

A MARKET DIVIDED.



In today's report:

Hitting the ground running on Q4 — full speed ahead, laser-focused on the tape:

An extremely rare, historic signal has fired. Markets may be tipping their hand for what comes next. We'll discuss the implications, and what we're doing about it.

Highlighting the Seven Charts which most stand out on my screens, the Top Signals I'm watching, and my Medium-term Outlook. Many important catalysts are coming together here.

I made initial moves in the portfolio this week, and will be implementing more changes soon.

Markets may be tipping their hand — and the medium-term setup is beginning to clear up...

The asymmetry remains extremely compelling, in my view.

This Week's Market Context:

▸ SMH US	+3.96%	Semiconductors
▸ EWZ US	+3.72%	Brazil
▸ IGV US	+2.28%	Software
▸ XOP US	+1.89%	Oil/Gas E&P
▸ XLK US	+1.80%	Technology
▸ XLE US	+1.26%	Energy
▸ IYT US	+1.07%	Transports
▸ XLU US	+.81%	Utilities
▸ QQQ US	+.68%	Nasdaq 100
▸ ILF US	+.66%	Latam
▸ MDY US	+.57%	Mid-Cap 400
▸ QUAL US	+.40%	Quality
▸ IBIT US	+.34%	Bitcoin
▸ IJR US	+.17%	Small-Cap 600
▸ TAN US	-.02%	Solar
▸ MAGS US	-.07%	MAG7
▸ SPHQ US	-.07%	Quality
▸ IWM US	-.16%	Russell 2000
▸ SPY US	-.22%	S&P

In this report, we'll update our complete portfolio plan, including how we'll be navigating markets from here.

There's work to be done, and I think this could be a strong finish to 2026.

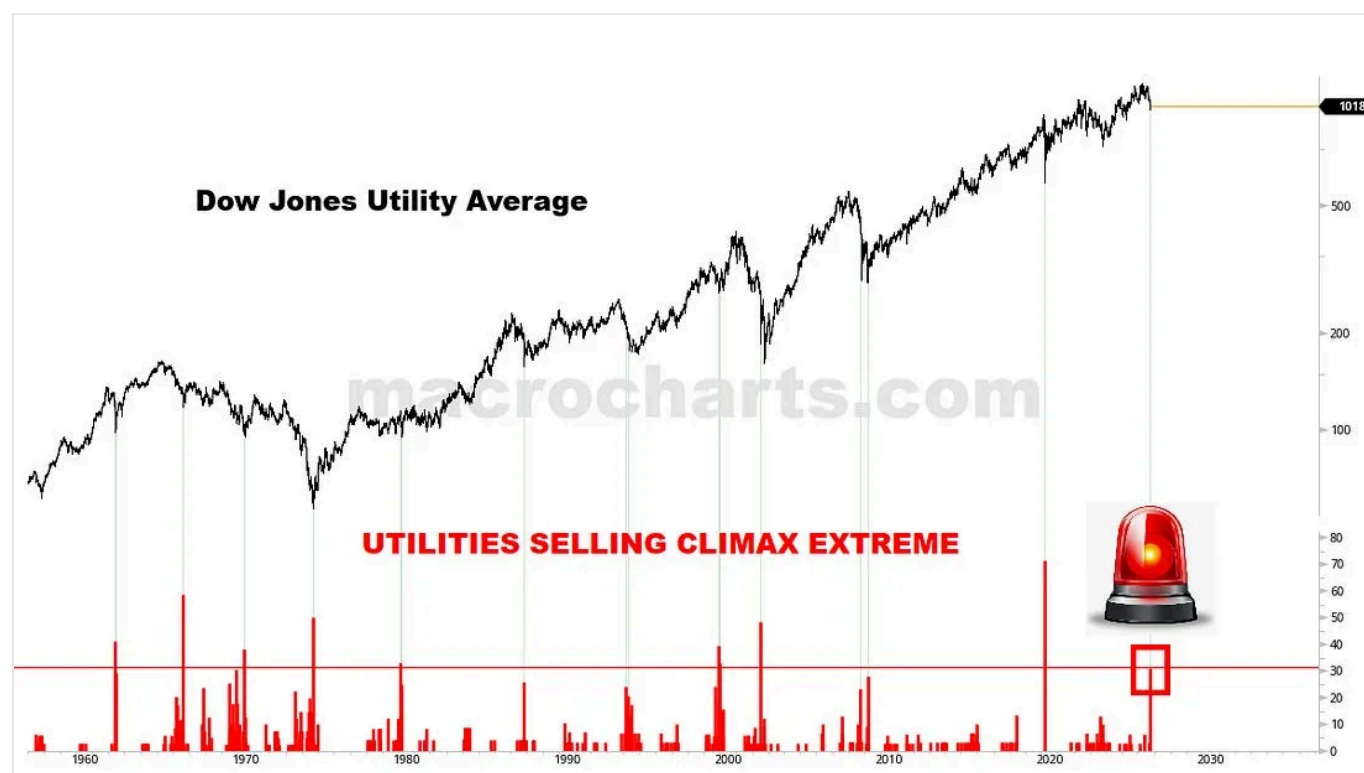
Have a great week ahead!

CHART 1: STOCKS

THE TOP STOCK CHART I'M WATCHING:

An extremely rare, historic signal has fired.

The Utilities sector registered a major selling climax this week. Selling climaxes are triggered when stocks make significant new lows and reverse higher. Over the last 70 years, these occurred in the proximity of major bottoms for Utilities stocks. Massive rallies followed:

