

Thackray Newsletter

— Know Your Buy & Sells a Month in Advance —

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MELT-UP



...it can keep going & going

The technology sector is currently in a melt-up. In particular...semiconductor stocks.

It is all about tech. Nothing else matters...for now.

Background conditions for the stock market advance.

Earnings have been strong for Q1 with 83% of companies beating their earnings expectations and 77% of companies beating their revenue expectations (Refinitive May 8, 2026). Both of these current metrics are above the long-term average. In addition, there have been positive trend of revising earnings higher coming into Q1. This is not a normal trend at this time of the year, but it is a positive development.

Profit margins for U.S. companies have been strong. According to the FRED database, U.S. profit margins are close to all time highs at approximately 12% (graph below). Historically, profit margins have been a regressive time series, regressing to the mean. If profit margins became too high, more companies would enter the high profit business, increase competition and lower profit margins.



S&P 500 Technical Status

The S&P 500 has rocketed higher after being oversold in March. The move from oversold to overbought is nothing short of spectacular.

Technically, the market is overbought on both the RSI and full stochastic oscillator...but so what. It can stay overbought. Being overbought does not mean that the market is about to head lower.

However, it is important to watch for signs of declining price momentum with the RSI moving below 70 and heading lower. It is possible to get whipsawed with brief moves below 70 and bouncing back.

With the S&P 500 at all time highs, in blue sky territory it is hard to make a proclamation of a technical status. Nevertheless, it is important to watch for a trend reversal.



Growth Sectors

The technology sector is the only growth sector outperforming the S&P 500...and by a lot.



Cyclical Sectors

All of the cyclical sectors are underperforming.

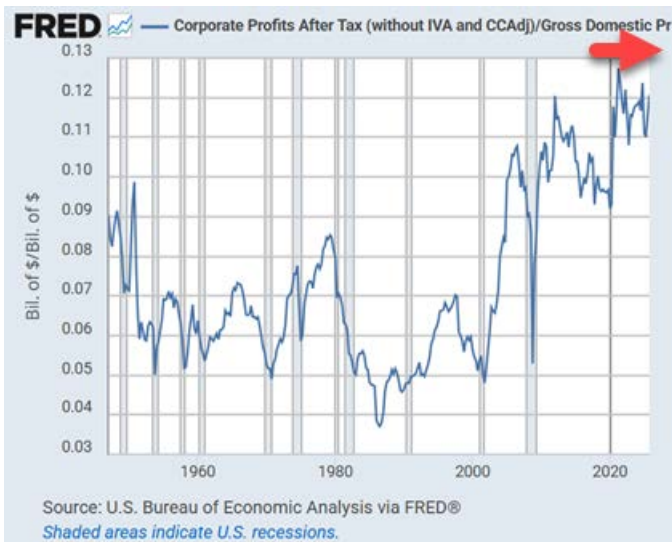


Defensive Sectors

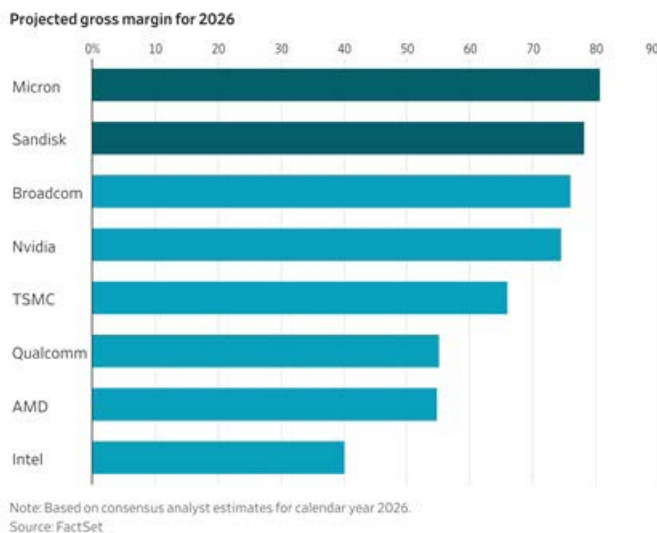
All of the defensive sectors are underperforming.

Since 2009 after the GFC, profit margins have been structurally higher. It is possible that money printing has artificially helped to move profit margins higher, but that would only provide a temporary effect. The biggest factor is probably the oligarchs (tech companies) that are dominating business with their higher profit margins.

