



The Weekly Top 10

Sunday, February 15, 2026

**When You See a Big Increase
in Volatility in Several
Different Asset Classes, it
Almost Always Spills Over
into the Stock Market
Eventually.**

Quick note: I will be on vacation during the second half of next week, so there will be no weekend piece next weekend. I will be publishing my daily piece next week on Tuesday and Wednesday (after the long weekend)...and then I'll be back on Monday, February 23rd. Thank you...and enjoy the rest of your long weekend!

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---1) **One of the biggest stories from last week was the weakness in the tech sector...over the concerns surrounding the profitability of the AI industry...and the disruptions that this technology might have on several different industries. If these concerns grow, it will almost certainly have an outsized impact on the stock market. It won't matter if it is a "liquidity event" ...or some stress on the financial system or not.....You don't need a financial crisis for a decline in the tech sector to have a profoundly negative effect on the broad stock market.**

The continuing concerns surrounding the profitability of the AI industry...and the disruptions that the AI technology might have on several different industries...weighed on the tech sector last week. **The broad XLK technology ETF has now declined five weeks in a row.** This, in turn, is creating some headwinds for the stock market...and it has put investors on edge...at least over the near-term.

The weakness in the tech sector overall has not been substantial, but it certainly HAS been quite significant for certain groups within the broad tech sector. The most obvious one has been the software group...with has seen a decline of almost 30% (and 20% of that has come since just the beginning of the year). We've also seen the Mag 7 group fall by more than 10% since October...with 80% of that move coming over the past two weeks.....However, as we just highlighted the weakness in the broad tech sector has not been as big. The XLK technology ETF is down less than 8%, but 6% of that decline has come over the past two weeks. So, it is still a move that is worth highlighting. (-8% might be big for some sectors, but it's not alarming for the volatile tech sector.)

We will talk about the technical aspects of what is going on in the overall tech sector below...as well as groups within that sector in the next point. However, we want to speak to the fundamental's issues first. If we are all being honest with ourselves, the issue here has a lot more to do with a key change in sentiment than anything else. **For a VERY long time now, investors have been relying on the "hope" that the AI industry would produce significant (AND BROAD) increases in earnings for the entire tech sector (and beyond).** Therefore, at some point...there was always going to be a reality

check...and the question was always whether these stocks would pass that reality check or not.

Well, it is becoming more and more evident that the profitability of the AI industry is not going to come as strongly, broadly, or quickly as investors have been pricing-in for a few years now. So, even though nobody would say that these companies are completely failing this reality check...they are not achieving what the markets had been pricing in. **Therefore, these stocks are being “revalued”...and since investors have been SO overweighted in many of these names, these stocks are being “re-weighted”...especially by the institutional community...as they continue to look more realistically at the kind of ROI these companies will really garner in the years ahead.**

One of the reasons for the growing concerns surrounds the issue we’ve been harping on for some time now...the profitability of the AI industry. It’s becoming more and more evident that the recurring costs involved with ensuring a company has the best chips available will be extensive.

When you combine the realization that the recurring costs involved for the hyperscalers (and others) is going to be extremely high...with the revelation that these hyperscalers are not going to be able to fund their massive spending needs (\$650bn expected this year) entirely through their free cash flow...it has created an “ah ha” moment... investors are coming to realize that they have valued many of these stocks much too highly.

The second...and newer...reason for the resumption of the decline in the tech sector surrounds the idea that certain areas of the tech sector are going to be seriously disrupted by AI. Certain products from Anthropic and others has hit the stocks of legal tech companies, several of the the travel and leisure, the wealth management group, financial data companies...and, of course, the software stocks.

Then there is the spread of the above-mentioned bond sales for several of the key hyperscalers. **The fact that these companies are raising (borrowing) such large sums of money through debt offerings is definitely having an**

impact on investor sentiment. This, in turn, is raising concerns that any kind of disruption in the AI industry could create some problems for the credit markets. No, the concerns don't surround the credit worthiness of the bonds of a GOOGL or AMZN...but they do raise issues of the debt of other smaller companies in the leveraged loan and private credit markets.....**As investors take all of this into consideration, they are coming to realize that the assumptions they have been making for some time now about the AI industry have been off base...and they're starting to act accordingly.**

---2) The weakness in the software group within the tech sector is starting to spread to other areas. This weakness has caused other tech group ETFs to fall to key support levels. So, if they are broken, it's going to be bearish on a technical basis.....That said, the chip group still acts well. If that can continue, it should provide some important weight to the other side of the bull/bear ledger for the entire tech sector. However, if the chip stocks roll-over, it's going to be a very bearish development.

Okay, now that we've touched on the change in the assumptions (the "hope") that investors have had when it comes to the profitability of the AI industry, we want to cover the charts on the technology ETFs. They have definitely seen some weakness...and so their action over the next week or two should be extremely important.

The initial decline in the tech sector...which began in late January and bottomed a week ago Thursday...caused the broad XLK technology ETF to test its lows from November (forming a "double-bottom"). Double-bottoms can be quite bullish. **HOWEVER**, in this case, the bounce that followed only lasted a few days...and it created a "lower-high." Therefore, if last week's decline becomes more substantial going forward...and it drops below its recent low, it will be quite bearish. **Not only will it give the XLK a "lower-high/lower-low" sequence...but it will also take it below a "double bottom" low...which would be very bearish.**

If (repeat, IF) this scenario does payout, it will be particularly worrisome because the action for the action in the MAGS Mag 7 ETF has been even

worse. The MAGS Mag 7 ETF did not hold its November lows during the decline of the past few weeks. Instead, it has fallen below that level...in a series of minor “lower-highs/lower-lows” ...and it is now testing its 200-DMA. **Therefore, it will not take a lot more downside follow-through in either one of these tech ETF’s to raise some rather serious warning flags.**

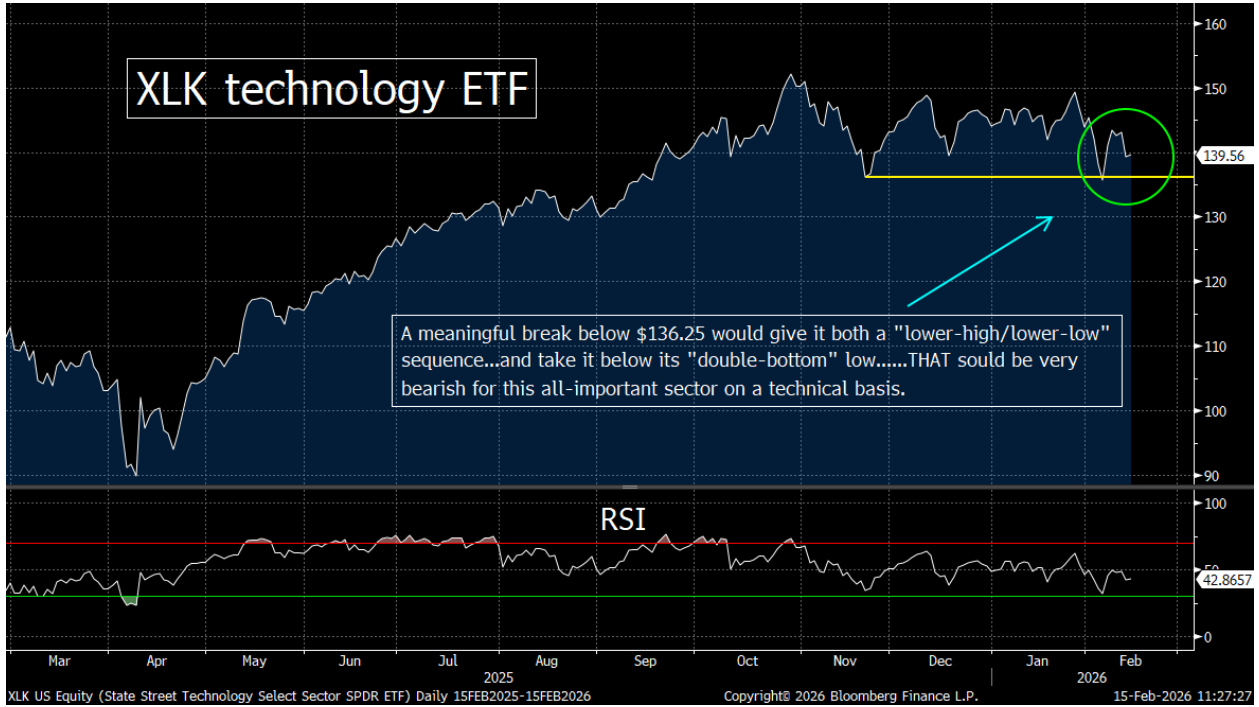
HAVING SAID ALL THIE, the chip stocks have not been under as much pressure. In fact, the rebound off the lows from February 5th helped the SMH semiconductor ETF test its all-time highs from January at one point last week! Yes, it has dipped again on Friday, **but if it can resume its advance soon...and make yet another new all-time high, it will go a long way to offset the weakness in these other areas of the tech sector...and that could help the market see some further “rotation”...and avoid a significant decline.**

