

## ChartWizardsNFT™ Market Review & Outlook

Presented by Jonathon King

September 13, 2024



## My Assumptions

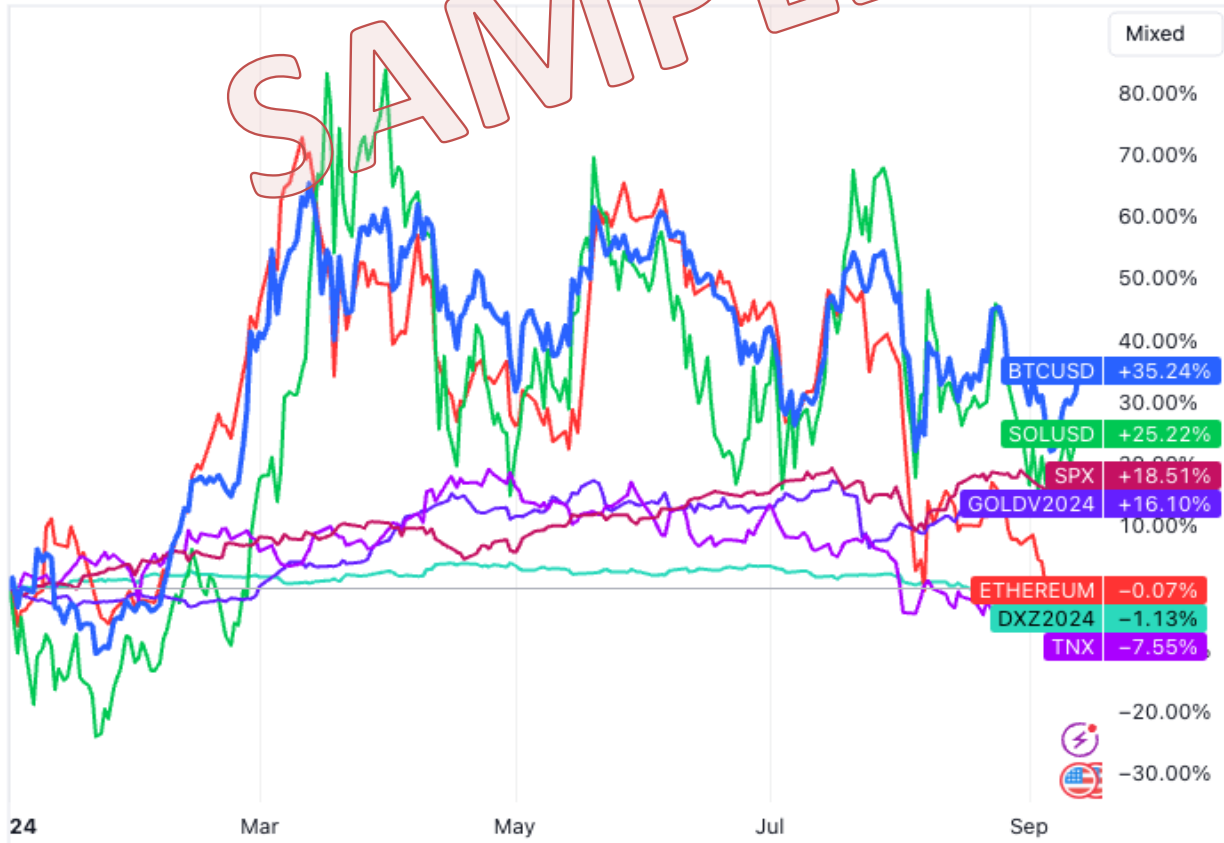
- Interest Rates rule the world.
- The Fed will cut rates by 25bp in September 2024.
- The US labor market and spending economy are strong but deteriorating.
- Low growth + loosening monetary policy = bullish most risk assets.
- Stock market ≠ the economy.
- **If rates are to fall, yield curve steepen, and unemployment rising, I'm raising cash (!!!)**
  - **Now is a time to be greedy, but not to get complacent. Stay paranoid.**

## Market Review

September has continued the volatility from August, though with a few distinct changes. Equity indices have seen a recovery, and SPY is back near all-time highs, and bulls are eyeing another leg up. Market sentiment and investor positioning remains cautious – a contrarian signal. The yield curve is bull – steepening. I explain what that means in this report. Let's dive in.

