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>

This week, the Fed's rate cut undoubtedly took the spotlight. The final decision was the 50-basis-point reduction. When this was announced on Wednesday, the initial stock market reaction was one of elation: "The free lunch is even bigger than we imagined!"

However, by the market's close, sentiment had shifted to concern: "The economy must be in worse shape than we thought!" Now, investors are anticipating another potential 50-basis-point cut, timed for the next FOMC meeting that happened to be the day after the presidential election.

With the monetary supply set to increase, stocks will likely edge higher, though some retracements are to be expected.

Dow

Thanks to the rate cuts, the Dow reached a new record high. Despite its small size, the upward gap (around 41,125) a week ago marked the start of a fresh bullish run. This week's breakout above the previous record high (around 41,600) signals a continuation of this trend.

While optimism is warranted, traders should note that the rally is NOT uniform across all sectors. It is crucial to remain vigilant as not all markets are experiencing the same upward momentum.

Keep a close watch on the previous high (around 41,600), which now acts as a support level after being broken. If the index falls below this level, it could indicate a false breakout.

S&P 500

The S&P 500 surpassed its previous record high (around 5,670) on Thursday. However, unlike the Dow, it immediately retraced on Friday to test the support level at 5,670.

While the chart currently shows no signs of a bearish reversal, traders should keep a close eye on the 5,640 level. Although the index remains in an uptrend, it's crucial to stay alert for the possibility of a false breakout.

Nasdaq

The Nasdaq rallied following the rate cuts, with Thursday's session even featuring an upward gap. However, the gap was quickly filled on Friday, suggesting underlying weakness in the index.

As highlighted in last weekend's newsletter, the 20,000 resistance level is crucial. If the index manages to break through, the pattern below 20,000 will resemble a bullish W-bottom, potentially sparking positive sentiment. On the other hand, in case the resistance holds, the index will likely continue waving within the range between 20,000 and 18,400.

Russell 2000

The Russell 2000 broke above the neckline of the **pin top** at the week's opening, killing the bearish sentiment. The index gapped up further on Tuesday, indicating continued upward momentum.

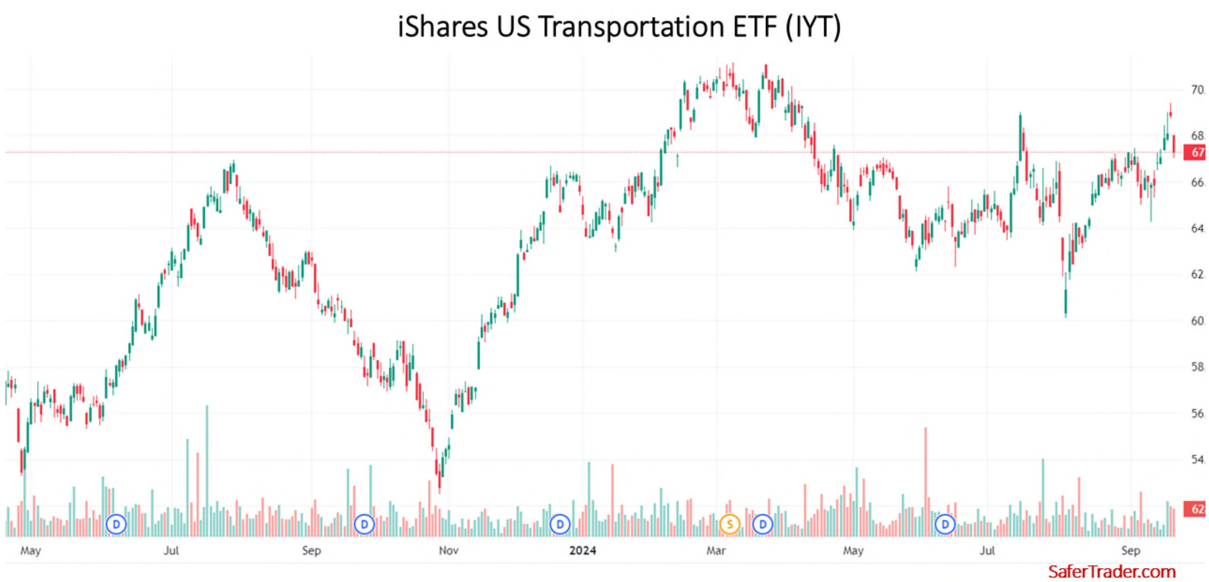
The next challenge lies at the 2,300 resistance level, where bullish momentum is expected to moderate.

Macroeconomic Takes:

Inflation is currently running below expectations, with a 1.8% annualized rate over the past four months, as noted by Fed governor Waller. This slower pace could warrant further interest rate cuts in November and December, potentially even another 0.5% decrease. This scenario is far more optimistic for the economy than many realize.

Bolstering this positive outlook, US retail sales saw an unexpected rise in August, fueled by online purchases that offset mixed results from brick-and-mortar stores. The value of retail purchases, unadjusted for inflation, grew by 0.1%, following a revised 1.1% gain in July, according to Commerce Department data. Excluding autos and gasoline stations, sales increased for the fourth consecutive month. This data further suggests that the US economy has likely turned a corner and is on the path to recovery.

Interestingly, despite the Dow Industrials reaching record highs, the transportation sector has barely managed a positive return this year, up just 1% year-to-date. As transport services often serve as an early indicator of physical goods sales, strong earnings from this sector could signal a full recovery in the broader US economy.



Conforming Credit Spread Screening:

High Volatility settings.

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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