

S&P500 - Expecting a Top Before a Four-Year Cycle Low in 2026

Bruno Estier, MFTA, MSTA, CFTe

Let's update our view for 2026, which is a mid-term election year and often a low for the 3.5 to 4-year cycle. As the S&P500 is at an all-time high, looking for a low in the next 12 months appears an easy bet. However, we need to find out when and where the absolute top will be. Given the current price momentum, we selected the Q1 period. This is a choice, that is shared by a lot of cycles analysts and, of course, the confirmation will come after the top is made between the recent high of 6930 and a projection near 7225, a major Gann level.

It would be ideal that in the coming weeks, the S&P500 would show a bearish divergence on the weekly STO, but, the confirmation of a major top will come only with lower highs and lower lows on a weekly time horizon. Also, a flattening of the

rising 20-wk MA and a price behaviour, similar to 2022 would increase the convictions of the Bears!

Meanwhile, we have to watch the sector rotation out of the MAG 7 and the Relative Strength of small and mid-caps, which may rise during Q1 of 2026. As the S&P500 comes closer to the Q3 and assuming an on-going correction is gathering downside momentum, there is a risk that all sectors may decline, and thus small and mid-caps may also undergo a severe correction.

But first, we have to focus on locating a top, as the S&P500 has just made a new All-Time High!

I can not think of anything else but "Caveat Emptor".

Enjoy the chart!

Chart: S&P 500 Large Cap Index

(log scale since September 2022 in weekly candles with Ichimoku cloud)

The **orange dotted line** represents the VIX, which declined below its rising trend support (15%).

UPPER PANEL: the Relative Strength (RS) line of Small Caps versus S&P500 (**green dotted line**), which is bottoming after a long decline since January 2023. At the same time, the **red dotted line**, the RS line of Nasdaq 100 v. S&P500 replaced its uptrend, with a pause in recent months, while in the **gold solid line**, the RS of ETF EEM (emerging markets) v. S&P500 is rebounding, in contrast to the long decline between Jan. 2021 and Sept. 2024.

• All the lines drawn on the right of the actual date by BEST are for educational purposes, assuming some ebb and flows and sector rotation out of MAG7 into the 493 other stocks.

We look at 2 main potential cases:

- The **GREEN path** envisions a higher high between 6950 and 7250 in Q1 of 2026, followed by a correction into Q3 of 2026 to find support near 6132, the Fibi 38% of the last major rise.
- The **RED path** extends the decline in Q2 of 2026, breaking below the weekly Cloud and finding support at the previous low of April 2025. What comes after is hypothetical and is not commented here, but obviously, it would assume the S&P500 is presently in a **bubble** and **here we paint the Red Devil on the wall**.

LOWER PANEL: As of January 2, 2026, the momentum indicators hint at the current situation of the S&P500. The **long-term weekly MACD** made a top in October 2025 and crossed down, indicating a slowing momentum. The **weekly STO** is in an overbought area, still rising without having crossed down yet.

• The **two vertical lines in blue** are set in October 2022 and October 2026 for the theoretical lows of the US Presidential cycle (near mid-term election).

