Stocks are being whipped around as volatility wreaks havoc on bulls and bears alike. The S&P 500 stock index closed the week up a little less than 1% and over 6% above the lows of Thursday's war-induced, volatility-plagued session. This morning stocks are set to open sharply lower as traders try to assess the impact of new sanctions on Russia.

For more on the rarity of recent volatility, read up on the NASDAQ's feat in the commentary below. Volatility will likely stay heightened in the stock, bond, and commodity markets until the Russian conflict simmers down. Assuming it concludes in short order, investors will need to focus on the volatility likely stemming from the Fed's March 16th FOMC meeting. The SimpleVisor graph below shows the round-trip the S&P 500 made last week.



[dmc]

Overview Of What's Happening

Some observations from Bloomberg senior markets reporter Nikos Chrysoloras, as tweeted late on Sunday.

> *1)* ***BP decided to take a hit*** *of as much as $25 billion, just to leave Russia immediately*
>
> *2)* ***Russia's bond*** *market is collapsing*
>
> *3) Russians lined up at cash machines around the country to* ***withdraw foreign currency***
>
> *4) Unless there's a surprise de-escalation, Monday may turn out to be a* ***dramatic day for the ruble, Russian stocks****, and European markets*
>
> *5) The European Union* ***closed its airspace to Russia.*** *The blockade applies to any plane owned, chartered or otherwise controlled by a Russian person. Unprecedented*
>
> *6) The decision to* ***exclude Russian banks from the SWIFT*** *messaging system could result in missed payments and giant overdrafts within the international banking system*

*7) **The EU is going after oligarchs**. Essentially now the entire political and economic elite of the country is sanctioned*

*8) The U.S. Embassy in Russia said **citizens in the country should consider departing *immediately**** - The EU approved $500 million in lethal military aid to be used against Russia's invading forces in ?? and banned ?? state media - also unprecedented*

*9) The EU also **banned all transactions with the Russian central bank**, severely curbing its ability to use foreign currency reserves to cushion the devastating blow from the sanctions*

*10) The situation on the front is unclear, but it seems Ukrainian facilities containing **nuclear waste suffered damage***

*11) Putin says he put his **nuclear forces on "high alert"**. Unclear what this means and what are his intentions. On the tactical side, things are definitely not going as well as he had hoped*

*12) Could planned talks lead to some sort of **resolution**? Unclear what could a mutually acceptable solution be*

*13) Meanwhile, Chancellor Olaf Scholz announced plans for a massive **boost in defense spending** in the latest historic policy shift in Germany triggered by Russia?s invasion of Ukraine.*
H/T Zerohedge

March Rally Possibility?

As we discuss in today's blog post, despite recent stock volatility, could we see a March rally into the FOMC meeting? With a short-term buy signal, and not overbought yet, there are three rally targets for the market currently:

- *The 200-dma (red line)*
- *The current downtrend line; and,*
- *The 50-dma (black line)*



While anything is possible, we suggest using those levels to reduce risk heading into the Fed meeting.

TPA Research ? Top 10 Stocks To Buy And Sell

Click on RIAPro+ today to add TPA Research **to your subscription for just $20/month.**

TURNING POINT ANALYTICS

These are high conviction stocks that TPA has recommended recently. They are technically positive for Buys or negative for Sells and trading at or near their investment action levels.

February 27, 2022

THIS WEEK'S TOP 10 BUYS AND TOP 10 SELLS

BUYS

	Ticker	Name	Last Price	Action Price	Distance to Action
1	CRM	Salesforce.com Inc	208.09	205.00	-1.48%
2	PINS	Pinterest Inc	26.35	25.50	-3.23%
3	CTSH	Cognizant Technology Soluti	88.04	84.00	-4.59%
4	U	Unity Software Inc	103.18	98.00	-5.02%
5	QQQ	Invesco QQQ Trust	345.77	325.00	-6.01%
6	CRWD	Crowdstrike Holdings Inc	181.75	168.00	-7.57%
7	NVDA	Nvidia Corp	241.57	223.00	-7.69%
8	PLTR	Palantir Technologies Inc - C	11.47	10.50	-8.46%
9	NET	CloudFlare Inc	109.27	99.00	-9.40%
10	SQ	Block Inc - Ordinary Shares	119.82	102.00	-14.87%

