



Week of



May 1, 2023

Bull-Bear Tug a War – Who Will Win?

Last week the Federal Reserve's favorite inflation data, the Price Consumption Expenditures Deflator (PCE Deflator) came in slightly higher than expected year over year (4.2% versus expected 4.1%) and so did the Employment Cost Index (1.2% versus 1.1%).

These reports show that inflation remains sticky and therefore support an interest rate hike this week; we expect another 25-bps bump by the Fed on May 3. On the flip side, the stock market did like the softer 1Q 2023 GDP annualized number coming in much softer than expected at 1.1% versus expected 1.9% -- which favors lower interest rates later in the year. So, the economic data had something for the bulls and something for the bears.

Earnings: We're In The Thick Of It

Turning to earnings, last week Microsoft (MSFT) and Meta (META) reported better than expected earnings and saw their stocks rally and technically break out to the upside, suggesting further upside. The market is in the middle of earnings season with 53% of S&P 500 companies reporting, and results are much better than the feared collapse in earnings growth. According to FactSet, S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. Both the number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are above their 10-year averages. Positive earnings surprises have been reported by companies in multiple sectors so far, led by the Consumer Discretionary, Information Technology, Financials, Communication Services, and Industrials sectors. Another positive data point for the bulls.

Investors Dig In

Investor positioning remains very defensive – which is a contrarian positive for the market. We believe investors are looking out 6 months, discounting the trough in earnings and looking forward to the Fed first pausing on higher interest rates then reversing its trend by cutting rates later this year.

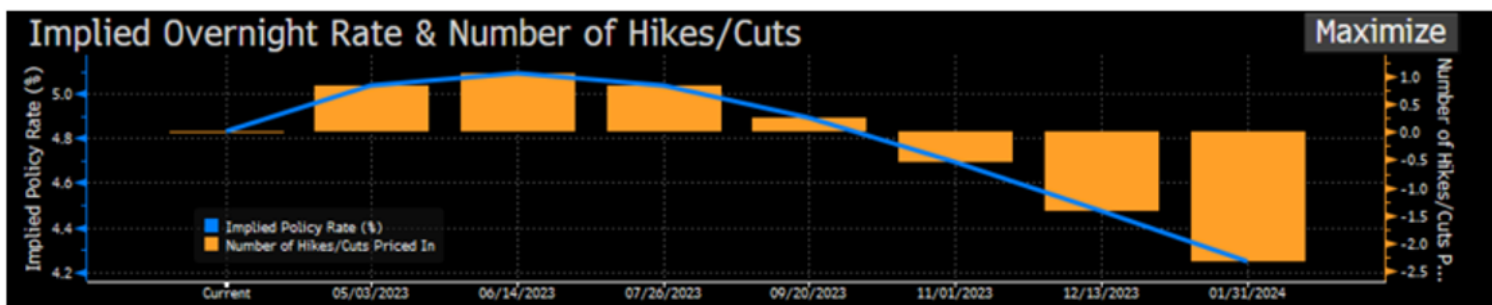
How The Bull Can Win

We believe the data and positioning lean to the tug of war being won by the bulls. This will be true if the S&P 500 can close and stay above resistance at 4200. Should this happen, we believe the highs for the S&P 500 will be tested near the range of 4500-4800 (8%-15%) and for the Nasdaq 100, the range will be 16000-16500 (20%-25%). This is what most investors are not expecting and would cause the most pain (regret) if we do get this rally.