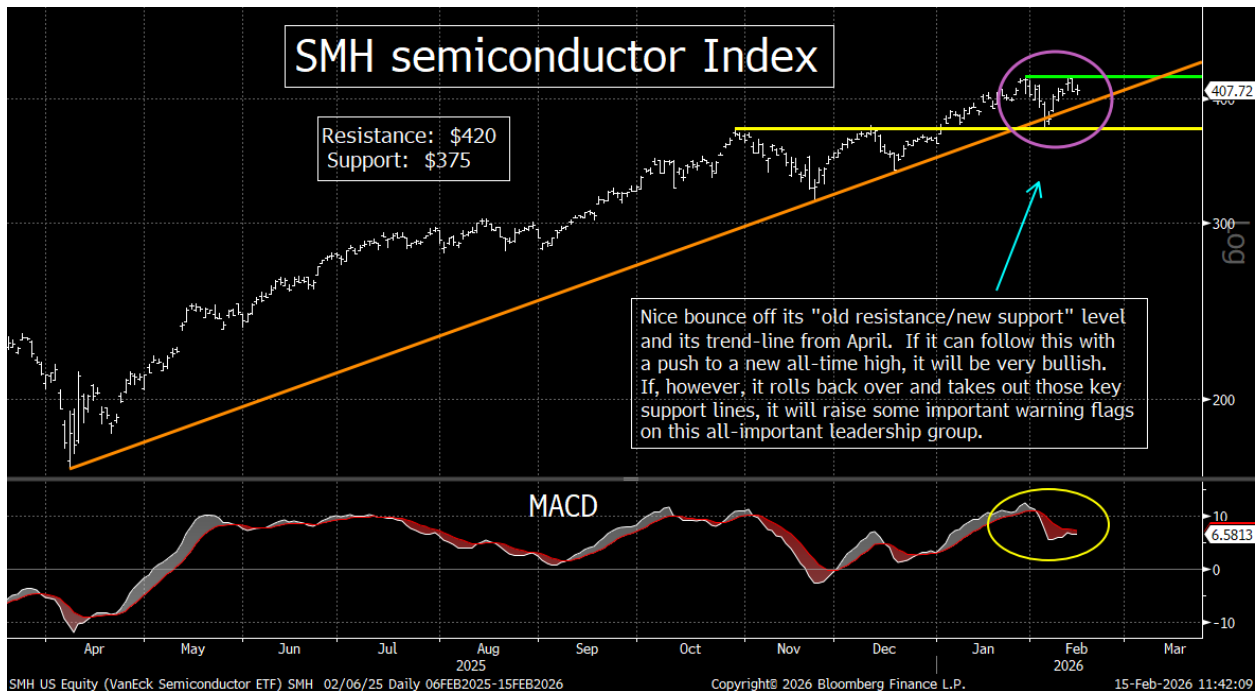
This will be essential for the broad stock market. As we have been saying for a very long time, it’s one thing for certain groups within the tech sector to get hit rather hard...as long as others are doing well. **In other words, if we can see some “rotation” WITHIN the tech sector...it will also allow the “rotation” among different sectors to continue...as new money will merely be distributed more broadly. However, if the entire sector declines in unison, it’s going to weigh on the broad stock market in a substantial manner...because the sector is so highly weighted in the S&P 500 and the NDX Nasdaq 100. If that happens, investors will pull their money out of the market...and “rotate” into cash.**

This is something we have see definitely seen on some individual days. Whenever the entire tech sector gets hit, the major averages decline along with this sector. So, if this becomes something which continues to be just a one-off occurrence...every few weeks...it won’t be a problem. **However, a broad decline in the tech sector becomes a trend, it’s going to create some real headwinds for overall stock market.**

So, what we’re trying to say right now is that the turbulence in the tech sector is starting to get worse. It’s not just the software stocks that are feeling the pain any longer. Others are starting to see some significant pressure. Therefore, it is going to be essential for the chip group to hold

its own going forward. If it starts to roll-over, it's going to raise some serious warning flags for the tech sector...AND for the broad stock market.





---3) Even though the landslide victory for Prime Minister Takaichi in Japan has acted to sooth their credit market slightly...and helped their stock market rally further...we still believe that the stress that their budgetary problems are causing is something that might create some serious problems for the global marketplace at some point this year. Not only is there still stress in their fixed income markets, but their stock market is becoming overbought and very expensive.....History tells us that when expensive/overbought stock markets see a significant rise in long-term yields...it eventually causes a significant decline in their stock market.

The yields for Japan's long-term JGB's have fallen in recent weeks...which was particularly true last week...after Prime Minister Sanae Takaichi's landslide election victory last weekend. The decline in the yield on the 10yr JGB has not been overly compelling, but the drop in the yield of the 30 and 40-year JGB's have taken them back down near where they started the year (and just before Takaichi announced the snap elections).

However, the yields on all of these long-term Treasury bonds are still dramatically higher than they were at this time last year. So, although we understand why the fact that they've pulled back in a mild way is better than seeing them continue to skyrocket...this is not the most bullish move in the world. **Besides, it's not like the Prime Minister has walked back any of her spending proposals.**

Don't get us wrong, we understand that the landslide victory gives the country the kind of political stability will make it easier to advance their policies. However, the increase in spending that the Prime Minister is proposing is quite dramatic...and this will make it tough for them to shrink their massive debt problems. Therefore, we have another situation where investors are relying on the "hope." In this case, the hope revolves around the idea that this fiscal spending will improve the economy enough to shrink the deficit. That sounds good in theory, but with their deficit as severe as it is, the outcome could be quite serious.

We have all heard the numbers pertaining to this issue in Japan. A debt to GDP ratio of about 230% (or more)...which makes it the highest debt burden of any major developed country. In fact, although the rating agencies are not actively considering a downgrade of Japan, both Standard & Poor's and Fitch have stated that Japan's expanding fiscal deficit and looser fiscal policy could create downward pressure on the country's credit rating if economic growth does not keep pace with spending increases.

Again, although they've come down in a mild way, the level of long-term yields in Japan have risen is a very dramatic way over the past few years. This is a lot different than having them climb higher from zero...which was an artificially induced level....**Neither the level of growth in Japan, nor the level of inflation, accounts for this extremely strong rise in long-term yields. Instead, it's being driven by investors who want to be paid more for the elevated risk they are taking in buying Japan's sovereign debt.** (The same is true for countries like the UK and France...who also have very large deficit problems.)

In other words, the recent drop in yields is not really giving us much solace about the situation in that part of the world. Just look at the price

for credit default swaps for Japan's debt. We readily admit that they're quite a bit lower than they were in during the 2022 bear market...or in 2024 (when the yen strengthened dramatically over concerns about rate hikes from the BOJ), but it is back up to the levels we witnessed in April of last year...when tariff issues were raise many questions about economic growth for a wide variety of global economies. (First chart below.)

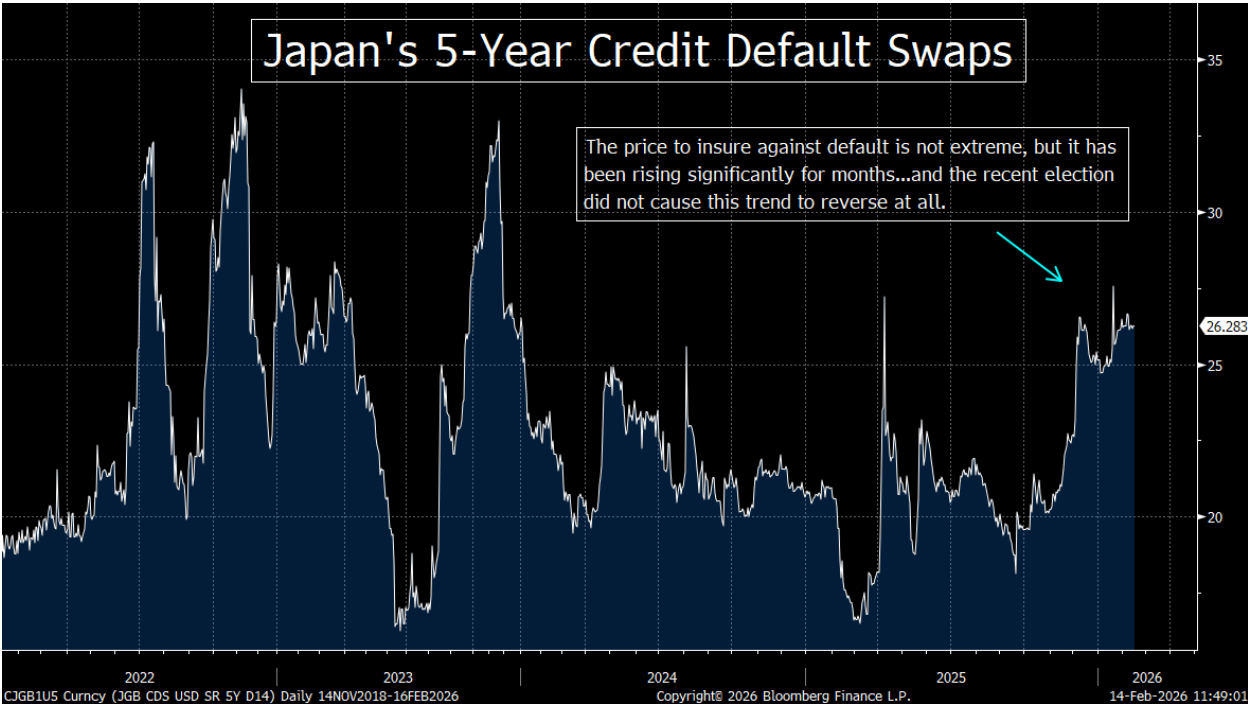
Speaking of the yen, it has strengthened quite a bit once again...and the USDJPY is now within shouting distance of its January lows. It is also seeing a negative MACD cross. Therefore, on the technical side of things, a further rally in the yen (a further decline in the USDJPY) will confirm an important change in trend in the currency market. To be more specific, if the USDJPY falls below the 152.25 level in any meaningful way soon (which would make the negative MACD cross a more compelling one)...it will confirm a change in trend.....Of course, this could/should have an important impact on the highly leveraged "carry trade"...and thus on the level of net liquidity in the global marketplace. (Second chart below.)