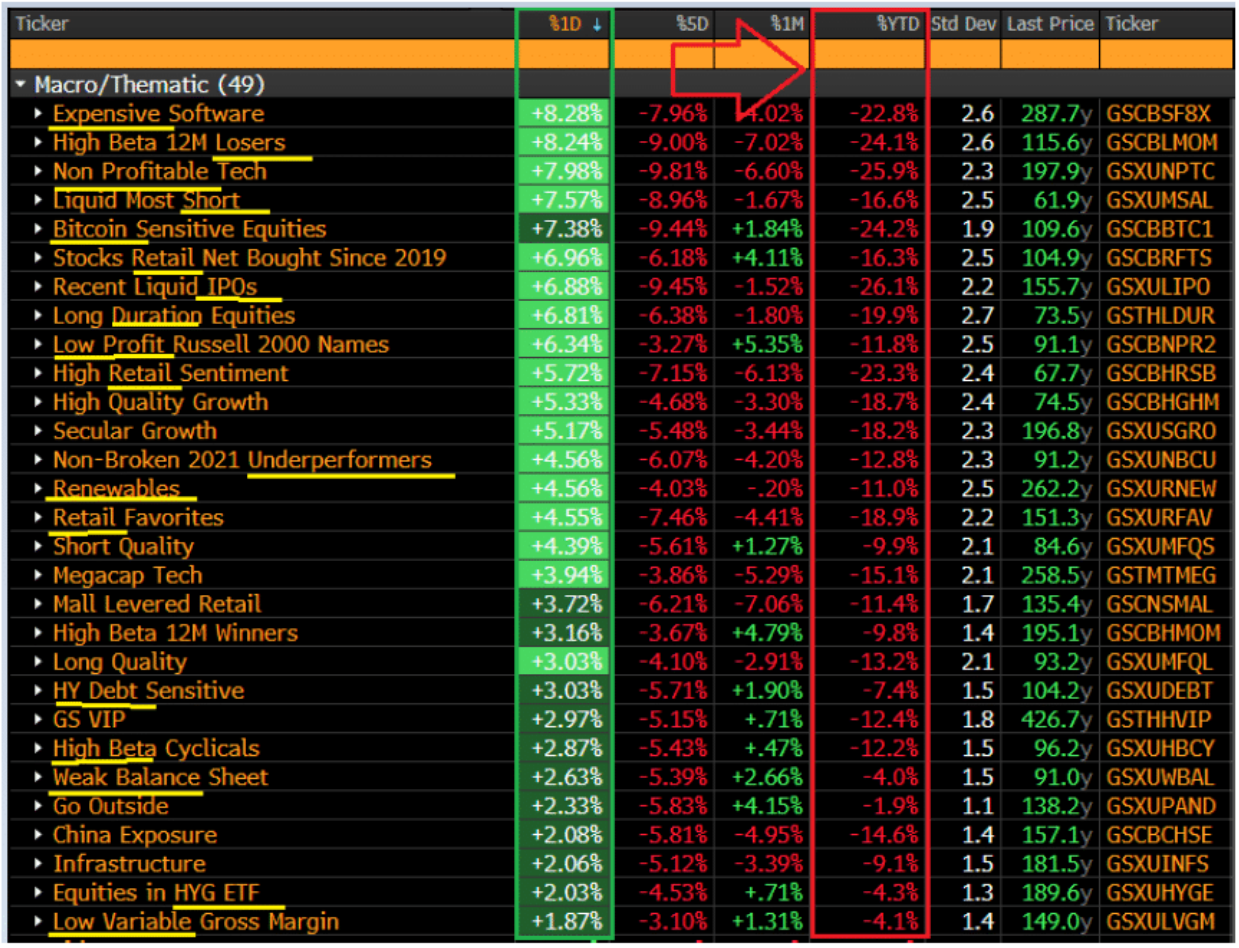
SELLS

	Ticker	Name	Last Price	Action Price	Distance to Action
1	SPGI	S&P Global Inc	380.89	385.00	1.08%
2	DCI	Donaldson Co. Inc.	54.12	55.00	1.63%
3	AVTR	Avantor Inc.	35.39	36.00	1.72%
4	IDXX	Idexx Laboratories Inc.	522.45	540.00	3.36%
5	TXT	Textron Inc.	71.48	74.00	3.53%
6	TGT	Target Corp	199.22	207.00	3.91%
7	NKE	Nike Inc.	138.80	145.00	4.47%
8	BBWI	Bath & Body Works Inc	54.45	58.00	6.52%
9	FND	Floor & Decor Holdings Inc	98.84	108.00	9.27%
10	CMI	Cummins Inc	203.85	225.00	10.38%

The Worst Won The Race

The post-invasion rally on Thursday and Friday was driven by the most shorted and fundamentally weak companies. According to GS:

> *"The biggest YTD losers of 2022, became the biggest 1 day gainers (of Friday). Short Covering across GS delta-one baskets and ETF?s."*



Ticker	%1D ↓	%5D	%1M	%YTD	Std Dev	Last Price	Ticker
Macro/Thematic (49)							
Expensive Software	+8.28%	-7.96%	4.02%	-22.8%	2.6	287.7y	GSCBSF8X
High Beta 12M Losers	+8.24%	-9.00%	-7.02%	-24.1%	2.6	115.6y	GSCBLMOM
Non Profitable Tech	+7.98%	-9.81%	-6.60%	-25.9%	2.3	197.9y	GSXUNPTC
Liquid Most Short	+7.57%	-8.96%	-1.67%	-16.6%	2.5	61.9y	GSXUMSAL
Bitcoin Sensitive Equities	+7.38%	-9.44%	+1.84%	-24.2%	1.9	109.6y	GSCBBTC1
Stocks Retail Net Bought Since 2019	+6.96%	-6.18%	+4.11%	-16.3%	2.5	104.9y	GSCBRFTS
Recent Liquid IPOs	+6.88%	-9.45%	-1.52%	-26.1%	2.2	155.7y	GSXULIPO
