SEVENS REPORT

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

March 20, 2024

Pre 7:00 Look

- Stock futures are little changed this morning as yields drift sideways and the dollar firms ahead of the Fed decision.
- European markets were led lower by luxury brand names after soft earnings from Gucci's parent company (Kering SA) offset favorable inflation data out of the UK.
- Economically, the PBOC left the Loan Prime Rate at 3.45% which is seen as accommodative while U.K. CPI favorably fell from 5.1% to 4.5% vs. (E) 4.6% in February.
- There are no notable economic reports today. Fed Events: FOMC Meeting Announcement (2:00 p.m. ET), Fed Chair Press Conference (2:30 p.m. ET).

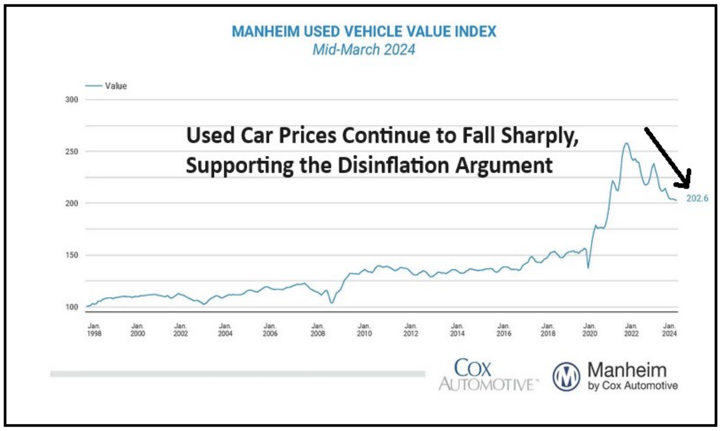
Market	Level	Change	% Change
S&P 500 Futures	5238.50	-3.25	-0.06%
U.S. Dollar (DXY)	104.115	.293	0.28%
Gold	2155.50	-4.20	-0.19%
WTI	82.12	-.61	-0.74%
10 Year Yield	4.283	-.0.13	-0.30%

Equities

Market Recap

U.S. equities recovered from early losses to close at a new record high yesterday as traders positioned into the Fed and AI optimism continued to drive mega-cap tech stocks higher. The S&P 500 rose 0.56%.

Stocks gave back about half of the early week, tech-led rally at the open yesterday as there was a modest sell-the-news reaction to NVDA unveiling the new Blackwell AI chip after the close Monday (there was a lot of hype and the event went largely as anticipated). Mega-cap tech led stocks back to the downside in early trade but



the S&P 500 stabilized in the first half hour and began to churn back towards the recently magnetic 5,150 level amid a steady bond market ahead of the Fed.

Global investors were also sifting through the first two central bank decisions of the week yesterday morning as the BOJ delivered a "dovish hike," the first increase to the policy rate in 17 years, while the Reserve Bank of Australia left benchmark rates unchanged and effectively signaled the hiking cycle is over with the next move likely to be a cut (despite some policymaker jawboning attempting to keep hikes on the table). The dovish money flows saw Treasuries recover some of Monday's losses and that helped offer some support to stocks in mid-morning trade.

The tentative morning rebound off the opening lows gained some traction as tech recovered on the back of bullish AI commentary out of NVDA's CEO Huang, who was speaking at the company's GTC Financial Analysis Q&A event (he also spoke to CNBC on live television).

The S&P 500 advanced to new highs for the week thanks to a strong 20-Yr Treasury Bond auction at the top of the 1:00 p.m. hour before turning sideways amid trader positioning into today's Fed decision. A late-day sprint higher did notably see the S&P 500 notch a fresh record.

Market	Level	Change	% Change
Dow	39,110.76	320.33	0.83%
TSX	21,860.58	23.40	0.11%
Stoxx 50	4,994.34	-13.58	-0.27%
FTSE	7,721.11	-17.19	-0.22%
Nikkei	40,003.60	236.16	0.66%
Hang Seng	16,543.07	13.59	0.08%
ASX	7,695.76	-7.47	-0.10%

Prices taken at previous day market close.

__What Is the Bitcoin "Halving?"__

We don't focus a lot on Bitcoin in this Report for numerous reasons, primary of which is that it was largely un-investable for most clients (either practically or from a risk management standpoint). But the approval of the Bitcoin ETFs has changed that and as such, we will be modestly increasing our Bitcoin analysis in this report as it's simply a very popular topic among investors. To be clear, please don't take this as an endorsement or opinion on Bitcoin. It's just me reacting to the changing investing landscape and wanting to make sure you have the analysis you need to grow your business.

