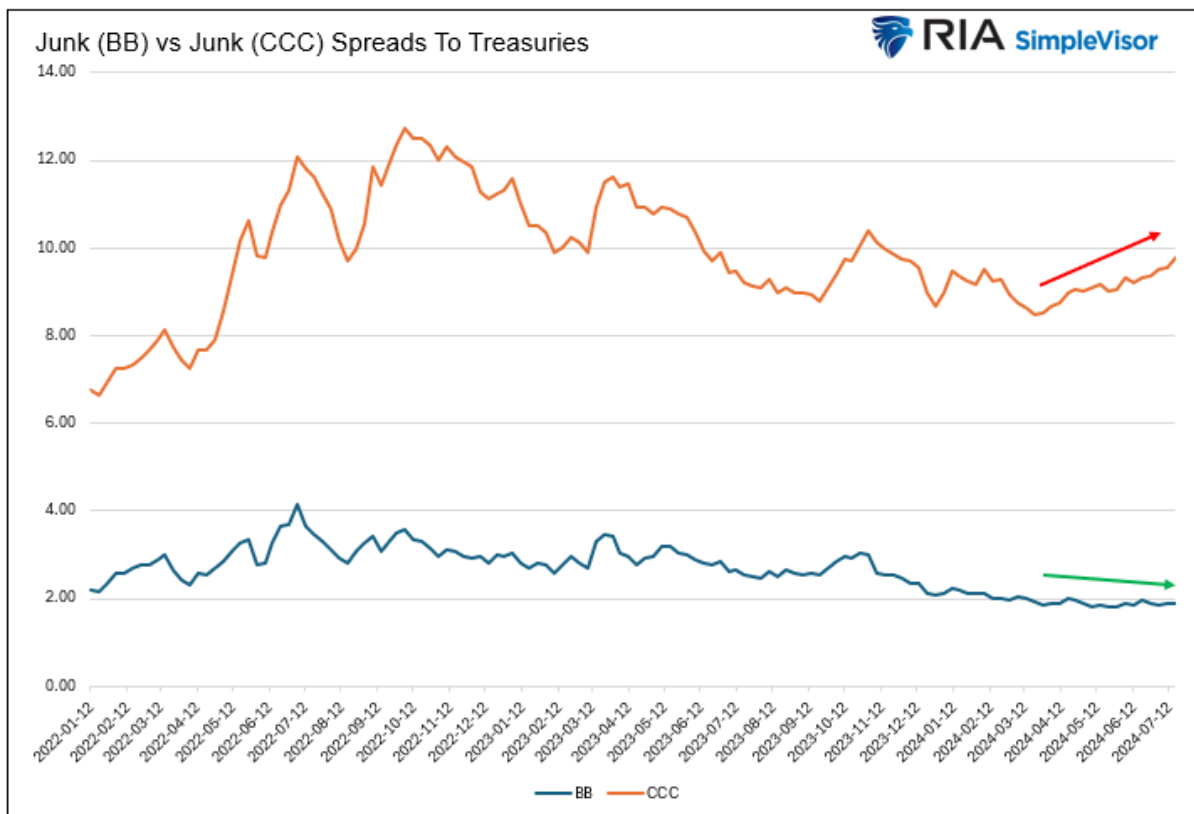


# The Credit Widening In The Coal Mine

Coal miners used to bring canaries into the mines to protect themselves from harmful gases. The canary will keel over if the gas levels increase, giving the miners time to exit before meeting the same fate. In the same vein, no pun intended, there is a corporate bond credit spread that can serve as an economic canary.

Corporate credit spreads, or the difference between a bond's yield and Treasury yields, measure the perceived risk of default. Thus, the higher the spread, the greater the premium investors demand to insure against default. From AAA to junk-rated credit, spreads are historically tight. Thus, investors are not overly concerned about economic weakness, which usually precedes defaults. However, a closer inspection of credit spreads by ratings exposes a bit of a warning.

Our canary is the difference between the highest-rated junk bonds, BB, and the junk bonds closest to default, CCC. As shown, CCC bond spreads have been rising. However, BB spreads continue to drift lower. The increased spread between BB and CCC is only minor. In other words, the canary just coughed. Let's watch the canary to see if its condition worsens.



