

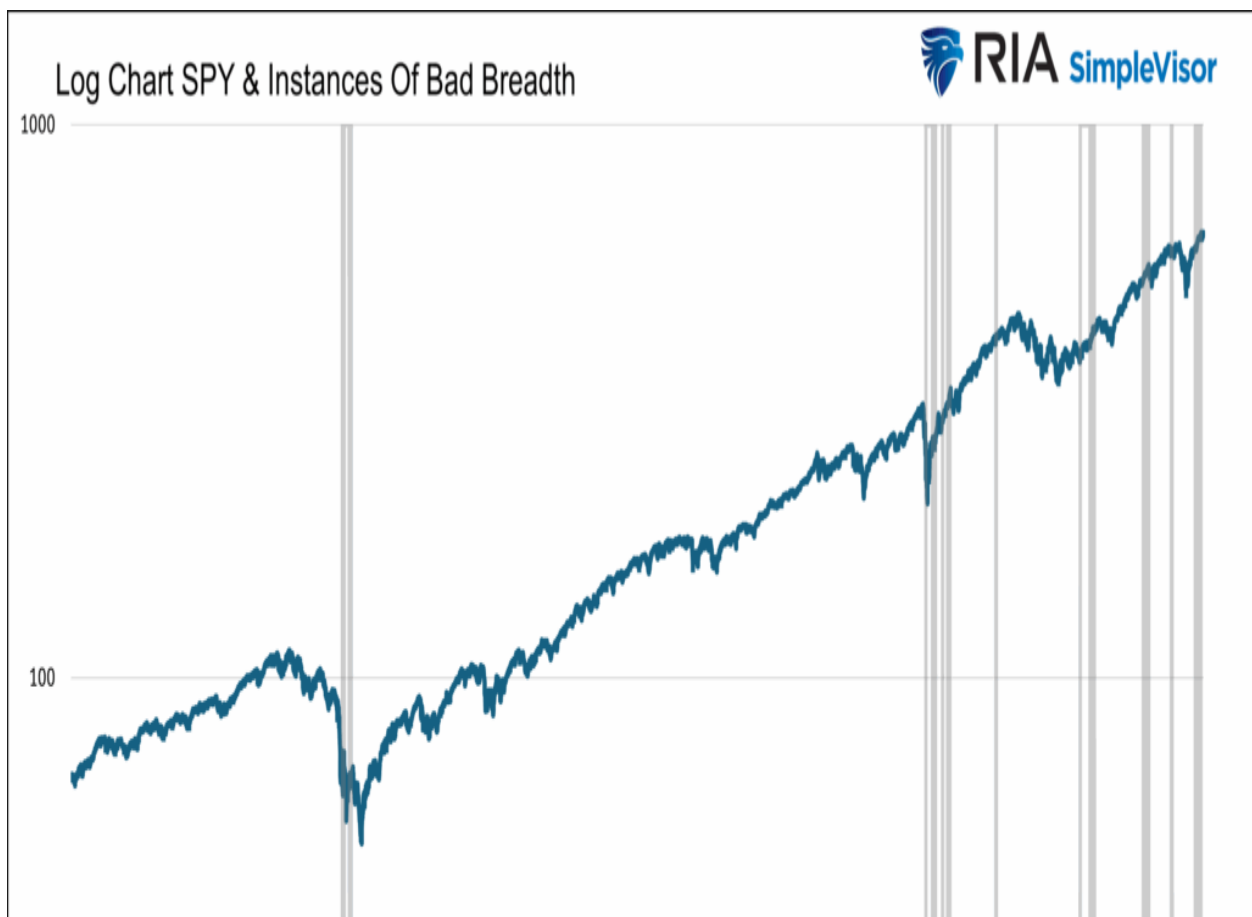
Is Bad Breadth The Norm, Not The Exception?

