



Week of
 **June 12, 2023**

The Phoenix Rises

Last week, the S&P 500 reached a 20% gain from the October low and it's the first time the bull has arrived when a recession was forecast to be on the horizon, ending the longest bear market since 1948.

According to Bank of America, after crossing the 20% mark from the bottom, the S&P 500 continued to rise over the next 12-months 92% of the time, returning 19% on average back to 1950. *The message is that the markets are still in a secular bull market.* This indicates the market can reach new record highs.

We are not surprised the market is in bull market territory as we have been writing about the buy signal from the 14-month price momentum stochastic indicator months ago. This indicator is still pointing to higher highs in the S&P 500. This is certainly frustrating the bears. So, what does this mean. The S&P 500 is saying the economy is still growing and a recession is not near. The breadth of the market has been weak but has recently begun to expand so this rally is sustainable, in our view. We believe there will be a lot of window dressing (buying the stocks that have been working) going into the end of 2Q23 further driving stock prices higher. We continue to believe this rally can move into the summer months. Brief periods of consolidation or corrections should be anticipated as the market is overbought. See charts below

Also confirming the rally is a breakdown in the CBOE Volatility index, or the VIX, (see chart below) indicating volatility to remain muted and allowing stock prices to continue to rise. The historical parameters for the VIX are 20 – oversold and a buy - and 10 – overbought and a sell. We anticipate that the VIX index is heading towards 10 or lower indicating the rally is stocks in sustainable.

S&P 500 Rises 20% From October Low – The Bull is Here

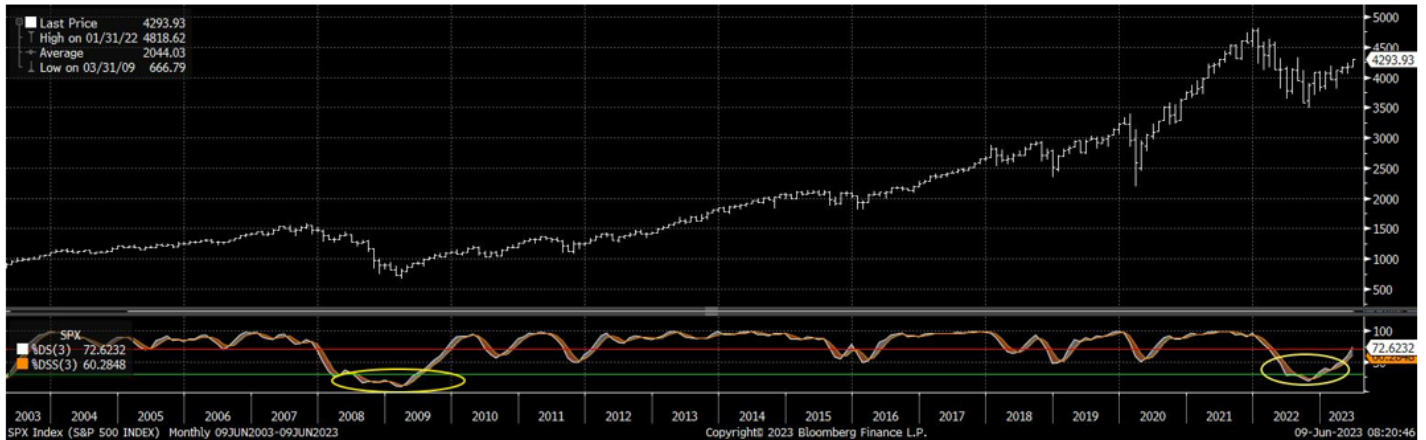


Source: Bloomberg, June 9, 2023

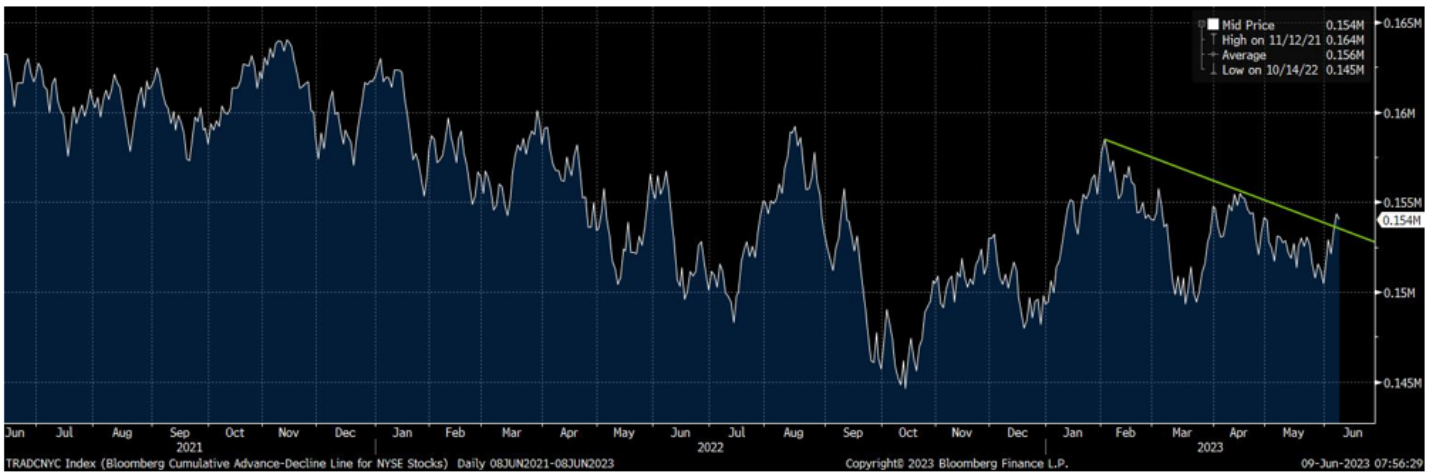
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S&P 500 with 14-Month Stochastic Which Signaled Stocks Were a Buy Months Ago

