Fear is Driving Yields Higher, Not Inflation

Fear, not inflation, is driving bond yields higher despite popular beliefs. The graph below shows that implied inflation expectations derived from TIPS and Nominal Treasury bond yields have actually declined since late March. Adding to the case that fear, not fundamentals, is at play, global economic growth expectations are declining rapidly. Based solely on those important fundamental factors, bond yields should be stable to falling. Clearly, there is intense, fear-based selling pressure that is ignoring fundamentals. Once the bond market can find a better balance, it's likely that yields will be falling, not rising.



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What To Watch Today

Economy

- 6:00 a.m. ET: **NFIB Small Business Optimism index**, April (92.9 expected, 93.2 in prior print)

Earnings

Pre-market

- **Norwegian Cruise Lines** (NCLH) to report an adjusted loss of $1.53 on revenue of $739.85 million
- **Hyatt Hotels** (H) to report an adjusted loss of $0.38 on revenue of $1.11 billion
- **Warner Music Group** (WMG) to report adjusted earnings of $0.21 on revenue of $1.37 billion
- **Peloton** (PTON) to report an adjusted loss of $0.80 on revenue of $971.5 million
- **Planet Fitness** (PLNT) to report adjusted earnings of $0.28 on revenue of $190.06 million

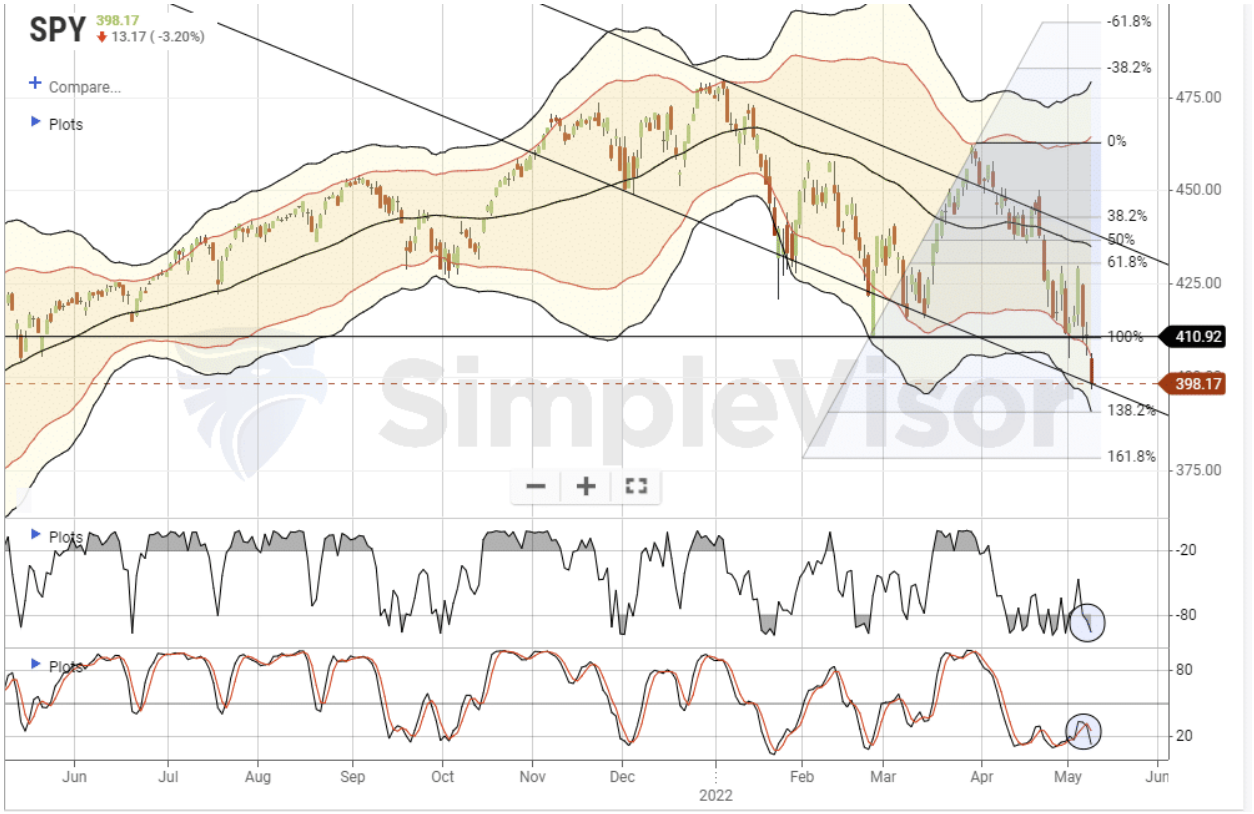
Post-market

- **Roblox** (RBLX) to report an adjusted loss of $0.03 on revenue of $648.31 million