Since the Pandemic, markets have been behaving abnormally. One such instance is a somewhat regular occurrence of bad market breadth. In other words, the market-cap weighted S&P 500 drives higher, yet fewer and fewer stocks are participating in the rally. For instance, in Monday's [Commentary](#), we discussed the current instance of bad breadth. To wit:

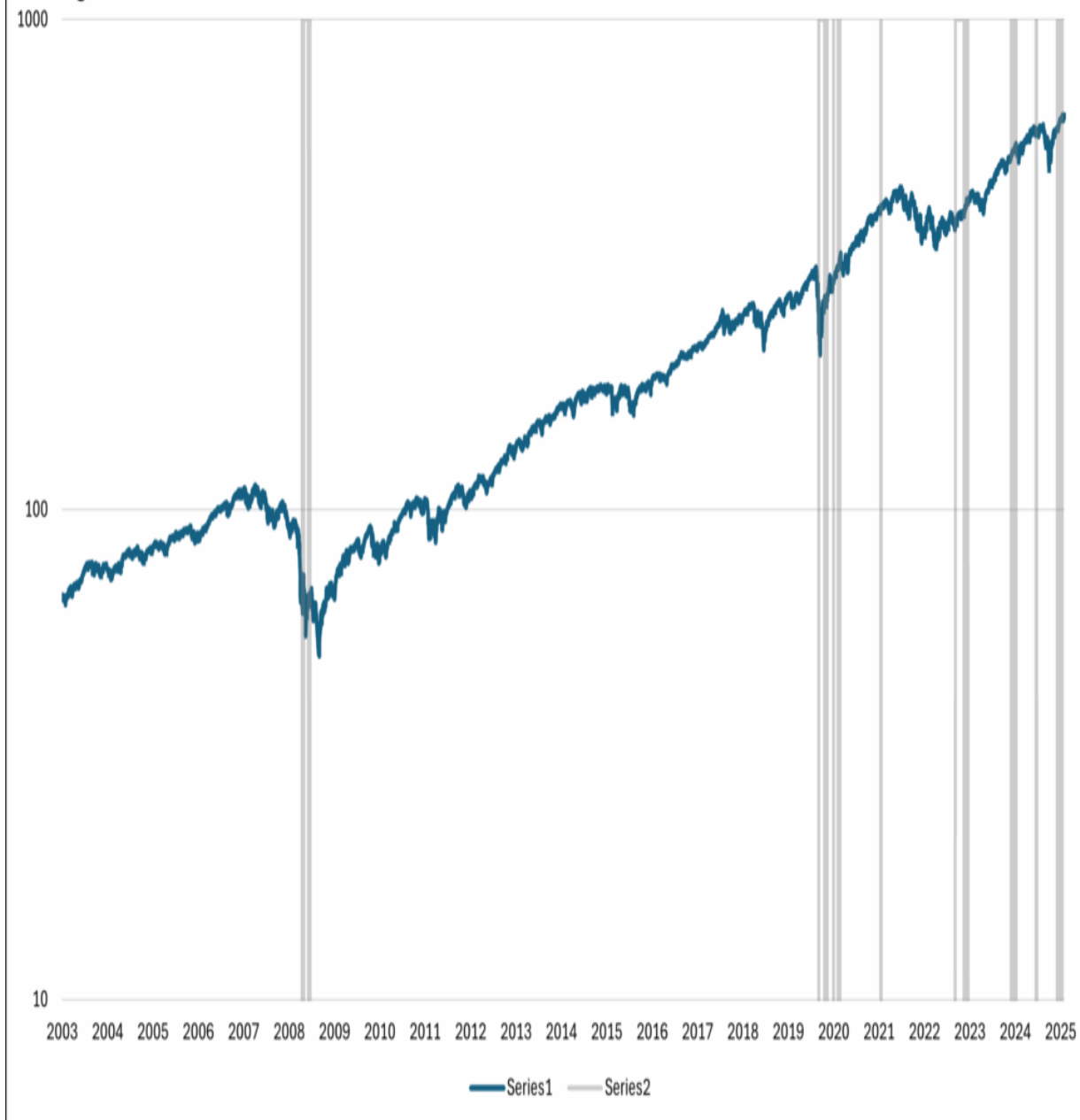
Market breadth has also narrowed, as shown, with fewer than 60% of S&P 500 stocks above their 50 and 200-day moving averages, highlighting the reliance on mega-cap technology to prop up index levels.

