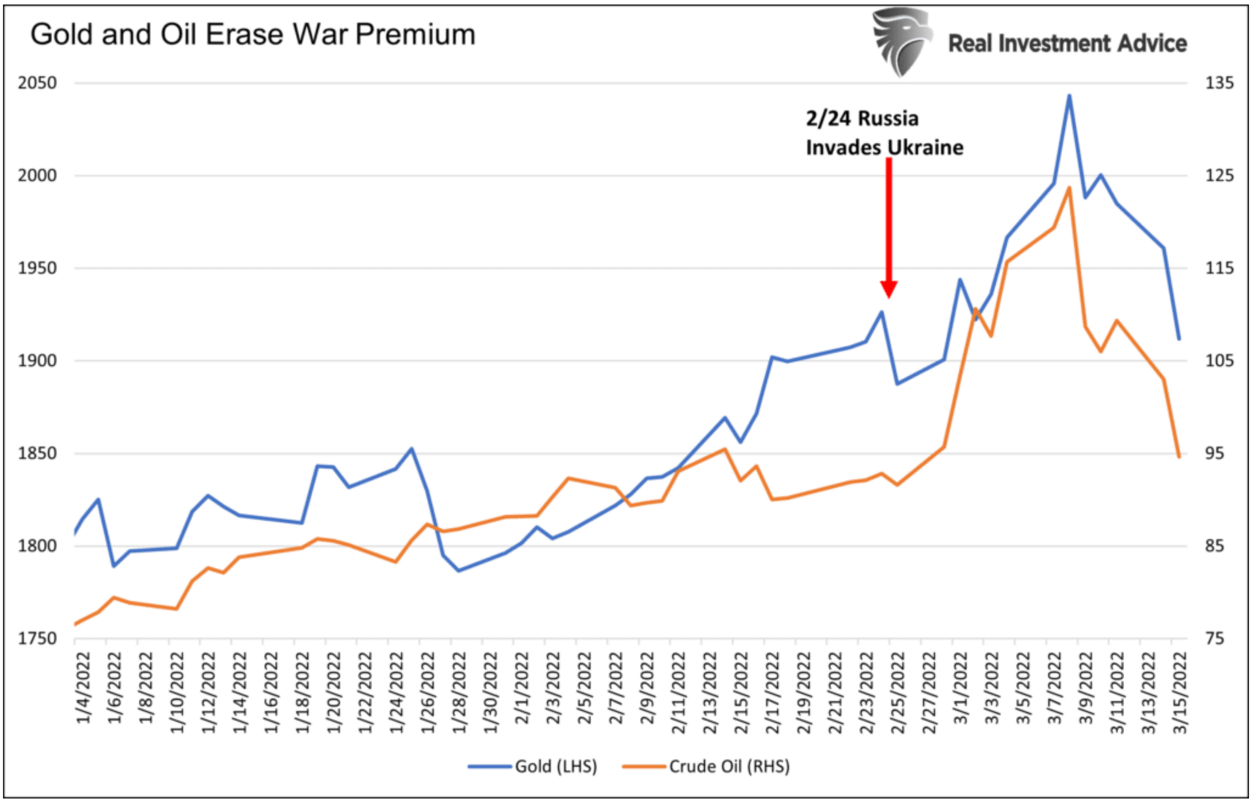
The recent surge in gold and oil prices has been erased. While the Russian invasion rages on, it appears investors flocking to the safety of gold, oil, and a host of other commodities are more comfortable with the situation. The recent declines in key commodity prices may provide a little comfort to the Fed in that the current price increases are not lasting. Gold and oil prices, as shown below, are still up nicely for the year, but the sharp gains in late February and early March have been erased. We suspect stocks may enjoy a short-term reflexive rally once today's Fed meeting is in the rearview mirror.



[dmc]

What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications,** week ended March 11 (8.5% during prior week)
- 8:30 a.m. ET: **Retail Sales Advance,** month-over-month, February (0.4% expected, 3.8% during prior month)
- 8:30 a.m. ET: **Retail Sales excluding autos and gas,** month-over-month, February (0.4% expected, 3.8% during prior month)
- 8:30 a.m. ET: **Import Price Index,** month-over-month, February (1.6% expected, 2.0% during prior month)
- 8:30 a.m. ET: **Export Price Index,** month-over-month, February (1.4% expected, 2.9% during prior month)

