

Market Futures Drop, Yields Spike, Over Debt Default Worries.

This morning market futures are lower, and yields spiking, after Republicans blocked the Democrats attempt to suspend the debt ceiling until after the mid-term elections. While the Democrats are trying to paint the Republicans as *"economic destroyers," the reality is that Democrats can pass a continuing resolution and lift the debt ceiling without any assistance.* The Democrats can also pass the \$3.5 trillion spending bill, hike taxes, and complete Biden's agenda without Republican help. The problem for Democrats, is that they will *"own it all"* heading into the mid-terms, which is why they are pushing for bipartisan support.

However, the threat of a Government shutdown, and potential default, has sent interest rates spiking with the 10-year Treasury now pushing the highest level since June.



[dmc]

What To Watch Today

Economy

- 8:30 a.m. ET: **Advance goods trade balance**, August (-\$87.3 billion expected, -\$86.4 billion in July)
- 8:30 a.m. ET: **Wholesale inventories**, month-over-month, August preliminary (0.6% in July)
- 8:30 a.m. ET: **Retail inventories**, month-over-month, August (0.4% in July)

- 9:00 a.m. ET: **FHFA House Price Index**, month-over-month, July (1.5% expected, 1.6% in July)
- 9:00 a.m. ET: **S&P CoreLogic Case-Shiller 20-City Composite Index**, month-over-month, July (1.70% expected, 1.77% in June)
- 9:00 a.m. ET: **S&P CoreLogic Case-Shiller 20-City Composite Index**, month-over-month, July (20.0% expected, 19.08% in June)
- 10:00 a.m. ET: **Conference Board Consumer Confidence Index**, September (115.0 expected, 113.8 in August)
- 10:00 a.m. ET: **Richmond Fed Manufacturing Index**, September (10 expected, 9 in August)

Earnings

- 4:10 p.m. ET: **Micron Technology ([MU](#))** is expected to report adjusted earnings of \$2.34 per share on revenue of \$8.23 billion

