



# **The Weekly Top 10**

Sunday, February 8, 2026

**Are the Recent Crashes in  
Certain Asset Classes  
Signaling the Start of  
Something Bigger...or a Great  
Opportunity?**

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**---1) The tech sector got hit hard in the middle of the week last week. Part of this was due to the fact that the sector was used as a source of cash to meet margin calls by leveraged crypto investors during a crash in that market. However, some of the weakness had to do with real fundamental concerns. Therefore, it's not a lock that Friday's strong bounce will hold. Whether it does or not is going to be extremely important for the broad stock market going forward.....As usual, the key will be the upcoming action in the chip stocks. (As much as "rotation" is an important narrative right now, it won't take place if the chip stocks are falling.)**

Well, the month of February got off to a wild start...but the increase in volatility in the stock market PALED in comparison to the huge moves in the precious metals and (especially) the cryptocurrency markets. The equity bulls were happy, however, because as much as the stock market saw some swings, it was able to rebound late in the week...and the S&P 500 finished almost exactly where it closed the previous week. In fact, the DJIA was able to close 2.5% higher...and finish above the big round number of 50,000!

**The real volatility came from other markets...**with the metals markets seeing some very large moves in both directions...and the crypto currency market getting hit particularly hard on Thursday. They all rebounded on Friday, but unlike the stock market, they still finished with rather large losses for the week.

**That huge decline for the crypto market weighed on other markets...because it is not liquid enough to handle substantial influx of "forced selling" which took place on that day.** Yes, bitcoin is quite liquid, but many other cryptos are not liquid at all. Therefore, when leveraged investors receive margin calls, it's hard for them to sell enough of their holdings to meet those "calls." **Thus, they have to turn to other markets to raise the cash they need.** It's not a big stretch to think that the players in the crypto market hold a lot of tech stocks...rather than "boring" names like GE, GM, or PG. So, they used the (liquid) stocks that they owned to help meet those margin calls. (Back in the late 1990s, GE WAS the source of cash when LTCM had their problems. It's a much different company/stock today.)

This is something we saw when the crypto markets go hit hard in 2021 and 2022, so it was not a surprise to us to see it once again last week.....There was also some speculation that the precious metals were also used for sources of cash for the crypto market...while others say that the precious metals players were also ones who were getting those margin calls...so they believe that the tech rout on Thursday can be blame on both of these other asset classes. **Either way, there was some indiscriminate selling in the tech sector that day.** Therefore, when bitcoin and the others rebounded on Friday...and thus the forced selling disappeared...the tech stocks rebounded very, very strongly on Friday.

**The question now...is whether tech investors will continue to buy these tech stocks over the coming days and weeks...or if they'll use Friday's bounce (or any further bounce) to further "reweight" their holdings in the tech sector.**

It is not out of the question that the selling will resume before too long in this sector. The selling that took place in the tech sector was not limited to the days when some investors were getting flushed out of leveraged bets in other assets. **So, has been some other reasons for this weakness in tech.....**There were some very poor reactions to earnings/guidance last week from the tech sector. AMD fell over 6% after they reported on Wednesday...QCOM, ARM, VRSN, and APP all got hit hard as well. Also, big-cap Mag 7 names like Alphabet (GOOGL) and Amazon (AMZN) fell on Friday after reported...despite the very large rally in the broad market that day. Heck, even Palantir (PLTR) which bounced strongly the day after they reported positive earnings...finished the week much lower (despite another mild pop on Friday).

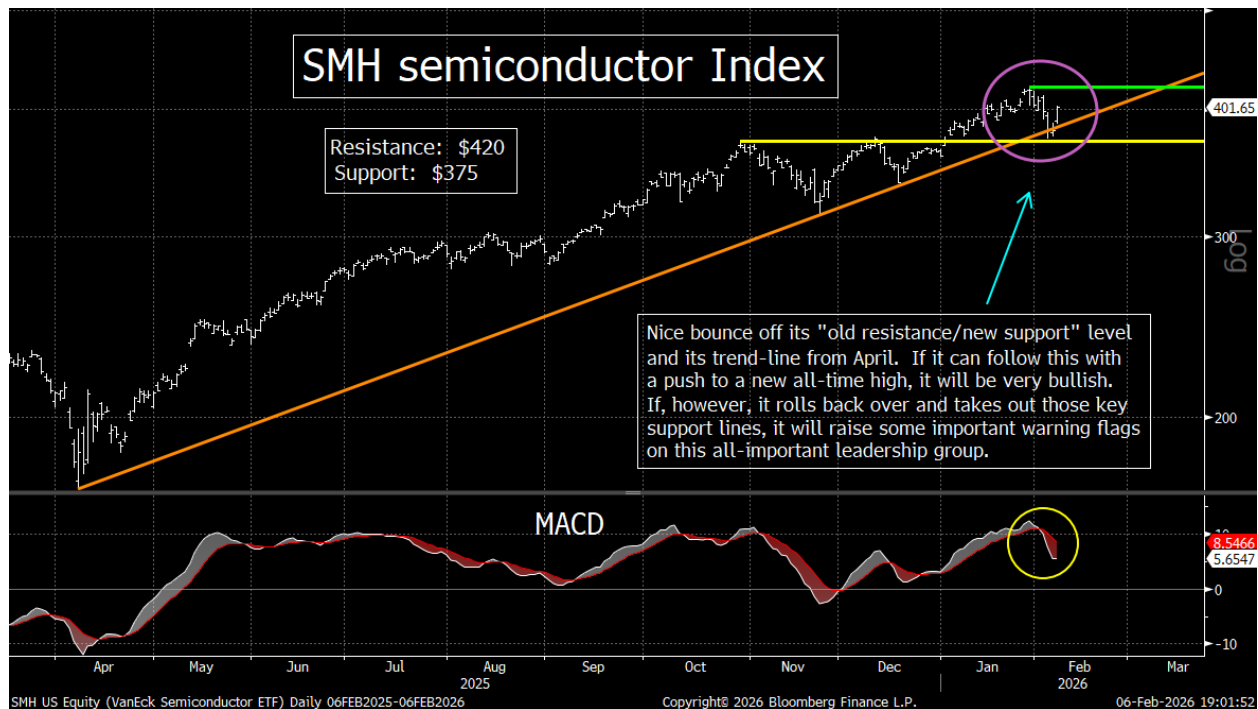
**The other big issue which has been cropping up again and again in recent months...is the "profitability" issue for the hyperscalers and other AI companies.** This issue raised its head again this week...and it definitely created headwinds for the tech sector outside of anything having to do with margin calls. It's great that the demand for AI chips remains very, very strong. However, if demand does not equate to higher profits...for companies whose stocks are being prices for much higher profits...the demand equation doesn't mean much.

**If companies like GOOGL are going to hold prices down for competitive reasons...for a long time...investors are going to have to revalue many of these AI related stocks.** Since MANY institutional investors are still VERY overweight many of these stocks, **the fact that they are starting to “revalue” them...means they’re going to “re-weight” them in a material way over the coming weeks and months (and that “re-weighting” does not mean they will raise their weightings).**

Of course, the software stocks fell out of bed even further this past week. As we all know, this group had already been under a lot of pressure, so last week’s news was pouring salt on the wound. We’d also note that despite reaching an extremely oversold levels (the most oversold EVER by some measure), the bounce in the group during Friday’s big rally was a feeble one.

**Long time readers will not be surprised to hear that we believe that the action in the chip stocks will hold the key for this sector going forward.** They have been the most important leadership group in the tech sector for decades (long before AI became the big narrative on Wall Street)...and for the entire stock market for that matter. Right now, the fundamental outlook remains quite bright. Demand for AI chips remain very strong...and the chip market is expected to expand by 17%-19% YoY in 2026...and other chip end markets appear to be moving into a synchronized cyclical recovery as the year begins (with the exception of autos).

**On the technical side of things, the SMH semiconductor ETF bounced off its key breakout level from the beginning of the year near \$375...so the initial reaction has been a nice bounce off its “old resistance/new support” level. If that level can hold...and the SMH can push back up and take out its all-time high in a meaningful way, it will be quite bullish for the group...the sector...and the stock market overall. However, if it rolls back over for some reason...and takes out that key \$375 support level in a significant way...it’s going to raise some important warning flags.**



---2) The “Fed put” has been with us for many, many years. Now, we also have the “Trump put”.....It makes sense to think that this newer “put” is closer to being “in the money” that it was at this point last year. **HOWEVER**, it is also worth considering that it might be further “out of the money” over the next 2-3 months...than it will be in the 5-6 months leading into the midterm elections.

