



On Tuesday, we published [Fed Rate Cuts ? A Signal To Sell Stocks And Buy Bonds?](#) The article presents a historical context for what investors can expect when the Fed cuts rates. Unlike the bullish sentiment prevailing around rate cuts, historical reality has not been so friendly to equity investors.

So what can we expect?

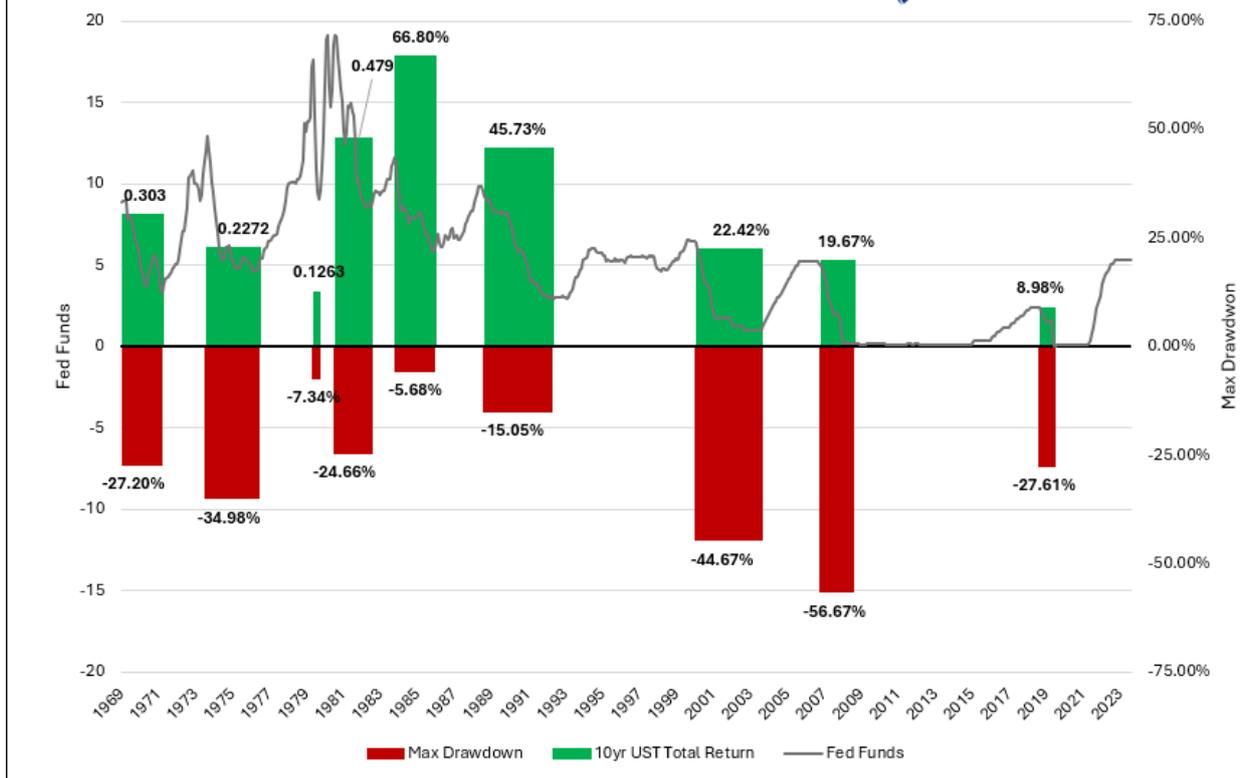
*Given that historical perspective, it certainly seems apparent that investors should NOT anticipate a Fed rate-cutting cycle. There are several reasons why: 1- Rate cuts generally coincide with the Fed working to counter a deflationary economic cycle or financial event. 2- As deflationary or financial events unfold, consumer activity contracts, which impairs corporate earnings. 3- As corporate earnings decline, markets must reprice current valuations for lower earnings.*

The article ends as follows:

*Therefore, as we approach the first Fed rate cut in September, it may be time to consider reducing equity risk and increasing exposure to Treasury bonds.*

We enhanced an important graph from the article to help answer the question- what can we expect? The original graph showed the maximum drawdowns of stocks during periods of Fed rate cuts. The graph below shows the total return of ten-year UST notes during the entire rate-cutting time frame alongside the equity drawdowns. While history doesn't always repeat itself, an investor would have been much better off in bonds versus stocks during each of the last nine significant Fed Fund rate cuts. This time may differ, but history is not on your side.