Politics

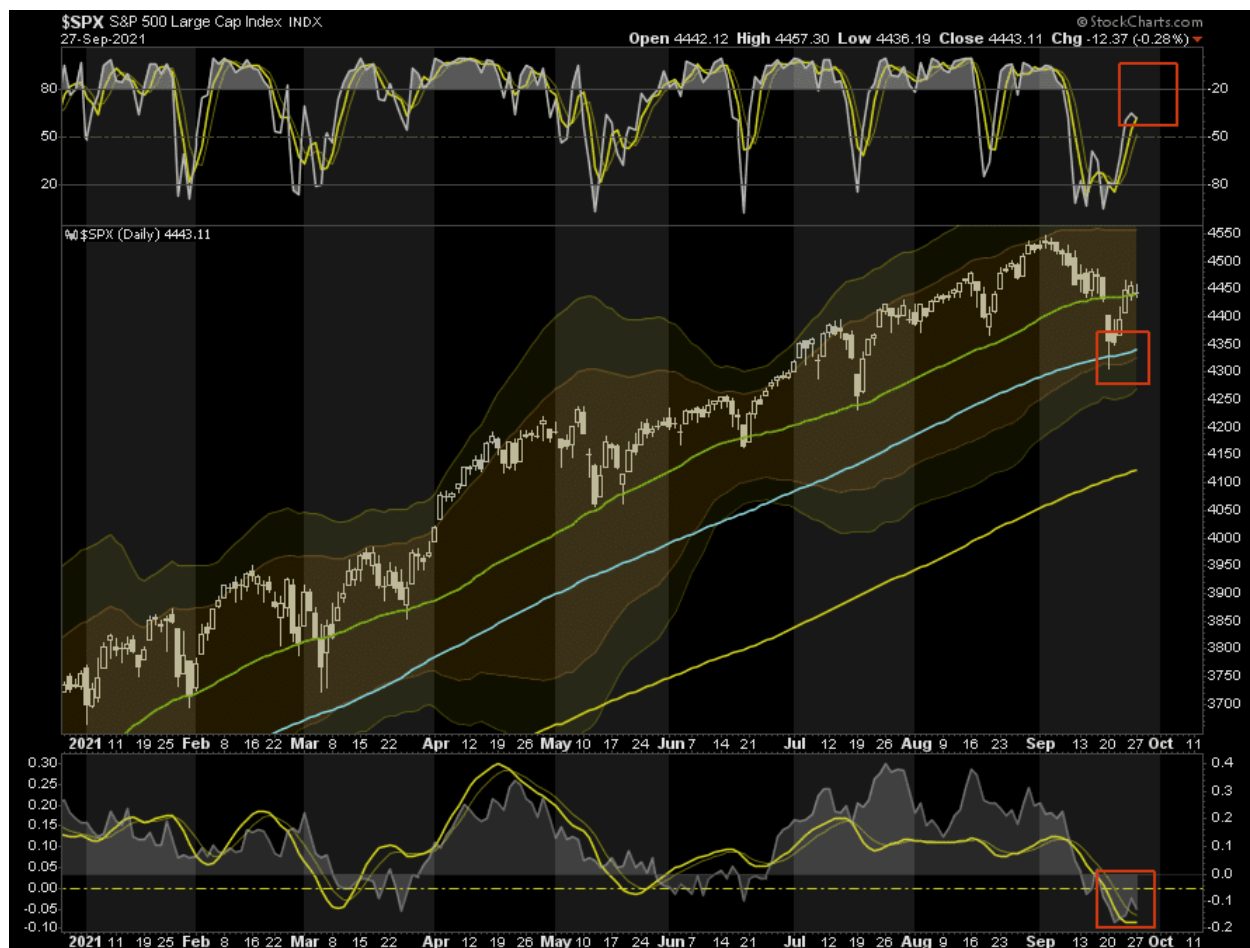
- **U.S. Treasury Secretary Janet Yellen** and **Federal Reserve Chairman Jerome Powell** [will testify before the Senate](#) at 10 a.m. ET. They will discuss nominal oversight of the CARES Act, but the debt ceiling and **cryptocurrency** are likely to come up.

Stocks Hold Key Support

Stocks took a tumble out of the gate yesterday but held support at the 50-dma numerous times. While the 50dma was key support last week, all eyes should now focus on the 100dma. That level proved to be the key market support during the recent 5% rout from market highs.

Importantly, if the 50-dma fails to hold, the 100-dma (blue line) is now critical support between a bullish retest of recent lows or the start of a more bearish decline to the 200-dma. With markets still fairly oversold short-term, we suspect support will hold and a push higher is likely over the next few days as we wrap up Q3.

Today's market action will give us more clues as to what happens next.



Breadth Remains Very Weak

Breadth continues to be a concern in the markets as of late. As shown below, the heatmap of the S&P 500 index was centered on financials and energy, with heavy weakness in technology.

