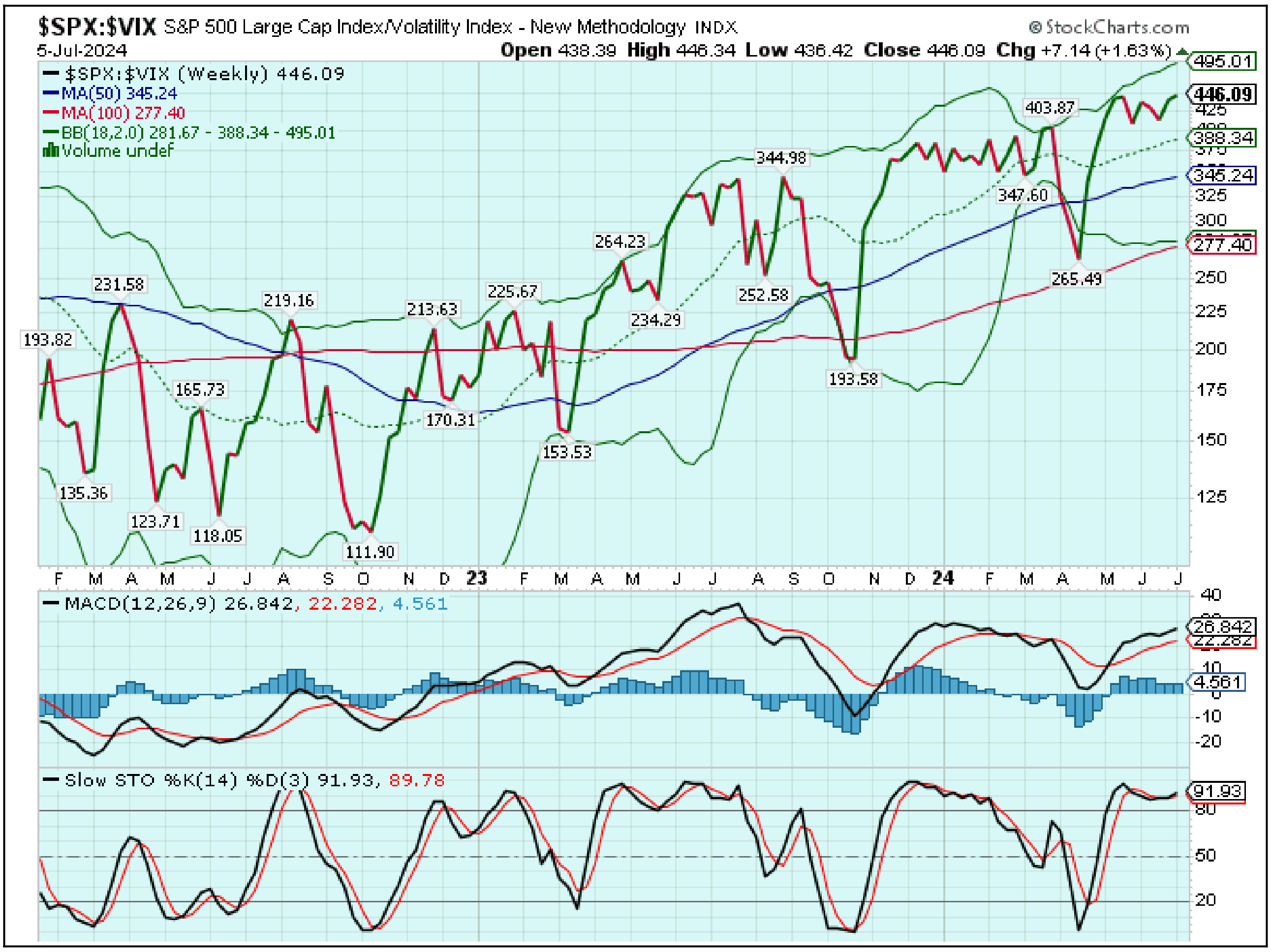
2024 Mid-Year Stock Market Outlook

by Stephen Renfrow, arr

The U.S. Indices seem to go up forever. Is this possible? Those paying attention surely know that the last 1 ½ year rally was due to AI (artificial intelligence) chips mfg. They should also know that without the gains from the likes of Nvidia, Apple, Microsoft, Alphabet, Meta and a few others, the markets would have fallen by this 2nd quarter 2024.

