Last Friday, the S&P 500 briefly dipped to 3810, marking a 20.5% decline from its January 3rd record high. Many investors consider a 20% decline to be a bear market. While we can debate whether the market is or isn't in a bear market, our time is best spent honing in on expectations in case we are in a bear market. We can measure bear market expectations in terms of time and performance. The graph below compares the current "bear market" with other bear markets over the last 100 years. If we are in a bear market, we should have expectations for losses of 30-60%. The time window for said losses might be short, as we recently saw in 2020, or it could extend out 400 trading days.

We are not declaring a bear market has started. However, we advise forming expectations of what a bear market may entail. If we are entering a longer-term bear market with more significant declines, risk management and limiting losses are critical to preserving wealth and prospering when a true bottom occurs.

S&P 500 bear markets and the current downturn, declines and duration
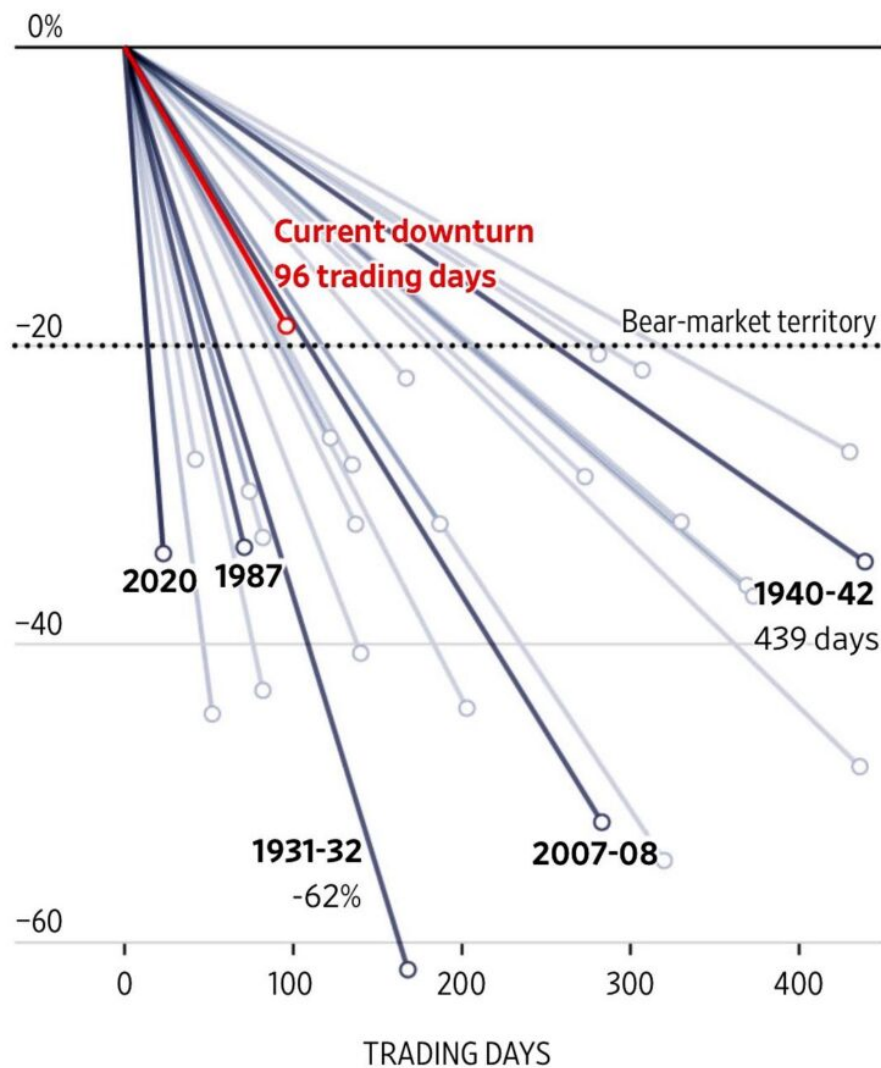
## What To Watch Today

