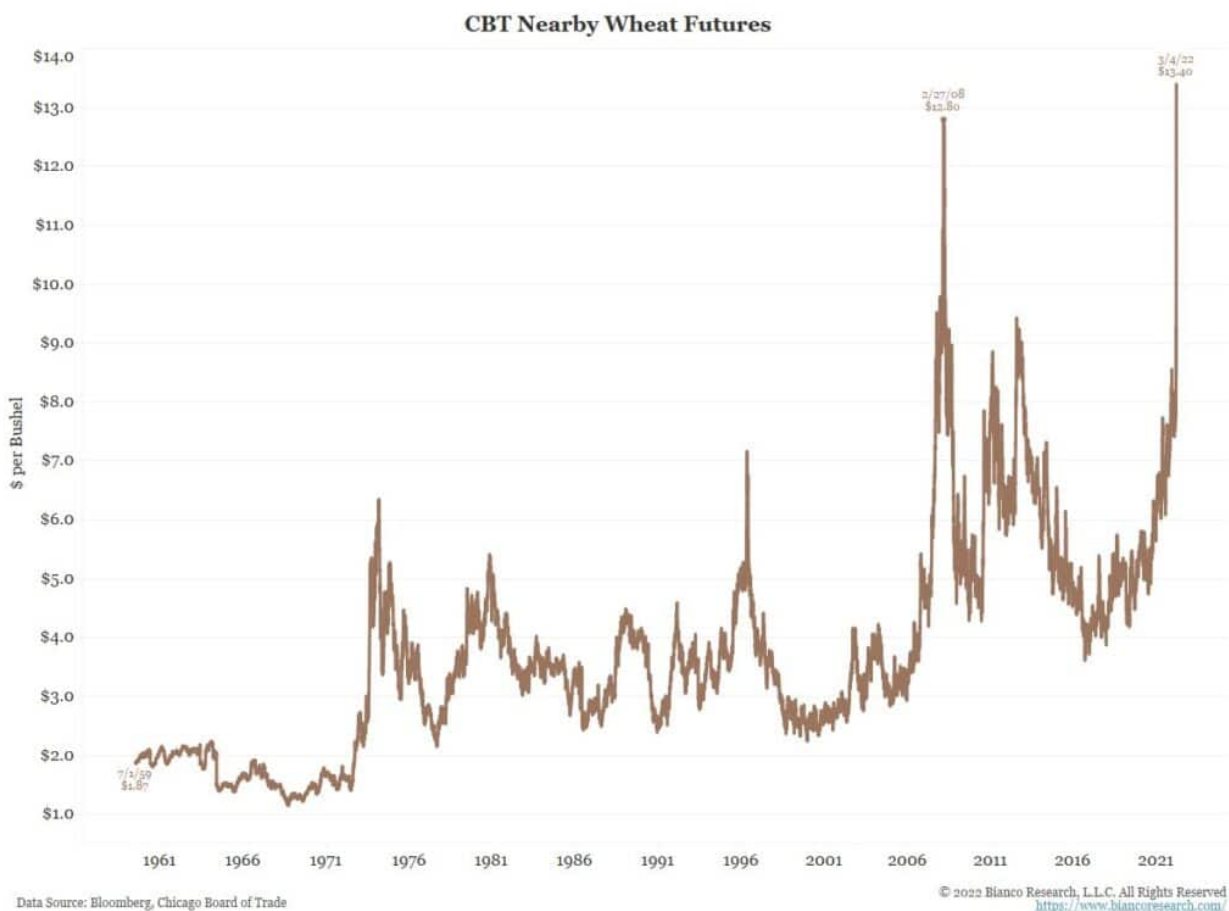


Wheat Prices Further Stoke Inflation Concerns

While the media and public heavily focus on surging oil prices, wheat and other grain futures prices are also surging. Since the Russian invasion of Ukraine, wheat futures are up about 50%, a 60+ year high as we show in the graph below (Bianco Research). Russia and Ukraine account for about a quarter of the global trade in grains. Grains like wheat and corn are commonly used in many food products. As such, we ask two questions. First, can food producers pass on the higher costs to consumers, or will their profit margins suffer? Second, how will higher food prices affect broader inflation indexes?



