



Market Update

Danny Robushi, APEX MACRO Founder

August 24, 2024

- Seasonality suggests the markets correction is not over, and volatility will stay elevated through October
- The Nasdaq relative to the S&P 500 has reached levels that surpass the Dotcom Bubble
- The Mag 7 over the past month have corrected a collective 22% on an equally weighted basis and names like Tesla and Nvidia reached drawdowns of over 30%
- This change in positioning broke Growths uptrend versus Defensive stocks and sectors like Utilities, Staples, Real Estate and Healthcare have been big winners this quarter
- A weak USD will be supportive of risk assets and further weakening will put tailwinds behind commodities and Emerging Markets as well. The downside is it will be problematic for inflation and the Fed
- Yields falling will also help stocks rally and take pressure off companies' margins. Yields breaking below 3.78% would signal a more recessionary outlook though
- The BOJ announced 25 bps rate hikes, that combined with a weaker than expected Nonfarm Payrolls print put some teeth behind the sell off we saw across risk assets in late July-Early August. This selloff prompted the BOJ to walk back their statement



Seasonality - IWM, S&P 500, and QQQ

Seasonality across the broader market tells us indexes go through a correction period through October and rally into year end





S&P 500 Change: 2023 vs 2024

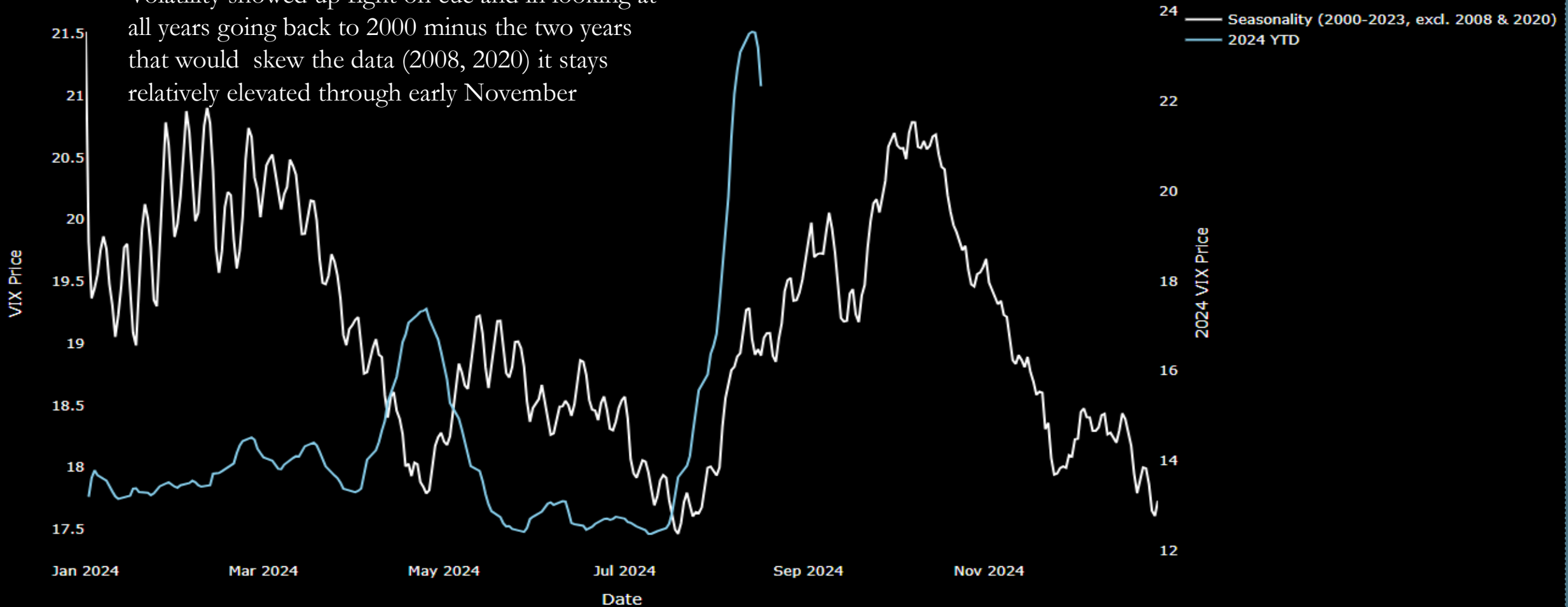
The S&P 500 has tracked its path from 2023 closely so far this year and like seasonality it tells us there is a chance the correction we saw the past month is not over yet





VIX Seasonality - All Years vs. 2024 (Smoothed)

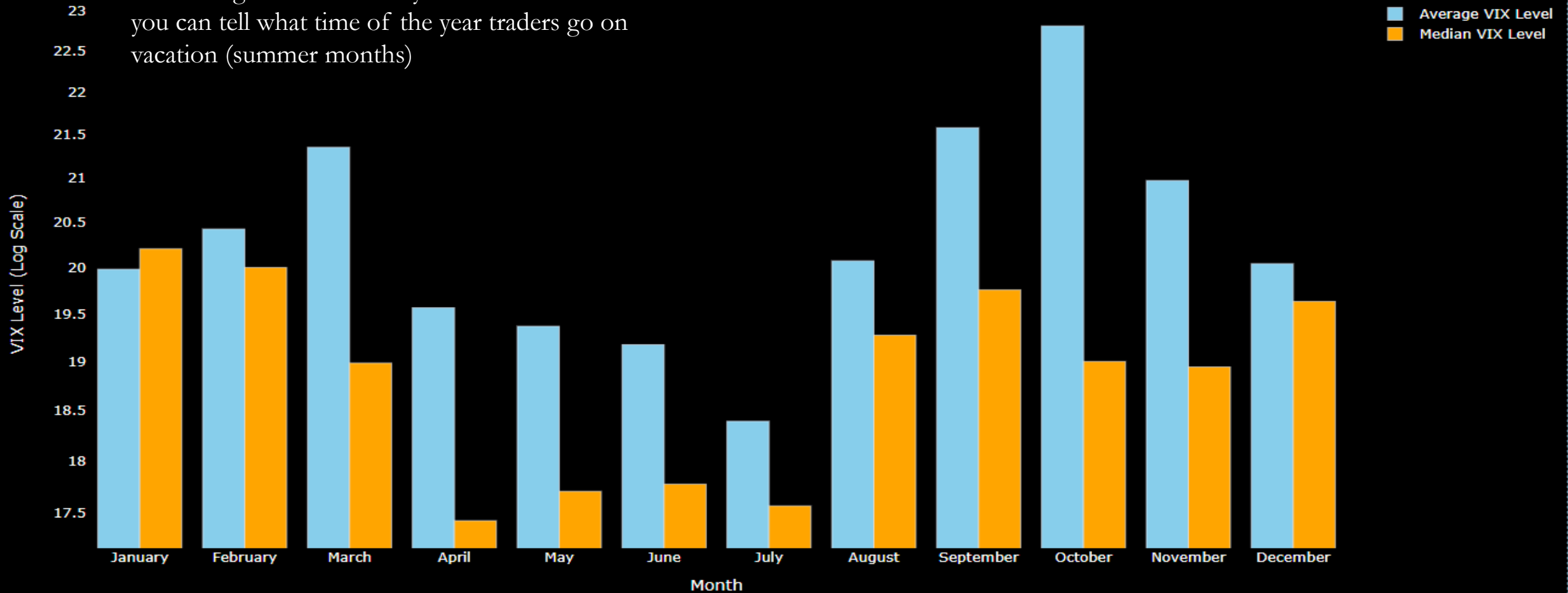
Volatility showed up right on cue and in looking at all years going back to 2000 minus the two years that would skew the data (2008, 2020) it stays relatively elevated through early November





