So far, it has been predominately the defense, materials, agricultural, and energy companies most affected by the Russian invasion. Add technology company Adobe to the list. On Wednesday, Adobe shares fell about 10% despite better than expected earnings and revenues. Dragging Adobe shares down was its announcement that it is stopping new sales to Russia and Belarus. As a result, Adobe is reducing its revenue forecast by $75 million for 2022. As shown below, Adobe shares are now down 40% from November 2021 highs and nearing the pre-pandemic peak. With Q1 earnings coming in a month, we suspect there are likely to be more warnings from companies facing lost revenue due to the conflict.

SimpleVisor

[dmc]

What To Watch Today

Economy

- 8:30 a.m. ET: **Current account balance**, 4Q (-$218 billion expected, -$214.8 billion during prior quarter)
- 8:30 a.m. ET: **Initial jobless claims**, week ended March 19 (210,000 expected, 214,000 during prior week)
- 8:30 a.m. ET: **Continuing claims**, week ended March 12 (1.400 million expected, 1.419 million during prior week)
- 8:30 a.m. ET: **Durable goods orders**, February preliminary (-0.6% expected, 1.6% in January)
- 8:30 a.m. ET: **Durable goods orders excluding transportation**, February preliminary (0.5% expected, 1.6% in January)
- 8:30 a.m. ET: **Non-defense capital goods orders excluding aircraft**, February preliminary (0.5% expected, 1.0% in January)
- 8:30 a.m. ET: **Non-defense capital goods shipments excluding aircraft**, February preliminary (1.0% expected, 1.9% in January)
- 9:45 a.m. ET: **S&P Global U.S. Manufacturing**, March preliminary (56.6 expected, 57.3 in February)

- 9:45 a.m. ET: **S&P Global U.S. Services PMI**, March preliminary (56.0 expected, 56.5 in February)
- 9:45 a.m. ET: **S&P Global U.S. Composite PMI**, March preliminary (54.7 expected, 55.9 in February)
- 10:00 a.m. ET: **Revisions: Wholesale Sales**, Inventories
- 11:00 a.m. ET: **Kansas City Fed Manufacturing Activity Index**, March (26 expected, 29 in February)

Earnings

- **Darden Restaurants** (DRI) to report adjusted earnings of $2.10 on revenue of $2.51 billion

Market Trading Update

The market rally finally took a breather after the recent run with Adobe (ADBE) dragging on technology stocks with their latest outlook. Importantly, the market is very overbought and registered a short-term sell signal. With the break below the 200-dma, a new downtrend line is established with support at the 50-dma, and the January lows. We added TLT to portfolios yesterday to hedge some risk, but depending on how the markets act today, we may look at adding a short position as well.

