

Chart of the Day

The Communications sector is setting up. \$XLC

May 28, 2026

Scott McGregor identifies a compelling catch-up trade opportunity within the **Communication Services Sector ETF (\$XLC)**. Scott McGregor points out that because major broad-market indices like the S&P 500, Nasdaq, and Russell 2000 simultaneously achieved new all-time highs today, an "everything rally" is underway, leaving the consolidating \$XLC beautifully positioned to follow the rest of the market higher. The ETF has drifted constructively down to its **50-day moving average**, proving that buyers aggressively step in every time it tags this support layer. Now trading completely above its 8-day and 21-day short-term exponential ribbons, the price is compressing directly beneath a dynamic downward-sloping trendline ceiling, offering an asymmetric entry with a clear, structural risk boundary.

Next Steps:

1. Set a Pre-Breakout Alert: Establish a strategic price alert immediately at the \$117.00 pivot ceiling to capture the initial surge out of consolidation.
2. Filter for Volume Confirmation: Watch for the price to break through and decisively close above the downward-sloping trendline of resistance on expanding volume.
3. Map out the Stop-Loss Floor: Define your structural risk boundary by placing a hard protective stop-loss directly at the 200-day moving average.
4. Transition to a Trend Position: If the breakout triggers cleanly, allow the position to capture a long-term trend trade as long as the price action preserves its structural averages.

Transcript:

[0:00] Hey everyone, good evening. It's Scott

[0:02] at scotttrades onx with

[0:04] stockmarketmentor.com

[0:06] and your chart of the day. Want to take

[0:09] a look at the XLC State Street

[0:12] Communication Services Sector ETF and I

[0:16] think that this is actually setting up

[0:17] for a potential move. As you know, the

[0:20] S&P 500 via SPY hit a new all-time high

[0:24] today. The QQQ's hit a new all-time high

[0:27] today. IWM hit a new all-time high today

[0:31] and so we are getting an everything

[0:32] rally and I think there's an opportunity

[0:35] for XLC to play catchup and follow the

[0:38] rest of the market higher. And so what I

[0:40] want to see from XLC is I want to see it
[0:43] break out of this consolidation pattern
[0:45] that it's in. It drifted beautifully
[0:48] down to the 50-day moving average,
[0:50] finding buyers at the 50-day every time
[0:53] it got near it or touched it. And now
[0:56] we're sitting just above the 200 day,
[0:58] 50-day. Price is above the 8day, and
[1:00] 21day. And so I think this is setting up
[1:03] for a potential move out of
[1:05] consolidation.
[1:06] I want to see a break above this clear
[1:09] downward trend line of resistance on
[1:12] XLC. And that's what I'm watching to
[1:13] play out into tomorrow or maybe even
[1:17] next week. because as long as it holds
[1:19] up above the 50-day and 200 day moving
[1:22] average, the consolidation is still
[1:23] intact and the trend is still okay. And
[1:26] so I want to see if this can get above
[1:27] and stay above that downwards trend
[1:29] line. I'm going to set a pre-breakout
[1:32] alert at around 117.
[1:35] And if this can get above and stay above
[1:37] 117, I think we might have a trade here
[1:40] with clear defined risk again at that
[1:44] 200 day moving average. Now, if I zoom
[1:46] out here, we can see that it only
[1:48] breaches the 200 day moving average when
[1:51] we have a significant breakdown or
[1:52] something bad happening in the market.
[1:54] And so, if you can get into this as it

[1:56] breaks out using the 200 day moving

[1:58] average as your stop, you might have a

[2:01] nice long-term trend trade on the

[2:04] communication services sector ETF, XLC.

[2:08] And so, that's just one of many things

[2:10] we're watching tonight over at

[2:11] stockmarketmentor.com.

[2:13] I hope that was helpful. Give me a

[2:15] follow on Twitter if you don't already.

[2:17] Scott Trades.