

Bloomberg recently published a disturbing article entitled- [A 'Tsunami of Shutoffs': 20 Million US Homes are Behind on Energy Bills](#). Per the article, approximately one in six homes, or 20 million, are not current on their energy bills. The article cites PG&E (California), which has seen a 40% increase in customers behind on their energy bills over the last two years. The culprit, the average U.S. electricity price is up 15% year over year. To wit:

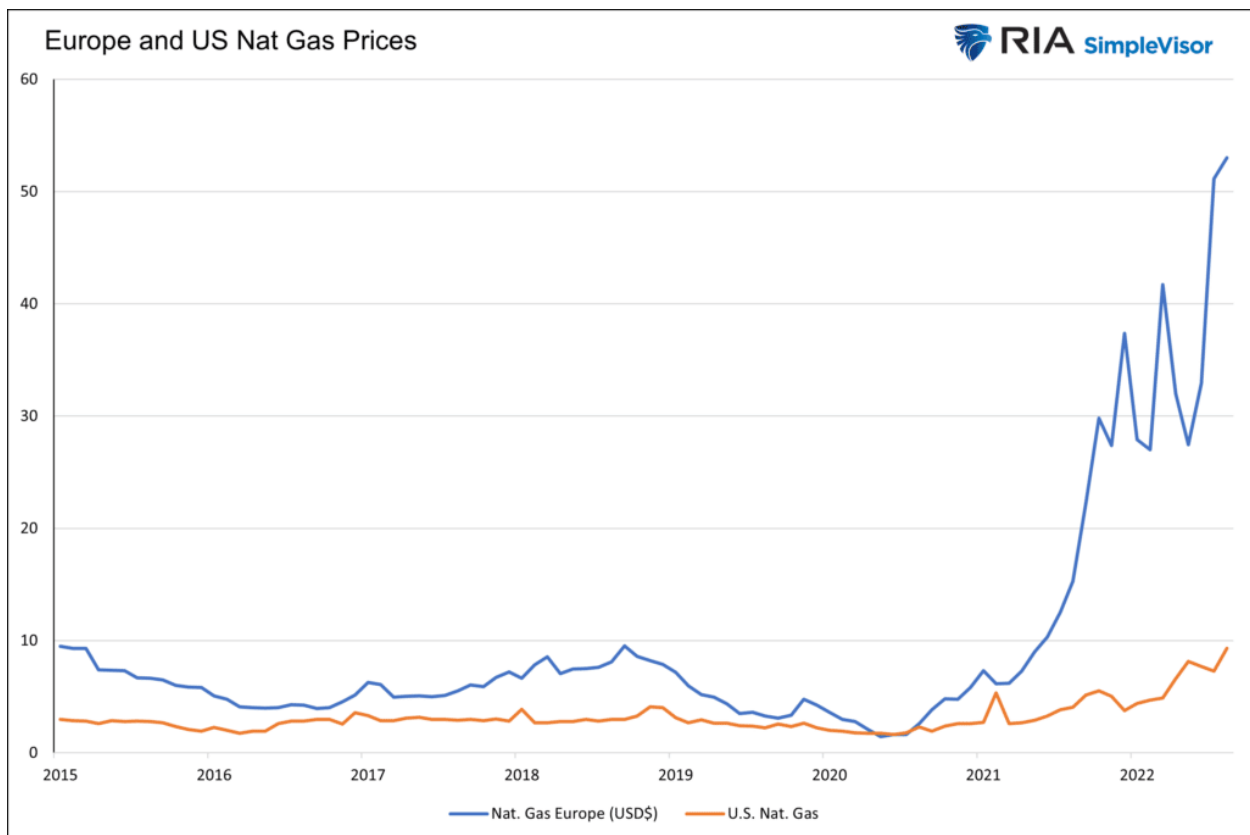
It is, according to the National Energy Assistance Directors Association (Neada), the worst crisis the group has ever documented. Underpinning those numbers is a blistering surge in electricity prices, propelled by the soaring cost of natural gas. -Bloomberg

As we discussed in our [8/24/22 Commentary](#), Europeans have it much worse, as Russia is limiting the supply of natural gas. The problem here and abroad is not only the surging price of natural gas, as shown below, but the burden of high inflation. A cold winter here or in Europe or Asia and a slow retreat in inflation will further crimp consumers and possibly worsen the energy bill crisis.



