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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/ Labour shortage**
- **Concerns about the Chinese property market**
- **Stalemates in Congress on the debt ceiling**
- **A litany of proposed tax increases**

U.S.
Current Situation – (08/10/2021)

- Dow falls 320 points to start the week, Nasdaq drops 2% amid tech routs. The major averages took steep losses to start the week **as investors continued their rotation out of technology stocks amid rising bond yields.** Large tech shares like Apple, Nvidia, Amazon and Microsoft were lower as investors eyed bond yields. A surge in rates to end September knocked highly valued tech stocks. The 10-year Treasury yield was slightly higher Monday, trading around 1.48%. The 10-year U.S. Treasury yield hit 1.56% last week, its highest point since June, with investors concerned about inflationary pressures and tighter monetary policy.
- Curiously, investor worries about COVID-19 and its variant seem to have begun to play a lesser day-to-day 'worry role' in the markets of late than over the course of the summer.
- The fourth quarter is typically a good period for stocks, but overhangs like central bank tightening, the debt ceiling, Chinese developer Evergrande and Covid-19 could keep investors cautious. Heading into the fourth quarter, more than half of all S&P stocks are off at least 10%.
- One of the first hurdles markets face in the new quarter is Friday's closely watched employment report, which could spur the Federal Reserve's decision on when to taper its bond-buying program.
- Tuesday The major averages rebounded on Tuesday following a technology-centered market rout in the previous session. Mega-cap technology names were solidly in the green on Tuesday. Netflix rose 5.2%, Amazon gained just shy of 1%. Apple and Alphabet advanced 1.4% and nearly 1.8%, respectively. Facebook shares rose 2% following a 5% slide on Monday due to a whistleblower's claims and a site outage.
- Tech has been the worst performing sector of the last month as a jump in yields caused investors to rotate out of the highly valued shares since rising rates can make their future profits look less attractive. Yields are increasing as the Federal Reserve signaled in September it would start tapering its monthly bond-buying soon. The U.S. 10-year Treasury yield was around 1.53% on Tuesday afternoon after hitting a high of 1.56% last week.
- "The sell-off was in part driven by a rise in 10-year government bond yields... higher inflation, and weaker growth," wrote Mark Haefele, chief investment officer of global wealth management at UBS.

- The market suffered a tumultuous September as inflation fears, slowing growth and rising rates kept investors on edge. The S&P 500 fell 4.8% last month, **posting its worst month since March 2020 and breaking a seven-month winning streak.**
- In Washington, lawmakers are still trying to agree to raise or suspend the U.S. borrowing limit and avert a dangerous first-ever default on the national debt. The Treasury Department warned last week that lawmakers must address the debt ceiling before Oct. 18 when officials estimate the U.S. will exhaust emergency efforts to honour its bond payments.
- Treasury Secretary Janet Yellen said Tuesday she believes the economy will fall into a recession if Congress fails to raise the debt ceiling before a default on the U.S. debt.
- Wednesday Dow closes 100 points on possible debt ceiling deal progress, recovering 450-point loss. Stocks staged a comeback on Wednesday as investors grew optimistic about a debt ceiling deal and bought into technology stocks. Stocks reversed course on news that Senate Minority Leader Mitch McConnell told a closed meeting of Republicans that he would offer a short-term debt ceiling extension later Wednesday. That would help relieve some pressure on Congress to avoid a U.S. default currently expected on Oct. 18.
- **Well, October is sure living up to its reputation as the most volatile month of the year. We expect the October roller-coaster market to stick around for a bit longer," said Ryan Detrick of LPL Financial.**
- Recent increases in energy prices and interest rates are raising concerns about higher costs for consumers and companies. The 10-year Treasury yield was flat Wednesday around 1.52%, after topping 1.56% last week. Oil prices hit the highest since 2014 this week with WTI crude oil nearly topping $80 a barrel.
- Friday Dow closes near the flat line after jobs report miss, but notches winning week. The Dow was little changed on Friday, notching a winning week as optimism about a short-term debt ceiling deal trumped a disappointing jobs report.
- The major averages all ended in the green for the week. The Dow rose 1.2% for its best week since June. The S&P 500 rose about 0.8% for its best week since August. The Nasdaq rose just shy of 0.1% since Monday.
- There was something for both bears and bulls in Friday's jobs report, which explains the gyrations in stocks following the release. On the positive side, the unemployment rate itself fell to a much lower point than economists forecast. At 4.8%, that's the same level seen in late 2016. Plus, August's jobs report was revised up to 366,000 compared to the initial read of 235,000. **A bleaker labour picture could stall the Federal Reserve, as it prepares to slow its $120 billion-per-month bond-buying program.**
- This jobs number could call into question the starting point for taper late this year," said Jamie Cox, managing partner for Harris Financial Group. "There are lots of positives in the report, like an uptick in average hourly earnings, but not enough to sugar coat the fact the employment picture remains murky with all the Covid related cross currents."
- Uncertainty around the debt ceiling had been a headwind for the market but other risks remain, including accelerating inflation and rising rates. The 10-year Treasury yield was around 1.57% on Thursday, and UBS sees it rising to 1.8% by the end of the year.
- Wall Street is also preparing for third-quarter earnings season, which kicks off next week.

