

Tech Talk for Saturday June 29th 2024

The Bottom Line

The stage is set for the Summer Rally. See comments below

Economic News This Week

June ISM Manufacturing PMI released at 10:00 AM EDT on Monday is expected to increase to 49.0 from 48.7 in May.

May U.S. Construction Spending is released at 10:00 AM EDT on Monday.

Federal Reserve Chairman Powell speaks at 9:30 AM EDT on Tuesday.

Canadian May Trade Balance is released at 8:30 AM EDT on Wednesday

May U.S. Factory Orders are released at 8:30 AM EDT on Wednesday

June ISM Non-Manufacturing PMI released at 10:00 AM EDT on Wednesday is expected to slip to 52.5 from 53.8 in May.

June U.S. Non-farm Payrolls released at 8:30 AM EDT on Friday are expected to drop to 180,000 from 272,000 in May. **June Unemployment Rate** is expected to remain unchanged from May at 4.0%. **Average Hourly Earnings** are expected to increase 0.3% versus a gain of 0.4% in May.

June Canadian Employment is released at 8:30 AM EDT on Friday

Selected Earnings News This Week

Wednesday: Constellation Brands

Notes for Michael Campbell: June 28th 2024

Don Vialoux appeared on Michael Campbell's Money Talks podcast on Saturday. Following are notes developed prior to the interview:

Will a "Summer Rally" happen this year? Traditionally, the Summer Rally in North American equity markets occurs between the last week in June and the end of July. . Average gain per period for the "Summer Rally" for the S&P 500 Index during the past 20 periods was 3.0%. The trade was profitable in 15 of the past 20 periods.

Recording of the “Summer Rally” has been slightly different during U.S. Presidential Election years (like 2024). Based on 73 years of data for the Dow Jones Industrial Average since 1950, the Summer Rally during Presidential Election years started at the same time in the last week in June, but continued until mid-August. Average return per period for the past 17 periods was 2.5%. Indices moved higher in anticipation of adoption of the next President’s proposed economic agenda.

Closely related to the “Summer Rally” for U.S equity indices during U.S. Presidential Election years is the Summer Olympic Game: In most cases, both are held in the same year. U.S. equity indices have a history of moving higher in the month prior to the start of the Summer Olympics. This year, the summer Olympic Games in Paris France are scheduled to start on July 26th. Sectors most impacted by anticipation of the Olympic Games include communication providers (e.g. Comcast, Disney, Meta Platform and Alphabet) and travel accommodators (e.g. Bookings Holdings). All recently have shown encouraging technical signs by recording positive strength relative to the S&P 500.

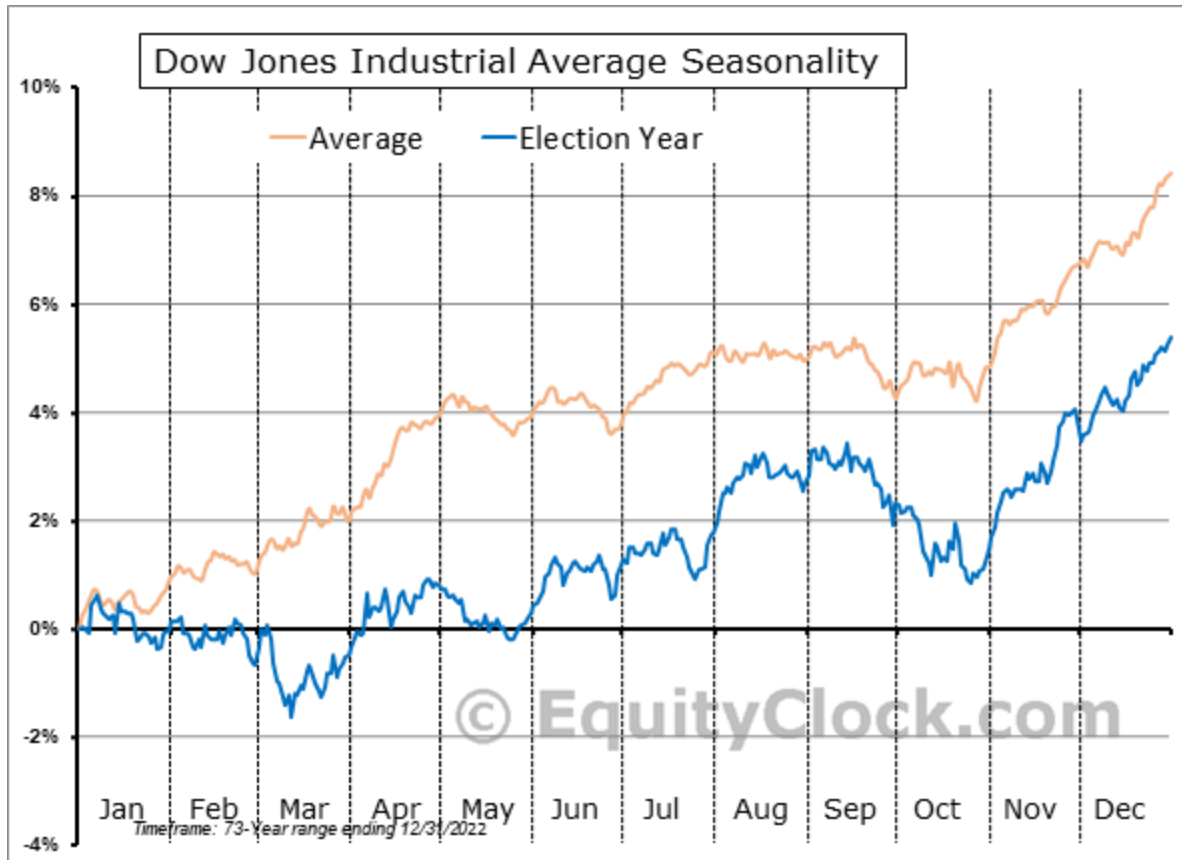
The TSX Composite Index also has a history of moving higher from late June to the end of July. The trade has been profitable in 14 of the past 20 periods. Average return per period was 1.8%.

