




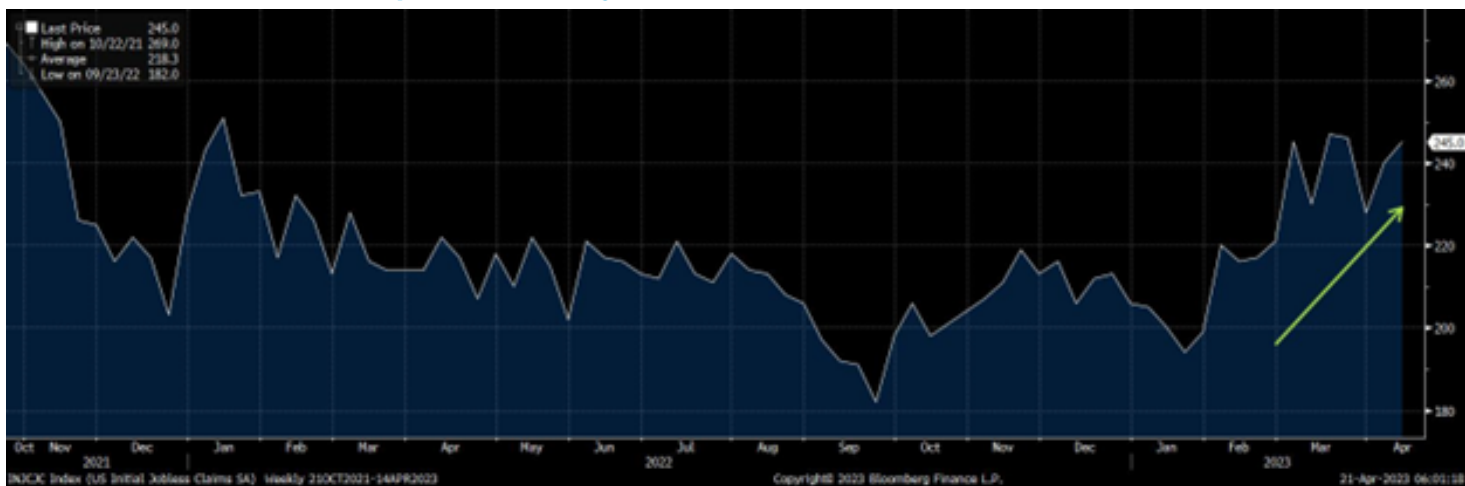
Week of
 **April 24, 2023**

Cracks Now Showing in Employment Data

Initial jobless claims is a weekly economic data series released on Thursday mornings that serve as a leading indicator of the direction of employment and one that we have been following very closely. This data is finally showing cracks as claims have been rising and staying elevated.

The Federal Reserve is expected to raise interest rates for the tenth time by 25 basis points when it meets on May 2-3. The Fed may then pause its parade of rate hikes – which began just over a year ago – to look for the impact of its actions, as revealed by incoming data on inflation and employment.

Initial Jobless Claims Are Up Since January



Source: Bloomberg, April 21, 2023

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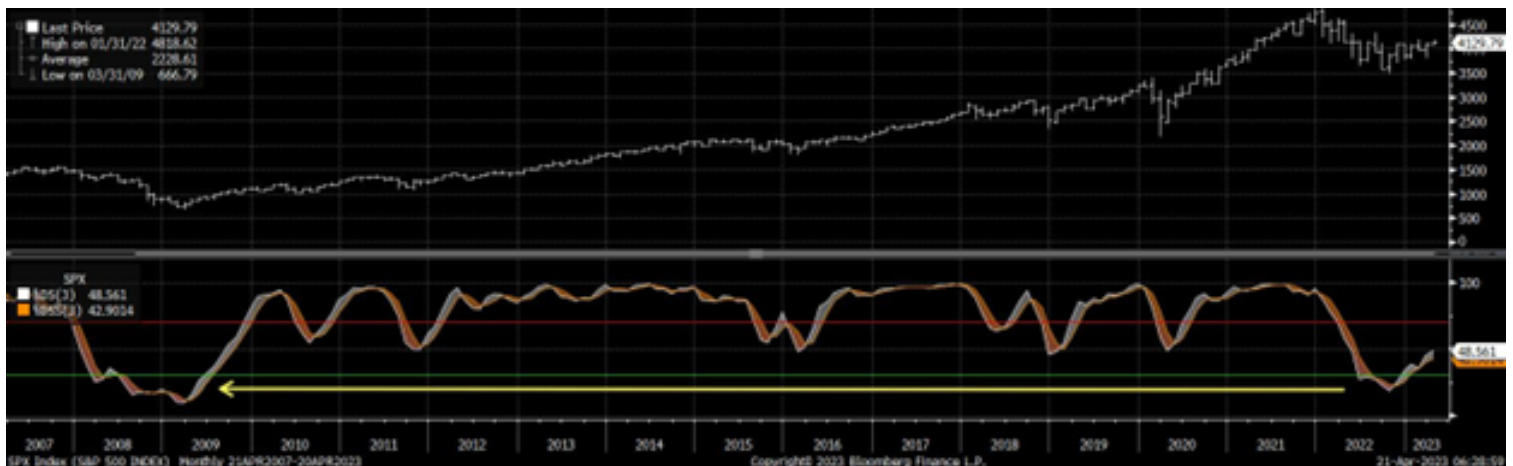
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Long-Term Indicator Readings On A Buy Signal