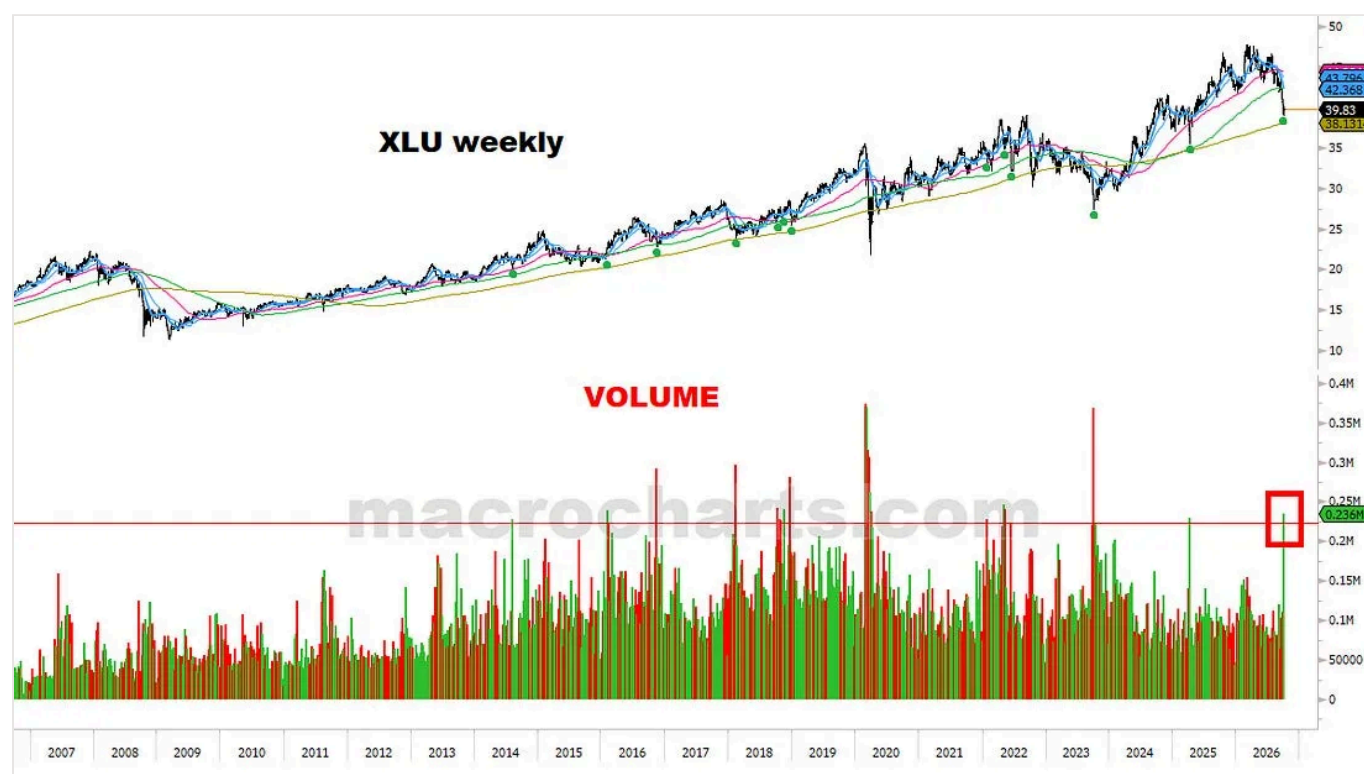


To call this a rare signal would be an understatement. Since 2008 there were only THREE of these. The last one was at the depths of the pandemic. Before that, near the 2002 Bear Market bottom. And the recurring 1999 analogy: this signal fired up the big late-cycle rotation rally (while Internet stocks peaked and rolled over).

If the Utes bottom, what does it mean?

One of my main goals for Q4 will be to focus on minimizing the margin of error, and look for new diversification options. Some diversification at the right price could lead to better outcomes. Utilities could be solid candidates for a balanced exposure.

Whether a rally in the Utes is Bullish or Bearish for the broader market doesn't ultimately matter — we'll continue to focus on the tape, take asymmetric risk-reward setups, and let the market give us the answer:



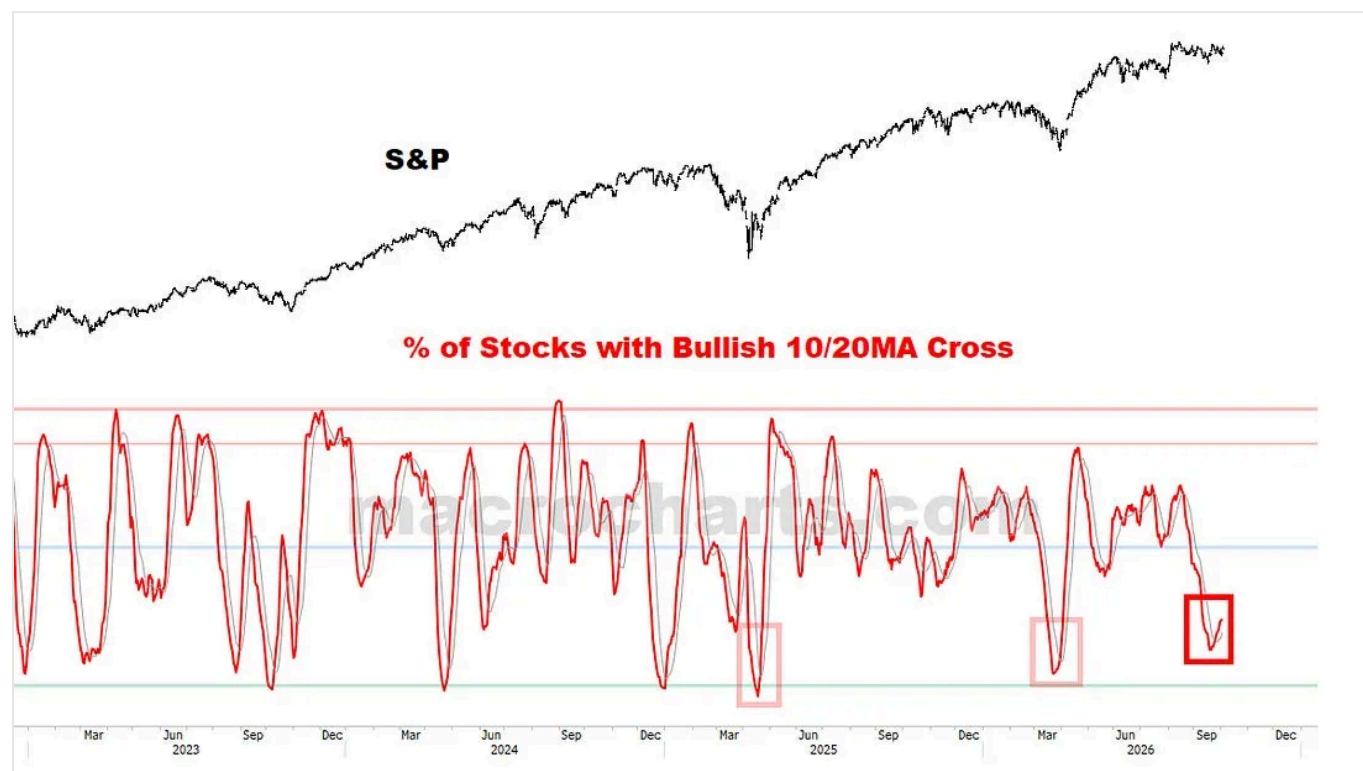
Maybe there's a V-shaped recovery, but more basing would be largely consistent with other historical bottoms. Either way, the structure for a rally is building: rates volatility is plunging, and positioning is light.

The potential for a multi-month rally, or a big mean-reversion rotation, could be fueled by several fundamental tailwinds building — particularly if rates stabilize (high probability).

Additionally: earnings season is coming soon, and U.S. earnings momentum is still strong. On top of this, buybacks will soon pick up sharply. All told, the medium-term setup is beginning to look quite constructive.

MARKET CONTEXT:

Buy signals are also accumulating. Breadth signals are ticking UP from oversold, matching prior tactical turns. Signals are IN MOTION:

