Thackray Newsletter

— Know Your Buy & Sells a Month in Advance —

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Written by Brooke Thackray

Market Update

War- What is it good for?

song- Edwin Starr

War changes things— fast!

Last month in my newsletter, I discussed the trend of sell America and how the US dollar could be a barometer for this trade. If the US dollar continued to move lower, this would be a sign of a continued "Sell America."

S&P 500 Technical Status

The S&P 500 continues to roll over. RSI continues to trend negative.

These are the same conditions that existed over the last month. There is no change.

The full stochastic oscillator has become oversold (barely), but is not showing signs of moving higher.

Overall, from a technical perspective, the S&P 500 continues to look weak, but is moving into an oversold position, so a bounce is becoming more likely.

Global X Seasonal Rotation ETF (HAC : TSX)

Top Holdings as of February 28, 2025

CNDX	GLOBAL X S&P/TSX 60 INDEX ETF	25.25%
NRGY	GLOBAL X EQUAL WEIGHT CANADIAN OIL & GAS INDEX ETF	11.39%
XLV	HEALTH CARE SELECT SECTOR	10.16%
USSX	GLOBAL X S&P 500 INDEX ETF	6.90%
XLU	UTILITIES SELECT SECTOR SPDR	6.07%
FEZ	SPDR EURO STOXX 50 ETF	5.85%
XLI	INDUSTRIAL SELECT SECTOR SPDR	4.70%
EMMX	GLOBAL X MSCI EMERGING MARKETS INDEX ETF	5.14%
GLDX	GLOBAL X GOLD PRODUCERS INDEX ETF	3.93%
XLY	ENERGY SELECT SECTOR SPDR	3.48%

The objective of HAC is long-term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. The Thackray Market Letter is for educational purposes and is meant to demonstrate the advantages of seasonal investing by describing many of the trades and strategies in HAC.

Growth Sectors

The communication services sector has had a recent bump higher. It is yet to be determined if this is a start of a new rally or is just noise.

The technology sector is still trending lower, despite a recent bump.

The consumer discretionary sector continues to trend lower.

Watch for the technology sector and communication services to improve their relative performance over the next few weeks.

Cyclical Sectors

Energy continues higher. Industrials and materials have recently turned lower (new downtrend)? Financials, continues to trend lower.

Overall, the cyclical sectors are losing strength.

Watch for industrials and materials continue to lag the market at this juncture.

Defensive Sectors

Utilities, continues to trend higher. Healthcare continues to increase. Consumer staples is trending slightly lower.

Watch for the defensives to perform at market, unless the S&P 500 declines and then the defensives will probably outperform.

The US has become the dirtiest shirt in the laundry.

Narratives in the market tend to have inertia until evidence becomes overwhelming that they are incorrect, or a sudden catalyst forces a reorientation.

The US/Israel Iran war is a major catalyst that has changed the parameters of what is working and what is not in the markets.

Up until the start of the US/Israel Iran war, investors were favoring RoW (Rest of World - ex US) because of the uncertainty surrounding tariffs (a mini-replay of early 2025). Part of the trade was foreign investors pulling back on the technology sector and re domiciling their funds. While the U.S. dollar was heading lower, foreign investors were rewarded with both an appreciating domestic currency relative to the US dollar and inflows into RoW stock markets.

The war has changed the dynamics and the US has now become the dirtiest shirt in the laundry (best country among a selection not so good alternatives).

Investors have been shifting funds to the US stock market not because the US is an economic powerhouse, but because everything else has become less attractive. Skyrocketing energy prices has this effect.

As discussed in my last newsletter, the European economies are generally very weak. Of course there are some exceptions such as Poland and Hungry, but the large economic engines, Germany and France have very weak growth. Their economic demise has been self-inflicted by very poor economic decisions.

The problem is that on the margin, European countries are greatly affected by rising energy prices. Europe is in a precarious position with higher energy costs choking the lifeblood of countries that have already been de-industrializing. The recent rise in oil prices because of the war will put a huge economic burden on European economies and reduce corporate profit margins. Europe just became a less attractive investment destination.

Emerging markets have had a double whammy hit: a rising US dollar and higher oil prices. It is hard for emerging markets to perform well under these conditions.

