ON THE EDGE – JANUARY 2026

Market Review

The major averages closed out 2025 with a thud as thinning prospects for another rate cut in January left the market mixed, in an otherwise strong year for equities. The major averages traded in a range to start out the period before positive consumer sentiment and tepid inflation data all but guaranteed a 0.25-point rate cut at the FOMC December meeting. Investors remained on edge leading up to the meeting, with the DJIA losing 394.70-points on a two-day slide before the Federal Reserve cut interest rates as expected. The cut triggered a two-day rally that sent the DJIA, S&P 500, NYSE and Russell 2000 to new record highs. While most sectors participated in the gains, big cap technology and AI-related stocks were reigned in on light revenues reported by Oracle (ORCL) and by AI chip maker, Broadcom (AVGO). The sudden AI concerns reversed the rate cut rally, with the Philadelphia Semiconductor Index (SOX) breaking below its 50-day MA. Also causing investor jitters were cautionary comments from several Fed policymakers that warned that another rate cut was not likely to come anytime soon. Yields ticked higher, matching where rates stood before the Fed's easing cycle with the 10-year Treasury closing the month at 4.172% and the two-year T-Bill rate at 3.483%. Investors responded by rotating into value and cyclical names, pushing up the DJIA, DJ Transportation and small cap Russell 2000 indexes, while the S&P 500 and NASDAQ fell lower and tested a key support level at their respective 50-day moving average.

Towards the end of the month, the technology sector rebounded following blowout earnings from memory chipmaker, Micron Technology (MU). Also giving equities a leg up, was a tame inflation report in the October/November CPI print. Hopes for a 'Santa Rally' gained some traction with investors bidding up riskier assets with Consumer Discretionary (XLY) and Technology (XLK) temporarily reassuming leadership amongst the different market sectors before some late profit taking stalled out Santa's skis. The major averages closed out the last month of the year, slightly off record highs as the three major averages posted double-digit gains for the year. Gold, silver and copper continued their torrid pace, as investors continued to diversify into a basket of safe assets. Financial (XLF), Communications Services (XLC) and Materials (XLB) were the market groups leading the market higher while underperformances were led by Utilities (XLU), Real Estate (XLRE) and Health Care (XLV).

For the month, the DJIA added 347.87 points (0.73%) and settled at 48063.29. For the year, the blue-chip index finished with a 12.9% gain. The S&P 500 was lower by 3.59 points (-0.05%) for the month and closed out December at 6845.50. Despite the slight pullback in December, the benchmark index put the finishing touches on a third year of strong gains, adding 16.4%. The NASDAQ, fell by 123.70 points (-0.53%) and finished at 23241.99. It was another strong year of gains for the technology laden index which capped off the year by gaining 20.4%. The small cap Russell 2000 fell by 18.52 points (-0.74%) and settled at 2481.91, which was good for an 11.3% advance for the year.

Market Outlook

The technical condition of the market was mixed during the period after an early drop was followed by a mid-month rebound, only to tumble into the finish. The technical indicators for the different indexes nudged into neutral ground with MACD, a short-term trend gauge, drifting lower and Momentum, as measured by the 14-day RSI, positive but slowing. The different indexes are all trading above support at their respective 50-day MA which still confirms the bullish trend. While the Philadelphia Semiconductor Index (SOX) outperformed, the other secondary indexes pulled back as the DJ Transportation Index worked off some of its overbought condition from its recent breakout, while the uptick in yields weighed on the small cap Russell 2000. Finally, the VIX, Volatility Index, which measures how concerned traders are of possible weakness in the market, fell to its lowest level, 13.47, since December 2024 and remains below the 15-area. That indicates that market participants aren't expecting further weakness as we head into the New Year, but it could be a sign of complacency as the stock market has been able to shake off tariffs, sanctions, crypto dips and more without more than small blips for months. The low VIX should keep investors buying the dips going forward.

Cyclical Trend Index (CTI): Positive

The CTI is Positive at +9, unchanged from the previous month. The counts for Cycles B, C and D are bullish, while Cycles A and E are bearish. It should be noted that the CTI is projected to remain in a positive configuration into January 2026.