But in this Special Report, I will endeavor to show you what other causes are in motion to show that the AI stock trade leading the NASDAQ bubble could soon be popping! The question is: Will it be another correction – or – beginning of a Bear Market? And in whose presidency?

In the Chart below, is a **Ratio of the S&P 500 and the VIX** (volatility index). Roughly 80% of all data points since 2009 have occurred between 100 and 250. Readings at or above 300 reflect an attitude of extreme complacency toward risk and have tended to coincide with major peaks! Therefore the bullish extreme shown here suggests that investors are more complacent than they were prior to the Financial Collapse of 2008. Furthermore, I see Divergence in the MACD and Stochastics is in Overbought Territory - which is a Setup for a Reversal.



In addition, look at the **Weekly DOW and the S&P500** side by side. Notice the S&P climbing higher than its April Highs, and the DOW has not. Furthermore, notice the Volume is not increasing with prices – and this is not sustainable. Indicating a Reversal is eminant.

Charts courtesy of Finviz.com

By comparison, note that neither the **Nikkei** (Japanese mrkt) nor the **European Stocks** have climbed above their April / May highs, like the S&P and NASDAQ have since May.

Charts courtesy of Finviz.com

Another daunting sign is the number of big Company stocks showing Top Formations, and correspondingly a number of ETFs that short the indices are bottoming proving a Reversal is in the cards.

For example, below is **TZA Small Cap Bear 3X**. This will go up 3 times as much percentage wise versus the Russell 2000 when it goes down. Notice it shows a Head & Shoulders bottom formation, sometimes called a Reversal Head & Shoulders bottom. I like to call it a 'W' bottom formation. When this chart Breaks above 22, next Target is 26. The fact that it broke above both the 50 (blue line) and 100 MA(red line) is very Bullish.

