Wednesday's Home Purchase Index fell sharply to the lowest level since 1995. The index compiled by the Mortgage Bankers Association (MBA) computes the number of home purchases based on a sample of approximately 75% activity. The combination of elevated home prices and mortgage rates approaching 7% keeps individuals from buying houses or even seeking out mortgage applications. The MBA mortgage application index is also near 28-year lows.

The most recent Case-Shiller Home Price Index has fallen but still stands almost 20% above trend. In addition to high prices, mortgage rates keep the affordability of homes out of range for many potential buyers. While the demand side of the housing market is troubling, owners aren't selling. The supply of existing homes is under three months. Compare that to the relatively hot housing market in the five years pre-pandemic when the supply was never below three months! The chart below of the MBA home purchase index is courtesy of Mish Shedlock.

Mortgage Bankers Association Purchase Index 30-Year Chart

TRADINGECONOMICS.COM | MORTGAGE BANKERS ASSOCIATION OF AMERICA

MishTalk

What To Watch Today

Economics

- 8:30 a.m. ET: **Q4 Nonfarm Productivity** (est. 2.5%)
- 8:30 a.m. ET: **Q4 Unit Labor Costs** (est. 1.6%)
- 8:30 a.m. ET: **Weekly Initial Jobless Claims** (est. 195,000)
- 8:30 a.m. ET: **Weekly Continuing Jobless Claims** (est. 1,669,000)