Given we have seen many instances of bad breadth over the last few years, it's worth quantifying the number of cases before and after the pandemic. The graph below charts SPY on a logarithmic scale versus instances of bad breadth. Bad breadth is the 50-day return differential between the marketcap (SPY) and equal weighted (RSP) S&P 500, diverging two standard deviations from the norm. Between 2003 and the pandemic, there were 38 daily instances. All of these instances occurred between October and December of 2008, during the heart of the financial crisis. In 2020, there were 52 instances. Like 2008, the episodes of poor breadth accompany periods of high volatility. However, since 2020, there have been 95 instances. That is almost 3x the amount occurring in the 17 years prior to the pandemic. Moreover, many of the cases did not happen when markets were in disarray.

While bad breadth is certainly a warning today, we should be careful to appreciate that this warning has not been a great indicator recently.



Log Chart SPY & Instances Of Bad Breadth



What To Watch Today

Earnings

Wednesday Aug 13	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
Cisco Systems <small>CSCO.US</small>	0.98	0.87		14.52B	13.6B		\$263.3B	Q4	PM	★	🔔
Keysight Technologies <small>KEYS.US</small>	1.69	1.57		1.3B	1.22B		\$28.26B	Q3	PM	★	🔔
Coherent <small>IMI.US</small>	0.91	0.61		1.5B	1.31B		\$12.09B	Q4	PM	★	🔔
Skechers USA <small>SKX.US</small>	0.83	0.91		2.35B	2.16B		\$9.68B	Q2	PM	★	🔔

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Keysight Technologies KEYS.US	1.69	1.57		1.3B	1.22B		\$28.26B	Q3	PM
Coherent IIVI.US	0.91	0.61		1.5B	1.31B		\$12.09B	Q4	PM
Skechers USA SKX.US	0.83	0.91		2.35B	2.16B		\$9.68B	Q2	PM

Economy

Wednesday August 13 2025			Actual	Previous	Consensus	Forecast
06:00 AM	US	MBA 30-Year Mortgage Rate AUG'08		6.77%		
06:00 AM	US	MBA Mortgage Applications AUG'08		3.1%		
06:00 AM	US	MBA Mortgage Market Index AUG'08		253.4		
06:00 AM	US	MBA Mortgage Refinance Index AUG'08		777.4		
06:00 AM	US	MBA Purchase Index AUG'08		158.0		

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Market Trading Update

[Yesterday's commentary](#) touched on the market's breadth, participation, and inherent risk. However, following yesterday's inline CPI report, markets rocketed higher on increased expectations of a Fed rate cut in September. The advance continued the recent *one step forward, one step backward* rally since last Friday and challenged all-time highs for the S&P 500. Notably, the market is also close to triggering a momentum *buy signal*, which could signal additional follow-through in the market should that occur.





So far, the market has continued defying the odds of a seasonally weak period, but that does not mean all risks have been resolved. As shown, money flows remain weak, and relative strength has a negative divergence. If the market can break out to new highs with an increase in money flows and an improvement in relative strength, then the rally could have legs for a further advance. However, for now, this is still a rally within a consolidation market pattern.

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CPI Comes In As Expected

CPI rose 0.2% as expected, keeping the year-over-year rate at 2.7%. Simply, it was just right, not too hot, not too cold. While the annualized monthly rate is 2.4% and above the Fed's target, the latest round of data should ease the Fed's concern that tariffs are highly inflationary. The table below breaks out inflation by its broader categories and weighting. Shelter and rents continue to cool slowly, which is offsetting some pressure from items that carry much lesser weights. For instance, footwear rose 0.9% last month after declining in the prior months. However, the 0.1% decline in shelter prices offset the rise in footwear by a factor of 4.

It's possible the price hike in footwear due to tariffs is a one-time, and not persistent, increase. For example, if there is a new 10% tariff on an item and it's passed through entirely to the consumer, prices should rise by 10%. However, that 10% increase will occur when the tariff takes effect. Thus, the price change in the following months will likely revert to its prior changes. Moreover, with higher prices, some consumers may negatively impact demand by delaying purchases or buying a different, lower-cost item. As a result, companies that hiked prices due to tariffs may need to reduce prices after the tariff. In some instances, we may see disinflation or deflation after a bump up in prices.

