SEVENS REPORT

EVERYTHING YOU NEED TO KNOW ABOUT THE MARKETS BY 7AM EACH MORNING IN SEVEN MINUTES OR LESS

March 14, 2024

Pre 7:00 Look

- Futures are modestly higher as stocks rebound from Wednesday's late day dip ahead of key economic data.
- Economically, the only notable number was Swedish CPI which rose 2.5% vs. (E) 2.8% and that's reinforcing summer rate cut expectations.
- AI enthusiasm got a small boost overnight as Apple supplier Foxconn posted optimistic guidance on strong AI server demand.
- Econ Today: PPI (E: 0.3% m/m, 1.1% y/y), Retail Sales (E: 0.8% m/m), Jobless Claims (E: 218k).

Market	Level	Change	% Change
S&P 500 Futures	5,250.25	17.75	0.33%
U.S. Dollar (DXY)	102.84	0.05	0.05%
Gold	2,175.20	-5.60	-0.26%
WTI	80.46	0.75	0.94%
10 Year Yield	4.19%	0.00	0.00%

Equities

Market Recap

Stocks wavered between gains and losses Wednesday as markets digested Tuesday's slightly hot CPI report while tech came under pressure following the progress of the TikTok bill in the House. The S&P 500 dipped 0.19%.

Equities opened flat but quickly dipped in early trade as short-term traders booked profits after Tuesday's run to record highs. Rising bond yields weighed on the market early as there were a limited number of catalysts over the course of the morning. News that the House of Representatives had passed, in a bipartisan manner, a bill that would force the divestiture of TikTok (it's not a ban, it just forces Bytedance to sell TikTok to an American company) weighed on the tech sector that kept the broader averages little changed throughout the trading sessions, as there was little other news to move markets.

A large sell order into the close pushed the S&P 500 into negative territory and the index finished basically at the lows of the day, but the losses were modest and despite the TikTok-related tech weakness, yesterday's price action can be safely termed "digestion" of Tuesday's rally ahead of important growth catalysts today (PPI, Retail Sales, Jobless Claims and Empire Manufacturing).

Bullish Momentum vs. Fair Value: March MMT Chart

There was only one change in the March update of the Market Multiple Table as all of the scenarios' 2024 S&P 500 earnings expectations were unchanged from February but the fair value market multiple target range for the current situation did expand from 18.5X-19.5X out to 19X-20X. For the second month in a row, the S&P 500 began the week several percentage points above the better-if scenario MMT target, underscoring that a sense of quasi-euphoric optimism is driving markets right now and investors have become extremely complacent to volatility and even the idea of the stock advance taking a near-term breather. That lopsided sentiment is a risk to markets in the near-to-medium term.

Current Situation: The current situation target price range was revised higher for the fourth consecutive month in March as there was another half-point increase in the market multiple target range from 18.5X-19.5X to 19X-20X while 2024 earnings expectations for the S&P 500 held steady at $243/share. Those new figures provide a current situation target range of 4,617 to 4,860 with a midpoint of 4,739 for the S&P 500, a level the index notably started this week more than 7%

Market	Level	Change	% Change
Dow	39,043.32	37.83	0.10%
TSX	21,970.11	139.09	0.64%
Stoxx 50	5,025.30	24.75	0.49%
FTSE	7,770.62	-1.55	-0.02%
Nikkei	38,807.38	111.41	0.29%
Hang Seng	16,691.66	-120.45	-0.71%
ASX	7,713.63	-15.82	-0.20%
Prices taken at previous day market close.			

