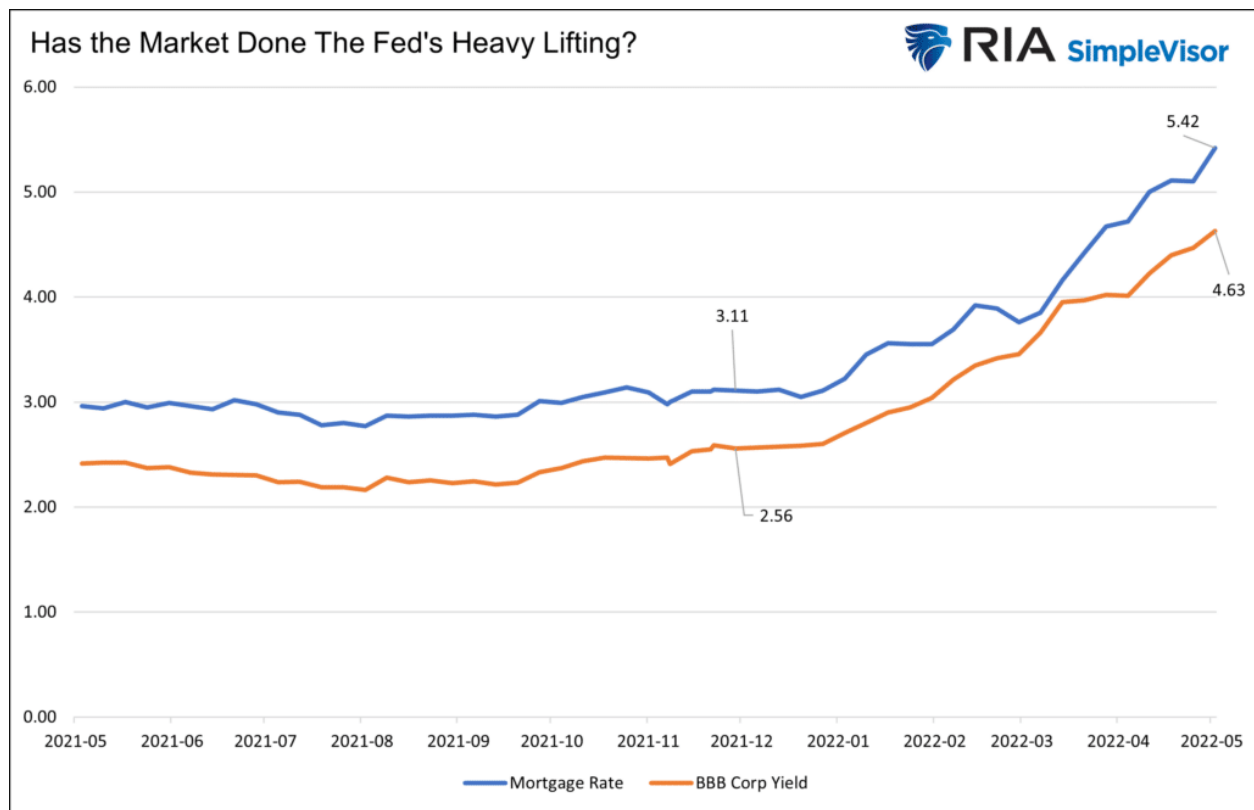


Powell Is In The Batters Box

The consensus is that Jerome Powell and the Fed will raise interest rates by 50bps today and introduce a QT timeline at today's FOMC meeting. It is hard to envision a hawkish surprise this afternoon, given recent Fed banter. To surprise markets, Powell would have to mention 75bps rate hikes and or a QT schedule involving reducing the balance sheet by more than \$1 trillion per year.

Presumably, Powell does not want to upset the stock and bond markets further. We think Powell is becoming comfortable that the bond market is doing the heavy lifting for the Fed. As shown below, mortgage rates and corporate borrowing rates are significantly higher this year. While we do not expect a hawkish surprise, a dovish surprise is not likely either. Powell will remain fully committed to bringing inflation down, and, as such, it is improbable he will back off prior forecasts.



