

Fundamentals:

The S&P 500 and the Nasdaq fell on Wednesday as plunging microchip shares, in the face of potential escalation of U.S. trade conflicts with China, exacerbated the ongoing rotation out of megacap tech-related stocks.

A report that the Biden administration is considering severe trade restrictions against China sent microchip stocks tumbling 5.8%, marking the Philadelphia SE Semiconductor index's biggest one-day drop since October 2022.

A pullback in the "Magnificent 7" group of momentum stocks, led by Nvidia Corp, Apple Inc and Microsoft Corp, dragged the Nasdaq more than 2% lower, while the benchmark S&P 500 slid more than 1%.

The Dow Jones Industrial Average, which has until recent days underperformed the other two indexes this year, held onto a modest gain and was on course to log its third straight record closing high.

The blue-chip average got a boost from Johnson & Johnson, UnitedHealth Group and, in defiance of the swooning chip sector, Intel Corp.

The smallcap Russell 2000 which has surged 11.5% in the previous five sessions, snapped its longest winning streak in over four years amid renewed interest in more undervalued stocks and sectors within the equities market.

Signaling growing investor anxiety, the CBOE Market Volatility index briefly hit its highest level in six weeks.

"Investors are grappling with whether the bloom has come off the semis, the tech, the megacaps and the Magnificent Sevens," said Chuck Carlson, CEO at Horizon Investment Services in Hammond, Indiana. "We've got to get through this earnings season to see whether this rotation is going to hold."

Here is a look at the extent to which megacap momentum stocks and chips have outperformed the broader market this year:

On the economic front, housing starts and building permits surprised to the upside, as strength in multiple-unit projects offsets a dip in single-family homebuilding.

In a separate report, industrial output rose at double the expected rate in June.

The data fell in lock-step with recent reports suggesting that despite signs of softening, U.S. economic resiliency will help the Federal Reserve bring inflation down to its 2% target without tipping the economy into contraction.

On Wednesday, the Federal Reserve released its Beige Book, which showed U.S. economic activity expanded at a modest pace from late May through early July, but reported signs the jobs market continues to soften.

"The narrative has shifted a little bit," Carlson added. "The economy looks like (it is) on a course for soft landing, and thus let's buy the economically sensitive stocks."

Financial markets have priced in a 93.5% probability that the Fed will begin cutting rates in September, according to CME's FedWatch tool.

But monetary policy makers, while acknowledging the central bank is getting closer to cutting rates, many would prefer to see more data confirming that inflation is on a sustainable downward path.

Second-quarter earnings season is gathering steam, with Johnson & Johnson posting better-than-expected profit and revenue driven by strong drug sales. Its shares advanced 3.8%.

United Airlines Holdings is due to report after the closing bell.

As of 2:19 p.m. ET, the Dow Jones Industrial Average rose 213.93 points, or 0.52%, to 41,168.41, the S&P 500 lost 72.37 points, or 1.28%, to 5,594.83 and the Nasdaq Composite dropped 473.24 points, or 2.56%, to 18,036.10.

Among the 11 major sectors of the S&P 500, technology and communication services were down the most, with consumer staples showing the largest percentage gain on the day.

Declining issues outnumbered advancing ones on the NYSE by a 1.47-to-1 ratio; on Nasdaq, a 1.76-to-1 ratio favored decliners.

The S&P 500 posted 81 new 52-week highs and no new lows; the Nasdaq Composite recorded 233 new highs and 33 new lows.

