SEVENS REPORT

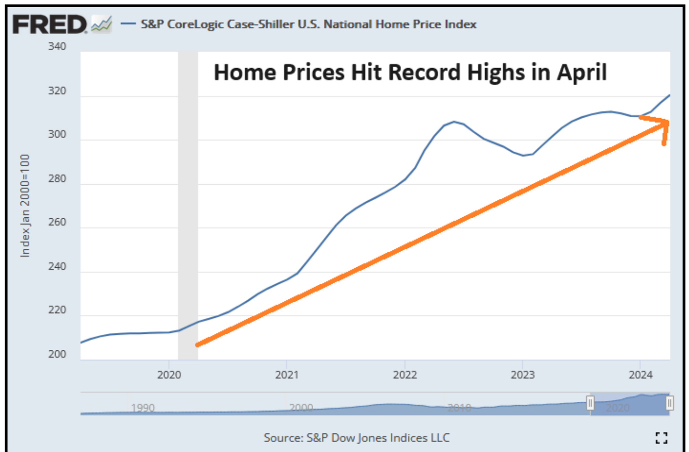
EVERYTHING YOU NEED TO KNOW ABOUT THE MARKETS
BY 7AM EACH MORNING IN SEVEN MINUTES OR LESS

June 26, 2024

Pre 7:00 Look

- U.S. equity futures are mixed as continued strength in tech shares is supporting gains in Nasdaq 100 contracts while both the Dow Industrials and Russell 2000 futures are lower amid higher yields in the wake of hot inflation data o/n.
- Economically, Australian CPI came in hot with the headline jumping to 4.0% y/y vs. (E) 3.8%, up from 3.6% previously. In Europe, Germany's GFK Consumer Climate Index slipped to -21.8 vs. (E) -20.0 pointing to weakening sentiment.
- Econ Today: New Home Sales (E: 650K). There are no Fed speakers today. There is a 5-Yr Treasury Note auction at 1:00 p.m. ET. Earnings: MU ($0.51).

Market	Level	Change	% Change
S&P 500 Futures	5539.75	2.75	0.05%
U.S. Dollar (DXY)	105.929	.310	0.29%
Gold	2320.00	-10.80	-0.46%
WTI	81.54	.71	0.88%
10 Year Yield	4.278	.042	0.99%



The Case-Shiller National Home Price Index increased to a new record high in April as inventories remain historically low, but the pace of gains moderated thanks to high mortgage rates and inflation headwinds.

Equities

Market Recap

Monday's stock market moves were largely reversed yesterday as investors bought mega-cap tech and anything "AI related" and sold off almost every other sector of the market. The S&P 500 benefited from the strength in tech and ended higher by 0.39%.

Stocks opened slightly higher Tuesday as a good portion of Monday's moves were unwound right out of the gate with mega-cap tech rebounding, led by a 3%+ early rally in NVDA, while the broader market, including cyclically-sensitive small caps and transportation stocks were giving back gains. The main market catalysts in morning trade were a "hot" Canadian CPI report released ahead of the bell that rekindled some "higher-for-longer" central bank policy worries and a meek June Consumer Confidence report that had negative revisions to the May data and evidence of an increasingly cautious outlook on the economy by consumers for the months ahead.

A largely steady bond market allowed stocks to rally to fresh session highs midday as dovish policy hopes fueled money flows into growth stocks and tech, which pushed the major indexes higher. The market turned lower into the early afternoon thanks to hawkish "higher-for-longer" commentary from Fed Governor Cook when discussing inflation. However, the S&P 500 found support at Monday afternoon's lows near 5,450 and the market rebounded to new highs in the final hour with mega-cap tech leading the way (NVDA notably recovered all of Monday's declines to end the day up nearly 7%).

