SEVENS REPORT

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

June 7, 2024

Pre 7:00 Look

- Futures are flat while international markets were mostly lower overnight as traders await the widely anticipated May jobs report to gauge the outlook for Fed policy.
- Economically, Eurozone GDP met estimates in Q1 at 0.4% y/y, however wage growth rose 5.1% y/y in Q1 vs. 4.9% in Q4 after the ECB lowered inflation forecasts yesterday.
- Econ Today: Employment Situation (E: 188K Job Adds, 3.9% Unemployment Rate, 3.9% Wage Growth), Consumer Credit (E: $10.4B).
- Fed Speak: Cook (12:00 p.m. ET).

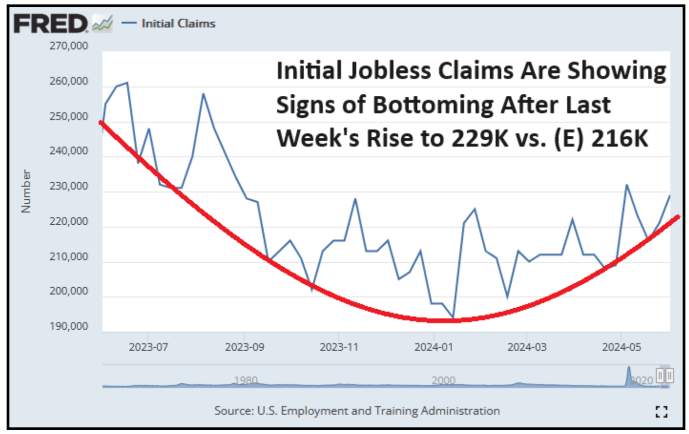
Market	Level	Change	% Change
S&P 500 Futures	5363.00	-1.00	-0.02%
U.S. Dollar (DXY)	104.079	-.012	-0.01%
Gold	2354.80	-36.10	-1.51%
WTI	75.87	.32	0.42%
10 Year Yield	4.298	.020	0.47%

Equities

Market Recap

Stocks gapped up to new highs at the open yesterday but pulled back and churned sideways amid mixed domestic economic data, a hawkish rate cut by the ECB, and a wave of profit taking in mega-cap tech stocks ahead of today's jobs report. The S&P 500 dipped 0.02%.

The S&P 500 gapped higher and sprinted to new records as traders digested the hawkish rate cut by the ECB, which was largely anticipated by the market coming into the decision. However, the higher inflation outlook by the central bank was a modest surprise.



Domestically, economic data was mixed as jobless claims surprised to the upside, not far from the 2024 highs, which is consistent with a weakening labor market while in the Q1 Productivity and Costs release, Unit Labor Costs were revised down from 4.7% in the preliminary released to 4.0% in yesterday's revised data set. The weaker jobs data and theoretically less inflationary Unit Labor Costs were well received at the open and saw traders add to bets the Fed will cut rates in September.

Mega-cap tech stocks took a breather after reports that the U.S. government has made anti-trust allegations against NVDA and MSFT. The weakness in tech weighed on the broader market but the S&P 500 was still able to bounce off the intraday lows and end effectively flat on the day as the jobs report loomed.

Jobs Report Technical Preview

In typical and consistent pre-catalyst fashion, markets have pushed to new extremes only to pull back mildly to respective support and resistance levels as traders positioned into today's jobs report.

The S&P 500 ended comfortably above initial support at the late-March record highs, which also corresponds with the pivot point of the May pullback at 5,260 while the level to beat for the benchmark index is yesterday's intraday high of 5,362 with a measured move up to

Market	Level	Change	% Change
Dow	38,886.17	78.84	0.20%
TSX	22,229.10	84.08	0.38%
Stoxx 50	5,045.41	-23.68	-0.47%
FTSE	8,237.15	-48.19	-0.58%
Nikkei	38,683.93	-19.58	-0.05%
Hang Seng	18,366.95	-109.85	-0.59%
ASX	7,860.02	38.26	-0.49%

Prices taken at previous day market close.