Although the “Fed put” has been with us...to one degree or the other...since 1987, it has been much more prominent since the Great Financial Crisis. This was particularly true in the 4-5 years following the GFC. Every time they tried to pull back on their QE program...the markets fell in a significant way (and we’re not just talking about the stock market). The system was still much too fragile, so the “Fed put” was very close to being “in the money” pretty much all of the time back then.

After the financial system finally moved to a more stable position after quite a few years, the “Fed put” moved to a level that was much further “out of the money”...but as we learned in 2018, 2019, and 2023...it still existed. Whenever a situation arose that put the system at risk, the Fed

dutifully responded. (In 2018, it was significant problems in the high yield market. In 2019, it was the repo market...and in 2023, it was the run on the regional banks.....Obviously, they also came to the rescue in 2020...during the pandemic...when the entire global economy and financial system was on the brink of shutting down.)

**The problem is that by using the “Fed put” so often...is that it has not allowed the system to be restored (or fixed) in a way that will allow it to run on its own.** We worry that this means that the system will eventually blow up in an even bigger way than it did in 2008.....Either way, it leaves the financial system (and the markets) completely dependent on things like the “Fed put” to keep them advancing...especially when they become expensive and stretched.....However, that is a discussion for another day.

**This morning, we want to talk about the fact that the “Fed put” is not the only “put” that exists today. As we learned back in April of last year, there is also a “Trump put.”** When tariffs threats began to have an outsized negative impact on the markets, they walked back their demands considerably.....It is important to note, however, that it was the significant stress that showed up in the Treasury market which caused the Administration to blink last spring...not the stock market. In fact, they said many times that we would have to “feel some pain” for a while as they went through their process of changing the structure of the tariff system. Thus, the “Trump put” was not “in the money” last year...until the Treasury market experienced some serious stress. At that point, they had no choice but to back off.

**That brings us to what we are facing today...and we think it’s important to consider how these “puts” will be used in 2026...if they are deemed to be needed.**

Now that we’re much closer to the mid-term elections, the Administration is not as complacent about what the economy and the stock market as there were at this time last year. Therefore, their “put” will not be as far “out of the money” as it was last February. ALSO, we know that they have set things up on the fiscal side of things...so that the economy will “run hot” during 2026...especially in the second half of this year. That, in turn, is something

that should help the stock market this year as well.....**So this year, the “Trump put” is not just something that will keep a floor UNDER the market...but it will also involve helping the stock market run higher.**

**HOWEVER, we do think that it’s important to at least consider than the “Trump put” might not be as much “in the money” RIGHT NOW...as it will be in a few months.** There are some very smart and successful “market” people in the Trump Administration. They know that they cannot completely control the market at all times. Therefore, they also know that it’s going to be tough to push the stock market a lot higher from its current level...in a steady fashion...over the next 10 months...given how expensive it has become. Let’s face it, after hitting today’s extremely expensive levels in November last year...the stock market has not done much at all over the past few months.

We’d also note that in late-October...when the stock market was still rallying in a very strong way...with the S&P up by 38% over the previous six months (and the NDX +52%)...**everybody had forgotten about the “tariff scare” of the previous spring...and the outlook for the economy and markets was universally bullish.**

NOW...after the stock market has spent more than 3-months trading in a sideways range, the situation has become a bit more dicey. No, investors have not become overly bearish...and economists are not suddenly looking for a pending recession. However, we ARE seeing more strategist calling for a rise in volatility in the stock market...and the decline in consumer confidence is palatable (Friday’s U of Michigan report notwithstanding).

In other words, whenever the stock market stalls out, it has an impact on how Americans think about their outlook. Yes, the stock market has seen quite a few new record highs, but they’ve all been very slight ones...and the market has really been trading in relatively sideways range for months.

With the DJIA pushing above 50,000, can a break above 7,000 on the S&P 500 provide the kind of upside momentum that will help change this more current situation? Well, it probably can...**but we also have to ask ourselves that if it begins NOW...will it be able to sustain itself until the election???** More

importantly, this is something the Administration has got to be asking themselves.

**Put another way, we believe that it's important to at least consider a scenario where the Administration realizes that they cannot create a strong rally from current levels...all the way until November. Instead, it would be easier to create a situation where the market is rallying in a much bigger way into the election...if it starts at a lower level...in April or May.**

This might all sound somewhat absolutely ridiculous, but we DO know that the six months leading into an election are a lot more important than what takes place 10 months before an election. (On a side note, this means that if the US is going to hit Iran, they're going to do it sooner, rather than later...even if they wait until after the Olympics.).....**Therefore, if the "Trump put" does indeed exist...we believe that it might be a bit further "out of the money" over the next 1-3 months...than it will be over the six months leading into the November election.**

**---3) The "rotation" that has been going in the stock market for several weeks now continued last week. As long as the tech stocks do not decline in unison, this could continue going forward. However, we do need to point out that several of the sector which have been seen inflows recently are becoming quite overbought. Therefore, investors should be careful about being aggressive on the buy side with these stocks over the near-term.**

**Needless to say, the "rotation" narrative has become one of the most important themes in the marketplace (if not THE most important themes) over the first five weeks of 2025.** This is something we favored at the end of 2025...as did others...but it is becoming quite a bit more powerful over the past several weeks...and for good reason: The YTD rank for the tech sector so far is #9 of the 11 S&P 500 sectors...while the best performing groups have been energy, consumer staples, materials, and the industrials.....We're going

to leave the energy sector for the next bullet point, but we do want to talk about the near-term potential for these other sectors first.

(We want to reiterate that we strongly believe that this “rotation” move will almost certainly cease if the chip stocks roll over in a significant way. They are an extremely important leadership group. If they go down, the entire tech sector goes down....If the entire tech sector goes down, the broad market goes down. Tech is just too heavily weighted in the SPX & NDX for them to avoid going down if the tech stocks fall in unison. If the major averages fall in a meaningful way, people stop rotating into other groups...and start rotating into cash.)

**However, if the tech sector can hold up, the rotation we have been seeing in recent weeks can continue. That said, the sectors that have been outperforming recently are becoming quite overbought on a short-term basis.** Therefore, investors and traders should be careful about chasing them in an aggressive manner over the near-term. **This does not mean that investors need to sell the shares in these groups...or that traders should short these sectors (or the key stocks within them).** It also does not mean that investors should completely walk away from their favorite names...and avoid adding to their positions at these levels in a significant way. **We’re merely saying that they are getting quite overbought...and that investors and traders alike should be able to pick them up at lower levels in the coming days and weeks.** Thus, they should think about being less aggressive on the buy side in these groups over the near-term.

