

WMT Strikes Again

A few months ago, we wrote the following about WMT's first quarter earnings: *"Walmart is the world's largest retailer. Accordingly, their results are indicative of the challenging climate facing consumers and many retail-oriented businesses. Personal consumption accounts for two-thirds of GDP."* WMT stock fell 12% on the weak outlook and comments about the fastly deteriorating health of personal consumption.

[WMT strikes again.](#) On Monday night, WMT fell about 10% on a warning to its investors. It forecasts operating profits would be lower than expected in the second quarter and throughout 2023 (-13 to -14%, -9% to -11%, respectively). The following line caught our attention and follows their prior warnings: *"The increasing levels of food and fuel inflation are affecting how customers spend, and while we've made good progress clearing hardline categories, apparel in Walmart U.S. is requiring **more markdown dollars.**"*



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What To Watch Today

Economy

8:30 am **Durable goods orders** for June, forecast -0.4%, prior 0.8%

8:30 am **Core capital equipment** orders for June, prior -0.6%

8:30 am **Advance report on trade** in goods for June, prior -\$104.3 billion

10 am **Pending home sales** index for June, forecast -1.0%, prior 0.7%

2 pm **Fed funds target rate** forecast 2.25%-2.50%, prior 1.5%-1.75%

2:30 pm **Fed Chair Jerome Powell press conference**

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year' EPS*
🕒	META	Meta Platforms, Inc.	\$458,099,359,717	Jun/2022	\$2.51	10	07/28/2021	\$3.61
🕒	QCOM	QUALCOMM Incorporated	\$172,144,000,000	Jun/2022	\$2.51	9	07/28/2021	\$1.66
☀️	TMUS	T-Mobile US, Inc.	\$166,074,918,675	Jun/2022	\$0.41	11	07/29/2021	\$0.78
☀️	BMJ	Bristol-Myers Squibb Company	\$155,315,238,569	Jun/2022	\$1.79	8	07/28/2021	\$1.93
☹️	EQNR	Equinor ASA	\$110,636,898,152	Jun/2022	\$1.44	2	07/28/2021	\$0.49
☀️	BA	Boeing Company (The)	\$93,573,123,347	Jun/2022	(\$0.08)	5	07/28/2021	\$0.40
☀️	ADP	Automatic Data Processing, Inc.	\$92,046,407,471	Jun/2022	\$1.48	9	07/28/2021	\$1.20
🕒	NOW	ServiceNow, Inc.	\$89,559,461,481	Jun/2022	\$0.12	10	07/28/2021	\$0.38
☀️	CME	CME Group Inc.	\$73,494,462,925	Jun/2022	\$1.92	7	07/28/2021	\$1.64
☀️	SHW	Sherwin-Williams Company (The)	\$67,376,609,567	Jun/2022	\$2.81	9	07/27/2021	\$2.65
🕒	LRCX	Lam Research Corporation	\$64,362,385,377	Jun/2022	\$7.30	11	07/28/2021	\$8.09
☀️	WM	Waste Management, Inc.	\$64,328,024,383	Jun/2022	\$1.36	8	07/27/2021	\$1.27
☀️	HUM	Humana Inc.	\$61,851,478,775	Jun/2022	\$7.67	8	07/28/2021	\$6.89
☀️	GD	General Dynamics Corporation	\$60,195,360,727	Jun/2022	\$2.72	6	07/28/2021	\$2.61
🕒	EQIX	Equinix, Inc.	\$59,508,233,711	Jun/2022	\$6.43	5	07/28/2021	\$7.01
☀️	NSC	Norfolk Southern Corporation	\$57,938,634,153	Jun/2022	\$3.44	8	07/28/2021	\$3.28
☀️	BSX	Boston Scientific Corporation	\$54,495,254,105	Jun/2022	\$0.42	11	07/27/2021	\$0.40
🕒	F	Ford Motor Company	\$51,533,391,851	Jun/2022	\$0.43	5	07/28/2021	\$0.13
☀️	AEP	American Electric Power Company, Inc.	\$48,452,893,005	Jun/2022	\$1.18	3	07/22/2021	\$1.18
☀️	SHOP	Shopify Inc.	\$47,146,452,243	Jun/2022	(\$0.10)	25	07/28/2021	\$0.15
☀️	KHC	The Kraft Heinz Company	\$46,905,390,259	Jun/2022	\$0.67	7	08/04/2021	\$0.78
🕒	ORLY	O'Reilly Automotive, Inc.	\$45,232,243,678	Jun/2022	\$9	8	07/28/2021	\$8.33
☹️	SU	Suncor Energy Inc.	\$42,535,265,946	Jun/2022	\$1.74	4	07/28/2021	\$0.39
☀️	APH	Amphenol Corporation	\$41,692,211,745	Jun/2022	\$0.67	7	07/28/2021	\$0.61
☹️	SAN	Banco Santander, S.A.	\$41,146,283,880	Jun/2022	\$0.14	1	07/28/2021	\$0.13
☀️	TEL	TE Connectivity Ltd.	\$40,708,727,602	Jun/2022	\$1.75	7	07/28/2021	\$1.79
☹️	BSBR	Banco Santander Brasil SA	\$37,296,855,000	Jun/2022	\$0.21	3	07/28/2021	\$0.05
🕒	CTSH	Cognizant Technology Solutions	\$36,013,112,205	Jun/2022	\$1.09	9	07/28/2021	\$0.99

