Mid-Term Forecast - US Equities*

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Comments (data as of Nov 13 2026):

The third of three strongly optimistic episodes, which we call Anxiety-Free Periods (AFPs), is likely to begin next week and end in mid-December. The first two AFPs of 2026 have coincided with the U.S. equity market moving higher.

If historical patterns hold, the market may stabilize during the third AFP but could become more vulnerable to declines soon after it ends in mid-December, when the Micro Driver's support fades and the Macro Driver turns negative.

This outlook is based on research described in this paper:
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5482086

Report Overview

Comments that may change each week are in shaded boxes. The sections of this report include:

- Mega Sentiment Cycle (p1)
- Market Resilience Indexes and Physics-Based Drivers (Figure 1)
- Price Momentum (14-week RSI) - 10 Years (Figure 2)
- Price Momentum (14-week RSI) - 1 Year (Figure 3)

See this link for additional information about the sections: **https://cpminvesting.com/notes**

Mega Sentiment Cycle

The phases of an approximately 13-year cycle have distinct biases regarding returns, volatility, and price-to-earnings ratios. Anxiety-Free Periods (AFPs) occur between Phases 1 & 2, and 3 & 4. Historical average weekly Sharpe ratios are shown below in parentheses. For additional information: **https://cpminvesting.com/notedrivers**

Phase 1: Aspirational Thinking (Optimism), Tolerance for High Valuations (0.09) - **ended May 2026**
Anxiety-Free Period A: Investor Euphoria - current (late 2026)
Phase 2: Aspirational Thinking (Optimism), High Sensitivity to Valuations (0.11) - **begins early 2027**
Phase 3: Critical Thinking (Pessimism) During Low Market Volatility (0.04)
Anxiety-Free Period B: Investor Euphoria
Phase 4: Critical Thinking (Pessimism) During High Market Volatility (0.05)

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* Note: References to U.S. equities in this report generally refer to the iShares Russell 1000 ETF (IWB), which tracks the Russell 1000 Index.

Source: CPM Investing LLC. Data using USD prices, except as noted. For more information, see the Additional Notes at the end of this document.
Backtested/hypothetical results do not indicate actual or future returns. Current decision rules and parameters are used to simulate historical performance.
If and when the rules and parameters are revised, those revisions may affect previously reported simulated historical performance characteristics.
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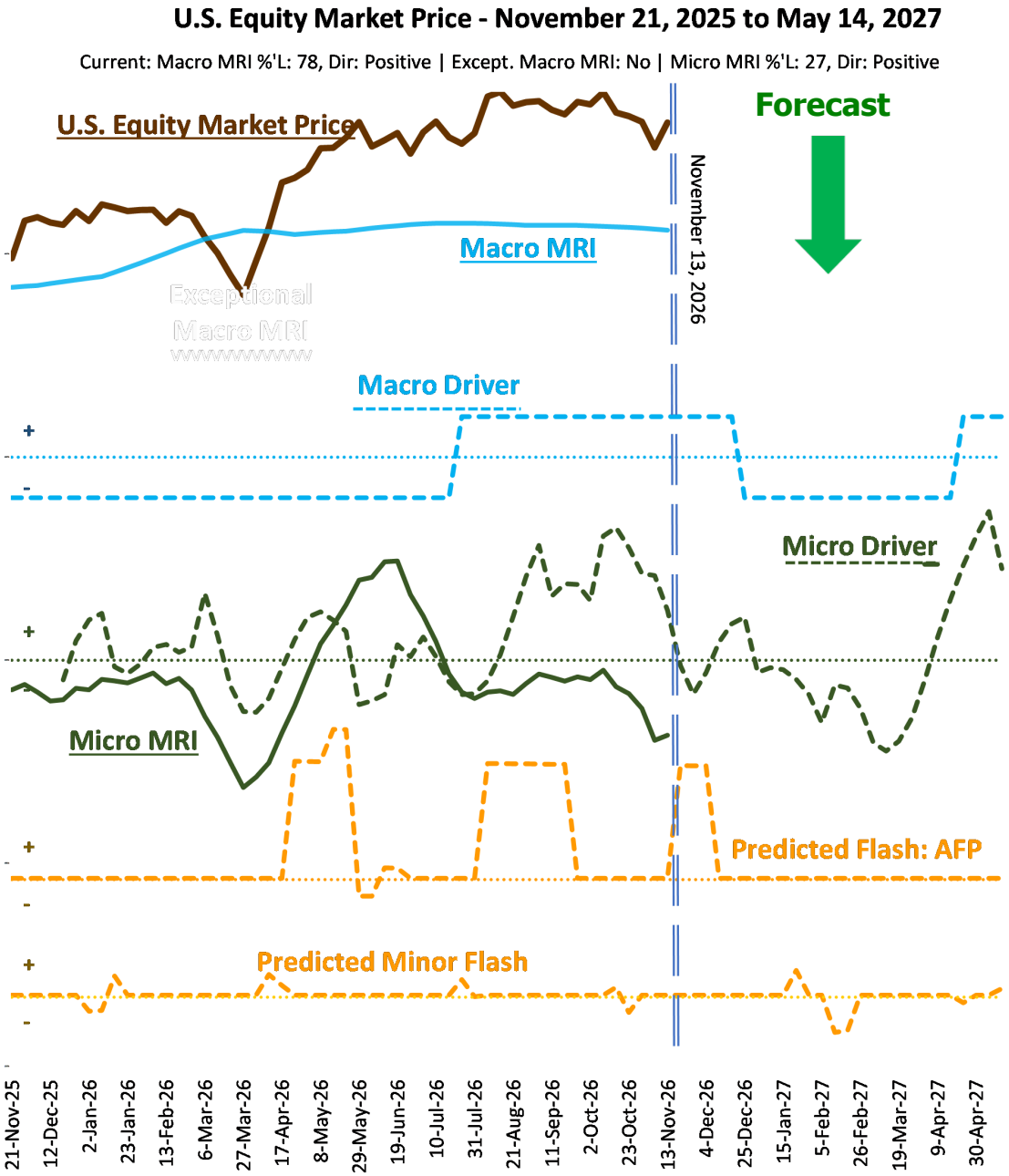
Market Resilience Indexes and Physics-Based Drivers

