On the heels of disappointing earnings news from fellow retailers (Walmart and Bed Bath and Beyond), Amazon shares surged ahead on its second-quarter earnings report. Amazon's share price rose by double digits on Friday after its revenue grew by 7% in the quarter. That was 2% more than expected. More important for investors, Amazon expects 13% to 17% revenue growth in the third quarter. While the market cheers, Amazon did post a $2 billion loss. However, it is attributable to a $3.9 billion writedown in its Rivian investment. Amazon's e-commerce business is not leading the company's growth. Online sales fell 4%. Unlike Meta, which saw declining ad revenue, Amazon's ad revenue grew by 18%, and its AWS sales jumped by 33%. While the bulk of revenue may still be e-commerce, the marginal growth drivers are ad revenue and AWS, which helps distinguish Amazon from its retail competition.

While the news was generally good, Amazon's price is at important technical levels. On Friday, it closed a gap from late April and is bumping up against prior support. Price gains above said support will be crucial if it is to continue higher.



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What To Watch Today

Economy

- 9:45 a.m. ET: **S&P Global U.S. Manufacturing PMI**, July final (52.3 expected, 52.3 during prior month)
- 10:00 a.m. ET: **Construction Spending**, month-over-month, June (0.3% expected, -0.1% during prior month)
- 10:00 a.m. ET: **ISM Manufacturing**, July (52.0 expected, 53 prior)
- 10:00 a.m. ET: **ISM Prices Paid**, July (73.5 expected, 78.5 prior)
- 10:00 a.m. ET: **ISM New Orders**, July (49 expected, 49.2 prior)

- 10:00 a.m. ET: **ISM Employment**, July (48.2 expected, 47.3 prior)

