

TLDR: September CPI came in **hotter** than expected. An October hike stays below 40% (only if oil crosses 100), but December is repricing from 25 to **50 bp** — in his view maybe 75. The 2-year and the dollar rise (bad for metals); the long end is the question. The market is looking for a place to hide: the rest-of-market rotation has lost financials (BofA), cyclicals (oil) and metals (dollar) — healthcare, staples, real estate and utilities remain, but only if the **30-year pulls back**. The alternatives are the oversold chips (MU –15%, SNDK –25%) or the hyperscalers (rising wedge, no inflows). If nothing works — an **"inclusive sell-off"** with a VIX explosion. The trigger is **oil above 100** (cup and handle → 105–110); until then the market rotates.

SEPT CPI

hotabove
expectations

DECEMBER

50 bpfrom 25 → 50,
maybe 75

OIL

→ 100cup and handle →
105–110

30-YEAR

the keypullback =
rotation lives

RUSSELL 2000

2,700support broken,
Fibonacci

VIX

> 17+ oil 100 = sell
everything**INFLATION, RATES AND THE SESSION'S DILEMMA** rotation or sell-off**CPI AND THE FED ODDS**

- ✗ September CPI rising faster than expected — the damage shows right away.
- October: hike odds up but below 40% — "controversial," won't happen unless oil breaks 100 — then the Fed "will have to."
- ⚠ December: from 25 to **50 bp**; a late Fed that skips October and November could end up at 75. Three hikes this year in total — one done, two left (most likely both in December).
- The 2-year and the dollar higher — justified; metals and gold under pressure.
- ⚠ The 30-year slightly up, but tied to oil: oil ↑ → recession fear → 30-year ↓.

THE DILEMMA: WHERE CAN THE MARKET HIDE

- So far no broad sell-off was needed — there was always somewhere to rotate (value, staples, energy, healthcare). The rotation started on rates ↓, oil ↓ and OpenAI's warning.
- ✗ Now rates and oil are back up. If the **30-year** pulls back at the open → dividend/defensive sectors catch a bid, the sell-off is averted.
- ✗ If the 30, the 2, the dollar and oil all rise together — nowhere to hide → an **inclusive sell-off**: the VIX breaks out of its wedge (like last year), the indices drop fast.
- ⚠ The Russell 2000 "is dead" with rates rising — breaking support, target ~2,700.

WHAT'S LEFT OF THE ROTATION

SECTOR	STATUS	WHY
Financials	lost	BofA — fine / money-laundering news; XLF bearish engulfing (momentum still bullish)
Cyclicals	lost	sensitive to rates and oil
Metals	lost	the dollar is rising
Healthcare	remains	if the 30-year pulls back
Staples	remains	Coke, P&G — watch in the first hours
Real estate, utilities	remain	dividend shelter on lower long rates
Energy	holds	the only exception in a sell-off

Equal-weight futures still hold — possibly an inverse head and shoulders.

CHIPS AND THE HYPERSCALERS

- ⚠ **Chips:** DRAM and SMH oversold on the hourly RSI; MU –15–16% from September, SNDK –20–25% ("technically a bear market"). They have "immunity" to rates and oil — the cash comes from the hyperscalers. Will the market take the discount?
- ✗ **NASDAQ** futures — inverse ABC; he expects support and a bounce that forms a shoulder.
- ✗ **Hyperscalers (XLK)** — a rising wedge; holding but no inflows; they'll sell off into earnings. If chips keep falling, they give up too.

OIL — "THE SCARIEST CHART"

- ✗ A bullish cross is forming; on the weekly chart a **cup and handle** that is already breaking out. A break above 100 → 105–110.
- ⚠ In his view jawboning ("another Axios headline") no longer works.
- ✗ Above 100 no rotation works — that's the key to the inclusive VIX sell-off. Until then the market rotates within itself rather than crashing.
- Above 100 the recession theme kicks in → the 30-year falls.

THE MORNING WATCHLIST

GROUP	NAMES	QUESTION
Defensives	KO, PG, ABBV, GILD	catching a bid → the rotation lives
Oversold chips	MU, INTC, SNDK	is the dip being bought
Hyperscalers	GOOGL, META, AMZN	are there inflows
Macro	oil, VIX, 30-year, 2-year, DXY	oil → 100 and VIX > 17 = alarm

THE SESSION'S SCENARIOS

SCENARIO	SIGNAL	WHAT GETS BOUGHT
Limited rotation	30-year pulls back; Coke, P&G, AbbVie, Gilead catch a bid	healthcare, staples, real estate, utilities
Back to chips	MU, Intel, SNDK bounce from oversold	SMH, DRAM — the 15–25% "discount"
Last resort	Google, Meta, Amazon take inflows	hyperscalers (but wedge + earnings)
Inclusive sell-off	oil toward 100 + VIX above 17	nothing — everything sold except energy

"You'll know early" — the first two hours show which sector the market settles into.

WHAT IT MEANS FOR POSITIONS

- ⚠ Hikes are back on the table: the 2-year and the dollar will hold — metals and gold wait.
- ✗ Russell 2000 / IWM — no rotation there; more downside toward 2,700.
- Energy remains the only sector that survives even a sell-off.
- Chips are a discount only while the hyperscalers keep paying; the XLK wedge points to selling into earnings.
- ⚠ The bear case "the bears have been waiting for": fast, steep, with a VIX explosion — but only after oil clears 100.

IN SHORT

Inflation is hot, rates and the dollar are rising, and the rotation is losing sector after sector. While oil stays below 100 the market will keep looking for somewhere to rotate; above 100 there is nowhere left, and that's when the broad sell-off comes. Next: the stream, the chat session and the evening video.