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What To Watch Today

Economy

- Dallas Fed Manufacturing Activity, August (-12.7 expected, -22.6 prior)

Earnings

	Company	Time	Estimate		Growth	Surprise			
					▼ Show only confirmed?				
✓	PDD Pinduoduo Inc.	6:30 AM ET	\$0.39	\$3.49 B	-2.2%	+	=	-	+
✓	CTLT Catalent, Inc.	7:00 AM ET	\$1.15	\$1.33 B	12.0%	+	=	-	+
✓	HTHT Huazhu Group Limited	7:30 AM ET	(\$0.12)	\$534.06 M	-3.9%	+	=	-	+
✓	SLQT SelectQuote, Inc.	7:30 AM ET	(\$0.17)	\$199.19 M	5.7%	+	=	-	+
✓	ITRN Ituran Location and C...	6:30 AM ET	\$0.46	\$71.94 M	6.6%	+	=	-	+
✓	NSSC NAPCO Security Tec...	8:00 AM ET	\$0.09	\$39.56 M	11.7%	+	=	-	+
✓	CVALF COVALON TECH	BMO	-	-	-	+	=	-	+
✓	KHRNF Khiron Life Sciences ...	BMO	-	-	-	+	=	-	+

Market Trading Update

Last week, the market attempted a rally on Wednesday and Thursday in hopes that Jerome Powell's Jackson Hole Summit speech would confirm the market's expectations of a more *doveish* tilt.

Unfortunately, the market was wrong.

On Friday, Jerome Powell delivered a much more hawkish message than expected, stating the need to continue to hike rates to combat inflation. To wit:

*Restoring price stability will take some time and requires using our tools forcefully to bring demand and supply into better balance. **Reducing inflation is likely to require a sustained period of below-trend growth.** Moreover, there will very likely be some softening of labor market conditions. **While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain.** ? ? Jerome Powell*

That message was not the *pivot* the market was looking for and consequently fueled a sharp market sell-off on Friday. The break of the 100-dma also sets the market up for a retest of the 50-dma next week. As I noted in this past weekend's [**"Bull Bear Report:"**](#)

"Given the sharp market sell-off on Friday, some follow-through selling on Monday would be of no surprise."

The negative futures this morning confirm that looks to be the case.



However, with the markets once again deeply oversold, a reflexive bounce is likely. **With the market failing a test of resistance at 4160ish, and with the MACD still on a ?sell signal,?** we continue to suggest selling any rallies for the time being.

More Selling Pressure Ahead

[Interesting note on Zerohege](#) this weekend:

Goldman's biggest trading desk bull, Scott Rubner, who steadfastly - and correctly - encouraged the bank's hedge fund clients to keep buying the most hated rally until its peak just below the 200DMA, joined BofA's Michael Hartnett in [turning bearish](#) and warning that it's time to sell and that the response to the question "are we there yet", is "yeah we are" and that "sellers are lower.

GS estimates that CTA's need to Sell -\$8.3B worth of global equity futures over the next 1 week, assuming a flat tape. (Thresholds: ST 4091, MT 4148, LT 4105). I.e., medium-term triggers today.

The asymmetry is skewed to the downside, with \$1.1B to buy in an ?Up Big? tape vs. \$46.6B to sell in a ?Down Big? tape.

The same is true for the next 1-month, with \$68B to buy in an ?Up big? tape vs. \$147B to sell in a ?Down Big? tape. Total Systematic, our numbers increase \$124.8B (up big) vs -\$178.7B (down big).

Keep an eye on month-end (Wednesday), where we expect another -\$9B for sale from pensions.

