

Market Update & Signals 9/30/26

Good morning.

Closing the books on September:

Patience and discipline served us well, and more importantly... kept us out of trouble.

October is coming — getting ready for the final lap of 2026:

- ✓ Multiple catalysts incoming over the next few days.
- ✓ One of the best setups of the year for contrarian-minded investors.
- ✓ Watching key signals for a shift in market conditions.

I want to be ready as each signal fires.

Remember:

The reaction is more important than the news.

Watch the reaction...

Looking through the tape:

1\ Stocks.

Catalysts on watch:

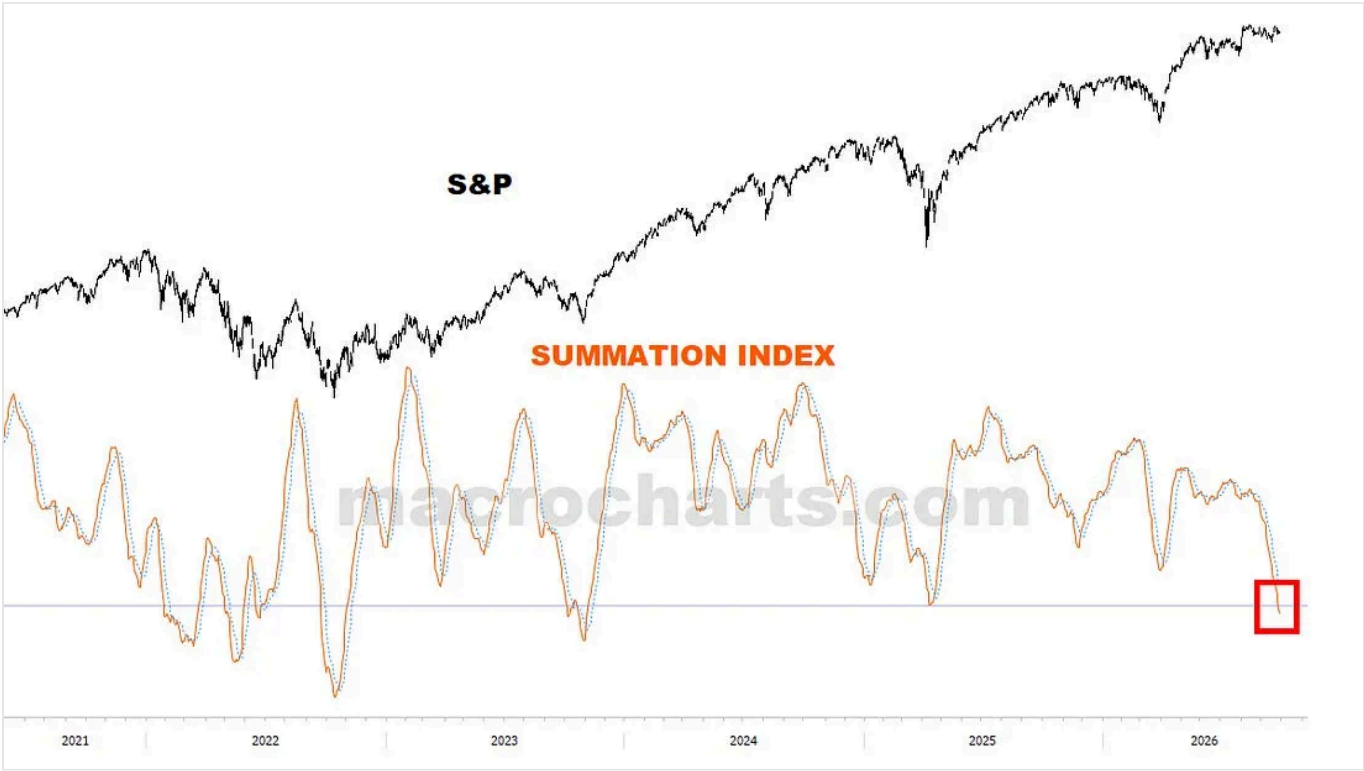
- ✓ Today: MU reports after the close, and could set the tone for an extension in Tech / Semis. Will be watching today's

reaction and more importantly, any follow-through in tomorrow's session.