Nevertheless, given that profit margins are at an all-time high, it is possible that it is going to be difficult for profit margins to move higher.



The projected gross margins for 2026 for the “chips,” are unusually high, due to increased demand and chip shortages.



Investors have been flocking to the chips because they are concerned that the hyperscalers are starting to run into trouble with financing (in some cases) and energy constraints to run datacenters etc. The chips are once removed from the hyperscalers. Yes, if the hyperscalers run into trouble the chips would be effected, but investors feel that they have time with the chips. If something goes

wrong with the hyperscalers, then “there will be time to get out” of the chips before they are affected. I am not so sure about this premise.

In the graph above, it shows that SanDisk gross margins are above 75%. SanDisk is a multinational semiconductor US company. Their products are not elite specialized chips. They are most known for their solid state memory devices. I use their products to backup a lot of my data.

Check out the chart below of SanDisk - outperforming the S&P 500 by 3,500% in the last year. A company that specializes in memory is probably more susceptible to competition because their barrier to entries are lower, compared to a company such as Nvidia, with its specialized chips.

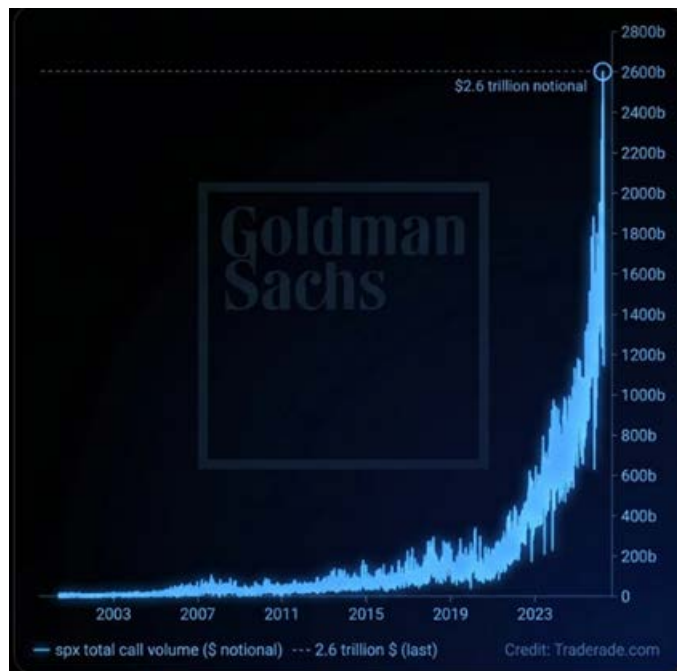


Can the margins on the chips remain high? Perhaps, if everything continues on the current track. But how high is too high? How much should investors pay for a future stream of earnings from the semiconductors? How much is too much? These are the concerns that are being played out at this time.

Traders want to trade. And investors are trying to jump on board in the semiconductor space because they do not want to miss the opportunity. FOMO.

Call volume has been exploding through the roof. It has been rising rapidly, especially with ODTE, or zero-day options.

The graph below shows that very recently call options have been exploding. The consequence of this is market makers are forced to buy the underlying securities in order to hedge the calls that they are writing. The market gets squeezed higher as the result of gamma.



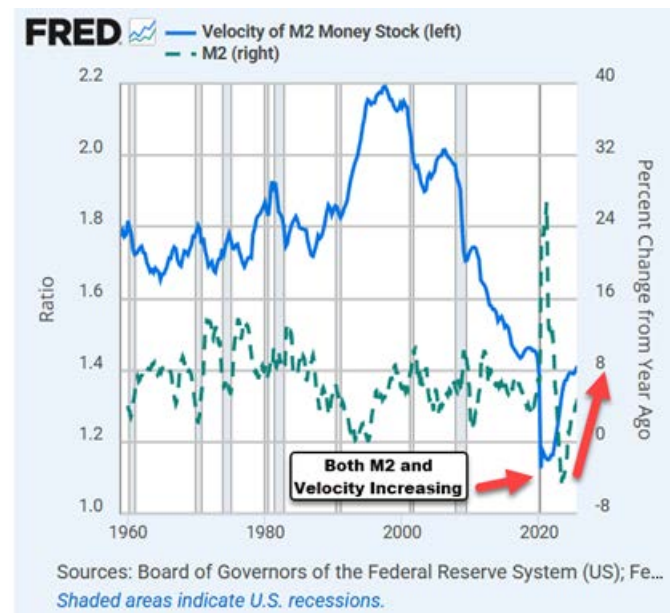
To add fuel to the fire, the M2 Money Supply and velocity of money has been rising rapidly. A lot of increase in money supply can be attributed the expansion of credit via bank lending. The combination of a rising M2 and velocity are adding fuel to FOMO.

