May 03, 2026

1) After proving to be an excellent advance indicator for the correction in equities witnessed in March, HYG, this writer's most important etf for the health of the equities markets, has become more of a coincident indicator during most of April. While noticeably below the highs of mid-April, HYG is well-off the lows of late March/early April giving equity investors' comfort. Still below its upward sloping 200 day moving average, the Friday close was also above the 50 day, which nevertheless remains downward sloping. Given the lingering and pervasive concerns about private credit, it is remarkable how well HYG is acting, perhaps suggesting that the fears aboutn private equity are overblown. Relative to this point, the performance of both APO and BX towards the end of the week following comments by OWL management is certainly noteworthy. Investors in this group are eagerly awaiting the upcoming report by APO; reaction to those numbers and comments, if positive, might suggest this group bottomed. If lingering concerns about private credit are alleviated, this would certainly be a boon for equities overall.

2) Continuing with the theme of the impact of the fixed income market on equities, Paul Shea, the Miller Tabak Economist, in his piece this week, continues with his theme that the higher inflation readings will be short-lived and that the true driver of excess inflation readings is the mismeasurement of shelter data. He asserts that while the core inflation readings will uptick through May and June, "this process will be finished by 2H2026." (full report in your inbox late Wednesday night USA/ early Thursday morning UK-EU). He believes the connection between energy prices and core-inflation has been "overblown", as this correlation has been very weak since the 1980s. Therefore, he states that inflation will ease enough by October for Warsh to enact his first rate cut. "This will begin a process of lowering the Fed funds rate to 25-275 bps and the ten year Treasury yield to 340 bps by mid-2027." This out-of-consensus view on the extent of the decline in the yield on the 10 year has to be taken seriously given Shea's track record on the direction of the rate on the 10 year.

3) As this writer has noted every Sunday since February and will continue to do so, despite the current euphoria in the equity markets, the average drawdown during the mid-term election years is 18%. Even Ronald Reagan, after winning 49 states in his 1984 triumphant re-election, lost 5 House seats in the 1986

midterms and Trump lost 40 seats in the 2018 midterms. Intuitively, one would expect this 18% correction to occur during the 3rd quarter. Despite the bullishness we have been seeing in equities, one cannot and should not dismiss this historic fact.

4) For those who have been bearish on equities, the last several weeks have been no fun. All of the major averages with the exception of the Industrials have closed at all-time highs. The bears are, of course, stating that the RSI on these averages have reached levels that make them ripe for a pullback, but they have been warning the same thing for the last 2 weeks. The strongest argument that the bears have is that the S+P Equal Weight Index (RSP) was barely up on the week, suggesting a narrowness in the move; therefore the marquee indices will soon follow this move. One of the Indices that does not get as much attention but upon which this writer has been bullish since the beginning of the year is the Transpos. This group is up over 18% y/t/d. However, the Transpos have had a noticeable pullback since mid-month and the performance therefore needs to be monitored as this Index led the market up. One can cogently argue that the price action of the Transpos has been severely distorted by the violent movements in CAR, which has essentially become a meme stock. Since the Transpo Index is price-weighted, the severe price changes in this one equity can be overshadowing. The bull argument is that the diverse components of this Index have all acted smartly. Currently, FDX, NSC and UNP comprise about 1/3rd of the Index.

5) Relative to the SMH, which many investors including this one believe to be the most important equity etf, the performance over the last three weeks has been breathtaking with a rise of over 40% since the end of March. Of course, the bears are screaming "overbought" and "ripe for a pullback". This will inevitably occur but stating the timing of such an occurrence is nothing short of a fool's errand and not a productive use of one's time.

6) It is interesting to note and perhaps bullish that the differentiation in the Mag 7 continues. This indicates investor focus on fundamentals rather than blind buying of all of the names. GOOGL has been leading the group and the performance this week reflects the breathtaking 63% increase in Google Cloud revenues. Contrariwise, investors are shunning META given, as noted in the FT, that the capital light money machine that Facebook once has morphed into a capital intensive "incinerator." Investors are clearly impressed that AMZN added $8.3BB in cloud sales for the quarter. The fact that the four big hyperscalers are now expected to spend 77% more on cap ex this year than the $410BB last year is coming to be viewed as a positive for 2 of the 4 names.

7) The US defense stocks have had a severe pullback given the fights in Congress occurring over a new military budget. Nonetheless, the spending that will occur should exceed $1Tr over the next 12 months with steady rises continuing, not

only in the US but in the EU and, remarkably, Japan. If one does not want to choose a particular name, there is a defense etf—namely ITA.

8) Given that Japan imports approximately 87% of its total energy and virtually 100% of its fossil fuel needs, many investors are befuddled by the fact that the Nikkei continues to make new highs and is up 18% y/t/d. The most obvious reason for this performance is the market's view of the policy initiatives of Takaichi (aka Mrs. Thatcher) about which this writer has been commenting since her election. This writer noted last week that the performance had been aided by a relatively quiet yen, which was certainly not the case this week. After Japan's finance minister Katayama stated that it was "nearing a time for decisive action on the falling yen," the currency had a dramatic move upward from 160.70 to 155.45 before closing the week at 157.73. Any continued violent moves in the currency should intuitively not be beneficial for the Nikkei.

9) Physical gold/digital gold: The action in GLD has confused investors for the past few weeks, as the move on certain days has been counter-intuitive to events relative to the geopolitical climate. Technically, the action has been poor with the high tick for the last two weeks being below the previous week's closes and the 50 day moving average is decidedly downward sloping. As for digital gold, bitcoin bulls are anticipating that a strong move over $80,000 will lead to substantive momentum buying. It is quite remarkable that in view of the dramatic one-day strengthening of the Yen (as discussed in # 8), this factor did not produce a meaningful correction in bitcoin. The argument is that the weakening of the yen is perceived as inducing a resumption of the carry trade which adds to liquidity in the system overall upon which bitcoin thrives. A decoupling of the yen/bitcoin relationship would certainly be perceived by the marketplace as a positive. The strongest bull argument for bitcoin overall is that one of the basic tenets is that crypto should thrive in a world in unending turmoil.

Jeff

Have a productive week.

Jeffrey Tabak

Miller Tabak + Co.,LLC

(212) 348-5101 office

(917) 208-3317 mobile

Although the information contained in this report (not including disclosures contained herein) has been obtained from sources we believe to be reliable, the accuracy and completeness of such information and the opinions expressed herein cannot be guaranteed. This report is for informational purposes only and under no circumstances is it to be construed as an offer to sell, or a solicitation to buy, any security. Any recommendation contained in this report may not be appropriate for all investors. Trading options is not suitable for all investors and may involve risk of loss.