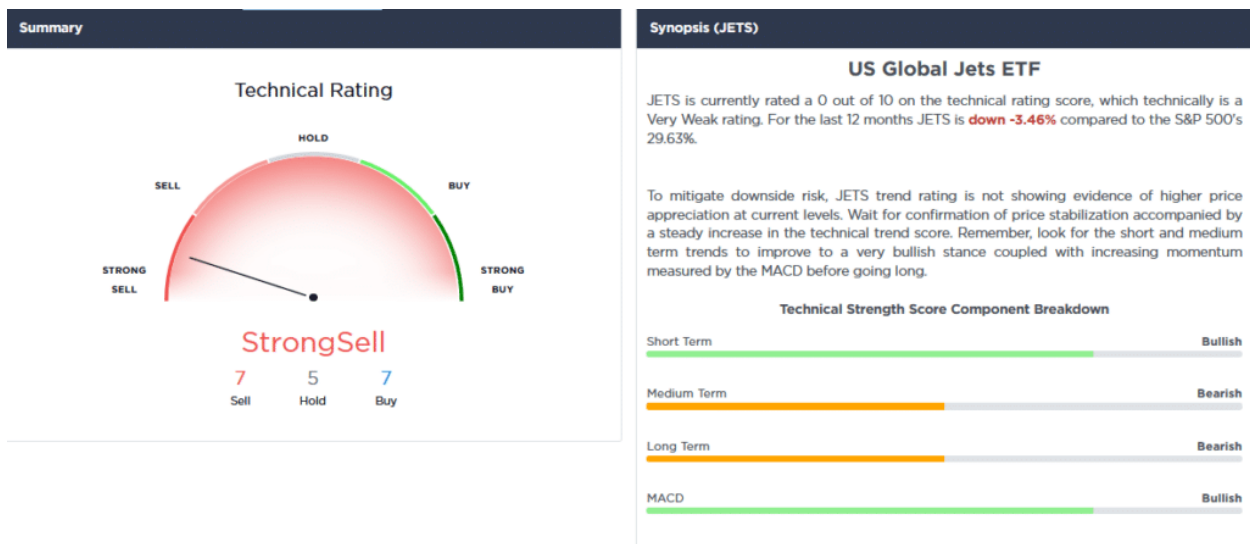


# Omicron Spreads as the Market Takes a Breather

The S&P 500 snapped a four-day winning streak Tuesday as technology and health care stocks pulled the index lower. Meanwhile, daily reported COVID-19 cases reached 300,000 in the United States as Omicron spreads rapidly across the country.

Despite reports of milder symptoms and a lower risk of hospitalization, airlines are still feeling pain from the outbreak as evidenced by thousands of canceled flights this week. JETS (airline ETF) is feeling the recent outbreak more than other sectors. The ETF is down about 20% since Mid-November. The [SimpleVisor](#) tables below show the poor technical status of JETS. Is Omicron starting to infect other investors too, or is the market simply taking a breather before heading higher?



[dmc]

## What To Watch Today

### Economy

- 8:30 a.m. ET: **Advance Goods Trade Balance**, November (-\$88.1 billion expected, -\$82.9 billion in October)
- 8:30 a.m. ET: **Wholesale Inventories**, month-over-month, November preliminary (1.5% expected, 2.3% in October)
- 8:30 a.m. ET: **Retail Inventories**, month-over-month, November (0.5% expected, 0.1% in October)
- 10:00 a.m. ET: **Pending Home Sales**, month-over-month, November (0.8% expected, 7.5% in October)

### Earnings

- No notable political events on the calendar

## Mandates Have Reached Their Limits

As Omicron spreads, we are finding the limits of mask and vaccine mandates. This morning YahooFinance had a good piece of commentary on the issue.