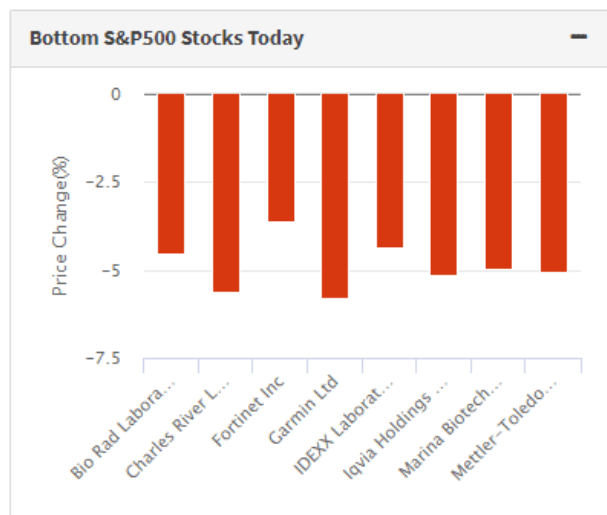
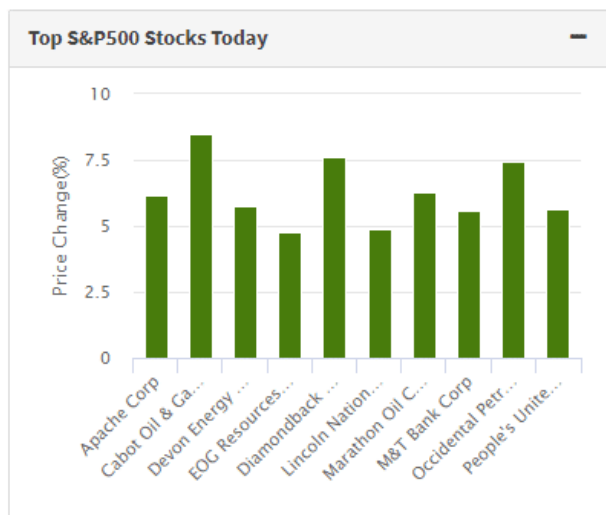
[Charts via RIAPRO.NET](#)

Today's Top & Bottom Performer by Sector (Click On Symbol to See Details)

Communication Services			Industrials			Financial			Consumer Cyclical			Energy			Real Estate			Utilities			Materials		
DISCA	DISH	DISCK	HWM	URI	TXT	PBCT	MTB	RF	BBY	CCL	CZR	COG	FANG	OXY	VNO	CBRE	BXP	PEG	EIX	AES	FCX	DOW	EMN
3.32 %	3.3 %	2.82 %	4.05 %	2.82 %	2.29 %	5.82 %	5.55 %	5.35 %	5.19 %	3.89 %	3.59 %	8.45 %	7.82 %	7.44 %	0.91 %	0.6 %	0.43 %	0.84 %	0.23 %	0.04 %	5.19 %	5.07 %	3.23 %
FOXA	FOX	EA	J	CAT	GE	FITB	LNC	CMA	WYNN	GPS	F	MRO	APA	DVN	VTR	HST	SPG	CNP	EVRG	PPL	LYB	NUE	DD
2.19 %	1.71 %	1.6 %	1.07 %	1.02 %	1.49 %	5.03 %	4.9 %	4.44 %	3.02 %	2.8 %	2.76 %	0.3 %	0.16 %	0.77 %	0.43 %	0.24 %	0.22 %	0.04 %	-0.1 %	-0.21 %	3.2 %	2.97 %	2.73 %
OMC	DIS	VIAC	CHRW	PCAR	BA	ZION	AIG	UNM	LVS	PVH	WRK	HAL	HES	EOG	REG	FRT	WY	FE	PNW	NI	MOS	CTVA	CF
1.42 %	1.28 %	1.13 %	1.36 %	1.28 %	1.25 %	4.36 %	4.05 %	4.03 %	2.71 %	2.62 %	2.52 %	5.43 %	5.02 %	4.75 %	0.19 %	0.14 %	-0.24 %	-0.3 %	-0.36 %	-0.54 %	2.73 %	2.72 %	2.28 %
T	CMCSA	NFLX	GPN	EFX	WM	HBAN	PGR	AJG	HLT	UA	AMZN	VLO	NOV	PXD	KIM	EQR	EXR	ED	SO	ES	CE	FMC	VMC
1 %	0.09 %	0.04 %	1.22 %	-1.14 %	-1.39 %	4.02 %	-0.95 %	-1.09 %	2.45 %	-0.54 %	-0.58 %	4.05 %	3.78 %	3.7 %	-0.32 %	-1.78 %	-1.81 %	-0.54 %	-1.14 %	-1.42 %	1.58 %	1.38 %	1.23 %
ATVI	IPG	NWS	CARR	ODFL	CTAS	MKTX	PYPL	SPGI	BKNG	NKE	UAA	XOM	BKR	KMI	AVB	ESS	PSA	NRG	LNT	AEE	APD	NEM	PPG
-0.24 %	-0.41 %	-0.54 %	-1.41 %	-1.47 %	-1.51 %	-1.6 %	-1.7 %	-1.71 %	-0.6 %	-1.04 %	-1.21 %	2.97 %	2.89 %	2.72 %	-2.1 %	-2.13 %	-2.35 %	-1.54 %	-1.59 %	-1.04 %	0.91 %	0.05 %	-0.28 %
CHTR	NWSA	GOOG	INFO	RSG	VRSK	AON	CBOE	MMC	EXPE	BLL	CMG	COP	WMB	OKE	AMT	SBAC	CCI	XEL	WEC	CMS	LIN	IFF	SHW
-0.84 %	-0.74 %	-0.79 %	-1.53 %	-1.6 %	-2.04 %	-1.73 %	-1.75 %	-1.81 %	-1.39 %	-1.6 %	-1.95 %	2.6 %	2.52 %	2.49 %	-2.41 %	-2.59 %	-2.05 %	-1.59 %	-1.95 %	-2.14 %	-0.34 %	-0.79 %	-1.44 %
TMUS	TWTR		TT	JCI		MCO	MSCI		POOL	ROL		CVX	MPC		DLR	EQIX		NEE	AWK		ALB	ECL	
-1.27 %	-2.75 %		-2.11 %	-2.24 %		-2.14 %	-3.43 %		-2.09 %	-2.43 %		2.39 %	1.94 %		-3.23 %	-3.25 %		-2.4 %	-3.44 %		-1.83 %	-2.45 %	

