

Fundamentals:

The S&P 500 ended lower on Friday as investors digested implications of a U.S. inflation report for the Federal Reserve's interest rate policy and adjusted their portfolios on the last day of a weak third quarter for stocks.

The S&P 500 and Nasdaq posted their biggest monthly percentage drops of the year, while all three major indexes had their first quarterly declines in 2023.

Data showed the personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, increased 3.9% on an annual basis for August, the first time in over two years it had fallen below 4%. The Fed tracks the PCE price indexes for its 2% inflation target.

Stocks had pushed higher initially after the PCE report but then faded.

The Dow Jones Industrial Average fell 158.84 points, or 0.47%, to 33,507.5, the S&P 500 lost 11.65 points, or 0.27%, to 4,288.05 and the Nasdaq Composite gained 18.05 points, or 0.14%, to 13,219.32.

Among S&P 500 sectors, energy slumped about 2% and financials declined 0.9%. Energy remained by far the biggest-gaining sector for the third-quarter.

For the quarter, the S&P 500 fell about 3.6%, the Dow lost 2.6%, the Nasdaq shed 4.1%. In September, the S&P 500 dropped 4.9%, the Dow fell 3.5%, and the Nasdaq declined 5.8%.

The highly anticipated PCE data followed last week's hawkish longterm outlook for rates from the Fed, which has rattled stocks as benchmark Treasury yields climbed to 16-year highs.

Investors were also watching Washington. Hardline Republicans in the U.S. House of Representatives rejected a bill proposed by their leader to temporarily fund the government, making it all but certain that federal agencies will partially shut down beginning Sunday.

Traders were also wary that a \$16 billion JP Morgan fund, expected to reset its options positions on Friday, would be another source of market volatility.

In company news, Nike shares jumped 6.7% after the world's largest sportswear maker topped Wall Street estimates for first-quarter profit.

U.S. Treasury yields slid on Friday, with the benchmark 10-year tumbling from 16-year highs, after key consumer price data for August pointed to decelerating inflation and raised the outlook for some that the Federal Reserve is done hiking interest rates.

The personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, gained 0.1%, a drop from a 0.2% advance in July. Economists polled by Reuters had forecast the core PCE price index would climb 0.2%.

In the 12 months through August, the so-called core PCE price index increased 3.9%, marking the first time since June 2021 that annualized core PCE was below 4.0%. The core PCE price index rose 4.3% in July.

Stocks rallied on Wall Street and in Europe, while the dollar backed off 10-month highs but was still headed for its biggest quarterly gain in a year.

Bonds prices move inversely to their yield.

Inflation in the euro zone fell to its lowest level in two years in September, according to Eurostat's flash reading published on Friday.

The three-month average of core PCE taken for August, July and June was about 0.18%, which annualized is around 2.5%, he said.

The two-year Treasury yield, which reflects interest rate expectations, slid 2.7 basis points to 5.044 %, while the yield on the 10-year note fell 6.5 basis points to 4.532 %, a drop of almost 16 basis points from a high of 4.688% on Thursday that was last seen in September 2007.

Futures pricing of the Fed's overnight lending rate edged slightly higher, with expectations of a rate hike in November rising to 15.3% from 14.2% some 30 minutes before the data's release, according to CME Group's FedWatch Tool.

Futures show the Fed's target rate barely budged from expectations it will stay above the 5% threshold through July 2024.

The gap between yields on two- and 10-year Treasury notes, seen as a recession harbinger when shorter-dated yields are higher than longer-dated ones, remained inverted at -51.3 basis points.

The yield on the 30-year Treasury bond fell 6.4 basis points to 4.665 %.

The 10-year TIPS breakeven rate was last at 2.359 %, indicating the market sees inflation averaging about 2.4% a year for the next decade.