When a market is in a state of FOMO, the market can move up much higher and keep surprising to the upside... way beyond what most investors would perceive as possible.

The FOMO cycle typically does not break because of a weak economic report or even concerns of a recession. Investors speculating on the market do not care if a weaker economic number is released. The returns in a fast moving market are too great to worry about a weak economic number.

FOMO ends with a catalyst that is often related to the sector. In the tech wreck in the year 2000, the market started to fall a part after Cisco missed earnings and gave a weak forecast.

Why is M2 Money Supply Expanding?



M2 money supply has been increasing over the last twelve months. Why? Yes, the Federal Reserve is currently enacting a QE program to the tune of \$40 billion a month. The Federal Reserve refuses to call its program quantitative easing, but they are expanding their balance sheet by \$40 billion a month. However, this is not the main cause of M2 expansion.

Approximately 80% of money is created through bank lending and bank lending has been expanding. Why? First, bank lending has been expanding because of private credit expansion. After the Great Financial Crisis (GFC), banks were restricted from certain types of lending, hence the rise in private credit. The bypass was banks lending to private credit companies, which in turn would lend to companies.

This type of M2 expansion is slowing dramatically.

However, capex is expanding rapidly, both governments and companies are spending big time. Tech companies in particular are spending huge. In Q4 of 2025, it is estimated that six technology companies spent \$700 billion in capex. Banks are increasing loans to fund the capex, which in turn is increasing M2.

M2 expansion is bullish for the stock market as it adds liquidity to the markets.

Wall Street is doing well,but Main Street not so much

First it was the CEO of Heinz warning about that the consumer is in trouble. Then it was the CEO of Whirlpool warning that “appliance demand hasn’t been this low since “the great financial crisis.”



McDonalds is suffering despite continually adjusting their meals to offer lower cost alternatives. The company is at its lowest level since 2024.



A slowing economy typically does not bring down a strong stock market, especially one being powered by FOMO. Investors are too focused on the upside.

If you are looking for a catalyst for the market to turn lower, it will probably be something to do with the leading sector (technology), such as a bad earnings announcements, or very poor guidance from a large company. The other factor that could bring the market lower is a large exogenous event such as a war.

War File - From in investor perspective

Why is the stock market moving higher when there is a war taking place between U.S./Israel and Iran?

A lot of investors are asking this question.

First, I think that investors have war fatigue. The Russia-Ukraine war dominated the news cycle - investors got over it and moved on. The round two of the U.S./Israel Iran war has been going on for over two months. Yes, the Strait of Hormuz remains closed. Yes, it is going to cause huge economic distortions, but other than the price of oil and fertilizer most investors (incorrectly) perceive the problems too far down the road to consider.

Second, most investors expect the war to end in the near future and everything will get better. Ultimately, it is very difficult to tell when and if the war will end. Both the U.S. and Iran are constantly putting out false statements. This makes it difficult to determine what is taking place. As a result, most investors have “tuned-out” the war messages and have taken the position that the war will be resolved unless there is a big catalytic event.

The irony is that positive news (false or otherwise) tends to push the stock market higher.

Sell in May - Is this time is different?

Last year (2025), the stock market went substantially higher in the “Sell in May period” (May 6 to October 27). This is very unusual. Historically, if and when the stock market performs well in its unfavorable season from May 6 to October 27, it is the result of the economy bouncing out of a recession.

Last year, the economy was not in a recession. What happened? Up until the self-proclaimed “Liberation Day” investors were pricing in a dramatic slow-down in the economy. When the a “solution” was announced in early April, expectations changed dramatically and the stock market acted like it was coming out of a recession as the economy expanded rapidly in the US.

This year, the backdrop is not as strong as last year. There is no big reset on the horizon. A possible driver for a strong market, at least in the short-term is a definitive positive resolution to the war in the Middle-East.

Jewel in the unfavorable seasonal period

There are many sector opportunities over the next few months in the unfavorable seasonal period.

