SEVENS REPORT

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

September 13, 2024

Pre 7:00 Look

- Futures are slightly higher despite more underwhelming tech company guidance.
- Adobe (ADBE) posted solid results but disappointing guidance (like many tech firms recently) and the stock is down 8% pre-market, but that's not impacting the broader averages like other recent disappointing tech guidance.
- Economically, Euro Zone Industrial Production slightly missed estimates although that's not moving markets.
- Econ Today: Consumer Sentiment (E: 68.0, 1-Yr Inflation Expectations: 2.8%, 5-Yr. Inflation Expectations: 3.0%).

Market	Level	Change	% Change
S&P 500 Futures	5,613.00	10.75	0.19%
U.S. Dollar (DXY)	100.99	-0.38	-0.37%
Gold	2,595.00	14.40	0.56%
WTI	69.76	0.81	1.17%
10 Year Yield	3.65%	-0.03	-0.80%

Equities

Market Recap

Stocks extended Wednesday's methodical post-CPI rally on Thursday as traders digested an as-expected rate cut from the ECB and fresh economic data that pushed back on stagflation worries. The S&P 500 gained 0.75%.

U.S. equities oscillated between gains and losses at the open yesterday as the ECB rate cut was generally as expected. The same could be said for the U.S. data, as PPI was firm but not hot and continuing jobless claims remained largely where they've been for the past several weeks (so they aren't getting worse).

Stocks spent the morning churning in modestly positive territory, with the S&P 500 trading just above 5,550 before the index broke loose to the upside into the afternoon. The fact that market-based odds of a 50-bps Fed September rate cut more than doubled from under 15% to over 30% (thanks to a Nick Timiraos article in the Wall Street Journal) paired with continued strong demand at the 30 year-Treasury auction supported more dovish money flows and stocks continued to rally over the course of the afternoon. The S&P 500 closed within 5 points of 5,600.

MMT Chart: Scenario Targets Hold Steady in September

There were no changes to the three scenario price targets for the S&P 500 in this month's update of the Market Multiple Table as each scenario's full-year 2025 earnings expectations held steady as did each scenario's market multiple range after revisions across the board in August saw the target ranges converge moderately.

Interestingly, the S&P 500 closed last week's volatile start to the month of September pinned to the upper-bound of the current situation price target range of 5,400 after spending the last three weeks of August comfortably above the best-case scenario target range of 5,500. Support at the top-end of the current-situation range of 5,400 proved formidable as a post-CPI retest of that level on Wednesday morning resulted in a near-term double bottom on the daily chart and initiated a new advance towards the July record highs.

Current Situation: The current situation market multiple target range for the S&P 500 was unchanged in September, as expected 2025 EPS for the S&P 500 held steady at $270 as did the multiple range of 19X-20X, which provides a familiar target range of 5,130 to 5,400 with a midpoint of 5,265.

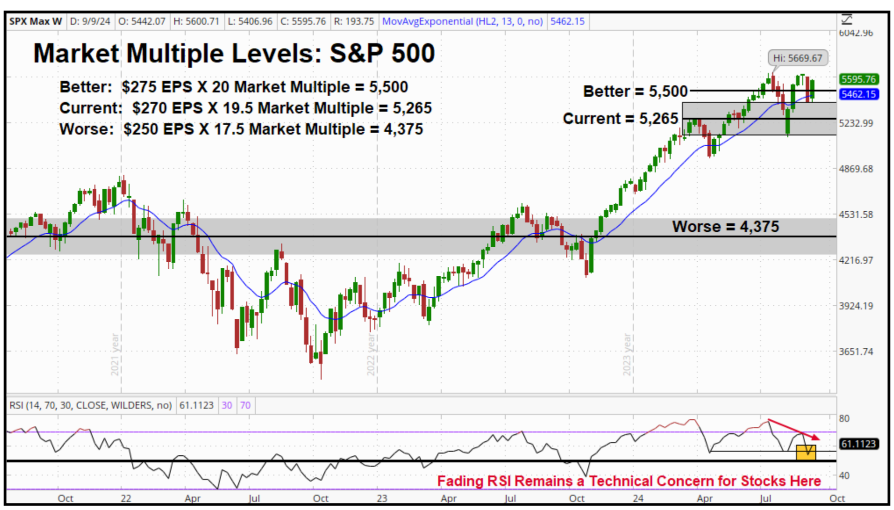
On the charts, the S&P 500 has had a lot of interaction

