Choppy Markets Stabilize: Signals Align for a Santa Claus Rally and Early-2026 Strength

North American markets were notably "choppy" in November, oscillating through a down–up–down–up pattern before strengthening into December. U.S. indices briefly tested—but held above—their secondary support levels (see MKT-580, November 12, 2025) and continue to trade in relatively tight ranges.

The TSX outperformed, remaining above its 10wMA throughout November and breaking to new all-time highs in early December. Banks led the advance, complemented by a rebound in gold and renewed strength across major Energy names, including Canadian Natural Resources (CNQ), Suncor (SU), and Whitecap Resources (WCP).

Dow Jones Transportation Average

A significant technical development this month is the establishment of a new uptrend in the Dow Jones Transportation Average (DJT). As the Dow Jones Industrial Average (DJI) pushed above its late-2024 highs beginning in August, the DJT remained locked in a narrow consolidation band between 15,000 and 16,500. Under normal circumstances, we look for the two indices to move in tandem in order to confirm the market's primary trend. Earlier this month, the DJT broke out of its trading range, indicating renewed momentum that will likely lead the index to new all-time highs.

While some commentators were troubled by the DJT's delayed confirmation of the DJI's strength, this concern overlooks a key principle of Dow Theory: the primary trend remains intact until there is clear, corroborated evidence of a reversal. A period of consolidation within an ongoing advance does not negate the broader uptrend unless **both** averages—and volume—signal a decisive shift. The DJT's August–November range, therefore, represented a pause, not a contradiction, within the rising primary trend evident across the major indices.

Charts courtesy of LSEG

PAC-25-180; MKT-581, December 8, 2025

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Breadth & Momentum

NYSE breadth weakened beginning in August, and market momentum—captured by the relationship between 52-week highs and lows—turned lower by mid-September. Even so, the NYSE Composite pushed higher through most of September before moving into a horizontal consolidation band between 21,100 and 21,800. It has remained within this range since then. Recently, however, both breadth and momentum have shown early signs of improvement, hinting at a strengthening internal backdrop that could support a seasonal year-end advance (Santa Claus Rally).

The Santa Claus Rally encompasses the last five trading days of December and the first two of January. This period has historically delivered strong returns, often linked to lighter institutional participation, retail inflows, favourable liquidity conditions, and year-end portfolio adjustments.

Outlook

As discussed in previous comments, the 12 months following a breadth thrust have a 100% historical track record of producing above-average market returns over both the six- and twelve-month horizons. The S&P 500 rose 32.6% from the April 7 close to the October 7 close, consistent with this historical pattern. With the twelve-month window following the breadth thrust still underway, statistical tendencies continue to point toward above-average returns in the first quarter of 2026. The second year after a breadth thrust typically delivers more modest but still positive gains roughly 70% of the time.

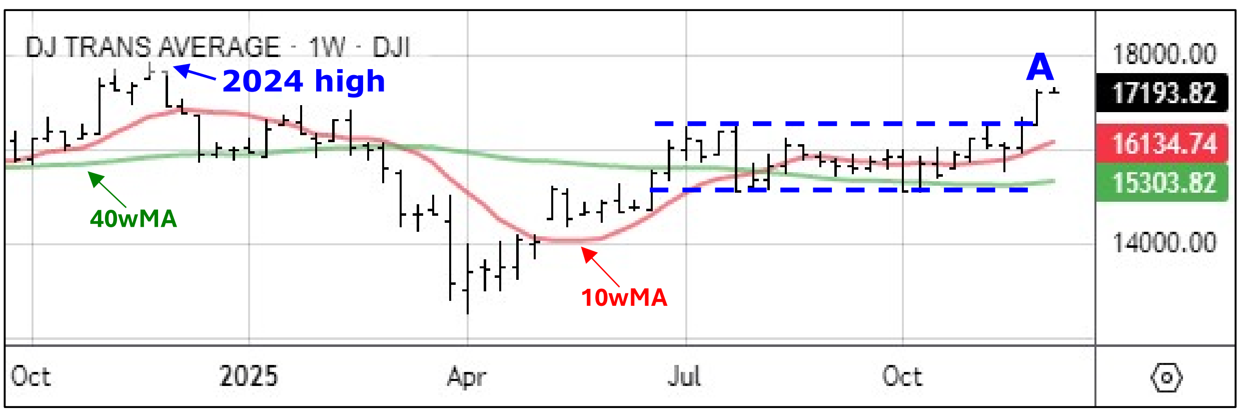
Barring a sudden, sharp decline below their respective 40-week moving averages (40wMAs) in the remaining weeks of the year, North American indices appear on track to end 2025 in positive territory (see table below). While markets may remain choppy in the near term, they should ultimately follow the TSX’s lead toward new all-time highs.

