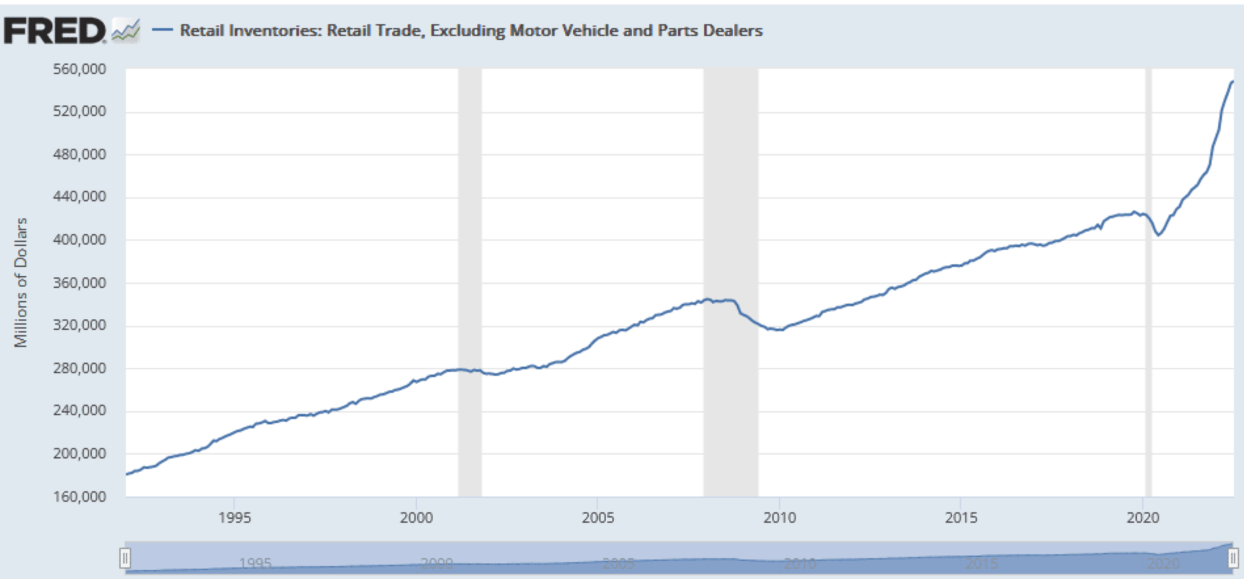
Amazon kicked off its second Prime Day of 2022, offering great deals to its customers. On its own, another Prime Day only three months after the last one may seem like a marketing ploy to recreate the revenue surge Amazon typically sees on Prime Day. However, this unprecedented second Prime Day seems more like desperation when put in context with what other retailers are doing. The Washington Post picked up on this in [Overstocked Retailers Make Deep Price Cuts](). The article starts as follows:

> *Dell has too many computers. Nike is swimming in summer clothes. And Gap is flooded with basics like T-shirts and shorts.*
>
> *After struggling with product shortages for much of the pandemic, the country?s retailers are now facing the opposite problem: an unprecedented glut of unsold merchandise that?s cutting into profits, derailing holiday plans and threatening to drag down broader U.S. economic growth.*

Prime Day-like sales are occurring around the country to clear excessive inventories. The news is both good and bad. It's bad in the respect that consumers are feeling the crippling effects of inflation and pulling back. Personal consumption represents about two-thirds of GDP. The good news, however, is that inventories are rising well above trend, and supply line problems and shortages seem to be largely behind us. To remedy the problem, retailers are reducing prices and offering special sales, like another Prime Day. Excess inventories and limited supply problems will reduce inflation.