There is a strong seasonal period for the U.S. stock market starting in late June, and into July 18 (into the early stages of earnings season). This is a very strong seasonal trend for the S&P 500 and has been positive over the last few years. This is the jewel in the unfavorable seasonal period.

Seasonal Opportunities and Trends

Small Caps

The small cap sector is not in a strong seasonal period, but it is important to monitor.

Surprisingly, the small cap sector has been performing quite well, reaching an all-time high. This is a sign of a risk-on move. Although the trend is positive, investors should be careful. Given that small caps tend to be weak at this time, if the market were to correct, the small caps would likely get hit hard.



Uranium

Uranium has been performing surprising well, like many other commodities. The undercurrent of rising inflation is helping to support the commodity sectors, including uranium.



Metals & Mining

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

The metals and mining sector has been performing relatively well as investors have shifted back to liking commodities once again. This is largely the result of global disruptions in the supply chain.

Relative to the S&P 500, the sector has been consolidating, which is quite a feat, given the strength in the technology sector.

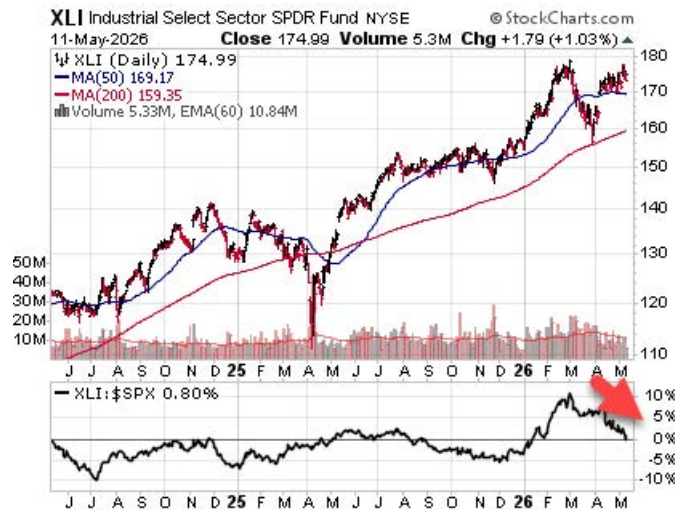


Industrials

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

The industrials sector has been a steady underperformer since March. Initially, at the beginning of the year the

U.S. economy was on fire and surprised many investors. More recently the economic numbers have not been as strong and the sector has been pulling back.



My Call: The industrials sector will probably continue to underperform in the near future and into the summer months.

Materials

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

The materials sector has been a steady underperformer since April. If the commodities sector starts to pick up performance...the materials sector could start to improve its performance.



My Call: The materials sector will probably continue to underperform.

Financials

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

The financial sector has been a horrible performer, underperforming the S&P 500.

There is no sign that the weak performance is about to improve. The problem is that rising interest rates have been hurting consumer spending and making loans more expensive.



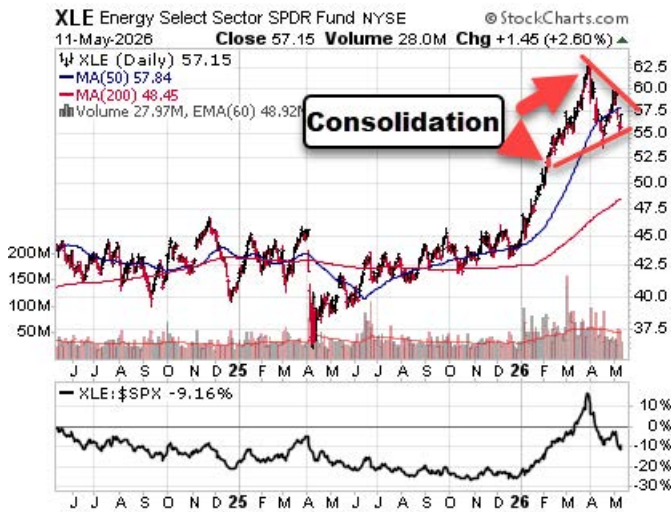
My Call: The financial sector will probably continue to underperform.

Energy Sector

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

The energy sector has been consolidating on an absolute basis, and has been underperforming the S&P 500 recently. The sector is being driven primarily by the prospects of more war in the Middle-East as expectations wax and wane.

The sector typically ends its strong seasonal period in early May, but can rally into June on strong momentum.



