MILLER TABAK + CO., LLC

The Weekly Top 10

Saturday, January 24, 2026

The Stock Market Continues to Look Very Good, but a Credit Crisis is Still a Possibility this Year.

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---1) It has become quite evident in recent months that the Administration is doing whatever it can to help the economy to "run hot" during this midterm election year. So far, it is working quite well…as the data is showing some real improvement in the US economy. This does not mean that the market cannot see a pullback at some point soon, but it does bode well for the market when you're trying to figure out how it will act over the entire year.

The movie, "Some Like It Hot" was a popular comedy from the late 1950s…staring Tony Curtis, Jack Lemmon, and Marilyn Monroe…and was directed by the great Billy Wilder. It has absolutely nothing to do with financial markets or the economy…but the title of this iconic movie is a good way to describe what the Trump Administration (and most investors) are looking for in 2026. (The Administration wants the economy to "run hot"…so that it is doing quite well when the mid-term elections come around in November.)……**In fact, that is what the bulls are counting on to buoy the stock market in 2026. The stock market is expensive, so if there is any hint of an economic slowdown, the stock market will rollover in a significant way.**

The strategy the Administration is following is much different than what most administrations follow during the first two years of a presidential term. They only care about the third and further years (to get re-elected in their first term…and to create a strong legacy in their second term). So, they back-end load most of the stimulus they provide in order to help meet these goals. **However, the Trump Administration has front-end loaded much of their stimulus. Unlike most administrations in the past, they DO care about the midterm elections** (very much)…because they know the President will have to go through the impeachment process once again if they lose the House. That, in turn, will hinder their existing (and future) plans/proposals.

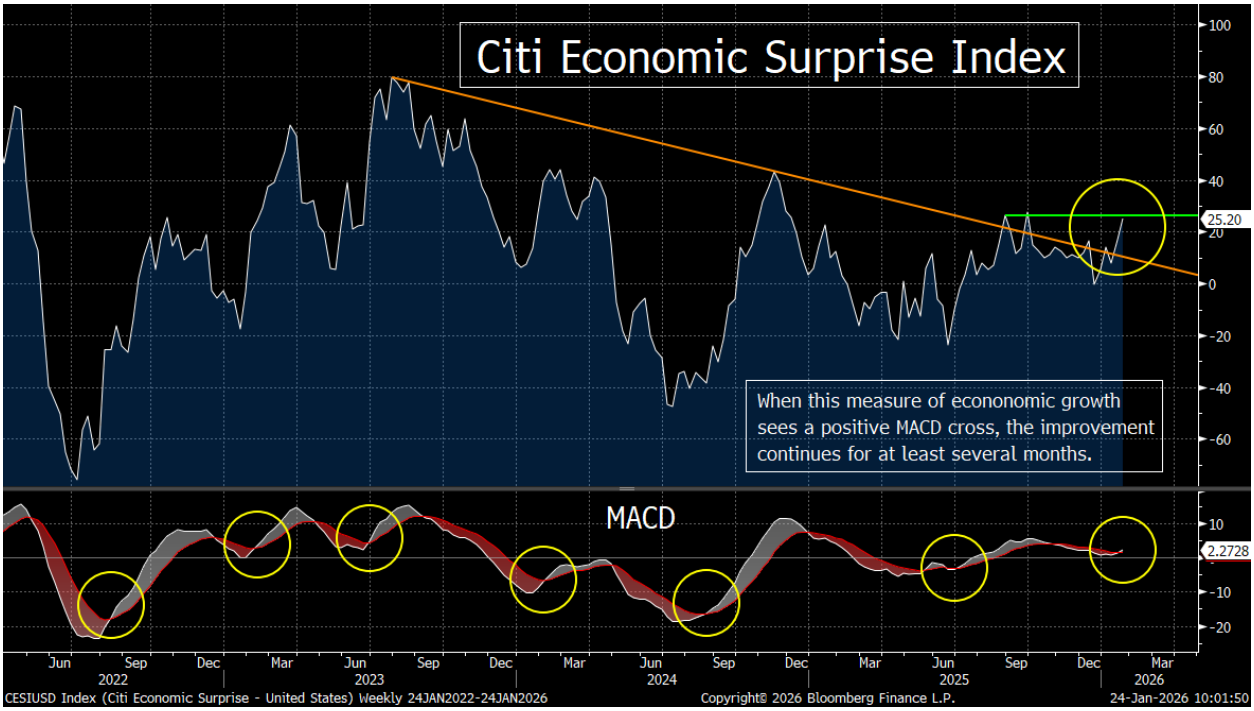
We all know the examples of their stimulative moves. Tax cuts, tax refunds, deregulation, limits on credit card interest rates, proposals to get mortgage rates down, and other spending increases…all to spur growth. **These programs have worked quite nicely to improve growth.** The data for Q3

GDP growth was quite strong (+4.4%)…and the latest estimate from the Atlanta Fed's GDPNow data is signaling growth of 5.4% in Q4! This forward-looking number can gyrate significantly from time to time, **but the economic outlook is certainly improving**.

We'd also note that **the Citi Economic Surprise Index has turned back up over the past several weeks**. It's doing this after making a very nice "higher-low"…and has recently pushed meaningfully above its trend-line from mid-2023. If it can push much higher from here, it will give this index its second "higher-high" at the end of last year…AND give it a positive MACD cross on its weekly chart. **As you can see from this chart below, whenever we get a confirmed MACD cross on this economically sensitive index, it usually continues higher for many more months. Thus, the momentum in the economy could continue for some time…given all of the stimulus it is getting right now.**

Of course, as we will highlight in some of our other points this weekend, there are several issues which could create some headwinds for the economy (and the stock market) over the coming months. We all know that no market moves in a straight line…so some sort of meaningful pullback…or even a correction…would be normal and healthy.

In other words, if something does trip up this rally for a little while, it would not preclude a further advance in the stock market later in the year…much like we saw last year. **Either way, there are some definitive signs that the Administration' plan to "run the economy" hot is working. So, as long as we don't get some big UFO (UnForeseen Occurance)…and as long as investors lose faith in the profitability of AI…or long-term interest rates push higher in a meaningful way…the Administration's goal to have the stock market rallying quite nicely when the midterm elections takes place…could indeed come to fruition.**



---2) Of course, just because the Administration WANTS strong growth and rallying markets this year…does not mean that's what they'll get. If (repeat, IF) things turn south in 2026, we believe that will be caused by something in the credit markets. (Lower AI profitability won't be good either if it happens, but credit issues are always much more important.) Right now, the situation in Japan is a significant concern for us…and we believe it's something that all investors need to watch very closely in the days, weeks, and months ahead.

Of course, just because the President wants the economy and the markets to be rising in the months leading up to the election…does not mean he'll get it. Let's face it, it's not like President Trump is the first President to want the markets and economy to act well…when they want them to act well. It hasn't always worked out that way…so it might not work out this time either.

The issue which we still believe might create some real headwinds for the stock market is the rise in long-term bond yields. This is something that began three months ago…and it is now coming to a head. This does NOT mean that this situation is definitely going to resolve itself with a further rise in

these long-term yields. In fact, after a sharp spike higher to begin the week last week, they settled down a little bit as we moved through the second half of the week. **That said, the upside breakout move for the yield on the US 10yr Treasury note is still solidly in place. Therefore, if these yields do not fall further…in a meaningful way…and instead, resume their climb higher…it's going to confirm an EXTREMELY important change in trend for long-term interest rates.** THAT would have important implications for the economy…and many different risk assets.

