Euro-Dollar Parity - RIA

[ad_1]

For the first time in 20 years, the euro-dollar pair is trading below 1.00 (parity). As we share in a section below and in the Tweet of the Day, the price of natural gas and, ultimately, electricity and power are surging. Gas prices are rising worldwide, but the Russian/Ukrainian conflict is making it worse in Europe. As a result, European nations are experiencing higher, more persistent inflation than the U.S. and dampened economic activity. The euro-dollar has been weak for the last two years as the ECB has slowly acknowledged and acted on inflation. At the same time, the Fed has been aggressive in its inflation fight. Unless the ECB takes on a more aggressive monetary policy, the euro-dollar will likely continue lower.

> ?*A severe recession in Europe might not cause a recession in the US, but it certainly would depress the earnings of many US corporations? It would strengthen the US dollar further, which would also depress earnings of US companies with sales in Europe*? -Ed Yardeni







What To Watch Today

Economy

- **MBA mortgage applications**
- **Durable goods orders**, July (+0.8% expected, +2% previously)
- **Durable goods orders excluding transportation**, July (+0.2% expected; +0.4% previously)
- **Pending home sales**, July (-2% expected, -8.6% previously)

Earnings

	Company	Time	Estimate		Growth (Show only confirmed?)	Surprise
RY	Royal Bank of Canada	BMO	$1.97	$9.64 B	-19.4%	+ = -
NVDA	NVIDIA Corp.	4:20 PM ET	$0.49	$8.10 B	24.5%	+ = -
CRM	Salesforce	4:05 PM ET	$1.02	$7.70 B	21.5%	+ = -
WSM	Williams-Sonoma, Inc.	4:15 PM ET	$3.52	$2.03 B	4.2%	+ = -
VSCO	Victoria's Secret & Co.	4:15 PM ET	$0.91	$1.57 B	-2.7%	+ = -
NTAP	NetApp	4:00 PM ET	$1.09	$1.55 B	6.3%	+ = -
WOOF	Petco Health and Wel...	7:30 AM ET	$0.23	$1.50 B	4.6%	+ = -
ADSK	Autodesk, Inc.	4:00 PM ET	$1.57	$1.22 B	15.1%	+ = -
EAT	Brinker International, ...	6:45 AM ET	$1.17	$1.02 B	1.1%	+ = -
IIVI	II-VI Incorporated	6:55 AM ET	$0.94	$858.68 M	6.3%	+ = -
DY	Dycom Industries Inc.	6:00 AM ET	$0.99	$932.74 M	18.4%	+ = -
GES	Guess?, Inc.	4:15 PM ET	$0.41	$635.52 M	1.1%	+ = -
SPLK	Splunk Inc.	4:00 PM ET	($0.37)	$747.55 M	23.4%	+ = -
BMA	Banco Macro S.A.	5:45 PM ET	$0.62	$245.49 M	-56.2%	+ = -
SNOW	Snowflake	4:05 PM ET	($0.02)	$467.05 M	71.6%	+ = -
CTRN	Citi Trends Inc.	6:45 AM ET	$0.19	$199.59 M	-15.9%	+ = -
PAHC	Phibro Animal Health ...	4:25 PM ET	$0.40	$246.02 M	11.7%	+ = -
BOX	Box, Inc.	4:05 PM ET	$0.28	$244.90 M	14.2%	+ = -
PSEC	Prospect Capital Cor...	7:05 PM ET	$0.19	$176.60 M	12.2%	+ = -

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Market Trading Update

In yesterday?s 3-Minutes On Markets & Money, I suggested that the early morning strength in the market was not likely to last and that the markets could trade lower by the day?s end. One of the overriding issues currently is the confirmed MACD crossover which suggests the markets could be under some selling pressure heading into Powell?s Jackson Hole Conference. The 100-dma provides the most significant support near term at roughly 4100. A failure there, and as noted yesterday, the 50-dma becomes critical.

With respect to the 50-dma, that moving average has turned from a negative to positive trend slope, which is historically bullish. The market has reached very slight oversold conditions, so a rally today will not be surprising. However, it should most likely be sold for the time being. Be patient and wait for the next buy signal to increase exposures significantly.

