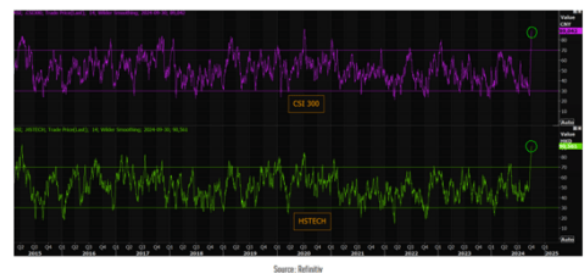
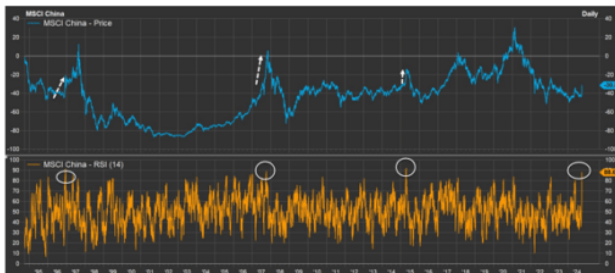
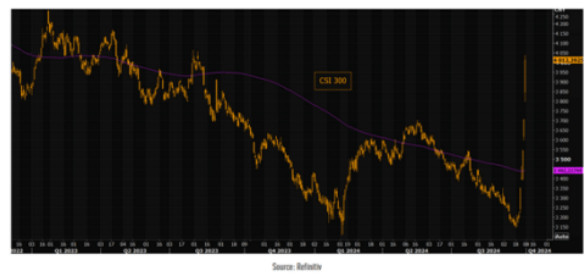


Over the last month, China has injected its economy with an incredible amount of monetary and fiscal stimulus, which has resulted in extreme optimism in its stock market. As we share below, the Hang Seng Tech index and the broader China stock market CSI 300 index are up 30-40% over the last few weeks. The lower graphs show that the technical indicators of the two indexes are very oversold. As shown on the bottom left, the China CSI 300 index RSI is approaching a significant peak, which was also associated with extensive stimulus plans in the past. Prior instances have accompanied a boom-bust scenario for Chinese stocks.

China has the world's second-largest GDP at \$18 trillion. It dwarfs the next largest economies, Germany and Japan, around \$4 trillion each. Accordingly, given their size, U.S. and global investors must appreciate the possibility that China's massive liquidity will work its way into stock markets worldwide. Also, this round of stimulus aims to boost private consumption. China's citizens consume much less per capita than U.S. citizens. The global economic effects could be substantial if they successfully boost personal consumption. However, we caution that China has many structural impediments to growth. As such, it's far from certain that this time will differ from economic revival efforts in the past. Thus, this round of stimulus's global economic and financial effects may be minimal.



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*
	NKE	Nike, Inc.	\$134,027,696,004	Aug/2024	\$0.51	15	9/28/2023	\$0.94
	PAYX	Paychex, Inc.	\$47,893,277,893	Aug/2024	\$1.14	8	9/27/2023	\$1.14
	MKC	McCormick & Company, Incorporated	\$22,363,458,905	Aug/2024	\$0.68	6	10/03/2023	\$0.65
	MKC.V	McCormick & Company, Incorporated	\$22,264,065,754	Aug/2024		4	N/A	\$0.65
	LW	Lamb Weston Holdings, Inc.	\$9,554,097,094	Aug/2024	\$0.73	5	10/05/2023	\$1.63
	AYI	Acuity Brands, Inc.	\$8,298,664,121	Aug/2024	\$3.85	4	10/04/2023	\$3.74
	CALM	Cal-Maine Foods, Inc.	\$3,592,089,609	Aug/2024		4	N/A	\$0.02