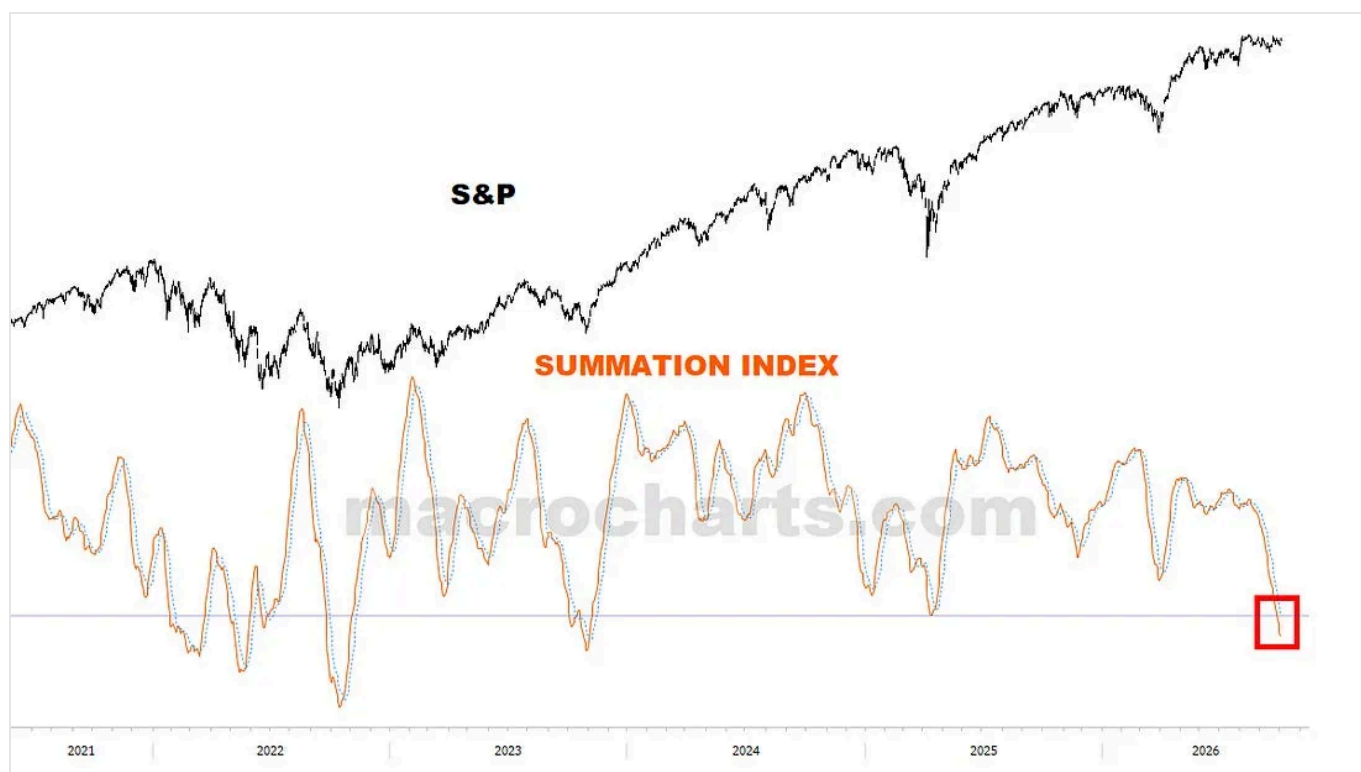


!As discussed last week, maybe the market is following the October 2023 sequence with a bit more chop, but we'll see. I remain constructive and focused on the medium-term upside potential.

Other Breadth indicators are ticking UP from bottoming range:



Summation Index is starting to flatten into a potential turn. We may not be out of the woods, but as I wrote last week (and this week added further confirmation) — staying constructive for now seems like the best course of action. A turn up here would strongly support a new equity rotation:



****Important to highlight what I wrote in recent reports — land this week's action reinforced even further:*****

✓ If there's residual downside, it most likely would not be sustained — signals are near Buy range, and Breadth may have bottomed.

✓ Despite the index chop, individual stock leadership remains strong.

****I want to be positioned with THE best exposure here — taking full advantage of a potential new rally phase \IF\ it builds momentum.****

To this goal, we added initial Longs in the Rotation Basket this week, and will be implementing more changes soon. Stay tuned.

CHART 2: VOLATILITY

THE TOP VOLATILITY CHART I'M WATCHING:

Rates volatility plunged Friday and formed a weekly reversal pattern:



If Bonds trade sideways over the next several months, volatility will collapse — alleviating pressure from Rate-sensitive and Cyclical stocks, and supporting a bullish rotation.

CHART 3: PRECIOUS METALS

THE TOP METALS CHART I'M WATCHING:

GDX has retraced 0.618 of the initial rally from the lows, and traded tightly all week. A golden cross has also triggered. If GDX can roll up here, it would be another leading signal for a stock rotation — watching closely:



MARKET CONTEXT:

Gold remains choppy but holding important support:



Silver is tightly coiled at key support:



Precious Metals remain choppy for now, but should benefit strongly if a rotation takes hold.

If Rate-sensitive and Cyclical stocks are near a turn, Materials stocks would also participate — and Precious Metals & Miners could be prime candidates for leadership.

CHART 4: DOLLAR

THE TOP DOLLAR CHART I'M WATCHING:

Dollar Positioning has snapped back to 90th percentile — *the Dollar is a very crowded trade again:*



MARKET CONTEXT:

EUR is at a big decision point — one way or another, it's not likely to stay here. While there's a fundamental driver for medium-term weakness, the recent drop looks like a mini-panic, raising the likelihood of a tactical bounce into year-end.

European equities are also oversold, particularly the CAC. The overall risk-reward doesn't favor pressing the downside here:

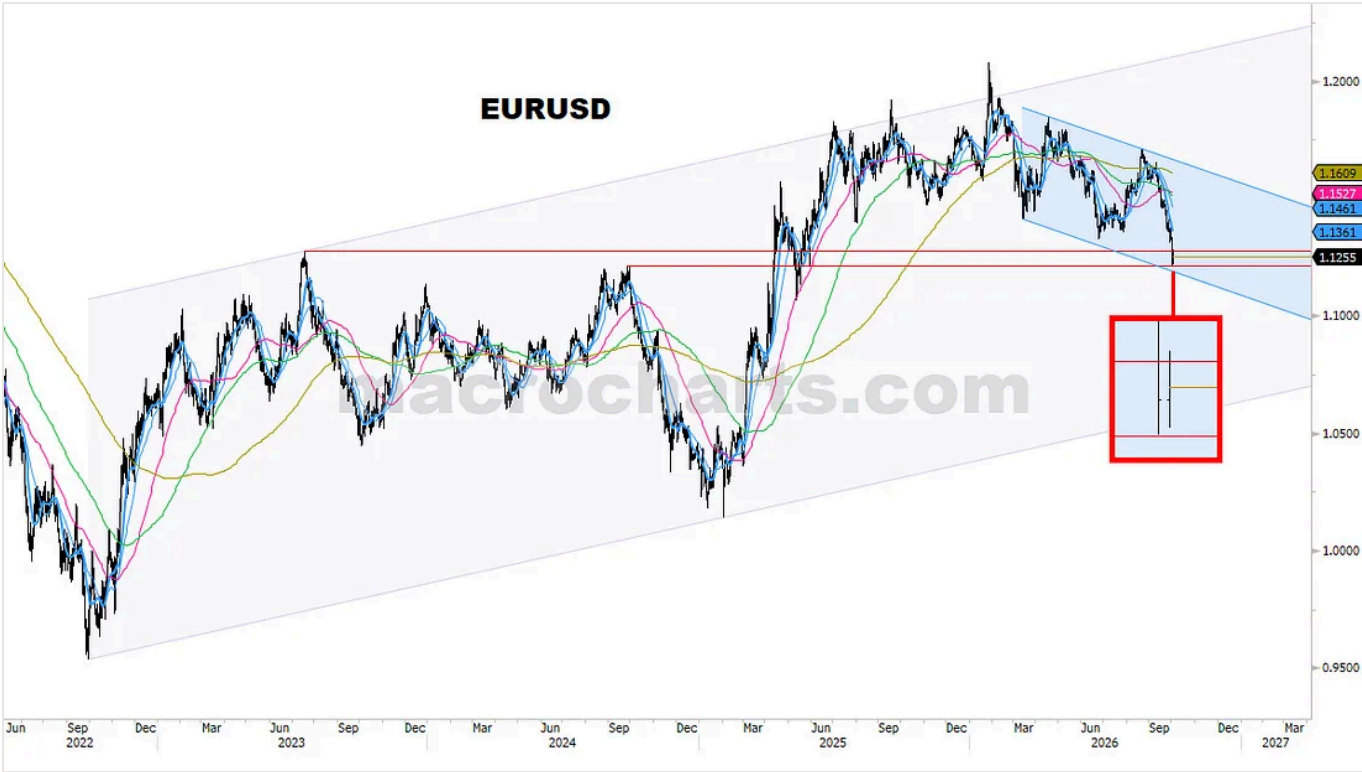
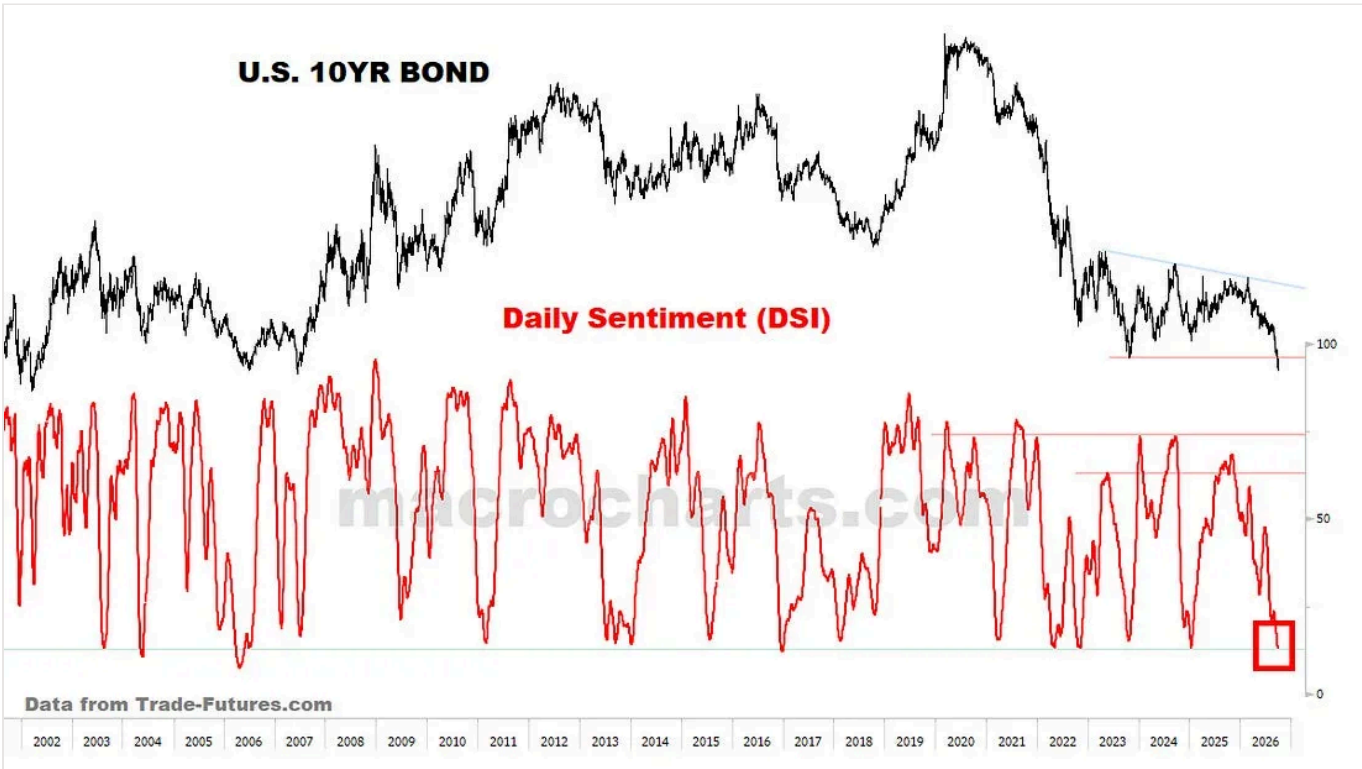


CHART 5: RATES

THE TOP RATES CHART I'M WATCHING:

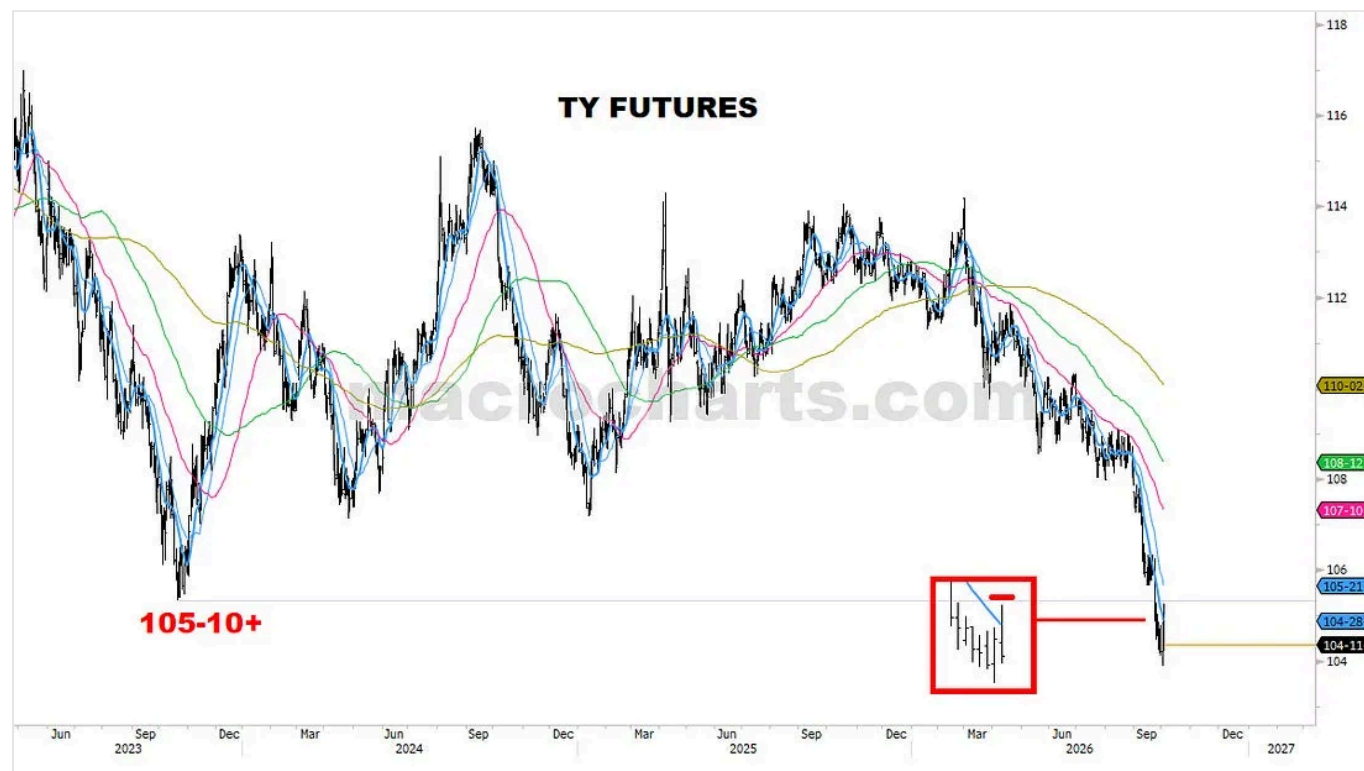
Bond Sentiment is at bottom 1.04 percentile. Monitoring for a turn UP:



On the Fed and investor expectations:

Markets may have overshot the terminal rate again (as they did multiple times post-2022). October rate-hike odds plunged from 70% to 22% this week, after the Fed Vice Chair signaled no urgency. The next day, non-farm payrolls and their revisions came in lower than expected, which also supports a pause.