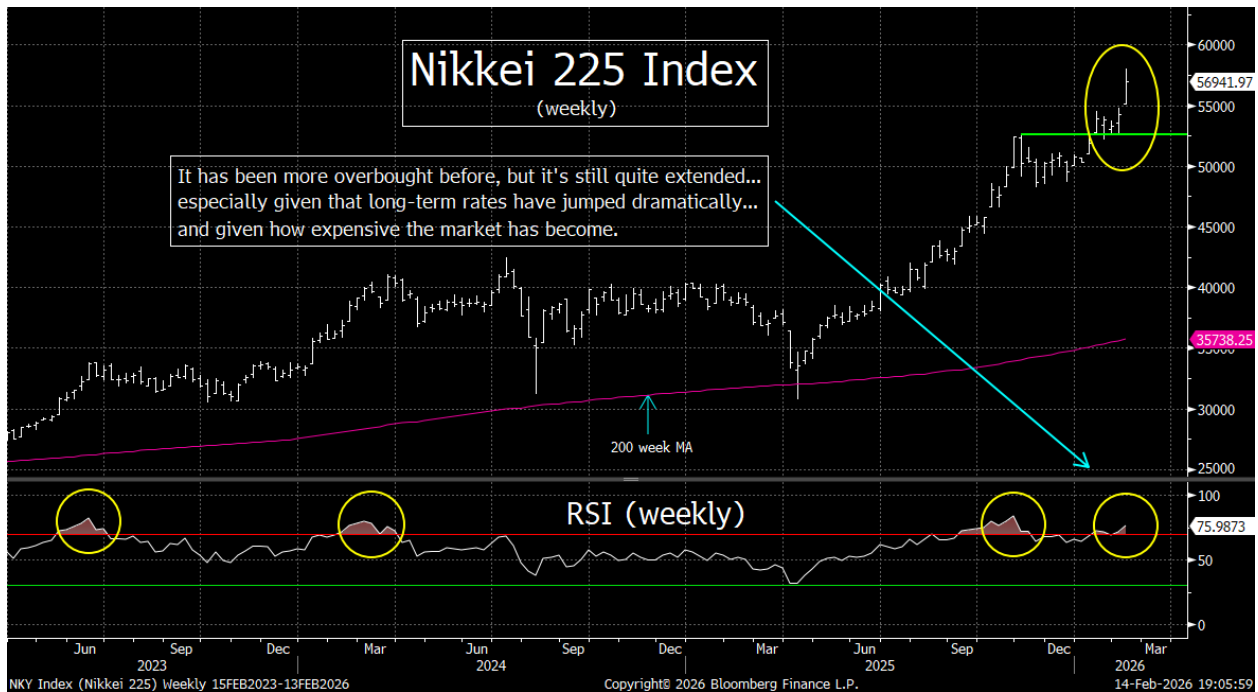
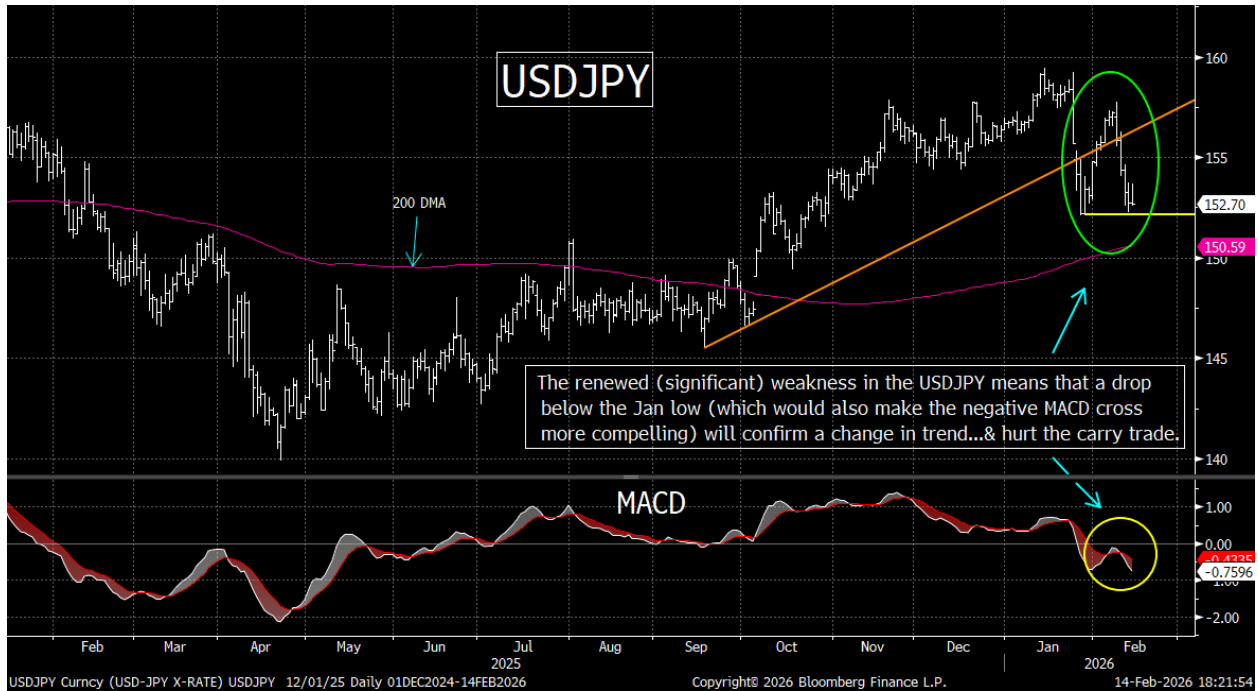
Anyway, the other issue we worry about is that the Nikkei Index is getting quite expensive. It now trades at more than 23x forward earnings...which is quite expensive on an historical basis. (The 5-year average is 18.86x...and the 10yr average is 19.66 if you take out the 2020 distortions from the pandemic.) The reason this is troubling to us is that whenever the stock market in a country becomes expensive...at the same time long-term interest rates have risen in a significant way...it pretty much always causes some meaningful problems for that stock market. We're sorry to say this, but it reminds us of 1987 in the US.

No, we're not predicting a 30% crash over two days for the Nikkei. **We're just saying that expensive stock markets and a significant rise in long-term yields don't mix well.** Sure, sometime the stock market can keep chugging along, but eventually, there is usually some sort of meaningful disruption...even if it's not a crash or a bear market.

We hope we are wrong about this. We love Japan. In fact, my father worked for Seiko for 15 years before he retired...and he visited Japan very frequently (and it paid for my college education). He loved the company...and

all the people he encountered at Seiko (both in NY and in Japan). We also think that Prime Minister Takaichi is very charismatic and energetic...and she is obviously very popular in her country.....**We're just saying that there are some real risks in their markets right now...and thus we believe investors should be watching all of the above-mentioned issues very closely over the coming weeks and months.**





---4) The bond market saw a strong rally last week...especially on Thursday and Friday. This took the yield on the US 10-year note down well below its key support level...and back within the sideways range it had

been in for several months starting in September. Some pundits attributed this rally in price (and thus decline in yields) to the weaker than expected inflation report that the CPI gave us on Friday. However, we believe there are several other reasons for this move...which may mean it's not all that bullish for other assets.

The US Treasury market experienced a very strong rally last week...and thus, this obviously means that yields declined in a significant way. Lower yields tend to be quite good for the stock market and other risk assets...as long as the decline is gradual over many months. However, history tells us that when long-term yields decline in a substantial manner over several months, it's actually quite negative for the stock market...because it signals a meaningful slowdown in growth. That, in turn, is negative for earnings growth...and thus it's not a bullish development.

Although last week's decline was somewhat sharp, it was not enough to start to worry that they are falling too quickly yet. It's going to have to continue for quite some time before we get overly concerned about it. **However, even though the narrative on Wall Street last week seemed to indicate that the recent economic data has been good, we see it in a different way...and therefore, this is playing a key role in the decline in yields.**

First of all, the retail sales data was much weaker than expected (0.0 vs. an expectation of 0.4). We'd also note that the rising delinquency rates that have been showing up in many different areas of consumer debt for many months now has gotten even worse. The NY Fed reported last week that US consumer delinquency rates surged to 4.8% of all outstanding household debt in Q4 of last year...the highest level since 2017.

Second, although the headline number from the Jobs Report on Wednesday was much better than expected, the report was far from a robust one. **As our economist (Paul Shea) pointed out in his piece this week**, if you take out private education and healthcare (which are historically recession proof), the rest of the labor market has declined for 11 of the past 13 months...with a YoY decline of 414k jobs! (To see Paul's full report, it is attached above...at the top of this report.).....In other words, when you dig deeper into the numbers, they're not quite as robust as many on the Street are portraying them...and

the fact that the Citi Economic Surprise Index has reversed lower in a meaningful way this month supports this view.

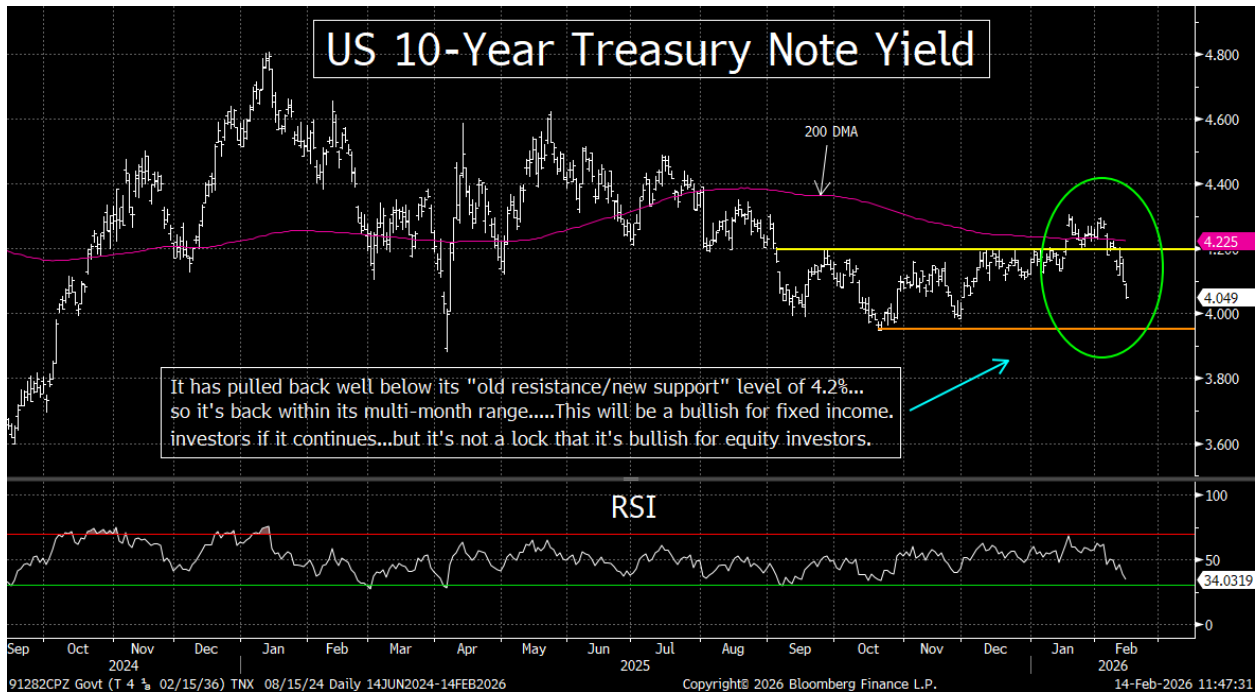
Third, the CPI report showed that inflation was not as strong in January as the consensus was expecting. **This is definitely a bullish development, but the data was only slightly lower than expectations, so it's hard to give this issue a lot of credit for such a big move in the bond market.** That said, we did see a rise in the odds of a June rate cut after that number came out on Friday.....As for some other reasons for the decline in yields, some people are pointing to the strong 30yr Treasury bond auction...as well as the strong demand for Alphabet's large bond offering in the investment grade corporate bond market.