Asian countries have become less attractive due to their reliance importing oil. Although Japan has a large strategic oil reserve, it is only a ninety-days supply. The result has been strong underperformance.

As I am writing this newsletter, oil has skyrocketed and then collapsed as Trump is negotiating with the G7 countries to release 300-400 million barrels of oil from their reserves. He has also removed sanctions on Russian oil. There is currently 144 million barrels of oil in "floating storage." The combined effect could help to substantially remove a lot of the premium that has developed because of the Strait of Hormuz closure.

Trump has declared that the war is almost complete. The stocks markets have responded positively. I am not sure if this statement should be taken at face value.

Once a war starts, you never know where it will go.

> *Winston Churchill on war: "Never, never, never believe any war will be smooth and easy, or that any one who embarks on that strange voyage can measure the tides and hurricanes he will encounter. The Statesman who yields to war fever must realise that once the signal is given, he is no longer the master of policy but the slave of unforeseeable and uncontrollable events….*

Even if a negotiated settlement between US/Israel and Iran is achieved, there is a tail risk that Iran plays the game for a while and then re-ignites the war with different strategies.

Maybe Iran starts a cyber war, maybe it attacks on US soil etc. Maybe Iran holds back and waits for the FIFA World Cup which starts on June 11, 2026. I pray for peace and hope that none of the above happens, but there still is a tail risk.

War Ping-Pong On-off-On-off

Maybe the war is ending, but there is a good chance that it is it might be entering into a period of war ping-pong: war is on, and then it is ending and then on again and changing different forms. It is not normal for countries to have such a blow out war and then just go back into their corners like nothing happened. The Twelve-Day war was only a pause.

If we enter into this ping-pong investors should expect a lot more volatility in the markets and different sectors of the market, especially energy.

W becomes R

If oil prices remain elevated, expect a shifting narrative from war (W) to the possibility of a recession (R).

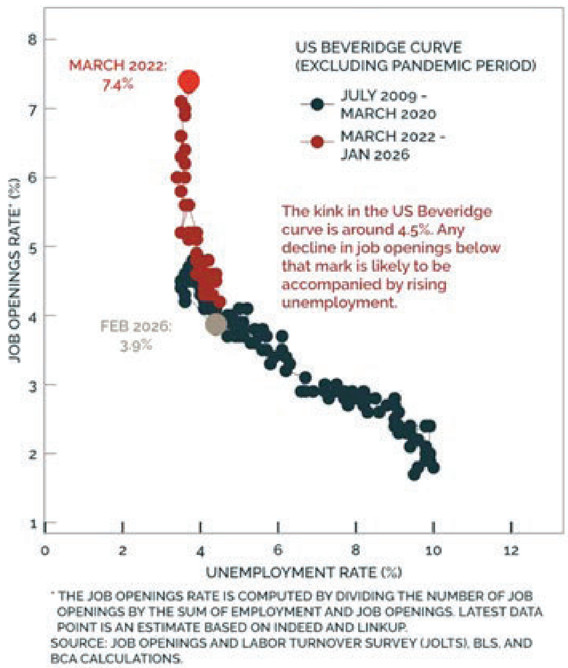
High oil prices translates into higher costs for almost everything. Higher oil prices are in effect a tax, that the government does not collect.

The US labor market has been weakening over time, it just has not shown up in the headline numbers - yet.

Recently, I shot one of my weekly update videos and included the graph below which illustrates the Beveridge Curve (@brookethackray on YouTube). This graph shows the relationship between job openings and unemployment. The comparison is made with the cycle from July 2009 to March 2000.

It is based upon the historical tendency that in a business cycle, job openings decrease (y-axis) before unemployment (x-axis) starts to increase. Intuitively it makes sense. The inflection point is approximately 4.5% job openings, where unemployment starts to increase. In March 2022, job openings were approximately 7.4% and unemployment was below 4%.

In February 2026, the job openings rate was 3.9%, indicating that we could start to see unemployment trending higher.