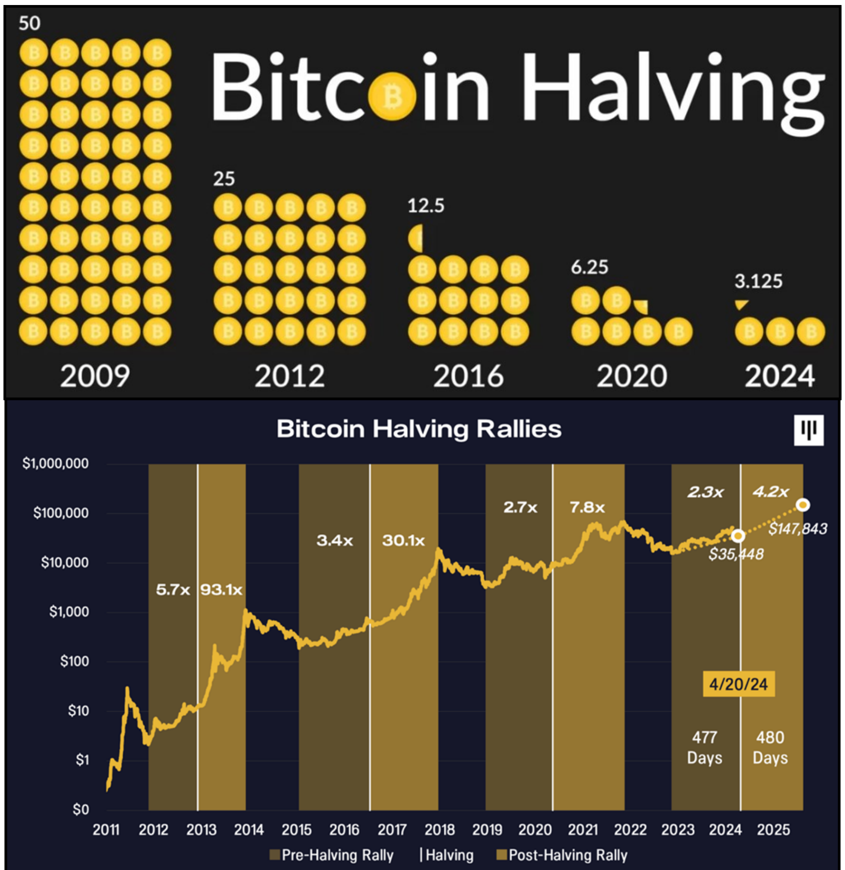
Market	Level	Change	% Change
DBC	22.96	-.01	-0.04%
Gold	2,160.50	-3.80	-0.18%
Silver	25.10	-.16	-0.63%
Copper	4.0685	-.0615	-1.49%
WTI	83.56	.84	1.02%
Brent	87.40	.51	0.59%
Nat Gas	1.744	.041	2.41%
RBOB	2.7621	.0048	0.17%
DBA (Grains)	23.57	-.15	-0.64%
Prices taken at previous day market close.			

Given that, I want to cover a popular Bitcoin-related topic: "The halving." Bitcoin's "anonymous" creator, Satoshi Nakamoto, wanted Bitcoin to stand out from all paper currencies (i.e., dollar, euro, franc, etc.). Satoshi wanted Bitcoin to hold its (or gain in) value over time, so he built an "anti-inflationary mechanism" into its code.

Per its code, the "block subsidy is cut in half every 210,000 blocks, which will occur every four years." Therefore, __every four years, there's a 50% reduction in the number of new Bitcoins that come to market__. This continuous four-year cycle – built into Bitcoin's code – is fixed and can't be altered. This is what's known as "the halving" (also called "the halvening").

The 2024 halving will reduce the number of new Bitcoins mined (the "block reward") from 6.25 to 3.125 per block – or from 900 Bitcoins produced each day to 450 Bitcoins produced daily. Eventually, the number of Bitcoins will hit its maximum supply of 21 million coins – expected to be by the year 2140. There are roughly 19.6 million Bitcoins in existence today.

Now, Bitcoin has gone through three of these cycles so far. The first was in November 2012. The second was in July 2016. The third was in May 2020. And every time, Bitcoin's price has rallied substantially.