Consumer Goods			Healthcare			Technology		
TAP	DLTR	NWL	ANTM	CNC	CI	HPE	HPQ	AMD
4.92 %	2.76 %	1.82 %	1.88 %	1.81 %	1.33 %	4.4 %	2.94 %	2.23 %
ADM	SY	CAG	CVS	XRAY	WBA	LDOS	WDC	FIS
1.07 %	1.47 %	1.32 %	1.22 %	1.2 %	1.01 %	1.95 %	1.93 %	1.89 %
KHC	LW	TSN	PRGO	HSIC	MCK	DXC	XLNX	MU
1.24 %	1.22 %	0.94 %	0.81 %	0.77 %	0.85 %	1.66 %	1.55 %	1.53 %
SJM	WMT	CL	CAH	WST	PKI	ORCL	ZBRA	CRM
0.69 %	-0.54 %	-0.81 %	0.61 %	-3.4 %	-3.49 %	1.22 %	-1.95 %	-2.08 %
PEP	MNST	TGT	A	CTLT	IDXX	NOW	SNPS	IT
-0.99 %	-1.02 %	-1.19 %	-3.49 %	-3.5 %	-4.35 %	-2.51 %	-2.85 %	-2.85 %
PG	GIS	MDLZ	BIO	MRNA	MTD	TYL	ADBE	CDNS
-1.32 %	-1.47 %	-1.47 %	-4.54 %	-4.95 %	-5.07 %	-2.95 %	-3.09 %	-3.3 %
COST	HSY		IQV	CRL		FTNT	GRMN	
-1.54 %	-1.8 %		-5.15 %	-5.64 %		-3.63 %	-5.8 %	

We can also see it in the Top 10 and Bottom 10 stocks with the greatest relative change in price (*Energy versus Biotech*).



Overall, the vast majority of sectors and markets remain technically very weak which should raise some concerns for the bulls longer term. If the bull run is going to continue, overall breadth and strength must improve.

