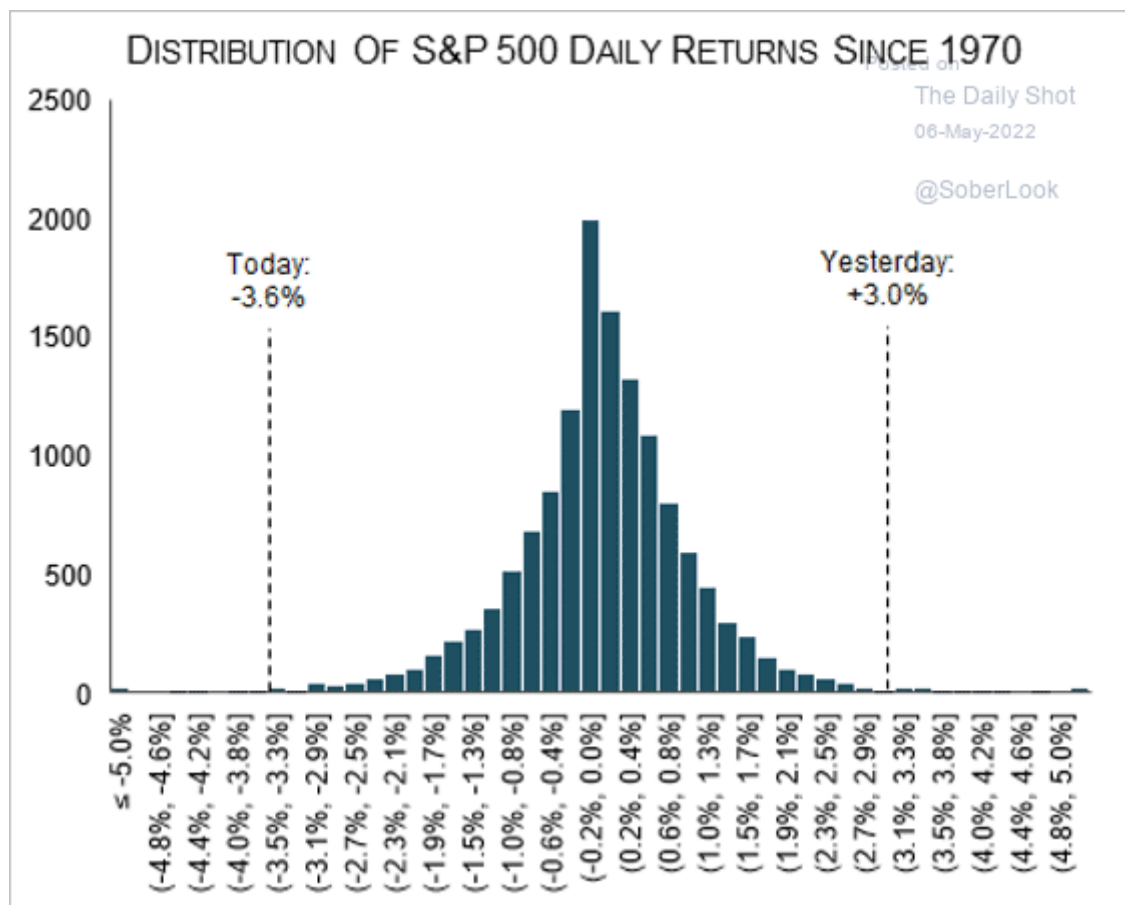


Fat Tails Scare Investors

The S&P 500 was down seven points this past week. Last week's extreme volatility made it feel much worse. The "fat tails" graph below from the Daily Shot helps better appreciate the magnitude of volatility last week. The distribution of S&P 500 daily returns looks relatively normal. The two large fat tail moves, Wednesday and Thursday, appear to be anomalies, but are they? In a statistically perfect normal distribution of returns, there should have been 17 moves of 3 standard deviations or greater since 1970. We had two fat tails (>3 standard deviation) moves last week and 182 since 1970.

The bottom line is that fat tails are not as irregular as statistics and many risk analysts understand. More importantly, fat tails are more prevalent during bear markets. The markets are violent, but this is when it is most important to stick with our risk management and trading signals and not let emotions get the best of us.



Real Investment Report

What? You Aren't
 Subscribed To The
 Real Investment Report?