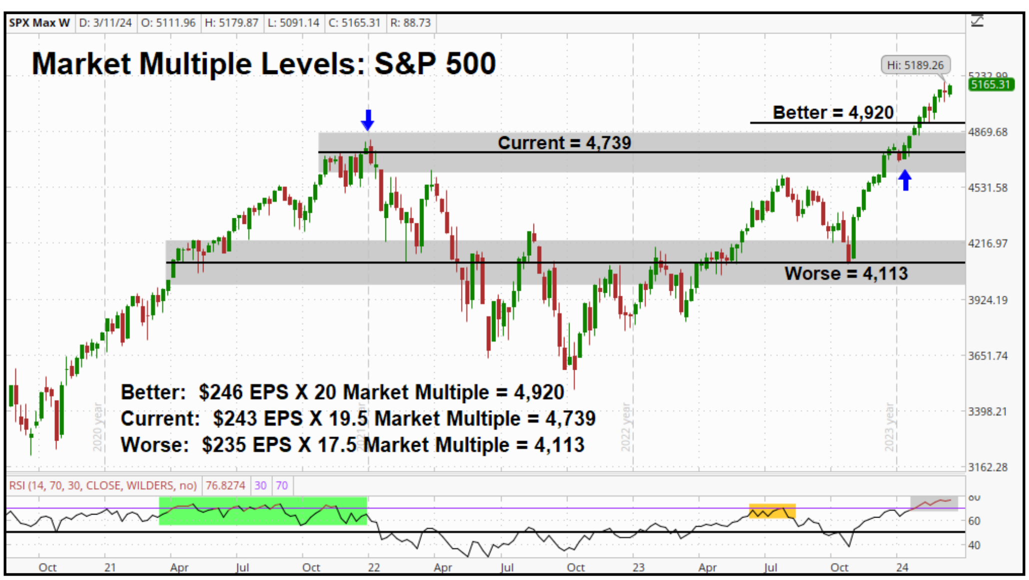
above.

On the charts, the midpoint of the current situation target range at 4,739 coincides with arguably the most important technical level in play for the S&P 500 right now, the “pivot point” of the transition between the 2021 rally and the 2022 bear market (marked by the blue down arrow on the chart). As the market recovered in late 2023 to revisit the old record highs, the rally stalled short of the all-time highs and spent an entire four weeks oscillating around the 4,740 area until finally the market broke loose and began to sprint higher bringing us to yesterday’s near-9% YTD gain. The fact that the current situation midpoint acted as a pivot point at the all-time highs of late 2021 and early 2022 as well as the turn of 2023 to 2024 underscores it is a very significant price area that is likely to offer strong support in the event we get a meaningful burst of volatility and sharp pullback in stocks near term.

Market	Level	Change	% Change
DBC	22.61	.31	1.39%
Gold	2,180.70	14.60	0.67%
Silver	25.22	.83	3.39%
Copper	4.054	.122	3.10%
WTI	79.86	2.30	2.97%
Brent	84.18	2.26	2.76%
Nat Gas	1.661	-.053	-3.09%
RBOB	2.6641	.0777	3.00%
DBA (Grains)	22.97	-.03	-0.13%

Prices taken at previous day market close.

Things Get Better If: The better-if scenario target was unchanged in the March MMT update with 2024 S&P 500 earnings expectations holding steady at $246/share and the multiple remaining a lofty 20X. Those numbers left the better-if scenario target at 4,920. The S&P 500 has notably been above the better-if target since bouncing off it on Feb. 13, over a month ago.