Market Trading Update - 50-dma Support Holds...Barely.

Yesterday, the market sold off following Walmart's (WMT) poor earnings announcement, which fueled concerns of an oncoming recession. Today, the FOMC will announce its latest rate decision which is expected to be a 0.75 bps increase and no change to the current trajectory of Quantitative Tightening. While the market remains on a MACD buy signal, as noted yesterday, the lack of progress in the market is eating up that buy signal. As such, the upside for this rally is becoming much more constrained. Continue to trade definitively, raise cash levels, and reduce risk as needed.

If the market can hold the 50-dma and rally above Friday's highs, then the potential for a further rally becomes clearer. However, a break of the 50-dma will likely signal a retest of recent lows. In either event, the risk/reward tradeoff isn't great, so holding some extra cash as a hedge makes sense.

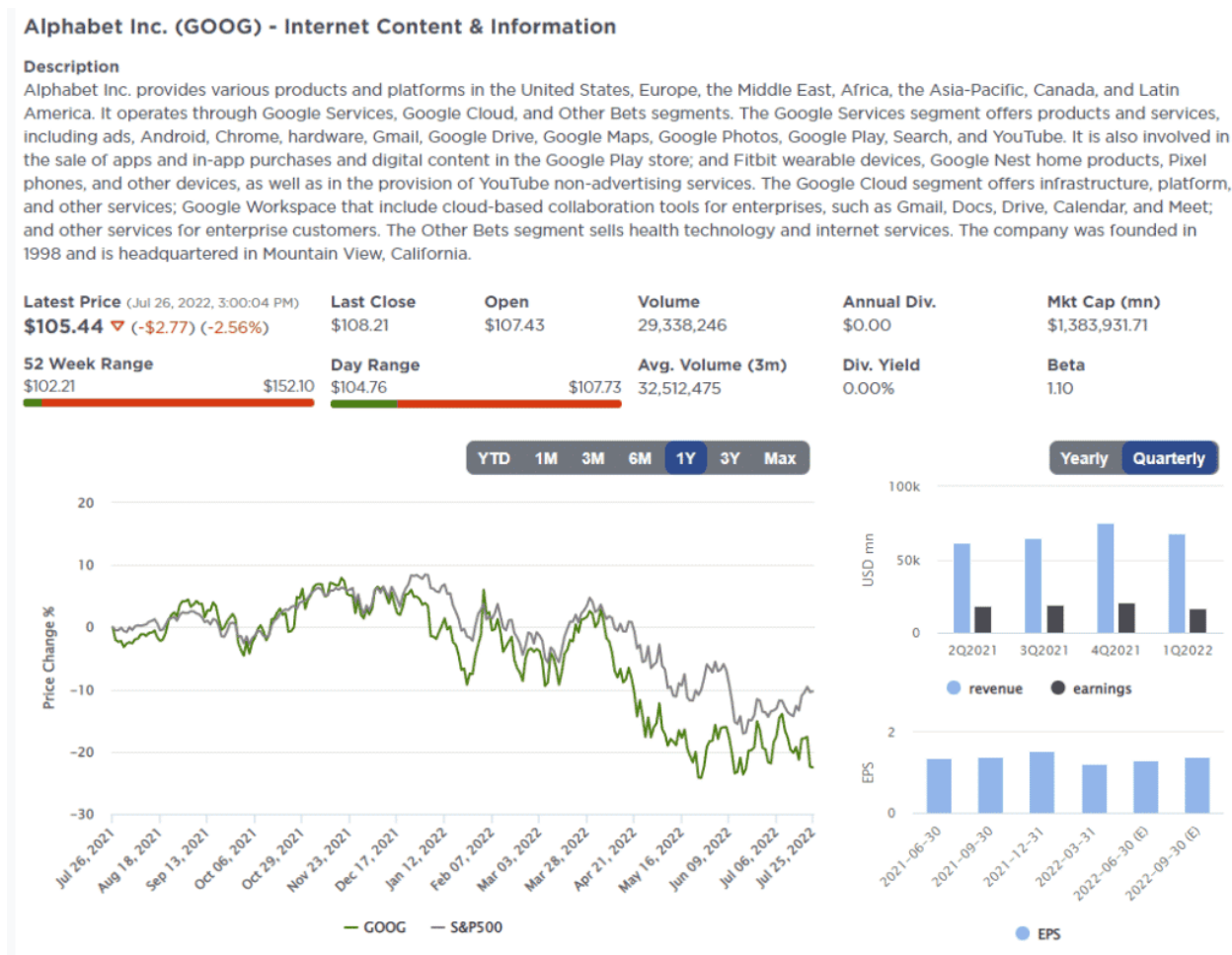


Google Misses Earnings

Alphabet reported weaker-than-expected earnings and revenue for the second quarter. The shares are trading higher this morning, suggesting much of the bad news is priced in.

