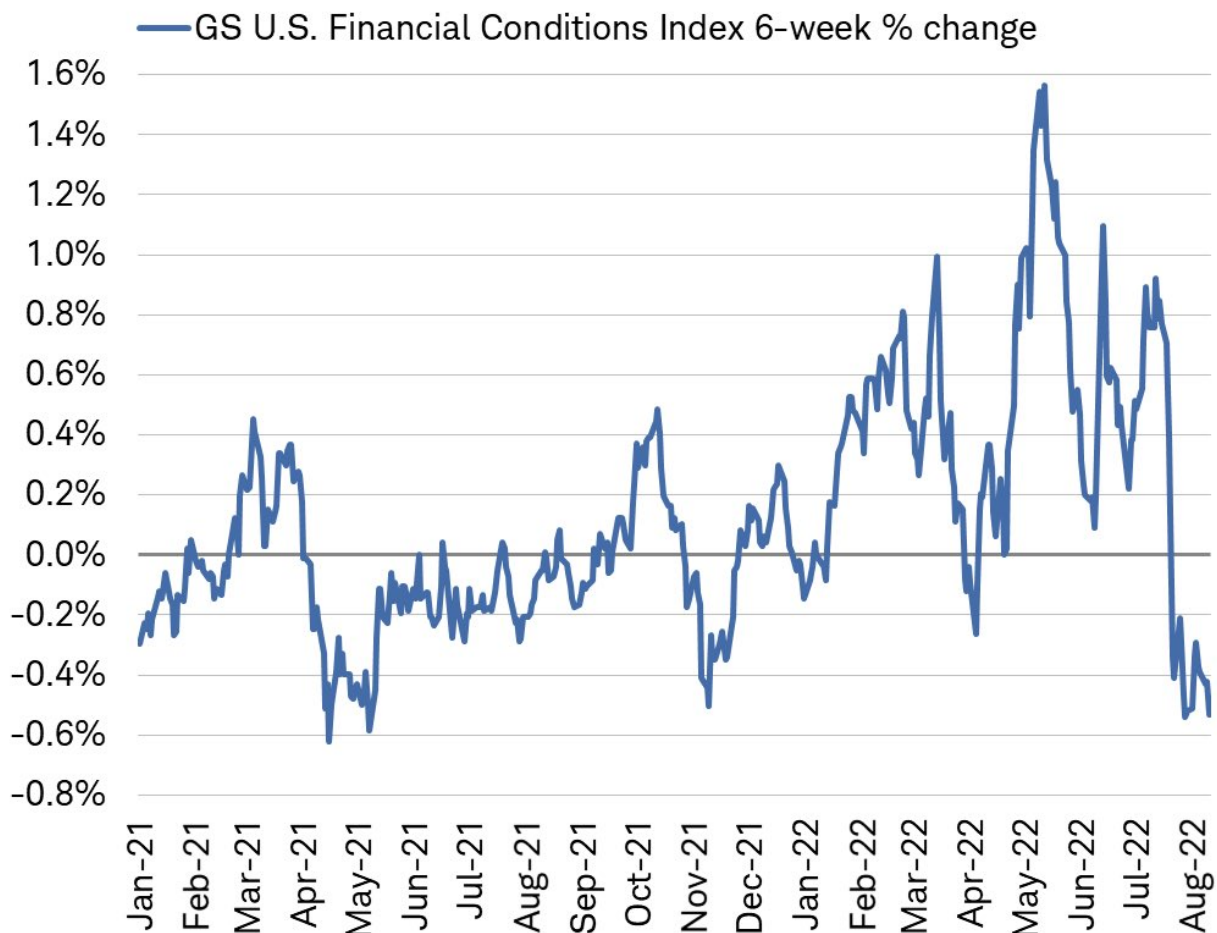


# Mary Daly Warns The Fed Has Work To Do

San Francisco Fed President Mary Daly has some hawkish comments in a [Financial Times](#) interview which support our thoughts in [Will Powell Pivot? Don't Count On It](#). Stocks are rallying on growing optimism that the Fed's fight against inflation is ending. The Fed Funds futures markets show investors anticipate a rate cut as early as May 2023. Mary Daly and other Fed members are trying to throw cold water on the market's forecast.