✔ Earnings season is starting soon, and could help fuel a move higher higher in SPY / QQQ.

Monitoring critical breadth signals for an important bottom:

Example:



Watching oversold groups closely:







A light at the end of the tunnel?

Utilities were the strongest sector yesterday, gaining 1.2%:



Note the clean reaction at support highlighted in [yesterday's post](#).

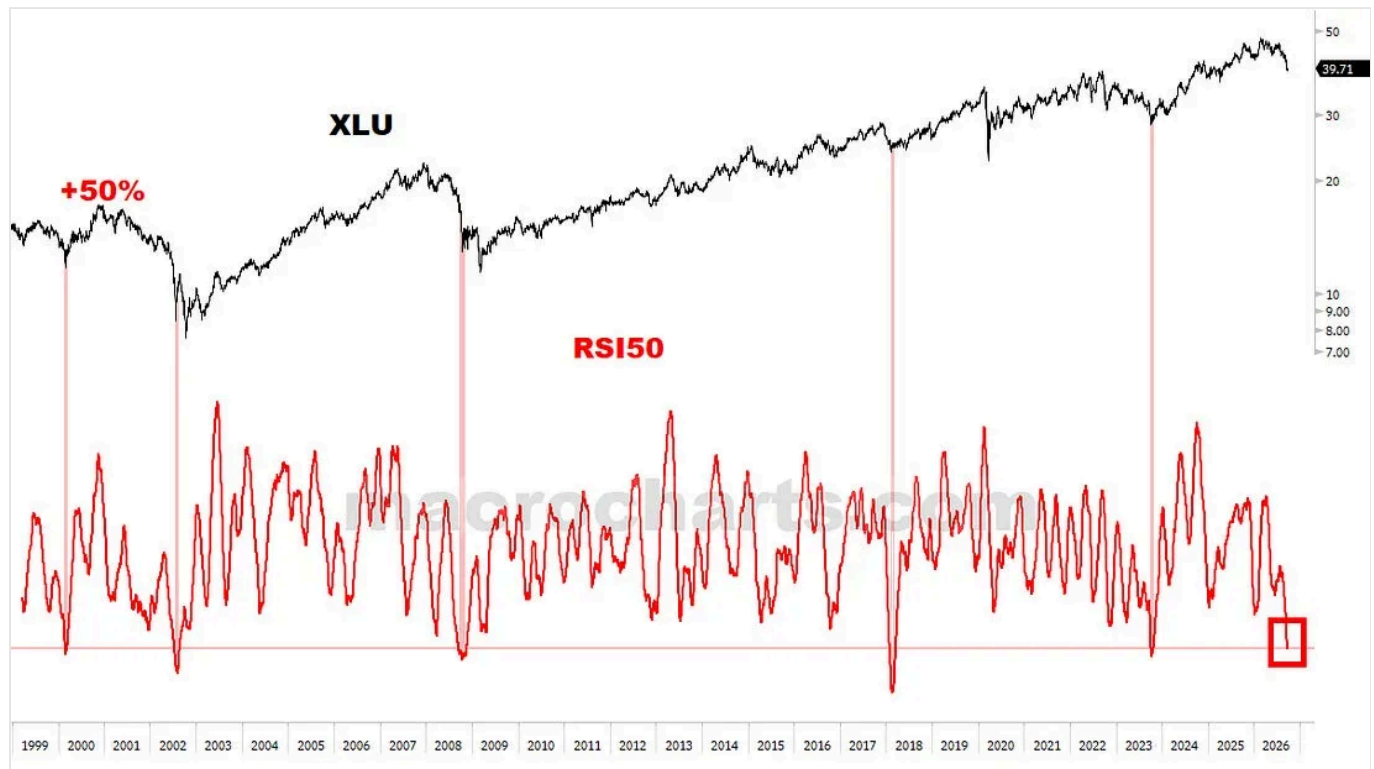
⚠ XLU also posted the biggest up-volume spike since the 2025 bottom:



Is the bottom in?

