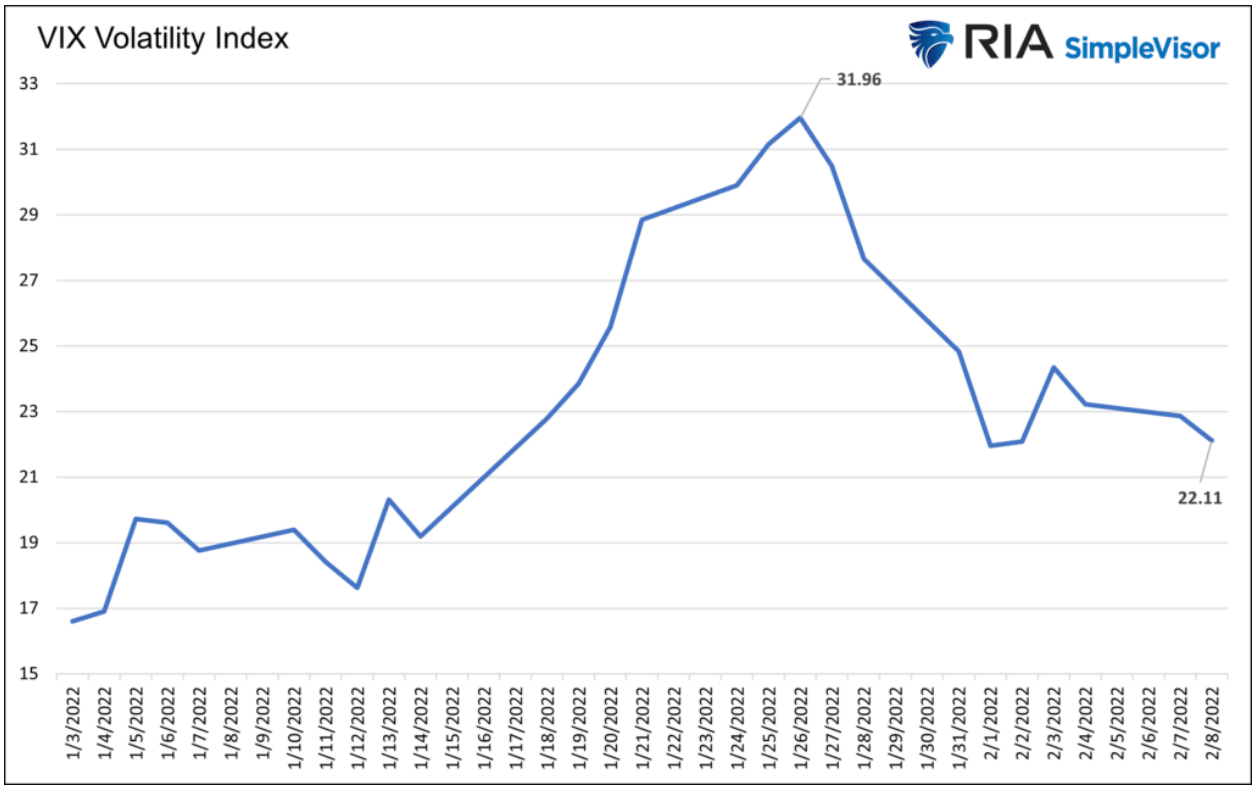
Markets Calm Ahead of the CPI Storm

Thus far in February, the volatility in markets is calm compared to the violent sessions of late January. To wit, the difference between the high and low for each trading day in the second half of January was nearly 3%. It is running at half that rate in February. The VIX, shown below, is also well off January highs. One reason for calm markets is the Fed is between meetings, and the Fed speaking circuit has been relatively quiet. In other words, there is little new monetary policy news to price into markets. Calm markets may get choppy again on Thursday as the BLS releases the January inflation report. Current expectations are for an increase from 7.0% to 7.3%.



