

Buy the S&P because the Fed's hawkishness is already baked in

By Victor Reklaitis

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Critical information ahead of the U.S. market's open



Is this what Fed meetings are starting to look like?

It's Super Wednesday eve, and not a trader is stirring — at least in the early going.

Sure, oil is losing altitude, but stock gauges worldwide aren't making huge moves. Everyone seems to be waiting for the Federal Reserve and Bank of Japan's big policy announcements tomorrow.

The central-bank double-header is being called "[Super Wednesday](#)," like it or not. There is buzz about how [markets already have done the Fed's work](#) and about how the [BOJ could steal Yellen & Co.'s thunder](#).

You've also got folks predicting the yen **USDJPY, -0.22%** [will weaken](#), as well as forecasts for [muted action overall](#) until tomorrow. Jeff Gundlach expects [ahawkish Fed tone but no rate rise](#), and economists are [refusing to rule out a surprise hike](#).

The Fed becoming less loosey-goosey is already baked into markets quite a bit, and that's one reason why it's time to jump into U.S. stocks, according to our call of the day. More below on that, from the Kobeissi Letter.

Meanwhile, today's chart suggests it's too soon to start going to cash in a big way.

Key market gauges

S&P futures **ESZ6, +0.32%** and Dow **YMZ6, +0.34%** are up modestly, even as oil **CLV6, -1.48%** pulls back. Europe **SXXP, +0.16%** is moderately higher, while Asia closed little changed. Gold **GCZ6, -0.08%** and ICE's dollar index **DX, +0.04%** aren't doing much.

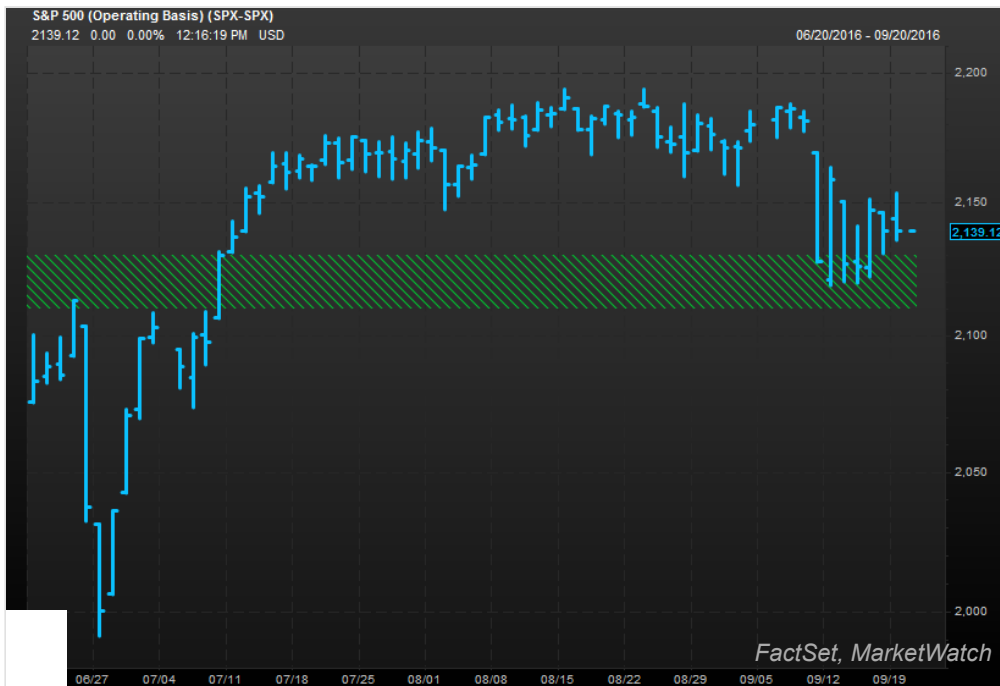
The call

A lot of Fed hawkishness has been priced into the markets, and it's not warranted, according to Adam Kobeissi and his team.