Cycle	Average # Of Weeks In The Cycle	# Of Weeks Since Previous Bottom	Bullish Or Bearish Connotation
A	6 + or -1 Week	5 Weeks	Bearish
B	18 + or -2 Weeks	5 Weeks	Bullish
C	36 + or -4 Weeks	5 Weeks	Bullish
D	72 + or -7 Weeks	37 Weeks	Bullish
E	216 + or -20 Weeks	167 Weeks	Bearish

The following are projected CTI readings through the week ending 1/30/26.

Week Ending	CTI	Connotation
12/26/25 (Actual)	+9	Bullish
1/02/26 (Projected)	+7	Bullish
1/09/26 (Projected)	+6	Bullish
1/16/26 (Projected)	+5	Bullish
1/23/26 (Projected)	+4	Bullish
1/30/26 (Projected)	+3	Bullish

** The CTI is the total of the plus and minus values assigned to each cycle based on the number of weeks that have passed since their previous cyclical bottom. For a detailed explanation of the market timing models, click "Market Letter Help" at the top of the 'Market Letter'.

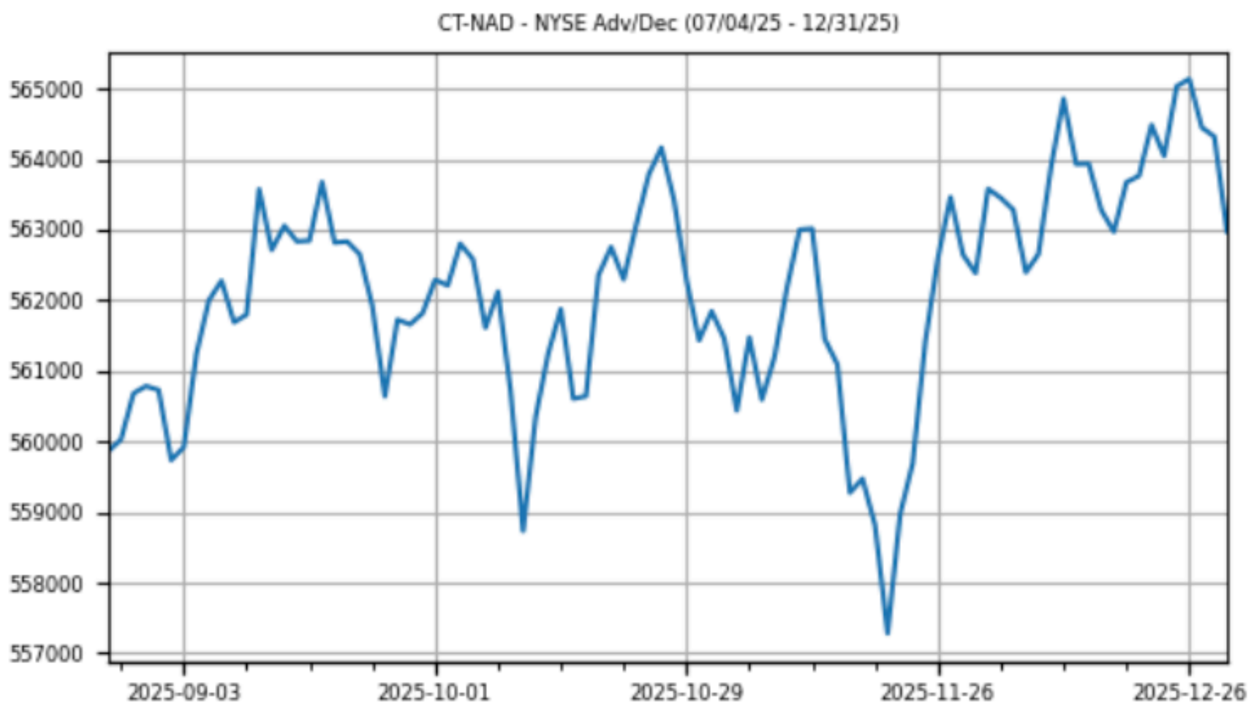
Momentum Index: Positive

As of the close on 12/26/25, the Momentum Index is Positive at +4, down two notches from the previous month. The Momentum Index is a gauge of bullish or bearish divergence in the market. Readings of +4 and higher are regarded as bullish signaling stronger performance from the majority of the broader indexes vs. the DJIA. Conversely, readings of -4 or lower are regarded as bearish. Below is a chart of the performance of seven of the major broad market indexes included in the Momentum Index vs. the DJIA since the last major cyclical highs.

