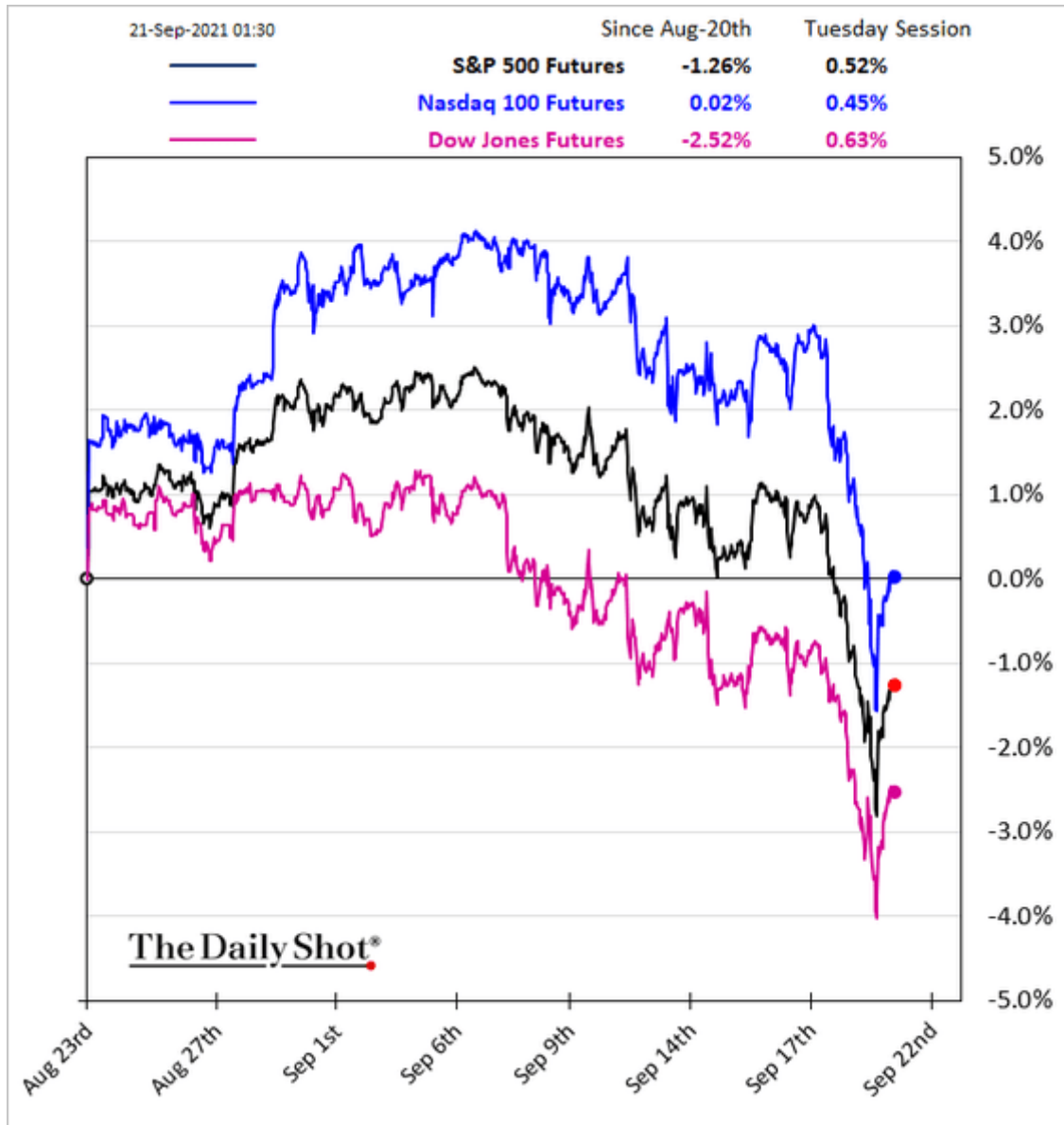


Yesterday, stocks bounced hard off the lows reclaiming a chunk of earlier losses. But, as we will discuss, the 100-dma held firm as the stocks look to be trying to replay the March sell-off. This morning, futures are pointing sharply higher, suggesting the bulls are still roaming.