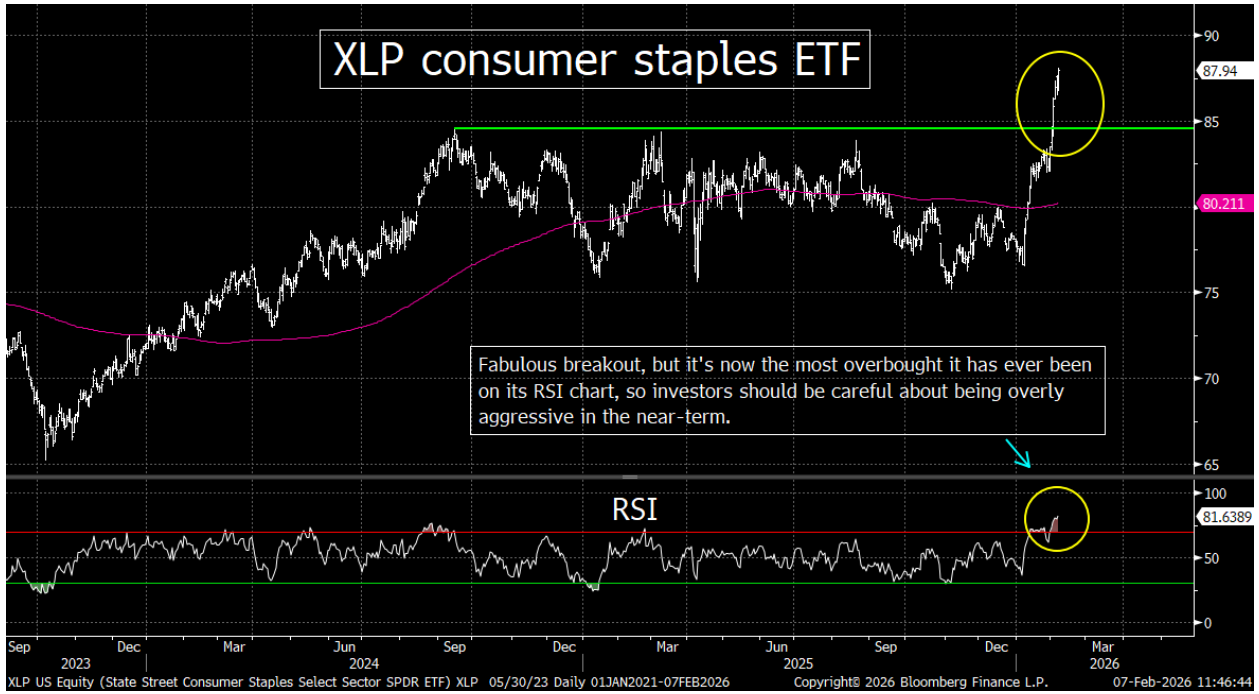
**We hate to say it, but those people who say that you cannot “time the market” are using that old cliché to their own detriment.** Yes, we DO agree that trying to “time” the exact bottom of a purchase...or the exact top of a sale...IS pretty much impossible. **HOWEVER,** those investors who are more aggressive with their purchases of when a stock or group becomes very oversold...and less aggressive when a stock/group becomes very overbought...CAN improve their “performance” in a material way over time. **(Selling less aggressively when a stock/group is quite oversold...and more aggressively when it’s overbought...is just as advantageous.)**

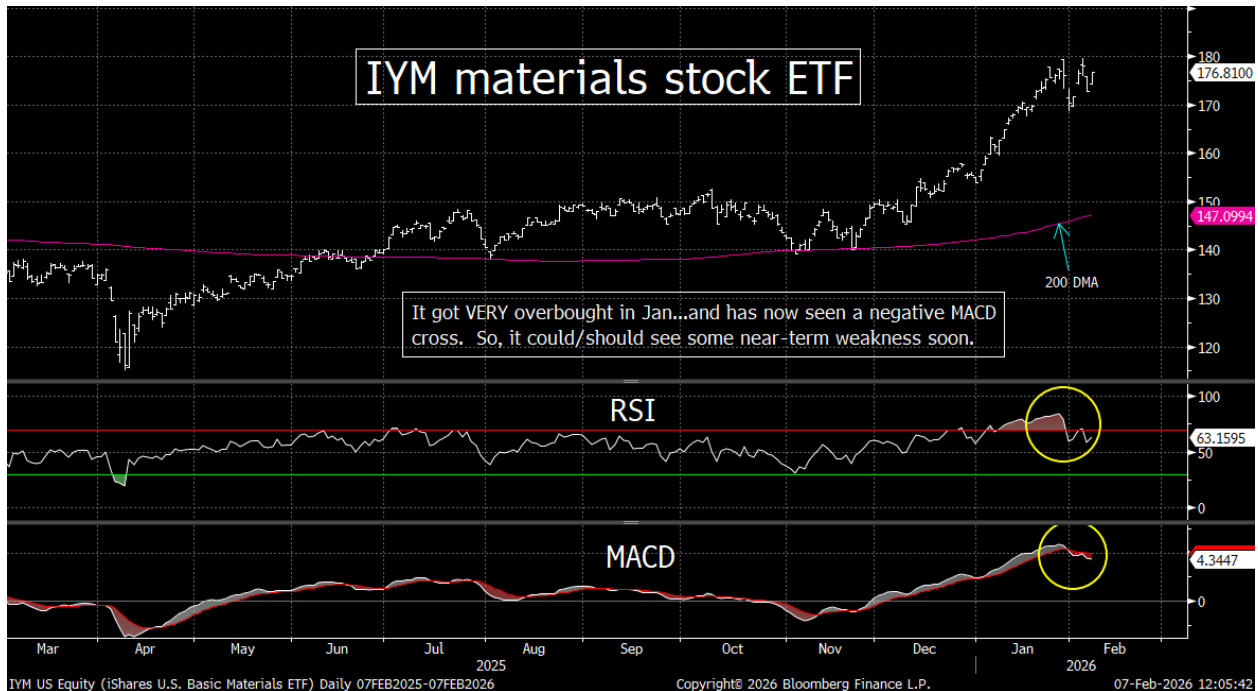
Okay, let's move on to the charts of these overbought ETFs. **We'll begin with the XLP consumer staples ETF**.....It probably sounds strange that we're making a cautious comment on the near-term outlook for this ETF...given that we spoke bullishly on it two weeks ago...and reiterated that comment in our weekend piece just last weekend! Yes, the XLP has broken above both of its key resistance levels, but it has done so in such a dramatic fashion that it has become quite overbought.

The XLP has rallied 7% over those two weeks (which is a huge move for this usually staid sector). **This has taken its RSI chart up to its most overbought reading ever! It has also moved up above 80 first time it has done this in NINE years!** In fact, the RSI on the XLP has only pushed above 80 three other times in its 27-year history...and all of those were followed quite quickly by a pull-back in this ETF.....Therefore, even though we remain quite bullish on this sector, we believe investors should look for a dip before adding to most of these names in an aggressive manner over the near-term.

**The XLI industrial stock ETF** is not the most overbought it has even been on its RSI chart, but it HAS reached a level that has been followed by pullbacks over the past year. More importantly, it is now 3-standard deviations above its 20-DMA...which is the kind of extended level it has not seen since the summer of 2024....Again, this is not something that is raising a major warning flag on the industrials. It's just getting to a level where investors should think about being a bit less aggressive.

**Finally, with the materials, the IYM ETF** became VERY overbought in late January. It has worked off some of that overbought condition, BUT it has seen a negative MACD cross. Negative MACD crosses have been followed by pullbacks which have lasted more than 1 or 2 days in the past...so this is also something investors should think about...when they are deciding how aggressive they want to be on this sector over the short-term.





---4) The energy sector is another one which has benefited from the recent “rotation” within the stock market. Like the other sectors we highlighted in the previous point, this one is getting overbought as well. However, they might not see the kind of “breather” the others will likely experience near-term...if the rhetoric between the US & Iran heats up...and especially if the US attacks Iran after the Olympics.....Either way, the rally in the energy names is not entirely due to geopolitical concerns, so we still like this sector for 2026.

It is quite remarkable how quickly the narrative has changed for many of the prognosticators on Wall Street about the energy sector. Not only were they extremely negative towards this sector at the end of last year, but they also seemed to indicate that anything resembling a bullish stance was foolish.....Now, with the energy sector outperforming all others so far this year, they are tripping over themselves to say that it’s a sector that they’re adding to in a material way. (It reminds us how EVERYBODY was raising their price targets on the S&P 500 in December of 2024 and January of 2025...and then tripped over themselves to lower them in March and April...and then spent the rest of the raising them once again.)

**Anyway, one of the reasons why the energy sector is the number one performing sector so far this year is due to the concerns surrounding the situation in Iran. However, there are other reasons why these stocks have done so well.** First of all, many companies have cut costs quite well in recent years. We have also seen drillers adding oil and gas rigs for the third consecutive week...which shows that confidence is growing within the industry. This confidence is also gaining traction on the idea that the Trump Administration is pushing to let the economy “run hot” this year...which will help energy demand. On top of all this, we have the rising demand for energy from AI data centers.....**Therefore, this rally in the tech sector has had other catalysts than just a potential supply disruption through the Strait of Hormuz.**

As for this geopolitical issue, we obviously don't know if or when the US will strike Iran. It seems to us that the US would wait until after the Winter Olympics are over. Any terrorist attacks at those games...that were attributed to geopolitical events would be a disaster...and it would put a lot of well-known people in harm's way. (It's interesting that Russia waited until after the 2022 Winter Olympics to invade Ukraine.).....However, we do know that the US has moved the kind of force into the region to engage in some sort of attack...so we could hear things heat up on this front over the next week or two, even if any possible attacks do not come immediately.....Finally, we know that certainly allies of the US have the goal of regime change in Iran, so some sort of an attack at some point in the coming weeks is very possible.

