Financial Research Education & Data

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Trading Week Starting
January 26, 2026

The FRED Report

Summary of Market View

In Stocks, we discuss the current market, sentiment, and then look at Micro-Cap stocks in answer to a question on last Thursday's call. We continue the discussion of sentiment in the Chart of Interest section, with a look at the Put/Call indicator. In Fixed Income, we look at the High Yield Bond ETFs.

In Commodities, we look at Crude Oil as it is ending a period of favorable seasonality. In International, we look at some Emerging Market ETFs.

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Special points of interest:

- SPY should hold 675 and QQQ 616. Below those numbers would be an indication that some corrective behavior has started.
- Fred's Price Oscillators for Crude Oil and Gasoline are down without a buy pattern. This suggests a pullback now and a summer rally, a normal seasonal pattern.

Stocks Review

This is the last week of January, and it should be an up week. The last two weeks were down, and stocks have tested and held support. SPY should hold 675 and QQQ 616. Below those numbers would be an indication that some corrective behavior has started. This is the last week for our Tax Bounce list. Of the seven stocks on the list, only one is left, and it is a point or so from the target. We hope that a push into month end can hit the target, but regardless, the list ends the last day of January which is this Friday.

On last Thursday's call we discussed Investor's Intelligence sentiment. This is another indicator that is starting to give some selling indications. We have had questions about this after the call. This is not a timing tool, but rather a condition indicator. Still, it is showing some problems and is another concern. We cover our other favorite sentiment indicator, the Put/Call ratio, in Chart of Interest section of this report. Also, on last Thursday's call, we have been asked about the Micro-Cap names, as these have been rallying. The two ETFs we discuss in this area are **IWC (iShares® Russell Micro cap Index)** and **FDM (First Trust® Dow Jones Select Micro Cap ETF)**.

"Investor's Intelligence sentiment is starting to give some selling indications."

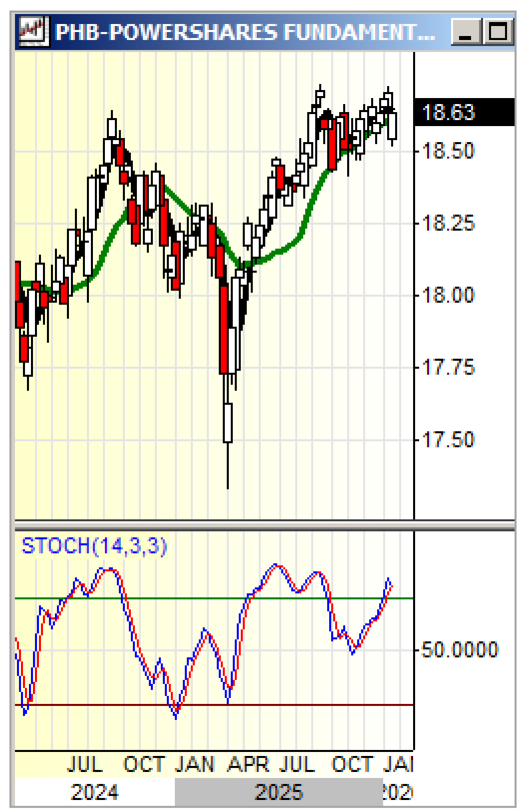
As is often the case, FDM is the better chart although it is less liquid. We will look at the monthly charts of both. While both are at new highs, the move on FDM has been smoother. Intermediate support is the 75-area, then 65 should hold if there is more of a correction. Stochastics are overbought, not a surprise, as both ETFs are close to new highs. IWC is a recent breakout to new highs, but it had a bit more trouble with the 2021 high. That is support, around 150, and if that fails to hold, the next good support is around 139. The performance of these bodes well for small business here in the US, but these may be risky additions to portfolios at this time. If the market can pull back, we would revisit these ideas in May.

Fixed Income Review

We will take a quick look at the High Yield Bond ETFs, as this area of the market could serve as the canary in the coal mine for the stock indexes. We will look at **HYG (iShares® Corporate High Yield Bond), JNK (SPDR Barclay's High Yield bond ETF),** and **PHB (Invesco® Fundamental Corporate High Yield Bond).** The first two of these are "debt weighted", meaning that the largest debt issuers have the biggest positions in the ETF. PHB is fundamentally weighted, which has two effects: The yield on PHB is often less, but the chart often trades better, and it is much safer and stronger during a recession. Right now, the yield profile is as follows: HYG 5.7%, JNK 6.6%, PHB 5.5%. We also note that, in terms of volume, HYG does much more than at around 30 million/day average volume. JNK is second with around 3 million/day, and PHB does much less with 3 hundred thousand/day. While these are approximate figures the proportions are correct.