[> Subscribe Now!](#)

What To Watch Today

Economy

- 10:00 a.m. ET: **Wholesale inventories**, month-over-month, March final (2.3% expected, 2.3% in prior print)
- 10:00 a.m. ET: **Wholesale trade sales**, month-over-month, March (1.8% expected, 1.7% in prior print)

Earnings

Pre-market

- **Palantir Technologies ([PLTR](#))** to report adjusted earnings of 3 cents on revenue of \$442.83 million
- **Coty Inc. ([COTY](#))** to report adjusted earnings of 1 cent on revenue of \$1.16 billion
- **Duke Energy Corp. ([DUK](#))** to report adjusted earnings of \$1.33 on revenue of \$6.30 billion
- **Tyson Foods ([TSN](#))** to report adjusted earnings of \$1.90 on revenue of \$12.85 billion
- **Blue Apron ([APRN](#))** to report adjusted losses of 69 cents on revenue of \$125.00 million

Post-market

- **Plug Power ([PLUG](#))** to report adjusted losses of 16 cents per share on revenue of \$142.53 million
- **Novavax ([NVAX](#))** to report adjusted earnings of \$2.65. per share on revenue of \$806.80 million
- **Simon Property Group ([SPG](#))** to report adjusted earnings of \$2.76 per share on revenue of \$1.22 billion
- **Zynga ([ZNGA](#))** to report adjusted earnings of 9 cents on revenue of \$741.20 million
- **Vroom ([VRM](#))** to report adjusted losses of \$1.02 on revenue of \$872.73 million
- **Lemonade Inc. ([LMND](#))** to report adjusted losses of \$1.42 on revenue of \$43.3 million
- **AMC Entertainment** to report adjusted losses of 62 cents on revenue of \$769.88 million

Market Trading Update

It was quite a stock market rollercoaster last week with a massive surge on Wednesday, followed by an equally significant plunge on Thursday. Volatility is both gut-wrenching and exceptionally hard to manage during fat tails.

[stock market rollercoaster, Stock Market Rollercoaster Nauseates Investors](#)

The market continued to hold support at the March lows and remains oversold on many levels. Sentiment also remains exceptionally negative, which will provide fuel for a reflexive rally when one occurs.

Notably, this is where investors tend to make the most mistakes. Everything, everywhere, is bearish. CNBC is running *?Markets In Turmoil?* specials (*see below*), and individuals get convinced

the world is ending. However, as Howard Marks once stated:

?In good times skepticism means recognizing the things that are too good to be true; that's something everyone knows. But in bad times, it requires sensing when things are too bad to be true. People have a hard time doing that.

The things that terrify other people will probably terrify you too, but to be successful an investor has to be stalwart. After all, most of the time the world doesn't end, and if you invest when everyone else thinks it will, you're apt to get some bargains.?

But that is very hard to do.

The Week Ahead

Investors get a bit of a break this week as the Fed meeting is now behind us. That said, there will be many Fed speakers discussing monetary policy, inflation, and the state of the economy.

