

THE HARD TRADE.



“If you can keep your head while everyone is losing theirs, you haven’t read the news.”

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...

In today’s report:

Rates and energy are blowing out, headwinds are everywhere, and the stock market is hanging by a thread.

Something has to break.

Highlighting the Seven Charts which most stand out on my screens, the Top Signals I’m watching, how I’m thinking about Risk/Reward here, and how I’ll be approaching Q4 — Midterms and year-end are a blink away.

This Week’s Market Context:

▸ SMH US	+5.86%	Semiconductors
▸ XLK US	+3.52%	Technology
▸ IBIT US	+3.37%	Bitcoin
▸ QQQ US	+3.19%	Nasdaq 100
▸ MAGS US	+3.09%	MAG7
▸ ARKK US	+2.88%	ARK
▸ JETS US	+2.69%	Airlines
▸ ITB US	+2.31%	Homebuilders
▸ QUAL US	+2.01%	Quality
▸ XLC US	+1.94%	Comm Services
▸ IGV US	+1.59%	Software
▸ EEM US	+1.42%	EM
▸ XLV US	+1.37%	Health Care
▸ SPY US	+1.27%	S&P
▸ SPHQ US	+1.18%	Quality
▸ ACWI US	+1.10%	ACWI
▸ VLUE US	+.89%	Value
▸ CWI US	+.74%	ACWI ex-US
▸ EFA US	+.56%	MSCI EAFE
▸ XLI US	+.40%	Industrials
▸ DIA US	+.31%	Dow

1\ Powerful forces are converging: the big catalyst is still pending, but I'm on watch for a potential big shift in the tape — again.

2\ Question ALL assumptions: crowded trades and consensus don't mix.

3\ A clear read: finally some hard DATA on investor sentiment.

By the end of this report, we'll build a complete plan with key signals to watch, and how we'll be navigating markets from here.

I want to be ready as each signal fires.

Getting even a FEW right could be a big win to close 2026.

The winner is not the one who trades first, but the one who adapts to changing conditions.

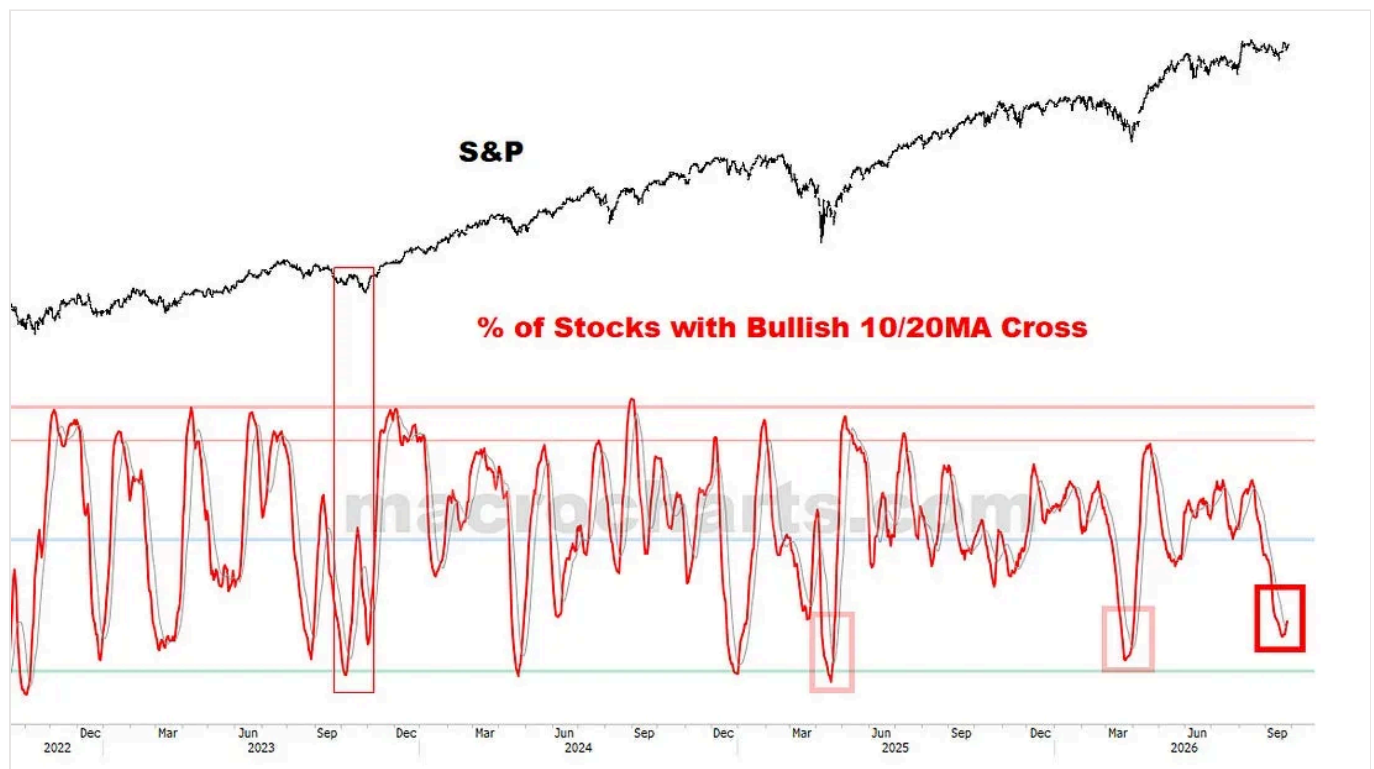
Bases loaded, waiting for the home run pitch...

Have a great week ahead!

CHART 1: STOCKS

THE TOP STOCK CHART I'M WATCHING:

Breadth has triggered an initial Buy signal. The initial thought is "everything should go higher", but I think the more likely outcome is a rotation, with Tech consolidating further. The market won't make this easy yet — that's the key takeaway here, in my view:

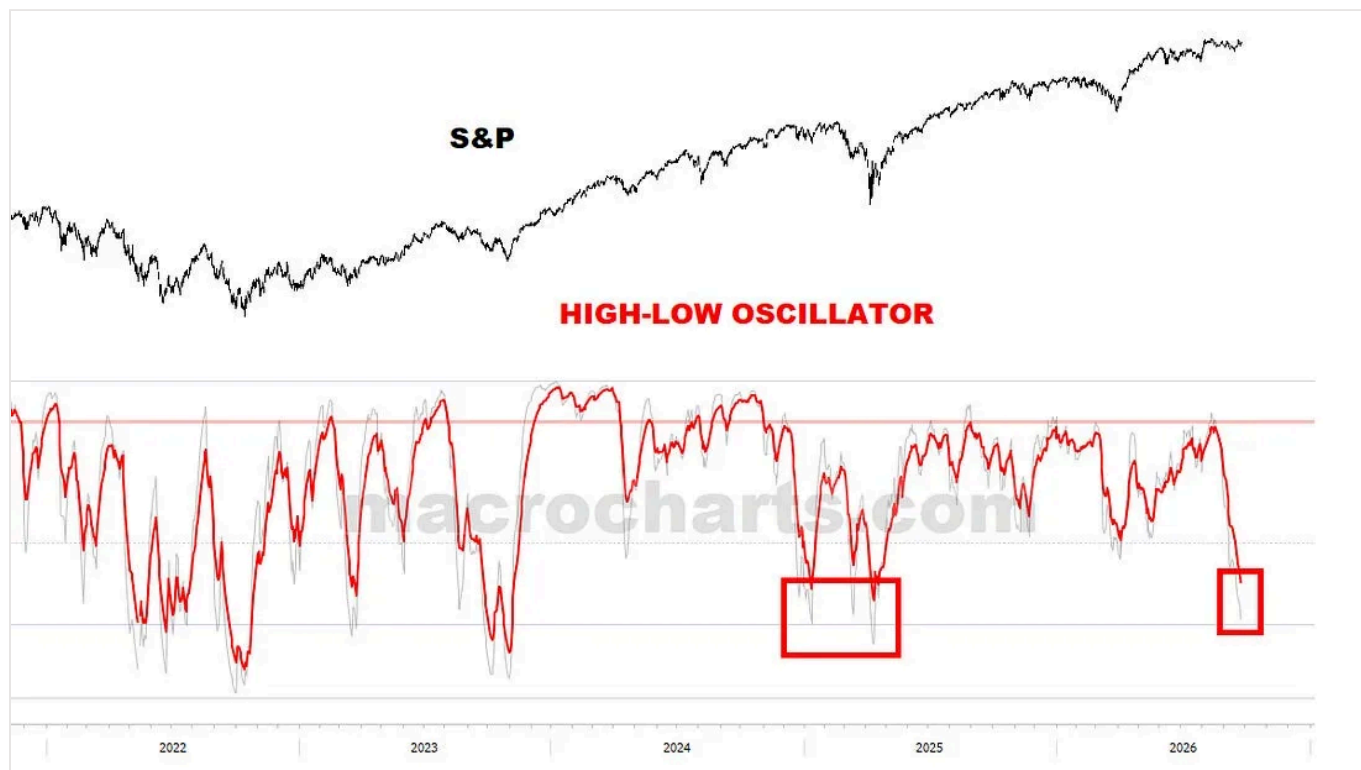


!Above, I also want to highlight the October 2023 sequence. Note the market rallied after a similar Buy signal, followed by more chop into late October. Important to keep an open mind here, maybe there's more chop before a bigger rally starts. For now, I remain constructive and focused on the upside potential — once stocks clear this range.

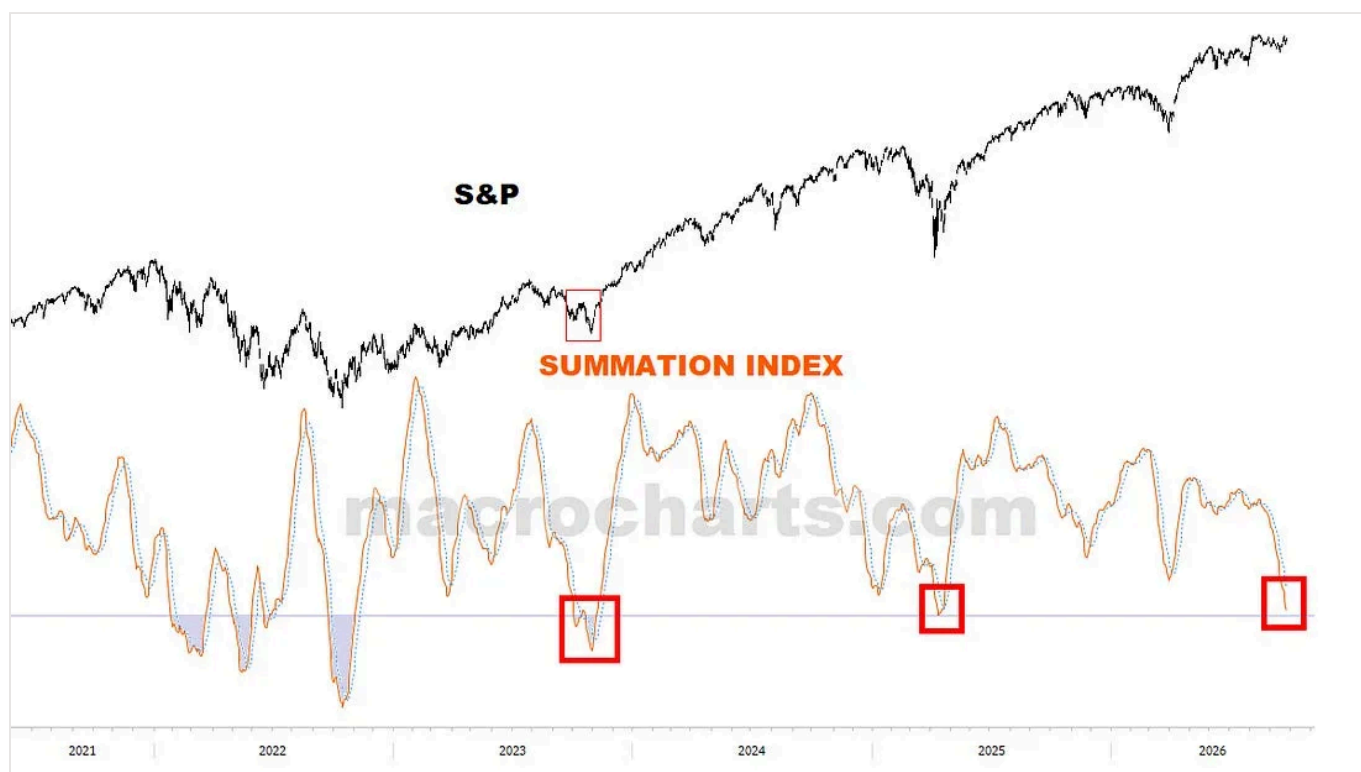
MARKET CONTEXT:

Other breadth signals are oversold, matching prior tactical bottoms:

