



9/24: Fiscal To Launch

Alright, the 10%+ selloff I said was likely [three-weeks ago](#) has now played out, with the e-mini crossing below the 3,200 (down 10%+) level today. My base case going forward remains the same as it was at the start of the month — which I tweeted [here](#) — and that's that **the risk/reward greatly favors the upside and an eventual punch through the topside of this “Broadening Top” pattern.**



Alex Barrow @MacroOps · Sep 2

Prediction: **\$SPY** will soon see a 10%ish correction which will goad the bears into calling it a validation of this “Broadening Top” pattern.

\$SPY will then reverse, punch through the top of this triangle, and run into year's end.



9

11

75



But, the immediate near-term path (as in the next few weeks) hinges on the development of fiscal stimulus talks.

Fiscal stimulus is what's fueled this rally off the March lows and it's what's needed to drive the market up and out of its 3-year trading range. Sans another substantial (\$1trn+) round of fiscal, the headlines will be dominated by large scale layoffs and companies going bust... especially if we see another round of lockdowns from a second COVID wave throughout the Fall. That scenario would likely mean an extended sideways volatile range for equity markets.



The longer-term technical backdrop for this, and which I outlined in “[Look Left For Context](#)”, is a monthly Outside Down Bar for September. Which, if it closes near its lows will be a sell signal bar and put odds in favor of lower lows in October. The five consecutive bull bars preceding this month though, should mitigate that downside since buyers will come in at some point, seeing a bargain.

SPX - monthly



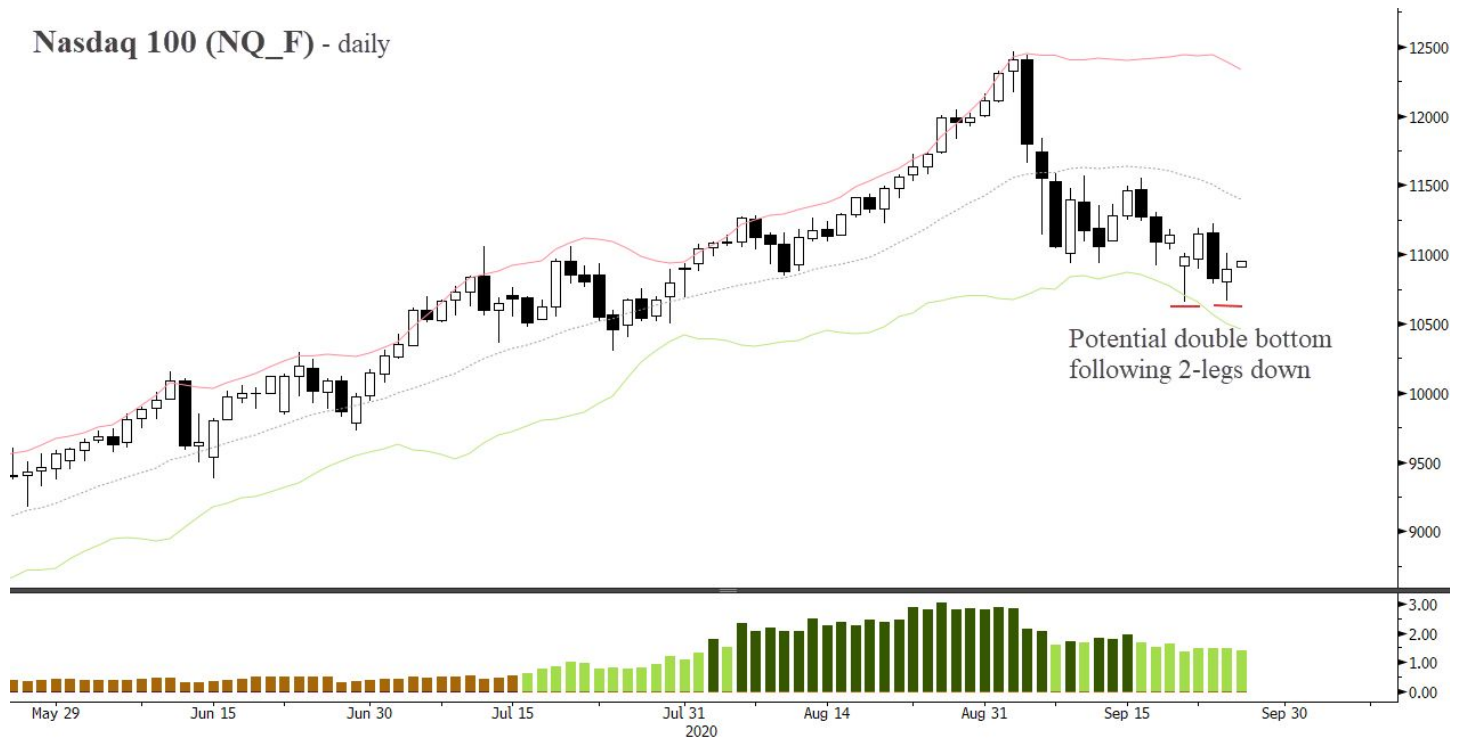
With only four days left in the month, we’ll have to see how things shakeout. Bulls want to get the market above its August lows and bears want a close on or near the Sept lows. The TL Score is -5 as breadth remains weak and length has yet to be taken out of put/calls, so trend-fragility remains high.

