Market Intelligence

by Stock Chartistry

WEEKLY WRAP UP 12/21/2025 – Special Year End Edition

In This Report

- Market Overview
- Broad Market Structure — what SPY, QQQ, DIA, and IWM are really saying beneath the headlines
- Sector Breakdown & Rotation — where capital is flowing, where it's leaving, and why it matters now
- Macro & Liquidity Landscape — employment risk, policy constraints, and rising uncertainty
- Leverage & High-Beta Risk — why volatility accelerates when leverage meets uncertainty
- Red Flags Emerging — the seven signals professionals watch as markets begin to reprice
- AI Winners vs. AI Losers — why AI is splitting and execution now matters more than hype
- Key Assets Traders Are Trading — TSLA, NVDA, AMD, IBIT, BE, and what price action is signaling
- Market Cycle & Transition Phase — where we are in the cycle and how to trade it

Why Market Repricing Now Matters — 7 Red Flags You Need to Know

1. Market Overview

On the surface, markets still appear functional. Indexes remain elevated, select mega-caps are holding together, and pullbacks continue to find buyers. But that surface-level calm does not reflect what traders are actually experiencing day-to-day.

This is **no longer a calm market for traders**.

The most actively traded names — **NVDA, TSLA, IBIT, AMD, BE, META** — have been volatile, choppy, and in many cases outright punishing. Ranges have widened, trends have stalled, and leadership has fractured. What once felt like a straightforward "buy the dip" environment has become conditional, selective, and increasingly unforgiving.

This newsletter is not arguing that a collapse is guaranteed. Markets often climb walls of worry far longer than expected. But it *is* arguing that the **character of the market has changed**, and when character changes, trading behavior must change with it.

That shift is what market repricing looks like in real time.

Weekly Heat Map of SP 500 by Volume *(Low Breadth and Participation)*

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2. Broad Market Structure

SPY: Holding Together Through Rotation

SPY remains near its highs, but the reason matters.

This is **rotation-driven strength**, not expansion-driven strength.

Capital is not broadly flooding into equities. Instead, it is **concentrating** — flowing toward companies with durable cash flow, balance-sheet strength, and visible return on investment.

This allows SPY to remain elevated even as participation weakens beneath the surface. Many stocks are already well off their highs, despite the index appearing healthy.

This divergence is not random. Historically, it emerges **late in cycles**, when risk tolerance narrows and capital becomes selective.

Red Flag #1: Index strength masking internal weakness.

QQQ: Leadership Hesitation

QQQ has stopped confirming SPY's strength.

Momentum has stalled. Higher highs have failed to materialize. Performance is increasingly dependent on a shrinking subset of names. When leadership falters, markets rarely collapse immediately — they **reprice expectations first**.

That repricing is possibly already underway.

DIA: Quiet Confirmation of Rotation

DIA's relative strength is important.

Industrials, select financials, and defensive cyclicals continue to attract capital. This supports the idea that **money is not fleeing equities entirely** — it is migrating toward perceived durability.

DIA strength confirms rotation, not euphoria.

IWM: A Telling Lack of Leadership

Small caps should lead when growth expectations improve and policy eases.

They are not. Recently lost price support after making new highs.

IWM has held support but failed to accelerate meaningfully. Many small-cap companies remain unprofitable, debt-dependent, and economically sensitive. In an environment of rising uncertainty, traders hesitate to take that risk.

Red Flag #2: Small caps refusing to lead during an easing narrative.

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3. Sector Breakdown & Rotation

Rotation is clearest at the sector level.

Sectors Showing Relative Strength

- **Financials (XLF):** Benefiting from yield-curve dynamics and capital rotation
- **Industrials (XLI):** Cash-flow durability, infrastructure exposure
- **Selective Healthcare:** Defensive growth, earnings visibility
- **Materials (XLB):** Infrastructure and re-industrialization themes

These flows help explain why **DIA remains resilient**.

Sectors Losing Sponsorship

- High-multiple growth
- Speculative innovation
- Unprofitable technology
- Excessively leveraged names

This divergence is not fear-driven — it is **capital discipline returning**.