It has been our opinion for some time now that the three-month rise in US long-term yields has been largely due to the rise in yields in other parts of the world…especially Japan. Although inflation concerns deserve some of the blame for the move, the 3% inflation in that country is hardly something that would cause the doubling of long-term yields over just 10-months**. Thus, we believe that their budget problems are the main culprit**…and they been exacerbated by the new PM's plan to increase fiscal spending…which will make their deficit issues even larger…….**Low yields in Japan have anchored low global long-term rates for years…so what is taking place in that part of the world is something that ALL investors should be watching very, very closely!**

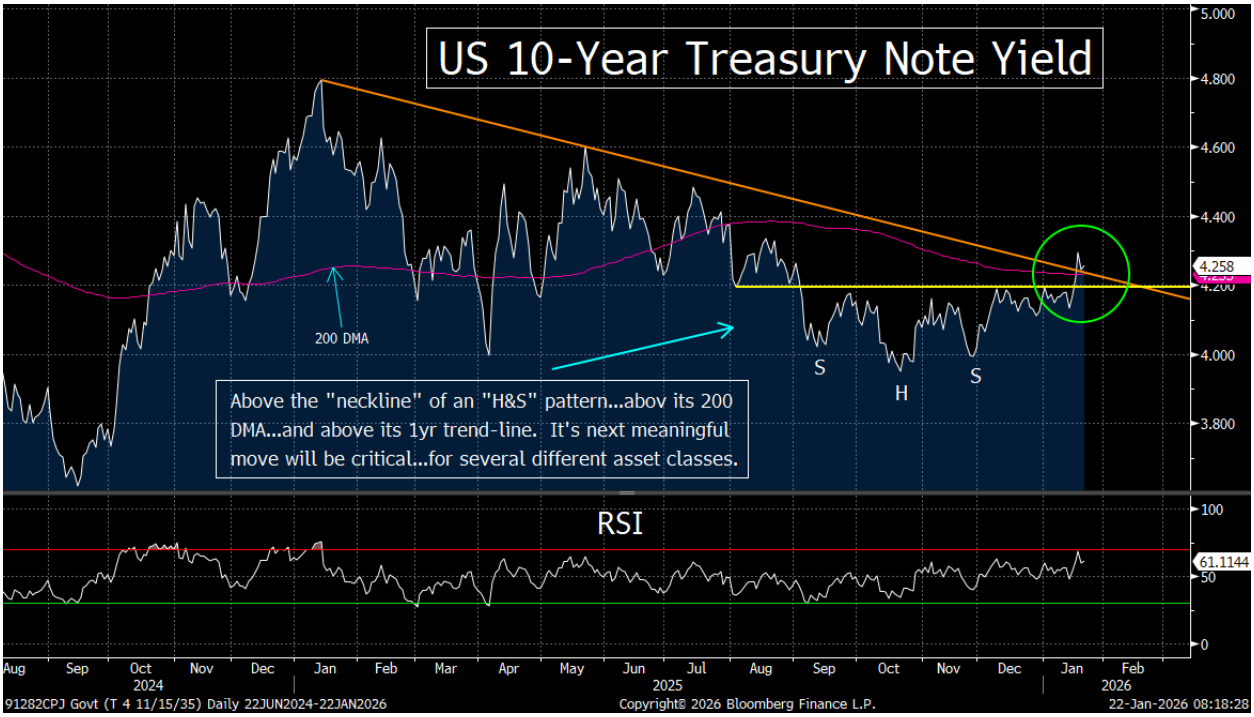
In other words, our biggest concern right now is that budget deficits are actually starting to matter. After decades of being able to ignore them, the markets ARE starting to react. Investors are insisting on getting paid more…for the elevated risks they are taking…when they buy the sovereign debt of several different countries around the globe. When it comes to Japan, these higher yields make those bonds more enticing for Japanese investors…which make them more competitive vs. US bond yields.

We also have a situation in Japan where the big jump in yields has not helped their currency. In fact, until Friday, the yen had been falling at a steady pace. There were signs of intervention on Friday…which did help their currency. However, most efforts to support their currency will only cause long-term rates to rise further. Thus, they seem to be between a rock and hard place right now.

On top of this, we now have questions surrounding whether European investors will lose some of their appetite for US Treasury bonds. Denmark's pension fund is set to sell $100mm in US long-term bonds after the new developments surrounding Denmark came about. Yes, $100mm in a market the size of the US Treasury market is a drop in the bucket. **However, if the rising stress in relations between the US and Europe cause more selling from the other side of the pond, it could create some problems.**

No matter how you slice it, the rise in yields in Japan over the past 10 months…as well as the rise in other countries with budget problems (like the UK and France)…is undeniable. The massive rise in the price of precious metals is undeniable as well. **In fact, they have all been huge moves…and thus they cannot be blamed on a rise in concerns over inflation. (Nobody is looking for a return of the huge jump in inflation that we saw coming out of the pandemic.) So, <u>these moves have more to do with credit issues</u>…and that is something that keeps us awake at night from time to time.**

No matter what the reasons are, there is absolutely no question that long-term yields in the US have been rising for several months now. If (repeat, IF) they continue to rise over time…which the technical picture right now is telling us will likely take place…it's going to be quite bearish for bond investors. It's not going to be good for most other risk assets either.



---3) Earnings season began almost two weeks ago, but the most important part of this season is coming over the next two weeks. As much as investors want to focus more on something other than the Mag 7 names, the results for those companies are still going to be extremely important for the stock market. They're just too highly weighted in the SPX and NDX for them not to have a big impact on how the market acts over the first half of this year (and probably beyond).

We're now moving into the meat of the earnings season over the next two weeks. We have 20% of the S&P 500 reporting next week...and 47% reporting over the next two weeks. So far, about 78% of companies have exceeded their expectations, but that number is pretty much in-line with what we see most quarters. So, this isn't really telling us much. **Besides, the consensus estimates for full year 2026 have actually DROPPED slightly since earnings season began** (from $314.50 to $312.50).....**Either way, it's still much too early to declare how this earnings season is going to playout...but the next two weeks will fill in A LOT of blanks.**

A lot of focus will be on the six Mag 7 names that will report over the next two weeks…with Meta (META), Microsoft (MSFT), Tesla (TSLA), and Apple (AAPL) reporting next week. However, with over 200 S&P companies reporting…and the recent broadening out of the stock market…there will be plenty of other names which will get plenty of attention next week.

That said, the tech sector is still quite important. On top of those four Mag 7 names that will be reporting next week, we also have a couple of other highflyers from the tech sector that report as well. Sandisk (SNDK)…which has DOUBLED in price so far this year…and Western Digital (WDC)…which has jumped almost 40% YTD…also report next week! IBM, Texas Instruments, Lam Research, and a few others report as well.

In our opinion, this earnings season is going to be even more critical than it usually is for the stock market. **With long-term interest rates moving higher (and short-term rates now expected to fall more slowly than the consensus was thinking before the holidays)…and with the number of geopolitical issues expanding by the week…and with the stock market as expensive as it is today…it's going to be crucial that the earnings outlook remains strong.** In fact, since the expectations for a positive earnings season are so high, this "season" is probably going to have to be something more than just "solid"…to keep the stock market pushing higher…at least over the next month or two.

We do think it's pertinent, however, to point out that the action in the Mag 7 names is still extremely, extremely important (even though investors are not as focused on these names as they were in 2023, 2024, and 2025). Very simply, they are still much too highly weighted in the S&P 500 and NDX 100 indices to be thought of as any less important than they have been for much of the past 2-3 years. If they tread water…in a sideways fashion…the market might still be able to rally (as long as the recent "rotation" action continues). Of course, if they rally, that will help the SPX and NDX push higher…and the whole FOMO/performance fear issue should feed on itself once again. So that would be very bullish.

