

Bill Dudley Bashes The Fed

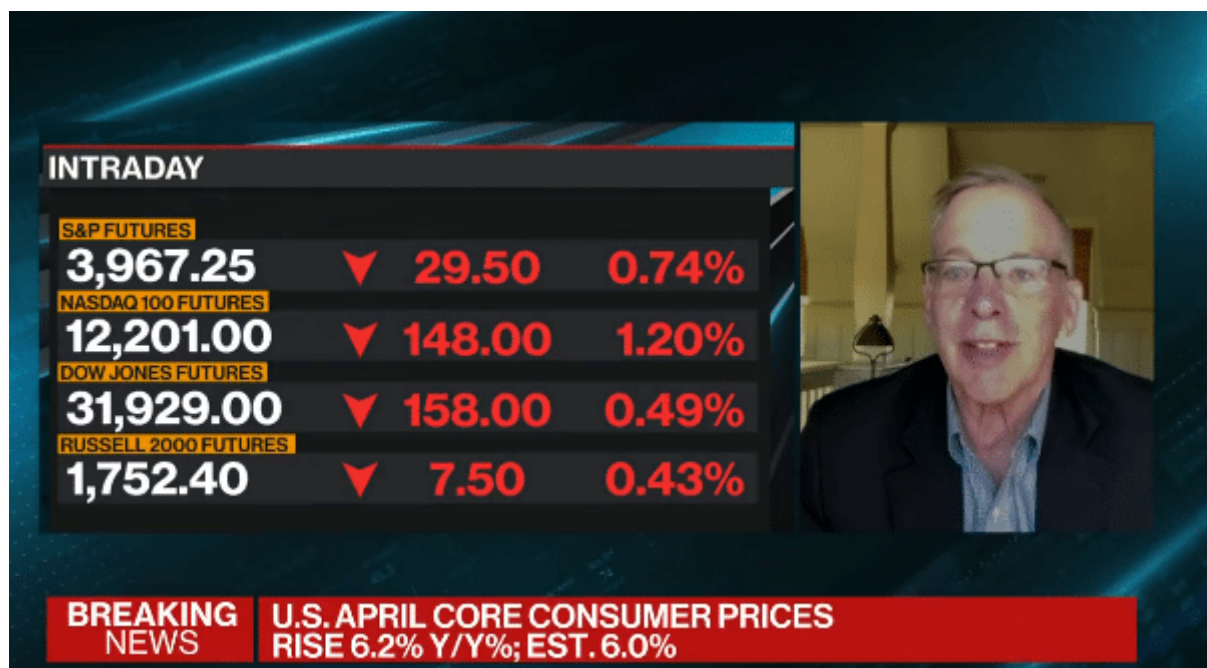
Ex-New York Fed President Bill Dudley seems to have it out for the Fed. Despite spending a decade at the Fed, Bill Dudley has some strong words about what his ex-colleagues are doing. As he claims:

".....Worse, the Fed?s sugarcoating could undermine its credibility, and hence its ability to do its job."

While most Fed members think that inflation will slowly fall, Bill Dudley is raising his forecast. Per the interview:

"I think it's 4%-5% or higher. I was at 3%-4% maybe six months ago? Wouldn't shock me if I'm 5%-6% a few months from now."

Click on the picture below for a snippet from Bill Dudley's interview on Bloomberg.



Real Investment Report

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

[> Subscribe Now!](#)

What To Watch Today

Economy

- 8:30 a.m. ET: **Producer Price Index**, month-over-month, April (0.5% expected, 1.4% in March)
- 8:30 a.m. ET: **Producer Price Index excluding food and energy**, month-over-month, April (0.6% expected, 1.0% in March)
- 8:30 a.m. ET: **Producer Price Index excluding food, energy, trade**, month-over-month, April (0.6% expected, 1.0% in March)
- 8:30 a.m. ET: **Producer Price Index**, year-over-year, April (10.7% expected, 11.2% in March)
- 8:30 a.m. ET: **Producer Price Index excluding food and energy**, year-over-year, April (8.9% expected, 9.2% in March)
- 8:30 a.m. ET: **Producer Price Index excluding food, energy, trade**, year-over-year, April (6.5% expected, 7.0% in March)
- 8:30 a.m. ET: **Initial jobless claims**, week ended May 7 (192,000 expected, 200,000 during prior week)
- 8:30 a.m. ET: **Continuing claims**, week ended April 30 (1.368 million expected, 1.384 million during prior week)