Long Duration Equities	+6.81%	-6.38%	-1.80%	-19.9%	2.7	73.5y	GSTHLDUR
Low Profit Russell 2000 Names	+6.34%	-3.27%	+5.35%	-11.8%	2.5	91.1y	GSCBNPR2
High Retail Sentiment	+5.72%	-7.15%	-6.13%	-23.3%	2.4	67.7y	GSCBHRSB
High Quality Growth	+5.33%	-4.68%	-3.30%	-18.7%	2.4	74.5y	GSCBHGHM
Secular Growth	+5.17%	-5.48%	-3.44%	-18.2%	2.3	196.8y	GSXUSGRO
Non-Broken 2021 Underperformers	+4.56%	-6.07%	-4.20%	-12.8%	2.3	91.2y	GSXUNBCU
Renewables	+4.56%	-4.03%	-.20%	-11.0%	2.5	262.2y	GSXURNEW
Retail Favorites	+4.55%	-7.46%	-4.41%	-18.9%	2.2	151.3y	GSXURFAV
Short Quality	+4.39%	-5.61%	+1.27%	-9.9%	2.1	84.6y	GSXUMFQS
Megacap Tech	+3.94%	-3.86%	-5.29%	-15.1%	2.1	258.5y	GSTMTMEG
Mall Levered Retail	+3.72%	-6.21%	-7.06%	-11.4%	1.7	135.4y	GSCNSMAL
High Beta 12M Winners	+3.16%	-3.67%	+4.79%	-9.8%	1.4	195.1y	GSCBHMOM
Long Quality	+3.03%	-4.10%	-2.91%	-13.2%	2.1	93.2y	GSXUMFQL
HY Debt Sensitive	+3.03%	-5.71%	+1.90%	-7.4%	1.5	104.2y	GSXUDEBT
GS VIP	+2.97%	-5.15%	+.71%	-12.4%	1.8	426.7y	GSTHHVIP
High Beta Cyclicals	+2.87%	-5.43%	+.47%	-12.2%	1.5	96.2y	GSXUHBCY
Weak Balance Sheet	+2.63%	-5.39%	+2.66%	-4.0%	1.5	91.0y	GSXUWBAL
Go Outside	+2.33%	-5.83%	+4.15%	-1.9%	1.1	138.2y	GSXUPAND
China Exposure	+2.08%	-5.81%	-4.95%	-14.6%	1.4	157.1y	GSCBCHSE
Infrastructure	+2.06%	-5.12%	-3.39%	-9.1%	1.5	181.5y	GSXUINFS
Equities in HYG ETF	+2.03%	-4.53%	+.71%	-4.3%	1.3	189.6y	GSXUHYGE
Low Variable Gross Margin	+1.87%	-3.10%	+1.31%	-4.1%	1.4	149.0y	GSXULVGM