- **Earnings per share (EPS):** \$1.21 vs \$1.28 expected, according to Refinitiv

- **Revenue:** \$69.69 billion vs \$69.9 billion expected, according to Refinitiv
- **YouTube advertising revenue:** \$7.34 billion vs. \$7.52 billion expected, according to StreetAccount
- **Google Cloud revenue:** \$6.28 billion vs. \$6.41 billion expected, according to StreetAccount.
- **Traffic acquisition costs (TAC):** \$12.21 billion vs \$12.41 billion expected, according to StreetAccount



Microsoft Earnings Miss

Microsoft's shares fell 1% in extended trading after the software maker reported fiscal fourth-quarter results that failed to reach Wall Street consensus. Like GOOG, shares are trading higher this morning.

- **Earnings:** \$2.23 per share, adjusted, vs. \$2.29 per share as expected by analysts, according to Refinitiv.
- **Revenue:** \$51.87 billion, vs. \$52.44 billion as expected by analysts, according to Refinitiv.

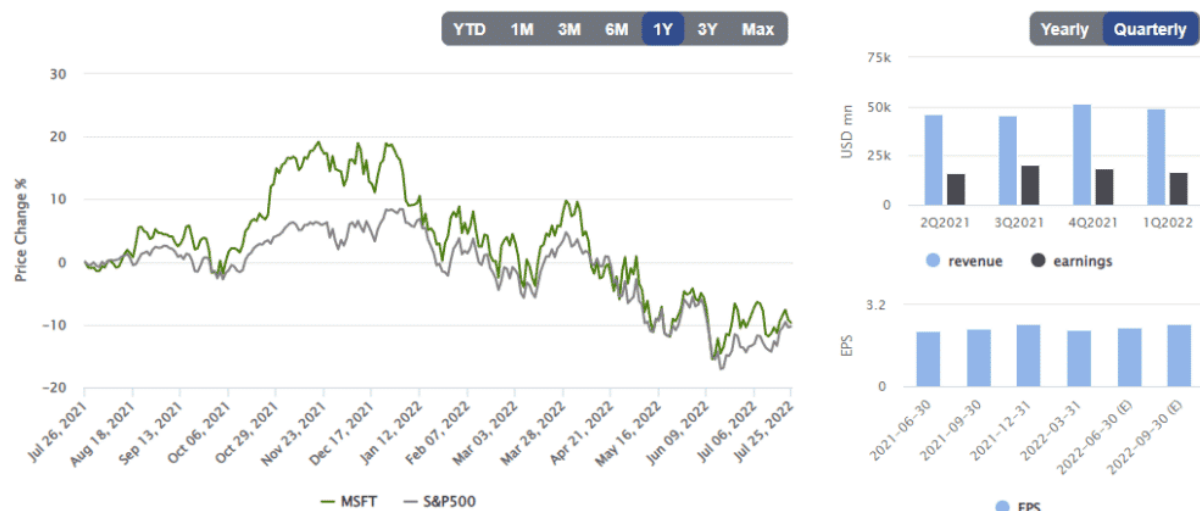
Microsoft's revenue increased by 12% year over year in the quarter, which ended on June 30, compared with 18% growth in the previous quarter. according to a statement. Net income moved up 2% to \$16.74 billion.

