

An Unsettled Debate

The breakout post FOMC is holding for now, just about. A strong gap up on Thursday (19th Sep), a flattish performance on Friday (20th Sep), keeps the debate alive on whether this breakout has legs, or is it a head-fake. As noted in our note ("Been there, done that, now what - Truth of The Tape"; 19th Sep), price action and jobs data are critical to settling this debate, with the former likely to lead. A confirmed breakout will merit rotating into growth sectors, which have lagged in recent months. Aggressive longs can be protected with stops at 5600 with scaling into long positions as long as index continues to defend the 5650-5700 area.

The upcoming week (week beginning 23rd Sep) is relatively less dramatic on data - two key data points to be watched (a) initial jobless claims - Thursday; 26th Sep and (b) Core PCE - Friday; 27th Sep, giving way to a more critical week (of 30th Sep) when job openings and payrolls will drop.

- **SPX Technical Picture** (*fig 1*) is not yet settled. Breakout needs to hold above the 5700 area to confirm bullishness. With ADX subdued, we may see a period of consolidation. Some 40% of SPX stocks show subdued ADX, including index heavyweights (AAPl, NVDA, META, AMZN). Rotation trends have weakened for defensives, but tech is note yet a major outperformer. C***onsumer discretionary is however leading the growth revival.***

- **Market Sentiment** has turned bullish, although not yet at extremes. **Breadth** indicators remain positive and supportive for bullish views.

- **Data Focus - Initial Jobless Claims** (*fig 2* - **Thursday; 26th Sep**) - consensus expectations are flat for both initial and continuing claims, after a 6-7 week easing. Continuation of the downtrend in jobless claims will support the bullish case.

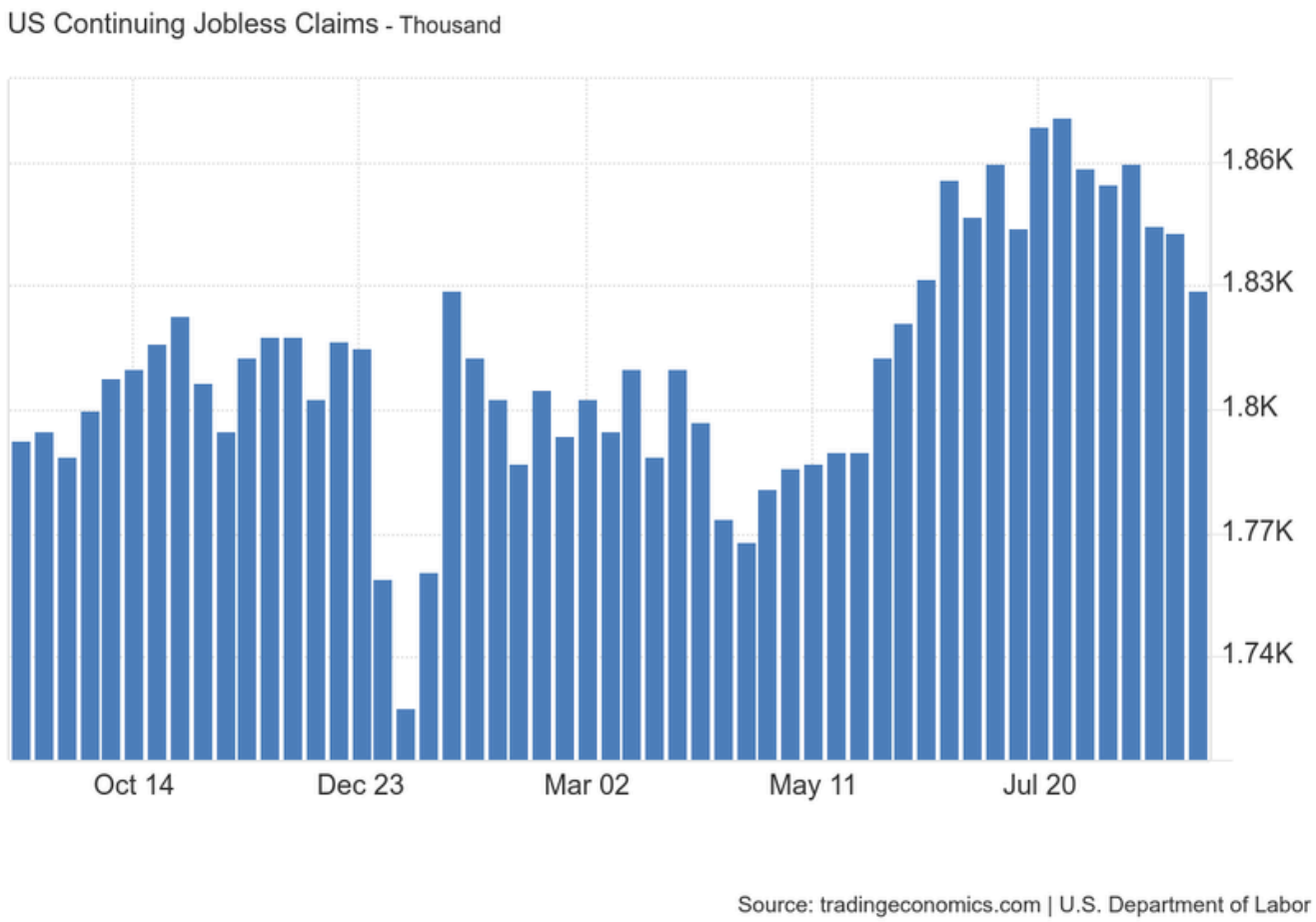
- **Data Focus - Core PCE** (*fig 3* - **Friday; 27th Sep**) - consensus expects flat core PCE (2.6%y/y; 0.2%m/m) and a modest ease in headline PCE. ***We see inflation data as an asymmetric indicator at this point - the downward glide path is unlikely to move markets, but an spikes are likely to draw a negative response.***

