

Weekly Market Analysis #594 — 26 December 2025

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This Week

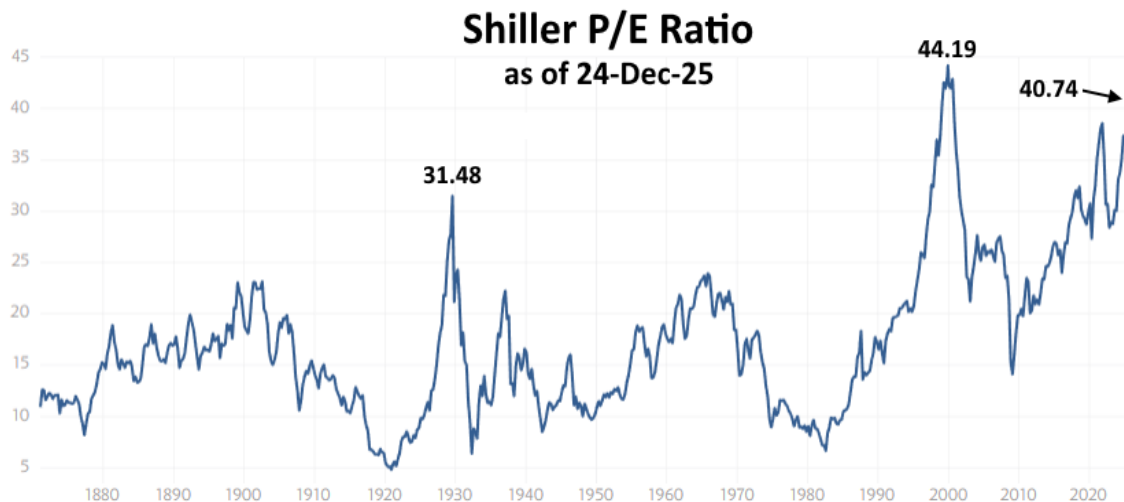
Last week I mentioned the Shiller P/E Ratio. This indicator is also referred to as CAPE (Cyclically Adjusted Price-to-Earnings). Here is some background on it, and why people pay attention to it.

The Shiller P/E (CAPE) is calculated by dividing today's index price by the average of the past 10 years of inflation-adjusted earnings per share. It is designed to smooth away the business cycle so people can judge valuation and long-term-return prospects more reliably.

The Shiller P/E was developed to address the problem that single-year earnings are highly cyclical and can make standard P/E ratios misleading. By averaging 10 years of real earnings, the Shiller P/E filters out the business cycle extremes and gives a more stable measure of underlying earning power. For example, in recessions, earnings collapse, so a standard P/E can look very high even when prices are low; while in booms, temporarily fat profits can make the market look cheap.

Academic and financial industry research has shown there is a strong correlation between the Shiller P/E ratio and subsequent 10-year to 20-year real market returns. In other words, a high CAPE ratio tends to precede lower long-term returns, and a low CAPE ratio tends to precede higher returns.

Here's a chart of about 150 years of the Shiller P/E ratio, which is currently near 40.74. The Shiller ratio has only been close to this level two other times in history. In July of 1929 it peaked at 31.48. A few months later the stock market crashed on 24-Oct-1929, foreshadowing the beginning of the Great Depression. In November of 1999 the CAPE ratio was at 44.19. A few months after that, in March 2000, the Dot-Com bubble burst. The NASDAQ Index fell almost 80% by the following October.