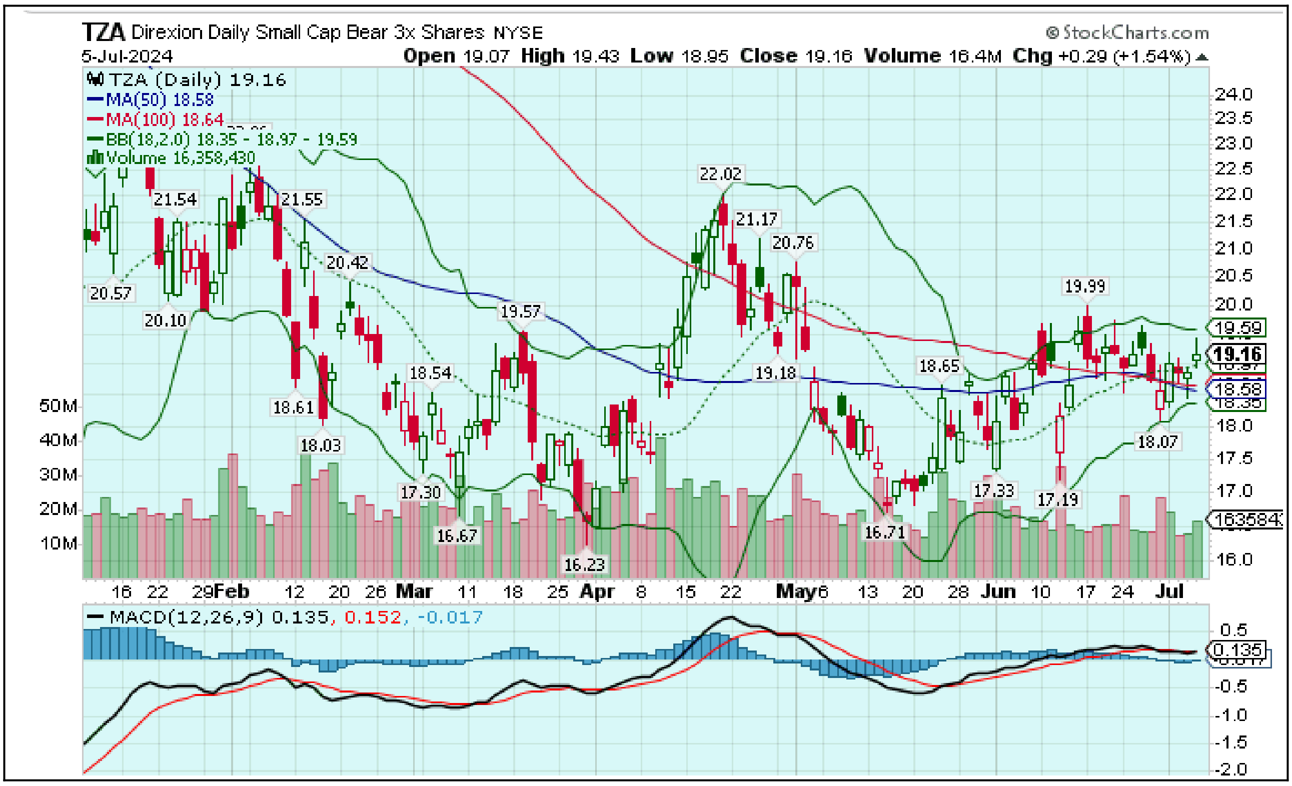


Chart courtesy of Stockcharts.com

Notice the Russell 2000 below, and the Head & Shoulders Top formation. This is in contradistinction to the TZA chart above. If the Russell 2000 breaks below 1900, it will TRGT the 1600 area – to probably challenge the Low in Nov. 2023.

chart courtesy of Finviz.com

Even the Financials don't seem to escape the Bearish monster lurking in the shadows. This chart of 3X Bearish Financials also shows a bottom formation. A Double Bottom! Calculated as such; 11.75 – 9.6 low = 2.15 + 11.75 = TRGT of 13.90. And it is trying to Break-out above both the 50 and 100 MA (moving avg).

I don't believe it is any coincidence that the timing is projected late in the 3rd quarter and into the 4th quarter of 2024. Right in time for the tumulteous Elections. If you've been keeping up with my articles [www.nmt-psp.com/articles-list.php] you know the deep state is trying everything to stay in power … including violating the law, the constitution and God's law via mass murder.

What is leading the advance? Primarily AI stocks, hence the NASDAQ exploding – see below. Just look up these … META; INTC; AMZN; NVDA and China's BIDU, and BABA.

AI Stocks Make Up 35.9% of the Nasdaq-100 Index

The Nasdaq-100 index is heavily influenced by just a handful of stocks, with five AI stocks making up 35.9% of the index. My question and concern is - - - How long do you think this will hold up??? Competition will bring these company valuations down and they will neutralize from these overvaluations! It is just a matter of time. CNBC in May of 2023 was saying that "*the AI explosion could save the market and maybe the economy*". Of course, they are always Bullish.

The below chart shows and proves a lot … mainly the gross exhuberance and weight the AI stocks give to the market. We know this is not sustainable. Reminds me of the phrase "*pie in the sky*" that a lot of investors are chasing which artificially pushes the market higher. So when this bubble bursts, and it will, you can imagine what will happen. Will it fall on Biden's watch? Or the next president of the U.S.?

