



**CPM**  
INVESTING

## Mid-Term Forecast - US Stocks\*

Jeffrey Hansen

[www.cpminvesting.com](http://www.cpminvesting.com)

**Comments (data as of May 01 2026):** The peak of the first of three optimistic episodes, which we call Anxiety-Free Periods (AFPs), is expected to occur in the next two weeks. After the peak occurs, we expect an abrupt shift to more negative investor sentiment. If there is an economic need for a repricing of stocks, mid- to late-May is a strong candidate for that repricing to occur. The next strongest candidate for a rapid repricing of stocks is in December. This outlook is based on research described in this paper:  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=5482086](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5482086)

The Micro MRI, which tracks the acceleration of the index's price momentum, is at about the 70<sup>th</sup> percentile of levels since 1918 for the DJIA. This level is high in its normal range and is up from the prior low at the week ending February 27, when it was at approximately the 1<sup>st</sup> percentile of levels. If the recent pace continues, the high point is likely to occur in the next two weeks, which would be generally consistent with the peak of the AFP described above.

The Micro MRI for the NASDAQ index, which is not shown in this report, is also at about the 70<sup>th</sup> percentile of its levels since 1972. If its pace continues, it will also reach an extreme level in the next two weeks.

The following two AFPs in 2026 are not likely to be as strong as the current AFP. The last AFP of 2026 ends in December. The period after it ends is also a strong candidate for an abrupt shift in sentiment and a repricing of stocks. AFPs are rare events. The last cluster of AFPs occurred in late 2017 and early 2018.

## 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)
- Dominant News Narratives (Figure 4)

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 in parentheses. For additional information: <https://cpminvesting.com/notedrivers>

**Phase 1:** Aspirational Thinking (Optimism), Tolerance for High Valuations (0.09) - **ends May 2026**

**Anxiety-Free Period A:** Investor Euphoria

**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

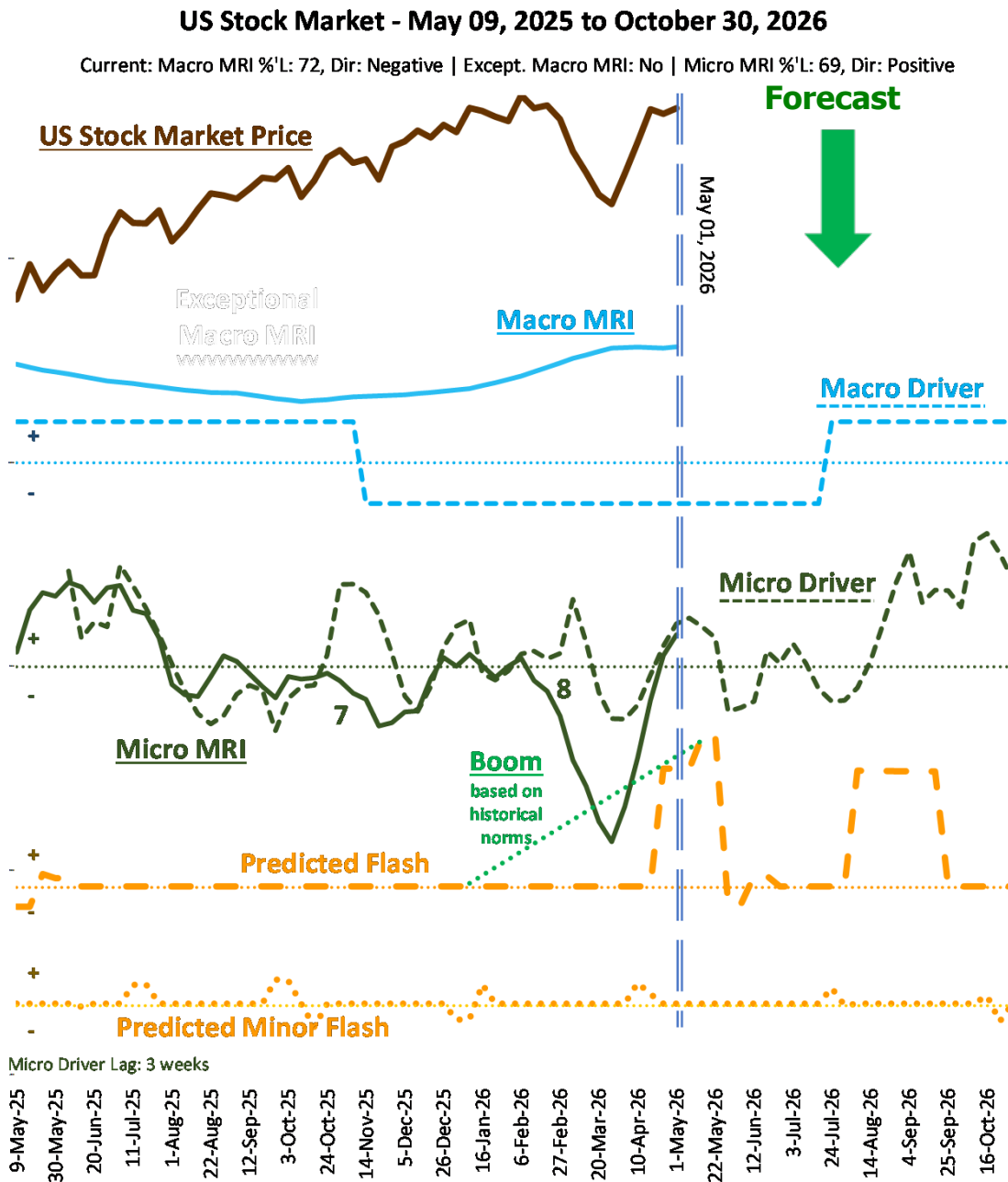
**Phase 4:** Critical Thinking (Pessimism) During High Market Volatility (0.05)

