September 7, 2024

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

***Market Recap and Outlook:***

Throughout the week, multiple data reports revealed a weakening labor market, dragging down the stock market.

Major indexes declined daily, forming another round of bearish patterns. The uptrend that began in early August has concluded.

The market outlook now hinges on the Federal Reserve's rate cut, expected in 10 days. Before the FOMC meeting on September 18, the market is anticipated to wave within a wide range.


A week ago, the Dow broke out above 41,376 (its previous historical high), establishing a new record. However, this week opened with the index falling below 41,376, turning the breakout into a false one.

As this newsletter has often emphasized, a false breakout typically leads to either sideways movement or further decline breaking the most recent swing low. This week's trading saw the index break two swing lows set on August 28 and August 22.

The crucial point now is whether the support from the August 15th upside gap can cause the index to bounce. If it does, the index will likely fluctuate in the coming week. If not, traders should watch for the next support levels around 39,400 and 38,500.

S&P 500

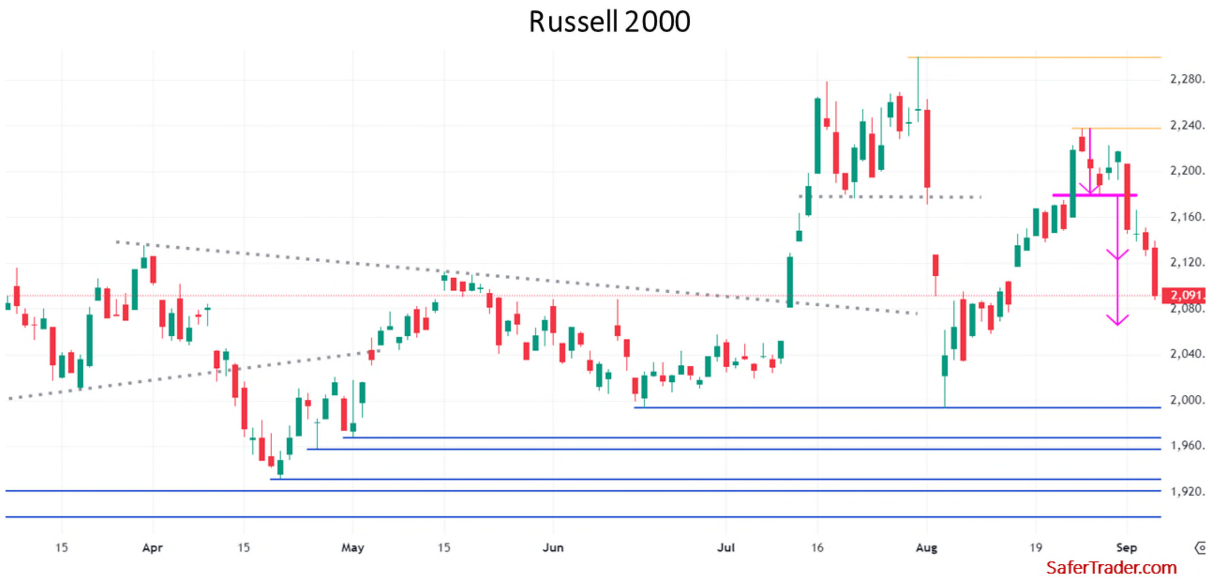

The S&P 500 has been consolidating over the past two weeks. This week opened with the index breaking below the lower edge of the consolidation, forming a small **double-top** pattern. Due to the limited height of the **top**, the first downside target was reached quickly. With Friday's sharp decline, the second target is within reach.

As the second target is near the support created by the August 13th upside gap, the downtrend may pause there. If the upside gap fails to provide support, traders should monitor the subsequent levels at 5,200 and 5,120.

Nasdaq

Like the S&P 500, the Nasdaq broke down after its consolidation period, which has now formed a (skewed) **double-top** pattern. As the tech-heavy index descends toward its second target, it is likely to slow down around 18,000.

It is crucial that the index does NOT break below the August 5th low, which marked the start of the August uptrend. Breaking the launch point of an uptrend often has severe consequences. Please keep a close watch on the August 5th low.




The Russell 2000 has broken below the support level at 2,105, forming a small **double-head** whose second downside target is approaching rapidly. However, the absence of strong support near the second target significantly increases the probability of the index reaching its third target.

***Macroeconomic Takes:***

This year's most important nonfarm payroll report was released, falling short of economists' expectations. Concerns now mount over a potential US recession. As a result, an interest rate cut at this month's FOMC meeting seems almost certain.

Investors are divided on whether the Federal Reserve will choose a significant or modest interest-rate cut. A mere 25-basis-point cut would suggest the Fed is not overly concerned about economic headwinds. Conversely, a cut exceeding 50 basis points could signal an impending hard landing, potentially leading to another stock market downturn.

Crude oil consumption, a gauge of global economic health, has seen futures prices decline for five months, worsened by the sharp weekend selloff. The downtrend is attributed to a weak Chinese economy, waning OPEC discipline, and overproduction by Iraq. A bearish Goldman Sachs commodities report further compounded the negative sentiment. Oil prices are currently resting at a crucial support level. Should they fall further, a large bearish pattern will form, painting a grim outlook.

Crude Oil Futures (Weekly Chart)


***<u>Conforming Credit Spread Screening:</u>***

**High** Volatility settings. The trading range surged sharply throughout the week, prompting the screener to operate in the high volatility 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

www.SaferTrader.com

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