SEVENS REPORT

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

July 31, 2024

Yesterday's Consumer Confidence report for July was mixed as the Present Situation Index fell to a three-year low while the forward-looking Expectations Index rose towards a 2024 high.

Pre 7:00 Look

- Futures are solidly higher in pre-market trade with tech and AI-focused names leading after solid AMD earnings (stock up 9%) offset mildly disappointing results from MSFT (stock down 3%) while economic data was solid overnight.
- Econ Today: ADP Employment Report (E: 154K), Employment Cost Index (E: 1.0%), Pending Home Sales (E: 1.1%).
- Fed Events: FOMC Announcement (2:00 p.m. ET), Fed Chair Press Conference (2:30 p.m. ET).
- Earnings: BA (-$1.68), MA ($3.51), META ($4.69), QCOM ($2.25), ALL ($0.33), EBAY ($1.12).

Market	Level	Change	% Change
S&P 500 Futures	5525.00	52.50	0.96%
U.S. Dollar (DXY)	104.129	-.322	-0.31%
Gold	2464.60	12.70	0.52%
WTI	76.60	1.87	2.50%
10 Year Yield	4.136	-.005	-0.12%

Equities

Market Recap

Volatility picked up as traders positioned into mega-cap tech earnings due after the closing bell Tuesday and as today's Fed decision came into view. The S&P 500 fell 0.50% after bouncing off near-term support at 5,400.

Stocks gapped cautiously higher at the open yesterday as traders looked ahead to more important tech earnings from MSFT as well as AMD after the close and digested some cooler-than-feared house price data from just before the open. The early gains had a "carry trade on" feel as the yen was lower amid the start of the BOJ's two-day policy meeting, which saw large-cap tech recover some recent losses and the "rest of the market" consolidate recent gains.

An uptick in headline Job Openings to the June JOLTS report and a mildly more optimistic Consumer Confidence release than was expected both sparked some modestly hawkish money flows, unwinding some of the early risk-on feel in markets. Later in the morning a headline crossed the wires that the BOJ was considering a 25-basis-point rate hike this week, which sent the yen back higher (USD/JPY towards recent lows) and reverberated through the financial markets, once again pressuring the Nasdaq, growth stocks, and tech while the "rest of the market" remained buoyant. News wires were mostly quiet into the afternoon and the stronger yen kept pressure on the carry trade components with the Nasdaq ending down 1.3% while the Russell 2000 enjoyed modest gains, holding near a recent 52-week highs

Fed Technical Preview

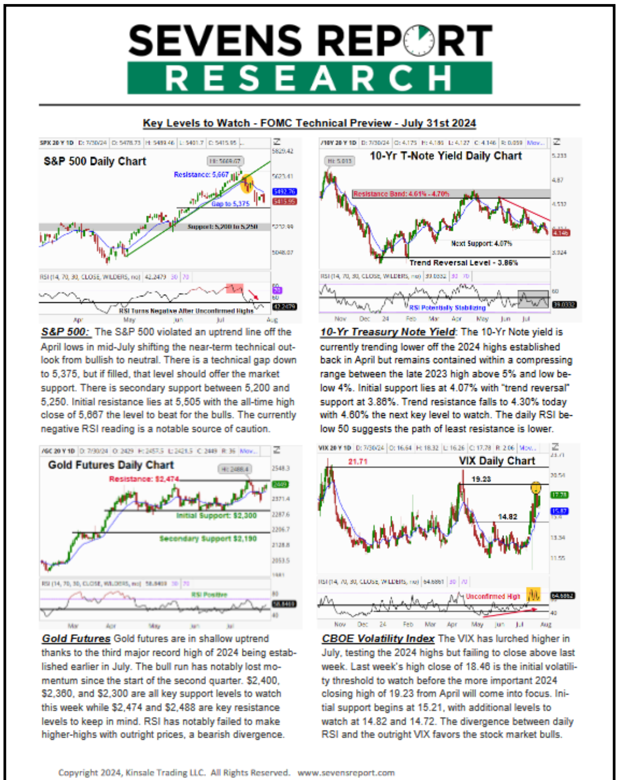
Given the uncertainty surrounding today's Fed decision,

Market	Level	Change	% Change
Dow	40,743.33	203.40	0.50%
TSX	22,824.68	45.12	0.20%
Stoxx 50	4,884.34	43.34	0.90%
FTSE	8,393.03	118.62	1.43%
Nikkei	39,101.82	575.87	1.49%
Hang Seng	17,344.60	341.69	2.01%
ASX	8,092.33	139.16	1.75%
Prices taken at previous day market close.			

we wanted to follow up our FOMC preview with a technical preview of key levels to watch in the S&P 500, 10-Yr yield, Gold and the VIX as traders react to the Fed.

