

# MARKET NOTE . . .

Plenty of motion... movement not so much. This speaks to both the NASDAQ 100 and the S&P, and therefore most of the leadership. Like those averages, even the Semis are basically trading in a range the last few weeks. That said, there are plenty of 52-week highs, accompanied by an uncomfortable number of 52-week lows — diverging markets are not good. However, any real weakness seems minimal, while strength has broadened to some extent. Financials are the most noteworthy positive change here, together with Healthcare — see XBI (157) and XLV (160). While Costco (COST - 925) and Walmart (WMT - 109) are surprisingly weak, Ralph Lauren (RL - 398) and Target (TGT - 130) are not. The Advance/Decline Index reached a new high this week, the Equal-Weight S&P is outperforming and Financials are healthy. A backdrop for more trading range perhaps, but not one for important problems.

We think it was Jim Rogers who once said being short when the market goes against you is worth a year in business school. Just why being wrong on the short side should feel different than being wrong on the long side is not clear, but let's just say we've read about it. We confess to having done some short selling, especially back when there were more worthy candidates. Being a trend follower we never liked to mess with the strong stocks, rather chose weak or broken names. Still, as it does, a market rally will lift all ships. However, it was when without a rally these weak stocks turned that we often found our biggest winners on the long side. All of this is to make the point of what we think is similar behavior in the stock, ELF Beauty (ELF - 79). After slip-sliding away since February, the character of the stock completely changed a few weeks ago — it broke the downtrend, blew through the 50-day, and has positively resolved a recent consolidation.

Frank D. Gretz

**CAPITAL ONE FINANCIAL (COF - 205)**



**SPDR HEALTHCARE ETF (XLV - 160)**



**RALPH LAUREN (RL - 398)**



**ELF BEAUTY (ELF - 79)**



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