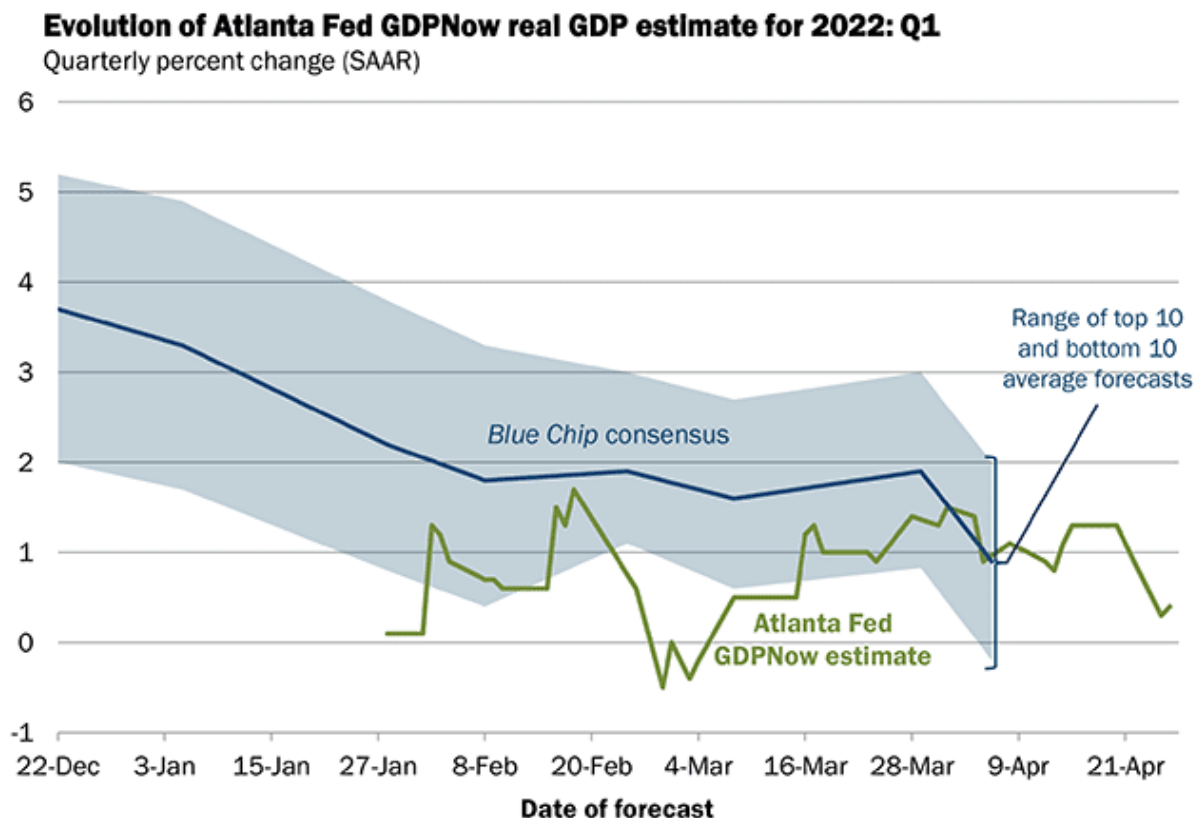


Atlanta Fed GDPNow Forecasts Negligible Growth

The robust 6.9% GDP growth in the fourth quarter of 2021 will likely hit a brick wall when the first-quarter GDP data is announced on Thursday. The Atlanta Fed's GDPNow model now calls for 0.4% growth in the first quarter after starting the year at nearly 4%. The graph below from the Atlanta Fed GDPNow model shows the steady degradation of its model's forecast over the last three months.

As the chart also shows, Wall Street is only slightly more optimistic than the Atlanta Fed GDPNow model, with expectations of 1% growth. It's worth adding that the Atlanta Fed forecast is for the whole quarter. Given that its model expects near-zero growth for the entire quarter, and we know that growth was running 2-4% in January and February, an economic contraction is likely underway.