- **Occidental Petroleum** (OXY) to report adjusted earnings of $2.05 on revenue of $8.22 billion
- **Coinbase** (COIN) to report adjusted earnings of $0.20 on revenue of $1.48 billion
- **Sofi Technologies** (SOFI) to report an adjusted loss of $0.14 on revenue of $284.91 million
- **Allbirds** (BIRD) to report an adjusted loss of $0.12 on revenue of $62.19 million
- **Rocket Cos.** (RKT) to report adjusted earnings of $0.19 on revenue of $2.14 billion
- **Wynn Resorts** (WYNN) to report an adjusted loss of $1.21 on revenue of $979.92 million
- **Electronic Arts** (EA) to report adjusted earnings of $1.43 on revenue of $1.77 billion

Market Trading Update - Market Breaks Support

Not much good has happened in the market over the last few trading days. On Friday, as noted below, the market held support at the 100% Fibonacci retracement level from the March rally peak. Today, that support was broken and stocks got met with heavy selling all day. The market is now extremely oversold at 3-standard deviations below the mean and is sitting at the bottom of the downtrend channel.

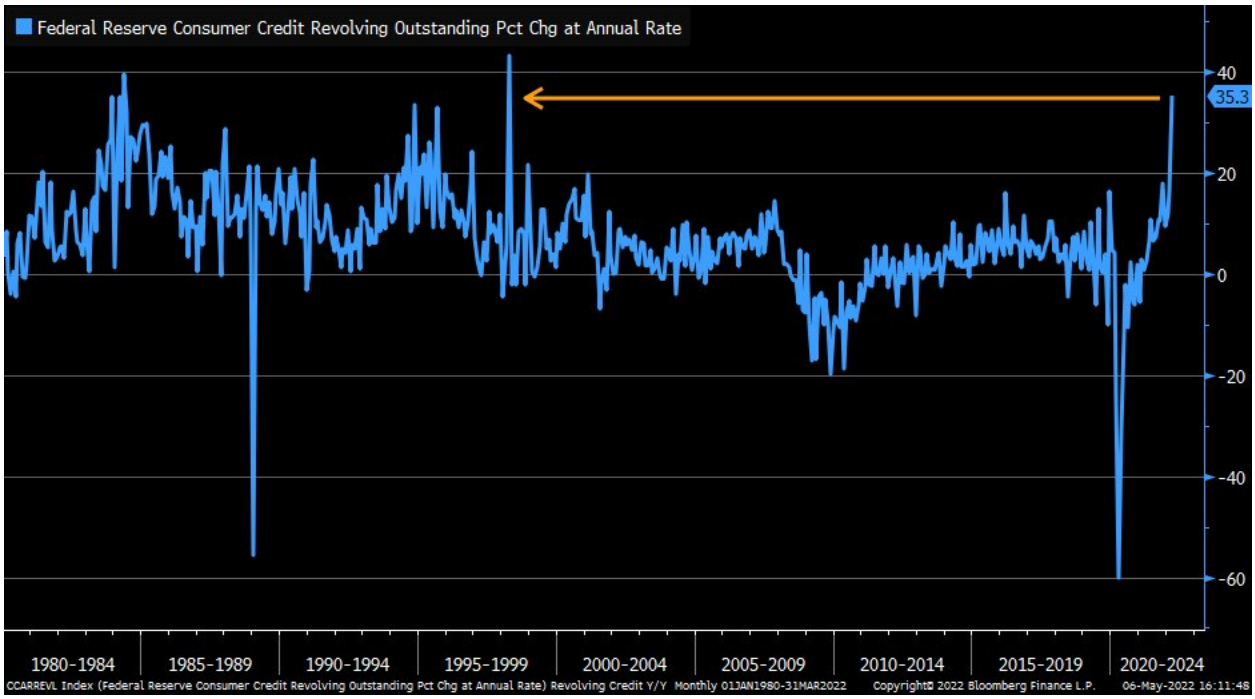
The market needs to rally back above the 410 level on the S&P 500 index soon, or the market will continue to leak lower. We have now broken important stops on several levels that will require a higher cash position in the portfolios. We will update you on trades accordingly at ***SimpleVisor.com*** or in our ***weekly newsletter.***