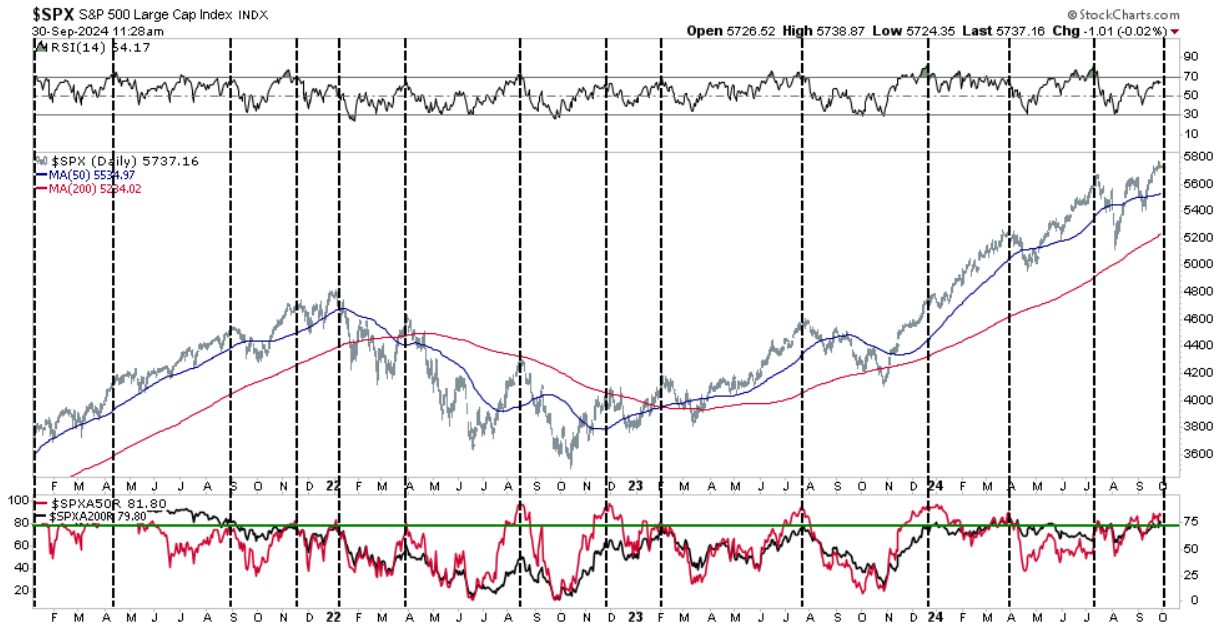
Economy

Time	Event	Impact	Actual	Consensus	Previous
TUESDAY, OCTOBER 1					
14:00	USD ISM Manufacturing Employment Index (Sep)		-	47	46
14:00	USD ISM Manufacturing New Orders Index (Sep)		-	-	44.6
14:00	USD ISM Manufacturing PMI (Sep)		-	47.5	47.2
14:00	USD ISM Manufacturing Prices Paid (Sep)		-	53.7	54
14:00	USD JOLTS Job Openings (Aug)		-	7.67M	7.673M
15:00	USD Fed's Bostic speech			LOCKED	
15:10	USD Fed's Cook speech			LOCKED	
22:15	USD Fed's Barkin speech			LOCKED	
22:15	USD Fed's Bostic speech			LOCKED	
22:15	USD Fed's Collins speech			LOCKED	