Earnings

	Company	Time	Estimate		Growth	Surprise
✔ COST	Costco Wholesale Co…	4:15 PM ET	$3.21	$55.47 B	6.9%	+ = -
✔ KR	Kroger Co.	7:15 AM ET	$0.90	$34.88 B	5.5%	+ = -
✔ DELL	Dell Technologies	4:05 PM ET	$1.64	$23.67 B	-15.4%	+ = -
✔ BBY	Best Buy Co., Inc.	7:00 AM ET	$2.09	$14.70 B	-10.2%	+ = -
✔ BUD	Anheuser-Busch InBev	BMO	$0.72	$15.37 B	8.3%	+ = -
✔ TD	TD Bank Group	6:30 AM ET	$1.61	$9.20 B	-6.8%	+ = -
✔ M	Macy's, Inc.	6:55 AM ET	$1.57	$8.25 B	-4.8%	+ = -
✔ CNQ	Canadian Natural Re…	BMO	$1.61	$6.78 B	-16.6%	+ = -
✔ AVGO	Broadcom Limited	4:15 PM ET	$10.11	$8.90 B	15.5%	+ = -
✔ HPE	Hewlett Packard Ente…	4:05 PM ET	$0.54	$7.44 B	6.9%	+ = -
DLAKY	Deutsche Lufthansa …	BMO	$0.35	$9.51 B	42.6%	+ = -
✔ JWN	Nordstrom, Inc.	4:05 PM ET	$0.65	$4.35 B	-3.0%	+ = -
YPF	YPF S.A.	BMO	$0.82	$4.65 B	28.5%	+ = -
SHG	Shinhan Financial Gr…	AMC	-	$3.62 B	1.3%	+ = -
✔ VMW	VMware Inc	4:05 PM ET	$1.36	$3.64 B	3.1%	+ = -
✔ HRL	Hormel Foods Corp.	6:30 AM ET	$0.45	$3.09 B	1.5%	+ = -
✔ BURL	Burlington Stores Inc	6:45 AM ET	$2.72	$2.60 B	-0.3%	+ = -
✔ VSCO	Victoria's Secret & Co.	4:15 PM ET	$2.33	$2.02 B	-7.1%	+ = -
✔ BIG	Big Lots Inc.	6:00 AM ET	($0.57)	$1.55 B	-10.5%	+ = -
✔ PDCO	Patterson Companies…	7:00 AM ET	$0.60	$1.62 B	1.5%	+ = -
✔ SFM	Sprouts Farmers Mar…	BMO	$0.37	$1.56 B	4.5%	+ = -
✔ AER	AerCap Holdings N.V.	7:00 AM ET	$1.97	$1.75 B	21.3%	+ = -
✔ MRVL	Marvell Technology G…	4:05 PM ET	$0.47	$1.40 B	4.2%	+ = -
✔ GMS	GMS Inc.	6:00 AM ET	$1.86	$1.21 B	4.9%	+ = -
PHI	Philippine Long Dista…	BMO	-	-	-	+ = -
✔ BILI	Bilibili Inc.	5:00 AM ET	($0.51)	$898.61 M	-0.6%	+ = -
✔ COO	CooperCompanies, Inc.	4:15 PM ET	$2.66	$834.59 M	6.0%	+ = -
✔ CPG	Crescent Point Energ…	6:30 AM ET	$0.29	$659.54 M	-7.7%	+ = -
✔ STGW	Stagwell Inc.	8:10 AM ET	$0.12	$701.29 M	14.6%	+ = -
✔ AMRX	Amneal Pharmaceuti…	6:00 AM ET	$0.19	$579.91 M	8.0%	+ = -
✔ SIX	Six Flags Inc	6:00 AM ET	$0.23	$280.33 M	-11.5%	+ = -
✔ UTZ	Utz Brands, Inc.	6:30 AM ET	$0.12	$336.76 M	11.9%	+ = -
✔ OB	Outbrain Inc.	6:30 AM ET	($0.03)	$251.27 M	-13.3%	+ = -
✔ STVN	Stevanato Group S.p.A.	6:30 AM ET	$0.16	$291.34 M	5.9%	+ = -
✔ ZS	Zscaler, Inc.	4:05 PM ET	$0.29	$364.81 M	42.7%	+ = -
✔ ESTC	Elastic N.V.	4:05 PM ET	($0.39)	$272.74 M	21.8%	+ = -
BVH	Bluegreen Vacations …	6:30 AM ET	$0.56	$208.46 M	2.7%	+ = -
✔ EGLE	Eagle Bulk Shipping Inc	4:15 PM ET	$2.71	$125.22 M	-32.2%	+ = -
✔ STER	Sterling Check Corp	7:00 AM ET	$0.21	$177.44 M	2.2%	+ = -
✔ MCS	Marcus Corporation	7:45 AM ET	($0.17)	$155.26 M	-8.2%	+ = -
✔ SSYS	Stratasys Ltd.	7:30 AM ET	$0.03	$157.58 M	-5.6%	+ = -
✔ HRTG	Heritage Insurance H…	4:05 PM ET	($0.20)	$168.32 M	1.0%	+ = -
CVT	Cvent, Inc	4:05 PM ET	$0.07	$169.67 M	17.3%	+ = -
✔ PTLO	Portillos Inc	8:00 AM ET	$0.03	$155.51 M	12.0%	+ = -

Market Trading Update

It's make-or-break time for the S&P 500 as the market closed on the 200-DMA yesterday, coinciding with the top of the downtrend line from the January 2022 peak. With the market now oversold on a short-term basis, following two weeks of steady selling pressure, a rally today or tomorrow will not be surprising.

Here is the important point. **If the market breaks support at the 200-DMA, it is advisable NOT to sell down exposure immediately.** The reason is that there has been a lot of selling pressure by the time the market breaks a support level. With sellers likely exhausted short-term, we often see initial breaks of support retraced in the next couple of days. Be patient, and wait for a bounce

