ETF "RSP" | S&P 500® Equal Weight Index
Six-week Horizon
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Summary (data as of Apr 11 2025):

 Physics-induced optimism will develop toward the end of the standard three-week forecast period. Perhaps the most important upcoming shift is a Major Flash that is expected to begin the week ending April 25. This particular Major Flash is an M-Flash, because of its shape. We are extending our forecast beyond the standard forecast horizon to more fully encompass the M-Flash.

 An M-Flash typically lasts 8 to 10 weeks and involves seemingly erratic price moves. A series of M-Flashes are shown as the yellow line on Figure 2. The representations of these episodes has been improved to show the date of the most pessimistic week. Historically, these flashes tend to overwhelm the Long-Term and Short-Term Drivers on a short-term basis, so it is worth paying attention to this Flash. The most pessimistic week – the low point represented by the middle of the "M" – is expected the week ending May 9, which may represent a good time to buy stocks, all else equal. See this link for more information on the M-Flash: _https://cpminvesting.com/m-flash._

 Predicted price momentum will decline at about the same time (week ending April 25). As mentioned for the Long- and Short-Term Drivers, the effects of the M-Flash typically dominates the predicted RSI.

Notes:
   Introductory Video: _https://youtu.be/CzI67Md1s1w_
   See this page for written notes: _https://cpminvesting.com/notes_
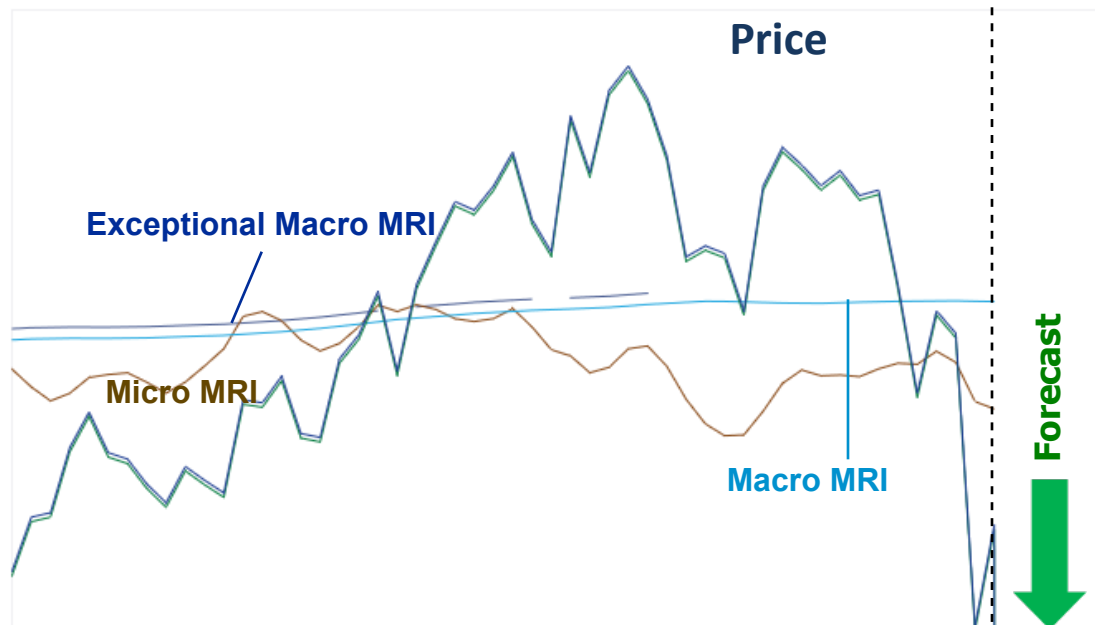
MRI and Sentiment Drivers   Fig. 1

Physics-Based Sentiment Forecasts
ETF "RSP" | S&P 500® Equal Weighted Index as of Apr 11 2025
MRI and Their Drivers: Apr 12 2024 - May 23 2025

Legend: ■ Price (log)   ■ Macro MRI: 66 | Neg   ■ Micro MRI: 27 | Neg   ■ Excep Macro MRI | No

