TIDT
The Intelligent Day Trader

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MARKET WEEKLY *(Weekly FunTech Report)*

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Market	Factor	Indicators
ASX 100, FTSE 100 & NDX 100	ECONOMIC	INFLATION

FUN (Fundamental Report)

Rising Inflation, Strong job numbers, FED Tapering expected before the end of the year or early 2022, Impact of Covid - Delta Variant.

Global Summary:

- **A tumultuous September**
- **Inflation fears**
- **Federal Reserve's signals tapering soon**
- **Rising bond yields**
- **Fading fiscal stimulus**
- **Slowing growth in China/ China headwinds**
- **Power crunch in China**
- **Supply chain issues/ bottlenecks**
- **Concerns about the Chinese property market**
- **Stalemates in Congress on the debt ceiling**
- **A litany of proposed tax increases**

When all these occurs, corrections happen.

U.S.
Current Situation – (01/10/2021)

- **Inflation prospects and bond yields are in focus after a turbulent start to the week. Global markets have been roiled by fears of persistent high inflation, slowing growth and rising interest rates.**
- U.S. stocks were mixed Monday as investors look to Washington, where lawmakers are attempting to prevent a government shutdown, a default on U.S. debt and the possible collapse of President Joe Biden's sweeping economic agenda.
- The 10-year Treasury yield continued its speedy climb on Tuesday, rising as high as 1.567% its highest since June as investors bet the Fed would carry through on its promise to curb its emergency bond-buying stimulus as inflation jumps. The 10-year yield, which traded as low as 1.13% as recently as August, has reversed dramatically to the highest levels since June after the Fed signalled last week it would taper its $120 billion in monthly bond purchases "soon."
- U.S. stocks fell sharply on Tuesday, with tech names dragging down the broader markets as Treasury yields traded near three-month highs and lawmakers in Washington continued their budget stalemate. The Nasdaq Composite dropped 2.83% to 14,546.68 for its worst day since March and the S&P 500 shed 2.04% to finish at 4,352.63. The Dow Jones Industrial Average lost 569.38 points, or 1.63%, to close at 34,299.99.
- "The market's been steadily coming around to the reality that yields were awfully low relative to the fundamentals. Now the Fed is shifting, and everybody's shifting their positions, all at once, as we tend to do," said Kathy Jones, chief fixed income strategist at the Schwab Centre for Financial Research.
- Tech shares fell as a rapid rise in rates makes their future cash flows less valuable, and in turn makes the popular stocks appear overvalued. Higher rates also hinder tech companies' ability to fund their growth and buy back stock. Facebook, Microsoft, and Alphabet lost more than 3%, while Amazon dropped more than 2%. Large chip stocks struggled, with Nvidia sliding 4.5%.
- U.S. stocks pulled back on Thursday as Wall Street wrapped up its worst month of the year on a sour note. The weakness for the market came on the final day of what has been a rough month for equities, **as rising rates, inflation fears and concerns about the Chinese property market have roiled stocks**. The S&P 500 finished September down 4.8% for its worst month since March 2020, when the pandemic caused a major market sell-off. The index also closed 5% below its

record high for the first time this year. The Nasdaq fell 5.3% for its worst month since March 2020, while the Dow dropped 4.3% for its worst month in 2021.

- September lived up to its reputation and dented stock portfolio returns, but not too badly," wrote Ed Yardeni of Yardeni Research. "There has been a lot of concern that higher wages, higher energy prices, and higher transportation costs will weigh on earnings for the remainder of this year and into 2022. It's certainly something we'll be tracking. But so far, analysts remain relatively sanguine."
- **Concerns about inflation and supply chain issues** continued to hamper the markets on Thursday. **Rising yields, fueled by concerns over inflation and the Federal Reserve's signals that it will soon begin winding down its pandemic-era asset purchases**, are seen as a negative for tech stocks because they make far-off future profits look less attractive to investors.
- **A tumultuous September, inflation fears, slowing growth and rising rates kept investors on edge. A combination of slowing growth, less accommodative monetary policy, China headwinds, fading fiscal stimulus, and nagging supply chain bottlenecks all conspired to weigh on investor sentiment as we head into fall and 4Q21.**
- Investors were also keeping an eye on Washington as Congress passed a bill that would fund the government through early December.
- U.S. stocks pushed higher on Friday as investors shook off a rough September and news of a new oral treatment for Covid-19 boosted shares of companies tied to the economic recovery. Dow climbs 480 points, Nasdaq snaps five-day losing streak as stocks rebound to start October.
- The 10-year Treasury yield fell back below 1.50% on Friday. A jump in rates to end September knocked tech stocks.
- **While October is known for notable market crashes, it typically is the start of a better seasonal period for stocks. The S&P 500 averages a 0.8% gain in October, according to the Stock Trader's Almanac. Stocks average a 1.6% increase and 1.5% rise in November and December, respectively, according to the almanac.**