### YTD: Bitcoin, Solana lead SPY, Gold, Ethereum (no change from last report)

jBTCkingaling published on TradingView.com, Sep 13, 2024 13:35 UTC-5



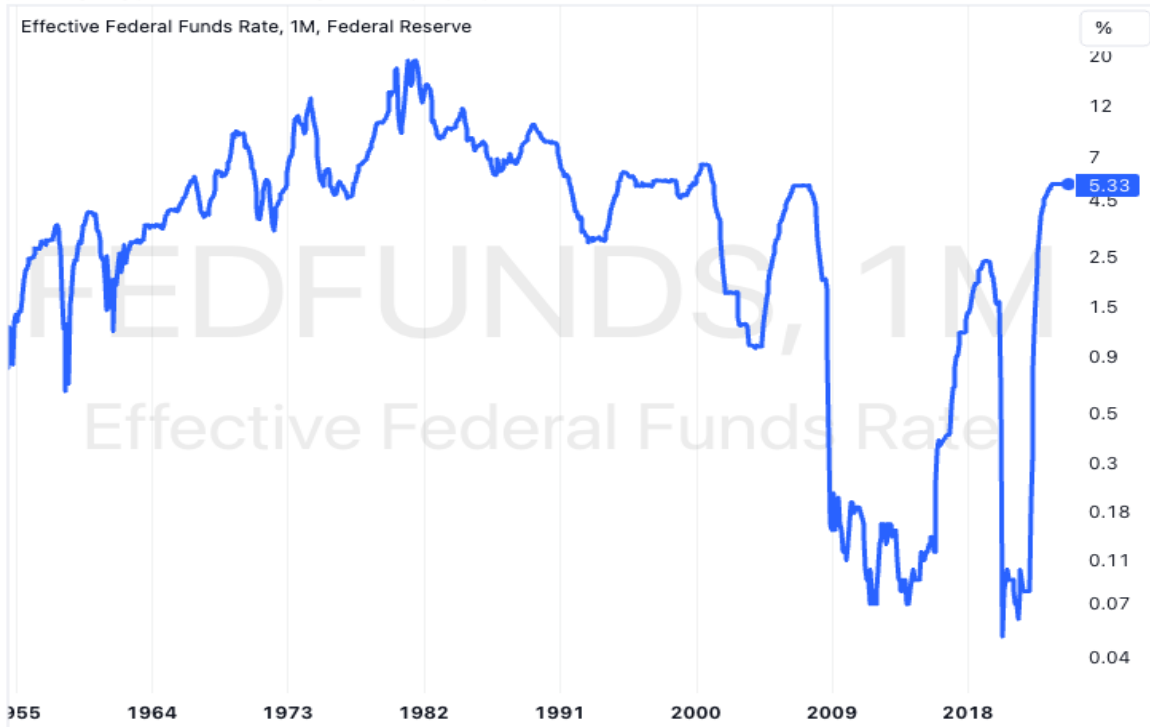
## Interest Rates

Interest rate futures (via CME) are currently pricing over 100 bp of rate cuts into 2024. That is hard for me to see excluding a severe crisis (I discussed this in report #54). A more normal step down, say 25bp at each September and November FOMC meetings, would likely be taken as a positive adjustment by traders and investors, i.e. “no need to panic”.

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES														
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
9/18/2024										0.0%	0.0%	0.0%	45.0%	55.0%
11/7/2024					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.5%	50.2%	26.2%	0.0%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.6%	41.2%	34.3%	8.9%	0.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.4%	27.8%	37.9%	22.2%	4.7%	0.0%	0.0%	0.0%
3/19/2025	0.0%	0.0%	0.0%	0.0%	2.8%	5.1%	31.6%	32.0%	15.6%	2.9%	0.0%	0.0%	0.0%	0.0%
5/7/2025	0.0%	0.0%	0.0%	2.6%	14.2%	30.3%	32.0%	16.8%	3.9%	0.2%	0.0%	0.0%	0.0%	0.0%
6/18/2025	0.0%	0.0%	1.9%	11.2%	26.2%	31.5%	20.7%	7.2%	1.2%	0.1%	0.0%	0.0%	0.0%	0.0%
7/30/2025	0.0%	0.8%	5.8%	17.4%	28.4%	27.1%	15.1%	4.7%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
9/17/2025	0.2%	2.3%	9.3%	20.7%	28.0%	23.5%	12.0%	3.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%

According to the latest data from the CME Fed Watch Tool, interest rate futures are currently pricing in a 100% probability that the Federal Reserve will cut interest rates at its upcoming September 2024 meeting. **The market is divided between a 65% chance of a 25-basis-point (0.25%) cut and a 35% chance of a larger 50-basis-point (0.50%) cut (September 13, 2024).**

