

Meme Stocks On A Roller Coaster

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In Monday's commentary, we discussed how Bed Bath & Beyond (BBBY) shares rose almost five-fold in the first two weeks of August only to give it back in the last few days. AMC, another popular *?meme?* stock, is following a very similar pattern. AMC closed the month of July at \$14.56 a share. It nearly doubled in the two weeks following. Since then, AMC has plummeted back to two-month lows. AMC, BBBY, and other meme stocks are not fundamentally strong companies. In fact, it appears BBBY is struggling to get vital financing to avoid filing for bankruptcy. Meme stocks, like AMC and BBBY, are purely speculative plays. Hedge funds and retail traders are trying to outwit each other using options strategies to move the stocks violently.

While interesting from the sidelines, the benefit of watching the Meme stocks' ups and downs is to help gauge sentiment. Sentiment appears to be shifting again toward more conservatism after FOMO, and wild meme speculation led the markets higher in June, July, and early August.

AMC Entertainment Holdings, Inc. - 1D ● O11.33 H13.04 L10.76 C11.46 -6.56 (-36.40%)

Volume 62.068M



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What To Watch Today

Economy

- **S&P Global U.S. Manufacturing PMI**, August preliminary (51.9 expected, 52.2 previously)
- **S&P Global U.S. Services PMI**, August preliminary (50 expected, 47.3 previously)
- **Richmond Fed manufacturing index**, August (-5 expected, 0 previously)
- **New home sales**, July (-2.5% expected, -8.1% previously)

Earnings

| | Company | Time | Estimate | |  Growth Show only confirmed? | Surprise | | | |
|---|-------------|--------------------------|------------|----------|--|----------|---|---|--|
| ✓ | JD | JD.com, Inc. | 6:30 AM ET | \$0.41 | \$38.80 B | -1.3% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | MDT | Medtronic, Inc. | 6:45 AM ET | \$1.12 | \$7.23 B | -9.5% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | BNS | Bank of Nova Scotia | BMO | \$1.66 | \$6.32 B | -19.5% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | M | Macy's, Inc. | 6:55 AM ET | \$0.85 | \$5.50 B | -2.6% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | BEKE | KE Holdings Inc. | 6:00 AM ET | (\$0.25) | \$1.58 B | -57.8% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | JWN | Nordstrom, Inc. | 4:05 PM ET | \$0.80 | \$3.96 B | 8.3% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | DKS | DICK'S Sporting Goo... | 7:30 AM ET | \$3.52 | \$3.06 B | -6.6% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | AAP | Advance Auto Parts Inc. | 4:30 PM ET | \$3.75 | \$2.75 B | 3.8% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | INTU | Intuit Inc. | 4:00 PM ET | \$0.97 | \$2.34 B | -8.6% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | TOL | Toll Brothers, Inc. | 4:30 PM ET | \$2.30 | \$2.48 B | 10.0% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | SJM | J.M. Smucker Co. | 7:00 AM ET | \$1.25 | \$1.86 B | 0.1% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | URBN | Urban Outfitters, Inc | 4:05 PM ET | \$0.67 | \$1.19 B | 2.8% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | SCSC | ScanSource, Inc. | 4:05 PM ET | \$0.94 | \$903.90 M | 6.0% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | CAL | Caleres Inc. | 4:15 PM ET | \$1.32 | \$735.61 M | 8.9% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | XPEV | XPeng Inc. | 6:00 AM ET | (\$2.61) | \$1.05 B | 80.2% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | LZB | La-Z-Boy, Inc. | 4:15 PM ET | \$0.68 | \$566.10 M | 7.9% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | BBAR | Banco BBVA Argentin... | 4:50 PM ET | - | \$252.30 M | -51.7% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | BZUN | Baozun Inc. | 6:00 AM ET | \$0.02 | \$310.01 M | -13.1% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | GDS | GDS Holdings Ltd | 7:00 AM ET | (\$0.30) | \$338.19 M | 17.1% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
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| ✓ | RGS | Regis Corp. | 6:00 AM ET | - | \$0.00 M | -100.0% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | PYCR | Paycor HCM, Inc | 4:15 PM ET | \$0.02 | \$103.46 M | 17.6% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | AVNW | Aviat Networks Inc | 4:00 PM ET | \$0.62 | \$74.12 M | 3.4% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | LFVN | LifeVantage Corporati... | 4:05 PM ET | - | - | - | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | ABST | Absolute Software Co... | 4:15 PM ET | (\$0.01) | \$53.11 M | 67.0% | <div><div>+</div><div>=</div><div>-</div></div> |  | |
| ✓ | BOSC | B.O.S. Better Online ... | 9:05 AM ET | - | - | - | <div><div>+</div><div>=</div><div>-</div></div> | | |
| ✓ | DOLE | Dole plc | 7:05 AM ET | \$0.32 | \$2.50 B | - | <div><div>+</div><div>=</div><div>-</div></div> | | |

