MILLER TABAK + CO., LLC

The Weekly Top 10

Saturday, January 31, 2026

With Last Week's HUGE Moves in the Commodity and Currency Markets, Somebody(s) Lost a lot of Money….Keep that in mind.

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---1) One of the big concerns we have right now is that the use of the term "currency debasement" is being used in such a cavalier way by so many on Wall Street…and for some people, it is being used incorrectly…….No matter what you call it, we believe that if (repeat, IF) what is really going on right now…becomes a bigger problem…it has the potential of causes some significant problems in the markets (and maybe even the financial system).

It is our opinion, the term "currency debasement" is being used by many on Wall Street is in a way that does not properly describe the possible problems that will very likely develop if (repeat, IF) this becomes a bigger issue as we move through the coming weeks and months. This issue involves items which go well beyond

Before we go into more details on our views surrounding this issue, we also want to push back on something we read this weekend in the financial press. It is our opinion that a situation does not have to reach the kind of crisis levels we have seen in countries like Zimbabwe and Argentina to be described as currency debasement. That's like saying that tech stocks cannot be considered overvalued unless they reach the levels they did in 1999/2000! (It doesn't have to reach the level of 1999/2000 to be a bubble!) **…..In other words, what is taking place right now is definitely something to be worried about…even though the confidence in the currencies of several different developed countries has not reached crisis levels yet.**

We is really taking place right now is that investors are beginning to realize that the budget deficits in several <u>developed countries</u> around the world…have become so bad…that they are now insisting on being paid more (a higher level of interest) for the increased level of risk they are taking when they buy the sovereign deb of these countries.

For many, many decades, most investors have only had to consider the outlook for economic growth & inflation when trying to determine the level of interest rates going forward. NOW, it is becoming quite evident that investors also have to consider a higher risk of default for some of these developed countries.

Put another way, since the possibility of sovereign debt crisis has become a real concern in countries like Japan, France, and the UK…investors are demanding to get paid more (through higher interest rates) when they buy the debt of these countries……No, we are NOT saying that any of these countries are on the cusp of defaulting on their debt. We're merely saying that the risk is no longer zero…and therefore investors are demanding to get paid more for the risk they are taking……Let that sink in…..**What this means is that investors could be facing a situation where long-term interest rates move higher…even if inflation remains under control.** (Then again, if this issue becomes a serious problem, inflation will become a problem…but that's a "chicken and egg" issue. Either way, it's a problem.)

If we are correct in this assessment of what is taking place in the global debt markets, it means that long-term rates are going to remain higher for longer…and maybe move above current levels before long. That, in turn, will create some meaningful headwinds at some point for a stock market that is as expensive as it is today in the US…and for fixed income markets, which has exceptionally tight spreads.

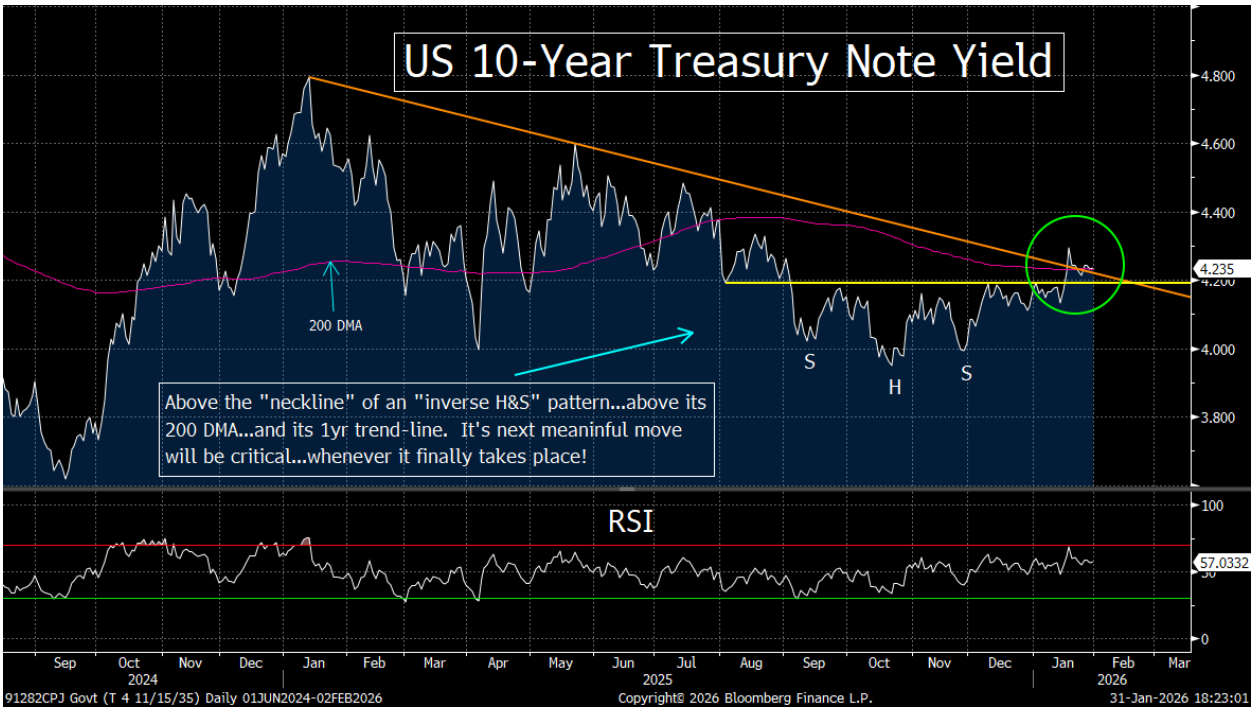
So, this is what we're talking about when we say that too many on Wall Street on talking past themselves when the use the term "currency debasement." They only seem to think that involves a lower dollar or monetary expansion….Yes, they DO mention that "currency debasement" can involve a loss of confidence in a nation's economic management, but they only give that part of the description lip service. They do not go into what that will mean for interest rates around the globe.

More importantly, they don't take much time to discuss how the serious budget problems that several key developed countries are having…can have a material impact on US long-term yields. (Just because most investors are not worried about the rising risks of the US budget deficit…it does not mean that the problems of other countries can have an impact on US long-term yields.)

We are not trying to describe a situation where the fiat currency system is on the cusp of a major collapse. **What we ARE saying, however, is that the markets are telling us that budget deficits DO matter (despite what Vice**

President Cheney said over two decades ago). The evidence is certainly out there that this is indeed the case…with the rise in global long-term yields (in the face of tame inflation), and the huge run in precious metals (even after their crash on Friday)….. Therefore, if global yields resume their advance…and US yields push much higher from current levels…it will create some significant problems in the global marketplace. (Chart below.)

It is our opinion that too many investors are not focusing on this part of the "currency debasement" issue. **We worry that they're too focused on what a lower dollar might mean for certain stocks, stock groups, and assets classes…and not enough on what it might mean for the financial system**……Then again, it's hard to blame them. If we get another crisis, the thinking is that the central banks will just swoop in and save the day. However, even if they can successfully do that if another crisis does hit us….it doesn't mean it won't be a very, very painful process.



---2) If the budgetary problems around the globe do not produce a bigger rise in long-term yields than we've already seen in recent months…the stock market could see another strong rally leg over the coming

months. Momentum is a very powerful force in the markets today…and there are certainly some positive developments for the bulls to hang their hats on. Thus, if the S&P 500 can break above 7,000 in a significant way, another strong rally leg to the current bull market is not out of the question.

If we are wrong about the impact that significant budget problems that exist in certain areas around the globe will have on the sovereign debt markets, the US stock market could see another strong leg to its bull market off the 2022 bear market lows. **Multiple macroeconomic variables…including stronger-than-expected GDP growth, labor market data, fiscal policy tailwinds, favorable central bank dynamics, robust corporate earnings, and structural technological investment in artificial intelligence (AI)…paint a compelling backdrop for further appreciation in the equity market.**

Recent US GDP figures have surprised to the upside…suggesting that economic momentum remains robust. Final estimates indicate that the U.S. economy grew at an annualized pace of around 4.4% in the third quarter of 2025…well above consensus expectations and representing one of the strongest quarterly performances in years. This acceleration was driven by resilient consumer spending, rising exports, and capital expenditures (especially related to technology and infrastructure investment).