Earnings

	Company	Actual		Estimate	Growth (Show only confirmed?)	Surprise	Guidance
HSBC	HSBC Holdings plc	BMO	$0.97	$13.28 B	5.7%	+ = -	
BLDR	Builders FirstSource Inc	7:00 AM ET	$3.00	$5.58 B	0.1%	+ = -	
AFL	AFLAC, Inc.	4:05 PM ET	$1.29	$4.86 B	-12.7%	+ = -	
J	Jacobs	6:40 AM ET	$1.83	$3.80 B	6.3%	+ = -	
CNA	CNA Financial Corp.	$0.90		$0.99	$2.17 B -28.4%	-9.1%	
DVA	DaVita Inc.	4:05 PM ET	$2.11	$2.93 B	0.5%	+ = -	
MOS	Mosaic Co.	4:25 PM ET	$3.93	$5.67 B	102.4%	+ = -	
BCC	Boise Cascade Corp...	4:20 PM ET	$4.64	$2.10 B	-14.0%	+ = -	
DVN	Devon Energy Corp.	4:05 PM ET	$2.38	$4.62 B	91.1%	+ = -	
UNVR	Univar Inc.	4:15 PM ET	$0.90	$2.93 B	22.4%	+ = -	
CAR	Avis Budget Group, Inc.	4:00 PM ET	$12.22	$2.76 B	16.4%	+ = -	
ATVI	Activision Blizzard, Inc.	4:10 PM ET	$0.39	$1.60 B	-30.3%	+ = -	
WMB	Williams Companies, ...	4:15 PM ET	$0.37	$2.79 B	22.2%	+ = -	
GPN	Global Payments, Inc.	6:55 AM ET	$2.35	$2.13 B	-0.3%	+ = -	
TA	TravelCenters of Ame...	4:15 PM ET	$1.11	$2.96 B	61.4%	+ = -	
CVI	CVR Energy, Inc.	5:10 PM ET	$2.10	$1.93 B	8.2%	+ = -	
FANG	Diamondback Energy...	4:00 PM ET	$6.66	$2.33 B	38.6%	+ = -	
ON	onsemi	8:00 AM ET	$1.26	$2.02 B	21.0%	+ = -	
SANM	Sanmina Corporation	4:00 PM ET	$0.98	$1.88 B	13.4%	+ = -	
CF	CF Industries Holding...	4:30 PM ET	$6.06	$3.63 B	128.6%	+ = -	
KMPR	Kemper Corporation	4:05 PM ET	($0.49)	$1.36 B	-9.8%	+ = -	
AMKR	Amkor Technology, Inc.	4:00 PM ET	$0.47	$0.00 M	-100.0%	+ = -	
EHC	Encompass Health C...	4:40 PM ET	$0.97	$1.36 B	5.6%	+ = -	
LEG	Leggett & Platt, Inc.	4:15 PM ET	$0.70	$1.34 B	5.5%	+ = -	
SPG	Simon Property Grou...	4:05 PM ET	$2.91	$1.20 B	-4.3%	+ = -	
JELD	JELD-WEN Holding, I...	$0.57		$0.69	$1.33 B 6.8%	-17.4%	
NSP	Insperity, Inc.	4:30 PM ET	$0.71	$1.41 B	19.0%	+ = -	
CNO	CNO Financial Group...	4:15 PM ET	$0.47	-	-	+ = -	
MATX	Matson, Inc.	4:05 PM ET	$9.38	$1.20 B	37.2%	+ = -	
ANET	Arista Networks, Inc.	4:05 PM ET	$0.91	$976.33 M	38.0%	+ = -	
RIG	Transocean Ltd.	5:50 PM ET	($0.11)	$686.15 M	4.6%	+ = -	
ENSG	Ensign Group, Inc.	4:05 PM ET	$0.94	$729.70 M	14.3%	+ = -	
PINS	Pinterest, Inc.	4:00 PM ET	$0.18	$674.77 M	10.0%	+ = -	
AMG	Affiliated Managers G...	7:00 AM ET	$4.00	$576.50 M	-1.7%	+ = -	
SBAC	SBA Communications...	4:00 PM ET	$2.75	$625.69 M	8.7%	+ = -	
AJRD	Aerojet Rocketdyne ...	6:10 AM ET	$0.47	$568.70 M	2.1%	+ = -	
WWD	Woodward, Inc.	4:05 PM ET	$0.91	$623.30 M	12.0%	+ = -	
CHKP	Check Point Software...	$1.64		$1.62	$559.50 M 6.3%	1.2%	
KMT	Kennametal Inc.	4:05 PM ET	$0.47	$523.16 M	1.4%	+ = -	
CACC	Credit Acceptance Co...	4:00 PM ET	$12.14	$454.77 M	-3.6%	+ = -	
TWI	Titan International Inc.	4:30 PM ET	$0.66	$534.63 M	21.9%	+ = -	
KFRC	Kforce Inc.	4:00 PM ET	$1.19	$440.53 M	9.1%	+ = -	
STRL	Sterling Construction ...	4:05 PM ET	$0.74	$479.90 M	19.5%	+ = -	
EBS	Emergent BioSolution...	4:05 PM ET	$0.63	$270.94 M	-31.8%	+ = -	
VNO	Vornado Realty Trust	4:25 PM ET	$0.79	$434.63 M	14.7%	+ = -	
ARLP	Alliance Resource Pa...	7:00 AM ET	$0.96	$563.14 M	55.4%	+ = -	
CRK	Comstock Resources...	4:15 PM ET	$0.93	$435.91 M	26.8%	+ = -	
RDN	Radian Group, Inc.	4:30 PM ET	$0.90	$252.48 M	-25.1%	+ = -	
OGS	ONE Gas, Inc.	4:15 PM ET	$0.62	$328.43 M	4.1%	+ = -	
MPWR	Monolithic Power Sys...	4:00 PM ET	$2.94	$430.72 M	46.8%	+ = -	
BRX	Brixmor Property Gro...	4:05 PM ET	$0.48	$291.53 M	1.6%	+ = -	
OTTR	Otter Tail Corp.	6:05 PM ET	$1.27	$323.38 M	13.2%	+ = -	

Market Trading Update

As noted last week:

> *?The market finally gained a decent rally. The break above the 50-dma and the declining trend channel gave the bulls the signal to jump back into stocks. While much*

of the rally was short-covering, the market did push into the upper resistance of the longer-term downtrend channel.?

We also suggested the market needed to pull back and successfully retest the 50-dma, which would turn that previous resistance into support. That retest occurred on Tuesday in anticipation of the FOMC meeting. On Wednesday, stocks surged higher, with the Nasdaq higher by over 4% as the Fed hiked interest rates by 0.75% as expected. However, the statement that the Fed would manage rates on a meeting-by-meeting basis sent stocks screaming higher.

