MAJOR TREND INDEX

By: Doug Ramsey, CFA, CMT

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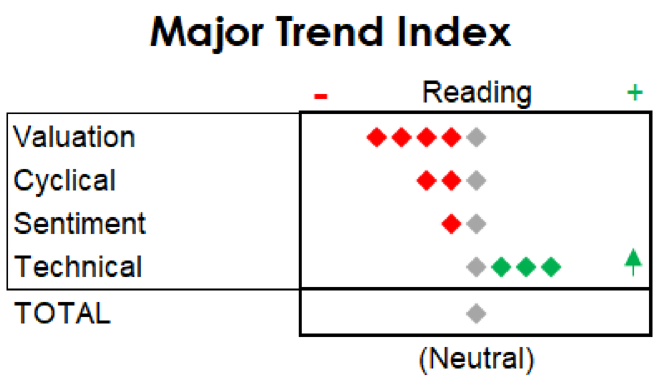
Data for Week Ending: June 27, 2025



The Major Trend Index held at a neutral reading of zero in the week ended June 27th.

Friday's new high in the S&P 500 was confirmed by a simultaneously all-time high in the "granddaddy of all technical indicators" (the NYSE Advance/Decline Line), and there were other internal signs of improvement that lifted MTI's Technical category to a decisively bullish +3. While readings for the remaining MTI factor categories were unchanged, there was enough collective deterioration to keep the overall MTI at a reading of "dead neutral."

Net equity exposure in the Core Fund, Core Private accounts, Core ETF, and Global Fund ranges from 54% to 56%.

The economy's "pre-recessionary" characteristics have certainly failed to stop (or even slow) the stock market's advance. In fact, in the short-term, these characteristics might well be *enabling* the advance: Yields on the 2-Yr. T-Note have dropped about 30 basis points in the last three weeks as most economic reports have fallen short of forecasts. Of course, the "bad news is good news" narrative is not an uncommon one in a late-stage bull market. A measure that's bucked the weakening economic trend is the CRB Raw Industrials, which has rallied about 3% in June. We'll be watching Tuesday's ISM Manufacturing Survey closely to see whether this stagflationary sign is confirmed by another bearish reading in our NOPE Index (ISM New Orders Index minus Price Index).

The Sentiment category held at a mildly negative –1 last week, and we're impressed that there hasn't been more deterioration in this work given the S&P's now-complete erasure of its February-April loss. While there's plenty of giddiness surrounding AI and Technology, the weekly COT reports on stock index futures don't show either the larger speculator category or the small traders sitting with the outsized long positions they've usually accumulated near previous market tops. Of course, every cycle is a bit different, and the market might well top out without that ever happening. At a minimum, though, the numbers suggest that betting against Technology is not necessarily the "contrarian" tactical move it might seem to be.

From a Technical perspective, a new high in the NYSE Advance/Decline Line is usually a sign that the blue chip stock averages will trade at even higher highs over the next three to six months. However, there are conflicting messages on the market's true internal health, and we explore them in the next few pages.

Clients who have questions regarding any of the components or indicators should contact Doug Ramsey at 612-332-1567 or dramsey@LWCM.com

Dating back to 1928, there's been about a one-third chance of the S&P 500 making a 52-week high sometime during the month of June. It did so last Friday, of course, with the index bettering its February 19th peak. However, the occurrence of a new 52-week high in June hasn't—in and of itself—shed much light on the market's likely path for the remainder of the year. In 1987, 1990, and 2007, June's 52-week highs were soon followed by bull market peaks. Overall, in years when a June high was achieved, the average second-half S&P 500 performance was 4.8%, compared with 3.9% in years when the month of June did not produce a new 52-week high.

- Historically, though, action in the NYSE Daily Advance/Decline Line has provided a clue as to whether or not a June high in the S&P 500 was likely to be followed by further gains in the second half. Specifically, we've found that if a new 52-week high in the S&P 500 is "confirmed" by a 52-week high in the A/D Line on any day in June, then second half gains for the index are more likely. In those cases, the average S&P 500 performance from July 1st through December 31st has been 8.8%. That compares with an average S&P 500 second-half *loss* of 1.0% in years when a June S&P 500 high occurred without a corresponding 52-week high in the A/D Line. (Note, though, that second-half returns were solid in both 2023 and 2024 despite the failure of the A/D Line to confirm the S&P 500 highs made in June of both years.)

- Since both the S&P 500 and the NYSE A/D Line stood at all-time highs last Friday, this study favors the bullish outcome.

