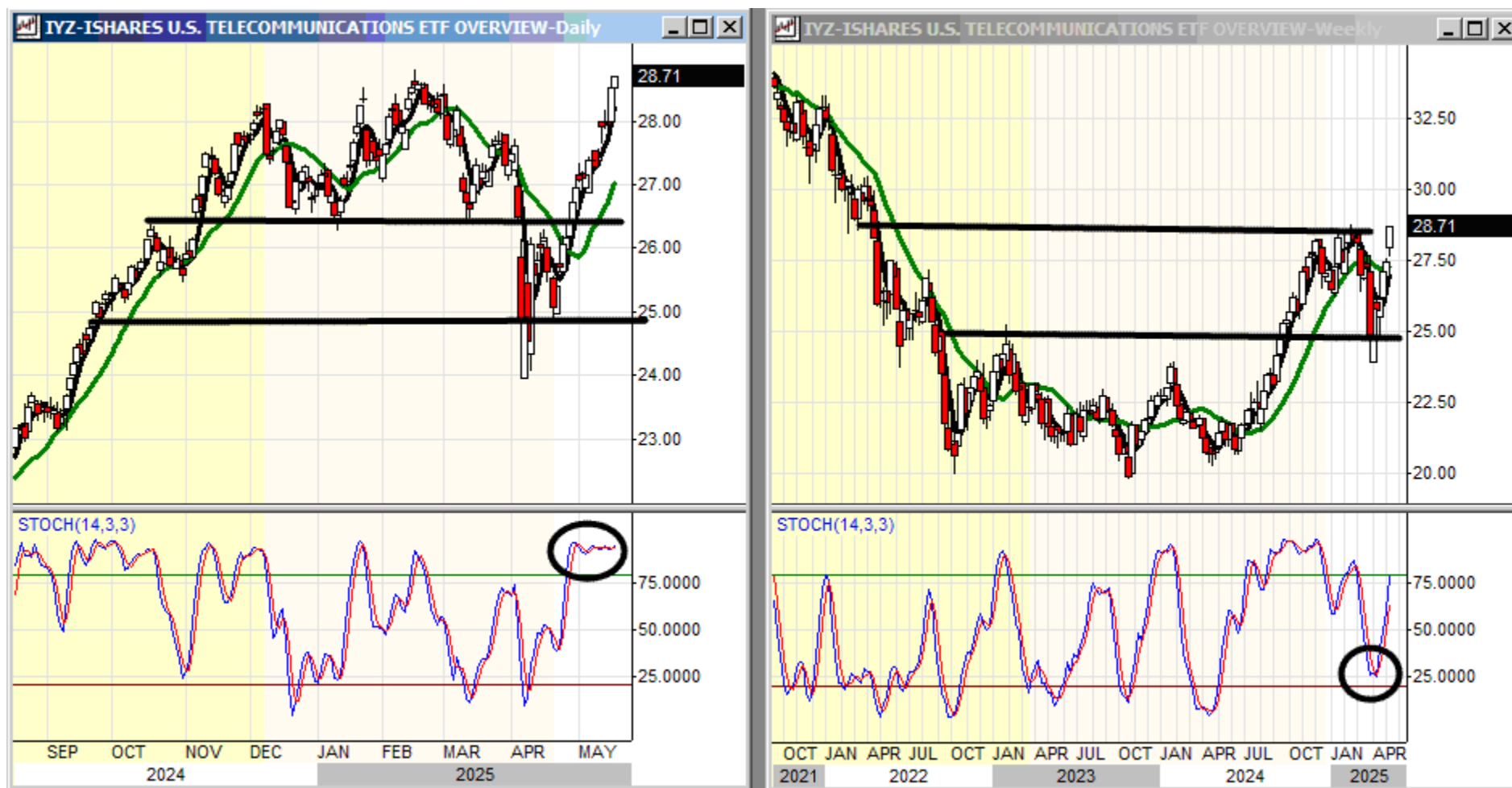


**IBM:** This pulled back to the intermediate-term uptrend and rallied. In addition to being an AI play, IBM has a strong yield. Keep buying recycles. Support is 200 and this is trading near new highs.

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

**NVDA:** This AI stock has consolidated, and moved below and above the 100-area support. NVDA has more upside potential than AAPL which it replaced last month. This has consolidated enough and this rally off of support should take it to new highs by summer.

## ETF Sector Charts: Telecom (IYZ)



**This tested the 25-area support and held:** This broke out above 25 and retested that area, now support. IYZ is defensive and rallying. 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 overbought, and the weekly is a high-risk buy. 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. For now, we will maintain our underweight. This probably has less upside potential than other sectors. 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.

**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 continued to rally. This has been our favorite of these for a while. Short-term support is the gap at around 240 that has been tested and held, as drawn.

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