The two most important lines in the world:



The first bullish reversal attempt didn't stick, which is normal behavior for an oversold asset.

This is the moment to watch for a second bullish reversal attempt...

They usually don't look back.

CHART 6: OIL & ENERGY

THE TOP ENERGY CHART I'M WATCHING:

XLE and XOP bounces are progressing — watching for a secondary top / will update throughout the week:





CHART 7: BITCOIN

THE TOP BTC CHART I'M WATCHING:



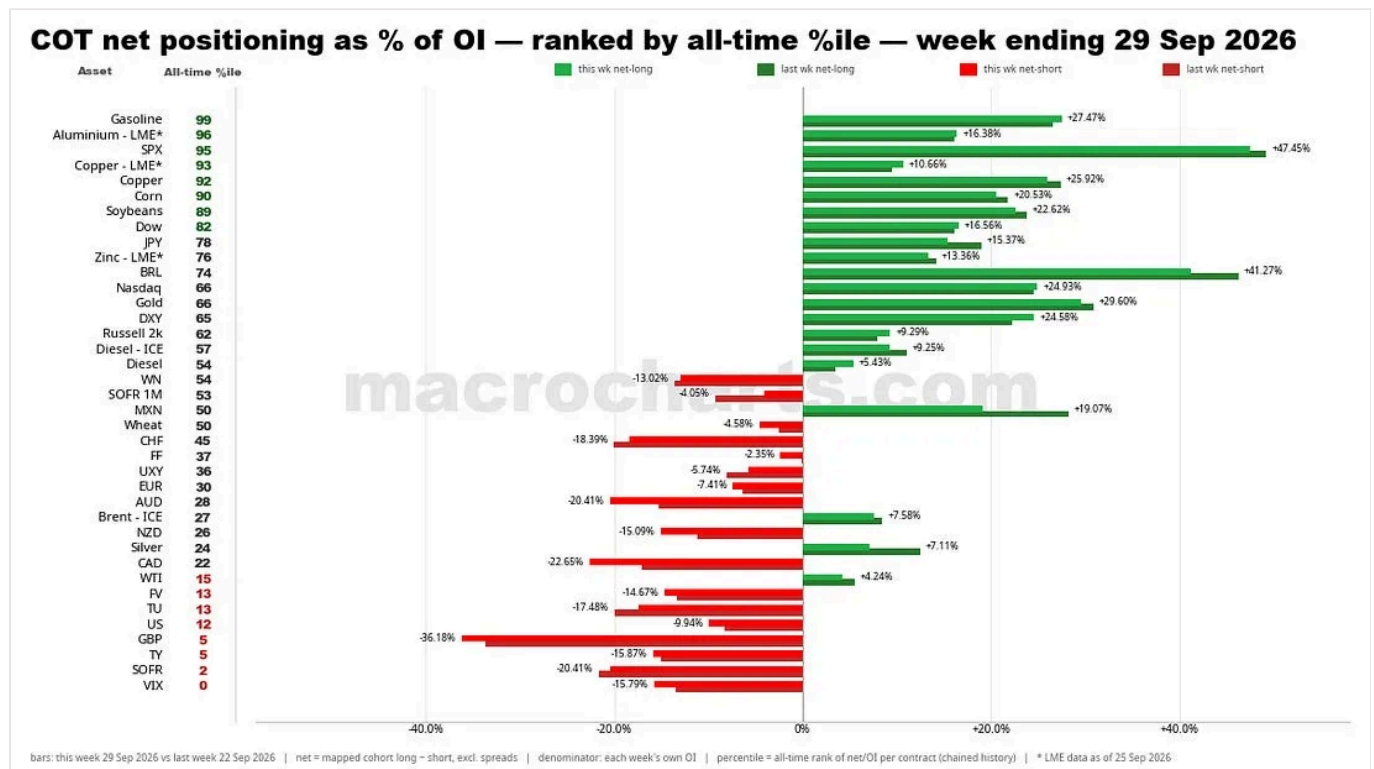
BTC continues to stall near the breakout and remains an area of strong interest — watching for a pullback. The 50d is now at \$79k, and the 200d at \$71k. At this stage, if BTC were to retest anywhere in the \$73-76k range, following the 2023 analog it could be the best (and last) opportunity to get aboard a new Bull Market.

Will be updating this setup with priority.

FLows & Positioning

Positioning extremes:

- VIX positioning is *record short*.
- Rates positioning remains *extremely low, particularly SOFR and TY*.
- Gasoline, Industrial Metals, and Grains remain *extremely crowded*. Gasoline positioning is nearly at a new record long.
- U.S. Dollar aggregate positioning rose to *90th percentile this week and is very crowded again*.



COT Positioning Percentiles

week ending 29 Sep 2026 · vs 22 Sep 2026 · one cohort per asset

Asset	Cohort	All-time	net / OI %ile 5y	1y	All-time	nominal %ile 5y	1y
EQUITY INDICES							
SPX	AM	95	83	50	58	60	13
Nasdaq	AM	66	65	56	63	62	25
Dow	AM	82	89	92	76	88	96
Russell 2k	AM	62	72	83	58	69	83
VOLATILITY							
VIX	AM	0	0	0	0	0	0
RATES							
TU	LS	13	79	100	10	68	100
FV	LS	13	75	98	9	66	98
TY	LS	5	27	25	1	10	15
UXY	LS	36	65	63	22	47	60
US	LS	12	17	12	2	7	13
WN	LS	54	77	35	15	42	13
SOFR	LS	2	4	19	3	5	25
SOFR 1M	LS	53	63	94	37	52	94
FF	LS	37	64	67	21	61	65
METALS							
Gold	MM	66	72	67	58	61	62
Silver	MM	24	27	13	20	23	6
Copper	MM	92	93	65	95	98	92
LME METALS							
Copper - LME*	IF	93	88	67	90	83	60
Zinc - LME*	IF	76	77	73	87	86	87
Aluminium - LME*	IF	96	93	63	92	87	40
ENERGY							
WTI	MM	15	20	63	20	19	58
Gasoline	MM	99	100	100	96	99	94
Diesel	MM	54	51	56	48	42	50
Brent - ICE	MM	27	39	46	49	53	42
Diesel - ICE	MM	57	60	75	62	61	46
GRAINS							
Soybeans	MM	89	95	88	100	99	96
Corn	MM	90	88	92	99	98	92
Wheat	MM	50	79	62	47	76	62
FX							
DXY	LS	65	46	79	70	48	75
EUR	LS	30	6	4	16	3	2
JPY	LS	78	83	87	96	84	90
GBP	LS	5	0	0	1	1	6
CHF	LS	45	78	94	14	40	96
AUD	LS	28	72	21	7	33	15
CAD	LS	22	52	60	5	32	50
NZD	LS	26	49	92	12	33	90
MXN	LS	50	37	0	71	45	0
BRL	LS	74	59	44	98	94	77
Total USD FX Value					90	87	75

