

Tech Talk for Saturday October 26th 2024

The Bottom Line

Key focuses this week are on third quarter results released by some of the largest U.S. companies including:

Ford on Monday
Alphabet, McDonalds and Pfizer on Tuesday
Microsoft and Eli Lilly on Wednesday
Apple and Amazon on Thursday
Exxon Mobil and Chevron on Friday

Volatility in U.S. equity markets (measured by the VIX Index) **is expected to remain elevated until after the U.S. elections on November 5th**. Current election polls show a “dead heat” in seven key states for the President race (with a slight momentum increase favouring Trump). Polls also show a “dead heat” for Senate seats (with Republicans leading by two additional seats).

Consensus for Earnings and Revenues by S&P 500 companies

Source: www.factset.com

Frequency of third quarter corporate reports peaks this week. Thirty seven percent (185 companies) have reported to date. Another 34% (169 companies) are scheduled to report this week. Results released to date have prompted analysts to raise their earnings and revenue estimate slightly. Consensus calls for a 3.6% year-over-year earnings increase (up from 3.4% last week) and a 4.9% year-over-year increase in revenues (up from 4.7% last week).

A word of caution! Consensus for third quarter earnings remain significantly lower than the 11.3% year-over-year earnings gain recorded in the second quarter.

Earnings and revenue gains accelerate in the fourth quarter, but at a slightly lower rate than indicated last week. Consensus calls for a 13.4% earnings increase (versus a 14.0% increase last week) and a 4.9% revenue increase (down from 5.0% last week).

For all of 2024, consensus calls for a 9.3% earnings increase (versus a 9.4% increase last week) and 5.0% revenue increase.

Earnings gains remain elevated in 2025, but at a slightly lower rate. First quarter earnings are expected to increase 13.4 % on a year-over-year basis (versus a 13.8% increase last week) and revenues are expected to increase 5.4% (versus a 5.5% increase last week). Second quarter earnings are expected to increase 12.6% (versus a 13.0% gain last week) and revenues are expected to increase 5.3% (versus 5.4% last week). For all of 2025 earnings are expected to increase 15.2% (versus a 15.1% increase last week) and revenues are expected to increase 5.8% versus 5.9% last week).

Economic News This Week

Bank of Canada Governor Macklem speaks at 1:30 PM EDT on Monday

U.S. third quarter annualized GDP released at 8:30 AM EDE on Wednesday is expected to grow at a 3.0% rate versus a 3.0% rate in the second quarter.

September Core PCE Price Index is released at 8:30 AM EDT on Thursday.

September U.S. Personal Income released at 8:30 AM EDT on Thursday is expected to increase 0.4% versus a 0.2% gain in August. **September U.S. Personal Spending** is expected to increase 0.4% versus a 0.2% gain in August.

August Canadian GDP released at 8:30 AM EDT on Thursday is expected to be unchanged versus a 0.2% gain in July.

Chicago October PMI is released at 9:45 AM EDT on Thursday

October Non-farm Payrolls released at 8:30 AM EDT on Friday is expected to drop to 140,000 from 254,000 in September. **October Unemployment Rate** is expected to remain at 4.1% set in September. **October Average Hourly Earnings** are expected to increase 0.3% versus 0.4% in September.

September U.S. Construction Spending is released at 10:00 AM EDT on Friday

October ISM Manufacturing PMI is released at 10:00 AM EDT on Friday is expected to improve to 47.6 from 47.2 in September.

Selected Earnings News This Week

Monday: Waste Management, Ford, ON Semiconductor

Tuesday: Alphabet, Visa, AMD, McDonald's, Pfizer, Stryker, Chubb, American Tower, PayPal, Mondelez, Chipotle, Republic Services, DR Horton, Corning, Electronic Arts.

Wednesday: Microsoft, Meta Platforms, Eli Lilly, AbbVie, Caterpillar, Amgen, Booking, ADP, KLA Tencor, Illinois Tool Works, Door Dash, Aflac, Met Life, Allstate, KraftHeinz, Agnico Eagle Mines, Humana, eBay, Biogen, CF Industries, Brookfield Infrastructure.