**Economy**

- 9:45 a.m. ET: **S&P Global US Manufacturing PMI**, May preliminary (57.7 expected, 59.2 during prior month)
- 9:45 a.m. ET: **S&P Global US Services PMI**, May preliminary (55.2 expected, 55.6 during prior month)
- 9:45 a.m. ET: **S&P Global US Composite PMI**, May preliminary (55.7 expected, 56.0 during prior month)
- 10:00 a.m. ET: **Richmond Fed Manufacturing Index**, May (12 expected, 14 during prior month)
- 10:00 a.m. ET: **New Home Sales**, April (750,000 expected, 763,000 during prior month)

- 10:00 a.m. ET: **New Home Sales**, month-over-month, April (-1.7%, -8.6% during prior month)

?**Earnings**

Pre-market

- **Abercrombie and Fitch** (ANF) to report adjusted earnings of 7 cents on revenue of $800.13 million
- **Autozone** (AZO) to report adjusted earnings of $26.23 on revenue of $3.73 billion
- **Best Buy** (BBY) to report adjusted earnings of $1.60 on revenue of $10.41 billion
- **Ralph Lauren** (RL) to report adjusted earnings of 39 cents on revenue of $1.46 billion
- **Petco** (WOOF) to report adjusted earnings of 14 cents on revenue of $1.45 billion

?Post-market

- **Agilent Technologies** (A) to report adjusted earnings of $1.12 on revenue of $1.62 billion
- **Nordstrom** (JWN) to report adjusted losses of 5 cents on revenue of $3.26 billion
- **Toll Brothers** (TOL) to report adjusted earnings of $1.50 on revenue of $2.10 billion

## S&P 500 Technical Update

Every Monday, we share a series of technical charts with Simplevisor subscribers. Yesterday we presented technical analysis on the major stock indexes and U.S. Treasuries, Gold, Bitcoin, and Crude oil. As we note in Monday's SimpleVisor post, the S&P 500 is very oversold, and a rally is entirely possible.

As we begin to manage bear market expectations, the big question many investors harbor is whether this potential rally signifies a bottom like March 2020 or is it a *"sellable rally to reduce risk."* For more of our thoughts, see our notes below the graph.

**For the entire report, visit us at SimpleVisor and see how it can improve your investment insight with a free 30-day trial.**

- *In the last 5-years, the only time the market was 3-standard deviations below the 1-year moving average was at the bottom of the market in 2018 and 2020.*
- *Currently, the market is on an intense sell signal (bottom panel) equal to March 2020*
- *The market is as oversold (top panel) as any previous market low.*
- *Short-Term Positioning: **Sellable Rally To Reduce Risk***
  - *Buy with a target of $430*
  - *Stop-loss is currently $380*
- *Long-Term Positioning: Neutral / Bearish*

## Market Rallies - Will Friday's Retest Of Lows Hold?

On Monday, the market rallied following up on Friday's intraday reversal that held the previous week's lows. Unfortunately, over the last 2-months, the market has consisted of failed rallies that work to lower levels.

While the bounce off the lows is encouraging, there is strong resistance getting built at the intersection of the downtrend line from the market peak and the recent support lows taken out two weeks ago. Notably, the MACD buy trigger (lower panel) is close to turning positive which could give the markets a bit of lift short-term.