What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended Oct. 7 (-14.2% prior)
- 8:30 a.m. ET: **PPI excluding food and energy**, year-over-year, September (7.3% expected, 7.3% prior)
- 8:30 a.m. ET: **PPI final demand**, month-over-month, September (0.2% expected, -0.1% prior)
- 8:30 a.m. ET: **PPI excluding food and energy**, month-over-month, September (0.3% expected, 0.4% prior)
- 8:30 a.m. ET: **PPI excluding food**, energy, and trade, month-over-month, September (0.2% expected, 0.2% prior)
- 8:30 a.m. ET: **PPI final demand**, year-over-year, September (8.4% expected, 8.7% prior)
- 8:30 a.m. ET: **PPI excluding food**, energy, and trade, year-over-year, September (5.6% prior)
- 2:00 p.m. ET: **FOMC Meeting Minutes**, September 21

Earnings

	Company	Time	Estimate		Growth (Show only confirmed?)	Surprise
PEP	PepsiCo, Inc.	6:00 AM ET	$1.85	$20.72 B	2.6%	+ = -
WIT	Wipro Limited	9:30 AM ET	$0.06	$2.84 B	7.1%	+ = -
DCT	Duck Creek Technolo...	4:05 PM ET	$0.02	$73.36 M	3.5%	+ = -

Market Trading Update

The market started off weak yesterday but mustered a rally into the green ahead of inflation reports coming today and tomorrow. Importantly, the market continues to hold support at the 200-week moving average, which has defined the *"bull market"* since the financial crisis lows. **In other words, despite the "correction" from this year's highs, the bull market remains intact.** However, a breakdown below that level will indeed constitute a bear market.

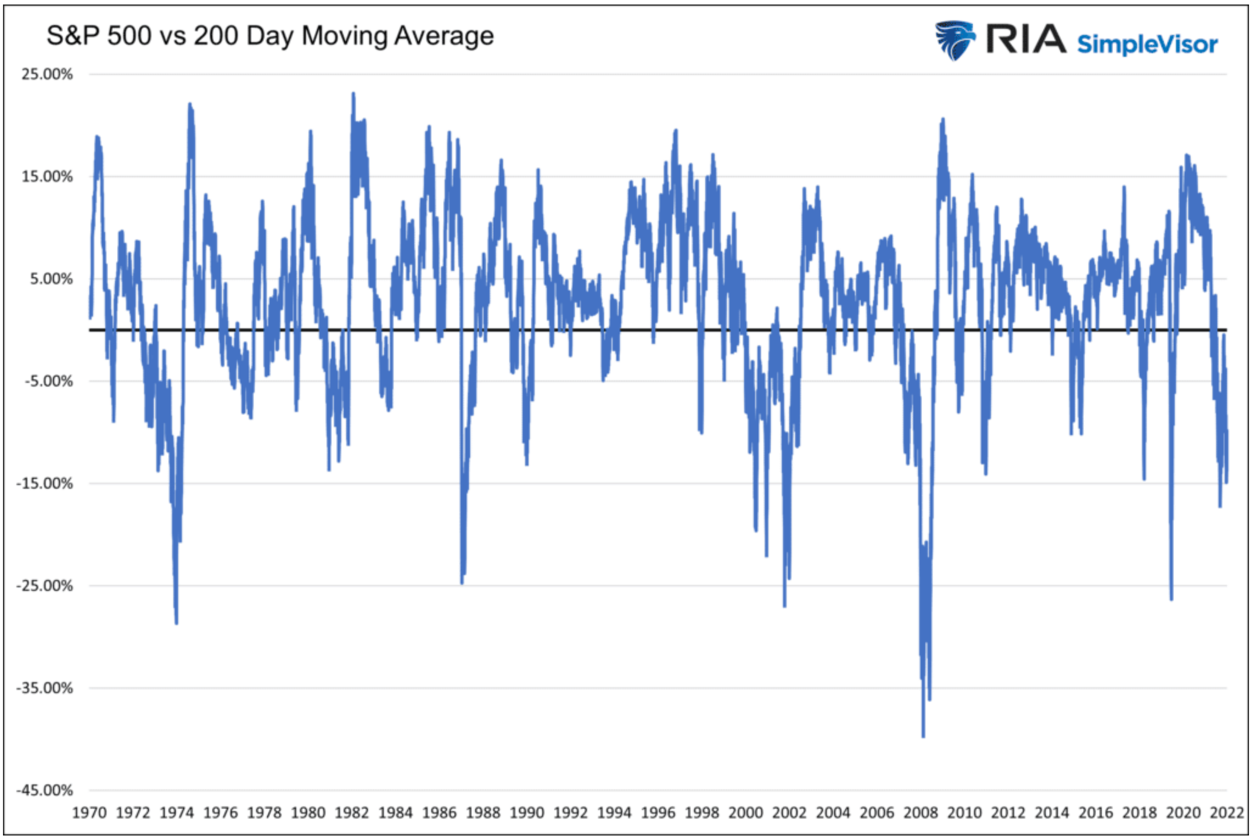
With the market oversold on a short-term basis, and longer-term deviations more extreme, we continue to look for a reflexive rally to sell into to raise cash levels and reduce equity risk accordingly. While the defense of the 200-week moving average is bullish, there is still considerable risk of further downside as we move into 2023.