**POWELL: PACE OF RATE HIKES TO DEPEND ON INCOMING DATA*



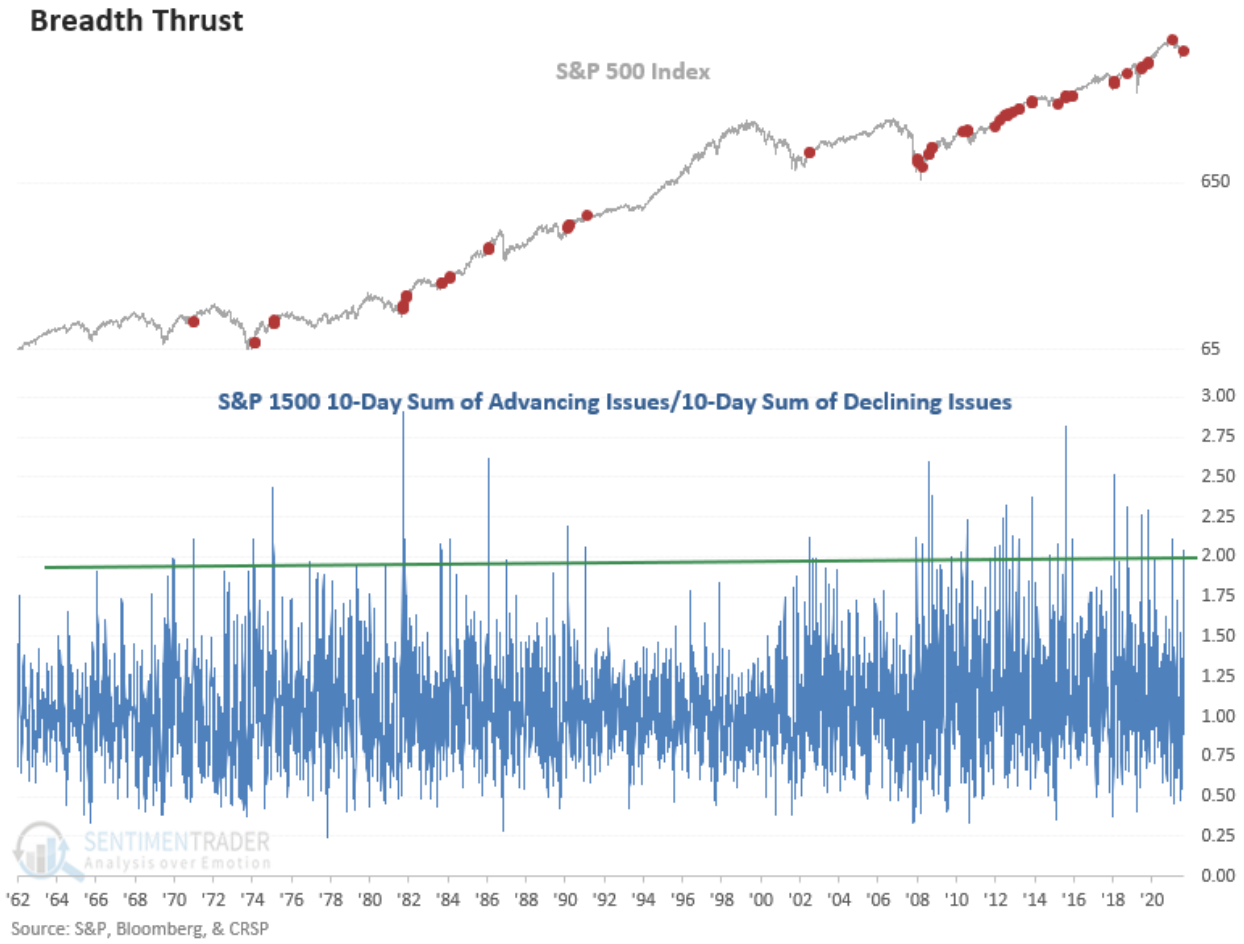
As of Friday?s close, the market is now on track for the best month since 2020. However, short-term markets are now extremely overbought and pushing up into very tough resistance. A pullback and some profit-taking next week will not be surprising.

Breadth Thrust Signal A New Bull Market?

"The breadth thrust or otherwise known as breakaway momentum, was made famous by the legendary market analyst Walter Deemer. The original concept used NYSE issues, which did not trigger a signal on Thursday.

It's important to note that the new signal from a basket of stocks across all market capitalizations coincided with a thrust from members in the more economically sensitive S&P 400 and 600 indexes. i.e., mid and small-cap stocks. If you were wondering, the S&P 500 narrowly missed a signal on Thursday. Due to the limited history of the all-cap index, I apply the S&P 1500 signals to the S&P 500 index.