Hard Landing/Soft Landing Scoreboard

Last month the Hard Landing/Soft Landing Scoreboard showed, for the first time in well over a year, that eco-

Market	Level	Change	% Change
Dow	39,112.16	-299.05	-0.76%
TSX	21,788.48	-60.11	-0.28%
Stoxx 50	4,942.87	6.90	0.14%
FTSE	8,271.96	24.17	0.29%
Nikkei	39,667.07	493.92	1.26%
Hang Seng	18,089.93	17.03	0.09%
ASX	7,783.01	-55.78	-0.71%
Prices taken at previous day market close.			

nomic data was pointing towards a slowing of activity and that message was largely repeated this month.

I say that because while there's volatility in the economic data, over the past month we've seen, for the first time since the pandemic, notable deterioration in the labor market. While it's not enough to get concerned about labor market strength yet, it is notable because an economic Hard Landing won't happen as long as the labor market is strong. However, if the labor market weakens, then a Hard Landing will become possible and that would represent a new, major negative for this market (and it would easily cause a pullback if not a correction).

Market	Level	Change	% Change
DBC	23.17	-.22	-0.94%
Gold	2,332.20	-12.20	-0.52%
Silver	28.94	-.58	-1.98%
Copper	4.3665	-.0705	-1.59%
WTI	80.80	-.83	-1.02%
Brent	84.96	-1.05	-1.22%
Nat Gas	2.719	-.092	-3.27%
RBOB	2.5142	.0027	0.11%
DBA (Grains)	23.97	-.30	-1.22%

Prices taken at previous day market close.

Bottom line, this month's Scoreboard still shows a Soft Landing is more likely than a Hard Landing, but signs the economy is losing momentum are growing and as such, we must continue to closely monitor economic growth so we can avoid any "growth scares" that could hit stocks.

Hard Landing vs. Soft Landing Scoreboard

	Current	One Month Ago	Three Months Ago	Hard Landing/Soft Landing
ISM Manufacturing PMI	48.7	49.2	47.8	Hard Landing
ISM Services PMI	53.8	49.4	51.4	Soft Landing
Job Adds (Non-Farm Payrolls)	272K	165K	236K	Soft Landing
Retail Sales	$609.47B	$608.44B	$606.72B	Soft Landing
NDCGXA	73.91B	73.77B	73.53B	Soft Landing
Jobless Claims	238K	216K	212K	Soft Landing

- **Of the Big Three monthly economic reports, one remains weak while the others are wavering.** The ISM Services PMI bounced back from a multi-month low in May, but it remains uncomfortably close to the 50 level while the ISM Manufacturing PMI still sits below 50. Both numbers imply moderation of growth. *What signals hard landing going forward? ISM Manufacturing and Services PMIs stay below 50 for several months.*

- **There are still no conclusive signs that U.S. consumer spending is materially slowing.** Retail sales, which is the most comprehensive measure of consumer spending each month, declined earlier this year and has essentially plateaued in recent months. That doesn't mean a slowdown is coming, but there is a growing number of companies (POOL was the latest) that are warning on consumer spending. As such, it has us on edge that those warnings may start to show up in the Retail Sales reports in the coming months. *What signals a hard landing? Retail sales roll over and begin to drop sharply, falling to multi-month lows within the next three months.*

- **Business spending is plateauing but not contracting.** New orders for non-defense capital goods excluding aircraft (NDCGXA) is the best metric we have for national business spending and investment, and like retail sales, there's been some volatility in the data. However, on an absolute basis, the number remains generally solid and while it's largely plateaued (meaning it's not rising quickly) that isn't enough to materially worry about corporate spending and investment. Bottom line, there may be some corporate anxiety about future economic growth, but it's not impacting business spending or investment at this point. *What signals a hard landing? NDCGXA falling to multi-month lows in the next three months.*

- **Some employment indicators are starting to show signs of softening, although in aggregate the labor market remains healthy.** For the first time in well over a year, employment indicators are starting to show some mild deterioration. Monthly job adds are still positive, but the unemployment rate has risen to 4.0% while jobless claims have risen to multi-month highs. In aggregate, the labor market is still solid but there's been undeniable deterioration in some labor metrics. *What signals a hard landing? Monthly job adds drop below 100k and/or jobless claims moving above 300k.*

Bottom line, economic data in aggregate remains solid but there are growing signs of a loss of economic momentum and that means we must continue to closely monitor economic data because if economic growth truly disappoints, that will be a new negative for stocks.

