October 5, 2024

Here are the informational and educational contents of your Screening Reports, including all attachments and links to files, if any.

Market Recap and Outlook:

The stock market has entered a consolidation phase, even as major indexes maintain their bullish trends. During this period of consolidation, traders should remain patient and await a breakout.

Since the beginning of August, equity markets have been in a strong uptrend. Therefore, we anticipate that the eventual breakout from this consolidation will be to the upside.

Please remember that if the price breaks below the lower boundary of the consolidation range, the market is likely to retrace with increased volatility.

Dow

The Dow paused its upward movement this week, exhibiting a lack of momentum. Traders should closely monitor the upper and lower boundaries of the current consolidation range. A decisive break on either side will signal the direction of the index in the coming weeks.

During this consolidation phase, the index has primarily traded in the lower half of the range, which is not a particularly bullish sign. Strong upward momentum typically sees prices hold nearer to the upper bound of a consolidation range. In particular, the room for reaching the upcoming target based on wave replication (shown in **blue arrows**) is 2% only.

It's crucial to remember that the index remains firmly above its previous all-time high (around 41,600), which now acts as a key support level. This level should be closely watched, as a drop below it would constitute a false breakout, often leading to further declines.

S&P 500

The S&P 500 traded sideways for most of the week. However, a surge in the Friday session propelled the index into the upper half of its consolidation range, suggesting that investors are aiming for higher levels.

Furthermore, the index held firmly above the critical support level of 5,670, a positive sign for the bulls. However, a drop below this level would negate the recent breakout and potentially signal a false breakout.

Nasdaq

The Nasdaq experienced a pullback early in the week but managed to recover and edge higher by the close. The index is likely to retest the resistance level at 20,700. A successful break above this level could drive the index towards challenging its all-time high around 20,750. However, if it fails to overcome this resistance, we can anticipate a prolonged period of sideways trading.

Russell 2000

The Russell 2000 continued its pullback this week, forming a pattern that resembles a continuation flag.

Unlike the large-cap indexes, the small-cap index gapped up on Friday. This suggests a potential move higher, with a target of 2,300, as shown in the **blue arrows**.

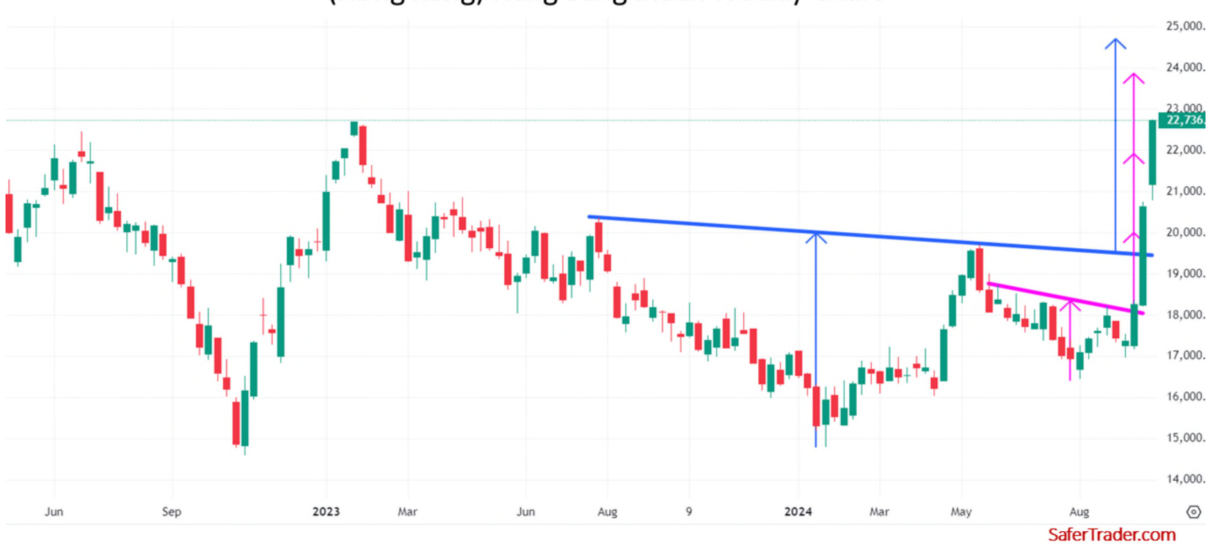
<u>Macroeconomic Takes:</u>

The September jobs report delivered an unexpected boost to the economy, with nonfarm payrolls surging by 254,000 – significantly exceeding the anticipated 140,000 increase. This marks the most substantial job growth since March, primarily driven by gains in the leisure and healthcare sectors. Nevertheless, this positive news was tempered by a rise in weekly jobless claims to 225,000, suggesting some lingering weakness in the labor market. This mixed data indicates a potential divergence, with large corporations continuing to downsize while sectors previously impacted by the pandemic show signs of recovery.

Geopolitical tensions in the Middle East are escalating, contributing to market volatility. Following a missile attack launched by Iran, oil prices spiked by more than 10% in a week, triggering a decline in stock markets. Additionally, economic concerns arose from a dockworkers' strike and the impact of Hurricane Helene. These events are all contributing factors to rising inflationary pressures. Should inflation worsen, the Federal Reserve may be forced to scale back planned interest rate reductions.

Hedge funds are demonstrating a growing interest in Greater China, fueled by promises from Chinese government agencies to inject $1 billion into local stock markets. According to Goldman Sachs prime brokerage data, equities in the region experienced record-breaking net buying from hedge funds last week. Furthermore, China has reduced the required down payment percentage for real estate purchases from 25% to 15%, effectively increasing the leverage ratio from 4x to 6.6x. For investors seeking alternatives to direct investment in Chinese stocks or ETFs, American companies involved in energy and heavy equipment could be attractive portfolio additions, as they are well-positioned to benefit from these Chinese stimulus measures.

(Hong Kong) Hang Seng Index Weekly Chart



<u>Conforming Credit Spread Screening:</u>

Standard Volatility settings. **The Q3 earnings report season will kick off soon. Please watch the earnings announcement calendar to avoid option spread trading**.

The screening report is displayed in PDF and Excel, with identical contents. To further analyze the data in the Excel report, subscribers can select and copy the data entries of interest into a spreadsheet application for their own personalized studies. Subscribers must double-check the earnings announcement dates on their own.

Stay safe and Trade cautiously,

Shane

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