To wit, in the FT interview, Mary Daly does not rule out a .75bps rate hike at the coming September meeting and claims the Fed is "*not near done yet*" in its inflation fight. In another comment, she states: "*We don't want financial conditions to ease.*" Financial conditions reflect the ease and availability of borrowing. The graph below shows the change in financial conditions over the last six weeks points to the easiest financial conditions in two years. Lower interest rates and higher stock prices are partially responsible for the change. Accordingly, will Mary Daly and other Fed members talk the markets back down with hawkish rhetoric to help better ensure their inflation fight is effective?



Source: Charles Schwab, Bloomberg, as of 8/10/2022.

## What To Watch Today

- 8:30 a.m. ET: **Empire Manufacturing**, August (5.0 expected, 11.1 prior)
- 10:00 a.m. ET: **NAHB Housing Market Index**, August (55 expected, 55 prior)

## Earnings

Company	Time	Estimate	Growth	Surprise	
✓ <b>COMP</b> Compass, Inc.	4:05 PM ET	(\$0.17)	\$2.12 B	8.6%	+ = -
✓ <b>TME</b> Tencent Music Entert...	4:05 PM ET	\$0.06	\$1.02 B	-17.7%	+ = -
✓ <b>LI</b> LiAuto Inc.	5:00 AM ET	-	\$1.33 B	70.4%	+ = -
✓ <b>WES</b> Western Midstream P...	BMO	\$0.80	-	-	+ = -
✓ <b>WEBR</b> Weber Inc.	7:45 AM ET	\$0.00	\$534.11 M	-20.1%	+ = -
✓ <b>FN</b> Fabrinet	4:15 PM ET	\$1.54	\$581.50 M	14.1%	+ = -
✓ <b>GSM</b> Ferroglobe PLC	5:00 PM ET	\$0.84	\$784.50 M	87.4%	+ = -
✓ <b>IFS</b> Intercorp Financial S...	7:25 PM ET	\$0.94	\$338.76 M	-17.8%	+ = -
✓ <b>DOYU</b> DouYu International ...	4:00 AM ET	(\$0.04)	\$258.49 M	-28.6%	+ = -
✓ <b>GOCO</b> GoHealth, Inc.	4:05 PM ET	(\$0.18)	\$130.21 M	-33.9%	+ = -
✓ <b>ZIP</b> ZipRecruiter	4:05 PM ET	\$0.06	\$234.81 M	28.3%	+ = -
✓ <b>NIU</b> Niu Technologies	4:15 AM ET	-	\$630.75 M	331.1%	+ = -
✓ <b>TDUP</b> ThredUp Inc.	4:05 PM ET	(\$0.23)	\$76.14 M	27.0%	+ = -
✓ <b>SHLS</b> Shoals Technologies ...	4:05 PM ET	\$0.05	\$73.69 M	23.4%	+ = -
✓ <b>YOU</b> CLEAR Secure, Inc.	6:30 AM ET	(\$0.04)	\$100.15 M	81.5%	+ = -
✓ <b>POWW</b> AMMO, Inc.	4:05 PM ET	\$0.04	\$69.25 M	55.7%	+ = -
✓ <b>API</b> Agora, Inc.	6:00 PM ET	(\$0.22)	\$40.08 M	-5.3%	+ = -
✓ <b>SKYT</b> SkyWater Technology	4:05 PM ET	(\$0.36)	\$44.48 M	8.0%	+ = -
✓ <b>QRHC</b> Quest Resource Hold...	4:00 PM ET	\$0.05	\$71.31 M	93.5%	+ = -
✓ <b>BITF</b> Bitfarms Ltd.	7:00 AM ET	\$0.05	\$48.30 M	31.7%	+ = -
✓ <b>GAN</b> GAN Limited	4:00 PM ET	(\$0.12)	\$36.47 M	5.3%	+ = -
✓ <b>BLND</b> Blend Labs, Inc	4:05 PM ET	(\$0.23)	\$58.32 M	81.9%	+ = -
✓ <b>UPH</b> UpHealth, Inc.	BMO	(\$0.07)	\$45.00 M	41.1%	+ = -
✓ <b>SBT</b> Sterling Bancorp, Inc.	7:30 AM ET	\$0.07	\$21.94 M	-27.9%	+ = -
✓ <b>EGLX</b> Enthusiast Gaming H...	4:10 PM ET	(\$0.08)	\$38.82 M	28.7%	+ = -
✓ <b>ASYS</b> Amtech Systems Inc.	4:05 PM ET	(\$0.33)	\$14.60 M	-36.8%	+ = -
✓ <b>TXMD</b> TherapeuticsMD, Inc.	6:50 AM ET	(\$3.04)	\$25.45 M	10.6%	+ = -
✓ <b>CURI</b> CuriosityStream Inc.	4:05 PM ET	(\$0.27)	\$20.99 M	36.8%	+ = -
✓ <b>RMTI</b> Rockwell Medical Tec...	6:50 AM ET	(\$0.88)	\$16.80 M	11.0%	+ = -
✓ <b>HCDI</b> Harbor Custom Devel...	8:30 AM ET	\$0.03	-	-	+ = -
✓ <b>IRIX</b> Iridex Corporation	4:05 PM ET	(\$0.16)	\$13.92 M	3.7%	+ = -
✓ <b>OMQS</b> omniQ Corp.	BMO	(\$0.25)	\$25.00 M	90.6%	+ = -
✓ <b>UGRO</b> urban-gro Inc	4:05 PM ET	(\$0.08)	\$19.20 M	49.6%	+ = -
✓ <b>LHDX</b> Lucira Health, Inc.	4:00 PM ET	(\$0.30)	\$80.71 M	548.8%	+ = -
✓ <b>AGFY</b> Agrify Corporation	7:00 AM ET	(\$0.25)	\$30.05 M	154.1%	+ = -
✓ <b>NEPT</b> Neptune Wellness So...	AMC	(\$0.04)	\$14.64 M	45.3%	+ = -
✓ <b>MDWT</b> Midwest Holding Inc.	4:15 PM ET	(\$0.48)	\$10.40 M	14.1%	+ = -
✓ <b>YADA</b> Yada Group, Inc.	4:05 PM ET	(\$0.10)	\$13.42 M	47.6%	+ = -