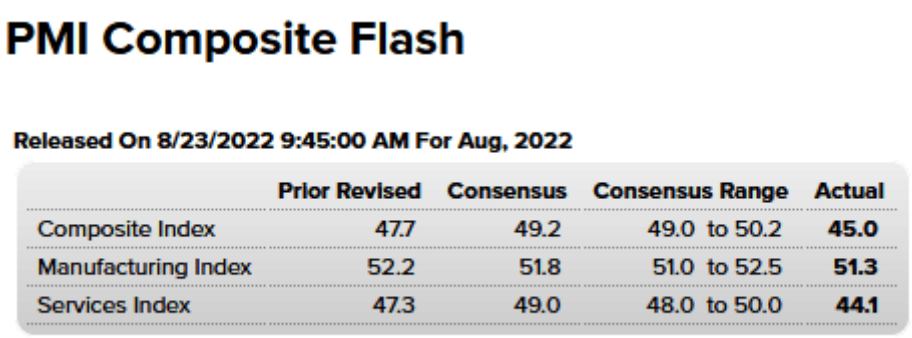


TradingView

MACD (12, 26, close, 9) −14.50 62.11 76.61
80.00
40.00
0.00
-40.00

Flash PMI Points to Economic Contraction

The PMI Composite Flash is a preliminary reading of the coming PMI Manufacturing and Service surveys. The flash data is released ten days prior to the official release and contains approximately 85% of the survey results. As we share below, the initial index is well below consensus and the prior month?s reading. Manufacturing slipped slightly, but it appears the services sector is much more pessimistic about their respective economic outlooks. As we show in the second graph, the PMI survey has a strong correlation with economic activity. Readings below 40 are often accompanied by recessions.



PMI Composite Flash

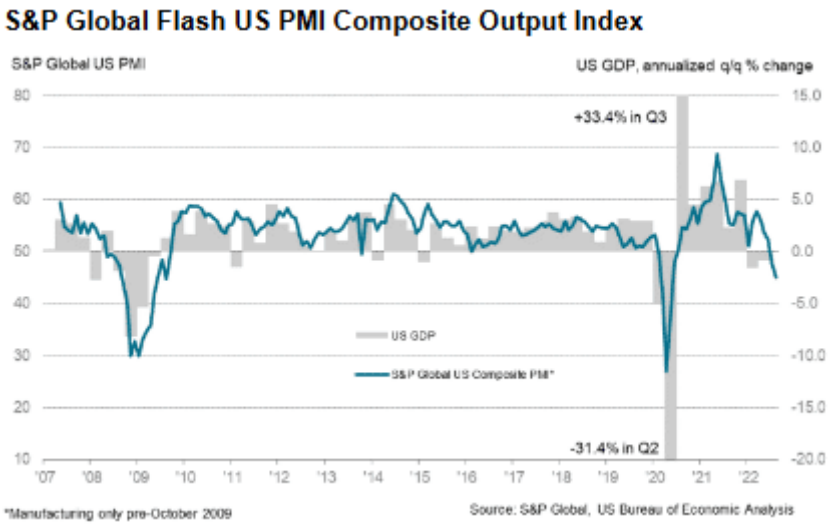
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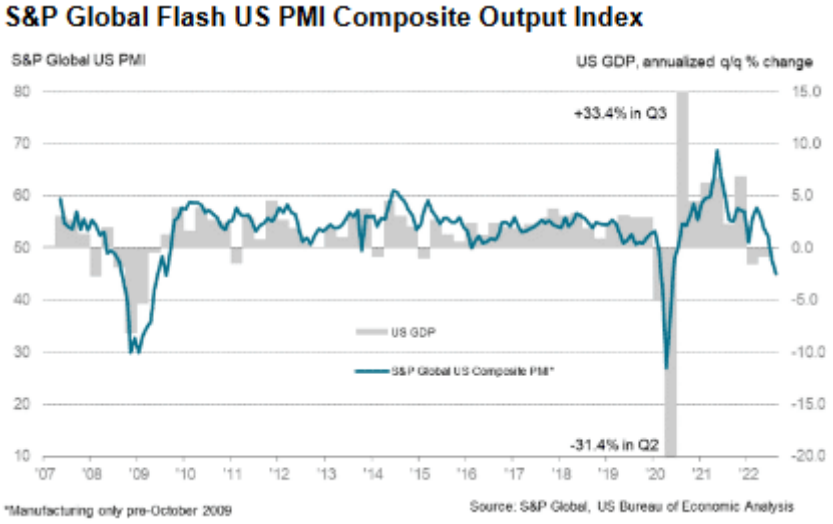
	Prior Revised	Consensus	Consensus Range	Actual
Composite Index	47.7	49.2	49.0 to 50.2	**45.0**
Manufacturing Index	52.2	51.8	51.0 to 52.5	**51.3**
Services Index	47.3	49.0	48.0 to 50.0	**44.1**

