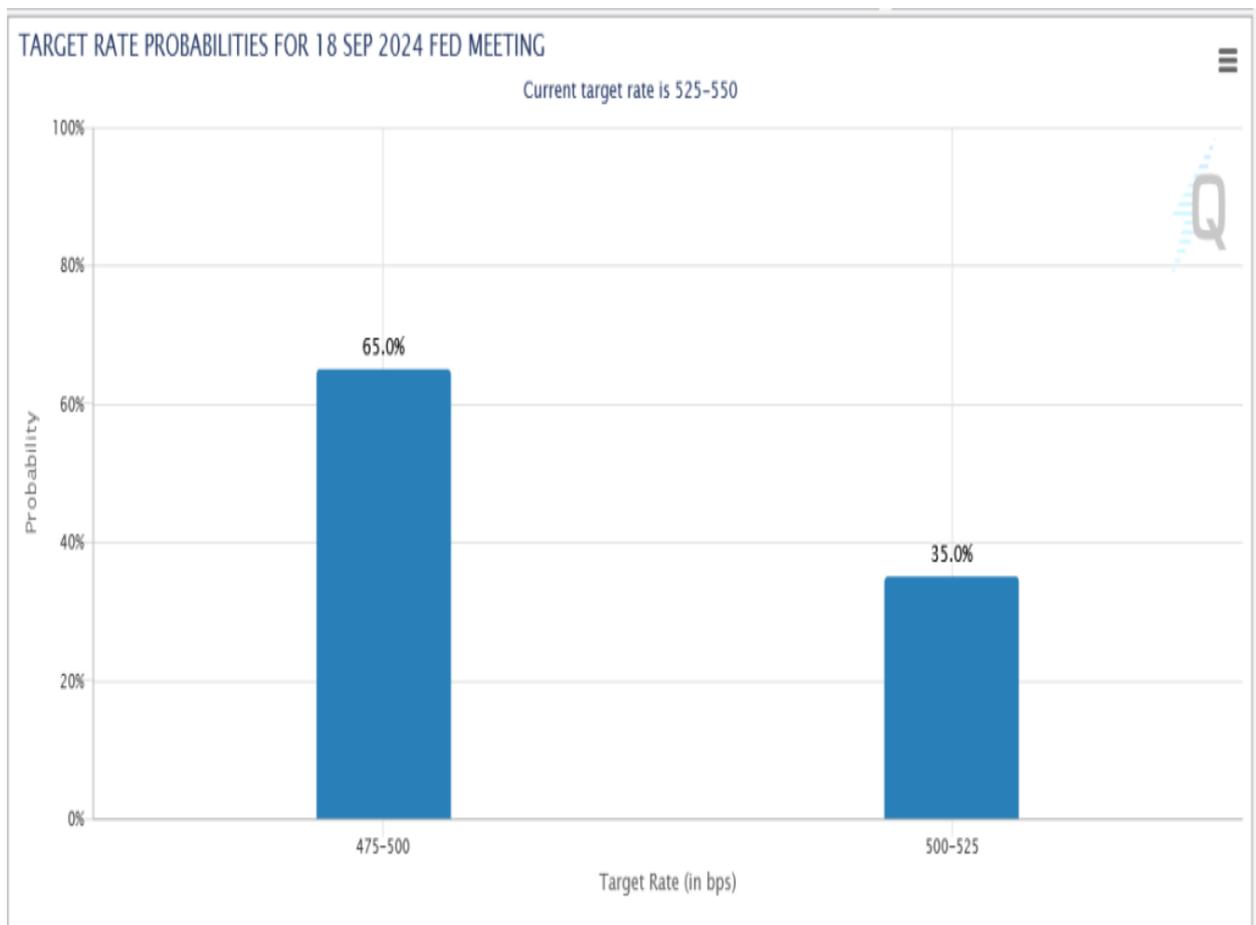


A 50 bps Fed Cut Is Now Expected

As we share below, the market is betting on a 50 bps Fed rate cut at tomorrow's FOMC meeting. Given tame inflation and labor data, the question is why there is a sudden change in expectations. Might the Fed think the labor market is weakening more substantially than the market? Moreover, deflation could be a more significant threat than many appreciate. Remember that CPI, less lagging shelter prices, has been lower since March 2024.

While the Fed may want to move the ball faster with a 50 bps rate cut, doing so potentially poses risks. In our mind, the market's perception is the most considerable risk of the Fed cutting 50 bps. Might such a move elicit concerns that the Fed is behind the curve? If so, investors may lower their growth and inflation forecasts. Both factors have driven outsized corporate profits. Therefore, a 50 bps cut by the Fed risks an equity market re-pricing. Or will the market rally because the market perceives lower interest rates as bullish?

There are many questions to be answered with bullish and bearish potential outcomes. Jerome Powell can soothe the markets in his press conference or spark concern. Buckle up; the next few days will undoubtedly be interesting, especially if the Fed cuts by 50bps.



What To Watch Today

Earnings

- No notable earnings releases today.

