ON THE EDGE – AUGUST 2026

Market Review

Despite rising tensions in the Middle East and a sharp selloff in semiconductor stocks, a late month rally helped limit the damage, leaving the major averages mixed for July. Early gains pushed the DJIA above the 53K level for the first time and to a new record high before renewed skirmishes in the Strait of Hormuz shattered the fragile ceasefire between the US and Iran. Concerns over AI-related capital expenditures weighed heavily on mega-cap technology and Mag 7 stocks, pulling the NASDAQ and NASDAQ 100 lower and sending the Philadelphia Semiconductor Index (SOX) into bear market territory. However, cooler-than-expected inflation data helped spark a rebound after the June CPI fell -0.4%, and the June PPI slid -0.3%.

Disappointing results from International Business Machines (IBM), which pre-announced weaker-than-expected revenue, was offset by record setting earnings from Money Center Banks, including Goldman Sachs (GS), Bank of America (BAC), Wells Fargo (WFC) and Citigroup(C). Choppy trading continued with selling in semiconductor and overweighted mega-cap technology stocks being offset by further rotation into cyclical sectors, leaving the broader market largely range bound. Selling pressure intensified as the conflict in the Middle East expanded into the Red Sea, with the Iran-backed Houthis threatening to disrupt global shipping. Oil prices and yields moved higher once again, with the rate of the 10-year Treasury climbing to 4.655%, its highest level since January 2025. With dip buyers remaining on the sidelines, investors turned their attention to the July FOMC Meeting, the release of the June Personal Consumption Index (PCE)- the Fed's preferred measure of inflation- and another round of Mag 7 earnings as July was winding down.

The Federal Reserve's decision to leave rates unchanged fueled concerns that the Fed could be behind the eight-ball in fighting inflation and sent the DJIA down 1,153.18-points (-2.19%), while the NASDAQ 100 slid into correction territory. However, blowout earnings from Microsoft (MSFT), and Amazon (AMZN) reignited an AI-chip rally despite disappointing reports from both Meta Platforms (META) and APPL (AAPL) which subsequently ended multi-week losing streaks for the major averages as the month came to a close. Energy (XLE), Financial (XLF) Healthcare (XLV), Consumer Staples (XLP) and Real Estate (XLRE) sectors each gained 2.3% or more during the period. Meanwhile, Technology (XLK), Industrial (XLI), Utilities (XLU) and Consumer Discretionary (XLY) finished the month in negative territory.

For the month, the DJIA gained 165.83 points (0.3%) and settled at 52485.03. The S&P 500 eased by -9.64 points (-0.1%) for the month, closing at 7489.72. The NASDAQ tumbled by 839.87 points (-3.2%) and finished at 25373.85. Finally, the small cap Russell 2000 was lower by -93.03 points (-3.1%) and settled at 2931.34.

Market Outlook

The technical condition of the market remained mixed throughout the month. Momentum, as measured by the 14-day RSI, was back to neutral while MACD, a short-term trend gauge, remained in bearish territory but was closing in on a bullish crossover for the S&P 500. The different indexes also bounced around key Moving Average (MA) support/resistance levels during the month with mixed results.

On the positive side, the DJIA was able to bounce off support at its 50-day MA, while the S&P 500 briefly traded below its 50-day MA but managed to close above this closely watched level. The NASDAQ and NASDAQ 100 both broke below key support at their 100-day moving averages during the month but were back above that level by month-end. However, both indexes remained below their declining 50-day MAs, a negative for the market going forward. Finally, while August is seasonally a weak period for the market, the Market Edge Cyclical Trend Index (CTI) indicates that four of the five cycles followed in the market timing model are poised to reset to a positive configuration. If confirmed, this would project a Bullish market posture over the next few months. Although the DJIA came within a few points of a prior low the last week of July, the late month selloff caused several indexes to make lower lows, which will extend the Bearish market posture at least another week under the Rule of Commonality in cycle analysis. If the Dow Jones remains above 51,542 during the first week of August, the CTI is expected to reset to a Bullish posture the week ending 8/07/26.