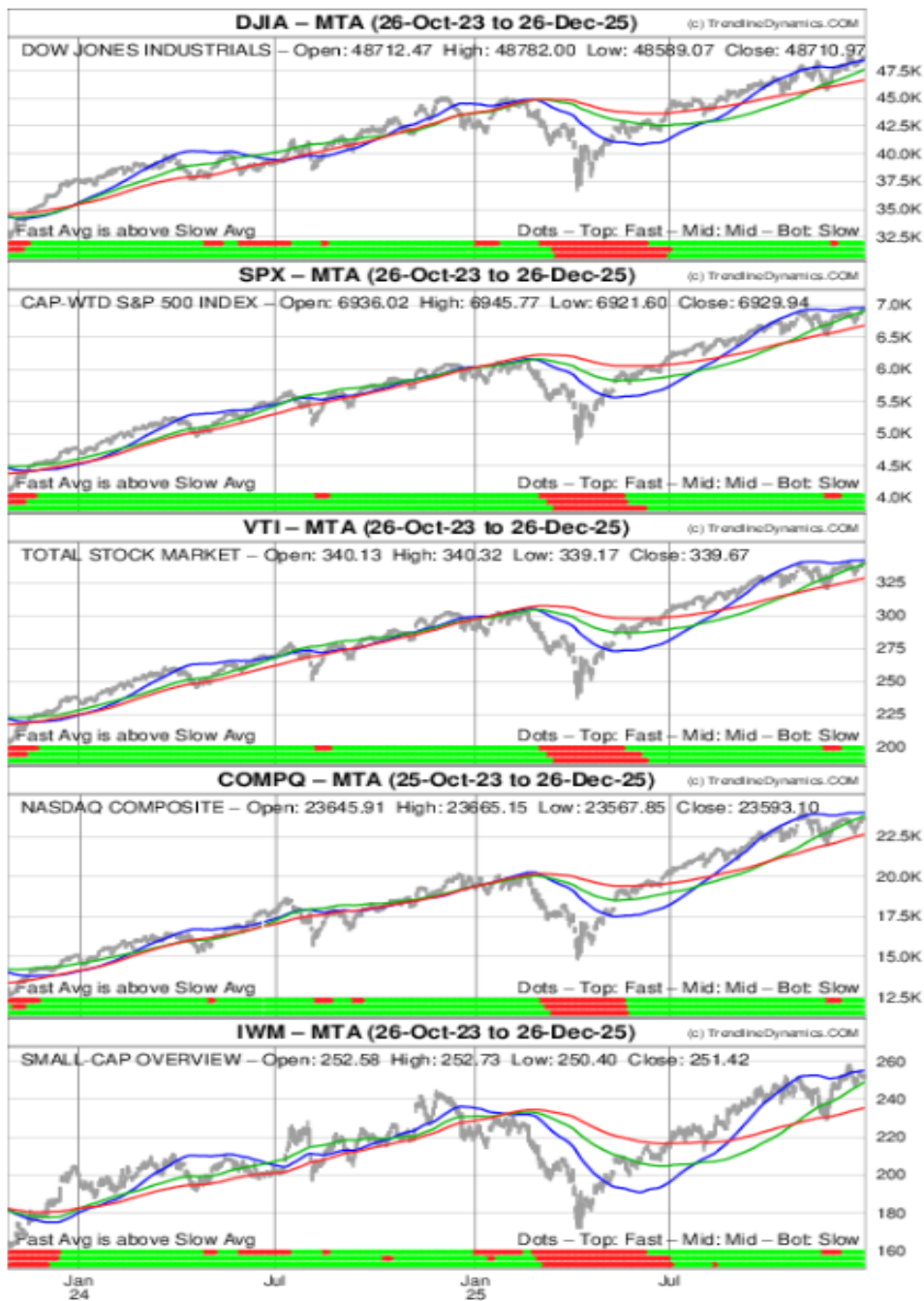
Being near the highest level ever reached does NOT mean a market crash is imminent. In 2021 CAPE was near 38. After dropping below 30, the market rallied again, bringing us to the current level.

If this is the top, keep in mind that, in the long run, the market almost always continues up until February or March every year. After that, the market could simply flatten out and move sideways for a while. Stock market highs tend to be wide and rounded, taking months to complete.

The important point is that being at this level DOES mean the chances of the market continuing upward in the long run are small and getting smaller.

Market Barometers

All 5 major indexes are up both month-over-month and week-over week, so they all remain solid green.