[dmc]

What To Watch Today

Economy

- 3:00 p.m. ET: **Consumer Credit**, January (\$24.000 billion expected, \$18.898 billion in December)

Earnings

- No notable reports schedule for release

Market Trading Update

The market sold off on Friday over continued concerns of the Russia/Ukraine situation, combined with surging oil and wheat prices that will filter into economic deceleration from higher input costs. Nonetheless, despite all the bad news, the market continues to hold support at the January/October lows. While the markets are on a buy signal and not overbought yet, the bad news is that most of the fuel for a stronger rally has gotten used. We will likely use the next rally to rehedg portfolios and reduce risk further.



Weekly Market/Strategy Recap With Adam Taggart

<https://youtu.be/3ta4TqDuzDQ>

TPA Research ? Top 10 Stocks To Buy And Sell

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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.

March 7, 2022

THIS WEEK'S TOP 10 BUYS AND TOP 10 SELLS

BUYS

	<u>Ticker</u>	<u>Name</u>	<u>Last Price</u>	<u>Action Price</u>	<u>Distance to Action</u>
1	U	Unity Software Inc	89.01	89.00	-0.01%
2	ZS	Zscaler Inc	225.50	225.00	-0.22%
3	NET	CloudFlare Inc	100.91	100.00	-0.90%
4	MSFT	Microsoft Corporation	289.86	285.00	-1.68%
5	NVDA	Nvidia Corp	229.36	220.00	-4.08%
6	CTSH	Cognizant Technology Solut	88.88	85.00	-4.37%
7	CRWD	Crowdstrike Holdings Inc	179.03	170.00	-5.04%
8	ODFL	Old Dominion Freight Line	318.31	302.00	-5.12%
9	SQ	Block Inc - Ordinary Shares	106.52	101.00	-5.18%
10	AMD	Advanced Micro Devices Inc	108.41	102.00	-5.91%

SELLS

	<u>Ticker</u>	<u>Name</u>	<u>Last Price</u>	<u>Action Price</u>	<u>Distance to Action</u>
1	PAYX	Paychex Inc.	123.58	125.00	1.15%
2	ADP	Automatic Data Processing I	208.46	211.00	1.22%
3	ETN	Eaton Corporation PLC	149.78	153.00	2.15%
4	ACN	Accenture plc	314.16	321.00	2.18%
5	TXT	Textron Inc.	71.23	73.00	2.48%
6	MANH	Manhattan Associates Inc.	130.77	135.00	3.23%
7	NKE	Nike Inc.	131.18	138.00	5.20%
8	AVTR	Avantor Inc.	33.11	35.00	5.71%
9	BBWI	Bath & Body Works Inc	49.82	54.00	8.39%
10	FND	Floor & Decor Holdings Inc	92.82	101.00	8.81%

The Week Ahead

The Fed will enter a self-imposed media blackout approaching the March 16th FOMC meeting.