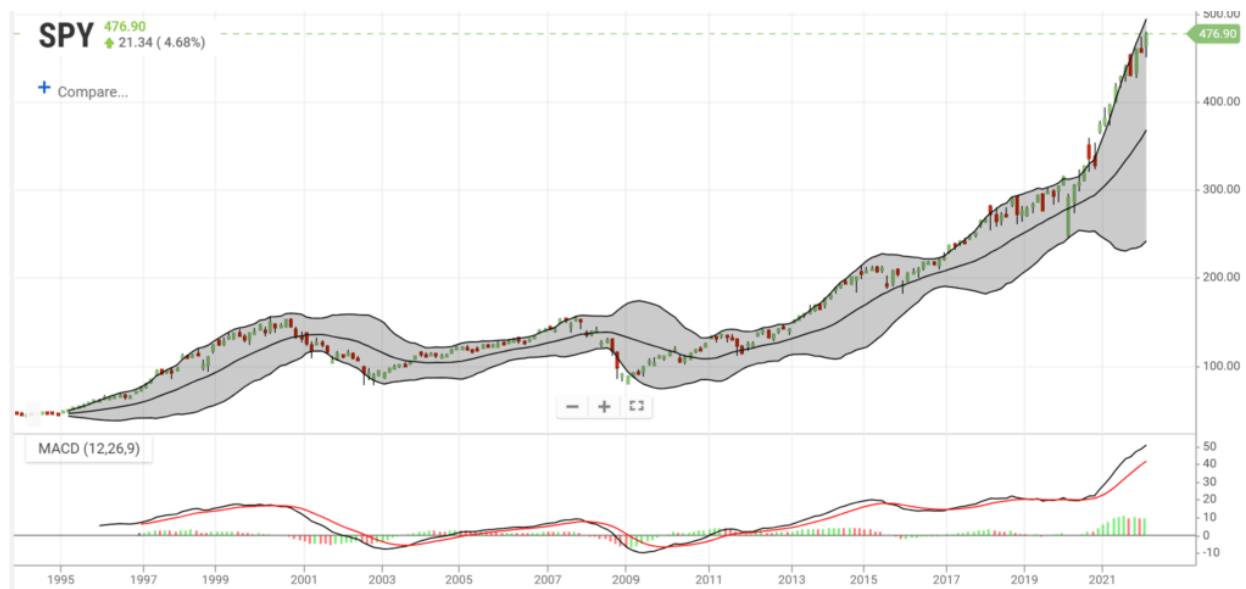
*"The Omicron wave is exposing the limits of COVID-19 restrictions, which are clearly failing. These include ferociously debated vaccine passports and masking policies that have done little, if anything, to tame skyrocketing numbers throttling the Northeast.*

*Hard-hit travel, leisure and small businesses ? [especially restaurants](#) ? are bearing the brunt of questionable protocols that clearly need rethinking, if not scrapping outright. And for the record, it's not just America. China's [aggressive zero-COVID policies](#) that have exacerbated global supply chain problems aren't doing much to curb the spread there, either.*

*?At this point, vaccine mandates are more disempowering to business than empowering,? Denise Graziano, CEO of Graziano Associates, a marketing communications firm, told the Morning Brief in an email.*

*?Policies, tools and communication must adapt to where we are now two full years into the pandemic, Graziano added. ?Vaccines have been invaluable to bring us to this point, **but mandating drives away customers, good employees, job candidates, and creates more division inside (and outside) of organizations.?***

The risk to the market, which is extremely extended from long-term means, is that these continued pushes for mandates slows economic activity at a time where there is dramatically less liquidity in the system in the forms of stimulus and other fiscal supports. When combined with a Fed tapering their balance sheet, and potentially set to hike rates, the correction risk should not be entirely dismissed.

