

Fundamentals:

U.S. stocks ended down on Friday, booking their worst week in a month after a rise in Treasury yields as well as higher oil prices amid worries over the war in the Middle East.

The Dow Jones Industrial Average DJIA fell 286.89 points, or 0.9%, to close at 33,127.28. The S&P 500 SPX shed 53.84 points, or 1.3%, to finish at 4,224.16. The Nasdaq Composite COMP dropped 202.37 points, or 1.5%, to end at 12,983.81.

For the week, the Dow fell 1.6%, the S&P 500 declined 2.4% and the Nasdaq sank 3.2%. The tech-heavy Nasdaq logged back-to-back weekly losses, while the S&P 500 snapped two straight weeks of gains, according to Dow Jones Market Data. All three benchmarks booked their largest percentage weekly drops since the week ending Sept. 22.

U.S. stocks suffered this week after the 10-year Treasury yield surged to near 5%, translating into higher borrowing costs that could slow economic growth. Treasury yields backed off a bit on Friday, but the impact of their rise earlier in the week was still being felt in markets.

Stocks are seeing continued "selling pressure" from rising yields after bearish traders worried that Federal Reserve Chair Jerome Powell's remarks on Thursday meant that another interest rate hike could be coming and the Fed might not cut rates until late next year, said José Torres, senior economist at Interactive Brokers, in a phone interview Friday. Powell seemed "unsatisfied" with recent strong economic data as that risks keeping inflation elevated, according to Torres.

But as far as the S&P 500 goes, "I'm expecting the bulls to really take a stand here at 4,200," said Torres. That's a "floodgate level," he said, explaining that the next strong level of support for the index may be at 3,900.

"The stock market now is glued to the bond market. We've hit the point where long-term yields are essentially the No. 1 problem for everything," said Michael Lebowitz, a portfolio manager at RIA Advisors.

The yield on the 10-year note fell 6.3 basis points on Friday to 4.924%, but has risen almost 30 basis points this week based on 3 p.m. Eastern Time levels, according to Dow Jones Market Data. Ten-year Treasury yields on Thursday reached their highest level since July 20, 2007.

On Friday Cleveland Fed President Loretta Mester said she is in the camp of one more interest rate hike this year. That would bring the federal funds rate to a range of 5.5%-5.75%. Mester also said regardless of whether the Fed hikes again, the central bank is "nearing the end of its phase" of hiking rates.

Equities investors are grappling with the rapid increase in long-term Treasury yields during the Fed's hiking cycle, prompting worries over refinancing risks in credit markets as well as pressure on the economy and stock-market valuations, according to James Ragan, director of wealth management research at D.A. Davidson.

"We have gone negative on the month," Ragan said by phone on Friday. "I think it really comes down to the interest rates."

The S&P 500 has lost 1.5% so far in October through Friday.

The near two-week war between Israel and Hamas has also weighed on investors.

Investors were wary of further escalation via a possible ground invasion by the Israeli military. Palestinians in Gaza reported heavy strikes in the southern region where they had been told to evacuate, with a large Israeli town in the north near the Lebanese border also evacuating, according to the Associated Press on Friday.

Investors are anxious that geopolitical tensions in the volatile Middle East threaten oil supplies, with rising crude prices potentially adding to inflationary pressures, said Torres, of Interactive Brokers.

West Texas Intermediate crude, the U.S. oil benchmark, rose again this week, although it slipped Friday to around \$88 a barrel based on the December contract.

Meanwhile, Torres sees asymmetrical risk for the S&P 500. The index may stand to gain 5% from current levels, but the downside risk is larger as a potential drop could be as large as 15%, he explained.

With companies' third-quarter earnings season currently underway, Torres is watching for any signs of companies being unable to pass higher prices on to consumers, he said. "We're still early in the earnings cycle."

By Torres's calculations, consumers this month ran out of the "excess savings" built up during the pandemic, leaving them back at a more normal savings level.

Investors are looking ahead to next week, when Google parent Alphabet Inc., Microsoft Corp. and Amazon.com Inc. will report their quarterly results. Their shares are among a group of megacap stocks known as Big Tech that are responsible for much of the S&P 500's advance in 2023.

Regions Financial Corp.'s stock tumbled 12.4% after the bank's third-quarter profit and revenue missed expectations, as total loans increased but deposits fell and as the regional banking industry faced "economic and regulatory uncertainty." Hewlett Packard Enterprise Co. slumped 6.6% after the firm's fiscal forecast fell short of analysts' expectations. American Express Co.'s shares dropped 5.4% after easily topping profit expectations for its third quarter, while calling out healthy spending and "strong" credit metrics.

