MILLER TABAK + CO., LLC

The Weekly Top 10

Saturday, January 3, 2026

The Market is NOT "Always Right"….It's Only "Always Right" Eventually.

Table of Contents:

---1) After three great years for the stock market, it's a good idea to at least consider what could go wrong in the coming year. However, it's also a good exercise to think about the catalysts which could create an actual crisis in the coming year. Of course, crises are not common, so we're not assuming that we'll get one. However, if we do, the #1 candidate for the catalyst of such a crisis…is "currency debasement."….That said, we think this term does not accurately describe what is really involved in this situation, so we thought we'd cover it to start off this weekend's piece.

It is interesting to note that every new Fed Chief of the past 40 years…except for Janet Yellen…has face a crisis very, very early in their first term. Could that take place again with the new Fed Chair? Well, predicting a crisis in advance can be a fool's errand, but there are certainly some issues on the horizon which could create some serious problems. However, if (repeat, IF) a crisis develops in 2026, we believe the #1 potential catalyst will "currency debasement."

The problem is that the tern, "currency debasement" is a lousy one to describe what is going on with this situation. In our minds, it would be better to describe the huge run in precious metals…and the rise in long-term interest rates for many countries…as items which are being caused by the realization that budget deficits DO matter…not some vague term involving currencies. Simply blaming "currency debasement" does not describe the true seriousness of this matter in our opinion. **This is important, because if (repeat, IF) this becomes a bigger issue in 2026, it's going to create some serious problems for the markets.**

We have spent a lot of time over the past five or six months talking about the budget deficits facing countries like Japan, the UK, France…and even the US….and how they are finally having an impact on the markets. More recently, this issue has become more mainstream. Don't get us wrong, people like Jamie Dimon, Ken Griffin, and Jeff Gundlach have been talking about it for some time now as well. However, since this issue has been discussed over the decades (ad nauseam)…but has not had any impact on the markets…it has not been one which has been discussed for very long around mainstream Wall Street.

This all changed in 2025…especially in the second half of the year……**Again, although "currency debasement" is an accurate term, it does not connotate the seriousness of the situation in our opinion.** Many/most people outside of Wall Street merely think about a lower dollar when they hear this term. In fact, even some who do work on Wall Street think about it in the same way…..Since the DXY dollar index has actually been range-bound for six months…and that the greenback has been losing value since before we were all born…the "currency debasement" description seems to be getting brushed off much too easily.

To a certain degree, we can understand why some people on the Street like are using this term…because it sounds much less threatening than what is truly involved. However, since it deals with global fiscal deficits…which, in some countries (like Japan), is coming to a head…it could become a serious problem this year. The fact that it also involves current central bank policies…AND those policies of the past 15 years…it's something that people should be looking at more closely than they are right now.

However, the most important development surrounding this issue is that that markets are finally reacting to it….which we can especially see in the metals markets and the sovereign debt markets (particularly at the long end). Therefore, it's not so much the move in the dollar that the "currency debasement" term might lead people to focus on which could cause these problems (although they could have a big impact on the greenback before long). **It's the movement in global long-term interesting rates that could definitely create some serious problems…and even maybe a crisis…if they rise in a meaningful way from current levels.**

Yes, the moves in the precious metals (and other metals) are a warning signal for other markets that the budgetary problems facing many, many countries around the world…like the UK, France, and Japan…but the real "cause and effect" issues which could develop will likely come from the sovereign debt markets (again, IF they rise further)……In other words, if gold, silver, platinum, and other metals keep rising in price at an alarming rate…it's going to be extremely difficult for it to be blamed on elevated inflation fears. Higher prices ARE a problem in the general public's mind, but it's not strong enough

to explain the kind of huge rallies we've seen in these metals in recent months.

However, if we see global long-term interest rates continue to rise…especially if it happens in the US (where the Fed is lowering short-term rates)…it's going to very tough to push the blame on the relatively low level of inflation (even though it's still above the Fed's target)……**Instead, the blame will go to the real culprit: the growing concerns about global budget deficit problems…and the fact that investors are starting to demand to be paid more for the higher risk they are taking when they buy the sovereign debt of these nations.**

We have cataloged the details of the budget problems facing Japan, the UK, France, and others for many weeks/months now, so we won't bore you by repeating them…except to say that the debt-to-GDP ratios for these counties have become untenable. The mounting pressure from interest payments due to this massive debt…**is being exacerbated by the fact that many of these countries are ADDING even more spending (and thus more debt) to the equation! So, it's no wonder that these markets are finally starting to react to this situation…after decades of neglect.**

We certainly cannot say that this situation is definitely coming to a head right in 2026…and that it will create some substantial problems for the markets. **But there is no question that the commodity and sovereign debt markets ARE starting to react to it in a material way.** (In fact, it IS starting to become a significant reaction in the metals market.).….If the reaction in the sovereign debt markets begins to accelerate in meaningful manner at any point this year, it's going to have an outsized impact on other risk assets…including stocks.

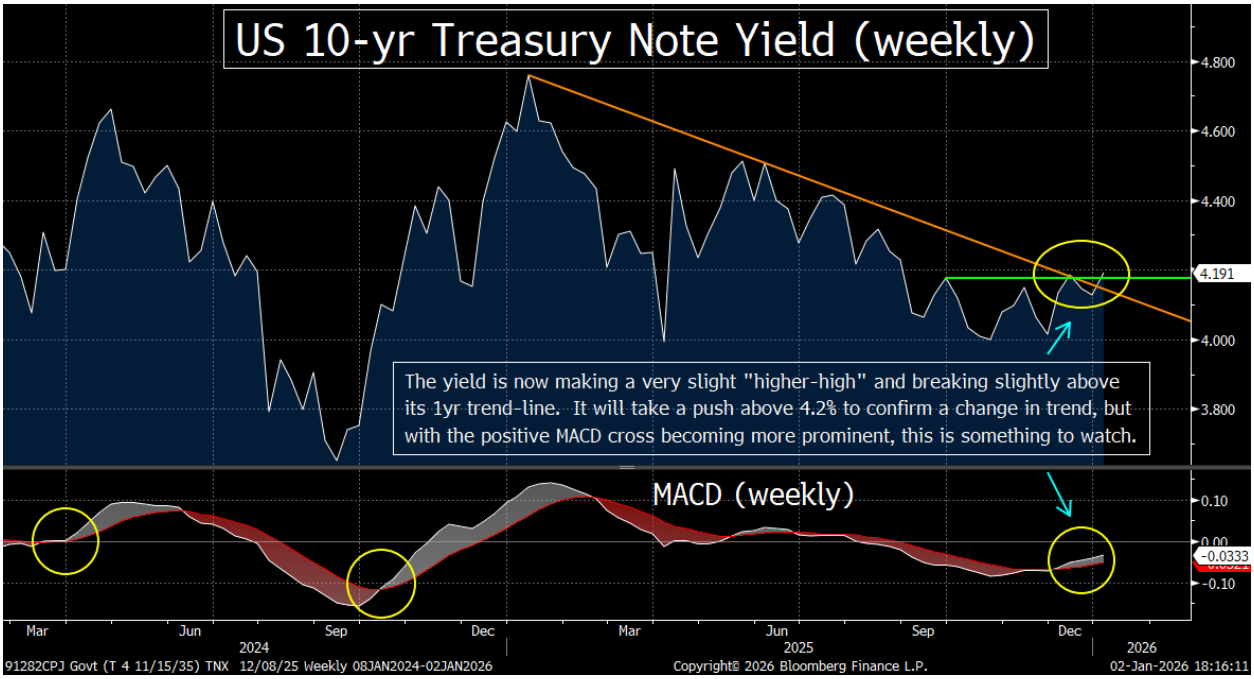
Put another way, we believe that this "currency debasement" issue has the potential for creating a crisis…and therefore, we will be watching the long-term debt yields in these countries like a hawk throughout the entire years……With this in mind, we want to re-post the updated charts on the US 10-year Note yield…as well as Japan's 10-year JGB yield. **If they push much higher from current levels at any point over next few months (even if they dip near-term)…it's going to raise a major red flag for the markets.**

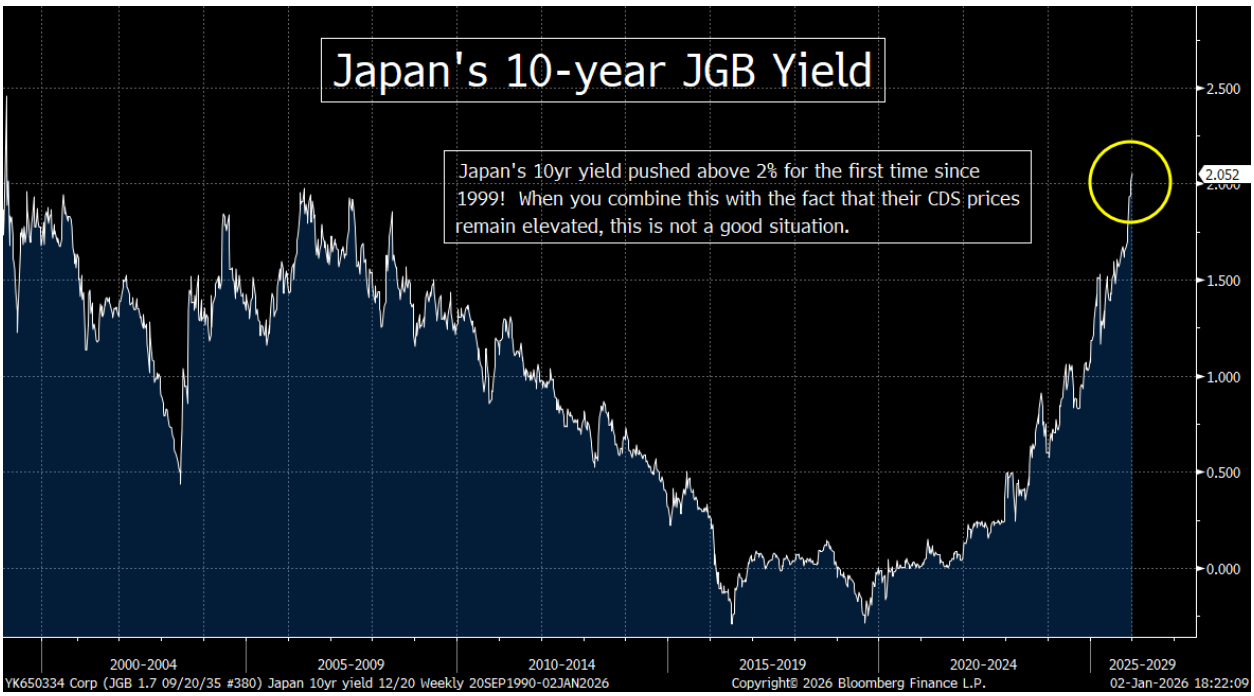
When it comes to the chart on the US 10yr note, we showed in our morning piece on Friday, that it's trading in a sideways range…and whichever way it breaks out of that range will be important over the near-term. However, looking at the longer-term weekly chart, it shows that the 10yr yield is making a slight "higher-highs" on a closely weekly basis…AND that it is breaking slightly above its one-year trend line as well! Therefore, it won't take much more upside follow-through to confirm a change in trend for long-term yields. (First chart below.)

