SaferTrader

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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>

Major indexes showcased one or two upward gaps, a strong indication of a bullish trend in motion. This nearly confirms an ongoing market uptrend. Consequently, we witnessed V-shaped bullish reversals this month, a rare occurrence for indexes.

Additionally, technical analysis points to bullish islands, further solidifying the impending bullish trend.

Dow

The Dow climbed steadily throughout the week, surpassing the neckline of the double top pattern, confirming the death of the bearish trend.

Thursday's session opened with a significant upward gap. As this newsletter has previously highlighted, an initial upward gap often marks the beginning of a new bullish trend. Moreover, Thursday's upward gap is symmetrical to the downward gap observed on August 2nd, forming a bullish island reversal pattern.

Overall, traders can anticipate a potential challenge to the record high in the near future.

S&P 500

The S&P 500 experienced two upward gaps this week. The initial gap signaled the commencement of a new bullish trend, while the second one reinforced this upward momentum.

Mirroring the Dow's performance, the S&P 500 also breached the neckline of the head-and-shoulders top pattern, effectively dispelling bearish sentiments.

Nasdaq

Similar to the S&P 500, the Nasdaq also experienced two upward gaps this week.

Additionally, reminiscent of the Dow, Tuesday's upward gap in the Nasdaq (around 18,660) mirrored the downward gap on August 2nd, forming a bullish island reversal pattern. Although the Nasdaq is currently contending with bearish pressure around the neckline of the **head-and-shoulders top**, traders can anticipate a bullish victory soon.

Russell 2000

The Russell 2000 is currently exhibiting weaker performance compared to large-cap indexes. However, the Thursday upward gap observed in the small-cap index suggests the emergence of a new bullish trend.

The next crucial step for the index is to overcome the neckline of the **double-head top pattern**. However, it's worth noting that this **neckline** was initially formed by a significant downward gap, which intensifies its resistance compared to a typical neckline. Consequently, we can anticipate some sideways movement around this **neckline**.

Macroeconomic Takes:

The recent market crash was largely attributed to tighter monetary policy in Japan, which opted to raise rates, consequently reducing monetary liquidity for US markets. However, the Bank of Japan has now seemingly abandoned plans for immediate rate hikes. With the Yen carry trade back in play, hedge funds are resuming positions they hastily exited just two weeks ago. In essence, we're seeing more leverage and a renewed appetite for risk.

Volatility, which reached a 4-year high a week ago, has plummeted dramatically, dropping a record 49 points from $65 to $16 in just 9 trading days. This suggests a potential shift back to strategies that rely on low stock volatility, despite the near-meltdown earlier this month.

Consumer sentiment dipped to an eight-month low according to the University of Michigan. While year-ahead inflation expectations eased slightly to 2.9%, the five-year outlook remained at 3%, surpassing preliminary estimates. Although consumer outlook appears pessimistic, it's important to consider that the data was collected in July when many high-tech stocks were experiencing a downturn, potentially influencing sentiment.

The US Producer Price Index cooled down, registering a weak 0.1%, further solidifying expectations of an interest rate cut. This positive news propelled stocks higher. Treasury yields also dipped on Tuesday as wholesale inflation figures came in softer than anticipated. The yield on the ten-year US Treasury decreased by about 4 basis points to 3.867%.

Conforming Credit Spread Screening:

Standard Volatility settings. **Volatility dropped to less than 1%, so the screener is configured in a standard mode.**

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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