Gold

Gold has been consolidating on an absolute basis and underperforming the S&P 500. Investors have shied away from gold as it is being sold for liquidity purposes in the short-term on market weakness.

It should be noted that this is often the situation when “hot” money has pushed a sector to a new high. It leaves fast when risk-off develops. Has the “hot” money effect been cleared out? Probably not. It is possible that we could see further erosion in the gold price to the \$4250 level.

Investors should note that June is typically the weakest month of the year for gold and it tends to be volatile. It is possible that we could see some good entry opportunities developing in the near future.



My Call: Gold will probably continue to consolidate, leading into a good buying opportunity in June or July.

Consumer Discretionary

The consumer discretionary sector tends to perform well from January 17 to April 13.

The consumer discretionary sector has been underperforming the S&P 500. The sector has finished its strong seasonal period. Consumers are weak at this time and there are no signs of improvement in the near future.



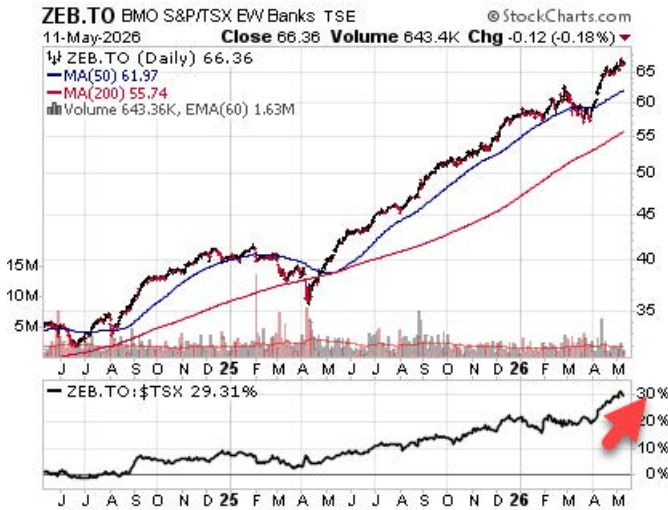
My Call: The consumer discretionary sector will probably continue to underperform.

Canadian Banks

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

In contrast to the US financial sector, the Canadian banks have been performing well on an absolute basis and relative to the market. Why? Although the Canadian economy has been performing poorly, the narrative is that the Canadian economy is not close to a recession. As a result, Canadian banks were an attractive refuge given their oligopoly status and high dividends.

Canadian banks tend to underperform when there is a risk of a recession is imminent or the economy is slowing dramatically. Recently, the Canadian unemployment rate climbed from 6.7% to 6.9%. Once the rate starts to climb close to 8%, investors could start to freak out.



My Call: The Canadian banking sector will probably perform start to underperform in the near future.

Health Care

The health care sector is underperforming the S&P 500, like many other sectors. On a seasonal basis, the health care sector tends to perform well in May and June. So far, the sector has lagged. If and when the technology sector were to start to underperform, the health care sector would probably be a beneficiary.

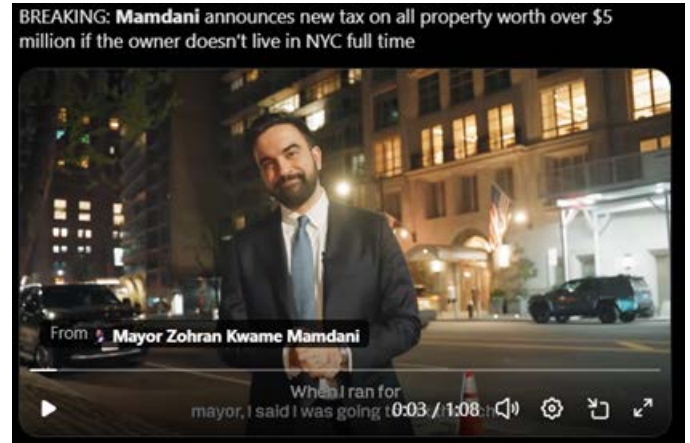


My Call: The health care sector will probably start to outperform the S&P 500 in late May.

