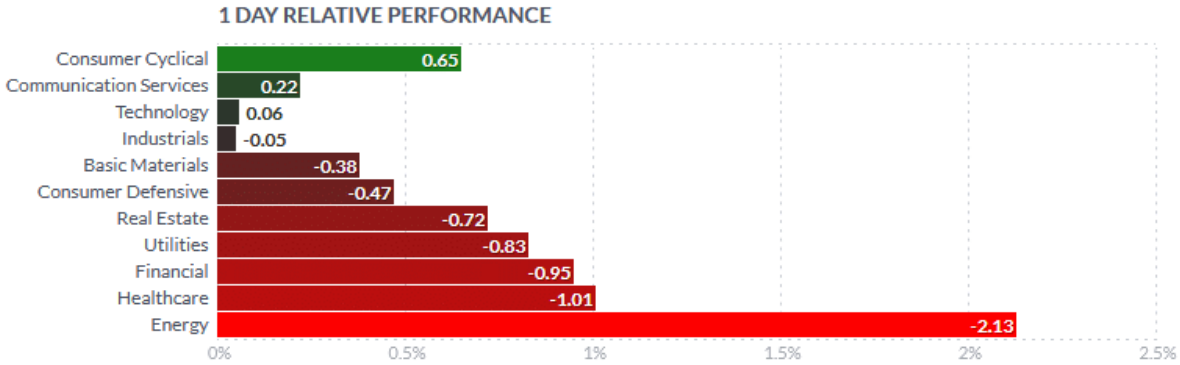
Energy Stocks Finally Break

Energy stocks have finally taken a break from their upwards progress as they led the market lower on Monday. Before yesterday, the energy sector had been on an absolute tear for the last two months. Year to date, XLE, the energy sector ETF is up 20%. At the same time, the S&P 500 is lower by 8%. While it's tempting to jump on the energy stock bandwagon, short-term technicals are considerably overbought. As such energy stocks are due for a pullback. Was Monday the beginning? Longer-term, as we wrote in SimpleVisor Technical Value Scorecard, *"over the last five years, the S&P 500 has been up almost 90%, while the energy sector has slightly declined."*



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What To Expect

Economy

- 8:30 a.m. ET: **Producer Price Index (PPI) final demand**, month-over-month, January (0.5% expected, 0.2% in December, upwardly revised to 0.3%)
- 8:30 a.m. ET: **PPI excluding food and energy**, month-over-month, January (0.5% expected, 0.5% in December)
- 8:30 a.m. ET: **PPI excluding food, energy, and trade**, month-over-month, January (0.4% expected, 0.4% in December, downwardly revised to 0.3%)
- 8:30 a.m. ET: **PPI year-over-year**, January (9.1% expected, 9.7% in December)
- 8:30 a.m. ET: **PPI year-over-year**, January (7.9% expected, 8.3% in December)
- 8:30 a.m. ET: **PPI excluding food and energy**, year-over-year, January (6.3% expected, 6.9% in December)
- 8:30 a.m. ET: **PPI excluding food, energy, and trade**, year-over-year, January (6.3% expected, 6.9% in December)
- 8:30 a.m. ET: **Empire Manufacturing**, February (12.0 expected, -0.7 during prior month)
- 4:00 p.m. ET: **Net Long-Term TIC Outflows**, December ($137.4 billion during prior month)
- 4:00 p.m. ET: **Total Net TIC Outflows**, December ($223.9 billion during prior month)

Earnings

Pre-market

- 7:00 a.m. ET:&#2013266080;**Marriott International**&#2013266080;(MAR) to report adjusted earnings of $0.99 on revenue of $3.99 billion

