

Tech Talk for Saturday June 15th 2024

The Bottom Line

Investors responded to encouraging U.S. economic news last Wednesday. Core May Consumer Price Index on a year-over-year basis dropped to 3.4%, extending an intermediate downtrend. U.S. equity indices moved higher on the news: the S&P 500 Index and the NASDAQ Composite Index jumped to all-time highs in anticipation of a lower Fed Fund Rate currently at 5.25%-5.50%. Enthusiasm was dampened slightly after when Federal Reserve Chairman suggested that a reduction in the Fed Fund Rate will not happen “any time soon”.

A word of caution on measuring performance of U.S. equity markets since January 1st 2024! Investors have been impressed by a 13.89% gain by the S&P 500 Index and a 17.84% gain by the NASDAQ Composite Index. A closer examination of their content reveals that most of the gains came from their concentration in a small number of securities. A recent study of the S&P 500 found that its top 10 holdings by weight represented 35% of the value of the Index. Their outstanding performance has been driving the exceptional gain by the Index. Other U.S. equity indices have recorded positive but less impressive returns to date: Equally weighted S&P 500 Index is up only 3.75%, Dow Jones Industrial Average is up only 2.39% and the Russell 2000 Index is **down** 0.43%. The Dow Jones Transportation Average is **down** 6.84%. Also, the TSX Composite Index is up only 3.25%

The key to performance in the first half of this year by far in U.S. equity markets has been gains by the technology sector.

Historically, the technology sector also has performed above average into the second half of the year. This year the sector is benefitting from a growing enthusiasm for “AI” stocks. Other sectors, that have a history of outperformance in the second half of the year both in Canada and the U.S., include Consumer Discretionary, Industrial, Biotech, Base metals and Gold.

U.S. equity markets have a history of moving higher from the last week in June to the end of July, the so called “Summer Rally” (particularly during U.S. Presidential Election years). Average gain per period for the S&P 500 Index during the past 20 periods is 3.0%. This year, the Index is expected to benefit from accelerating earning gains: Consensus for second quarter 2024 earnings by S&P 500 companies calls for a year-over-year increase of 9.0%, up from a 5.9% increase announced in the first quarter. Anticipation of greater economic activity prior to start of the Olympics also is positive. Not surprising, Booking Holdings (Symbol: BKNG) touched an all-time high last Wednesday.

Consensus for Earnings and Revenues for S&P 500 Companies

Source: www.FactSet.com

Earnings gains in 2024 on a year-over-year basis accelerate in the second and third quarters from the first quarter when earnings increased only 5.9%. Consensus for the second quarter calls for a 9.0% earnings increase (versus previous 9.2% increase) and a 4.6% increase in revenues (versus previous 4.7% increase). Consensus for the third quarter calls for an 8.2% increase in earnings (versus previous 8.3% increase) and a 4.9% increase in revenues.

Earnings gains accelerate further in the fourth quarter. Consensus calls for a 17.6% increase in earnings (versus previous 17.5% increase) and a 5.6% increase in revenues (versus previous 5.5% increase).

For all of 2024, consensus calls for an 11.3% earnings increase and a 5.0% revenue increase.

Earnings gains accelerate further in 2025. First quarter earnings are expected to increase 15.3% year-over-year and revenues are expected to increase 5.8%. Second quarter earnings are expected to increase 15.2% and revenues are expected to increase 5.9%. For all of 2025 earnings are expected to increase 14.3% (versus previous 14.2% increase) and revenues are expected to increase 6.0% (versus previous 5.9% gain).

Economic News This Week

Source: www.Investing.com

June Empire State Manufacturing Survey is released at 8:30 AM EDT on Monday.

May U.S. Retail Sales released at 8:30 AM EDT on Tuesday are expected to increase 0.3% versus no change in April.

May Capacity Utilization released at 9:15 AM EDT on Tuesday is expected to increase to 78.6 from 78.4 in April. **May Industrial Production** also is released at 9:15 AM EDT

April U.S. Business Inventories released at 10:00 AM EDT on Tuesday are expected to increase 0.3% versus a 0.1% decline in March

U.S. Holiday is on Wednesday. U.S equity markets are closed.

May U.S. Housing Starts released at 8:30 AM EDT on Thursday are expected to increase to 1.380 million units from 1.360 million units in April.

