



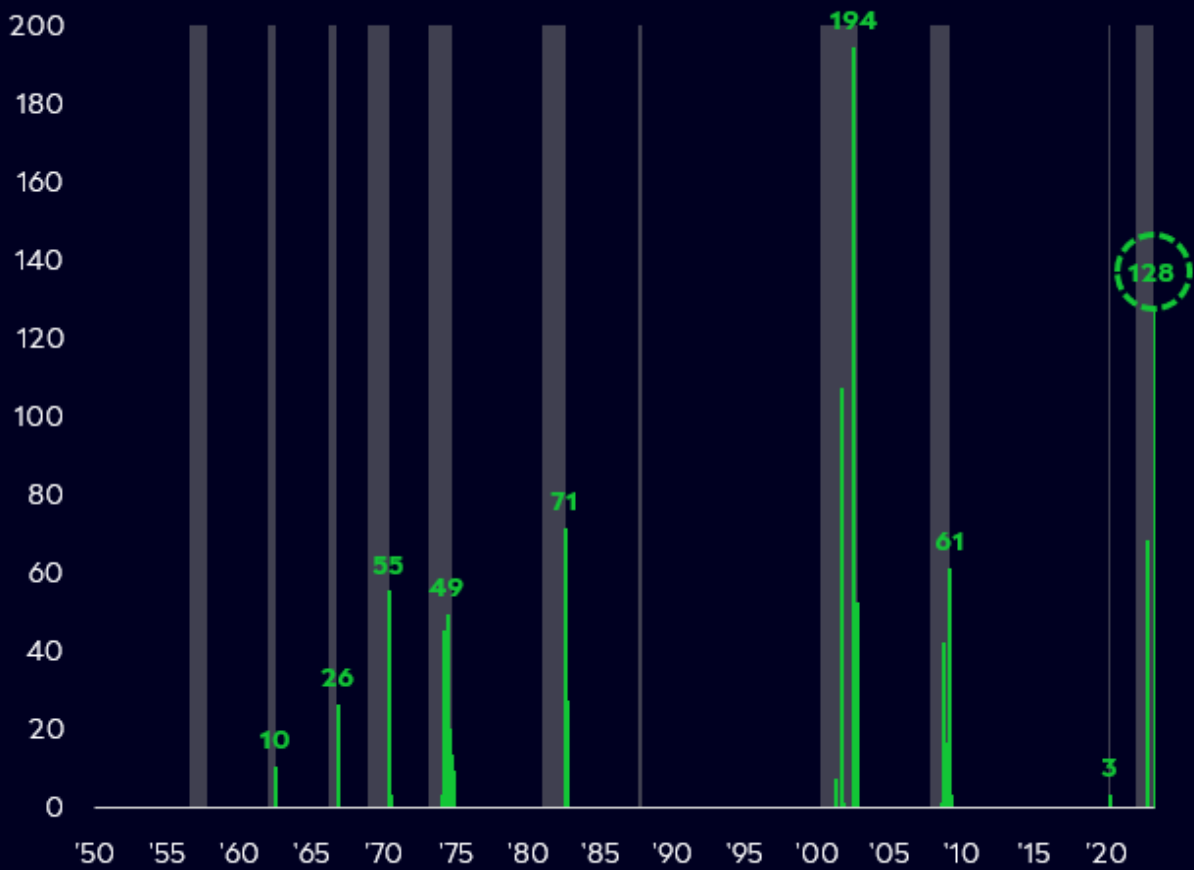
Bear or Bull Market? - RIA

Many investors are questioning whether we are in the grips of a bear market or if the bull market resumed with the October 2022 lows. The yield curve, leading economic indicators, and Fed policy point to a recession. 40 years of trustworthy recession indicators say avoiding a recession and bear market would be extremely rare. Despite concerns, a few technical indicators point to an emerging bull market. Check out our double Tweet of the Day below, highlighting the mixed messages. The first Tweet shows that institutional investors are now the shortest since 2007. Either they are correct, and the bear market emerges from hibernation, or they are wrong, and a new bull market has plenty of short covering to propel stocks higher. Quite often, they are wrong at extremes. The second highlights that there has been a recession every time the Philadelphia Fed Index has been at its current level.