to see if the broken support is retaken or a failed test. If the market rallies to previous support and fails, it will be a confirmed break, and equity risk can be reduced. This lag will help reduce potential *"head fakes"* that sometimes occur with technical analysis.
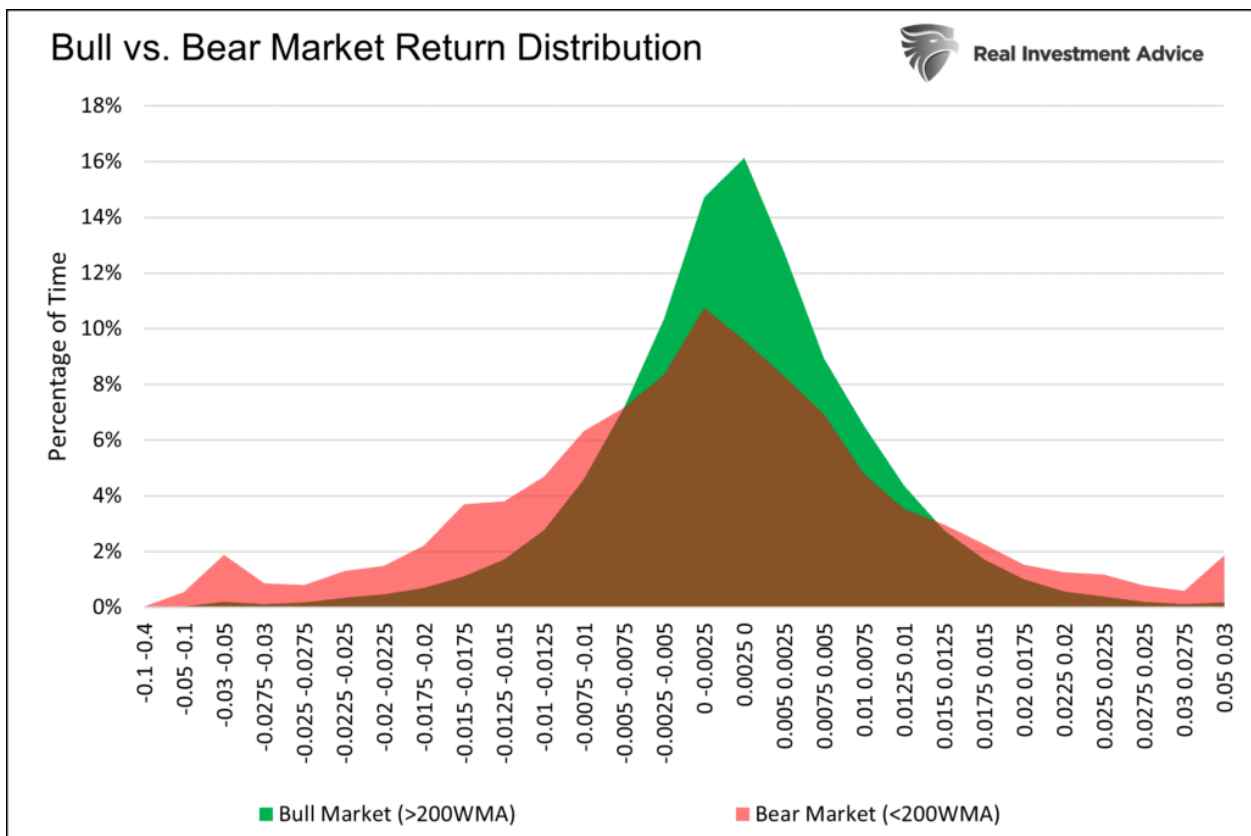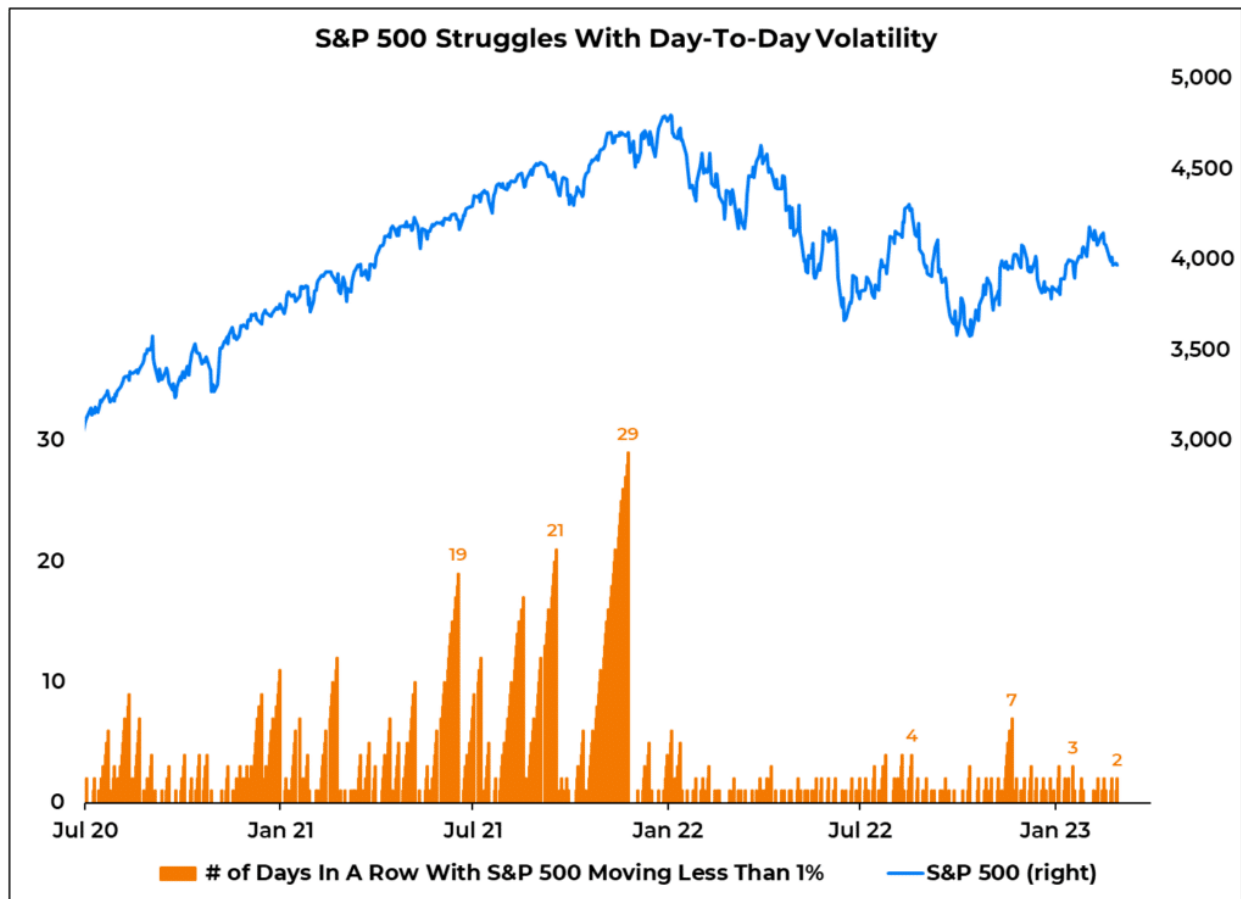
Volatility in Bull and Bear Markets