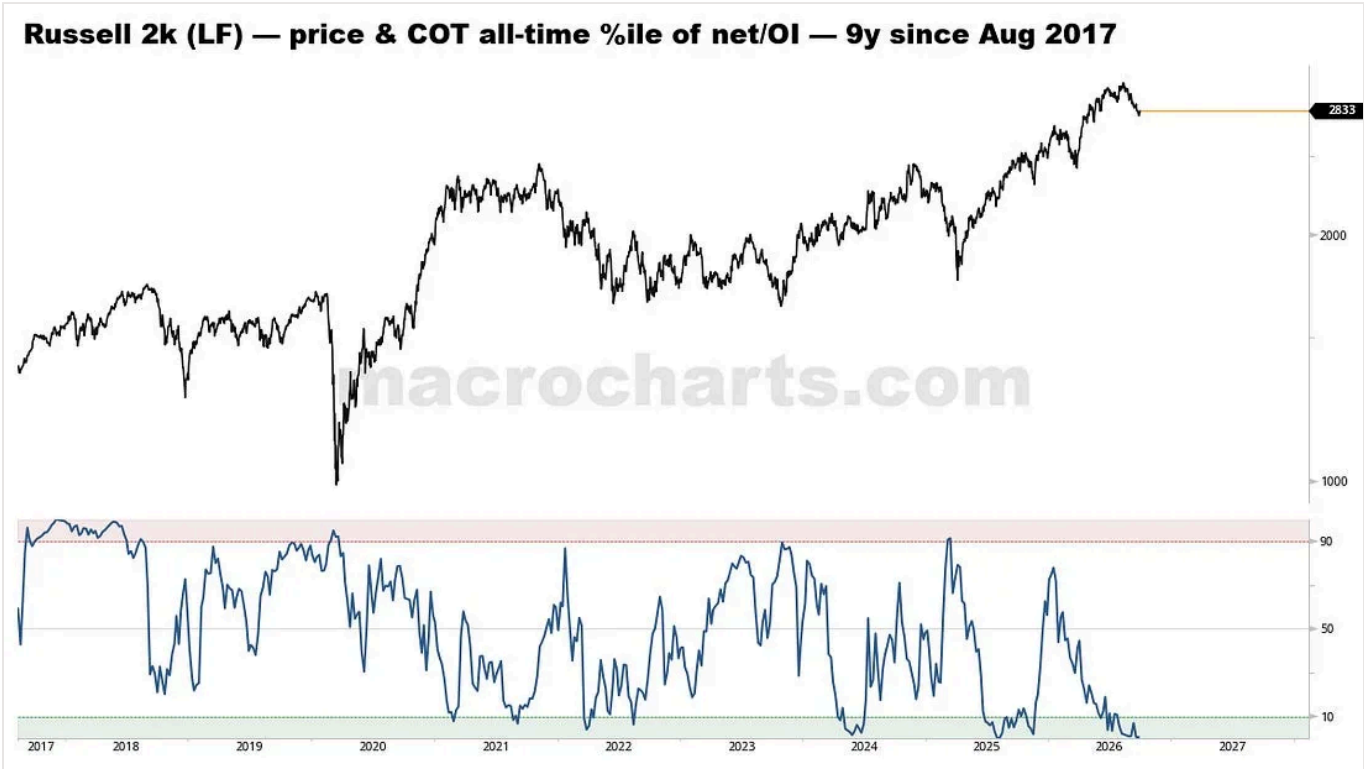
bottom 10% - net-short extreme

top 10% - net-long extreme

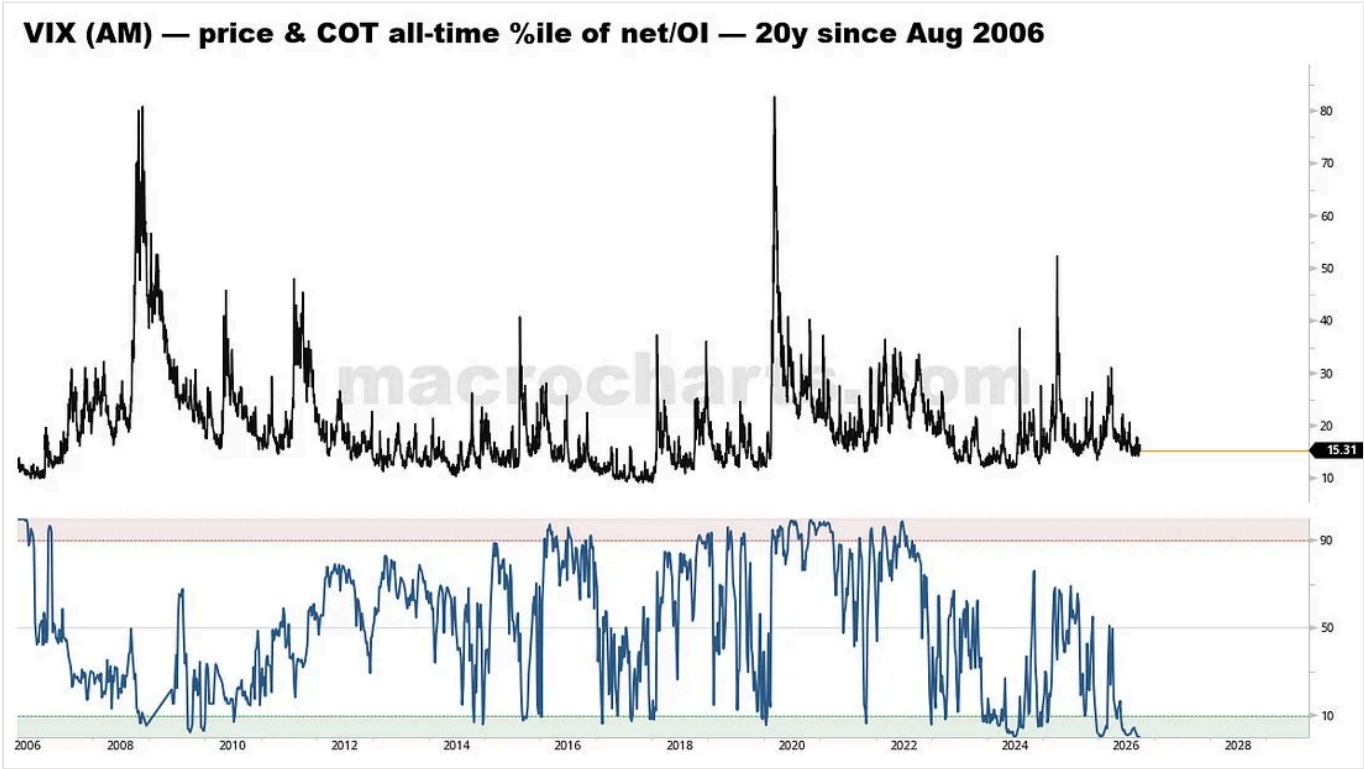
Percentile of the mapped cohort's net positioning within each window - net/OI normalises for OI growth - nominal ranks raw net contracts (all-time nominal runs high — OI growth) - * LME data as of 25 Sep 2026

