

MONTHLY MARKET INTELLIGENCE

STATE OF THE BANDS

The New Fed · Prediction Markets · Yen Carry 2.0

ISSUE · JULY 2026

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MAY SNAPSHOT

MARKETS

Divergence

How will markets move with a new Fed?

THE FED

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Stocks

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A NOTE BEFORE THE NUMBERS

WHY WE TRADE

Markets are how time gets converted into freedom.



THE WORK

Patterns, not predictions.

Every issue of State of the Bands shows you what the tape is actually doing: where price has been, where it tends to go from here, and what conditions usually look like just before a move.

THE TOOLS

Built by traders.

Proprietary bands and signals — the Arbitrage Band, Atlas Band and, Apocalypse Band — distill decades of market behavior into levels you can act on, not narratives you have to interpret.

THE POINT

Time, eventually back.

Trading isn't the goal. The goal is what comes next: the trip, the house, or the morning that doesn't start with a commute. Markets are the bridge — and we're here to help you cross it.

MARKETS OVERVIEW

A look at broader markets and their moves.



Russell 2000 Divergence

\$IWM



Last month, we wrote about the S&P's asymmetric downside positioning, and it's since fallen from those levels. The S&P has triggered a sell signal on the daily Arbitrage Band, showing the broader market has gone risk-off. Interestingly, we've seen a strong divergence in the small-cap Russell 2000 index. Since the start of the June 5 sell-off, the Russell has found support at the Arbitrage Upper Danger Zone and has continued to make new highs, while the S&P 500 and NASDAQ 100 have not.

Strong relative strength in the Russell 2000 is often a sign that investors are moving further out on the risk curve to increase returns as the theme that previously drove the market begins to fade. Over the past month, we've seen a drawdown in the technology, energy, and communication services stocks that led the previous rally, along with a shift toward healthcare, financials, and industrials.

Although the new Trump-appointed Fed Chair, Kevin Warsh, was brought in to advance Trump's agenda of lower rates, the market has started shifting into stocks that tend to do well in high-interest-rate environments. Is the market telling us we may be in a higher-for-longer rate environment?

KEY LEVELS

Resistance (2rd std dev)	\$309
Support (Arbitrage RSI)	\$294
Signal	UDZ Support
Symmetry	Neutral

Bitcoin Weakness

\$BTCUSD



Bitcoin remains structurally weak, failing to break above its Apocalypse Mean line and now finding support at the Apocalypse Lower Danger Zone (LDZ). So far, Bitcoin has followed its 4-year cycle very well, topping roughly 18 months after the halving, which is normally followed by about 12 months of drawdown.

In February, we wrote a [Substack](#) post outlining the history of Bitcoin's cycles and how they have historically played out on the Apocalypse Band. The Apocalypse LDZ has historically served as a point of support for Bitcoin's final leg down in its cycle, where it often consolidates before finding buyer strength for a new leg up. We're still 4 months from October, which would mark 12 months from the October 2025 highs.

Although sentiment on X has turned very bearish on Bitcoin, that kind of extreme pessimism is often what you see near the bottoming of Bitcoin and crypto cycles. Everyone is talking about the depegging of Michael Saylor's Strategy Perpetual Preferred stock and Bitcoin reaching new lows without a bid in sight. But let's not forget the CLARITY Act we discussed last month, which cleared the Senate Banking Committee and remains a potential tailwind for Bitcoin and the crypto space as a whole.

KEY LEVELS	
Resistance (Mean Line)	\$81,382
Support (2nd Std Dev)	\$39,413
Signal	Divergence from LDZ
Symmetry	Neutral

Oil Drawdown

\$CL1!



Oil is now trading below \$75 for the first time since the closure of the Strait of Hormuz began. The rise in oil prices over the last 4 months was the main driver behind annual CPI inflation climbing to 4.2%, the fastest pace in three years. While the long-term impact of these higher oil prices remains unknown, the question now is whether they return to normal levels or push back higher, allowing energy inflation to bleed into other areas of the inflation data.

Currently, it sits only 11.7% from the Intermediate RSI and 6% downside to the Intermediate Mean line, a slight upside asymmetric skew. Across different Bands and time frames, price is sitting in a spot that offers plenty of short-term support for a potential bounce toward the \$80 range before it meets heavy overhead resistance.