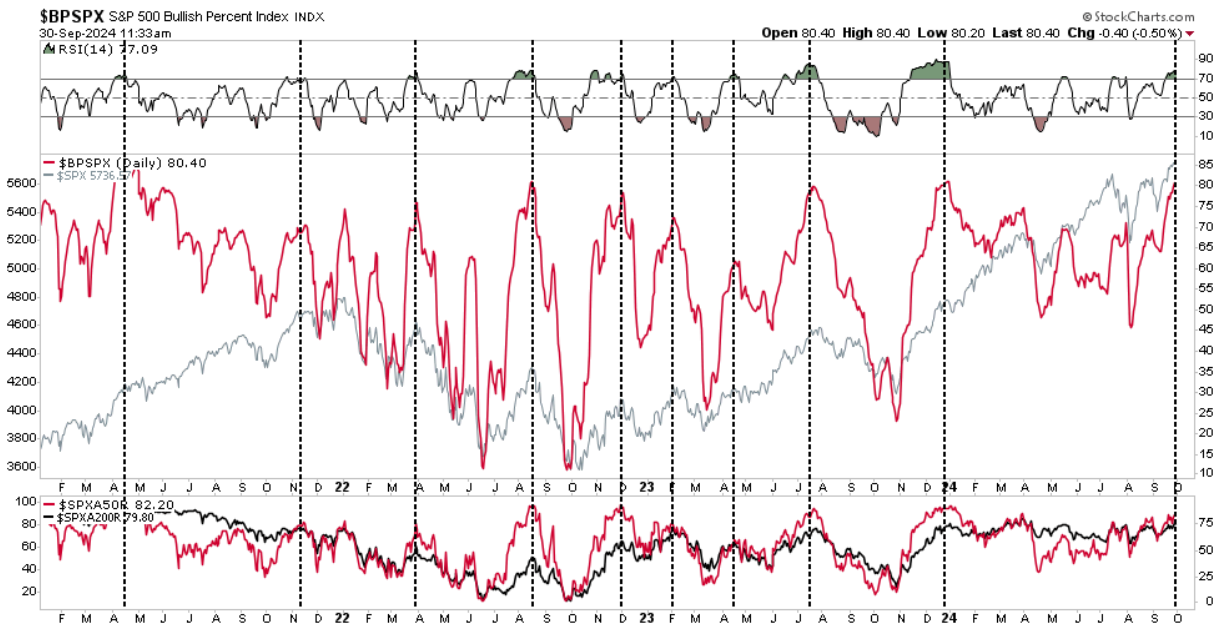
Market Trading Update

[Yesterday](#), we discussed the bullish "*cup and handle*" formation in the S&P 500, giving us a year-end target of roughly 6000. While the price action of the S&P 500 is bullish, we must consider some short-term concerns. The bulls have been discussing the rising "*breadth*" of the market, which is indeed bullish when breadth is low and recovering. Improving breadth provides the "*buying*" power to drive the market higher. However, much like relative strength and momentum indicators, most buyers have likely bought when breadth reaches very elevated levels, leading to a short-term correction or consolidation.

The number of stocks trading above their respective 50- and 200-DMA's is at historically high levels. While such elevated levels do NOT mean a correction is imminent, they do suggest that further upside, without some corrective action first, is likely limited.



We see the same with the number of stocks trading with "bullish buy signals." As shown, when the percentage of stocks with "bullish buy signals" is elevated, combined with elevated Relative Strength readings and high levels of "breadth," such has typically preceded short-term corrections and consolidations.



While we expect the market to trade higher into year-end, given the current momentum and bullish sentiment, a pullback to support would be unsurprising given the short-term overbought and bullish conditions. With the election in just a month and earnings season kicking off this week, we suggest some risk management until these conditions are resolved.



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The You Are Here Moment

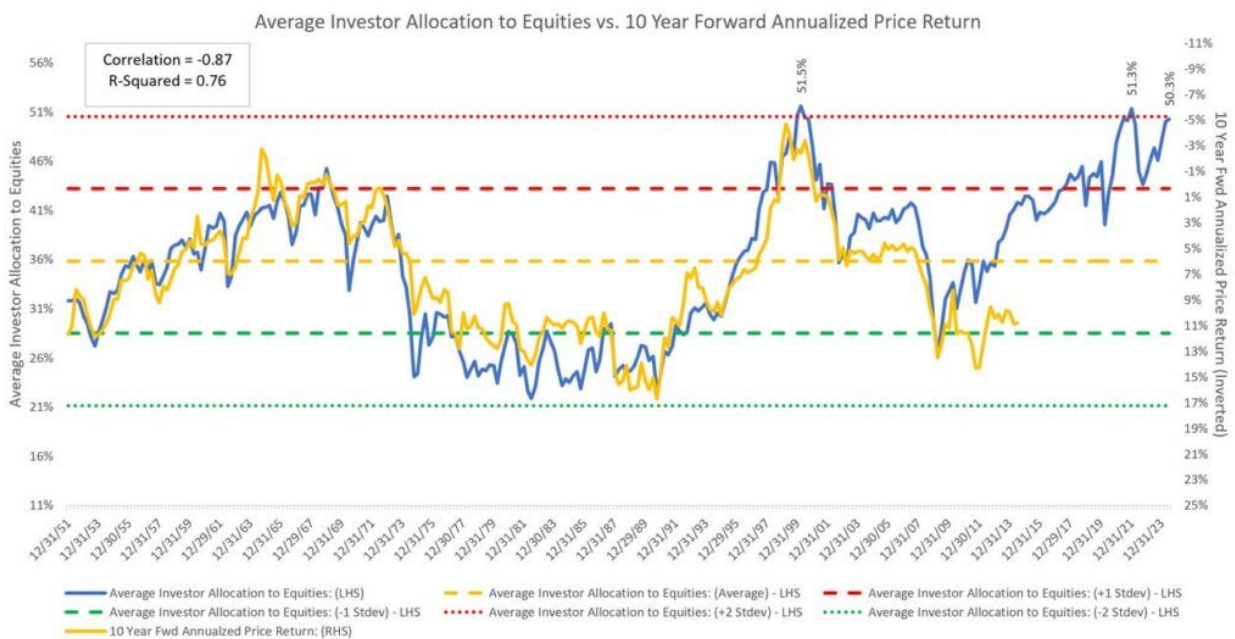
The following summary of Jim Colquitt's latest commentary comes via Substack. To read his entire [Weekly Chart Review](#), visit Jim at jimcolquitt@substack.com.