Microsoft Corporation (MSFT) - Software—Infrastructure

Description

Microsoft Corporation develops, licenses, and supports software, services, devices, and solutions worldwide. Its Productivity and Business Processes segment offers Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business, as well as related Client Access Licenses (CAL); Skype, Outlook.com, OneDrive, and LinkedIn; and Dynamics 365, a set of cloud-based and on-premises business solutions for organizations and enterprise divisions. Its Intelligent Cloud segment licenses SQL, Windows Servers, Visual Studio, System Center, and related CALs; GitHub that provides a collaboration platform and code hosting service for developers; and Azure, a cloud platform. It also offers support services and Microsoft consulting services to assist customers in developing, deploying, and managing Microsoft server and desktop solutions; and training and certification on Microsoft products. Its More Personal Computing segment provides Windows original equipment manufacturer (OEM) licensing and other non-volume licensing of the Windows operating system; Windows Commercial, such as volume licensing of the Windows operating system, Windows cloud services, and other Windows commercial offerings; patent licensing; Windows Internet of Things; and MSN advertising. It also offers Surface, PC accessories, PCs, tablets, gaming and entertainment consoles, and other devices; Gaming, including Xbox hardware, and Xbox content and services; video games and third-party video game royalties; and Search, including Bing and Microsoft advertising. It sells its products through OEMs, distributors, and resellers; and directly through digital marketplaces, online stores, and retail stores. It has collaborations with Dynatrace, Inc., Morgan Stanley, Micro Focus, WPP plc, ACI Worldwide, Inc., and iCIMS, Inc., as well as strategic relationships with Avaya Holdings Corp. and wejo Limited. Microsoft Corporation was founded in 1975 and is based in Redmond, Washington.

Latest Price (Jul 26, 2022, 3:00:04 PM) \$251.90 ▼ (-\$6.93) (-2.68%)	Last Close \$258.83	Open \$259.86	Volume 34,029,344	Annual Div. \$2.42	Mkt Cap (mn) \$1,883,967.59
52 Week Range \$241.51 — \$349.67	Day Range \$249.57 — \$259.87	Avg. Volume (3m) 30,854,719	Div. Yield 0.93%	Beta 0.93	



Inflation at the Ballpark

ESPN recently published [How inflation is affecting your wallet at the ballpark concession stand this season](#). The article details how prices are affecting baseball fans. ESPN's article opens as follows:

It's costing more to root, root, root for the home team, especially if you want to pony up for peanuts *and* Cracker Jack.

The article shares information on the rising costs for vendors and, ultimately, baseball fans. It also discusses the broken supply lines and provides a few examples of what vendors did to supply the stadiums. For example, the CEO of Delaware North, who supplies the Atlanta Braves ballpark, stated the following:

"Our commissary team drove through the night to another [team's park] whose season had ended ? to load up a U-Haul truck and drive back to Atlanta to sell at the game the next night," Obletz said.



An official from one vendor said the company's cost to acquire hot dogs increased between 20% and 30% from January 2021 to May 2022 -- the "highest annual increase in the past thirty years." MLB/Los Angeles Dodgers

New Home Sales and the Case-Shiller House Price Index

New home sales continue to fall as home buyer affordability plummets due to high mortgage rates and house prices. Despite new and existing home sales falling, house prices are not yet greatly affected. The Case-Shiller House Price Index was up last month by 1.5%, but because it was less than the monthly rate a year ago, the year-over-year rate fell slightly to 20.5%. While the index is starting to peak, the decline is minor. Given that housing/rent costs contribute about a third to CPI, high inflation rates may stay persistent longer than the Fed would like.