While oil's next move is hard to foresee given how headline-driven and geopolitical its price action is, it remains a major focus because it's driving inflation, a key input for the Fed's upcoming rate decisions, decisions that heavily influence how markets around the world move.

KEY LEVELS

Resistance (RSI)	\$75.95
Support (Mean Line)	\$63.80
Signal	Intermediate Entry
Symmetry	Mild Upside

MARKET MOVING STORIES

Stories that are shaping the markets



Kevin Warsh & The New Fed



Kevin Warsh, the new Chairman of the Federal Reserve, held his first Federal Open Market Committee (FOMC) meeting, and it did anything but disappoint. Warsh, a historically hawkish Fed Governor, fills the seat on the heels of Trump constantly telling the Fed it needs to lower interest rates. This was before CPI jumped to 4.2% due to increased energy costs from the Iran War. Interest rates initially jumped on Warsh's confirmation on fears he would cut rates into an economy that was already strong. After his first meeting, the market started to price in the opposite.

Warsh emphasized the importance of the Fed's dual mandate while primarily focusing on price stability and leaving employment more as an afterthought, a perfectly timed comment before Apple raised its prices up to 20% on many products. In an added twist, Warsh did not provide his dot plot point, the dot plot being the Fed's forecasting tool that shows where policymakers expect the Fed Funds rate to head, and instead plans to steer the Fed toward a body that leans more on incoming data than on telegraphing its future rate moves. A dramatic shift from the transparent forward guidance of Ben Bernanke, and back to the communication style of Alan Greenspan.

This meeting and potential communication shift did not go unpriced. Before the meeting, CME Fed Funds futures showed a 10% chance of a hike by July; after the meeting, it was 36%. This is the market pricing in a Fed that doesn't think it will do Trump's bidding and lower rates. Trump gave Warsh a long leash going into the meeting, telling NBC's "Meet the Press" on June 7 that "Kevin is fantastic, and I want him to do whatever he wants," a far cry from his approach with Jerome Powell. But Trump's patience didn't last with the Fed. Within days of the hold, he was back to demanding cuts, telling reporters "We need low interest rates." What does this mean for markets?

US 2 Year Bond Yields

\$US02Y



After the meeting, the long bond rallied (yields fell) on the hawkish news, a sign of confidence in the Fed's potential coming policies. This is a shift from Warsh's initial confirmation, when long bonds fell and yields jumped on concern over the loose monetary policy Trump has been advocating for. Warsh's focus is inflation (price stability), and while inflation is currently rising, inflation swaps are now trading at 2.45%, down from pre-FOMC levels of 3.5%. But the days of the Fed telegraphing where things are heading next are over. So where does the market think this will go?

The Fed Funds rate impacts the front end of the yield curve, short-dated Treasuries of 3 months to 2 years, the most. The 2-year Treasury yield often trades ahead of future Fed rate decisions, giving us a view into what decisions are likely to come. On the left, you can see Fed Funds currently sit at 3.6% while the 2-year Treasury has now jumped to 4.17%, showing the market's expectation of coming rate hikes, not cuts.

Looking at the weekly Intermediate Band on the left, 2-year yields have now crossed over the Intermediate RSI and are finding support at that level. While an entry signal hasn't been triggered yet, probabilities show that yields could move 10%, or 40 basis points, in either direction, keeping the outlook neutral on which way rates will go. With the days of Fed forward guidance gone, the only certainty here is uncertainty.

KEY LEVELS

Resistance (UDZ)	4.61%
Support (Compass)	3.96%
Signal	Intermediate Entry
Bias	Mild Upside

Yen Carry Trade 2.0



The Japanese Yen recently fell to its weakest level since 1986, 162 Yen per US Dollar. The driver is the same rate gap behind our higher-for-longer read on the US Fed. The Bank of Japan (BOJ) lifted its benchmark to 1% on June 16, its highest since 1995, but with Warsh's Fed holding at 3.5% to 3.75% and the market now leaning toward hikes rather than cuts, that gap stays wide enough to keep capital flowing out of the Yen (pushing it lower) and into higher-yielding assets abroad. The last time the Yen sat here, in 1986, it was moving the other way, midway through a post-Plaza Accord rally. This time it's weakening, and it has lost nearly half its value against the dollar over the past 14 years.

