

Gold was up \$80 an ounce at its peak yesterday, and nickel prices catapulted higher, shown below, as the surge in commodity prices continues. The combination of sanctions on Russia and investors chasing commodities is benefitting the price of many materials such as gold and nickel. Russian President Putin further fueled prices yesterday by banning the export of "*products and raw materials*" outside of the Russian Federation until December 31st. Gold and nickel gave up early gains as the stock market started rallying in hopes that a humanitarian ceasefire agreement might lead to peace.

	Price		Day	Month	Year	Date	
Coal	405.00	▼	-17.65	-4.18%	69.28%	357.63%	Mar/08
Bitumen	4,140.00	▲	218.00	5.56%	18.08%	33.46%	Mar/08
Cobalt	79,295.00	▲	3,495.00	4.61%	11.68%	50.72%	Mar/07
Lead	2,446.25	▼	-8.50	-0.35%	10.74%	24.94%	Mar/07
Aluminum	3,590.00	▼	-150.00	-4.01%	9.92%	65.82%	Mar/08
Tin	47,540.00	▲	1,128.00	2.43%	10.70%	95.68%	Mar/04
Zinc	4,229.00	▲	116.50	2.83%	16.04%	52.26%	Mar/08
Nickel	80,025.00	▲	31,824.00	66.02%	239.51%	399.02%	Mar/08
Molybdenum	44.50	▲	0	0%	-0.56%	52.14%	Mar/07
Palladium	3,116.54	▲	119.37	3.98%	36.76%	35.71%	Mar/08
Gallium	2,475.00	▲	50.00	2.06%	8.79%	11.24%	Mar/07
Germanium	9,400.00	▲	0	0%	0.53%	32.39%	Mar/07
Manganese	34.50	▲	0	0%	2.99%	10.40%	Mar/07

[dmc]

## What To Watch Today

### Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended March 4 (-0.7% during prior week)
- 10:00 a.m. ET: **JOLTS job openings**, January (10.950 million expected, 10.925 million during prior week)

### Earnings

- **Sonder Holdings (SOND)** to report adjusted losses of 26 cents on revenue of \$68.20 million
- **CrowdStrike (CRWD)** to report adjusted earnings of 20 cents on revenue of \$410.48 million
- **Asana (ASAN)** to report adjusted losses of 28 cents on revenue of \$105.33 million

## This Market "Feels" Like It Wants To Rally

The market "feels" like it is waiting for any piece of good news to unleash a rather substantial technical reflexive rally towards the 50-dma. Any easing of tensions with Russia, a breakthrough in negotiations to a ceasefire, etc., would probably do the trick. However, in the short term, we are on a weak "sell signal" as the market just now approaches oversold conditions. Therefore, there is certainly more downside risk to the "Russia invasion" lows.