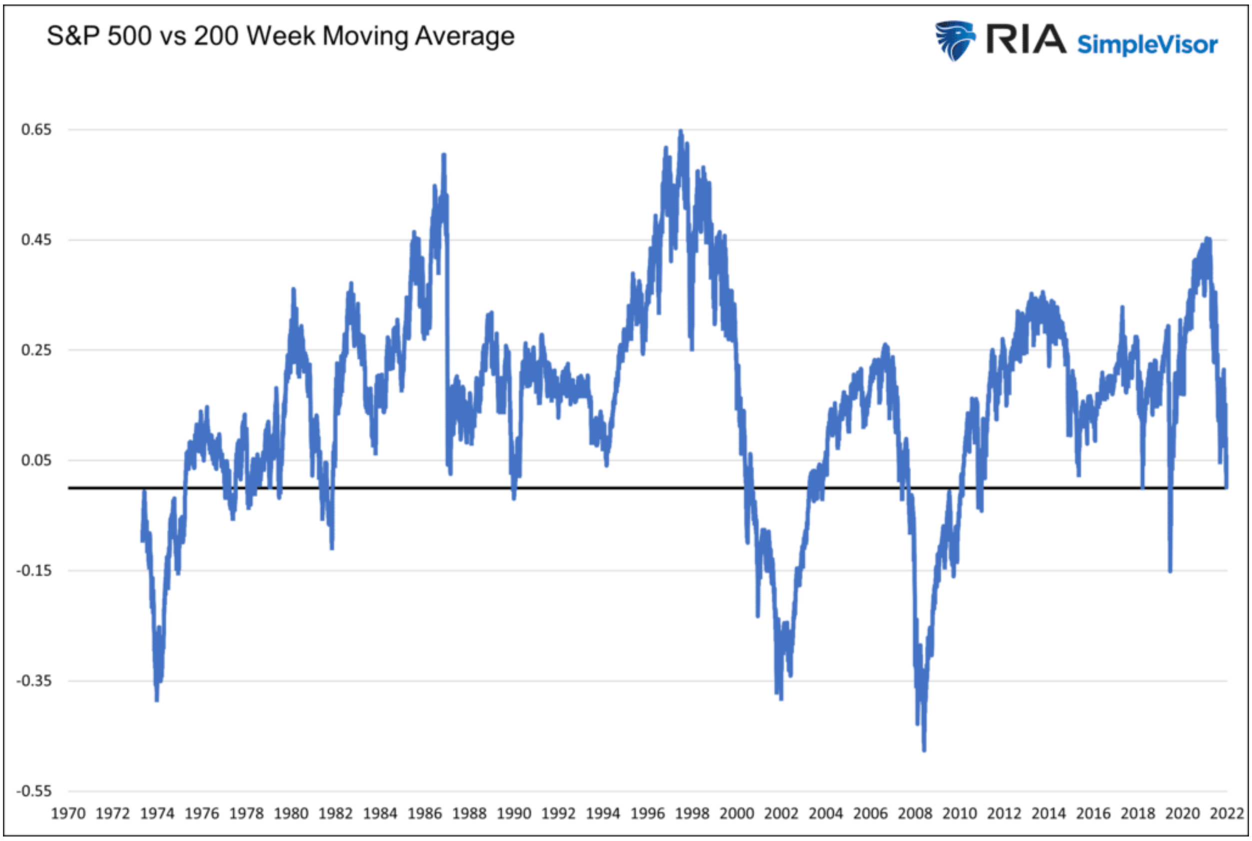
S&P 500 At Support- Something for Bulls and Bears