Asset Class						
Company Name	Symbol	Trend Analysis	Today's Change	MTD	YTD	RSI
U.S. Bonds	BND	3 out of 10	-0.1 (-0.12)%	-0.59	-1.39	49.04
International Bonds	BNDX	1 out of 10	-0.03 (-0.05)%	-0.85	-1.89	34.07
OIL	CL=F	out of 10	1.47 (1.99)%			
Commodity Index	DBC	9 out of 10	0.27 (1.36)%	5.76	37.35	56.00
Emerging Markets	EEM	0 out of 10	0.33 (0.65)%	-3.71	-0.64	42.51
International Stocks	EFA	5 out of 10	-0.05 (-0.06)%	-1.38	11.49	47.34
EM Bonds	EMB	2 out of 10	-0.33 (-0.3)%	-2.32	-2.13	31.90
Gold	GLD	0 out of 10	0.34 (0.21)%	-3.57	-8.25	36.90
U.S. Stocks	SPY	8 out of 10	-1.22 (-0.27)%	-1.70	19.56	51.58
Dollar Index	UUP	4 out of 10	0.03 (0.12)%	0.97	3.47	57.96
REIT	VNQ	7 out of 10	-1.41 (-1.35)%	-6.25	23.35	39.02
Equity Volatility	VXX	0 out of 10	0.21 (0.85)%	-0.12	-63.09	41.63

Global Markets						
Company Name	Symbol	Trend Analysis	Today's Change	MTD	YTD	RSI
Ireland	EIRL	8 out of 10	-0.85 (-1.39)%	-1.87	20.43	52.62
Israel	EIS	9 out of 10	-0.27 (-0.37)%	1.49	15.05	64.21
Canada	EWC	5 out of 10	0.3 (0.81)%	-1.01	21.37	47.61
Germany	EWG	0 out of 10	0.05 (0.15)%	-2.91	8.90	43.17
Italy	EWI	4 out of 10	0.1 (0.31)%	-1.78	12.10	49.29
Spain	EWP	0 out of 10	0.36 (1.3)%	-2.13	4.95	47.59
France	EWQ	5 out of 10	0.09 (0.23)%	-2.33	17.06	49.33
UK	EWU	2 out of 10	0.17 (0.52)%	-1.42	13.68	39.32
Euro Zone	EZU	4 out of 10	-0.02 (-0.04)%	-2.71	14.38	46.82
Greece	GREK	0 out of 10	0.17 (0.62)%	-4.73	8.44	37.86
Russia	RUSS	0 out of 10	1.28 (16.39)%	-99.31	-99.31	46.74
U.S. Stocks	SPY	8 out of 10	-1.22 (-0.27)%	-1.70	19.56	51.58

Bonds						
Company Name	Symbol	Trend Analysis	Today's Change	MTD	YTD	RSI
Total Agg Bonds	AGG	3 out of 10	-0.16 (-0.14)%	-0.59	-1.31	40.66
CMBS	CMBS	2 out of 10	-0.12 (-0.22)%	-0.92	-0.84	38.33
Convertible Bonds	CWB	5 out of 10	-0.29 (-0.33)%	-0.33	6.59	57.92
High Yield	HYG	4 out of 10	-0.08 (-0.09)%	-0.07	3.35	54.65
U.S. Treasury 7-10	IEF	2 out of 10	-0.31 (-0.27)%	-1.49	-3.29	36.73
U.S. Treasury 3-7	IEI	1 out of 10	-0.19 (-0.15)%	-0.90	-1.70	33.00
Preferred	PFF	6 out of 10	-0.13 (-0.33)%	-1.07	4.79	55.16
U.S. Treasury 1-3	SHY	1 out of 10	-0.01 (-0.01)%	-0.16	-0.19	33.03
TIPS	TIP	4 out of 10	0.06 (0.05)%	-0.68	3.36	38.14
U.S. Treasury 20	TLT	5 out of 10	-0.54 (-0.37)%	-1.69	-6.23	42.40

