

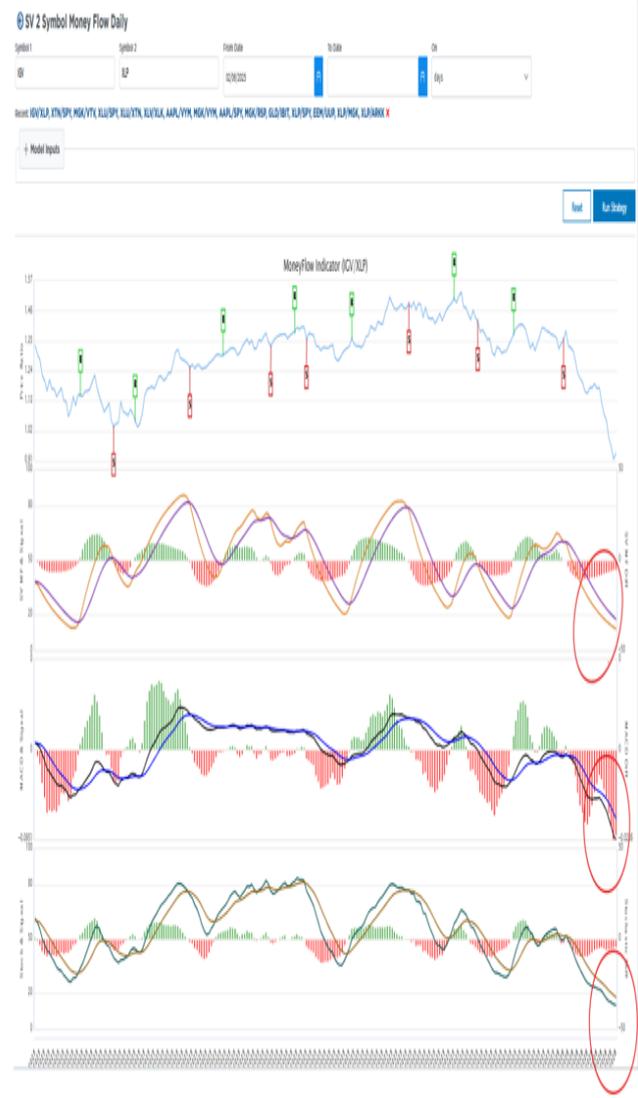
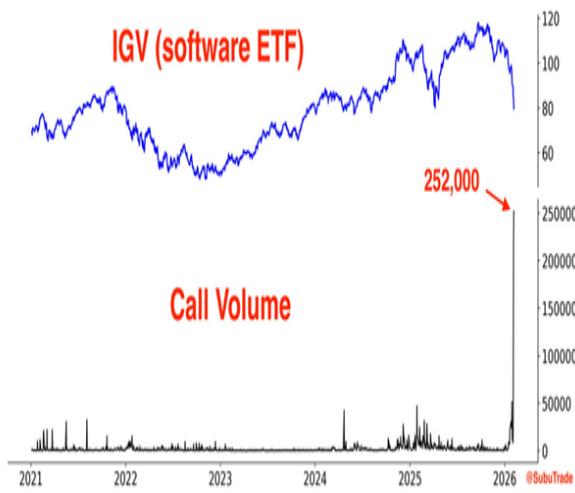


## Software Or Staples? - RIA

As we wrote in yesterday's [Commentary](#), efficiently rotating between overbought and oversold sectors, factors, or stocks is a well-established method for outperforming markets. Like any strategy, the hard part is timing, or properly estimating when a pair of sectors, factors, or stocks is about to reverse their respective trends. Currently, there is a massive divergence between software stocks and consumer staples. Thus far in 2026, the software ETF, IGV, is down 20%, while XLP, the consumer staples ETF, is up 12%, and the S&P is flat for the year. Is it time to sell staples and buy software?

To help us better appreciate the relationship and how it may trade, we share three graphics below. The two graphs on the left show that call volume in the software sector is spiking to unprecedented levels, and put volume on staples is surging too. Speculative investors or hedgers are clearly betting that the performance divergence between the two sectors will reverse.

With [SimpleVisor](#), we can use technical analysis to assess our question. The graph on the right shows the price ratio (blue) of IGV to XLP. As shown, it has declined appreciably since November. Beneath the ratio graph is a proprietary technical momentum indicator that shows IGV is very oversold relative to XLP but has not triggered a buy signal, which would suggest that a reversal in the performance divergence is likely. Similarly, the bottom two graphs, the MACD and stochastics, also point to oversold conditions, but neither is triggering buy signals, albeit they are close. Bear in mind that, as with technical analysis of a stock or index, IGV doesn't have to outperform XLP; it only has to stop underperforming to bring the technical gauges back toward fair value.



