

MAJOR TREND INDEX

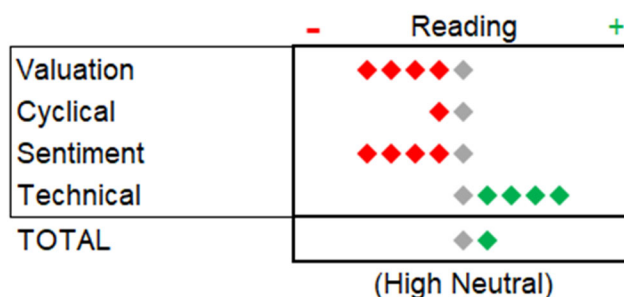
By: Doug Ramsey, CFA, CMT



Report Date: October 13, 2025

Data for Week Ending: October 10, 2025

Major Trend Index



The Major Trend Index was unchanged at a high neutral reading of +1 in the week ended October 10th.

New tariff threats tanked the market on Friday, and continued investor reaction like that may produce a rapid rethink of those plans. Aside from that, the latest S&P 500 highs recorded last Monday and Wednesday looked, in many respects, technically broader than any we have seen in more than ten months. On October 2nd, the Dow Jones Composite (a price-weighted index of the DJIA, Dow Transports, and Dow Utilities) finally closed above its longstanding high from last November 26th. Two trading days later (October 6th), the Dow Utilities topped its old August 4th bull market peak. Those moves erased two of three prevailing warning flags, leaving the Dow Jones Transportation Average as the only one among our eight bellwethers to have failed to make a new bull market high in the last month. Weakness in the Transports (and especially Trucking stocks) is a concern, but the “weight of the bellwethers” suggests the market is still largely in gear to the upside.

If this cycle is fated to end with anything loosely resembling a traditional topping process, then the eventual bull market peak has been pushed out at least a couple more months. In our case, though, high valuations and escalating risks to the U.S. economy stymie any desire to more aggressively play the bull’s final innings.

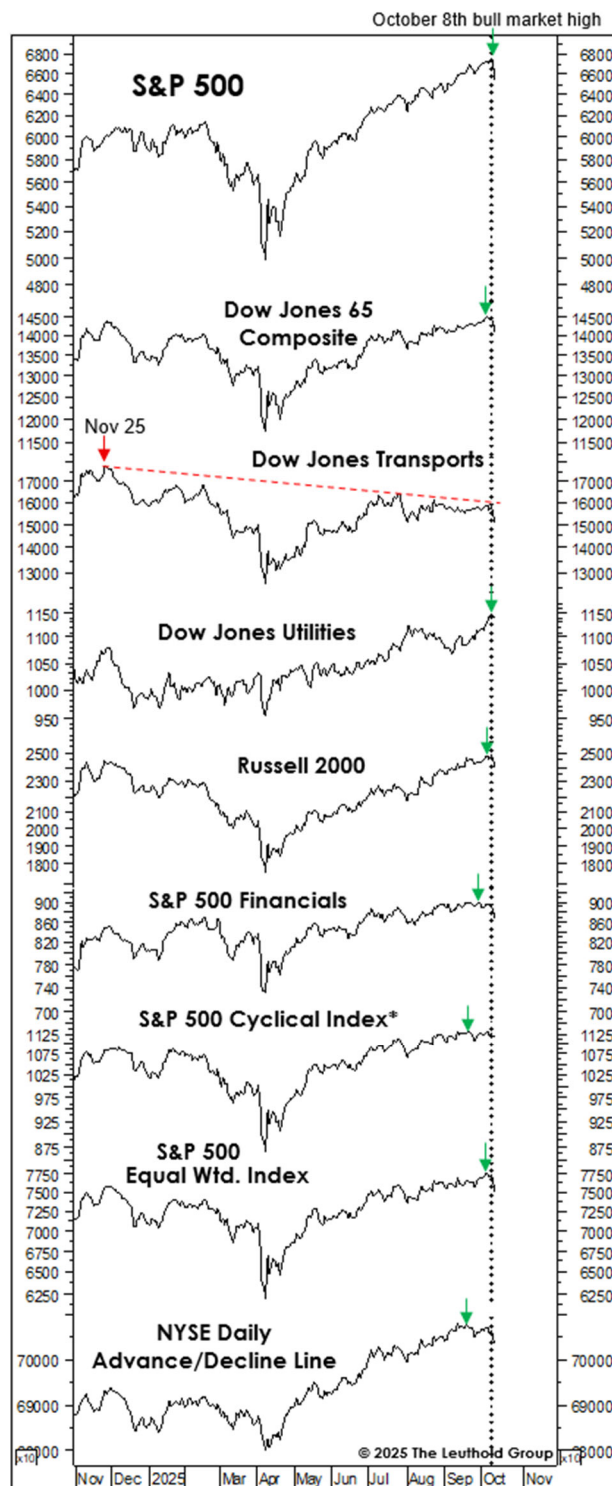
As noted in last week’s missive, we trimmed exposure to equities across our tactical strategies by a few points on October 2nd. Net equity exposure in Leuthold Core Fund, Core private accounts, Core ETF, and Leuthold Global Fund stands in the range of 55-56%.