Market	Level	Change	% Change
Dow	41,096.77	235.06	0.58%
TSX	23,475.14	263.96	1.14%
Stoxx 50	4,829.18	15.10	0.31%
FTSE	8,253.02	12.05	0.15%
Nikkei	36,581.76	-251.51	-0.68%
Hang Seng	17,369.09	128.70	0.75%
ASX	8,099.95	24.22	0.30%
Prices taken at previous day market close.			

with the current situation target price range in 2024. First, the S&P 500 stalled almost perfectly at the mid-point of the current situation range at 5,265 in March ahead of the short-lived, but sharp 6% pull-back in April.

Market	Level	Change	% Change
DBC	21.62	.41	1.93%
Gold	2,585.20	42.80	1.68%
Silver	30.17	1.24	4.29%
Copper	4.2095	.0675	1.63%
WTI	69.18	1.87	2.78%
Brent	75.19	1.58	2.24%
Nat Gas	2.362	.092	4.05%
RBOB	1.9363	.0391	2.06%
DBA (Grains)	24.96	-.06	-0.23%
Prices taken at previous day market close.			

Then the early August pullback in the market saw the S&P 500 test the lower-bound of the current situation target range at 5,130 in intraday trade before the market put in what would turn out to be the lows for the month as the index embarked on a methodical, V-shaped recovery into the end of the month. As mentioned at the start of this section, the S&P 500 then proceeded to pullback sharply again to start September after a failed attempt to rally to new highs in late-August and ended last Friday within 10 points of the upper-bound of the current situation range at 5,400. Based on the price action so far in 2024, the fundamental valuation targets associated with the current-situation fundamentals have measurable technical significance and each should offer support or at the very least be "cause for a pause" in any declines if this week's rally turns out to be another "failed breakout."



Things Get Better If: The better-if scenario market multiple target range for the S&P 500 was also unchanged in September as 2025 EPS for the S&P 500 held steady at $275 while the multiple target remained 20X, providing another familiar price target of 5,500.

On the charts, the better-if scenario price target of 5,500 has effectively acted as an "elastic ceiling" for the market so far in 2024 as the index spent a brief two weeks above the level in July before snapping back lower into early August amid the surge in volatility. Then the V-shaped recovery in the remaining three weeks of August saw the S&P 500 climb back again to revisit the July record highs before the index reversed sharply back below the better-if target of 5,500 in a volatile manner to start September. Looking ahead, it appears the market is demanding additional clarity on the fundamental backdrop for both the health of the economy and future earnings expectations, and likely a fresh, positive catalyst (or multiple positive catalysts) will be needed in order for the S&P 500 to sustain itself above 5,500.

Things Get Worse If: The worse-if scenario market multiple target range for the S&P 500 was also unchanged in September as expected 2025 EPS for the S&P 500 remained $250 while the multiple range was steady at 17X-18X providing a range of 4,250 to 4,500 with a midpoint of 4,375. The worse-if range remains a considerable distance from where the market is currently trading as the worse-if midpoint was roughly 20% below where the S&P 500 began the trading week and at levels the index has not seen since November 2023.

On the charts, the S&P 500 spent most of the second half of 2021, the first half of 2022, and the third quarter of 2023 in and around the worse-if range, meaning there is a lot of price history with the 4,250 to 4,500 leaving it an important technical area if we see the market rollover and revisit it. The most-recent price action in a given area always carries the most significance in technical studies so we will focus on Q3'23 when the S&P 500 edged above the upper-bound of the worse-if range at 4,500, but only for a few weeks before the late-2023 pullback of more than 10% peak-to-trough began. The

S&P 500 bounced off the midpoint of the worse-if range at 4,375, revisited 4,500, only to break down below the lower-bound of the worse-if range at 4,250. That move to the downside was as short-lived as the rallies above the top end and a V-shaped recovery ensued that saw the S&P 500 rise to 52-week highs in December and fresh all-time highs in early 2024. Bottom line, if volatility picks up materially and stocks rollover hard, look for each of the upper and lower bounds (4,250 and 4,500) as well as the midpoint (4,375) of the worse-if range to offer increasingly formidable support for the S&P 500.