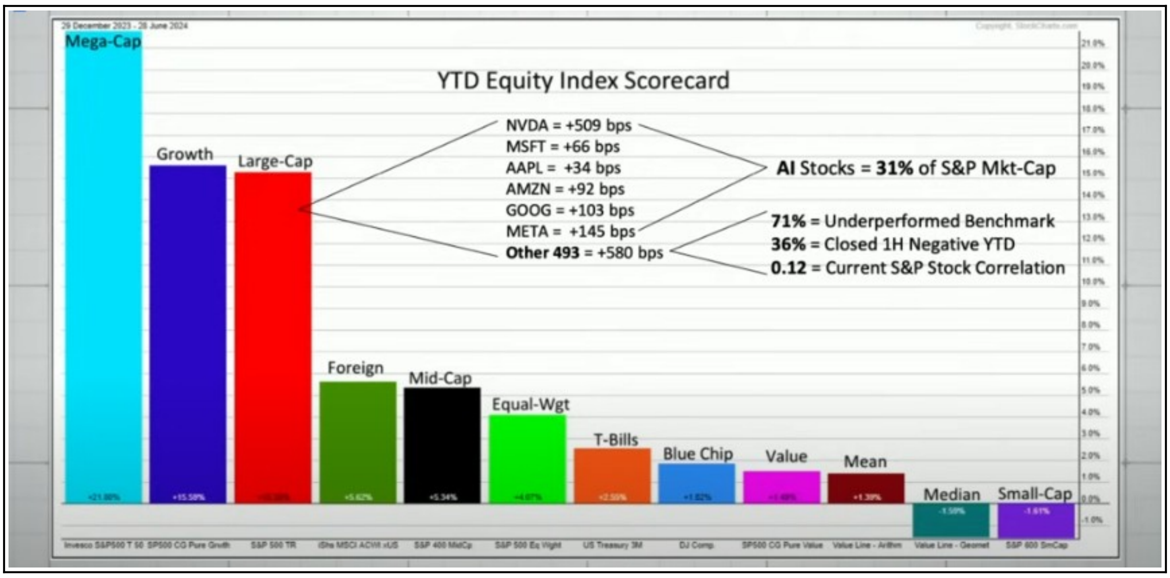
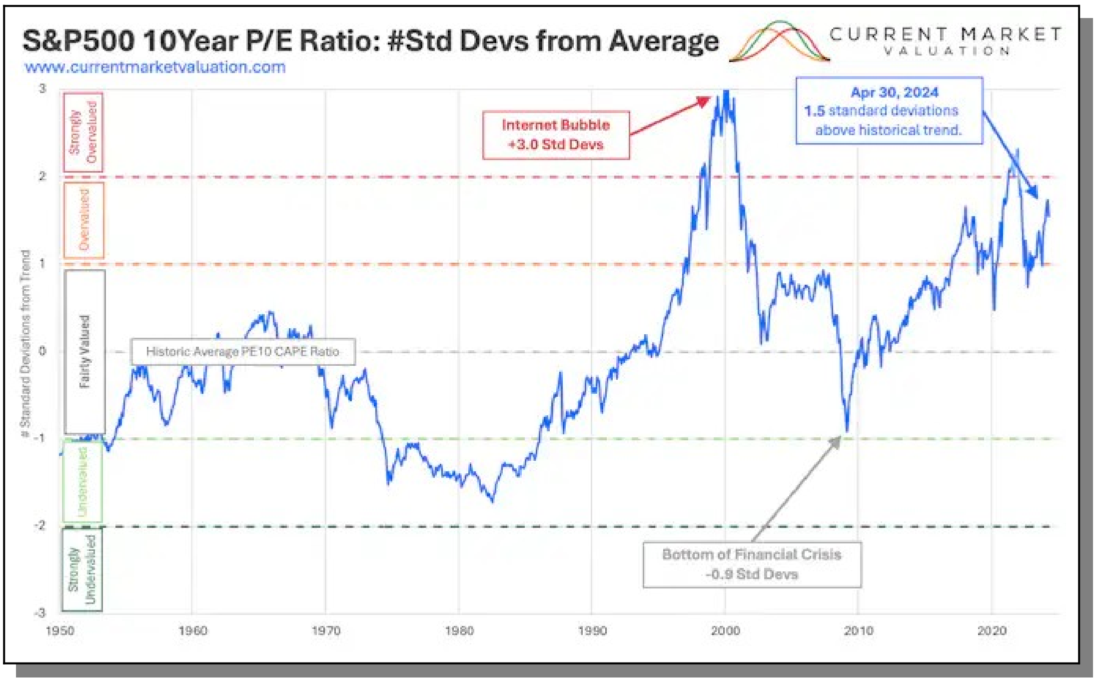
