MAJOR TREND INDEX

quant assessment of stock market health

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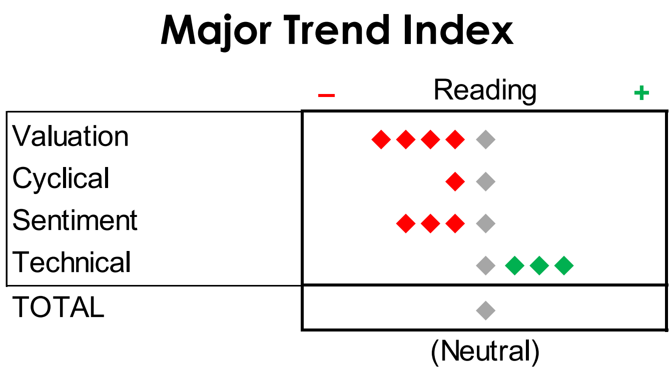
May 26, 2026
Data for week ending May 22, 2026



Breadth Improvement, Gaps Remain

As we coast into summer, our Major Trend Index remains out of gear. This fence-sitting Neutral posture probably won't change without improvement or deterioration, respectively, in the Cyclical and Technical work—the two largest-weighted categories. Net equity exposure in Leuthold tactical portfolios moved higher with the market, ending last week at 53%.

Despite a down week from NVDA, the S&P 500 finished last Friday with its eighth consecutive weekly gain, the longest such winning streak since the end of 2023. Large cap breadth—an area of concern during this recent run—was much improved: The average S&P 500 stock posted its best relative performance versus the cap-weighted measure since mid-February. Consequently, we saw some "improvement" in the beleaguered Technical subset's Equal Weighted relative strength ratio, which now sits a notch above "max negative."

Better weekly results in the non-Tech-dominated indexes didn't translate into many upgrades among the Trend subcategory's bifurcated scores. We would need several more weeks like the last one to narrow the chart score gaps between the current "haves" and the "have-nots."

We noticed small advances in Cyclical factors related to Fed liquidity. It's still too early to say if the Fed is actually injecting liquidity in earnest, but any offset to the recent tightening via higher yields is a positive development for this area of the market.

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.

Breadth Improvement, Gaps Remain

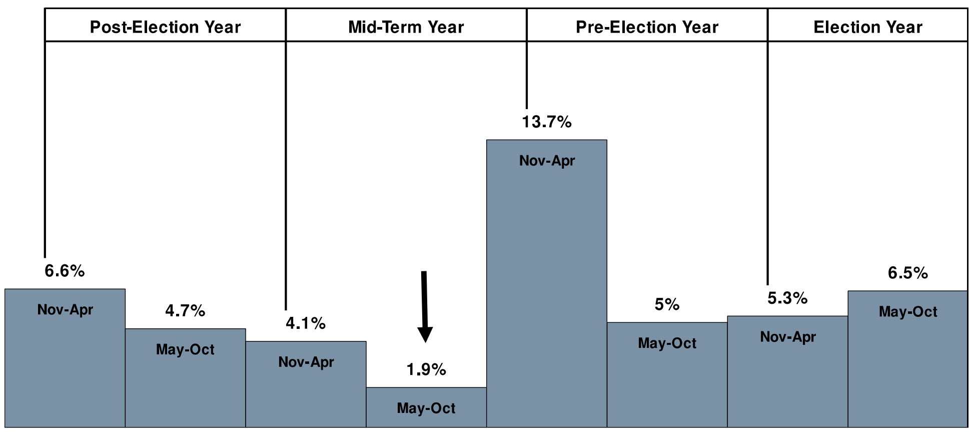
We haven't heard the "Sell in May" chatter like we usually do this time of year. Perhaps the recent run and the three-and-a-half-year-old bull have lulled the investing world into a state of risk ambivalence? Another possibility might be the belief that any market dip should be short-lived and *bought*. That strategy has been working well enough recently, so why not?

Whatever the case, this May is special. When we overlay the election cycle onto the calendar cycle, the upcoming May through October window has, on average, been the worst six-month span for S&P 500 performance over the past 100 years. There is good news, however. Following the May-October period with an average return pothole of +1.9%, the historically strongest return segment (+13.7%) of the election and calendar-cycle combo starts this November.

The election/calendar cycle overlap has been even more profound for small caps. Compared to the coming May-October timeframe, the average return for the six-month window beginning in November swings higher by more than +20%!

The Stock Market's Annual & Presidential Cycles Combined:

S&P 500 Average Total Returns, 1926 To Date



The Stock Market's Annual & Presidential Cycles Combined:

Ibbotson/Russell 2000 Average Total Returns, 1926 To Date