## What To Watch Today

### Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
☀	GS	Goldman Sachs Group, Inc. (The)	\$154,534,181,667	Jun/2024	\$8.63	7	7/19/2023	\$3.08
☹	HDB	HDFC Bank Limited	\$151,555,396,709	Jun/2024	\$0.49	1	7/17/2023	\$0.80
☀	BLK	BlackRock, Inc.	\$122,575,666,327	Jun/2024	\$9.96	7	7/14/2023	\$9.28
☾	SFBS	ServisFirst Bancshares, Inc.	\$3,667,385,434	Jun/2024	\$0.91	2	7/20/2023	\$0.98
☾	FBK	FB Financial Corporation	\$1,957,035,830	Jun/2024	\$0.76	4	7/17/2023	\$0.77
☾	CFB	CrossFirst Bankshares, Inc.	\$737,422,935	Jun/2024	\$0.34	3	7/17/2023	\$0.35
☀	GNTY	Guaranty Bancshares, Inc.	\$374,995,473	Jun/2024	\$0.55	1	7/17/2023	\$0.63
☹	VABK	Virginia National Bankshares Corporation	\$184,705,663	Jun/2024		N/A	N/A	\$1.05

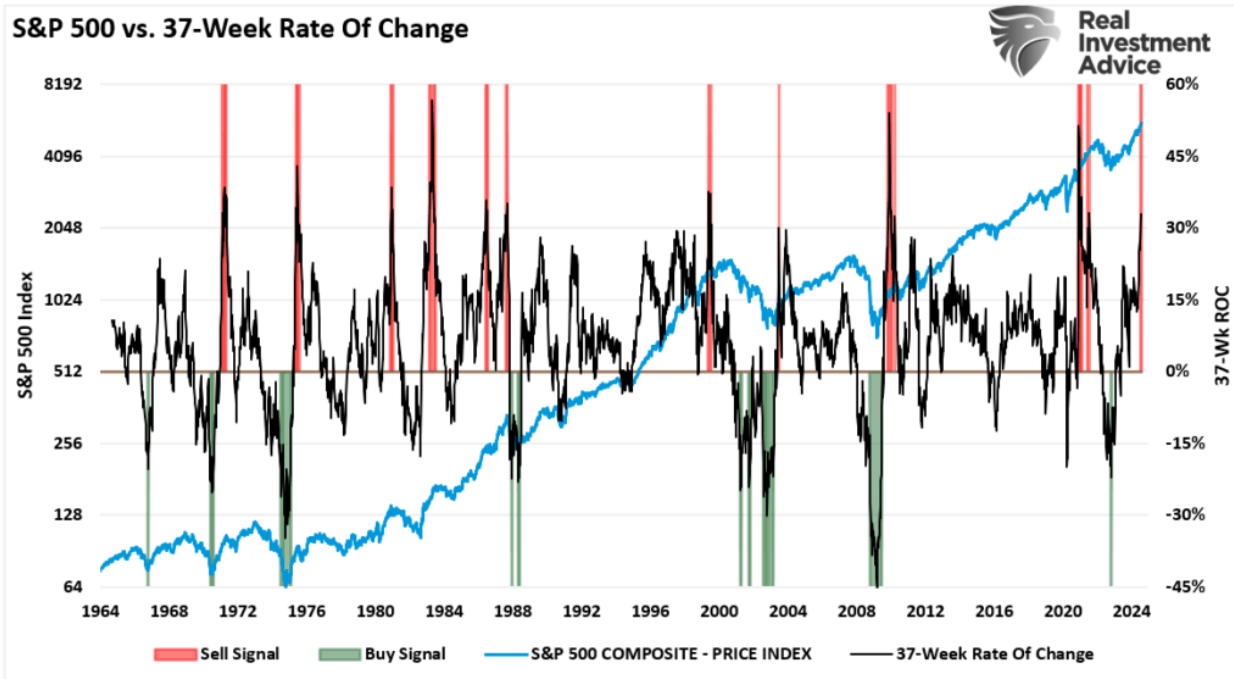
## Economy

Time	Event	Impact	Actual	Consensus	Previous
MONDAY, JULY 15					
12:30	🇺🇸 USD NY Empire State Manufacturing Index(Jul)	🟡	-	-6	-6
14:35	🇺🇸 USD Fed's Daly speech	🟡		SPEECH	