- 10:00 a.m. ET: **Business Inventories,** January (1.1% expected, 2.1% prior)
- 10:00 a.m. ET: **NAHB Housing Market Index,** March (81 expected, 82 in February)
- 2:00 p.m. ET: **Federal Reserve monetary policy decision**

Earnings

Pre-market

- **Jabil (JBL)** to report adjusted earnings of $1.47 on revenue of $7.43 billion

Post-market

- **Williams-Sonoma (WSM)** to report adjusted earnings of $4.79 on revenue of $2.58 billion
- **Lennar (LEN)** to report adjusted earnings of $2.60 on revenue of $6.17 billion

Market Trading Update - Market Rallies

As we warned last Friday in our *"Weekly Market Recap,"* the probability of a substantial *"risk-off"* move in gold and oil was likely. The reasoning was that any perceived *"positive news,"* either on the war front or with the Fed, would send money rotating out of the inflation trade and back into risk assets. Such was indeed the case yesterday but could swing back today depending on what the Fed says this afternoon.

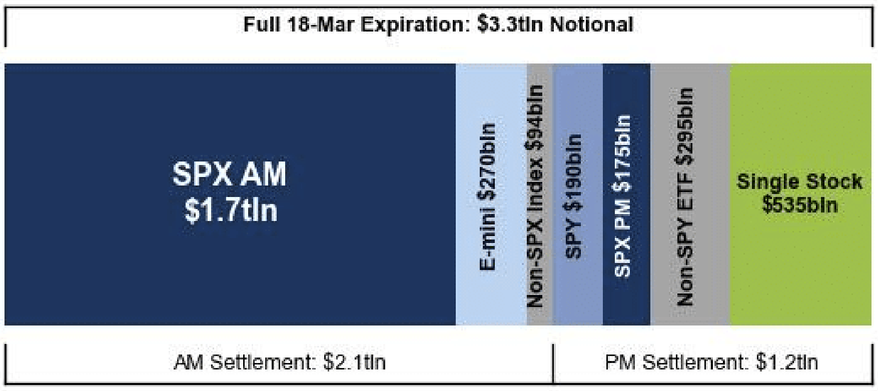
Technically, the market remains in a difficult spot. The downtrend is intact, the "death cross" is now clearly evident providing strong overhead resistance and the market remains below the break of the "neckline" at the September/January lows. While a short-term rally is likely, and we added some minor exposure yesterday, it is still a rally we will want to sell into. Caution is advised.

The Other Big Event - Quadruple Witching

"While much digital ink will be spilled in the next 48 hours dissecting the Fed's next move which will most likely be the first 25bps hike in over two years, instead we will focus on next Friday's March options expiration, which sees a massive $3.3tln of derivative notional expiring, not only right after the FOMC decision but also in the midst of a complex geopolitical situation." - Zerohedge

Exhibit 1: $3.3tln of option notional, including over $2tln of SPX-linked options, expires on Friday 18-Mar

Notional open interest of US-listed options expiring on 18-Mar-2022



Source: Goldman Sachs Global Investment Research, OptionMetrics, Bloomberg

Overall, some 30% of S&P open interest expires on March 18.

Exhibit 11: 30% of SPX open interest expires on 18-Mar

Notional open interest statistics

		Total/Call/Put		Top 4 Expiries		Tenor Distribution	
SPX	SPX	Total	$6.7tln	18-Mar	$1.9tln	11-Mar to 18-Mar	$2.2tln
				14-Apr	$565bln	21-Mar to 17-Jun	$2.4tln
		Call	$2.4tln	17-Jun	$675bln	30-Jun to Dec-2022	$1.4tln
		Put	$4.3tln	Dec-2022	$660bln	Dec-2022 to Dec-2026	$590bln
	SPY	Total	$795bln	11-Mar	$71bln	11-Mar to 18-Mar	$290bln
				18-Mar	$190bln	21-Mar to 17-Jun	$345bln
		Call	$265bln	14-Apr	$100bln	30-Jun to Dec-2022	$96bln
		Put	$530bln	17-Jun	$82bln	Dec-2022 to Dec-2024	$62bln
Russell	IWM	Total	$150bln	18-Mar	$45bln	11-Mar to 18-Mar	$52bln
				14-Apr	$15bln	21-Mar to 17-Jun	$52bln
		Call	$47bln	17-Jun	$21bln	30-Jun to Dec-2022	$29bln
		Put	$100bln	Dec-2022	$18bln	Dec-2022 to Jan-2024	$16bln
	RTY	Total	$100bln	11-Mar	$6.8bln	11-Mar to 18-Mar	$42bln
				18-Mar	$34bln	21-Mar to 17-Jun	$35bln
		Call	$41bln	17-Jun	$13bln	30-Jun to Dec-2022	$16bln
		Put	$59bln	Dec-2022	$10bln	Dec-2022 to Dec-2024	$6.6bln
NASDAQ	QQQ	Total	$340bln	18-Mar	$94bln	11-Mar to 18-Mar	$120bln
				14-Apr	$44bln	21-Mar to 17-Jun	$145bln
		Call	$115bln	17-Jun	$68bln	30-Jun to Dec-2022	$42bln
		Put	$225bln	Dec-2022	$24bln	Dec-2022 to Jan-2024	$31bln
	NDX	Total	$155bln	11-Mar	$12bln	11-Mar to 18-Mar	$71bln
				18-Mar	$54bln	21-Mar to 17-Jun	$57bln
		Call	$72bln	14-Apr	$19bln	15-Jul to Dec-2022	$21bln
		Put	$85bln	17-Jun	$16bln	Jan-2023 to Dec-2024	$8.4bln

