MAJOR TREND INDEX

quant assessment of stock market health

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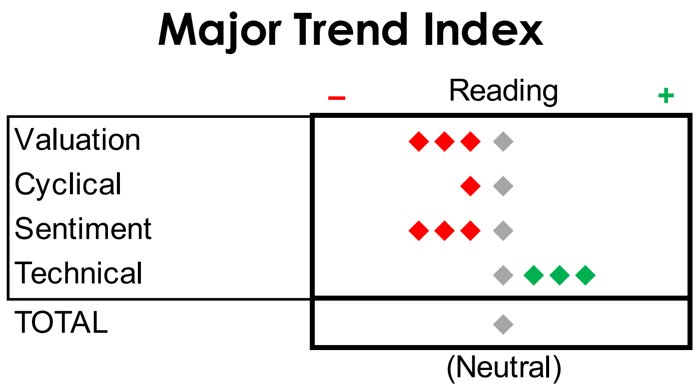
Data for the week ending August 7, 2026



Technicals Primed On New Highs

Stocks surged in the first week of August as the S&P 500, 400, and Russell 2000 all posted congruent 3.5% advances—the best weekly gains since mid-April. All three indices escaped their three-month trading ranges and posted fresh all-time highs. The Nasdaq Composite (+5.2%) had the best week of any of the major indexes but fell 2% short of its high-water mark set on June 2nd.

New highs mean revitalization for our chart scores, some of which were getting a little tired with the persistent sideways market action. The new peak in the S&P 500 was matched with record highs in six of our eight Bellwether indexes, a cluster of confirmation that's hard to ignore. In that study, only the Dow Transports and Utilities indexes were left out of the new-high parade last week. Both laggards have a long way to go (10% and 8%, respectively) to be additive to this vignette. Despite that, our "six-cylinder" study means a traditional, narrow market top is probably months away (if one occurs).

Excellent chart scores continue to be the star of our Technical work. That category, the largest weight of the four, is closing in on an upgrade. The dispersion of market returns, seen in our recently downgraded High/Low Logic studies and Quattro Model seem to be the biggest hurdle to that promotion. Subsequently, the overall MTI remains at Neutral. Net equity exposure in Leuthold tactical accounts has climbed higher with the market and sits at 55%.

The Risk-On/Risk-Off gauges in our Cyclical grouping have propped up uninspired messages from the bulk of the category's other measures. One of those line items, the S&P 500 Cyclical/Defensive Ratio, has had an interesting summer. Wild gyrations in the market's preference between the most economically sensitive sectors (Consumer Discretionary, Industrials, Materials) to those least exposed to the business cycle (Consumer Staples, Health Care, Utilities) has us, and that indicator, scratching our heads.

Note the jagged sawtooth pattern in the ratio over the last few months. Overall, Defensives helped carry the market through June and July, while August has swung back hard for Cyclicals (Chart 1). The rapid switching back and forth has led to one of the highest levels of return volatility between the two in recent history (Chart 2). This type of volatility is usually reserved for V-shaped corrections and recoveries where the market goes hard for defense and then piles into cyclicals (COVID, tariff tantrum). For a relatively flat S&P 500 over the last several months, there's been a lot going on underneath the hood.