The graphs below offer hope and caution for investors.

The first graph shows the S&P 500 is trading 14% below its 200-day moving average (DMA). The low year-to-date is 17% in June. Looking back, the S&P 500 has only been more extended from its key 200dma on five occasions in the last 50+ years. The previous three were the sharp plunge in early March 2020 when the pandemic shuttered the global economy, the 2008 financial crisis, and the 2000 Tech Bust. The graph warns bears that the market is deeply oversold and may likely bounce. However, the bulls should also pay attention. While the current deviation is significant, history argues it can widen by another 10-20%.

The second graph looks at the S&P 500 versus its 200-week moving average (WMA). As it shows, the 200wma has been a dependable level of support except for in true bear markets. Many stock technicians consider the 200wma the line in the sand that denotes whether the current downtrend is a bear market or just a correction in a bull market.

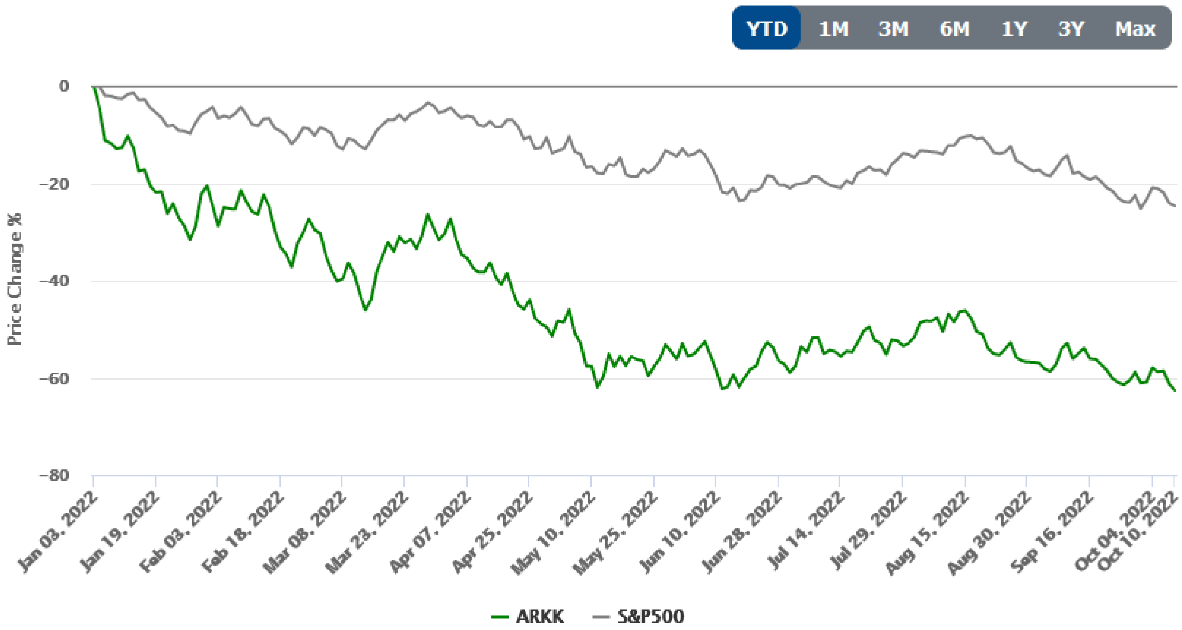




Cathie Wood and ARK Funds Warn the Fed

ARK Funds, led by portfolio manager Cathie Wood, sent an open letter to the Fed complaining that they are making a policy error. She accuses the Fed of overtightening due to its overreliance on lagging economic indicators. The result of more tightening, per Wood, will be a "deflationary bust."