Commodities						
Company Name	Symbol	Trend Analysis	Today's Change	MTD	YTD	RSI
Agriculture	DBA	5 out of 10	0.14 (0.74)%	-0.63	17.35	40.94
Gold	GLD	0 out of 10	0.34 (0.21)%	-3.57	-8.25	36.90
Copper	JJC	0 out of 10	0 (0)%	-0.37	20.46	50.03
OIL	OIL	10 out of 10	0.46 (2.05)%	10.98	62.35	65.20
Silver	SLV	0 out of 10	0.23 (1.11)%	-6.39	-14.77	34.46
Natural Gas	UNG	10 out of 10	2.23 (12.33)%	26.15	120.76	63.33
Energy	XLE	8 out of 10	1.81 (3.56)%	11.86	43.70	61.54
Metal	XME	0 out of 10	1.44 (3.48)%	-3.47	28.72	41.27

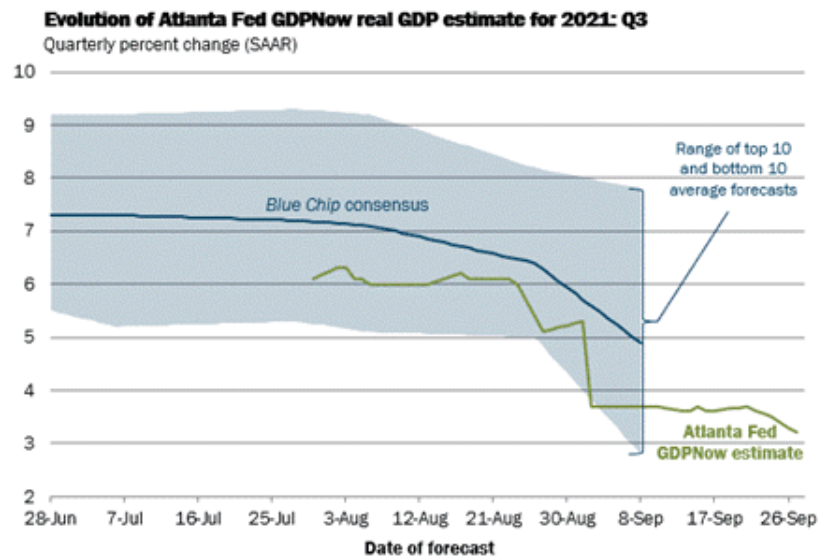
Atlanta Fed GDPNow

The [Atlanta Fed GDPNow forecast](#) for Q3 GDP continues to fall. It now stands at 3.2%, down from 3.7% a week ago, and is now almost half of what it was in mid-August. As shown, the delayed forecast from economists is at 5% but following the GDPNow trend lower.



GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, it does not capture the impact of COVID-19 and social mobility beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Is Resistance Futile?