POSITIONING HIGHLIGHTS

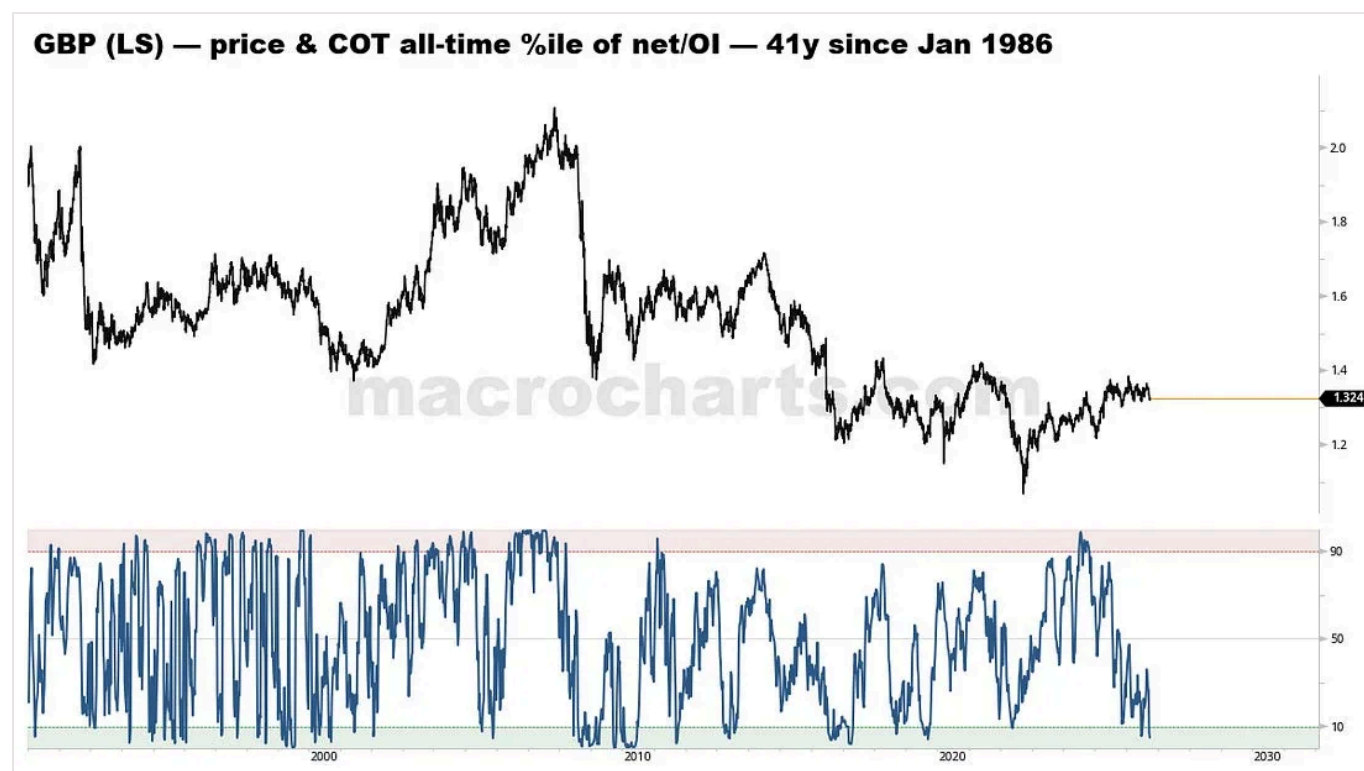
Russell fund positioning remains extremely short:



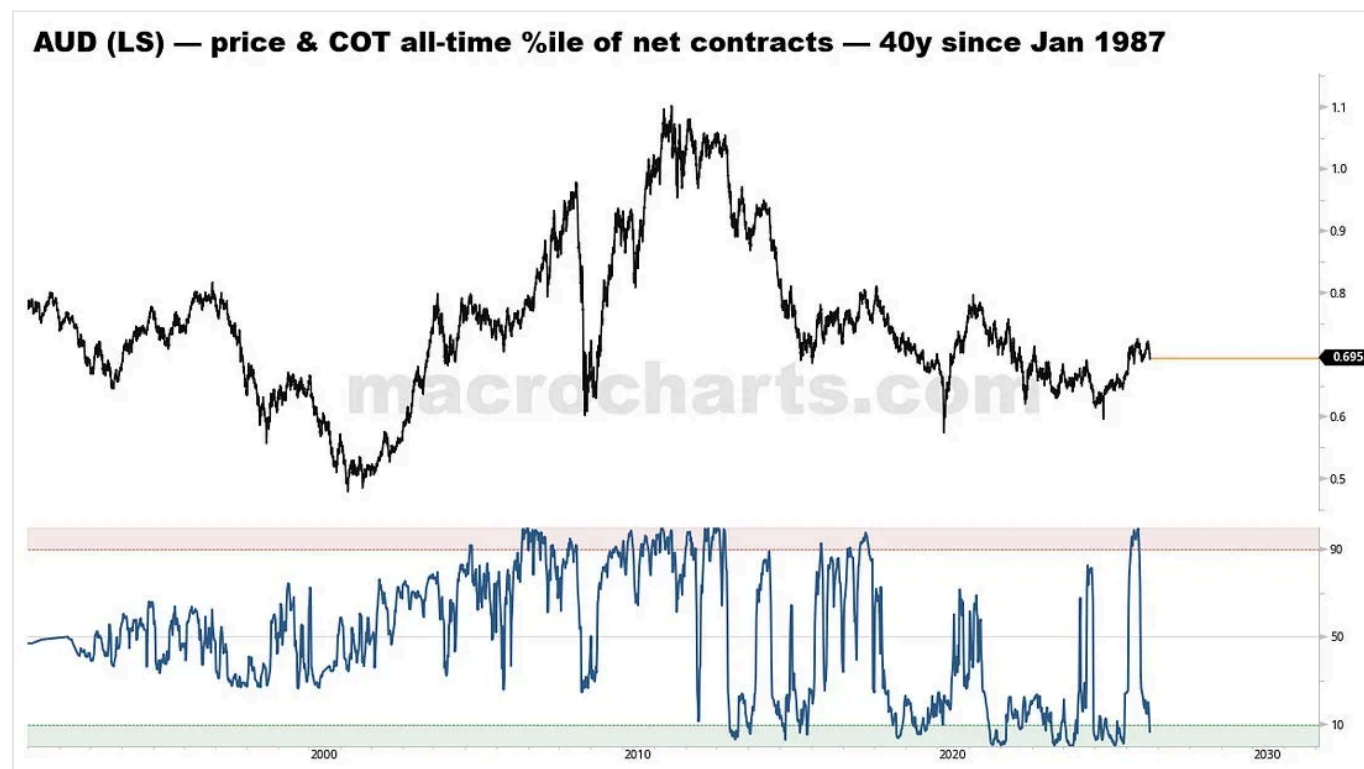
VIX positioning is record short!!!



