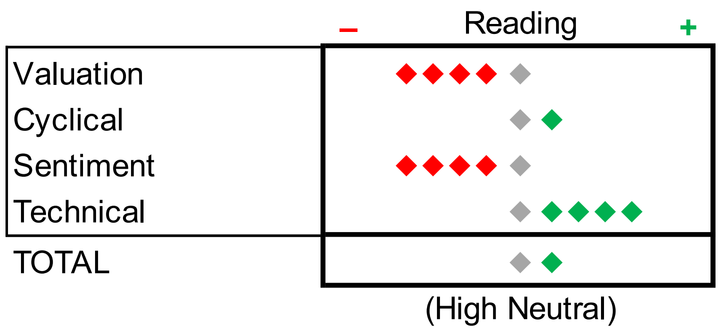
MAJOR TREND INDEX

By: Phil Segner, CFA

Report Date: February 17, 2026
Data for Week Ending: February 13, 2026

Major Trend Index



The Major Trend Index closed out the second week of February still stuck at High Neutral. Net equity exposure in Leuthold tactical accounts remained at 59%. Four months after its previous peak, the Dow Jones Utility Index set a fresh all-time high on Friday. Out of our eight bellwether indexes, only S&P Financials is more than a month removed from its all-time high. The S&P 500 closed the week down a little over 1% (and perfectly flat YTD); the Nasdaq was down 2%. Tame figures, given the pockets of turbulence we've witnessed.

In the last MTI note, we highlighted the relative weakness in software firms. The fear of AI disruption in that space has played out for several months. This past week, we witnessed as this disruption slammed new industry groups each day, with losses of 10-15%. Asset managers, insurance brokers, commercial real estate firms, and logistic companies all fell through the AI trap-door. Catalysts for each episode ranged from a tweet from Elon Musk to a whitepaper on AI's efficiencies in the freight industry. All of the instances seemed very reflexive, especially the whitepaper—which was published by a firm that, based on its most recent filings, generated 99% of its revenue via the sale of karaoke machines.

The major blemish within our Technical category resides in the 10-Week High/Low Logic (HLLI) figures for the Nasdaq—now showing a contemporary high (bearish) reading and rated max negative for the past three weeks. This study measures the lesser of the weekly new highs and lows as a percentage of issues traded, and we view it as an "anticipatory" breadth measure. Lofty HLLI levels, especially readings above the 6% "maximum bearish" threshold, indicate that 52-week new highs and new lows are both elevated at the same time, pointing to a market that is internally fractured and poised for re-rating. This warning light has flashed at important market highs in the past but, currently, there is minimal additional confirmation within our Technical work.

For example, the 10-week HLLI for the NYSE is still in its neutral range and has not shown a comparable degree of internal strife recently. Should the HLLI bearish cue spread from the Nasdaq to the NYSE in the next few weeks, we'd consider that a much stronger overall signal.

Last week's slightly cooler than expected CPI improved a handful of inflation line items. On balance, that subset is neither helping nor hurting the overall Cyclical category score. Our updated inflation scorecard sees continued disinflation in the near term.

On the whole, we see a market that is still holding up pretty well given the now dual (and somewhat paradoxical) concerns from AI. The knee-jerk fear of AI significantly disrupting any and all existing business models now joins the ever-present anxiety that Big Tech's enormous capital outlays will never be justified.