Left axis label: **Asset Price and Return Acceleration**

Chart labels: Price, Exceptional Macro MRI, Micro MRI, Macro MRI, Forecast

Left axis label: **Physics-Based Drivers for Asset**

Driver rows:
- Long-Term (1)
- Short-Term (2)
- Major Flash (3)
- Minor Flash (2)
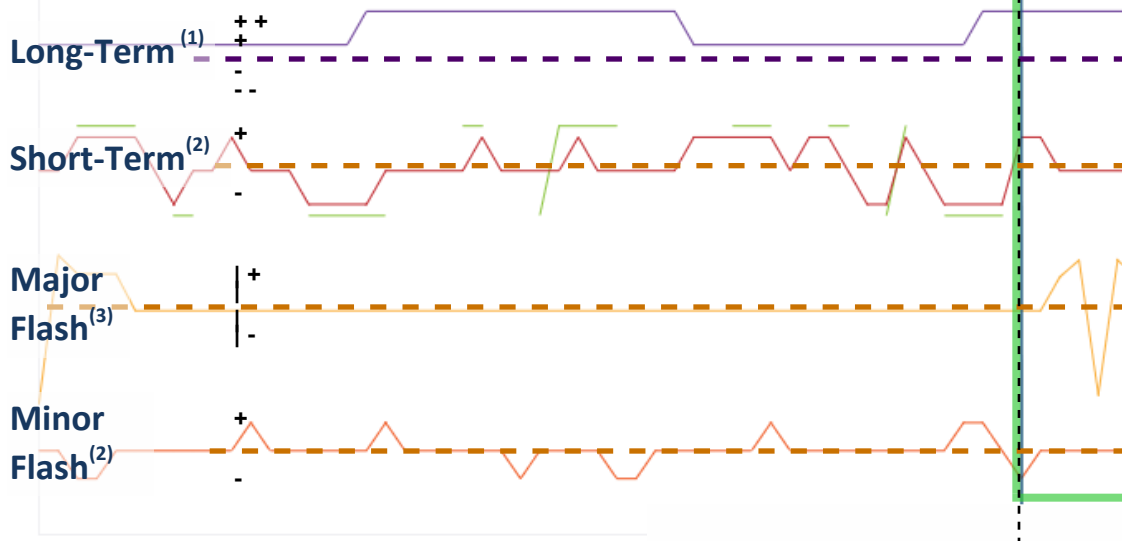
Date (Friday)

Right-side commentary:

The Macro MRI is relatively high in its range (a level of 66 on a 0-100 scale). This is a moderately high level and suggests the long-term trend of the market could move lower from this level. It is important to note that it has been at this level for several weeks; the negative slope is not steep.

The Micro MRI is in the downleg of its cycle at a moderate level of 27 on a 0-100 scale.

The Exceptional Macro MRI is not present.

The Long-Term Driver remains Most Optimistic.

The Short-Term Driver is mostly neutral over the forecast horizon.

The M-Flash reaches its low point the week ending May 9.

Legend (bottom):

1) + + 4 Most Optimistic
    +   3 Moderately Optimistic
    -    2 Moderately Pessimistic
    - - 1 Most Pessimistic