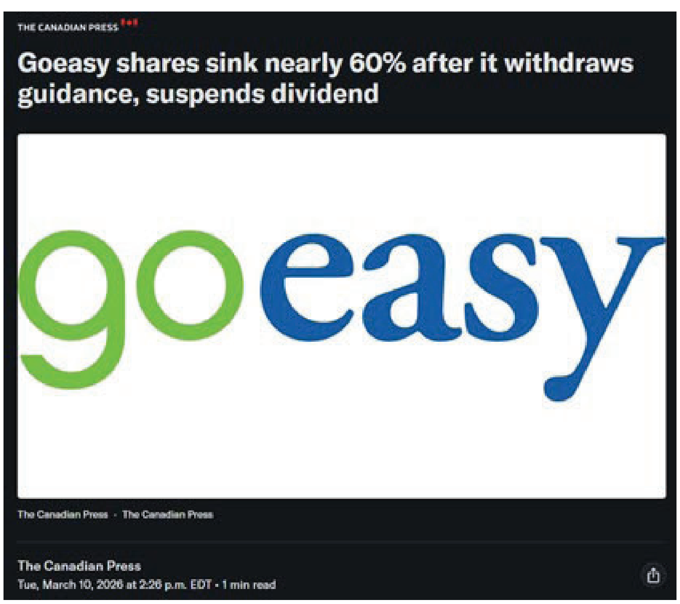
I am not trying to be a "doomer," but the Beveridge Curve is something to monitor.

The war has soaked up almost all of the investing narrative and investors are being rocked back and forth, depending on expectations for the length of the war and the impact on the energy markets.

With increasing unemployment there will probably be more and more mention of the "R" word.

goeasy - trifecta of bad

Goeasy crashes 60% on surging loan losses, withdraws guidance and suspends dividend



Who would have thought....the consumer is doing awesome, has lots of money and keeps spending (sarcasm).

I am guilty of plastering K diagrams on newsletters and articles, along with a lot of other people. The point is that the "K" is real, representing a bifurcated economy. I am guessing that most people reading this newsletter are not on the lower arm of the K earned income. Low income earners have been hit really hard. When you blend and get an average of the top and bottom income arms, it does not look so bad. But it is. Okay, Brooke do not go down the rant rabbit hole....

Back on topic....Goeasy services the subprime market. It is only a matter of time before the higher income earners start to show stress, particularly if the unemployment rate increases.

What can we expect in the markets?

On a seasonal basis, April is one of the strongest months of the year. The strong performance is mainly the result of the stock market performing well in the first half of the month- heading into earnings season.

The S&P 500 has a strong seasonal tendency of performing well in the first half of earnings months, January, April, July and October.

In the current earnings season, 72% of the companies reporting have beaten expectations. This is approximately equal to the long-term average.

On a seasonal basis, the energy sector has its strongest month in April.....umm. There is a lot "stuff" going on (war), that could change things in either direction.

You may have your opinion on whether the war is finishing or not, but it could surprise in either direction. Sure, you can assign weighted probabilities for each outcome, but the market can surprise. Generally, the investors that get themselves in trouble are the ones that react intra day to headlines.

USD- Follow Up

In my February newsletter I stated that it was important to monitor what was happening with the US dollar, as a barometer on money flows affecting US sectors and market versus the world.

The US dollar has continued to rise as money flows from countries that could be affected by sustained high energy prices. A recent rise in US interest rates has also helped to attract money to the US.

The US dollar has now risen in its consolidation channel to a point just under Resistance (100). If the US dollar does manage to break above 100 and stay above that level for a few days, watch for a higher move to 102.

Seasonal Opportunities and Trends

Small Caps

Done Like a Seasonal Dinner (Not good)

In my last newsletter, I discussed in a bit more depth the plight of the small cap sector. The small cap sector had been outperforming the S&P 500 since November, but at the end of January, the small cap sector started to show weakness. It has been downhill since. On an absolute basis the sector is just above support. Relative to the S&P 500, the sector is poised to break its upward trend line.

The problem is that the sector has just finished its strong seasonal period which ends in early March. I discussed this in the last newsletter.

> ***My Call: Small caps will probably continue to underperform.***

Uranium

Trading at the Whims of Liquidity

The uranium sector has traded lower since late January, but its upward trend line has not broken.

Relative to the S&P 500, the uranium sector has been showing signs of weakness, forming a descending triangle.