jBTCKingaling published on TradingView.com, Sep 13, 2024 11:52 UTC-5

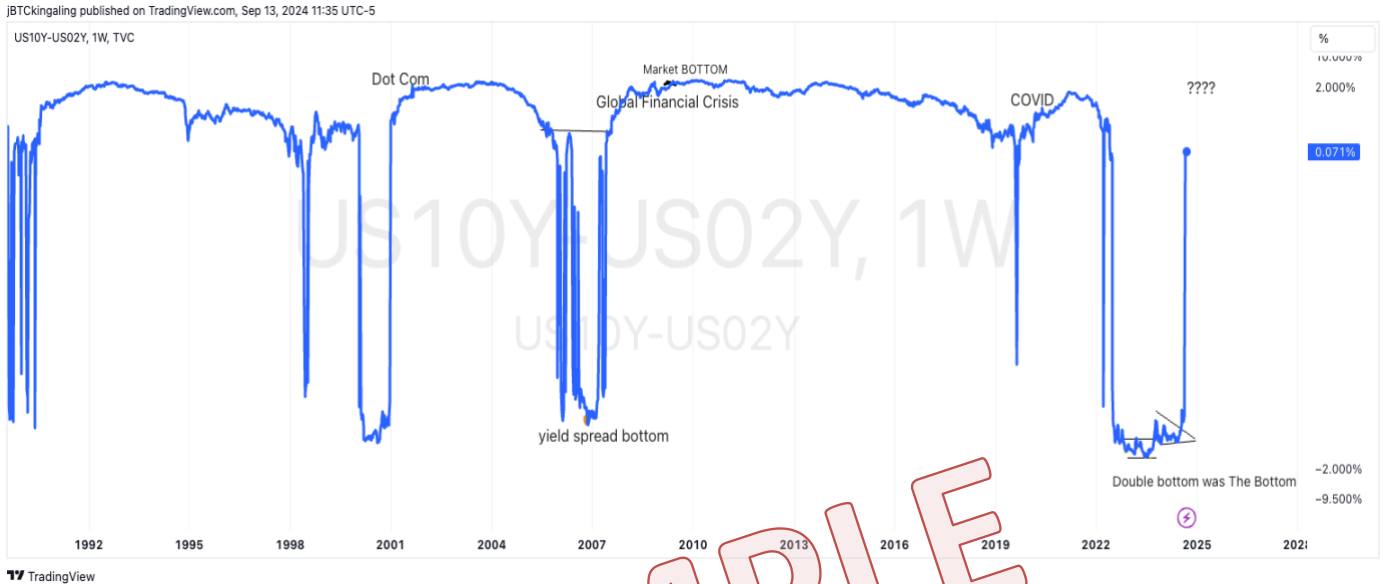


TradingView



**Yield Curve Spread (10s minus 2s):**

**1989 – 2024:**



**2020 – 2024:**



**I have spent a lot of time on the yield curve!!!**



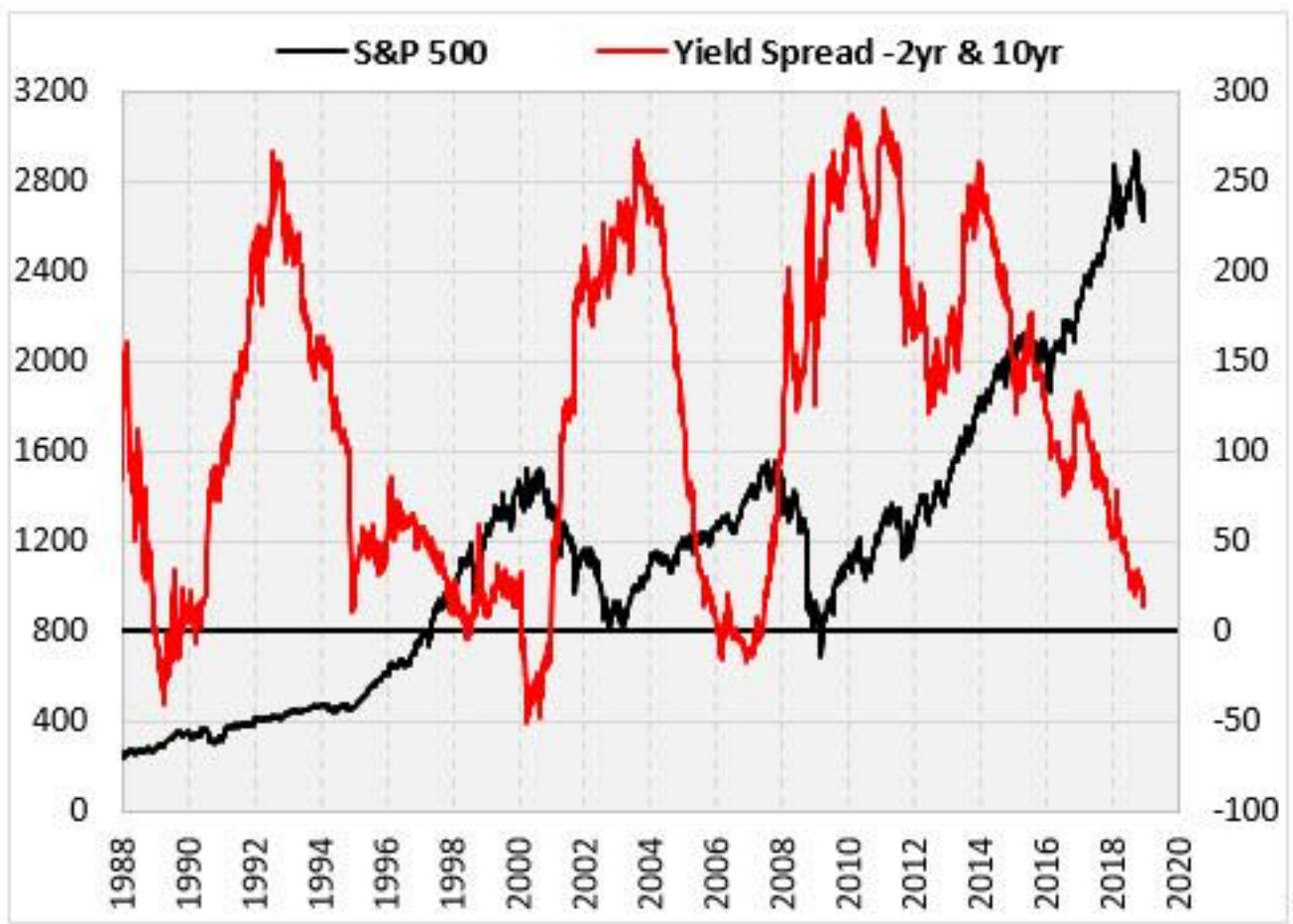
**The trade:** buy (2) 2-yr. treasury futures and sell (1) 10-yr treasury futures