According to the technical analyst Steve Suttmeier at Bank of America, on March 31st, the NYSE triggered its 34th “breadth thrust” since 1930, creating another bullish backdrop signal. A breadth thrust means that market breadth has improved from weak to strong over a short period of time. The S&P 500 (SPX) has traded higher 82% of the time 250 days after a breadth thrust, resulting in average and median returns of 17.5% (SPX 4828) and 21.2% (SPX 4979), respectively. What is a breadth thrust? Here’s the formula: a breadth thrust occurs when the 10-day exponential moving average (MA) of advancing issues divided by advancing issues plus declining issues ($\text{Advances} / (\text{Advances} + \text{Declines})$) moves from below 0.40 (weaker breadth) to above 0.615 (stronger breadth) within ten trading days. Got that? This indicator was developed by Dr. Martin Zweig, who, by the way, is famous for calling the Crash of 1987.

As we have been pointing out, the 14-month price momentum stochastic indicator has given a buy signal. The last such buy signal was in 2009 – so we don’t get these readings very often. For investors taking a longer-term view, this is a good time to allocate to equities. However, near-term, stocks are overbought and can see a correction, especially as concerns mount over the remainder of earnings season and the prognosis for a debt ceiling resolution. So, continue to expect volatility in the market. S&P 500 support zone is 4000-3800.

S&P 500 Index with 14-Month Stochastic With A Buy Signal

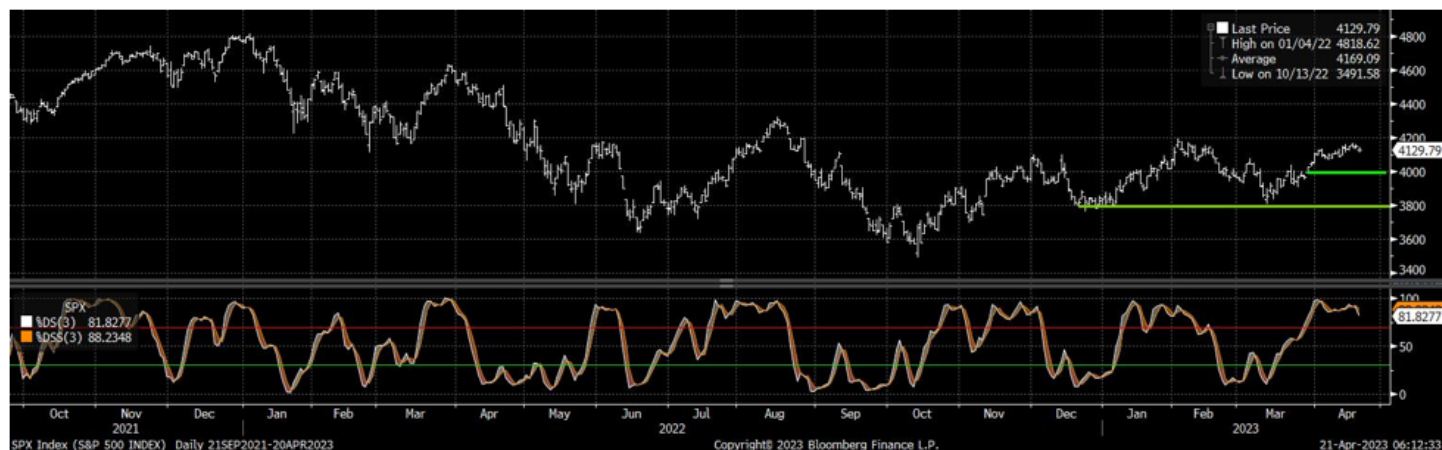


Source: Bloomberg, April 21, 2023

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S&P 500 Index With 14-Day Stochastic Signaling Stocks Are Overbought Near-Term Support 4000-3800