As for the updated chart on yield for Japan's 10-year JGB's, it has risen to its highest level of the century! If it's push above 2% becomes a larger one, it will impact the yields on other global bonds (not to mention the "carry trade"). So, this is something we should all be watching very closely as well. (Second chart below.).....Needless to say, the rise in yields in many European countries (including Germany) is something to monitor.

The old saying, "Don't fight the Fed" has been a very good one to follow over the years…but it has not been a perfect one. We also realize that investors believe that the "Fed put" will always come in and save the day if things get dicey. However, if the long-term rates continue to rise…despite the cutting of short-term rates…and the confidence in the fiat currency system begins to decline (like it has eventually…in every instance in world history)…that "put" could be much further "out of the money" than many believe is possible right now.

Again, we are not trying to declare that we are on the cusp of a major crisis. However, the chances that one develops this year are higher that the vast majority of investors are considering right now.





---2) The situation involving the AI industry will continue to be one of the most important issues for the stock market this year. In fact, it will be EXTREMELY important once again. (Yes, it can become less important than it was in 2025...and still continue to be extremely important!) A

divergence is beginning to develop between some of the key technology ETF's. When you combine this…with the growing evidence that that AI industry is not going to be as broadly and quickly profitable as the stock market has been pricing in…it does raise some real questions for investors right now.

Let's face it, today's stock market is a momentum-based one. Therefore, if the most important leadership sector of the last several years regains its upside momentum as we move through the first quarter, it should give the sector (and the AI related stocks) some nice tailwinds for 2026…..We also have the issue of FOMO and "performance fear" to consider. At the end of a year, institutional investors have no choice but to stick with the winners of that year if the market is rallying. **The same is true with the outperforming stocks at the beginning of the year.** If institutional investors fall behind the market by not being in the best performing names, they will spend the rest of the year trying to play catch up. THAT puts them in a very defensive posture…which they HATE to be in. Thus, if the tech stocks can regain their momentum, it should be a bullish development for the entire stock market.

On top of this, the adoption rates for AI are soaring as we move into 2026. If the AI companies can successfully emphasize disciplined implementation…and focus on core business goals, rather than point solutions…the outlook for the ROI for the AI industry should make a big comeback. Put another way, if they can focus on workflow productivity over novel features…and they hyperscalers can provide scalable AI deployment…the group could have another strong year.

HOWEVER, there are plenty of reasons to think that we won't see any upside follow-through in the AI industry early this year. The fact of the matter is that the outlook for the profitability of the AI industry has been turning quite sour since Thanksgiving…..Yes, many of these stocks have been able to hold up over the past few weeks, but that's just because the institutional base has been protecting their 2025 performance. Now that 2025 is behind them, they can now be more comfortable in paring back on those positions. In fact, we saw some evidence of that on the first day of trading for 2026 on Friday.

Very simply, the concerns are growing that the capital intensity and cost escalation…are rising faster than revenues…and this will very likely create problems for many of the AI related stocks as we move through the first half of 2026. Investors are waking up to the idea that there is a wide gap between the expectations for profits that existed just a couple of months ago…and the actual realized returns they are likely to show. **We believe that the number one concern is the realization that the recurring costs that many companies will face going forward…as they go through ANNUAL upgrade cycles in order to remain competitive…will compress Free Cash Flow and delay payback periods**. This, in turn, will cause institutional investors to seriously reconsider the outsized weightings that have in their portfolios for these stocks.

We'd also note that investors are becoming much more concerned about the pricing power that many of these AI companies will have going forward. There is consumer skepticism about measurable productivity gains…and the rapid commoditization of core model capabilities. If more open source and lower cost alternatives emerge, the ability of leading vendors to extract premium pricing is going to be increasingly constrained. This will create meaningful pressure on revenue growth assumptions for the industry……..**This is a long-winded way of saying that the AI industry is priced for perfection…and it is now becoming quite evident that "perfection" in not what they'll see.**

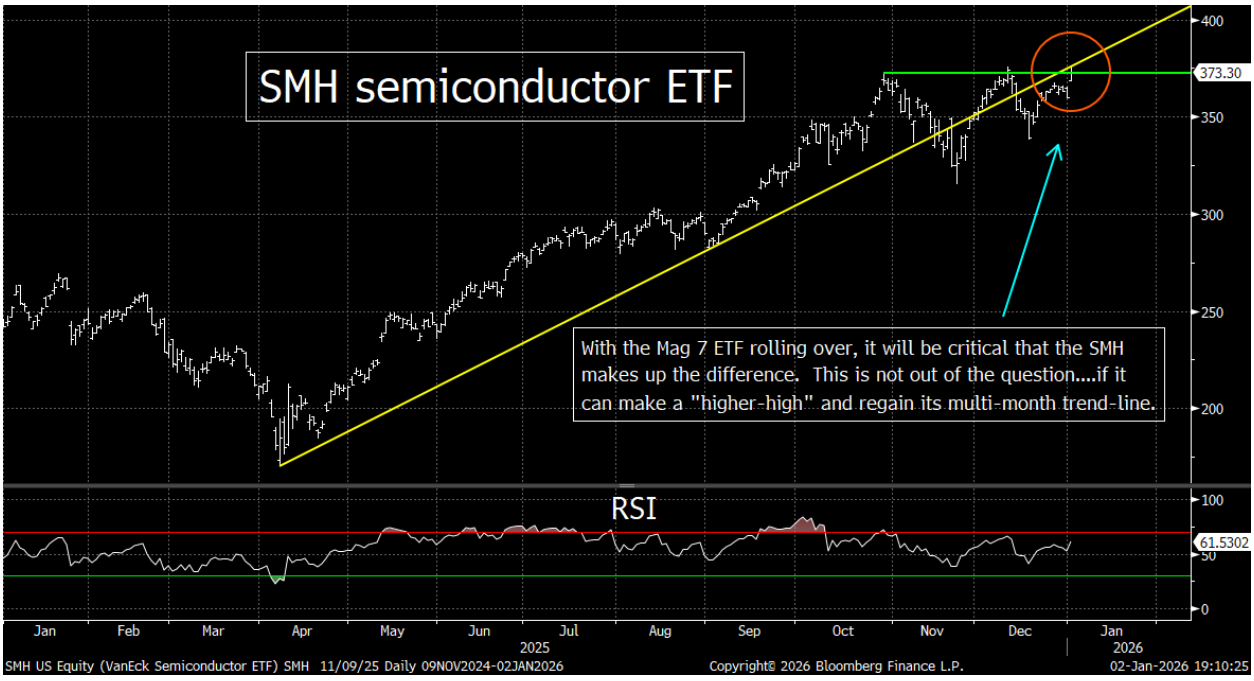
Let's move to the technical aspects of what is going on the tech sector as we move into the new year. On the bullish side of the ledger, we have some very positive action in the chip stocks. The SMH semiconductor ETF saw some weakness in mid-December, but it was able to bounce back very nicely in the second half of the month. This has the SMH testing its highs from both October and mid-December…AND its trend-line from last April. Therefore, if it can push higher as we move into January, it's going to be very bullish for this all-important leadership group. (First chart below.)

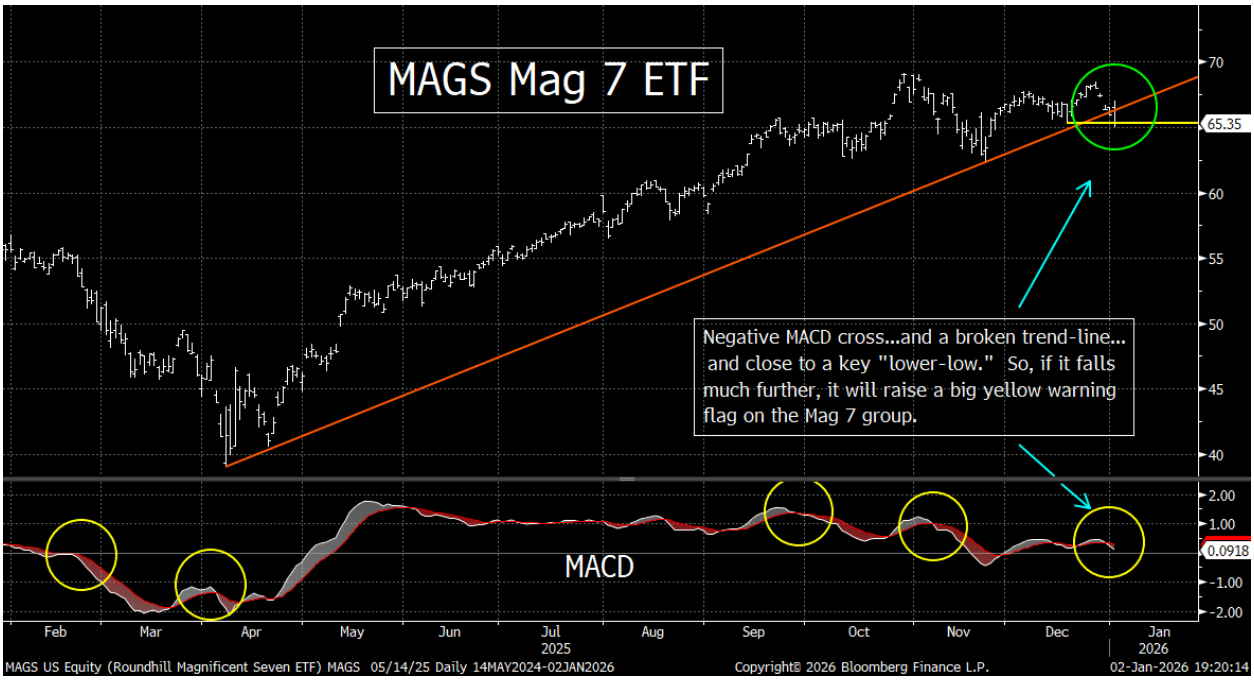
On the flip side, the broad XLK technology ETF…and the MAGS Mag 7 ETF…are not acting particularly well at all. The XLK has made two "lower-highs" since its October all-time highs. As for the MAGS it made a key "lower-high" around Christmas…and its decline of the last few trading days has

created some problems. It has taken it below its trend-line going all the way back to April…it gave it an "outside down" day on Friday…it also gave it a negative MACD cross…and it closed right on its December lows. **Thus, any further downside follow-through next week is going to raise some big warning flags on the AI intensive ETF!** (Second chart below.)