**Why?** expect a bull steepening

**Bull steepening:** short-term rates (2-yr yields) will fall faster than long-term rates (10-yr yields).

- This means I expect the price of 2-yr. Treasury futures to rise more than 10-yr. Treasury futures (because bond prices move inversely to yields)
- The 2:1 ratio is used to balance the interest rate sensitivity and contract size. This is called the DV01, or “Dollar value of 1 basis point move in the yield”
- [You can learn about this here, via CME](#)

**Historically, bull steepening is more common than bear steepening,** and examples include periods like 1990-1992, 2001, 2003, 2008, and 2020 — all of which coincided with recessions.



Notice how S&P500 crashes when the spread goes back up (steepens) and not when it initially inverts.

Reference: <https://youtu.be/fJhNwwOBvYQ?si=HWGGY2xWxHGdOEUM>



## Key Differences in Policy: Trump-Era Republicans are not fiscally conservative

### 1. Tax Policy:

- **Republicans** favor making the Trump-era tax cuts permanent, focusing on lower corporate and personal taxes to stimulate investment and economic growth. They seek to maintain low taxes on high-income earners and capital gains.
- **Democrats** propose higher taxes on corporations and the wealthy, including increasing the corporate tax rate to 28%. Their stated goal is to fund social programs and address income inequality through increased taxation, welfare, and immigration.

### 2. Social Security and Medicare:

- **Republicans**, under Trump, promise no cuts to Social Security and Medicare. This is a notable departure from traditional fiscal conservatism, reflecting Trump's base, which includes older voters reliant on these programs.
- **Democrats** want to bolster funding through higher taxes.

### 3. Military Spending:

- **Democrats** now maintain support for robust defense spending, especially considering rising competition from China and their focus on defending Ukraine.
- **Republicans** continue to strongly support military spending, viewing it as essential for national security and global leadership, but argue that they would not require as much. Trump for example says he will end the wars and create jobs by building an iron dome.

### Areas of Convergence:

- Both parties are largely united on avoiding cuts to **Social Security, Medicare, defense**, and other critical spending areas, recognizing the political risks. Investors should note that despite rhetoric, both parties shy away from meaningful spending cuts in these areas.

### What to Watch:

- **Fiscal sustainability** remains a growing concern as both parties avoid addressing the national debt. Neither party is seriously pushing for deficit reduction, so expect continued heavy borrowing, which could pressure interest rates upward.
- The **tax policy divide** is a critical issue for market participants, particularly those focused on wealth management, corporate profits, and capital gains strategies.

## Commodities

Supply-side challenges in key commodities remain a concern. While some energy commodities have seen relief due to temporary production upticks, others—such as certain metals and agricultural products—continue to trade at elevated prices.



## Coffee

Coffee prices look to close the week at a new +10 year high (Arabica), as production outlooks point to dangerously low supplies, and the physical trade is consuming hand-to-mouth due to high carry costs. Any additional threats to production will almost certainly send prices to uncharted territory.