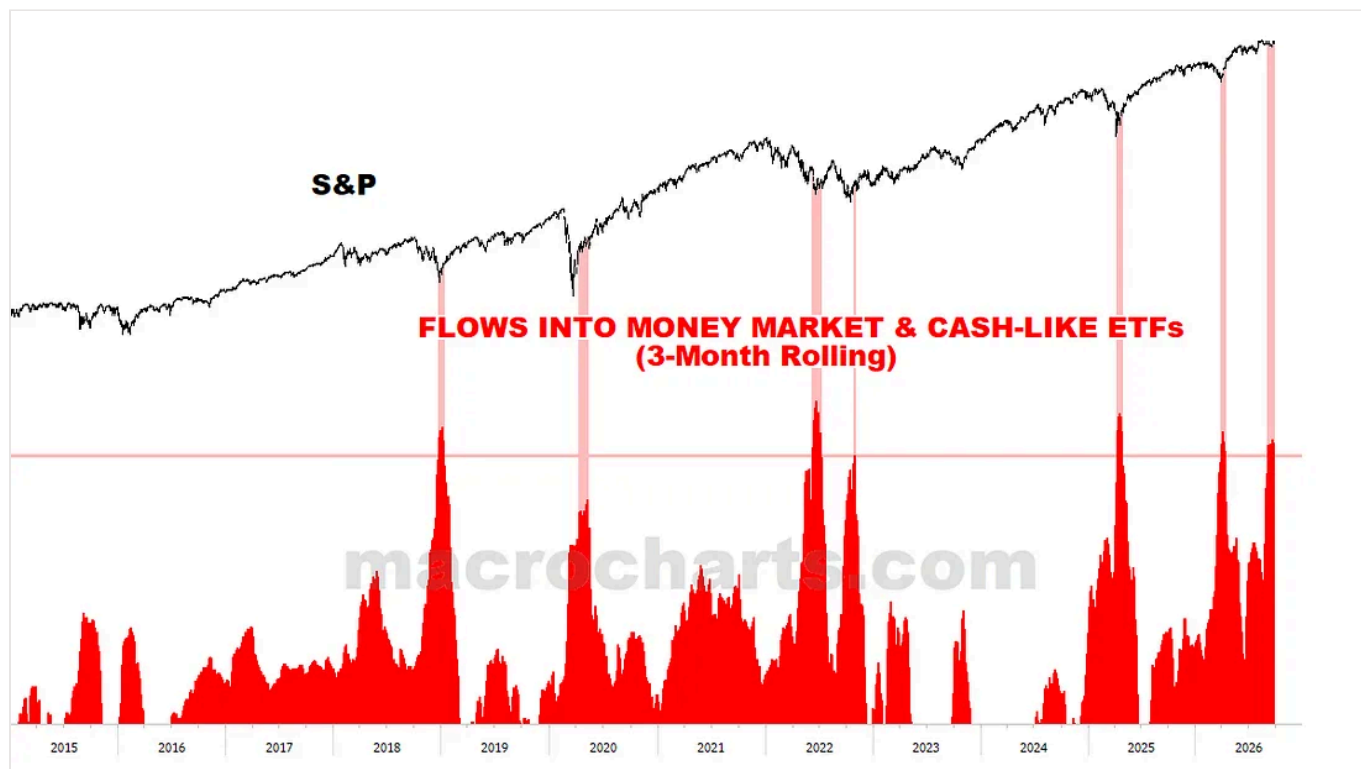
High-Low Oscillator is due for a snapback rally — this would support a rotation move:



Summation Index is also due for a snapback rally — again here, note the late 2023 behavior. We may not be out of the woods, but staying constructive for now seems like the best course of action. A turn up here would likely support an initial rotation:

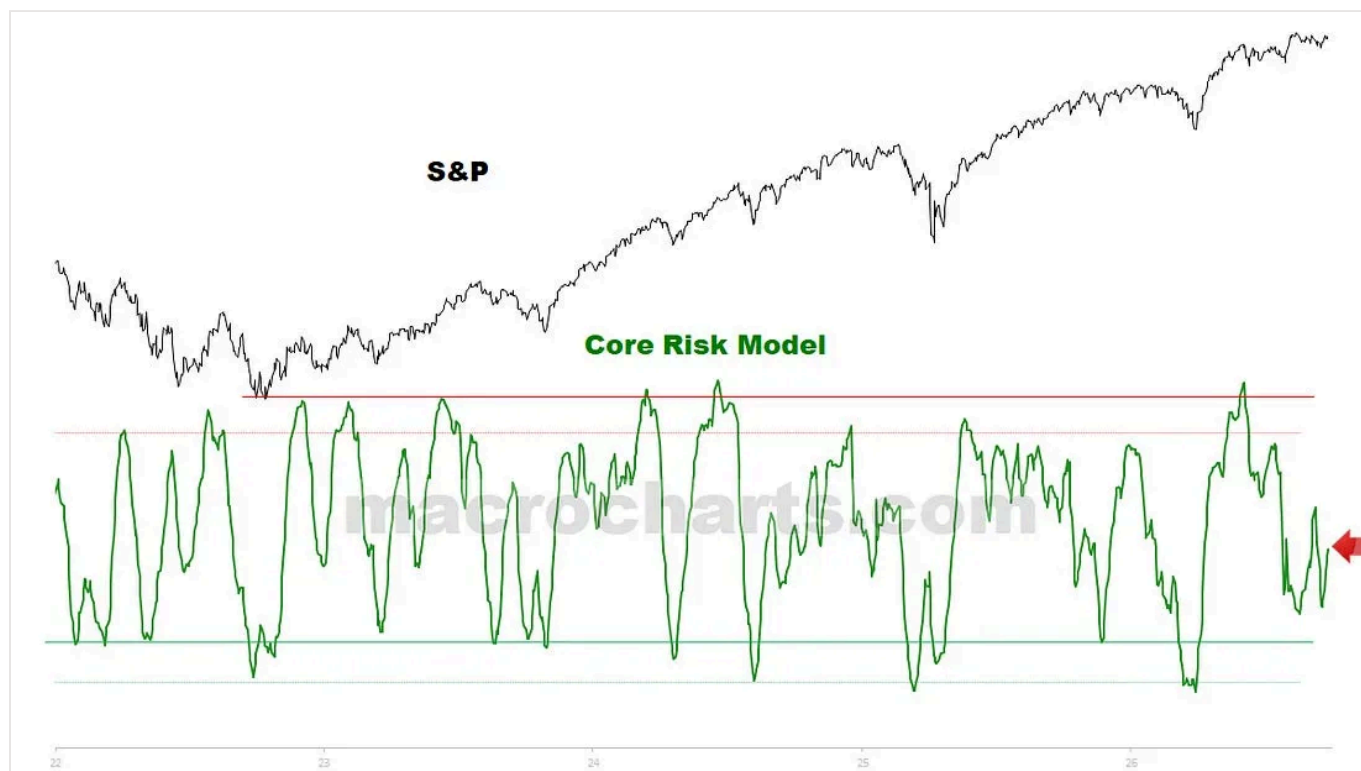


Investor behavior is at extreme “risk-off” — a mountain of capital is rushing to cash:



!As I wrote earlier this week, this could help raise the floor in the market. Next, if the oversold groups begin to stabilize, breadth would improve while Tech leaders consolidate after their big run.