Week-over-week: **DJIA: 1.2%, SPX: 1.4%, VTI: 1.0%, COMPQ: 1.2%, IWM: 0.3%**

Month-over-month: **DJIA: 2.7%, SPX: 1.7%, VTI: 1.6%, COMPQ: 1.6%, IWM: 1.7%**

A Closer Look

The SPX made an all-time high close this week just over \$6930. BPSPX has been rising but weak for the last ~10 days. NYAD is actually doing a little better than price. SPXA50R and SPXA200R aren't as enthusiastic as price, but they are both above 62, which is quite positive.



[S&P Price](#) [Bullish Percent](#) [Advance-Dcline Line](#) [Stocks Above Averages](#)

[Bullish Universe](#)

← Use this link to get to the live summary table

[Bearish Universe](#)

← Use this link to get to the live summary table

[Inflation Universe](#)

← Use this link to get to the live summary table

[Auxiliary Universe](#)

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[Dividend Universe](#)

← Use this link to get to the live summary table

The Relative Strength History table shows the sector with the highest slope at the top and the sector with the lowest slope at the bottom. The lower table shows the corresponding ETFs and their slopes for the current week.

Relative Strength History 03-Oct-2025 to 26-Dec-2025

03 Oct	10 Oct	17 Oct	24 Oct	31 Oct	07 Nov	14 Nov	21 Nov	28 Nov	05 Dec	12 Dec	19 Dec	26 Dec
SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	BIOTC	BIOTC	BIOTC	BIOTC	BIOTC	BIOTC	BIOTC
TECHS	BIOTC	BIOTC	BIOTC	BIOTC	BIOTC	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	GOLD
BIOTC	GOLD	GOLD	GOLD	GOLD	GOLD	GOLD	GOLD	GOLD	GOLD	GOLD	GOLD	SEMIS
GOLD	TECHS	TECHS	TECHS	TECHS	TECHS	TECHS	TECHS	HLTHY	HLTHY	HLTHY	HLTHY	HLTHY
DFEND	DFEND	DFEND	DFEND	DFEND	DFEND	DFEND	DFEND	HLTHY	TECHS	TECHS	TECHS	TECHS
COMMS	COMMS	COMMS	UTILS	UTILS	UTILS	SP500	DFEND	DFEND	SP500	SP500	TRANS	TRANS
SALES	SALES	INFRA	COMMS	SP500	SP500	HLTHY	SP500	SP500	INFRA	TRANS	INFRA	BANKS
BLDRS	DISCR	SP500	INFRA	INFRA	INFRA	UTILS	UTILS	UTILS	DFEND	INFRA	BANKS	INFRA
DISCR	SP500	UTILS	SP500	COMMS	HLTHY	INFRA	INFRA	INFRA	TRANS	ENRGY	SP500	SALES
INFRA	INFRA	SALES	DISCR	DISCR	DISCR	DISCR	DISCR	ENRGY	ENRGY	DFEND	SALES	SP500
SP500	BLDRS	DISCR	SALES	HLTHY	COMMS	COMMS	COMMS	COMMS	COMMS	COMMS	DFEND	DFEND
BANKS	BANKS	INDUS	HLTHY	SALES	INDUS	INDUS	INDUS	DISCR	INDUS	BANKS	COMMS	COMMS
INDUS	UTILS	TRANS	INDUS	INDUS	TRANS	TRANS	ENRGY	TRANS	BANKS	SALES	ENRGY	INDUS
TRANS	INDUS	BLDRS	TRANS	TRANS	SALES	ENRGY	TRANS	INDUS	UTILS	INDUS	INDUS	FINAN
FINAN	TRANS	BANKS	BLDRS	FINAN	ENRGY	SALES	FINAN	INSUR	INSUR	INSUR	INSUR	INSUR
UTILS	FINAN	HLTHY	FINAN	ENRGY	FINAN	FINAN	SALES	FINAN	SALES	FINAN	FINAN	ENRGY
ENRGY	ENRGY	FINAN	BANKS	BLDRS	BANKS	BANKS	INSUR	BANKS	FINAN	REALE	STAPL	STAPL
MATER	HLTHY	ENRGY	ENRGY	BANKS	REALE	REALE	BANKS	SALES	DISCR	BLDRS	BLDRS	BLDRS
HLTHY	MATER	MATER	REALE	REALE	BLDRS	INSUR	REALE	REALE	REALE	STAPL	REALE	REALE
INSUR	INSUR	INSUR	MATER	MATER	MATER	MATER	MATER	MATER	BLDRS	UTILS	DISCR	DISCR
REALE	REALE	REALE	INSUR	INSUR	INSUR	BLDRS	STAPL	STAPL	STAPL	DISCR	UTILS	UTILS
STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	BLDRS	BLDRS	MATER	MATER	MATER	MATER