PMI Composite Flash

Released On 8/23/2022 9:45:00 AM For Aug, 2022

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Composite Index	47.7	49.2	49.0 to 50.2	**45.0**
Manufacturing Index	52.2	51.8	51.0 to 52.5	**51.3**
Services Index	47.3	49.0	48.0 to 50.0	**44.1**





Two for the Bulls and Two for the Bears

The graph below, courtesy of Nautilus, shows four analogs with robust statistical correlation. If the bullish analogs hold, we would get a second dip to recent lows and then a ramp higher. Conversely, if the recent downdraft continues past the June lows, we may want to brace for a much larger bear market.

For the Bulls





For the Bears





NAUTILUS INVESTMENT RESEARCH

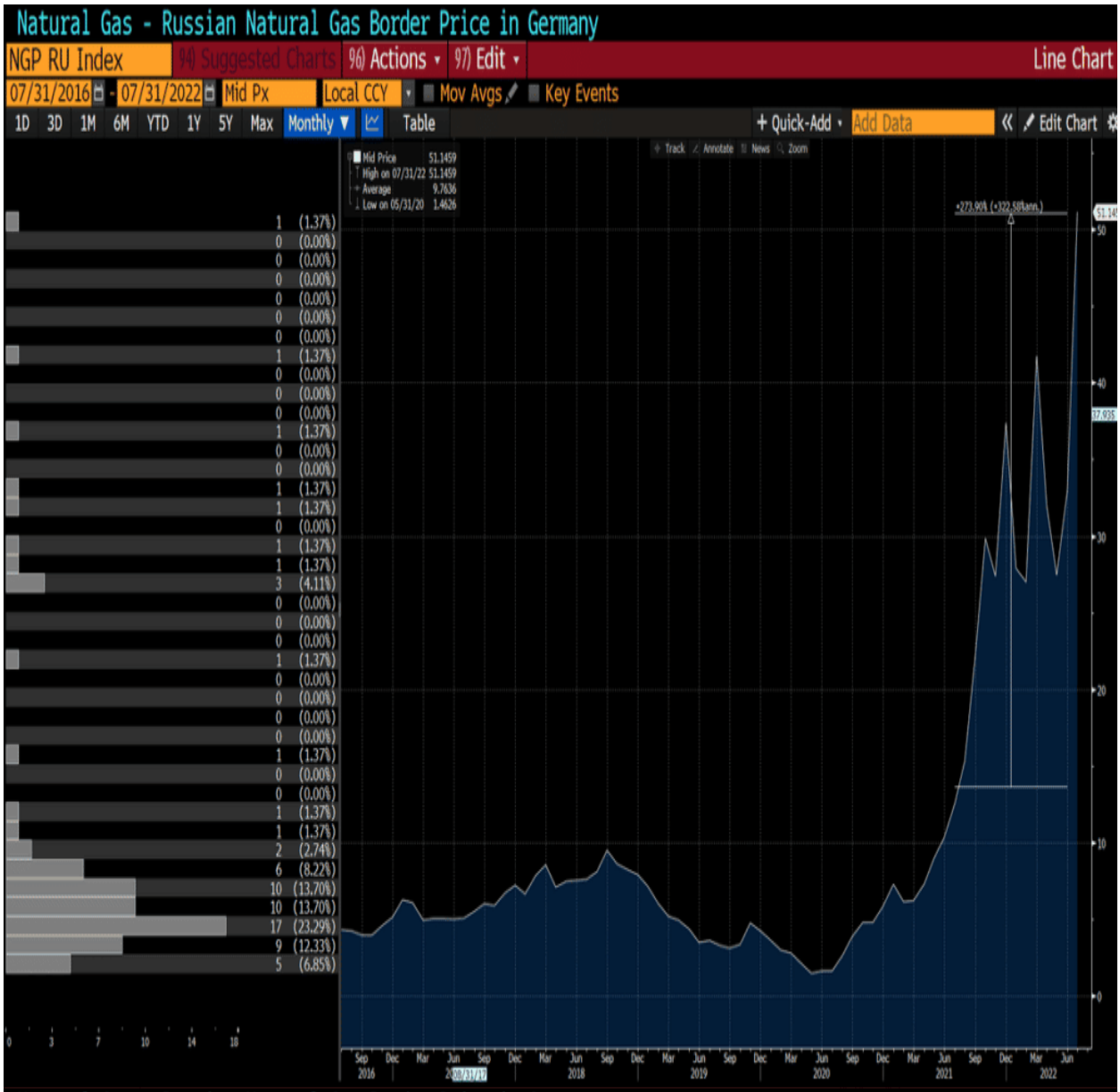
Data Source: FactSet 08/19/2022 10:29



Natural Gas Prices Are Surging Worldwide