U.S.
Previously – (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.**

Source: Bloomberg news, CNBC news.

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Rising Inflation, Strong job numbers, FED Tapering expected before the end of 2021 or early 2022, Impact of Covid - Delta Variant.

EU
Current Situation – (08/10/2021)

- European markets close lower; China Evergrande trading halt watched. Markets kicked off the first full trading week of the month focused on concerns around inflation, Federal Reserve tapering, rising interest rates and Evergrande. The market move comes after a tricky September, with concerns around inflation, Federal Reserve tapering and rising interest rates dominating sentiment. The 10-year U.S. Treasury yield topped 1.56% last week, its highest point since June.
- In Europe, Euro zone finance ministers met to discuss matters including the EU's recovery plans, banking union and fiscal policy.
- Tuesday European markets close higher as banking and tech stocks rally; Greggs up 10%. European stocks rallied on Tuesday with regional investors brushing off losses on Wall Street earlier in the week. The positive start for Europe comes despite concerns over losses in Wall Street in the previous trading session that saw the tech-heavy Nasdaq Composite fall more than 2%. On the economic data front, final purchasing managers' index (PMI) readings from across the euro zone showed business growth dented in September by inflationary pressures and supply chain problems. The final IHS Markit composite PMI came in at 56.2 last month, compared to 59.0 in August. Anything above 50 represents an expansion.
- Wednesday European stocks closed lower on Wednesday as U.S. Treasury yields briefly spiked, with inflation concerns continuing to weigh on global markets.
- The pan-European Stoxx 600 provisionally ended down 1%, with all sectors and major bourses in negative territory. Retail, autos and travel and leisure stocks were among those leading the losses, down over 2.5%.
- The benchmark U.S. 10-year Treasury yield retreated from more than three-month highs on Wednesday, as investor jitters over the potential for persistent higher inflation endured. The jump in bond yields has caused investors to flee highly valued tech stocks in the U.S., as higher rates make their future profits less attractive.

- Thursday European markets close higher in roller-coaster week for stocks. European stocks rebounded on Thursday, continuing a week that has seen wild swings in global market sentiment and trading.
- European markets closed lower on Friday afternoon following a roller-coaster week for global stocks, as investors digested a dire U.S. jobs report. Markets have fluctuated hard over the past week as global investors assess the possibility of persistent high inflation, with U.S. bond yields driving jitters for growth-oriented tech stocks.
- Friday's U.S. nonfarm payrolls report, a key indicator for the Federal Reserve as it prepares to slow its $120 billion-per-month bond-buying program, badly missed expectations. The U.S. economy created just 194,000 jobs in September against a Dow Jones estimate of 500,000, the Labor Department reported.
- This followed a big miss in August, when just 235,000 jobs were added against a consensus forecast of 720,000. The unemployment rate fell to 4.8% versus expectations of 5.1%.

EU

Previously – (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.

Source: Bloomberg news, CNBC news.

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APAC

Current Situation – (08/10/2021)

- Monday Markets in China are closed for most of this week for a holiday and are set to reopen on Friday. South Korean markets were also closed on Monday for a holiday. Hong Kong's Hang Seng index drops 2% amid Evergrande trading halt.
- Tuesday Japan's Nikkei 225 drops more than 2%, paring losses after entering correction territory earlier. Shares in Asia-Pacific largely fell on Tuesday following overnight losses on Wall Street, with the tech-heavy Nasdaq Composite falling more than 2%.
- Shares in Asia-Pacific were mostly lower on Wednesday, with major indexes in Japan and South Korea leading losses regionally. New Zealand's central bank hikes interest rates.
- Hong Kong's Hang Seng closes 3% higher as major Asia-Pacific indexes rise more than 1%. The broader real estate sector also rose, with the Hang Seng Properties index jumping 1.98% to 30,506.05.
- Friday Chinese stocks rise on return to trade after Golden Week holiday; oil prices jump. Chinese stocks rose on the first day of trade after a week-long holiday, tracking other stock markets across Asia-Pacific as markets on Wall Street rallied. Data on Friday also showed that the services activity in China returned to positive levels. "With the market reopening today, investors are likely to focus on issues in the Chinese property market. With property developers struggling [with] high debt levels, the spectre of strong demand for steel and iron ore remains low," analysts at ANZ Research wrote in a note, referring to Evergrande's debt woes and signs of stress in the broader property sector.

APAC

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- **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

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.