

# Airline Stocks Soar Despite Market Turbulence

Airline stocks took off on Thursday on the back of better than [expected earnings](#) from Delta Airlines. American Airlines led the way, increasing by 4.5%. United, Delta, and Southwest flew up 3.50%, 2.10%, and 1.28%, respectively. As a result of airline strength, JETS, an ETF heavily focused on the airline industry, was up 2.25%. Its top four holdings, accounting for 40% of its total assets, are the four airline stocks mentioned above. Conversely, stocks had a rough day. While there was little news, it appears hawkish tones from Fed speakers are to blame.



*\*\*Markets will be closed on Monday for the Martin Luther King Holiday. We will rejoin you with our next Commentary on Tuesday.*

[dmc]

## What To Watch Today

### Economy

- 8:30 a.m. ET: **Retail sales advance, month-over-month**, December (-0.1% expected, 0.3% in November)
- 8:30 a.m. ET: **Retail sales excluding autos and gas**, month-over-month, December (-0.2% expected, 0.2% in November)
- 8:30 a.m. ET: **Import price index**, month-over-month, December (0.2%. expected, 0.7% in November)
- 8:30 a.m. ET: **Capacity utilization**, December (77.0% expected)
- 8:30 a.m. ET: **Industrial production**, month-over-month, December (0.2% expected, 0.5% in November)
- 10:00 a.m. ET: **University of Michigan sentiment**, January preliminary (70.0 expected, 70.6 in December)

## Earnings

- 6:15 a.m. ET: **BlackRock (BLK)** to report adjusted earnings of \$10.15 on revenue of \$5.16 billion
- 7:00 a.m. ET: **JPMorgan Chase (JPM)** to report adjusted earnings of \$2.99 on revenue of \$30.01 billion
- 7:00 a.m. ET: **Wells Fargo (WFC)** to report adjusted earnings of \$1.02 on revenue of \$18.85 billion
- 8:00 a.m. ET: **Citigroup (C)** to report adjusted earnings of \$1.62 on revenue of \$16.80 billion

## Market Fails To Hold Rally

We noted in [yesterday's commentary](#) that:

*"Despite a much more hawkish Fed in recent testimony, 7-percent inflation, and a lot of hand-wringing over the recent decline, the market has done 'nothing' wrong. The uptrend channel that began in early December remains intact, the current 'sell-signals' are starting to turn towards 'buys,' and the market pushed above resistance with yesterday's rally."*

While airline stocks rallied, the broader market did not. The rally attempt failed miserably with both the 20- and 50-dma moving averages broken again. **The only good news is the bottom of the current uptrend channel is holding.** However, if that fails today, we will need to rethink positioning more quickly. The market is oversold, so we want to be careful not to make a kneejerk reaction, but there are increasing signs that downward momentum is building. Caution remains advised.



## Looking For Value?

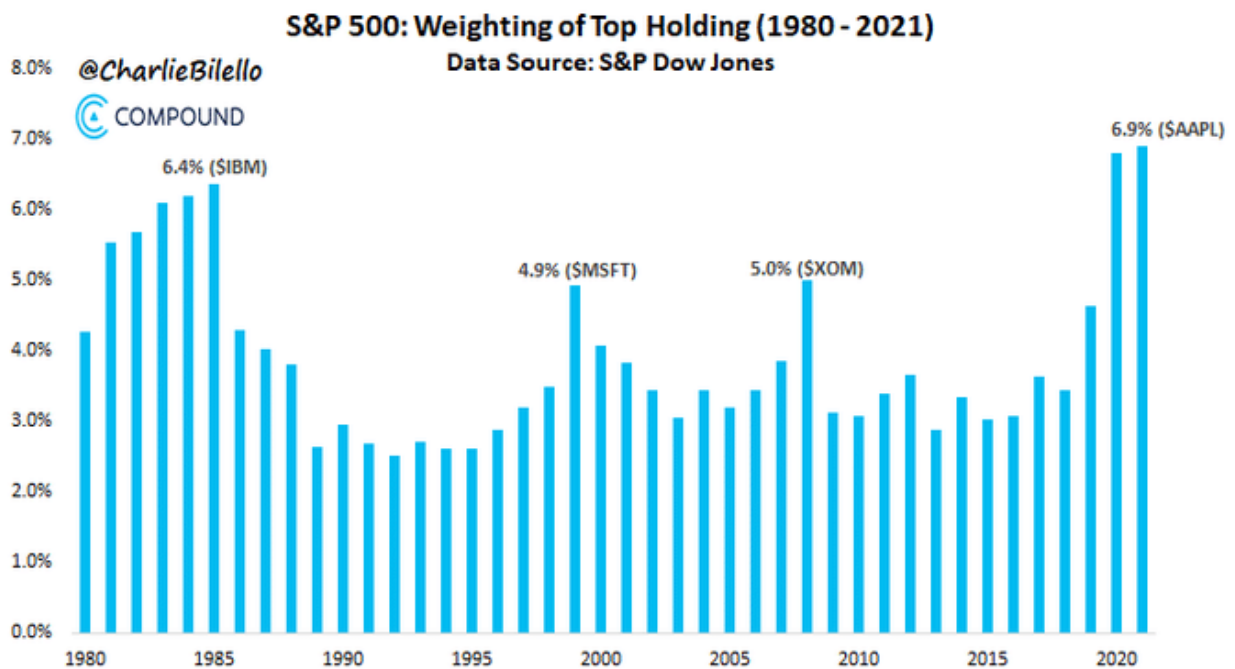
As we have noted in previous commentaries and articles, value stocks have grossly underperformed growth stocks over the last ten years. In recent weeks value has made a comeback of sorts. If the rotation from growth to value is real and lasting, it is important to have a few value candidates in mind for possible purchases. [Finviz](#) can help with this task. The heat map below shows each constituent of the S&P 500. The color-coding, as detailed at the bottom right, coincides with each stock's forward price to earnings ratio. The site allows you to zoom in and see the companies with smaller market caps.



