Corner On Market Sentiments

Thin Air and the Softening Light

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I don't know why, but the sentimentalities always kick up for me during the turn from summer to fall. Watching the older kids mature toward college and the younger set really start understanding the responsibility of the agency they've always possessed; grandparents overseeing it all… and learning that sentimentality is a blessing baked in gratitude. The days remain warm, yet the angle of the sun has shifted.

The XBI has spent these recent weeks higher on its own mountain than it has been in a long while—pressing into the mid- and upper-160s, tagging a multi-year high (very near the all-time highs) of ~170, It is currently camped on the side of the granite pitch, no longer debating whether it belongs at these elevations, but testing how it intends to live here. The difference between market watching and market forecasting, of course, is that we cannot see whether (or when) further peaks still rise above us.

What stands out in this late-summer stretch is not simply the altitude but the character of the move. Breadth has been better than in many prior advances. The technical picture remains constructive in the larger sense, with higher lows over the last several years (see below), but the final approaches toward the old all-time highs of early 2021 are not casual hiking terrain. The question will be how solid these fresh anchors—each successive higher low—have been hammered into the face.

For a sector whose longer-term fortunes remain tied to the actual pace of innovation—and where that pace continues to quicken as technology advances — the current altitude is at least arriving with some fundamental company. Whether that company proves sufficient for a sustained move through the remaining overhead and into genuinely new high ground is the open question of the coming months.

And the Relative Strength Index (RSI), a momentum indicator suggests we may have a near-term test of conviction as a bearish divergence has shaped up:

We'll keep watching how the anchors of the higher lows hold with an eye on the quality of the volume on both the advances and the pullbacks. And remember that in biotech, as in late summer, some of the most useful light arrives precisely when the season itself is beginning to change.

Onward – to JPM and beyond!