That weakness is what fuels the Yen carry trade: borrow Yen cheaply, then invest the proceeds in higher-yielding assets like US Treasuries and tech stocks with leverage. It goes unnoticed until it's forced to unwind. In August 2024, a hawkish BOJ surprised markets with a rate hike, then a soft US jobs print days later forced a rush to unwind positions; the Nikkei fell 12% in a single session, triggering deleveraging in US mega-cap tech. The feedback loop is the risk: if Japan intervenes to prop up the Yen while the BOJ is hiking, borrowing costs jump, positions unwind, and the most liquid US names tend to get hit first.

Adding to the mix is new Prime Minister Sanae Takaichi, who won a landslide victory in February on a pro-growth economic agenda. It leans on heavy government spending, a roughly ¥21 trillion package that pushed the FY2026 budget to a record ¥122 trillion. Fiscal expansion tends to be a double-edged sword for a currency, and observers have drawn a parallel to the UK's Truss shock, where spending promises sent long-term yields surging. Japan is already seeing it, with JGB yields climbing to levels that forced the Ministry of Finance to shift issuance away from its super-long bonds. So it's a reflationary government, a weak currency, and an oil shock all at once, with the BOJ's next decision landing July 31. The question becomes whether Japan can support the Yen without lighting the fuse on a carry unwind that reaches all the way to US equities. What happens in Japan has worldwide ramifications.

Japanese Yen Index

\$JXY



The Japanese Yen Index on the monthly chart shows its value peaked in 2012 and has sold off ever since. In 2015, price hit two deviations down before rallying, then traded sideways until 2021, when the Yen fell off a cliff and has trended lower across the years since.

Turning to the current price, it's finding resistance at the Arbitrage Lower Danger Zone while the Arbitrage RSI remains in the Lower Danger Zone. Price found support on the 3rd standard deviation, then the 2nd, while the RSI pulls price up. That combination points to the possibility of accumulation ahead of a potential breakout.

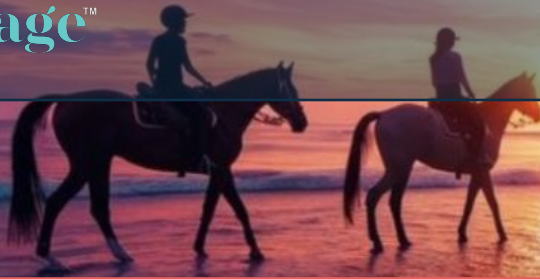
KEY LEVELS	
Resistance (RSI)	\$65.85
Support (2nd std div)	\$52.61
Signal	Arbitrage Entry
Symmetry	Mild Downside

The Rise of Prediction Markets

Gambling, an activity once reserved for people in Las Vegas casinos or buying 0 DTE options, is now possible on almost any event you can think of. Polymarket and Kalshi have risen to dominance as the primary marketplaces for prediction markets, betting markets where you can wager on the outcome of specific events like who will become president, when world leaders will be ousted, or how much the Knicks will score by halftime in the finals. Gambling is banned in many states, but prediction markets found a loophole by using existing financial infrastructure like the futures exchanges and blockchains like Ethereum. It's a gray zone many states are now contesting.

While prediction markets are not new, Polymarket and Kalshi have taken the space by storm. Polymarket currently sits at a \$15B valuation, and Kalshi's recent valuation was set at \$22B after receiving investments from Coatue, Sequoia, Andreessen Horowitz, and Morgan Stanley, some of the biggest names in venture capital and finance. These lofty valuations aren't without their grounds. The 2024 US election was the breakout for prediction markets, with Polymarket having over \$3.3B wagered on the November 5 outcome. Kalshi alone did \$17.9B in monthly volume in May 2026.

People often cite the forecasting capabilities of prediction markets, like Polymarket having Trump with 58% winning odds against Harris at 42%, and having Trump at 95% hours before the AP called the race. But when you look into the details, you might begin to second-guess those prediction capabilities. The jump in Trump's odds is largely attributed to a handful of traders who placed millions of dollars on Trump winning, dramatically skewing the odds toward their bets, similar to a hedge fund buying a large volume of call options and pushing up the price of the underlying stock. When you move into less liquid markets like Congressional races, the accuracy of these predictions dwindles. So what does this mean for traditional gambling outlets?