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The End Of Earnings Season Approaching

Economy

- 7:00 a.m. ET: **MBA mortgage applications,** week ended Feb 4 (12.0% during prior week)
- 8:30 a.m. ET: **Wholesale inventories,** month-over-month, December final (2.0% expected, 2.1% in prior print)

Earnings

Pre-market

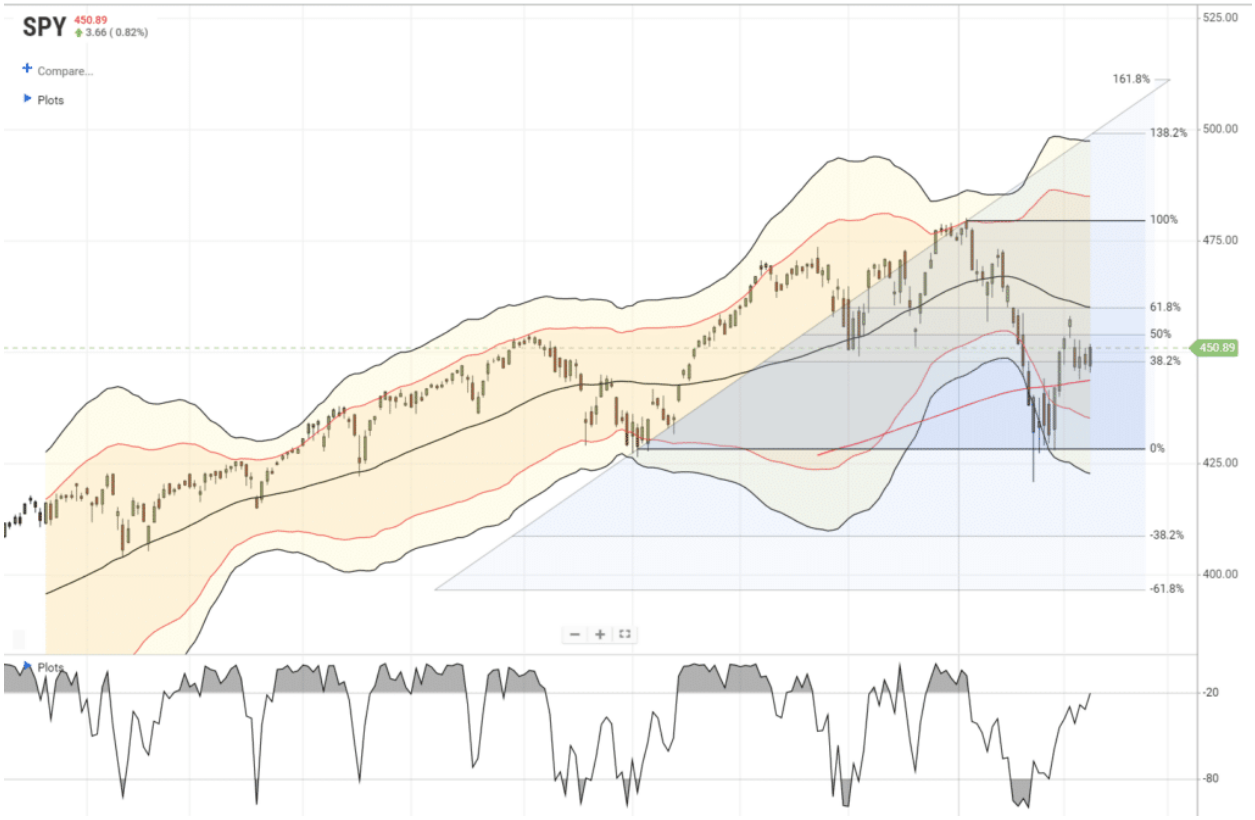
- 6:40 a.m. ET: **CVS Health (CVS)** to report adjusted earnings of $1.79 on revenue of $75.56 billion
- 7:00 a.m. ET: **Yum Brands (YUM)** to report adjusted earnings of $1.10 on revenue of $1.88 billion
- 7:00 a.m. ET: **CME Group (CME)** to report adjusted earnings of $1.63 on revenue of $1.17 billion