\* Note: References to US stocks in this report refer to the SPDR Dow Jones Industrial Average ETF Trust (DIA), which tracks the Dow Jones Industrial Average (DJIA). See Additional Notes beginning on page 6.



Market Resilience Indexes and Physics-Based Drivers

Fig. 1



**Comments:** The Macro MRI currently has a slight negative trend at the 72nd percentile.

The Micro MRI is in the upleg of its cycle and is at the 69th percentile. This high level suggests that the Micro MRI will soon shift to the downleg of its cycle. If this shift takes place, it would be consistent with the predicted path indicated by the Micro Driver.

An Exceptional Macro MRI signal is not present.

The Predicted Flash Driver indicates a period of strong optimism, an AFP, beginning in April and ending in May. The high point of this flash is expected during the week ending May 15. The period after this date is a strong candidate for a market bust to begin. The second strongest candidate is later in 2026.

Figure 1. The Micro Market Resilience Index (MRI) measures the actual acceleration of short-term price momentum and reflects trends lasting several weeks. It is derived from the widely used RSI, a measure of price momentum shown in Figures 2 and 3. The Macro MRI reflects the actual price momentum acceleration trends lasting several quarters. The Exceptional Macro MRI appears when the Macro MRI is likely to develop a more positive slope. The physics-based drivers indicate the likely paths for the Micro and Macro MRI during periods of moderate economic and market stress. When an MRI is moving higher than its physics-based driver, it suggests that investors have a positive view of economic and market conditions or there are other drivers affecting the MRI. When an MRI converges with its driver, it suggests that naturally occurring investor emotion is driving market fluctuations. Persistent convergence suggests that prices may decline when the driver shifts to a negative trend. The MRI and drivers move above and below center lines. Figure 1 also shows the predicted Flash and Minor Flash drivers indicating abrupt episodes of optimism and pessimism. Percentile levels for the MRI are relative to historical observations.