Use rallies from 411 to 425 (SPDR S&P 500 ETF - SPY) to reduce portfolio risk, raise cash and rebalance exposures accordingly.
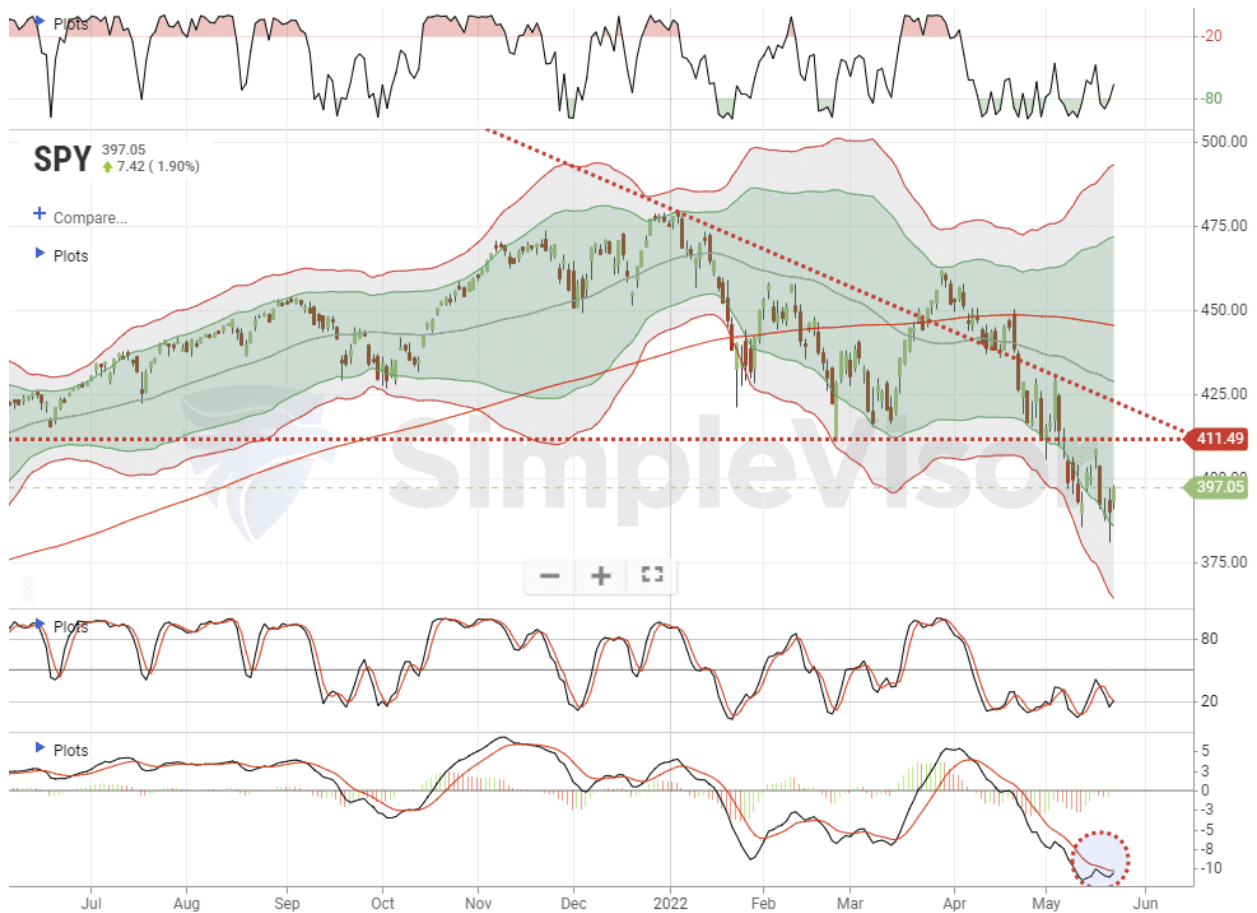
## New Simple Visor Feature

We just released a new update to Simplevisor.com that provides a comprehensive look at individual corporate equities. From a complete corporate overview, shown below, to Key Stats, Technical Gauge, Analyst rankings, Peer Fundamentals, Performance, and more.

Subscribers will see the new feature under the Research Tab *(Try the entire platform free for 30-days.)*

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Overview | Key Stats | Technical | Analyst | Peer Fundamentals | Peer Performance | News | Dividend | Earnings

## Deere & Company (DE) - Farm & Heavy Construction Machinery

**Description**
Deere & Company manufactures and distributes various equipment worldwide. The company operates through four segments: Production and Precision Agriculture, Small Agriculture and Turf, Construction and Forestry, and Financial Services. The Production and Precision Agriculture segment provides mid-size tractors, combines, cotton pickers and strippers, sugarcane harvesters, harvesting front-end equipment, sugarcane loaders, pull-behind scrapers, and tillage and seeding equipment, as well as application equipment, including sprayers and nutrient management, and soil preparation machinery for grain growers. The Small Agriculture and Turf segment offers utility tractors, and related loaders and attachments; turf and utility equipment, including riding lawn equipment, commercial mowing equipment, golf course equipment, and utility vehicles, as well as implements for mowing, tilling, snow and debris handling, aerating, residential, commercial, golf, and sports turf care applications; other outdoor power products; and hay and forage equipment. This segment also resells products from other manufacturers. It serves dairy and livestock producers, crop producers, and turf and utility customers. The Construction and Forestry segment provides a range of backhoe loaders, crawler dozers and loaders, four-wheel-drive loaders, excavators, motor graders, articulated dump trucks, landscape and skid-steer loaders, milling machines, pavers, compactors, rollers, crushers, screens, asphalt plants, log skidders, log feller bunchers, log loaders and forwarders, log harvesters, and attachments; and roadbuilding equipment. The Financial Services segment finances sales and leases agriculture and turf, and construction and forestry equipment. It also offers wholesale financing to dealers of the foregoing equipment; and extended equipment warranties, as well as finances retail revolving charge accounts. Deere & Company was founded in 1837 and is headquartered in Moline, Illinois.