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Investors Expecting Interest Rate Cuts Beginning in November

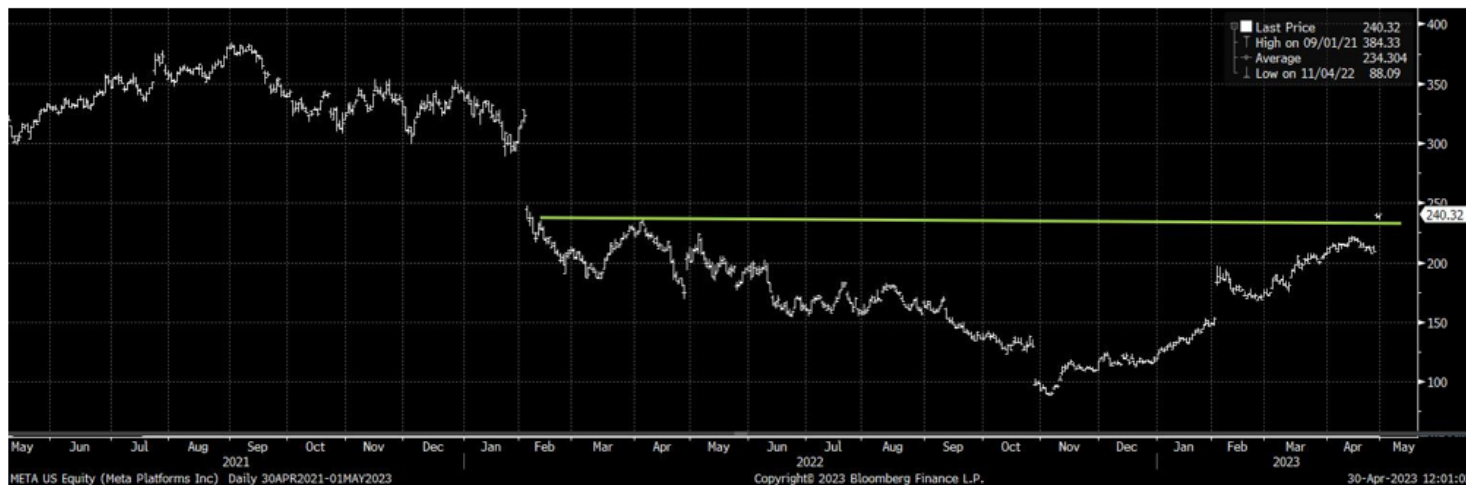


Source: Bloomberg, April 30, 2023

Interest Rates Look to Fall

The 2-Year and 10-Year Treasury yields both look to be biased to the downside, based on the technical patterns and the 14-day price momentum stochastic. Should interest rates be biased to the downside, this would be another “check the box” for the bulls as lower rates often support higher stock prices.

Meta Platforms (META) Breaks to the Upside on Earnings: Gap Could Be Closed at \$250-300