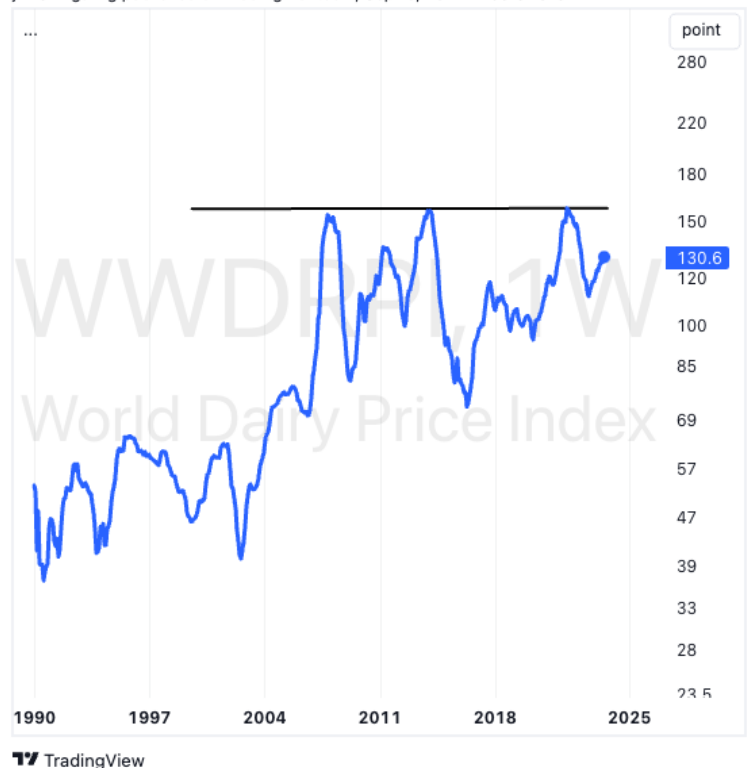
jBTCKingaling published on TradingView.com, Sep 13, 2024 10:30 UTC-5



In the short-term, favorable weather outlook for Brazil over the next 30 days is expected to offer much-needed relief to southern parts of the country, where most supply comes from.

**Bottom Line:** Beware the gambler's fallacy; do not step in front of a moving train. New all-time highs are more likely than not. The top half of this chart could look very different next year. With the dairy price index near all-time highs, too, you can expect a \$10 latte.

jBTCKingaling published on TradingView.com, Sep 13, 2024 11:09 UTC-5



## Oil, OPEC, US Energy

- **Production Cuts:** As of September 2024, OPEC+ has **delayed plans to increase production** until December and will begin gradually phasing out cuts by 180,000 bpd per month starting then. These voluntary cuts, initially expected to ease this year, now extend through the end of 2025
- **Geopolitical tensions:** Middle Eastern tensions still exist, but what's new? The primary concerns are now more economic, driven by uncertainties in Chinese demand and the global transition toward cleaner fuels. OPEC remains optimistic about future economic growth, particularly in China, but acknowledges the headwinds from their real estate sector and increasing penetration of electric vehicles ([World Energy News](#)).
- **I reiterate my bearish view into Q4 2024.** Given production cuts from OPEC, production growth in the US, falling global demand, and no major rally despite the worst geopolitical situation we've seen in decades, prices not rising more is telling. Of course, if Iran nukes Israel, we can throw this chart away, and the exit door won't be close enough.

### U.S. Energy Outlook:

- **EIA and IEA Projections:** The U.S. Energy Information Administration (EIA) and the International Energy Agency (IEA) **expect higher energy prices in Q4 2024, with prices averaging \$82/bbl.**
- **Supply & Demand:** inventories expected to fall in Q3 and decrease at a faster rate into 2025; OPEC+ cuts will keep global consumption higher than production