# Fed Funds Rate Cuts and Performance S&P 500 & 10yr UST



## 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*
🕒	TSM	Taiwan Semiconductor Manufacturing Company Ltd.	\$960,627,637,753	Jun/2024	\$1.37	4	7/20/2023	\$1.14
🕒	NFLX	Netflix, Inc.	\$282,906,968,341	Jun/2024	\$4.70	11	7/19/2023	\$3.29
☀️	NVS	Novartis AG	\$225,518,269,675	Jun/2024	\$1.87	5	7/18/2023	\$1.83
☀️	ABT	Abbott Laboratories	\$179,112,691,826	Jun/2024	\$1.10	8	7/20/2023	\$1.08
🕒	ISRG	Intuitive Surgical, Inc.	\$155,095,120,669	Jun/2024	\$1.17	10	7/20/2023	\$1.18
☀️	MMC	Marsh & McLennan Companies, Inc.	\$107,645,417,741	Jun/2024	\$2.39	10	7/20/2023	\$2.20
☀️	BX	Blackstone Inc.	\$94,597,690,358	Jun/2024	\$0.99	9	7/20/2023	\$0.93
🕒	INFY	Infosys Limited	\$84,324,993,441	Jun/2024	\$0.18	6	7/20/2023	\$0.17
☀️	CTAS	Cintas Corporation	\$72,531,003,547	May/2024	\$3.80	10	7/13/2023	\$3.33
☀️	DHI	D.R. Horton, Inc.	\$50,108,151,655	Jun/2024	\$3.80	19	7/20/2023	\$3.90
🕒	PPG	PPG Industries, Inc.	\$30,691,360,000	Jun/2024	\$2.48	7	7/20/2023	\$2.25
☀️	MTB	M&T Bank Corporation	\$26,423,066,109	Jun/2024	\$3.50	9	7/19/2023	\$5.12
☀️	NOK	Nokia Corporation	\$22,004,906,891	Jun/2024	\$0.05	6	7/20/2023	\$0.08
☀️	TXT	Textron Inc.	\$17,370,771,272	Jun/2024	\$1.49	5	7/27/2023	\$1.46
☀️	DPZ	Domino's Pizza Inc	\$16,848,191,217	Jun/2024	\$3.70	10	7/24/2023	\$3.08
☀️	KEY	KeyCorp	\$14,614,337,161	Jun/2024	\$0.24	10	7/20/2023	\$0.27
☀️	SNA	Snap-On Incorporated	\$14,278,291,811	Jun/2024	\$4.94	7	7/20/2023	\$4.89
☹️	MKTX	MarketAxess Holdings, Inc.	\$8,323,674,017	Jun/2024	\$1.69	8	7/20/2023	\$1.63
☀️	CBSH	Commerce Bancshares, Inc.	\$7,715,167,138	Jun/2024	\$0.90	7	7/19/2023	\$0.97
🕒	WAL	Western Alliance Bancorporation	\$7,690,118,158	Jun/2024	\$1.71	9	7/18/2023	\$1.96
☀️	HXL	Hexcel Corporation	\$5,631,829,033	Jun/2024	\$0.56	9	7/24/2023	\$0.50
☀️	ALK	Alaska Air Group, Inc.	\$4,878,991,171	Jun/2024	\$2.36	8	7/25/2023	\$3
🕒	GBCI	Glacier Bancorp, Inc.	\$4,679,547,109	Jun/2024	\$0.38	5	7/20/2023	\$0.50
☹️	SIM	Grupo Simec, S.A. de C.V.	\$4,636,763,409	Jun/2024		8	N/A	\$0.34
☹️	FFIN	First Financial Bankshares, Inc.	\$4,595,195,259	Jun/2024	\$0.37	2	7/20/2023	\$0.36
☀️	VIRT	Virtu Financial, Inc.	\$3,626,461,750	Jun/2024	\$0.54	5	7/26/2023	\$0.29
☀️	MAN	ManpowerGroup	\$3,350,201,705	Jun/2024	\$1.27	6	7/20/2023	\$1.58
☀️	TCBI	Texas Capital Bancshares, Inc.	\$3,136,954,981	Jun/2024	\$0.87	9	7/20/2023	\$1.33
☹️	BANF	BancFirst Corporation	\$3,110,065,340	Jun/2024	\$1.42	3	7/20/2023	\$1.64

## Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
<b>THURSDAY, JULY 18</b>						
12:30	🇺🇸 USD Continuing Jobless Claims(Jul 5)	🟡	-	-	- 1.852M	🔔
12:30	🇺🇸 USD Initial Jobless Claims(Jul 12)	🟠	-	-	230K 222K	🔔 ...
12:30	🇺🇸 USD Initial Jobless Claims 4-week average(Jul 12)	🟡	-	-	- 233.5K	🔔
12:30	🇺🇸 USD Philadelphia Fed Manufacturing Survey(Jul)	🟠	-	-	2.9 1.3	🔔
14:30	🇺🇸 USD EIA Natural Gas Storage Change(Jul 12)	🟡	-	-	55B 65B	🔔
15:30	🇺🇸 USD 4-Week Bill Auction	🟡	-	-	- 5.27%	🔔
16:45	🇺🇸 USD Fed's Logan speech	🟠			SPEECH	🔔
17:00	🇺🇸 USD 10-year TIPS Auction	🟡	-	-	- 2.184%	🔔
20:00	🇺🇸 USD Net Long-Term TIC Flows(May)	🟡	-	-	\$98.4B \$123.1B	🔔
20:00	🇺🇸 USD Total Net TIC Flows(May)	🟡	-	-	- \$66.2B	🔔
22:05	🇺🇸 USD Fed's Daly speech	🟠			SPEECH	🔔
23:45	🇺🇸 USD Fed's Bowman speech	🟠			SPEECH	🔔

## Market Trading Update

[Yesterday's commentary](#) discussed the more bullish setup that is forming in the bond market. As Michael notes above, when the Fed cuts rates, bonds have performed much better than stocks on average.

Each week in the **#BullBearReport** ([Subscribe for free](#)), we publish a Risk-Range report that examines the current price movement of major sectors and markets relative to their historical monthly norms. As shown below, many sectors and markets are currently trading well above those norms.

In particular, the S&P 500, Communications, Technology, Small Cap, Gold, and Gold Miners are trading above normal historical monthly ranges and sport double-digit deviations from their long-term moving averages. These double-digit deviations are not sustainable and will eventually lead to a correction or consolidation (*like what technology is currently going through*).