Expected Flows in Different Scenarios by Market (\$MM)									
Market	1 Week			1 Month			Simulated Realized		
	Flat	Up 2 STD	Down 2.5 STD	Flat	Up 2 STD	Down 2.5 STD	Last Week	Last Month	
S&P 500 E-mini	712	262	-11,048	12,031	12,179	-32,966	-3,938	27,237	
TOPIX	-50	-511	-2,880	588	805	-22,556	616	7,174	
DAX 30	-2,597	594	-3,031	-2,578	12,419	-3,892	-1,149	2,606	
DJ Euro Stoxx 50	-2,816	-984	-6,373	-2,316	5,068	-11,863	-3,125	9,670	
FTSE 100	217	-122	-2,555	1,192	1,192	-16,792	630	6,804	
Nasdaq 100 E-mini	-1,762	-507	-3,227	-1,317	2,968	-6,152	-781	4,609	
Russell 2000 E-mini CME	163	25	-2,034	1,403	1,330	-8,525	293	6,988	
TSE 60	847	709	-1,787	2,314	2,657	-7,466	1,751	8,293	
Hang Seng	-107	875	-263	-440	5,897	-541	-308	-577	
SPI 200	-43	-212	-2,632	1,221	1,534	-9,244	-367	8,418	
CAC 40	227	-144	-2,166	152	729	-8,344	282	6,154	
FTSE/JSE Africa Top 40	-7	-38	-1,047	1,134	1,037	-2,559	11	2,281	
Hang Seng China Ent. Idx	62	330	-11	234	2,514	-241	-253	-293	
Kospi 200	18	72	-271	-252	3,569	-559	-464	764	
AEX	207	-78	-997	497	575	-3,792	13	1,787	
MSCIEM (NYL)	29	518	-260	206	3,338	-538	-243	315	
IBEX 35	-1,077	-468	-2,118	-1,064	1,265	-3,751	-173	3,703	
S&P/MIB	-434	440	-664	-675	2,395	-1,559	216	1,727	
OMX Stockholm 30	-1,517	-446	-1,720	-2,214	1,513	-2,687	231	2,097	
SMI	-429	940	-742	-497	5,031	-655	-438	65	
Thai stock exchange 50	-9	-71	-793	46	148	-2,866	-7	2,927	
Totals	-8,365	1,183	-46,622	9,666	68,163	-147,547	-7,206	102,748	

The Week Ahead

The pre-Labor Day holiday week should be relatively quiet other than employment data on Tuesday, Wednesday, and Friday and ISM Manufacturing on Thursday. The JOLTS report is expected to show 10.5 million job openings. That would be slightly lower than last month's figure but well above pre-pandemic norms. ADP on Thursday will be interesting. It was not released in July as they were modifying the calculation. The ADP calculation is moving away from trying to be a predictor of the BLS jobs report and instead more accurately highlighting their proprietary data. The BLS is expected to report a 310k gain in payrolls on Friday. Any deterioration in the labor market is likely to be first seen in hours worked and the change in temp workers.

ISM will likely stay in expansionary territory. More important will be the new orders and prices subcomponents. New orders are a great leading indicator. A further decline in the prices index will help assure investors that inflation is peaking and heading lower.

Powell Stresses His Hawkish Outlook

"Today my remarks will be shorter, my focus narrower, and my message more direct." Jerome Powell's [speech](#) at Jackson Hole did not mince words. (Our) "overarching focus right now is to bring inflation back down to our 2 percent goal." He fully acknowledges that successfully fighting inflation will come at a cost.

Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation.

The Fed's aggression seems primarily based on the Fed's experience in the 1970s and 80s. To wit:

"History shows that the employment costs of bringing down inflation are likely to increase with delay, as high inflation becomes more entrenched in wage and price setting. The successful Volcker disinflation in the early 1980s followed multiple failed

*attempts to lower inflation over the previous 15 years. A lengthy period of very restrictive monetary policy was ultimately needed to stem the high inflation and start the process of getting inflation down to the low and stable levels that were the norm until the spring of last year. **Our aim is to avoid that outcome by acting with resolve now.***"

The market thought Powell would not be as hawkish. Many expected the Fed to stall rate increases later this year and pivot toward lower rates by next summer. Instead, Powell thinks the pace of rate hikes will slow, but they will continue. Instead of a stall and pivot, we are more likely to see a slower ascent higher into next year and no pivot. Obviously, financial and economic conditions and the state of inflation can change the Fed's rate path abruptly.