Post-market

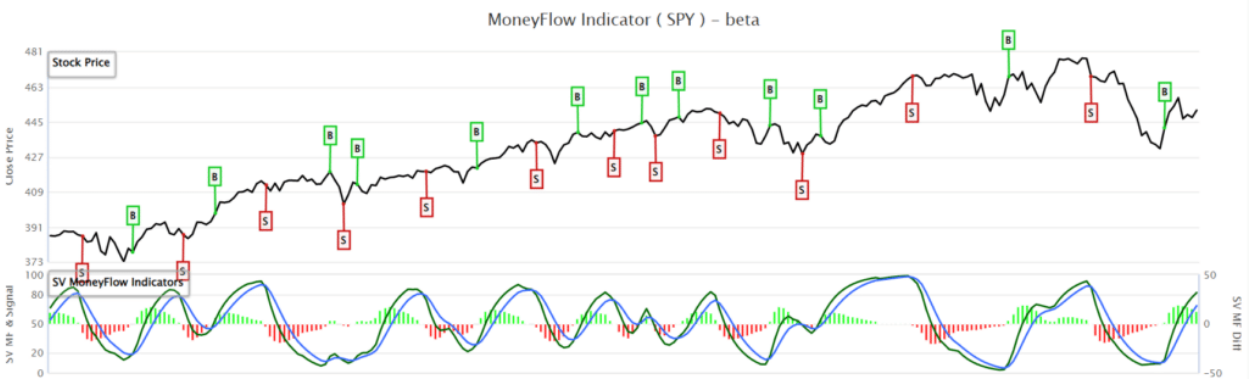
- 4:05 p.m. ET: **Uber (UBER)** to report adjusted losses of 26 cents on revenue of $5.35 billion
- 4:05 p.m. ET: **Sonos (SONO)** to report adjusted earnings of 97 cents on revenue of $638.00 million
- 4:05 p.m. ET: **Vimeo (VMEO)** to report adjusted losses of 8 cents on revenue of $105.13 million
- 4:05 p.m. ET: **Walt Disney (DIS)** to report adjusted earnings of 57 cents on revenue of $20.85 billion
- 4:05 p.m. ET: **Twilio (TWLO)** to report adjusted losses of 23 cents on revenue. of $768.55 million
- 4:05 p.m. ET: **Zynga (ZNGA)** to report adjusted earnings of 9 cents on revenue of $711.33 million
- 4:05 p.m. ET: **Mattel (MAT)** to report adjusted earnings of 32 cents on revenue of $1.65 billion
- 4:15 p.m. ET: **MGM Resorts (MGM)** to report adjusted earnings of 1 cent on revenue of $2.79 billion
- 4:20 p.m. ET: **Equifax (EFX)** to report adjusted earnings of $1.79 on revenue of $1.25 billion
- 4:30 p.m. ET: **O'Reilly Automotive (ORLY)** to report adjusted earnings of $6.04 on revenue of $3.11 billion

Going Nowhere Fast

After reaching an extreme oversold in January, we discussed a reflexive rally back to the 50-dma. As shown, that occurred and now the market remains stuck between 31.8% and 61.8% retracement levels. That's the good news.



The problem is that with the rally going nowhere fast, what oversold condition that previously existed is getting worked off with markets returning towards short-term overbought. Importantly, the ***SimpleVisor MoneyFlow*** Index is starting to push to upper levels and will trigger a sell signal most likely in the next two weeks.



So, while markets are calm at the moment, they may not stay that way much longer.

