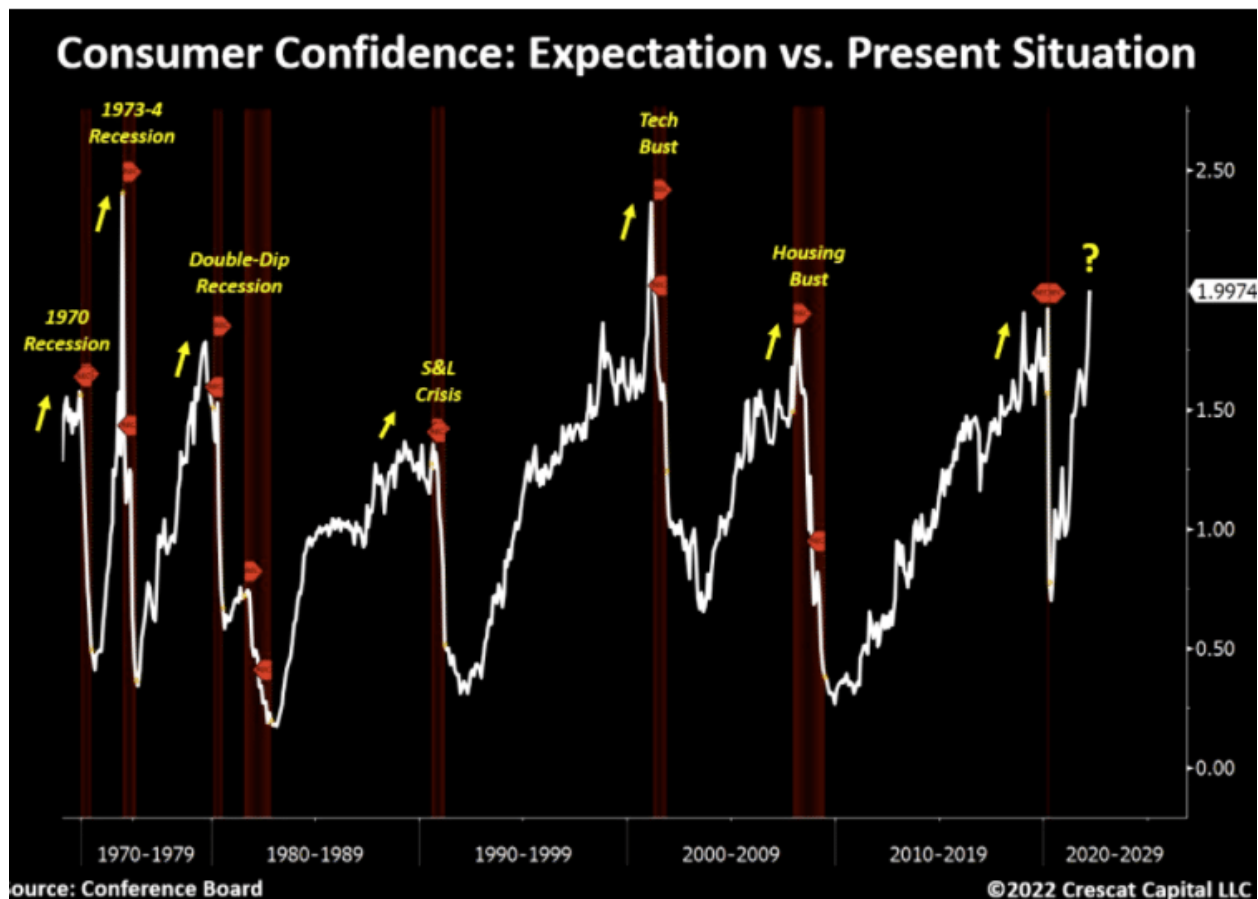


The Conference Board Consumer Confidence index unexpectedly rose to 107.2, from 105.7. Despite the increase in consumer confidence, the survey points to trouble ahead. The index is broken into gauges of consumer confidence in the present and expectations for the future. As we show below, the spread between the two is now at levels seen prior to recessions.