Source: Bloomberg, April 21, 2023

History Lesson

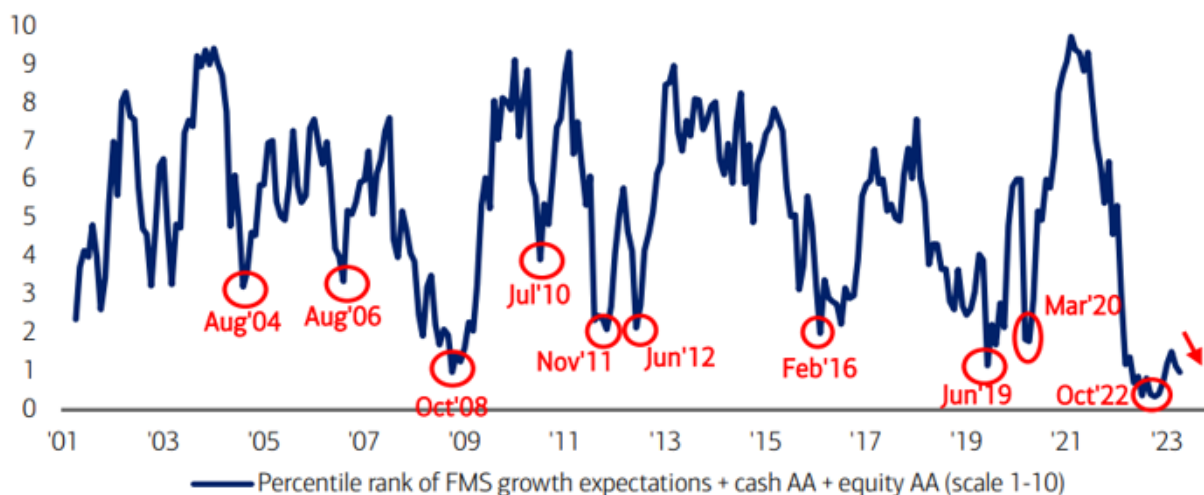
Here's an interesting factoid published by Bespoke Research last week: Since the post-World War period, whenever the market was down 20% and no new low had been reached within six months, the market was higher 12-months later; this held true for 12 of 13 observations (the exception to the rule occurring in 2001). In these 12 instances, the market's mean return was 12% in six months and 17% the following year. Bespoke also highlighted that the CFTC Commitments of Traders (COT) Report for non-commercials (AKA hedge funds) showed the largest short position in 10 years! This is a contrarian indicator saying if the market does break above resistance at 4200, the hedge funds will likely have to cover their shorts, driving stock prices higher.

As you will see in the report, there are several different analyses that are indicating stock prices should be higher this time next year – by double digits!