Another confusing piece comes from Callie Cox. Callie shows that if this is a bear market rally, it is getting very long in the tooth. Thus insinuating it's becoming a bull market. Per Callie:

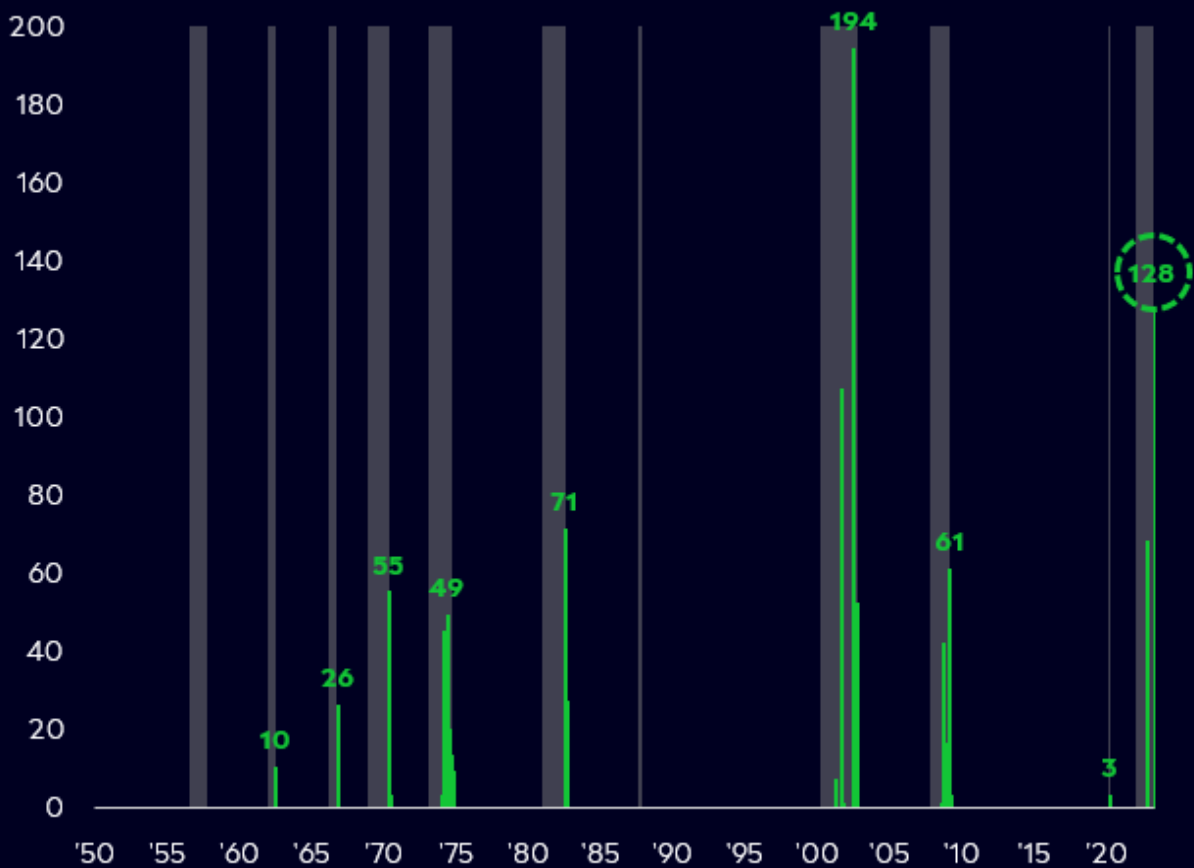
We're now 128 days ? six months and six days ? past the S&P 500's October low. If the S&P makes a new low from here, it'd be the second-longest bear market rally in all bears since 1950 (only behind the 194-day bear rally in the tech bubble bear).

