SEVENS REPORT

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

March 21, 2024

Pre 7:00 Look

- Futures are rallying to new highs after the SNB unexpectedly cut rates o/n, the first major central bank to do so, while MU is up 18% pre-market on solid AI driven earnings.
- The March Eurozone Composite PMI rose to 49.9 vs. (E) 49.6 due to a 0.9 point rise in the Services index while the Manufacturing index unexpectedly fell 0.8 points to 45.7.
- Econ Today: Jobless Claims (E: 209K), Philadelphia Fed Business Survey (E: -5.0), PMI Composite Flash (E: 51.5), Existing Home Sales (E: 3.92 million).
- Central Bank Events: BoE Decision (8:00 a.m. ET), the Fed's Barr is schedule to speak (12:00 p.m. ET).

Market	Level	Change	% Change
S&P 500 Futures	5304.75	18.00	0.34%
U.S. Dollar (DXY)	103.418	.030	0.03%
Gold	2212.70	51.70	2.39%
WTI	81.11	-.16	-0.20%
10 Year Yield	4.273	-.024	-0.56%

Equities

Market Recap

After churning sideways ahead of the Fed, stocks surged to new record highs as the FOMC did not reduce its expected number of rate cuts in 2024 despite revising growth expectations higher. The S&P 500 notched a new closing high with a 0.89% gain.

Equity markets gapped lower at the opening bell yesterday as a sense of paralysis had begun to grip traders ahead of the FOMC decision and Powell's press conference. International market news was mixed early in the day as inflation data in the U.K. was favorable, coming in under expectations, suggesting the global disinflation trade remains intact despite the uptick in price metrics in the U.S. so far in Q1.

Conversely, luxury stocks got hit hard yesterday after Gucci's parent company, Kering SA, said sales were likely to miss preliminary estimates by upwards of 20% because of weak demand in Asia in the first quarter. That stoked already-elevated concerns about the health of the Chinese economy, a major consumer of the Gucci brand and other luxury names.

Stocks were quick to stabilize though and the S&P 500 began a slow-and-steady sideways churn around the 5,275 level as investors awaited the Fed. There was an immediate, knee-jerk rally upon release of the FOMC statement as the "dot plot" continued to show policymakers have three rate cuts penciled in for 2024. Additionally, an upward revision to this year's GDP target bolstered optimism that the Fed is on the path to achieving a soft landing. During the press conference, Powell fielded questions about inflation and the labor market very well, and notably did not commit to rate cuts near term, or deny that rates could stay higher for longer. The S&P 500 broke out through resistance at 5,200 and continued to grind to new records in the final hour, closing near 5,225.

What the Fed Decision Means for Markets: Still All About Growth

The Fed decision was essentially "not as hawkish as feared" given the recent firm price data, and the practical impact of yesterday's decision was to 1) Keep markets expecting a June rate hike and 2) Keep the "impending Fed rate cuts" part of the bullish mantra powering stocks higher intact. So, a not-a-hawkish-as-feared result combined with a still-intact bullish narrative pushed stocks to fresh highs on Wednesday in the

Market	Level	Change	% Change
Dow	39,512.13	401.37	1.03%
TSX	22,045.71	185.13	0.85%
Stoxx 50	5,027.08	26.77	0.54%
FTSE	7,807.24	69.86	0.90%
Nikkei	40,815.66	812.06	2.03%
Hang Seng	16,863.10	320.03	1.93%
ASX	7,781.97	86.21	1.12%

Prices taken at previous day market close.

wake of the Fed decision.

But if there was a "beneath the surface" takeaway from the Fed, it's that the major focus for investors right now needs to be on growth and specifically whether growth can hold up. There were some small hints that Powell and the Fed may be a bit more worried on growth than the market currently expects (more on that later) but the bottom line is that the market is not getting more than three rate cuts in 2024 unless growth rolls over and at that point, it's too late anyway. That matters because it implies that rates are indeed going to be mostly higher for longer and higher rates will continue to act as a headwind on growth.

Market	Level	Change	% Change
DBC	22.90	-.06	-0.26%
Gold	2,185.40	25.70	1.19%
Silver	25.75	.62	2.45%
Copper	4.0875	.0130	0.32%
WTI	81.68	-1.79	-2.14%
Brent	86.08	-1.30	-1.49%
Nat Gas	1.694	-.050	-2.87%
RBOB	2.7340	-.0282	-1.02%
DBA (Grains)	23.78	.24	1.00%

Prices taken at previous day market close.