On top of all of these developments that could continue to help the energy sector advance, we'd also note that the XLE energy stock ETF, and the XOP oil & gas stock ETF have both broken nicely above the key resistance levels we've been harping on in recent weeks. **So, this is quite bullish on the technical side of things.**

**Having said all this, we do have to acknowledge that these ETFs are getting quite overbought on a short-term basis...**as are several of the most important stocks in those ETFs. **Therefore, the technical picture has actually become somewhat mixed over the near-term.** In fact, one could argue that it would actually be better if these ETFs (and stocks) came back

down towards their breakout levels...to work-off their overbought conditions...and THEN pushed higher.....We agree that this is a compelling scenario...and it's something that we need to consider. (First two charts below.)

HOWEVER, one of the reasons why the energy ETF's are overbought is because the biggest names in the sector (Exxon and Chevron) are getting extremely overbought. This is why the XLE is much more overbought than the XOP...as these two stocks make up 40% of the XLE.....XOM's weekly RSI chart is now over 80...the most overbought it has been in 16 years! Most other energy stocks are nowhere near as overbought...and many are not overbought at all! (Third chart below.)

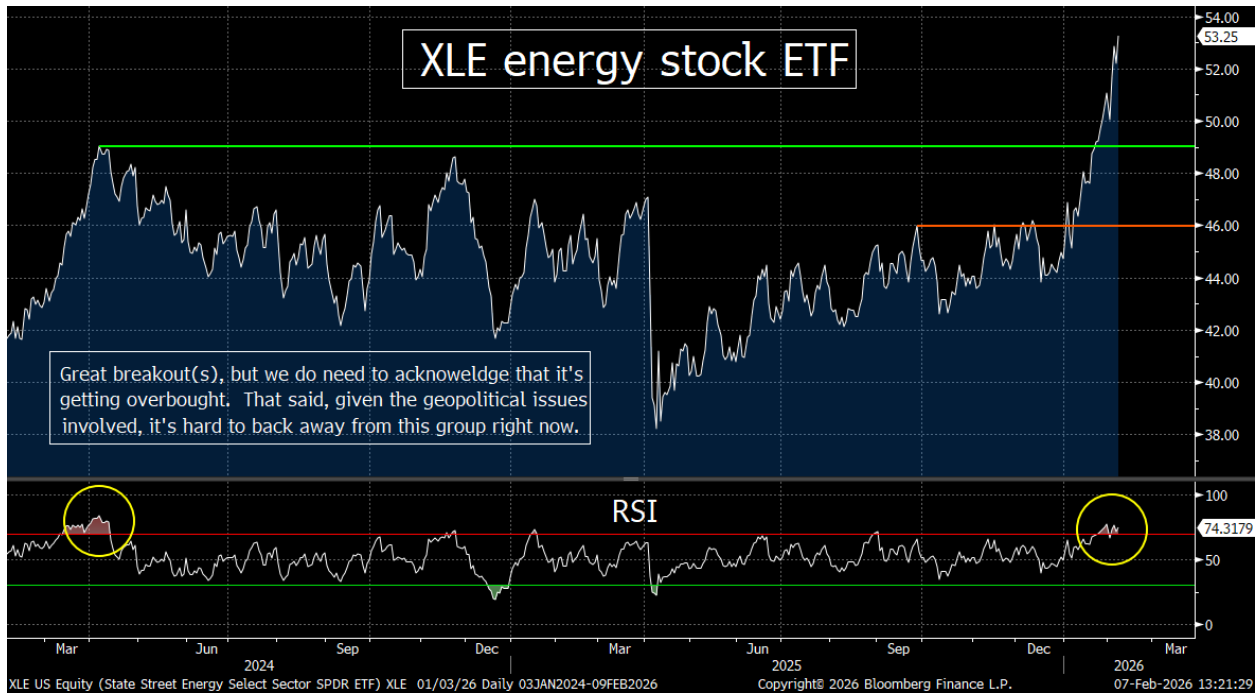
**Investors who are underweighted in the energy group have been piling into XOM and CVX...because they're extremely liquid...and thus it's a good way to get exposure quickly and easily. However, as they become more comfortable with the sector, they will broaden out their buying before too long. Therefore, those who broaden out right now...while still holding onto XOM and CVX...should be able looking very pretty in the months ahead if we are right on our bullish stance on the energy stocks.....Put another way, we believe that a good strategy right now...would be for investors to become a little less aggressive in buying XOM and CVX...but keep buying some of the other names that we have been highlighting over the past month or more...which have not become extended.**

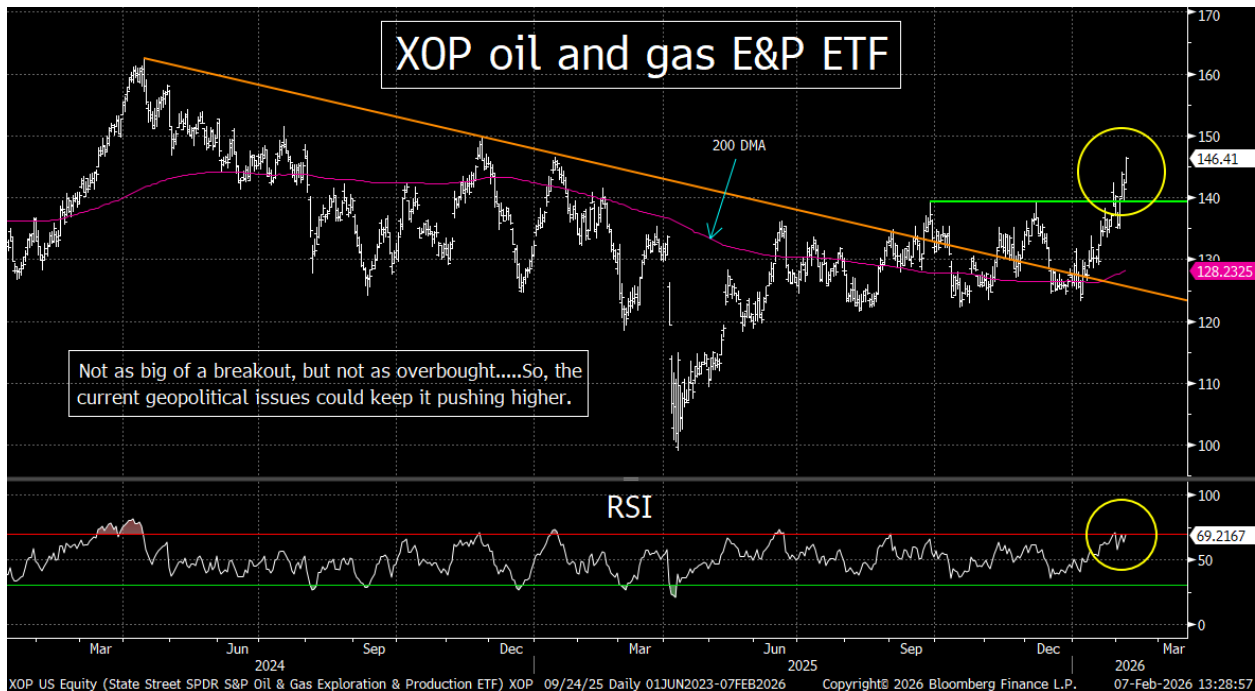
On top of all this, we also need to know that when geopolitical issues come into play, we can sometimes throw the "technicals" out of the window. **Thus, if the tension rises between the US and Iran next week...and if an attack actually takes place after the Olympics...these stocks could keep rallying for some time before they take a breather...even if they are still overbought if the situation in the Middle East deteriorates substantially.**

In other words, given these circumstances, the overbought condition in the energy sector is something that deserves a little less weight than it does for the other sectors we described in point #3...when investors try to decide whether they want to stay aggressive on the energy sector going forward. This

is especially true given how under-weight many investors are when it comes to this sector.