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What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended April 22: (-5.0% during prior week)
- 8:30 a.m. ET: **Advance Goods Trade Balance**, March (-\$105.0 billion expected, -\$106.3 billion during prior month)
- 8:30 a.m. ET: **Wholesale Inventories**, month-over-month, March preliminary (1.5% expected, 2.5% during previous month)
- 8:30 a.m. ET: **Retail Inventories**, month-over-month, March (1.6% expected, 1.1% during prior month)
- 10:00 a.m. ET: **Pending Home Sales**, month-over-month, March (-1.0% expected, -4.1% during prior month)

Earnings

Pre-market

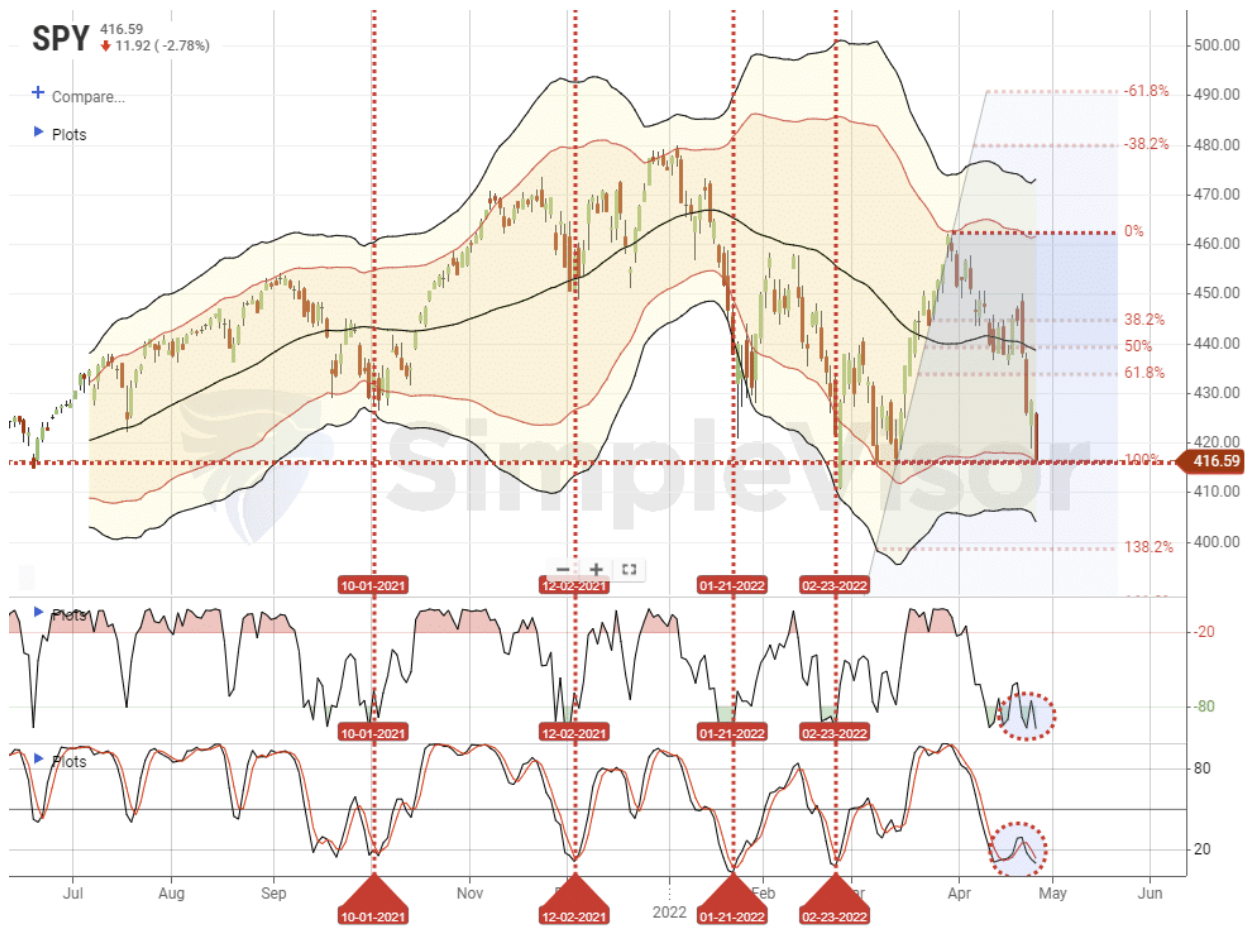
- **Humana (HUM)** to report adjusted earnings of \$6.74 on revenue of \$23.45 billion
- **Kraft Heinz (KHC)** to report adjusted earnings of 54 cents on revenue of \$5.83 billion
- **Boeing (BA)** to report adjusted losses of 15 cents on revenue of \$15.95 billion
- **T-Mobile (TMUS)** to report adjusted earnings of 26 cents on revenue of \$20.12 billion