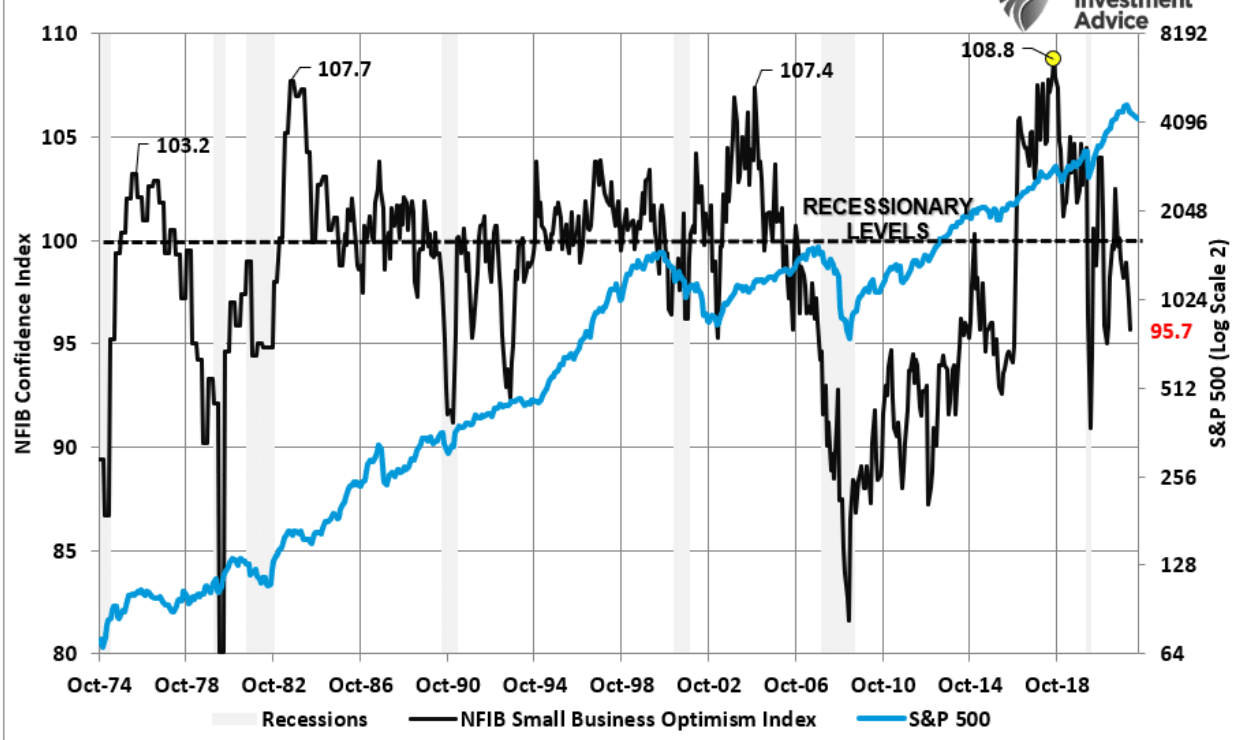
We continue to suggest using any rally as an opportunity to clear risk in portfolios. With the Fed prepping to hike rates, the economy slowing rapidly, and now surging commodity prices, the entire setup for a continuation of the previous bull market remains unlikely.



## NFIB Sentiment Declines

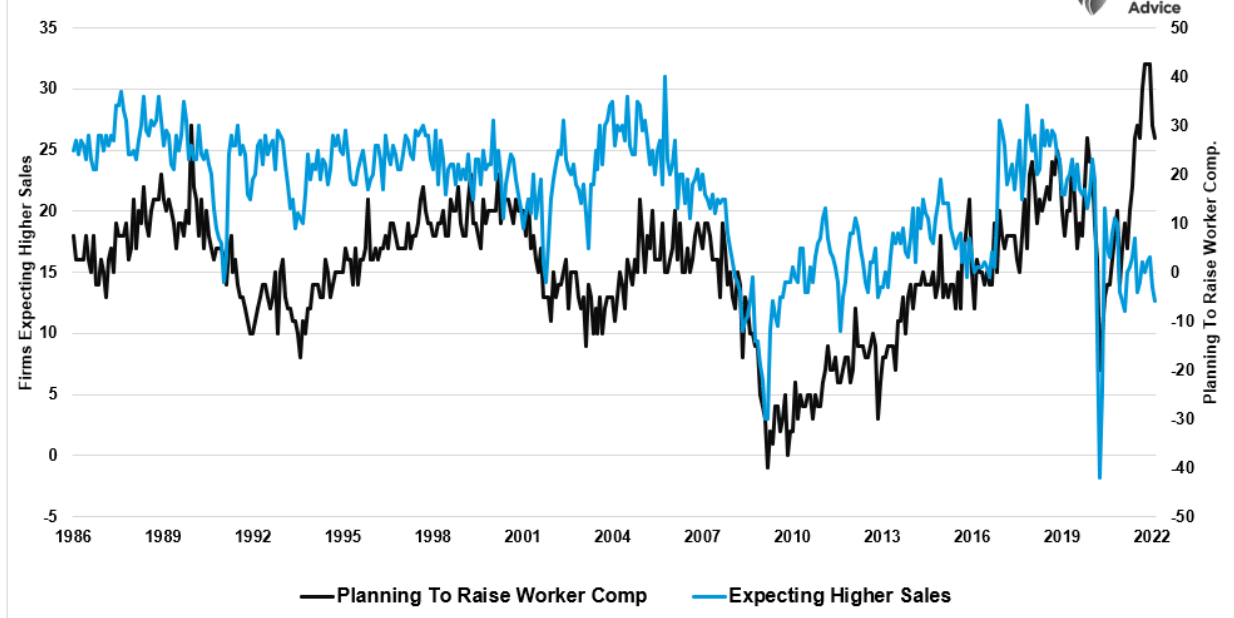
While gold and nickel are surging, small business sentiment surely isn't. The latest NFIB survey showed an unsurprising decline in confidence by small businesses amidst the backdrop of inflation and the Russian invasion of Ukraine. Importantly, confidence is now at levels that are considered pre-recessionary.

