

On Friday, Jerome Powell signaled that a September rate cut is highly likely, and the stock and bond markets applauded.

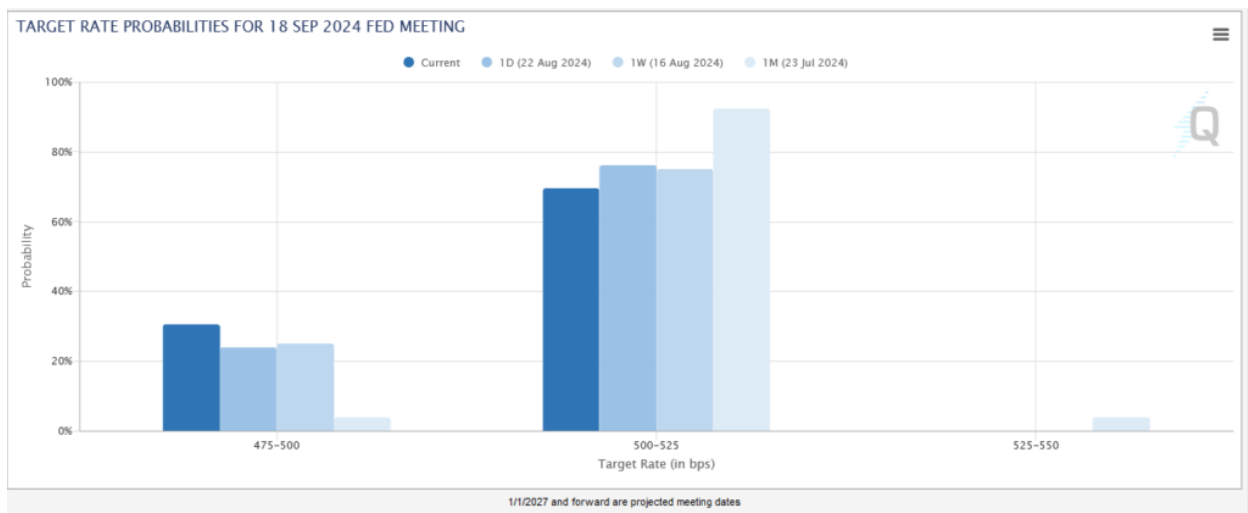
*"The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."*

As if the [statement](#) above wasn't a clear enough signal for a September cut, he said, "My confidence has grown that inflation is on the path to 2%." Moreover, he expressed heightened concern for the labor market. To wit are the following statements:

*We don't seek or welcome further labor market cooling.*

*The cooling in the labor market is unmistakable.*

Jerome Powell alluded that additional rate cuts will follow in the coming months. However, he did not provide a timetable or amounts of what we should expect. The Fed has been transparent that it is data-dependent. Accordingly, market expectations for Fed cuts will be volatile with incoming data. To that end, the BLS employment report on August 6 and CPI on the 11th will impact whether they cut by 25bps or 50bps in September. The graph, courtesy of the CME, shows the market slightly increased the odds of a 50bps rate cut to 30% after his speech.



## What To Watch Today

### Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
🌞	PDD	PDD Holdings Inc.	\$202,514,715,518	Jun/2024	\$2.66	2	8/29/2023	\$1.27
🌙	BHP	BHP Group Limited	\$137,511,698,992	Jun/2024		1	N/A	N/A

## Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
MONDAY, AUGUST 26						
12:30	USD Durable Goods Orders (Jul)	🟡	-	-	4%	-6.7%
12:30	USD Durable Goods Orders ex Defense (Jul)	🟡	-	-	-7.2%	
12:30	USD Durable Goods Orders ex Transportation (Jul)	🟡	-	-	0%	0.4%
12:30	USD Nondefense Capital Goods Orders ex Aircraft (Jul)	🟡	-	-	-0.9%	
14:30	USD Dallas Fed Manufacturing Business Index (Aug)	🟡	-	-	-	-17.5

## Market Trading Update

As noted last week, the rapid rally from the lows of three weeks ago had some good and bad elements. The positive is that the rally reversed the MACD "sell signal," suggesting the bullish bias has returned. Furthermore, the rally cleared all-important resistance levels with ease. The market quickly crossed the 100, 50, and 20 DMAs, leaving only recent all-time highs as significant next resistance. The only negative to the advance is the nearly complete reversal of the previous oversold conditions. Such isn't a critical issue, but it suggests we will likely see a minor pullback to retest support at the 50-DMA. Such will provide a better entry point to add exposure as needed.

That analysis mostly remains the same heading into this week.



On Friday, the market rallied strongly following Powell's dovish comments at the Jackson Hole Summit, where he signaled that rate cuts are coming in September. However, while the market is not grossly overbought yet, it is approaching such levels. Furthermore, this has been a very rapid recovery from the correction lows, and a healthy pullback would provide a better entry point to increase exposure.

Trade carefully for now. With earnings, Powell, and the big economic reports behind us, there isn't much data to drive markets higher until September.