Strong GDP growth underpins corporate revenue opportunities and investor confidence. It signals that demand across the economy remains healthy, which supports profit expansion and diminishes near-term recession risks…which is a key factor for bullish equity markets.

Despite some deceleration compared with past years, employment data has largely remained firmer than anticipated**. Although we do agree with those who are worried that the employment picture could/should deteriorate as we move through 2026, recent payrolls reports have shown job growth exceeding forecasts.** We'd also not that continued job additions support wage growth and consumer spending, reinforcing GDP strength and corporate sales…although the news out of UPS and Amazon this week clouded that outlook.

Fiscal policy is playing a supportive role in the economic backdrop. The One Big Beautiful Bill Act and other legislative initiatives are beginning to inject stimulus into the economy…particularly through increased federal tax refunds and infrastructure spending. Some estimates say that federal tax refunds will jump significantly in 2026, directly boosting consumer and corporate cash flows starting in early Q1.

Additionally, long-term industrial support programs like the CHIPS and Science Act continue to channel investment into domestic semiconductor and advanced technology capacity. These programs have catalyzed hundreds of billions in private investment and created tens of thousands of jobs, elevating productive capacity and growth potential in high-value sectors.

Monetary policy expectations are a critical piece of the equity rally narrative. Financial markets currently price in multiple Federal Reserve rate cuts over the course of 2026 as inflation continues to normalize and labor market pressures ease. These anticipated cuts…expected to bring the fed funds rate closer to neutral…create a conducive financing environment for equities by lowering discount rates and supporting capital expenditures……**Yes, the number of rate cuts that we'll get this year is coming into question, but the consensus is still looking for two more cuts this year.**

A central driver of both economic and market optimism is the surge in AI-related investment. Businesses across sectors are committing unprecedented capital to AI infrastructure, including data centers, semiconductor capacity, and machine-learning platforms. **Estimates suggest that AI-related capital expenditures may reach trillions of dollars over the next several years**, representing a structural shift in growth drivers……AI investment contributes directly to GDP…through higher business spending…and indirectly by enhancing productivity and creating new revenue streams, so the many on Wall Street still believe that the AI industry will continue to improve growth in 2026. .

Finally, earning growth expectations remain strong. Consensus forecasts indicate that S&P 500 earnings could rise by more than 15% in 2026, following a robust growth trajectory in 2025. Recent earnings releases have generally exceeded expectations, with many S&P 500 companies reporting better-than-

anticipated results. This reinforces confidence in forward guidance and reduces downside risk to earnings estimates.

When you combine all of these issues, there are certainly reasons to think that the stock market can rally further from current levels. **In fact, with the S&P 500 so close to the 7,000 level, a break of that big round number could create the kind of momentum that could finally create another strong rally leg for the stock market. Momentum is a very power force in today's stock market. Therefore, a break above the 7k level could create the kind of "FOMO" and "performance fear" which could take the stock market quite a bit higher during this mid-term election year.** (Midterm elections years are normally not good years for the stock market...but given how important this one is to the present administration, it might be quite a bit different this time around.)

---3) The incredible moves in the precious metals markets last week cannot be dismissed as merely something that was caused by individual investors taking some medicine for becoming too euphoric about their advance. There was some serious "forced selling" going on...and thus somebody(s) lost a lot of money.....The problem is that the issues which

really caused the strong rally in the precious metals have not gone away…so we should see more strength in this asset class over the coming months.

It is pretty amazing to think that gold fell almost 9% on Friday…and still finished the month with a gain of 13.3%…while silver crashed 26% on Friday…and still ended January with a gain of more than 18%! **In fact, gold still stands 64% above its lows from last spring….and silver finished the week 188% higher than its April lows from last year. So, it will be very interesting to see how it acts over the next couple of weeks.**

There is little question that part of the reason why gold and silver had seen parabolic moves recently…is due to the influx of the individual investor…and exacerbated by momentum-based algos and "positive gamma" in the options market. Since the rallies in these (and other) precious metals (& other metals in general) had moved from very strong ones…to parabolic ones…Friday's outsized decline was not a surprise.

Don't get us wrong, the 26% drop in silver on Friday…which was -36% at one point…WAS a surprise. **However, only the huge size of the decline was a surprise. The fact that a meaningful one took place was not a surprise at all. <u>In fact, we stated last weekend that gold and the other precious metals were getting ripe for a short-term reversal</u>.** We said they could rally more early in the week (which they did), but we also said that they should be due for a material pullback before long…..We cited the extremely overbought condition in these metals…as well as the overexuberance (in terms of sentiment) as reasons to be careful. **Thus, it was evident to us that a meaningful pullback was in the cards.**

So, the question now is…whether Friday's big decline is the end of this incredible rally in the precious metals (<u>and other commodities</u>)…or if it's just something helps them work-off their extremely overbought conditions before they resume their bull market runs? Well, if these rallies had been solely based on euphoria from the individual investors, we'd be much more concerned about any further advance. However, since the individual investor did not jump on board this train until very, very recently…**we still believe that gold and silver (and other commodities) can**

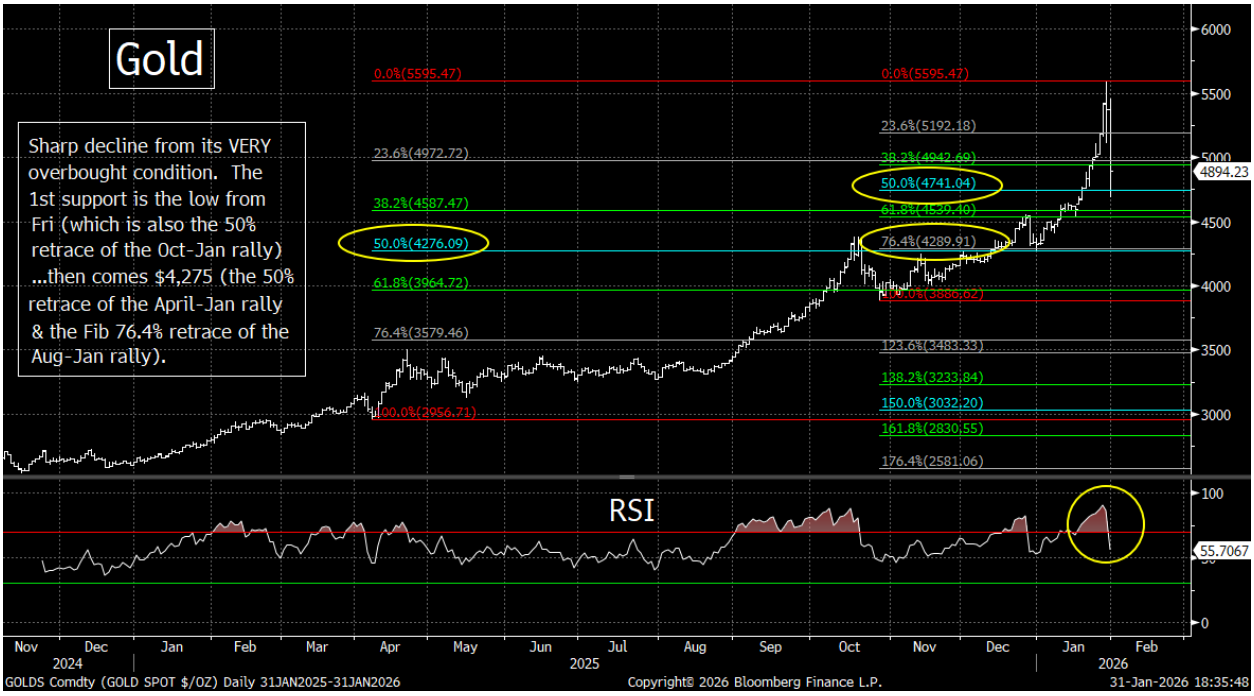
eventually move beyond their highs from last week as we move through the rest of 2026.