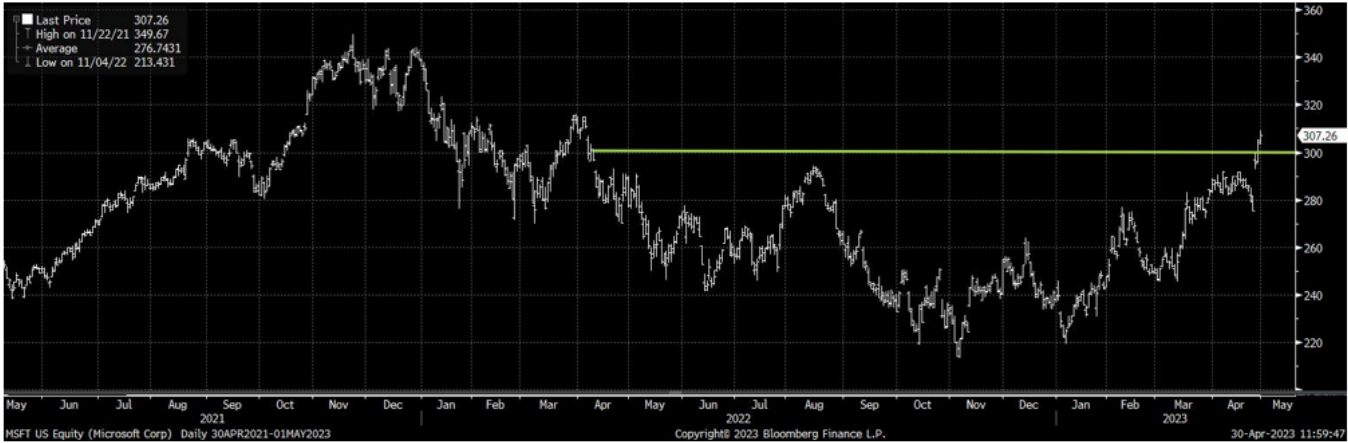


Source: Bloomberg, April 30, 2023

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Microsoft (MSFT) Breaks to the Upside on Earnings Could Test Old Highs Near \$340



Source: Bloomberg, April 30, 2023

S&P 500 With 14-Day Stochastic Shifts to Buy: Need A Break of Resistance at 4200 for Higher Highs



Source: Bloomberg, April 30, 2023

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Nasdaq 100 With 14-Day Stochastic Shifts to A Buy Signal With Breakout in Price Last Week