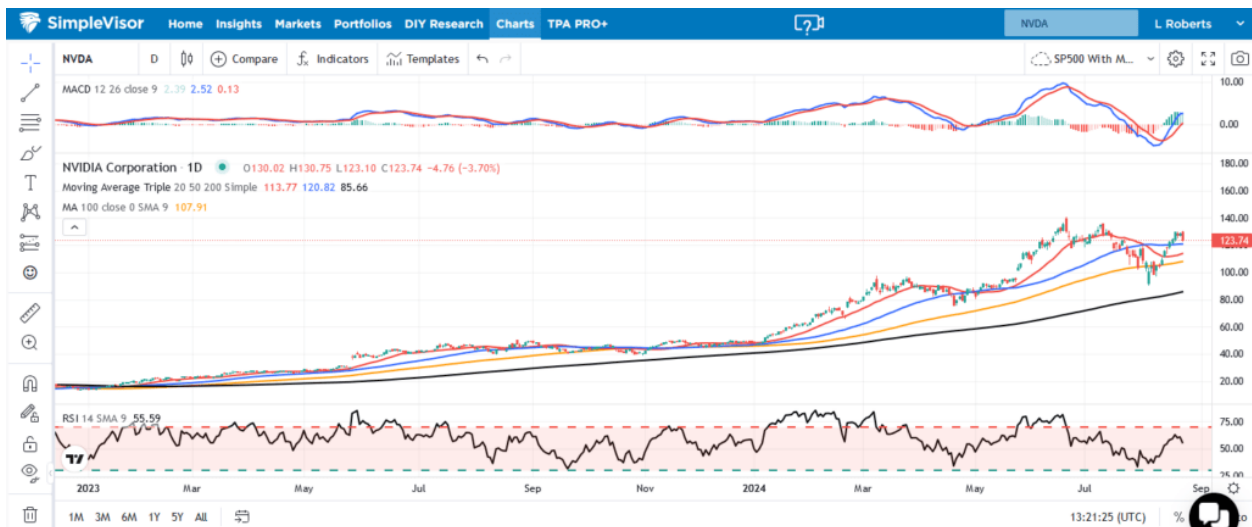
## The Week Ahead

While the pre-holiday trading will likely be quiet as the market digests what Jerome Powell and the Fed signaled regarding monetary policy, there are two significant events on the calendar.

On Friday, we get the Fed's preferred inflation gauge, the PCE Price Index. The current consensus is for the monthly core PCE to rise by 0.2% and the year-over-year measure to remain at 2.6%. Second, and maybe the most important for the stock market this week, is Nvidia's earnings report on Wednesday. Per Zacks:

*This maker of graphics chips for gaming and artificial intelligence is expected to post quarterly earnings of \$0.63 per share in its upcoming report, which represents a year-over-year change of +133.3%. Revenues are expected to be \$28.24 billion, up 109% from the year-ago quarter.*

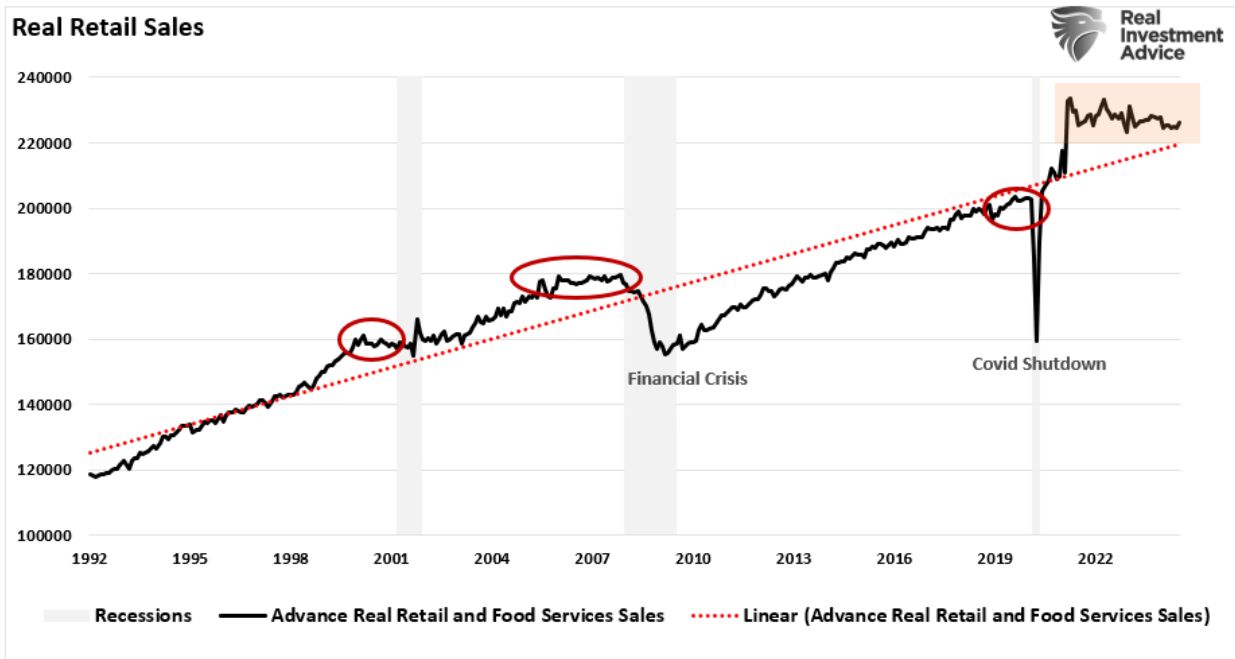
Their future earnings and sales guidance will likely be more important than the most recent quarter. Nvidia's executives have been very optimistic in prior earnings calls. Accordingly, we should expect statements that are bullish for the stock. However, with the stock price near all-time highs and up over 150% year to date, the shares are priced for perfection. The options market implies the stock will increase or decrease by 10% after earnings. Therefore, some volatility is expected in both Nvidia and the broader markets.