## Market Trading Update

As [noted on Friday](#),

*"The rally that began in late October is one of the longest rallies in history. The chart below shows the 37-week rate of change for the S&P 500 index. While there have certainly been periods with larger percentage gains, the current change exceeds 30%, which has historically preceded corrections and consolidations. Conversely, 20% or greater reversions have been decent buying opportunities for investors. The shaded periods show the buying and selling opportunities that have not been that numerous since 1964."*



As discussed last week, the market did indeed flip that "sell signal," pushing higher and topping 5600 for the first time. However, it also pushed the market back into extremely overbought territory, and the deviation from the 50-DMA is quite significant. Such suggests that, as we saw in late May and June, the market will either consolidate or correct back to the 20-DMA. If the bulls can hold that level again, as they have, the market could continue to push higher. Such is possible given the current exuberance surrounding the Fed cutting rates. However, if the 20-DMA fails, as in early April, the 50-DMA becomes the next logical support, with the 100-DMA close behind. Such would encompass another 3-5% correction.



With the market continuing its "non-stop" advance, the bulls have become emboldened to take on more risk and are unconcerned about the risk of a correction. Such often does not end well, but as Warren Buffett once quipped:

"The markets are a lot like sex; it feels best just before the end."



## The Week Ahead

With inflation and the unemployment reports in the rearview mirror, corporate earnings will take center stage. Leading the list are Goldman Sachs, Bank America, United Healthcare, J&J, Netflix, and American Express. We will be watching to see if companies can maintain higher-than-average profit margins despite normalizing inflation. Furthermore, companies like J&J, American Express, and United will provide insight into personal consumption.

Jerome Powell will speak again today. He may opine on the latest inflation data and how that affects the Fed's outlook. Also on the calendar is Retail Sales on Tuesday.