Economics

Consumer Confidence

- June Consumer Confidence fell to 100.4 vs. (E) 100.0

Takeaway

The headline Consumer Confidence Index fell by 0.9 points to 100.4 in June, slightly above the consensus estimate of 100.0. The May headline was revised down from an initial 102.0 to 101.3; however, which more than offset the modest upside beat on the headline.

The sub-indices were mixed as the Present Situation Index increased modestly from 140.8 in May to 141.5 this month. Conversely, the forward-looking Expectations Index fell nearly 2 points in June, down from 74.9 in May to 73.0. Importantly, the threshold that typically indicates elevated recession risks is any number below 80 for the Expectations Index and the reading has been in the 70s for five months straight.

Bottom line, yesterday's Consumer Confidence release was slightly soft on the headline, but still at historically healthy levels, while the forward-looking component of the report underscored a sense of caution and concern among respondents regarding their outlooks for future income, business activity and the jobs market.

For markets, the impact of the report was limited yesterday as focus was on whether mega-cap tech stocks would stabilize. However, the data did underscore a lingering sense of consumer uncertainty regarding the months and quarters ahead, a contrast from the current situation, which remains fairly Goldilocks according to the latest data from the Conference Board.

Market	Level	Change	% Change
Dollar Index	105.25	.13	0.12%
EUR/USD	1.0717	-.0016	-0.15%
GBP/USD	1.2695	.0009	0.07%
USD/JPY	159.63	.01	0.01%
USD/CAD	1.3655	-.0002	-0.01%
AUD/USD	.6649	-.0008	-0.12%
USD/BRL	5.4534	.0624	1.16%
Bitcoin	61,874.29	1,829.70	3.05%
10 Year Yield	4.238	-.010	-0.24%
30 Year Yield	4.372	-.006	-0.14%
10's-2's	-50 bps		
Date of Rate Cut	September 2024		
2024 YE Fed Funds	4.97%		
Prices taken at previous day market close.			

Commodities

Commodities were mostly lower with industrial metals leading to the downside amid some "unfriendly" economic data for risk assets. Energy futures also suffered a steep pullback while gold relatively outperformed on safe-haven money flows. The commodity ETF, DBC, fell 0.94%.

Beginning with the worst performer, copper futures fell 1.60% to close at the lowest level since mid-April. The first negative catalyst was the hot Canadian CPI report, which showed a surprise 0.2% rise back towards 3% in annualized terms and rekindled worries that global central banks will need to keep policy rates higher for longer in order to contain inflation pressures, which leaves the risk of a potentially painful recession on the rise. At the same time, the latest Consumer Confidence report had a declining headline and evidence of a weakening consumer outlook on future economic conditions, which further weighed on the growth-sensitive asset.

Fears of a supply crunch due to mining issues in South America and uncertainty about potential "OPEC-like" smelter run cuts by a group of China's largest copper smelters have faded to the backburner and global growth worries, and their subsequent demand concerns, are now the primary driver of the industrial metals market as AI hype seems to be fading outside the equity markets. From a macroeconomic standpoint, the heavy price action in copper is becoming an increasingly urgent warning sign that there is a slowdown in global growth looming.

Elsewhere in metals, gold fell 0.55% but futures still managed to hold a comfortable distance above Q2 support at $2,300/oz., which is critical for the medium-term bullish outlook. The catalyst for the gold decline yesterday was the hot Canadian inflation print and the still-elevated, albeit slightly lower revised, inflation expectations in the Consumer Confidence release (which remain above 5% on a year-ahead basis).

Switching to energy, WTI crude oil futures were higher yesterday morning and initially rallied on the back of the Consumer Confidence report, potentially because traders focused more on the still-resilient current outlook for growth and the state of the consumer, and seemed to shrug off the more cautious outlook for the months and quarters ahead that consumer respondents collectively had in the June report.