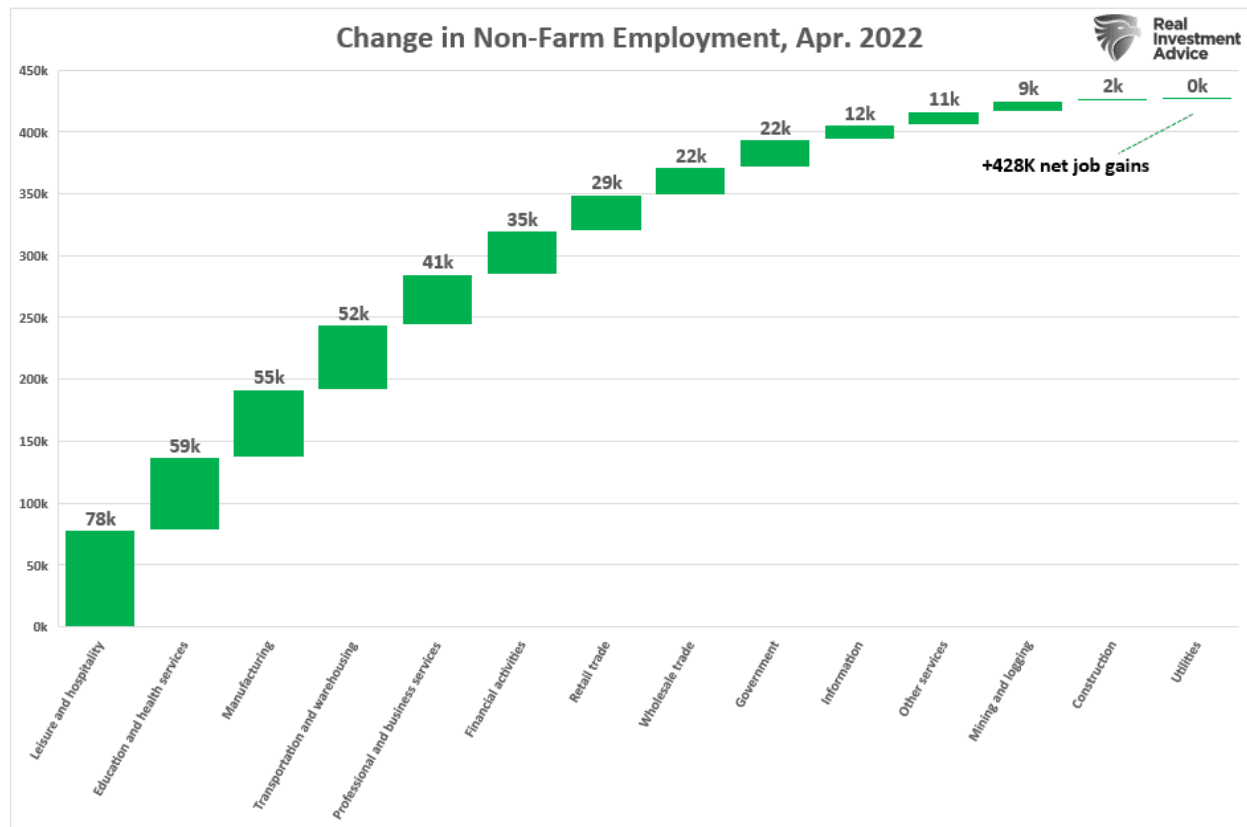
On Wednesday, the BLS will release CPI. The current estimate is for the year-over-year inflation rate to tick up to 8.8%, from 8.5%. On the positive side, the monthly inflation rate is expected to slow significantly from 1.2% to 0.3%. Any downward surprise could be music to the stock and bond markets' ears. The year-over-year PPI rate, due on Thursday, is also expected to rise. More inflation data comes Friday with import/export prices and the University of Michigan Inflation Expectations survey.

There will be a 10-year Treasury auction on Wednesday and a 30-year auction on Thursday. The auctions tend to weigh on prices, but we might see the opposite going into these auctions, given how beaten up bond prices are.

BLS Jobs Report

The BLS employment report was strong, with the economy adding 428k jobs last month. Beneath the surface, there are some signs of weakness. The broad measure of unemployment- U6 inched higher to 7%, and the participation rate fell by .2%. More concerning, average hourly earnings only rose .3% and 5.5% annually. Both are well below the inflation rate and will crimp personal consumption going forward. Personal consumption accounts for about two-thirds of GDP.

So, from a market perspective, what do we think? It is certainly good that the job market is expanding and the economy is hiring significant numbers of people. Growth is good for stocks. However, the strong jobs data gives the Fed reasons to continue to hike interest rates aggressively and start QT. Markets are already skittish over the Fed's aggressive forecast, and this report will not ease those fears. However, weakness in real earnings may, in time, slow inflation and, at some point, allow the Fed to back off.