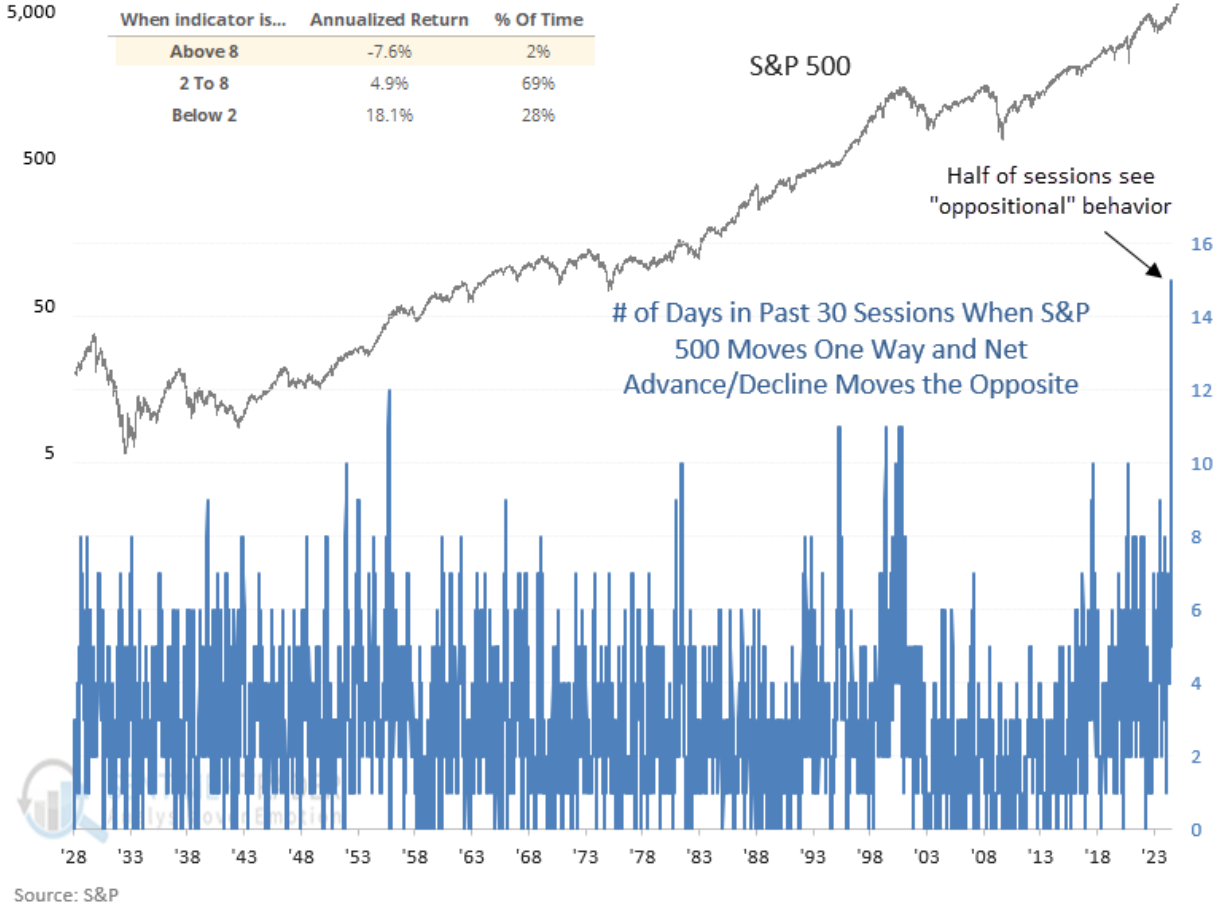
E EARNINGS WHISPERS		Most Anticipated Earnings Releases									
		for the week beginning July 15, 2024									
Monday		Tuesday		Wednesday		Thursday		Friday			
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close
GS Goldman Sachs GS	FBK FirstBank CFB	BAC BANK OF AMERICA BAC	IBKR Interactive Brokers IBKR	ASML ASML ASML	UAL UNITED UAL	TSX TSX TSX	NETLX NETFLIX NETLX	AEX AMERICAN EXPRESS AEX	SLB slb SLB		
BLK BlackRock BLK	GFN GROUPOF FIRST MONTECALLO S.P.A. GFN	UHG UNITEDHEALTH GROUP UHG	JH J&J JH	JNJ Johnson & Johnson JNJ	AA Alcoa AA	NOK NOKIA NOK	INTU INTUITIVE SURGICAL INTU	DMB Dodge Data & Analytics DMB			
GS Guaranty Bank & Trust GS	SFBK ServisFirst Bank SFBK	PGR PROGRESSIVE PGR	AH AHER AH	ELV Elevance Health ELV	DIS DISCOVER DIS	CTAS CINTAS CTAS	PPG PPG PPG	BBN Badger Meter, Inc. BBN			
		MS Morgan Stanley MS	W WELLS FARGO W	ALLY ally ALLY	KMB KINDER MORGAN KMB	OCFC OCEANFIRST BANK OCFC					
		CS Charles Schwab CS	GTSB GREAT SOUTHERN BANK GTSB	PRO PROLOGIS PRO	CC CROWN CASTLE CC	HT D R HORTON HT	AAR AAR AAR				
		PNC PNC PNC	FPN FULTON FINANCIAL CORPORATION FPN	SYN synchrony SYN	SHO Steel Dynamics, Inc. SHO	ABB Abbott ABB	CFB Commercial Bank CFB				
		STT STATE STREET STT	EBN EQUITY BANK HOLDING, INC. EBN	USBC US bancorp USBC	SLG SL GREEN REALTY CORP. SLG	TRG The Truist Group TRG	SCF SC financial group SCF				
		AMG AMG AMG	PNTY Pinnacle Financial Partners PNTY	FCOM First Community Corporation FCOM	EQF EQUIFAX EQF	INFY Infosys INFY	ALP ALPINE ALP				
		ANG angiodynamics ANG	OMC Omnicom Group OMC	FH FIRST HORIZON NATIONAL CORPORATION FH	FI FIRST INDUSTRIAL HEALTHCARE FI	KEY KeyBank KEY	SCHL SCHOLASTIC SCHL				
		MER Mercantile Banc Corporation MER		NTR NORTHERN TRUST NTR	LIB LIBERTY LIB	MCC Marsh McLennan MCC	RGP RGP RGP				