Economy

Time	Event	Impact	Actual	Consensus	Previous	
TUESDAY, SEPTEMBER 17						
12:30	USD Retail Sales (MoM) (Aug)		-	0.2%	1%	
12:30	USD Retail Sales Control Group (Aug)		-	-	0.3%	
12:30	USD Retail Sales ex Autos (MoM) (Aug)		-	0.3%	0.4%	
13:15	USD Industrial Production (MoM) (Aug)		-	0%	-0.6%	
14:00	USD Fed's Logan speech			SPEECH		

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Market Trading Update

Yesterday, we discussed the market's strong rally from the recent lows. However, the bond market has rallied just as strongly ahead of this week's highly anticipated Federal Reserve meeting and the expected rate cut. As shown, Treasury bonds (as represented by TLT) are quite deviated from the 50-DMA and overbought on multiple levels. While we remain bullish on bonds in the longer term, particularly as the economy slows, the current overbought conditions and exuberance into the bond trade over the last few months is a bit overdone.

With the Fed meeting this week, the current setup suggests that even if the Fed cuts rates as expected, this could be a *buy the rumor, sell the news* setup for bonds. Of course, as is always the case, overbought conditions can remain overbought longer than most imagine, so trade accordingly.



TradingView



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Apple iPhone 16s Post Disappointing Sales

The good news for Apple is that they sold an estimated 37 million new iPhone 16s in the first weekend of pre-orders. The bad news is that figure is down over 10% from last year's iPhone 15 launch. It appears many potential buyers are waiting for Apple to introduce Apple Intelligence, its version of AI. It is currently expected that the first Apple Intelligence features may not be released until after Thanksgiving. While the delay is longer than initially expected, Apple could see a rush of sales with the new features. Such would coincide with increased holiday sales.

As shown, the stock opened on Monday morning lower by 4%. If sales are merely delayed and a big rush of orders comes after it releases AI features, Apple shares, down about 10% from recent highs, may be worth keeping an eye on.

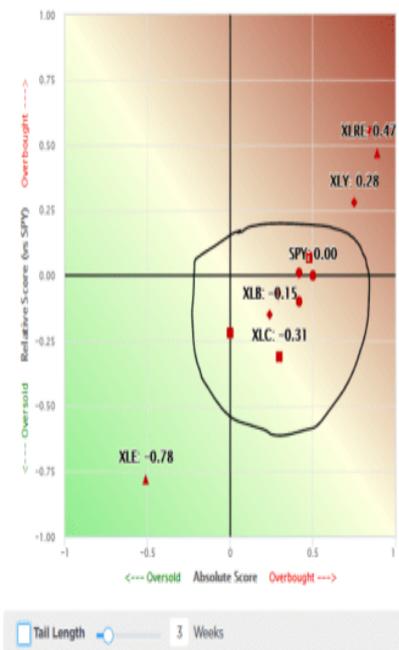


Market Breadth Normalizes With Record Highs In Reach

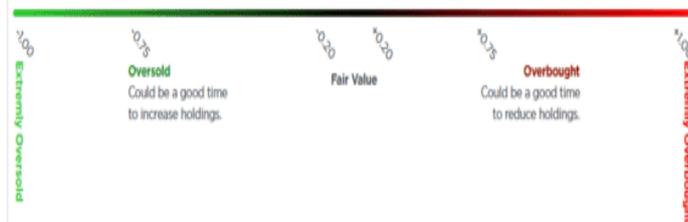
The [SimpleVisor](#) sector analysis below shows that many sectors have relative scores near zero. Therefore, these sectors are neither overbought nor oversold compared to the S&P 500. On its own, good market breadth is what we want to see in a bull market. However, the safety sectors continue to lead the way, and the energy sector is grossly lagging. Therefore, while breadth is decent, it appears there are some recession concerns creeping into investors' minds.

Sectors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
XLU Utilities		0.84	0.55	<input checked="" type="checkbox"/>
XLRE Real Estate		0.89	0.47	<input checked="" type="checkbox"/>
XLY Consumer Discretionary		0.75	0.28	<input checked="" type="checkbox"/>
XLP Consumer Staples		0.48	0.07	<input checked="" type="checkbox"/>
XLI Industrials		0.42	0.01	<input checked="" type="checkbox"/>
SPY		0.50	0.00	<input checked="" type="checkbox"/>
XLK Technology		0.29	-0.07	<input checked="" type="checkbox"/>
XLF Financial		0.29	-0.08	<input checked="" type="checkbox"/>
XLV Health Care		0.42	-0.10	<input checked="" type="checkbox"/>
XLB Materials		0.24	-0.15	<input checked="" type="checkbox"/>
XTN Transportation		0.00	-0.22	<input checked="" type="checkbox"/>
XLC Communication Services		0.30	-0.31	<input checked="" type="checkbox"/>
XLE Energy		-0.51	-0.78	<input checked="" type="checkbox"/>

