September 14, 2024

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Market Recap and Outlook:

The stock market opened the week in a consolidation mode but rallied on Wednesday after Nvidia's CEO stated at Goldman Sachs' Communacopia + Technology Conference that "everybody's counting on us" and "everything is sold out." Artificial intelligence remains a market driver.

With the FOMC meeting scheduled for next Tuesday and Wednesday, markets are expected to remain subdued until Fed Chair Powell announces the interest rate decision.

During Wednesday's morning session, the Dow filled the gap around 40,000, followed by a subsequent bounce. The rally persisted into the following days, with the index even forming a small gap up on Friday. However, despite the bullish price action, trading volume failed to keep pace, resulting in another price-volume divergence,

For the index to continue its upward trajectory, increased market participation is necessary. If the index manages to establish a new record high, the breakout must be accompanied by a significant surge in volume; otherwise, it could prove to be a false breakout. In the absence of a new record high, we anticipate the index to trade sideways within a wide range.

S&P 500

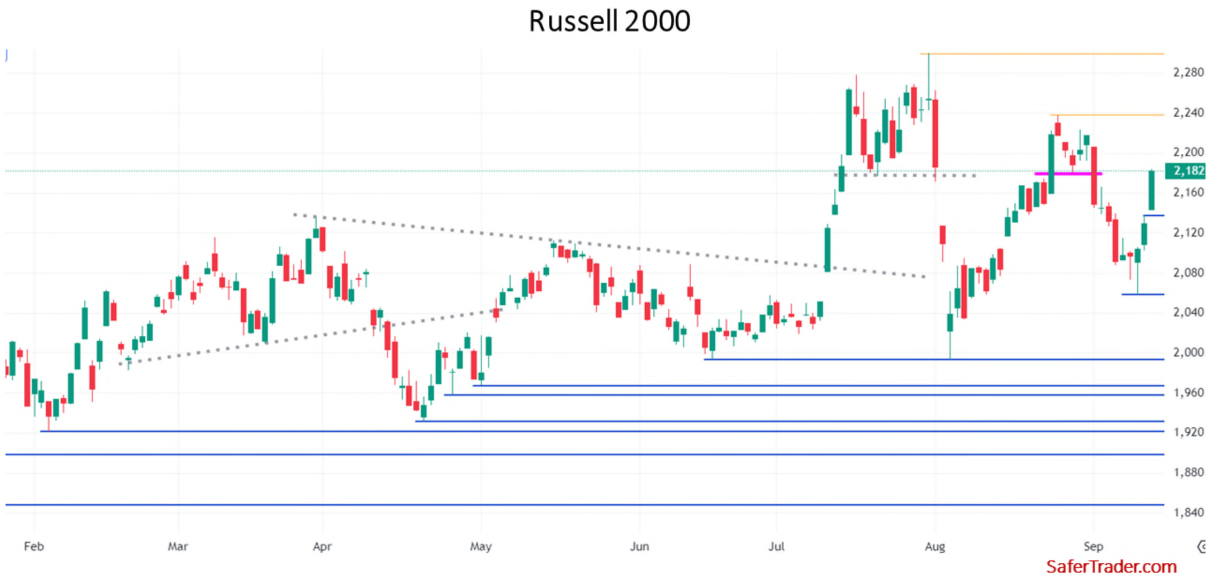
The S&P 500 consolidated on Monday and Tuesday, then tested the 5,400 level on Wednesday morning before rebounding.

The index is approaching its record high, but it needs to overcome two resistance levels before reaching a new peak. Therefore, the index is anticipated to hover around 5,400 before making a decisive move.

Nasdaq

The Nasdaq exhibited a steady climb throughout the week, but it remains significantly below its record high.

The resistance level at 20,000 is crucial. Should the index successfully break through this resistance, the pattern below 20,000 will resemble a W-bottom, potentially signaling a bullish sentiment. However, if unable to breach this level, the index is likely to fluctuate between 20,000 and 18,400.



The Russell 2000 began the week with a decline, reaching the second target of the **pink top**.

A reversal on Wednesday propelled the index higher, closing the week at the neckline of the **pink top**. Given the small size of the **top**, we can assume the resistance at the neckline is weak. If the index manages to break above the neckline, reaching 2,240 is achievable. Otherwise, a prolonged sideways period is expected.

Macroeconomic Takes:

Market focus has been firmly on the amount of upcoming rate cuts. Over the past week, the market has assigned a wide range of probabilities to the likelihood of a 50-bp interest rate cut by the Fed. Following the August jobs report, which indicated a healthy labor market, these odds decreased significantly. However, the August CPI data released on Wednesday solidified the case for a 25-basis point cut. Yet, between Thursday and Friday, with continuing market rallies, the odds of a 50-basis point cut at the September meeting jumped from 28% to near even.

The Producer Price Index (PPI) gauges the final demand prices producers receive for goods and services. The overall PPI rose 0.2% in August. Excluding food and energy, PPI increased 0.3%. On a 12-month basis, headline PPI saw a modest increase of 1.7%. Wholesale prices in August rose largely in line with expectations, providing the final inflation data point before the Federal Reserve is set to lower interest rates.

With rate cuts anticipated next week, the US dollar index has depreciated considerably since early August. A weaker US dollar has propelled gold to a new high of $2,610 an ounce, as hedge funds increase their investments. As the US dollar index is expected to weaken further following the implementation of a lower interest rate policy, gold may reach $3,000 an ounce by next year.

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