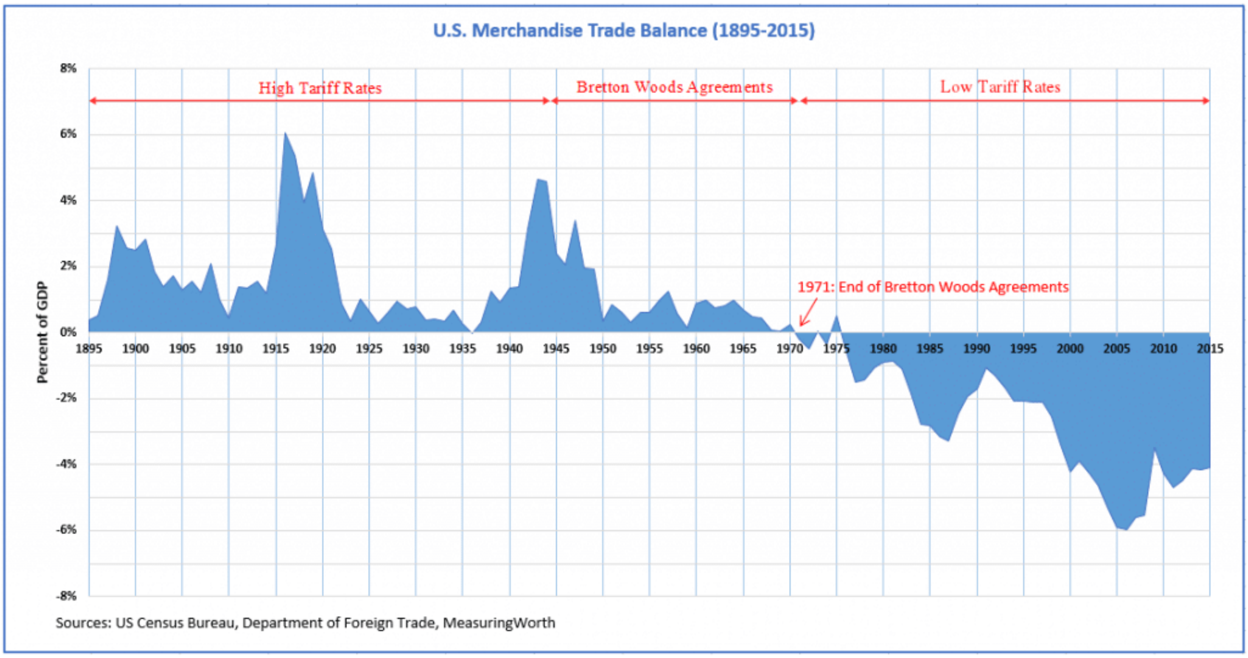
Source: Goldman Sachs Global Investment Research, OptionMetrics

