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VIEW

The Monthly Market Technical View of Bruno Estier Strategic Technicals

September 2025 Text Written: 4 September 2025 | Chart: 4 September 2025

S&P500 - Seasonal Correction in the Fall v. Marginal Uptrend Extension into 2026.

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In two weeks, Summer will be over, and then comes the proverbial season of Fall. A year ago, two paths, a **Green Path** and a **Red Path**, were shown from 2024 into the mid-term elections of 2026 as an educational price pattern to propose an alternative view (the Green Path) to another bearish view (the Red Path), expecting a serious decline of the S&P500 in 2024. The idea is to present different views to prepare the mind for what the evolution of the S&P500 could look like, as equity markets are not supposed to move in a straight line.

This week, in contrast to previous projections made in June, which envisioned anyway for both paths a top in the summer of 2025, the S&P500 at an all-time high in this first week of September 2025 calls for a revision of the Green Path allowing not only a seasonal correction this Fall, but also a possible NEW all-time high later in Q1 2026 along with some long-term cycles. It will have to be discovered if an extension of the current bull run is going to be marginal or substantial. The more the clock ticks toward the mid-term elections in the U.S., which is historically likely to be close to the low of the four-year cycle, the shorter the time remaining for building a preceding top. Here we have the Green top during the Q1 2026. In the case of the Red Path, the same time window should show a lower top.

In our bi-monthly review, we discuss for our subscribers the "Technical" picture of the U.S. interest rate curve, the Relative Strength of small caps v. cash rich growth caps or even Mega caps and the impact of gold, silver, and currencies, in particular the US$ Index chart, the famous carry trade of $/Yen or $/CHF should have an impact on the fate of the US 10-Year Yield. Meanwhile, as history does not repeat, but rhymes, it is timely to re-quote the 2nd rule of market analyst Bob Farrell: "Excesses in one direction will lead to an excess in the opposite direction." I'll let you judge if we had any excess at all so far. Enjoy the chart!

Chart of the S&P500, log scale, since October 2019 in weekly candles with Ichimoku Cloud

*Orange dotted line represents VIX which made a spike low below 15% remains within a wide triangle, as we "cut through " the eccentricity of the **Tarrif Saga**.*

UPPER PANEL: Relative Strength (RS) (*green dotted line*) of Small Caps versus S&P500, which rebounded in the last month but has been in a long-lasting decline since January 2023. During the same period since January 2023, (*red dotted line*), the RS line of Nasdaq 100 v. S&P500 was in an uptrend, which lost momentum in the last month, while in the *gold solid line*, the RS of ETF EEM (emerging markets v. S&P500) is a flat liner, a progress versus the long decline between January 2021-September 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 **Magseven** into the 493 other stocks. We look at two main potential cases:

- The **Green Path** envisions a higher high between 6561 and 6889 in March of 2026 and correction holdings above 5750 by the Fall of 2026. This is a pretty optimistic scenario, assuming a modest pull-back between now and mid-October 2025.
- The **Red Path** looks for a lower high in March 2026. Then, expect much more trouble until November 2026. It assumes the current situation of the US equity market is presently in a bubble, and here we paint the Red Devil on the wall.

LOWER PANEL: As of 4 September 2025, the momentum indicators hint at the current situation of the S&P500. The long-term weekly MACD is rising well above zero, reaching the previous high of mid-2021 and November 2024, but it displays a slowdown in the last six weeks (second derivative is down). The weekly STO is in an overbought area with a potential lower high (potential Bearish divergence), calling for a potential correction to arrive just during the weak seasonal period of September-October. Such momentum divergence may develop into a dreadful **RED Path** if the long-term cycles remain in a topping phase. Fortunately, 2025 is a year of five, which historically shows a lower probability of very large declines in the S&P500 Index.

- The two vertical lines in ***blue*** are set in October 2022 and October 2026 for the theoretical lows of the U.S. Presidential cycle (near the midterm election).

Data Source: Stockcharts.com
Analysis by B.E.S.T.