Post-market

- **Amgen (AMGN)** to report adjusted earnings of \$4.09 on revenue of \$6.10 billion
- **Qualcomm (QCOM)** to report adjusted earnings of \$2.93 on revenue of \$10.60 billion
- **Ford Motor (F)** to report adjusted earnings of 36 cents on revenue of \$32.16 billion
- **Meta Platforms (FB)** to report adjusted earnings of \$3.13 on revenue of \$28.24 billion

Market Trading Update - Rally Fails, Back To Support

After the comeback rally on Monday, Tuesday was a dismal showing as stocks sold off hard dropping back to the March lows and retracing 100% of the previous rally. The market must hold here and must a rally, otherwise, we are most likely looking at a deeper decline. Between weak earnings outlooks and a weak forecast from the Atlanta Fed GDPNow, downside risks are a reality. However, as shown, the last four times the market was this oversold, the market did must a rally. A retracement toward the 50-dma should be used to reduce portfolio risk. If the market fails to hold support by the end of the week, further equity reductions are likely.



Bullish Divergence In the S&P 500

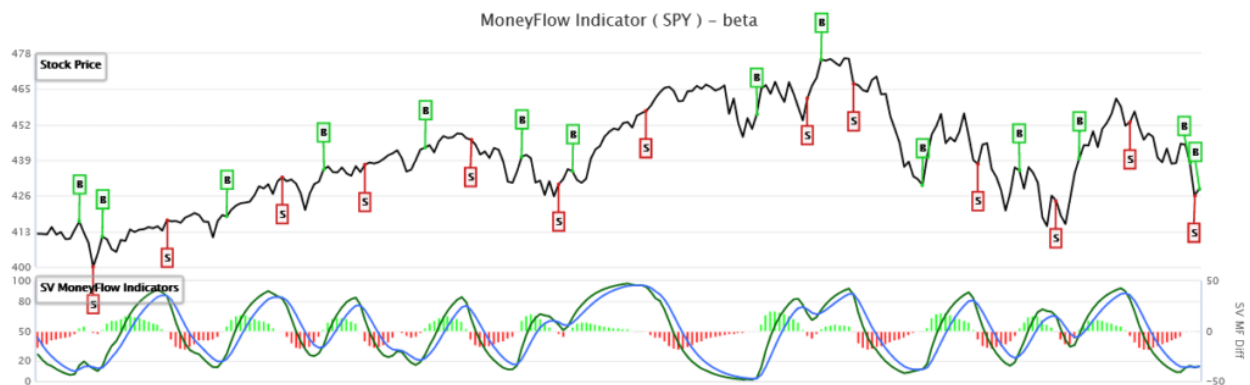
The BofA graph below shows hopeful signs that the S&P may be putting in a bottom of sorts. As the graph shows, the S&P 500 index has set a pattern of higher lows since February. Further, as shown in the two boxes below the S&P graph, at each low, the percentage of advancing NYSE stocks and percentage of up volume for NYSE stocks are higher than prior lows. Such patterns are called bullish divergences. Whether the market is in the process of a short-term reflexive bounce that will eventually lead to lower lows is not known, but the odds of a rally over the next few weeks are growing. As an aside, the SimpleVisor money flow indicator in the following graph went on a buy signal on Monday.

