

# Is The Great September "Bear Market" Over?

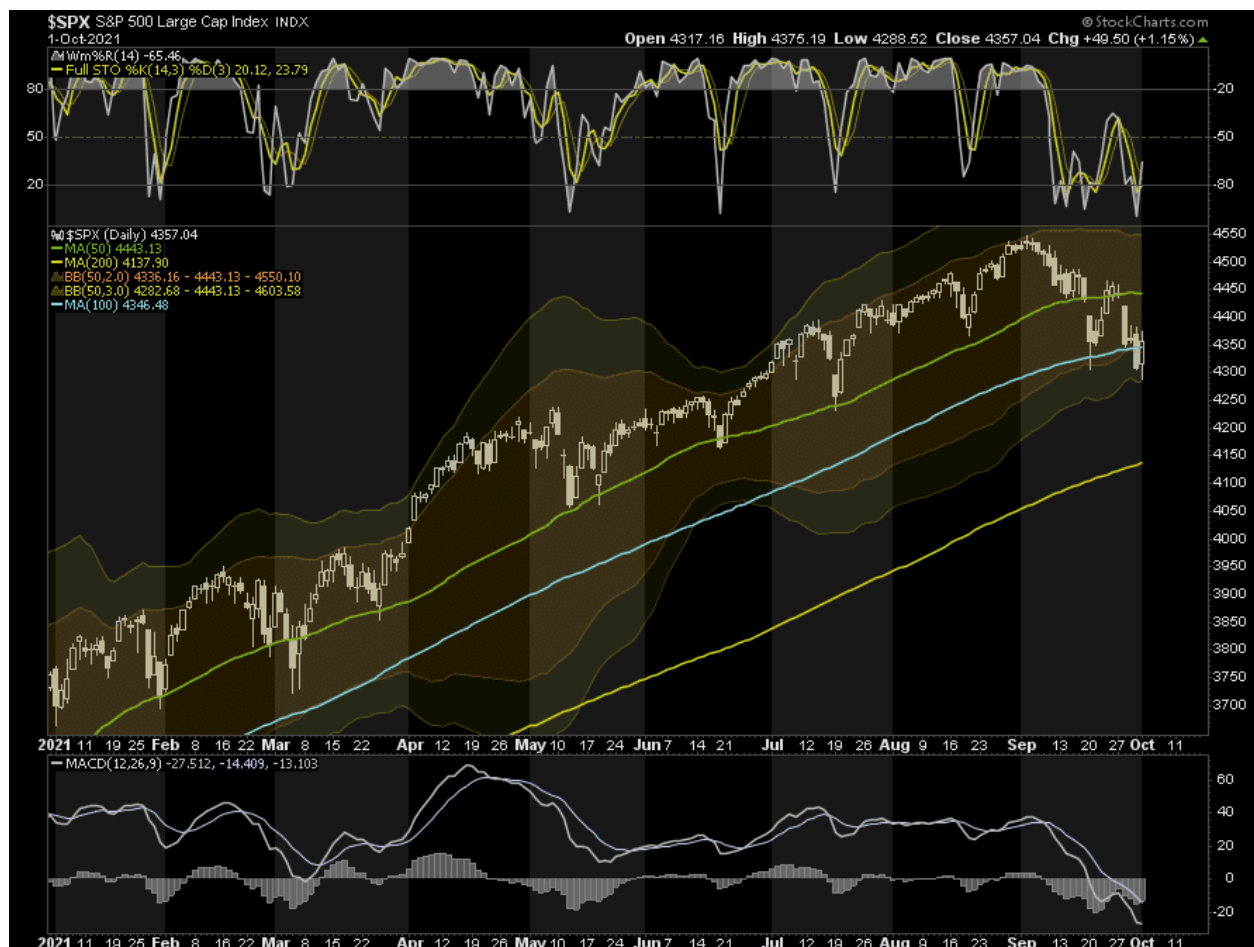
Can we call the September "bear market" over? The bull market regained its strut with Friday's surge above the 100-dma, which improves the odds of a resumption of the upward trend. It's too early to tell if the last two weeks were just a bump in the road or something more serious.