This goes back to our comments in the point #1. If these commodities were ONLY rising because of inflation fears or a weaker dollar…and if global long-term rates were rising due to the same concerns…we would be much less bullish on these (and other) hard assets. **However, since we believe that these budget deficit problems are likely the primary culprit for the moves…and that these budgetary problems are not being addressed in a material way…we believe that the rally in these hard assets will resume before too long.**

As for some specific targets on gold during this decline, it's not out of the question that the very large drop on Friday will be the extent of the decline. The overbought condition HAS been worked off…and the massive record level of volume in the GLD gold ETF on Friday…both show that it might already be washed out……That said, gold is far from being oversold…and there's no guarantee that the "forced selling" that took place is over.

Therefore, some further weakness is not out of the question. If we do see another drop in the yellow metal, Friday's intraday low of $4,690 will be the first support level to keep an eye on. After that, we're looking at the $4,275 level. This is where the 50% retracement of the rally from the April lows sits…as well as the Fibonacci 76.4% retracement level of the October-January rally comes in. We think that second level should provide some excellent support…if it sees some more weakness soon.

However, since we worry that the real reasons why the precious metals have been rallying for so many months are not going to go away, we think gold could bounce back sooner rather than later. We're going to stick with the $6,000 target for this year (that we've had since long before others started raising their targets recently), but that could turn out to be a conservative target…if/when the yields in other part of the world resume their climb.



---4) The decline in the cryptocurrency market...and in bitcoin in particular...is something that should be worrisome for all investors. Bitcoin has been a key indicator for the level of net liquidity in the system for some time now...as has the moves in the USDJPY (due to the "carry trade"). Given what is going on in Japan, there are reasons to think the USDJPY will see further weakness at some point going forward. If that does indeed take place, it will create headwinds for several different risk assets.

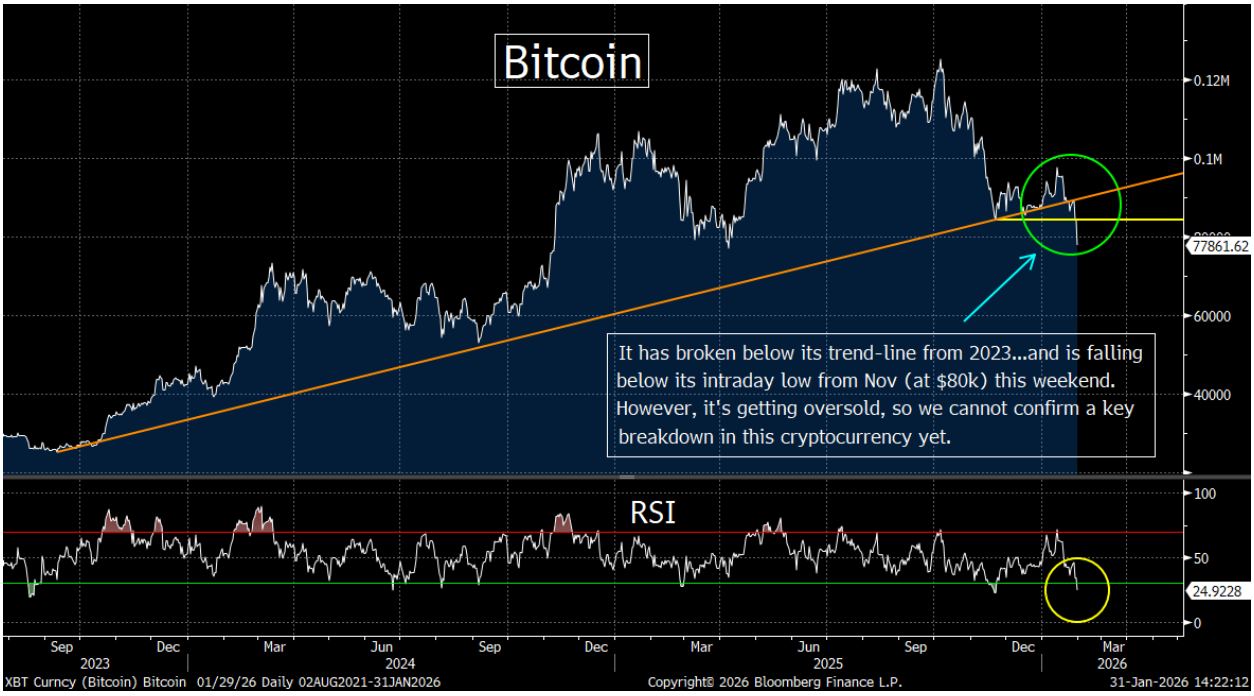
Bitcoin and the other cryptocurrencies had a tough week last week...and its 2.5 week decline is over 20%...with the further drop it is seeing over the weekend (below $80k). **As we highlighted on Friday, in our opinion, the main reason for this decline in bitcoin and other cryptos...which could also be having a negative impact on other risk assets going forward...<u>is the move in the currency markets</u>.** The yen bounced strongly last week...due to speculation of intervention by some central banks. Yes, it did pullback somewhat <u>late in the week,</u> but it still finished much higher than it was just over a week ago. **Thus the USDJPY still closed the week much lower than it was in mid-January.**

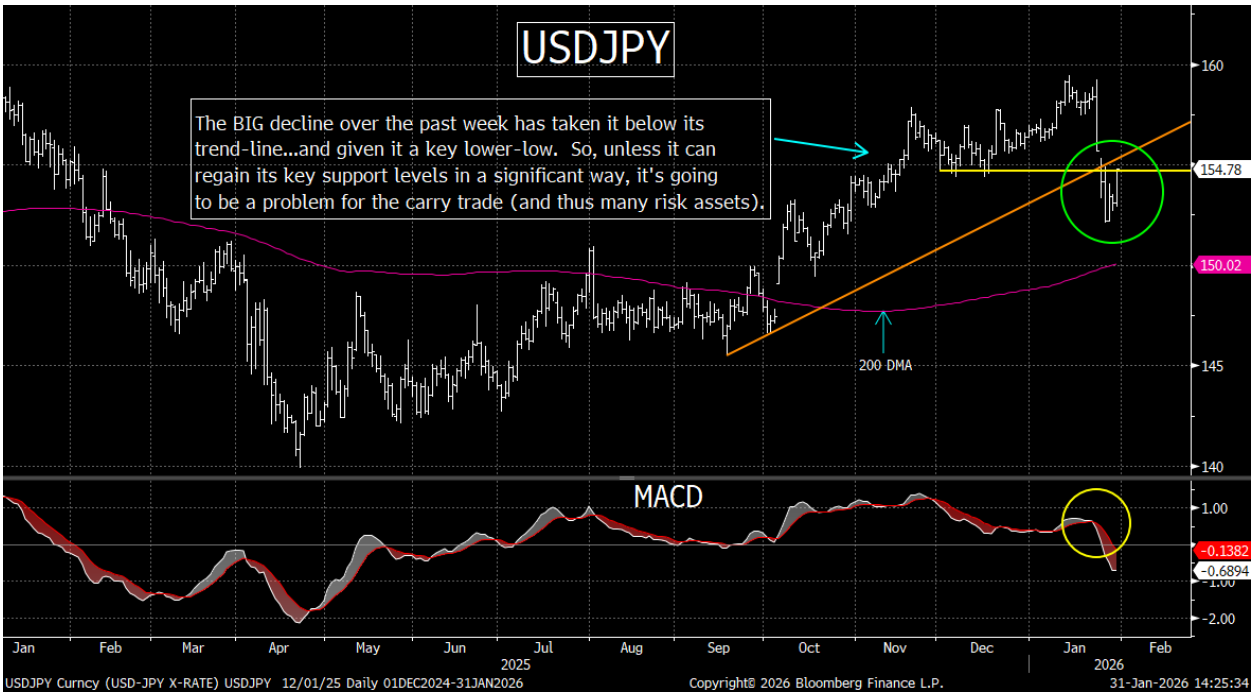
More importantly, this movement in the currency market is causing the highly leveraged "yen carry trade" to be unwound…which, in turn, is draining liquidity from the system. As we have shown many times…over many years…bitcoin is a liquidity asset. When liquidity is plentiful, it tends to rally…and when it's shrinking, bitcoin tends to decline**. Thus, in our opinion, the move in the yen this week is something that is a key culprit in bitcoin's weakness.**