## What To Watch Today

### Earnings

Monday Feb 9	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Apollo Global Managemen	2.08	2.22		5.22B	955M		\$73.64B	Q4	AM
Becton, Dickinson and Co	2.81	3.43		5.15B	5.17B		\$58.32B	Q1	AM
Cincinnati Financial CINF.US	2.71	3.14		2.57B	2.54B		\$24.09B	Q4	PM
Loews LUS			0.86			4.55B	\$22.83B	Q4	AM
Waters WAT.US	4.52	4.10		928.94M	873M		\$22.34B	Q4	AM
Principal Financial PFG.US	2.24	2.10		4.11B	4.1B		\$22.17B	Q4	PM
On Semiconductor ON.US	0.62	0.95		1.53B	1.72B		\$20.82B	Q4	PM
AECOM ACM.US	1.18	1.31		1.8B	4.01B		\$12.84B	Q1	PM
CNA Financial CNA.US	1.17	1.22		2.88B	2.57B		\$12.25B	Q4	AM

## Economy

Monday February 09 2026		Actual	Previous	Consensus	Forecast
11:00 AM	 US	Consumer Inflation Expectations JAN	3.4%		 

## Market Trading Update

As noted, the markets started February on a sloppy note. Leverage unwound fast once volatility spiked, and selling pressure hit crypto first, then metals, then equities. The sequence mattered as gold and silver broke sharply after repeated CME margin hikes tied to extreme price swings. Higher margin requirements forced traders to raise cash as margin calls mounted, and the fastest way to do so was to [sell liquid positions](#). That selling spread into bitcoin, where leveraged longs liquidated aggressively as prices sliced through technical support near 65,000. Equities followed as cross-asset risk reduction took hold. **This looked mechanical, not emotional.**

However, on Friday, buyers once again *bought the dip* at the 100-day moving average, pushing stocks above initial resistance at the 50- and 20-day moving averages. That move keeps the bull trend alive and well, and the market continues its consolidation that began in November. Notably, investors were busy rebuying everything that got sold this past week, including metals and crypto. Heading into next week, the market will have to contend with resistance at the previous highs. Furthermore, given the recent selloff, particularly in metals, was so sharp, I would consider reducing risk on rallies as *trapped longs* look to exit. The next bottom will likely prove to be more lasting.



While the media was full of headlines about why selling was so broad across markets, the more likely explanation was that metals and crypto cracked, and systematic and risk parity strategies reduced exposure. The Nasdaq absorbed most of the damage as high-multiple software and AI-related names led the decline. By Thursday, price action showed signs of forced selling, with intraday ranges widening and volume rising on down moves. **These patterns align with margin-driven liquidation rather than discretionary positioning.**

As noted, the change in tone on Friday was encouraging as the sharp rebound eased automated selling pressure. However, when forced sellers finish, prices often snap back quickly. Crucially, this does not signal a new uptrend, **just a potential end to the first liquidation wave.** There is now a

much higher risk of another leg lower than a move higher. As such, traders should focus on levels, not narratives. **Relief rallies fail often when resistance holds.** Sustained upside requires volatility stabilization and tighter intraday ranges. If support holds early next week, consolidation becomes the base case. Failure at support opens the door for a second leg lower.

Index/Level	Level (Approximate)	Notes
S&P 500	6932	Friday's closing level
Immediate Support	6927	20-day moving average
Intermediate Support	6885	Rising 50-day moving average, structural trendline
Major Support	6799	100-day moving average
Initial Resistance	7000	Psychological level, tested twice in January
Major Resistance	7076	20-day moving average



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## The Week Ahead

The economic calendar will be busy this week. Retail Sales on Tuesday will provide our first account of consumer activity after the holiday season. The following day, the BLS will release the delayed employment report originally due last Friday. Expectations are that 50k jobs were added last month. Unemployment is expected to tick up 0.1% to 4.5%. ADP data warn that the number could be lower than consensus expectations. On Friday, the BLS will release CPI. We are very interested in seeing whether the government's inflation data shows a similar sharp decline, as Truflation (shown below) did in January. It's worth adding that Friday's University of Michigan one-year inflation expectations fell from 4.00% to 3.50%.

