SEVENS REPORT

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

April 10, 2024

Pre 7:00 Look

- S&P futures are flat while Treasury yields are slightly lower and the dollar is little changed following a quiet night of news ahead of today's critical U.S. CPI report.
- In corporate news, TSM reported the fastest revenue growth since 2022, renewing a sense of AI optimism.
- Econ Today: CPI (E: 0.3% m/m, 3.5% y/y), Core CPI (E: 0.3% m/m, 3.7% y/y), Treasury Statement (-$340B).
- Fed Speak: Bowman (8:45 a.m. ET), Goolsbee (12:45 p.m. ET). March FOMC Meeting Minutes (2:00 p.m. ET).
- There is a 10-Yr Treasury Note auction at 1:00 p.m. ET.

Market	Level	Change	% Change
S&P 500 Futures	5261.50	1.25	0.02%
U.S. Dollar (DXY)	104.044	-.066	-0.06%
Gold	2365.20	2.70	0.11%
WTI	85.43	.20	0.26%
10 Year Yield	4.352	-.010	-0.23%

Equities

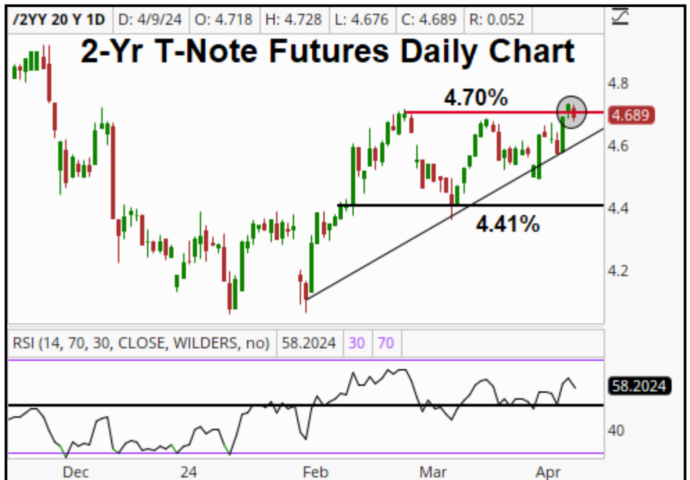
Market Recap

Volatility picked up meaningfully yesterday morning as the results of a Reuters poll of market strategists sparked renewed worries about higher-for-longer rates in an already-cautious market environment ahead of the CPI report. The S&P 500 recovered late in the day to notch a gain of 0.14%.

Stocks actually gapped higher at the opening bell yesterday as bond markets were largely stabilizing with today's critical inflation data coming into focus while a rather soft NFIB Small Business Optimism report (released ahead of the bell) was broadly disappointing and helped keep a bid in Treasuries. In the first hour, stocks started to come for sale with increased urgency, led by some of the biggest mega-cap tech names that have been primary drivers of the rally since late-October (NVDA was down 5%+ by midmorning).

There were no economic reports or Fed speakers to move markets; however, an unanticipated Reuters poll of market strategists hit the wires and it revealed the consensus estimated target for the 10-Yr Treasury yield in six months jumped from 3.85% in March to 4.00% in April. The one-year outlook also rose roughly 15 bps from 3.75% to 3.91%. Those two poll numbers triggered a wave of volatility across asset classes.

As mentioned, the sharp drop in NVDA shares was another topic of concern as key price support at $850/share was violated in morning trade while INTC released fresh specifics on a new AI chip that will directly rival NVDA's most profitable chip. Focus returned to the bond markets in the early afternoon as the first Treasury auc-



2-Yr Treasury Note yields have been trending higher since early February and just made new highs earlier this week, which underscores the increasingly hawkish money flows across asset classes coming into today's CPI report.