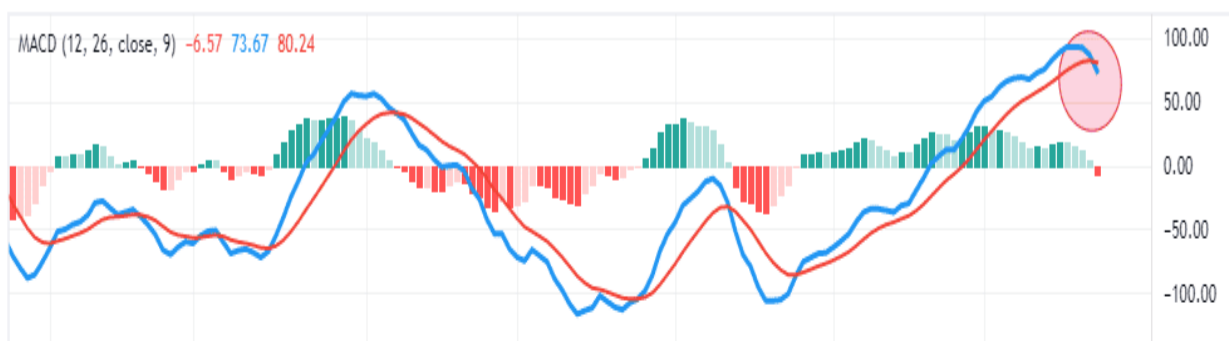
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Market Trading Update

Last week, we discussed the extreme overbought condition of the market and that a pullback to support was needed. In Saturday's Bull Bear Report ([subscribe here](#)), we laid out three levels of support for a pullback: 1) The 100-dma, 2) the 50-dma, and 3) the 50% retracement of the rally. Yesterday, the markets broke the short-term support at the 20dma and triggered a MACD sell signal. With markets not yet back to more extreme oversold levels and the MACD still very elevated, the test at the 100-dma will be important for the market to hold. As noted previously, a break of the 50-dma and the markets will retrace to the previous lows.



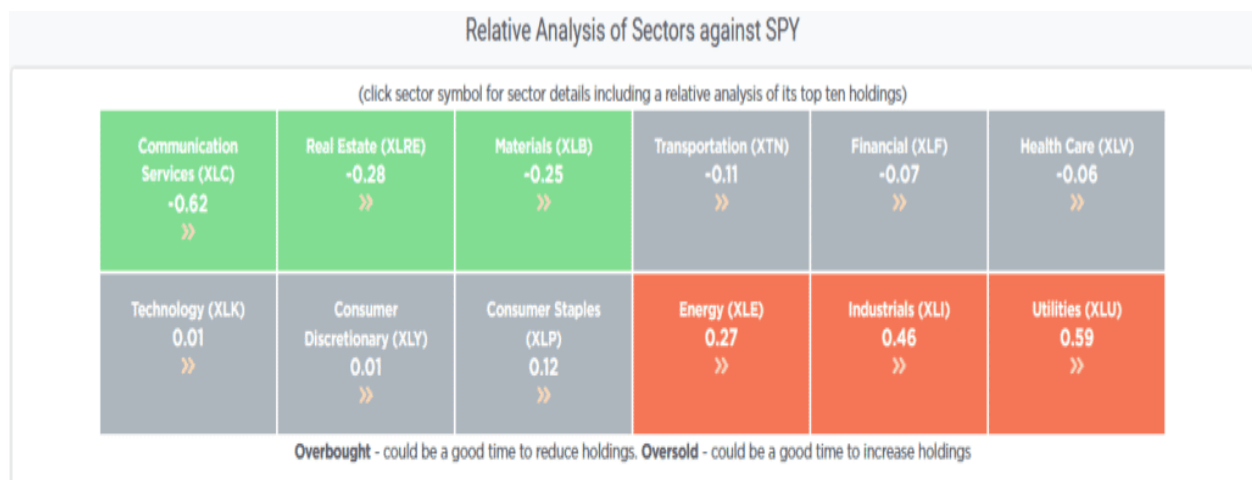
TradingView



What's Leading the Industrials Sector

With the market declining, the usual conservative sectors like staples and utilities continue outperforming. Interestingly, Industrials have been doing better on a relative basis as well. In [SimpleVisor](#), we just introduced a new comparative analysis tool to help us see which sectors are out or underperforming the S&P 500. The analysis also digs into each sector's top holdings to better appreciate what drives the sectors.

