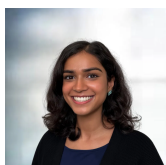


First to Market

October 2, 2026

EMOTIONS ARE A CONTRARIAN INDICATOR

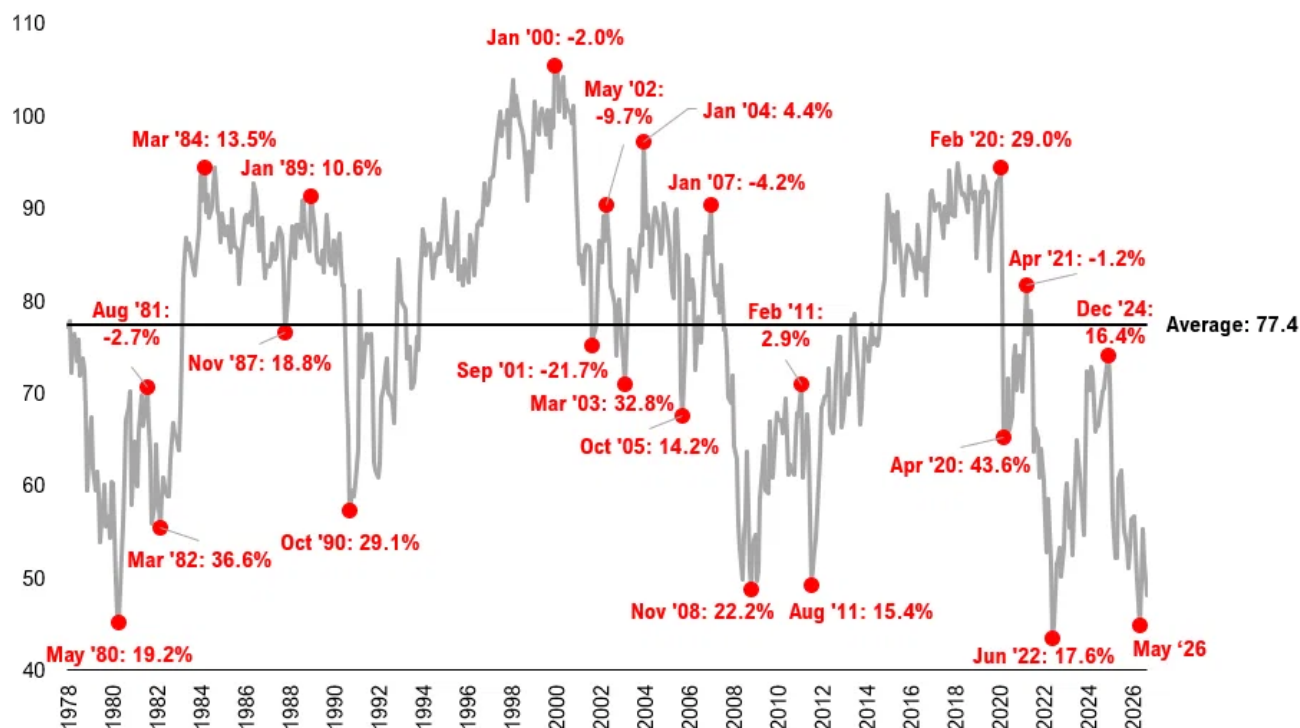


Hardika Singh

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

Chart of the Day

University of Michigan Consumer Sentiment Index and S&P 500 forward 12M return
Since 1978



Source: Fundstrat, Bloomberg, University of Michigan, J.P. Morgan Asset Management

Note: Data prior to July 2024 adjusted to account for University of Michigan methodology changes

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Good morning!

You're not alone if you constantly feel like the market's just waiting for another shoe to drop.

Companies are postponing IPOs. The 10-year Treasury yield hit the highest level since 2002. Real yields are surging, as well, tempting investors to wean off stocks. The wealth gap keeps widening. A record number of U.S. workers worry that technology could make their jobs obsolete in the near future, according to a Gallup poll. Oh, and gas prices are still high.