The first graph below charts the average investor allocation to equities and the 10-year return that followed. He writes:

The current quarterly value for the ?Average Investors Allocation to Equities? chart above is 50.3%. This value has only been exceeded 5 other times in almost 75 years? worth of quarterly data points.

His second graph shows the robust correlation between investor allocations and ensuing returns.

The ?You are here!? value is typically not the starting point for extended bull markets. Instead, the linear regression scatterplot suggests that from this starting point, we should expect a -2.19% annualized return over the next 10 years for the S&P 500.



Source: Federal Reserve Bank of St. Louis as of 09/12/24.



While Jim's comments and graphs are concerning, timing is crucial. They do not account for the timing of peaks and troughs over the next ten years. For instance, stocks could rally for three more years yet perform poorly over the next seven and return -2.19% annually. Jim ends his message as follows:

Risk assets are still in rally mode and I don't think you want to fade that before the election but be careful not to overstay your welcome once the election is behind us.

Emerging Markets Lead The Way

The following tables from [SimpleVisor](#) show that the emerging markets ETF (EEM) far outpaced the other stock factors last week. About a third of EEM's holdings are Chinese stocks. The sectors and factors, in general, continue to show healthy market breadth, although the absolute scores are starting to get high, potentially portending a short-term pullback.



Factors Sectors Custom

SPY Excess Returns Over Time

Lookback Days: 5,20,20,20,60,60,60 Update

5 days

Symbol	Name	2024-09-20 to 2024-09-27
EEM	Emerging Markets	6.12%
SOXX		3.46%
ARKK	Disruptive Tech	1.52%
EFA	EAFE	1.45%
VEA	Developed Markets	1.42%
SPHB	High Beta	1.33%
PKW	Buyback Achievers	0.65%
GLTR		0.43%
RSP	Equal Weight S&P 500	0.27%
VYM	High Dividend Yield	0.03%
SPLV	Low Beta [Low Vol.]	-0.06%
VBK	Small Cap Growth	-0.07%
MDY	Mid Cap 400	-0.10%
IVW	S&P 500 Growth	-0.19%
MGK	Mega Cap Growth	-0.24%
VBR	Small Cap Value	-0.27%
IVV		-0.38%
MTUM	Momentum	-0.38%
MDYG	Mid Cap Growth	-0.40%
IVE	S&P 500 Value	-0.44%
MDYV	Mid Cap Value	-0.49%
IWM	Small Caps	-1.13%