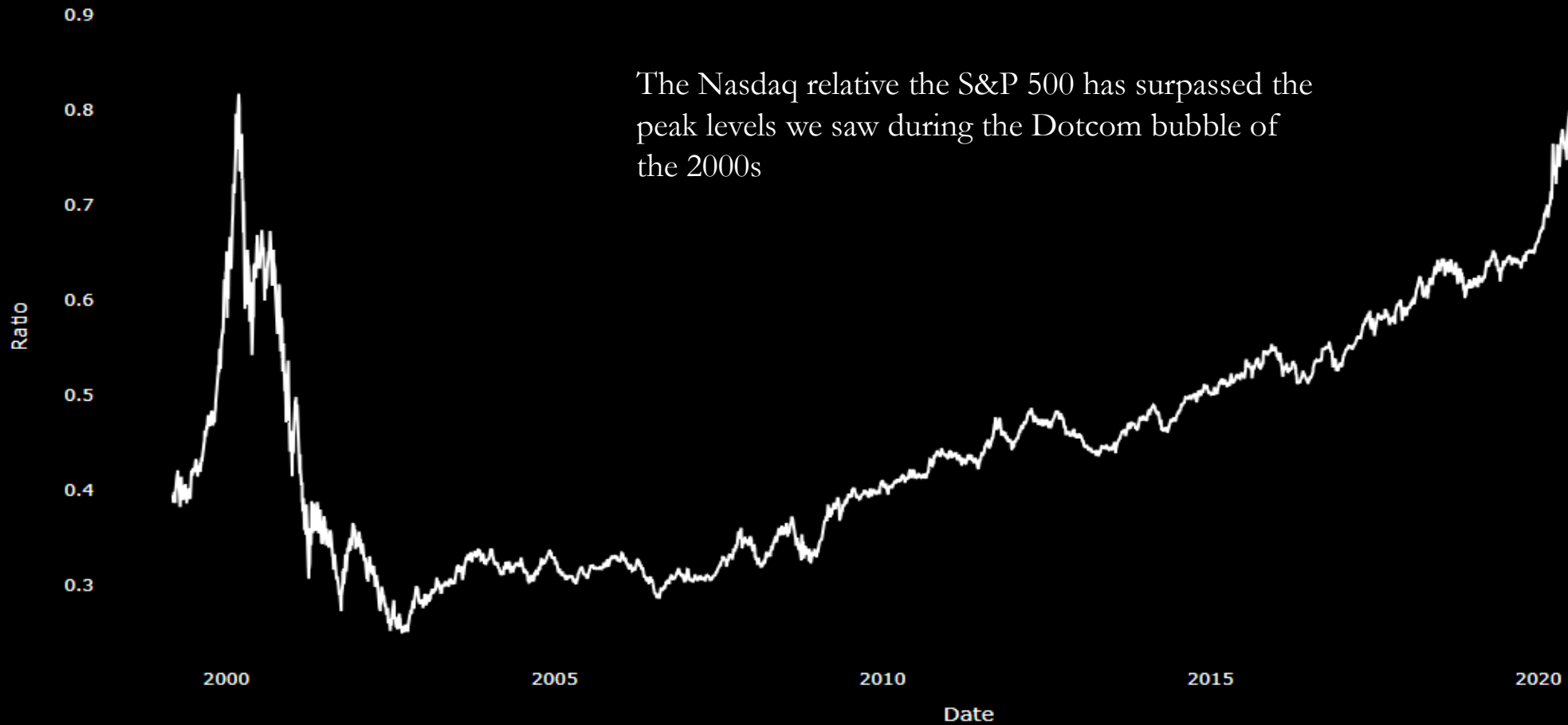
Monthly VIX Levels (Since 1998)

Visualizing this another way makes it clearer and you can tell what time of the year traders go on vacation (summer months)