Earnings

Pre-market

- **WeWork** ([WE](#)) to report an adjusted loss of \$0.72 on revenue of \$768 million
- **Six Flags Entertainment** ([SIX](#)) to report an adjusted loss of \$1.04 on revenue of \$122.54 million

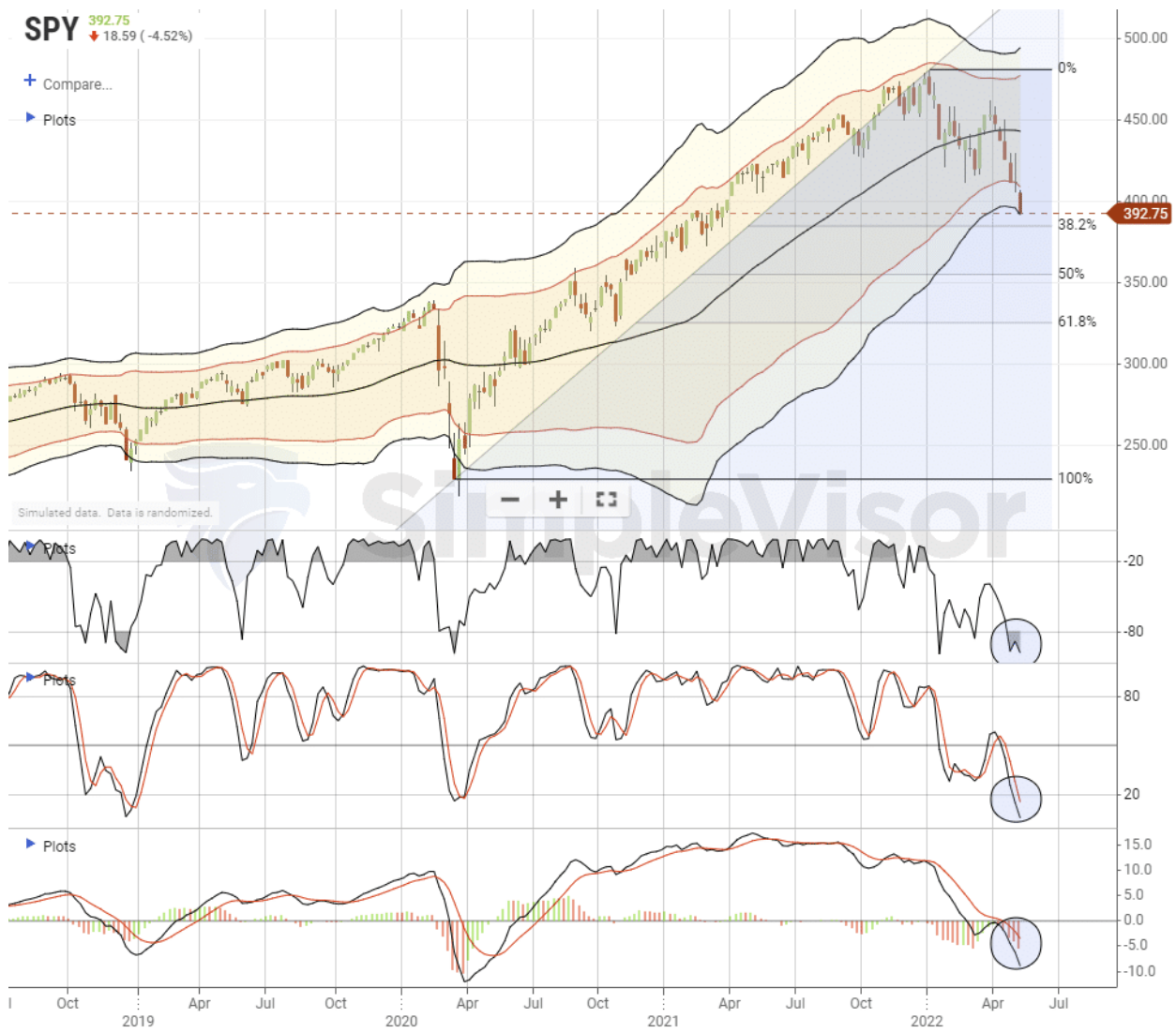
Post-market

- **Affirm** ([AFRM](#)) to report an adjusted loss of \$0.48 on revenue of \$344.33 million
- **Figs Inc.** ([FIGS](#)) to report adjusted earnings of \$0.06 on revenue of \$117.33 million
- **Toast Inc.** ([TOST](#)) to report an adjusted loss of \$0.16 on revenue of \$491.94 million

Market Trading Update - Selling Continues

Bill Dudley's hawkish commentary, and a higher than expected inflation print, kept selling pressure on the market pushing it well into 3-standard deviation territory below the 50-dma. Furthermore, all measures of overbought/oversold conditions are at extremes. While we have been suggesting a tradeable bounce is likely, that hasn't happened yet which is frustrating. However, current conditions are rare and markets don't stay at such oversold conditions for long.