Details

Symbol	Slope	Synonym	Sector Name	Symbol	Slope	Synonym	Sector Name
1. XBI	7.52	BIOTC	BIOTECH	12. XLC	1.12	COMMS	COMMUNICATION SRVCS
2. GLD	4.50	GOLD	GOLD	13. XLI	0.86	INDUS	INDUSTRIALS
3. SMH	4.20	SEMIS	SEMICONDUCTORS	14. XLF	0.83	FINAN	FINANCIALS
4. XLV	3.02	HLTHY	HEALTH CARE	15. KIE	0.79	INSUR	INSURANCE
5. IGM	2.09	TECHS	TECHNOLOGY	16. XLE	0.76	ENRGY	ENERGY
6. IYT	1.95	TRANS	TRANSPORTATION	17. XLP	-0.43	STAPL	CONSUMER STAPLES
7. KBE	1.78	BANKS	BANKS	18. ITB	-0.66	BLDRS	HOMEBUILDERS
8. PAVE	1.57	INFRA	INFRASTRUCTURE	19. XLRE	-0.77	REALE	REAL ESTATE
9. XRT	1.51	SALES	RETAIL SALES	20. XLY	-10.64	DISCR	CONSUMER DISCR
10. SPX	1.46	SP500	S&P 500	21. XLU	-11.22	UTILS	UTILITIES
11. ITA	1.45	DFEND	AEROSPACE & DEFENSE	22. XLB	-11.47	MATER	MATERIALS

The top 11 sectors remained largely the same with some minor shuffling. Techs and Trans remained the same. The bottom 6 remained exactly the same.

Sector Universe

← Use this link to get to the live summary table

The order of the sector ETF's and their synonyms in this SPX Sector Universe Summary table should match the order of the synonyms in the rightmost column of the Relative Strength History Table above. This table provides a quick look at sector MTA status, Relative-Strength, Chaikin Money Flow, the number of weeks since price made a New High and New Low, and the MACD Histogram score.

