

Weekend Study Session

October 16, 2026

Dan Fitzpatrick analyzes whether recent broad-market selling represents a permanent market top or a tactical capital rotation out of artificial intelligence/semiconductor equities and into defensive, inflation-hedged sectors. Dan Fitzpatrick highlights a striking divergence: while semiconductors (\$SMH, \$NVDA, \$AVGO) have dropped sharply and AI debt markets face stress, defensive groups like consumer staples (\$XLP), energy (\$XLE), utilities (\$XLU), and healthcare (\$XLV) have advanced to fresh record highs. Dan Fitzpatrick explains that price action consistently leads fundamentals, warning that institutional investors are selling AI high-flyers due to massive capital expenditure demands, free cash flow compression, and rising credit default swap (CDS) rates across AI-leveraged firms like CoreWeave and Oracle (\$ORCL). Concluding that current market tape conditions reflect sector rotation rather than a full secular top, Dan Fitzpatrick advises traders to stay engaged, avoid bottom-fishing broken chip charts (\$MU, \$SNDK, \$WDC, \$STX), and restrict new long capital to relative-strength leaders in defensive sectors.

Next Steps:

- ☐ Rotate Long Allocations into Defensive Leadership: Shift new long capital away from extended technology/AI assets and target relative-strength leaders in defensive, cash-generative sectors:
 - Consumer Staples (\$XLP): Track high-volume continuation setups across retail leaders like Walmart (\$WMT), Costco (\$COST), and Ross Stores (\$ROST).
 - Energy (\$XLE): Focus on outperforming refiners and integrated majors, including Valero (\$VLO), Phillips 66 (\$PSX), ExxonMobil (\$XOM), and Chevron (\$CVX).
 - Healthcare & Biotech (\$XLV): Capitalize on relative strength in pharmaceutical and biotech names like Gilead Sciences (\$GILD), Moderna (\$MRNA), and AbbVie (\$ABBV).
- ☐ Exit or Avoid Broken Semiconductor Charts: Refrain from buying active dips or averaging down in declining memory and chip stocks (\$MU, \$SNDK, \$WDC, \$STX, \$AVGO, \$INTC); use short-term reflex rallies to prune remaining long tranches.
- ☐ Monitor Critical Index Invalidation Levels: Track closing prints on the S&P 500 (\$SPY) relative to its 50-day simple moving average near 7,706 (\$770.60) and 7,500 (\$750.00) floor. A sustained sequence of daily closes beneath these levels would signal a transition from rotation to a broader market top.
- ☐ Prune Non-Performing Holdings: Reduce position sizes or move to 100% cash in non-trending allocations to preserve workstation capital until market breadth re-establishes positive momentum.

Transcript:

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

[0:02] at scottrades on x with

[0:04] stockmarketmentor.com

[0:06] and my chart of the day. Want to look at

[0:09] Shopify. This is ticker shop. And Shopify

[0:12] had a beautiful upside reversal today

[0:15] with the rest of the market opened lower
[0:18] but closed at the high of the day and
[0:20] did it on just higher than average
[0:22] volume. Now that is a strong signal of
[0:25] strength especially in a choppy market.
[0:28] Now, we are just off of the all-time
[0:30] high here on Shopify. So, I would
[0:32] certainly look for some upside followth
[0:35] through if we get some follow through in
[0:38] the market. I would have an alert here
[0:40] on Shop at 18215.
[0:43] Look for a move through and a close
[0:45] above 18215 for a breakout here on
[0:47] Shopify. Just keep in mind they have
[0:49] earnings coming up at the beginning of
[0:51] November, so we might get a bit of an
[0:52] earnings run. You know, retail sales
[0:54] came out strong today. And so despite
[0:57] the fact that inflation remains high,
[0:59] the consumer is so far soaking it up and
[1:03] probably shopping online. So that's just
[1:06] one of many stocks we're looking at
[1:07] tonight over at stockmarketmentor.com.
[1:10] I hope that was helpful. My name is
[1:12] Scott McGregor at scottrades on x. I'll
[1:15] see you next time.