5,405 if the bulls gain momentum.

S&P 500 Technical Take: The uptrend demands respect but the lack of confirmation from daily and weekly RSI remains a noteworthy concern right now, suggesting there are elevated risks of a downside reversal.

Market	Level	Change	% Change
DBC	23.09	.30	1.32%
Gold	2,392.30	16.80	0.71%
Silver	31.37	1.29	4.31%
Copper	4.6695	.0635	1.38%
WTI	75.59	1.52	2.05%
Brent	79.889	1.48	1.89%
Nat Gas	2.821	.064	2.32%
RBOB	2.3983	.0447	1.89%
DBA (Grains)	25.52	.31	1.21%
Prices taken at previous day market close.			

The 10-Yr Treasury Note yield broke down through support at 4.32% earlier this week, which is no initial resistance with a formidable resistance band above between 4.61% and 4.70%. To the downside, 4.18% is initial support to watch while 4.07% will offer secondary support.

10-Yr Yield Technical Take: The outlook for the 10-Yr has shifted to neutral with near-term risks skewed to the downside but the long-term uptrend has not been meaningfully violated leaving upside risk on the table.

In gold, initial resistance lies above at the record high of $2,430/oz., which if broken will open the door to a run at a measured-move target of $2,530/oz. Initial support for gold is at the May low and mid-Q2 pivot point of $2,330/oz. while secondary support is well below the current market at $2,190/oz.

Gold Technical Take: The uptrend in gold is also still intact, but momentum has faded considerably, pointing to lower bullish conviction behind the 2024 rally with downside reversal risks elevated.


SEVENS REPORT RESEARCH

Key Levels to Watch - Jobs Report Technical Preview - June 7th 2024

S&P 500
- Resistance: Yesterday's intraday high of 5,362 with a measured move target of 5,405 if stocks breakout.
- Support: 5,260, the previous record highs from Q1 followed by 5,115, the pivot point off the April lows.
- Technical Take: The uptrend demands respect but lack of confirmation from RSI is a concern.

10-Yr Treasury Note Yield
- Resistance: 4.32% at violated Q1 support and from 4.61% to 4.70% at Q2 pivot point highs.
- Support: 4.18% at the late-March lows, 4.07%, the early March lows, and 3.86% at the YTD lows.
- Technical Take: Neutral with near-term risks skewed to the downside but long-term trend still higher.

Gold Futures
- Resistance: $2,430 at the record high with a measured move target of $2,530 if gold breaks out.
- Support: $2,330, the May low and pivot point of Q2 lows and $2,190 at the March consolidation area.
- Technical Take: Uptrend has lost considerable momentum leaving risks of reversal elevated.

CBOE Volatility Index
- Resistance: 13.75 at the mid-to-late May pivot point and 14.82, the high open from May.
- Support: 12.55 at the low pivot point and 11.53, the opening low of 2024.
- Technical Take: The VIX off its YTD lows amid new S&P 500 records points to upside risks for the VIX.

Email info@sevensreport.com to request a PDF copy of this one page "tear sheet" with the key technical levels to watch in the wake of today's jobs report.

Rounding things out with the VIX, the fear gauge ended just above key initial support at 12.55 while the 2024 opening low of 11.53 will be watched as secondary support. Initial resistance for the VIX is above at 13.75, the late-May pivot point with secondary resistance at 14.82, the high open from the month of May.

VIX Technical Take: The VIX remaining well off its YTD lows despite new record highs in the stock market is a notable cross-asset divergence that indicates there are growing upside risks for volatility.

Economics

Two Wildcards to Watch in the Jobs Report

As we always do in our monthly Jobs Report Preview, we outlined the three most-likely outcomes for today's BLS report. And to be clear, one of those three scenarios and the associated market reaction outlined with it is still significantly more likely to occur than the two "wildcard scenarios." But economic data has been all over the place in recent weeks, underscored by the badly disappointing ISM Manufacturing Report released on Monday and the considerable upside beat in the ISM Services PMI Wednesday. Put simply, due to recent divergences in economic data, the odds of a typically lower probability event occurring in today's report are as high as they have been in a long time.