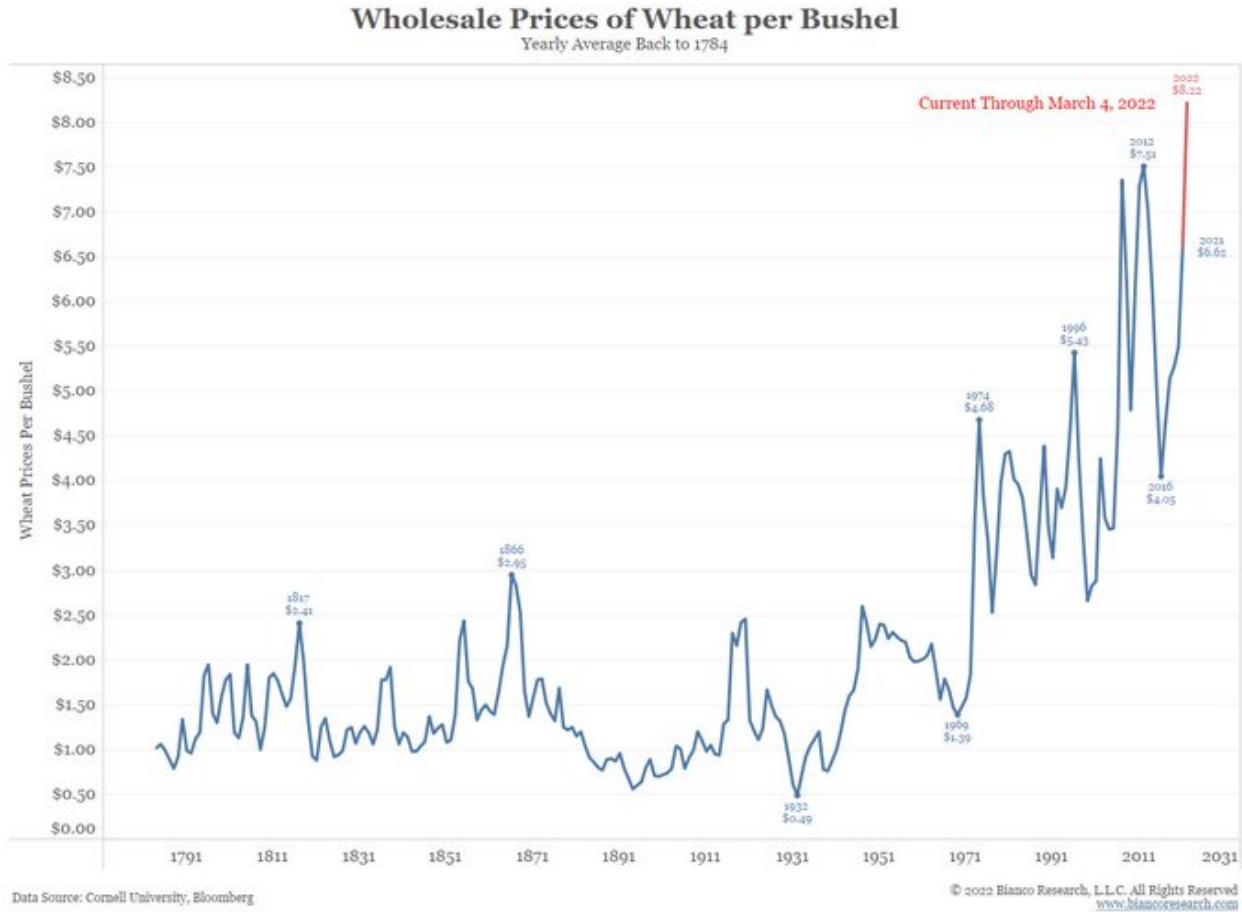
On Wednesday, the BLS will release JOLTS data. Friday's labor report, discussed below, showed weak wage growth in February. It will be interesting to see if the number of job openings has declined. Fewer job openings, coupled with employees entering the job market, would be a hopeful sign the labor supply/demand mismatch may be easing. The downside for employees is less wage bargaining power.

The BLS will release the well followed CPI report on Thursday. Estimates are for the year-over-year rate to rise to 7.9% from 7.5%. Given the proximity of this report to the FOMC meeting, investors are likely to overreact to the data.

Wheat Prices Are Surging

The following headline scrolled across the wires on Friday afternoon- **RUSSIA RECOMMENDS FERTILIZER MAKERS TO HALT EXPORTS: IFX*. Such an action would only further aggravate grain prices.

The graph below from Bianco Research provides further context for the recent rise in wheat prices. As he shows, the cost of wheat per bushel doubled over the last five years and is now at highs going back to at least the 1700s.