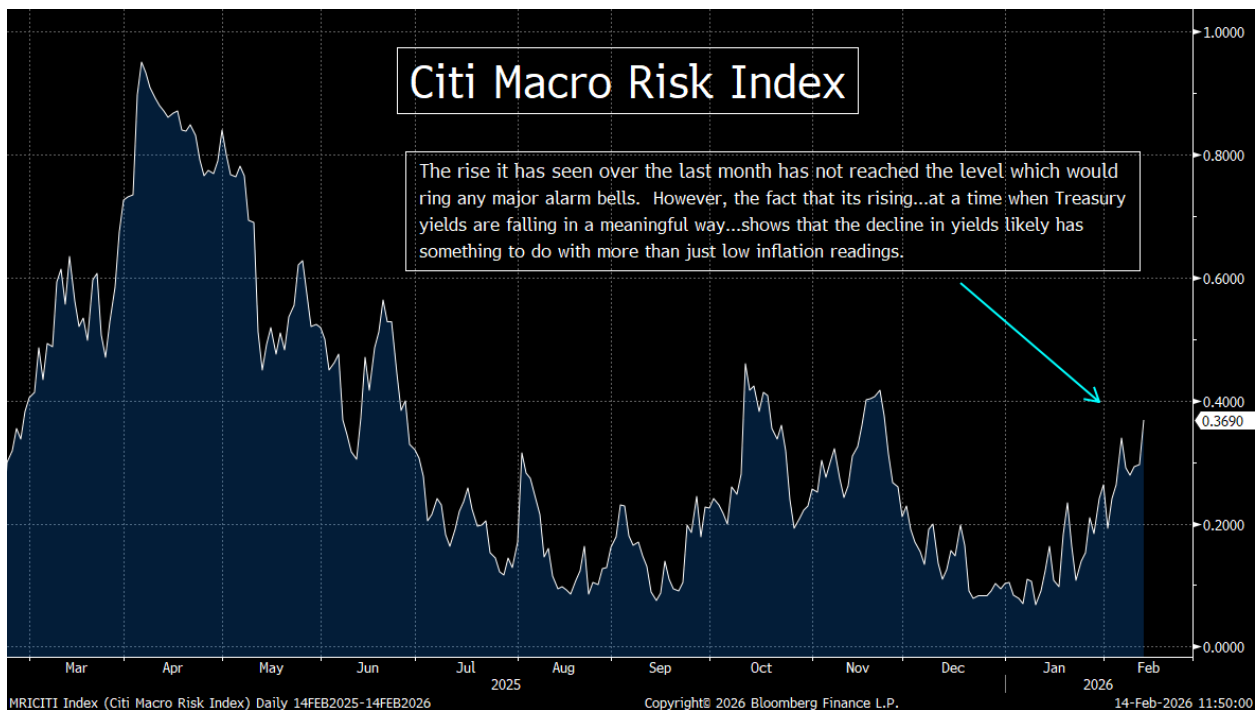
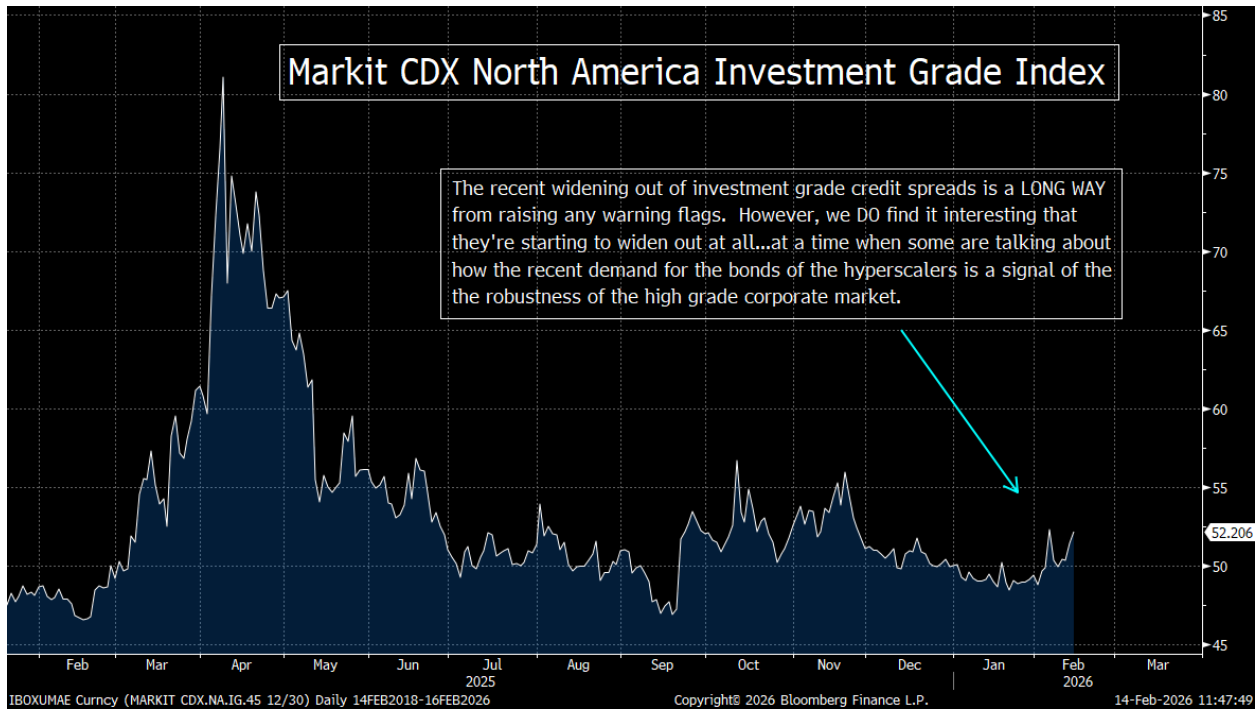
However, there also seems to be a flight to safety move involved here. There are concerns on the geopolitical front...especially now that the US has sent a second carrier task force to the Middle East region. Even if the odds are low that anything will happen before the Olympics are over, the fact that crude oil prices remain well above where they started the year...is reason to think that at least some investors are worried about this situation deteriorating before long.

We also have the issue that we discussed in the last point...about Japan's budget issues.....**On top of this, we'd note that although the corporate bond market rallied strongly as well last week, credit spreads actually widened out in a noticeable way.** Yes, this widening out of credit spreads is a LONG WAY from becoming something that will raise any big warning flags. However, since a significant widening of credit spreads is something that does not take place until the situation has already become somewhat dire (credit spreads are not a leading indicator)...**the fact that they are widening at all when the corporate bond market is so strong last week...does raise some concerns.** (Second chart below.)

This is particularly true...given that the Citi Macro Risk Index continues to rise in a substantial manner. (Third chart below.....No, it hasn't risen anywhere near as much as it did a year ago...when the tariff issue became such a big problem for bonds, but it's still rising in a meaningful way.)

In other words, there is some stress in the financial system...which much of Wall Street is ignoring right now.....We are not raising any major warning flags about an imminent crisis, but there are definitely some signs of rising stress. (We didn't even touch on the rising concerns about the private credit market.).....With all of this in mind, we believe that it is going to be very important for investors to keep a very close eye on other moves in the fixed income market...besides just the one concerns US long-term yields...when decided how they will invest their money in other risk assets.





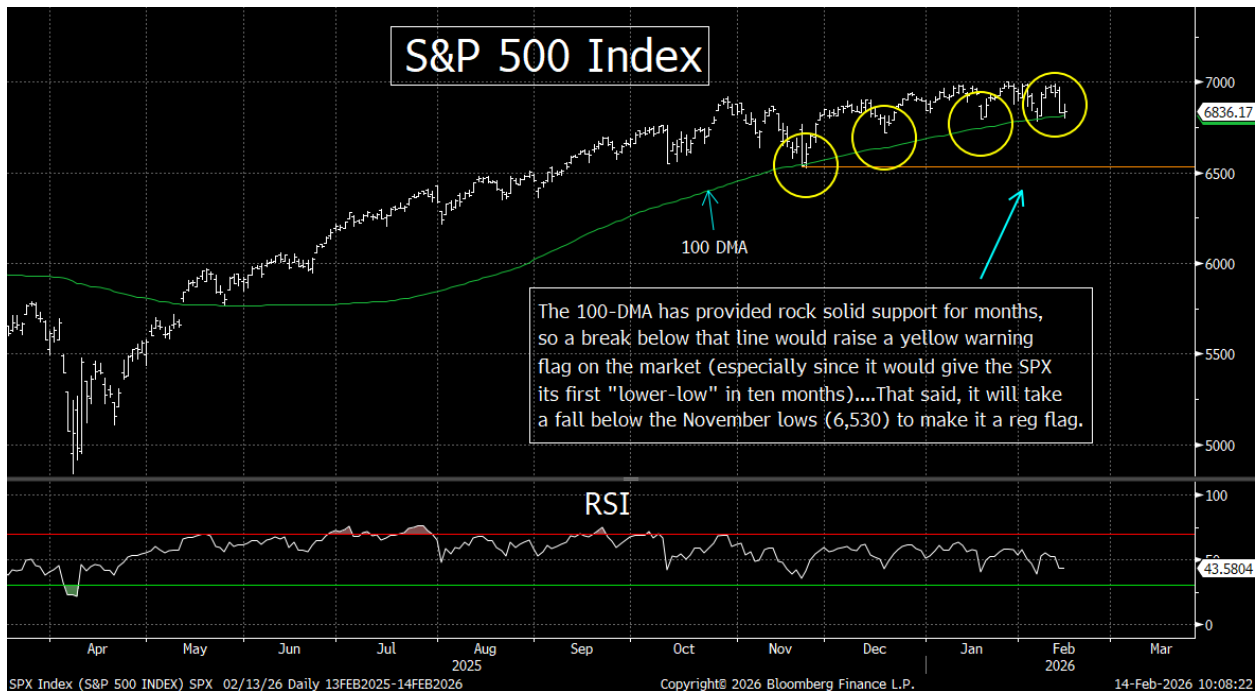
---5) Index charts.....All three of the major averages finished the week lower last week. This took both the S&P 500 Index and the NDX Nasdaq down to their key short-term support levels. These are not critical levels,

but it's a pretty important one for the NDX. However, both will have to fall below their November lows to raise a serious warning flag....As for the small-cap Russell 2000 Index, its technical picture is still exactly what it was last week.