This model generated a signal 35 other times over the past 52 years. After the others, S&P 500 future returns, win rates, and z-scores were excellent across all time frames. A year later, large-cap stocks were higher 97% of the time. And, the one drawdown in that period was -5.6%. ***However, the most recent signal on 1/4/22 is a good reminder that no single indicator is infallible, especially when Federal Reserve policy is unfriendly.***"



The Week Ahead

Compared to last week, this one will be quiet. In addition to inflation, the Fed is carefully watching the labor markets. In their opinion, labor markets are tight, which provides them ample flexibility to raise rates. JOLTs on Wednesday and the BLS report on Friday will give the Fed a batch of new data in which to refresh their gauge of the labor markets. Expectations are for the unemployment rate to stay stable at 3.6%, with 290k jobs added to the economy.

Fed speakers will be out in force this week. It will be interesting to see if any Fed members deviate from Powell's press conference. Corporate earnings releases will slow from the hectic pace of the last two weeks.

Inflation Is not Relenting

The Fed's preferred inflation gauge, the PCE Price Index, rose 1% last month to a 6.8% year-over-year rate. The core index, excluding food and energy, also rose more than expected. Personal Income rose .6%, and the Employment Cost Index rose 1.3% for the quarter, .2% more than expected. Inflation is running hot, and the labor market remains tight. As Powell stated on Wednesday, the tight labor market gives the Fed plenty of room to keep tightening rates to weaken demand and drive inflation down.