Core Risk remains near the bottom of the range. As before, any short-term drop in the market would likely push this to oversold, so I remain constructive for now:



Tracking the oversold groups closely for an initial bounce — there's room for all of these to rally 3-4% here in a short period of time:

IWM could bounce to ~\$290-292:



IJR could bounce to ~\$143-144:



XLFF could bounce to ~\$56:



KBE could bounce to ~\$68:



Lastly KRE could bounce to ~\$74:



!A bounce would squeeze out late shorts, while pushing these ETFs back to flat for the month of September — preserving the chop and frustrating the most amount of participants. It's just what markets like to do... we'll see.

Important to highlight what I wrote last week — land this week's action reinforced further:*

✓ If there's residual downside, it most likely would not be sustained — Core Models are already near Buy signal range.

✓ Despite the index chop, individual stock leadership is clearly improving/strengthening.

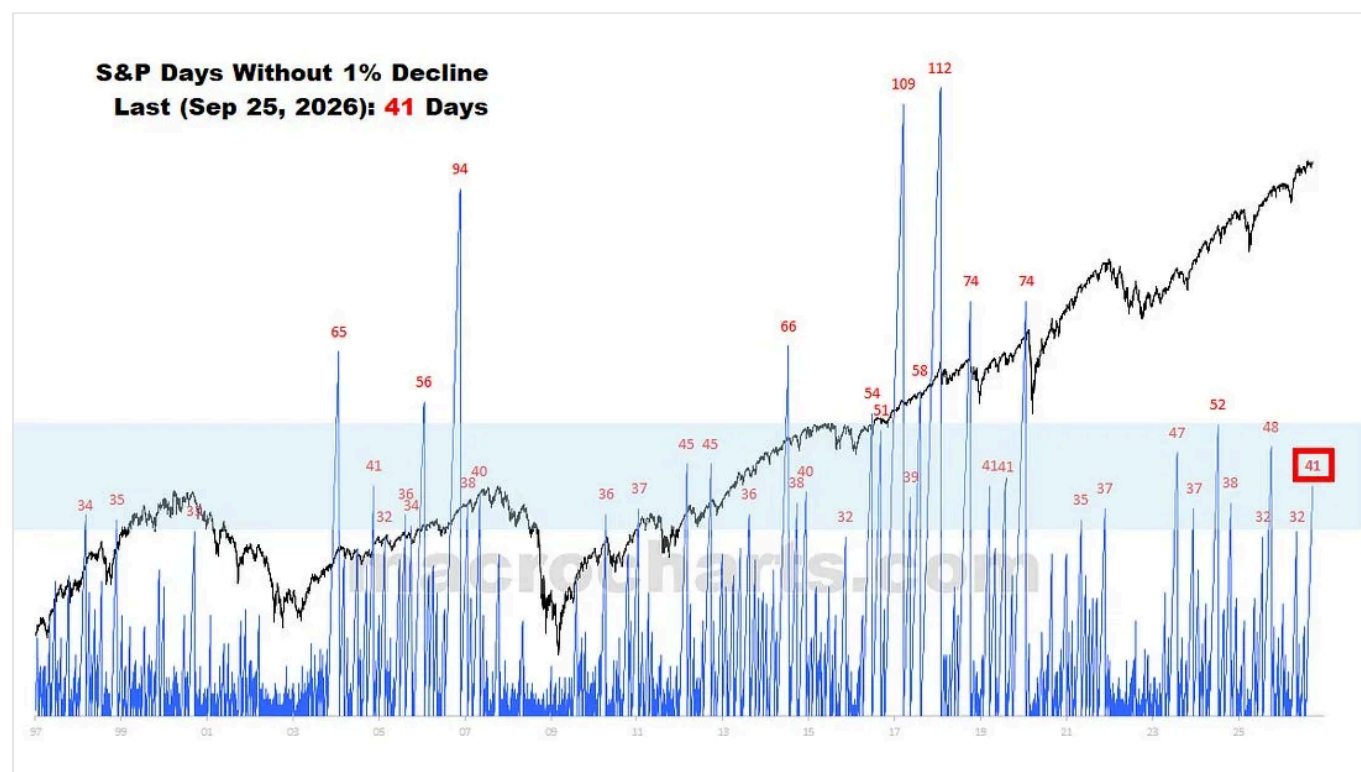
I want to be positioned with THE best exposure here — taking full advantage of a potential new rally phase \IF\ it builds momentum.

We've added more names to the Focus list this week, and will be adding more if they set up.*

CHART 2: VOLATILITY

THE TOP VOLATILITY CHART I'M WATCHING:

Volatility Clock — Stocks have gone 41 days without a 1% decline... getting into quite stretched territory:



MARKET CONTEXT:

VIX continues to chop at support — watching for potential hedges, leaning to get active later this week:*



Despite the recent move in Rates, Credit Spreads remain well below March levels. Staying below ~320 is crucial here — otherwise a push higher could open up short-term targets in the 340 range — roughly equivalent to a 25 VIX. It's not my base case, and I continue to think markets stay choppy with rotations dominating, but it will depend on how the Rates picture comes together here:*



CHART 3: PRECIOUS METALS

THE TOP METALS CHART I'M WATCHING:

GDX has a picture-perfect Bull Flag and tested key support this week:



*GDX made a new low for the pullback on Thursday, closed with a hammer, and rallied on Friday — forming a potential reversal.**

Even more importantly...

MARKET CONTEXT:

GDXJ, SIL, and SILJ all made higher lows this week:

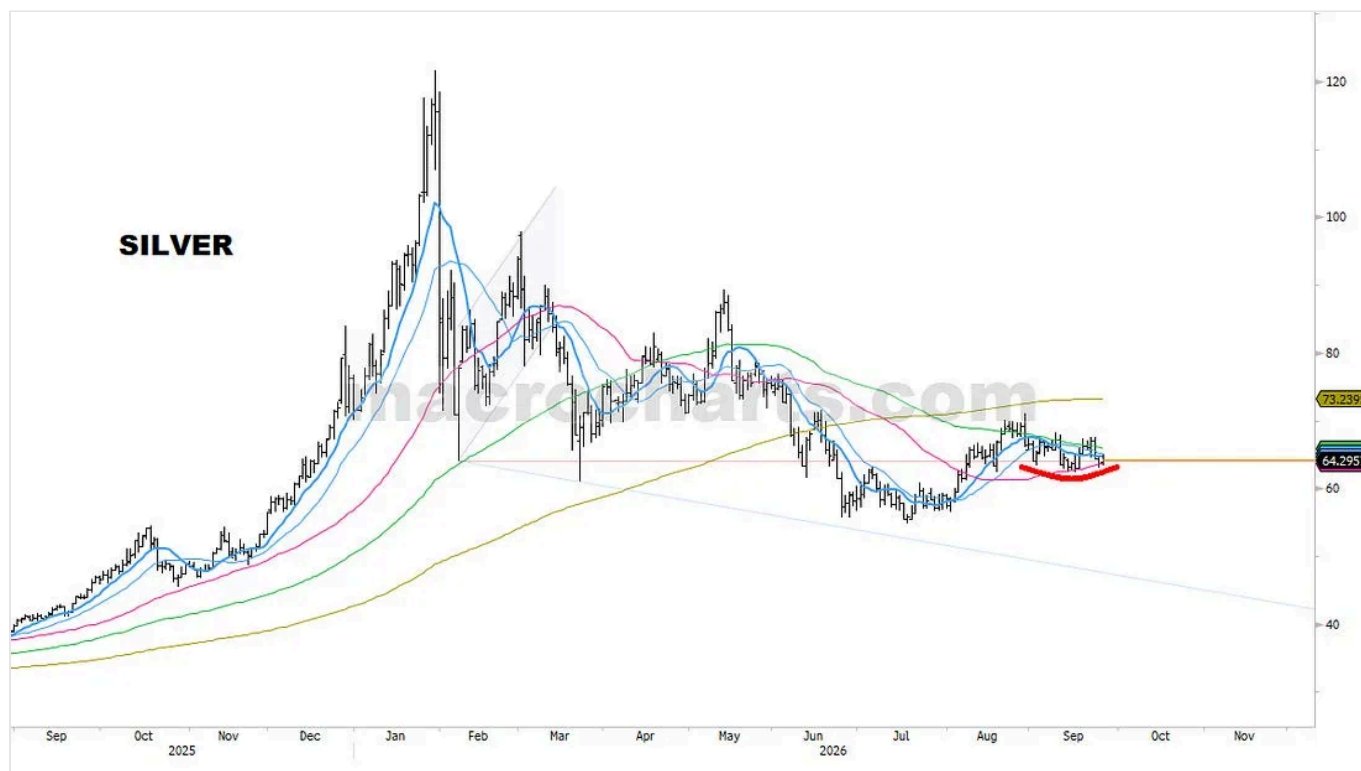
Meaning: they held even more firmly than GDX. This is quite bullish — and could be a critical “tell” that the bottom of the pullback may be near (or already in)...



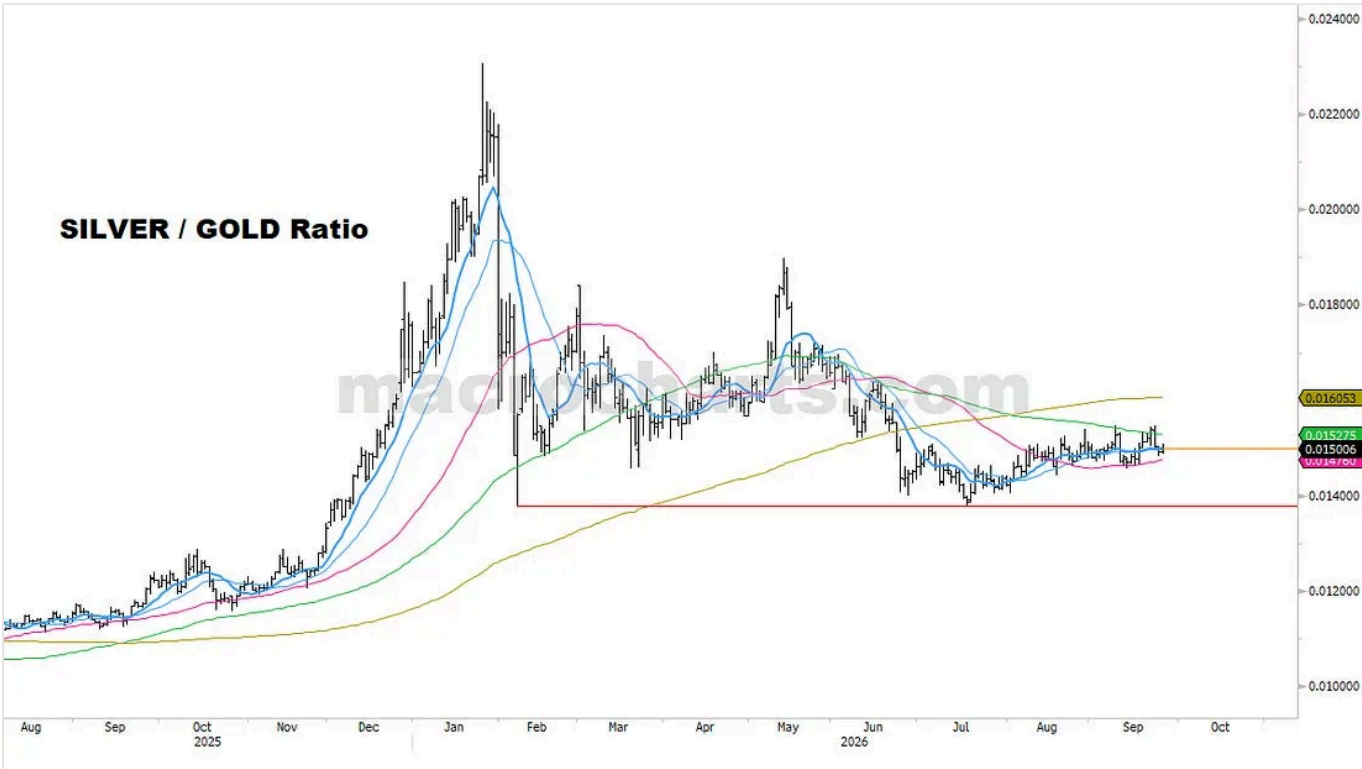


Watching for roll-up confirmation this week...

Meanwhile Gold and Silver are holding up despite the worst possible macro conditions — when markets don't trade “as they should”, it's a powerful signal to watch closely:



Even the Silver/Gold ratio continues to hold up:



Ultimately the pullback in Precious Metals & Miners was small relative to the macro headwinds from Rates and the Dollar.

And the pullback occurred in synch with parts of the Equity market which are now oversold (XLB for instance).

If stocks are near a rotation, Materials stocks would certainly participate — and Precious Metals & Miners could be prime candidates for leadership.

Bottom line:

Precious Metals continue to hold firm, against all odds.

Any strength at this stage could ignite a major rally.