It was a bit of a rough week for the stock market last week, but the weakness was not broadly distributed. In fact, both the S&P 500 and NDX 100 Equal Weight ETFs finished with mild gains. Still, there was some compelling moves in the cap-weighted indices...and in the case of the SPX and NDX, it has taken them down a key support level. That said, if they break below these near-term support lines, it will only raise a yellow warning flag on these very important indices. It will take a meaningful decline below their November lows...to raise a more serious red warning flag on them.

As usual, we'll begin with the chart on the S&P 500...and since it closed almost exactly unchanged for the day on Friday afternoon, the situation is not any different than what we described in our daily piece on Friday morning: Although the 50-DMA has been seen as a line to watch, the SPX has broken slightly below that moving average in a minor way several times...only to rebound rather quickly. However, the 100-DMA has provided rock-solid support...bouncing off that line (or very close to it) four other times.

Well, it closed just above that 100-DMA last week, so whether it can bounce off that level once again...or breaks below it in a material way...should be important for this all-important index over the near-term. In fact, if it breaks below this moving average, it will also give the SPX its first "lower-low" since last April, so it will definitely raise some warning flags on the stock market.....That said, that kind of decline would only raise a yellow warning flag on the stock market. It would take a meaningful decline below the November lows to raise a more serious red flag on the market...and that's still almost 5% below where it closed last night. **Therefore, we don't want to paint the 100-DMA as some sort of a "line in the sand" level for the S&P 500. Still, a break below it would definitely raise the level of stress in the stock market.....**On the flip side, if the SPX can bounce next week...and take out its all-time high (which is basically 7,000) in a meaningful way, it will be quite bullish. (Chart below.)

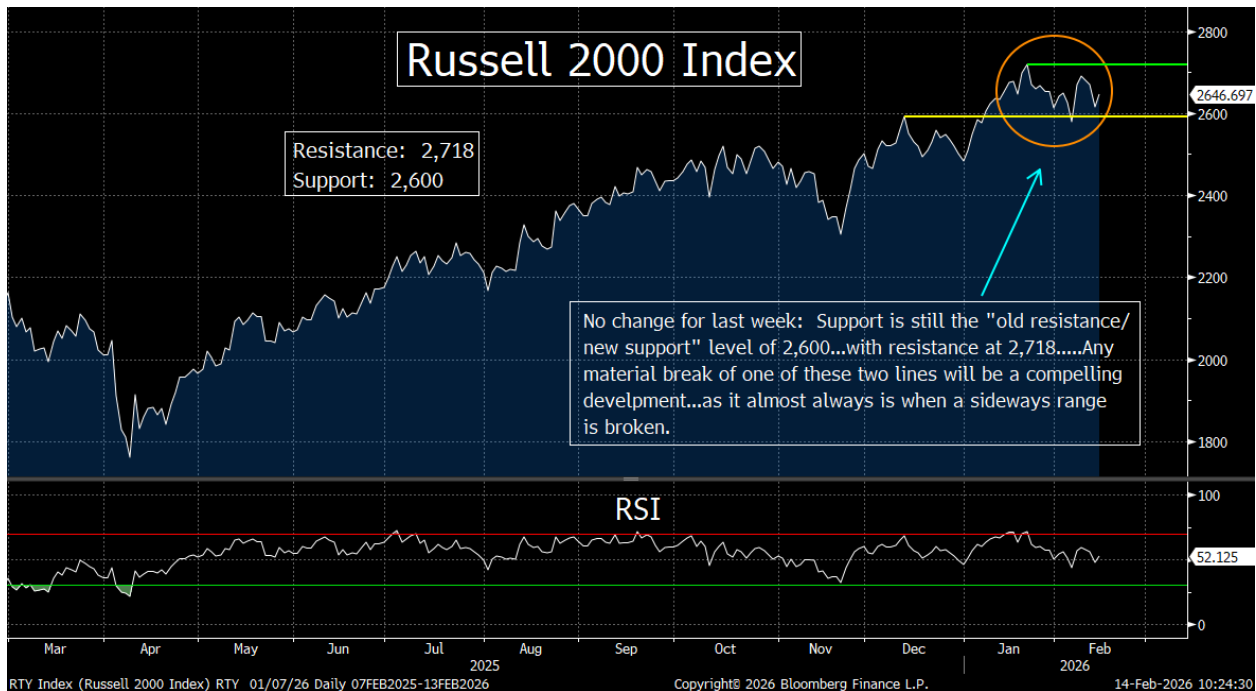


On the NDX Nasdaq 100, last week's decline means that it failed to regain its own 100-DMA. Like it is with the SPX, the 100-DMA has provided excellent support for the NDX in recent months, so the fact that it broke below that line this month is a concern. This is particularly true given that it failed to break above that line on its recent bounce. Therefore, if it follows this failed attempt at a rebound...with a "lower-low"...it's going to raise a yellow warning flag on this tech laden index. (It will only take a very slight decline from Friday's close to make that lower-low.".....Having said this, it will still have to break below its November low of 24,000 to make it a more dangerous red warning flag.....Needless to say, if it can bounce strongly...and push above both its 100-DMA and its "double-top" high (just above 26,000) in any significant way...it will be very bullish.



When it comes to the Russell 2000 index, not much has changed since last week...but the chart on this index definitely differs from that of the charts on the SPX and NDX.....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.

In other words, not much change at all for the Russell. It is still range-bound...and whichever way it breaks out of that range should be very important for the small cap stocks.....That said, its sideways range is a more recent one. So, it has acted quite well over the past few months. Therefore, if (repeat, IF) it can see an upside breakout, it should attract a lot more momentum-based money flows going forward. Thus, it’s upside potential could be substantial...(again, IF it can see an upside breakout move).



---6) The home construction stocks have experienced a nice advance over the past few months. The recent drop in bond yields has helped, but this rally has been going even when Treasury yields have risen in recent months.....There are reasons to be skeptical about this rally...that the ITB home construction ETF is getting overbought. However, if this rally continues, we think there are two stocks in the group which should outperform from current levels.

Moving back to the issue we talked about in point #4, **the recent decline in interest rates has helped the housing stocks rally quite nicely this month.** In fact, the ITB home construction ETF has been moving higher...in a stair step fashion...since just before Thanksgiving. It has seen two bullish “higher-low/higher-highs” sequences during its 20% rally of the past three months...with more than half of this advance coming over just the past two weeks.

In other words, the housing stocks have been acting quite well...even though long-term interest rates have spent more time rising over the past few months, than they have been falling. Therefore, although a lot of the most

recent jump in these stocks can be attributed to the recent decline in Treasury yields, it has not been the only reason. Heck, the first 10% of this rally in these homebuilders took place when long-term rates were rising in a meaningful way!

Having said this, even though long-term Treasury yields pushed higher from mid-October until mid-January, mortgage rates did not rise. The 30yr fixed mortgage rate is still near 6%...down from 6.5% last summer (and near 7% early in 2025). **Thus, this is something that has kept demand highs...and it is helping the housing stocks as well.** (So, despite the fact that mortgage delinquencies are starting to rise, it seems to be concentrated in the low-end markets...at least for now.)

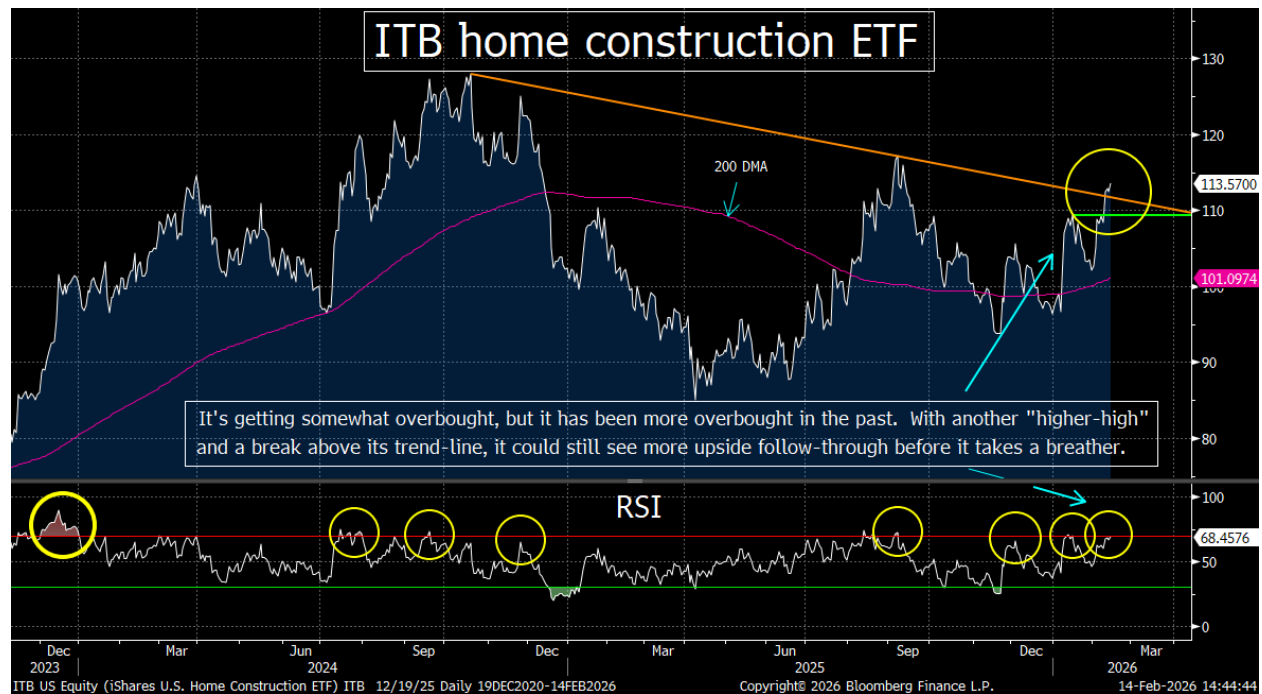
On the technical side of things, we'd note that the **ITB home construction ETF** is getting a bit overbought. It has certainly become more overbought before it has topped out in the past, so it could continue to rally over the near-term. In fact, it has become quite a bit more overbought on several occasions...so we don't want to tell investors to back away from this group on a short-term basis just yet. It could easily test its 2025 highs before it takes a breather...and that's still more than 3% above where it's trading right now.....In fact, a run to its 2024 all-time high is not out of the question...and that is more than 12% above where it closed on Friday.

