

EQUITY RALLY BACK TO HIGHS MIGHT BE ON HOLD UNTIL EARLY OCTOBER; US DOLLAR CYCLE LOOKS TO BE ONE MONTH AWAY FROM PEAKING



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Key Takeaways

- US equity indices require a push above last Friday's highs to help the rally get back on track, and near-term patterns are suggestive of minor consolidation before this can happen.
- US dollar, crude, and yield gains resulted in a sharp decline in precious metals, which might continue into October before a bottom is at hand.
- Cycles for the US Dollar Index show a coming peak which should lead down to new monthly lows, which might get underway sometime in October.



US equity trends remain positive but certainly quite choppy, as the ongoing Treasury selloff and gains in crude oil have continued to weigh on many US equity sectors. Until \$SPX and \$QQQ can climb back above the highs from late last week, some further near-term consolidation might be in store this week into month/quarter-end. Sectors like Financials and Industrials seem close to support but thus far have not turned higher materially to help provide a tailwind and aid Technology in its own recent strength. Unfortunately, the US equity tape remains quite choppy and range-bound, and even on rallies back to new highs in October, one can't rule out some backing and filling from late October into mid-November. Thus, fractional weakness this week won't be something to give much attention to, but rather should make US equities a favorable risk/reward for buying weakness into the midterms. I like being long for rallies into mid-to-late October and would utilize any and all pullbacks as an attractive risk/reward opportunity, not something which leads to meaningful weakness. While many investors remain concerned about factors like inflation, AI scare, and/or food and gas prices, it's important to reiterate that US equity indices like \$SPX aren't paying much attention. The ability of \$SPX and \$QQQ

to hold up within 1% of all-time highs is certainly a picture of resilience as indices near October.

Specifically, US equities failed to follow through on the rally from late last week, and the selloff was particularly vicious on Monday with regard to negative breadth, as six sectors out of 11 fell greater than -0.70% on the day.

Today's pullback doesn't fit with the idea of immediate upside acceleration, but rather of minor consolidation which is ongoing and might require a bit more into early October before a month-long rally gets underway. My current roadmap calls for a 3–5 day consolidation, followed by a 20–30 day rally back to 7,900 on \$SPX, and then this might be followed by a decline into the midterm elections, which should turn out to be the best time of the next six months to buy dips.

For those who remain tactically oriented, the key for the next 1–2 days will be whether \$SPX undercuts 7,662.58, or last Thursday's intraday lows. Such a move would produce a likely short-term acceleration down to 7,636, or down to 7,592–7,600, which should be a very good tactical time to buy dips.

To expect that a short-term pullback will not occur this week, \$SPX requires a move over 7,752. Until then, this pattern appears to be a classic "ABC" type formation which could bring about further weakness this week.

\$SPX closed last week positive despite the early-week consolidation, and Technology remains the sector of focus heading into this week



Source: TradingView

\$NVDA might stall out, which supports the possibility of a choppy final week of September

\$NVDA managed to rally early in today's session, moving up to within striking distance of prior highs at \$236, but has stalled after the early boost. Overall, this is a very constructive technical pattern since May, but it won't begin to accelerate higher in uninterrupted fashion until price can get back over \$236.

Near term, price has pushed up to near resistance given \$NVDA's buyback announcement, and this very well can allow for a stall out this week until October gets underway. Thereafter, I expect a breakout above \$236, which I suspect should be quite bullish for Technology and for the US equity market.



Source: TradingView

\$TLT weekly exhaustion counts likely don't materialize for another 4–5 weeks

The push higher in US interest rates has proven relentless in recent weeks, and the fact that equity indices have held up well is a testament to the strength in Technology.

While weekly DeMark patterns produced counter-trend signals back in August which might have led to a bounce in Treasuries, that was promptly stopped out in the last couple of weeks before it was ever confirmed.

Ideally, the month of October should be watched carefully for a change in trend, as further weakness in \$TLT (iShares 20+ Year Treasury Bond ETF) could help both weekly and monthly DeMark-based exhaustion signals line up for the first time all year.

While confirmation is indeed necessary to trust that Treasuries could be bottoming out, these DeMark counts directly line up with the cycle composites on Treasuries which were shown over the last month in these notes.

Overall, I suspect the ideal window when weekly signals might appear could begin in 3–5 weeks. Thus, an intermediate-term cyclical low in prices seems to be right around the corner, which goes against the thinking that an indefinite push higher in long-term rates happens between now and year-end.

\$TLT's weekly chart is shown below, in price, not yield terms.



Source: Symbolik

Gold and silver under a lot of pressure, but decline into October should bring about a trading low

Both gold and silver experienced meaningful downside volatility today, with both falling over 3% in a large high-to-low daily range to close the session near the day's lows.

That's particularly negative for the near-term technical outlook, and as discussed last week, both gold and silver likely can consolidate into October before bottoming out.

\$GDX, representing the VanEck Gold Miners ETF, shows similar pressure on Gold Miners, which might be expected given recent gold weakness.

Following Monday's close at \$87.89, I expect an initial pullback to \$82, or roughly a 6.5%+ decline still to come potentially from current levels. (Thereafter, if a less-than-

convincing bounce materializes, then it's fair to say that the likelihood of weakness down to challenge prior lows increases.)

Bottom line, given Treasury weakness and strength in crude and the US dollar, it remains the wrong environment for gold stocks to rally, despite the seasonal bullish factor.

VanEck Gold Miners ETF (\$GDX) — Might fall 6.5%+ before stabilizing



Source: Symbolik

US dollar should begin to turn back lower in October and trend lower into January 2027

The biggest factor from a counter-cyclical trend perspective that favors risk assets between now and next spring concerns the cyclical projections of both the US Dollar Index along with US Treasury yields.

Despite the bounce in both over the past month (which has had little to no real adverse effect on either \$SPX or the Nasdaq), the intermediate-term cycles seem to argue for the start of weakness in both starting in October, which should lead down into early 2027.

Such a move would likely catch most "bond bears" off guard, but it's easier to make the case from a pure trend perspective when eyeing the US Dollar Index's intermediate-term charts.

This US Dollar Index cycle composite looks to have made its weekly peak this past summer and moves steadily lower throughout Q4 into January of next year.

This bodes well for the argument of more BOJ hikes to come and/or intervention which might allow for \$USDJPY weakness, and the US dollar doesn't appear to have much upside in the next month from either a structural perspective or a cyclical perspective.

The start of more meaningful dollar weakness should have bullish implications for US equities and for emerging-market equities and currencies in the months ahead. For now, this reversal still looks premature technically, but given the interest rate outlook and US dollar outlook in Q4, my expectation is that some meaningful change of trend could be likely in both, which causes weakness.

(When this is apparent, the precious metals trade likely can get back on track.)



Source: Foundation for the Study of Cycles

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