June Philly Fed Index released at 8:30 AM EDT on Thursday is expected to be unchanged from May at 4.5.

May Canadian Retail Sales are released at 8:30 AM EDT on Friday

May U.S. Existing Home Sales release at 10:00 AM EDT on Friday are expected to slip to 4.10 million units from 4.14 million units in April

May U.S. Leading Economic Indicators released at 10:00 on Friday are expected to be -0.3 versus -0.6 in April.

Federal Reserve Monetary Policy Report is released at 11:00 AM EDT on Friday.

Selected Earnings Reports This Week

Source: www.investing.com

Monday: Lennar

Tuesday: K B Homes

Thursday: Accenture, Kroger, Carnival, Darden Restaurants.

Trader's Corner

Technical Scores range from -6 (most bearish) to +6 (most bullish)

Example: Technical score on the TSX Composite dropped on Friday from -2 to -4

	Previous Score	New Score
Intermediate trend: Changed from up to neutral	+2	0
Strength relative to S&P 500: negative	-2	-2
20 Day Moving Average: Below	-1	-1
Daily Momentum: (Stochastics, RSI, MACD): Down	-1	-1
Total Score	-2	-4

Equity Indices and Related ETFs

Daily Seasonal/Technical Equity Trends for June 14th 2024

Unit	Seasonal	Until	Trend	Strength Relative To SPX	20 Day MA	Momen tum	Tech Score	Prev Score	Score Last Week
SPX	Neutral	Nov.8	Up	Neutral	Above	Up	4		4
TSX	Neutral	Dec.15	Neutral	Negative	Below	Down	-4	-2	-2
DJIA	Neutral	Aug.31	Up	Negative	Below	Down	-2		0
COMPQ	Positive	Sept.15	Up	Positive	Above	Up	6		6
IYT	Neutral	Aug.27	Down	Negative	Below	Down	-6		-4
AORD	Neutral	June 19	Up	Negative	Below	Down	-2		4
NIKK	Neutral	Nov.8	Neutral	Negative	Above	Up	0	-2	0
IEV	Neutral	Dec.8	Neutral	Negative	Below	Down	-4		4
FXI	Neutral	Oct.4	Up	Negative	Below	Down	-2		0
EEM	Neutral	Nov.29	Up	Negative	Below	Up	0		-2

Green: Increase from previous day

Red: Decrease from previous day

Source for all positive seasonality ratings: www.EquityClock.com

Commodities

Daily Seasonal/Technical Commodities Trends for June 14th 2024

Unit	Seasonal	Until	Trend	Strength Relative To SPX	20 Day MA	Momen tum	Tech Score	Prev Score	Score Last Week
CRB Index	Neutral	Feb.12	Down	Negative	Above	Up	-2	-4	-4
Gasoline	Positive	June 29	Neutral	Negative	Below	Up	-2		-2
Crude Oil	Positive	June 30	Down	Neutral	Above	Up	0		-4
Natural Gas	Positive	June 29	Up	Neutral	Above	Down	2	6	6
S&P Energy	Neutral	Dec.9	Down	Negative	Below	Down	-6	-4	-6
Oil Services	Neutral	Dec.19	Down	Negative	Below	Down	-6		-6
Gold	Neutral	July 15	Up	Negative	Below	Up	0		-2
Silver	Neutral	Dec.28	Up	Negative	Below	Up	0		-2
Gold Bug	Neutral	July 27	Up	Negative	Below	Down	-2		-2
Platinum	Neutral	Dec.24	Up	Negative	Below	Down	-2		-2
Palladium	Neutral	Nov.28	Down	Negative	Below	Down	-6		-4
Copper	Neutral	Nov.22	Up	Negative	Below	Down	-2		0
Agriculture	Neutral	Nov.10	Down	Negative	Below	Down	-6	-4	-4

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Sectors Daily Seasonal/Technical Sector Trends for June 14th 2024