For the bulls, the fact that the chip stocks continue to act well is definitely something they can hang their hats on. The chip group has been an extremely important leadership group for decades (not just during the rise of AI). So, if it can see a more meaningful breakout, it should be something that helps the broad market in a material way as we start the new year. However, if it rolls back over…and especially if we see more weakness in the Mag 7 names…the situation could turn rather dicey, rather quickly.

In other words, there is little question that the tech sector…and thus the overall stock market…stands at a critical juncture. We believe that that the headwinds that are facing the AI industry after the huge run in their stocks will cause some real problems for the stock market at some point in the first half of this year. However, the timing of these problems is in question. So, we'll be watching the SMH and the MAGS ETF's very closely over the next week or two…to decipher which way things will go over the near-term.





---3) Geopolitics……It's interesting, we had planned on dealing with this issue early in this weekend's piece BEFORE the events of this weekend in Venezuela. In fact, what follows is what we wrote on Friday…with only very few adjustments…..We'll let the geopolitical experts tell us what kind of impact this will have in the political sphere going forward…and it will likely take time to figure out what kind of impact this might have on the global economy. However, we do want to highlight that it is our opinion that the situation with Venezuela has more to do with China than anything else (even more than the price of crude oil).

On the geopolitical front, there will be a lot of areas to focus on next year. The Russia/Ukraine War, the Middle East (including Iran once again), China/Taiwan, etc., will continue to be areas to keep an eye on. **However, we'll actually be focusing most of our attention on the situation with Venezuela…because there is a lot more here than just drug cartels and humanitarian issues with President Mauro.** This issue has more to do with the Monroe Doctrine…and issues like rare earth metals in South America…than we read or hear from the mainstream media today.

The Trump Administration is very much aware of China's goal of gaining influence in Central and South America. They have already clamped down on the Panama Canal…where the Hong Kong-based company CK Hutchison recently agreed to sell its interest in the operational aspects of the ports at each entrance of the canal to BlackRock.

When it comes to Venezuela, it's great that the US is talking about drug trafficking and human rights violations, but it's not a big stretch to think that there is an ulterior motive involved here. First, there is the issue of their oil industry. As much as the Administration wants the US energy industry to "drill baby drill," they are not going to (and they've said so publicly many times this year). So, there are some who believe that this is being done so that US can control the flow of crude oil out of Venezuela…and we understand why this thinking exits.

However, we believe there is a much bigger issue involved here……China has spent two decades extended tens of billions of dollars of loans, infrastructure investment, and energy-backed financing to Venezuela. **This has provided China with long-term access to oil supplies, influence over strategic assets, and political alignment with a government that is willing to challenge the US dominance in the Western Hemisphere.** In other words, we believe this move (like the peaceful move in Panama) is one which is part of the Administrations' goal of reinstating the Monroe Doctrine…and recapturing our influence in that region of the world (and keeping China from expanding its own influence).

To a lesser degree, it also helps the US in its goal of gaining more access to rare earth metals…..Of course, it's a misnomer that China has some sort of exclusive rights to rare earth metals. Yes, they have a lot of them, but the real issue is that they have the ability to process and refine these materials at scale. So, China DOES have an advantage in this regard. That said, there are plenty of places around the global where copious levels of rare earth metals exist…including in some parts of the US. So, it's not like China has anything close to a monopoly on these commodities.

On top of what we have in the US, the Trump Administration has worked hard to gain access to other areas of the world where there "rare earths" are

plentiful. As much as some people believe that Trump is crazy for talking about brining Greenland into the US fold, it's the abundant rare earth metals in Greenland that he is after. Also, they have signed a comprehensive critical minerals and rare earth supply agreement with Australia. Australia has an abundance of these materials…and this agreement is definitely aimed at becoming less reliant on China for them

Okay, we don't want to overstate this part of the issue. Although Brazil does hold the largest, rare-earth potential, South America is not as important as other regions around the globe (like China, Australia, parts of Africa) when it comes to rare earths. **So, we don't mean to portray the situation as one where the RRE's of South America are one of the primary reasons for why the US is making its moves on Venezuela.** However, we did want to include this issue so that we can all better understand what is going on in the overall geopolitical landscape.

What does this all mean for the markets? Well, we'll have to see. Last year, we were spot-on when it came to our belief that the real goal for Isreal was to takeout Iran's nuclear capabilities. That said, we were wrong when it came to our opinion that this should be something that would disrupt the oil markets. However, this weekend's developments could/should have some important implications for the markets (especially the oil market) over time. Therefore, this is something we should all be monitoring in the weeks and month ahead.

We just think that people should be thinking about how China will react to these developments…because THAT is where this geopolitical situation could become a much bigger one as we move through 2026 and beyond.

---4) Earnings growth got a lot of the credit for last year's rally. It certainly deserves some of the credit, but since they turned out to be no better than what the consensus was looking for last year, it raises questions as to why the stock market rallied a lot more than the consensus was saying at the beginning of the year. Either way, the market remains

expensive…and although valuations are an absolutely horrible timing tool, history tells us that it's never "different this time."

Earnings growth in 2025 was a very nice 11.5% ($275.66 vs. $246.91in 2024.) So, on its face, it looks quite good…and thus we understand why many pundits point to it as the reason for the continued rally in the stock market last year. The only problem is that those 2025 earnings were less than 1% better than the consensus was looking for at the beginning of last year. Yes, earnings estimates DID increase by 4.4% from where they stood on Memorial Day, but that's only because they fell by well over 3% over the first five months of the year!

As those earnings fell over the first few months of the year, the stock market did see a decline. However, by the time we got to Memorial Day, the stock market stood almost exactly where it did at the beginning of the year. Since then, the stock market has rallied 18%…so it's hard to call the 18% rally an earnings-driven one…given that earnings estimates merely moved back where they were at the beginning of the year. Since the stock market is forward looking, we would have seen a much higher level of earnings improvement in 2025 if the rally was actually earnings driven.

We do admit that the stock market has merely gone from 21.5x forward earnings at the very beginning of 2025….to 22.3x forward earnings at the beginning of this year. Therefore, one could argue that 2025's advance was not just "multiple expansion"…but that assumes that the estimates for next year are accurate. (Were investors looking for a 51% decline in earnings growth at the beginning of 2001…a 21% decline at the beginning of 2007…a 33% drop in early 2020…or an 18% decline in January of 2018??? Of course not.)

However, what our real point is that we are very concerned about the growing narrative around Wall Street which says that today's extreme valuation levels have become the new "fair value." This is something we heard in 1987…in 1999…in 2007…in 2018…in early 2020…and in late 2021. Every single time, that turned out to be dead wrong. In every single case, the market declined from over 20x earnings to at least 16x forward earnings (and sometimes much lower than that). Yes, valuation is a LOUSY timing tool…and the market can

stay irrational longer than the bears can stay solvent. That said, to assume that more than 20x earnings, more than 3x sales, and more than 5x book value is the new normal…is expecting the situation to be different this time. That has not been a good assumption to make over the decades.

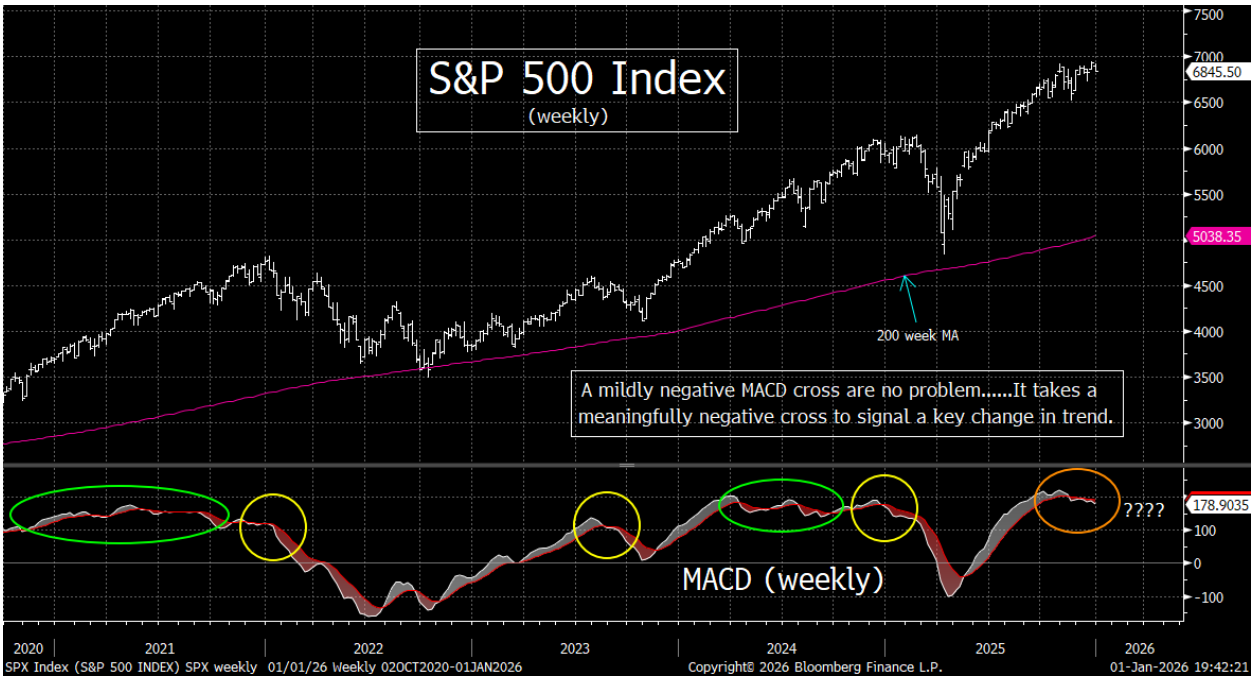
---5) The charts of the major indices still stand at very important levels. We're going to look at both the daily and weekly charts of the S&P 500, the NDX Nasdaq 100, and the Russell 2000. The daily charts show that these indices could break in either direction over the short-term. However, the longer-term charts do not look quite as bullish. Let's take a look:

The short-term (daily) charts on the S&P 500, the NDX 100, and the Russell 2000…don't look much different than they did two weeks ago. They show that there hasn't been much movement recently…and so whichever way they breakout of their recent sideways ranges could/should be quite important……We do have to say, however, that the weekly charts on each are showing some cracks. Therefore, if we see any weakness next week, it's going to raise some concerns about the near-term potential for the stock market.