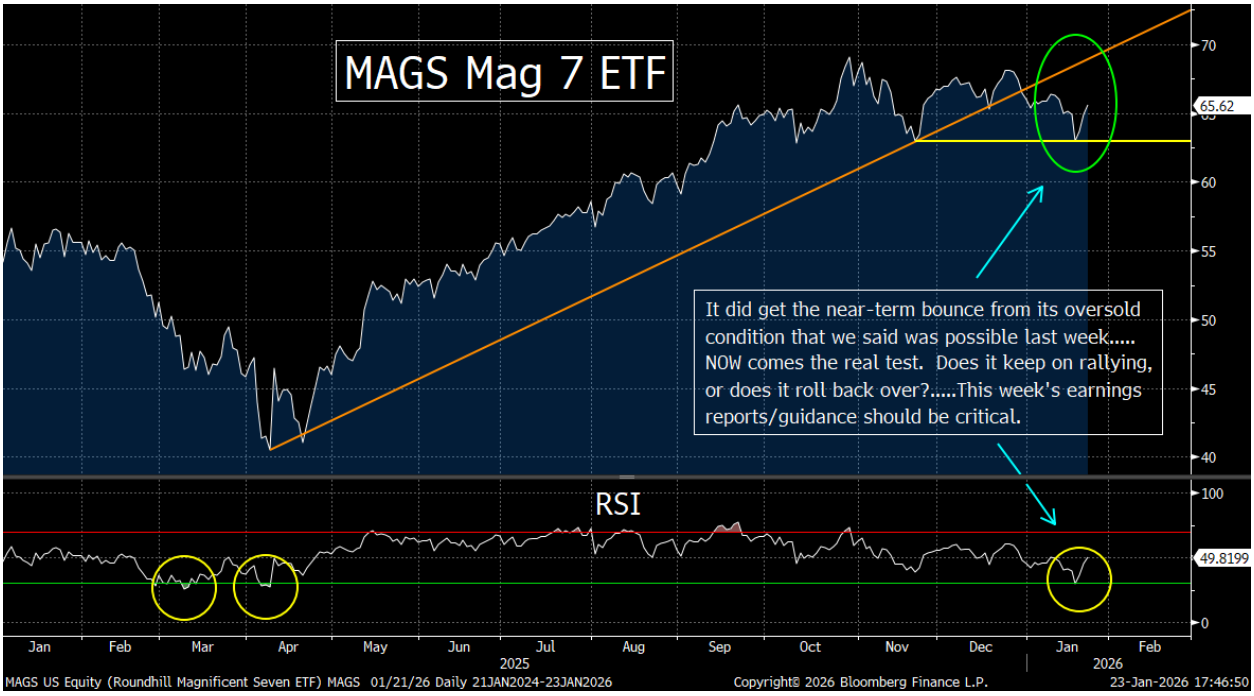
If, however, these stocks decline in any meaningful way…all together…it's going to present some real problems. If they decline in a substantial manner,

the SPX and NDX will fall in a significant way as well. That, in turn, will cause investors to pull money out of the market ("rotate" into cash)…especially given how much "bubble" talk that has taken place over the past 6+ months.

This takes us back to the chart of the MAGS Mag 7 ETF. Last week, we highlighted that it was testing a very important support level…but that it was also becoming oversold on a short-term basis. Therefore, we said, it could be due for a short-term bounce. Well, that's exactly what took place last week…with a bounce of 4.5%. This has indeed worked off its oversold condition**. Yes, the MAGS ETF could see a bit more upside follow-through on its own early next week, but whether it turns out to be a "dead cat bounce"…or something that has legs…should be determined by these earnings reports and the guidance which comes with them.**

As we all know, no market moves in a straight line. Heck, last year, the SPX fell 17% and the NDX declined 20% from mid-February to early-April…and yet it still had a fabulous year! More importantly, the stock market sees a full-blown correction ALMOST EVERY year! **In other words, if the stock market sees a decline soon, it will not be the end of the world…if it's just due to the fact that a small number of very big (and very good) companies have to be re-valued somewhat lower. It will merely help these stocks fall more into line with what their true AI earnings outlook is going to be over the next year or two! So, it won't be the end of the world.**

Again, these are great companies. They're not going to go out of business. They're still going to produce a high level of earnings! It's just that they might not produce the level of earnings that can be justified by today's highly valued levels. If, repeat IF, that happens…it's going to force the market to decline in a normal and healthy way. That said, even though it will be a "normal and healthy" development…it's still something investors need to consider…as we move through the rest of Q1. **Therefore, they'll have to sift their strategy a bit if the MAGS sees more weakness any time soon.**



---4) Even though Intel (INTC) got absolutely clobbered on Friday, the chip stocks had a very strong start to the new year. The SMH semiconductor ETF has gained more than 11% YTD...and has already made seven new all-time highs! So, there is little question that the most important leadership group in the stock market is doing quite well so far.....The SMH is getting overbought...and a few key stocks are showing some cracks...so there are some reasons to be careful about this key group over the near-term.

The outlook for U.S. semiconductor equities entering 2026 remains favorable overall, driven predominantly by the AI infrastructure buildout and sustained capital expenditures from hyperscalers such as Microsoft, Amazon, Google, and Meta.....These companies are projected to increase AI spend significantly in 2026...with estimates of more than $550 million from some spots on the Street...collectively pouring hundreds of billions of dollars into data centers, chips, and related infrastructure. These investments focus on next-generation compute clusters, high-bandwidth memory, networking gear, and purpose-built AI accelerators.....This trend creates an enormous TAM (total addressable market) for vendors that supply compute silicon, memory (HBM), networking ASICs, and interconnects. Nvidia and AMD see direct GPU

demand; Broadcom increasingly benefits from custom ASIC and networking silicon; and TSMC captures the foundry share of advanced logic wafers.

One issue which could come up at some point this year…is the possibility that the hyperscalers just might keep buying the AI chips hand over fist…EVEN if they don't make much money from this world changing technology. In other words, it could be possible that the chip companies could continue to see strong profits…without it broaden out as much as investors have been betting in recent years. In fact, we are seeing signs of this already…as a divergence has developed between the SMH and the MAGS Mag 7 ETF (as we highlighted last weekend).

In other words, we might see a situation where these hyperscalers…many of whom garner massive revenues and profits from other businesses outside the AI business…just keep on spending…even if they don't make any/much money in AI. **Of course, that can go on for only so long, but it's something which could last through this year…so it's still not out of the question that we could continue to see some "rotation" WITHIN the tech sector this year.**

That said, this scenario is not a lock. Despite strong demand indicators, several risks could temper future gains. For instance, there plenty of Geopolitical and Trade Tensions to worry about…….US-China semiconductor export restrictions may limit access to a critical growth market for GPUs and related components, creating uncertainty for 2026 forecasts…..There are also risks of advanced node capacity shortages…and extended lead times for HBM and lithography equipment could constrain delivery timelines.

On top of this, there are macro economic risks……. Higher interest rates, and tightening credit markets could reduce enterprise IT spending beyond hyperscalers. Also, there are valuation risks…as premium valuations across the semiconductor sector leave stocks exposed to multiple compressions if growth slows or capital markets repricing occurs……..Finally, there is no guarantee that these hyperscalers will just keep on spending. Surging infrastructure spend could overshoot near-term demand…leading to overcapacity or delayed ROI for hyperscalers if AI deployments plateau sooner than expected.