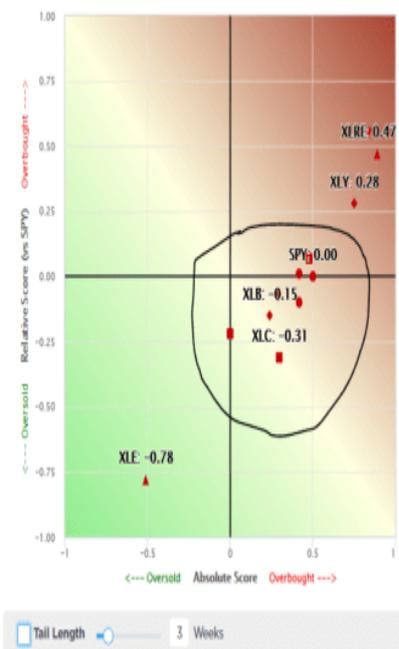


How it works



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How it works



Tweet of the Day



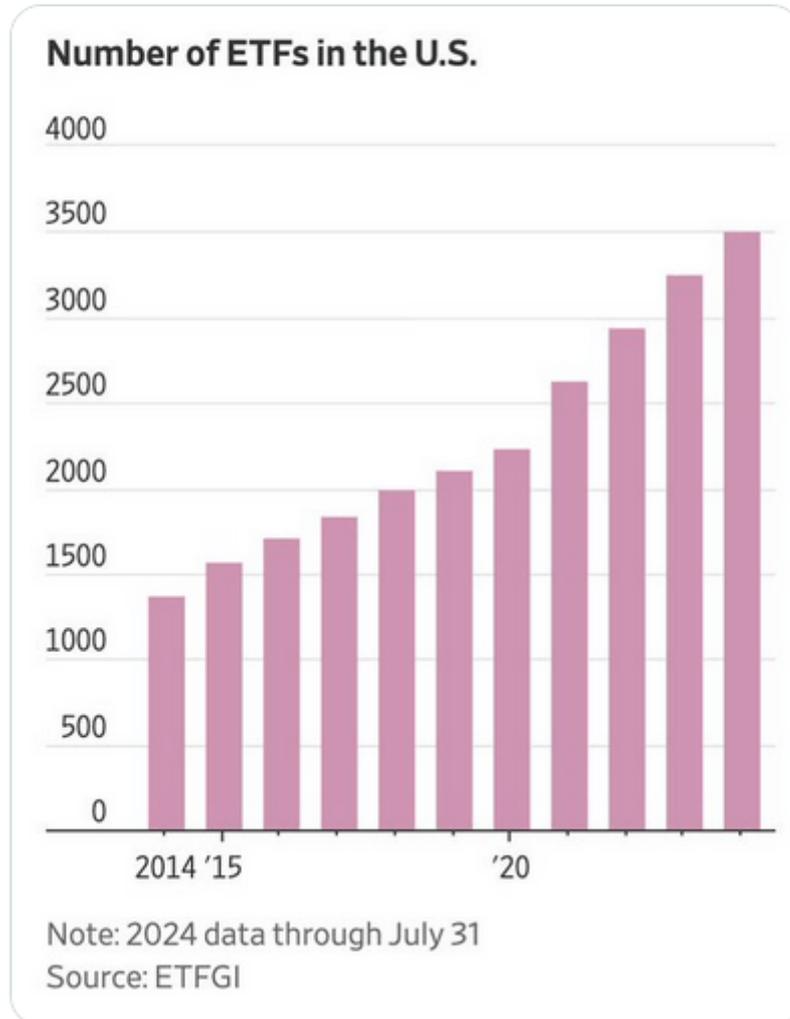
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The proliferation of ETFs in recent years has led to the rise of funds that focus on niche, gimmicky and high-risk themes.

This seems indicative of speculative mania.

How many of these ETFs are actually more of a marketing gimmick than a financial instrument.



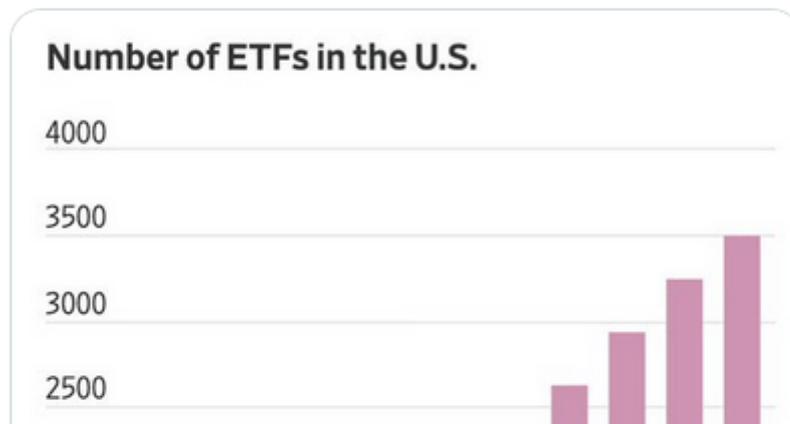
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