Price Patterns Are 'Rhyming' With 2000 and 2007: To revisit our commentary from early August, we noted that a rebound towards the July records was likely but that the better-if target would offer the market a "cause for a pause" at 5,500. We added that a "failed breakout" to new records upon revisiting the highs would mark the first step in a rather negative technical development beginning to emerge.

The V-shaped recovery in the S&P 500 off the August lows that carried the index to within 20 points of the July record highs fits the technical description of a "failed breakout." That isn't good for the market, technically speaking, because technical analysis is rooted in historical price studies and when we have seen "failed breakouts" at times when the yield curve was just coming out of reversion, the failed breakouts ultimately marked lasting tops for the S&P 500.

Bottom line, with the S&P 500 back to within reach of the all-time record highs established in July, we need to see a push to new record highs supported by a follow-through bid on rising volumes to remain convicted that this bull market is sustainable for months and quarter to come. To be clear, the trend is still higher for now, but the failure of the market to advance to new highs in August marked a technical deterioration that only new highs can fix. Looking ahead to the rest of H2'24, the early September closing low of 5,408 and the early August opening low of 5,150 are two critical "lines in the sand" for stock market bulls. **For a higher-resolution, unbranded version of the latest MMT chart please email info@sevensreport.com.**

Market	Level	Change	% Change
Dollar Index	101.32	-.33	-0.32%
EUR/USD	1.1071	.0059	0.54%
GBP/USD	1.3119	.0076	0.58%
USD/JPY	141.84	-.52	-0.37%
USD/CAD	1.3581	.0006	0.04%
AUD/USD	.6723	.0049	0.73%
USD/BRL	5.6209	-.0409	-0.72%
Bitcoin	58,245.78	697.22	1.21%
10 Year Yield	3.680	.027	0.74%
30 Year Yield	3.995	.032	0.81%
10's-2's	4 bps		
Date of Rate Cut	September 2024		
2024 YE Fed Funds	4.47%		
Prices taken at previous day market close.			

Economics

Weekly Jobless Claims

- Initial claims edged up to 230K as expected.

The current status quo in the labor market is firms aren't really hiring anymore, but they aren't laying off, either. That message was confirmed by this week's jobless claims. Claims remained in the tight range they've occupied for the past few weeks and they do reflect the reality that companies are not increasing layoffs.

That said, we are not seeing claims drift lower back towards 200k like we've seen over the past several years. And while that's not a negative signal on the labor market, it does confirm that labor market dynamics are changing and the labor market is not as strong as it has been and that remains an economic risk that needs to continue to be monitored (and so we shall).

PPI

- August PPI rose 0.2% m/m and 1.7% y/y, meeting expectations.
- PPI ex food and energy rose 0.3% vs. (E) 0.2% m/m and 2.4% y/y, meeting expectations.

PPI mirrored Wednesday's CPI report and came in slightly firmer than estimates and confirmed that price declines slowed in August. This was the second slightly disappointing inflation report of the week and it did push futures, which were modestly higher pre-PPI, back to flat.

Bottom line, PPI doesn't undermine rate cuts next week but it does further push back against the expectation for a 50-bps cut from the Fed. Again, that's not a bad thing by itself, but with real interest rates at their highs, it does imply they will stay higher for longer and that does increase slowdown risks. Bottom line, rate cuts are still coming, but the case for 50 bps has been weakened.

Commodities

Commodities enjoyed broad gains Thursday thanks to the tailwind of a weaker dollar amid the market-friendly economic data in the U.S. and increasingly dovish money flows globally supporting hopes for a soft landing. The commodity ETF, DBC, lurched higher by 1.93% to close at a one-week high.

Oil was the top performer among the major commodities as WTI futures jumped 2.75% to notably turn positive for the week leading into today's session. WTI held below the psychological resistance level of $70 as demand concerns continue to linger. The general risk-on money flows linked to the resurgence in soft-landing hopes contributed to the gains, but the source of oil's outperformance yesterday was production outages in the Gulf of Mexico region, where roughly 750K b/d of crude production was shut due to the impact of Hurricane Francine. Looking ahead, fundamentals remain skewed in favor of the bears while the technical trend is lower, so we are now in a "sell strength" oil environment. However, relief rallies may sustain for weeks at a time this fall with the next critical resistance level beyond $70 sitting at the previous support level of $72.50.