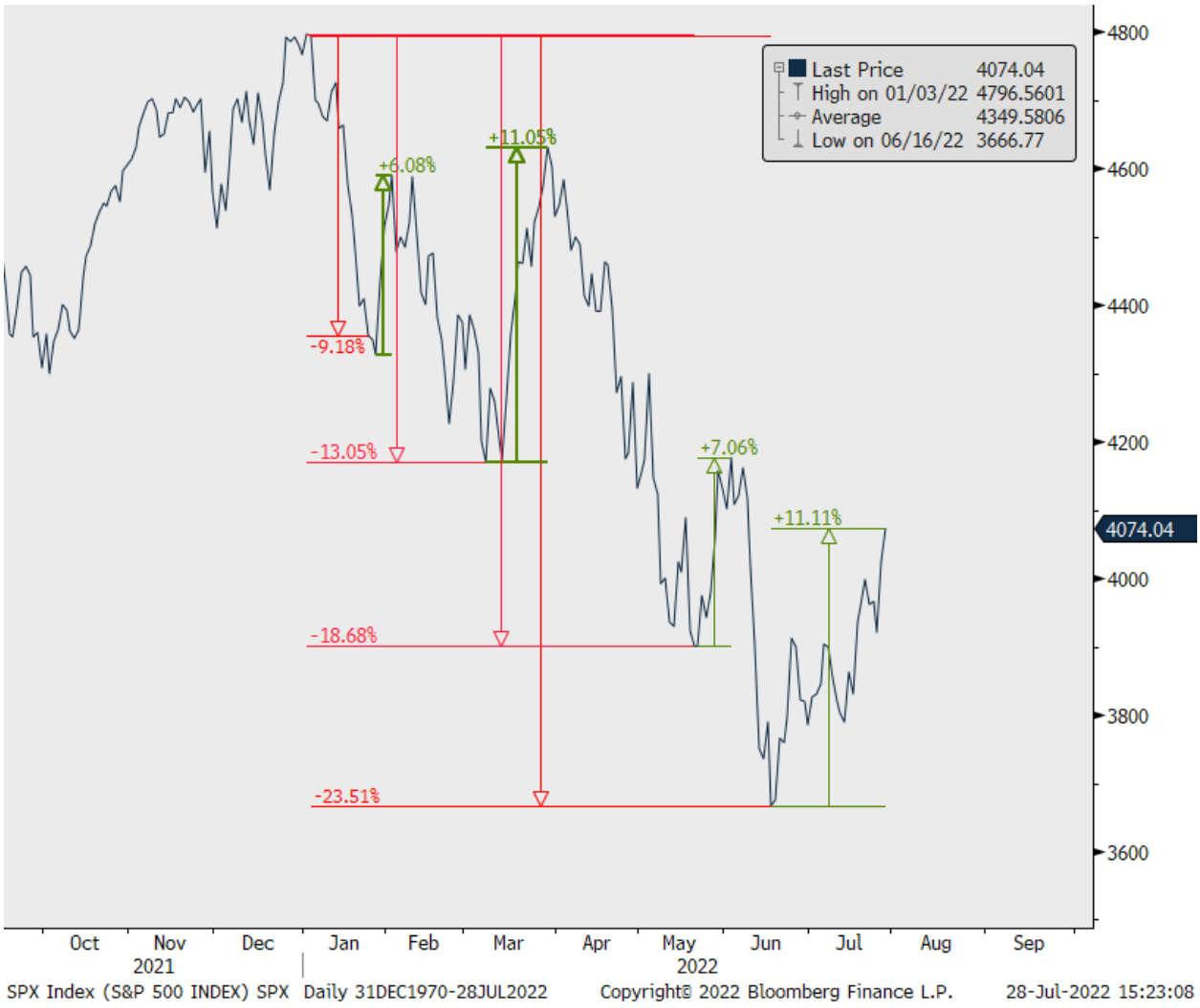
Personal Income and Outlays

Released On 7/29/2022 8:30:00 AM For Jun, 2022

	Prior	Prior Revised	Consensus	Consensus Range	Actual
Personal Income - M/M	0.5 %	0.6 %	0.5 %	0.4 % to 0.6 %	**0.6 %**
Personal Consumption Expenditures - M/M	0.2 %	0.3 %	0.9 %	0.6 % to 1.2 %	**1.1 %**
PCE Price Index - M/M	0.6 %		0.9 %	0.6 % to 1.2 %	**1.0 %**
PCE Price Index - Y/Y	6.3 %		6.7 %	6.6 % to 6.8 %	**6.8 %**
Core PCE Price Index - M/M	0.3 %		0.5 %	0.4 % to 0.6 %	**0.6 %**
Core PCE Price Index - Y/Y	4.7 %		4.7 %	4.6 % to 4.8 %	**4.8 %**

Bear Market Rallies

The graph below shows the current rally within the bear market, if we may call it that, has been longer and larger than the three prior rallies. This graph is not worrisome if a bottom formed and the bear market ended. However, if we are still in a bear market with lower lows to come, the rally is getting long in the tooth.