The chart below is a WEEKLY chart of the S&P 500 index ETF (SPY). As noted, SPY is pushing levels of oversold not seen since the March 2020 lows. Also, SPY is near a 38.2% Fibonacci retracement level of the entire rally and is 3-standard deviations below the 1-year moving average. **That only happened in 2018 and 2020 near the lows.**



CPI Inflation Report

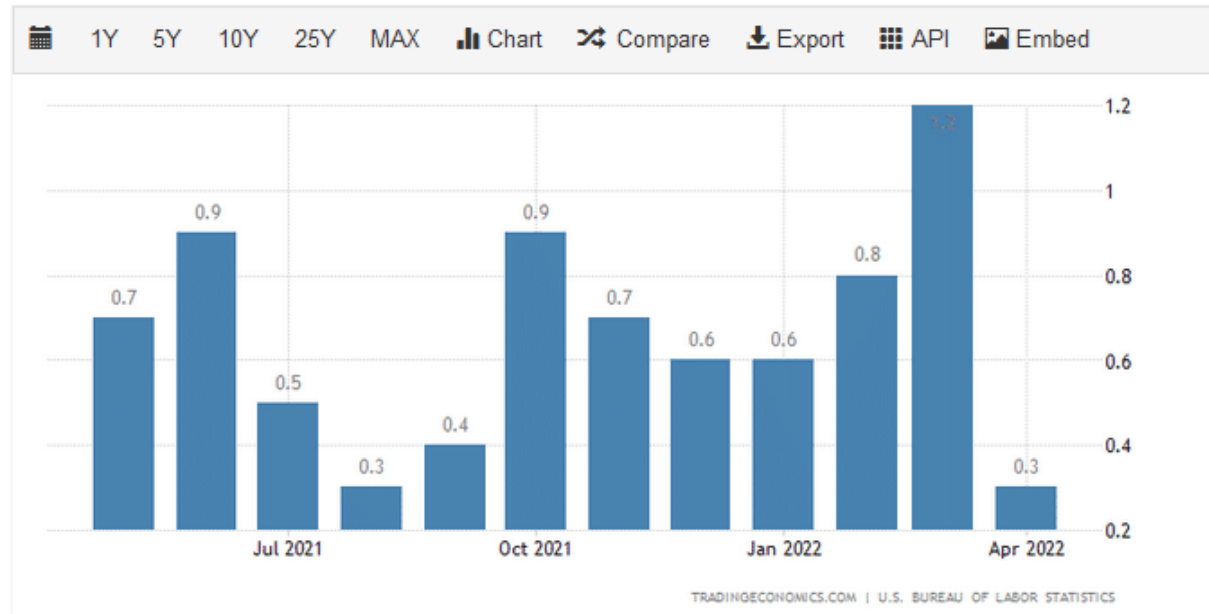
The good news in the CPI report is that the upward trend in prices may have peaked. The monthly inflation rate was +0.3%, equating to +3.6% on an annualized basis. +0.3% compares favorably to +1.2% last month. But the bad news is the market was hoping it would only be up +0.2%. The same story holds for all aspects of the report. All indicators were lower than last month which is positive as it possibly points to a change in momentum. However, they were all higher than expectations.