The benefit of the doubt remains with the bulls, which have repeatedly saved the market after minor losses. Will they come to the rescue again, or do we have to sweat out the 200dma (4105)? Unfortunately, answering the question is a little more complicated than it has been.

The Fed meets on Wednesday and will likely announce their plans to taper QE in November. Given the Evergrande situation and its effect on domestic and global markets, they may delay announcing "taper" or make it contingent on various factors. Also for consideration, they may well proceed with taper, despite risks to equity prices. Regardless, the Fed will play a big role in swaying investors' moods.

## What To Watch Today

### Economy

- 8:30 a.m. ET: **Housing starts**, month-over-month, August (1.0% expected, -7.0% in July)
- 8:30 a.m. ET: **Building permits**, month-over-month, August (-1.8% expected, 2.3% in July)
- 8:30 a.m. ET: **Current Account Balance**, Q2 (-\$190.8 billion expected, -\$195.7 billion in Q1)

### Earnings

#### Pre-market

- 6:55 a.m. ET: **AutoZone** ([AZO](#)) is expected to report adjusted earnings of \$29.81 per share on revenue of \$4.57 billion

#### Post-market

- 4:00 p.m. ET: **FedEx** ([FDX](#)) is expected to report adjusted earnings of \$4.92 per share on revenue of \$21.88 billion
  - 4:05 p.m. ET: **StitchFix** ([SFIX](#)) is expected to report adjusted losses of 14 cents per share on revenue of \$548.07 million
  - 4:05 p.m. ET: **Adobe** ([ADBE](#)) is expected to report adjusted earnings of \$3.01 per share on revenue of \$3.89 billion
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## Will The Bulls Rush Back In?

As noted, the market solidly cracked below the 50-dma as the bulls failed to show. Such was a warning we discussed in ["Investors Fail To Buy The Dip"](#) this past weekend. To wit:

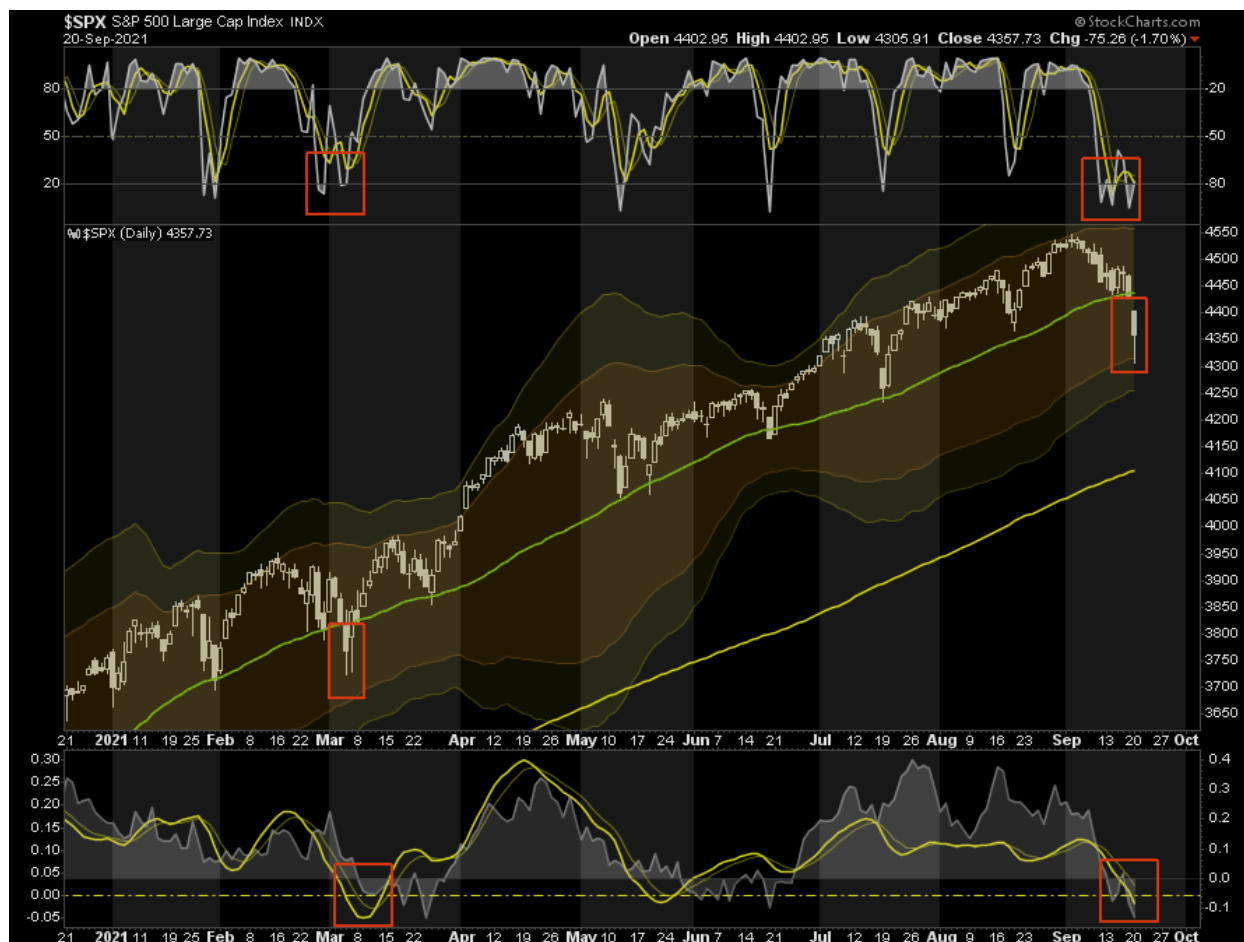
*"We can attribute the weakness on Friday to 'quadruple witching,' where every type of option (stock index futures, stock index options, stock options, and single stock futures) all expired simultaneously.*