Rants

Rant #1 Miami Real Estate Salesperson of the Year

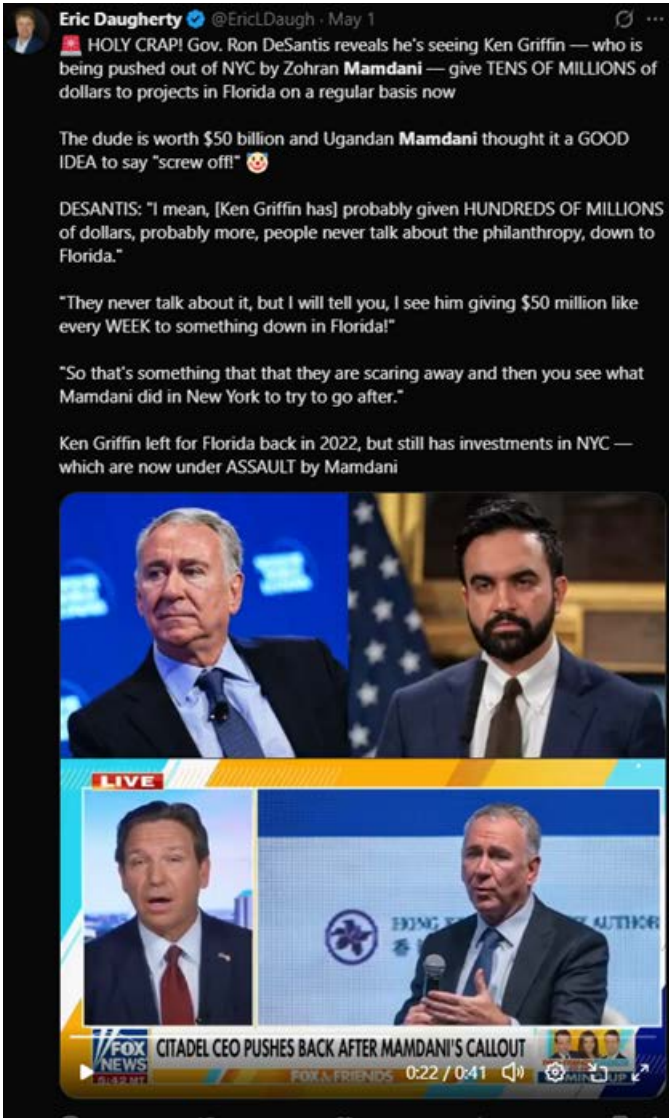
As expected, New York City is accelerating its decline under its new mayor Mamdani.



Mamdani is accidentally acting as a real estate sales person for Miami, which has become the go-to-spot for people fleeing New York.

Mamdani made a TV ad with himself in front of a luxurious condominium in New York City. In particular, he was strongly critical of Ken Griffin (Citadel), who owns a unit worth \$248 million. Mamdani was saying that Griffin needs to pay his fair share and the rich should be taxed even more. The irony is that Griffin pays tens of millions in tax each year.

To make matters worse, Griffin appeared on TV saying that he is speeding up his plans to move to leave New York and move his operations to Miami. Not only will Griffin be adding to the economy of Florida, but he is also donating money to build a cancer hospital. Oops. Mamdani made a huge mistake....He made a second commercial asking the rich people to stay and down played his first commercial attacking Mamdani.



Griffin is not the only wealthy person leaving New York.... expect many, many others. In five years time New York City will be in dire shape. It is only a matter of time.

Rant #2

Canada burning the furniture to heat the house

Government considers selling the airports to help fund increasing spending

As a disclaimer...if you have not figured out by my previous rants...I am somewhat of a Libertarian and believe that the government should have a minimal impact on its citizens lives.

Canada's Government Explores Airport Privatization

Aaron Karp May 07, 2026



Passengers at Montreal Trudeau.

HOWEVER. I believe that the government should own the public goods such as roads and utilities. The reason is simple, if private enterprises own public goods they will treat them somewhat as a monopoly.

There are a great number of examples around the world where governments have sold public goods and their citizens have suffered.

The perfect example is the 407 ETR toll road in Canada. The government paid for the highway to be built, sold it to a private corporation for a couple of billion dollars (now worth over \$35 billion). The private corporation jacked up the rates big, big time. Now the 407 ETR has some of the most expensive tolls in the world. Basically, it has become a highway for the rich.

Other drivers take the highway, but they all complain about the price. The huge tolls are unnecessary tax on the average person that has to take the highway.

What do you think will happen with the airports if they are sold. The government will state that they will be run more efficiently so therefore it will reduce the price to use the airports....nope, this will not happen. A private corporation will run the airports more efficiently, but prices will not go down, they will go up, despite promises.

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