It's a strong possibility...

Watching for confirmation:



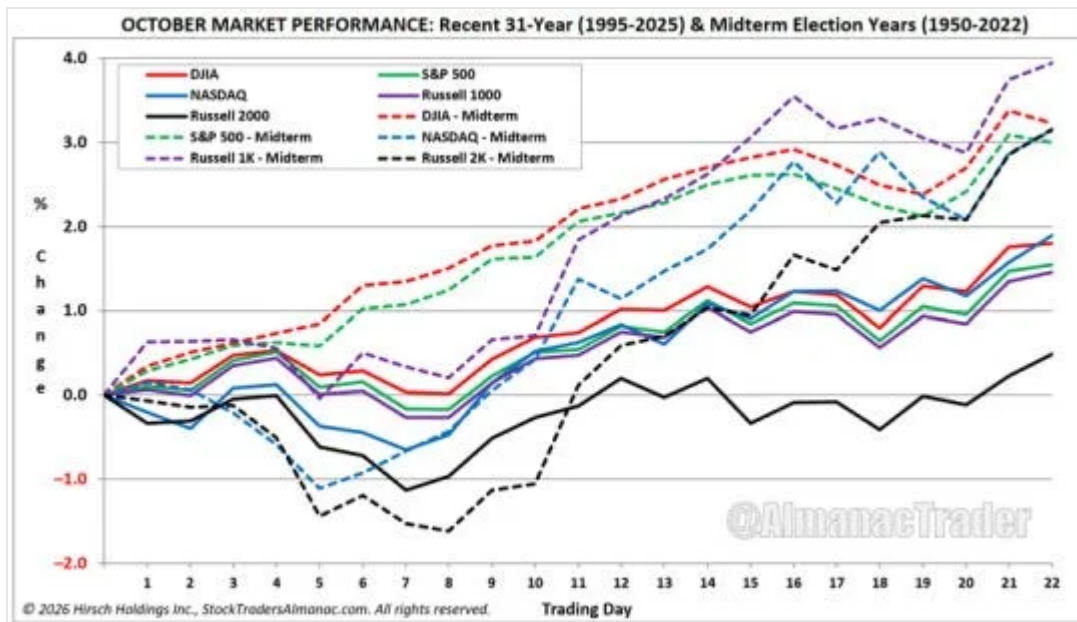
I added a Rotation Basket to the Portfolio Holdings page, looking to shift exposure over the course of October.

Will be watching XLU and Bonds closely...

2\ Seasonality.

From the excellent Stock Trader's Almanac ([link](#)):

- October has a reputation for volatility, but historical market data paints a constructive picture, particularly during midterm election years. The chart compares October's cumulative, average performance over the most recent 31 years (1995–2025) with the historical pattern during midterm years (1950–2022).
- Over the recent 31-year period, the major indexes have generally built gains as October progresses, with the strongest advance typically occurring during the second half of the month. Large caps have historically shown particularly strong performance, while Russell 2000 has lagged.
- The midterm-year pattern is notably stronger. After some early volatility and weakness, all five indexes have historically accelerated higher, usually beginning around the fifth to eighth trading days. By the final trading days, the midterm-year pattern shows gains exceeding 3% for DJIA, S&P 500, NASDAQ and Russell 2000, and nearly 4% by Russell 1000.



3\ Themes on Watch.

Crowded Short Trade in Treasury Futures Boosts Risk of a Squeeze (BBG)

- Traders are ramping up bets that Treasury yields will keep climbing from their current roughly two-decade highs, raising the risk of an abrupt unwind of those positions on any sign of a marked economic cooling.
- Open interest has surged in both 5- and 10-year contracts, with traders adding positions in 11 of the past 12 sessions in the 5-year and 13 of the past 14 in the 10-year.
- The bearish crowd's growth has opened the door to a potential short squeeze in Treasury futures in the wake of any surprisingly weak economic data or dovish comments from Fed officials.

MC NOTES:

I've highlighted this positioning before, and it's interesting how the news is finally picking up on it — this article was one of the most-read on the terminal this morning. Eyebrows are being raised across the world...

