

Macro Monday

Key Markets	Friday Close	YTD	S&P500 Sector	3 Month
S&P 500	5,459	+14.45%	Communications	+4.34%
NASDAQ Composite	17,358	+15.63%	Discretionary	+2.64%
DJIA	40,589	+7.69%	Energy	-0.41%
Russell 2000	2,260	+11.49%	Financials	+7.05%
Int'l Developed	2,337	+4.51%	Health Care	+6.48%
VIX	16.49	11.5Lo/21.4Hi	Industrials	+2.88%
Oil	76.82	+7.70%	Materials	+2.01%
Gold	2,434	+17.50%	Real Estate	+10.02%
Bitcoin	68,620	+62.00%	Staples	+3.44%
U.S. 2-yr	4.39%	+14 bps	Technology	+6.76%
U.S. 10-yr	4.20%	+32 bps	Utilities	+4.03%

RECAPPING LAST WEEK

U.S. equity indices once again posted mixed performance in **volatile trading** as investors assessed the latest **economic data** and corporate earnings results. The Nasdaq Composite index fell more than 2%, while the S&P500 edged lower by nearly 1%. The Russell 2000, on the other hand, notched its third straight week of gains, jumping 3.5%. **S&P500 sector performance** was spilt, with technology, communications, and consumer discretionary underperforming significantly. Disappointing earnings reports from Alphabet and Tesla sent the **Nasdaq-100 index** tumbling by more than 3.5% on Wednesday. **Crude oil** prices fell 2.3% as traders feared **falling demand** from China. **U.S. Treasury yields** retreated on Friday after June's **PCE index** readings were in line with expectations, keeping on track a widely anticipated September interest rate cut. The **headline inflation** number was up 0.1% MoM and 2.5% YoY, while **core PCE** increased 0.2% MoM and 2.6% YoY. **Personal income** was below forecasts, with spending matching estimates. Data earlier in the week revealed that **economic activity** continued to surprise to the upside with inflation subsiding, which is music to the Federal Reserve's ears. **Second-quarter GDP** grew at a 2.8% annualized rate, well above expectations and led by a 2.3% increase in **consumer spending**. The economic momentum extended into July, as the **S&P Global flash composite PMI** rose to 55 and the **services sector** reached a 28-month high of 56.0. Goods and services prices continued to increase MoM, but at a slower rate. **Durable goods orders** for June were up 0.5%, excluding the volatile transportation sector. However, U.S. housing remained a sore spot, with **new and existing home sales** sliding in June. The median existing **home price** jumped 4.1% YoY to an all-time high of \$426,900. On the international side, **China** surprised markets twice last week with **interest rate adjustments**. First, the country cut benchmark lending rates for the first time in nearly a year as leadership faces potential **deflation**, surging debt, and **trade tensions**. Later, **China's central bank** conducted an unscheduled lending operation at sharply lower rates to provide more **monetary stimulus**. Chinese stocks fell—investors feared the **urgent action** indicated the economy could be in worse shape than previously thought. Elsewhere, the **Bank of Canada** lowered interest rates for a second straight meeting, with officials signaling that **downside economic risks** may be building. Finally, flash PMI readings in Europe and the UK reflected diverging economic trends. **Germany's manufacturing activity** plunged to new lows, while Britain's saw the fastest growth in two years.

THE WEEK AHEAD

Another busy week is on deck with **central bank decisions**, U.S. labor and wages data, and key corporate earnings announcements. On Wednesday, the **Federal Reserve** is expected to hold interest steady ahead of an **expected cut** at the September meeting. The Fed may signal the cut at this meeting, or they could choose to wait until the **Jackson Hole Symposium** in late August. The monthly **U.S. labor market** numbers are on tap, starting with the JOLTS job openings on Tuesday, **ADP private payrolls** on Wednesday, and finally the government **non-farm payrolls** on Friday. **Wage growth** will also be top-of-mind with **inflation** trending lower recently. Preliminary estimates for the second-quarter employment cost index and **unit labor costs** arrive this week. On the **earnings** front, most of the **technology giants** that haven't already reported are scheduled to this week, including Apple, Amazon, Microsoft, Advanced Micro Devices, and Meta Platforms. **Consumer confidence**, pending homes sales, **ISM manufacturing PMI**, and factory orders round out the U.S. economic agenda. Overseas, the **Bank of Japan** will announce its interest rate decision Tuesday evening, and the Bank of England will follow on Thursday morning. The **Japanese yen** has strengthened recently versus the U.S. dollar, leading some to speculate that the BOJ will hike rates by 10bps and announce a plan to reduce ETF purchases. The latest economic data out of the **UK** suggest that odds of a **rate cut** at this week's meeting are 50/50. Europe will be focused on the latest **inflation numbers** that come out mid-week. Last of all, China's **manufacturing and services PMI** arrive Tuesday evening, along with **Australia's CPI** and retail sales reports.