There is absolutely no question that AI-driven demand cycle provides a compelling backdrop for continued growth in semiconductor stocks through 2026…underpinned by hyperscaler capital spending and persistent enterprise digital transformation. NDVA, TSM, AMD, and AVGO each play distinct and valuable roles in this ecosystem, with strong earnings and revenue trajectories. However, investors should remain vigilant to macro and geopolitical headwinds that could moderate performance over the coming months……**Monitoring capex trends, trade policy developments, and global economic indicators will be essential in navigating this dynamic landscape.**

On the technical side of things, we got a bit of a scare coming out of the long weekend last week…when all of the groups within the tech sector declined…including the chip stocks. However, they were able to bounce back strongly on Wednesday and Thursday…and Friday's 17% drop in INTC did not do much damage (at all) to the rest of the chip group.

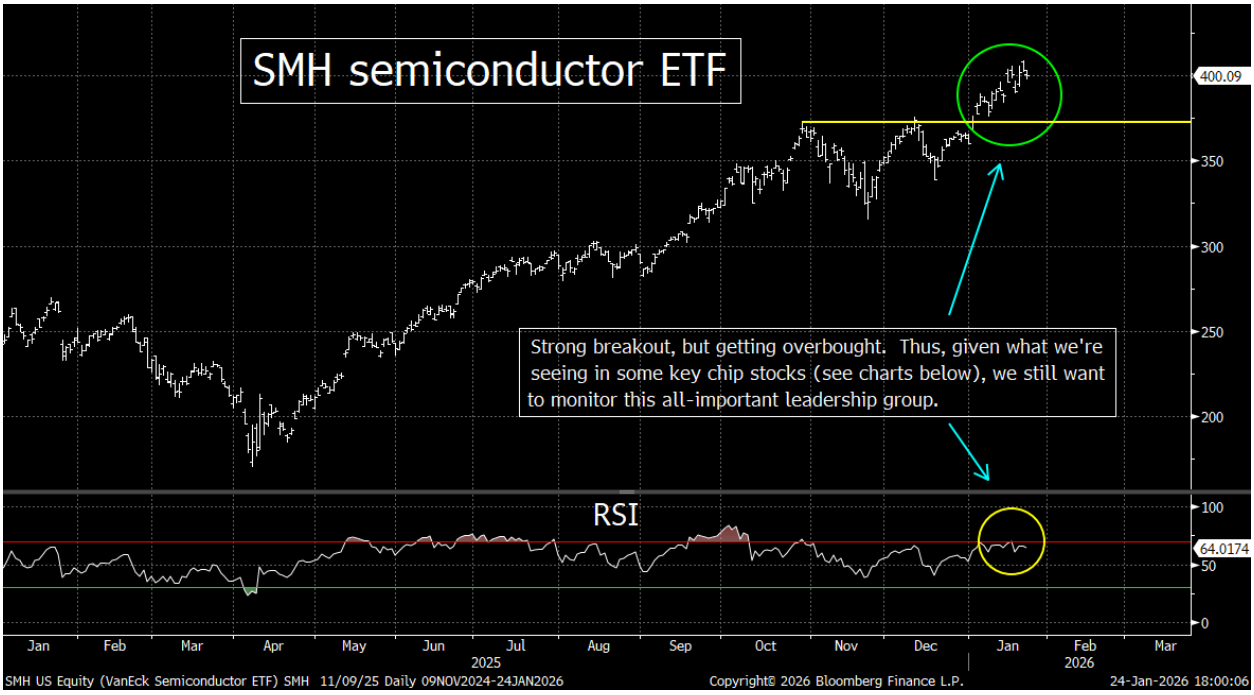
As we highlighted last weekend, the SMH has broken out nicely above its highs from November and December. However, it has become overbought on a near-term basis…and thus it could/should be due for a short-term breather. This is not a big deal…and it would have to fall below its "old resistance/new support" level to raise any concerns. **Having said that, we do need to point out that two of the best performing chip stocks in 2025 are staring to show some kinks in their armor.**

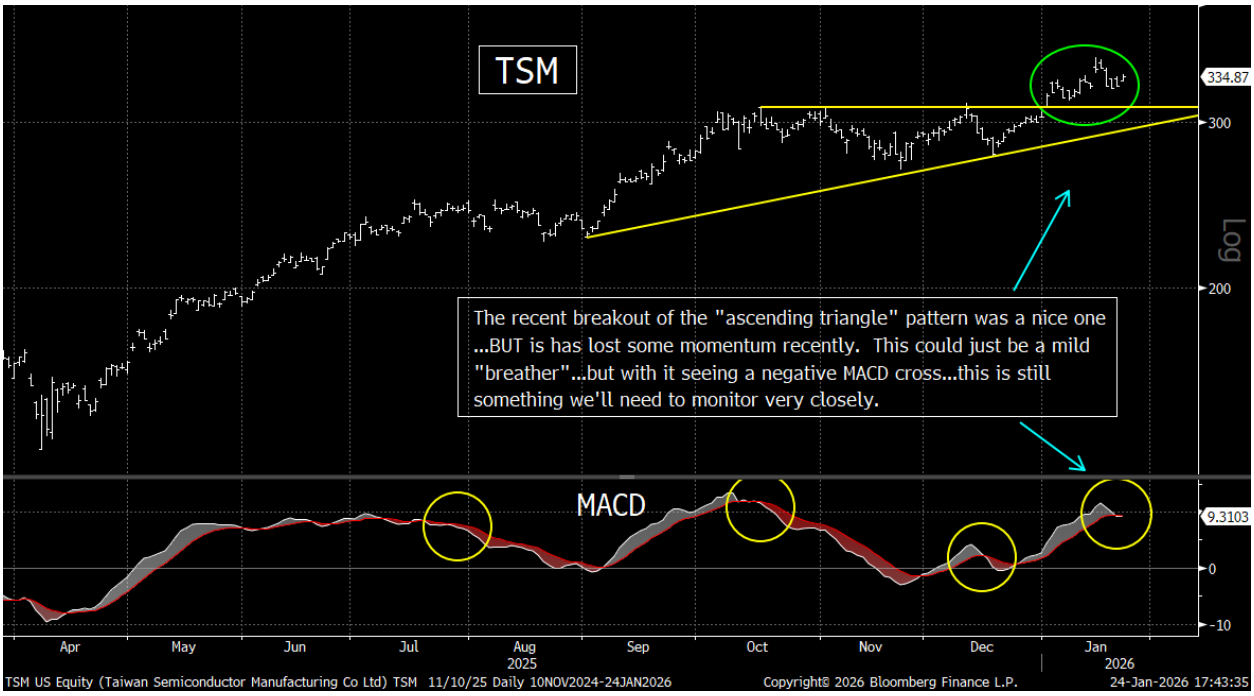
Although Taiwan Semiconductor (TSM) broke above its key resistance level recently, it has lost some momentum. It is now seeing a very mild negative MACD cross. Confirmed MACD crosses tend to be quite compelling for this stock, so if this move becomes a more significant one, will rise a yellow warning flag on the name…at least over the near-term. (Second chart below.)