Length of bear market rallies (in trading days)



Source: cToro, Bloomberg

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Source: cToro, Bloomberg

What To Watch Today

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, APRIL 21						
13:45	USD S&P Global Composite PMI(Apr) PREL		-	-	52.8	52.3
13:45	USD S&P Global Manufacturing PMI(Apr) PREL		-	-	49	49.2
13:45	USD S&P Global Services PMI(Apr) PREL		-	-	51.5	52.6
17:00	USD Baker Hughes US Oil Rig Count		-	-	-	588
20:30	USD CFTC Gold NC Net Positions		-	-	-	-\$192.7K
20:30	USD CFTC Oil NC Net Positions		-	-	-	235.6K
20:30	USD CFTC S&P 500 NC Net Positions		-	-	-	-\$-307.6K
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Earnings

	Company	Time	Estimate		Growth	Surprise
					Show only confirmed?	
✓	PG Procter & Gamble Co.	6:55 AM ET	\$1.32	\$19.29 B	-0.5%	+ = -
✓	HCA HCA Healthcare, Inc.	6:30 AM ET	\$3.99	\$15.28 B	2.2%	+ = -
✓	VLVLY AB Volvo	\$0.61	\$12.58 B	-	\$47.04 B 11.6%	-
✓	SAP SAP SE	BMO	\$1.24	\$8.23 B	3.6%	+ = -
✓	FCX Freeport-McMoRan C...	8:00 AM ET	\$0.46	\$5.06 B	-23.4%	+ = -
✓	SLB SLB	6:50 AM ET	\$0.61	\$7.43 B	24.6%	+ = -
✓	SDVKY Sandvik AB	BMO	\$0.29	\$2.82 B	5.7%	+ = -
✓	ALV Autoliv Inc.	6:50 AM ET	\$0.82	\$2.30 B	8.3%	+ = -
✓	RF Regions Financial Co...	6:00 AM ET	\$0.65	\$1.99 B	21.6%	+ = -
✓	INDB Independent Bank Co...	BMO	\$1.50	\$192.73 M	15.5%	+ = -
	PRK Park National Corp	4:15 PM ET	\$2.06	\$120.60 M	6.9%	+ = -
	PBAM PVT BANCORP OF/...	8:30 AM ET	-	\$24.10 M	15.4%	+ = -

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Market Trading Update

Yesterday the market finally sold off, with selling pressure building into the end of the day. This is the first reversal day we have seen in a while. As such, we removed our two equity index trading positions yesterday to take in some profits and raise some cash. The bullish backdrop is still in place, and the market could rally a bit higher from here, but there are signs of exhaustion following the rally from the mid-March lows.

We will look for a pullback to support or another oversold condition to add back to our holdings and increase weights accordingly. As we will discuss in this weekend's newsletter, there is a risk of a correction back to the running bullish trend support. Such a decline would be close to 10% and would certainly invoke many bearish headlines. However, a pullback is logical given that the market is currently at the top of that range. Take action accordingly to protect gains.