## Market Trading Update - The Bulls Have It

However, in the short-term, the softer CPI reading emboldened the bulls on hopes the Fed may be closer to the end of its rate hiking campaign, potentially paving the way for future cuts. There is a bullish bias to the market, with sentiment improving sharply in recent weeks. **With the market clearing the 100-dma and the 20-dma crossing above the 50-dma, precise short-term support levels will provide better entry points for increasing trading positions.** While the market is pushing a rather extreme deviation above the 50-dma, the 200-dma is acting as a magnet for investors, which will likely be achieved next week.



Lastly, there are several non-technical reasons the market likely has some additional strength and could rally further:

1. *There is still a sizeable level of short interest that will need to cover as prices rise.*
2. *Earnings estimates are getting rapidly cut, leading to improved "beat rates" in the Q3 earnings period.*
3. *Retail investors are jumping back into the markets.*
4. *Institutions remain offside with too much cash on their books and a need to chase performance.*
5. *Volatility has declined rapidly as "fear" of a correction fades.*
6. *Credit spreads continue to fall as money returns to the yield chase.*

There are undoubtedly many rationales to the bullish case for equities. With financial conditions easing, as stocks rally and credit risks ease, there is a bid for equities in the short-term.

**The technical backdrop also suggests that the lows are in, and investors should buy corrections.**

## The Week Ahead

This week features a look at consumers' financial health via Retail Sales. Expectations are for an increase of 0.2%. While that is well below last month's +1%, it is positive on a monthly inflation-

adjusted basis. Also of interest will be the release of the FOMC minutes from the Fed's meeting three weeks ago. The Fed often use the release of minutes to update the markets on their current thoughts. Given the easing of financial conditions and hawkish tone of many Fed members, they may take this opportunity to convey that a stall or pivot is not in the cards as soon as the market expects.