However, as discussed in [this past weekend's newsletter](#):

*"It is worth noting there are two primary support levels for the S&P. The previous July lows (red dashed line) and the 200-dma. Any meaningful decline occurring in October will most likely be an excellent buying opportunity particularly when the MACD buy signal gets triggered."*

*The rally back above the 100-dma on Friday was strong and sets up a retest of the 50-dma. **If the market can cross that barrier, we will trigger the seasonal MACD buy signal suggesting the bull market remains intact for now.**"*

We are cautious on the market momentarily. However, if the MACD buy signal gets triggered later this month, such would suggest that the "seasonally strong period" is in play.



[dmc]

## What To Watch Today

### Economy

- 10:00 a.m. ET: **Factory orders**, August (1.0% expected, 0.4% in July)
- 10:00 a.m. ET: **Durable goods orders**, August final (1.8% in prior print)
- 10:00 a.m. ET: **Durable goods orders, excluding transportation**, August final (0.2% in prior print)
- 10:00 a.m. ET: **Non-defense capital goods orders, excluding aircraft**, August final (0.5% in prior print)
- 10:00 a.m. ET: **Non-defense capital goods orders, excluding aircraft**, August final (0.7% in prior print)

### Earnings

- *No notable reports scheduled for release*

### Politics

- While Washington avoided a shutdown last week, the debt ceiling, bipartisan infrastructure deal, and reconciliation package all remain unsolved. **President Biden** is scheduled to give a speech at 11:15 a.m. ET.
- Today marks the deadline for **Facebook** to respond to an amended complaint by the Federal Trade Commission (FTC) about the tech giant's monopolistic tactics. A Facebook spokesman has called the FTC lawsuit "meritless."
- Also, **the Supreme Court** is back in session today. It's already being called a **blockbuster term** with multiple landmark rulings possible in the months ahead. The court featuring six Republican appointees to just three Democrats could even decide to overturn *Roe v. Wade*.

*Courtesy of Yahoo*

## Is Technology About To Make A Comeback

Technology shares were under a good bit of pressure over the last three weeks as interest rates rose ahead of the "*debt ceiling/government shutdown*" standoff. However, with that pressure now relieved with the short-term funding bill, interest rates retreated on Friday pushing Technology shares higher.

A [quick chart from RIAPRO](#) shows the S&P Technology Sector Spider (XLK) holding support at the 100-dma and oversold on a short-term basis. The last two occasions that sported a similar setup led to decent short-term trades over the next few weeks.



If we run a scan for the stocks with the *"buy-rated"* fundamentals, have a **RIAPRO** rank of *"Buy"* or *"Strong Buy,"* and are in a powerful technical trend, we find 10-candidates from the S&P 500 index. Nvidia (NVDA) and Paycom Software (PAYC) are interesting candidates from the Technology sector.

Category:

S&P Stocks

RSI:

- Select -

Piotroski Score:

>=6

Volatility:

- Select -

SMA50:

- Select -

RiaPro Rank:

Buy and Strong Buy

Momentum:

- Select -

Mohanram Score:

- Select -

52-Week High/Low:

- Select -

SMA20:

- Select -

Performance:

- Select -

SMA CrossOver:

- Select -

Technical Trend:

Rating > 8

SMA200:

- Select -

Scan

Reset

Create Watchlist

Watchlist Name

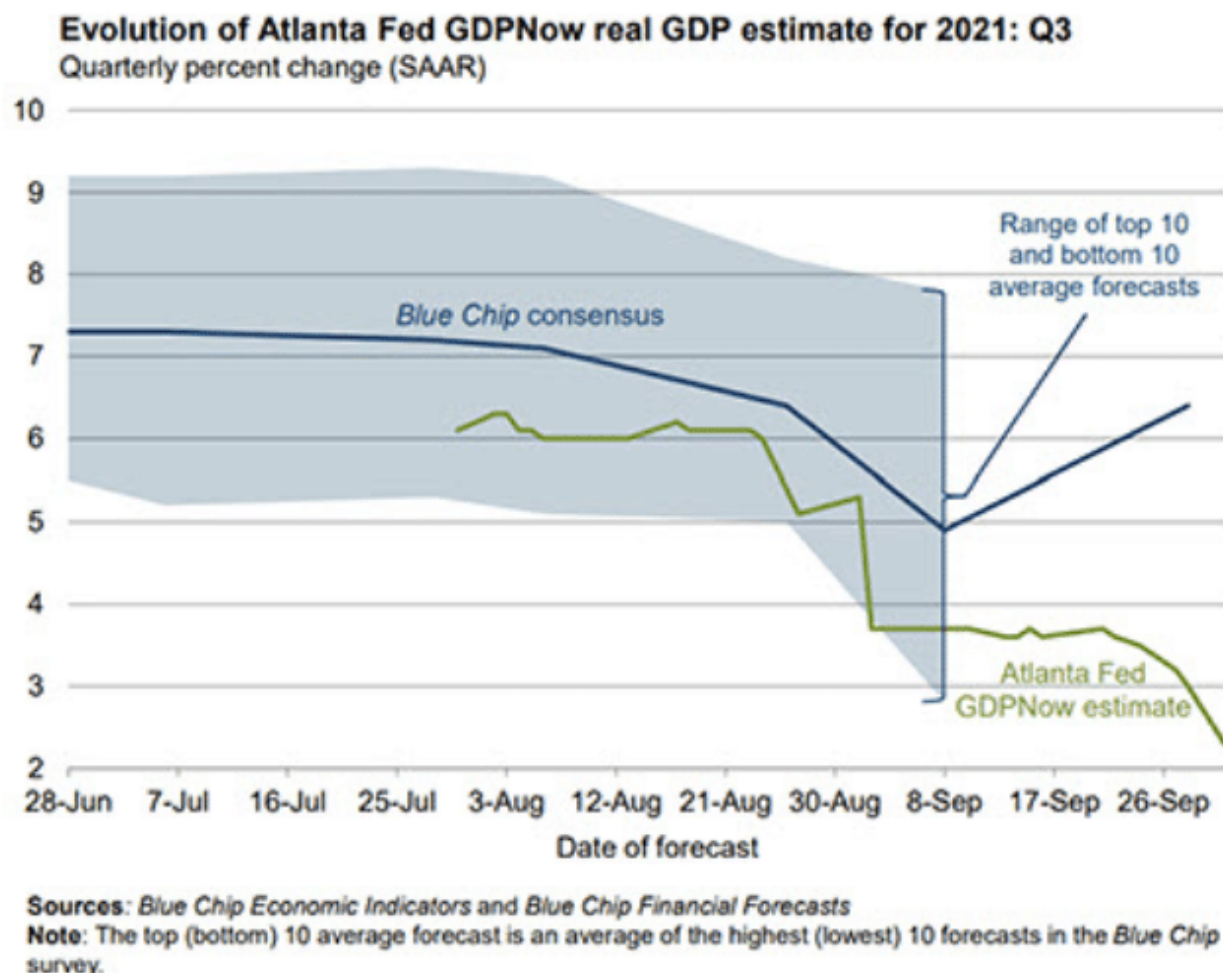
Found 10 tickers from above filters

1

50

Atlanta Fed GDPNow

Today's release of the [Atlanta Fed's GDP](#) forecast took another big tick lower. As shown below, it now stands at 2.3% for the third quarter, down from 3.2%.