Sentiment Readings Worst Since Oct '08 Supportive Of Higher Stock Prices

Chart 2: Sentiment turns more bearish in April, most pessimistic thus far in '23

Percentile rank of FMS growth expectations + cash AA + equity AA



Source: Bank of America Global Fund Manager Survey, April 18, 2023

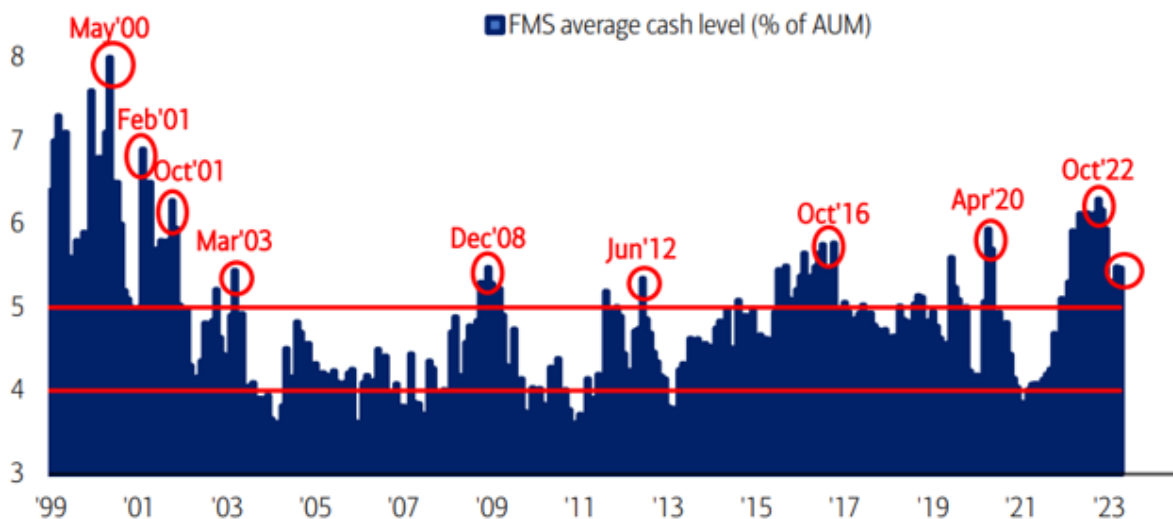
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Cash Levels Remain Elevated Which Is Also Supportive of Stocks

Chart 10: FMS cash levels hold steady at 5.5%

FMS average cash level (% of AUM)

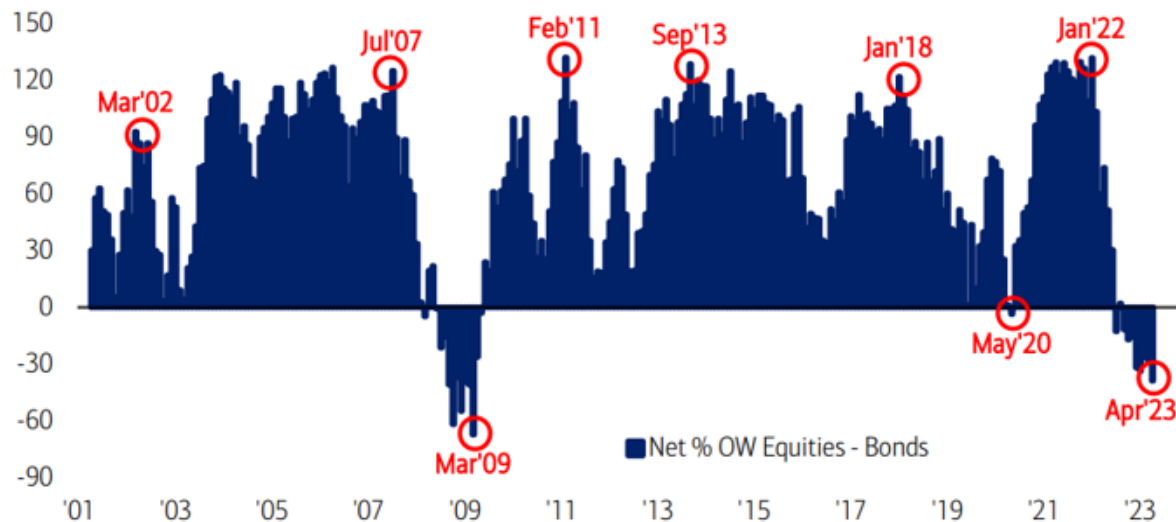


Source: BofA Global Fund Manager Survey.