Bitcoin Not "Bitcoin-ing"

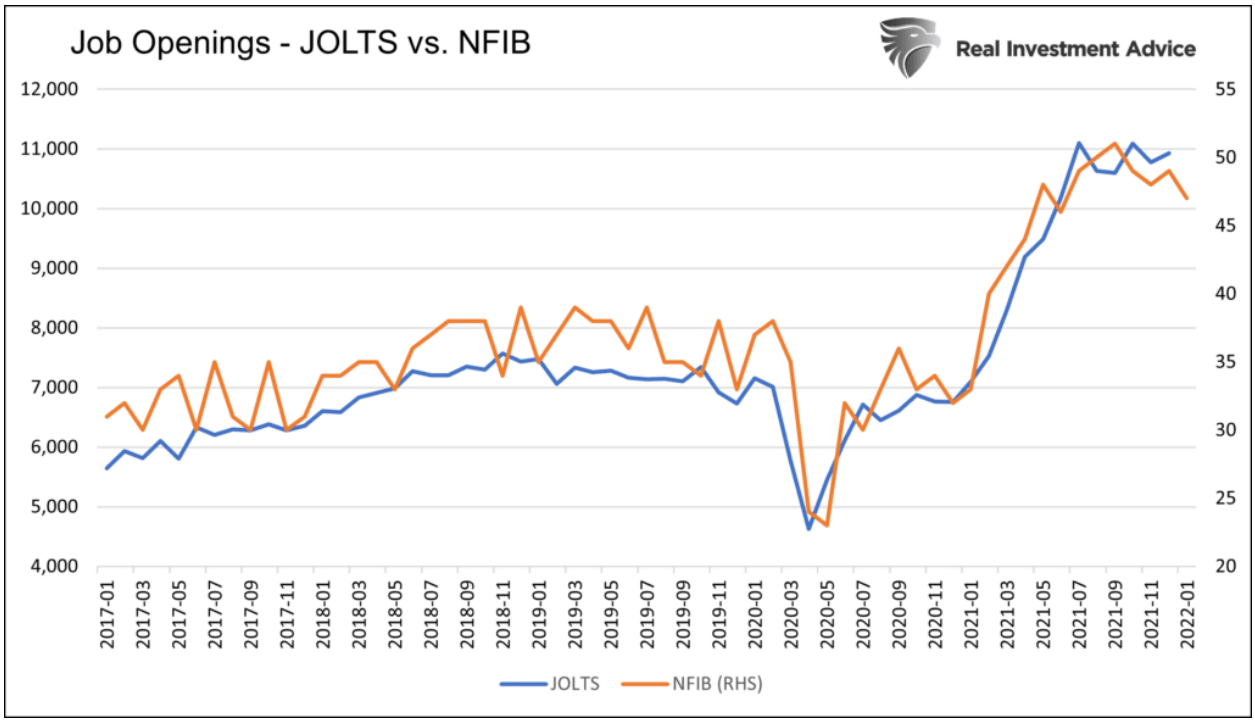
Like the S&P, Bitcoin has recently rallied following the deeply oversold condition following the January wreckage in the cryptocurrency. Unlike the market calm, Bitcoin was anything but.

While Bitcoin was touted to be an asset that would *"do its own thing,"* its relative performance remains closely tied to overall stock market *"risk-on"* sentiment. The recent "rally" from lows, like the S&P above, is now approaching overbought conditions. I suspect that when market volatility returns, Bitcoin will once again trade in the same direction as stocks.