(Source: Reuters)

Economic Releases	Period	Survey	Actual	Prior	Revised
09/29/2023 20:30	Advance Goods Trade Balance	Aug	-\$91.4b	-\$84.3b	-\$91.2b
09/29/2023 20:30	Wholesale Inventories MoM	Aug P	-0.20%	-0.10%	-0.20%
09/29/2023 20:30	Retail Inventories MoM	Aug	0.50%	1.10%	0.30%
09/29/2023 20:30	Personal Income	Aug	0.40%	0.40%	0.20%
09/29/2023 20:30	Personal Spending	Aug	0.50%	0.40%	0.80%
09/29/2023 20:30	Real Personal Spending	Aug	0.00%	0.10%	0.60%
09/29/2023 20:30	PCE Deflator MoM	Aug	0.50%	0.40%	0.20%
09/29/2023 20:30	PCE Deflator YoY	Aug	3.50%	3.50%	3.30%
09/29/2023 20:30	PCE Core Deflator MoM	Aug	0.20%	0.10%	0.20%
09/29/2023 20:30	PCE Core Deflator YoY	Aug	3.90%	3.90%	4.20%
09/29/2023 21:45	MI Chicago PMI	Sep	47.6	44.1	48.7
09/29/2023 22:00	U. of Mich. Sentiment	Sep F	67.7	68.1	67.7
09/29/2023 22:00	U. of Mich. Current Conditions	Sep F	69.8	71.4	69.8
09/29/2023 22:00	U. of Mich. Expectations	Sep F	66.4	66	66.3
09/29/2023 22:00	U. of Mich. 1 Yr Inflation	Sep F	3.20%	3.20%	3.10%
09/29/2023 22:00	U. of Mich. 5-10 Yr Inflation	Sep F	2.80%	2.80%	2.70%
09/29/2023 23:00	Kansas City Fed Services Activity	Sep	--	2	-1

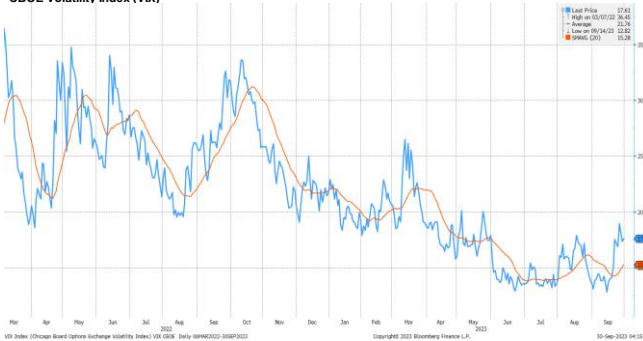
Contract	Close	Change	High	Low
E-Mini Dow DEC 23	33,725.00	-131.00	34,127.00	33,623.00
E-Mini S&P DEC 23	4,325.50	-5.500	4,371.25	4,311.00
E-Mini NASDAQ DEC 23	14,866.50	41.00	15,060.75	14,811.00
Micro Russell 2K JUN 22	1800.7	-8.4	1825	1793.4
US Nikkei DEC 23	31,850.0	-170.0	32,155.00	31,745.00
US Dollar Index	106.16	-0.062	106.24	105.66
DJIA	33,507.50	-158.840	33,893.68	33,407.45
S&P 500	4,288.05	-11.650	4,333.15	4,274.86
NASDAQ	13,219.32	18.040	13,382.98	13,177.09
Nikkei 225	31,857.62	-14.900	32,027.46	31,717.74
Hang Seng	17,809.66	436.630	17,935.15	17,482.39
Straits Times	3,217.41	10.420	3,228.67	3,212.53
DAX	15,386.58	63.080	15,515.99	15,382.56
CAC	7,135.06	18.820	7,204.96	7,135.06
FTSE100	7,608.08	6.230	7,674.19	7,601.85

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	7.94	9.21	9.13	9.85
E-Mini S&P Futures	12.71	12.54	11.26	11.29
E-Mini Nasdaq Futures	17.62	14.22	15.63	17.73

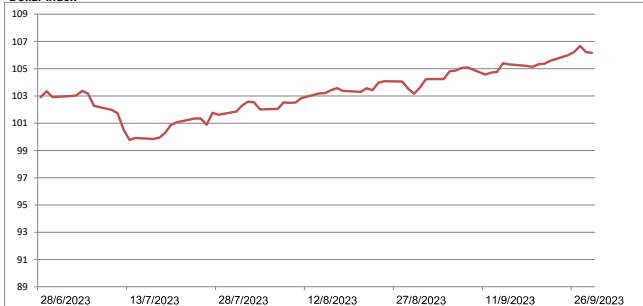
U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