Put differently, the relief from high rates that investors keyed on during the Q4 rally is not coming. Yes, there will be two-to-three cuts barring a growth roll over but we're still going to exit 2024 with fed funds over 4.5%.

Markets have tolerated that disappointment well so far in 2024 for two reasons. First, AI enthusiasm continues to rage and that's helping keep the bull market alive and well. Second (and this is more fundamentally important), it's because growth has held up. The market doesn't care if we get fewer rate hikes as long as growth isn't showing any signs of cracking. But if those signs of cracking do start to appear, then the fact that there will only have been one rate cut by July will matter, a lot, because policy will be viewed as restrictive and the outlook for markets will change, potentially violently.

Bottom line, with Fed policy known and major relief on rates not coming in 2024, we must focus on growth and make sure we see, as early as possible, any evidence of a rollover because if that happens, it's a major problem for this market. And that's exactly what we'll be doing for you.

For now, the bullish mantra of solid growth, falling inflation, impending Fed rate cuts and AI enthusiasm is alive and well and the S&P 500 has hit new highs. Until multiple points in the mantra are invalidated, the path of least resistance in this market remains higher and pullbacks should be viewed as entry points (we'd continue to favor the "rest" of the market, e.g. RSP, minimum volatility ETFs over AI-exposed tech/ communication services and consumer discretionary sectors, although that again stems from our value training). While AI headlines have been strong this week, we expect the rally to continue to broaden if it continues.

Economics

FOMC Decision

- The FOMC made no changes to interest rates, as expected.

Takeaway

The Fed decision largely met our "What's Expected" scenario as the 2024 dots still showed three rate cuts while forward guidance was unchanged, signaling that it's unlikely the Fed will cut rates at the next meeting (May).

Starting with the dots, the 2024 median dot was unchanged at 4.625% while forward guidance still told investors that the Fed "does not expect it will be appropriate to reduce the target range until it has gained greater confidence" that inflation will move to the 2% target. Again, this was largely as expected and the net result was that rate cut expectations for June didn't change (a June rate cut is still widely expected).

Turning to the presser, Powell largely repeated what he said at the semi-annual Congressional testimony from two weeks ago, namely the Fed was getting closer to hiking rates but wasn't quite there yet (meaning June).

If there was one surprise in his commentary, it was that Powell specifically stated that if growth were to slow faster than expected, it would result in a policy response (meaning a cut). That was notable because Powell hasn't really mentioned growth specifically in a while, and if we combine that with some recent underwhelming economic reports it could mean the Fed is slightly concerned about growth, but that's likely a stretch at this point. However, since growth slowing is a major threat to this rally, I wanted to mention it.

From a market standpoint, the reaction was one of relief as investors were concerned the Fed would be hawkish in response to the sticky inflation data. Since they were not, we saw a dovish response as stocks rallied and bond yields fell modestly.

Bottom line, the Fed wasn't dovish. It just reiterated what markets have expected for weeks (June cut). But the Fed wasn't as hawkish as feared and, in this market, that's good enough to spur a rally and that's why stocks vaulted to new highs.

Other Data Points To Note

There has been limited economic data released so far this week (that changes with a slew of data on deck today) but the reports that have been released so far favorably contradict the stagflationary data that was released last week.

This week, the Manheim Used Vehicle Price Index posted another double-digit annualized decline in March as it fell to 202.6, down from the December 2021/January 2022 peak of 257.7 to the lowest level since March 2021. Meanwhile, the two housing reports that have been released so far this week, the March Housing Market Index and February Housing Starts data both meaningfully beat expectations suggesting that the real estate market is in better shape than some had feared and that is both good for consumer sentiment and suggests the economy is in a healthier position than previous expectations have shown.

Bottom line, this week's lesser-followed data has so far been more in line with the soft-landing narrative investors have been embracing for months and that was a supporting factor behind the pre-Fed rally to new record highs on Tuesday.