Source: Bank of America Global Fund Manager Survey, April 18, 2023

Equities Underweight To Bonds Most Since 2009

Net % overweight equities vs bonds



Source: BofA Global Fund Manager Survey

Source: Bank of America Global Fund Manager Survey, April 18, 2023

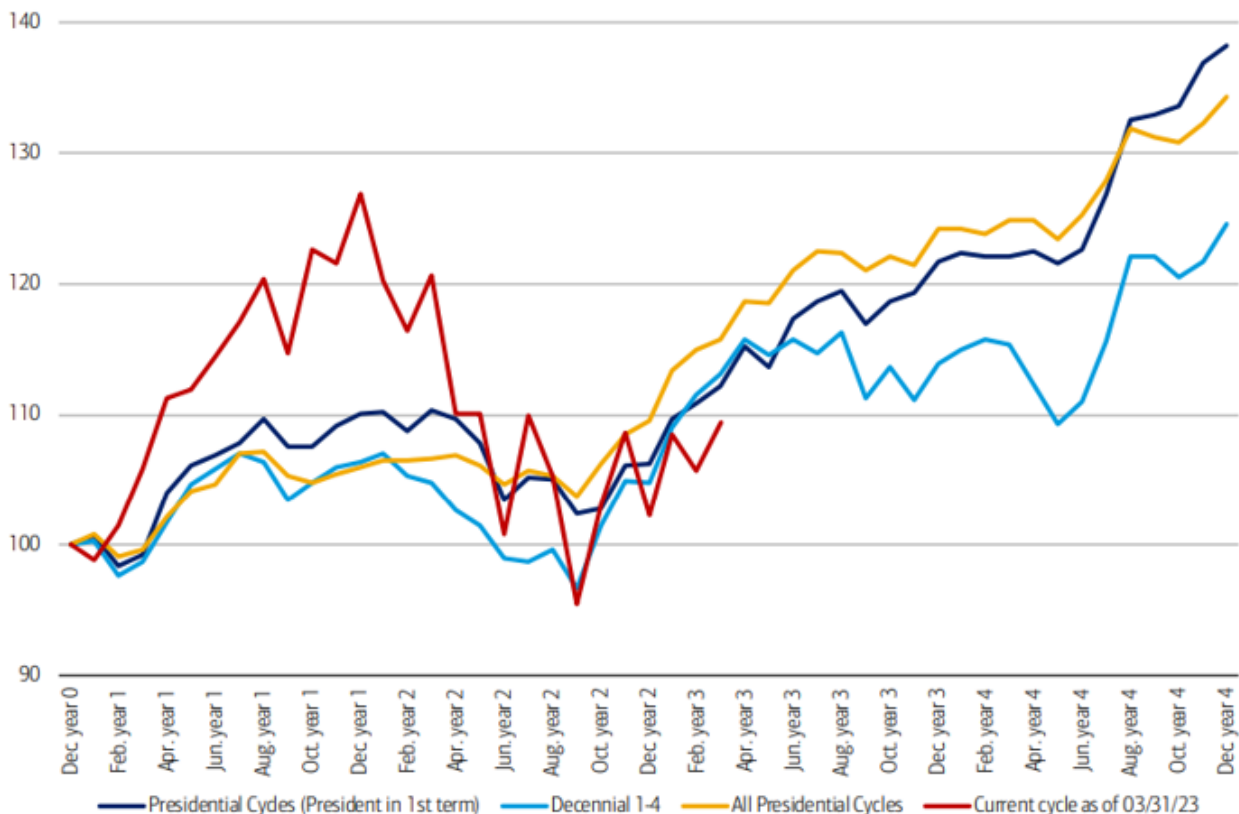
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The Presidential Cycle And Decennial Pattern Are Favorable For 2023

Chart 6: S&P 500 Presidential Cycle and Decennial Pattern from years ending in "1" through years ending in "4"

Both the midterm year (Presidential Cycle Year 2) and Decennial Pattern years ending in "2" show an important low for the SPX in September/October ahead of a rally into Year 3.



Source: Bank of America, April 11, 2023

S&P 500 Breaks Major Trendline Vs. MSCI World – U.S. To Underperform The World

Despite the bullish readings we have for the U.S. equity market, when we compare the S&P 500 to the MSCI World (ex USA) index, there is a clear breakdown below a major trendline – which indicates the U.S. is likely to underperform the World. When we compare MSCI EAFE to the S&P 500, the MSCI EAFE index has had a significant breakout, indicating that it too should outperform the U.S. So, the technicals favor diversifying portfolios globally. Furthermore, when we compare the valuations to both MSCI World (ex USA) and MSCI EAFE, valuations are also supportive with the S&P 500 trading at 19x earnings and European indices (such as the Euro STOXX 50) trading at 13x earnings. Currency can impact international returns. If U.S. interest rates have peaked, the likelihood is that the U.S. dollar will be weak. This also favors investing overseas.

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S&P 500 Relative to MSCI World



Source: Stockcharts.com, April 20, 2023

MSCI EAFE Index Has Broken A Major Downtrend Relative to the S&P 500



Source: Stockcharts.com, April 20, 2023

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Two Very Different Stocks That Are Technically and Fundamentally Attractive In Europe

LVMH Moët Hennessy Louis Vuitton (LVMUY) is a luxury goods group. Globally, high-end consumers are still spending on luxury brands. LVMUY had five years of base building from 2011-2016 before it began its move. The stock has had periods of consolidation from 2018-2020 and 2021-2022 which indicates the strength of the uptrend that's been in place since 2017. This stock looks to be one of the leaders of the European market.