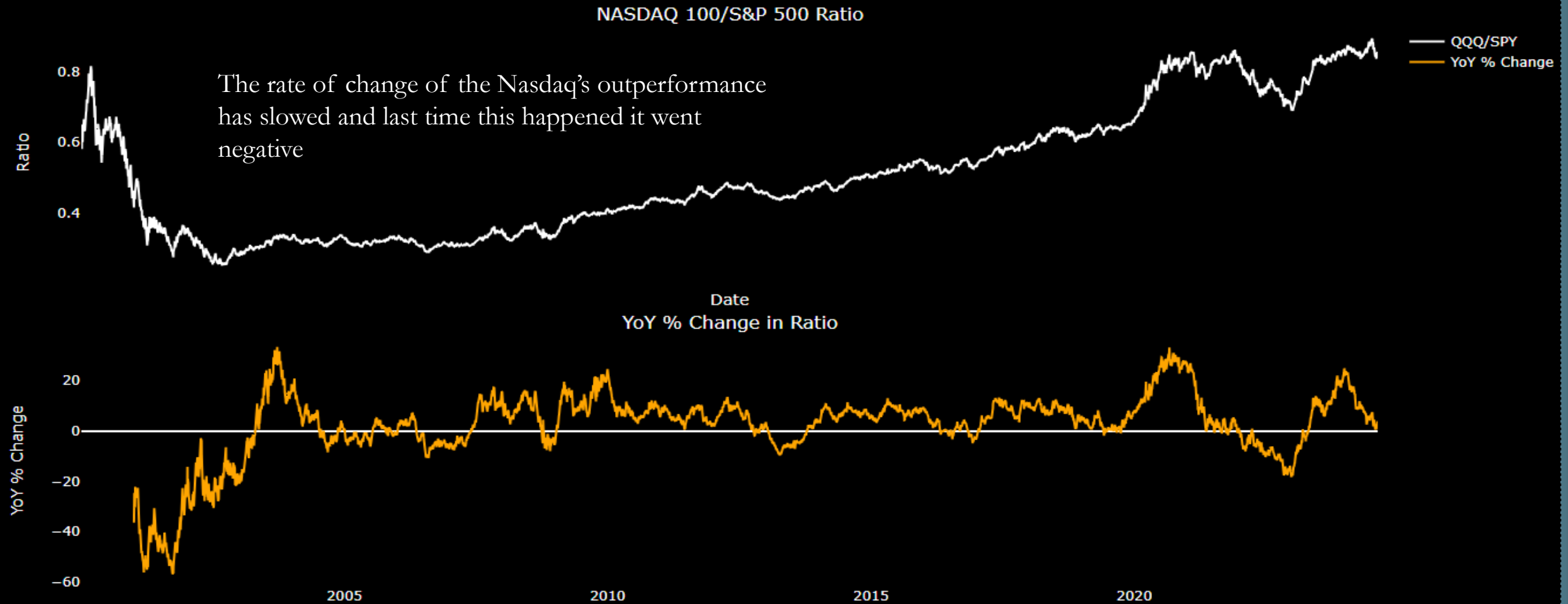
NASDAQ 100/S&P 500

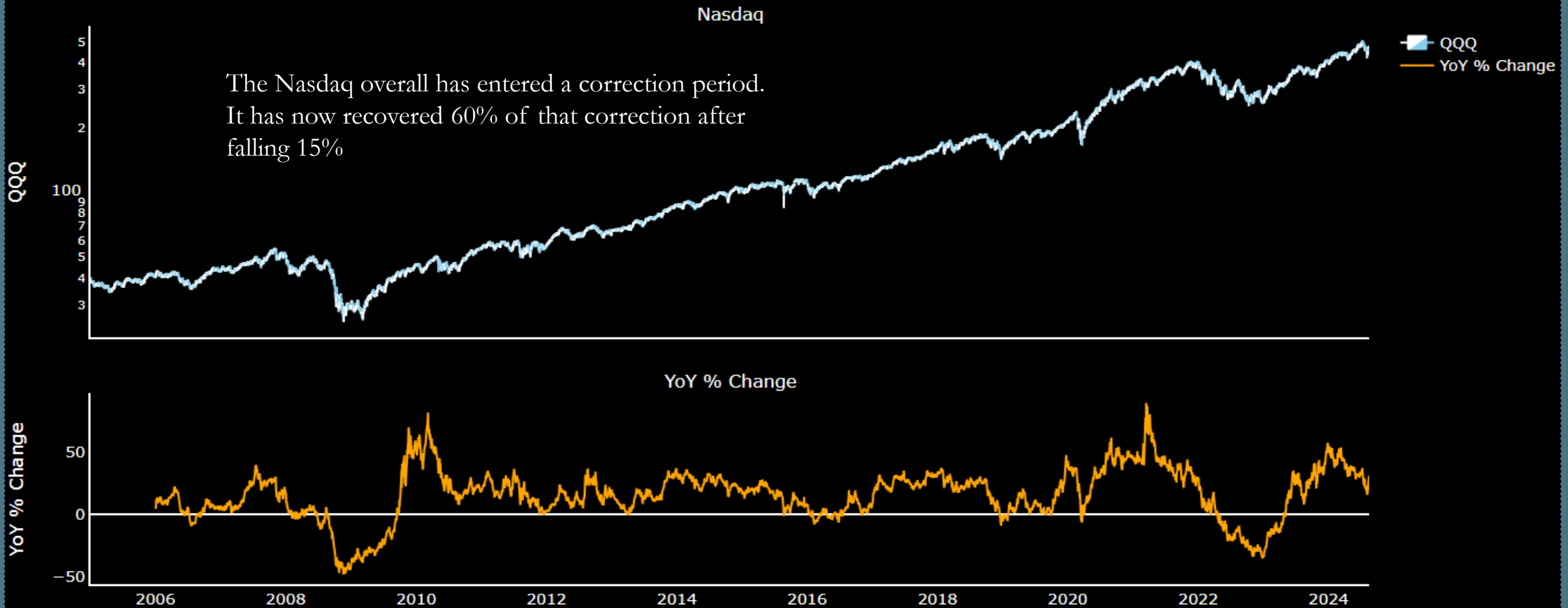


The Nasdaq relative the S&P 500 has surpassed the peak levels we saw during the Dotcom bubble of the 2000s



NASDAQ 100/S&P 500 Ratio and YoY % Change







The Russell 2000 has come back to earth after its rally higher. Interestingly it held its 200 DMA. The conditions needed for a sustained march toward its late 2021 highs is lower rates for the right reasons. i.e. rates coming down because the Fed can cut from inflation moving toward target with a labor market that is still healthy

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Russell 2000





The uptrend in growth vs. defensives that began in 2023 has broken its uptrend. Last time this occurred to start 2022 we saw a year of defensives beating growth stocks

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Growth (XLK, XLC, XLY) vs Defensives (XLRE, XLU, XLP, XLV)