2) + 3 Optimistic
       2 Neutral
    - 1 Pessimistic
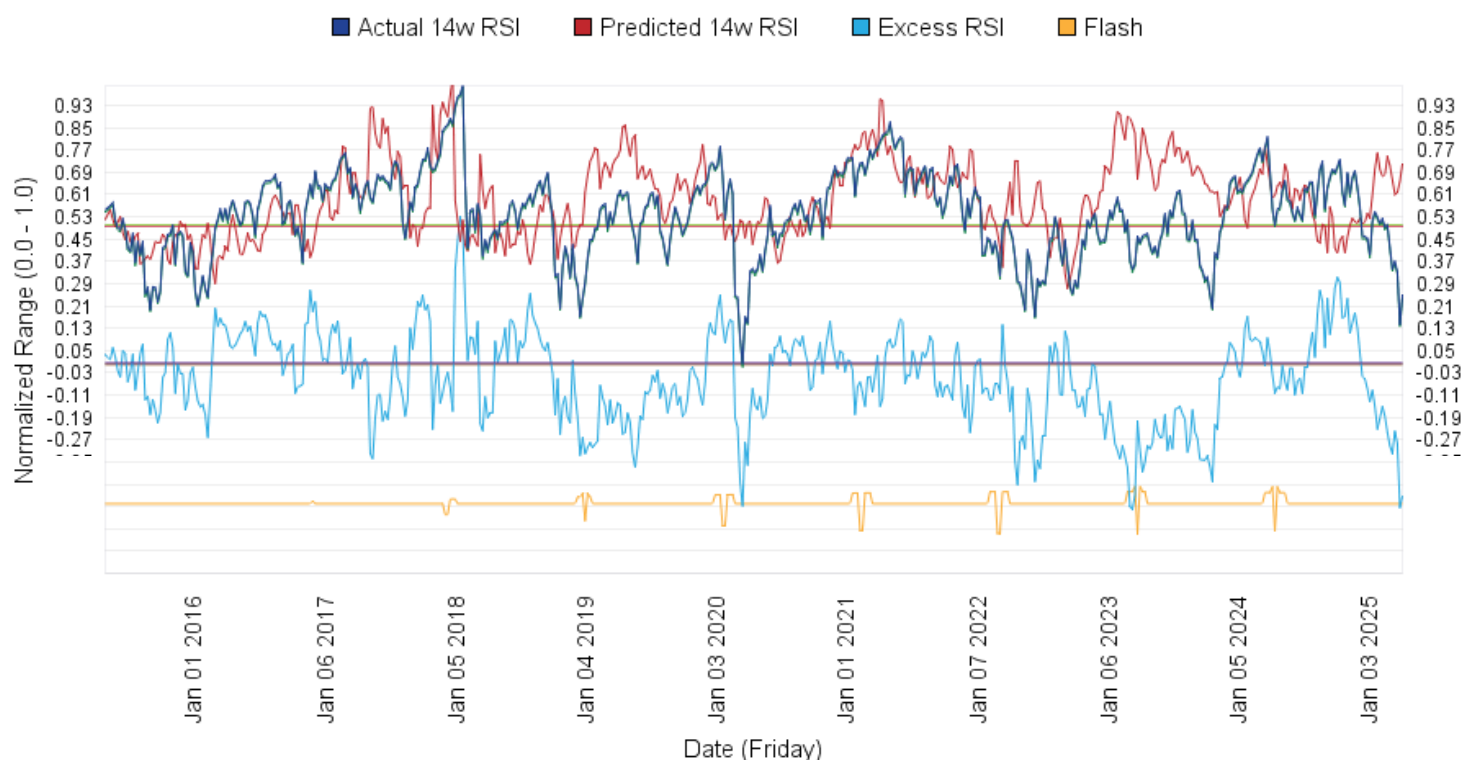
3) |+ Optimistic
    |
    |- Pessimistic
        with description

RSI Analysis - 10-Year   Fig. 2

RSP | Invesco® S&P 500® Equal Weight ETF
14-Week RSI - Actual and Predicted: Apr 24 2015 - Apr 11 2025

The 14-week RSI is a component within the Short-Term Driver shown in Figure 1. RSI is a widely used measure of asset price momentum. Our predicted RSI explains much of the weekly volatility in the actual RSI over the last several decades. | The upper portion of Figure 2 displays the predicted and actual 14-week RSI for an asset price (not shown) over the past 10 years. The light blue line in the middle of the figure, labeled "Excess RSI," represents the difference between the two series. High values of "Excess RSI" indicate stronger-than-expected price momentum, which may be caused by positive economic or market conditions. Conversely, low values suggest weaker-than-expected momentum, likely reflect negative conditions. Excess RSI reflects investor sentiment related to a range of factors including investor views of stock valuations, inflation, interest rates, and economic growth. | The Flash Driver is included for reference.

Comments (data as of Apr 11 2025): [No Change From Last Week] On the far right of Figure 2, the light blue line indicates that the 'Excess RSI' remains below the center line. This condition indicates that recent price momentum is well below what is expected based on physics-induced sentiment alone. It suggests that investors have a pessimistic outlook on economic, market, and other conditions. Excess RSI is now at an extremely low level compared to the 10-year period shown. The current level is comparable to lows during the COVID crash in 2020, and also in early 2023. While price momentum rebounded quickly after COVID, it didn't in 2023.

