

Market Update & Signals 9/29/26

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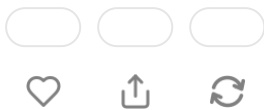
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Good morning.

Treasury market stress continues to rise: TLT hit new all-time lows. Bond volatility is approaching March highs (when VIX was above 30, now 16). Credit spreads are widening. The 10-year yield is approaching June 2007 levels at 5.30%. TLT closed with an indecision candle and rising share volume and put volume. Rate-hike odds for the two remaining 2026 FOMC meetings are at 70% and 85%, respectively. Four hikes are now priced for the next 12 months.

Equity breadth is still deteriorating badly: The average S&P 500 stock is down ~5% in September while the index is flat. Equal-weight RSP is tied for its longest weekly losing streak since inception (*the only other 7-week decline was Q2 2022). The advance-decline line is falling vs. indices near highs.

A MAJOR ETF is now front and center on my screens.
Will be updating this one very closely.

As I wrote in “The Hard Trade”: it’s time to watch key signals and be on the lookout for any shift in market conditions.

I want to be ready as each signal fires...

Looking through the tape:

1. Themes On Watch.

● **Japan had a successful bond auction: JGB 40-year notes saw the strongest demand since 2020.**

- **Bloomberg:** “The Ministry of Finance’s latest 40-year JGB auction, which was very well received, comes just ahead of Japan’s Sept. 30 fiscal half-year balance-sheet close, when life insurers, trust banks and pension funds typically reassess duration needs. With yields above 4.2%, investors have one of the most attractive opportunities in years to lock in long-term returns and reduce asset-liability mismatches. Trust banks, often viewed as a proxy for pension demand, recorded around ¥642 billion of net purchases of super-longs in August. Life insurers also remained net buyers, albeit at a more moderate pace, purchasing about ¥300 billion. That contrasts with the heavy net selling seen earlier this year and points to improving domestic demand at current yield levels.”
-

● **Bond Veteran Jim Bianco Turns Bullish for First Time Since 2020 (BBG)**

- Jim Bianco is turning bullish on US Treasuries for the first time in six years after benchmark yields surged to two-decade highs.
- Bianco said yields above 5% across most maturities make the risk-reward of owning bonds increasingly attractive, and he increased interest-rate exposure in an actively managed index.
- Bianco views the rise in yields as a return to historically normal levels, rather than a sign of economic distress, and sees an

opportunity to gradually add exposure to bonds.

● **NVDA announced a record share buyback and an industry-wide initiative for cybersecurity.**

● **Reuters reported Anthropic's IPO prospectus showed a net loss of \$42bn in 2025, and plans to spend **\$518bn** on cloud, computing and infrastructure obligations in the coming years.**

***What happened to existential risk for humanity / slowing down AI?**

Better get that IPO out the door soon...

● **China Signals Stimulus Coming to Counter Worsening Slowdown (BBG)**

- China's government has promised to introduce new measures to support the economy and study policies to stabilize the property market.
 - The State Council will "put in place a package of practical and effective additional policies" to safeguard this year's economic goals.
 - Policymakers will study fresh measures to stabilize the property market, promote employment and boost household income, and will adjust monetary policy tools "in a timely manner".
-

2. Precious Metals.

Gold fell sharply yesterday.



Gold and Silver broke their 50-day, a tactical concern.

Below, GDX undercut support and could be in a shakeout. Note the 0.618 retracement was also tested. Critical to stabilize here:



***I want to see how this trades over the balance of the week, especially since we are entering a turn window for Bonds and geopolitical news volume is getting active.**

