SaferTrader

August 10, 2024

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

<u>Market Recap and Outlook:</u>

Market volatility carried over from last week, creating another roller coaster ride. Despite a significant gap down at the start of the week, a strong rally on Tuesday filled the gap and fueled an upward trend throughout the week. Major indexes formed a V-shaped bullish reversal, an uncommon occurrence that could suggest a possible pullback.

Optimistically, this pullback may create a double bottom. However, a more bearish outlook suggests a potential further decline. Investors are advised to closely monitor whether the low of Monday's (August 5) session holds.

As highlighted in last weekend's newsletter, the Dow confirmed a **double top** last Friday, triggering increased bearish activity. Monday's opening left a down gap, the second in a series, signaling potential continuation. However, this bearish signal was mitigated when the gap was filled the following day.

Given the index's subsequent upward movement throughout the week, the key observation now is whether it can break through the **neckline** resistance. If it fails to maintain a position above this level, we anticipate a continued bearish trend, potentially reaching the first target.

S&P 500

The S&P 500 experienced a gap down on Monday, marking the fourth such occurrence in a series.

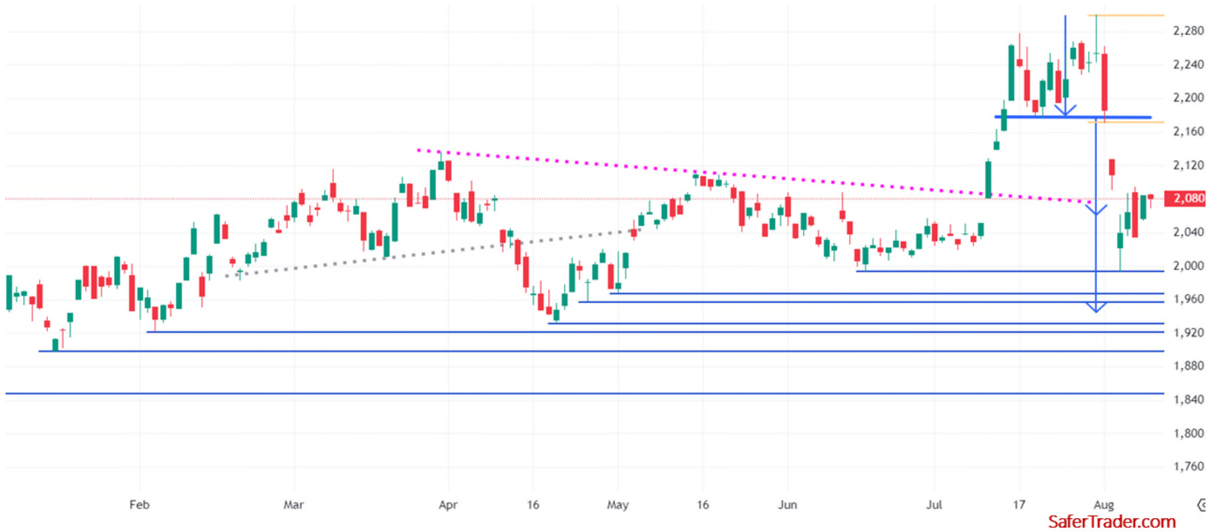
Unlike the Dow, the S&P 500 reached the first target of the **head-and-shoulders top** within 20 minutes of Monday's opening, resulting in a more robust rally in subsequent days.

Despite this, the neckline of the **top** coincides with the third gap, creating significant resistance. Consequently, traders should anticipate the current rally to peak around 5,400.

Nasdaq

Mirroring the S&P 500, the Nasdaq also began the week with its fourth down gap in the ongoing downtrend. While the index rebounded immediately after the Monday opening, daily trading ranges subsequently contracted, suggesting a potential loss of bullish momentum. As a result, traders may anticipate the current rally to conclude around 18,700.

Russell 2000



The Russell 2000 commenced the week by breaching the **neckline of the pink bottom**, rendering its supporting effect obsolete. The index is now governed by the **double-head top** pattern

Despite demonstrating only two down gaps during this bearish trend, in contrast to the four observed in the S&P 500 and Nasdaq, both of these gaps were exceptionally large. Therefore, the Russell 2000 is expected to either experience a further decline or exhibit sideways movement.

<u>Macroeconomic Takes:</u>

Monday's crash propelled the Volatility Index to a four-year high of 65, its highest level since the 2020 pandemic. This suggests an anticipated average daily movement of 2% in the S&P 500 over the next 30 days. Additionally, massive short covering contributed significantly, with traders closing short positions, causing a surge in trading volumes. Such high volume might indicate a potential temporary pause in the strong bearish trend.

Despite the stock market's downturn on Monday, the bond markets experienced a boost, driving the bond yield curve back towards a more typical shape. Yield curve inversion is an anomaly that cannot persist indefinitely. Once this extreme situation resolves, it might trigger further turbulence in the equity markets, which may have to revert to their mean value.

Berkshire Hathaway's recent report revealed that Warren Buffett sold half of his Apple position last month, utilizing the proceeds to elevate his cash reserves to a record $277 billion. Unfortunately, while the world's most successful investor fortified his cash position, many individual traders were chasing the Magnificent 7 stocks.

Conforming Credit Spread Screening:

High Volatility settings. **Volatility surged to more than 2%. In such market condition, either ask a higher premium or look for a spread farther away from the underlying**.

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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