Yuan for Saudi Oil

*Saudi Arabia in Talks to Price Its Oil Sales to China in Yuan - WSJ

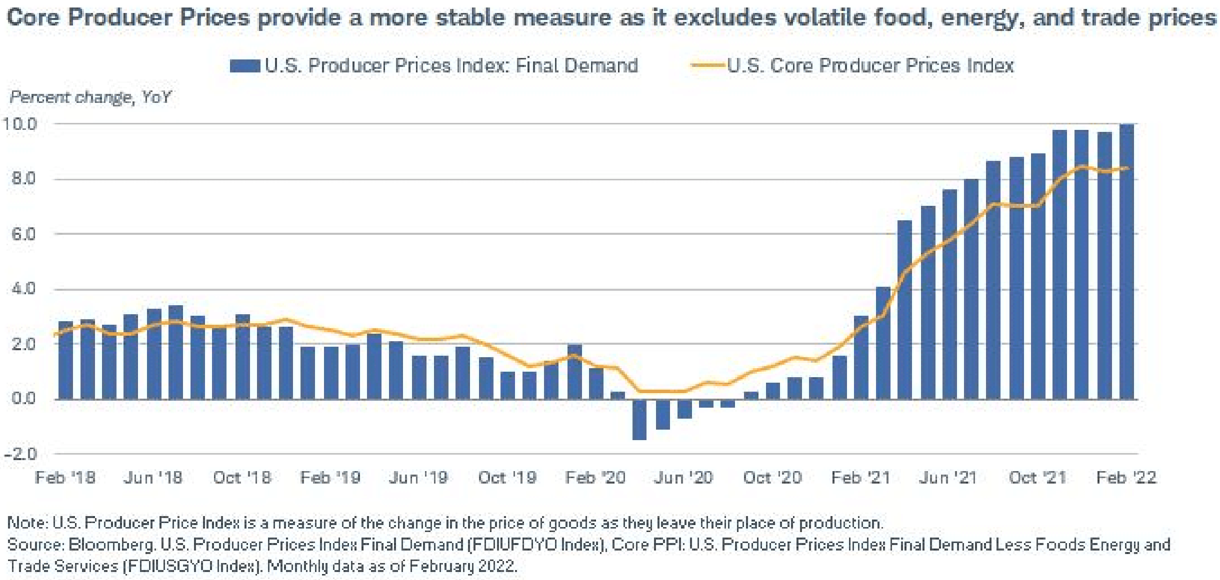
If the headline is valid, this is important news and likely underappreciated by many. The global financial system is based on the U.S. dollar as the reserve currency. Because almost every country uses U.S. dollars for trade, they must hold a reserve of dollars. Those dollars are invested in bonds and other U.S. assets, including stocks. Since WW2, the reserve currency privilege has allowed the U.S. to run massive trade deficits and fund fiscal deficits at low-interest rates. For decades, low-interest rates fueled asset speculation and let consumers and corporations have more debt than would have been possible. Simply there was more economic growth than would have otherwise been possible.

While a China-Saudi deal does not end the dollar's dominance in world trade, it is a big event, especially if it is the beginning of a trend. For more on the dollar's role in the global financial system, we recommend reading our article Triffin Warned Us. The graph below comes from the article.



PPI Not As Bad As Expected

PPI hit 10% as expected on a year-over-year basis. While double-digit inflation is concerning, there was a bit of good news in the report. The 0.8% increase in PPI for February was less than the 1% expectation and 1.2% from the prior month. Further core PPI (stripping out food and energy prices) is well below estimates at +0.2% versus expectations of +0.6%. It is also well off the July 2021 high of +1.0%. It's too early to call a peak in PPI as next month's PPI report could get dicey due to the Russia-induced surge in commodity prices. The graph below compares PPI and CPI. As you can see in both, the annual inflation rate is flattening. While occurring at a very high level, it does provide some hope that they will both start retreating in the coming months.



AMC: Movies and Mining

AMC, the 2021 meme stock darling, whose stock price rose from $10 to $70 in weeks, is entering the mining business. Since AMC's startling rise, on the back of a massive short squeeze, the shares have been steadily declining. As shown below, they are now back to levels when the squeeze first started. Yesterday we learned that AMC is buying 22% of Hycroft Mining (HYMC). HYMC has an estimated 15 million ounces of gold deposits and 600 million ounces of silver deposits. AMC has taken advantage of the higher stock price by issuing shares. It appears they will use the money to diversify from the entertainment business into mining. This is undoubtedly one of the stranger mergers we have ever witnessed.

Per AMC's CEO Adam Aron: "*Our strategic investment being announced today is* the *result of our having identified a company in an unrelated industry that appears to be just like AMC of a year ago. It, too, has rock-solid assets, but for a variety of reasons, it has been facing a severe and immediate liquidity issue. Its share price is knocked low as a result. We are confident that our involvement can greatly help it to surmount its challenges ? to its benefit, and to ours.?*

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