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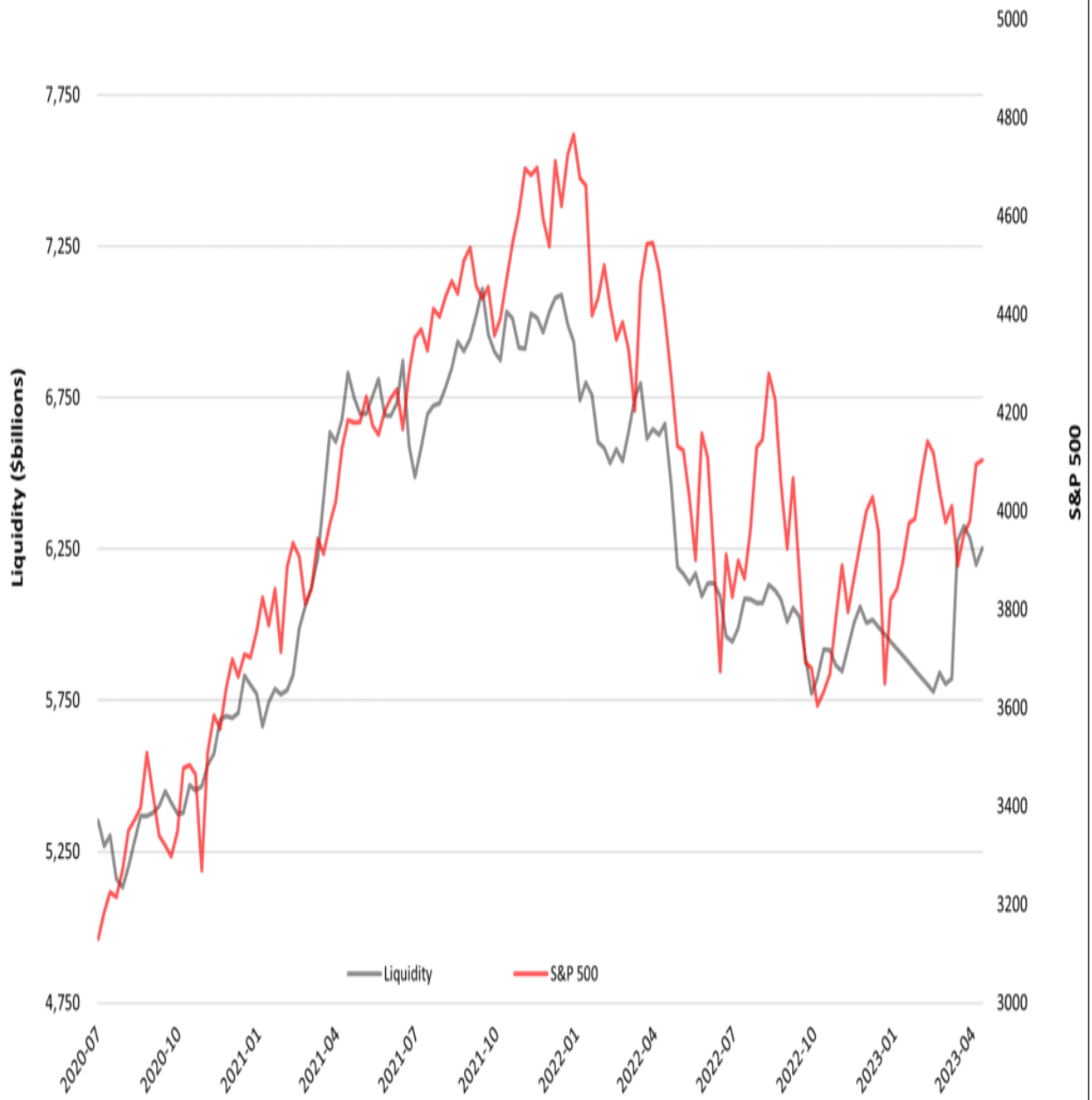
Tax Receipts and the TGA

Initial April 18th tax receipts came in lighter than forecasters were thinking at \$108bn versus the \$130bn expected. As a result, the Treasury's account at the Fed grew by less than expected. Such brings forward the debt cap default line in the sand. While we think that will get resolved despite the political bickering, there is another concern.

Growth of the Treasury General Account (TGA) pulls liquidity out of the system. For example, \$108 billion left bank accounts yesterday and now sits at the Fed. The new tax revenue and ultimate resolution should increase the TGA by at least a few hundred billion. Couple that with QT and declining usage of emergency banking liquidity programs, and broad Fed liquidity could start falling rapidly.

The graph below shows how the recent surge in Fed liquidity from the drawdown of the TGA and the new bank liquidity coincided with stocks rallying. If liquidity declines, as seems likely, will stocks follow?