Fig. 1



Comments: The Macro MRI has a positive trend and is at the 78th percentile of levels since 2000. However, the trend is weakening.

The Macro Driver, which indicates naturally occurring shifts in sentiment related to the Macro MRI, turns negative in late December and stays negative until about April 2027. This may inhibit the development of a stronger Macro trend.

The Micro MRI has turned up from a low level (27th percentile) after declining since mid-October.

After a dip next week, the Micro Driver moves higher through mid-December, supporting short-term price gains. That support then ends.

An Exceptional Macro MRI signal is not present.

Figure 1. The Market Resilience Indexes (MRI, shown as solid lines) are derivatives of a widely used measure of price momentum, J. Welles Wilder's RSI. The Micro MRI measures the acceleration of price momentum and reflects trends lasting several weeks. The Macro MRI measures the acceleration of price momentum and reflects trends lasting several quarters. The Exceptional Macro MRI is shown when the Macro MRI is likely to develop a more positive slope. The Physics-Based Drivers are shown as dashed lines and indicate the likely paths for the Micro and Macro MRI during periods of moderate economic and market stress. When an MRI converges with or moves below its Driver, it suggests that naturally occurring investor emotion is increasingly influencing market price fluctuations; prices may become vulnerable to declines when the Driver shifts to a negative trend. When an MRI converges with or moves below its Driver, it suggests that naturally occurring investor emotion is driving market price fluctuations; prices may become vulnerable to declines when the Driver shifts to a negative trend. The MRI series and their drivers move above and below centerlines. Figure 1 also shows the Predicted Flash and Minor Flash drivers, indicating abrupt episodes of optimism and pessimism. MRI percentile levels are relative to historical observations.