Market	Level	Change	% Change
DBC	22.07	-.07	-0.32%
Gold	2,450.40	24.90	1.03%
Silver	28.48	.61	2.19%
Copper	4.0925	.0080	0.20%
WTI	75.02	-.79	-1.04%
Brent	78.88	-.90	-1.13%
Nat Gas	2.115	.079	3.88%
RBOB	2.3948	-.0205	-0.85%
DBA (Grains)	23.83	.20	0.83%
Prices taken at previous day market close.			

Starting with stocks, the S&P 500 has pulled back since the mid-July record highs but so far, the declines should be viewed as a countertrend pullback amid a still upward trending market so far in 2024. There is initial support at the bottom end of a technical gap dating back to early June at 5,375 while 5,200-5,250 will offer more formidable support in the event there is a severe risk-off reaction to the Fed decision (or BOJ) today. To the upside, 5,505 is initial resistance to watch while the all-time high near 5,667 is the level to beat for the bulls.


SEVENS REPORT RESEARCH

Key Levels to Watch - FOMC Technical Preview - July 31st 2024

S&P 500: The S&P 500 violated an uptrend line off the April lows in mid-July shifting the near-term technical outlook from bullish to neutral. There is a technical gap down to 5,375, but if filled, that level should offer the market support. There is secondary support between 5,200 and 5,250. Initial resistance lies at 5,505 with the all-time high close of 5,667 the level to beat for the bulls. The currently negative RSI reading is a notable source of caution.

10-Yr Treasury Note Yield: The 10-Yr Note yield is currently trending lower off the 2024 highs established back in April but remains contained within a compressing range between the late 2023 high above 5% and low below 4%. Initial support lies at 4.07% with "trend reversal" support at 3.86%. Trend resistance falls to 4.30% today with 4.60% the next key level to watch. The daily RSI below 50 suggests the path of least resistance is lower.

Gold Futures Gold futures are in shallow uptrend thanks to the third major record high of 2024 being established earlier in July. The bull run has notably lost momentum since the start of the second quarter. $2,400, $2,360, and $2,300 are all key support levels to watch this week while $2,474 and $2,488 are key resistance levels to keep in mind. RSI has notably failed to make higher-highs with outright prices, a bearish divergence.

CBOE Volatility Index The VIX has lurched higher in July, testing the 2024 highs but failing to close above last week. Last week's high close of 18.46 is the initial volatility threshold to watch before the more important 2024 closing high of 19.23 from April will come into focus. Initial support begins at 15.21, with additional levels to watch at 14.82 and 14.72. The divergence between daily RSI and the outright VIX favors the stock market bulls.

Email info@sevensreport.com to request this one page "tear sheet" with the key levels to watch in the wake of the Fed today.

Looking to bonds, the 10-year yield is in a broad but compressing trading range between initial support at 4.07% and downtrend resistance off the 2024 highs at 4.30% with secondary resistance at 4.60%. The long-term level to beat for the bond bulls is well below current levels at 3.86%, the late-2023 lows.

Gold remains in a well-defined uptrend with the current record high close near $2,474, the level to beat for the bulls while $2,400, $2,360 and $2,300 all are important support levels in focus. A fading RSI reading amid the latest new record highs is a notable divergence that indicates there are near-term reversal risks that could see solid support from Q2'24 tested at $2,300.

Finally, the VIX tested the 2024 highs last week and continues to hover near multi-month highs, underscoring the fact that investors are on edge coming into this Fed meeting. Last week's high close of 18.46 is the first resistance level to watch while the 2024 closing high of 19.23 is the "volatility threshold" to watch this week. Below, there is initial support at 15.21 with 14.82 and 14.72 both additional levels likely to offer support if markets flip back "risk on."

Economics

Jobs Report Preview

In the immediate term, Friday's jobs report matters because it will either 1) Totally solidify a September rate cut or 2) Reduce the chances of that cut. The former would be positive for stocks (although not materially so because it's already widely expected) while the latter would be negative (and extend this pullback).

But beyond the immediate-term impact, the jobs report will raise what should become an increasingly important question for markets: *"What's more important, solid economic growth or Fed rate cuts?"*

That's a question that's going to become increasingly important over the coming months, and the answer will determine when "bad" economic data becomes bad for markets. We are not at that point yet because Fed rate cuts are still more important than economic growth and that's the framework with which we have to look at the jobs report.