jBTCKingaling published on TradingView.com, Sep 12, 2024 14:00 UTC-5



TradingView

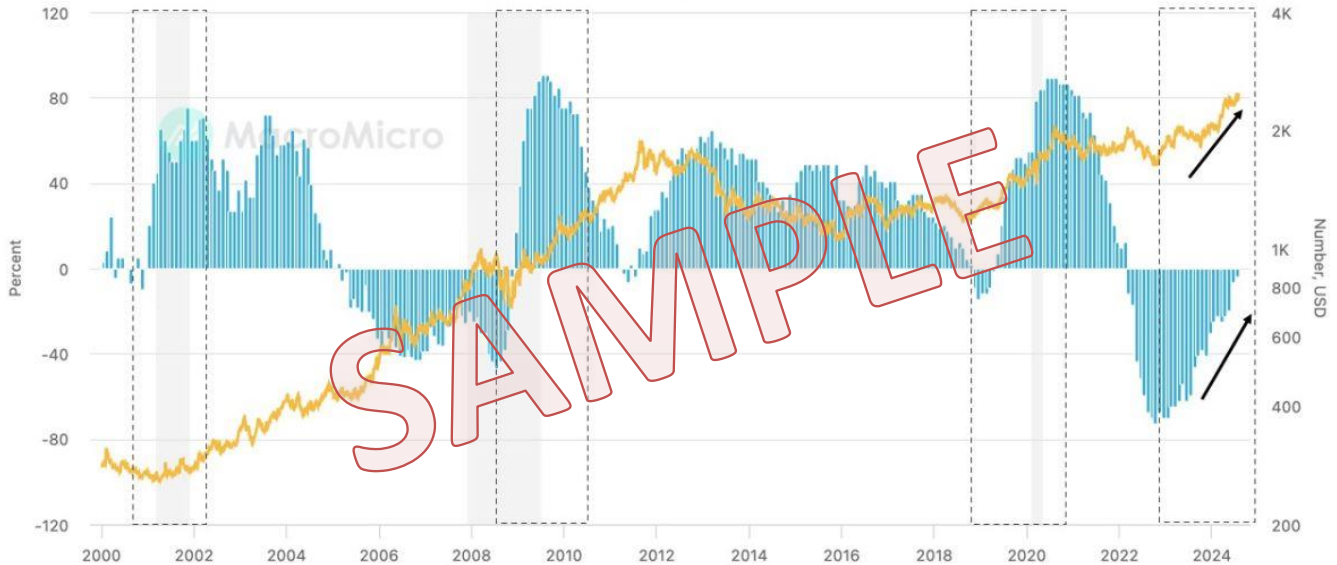




Gold prices tend to gain upward momentum when the percentage of global central banks cutting interest rates is increasing relative to the number of central banks hiking rates.

World - Net % of Central Banks Cutting Rates vs. Gold Futures Price

MacroMicro.me | MacroMicro



- World - Net Percentage of Central Banks Whose Last Move Was a Rate Cut (L)
- NYMEX - Gold Futures Price(Log Y-Axis,R)

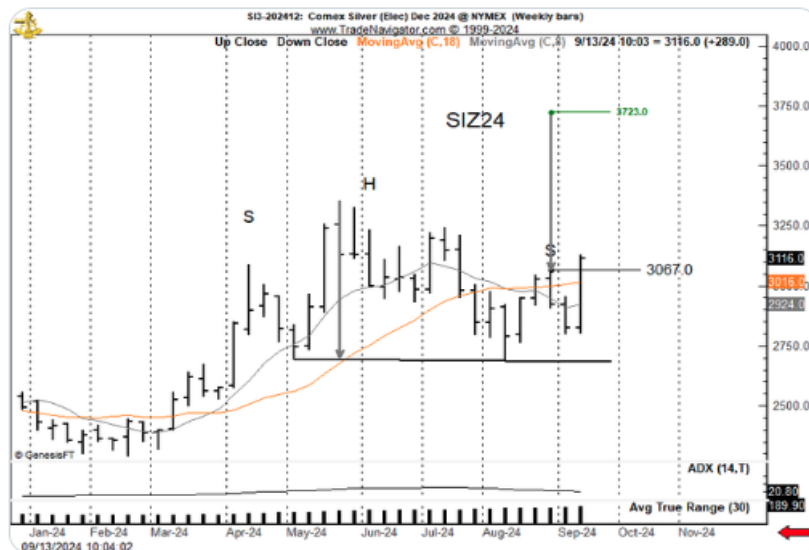
## Silver



**Peter Brandt** ✓  
@PeterLBrandt

...

This chart is a classic example of a Head and Shoulders failure whereby the drive down from the right shoulder high was halted followed by a thrust through the existing right shoulder high. For targeting I take height of H&S and project upwards from prev RS high \$SLV