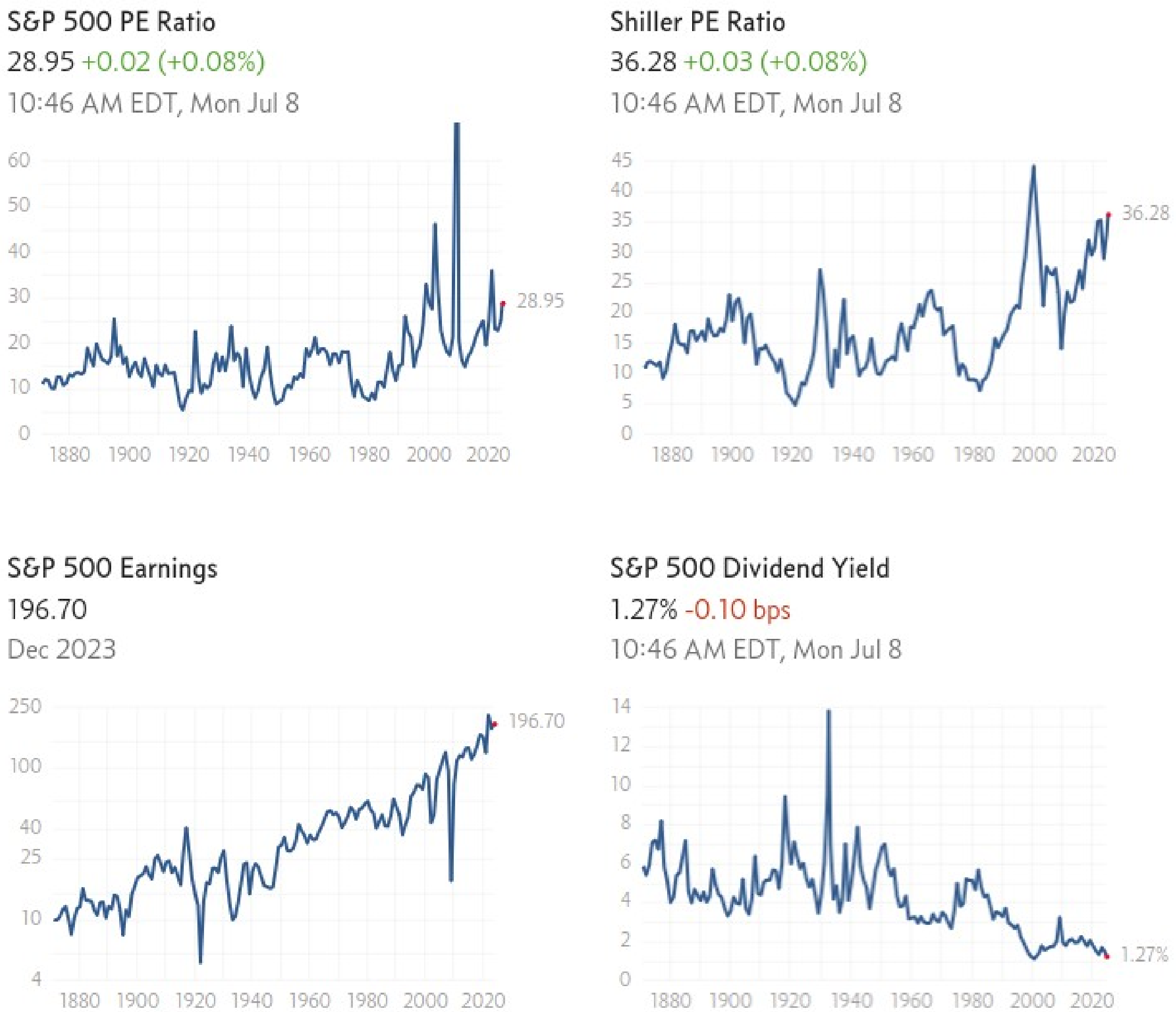