RSI Analysis - 1-year with EMA   Fig. 3

RSP | Invesco® S&P 500® Equal Weight ETF
Index Price, Predicted 14-Week RSI: Apr 12 2024 – May 23 2025
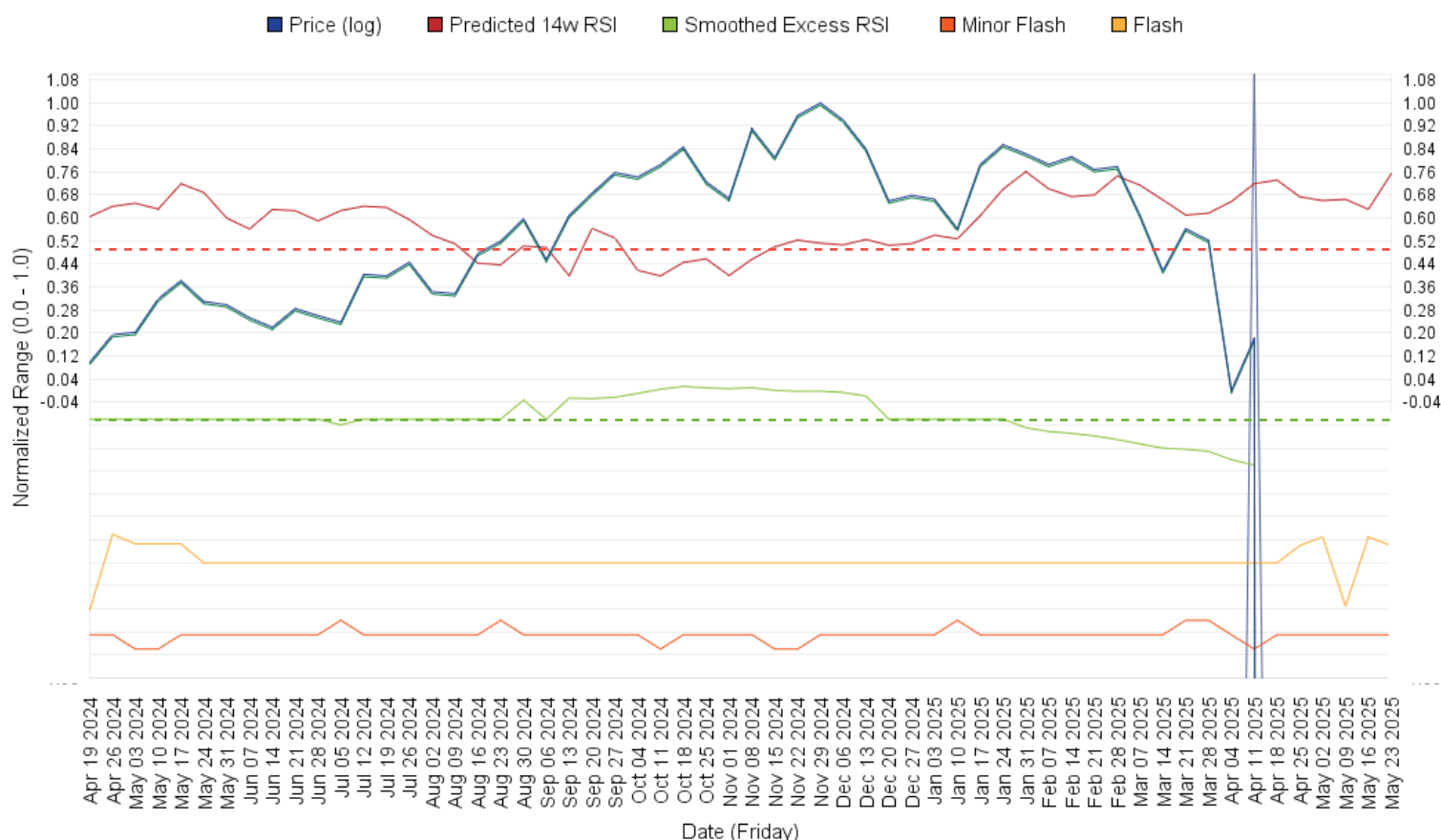
Figure 3 shows the asset price (upper panel, heavy blue line) and the predicted price momentum, measured as the 14-week Relative Strength Index (RSI, red line). The "Smoothed Excess RSI" is displayed as the light green line, which deviates from its neutral level (represented by the dashed light green line) when the actual 14-week RSI of the market (not shown) remains meaningfully higher or lower than the expected level over several weeks. | Smoothed Excess RSI represents the "Implied Economics-Based Sentiment" and can signal unusually strong or weak sentiment related to economic and market conditions. It can identify when investors have a negative view of economic conditions even when the stock market moves higher. | Smoothed Excess RSI is calculated as the exponential moving average (EMA) of the difference between the actual 14-week RSI and the predicted 14-week RSI (labeled "Excess RSI" on the prior page). To emphasize meaningful deviations, only z-score values exceeding ±0.5 are shown. A horizontal line indicates that the actual 14-week RSI is not meaningfully different from what is expected due to natural sentiment shifts.