Bitcoin has declined further this weekend (as we write)…and has broken well below the $80,000 level. Therefore, it has fallen below both its closing low from November…and its intraday low from back then. This is not good at all on a technical basis. HOWEVER, we cannot put too much weight on the action in bitcoin over the weekend. The market for bitcoin is much less liquid during the weekend hours, so we're going to have to see if it can bounce back when we move into regular trading hours next week**. Bitcoin is getting quite oversold, so we do not want to say that it has made a definitely break below its key support levels yet…but it's something we'll be watching closely early next week.**

We have believed for quite some time, **the level of liquidity in the system ALSO has a strong impact on the stock market…especially when the market becomes expensive (like it is today).** If liquidity flows are strong…it helps buoy an expensive stock market (and other risk assets). However, when the liquidity flows become negative, it creates problems for an expensive equity market (and other extended risk assets). Therefore, it's not a big surprise that we've seen a bit of a "risk off" move in several different markets this past week…to differing degrees. **Since Japan's government and the BOJ are very concerned about the moves in their currency this month, it's not a stretch to think that the USDJPY will remain under pressure going forward.**

With all of this in mind, keeping a very close eye on the cryptocurrency market…and the currency market…should be important for ALL investors as we move through the next two months of Q1. The moves in these markets should be quite important for all markets!





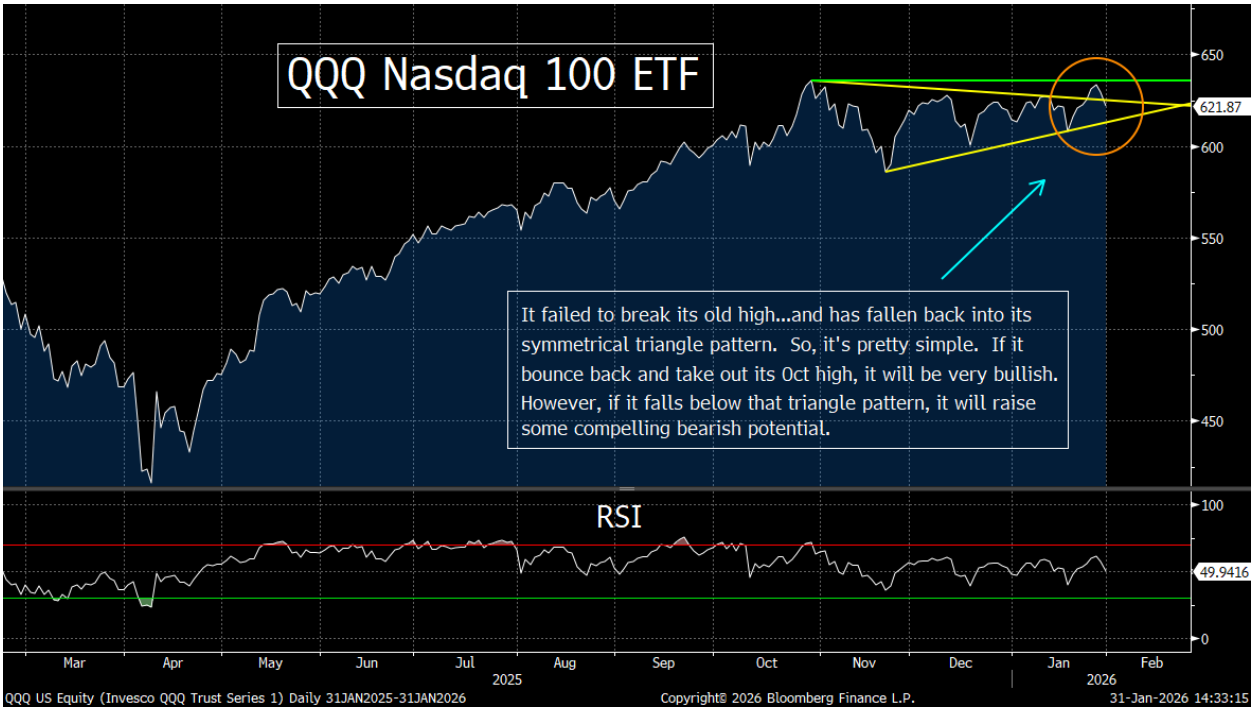
---5) Well, we already discussed the chart on the S&P 500, so we'll limit this week's usually midpoint discussion on the charts of the major indices to the NDX Nasdaq 100 and the Russell 2000 Index. The NDX is

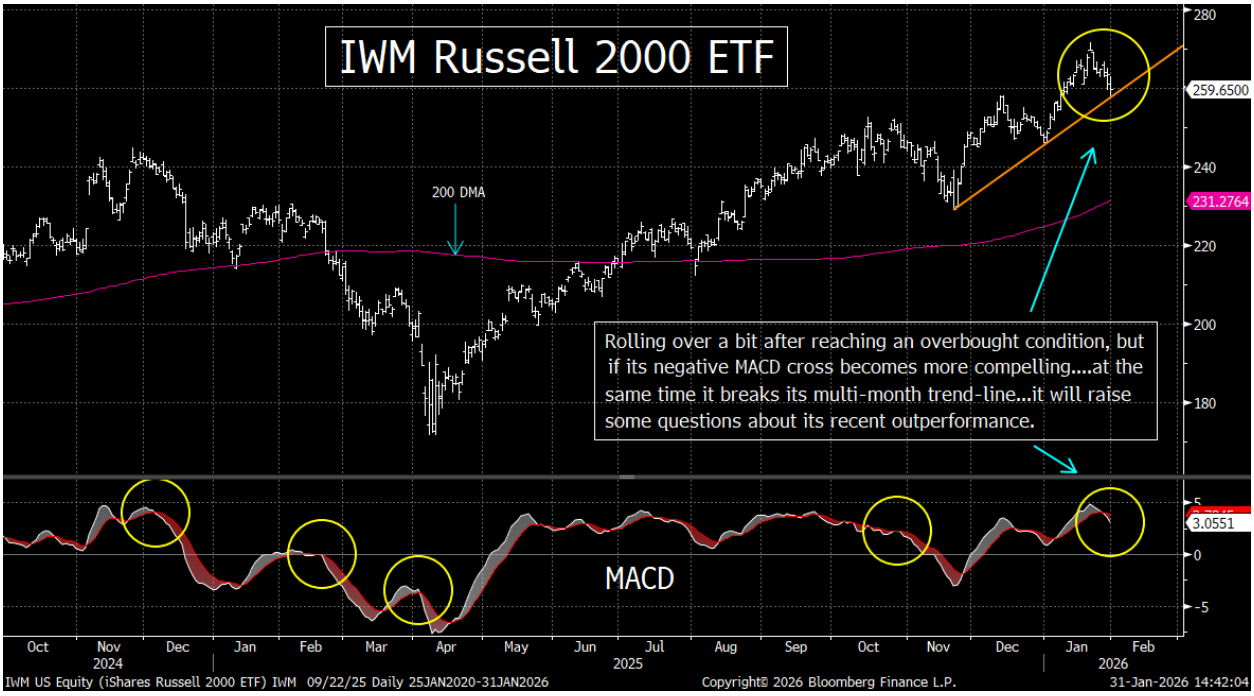
still trying to breakout…while the Russell 2000 is trying figure out if it can finally outperform…or if the recent rally was just another one of the head fakes we have seen in recent years.

We discussed the chart on the S&P 500 in point #2 this weekend, so that leaves just the NDX Nasdaq 100 and the Russel 2000 charts to touch on in the usual midpoint of our weekly piece. **We'll start with the chart on the QQQ (the ETF for the NDX)**…where the situation is a very easy one to decipher. After breaking out of a "symmetrical triangle" midweek last week, it fell right back into that triangle pattern. What everyone is watching for…is to see if it can make a new all-time high…and confirm the same move by the S&P 500. If it can…and the SPX and NDX can push to meaningful new highs in unison…it's going to be extremely bullish for the stock market overall. (First chart below.)

