

YIELDS AND CRUDE ARE STARTING TO REVERSE, WHICH SHOULD HELP SPX START TO PUSH BACK TO HIGHS



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Key Takeaways

- \$SPX's two-day minor selloff has not resulted in any technical damage, and a push back to new highs into October expiration looks likely.
- Treasury yields and WTI crude both look to be weakening, and a move in crude back under \$90 could help Treasuries, equities, and the US dollar ahead of the midterms.
- Consumer Staples has broken its five-week downtrend and looks to lead higher in October, though it remains a technical Underweight.



US equity trends remain bullish, and Thursday's late-day rebound off the lows was a reminder that the cross-asset volatility of the last couple of weeks hasn't yet done any lasting damage to the uptrend. The aforementioned catalysts for a possible relief rally in risk assets over the past week seem to be slowly coming together, as both crude oil and long-term Treasury yields have begun to show more evidence of weakening. While more crude weakness looks necessary to have any conviction regarding lessening geopolitical tail risks around Iran, today's intraday reversal in Treasury yields and crude oil looked important and positive for risk assets. The one area that bears watching is defensive positioning, as a pickup in this group alongside a pickup in other defensive sectors and bullish sentiment would be an unwelcome development heading into the midterms. As many investors are aware, broader participation, despite a few days of progress in equal-weighted \$SPX this week, remains the missing ingredient for this rally, and a peak in yields would go a long way toward helping this broaden out beyond Technology. For now, it's right to maintain long positioning, utilizing dips as an opportunity to add exposure, with \$SPX still on track for 7,900 in the weeks ahead.

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Despite the early weakening of \$SPX and the broader Tech space on Samsung earnings (incredible that a 782% jump in preliminary operating profit, or the highest profit ever for a company, would result in stock price weakness), along with a rising US dollar and yields and crude oil inching up, many of these factors reversed by end of day. This proved helpful for US indices to stabilize and likely guides \$SPX and \$QQQ higher into next week. *(As a non-technical side note, given that the administration's comments on no attacks likely on Iran ahead of the midterms resulted in interest rates and crude oil settling, I fully suspect that more news of the sort might be possible as a strategy to help risk assets ahead of the midterms.)* \$SPX gained over 30 futures "handles" off the intraday lows by end of day, and as shown below when eyeing the S&P 500 (\$SPX — cash index), the two-day minor selloff has not resulted in any technical damage.

Thus, despite the ongoing cross-asset volatility, the silver lining is that \$SPX just hit new all-time highs two days ago and still has an excellent chance of pushing back to new highs into October expiration. While the current environment certainly "feels" quite volatile, it's important to reiterate that since this time last week (October 1), \$SPX has gained over 150 points from intraday lows to current levels.

For now, key support for \$SPX lies at today's lows at 7,731. Resistance lies at 7,793, then 7,817, followed by 7,900. Meanwhile, \$QQQ has support at 743, then 731, with resistance at 757 and 762.83, and ultimately 771 being an important upside target.

Overall, as charts show below, \$SPX managed to hold right near the 50% retracement of the most recent rally and pushed higher to finish back above the minor resistance trendline which had coincided with the early-week breakout.

Thus, today's minor earlier weakness can be seen as a test of the recent breakout *(which normally can occur following technical breakouts)*. I don't make much of today's weakness, and I respect the degree to which prices

rallied sharply off the lows in the final two hours of the day. However, I do suspect that a lack of broad-based upside follow-through over the next 1–2 weeks (meaning in equal-weighted \$SPX or \$DJIA) likely could usher in a selloff into the midterms, particularly if rates are still elevated and defensive positioning starts to grow. For now, both rates and crude are down off early highs today, and the rally from intraday lows looks bullish heading into the final trading day of the week.

S&P 500 Index (\$SPX, daily) — Two-day minor selloff has not resulted in any technical damage, with today's lows at 7,731 key support



Source: TradingView

Thursday's decline in yields was important and bullish for Treasuries, and this week could snap a streak of six "up" weeks in seven

While it might be tough to make the case for an intermediate-term top for rates, today's decline was certainly important and bullish for Treasuries, as yields fell more than 5 bps in ^TNX following more than one week of sideways consolidation. This

was the first break of Ichimoku support since the 9/23 minor breakout and a definitive selloff (in yield terms) down to multi-day lows.

While a move to new weekly lows would mean more with regard to a larger breakdown in yields, this week very well could prove to be negative for yields following six of the last seven "up" weeks.

I expect that a minimum move initially could take ^TNX lower to 5.05%–5.10%, which likely would serve as the first real support on weakness. Movement to break the larger trend might not happen ahead of the midterms without a catalyst, but I suspect that such a move lies right around the corner as the month of October moves on.