## Not A Bear Market in Utilities

If you only had the graph below, you might be shocked to learn many markets are down 10% or more this year. XLU, the utility sector ETF, is within \$1 of an all-time high. Further, it is up 8% year to date.

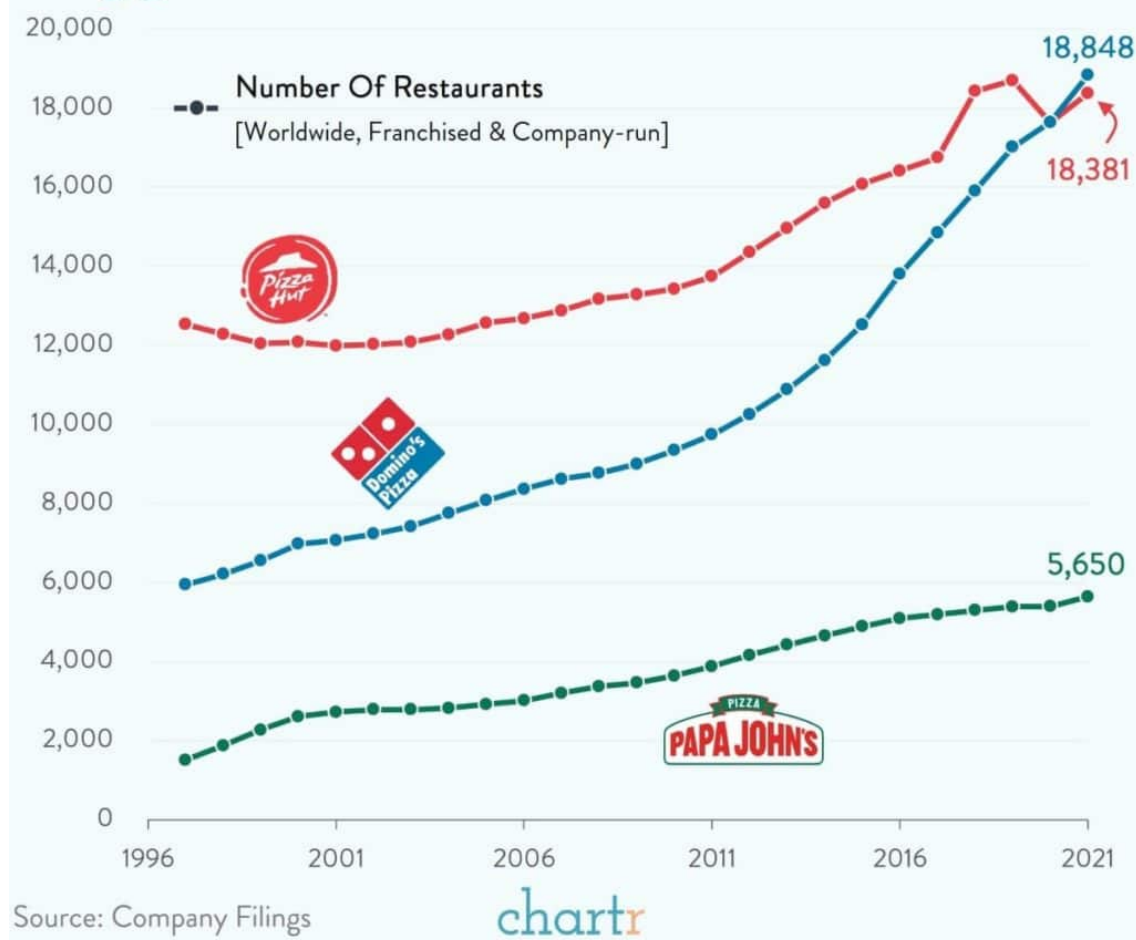


## Give Me A Slice

*"Domino's has seriously delivered when it comes to adding more stores. Its roll-out has risen considerably each year, with more than **1,000 stores** added in 5 out of the last 6 years ? equivalent to 2 or 3 stores **opening every single day**. Pizza Hut, on the other hand, has increased its count by just **6,000** since 1997, with 500 store closures at eat-in locations in the last few years.*