What about this year? U.S. equities are expected to benefit from accelerating earnings growth. Consensus for earnings by S&P 500 companies calls for an 8.8% year-over-year increase in the second quarter versus a gain of only 5.9% in the first quarter. Gains further accelerate in the second half: Consensus calls for an 8.2% gain in the third quarter and 17.6% in the fourth quarter. Gains continue in 2025. Consensus calls for 15.4% year-over-year earnings gain in 2025.

The earnings picture for TSX Composite companies in the second quarter also is favourable, but less positive than the U.S. TSX 60 companies scheduled to report year-over-year earnings gains in excess of 20% in the second quarter include Shopify, Canadian Natural Resources, Constellation Software, Barrick Gold, Cenovus Energy, Pembina Pipelines and Imperial Oil. Notable is strength projected for Canadian natural resource companies that are expected to benefit from higher commodity prices in U.S. dollars on a year-over-year basis: WTI crude oil has gained 16%, copper has gained 18%, gold has advanced 20% and silver has jumped 29%. In addition, Canadian natural resource companies have benefited from a year-over-year 8% increase in the U.S. Dollar relative to the Canadian Dollar.

The “Summer Rally” in North American equity prices could start as early as the end of June if the May Core PCE Price Index released on Friday at 8:30 AM EDT is favourable. This Index is the Federal Reserve’s best measure of inflation. Consensus calls for a 2.7% *year-over-year increase, down from a 2.8% rate in April. A continuing downtrend in the Index will encourage the Federal Reserve to lower its Fed Fund Rate currently at 5.25%-5.50% as early as its next FOMC meeting on July 31st and more probably by its following meeting on September 18th. In turn, lending rates by major U.S. banks will drop, economic activity will turn more positive and investors will want to own more equities.