As for the Russell 2000, its recent drop of almost 4% is disappointing, but it's certainly not the end of the world. As we highlighted last weekend, the Russel was becoming overbought on a short-term basis. Therefore, last week's weakness was not a big surprise. However, there are some understandable concerns that the recent outperformance for this small cap index will be short-lived…like it has several times since the bear market lows of 2026.

Therefore, if there is any more weakness in the Russell, it will raise some concerns. This is particularly true given that the IWM Russell 2000 ETF is testing the trend-line from its November lows. So, if it breaks below that line, will raise a yellow flag on this small-cap stock index. This is particularly true given that the IWM has seen a negative MACD cross recently……As we stated above, the Russell has seen several false starts over the past several years. Therefore, whether it can regain its bullish momentum soon…or it keeps sliding lower…should be very important for this area of the stock market over the coming days and weeks. (Second chart below.)





---6) Our bullish call on the over-hated and under-owned energy sector for 2026 is working out quite sell so far. However, if the situation in the Middle East calms down quickly, the energy sector will likely pullback in a

material way. That said, the recent breakout moves in the energy stock ETF's if very bullish. So, unless crude oil rolls over in a significant way, this sector is going to surprise investors in 2026.

Our bullish call on the energy stocks has worked out very well so far this year. The S&P 500 Energy Sector Index has rallied over 14% YTD…and has the best performance of any of the eleven sectors in the stock market. Of course, one of the reasons why it has acted so well over the past week-to ten-days is the concern surrounding a possible military strike on Iran…and what that might do for the supply of crude oil coming out of the Middle East. This has caused WTI crude oil to spike higher by 16% since the first week in January…and by 10% in just the past week.

We saw an even stronger spike in crude oil prices in June…when the US bombed Iran's nuclear capabilities. So, if an attack takes place, we could/should see a bigger spike soon. However, if it is the kind of "quick strike" move that the President seems to like so much, oil prices could come tumbling back down rather quickly…just like they did over the summer…..Then again, if the situation gets ugly, oil prices could obviously shoot a lot higher. (You never know what Iran might do…if they feel like they are cornered.)

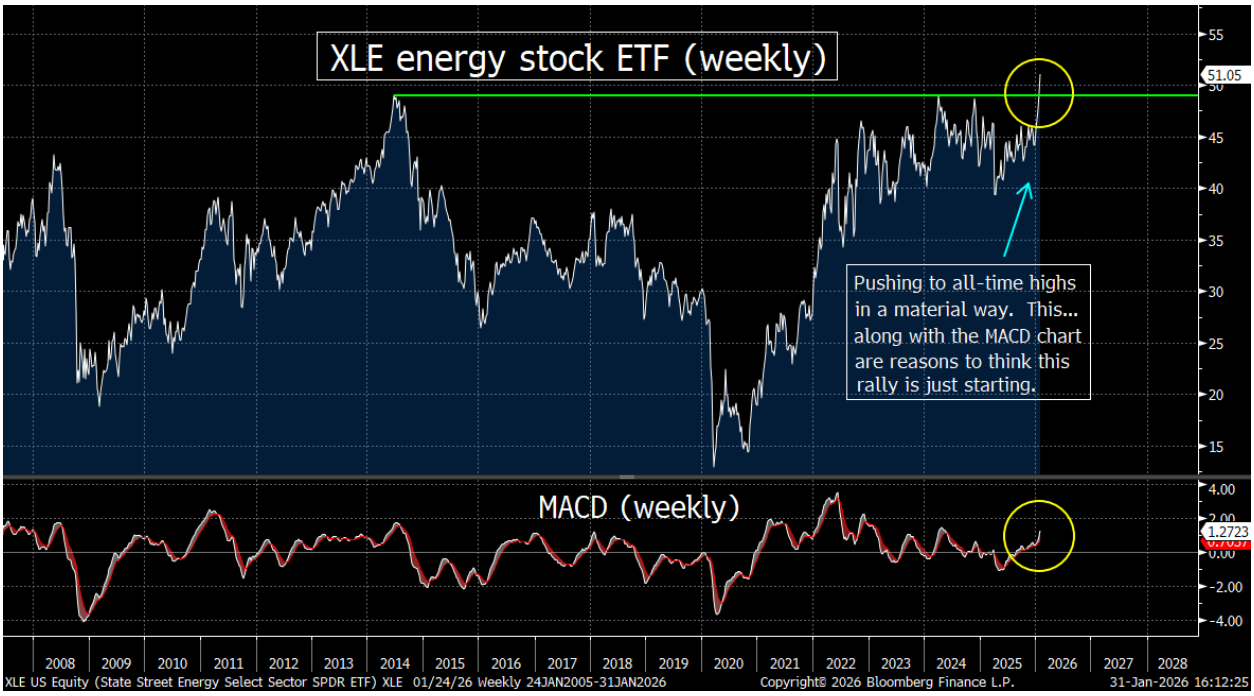
We're not going to speculate what is going to happen with this situation…nor when an attack might take place (if it does at all). We have also highlighted our reasons for thinking that the energy stocks should do well in 2026…even if oil prices do not rise in a meaningful way…several times over the past 4-6 weeks. So, we won't bore you by repeating them again this weekend. **Instead, we'll take another look at the charts on the XLE energy stock ETF…the XOP oil and gas E&P stock ETF…and one specific stock (ConocoPhillips…COP).**

On the XLE, it has broken above its all-important resistance level…the highs from way back in 2014, as well as last year. The XLE has broken above this "double top" high in a meaningful way, so unless it reverses significantly…and quite soon…it's going to be very bullish for the energy sector on a technical basis. (First chart below.)

On the XOP, it is a much broader index…which does not depend so much on Exxon and Chevron (which make up 40% of the XLE). The XOP has not yet broken to a new all-time high, but it HAS broken above its highs from September and December in a meaningful way…which can also be seen as the top line of an "ascending triangle" pattern (not drawn on the chart). The move above this key resistance level is very bullish…and should give the entire sector lots of upside potential…as long as crude oil does not roll back over quickly/significantly. (Second chart below.)

Finally, on COP, this stock had already broken above its 200-DMA back at the end of 2025. That moving average had provided VERY tough resistance for almost two years…so the break above that line was already a bullish development. It has since made the move even better…by pushing above its highs from August and September. This "higher-high"…following its positive break of the 200-DMA (and above its two-year trend-line)…is quite the bullish combination. Therefore, this breakout move is something which could have a lot more legs as we move further into 2026. (Third chart below.)

Again, our bullish stance on the energy stocks is not dependent on a significant conflict in the Middle East. We do, however, realize that if things calm down in that region, the stocks will almost certainly see a material pullback over the near-term. That said, given our view on hard assets…and our concerns surrounding paper assets…we think that a pullback in this group will just provide a good buying opportunity…….Either way, we expect this over-hated/underweighted group to continue to do well over time.