Credit Cards Fill The Gap

Wages are growing at around 5%, while inflation is nearly 9%. As we have noted, many consumers are getting killed as real wage growth is declining rapidly. Some consumers are using their credit cards to fill the gap. March consumer credit just set a new record at $52.4 billion. The old record was $37.7 billion. The average pre-Covid level was around $15 billion per month. Such spending is

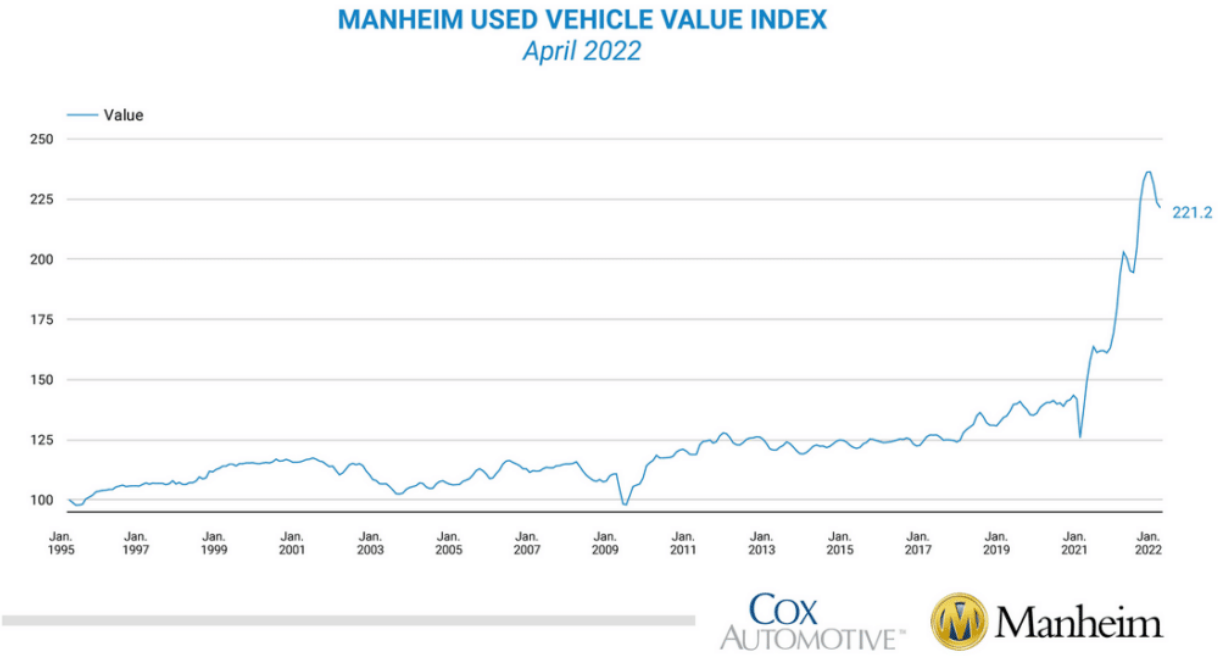
not sustainable and comes at a dear cost to consumers as credit card borrowing rates are near 20%. While credit-based spending may boost retail sales in the short run, it will inhibit them in the long run.



Used Car Prices Are Finally Falling

The Manheim Used Car Index, shown below, recorded its largest 90-day decline in history -6.6%. The demand for used cars is finally slowing, and buyers may have some bargaining power. Per Manheim:

> *The average daily sales conversion rate increased to 58.4% but was below normal for the time of year. For example, the sales conversion rate averaged 60.6% in April 2019.* ***The lower conversion rate indicates that the month saw buyers with more bargaining power for this time of year.***



What Ever Happened to Dogecoin?

A year ago, Elon Musk was on Saturday Night Live and called out the latest cryptocurrency fad DogeCoin as a scam. Before his appearance, Elon Musk was a big supporter of Doge, in fact, he called himself the "Dogefather." The graph below shows Dogecoin stumbled on his statements but rallied back to hit an all-time high days later. Since then, greed for quick profits has faded, and fear has taken over. Dogecoin, like many cryptocurrencies and other once-popular risky assets, is out of favor. Dogecoin is now trading 80+% below last May's highs.



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