CPI Inflation Heatmap

Source: U.S. Bureau of Labor Statistics (BLS)

	Weights	07/2025	06/2025	05/2025	04/2025	03/2025	02/2025	01/2025	12/2024	11/2024	10/2024	09/2024	08/2024
Total	100.0	2.7	2.7	2.4	2.3	2.4	2.8	3.0	2.9	2.7	2.6	2.4	2.5
Housing	44.4	3.9	4.0	4.0	4.0	3.7	3.9	3.9	4.1	4.1	4.2	4.1	4.4
Shelter	35.4	3.7	3.8	3.9	4.0	4.0	4.2	4.4	4.6	4.7	4.9	4.9	5.2
Rent	35.0	3.6	3.8	3.9	4.0	4.0	4.3	4.4	4.6	4.8	4.9	4.9	5.2
Fuels & Utilities	4.5	6.5	6.7	6.0	5.4	4.1	3.5	2.9	3.4	2.9	3.6	3.0	3.0
Household Energy	3.4	6.8	7.1	6.2	5.5	3.8	3.0	2.3	2.8	2.1	3.1	2.5	2.6
Water & Sewer & Trash Collection Services	1.1	5.3	5.4	5.2	4.9	4.9	4.9	4.4	5.2	5.2	5.0	4.8	4.2
Household Furnishings & Operations	4.5	3.4	3.3	2.7	2.3	0.9	1.0	0.4	0.7	0.4	-0.6	-0.5	-0.6
Household Furnishings & Supplies	3.4	2.4	1.7	0.6	0.3	-0.3	-0.4	-0.9	-0.9	-1.0	-2.2	-2.2	-2.6
Food & Beverages	14.5	2.8	2.9	2.8	2.7	2.9	2.6	2.4	2.4	2.3	2.1	2.2	2.0
Cereals & Bakery Products	1.1	1.0	0.9	1.0	0.0	1.1	0.3	0.4	0.8	-0.5	0.9	0.1	-0.3
Meats, Poultry, Fish & Eggs	1.6	5.2	5.6	6.1	7.0	7.9	7.7	6.1	4.2	3.8	1.9	3.9	3.2
Dairy & Related Products	0.7	1.5	0.9	1.7	1.6	2.2	0.8	1.2	1.3	1.2	1.3	0.5	0.4
Fruits & Vegetables	1.3	0.2	0.7	-0.5	-0.9	-0.7	-0.2	0.3	1.0	1.1	0.9	0.7	-0.2
Nonalcoholic Beverages & Beverage Materials	0.9	3.6	4.4	3.1	3.2	2.4	2.1	2.2	2.3	2.8	1.7	1.3	1.3
Food Away from Home	5.7	3.9	3.8	3.8	3.9	3.8	3.7	3.4	3.6	3.6	3.8	3.9	4.0
Alcoholic Beverages	0.8	1.4	1.4	1.5	1.8	1.9	1.7	1.4	1.4	1.8	1.6	1.5	1.9
Apparel	2.5	-0.2	-0.5	-0.9	-0.7	0.3	0.6	0.4	1.2	1.1	0.3	1.8	0.3
Men's & Boys' Apparel	0.6	0.3	1.5	0.1	1.1	2.4	1.3	1.3	2.7	2.2	0.0	0.7	0.4
Women's & Girls' Apparel	1.0	-0.8	-0.8	-1.0	-1.5	-0.6	0.2	0.0	0.6	0.4	-0.1	2.8	1.2
Footwear	0.6	0.9	-0.6	-1.6	-1.3	-0.7	-0.2	1.0	0.6	0.7	0.8	0.0	-0.9
Transportation	16.5	0.0	-0.1	-1.3	-1.5	-0.9	1.7	3.2	1.6	0.5	-0.1	-1.1	-1.0
Private	15.2	0.1	0.2	-1.0	-1.1	-0.6	1.9	3.1	1.3	0.3	-0.3	-1.1	-0.9
New & Used Motor Vehicles	7.4	1.8	1.3	0.5	0.4	-0.3	0.0	0.7	-1.3	-1.9	-1.8	-2.4	-4.3
Motor Fuel	3.0	-9.3	-8.2	-11.9	-11.7	-9.8	-3.2	-0.4	-3.8	-8.4	-12.5	-15.5	-10.4
Motor Vehicle Insurance	2.8	5.3	6.1	7.0	6.4	7.5	11.1	11.8	11.3	12.7	14.0	16.3	16.5
Public	1.4	0.7	-2.7	-5.4	-5.6	-3.5	-0.6	4.9	5.7	2.9	2.5	0.6	-1.1
Airline Fare	0.8	0.7	-3.5	-7.3	-7.9	-5.2	-0.7	7.1	7.9	4.7	4.1	1.6	-1.3
Medical Care	8.3	3.5	2.8	2.5	2.7	2.6	2.9	2.6	2.8	3.1	3.3	3.3	3.0
Medical Care Commodities	1.5	0.1	0.2	0.3	1.0	1.0	2.3	2.3	0.5	0.4	1.0	1.6	2.0
Medical Care Services	6.8	4.3	3.4	3.0	3.1	3.0	3.0	2.7	3.4	3.7	3.8	3.6	3.2
Health Insurance	0.8	4.4	3.4	2.9	3.3	3.1	3.9	4.0	4.8	5.9	6.8	7.5	3.3
Recreation	5.3	2.4	2.1	1.8	1.6	1.9	1.8	1.6	1.1	1.5	1.0	0.7	1.6
Video & Audio	1.1	1.8	2.2	1.5	0.1	0.8	1.9	2.0	1.2	1.0	0.9	0.8	1.0