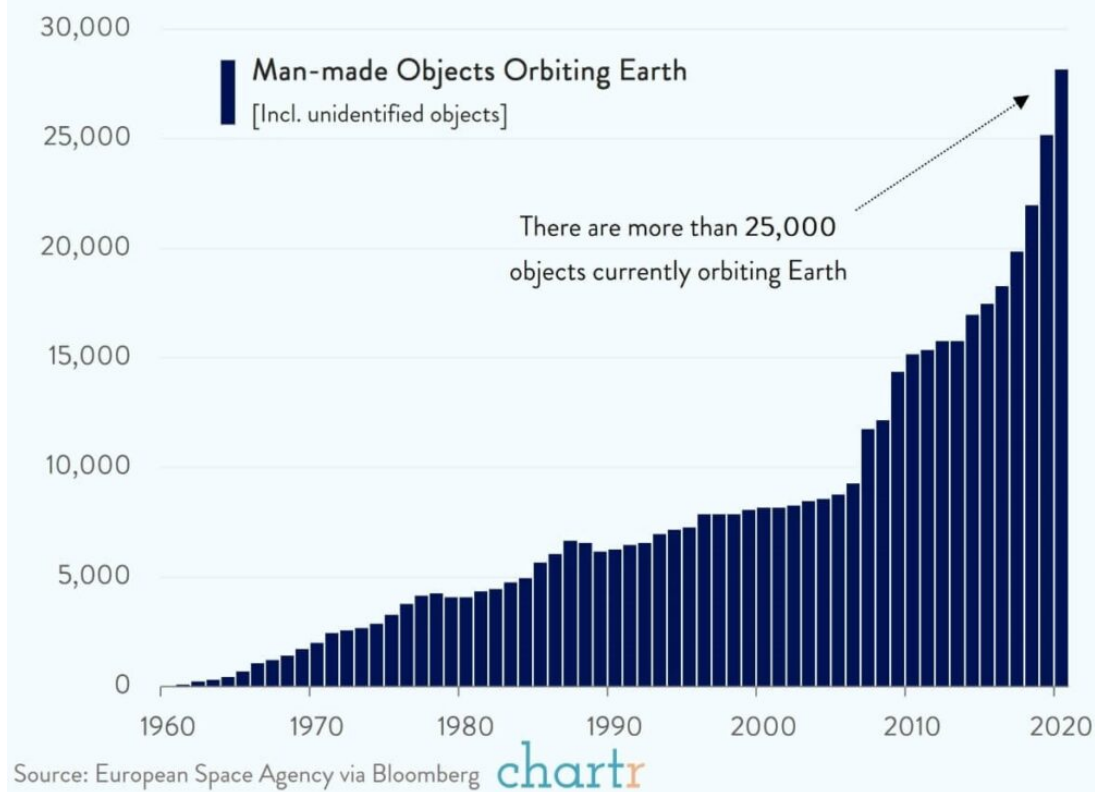
Space Junk

Wheat is apparently not the only thing surging. According to Chartr, space junk is the new surge.

"There is a growing amount of junk floating around Earth. Thousands of pieces of debris from launches, nonfunctional spacecraft and fragmentation debris are all orbiting Earth.

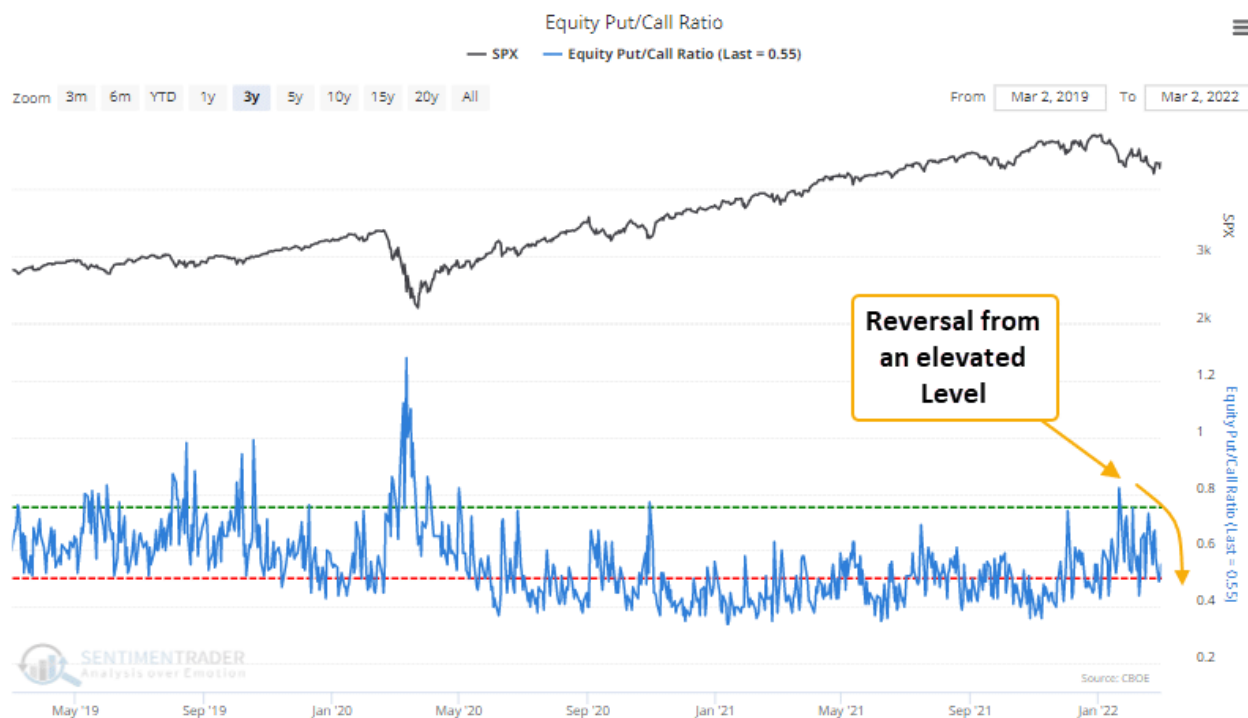
*Today one of those pieces, a rocket part which weighs around three-tonnes, is predicted to have **smashed into the moon** at around 5,500 miles per hour (8,851 kilometers per hour). The impact was expected to take place on the far side of the moon, so we don't know for sure if it's happened yet." - Chartr*

