MAJOR TREND INDEX

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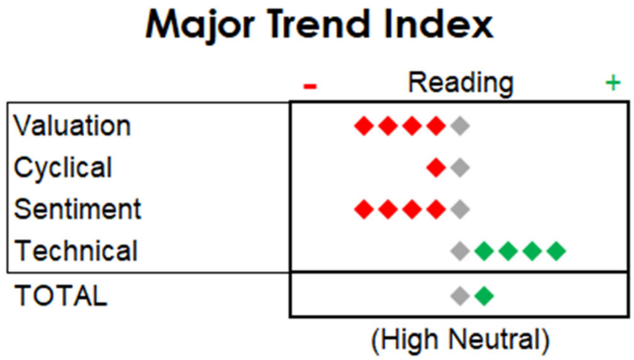
Report Date: October 27, 2025
Data for Week Ending: October 24, 2025



The Major Trend Index was unchanged at a High Neutral reading of +1 in the week ended October 24th. This stance has been same since the beginning of July. Net equity exposure across Leuthold's tactical asset allocation strategies stands at 55-56%.

The Technical work continues to be exceptionally strong, with each of the "Big Four" Indexes—the DJIA, Russell 2000, S&P 500, and NASDAQ 100—closing at all-time highs on Friday. NYSE Daily Breadth (Advance/Decline Line) also sits at a new cycle high, suggesting any important peak in the key indexes should be at least a couple of months away. This analysis, and many other elements in the MTI's Technical category (still the only bullish support) are admittedly pretty simplistic, but they've helped our tactical portfolios capture a decent share of this year's gains with a moderate risk posture.

That latest market high in the S&P 500 led to a new contemporary extreme in the index's Normalized P/E multiple. That measure ended the week at 32.6x, well above the 30x "danger level" associated with past market bubbles. It briefly touched 33.2x in the fall and winter of 2021 when the atrocious earnings figures of the pandemic were still very much in the calculation. However, today, those "clear-the-decks" comparisons have dropped off the look-back period; the earliest data point in the series is now from the spring of 2021.

Of course, we've been living (heck, thriving!) in that Normalized P/E danger zone for nearly a year-and-a-half now (save a few months last spring). This valuation measure has been able to stay high but consistent thanks to very healthy 11% EPS growth since the start of the year, somewhat keeping pace with the S&P 500's advance.

One area of the government that is still open for business is the Federal Reserve. Futures markets have near certain confidence in a 25 bps cut on Wednesday and another in the second week of December. Last week's delayed CPI figures showed a Core CPI stuck at 3%—the very same level that paused the nascent easing cycle back in January. The Fed and equity markets don't seem bothered by this fact.

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