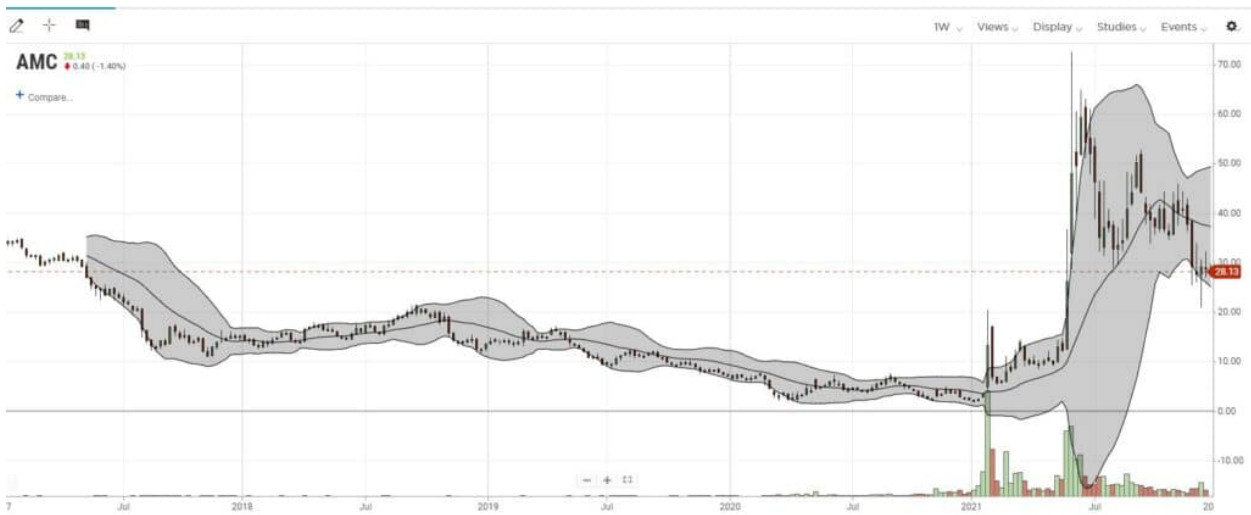
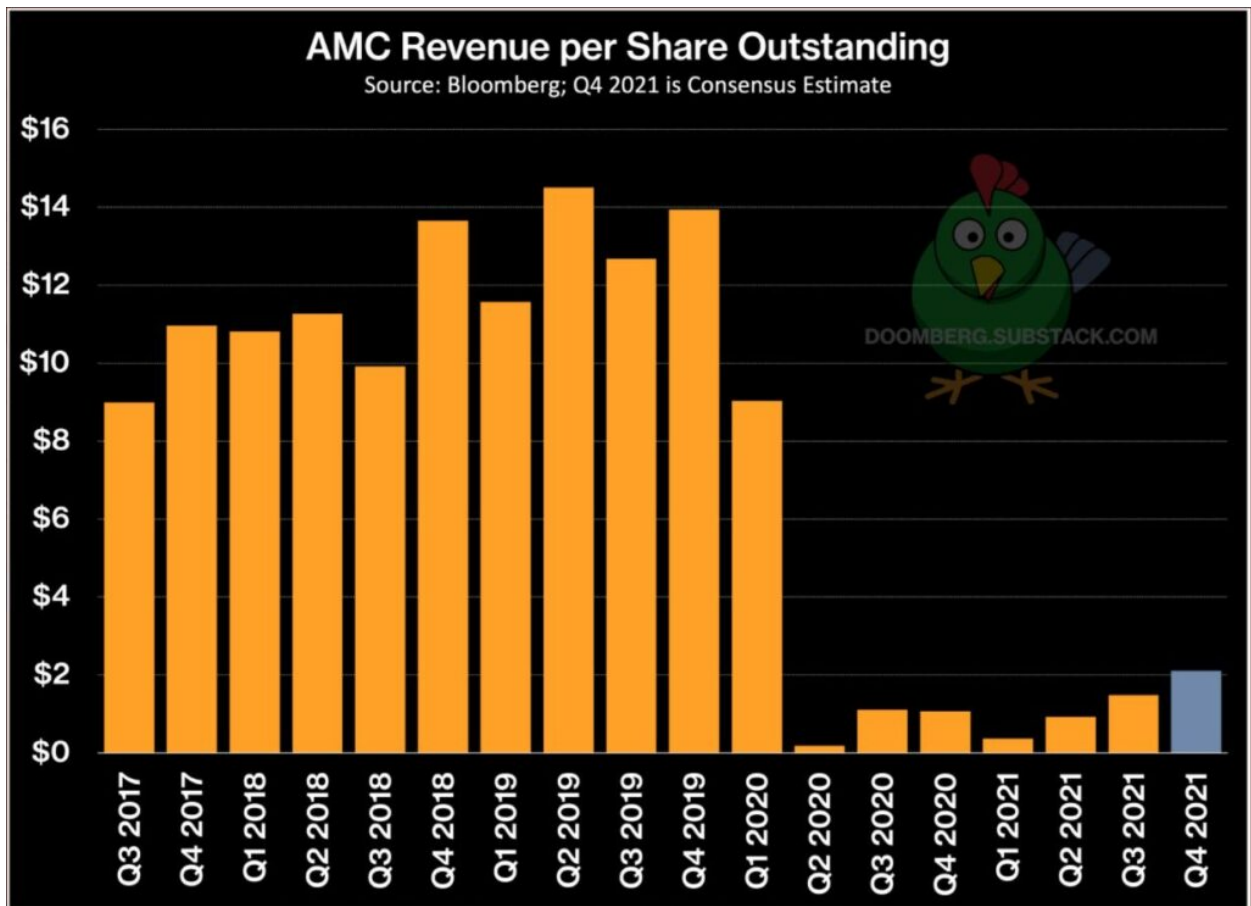