## Red Flags In The Latest Retail Sales Report

The latest retail sales report seems to have given Wall Street something to cheer about. Headlines touting resilience in consumer spending increased hopes of a 'soft landing' boosting the stock market. However, as is often the case, the devil is in the details. We uncover a more troubling picture when we peel back the layers of this seemingly positive data. Seasonal adjustments, downward revisions, and rising delinquency rates on credit cards and auto loans suggest a more cautious view. The consumer—the backbone of the U.S. economy—may be in more trouble than the headline numbers indicate.

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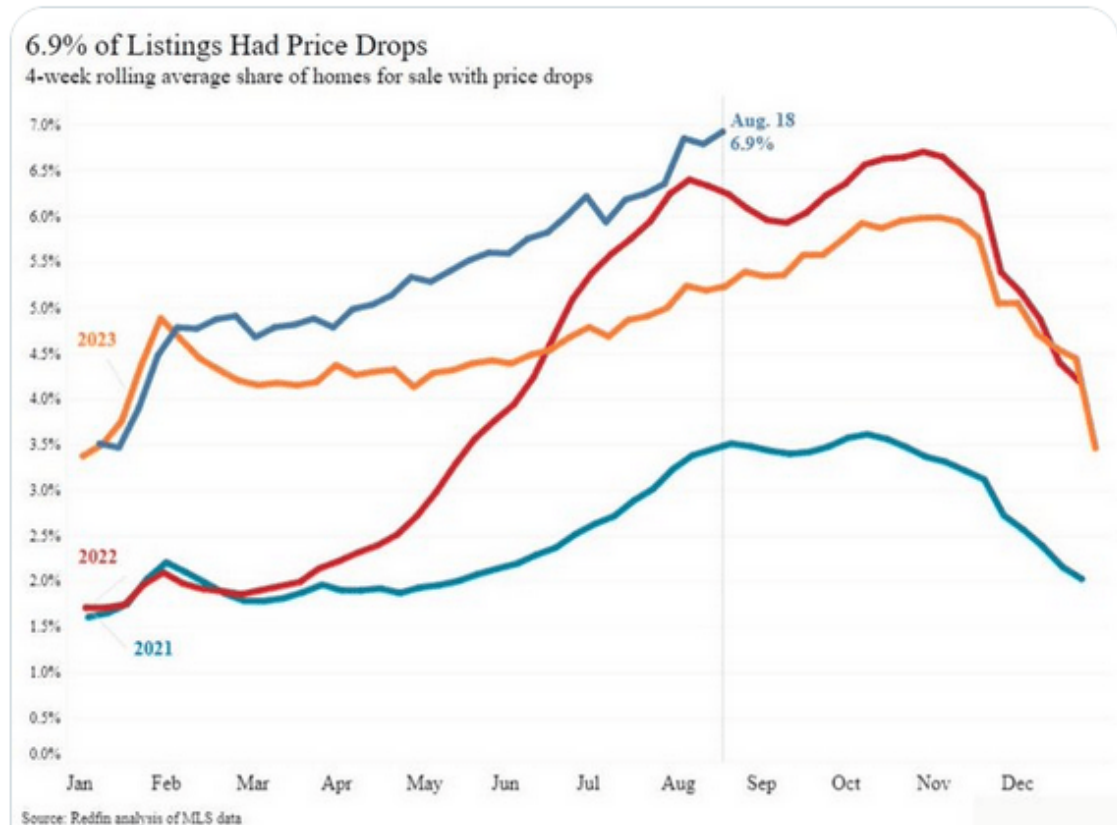
## Tweet of the Day



**Carl Quintanilla** @carlquintanilla · 52m

REDFIN: “.. The share of [home] listings with price \*drops\* in the 4 weeks ending Aug 18 rose to 6.9%, the highest on record.”

@Redfin @dailychartbook \$XHB



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