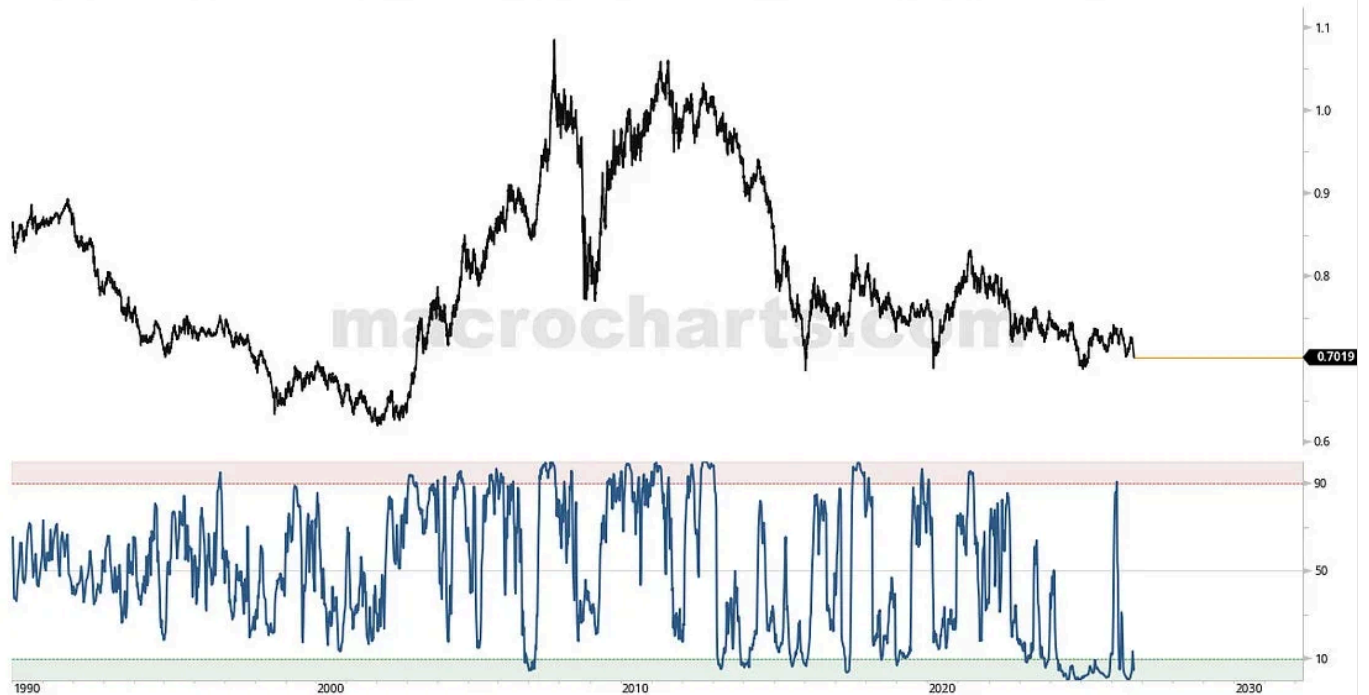
GBP positioning has plunged to 5 percentile:



AUD and CAD are both heavily shorted:

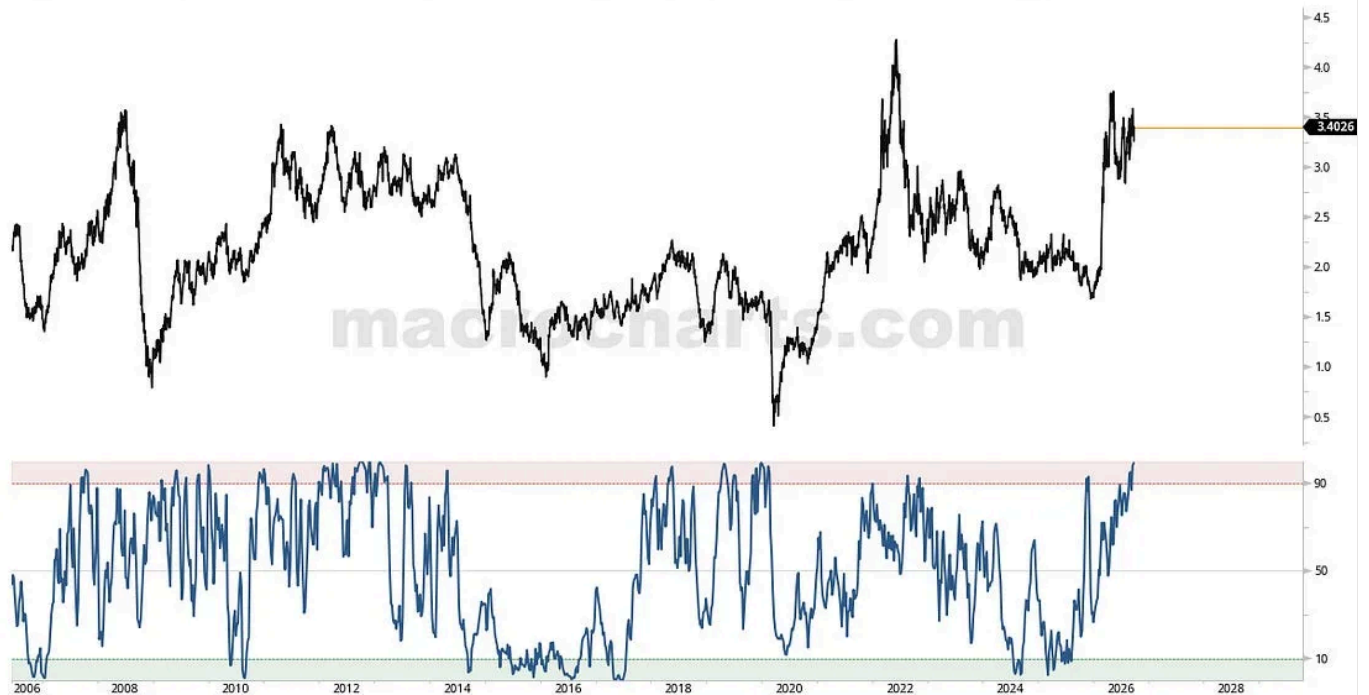


CAD (LS) — price & COT all-time %ile of net contracts — 41y since Jan 1986



Gasoline positioning is at 99 percentile — aligned with major historical tops:

Gasoline (MM) — price & COT all-time %ile of net/OI — 20y since Jun 2006



PORTFOLIO HOLDINGS

The Portfolio Holdings page has been updated [here](#).

- ✓ Staying disciplined and focusing on the BEST risk-reward setups.
- ✓ No forced trades — let the market come to us.
- ✓ I want to take full advantage of a potential new rally/rotation if it builds momentum.
- ✓ I made initial moves this week, and will be looking to Add more exposure to the Rotation Basket and Brazil.

CHART HIGHLIGHTS & TOP SCANS

Initiated Long XLU / IWM this week:





Remember this week's selling in Utilities registered an extremely rare, historic bottoming signal.

Maybe there's a V-shaped recovery, but more basing would be largely consistent with other historical bottoms. Either way, the structure for a rally is building — and the medium-term setup is beginning to look quite constructive.

Lastly, looking at Brazil with strong interest for this week. Looks like a launch is underway, and there may not be a pullback — but let's see how voting goes this weekend, and more importantly the market's reaction:



FINAL THOUGHTS

One of my main goals for Q4 will be to focus on minimizing the margin of error, and look for new diversification options.

Some diversification at the right price could lead to better outcomes.

On schedule, Buy signals are accumulating:

✓ Watching closely for a momentum shift in stocks. Utilities are signaling the potential for a major bottom. The structure for a rally is building — and the medium-term setup is beginning to look quite constructive.

✓ A rotation could bring new setups to the table, while “cash on the sidelines” has risen sharply (a contrarian bullish signal).

✓ Initiated new Longs this week, looking to build more exposure.

✓ Rates and the Dollar may be near a major inflection point.

✓ Precious Metals remain choppy but should benefit strongly if a rotation takes hold.

✓ BTC remains an area of strong interest — watching for a pullback.

The asymmetry remains extremely compelling here, in my view.

There's work to be done, and I think this could be a strong finish to 2026.

As always: laser-focused on the tape this week — one day at a time.

Thanks for reading.

Onwards and upwards, -MC

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