CHART OF THE WEEK

A second quarterly dip

While the **S&P500 index** ended the week just slightly lower, at mid-week it was revisiting some metrics it hadn't seen since April. The index closed only 3% off the **all-time highs** from the week before but dipped below its **50-day exponential moving average (EMA)** before bouncing back. Additionally, the **RSI** (second lower study) revisited the 40 level, commonly associated with **support** in a bullish trend. Meanwhile, the **volatility index (VIX)**, represented with the purple line, stretched above 19 on Thursday, significantly above its recent average near 14. The first study below the chart is a ratio of **three-month volatility (VIX3M)** versus one-month (VIX). In calm markets, VIX3M will usually be higher than VIX, but when markets start to sell off these indices can **converge** or even **invert** (below 1 on the ratio), which hasn't happened since the **October 2022 low**. None of last week's developments have appeared since the **6% drop** in April, when they all emerged four days before that **low** was made. These indicators aren't a signal in every **market environment**, nor is it always an immediate reaction. However, recent history suggests watching for a **near-term reversal**.



July 29 – August 2, 2024

MONDAY

Japan Unemployment Rate | 7:30 p.m.
2.6% exp, 2.6% prior

Earnings: MCD, ON, FFIV, RMBS, LSCC

TUESDAY

German Prelim CPI m/m | All Day
0.3% exp, 0.1% prior

German Prelim GDP q/q | 4:00 a.m.
0.1% exp, 0.2% prior

U.S. S&P/CS HPI y/y | 9:00 a.m.
7.4% exp, 7.2% prior

U.S. Consumer Confidence | 10:00 a.m.
99.8 exp, 100.4 prior

U.S. JOLTS Job Openings | 10:00 a.m.
8.14m prior

Australia CPI y/y | 9:30 p.m.
3.8% exp, 4.0% prior

Aus Retail Sales m/m | 9:30 p.m.
0.3% exp, 0.6% prior

China Mfg/Non-Mfg PMI | 9:30 p.m.
49.3/50.2 exp, 49.5/50.5 prior

Japan BOJ Policy Rate | Tentative

Earnings: PYPL, PFE, PG, AMD, MSFT

WEDNESDAY

EU CPI Flash Estimate y/y | 5:00 a.m.
2.4% exp, 2.5% prior

U.S. ADP Employment Chg | 8:15 a.m.
166k exp, 150k prior

U.S. Employ Cost Idx q/q | 8:30 a.m.
1.0% exp, 1.2% prior

U.S. Pend Home Sls m/m | 10:00 a.m.
1.6% exp, -2.1% prior

U.S. FOMC Statement | 2:00 p.m.

China Caixin Mfg PMI | 9:45 p.m.
51.6 exp, 51.8 prior

Earnings: BA, MA, META, QCOM, ARM

THURSDAY

UK BOE Official Bank Rate | 7:00 a.m.

U.S. Unemployment Claims | 8:30 a.m.
239k exp, 235k prior

U.S. Unit Labor Costs q/q | 8:30 a.m.
1.6% exp, 4.0% prior

U.S. ISM Mfg PMI | 10:00 a.m.
49.0 exp, 48.5 prior

Earnings: COP, AMZN, AAPL, INTC

FRIDAY

U.S. Employment Change | 8:30 a.m.
177k exp, 206k prior

U.S. Factory Orders m/m | 10:00 a.m.
0.5% exp, -0.5% prior

Earnings: XOM, CVX, AMC

Source: forexfactory.com. All times ET.

Questions or comments?

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