Space Junk: A Growing Problem



Equity Put/Call Ratio Signals A Buy

"When investors are bullish on stocks, they buy call options to bet on rising prices. Conversely, when they are bearish on stocks, they purchase put options to bet on declining stocks. The equity-only put/call ratio can be used as a contrary indicator to identify an environment where sentiment has become too pessimistic on the future direction of stocks. When opinions become too bearish, stocks tend to rally." - Sentiment Trader



Will Powell Put The Economy into a Recession to Fight Inflation?

During Fed Chairman Powell's testimony to Congress last week he had an interesting exchange with Alabama Senator Richard Shelby. Shelby reminds Powell how Fed Chairman Volker (Fed Chairman 1979-1987) raised interest rates aggressively, despite a recession, to get inflation under control. He then asks Powell- "*Are you prepared to do what it takes to get inflation under control?*" Powell replied, "*I hope history will record that the answer to your question is yes.*" Do we believe Chairman Powell would ignore a recession to fight inflation? No! Want evidence? Consider that inflation is running at 7.5% and the Fed is still buying bonds and leaving the Fed Funds rate at zero. If the Fed were genuinely concerned with inflation, they would have taken action months ago when it became obvious inflation was persistent and problematic. Nonetheless, the exchange between Shelby and Powell is worth watching.

Bull Market vs. Bear Market Sentiment

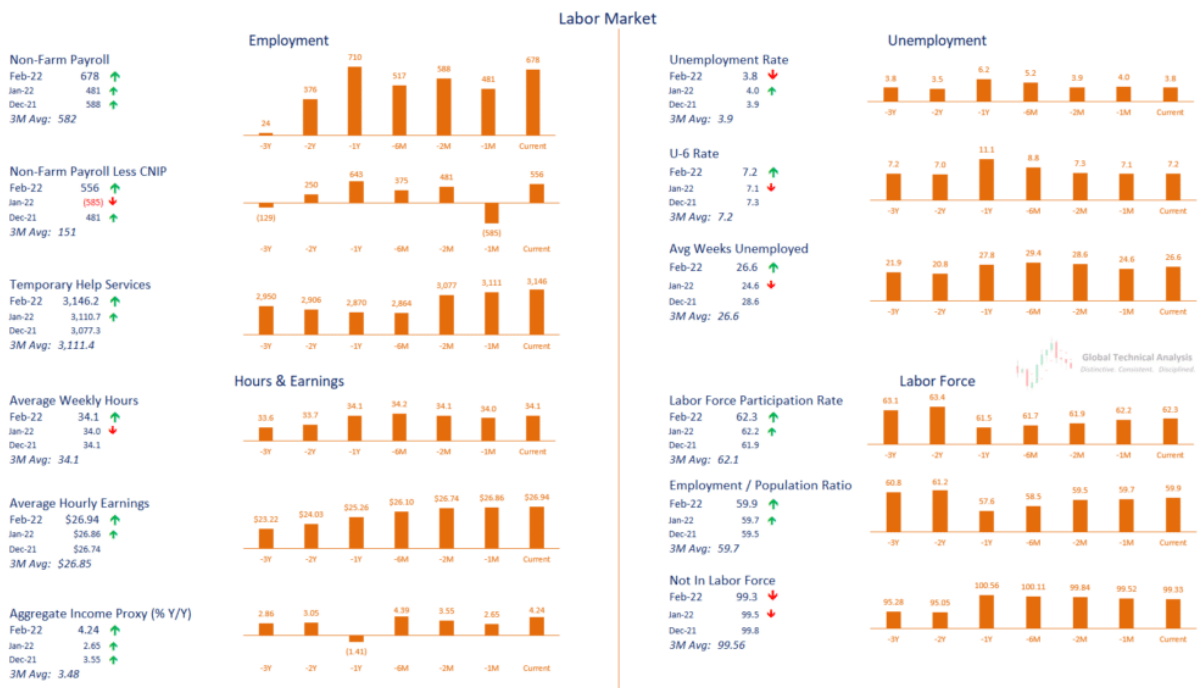
The graph below tells us that investor pessimism is reaching a point that often results in a rebound. While it may be tempting to buy on this signal, the graph offers caution as well. In 2008, the index didn't bounce out of the pessimism range as it did from 2010 forward. Instead, it lingered through a good chunk of the year at low levels, and the market traded lower. The million-dollar question- are we currently in a minor correction within a bull market or has a bear market started? If you answer the former, the graph suggests we are at an excellent place to start buying stocks. If however, you are concerned about the latter, bounces may prove great opportunities to reduce exposure to stocks.