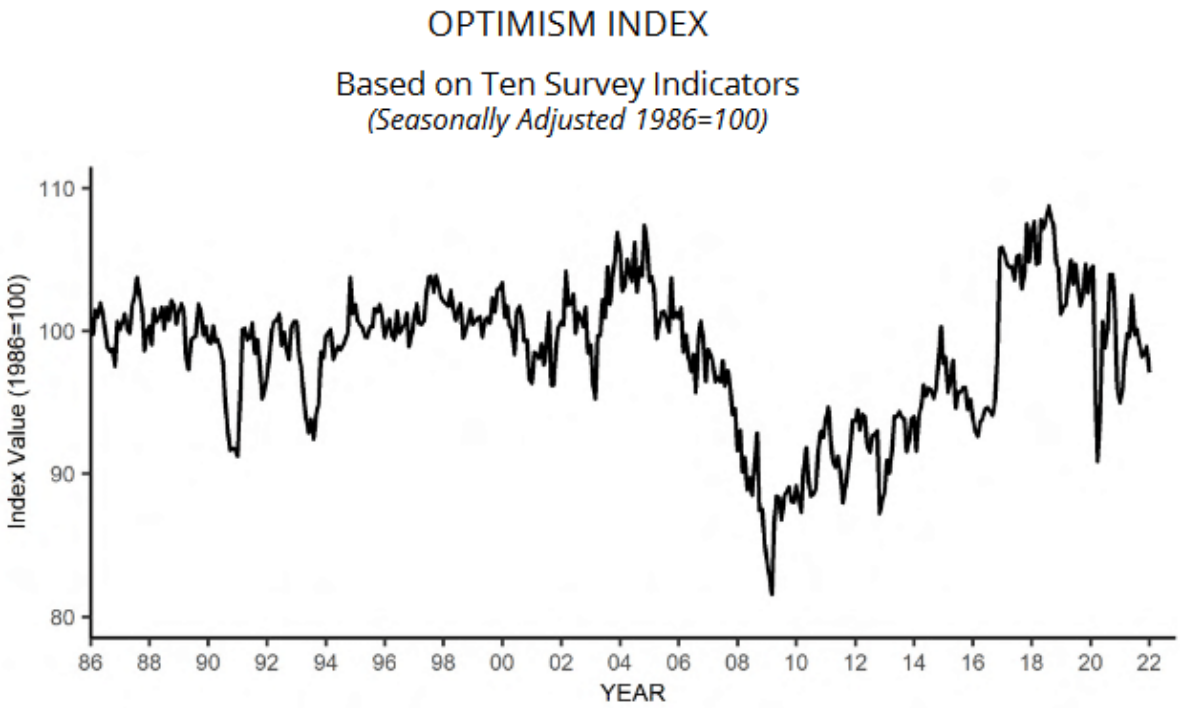
Chart Courtesy Of SimpleVisor

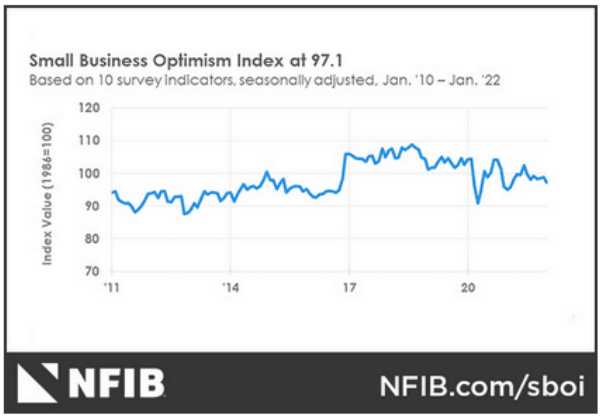
Are The Record Number of Job Openings Finally Retreating?

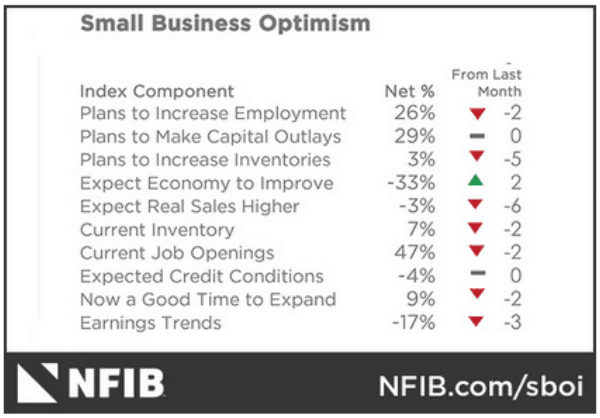
Tuesday's NFIB (small business survey) report shows the soaring number of job openings is starting to ease. As shown below, the NFIB survey for job openings peaked in September at 51 and is slowly falling. The latest survey puts the number at 47, meaning 47% of those surveyed have job openings they cannot fill. The graph below compares the NFIB survey to the JOLTS data. JOLTS remains near its highs, but we should expect it to decline soon given the strong correlation below.



