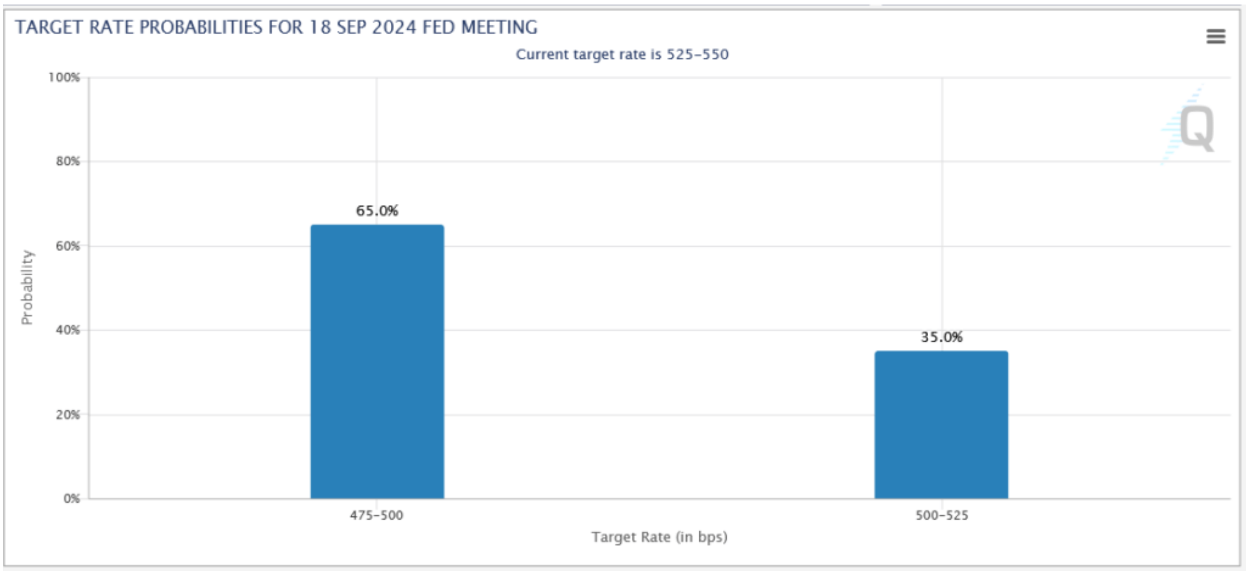
As we share below, the market is betting on a 50 bps Fed rate cut at tomorrow's FOMC meeting. Given tame inflation and labor data, the question is why there is a sudden change in expectations. Might the Fed think the labor market is weakening more substantially than the market? Moreover, deflation could 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		

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.

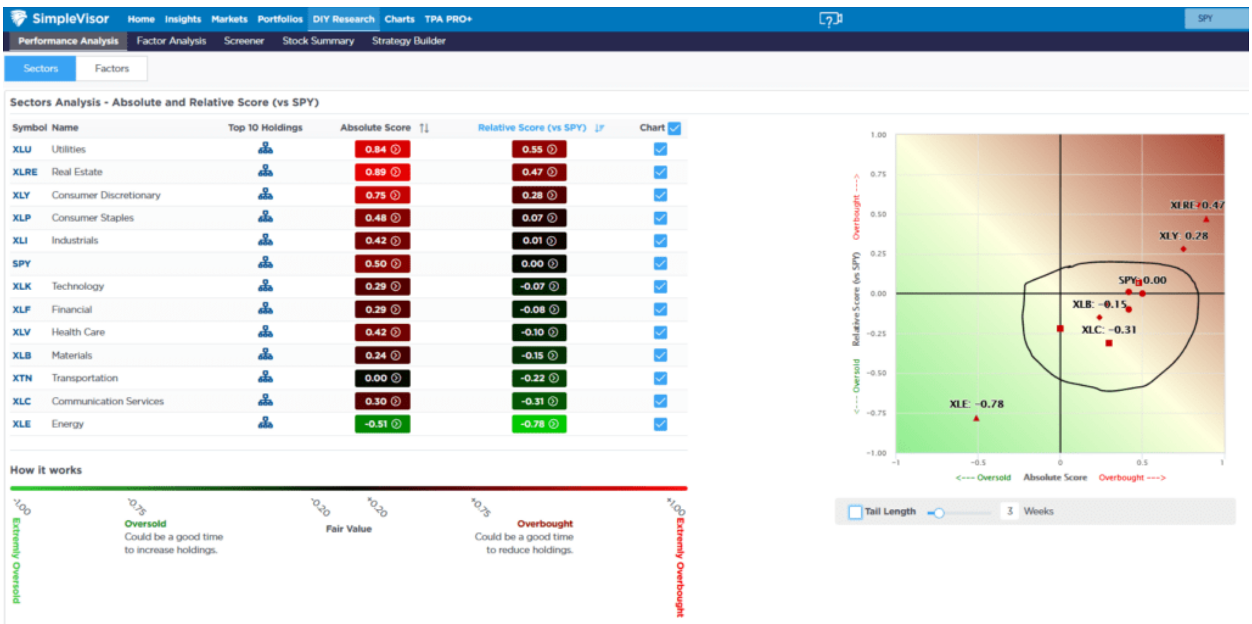
Apple iPhone 16s Post Disappointing Sales