Oil turned lower midday amid reports that XOM may need to shut a French refinery due to strikes (a hit to near-term oil demand) but that headline left a bid in the gasoline market. The intraday pullback gained momentum into the afternoon as multiple Fed speakers, including Cook, made some hawkish comments about inflation which brought attention back to the hot Canadian CPI report. WTI ended the day down 1.07%, giving back most of Monday's gains as traders positioned into the weekly EIA data due out mid-morning. In that release, the market will need to see more evidence of above average/above trend consumer demand at the pump in order for the recent breakout to multi-month highs to continue. Otherwise, WTI is at risk of forfeiting the $80 handle and falling back towards support in the mid-$70s.

Currencies & Bonds

The dollar was again little changed on Tuesday as it was another quiet day of news on the economic and central bank fronts. The Dollar Index rose 0.13%.

There were several economic reports yesterday but they provided mixed results, as the housing metrics, Case-Shiller and FHFA showed strong home price gains (possibly hawkish) while Consumer Confidence was revised lower and missed estimates (potentially dovish). The net result was an offset, and the truth is none of the reports were important enough to alter the outlook for Fed policy and, as such, they didn't move markets and the Dollar Index remained content around 105.

Looking internationally, the euro declined 0.2% and gave back some of Monday's rally and we can expect political expectations in France to dominate the euro for the next several days. On Monday, markets were pleased with the communication from Marine Le Pen's National Assembly party, which is expected to be the largest party in France's parliament following Sunday's first round of elections. However, on Tuesday, markets were a bit disappointed with the communication on potential policy goals, and the euro declined modestly as a result. Again, we can expect more of this back and forth until Sunday's French election, at which point we will have a better idea of the political makeup and the implications for the euro and European stocks.

Coming back to North America, I do want to point out that Canadian CPI rose more than expected, jumping 0.6% vs. (E) 0.3%. This is notable because the Bank of Canada just cut rates and while one CPI report won't make them regret that decision, this does highlight the risks of moving too early (at least from a perception standpoint). The bump in CPI didn't result in much movement in the loonie, however, as it was volatile but ended the day little changed.

The potentially market-moving economic data comes later in the week and so the dollar largely trading sideways ahead of tomorrow's jobless claims report and Friday's Core PCE Price Index shouldn't surprise anyone.

Turning to Treasuries, they were similarly quiet as the 10-year yield again drifted 1 basis point lower on the day. The Treasury market continued to ignore international data and politics (the Canadian CPI and French election drama) and the economic reports out yesterday won't sway the Fed one way or the other. The result was more digestion of the recent decline in yields ahead of the more important data this week, especially Friday's Core PCE Price Index (which, if it's light, could push September rate cut chances higher and the 10-year Treasury yield lower).

Have a good day,

Tom

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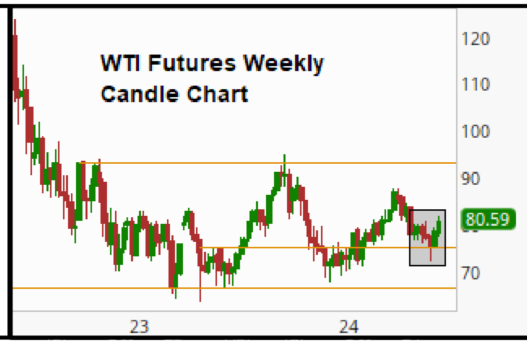
Technical Perspectives (Updated 6/23/2024)

S&P 500

- Technical View: **The medium-term trend in the S&P 500 remains bullish** as stocks have recovered to fresh record highs in the second quarter.
- Dow Theory: **Bullish (since the week of July 10, 2023)**
- Key Resistance Levels: 5478, 5505, 5550
- Key Support Levels: 5434, 5375, 5278