## Spider-Man Won't Be Enough to Save AMC

There is a lot of excitement surrounding Sony's *Spider-Man: No Way Home*. The film was exclusively released to theatres on December 17<sup>th</sup> and has grossed ticket sales over \$467M

domestically and \$1B globally. According to the [WSJ](#), Spider-Man boasts over twice the ticket sales of the runner-up, making it the pandemic era's biggest hit. However, as the article points out, domestic ticket sales are only running at about 38% of the 2019 level through December 26<sup>th</sup>. Furthermore, ticket sales are likely to suffer in the next few weeks as Omicron spreads rapidly throughout the U.S.

AMC's stock is totally disconnected from the underlying fundamentals, however this should come as no surprise. The first chart below, courtesy of @DoombergT on Twitter, illustrates how the lack of theater traffic combined with equity dilution has left shareholders much worse off than they were pre-pandemic. Yet, the second chart shows that the stock price has risen significantly over the same period. AMC ?hodlers? are so far ahead of themselves that not even Spider-Man will be able to save the stock.



## Home Prices March Higher in October

The S&P CoreLogic Case-Shiller National Home Price Index increased 18.4% YoY in October. The increase was in line with forecasts and improved slightly from September's 19.1%, notching the index's third consecutive month of deceleration.

As [Yahoo Finance](#) points out, first-time homebuyers are suffering due to lack of existing equity in the housing market. Soaring prices have been bad news for first-time homebuyers in particular. In November, the share of first-time homebuyers fell to 26%, down from 32% a year ago, according to the NAR.

## Richmond Fed Survey Shows Strength in December

The Richmond Fed Manufacturing Index is a regional survey tracking business conditions in the manufacturing sector. The index strengthened unexpectedly to 16 in December, up from 12 in November. The improvement is mainly attributable to gains in shipments and new orders. The employment component of the index moderated, but the report [notes](#), "Many firms increased wages in December and are planning to keep increasing wages. Our expected wage index reached a record high of 74 in December". This could prove troublesome for hopes of slowing inflation in the coming months, especially as Omicron spreads rapidly.

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	Prior	Prior Revised	Consensus	Consensus Range	Actual
Index	11	12	11	9 to 11	16

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