Practically, here's what that means: A "Too Hot" number that pushes back against September rate cut expectations is the near-term "worst" outcome for stocks, while a slightly weak number (a bit below expectations) is the "best" short-term outcome for stocks because it implies still-solid economic growth but also clears the Fed to continue to plan to cut rates in September and, most likely, again in December.

Importantly, the job adds figure is not the only really important reading in this jobs report. The Unemployment Rate, which has slowly crept higher from a low of 3.4% to a recent high of 4.1% over the past six months, is now a focus for the Fed and so it must be for us, as well. The Fed cares about the unemployment rate because it may be signaling a slowdown, but markets care more about rate cuts than they do about economic growth right now, so a flat to slightly higher unemployment rate will make a September rate cut more likely and stocks should rally modestly in response.

Beyond the near term, any further substantial increase in the unemployment rate (say towards 4.5%) does challenge the soft landing narrative for this simple reason: If the labor market weakens, then the economy will slow. Bottom line, an uptick in the unemployment rate may be welcomed by markets, but it will make the Fed more nervous about the economy. And if the Fed gets nervous about the economy, we should too.

"Too Hot" (A September Rate Cut Becomes In Doubt) **> 225k Jobs Adds, UE Rate <4.0%, Wages >4.0% yoy.** A number this strong would push back on expectations for a September rate cut. Importantly, it wouldn't make a September cut unlikely but it would make it substantially less likely. *Likely Market Reaction:* A bounce back in the higher-rate-driven declines that pressured stocks in April and late May. Treasury yields should rise sharply (the 10-year yield could rally 15 basis points or more). That would hit stocks and a decline in the S&P 500 of more than 1% should be expected. Defensive sectors (utilities, healthcare, staples and mega cap tech) should relatively outperform, but we'd expect all 11 S&P 500 sectors to be lower. The Dollar Index should rally hard (through 105 and towards 106) while commodities (and especially gold) should drop more than 1% on dollar strength.

Market	Level	Change	% Change
Dollar Index	104.33	.01	0.01%
EUR/USD	1.0812	-.0009	-0.08%
GBP/USD	1.2833	-.0029	-0.23%
USD/JPY	153.28	-.74	-0.48%
USD/CAD	1.3854	.0001	0.01%
AUD/USD	.6540	-.0009	-0.14%
USD/BRL	5.6237	.0077	0.14%
Bitcoin	65,671.13	-1,857.84	-2.75%
10 Year Yield	4.143	-.035	-0.84%
30 Year Yield	4.400	-.033	-0.74%
10's-2's	-21 bps		
Date of Rate Cut	September 2024		
2024 YE Fed Funds	4.79%		
Prices taken at previous day market close.			

"Just Right" (Expectations for a September Rate Cut Move Closer To 90%) **50k-225k Job adds, UE Rate ≤4.1%, Wages: ≤ 4.2%.** A number in this range would solidify the near-universal expectation for a September rate cut and another cut in December (50 bps of cuts in 2024). *Likely Market Reaction:* A number anywhere in this range shouldn't be a negative for stocks, but where it lands in this range will likely determine how positive it is for markets. If the number is close to 200k, I would not expect much reaction from stocks, Treasuries or the dollar (perhaps a small decline in stocks and Treasuries and a small rally in the dollar, but nothing substantial as a September rate cut would remain likely on balance). However, if we get a number closer to 150k (or just under) along with "Just Right" readings in the unemployment rate and wages, that would be a bigger positive as that's a Goldilocks reading. Specifically, that would imply a still-solid labor market yet, at the same time, make a September rate cut all but guaranteed. In that scenario, I'd expect stocks sharply higher (led by the "rest" of the market (RSP/VTV) while Treasury yields and the dollar should decline modestly (10-year yield down less than 10 bps and a 0.5% or less decline in the dollar) while gold should rally moderately (between 0.5% to 1.0%). **A number somewhere between 100k-150k with "Just Right" unemployment and wages is likely the best-case scenario for this market.**

"Too Cold" (Hard Landing Concerns Grow) **UE Rate ≥ 4.2% y/y, Job Adds <50k Job adds.** A number this low would solidify that a September rate cut is coming, but it likely wouldn't cause a rally because it would also imply the jobs market may be quickly losing momentum and if that happens, a hard landing would become more likely. After an initial bounce, I'd expect stocks to roll over and for defensive sectors to relatively outperform (utilities, staples, healthcare and mega-cap tech) although an ultimate decline of most (if not all) of the S&P 500 sectors would-

n't be a shock. Treasury yields should fall hard (10-year yield could drop as much as 20 bps) while the Dollar Index would decline 1% on slowing growth and increased chances of more rate cuts. Gold should be one of the biggest winners from this number and I'd expect a rally of more than 1%.