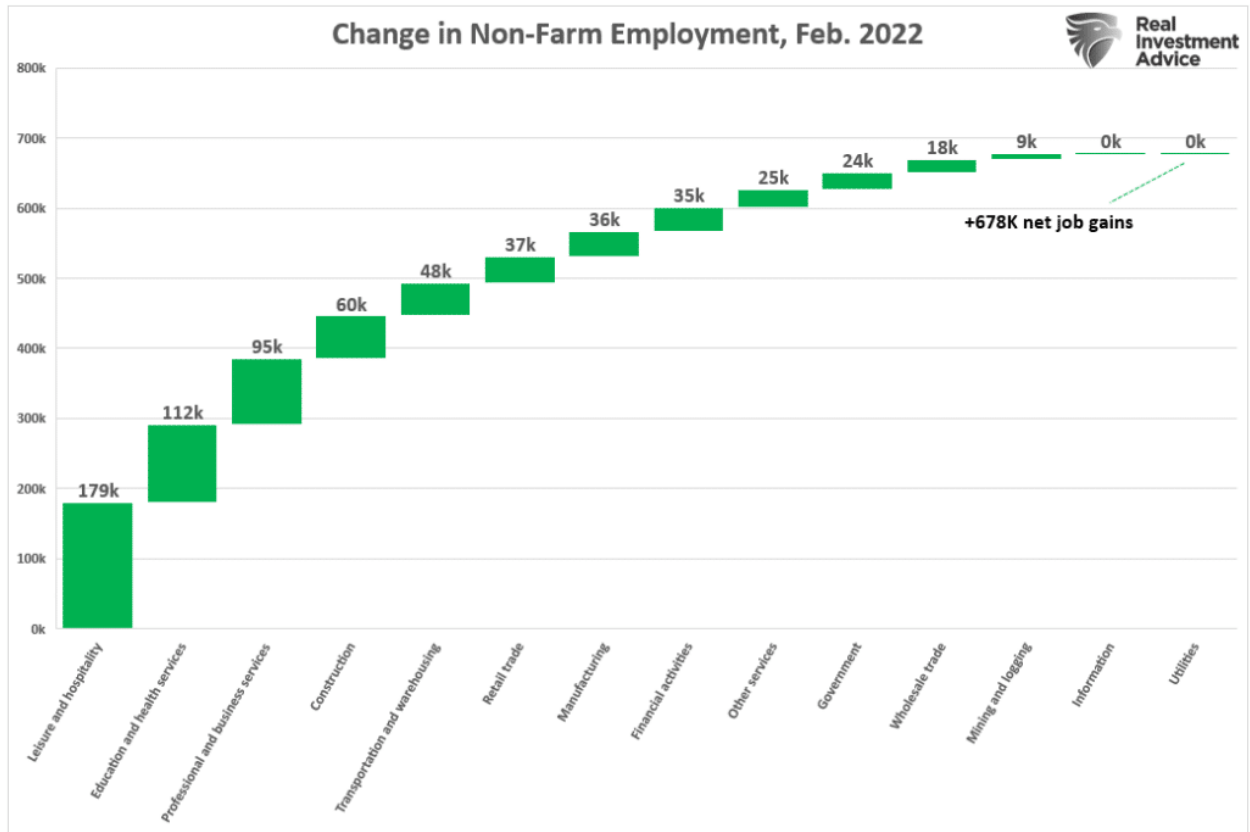


Employment Report

As we learned on Wednesday with the ADP report, the BLS jobs report was also red hot. The economy added 678k new jobs in February and the unemployment rate fell to 3.8%. Further, the prior two months were revised higher by 92k. The only fly in the ointment was no growth in average hourly earnings. Its year-over-year change fell from 5.7% to 5.1%. While such a rate is historically high, it is about 2.5% below the rate of inflation. The uptick in the participation rate brings employees back to the labor force, and the added labor supply may be the driving force behind the weak earnings data. Another consideration is that the jobs being added are low-paying jobs.

The graph below, courtesy of Brett Freeze, shows the employment report's various components, allowing you to visualize recent trends and compare them to pre-pandemic levels (3Y). The second graph shows that none of the industries within the report lost jobs last month.





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