As always, we'll start with the charts on the S&P 500 Index. The daily chart shows that the SPX has been in range for most of the past three months. The range has been a relatively wide one, BUT that range tightened up during December…sticking between the 50-DMA to the downside…and its highs from October to the upside. It did break both of those levels for one day in December, but it moved right back into that range before very quickly. Thus, the resistance level to watch is the old high of 6,930…with support at the 50-DMA of 6,805, followed by the bottom of the range at 6,540. Any meaningful break of those levels will be compelling on a technical basis.

On the weekly chart, we're going to be watching the weekly MACD chart in particular. It's going to be particularly important to see if its recent mildly negative MACD cross becomes a more significant cross. Over the past few years, minor negative crosses have not signaled any material advance. In

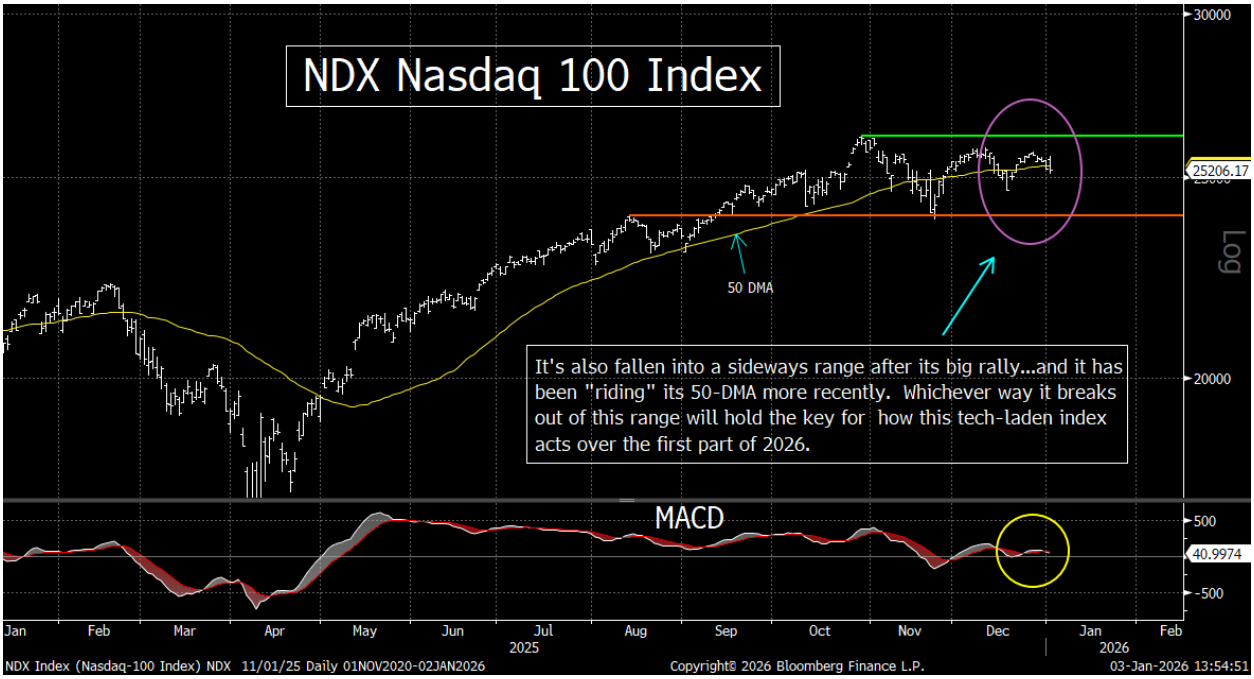
fact, the SPX has been able to reverse it quickly…and return to its upside momentum very quickly. However, whenever the negative MACD cross has become a material one, it has indeed signaled a change in trend…and been followed by a measurable drop in the stock market.

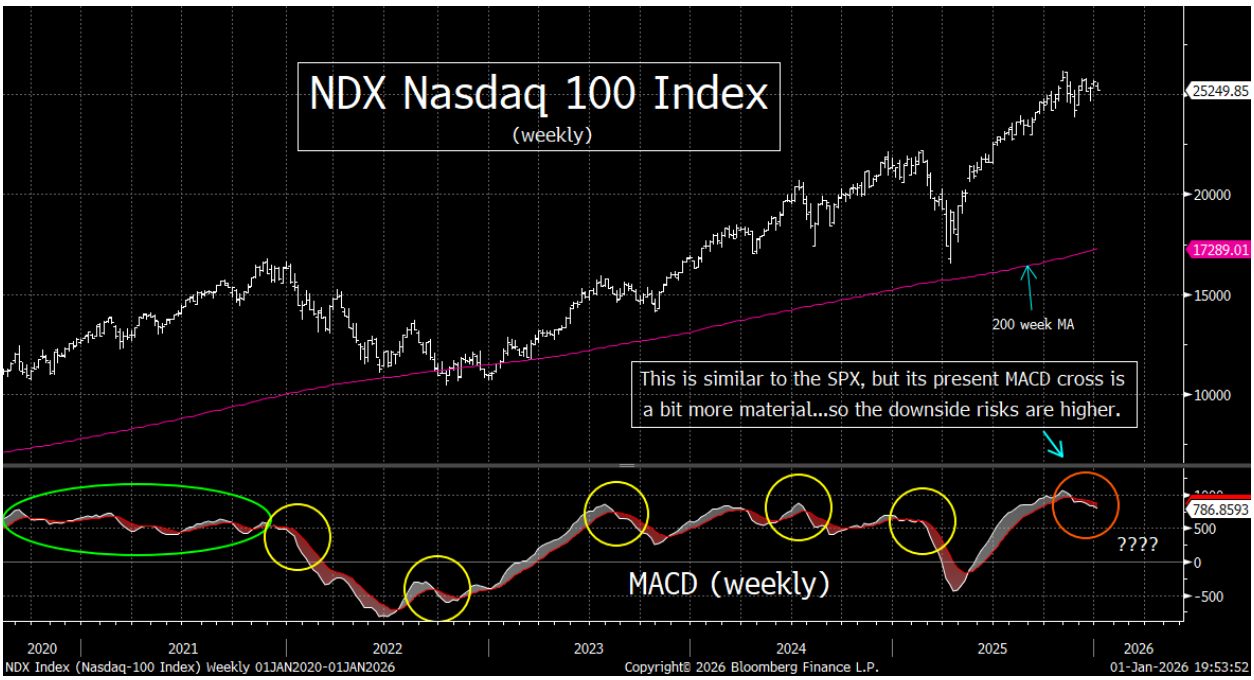


When it comes to the NDX Nasdaq 100 Index, it has not acted as well as the SPX recently. It did not even retest its October all-time highs (much less make a new record). That said, the NDX is still in the upper half of its three-month sideways range. So, even though it has lost some measurable upside momentum, it has not rolled over enough to send up any warning flags. In fact, the bias is still to the upside. Thus, we'll have to continue to watch the boundaries of this multi-month range going forward. The top of that range is 26,200 (635 on QQQ)...and the bottom of the range is 24,000 (583 on QQQ).

(Not shown on the first chart below is that the NDX has also formed a "symmetrical triangle"...so this shows a lot of indecision from investors. The direction of the breakout of that pattern will also be compelling, but the above-mentioned levels will be the more important ones to watch as we move through January.)

On the weekly chart on the NDX, the situation in similar...in that it took the negative MACD cross to become a meaningful one before it signaled a change in trend. Otherwise, this tech laden index was able to bounce back very quickly...and resume its advance. However, there IS one difference in the NDX. It's negative MACD cross is a bit more compelling than the one for the SPX. Therefore, it won't take much more downside follow-through to raise a warning flag on this key index.....**No, meaningful declines usually don't begin at the very beginning of a year, BUT that is exactly what took place in 2022, so it's not out of the question.** (Second chart below.)