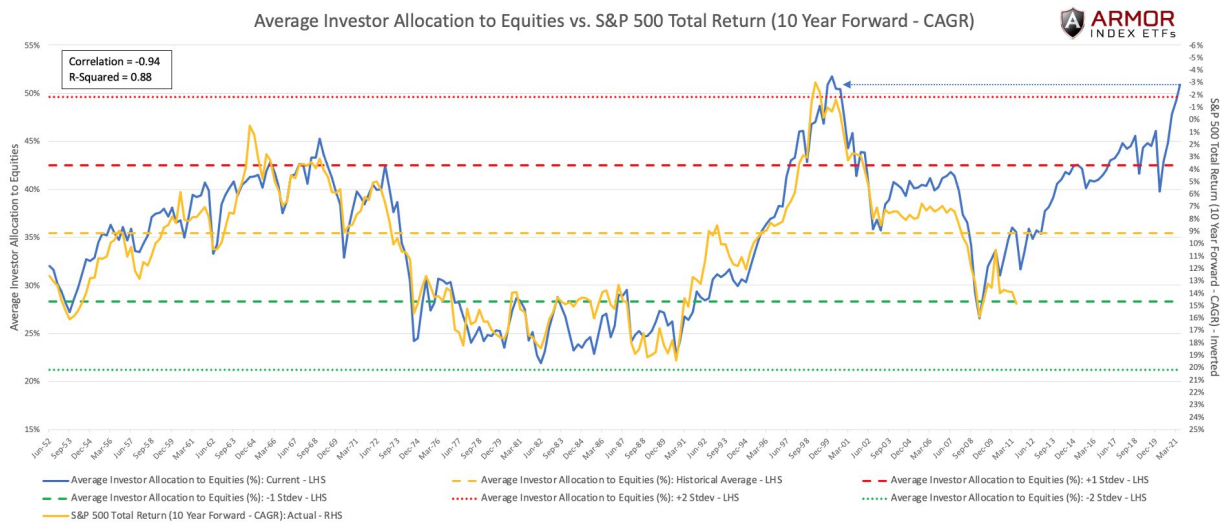


## Farrell's Rule #5 Continued

Yesterday we shared Bob Farrell's rule #5- *"The public buys the most at the top and the least at the bottom."*

Today we follow it up with evidence from Jim Colquitt at Armor Index ETFs. Jim's graph below compares the average investor allocation to equities to S&P 500 future 10-year returns. As we see, the data is very well correlated lending credence to rule #5. Note the correlation statistics at the top left of the graph.

More importantly, current allocations to equities are more than two standard deviations above the norm. Per Jim- *"Since 1952, we've only had 4 quarterly observations above the two standard deviation line. Each of which resulted in negative returns (CAGR) for the subsequent 10 years. We now have a 5th."*



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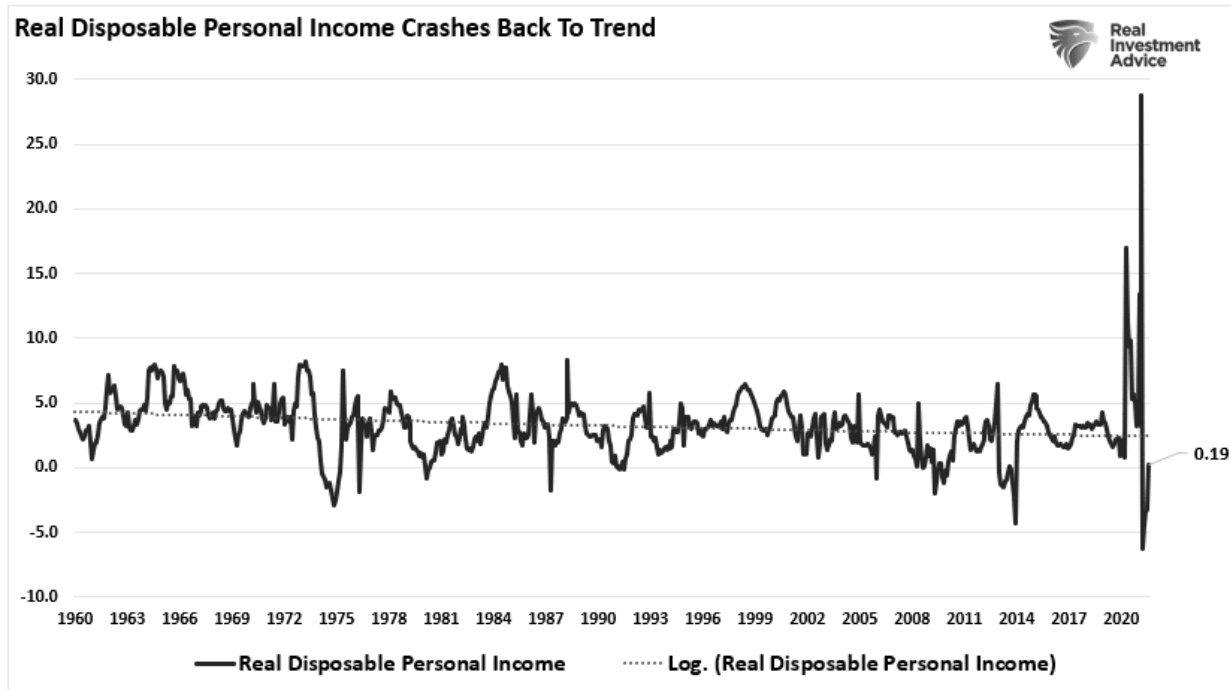