The year-over-year CPI rate fell from 8.5% to 8.3%. That was the first decline since August 2021. The data does not warrant the Fed to take a step back from its aggressive Fed Funds or QT forecasts. Of importance to the Fed, the monthly core rate (excluding food and energy) rose 0.6%. That was greater than all 67 economic forecasts in a Bloomberg survey.

United States Inflation Rate MoM

Summary Calendar Forecast Stats Alerts Download ▾

The Consumer Price Index in the United States increased 0.30 percent in April of 2022 over the previous month. source: U.S. Bureau of Labor Statistics



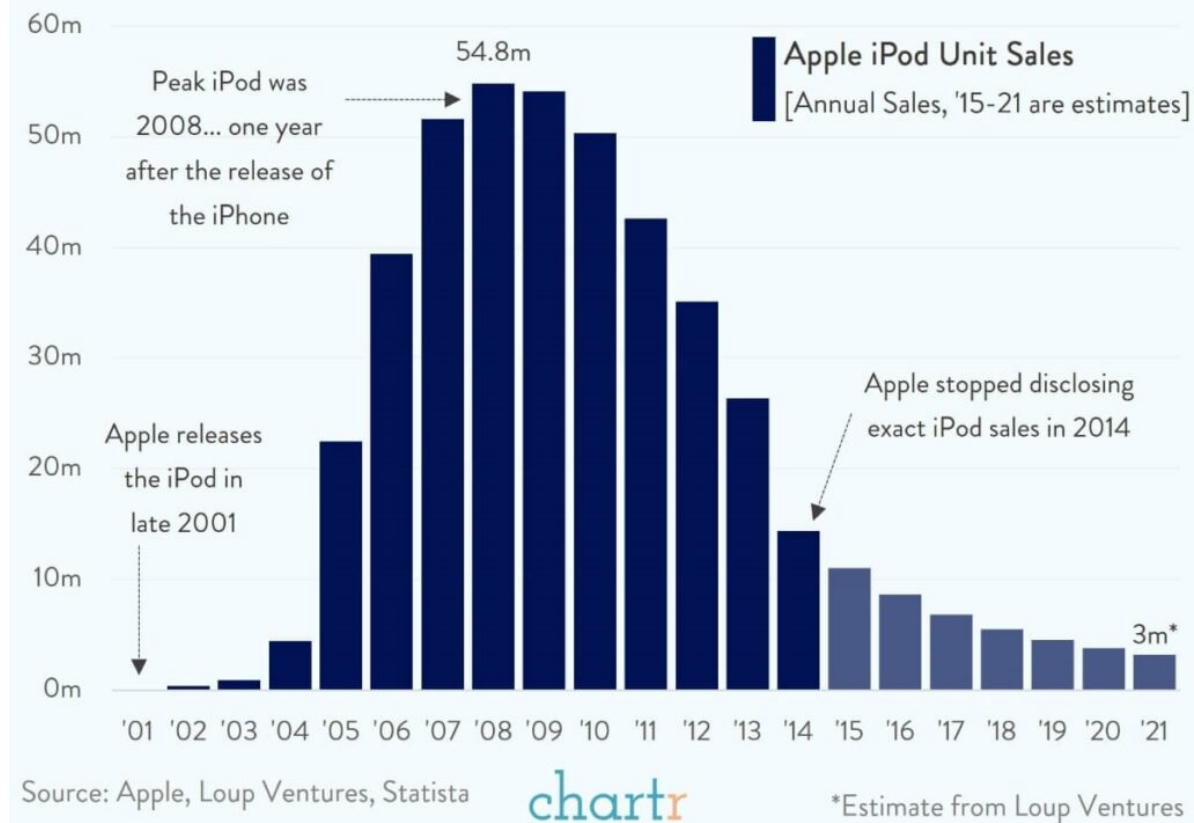
The Rise And Fall Of Ipod

It's the end of an era and Apple pulls the plug on iPod. From Chartr:

*"The iPod, and other MP3 players, offered an alternative to the mostly-linear way that albums used to be listened to on CD or vinyl ? and they were just **so much more convenient**. '1,000 songs in your pocket' was a powerful slogan that quickly became 2,000, then 4,000, and 16,000 as storage capacity expanded. The fact that **most people** only had a few hundred songs to fill their iPods with was irrelevant.*

*Of course, nothing lasts forever in tech, and this week **Apple announced** it was going to discontinue the product line, marking the official end of the iPod era. iPod sales peaked with Apple selling more than **50 million** units every year. Indeed, before the rise of the iPhone, the iPod was the company's crown jewel alongside the Mac ? in 2006 the iPod was roughly **40%** of Apple's revenue."*

The Rise & Fall Of The iPod



TPA Calls For a Rally

The following market call is from Jeffery Marcus of Turning Point Analytics (TPA). His excellent research can be found on [SimpleVisor](#) for those interested to learn more about what Jeff offers subscribers.

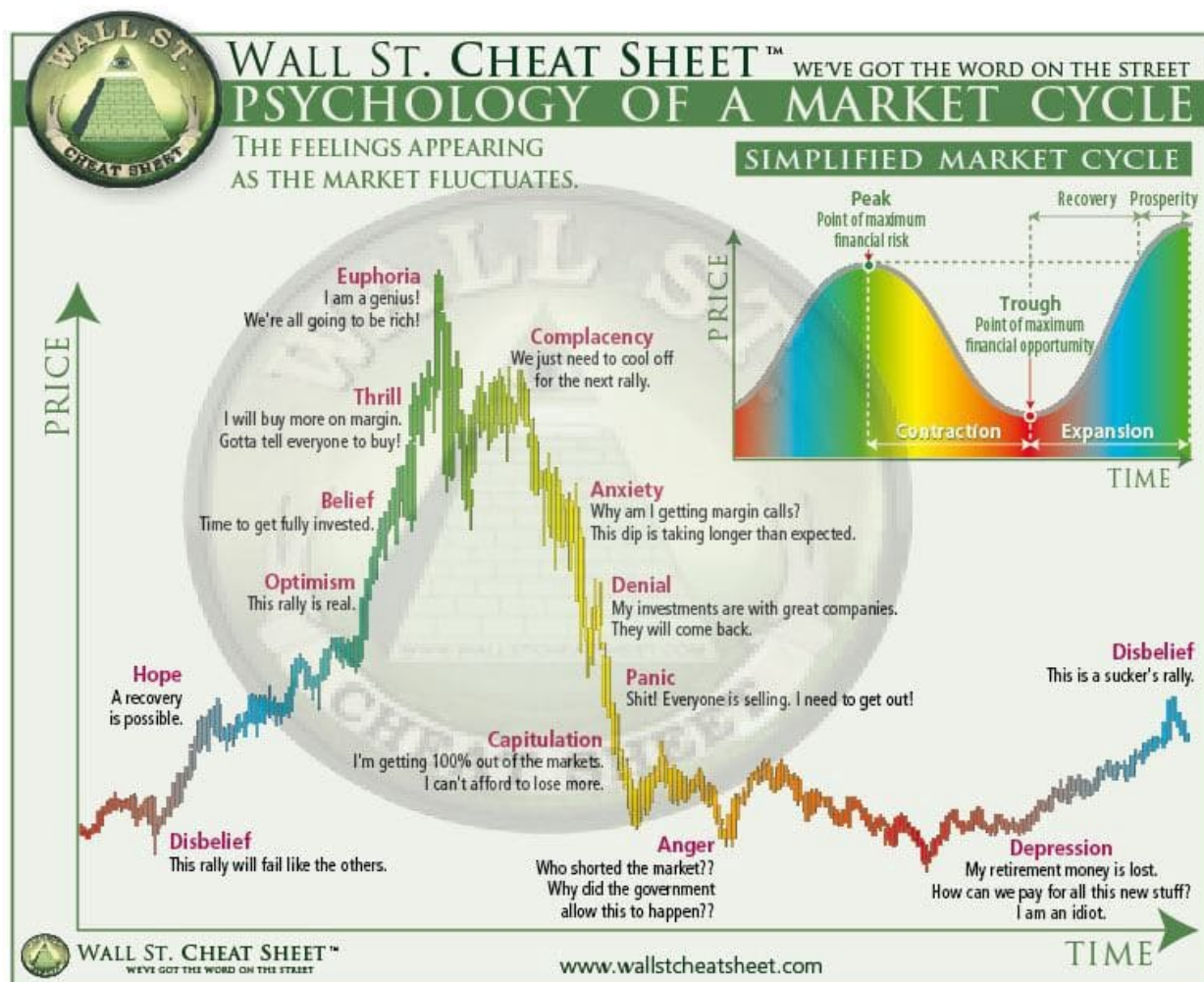
The TPA Marketscope has identified an intermediate-term extreme for stocks. **The percent of stocks in the Russell 1000 that are trading above their 50DMA hit 13% yesterday.** Since TPA was founded in 2009, 13 years ago, we have found that this signal has marked a low extreme for the market. This signal has been correct on a consistent basis, although not 100% of the time. When the percent of stocks trading above their 50DMA goes below 15%, the market is oversold and there has been a very consistent move higher for the intermediate-term.