The secondary indexes, which include the DJ Transportation Index, the small-cap Russell 2000 and Philadelphia Semiconductor Index (SOX), finished the month lower, which is a negative for the broader market. Market technicians prefer to see these indexes lead the market higher and lower. The SOX briefly dipped below its 100-day MA before closing above it but remained below its 50-day MA. The Russell 2000, which was outperforming the broader market going into July, briefly lost support at its 50-day MA before closing above it, while the DJ Transportation Index held support at its 100-day MA. A break back below these moving averages could signal another leg down for the broader market in August.

Cyclical Trend Index (CTI): Negative

The CTI is Negative at -15, down three notches from the previous month. The counts for Cycles A, B, C, D and E are bullish. The negative CTI could reset to a positive configuration if the DJIA doesn't trade below 51,551.

Cycle	Average # Of Weeks In The Cycle	# Of Weeks Since Previous Bottom	Bullish Or Bearish Connotation
A	6 + or -1 Week	7 Weeks	Bearish
B	18 + or -2 Weeks	17 Weeks	Bearish
C	36 + or -4 Weeks	36 Weeks	Bearish
D	72 + or -7 Weeks	68 Weeks	Bearish
E	216 + or -20 Weeks	198 Weeks	Bearish

The following are projected CTI readings through the week ending 8/28/26.

Week Ending	CTI	Connotation
7/31/26 (Actual)	-15	Bearish
8/07/26 (Projected)	9	Bullish
8/14/26 (Projected)	9	Bullish
8/21/26 (Projected)	9	Bullish
8/28/26 (Projected)	9	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: Negative

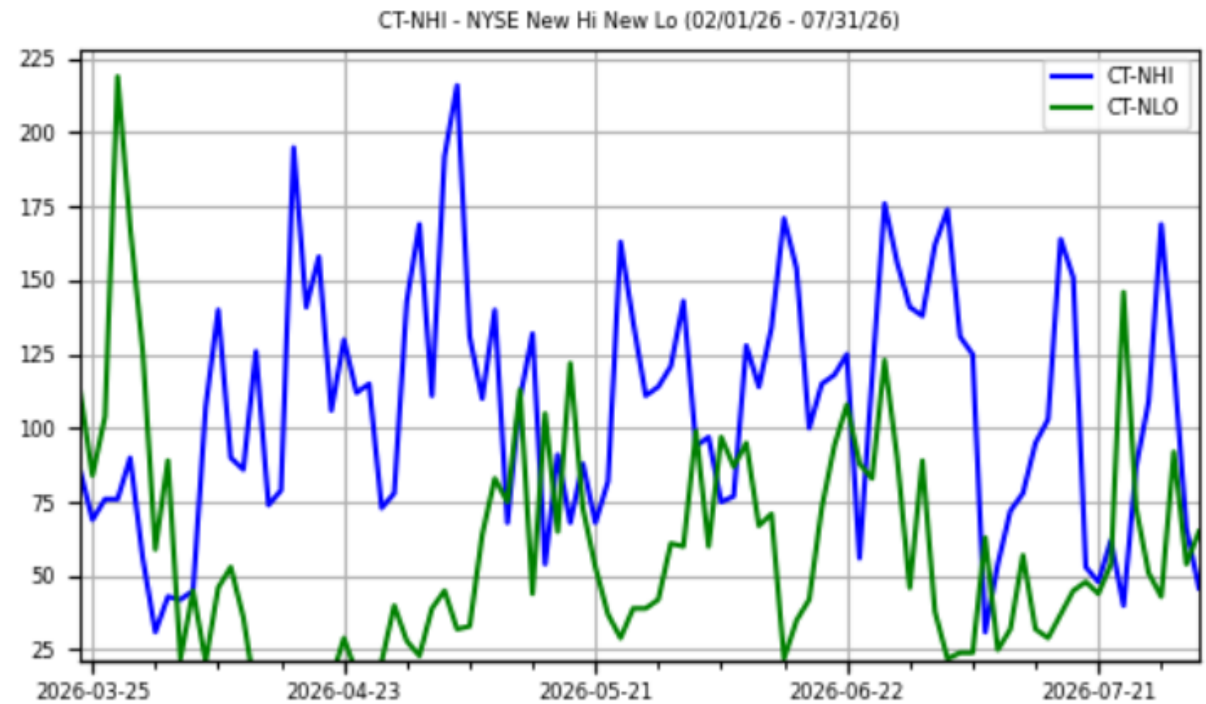
As of the close on 7/31/26, the Momentum Index is Negative at -8, down four notches from the previous month. The Momentum Index is a gauge of bullish or bearish divergence in the market. Readings of +4 and higher are regarded as bullish signaling stronger performance from the majority of the broader 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 Highs	DJIA	DJTA	S&P 500	NYSE	R-2000	NASDAQ	UTIL	A/D LINE
May. 2026	49910.59	23933.14	7398.93	23284.39	2886.77	26247.08	1170.70	583223
7/31/2026	52485.03	21039.30	7489.72	24107.54	2931.34	25373.85	1121.64	584723
%Change	**4.8%**	**-12.1%**	**1.2%**	**3.5%**	**1.5%**	**-3.3%**	**-4.2%**	**0.3%**