LVMH Moët Hennessy Louis Vuitton ADR (LVMUY)



Source: Bloomberg, April 21, 2023

Rio Tinto PLC ADR (RIO) is a diversified mining company that has been base building for 11 years. It is a very cheap stock, trading at 9x earnings with a yield of 6.7%, and has low debt on the balance sheet. Infrastructure is a major theme in the U.S. and RIO appears positioned to benefit from an increased demand for metal commodities.

Rio Tinto (PLC) ADR (RIO)



Source: Bloomberg, April 21, 2023

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Earnings Update

As of this writing, 80 companies have reported earnings so far and, according to CNBC, ~78% are beating estimates – which is in line with historic averages – and the average 'beat' is 4.9%. Of those 62 companies, 60% on beating on revenues – vs. an historical average of 74%. So, with a solid trend of earnings coming in better than expected, it's safe to say that this season is not the disaster that some had been concerned about.

The Asset Class Quilt of Total Returns – MSCI EAFE Top Returning Asset Class Year-to-Date

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
Commodities 58.2%	US Treasuries 6.7%	Commodities 39.5%	MSCI EM 56.3%	REITS 32.0%	MSCI EM 34.5%	REITS 37.5%	MSCI EM 39.8%	US Treasuries 14.0%	MSCI EM 79.0%	Gold 29.2%	US Treasuries 9.8%	REITS 23.8%	SAP 500 32.4%	SAP 500 13.7%	SAP 500 1.4%	Commodities 17.5%	MSCI EM 37.8%	Cash 1.8%	SAP 500 31.5%	Gold 24.8%	Commodities 46.3%	Commodities 31.1%	MSCI EAFE 11.7%
US Treasuries 13.4%	Global IG 4.6%	Gold 25.6%	MSCI EAFE 39.2%	Commodities 28.7%	Commodities 33.7%	MSCI EM 32.6%	Commodities 33.0%	Gold 4.3%	Global HY 62.0%	MSCI EM 19.2%	Gold 8.9%	Global HY 19.2%	MSCI EAFE 23.3%	REITS 11.7%	US Treasuries 0.9%	Global HY 14.8%	MSCI EAFE 25.9%	US Treasuries 0.9%	REITS 27.4%	MSCI EM 19.8%	REITS 37.1%	Cash 1.5%	Gold 9.7%
REITS 8.5%	Cash 4.4%	Global IG 14.9%	REITS 33.5%	MSCI EM 26.0%	Gold 17.8%	MSCI EAFE 26.9%	Gold 31.9%	Cash 2.1%	MSCI EAFE 32.5%	REITS 15.9%	Global IG 4.5%	MSCI EM 18.6%	Global HY 8.8%	US Treasuries 6.0%	Cash 0.1%	SAP 500 12.0%	SAP 500 22.0%	Gold -1.9%	MSCI EAFE 22.8%	SAP 500 18.4%	SAP 500 28.7%	Gold -0.8%	SAP 500 8.1%
Cash 6.2%	Global HY 3.1%	US Treasuries 11.6%	Commodities 30.1%	MSCI EAFE 20.7%	MSCI EAFE 14.0%	Gold 23.2%	MSCI EAFE 11.8%	Global IG -8.3%	REITS 31.7%	SAP 500 15.1%	Global HY 2.6%	MSCI EAFE 17.9%	REITS 0.7%	Global IG 3.2%	MSCI EAFE -0.8%	MSCI EM 11.2%	Gold 12.9%	Global HY -3.3%	Commodities 20.1%	Global IG 10.3%	MSCI EAFE 11.9%	US Treasuries -12.9%	Global HY 4.1%
Global IG 3.1%	Gold -0.7%	Cash 1.8%	Global HY 33.7%	Global HY 12.4%	REITS 10.7%	SAP 500 15.8%	US Treasuries 8.1%	Global HY -27.3%	SAP 500 26.5%	Global HY 13.9%	SAP 500 2.1%	SAP 500 16.0%	Global IG 0.1%	Gold 0.1%	REITS -3.4%	Gold 8.6%	REITS 11.5%	Global IG -3.4%	MSCI EM 18.6%	MSCI EAFE 8.4%	Global HY 1.4%	Global HY -13.2%	MSCI EM 4.0%