SECTOR WINNERS AND LOSERS

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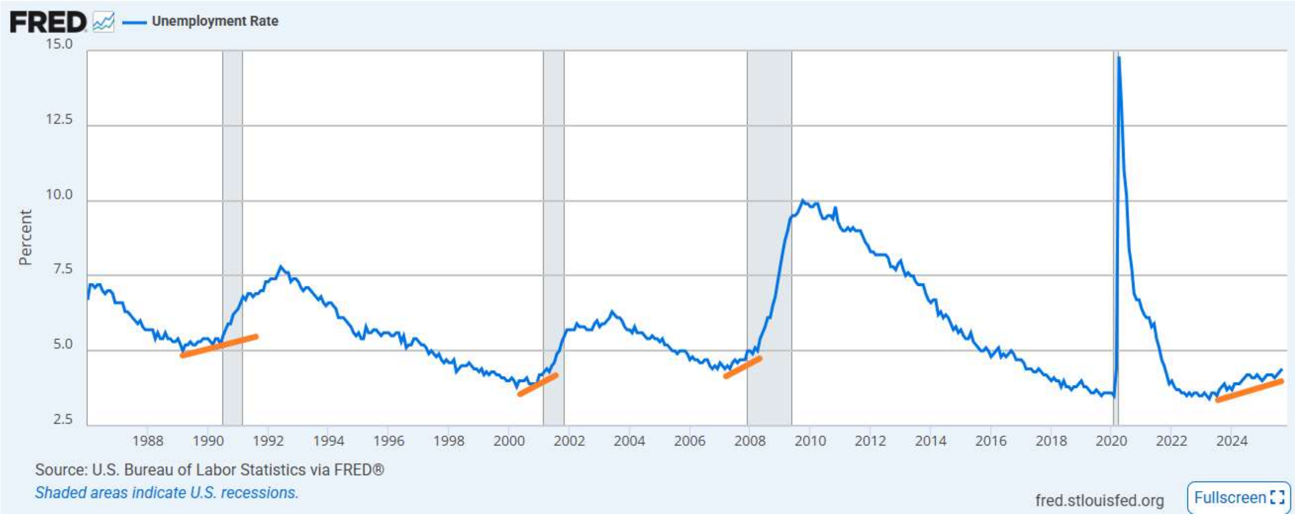
4. Macro & Liquidity Landscape

Employment: A Lagging but Critical Signal

Employment remains stable on paper, but revisions and forward indicators tell a different story.

White-collar layoffs are accelerating. AI-driven efficiency is eliminating roles faster than new ones are created. Markets understand employment is lagging — and that once it rolls, it matters quickly.

Red Flag #3: Rising employment risk with declining data reliability.



Inflation, Policy, and Constraint

Inflation has cooled, but structural pressures remain:

- Wage growth
- Fiscal spending
- Energy volatility
- Tariff risk

The Federal Reserve is constrained. Cut too aggressively and inflation returns. Hold too long and recession risk rises. Markets dislike narrow paths — and price uncertainty accordingly.

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5. Leverage at All Time Highs, Volatility, and High-Beta Risk

This is the most misunderstood risk in the current market.

S&P 500 after Margin Debt increases by > 42% in the past 7 months
SubuTrade.com

	1 Month Later	3 Months Later	6 Months Later	9 Months Later	10 Months Later	11 Months Later	1 Year Later
1959 April	1.89%	5.07%	-0.12%	-3.44%	-2.55%	-3.91%	-5.59%
1972 June	0.23%	3.18%	10.18%	4.09%	-0.16%	-2.04%	-2.69%
1983 June	-3.03%	-0.94%	-1.62%	-5.05%	-4.53%	-10.19%	-8.63%
2000 February	9.67%	3.97%	11.07%	-3.77%	-3.38%	-0.08%	-9.26%
2007 May	-1.78%	-3.70%	-3.23%	-13.07%	-13.68%	-9.48%	-8.51%
2025 November							
Average:	1.40%	1.52%	3.26%	-4.25%	-4.84%	-5.13%	-6.93%
% Positive:	60%	60%	40%	20%	0%	0%	0%

Why Leverage Concentrates in High Beta

When margin costs approach **7%**, capital must earn well above that to justify risk. That pushes leverage into:

- Fast-moving stocks
- High beta
- Volatile instruments
- Crypto

Slow, steady stocks cannot justify leverage.

When uncertainty rises, these positions become fragile.

Red Flag #4: Elevated leverage concentrated in high-beta assets.

Why Unwinds Happen Fast

Leverage unwinds are nonlinear.

A 10–15% move can trigger margin calls. Forced liquidation follows. Selling accelerates precisely when liquidity disappears.

This is why **Bitcoin and high-beta equities sell off violently**, even without catastrophic news.

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6. December Selling — A Canary in the Coal Mine

Selling in December matters — especially near highs.

Why Institutions Normally Wait

For large investment firms managing **$50–$500 billion**, tax deferral is enormously valuable.

Example:

- $10 billion in unrealized gains
- 20% tax rate = $2 billion
- Deferring keeps that $2B invested
- At 6% annual return = $120 million in additional capital

Selling now means:

- Paying taxes immediately
- Losing opportunity cost
- Reducing deployable capital

Large funds do not do this casually.

