Regional manufacturing indexes tend to correlate strongly with economic activity. More importantly, they are often good leading indicators of economic activity as they report the data in near real-time. The Empire State Index, gauging manufacturing in New York, is the first of the August manufacturing reports to be released. Per the Empire State Survey: "*The headline general business conditions index plummeted forty-two points to -31.3. New orders and shipments plunged, and unfilled orders declined.*" The 42-point decline was the record's second-largest decline in the Empire State Index.

Employment ticked lower to 7.4 but still points to an increasing workforce. That said, the average workweek fell below zero due to reduced hours worked. Often employers will cut hours and temporary employees before laying off full-time workers. The positive news within the Empire State survey is that the prices paid component continues to retreat, as shown in the second graph. However, prices received rose slightly.
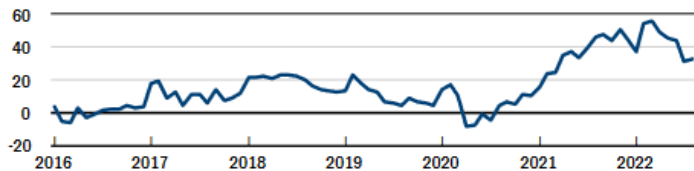


General Business Conditions
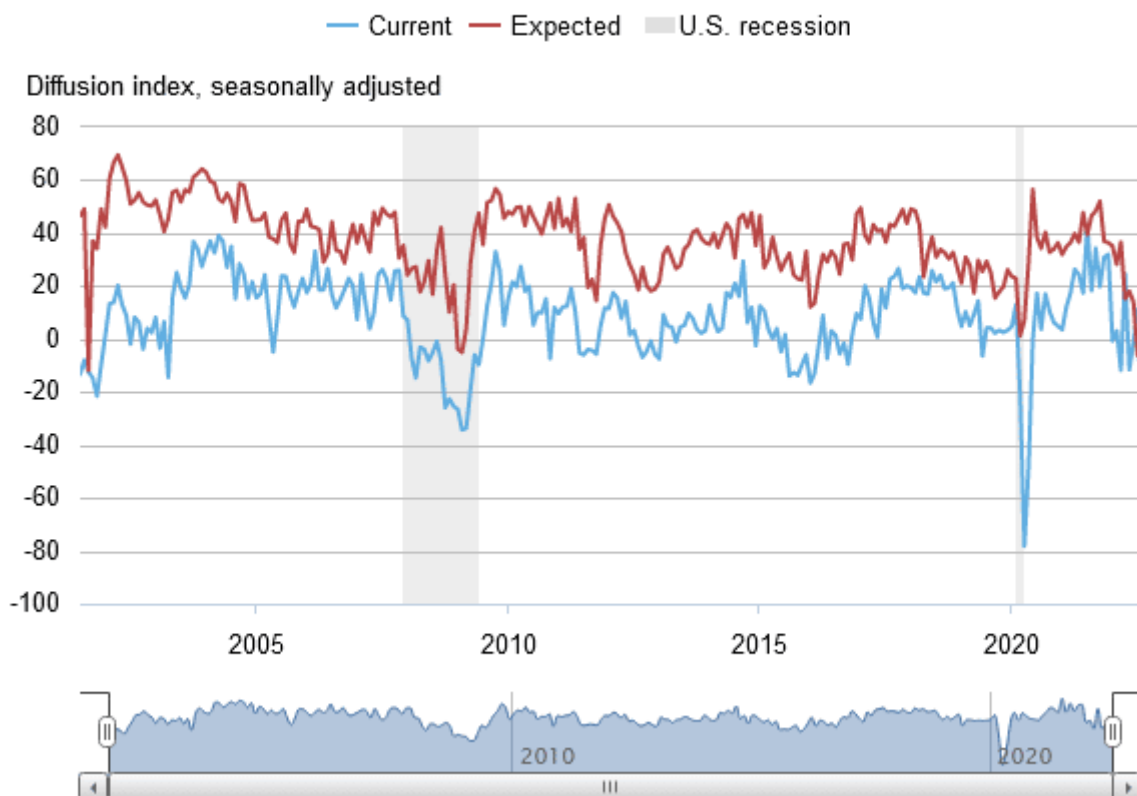
## Prices Paid
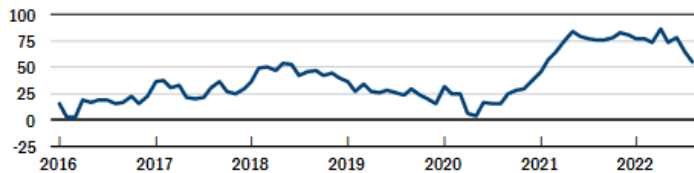


| | Percent Reporting | | |
| --- | --- | --- | --- |
| | Higher | Lower | Index |
| Jul | 67.8 | 3.5 | 64.3 |
| Aug | 60.9 | 5.5 | 55.5 |
| Change | | | -8.8 |