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Price Momentum (14-week RSI) - 10 Years

Fig. 2

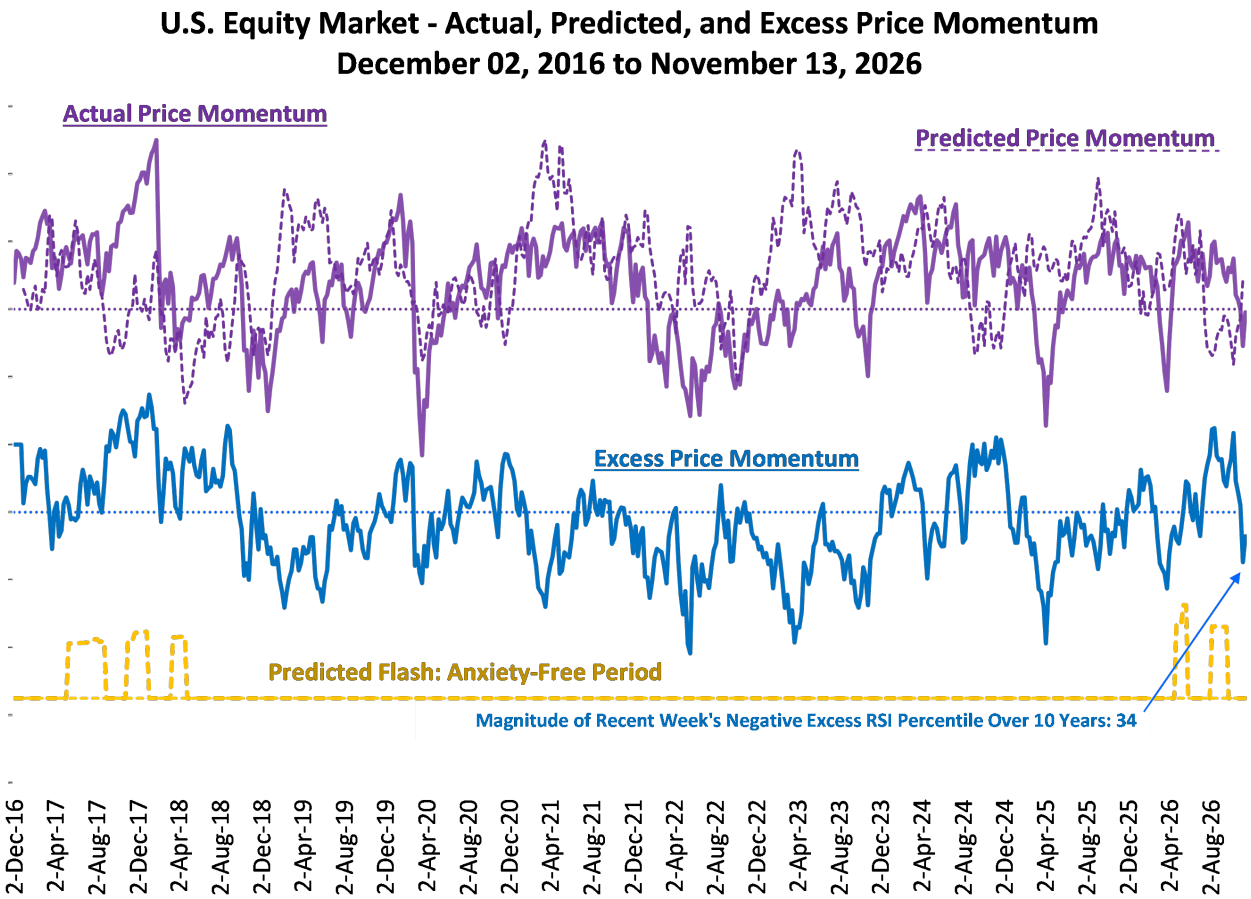

Figure 2. The 14-week RSI is a measure of price momentum. It blends short- and long-term influences and is a good single indicator of overall medium-term investor sentiment of the U.S. equity market. This figure shows Actual and Predicted Price Momentum using the 14-week RSI. Our Predicted Price Momentum metric indicates the likely path of Actual Price Momentum during normal market conditions. The upper portion of Figure 2 shows the Predicted and Actual Price Momentum for the past 10 years. The blue line in the middle, labeled Excess Price Momentum, represents the difference between the two series. High values of Excess Price Momentum indicate stronger-than-expected price momentum, often reflecting positive investor sentiment regarding economic and market conditions. Low values suggest weaker-than-expected price momentum, reflecting negative sentiment. Excess Price Momentum captures investor sentiment related to factors such as stock valuations, inflation, interest rates, economic growth, and physics-based factors that are not reflected in the Predicted Price Momentum series.

Comments (data as of Nov 13 2026): On the far right of Figure 2, Excess Price Momentum (actual minus predicted momentum), shown as the solid blue line, is below the neutral line (horizontal dotted blue). The size of this negative reading is at the 34th percentile over the last ten years.