?Post-market

- 4:30 p.m. ET:&#2013266080;**Wyndham Hotels** (WH) to report adjusted earnings of $0.54 on revenue of $384.75 million
- **ViacomCBS&#2013266080;**(VIAC) to report adjusted earnings of $0.45 on revenue of $7.48 billion
- **Wynn Resorts**&#2013266080;(WYNN) to report an adjusted loss of $1.25 on revenue of $997.0 million
- **Airbnb**&#2013266080;(ABNB) to report adjusted earnings of $0.07 on revenue of $1.46 billion
- **Akamai Technologies**&#2013266080;(AKAM) ito report adjusted earnings of $1.42 on revenue of $898.0 million
- **Roblox**&#2013266080;(RBLX) to report adjusted earnings of $0.11 on revenue of $775.0 million
- **Denny?s**&#2013266080;(DENN)to report adjusted earnings of $0.17 on revenue of $112.63 million
- **La-Z-Boy**&#2013266080;(LZB) to report adjusted earnings of $0.89 on revenue of $573.5 million
- **ZoomInfo Technologies**&#2013266080;(ZI) to report adjusted earnings of $0.13 on revenue of $207.75 million

Looking To Retest Lows

As noted in this past weekend's newsletter, while energy stocks weighed on the market yesterday, we are still in the process of working towards a retest of the January lows. The market is not oversold yet and has triggered sell signals on a couple of our indicators. If the market can retest and hold those January lows, such should provide some support for a relief rally headed into the March FOMC meeting. We still suggest using rallies to reduce exposure, rebalance risk, and hedge accordingly.

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TURNING POINT ANALYTICS

These are high conviction stocks that TPA has recommended recently. They are technically positive for Buys or negative for Sells and trading at or near their investment action levels.

February 14, 2022

THIS WEEK'S TOP 10 BUYS AND TOP 10 SELLS

BUYS

	Ticker	Name	Last Price	Action Price	Distance to Action
1	NET	CloudFlare Inc	104.92	104.00	-0.88%
2	U	Unity Software Inc	111.35	110.00	-1.21%
3	CRM	Salesforce.com Inc	207.90	205.00	-1.39%
4	PATH	UiPath Inc - Ordinary Share	37.36	36.75	-1.63%
5	COUP	Coupa Software Inc	130.33	127.00	-2.56%
6	SQ	Block Inc - Ordinary Shares	107.88	105.00	-2.67%
7	PLTR	Palantir Technologies Inc - (	13.13	12.75	-2.89%
8	CRWD	Crowdstrike Holdings Inc	181.86	175.00	-3.77%
9	NVDA	Nvidia Corp	239.49	222.00	-7.30%
10	ZS	Zscaler Inc	273.00	250.00	-8.42%

SELLS

	Ticker	Name	Last Price	Action Price	Distance to Action
1	TGT	Target Corp	211.56	213.00	0.68%
2	CMI	Cummins Inc	222.17	225.00	1.27%
3	SYK	Stryker Corp.	251.65	260.00	3.32%
4	SPGI	S&P Global Inc	387.66	405.00	4.47%
5	DCI	Donaldson Co. Inc.	53.38	56.00	4.91%
6	AVTR	Avantor Inc.	36.18	38.00	5.03%
7	NKE	Nike Inc.	140.18	148.00	5.58%
8	SWKS	Skyworks Solutions Inc.	133.13	142.00	6.66%
9	A	Agilent Technologies Inc.	137.20	148.00	7.87%
10	IDXX	Idexx Laboratories Inc.	515.05	565.00	9.70%

Meta Flashing Value Signals

Shares of Meta (Facebook FB) are down 35% year to date. Its valuation has fallen to levels that leave some to ask if FB is now a value stock. The first graph below shows FB's P/E is down to 16, the lowest level in at least five years. It is also well below the NASDAQ's ratio of 24. The second graph shows its P/S ratio is at five-year lows, but at 5.21 is still a high ratio and is in line with the NASDAQ. We are not ready to call FB a value stock, but the drawdown and expected double-digit growth rates in the next few years have brought its price back to interesting levels.