DraftKings

\$DKNG



Since the rise of prediction markets in 2024, they've caused major headwinds for traditional gambling outlets like DraftKings. DraftKings, traditionally focused on sports betting, has now been forced into the prediction market world to stay competitive. It acquired Railbird for \$250M, launched its own prediction market app in December, and this month rolled out its own exchange, DKeX, moving off third-party rails. While prediction markets face state-level headwinds, like Minnesota placing what the CFTC called an outright ban on prediction markets, DraftKings' infrastructure gives it some advantages. Its regulated footprint spans 38 states and 4.8 million active users, while Polymarket and Kalshi operate in a legal gray area and peak below 500,000 monthly active users.

DraftKings' price action remains just as uncertain as its place among the top gambling platforms. Looking at DraftKings on the weekly Arbitrage Band, price currently sits at the edge of the Lower Danger Zone after a bounce from the 3rd standard deviation. It currently sits with 31% upside move potential and 26% downside move potential. There is strong overhead resistance at the Arbitrage RSI just above. Which way do you predict it will go?

KEY LEVELS

Resistance (Mean Line)	\$33.13
Support (2nd std dev)	\$18.32
Signal	Arbitrage Entry
Symmetry	Neutral

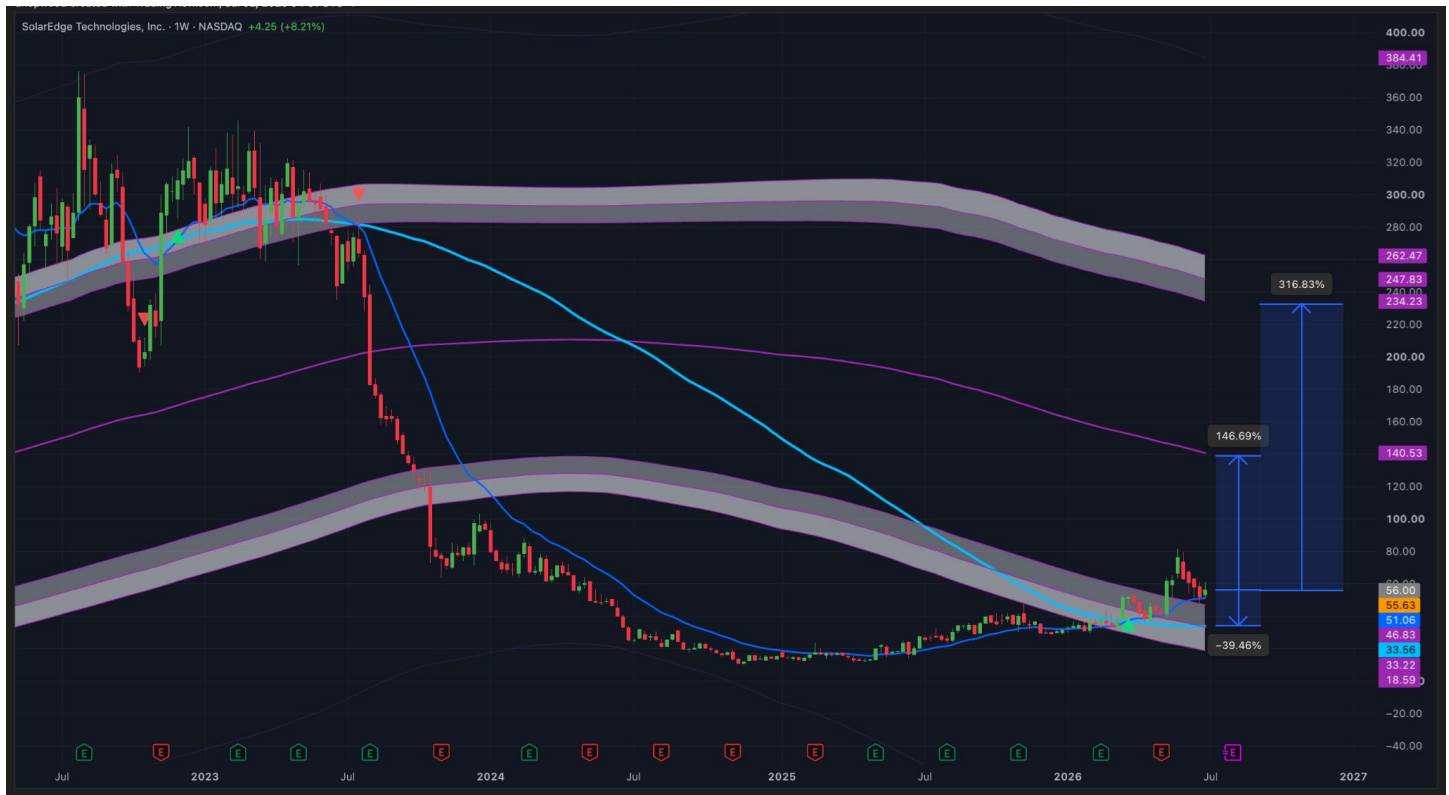
HOT STOCKS

Stocks that are hot and on the move



SolarEdge

\$SEDG



SolarEdge Technologies (\$SEDG) develops energy technology focused on inverter solutions for solar energy. In its previous run, SolarEdge was a COVID meme stock that skyrocketed over 300%, but this time around there is fundamental fuel behind the rally. SolarEdge is up over 80% this year on the growing need for alternative energy sources to power data center demand. On June 30, Reuters reported that the FCC is drafting a rule to ban new foreign solar inverters amid security concerns centered on Chinese-made equipment, which could become a major tailwind for companies like SolarEdge.

SolarEdge triggered a buy signal on March 23rd and has since followed through with its trend. Price just found support on its weekly Compass line and currently shows asymmetric upside probabilities, with 146% upside potential against 39% downside potential. Over the longer run, if SolarEdge is able to break its upside resistance, it has 316% upside potential. It's a name showing notable asymmetry on the Bands right now.

