



The S&P/TSX continues to linger around its 50-dma, but, thus far, support has held. Hence, this might just be a short-term pause in a general uptrend, not unlike that observed between October and November 2025. Back then, the 50-dma provided key support until there was a late-year rally.

While we watch that situation, there have been some dramatic shifts among key S&P/TSX sectors in recent weeks. However, before discussing those developments, we will highlight the backdrop in our late January S&P/TSX update.

At that time, we noted that the Materials sector had been a beast in supporting the upswing in the broad index, but that the rip-roaring rally in Materials seemed to be turning “parabolic.”

A key driver of those gains was the surging price of gold, which also seemed to be turning “parabolic.”

Of the situation we said: “It does not seem as though the powerful surge in the price of gold can continue: Always keep in mind Stein’s Law: “If something cannot go on forever, it will stop.””

## Update

Well, the price of gold peaked at just over USD5,300/oz on 29 January. Over the next two trading sessions it fell by over 13%. This weighed heavily on the S&P/TSX Materials sector that fell by a matching 13% and dragging the S&P/TSX toward its 50-dma.

Some developments to consider: First, the price of gold stabilized and clawed back some of its losses. That said, the price of gold remains elevated, and it is not clear that further losses are assured. What this highlights is the potential for violent moves in the price of an asset/commodity after a sharp rally, and coincident moves in asset prices linked to that asset/commodity – such as the S&P/TSX Materials index and the price of gold. Keep in mind, You can’t predict when such moves might occur, invest accordingly. Same for the. It is still down 11% from its peak, but the bleeding stopped quite quickly.

Second, the Energy sector has recently popped higher. This has done quite a bit of work to limit losses in the broader index. The Energy sector rally has been partially supported by rising oil prices.

## IT hits an air pocket

A third development is the swoon in Information Technology. From its peak in mid-January, the IT sector is down by 22%. On the way down, the sector broke below its 50- and 200-dma. Further, in the next few days it looks like the 50-dma will fall below the 200-dma. Such a crossover is dubbed the Death Cross. This highlights recent bearish trends, but it is not necessarily a bearish signal itself. Take it as a sign of a sector that has been under downward pressure, and one should pay close attention. That said, remember that picking bottoms is a great challenge (as is picking tops).

Don’t panic. Take the recent performance of the Industrials sector as an example. It posted a Death Cross recently. In context, however, that occurred as the index that was bouncing off its lows. The Death Cross was not, therefore, a bearish indicator. Simply put, pay attention to current conditions.

To restate: Don’t panic. Make sure you are diversified so that losses in one sector are cushioned by developments in other sectors.

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