## ISM Better Than Expected

The ISM national manufacturing survey was better than expected despite declines in many regional surveys. ISM Manufacturing rose to 61.1 versus estimates of 59.5 and 59.9 in the prior month. Employment bounced back into economic expansionary territory and inventories rose, hopefully signaling the supply side shortfalls may be getting better. Prices continue to reside at very high levels. The prices subcomponent is 81.2, up from 79.4.

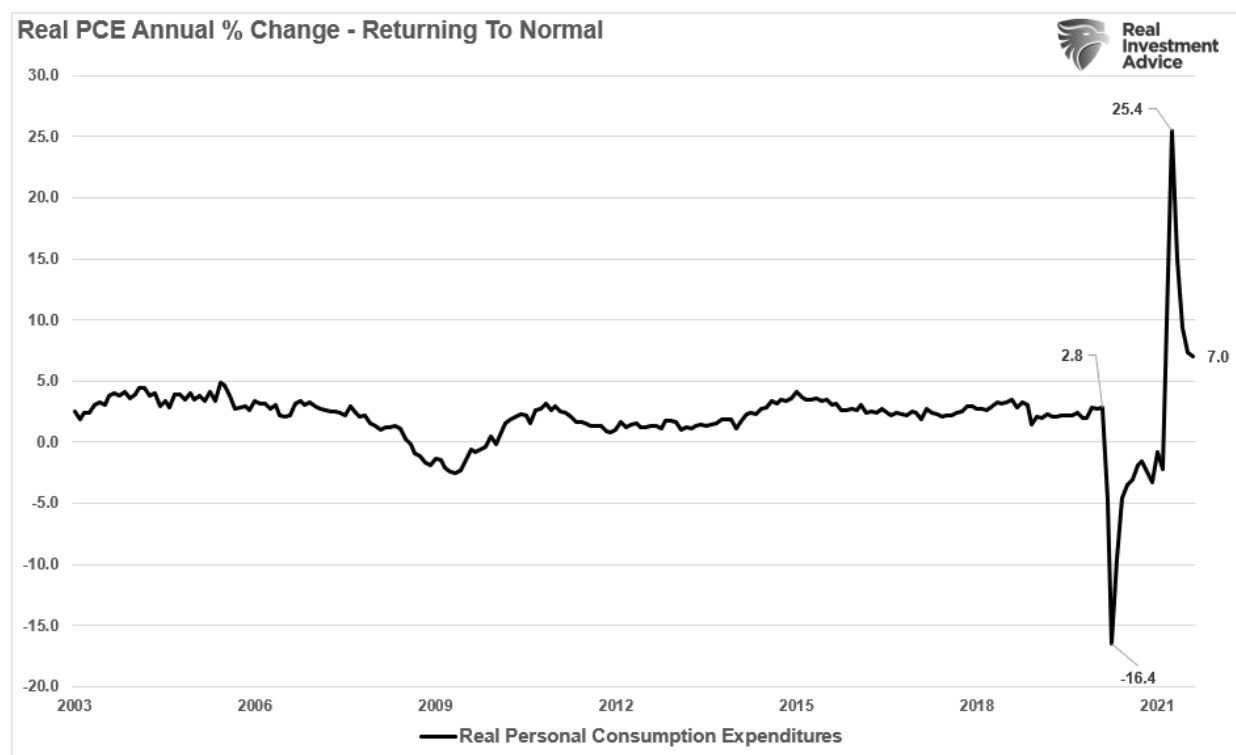
## Higher Prices, Weaker Income, and Strong Consumption

Friday's Personal Income and Outlays report was not welcome news for consumers. Personal Income only rose 0.2% versus 1.1% last month. The burst to personal incomes from the \$5 trillion in Government stimulus has now completely reversed.