SPX Sector Universe Summary for 24-Dec-2025								
Symbol	Synonym	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XBI	BIOTC	BIOTECHNOLOGY	ETF	UP	7.55:1.47	«UP»	207/2	-0.6
GLD	GOLD	SPDR GOLD SHARES	ETF	UP	4.45:1.47	=UP=	999/0	0.4
SMH	SEMIS	SEMICONDUCTORS	ETF	UP	4.21:1.47	DN	2/0	-0.4
XLV	HLTHY	HEALTH CARE	ETF	UP	3.06:1.47	=dn=	1/0	-0.2
IGM	TECHS	EXPANDED TECH SECTOR	ETF	UP	2.11:1.47	up	2/0	-0.3
IYT	TRANS	TRANSPORT NDX	ETF	UP	1.94:1.47	≡UP≡	1/0	-0.1
KBE	BANKS	S&P BANK SECTOR	ETF	UP	1.73:1.47	DN	1/2	0.3
PAVE	INFRA	INFRASTRUCTURE	ETF	UP	1.57:1.47	-UP-	2/0	-0.0
XRT	SALES	RETAIL	ETF	UP	1.47:1.47	DN	0/2	0.1
SPX	SP500	CAP-WTD S&P 500 INDEX	INDEX	UP	1.46:1.47	=UP=	999/0	-0.0
ITA	DFEND	SPACE & DEFENSE	ETF	UP	1.36:1.47	=UP=	989/0	0.9
XLC	COMMS	COMMUNICATION SRVCS	ETF	UP	1.09:1.47	DN	12/0	0.1
XLI	INDUS	INDUSTRIALS	ETF	UP	0.84:1.47	DN	2/0	0.1
XLE	ENRGY	ENERGY	ETF	DN	0.83:1.47	DN	0/0	-0.4
XLF	FINAN	FINANCIALS	ETF	UP	0.78:1.47	«dn»	999/1	0.3
KIE	INSUR	INSURANCE SECTOR	ETF	DN	0.77:1.47	≡UP≡	37/0	0.2
XLP	STAPL	CONSUMER STAPLES	ETF	DN	-0.42:1.47	DN	0/4	-0.1
ITB	BLDRS	HOME CONSTRUCTION	ETF	UP	-0.60:1.47	DN	0/4	-0.6
XLRE	REALE	REAL ESTATE	ETF	DN	-0.74:1.47	=dn=	0/34	-0.1
XLY	DISCR	CONSUMER DISCR	ETF	UP	-10.14:1.47	DN	3/0	-3.3
XLU	UTILS	UTILITIES	ETF	UP	-10.66:1.47	=dn=	0/505	-4.3
XLB	MATER	MATERIALS	ETF	DN	-10.98:1.47	-UP-	3/0	-3.1

MoM price changes for the top 5 sectors: [XBI](#): 1.7%, [GLD](#): 8.8%, [SMH](#): 5.2%, [XLV](#): -1.5%, [IGM](#): 1.6%

MoM price changes for the Mag 7 plus AVGO: [AAPL](#): -1.5%, [AMZN](#): 1.5%, [AVGO](#): -11.4%, [GOOGL](#): -2.0%, [META](#): 4.7%, [MSFT](#): 0.5%, [NFLX](#): -11.0%, [TSLA](#): 11.4%

This Week's Selections

Last week my sector choices were: GLD, IYT, SMH, XBI, XLV, BIL (50%).

Top Sector ETFs By Slope

Symbol	MTA	ARI	SSlope	8% Stop	Close	Position
XBI	UP	Up	7.52%	\$116.20	\$124.98	Hold 10%
GLD	UP	Up	4.50%	\$383.40	\$416.74	Hold 10%
SMH	UP	Up	4.20%	\$344.17	\$365.86	Hold 10%
XLV	UP	Up	3.02%	\$146.07	\$156.05	Hold 10%
IGM	UP	Up	2.09%	\$123.48	\$131.28	no
IYT	UP	Up	1.95%	\$70.33	\$75.39	Hold 10%
KBE	UP	Up	1.78%	\$57.77	\$62.21	no
PAVE	UP	Up	1.57%	\$45.77	\$49.26	no
XRT	UP	Up	1.51%	\$81.66	\$87.23	no
SPX	UP	Up	1.46%	\$6377.49	\$6929.94	INDEX
ITA	UP	Up	1.45%	\$202.58	\$218.07	no

Legend: Up: ↑, Down: ↓, Flat/Stable: —

Note

SMH manual stop is still \$344.17 while 8% stop is \$336.59.

Analysis

[XBI](#) made a 207-week new high but is up against psychological resistance and significant historical resistance from 2021 near \$125. [GLD](#) made an all-time high. [SMH](#) made it above \$360 but is facing some historical resistance near \$375. [XLV](#) pushed up through \$155 but is facing some historical resistance from late November and mid-December. [IGM](#) got above \$130 but needs to overcome historical resistance from late October and the first half of December.