| | | | | | |
|---|---|---|---|---|---|
| **Latest Price** (N/A) | **Last Close** | **Open** | **Volume** | **Annual Div.** | **Mkt Cap (mn)** |
| $335.36 ▲ ($22.05) (7.04%) | $313.31 | $316.95 | 4,095,936 | $4.05 | $102,883.07 |
| **52 Week Range** | **Day Range** | | **Avg. Volume (3m)** | **Div. Yield** | **Beta** |
| $307.64　$446.76 | $316.33　$337.27 | | 2,167,532 | 1.29% | 1.02 |

YTD | 1M | 3M | 6M | 1Y | 3Y | Max ・ Yearly | Quarterly

(DE — S&P500 price change chart, May 24, 2021 – May 20, 2022)

(Revenue / earnings bar chart: 3Q2021, 4Q2021, 1Q2022, 2Q2022 — revenue ● earnings ●)

(EPS bar chart: 2021-07-31, 2021-10-31, 2022-01-31, 2022-04-30, 2022-07-31 (E), 2022-10-31 (E) — ● EPS)

| **Total Return** | | **Earning Per Share - Actuals** | | **Earning Per Share - Estimates** | |
|---|---|---|---|---|---|
| % Total Return WTD | -8.54% | Last Quarter | 6.81 | Current Quarter | 6.94 |
| % Total Return MTD | -11.17% | Prior Quarter | 2.92 | Next Quarter | 6.31 |
| % Total Return QTD | -19.28% | Last Year | 18.99 | Current Year | 22.93 |
| % Total Return YTD | -1.95% | **Revenue - Actuals** | | **Revenue - Estimates** | |
| % Total Return 1 Year | -5.74% | Last Quarter | 13,370 m | Current Quarter | 12,946 m |
| % Total Return 2 Year | 140.78% | Prior Quarter | 9,569 m | Next Quarter | 13,016 m |
| % Total Return 3 Year | 152.36% | Last Year | 43,956 m | Current Year | 47,421 m |
| | | Prior Year | 35,514 m | Next Year | 51,875 m |

## Retail Exposure and High Valuations

The correlation between equity exposure for retail accounts and equity valuations is robust. Today, retail exposure is the highest on record, possibly portending a peak as valuations begin to normalize.

> *"The extent to which US households have put their money into equities rather than other financial assets is startlingly high. It implies that equities are at the top of the cycle."* - John Authers - Bloomberg

**FIG 11:** US households' allocation to equities (as share of total financial assets) vs Shiller PER



— United States, Equity Indices, S&P, 500, Index (Shiller), Cyclically Adjusted P/E Ratio (CAPE)
— Households Equity Allocation as a % of Total Fin Assets

Source: Longview Economics, Macrobond

## Inventory Build Up

Last week Walmart, Target, and other retailers warned investors that inventories are starting to accumulate, consumer behaviors are changing, and earnings are getting squeezed by inflation. We share a few key takeaways from Ayesha Tariq from her weekly commentary.

- *The rate of inflation has been surprising. So it?s not just that there is a general level of inflation in the economy but the rate of increase and the persistence is what is causing a real problem.*
- *People are buying groceries but not merchandise. So the level of discretionary spending has dropped, and this is exactly what was expected.*
- *The problem with a decrease in spending on discretionary items is that it creates pressure on margins. General Merchandise tends to have higher margins vs. staples.*
- *While the average basket size has increased, the items per basket have decreased because the per-item cost has gone up. Purchasing power for consumers is decreasing and this doesn?t bode well for retailers as more and more people will move to lower-cost, low-margin items.*

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

*If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*