Comments (data as of Apr 11 2025): The solid red line shows the predicted price momentum trending lower through the week ending May 16 and then moving higher.

Our Implied Economics-Based Sentiment measure is below the neutral level, shown as the dashed green line, indicating meaningfully negative sentiment related to real economic and market factors. This condition began at the end of January 2025 and is likely to continue over the next few weeks, even if the stock market moves higher. Should this condition continue, it will amplify price declines and dampen price recoveries.

The upcoming M-Spike is represented by the yellow line.

Additional Notes

Links

  Please contact us with questions: contact@cpminvesting.com
  See additional notes: www.cpminvesting.com/notes
  General information: www.cpminvesting.com
  Join our Discord Server: https://discord.gg/3c6327VwbW

Citations

RSP is an ETF issued by Invesco that seeks to track the performance of the S&P 500® Equal Weighted Index, providing equal exposure to each of the 500 largest publicly traded U.S. companies.
   For more information, visit: https://www.invesco.com

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Background

 Sentiment shifts occur periodically and are described as changes between:
  Optimism|Pessimism   Risk-on|Risk-off   Resilience|Vulnerability   Euphoria|Panic   Aspirational thinking|Critical thinking

Total sentiment reflects economic forces and the naturally occurring forces that directly affect human behavior:
  > Economic forces
     - Investor views on economic conditions
     - Investor views on market fundamentals
     - Investor behavior (e.g., trend following, mean reverting, calendar effects, response to current events)
  > Natural forces - Our focus is here

Naturally Occurring Shifts Have a Big Impact: Naturally occurring sentiment shifts have a bigger impact than many investors realize, and typically explain over 70% of the weekly variability of widely used index price momentum measures such as the 14-week Relative Strength Index (RSI). In addition, systematically predicting the future strength of the natural forces can be done more easily and reliably than predicting the future strength of economic forces.

We can Infer Impact of Economic Forces: When total sentiment deviates meaningfully from the natural shifts, we can infer that economic forces have a higher impact. If we take the actual RSI, for example, which reflects both economic and natural forces, and subtract the effect of the natural forces (represented by the predicted series), the difference is a reasonable gauge of the impact of the economic forces.

Early Indicators of Market Declines: Key early indicators of an impending market correction are a) when Excess RSI (EMA) moves to negative levels, and b) when actual sentiment metrics, such as one of our Market Resilience Indexes or the 14-week RSI, converges with a negatively trending predicted metric. See Note #4 on this page:
               https://cpminvesting.com/notes

Two types of Physics-Based Sentiment Drivers: We maintain over three dozen physics-based drivers. There are two general types:
  > Cyclic Drivers - sentiment changes gradually over time. The Long- and Short-Term drivers are cyclic.

> Episodic Drivers - sentiment changes abruptly. The Flash and Minor Flash drivers are episodic. Our forecasts of Episodic Drivers tend to be more accurate than those for the Cyclic Drivers.

For descriptions of each driver, see Note #2 on this page (https://cpminvesting.com/notes).

Two Sentiment-Related Metrics: We use two different metrics in our forecasts of sentiment. We forecast the 14-week Relative Strength Index (RSI) to measure price momentum for a market index. Upward sloping RSI indicates positive sentiment:

https://en.wikipedia.org/wiki/Relative_strength_index

We also forecast our own Market Resilience Index® (MRI) series. The MRI measure return acceleration. Upward sloping MRI indicate positive sentiment. MRI indicate short- and long-term shifts in market resilience for each market index:
> Micro MRI - short-term trends lasting several weeks
> Macro MRI - long-term trends lasting several quarters

The RSI and MRI have different features.
  RSI (Relative Strength Index)
    - Widely used in investment industry
    - Effective in identifying market bottoms
    - Less effective in identifying market tops. RSI can peak several months before the index price peaks.

  MRI (Market Resilience Index)
    - Designed to identify accurately both market tops and bottoms

For descriptions of each driver, see Note #1 on this page (https://cpminvesting.com/notes).

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