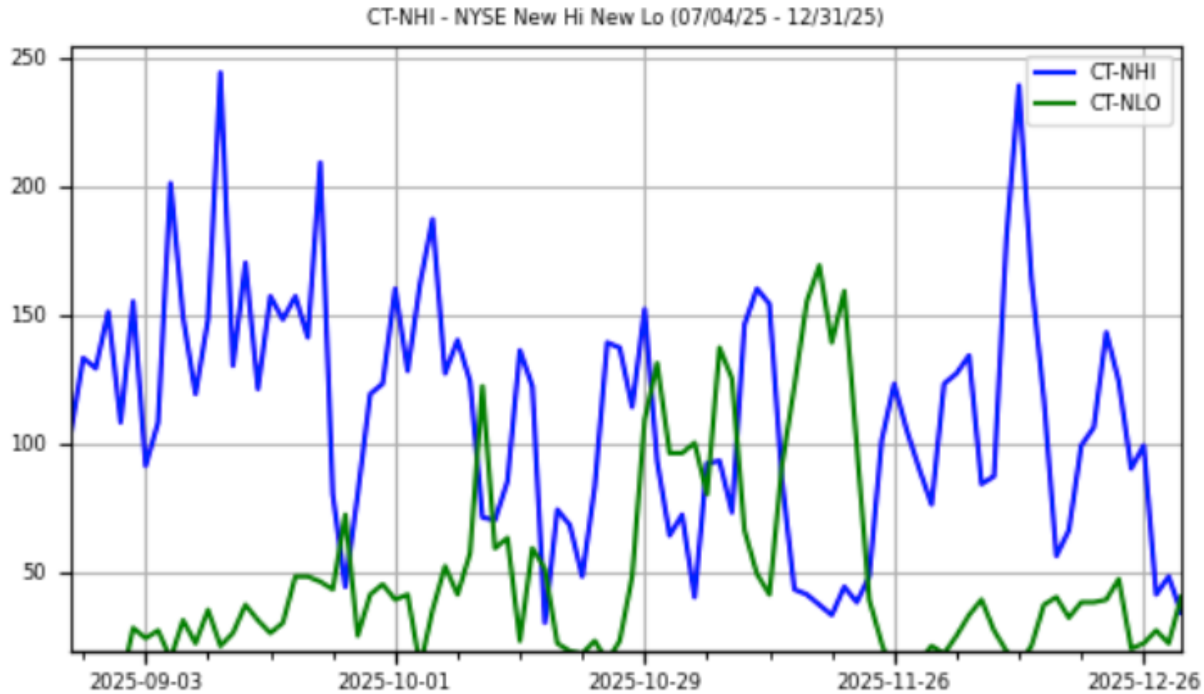
Prev Lows	DJIA	DJTA	S&P 500	NYSE	R-2000	NASDAQ	UTIL	A/D LINE
Nov. 2025	45752.26	16013.90	6538.76	20912.89	2305.11	22078.05	1104.18	565824
12/31/2025	48063.29	17357.19	6845.50	22003.93	2481.91	23241.99	1068.07	571516
%Change	**5.1%**	**8.4%**	**4.7%**	**5.2%**	**7.7%**	**5.3%**	**-3.3%**	**1.0%**

Average % Change of the Broad Market Indices: +4.2%

The broader market indexes are up on average +4.2% from their November 2025 closing lows vs. +5.1% for the DJIA resulting in a Positive +6 reading. Breadth was mixed for the month at the NYSE as the Advance/Decline Line fell 484 units vs. a gain of 1622 units in November while the number of new 52-week highs exceeded the number of new lows on 21 of 22 sessions. Breadth was negative at the NASDAQ as the A/D line fell by 4800 units vs. a loss of 2195 units in November.