S&P 500 and Liquidity - 4/17/2022



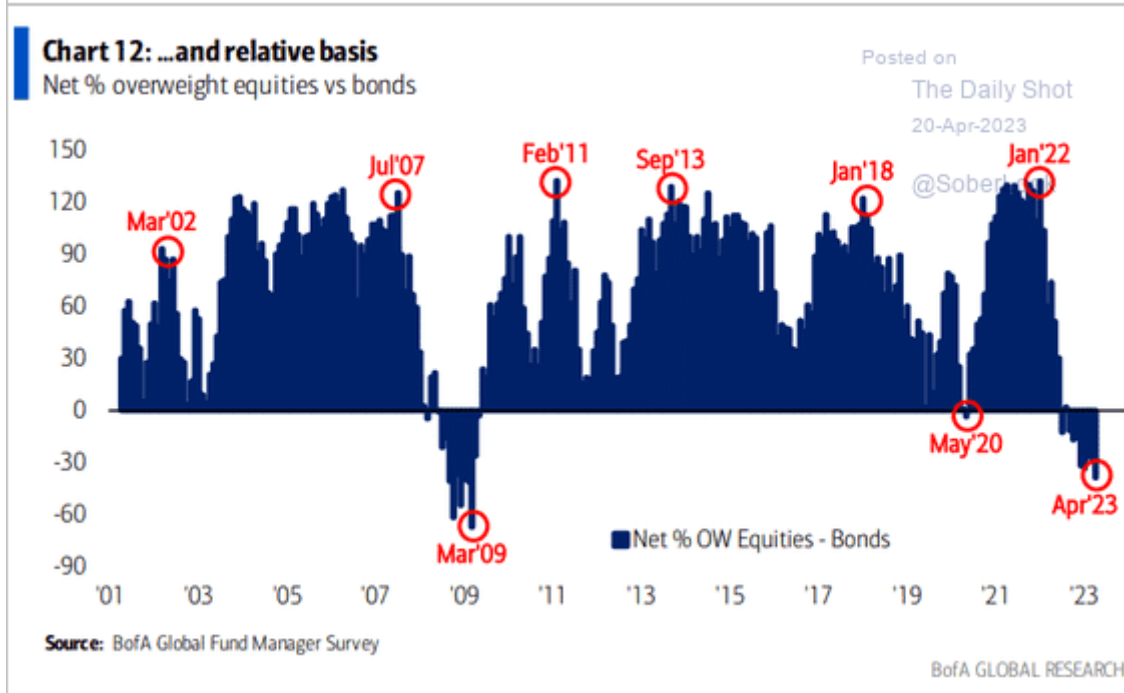
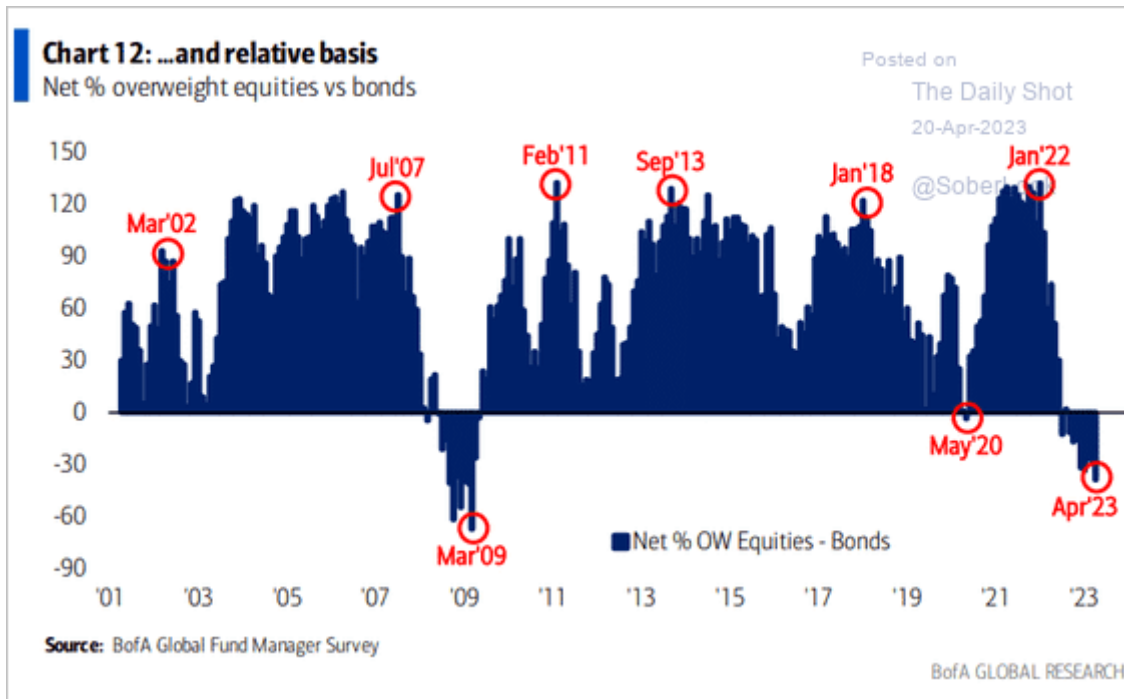
S&P 500 and Liquidity - 4/17/2022



More on the Technical Bull Versus the Fundamental Bear Market

The graph below shows that professional investors are more overweight in bonds versus stocks than at any time since the financial crisis. As we note in the opening section: *Either they are right, and the bear market emerges from hibernation, or they are wrong, and a new bull market has plenty of short covering to propel stocks higher.?*

Given the mixed messages of fundamental, technical, sentiment, and positioning indicators, we advise those believing a bull market is underway to study bearish forecasts. Conversely, it is wise for those with a bearish tilt to be better versed on the bullish case and why you might be wrong. As we advised in January, keep your head on a swivel and be ready to quickly audible. This may be one of those years where bulls and bears are proven wrong.

