November 2, 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:

Market uncertainty persisted this week due to the upcoming US presidential election, leading to increased volatility for the fourth consecutive week.

Markets have been attempting to price in the candidate with the higher projected win rate. However, an unexpected election result could trigger significant market turmoil.

Conservative option spread traders may want to consider exiting their positions before election day or implementing hedging strategies to mitigate the potential for surging volatility.

In the prior week, the Dow exhibited a false breakout pattern. As discussed previously, false breakouts often precede sideways movement or a breakdown below the most recent swing low. The index opted the latter pathway by breaking below the **blue dashed support level** with a downward gap, signaling a high probability of a continued downtrend.

However, Nvidia's addition to the DJIA, replacing Intel, was announced after Friday's market close. Historically, such component changes introduce short-term volatility. Traders should anticipate this potential for price fluctuations over the next two weeks.

S&P 500

The S&P 500 experienced a 1.9% decline on Thursday, accompanied by a downward gap and the formation of a small **double top** pattern. Extending the **neckline of the top** to the left reveals an alignment with the previous swing high (around 5,765), suggesting a false breakout with respect to this level. The combination of the down gap, double top confirmation, and false breakout paints a bearish picture for the index in the near term.

Nevertheless, it is important to acknowledge that the presidential election outcome could disrupt these bearish signals. Traders should closely monitor market reactions to the election results.

Nasdaq

Similar to the S&P 500, the Nasdaq Composite formed a small **double top** with a down gap, though it did not exhibit a false breakout. However, the Nasdaq demonstrated relative strength compared to the S&P 500 by attempting to climb above the **neckline** on Friday, although it closed the week at the **neckline**.

The key level to watch is the upper edge of Thursday's down gap. Until the index surpasses this level, it is likely to remain neutral to bearish.

Russell 2000

The Russell 2000 displayed a false breakout last week, followed by the formation of a right shoulder this week, completing a **head-and-shoulders pattern** on Thursday. However, the narrow width of this pattern may limit its bearish impact.

Please watch the **neckline** and the **nearest three support levels** to learn how the bearish and bullish powers react in the market, respectively.

Macroeconomic Takes:

The Personal Consumption Expenditures index rose 0.3% in September, remaining above the Federal Reserve's target. Increased consumer spending on goods, driven by wage gains, contributed to this rise. Recent economic reports suggest that the Fed will likely maintain a cautious approach to rate cuts in the coming months.

The US economy added only 12,000 jobs in October, a significant drop from September's figures, largely attributed to hurricanes and the Boeing strike. The unemployment rate held steady at 4.1%.

Several tech giants released their Q3 earnings, but rising AI costs have spooked investors. Currently, AI software providers are struggling to achieve sustainable profitability, suggesting that the AI market may continue to favor hardware providers like Nvidia, whose earnings report is due on November 20th.

Conforming Credit Spread Screening:

Standard Volatility settings. Averaged daily range has **ticked up for four consecutive weeks**. If the trend continues, the range may surpass the 1% threshold soon.

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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