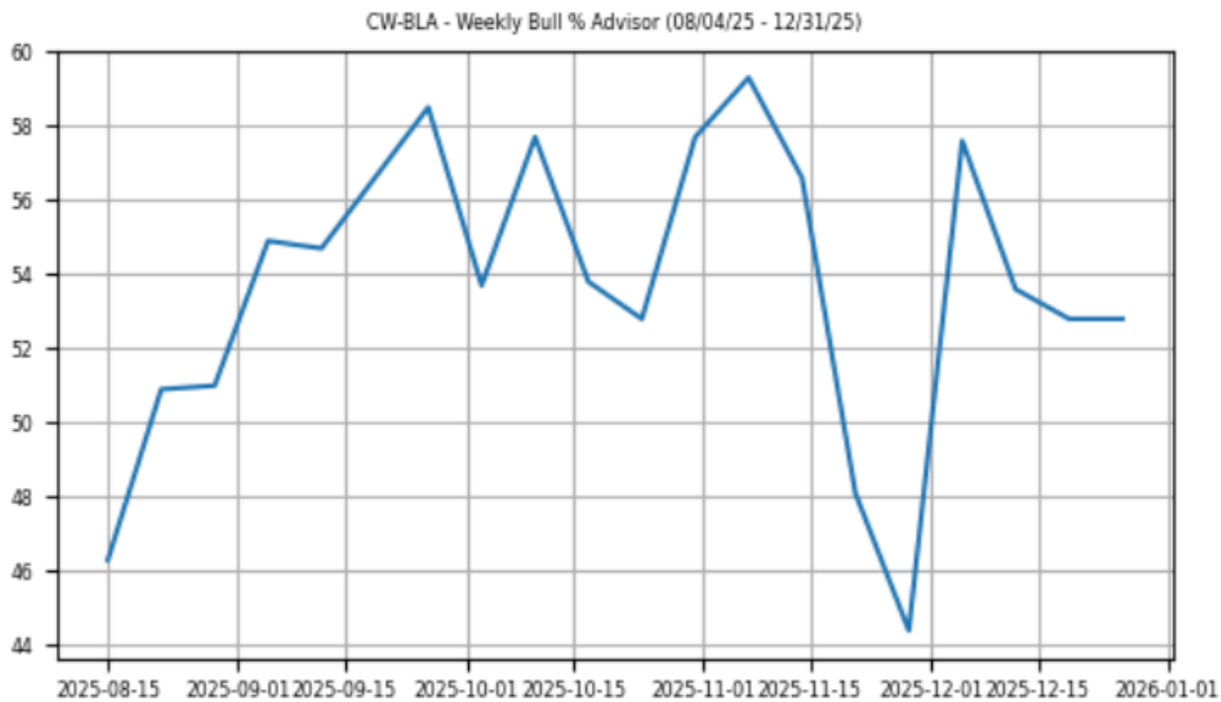
The number of new 52-week lows exceeded the number of new highs at the NASDAQ on 12 of 22 sessions. Finally, the percentage of stocks above their 50-day moving average rose to 58.4% vs. 55.7% from the previous month while those above their 200-day moving average increased to 66.1% vs. 65.5%. Readings above 70.0% denote an overbought condition.



Sentiment Index: Negative

The Sentiment Index ended the period at a Negative -5, down five notches from the previous month. The Sentiment Index tracks thirteen market indicators that measure excessive bullish or bearish conditions prevalent in the market. Whenever the crowd becomes overly optimistic (a bearish condition), the readings from the Sentiment Index will drop into negative ground. Conversely, when fear is rampant (a bullish condition), the index will be in the +3 to +8 area.

NYSE short interest was up +1.1% and 2.6 days of average volume for the period ending 11/30/25 vs. being up +2.2% and 3.0 days of average volume to cover mid-November. Short interest at the NASDAQ was up +7.4% and 1.8 days of average volume to cover at the end of November vs. a +2.0% increase and 1.9 days average volume to cover on 11/15/25. The Fear and Greed Index (52.4 vs. 24.0), the AAII Bull-Bear Ratio (1.1 vs. 0.7), the Percentage of Bullish Investment Advisors (52.8% vs. 44.4%) and VIX, a measurement of fear in the market (13.60 vs. 16.35) are Neutral. The NAAIM Exposure Index (95.1 vs. 89.9), the Bullish-Bearish Investment Advisors Ratio (3.1 vs. 2.2), the Dividend Yield Spread (-2.65 vs. -2.62), the Percentage of Bearish Investment Advisors (17.0% vs. 20.4%), and the Total Put/Call Ratio (0.93 vs. 0.96) are Bearish.