Chart courtesy of jwhinvestment.com



The S&P 500 PE Ratio is a widely used metric to evaluate the valuation of the index. It is calculated by dividing the current price of the index by its trailing 12 month Earnings Per Share (EPS). In the above chart you see it at 1.5 Std Deviation. And below, you see it is heading outside the norm of 5 to 25. The Shiller PE ratio, aka Cyclically Adjusted PE Ratio (CAPE) is a variant of the PE Ratio that uses inflation-adjusted earnings over the past 10 years. Both are above historical averages indicating that the market is overvalued.



Charts courtesy of macrotrends.net

Moreover, Note also that while the Earnings have been steadily going up, and to record highs, the Dividends have not! Dividends are at record lows. Proving the gross corporate greed by not paying / rewarding investors, who are taking the risk on companies via investing their hard earned money.

Once investors realize this, they will undoubtedly pull their money in droves and re-invest it somewhere else. Perhaps Precious Metals comes to mind?!?! And if you’re thinking Cyrpto – think again. Talk about “pie in the sky” … as I’ve stated before – a Banksters Wet Dream.

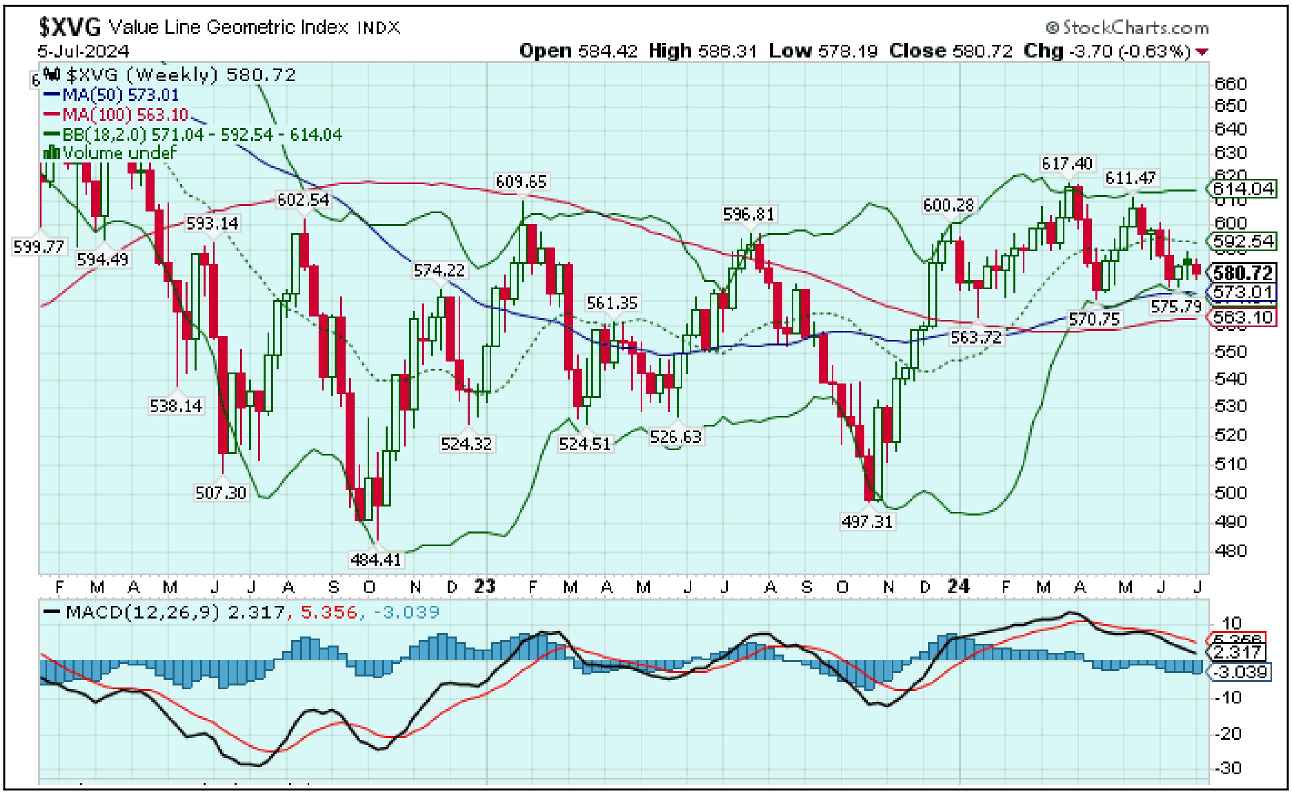
GOLD is certainly reflecting the uncertainty in the Indices, global markets, etc. due to inflation – also globally. It stumbled at 2100 Resistance from the 2020 and 2022 highs, but recently broke above and is now bumping 2400/oz.!