On top of that, they point out the slumping S&P 500 **SPX, +0.46%** has found support several times at a key chart area — between 2,110 and 2,130. Therefore, “buying the market at this point is a good idea,” the latest [Kobeissi Letter](#) reads.

“We have increased long exposure and still believe 2,200 on the S&P is a potential by year end,” they say in their missive.

“It is important to note that volatility will increase, especially with WTI crude oil prices below \$45/barrel,” they add. “For this reason, we encourage our subscribers to watch the 2,110 level on the S&P 500. If the market does manage to break below this level, we believe long positions should be reduced.”



One newsletter sees support between 2,110 and 2,130.

The economy

The focus is on the Fed and BOJ, but traders also got a [weaker-than-expected reading](#) on U.S. housing starts ahead of the open.



Eric Balchunas @EricBalchunas

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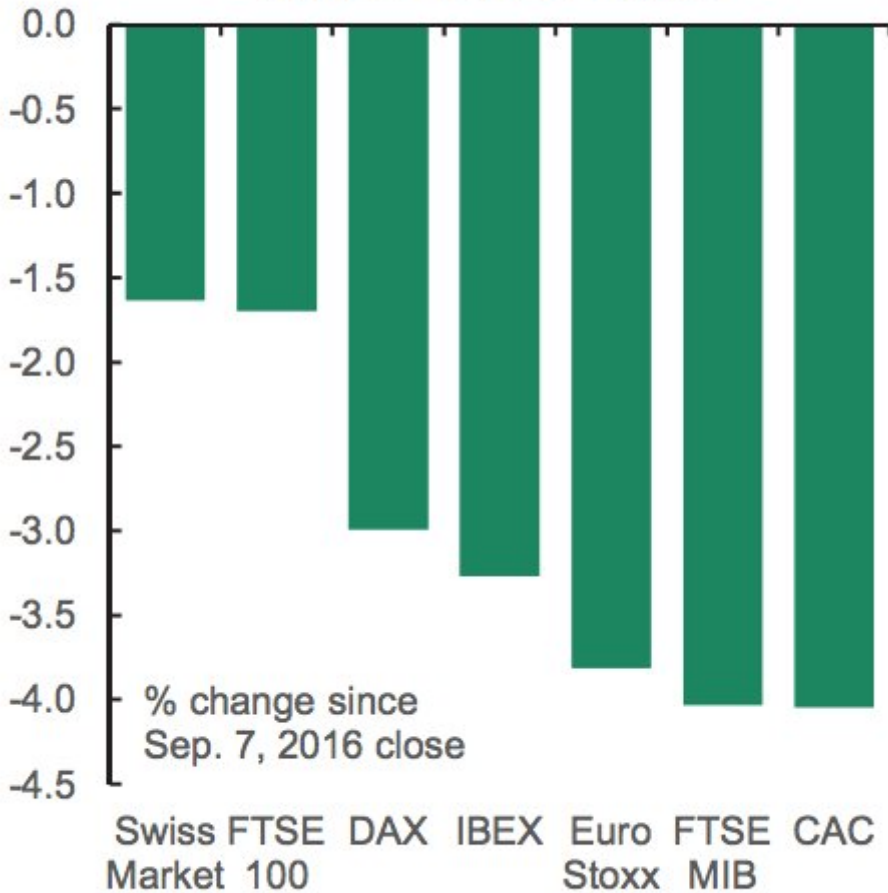
Pondering how to calc how much Fed fear-mongering/obsession has cost investors over past several years..

2:49 PM - 19 Sep 2016

And let's not forget that a central-bank hootenanny failed to get investors dancing for joy earlier this month:

Chart 2

Not So-Super Mario



Source: Bloomberg, Scotiabank Economics.