## Prices Received



| | Percent Reporting | | |
| --- | --- | --- | --- |
| | Higher | Lower | Index |
| Jul | 36.5 | 5.2 | 31.3 |
| Aug | 36.4 | 3.6 | 32.7 |
| Change | | | 1.4 |

# What To Watch Today

## Economy

- 8:30 a.m. ET: **Building permits**, July (1.645 million expected, 1.685 prior, upwardly revised to 1.696 million)
- 8:30 a.m. ET: **Building permits**, month-over-month, July (-3.0% expected, 0.6% prior, downwardly revised to 0.1%)
- 8:30 a.m. ET: **Housing Starts**, July (1.532 million expected, 1.559 prior)
- 8:30 a.m. ET: **Housing Starts**, month-over-month, July (-1.7% expected, -2.0% prior)
- 9:15 a.m. ET: **Industrial Production**, month-over-month, July (0.3% expected, -0.2% prior)
- 9:15 a.m. ET: **Capacity Utilization**, July (80.2% expected, 80% prior)
- 9:15 a.m. ET: **Manufacturing (SIC) Production**, July (0.2% expected, -0.5% prior)

## Earnings

| | Company | Time | Estimate | | Growth | Surprise | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | Show only confirmed? | | | | |
| ✓ WMT | Walmart Inc. | 7:00 AM ET | $1.60 | $150.51 B | 6.7% | + | = | - | ⊕ |
| ✓ HD | Home Depot, Inc. | 6:00 AM ET | $4.95 | $43.38 B | 5.5% | + | = | - | ⊕ |
| ✓ SE | Sea Limited | 6:30 AM ET | ($1.18) | $2.70 B | 18.4% | + | = | - | ⊕ |
| ✓ A | Agilent Technologies, ... | 4:05 PM ET | $1.20 | $1.59 B | 0.3% | + | = | - | ⊕ |
| ✓ ESLT | Elbit Systems Ltd. | BMO | $2.09 | $1.34 B | 2.9% | + | = | - | ⊕ |
| ✓ LX | LexinFintech Holding... | 7:00 PM ET | $0.23 | - | - | + | = | - | ⊕ |
| ✓ PINC | Premier, Inc. | 6:30 AM ET | $0.60 | $333.43 M | -30.8% | + | = | - | ⊕ |
| ✓ HUYA | HUYA Inc. | 5:00 AM ET | ($0.05) | $335.60 M | -26.9% | + | = | - | ⊕ |
| ✓ JKHY | Jack Henry & Associa... | 4:35 PM ET | $1.00 | $480.12 M | 6.6% | + | = | - | ⊕ |
| ✓ LITE | Lumentum Holdings I... | 7:30 AM ET | $1.33 | $417.55 M | 6.5% | + | = | - | ⊕ |
| ✓ JBI | Janus International G... | 7:00 AM ET | $0.14 | $224.94 M | 29.1% | + | = | - | ⊕ |
| ✓ TRMR | Tremor International ... | 6:00 AM ET | $0.22 | $84.75 M | 4.1% | + | = | - | ⊕ |
| ✓ GLBE | Global-e Online Ltd. | 7:00 AM ET | ($0.32) | $83.46 M | 45.7% | + | = | - | ⊕ |
| ✓ GENI | Genius Sports Limited | 7:00 AM ET | ($0.09) | $65.26 M | 16.9% | + | = | - | ⊕ |
| ✓ ALLT | Allot Communications... | 5:00 AM ET | ($0.32) | $32.46 M | -8.0% | + | = | - | ⊕ |
| ✓ QIPT | Quipt Home Medical ... | 7:30 AM ET | $0.07 | $36.48 M | 39.0% | + | = | - | ⊕ |
| ✓ ECC | Eagle Point Credit Co... | 8:00 AM ET | $0.41 | $28.59 M | 43.4% | + | = | - | ⊕ |
| ✓ QUIK | QuickLogic Corporation | 4:05 PM ET | ($0.08) | $4.47 M | 55.1% | + | = | - | ⊕ |