Market	Level	Change	% Change
Dow	38,883.67	-9.13	-0.02%
TSX	22,361.78	101.48	0.46%
Stoxx 50	5,026.69	35.79	0.72%
FTSE	7,983.49	48.70	0.61%
Nikkei	39,581.81	-191.32	-0.48%
Hang Seng	17,139.17	311.10	1.85%
ASX	7,848.45	24.21	0.31%
Prices taken at previous day market close.			

tion of the week, this one for 3-Yr Notes, was a complete flop with the yield awarded of 4.548% (auction result) tailing the when-issued yield of 4.528% (pre-auction) by a full 2 basis points. The weak demand in the Treasury auction saw yields bottom and move modestly higher in the afternoon, which kept pressure on stocks until the final hour when the Atlanta Fed's Bostic made some less-hawkish comments about the policy rate outlook sending the S&P 500 back into modestly positive territory ahead of the close.

Market	Level	Change	% Change
DBC	23.61	-.13	-0.55%
Gold	2,365.00	14.00	0.60%
Silver	28.14	.33	1.20%
Copper	4.286	.010	0.23%
WTI	85.28	-1.15	-1.33%
Brent	89.47	-.91	-1.01%
Nat Gas	1.885	.041	2.22%
RBOB	2.7593	.0107	0.39%
DBA (Grains)	25.05	.17	0.66%
Prices taken at previous day market close.			

Trading was again quiet on Tuesday (although that's likely to change starting today) and again it was mostly single-stock/industry news that moved market internals as there were no notable macroeconomic events yesterday to move markets.

Reflecting the lack of catalysts, the market internals loosely resembled the performance of markets on Monday. To that point, the Russell 2000 was the best relative performer. The Nasdaq added 0.32% while the Dow Industrials dipped 0.02%.

Looking at sector trade, there was more volatility on Tuesday but not materially so. Real estate (XLRE) rose 1.27% on continued upside momentum in the apartment REITs following the Blackstone acquisition of AIRC while TSLA again rallied on the "Robotaxi" headlines (TSLA gained 1.2%). Turning to the laggards, financials (XLF) dropped 0.57% on some pre-bank earnings selling.

Bottom line, absent single stock or industry headlines, markets have largely drifted sideways ahead of the key catalysts later this week as they provide the next data points that will either reinforce the bullish points of falling inflation and looming Fed rate cuts.

The Most Important Long-Term Indicator for Markets

On Monday, I identified that June rate cut probabilities were likely the most important event for the markets in the short term, but as I also stated, most of us are not positioning for the short term—we have medium- and long-term sights, goals and objectives.

Given that, I wanted to identify what I believe is the single most important long-term indicator in the markets right now: **The unemployment rate.**

Throughout late 2023 and so far in 2024, I have maintained that the one "rally killer" event we all need to be watching for is an economic slowdown. First, a slowdown is nowhere near priced into markets and the resulting price correction if we get a slowdown could easily be 5 or 6 market multiple points. So, the market multiple going from the current 21X to something like 15X-16X. Given 2025 earnings are around $240/share, that means a market decline of 1200-1400 points is not unreasonable in the S&P 500. That would put the S&P 500 under 4,000.

That may seem outlandish given the market's resilient nature but anyone who was in this business in 2000 or 2007 knows it can happen, and much faster than most think. Bottom line, it's not likely but it is possible and risks must be monitored.

While not the most frequently updated metric, the unemployment rate is one economic indicator that will tell us if the economy is slowing. Put simply, it's very unlikely that we get an economic slowdown as long as the unemployment rate stays near 4%. Sure, there may be a loss of economic momentum or even a cooling of growth. But unless the unemployment rate rises into the mid-4% towards 5%, then the likelihood of a rally killing slowdown will remain low. Bottom line, markets will get more volatile. They have to, as the past five months isn't typical market behavior and it won't last forever. But volatility doesn't mean an end to the rally and understanding the difference is very important (and it's something we're going to make sure we tell you).

For the rally to end, we'll need to see growth buckle and a telltale sign of that is a jump in the unemployment rate. If that happens, it will be a "get out" moment for all but very long-term capital and that's why, right now, it's the most important long-term indicator in the markets today.

Economics

Remaining Catalysts This Week

The week really starts today as the key event, the CPI report, comes later this morning. While that's the headline event and is most likely the biggest potential market-moving event, there are several other events this week that are notable and, if they provide any significant surprises, could also move markets.