Gold -5.4%	MSCI EM -2.4%	Global HY -1.1%	SAP 500 28.7%	SAP 500 10.9%	SAP 500 4.9%	Global HY 13.5%	Global IG 7.3%	SAP 500 -37.0%	Commodities 26.1%	Commodities 13.3%	Cash 0.1%	Global IG 11.1%	Cash 0.1%	Cash 0.0%	Global IG -3.8%	Global IG 4.3%	Global HY 10.2%	REITS -3.9%	Gold 17.9%	US Treasuries 6.2%	Cash 0.0%	MSCI EAFE -13.9%	Global IG 3.8%
Global HY -5.8%	REITS -7.8%	REITS -2.4%	Gold 19.9%	Global IG 9.4%	Cash 3.1%	Global HY 7.2%	SAP 500 5.5%	Commodities -42.6%	Gold 25.0%	MSCI EAFE 8.2%	Commodities -2.6%	Gold 8.3%	Commodities -2.1%	Global HY -0.1%	Global HY -4.2%	REITS 1.3%	Global IG 9.3%	SAP 500 -4.3%	Global HY 13.7%	Global HY 8.0%	MSCI EM -2.3%	Global IG -16.7%	US Treasuries 2.9%
SAP 500 -9.1%	SAP 500 -11.9%	MSCI EM -6.0%	Global IG 14.5%	Gold 4.6%	US Treasuries 2.8%	Cash 4.9%	Cash 5.0%	MSCI EAFE -43.1%	Global IG 19.2%	Global IG 6.0%	BRITR -9.4%	US Treasuries 2.2%	MSCI EM -2.3%	MSCI EM -1.8%	Gold -10.4%	US Treasuries 1.1%	Commodities 7.6%	Commodities -13.1%	Global IG 11.4%	Cash 0.5%	US Treasuries -2.4%	SAP 500 -18.1%	BRITR 1.6%
MSCI EAFE -14.0%	MSCI EAFE -21.2%	MSCI EAFE -15.7%	US Treasuries 2.3%	US Treasuries 3.5%	Global HY 1.5%	US Treasuries 3.1%	Global HY 3.0%	REITS -50.2%	Cash 0.2%	US Treasuries 5.9%	MSCI EAFE -11.7%	Cash 0.1%	US Treasuries -3.3%	MSCI EAFE -4.5%	MSCI EM -14.9%	MSCI EAFE 1.0%	US Treasuries 2.4%	MSCI EAFE -13.2%	US Treasuries 7.0%	REITS -4.4%	Global IG -3.0%	MSCI EM -19.8%	Cash 1.4%
MSCI EM -30.6%	Commodities -21.4%	SAP 500 -22.1%	Cash 1.1%	Cash 1.3%	Global IG -3.0%	Commodities -0.2%	REITS -10.0%	MSCI EM -63.2%	US Treasuries -3.7%	Cash 0.1%	MSCI EM -18.2%	Commodities -0.3%	Gold -27.3%	Commodities -29.3%	Commodities -29.4%	Cash 0.3%	Cash 0.8%	MSCI EM -14.3%	Cash 2.2%	Commodities -15.0%	Gold -4.1%	REITS -25.2%	Commodities -4.0%

Source: BofA Global Investment Strategy, Bloomberg. *2023 YTD

BofA GLOBAL RESEARCH

Closing The Books On April

This is the week that new data has a chance to sway the Fed one way or the other.

GDP for the first quarter gets reported this week, but honestly, it's just not an important part of the current economic story. We're still all about inflation. So, what do we care about this week? Initial Jobless Claims, of course – and we know the employment trendline is so important to the Fed. But even more important will be the release of Personal Consumption Expenditures (PCE) on Friday. This is the favorite inflation measure for the Fed. No matter what it tells us as April falls from the calendar, we don't think it will stop the Fed from opening May with a 25 bps rate hike. The parade will continue for at least one more bump up. The market is prepared. You should be, too.



Calendar

Mon.