I love the uranium sector long-term. The fundamentals are amazing. Demand keeps growing and we know that there is a long-term deficit of supply. However, the sector can get "kicked" around by sentiment in the market and liquidity.

The current conditions indicate that the uranium sector could face some short-term weakness.

> ***My Call: The uranium sector will probably show some short-term weakness.***

Metals & Mining

The metals and mining sector has a strong seasonal period from January 23 to May 5

Weakness Indicating Shift from Cyclicals

The metals and mining sector performed very well in 2025 and was one of the main beneficiaries of the shift from technology to cyclicals. More recently, the metals and mining sector has been declining and underperforming the S&P 500.

Investors fear that the global economy is moving closer to some sort of major slow down or recession. If this narrative continues to grow, it is likely that the metals and mining sector will lag the market.

My Call: The metals and mining sector will probably become more volatile and lag the market.

Industrials

The industrials sector has a strong seasonal period from January 23 to May 5

Shift out of Industrials?

The industrials sector was a major beneficiary of investment funds when investors were fading the technology sector.

The US economy has been one of the stronger economies in the world. As a result, the industrials sector was relatively attractive.

Recently, the industrial sector is starting to show signs of weakness and underperforming the S&P 500. The industrial sector looks to be fading at this time.

My Call: The industrials sector will probably perform at market over the next month.

Materials

The materials sector has a strong period from January 23 to May 5

The materials sector - ditto the industrials sector.

Financials

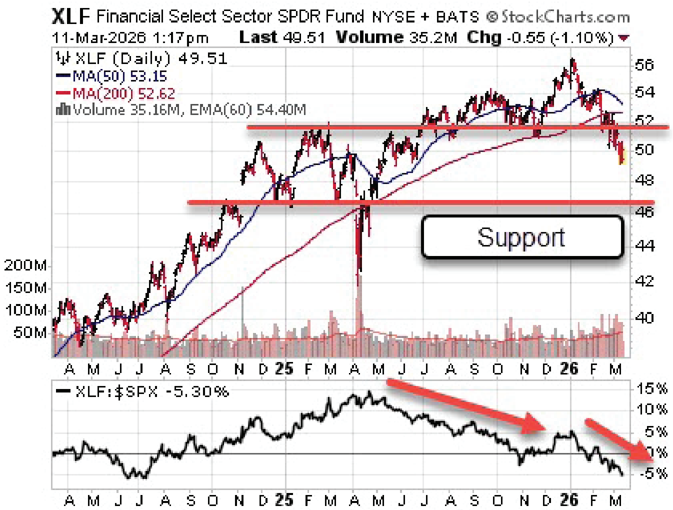
The financials sector has a strong period from December 15 to April 13

Continued Underperformance - more to come?

The financials sector has been underperforming the S&P 500 for the last year. It has continued to underperform in 2026.

One of the recent reasons that the financials sector has been underperforming is the increasing demise of the private credit/equity sectors. Why? After Frank-Dodd, US shadow banking system has grown as the banks have been funding private credit companies.

Unfortunately, there is no sign that the financial system is turning around. On an absolute basis, the sector is back into a consolidation range, but well above support.



> ***My Call: The financials sector will probably continue to underperform.***

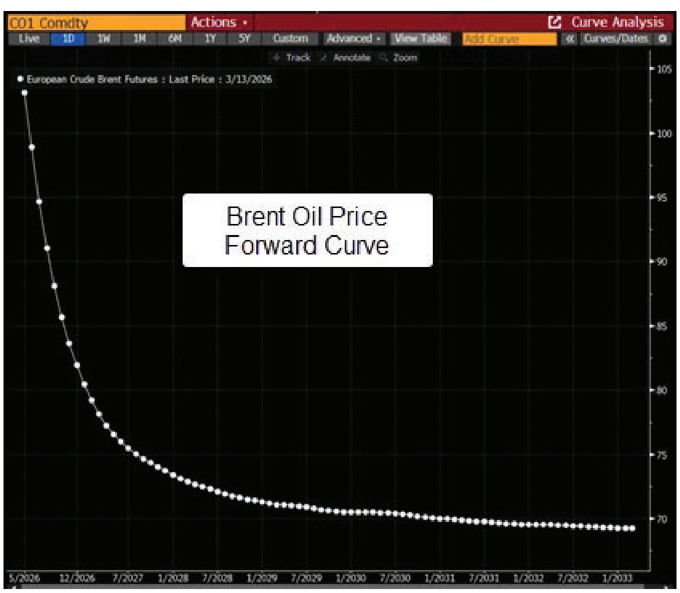
Energy Sector

The energy sector has a strong period from February 25 to May 9

The energy sector just started its strong seasonal - room to move higher?

