SEVENS REPORT

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

July 19, 2024

Pre 7:00 Look

- Futures are little changed following a night of mixed earnings as NFLX results were in-line while industrial PPG warned of a difficult macro-economic environment.
- Economically, the only notable report was UK Retail Sales and they were worse than expected (-1.2% vs. (E) -0.4%) and that will push back slightly against the growing idea that the BOE won't cut rates in September.
- Econ Today: No reports today. Fed Speak: Williams (10:40 a.m. ET), Bostic (12:45 p.m.)
- Earnings Today: AXP ($3.22), SLB ($0.83), TRV ($2.35).

Market	Level	Change	% Change
S&P 500 Futures	5,594.00	-0.50	-0.01%
U.S. Dollar (DXY)	104.34	0.16	0.16%
Gold	4,414.60	-41.60	-1.69%
WTI	82,55	-0.27	-0.33%
10 Year Yield	4.21%	0.02	0.53%

Equities

Market Recap

Stocks tried to rally early on Thursday thanks to solid tech earnings, but mixed economic data and a lack of follow-through in tech weighed on the indices, and the S&P 500 declined again. The S&P 500 fell 0.78%.

Stocks were higher from the start on Thursday thanks mostly to better-than-expected Taiwan Semiconductor (TSM) earnings. The solid results and guidance helped fuel a rebound in tech stocks that pushed futures modestly higher.

However, before the open markets were hit with conflicting economic data, as jobless claims popped near a one-year high (implying further labor market weakness) while Philly Fed was much stronger than expected with the Prices Received index jumping, slightly weakening rate cut expectations.

Those negatives, combined with the fact that TSM only logged a small rally and turned negative by 10:30 a.m. (despite the solid earnings) led to a resumption of the selling in tech, which this time weighed down the entire market. With news flow quieting in the afternoon, stocks bled lower and unlike previous days this week, small caps and industrials were unable to largely hold up, as all four major indices saw moderate declines on Thursday.

Trading Color

The decline in tech stocks spread to the major corners of the market on Thursday and the result was a broad decline that didn't see any sort of outperformance from cyclical sectors (like late last week and earlier this week).

All four major indices were negative on the day, led by the Russell 2000, which dropped 1.85%. The Dow Industrials saw a decline of 1.29%.

From a sector standpoint, nine of the 11 sector SPDRs were lower on the day with outperformers a mix of cyclicals, tech and defensive sectors. Energy (XLE) benefitted from continued optimism towards a Republican administration and rose 0.18% while communication services (XLC) and utilities (XLU) were little changed.

Laggards included financials and healthcare (XLF/XLV), which dropped on a combination of profit taking and on underwhelming earnings reports.

Bottom line, markets need the tech sector to stabilize and despite solid TSM earnings yesterday, it did not. Until the tech sector can stabilize (it doesn't have to rally, it just has to stabilize) this market will have a hard time

Market	Level	Change	% Change
Dow	40,665.02	-533.06	-1.29%
TSX	22,726.76	-124.41	-0.54%
Stoxx 50	4,846.75	-23.37	-0.48%
FTSE	8,169.74	-35.15	-0.43%
Nikkei	40,063.79	-62.56	-0.16%
Hang Seng	17,417.68	-360.73	-2.03%
ASX	7,971.59	-64.93	-0.81%
Prices taken at previous day market close.			

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bouncing. And the longer tech is under pressure, the more painful the broader declines will become.

Olympic Style Ideas

Market	Level	Change	% Change
DBC	22.89	-.17	-0.74%
Gold	2,443.80	-16.10	-0.65%
Silver	29.95	-.43	-1.41%
Copper	4.2545	-.1540	-3.49%
WTI	82.38	-.47	-0.57%
Brent	84.72	-.36	-0.42%
Nat Gas	2.111	.076	3.73%
RBOB	2.5051	.0038	0.15%
DBA (Grains)	23.97	.07	0.28%
Prices taken at previous day market close.			

Today marks one week from the start of the Summer Olympics, and if you're like me, the competition will be a source of casual discussion at various places over the two weeks (The Games of the XXXIII Olympiad will run from July 26 to August 11).

I view events like the Olympics as potential opportunities to connect and chat about a common interest with current clients and prospects, and that's especially true for these Olympics because it'll provide a "sports bridge" to the start of football season and a potential distraction from the currently uncertain political environment.

So, with that thought in mind, I wanted to present three investment ideas centered around the upcoming Olympics in France, so that you can not only chat about the results of the games, but also be ready to provide a unique investment idea, should the opportunity arise.

1) Bullish for the home country? iShares MSCI France ETF (EWQ). According to the International Olympic Committee, "Hosting the Olympic Games generates powerful economic benefits. It enables a region and country to develop: the knowledge and skills of their workforce and volunteers; career opportunities; the tourism and events industry; the business sector; their global profile; and diplomatic relations."