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What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Application**, week ended April 29 (-8.3% during prior week)

- 8:15 a.m. ET: **ADP Employment change**, April (385,000 expected, 455,000 in March)
- 8:30 a.m. ET: **Trade balance**, March (-\$86.7 billion expected, -\$89.2 billion in February)
- 9:45 a.m. ET: **S&P Global U.S. Services PMI**, April final (54.7 in prior print)
- 9:45 a.m. ET: **S&P Global U.S. Composite PMI**, April final (55.1 in prior print)
- 2:00 p.m. ET: **FOMC monetary policy decision/Powell press conference**

?Earnings

Pre-market

- **AmerisourceBergen** (ABC) to report adjusted earnings of \$2.93 on revenue of \$57.28 billion
- **CVS Health** (CVS) to report adjusted earnings of \$2.15 on revenue of \$75.39 billion
- **Marriott International** (MAR) to report adjusted earnings of 92 cents on revenue of \$4.17 billion
- **Yum! Brands** (YUM) to report adjusted earnings of \$1.08 on revenue of \$1.60 billion
- **Vulcan Materials Co.** (VMC) to report adjusted earnings of 62 cents on revenue of \$1.43 billion
- **Sinclair Broadcast Group** (SBGI) to report adjusted losses of \$1.21 on revenue of \$1.53 billion
- **Wingstop** (WING) to report adjusted earnings of 36 cents on revenue of \$86.22 million
- **Moderna** (MRNA) to report adjusted earnings of \$4.98 on revenue of \$4.71 billion

Post-market

- **Booking Holdings** (BKNG) to report adjusted earnings of 71 cents on revenue of \$2.54 billion
- **GoDaddy** (GDDY) to report adjusted earnings of 43 cents on revenue of \$989.92 million
- **Uber** (UBER) to report adjusted losses of 18 cents on revenue of \$6.13 billion
- **Twilio** (TWLO) to report adjusted losses of 22 cents on revenue of \$863.93 million
- **Etsy** (ETSY) to report adjusted earnings of 72 cents on revenue of \$575.59 million
- **TripAdvisor** (TRIP) to report adjusted losses of 8 cents on revenue of \$250.00 million
- **Marathon Oil** (MRO) to report adjusted earnings of 97 cents on revenue of \$1.85 billion
- **Spirit Airlines** (SAVE) to report adjusted losses of \$1.57 on revenue of \$957.50 million

Market Trading Update - Bottom Holding Waiting On The Fed

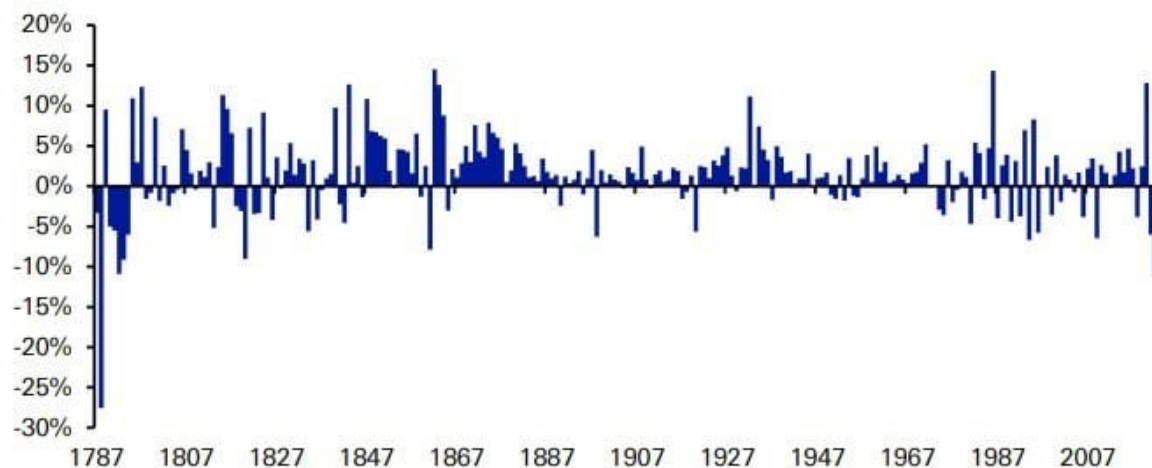
The market floundered around in positive territory yesterday with bonds rallying alongside as traders anxiously await today's FOMC meeting announcement. The market is very oversold, sentiment is negative, and positioning remains light suggesting that we could see a market rally as long as the Fed doesn't provide any negative surprises. We will find out this afternoon.



