Gentlemen/Mesdames/Messieurs:

1) There appears to be a consensus among strategists that the so-called Santa Claus rally is inevitable. The classic Santa Claus rally refers to the specific 7 day trading window incorporating the last 5 business days of December and the first 2 business days of January. Perplexity notes there is a "modest but statistically strong positive bias during the Santa Claus rally window with average gains a bit over 1% across the 7 days. Please note however that 2024 produced a "reverse" Santa Claus rally with declines over the 7 day period.

2) As regular readers know, my most important indicator for reasons stated on numerous occasions has been HYG. This index kept me steadfastly bullish throughout the incredible bull run since the lows of Liberation Day week. HYG has been able to shrug off the disasters of notable junk bond companies double-pledging assets against the same collateral as well as the dreadful performance of the private equity companies caused somewhat by the shadow cast over the nascent model of private equity owned life insurance companies. HYG always trades ex-dividend the first business day of each month making the performance of this past week more difficult to judge but HYG remains considerably above the solid support of early to mid-November as well as meaningfully above its upward sloping 200 day moving average. True, the 50 day is now downward sloping but it would take a meaningful break below the 200 day to turn this writer bearish. Should the 200 day be broken, expect a meaningful negative impact on equities across the board.

3) Continuing with the theme of the impact of the fixed income market on equities, Paul Shea (Miller Tabak Economist) in his piece this week entitled “The Labor Market is Edging Towards the Brink” (your inbox late Thursday US/early Friday UK-EU) notes two red flags within the ADP data that hint at a more rapid change in the “low hire low fire “ environment. Of the two, he is most concerned that small businesses (less than 50 employees) shed 120,000 workers in November. “It would be a mistake to attribute this drop to the impact of tariffs.” Instead,, it is a “warning sign” that the low layoffs of recent months could soon jump. Layoffs have remained low as small businesses have delayed costly adjustments to payrolls which “cannot continue for too much longer.” Moreover, Shea notes that we are now beginning to witness “structural” unemployment caused by AI which will prove to be disinflationary. This is one of the reasons for his confident view that the yield on the 10 year will decline to 3.4% by Christmas , 2026. This would be a potentially positive aspect for equity investors.

4) Mentioned in #2 above was the dreadful performance of the private equity companies this year. For example, APO peaked at $189 in December, 2024 and closed this week at $138. However for reasons too lengthy to deal with in this piece, it appears that many of these companies registered important bottoms in the last several weeks.

5) Speaking of the financial sector, this writer has steadfastly maintained that HOOD has been a “vital indicator” for the health of the equity market. Fundamentals over a myriad of businesses have been extraordinary reflected in the price of the stock. This writer also has stated for months that “this bull run will not end until ‘they’ have meaningfully cracked HOOD. Indeed, HOOD led the market down in mid-November but also lead the charge back up. Rallying modestly this week, HOOD closed a shade below its upward sloping 50 day moving average, which had been cracked mid-month and closed about 15% below its high reached in early October. Yet the stock is still up more than fourfold y/t/d. Stabilization in the price of HOOD will be necessary as a precursor for the entire financial complex.

6) To the chagrin of the bears, who had smelled blood when the SMH etf closed below its 50 day moving average in mid-November, SMH advanced smartly again this

week, closing significantly above its 50 day and approached the highs registered in late October/early November. Many investors, including this one, believe this is the most vital etf as to the health of the overall equity market.

7) This writer has stated for the last month that the comments made by Sarah Friar, CFO of Open AI, caused a chilling effect throughout the tech space which has continued. One would expect her comments to reverberate in 2026 as the market tries to resolve the crux of the issue, which is how the circular arrangement between companies that act as suppliers, investors, and customers of each other is going to be resolved. Investors will continue to ask a plethora of questions as to whether the profusion of stocks enveloped in this space are truly going to see a significant ROI or MOIC on these funds over the next several years used for chips and data centers to supply computing capacity for OpenAI and Anthropic.

8) I have been faulty in suggesting on several occasions that the energy sector, truly hated by most young portfolio managers, might be ready for an upward move. This week, however, a number of energy equities displayed strong relative performance as well as the XOP etf. The front-month natural gas future exceeded $5 and made a new high for the year. Please note that the Bloomberg Commodity Index appears to be breaking out from a 4 year downtrend, which, if it continues, will have significant implications for equities in 2026.

9) I noted last Sunday that the the Transpos, after lagging badly for most of the year, displayed relatively decent performance across the board of its industry components, which continued this week. This would appear to be counter-intuitive to where observers believe we are in the economic cycle, but the performance speaks for itself.

10) Physical gold/digital gold: GLD has understandably been in a back-and-fill mode the last several weeks with the bulls on GLD suggesting this will lead to a test of the blow-off high from late October. As for digital gold, many long-term believers in crypto, including this writer, are still recovering from the drastic sell-off caused by the unwinding of highly leveraged positions in the expectations of an UPtober which never came to fruition. Bears on crypto maintain that this asset has been

particularly battered by the unwinding of the carry trade (short yen/long crypto) but as Perplexity notes “regulatory filings do not have a neat ‘carry trade’ category making it virtually impossible to have a ‘precise’ public number.”

Have a productive week.

Jeff

Jeffrey Tabak

Miller Tabak + Co.,LLC

(212) 348-5101 office

(917) 208-3317 mobile