## FX Markets – HOT TRADE SETUPS

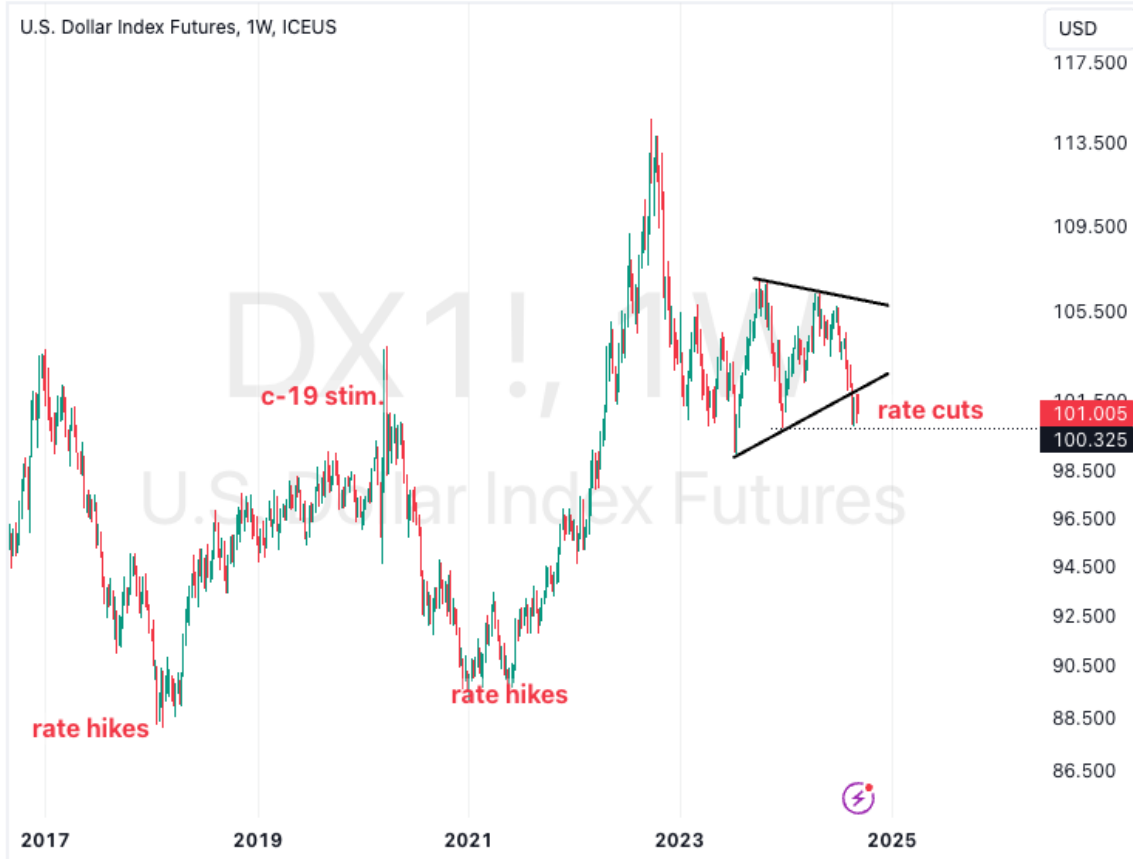
The European Central Bank cut interest rates (as expected) by 25bp to 3.50% in September.

- Inflation expectations for 2024-2026 were **raised slightly**, with **core inflation** expected to reach **2.9% in 2024**, before tapering to **2.3% in 2025** and **2% in 2026**. Meanwhile, **GDP growth** estimates were **revised downward**, with **2024 GDP growth** now projected at **0.8%**.
- The ECB reiterated that it will maintain **restrictive monetary policy** for as long as needed to hit its **2% inflation target**, signaling a data-driven, meeting-by-meeting approach without committing to a specific rate path.

The **USD** staged a slight rebound but remains weaker YTD.

**Will the 1<sup>st</sup> fed rate cut trigger a downtrend in the USD (“sell the news”)? I think YES.**

jBTCkingaling published on TradingView.com, Sep 12, 2024 14:02 UTC-5



TradingView

*Note: My outlook is for dollar down, but the right reversal candle at 100.00, i.e. red-dog reversal, sweeping reversal, piercing candles, etc. could change my position quickly. I plan to be short. I am flat.*

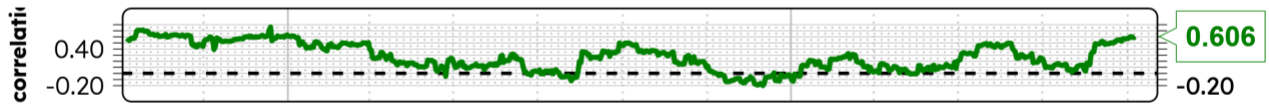


**Bitcoin & S&P500 rolling correlations**, where a correlation of 1.00 means they move perfectly in sync, and -1.00 means they move in opposite directions. As of September 2024, it stands at 0.606, indicating moderately strong correlation over the last 40 days. The longer-term correlation at 0.435 is weaker, implying that over a longer period, BTC and SPX are less aligned.

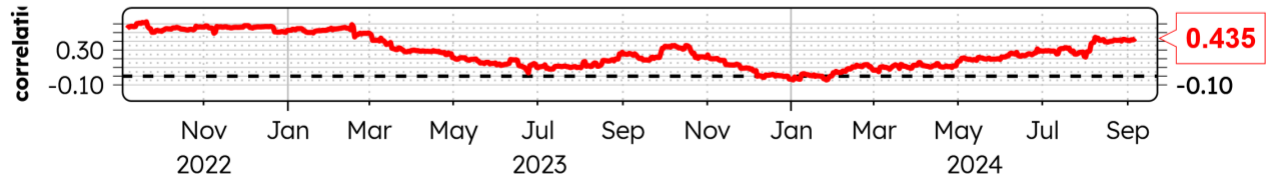
# Bitcoin & S&P 500: Rolling Correlations



## 40-Day Rolling Correlation



## 100-Day Rolling Correlation



— Bitcoin Price    — BTC/S&P 40-Day Correlation    — BTC/S&P 100-Day Correlation

Source: The Bitcoin Layer, Macrobond, S&P Global, Macrobond

Bitcoin's moderate correlation with equities and its distinct volatility profile make it a useful addition to a multi-asset portfolio, particularly for those seeking to optimize risk-adjusted returns through diversification.