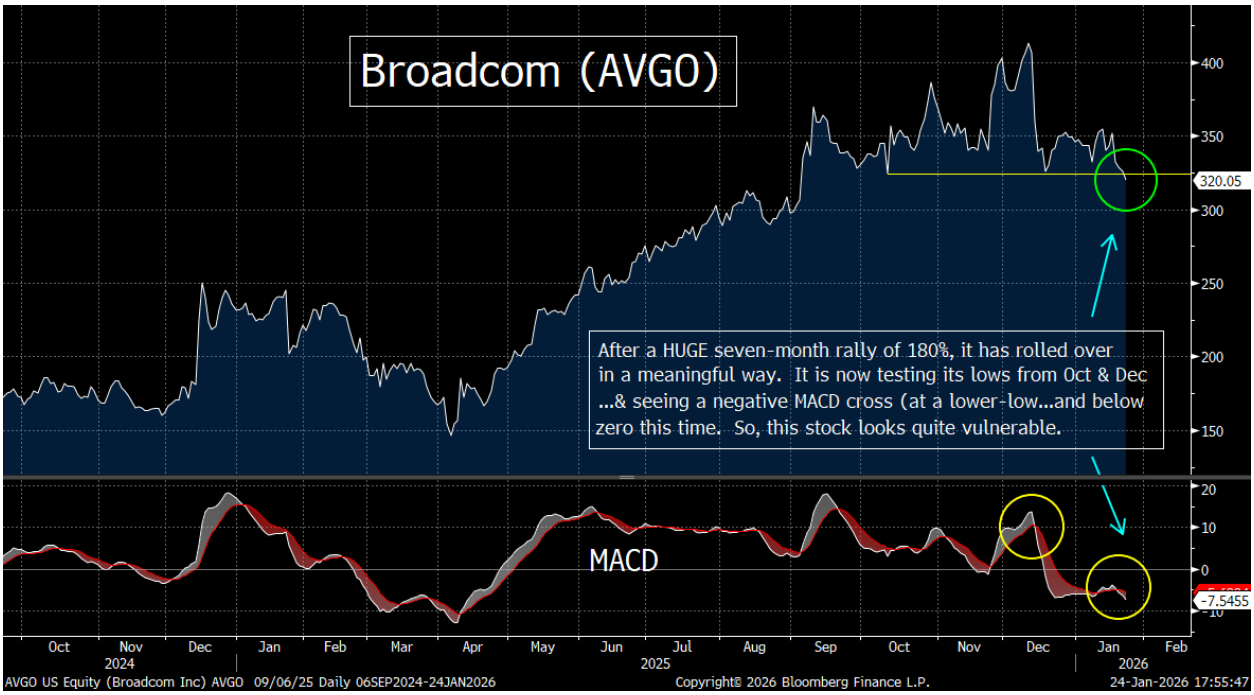
The second stock is Broadcom (AVGO). After a HUGE rally of over 180% from April until December of last year, the stock has rolled over in a material way. Its 22% decline since the December highs has take it down to a key support level. Its most recent drop has given it a second negative MACD…at a much lower level than the last negative MACD cross (and at a level below zero). Therefore, if it breaks below this next support level in any

meaningful way, it's going to signal a clear change in the intermediate-term trend for the stock. That would be a very bearish development...so it's something we'll be monitoring closely next week.

It's all well and good that we're seeing some "rotation" in the marketplace today. However, the chip group is still THE most important leadership group in the stock market...and has been for decades. It is acting very well...and it won't be a big problem if it takes a "breather" at some point soon. (In fact, it would be normal and healthy.) However, since some of its key stocks are not acting well recently...and given that NVDA has been dead money for six months...we'll continue to monitor this group extremely closely.







---5) The major indices did not see much net change on the week last week, but they DID see some big intra-week moves. However, since their net moves were small, the outlook has not change in a meaningful

way. That said, there is some potential for some downside risk over the near-term. Oddly enough, the downside risk is probably higher for the small-cap Russell 2000…than it is for the S&P 500 or NDX 100.

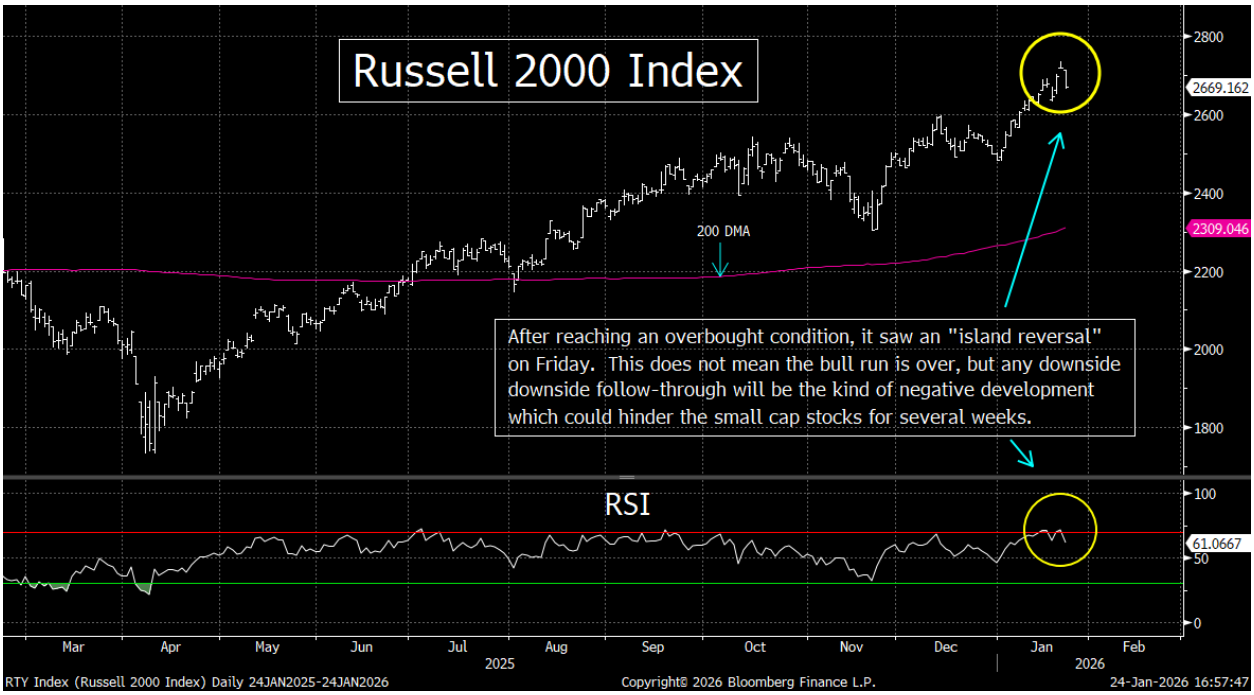
We saw some wild swings in the stock market last week…especially at the beginning of the week. However, all of the averages finished with very small net moves for the week. **Therefore, we want to highlight how much the "set up" this year…as we move into February…is very similar to what we saw last year.** The problem is that the "set up " last year…was followed by a correction. Of course, it is far from guaranteed that we'll see ANY pullback…much less a correction…this year, but with the recent rise in long-term yields and geopolitical hotspots all over the world…it's not out of the question that we see another February decline.

For both the S&P 500 and the NDX 100, they both rallied very strongly during the summer and early fall of 2024…which was followed by a flattening out of the rally during the early winter. The same thing is taking place this time around…in the second half of 2025, and now in early 2026. (It's interesting to note that during the winter, the SPX did keep rising…but at a much small rate…and the NDX traded sideways both times.) This was followed by decline that began in mid-February last year…so we'll see what happens this time around.

Needless to say, these similarities really don't tell us much**. HOWEVER, the real reason we're pointing them out this weekend is because the level of bullishness this year is VERY similar to the level we saw in January of last year…just before investor sentiment reversed in a dramatic fashion.** Last year, it was over tariffs. This year, the tariff issues is still out there…plus we have geopolitical issues…AI profitability issues…and credit issues…which could pop up create some elevated fear among investors very, very quickly. **So, it's not out of the question that continue to follow the script from a year ago.** (First two charts below.)

