



# The King Report

*M. Ramsey King Securities, Inc.*

Tuesday                      July 3, 2018 – Issue 5790                      “Independent View of the News”

US stocks opened sharply lower on Monday because Asian bourses tumbled on trade concerns and Chinese debt/economic angst. The Nikkei tanked 2.21%, to its lowest level since April. This represents a serious technical breakdown that suggests a test of the key support at 21k is highly probable.

The CSI 300 tumbled 2.93%, hitting its lowest level since May 2017. A test of 3200 could occur soon.

The Asian carnage generated moderate European losses. The FTSE recorded the worse loss, 1.17%.



**Euro Stoxx Banks Index** vs. **Euro Stoxx 50 Index** – What happens next? Draghi? Draghi? Draghi?

The DJIA was by far the weakest major index. The DJTA turned positive after thirty minutes of trading.

Nasdaq and the Russell 2000 fell modestly. The major index action evinces global trade angst.

Due to upward seasonal bias and the Monday factor, traders eagerly bought the NYSE open. This buying produced the session low. The post-NYSE open rally was abetted by solid manufacturing PMIs.

The Markit US Manufacturing PMI for June rose to 55.4 from the previous and expected 54.6. The ISM Manufacturing PMI increased to 60.2 from 58.7. 58.5 was expected. Prices Paid fell to 76.8 from 79.5. New Orders fell to 63.5 from 63.7. <https://www.cnbc.com/2018/07/02/ism-manufacturing-construction-spending.html>

**Trump isn't going to change his mind on trade even if the stock market keeps falling: Wilbur Ross**  
<https://www.cnbc.com/2018/07/02/wilbur-ross-no-downside-level-in-stocks-to-change-trump-trade-policy.html>

The morning rally halted on Ross's remark. Stocks then traded with a moderate downward bias until traders started buying for the VIX Fix rally and the expected MOC purchases by indexers to start Q3.

The afternoon rally accelerated when Trump said he was close to making some 'fair trade deals'. The VIX Fix rally ended fifteen minutes after the fix. Stocks rolled over until the final hour rally began. Then, as widely expected, equities rallied into the close. **The pattern trade was enormously successful.**

On Monday, the dollar roared; gold tumbled and bonds fell modestly. Commodities, particularly copper and platinum, declined due to the global trade concerns as well as on King Dollar.

Bloomberg: *U.S. stocks reversed early losses to trade higher. The S&P 500 rose as information technology companies and utilities offset weakness in energy* <https://bloom.bg/2KuLbpy>

The FBI said it thwarted an Al-Qaida terror plot on July 4 celebrations in Cleveland, Ohio.  
<https://www.cbsnews.com/news/fbi-arrest-alleged-july-4-attack-plan-cleveland-today-2018-07-02/?flag=CNM-00-10aab7e&linkId=53765693>

#### **Positive aspects of previous session**

The DJTA went positive early in the day, finished +1%  
The NY FANG+ Index rallied 1.11% - Monday was a traders' rally  
Session highs at close

#### **Negative aspects of previous session**

Asian bourses tumbled  
No robust rally to start July and Q3 even though the session is usually a big rally day

#### **Ambiguous aspects of previous session**

Commodities are in a serious decline

#### **First Hour/Last Hour Action** [S&P 500 Index]

First Hour **Down**; Last Hour **Up**

**Pivot Point for S&P 500 Index** [above/below indicates daily trend to traders]: **2717.64**

**Previous session High/Low**: **2727.26; 2698.95**

The WH says US Secretary of State Mike Pompeo will depart for his third trip to North Korea on July 5.