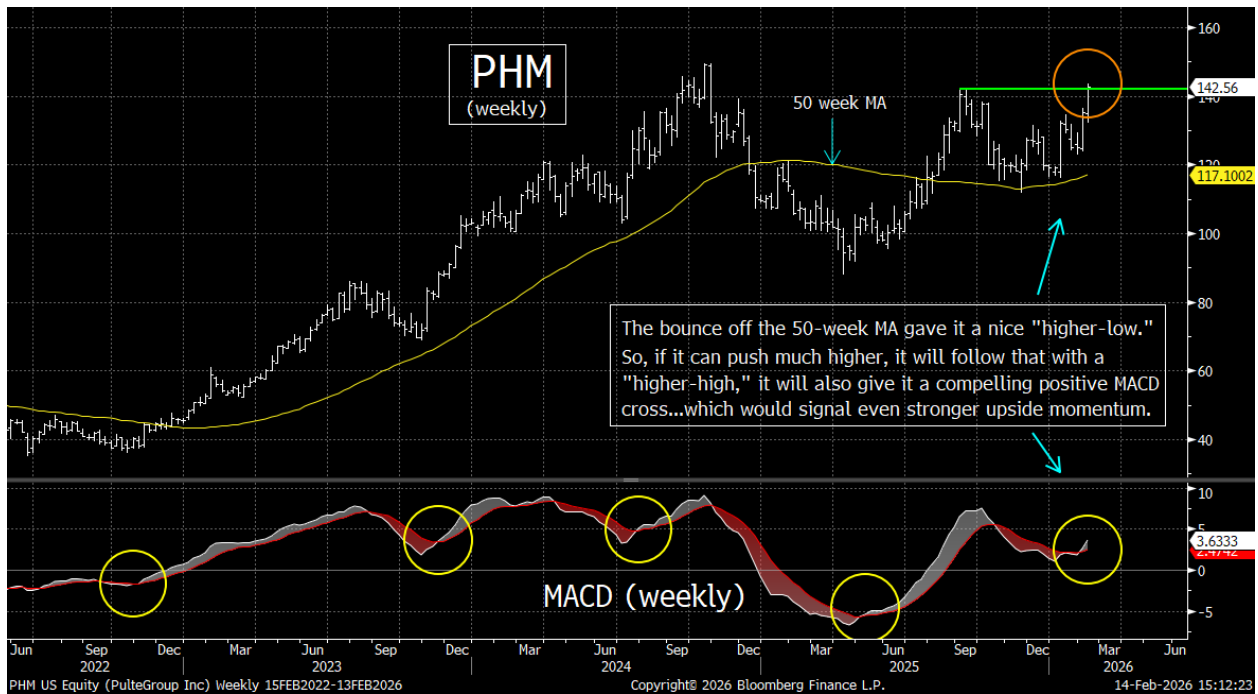
Having said this, some of the individual stocks in the group ...like Toll Brothers (TOL)...HAVE become very overbought. However, several others have not reached overbought levels...**and therefore, they could/should have more upside potential over the coming weeks...if (repeat, IF) the group can indeed continue to push higher.**

The first stocks we want to highlight is Home Depot (HD). This stock has already rallied 17%, but it does seem to have more upside potential. First of all, it is not as overbought as several other names. We'd also note that it bounced off its 50-week MA in early January...much like it did last April (just before it rallied over 30% over the next six months). **Finally, after the past two weeks, it has seen a confirmed positive cross on its weekly MACD chart. Therefore, if the group continues to advance, this stock is poised to continue to do very well over the coming weeks.** (Second chart below.)

The other stock is Pulte Homes (PHM). Like HD, this stock is not particularly overbought. We also like the fact that its weekly MACD chart is seeing a slight positive cross...at a time that the stock is close to testing its 2024 highs. Thus, if it can rally much more from here...it will give it a key “higher-high” ...at a time when its weekly MACD chart is seeing a more compelling positive cross. **THAT should give it the kind of upside momentum that investors will not be able to ignore.** (Third chart below.)

We do think that it's important to note that since we are concerned about the broad stock market right now, we worry that the recent rally in this group could stall out soon. Also, the Street is not exactly convincingly bullish on this group. In fact, much of Wall Street remains quite neutral on the homebuilders.....However, if we are wrong...and the market holds up and this group does continue to advance...these two stocks have more upside potential than others...given their technical conditions.





---7) We made a great call on Alphabet (GOOGL) last June when we turned bullish on the stock...just as it was beginning a rally of over 100% in just seven months. We also raised a cautionary flag on the stock in January

when it became overbought...and although it did push a bit higher, it did begin to pullback shortly thereafter. The stock is now down more than 10% from its highs...so we want to update the situation with this key stock this weekend.

As we're sure you all heard last week, GOOGL sold \$20bn worth of corporate bonds last week in the US...and a total of about \$31.5bn across multiple currencies...which was the second large bond offering they've had in recent months. (They borrowed \$15bn through an earlier bond sale in November.) This raised some concerns among investors about whether the huge level of spending the company is making on AI will produce the kind of ROI they have been paying for in recent years.

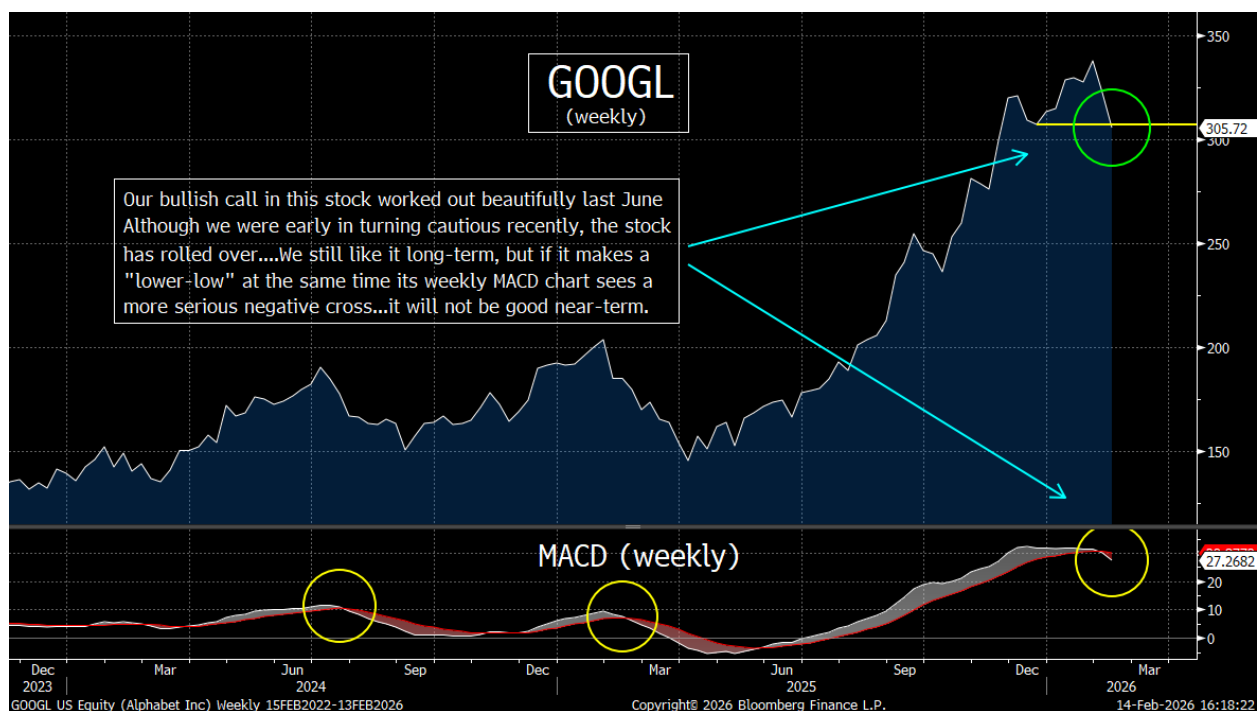
The overall outlook for GOOGL remains very positive. Google search & Other revenue accelerated to 17% YoY growth in Q4...driven by AI features including Gemini 3 and AI Mode. Their cloud revenue jumped by 48% YoY to \$11.4bn...with operating margins expanding to 30.1%. They also saw 17% growth in their Subscriptions revenues...and although their YouTube revenue rose a little bit less than expectations, it was still over 9%.....So, nobody is worried that this company is having any serious problems.

That said, after announcing earlier this month that they're going to spend between \$175bn to \$185 bn in 2026 (far above the \$120bn the Street had been expecting), the stock has been under steady pressure. Then again, after rally of over 100% in just seven months, a 10% drop is not a big deal at all. In fact, the stock is approaching an oversold condition on its daily RSI chart. However, since it has certainly reached much larger oversold conditions in the past before bouncing...it could still see some more weakness over the coming days and weeks.

One item that stands out to us is the fact that GOOGL is testing its December weekly lows right now...and it's only 2% from its daily low from back then. **On top of this, it has seen a mildly negative MACD cross on its weekly chart. Therefore, if it continues to decline next week, it's going to give the stock its first "lower-low" since last April...AND give it a more compelling MACD cross.** As you can see from the chart below, meaningful negative MACD crosses have been followed by some significant further declines in

GOOGL in recent years. In fact, the declines have been between 23% and 31%, so a further drop in this stock will raise some real concerns on the technical side of things.

Of course, there are no guarantees that GOOGL will fall further. As we mentioned, it's getting oversold. **However, if (repeat, IF) it does fall much more, it will raise the possibility of a decent sized decline. After such a sharp rally, the next support levels are not close by. The Fibonacci 38.2% retracement of the big rally comes in at 267.60...and the 50% retracement level stands at \$244.....No, this does not mean that this stock HAS to fall that much more, but it does make it more vulnerable than most people are thinking right now.**



---8) Given all of the very large moves we've seen in many different stocks, groups, and asset classes since the beginning of the year, we thought we would update several more charts this weekend. We will simply provide a quick comment on all six of them...and then continually update them in our daily pieces if/when we see important breakouts or breakdowns.