Price Momentum (14-week RSI) - 10 Years

Fig. 2

US Stock Market - Actual, Predicted, and Excess Price Momentum  
May 20, 2016 to May 01, 2026

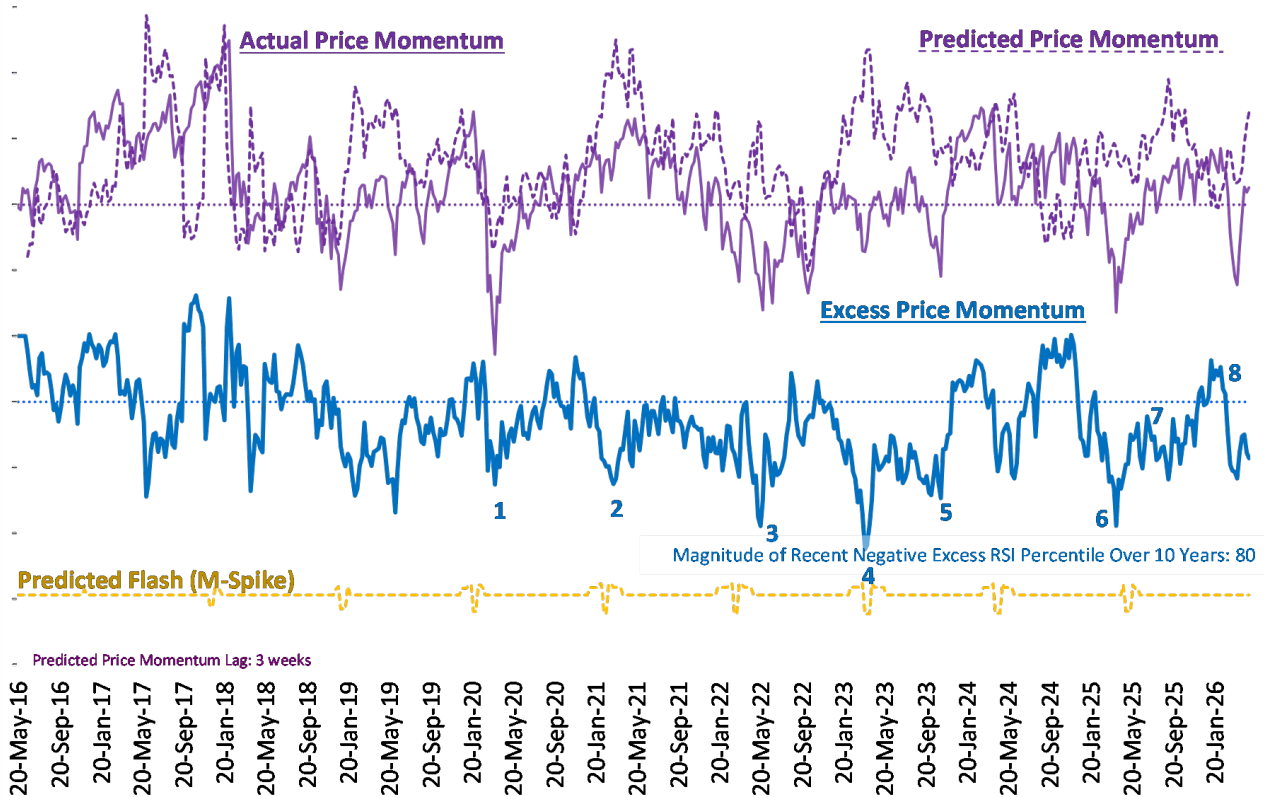


Figure 2. The 14-week RSI is a measure of price momentum that blends short- and long-term influences and is a good single indicator of overall medium-term market sentiment of the U.S. stock market. This figure shows Actual and Predicted Price Momentum using the 14-week RSI to indicate price momentum. 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 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. The Predicted Flash Driver series is included for reference.

**Comments (data as of May 01 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). This indicates negative Excess Price Momentum and suggests negative investor sentiment regarding economic and market conditions.

Eight abrupt and large changes in Excess Price Momentum since 2020 are indicated by numbers 1 through 8. The news narratives associated with these changes are shown in Figure 4.