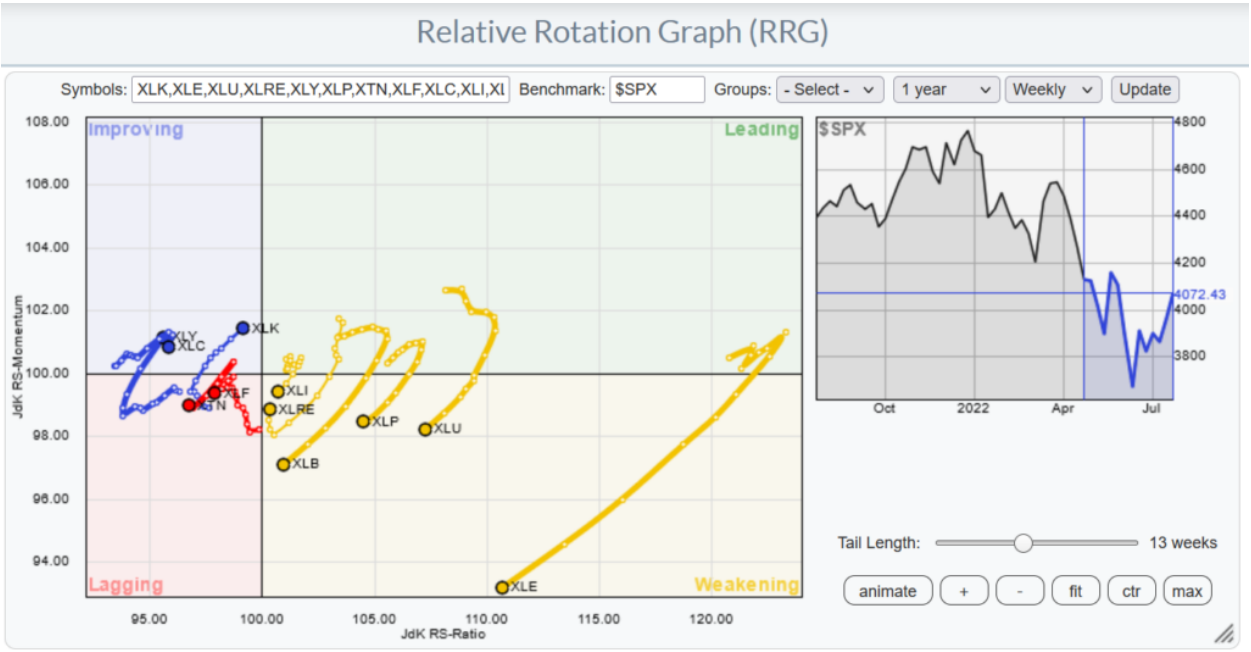


Tech-Driven Rally

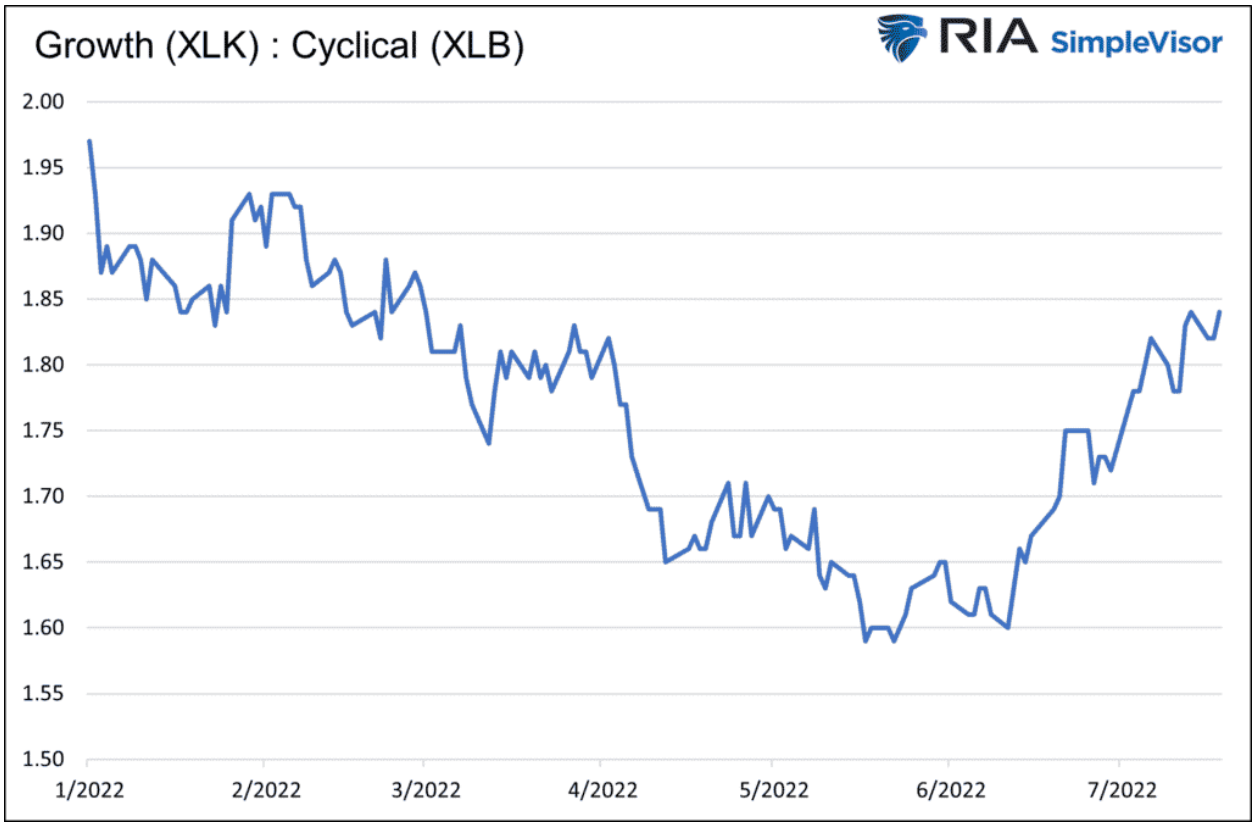
The scatter plot below is a weekly relative rotation graph, courtesy of StockCharts. The dots represent the intersection of each sector's smoothed momentum and relative strength. Often sectors tend to rotate or orbit circularly through the four quadrants. Stocks in the upper left "improving" quadrant and headed toward the right quadrant (leading) will likely outperform the market. Conversely, stocks in the lower quadrants are likely to lag.

As we see, XLK- technology is the most promising sector. At the same time, the more conservative sectors like XLU, XLP, and the cyclical sectors (XLI, XLB, and XLE) are losing their luster. We recently wrote about this rotation and what it portends for investors' mindsets in Inflation or Recession, Which Concern is Driving the Market. The second graph from the article shows the recent outperformance of technology versus materials. The takeaway, per the article:

> "The price relationship between growth and cyclical stocks changed a few weeks after that meeting. Further, bond yields reversed course. **These subtle market changes alerted us that the market?s inflation concerns were taking a back seat to recession fears."**



13 weeks ending Jul 25, 2022



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