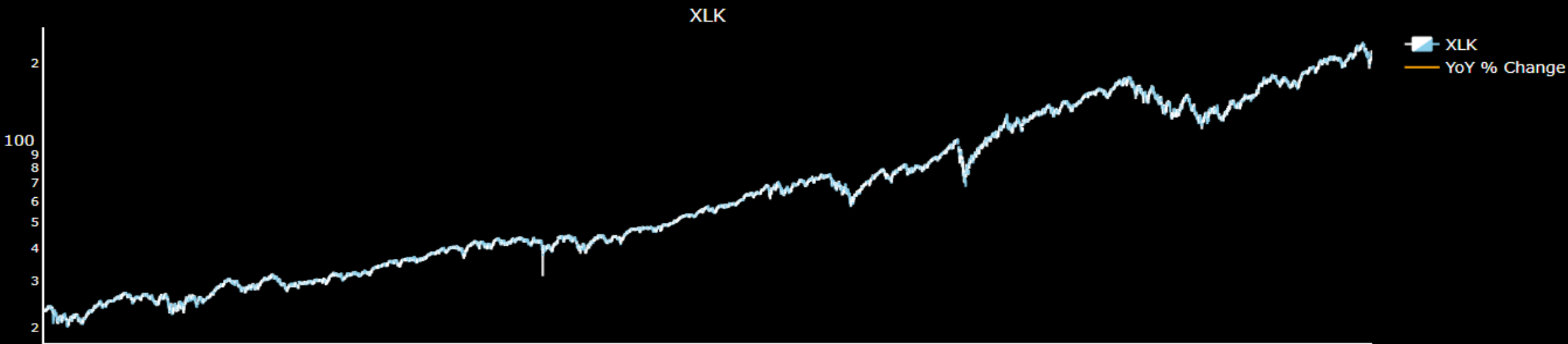




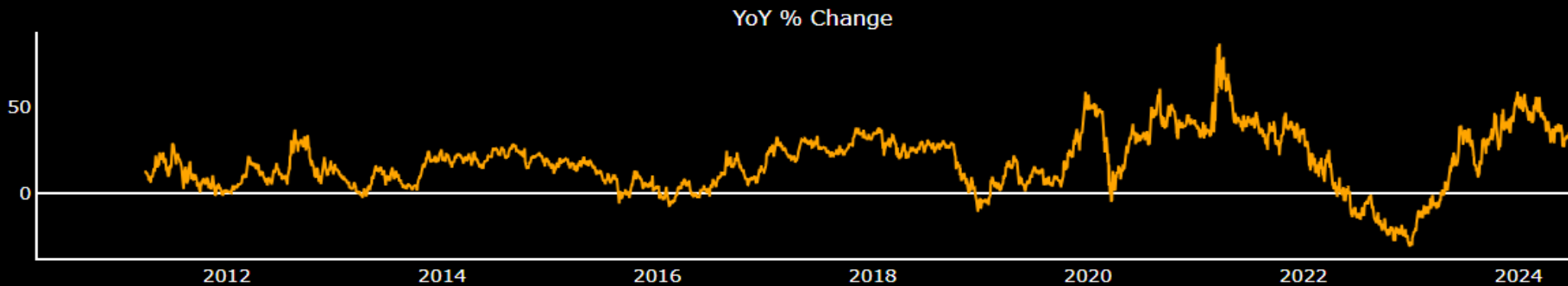
The rate of change of XLK had slowed and the ETF is weighted 40% in Microsoft and Nvidia. The performance of those two names holds the fate of Tech. Microsoft already reported earnings for Q2, Nvidia reports on August 28th

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Technology Select Sector SPDR (XLK)



YoY % Change

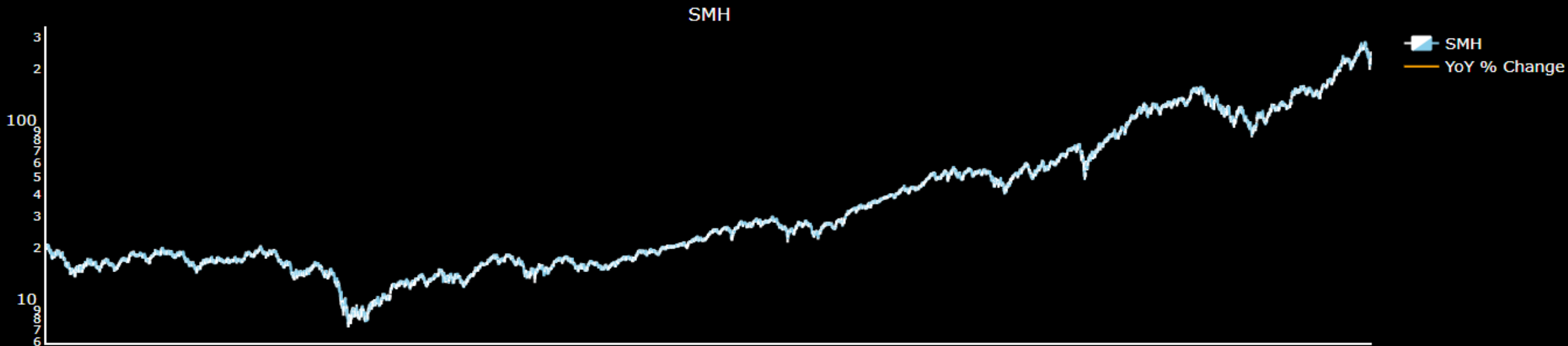




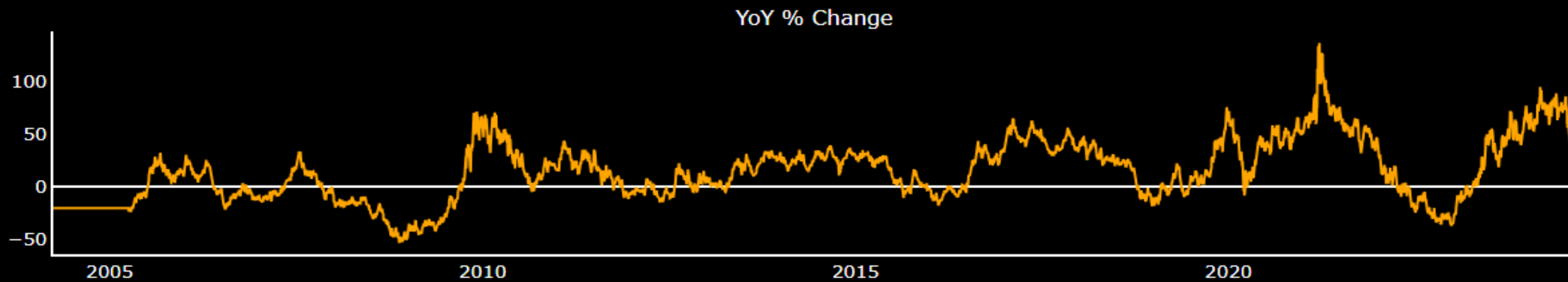
Semiconductor stocks look similar to Tech. Their rate of change peaked as this correction played out and the ETF fell over 20%

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VanEck Vectors Semiconductor ETF (SMH)



YoY % Change



2005

2010

2015

2020

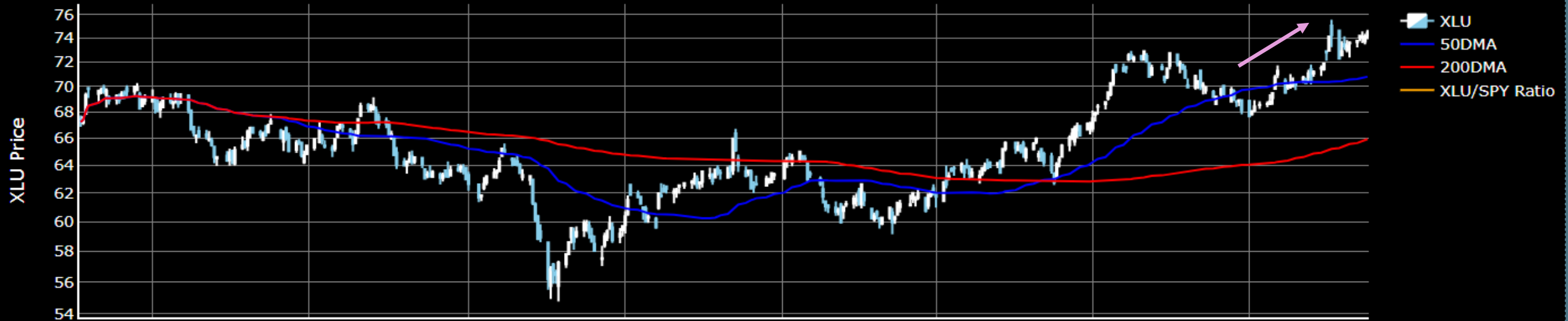


While growth (Tech & Semi's) rolled over, money moved into areas like Utilities. We saw a month of outperformance for these names versus the broader market