Josh @joshdigga

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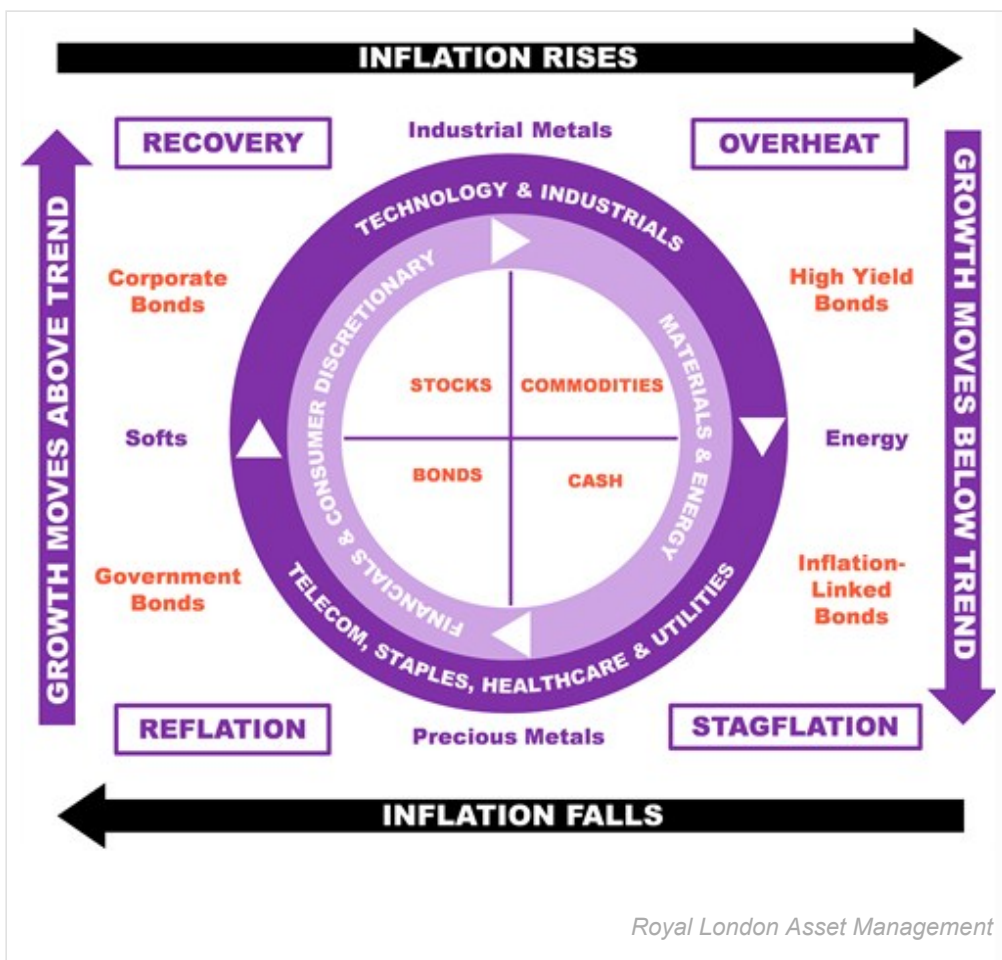
@SoberLook market turmoil since Mario Draghi spoke on Sept 8th (via Derek Holt @scotiabank)

8:58 PM - 18 Sep 2016

1

Check out: [MarketWatch's Economic Calendar](#)

The chart



What time is it? It's a good moment for betting on commodities, and not yet time to make a huge shift into cash, according to an "investment clock" from Royal London Asset Management.

The clock, shown above, aims to provide "a model-based framework linking asset returns to different phases of the global business cycle," writes Royal London's Trevor Greetham.

Right now, we're in the "overheat" phase shown in the schematic. That's good for commodities, given the background of global growth and inflation, Greetham says.

Go [here](#) to read his full post.

The stat



"These go to 11."

1,200 — That's about how many trades of the Guggenheim S&P 500 Equal Weight Financials ETF **RYF, +0.48%** were canceled yesterday, as a bunch of traders somehow "didn't get the memo" about the S&P 500 dialing it up to 11 in terms of sectors.

The buzz

Lennar's stock **LEN, -3.19%** is up premarket after the home builder's quarterly earnings beat expectations, while Ascena Retail **ASNA, -26.29%** is diving after its disappointing release late yesterday.