As we stated earlier in this weekend's piece, the S&P 500 has traded in a very tight range...of just 3% this year. However, as we all know, this has disguised some extreme volatility in the stock market...and within other risk assets as well. **So, we want to update the charts on some of the more volatile assets...and we'll begin with the precious metals.**

The bounce in gold off of the \$4,400 level has been a very impressive one. If you'll remember, that was the "old resistance/new support" level (the high from October). After it's initial...very strong...bounce, the yellow metal has bounced around a bit. However, it has done this with a nice upward bias. **Gold has touched the \$5,100 level 4 out of the last 5 days, so that is the minor resistance level it is flirting with right now.** If it can break above that level in any significant way, it should see a relatively quick move back up towards \$5,500 and its old record high.

This does not mean that any further rally will be as strong and quick as we say in January. Besides, it might not break above that new resistance level immediately. It could bounce around for a while longer. **Of course, if it rolls back over in a substantial manner, that \$4,400 will be extremely important in terms of support. However, due to the issues facing the global debt market...and the situation in the Middle East...we're sticking with our \$6,000 target for the yellow metal this year (and we might be conservative with that number).**



As for silver, it's decline was more violent...but that's not a big surprise given that its rally was much bigger than gold's. The sharp drop in this precious metal took it down to (pretty much) exactly its Fibonacci 61.8% retracement of its April-January rally. The bounce since then has been a solid one, but there has certainly been some continued volatility in silver. That said, it has been building a base in a range just below and just above the \$80 level. After any asset crashes like silver did, it rarely sees a V-shaped recovery. It usually has to stabilize for a couple of weeks...and that is what silver has been doing.

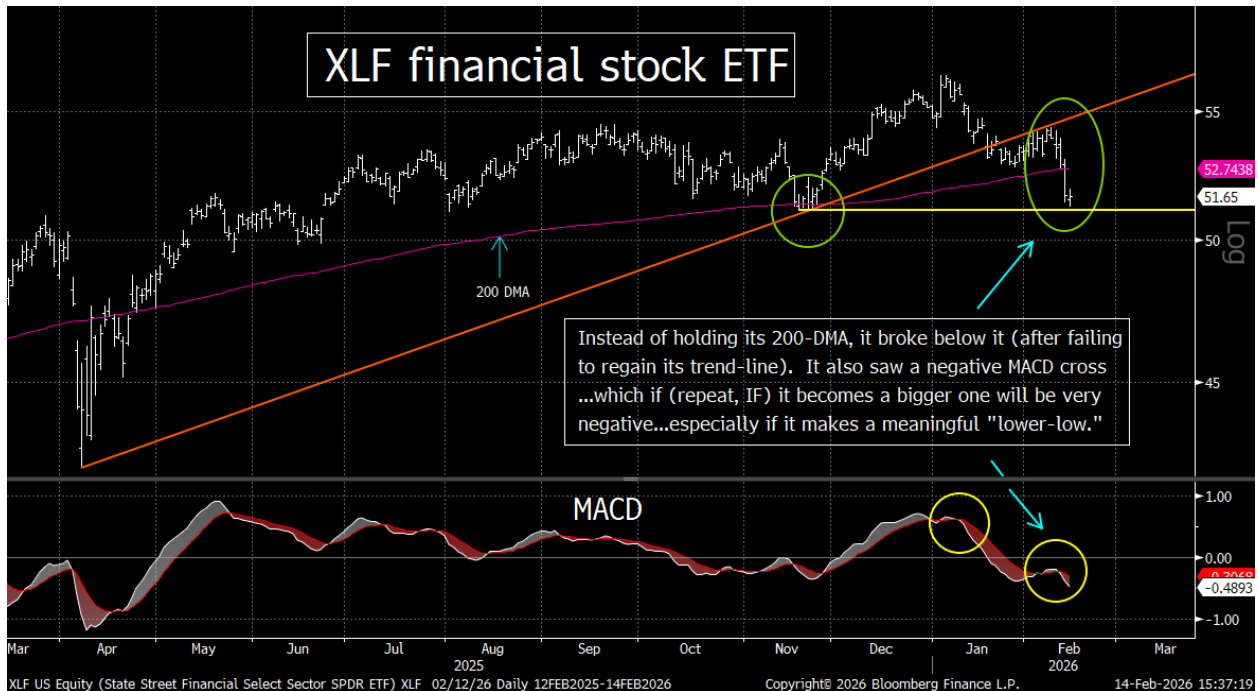
Like it is with gold...and most of the other volatile assets... a break below the recent lows will be quite bearish. **That said, given the above-mentioned geopolitical issues, and the issues facing the global debt markets...along with the major supply problems facing silver...we remain quite bullish. It just might take a bit more time for it to regain its upside momentum.**



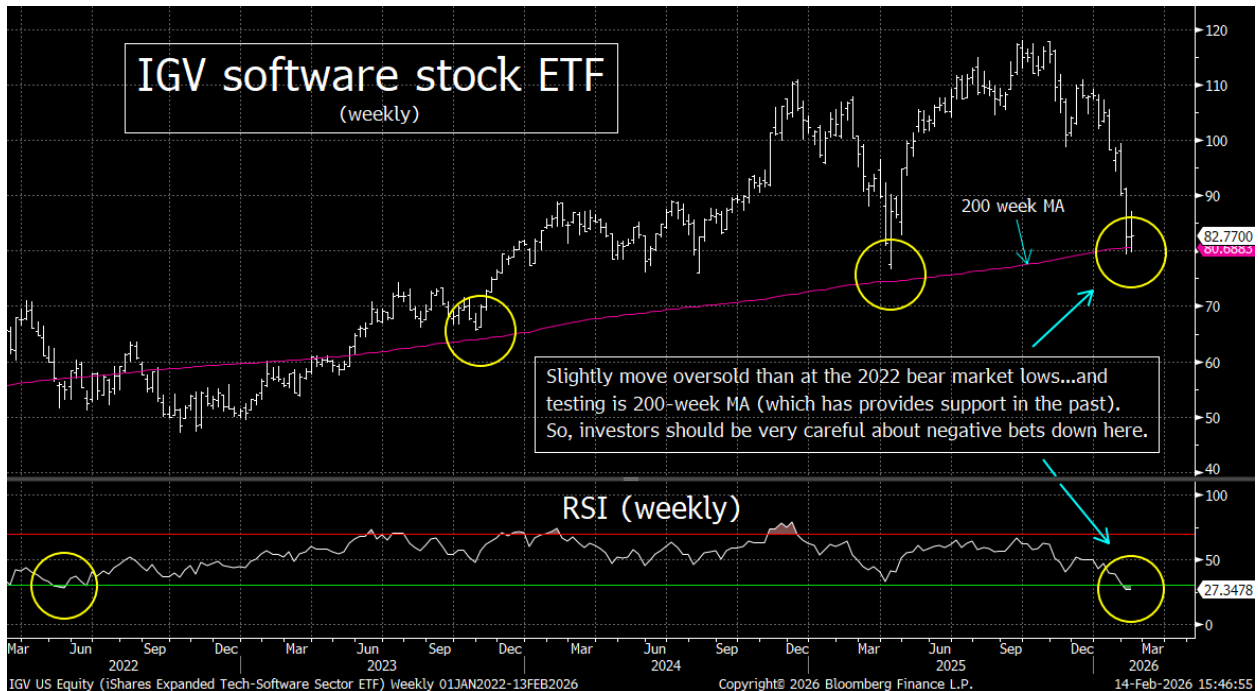
The XLI industrial stock ETF saw some further upside follow-through last week, but we still think it has reached the kind of overbought condition that will cause it to take a breather soon. Not only is it extended on its RSI chart, but it's also more than 2-standard deviations above its 20-DMA....We should also highlight that our contention that if the entire market finally experiences some material weakness, all groups will feel some pain. So, there is more than one reason to think that chasing the industrials aggressively up here is probably not a great idea.



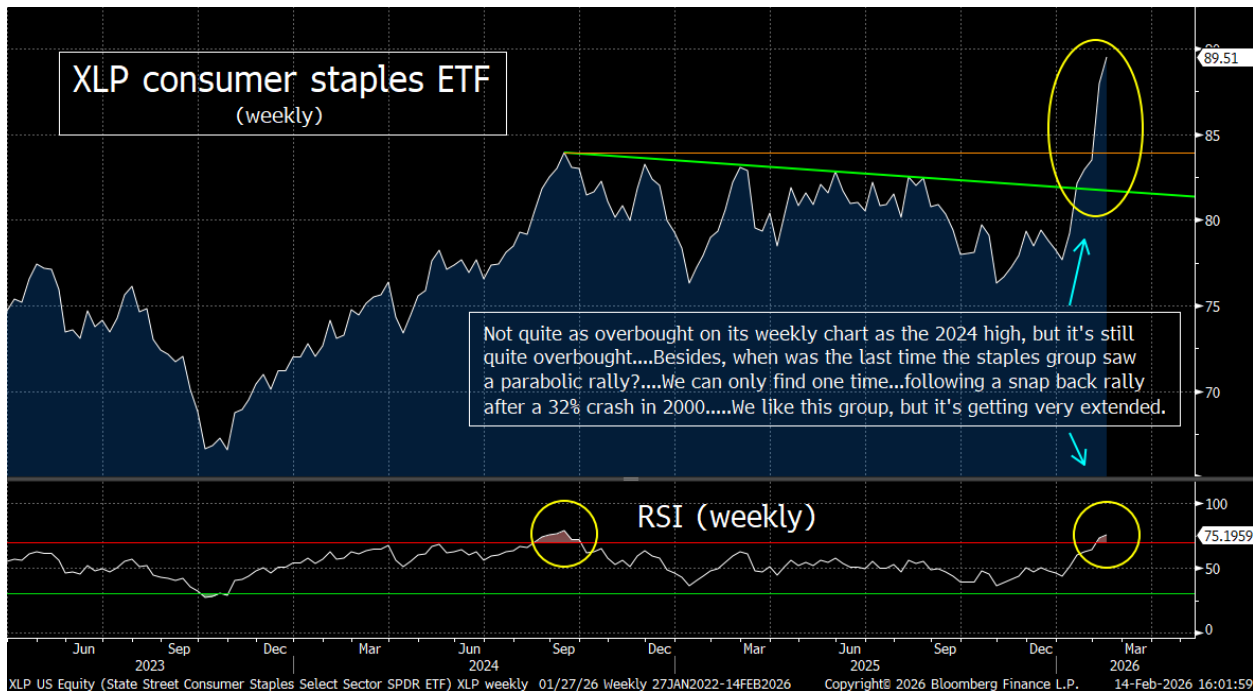
The XLI financial stock ETF stands at an extremely important support level. It has already broken below its trend-line from April...and it failed to regain that line after a mild bounce. Since then, it has rolled back over in a significant way and dropped below its 200-DMA (which provided excellent support back in November....NOW, it is testing its November lows...AND seeing a negative MACD cross. Therefore, if it breaks below those November lows...at the same time it sees a more compelling negative MACD cross...it's going to signal a very important change in trend for the financial stock sector.