CHART 4: DOLLAR

THE TOP DOLLAR CHART I'M WATCHING:

DXY hit resistance to the cent and reversed lower on Friday:



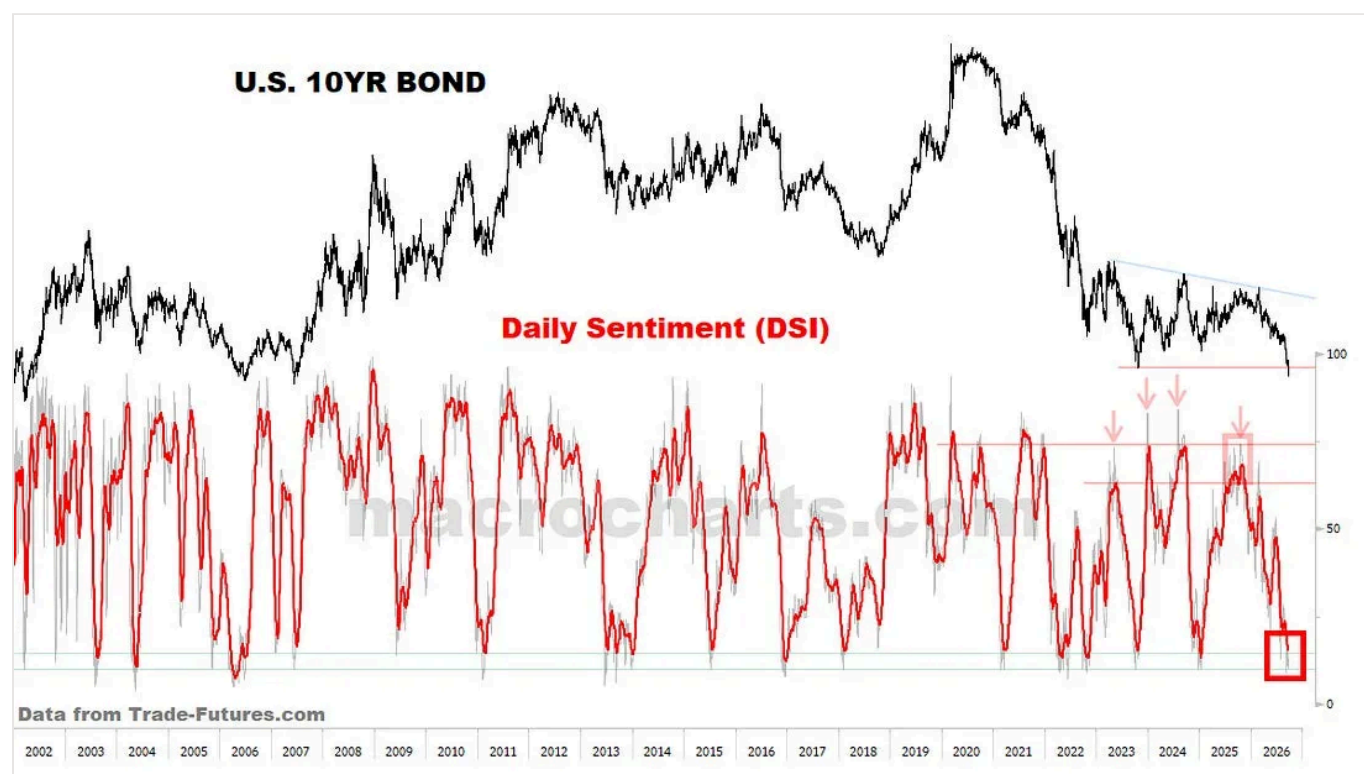
Has the Dollar topped?

If so, it could support a stock market rotation, while Metals remain locked and loaded...

CHART 5: RATES

THE TOP RATES CHART I'M WATCHING:

Bond Sentiment is in position for a major bottom. This is a bottom 2-percentile event, extremely rare. Monitoring for a turn UP:



!*Remember the average time-to-bottom after similar extremes was one week.

On schedule, Twitter is 24/7 bearish and flooded with intraday tick charts — a textbook sentiment climax.

If Bonds stabilize, they will support a powerful stock rotation...

TY just needs to reclaim this line — and markets could be off to the races:



All eyes here this week...

CHART 6: OIL & ENERGY

THE TOP ENERGY CHART I'M WATCHING:

XLE and XOP triggered 10/20d Sells this week, more evidence of an important turn forming. Watching for a bounce with interest:



CHART 7: BITCOIN

THE TOP BTC CHART I'M WATCHING:

Bitcoin is consolidating above the breakout. The 50d is now at \$76k, and the 200d at \$71k. BTC continues to act well, but maybe this divergence is enough for a pullback (would fit the theme of Tech consolidating, and stocks rotating while oversold groups bounce):*



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.*

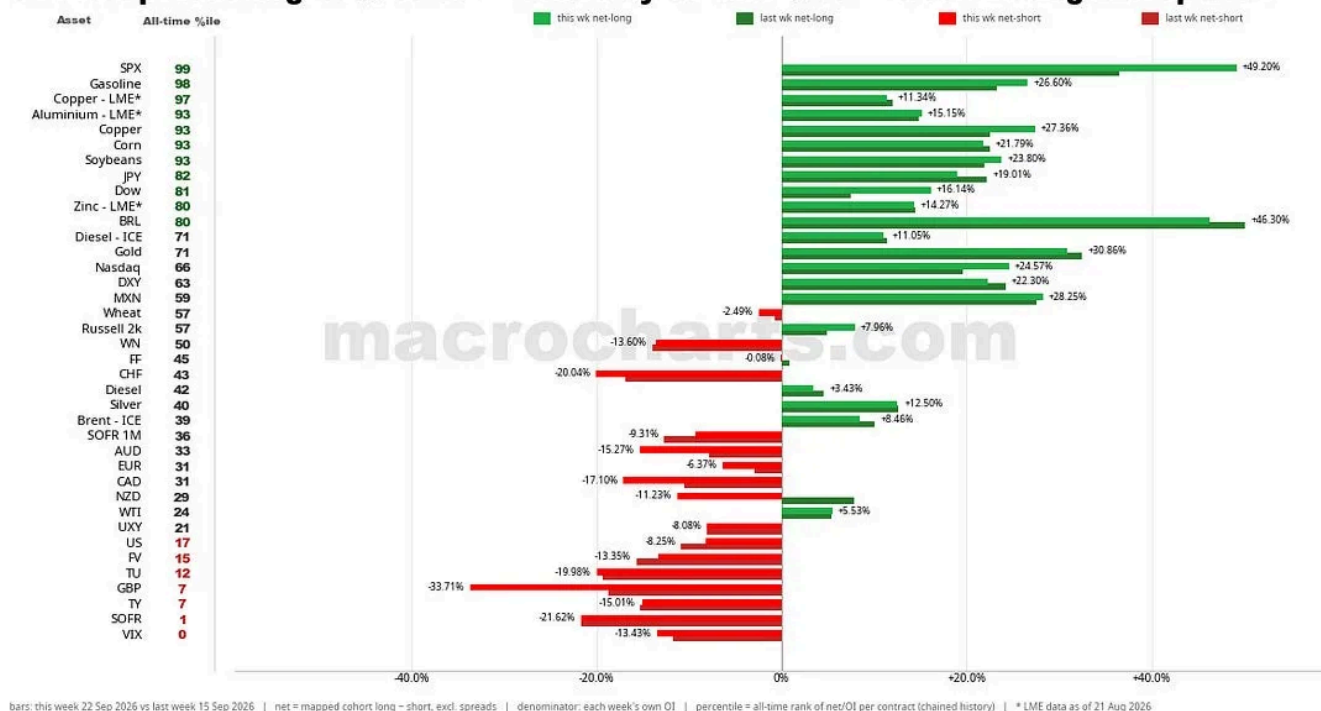
Will be updating this setup with priority.