Personal Consumption Expenditures (PCE) which is a direct feed into GDP, was +0.8%, much better than last month's revised -0.1%. Also, the price and core price indices were 0.1% above expectations and in line with last month. The PCE price index rising to 4.3% is the largest annual change since 1991. The PCE price index serves as the price deflator to calculate real GDP. The Fed's term "*Transitory*" to describe the recent surge in inflation is starting to get long in the tooth!

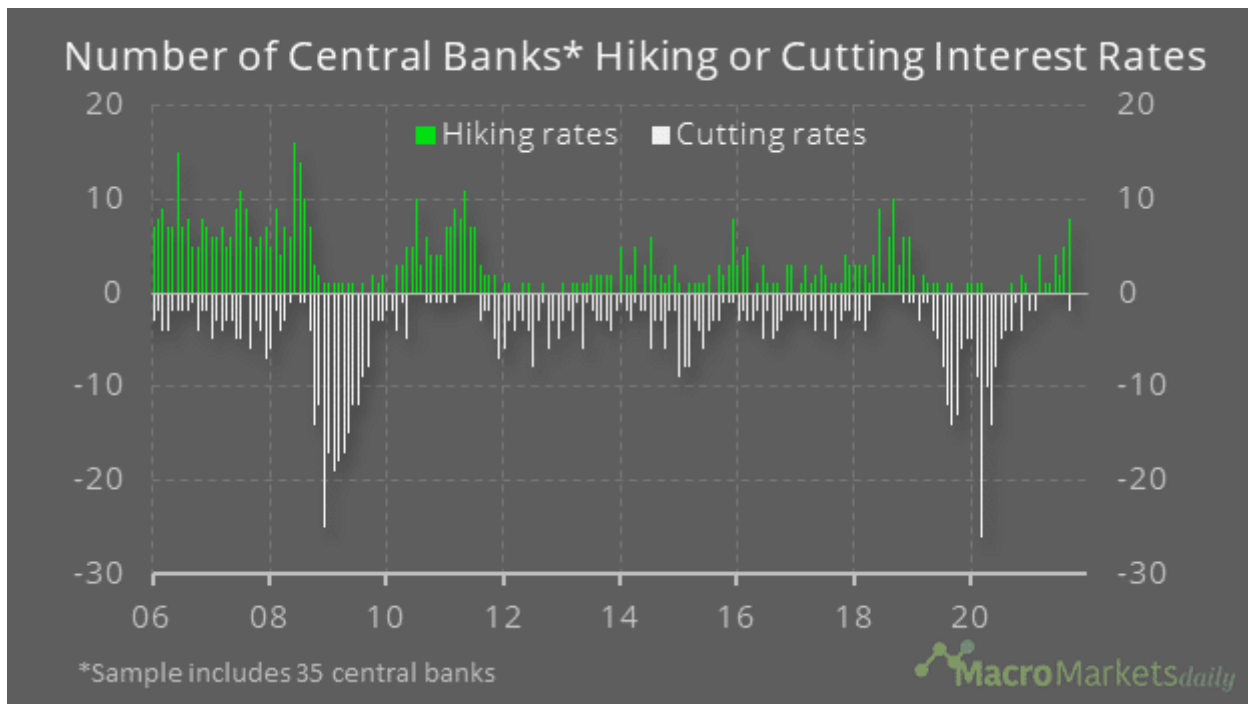
While we still see pricing pressures in the economy due to supply change disruptions, the major economic indices are all returning to norms after the stimulus-infused spikes post-shutdown.