This type of action is not consistent with a recovering market and suggests the current rally, while there is room to the upside momentarily, will most likely fail..

The Week Ahead

The ISM Manufacturing Index on Tuesday is expected to increase slightly from January's reading. This is despite weakness in a good number of regional manufacturing indexes. Once again, all eyes will be on inventories and prices to better assess inflationary pressures in the system. Also of importance, this week are the ADP and BLS labor reports. ADP, after declining by 301k last month is expected to rise by 320k. The BLS showed an increase of 467k jobs last months and expectations are for 350k new jobs this month.

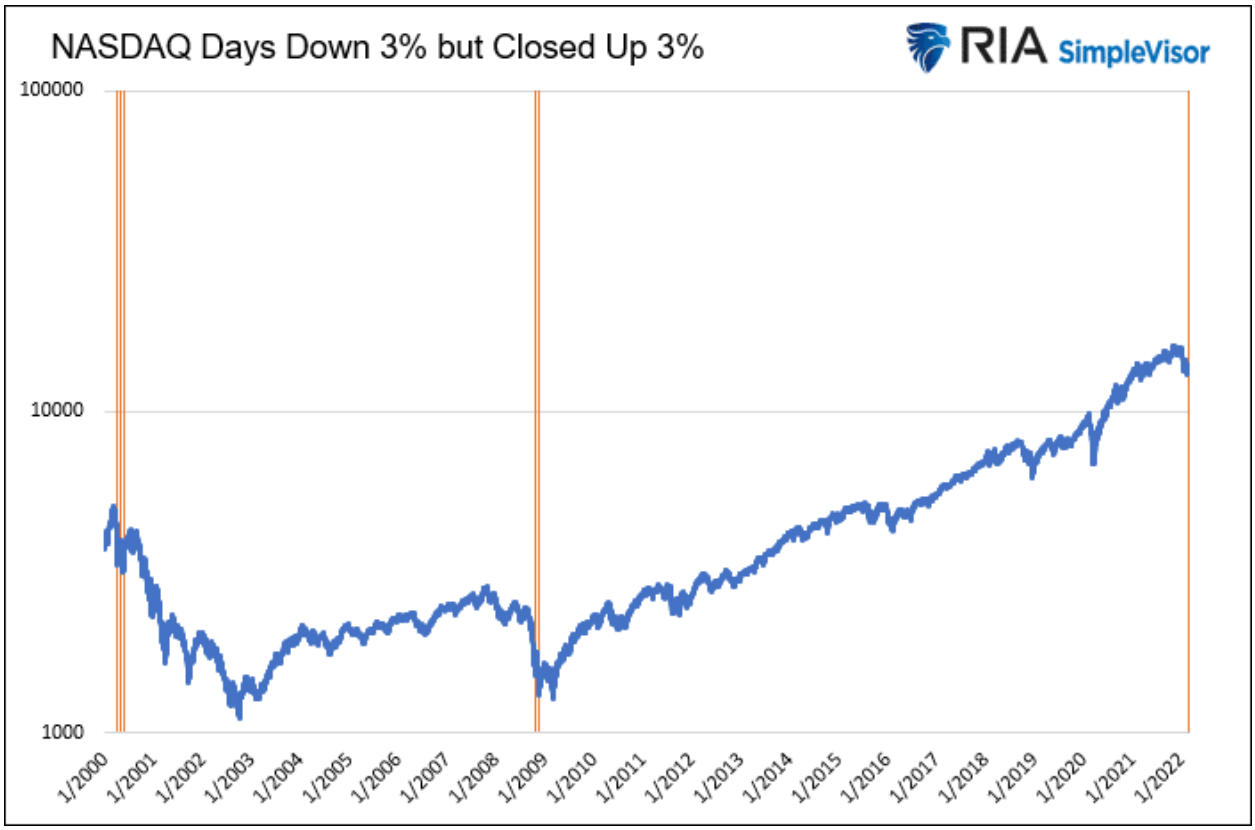
Fed speakers may likely be quiet again this week as they assess the situation in Russia. It is possible geopolitical concerns may cause Fed to restrain and rate rates by 25bps in March versus 50bps.