United States New Home Sales

Summary Calendar Forecast Stats Alerts Download ▾

1Y 5Y 10Y 25Y MAX Chart Compare Export API Embed



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United States Case Shiller Home Price Index YoY

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House prices remain elevated although a more-challenging macroeconomic environment may not support strong home price growth for much longer as mortgage costs are rising. source: Standard & Poor's

1Y 5Y 10Y 25Y MAX Chart Compare Export API Embed

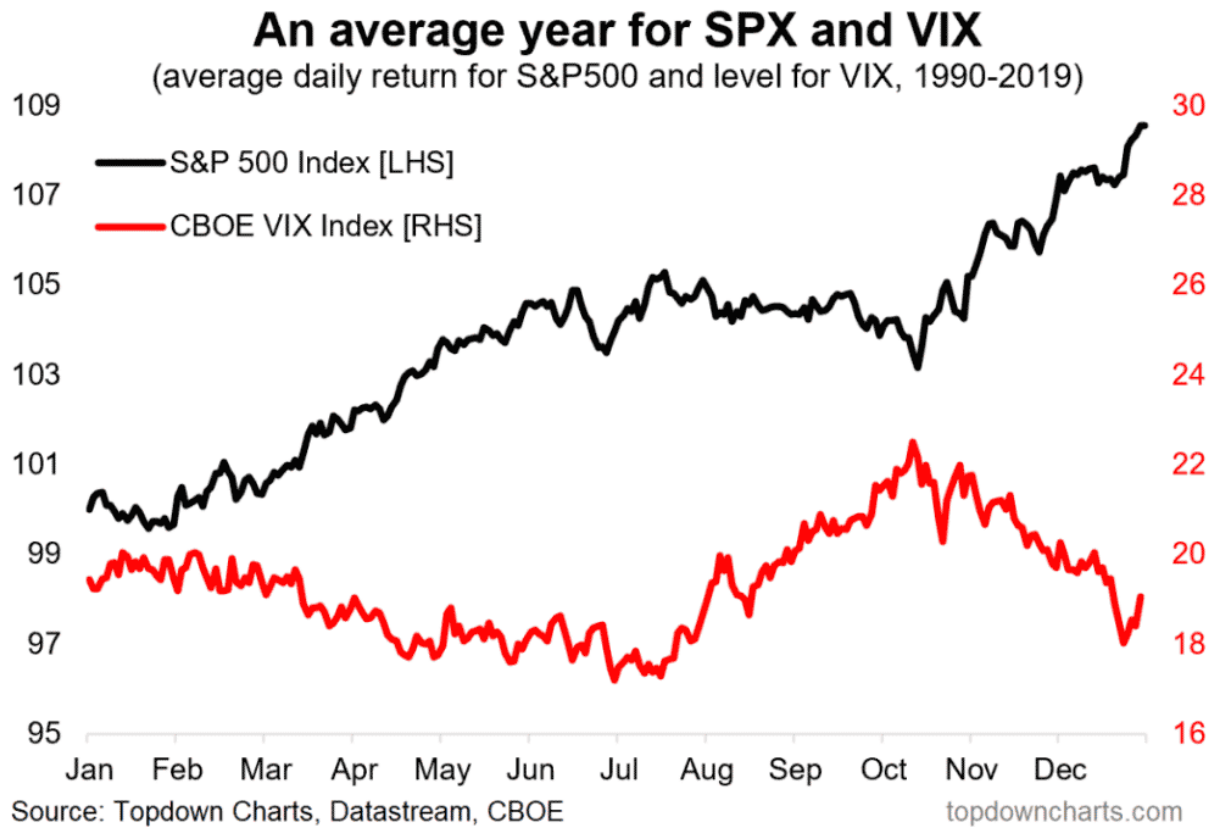


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Summer Market Doldrums

The graph below from Topdowncharts.com shows that based on seasonal patterns, we should expect the S&P 500 to be relatively flat for the next few months. While flat returns would argue for less volatility, the data argue the VIX will pick up into late October. Given the current situation with inflation, the Fed, and weakening economic growth, we suspect volatility will stay high for the

foreseeable future. Such does not necessarily mean stocks will decline. But, it potentially presents opportunities to hedge with volatility when it gets to the lower end of its recent range.



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