KEY LEVELS	
Resistance (Mean Line)	\$140.53
Support (RSI)	\$33.56
Signal	Upside Continuation
Symmetry	Asymmetric Upside

Rigetti Computing

\$RGTI



Rigetti Computing (\$RGTI) is a full-stack quantum computing company that serves global governments, enterprises, and researchers. After going public via SPAC in 2022 and then cratering like many others in that wave, Rigetti caught new momentum in 2025 on the thesis that quantum computing is approaching commercial viability. New life has returned to the quantum trades, and to Rigetti specifically, with an award of up to \$100 million over three years through the CHIPS Act.

Price has tumbled dramatically from its October highs but has found support on the Apocalypse RSI and now sits at the Upper Danger Zone. At current price levels, Rigetti shows a modest probability skew, with a 53% upside move against a 16% downside move in the short term. Over the longer term, it has the possibility of a 115% upside move. Narrative, not fundamentals, is likely to drive price action here.

KEY LEVELS	
Resistance (2nd std div)	\$28.64
Support (RSI)	\$15.47
Signal	Upside Continuation
Symmetry	Asymmetric Upside

Costco

\$COST



Membership warehouse operator Costco has been on a historic run that most retail outlets can't even dream of. Costco is a unique retailer thanks to its middle and upper-middle-class clientele that keeps shopping no matter the economic conditions. That resilience has the market pricing Costco quite expensively, with a P/E ratio of 47, whereas a tech giant like Google now trades at a PE of 27. But has Costco been too expensive for too long?

Looking at Costco on the weekly Intermediate Band, I had to scroll back to 2008 to find a time it wasn't in an uptrend. The Intermediate RSI is now deep in the Upper Danger Zone, increasing the probabilities of a turn to the downside. At current levels, Costco sits in a rather neutral spot, with a ~22% possible move in either direction. The important thing to note is that price is sitting right at the top of the RSI, making this a critical make-or-break point.

KEY LEVELS	
Resistance (2nd std div)	\$1,140
Support (Mean Line)	\$722
Signal	Intermediate Sell Signal
Symmetry	Neutral

DISCLOSURES

PURPOSE

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