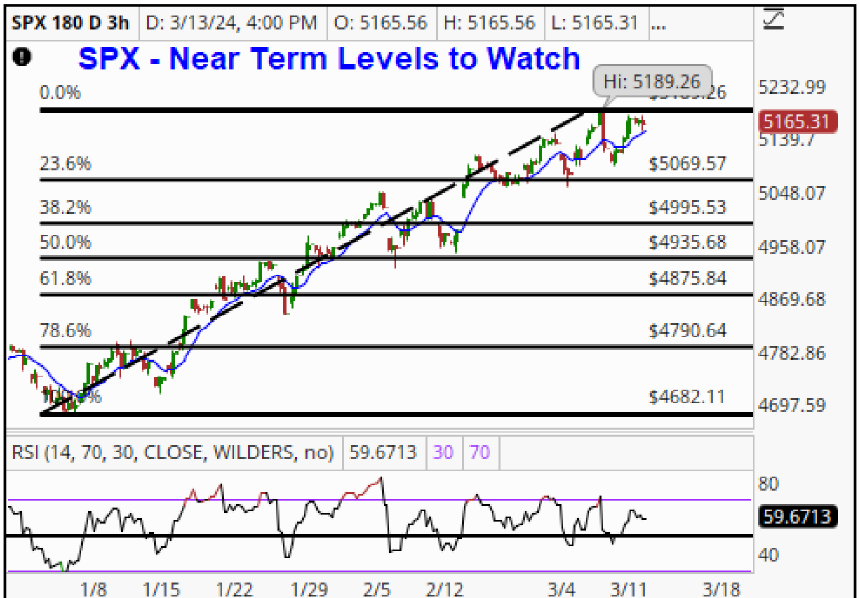


The price interactions that have occurred with the better-if scenario target of 4,920 are not numerous but they are noteworthy and add technical significance to the fundamental price target as the S&P 500 gyrated around the better-if target for several weeks in early 2024. Those interactions included opens, closes, highs, and lows which underscore its significance as a key level to watch if we get any volatility or a market pullback in the weeks ahead.

Things Get Worse If: The worse-if target in the March MMT update was also unchanged with S&P 500 earnings expectations steady at $235/share and a market multiple range of 17X-18X providing a target range of 3,995-4,230 with a midpoint of 4,113. The worse-if target is notably about 20% below where the S&P 500 began the trading week, reflecting the unfavorable risk-reward dynamics in equity markets right now based on fundamental valuation analysis of a deteriorating scenario.

Interestingly, the S&P 500 has a lot of history with the worse-if midpoint of 4,113 as the index stalled in the upper half of the price range in late 2021, retreated back to the level in Q1 ’22, broke down through the entire target zone in the second half of 2022 (including a “bull-trap” rally that pivoted and reversed lower right at the upper bound of 4,230 in August 2022), before eventually holding the 4,130 area, almost to the tick (4,117), into the October 2023 lows. Out of the 104 weeks that 2023 and 2024 were comprised of, the S&P 500 interacted with the worse-if scenario midpoint 26 different weeks, a full 25% of the time. Bottom line, the market has a history with 4,113 and it would be a very important level to watch in the event a bear market gripped markets unexpectedly.

Other Technical Observations: One thing we have not had to think too much about since this rally began in earnest back in late-October 2023 has been the topic of "support levels to watch." The chart on this page is a 3-Hour candle chart (so zoomed in a little bit from the daily time frame chart) with a Fibonacci retracement matrix drawn from the 2024 lows in January to the highs this week.



When the market has enjoyed a "straight-line," low-volatility rally like the one we have seen in 2024, it is good practice to keep important support levels on hand in the event the market rolls over or volatility spikes. ***Levels to watch right now include*: 5,070, 4,995, 4,935, 4,875, and 4,790.**

For a higher-resolution, unbranded version of the March MMT target levels overlaid on a weekly S&P 500 chart, please email info@sevensreport.com.

Economics

There were no material economic reports yesterday.

Commodities

Commodities were mostly higher as soft landing hopes and less-hawkish money flows continued to bolster the space. Oil posted a solid gain after bullish inventory data from the EIA while copper broke out to a multi-month high. The commodity ETF, DBC, rose 1.39%.

Market	Level	Change	% Change
Dollar Index	102.77	-.16	-0.16%
EUR/USD	1.0949	.0022	0.20%
GBP/USD	1.2794	.0001	0.01%
USD/JPY	147.83	.15	0.10%
USD/CAD	1.3468	-.0023	-0.17%
AUD/USD	.6624	.0018	0.27%
USD/BRL	4.9728	.0007	0.01%
Bitcoin	73,142.32	1,641.21	2.60%
10 Year Yield	4.192	.037	0.89%
30 Year Yield	4.349	.037	0.86%
10's-2's	-43 bps		
Date of Rate Cut	June 2024		
2024 YE Fed Funds	4.62%		
Prices taken at previous day market close.			