(Source: Dow Jones Newswires)

Contract	Close	Change	High	Low
E-Mini Dow DEC 23	33,258.00	-289.00	33,559.00	33,220.00
E-Mini S&P DEC 23	4,248.50	-54.500	4,304.25	4,243.50
E-Mini NASDAQ DEC 23	14,664.00	-226.00	14,887.50	14,645.00
Micro Russell 2K JUN 22	1689.8	-22.9	1714.4	1688
USD Nikkei DEC 23	31,085.0	-260.0	31,445.00	31,020.00
US Dollar Index	106.15	-0.104	106.42	106.07
DJIA	33,127.28	-286.890	33,425.77	33,118.12
S&P 500	4,224.16	-53.840	4,276.56	4,223.03
NASDAQ	12,983.81	-202.360	13,177.35	12,977.43
Nikkei 225	31,259.36	-171.260	31,428.97	31,093.90
Hang Seng	17,172.13	-123.760	17,309.74	17,118.07
Straits Times	3,076.69	-22.910	3,100.44	3,074.07
DAX	14,798.47	-246.760	14,936.49	14,798.47
CAC	6,816.22	-105.150	6,880.64	6,816.17
FTSE100	7,402.14	-97.390	7,499.62	7,395.57

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	10.49	10.12	9.60	9.64
E-Mini S&P Futures	13.49	13.12	12.24	11.62
E-Mini Nasdaq Futures	17.91	17.67	16.05	16.63

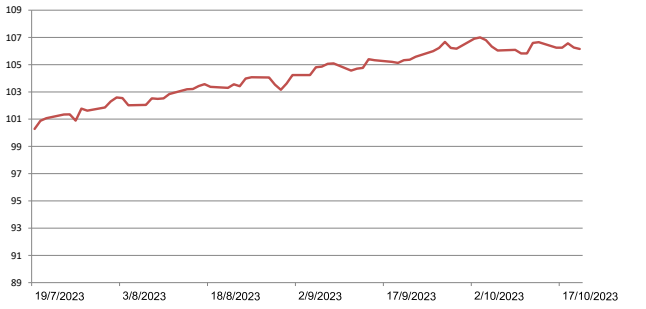
U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



Dollar Index



Economic Releases		Period	Survey	Actual	Prior	Revised
10/20/2023 16:00	Bloomberg Oct. United States Economic Survey					
10/21/2023 04:00	Monthly Budget Statement	Sep	-\$166.0b	--	-\$429.8b	--
10/23/2023 20:30	Chicago Fed Nat Activity Index	Sep	-0.12	--	-0.16	--
10/24/2023 20:30	Philadelphia Fed Non-Manufacturing Activity	Oct	--	--	-16.6	--
10/24/2023 21:45	S&P Global US Manufacturing PMI	Oct P	49.4	--	49.8	--
10/24/2023 21:45	S&P Global US Services PMI	Oct P	49.9	--	50.1	--
10/24/2023 21:45	S&P Global US Composite PMI	Oct P	50	--	50.2	--
10/24/2023 22:00	Richmond Fed Manufact. Index	Oct	3	--	5	--
10/24/2023 22:00	Richmond Fed Business Conditions	Oct	--	--	-5	--
10/25/2023 19:00	MBA Mortgage Applications	Oct-20	--	--	-6.90%	--
10/25/2023 22:00	New Home Sales	Sep	682k	--	675k	--
10/25/2023 22:00	New Home Sales MoM	Sep	1.00%	--	-8.70%	--
10/26/2023 20:30	Wholesale Inventories MoM	Sep P	0.10%	--	-0.10%	--
10/26/2023 20:30	Advance Goods Trade Balance	Sep	-\$85.9b	--	-\$84.3b	-\$84.6b
10/26/2023 20:30	GDP Annualized QoQ	3Q A	4.30%	--	2.10%	--
10/26/2023 20:30	Personal Consumption	3Q A	3.90%	--	0.80%	--
10/26/2023 20:30	Retail Inventories MoM	Sep	--	--	1.10%	--
10/26/2023 20:30	GDP Price Index	3Q A	2.70%	--	1.70%	--
10/26/2023 20:30	Durable Goods Orders	Sep P	1.50%	--	0.10%	--
10/26/2023 20:30	Core PCE Price Index QoQ	3Q A	2.50%	--	3.70%	--
10/26/2023 20:30	Durables Ex Transportation	Sep P	0.30%	--	0.40%	--

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

1st Resistance: 33757 2nd Resistance: 34256
1st Support: 32759 2nd Resistance: 32260
MACD: -232.103
MACD DIFF: 16.138
RSI: 34.272

S&P

1st Resistance: 4312.23 2nd Resistance: 4375.96
1st Support: 4184.77 2nd Resistance: 4121.05
MACD: -31.468529
MACD DIFF: -1.504845
RSI: 34.130669

Nasdaq

1st Resistance: 14883.96 2nd Resistance: 15103.92
1st Support: 14444.04 2nd Resistance: 14224.08
MACD: -68.013
MACD DIFF: -17.860
RSI: 37.564

Micro Russell

1st Resistance: 1715.15 2nd Resistance: 1740.49
1st Support: 1664.45 2nd Resistance: 1639.11
MACD: -32.672
MACD DIFF: -1.955
RSI: 31.804

Strategy

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	32759	33087	32595	32260	32583	32099	33757	33419	33926	34256	33913	34427
S&P	4184.77	4226.62	4163.85	4121.05	4162.26	4100.44	4312.23	4269.11	4333.79	4375.96	4332.20	4397.83
Nasdaq	14444.04	14588.48	14371.82	14224.08	14366.32	14152.96	14883.96	14735.12	14958.38	15103.92	14952.88	15179.44
Micro Russell	1664.45	1681.10	1656.13	1639.11	1655.50	1630.91	1715.147	1698.00	1723.72	1740.494	1723.09	1749.20

Source: Bloomberg

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