One study predicts the games will bring Paris a $9.6 billion windfall. In the long run, the Olympics should solidify the capital city's position as a major tourist destination. In addition, there might be a value opportunity to capitalize on with investors fretting over France's snap election and sending French equities down 7-8% in June.

With only one France ETF in the U.S. markets, this pick was an easy one. EWQ's P/E ratio is 16.6, considerably cheaper than SPY's 22.4. And EWQ's dividend yield is 1.8%, beating out SPY's 1.2%.

2) All About the Gear. Nike (NKE). Nike stock has been clobbered as of late. NKE is down ~25% in just the last few weeks. A late-June earnings report with lower guidance was the culprit. With a P/E ratio of 19.5%, NKE is cheaper than SPY's 22.4. Its 2% dividend yield is higher than the SPY's 1.2%. There's a decent chance it will bounce back. And when factoring in NKE's buyback yield, its total yield is 6.2%.

And let's not forget Nike is one of the best-known brands in the world. It's ranked No. 9 on Interbrand's Best Global Brands list. A strong showing at the Olympics from the star athletes decked out in Nike gear could help the legacy brand grab even more market share. (FWIW, I'll likely be adding a speck to Nike's bottom line in the next few weeks, as I'm guessing my kids will want new Nike sneakers – in part, due to viewing the Olympics.)

3) Benefits of Ratings. Comcast (CMCSA). NBCUniversal has the broadcast rights for the 2024 Paris Olympics and is spreading coverage across NBC Television Network, USA Network, NBC Golf Network, CNBC, Universo, and Peacock. NBCUniversal has sold a record $1.2 billion in advertising for the Summer Olympics. The record sum is attributed to Paris being the first Olympics to allow all spectators since the pandemic, plus it's a more favorable time zone for U.S. audiences after three Olympics in Asia. All in all, 7,000 hours of coverage is planned, including live coverage of all 39 sports and all 329 medal events. From an investment perspective, Comcast owns NBCUniversal. (NBCUniversal typically accounts for approximately a quarter to one-third of Comcast's revenues.) CMCSA had a minor correction of almost 5% in the last month and a half. The stock looks attractive with a P/E ratio of 9.9, a dividend yield of 3.3%, and a total yield of 11.2%.

If you choose to invest in any of these ideas, I'd recommend treating them as small, short-term satellite plays in a portfolio. They'd likely work best in your personal account or as a shortlist of ideas to share with clients for their own fun-money accounts. In terms of runway, if they perform well, they could last a couple weeks, a few

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months, or several months until the aftereffects of the Olympics fully kick in.

Bottom line, me and my family will be rooting for the USA and hoping for a safe and spirited games. But while they are bound to be entertaining, these three ideas contain stocks and ETFs that could benefit from games themselves and they are something to watch for.

Economics

Weekly Jobless Claims

- Weekly claims rose to 243k vs. (E) 230k.

Takeaway

Jobless claims bounced back last week to finish just under a one-year high in the latest signal we are seeing softening in the labor market. Continuing jobless claims, meanwhile, rose to 1.867 million, a new one-year high, signaling that unemployed people are having a harder time finding a new job.

Bottom line, neither of these numbers are bad in an absolute sense and the labor market remains "fine." But clearly the direction of change in the labor market is towards a weaker jobs market and while it's not bad enough to cause concern about broader economic growth, it is also not heading in the right direction.

Philly Fed

- July Philly Fed rose to 13.9 vs. (E) 3.0.

Takeaway

Philly Fed bounced back close to the best levels of the year in July although this number was so solid (on the headline and details) that it cause a mild jump in Treasury yields, which lightly pressured stocks.

Market	Level	Change	% Change
Dollar Index	103.93	.48	0.47%
EUR/USD	1.0896	-.0043	-0.39%
GBP/USD	1.2943	-.0066	-0.51%
USD/JPY	157.39	1.19	0.76%
USD/CAD	1.3716	.0033	0.24%
AUD/USD	.6701	-.0028	-0.42%
USD/BRL	5.5787	.0960	1.75%
Bitcoin	63,422.73	-1,304.27	-2.02%
10 Year Yield	4.189	.043	1.04%
30 Year Yield	4.406	.047	1.08%
10's-2's	-27 bps		
Date of Rate Cut	September 2024		
2024 YE Fed Funds	4.83%		
Prices taken at previous day market close.			

While the headline reading was strong, New Orders, the leading indicator in the report, surged to 20.7 from -2.2 while the Prices Received index jumped to 24.7 from 13.7. Prices paid declined slightly to 19.8 from 22.5.

