MARKET LETTER / WEEKLY REVIEW

U.S. Market Weekly Review

The index rebounds; participation fails to follow

Period 2026-09-26 · Data through 2026-09-25 · Historical retrospective

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Data through	2026-09-25
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Composite state

63.4

Caution / 100

Market breadth

44.7%

Eligible stocks above 200DMA

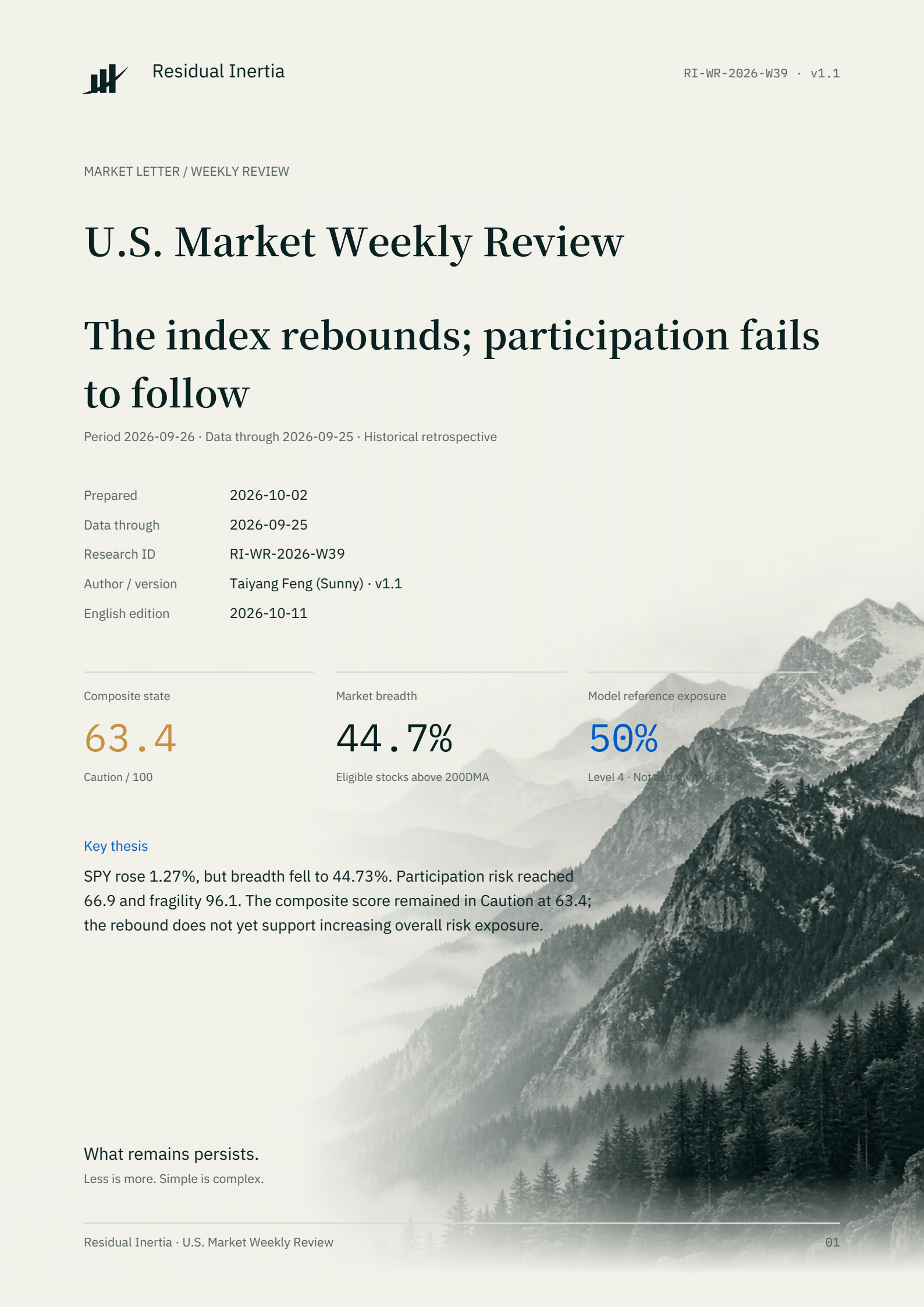
Model reference exposure

50%

Level 4 · Not actu[illegible]

Key thesis

SPY rose 1.27%, but breadth fell to 44.73%. Participation risk reached 66.9 and fragility 96.1. The composite score remained in Caution at 63.4; the rebound does not yet support increasing overall risk exposure.



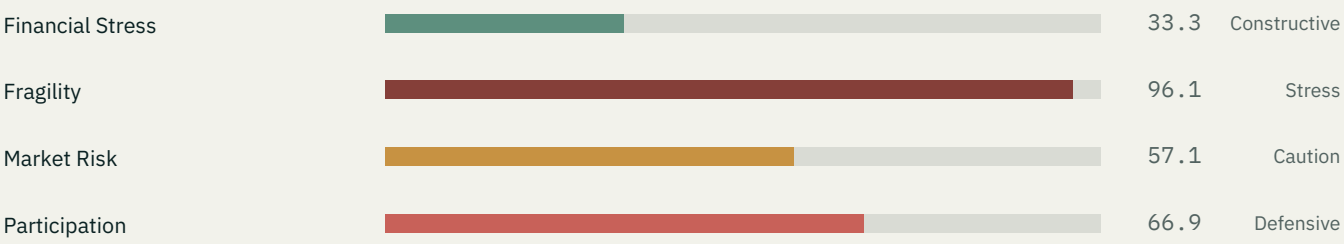
What remains persists.