Price Momentum (14-week RSI) - 1 Year

Fig. 3

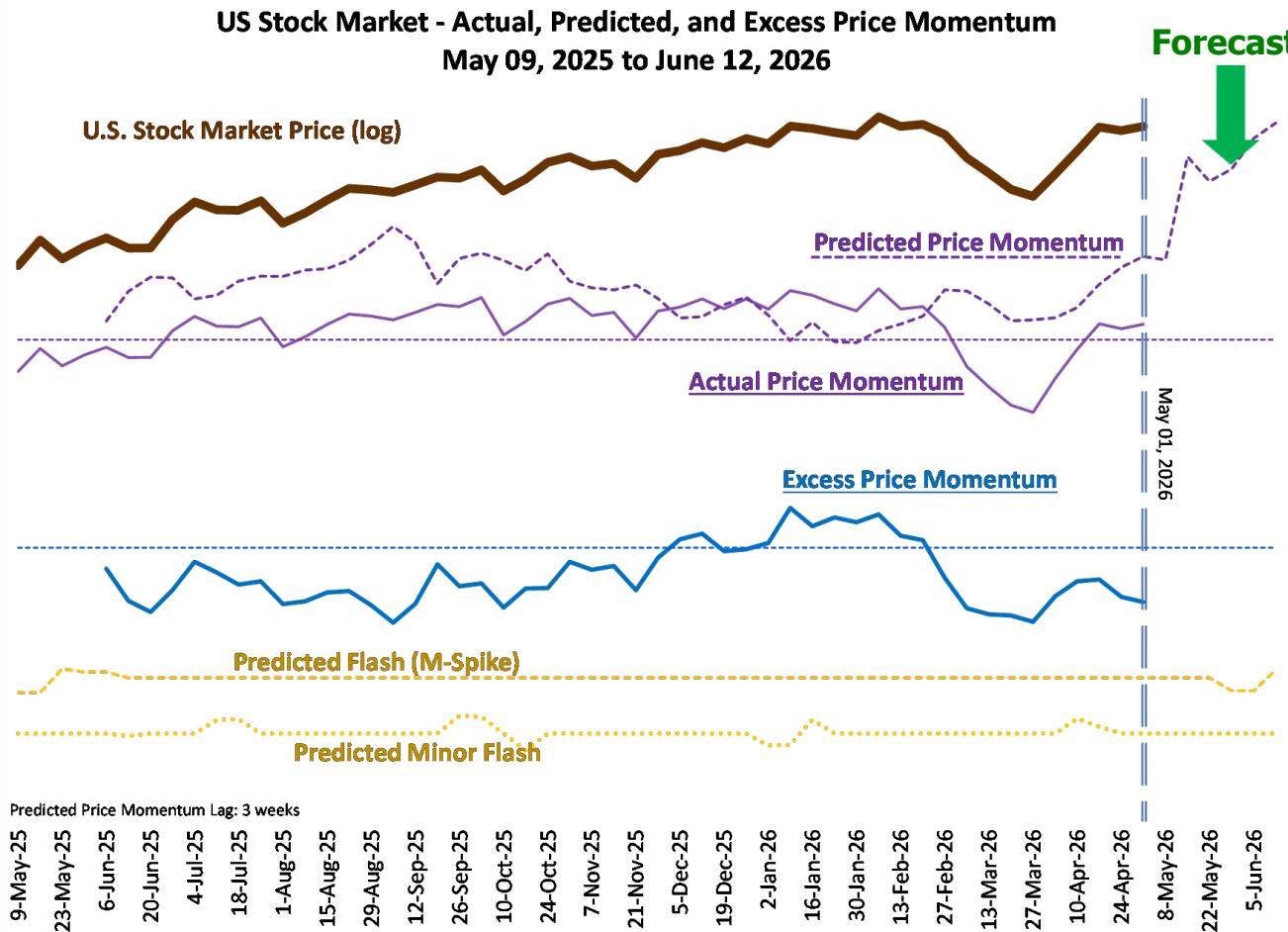


Figure 3. The top panel shows the US stock market price (log scale) as the brown line. Actual Price Momentum (14-week RSI) is shown as the solid purple line and Predicted Price Momentum as the dotted purple line. The Predicted Price Momentum series includes the Predicted Flash of optimism (the AFP) with a 3-week lag. The Excess Price Momentum is shown as the blue 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.