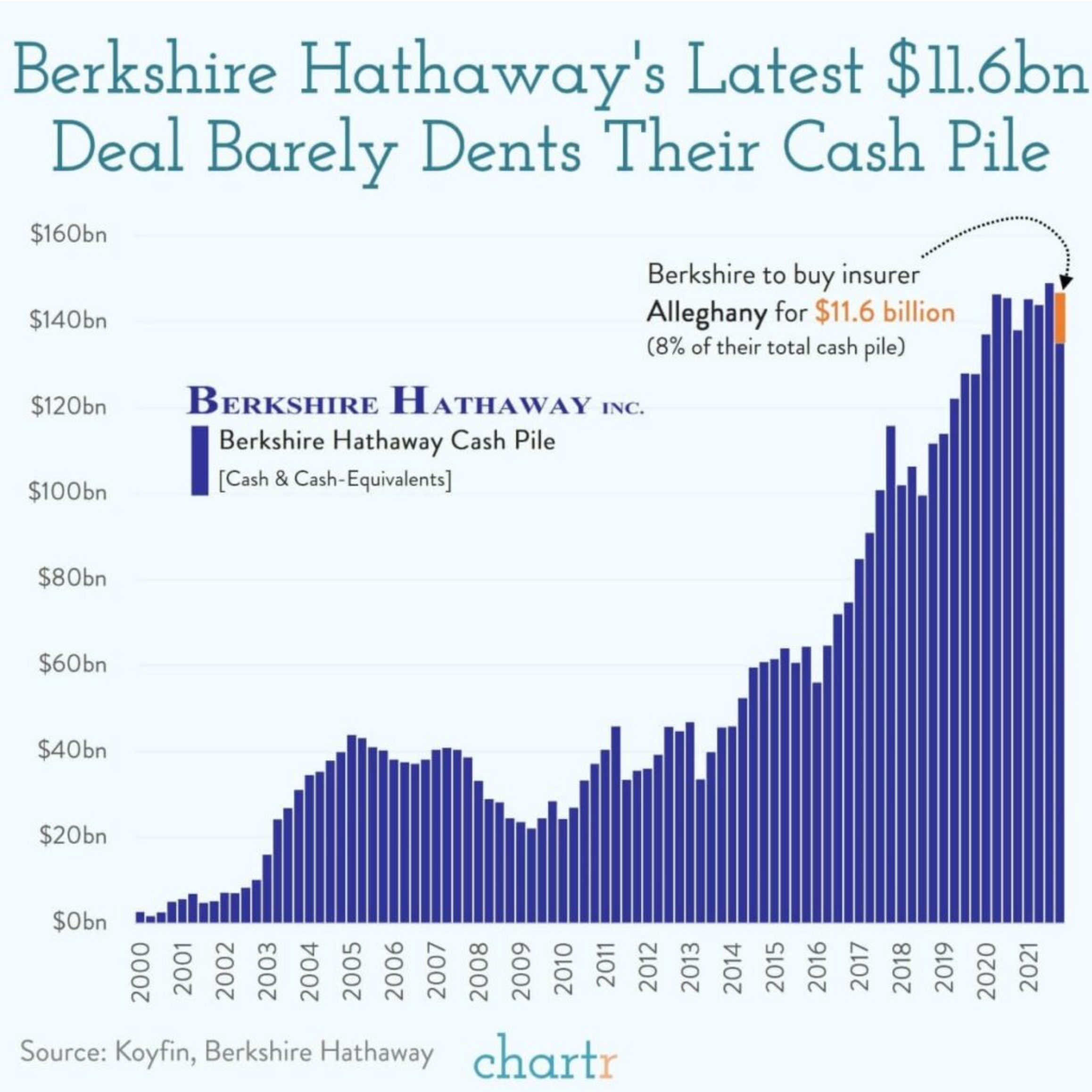
Nike's Earnings Are A Slam Dunk

Despite the market weakness, Nike's (NKE) stock has performed well over the last few days. Driving the outperformance is a positive earnings announcement on Monday night. Earnings and revenues beat expectations despite inflation, higher wages, and weak foreign sales. To that end, gross margins increased by 1%, despite an 11% increase in operating overhead expenses- mainly wages. NKE is off over 30% from recent highs. Monday's earnings may allay some fears, potentially giving the recent rally more legs.

From a broader perspective, the biggest question facing many investors, especially those with retail-oriented stocks, is whether or not companies can pass on higher prices and wages to consumers. While Nike seems to be handling the situation well, we suspect that others aren't. Q1 corporate earnings will shed more light on this topic.

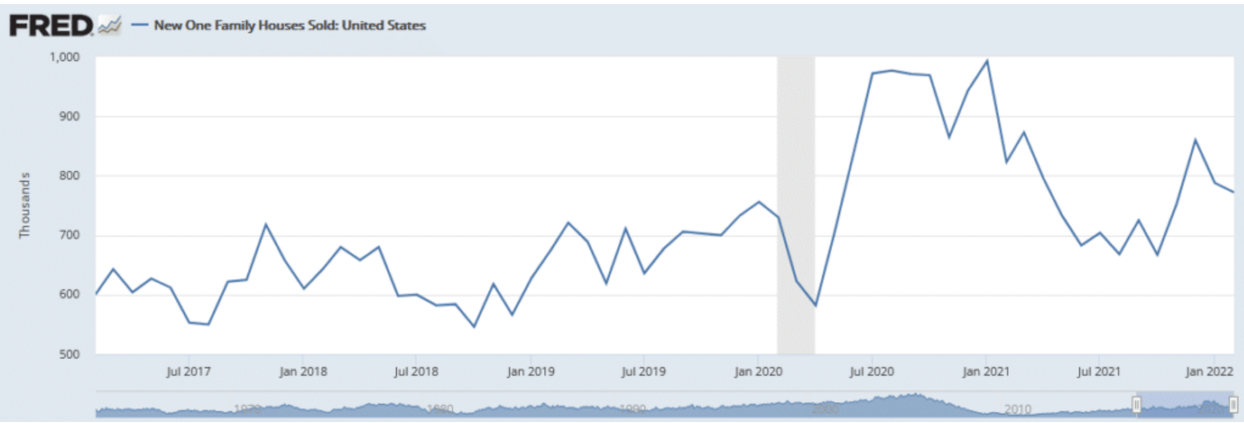
Berkshire Hathaway's $11.6 Billion Purchase

> *"This week iconic investor Warren Buffett announced that his company Berkshire Hathaway was acquiring an insurance company, **Alleghany**, for $11.6 billion. **That's a pretty big deal (worth more than the value of GameStop, American Airlines or Rolls-Royce for context),** but for Berkshire's $146bn+ cash pile, it's a 'drop in the ocean."*
>
> *As Berkshire has grown, the opportunity set has narrowed, and Buffett and co. have had to remain disciplined in their hunt for bargains, leading to a growing cash pile on the company's balance sheet.*
>
> *In classic Buffett style, he managed to telegraph his **dislike for Wall Street's bankers during the deal**. He offered **$850 a share**, **but wanted a refund for the fee reserved for the investment bank representing Alleghany ? which was Goldman Sachs.** The result? A final price of **$848.02** per share, saving Berkshire $27m in total." - Chartr*



New Home Sales Are Weakening

New home sales were much weaker than expected at 772k versus expectations of 810k. The data is annualized based on February's data. As we show below, new home sales are now back to pre-pandemic levels. Working against home builders, in addition to higher mortgage rates and sticker shock, is a rising supply of new homes. There is now 6.3 months of supply, the highest level in 14 years. The median new home price rose 10.7% year over year to $401k, and the average price is now $511k. This is the first time the average price is above $500k.