Thursday: Apple, Amazon, MasterCard, Merck, Linde, Comcast, Cenovus, Bristol Myers, Shopify, Canadian Natural Resources, US Steel

Friday: Exxon Mobil, Chevron, Enbridge, Telus

Trader's Corner

Equity Indices and Related ETFs

Daily Seasonal/Technical Equity Trends for October 25th 2024

Unit	Seasonal	Until	Trend	Relative Strength	20 Day MA	Momentum	Tech Score	Prev Score
SPX	Neutral	Nov.8	Up	Neutral	Above	Down	2	
TSX	Neutral	Dec.15	Up	Neutral	Above	Down	2	4
DJIA	Positive	Jan.6	Up	Negative	Below	Down	-2	
COMPQ	Neutral	May 18	Up	Positive	Above	Down	4	
IYT	Positive	Dec.5	Up	Neutral	Above	Down	2	
AORD	Neutral	June 15	Up	Neutral	Below	Down	0	
NIKK	Neutral	Nov.8	Up	Negative	Below	Down	-2	
IEV	Neutral	Dec.8	Up	Negative	Below	Down	-2	
FXI	Positive	Jan.21	Up	Neutral	Below	Down	0	
EEM	Neutral	Nov.29	Up	Negative	Below	Down	-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 October 25th 2024

Unit	Seasonal	Until	Trend	Relative Strength	20 Day MA	Momentum	Tech Score	Prev Score
CRB Index	Neutral	Feb.12	Neutral	Neutral	Below	Up	0	-2
Gasoline	Neutral	Mar.30	Up	Neutral	Above	Down	2	0
Crude Oil	Neutral	Jan.12	Neutral	Neutral	At	Up	1	-4
Natural Gas	Positive	Nov.30	Up	Neutral	Below	Up	2	0
S&P Energy	Neutral	Dec.9	Up	Neutral	Below	Down	0	
Oil Services	Neutral	Dec.19	Up	Negative	Below	Up	0	-2
Gold	Neutral	Dec.23	Up	Positive	Above	Down	4	
Silver	Neutral	Dec.28	Up	Positive	Above	Down	4	
Gold Bug	Neutral	Dec.15	Up	Positive	Above	Down	4	
Platinum	Neutral	Dec.24	Up	Positive	Above	Up	6	
Palladium	Neutral	Nov.28	Up	Positive	Above	Up	6	
Copper	Neutral	Nov.22	Up	Negative	Below	Down	-2	
Agriculture	Neutral	Nov.10	Up	Negative	Below	Down	-2	

Green: Increase from previous day

Red: Decrease from previous day

Sectors

Daily Seasonal/Technical Sector Trends for October 25th 2024

Unit	Seasonal	Until	Trend	Relative Strength	20 Day MA	Momentum	Tech Score	Prev. Score
XLK	Neutral	Oct.9	Neutral	Neutral	Above	Down	0	
XLB	Positive	Jan.3	Up	Negative	Below	Down	-2	
XLI	Neutral	Oct.27	Up	Negative	Below	Down	-2	
XLY	Positive	Jan.3	Down	Negative	Above	Up	-2	
XLF	Positive	Nov.2	Up	Positive	Above	Down	4	
XLE	Neutral	Dec.9	Up	Neutral	Below	Down	0	
XLP	Neutral	Feb.16	Up	Negative	Below	Down	-2	
XLU	Neutral	Feb.6	Up	Neutral	Above	Up	2	
XLV	Neutral	Nov.11	Down	Negative	Below	Down	-6	
XLC	Neutral	Jan.8	Up	Neutral	Below	Down	0	
XLRE	Neutral	Dec.1	Up	Neutral	Above	Down	2	
TSX Financial	Neutral	July 12	Up	Neutral	Above	Down	2	
TSX Energy	Neutral	Dec.11	Down	Neutral	Below	Down	0	
TSX Gold	Neutral	Dec.15	Up	Neutral	Above	Down	2	
TSX Tech	Neutral	Nov.15	Up	Neutral	Above	Down	2	
TSX B Metals	Positive	Jan.18	Up	Neutral	Below	Down	0	