It is clear from the heat map that many S&P 500 constituents have high valuations. However, you can also easily spot companies, sectors, and subsectors in green that are more fairly valued.

## Its All About Apple

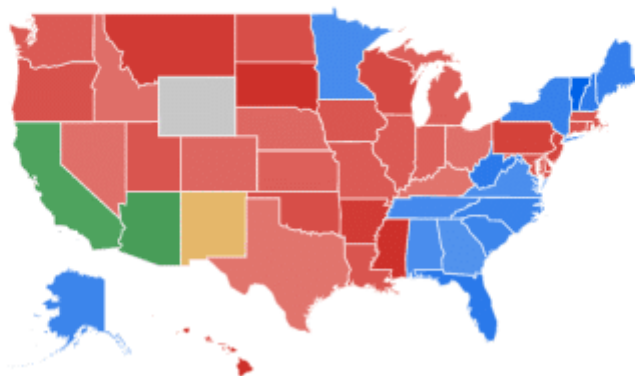
Apple stock (AAPL) now constitutes 6.9% of the S&P 500 as @charliebiello shows below. Such is the largest weighting in the S&P 500 by one company since at least 1980. In 2008 the price of crude oil was approaching \$150 a barrel and Exxon (XOM) was soaring along its side. At the time it rose to become the largest company in the index with a 5% holding. Now, it only contributes 0.66% to the index. Exxon is just one of many companies that were the largest for a period but have since given up their lofty status. Apple will follow; it's just a question of when.



## Food Shortages Are Real

While Covid has impeded travel, as shown above by the decline in airline stocks, the supply disruptions are impacting the supply of food. According to Google data, [searches associated with food shortages](#) and empty shelves have posted triple and quadruple-digit percentage spikes in the last week.

- cream cheese shortage
- chicken shortage
- potato shortage
- hot cheeto shortage



*"On Thursday, Yahoo Finance's Dani Romero wrote how [port bottlenecks are one element being monitored by the Federal Reserve](#) as it inches closer to hiking rates. The Fed is making increasingly hawkish noises about inflation, which is being exacerbated by high demand underlying supply shortages. However, if prices cool down in the near term, the central bank may be persuaded to be less aggressive on tightening.*

*Unfortunately, all available evidence suggests that's unlikely to happen, and the central bank is much more likely to [hike by more than Wall Street anticipates](#). Meanwhile, companies and consumers alike have [grown accustomed to paying more for goods](#) that take longer to reach them? worsening the inflationary pressures eating away at purchasing power and higher wages.*

*According to a [C-suite survey from The Conference Board](#) released on Thursday, CEOs rank supply chain disruptions as their third biggest external concern, and many feel unprepared for more disruptions." - Yahoo Finance*

## Think Real Estate Prices are High Near You, Check out the Metaverse?

According to CNBC [Investors Are Paying Millions For Virtual Land In The Metaverse](#). Plots of land are in hot demand in the Metaverse. Such land is similar to NFT's, where buyers are purchasing a unique "asset." Investors of virtual land are hoping the Metaverse becomes the new social media and the plots rise in price. Some view it as getting in on the ground floor of a new crypto-like currency. Bubble or reality, the profits are real and investors are chasing yet another highly speculative asset.

*"Rather, the land is located online, in a set of virtual worlds that tech insiders have dubbed the metaverse. Prices for plots have soared as much as 500% in the last few months ever since Facebook announced it was going all-in on virtual reality, even changing its corporate name to Meta Platforms."*

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