Commodities

Commodities were split Tuesday as oil fell to new lows despite another uptick in geopolitical tensions while the metals traded higher with gold outperforming with lower bond yields ahead of the Fed. The commodity ETF, DBC, fell 0.32%.

A dimming outlook for global economic growth in 2024 continued to be the primary headwind on oil as expectations for Chinese manufacturing activity notably declined according to a Reuters poll while monetary policy makers pledged more stimulus aimed at supporting the world's second-largest economy. WTI crude oil futures fell another 1.20% to more decidedly break down through support near $76/barrel. The deepening week-to-date losses occurred despite another uptick in geopolitical tensions overseas as Israel attacked targets in Beirut, Lebanon, in retaliation for an alleged Hezbollah attack over the weekend while Ukrainian drones struck a Russian oil depot.

Today's EIA data will be in close focus as traders look for further evidence of a rebound in consumer demand for fuel at the pump as we approach the final stretch of the summer driving season. Evidence that demand is faltering or a hawkish market reaction from the Fed are both potential bearish catalysts with WTI trading at a near-two-month low. Finally, traders will want to see Goldilocks jobs data with steady payroll additions in the July BLS report, otherwise recession worries will become a further drag on oil prices.

Bottom line, the current oil market environment is one in which traders are doubting future demand strength and requiring evidence that a meaningful surplus in the global physical market is not emerging. Prior support at $76.50 will offer initial resistance while $72.50 is in focus as key initial support to watch.

Copper bounced off of support just above $4.00 and eked out a modest gain ahead of some key mega-cap tech earnings and the conclusion of the Fed meeting today. Tech earnings matter for copper because estimates for copper demand growth stemming from the rapid rise of AI had become an important bullish influence for copper futures earlier this year. Additionally, pre-Fed positioning was notably impacting all markets including copper. A hawkish Fed or anything that supports the idea that the economy is falling into recession will be price negative for copper today. The opposite, meanwhile, could support a sizable rebound.

Gold was the top-performing major commodity yesterday with future rising 0.99% on the day to end within reach of the all-time highs established earlier this month. Gold has quietly made new record highs on three separate runs in 2024, leaving the path of least resistance still higher from here but admittedly amid fading bullish momentum.

Currencies & Bonds

Mixed economic data and expectations for the Fed to signal a September rate cut weighed on Treasury yields as the 10-year yield closed at the lowest level since late March. The 10-year yield fell 3 basis points to close at 4.14%.

Most of that mild decline in the 10 year was driven by dovish positioning ahead of the Fed decision, although the data was indeed mixed as the Case-Shiller Home Price Index showed less year-over-year price appreciation (which confirms declining shelter costs, which is good for inflation) while the JOLTS number remained near 8 million (implying the labor market is easing).

Ahead of the Fed today, if the 10-year yield falls further towards 4.00% on a dovish outcome, expect that to be a tailwind on stocks.

In currencies, the Dollar Index was solidly higher early, but the greenback declined throughout the afternoon in pre-Fed positioning and closed little changed on the day, up less than 0.1%.

Have a good day,

Tom

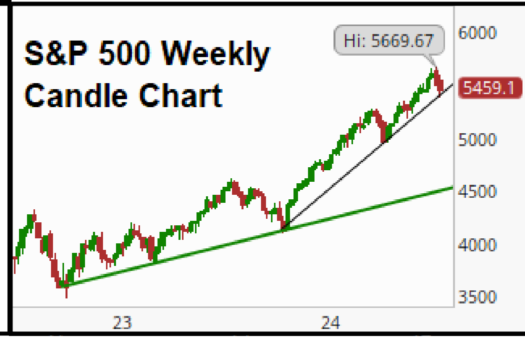
7/31/2024

SEVENS REPORT

Technical Perspectives (Updated 7/28/2024)