**Comments (data as of May 01 2026):** The dotted purple line shows that Predicted Price Momentum remains above the neutral line over the forecast period. The Predicted Price Momentum series includes the Predicted Flash of optimism (the first of three columns of the 2026 AFP cluster). In contrast with Figure 1, the AFP shown here is lagged three weeks to show the latest period of the expected timeframe. Generally speaking, the timing shown in Figure 1 is more accurate.

Excess Price Momentum is currently below its neutral level, indicating negative investor sentiment regarding economic and market conditions.



## Dominant News Narratives

**Fig. 4**

Figure 4 shows dominant narratives for the weeks highlighted in prior figures. A topic is included if it appears in at least three of six major financial news outlets during the week. Tone (Pos, Neg, Neu) reflects the economic implications in the coverage. Numbers in parentheses indicate the number of outlets reporting the topic. Table A also shows the percentile ranks of the magnitude of the negative Excess Price Momentum over the recent 10 years.

For additional details, see the endnote and <https://cpminvesting.com/noteexcess>.

### A. Notable Weeks With Large Negative Sentiment Divergence

	Dominant	Second	Third
8	2/27/2026 %ile: 56 Iran regional conflict risk	Neg (5) Oil supply disruption concerns	Neg (4) Federal Reserve policy uncertainty
7	11/7/2025 %ile: 50 Treasury yields rise on inflation concerns	Neg (5) Fed signals rates higher for longer	Neg (5) Earnings growth supports resilient equity markets
6	4/4/2025 %ile: 99 Artificial intelligence investment surge	Pos (5) Fed rate-cut debate	Neu (4) Commercial property refinancing
5	11/3/2023 %ile: 98 Israel-Hamas war risk	Neg (5) Oil price volatility	Neg (4) Higher-for-longer Fed
4	3/17/2023 %ile: 99 Regional banking crisis	Neg (5) Bank stabilization measures	Neu (4) Fed policy dilemma
3	5/13/2022 %ile: 99 High inflation surge	Neg (5) Fed rate-hike cycle	Neg (5) Ukraine war commodities
2	3/12/2021 %ile: 95 American Rescue Plan	Pos (5) Rising Treasury yields	Neg (4) Vaccine reopening optimism
1	3/27/2020 %ile: 95 COVID economic shutdowns	Neg (5) Fed emergency stimulus	Pos (5) Historic market volatility

Table B shows the news narratives for recent weeks.

### B. Recent Weeks

5/1/2026	Tech earnings drive record stock rally	Pos (4)	Oil shock raises inflation concerns	Neg (4)	Fed holds rates amid inflation pressure	Neg (4)
4/24/2026	Oil surge fuels inflation and market fears	Neg (5)	Middle East conflict disrupts global markets	Neg (5)	Investors question timing of Fed rate cuts	Neg (4)
4/17/2026	Strait reopening lifts stocks, sinks oil	Neg (5)	Oil shock keeps inflation risks elevated	Neg (5)	Technology rebound extends market rally	Pos (3)
4/10/2026	Oil prices rise on Middle East tensions	Neg (5)	Stock markets volatile on rate uncertainty	Neg (5)	Strong economic data delays expected rate cuts	Neg (4)
4/3/2026	Oil prices jump on Iran tensions	Neg (6)	Federal Reserve signals rate hold	Neg (5)	Fed seen holding rates for longer	Neg (5)
3/27/2026	Bond yields rise on inflation fears	Neg (6)	Oil prices jump on Iran conflict	Neg (5)	Fed cut hopes fade as inflation rises	Neg (5)
3/20/2026	Oil prices jump on Iran war	Neg (6)	Federal Reserve holds rates steady	Neg (6)	Rate-cut hopes fade as yields rise	Neg (6)
3/13/2026	Oil surge from Iran war escalation	Neg (5)	Weak jobs data raises recession fears	Neg (5)	Federal Reserve expected to hold rates	Neg (4)