**Global Monetary Tightening is Beginning**

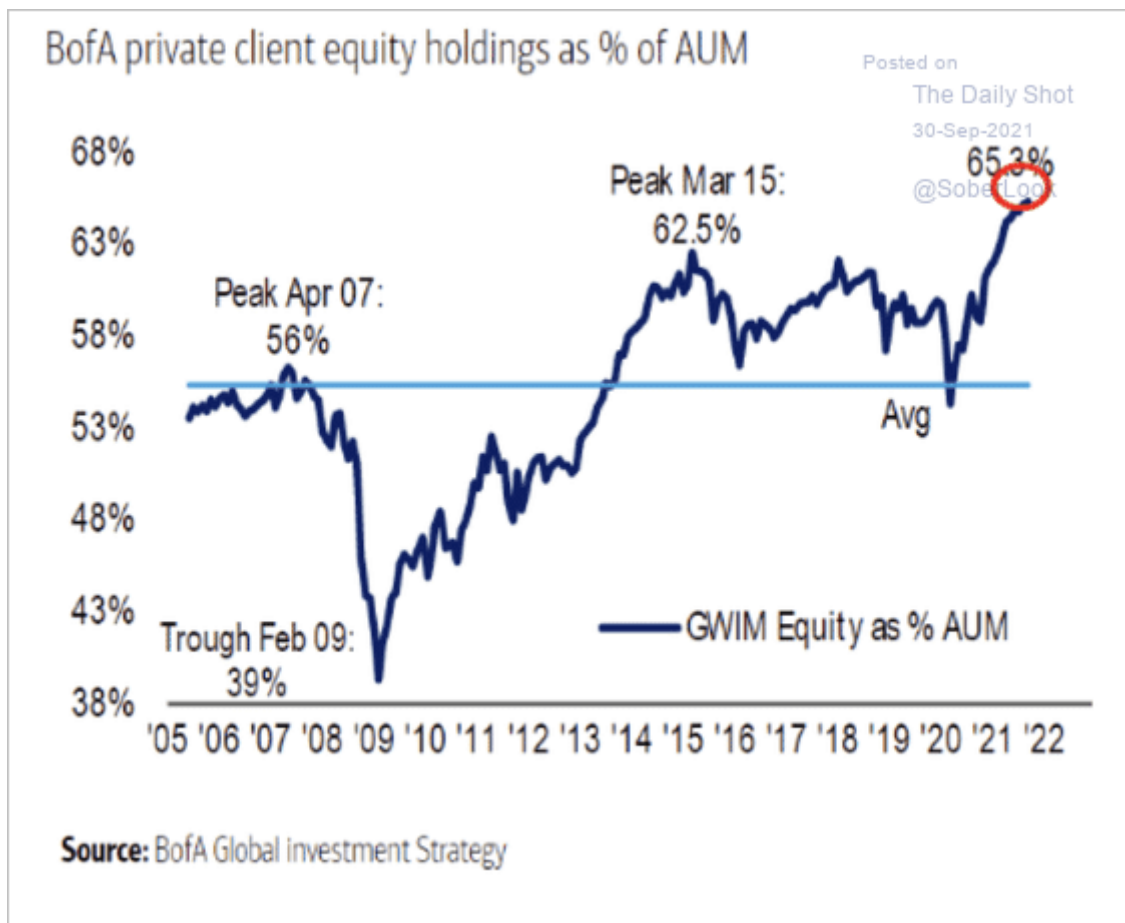


The chart below, from MacroMarkets Daily, shows there are now 8 of 35 central banks increasing interest rates.



## Bill Farrell Rule #5

The graph below, courtesy of the Daily Shot, serves as a good reminder of Bill Farrell's rule #5. *"The public buys the most at the top and the least at the bottom."*





## Inflation Greater than 3%

The graph below, courtesy of Brett Freeze, shows the Minneapolis Federal Reserve's implied probability for inflation running greater than 3% for the next five years. The probability is derived from derivative markets. Currently, the Fed puts the odds at approximately a one-third chance inflation runs at 3% or greater. The Fed's long-term goal is 2%. Interestingly the President of the Minneapolis Fed, Neel Kashkari, remains the most dovish member on the board. Based on those comments, he expects inflation to run well below 3%.