US 10-Year Treasury Yield (^TNX, daily) — First move to multi-day lows and break of Ichimoku support looks to be a technically bearish omen for ^TNX in the near term



Source: TradingView

Easing tail risks around Iran have WTI crude rolling over, and a move back under \$90 could kick off a larger decline

Given the President's remarks that the US won't attack Iran before the midterms, this seems to be helping to ease the tail risks around WTI crude oil. Front-month WTI crude futures fell about \$2 intraday after nearly reaching \$93. Furthermore, US crude production has continued to increase and now totals 14 million barrels per day, per the early-October report from the US Energy Information Administration (EIA).

Despite daily media reports of heightened aggression surrounding the Hormuz Strait, it's important to pay attention to price itself, which has fallen roughly 10% in the last month.

If my thinking is correct, any move back under \$90 in the WTI crude continuous futures contract likely could kick off a larger decline, which could help provide some relief to long-term interest rates and help equities stabilize a bit before the midterms. The Elliott-wave structure seems to suggest this minor bounce today likely could now give way to a decline back to weekly lows near \$87.

Light Crude Oil Futures (CL, hourly) — Minor bounce looks likely to give way to a decline back to weekly lows, with a move under \$90 serving as the catalyst



Source: TradingView

Consumer Staples has broken its five-week downtrend after a successful retest of spring lows, and looks to lead higher in October

Don't look now, but the Consumer Staples ETF (\$XLP) ("Staples") has moved to multi-day highs, exceeding the downtrend of the last five weeks following its successful retest of spring 2026 lows. Staples has been higher four of the last five trading sessions, but today constituted a meaningful breakout of the downtrend, and the sector is up more than 4% on the week, which is far better than nearly any of the 11 \$SPX GICS Level 1 sectors tracked by Bloomberg (tied with Energy).

This looks to be the first real sign of life for this sector in months, but makes sense given some of the deterioration in credit in recent weeks. It's important to watch for signs of other defensive sectors also joining in to show strength in October, as this would be an interesting "tell" that normally could precede some type of market deterioration.

At present, I feel that today's action does lead Staples higher in October, and I don't mind selectively owning the top technical stocks within Staples for purposes of diversifying outside of Technology for those who wish to seek safety ahead of the midterms.

While this sector remains a technical Underweight at this time, I like the following stocks technically for those who wish to give this sector some consideration: \$MO, \$KO, \$MNST, \$COST, \$SYN, \$CHD, \$ADM, \$PG, \$CL, and \$KR, which are my top 10 favorite Consumer Staples stocks from a technical perspective.

Consumer Staples Select Sector SPDR ETF (\$XLP, daily) — Breakout above the five-week downtrend following a successful retest of spring 2026 lows



Source: TradingView

A monthly 9-13-9 pattern in Staples vs. equal-weighted \$SPX adds to the likelihood of further counter-trend strength

When studying relative charts of Consumer Staples vs. equal-weighted \$SPX (\$RSP/\$RSP), there's been an interesting development this month which adds to the likelihood of further strength gradually approaching from a counter-trend

perspective. This involves the formation of a DeMark "9-13-9" pattern on monthly charts, which has been "brewing" since 2022.

Such a pattern involves a completed "TD Buy Setup," followed by a TD Sequential or TD Combo "13 Countdown" exhaustion signal, followed by a subsequent "TD Buy Setup." In my own personal use of DeMark's indicators, I consider these signals to be even more powerful than the "buys" or "sells" which happen as a result of the "13 Countdown" signal. At present, the ratio of Staples to equal-weighted \$SPX shows a 9-13-8, requiring November's month-end close before officially completing this pattern.

Furthermore, while this requires a break in the trend and some evidence of true strength (*in the form of a monthly close above the close from four months prior*) to initially confirm the signal and suggest that Staples can lead (I don't suspect that just yet), the confluence is pretty startling after a long period of recent underperformance.

At a minimum, this makes this sector important to pay attention to and to selectively favor some of the stocks that are showing the most strength.

If/when the actual downtrend from 2022 gives way, my thinking would be that the broader stock market likely would undergo some more serious consolidation, and this still looks quite premature. However, it's my thinking that understanding the risks and rewards of these signals after they're confirmed and begin to show signs of accelerating can often help to add to the understanding of the stock market's behavior, which has shown almost zero evidence of defensive leadership this year, despite the massive amount of rotation.

\$RSPS / \$RSP (monthly) — DeMark 9-13-9 pattern "brewing" since 2022 adds to the likelihood of counter-trend strength in Staples



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