Top Chart Source: Sabre56 | Lower Chart Source: Pantera Capital

As you can see in the charts here, the value of Bitcoin lifts off in a four-year predictable schedule. Each gain was realized within approximately 12-18 months from the halving trigger date.

Although nowhere near the gains after the halving occurs, there's also typically a considerable bump in price leading up to the halving. (Like we've seen this year, with Bitcoin breaking $73,000.)

__Why does this predictable event result in these outsized gains?__ It's pretty much Economics 101: As supply decreases and demand remains constant (or increases), the only thing left to move is price.

The next halving is projected to take place around April 19-20, 2024. So, if past is prologue, some of these gains have been driven by halving anticipation, but more is still to come.

Again, I'm not making a "call" on Bitcoin, but I do want you to know 1) What the halving is and 2) The historical impact of it on Bitcoin prices. Because while history doesn't repeat, it often rhymes. At a minimum, I want you to be able to turn any questions on this topic into opportunities to impress your clients.

Economics

There were no material economic reports yesterday.

Commodities

Commodities were mixed as the oil market continued to rally amid bullish supply headlines and upbeat sentiment towards consumer demand after strong U.S. housing market data. The metals lagged, however, as the dollar tested the March highs ahead of the Fed decision with copper badly underperforming with a 1%-plus drop. The commodity ETF, DBC, was little changed (-0.04%).

Oil extended this week's rally with WTI hitting fresh multi-month highs above $83/barrel before giving up a portion of the gains in afternoon trade. WTI futures ended higher by a solid 0.71%.

News that the recent drone attacks on Russian refineries by Ukrainian forces could result in crude oil production cuts to the tone of 7% of total Russian output was a key bullish catalyst yesterday. The production cuts would be forced by a lack of available storage and limited refining capacity to handle the current flow of new crude coming to the surface. Additionally, Angola announced plans to cut oil exports by 1.04 MM b/d in the coming months adding to concerns of a supply deficit in the global physical market.

From a demand standpoint, the strong Housing Starts data underscored a still-resilient economy consistent with strong consumer spending. But the strong data was a bit of a double-edged sword as "good data is bad for markets" right now as it supports the case for higher-for-longer Fed policy. Bottom line, oil is in rally mode with bullish tailwinds from supply dynamics, demand expectations, and ongoing geopolitical unrest. On the charts, there is band of resistance between $83 and $85/barrel while price support lies between $78 and $80/barrel as focus turns to the EIA data this morning and this afternoon's Fed events.

Gold posted a modest loss of 0.12% as a pullback in real yields helped offset the negative influence of a stronger dollar. Technically speaking, gold is attempting to find support this week at the $2,150 level, but if the Fed is not received as very dovish today, then don't expect that level to hold as the market will naturally want to gravitate back towards the previous record closing highs just under $2,100/oz. On the other hand, an unexpectedly dovish Fed would almost certainly fuel a rally to new record highs in gold between now and the weekend.

Copper was the notable laggard in the commodity complex as futures retreated 1.49% from multi-quarter highs reached earlier this month. As is the case with gold, it looks as though copper prices are poised to revisit the previous highs near $3.95 as the break to near-one-year highs is digested. The influence of the nondescript Chinese smelter production cut is skewing the market right now, but that means that any material weakness in copper prices would mean very negative underlying sentiment for the economy and should be a warning sign to look for in the sessions ahead.

Market	Level	Change	% Change
Dollar Index	103.50	.26	0.25%
EUR/USD	1.0865	-.0007	-0.06%
GBP/USD	1.2727	-.0002	-0.02%
USD/JPY	150.87	1.72	1.15%
USD/CAD	1.3564	.0030	0.22%
AUD/USD	.6533	-.0027	-0.41%
USD/BRL	5.0202	-.0051	-0.10%
Bitcoin	64,941.15	-2,406.04	-3.57%
10 Year Yield	4.297	-.043	-0.99%
30 Year Yield	4.441	-.025	-0.56%
10's-2's	-39 bps		
Date of Rate Cut	June 2024		
2024 YE Fed Funds	4.70%		
Prices taken at previous day market close.			

Currencies & Bonds

Currencies were active early in the day yesterday as traders digested the first two central bank decisions of the week, both of which were received as dovish and weighed on overseas currencies, in turn bolstering the greenback. The Dollar Index ended the day up a modest 0.22% at a two-week high.