Date: 9/24/20	Breadth Score	Date: 9/24/20	Liquidity Score
High/Low Index	-1	Baa Yield z-score	0
RAY % ADV	-1	LQD/IEF	-1
% > 50dma	-1	Stock/Bond z-score	0
Total Score	-3	Total Score	-1
Date: 9/24/20	Sentiment Score		
Put/Call 10dma	-1		
z-score	-1		
AAll Bull-Bear	1		
Total Score	-1	Total Trifecta Score	-5

But looking at the major indices on a daily basis. It appears they may be putting in a double bottom following the completion of a 2-leg move down.



Nasdaq 100 (NQ_F) - daily



Putting this all together, we get a **mixed picture with odds favoring more bouncing around action**. This fits with the developing fiscal talks which saw some renewed life today with both Mnuchin and Pelosi announcing some renewed interest in pushing ahead.

The general consensus on whether both sides can get something done before the election seems to be one of broad skepticism, especially following RBG's passing.

This was my initial take but not having a ton of conviction on the matter, I decided to call up one of my old DC buddies who works as a lobbyist and tends to have his ear pretty close to the ground on these sorts of things. Here's the gist of what he relayed to me today.

- The passing of RBG changes nothing. In fact, it gives those working on pushing something through some welcomed cover from constant news attention, which was encumbering talks
- **There's a number of Democrats with tight races coming up who will almost certainly lose their seats if they leave Washington without getting a deal done.** They are literally freaking out and are willing to make big concessions to get it done
- This is what led to the rare public split between Majority Leader Steny Hoyer (D-Md.) and Pelosi the other day. Hoyer, along with a group of moderate democrats, are threatening to endorse a Republican effort to force a vote on a partisan relief package
- The Trump administration is playing coy in public but they're pushing for a stimulus deal that's closer to the Ds range of \$2trn+ as it will significantly boost Trump's reelection odds and there aren't any Rs who would actually try to challenge them other than some face-saving gab about the deficit



- **Odds are roughly 75% they agree to the broader terms of a package that's north of \$1.5trn within the next few weeks**
- The threat of major airlines running out of emergency funding by the end of this month and the tens of thousands of workers that would be furloughed as a result, puts it odds on we see the inklings of a deal sooner rather than later

His take definitely runs counter to a lot of what I'm reading in the press. But, like I said, he has a pretty good record with these types of things, so we'll see. If any of you have some insight into where you think these talks are headed, please shoot them my way. I know we have some connected readers and I'd love to hear your thoughts.

This more constructive fiscal take certainly makes me question the potential run of our long dollar and short gold swing trades. Positive developments on the fiscal front would almost certainly kill both, so that's something we have to keep in mind.

Speaking of gold, I want to clarify my longer-term take on the barbarous relic. And, that is that I'm very bullish. I'm simply playing for a reversion/positioning washout trade here. I expect it to be much shorter in time-duration than past 200dma trend-extension reversions. That's if it continues to play out at all... Positive news on the fiscal front would nullify the trade. That's why I plan to be nimble and quick to flip on the trade if the tape says to do so.

I'm also looking at some junior miners to start buying into. I'll write more on that over the weekend! Oh, and for or those of you who haven't, you can read up on my [gold framework here](#).

So, the short and skinny of the my current market take is this:

- The longer-term risk-reward greatly favors the upside due to big underpositioning in risk-assets, LOTS of cash on the sidelines, and a very fat risk-premium (I'll be writing more on this in the coming days)
- The short-to-intermediate term is more muddied and we're likely to see more chop and vol. And developments on the fiscal front will drive this action
- There are only four trading days left in September. Where the month — and quarter! — close will be a big tell on where supply and demand pressures are heading into October.

Stay safe and keep your head on a swivel!

Your Macro Operator,

Alex