> *"We will take a quick look at the High Yield Bond ETFs, as this area of the market could serve as the canary in the coal mine for the stock indexes."*

A recession is not in our forecast so one of the main reasons to choose PHB is not a concern. It is the strongest chart, however. If the choice were between HYG and PHB we would choose PHB, with the following caveats. First, because of the low volume we would realize that exiting a position could take time in an adverse market. So, this would be a long-term hold. In many ways our favorite of these is JNK. It has the highest yield, and the chart is basically the same as the others (the relative weakness is very subtle). On HYG and JNK, the daily stochastic is up and overbought. On PHB, it has already rolled over. The weeklies are all overbought, with a slight bit more strength in PHB. We will watch these to determine some market strength.

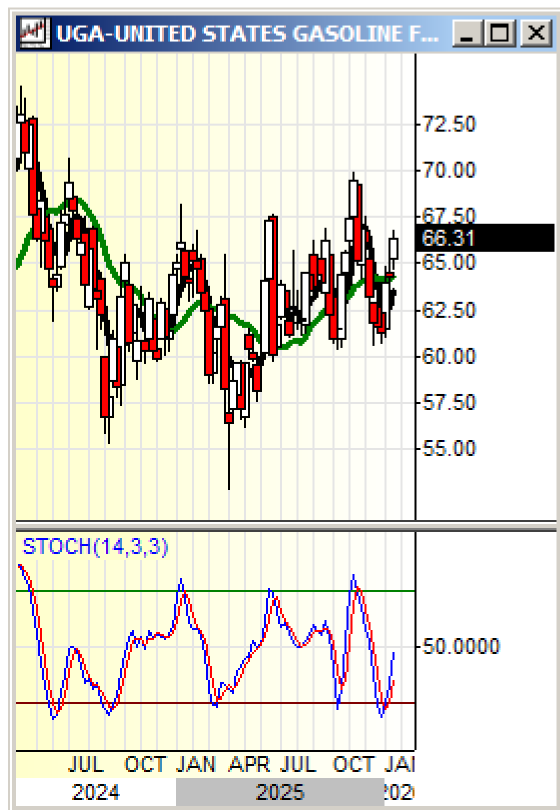


Commodity Review

We will look at oil today, as it ends its favorable seasonality at the end of January to the beginning of February. The problem with coming up with direction is that the commodity has been a range since 2023. All this really tells us is that a move out of the range should have some legs, whether it is up or down. UGA is a similar pattern, and we note that on both weekly stochastics are in buy mode, suggesting prices may be a little higher for a bit longer, as they are very close to being overbought.

"Oil ends its favorable seasonality at the end of January to the beginning of February."

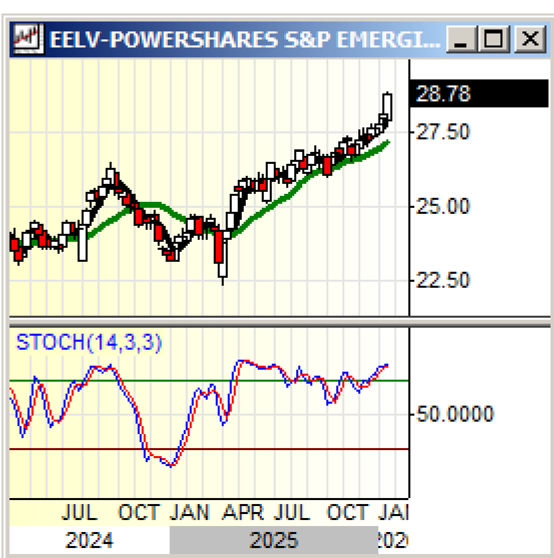
I have looked at the commodities on Futures.tradingcharts.com and they are basically the same pattern as the ETFs, not a surprise. So, there is no real way to get a good direction at the end of seasonal strength. We do know that the current administration wants prices lower and is trying hard to do this. As a guidepost we would look at the monthly Fred's Price Oscillators Crude Oil and Gasoline, our longer-term overbought/oversold indicators. These are down without a buy pattern. This suggests a pullback now and a summer rally, a normal seasonal pattern.



International Review

Emerging Markets have continued to rally. We have recommended an active solution here, as China has been weak. China still looks a bit weak to us, especially fundamentally, but the ETFs have improved a good bit and are still the best way to measure the performance of these markets. We will look at three ETFs we have recommended. These are **EEM (iShares® MSCI Emerging Markets Index), VWO (Vanguard FTSE Emerging Markets Fund), EELV (Invesco® Emerging Market Low Volatility ETF),** and an interesting idea, **FRDM (Freedom 100 Emerging Markets ETF)**.