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT WMA		LONG WMA	MONTH END PRICE	REL S&P BETA	RISK RANGE		% DEV - Short M/A	% DEV - Long M/A	M/A XVER SIGNAL
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					HIGH	LOW				
IVV	ISHARS-SP500	567.96	1.62	3.33	11.77	15.13	24.38	533.87	508.79	547.23	1.00	560.91	533.55	6%	12%	BULLISH	
XLB	SPDR-MATLS SELS	92.02	3.84	(0.56)	(7.53)	(4.67)	(14.82)	89.84	87.46	88.31	1.07	91.46	85.16	2%	5%	BULLISH	
XLC	SPDR-COMM SV SS	86.85	(2.06)	0.02	(4.26)	(3.50)	4.53	83.31	79.10	85.66	1.03	88.68	82.64	4%	10%	BULLISH	
XLE	SPDR-EGY SELS	92.30	2.37	0.80	(15.74)	(6.55)	(11.97)	91.95	88.69	91.15	1.21	94.54	87.76	0%	4%	BULLISH	
XLF	SPDR-FINL SELS	43.49	2.55	2.05	(6.03)	(4.30)	(0.02)	41.34	39.81	41.11	1.06	42.57	39.65	5%	9%	BULLISH	
XLK	SPDR-TECH SELS	233.44	(1.37)	(2.46)	6.65	0.48	5.12	215.96	205.37	226.23	1.14	234.45	218.01	8%	14%	BULLISH	
XLJ	SPDR-INDU SELS	128.19	4.47	0.76	(7.61)	(2.89)	(7.45)	122.98	119.92	121.87	1.07	126.22	117.52	4%	8%	BULLISH	
XLP	SPDR-CONS STPL	77.74	(0.73)	(3.38)	(8.61)	(9.31)	(19.30)	76.82	74.56	76.58	0.58	78.94	74.22	1%	4%	BULLISH	
XLRE	SPDR-RE SELS	40.54	3.96	2.02	(0.70)	(9.59)	(18.09)	37.85	38.37	38.41	0.96	39.74	37.08	7%	6%	BEARISH	
XLU	SPDR-UTIL SELS	70.07	0.20	(2.08)	(6.14)	(1.35)	(17.52)	69.54	65.47	68.14	0.57	70.23	66.05	1%	7%	BULLISH	
XLV	SPDR-HLTH CR	149.86	1.77	(0.63)	(5.71)	(8.53)	(10.91)	144.10	141.90	145.75	0.67	150.38	141.12	4%	6%	BULLISH	
XLY	SPDR-CONS DISCR	194.70	0.85	4.33	1.08	(3.30)	(13.98)	179.66	178.19	182.40	1.20	189.14	175.66	8%	9%	BULLISH	
XTN	SPDR-SP TRANSP	83.67	8.96	6.96	(6.44)	(10.55)	(27.25)	77.64	79.78	78.18	1.33	81.17	75.18	8%	5%	BEARISH	
SDY	SPDR-SP DIV ETF	132.39	3.26	(0.63)	(8.38)	(9.05)	(17.94)	128.77	126.39	127.18	0.86	131.45	122.91	3%	5%	BULLISH	
RSP	INVS-SP5 EQ ETF	171.71	3.26	0.56	(6.07)	(6.79)	(12.37)	164.62	161.13	164.28	1.05	170.12	158.44	4%	7%	BULLISH	
SPSM	SPDR-PRT SC	45.43	9.14	6.64	(1.69)	(5.77)	(11.99)	41.79	41.32	41.53	1.12	43.83	40.03	9%	10%	BULLISH	
MDY	SPDR-SP MC 400	568.92	6.23	2.68	(4.38)	(3.12)	(9.68)	537.65	522.36	535.08	1.11	554.60	515.76	6%	9%	BULLISH	
EEM	ISHARS-EMG MKT	44.29	(0.54)	(0.97)	(2.33)	(0.39)	(15.72)	42.47	40.88	42.59	0.73	43.97	41.21	4%	6%	BULLISH	
EFA	ISHARS-EAFE	81.25	0.75	0.24	(7.49)	(7.36)	(14.96)	79.52	77.32	78.33	0.88	80.98	75.68	2%	5%	BULLISH	
IAU	ISHARS-GOLD TR	46.66	2.86	2.84	(5.50)	6.03	0.18	44.37	41.40	43.93	0.19	45.11	42.75	5%	13%	BULLISH	
GDX	VANECK-GOLD MNR	39.28	7.16	13.22	7.08	24.40	(4.00)	34.85	31.63	33.93	0.94	35.10	32.76	13%	24%	BULLISH	
UUP	INVS-DB US\$ BU	28.74	(2.41)	(3.92)	(11.94)	(11.60)	(26.29)	28.81	28.38	29.13	(0.21)	29.80	28.46	0%	1%	BULLISH	
BOND	PIMCO-ACTV BOND	92.23	(0.72)	(2.80)	(8.78)	(15.07)	(23.81)	90.69	91.02	91.08	0.25	93.58	88.58	2%	1%	BEARISH	
TLT	ISHARS-20+YTB	94.17	0.36	(3.78)	(5.99)	(16.75)	(31.88)	91.44	93.33	91.78	0.25	94.30	89.26	3%	1%	BEARISH	
BNDX	VANGD-TTL INT B	49.22	(0.63)	(2.80)	(10.45)	(14.46)	(23.67)	48.68	48.93	48.67	0.18	49.97	47.37	1%	1%	BEARISH	
HYG	ISHARS-IBX HYCB	78.29	(0.36)	(2.12)	(9.71)	(14.38)	(20.62)	77.05	77.01	77.14	0.44	79.41	74.87	2%	2%	BULLISH	



