

MAJOR TREND INDEX

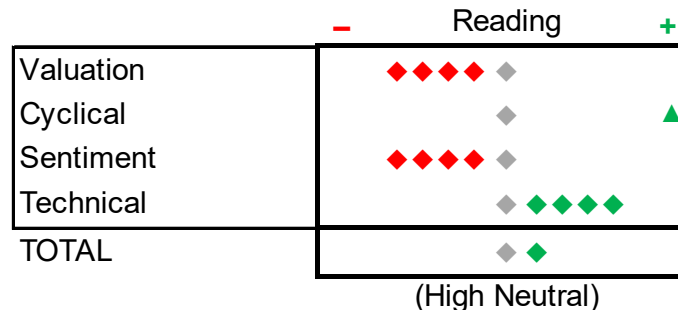
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Report Date: December 15, 2025

Data for Week Ending: December 12, 2025

Major Trend Index



The Major Trend Index continued on at a High Neutral stance for the week ended December 12th. Net equity exposure in Leuthold tactical strategies stands at a moderate 55%. Last week, I spent a few spare minutes locating and inventorying long lost silver coins at my house. I'm guessing I'm not the only one with a renewed interest in sock drawers and old shoe boxes.

On Wednesday, a data-light and divided Fed delivered the third cut of 2025. Their accompanying dot plot indicated a median expectation of a single quarter-point rate cut in each of the next two years—and the broad spread of projections underscored the degree of disagreement among policymakers. This “slow-and-steady” plan runs counter to the Trump administration and, presumably, the next Fed Chair. Gird yourself for more division in 2026. In addition to the cut, the Fed started monthly purchases of \$40 billion in Treasury bills. The combination of the two, along with a steeper yield curve, boosted a handful of liquidity indicators in our Cyclical work, elevating the overall category to a neutral posture. This is the first non-negative reading for that category since early 2022.

The market rallied on the heels of the Fed announcement, pushing the S&P 500 and five of our eight bellwether indexes to new all-time highs. Of the three laggards, the Dow Jones Utilities is the only one not within spitting distance of a new high. This cluster of confirmation—similar to the one before Halloween—is a boon to our Technical work and puts the market tremor of mid-November farther in the rearview mirror. If the current cycle is headed for anything resembling a typical topping formation, then the final bull market peak is still months away.

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Major Trend Index (continued)

Our two breadth measures among the bellwethers—the NYSE Daily Advance/Decline Line and Equal Weighted S&P 500—have been consistently confirming the highs in the S&P 500 during this recent run. That’s impressive given the top-heavy market leadership for most of 2025.

Last week, the S&P 500’s rank-and-file resumed their modest outperformance over the cap-weighted index. This reignited the short-term trend that bounced us off the November lows and put a spark of optimism in active managers’ hearts. Still, 2025 is destined to go into the books as another drubbing for the Equal Weighted S&P 500.

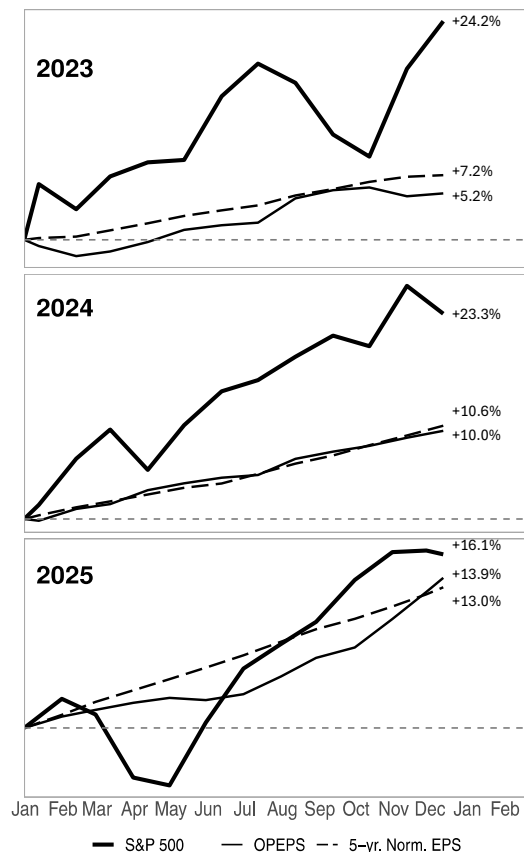
The S&P 500 Q3 earnings season has come to a close. By all measures it has been a roaring success. The index’s 22% YOY operating earnings growth for Q3 and the wide top- and bottom-line beat rates were the best since 2021. The tariff-related earnings cliff feared this spring has yet to materialize. This excellent 2025 growth has boosted both our Normalized EPS estimate (54 months back, six months forward) and our Non-Normalized Operating EPS estimate (six months back, six months forward). Advances in both series have almost matched the price gain of the index itself, distinguishing 2025 from the previous two “multiple expansion” years. This has led to S&P 500 valuations flatlining at or near all-time highs for the past four to five months. The cap-weighted subset in our Valuation work is still the ugliest area of the MTI, and a good reminder of the lofty potential risk in today’s market.

**Annual Spread Between
Equal & Cap-Wtd. S&P 500**

1990	-8.2	2009	19.8	← best year
1991	5.4	2010	7.0	
1992	8.2	2011	-1.9	
1993	5.4	2012	1.9	
1994	0.0	2013	4.0	
1995	-5.2	2014	1.0	
1996	-3.7	2015	-3.4	
1997	-4.3	2016	3.0	
1998	-16.3	2017	-2.7	← worst year
1999	-9.3	2018	-3.2	
2000	17.8	2019	-2.3	
2001	11.2	2020	-5.8	
2002	3.9	2021	0.6	
2003	12.3	2022	6.3	
2004	6.2	2023	-12.7	← 3rd worst
2005	3.4	2024	-12.4	← 2nd worst
2006	0.4	2025*	-6.0	
2007	-3.6			
2008	-2.5	Avg.	0.4	

*YTD through December 12th
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Historical Growth: S&P 500 vs EPS



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