Bottom line, markets want Goldilocks economic data and while Thursday's Philly Fed was a good economic number, it was borderline "Too Good" as the market has not only priced in a September rate cut, but also the start of a rate cut cycle. And for that to occur, economic data needs to be Goldilocks going forward (and not even a little bit "Too Hot" like Philly was on Thursday).

Commodities

For the first time all week the major commodities were in agreement in their daily direction as we saw modest declines across most major commodities. The widely held commodity ETF, DBC, fell 0.74%.

Oil spent much of the day in modestly negative territory before catching a small bid into the close to finish down 0.02%. News flow in the oil patch was mostly quiet on Thursday as there was no narrative shifting economic data or geopolitical events. As such, oil largely digested some of the earlier week volatility.

Stepping back, with OPEC+ quota compliance a bit dubious amongst the junior members, and little-to-no appetite for further supply reductions, the outlook for oil remains demand driven, not just from the U.S. but also from China. Until we get better economic data from both regions, it's hard to see oil substantially rallying barring a geopolitical surprise.

Staying in the energy space, natural gas, which has been pummeled this week on reduced demand concerns as the scorching summer heat breaks in parts of the U.S., actually saw a solid rally as it gained 4.2% on better-than-expected inventory data.

Specifically, natural gas inventories rose just 10 billion cubic feet (bcf) compared to estimates of 23 bcf. For a market that was short-term oversold, it provided the boost the commodity needed to rally modestly, although natural gas is still down solidly on the week and the trend is clearly lower, barring a return of another large summer heat wave (that would boost electricity con-

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sumption).

Gold continued to digest the early week run to all-time highs and closed down 0.17%. Like on Wednesday, gold largely ignored the movement in the dollar (lower on Thursday) because the move in the dollar was driven by foreign factors and positioning, not on a dovish or hawkish shift from the Fed.

Stepping back, the generally positive outlook for gold should remain intact given Fed rate cuts are imminent and geopolitical unrest remains elevated and a rally to fresh highs shouldn't be a surprise.

Currencies & Bonds

The dollar bounced back on Thursday but the movement was again driven more by foreign news than by anything domestic. The Dollar Index rose 0.3%.

The major event of the day on Thursday was the ECB rate decision and it largely met expectations as the ECB did not cut rates and hinted, but did not commit, to a rate cut in September. The net result was a modest decline in the euro, which fell 0.3%. From a market expectation standpoint, while ECB President Lagarde wouldn't commit to a September cut, market estimates still peg it at around 80%.

Staying in Europe, the pound also declined 0.3% despite the Labour Market Report having an in-line unemployment rate. The decline in the pound was mostly driven by digestion, as "cable" reached a one-year high on Wednesday and some digestion is appropriate.

Turning to the dollar, while most of the influence came from the ECB/euro, the dollar did rally following the hotter-than-expected Philly Fed as well, and that did have some impact (although again, it wasn't the main impact).

Bottom line, given economic and Fed realities (solid growth for now, September rate cut expectations) the Dollar Index between 103-106 remains appropriate and that means the dollar remains broadly "neutral" from a stock market standpoint.

Turning to Treasuries, the 10-year yield rose modestly, up 4 basis points, thanks to general digestion of the recent drift lower and following the hotter-than-expected Philly Fed report.

Even with the bounce yesterday, the 10-year yield remains below 4.20% and comfortably in the stock-positive 3.75%-4.25% trading range. And much like the dollar, Treasury yields are largely "neutral" on their influence in equities. For now, the inverse relationship between Treasuries and stocks remains in place, so yields higher (especially above 4.30%) means lower stocks and yields lower (till around 4.00%) means higher stocks.

Have a good weekend,

Tom

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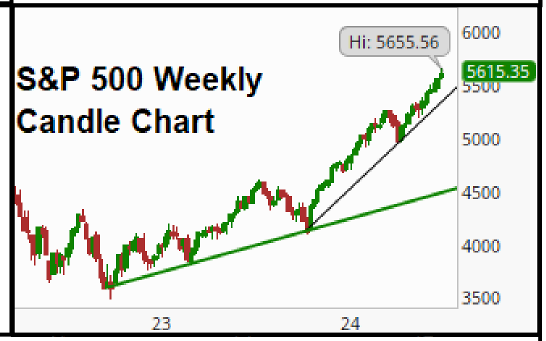
Technical Perspectives (Updated 7/14/2024)