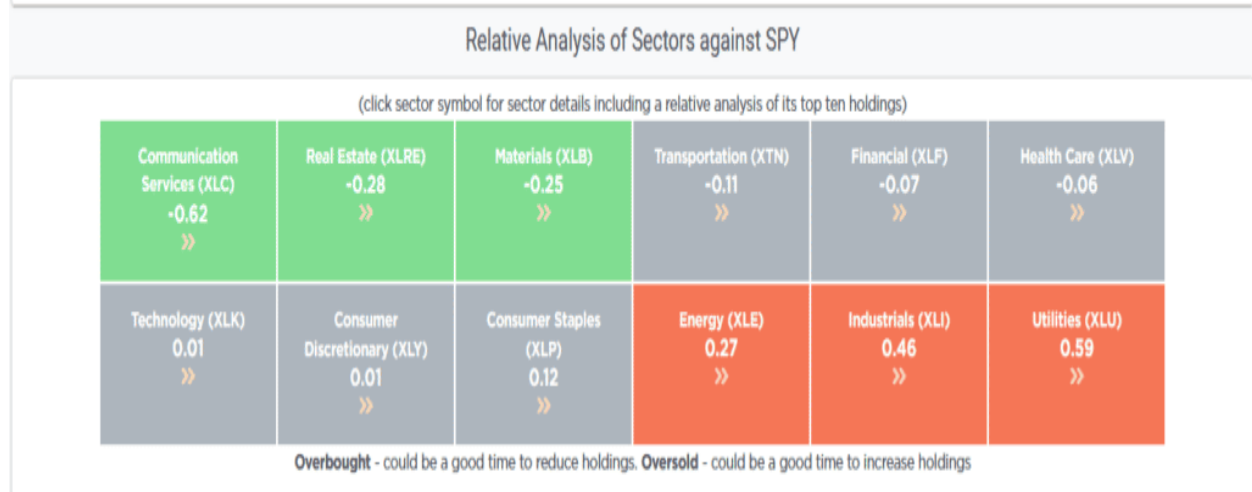
The graphic below shows which sectors are overbought (red) versus the S&P 500, which are neutral (gray), and which are oversold (green). As we show, Industrial is the second most overbought sector.



About Relative Analysis

This analysis uses the price ratio of two securities to establish a relative technical score. 13 technical measures are applied to the ratio to determine the score. The score tells us how one stock compares to another stock. We like to compare sector ETFs to the S&P 500 to help assess relative strength or weakness of the sectors.

Quite often scores of +.75 or greater are good times to reduce holdings and -.75 are good times to buy. However, scores can stay extremely overbought or sold for a few weeks so at times patience is required.



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The following table breaks down the top ten Industrials ETF (XLI) holdings and compares each stock against each other and against the XLI ETF. Reading horizontally across the table, you will find that MMM, as compared to Deere (DE), is the most oversold pair in this analysis. Also, UPS is overbought against six of the nine other stocks. DE appears to be the most overbought stock as every other stock is oversold against it. While this analysis is just one of many tools we use, it helps us highlight sectors and their holdings trading at extremes to the market or other stocks within their sector. We also added a tool that allows users to compare any two stocks, ETFs, mutual funds, and indices.

We have been successfully using this tool internally for a while and are thrilled to roll it out to SimpleVisor subscribers. The tool is still in Beta mode as we add more functionality to it in the coming weeks.

| | LMT | DE | MMM | GE | CAT | RTX | BA | UNP | UPS | HON | XLI |
|------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|------|
| LMT/ | 0.00 | | | | | | | | | | |
| DE/ | 0.30 | 0.00 | | | | | | | | | |
| MMM/ | -0.27 | -0.74 | 0.00 | | | | | | | | |
| GE/ | -0.13 | -0.46 | 0.33 | 0.00 | | | | | | | |
| CAT/ | -0.37 | -0.57 | 0.29 | -0.02 | 0.00 | | | | | | |
| RTX/ | -0.73 | -0.52 | -0.07 | -0.13 | -0.27 | 0.00 | | | | | |
| BA/ | -0.30 | -0.58 | -0.11 | -0.17 | -0.33 | -0.06 | 0.00 | | | | |
| UNP/ | -0.11 | -0.42 | 0.44 | 0.15 | 0.40 | 0.43 | 0.40 | 0.00 | | | |
| UPS/ | 0.05 | -0.22 | 0.58 | 0.26 | 0.56 | 0.63 | 0.39 | 0.40 | 0.00 | | |
| HON/ | -0.06 | -0.41 | 0.54 | 0.16 | 0.33 | 0.47 | 0.44 | 0.08 | -0.19 | 0.00 | |
| XLI/ | -0.10 | -0.44 | 0.40 | 0.04 | 0.09 | 0.23 | 0.35 | -0.11 | -0.40 | -0.51 | 0.00 |