**New Jersey's Tax Gift to Florida** [new tax on 'the wealthy']  
***The wizards of Trenton decide to drive more residents out of state.***

*Murphy [Gov.] and Sweeney [State Senate leader] agreed to raise the state's income tax on residents making more than \$5 million to 10.75% from 8.97% and the corporate rate on companies with more than \$1 million in income to 11.5% from 9%...* <https://www.wsj.com/articles/new-jerseys-tax-gift-to-florida-1530481356>

**'A way of monetizing poor people': How private equity profits by offering high-interest loans to needy Americans** - *Mariner Finance* — owned and managed by a \$11.2 billion private equity fund controlled by *Warburg Pincus* — **mass mails checks to risky borrowers, often saddling them with interest rates as high as 36 percent if they cash the check...**

*The practice shows how Warburg, whose president is Timothy F. Geithner, treasury secretary under*

*President Barack Obama, makes money off Americans who are short on money...*

[https://www.washingtonpost.com/business/economy/a-way-of-monetizing-poor-people-how-private-equity-firms-make-money-offering-loans-to-cash-strapped-americans/2018/07/01/5f7e2670-5dee-11e8-9ee3-49d6d4814c4c\\_story.html](https://www.washingtonpost.com/business/economy/a-way-of-monetizing-poor-people-how-private-equity-firms-make-money-offering-loans-to-cash-strapped-americans/2018/07/01/5f7e2670-5dee-11e8-9ee3-49d6d4814c4c_story.html)

### **Chancellor Angela Merkel and Horst Seehofer agree on a migration compromise**

*The cornerstone of Seehofer's so-called "master plan" insists on refusing entry to migrants who have already been registered in another EU country...* <https://p.dw.com/p/30ehl>

Under-reported but very positive: DJT called President-Elect of Mexico Obrador and offered to work with him. On Monday afternoon, **Obrador [AMLO] said he is committed to NAFTA and pledged to work with Trump to reduce illegal immigration.**

### **Mexico's 'AMLO' offers migration cuts in Trump call**

*"I received a phone call from Donald Trump and we spoke for half an hour... I proposed exploring a universal deal (involving) development projects that would create jobs in Mexico and, by doing so, reduce migration and improve security," he added... "I think the relationship is going to be a very good one. We had a great talk."...* <https://www.yahoo.com/news/mexicos-amlo-offers-migration-cuts-trump-call-192528451.html>

### **Facebook slides on report of SEC, FBI, FTC inquiries**

*Facebook stock slipped roughly 1.5 percent after-hours on Monday after The Washington Post reported that federal investigators are broadening inquiries into the company's data sharing practices...* <https://www.cnbc.com/2018/07/02/facebook-slides-on-report-of-sec-fbi-ftc-probes.html>

### **Fed Gave Wall Street Titans [GS, MS] Path around Stress-Test Failure [50% cut in \$18B cap return]**

<https://www.wsj.com/articles/wall-street-gets-the-friendlier-fed-its-been-waiting-for-1530558419>

**Today** is the customary abbreviated session ahead of the 4<sup>th</sup> of July. Seasonal upward bias is about to end. The first trading session of July is up 72.1% of the time for the S&P 500 Index since 1950. The DJIA had rallied 23 of the past 28 years on the first trading day of July. After today, it gets tougher.

Absenteeism will be high and it will increase as the session progresses. After the European close, trading should go inert until someone makes a play during the final hour of trading (Noon ET to 13:00 ET).

The DJIA closed below its 200-day MA for a six consecutive session. **This has not occurred since March 2016.** The venerable index is now locked in a trading range of 24k to 25,569. Over the past six sessions, the S&P 500 Index has formed a trading range of 2700 to 2743 effectively.

ESUs are -3.00 as we write, due to the expanding Facebook investigation and more Chinese stock woes.