3% Down - 3% Up In a Day. Whats Next?

On Thursday after the market first learned of the Russian invasion the NASDAQ opened down 3.5% from the prior close. Despite growing anxiety, it closed the day up 3.5%. The graph below shows the five other times since 2000, the NASDAQ had a 3%+ opening decline which reversed to a 3%+ gain. All Five happened during the last two bear markets. Such an event happened three times during the 2000-2003 tech bust and twice during the financial crisis in 2008. In all cases, the incredible stock volatility was not a capitulation low but was ultimately met with lower prices.

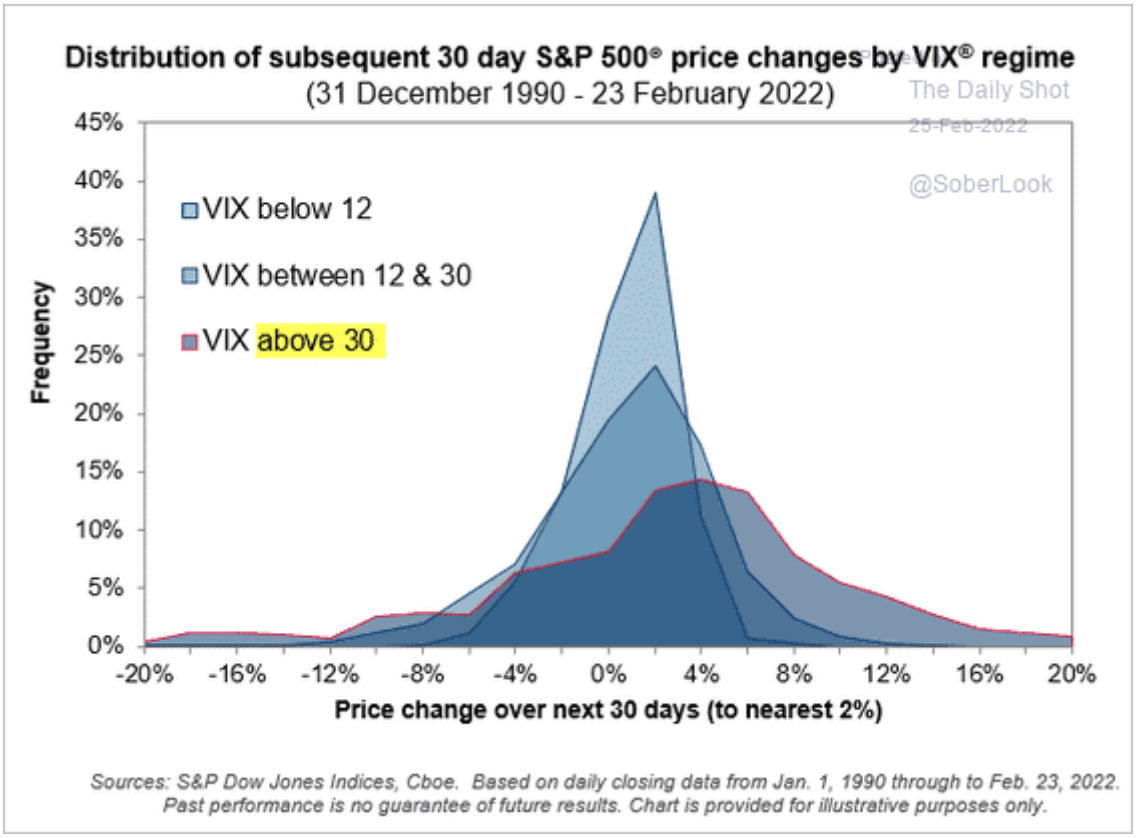
In 2000-2003, the three instances occurred after the bear market?s first initial decline. The volatility marked a temporary bottom followed by a short-lived relief rally. In hindsight, investors should have reduced risk at that time. In the 2008 bear market, the two instances happened closer toward the end of the decline. Like 2000, the market would go on to lower levels before a true bottom formed.