<u>Monthly GOLD Chart</u>

The Value Line Geometric Weekly:

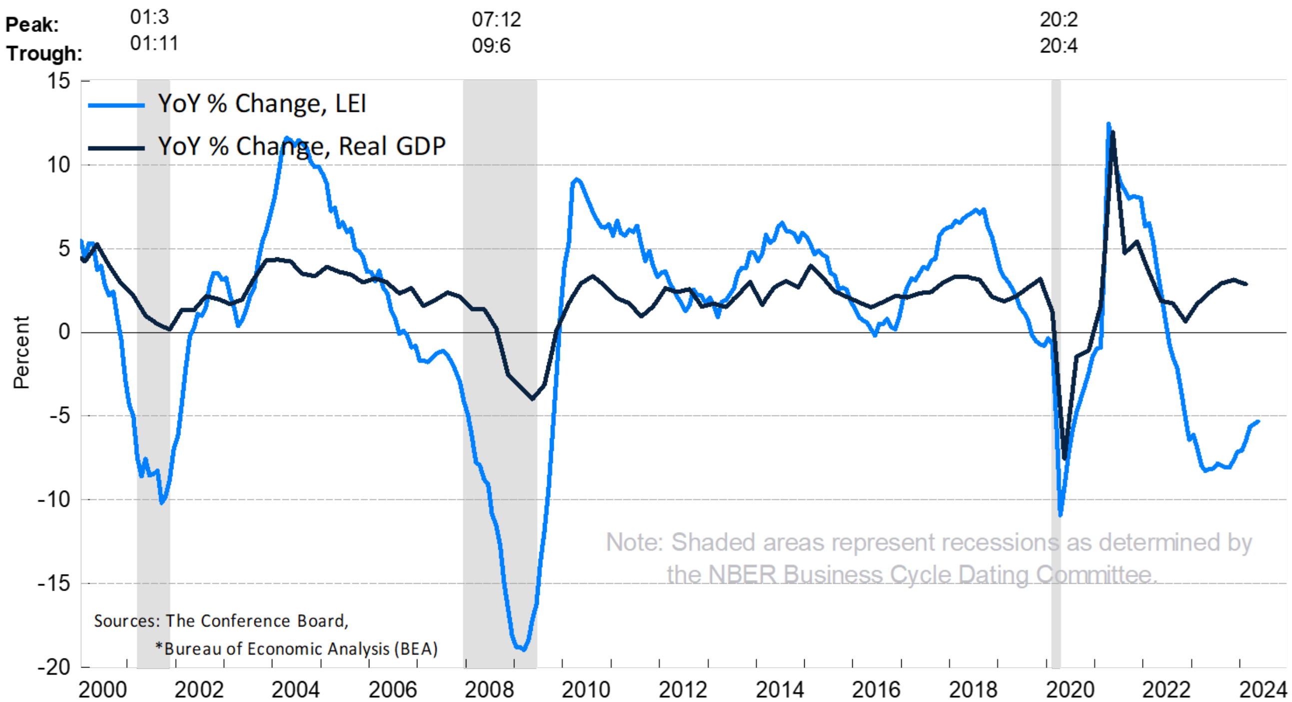
The below chart is an equally weighted index of 1700 U.S. stocks representing 95% of the revenue generated by all publicly traded companies. It actuall topped in 2021 (not shown) along with the Russell 2000 and the DJIA. Currently the **XVG** is making an 'ABC pattern' – rounding at 'B' and heading down to 'C' at approximately 400.

This action also shows the exhuberance and frothyness I see in the tech-heavy NASDAQ. What more could you want for a BEARISH story?!?! With the majority of the market showing and proving weakness and economic data also, it is all but written in stone!



Indeed, looking at the **Leading Economic Indicator (LEI)** it is also down in negative territory. In addition, the Global Economic Indicator (GEI) while not shown, is also down for April and May 2024. So, what does that tell you???

"The U.S. LEI fell again in May, driven primarily by a decline in new orders, weak consumer sentiment about future business conditions, and lower building permits," said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "While the Index's six-month growth rate remained firmly negative, the LEI doesn't currently signal a recession. We project real GDP growth will slow further to under 1 percent (annualized) over Q2 and Q3 2024, as elevated inflation and high interest rates continue to weigh on consumer spending."



www.conference-board.org/topics/us-leading-indicators

"Whenever the fear or realization that the Fed can't cut to stimulate the economy hits, then bonds and stocks go down together – yields would rise in case the Fed doesn't project readiness to cut, and does not commit to yield curve control. Think also much harder national debt servicing.