In our *Too Hot, Too Cold,* and *Just Right* scenario analysis, it is assumed that with strong job adds there will be higher inflation figures and a lower unemployment rate and vice-versa. While that is a fairly safe assumption and statistically tends to be the case, there are risks of mixed labor market data hitting the wires this morning and the two potential scenarios could materially move markets.

No Landing Scenario: Very Bullish

The first potential wildcard to watch today is a jobs report that supports the case for a "no landing" or already-achieved soft-landing, which would be characterized by an as-expected or better-than-anticipated job adds headline, steady or falling unemployment rate, and significant drop in wage growth to suggest suddenly easing inflation pressures.

In this scenario, we would likely see a mixed reaction from the bond markets as shorter-duration yields would decline as the drop in wage inflation would help support the case for the Fed initiating a rate cutting cycle in September and potentially even bring July back on to the table (although chances of that are admittedly very slim). Longer-duration yields would be expected to rise but only modestly as fading inflation expectations would somewhat offset the strong growth outlook. The evidence of resilience in the headline and in the unemployment rate would be well received by equity investors as the outlook for economic growth would improve and with it earnings expectations. Commodities would also rally while the dollar would likely be steady as other major central banks are already cutting rates.

Stagflation Threat Scenario: Very Bearish

The second wildcard to watch is data that suggests the economy is falling into a rut of stagflation with a sharp slowdown in growth that is on the brink of contraction but with still sticky and elevated inflation pressures. A very underwhelming job adds headline, a spike in the unemployment rate, and an unforeseen jump in wage growth would fit the criteria of a stagflationary release.

For this scenario to playout, the rise in wage growth would need to be significant enough for rates traders to price out a September rate cut despite sluggish job growth. As far as the market reaction goes, there would be pain for risk assets including stocks (led by higher valuation areas of the market) while gold would stand to gain as an appealing and low-opportunity-cost inflation hedge. Treasuries would likely be mixed with shorter durations with yields near 5% offering an appealing safe haven considering below 3% inflation and the threat to riskier assets like equities. Meanwhile longer durations would likely suffer more pronounced declines as sticky inflation eats into future expected yields.

Bottom line, neither of these two wildcard scenarios are likely today, but with data coming in all over the board in recent weeks, it is possible. And it is always our mission to make sure our readers are not blindsided by an otherwise widely unforeseen market catalyst.

Commodities

Commodities were mostly higher as the dollar pulled back, providing broad support for the asset class. Oil was the upside standout amid bullish comments from OPEC+ and renewed geopolitical tensions in the Middle East while industrial metals outperformed precious metals on the prospects for a soft economic landing. The commodity ETF, DBC, rose a solid 1.32%.

Beginning with the upside standout, oil futures gained a solid 1.98% but remained lower by about 2% on the week as the OPEC+ decision initially disappointed traders and triggered a knee-jerk selloff towards the 2024 lows. There were multiple bullish catalysts for oil starting with headlines about OPEC+ leadership dismissing the market's post-policy decision drop. That was reiterated by Russian Deputy PM Novak who said he expected $80-$85/barrel this year as Russia

Market	Level	Change	% Change
Dollar Index	104.06	-.15	-0.15%
EUR/USD	1.0890	.0021	0.19%
GBP/USD	1.2790	.0003	0.02%
USD/JPY	155.54	-.57	-0.37%
USD/CAD	1.3670	-.0024	-0.18%
AUD/USD	.6667	.0019	0.29%
USD/BRL	5.2513	-.0470	-0.89%
Bitcoin	70,695.44	-529.72	-0.74%
10 Year Yield	4.281	-.008	-0.19%
30 Year Yield	4.430	-.011	-0.25%
10's-2's	-44 bps		
Date of Rate Cut	September 2024		
2024 YE Fed Funds	4.95%		
Prices taken at previous day market close.			

will lower oil output further to 9.0 million b/d. Saudi Arabia's Oil Minister also spoke Thursday, noting that OPEC+ can pause or reverse any futures cuts as needed in response to market conditions. Finally, a ship in the Red Sea reported an explosion in close proximity to it yesterday, which rekindled some of the recently fading geopolitical fear bid.