Fed's Williams Sees One More Interest Rate Hike in Late 2026 (BBG)

- Federal Reserve Bank of New York President John Williams said one more interest-rate hike "late this year" may be appropriate to help contain inflation.
- Williams said there was no urgency to act following the central bank's decision to lift rates earlier this month, and that the action gave the central bank time to gather more data.
- The probability of a rate increase at the Fed's Oct meeting dropped to about 50% from 70% following Williams' speech, with analysts saying he has pushed back against a back-to-back Fed rate hike in October.

MC NOTES:

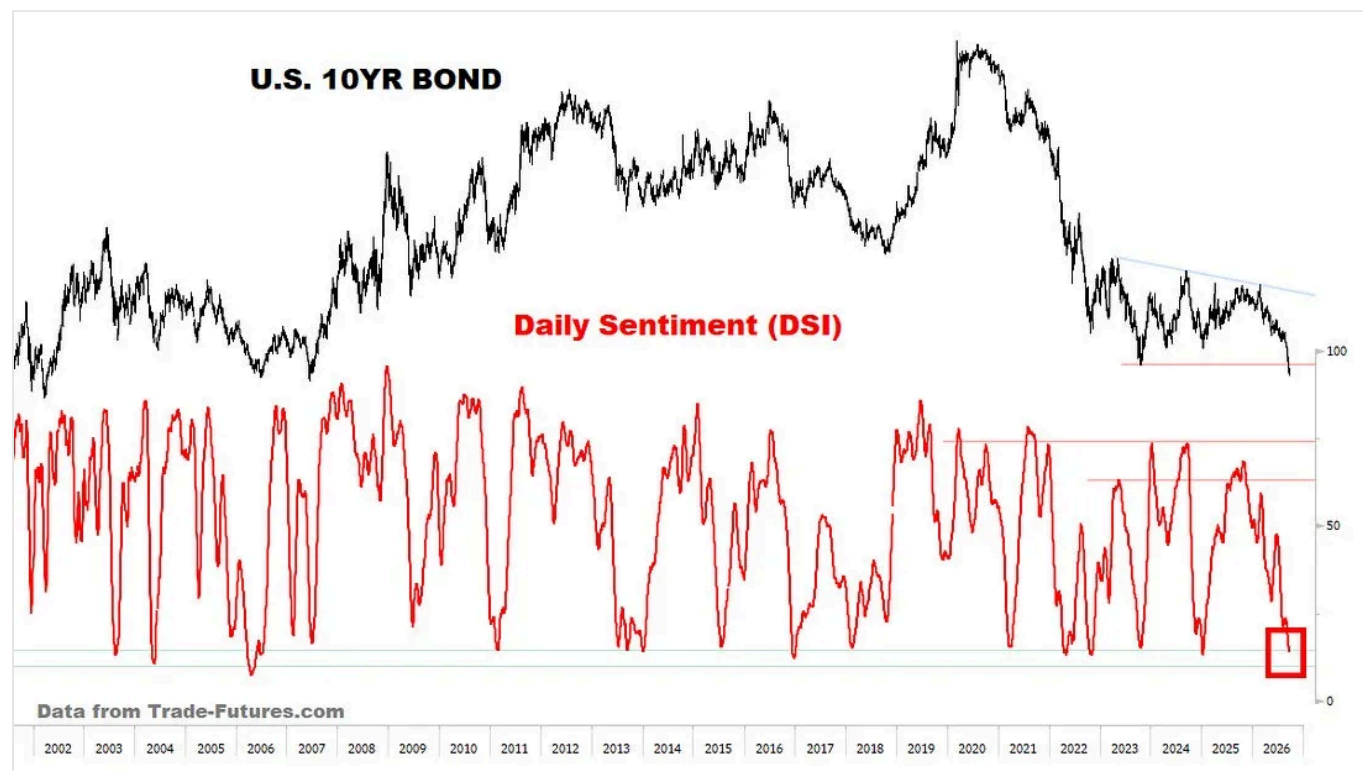
October hike probability has now dropped to ~45% (coin toss), vs. ~70% yesterday morning. December remains >80%.