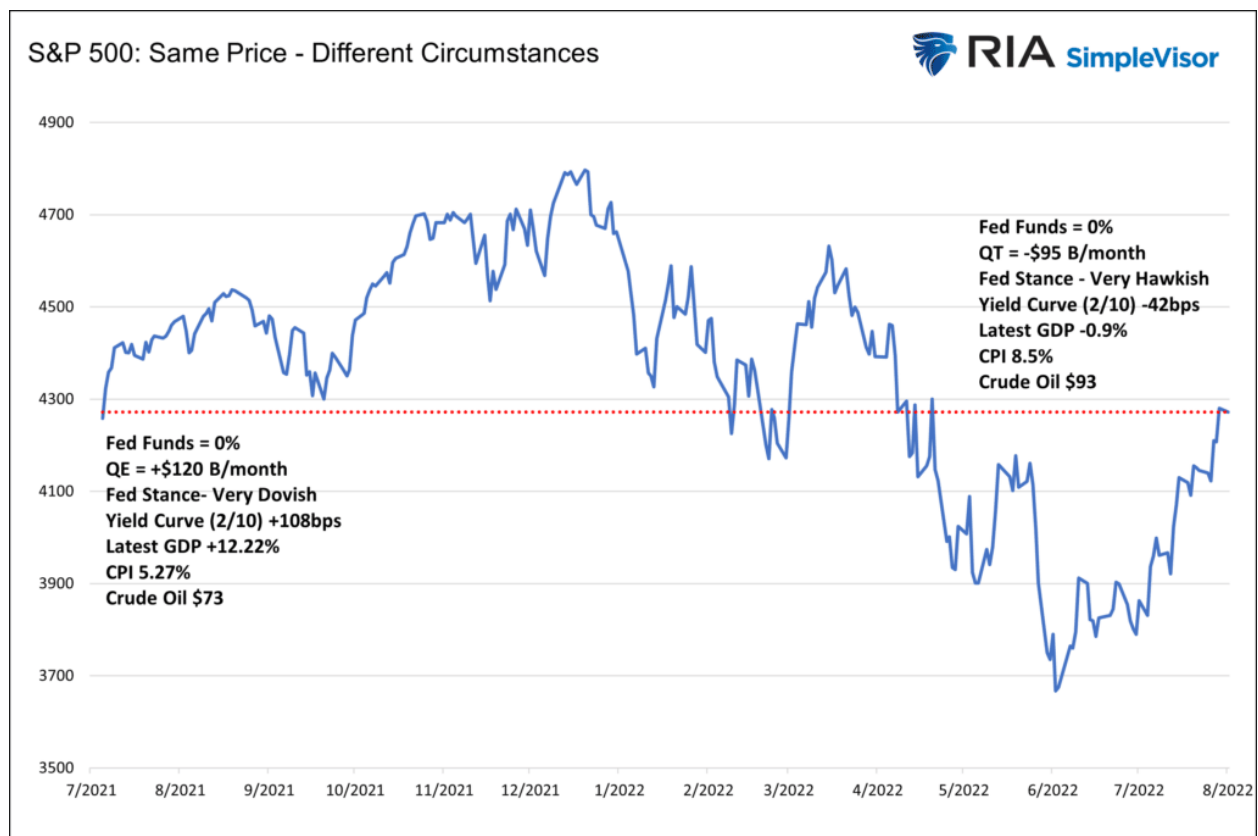# Market Trading Update - Another Bullish Confirmation

More technical bullish signals are confirmed as the market continues to power higher. The latest will occur soon as the 20-dma crosses above the 100-dma, increasing that support level for investors. Any pullbacks to that initial level are likely good points to add some equity exposure, with any pullback to the 50-dma being another good opportunity. The 50-dma is now critical support, and the market is pushing to challenge the 200-dma.

With the market very overbought, be patient and wait for a pullback of some sort to increase exposure. However, the time to be *"bearish"* is likely behind us for the time being.



## S&P 500- Same Price Different Circumstances

The graph below shows that the S&P 500 is back to the same price as it was about 13 months ago. While the price is the same, the environment could not be more different. Most importantly, the Fed's policy stances between July 2021 and today are polar opposites.