The graph below from Willie Delwiche compares the S&P 500 (blue) to the number of consecutive days (orange) in which the S&P 500 moved less than 1%. The graph is an excellent way of showing that volatility in bull markets tends to run much lower than in bear markets. Since 2022, the longest streak of days in which the market did not move more than 1% daily was seven. Most often since 2022, two to three days of low volatility was a long streak. The second graph below is from an upcoming article on risk and return. It shows significantly more instances of larger daily price moves in bear markets than in bull markets.

S&P 500 Struggles With Day-To-Day Volatility

# of Days In A Row With S&P 500 Moving Less Than 1% — S&P 500 (right)

Bull vs. Bear Market Return Distribution

Real Investment Advice

Bull Market (>200WMA) — Bear Market (<200WMA)

China is Reopening To Powell's Chagrin

China dropped its strict covid protocols this year, and the economy seems to be waking up. The PMI index, which tends to lead economic growth, rose to 52.6, the highest reading since 2012. The

graph below shows that the output and new orders part of the PMI index jumped to a 13-year high. Non-manufacturing showed equally strong gains. While we should cheer such strong growth from the world's second-largest economy, we must also consider China's reopening will put upward pressure on inflation. Commodities are trading higher on the news while inflation expectations are ticking up. This bit of information will reinforce the Fed's hawkish stance.

China manufacturing PMIs* (output & new orders average)

highest since Nov 2010

56.5

45.2

43.7

07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23

—— MANUFACTURING PMI* - AVERAGE OF OUTPUT & NEW ORDERS

* Average NBS & Caixin surveys - adjusted for residual seasonality

Source: Pictet Asset Management, CEIC, Refinitiv

How Valid is the No Landing Scenario?