The IGV software ETF was finally able to bounce last week...but it only did so by 0.38%. So, it was hardly the kind of rally that instilled a lot of confidence in this beaten down group. That said, it has become quite oversold on its weekly RSI chart...AND it is testing its 200-week MA. That moving average provided excellent support in both 2023 and 2025. So, it's something which could/should provide some nice support this time around as well.....We readily admit that our confidence level with this call is not high...so we're certainly not pounding the table in a bullish way. However, we just think that investors and traders should be careful about making aggressively negative bets on this group right now.



Finally, the XLP consumer staples ETF saw another outsized positive move last week! Thus, our cautions short-term call from last week didn't workout very well. However, it has become even more overbought on its weekly RSI chart, so we still think that investors should be careful about chasing this group in an aggressive manner up at these levels.....We have been bullish on the consumer staples for some time now...and we still like them on an intermediate/long-term basis. **However, this rally is turning into a parabolic one...and parabolic rallies are not something we see very often in this very defensive group!** In fact, you have to go back to 2000 to find one...and that took place after 32% crash in the group. (In other words, that was not a "parabolic" rally. It was a strong bounce after a crash...when the group had become washed out.)



---9) Potpourri.....As we usually do each week, 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.

---Professional golfer, Anthony Kim, won the LIV Golf Tournament this weekend.....No matter what you think about the LIV Tour, this is a fabulous comeback for Mr. Kim. He had not played professionally for 12 years...and struggled with drug and Alcohol addiction for many years. After his victory, he said, “Who I am today is a completely different person. With God, my family, my sobriety being the key to things in my life, I can go as far as I want.”Great stuff.

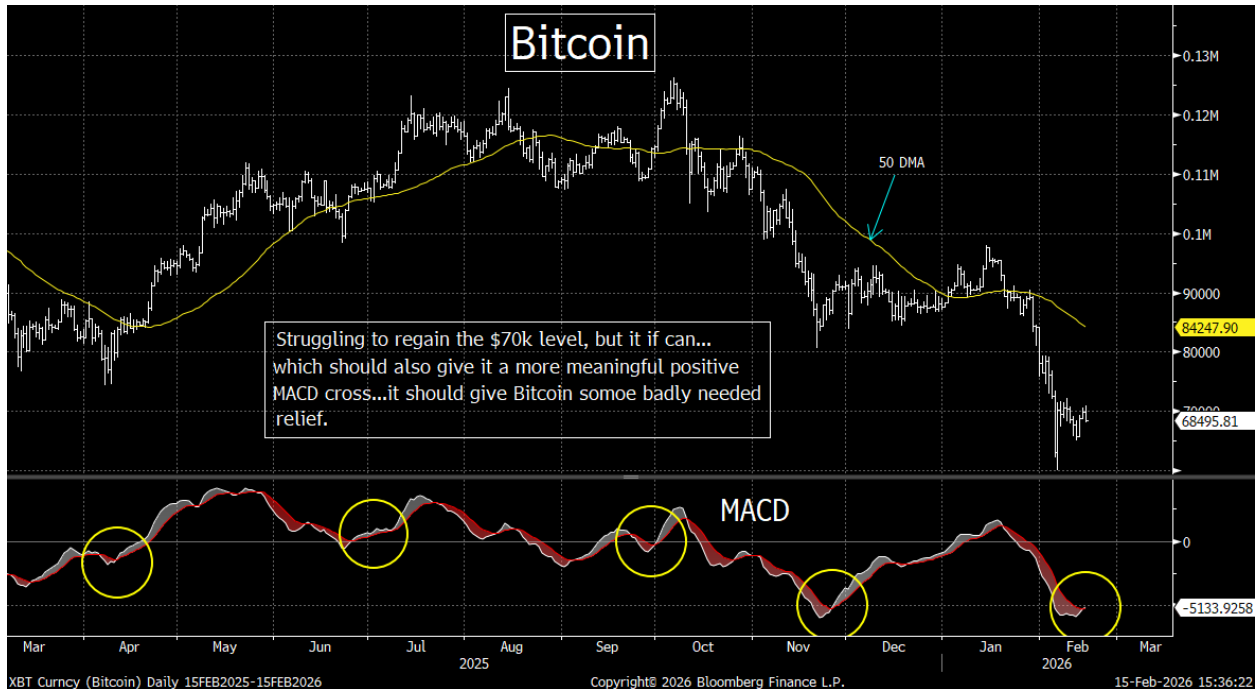
---Speaking of golf, for the second PGA tournament in a row, Scotty Scheffler has not played well (at all) in the first round.....We don't know what is wrong with him, but it's becoming quite evident that he should consider retiring.....He obviously doesn't have what it takes any more....He should

quite the game.....Wait a minute. He ended up coming in third last week...and he is tied for the lead as we write this weekend.....Ok, ok...we must admit that we're starting to think that maybe he should stick with it for a little while longer.

---A member of the University of Montana Football Team was granted a 9th year of eligibility to play football by the NCAA. (That's not a typo. We're serious...this IS true. He's getting a 9th year of eligibility!!!).....Rumor has it that his grandchildren will get sideline passes for all of their home games.

---The NY Times is reporting that the Winter Olympics condom supply ran out in only 3 days. They have a free condom policy in the Olympic Village...and they're already gone. According to an Italian news report, "They promised us more will arrive, but who knows when.".....We don't know that there's anything we can add to this one.

---After a washout move at the beginning of the month, Bitcoin has bounced back. However, it's having a tough time pushing back above \$70k in any material way. This action might be disappointing to some, but it should be expected. When an asset crashes, it usually takes a few weeks for it to calm down enough to resume a sustained rally...if that's what it is going to do.....We do want to point out, however, that Bitcoin is seeing a slightly positive MACD cross. Meaningful MACD crosses have been followed by nice rallies in Bitcoin, so if it can push above \$70k in a material way, it's going to give the crypto asset class some badly needed relief.



---10) **Summary of our current stance.....**There have been a lot of wild moves in global marketplace so far this year...especially over the past few weeks. Natural gas rallied 160% at one point in January, only to give back all of those gains in just a matter of days...Bitcoin saw an almost 40% drop from its January highs...software stocks fell by 25% from their January highs (-32% from their September highs)...WTI crude oil rallied than 18% from its December lows to its recent highs...the MAG 7 group has fallen into correction territory...silver fell 47% on an intraday basis, and then bounced by over 30%...gold dropped 20% on an intraday basis, and then bounced 16%...the currency market has seen some big moves, including a 7% round trip on the USDJPY over the past two weeks (which is a huge move in that market).

HOWEVER, we have not as seen much movement in the stock market. The S&P 500 has been stuck in a sideways (3%) range so far this year...the NDX 100 has been in a 5% sideways range...and although the Russell 2000 did see a nice advance to start the year, it has been in a 5% sideways range over the past month. When you combine this...with the fact

that the S&P 500 Equal Weight Index has rallied almost 6% YTD...and the fact that certain groups (like the industrials, materials, and consumer staples) have seen rallied of 12%-18%...the stock market has done quite well so far this year...even as other markets have experienced some wild swings.

Part of the stability in the stock market might be attributed to the fact that the Fed's balance sheet has started to grow again...for the first time since the regional banking crisis of 2023. We'd also note that US Reserve Balances with Federal Reserve Banks is starting to rise again. Therefore, there is at least some liquidity sloshing around the system. That said, the yen has rallied strongly once again...and the decline in the USDJPY is signaling that the leverage players in the "carry trade" will have to unwind some of that trade. **So, if the USDJPY continues to fall, that might offset the net liquidity equation at some point before too long.**

What about the earnings picture? Well, this earnings season has been fine. **However, the earnings estimates for the full year has not moved at all.** In fact, they've come down very slightly since the beginning of earning season. **This is a bit of a problem on the fundamental side of things. It's great that the consensus is looking for 15% earnings growth for this year, but with the S&P trading at 22x forward earnings and 3.3x sales, we're going to need to see more meaningful earnings growth than that to justify today's level in the stock market.** This is particularly true given that long-term interest rates are well above their 5 and 10 year averages (even after the recent decline).

We'd also note that as much as people like to talk about how the S&P 500 Equal Weight Index is outperforming this year, it is now trading at 21x forward earnings!!! Except for 2020 (when all valuation readings became moot due to the massive monetary and fiscal liquidity injections during the pandemic), the only time the S&P 500 Equal Weight index has been more expensive than today...was back in early 2018 (a year when that index fell over 19%).

Then again, most people seem to have stopped talking about excess valuations. They've been stretched for so long that people assume they don't matter any longer. Also, a lot of people believe that the historic valuation

rules no longer apply. So, if they're right, maybe we have nothing to worry about when it comes to valuations.

We also have a situation where the current Administration wants to run the economy "hot" ...so this could simply be a situation where people are investing with the assumption that the economy will grow in a significant way as we move through the year...and thus earnings will turn out to be much better than the consensus is looking for right now.

We certainly do not want to dismiss these bullish arguments. The market can remain expensive for a very long time...and if the President has chosen someone who will cut short-term rates aggressively after takes office...whether it is needed or not...investors just might look past the loss of independence long enough to push the market higher through the midterm elections.

As for our thinking, we believe that the "Trump put" is not as much "in the money" as it will be a few months from now. Therefore, we believe that any number of issues...or a combination of issues...could create some problems for the market over the next two months...no matter what happens over the rest of the year.....When you look at the situation in Iran, it's not out of the question that this is an issue that could become one that increases the level of volatility in many assets a lot more (and even for the stock market).....**One thing is for sure. When you see a big increase in volatility in several different assets, it almost always spills over into the stock market eventually.**

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