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Utilities

XLU



XLU/SPY Ratio





Utilities has held its outperformance better than Consumer Staples thus far. This is your reminder that a sector can be in an uptrend, and you can still underperform the S&P 500

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Consumer Staples





Interest rates correcting 70 bps since May and changes in positioning by money managers put a tailwind behind Real Estate

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Real Estate





Healthcare was a popular pick to outperform in 2024. It struggled after rallying through March, but has now broken out to all time highs

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Healthcare





The Mag 7 on an equal weighted basis, corrected 22% with Nvidia and Tesla both falling over 30%. Amazon, Google and Microsoft all reach over sold territory as these names corrected

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ROUNDHILL MAGNIFICENT SEVEN · 1D · ZERO O44.64 H45.11 L44.52 C44.94

EMA 20 close 0 SMA 9 43.84

EMA 50 close 0 SMA 9 43.91

EMA 200 close 0 SMA 9 39.25





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APPLE INC · 1D · ZERO O224.10 H226.83 L223.65 C226.05

EMA 20 close 0 SMA 9 219.31

EMA 50 close 0 SMA 9 214.26

EMA 200 close 0 SMA 9 194.82





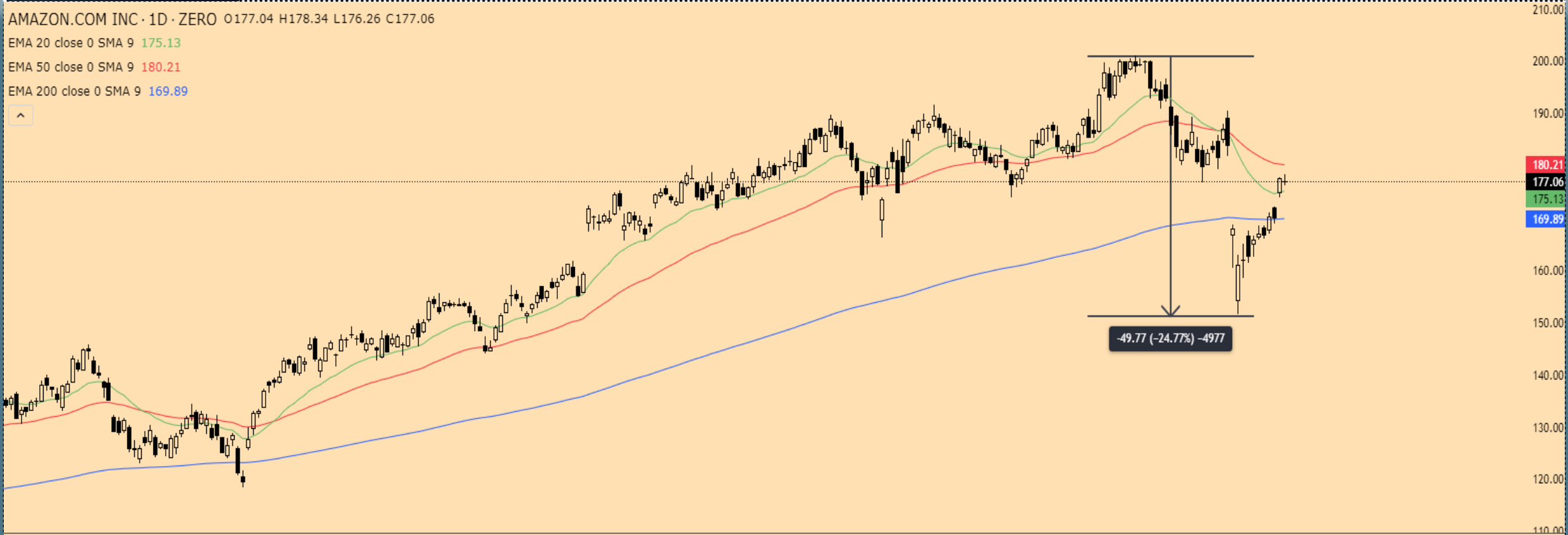
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AMAZON.COM INC · 1D · ZERO O177.04 H178.34 L176.26 C177.06

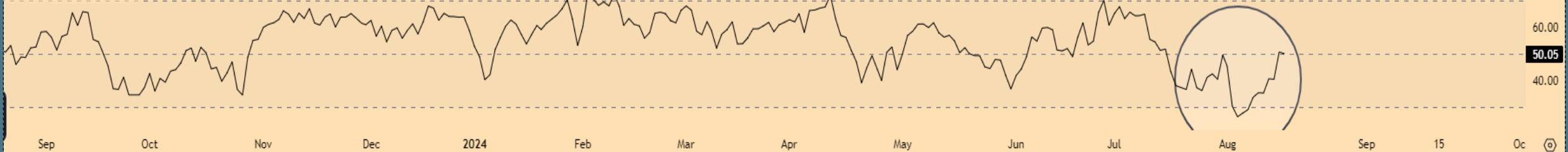
EMA 20 close 0 SMA 9 175.13

EMA 50 close 0 SMA 9 180.21

EMA 200 close 0 SMA 9 169.89



RSI 14 SMA 14 50.05



Sep Oct Nov Dec 2024 Feb Mar Apr May Jun Jul Aug Sep 15 Oc



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ALPHABET INC-CL C · 1D · ZERO O163.41 H166.95 L163.08 C164.74