**Don't get us wrong, if things calm down next week...and especially if the situation looks like it can be resolved without any attacks once we get past the Olympics...the energy sector should see a decent sized pullback. That said, we believe that the geopolitical issues are not the only ones driving this rally...and that it will continue as we move through the year. With this in mind, we are not suggesting that investors back off of this group right now...even though it is getting overbought...like we are with the other overbought sectors we mentioned earlier.**





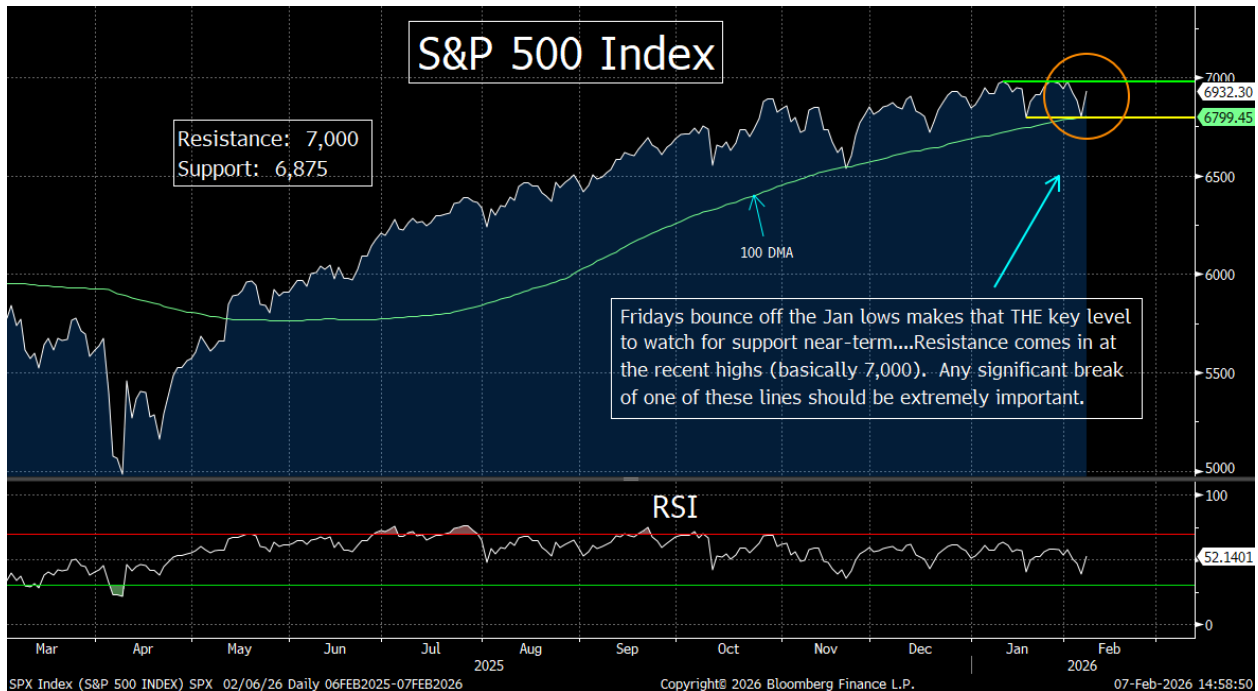
---5) Index charts.....Friday's big bounce in the stock market left the battle lines VERY well defined for the major stock averages.....There are a lot of different complicated scenarios that we could run through when it

**comes to the intermediate-term potential for the stock market. However, none of them mean a whole lot until these indices break above or below their key near-term resistance or support levels.....Therefore, right now, it will be more important to focus on these shorter-term levels.**

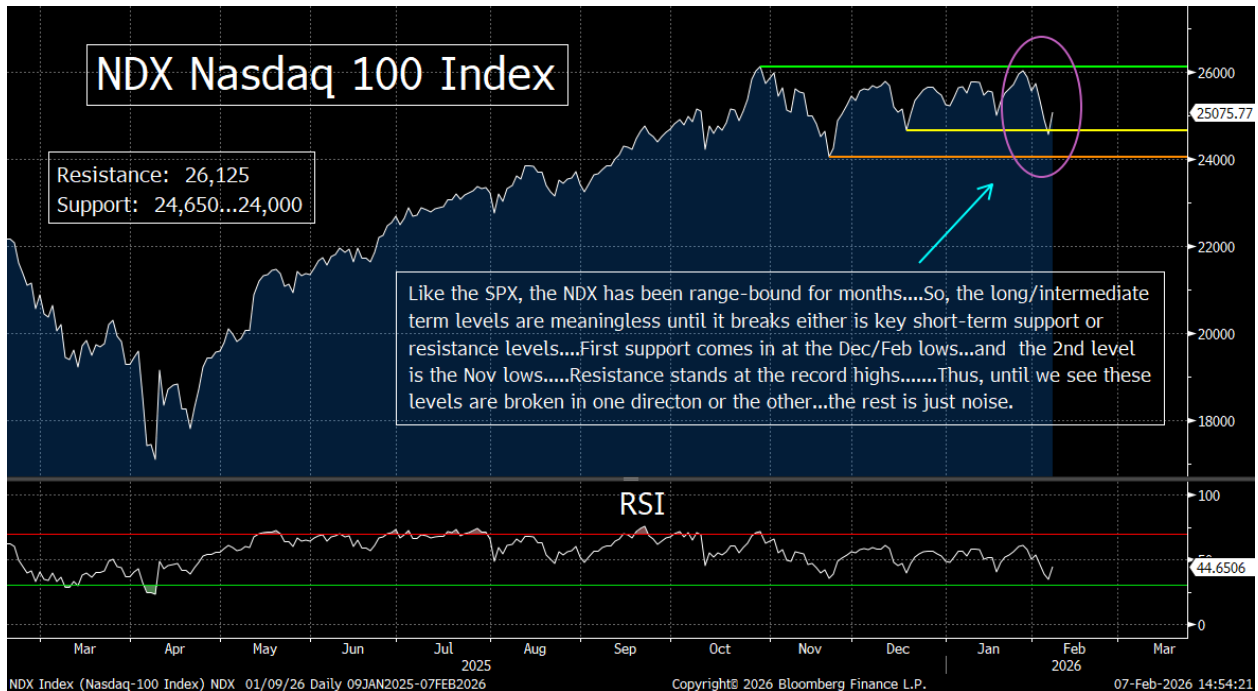
The stock market's strong bounce on Friday was an impressive one, but it did not tell us much about what is going to happen next. Instead, it merely helped the S&P 500, the NDX Nasdaq 100, and the Russell 2000...bounce off of their support levels. Don't get us wrong, bouncing off those levels was a positive development...but they're going to have to break above their key resistance levels before we can raise some big green flags on any of these stock averages.

That said, the action on Friday DID make the support levels we've highlighted recently even more compelling. **Therefore, the battle lines for the stock market have become very well defined for the stock market. We can talk all we want about the different scenarios surrounding the intermediate-term and long-term potential for the stock market on the technical side of things. However, until these indices break either their short-term resistance level or their short-term support level...the rest of the discussion is just noise.** This is particularly true given that the SPX and NDX have been range-bound for many months now.