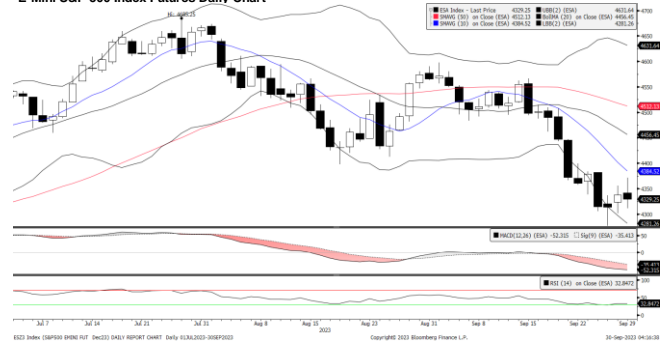
Dollar Index



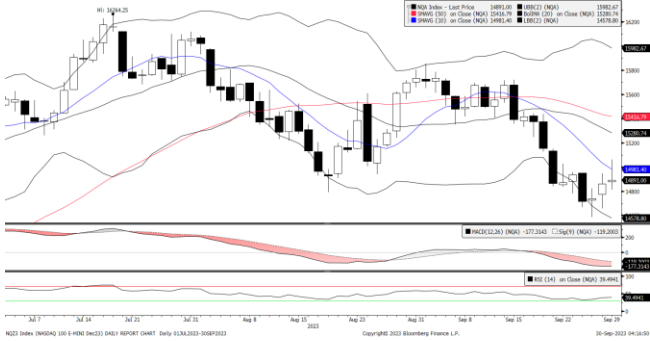
E-Mini Dow Index Futures Daily Chart



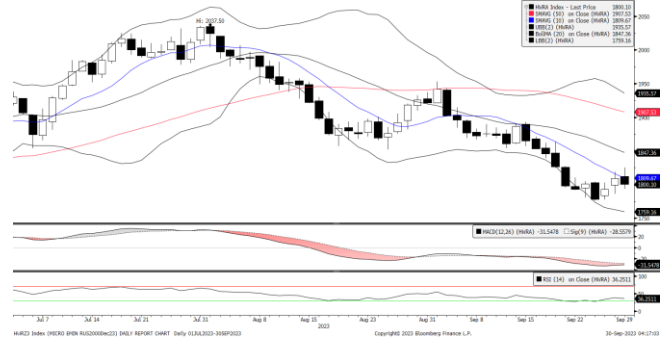
E-Mini S&P 500 Index Futures Daily Chart



E-Mini NASDAQ 100 Index Futures Daily Chart



Micro E-Mini Russell 2000 Index Futures Daily Chart



Technical Analysis

Dow				S&P				Nasdaq				Micro Russell			
1st Resistance:	34231	2nd Resistance:	34737	1st Resistance:	4390.38	2nd Resistance:	4455.27	1st Resistance:	15089.50	2nd Resistance:	15312.50	1st Resistance:	1827.71	2nd Resistance:	1854.72
1st Support:	33219	2nd Resistance:	32713	1st Support:	4260.62	2nd Resistance:	4195.74	1st Support:	14643.50	2nd Resistance:	14420.51	1st Support:	1773.69	2nd Resistance:	1746.68
MACD:	-329.753			MACD:	-52.087214			MACD:	-176.518			MACD:	-31.500		
MACD DIFF:	-105.767			MACD DIFF:	-16.730475			MACD DIFF:	-57.501			MACD DIFF:	-2.951		
RSI:	29.452			RSI:	33.099554			RSI:	39.853			RSI:	36.363		

Strategy

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	33219	33551	33053	32713	33040	32550	34231	33889	34402	34737	34389	34910
S&P	4260.62	4303.22	4239.31	4195.74	4237.69	4174.76	4390.38	4346.48	4412.33	4455.27	4410.71	4477.54
Nasdaq	14643.50	14789.94	14570.28	14420.51	14564.71	14348.40	15089.50	14938.60	15164.94	15312.50	15159.37	15389.06
Micro Russell	1773.69	1791.43	1764.82	1746.68	1764.15	1737.95	1827.71	1809.43	1836.85	1854.72	1836.17	1863.99

Source: Bloomberg

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