EMA 20 close 0 SMA 9 168.35

EMA 50 close 0 SMA 9 172.42

EMA 200 close 0 SMA 9 158.50





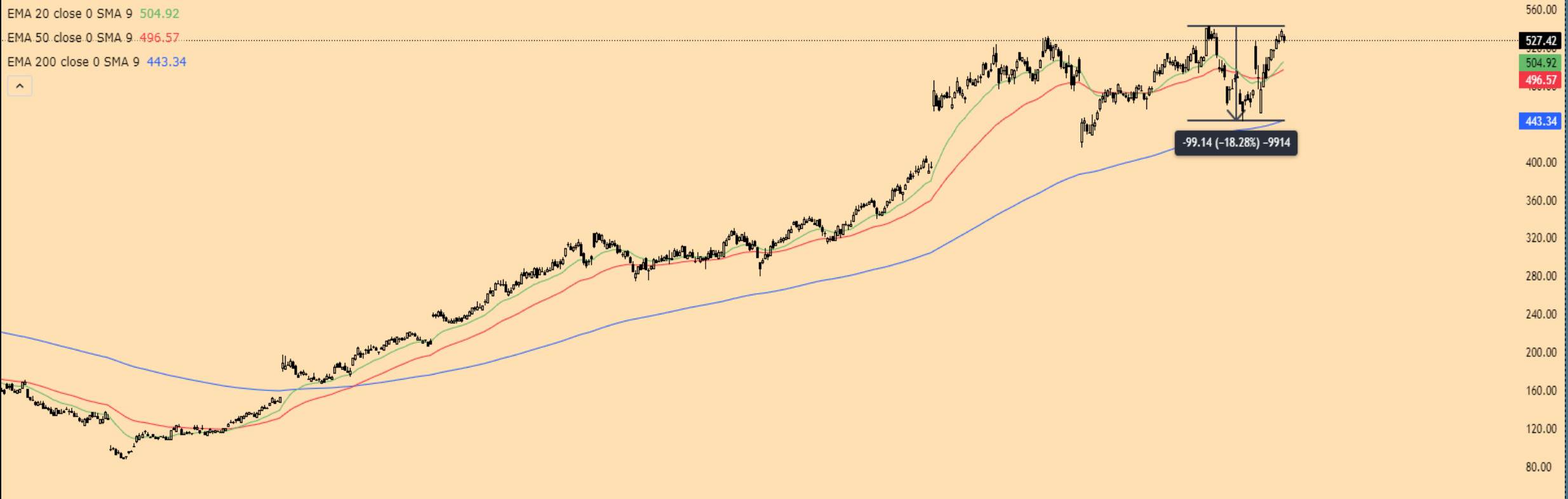
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META PLATFORMS INC-CLASS A · 1D · ZERO 0532.31 H533.66 L524.66 C527.42

EMA 20 close 0 SMA 9 504.92

EMA 50 close 0 SMA 9 496.57

EMA 200 close 0 SMA 9 443.34



RSI 14 SMA 14 60.07





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MICROSOFT CORP · 1D · ZERO 0421.09 H421.34 L417.30 C418.47

EMA 20 close 0 SMA 9 418.42

EMA 50 close 0 SMA 9 426.07

EMA 200 close 0 SMA 9 403.82



RSI 14 SMA 14 47.35



Jul Sep Nov 2023 Mar May Jul Sep Oct 2024 Mar May Jul Sep Oct



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NVIDIA CORP · 1D · ZERO O 121.94 H 125.00 L 121.18 C 124.58

EMA 20 close 0 SMA 9 114.24

EMA 50 close 0 SMA 9 113.99

EMA 200 close 0 SMA 9 89.65



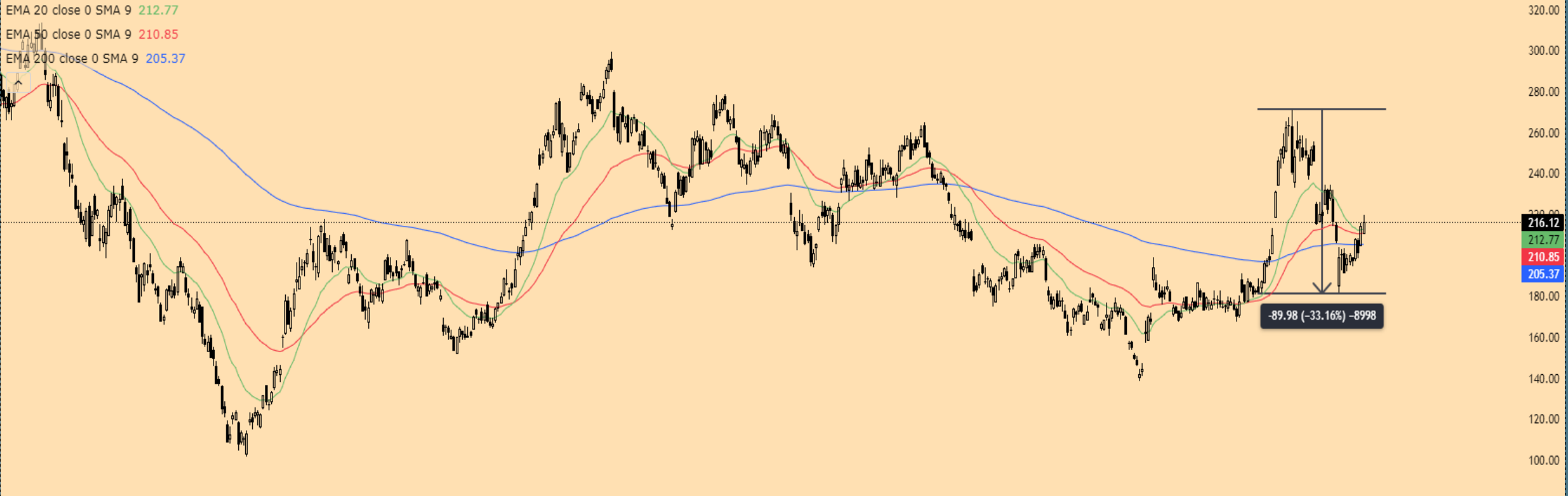


TESLA INC · 1D · ZERO O211.04 H219.80 L210.80 C216.12

EMA 20 close 0 SMA 9 212.77

EMA 50 close 0 SMA 9 210.85

EMA 200 close 0 SMA 9 205.37



RSI 14 SMA 14 51.18





The USD has fallen into a key support level. A collapsing USD would be beneficial to Emerging Market Equities, Commodities and Bitcoin but would put a tailwind behind inflation

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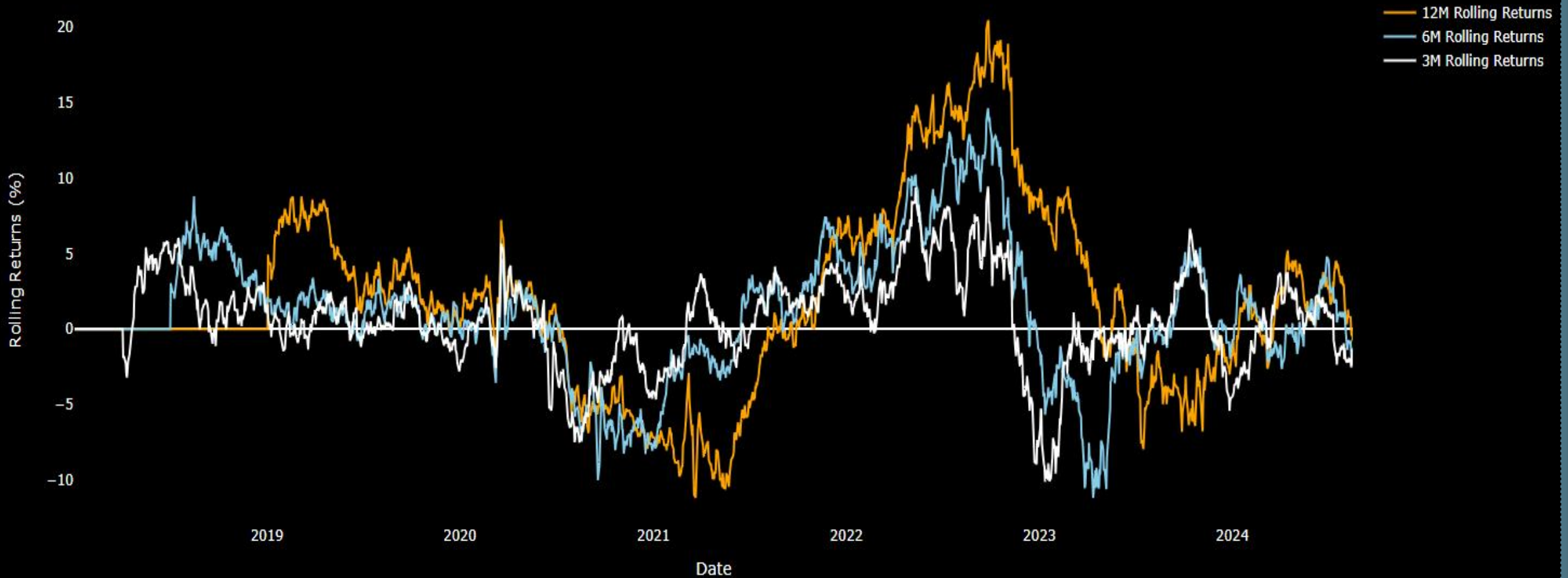
US Dollar Index