## Additional Notes

### Links

See additional notes:

[www.cpminvesting.com/notes](http://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](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5482086)

Please contact us with questions:

[contact@cpminvesting.com](mailto:contact@cpminvesting.com)

**ETFs Tracking Non-Capitalization-Weighted Indexes:** References to US stocks in this report refer to the SPDR Dow Jones Industrial Average ETF Trust (DIA), which tracks the Dow Jones Industrial Average (DJIA). Non-cap-weighted indexes, such as the S&P 500 Equal Weight Index and the Dow Jones Industrial Average Index, more clearly reveal the effects of physics-based sentiment drivers. In capitalization-weighted indexes, themes influencing the largest companies can overwhelm these drivers.

The sentiment shifts observed in non-cap-weighted indexes are baseline shifts affecting stocks in general. These baseline effects are additive to sentiment shifts associated with dominant themes in the largest capitalization stocks. Physics-based drivers are better understood as influencing the average stock, rather than the average dollar invested in the stock market, which cap-weighted indexes track.

### Sentiment Shifts

Sentiment shifts occur periodically and are described as changes between:

Optimism, Pessimism Risk-on, Risk-off Resilience, Vulnerability  
Euphoria, Panic Aspirational thinking, 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)
- > Natural 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 a very low probability of achieving this alignment by chance ( $p < 0.0001$ ).

<https://cpminvesting.com/simulated-rsi-forecast>

**We Infer the Impact of Economic and Market Conditions:** When total sentiment deviates meaningfully from the natural shifts, we can infer that economic and market conditions have a higher impact. If we take the actual 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) Cyclic drivers - sentiment changes gradually over time. The Macro and Micro drivers are cyclic.
- b) Episodic drivers - sentiment changes abruptly. The Flash and Minor Flash drivers are episodic. Our forecasts of Episodic Drivers tend to be more accurate than those for the Cyclic Drivers.

For descriptions of each driver, 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. Upward-sloping MRI readings indicate positive sentiment:

[https://en.wikipedia.org/wiki/Relative\\_strength\\_index](https://en.wikipedia.org/wiki/Relative_strength_index)

We also forecast our own Market Resilience Index® (MRI) series. The MRI measure the acceleration of price momentum. Upward-sloping MRI indicate 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 have different features.

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:

<https://cpminvesting.com/notes>

**Dominant News Narratives:** Each calendar week ending Friday, we identify the dominant economic, policy, and broad market narratives appearing across six major financial news outlets (Reuters, Bloomberg, CNBC, Yahoo Finance, Financial Times, and The Wall Street Journal). A topic qualifies only if it appears in at least three of these sources during that same week. Narratives are ranked primarily by the number of outlets reporting the theme. When counts are equal, broader economic or market relevance is used as a tiebreaker. The three most widely reported narratives are shown each week. Tone classifications, Positive (Pos), Negative (Neg), or Neutral (Neu), reflect the prevailing economic implications in the coverage, and the number of outlets reporting each theme is shown in parentheses. The analysis is performed using data available as of Saturday so that weekend “Week in Review” coverage summarizing the prior trading week can be incorporated. This analysis uses AI and may contain errors. For additional information, see this page:

<https://cpminvesting.com/noteexcess>

-----  
**Legal Disclaimer**

The S&P 500® and the S&P 500 Equal Weight Index® are registered trademarks of S&P Dow Jones Indexes LLC, a division of S&P Global. Dow Jones Industrial Average®, DJIA®, and Dow Jones® are trademarks of Dow Jones Trademark Holdings LLC.