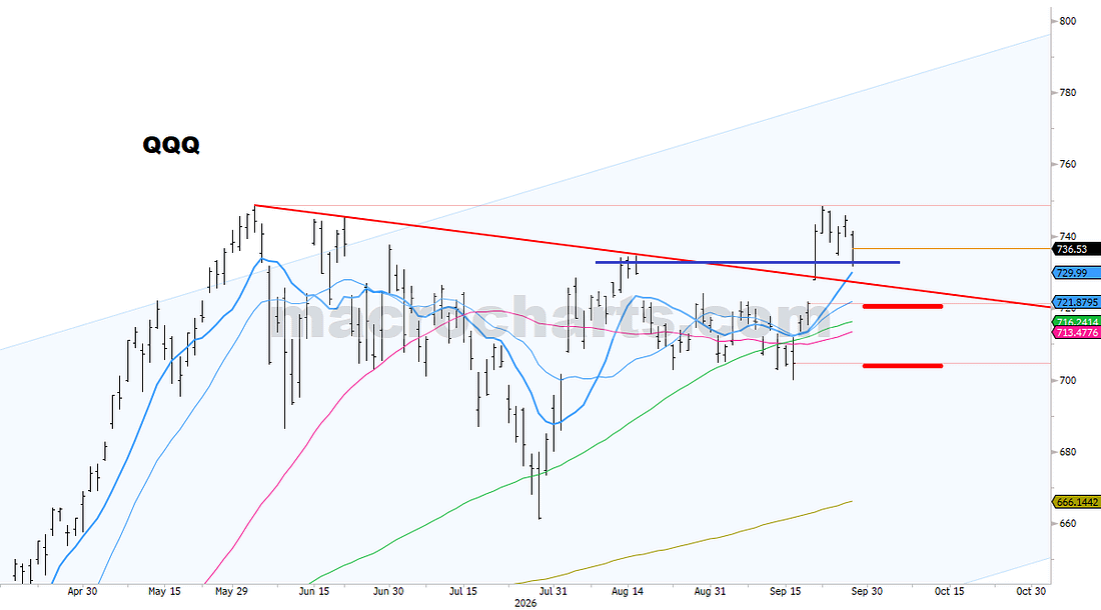
Important not to lose sight of the big picture here, if USD/Rates build a turn, metals are among the prime candidates for leadership, and a stock rotation could be in full view as well. Just have to see how this plays out near-term.

3. Stocks.

SPY remains in a range defined by the lower gaps and bull flag channel. No change in view for now.



QQQ relative strength continues:



MAGS and SMH still holding well:

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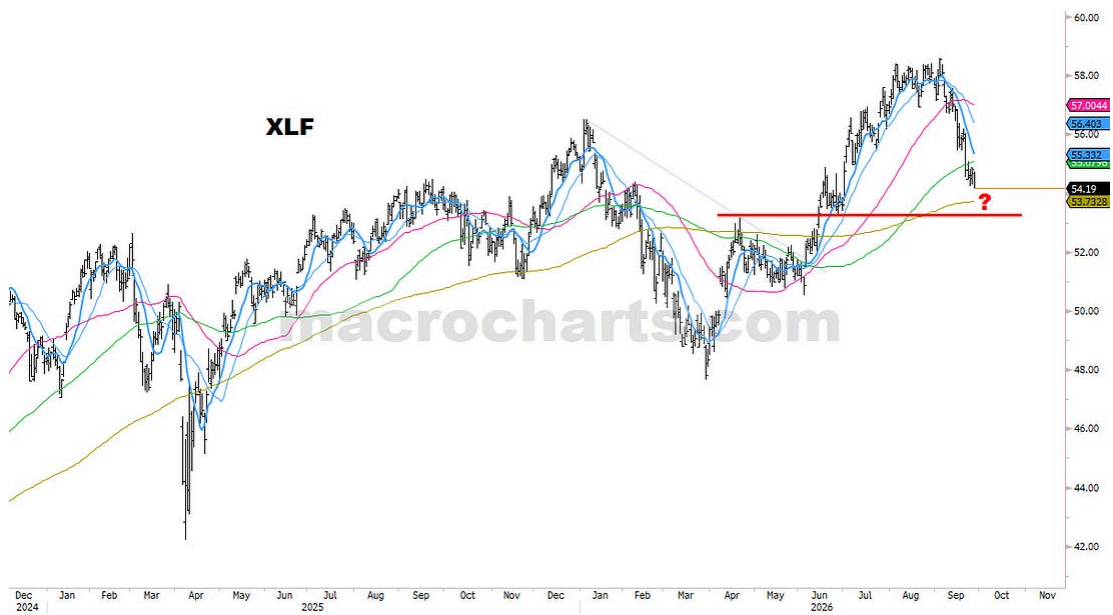
Looking at the oversold groups:



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A MAJOR ETF is now front and center on my screens.

Utilities are the worst-performing U.S. sector in Q3, and I'll just throw it out there — I think the group is approaching a major bottom.