## NFIB Small Business Confidence Index



Along with the decline in confidence is now the loss of confidence to hire employees and pay higher wages. As we noted previously, it is only a function of time until companies begin to focus on profit margins which are highly deflationary for the economy. That process has likely started as sales expectations are declining rapidly.

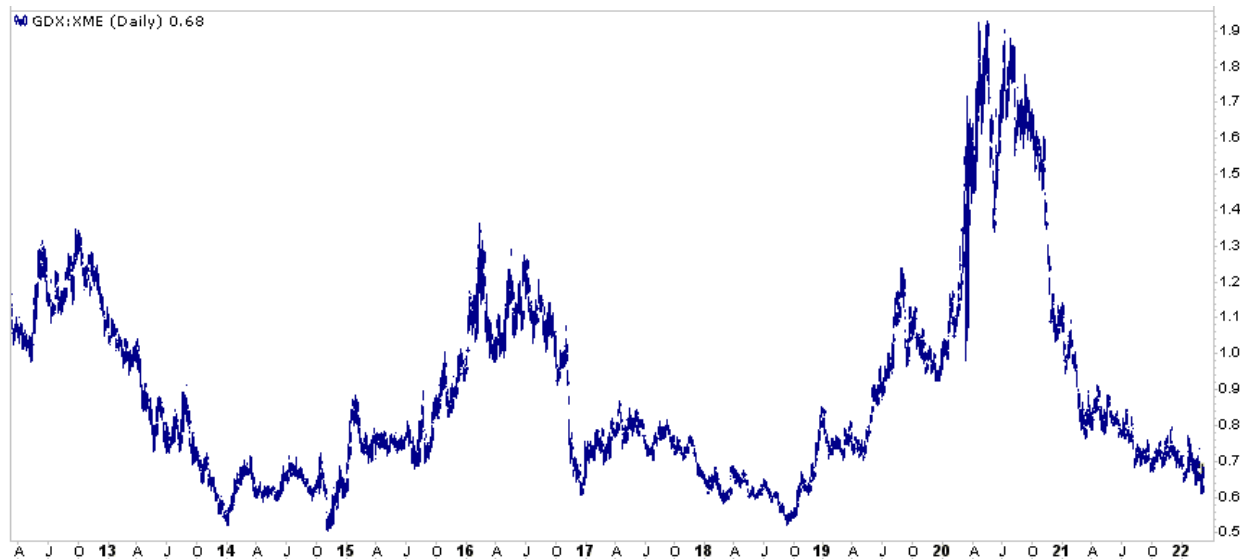
## NFIB: Expecting Higher Sales vs Planning To Raise Worker Comp



## Gold Miners or Metal Miners?

GDJ, the gold miner ETF, is up 28% this year thus far. Clearly, inflation and the rising gold prices are helping gold miners. Miners of gold and silver and nickel, copper, and ore have been on a tear. Many metals investors seek to profit from surging metal prices and gain a hedge against inflation. If you are considering an investment in miners and choosing between industrial metals and precious metals miners, consider the graph below. The graph charts the ratio of GDJ to XME (S&P metals

and mining ETF). As shown, the ratio is near decade lows. The ratio signals that a move from industrial miners to gold miners might be a smart move.




## The Drawdown is Normal, So Far

The media may be sparking a slight panic amongst equity investors, but the reality is that the current 12% drawdown in the S&P 500 is normal. The table below from Charlie Biello shows the maximum drawdown in each year since 1928. The median for the nearly 100 years of data is -12.8%. The only caveat is that the year is only two months old, and the market has already tagged the long-term median drawdown.