Worst Bond Performance since 1788!

The graph below from Deutsche Bank shows the current drawdown in bonds is beyond compare, at least for those not over 250 years old. One has to go back to 1788 to find a worse performance than this year over the first four months of a year. This year's performance is undoubtedly concerning, and many bond investors likely want to sell. While fear is tempting, bond prices are severely oversold and well overdue for a sizeable bounce.

Figure 1: YTD Performance of 10yr Treasuries* up to end April each year ...
2022 has seen the worst start to the year since 1788!



Source : GFD, Deutsche Bank.

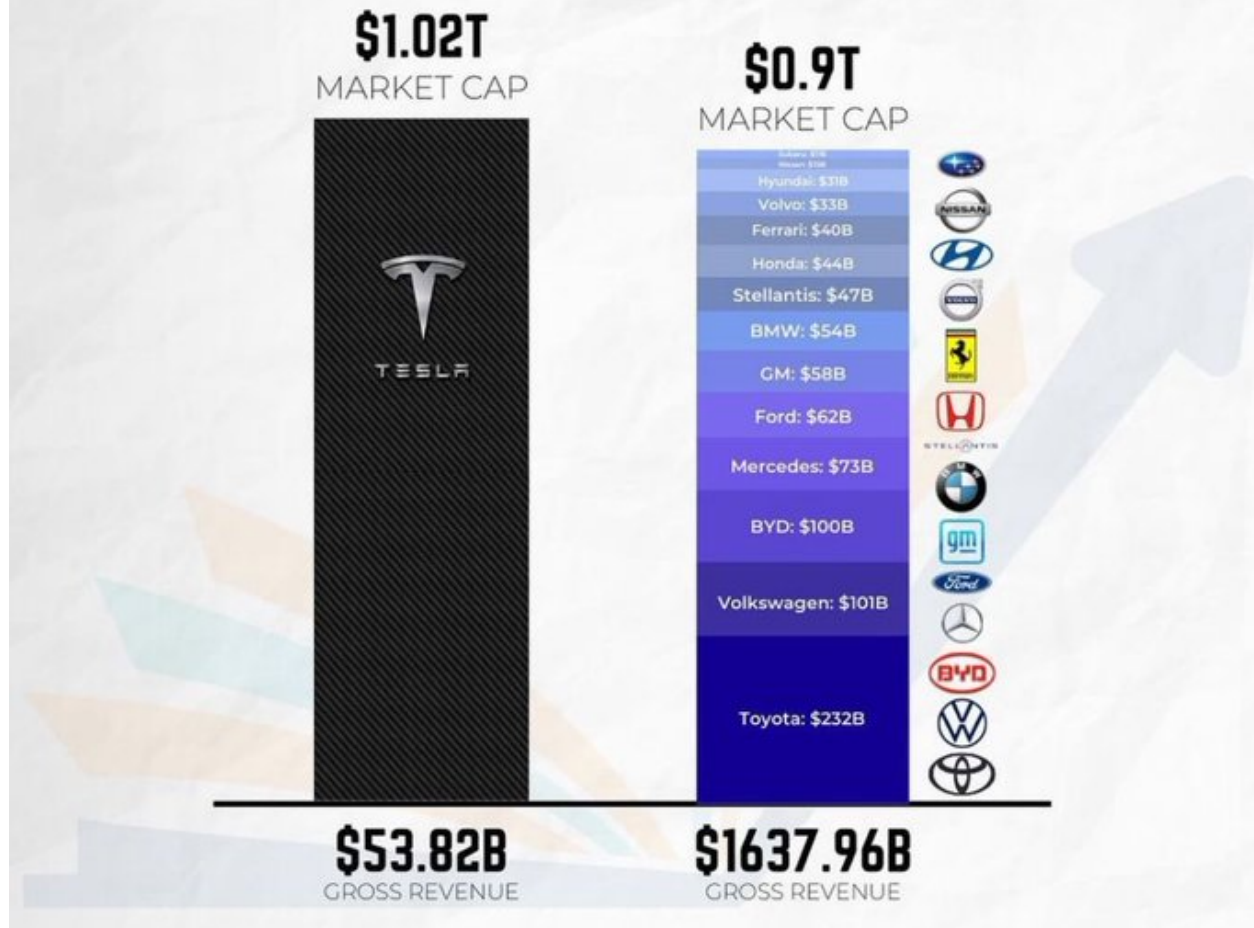
*Note that before 1941, various proxies were used for 10yr Treasuries including other maturities and state bonds where no federal bonds are available.