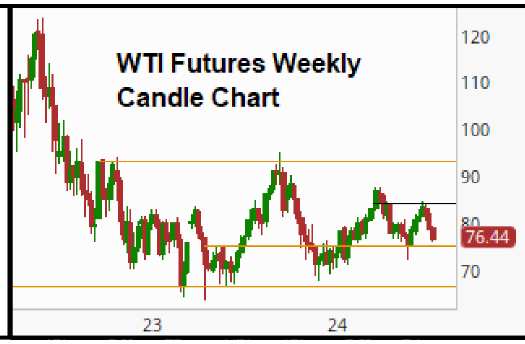
S&P 500

- 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: 5556, 5610, 5667
- Key Support Levels: 5429, 5375, 5291



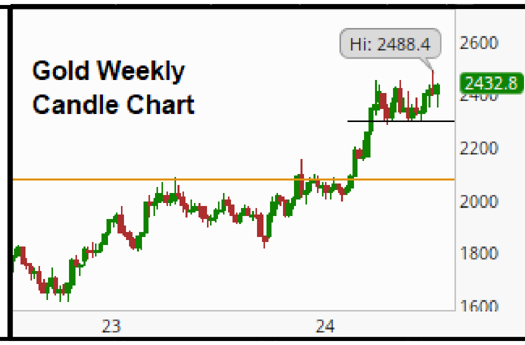
WTI Crude Oil

- Technical View: The trend in oil has turned sideways since late 2023 with futures in an increasingly tight and compressing trading range.
- Primary Trend: **Neutral (since the week of July 15, 2024)**
- Key Resistance Levels: $78.60, $80.22, $83.10
- Key Support Levels: $76.04, $75.67, $74.02



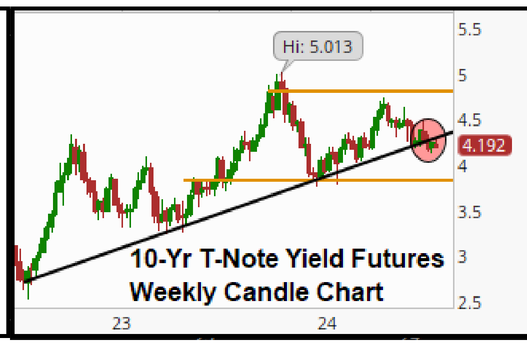
Gold

- Technical View: Gold hit new record highs in mid-July reaffirming the long-term up-trend remains in place with the path of least resistance still higher.
- Primary Trend: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2448, $2474, $2488
- Key Support Levels: $2363, $2339, $2310



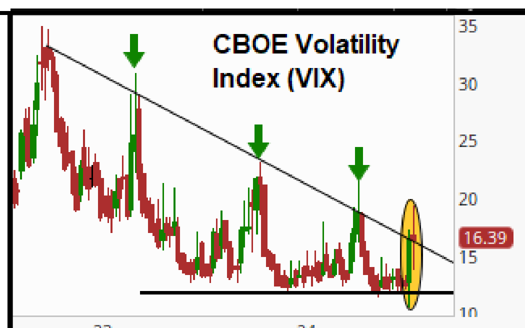
10-Year T-Note Yield Futures

- Technical View: The 10-year yield violated a multi-year uptrend line in mid-July, 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: 4.284, 4.358, 4.454
- Key Support Levels: 4.157, 4.088, 3.935



CBOE Volatility Index (VIX)

- Technical View: The VIX spiked higher in mid-July to test a longstanding downtrend line dating back to late 2022. A break above would be bullish for the VIX.
- Primary Trend: **Neutral (since the week of May 6, 2024)**
- Key Resistance Levels: 17.97, 18.46, 19.23
- Key Support Levels: 15.40, 14.72, 13.85



SEVENS REPORT	Fundamental Market View (Updated 7/28/2024)

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 dropped again last week and the Nasdaq suffered its worst day since 2022 as disappointing earnings offset more Goldilocks data, while the rotation out of tech became extreme, pulling down the major averages.*

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 traded with a risk-off tone last week as growth concerns weighed on oil and industrial metals while gold bucked the heavy trend and posted a weekly gain. Continued risk-off money flows with industrial metals and oil declining and gold rallying will bolster macroeconomic worries in H2'24.*
US Dollar	**Neutral**	*The Dollar Index was little changed last week as none of the economic data altered the outlook for Fed, ECB or BOE rate cuts (still expected in September).*
Treasuries	**Turning Positive**	*The biggest move in the Treasury market was the steepening of the yield curve, as 10s-2s rose to the highest level in two years and is getting closer to turning positive, a historically ominous development for stocks. The 10s-2s yield spread ended the week at -16 bps.*

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.