Outside of CPI, there are two notable central bank rate decisions: The ECB on Thursday and the Bank of Canada today. Starting with the ECB on Thursday, there is no expectation that the ECB will cut rates tomorrow. However, there is the possibility that Lagarde and company will forcefully signal that rate cuts are coming in June. If that occurs, look for German bund yields to decline and for that to pressure Treasury yields and boost the dollar. Regarding the Bank of Canada, there is a chance the BOC cuts rates today but that is unlikely. What's more likely is that the BOC signals a rate cut is coming in June (which would meet expectations). **If the ECB or BOC are more dovish than expected, look for dollar strength and if the dollar rises above 105 on either dovish surprise, that will likely put mild pressure on stocks.**

The other notable event this week comes on Friday, with the start of earnings season. JPMorgan, BlackRock, Wells Fargo and Citigroup all report earnings on Friday and given financials have been one of the best performers YTD, markets will want to 1) See solid results to help support markets broadly and 2) Hear positive commentary surrounding the consumer including stable delinquency rates and generally reassuring commentary from bank management on spending and credit quality. If bank earnings and commentary are cautious on the consumer that will be an unexpected negative for markets, because if the consumer is weakening, the ultimate chances of a hard landing will go up.

Market	Level	Change	% Change
Dollar Index	103.95	.05	0.05%
EUR/USD	1.0856	-.0003	-0.03%
GBP/USD	1.2674	.0019	0.15%
USD/JPY	151.76	-.06	-0.04%
USD/CAD	1.3576	.0004	0.03%
AUD/USD	.6626	.0022	0.33%
USD/BRL	5.0081	-.0218	-0.43%
Bitcoin	69,009.80	-2,793.73	-3.89%
10 Year Yield	4.366	-.058	-1.31%
30 Year Yield	4.499	-.054	-1.19%
10's-2's	-38 bps		
Date of Rate Cut	June 2024		
2024 YE Fed Funds	4.76%		
Prices taken at previous day market close.			

Bottom line, CPI this morning is the key report this week but it's not the only potential market mover, as the next three days in the market have the potential to reinforce the current bullish narrative (and fuel a rebound) or refute it.

Commodities

Commodities were mixed as the metals extended gains with gold outperforming amid simmering inflation fears while copper rallied to new 52-week highs on an increasingly louder chorus of bullish analysts and strategist calls. Oil failed to participate and declined for a second straight session thanks to ceasefire hopes in the Middle East and the general risk-off money flows driven by higher-for-longer interest rate concerns. The commodity ETF, DBC, fell 0.58% due to the heavy weight oil futures hold in the index.

Starting with oil, the latest round of ceasefire negotiations between Israel and Hamas, which were taking place in Cairo, Egypt, yesterday, seemed promising at first which was cause for a further pause in the latest leg higher in futures prices that have quickly approached $90/barrel in recent weeks.

The higher-for-longer interest rate worries sparked by the Reuters poll of market strategists that saw Treasury yields remaining stubbornly higher than they did just last month kept pressure on oil through midday trade as high rates eventually crimp demand. WTI crude futures ended lower by 1.32%.

Bottom line, tensions remain elevated between Israel and Hamas and while ceasefire talks are as close as they have been yet, there remain risks of further escalation and a contagion effect in the region, particularly with Iran who recently threatened to close the Strait of Hormuz, which sees about 1/5th of the world's seaborne oil trade flow through it.

With benchmark Treasury yields rising to new 2024 highs in the last week and the Dollar Index trading just shy of YTD highs (two traditional headwinds for gold) the primary fundamental factor driving the latest price action has been a resurgence in inflation worries combined with the Fed's reiteration that summer rate hikes are likely coming. Gold climbed another 0.66%.

On the charts, futures notably ended in the lower half of the day's trading range amid profit taking ahead of today's CPI, a catalyst capable of triggering a massive wave of profit taking in gold if it comes in hot and money flows take a meaningfully hawkish turn. If that were to happen, looking for gold to stabilize and begin to resume the rally would offer a good entry point for those underexposed to gold.