First, the daily chart is at critical levels:



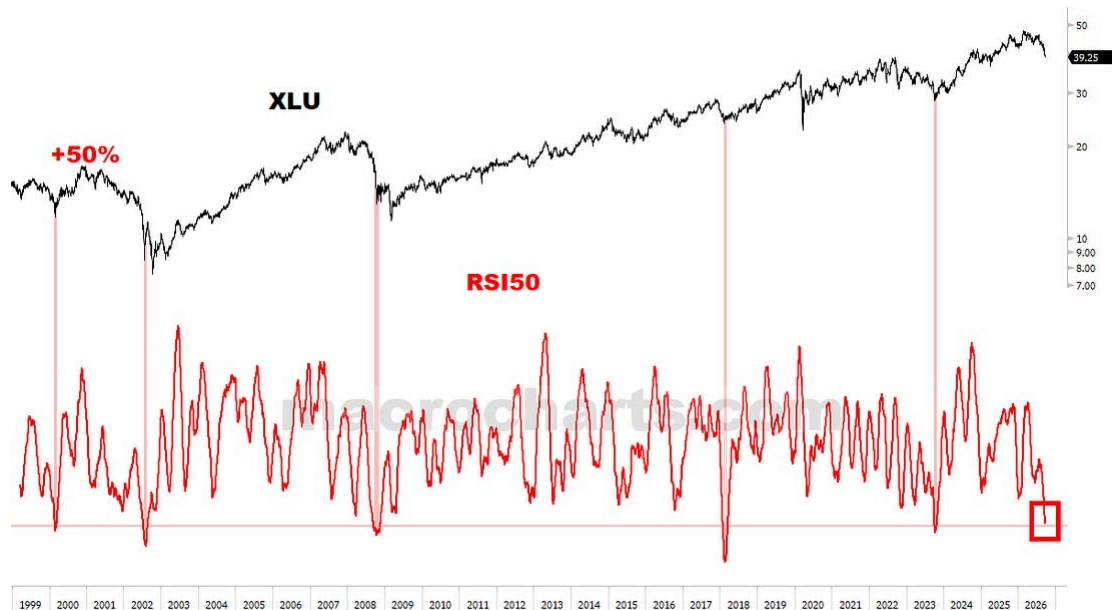
The weekly chart has massive support just \$1 lower:

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Even more important:

These are extreme conditions — aligned with major historical bottoms:



The Utes are approaching levels seen at the depths of S&P Bear Markets (2002, 2008, 2023), while the S&P itself is 1% from the high.

I want to take a step back and think about the big picture for a moment:

If the Utes bottom, what does it mean?

Maybe there are enough oversold groups to justify SOME shift in allocation from AI/Tech, into beaten-down Cyclical/Rate-sensitives?

At the end of the day, as investors our job is to think about portfolio diversification.

One of our MAIN goals for Q4 will be to focus on minimizing the **margin of error**, by looking for new diversification options.

Maybe the Midterms will lead to an “everything up rally” and all is well.

Or maybe, a bit of diversification — at the right price — could lead to better outcomes?

To this goal, I’ll be looking to shift exposure gradually over the coming weeks.

In the meantime, I will be watching Bonds and Utes closely.

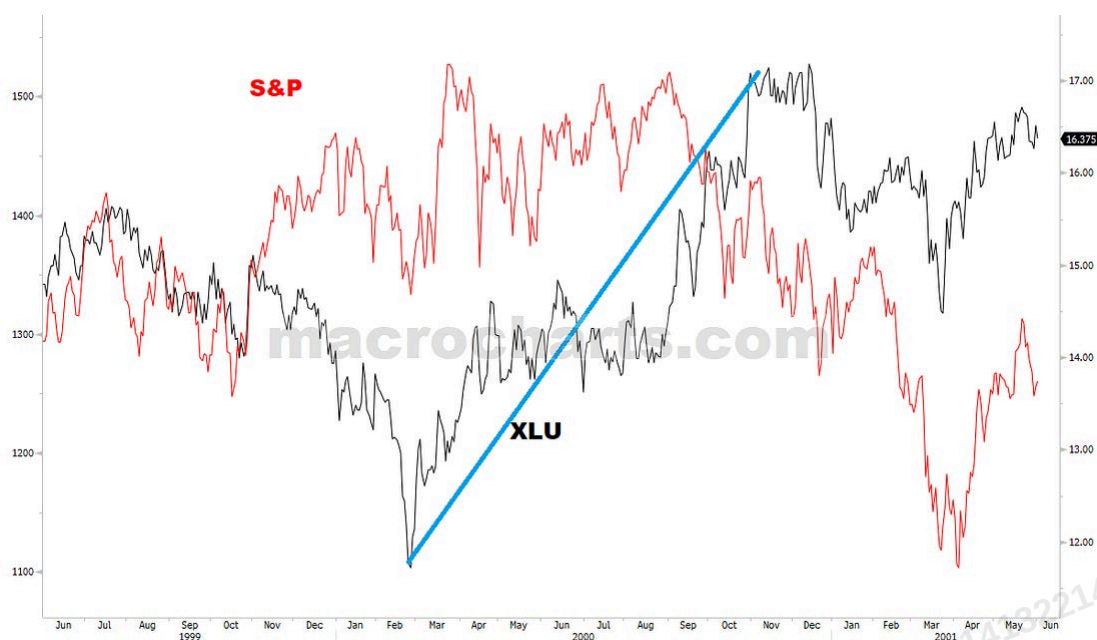
Lastly:

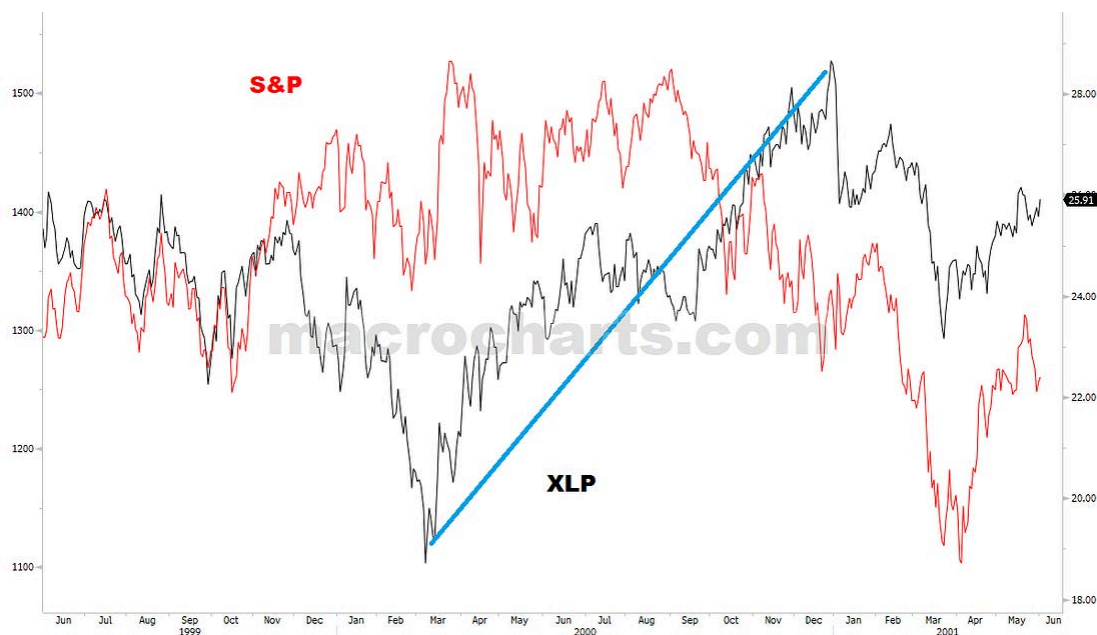
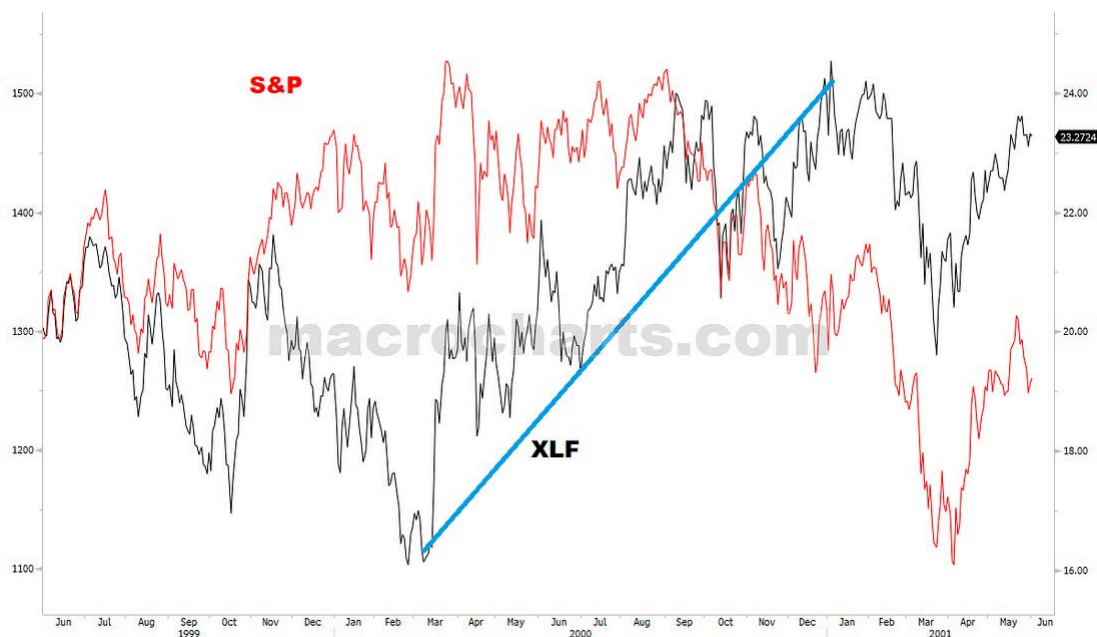
A lot comparison have been made between the fractured market today vs. 2000.