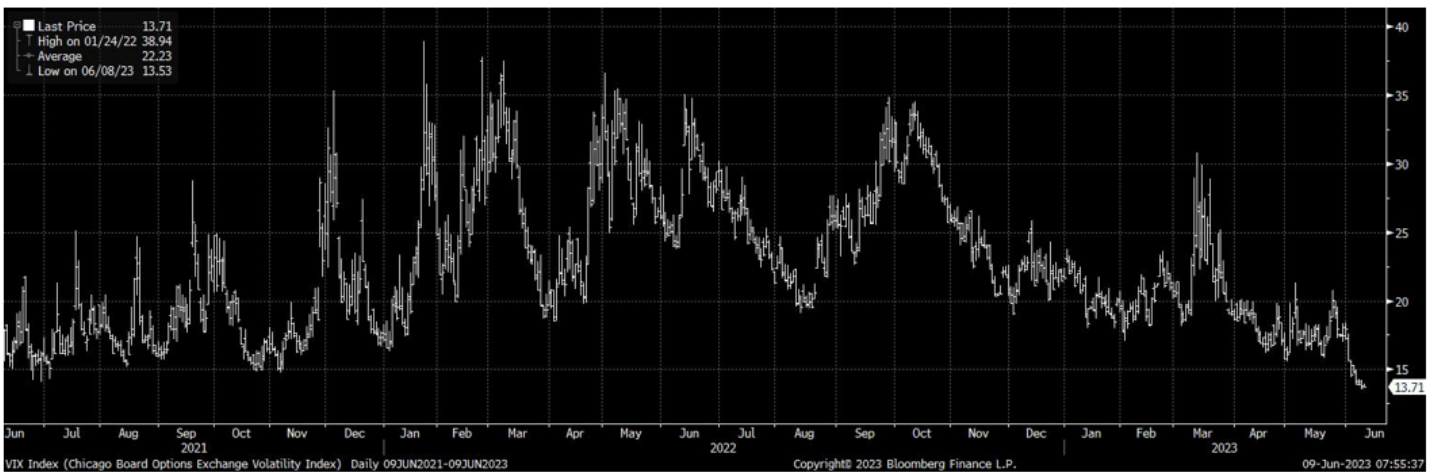


Source: Bloomberg, June 9, 2023



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CBOE Volatility Index (VIX) – The VIX breaks Down Pointing to Continued Rally



Source: Bloomberg, June 9, 2023

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Jobs Data Indicating Softness is Here

Last week, Initial Jobless Claims surged unexpectedly suggesting softness is coming to the job market. We have been monitoring this data as a leading indicator of weakness coming to the job market. Last week's data is now saying softness is here. This gives the Federal Reserve reason to pause on higher rates. We will learn the next move as the Fed is meeting this week on the 13-14. Currently, the money markets are assigning a one in three chances the Fed raises rates by 25 basis points.

The CPI, issued on Tuesday, June 13, will also be an important data point for the Fed decision.

Initial Jobless Claims Surge Pointing to a Softening in the Jobs Market



Source: Bloomberg, June 9, 2023

Next Week All Eyes On CPI and The Fed

This is the week that CPI and the Fed meeting coincide, putting the focus on inflation policy.

As we get ready to move into Summer, this week is an important week for markets as we await the Consumer Price Index, or CPI, a critical indicator of inflation, on Tuesday, and the Fed's interest rate decision on Wednesday. The Fed is widely expected to hold steady on rates, as it continues to monitor the impact of previous rate hikes on inflation.



Calendar

Mon.	2:00 pm Earnings:	Federal Budget Oracle
Tue.	6:00 am 8:30 am	NFIB optimism index Consumer price index
Wed.	8:30 am 2:00 pm 2:30 pm Earnings:	Producer price index Fed decision on interest-rate policy Federal Reserve Jerome Powell press conference Lennar
Thu.	8:30 am Earnings:	Initial jobless claims, U.S. retail sales Adobe, Jabil, Kroger
Fri.	7:45 am 10:00 am	Fed Gov. Christopher Waller speaks Consumer sentiment

Source: MarketWatch/Kiplinger

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