

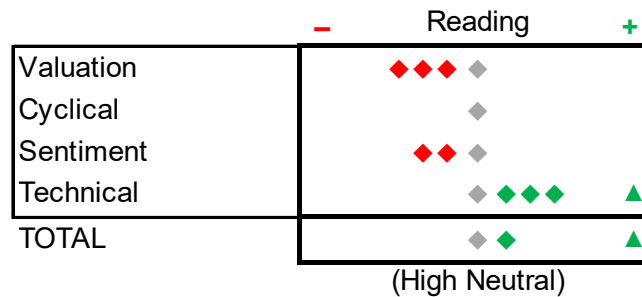
MAJOR TREND INDEX

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Major Trend Index



The market rally found another gear as the S&P 500, Nasdaq Composite, and Russell 2000 posted their best weekly gains of the recent rally, resulting in fresh all-time highs for all three. Four of our eight bellwether indexes “confirmed” Friday’s new high-water mark in the S&P 500. Not quite the screaming endorsement we saw in October and February, but certainly not an outright dismissal either.

As one would expect, trend scores followed the market higher again last week. Our “Stop and Reverse” model, where whipsaws come with the territory, flipped back to positive. Consequently, the Technical work moved to +3, a notch below where it stood at the end of February. The heavy weight we assign to the upgraded Technicals resulted in the overall MTI moving to High Neutral. Net equity exposure in the “safety-first” Leuthold tactical accounts ended Friday at 51%. The model and our guts are not ready to chase the market higher quite yet.

Market breadth continues to be a concern in the recent run, especially within large caps. On Wednesday, when the S&P 500 scored its first close above the 7,000 mark, only 12 stocks in the index made new 52-week highs. Since March 30th, the Cap Weighted S&P 500 has gained 12% compared to “only” an 8% advance in the Equal Weighted index—the widest disadvantage for rank-and-file stocks over a 13-session period since late 2024.

The surge in “P” has the Valuation category on the cusp of a downgrade. The duration and depth of the market downturn in Q1 pangs our hearts as fundamentalists. Fortunately, as we discuss below, a spike in forecasted “E” in many of our line items has somewhat dampened the multiple expansion.

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We're once again in the heart of earnings season. S&P 500 Q1 operating earnings are currently expected to grow around 13% year-over-year. Robust growth in large-cap EPS is not a new story, however. Over the last three-and-a-half-year bull market, forward operating earnings have advanced almost 50%. This has kept the MTI Cyclical category's line item for EPS estimate quite bullish during that time. Had we included the S&P 400 and S&P 600, which have grown 15% and 8%, respectively, for the same period, our assessment of the market's earnings growth would have looked much different. In the last year, the SMID indexes have picked up the pace, though, with some of the steepest estimated gains coming in just the last few weeks.

NTM EPS Estimates

from the beginning of the bull market