CPI Inflation Heatmap

Source: U.S. Bureau of Labor Statistics (BLS)

	Weights	07/2025	06/2025	05/2025	04/2025	03/2025	02/2025	01/2025	12/2024	11/2024	10/2024	09/2024	08/2024
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Housing	44.4	3.9	4.0	4.0	4.0	3.7	3.9	3.9	4.1	4.1	4.2	4.1	4.4
Shelter	35.4	3.7	3.8	3.9	4.0	4.0	4.2	4.4	4.6	4.7	4.9	4.9	5.2
Rent	35.0	3.6	3.8	3.9	4.0	4.0	4.3	4.4	4.6	4.8	4.9	4.9	5.2
Fuels & Utilities	4.5	6.5	6.7	6.0	5.4	4.1	3.5	2.9	3.4	2.9	3.6	3.0	3.0
Household Energy	3.4	6.8	7.1	6.2	5.5	3.8	3.0	2.3	2.8	2.1	3.1	2.5	2.6
Water & Sewer & Trash Collection Services	1.1	5.3	5.4	5.2	4.9	4.9	4.9	4.4	5.2	5.2	5.0	4.8	4.2
Household Furnishings & Operations	4.5	3.4	3.3	2.7	2.3	0.9	1.0	0.4	0.7	0.4	-0.6	-0.5	-0.6
Household Furnishings & Supplies	3.4	2.4	1.7	0.6	0.3	-0.3	-0.4	-0.9	-0.9	-1.0	-2.2	-2.2	-2.6
Food & Beverages	14.5	2.8	2.9	2.8	2.7	2.9	2.6	2.4	2.4	2.3	2.1	2.2	2.0
Cereals & Bakery Products	1.1	1.0	0.9	1.0	0.0	1.1	0.3	0.4	0.8	-0.5	0.9	0.1	-0.3
Meats, Poultry, Fish & Eggs	1.6	5.2	5.6	6.1	7.0	7.9	7.7	6.1	4.2	3.8	1.9	3.9	3.2
Dairy & Related Products	0.7	1.5	0.9	1.7	1.6	2.2	0.8	1.2	1.3	1.2	1.3	0.5	0.4
Fruits & Vegetables	1.3	0.2	0.7	-0.5	-0.9	-0.7	-0.2	0.3	1.0	1.1	0.9	0.7	-0.2
Nonalcoholic Beverages & Beverage Materials	0.9	3.6	4.4	3.1	3.2	2.4	2.1	2.2	2.3	2.8	1.7	1.3	1.3
Food Away from Home	5.7	3.9	3.8	3.8	3.9	3.8	3.7	3.4	3.6	3.6	3.8	3.9	4.0
Alcoholic Beverages	0.8	1.4	1.4	1.5	1.8	1.9	1.7	1.4	1.4	1.8	1.6	1.5	1.9
Apparel	2.5	-0.2	-0.5	-0.9	-0.7	0.3	0.6	0.4	1.2	1.1	0.3	1.8	0.3
Men's & Boys' Apparel	0.6	0.3	1.5	0.1	1.1	2.4	1.3	1.3	2.7	2.2	0.0	0.7	0.4
Women's & Girls' Apparel	1.0	-0.8	-0.8	-1.0	-1.5	-0.6	0.2	0.0	0.6	0.4	-0.1	2.8	1.2
Footwear	0.6	0.9	-0.6	-1.6	-1.3	-0.7	-0.2	1.0	0.6	0.7	0.8	0.0	-0.9