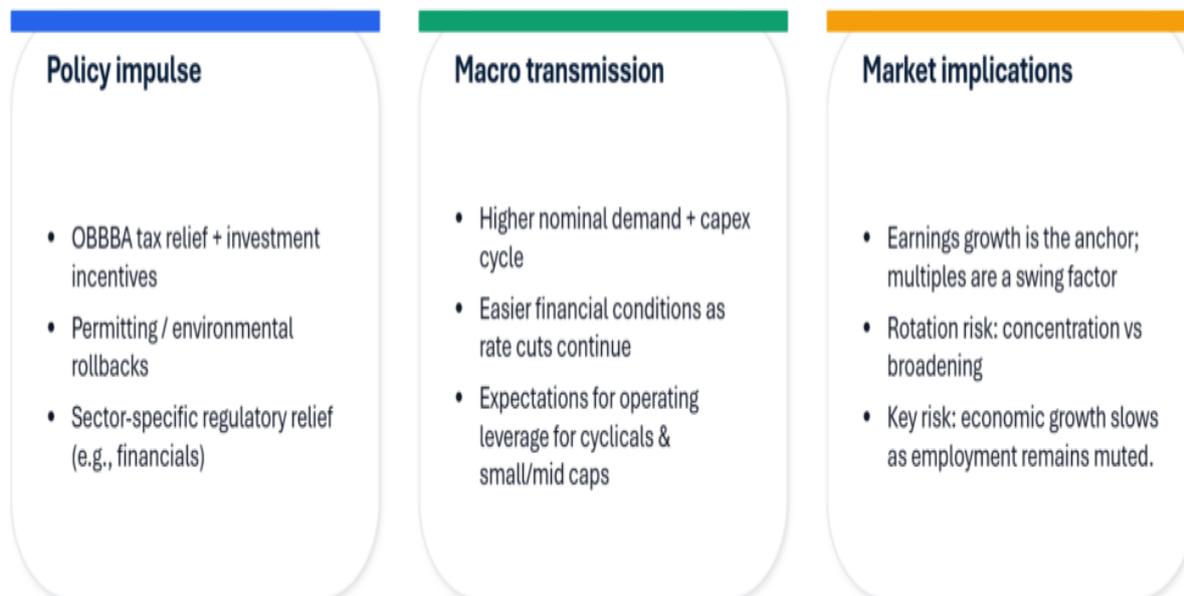
The earnings calendar slows down markedly this week. Of note are Coca-Cola, Duke Energy, and CVS on Tuesday, and McDonald's on Wednesday. The next key earnings report will be Nvidia, which reports on February 25th.



## The Reflation Narrative

The market got off to a strong start in 2026, with investors chasing industrials, materials, and commodity-related stocks as the reflation narrative gained traction. The *reflation narrative* is the belief that a range of policies will boost the rate of economic growth in the U.S. without triggering inflation. As I discussed at our recent 2026 Investment Summit, the markets are banking on the effects of the passage of the OBBBA, tax cuts, and deregulation to fuel earnings and profit growth in 2026.

Reflation thesis: 2026 is positioned for above-trend nominal growth as fiscal stimulus and deregulation meet easing monetary policy, supporting cyclical revenues, operating leverage, and risk assets—while keeping inflation risks muted.



Furthermore, the markets are focused on the Federal Reserve with expectations of further rate cuts and easing of monetary policy. All of these actions aim to increase consumption, investment, and employment, which in turn will increase wages and corporate revenues.

Over the last few months, the reflation narrative has re-emerged. After years of tightening by global central banks to tame post-pandemic inflation, the focus has started to shift. Inflation has moderated in the U.S., and growth remains positive, albeit soft in some sectors. Policymakers and market participants are watching for signs that rate cuts could soon be back on the table, particularly as employment softens.

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**Tweet Of The Day**

Sean Brodrick reposted

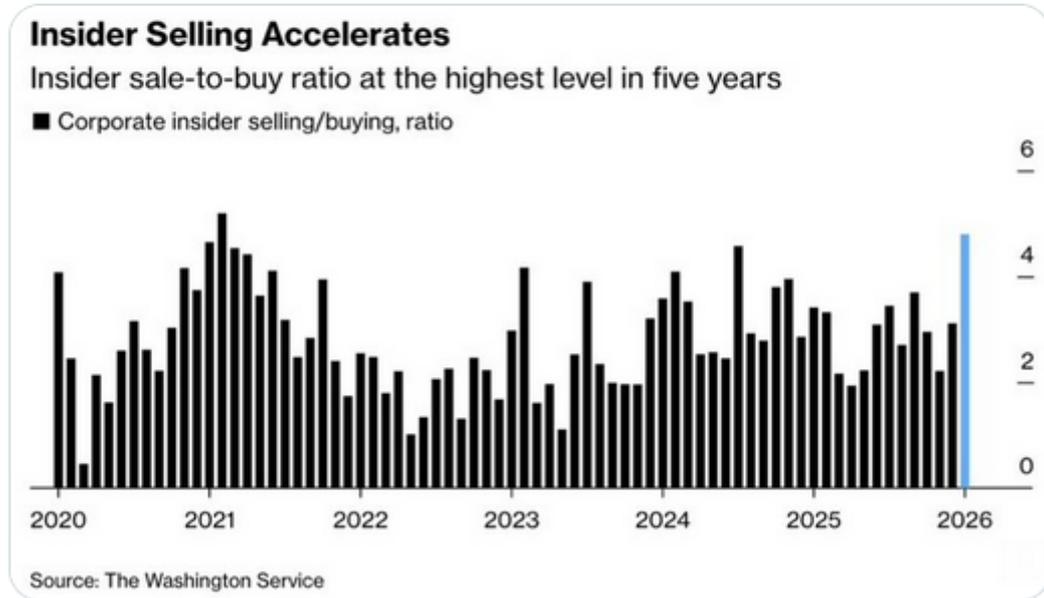


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Corporate Insiders dumped shares in January at the fastest pace in 5 years

🤖 Guess they knew 🙄



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