FLOWS & POSITIONING

Positioning extremes:

- **VIX positioning** made a new **record short**.
- **Rates positioning** remains **extremely low**.
- **Industrial Metals, Gasoline, and Grains** remain **extremely crowded**.
- **U.S. Dollar aggregate positioning** rose to **84th percentile this week** — a big jump. **GBP positioning** **dropped sharply this week and is extremely low again**.

COT net positioning as % of OI — ranked by all-time %ile — week ending 22 Sep 2026



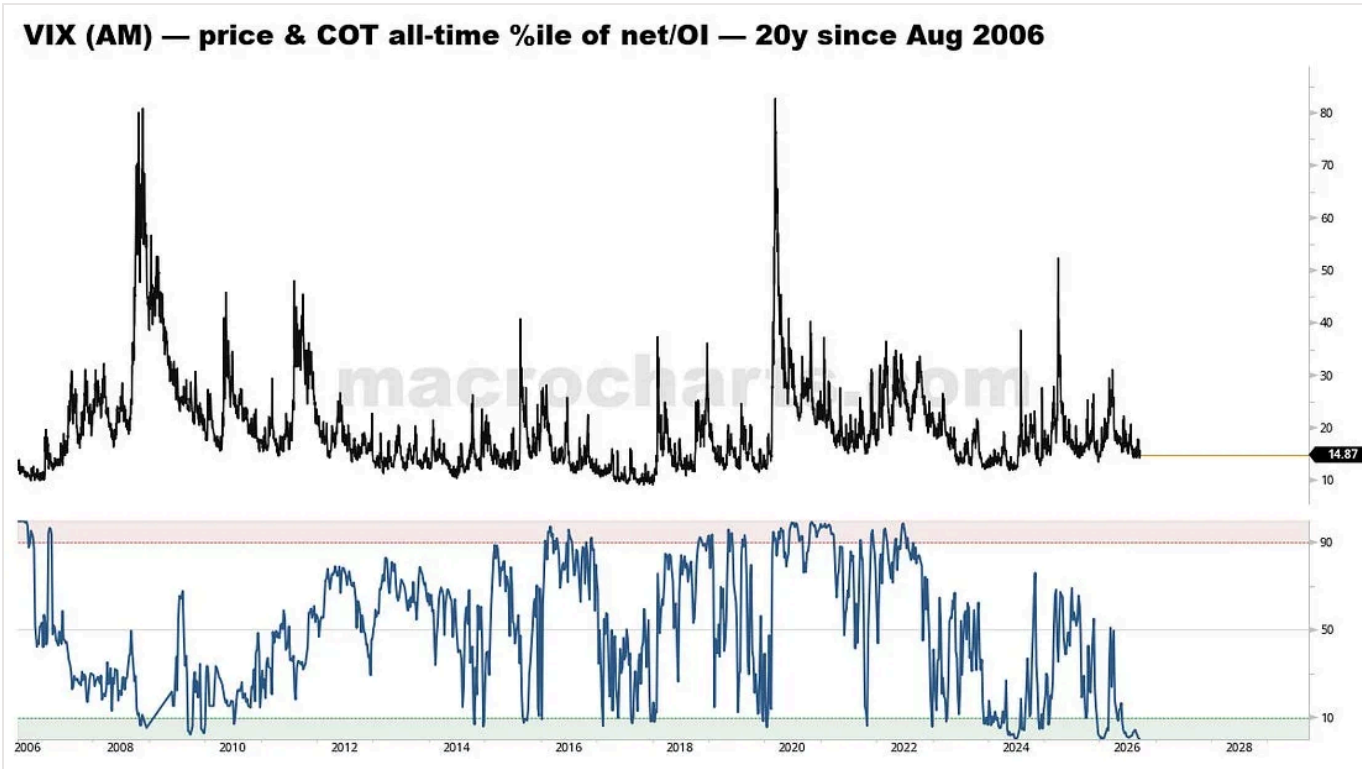
POSITIONING HIGHLIGHTS

Russell fund positioning remains extremely short:

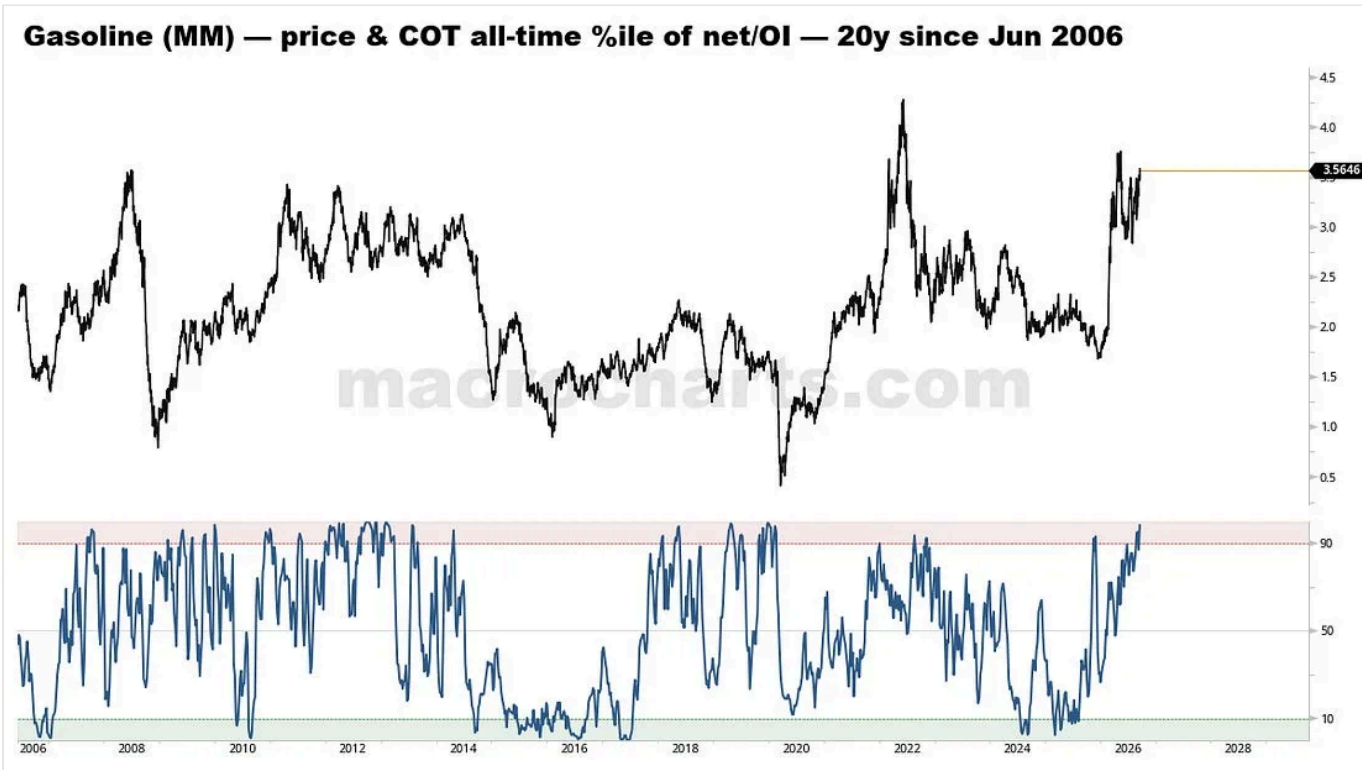
Russell 2k (LF) — price & COT all-time %ile of net/OI — 9y since Aug 2017