Chart 1: S&P 500 (top), 5-day MA of advancing NYSE stocks (center) and 5-day MA of advancing volume in NYSE stocks (bottom): Daily chart

The 5-day MAs of the percentage (%) of NYSE advancing stocks and up volume suggest tactical improvement in breadth with higher lows in February vs January. Another higher low for these indicators, especially near the uptrend lines from the January lows, would bode well for the developing H&S bottom highlighted above.

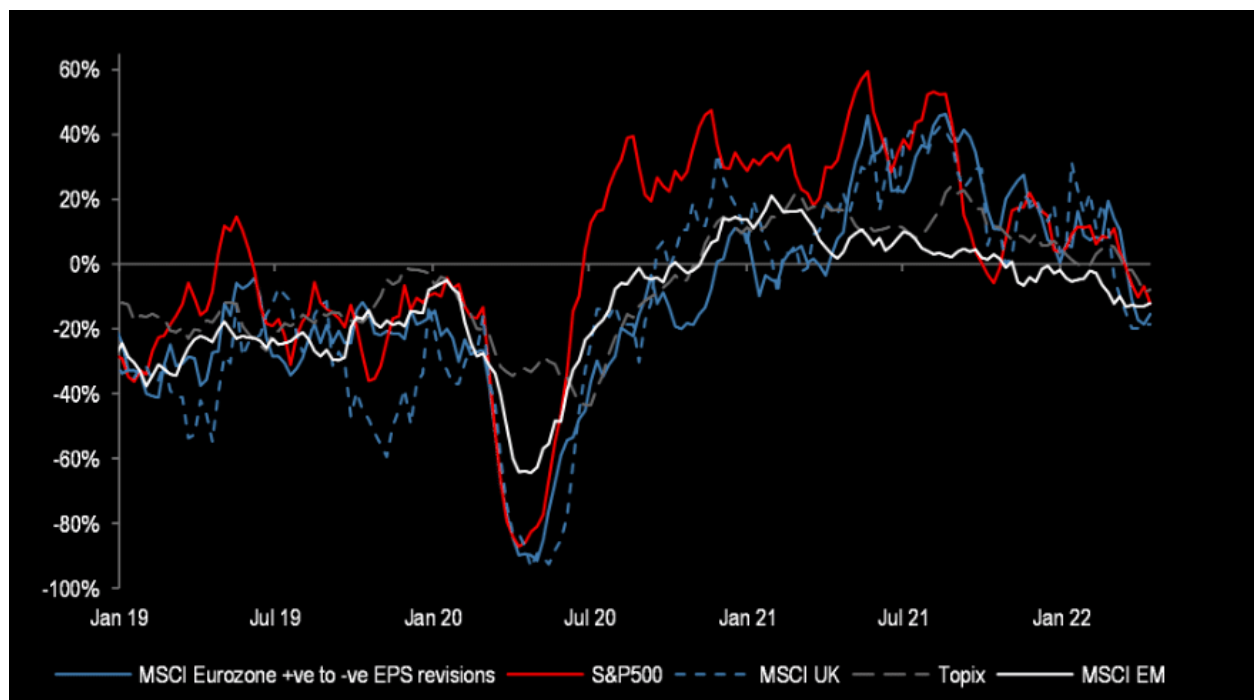


BofA GLOBAL RESEARCH



Earning Revisions Go Negative

As we stated several times last year, earnings estimates were way too elevated heading into 2022. Those revisions have now turned negative and will likely get worse before they get better.



New Home Sales Fading with Higher Mortgage Rates

New home sales in March fell to an annualized rate of 763k. That is down over 8% from February's 835k pace. Mortgage rates rose a whole point in March, which likely hindered many potential new home buyers. The monthly supply of new homes increased from 5.6 to 6.4 months. While a month does not make a trend, investors in homebuilder stocks should be concerned that recent housing starts and permit data are at ten-year highs while demand weakens. If demand stays weak in April and the following few months, a glut of new homes on the market is likely, which would drive down prices and profits for homebuilders.

The graph below is of the iShares U.S. Home Construction ETF- ITB. Its top two holdings accounting for 25% of the fund are D R Horton (DHI) and Lennar (LEN). The ETF has lost about 25% of its value this year but still sits about 20% above pre-pandemic highs.