The S&P 500 Index 50-day MA: 2719, 100-day MA: 2703; 150-day MA: 2708; 200-day MA: 2670  
The DJIA 50-day MA: 24,617; 100-day MA: 24,609; 150-day MA: 24,768; 200-day MA: 24,334

S&P 500 Index support: 2715-20, 2700, 2692, 2680, 2670 (200 dma); 2650, 2625, 2600  
Resistance: 2735, 2743, 2760, 2770-75, 2783, 2790-94, 2801.90, 2820, 2839, 2851.48

Expected economic data: May Factory Orders unchanged m/m; May Durable Goods Orders -0.5% m/m; Wards June Total Vehicles Sales 17m

### **S&P 500 Index – Trender trading model and MACD for key time frames**

**Monthly:** Trender and MACD are **positive** – a close below 2505.65 triggers a sell signal

**Weekly:** Trender and MACD are **negative** – a close above 2883.10 triggers a buy signal

**Daily:** Trender and MACD are **negative** – a close above 2783.66 triggers a buy signal

**Hourly:** Trender is **negative**; MACD is **positive** – a close above 2730.17 triggers a buy signal

Hourly and Daily charts of Trender plus MACD for the S&P 500 Index can be examined on our free app.

<http://www.thekingreportapp.com/>

### **Californians cross border to vote in Mexican election [And vice versa?]**

<http://www.sandiegouniontribune.com/news/border-baja-california/sd-me-mex-elect-20180628-story.html>

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Central America is a mess that is worsening. DJT must address this important problem ASAP.

### **Nicaragua's crisis deals a crushing blow to businesses large and small**

*With hotels, restaurants, bars, stores, workshops and even tortilla sellers driven out of business or struggling to survive, and with thousands of people left jobless, the turbulent political crisis sundering Nicaragua has taken a broader toll, plunging its economy into a tailspin. The **wave of violence** unleashed during harshly repressed anti-government protests has left some 220 people dead...*

<https://www.yahoo.com/news/nicaraguas-crisis-deals-crushing-blow-businesses-large-small-012929256.html>

### **Obama administration granted citizenship to 2,500 Iranians during nuclear deal: Iran official**

<http://www.foxnews.com/politics/2018/07/02/obama-administration-granted-citizenship-to-2500-iranians-during-nuclear-deal-iran-official.html>

Hillary's lost presidency put Obama behind the 8-ball: reputationally, historically and legally.

### **US Capitol Police Arrest Man Who Threatened to Kill [Sen.] Rand Paul and His Family with an Ax**

<https://www.thegatewaypundit.com/2018/07/breaking-us-capitol-police-arrest-man-who-threatened-to-kill-rand-paul-and-his-family/>

### **Democrats' 1968 rerun will have a November like last [We made this analogy during 2014 violence]**

<https://www.washingtontimes.com/news/2018/jul/1/democrats-1968-rerun-will-have-a-november-like-las/>

The WaPo of all MSM warns the Dems: **A bad week for Democrats gives rise to a big problem: Outrage could become an obstacle in midterms**

[https://www.washingtonpost.com/politics/a-bad-week-for-democrats-gives-rise-to-a-big-problem-outrage-could-become-an-obstacle-in-midterms/2018/07/01/98e31da0-7d40-11e8-bb6b-c1cb691f1402\\_story.html](https://www.washingtonpost.com/politics/a-bad-week-for-democrats-gives-rise-to-a-big-problem-outrage-could-become-an-obstacle-in-midterms/2018/07/01/98e31da0-7d40-11e8-bb6b-c1cb691f1402_story.html)

**We wish you an enjoyable, relaxing and safe 4<sup>th</sup> of July.**

*“Whoever would overthrow the liberty of a nation must begin by subduing the freeness of speech.”*

Benjamin Franklin

*“When the people fear the government there is tyranny, when the government fears the people there is liberty.”*

- John Basil Barnhill

*“Liberty means responsibility. That is why most men dread it.”* -- George Bernard Shaw

*“If liberty means anything at all, it means the right to tell people what they do not want to hear.”* - Orwell

*“A man will fight harder for his interests than his rights.”* – Napoleon Bonaparte

**There will be no King Report for the 4<sup>th</sup> of July. We will pen a brief letter for July 5.** It will go out earlier than usual because we will be enjoying the fireworks on Wednesday night.