## Bizarro Stocks

Sentimentrader shared the graph below, showing that fifteen of the last thirty days have seen the S&P 500 index move in the opposite direction as the advance-decline line. The next closest instance, going back to 1928, is 12 days. The table on the top left shows that prior instances when the number of occurrences was above eight were followed by an average annualized return of - 7.6%. Furthermore, about 40% of stocks in the S&P 500 are down this year despite the index being up nearly 20%.

Bizzaro stats like these and many others attest to the heavy contribution of large-cap stocks to index returns and how they mask underlying market weakness. The top 30 stocks account for over half of the index. Moreover, Microsoft, Apple, Nvidia, and Amazon account for 25% of the total.

# We've never seen anything like this



## Tweet of the Day



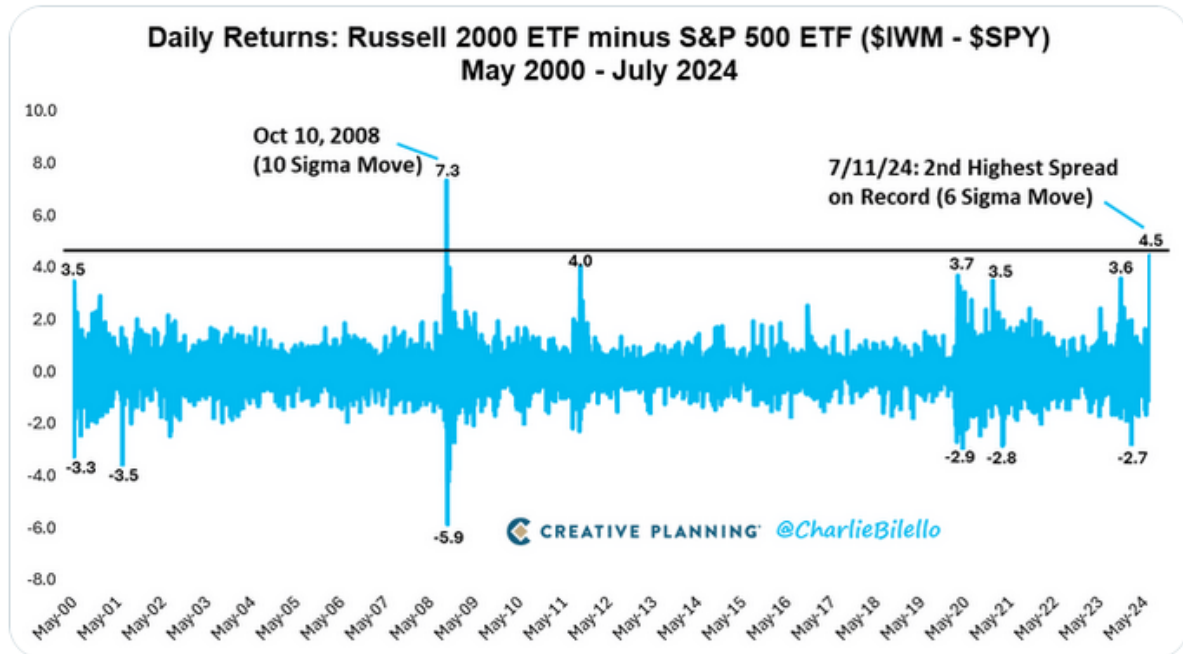
**Charlie Bilello** ✓

@charliebilello



Small caps outperformed Large caps by 4.5% today, a 6 standard deviation event and the 2nd biggest outperformance on record (trailing only the 10 sigma differential on October 10, 2008). [\\$IWM](#) [\\$SPY](#)

**Chart of the Day:** [bilello.blog/2024/the-great...](http://bilello.blog/2024/the-great...)



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