### RISK RANGE REPORT



The last time I wrote about these double-digit deviations, it was concerning Gold and Gold miners, which were near the peak in mid-April. From that point, gold traded sideways and lower through mid-June before working off that condition. That extreme has now returned.

This analysis does not suggest that a major correction will occur. However, it is good for understanding when to take profits and reduce portfolio risk. That analysis suggests we are once again near that point.



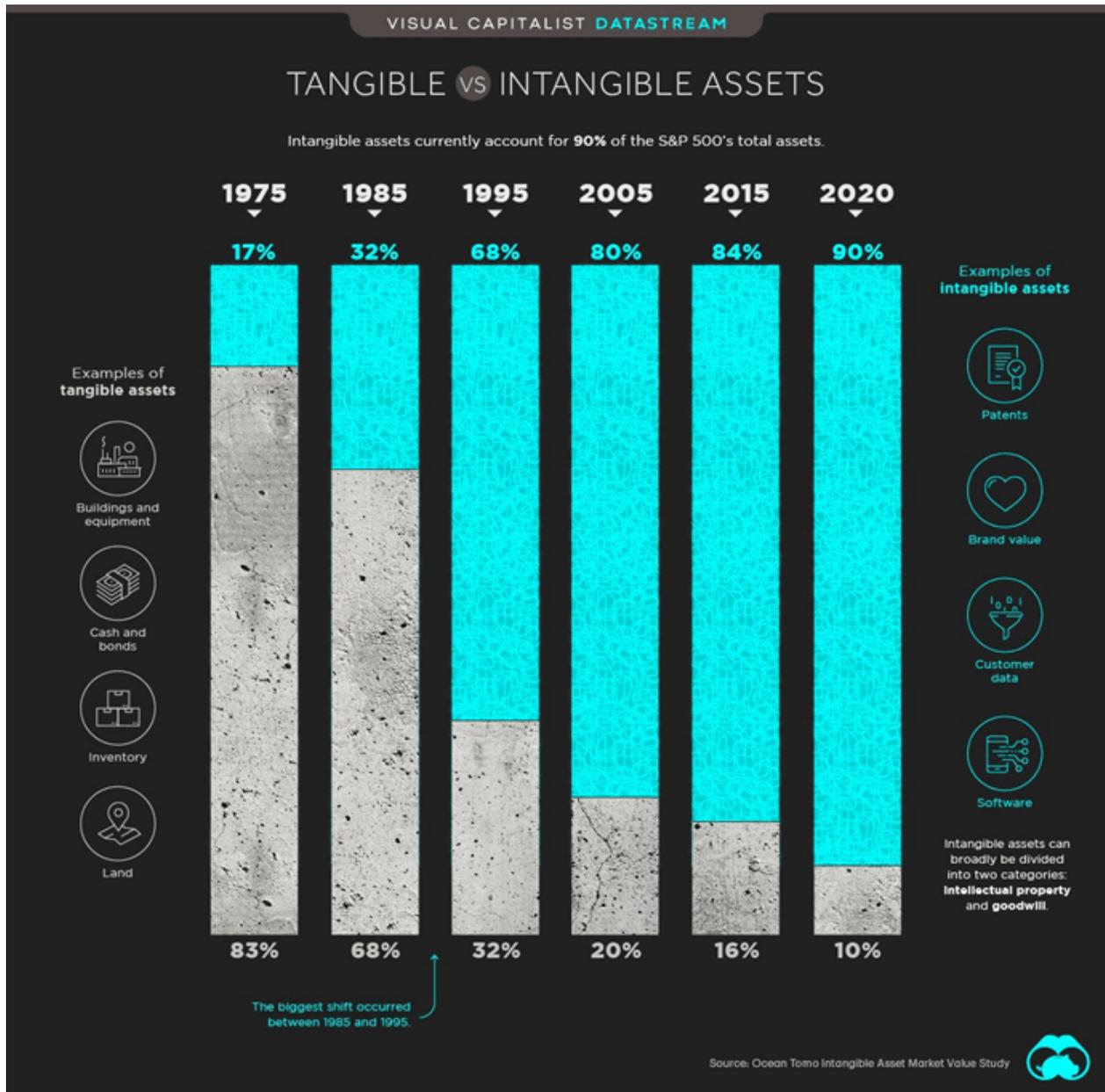
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## Tangible Vs. Intangible Assets