*It's not just affordable pies that have helped Domino's get to number one either ? they've been notoriously quick to innovate. From being **the first in the industry** to offer mobile ordering options all the way back in **2007**, to actively **embracing and then shifting** the perception that the chain served up sub-par slices; Domino's has worked hard to stay at the top of the pizza game." - Chartr*

# Domino's Has Quietly Become The Biggest Pizza Chain In The World



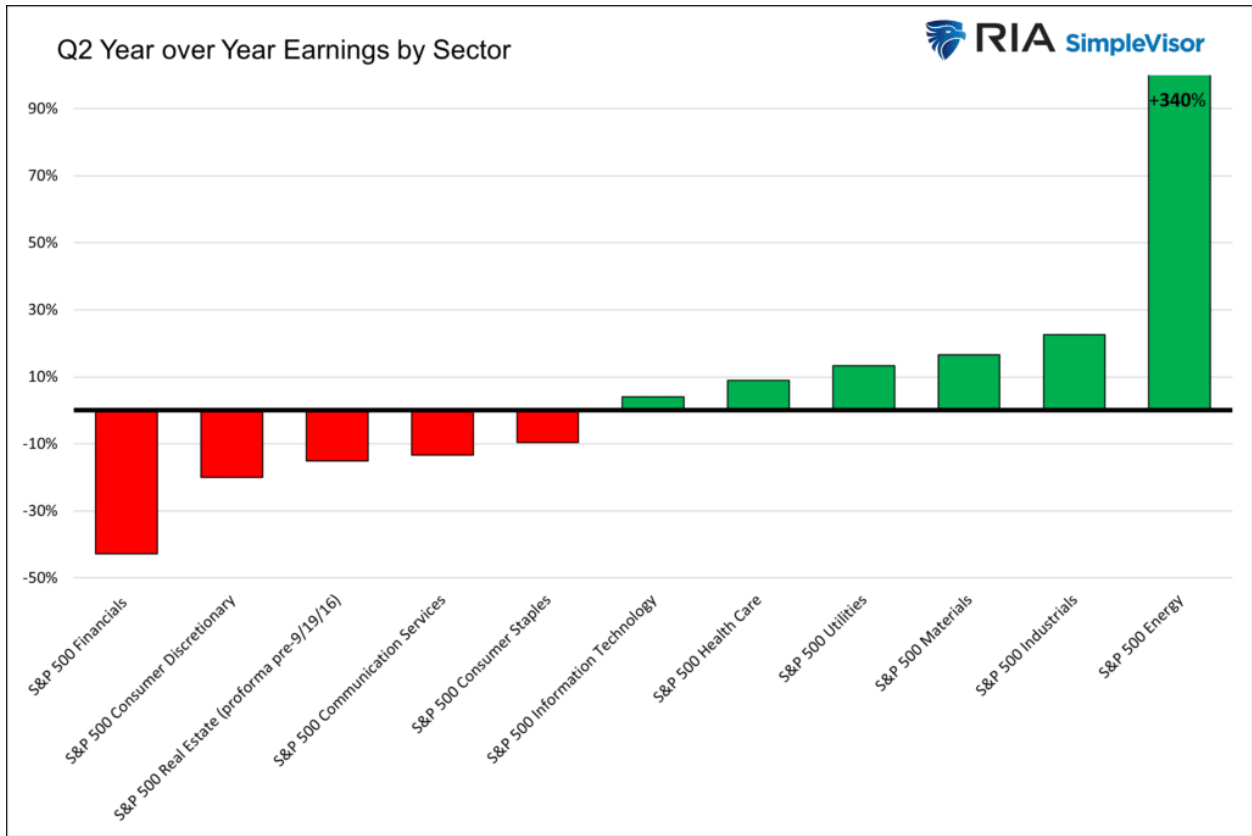
## Energy Saves The Quarter

The following commentary from Yahoo Finance and the graph below highlight energy stocks' massive influence on Q2 S&P earnings despite its small weighting (4.4%).