XLE energy stock ETF (weekly)
Pushing to all-time highs in a material way. This... along with the MACD chart are reasons to think this rally is just starting.
MACD (weekly)
51.05
1.2723
55
45
40
35
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25
20
15
4.00
-2.00
-4.00
2008
2009
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XLE US Equity (State Street Energy Select Sector SPDR ETF) XLE 01/24/26 Weekly 24JAN2005-31JAN2026
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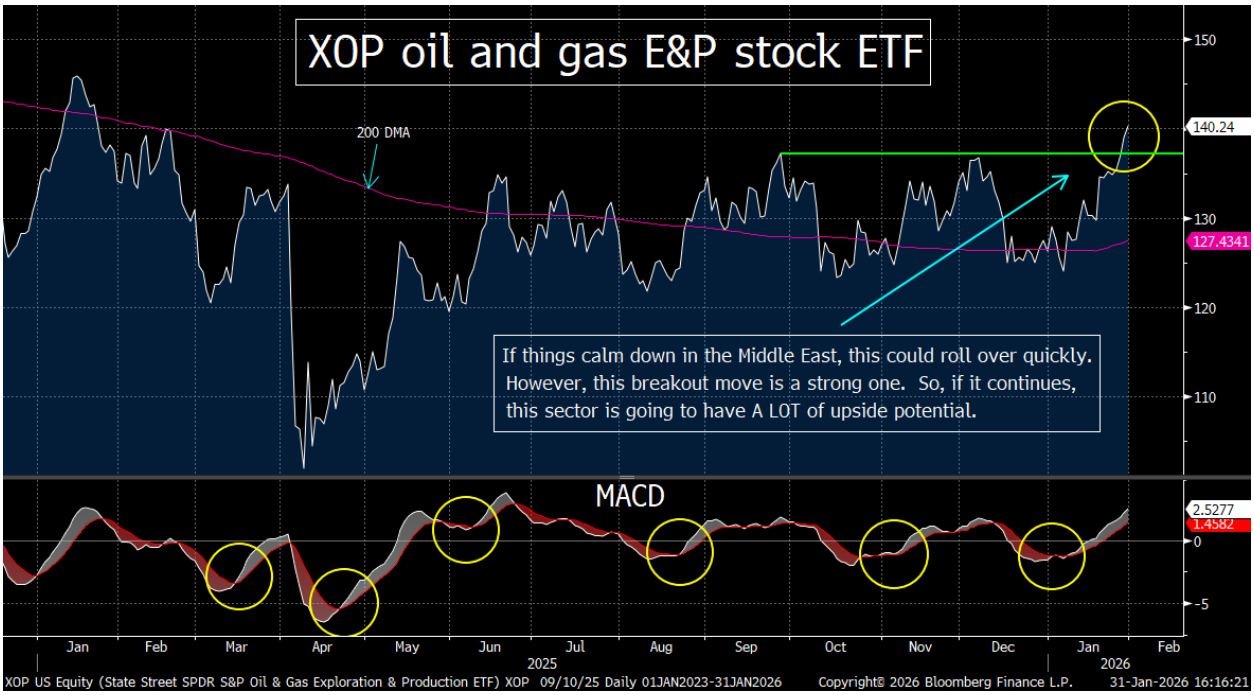
XOP oil and gas E&P stock ETF
200 DMA
If things calm down in the Middle East, this could roll over quickly. However, this breakout move is a strong one. So, if it continues, this sector is going to have A LOT of upside potential.
MACD
140.24
127.4341
150
130
120
110
2.5277
1.4582
0
-5
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
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2025
2026
XOP US Equity (State Street SPDR S&P Oil & Gas Exploration & Production ETF) XOP 09/10/25 Daily 01JAN2023-31JAN2026
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---7) The consumer staples sector has seen a VERY strong rally over the past two weeks. (The outsized strength in this defensive sector over the past two weeks is something that should raise some yellow warning flags for investors...especially given what has taken place in the precious metals recently).....The XLP consumer staples ETF still has some very strong upside potential...as do two stocks in the group which are usually seen as quite boring plays.

The consumer staples sector stands out today as a compelling opportunity for investors who are seeking both downside protection...and modest upside potential as the broader equity market trades at historically high valuation levels...and geopolitical risk remains elevated. Staples tend to deliver stable revenue and cash flows regardless of economic cycles, making the sector a classic defensive allocation in portfolios when uncertainty rises. **Moreover, the ongoing geopolitical tensions across various regions can raise volatility in riskier sectors...further enhancing the appeal of stocks with predictable demand for their products.**

While staples have lagged the market during the strong risk-on phases of recent years, the narrative is shifting as investors rotate toward defense. Over

a recent three-week period, XLP consumer staples ETF has staged a notable rally of 9% over the past few weeks…signaling renewed interest from traders and long-term allocators alike. That said, the money flowing into the XLP has not surged in a meaningful way, so this rally seems to be resulting from a "rotational" move into the sector. **However, if its rally continues…the money flows should follow…and that could/should give the sector an even further boost as we move through Q1.**

The XLP's valuation remains reasonable relative to its peers, and its dividend yield…above 2.5%…provides an attractive income cushion in a low-growth environment. Many staples companies also maintain long track records of dividend increases, enhancing total return potential for patient investors. Its weighted average price/earnings ratio is in the low-to-mid-20s, a comfortable level considering the earnings stability that underpins these businesses and their defensive profile.

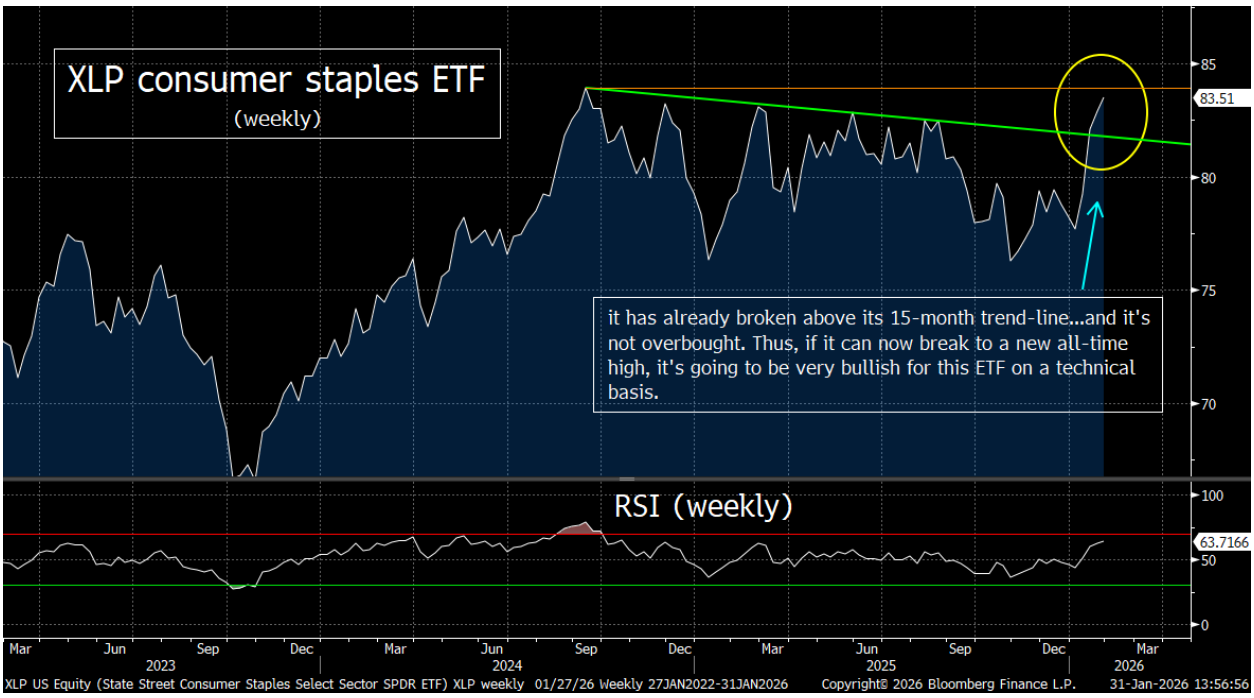
Among XLP's most important holdings is Walmart (WMT), the largest constituent. Walmart's position as a dominant retailer of essential goods gives it pricing power and resilient sales in both inflationary and contractionary environments……We have liked this stock for some time now…and even though it's not cheap, it should still be a part of most investor portfolios. (Besides, they're describing themselves as a tech company now, so maybe this high multiple is justified.)….**Either way, the chart on the XLP is looking good. It has already broken above its 15-month trend-line…and it is not overbought. So, if it can now break above its old record high from 2024 (just 0.5% away), it should get another strong boost!**

There are two other stocks besides WMT which look quite compelling to us. First, Clorox (CLX) offers an interesting opportunity in our minds. After a period of underperformance and company-specific headwinds, Clorox now trades at a discounted valuation with a strong dividend yield of 4.4%. Historically high by staples standards…its price/earnings ratio of 19x is modest relative to peers, and recent strategic initiatives…including operational improvements and an acquisition aimed at expanding its hygiene portfolio…create a backdrop for potential earnings stabilization and income-oriented total returns.

