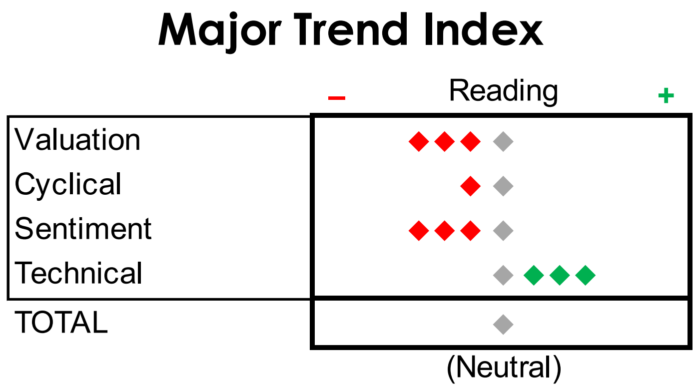
MAJOR TREND INDEX

quant assessment of stock market health

Prepared by Phil Segner

Report date: August 17, 2026
Data for the week ending August 14, 2026



Nit Picking Technicals

Market breadth improved in the second week of August as the Russell 2000, S&P 400, and Equal Weighted S&P 500 were top performers, each gaining 1%. All three indexes posted new all-time highs along with the S&P 500 (+36 bps), which registered its smallest weekly change in three months. More relatively quiet weeks may be on tap as we reach peak Hamptons season.

Last week's breath of breadth led to slight improvements in a handful of our Technical indicators. However, on the whole, the category is still short of an upgrade; the weakest areas in that space can't seem to gain any traction. The MTI composite score remains at Neutral and net equity exposure in Leuthold tactical accounts is a moderate 56%.

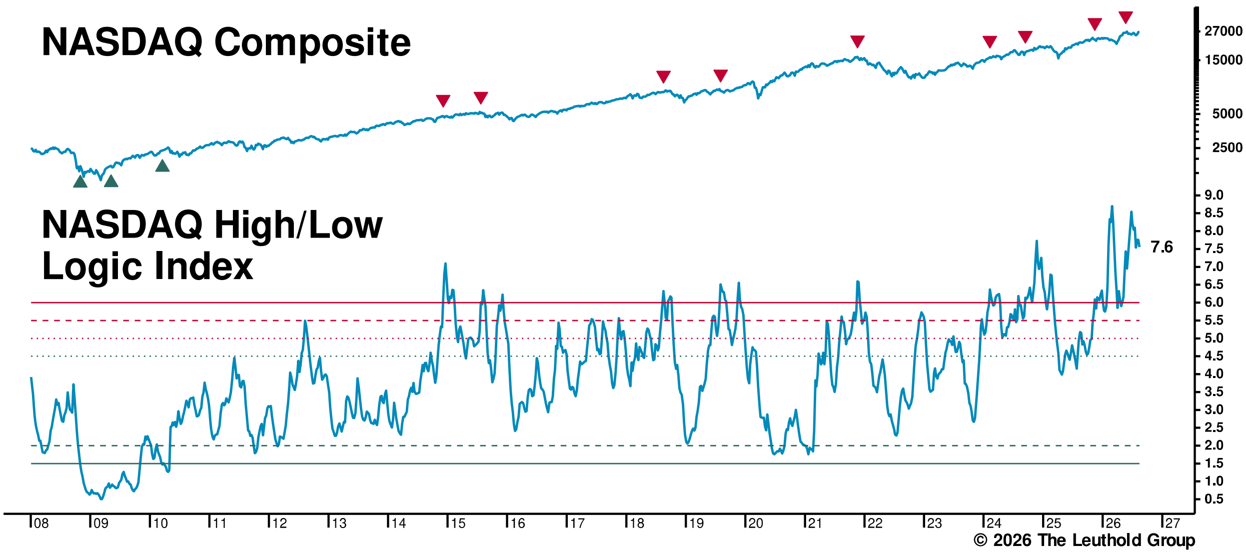
Inflation figures leaned cooler last week with the YOY Core CPI (+2.5%) returning to its five-year low seen in January and February. Our CPI and PPI line items felt some benefit from the recent data but continue to be a significant drag on the Cyclical work. Our updated inflation scorecard remains unconvinced that the nascent disinflation trend has the upper hand. The overall tally eased slightly but is still at a level consistent with elevated price pressures over the next few months. Demand-pull indicators far outweigh cost-push signals (despite double and triple weights given to commodities and oil), suggesting stronger growth *and* inflation in the near term.