***However, history is also not on the market's side, with the S&P 500 averaging a 0.4% decline for September, the worst of any month, according to the Stock Trader's Almanac. Friday, in particular, began a historically weak period for stocks as those September losses typically come in the back half of the month.***

*Also, the markets are a bit nervous about the Fed's meeting next week with an announcement of 'tapering' asset purchases expected.*

*With the market very oversold, a counter-trend bounce next week will not be a surprise. However, if the market fails to hold the 50-dma, the risk of a more substantial correction is likely."*

I have updated the chart below for Monday's close. Note the similarity to the March period where the market closed well off its lows for the day. That bounce off the lows came with similar oversold conditions, and a follow-through rally reclaimed the 50-dma.



In today's [Technically Speaking](#), we discuss the two possible paths of the market now and the guidelines to follow over the next few days to rebalance portfolio risks accordingly.

## [There is Much More To The Evergrande Story](#)

There is a lot more to the failure of China's Evergrande company than meets the eye. At \$16 billion, (China's GDP) is no longer that far from that of the U.S. (\$22 billion) and nearly three times Japan, the world's third-largest economy. So, what China does and how they do it matters a lot. Not just to China but for the global economy. To help keep you better informed, [we share a must-read commentary of the situation from @INArteCarloDoss.](#)



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## 60 Minutes Warned Us

In a memorable show, eight years ago, 60 Minutes reported on China's property bubble and ghost cities. The Evergrande Company, on the verge of default and mentioned in the clip, is just the tip of the iceberg. If you want to understand better the imploding bubble China faces, watch the dated but poignant short episode.

<https://youtu.be/uxjwhk1ktNw>

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## [What To Do With Markets In Turmoil](#)



## The Week Ahead - It's All Fed

The Fed's FOMC meets on Tuesday and Wednesday. Investors will focus on the policy statement and press conference. There is a large expectation that some taper announcement is likely to begin in November. The market will need to digest the pace at which they plan on tapering and what events or economic data may cause them to speed it up or slow it down. If they do not announce tapering, there is another factor that few investors are considering. As we wrote in [The Fed Speaks Loudly and Carries a Big Feather](#), there is the possibility of dissension from some voting members. Per the article: *Will they dissent? One or two dissents, while not frequent, are not uncommon either. The market reaction might get muted to a bit of friction. Where we offer caution is if the number of dissenting voters totals four or five or even more.*"

The economic calendar is light this week with a slew of housing data. Of interest will be the Thursday PMI survey. Such will be the first national survey of manufacturing conditions for September. Recent regional manufacturing surveys have been better than expected over the last week, leading us to believe PMI may as well.