Average % Change of the Broad Market Indices: -2.0%

The broader market indexes are down on average –2.0% from their May 2026 closing highs vs. +4.8% gain for the DJIA resulting in a Negative -8 reading. Breadth was barley positive for the month at the NYSE as the Advance/Decline Line gained 391 units vs. a gain of 1679 units in June while the number of new 52-week highs exceeded the number of new lows on 19 of 23 sessions. Breadth was negative at the NASDAQ as the A/D line lost 7684 units vs. a gain of 178 units in June.

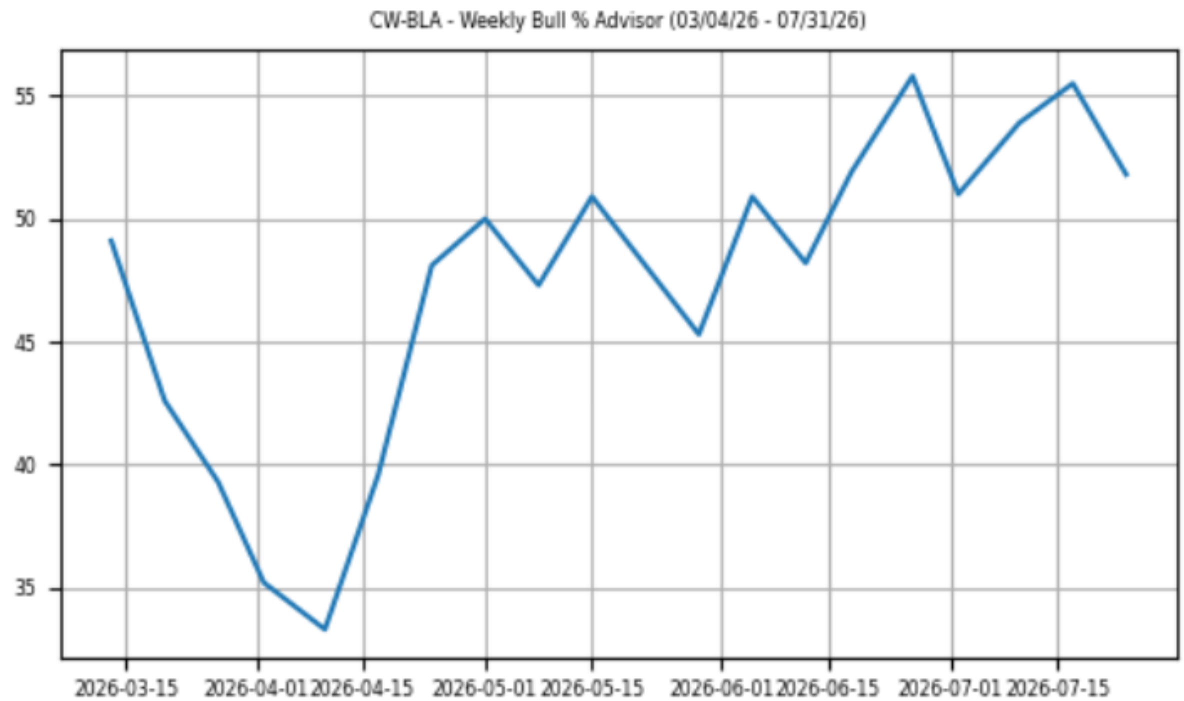
The number of new 52-week lows exceeded the number of new highs at the NASDAQ on 15 of 23 sessions. Finally, the percentage of stocks above their 50-day moving average fell to 49.1% vs. 54.0% from the previous month while those above their 200-day moving average eased to 57.2% vs. 57.7%. Readings above 70.0% denote an overbought condition.



