

SPX PRESSES UP TO NEAR SHORT-TERM RESISTANCE AS YIELD CURVE STEEPENING CONTINUES



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Key Takeaways

- \$SPX pushed up to challenge the peak of its consolidation since mid-August near 7,782, and prices look headed above 7,900 back to new highs, even if 7,822–7,900 acts as temporary resistance over the next couple of days.
- The 10s-2s yield curve has steepened nearly 30 basis points in three weeks to test its downtrend from the January peak, a development that bodes well for Financials if it can continue.
- Brazil's \$EWZ gapped up to the highest levels in over six years on the first-round election results, a notable bump in momentum for Latin America, while gold should make new 2026 lows before a meaningful bottom in November near 3,600.



US equity trends have improved steadily since last week's breakouts in Technology, and \$SPX has now rallied back to within 1% of its all-time highs while \$QQQ sits at record levels and \$NVDA has confirmed its own breakout, which argues that the two-month consolidation in the cap-weighted indices is in the process of resolving higher. The cross-asset picture remains in flux, as long-term Treasury yields and the US dollar pressed higher again Monday while the yield curve steepened sharply, yet there was some evidence of WTI crude oil starting to roll over, and a breakdown in crude this week would likely be received favorably by US equities. Outside the US, the election-driven surge in Brazil looks like the momentum Latin America needed to end its nine-month consolidation, while gold, with momentum negative across all timeframes, should make new 2026 lows before a meaningful bottom in November as rates and the dollar finally reverse course. Bottom line, the view is unchanged: it's right to stay bullish on \$SPX and \$QQQ, to use any backing and filling this week as a buying opportunity for a push above 7,900 to new highs this month, and to continue favoring Technology while watching for a steepening yield

curve to finally give Financials a reason to participate. I'll discuss more with charts and commentary in today's report.

\$SPX has pushed up to challenge the peak of its consolidation since mid-August, and prices look headed above 7,900 back to new highs

\$SPX strength carried price up to challenge the resistance marking the peak of its consolidation since mid-August, as the index pushed up to challenge the mid-September peaks near 7,782, which held on a closing basis and lie right below the all-time highs from mid-August (7,816.70 intraday, 7,798.99 on a daily close). **My feeling is that prices are headed up above 7,900 back to new highs, even if the next couple of days show this 7,822–7,900 zone acting as temporary resistance.**

In the bigger scheme of things, the breakout in \$NVDA last week is important, and the stock closed above 236 today, which is likely to prove to be a notable tailwind specifically for Technology.

Technically, a daily close above 7,782 would be quite bullish and should allow \$SPX to test the August highs at 7,799–7,817 and then push up through 7,822–7,900 toward new all-time highs, joining \$QQQ in breaking out of the consolidation that's been in place since early August. Daily MACD has just turned positive, and the steepening yield curve seems to have been helpful in jump-starting other important \$SPX sectors like Financials.

Any backing and filling over the next couple of days would be normal following five straight days of gains, and 7,700–7,750 should prove to be an important zone which holds any \$SPX weakness ahead of its push back up to 7,850–7,900.

S&P 500 Index (\$SPX, daily) — Test of the downtrend from the August peak near 7,782, with 7,822–7,900 possible temporary resistance ahead of a move to new highs



Source: TradingView

The 10s-2s yield curve has steepened nearly 30 basis points in three weeks and is testing its downtrend from January — a breakout would be good news for Financials

The spread between 10-year and 2-year Treasury yields has steepened in dramatic fashion over the last three weeks, rising from roughly 20 basis points in mid-September to 49 basis points on Monday, as Federal Reserve officials signaled that the central bank can be patient about increasing interest rates.

This has carried the curve right up to the downtrend line connecting the January 2026 peak (near 72 basis points, or bps) with the July peak near 57 bps, representing the first meaningful test of the flattening trend that's been in place for most of this year.

Financials have stabilized and begun to turn higher on this yield curve steepening and likely would push up more aggressively on a breakout above 55 bps in the week ahead. On a move above 55 bps, the eventual target would be the January highs

near 72 bps, which would represent a steeper curve than at any point since early this year.

