MILLER TABAK + CO., LLC

Morning Comment

Friday, December 12, 2025

"No Mr. Bond, I Expect You to Die."

- **We saw some nice rotation I the stock market yesterday, but we're still going to have to see the tech stock advance if there is going to be a nice Santa Claus rally this year.**

- **"No Mr. Bond, I expect you to die."……Of course, that's from "Goldfinger"…and gold is on the cusp of another big breakout move.**

The S&P 500 was able to fight off an early morning decline and rally back to finish the day slightly in positive territory. Although the gain was only a very mild one, it still enabled the index to finish at a new all-time high. The same was true for the DJIA and the Russell 2000 (both of which had already made new records earlier in the week).....It was interesting to note that the "breadth" (as we usually measure it) was not all that great. In other words, the number of advancers was scarcely better than the number of stocks which finished negative on the day. **However, we DID see a broadening out of the rally when you look at the action in the equity sectors.**

In other words, we saw some nice "rotation" yesterday. The tech stocks saw a mild decline, but 8 of the other 10 S&P 500 sectors finished in positive territory (and the other two which finished in negative territory...only did so by a hair). No, it's not like the tech group got clobbered. **Therefore, we did not see a major "rotational" move at all. In fact, it would be mathematically impossible for the tech group to decline in a significant way...and still have the S&P 500 advance**. (The tech sector is simply too heavily weighted in the SPX for that to take place.) So, it's important to highlight that the rotational move was not a substantial one**. However, it was still positive that investors are looking forwards other areas of the market to invest their money.**

The futures are trading lower this this morning...as the earnings report/guidance out of Broadcom (AVGO) was not strong enough to impress investors...after its HUGE 180% rally off the April lows. The company's backlog of orders was a bit lower than expectations...and the company was reluctant to provide an AI revenue forecast for 2026. Finally, they warned that total margins were narrowing due to AI product sales. This has the stock trading lower by more than 5% as we write. Since investors were hoping that AVGO's report would offset the concerns surrounding Oracle's report from the previous evening...and that's not what has taken place...the domestic futures are trading a bit lower this morning as well.

It's hard to become overly negative about AVGO's drop this morning. Again, it has rallied by 180% in just seven months, so it was going to have o announce a gangbuster quarter to give more upside follow-through

over the near-term. **Put another way, it was ripe for a "sell the news" reaction anyway.** So, unless AVGO and ORCL fall out of bed over the next few trading days…and become the catalyst for a severe decline in the tech sector…it's hard to think this situation is going to lead to some sort of disaster…….**Besides, the Fed will start their significant T-bill purchasing program…<u>today</u>.**

Of course, there are still reasons to worry that we might not get the kind of serious Santa Claus rally that the consensus was looking for at the beginning of the month. Despite the short-term rate cut by the Fed…and even though it was not a "hawkish cut"…long-term yields are pushing back up again this morning. They have still yet to break above the key 4.2% resistance level we've been harping on recently, but the fact that the decline in rates that we saw midweek this week…only lasted one day…this has got to be disappointing for the bond bulls.

That said, the advantage is still definitely with the bulls in the stock market as we move towards the second half of December. The key should still be the tech stocks…and thus the NDX Nasdaq 100. It's the one major index which has not made a new record highs. It stillstands 1.6% below that record from October. However, if it can regain its legs…and push to a new record high as well soon…it should be something which feeds on itself. In other words, it's still not out of the question a Santa Claus rally could be a very good one this year. **It's just that it's still going to depend on the tech group…….As much as everybody likes a broader rally, the tech sector still holds the key.**