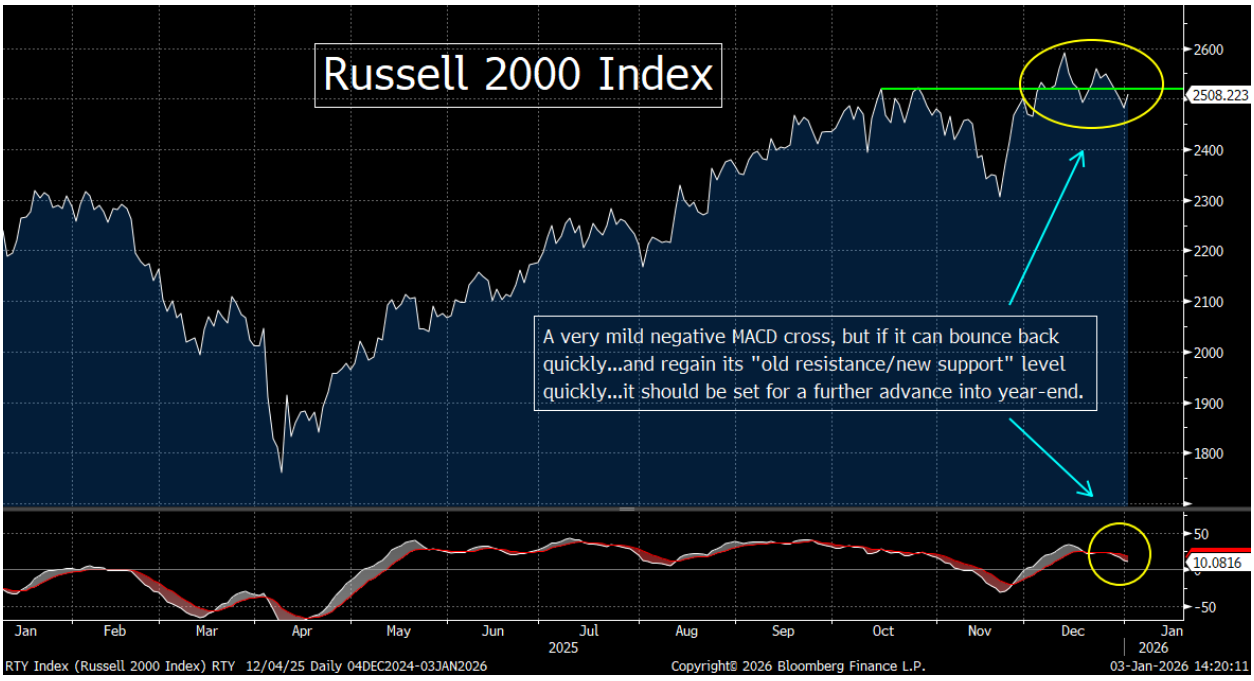


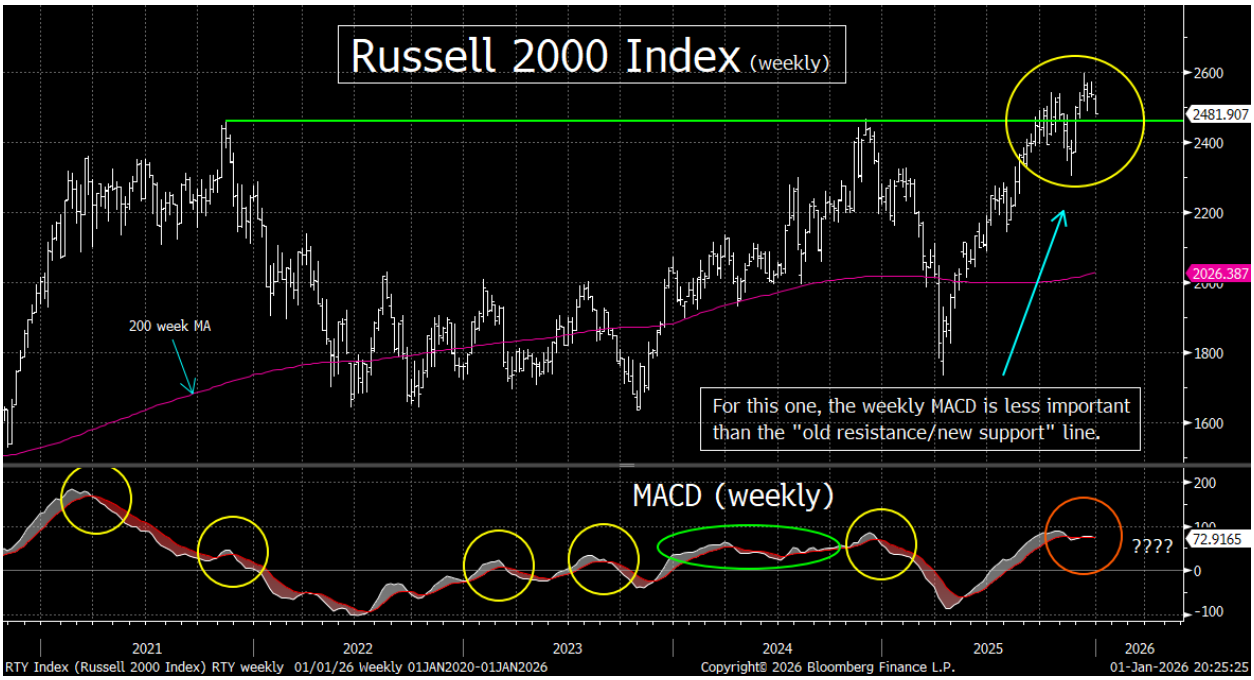
As for the Russell 2000 small-cap stock Index, there isn't much change from two weeks ago on the daily chart for this one either. It has pulled back below its "old resistance" level (the all-time highs from October), but it has only done so in a very mild way. Thus, it's still standing a key juncture for this small-cap index. Whichever way it breaks from this "old resistance/new support level" will be very important. However, we do need to point out that it

has made a mildly negative MACD cross. **So, right now, it's looking a big dicey. Having said this, we're going to have to see a meaningful break of that line (just above 2500) before we can draw any definitive conclusions.** (First chart below.)

For the weekly chart on the Russell, the situation with the weekly MACD chart is also very similar to that of the SPX and NDX. HOWEVER, we believe that the more important issue here will be whether it can hold above its critical "old resistance" line from earlier in the year. (This line is a bit below the October highs. It's the high from both 2021 and late-2024).....If it can hold that line...and break above its late-2025 record high...it will be VERY bullish. If, however, it rolls back over and breaks that "old support/new resistance" line...especially if it breaks below its November lows...it will be quite bearish.

<u>As much as the weekly charts on these three averages are showing some cracks, the line of least resistance is still with the bulls</u>. It's just that the upside momentum has faded in recent weeks, so this is definitely worth noting.....<u>How the market acts over the first few weeks of the year tends to get too much attention in most years. However, this time around...given the "pauses" all of these indices have seen recently...the next meaningful moves could indeed be quite important this year.</u>





---6) Wow, re-reading the first five points of this weekend's piece...and you'd think that we were headed for a disastrous year in the markets! Given the level of bullishness around the Street at the end of the year...and the level of complacency...we DO think that there are greater risks than the consensus is looking for right now. HOWEVER, there are PLENTY of reasons to believe that the market will see yet another strong year in 2026.

We have spent the first five points in this weekend's piece highlighting several items which belong on the bearish side of the bull/bear ledger. Given that today's market can be called a momentum-based one...and given that it has rallied very strongly for over three years now...it would be a huge mistake to assume that 2026 will be a rough one. Yes, there are some concerning items which everybody should consider as we move into the new year, but the bulls are still fully in charge of today's stock market right now.

As we enter 2026, the outlook for U.S. equities remains compelling, supported by a combination of solid economic fundamentals, robust corporate earnings growth, continued policy support, and resilient

consumer demand. While risks persist…(as we highlighted in our earlier comments this weekend)…the convergence of multiple positive drivers argues for a fundamentally bullish case for the stock market in the year ahead.

Let's face it, most leading economic forecasts project *moderate but positive* U.S. GDP growth in 2026, generally in the 1.8–2.2% range…keeping the economy expanding without tipping into recession. Analysts attribute this to a continuation of resilient consumption, capital investment (particularly in technology), and stable labor markets. Consumer spending…which accounts for roughly two-thirds of U.S. GDP…has remained firm, supported by job gains, wage growth, and elevated household net worth. **This macro backdrop provides a steady foundation for corporate revenue growth and earnings expansion.**

Corporate profits are expected to be a key engine of stock market performance in 2026 by most pundits. Consensus forecasts suggest that the S&P 500 earnings will grow by 14%-15%…following a strong earnings run in 2025……..**Thus, even though we believe this is not enough to justify a further rally in the market…given today's high valuations…the expectation this year is that the growth will be more broad-based across sectors…rather than limited to a few mega-cap technology names.** This, in turn, would imply healthier breadth in the market. Eight of the 11 S&P 500 sectors are anticipated to report higher earnings growth rates in 2026 versus 2025…and this could underpin more widespread corporate strength.

On top of this, **fiscal policy in the U.S. is expected to play a stimulative role in 2026.** Tax cuts, enhanced refunds, and targeted government spending initiatives are projected to support consumer and business outlays. This stimulus can bolster economic activity and help cushion any deceleration…effectively feeding into corporate top-line growth. **The timing of these measures, front-loaded before the 2026 mid-terms, adds near-term momentum to the economy and helps sustain investor optimism.**

We would also note that although the consumer remains quite stressed at the mid and lower end of the spectrum, the U.S. consumer remains a surprisingly resilient pillar of the economic landscape….After weathering periods of higher inflation, spending has persisted close to historic

norms.....If (repeat, IF) the consumer can remain resilient, it would not only buoy GDP growth, but it would also supports corporate earnings across consumer-facing sectors.

Finally, while the Federal Reserve is no longer involved in their previous large-scale quantitative easing (QE) programs, **recent announcement which says the Fed will be involved in a "QE Lite" program...could provide the kind of liquidity which would keep financial conditions accommodative relative to tightening elsewhere.** When combined with expected rate cuts in 2026...these looser monetary conditions could create a favorable backdrop for the stock market this year.

Taken together, the combination of steady economic growth, robust earnings prospects, supportive fiscal policy, accommodative monetary conditions, and a resilient consumer...creates a fertile environment for stock market gains in 2026.....There is little question that we remain skeptical that the market can continue to ignore the plethora of headwinds it is facing today. However, there are certainly some prevailing indicators that point toward a continued rally in the stock market...if the level of liquidity in the system can continue to offset these headwinds.

---7) Our calls in the precious metals this year have been exceptional. Gold is now showing signs that it will engage in another very strong rally-leg in its multi-year bull market. However, other metals and other commodities continue to act well also. We still believe that "hard assets" will outperform financial assets in the coming years. If the Bloomberg Commodity Index confirms its recent important breakout, this year's outperformance will come sooner rather than later.

One of the key themes that we have been driving home for many weeks now...is our belief that "hard assets" should do very well over the next year (and likely over the next several years). We had been bullish on gold for several years (although we did backoff from that stance on a short-term basis several times when the yellow metal got overbought). This has worked

out extremely well…and we believe that the recent breakout in gold is signaling another strong rally in the bull market for this precious metal.

In June, we shifted our focus to silver in the precious metal arena…saying it would outperform gold over the rest of the year. Well, this has worked out EXTREMELY well. Silver had doubled since then…and outperformed the 32% rally in gold since June…and thus our bullish stance on the precious metals has been quite prescient. We still believe that silver will outperform gold going forward, but we remain very bullish on both of these precious metals (and on palladium as well).