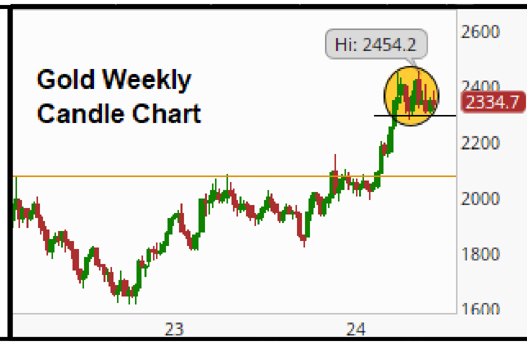
WTI Crude Oil

- Technical View: Oil prices have retreated sharply from the 2024 highs reached in early April and the technical outlook is shifting to more neutral than bullish.
- Primary Trend: **Bullish (since the week of February 12, 2024)**
- Key Resistance Levels: $81.24, $82.73, $83.81
- Key Support Levels: $76.50, $75.38, $74.02



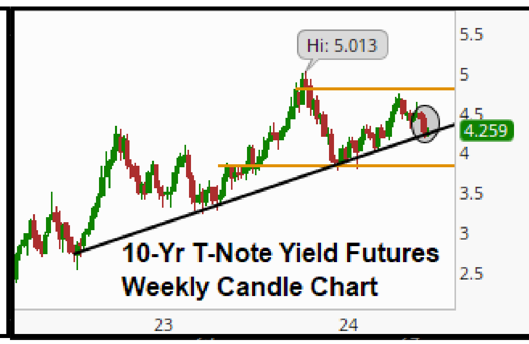
Gold

- Technical View: Gold has pulled back from record highs and begun to trend side-ways, like oil, and risks of a more-pronounced pullback are building.
- Primary Trend: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2385, $2407, $2430
- Key Support Levels: $2311, $2257, $2201



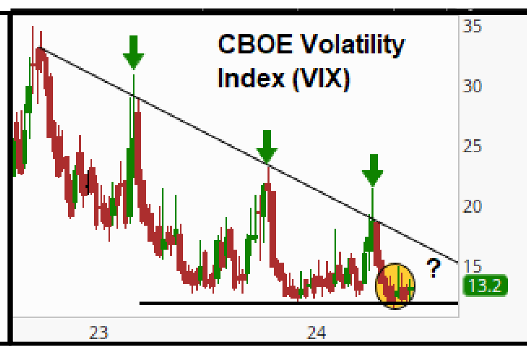
10-Year T-Note Yield Futures

- Technical View: The 10-year yield has pulled back from the 2024 highs and has be-gun to test the long-term uptrend dating back to late 2022.
- Primary Trend: **Bullish (since the week of August 21, 2023)**
- Key Resistance Levels: 4.281, 4.340, 4.476
- Key Support Levels: 4.218, 4.088, 3.932



CBOE Volatility Index (VIX)

- Technical View: The VIX has stabilized after a sharp decline in late-April and early May and the "fear gauge" is threatening to breakout to the upside.
- Primary Trend: **Neutral (since the week of May 6, 2024)**
- Key Resistance Levels: 13.78, 14.31, 14.88
- Key Support Levels: 12.70, 12.11, 11.86



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Fundamental Market View (Updated 6/23/2024)

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 hit yet another all-time high last week despite mixed economic data, as the decline in Treasury yields and rising expectations for a September rate cut (along with bullish momentum) pushed stocks higher.*

Tactical Allocation Ideas:

- **What's Outperforming: Defensive sectors, minimum volatility and sectors linked to higher rates have relatively outperformed recently as markets have become more volatile.**
- **What's Underperforming: Tech/growth and high valuation stocks have lagged as yields have risen.**

Long Term Fundamental Outlook for Other Asset Classes

	Fundamental Outlook	Market Intelligence
Commodities	**Neutral**	*Commodities were mixed last week as oil and the refined products rallied amid solid consumer demand data and a resurgence in geopolitical tensions overseas while the stronger dollar weighed on both precious and industrial metals.*
US Dollar	**Neutral**	*The Dollar Index rallied slightly last week thanks to generally "fine" economic data and following more mixed signals on global growth.*
Treasuries	**Turning Positive**	*The 10-year Treasury yield declined just 2 basis points last week as it largely digested the big decline from two weeks ago, following the most important data points of the week beating expectations (although economic data in aggregate was mixed and there are still growing signs of moderating growth).*

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.