Looking at the chart on CLX, it has broken above its 1-year trend line…it has made its first "higher-high" in a year…and it is seeing a positive weekly MACD cross (which has been followed by nice further gains in the past). Therefore, this stock is seeing some very nice upside momentum. When you combine this…with its strong dividend yield…it should be a stock which gives investors a nice total return this year. (First chart below.)

Another stock that looks interesting is Conagra Brands (CAG). This is a stock with has BADLY underperformed the stock market for a long time now…with its drop of over 40% in the last year. However, the stock has rebounded recently…after reaffirming their 2026 guidance and declaring that they'll return to overall organic net sales growth in the second half of this year. The stock trades at just 10.7x forward earnings…and sports a dividend yield of 7.5%!!!.....On the technical side of things, this is another one which has already seen a nice positive MACD cross…it has broken above its 10-month trend-line…and has broken above its key resistance level of $18. So, this stock is gaining A LOT of upside momentum. (Third chart below.)

We do have to admit that there are questions about how safe CAG's dividend is right now, but they say they are committed to their dividend this year. However, with this in mind, investors should use a stop out level of $17.50…which will limit any losses to just 5%.....**Needless to say, this is a rather defensive/longer-term play. However, with the stock breaking out after such a rough 12 months…and nobody talking about this name right now…it could surprise a lot of people over the near-term as well.**


XLP consumer staples ETF
(weekly)
it has already broken above its 15-month trend-line...and it's not overbought. Thus, if it can now break to a new all-time high, it's going to be very bullish for this ETF on a technical basis.
RSI (weekly)
85
83.51
80
75
70
100
63.7166
50
0
Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar
2023 2024 2025 2026
XLP US Equity (State Street Consumer Staples Select Sector SPDR ETF) XLP weekly 01/27/26 Weekly 27JAN2022-31JAN2026
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CLX
200 DMA
Broken above its trend-line...made its first "higher-high" in a year and a positive weekly MACD cross. So, this stock looks very good here.
MACD (weekly)
RSI (weekly)
180
170
160
150
142.364
140
130
120
112.79
110
100
0
-4.7856
100
48.6646
0
Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar
2023 2024 2025 2026
CLX US Equity (Clorox Co/The) Weekly 01FEB2023-30JAN2026
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---8) The tech sector is still the most important sector in the stock market. The earnings reports/guidance we have receive from this sector so far have not provided the answers to the key questions surround the AI industry that investors were hoping they would. Therefore, this sector is still a big question mark for investors...and its next move of consequence will be extremely important.

Even though the tech sector is still the most important sector in the stock market (by far), we have left it for later in this weekend's piece...because we have talked this one to death in recent weeks. Even though we got several key earnings reports & guidance from several important tech companies (not just the ones from the four Mag 7 names), **the questions surrounding the outlook for the tech sector have not changed.**

The chip stocks continue to act very well...with the SMH semiconductor rallying almost 14% to start the year. Heck even Nvidia is showing signs of breaking out of its seven-months of boredom. HOWEVER, the XLK technology ETF and the MAGS Mag 7 ETF remain inside multi-month ranges...and cannot seem to breakout in either direction.

More importantly, we have not resolved the issue of whether the huge profits that many of the chip companies and "memory" companies are making are going to broaden out in any meaningful way. It is still evident that the ROI for many, many other AI-related companies are not getting much of a return from the massive spending the have been involved with on the AI phenomenon. Therefore, the next several weeks are going to be very interesting for the tech sector.

We are thinking that investors will continue to "rotate" WITHIN the tech sector…and spend more time lowering their exposure to the expensive stocks…who look like they're not going to increase their profits enough to justify their lofty valuations…and picking up the shares of the winners. The only problem with that scenario is that if the mega cap names begin to decline altogether…the SPX & NDX will fall…and investors will start "rotating" into cash.

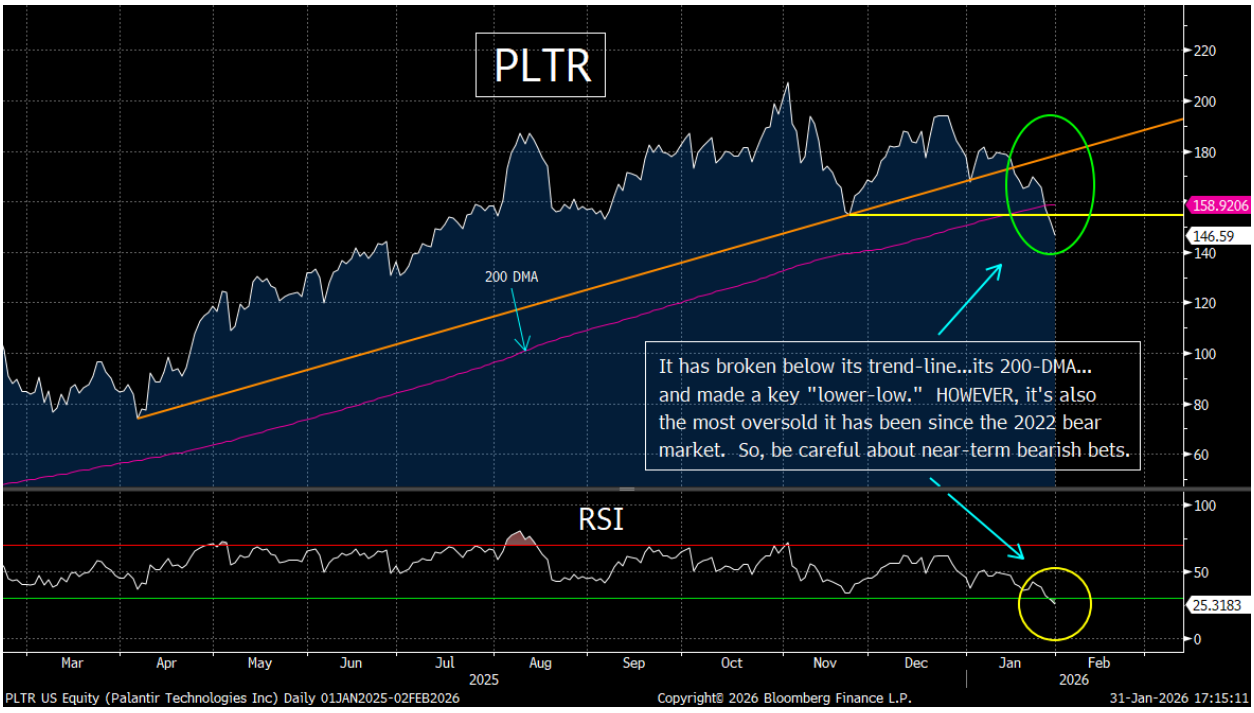
In other words, we're still in the same situation we were before earning season began. This might change by the time earnings season ends, but it looks like this "season" is not going to be the catalyst for a big move in one direction or the other for the broad tech sector. Instead, it looks like it will be determined by the decisions that investors make over time…rather than dictated by the report from one or two companies.

This does not mean that the tech sector is going to continue to drift sideways (with a mild upward bias) for many more months. It just means that it's less likely that a bell is going to be rung…which will tell us which way it's going to go. Instead, we're just going to have to keep a close eye on the different groups in the sector…and wait for that action to tell us how this will be resolved.

However, we still want to provide a chart on one of the stocks in the beaten down software group. Palantir (PLTR) reports earnings on Monday (after the close). We love the long-term prospects for PLTR, but we have to admit that it is still a very expensive stock (even after its recent 29% decline). On the technical side of things, the stock has broken WELL below its

trend-line from last April…made a clear “lower-high/lower-low” sequence…and broken below its 200-DMA.

Having said this, PLTR is also becoming very oversold. In fact, you have to go back to the 2022 bear market to find the only time it has been more oversold than it is today on its RSI chart. With this in mind, we believe that investors and traders should be very careful about any negative bets they might have going into its earnings report………It is getting ripe for a nice bounce…which could take place even if their earnings are a bit disappointing. (In other words, a possible “sell the rumor, buy the news” reaction.) And if the earnings are stronger than expected, the stock could/should skyrocket……In other words, in our opinion, the risk/reward for PLTR is now weighted heavily to the reward side of things.