XLI/SPY Relative Score: 0.46

| | LMT | DE | MMM | GE | CAT | RTX | BA | UNP | UPS | HON | XLI |
|------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|------|
| LMT/ | 0.00 | | | | | | | | | | |
| DE/ | 0.30 | 0.00 | | | | | | | | | |
| MMM/ | -0.27 | -0.74 | 0.00 | | | | | | | | |
| GE/ | -0.13 | -0.46 | 0.33 | 0.00 | | | | | | | |
| CAT/ | -0.37 | -0.57 | 0.29 | -0.02 | 0.00 | | | | | | |
| RTX/ | -0.73 | -0.52 | -0.07 | -0.13 | -0.27 | 0.00 | | | | | |
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| HON/ | -0.06 | -0.41 | 0.54 | 0.16 | 0.33 | 0.47 | 0.44 | 0.08 | -0.19 | 0.00 | |
| XLI/ | -0.10 | -0.44 | 0.40 | 0.04 | 0.09 | 0.23 | 0.35 | -0.11 | -0.40 | -0.51 | 0.00 |

XLI/SPY Relative Score: 0.46

Bear Market Rallies

The question vexing investors is whether or not we are in a bear market rally or still in a longer-term bull market. The table below from BofA helps put the current rally into proper historical context. BofA studied 43 bear market rallies (>10%) and found that since 1929 the average gain was 17.3%, lasting 39 days. The current rally is very average, peaking at 17.4% in 41 days. Bear market rallies tend to be ?narrow? or led by only a few stocks, markets, and sectors. Consider that in this rally, just four stocks (AAPL, MSFT, AMZN, TSLA) contributed 30% of the S&P 500 gain. Six of the sectors had returns of half or less of the S&P 500, and foreign market returns were in the mid-single digits at best. So far, the current rally meets all of the qualifications of a typical bear market rally.

Table 1: Investors trade “peak inflation” & “peak yields”

Ranked returns (assets and sectors)

| Ranked Returns, USD-terms (since June 16, 2022) | | | |
|---|--------|----------------------------|-------|
| Assets | | Sectors | |
| 1 US Equities | 17.3% | 1 ACWI Cons. Discretionary | 19.3% |
| 2 Europe Equities | 5.8% | 2 ACWI Info Tech | 18.6% |
| 3 Japan Equities | 5.6% | 3 ACWI Utilities | 13.3% |
| 4 Pacific Rim xJapan | 5.6% | 4 ACWI Industrials | 12.9% |
| 5 UK Equities | 4.9% | 5 ACWI BioTechnology | 12.1% |
| 6 High Yield Bonds | 3.6% | 6 ACWI Real Estate | 11.5% |
| 7 EM Sovereign Bonds | 3.3% | 7 ACWI Consumer Staples | 10.3% |
| 8 US Dollar | 2.8% | 8 ACWI Healthcare | 9.6% |
| 9 Investment Grade Bonds | 2.6% | 9 ACWI Financials | 9.2% |
| 10 EM Equities | 2.1% | 10 ACWI Banks | 6.9% |
| 11 Government Bonds | 1.1% | 11 ACWI Telecoms | 6.8% |
| 12 Gold | -4.6% | 12 ACWI Materials | 0.8% |
| 13 Industrial Metals | -8.3% | 13 ACWI Energy | 0.0% |
| 14 Oil | -25.1% | | |

Source: BofA Global Investment Strategy, Bloomberg, as of Aug 17, 2022

BofA GLOBAL RESEARCH

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BofA GLOBAL RESEARCH

Tweet of the Day



Liz Ann Sonders ✓
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...

Current drawdown for [@MBAMortgage](#) mortgage applications index is nearly as worse as plunge we saw during pandemic shutdown (in terms of % drop)



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@LizAnnSonders

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[ad_2]

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