More importantly, we think that the recent breakout move in gold will be followed by a strong rally in the first quarter. Of course, it won't come in a straight line…and we could see a pullback at any time. However, the last several times gold has broken to a new high, it has signaled a new leg to the rally…which has lasted for many, many weeks……After an initial breakout move, the yellow metal became VERY overbought on its RSI chart. Well, it has worked off that condition over the past week or so…and is now resting that breakout level. **If it can successfully bounce off that level (near $4,300)…push back above its late-December high (of $4,500), it will confirm that another breakout move for gold has commenced.** (First chart below.)

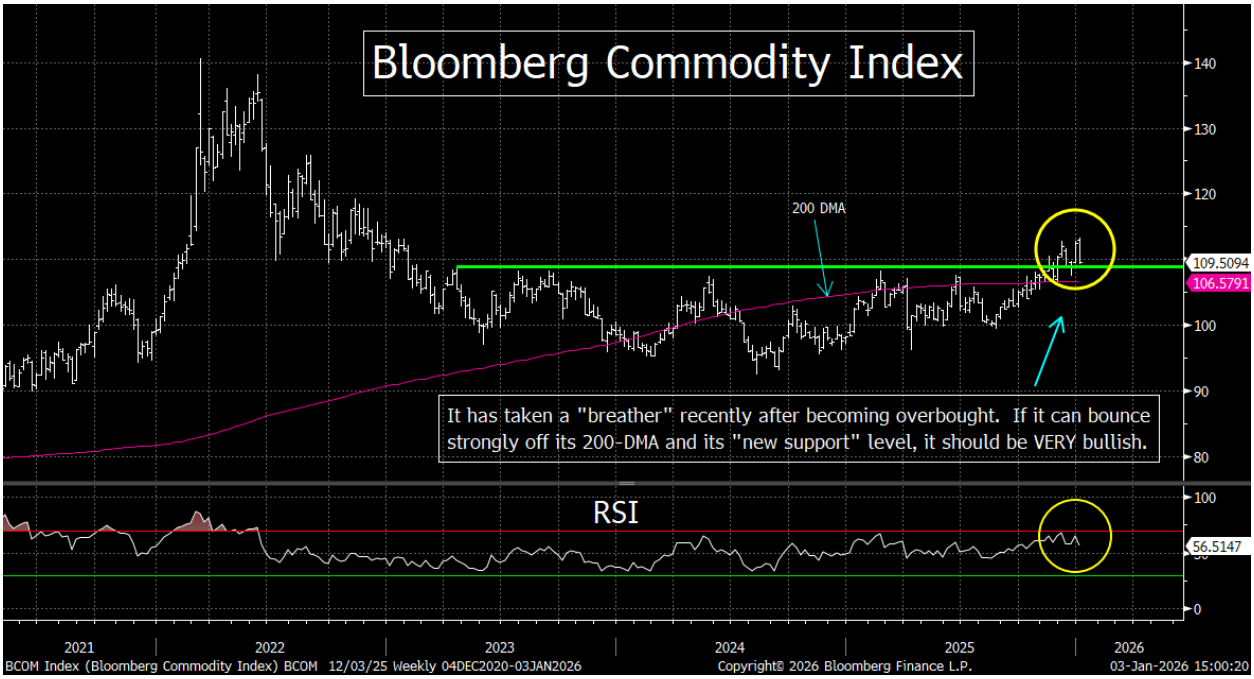
However, this bullish stance on commodities is not isolated to the precious metals…by any means. We have been bullish on copper…and we also look for other commodities (like the agricultural commodities) to surprise investors to the upside in 2026 as well…..We also believe that crude oil could surprise people next year…and thus the energy stocks could be one of the biggest surprises in the stock market next year. We'll talk more about the energy stocks in the next point, but we want to highlight the chart on the Bloomberg Commodity Index for you once again this weekend.

The Bloomberg Commodity Index broke above its 200-DMA recently, BUT it also broke above a much more important line. It broke above its highs from 2023, 2024, and 2025 in December as well! Yes, it did pullback to that line more recently (after becoming overbought). **However, if it can hold this very important "old resistance/new support" level…and bounce above its**

December highs, it's going to confirm a critical breakout move for this asset class! (Second chart below.)

Our bullishness on hard assets does have to do with our concerns surrounding inflation, BUT it has much more to do with the issues which we discussed in point #1. The fact that budget deficits are finally having an impact on bond markets around the world…especially short-term yields.

However, to a certain degree, it has to do with the problems we have seen in the short-term credit markets here in the US as well…with the problems in the repo market a few months back…and even the T-bill market more recently. (The reasons the Fed is using to engage in "QE Lite" are not entirely what they're declaring publicly.) Besides, as we highlighted above, the "currency debasement" issue is not as benign as it might initially sound. Therefore, hard assets…even those away from gold…should do well going forward.



---7a) Before we end this discussion, we want to touch on Bitcoin and the cryptocurrency market as well.....Even though Bitcoin if often described as "digital gold" and a store of value...many people do not consider it a hard asset...and others do not consider it a "flight to safety" play either. However, it is something that investors frequently group together with gold and other commodities**, so we'll us this "7a" bullet point to discuss the technical picture for Bitcoin as we see it moving into 2026.**

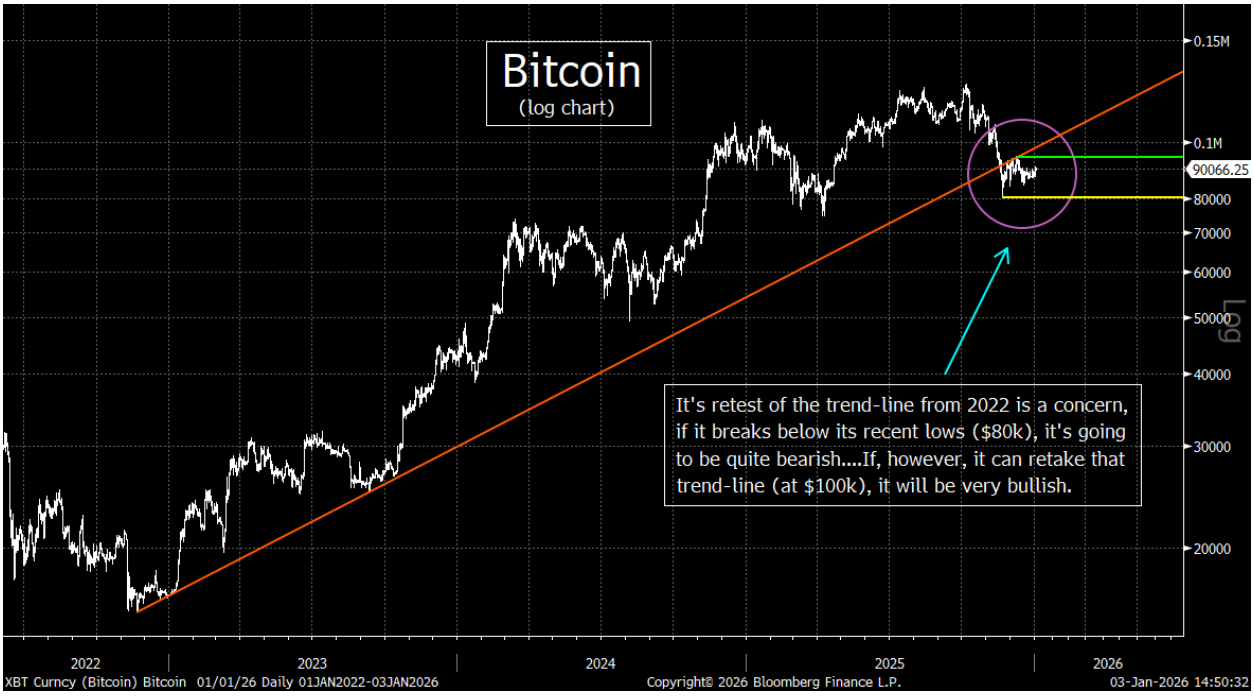
Bitcoin has been trading in a very tight range recently. This has taken a lot of attention away from the crypto market recently (especially with the parabolic moves in some of the precious metals). Bitcoin dropped about 30%...from its October highs until Thanksgiving...and as we just said, it has been stuck in a sideways range for the past month or so. This is not the worst development in the world. **We have seen many examples of how Bitcoin has seen a sharp decline...followed by a multi-month sideways move...which was then followed by a renewed rally to new highs. Thus, there are plenty of reasons to think that Bitcoin will regain its luster before long.**

However, we also have to point out that in September of 2019 and May of 2022, this "sideways range" that developed after a steep decline...was followed by a DOWNSIDE breakout of that range. **In other words, even**

though there have been more examples of upside breakouts in recent years, a downside resolution HAS taken place a couple of times. Therefore, we'll be watching the action in Bitcoin closely as we move through Q1 of this year.

To be a little more specific, we'll highlight that the recent drop in Bitcoin has taken it below its trend-line from 2022. It first bounced RIGHT UP to that trend-line again…but failed at that level. Therefore, if the failure to regain its trend-line is followed by a "lower-low" (below $80k), it's going to signal that we're more likely going to see a bearish resolution to today's sideways range. However, if it can push higher…and break above $100k,…would give it a "higher-high" AND take it above that trend-line again…which would be very bullish.

Again, it might take several weeks before we find out which way this situation is going to break. In fact, it could take over a month (or even two). However, whichever way it breaks, it should be important for other assets as well…given how Bitcoin has been a great indicator of the level of net liquidity in the system at any given time……**Most people are assuming that liquidity will remain plentiful, but that does not mean they are correct. Therefore, there are several reasons to keep a close eye on this asset class going forward.**



---8) The energy sector is extremely under-owned and over-hated. So, it is ripe for a surprising period of outperformance this year. However, with the developments in Venezuela this weekend, we're going to have to continue to keep our powder dry on this sector for now. However, we do have the levels on the energy stock ETFs...which, if they are broken...will lead us to turn bullish very quickly.