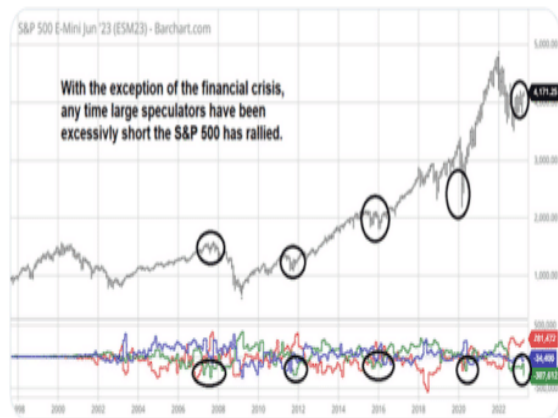


Tweet of the Day



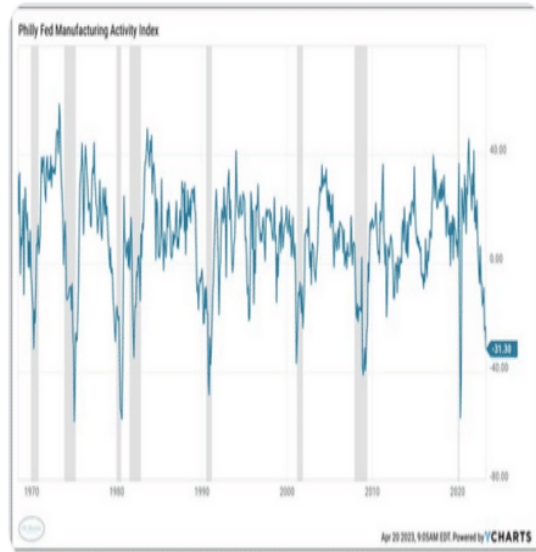
DeCarleyTrading.com @carleygarner · 18h

According to the COT Report, large speculators are holding the largest net short futures position in the E-mini S&P 500 since 2007. Either we get a repeat of the financial crisis, or we see a melt-up as the shorts unwind their position. Which will it be?



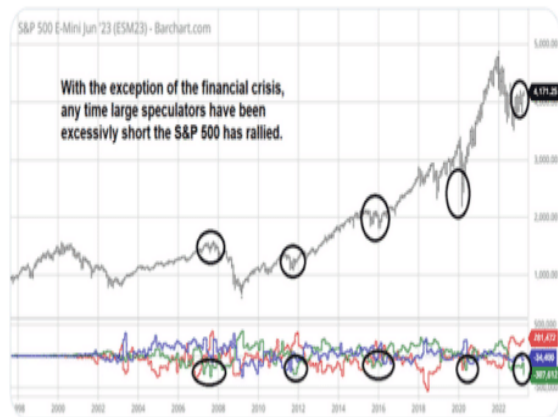
Willie Delwiche, CMT, CFA @WillieDelwiche · 12m

It's never not been a recession when the Philly Fed Index has been as low as it is right now.



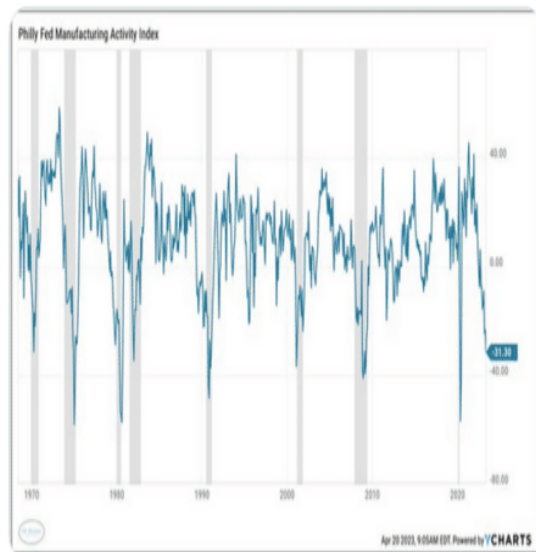
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