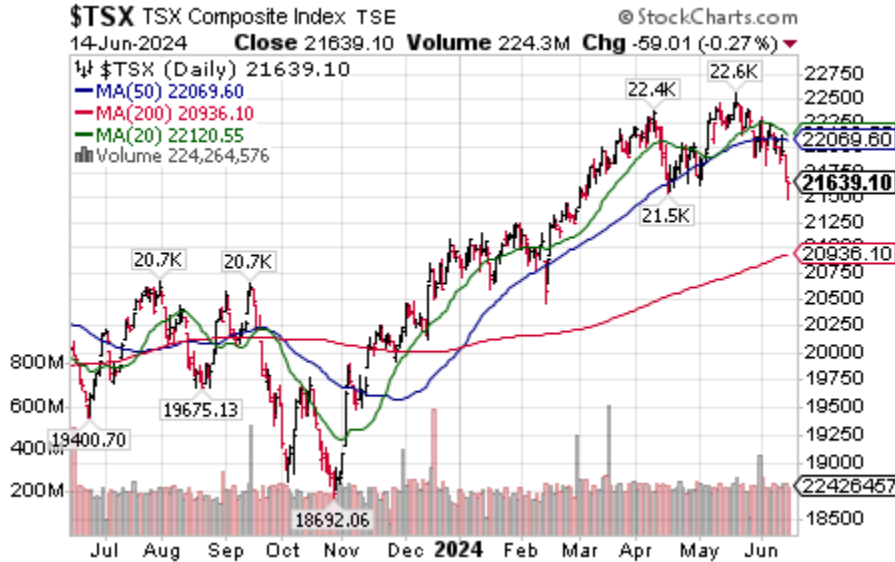
Unit	Seasonal	Until	Trend	Strength Relative To SPX	20 Day MA	Momen tum	Tech Score	Prev Score	Score Last Week
XLK	Positive	Aug.28	Up	Positive	Above	Up	6		4
XLB	Neutral	Oct.1	Up	Negative	Below	Down	-2	0	-2
XLI	Neutral	Aug.26	Neutral	Negative	Below	Down	-4	0	0
XLY	Neutral	Aug.7	Up	Negative	Above	Down	0	2	-2
XLF	Neutral	July 7	Up	Negative	Below	Down	-2		0
XLE	Neutral	Dec.9	Down	Negative	Below	Down	-6		-6
XLP	Neutral	Feb.16	Up	Negative	Below	Down	-2		2
XLV	Positive	July 30	Neutral	Neutral	Above	Down	0		2
XLU	Positive	July 2	Up	Negative	Below	Down	-2		-2
XLC	Neutral	Jan.8	Up	Negative	Above	Down	0		4
XLRE	Neutral	Dec.1	Up	Neutral	Above	Up	4	0	-2
TSX Financial	Neutral	July 12	Down	Negative	Below	Down	-6		0
TSX Energy	Neutral	Dec.11	Down	Negative	Below	Down	-6		-6
TSX Gold	Neutral	Dec.15	Up	Negative	Below	Down	-2		-2
TSX Tech	Neutral	Nov. 15	Neutral	Neutral	Above	Up	2		0
TSX B Metals	Neutral	Oct.4	Up	Negative	Below	Down	-2		-2

Green: Increase from previous day

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Technical Notes for Friday

TSX Composite Index moved below intermediate support at 21,536.09. Trend changed from Up to Neutral.



France iShares \$EWQ moved below intermediate support at \$38.37. A national election has been called.



Agribusiness ETF \$MOO moved below \$69.68 extending an intermediate downtrend.



Industrial SPDRs \$XLI moved below \$120.17 completing a double top pattern.



Adobe \$ADBE an S&P 100 stock moved above \$496.76 setting an intermediate uptrend. The company reported higher than consensus quarterly results.



Target \$TGT an S&P 100 stock moved below \$139.98 extending an intermediate downtrend.



PayPal \$PYPL moved below \$60.85 completing a Head & Shoulders pattern



Toronto Dominion Bank \$TD.TO a TSX 60 stock moved below Cdn\$73.98 extending an intermediate downtrend.



S&P 500 Momentum Barometers



The intermediate term Barometer dropped 3.60 on Friday and dropped 5.60 last week to 43.60. It remains Neutral.



The long term Barometer dropped 1.60 on Friday and dropped 1.80 last week to 67.00. It remains Overbought.

TSX Momentum Barometers



The intermediate term Barometer dropped 4.05 on Friday and plunged 29.28 last week to 36.49. It changed from Overbought to Oversold on a drop below 40.00. Daily trend remains down.



The long term Barometer dropped 2.70 on Friday and fell 4.06 last week to 61.71. It remains Overbought. Daily trend is down.

Tech Talk is a free service available each business day at www.timingthemarket.ca

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