**To view the charts and graphs of the major market indexes and pertinent technical indicators that are incorporated in the Momentum and Sentiment indexes, go to the Market-At-A-Glance section located under Market Recap on the Market Edge home page.

Market Posture: Positive
Based on the status of the Market Edge, market timing models, the 'Market Posture' is Positive as of the week ending 11/28/2025 (DJIA – 47716.42).

Market Posture Performance 2023-2026

The following is the performance record of the Market Edge 'Market Posture' for 2023 - 2026.

Projected Strong Periods:		Actual Results – DJIA
03/24/23 - 05/05/23 (32237.53 – 33674.38)	DJIA Gain/Loss	+1436.85
07/21/23 - 08/18/23 (35227.69 – 34500.66)	DJIA Gain/Loss	-727.03
10/13/23 - 12/01/23 (33670.29 – 36245.50)	DJIA Gain/Loss	+2575.21
05/03/24 - 07/12/24 (38675.68 – 40000.90)	DJIA Gain/Loss	+1325.22
08/23/24 - 11/01/24 (41175.08 – 42052.19)	DJIA Gain/Loss	+877.11
12/06/24 - 02/28/25 (44642.52 – 43840.91)	DJIA Gain/Loss	-801.61
04/18/25 - 07/11/25 (39142.23 – 44371.51)	DJIA Gain/Loss	+5229.28
08/22/25 - 10/10/25 (45631.74 – 45479.60)	DJIA Gain/Loss	+152.14
11/28/25 - ??? (47716.42 – ???)	DJIA Gain/Loss	???

Projected Weak Periods:		Actual Results – DJIA
05/26/23 - 07/14/23 (33093.34 – 34509.03)	DJIA Gain/Loss	+1415.69

08/18/23 - 10/13/23 (34500.66 – 33670.29)	DJIA Gain/Loss	-830.37
01/05/24 - 03/28/24 (37466.11 – 39475.90)	DJIA Gain/Loss	+2009.79
07/19/24 - 08/23/24 (40287.53 – 41175.08)	DJIA Gain/Loss	+887.55
11/01/24 - 12/06/24 (42052.19 – 44642.52)	DJIA Gain/Loss	+2590.33
02/28/25 - 04/18/25 (43840.91 – 39142.23)	DJIA Gain/Loss	-4698.68
08/01/25 - 08/22/25 (43588.58 – 45631.74)	DJIA Gain/Loss	+2043.16
10/24/25 - 11/28/25 (47207.12 – 47716.42)	DJIA Gain/Loss	+509.30

While the CTI is typically regarded as either a Bullish or Bearish connotation, at times mixed readings from several indicators related to the CTI will result in a Neutral - Market Posture. The dates not presented in the above tables were periods where the Market Posture was Neutral. For a closer look at the technical indicators and studies that make up the market timing models, check out the 'Market Letter (Weekly)' located on the Market Edge home page. (www.marketedge.com).

ETF Center:

The top performing ETF categories for the period ending 12/24/25 were Sector-Alternative Energy, Specialty Technology, Growth-Large Cap, Commodity-Precious Metals and Specialty Natural Resources. The weakest categories were Shorts, Commodity-Agriculture, Sector-Consumer Staples, and Currencies To review all the categories in the Market Edge universe, click on the ETFs tab.

Industry Group Rankings: What's Hot (7) – What's Not (23)

Of the 30 Industry Groups that we track, 7 are rated as either Strong or Improving while 23 are regarded as Weak or Deteriorating. The following are the strongest and weakest groups for the period ending 12/24/25. Strongest: Transportation, Healthcare Products, Metals & Mining and Integrated Oil & Gas. The weakest categories were Paper & Forest Products, Building Materials, Technology Services and Wholesale. To review all the Industry Group rankings, click on the Industries tab.