Beginning in Asia, the yen fell 1.16% after the Bank of Japan delivered a well-anticipated "dovish rate hike," the first increase to the policy rate in 17 years, which brought a historic period of negative policy rates to an end. The new policy rate range is only incrementally positive, though, at 0% to 0.1% Additionally, the BOJ abandoned its Yield Curve Control program, but simultaneously reiterated commitment to continuing bond buying programs and further accommodative financial conditions for now. On balance, the BOJ decision was received as dovish with accommodative policy expected to continue for the foreseeable future amid what policy makers referred to as “extremely high uncertainties” for the Japanese economy.

The second central bank decision was out of the Reserve Bank of Australia where policymakers left the benchmark rate unchanged at 4.35%, meeting expectations. While the RBA Board did not “rule anything in or out” for future decisions, fading growth and inflation data suggest the next policy move will be a cut. That was underscored by the 0.41% drop in the Aussie dollar.

Looking to Europe, economic data was better than expected out of Germany yesterday as the headline Current Conditions Index of the March ZEW Survey edged up to -80.5 vs. (E) -82.0 from -81.7 in March and forward-looking Economic Sentiment jumped to 31.7 vs. (E) 21.0 from 19.9 last month. That resulted in the euro outperforming all of its major peers but the dollar in early trade and throughout most of the day before the EUR/USD closed down 0.07%.

Bottom line, based on policy expectations the fundamental setup for the dollar remains constructive as economic resilience and a recent rebound in inflation threaten a higher-for-longer Fed policy stance, which will support a strengthening dollar in the months and quarters ahead. In the wake of the Fed decision, key levels to watch include resistance near 104.80 and support at 102.75 in the Dollar Index.

Turning to bonds, there was a modest bid in Treasuries to start the day as the first central bank decisions of the week were received as dovish. U.S. housing data was better than expected; however, the Manheim Used Car Index continued to plummet, underscoring a pullback in consumer spending trends as well as an anecdotal sign that inflation pressures continue to ease.

Another source of support for longer-duration bonds yesterday was the solid outcome of the Treasury’s 20-Yr Bond auction, which stopped through the when-issued yield of 4.562% by a full 2 basis points with the high yield awarded just 4.542%. The bid-to-cover, a measure of demand, jumped to 2.79, well above the six-month average of 2.56. The 10-year yield opened near 2024 highs but reversed back to close under 4.30% on positioning into the Fed meeting.

With the Fed dominating the markets today, watching the reaction in the bond markets into the end of the day will be critical for cutting through the post-decision “reaction noise.” The market will be looking for a fairly muted or controlled and modest reaction from yields, otherwise, a spike in bond market volatility will almost certainly translate to equity market volatility.

Have a good day,

Tom

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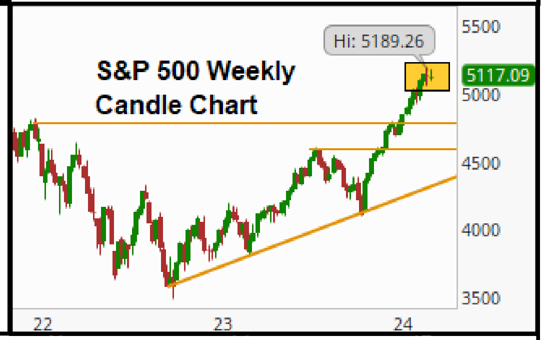
Technical Perspectives (Updated 3/17/2024)

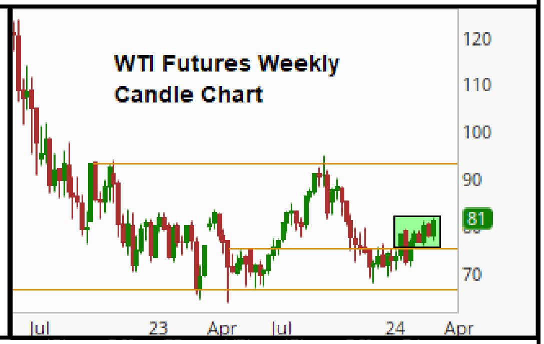
&P 500

- Technical View: **The medium-term trend remains bullish,** however there were early signs of exhaustion last week as the index failed to make a new intraday high.
- Dow Theory: **Bullish (since the week of July 10, 2023)**
- Key Resistance Levels: 5151, 5175, 5200
- Key Support Levels: 5096, 5030, 4953