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Price Momentum (14-week RSI) - 1 Year

Fig. 3

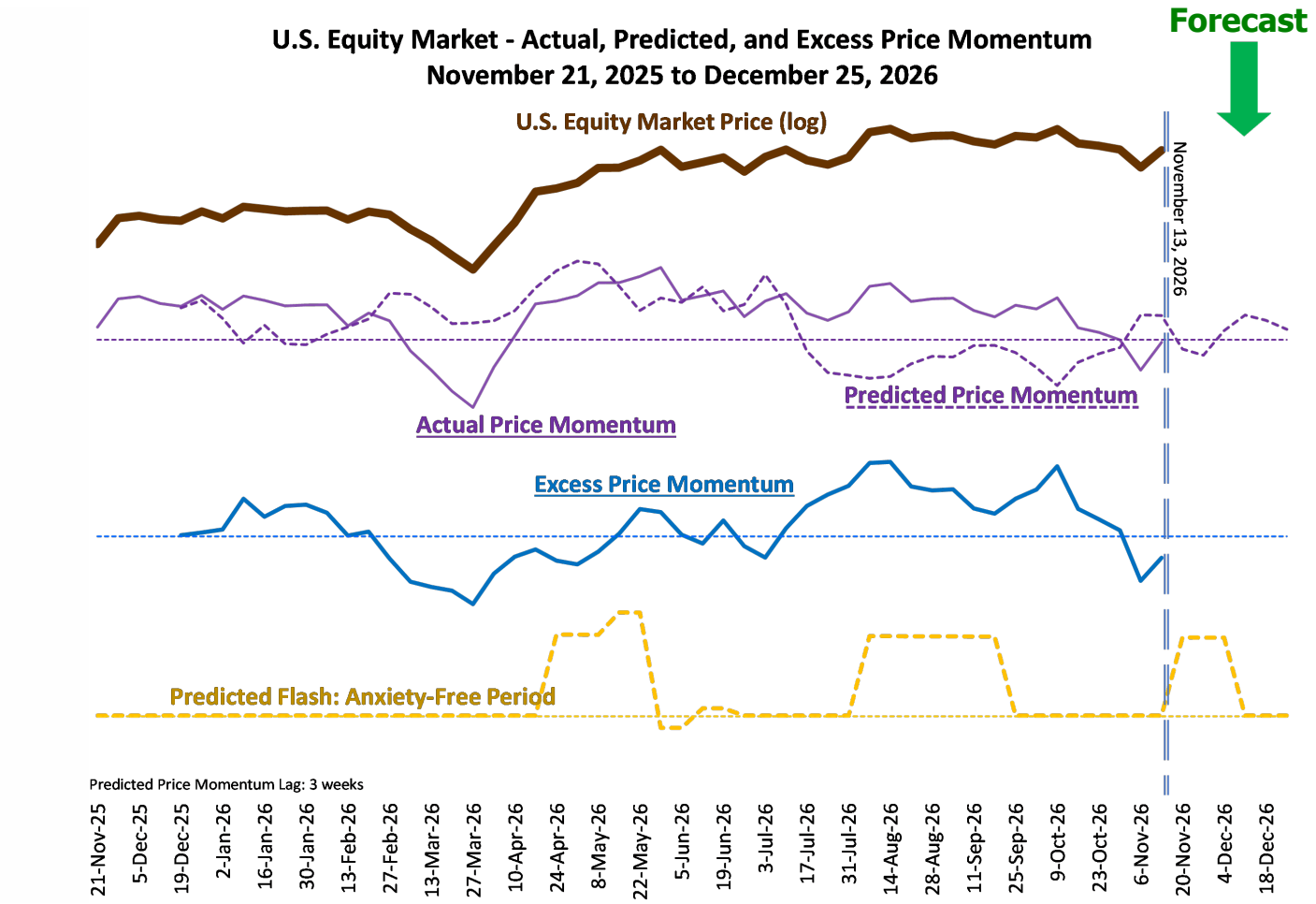

Figure 3. The top panel shows the U.S. equity market price (log scale) as the brown line. Actual Price Momentum (14-week RSI) is shown as the solid purple line and Predicted Price Momentum as the dotted purple line. The Excess Price Momentum is shown as the blue solid line and deviates from its neutral level (dashed horizontal blue line) when Excess Price Momentum is above or below normal. The interpretation of Excess Price Momentum is described in the caption under Figure 2 on the prior page.

