

Yuan Stumbles, ECB Surprises, and Commodities Fall

Commodities were a sea of red yesterday as the Chinese Yuan stumbled, and the ECB raised rates by 50 basis points. The Yuan/USD exchange rate correlates well with its economy. Given that China is the world's largest user and importer of most commodities, economic weakness in China will hurt commodity demand. As such, many currency traders follow the Yuan as an indicator of China's demand for commodities.

It wasn't just the Yuan that weighed on commodity prices. The ECB raised interest rates by 50 basis points. The ECB's unexpected rate increase to fight inflation will likely weaken economic activity across the euro region and temper demand for many commodities. More on the ECB's first rate hike in over a decade and information on a hidden QE program within the announcement can be found below.

ENERGY					
CRUDE OIL WTI 96.63 H 99.99 -3.25 L 94.59 (-3.25%)	CRUDE OIL BRENT 103.76 H 106.78 -3.16 L 101.50 (-2.96%)	GASOLINE RBOB 3.0977 H 3.2686 -0.1777 L 3.0248 (-5.43%)	HEATING OIL 3.5022 H 3.6289 -0.1021 L 3.4234 (-2.83%)	NATURAL GAS 7.72 H 7.91 -0.28 L 7.61 (-3.55%)	ETHANOL 2.5200 H 2.5200 -0.0200 L 2.5200 (-0.79%)
SOFTS					
COCOA 2313.00 H 2352.00 -55.00 L 2307.00 (-2.32%)	COTTON 91.29 H 93.80 -1.52 L 90.10 (-1.64%)	ORANGE JUICE 154.25 H 154.85 -0.45 L 153.20 (-0.29%)	COFFEE 215.20 H 218.20 -2.95 L 214.30 (-1.35%)	LUMBER 627.70 H 648.50 -18.60 L 623.10 (-2.88%)	SUGAR 18.54 H 18.74 -0.13 L 18.50 (-0.70%)
METALS			MEATS		
GOLD 1701.90 H 1709.00 +1.70 L 1678.40 (+0.10%)	SILVER 18.53 H 18.65 -0.14 L 18.12 (-0.77%)	PLATINUM 843.50 H 853.30 -3.00 L 831.10 (-0.35%)	COPPER 3.2620 H 3.3240 -0.0630 L 3.2505 (-1.89%)	PALLADIUM 1853.50 H 1872.00 -8.10 L 1837.00 (-0.44%)	LIVE CATTLE 140.78 H 141.35 -0.55 L 140.55 (-0.39%)
GRAINS					
SOYBEANS 1327.25 H 1359.00 -23.25 L 1322.25 (-1.72%)	SOYBEAN MEAL 404.70 H 408.70 -1.80 L 403.00 (-0.44%)	SOYBEAN OIL 57.39 H 59.26 -1.43 L 56.88 (-2.43%)	CORN 579.25 H 593.50 -13.00 L 575.25 (-2.20%)	WHEAT 816.00 H 829.75 -3.50 L 810.25 (-0.43%)	ROUGH RICE 16.90 H 17.03 -0.05 L 16.81 (-0.30%)

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What To Watch Today

Economy

- 9:45 a.m. ET: **S&P Global U.S. Manufacturing PMI**, July preliminary (51.8 expected, 52.7 prior)
- 9:45 a.m. ET: **S&P Global U.S. Global Services PMI**, July preliminary (52.4 expected, 52.7 prior)
- 9:45 a.m. ET: **S&P Global U.S. Composite PMI**, July preliminary (52.3 prior)

?Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
☀	VZ	Verizon Communications Inc.	\$206,076,516,408	Jun/2022	\$1.34	13	07/21/2021	\$1.37
☀	NEE	NextEra Energy, Inc.	\$153,859,616,973	Jun/2022	\$0.75	4	07/23/2021	\$0.71
☀	AXP	American Express Company	\$112,153,267,202	Jun/2022	\$2.37	15	07/23/2021	\$2.80
☹	IBN	ICICI Bank Limited	\$68,030,435,954	Jun/2022	\$0.23	1	07/24/2021	\$0.18
☀	HCA	HCA Healthcare, Inc.	\$52,835,565,564	Jun/2022	\$3.67	8	07/20/2021	\$4.37
☀	SLB	Schlumberger N.V.	\$48,255,548,468	Jun/2022	\$0.40	8	07/23/2021	\$0.30
☀	ROP	Roper Technologies, Inc.	\$43,252,610,048	Jun/2022	\$3.82	6	07/23/2021	\$3.76
☀	TWTR	Twitter, Inc.	\$30,261,555,244	Jun/2022	(\$0.06)	5	07/22/2021	\$0.04
☀	RF	Regions Financial Corporation	\$18,942,308,250	Jun/2022	\$0.53	10	07/23/2021	\$0.77
☀	CLF	Cleveland-Cliffs Inc.	\$8,710,637,420	Jun/2022	\$1.34	4	07/22/2021	\$1.46
☀	ALV	Autoliv, Inc.	\$6,989,275,522	Jun/2022	\$0.46	3	07/16/2021	\$1.20
☀	GNTX	Gentex Corporation	\$6,900,137,081	Jun/2022	\$0.38	5	07/23/2021	\$0.36
☀	NEP	NextEra Energy Partners, LP	\$6,106,634,866	Jun/2022	\$0.30	5	07/23/2021	(\$0.97)
☹	UBSI	United Bankshares, Inc.	\$4,957,101,957	Jun/2022	\$0.62	2	07/23/2021	\$0.73
☀	SXT	Sensient Technologies Corporation	\$3,439,961,160	Jun/2022		3	N/A	\$0.79
☀	FBP	First BanCorp.	\$2,820,505,760	Jun/2022	\$0.34	2	07/23/2021	\$0.36
☹	TMP	Tompkins Financial Corporation	\$1,083,186,570	Jun/2022	\$1.29	1	07/23/2021	\$1.54
☹	RBCAA	Republic Bancorp, Inc.	\$984,556,431	Jun/2022	\$0.92	1	07/23/2021	\$0.08
☹	GRC	Gorman-Rupp Company (The)	\$746,123,480	Jun/2022		3	N/A	\$0.32
☹	MCBS	MetroCity Bankshares, Inc.	\$546,229,312	Jun/2022		3	N/A	\$0.56
☀	SPFI	South Plains Financial, Inc.	\$420,379,151	Jun/2022	\$0.50	1	07/27/2021	\$0.74
☹	GCBC	Greene County Bancorp, Inc.	\$411,793,835	Jun/2022		3	N/A	\$0.89

Market Trading Update - Rally On Garth

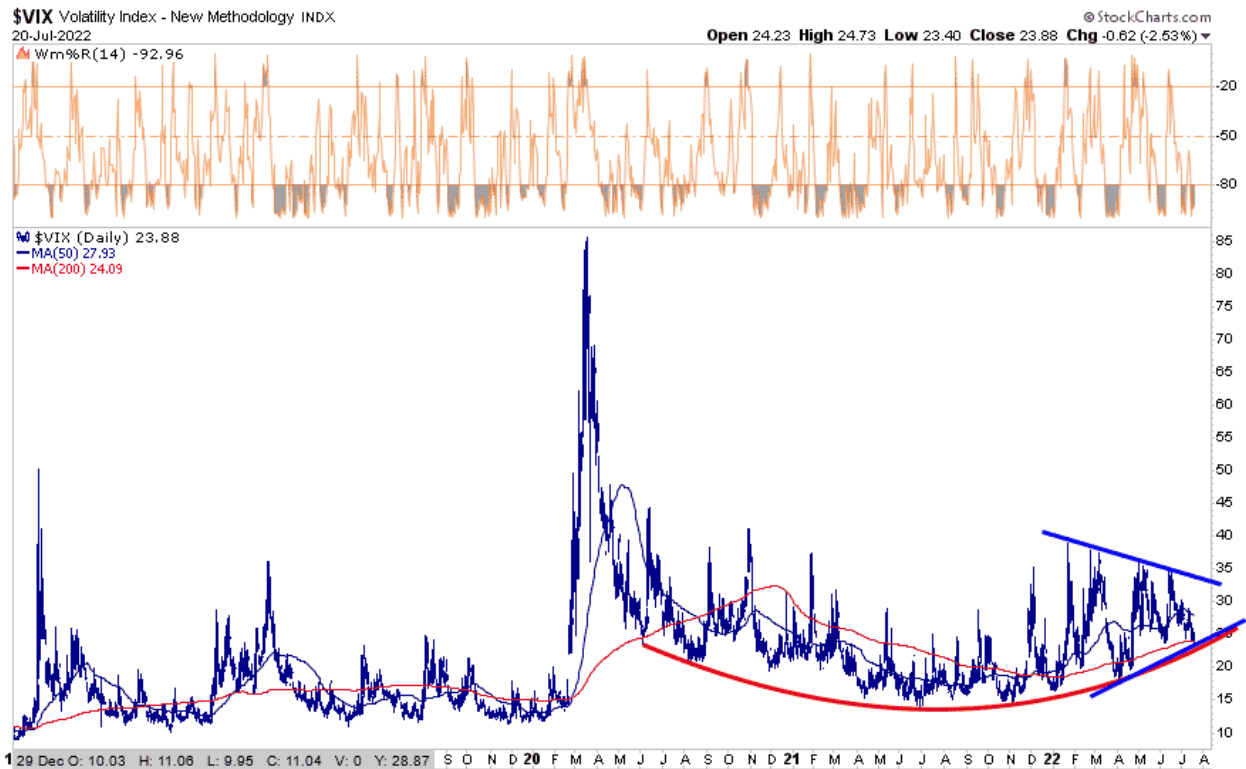
The market rally continued on Thursday despite a sloppy start after the ECB hiked rates by 50 bps and the Yuan and Euro crashed. The good news is that the bulls are now in firm control of the market short-term, but the market is rapidly approaching overbought levels. As shown below, the market is forming a bullish rising trend channel with higher lows and clearing the 50-dma. Such allows the market to run to overhead resistance (dotted line). If the markets can make that trip and then correct but hold the 50-dma, we may see the beginning of a bottom forming in the market. For now, however, while the bullish trend is improving, this is still a tradeable rally to rebalance risk into.