The price of natural gas in the U.S. topped $10, the highest level since 2008. Of more concern, natural gas prices are surging in Europe due to the Russia/Ukraine conflict. The first graph shows Germans are now paying over $50usd/MMBtu for Russian natural gas. That compares to a range of $4 to $8 before the invasion. Per Reuters, Russian natural gas accounts for about a third of Germany?s imported gas. If you priced electricity like oil, German electricity is expected to cost over $1,000 per barrel, as we share in the second graph.

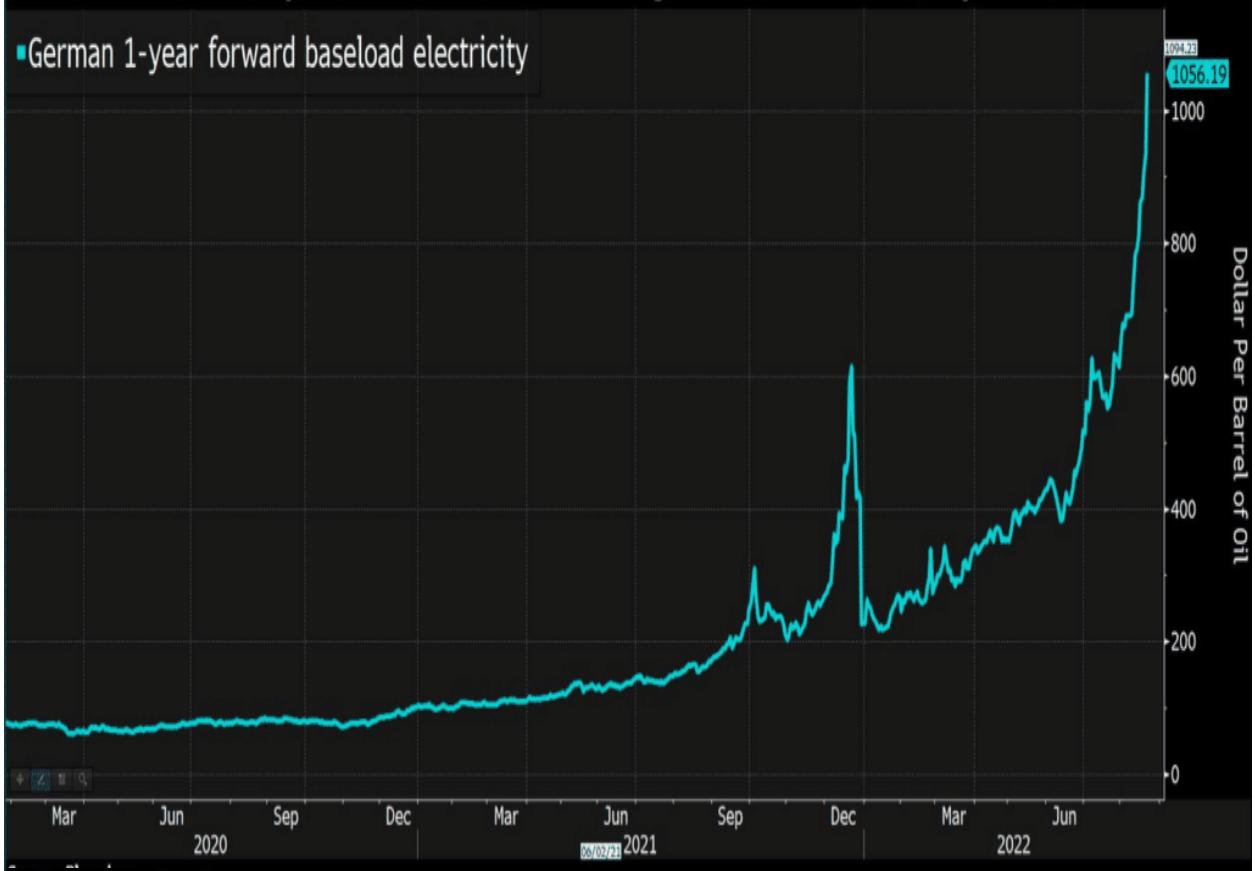
The rising costs coupled with soon-to-be increasing winter demand may force some of the world?s largest chemical manufacturers to limit production this winter. Such an action would undoubtedly increase chemical prices globally. Today?s Tweet of the Day, shows the crippling rise of electricity prices for each European nation.