Tesla versus The World

The chart below showing Tesla's enormous valuation versus the auto industry is stunning. Tesla has a market cap of 10% more than the other manufacturers combined. Its valuation comes despite only accounting for about 3% of global auto sales. It also comes as most other auto manufacturers rush to market with many new classes of EVs fitting many price ranges. Tesla has a 1.75% weighting in the S&P 500. A re-valuation of Tesla will not necessarily result in a sharp market loss. Still, the decline of a market stalwart may result in negative sentiment that spreads well beyond Tesla. Regardless of whether you own Tesla or not, its stock price bears watching as, like Apple, it has become a barometer of sorts for investors.

TESLA VS. WORLD

VISUALIZING THE INSANITY



Key Reversal Days

We share an important graph and commentary below from Jason Goepfert (Sentimentrader). Key reversal days are generally deemed bullish technical events occurring when a decent loss to start the day is reversed into a gain. Jason warns the most recent Nasdaq "key reversal day" may not be something to cheer.



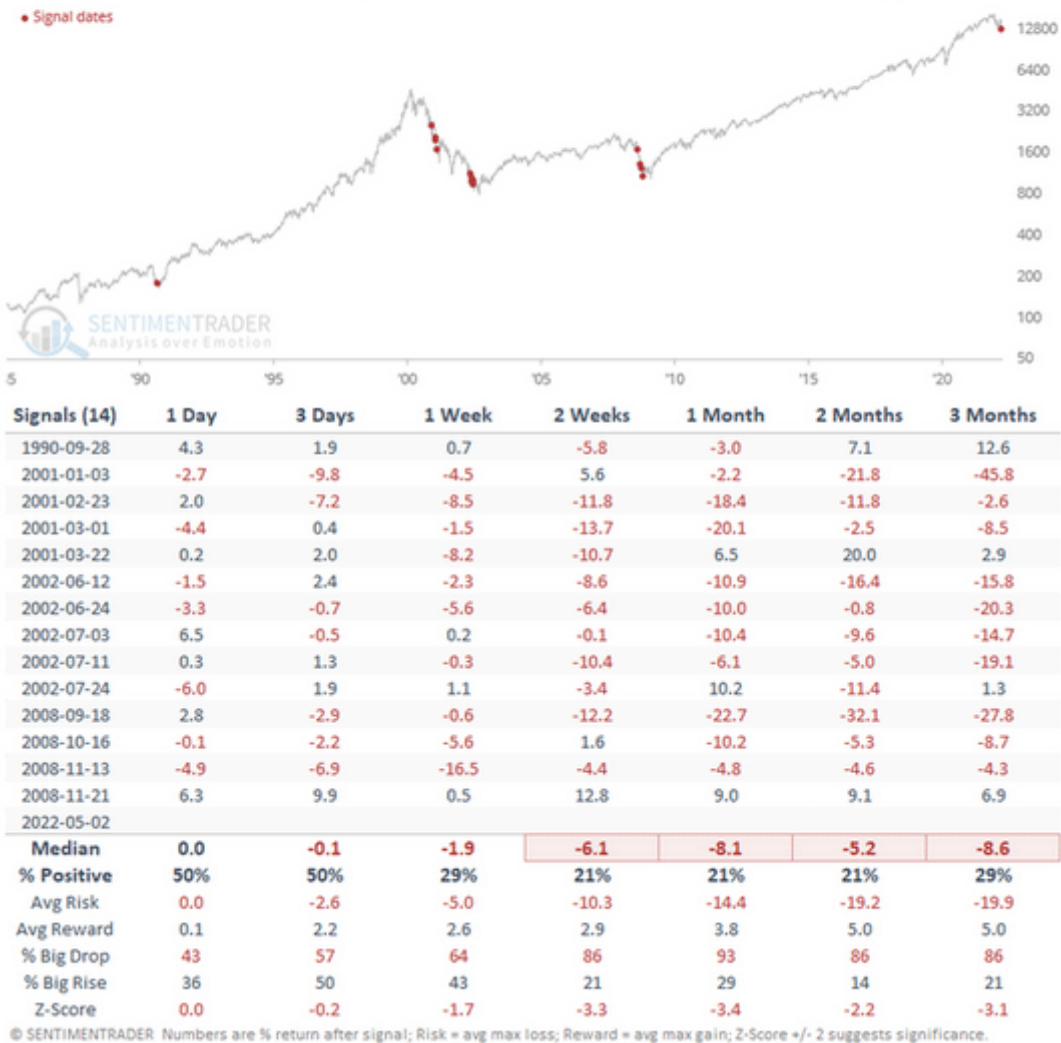
Jason Goepfert @jasongoepfert · 15h

A "key reversal day" in the Nasdaq 100 hasn't been something to cheer.

They've only triggered during bear markets.

\$NDX \$QQQ

Nasdaq 100 after > 1% intraday loss to 52-week low, then reversal for > 1% gain



The Consequences of a Marked-to Market World

Our friend Peter Atwater penned a brilliant article entitled [The Consequences of a Marked-to-Market World](#), in today's Financial Times. The critical takeaway from Peter's editorial is that information is changing the way retail investors can affect markets. With easily accessible real-time data, they have a much more significant effect on all markets than ever before. Per the article:

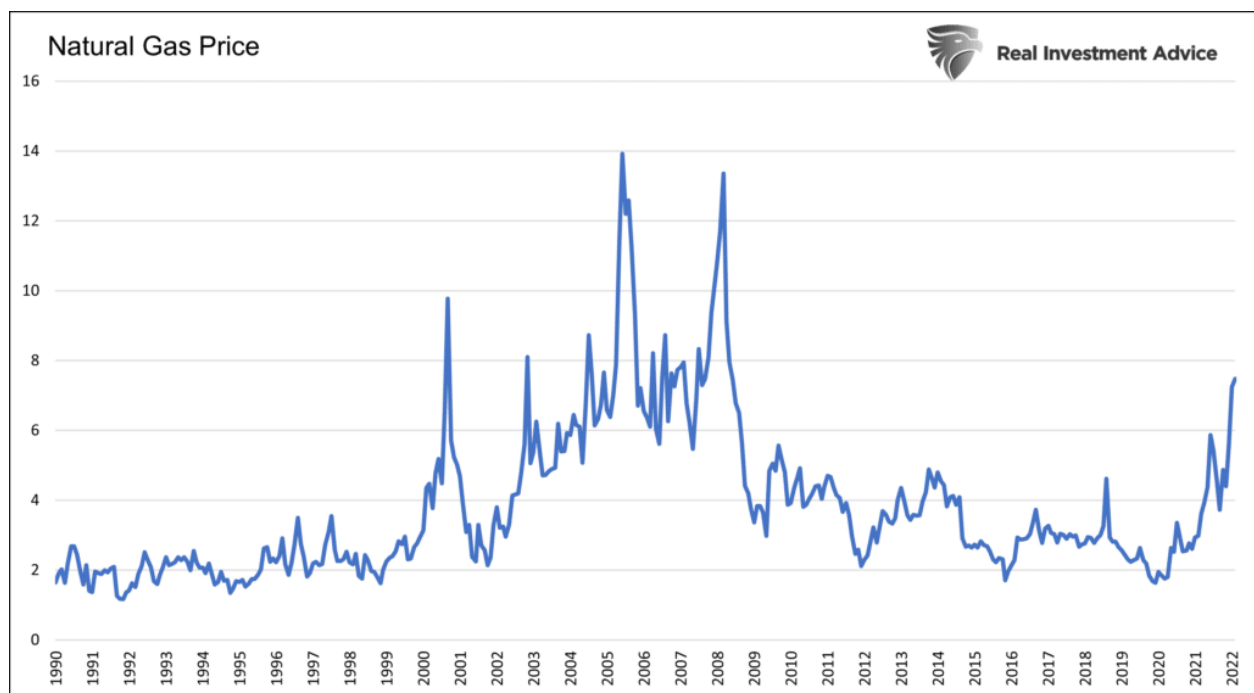
"The signalling effect of rapidly moving prices can be powerful. A sudden flash mob of bullish or bearish interest in a market now has the potential to create a quick economic spillover as the consequences of wild market price swings are felt immediately around kitchen tables and in manufacturing facilities around the globe."