Per the Conference Board: *"expectations, on the other hand, weakened further with consumers citing rising prices, especially at the gas pump, and the war in Ukraine as factors."* Personal consumption accounts for about two-thirds of economic activity ergo, consumer confidence is a vital component of GDP.

Despite concerns, the strong jobs market and higher wages bolster consumers' confidence. The [BLS JOLTS](#) report claims there are 11.3 million job openings at the end of February. The reading continues to hover at record highs and leads us to believe today's ADP report will be strong.

[dmc]

What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended March 25 (-8.1% during prior week)
- 8:15 a.m. ET: **ADP Employment Change**, March (450,000 expected, 475,000 during prior month)
- 8:30 a.m. ET: **GDP Annualized**, quarter-over-quarter, 4Q third (7.0% expected, 7.0% prior)
- 8:30 a.m. ET: **Personal Consumption**, quarter-over-quarter, 4Q third (3.1% expected, 3.1% prior)
- 8:30 a.m. ET: **GDP Price Index**, quarter-over-quarter, 4Q third (7.1% expected, 7.1% prior)
- 8:30 a.m. ET: **Core PCE**, quarter-over-quarter, 4Q third (5.0% expected, 5.0% prior)

Earnings

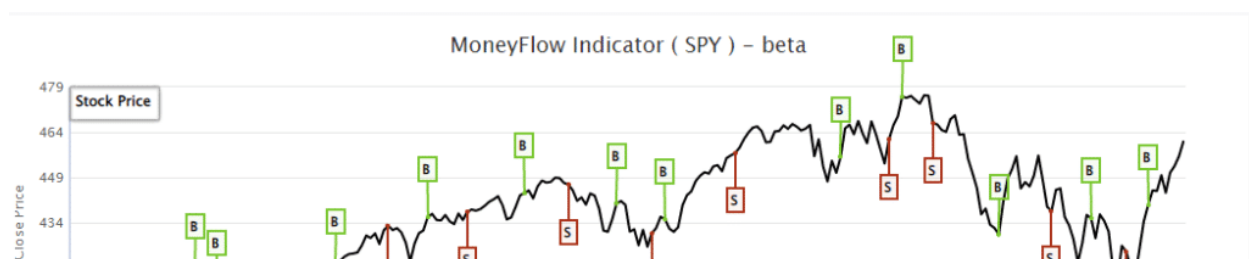
- **Five Below (FIVE)** to report adjusted earnings of \$2.48 on revenue of \$1.01 billion

Market Trading Update

As we have been discussing for the last three weeks, despite consumer confidence falling, the market was set up for a strong rally. Quarter-end window dressing has set that rally on fire with the S&P 500 up nearly 10% over the last couple of weeks. However, as noted below, all of our indicators are now back to more extreme overbought levels which suggest we could see some consolidation in the short term. Also, be aware of the sharp drop-off in volume.



Our Moneyflow indicators are all at extremes as well. There is not a sell signal yet, but we will get one sooner than later.