Yields and Oil Signal Recession Ahead

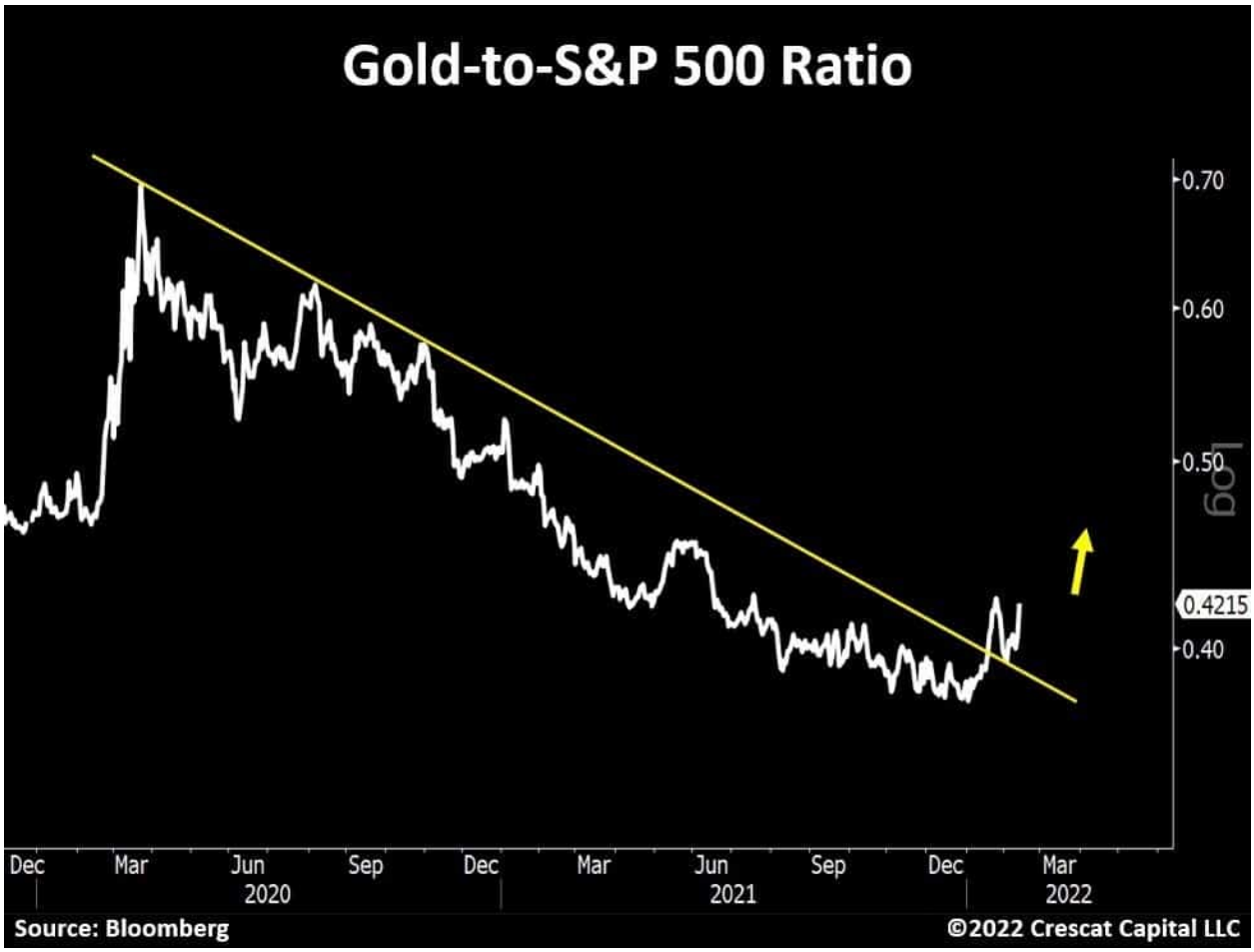
Danielle Park of Juggling Dynamite wrote an interesting article using the ratio of the U.S. Treasury yield curve to the price of oil as a recession signal.