Chart 1

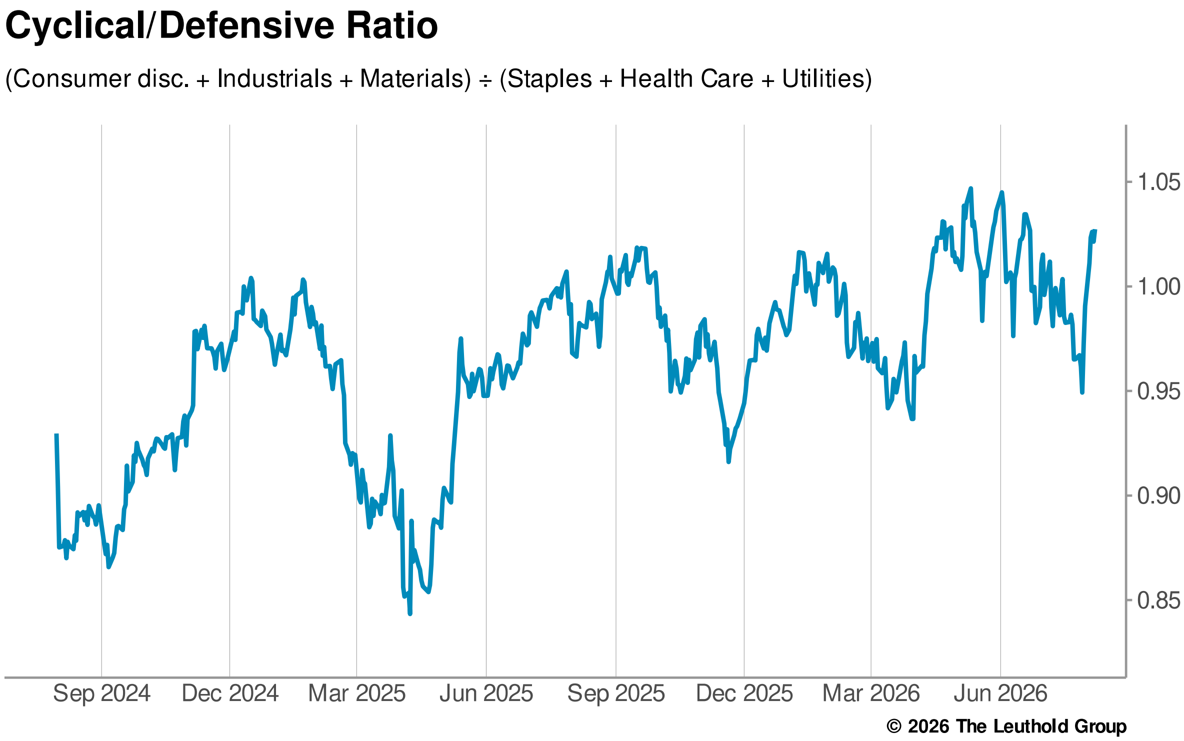
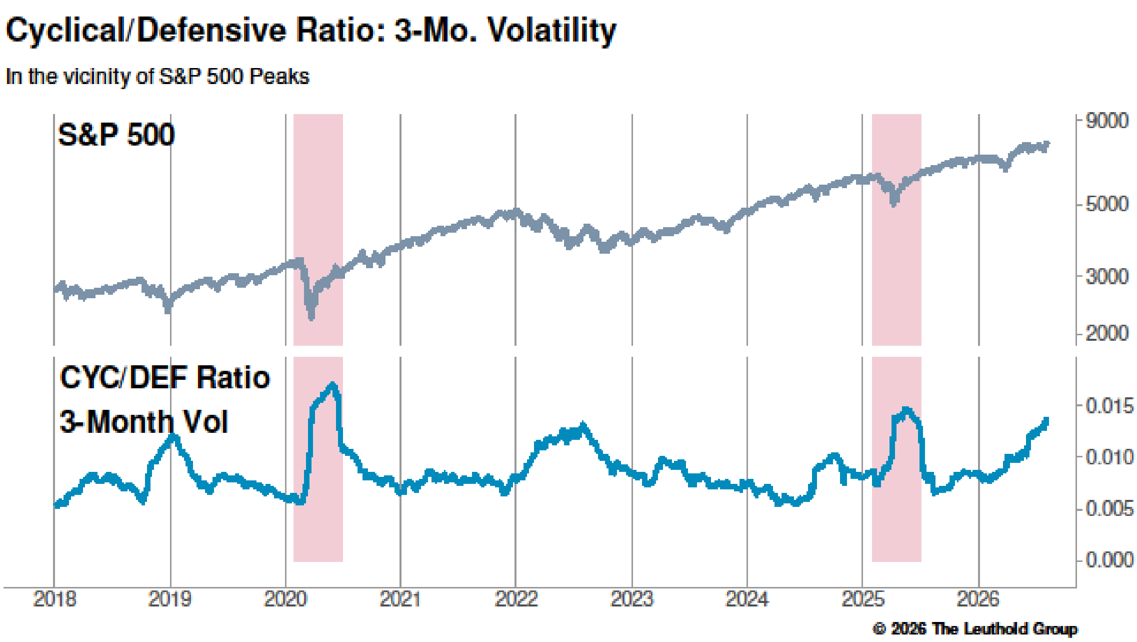


Chart 2



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.