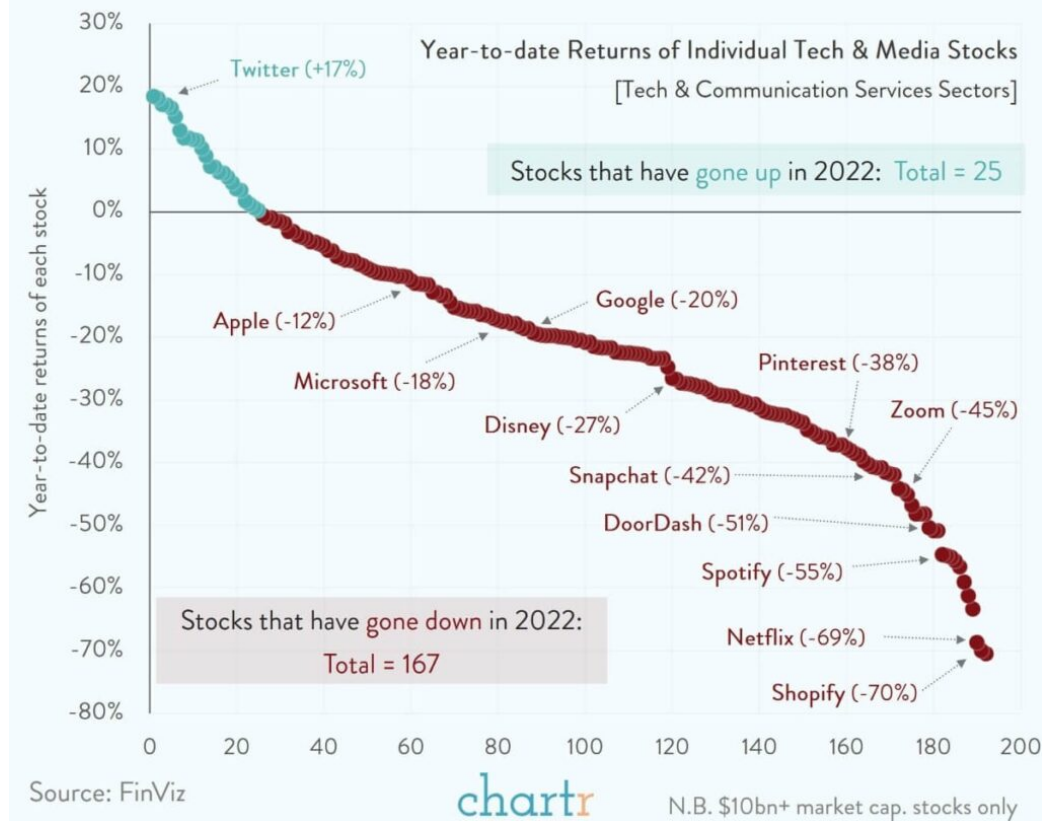
Tech & Media Stocks Are Having A Tough Time

On Thursday, the NASDAQ index fell 5%, its biggest one-day decline since 2020, as the list of stocks with eye-watering losses got a little bit longer.

*Most notable yesterday was e-commerce darling **Shopify**, which fell 15% **after posting** its slowest **revenue growth in 7 years**, leaving its shares down 70% this year, worse even than **Netflix's** high profile meltdown, which has seen its shares fall 69%.*

*Indeed, of the **192** large stocks in the Technology and Communication Services sectors, **167** are down this year. The only notable exception? **Twitter** ? thanks to Elon Musk's bid for the company that was way ahead of where the shares were trading. - Chartr*

Tech & Media Stocks Are Having A Terrible Time In 2022



Bitcoin On The Edge

Bitcoin and stocks, especially the riskier Nasdaq stocks, have been very well correlated as of late. As such, the graph below of Bitcoin may help with the assessment of the Nasdaq. The weekly graph shows that Bitcoin sits on a critical upward support line. Four other times in the last year, the line has proven to be an excellent entry spot. Will it hold this time?



Markets In Turmoil Might Be What The Doctor Ordered

By airing their "markets in turmoil" special edition Thursday night, CNBC might have provided the panacea for what is ailing the markets. The table below from Charlie Bilello shows that the one-year S&P 500 returns following these specials have always been positive and very good in many cases. Before you get all bulled up, it's worth sharing that a large number of the instances were all during the 2020 Pandemic crisis.