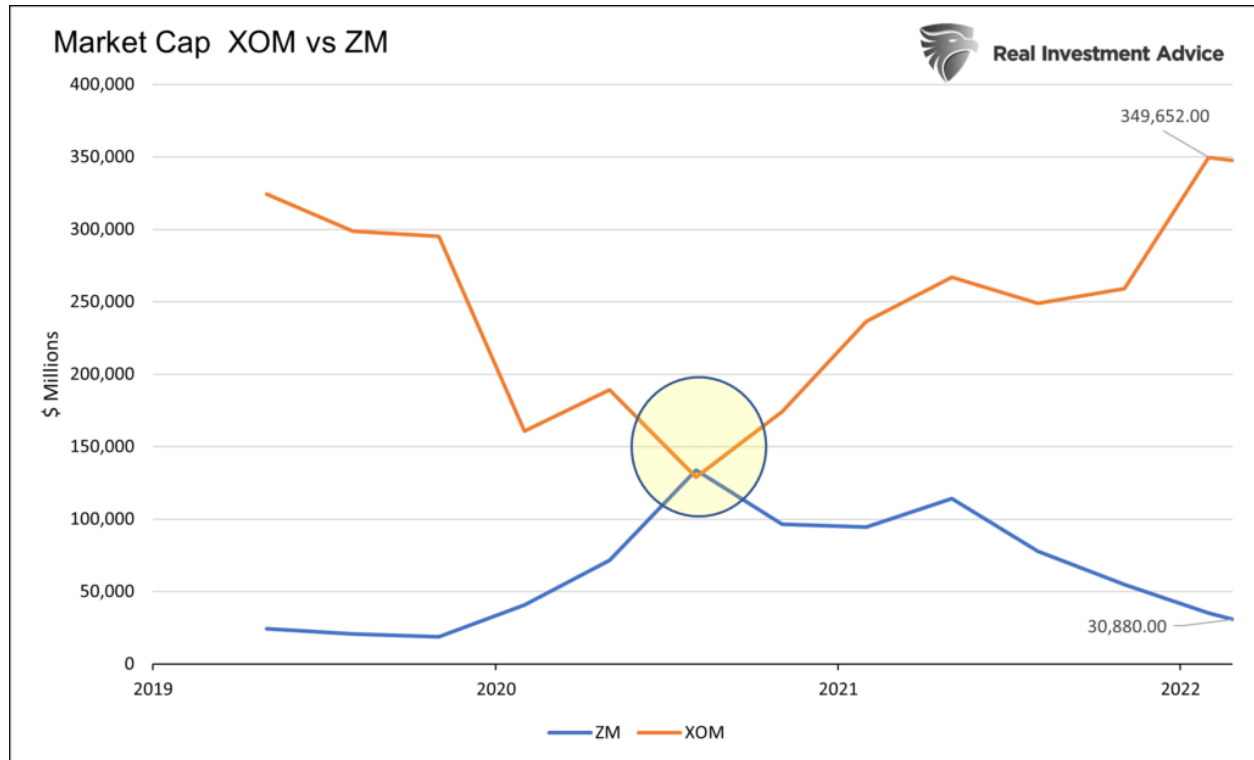


Exxon and Zoom, The Tide Has Turned

The graph below compares the market cap of Zoom (ZM) to Exxon (XOM). For a brief moment during the pandemic shutdown in 2020, the market cap of ZM was higher than XOM. As we now see, the market has come to its senses, and XOM's market cap is 10x+ that of ZM. We can draw many similar comparisons of once high-flying new-technology stocks versus industrial/commodity

companies. The point is that investors got way ahead of themselves in projecting the value of Zoom. Equally important, they failed to understand how a company like Exxon is still a vital part of the economy. During the pandemic, the narratives floating around the media failed many investors hoping to make a quick buck.

In last weekend's [Newsletter](#), Lance points out many companies that have seen 30%+ declines from recent highs. While the list has some pandemic fads, it also has good companies that may be a steal at current levels.



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