S&P 500: Same Price - Different Circumstances — RIA SimpleVisor

Fed Funds = 0%
QT = -$95 B/month
Fed Stance - Very Hawkish
Yield Curve (2/10) -42bps
Latest GDP -0.9%
CPI 8.5%
Crude Oil $93

Fed Funds = 0%
QE = +$120 B/month
Fed Stance- Very Dovish
Yield Curve (2/10) +108bps
Latest GDP +12.22%
CPI 5.27%
Crude Oil $73

## Citigroup Cautions on Peak Inflation Exuberance

The Citigroup graph below shows that despite the recent decline in CPI, core prices continue to rise and constitute a larger percentage of inflation. The circled area highlights core prices. The Fed has made it clear they care more about core prices than the broader indexes. Core prices tend to be much less volatile than non-core goods and services. As such, they are slower to increase but also slower to decline. While broad price indexes are starting to flatline or decline, core goods and services prices are still increasing. Without core goods prices falling, inflation will likely stabilize well above the Fed's 2% target.

Core inflation excluding autos and base effects is rising and now above 4%YoY
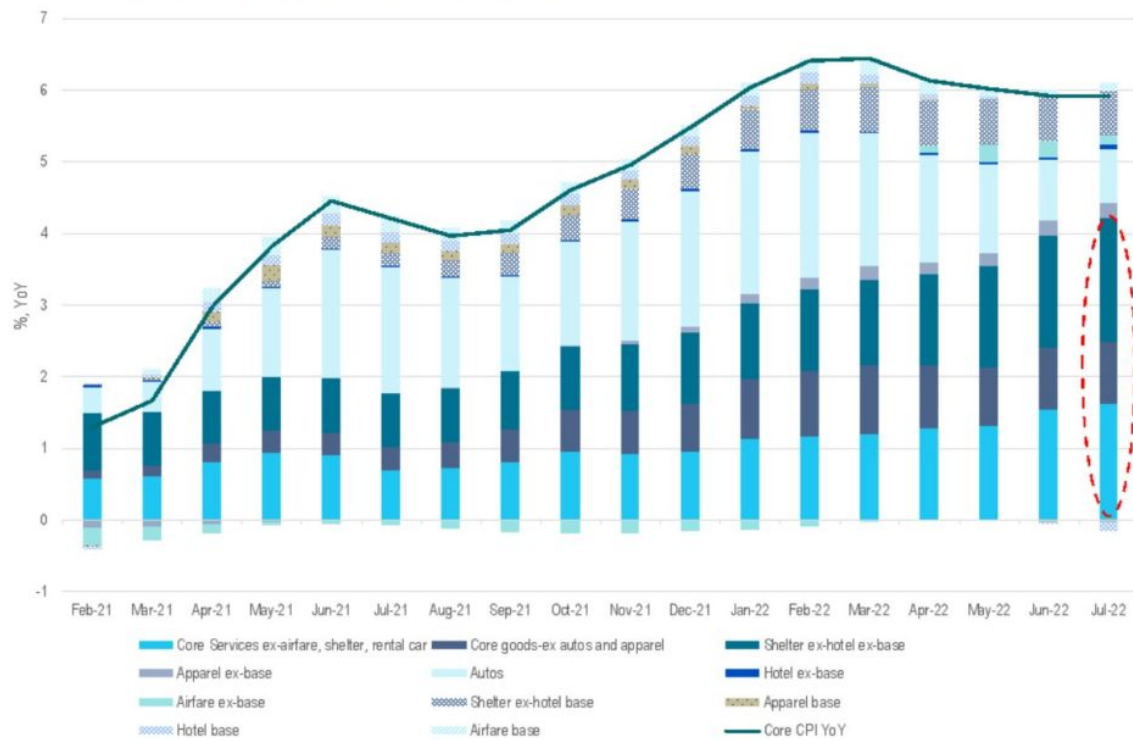
© 2022 Citigroup Inc. No redistribution without Citigroup's written permission.
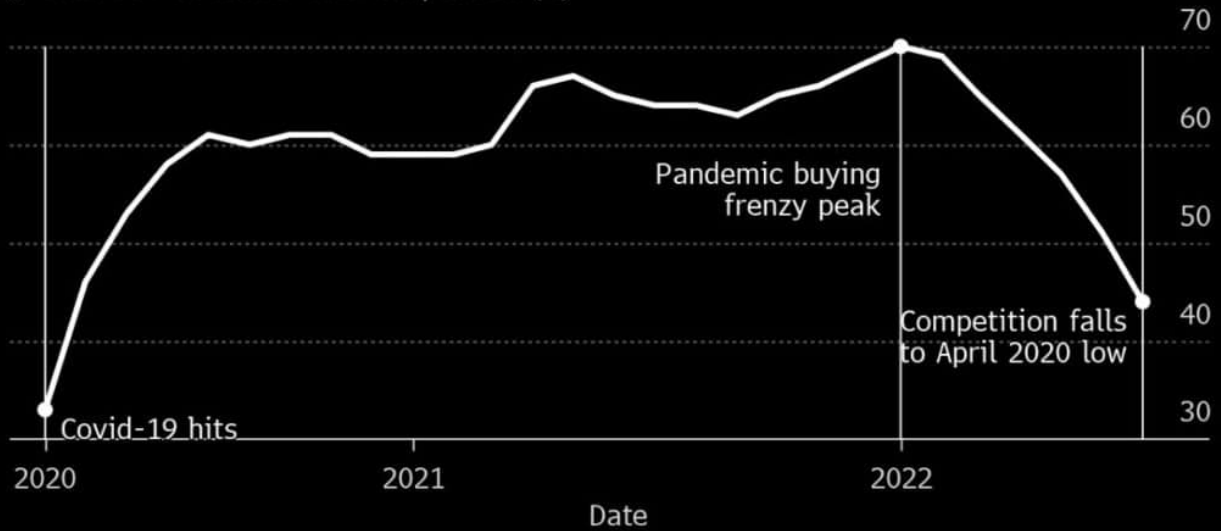
## Home Bidding Frenzy is Ending