Turning to metals, gold outperformed amid the dovish money flows in the wake of the cautious ECB and cooler U.S. inflation data as real yields declined and inflation expectations crept back towards 2%. Gold rallied 1.79% to hit fresh intraday and closing record highs yesterday, solidifying the bullish technical case for the yellow metal while declining interest rates keep a favorable fundamental backdrop in place.

The industrial metals lagged, but still notched a gain of 1.71% to revisit the late-summer highs. Copper remains well-below record highs established back in May; however, and the divergence in a still-strong gold market and weaker copper market remains a source of concern for the broader 2024 rally in risk assets, but that hasn't resulted in any meaningful downturn in stocks so far this year, so it remains a back-burner concern for now.

Currencies & Bonds

The dollar and Treasury yields went in opposite directions on Thursday as the firm PPI boosted yields while anticipation of next week's rate cuts weighed slightly on the dollar. The 10-year yield rose 3 basis points while the dollar declined 0.20%.

Starting with the dollar, the biggest event in the currency space on Thursday was the ECB meeting and it largely went as expected. The ECB cut rates 25 bps and signaled it'll continue to cut rates in the future. But the ECB also increased its expectation for Core CPI and didn't signal that it's going to be more aggressive on rate cuts.

The net result was a mild rally in the euro and pound vs. the dollar, as the ECB wasn't quite as dovish as markets had hoped. Then, around midday, the Wall Street Journal's Nick Timiraos posted an article on the Fed, and usually when he writes this type of article, it hints towards Fed movement. Timiraos didn't say the Fed would cut 50 bps, but he did cite commentary by previous Fed officials that supported 50 bps. Bottom line, the market took that as implying a 50-bps cut could be more likely and the dollar declined further as a result, although the losses were modest overall.

Turning to Treasuries, they ignored the Fed commentary and the ECB decision and rose slightly on the firm PPI report. The 10-year yield rose 3 basis points because data so far this week has shown that while headline inflation is still declining, core inflation was largely flat. However, that lack of movement in the 10-year yield was a mild positive for stocks yesterday, as calm in the 10 year remains the best case for stocks near term.

Have a good weekend,

Tom

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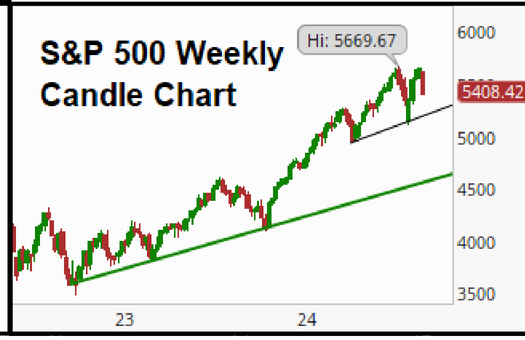
Technical Perspectives (Updated 9/8/2024)

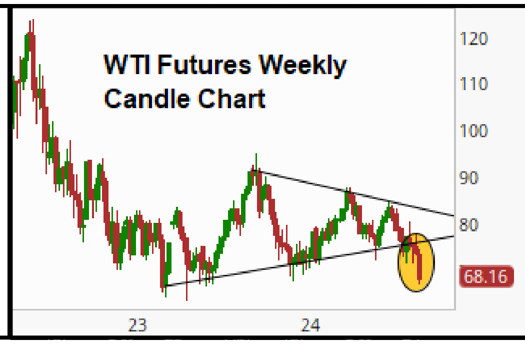
S&P 500

- Technical View: **The medium-term trend in the S&P 500 remains neutral** as the broad market index has so far failed to breakout beyond the July record highs.
- Dow Theory: **Bullish (since the week of July 10, 2023)**
- Key Resistance Levels: 5503, 5571, 5648
- Key Support Levels: 5352, 5186, 5018