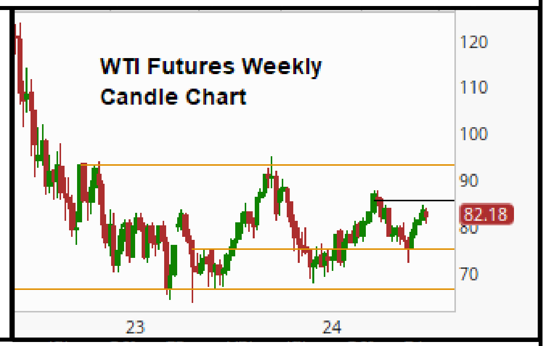
S&P 500

- Technical View: **The medium-term trend in the S&P 500 remains bullish** as stocks have consistently rallied to fresh record highs in mid-2024.
- Dow Theory: **Bullish (since the week of July 10, 2023)**
- Key Resistance Levels: 5633, 5656, 5700
- Key Support Levels: 5585, 5509, 5448



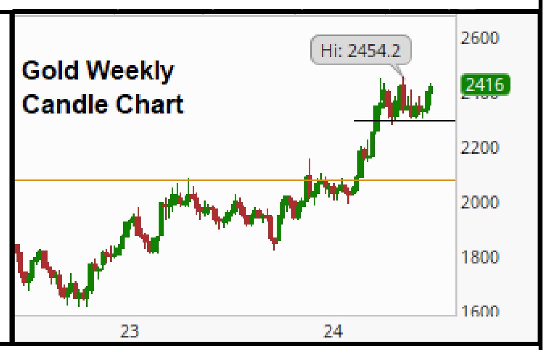
WTI Crude Oil

- Technical View: The trend in oil has begun to turn sideways in mid-2024; however, the higher lows established in H1 '24 leave the benefit of the doubt with the bulls.
- Primary Trend: **Bullish (since the week of February 12, 2024)**
- Key Resistance Levels: $83.44, $84.45, $85.34
- Key Support Levels: $81.81, $80.59, $78.49



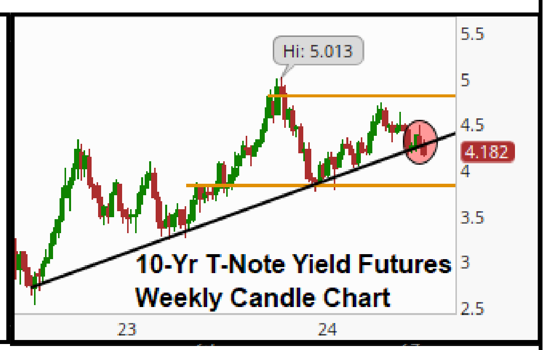
Gold

- Technical View: Gold rallied back towards the 2024 record highs in the mid-$2,400 range to start Q3 leaving the long-term uptrend intact.
- Primary Trend: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2421, $2438, $2454
- Key Support Levels: $2339, $2310, $2257



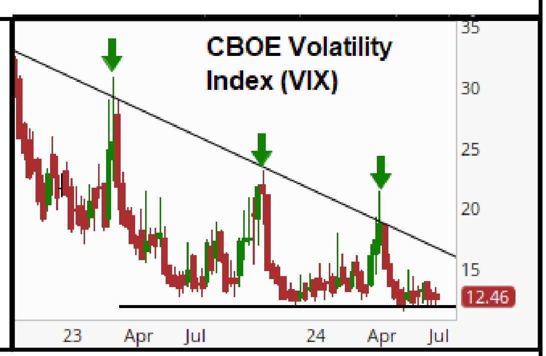
10-Year T-Note Yield Futures

- Technical View: The 10-year yield violated a multi-year uptrend line last week, a step towards a shift in trend from bullish to neutral with the late-2023 lows in focus.
- Primary Trend: **Bullish (since the week of August 21, 2023)**
- Key Resistance Levels: 4.275, 4.358, 4.454
- Key Support Levels: 4.088, 3.935, 3.798



CBOE Volatility Index (VIX)

- Technical View: The VIX has stabilized after a sharp decline in late-April and early May and the "fear gauge" has been sideways since, despite new highs in the S&P.
- Primary Trend: **Neutral (since the week of May 6, 2024)**
- Key Resistance Levels: 13.33, 13.85, 14.47
- Key Support Levels: 12.37, 12.03, 11.86



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Fundamental Market View
(Updated 7/14/2024)

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 record high last week as CPI rose less than expected and boosted investor expectations for a September rate cut and two rate cuts in 2024.*

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 modestly last week despite a weaker U.S. dollar, as global growth worries weighed on oil while gold saw a modest rally thanks to the lower dollar.*
US Dollar	**Neutral**	*The Dollar Index declined again last week following the better-than-expected CPI report, as markets more fully priced in two rate cuts in 2024.*
Treasuries	**Turning Positive**	*Treasury yields declined moderately last week as the smaller-than-expected increase in CPI pressured yields, and the 10 year fell back into 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.

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