Clients should expect stocks to be more positive for the intermediate-term. TPA defines the intermediate-term as 50 trading days or approximately 2.3 months.

TPA MARKETSCOPE (most indicators use Top 1000 stocks, detailed explanation below)					Wednesday, May 11, 2022	TURNING POINT ANALYTICS
Since 2009, TPA has used the indicators below to identify extreme inflection points in the market for institutional clients.						
INDICATORS	TODAY	EXTREME LIMITS		ALERT	HISTORICAL IMPORTANCE	
Short Term Market Score (SPY, see below)	-2.3089	-3.50	4.00	BUY	Works better for the BUY side - accurate on the BUY side 4 out of 5 times since 2010.	
Percent Stocks Above 2 STD DEV Bollinger Band	0.19%		40%		Valid short term indicator of an overbought market.	
Percent Stocks Below 2 STD DEV Bollinger Band	22.23%	40%			Valid short term indicator of an oversold market.	
Percent Stocks Above 50DMA	13.88%	15%	85%	Extreme	Very accurate on the BUY side. Effective irregularly on the SELL side.	
Percent Stocks RSI above 70	0.39%		30%		Mildly successful on predicting short term tops.	
Percent Stocks RSI below 30	19.51%	55%			Valid indicator of short term lows.	
Percent Stocks 50DMA > 200DMA	35.34%	25%	70%		Medium term indicator of a low extreme and high extreme. (see note below)	
Percent R1000 @ bottom 10% of 2 Std Dev BB Band	13.90%		40%		Monitor	
Percent R1000 @ top 10% of 2 Std Dev BB Band	0.30%	40%			Monitor	

Investor Psychology

Over the past six to nine months, we have seen many SPACs, meme stocks, high-growth technology stocks, and cryptocurrencies form a traditional bubble/bubble popping pattern. The "A" shape in the graph below shows this pattern. Further, it shows the typical investor feelings that appear at various stages in the bubble and its downfall. The critical takeaway as we see many examples of the pattern is to realize where we are in the cycle. There are many stocks now entering the "Anger" phase. As shown, the Anger phase is near the lows of the process but, it takes a long time for trust to return to the stock. As such, there are a series of fits and starts before it starts rising. The bottom line is that prices may seem cheap, but they can stay cheap for much longer than you think.



New Risks In Crypto

Coinbase (COIN) released its earnings yesterday. COIN fell over 10% on Wednesday after reporting a first-quarter loss of \$429 million. In addition to a much larger than expected loss, its revenue fell well short of expectations. COIN stock is down nearly 90% since peaking in November.

Buried within their SEC 10-Q filing is some new legal language worth considering if you have a Coinbase account or possibly a cryptocurrency account at another custodian. Essentially, the new legalese states that if COIN goes bankrupt, its clients could see some or all of their assets lost to the company's creditors. SPIC insurance, which covers stock investors at firms like Fidelity, TD, and Charles Schwab, does not apply to cryptocurrency custodians.

"Moreover, because custodially held crypto assets may be considered to be the property of a bankruptcy estate, in the event of a bankruptcy, the crypto assets we hold in custody on behalf of our customers could be subject to bankruptcy proceedings and such customers could be treated as our general unsecured creditors."



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.