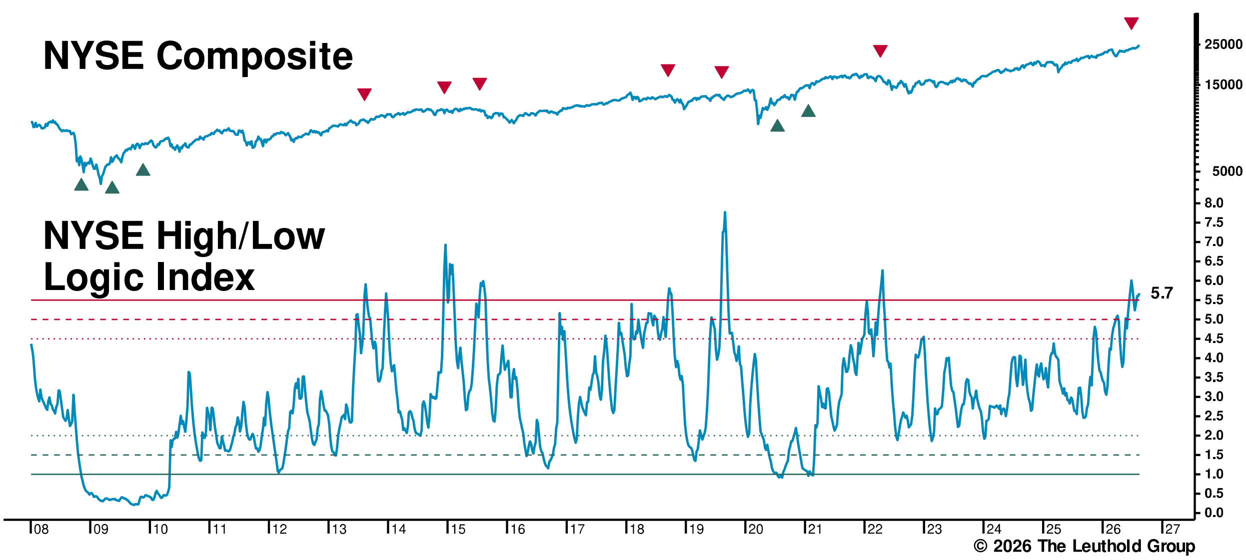
Cost-of-living measures continue to weigh on consumer confidence. Trends in both the Conference Board and University of Michigan surveys have been painting a deteriorating picture. However, our corresponding contrarian consumer sentiment line items are essentially neutral as the consumer psyche and stock market continue to diverge.

In last week's U of Mich report, only 8% of respondents believe their income growth will exceed inflation in the year ahead. Our combined experience has taught us that betting against the resilient U.S. consumer is rarely a winning proposition. Still, the fact that 9 out of 10 expect their purchasing power to erode in the next 12 months feels untenable for a healthy economy in the long term.

As many indexes chalk up new highs, the number of new 52-week highs *and* lows in the NYSE and Nasdaq remain elevated. This dispersion of returns is the biggest nit in our otherwise robust Technical work.

The 10-week High/Low Logic Index* (HLLI) for the Nasdaq Composite has spent most of 2026 in its bearish zone as the market has weighed and reweighed AI beneficiaries and losers. The same HLLI measure for the NYSE also swung back to a bearish stance last week. Over the past 20 years, this double confirmation has been rare (2022 was the last occurrence), making the signals harder to dismiss. Shorter-term versions of the HLLI (13- and 21-day) calculated from daily data are more noise-prone but tell the same story of an internally split market. A resolution to our HLLI situation may not be close at hand.





*High/Low Logic Index = Lesser of weekly 52-wk new highs or new lows as a percentage of issues traded.

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.