Green: Increase from previous day

Red: Decrease from previous day

Changes Last Week

Index	Close	Change	Percent Change
SPX	5,808.12	-56.55	(0.96)
TSX	24,463.67	-358.87	(0.45)
INDU	42,114.40	-1,161.51	(2.68)
COMPQ	18,518.61	29.06	0.16
TRAN	16,104.19	-278.84	(1.70)
AORD	8,467.30	-83.90	(0.98)
NIKK	37,913.92	-1,067.27	(2.74)
IEV	56.87	- 0.17	(0.30)
FXI	31.72	-0.45	1.40
EEM	46.12	0.20	0.44

Chart of the day: WTI Crude Oil

Example showing technical score for WTI Crude Oil
Current

Previous

Intermediate trend: Remains neutral

Strength relative to S&P 500: Changed from negative to neutral

Above/Below 20 day moving average: Changed from below to at

Daily momentum (Stochastics, RSI, MACD): Changed from down to up

Totals

Score	Score
0	0
-2	0
-1	0
-1	1
-4	1



Notes developed prior to a radio interview last week

Frequency of third quarter results released by major North American companies reaches a peak this week. A word of caution! Consensus for third quarter results by S&P 500 index companies calls for significantly lower than the 11.3% year-over-year earnings gain recorded in the second quarter. Consensus for third quarter earnings on a year-over-year basis calls for only a 3.6% increase. Most third quarter reports released last week were greeted with “sell on news” responses. Share prices for S&P 100 companies, that reported less than consensus third quarter results, were particularly hard hit. Examples included GE Aerospace, Danaher, Verizon, Lockheed Martin, MMM, Union Pacific and Coca Cola. On the other hand, a few exceptions recorded upside gains when quarterly results surprised on the upside: Notable winners with positive surprises last week were Tesla, AT&T and General Motors

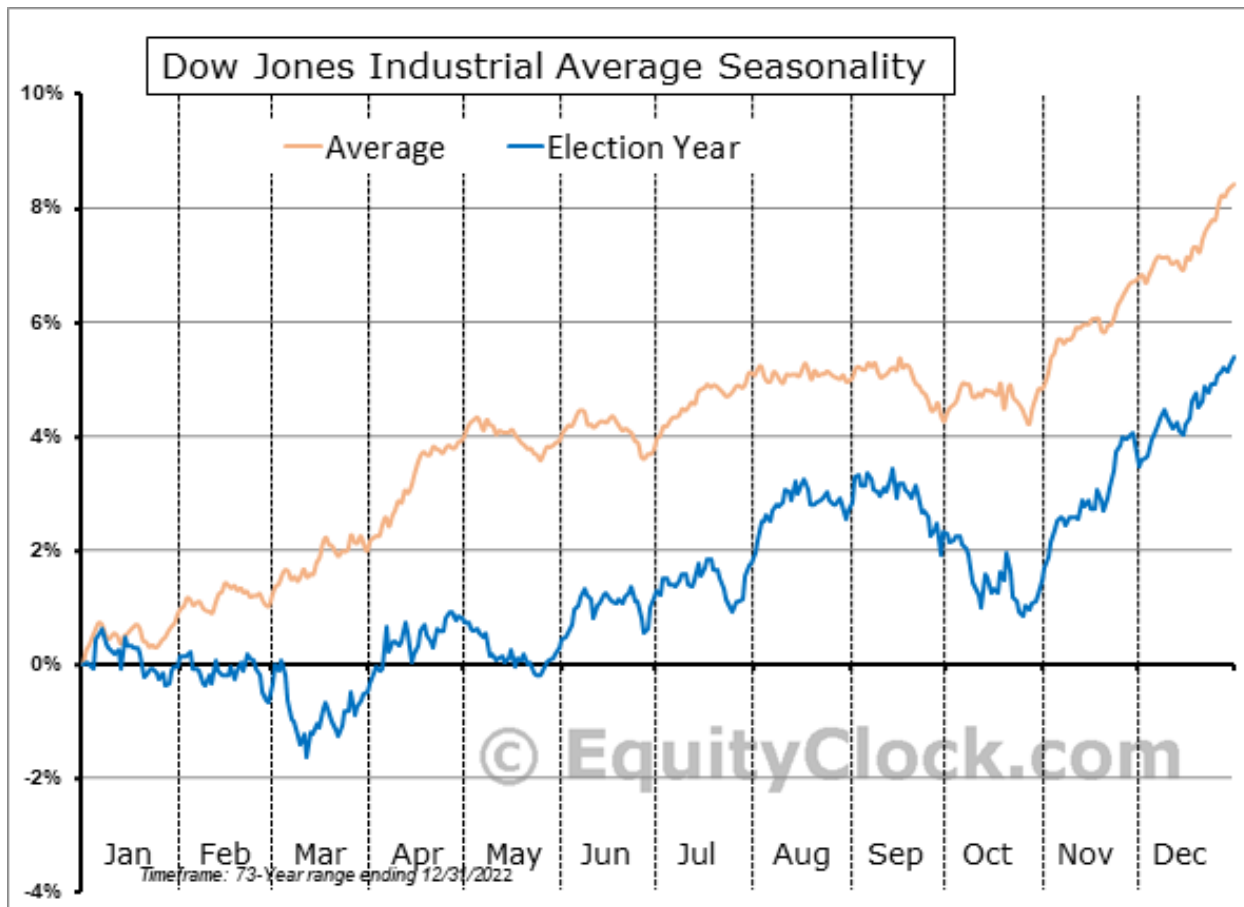
Fortunately, corporate news becomes more favourable after third quarter results are released. Consensus calls for earnings gains by S&P 500 companies to accelerate in the fourth quarter with a 14.0% year-over-year increase.