The energy sector has benefitted from the US/Israel Iran war, particularly as the war has dragged on much longer than expected.

The price of oil (Brent) is in severe backwardation. Out a couple of years, Brent is approximately $70. The market is currently expecting the price of oil to fall in the future.



The energy sector is currently in a binary position. If the war concludes quickly, the energy sector will probably pull back. The sector would not be expected to pull back as much as the price of oil.

If the war intensity increases, the price of oil could spike much higher, which would help to move the energy sector higher.

The good news is that the energy sector has just entered into its strong seasonal period. Also, April on average over the long-term has been the strongest month of the year for energy stocks. Although seasonal trends play an important part in the performance of the energy sector, the development of the war will probably have a much bigger impact than seasonality.

> ***My Call: The energy sector will probably continue to move higher into April.***

Gold

Upward Trend Line not broken - yet

Gold has been very volatile over the last few weeks and has lost some ground.

It should be noted that despite the recent pull back in the price of gold, it is still in an uptrend.

When gold moves into a consolidation period, the drivers of price change, at least for an interim period. Recently, the price of gold has been sensitive to the US dollar. The US dollar has been moving higher and as a result gold has been a bit negative.

Investors are wondering why the US/Israel Iran war has not spiked gold higher.

In recent years, gold has not reacted strongly to geopolitical events. Investors are more worried about currency debasement as government keep spending money.

Ultimately, war typically means that the countries involved have to finance their war, which means even more government borrowing and spending.

The current viewpoint with investors is that the US/Israel Iran war will not be a multi-year war, requiring extensive financing.

My Call: Gold will probably continue to consolidate.

Silver

Upward Trend Line not broken - yet

Like gold, the upward trendline for silver has not broken yet. The fundamentals for silver remain strong, however, it is concerning that the metals and mining sector has pulled back (see previous comments). Although silver and metals and mining are different, when the metals and mining sector moves higher it is supportive of a higher silver price. That is currently not the situation.

My Call: Silver will probably continue to consolidate.

Gold Miners

Investors getting nervous with the beta

Gold miners are still in an upward trend, despite a recent pull-back. However, the sector is starting to show some strain as investors are getting nervous in the markets.

Some investors are taking profits from their gold miner positions. Other investors are getting nervous with the increased volatility with gold miners and reducing their positions.

If the market were to continue to head lower, this would significantly increase the probability that gold miners would underperform the markets.

My Call: Gold miners will probably start to underperform in the near future.

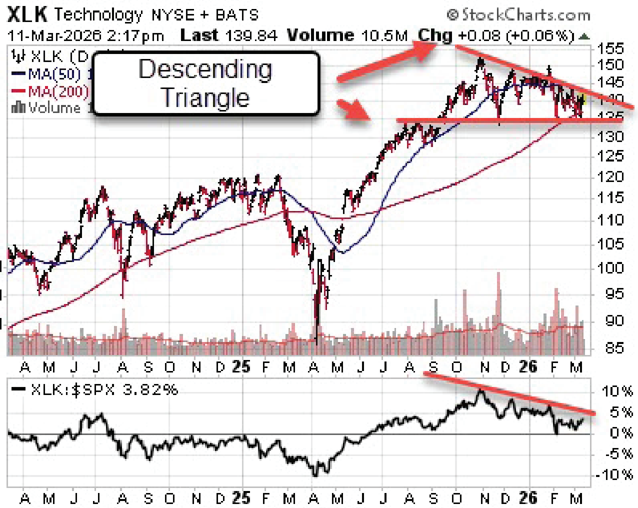
Technology
The technology sector tends to perform well from October 9 to December 5 and then from December 15 to January 17

Still in Downtrend - But Short-Term Bounce

Oracle came out with strong earnings and saved the day for the technology sector- at least for now.