Copper futures rose another 0.47% to new 52-week highs on momentum and worries of a deep supply deficit emerging given elevated AI-related demand for copper paired with uncertainties about China cutting production of finished product/refined copper. Copper also notably ended off the highs yesterday but remains in a well-defined uptrend with the path of least resistance still higher for the red metal.

Currencies & Bonds

Tuesday was another quiet day in currency and bond markets as there was no notable economic data nor Fed speak and the looming CPI report kept markets largely little changed. The Dollar Index was flat for a second straight day while the 10-year yield declined marginally, falling 4 basis points (essentially reversing Monday's yield rise).

The Dollar Index was almost perfectly unchanged Tuesday and again there were no notable catalysts and with CPI looming tomorrow and PPI and the ECB rate decision on Thursday, there was no real reason for currencies to move on Tuesday and so they didn't.

Looking ahead to today (and beyond) the 105 level remains something to keep in note. Much above that level and the rising dollar will start to become a strengthening headwind on stocks but below that (and around 103-104) the dollar remains largely neutral towards equities.

Turning to Treasuries, yields declined modestly but as the 10 year fell 6 basis points, but the move felt more like digestion of the recent rise in yields ahead of the CPI more than anything else. To that point, the only notable event in the bond space yesterday was a 3-Yr Treasury note auction and the results were underwhelming as the bid to cover, a measure of demand, declined to 2.5% vs. the previous 2.6X. Additionally, bidding was not aggressive as the actual yield was 2 basis points over the "When Issued" yield and, most importantly, foreign demand wasn't strong as foreign investors bought 60.3% of the auction, below the recent 62.3% recent average.

Bottom line, the auction was underwhelming and on a typical day, it would have led to higher yields, not lower yields. But CPI anticipation dominated the markets on Monday and Tuesday and as such, positioning ahead of CPI trumped the soft auction.

Today, keep an eye on 4.47% (that would be a new high) and 4.25% (the upper end of the stock-positive 3.75%-4.25% range) in the 10-year yield. If either of those levels are violated look for an acceleration of any post-CPI move (if 4.47% is hit, look for a decline and if 4.25% is hit, look for a rally).

Have a good day,

Tom

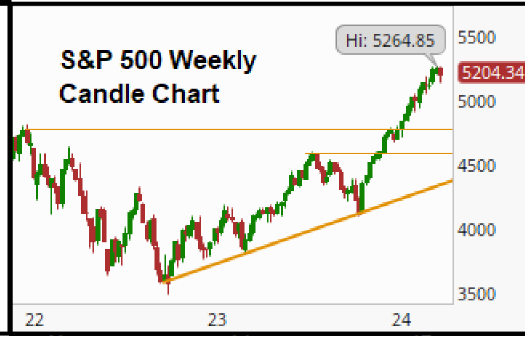
4/10/2024

SEVENS REPORT

Technical Perspectives (Updated 4/7/2024)

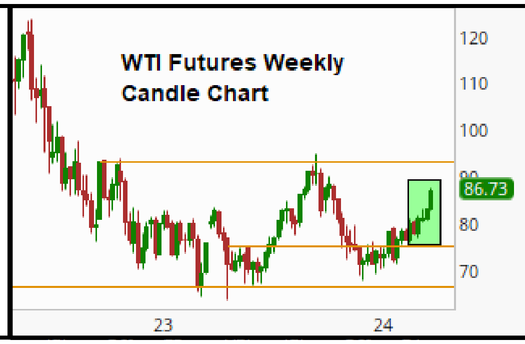
S&P 500

- Technical View: **The medium-term trend remains bullish,** with the S&P 500 near record highs; however, there was a loss of upside momentum at the start of Q2.
- Dow Theory: **Bullish (since the week of July 10, 2023)**
- Key Resistance Levels: 5229, 5258, 5300
- Key Support Levels: 5147, 5039, 4959