The NFIB survey also reports that compensation changes are now at the highest level since at least 2017, but compensation plans are the lowest since August. The broad optimism index, based on ten survey indicators (table below), continues to languish. The results are similar to what we are seeing in many consumer confidence surveys.





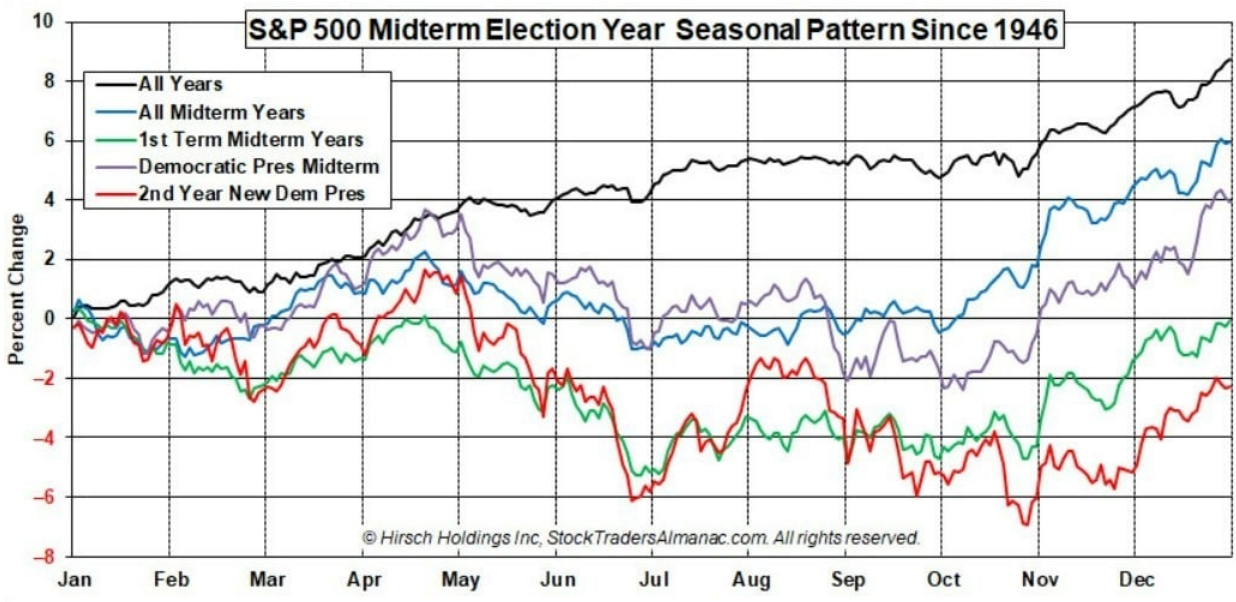


The Peleton Rollercoaster

Shares of Peleton (PTON) have been on a roller coaster ride over the last few days. For proper context, PTON has been in freefall since January 2021. At that time it reached a high of $171. It is currently trading around $35 per share. Recently, poor earnings, factory shutdowns due to waning demand, and takeover rumors have resulted in significant volatility. On Monday, the stock jumped over 30% after reports that the company is exploring takeover options. On Tuesday, it picked up another 25% despite announcing its CEO, John Foley is stepping down. Further, they will lay off about 2800 employees and are reducing guidance on revenues, earnings, and the number of subscribers despite having reduced guidance a few weeks ago. Peleton's technical summary below is from SimpleVisor.

Election Cycle Due Ahead

While the mid-term election is not until November, it's not too early to start considering how the markets may trade heading into November. The Stock Traders Almanac graph below shows how the S&P 500 performs, on average, in the year leading up to mid-term elections. The chart also distinguishes between mid-term elections and the three political scenarios we face in November. The red, green, and purple lines highlight the markets tend to trade poorly in years where a first-term Democratic President headed into mid-term elections. That said, in all three scenarios the market tends to rebound post-election.



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