Source: Bloomberg, April 30, 2023

VIX Volatility Index Breaks Down Supporting Higher Stock Prices

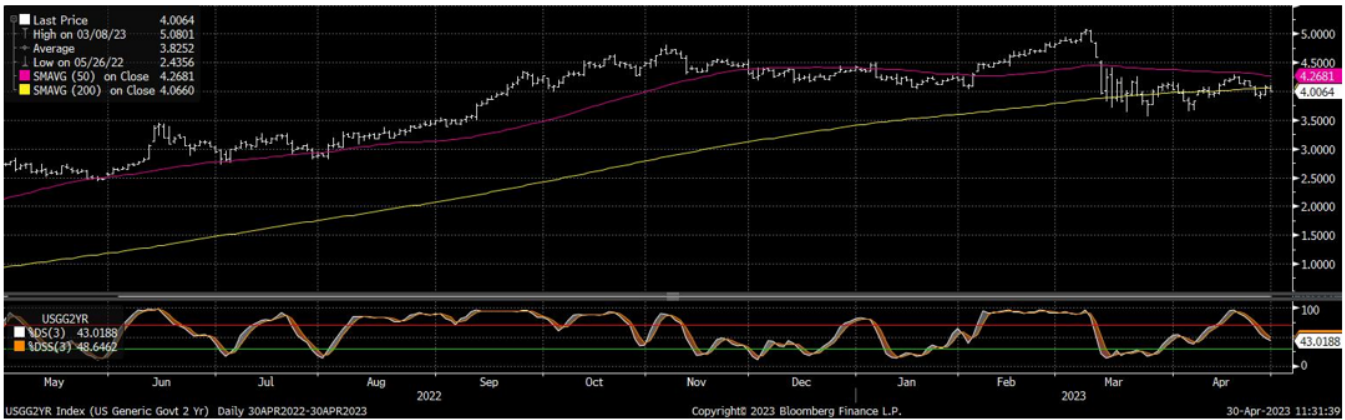


Source: Bloomberg, April 30, 2023

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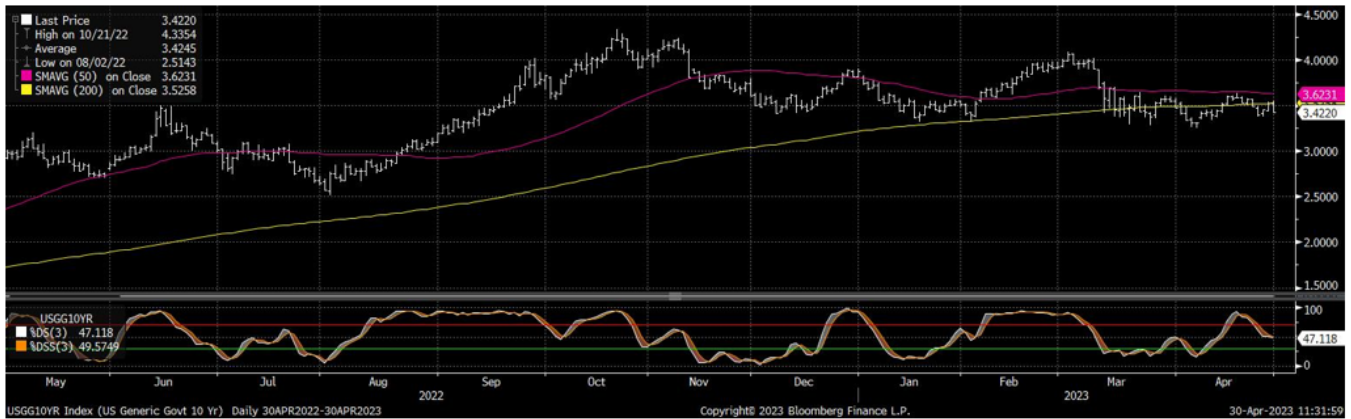
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2-Year Treasury Yields With 14-Day Stochastic Pointing to Lower Yields



Source: Bloomberg, April 30, 2023

10-Year Treasury Yields With 14-Day Stochastic Pointing to Lower Yields



Source: Bloomberg, April 30, 2023

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The ICE BofA MOVE Bond Volatility Index Tests Highs and Is Falling Supporting Lower Interest Rates



Source: Bloomberg, April 30, 2023

Don't Sell In May as Flowers May Be Blooming

This is the week that the Fed's next action will point to the future direction of interest rates.

Investors will be hyper-focused on what the Fed says this week about interest rates going forward – the market is expecting a rate hold. A hold could be bullish for stocks and bonds. Also, investors will be paying attention to the important economic data releases on ISM Manufacturing and Services.



Calendar

Mon.

9:45 am: S&P U.S. manufacturing PMI

10:00 a.m. ISM manufacturing, Construction spending

Earnings: Air Lease, Arista Networks, Avis Budget, CF Industries, Check Point Software, Chegg, Community Health, Diamondback Energy, Everest Re, FMC Corp, Forward Air, Franklin Resources, Global Payments, Hologic, Invitation Homes, J&J Snack Foods, KBR, Leggett & Platt, Logitech International, MGM Resorts International, MicroStrategy, Norwegian Cruise Line, NXP Semiconductors, ON Semiconductor, Otter Tail Power, Park Hotels & Resorts, SoFi Technologies, SBA Communications, Sprouts Farmers Market, Stryker, Transocean, Vertex Pharmaceuticals, VICI Properties, Vornado Realty Trust, ZoomInfo

Tue.

10:00 a.m. U.S. job openings, Factory orders

Earnings: ADT, AerCap, AGCO Corp, AmerisourceBergen, Arconic, Ashland, Axalta Coating Systems, BP, Caesars Entertainment, Camping World, Cheniere Energy, Cheniere Energy Partners, Chesapeake Energy, Clorox, Comstock, Cummins, Denny's, DuPont, Eaton, Energy Transfer, Evoqua Water, Expeditors International of Washington, Extra Space Storage, Ford Motor, Franco-Nevada, Gartner, Graphic Packaging, Herbalife Nutrition, Howmet Aerospace, Illinois Tool Works, Incyte, James River Group, KAR Auction Services, LendingTree, Marathon Petroleum, Marriott, Match Group, Molson Coors Brewing, National Retail Properties, Oak Street Health, ONEOK, Oshkosh, Pacific Biosciences, Prudential, Restaurant Brands International, Sealed Air, Simon Property, Starbucks, Sunoco, Super Micro Computer, Sysco, T. Rowe Price, Thomson Reuters, Uber Technologies, W&T Offshore, Western Union, Zebra Technologies, Yum China

Wed.