When they sell in December, they are signaling **urgency**, not optimization.

Red Flag #5: Tax-inefficient selling signaling risk aversion.

This is a double-edged signal — sacrificing both capital efficiency *and* liquidity.

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7. AI: Winners, Losers, and the NVIDIA Question

AI is no longer a trade where everyone wins.

SMH: A Split Sector

Semiconductors remain structurally important — but leadership has fractured.

Stronger Names

- MU
- KLAC
- LRCX
- ADI

These companies show:

- Real earnings
- Clear demand
- Sustainable margins

Weaker Names

- NVDA
- AVGO
- Select high-multiple chip plays

NVIDIA: Technical Risk Matters

NVDA has been range-bound since August.

Key levels:

- Resistance: ~185
- Support: ~165

A head-and-shoulders structure has developed. A break below **165** would:

- Confirm the pattern
- Damage QQQ leadership
- Pressure AI sentiment broadly

Margin compression concerns are real. Competition from **META, GOOGL, AMD** is increasing. Sustaining **75% margins indefinitely is not guaranteed**.

AI Platform Winners Emerging

- **GOOGL:** Gemini has closed the gap — and in some areas surpassed — ChatGPT
- **META:** Leveraging AI internally and building custom silicon
- **TSLA:** Translating AI into production — autonomy, robotics, real-world deployment

AI narratives are shifting from *promise* to *execution*.

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8. Key Assets Traders Are Actually Trading

Tesla (TSLA)

TSLA has been on a tear.

Why?

- AI in production
- Autonomous roadmap
- Robotics
- Software leverage

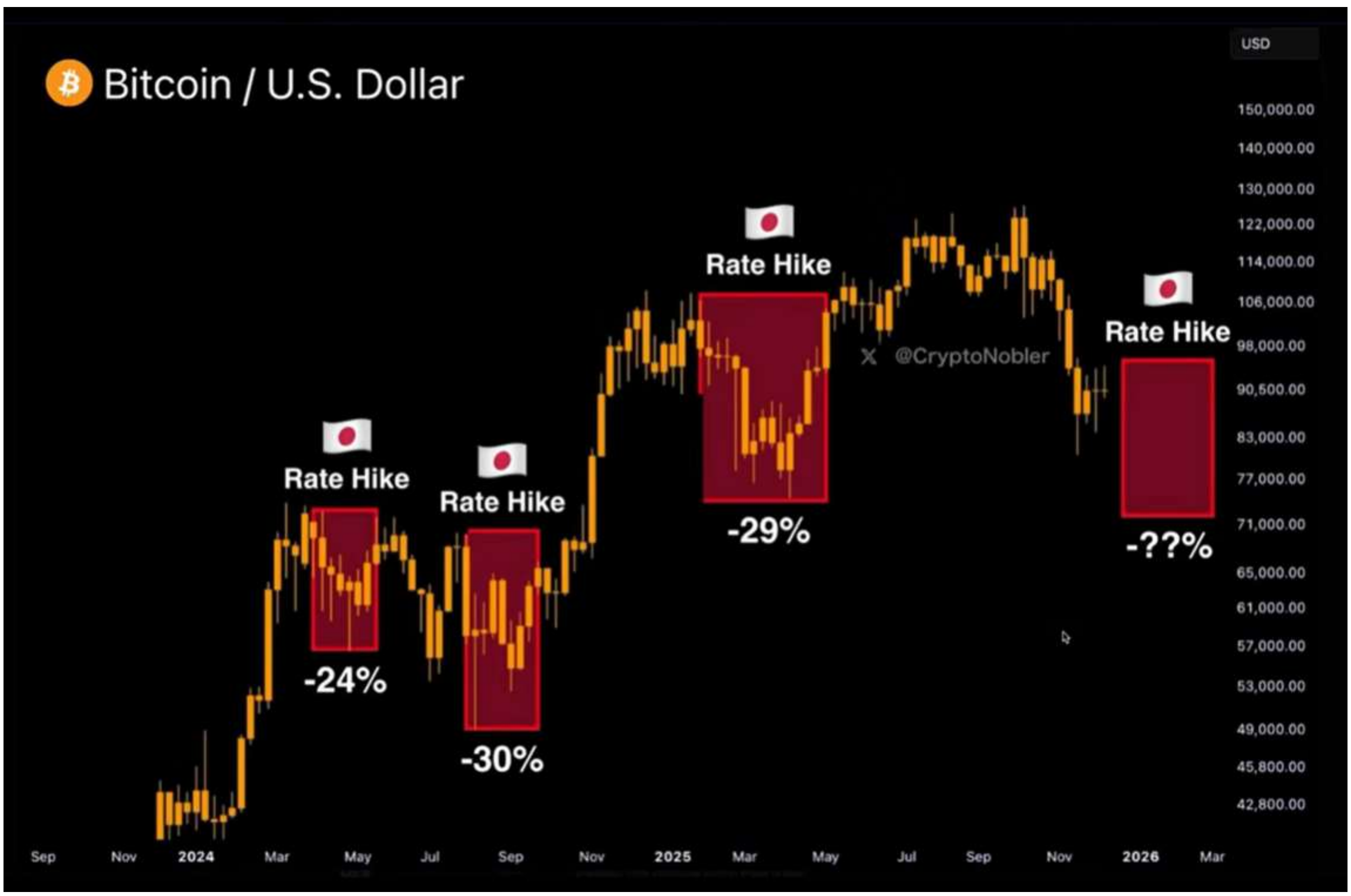
This is execution, not speculation.