It is vital to put ARK's warning in proper context. ARK funds have been hit particularly hard this year as their technology, and innovation-based investments tend to have longer durations. As such, higher interest rates (discount rates) are battering the present value of the expected cash flows of many of ARK's holdings. ARK's flagship fund, ARKK, is down nearly three times as much as the S&P 500 this year.



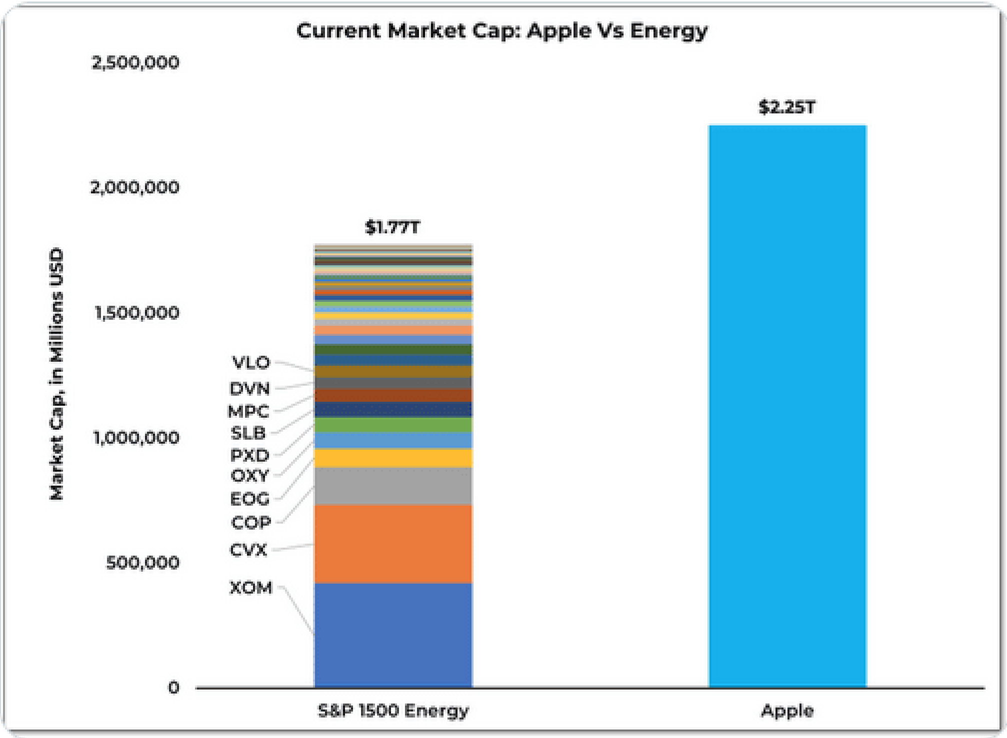
Bank of England Being Pressured to Extend Emergency Operations

The Bank of England's (BOE) emergency bond-buying program ends this Friday. While initially successful in lowering bond yields, yields have recently been surging higher. The BOE stepped up its efforts Tuesday, adding that it will buy up to 5 billion (GBP) of inflation-linked bonds in addition to what it was already buying. The graph below shows the yield on British bonds (gilts) Fell over 1% in late September when they announced their bond-buying plans. However, it has since bounced back to recent highs. The BOE maintains they will end the program Friday, despite pension funds and other institutional investors asking them to leave it open.

Tweet of the Day

Willie Delwiche, CMT, CFA @WillieDelwiche · Oct 8 ···

Apple has a larger market cap than all the Energy stocks in the S&P 1500 combined.



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