[IYT](#) jumped above \$75 on Monday and then went to sleep, although its CMF remains positive. [KBE](#) has been a zombie for the last 10 days. 12 days ago it crossed above \$62...and then went to sleep. [PAVE](#) reached for \$50 11 days ago, fell down to \$48, then edged up over \$49. [XRT](#) faded for 7 days after Mid-December, but now it's pulled back up close to \$87.50. [SPX](#) rose from Friday (the 19th) to Wednesday. Then is stalled near \$6930 on Friday (the 26th). [ITA](#) made a 989-week high this week, then dropped a little to \$218 on Friday.

Thoughts and Decisions

I'm a little concerned about IYT but this often happens with new positions. I buy it because it looks good and then it goes on vacation before rallying again. My sector choices this week remain: GLD, IYT, SMH, XBI, XLV, BIL (50%).

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New Highs and New Lows

There were 7 all-time highs this week with 3 more long-time highs. There were no all-time lows.

SECURITIES MAKING NEW HIGHS DURING THE WEEK OF 26-Dec-2025					
SYMBOL	COMPANY	INSTR	MTA	SLOPE	WEEKS
DJIA	DOW JONES INDUSTRIALS	INDEX	UP	1.56	999
DJTA	DOW JONES TRANSPORTS	INDEX	UP	3.64	999
GLD	SPDR GOLD SHARES	ETF	UP	4.50	999
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	1.46	999
SPY	S&P 500 (LARGE-CAP)	ETF	UP	1.48	999
VTI	TOTAL STOCK MARKET	ETF	UP	1.48	999
XLF	FINANCIALS	ETF	UP	0.83	999
SLV	SILVER TRUST	ETF	UP	12.96	990
ITA	SPACE & DEFENSE	ETF	UP	1.45	989
GDX	MARKET VECTORS GOLD MINERS	ETF	UP	8.03	987
COPX	GLOBAL X COPPER MINERS	ETF	UP	8.45	790
KBWB	BIG BANKS	ETF	UP	3.29	454
IQLT	GLOBAL QUALITY	ETF	UP	1.02	448
CSQ	CALAMOS STRATEGIC	CEF	UP	0.80	407
GLDM	GOLD MINISHARES	ETF	UP	4.53	378
NVS	NOVARTIS	STOCK	UP	2.52	346
VGK	FTSE EUROPE	ETF	UP	1.42	344
JPM	JPMORGAN CHASE	STOCK	UP	1.75	324
RY	ROYAL BANK OF CANADA (DS 1870)	STOCK	UP	4.89	308
TD	TORONTO-DOMINION BANK (DS 1857)	STOCK	UP	5.31	308
EUFN	EUROPEAN BANKS	ETF	UP	2.46	268
XBI	BIOTECHNOLOGY	ETF	UP	7.52	207
BNS	BANK OF NOVA SCOTIA (DS 1833)	STOCK	UP	5.24	190
DBB	BASE METALS	ETF	UP	2.86	179
NLY	ANNALY CAPITAL MANAGEMENT	STOCK	UP	2.62	144
LIT	LITHIUM & BATTERY TECH	ETF	UP	7.67	124
QLTY	GMO U.S. QUALITY	ETF	UP	2.29	106
MRK	MERCK (DA)	STOCK	DN	6.25	59
SECURITIES MAKING NEW LOWS DURING THE WEEK OF 26-Dec-2025					
XLU	UTILITIES	ETF	UP	-11.22	505
CLX	COLOROX (DK)	STOCK	DN	-5.33	307
DUAVF	DASSAULT AVIATION	STOCK	UP	-2.76	291
KHC	KRAFT HEINZ COMPANY	STOCK	DN	-1.97	289
KMB	KIMBERLY CLARK (DK)	STOCK	DN	-5.27	261
PSA	PUBLIC STORAGE (DA)	STOCK	DN	-2.40	83
VICI	VICI PROPERTIES	ETF	DN	-3.44	73
COST	COSTCO WHOLESALE	STOCK	DN	-2.55	69