Sectors Factors

Factors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score <i>⌵</i>	Relative Score (vs SPY) <i>⬆</i>	Chart <input checked="" type="checkbox"/>
EEM Emerging Markets		0.75 <i>⌵</i>	0.39 <i>⌵</i>	<input checked="" type="checkbox"/>
PKW Buyback Achievers		0.74 <i>⌵</i>	0.26 <i>⌵</i>	<input type="checkbox"/>
VBK Small Cap Growth		0.72 <i>⌵</i>	0.19 <i>⌵</i>	<input type="checkbox"/>
MTUM Momentum		0.68 <i>⌵</i>	0.22 <i>⌵</i>	<input type="checkbox"/>
SPHB High Beta		0.67 <i>⌵</i>	0.26 <i>⌵</i>	<input type="checkbox"/>
IVW S&P 500 Growth		0.65 <i>⌵</i>	0.22 <i>⌵</i>	<input type="checkbox"/>
EFA EAFE		0.57 <i>⌵</i>	0.15 <i>⌵</i>	<input type="checkbox"/>
RSP Equal Weight S&P 500		0.56 <i>⌵</i>	-0.01 <i>⌵</i>	<input type="checkbox"/>
SPY		0.55 <i>⌵</i>	0.00 <i>⌵</i>	<input type="checkbox"/>
ARKK Disruptive Tech		0.53 <i>⌵</i>	0.45 <i>⌵</i>	<input checked="" type="checkbox"/>
VEA Developed Markets		0.53 <i>⌵</i>	0.14 <i>⌵</i>	<input type="checkbox"/>
VFGY Vanguard U.S. Quality Factor		0.52 <i>⌵</i>	0.00 <i>⌵</i>	<input type="checkbox"/>
GDJ Gold Miners		0.49 <i>⌵</i>	0.32 <i>⌵</i>	<input type="checkbox"/>
MGK Mega Cap Growth		0.49 <i>⌵</i>	0.12 <i>⌵</i>	<input type="checkbox"/>
VBR Small Cap Value		0.48 <i>⌵</i>	-0.05 <i>⌵</i>	<input type="checkbox"/>
MDY Mid Cap 400		0.48 <i>⌵</i>	-0.07 <i>⌵</i>	<input type="checkbox"/>
MDYG Mid Cap Growth		0.48 <i>⌵</i>	-0.14 <i>⌵</i>	<input type="checkbox"/>
IWM Small Caps		0.41 <i>⌵</i>	-0.29 <i>⌵</i>	<input type="checkbox"/>
MDYV Mid Cap Value		0.40 <i>⌵</i>	-0.26 <i>⌵</i>	<input type="checkbox"/>
VYM High Dividend Yield		0.29 <i>⌵</i>	-0.21 <i>⌵</i>	<input type="checkbox"/>
IVE S&P 500 Value		0.29 <i>⌵</i>	-0.27 <i>⌵</i>	<input type="checkbox"/>
SPLV Low Beta [Low Vol.]		0.26 <i>⌵</i>	-0.05 <i>⌵</i>	<input type="checkbox"/>

How it works

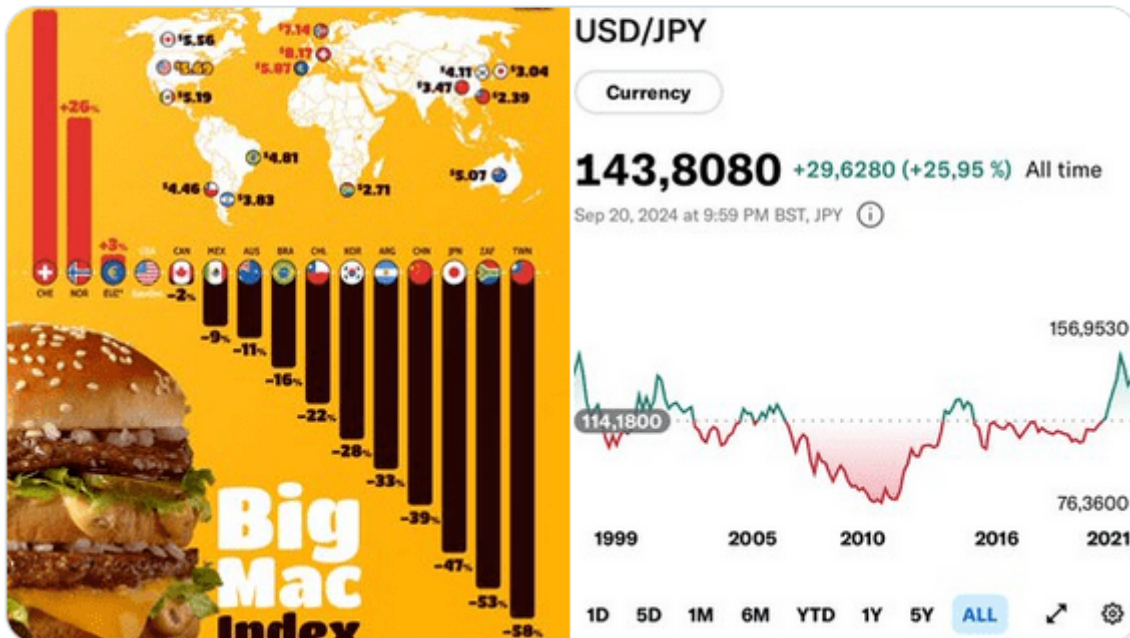
Tweet of the Day



Jorge Carvalho
@JorgeCa14980958



Is it time to buy yen? In the latest Big Mac Index, the Japanese yen is significantly undervalued compared to the US dollar. As of 2024, the yen is undervalued by about 40% relative to the dollar, meaning Big Macs in Japan cost considerably less when priced in US dollars. Thread



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