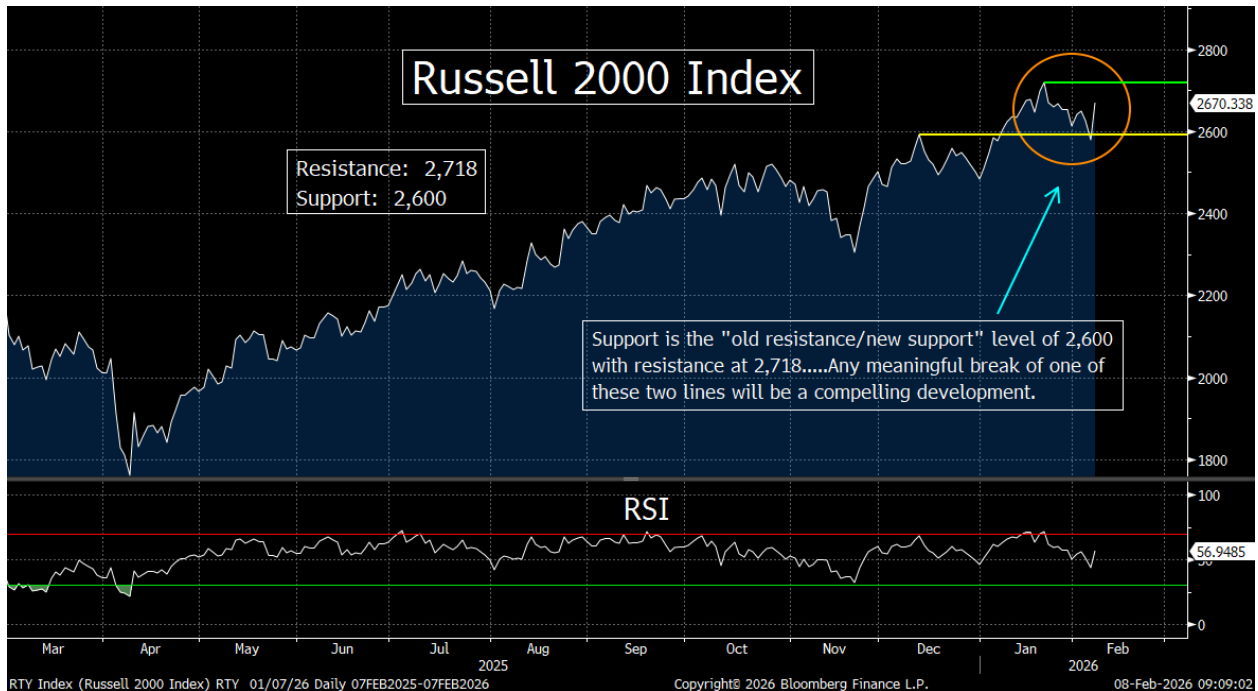
**So, let's get right to it...and (as usual) we'll start with the S&P 500 Index.....**We showed the chart of the SPX in our daily piece on Friday...and it was able to bounce nicely off its key support level. That level (6,875) is also where the 100-DMA comes in...and the SPX bounced off of that moving average back in November as well. That line is rising, so even though it's something we'll be watching closely, it will be that 6,875 area that will be the more important one to watch. It was the low from both January and last week...and a break below that level would give the SPX its first "lower-low" since April. Therefore, that kind of move would definitely raise some warning flags.....On the flip side, the all-time highs (just below 7,000) is the all-important resistance level. That was touched several times over the past five weeks, so if it can break above it in any meaningful way, it will be very bullish for stocks.



**When it comes to the NDX Nasdaq 100 Index, the situation is very similar.** First support comes in at Friday's low of 24,500...which was also the low from December. The second support level is the November low of 24,000. A significant break below the first level will raise a yellow warning flag on this tech laden index...and a significant drop below the second one will raise a red warning flag.....As for resistance, we have the double-top high from October and January. Any meaningful break above that level will be very bullish.



**Finally, for the Russell 2000**, the situation is little different, but the support and resistance levels are still very important. The key support level for this small cap index comes in at 2500. That was the high in December...and thus it was the breakout level which was breached in January. In other words, it is the “old resistance/new support” level. It actually broke slightly below 2500 on Thursday, but was able to regain it on Friday. Thus, it is still the key support level to be watching....As for resistance, it’s all time high of 2718 is the key level to keep an eye on. Any material break above that level will be quite bullish.



---6) The biggest movers in the global marketplace last week were obviously the cryptocurrencies and the precious metals. For all practical purposes, they crashed...but they were able to bounce back strongly on Friday. With this in mind, we thought we'd highlight a very technical issues on their charts. (We're sure you've been inundated with opinions on this subject this weekend, so we'll keep it brief.)

The activity in the cryptocurrency market and the metals markets (especially precious metals) has been extraordinary for quite some time...and more recently, it has become outright wild!....Bitcoin and the other cryptocurrencies topped out and began to decline back in October. They stabilized in late-November...and traded sideways into mid-January. Then, as we all know, it fell out of bed hard into last Thursday's close....As for gold and silver, they basically crashed after an extremely strong rally that had been going on for months...and went parabolic in January.

**The question now...is whether these major declines (crashes) are the start a major bear market for these assets...or a great buying opportunity.** As we said in the intro, we're sure you're getting a zillion

opinions on the answer to this question right now, so we'll keep our comments on the fundamental aspects of this subject short and sweet...and then we'll move straight to the charts.

**We believe that it is more likely that we've seen a "washout" bottom for these assets...rather than the first salvo in a bear market.** On the fundamental side of things, the argument is a bit tougher for bitcoin than it is for gold and silver. However, with the heads of the Fed, Treasury, CFTC, and SEC...all suggesting positive developments to facilitate innovation in digital assets...the outlook should be a good one. This will be especially true if we can get more clarification on the crypto regulatory status. Also, large banks and other financial institutions are beginning to facilitate bitcoin trading, custody, etc...to improve its usefulness.

As for the precious metals, the fact that gold has been bought hand over fist by many global central banks & governments for years is a good sign. **However, the biggest reason to like gold is that fact that the massive budget deficits in several different developed countries are now becoming a big enough problem to impact the markets (with sovereign debt yields rising), this should provide plenty of further demand for the yellow metal.....**When it comes to silver, it has growing industrial demand (data centers, EV's, solar panels, smart phones, etc.)..and there is a severe shortage of this commodity.....**Therefore, we believe that with a lot of froth having been shaken out of these assets, their rallies will resume over time.**

Nothing moves in a straight line...and we could get a retest of the recent lows before any rally resumes. (Heck, silver has already successfully retested its crash lows from the previous Friday.).....Of course, there is no guarantee that the recent lows will hold, but given how washed-out things became on Thursday of this last week, we believe that they can regain their upside momentum over the coming weeks.

**Let's look at the charts in these three assets in a little different way. We'll begin with bitcoin.** When bitcoin crashed in 2021, it fell in a VERY similar fashion to what took place over the past few months. It saw an initial strong decline...and then the second one was even worse...and it washed things

out. Yes, it took it a little while to form a strong base, but it resumed the rally before long...and pushed above its April highs of that year in November.

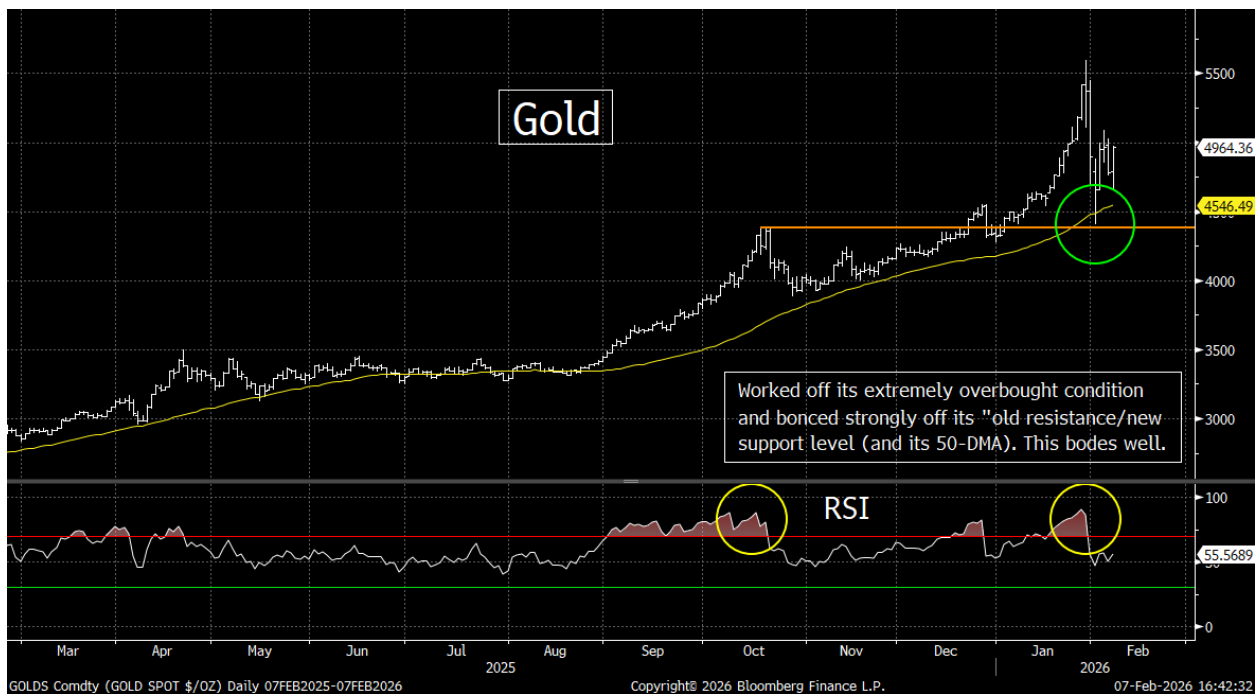
The entire decline retraced about 55% of its rally off the 2020 pandemic lows...to the April highs of 2021. It was not a full 61.2% Fibonacci retracement, but it was close.....Well, guess what, this past “crash” retraced the same % of the previous rally (from the 2022 lows to the 2025 high)...and it took bitcoin to an even more oversold condition than 2021 (with its RSI falling to 16). On top of this, the level of bullishness on bitcoin among futures traders in the Daily Sentiment Index reading on Thursday fell below 10%!!! **In other words, it had become extremely oversold and extremely “over-hated.” THAT combination is the kind you see at important bottoms.** (First chart below.)