But here’s one comparison **no one** has made... an actual **BULLISH** one.

I think it’s highly worth mentioning:

XLU, XLF, and XLP rallied *FIFTY* percent in 2000, even with the market rolling over:





Who wants to buy any of these ETFs today?

This is one of the reasons I want to watch these beaten-down groups so closely.

Taken together, maybe they'll be a big Buy opportunity.

It doesn't have to mean the "end of AI" — it could just be a classic rotation.

Either way, I'm interested in building exposure around these soon.

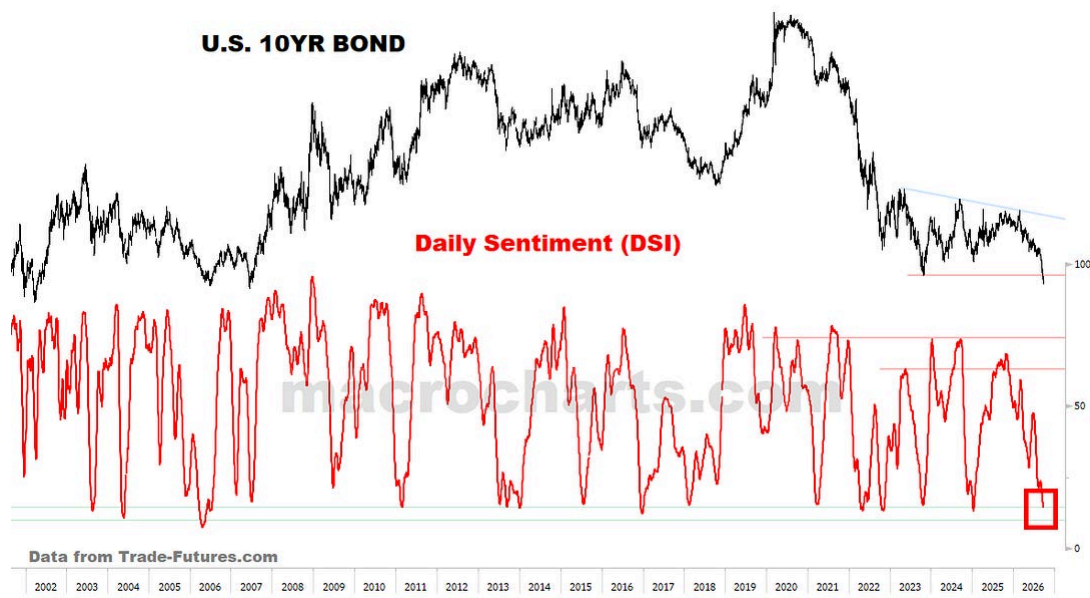
Which brings us back to...

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4. Rates.

The picture could be aligning perfectly:



Bottom 2-percentile — and on pace to 1-percentile by Friday.

At this rate, Bonds and XLU could likely bottom together.

What will be the catalyst?

Have a nice day ahead,

-MC

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