

MAJOR TREND INDEX

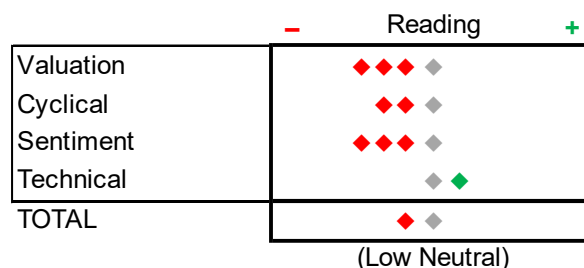
quant assessment of stock market health



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Data for the week ending September 25, 2026

Major Trend Index



Valuation Check-In

The song remained the same last week for equity and fixed income. Tech stocks, notably META (+13%), lifted the S&P 500 (+1.2%) to within 1% of its mid-August high. The Nasdaq Composite rose 2.1% and set a new all-time high early in the week, eclipsing its previous record set in early June.

That's where the good news stops. The S&P 600 (-50bps) posted its sixth consecutive down week, lagging Large Caps each week. The average stock in the S&P 500 underperformed the cap-weighted S&P 500 by 140bps, an exclamation point in that bifurcated relationship since the third week of August. Breadth has gone bad quickly. Just a month-and-a-half removed from a technically promising cluster of new highs, a classic, narrowing market top might be staring us in the face.

Last week's hot economic numbers, bad geopolitical news, and poor Treasury auctions catapulted the 10-year yield to 2006-07 extremes... with another shift higher today. The size, speed, and new levels of this move continue to hamstring several areas of our MTI categories. As rates plow into new generational highs, the resiliency in equities (well, some equities) has been very impressive.

All eyes are on our teetering Technical work. Decent gains in a few of the tech-heavy Chart Scores offset the continuing weakness in Breadth (already quite negative) and a downgrade in our Quattro Model. The MTI continues to plod along at Low Neutral, and Leuthold tactical accounts maintain a moderate target of 51-52% in equity exposure.

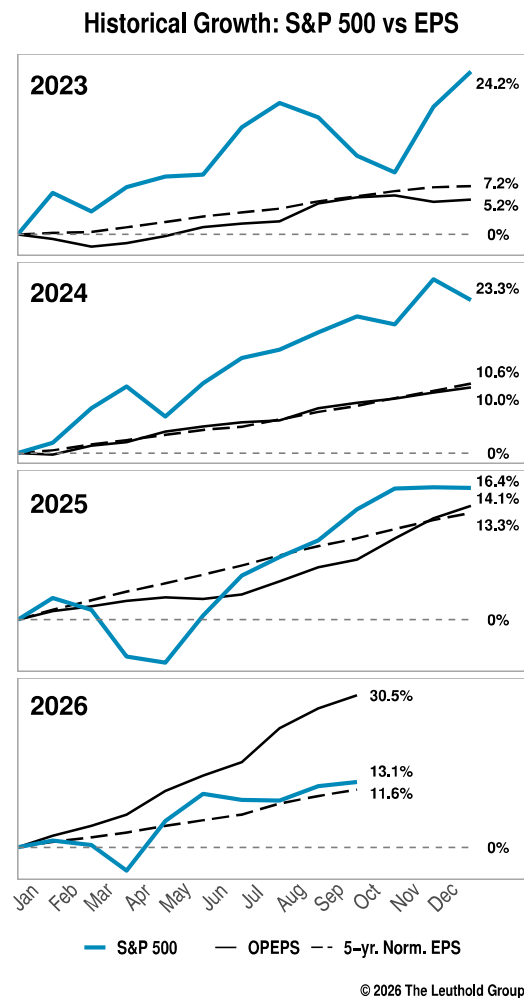
Our oft-forgotten Valuation segment has held steady at -3 for the last few months. With the S&P 500 tickling its all-time high, most of the cap-weighted line items continue to score quite poorly. The exception is the index's forward P/E ratio, which has been steadily falling in 2026 thanks to a meteoric, nine-month 30% rise in the ratio's denominator. That increasingly bright near-term future has led to an NTM P/E ratio in the 70th percentile of "New Era" (1995-present) observations.

Recent poor relative performance further down the cap structure has improved our unweighted line items. All four indicators now stand at neutral, the best they've looked since the start of the Iran war. The relative valuation case for small caps, mid caps, and equal-weighted S&P 500 still holds water. Of course, that argument has been made for most of the last 10 years, with few winning trades compared to the S&P 500 during that span.

Valuation Check-In

Our third sub-category, which tracks earnings yields relative to bond yields (think Fed Model), has gone south in a hurry, as you can imagine. Most of those line items, which carry a lighter weight than the other two Valuation segments, now score max negative.

As we approach Q3 earnings season, we thought we'd trot out the chart that seems to keep the S&P 500 from breaking apart in otherwise rough seas. Three-quarters of the way through 2026, the non-normalized operating EPS estimate (six months back, six months forward) has grown over 30% (solid black line); it is up 70% since the start of 2023, with more than half of that growth coming in the last nine months. The corresponding P/E ratio for this measure has shrunk from 25.2x to 22.0x in 2026 as "P" hasn't kept up with "E." This is the lowest multiple for this series all the way back to the end of 2023.



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. The index is revised and weights are adjusted periodically.