Google looks like it's planning to unveil a new smartphone on Oct. 4, and the Alphabet **GOOG, +0.75%** **GOOGL, +0.83%** unit may even replace its Nexus brand name with "Pixel."

George Soros is investing half a billion dollars in migrants.

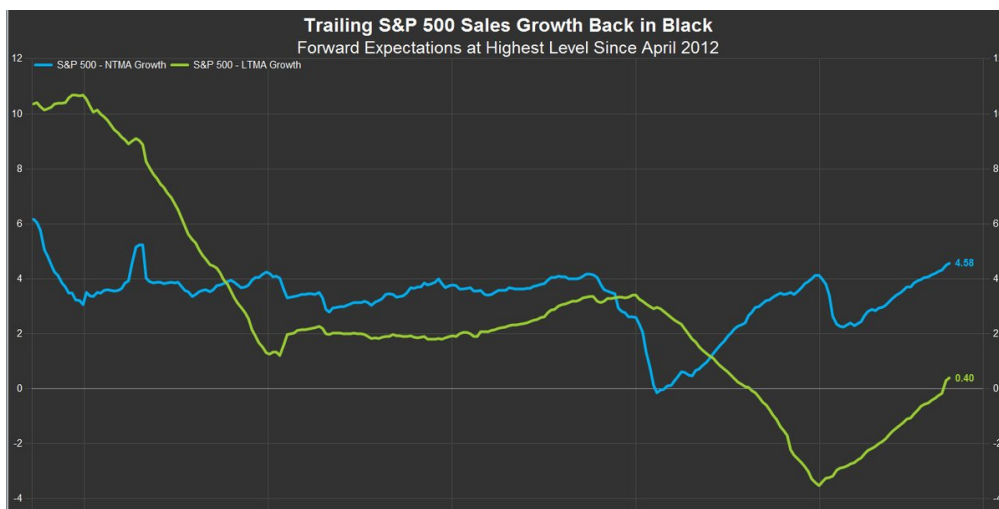
Gasoline prices have soared across the Southeast U.S. following a major pipeline's shutdown. Drivers are already shelling out unnecessary billions for premium gas, says the AAA.

Allergan **AGN, -1.99%** plans to buy Tobira Therapeutics **TBRA, +723.42%** for \$1.7 billion.

George H.W. Bush reportedly will vote for Hillary Clinton rather than his party's nominee. If the GOP pushes him out the door, at least he's skilled with parachutes.

Did you hear about China's financial sector looking stressed?

Revenue for S&P 500 companies is getting better:



FactSet FactSet

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\$SPX trailing 12 month sales growth has broken positive for first time in a year (via [@FactSet](#) Market Aggregates):

9:45 PM - 19 Sep 2016

22 24

The quote

“Skittles are candy. Refugees are people.” — Denise Young, vice president of corporate affairs for Wrigley Americas, is among those responding to Donald Trump Jr. likening refugees to poisoned sweets.

Read: [Donald Trump Jr. compares refugees to death-dealing Skittles, sparks a storm](#)

Random reads

“The country is throbbing with anxiety,” [says a trauma expert](#) after the past weekend’s attacks.

For the first time since 2012, the U.S. is the [world’s top skiing spot](#), overtaking France.

The story of the Zuckerberg roommate who is [officiating weddings, not coding](#).

Bumgarner’s meltdown with Puig led to a bench-clearing brawl and [another collapse](#) by the Giants.

The [Justice Department is investigating](#) as this footage gets attention:

Police release footage of deadly Tulsa shooting (1:58)

Footage showed the moment a 40-year-old unarmed black man was shot and killed by a police officer.

No, Deckers **DECK**, +0.08% — just no:



Jason S @theluckyman

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This \$225 Teva and UGG mashup is being called the 'world's ugliest shoe' [businessinsider.com/teva-uggs-mash...](https://www.businessinsider.com/teva-uggs-mashup)

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