VIX Parabola

Since the VIX (volatility index) exploded with covid in March 2020 and retreated in the following few months, a dependable parabola-shaped support pattern has been established. From May 2020 to July 2021, the arc was formed by a series of lower lows in the index. Since then, the arc started turning upward, resulting in higher lows. The recent stock market bounce is resulting in a lower VIX. VIX is now very close to touching the parabola.

If the pattern holds, a VIX bounce is likely. Remember that the VIX can bounce but not meaningfully, as it did in November. A minor bounce can be supportive of further stock gains. It is also worth noting the VIX is forming a wedge of sorts, as shown in blue. The four most recent highs starting in early 2022 have consecutively occurred at lower highs. A wedge pattern augurs for a breakout. The trillion dollar question is whether a breakout is higher or lower.



Tesla Dumps Bitcoin

Tesla's earnings had a surprise for crypto investors. Per Tesla's press release:

As of the end of Q2, we have converted approximately 75% of our Bitcoin purchases into fiat currency.

The sales added over \$900 million in cash to Tesla's balance sheet and made them cash flow positive for the quarter. While Tesla shareholders may applaud the action, crypto investors may feel duped. Elon Musk's backing was significant and seemingly drove crypto prices higher in early 2021. In May of 2021, after suspending a program allowing customers to purchase cars with Bitcoin, Tesla said they would not sell any Bitcoin. Their tone changed quickly when Bitcoin fell rapidly this year.



ECB Gets More Serious About Inflation

The ECB surprised investors by hiking rates by 50 basis points. As shown below, the ECB Deposit Facility interest rate (similar to Fed Funds) is now up to 0%. This was the ECB's first hike since 2010! It is also the first time rates have not been negative in a decade. The euro initially soared against the dollar as the aggressive action was finally a sign they might be getting serious about fighting inflation.

Gains were quickly surrendered as the ECB introduced a new monetary policy tool. The Transmission Protection Instrument (TPI) is a bond-buying program designed to ensure that bond yields of weaker European countries do not rise too much. The program is a version of QE. QE is inflationary; however, in this case, they claim they will not use it unless absolutely necessary. Further, they offer it will not affect its monetary policy. We presume they will sell other bonds in their portfolio to offset the bonds they buy. The program is an extension of Mario Draghi's famous speech in which he said the ECB would do whatever it takes to support countries like Greece and Spain that faced double-digit yields. Based on the initial market reaction, investors question the ECB's resolve.

For more on the ECB and its monetary quandary, we recommend our recent article, [Japan and Europe, Part 2 of the Trolley Car Problem](#).



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