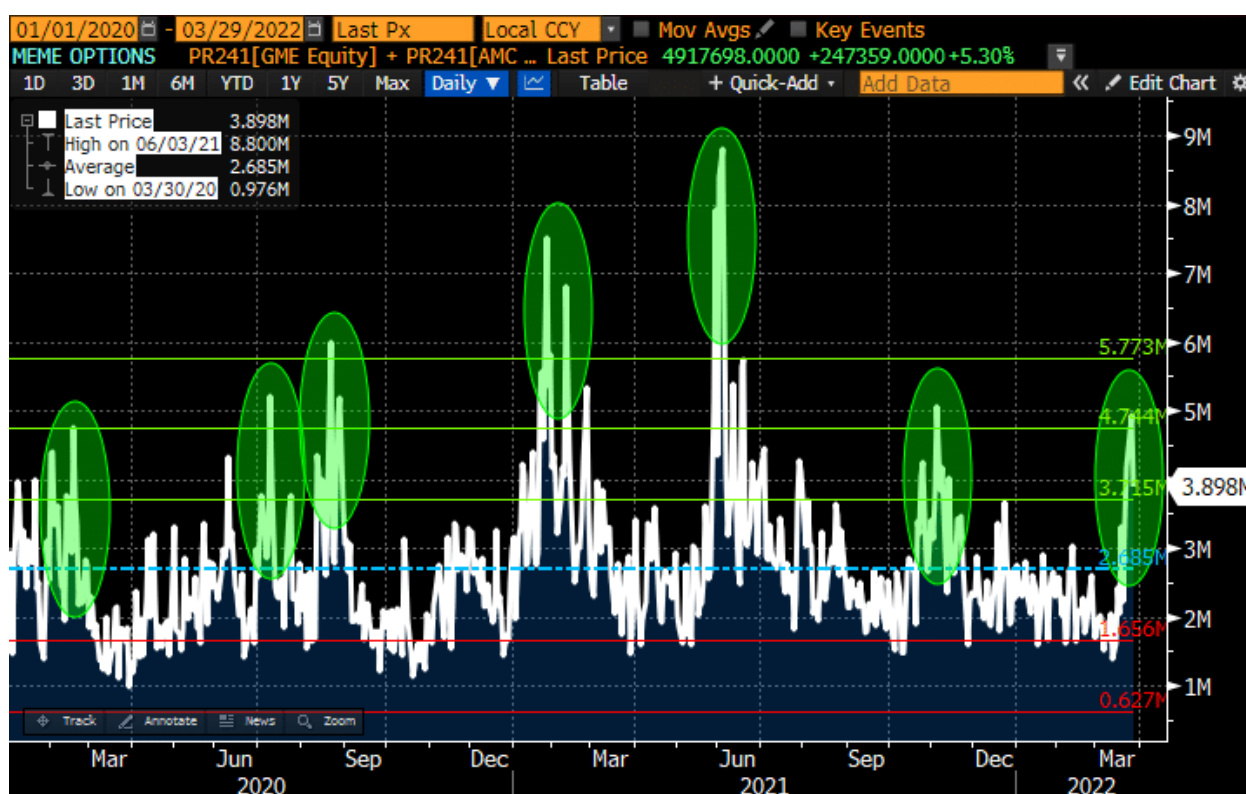
[Chart available on SimpleVisor.com](https://www.SimpleVisor.com)

Such is why, [as discussed on SimpleVisor](https://www.SimpleVisor.com) earlier this week, we took profits from trades we put on at the lows. We will look to rebuild those positions on corrections back to support.

Meme Stock Mania Is Back

*Emboldened by passive Systematic bid to spot markets and feedback loop into Vol compression: **The WSB-crowd is back in a major way on this Equities bounce, where for the past 2 weeks, we see the collective ?upside grabbing? activity at levels only previously witnessed during prior speculative frenzy periods in the COVID / WSB / ?stimmy? era (our basket of 10 of the most prominent ?meme stocks? has seen their aggregated daily Call option volumes jump to over +2 z-scores as of last Friday vs the 2 year lookback)***

***Just how ridiculous has it gotten (again)?** Well looking at the big ?meme? favorites, it's a return to ?Vol up, Spot up,? with **some true ?foaming at the mouth? behavior evident in the options space**, as buyers grab into short-dated weekly (or less) OTM upside, looking to create ?Gamma Squeezes? - Zerohedge*