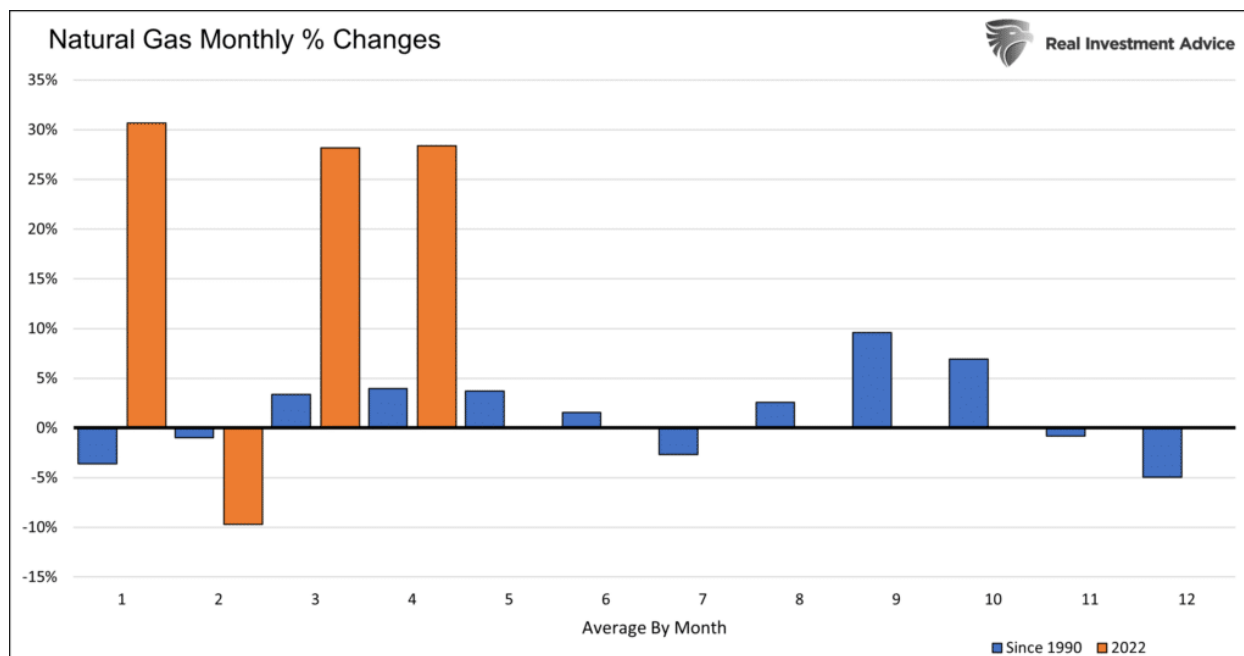
Unlike any other time, retail investors are armed with real-time data on inflation and interest rates, and economic data. They no longer have to wait on financial experts, futures markets, or business leaders to tell them what is going on in the world.

"Today, they (corporations) are joined by a new crowd ? retail speculators ? who have far different objectives. Thanks to today?s highly financialised markets, it?s now as easy for individuals to trade fixed income, currencies and commodities as it is to trade shares in companies like GameStop. While that is troubling, what concerns me most is the potential for crowd sentiment to feed upon itself in an environment of 24/7 online trading."

Natural Gas is Soaring and Its Not Hurricane Season

The graphs below show natural gas has been surging this year and for the last two years. Since January, natural gas has risen by nearly 40%. The second graph shows that prices tend to increase in the spring but not to this degree. The best months for natural gas are hurricane season, while the worst is winter. In both periods, weather can significantly affect the supply and demand for natural gas. Natural gas can now be liquified and exported. Russia is a prominent natural gas supplier for parts of Europe, and they are holding back supply. As a result, demand for U.S. liquified natural gas is rising. Natural gas prices which were once a function of local supply and demand factors are slowly becoming a global market. In the long run, this will result in lessened price volatility. However, today it is having the opposite effect due to Russia.





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