It was a good sign when investors reacted positively to Oracle releasing its earnings (on March 10). Most technology companies this earnings season have not been so lucky, as even after they have announced stronger than expected earnings, their stock prices have been hit.

Nevertheless, the technology sector is still in a descending triangle, which is typically a bearish formation. Watch for the possibility for the sector to break below support.



My Call: *The technology sector will probably continue to underperform.*

Consumer Discretionary

The consumer discretionary sector has a strong seasonal period from January 23 to April 13

Continued Decline

Since the start of 2026 the consumer discretionary sector has been underperforming the S&P 500.

The underperformance of the sector has largely been the result investors fearing the consumer spending is drying up. This has been the case for the lower income groups, but it now appears that decreased spending is making its way into higher income levels of society.

The strong seasonal period for the consumer discretionary sector finishes in a few weeks.

My Call: The consumer discretionary sector will probably continue to underperform.

Retail

The retail sector has a strong seasonal period from January 23 to April 13

Consumer is Dying?

The retail sector has been underperforming the S&P 500 since 2024, with some ups and downs. In the latest cycle, the retail sector continues its underperformance.

The retail sector is just above support. This is a critical level of support (77 for XRT). If this support level is broken, watch for further downside.

Canadian Banks

The Canadian banking sector tends to perform well starting from January 23 to April 13

Starting to Show Weakness

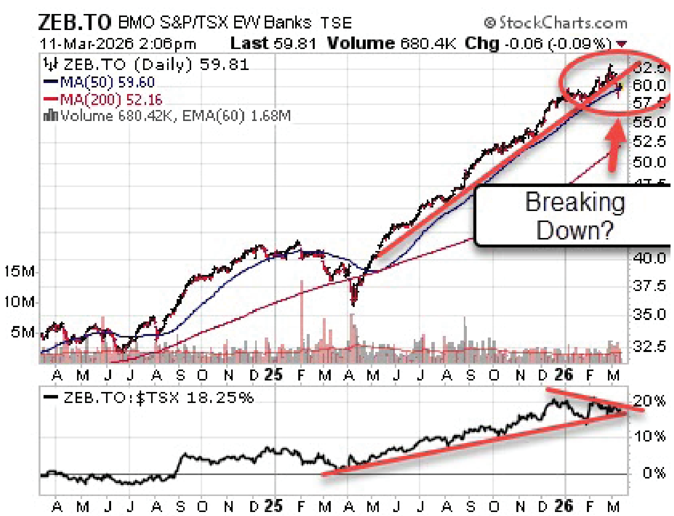
Canadian banks have performed extremely well for the last year. Canadian banks have been in a sweetspot, earning high dividends and being an oligopoly structure. Canadian banks can perform well when investors are becoming more cautious (at the initial stages of a softer economic cycle).

Canadian banks have also benefited from the Sell America trade. Foreign investors decreased their holdings in US investments due to uncertainty. The Canadian stock market benefitted from this and in particular Canadian banks, as investors looked globally for alternatives ex-US.

Since late 2025, the Canadian banks have started to break their upward trend line (after a long stretch of outperformance).

Canadian economy is really struggling. Other countries are also struggling, but it is possible that the Canadian economy is inflecting further down.

If the economy continues to slow in Canada, watch for the banks to start to underperform. The big red flag for Canada could be the real estate market. If it continues to struggle, it will weigh on both the Canadian economy and Canadian stocks.



My Call: *The Canadian banking sector will probably perform at market in the short-term, but potentially will move lower and underperform starting in the next month.*

Health Care

Best Defensive Sector?

The health care sector has been outperforming the S&P 500 since last September. On an absolute basis, the sector has broken a mini-uptrend line, but it has not broken a key level of support.

There is nothing in particular driving the health care sector higher, except that it is a safe haven when markets are rotating and becoming more defensive.

In January, the consumer staples sector was a top performing sector (for no real reason). This was the result of the shift away from the growth sectors. Money had previously shifted into the cyclicals, but investors started to shift into the defensives. The utilities sector was the next sector that benefitted. More recently, we are starting to see some evidence that the health care sector is becoming a recipient of investors shifting money to become more conservative.

