

Walmart's earnings report gives investors hope that weakening retail spending trends may be ending. Walmart's earnings and sales exceeded expectations. Furthermore, Walmart gave increased earnings guidance for the year ahead. Investors loved the news, as witnessed by Walmart shares initially trading 8% higher on the news.

Most retail earnings this year have been accompanied by concerns from its executives that consumers were slowing their spending habits and unwilling to pay up for goods. As we have recently seen, many retail establishments, including Walmart, are now offering their customers price deals or special sales. Walmart's CFO gives us hope that the weakening trend in personal consumption may be changing. To wit:

"We don't see any additional fraying of consumer health."

Is Walmart seeing increased business from consumers shunning higher-priced stores, or are they providing the first signs of a turnaround in spending habits? As we write below, Thursday's Retail Sales report echoed Walmart's sentiment.



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*
⊖	VFS	VinFast Auto Ltd.	\$8,579,683,787	Jun/2024	(\$0.24)	1	N/A	(\$0.01)
☀	FLO	Flowers Foods, Inc.	\$4,799,248,545	Jun/2024	\$0.33	4	8/10/2023	\$0.33
☀	RLX	RLX Technology Inc.	\$2,481,849,100	Jun/2024		1	N/A	\$0.02
⊖	BKE	Buckle, Inc. (The)	\$2,109,340,385	Jul/2024		1	N/A	\$0.92
☀	MSGE	Madison Square Garden Entertainment Corp.	\$1,812,454,819	Jun/2024	(\$0.56)	4	8/18/2023	(\$0.47)

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, AUGUST 16						
12:30	USD Building Permits (MoM) (Jul)	🟡	-	-	1.43M	1.454M
12:30	USD Building Permits Change (Jul)	🟡	-	-	-	3.9%
12:30	USD Housing Starts (MoM) (Jul)	🟡	-	-	1.33M	1.353M
12:30	USD Housing Starts Change (Jul)	🟡	-	-	-	3%
14:00	USD Michigan Consumer Sentiment Index (Aug) PREL	🔴	-	-	66.9	66.4
14:00	USD UoM 5-year Consumer Inflation Expectation (Aug) PREL	🟡	-	-	-	3%
17:00	USD Baker Hughes US Oil Rig Count	🟡	-	-	-	485
17:25	USD Fed's Goolsbee speech	🟡			SPEECH	

Market Trading Update

We noted yesterday that the 50-DMA was the next resistance level to challenge the market rally. With weak inflation reports this week and a surprisingly strong retail sales number, the 50-DMA provides little resistance to the strong market rally. As shown, the market has pushed easily through all the moving averages and broke out of the corrective downtrend channel from the July peak.

With the MACD "buy signal" triggered and the market not overbought yet, there appears to be further upside for the near term, particularly as corporate buybacks take center stage. For all intents and purposes, the 5-10% correction we discussed in June and July is now complete and the bullish market backdrop remains intact. For now, traders can use pullbacks to key support levels opportunistically to add exposure as needed.





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Retail Sales Rock

Retail Sales for July were much stronger than expected, rising 1% versus expectations for a 0.4% increase. This was the best headline retail sales number in over two years. However, the retail

sales control group, which feeds the GDP number directly, only rose by 0.3%, and excluding auto sales, retail sales rose by 0.4%. The graph below shows that motor vehicle sales contributed heavily to the beat, offsetting its negative influence last month.

The Tweet of the Day below points out that retail sales are still below pre-pandemic levels despite the robust data. Furthermore, when inflation is factored in, retail sales are on par with prior recessions. Hopefully, the latest retail sales print and Walmart earnings report are the start of a more positive trend and not a one-off anomaly.



Is Japan Awakening?

After decades of economic slumber, the Japanese economy shows signs of life. Second-quarter GDP rose 3.1%, 1% more than estimates. Furthermore, it should help quell recession fears, as first-quarter GDP fell by 2.3%.

The growth was driven by a surge in private consumption, which rose by 1.0%, and an increase in business spending of 0.9%. The data supports the case for more rounds of interest rate hikes by the BOJ. Accordingly, improving growth, growing inflationary pressures, and rising interest rates may also result in the continued strengthening of the yen versus the dollar. While economic recovery for Japan is good, an appreciating yen risks more unwinding of the yen carry trade. We suspect the BOJ and Fed will try to reduce volatility in the yen to limit the adverse market effects like we saw last week. Despite the good news, the yen was weaker against the dollar, as shown below.



Tweet of the Day

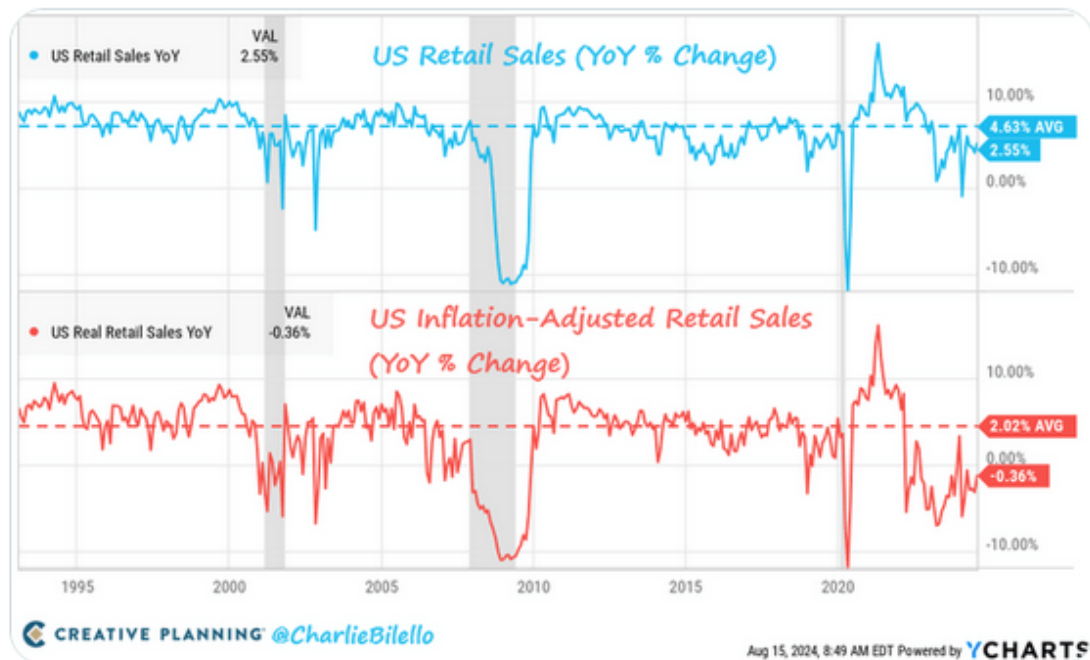


Charlie Bilello @charliebilello · 9m

US Retail Sales increased 2.6% over the last year but after adjusting for higher prices they were down 0.4%.

Both of these numbers are well below the historical averages of +4.6% nominal and +2.0% real.

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