The lower portion of the figure shows the Predicted Flash: Anxiety-Free Period.

Comments (data as of Nov 13 2026): The dotted purple line shows Predicted Price Momentum declining over the next two weeks, rising in the first half of December during the third AFP, and then leveling off.

Excess Price Momentum is below the neutral line but turned up last week.

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Additional Notes

Links

See additional notes:
www.cpminvesting.com/notes
For information on our Anxiety-Free Period (AFP) research see this paper (preprint):
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5482086
Please contact us with questions:
contact@cpminvesting.com

ETF and Index Information

The iShares® Russell 1000 ETF (IWB) seeks to track the investment results of the Russell 1000® Index, which measures the performance of large- and mid-capitalization U.S. equities. References to the U.S. equity market in this report generally refer to IWB.

Other ETFs referenced in this report may include the iShares® Russell 2000 ETF (IWM), iShares® S&P GSCI® Commodity-Indexed Trust (GSG), Invesco QQQ Trust (QQQ), Invesco S&P 500® Equal Weight ETF (RSP), and SPDR® Dow Jones Industrial Average ETF Trust (DIA). These ETFs seek to track their respective underlying indexes.

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Sentiment Shifts

Sentiment shifts occur periodically and are described as changes between optimism and pessimism, risk-on and risk-off behavior, resilience and vulnerability, euphoria and panic, and aspirational thinking and critical thinking.

Total sentiment reflects economic forces and the naturally occurring forces that affect investor decision making:

> Economic and behavioral forces
- Investor views on economic conditions
- Investor views on market fundamentals
- Investor behavior (e.g., trend-following, mean-reverting, calendar effects, response to current events)

> Naturally occurring forces

Naturally Occurring Shifts Have a Large Impact: These shifts have a larger impact than many investors realize. Our out-of-sample simulation indicates that 88% of the actual short-term inflection points in the 14-week Relative Strength Index (RSI) occur within +/- 1 week of the predicted inflection points. A binomial test indicates that the probability of achieving this alignment by chance is very low ($p < 0.0001$).
https://cpminvesting.com/simulated-rsi-forecast

We Infer the Impact of Sentiment Related to Economic and Market Conditions: When total investor sentiment deviates meaningfully from the natural shifts, we infer the sentiment related to economic and market conditions. If we take the actual 14-week RSI, for example, which reflects both economic and natural forces, and subtract the effect of the natural forces (represented by the predicted series), the difference is a reasonable gauge of the impact of the economic and market conditions on the acceleration of price

momentum. This impact is shown in Figure 2.

Early Indicators of Market Declines: Key early indicators of an impending market correction are a) when Excess RSI moves to negative levels, and b) when actual sentiment metrics, such as one of our Market Resilience Indexes or the 14-week RSI, converge with a negatively trending predicted metric. See this page:
https://cpminvesting.com/notes

Two Types of Physics-Based Drivers: We maintain over three dozen physics-based drivers. There are two general types:
a) Continuous Drivers - sentiment changes gradually over time. The Macro and Micro Drivers are continuous.
b) Episodic Drivers - sentiment changes abruptly. The Flash (AFPs) and Minor Flash Drivers are episodic.

For descriptions of each metric, see this page:
https://cpminvesting.com/notes

Two Sentiment-Related Metrics: We use two different metrics in our forecasts of sentiment. We forecast the 14-week RSI to measure price momentum for a market index. See this page for information on the RSI:
https://en.wikipedia.org/wiki/Relative_strength_index

We also forecast our own Market Resilience Index® (MRI) series. The MRI series measure the acceleration of price momentum over different time horizons. An upward-sloping MRI series indicates positive sentiment. MRI readings indicate short- and long-term shifts in market resilience for each market index:
> Micro MRI - short-term trends lasting several weeks
> Macro MRI - long-term trends lasting several quarters

The RSI and MRI series have different characteristics.
RSI (Relative Strength Index)
- Widely used in the investment industry
- Effective in identifying market bottoms
- Less effective in identifying market tops, as RSI can peak several months before the index price.

MRI (Market Resilience Index)
- Designed to identify accurately both market tops and bottoms

For descriptions of each driver, see this page:
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