Beginning with the metals, Chinese copper smelters took a page out of OPEC's book of market manipulation this week as a group of the nation's producers teamed up and decided to cut production. There were no details regarding the duration or size of the production cuts, but that added an uncertainty factor to the news and bolstered the "buy-the-rumor" rally. Copper futures in China hit a two-year high while the U.S. benchmark hit a 10-month high on heavy volume. We will look for the rally to hold in the near term as copper is known for false breakouts. From here, copper is likely to approach the long-term resistance level of $4.28.

In precious metals, gold rose amid the modest dollar weakness as well as the strong demand for 30-Yr Treasury Bonds in yesterday's auction. Gold closed just shy of a record with a gain of 0.66%. In the near-term, gold is at risk of a pullback to the previous highs just under $2,100/oz. but on a longer timeframe, the outlook remains bullish.

EIA Data Takeaways: A Bullish Report

Yesterday's EIA report was bullish as there were larger-than-expected headline draws, anecdotal evidence of strong consumer demand at the pump, a significant uptick in refining activity, and a drop in domestic production. WTI crude futures wavered as the data was digested but ultimately closed higher by more than 2%, just shy of $80/barrel.

On the headline, commercial crude oil stockpiles dipped 1.5MM bbls vs. expectations of no change. That was slightly underwhelming relative to the larger -5.5MM bbl supply drop reported by the API though, and oil prices pulled back modestly in the immediate wake of the release. The big draw in gasoline supply of -5.7MM bbls vs. (E) -1.2MM bbls was also bullish for prices and helped oil stabilize and turn back higher in the afternoon.

The details of the report were solidly bullish, however, as the refinery utilization rate jumped 1.9% vs. (E) of +0.9%, which helped to explain the unexpected but price-positive oil drawdown on the headline while gasoline supplied, a key implied measure of demand, rose a modest 31K b/d to 9.044MM b/d. That was notably the highest since mid-December and brought the smoother look at the data via the four-week moving average to a new 2024 high of 8.681MM.

Elsewhere in the release, domestic production fell for a second consecutive week by another 100K b/d to 13.1MM b/d, and if we were to see declining U.S. output become a trend in the near-term then that will be an added tailwind on the market.

Bottom line, yesterday's EIA report was a bullish release and supported the case for higher WTI and Brent futures in the near term from both a supply perspective (headline inventory draw and output decline), and demand outlook (firming gasoline supply). That paired with a general sense of optimism among investors for a soft economic landing and a still-resilient equity market, not to mention still-elevated geopolitical risks, all helped push WTI futures towards the psychological $80/barrel level that has been acting as stubborn resistance. The 2024 uptrend remains intact, and a break beyond $80/barrel seems increasingly likely in the sessions ahead.

Currencies & Bonds

Expectations for future monetary policy drove currency markets on Wednesday as hints of ECB tapering of QE pushed the euro slightly higher and the dollar slightly lower. The Dollar Index fell 0.2%.

There wasn't much notable economic data on Thursday but what we received was actually euro negative/dollar positive, as EU Industrial Production was much weaker than expected, falling -3.2% vs. (E) -1.1% and the prior month's readings were revised lower as well. However, that soft data was offset by ECB communications that hinted the ECB is setting markets up to announce its own Quantitative Tightening later this summer. Notably, while the Fed has aggressively been executing QT for a while now (so shrinking its balance sheet) the ECB has not, although some news on that front has been expected by the markets later this summer.

Yesterday's ECB announcement, which essentially confirmed the ECB is investigating ways to begin QT, served as a reminder that while the ECB may be cutting rates on the one hand, it will also start its own QT program on the other and the net result was a small rally in the euro, up 0.2% (but keep in mind, based on data, the euro should have been lower so the impact was stronger than it seemed).