U.S.
Previously – (24/09/2021)

- Monday 20th U.S. stocks began the week deeply in the red as investors continued to flock to the sidelines in September amid several emerging risks for the market:
    1. Investors fear a contagion sweeping financial markets from the troubled China property market. Hong Kong equities saw a big sell-off during the Asia trading session on Monday. The benchmark Hang Seng index plunged 4% with embattled developer China Evergrande Group on the brink of default.
    2. The Federal Reserve begins a two-day meeting Tuesday and investors are worried the central bank will signal it's ready to start pulling away monetary stimulus amid surging inflation and improvement in the job market.
    3. Covid cases because of the delta variant remain at January levels as colder weather approaches in North America.
    4. September has the worst track record of any month, averaging a 0.4% decline, according to the Stock Trader's Almanac. History shows the selling tends to pick up in the back half of the month.
    5. Investors are also concerned about brinkmanship in DC as the deadline to raise the debt ceiling approaches. Congress returned to Washington from recess rushing to pass funding bills to avoid a government shutdown.
- Stocks linked to global growth led the broad-based sell-off Monday. Ford lost more than 5%. General Motors and Boeing fell 3.8% and 1.8%, respectively. Steel producer Nucor shed 7.6%. Energy stocks tumbled as WTI crude oil fell nearly 2% on concerns about the global economy. The energy sector slid 3%, becoming the worst-performing group among the 11 S&P 500 groups. APA shed more than 6%, while Occidental Petroleum and Devon Energy both dropped over 5%.
- "We are in an information vacuum at the moment," said Jamie Cox, managing partner at Harris Financial Group. "**Stalemates in Congress on the debt ceiling, worries on policy changes or mistakes in monetary policy, and a litany of proposed tax increases have dampened the mood for investors. When this occurs, corrections happen."**
- On Wednesday, the Federal Reserve holds interest rates steady near zero, but indicated that rate hikes, tapering could be coming sooner than expected, and it significantly cut its economic outlook for this year due to rising COVID 19 Delta variant. There was no specific indication, though, as to when that might happen. The Committee judges that, so long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year is likely to be appropriate.
- Powell said the Fed is getting closer to achieving its goals on "substantial further progress" on inflation and employment. "For inflation, we appear to have achieved more than significant progress, substantial further progress. That part of the test is achieved in my view and the view of many others," he said.
- "My own view is the test for substantial further progress on employment is all but met,". However, Powell said "For me it wouldn't take a knockout, great, super strong employment report. It would take a reasonably good employment report for me to feel like that test is met. Others on the committee, many on the committee, feel the test is already met. Others want to see more progress," he said.
- On Friday 24th , S&P 500 rises for a third straight day to end a wild week of trading. "As bad as things started off on Monday for stocks, a mid-week bounce and calm on Friday isn't so bad," said Ryan Detrick, chief market strategist for LPL Financial. "Still, many of the worries over Evergrande, a slowing economy, and continued supply chain issues are still out there."

Source: Bloomberg news, CNBC news.

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EU
Current Situation – (01/10/2021)