Years In Which S&P 500 Made A 12-Month Closing High On Any Day During June	Second Half S&P 500 Performance
1929	-22.3 %
1933	-7.4
1935	31.3
1943	-5.5
1944	2.3
1945	16.0
1948	-9.2
1950	15.4
1952	6.5
1954	23.2
1955	10.8
1964	3.8
1968	4.3
1975	-5.3
1976	3.1
1983	-1.9
1985	10.1
1986	-3.5
1987	-18.7
1989	11.1
1990	-7.8
1995	13.1
1997	9.6
1998	8.4
1999	7.0
2003	14.1
2007	-2.3
2014	5.0
2017	10.3
2019	9.8
2021	10.9
2023	7.2
2024	7.7
2025	?
Average	**4.8 %**
Avg. When S&P Did Not Make 12-Mo. High In June	**3.9 %**

Does A Breadth "Confirmation" Impact Second-Half Stock Returns?

Years In Which S&P 500 Made A 12-Month Closing High On Any Day During June	Second Half Performance	
	S&P 500 High Confirmed By NYSE A/D Line	S&P 500 High Not Confirmed By NYSE A/D Line
1929		-22.3 %
1933	-7.4 %	
1935	31.3	
1943	-5.5	
1944	2.3	
1945	16.0	
1948		-9.2
1950	15.4	
1952		6.5
1954	23.2	
1955	10.8	
1964		3.8
1968		4.3
1975	-5.3	
1976		3.1
1983	-1.9	
1985	10.1	
1986		-3.5
1987		-18.7
1989	11.1	
1990		-7.8
1995	13.1	
1997	9.6	
1998		8.4
1999		7.0
2003	14.1	
2007	-2.3	
2014	5.0	
2017	10.3	
2019	9.8	
2021	10.9	
2023		7.2
2024		7.7
2025	?	
Average	**8.5 %**	**-1.0 %**

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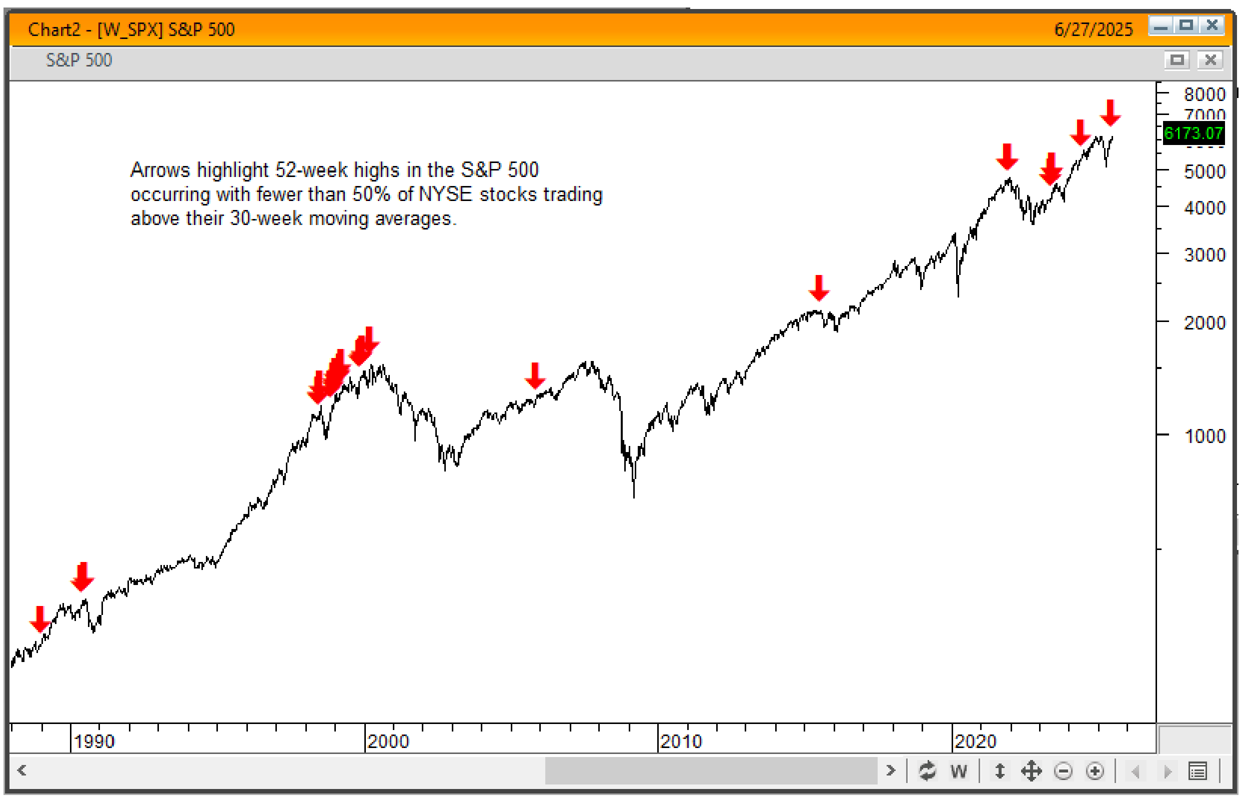
On the surface, the "joint" June highs in NYSE breadth and the S&P 500 are a bullish portent for the market through year-end. However, we continue to believe that the Daily NYSE Advance/Decline Line paints a picture of the stock market's internal health that's rosier than reality. For instance, despite last week's "confirmatory" all-time high in the A/D Line, the percentage of NYSE stocks trading above their 30-week moving average closed the week at just 49.2%.