(Source: Reuters)

Contract	Close	Change	High	Low
E-Mini Dow SEP 24	41,497.00	264.00	41,526.00	41,095.00
E-Mini S&P SEP 24	5,639.00	-78.00	5,717.75	5,631.75
E-Mini NASDAQ SEP 24	19,997.50	-590.25	20,597.75	19,965.75
Micro Russell 2K JUN 22	2263.2	-21	2304.7	2253.6
USD Nikkei SEP 24	40,295.0	-1,290.0	41,645.00	40,195.00
US Dollar Index	103.76	-0.506	104.29	103.65
DJIA	41,198.08	243.600	41,221.98	40,849.71
S&P 500	5,588.27	-78.930	5,622.49	5,584.81
NASDAQ	17,996.92	-512.420	18,223.24	17,972.87
Nikkei 225	41,097.69	-177.390	41,466.45	41,054.72
Hang Seng	17,739.41	11.430	17,807.68	17,658.68
Straits Times	3,489.57	1.660	3,495.53	3,482.73
DAX	18,437.30	-80.730	18,532.66	18,347.24
CAC	7,570.81	-9.220	7,603.46	7,524.88
FTSE100	8,187.46	22.560	8,204.29	8,132.02

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	10.22	8.11	10.21	10.44
E-Mini S&P Futures	12.12	8.52	9.57	10.32
E-Mini Nasdaq Futures	28.28	19.34	16.64	17.55

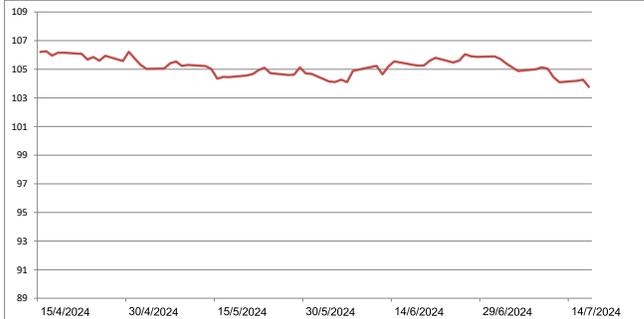
U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



Dollar Index



Economic Releases	Period	Survey	Actual	Prior	Revised	
07/17/2024 20:30	Housing Starts	Jun	1300k	1353k	1277k	1314k
07/17/2024 20:30	Housing Starts MoM	Jun	1.80%	3.00%	-5.50%	-4.60%
07/18/2024 22:00	Leading Index	Jun	-0.30%	--	-0.50%	--
07/24/2024 21:45	S&P Global US Manufacturing PMI	Jul P	--	--	51.6	--
07/24/2024 21:45	S&P Global US Services PMI	Jul P	--	--	55.3	--
07/24/2024 21:45	S&P Global US Composite PMI	Jul P	--	--	54.8	--

E-Mini Dow Index Futures Daily Chart



DM4 Index (D3A HINI e-CBOT Sep24) DAILY REPORT CHART Daily 18APR2024-17JUL2024 Copyright © 2024 Bloomberg Finance L.P. 18-Jul-2024 04:11:50

E-Mini NASDAQ 100 Index Futures Daily Chart



NQ4 Index (NASDAQ 100 E-MINI Sep24) DAILY REPORT CHART Daily 18APR2024-17JUL2024 Copyright © 2024 Bloomberg Finance L.P. 18-Jul-2024 04:12:35

Technical Analysis

Dow		S&P	
1st Resistance:	42119	2nd Resistance:	42742
1st Support:	40875	2nd Resistance:	40252
MACD:	389.773	MACD:	63.169951
MACD DIFF:	192.124	MACD DIFF:	1.201889
RSI:	81.358	RSI:	59.948800

E-Mini S&P 500 Index Futures Daily Chart



ES4 Index (S&P500 EMINI FUT Sep24) DAILY REPORT CHART Daily 18APR2024-17JUL2024 Copyright © 2024 Bloomberg Finance L.P. 18-Jul-2024 04:12:12

Micro E-Mini Russell 2000 Index Futures Daily Chart



HR4 Index (NYSE RUS2000HR4) DAILY REPORT CHART Daily 18APR2024-17JUL2024 Copyright © 2024 Bloomberg Finance L.P. 18-Jul-2024 04:12:54

Nasdaq		Micro Russell	
1st Resistance:	20297.46	2nd Resistance:	20597.43
1st Support:	19697.54	2nd Resistance:	19397.58
MACD:	272.245	MACD:	41.123
MACD DIFF:	-61.653	MACD DIFF:	25.789
RSI:	47.954	RSI:	75.238

Source: Bloomberg

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