Fig 1 - SPX - Daily Chart



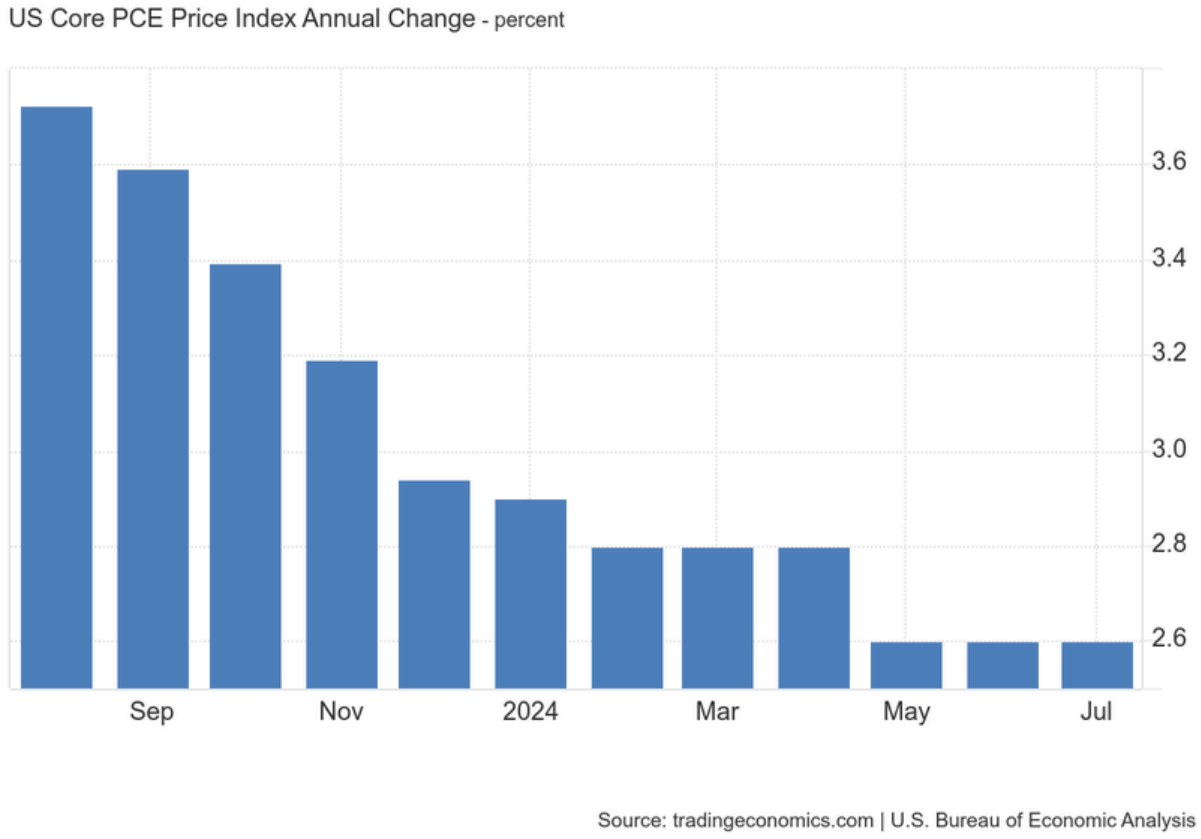
Source: Tradingview.com

Fig 2 - Continuing Jobless Claims - Expectations are Flat after a 6-7 week decline



Source: Tradingeconomics.com

Fig 3 - Core PCE Y/Y - Expectations are Flat vs. Previous Month



Source: Tradingeconomics.com

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