Much of the initial downside oil move in response to the uncertain OPEC+ decision has been unwound amid dovish central bank policy hopes, easing recession fears, and a less-bearish view of the OPEC+ decision that leaves the energy outlook largely neutral, but with a bearish bias between support at $74.00 and resistance at $76.50.

Copper outperformed as the ECB rate cut spurred optimism that central banks are on track to follow suit sooner than later which supported soft landing hopes globally and shored up the outlook for industrial metal demand more broadly. Copper is holding support at $4.50 but remains well off the 2024 highs. Technically speaking, if $4.50 is violated, downside risks will become stronger.

Gold rallied to 0.71% to a two-week high and within reach of all-time highs established earlier this year. The ECB rate cut and broad hopes of a dovish shift amid global monetary policymakers and subsequent drop to multi-month lows in Treasury yields all contributed to the gold rally. Looking ahead, the 2024 advance in gold has notably lost momentum and is currently consolidating. In order for a renewed push to fresh records we would need to see either further weakness in the dollar and Treasuries or a resurgence in market-based inflation expectations.

Currencies & Bonds

After two days of clawing back early week losses, the dollar rolled back towards Monday's multi-month lows. The Dollar Index fell 0.18%. The moves across currency markets were mixed as the primary focus was on the ECB's hawkish rate cut, which ultimately prompted a buy-the-news reaction after traders had positioned for a potentially more dovish decision (sell the rumor). The euro ended the day with a modest gain of 0.20% within 1% of the Q2 highs. The pound was flat as traders digested the rate outlook for the BoE relative to the ECB.

Commodity currencies caught a bid as the idea of a global rate cutting cycle and increasing conviction that a global soft landing is underway supported expectations for better-than-feared demand going forward. The Canadian loonie rose 0.17% alongside gains in oil while the Aussie dollar rallied a more-pronounced 0.29%.

Bottom line, the dollar began the week with a sharp breakdown through its 2024 uptrend line thanks to weak data, and the greenback has retreated back towards the week's lows in anticipation that today's jobs report will solidify bets for multiple rate hikes from the Fed this year, beginning in the early fall. Based on that positioning back near the week's low, the risk today is a hawkish report that derails the case for a September rate cut and sends Treasury yields back higher and with them relative appeal for the dollar. Monday's closing low of 104.05 is the key support level to watch today while 104.63 would bring the dollar back to flat on the week.

Treasuries maintained a solid bid with the 10-year edging down another basis point to 4.28%, a Q2 low amid the dovish shift in broad central bank policy outlooks. The 2-Yr yield held steady at 4.72%, its lowest level since recently retesting 5.00%.

Bottom line, the Treasury market has gone a step further than the dollar has in the currency market and fallen to new multi-month lows thanks to two of the G7 nation's central banks commencing rate cutting cycles this week (the BoC and ECB). Today's jobs report has the potential to be a critical catalysts that can either help solidify the dovish policy stance outlook, leaving the path of least resistance for yields lower, or derail that argument sending yields back sharply higher.

Have a good day,

Tom

6/7/2024

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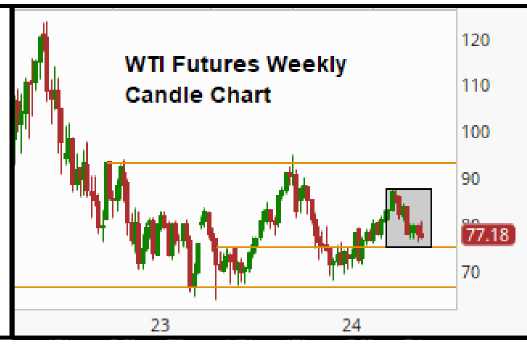
Technical Perspectives (Updated 6/2/2024)

S&P 500

- Technical View: **The medium-term trend in the S&P 500 flipped back to 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: 5280, 5306, 5340
- Key Support Levels: 5221, 5169, 5064