So, for how long can the stock market upswing continue? Till the disinflationary trend goes on, and earnings remain more competitive relative to yield offered by Treasuries. Rising oil doesn't help inflation, but commodities aren't surging to spawn more inflation (so oil isn't yet breaking the party, can rise some more still). Just when sugar, another precursor to inflation, is bottoming and turning up. USD is though weak to spoil the risk-on party.

So that leaves it up to yields, how far they can run, and how that bear steepening progresses (long end rising faster). I wonder whether 10y yield can make it above 4.60% or say 4.65% in one go. Of course, it's also about when does the curve actually invert back to normal – usually, recession arrives only after that."

~ Monica Kingsley (monicakingsley.co)

Performance of Selected AI Related Stocks

Name/Ticker	Rating 12/30/22	Rating 6/24/24	Price ($) 12/30/22	Price ($) 6/24/24	Change (%)	P/FV 12/30/22	P/FV 6/24/24
Nvidia NVDA	★★★★	★★★	15	118	708.2%	0.73	1.12
Meta Platforms META	★★★★★	★★	120	499	314.6%	0.46	1.25
Broadcom AVGO	★★★★	★★★	559	1,592	184.8%	0.90	1.03
Amazon.com AMZN	★★★★★	★★★	84	186	120.9%	0.56	0.96
Alphabet GOOGL	★★★★★	★★★	88	179	103.1%	0.55	1.00
Microsoft MSFT	★★★★	★★★	240	448	86.7%	0.75	1.03
Apple AAPL	★★★	★★	130	208	60.2%	1.00	1.22
Tesla TSLA	★★★★★	★★★	123	183	48.2%	0.49	0.91

**Note: NVDA data split adjusted.*

source: morningstar data as of 24 June 2024

NASDAQ reported that;

Commercial bank credit has retraced 2.07% since hitting an all-time high in mid-February. There have been only two other instances over the past half-century, since data collection began in 1973, when a larger decline in commercial bank credit was observed:

- A maximum decline of 2.09% during the dot-com bubble in October 2001.
- A peak drop of 6.94% immediately after the Great Recession in March 2010.

A rare but sizable drop in commercial bank lending has one *extremely* important implication: It signifies that banks are tightening their lending standards. Though lending institutions still want to cover the costs associated with taking in deposits, they're purposely being more critical of what consumers and businesses they're lending their money to.

Though a 2.07% aggregate decline in loans, leases, and securities held by banks doesn't sound like a lot on a nominal basis, it's a big deal when you also consider that the federal funds rate has rocketed higher by 525 basis points since March 2022. Not only has access to cheap capital all but disappeared, but banks are also far less willing to lend their money. Historically, this is a recipe for slower economic growth, if not a full-blown recession.

In 2024, the fuel that drove economic activity in 2023 will start running low. We are already seeing the signs. In the US, excess savings will soon be spent, and business investment will wane. Europe is more vulnerable to recession risk and faces stagflation, while China struggles to resolve its property crisis.

Risks include geopolitical upheaval, recession, rising inflation due to unprecedented Democrat spending, disasterous US fiscal policy leading to global instability, hord of terrorist and criminals (illegals) jumping US borders, and vote count concerns in the upcoming presidential election. The US budget deficit is unsustainable given the level of interest rates relative to economic growth, yet political discord will likely make any significant fiscal consolidation extremely difficult. These risks, and others, are a significant source of instability in the US macro outlook.

Respectfully,

Stephen R. Renfrow(c) JD, Sui Juris, SPC
a State National of a once great republic, these united States of America, a free sovereign Citizen documented via UCC-1 filed as public record in State and national archives.

All Rights Reserved, any unauthorized use of said name is strictly prohibited and carries stiff fines for commercial use thereof.

Without Prejudice, UCC-1.201
Without Recourse, UCC-3.401
All Rights Reserved UCC-1.308

SRR/arr