---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.

---As we have stated MANY times, when the Patriots win the Super Bowl, it is very bullish for the stock market. However, when they lose, it is very bearish for stocks. In fact, the AVERAGE decline for the S&P 500 in the years when the Pat lose the Super Bowl is -20.78%!!!.....GP PATS!!!!!!

---For the past two years, we have been bullish on the aerospace/defense sector...and the ITA ETF has rallied more than 125% over that time! Continue to buy the dips...the world continues to be a more dangerous place.

---There are lots of reasons to think that Kevin Warsh will be a good Fed Chairman. However, he doesn't like QE programs...and he does not like "Fed speak".....Less liquidity and less transparency. That's not a great combination for an expensive stock market near-term...even if it's quite bullish for the longer-term.

---Wow, those guys who went to the LIV Golf Tour...sure made a lot of money. They have also increased the pay for the PGA players in a SUBSTANTIAL manner.....We're just stating a couple of facts.

---If the "repatriation of capital" becomes a big issue at any point in 2026, it's going to be a BIG problem for US markets.

---Novak Djokovic will be playing in the Australian Open final overnight. If he wins, it will be his 25th major title...and it will cement his status as the GOAT in tennis.....However, he will play that match in Rod Laver Stadium...and we argue that Laver is actually the real GOAT. But since he could not play in any majors for five years in his prime, his numbers are not as strong at today's greats.....Whether he is actually the GOAT or not doesn't really matter. "The Rocket" is 87 years old...and we should all cherish the fact that he is still with us.

---10) Summary of our current stance.....Even though we saw some wild moves in the precious metals last week...including what was basically a crash on Friday...and some significant volatility in some of the currency markets...**the US stock and bond markets traded in relatively tight**

ranges. This took place…despite a less dovish press conference from the Fed…a new Fed Chair nominee announcement…a slew of earnings reports…a lousy consumer confidence reading…and concerns about military action in the Middle East.

On the fundamental side of things, the current earnings season is going along just fine. The estimates for the full year are actually still lower than they were at the beginning of earnings season…but only very slightly lower. Also, although there are certainly some real questions about the consumer, those weaker confidence survey numbers are not showing up in the concrete economic data. In fact, more of the economic data is beating expectations…than not missing them. **Therefore, when you combine these results from company earnings & positive data…with more deregulation and more stimulus from the government to come this year…more rate cuts (eventually) from the Fed…the expectations of endless spending on AI…etc, etc….there are plenty of reasons to think that the stock market will continue to do well over the rest of 2026.**

Yes, we have several geopolitical issues to be concerned with right now. The biggest concern is coming from a possible military conflict in the Middle East…but there are several others as well. That said, issues like these have been plentiful for a very long time now…and the only one that has had any material impact on the markets…has been the tariff issue (and that was over ten months ago).

As for the AI issue, there is little question that it is no longer as solidly on the bullish side of the bull/bear ledger as it was for more than 2 years going into the fall months of last year. The spending on AI remains massive, but the questions about the ROI on all of this spending continue to linger. So, it's great that the chip stocks have continued to rally very strongly in the new year…with the SMH higher by 12% YTD. This is particularly encouraging given that the chip group is the most important leadership group in the stock market (and has been for decades). However, the broad XLK technology ETF is dead flat so far this year. In fact, it has actually declined very slightly (-0.06%). Similarly, the MAGS Mag 7 ETF is up only 0.29% so far this year…and both of those last two ETFs have done almost nothing over the past four

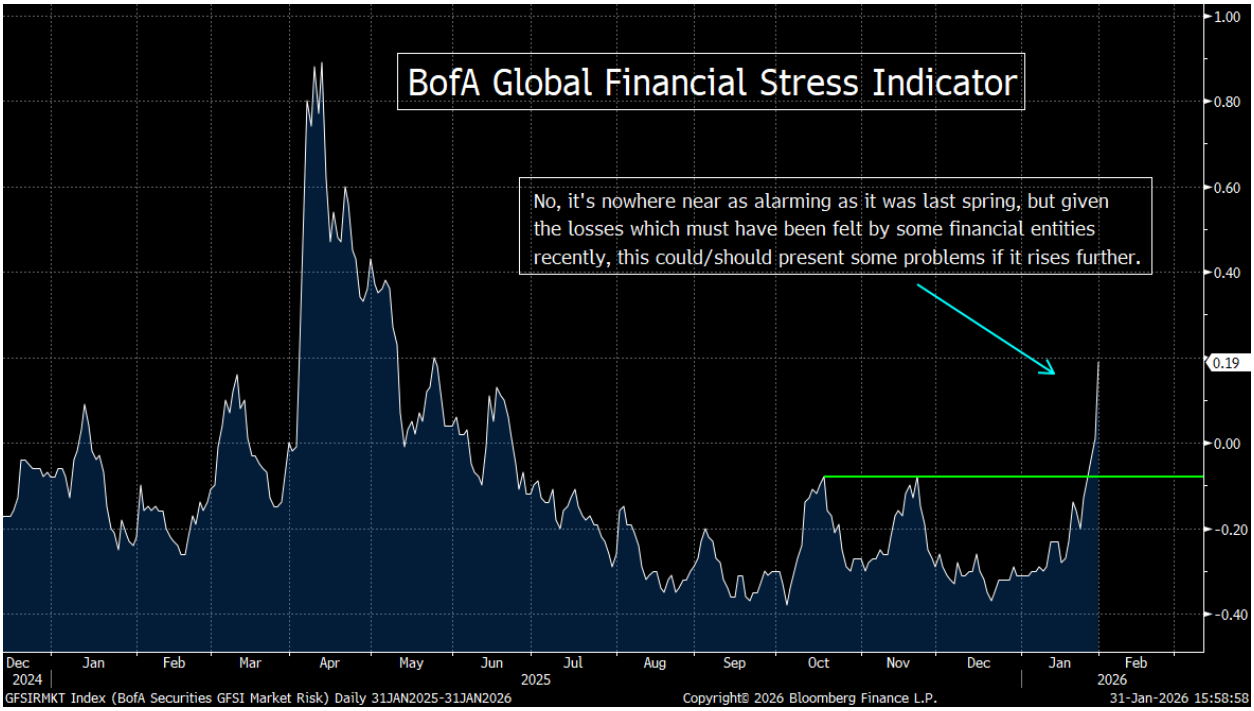
months+. **Therefore, the AI phenomenon has definitely lost some momentum.**

This is not a big problem yet…because we're seeing some nice "rotation" within the stock market. However, if the mega-cap names start to decline in tandem, it's going to weigh on the markets no matter what…given their outsized weightings in the S&P 500 and NDX 100. Besides, with the small-cap Russell 2000 starting to struggle a little bit…the are definitely some questions about the "rotation" trade cropping up in investors' minds.

However, our biggest concern is what is going on in the sovereign debt markets…and the rise in global long-term yields. The rise in those yields here in the US long is not raising major alarms signals yet. However, it won't take much more upside movement in those US yields to raise at least some minor alarms at some point soon.

We'd also note that the BofA Global Financial Stress Indicator is starting to rise again. (See chart below.) It's still well below the heights is saw in April…when the US Treasury market was in turmoil due to overseas sellers…but it is now rising at a rate that is noticeable……This is not a big surprise to us. **You don't have to be a multi-decade pro on Wall Steet to know that remarkable moves in the currency markets…and (especially) the commodity markets…have very likely caused some serious losses for certain financial entities. Therefore, the rise in that financial stress indicator makes total sense to us.**

Again, there are several good reasons to think that the stock market can hold up quite nicely…for quite a bit longer. **However, experience tells us that the one item that stretched markets hate…is higher long-term interest rates. Since both…the stock market (valuations) AND the fixed income market (incredibly tight spreads) are indeed very stretched…we're going to become a lot more cautious if these global long-term yields rise further going forward. This will be particularly true if those yields climb further due to concerns surrounding budget deficit issues…which is something that monetary stimulus will find much tougher to solve.**



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