As for the Russell 2000, it had become overbought early last week…and it got hit hard on Friday (primarily due to a very large decline in the regional bank stocks). **The decline on Friday created an "island reversal"…so if we see some immediate downside follow-through next week, it's going to raise a**

mild yellow flag on the Russell <u>over the near-term</u>. Downside "island reversals" are followed by material declines about 70% of the time, so it's something we'll be watching very closely next week.....This does not mean that the outperformance of the small cap stocks is going to reverse itself for a long time. However, it might take a hiatus for a while...if next week is a rough one for the Russell. (Third chart below.)



---6) Believe it or not, but the energy sector is the second-best performing sector in the stock market so far this year. The year is only three weeks old, but there has been a significant change in the flows for this

group…and the technical outlook continues to improve. So, it won't take much more upside follow-through to raise a big green flag on the energy stocks. (We two specific ones which look extremely interesting on the charts.)

The U.S. energy sector is entering a period of heightened uncertainty and bifurcated fundamentals. **On the one hand, macro forecasts by U.S. and international agencies point toward an oversupplied crude oil market in 2026…with production outpacing demand and pressuring prices. On the other, persistent geopolitical risks…especially pertaining to Iran and the strategic Strait of Hormuz…could inject a risk premium into crude prices and provide episodic support to energy equities**……Within this environment, companies with disciplined cost structures, strong cash flows, and diversified operations (including LNG and petrochemicals) are positioned to outperform.

The consensus forecasts from Wall Street and energy agencies project global oil demand growth in the range of 930,000 barrels per day in 2026, reflecting moderate recovery after 2025 weakness…but still not robust enough to absorb burgeoning supply. That said, the International Energy Agency (IEA) recently revised its global demand growth estimates upward to 930,000 bpd for 2026…up from 860,000 bpd previously. Meanwhile, the U.S. Energy Information Administration (EIA) forecasts the Brent crude price to average near $56/barrel in 2026, with West Texas Intermediate (WTI) around $52/barrel…driven by production growth outstripping demand and inventory builds.

OPEC+ has signaled a strategic shift toward stability rather than aggressive production growth. In its most recent meeting, eight participating countries reaffirmed plans to pause production increases into early 2026, maintaining current quotas while retaining flexibility….This pause comes after significant unwinding of voluntary production cuts in 2024–25. However, OPEC+ has approximately 1.65 million bpd of previously cut output that could be returned gradually, subject to evolving market conditions……**The overarching message from OPEC+ is one of caution…not expansion…aimed at preventing a disruptive price collapse amid a global supply glut…..Of course, further adjustments could vary with demand and geopolitical**

developments…but the supply/demand equation for crude oil has begun to shift in recent weeks…to the demand side of things.

Needless to say, geopolitical stress remains a wildcard. **If Iran's regime were to collapse or escalate tensions to the point that the Strait of Hormuz is closed or constrained**, crude prices could spike substantially…potentially toward the high $80s to $90s per barrel…before easing back…..**The Strait of Hormuz is a chokepoint for roughly one-fifth of global crude shipments; any closure would create a de facto supply shock, pulling forward risk premiums and creating short-term price spikes with outsized impacts on energy equities and commodities.**

Having said all this, an outright closure is low-probability, but markets have priced some risk into crude futures as tensions persist. This situation has been exacerbated a bit this weekend…with the news that the US is sending more naval ships to the Middle East…prompting speculation that some renewed strikes by the US on Iran are on the horizon…….Even limited Iranian supply disruptions (e.g., sanctions or production outages) would tighten fundamentals and lift prices versus base scenarios.

(Of course, natural gas has skyrocketed recently…with the massive cold wave that has gripped the US. Some of this outsized move was based on some significant short-covering as well. Therefore, once the weather calms down, this commodity should pullback in a meaningful way. So, we are not depending on elevated natural gas prices in our bullish opinion on this sector.)

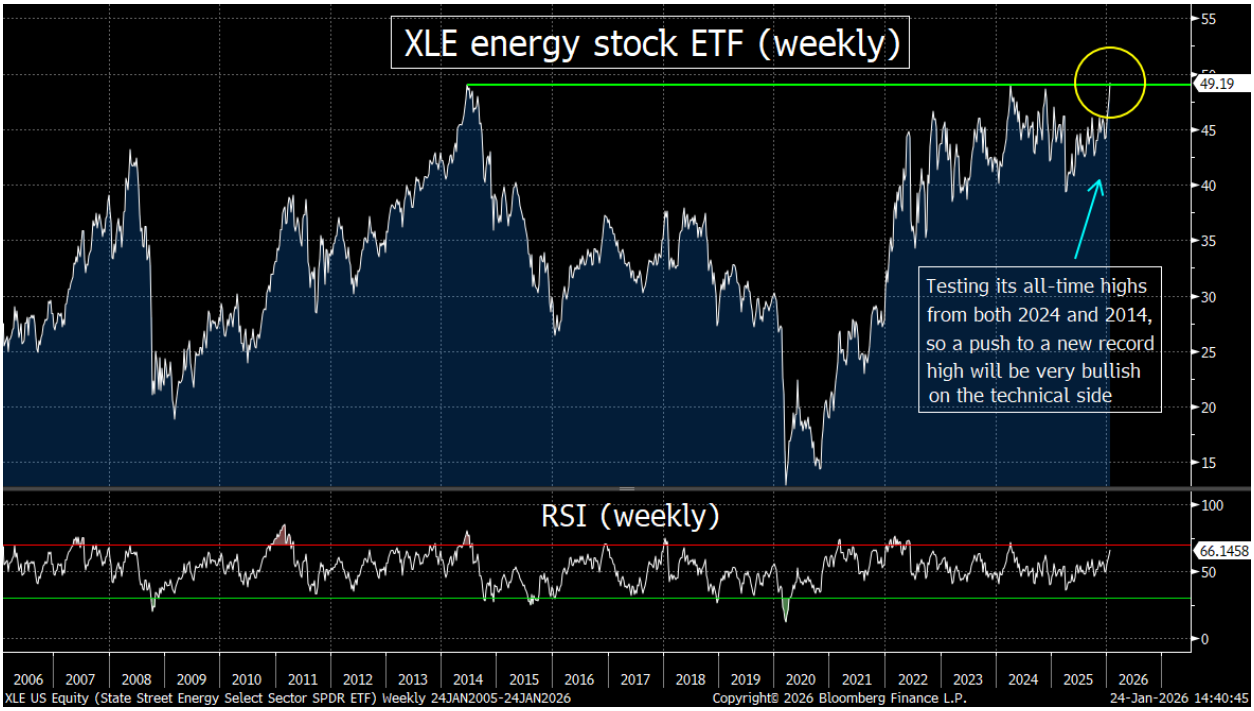
The energy stocks did rally nicely last week…and this took the XLE energy stock ETF up to its all-time highs from both 2024 and 2014! Therefore, it won't take much more upside follow-through to signal an important breakout move for this ETF! That said, we do have to point out once again that two stocks make up 40% of the XLE…so we still want to see the XOP (which is a much broader ETF) break above its key resistance level (just above $137) to get overly excited about the entire energy sector. **However, there is definitely some momentum behind this under-loved and under-weighted sector. <u>So far this month, almost $1.4bn has flowed into the XLE…compared to a very large outflow in 2025.</u>** So, there is little question that investors are returning to the energy sector…and if these ETF's break

above their key resistance levels, it should add significantly to the rate of inflow over the coming weeks and months.