Rants

Rant #1
The Netherlands has lost its way- people will leave and they should

LATEST MACRO

Dutch Parliament Approves 36% Tax on Unrealized Investment Gains

The Dutch Parliament has approved a 36% tax on investment gains that have not been realized. Not gains from a sale. Paper gains. Wealth that exists only on a spreadsheet and the government wants more than a third of it. Now.

Here's how insane this is in practice: your stock/ETF portfolio goes up $10,000 this year. You didn't sell a single stock or ETF. You didn't receive a single euro. But congratulations — you now owe the Dutch tax authority $3,600. The market doesn't care whether you can pay your tax bill. And if your portfolio then crashes the following year? You are out of luck. You already paid tax on money that no longer exists.

The predictable result? Capital flight. Tax advisors are already reporting a surge in emigration inquiries. People are eyeing Singapore, Portugal, and Andorra. You don't attract innovation and entrepreneurship by making people pay taxes on money they don't have.

Taxing unrealized gains isn't tax policy. It's a confiscation policy.

Rant #2
The Economist - Used to be a good mag - not anymore

I used to read the The Economist a long time ago. It was a fairly good mag to get an international viewpoint.

Not Anymore.

Recently, Private Equity (PE) has been getting hammered in the stock market as investors are getting concerned about the opaqueness of the funds and have been redeeming their holdings. In some cases, they are being gated and not allowed to have access to their money.

The Economist

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Business | Barbarians at the nail salon

Rejoice! Private equity is taking over America's small businesses

Its ghoulish reputation is ill-deserved

Share

When I first read the title of the Economist article, I thought it was satire. Nope. The Economist is just tone deaf.

Rant #4
Congratulations, Nuclear Weapons Are Now Ethical in the EU

Nuclear Weapons Pass ESG Test as War Redefines Ethical Investing

Summary by Bloomberg AI

- The number of ESG equity funds exposed to the nuclear arms industry has increased by more than 50% to over 2,000 since Russia's invasion of Ukraine in February 2022.
- Roughly half the ESG-registered equity funds in Europe are now allocating at least some capital to companies that manufacture, supply or transport nuclear arms, according to data compiled by Bloomberg.
- ESG funds registered as "promoting" ESG hold about $20 billion in companies that contribute to the manufacture, distribution or delivery of nuclear weapons, equivalent to just 1.2% of the total combined market value of the companies used in the data analysis.

By Frances Schwartzkopff, Natasha White and Claudia Cohen
08/24/2025 16:00:23 [BN]

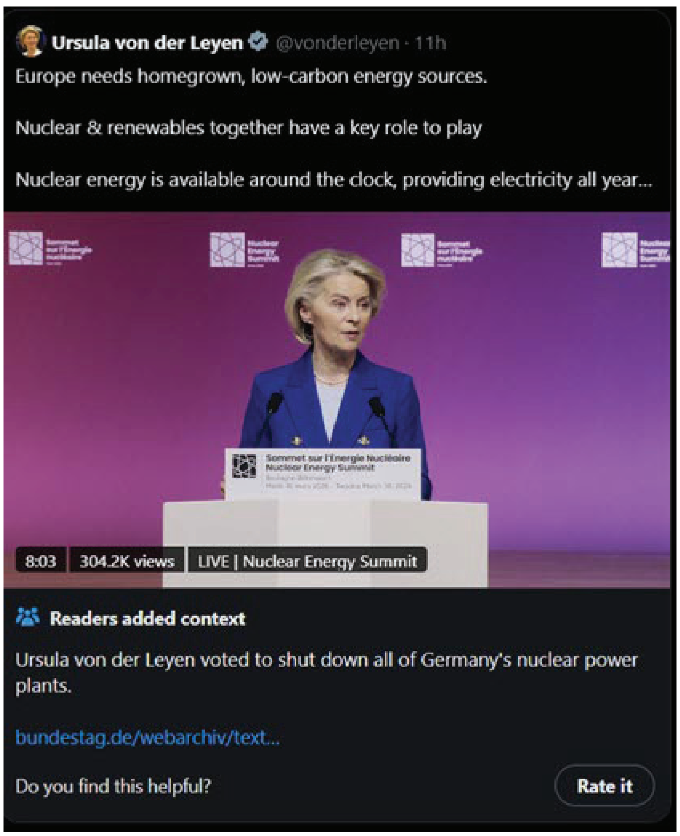
Great news for the socially conscious investor. You can now sleep soundly at night knowing your portfolio is doing good in the world — thanks to the fact that the intercontinental ballistic missiles in it are fully ESG compliant.