- **Inflation prospects and bond yields are in focus after a turbulent start to the week. Global markets have been roiled by fears of persistent high inflation, slowing growth and rising interest rates.**
- European Central Bank President Christine Lagarde said in remarks to a European Parliament committee that euro zone inflation could exceed the bank's projections, but price increases would likely be temporary. European Central Bank President Christine Lagarde warned against overreacting to rise inflation, reiterating her position that any spike in prices was likely to be temporary.
- European stocks closed sharply lower on Tuesday as global investors monitored a spike in U.S. bond yields and Chinese growth concerns. U.S. stocks fell following a rise in bond yields that pressured growth pockets in the market, a trend which weighed heavily on European tech stocks.
- European traders also continued to digest the fallout of the German election on Tuesday after the vote on Sunday resulted in more uncertainty for the country. The centre-left Social Democratic Party (SPD) gained the largest share of the vote with 25.7% by a slim margin, with Angela Merkel's right-leaning bloc of the Christian Democratic Union and Christian Social Union gaining 24.1% of the vote. Coalition negotiations between the main parties and two smaller counterparts, the Greens and Free Democrats, are likely to take weeks or even months.
- European investors are closely watching movements in the U.S. bond market after the benchmark 10-year Treasury yield touched a high of 1.567%, prompting tech shares to lead the broader markets lower. **Rising bond yields tend to hurt growth stocks, including tech stocks, because they lower the relative value of future earnings, and make popular stocks appear overvalued.**
- EU economic sentiment improved in September after declining in August, as optimism rose among consumers and the industrial and construction sectors, official data revealed Wednesday. The European Commission's economic sentiment index hit 117.8 in September from 117.6 in August, following a record high 119.0 in July.
- European stocks closed slightly higher on Thursday but still wrapped up the month in negative territory. Germany's blue-chip DAX fell 3.6% for the month, marking its first negative month since January 2021 and its worst month since October last year. The DAX also posted its first negative quarter since the first quarter of 2020.
- The U.K. economy grew by 5.5% in the second quarter, official data revealed, outstripping a previous estimate of 4.8% GDP growth.
- French consumer spending rose by 1% in August from the previous month, after falling 2.4% in July. A Reuters poll had forecast a rise a 0.1%. Euro zone unemployment fell in August, in line with expectations as a downward trend which began early in 2021 continued. EU statistics office Eurostat revealed Thursday that unemployment across the 19-member currency bloc dropped to 7.5% of the workforce in August, down from 7.6% in July.

EU
Previously – (24/09/2021)

- European stocks closed lower as investors reacted to central bank's policy decisions, monitored developments ahead of German election and situation surrounding China Evergrande Group.
- In an exclusive interview on Thursday, European Central Bank President Christine Lagarde told CNBC she believes Europe's direct exposure to the embattled Chinese property company Evergrande would be "limited."
- The Bank of England on Thursday kept monetary policy unchanged and downgraded economic growth projections for the third quarter of this year. This came after the U.S. Federal Reserve indicated on Wednesday that it doesn't see an imminent rollback of the monetary stimulus that has been supporting the economy throughout the pandemic.
- Elsewhere, German business sentiment fell for the third consecutive month in September, a survey from the country's IFO Institute showed on Friday.
- Traders will also be gearing up for German federal elections this weekend with early projections of the result set to come in on Sunday evening.

Source: Bloomberg news, CNBC news.

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APAC
Current Situation – (01/10/2021)

- **Inflation prospects and bond yields are in focus after a turbulent start to the week. Global markets have been roiled by fears of persistent high inflation, slowing growth and rising interest rates.**
- Stocks in Asia-Pacific mostly declined overnight, as various firms downgraded China's GDP forecasts amid a power crunch.
- In Asia, markets in Shanghai sank on Monday as analysts monitored a recent **power crunch in China** which has trimmed factory production.
- The Wall Street Journal reported Thursday that Chinese authorities have told local officials to prepare for a potential demise of developer China Evergrande Group. Uncertainty also remains around whether Evergrande will pay the interest due Thursday on a dollar-denominated bond.
- Goldman Sachs on Tuesday slashed its China GDP growth expectations to 7.8%, down from the 8.2% previously forecast. Nomura also expected China's GDP to grow by 7.7% this year, down from a previous forecast of 8.2%.
- Asia-Pacific stocks largely fell in Wednesday trade following an overnight tumble on Wall Street, with the Nasdaq plunging nearly 3% as bond yields rise. The rising yields hit tech stocks overnight on Wall Street, with the Nasdaq Composite falling 2.83% to 14,546.68 for its worst day since March. Tech stocks are hit in an environment of rising yields as the rise in rates makes their future cash flows less valuable, and in turn makes the popular stocks appear overvalued.
- Shares in Asia-Pacific were mixed on Thursday, as investors reacted to the release of Chinese factory activity data for September which came in above expectations.
- Shares in Asia-Pacific slipped in Friday trade, with Japanese markets among the region's biggest losers.
- Sentiment at Japan's large manufacturers improved in the three months to September, according to the Bank of Japan's quarterly tankan business sentiment survey released Friday. The headline index for large manufacturers' sentiment came in at plus 18 — an improvement over the previous quarter's reading of plus 14.
- Elsewhere, Australian stocks also notched heavy losses, with the S&P/ASX 200 closing 2% lower at 7,185.50. Taiwan's Taiex plunged 2.15% on the day to 16,570.89.
- South Korea's Kospi dipped 1.62% to close at 3,019.18. In Southeast Asia, the Straits Times index in Singapore declined about 1%, as of 3:08 p.m. local time.