The first two of these are similar. EEM is the "benchmark" ETF. VWO is a similar chart but is actually trading a bit worse. **EEM** is a breakout with support around 55, the breakout. Daily and weekly stochastics are overbought, with the weekly a very slight sell pattern. **VWO** is a breakout but slightly less far along, which puts both the daily and weekly stochastics into overbought territory, with a slight sell pattern. Support here is around 56 to 57. **EELV** is a low volatility solution that we have preferred over the last two years. The reason is it can dial up or down exposure to a country that may not be performing. It also is a breakout and a very strong pattern. The stochastic pattern is similar to, but stronger than, EEM. The daily stochastic is overbought and the weekly is as well, but with a slight sell pattern. **FRDM** is a "concept" ETF that seeks to invest in emerging economies that have higher personal and economic freedom scores. We would consider FRDM as a speculative addition to an emerging market allocation. We show weekly charts, below.



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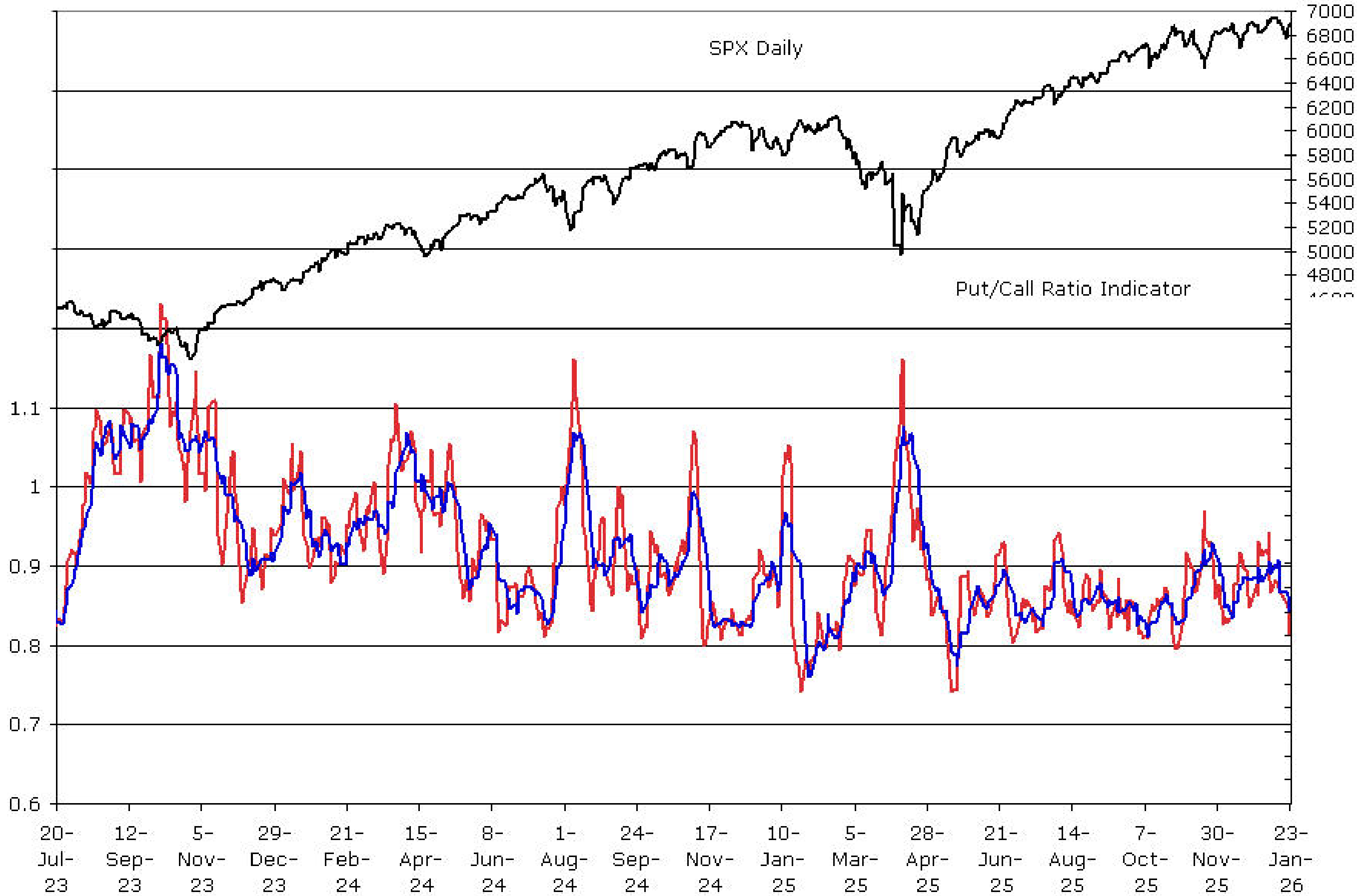
Weekly Chart of Interest

We show our **Put/Call Ratio Indicator** chart. This is showing complacency here, and supports a decline, albeit not right away. While these readings are not a surprise, they are a concern given other indicator issues. Sentiment is deteriorating!



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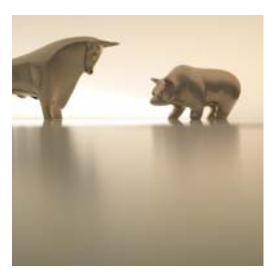

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