S&P 500 Index: Max Intra-Year Drawdowns (1928 - 2022)							
Year	DD	Year	DD	Year	DD	Year	DD
1928	-10.3%	1947	-14.7%	1966	-22.2%	1985	-7.7%
1929	-44.6%	1948	-13.5%	1967	-6.6%	1986	-9.4%
1930	-44.3%	1949	-13.2%	1968	-9.3%	1987	-33.5%
1931	-57.5%	1950	-14.0%	1969	-16.0%	1988	-7.6%
1932	-51.0%	1951	-8.1%	1970	-25.9%	1989	-7.6%
1933	-29.4%	1952	-6.8%	1971	-13.9%	1990	-19.9%
1934	-29.3%	1953	-14.8%	1972	-5.1%	1991	-5.7%
1935	-15.9%	1954	-4.4%	1973	-23.4%	1992	-6.2%
1936	-12.8%	1955	-10.6%	1974	-37.6%	1993	-5.0%
1937	-45.5%	1956	-10.8%	1975	-14.1%	1994	-8.9%
1938	-28.9%	1957	-20.7%	1976	-8.4%	1995	-2.5%
1939	-21.2%	1958	-4.4%	1977	-15.6%	1996	-7.6%
1940	-29.6%	1959	-9.2%	1978	-13.6%	1997	-10.8%
1941	-22.9%	1960	-13.4%	1979	-10.2%	1998	-19.3%
1942	-17.8%	1961	-4.4%	1980	-17.1%	1999	-12.1%
1943	-13.1%	1962	-26.9%	1981	-18.4%	2000	-17.2%
1944	-6.9%	1963	-6.5%	1982	-16.6%	2001	-29.7%
1945	-6.9%	1964	-3.5%	1983	-6.9%	2002	-33.8%
1946	-26.6%	1965	-9.6%	1984	-12.7%	2003	-14.1%
						2022 YTD	-12.4%

Note: Closing Prices (does not include intra-day or dividends)

 **COMPOUND** @CharlieBilello

## How Do Stocks Typically Perform in Major Geopolitical Events?

The Russian invasion of Ukraine started on February 24th but the war drums were banging in January. Since the start of the year, the S&P 500 is down 12% and the NASDAQ down 19%. The table below helps us put the decline into perspective versus other critical geopolitical events. As shown, the current event ranks near the top in terms of losses.

While the media blames Russia as the cause for the market's slide, we believe it has more to do with the Fed. Tomorrow is the last day of QE, and in a week, the Fed is likely to raise interest rates. Liquidity from the Fed and the federal government is vanishing. We think Russia is a concern for stock prices but more so in how it aggravates already high inflation figures. Typically we might expect the Fed to hold off raising rates during a significant geopolitical event. In fact, history says they would be much more likely to reduce rates. This time, Russia's action generates more inflation than would have been otherwise, and the Fed has to take action. As we show and state below, **this time might be different.**

## S&P 500 Response to Geopolitical Events

Posted on

The Daily Shot

08 May 2022

	Year	Change in S&P 500 at trough	Days to recovery
Attack on Pearl Harbor	1941	-19.8%	@SoberLook 307
Iraq invades Kuwait	1990	-16.9	189
N. Korea invades S. Korea	1950	-12.9	82
Tet Offensive	1968	-6.0	65
Munich Olympics	1972	-4.3	57
Gulf of Tonkin incident	1964	-2.2	41
Saudi Aramco drone strike	2019	-4.0	41
North Korea missile crisis	2017	-1.5	36
Terrorist attacks on U.S.	2001	-11.6	31
Madrid bombing	2004	-2.9	20
Bombing of Syria	2017	-1.2	18
Cuban missile crisis	1962	-6.6	18
Boston Marathon bombing	2013	-3.0	15
Yom Kippur War	1973	-0.6	6
Iranian general killed in airstrike	2020	-0.7	5
London subway bombing	2005	0	4
Hungarian Uprising	1956	-0.8	4
Suez Crisis	1956	-1.5	4
U.S. pulls out of Afghanistan	2021	-0.1	3
Attempted assassination of Reagan	1981	-0.3	2
Six-Day War	1967	-1.5	2
Kennedy assassination	1963	-2.8	1

Source: LPL Research, S&P Dow Jones Indices, CFRA

## This Time Might Be Different

The Fed meets next Wednesday and is widely expected to begin raising rates at that meeting. Samantha LaDuc and @DataTrekMB, in the Tweet below, explain why this coming action will potentially occur in a very different environment than what the Fed and investors are accustomed to.



**Samantha LaDuc** @SamanthaLaDuc · 6m

...

The Fed has NEVER begun a rate tightening cycle when the \$VIX has been more than one standard deviation (8) from its long-run average (20) over the last +3 decades.

The \$VIX closed Monday at 36.5, or TWO standard deviations above its long-run average...

@DataTrekMB

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