*According to [data from FactSet](#), with over 87% of companies in the S&P 500 having reported earnings, the blended earnings growth rate for the index is 6.7% for the second quarter. In a vacuum, mid-single-digit earnings growth is roughly in line with the average rate of earnings growth over the last 20 years ? suggesting the second quarter was a fairly typical period for America's largest businesses. No quarter, of course, exists in a vacuum, and few periods have been as eventful for investors as the second quarter of 2022 turned out to be.*

*Six of the S&P 500's 11 sectors have reported positive earnings growth in the quarter. **But if we take energy out of the equation, the second quarter is a bit more dodgy. In fact, this growth rate of 6.7% would flip to a decline of 3.7% if energy were excluded from the index.***

*And energy holds just a 4.4% weight in the S&P 500.*



## Tweet of the Day

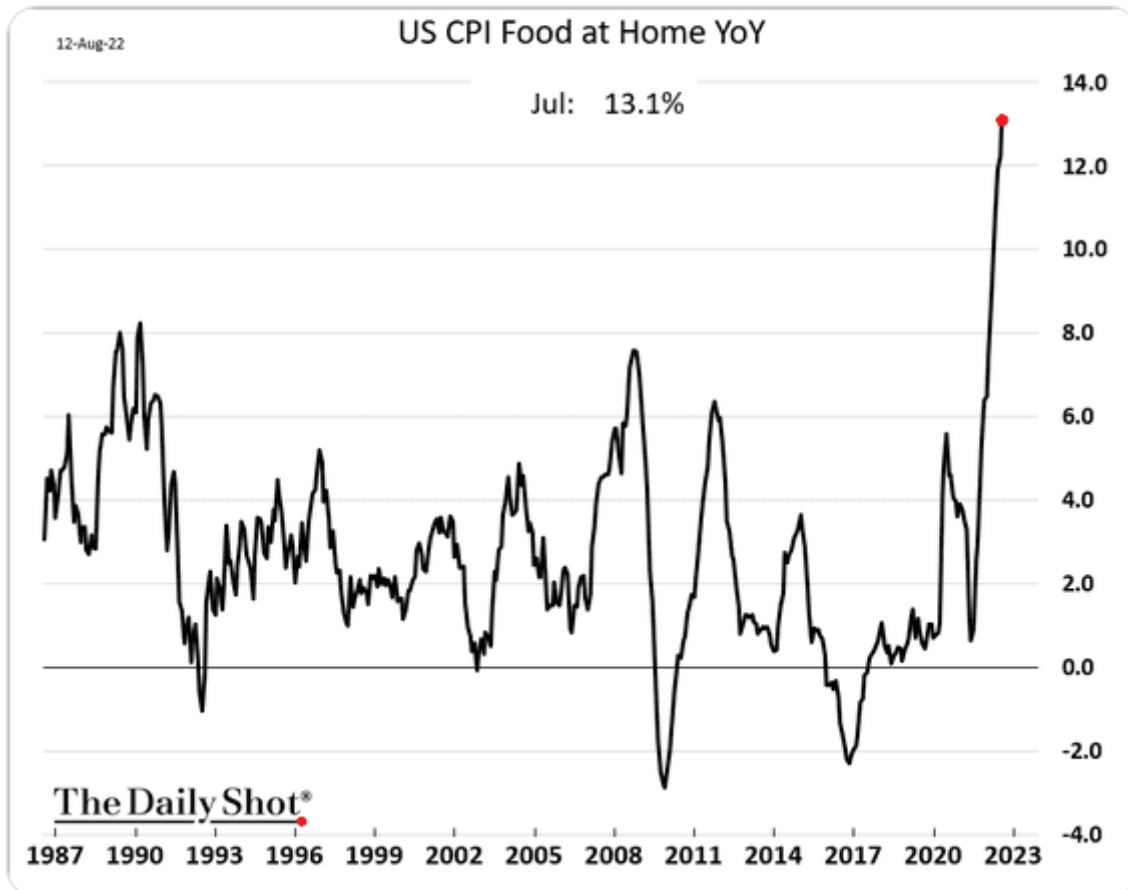


Lance Roberts  
@LanceRoberts

...

The recent softening of [#CPI](#) was entirely due to the decline in [#energy](#) prices (which don't look know are back on the rise). People spend a lot more on [#food](#) than they do on energy.

[@thedailyshot](#)



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