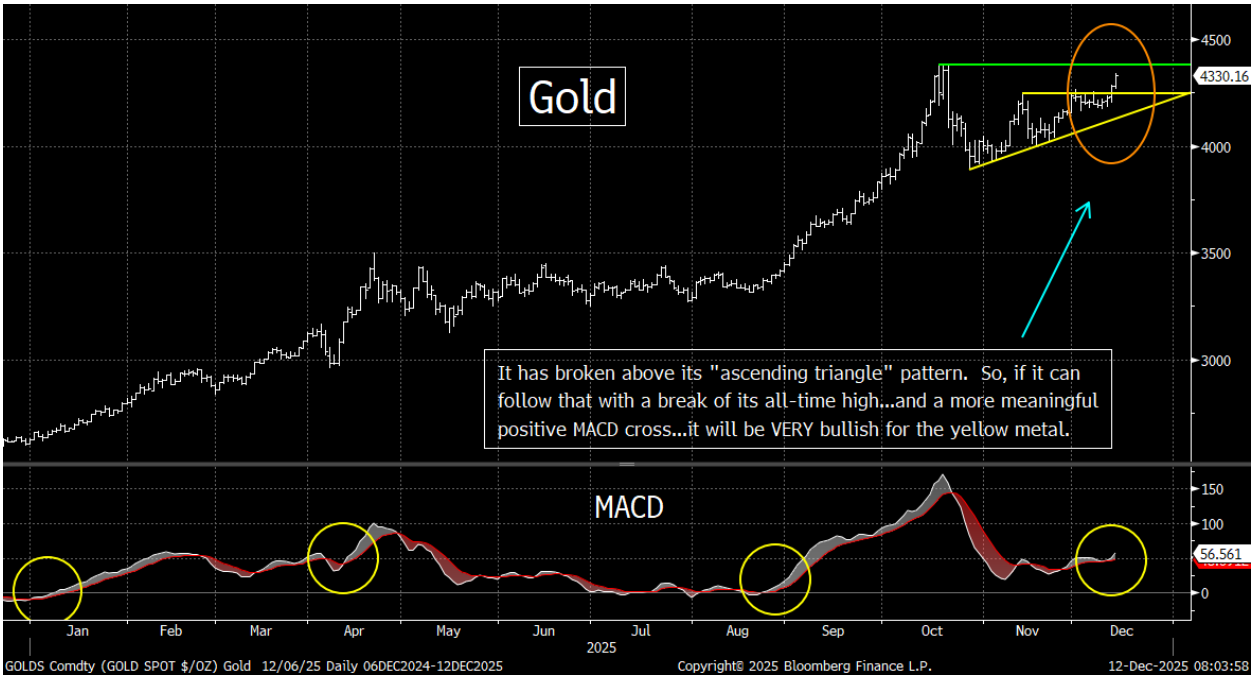
Moving back to the interest rate issue, the yield on Japan's 10yr JGB bounced back again last night…after a mild, 3-day respite. As we will discuss again in our weekend piece, the issue of higher global long-term rates is going to be an extremely important issue next year in our opinion. **As we have been arguing for a quite a while now, we believe the reasons this is becoming a problem is that the markets are finally reacting to the massive budget problems facing many different countries…especially Japan.**

Again, we'll discuss this more in our weekend piece, **but want to highlight that it is our belief that these budgetary issues are a key reason why the precious metals have rallied SO strongly this year.** Silver made another

new record high this week…and gold is now withing 0.6% of it own October record high. Yes, concerns about future increases in inflation are getting a lot of the blame, but the current inflation levels are not a problem at all. **Thus, we believe the real reason for the strong rallies in the precious metals surrounds the fear of these budgetary issues.**

No matter the reason, **if gold breaks above its old highs, it should signal another significant rally leg for the yellow metal is upon us.** The trend for gold during this long-term rally has been for it to see breakout moves…which are followed by significant rallies……Let's explain this a little better: After gold has seen a strong rally this year…it has then fallen into a multi-week (and sometimes, a multi-month) sideways consolidation. But after that consolidation, any break to new high has always involved another very strong rally leg. Since we've seen another sideways consolidation recently, the odds are high that another strong rally leg will take place…if (repeat, IF) gold does indeed break to new highs.

As you can see from the chart below, gold has already broken above its shorter-term "ascending triangle" pattern…and is now within ear shot of the October highs. It is also seeing a positive MACD cross. It has seen several mildly positive MACD crosses which turned out to be head fakes in the past. So, we cannot get too excited…too quickly…about this potential. **However, when the MACD crosses DO become meaningful ones, it tends to be a VERY bullish sign. Therefore, if the yellow metal can indeed break to a new high soon…that should be enough to give it a more material MACD cross…and THAT would be something investors will not want to ignore!**



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