The Redfin graph below from Bloomberg shows that in July, there was more than one bid for just 44% of U.S. homes for sale. That marks a steady decline correlating with the surge in mortgage rates. This graph serves as yet another warning that the steep pace of home price appreciation is likely peaking. It may still take a month or two before Case-Shiller and other home price indexes reflect the cooling-off reported by large national real estate brokerages like Redfin.

**Bidding Wars Ease**
Competition over homes has fallen to lows not seen since the early days of the pandemic

Share of US homes with competition (%)

Pandemic buying frenzy peak

Competition falls to April 2020 low

Covid-19 hits

2020    2021    2022

Date

Source: Redfin
Note: An offer is considered part of a bidding war if a Redfin agent reported that it received at least one competing bid

Bloomberg
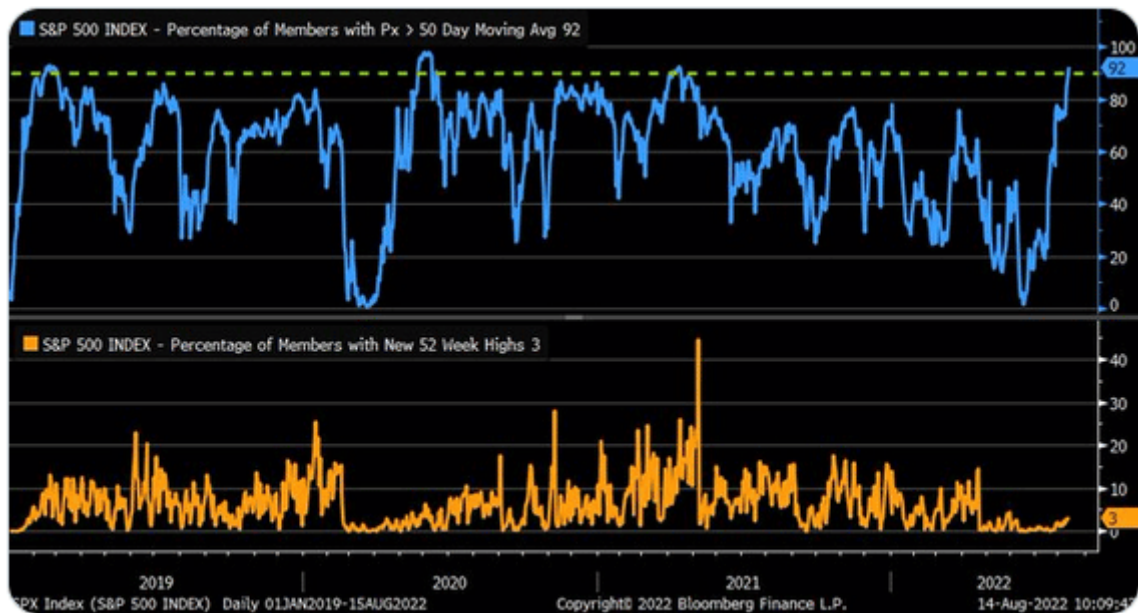
**Tweet of the Day**

**Liz Ann Sonders** ✔
@LizAnnSonders

···

92% of S&P 500 members are now trading above their 50d moving average; hasn't been accompanied by surge in new 52w highs (only 3%), but room for upside exists if breadth holds firm
[Past performance is no guarantee of future results]



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