US Dollar Rolling Returns

On all time frames the dollar has looked like it is headed lower

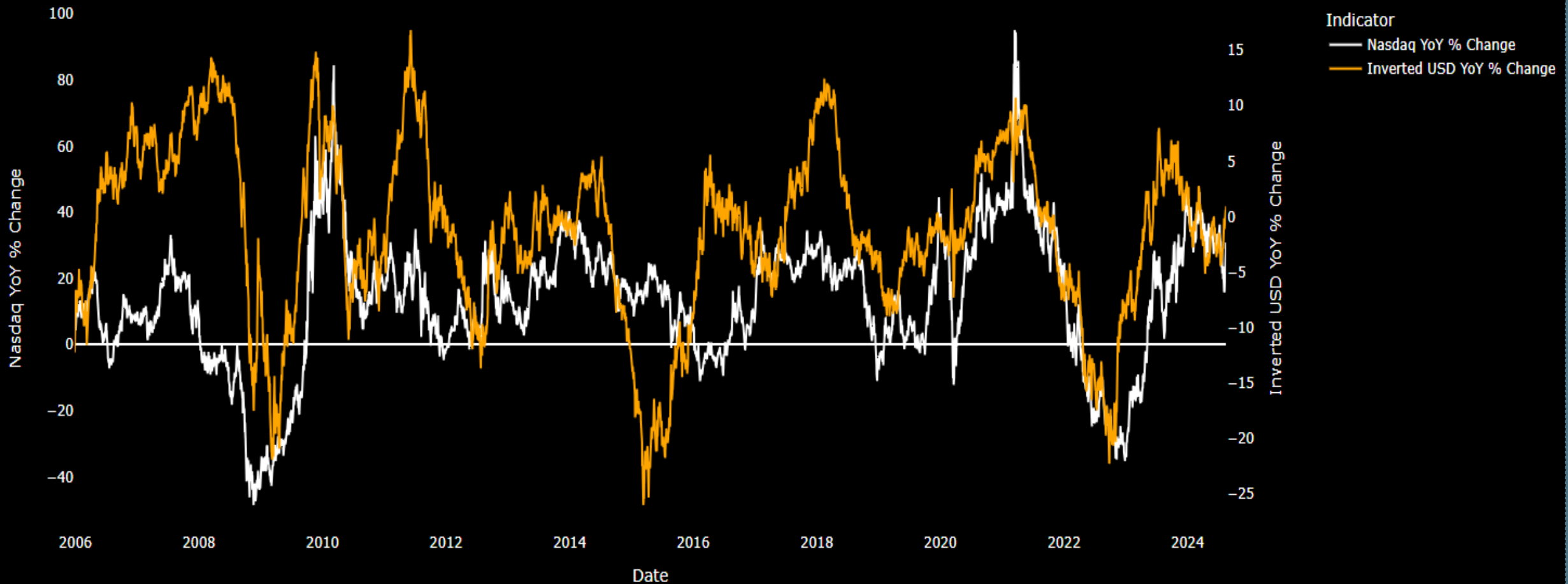




The relationship between the Nasdaq and USD historically has been one of negative correlation. Here, the USD is inverted against the Nasdaq. A weaker USD would likely aid the Nasdaq higher

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Nasdaq Composite Index and Inverted USD YoY % Change





On a weaker Nonfarm Payrolls number for July of 114,000, yields collapsed telling us the market expects rate cuts at the next meeting. Jerome Powell has now confirmed as much at Jackson Hole and the debate is 25 or 50 bps as 100 bps is priced in for year end

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5 Year Yield



Relative Strength Index (RSI)





The 10 Year Yield has held support at 3.78% and a move lower with the Fed Funds still at 5.25%-5.50% would signal recession more than soft landing. Yields help out asset prices as they fall to a point but moving too far to quickly would tell us investors are outright positioning risk off

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10 Year Yield



Relative Strength Index (RSI)