- The government shutdown has indefinitely delayed a handful of economic data releases used in the calculation of the MTI. Over the past week, five of its 136 inputs could not be estimated, including four Sentiment measures (all related to positioning in equity index futures, provided by the Commodity Futures Trading Commission) and one Cyclical measure (the Boom/Bust Barometer, which can’t be calculated without initial unemployment claims). If the shutdown drags on through this week, there will be a few more Cyclical category inputs that we will not be able to estimate. Fortunately, we rely heavily on market-generated data rather than government reports, but the MTI is not entirely immune to the shutdown.

Clients who have questions regarding any of the components or indicators should contact Doug Ramsey at 612-332-1567 or dramsey@LWCM.com

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*Equal-weighted composite of S&P 500 Consumer Discretionary, Industrials & Materials sectors.
Daily data through October 10th.

While we would not say the same for the economic backdrop, the technical underpinnings of the market look superficially better than at the interim high in February. At the February 19th peak, seven of the eight bellwethers shown in Chart 1 had failed to make a bull market high in the prior 21 trading days. However, at the S&P 500 top last Wednesday (October 8th), only the Dow Jones Transportation Average had neglected to secure a new bull market high over the last month.

While these “old-school” bellwethers have been pretty well-behaved, we recognize there’s been some ugly developments in areas like crypto and publicly-traded private equity and private credit. And while our Cyclical Sector Composite hasn’t corrected much from its September 19th high, its drop relative to the Defensive Sector Composite is quite steep (Chart 2). Such action is troubling; although, our best guess is that the final bull market peak will not occur until the warnings from our traditional bellwethers have become more pronounced.



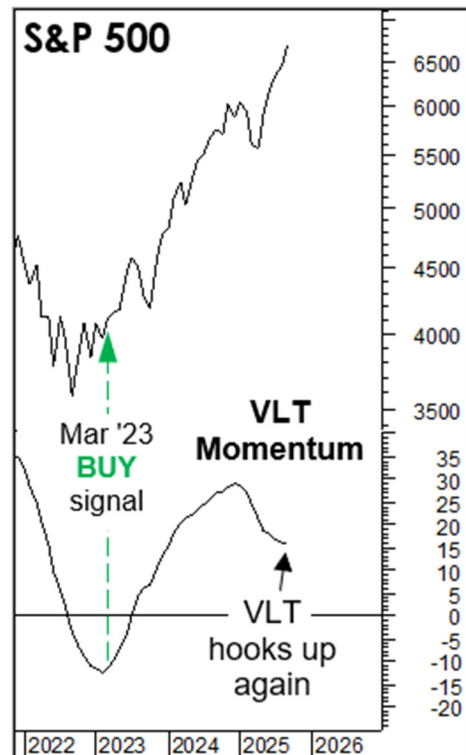
**Equal-weighted composite of S&P 500 Consumer Staples, Health Care & Utilities sectors.

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- Ideally, our Very Long Term (VLT) Momentum algorithm speaks only once per market cycle, when an upturn from the oversold level confirms—a few months after the fact—that a new cyclical bull market is underway. That happened back in March 2023, and the S&P 500 is up 59% since that confirmation (Chart 3).
- There are several secondary messages from VLT that we monitor, and one triggered at the end of last month. September's S&P 500 VLT reading ticked up for the first time since VLT's initial rollover last year. This is not a signal per se, just an event worth noting. Since 1957, there have been ten other cases in which VLT mustered enough strength to reverse higher after its initial rollover, and those cases sometimes turned out to be stock market traps. In the last three instances, for example, there was an important market top the very *next month*, followed by a “major decline” in each case (S&P 500 loss of 19% or more). Overall, looking out two years, results in the aftermath of a second VLT uptick have been well-below typical stock market returns (Table 1).
- This pattern is one reason (however small) to question the building narrative that a massive melt-up is still ahead of us.



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S&P 500 Performance After VLT Upticks Following Its Initial Rollover

Month When VLT Ticks Up Following Initial Rollover	S&P 500 Forward Performance				
	1-Mo %	3-Mo %	6-Mo %	12-Mo %	24-Mo %
October 31, 1965	-0.9	0.5	-1.5	-13.2	1.6
October 30, 1968	4.8	-0.4	0.3	-6.0	-19.5
August 30, 1972	-0.5	5.0	0.5	-6.2	-35.1
August 31, 1979	0.0	-2.9	4.0	11.9	12.3
August 31, 1986	-8.5	-1.5	12.4	30.4	3.4
January 31, 1993	1.0	0.3	2.1	9.8	7.2
August 31, 2005	0.7	2.4	4.9	6.8	20.8
March 31, 2011	2.8	-0.4	-14.7	6.2	18.4
August 31, 2018	0.4	-4.9	-4.0	0.9	20.6
December 31, 2021	-5.3	-4.9	-20.6	-19.4	0.1
September 30, 2025					
Avg. After VLT Uptick	-0.5	-0.7	-1.7	2.1	3.0
Avg., All Periods	0.7	2.1	4.2	8.8	17.8

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