Earnings: AGNC Investment, Alexandria Real Estate Equities, Bank of Hawaii, Cadence Design, Cleveland-Cliffs, Coca-Cola, Crane, First Republic Bank, Packaging Corp, Philips, PotlatchDeltic, Range Resources, WesBanco, Whirlpool

9:00 a.m. S&P Case-Shiller home price index (20 cities), FHFA home price index

10:00 a.m. New home sales, Consumer confidence

Earnings: 3M, ABB, Alphabet, Archer Daniels Midland, Ares Capital, Biogen, Boston Properties, Boyd Gaming, Centene, Chipotle Mexican Grill, Chubb, Corning, Danaher, Dow, Enphase Energy, Equity Residential, First Bancorp, Fiserv, GE HealthCare, General Electric, General Motors, Halliburton, Invesco, Illumina, JetBlue Airways, Juniper Networks, Kimberly-Clark, Laboratory Corp, McDonald's, Matador Resources, Microsoft, MSC, NCR, NextEra Energy, NextEra Energy Partners, PacWest Bancorp, PepsiCo, PulteGroup, Raytheon Technologies, Sherwin-Williams, Spotify, Tenet Healthcare, Texas Instruments, TransUnion, Universal Health, UPS, Verizon, Visa

Tue.

8:00 a.m. Durable-goods orders, Advanced U.S. trade balance in goods, retail inventories & wholesale inventories

Earnings: Align Technology, AllianceBernstein, American Tower, American Water Works, Annaly Capital Management, Automatic Data, AvalonBay, Avery Dennison, Boeing, Boston Scientific, C.H. Robinson Worldwide, Canadian Pacific, Churchill Downs, CME Group, Dover, eBay, Edwards Lifesciences, Entergy, EQT, Ethan Allen, General Dynamics, Graco, Helen of Troy, Helmerich & Payne, Hess, Hilton, Humana, KLA Corporation, Lending Club, Masco, Mattel, Meritage Homes, Meta, Molina Healthcare, Norfolk Southern, Old Dominion, O'Reilly Automotive, Otis Worldwide, Owens Corning, Penske Auto, Patterson-UTI, Pilgrim's Pride, Pioneer Natural Resources, Raymond James, Roku, Ryder System, ServiceNow, Silicon Labs, Spirit Airlines, Steven Madden, STAG Industrial, Sun Communities, Teledyne Tech, Teladoc, Teradyne, Thermo Fisher, United Microelectronics, United Microelectronics, United Rentals, Waste Management, Wyndham Hotels & Resorts

Wed.

8:30 a.m. GDP, Initial jobless claims, Continuing jobless claims

10:00 a.m. Pending home sales

Earnings: A.O. Smith, AbbVie, Activision Blizzard, Altria, Amazon.com, American Airlines, Amgen, Barnes Group, Beazer Homes, BJ Restaurants, Boston Beer Co, Bristol-Myers, Brunswick, Capital One, Caterpillar, Chemed, Chemours, Church & Dwight, Cincinnati Financial, Cloudflare, Comcast, Coursera, Crocs, CubeSmart, Digital Realty Trust, Domino's Pizza, Eli Lilly, Essex Property, Federated Hermes, First Solar, FirstEnergy, Gaming and Leisure Properties, Gilead Sciences, Grainger, Harley-Davidson, Hasbro, Heartland Express, Hershey Foods, Hertz Global, Hilton Grand Vacations, Honeywell, Hub Group, Intel, International Paper, JinkoSolar, Keurig Dr Pepper, L3Harris, Lear, Linde, Mastercard, Merck, Mohawk Industries, Mondelez International, Northrop Grumman, Olin, Overstock.com, Peabody Energy, Pinterest, Rockwell Automation, S&P Global, Sanofi, Seagen, Sirius XM, Skechers USA, Snap, Southern, Southwest Air, STMicroelectronics, Tanger Factory, T-Mobile US, Tractor Supply, U.S. Steel, Valero Energy, Western Digital, Weyerhaeuser, Willis Towers Watson, Xcel Energy

Thu.

8:30 a.m. PCE index, Employment cost index

9:45 a.m. Chicago Business Barometer

10:00 a.m. Consumer sentiment (final)

Earnings: Aon, Ares Management, Bloomin' Brands, Cameco, Chart Industries, Charter Communications, Chevron, Colgate-Palmolive, Exxon Mobil, LyondellBasell, Newell Brands, Nio, Saia, U.S. Silica, W.P. Carey, WisdomTree

Fri.

Source: MarketWatch/Kiplinger

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