The deadliest weapons ever manufactured are becoming a regular feature of Europe's nearly $9 trillion ESG fund industry, as a label long associated with ethical investing gets stretched to accommodate the geopolitical moment.

The logic, if you can call it that, goes like this: Russia invaded Ukraine. Europe needs to rearm. Defense spending must increase. Private capital must be mobilized. And since ESG funds control a significant chunk of that capital, the simplest solution is to quietly redefine what "ethical" means.

You cannot make this stuff up.

Rant #4
Hilarious- X wins the day



You may not like X, but this is hilarious. The EU is trying to shut X down because they will not agree to be censored.

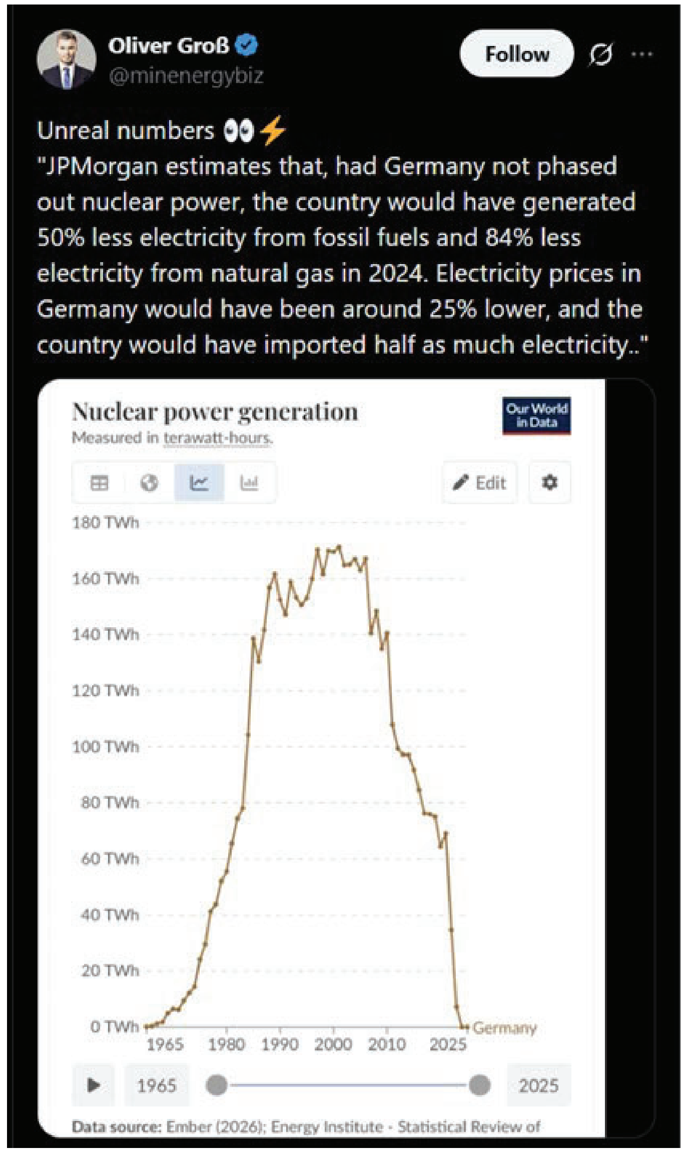
The above tweet from Ursula von der Leyen emphasis the importance of nuclear power for the EU.

Ursula gets fact checked by the community notes with a government website source showing that years earlier she voted for all of the nuclear power in Germany to be shut down.

BTW.... EU censorship body is trying to shut down X community notes because the government cannot control the message.

You cannot make this stuff up.

JPMorgan estimates that if Germany did not phase out nuclear power, they would have generated 50% less electricity from fossil fuels and be paying 25% less for electricity and imported half as much.



Germany has been going through a de-industrial phase, shedding jobs with a weak economy.

It did not have to be this way.