US 10-Year minus 2-Year Treasury Yield Spread (daily) — Sharp steepening from 20 to 49 basis points has carried the curve up to its downtrend from the January peak



Source: Bloomberg

Brazilian equities soared to the highest levels in over six years on the election results, and a Bolsonaro victory should kick off the next push higher for Latin America

Brazilian equities and the real soared in trading today as Flavio Bolsonaro almost beat Lula da Silva in the first round of Brazil's presidential election, and he should gain support heading into the runoff in three weeks. His platform of lowering spending and debt seems to be more favorable with investors, but arguably, reducing spending, similar to the US, could prove to be a lot tougher when attempting to be implemented.

As shown below, the iShares MSCI Brazil ETF (\$EWZ) gapped up more than 15% to close at the highest level in over six years, which also helped to fuel the iShares Latin

America 40 ETF (\$ILF). This latter ETF is thought to face strong initial resistance near its April highs at \$38.52. **For \$EWZ, the monthly chart shows this surge carrying price to the upper end of the five-year base that has been forming since the 2020 collapse, with the horizontal resistance near 48–49 connecting the 2017, 2018, and early-2020 peaks the next major level, while monthly MACD is positive and rising.**

Overall, this looks to be a notable bump in momentum, which is what is needed to help the Latin American equity space begin its next push higher after the consolidation from earlier this year. While many would argue this early bounce is overdone, and I cannot disagree that some backing and filling might be necessary, I would view a Bolsonaro victory as something which should help \$EWZ and, by extension, \$ILF begin their next push to new highs for 2026, and this should eventually have a notable tailwind from US dollar weakness.

iShares MSCI Brazil ETF (\$EWZ, monthly) — Election-driven gap to the highest levels in over six years, with 48–49 the key long-term resistance



Source: TradingView

Gold should make new lows for 2026 before a meaningful bottom, which likely arrives in November near the 50% retracement of the 2022–2026 advance at 3,600

Following up on my recent commentary on precious metals, **I am of the opinion that gold will make new lows for 2026 before a meaningful bottom, which should happen sometime in November, and potentially could line up with the four-year cycle low from 2022** in early-to-mid November.

At present, daily, weekly, and monthly momentum are all aligned negatively, with MACD under the signal line on each timeframe, and the Elliott-wave and DeMark tools I use do not suggest an imminent bottom now. As shown on the daily chart below, the decline from the late-August peak looks to be a five-wave move which still requires a final push lower, while the weekly chart that follows shows this as the C wave of a larger A-B-C correction from the February peak. **Much of this is due to interest rates and the US dollar pushing higher, and my view is that this reverses course in the next month and should provide a more suitable environment for precious metals.**

The area near the 50% retracement of the entire run-up from 2022 would align near 3,600, which also coincides with the multi-year uptrend from the 2023–2024 lows, and this could be a very attractive target/entry point for intermediate-term investors. For now, I don't show much that suggests an imminent bottom using my methods, and it's right to remain patient with gold until either 2026 lows are broken or gold can exceed early-October peaks near 4,227.

The possible projection is shown by the black arrows on the chart below, which show a probable decline to test the summer lows before a brief bounce, and then a final capitulatory decline into November, which likely could mark the final stage of 2026's bear market decline for gold before the start of a recovery which should lead to rallies into 2027.

See both daily and weekly gold charts below with possible projections.

Gold (daily) — Projected path: a test of the summer lows, a brief bounce, then a final capitulatory decline into November before a recovery into 2027



Source: TradingView

Gold (weekly) — C wave of the correction from the February peak could very well undercut 2026 lows, which has little support until near 3,600



Source: TradingView

Overall, Monday's push in \$SPX to challenge 7,782 keeps the bullish resolution of the two-month consolidation on track, and while 7,822–7,900 might act as temporary resistance over the next couple of days, prices look headed above 7,900 back to new highs, with any backing and filling toward 7,700–7,750 a buying opportunity. The sharp steepening in the yield curve is the development to watch most closely, as a breakout above the downtrend from January would finally give Financials the catalyst they've lacked, while Brazil's election-driven surge likely marks the start of some strengthening in the Latin American equities space, even if the Brazilian elections remain the next catalyst. Gold, meanwhile, should make new lows for 2026 before a meaningful bottom in November, and targets are found as low as 3,600 for this year, so patience remains the right posture until more definitive evidence is at hand of rates and the US dollar peaking out.

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