

Chart of the Day
The Small Caps are breaking out! \$IWM \$TNA

January 8, 2026

Scott identifies a powerful breakout in small-cap stocks, highlighting the **iShares Russell 2000 ETF (IWM)** as it successfully cleared a major resistance level at **\$257.00** on increased volume. He notes that the small-cap sector has established a solid base of consolidation above its **50-day moving average**, which now serves as a critical technical floor. This bullish momentum in small caps comes just as the market anticipates a high-stakes **Supreme Court ruling** (expected as early as today, Friday, January 9, 2026) regarding the legality of President Trump's sweeping tariffs under the IEEPA. A ruling against the tariffs could trigger a significant "relief rally" for domestically-focused small companies that have struggled with high input costs, potentially driving the Russell 2000 to outperform large-cap tech giants.

Next Steps:

1. Monitor the Supreme Court Ruling: Today is a scheduled "decision day" for the Supreme Court. A strike-down of the tariffs could result in up to \$200 billion in refunds for U.S. companies, providing a massive fundamental tailwind for small-cap earnings and liquidity.
2. Execute the IWM Momentum Trade: Look for IWM to maintain its position above \$257.00. If it holds this level following today's economic data (including the December Jobs Report), it confirms the breakout and signals a resumption of the broader uptrend.
3. Manage Leverage via TNA: For more aggressive traders, track TNA (Direxion Daily Small Cap Bull 3X Shares). Ensure you are comfortable with the increased volatility of a triple-leveraged vehicle, and use the same technical levels as IWM for your strategy.
4. Define Risk at the "Line in the Sand": Maintain a strict stop-loss near the 50-day moving average for small-cap positions. Scott emphasizes that this level is the primary support zone; a close below it would negate the current breakout thesis.
5. Watch for Sector Rotation: Keep an eye on whether capital continues to rotate out of "Magnificent Seven" tech behemoths and into smaller, value-oriented companies. The Russell 2000 has already outpaced the Nasdaq 100 by nearly 4 percentage points in the first sessions of 2026, suggesting a structural shift may be underway.

Transcript:

0:00: Hey everyone, good evening.

0:02: It's Scott at Scott Trades on X with Stock Market Mentor.com and your chart of the day.

0:08: Want to take a look at IWM?

0:10: This is the iShares Russell 2000.

0:13: And the small caps are breaking out.

0:16: Really nice setup here on IWM.

0:19: This is one we brought to the attention of our members at Stock Market Mentor in our active trading room.

0:25: And we see a nice base of consolidation where we have IWM bouncing in and around the key moving averages, near-term support down at the 50-day moving average with clear resistance up around 257.

0:38: Well, today, we got to move through it.

0:39: Close above 257 coming on volume.

0:42: And so I would definitely look for IWM to continue this momentum.



0:48: And if you're a trader and you want a little extra leverage, you can also look at TNA.

0:54: Now, this is a triple X leveraged ETF, but you can trade it just like anything else.

0:59: It's really liquid.

1:01: And again, for risk management, I'd probably want to use that 50-day moving average.

1:06: As your line in the sand.

1:08: So I think IWM could be good to go, and it's certainly something to watch tomorrow when and if we get a ruling in President Trump's tariff case at the Supreme Court.

1:19: So, tomorrow could be a really exciting and interesting day for the small caps, and it's something we're watching over at stockmarketmentor.com.

1:28: So I hope that video is helpful.

1:29: Thanks so much for watching.

1:31: My name is Scott.

1:32: I'll see you next time.