Last weekend, we provided the monthly charts on the XLE and XOP, so we're just going to provide the weekly chart on the XLE this weekend (showing it testing its all-time highs). However, we do want to highlight the charts on two specific stocks as well**. The first one is the weekly chart of Chevron (CVX).** It is not testing its all-time high, BUT it IS testing its high from both 2024 and 2025. (That level could also be seen as the "neckline" of an "inverse H&S" pattern.)....It has already broken well above its trend-line from 2022...and it is not overbought on its weekly RSI chart. **Therefore, if it pushes much higher from here any time soon, it should be very bullish for the stock!**

The second individual stock is EOG. There is more risk in this name, but it could have some very nice upside potential if it can gain some more traction from its recent bonce off the December lows. EOG has been underperforming the energy sector...after providing some lower guidance and it trimmed its capital spending projections. (So, again, there is more risk in this play.) However, on the technical side of things, EOG has seen bounce off its April lows recently. It also seen a positive cross on its weekly MACD chart**. If that can become a more meaningful "cross," it should signal a key change in trend for the stock...which would attract some momentum-based money as well.**

Our bullish call at the beginning of the month on SLB has worked out well...with the 14% advance since then. With EOG, using the $102 level at a good "stop out" level. That was the support level it bounced off of recently...and it will limit any losses to 5%-6%. That said, if CVX and EOG can push much higher from current levels over the next week or two, it should be extremely bullish for these two individual stocks.


XLE energy stock ETF (weekly)
49.19
Testing its all-time highs from both 2024 and 2014, so a push to a new record high will be very bullish on the technical side
RSI (weekly)
66.1458
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026
XLE US Equity (State Street Energy Select Sector SPDR ETF) Weekly 24JAN2005-24JAN2026
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CVX
(weekly)
166.72
S
H
S
Not overbought on its weekly chart...and testing the highs from 2024 and 2025 (which can also be seen as the "neckline" of a "H&S" pattern)....So, any more upside follow-through will be very bullish on a technical basis.
RSI (weekly)
63.5366
2020 2021 2022 2023 2024 2025 2026
CVX US Equity (Chevron Corp) Weekly 25JAN2018-23JAN2026
Copyright© 2026 Bloomberg Finance L.P.
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---7) The materials stock sector is the best performing one of the eleven S&P 500 sectors so far this year. Much of this has to do with the very strong advance in the gold mining stocks. However, there have been some other names in the sector which has also done quite well. We have one stock in mind...whose stock is breaking some key resistance levels. Therefore, it could outperform the market this year...in an even larger way than it did last year.

Speaking of groups to "rotate" towards, the materials sector has been working well over the past few months. Some of this has to do with the fact that three mining stocks...Newmont (NEM), Freeport McMoran (FCX), and Anglogold Ashanti (AU) have high weightings in this sector. However, other companies in this sector have rallied quite nicely in recent weeks/months...like Linde, CRH, and Ecolab. **Therefore, the outperformance of the materials sector is not isolated to the gold miners.**

Having said this, the gold miners have seen a VERY nice run. We highlighted this group back in December...and again at the beginning of the year...when gold (the commodity) broke above its October highs. We turned more bullish

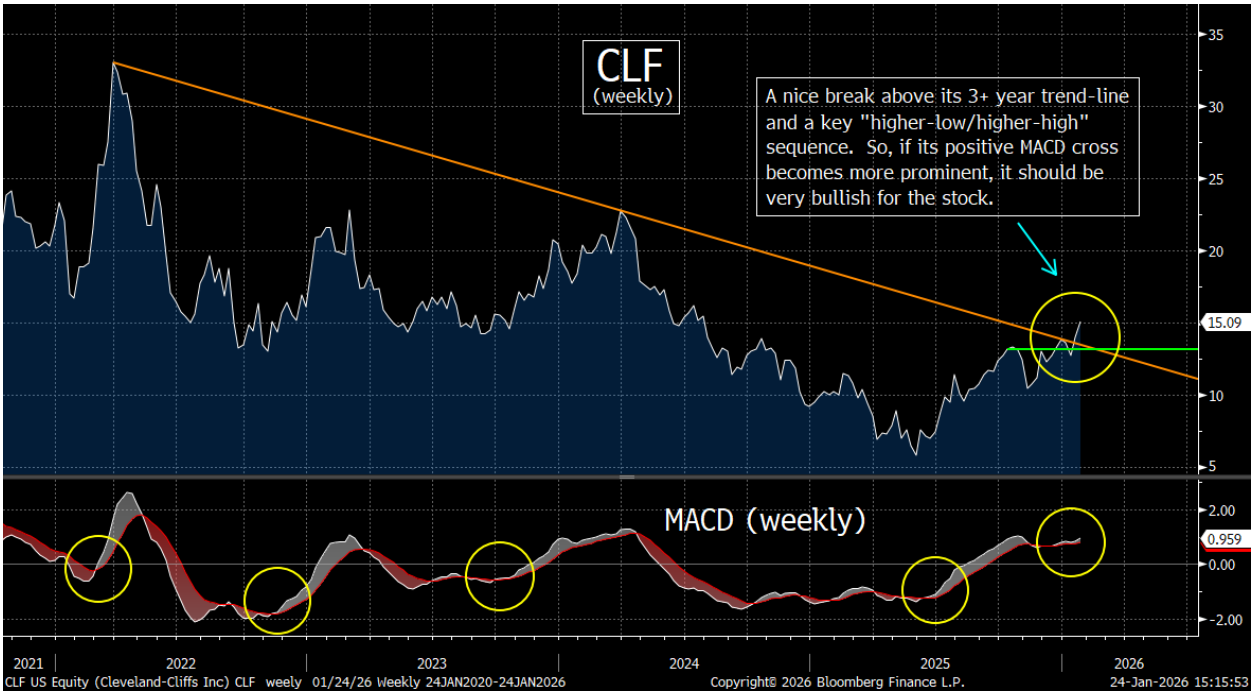
on the yellow metal at that time (more on this in the next point)…but we also highlighted the gold miners…saying that they almost always outperform the underlying commodity with gold breaks a key resistance level. Sure enough, the GDX gold mining ETF has rallied over 25% since that time.

However, we want to talk about another stock…in a separate part of the material stock sector…which could surprise investors with some further outperformance in 2026. **We're talking about Cleveland-Cliffs (CLF).** This stock had an excellent year in 2025…with a rally of over 40%. It's already up more than 13% YTD, so it's off to a good start this year as well.

The company is still expected to lose $0.08 per share next year, but that will be a strong improvement over 2025. They expect to garner almost $19bn in revenue this year…and their cost reduction programs (along with exiting an unprofitable slab contract) are expected to save $800 million in 2026……New automotive contracts began to take effect in October…and they secured a 5-year ($400mm) fixed contract with the War Department**. So, there are some good reasons why the stock has pushed higher again to start the year.**

On the technical side of the equation, CLF has broken strongly above its 3+ year trend-line…going all the way back to 2022. It has also seen a nice "higher-low/higher-high" sequence…AND its weekly MACD chart is seeing a positive cross**. When positive weekly MACD crosses become meaningful ones on this stock, it is pretty much always followed by a very strong (further) rally in the name. Therefore, if it can push any higher from here, it should send a very bullish signal out to investors.**

As there is with any stock, there are risks involved with CLF. Steel pricing could become a concern…and they do carry a decent amount of debt. With this in mind, investors should think about using the $14 level as a good stop-out level…which would limit losses to about 6%. However, the upside reward should be a lot more…if it sees any more upside movement after breaking above two different key resistance levels.