This graph leaves two questions. First, will such a volatile daily feat repeat itself in a relatively short time frame as it did in the past? Second, is this the beginning of a long bear market like 2000, or a signal that a bottom is near, as we saw in 2008?



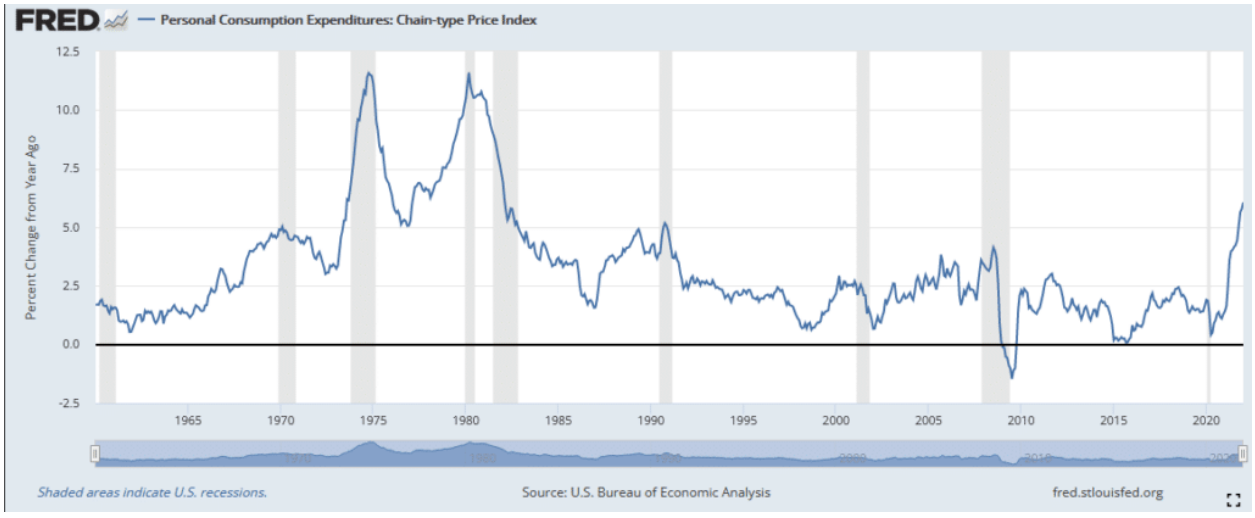
VIX Entails Upside And Downside Risk

The Daily Shot graph below shows the S&P 500 30-day forward return based on the level of the VIX volatility index. When the VIX is above 30, the mean 30-day return is higher than when it's below 30. However, with the higher average returns come better chances of outsized returns, both positive and negative. Volatility tends to correct quickly from >30 VIX readings but the tail risk of significant declines is a threat.



Fed's Favorite Inflation Gauge at 40 Year Highs

The Fed considers the Personal Consumption Expenditures price index its preferred gauge for inflation. On Friday the gauge came in higher than expected, showing 6.1% annual inflation. The monthly price index was +0.6%, equating to 7.2% inflation if annualized. Also of concern, Personal Income was flat for the month, meaning that on average consumers fell behind 0.6% due to inflation.



Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.