This news won't alter the broad outlook for global central banks, but on the margin, it does remind investors that the Fed may be becoming the incrementally more dovish major global central bank, if they go ahead with rate cuts in June (as expected).

In Treasuries, yields rose modestly as the 10 year gained 4 basis points despite a very strong 30-year Treasury auction that saw strong overall demand (the bid to cover was 2.47, solidly higher than the 2.40 six-month average) and solid international demand (as indirect bidders, the proxy for foreign buyers, bought 69% of the auction, more than the 66% six month average).

After flirting with breaking below 4.00% just over a week ago, the 10-year yield has risen to 4.19% and is a hot retail sales report away from potentially breaking through 4.25% once again, and thereby leaving the stock-positive 3.75%-4.25% trading range. The drift higher in the 10 year reflects the reality that inflation pressures are stickier than expected. And while that hasn't hit stocks yet, it is something to continue to watch. If the 10-year yield breaks out, consistently, above 4.25% that will be a new, negative impulse on the markets and the best thing for stocks is that the 10-year yield stays in that 3.75%-4.25% band.

Have a good day,

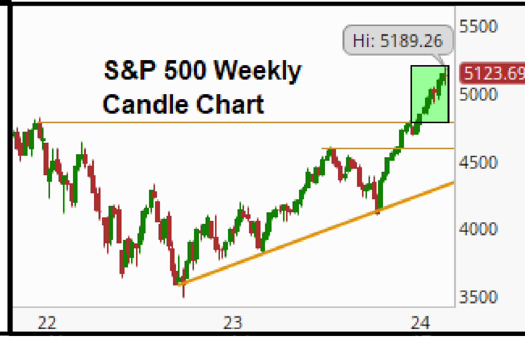
Tom

SEVENS REPORT

Technical Perspectives (Updated 3/10/2024)

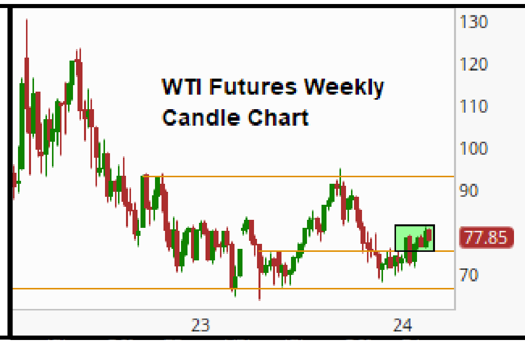
S&P 500

- Technical View: **The medium-term trend in equities remains bullish** confirmed by the latest run to all-time highs in the benchmark equity index.
- Dow Theory: **Bullish (since the week of July 10, 2023)**
- Key Resistance Levels: 5164, 5185, 5200
- Key Support Levels: 5079, 5030, 4976



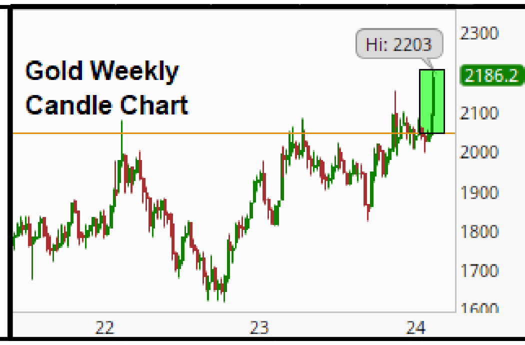
WTI Crude Oil

- Technical View: Oil took a breather from its 2024 rally last week with signs of exhaustion emerging in the technicals; however, the uptrend is intact.
- Proprietary Model: **Bullish (since the week of February 12, 2024)**
- Key Resistance Levels: $79.46, $80.82, $82.48
- Key Support Levels: $77.60, $75.96, $74.20