---8) Our calls on gold in recent years...and especially over the past year...have worked out extraordinarily well. The yellow metal has outperformed the stock market by a VERY wide margin. Gold could/should rally a bit more over the very-short-term, but it is getting very extended over the near-term. Therefore, even though investor should avoid trimming their positions in gold...they should also be careful about chasing this precious metal over the near-term.

Our bullish stance on the precious metals has worked out extremely well. In June, we stated that both gold and silver should rally over the rest of the year, but the silver should outperform the yellow metal by a wide margin. The 200% rally since we made that call...and the 250% rally off its April lows...has been spectacular (to say the least). More recently, we said that gold's breakout above its October high led us to reiterate and bullish stance...and say that its rally should accelerate in a big way. Sure enough, it has rallied almost 15% in less that one month!

In fact, our calls on gold have been excellent for a long time now. We made very bullish comments about gold in late February of last

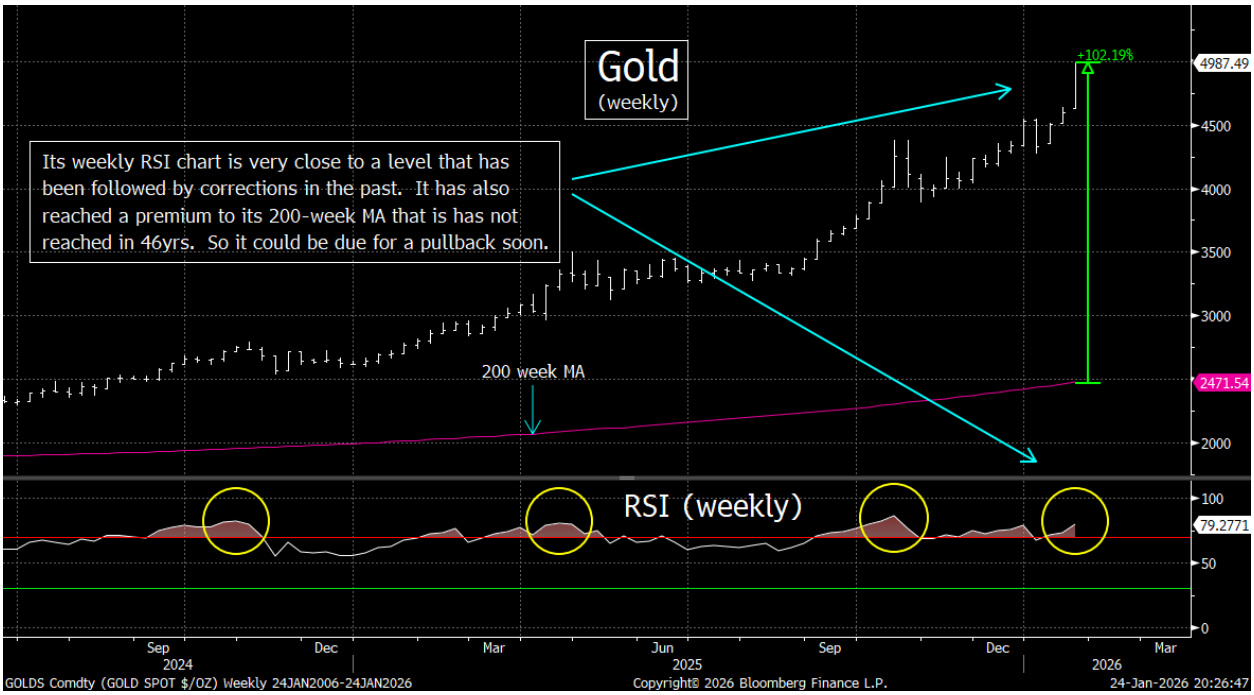
year…when the yellow metal was trading only slightly above $2800…some 80% below where it is trading today. **In fact, we have been bullish on gold in a meaningful way since it broke above its highs from 2020, 2022, and 2023…back in early 2024. The yellow metal as rallied over 140%….dramatically outperforming the stock market since that time. (The SPX has rallied just over 40% since that time…vs. the 140%+ advance in the yellow metal.)**

We do need to point out, however, that gold is becoming overbought on a short-term basis. Looking at its weekly RSI chart, it is pushing up against the 80 level…which is quite extended. Yes, it has become a bit more overbought before it has topped out in the past, but a move above 80 is something that has been followed by declines of about 10% shortly thereafter on the last three occasions.

Again, the RSI chart on gold has not yet reached 80, so it may have to rise a bit further…and the $5,000 level seems to be acting like a magnet right now**. So, we could certainly see some more strength over the very-short-term in the yellow metal. However, we also have to point out that gold is now trading 100% above its 200-week moving average. That is the most extended it has been since 1980!!!!** In fact, it has not been more than 75% above its 200-week MA over the past 45 years! It took the Hunt Brothers attempt to corner the silver market to cause a bigger run in the past, so there is little question that gold is getting extended.

None of this means that the rally in gold cannot continue over time…and as we just stated, it could still push a bit higher (and above $5000We're just saying that the precious metal is getting quite extended, so investors should be careful about chasing it over the near-term…especially if it pushes much above $5000.

We are NOT saying that investors should sell their gold positions. If the situation in Japan…or in other sovereign debt markets become even more precarious before long…gold should explode even higher. In fact, we expect the yellow metal to reach $6,000 this year. We're just saying that gold could see a pullback before too long…even if it is headed a lot higher over the intermediate and long-term.



---9) Our economist, Paul Shea, has become a bit more constructive about the economy…and thus he has adjusted his outlook for long-term interest rates. He is now looking for long-term yields to decline at a more gradual pace. He believes that the rising tensions between the Trump Admistration and Europe will cause weaker foreign demand for Treasuries…and thus long-term rates will remain more elevated than he had been predicting in recent months. For Paul's full report, please check the attachment at the top of this report.

---10) Summary of our current stance…….It was certainly not an uneventful week last week, but the major averages closed very close to where they closed the previous week. So, the net reaction was a non-event……This was true for the Equal Weight Indices for the S&P and NDX…as well as the Russell 2000. Thus, the broadening out of the stock market took a rest last week…but that will not become a problem unless we get more days like we did on Tuesday.

The intra-week volatility was caused by the familiar strategy from President Trump…where he creates a problem…fixes the problem of his own making…and then declares victory. This is something that resulted in net gains for the stock market on many, many occasions in 2025. This time…at least so far…it has been a wash. That said, if the market can see some more upside follow-through next week, it will prove that the Administration's strategy still works well for the markets…and thus we'll likely see a lot more of it over the coming weeks and months.

When it comes to next week, the earnings season is going to be more critical than usual. The expectations for this earnings season are extremely high. So far, they results have been fine…BUT they've actually resulted in a minor drop in the consensus estimates for 2026. So, they are not as good as some have tried to portray recently. However, if the earnings from the next two weeks can create a tailwind for the stock market, it's going to be very positive……**With a market as expensive as it is today, the earnings releases we see over the next two weeks will be critical for how the market acts over the coming weeks…and probably how it acts for the rest of Q1.**

However, even if the earnings do not live up to expectations, it probably won't create anything like we saw last year…when the SPX fell 17% and the NDX dropped 20%. For that to happen, it will likely involve something in the credit markets. **There is a major divergence between what is going on with credit spreads today…vs. what is going on with long-term global sovereign debt yields, and what's going on in with precious metals. The massive rise long-term bond yields in Japan…and HUGE rise in those precious metals…cannot be explained by concerns over inflation. There is something else going on…and therefore we are not as complacent as many/most investors seem to be right now. (Remember, credit spreads are NOT a leading indicator. They only widen out materially…after a credit issue becomes a material problem.)**

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