There has been a lot of talk about how 2025 was a very bad year for crude oil. (Of course, that has made it a good year for consumers and others who feed on this commodity...like businesses.) WTI crude oil declined by almost 20% in 2025...its steepest drop since 2020...and the outlook is not particularly good for 2026. Even though OPEC+ is expected to pull back on the output increases we saw last year, there are still supply glut concerns...especially if the Russia/Ukraine peace talks finally get some real traction. In fact, a recent Dallas Fed survey showed that almost half of oil executives in the US have lowered their outlook for 2026.

HOWEVER, it's interesting to note that the energy stocks have not fared anywhere near as poorly as their underlying commodity. Yes, they

underperformed the stock market in a substantial manner in 2025. However, the XOP oil and gas E&P ETF dropped less than 5% (vs. that 20% drop in WTI)…and the XLE energy stock ETF actually gained more than 4% last year……Of course, this is not something that energy investors are bragging about, BUT it IS something that tells us something about what could/should take place next year.

On top of this, the energy sector is extremely under-owned…and the sector has fallen to just 2.9% of the S&P 500 index (down from 5.2% in 2022). As for crude oil, we want to point out that the positioning for crude oil is quite bullish for the commodity as we move into the new year. **Looking at the Commitment of Traders data (COT data), it shows that the smart money (commercials)…who are actually IN the energy business…have their largest long positions in over a decade.** The last half dozen times that they became as extreme as they are now, it has been followed by rallies of 21% to 90%! (We'd also note that the dumb money speculators (the "specs"), have the largest short positions in over a decade…Second chart below.)…….**Therefore, it is not out of the question that we could get a very surprising rally in crude oil at some point in the coming months.**

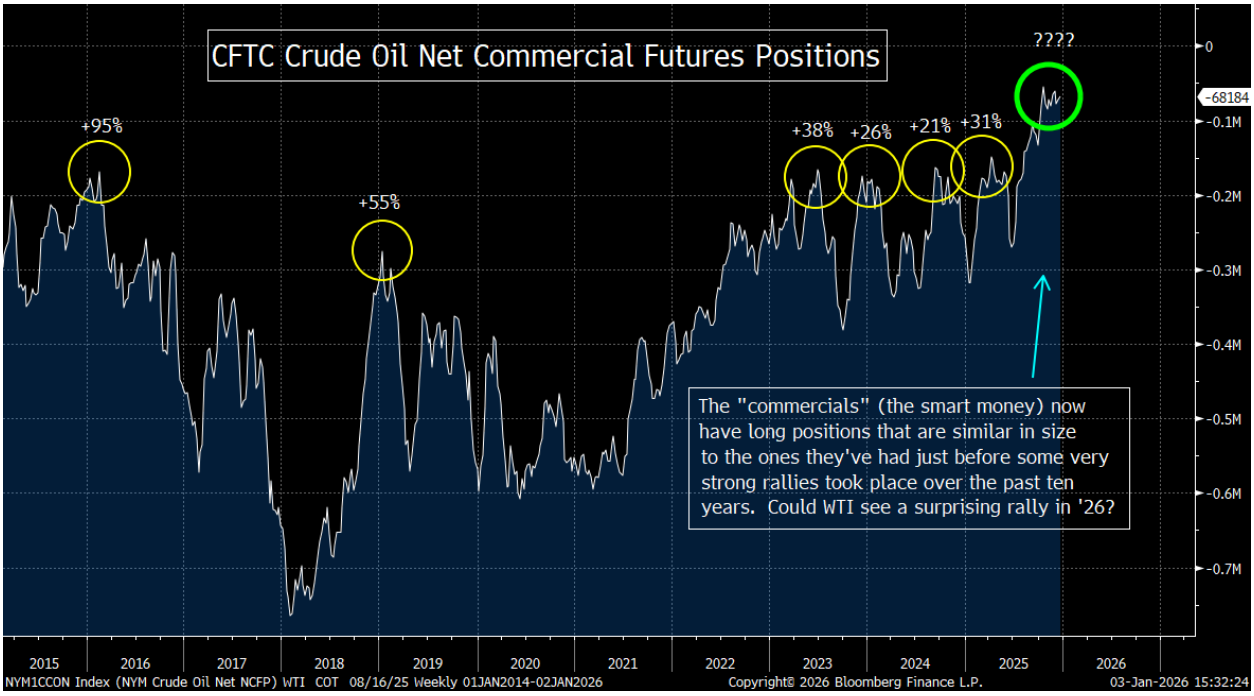
HAVING SAID ALL this, the developments in Venezuela could throw a wrench into the works of our bullish stance. Actually, the initial response by the Street has been to question whether these developments will shrink the global supply of crude oil. However, since Venezuela's oil infrastructure was not attacked, the global oil market will likely be able to absorb this geopolitical shock…especially since the country produces only about 800 barrels of oil per day.

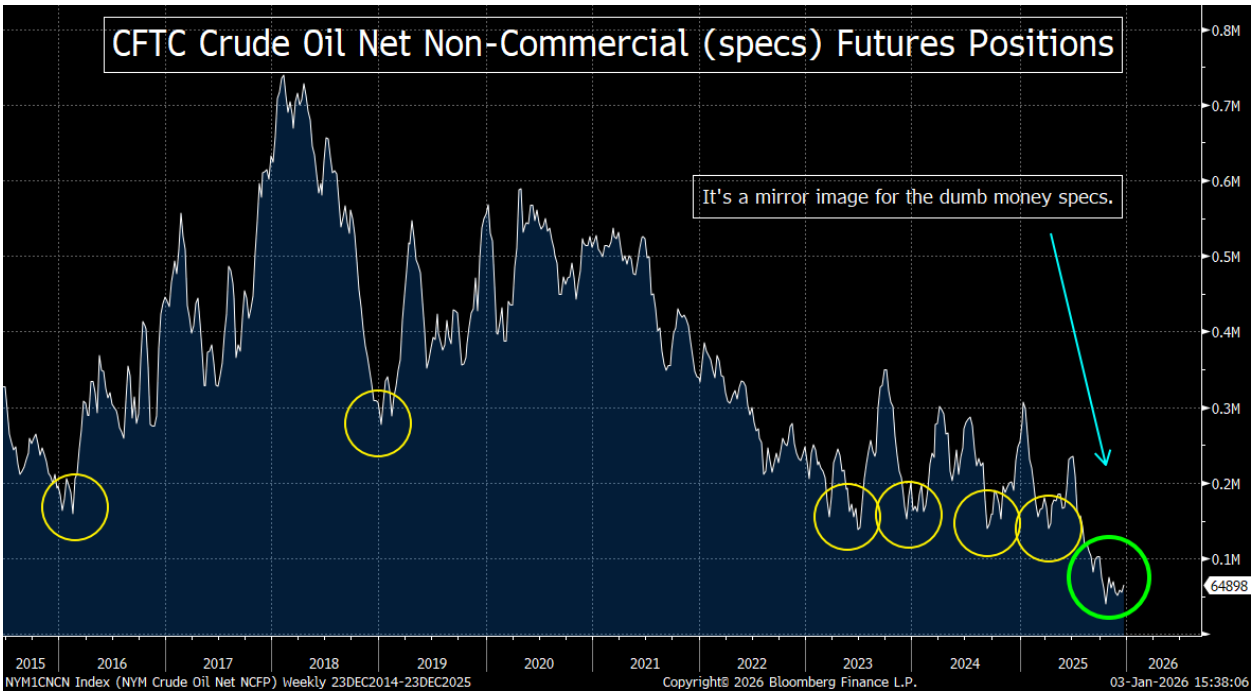
On the flip side, we actually have to consider that this situation could produce MORE supply at some point in the future. The fact that President Trump is saying that the US will be strongly involved in the Venezuela oil industry…and his "drill baby drill" manta…the supply of crude oil could actually rise at some point in the coming months. (Wouldn't it be convenient if this takes place in the second half of the year…with the midterm elections coming.)

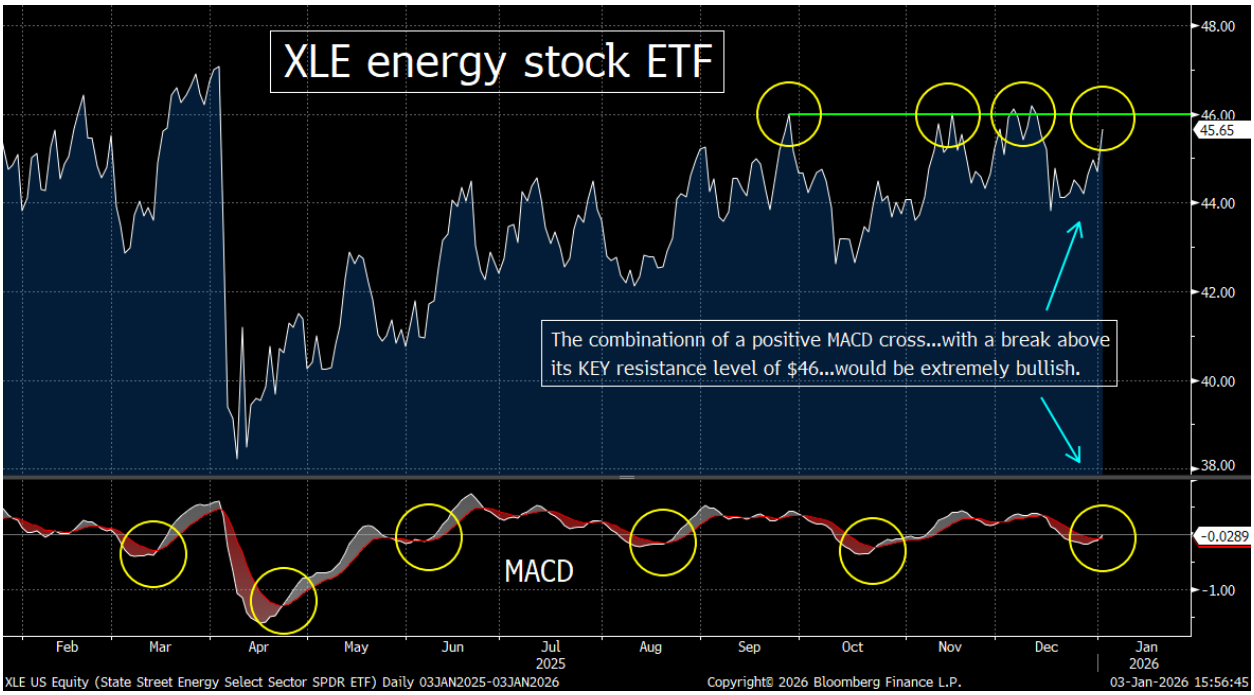
Thus, we're going to have to be careful how we play this situation. We have been talking about the potential for the energy sector for a few months,

