MAJOR TREND INDEX

quant assessment of stock market health

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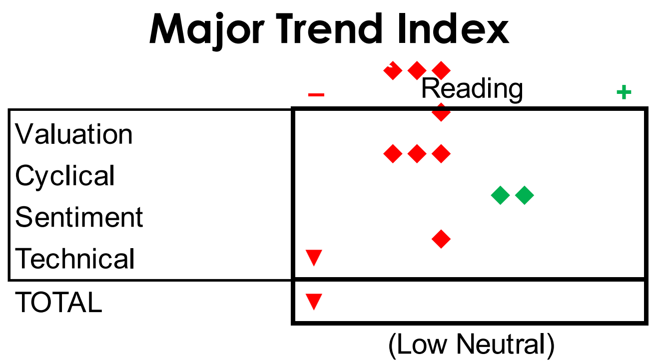
Data for the week ending September 11, 2026



Downgrade To Low Neutral

The S&P 500 rallied on Friday to end the holiday-shortened week down 80bps. That minor loss felt like a win considering the concurrent 8% surge in crude prices and the 20- to 30bps increase in yields between the two- and ten-year portion of the yield curve. Small and Mid-Cap indexes didn't hold up as well, falling 2-3% for the week. Since the end of July, the S&P 400 and 600 have underperformed the 500 by 5%—not an encouraging development.

Breadth continues to narrow within the Large Cap space as well. Our S&P 500 equal-weighted relative strength ratio has been declining for the past three weeks; it recently cracked through the support level intact for most of the summer. Outside of the S&P 500 and the NYSE FANG+, Chart Scores for the "peripheral" indexes continue to weaken, devaluing the strongest card in the MTI hand. The latest update also worsened scores across the Momentum subcategory and Quattro Model, making the downgrade to Technicals a straightforward decision.

Like we've stated before: As the Technical work goes, so goes the Major Trend Index. Accordingly, the MTI is relegated to Low Neutral. Net equity exposure in Leuthold tactical accounts fell from 56% to 52% through a combination of long equity sales and an increase in the short equity hedge. Further reductions will follow if scores continue to slide.

Last week's fairly hot CPI and PPI reports solidified expectations for a Fed hike this Wednesday. In our Cyclical work, inflation line items that use a six-month rate of change (the current duration of the "conflict" in Iran) improved marginally with the higher base effect. Still, those measures remain decidedly negative.

We believe a rate hike, paired with the appropriate language, should calm a bond market that seems eager to test the Central Bank's credibility. The Treasury's laughably ineffective efforts to cap the long end of the curve additionally reinforce the importance of a firm policy stance from the Fed (although the desired market response is never a guarantee). A reduction in longer rates would go a long way to improve many facets of the MTI, most notably the sagging Liquidity scores.

The Major Trend Index is designed to recognize major market trends rather than intermediate moves, combining around 130 individual components to assess the overall health of the stock market. Revisions and weight adjustments are made periodically.