Market	Level	Change	% Change
Dollar Index	103.11	-.38	-0.37%
EUR/USD	1.0908	.0042	0.39%
GBP/USD	1.2773	.0051	0.40%
USD/JPY	151.12	.26	0.17%
USD/CAD	1.3496	-.0071	-0.52%
AUD/USD	.6575	.0043	0.66%
USD/BRL	4.9763	-.0545	-1.08%
Bitcoin	65,511.88	570.73	0.88%
10 Year Yield	4.273	-.024	-0.56%
30 Year Yield	4.455	.014	0.32%
10's-2's	-32 bps		
Date of Rate Cut	June 2024		
2024 YE Fed Funds	4.62%		
Prices taken at previous day market close.			

Commodities

Commodities were split as oil pulled back despite a largely bullish EIA report as futures had become overbought this week while the metals rallied on the post-Fed reversal in the dollar. The commodity ETF, DBC, declined 0.26%.

Starting with the metals, gold was churning around the unchanged mark ahead of the Fed but quickly rallied on the dovishly received FOMC decision and extended the gains through Powell's press conference as the dollar reversed lower and market-based inflation expectations rebounded to fresh multi-month highs amid the conflicting Fed economic projections (higher inflation and better labor market, but still three full rate cuts as the base case through the end of 2024).

As part of that rebound in inflation expectations in rates markets, real rates dropped back away from the 2% area which was a key part of the tailwind behind precious metals yesterday. Looking ahead, the $2,150 area is continuing to emerge as a new, near-term support level in the long-term uptrend that has been in place since December. Unless there is a hawkish reversal in Fed policy outlook, the dovish-leaning market fundamentals will continue to support gold.

In the industrial metals, copper was decisively negative in early trade but reversed to end the day higher by 0.36% thanks to the combination of soft-landing hopes (higher demand) and a weaker dollar, which bolstered all metals. On the charts, copper has broken out and the technical outlook is bullish. However, we remain skeptical of the early 2024 break higher because of the supply side headlines that sparked the rally which were effectively collusion efforts by Chinese smelters looking to improve their margins.

EIA Data and Oil Update

Yesterday's weekly inventory data from the EIA was largely bullish but the futures market had become overbought and there was a knee-jerk selloff in the immediate wake of the release as short-term traders booked profits on the latest breakout to new 2024 highs.

On the headlines, commercial crude oil stockpiles fell by -2.0 million barrels, slightly more than the consensus estimate of a -1.2MM bbl draw and the API's reported draw of -1.52MM. Gasoline inventories also declined last week, falling by -3.3MM bbls vs. (E) -2.1MM (API: -1.57MM) while distillate stockpiles increased by +600K vs. (E) -1.2MM (API: +500K). The unexpected build in disty supply was the only bearish component to the headlines as both oil and gasoline stockpiles fell by more than expected.

In the details, gasoline supplied, the best high-frequency read on consumer demand, edged back 235K barrels/day to a still-solid 8.809MM b/d. The smoother look at the data via the four-week moving average, however, jumped 152K b/d to 8.833MM b/d, which was the highest since mid November and was slightly above where it was this calendar week in 2023. Domestic production also held below record highs, remaining unchanged on the week at 13.1 million barrels/day while the refinery utilization rate rose 1% to 87.8%, which is within a percentage point of where it was this time last year.

Bottom line, yesterday's EIA report was initially received as bearish due to the pullback in consumer demand readings last week but the decline was amplified by near-term overbought conditions and the data was not negative for prices, on balance. WTI futures were able to stabilize near $81/barrel, which has become support after previously acting as resistance. In the wake of the Fed, oil clawed back some of the morning losses and ended off the lows but still down 1.67%.

Currencies & Bonds

For the most part, currency markets were quiet leading up to the Fed decision and Powell's press conference yesterday as the euro, pound, Aussie and loonie were all effectively flat on the day. The yen was the one outlier as the Japanese currency continued to push towards its weakest level against the dollar since the early 1990s. The yen was down 0.46% midday, which had the Dollar Index up about 0.10% leading into the Fed decision.

After the release of the FOMC statement, the dollar reversed the tentative gains through midday and dropped towards the lows of the week before ending down 0.39%, weaker against all major currencies with the sole expectation of the yen, which closed the day just shy of a multi-year high. On the charts, the Dollar Index ended yesterday very close to the middle of the 2024 trading range leaving the outlook for the greenback neutral as this week's central bank decisions continue to be digested. Until the Dollar Index breaks above 104.85, or below 102.75, the buck will remain trendless in a relatively tight 2024 trading range.