*Actual: 2.6%



Trader's Corner

Equity Indices and Related ETFs

Daily Seasonal/Technical Equity Trends for June 28th 2024

Unit	Seasonal	Until	Trend	Strength Relative To SPX	20 Day MA	Momentum	Tech Score	Prev Score	Score Last Week
SPX	Neutral	Nov.8	Up	Neutral	Above	Down	2		2
TSX	Neutral	Dec.15	Neutral	Negative	Above	Up	0		-4
DJIA	Neutral	Aug.31	Up	Neutral	Above	Down	2		2
COMPQ	Positive	Sept.15	Up	Positive	Above	Down	4	6	4
IYT	Neutral	Aug.27	Down	Neutral	Above	Up	0		-2
AORD	Positive	Aug.31	Up	Negative	Above	Up	2	0	2
NIKK	Neutral	Nov.8	Neutral	Neutral	Above	Up	2		-4
IEV	Neutral	Dec.8	Neutral	Negative	Below	Down	-4		-2
FXI	Neutral	Oct.4	Up	Negative	Below	Down	-2		0
EEM	Neutral	Nov.29	Up	Neutral	Above	Down	2	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 28th 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	Neutral	Above	Down	-2		0
Gasoline	Positive	June 29	Neutral	Positive	Above	Up	4		2
Crude Oil	Positive	June 30	Neutral	Positive	Above	Up	4		4
Natural Gas	Positive	June 29	Down	Negative	Below	Down	-6	-2	0
S&P Energy	Neutral	Dec.9	Down	Neutral	Above	Up	0		-4
Oil Services	Neutral	Dec.19	Down	Positive	Above	Up	2	0	-4
Gold	Neutral	July 15	Up	Negative	Below	Down	-2		0
Silver	Neutral	Dec.28	Up	Negative	Below	Down	-2		0
Gold Bug	Neutral	July 27	Up	Negative	Below	Down	-2	0	0
Platinum	Neutral	Dec.24	Up	Neutral	Above	Up	4		0
Palladium	Neutral	Nov.28	Down	Neutral	Above	Up	0	-2	0
Copper	Neutral	Nov.22	Up	Negative	Below	Down	-2		0
Agriculture	Neutral	Nov.10	Down	Negative	Below	Up	-4		-4

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Sectors Daily Seasonal/Technical Sector Trends for June 28th 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	Neutral	Above	Down	2		6
XLB	Neutral	Oct.1	Up	Negative	Below	Down	-2		0
XLI	Neutral	Aug.26	Neutral	Negative	Above	Down	-2	-4	-2
XLY	Neutral	Aug.7	Up	Positive	Above	Up	6		6
XLF	Neutral	July 7	Up	Negative	Above	Down	0	-2	2
XLE	Neutral	Dec.9	Down	Neutral	Above	Up	0		-4
XLP	Neutral	Feb.16	Up	Negative	Below	Down	-2		2
XLV	Positive	July 30	Neutral	Neutral	Above	Down	0		0
XLU	Positive	July 2	Up	Negative	Below	Down	-2	0	0
XLC	Neutral	Jan.8	Up	Positive	Above	Down	4	6	0
XLRE	Neutral	Dec.1	Up	Neutral	Above	Up	4	2	4
TSX Financial	Neutral	July 12	Down	Negative	Above	Up	-2	-4	-6
TSX Energy	Neutral	Dec.11	Down	Negative	Above	Up	-2		0
TSX Gold	Neutral	Dec.15	Up	Negative	Above	Up	2		0
TSX Tech	Neutral	Nov. 15	Neutral	Neutral	Above	Up	2		-2
TSX B Metals	Neutral	Oct.4	Neutral	Negative	Below	Up	-2		-2

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Technical Notes for Friday

Natural Gas ETN \$UNG moved below \$17.39 completing a double top pattern.



Corn ETN \$CORN dropped below \$18.72 to a three year low extending an intermediate downtrend.



FedEx \$FDX an S&P 100 stock moved above \$301.18 to an all-time high extending an intermediate uptrend



Tesla \$TSLA a NASDAQ 100 stock moved above \$198.87 completing a reverse Head & Shoulders pattern



Nike \$NKE a Dow Jones Industrial Average stock moved below \$88.42, \$87.71 and \$80.32 extending an intermediate downtrend. Fiscal fourth quarter results were below consensus.



Travelers \$TRV a Dow Jones Industrial Average stock moved below \$201.60 completing a double top pattern.



Visa \$V a Dow Jones Industrial Average stock moved below \$266.01 extending an intermediate downtrend.



Restaurant Brands International \$QSR.TO a TSX 60 stock moved above Cdn\$96.79 completing a double bottom pattern.



S&P 500 Momentum Barometers



The intermediate term Barometer slipped 1.60 on Friday and dropped 4.80 to 48.80. It remains Neutral.



The long term Barometer added 1.20 on Friday and slipped 1.20 last week. It remains Overbought.

TSX Momentum Barometers



The intermediate term Barometer dropped 1.77 on Friday but gained 15.39 last week to 46.02. It changed last week from Oversold to Neutral on a recovery above 40.00.



The long term Barometer added 0.44 on Friday and advanced 9.1 last week to 66.37. It changed from Neutral to Overbought on a recovery back above 60.00.

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

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