



July 13, 2024

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Market Recap and Outlook:

Trading activity resumed this week following the Independence Day holiday, with volumes returning to normal levels. Major indexes reached new highs, accompanied by increasing trading volumes. This alleviates concerns about price-volume divergence, a potential risk factor observed in the past two months.

A minor concern stems from the significant profit-taking observed on Friday afternoon. Had investors anticipated a continued uptrend, they would likely have maintained their positions or even driven the market higher in the final hours of trading. However, their preference for caution and securing profits ahead of the weekend suggests a degree of risk aversion. Should the upward trend persist next week, traders may re-enter the market to capitalize on the momentum.



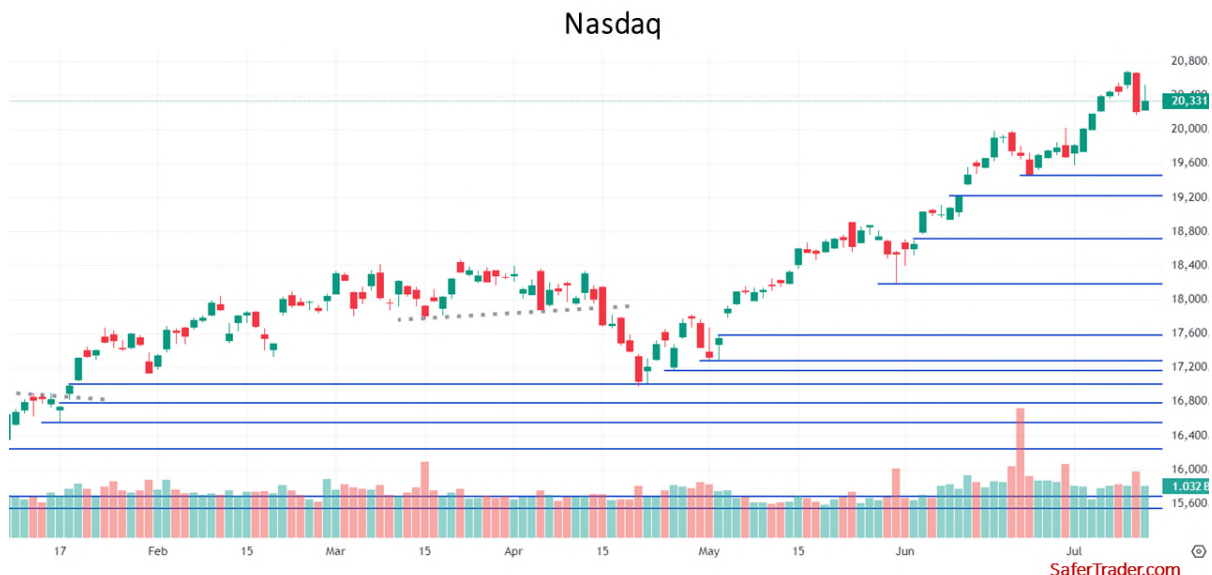
The Dow finally broke out of its sideways consolidation, surpassing the 39,600 resistance level and reaching a new all-time high. However, the index retreated from its peak in the final trading hours, indicating the 40,100 resistance level remains a formidable obstacle.

The Dow may attempt to challenge this resistance level again, seeking a confirmed breakout. If unsuccessful, a further pullback is likely before another upward push.



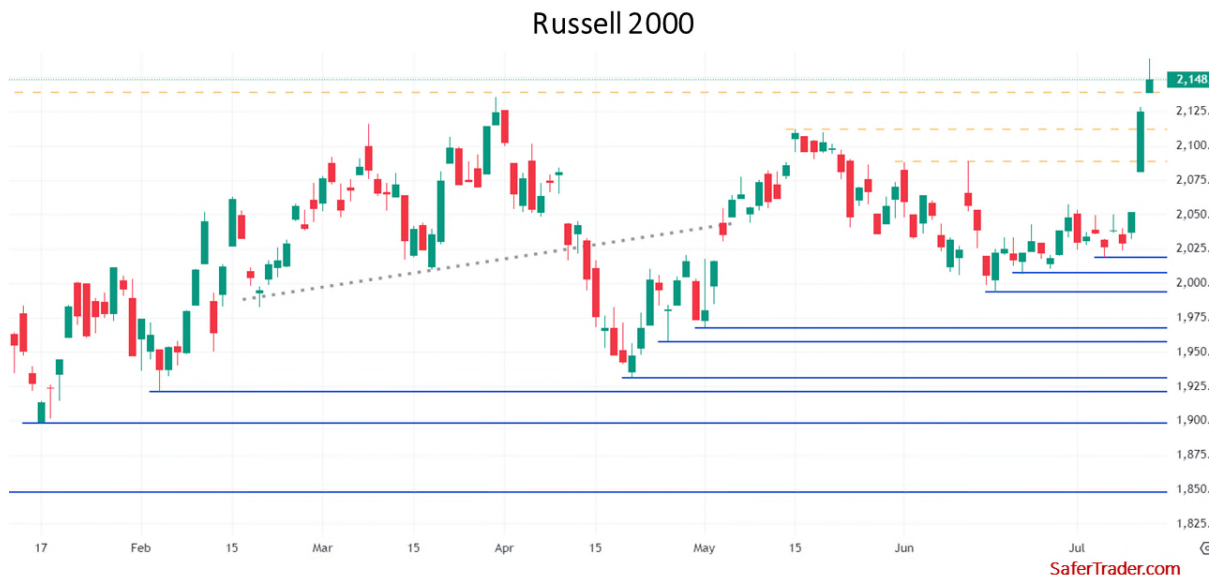
The S&P 500 extended its bullish run this week, reaching another record high. Although no clear reversal signal has emerged, Thursday's session saw the largest decline in seven weeks, suggesting potential weakness. While a significant pullback may not be imminent, the likelihood of sideways movement is increasing.