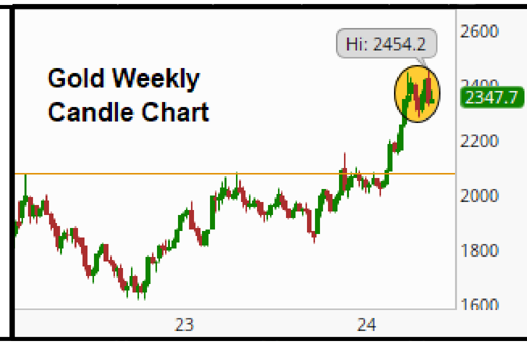
WTI Crude Oil

- Technical View: Oil prices have retreated sharply from the 2024 highs reached in early April and are now back towards the middle of the 2024 trading range.
- Primary Trend: **Bullish (since the week of February 12, 2024)**
- Key Resistance Levels: $79.28, $80.2, $81.90
- Key Support Levels: $76.98, $75.96, $74.08



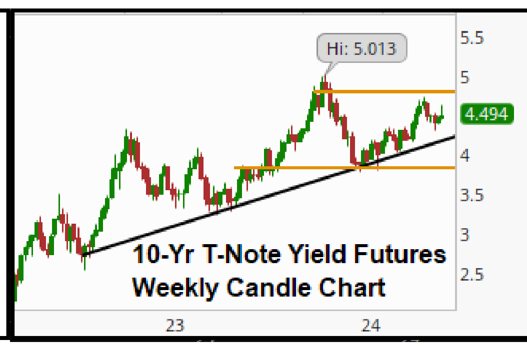
Gold

- Technical View: Gold resumed its march higher in May with futures rallying to fresh record closing highs leaving the path of least resistance higher.
- Primary Trend: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2385, $2407, $2430
- Key Support Levels: $2335, $2257, $2201



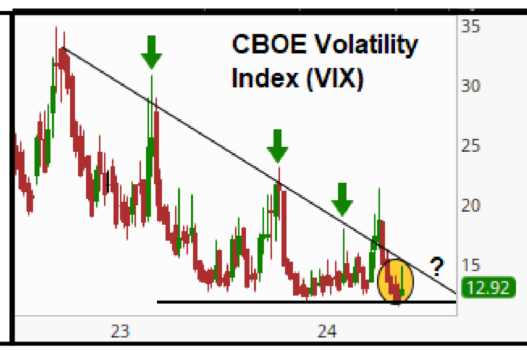
10-Year T-Note Yield Futures

- Technical View: The 10-year yield has pulled back from the 2024 highs but the up-trend off the late-January lows remains intact.
- Primary Trend: **Bullish (since the week of August 21, 2023)**
- Key Resistance Levels: 4.547, 4.611, 4.704
- Key Support Levels: 4.453, 4.408, 4.337



CBOE Volatility Index (VIX)

- Technical View: The VIX came to life into the end of May but the fear gauge remains below its long-standing downtrend line dating back to late 2022.
- Primary Trend: **Neutral (since the week of May 6, 2024)**
- Key Resistance Levels: 12.77, 13.37, 14.67
- Key Support Levels: 12.36, 12.15, 11.89



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Fundamental Market View
(Updated 6/2/2024)

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%**	*Stocks declined last week thanks mostly to disappointing non-AI tech earnings and despite some Goldilocks economic data, as more companies are warning about slowing demand and margin pressures.*

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 declined again last week thanks to underwhelming Chinese economic data and a buoyant U.S. dollar.*
US Dollar	**Neutral**	*The Dollar Index was little changed last week as neither the economy data nor Fed speak changed the current expectations for rate cuts (50/50 for September and one or two cuts in 2024).*
Treasuries	**Turning Positive**	*The 10-year Treasury yield rose 4 basis points last week but finished well off the highs (which were above 4.60%) thanks to Goldilocks data late last week. Looking forward, the inverse relationship between stocks and yields (higher yields/lower stocks) remains intact.*

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.