Another sign of potential weakening of the housing market comes from the Mortgage Bankers Association (MBA). Their index provides data on mortgage applications which often serve as a precursor to home purchases.

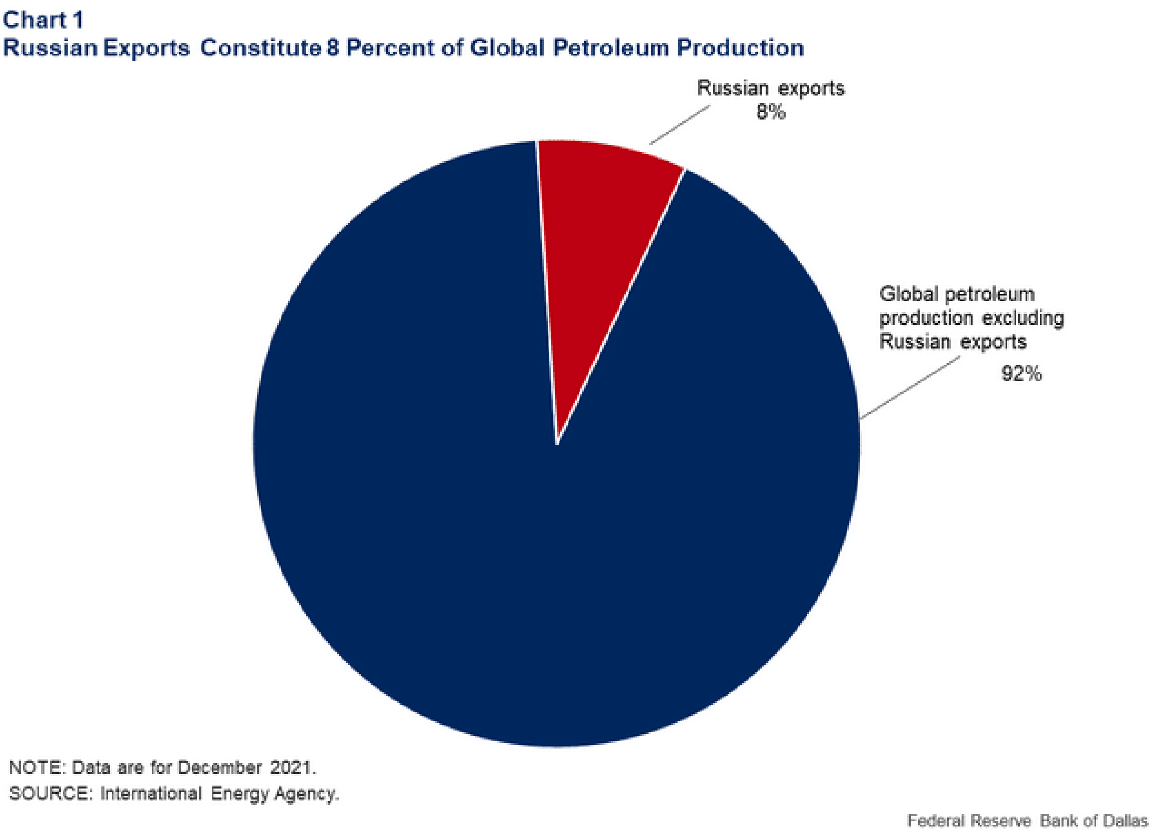
Per their latest weekly report: *"The Market Composite Index, a measure of mortgage loan application volume, decreased 8.1 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 8 percent compared with the previous week. The Refinance Index decreased 14 percent from the previous week and was 54 percent lower than the same week one year ago.*"

The refinance index, not surprisingly given higher mortgage rates, is driving the index lower, but the purchase index is starting to fall as well.

Dallas Fed Links Russian Oil Exports to Recession Risk

> *"In the immediate aftermath of Russia's invasion of Ukraine in late February, early estimates suggested that perhaps 3 million barrels a day (mb/d) of petroleum production?almost 3 percent of world production?had been effectively removed from the global oil market, constituting one of the largest supply shortfalls since the 1970s*."

The preceding quote is from an article published by the Dallas Federal Reserve Bank. The article says that Russia accounts *"for about 10% of global petroleum production.*" Russia has been able to use Baltic and Black Sea ports, so most of their production is still being exported. While the article offers solutions to make up for the lost oil, it also warns, *"if the bulk of Russian energy exports is off the market for the remainder of 2022, a global economic downturn seems unavoidable. This slowdown could be more protracted than that in 1991."*



Please ***subscribe to the daily commentary*** **to receive these updates every morning before the opening bell.**