Higher Fuel Prices are a Vote Killer

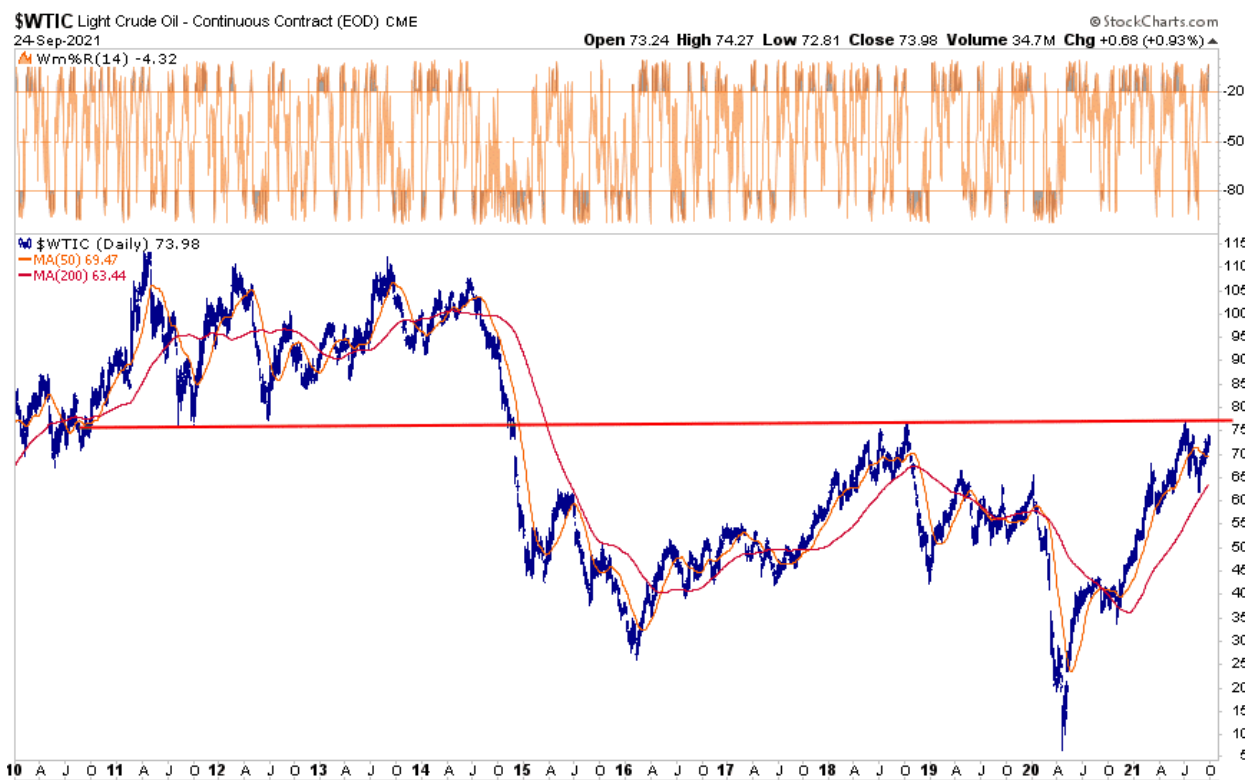
Northwestern University quantifies the effect of higher oil prices on a President's approval rating. Per the [Financial Times](#): *A study by researchers at Northwestern University in 2016 found that for every 10-cent rise in petrol prices, the approval rating of the incumbent president dropped by 0.6 percentage points, after controlling for other factors.*

With the mid-term elections a year away and oil prices on the verge of a breakout higher we may start to see the administration pressuring Chairman Powell to better control inflation. Powell is up for renomination as his term expires in February. Will political expediency push the Fed to tighten

more aggressively than they might have otherwise?

Critical Technical Resistance For Crude

As we show below, crude oil is sitting just under \$77 a barrel. Over the last ten years, that price has marked significant support and more recently resistance. A decent break above \$77 and there is little resistance before possibly seeing triple-digit prices. Shortages in Britain are providing a tailwind to the price. Goldman Sachs is optimistic, raising their price target on Brent Crude oil to \$90 for year-end.



The Week Ahead

This week will mark a quarter-end so expect a little more volatility as traders do a little window dressing.

There are a decent number of economic data points this week. We lead off today with Durable Goods Orders and the Dallas Fed Manufacturing Index. Later this week the Richmond Fed, ISM, and Chicago PMI will provide more updates on the state of manufacturing. Given heightened concerns over inflation, the reports' prices sub-index and related comments will be important. On that same thought, the PCE price index for August will be released on Friday. The Fed prefers PCE over CPI. Current expectations are for a gain of 0.3% versus 0.4% last month.

There will be plenty of Fed speakers this week. Many of them will further clarify their thoughts and outlooks for monetary policy going forward. Keep an ear out for any comments on Evergrande and China, and their implications for economic growth and ultimately policy.