S&P 500 Forward Total Returns following CNBC "Markets in Turmoil" Specials

Markets in Turmoil	S&P 500 Close	1-Year Forward Return	Total Returns Since	Markets in Turmoil	S&P 500 Close	1-Year Forward Return	Total Returns Since	Markets in Turmoil	S&P 500 Close	1-Year Forward Return	Total Returns Since
5/6/2010	1128	21%	367%	3/5/2020	3024	29%	42%	4/23/2020	2798	52%	53%
5/7/2010	1111	24%	374%	3/6/2020	2972	33%	44%	4/24/2020	2837	50%	51%
5/9/2010	1111	24%	374%	3/8/2020	2972	33%	44%	4/27/2020	2878	48%	49%
6/4/2010	1065	23%	393%	3/9/2020	2747	44%	56%	4/28/2020	2863	50%	49%
8/4/2011	1200	19%	328%	3/10/2020	2882	39%	49%	4/29/2020	2940	45%	45%
8/7/2011	1199	19%	328%	3/11/2020	2741	46%	56%	4/30/2020	2912	46%	47%
8/8/2011	1119	28%	359%	3/12/2020	2481	63%	73%	5/1/2020	2831	50%	51%
8/9/2011	1173	22%	338%	3/13/2020	2711	49%	58%	5/4/2020	2843	49%	50%
8/10/2011	1121	28%	358%	3/15/2020	2711	49%	58%	5/5/2020	2868	49%	49%
8/11/2011	1173	22%	338%	3/16/2020	2386	69%	80%	5/6/2020	2848	51%	50%
8/12/2011	1179	22%	335%	3/17/2020	2529	58%	69%	5/7/2020	2881	48%	48%
8/14/2011	1179	22%	335%	3/18/2020	2398	66%	79%	5/8/2020	2930	44%	46%
8/18/2011	1141	27%	350%	3/19/2020	2409	66%	78%	5/11/2020	2930	41%	46%
9/22/2011	1130	32%	353%	3/20/2020	2305	73%	86%	5/12/2020	2870	46%	49%
6/3/2012	1278	30%	294%	3/23/2020	2237	77%	91%	5/13/2020	2820	50%	52%
8/23/2015	1971	13%	139%	3/24/2020	2447	63%	75%	5/14/2020	2853	48%	50%
8/24/2015	1893	18%	149%	3/25/2020	2476	63%	73%	5/15/2020	2864	47%	49%
8/25/2015	1868	19%	152%	3/26/2020	2630	54%	63%	5/18/2020	2954	42%	45%
8/26/2015	1941	14%	142%	3/27/2020	2541	58%	69%	5/19/2020	2923	45%	46%
9/1/2015	1914	16%	146%	3/30/2020	2627	54%	63%	5/20/2020	2972	42%	44%
1/18/2016	1880	24%	148%	3/31/2020	2585	58%	66%	5/21/2020	2949	45%	45%
2/5/2018	2649	4%	69%	4/1/2020	2471	68%	73%	5/22/2020	2955	44%	44%
2/8/2018	2581	9%	73%	4/2/2020	2527	64%	69%	5/25/2020	2955	44%	44%
10/11/2018	2728	11%	62%	4/3/2020	2489	67%	72%	5/26/2020	2992	43%	43%
10/24/2018	2656	16%	66%	4/6/2020	2664	56%	61%	5/27/2020	3036	41%	41%
12/27/2018	2489	32%	76%	4/7/2020	2659	58%	61%	5/28/2020	3030	41%	41%
8/5/2019	2845	16%	53%	4/8/2020	2750	53%	56%	5/29/2020	3044	40%	40%
8/14/2019	2841	21%	53%	4/9/2020	2790	51%	53%	6/1/2020	3056	40%	40%
2/24/2020	3226	24%	33%	4/10/2020	2790	51%	53%	6/2/2020	3081	38%	38%
2/25/2020	3128	25%	37%	4/13/2020	2762	52%	55%	6/3/2020	3123	38%	37%
2/26/2020	3116	25%	38%	4/14/2020	2846	49%	50%	6/4/2020	3112	38%	37%
2/27/2020	2979	33%	44%	4/15/2020	2783	53%	54%	5/5/2022	4147	?	?
2/28/2020	2954	33%	45%	4/16/2020	2800	51%	53%				
3/1/2020	2954	33%	45%	4/17/2020	2875	46%	49%				
3/2/2020	3090	26%	39%	4/20/2020	2823	50%	52%				
3/3/2020	3003	28%	43%	4/21/2020	2737	54%	56%				
3/4/2020	3130	25%	37%	4/22/2020	2799	52%	53%				



Average 1-Year Return: 40%
% Positive 1-Year Returns: 100%

@CharlieBilello



Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.