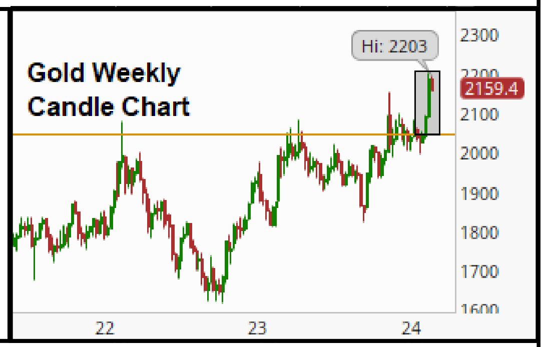
WTI Crude Oil

- Technical View: Oil prices jumped to new multi-month highs last week confirming the emergence of a 2024 uptrend which leaves the path of least resistance higher.
- Proprietary Model: **Bullish (since the week of February 12, 2024)**
- Key Resistance Levels: $82.48, $83.53, $85.37
- Key Support Levels: $$79.81, $78.14, $76.79



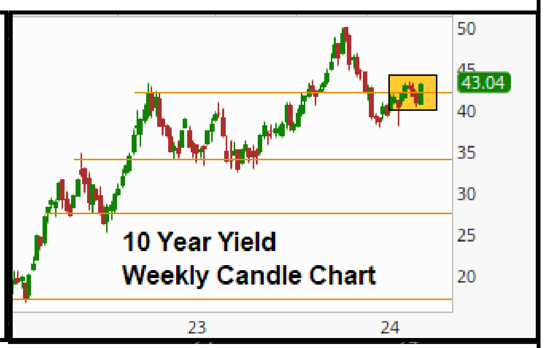
Gold

- Technical View: Gold pulled back from record highs last week in what appeared to be a countertrend pullback in an otherwise still very bullish uptrend.
- Proprietary Model: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2171, $2184, $2203
- Key Support Levels: $2141, $2092, $2053



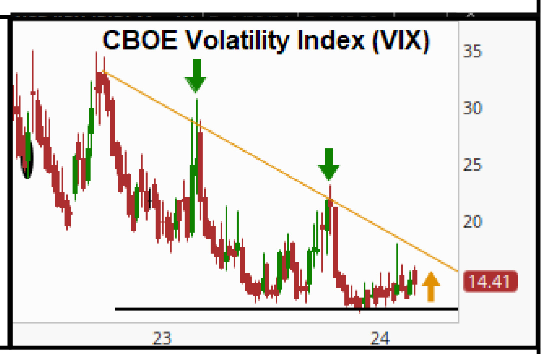
10-10-Year T-Note Yield

- Technical View: The 10-year yield rebounded towards the 2024 highs above 4.30% last week with the benchmark yield threatening to break to new multi-month highs.
- Proprietary Model: **Bullish (since the week of August 21, 2023)**
- Key Resistance Levels: 4.327, 4.410, 4.523
- Key Support Levels: 4.033, 3.927, 3.863



CBOE Volatility Index (VIX)

- Technical View: The VIX is in a tight, low-angle uptrend dating back to late 2023 that is keeping the risks of a spike in volatility the most elevated since last summer.
- Proprietary Model: **Neutral (since the week of February 5, 2024)**
- Key Resistance Levels: 15.22, 15.85, 17.94
- Key Support Levels: 13.89, 13.34, 12.79



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Fundamental Market View (Updated 3/17/2024)

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 again last week as economic data pointed towards stagflation via hotter-than-expected CPI and PPI combined with underwhelming growth stats (retail sales and Empire manufacturing).*

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 were split last week with industrial metals and oil both breaking out to new multi-month highs but gold pulled back from record highs thanks to a surge in real interest rates and stabilizing dollar. Broader-based commodity indexes notably hit fresh YTD highs underscoring a tentative uptrend in the complex so far in 2024.*
US Dollar	**Neutral**	*The Dollar Index rallied moderately last week following the hotter-than-expected CPI and PPI along with a drop in June rate cut probability.*
Treasuries	**Turning Positive**	*Treasury yields rose sharply last week and recouped the past two weeks losses as the 10-year yield rose above 4.25% and is once again threatening to break out (a potential negative for stocks). Hotter-than-expected CPI/PPI and a drop in Fed rate cut expectations pushed yields across the curve.*

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.