Look for higher than average volatility by U.S. equity prices prior to the U.S. Presidential Election on November 5th, prompted by uncertainty about election results. Not surprising, the VIX Index, better known as the “fear index”, is trading near 20%, up from its 15% average in 2024 year-to-date.

U.S. equity indices have a history since 1950 of moving higher from U.S. Presidential Election Day until at least January in the following year and frequently until June in the following year. Investors begin to anticipate introduction of new government programs that will fulfill the newly elected President mandate. Average gain per period for the Dow Jones Industrial Average from Presidential Election Day to end of the year was 3.0%.

Note an important exception to history: When President George Bush was first elected President against Al Gore, final results were not released until early January when the election count for Florida finally was confirmed (Remember the hanging chad controversy?) The S&P 500 Index was volatile, and moved lower by 9% from the election date until confirmation of Bush’s victory. Chances are higher than average this year that another controversy on the final state Collage Vote count for President will occur again. Current election polls show that at least seven key states are scoring a “dead heat”. Final congressional approval of the next President could be delayed until a scheduled meeting on January 6th 2025. (Remember what happened on January 6th 2021 when Congress first attempted to approve the last Presidential election results).

Short term stock market volatility has prompted investors to consider other investment prospects, notably commodities and their related equities and Exchange Traded Funds. Commodity prices (S&P Commodity iShares: symbol; GSG) recording short term technical bottoms last week included gold, silver, natural gas, corn and soybeans. Strength in Commodity prices was prompted by news that the Peoples Bank of China has taken monetary steps to rejuvenate the Chinese economy. Chinese demand for commodities is expected to strengthen.



S&P 500 from November 5th 2000 to January 5th 2001



Technical Notes for Friday

Canadian Dollar \$XDC moved below US71.98 and touched US71.94, reaching a two year low.



NASDAQ Composite Index briefly moved above 18,671.07 on Friday to an all-time high extending an intermediate uptrend.



Consumer Discretionary SPDRs \$XLY moved above \$201.90 resuming an intermediate uptrend.



Capital One Financial \$COF an S&P 100 stock moved above \$167.50 to an all-time high extending an intermediate uptrend.



Colgate Palmolive \$CL an S&P 100 stock moved below \$97.36 extending an intermediate downtrend.



Capped REIT iShares \$XRE.TO moved below \$16.65 completing a double top pattern



S&P 500 Momentum Barometers



The intermediate term Barometer dropped another 5.20 on Friday and plunged 19.80 last week to 57.40. It changed from Overbought to Neutral on a drop below 60.00. Daily trend is down.



The long term Barometer dropped 0.60 on Friday and fell 7.40 last week. It remains Overbought. Daily trend has turned down.

TSX Momentum Barometers



The intermediate term Barometer dropped 5.38 on Friday and plunged 10.76 last week to 69.51. It remains Overbought. Daily trend has turned down.



The long term Barometer slipped 0.45 on Friday and dropped 1.79 last week to 78.48. It remains Overbought.

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