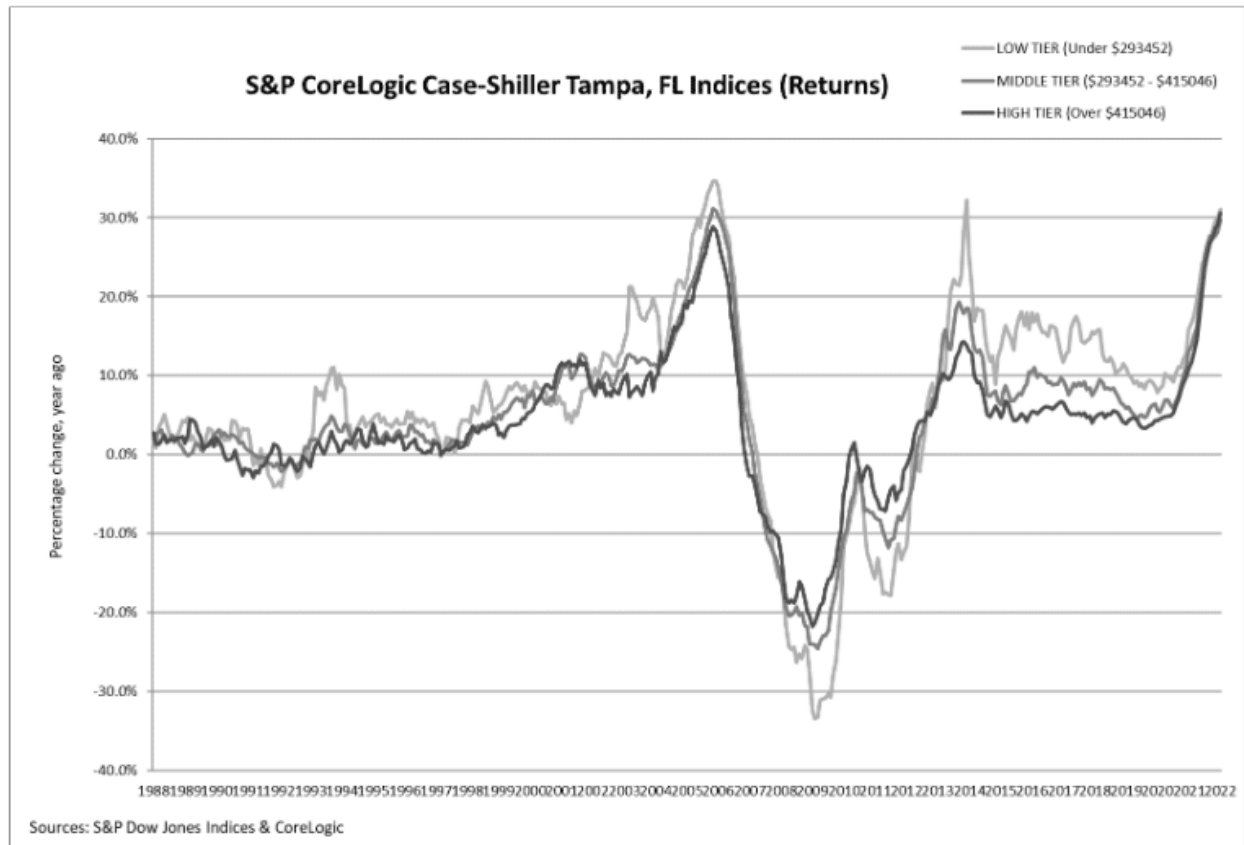


House Prices Soar, Especially in Tampa Bay

The [Case-Shiller Home Price Index](https://www.Case-Shiller.com) rose more than expected. The index is now up 19.1% year-over-year, up from 18.88% in December. The one caveat to this report is the data is for January. Since February 1st, mortgage rates have risen by nearly 1.5%. It will take a few more months for this report to show how higher rates are affecting home prices. The FHFA house price index affirms Case-Shiller, rising 1.6% in January and 18.2% yearly.

The Case-Shiller report specifically mentions home prices in Phoenix, Tampa, and Miami as they are up about 30% year over year. The graph below charting Tampa home prices shows how prices

rose by more and faster in the last two years versus the few years leading to the housing bust of 2008.



Gold Near Support

The graph below from Spider Charts (@spidercharts) shows the symmetrical arc in which the price of gold has traded in over the last year and a half. The author expects gold will hit the lower purple support/resistance line which is also the rising arc line. As denoted by the up arrow, they expect it to bounce higher. Spider Charts claims that the \$1865 an ounce level is "*key horizontal and symmetrical support.*"