So it's little wonder that the University of Michigan consumer sentiment across age groups and income levels is near record lows, with marked sentiment declines even amongst respondents identifying as Republicans. The Conference Board's consumer confidence index recently hit a 12-year low. A consumer survey by the New York Fed isn't that great either, and the American Association of Individual Investors' sentiment survey, too, shows that more investors are bearish rather than bullish.

Amidst that rampant pessimism, some investors argue that the stock market can't keep ignoring the bad news and continue its record bull run. But I wanted to take time this Friday as an opportunity to remind our esteemed clients and subscribers about how emotions are a contrarian indicator.

In the past five decades, there's been about 11 distinct peaks before a series of lower lows and 11 distinct troughs before a series of higher highs in the University of Michigan consumer sentiment survey data. The average 12-month forward return if you bought at the peak is 5.2% versus 21% if you bought at the trough, according to JPMorgan Asset Management's Market Insights team and analysis by Fundstrat's very own Macro Data Scientist Alex Wang.

So the market has this innate ability to ignore gloomy moods, reiterating the need for investors to stay invested instead of rushing to cash, even if it's offering above 5% yields. At Fundstrat, Head of Research Tom Lee and Head of Technical Strategy Mark Newton have said in the past that until sentiment gets peak bullish, it's tough to turn negative on the market. And according to Lee, the Federal Reserve raising

interest rates means the max pain level has been hit, so investors should buy the dip.

If you take a glass half full view, there's plenty to be excited about in the market. Profits at the largest companies in the U.S. are expected to grow close to 30%, which would mark the third consecutive quarter of earnings growth above 25%, FactSet data show. Major indices like the S&P 500 and the Nasdaq Composite are hovering less than 2% from record highs, thanks to tech stocks rebounding, so lower market breadth arguably doesn't matter as much. Long-term inflation expectations for the one-year and five-year horizon remain anchored, making a case for why we likely won't see another big wave of inflation.

This is also a good time to bring back one of my all-time favorite charts made by Tom and his research team. The S&P 500 makes most of its annual returns in just a handful of days. Since 1928, the S&P 500 has gained an average of 8%, but without the 10-best days, the index's gain turns to a loss of 13%.

The takeaway here for longer-term investors is that they should keep dollar-cost averaging regardless of their mood.

Share your thoughts

How optimistic are you about the markets right now? [Click here](#) to send us your response.

Here's what a reader commented

Q: Which IPOs are you looking forward to buying?

A: For my investing style, I look for long term bets that have a high probability of success in the distant future. Kraken is on my radar. It just needs time to incubate and it could be on the cusp of an amazing run. On the flip side Westinghouse is interesting with nuclear at this moment in time, but it better not wait too long or energy abundance will eventually sink it.

Catch up with Fundstrat

The S&P 500 has again become a coiled spring and while the Wall of Worry is substantial, we see the potential for positive catalysts. This week's jobs report will be one important data point. In the meantime, the seasonals are turning positive.

Technical

Equal-weighted technology (\$RSPT) closed above its June highs on Thursday to break out of a four-month triangle to new all-time highs, and technology has the power to lead \$SPX and \$QQQ higher in Q4 even with most other sectors lagging.

Crypto

The tactical tension we have been discussing still persists, but the crypto setup shifted in a bullish direction the past couple of days. STRC nearing par remains an underdiscussed potential catalyst.

News We're Following

Breaking News

- U.S. nonfarm payrolls increase by 29,000 in September, less than expected; unemployment rises to 4.2% CNBC

Markets and economy

- The bond rout is deepening even as oil tankers return to the Strait of Hormuz WSJ
- Households will pay more for energy because of Trump's policy changes, think tank says AP

Business

- Broadcom starts amassing \$60 billion to fund chips for Anthropic BBG

- Leaked Anthropic IPO prospectus: The US government could hurt our business YF
- Amazon seeks to offload \$8bn of Nvidia chips to investors FT

Politics/U.S.