### Highlights from the [Gemini 2024 Global State of Crypto Report](#)

- Bitcoin reached an all-time high of \$73,737 in 2024, driven by institutional inflows from ETFs



## Stock Watch

### Top performers YTD

- GE, GEV, IOT, PLTR, CAVA, APP, HOOD, GWRE, WING, DVA, WMT, ORCL, EBAY, BSX, TRU, TAST, COST, NEE, FIS, FSLR, PM, DASH, BTI, CHWY, IBM, T, AMZN, GWW, CBOE, PG, **VRT**

### Highlight: Vertiv Holdings (\$VRT)

#### Company Overview:

Vertiv Holdings, LLC, (27,000 employees, HQ @ Columbus, OH, USA) operates in data infrastructure, primarily offering products and services, including **power management, thermal management, and IT management solutions.** I am long \$85.80.



### Head and Shoulders Failure

Head and Shoulders patterns are one of the most reliable patterns in classical charting; however, most counter-trend (reversal) patterns fail -- hence, "the trend is your friend."



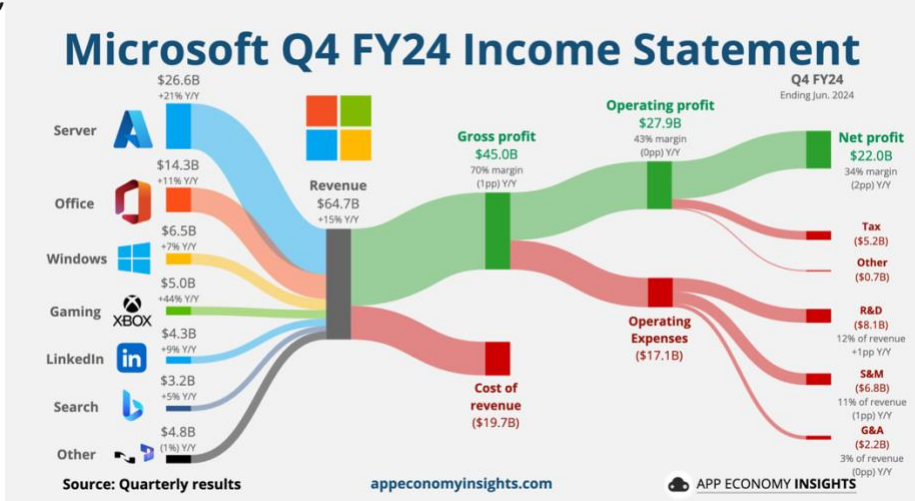
When the price fails to break below the neckline (which in this case would have been broken in the downward move in July), the pattern is considered invalidated. When prices continue back above the right shoulder high, the pattern has completed a failure.

I find my next target by measuring the depth of the pattern, from head to neckline ( $\$102 - \$70 = \$32$ ), and applying that to the high of the right shoulder ( $\$85$ ). My new target is  $\sim \$115$ .

**As always, a re-test should be expected. I would then place the third entry back at the failure level, or even lower. I want to be net long in this market at, or just below, the Right Shoulder high.**

**Microsoft:**

Microsoft is also under scrutiny regarding investments in AI companies like OpenAI and its role in the AI ecosystem. The Federal Trade Commission (FTC) is investigating whether Microsoft's deals in the AI space, including a \$13 billion investment in OpenAI, violate antitrust laws by attempting to consolidate power in emerging technologies. **Is this a new H&S failure in \$MSFT?**



## ChartWizardsNFT Trading Process



1. **Trading Strategy:** To understand the expected probability of my trading strategy; trend-following, mean-reversion, momentum, short/long volatility, buy & hold
2. **Setup identification:** To understand signal generation. I can look at a chart for 3 seconds and know if there's something for me to do.
3. **Risk Management:** In the context of the trade, how much risk should be taken? Where are stops placed? How much do I lose if I am wrong? What is my target? How much do I make if it gets there.
4. **Alert System:** How do I know when a market reaches my entry price. Do I have a hard stop (orders in the system) or a soft stop (alerts + manual entry)?
5. **Trade Management:** What to do with open positions; more challenging for winning trades than losing trades. Cut losers fast, and let winners run.
6. **Reporting + Analysis:** The first way to get better at something is to measure it. Is there a pattern in my winners and losers? Is my performance sustainable?

Thank you, and safe trading!! – #jbk

Twitter: <https://x.com/jonbking>

Website (reports): <https://www.peterlbrandt.com/chart-wizards-reports/>

YouTube: <https://www.youtube.com/@Jonbking/videos>