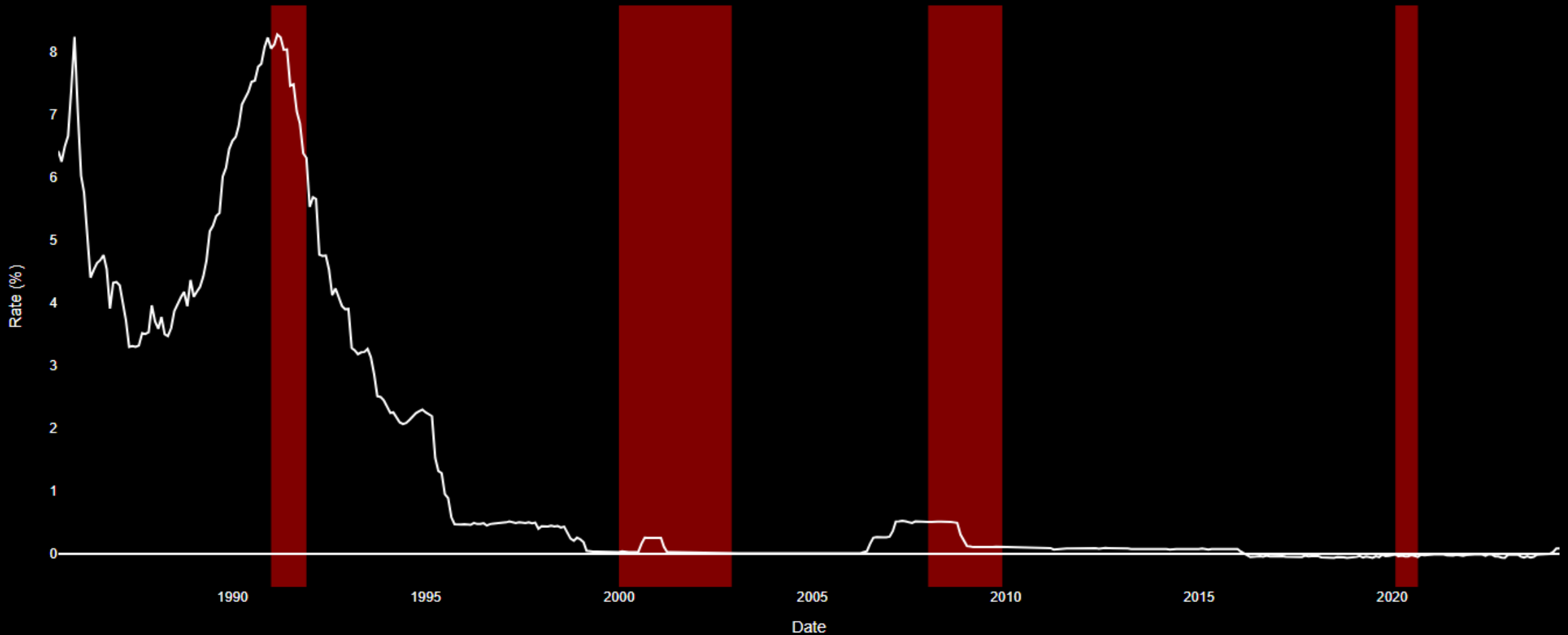




The Bank of Japan has held rates at basically 0 since 2010 allowing investors to borrow Yen at little to no cost and buy higher yielding assets. The BOJ's signal they would hike 25 bps triggered the Yen Carry Trade unwind which in combination with weaker economic data sparked the sell off in U.S. risk assets

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Bank of Japan: Overnight Rate





The Yen has been weaker against the USD and all other developed economy currencies for the last 4 years as everyone hike rates to fight inflation except Japan. The Yen reach 160 versus the USD, a place it had not been at any point in 20 years

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After the announcement came out that the BOJ would hike rates the Yen quickly strengthened from 160 to the mid 140's as investors had to close out Yen shorts. The rate hike talk was quickly reversed as the BOJ came out a few days later to announce they would not move while the market is unstable

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Ironically, this occurred at the same time the Nikkei 225 (Japan's Stock market) hit new all time highs for the first time since 1990 (34 years). The repositioning by investors created a 12% selloff overnight and a total peak to trough drop of 26%.

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Nikkei 225 Index





Markets tend to be more interconnected than most think. This is the Federal Funds Rate and Japan's Stock Market. Similar to the S&P 500, their stock market tends to sell off when the Fed cuts rates

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Nikkei 225 Index and Fed Funds Rate





Partially because our economies are interlinked and because the Yen strengthens as lower rates in the U.S. means a weaker USD. Japan is a major exporter, and a stronger currency means a collapse in exports and/or revenues to those companies that operate domestically and export abroad

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USD/JPY Exchange Rate and Fed Funds Rate





In looking at a 5-minute chart of Bitcoin and the USD/JPY we can see the correlation between the 2. In times when trades unwind the riskiest assets tend to get sold first to cover short positions. It looks like that is what happened here. During this Gold rallied as money moved towards perceived safety

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USD/JPY and BTC/USD (5-Minute Interval)





Bitcoin now sits in a 20% drawdown and has been in a downtrend since March. There has been a combination of selling of Mt. Gox BTC and the U.S. Government putting BTC they recovered through criminal investigations by the FBI on chain to sell. This has put downward pressure on the price

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Bitcoin

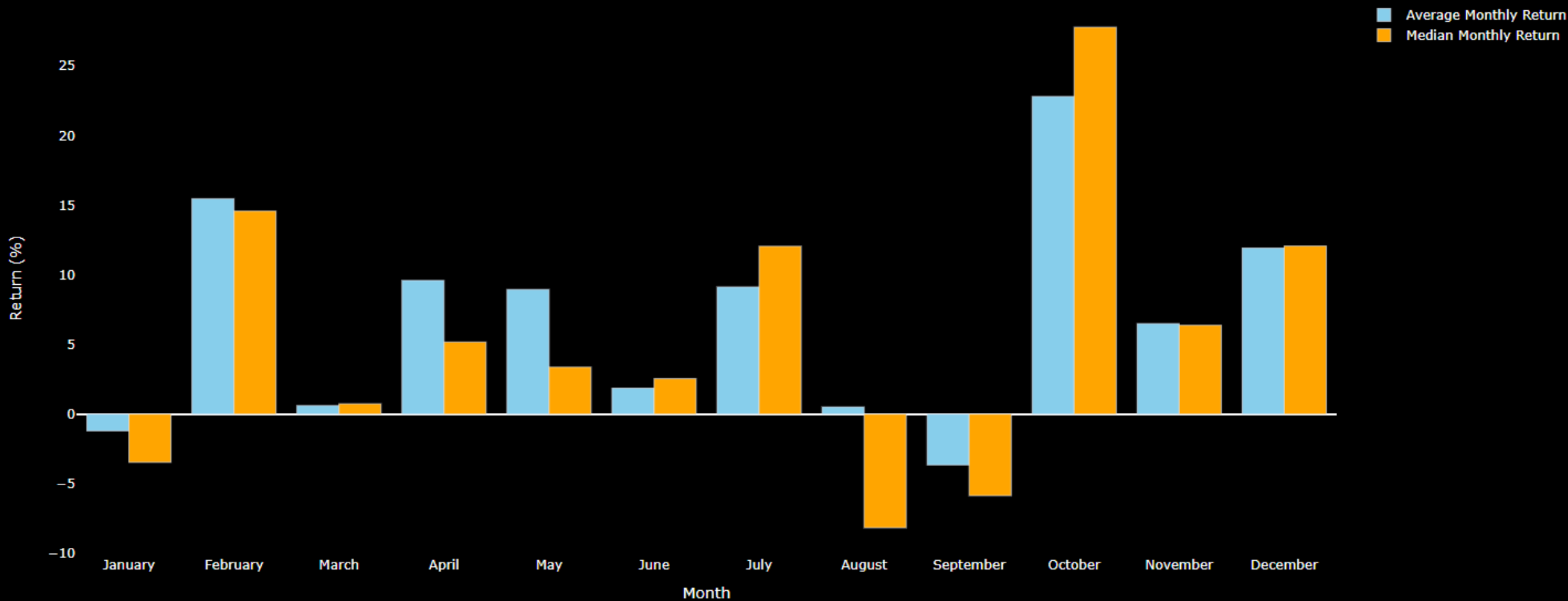




Seasonally BTC does not perform well in August or September, and we are still early within this cycle. The majority of returns don't tend to occur until 10-14 months from the halving

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Monthly Return for Bitcoin (BTC)





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