Natural Gas - Russian Natural Gas Border Price in Germany
NGP RU Index
94) Suggested Charts
96) Actions
97) Edit
Line Chart
07/31/2016 - 07/31/2022
Mid Px
Local CCY
Mov Avgs
Key Events
1D 3D 1M 6M YTD 1Y 5Y Max Monthly Table
+ Quick-Add
Add Data
Edit Chart
Mid Price 51.1459
High on 07/31/22 51.1459
Average 9.7636
Low on 05/31/20 1.4626
Track Annotate News Zoom
+273.99% (+322.58%ann.)
1 (1.37%)
0 (0.00%)
1 (1.37%)
1 (1.37%)
3 (4.11%)
1 (1.37%)
1 (1.37%)
50 40 30 20 10
17.935

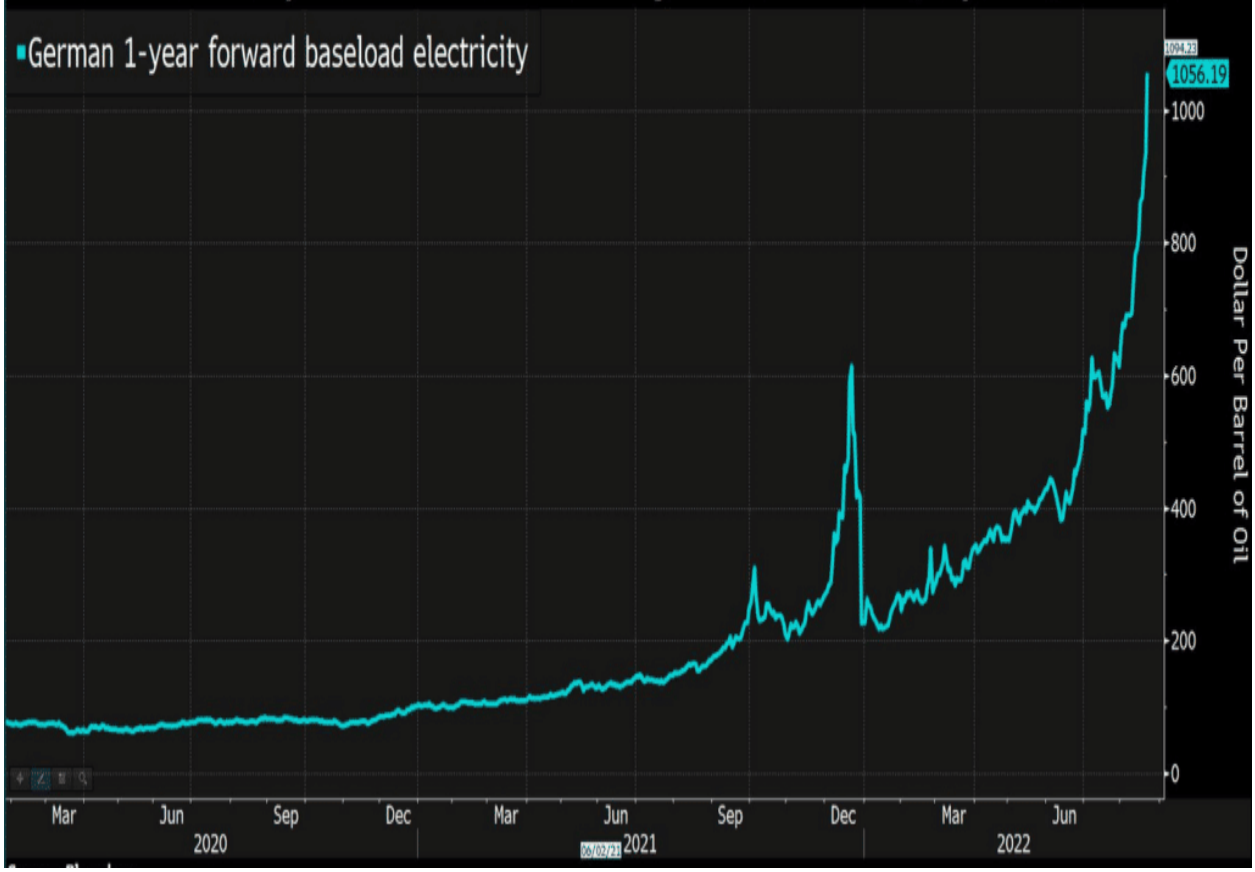
Electricity Costs Surge