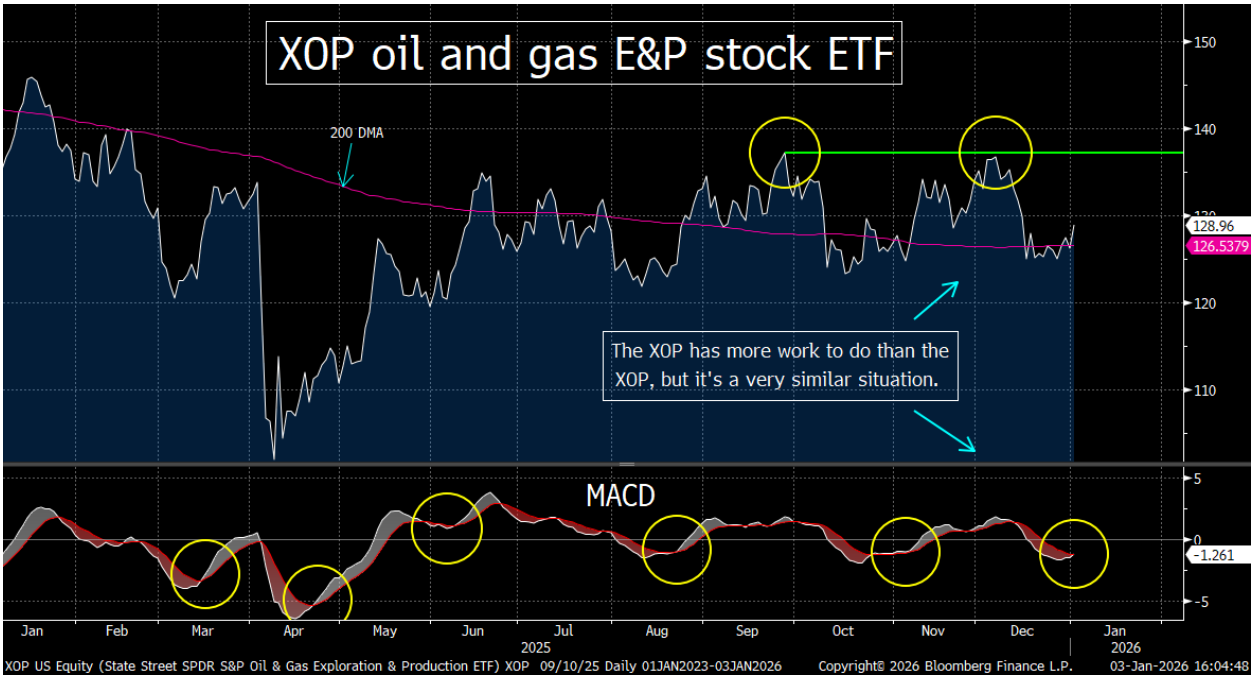
BUT we have also held back from pounding the table on the group…because we have been waiting for these two ETFs to breakout above their key resistance levels before we actually raise a big green flag on this sector. This has worked well for us…and we will continue to stick with this plan.

In other words, until we see the XLE and XOP break above their key resistance levels (shown on the third and fourth charts below)….we'll keep our powder relatively dry on the energy sector for now. That said, whenever a sector becomes over-hated and under-owned, it becomes quite ripe for a surprising rally. So, this is something we will not ignore over the coming weeks and months.




CFTC Crude Oil Net Non-Commercial (specs) Futures Positions
It's a mirror image for the dumb money specs.
0.8M
0.7M
0.6M
0.5M
0.4M
0.3M
0.2M
0.1M
64898
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
NYM1CNCN Index (NYM Crude Oil Net NCFP) Weekly 23DEC2014-23DEC2025
Copyright© 2026 Bloomberg Finance L.P.
03-Jan-2026 15:38:06


XLE energy stock ETF
48.00
46.00
45.65
44.00
42.00
40.00
38.00
The combinationn of a positive MACD cross...with a break above its KEY resistance level of $46...would be extremely bullish.
MACD
-0.0289
-1.00
Feb
Mar
Apr
May
Jun
Jul
2025
Aug
Sep
Oct
Nov
Dec
Jan
2026
XLE US Equity (State Street Energy Select Sector SPDR ETF) Daily 03JAN2025-03JAN2026
Copyright© 2026 Bloomberg Finance L.P.
03-Jan-2026 15:56:45



---9) Potpourri……We have put together some very quick thoughts on several other issues again this weekend. Some of bullet points have to do with the markets…while others have absolutely nothing to do with them. We hope you find them either interesting, thought provoking, or simply just fun.

---**Things that make us go hmmmmmmm:** $74 billion was borrowed from the Fed's Standing Repo Facility on Wednesday…and less that half of it was backed by Treasuries……Seasonal???...Temporary???.....Actually, this makes us go more than just, "hmmmmmmmm".

---Despite all of the efforts of the refs in the Sugar Bowl to prevent it, Old Miss was able to beat Georgia…and moved onto the semi-finals of the NCAA Football Tournament. (The missed "face mask" call was egregious.).....It's too bad that the announcers don't have more freedom to be critical of the refs in the college game.

---When this bubble eventually bursts, the rise of the "predictive markets" will be at the top of the list for "obvious signals that we should have all seen in advance."

---The Capital One Commercials are good. However, the newest one…over the holidays…with John Travolta and "Greased Lightning" was the best yet……..The Dr Pepper commercials during the college football games are losing their luster, however. The concept is still good, but the writing has dropped off. (We need more of the Boz!)

---We remember a time when the experts would have declared that the Fed easing in a strong economy was irresponsible. Now, we many are saying it's a reason to be bullish……..Scary.

---We have been bullish on the biotech group for some time now. However, it's getting quite overbought on its RSI…at the same time it is testing its 2021 all-time highs. (Its weekly RSI is also curling over.) So, it seems to be poised for a near-term pullback…before it takes a run at breaking those old highs in a significant way.

---10) Summary of our current stance……<u>There is little question in our minds that 2026 is going to be a fascinating year for the markets</u>. The stock market stands at a very expensive level…with an economic outlook and earnings outlook which are solid…but not strong enough to support these

extended levels for the overall market……More importantly, WE HAVE A BOND MARKET WHICH COULD/SHOULD SEE ONE OF ITS MOST INTRIGUING YEARS OF ALL TIME…with short-term rates looking lower, BUT longer-term rates facing global budget issues which could create the kind of tighter conditions that nobody is looking for right now.

These global budget problems are finally having an impact on the markets…after decades of the markets ignoring them. It won't take much more of an impact on the markets…than the small one it has had this year…for it to impact the currency markets (and maybe even raise some question about fiat currencies). That, in turn, should have an even further impact on the precious metals and other hard assets……We also note that the crypto market has been stuck in a sideways range for a few months now. So, when it breaks out of that range in one direction or the other…it should be followed by a substantial move in the direction of that break……..**With all of this in mind, it could indeed be an extremely fascinating year (and maybe even an historic one) in the marketplace.**

The bulls definitely have many things going for them. Even though the expectations for the level of earnings growth is not strong enough to create a lot more upside movement in stocks, it's still strong. So, it's still the kind of growth that can give investors confidence. (The same is true for economic growth.)……The Fed is likely to cut short-term rates even though the economy is growing at a solid rate. Since, "don't fight the Fed" has worked very well over the years, this is something that also stands on the bullish side of the ledger as well.

We will also get more fiscal stimulus next this year…and when you combine this with the Fed's "QE Lite" program, this is something that should help the liquidity equation for the system. **(THIS is the best thing the markets have going for them. Expensive markets NEED excess liquidity!)** So, the irrational exuberance that exists today could certainly last for a while longer…maybe even quite a while longer.

As for the bears, there are several items they can point to as reason why it will be a rough year for the markets. First, it has become very evident that the AI industry is not going to be as profitable…as strongly or as quickly…as the

market has been pricing-in for some time now. It's great to say that investors will simply rotate into other areas, but history tells us that when a crowded trade comes back to reality, it has a negative impact on the entire market…because of the weighting that has developed in that "crowded trade."

Of course, the other big issue if the valuation issue. Valuations can stay very elevated for a very long time, but they have ALWAYS fallen back to earth eventually…and that "eventually" could be this year. This will be especially true if a rise in long-term yields provides the "tightening" in the system that nobody is looking for right now.

On top of this, we could also get some sort of negative UFO (UnForeseen Occurrence) which could disrupt everything. Given the plethora of known geopolitical fires which could boil over in 2026, that UFO might not be all that unforeseen…but there is always also something that could come out of nowhere……..**That said, our biggest concerns surround the fact that the two KEY pillars that have been able to hold up the market despite the fact that it's very, very expensive…the assumption that the AI industry will be exceptionally profitable soon, and the assumption that long-term interest will come down significantly…have come into question over the past month or two.**

Then again, there are people who believe that it IS different this time. They believe that the fair value for the stock market had moved to a much higher valuation level. They believe that since the market has been able to ignore most of the issues that would have normally created headwinds in the past, it means that we should continue to ignore them going forward. They believe that since earnings are good and the economy is growing, it does not matter that the market has become extremely expensive.

They also believe that since budget deficits have not been a problem for many decades, they're still nothing to worry about. They are not worried about the possibility that higher long-term rates or the possible end of the yen carry trade will create any problems either. **In other words, they do still believe that this bull market is still being driven solely by the fundamentals…despite the evidence to the contrary. They do not believe**

that 15+ years of easy credit has created any material debt problems…….They could be correct, but since we've seen so many similar situations to this one…and it turned out it was NOT "different this time"…we worry that this year could be a very disruptive one for investors before it is over.

This does not mean that things will become disruptive in January. However, every time the stock market gets THIS concentrated…and THIS expensive….it is always followed by a rough patch for investors……**The market is not always right…it's only "always right" eventually.**

Matthew J. Maley
Chief Market Strategist
Miller Tabak + Co., LLC
Founder, The Maley Report
TheMaleyReport.com
275 Grove St. Suite 2-400
Newton, MA 02466
508-254-9169
mmaley@millertabak.com