Index	2024 close	Jan-Feb high	April low	Dec. 5 close	% change YTD
DJI	42,544.22	45,054.36	36,611.78	47,954.99	+12.7%
SPX	5,881.63	6,147.43	4,835.04	6,870.40	+16.8%
NYA	19,097.10	20,240.59	16,820.11	21,810.07	+14.2%
TSX	24,727.94	25,875.61	22,227.74	31,311.41	+26.6%

Charts

As previously mentioned, the Dow Jones Industrial Average (DJI) began exceeding its late-2024 highs in August while the DJT remained confined to a narrow range—mostly between 15,000 and 16,500 (dashed lines). The recent breakout from this range signals a new uptrend toward new all-time highs (A). A decisive rise above 17,850 would confirm it.

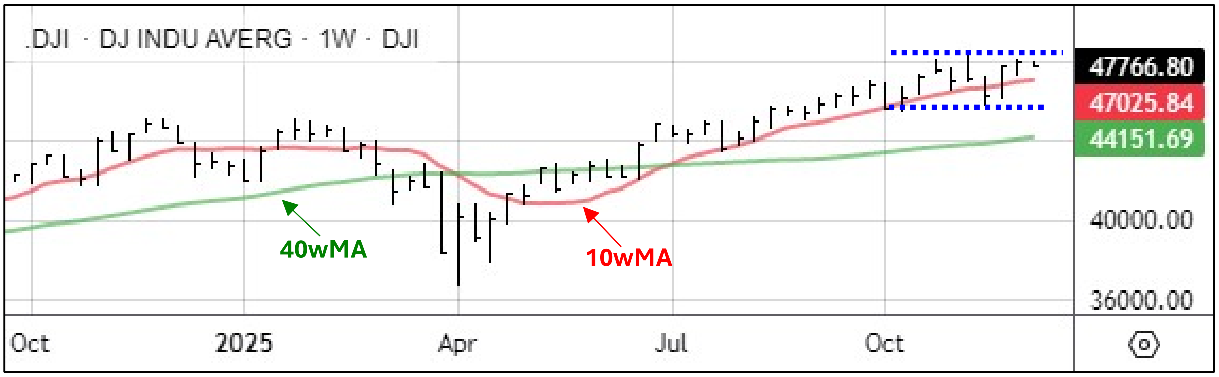
Note: We consider the DJT all-time high to be 17,846, reached in November 2024. (We disregard the 18,247 "artificial" high reached on November 2, 2021, because it was caused almost entirely by a historic, short-squeeze-driven +108% surge in Avis Budget Group (CAR) following blowout earnings. Since the DJT is price-weighted (not cap-weighted like the S&P 500), CAR's massive jump produced a disproportionate impact on the entire index.)



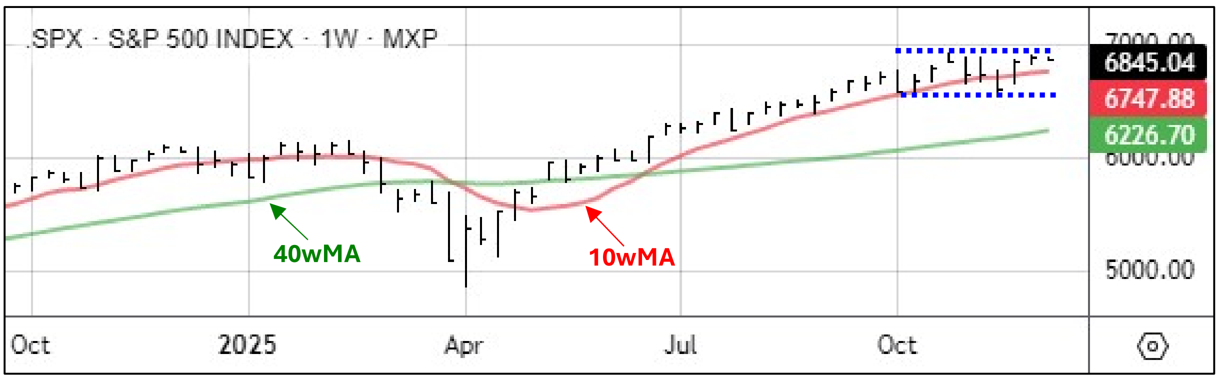
U.S. indices are currently trading within narrow horizontal ranges (dotted lines): the DJI between 45,600 and 48,400; the SPX between 6,550 and 6,925; and the NYSE between 21,000 and 21,850. A sustained move above the upper boundary of these ranges would indicate a breakout and the continuation of the long-term uptrend.

The TSX traded between 29,800 and 30,800 through October and November (dotted lines) but broke above this range earlier this month, signaling a resumption of its uptrend (A). (See charts are on the following page.)

Dow Jones Industrial Average (DJI) - Weekly chart from October 2024



S&P 500 Index (SPX) - Weekly chart from October 2024



NYSE Composite Index (NYA) - Weekly chart from October 2024

S&P/TSX Composite Index (GSPTSE) - Weekly chart from October 2024