A lot of economic data on deck:

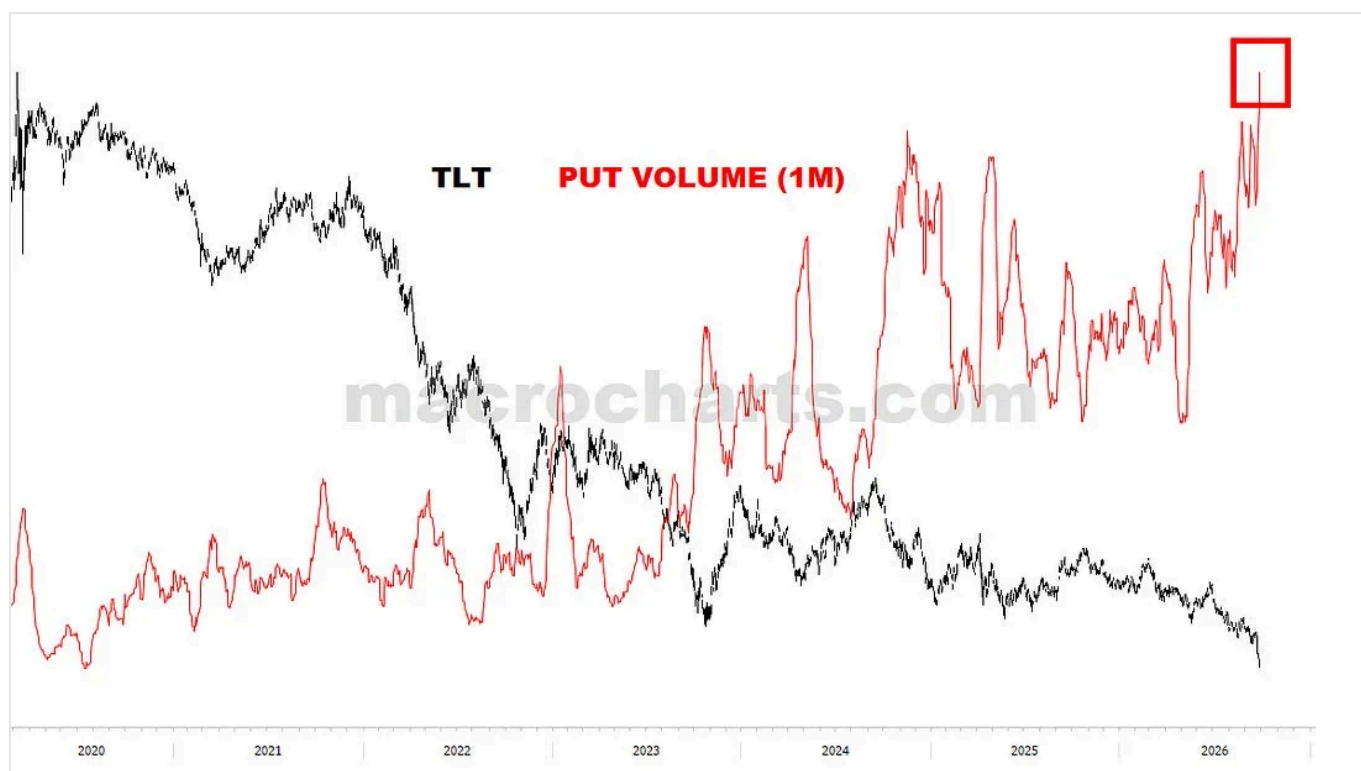
Today is PCE (very important) and GDP.

Tomorrow ISM, and Friday NFP.

Bond sentiment is at 1.7 percentile — on pace to sub-1 by Friday:



TLT Put Volume is spiking to a new record — setting up for big losses even if Bonds go sideways from here:



Any slightly cooler or even in-line data could trigger a Bond rally.

Or maybe...

Data comes in slightly hot, and Bonds reverse higher anyway?

The reaction is more important than the news.

Watch the reaction...

Have a nice day ahead,

I-MC

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