Less is more. Simple is complex.

01 / THIS WEEK'S EVIDENCE

Prices, breadth and risk state

Measure	Previous	Current	Change
Composite score	61.06	63.36	+2.30 points
Market breadth	46.40%	44.73%	-1.66 pp
Financial stress	33.33	33.33	+0.00 points
Fragility	92.93	96.08	+3.15 points
Market risk	60.98	57.14	-3.84 points
Participation risk	56.99	66.90	+9.91 points



Weekly model: Level 4, 50% reference risk exposure; signal date 2026-09-18. Composite and breadth observations end 2026-09-25.[1]

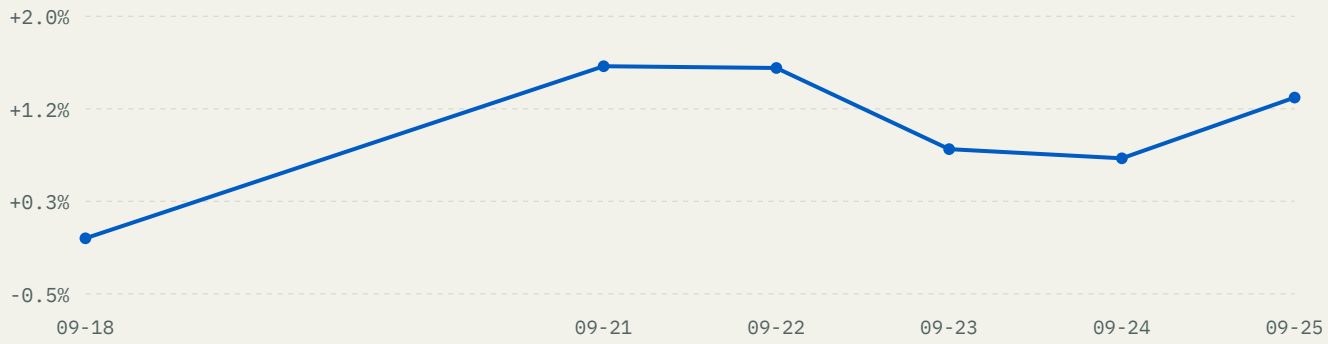
As of September 25, SPY recovered from 761.69 to 771.35, a weekly gain of 1.27%. Meanwhile, breadth fell from 46.40% to 44.73%, continuing to contract. The index rebound coincided with weaker participation, leaving the recovery limited in scope.[1][2]

Participation risk rose to 66.9, entering Defensive. Market risk eased to 57.1 but remained Caution. Fragility increased further to 96.1 while financial stress stayed at 33.3. Pressure remained primarily internal to equities: elevated fragility and weak participation did not disappear as the index rose.[1]

02 / RESEARCH VIEW

After the rebound, keep watching breadth

SPY weekly adjusted-price path



Base: prior observation close = 0; adjusted price, not dividend-reinvested total return.[2]

The composite score rose from 61.1 to 63.4, remaining Caution. Lower market risk was an improvement, but participation risk had entered Defensive and overall structure had not improved. The model still indicated Level 4 with a 50% reference risk exposure. Maintaining caution has more support than simply following the index rebound.

The target range after the September hike was 3.75%-4.00%.[3] Financial stress remained moderate: tighter policy had not yet produced a clear deterioration in financing stress under this indicator. Watch whether the rebound broadens and elevated fragility eases. If a few stocks hold up the index while breadth keeps declining, the risk interpretation should remain cautious.

Watch	Observation
Rebound diffusion	Look for prices and breadth improving together, with lower participation risk.
Risk state	Track the composite and fragility, including whether the composite moves further into Defensive.
New data	The August PCE release on September 30 is reserved for the next issue; this report ends September 25.

03 / NOTES

Data definitions and sources

Observation window: 2026-09-18 to 2026-09-25. Model readings use the archived vintage for that period. SPY prices use records frozen on October 2, 2026.[1][2]

Breadth is the proportion of eligible U.S. equities trading above their 200-day moving averages. Coverage varies; this is not S&P 500-only breadth. Historical denominators were not fully preserved.

Weekly SPY price changes use adjusted closes. Dividend reinvestment was not independently reconstructed; these changes are not strategy returns.[2]

Composite states use the unrounded score: below 35 Constructive; 35 to below 50 Neutral; 50 to below 65 Caution; 65 to below 80 Defensive; 80 or above Stress. Lower-frequency components and weekly signals can lag. Scores are not crisis probabilities.

This is a retrospective prepared on October 2, 2026, not a publication made during the historical week. Version 1.1 revised commentary while retaining the original data vintage. Screenshots and subsequently recalculated histories may differ.

Limitations

This report focuses on internal U.S. equity-market structure and uses SPY as an index price proxy. It does not perform event-level causal analysis or incorporate releases after the observation cutoff.

Archived quality checks passed; the source freshness label was stale. Signal dates are stated separately. Passing quality checks does not mean that all inputs have been updated.

Sources

[1] RI archived market snapshot
https://residualinertia.com/snapshots/2026-09-26/

[2] Massive SPY price data methodology
https://massive.com/docs/rest/stocks/aggregates/custom-bars

[3] September FOMC statement
https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a.htm

[4] August PCE release (outside this report's cutoff)
https://www.bea.gov/news/2026/personal-income-and-outlays-august-2026

Disclosure

Prepared by Residual Inertia for research and information only. This is not investment or securities-trading advice. Model outputs do not represent actual account holdings. The report does not disclose the author's holdings or conflicts of interest.