Bitcoin / IBIT

Bitcoin remains highly sensitive to leverage unwinds and is suffering from concerns over the Carry Trade unwinding.

The Yen Carry Trade — Why It Matters Now

- **Near-universal expectation:** Almost all major analysts expect the **Bank of Japan to raise interest rates**, ending decades of near-zero borrowing costs.
- **Mechanics:** Higher Japanese rates force investors to **repay yen-denominated loans**, requiring the sale of dollar-based assets.
- **What gets sold first: High-beta stocks, leveraged positions, and Bitcoin** are typically liquidated before defensive assets.
- **Speed matters:** Carry-trade unwinds historically occur **rapidly**, not gradually, creating sharp volatility spikes.
- **Market impact:** Even with stable U.S. data, a BoJ hike can trigger **global risk-off pressure** through forced deleveraging.
- **Why it's a red flag:** Rising leverage plus a potential carry-trade unwind is a **nonlinear risk**—once it starts, price declines can accelerate quickly.



Key IBIT levels:

- $48: Line in the sand
- Below $48: Vacuum to ~$43
- Needs to recover a weekly DTL
- $43 aligns with miner production cost and options support

Bitcoin often leads **liquidity stress**, not rallies.

AMD

AMD is quietly constructive.

Structure suggests a multi-wave advance with a developing fourth wave. Strong base, improving competitive position, potential market-share gains.

This is a **watchlist name**, not a chase.

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9. Late-Cycle Context & How to Trade It

Late-cycle markets are defined by:

- Narrow leadership
- Rising leverage
- Selective rotation
- Volatility spikes
- Faster repricing

How to Trade This Environment

- Avoid blind dip-buying
- Demand confirmation
- Favor short-duration trades
- Respect volatility
- Let price action dictate

This is **no longer a blindly buy-the-dip market**.

Market Cycle Reference Table

This table outlines how capital typically reallocates during that transition and how traders can adjust exposure to stay aligned with changing market behavior rather than past habits.

Cycle Phase	How It's Identified	What to Trade	What to Avoid
Early Cycle	Improving growth data, easing policy, broad participation	IWM, XLY, XLC, XLK, ARKK	XLV, XLP, TLT
Mid Cycle	Strong momentum, expanding breadth, leadership intact	SPY, QQQ, XLK, XLY, SMH	XLU, XLV, XLP
Late Cycle	Narrow leadership, rising leverage, rotation begins	SPY, DIA, XLF, XLI, selective XLV	ARKK, IWM, XLY
Transition Phase	Volatility rises, leverage unwinds, winners/losers split	DIA, XLF, XLI, XLV, XLP, selective SMH	ARKK, IBIT, XLY, weak XLK
Downturn / Deleveraging	Forced selling, liquidity stress, correlations spike	XLV, XLP, XLU, TLT	SPY, QQQ, IWM, ARKK, IBIT

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10. Summary and Final Thoughts

Markets rarely ring a bell at the top.

They whisper.

Right now, the whispers are coming from:

- December tax-inefficient selling
- High-beta liquidation
- Crypto weakness
- AI profit scrutiny
- Sector rotation

- Carry trade stress
- Elevated leverage

You don’t get a guaranteed crash.

You get a market where **risk needs to be respected**.

This market may continue higher.
It may melt up.
It may chop.

This does not guarantee collapse — markets often climb walls of worry for a very long time.

But these signals *do* demand caution and preparation.

When leverage meets uncertainty, moves happen fast.

The goal now is not prediction — it is **positioning**.

Be selective. Be disciplined. Be prepared.

Remember: Markets don’t warn loudly. They whisper first.