- Christa Pike getting 'life-saving medical care' after surviving Tennessee execution REU
- Renee Good's family sues US government and immigration officials over her killing in Minneapolis AP
- Hochul to address Cornell University case after appointing Leticia James to investigate alleged gang-rape GUA

Overseas

- Europe weighs new diesel stocks release after US pressure, sources say REU
- Fires break out at French schools as students protest nationwide BBC
- Taiwan's first new F-16V fighter jets arrive to bolster defences against China REU
- **Of Interest**
- Astronauts arrive at International Space Station on the quickest US express flight yet AP
- Sheepdog auction in Skipton sees \$30,000 border collies sell to Japan, US BBG

Overnight

S&P Futures	+38 ▲ point(s) (+0.50% ▲)
overnight range:	-1 ▼ to +42 ▲ point(s)

APAC

Nikkei	-0.94% ▼
Topix	-0.99% ▼
China SHCOMP	+0.31% ▲
Hang Seng	-2.60% ▼
Korea	+0.46% ▲
Singapore	-0.58% ▼

Australia	+0.79% ▲
India	-0.88% ▼
Taiwan	+0.25% ▲

Europe

Stoxx 50	+0.79% ▲
Stoxx 600	+0.65% ▲
FTSE 100	+0.28% ▲
DAX	+0.91% ▲
CAC 40	+0.62% ▲
Italy	+0.45% ▲
IBEX	+0.46% ▲
Canada	-0.23% ▼
Mexico	-0.60% ▼
Brazil	+0.46% ▲

FX

Dollar Index (DXY)	-0.15% ▼ to 101.94
EUR/USD	+0.04% ▲ to 1.1248
GBP/USD	+0.09% ▲ to 1.3209
USD/JPY	+0.29% ▲ to 157.64
USD/CNY	+0.01% ▲ to 6.7060
USD/CNH	+0.12% ▲ to 6.7060
USD/CHF	+0.28% ▲ to 0.8287
USD/CAD	-0.11% ▼ to 1.4238

AUD/USD	+0.12% ▲ to 0.6939
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UST Term Structure

2Y-3M Spread narrowed	-1.4bps ▼ to 68.4bps
10Y-2Y Spread widened	0.0bps to 44.5bps
30Y-10Y Spread widened	0.3bps to 37.0bps

USD HY OaS

All Sectors	+1.5bps ▲ to 348bps
All Sectors ex-Energy	+10.3bps ▲ 333bps
Cons Disc	+25.1bps ▲ to 588bps
Indu	+6.5bps ▲ to 295bps
Tech	+9.0bps ▲ to 232bps
Comm Svcs	+12.7bps ▲ to 352bps
Materials	+9.5bps ▲ to 270bps
Energy	+8.7bps ▲ to 288bps
Fin Snr	+9.4bps ▲ to 226bps
Fin Sub	+9.5bps ▲ to 296bps
Cons Staples	+11.4bps ▲ to 458bps
Healthcare	+10.4bps ▲ to 355bps
Utes	+8.4bps ▲ to 246bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
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DATE			TIME	DESCRIPTION	ESTIMATE	LAST
10/2	8:30 AM	Sep AHE m/m			0.3	0.3
10/2	8:30 AM	Sep Unemployment Rate			4.1	4.1
10/2	8:30 AM	Sep Non-farm Payrolls			90	162
10/2	10:00 AM	Aug F Durable Gds Orders			0	0
10/5	9:45 AM	Sep F S&P Srvcs PMI			58.7	58.7
10/5	10:00 AM	Sep ISM Srvcs PMI			55.2	55.4
10/6	8:30 AM	Aug Trade Balance			-89.8	-88.576
10/7	11:00 AM	Sep NYFed 1yr Inf Exp			3.64	3.58
10/7	2:00 PM	Sep 16 FOMC Minutes			n/a	0

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