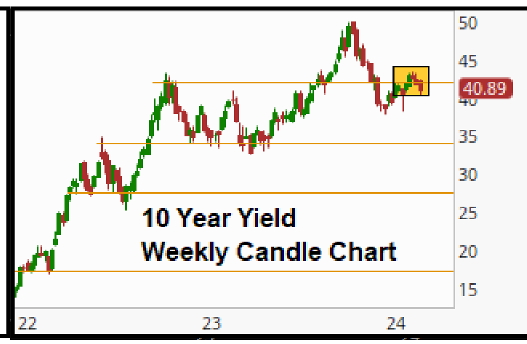
Gold

- Technical View: Gold futures surged to fresh records last week adding conviction to the rally that began with a breakout to new all-time highs in late 2023.
- Proprietary Model: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2203, $2231, $2265
- Key Support Levels: $2133, $2092, $2053



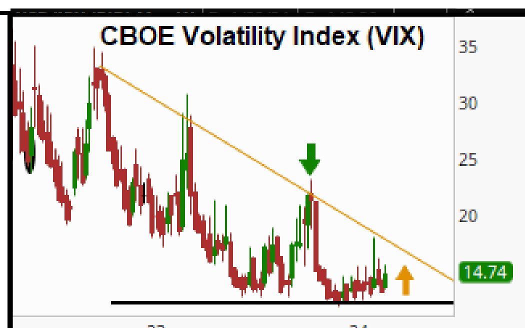
10-Year T-Note Yield

- Technical View: The 10-year yield rebounded to start 2024 but has since started to rollover, bringing the 2024 uptrend in the benchmark yield into focus.
- Proprietary Model: **Bullish (since the week of August 21, 2023)**
- Key Resistance Levels: 4.180, 4.244, 4.325
- Key Support Levels: 4.033, 3.927, 3.863



CBOE Volatility Index (VIX)

- Technical View: The VIX held its 2024 uptrend last week and the steady churn higher despite new highs in the S&P 500 points to an elevated threat of volatility looming.
- Proprietary Model: **Neutral (since the week of February 5, 2024)**
- Key Resistance Levels: 14.98, 15.42, 16.12
- Key Support Levels: 13.75, 13.34, 12.79



SEVENS REPORT

Fundamental Market View (Updated 3/10/2024)

Near-Term General U.S. Stock Market Outlook

This is designed to provide a snapshot of our near-term (1 month) outlook for stocks. For general equity market exposure, we use a mix of SPHB (S&P 500 High Beta) and SPLV (S&P 500 Low Volatility) to create an aggressive, neutral or defensive stance on general equity market exposure.

Near Term Stock Market Outlook: **Cautious** **SPHB: 25% SPLV: 75%**	*The S&P 500 declined modestly last week thanks to a Friday dip as economic data hinted at a possible slowing of momentum while the remaining events of the week just confirmed existing market expectations.*

Tactical Allocation Ideas:

- **What's Outperforming: Growth factors, tech, consumer discretionary and communication services have outperformed thanks to strong earnings and continued "AI" enthusiasm.**
- **What's Underperforming: Defensive sectors and value have underperformed recently mostly as Treasury yields have risen, although they are poised to rebound substantially if there is a surprise slowing of growth.**

Long Term Fundamental Outlook for Other Asset Classes

	Fundamental Outlook	Market Intelligence
Commodities	**Neutral**	*Commodities rose slightly last week thanks to strength in gold, which rose above $2,200/ oz. on the weaker U.S. dollar while oil declined modestly on global demand concerns following lackluster Chinese economic goals.*
US Dollar	**Neutral**	*The Dollar Index declined to a near-two-month low last week as data slightly underwhelmed while Powell clearly pointed towards a June rate hike (and the possibility of a May hike rose slightly).*
Treasuries	**Turning Positive**	*Treasury yields declined sharply last week on the aforementioned economic data (that was Goldilocks but pointed towards a possible slowing of momentum) while Powell reiterated rate cuts are coming soon (meaning June).*

This page is meant to provide a general outlook for the path of each major asset class and is updated at the start of each week.