VIX positioning remains extremely short\:\:



Gasoline positioning is at 98 percentile (aligned with major historical tops):



PORTFOLIO HOLDINGS

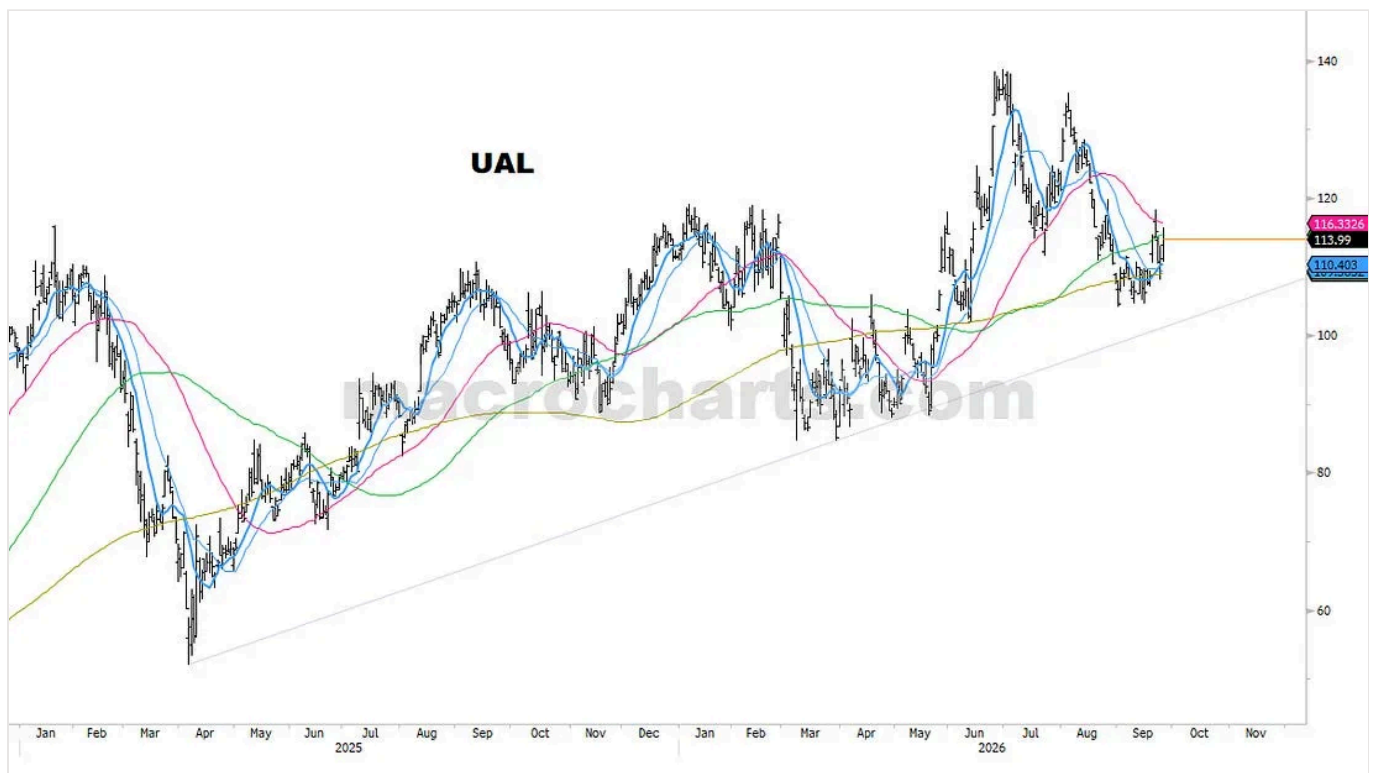
The Portfolio Holdings page has been updated [here](#).

- ✓ 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.

CHART HIGHLIGHTS & TOP SCANS

Initiated Long Airlines this week — this is a clean roll-up so far, all signs point to a new rally slowly building:





THEMES AND STOCKS WHICH STOOD OUT THIS WEEK

!Some interesting action in Tech land this week, with new names showing initial strength (for instance VECO/VIAB). Want to be patient with these for now, and will send an updated list later this week with select charts. Stay tuned.

FINAL THOUGHTS

Models are at/near Buy position, with breadth at a potential inflection point:

- ✓ Watching for a market rotation or bigger rally (more likely a rotation, but let's see).
- ✓ Tech and Cyclical remain key for the next big opportunity. Tech led first — now it may be time for other groups to join.
- ✓ A rotation could bring new setups to the table, while “cash on the sidelines” has risen sharply (a contrarian bullish signal).
- ✓ BTC remains an area of strong interest — watching for a pullback.
- ✓ Bonds could form an initial bottom at any moment.
- ✓ The Dollar may have topped, which could provide a tailwind for a market rotation, just as many stocks are oversold and near support.
- ✓ Precious Metals and Gold Miners remain resilient. Any strength at this stage could ignite a major rally.

Bases loaded, waiting for the home run pitch...

I want to be ready as each signal fires.

Getting even a FEW right could be a big win to close 2026.

One day at a time, laser-focused on the tape this week.

Thanks for reading.

Onwards and upwards, -MC

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