Per her article:

> "*This morning, the spread between the ten and two-year U.S Treasury yields has narrowed to just .405%, and oil (WTI) has moved above $92. As shown below in my partner Cory Venable?s chart since 1990, when the ratio of these two financial indicators fell to zero (yields compressing faster than oil price is rising) in 1990, 2000, 2007 and 2020, a bear market and recession were in process.*"

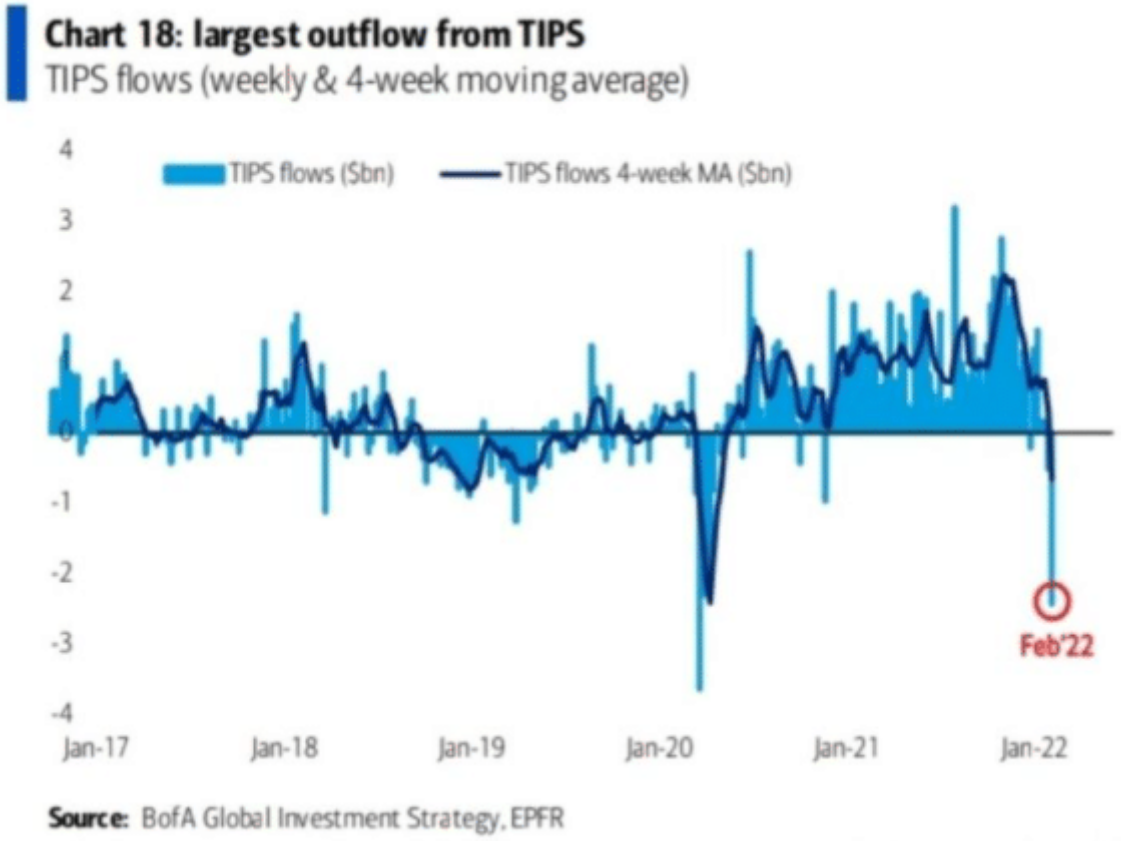
Got Gold?

The graph below from Crescat Capital shows the ratio of gold: S&P 500 has broken out of a two-year downtrend. Equally important, the ratio broke out of the trend, retested the trend as support, and is starting to edge higher. Note this graph is relative. As such, gold can outperform stocks even if both assets go up or both go down. Gold is down $250 since the peak in March 2020 while the S&P 500 is up about 25%. The increasing odds of the Fed making a mistake and tightening policy into slowing economic growth is a crucial factor buffeting gold bulls recently.



What Are TIPS Telling Us?

The first graph below shows that investors are exiting the TIPS ETF at the fastest pace in five years, excluding the pandemics beginning in March 2020. This occurs as CPI inflation surprised investors at 7.5%. While inflation continues to set new highs, investors expect it to decline in the coming months and years. We compare the 5-year TIP yield with the 5-year UST nominal yield to assess where the market thinks future inflation will be. The second graph shows this data. Despite rising inflation, investor inflation expectations have been constant around 2.80-2.85% over the last few months. The risk to bond markets is that inflation fails to decline over the next 3-6 months as is being priced in.



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