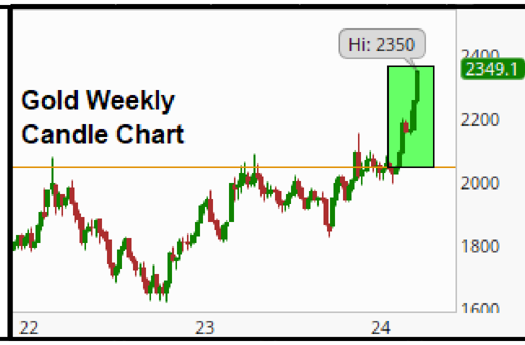
WTI Crude Oil

- Technical View: Oil prices jumped to new multi-month highs last week leaving the path of least resistance still higher with the prospects of new 52-week highs rising.
- Primary Trend: **Bullish (since the week of February 12, 2024)**
- Key Resistance Levels: $88.30, $90.55, $92.25
- Key Support Levels: $85.65, $84.40, $82.96



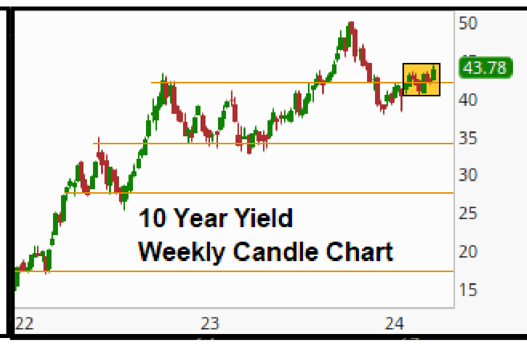
Gold

- Technical View: Gold hit fresh record highs last week as the strong push higher in early 2024 continues with the path of least resistance still decidedly higher.
- Primary Trend: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2355, $2386, $2400
- Key Support Levels: $2297, $2259, $2199



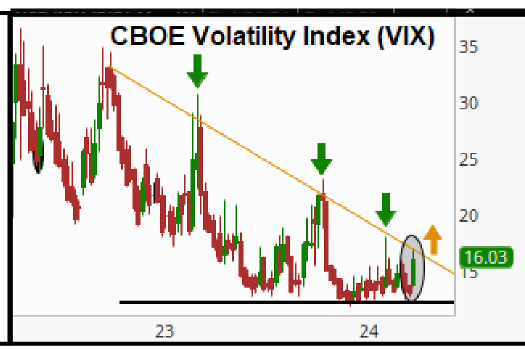
10-Year T-Note Yield

- Technical View: The 10-year yield rose to new 2024 closing highs above 4.30% in March, leaving the threat of higher yields in play given the technicals.
- Primary Trend: **Bullish (since the week of August 21, 2023)**
- Key Resistance Levels: 4.410, 4.480, 4.632
- Key Support Levels: 4.234, 4.155, 4.089



CBOE Volatility Index (VIX)

- Technical View: The VIX surged to start the second quarter notching a five-month closing high and shifting the near-term trend in favor of the volatility bulls.
- Primary Trend: **Bullish (since the week of April 1, 2024)**
- Key Resistance Levels: 16.92, 17.94, 18.97
- Key Support Levels: 15.85, 15.13, 13.99



SEVENS REPORT	**Fundamental Market View (Updated 4/7/2024)**

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 last week as June rate cut expectations declined modestly thanks to borderline "Too Hot" economic data and some not dovish Fed speak, although the market does still expect a June hike (although it's not a strong expectation).*

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 surged last week thanks mainly to a rally in oil, which was driven by geopolitical fears as tensions between Israel and Iran increased.*
US Dollar	**Neutral**	*The Dollar Index was little changed but it was volatile throughout the week as it rose to 105 early in the week on strong data and then dropped below 104 on Powell's comments that boosted June rate cut expectations.*
Treasuries	**Turning Positive**	*Treasury yields rose last week and the 10-year yield hit a multi-month high following stronger-than-expected economic data and not-dovish Fed speak. The 10-year yield appears to be trying to break out of the 3.75%-4.25% "stock positive" range.*

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.