**Let’s look at gold next.** The yellow metal did not become oversold. However, given how incredibly overbought it had become, this is not a surprise. Also, it DID work off the overbought condition to the same degree it did after it became extremely overbought back in October. (In other words, it bounced back strongly after working off its oversold condition. It didn’t need to become oversold before it stabilized...and then bounced back.).....**More importantly, gold fell to its KEY support level of 4,400...and bounced strongly. That 4,400 level was the high in October...and when it bounced back and broke above that level in December, it took off like a rocket. So, that “old resistance” became “new support”...and the fact that it bounced so strongly off that level is quite bullish.**

**Finally, for silver,** we’d note that it got down to its Fibonacci 61.8% retracement of the rally from the April lows to the January highs. It also fell more than 2-standard deviations below its 20-DMA...and it successfully tested its lows from January 30<sup>th</sup> by the close of trading on Friday. So, that bodes well for this precious metal.....We’d also note that the volume in the SLV silver ETF blew out its old record on Thursday...which is a solid sign of a washout move.

Since bitcoin, gold, and silver have seen some very serious volatility in recent weeks, the odds are quite good that it will take some time for them to recover their upside movement. So, the rebounds we expect might not come in a V-

shaped move. (Some investors will “sell the bounces” after experiencing so much pain recently.).....**However, there are a lot of signs of a classic washout move in all three of these assets. So, unless they fall below their recent lows in a meaningful way, we’re going to be constructive on them on a longer-term basis.**





---7) We want to look at the charts of two more sector ETFs this weekend. Unlike the others we have touched on, they are not overbought. In fact, one is historically oversold. Therefore, we could/should see them outperform going forward...and one of them could cause some serious pain for bearish investors/traders over the near-term.

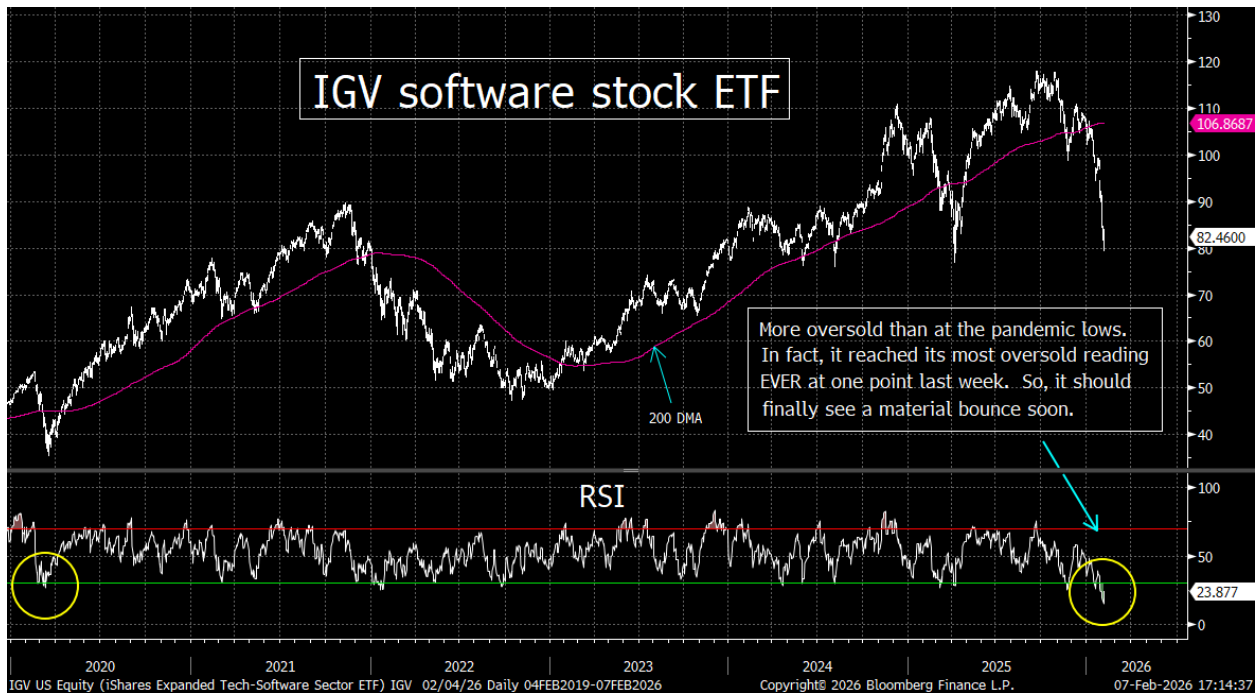
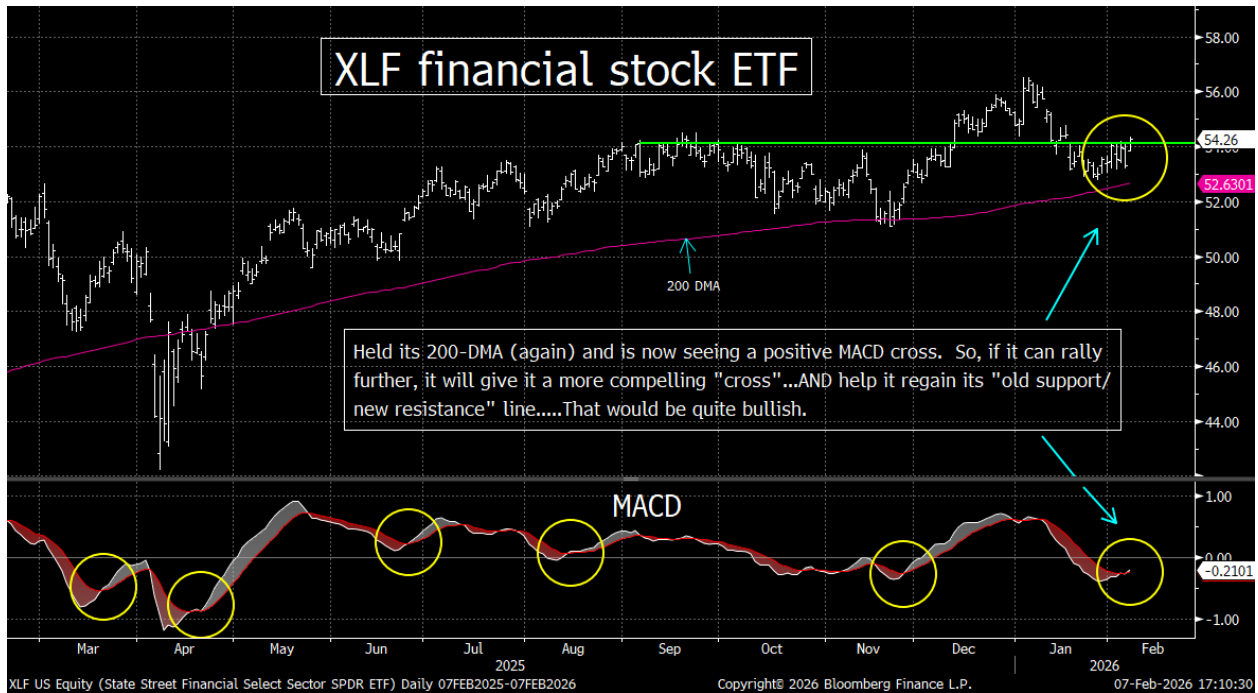
Earlier in this weekend's piece, we looked at the charts of several sector ETFs. Well, we want to look at the charts of two more sector ETFs before we close finish this weekend. They both look good on a near-term basis...even though they have very little to do with one another. We're going to look at them solely on a technical basis, but these two ETF's look like they have some good upside potential over the near-term...and maybe even longer.