In the bond market, trader positioning dominated the price action early as the 10-year yield continued to churn back lower from Monday's fresh 2024 closing high. The Treasury moves were small and trade was tentative ahead of the Fed decision, however, as yields were down about a basis point across durations with yield curve spreads flat on the day.

After the Fed statement hit, and over the course of Powell's press conference, dovish bids flowed into Treasuries sending the 2-year yield down 9 basis points while the 10 year fell a less-pronounced 3 basis points, which resulted in rising yield curve spreads (10s-2s ended at -32 basis points). Bottom line, the bond market embraced yesterday's Fed outlook for better growth but the same amount of rate cuts in 2024, viewing that policy track as one that is conducive to a soft economic landing. And that was also reflected in the stock market as the major indexes hit all-time highs into the close.

Have a good day,

Tom

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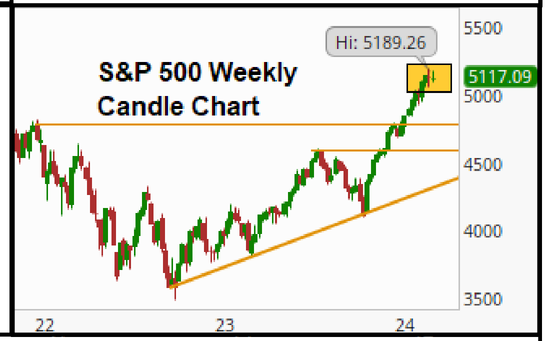
Technical Perspectives (Updated 3/17/2024)

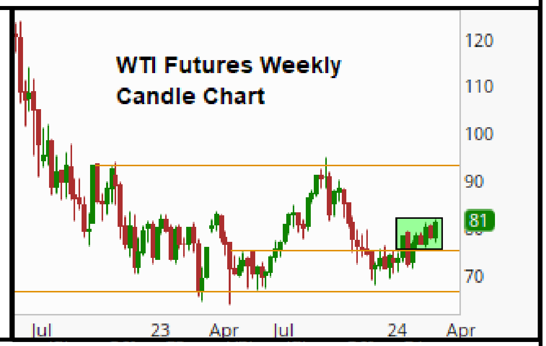
&P 500

- 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



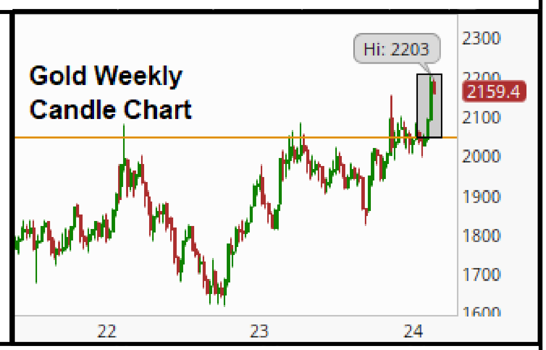
WTI Crude Oil

- 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



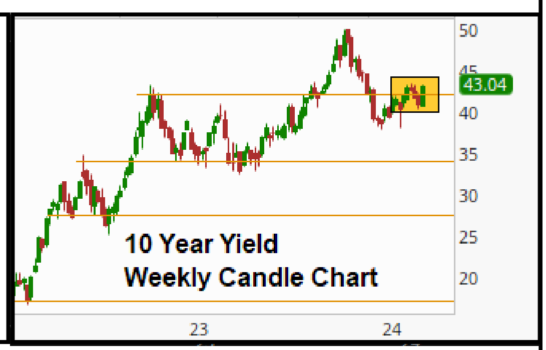
Gold

- 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



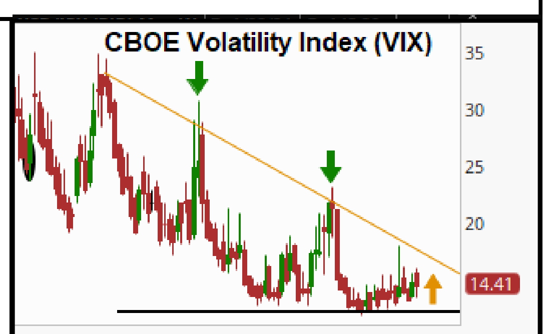
10-10-Year T-Note Yield

- 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.