MAJOR TREND INDEX

quant assessment of stock market health

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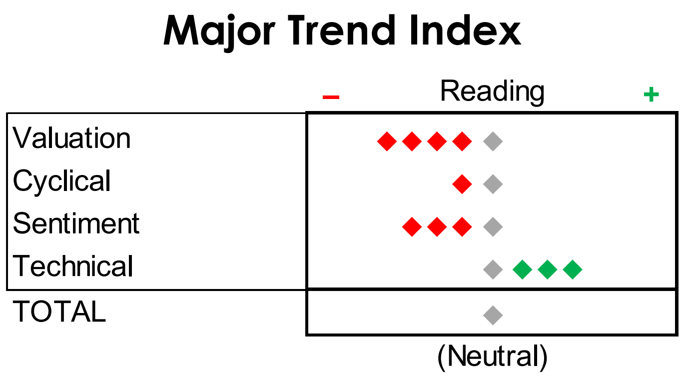
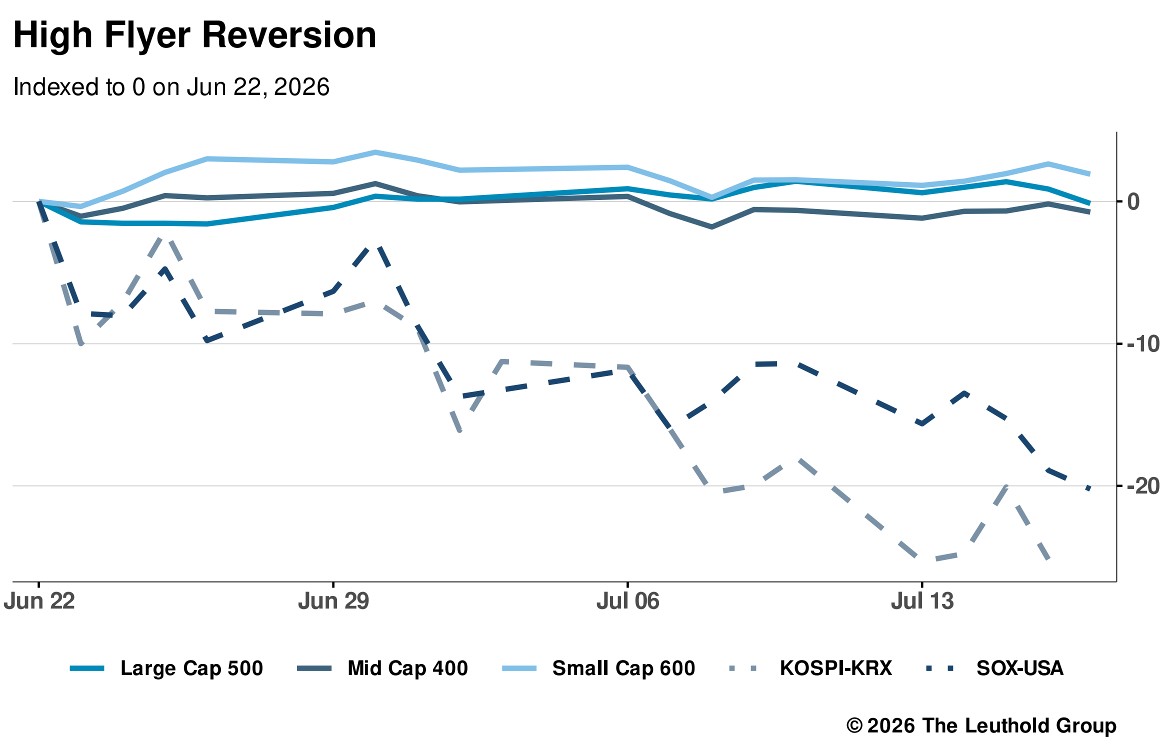
Data for the week ending July 17, 2026



Inflation Pressures Broaden

The momentum unwind, now almost a month old, escalated a notch last week. Semiconductors, memory, and AI-buildout names have given back a decent chunk of their wild run-up, which started at the end of March. The SOXX Semiconductor Index (-10%) posted its worst week in 15 months, and the concentrated Korean KOSPI Composite (-9%) continued its slide. From their matching highs on June 22nd through Friday, the former is down 20%, the latter is off 25%. Other parts of the market like cyclicals, defensives, and even the Mag 7 names have picked up the slack. For now, with most major equity indexes flat over that period, it looks more like a rotation than a risk-off move. Some "bending" but no "breaking."



Inflation Pressures Broaden (continued)

Within the Technical space, turbulence has been too specific to materially affect our Trend scores, which remain quite positive overall. The High/Low Logic Indexes, which are always on the lookout for warning signs of an internally split market (high levels of simultaneous new 52-week highs and lows), have improved over the last few weeks. With fewer new highs and lows, those HLLI studies now show a less bifurcated market (and therefore healthier) than earlier this summer.

Still, the positives continue to be canceled out by the lingering negatives (see below); therefore, through the second full week of July, the MTI remains at a Neutral stance toward stocks. Leuthold tactical accounts carry net equity exposure of 54%, in concert with the MTI's assessment.

Last week featured cooler-than-expected CPI and PPI figures for June, easing some of the pressure in the weakest sub-category of our Cyclical work. However, our Inflation Scorecard, which gauges price pressures over the next few months, continued its five-month upward trend (now at 63 out of 100). Over that period, the nature or drivers behind this inflation uptick have changed dramatically.

In March, after nearly two years of below-trend scores, the Inflation Scorecard perked up alongside the surge in oil and commodity prices. At that time, pressure was contained on the Cost-Push side of the scorecard, which showed the beginnings of a stagflation scenario. Over the next few months, pressure began to build on the Demand-Pull side of the ledger as economic activity continued to plow ahead despite the quagmire in Iran. Even the intermediate trend in Consumer Confidence has turned higher (it was adjusted to half-positive given its still very low absolute value).

In sum, our scorecard says we're not out of the inflation woods yet. In a very short time, the pickup in demand-side factors has broadened the range of price pressures and put the risk of economic overheating back on the table.

Inflation Scorecard

Category	Sub-Category	Indicator	Mec. Signal	Adj. Signal
Demand Pull				
	Consumer	Disposable Income	0	50
		Confidence	100	50
		Personal Exp./Retail	100	100
	Investment	Private Investment	100	100
	Government	Govt Spending	100	100
	Loan Activities	Business Loan Flows	100	100
Cost Push				
	Natural Resources	Commodities (2X)	200	200
	Exchange Rate	US Dollar (inverted)	0	0
	External Shocks	Oil (3X)	300	150
		Import Prices	100	100
	Wages	Avg Hourly Earnings	0	0
		Unit Labor Costs	100	50
		Employment Costs	0	0
		Total Score	**75**	**63**

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 from time to time.