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.



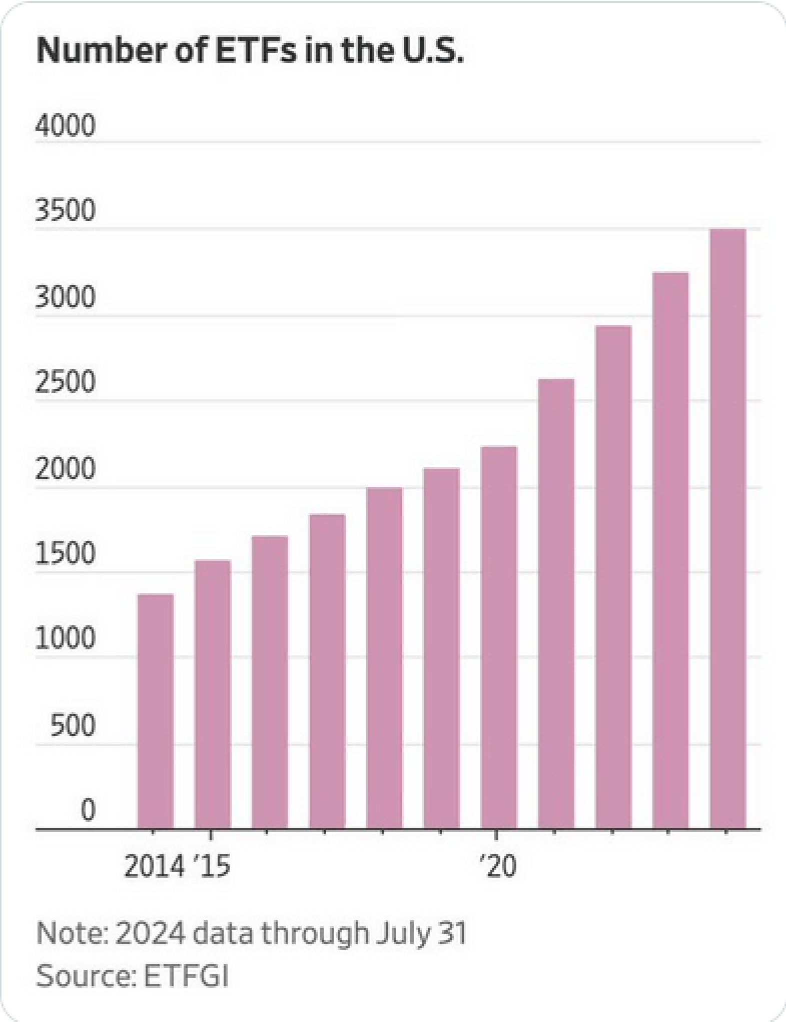
Tweet of the Day

Kailash Concepts @KailashConcepts · 1m

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.



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

***Please [subscribe to the daily commentary](#)* to receive these updates every morning before the opening bell.**

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.