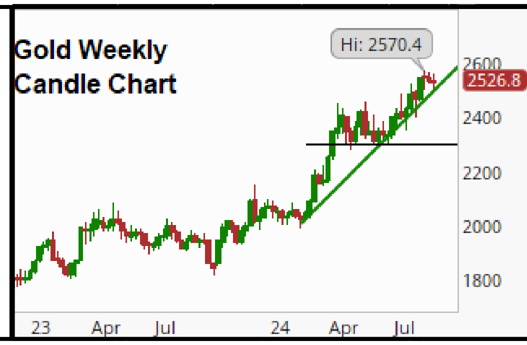
WTI Crude Oil

- Technical View: The price action in the oil market has become heavy late in the summer as the early 2024 lows have been repeatedly tested in recent weeks.
- Primary Trend: **Neutral (since the week of July 15, 2024)**
- Key Resistance Levels: $69.25, $70.13, $71.94
- Key Support Levels: $66.80, $65.65, $64.36



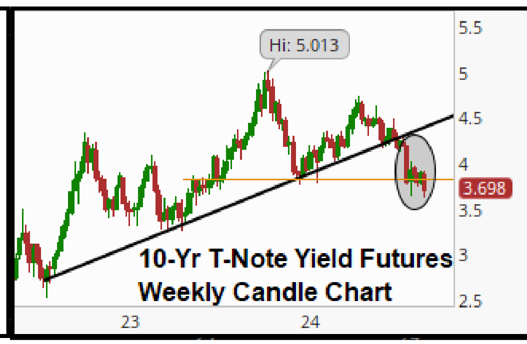
Gold

- Technical View: Gold hit new record highs in August reaffirming the long-term uptrend remains in place with the path of least resistance still higher.
- Primary Trend: **Bullish (since the week of November 27, 2023)**
- Key Resistance Levels: $2560, $2570, $2600
- Key Support Levels: $2521, $2495, $2424



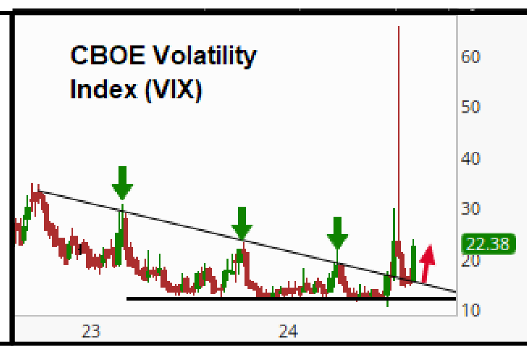
10-Year T-Note Yield Futures

- Technical View: The 10-year yield fell to fresh multi-year lows at the start of September and the path of least resistance remains lower for the benchmark yield.
- Primary Trend: **Bearish (since the week of July 29, 2024)**
- Key Resistance Levels: 3.751, 3.795, 3.857
- Key Support Levels: 3.638, 3.591, 3.507



CBOE Volatility Index (VIX)

- Technical View: The VIX has rapidly retreated from the summer spike to multi-year highs, but has also held above the mid-August lows leaving upside risks elevated.
- Primary Trend: **Bullish (since the week of July 29, 2024)**
- Key Resistance Levels: 24.77, 27.85, 33.71
- Key Support Levels: 19.90, 17.55, 15.00



SEVENS REPORT

Fundamental Market View
(Updated 9/8/2024)

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 saw a volatile start to the month as global economic data largely disappointed, which stoked simmering recession fears and subsequently heavy risk-off money flows. The S&P 500 dropped 4.25% on the week and is now up 13.39% YTD.*

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**	*Global growth concerns were apparent in commodities last week as oil and industrial metals declined while gold relatively outperformed but still declined. The commodity ETF, DBC, fell 3.80% to a 52-week low.*
US Dollar	**Neutral**	*The Dollar Index fell 0.6% last week thanks to lackluster U.S. economic data. Notably, the euro was also under pressure following the soft inflation data of two weeks ago and last week's slightly underwhelming growth data. That euro weakness prevented the Dollar Index from falling more materially.*
Treasuries	**Turning Positive**	*The 10-year yield fell to a new one-year low last week in the low 3.70%, confirming slowing economic growth. Importantly, last week the 10s-2s yield spread un-inverted as the 10-year yield is now higher than the 2-year yield for the first time since 2022.*

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.