APAC
Previously – (24/09/2021)

- Concerns about Evergrande hit global markets to start the week with the Dow shedding more than 600 points on Monday. Investors were still waiting to see if Evergrande, the failing developer at the center of the property crisis in the country, will pay $83 million in interest on a U.S. dollar-denominated bond that was due Thursday. The company so far is staying silent and has 30 days before it technically defaults.
- "If Evergrande fails, the exposure outside of China appears limited, and since the government will do whatever, it takes to contain it," said Edward Moya, senior market analyst at Oanda. "If China is successful, global risk appetite may not be dealt that much of a blow."
- A crackdown on bitcoin by China hurt market sentiment overnight, especially with technology shares that depend on crypto-related revenue. China's central bank declared all cryptocurrency-related activities illegal on Friday. Overseas crypto exchanges providing services in mainland China are also illegal, the People's Bank of China said.
- In Asia, stocks closed mixed Friday. Shares of China Evergrande Group in Hong Kong fell nearly 12%. The Wall Street Journal reported Thursday that Chinese authorities have told local officials to prepare for the potential demise of Evergrande. Uncertainty also remains around whether Evergrande will pay the interest that was due Thursday on a dollar-denominated bond.

Source: Bloomberg news, CNBC news.

TECH (Technical Analysis)

Week ahead

NDX - NASDAQ 100

For weekly technical analysis on major stock indices and Pre-Market checklist click: PRE-MARKET CHECKLIST – The Intelligent Day Trader

Source: TIDT (The Intelligent Day Trader)

THE WEEK AHEAD – PRICE ACTION

TIDT KRS Expectations

ASX 200				FTSE 100				NDX 100			
7198	XXXX	7380	7401	7902	7432	XXXX	7196	XXXXX	14050	14325	14397
7017	7120	7335	7359	XXXX	XXXX	XXXX	XXXX	12889	13845	14128	14247
XXXX	XXXX	XXXX	XXXX	7130	6940	7050	6992	XXXXX	XXXXX	XXXXX	XXXXX

TIDT KRS (The Intelligent Day Trader Key Resistance and Support)

For complete and extended KRS on major stock indices visit: TIDT KRS – The Intelligent Day Trader

Source: TIDT (The Intelligent Day Trader)

ONGOING THEMES

- **Tech shares always fall as a rapid rise in rates makes their future cash flows less valuable, and in turn makes the popular stocks appear overvalued. Higher rates also hinder tech companies' ability to fund their growth and buy back stock.**
- "We expect volatility to increase over the next month driven by a **seasonal pickup in investor uncertainty**, **continued virus uncertainty**, and **significant monetary and fiscal policy catalysts**," wrote John Marshall, head of derivatives research for Goldman Sachs, in a note Friday. Marshall cited data showing S&P 500 volatility typically increased by 27% from August to October.
- **Good first halves for the market usually bode well for the rest of the year. Whenever there has been a double-digit gain in the first half, the Dow and S&P 500 have never ended that year with an annual decline, according to Refinitiv data going back to 1950. We may have a correction at some point this year but we expect the equity market to close with gains this year.**
- The Fed tapering plans and rising Inflation concern will continue to dominate the market in the weeks ahead.
- Stocks have gone a relatively long period without any major sell-off. The S&P 500 notched its fifth positive month in a row, rising 2.2% in June. The broad index also posted its best first half since 2019.
- **24th June -** U.S. $1 trillion infrastructure package - White House had struck an infrastructure deal with a bipartisan group of senators. The lawmakers have worked for weeks to craft a roughly $1 trillion package that could get through Congress with support from both parties. **The framework will include $579 billion in new spending on transportation like roads, bridges and rail, electric vehicle infrastructure and electric transit, among other things.**
- The stock market overall has been bolstered by a strong earnings reporting season, with nearly a quarter of the S&P 500 having already reported. Of those companies, 88% have reported a positive surprise, according to FactSet. That would mark the highest percentage of reported surprises within the S&P since 2008 if that figure holds throughout the earnings season.
- https://www.cnbc.com/2021/08/02/as-the-economy-hits-its-peak-stock-market-gains-could-be-harder-to-come-by.html

Source: Bloomberg news, CNBC news.