Transportation	16.5	0.0	-0.1	-1.3	-1.5	-0.9	1.7	3.2	1.6	0.5	-0.1	-1.1	-1.0
Private	15.2	0.1	0.2	-1.0	-1.1	-0.6	1.9	3.1	1.3	0.3	-0.3	-1.1	-0.9
New & Used Motor Vehicles	7.4	1.8	1.3	0.5	0.4	-0.3	0.0	0.7	-1.3	-1.9	-1.8	-2.4	-4.3
Motor Fuel	3.0	-9.3	-8.2	-11.9	-11.7	-9.8	-3.2	-0.4	-3.8	-8.4	-12.5	-15.5	-10.4
Motor Vehicle Insurance	2.8	5.3	6.1	7.0	6.4	7.5	11.1	11.8	11.3	12.7	14.0	16.3	16.5
Public	1.4	0.7	-2.7	-5.4	-5.6	-3.5	-0.6	4.9	5.7	2.9	2.5	0.6	-1.1
Airline Fare	0.8	0.7	-3.5	-7.3	-7.9	-5.2	-0.7	7.1	7.9	4.7	4.1	1.6	-1.3
Medical Care	8.3	3.5	2.8	2.5	2.7	2.6	2.9	2.6	2.8	3.1	3.3	3.3	3.0
Medical Care Commodities	1.5	0.1	0.2	0.3	1.0	1.0	2.3	2.3	0.5	0.4	1.0	1.6	2.0
Medical Care Services	6.8	4.3	3.4	3.0	3.1	3.0	3.0	2.7	3.4	3.7	3.8	3.6	3.2
Health Insurance	0.8	4.4	3.4	2.9	3.3	3.1	3.9	4.0	4.8	5.9	6.8	7.5	3.3
Recreation	5.3	2.4	2.1	1.8	1.6	1.9	1.8	1.6	1.1	1.5	1.0	0.7	1.6
Video & Audio	1.1	1.8	2.2	1.5	0.1	0.8	1.9	2.0	1.2	1.0	0.9	0.8	1.0
Pets, Pet Products & Services	1.2	2.6	2.1	2.2	1.9	1.3	2.4	2.0	2.0	2.9	2.0	2.1	2.8
Education & Communication	5.6	0.3	0.5	0.3	0.2	0.5	0.3	0.5	0.6	0.7	0.8	0.9	1.0
Education	2.6	3.7	3.6	3.6	3.8	3.9	3.7	3.8	4.0	4.2	3.8	3.6	3.1
Communication	3.1	-2.2	-1.9	-2.1	-2.3	-1.9	-2.1	-1.9	-1.8	-1.8	-1.3	-1.0	-0.4
Other Goods & Services	2.9	3.9	3.7	3.8	3.6	3.8	3.3	2.4	3.3	3.4	3.3	3.5	3.9
Tobacco & Smoking Products	0.5	6.5	6.3	6.3	7.1	6.8	6.6	6.8	6.7	6.6	6.8	8.2	8.4
Personal Care	2.5	3.3	3.1	3.3	2.8	3.1	2.5	1.4	2.5	2.7	2.5	2.5	2.9

Conditional formatting based on the Z scores of the last 12 observations (round to 1 decimal)
Red indicates high inflation as compared to previous observations for each respective category



The Benefits Of Working With An Individual RIA Versus A Big Bank

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