Priced like oil, German electricity costs over $1,000/Barrel



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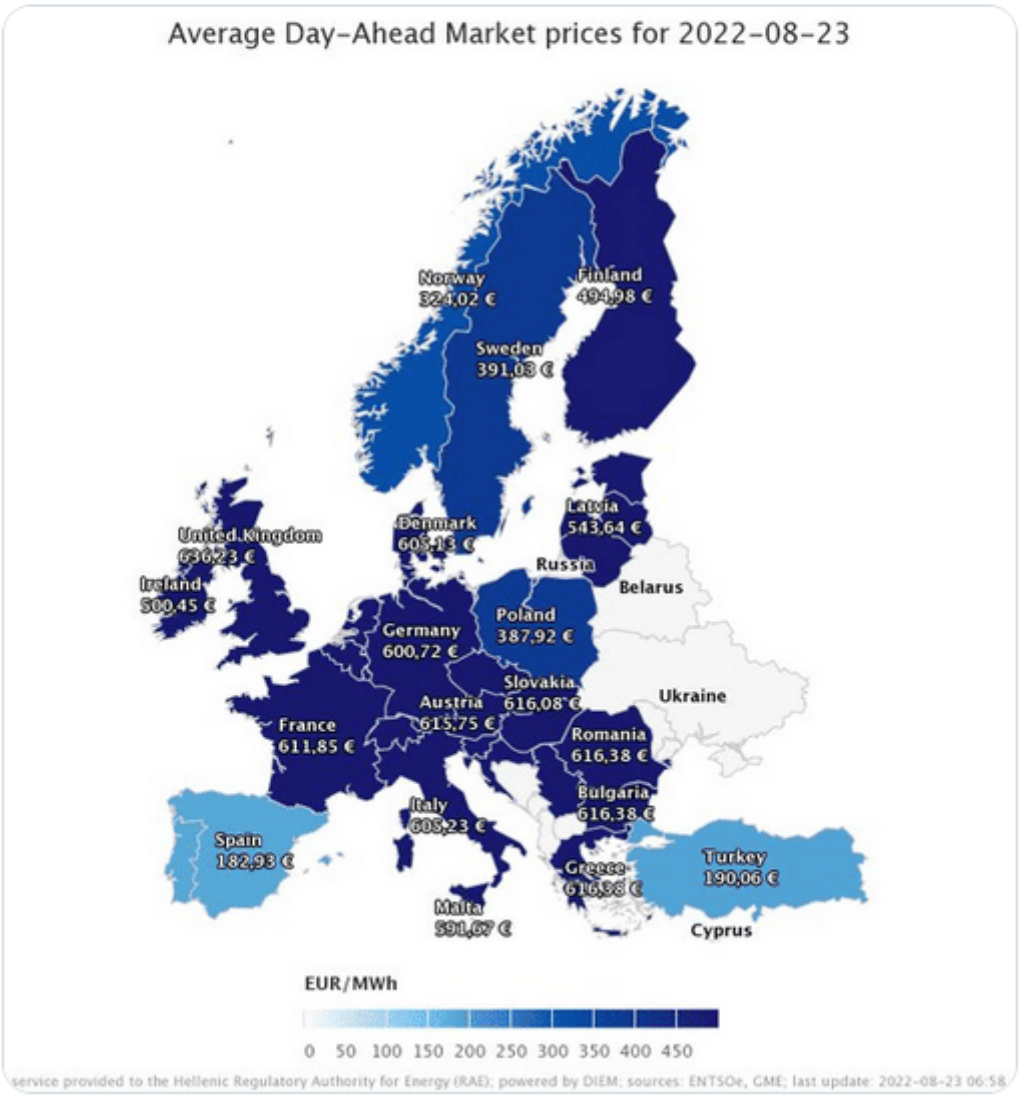


Tweet of the Day



Javier Blas
@JavierBlas

MAP OF THE DAY: Day-ahead electricity prices in Europe are eye-watering, with lots of countries setting record highs for today. Notable to see the Nordics close to €400 per MWh, and Germany at €600. Before 2020, anything above €75-100 was considered expensive| #EnergyCrisis





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