The graph below, courtesy of the Visual Capitalist, speaks volumes about how the US economy and the S&P 500 have changed over the last 50 years. In the 1970s, the energy, industrial, and automotive sectors were the drivers of the economy. However, over time, it has shifted considerably from the manufacturing sector to the service sector. In 1975, only 17% of assets on corporate balance sheets were intangible. These included things like patents and goodwill. Today, those intangible assets, including customer data and software, account for 90% of corporate assets.

As this shift occurred, the traditional manufacturing industries fell in importance to the S&P 500. At the same time, technology and communications gained significant ground. Utilities, for instance, have an aggregate market cap of approximately \$1.70 trillion. Apple is more than double that at \$3.60 trillion.



## Trump Warns Powell

According to the [Financial Times](#), Donald Trump has told Powell not to cut interest rates before the election. If he obeys, Trump will let Powell serve his full term. Per Trump:

*I would let him serve it out. Especially if I thought he was doing the right thing.*

So, if elected, can Trump fire Powell? The answer is yes, but as shown below from the Federal Reserve Act, Trump would need a reason. Given the current state of the economy and slowing inflation, lowering interest rates is not a viable reason to fire Powell. While the election is still months away, we must wait to see if this is another idle threat toward Powell or if it has teeth.

## 2. Members ineligible to serve member banks; term of office; chairman and vice chairman

The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Upon the expiration of the term of any appointive member of the Federal Reserve Board in office on the date of enactment of the Banking Act of 1935, the President shall fix the term of the successor to such member at not to exceed fourteen years, as designated by the President at the time of nomination, but in such manner as to provide for the expiration of the term of not more than one member in any two-year period, and thereafter each member shall hold office for a term of fourteen years from the expiration of the term of his predecessor, unless sooner removed for cause by the President. Of the persons thus appointed, 1 shall be designated by the President, by and with the advice and consent of the Senate, to serve as Chairman of the Board for a term of 4 years, and 2 shall be designated by the President, by and with the advice and consent of the Senate, to serve as Vice Chairmen of the Board, each for a term of 4 years, 1 of whom shall serve in the absence of the Chairman, as provided in the fourth undesignated paragraph of this section, and 1 of whom shall be designated Vice Chairman for Supervision. The Vice Chairman for Supervision shall develop policy recommendations for the Board regarding supervision and regulation of depository institution holding companies and other financial firms supervised by the Board, and shall oversee the supervision and regulation of such firms. The chairman of the Board, subject to its supervision, shall be its active executive officer. Each member of the Board shall within fifteen days after notice of appointment make and subscribe to the oath of office. Upon the expiration of their terms of office, members of the Board shall continue to serve until their successors are appointed and have qualified. Any person appointed as a member of the Board after the date of enactment of the Banking Act of 1935 shall not be eligible for reappointment as such member after he shall have served a full term of fourteen years.

## Tweet of the Day

**Barchart** @Barchart · 12h  
\$TLT forms a Golden Cross w/ an upward-sloping 200D moving average for the first time since January 2019! The last one sent the ETF soaring by almost 50% over the next 2 months.



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

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