Sentiment Index: Negative

The Sentiment Index ended the period at a Negative -2, up three 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 down -1.4% and 2.8 days of average volume for the period ending 7/15/26 vs. being up +2.0% and 3.1 days of average volume to cover at the end of June. Short interest at the NASDAQ was down -9.6% and 2.2 days of average volume to cover mid-July vs. a +3.3% increase and 1.6 days average volume to cover on 6/30/26. The AAII Bull-Bear Ratio (0.8 vs. 1.2) is Bullish. The Fear and Greed Index (37.8 vs. 27.8), the VIX, a measurement of fear in the market (15.99 vs. 18.41), the National Association of Active Investment Advisors (NAAIM) Exposure Index (79.7 vs. 98.6), the Percentage of Bullish Investment Advisors (49.1% vs. 55.8%), and the Bullish-Bearish Investment Advisors Ratio (2.9 vs. 3.2) are Neutral. The Total Put/Call Ratio (0.96 vs. 0.99), the Percentage of Bearish Investment Advisors (17.0% vs. 17.3%) and the Dividend Yield Spread (-3.31 vs. -3.02) are Bearish. VIX readings under 13.00 are regarded as bearish while those above 30.0 are bullish.



**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: Bearish

Based on the status of the Market Edge, market timing models, the 'Market Posture' is Bearish as of the week ending 05/15/2026 (DJIA – 49526.17).

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 - 02/13/26 (47716.42 – 49500.93)	DJIA Gain/Loss	+1784.51
04/10/26 - ??? (47916.57 – 49526.17)	DJIA Gain/Loss	+1609.60

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
02/27/26 - 04/10/26 (48977.92 – 47916.57)	DJIA Gain/Loss	-1061.35
05/15/26 - ??? (49526.17 – ???)	DJIA Gain/Loss	???

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 7/30/26 were: Sector-Internet, Sector-Consumer Discretionary, Specialty Retail, Europe, and Specialty Financial. The weakest categories were: Commodity-Energy, Specialty Technology, Sector-Alternative Energy, Sector-Energy and Commodity-Blend. To review all the categories in the Market Edge universe, click on the ETFs tab.

Industry Group Segment Rankings: What's Hot (123) – What's Not (49)

The following are the strongest and weakest Industry Group Segments for the period ending 7/30/26. Strongest: Movie Theaters, Generic Pharmaceuticals, Full-Service Restaurants and Dairy Products. Weakest: Confectioners, Special Purpose Acquisition Companies, Tobacco Products and Gold. To review all the Industry Group Segment rankings, click on the Industries tab, then click on the Segment section.