8:15 a.m. ADP employment

9:45 a.m. S&P U.S. services PMI

10:00 a.m. ISM services

2:00 p.m. Federal Reserve interest-rate statement, Fed Chair Powell press conference

Earnings: Albemarle, Allegiant Travel, Allstate, Altice USA, APA Corp., Atmos Energy, Barrick Gold, Bio-Techne, Brinker International, Builders FirstSource, Bunge, CDW, Civitas Resources, Clean Harbors, Cognizant Technology Solutions, CoreCivic, Corteva, CVS Health, Dine Brands, Emerson Electric, Estee Lauder, Etsy, Exelon, Fastly, Fortis, Fresh Del, Garmin, Generac, Gogo, Hanesbrands, Host Hotels, HubSpot, Infinera, Ingersoll-Rand, Janus Henderson, Kraft Heinz, Kratos Defense & Security Solutions, Kulicke & Soffa, Lemonade, Louisiana-Pacific, Marathon Oil, Marriott Vacations, MercadoLibre, MetLife, MGIC Investment, Mosaic, Myriad Genetics, Noble Corporation, Nu Skin, Opko Health, Paramount Group, PDC Energy, Phillips 66, Public Storage, Qorvo, Qualcomm, Radian Group, Rayonier, Realty Income, Scotts Miracle-Gro, Sinclair Broadcast, SunPower, Synaptics, Trimble, TripAdvisor, TTEC Holdings, Universal Display, United Therapeutics, Upwork, Williams Cos, Wingstop, World Wrestling Entertainment, Yum! Brands, Zillow

Thu.

8:30 a.m. U.S. productivity, U.S. trade deficit, Initial jobless claims, Continuing jobless claims

Earnings: ACCO Brands, ACI Worldwide, AES, Apple, ATI, American Electric, American Homes 4 Rent, American International Group, Anheuser-Busch InBev, ArcelorMittal, Atlassian, Ball Corp, Bausch Health, Becton Dickinson, Block, Booking Holdings, Borg Warner, Bumble, Cardinal Health, Carlyle Group, Cars.com, Carvana, Cirrus Logic, Cohu, Coinbase Global, ConocoPhillips, Constellation Energy, Datadog, DISH Network, DoorDash, DraftKings, Dropbox, El Pollo Loco, EOG Resources, Expedia Group, Ferrari, Floor & Decor, Fortinet, Funko, GoDaddy, Green Plains, Huntington Ingalls, Hyatt Hotels, Intercontinental Exchange, InterDigital, Iron Mountain, ITT, Kellogg, Lamar Advertising, Lyft, Magellan Midstream, Martin Marietta, MasTec, Melco Resorts & Entertainment, Mettler-Toledo, Moderna, Monster Beverage, Motorola Solutions, Nio, Northern Oil & Gas, Organon, Papa John's, Paramount Global, Parker-Hannifin, Peloton Interactive, PENN Entertainment, PG&E, Physicians Realty Trust, Planet Fitness, Portillo's, Quanta Services, Regeneron Pharmaceuticals, Rocket Companies, Royal Caribbean, Ryan Specialty Group, Sally Beauty, Shake Shack, Stanley Black & Decker, Starwood Property Trust, Shopify, Texas Roadhouse, Vulcan Materials, Wayfair, Wesco, Westlake Corporation, WestRock, Wheaton Precious Metals, WideOpenWest, WW, XPO, Yelp, Zoetis

Fri.

8:30 a.m. U.S. employment report, U.S. hourly wages

3:00 p.m. Consumer credit

Earnings: AMC Entertainment, American Axle, Arbor Realty Trust, Brookfield Renewable Partners, Cboe Global Markets, Dominion Energy, Enbridge, Fluor, Goodyear Tire, Huntsman, Johnson Controls, Plains All American, Scripps, The Cigna Group, Warner Bros. Discovery

Source: MarketWatch/Kiplinger

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