**The first one is the XLF financial stock ETF.** The financial sector is one that the Street was very bullish about at the beginning of the year...and although many of the bank stocks have done well, the overall sector has struggled somewhat. Having said this, the XLF financial stock ETF was able to bounce

off a level just above its 200-DMA. That moving average provided excellent support back in November. So, the fact that it was able to do the same this time around is positive. Also, the recent bounce has given the XLF a slightly positive MACD cross...AND taken it back up to its “old support/new resistance” level. **Therefore, if it can see any upside follow-through next week, it’s going to be quite bullish on a technical basis for the broad financial sector.** (First chart below.)

**The other ETF we’re going to highlight is the IGV software ETF.** We highlighted it mid-week last week...saying that it was oversold. We did say it could see a bit more downside follow-through, but that it should be due for a bounce soon. Well, it saw a lot more than a “bit more” downside follow-through the very next day...but it was able to bounce on Friday. **The further weakness on Thursday took the IGV down to its most oversold reading it has ever seen on its RSI chart. When you combine this...with the extraordinary level of volume we’ve seen from this ETF (and the individual stocks in that ETF)...it sure is getting quite washed out.**

**We realize that there are all sorts of fundamental concerns involved with this group, so the software stocks could easily see more trouble in 2026. However, no stock/group/market moves in a straight line...and we’re guessing that a lot of people are short this group right now. Therefore, we expect that it will see a sharp rally at some point before long...and when it comes, it’s going to rip the face off of a few bearish investors/traders.** (Second chart below.)



---8) “Warsh at the Fed—Tail Risk” .....In his piece this week, our economist, Paul Shea, discusses the impact of what it will mean for the economy if Kevin Warsh’s nomination is approved by the Senate. Near

**term, Paul thinks that Warsh will go along with the President's desire for lower short-term rates. Intermediate-term, he expects a Warsh Fed to be more responsive to inflation risk.....Longer-term, Paul worries that a Warsh Fed will not respond properly to an economic downturn.....For Paul's full report, please see the attachment at the top of this weekend's piece.**

**---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.**

---No matter what the stock market does in the months leading up to the November election, the results are going to be determined by how people in the lower 2/3 of the K-shaped economy are feeling about the economy.

---We got some divergent consumer confidence numbers last week, so that was a little confusing.....However, speaking of confidence...the fact that the government had to delay the release of the employment data after a limited government shutdown...does not inspire confidence among anybody.

---Needless to say, we hope that Lindsey Vonn is okay after he fall in the Olympic downhill race.....However, we want to congratulate Breezy Johnson for her Gold Medal run in that race...and we hope Vonn's fall does not overshadow this incredible achievement. It's the first US Gold Medal of these Olympics for a US athlete...and it's something we should all celebrate greatly.

---We neglected to highlight the wild moves in natural gas recently when we touched on the huge volatility in the commodity markets.....Nat gas is actually something that does see these kinds of crazy move somewhat frequently. They don't call that market, the "widow maker" for nothing.....Either way...no matter how cold it is...you don't see those kinds of massive moves without somebody losing some significant money.

---At its peak in 2022, Peloton (PTON) reached \$171. On Friday, it closed at \$4.62...over 97% below that high from five years ago.....Ouch.

---Do you really care about the Super Bowl half time show???.....We're big football fans, so we love the Super Bowl game...and we also like to see the commercials during the game. However, we haven't watched a half time show in decades.

---**Super Bowl Prediction: Patriots 31...Seahawks 10.....You heard it here first!**

---**10) Summary of our current stance.....**As it pretty much always does after a round of “forced selling” takes place, the markets experienced a very strong bounce on Friday. Not only did the markets which fell in extreme ways last week bounce back (bitcoin, precious metals) bounce back strongly...but the stock market rebounded strongly as well. **This makes total sense...given that the “forced selling” which took place in the crypto market spilled over into the equity market in a material way on Thursday.**

The rebound was significant...as bitcoin jumped over 11%, gold rallied almost 4%, and silver jumped almost 10%. As for the stock market, its bounce was an impressive one as well.....**However, we do need to point out that we have seen some serious declines in several risk assets recently.** Bitcoin fell almost 50% at its lows last week...the IGV software ETF has dropped over 30%...gold was down almost 15% at its recent low...silver is down almost 40% (with palladium and platinum down 20%-30.) We've also seen some fairly big moves in the currency market (on both directions) over the first five weeks of the year.

**In other words, with these very large moves taking place over such a short period of time, it's a good guess to think that there have been some sizeable losses incurred around Wall Street over the past several weeks.** When you combine this...with the declines in the sovereign debt markets of Japan, the UK, and France over the past 10-12 months...it becomes evident that any pain that has been inflicted by the markets, it hasn't been isolated to the US.

That said, many/most global stock markets have held up extremely well...with many still very near their all-time highs. Also, although credit spreads have widened out somewhat recently, they are still very tight. Therefore, it's very hard to say that these assumed losses have created a dire situation in the system...but it IS something which could create some problems at some point down the road.

Even if these issues do not raise much stress in the financial system, **the situation with the tech sector could create some real headwinds for the stocks.** This will be particularly true if we continue to experience a universal decline in the entire tech sector...like we have seen on certain trading days more and more recently. **With concerns rising once again about the profitability of the AI industry, it's possible we could see this all-important leadership group create some significant headwinds soon...even if the financial system continues to hold up well.** (The 2022 bear market took place without a recession...and the bursting of the dotcom bubble only created a very mild recession.)

Then again, if the "Trump put" is still in play, maybe the market can avoid any kind of weakness for much of this year. However, we do think that it's worth mentioning that the Administration is much more concerned about how the market acts over the 5-6 months before the November midterm election...and less so about how it acts over the next three months. **Therefore, if something were going to take place that might create some problems for the markets (think Iran), we're thinking that is much more likely to come sooner rather than later...even if it's after the Olympics.**

**Having said all this, it is quite amazing how the global stock markets have been able to withstand so many different potential headwinds over the past two years.** However, it HAS seen a rather significant decline along the way. Therefore, to think that it will continue to avoid ANY decline of substance between now and the mid-terms...is likely a dangerous assumption to make.

More importantly, we believe the key to outperformance in 2026 will be the correct "stock picking" and "group picking." We do believe that investors will

continue to re-value...and thus re-weight...their tech holdings in the months ahead. So, making the correct decisions about which stocks and groups to “rotate” towards will be critical. We continue to believe that “hard assets” will outperform in 2026 (and beyond)...including the energy stocks. We still like the consumer staples and industrials, but they probably have some backing and filling to do over the near-term.

**Okay, we’ve bounced around quite a bit in this week’s “summary,” so let’s quickly review our thinking right now: We do agree that the Administration is going to try to help the economy “run hot” this year, but that doesn’t mean that the stock market will rally in a straight line.** In fact, we think it would be better for the Administration if the market experienced a correct at some point soon. That will give it a lower base from which to rally from into the midterms...which will make “feel” like a better situation. (If the S&P is at 7,300 in late October...it will “feel” a lot better if the rally is a six-month, 18% one...after a 10% correction...than it will if the SPX reaches that 7,300 level after a boring 5% advance over 10 months from current levels.)

**If there is one item that still concerns us in a major way, it’s that many global long-term sovereign debt yields are rising...because in some cases, investors are demanding to get paid more for the higher risk that they are taking to buy that debt. If this becomes a bigger problem at some point this year, it’s going to mean that the new Fed Chairman will have to face a significant crisis in his first year on the job...just like every other new Fed Chair has over the past 50 years (save one).**

Matthew J. Maley  
Chief Market Strategist  
Miller Tabak + Co., LLC  
Founder, The Maley Report

TheMaleyReport.com  
275 Grove St. Suite 2-400  
Newton, MA 02466  
508-254-9169  
[mmaley@millertabak.com](mailto:mmaley@millertabak.com)

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