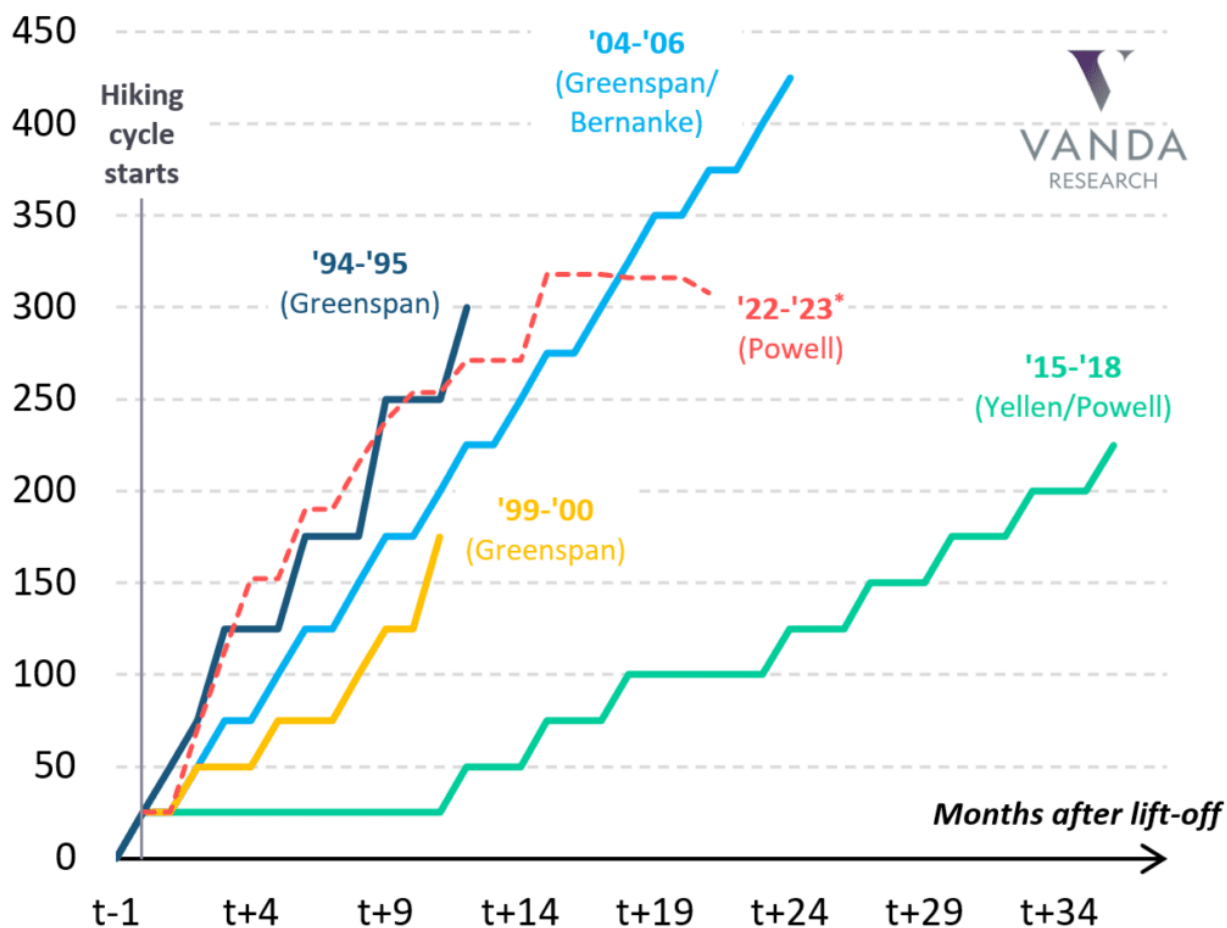


Most Aggressive Fed in 25 Years

The graph below from Vanda Research shows the market expects the Fed to be more aggressive than they were during the last four Fed rate hiking cycles. In 1994/95, the Fed increased rates from 3% to 6%. In turn, the 2-year UST yield rose over 4%. Further below in this Commentary, we show the 2-year note is hitting critical resistance on a log scale after rising a little more than 2%.

CHART OF THE WEEK | VANDA RESEARCH

History of Fed hiking cycles since '94 (change since start, bps)



Source: Bloomberg, Vanda

*Hiking cycle implied in markets based on combo of FOMC-linked OIS swaps & ED futures

2-Year Note Hitting Critical Resistance

As we show below, the UST 2-year note is approaching a resistance line that has held four other times over a forty-year span. The four other instances were all followed by economic slowdowns and, ultimately, recessions. Given the preponderance of debt driving the economy, it's hard to see how this instance resolves itself differently. That said, in the last three cases where the yield hit resistance, the Fed did not have to worry about inflation.



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