We ran a simple scan to identify weeks in which (1) the S&P 500 closed at a new 52-week high and (2) the percentage of NYSE stocks above their 30-week moving average remained below 50%. During the great bull market of 2009-2020, that condition was observed only a single time (in August 2015). However, in the ever-narrowing stock market of the last four years, we've seen this condition develop a handful of times, with the most timely warning occurring a couple of weeks before the January 3, 2022 bull market peak. Other timely signals include those appearing at the 1990 bull market top, and those appearing immediately before the "major decline" in the summer of 1998. However, after the market recovered from the 1998 decline, the same warning was issued intermittently over a sixteen-month period before the S&P 500 ran into any trouble.

In sum, this is hardly a "slam dunk" warning signal for the S&P 500. However, it's development reinforces our view that market breadth remains narrower than most chartists (and investors) believe.



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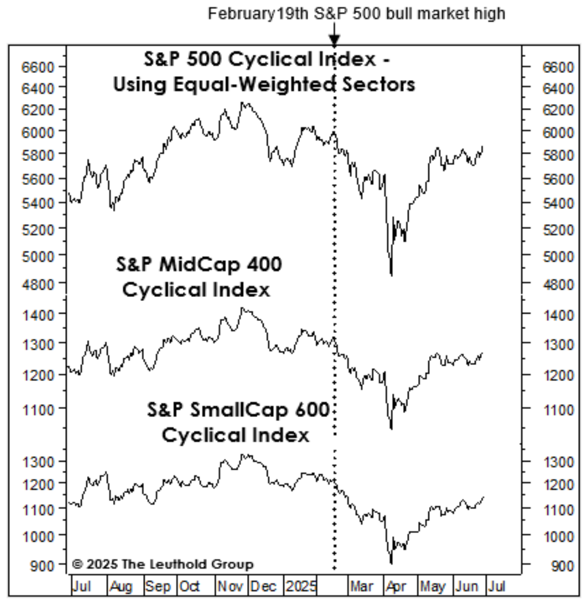
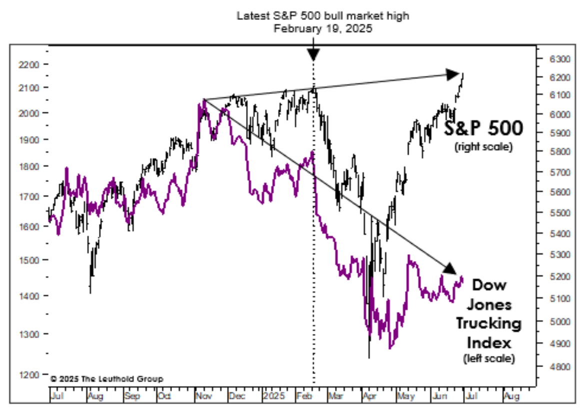
- Polymarket currently shows betting odds on a recession beginning in 2025 at 27%, down from a peak of 66% on April 7th. However, that's still above the 22% odds prevailing at the old S&P 500 peak of February 19th, and it's troubling to see the recovery in Cyclicals stocks lagging that of the S&P 500 and NASDAQ 100.



All indexes are composites of Consumer Discretionary, Industrials & Materials sectors.

- The accompanying chart shows the Cyclical Sector composites we've built from sector data for the S&P 500, S&P MidCap 400, and S&P SmallCap 600. The S&P 500 version closed last week 6.5% below its November 2024 high, while the MidCap and SmallCap Cyclical Composites are 11% and 14.5% below those highs.

- Drilling down within the Cyclicals, the action of the Trucking stocks is especially troubling. The Dow Jones U.S. Total Market Trucking Index is down about 30% from a peak made almost eight months ago, and its action in the last two months look very similar to their pattern preceding the October 2007 peak.



- Overall, the lagging action in Cyclicals is consistent with the weakness in low grade corporate bond spreads we detailed last week, along with the poor action in the lowest-rated junk bonds. But these signs of exhaustion among the "troops" can persist for a quite while before the "generals" (i.e., the S&P 500 and NASDAQ 100) eventually take notice.