Interestingly, Powell did not mention QT.

The MACD Leads the Way


The MACD, or moving average convergence divergence, is one of many technical tools we rely on. Like most technical tools, it goes through periods where it is effective and ineffective. The graph below shows the MACD was relatively ineffective during the post-pandemic rally. However, since the market topped, it has been a great tool to help time markets. The red vertical lines highlight each time the MACD lines had a bearish cross from a positive level. Selling on that signal has worked well. Buying on positive crosses has not been nearly as successful.

As noted in recent commentaries, the MACD has once again had a bearish cross. If we are in a bear market, it is likely signaling another leg lower in the market. If the market has bottomed and the bull market has resumed, we may see it exhibit the same behavior as in 2021. We are staying conservative in part due to the MACD.



Tweet of the Day



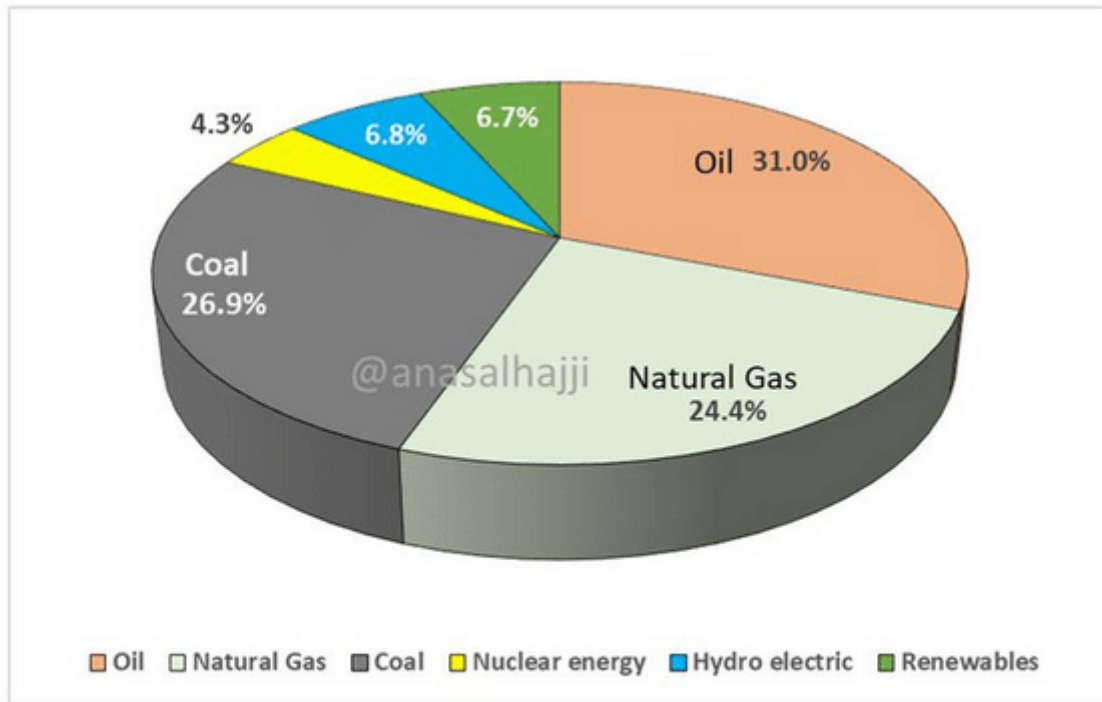
Anas Alhajji 
@anasalhajji

...

After spending hundreds of billions of dollars on wind and solar, 82.3% of global consumption of primary energy is still fossil fuel.. and it is going up in 2022!!

#Oil #Coal #Natgas #energy #FossilFuels

World's Primary Energy Consumption by Fuel in 2021 (%)



Source: BP, 2022 & EOA, 2022

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