Nevertheless, traders should remain vigilant for any developing reversal patterns.



Like the S&P 500, the Nasdaq reached a new record high this week. However, Thursday's decline, the largest in three months, suggests a potential pause in its upward momentum.

The 20,000 level, previously a record high, now serves as a crucial support level. If the index continues to pull back, it may test this support, potentially leading to a bounce. Conversely, a break below 20,000 would invalidate the prior breakout, transforming the period above 20,000 into a false breakout. Therefore, traders should closely monitor the 20,000 level.



The Russell 2000 decisively exited its sideways consolidation, surging 5% and forming two up gaps in the last two trading days. This impressive rally breached three resistance levels, notably the 2,140 level that had held since March 29, 2022. Breaking such a long-term resistance indicates a strong bullish momentum, with expectations for the index to continue its upward trajectory.

While the Russell 2000 is likely to challenge the next long-term resistance around 2,300, traders should exercise caution. A drop below the 2,140 level would negate the breakout, signaling a false breakout and potentially leading to a bigger retracement. Therefore, closely monitoring the 2,140 level is crucial for assessing the sustainability of this bullish move.

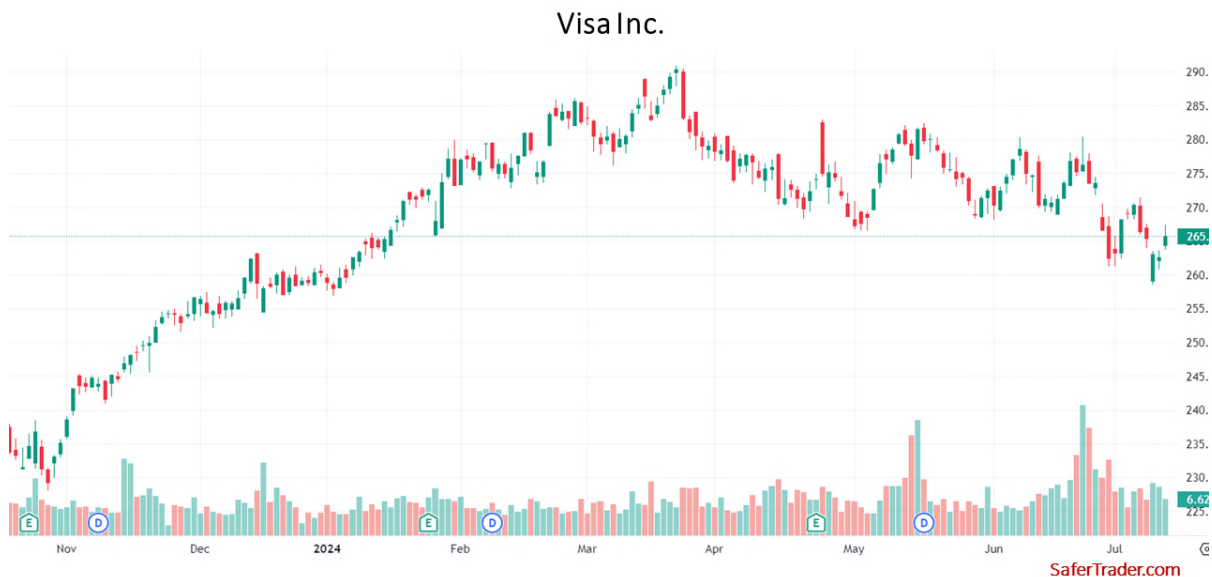
Macroeconomic Takes:

During Fed Chair Powell's testimony on Capitol Hill, he warned of recession risks if interest rate cuts are not implemented soon, causing spikes across all markets. Powell's statements provide insights into potential actions in upcoming Fed meetings. With the increasing likelihood of a rate cut, investors are positioning themselves for interest rate plays, such as bonds.

The Consumer Price Index (CPI) dipped slightly in June, the first decline since early 2020, with core CPI (excluding food and energy) showing the smallest consecutive increases in over three years. The Producer Price Index (PPI), a measure of wholesale inflation, remains slightly lower than the CPI, ranging between 2.6% and 3.1%. While Federal Reserve officials await further confirmation from the Personal Consumption

Expenditures (PCE) index before deciding on rate cuts, investors viewed this economic data positively.

However, the negative CPI reading also indicates headwinds for the US economy. Transactions, the foundation of economic activity, are now largely digital, making banks processing these transactions a reliable indicator of economic health. Visa and Mastercard, the world's largest electronic payment processors, have experienced a bearish trend in their stock prices since mid-March, suggesting a potential slowdown in the US economy.



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A handwritten signature in black ink that reads "Shane". The script is cursive and fluid.

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