During most of 2022, economists on Wall Street and the Fed debated how the economy would slow. Some, like Powell, believed a soft landing with no recession was possible. Others felt a hard landing, aka recession, would likely result from higher interest rates. Recently, the no-landing scenario has been growing in popularity. For more on this theory, check out our latest article, The No Landing Scenario and UFOs.

To forecast such a scenario, you must believe this time is different. The article describes how the economy is MORE vulnerable to higher interest rates, not LESS vulnerable. Further, we provide multiple charts showing various leading indicators often preceding recessions. We share a few below. Is this time different?
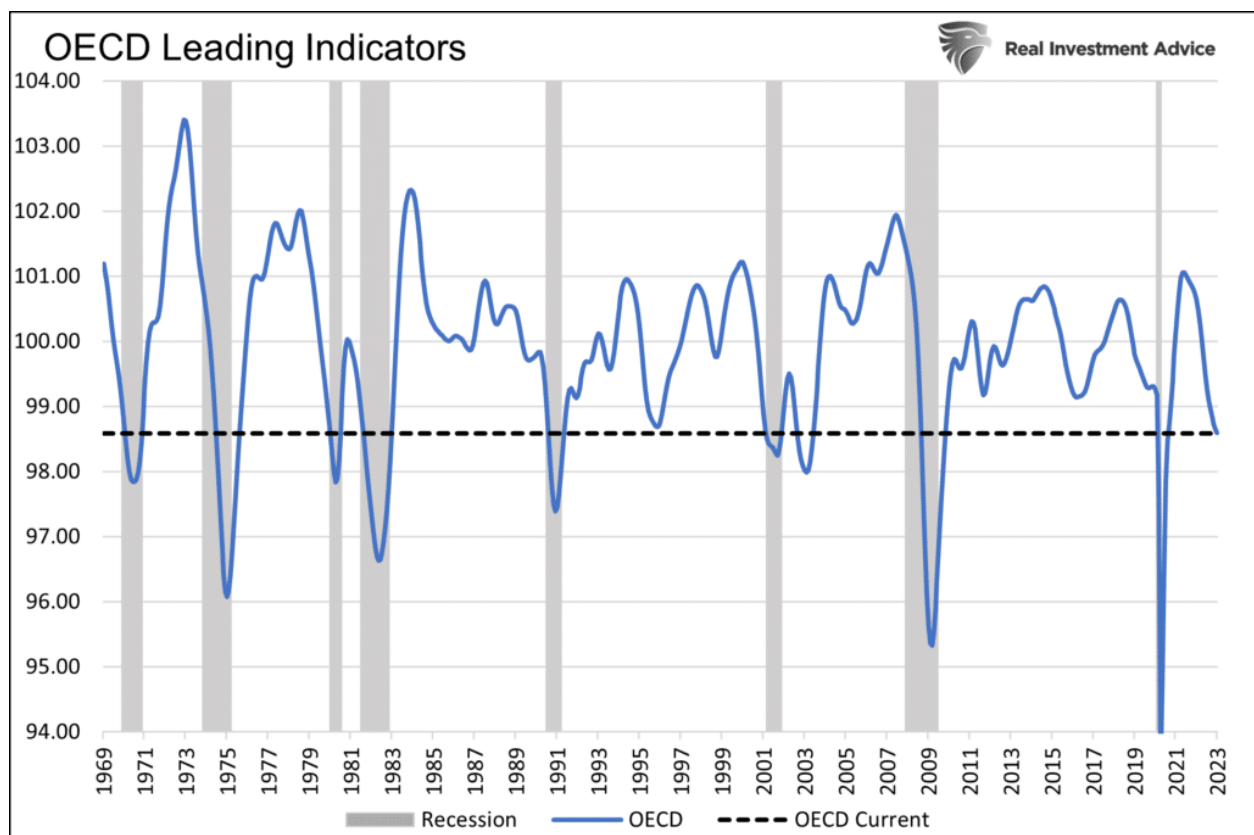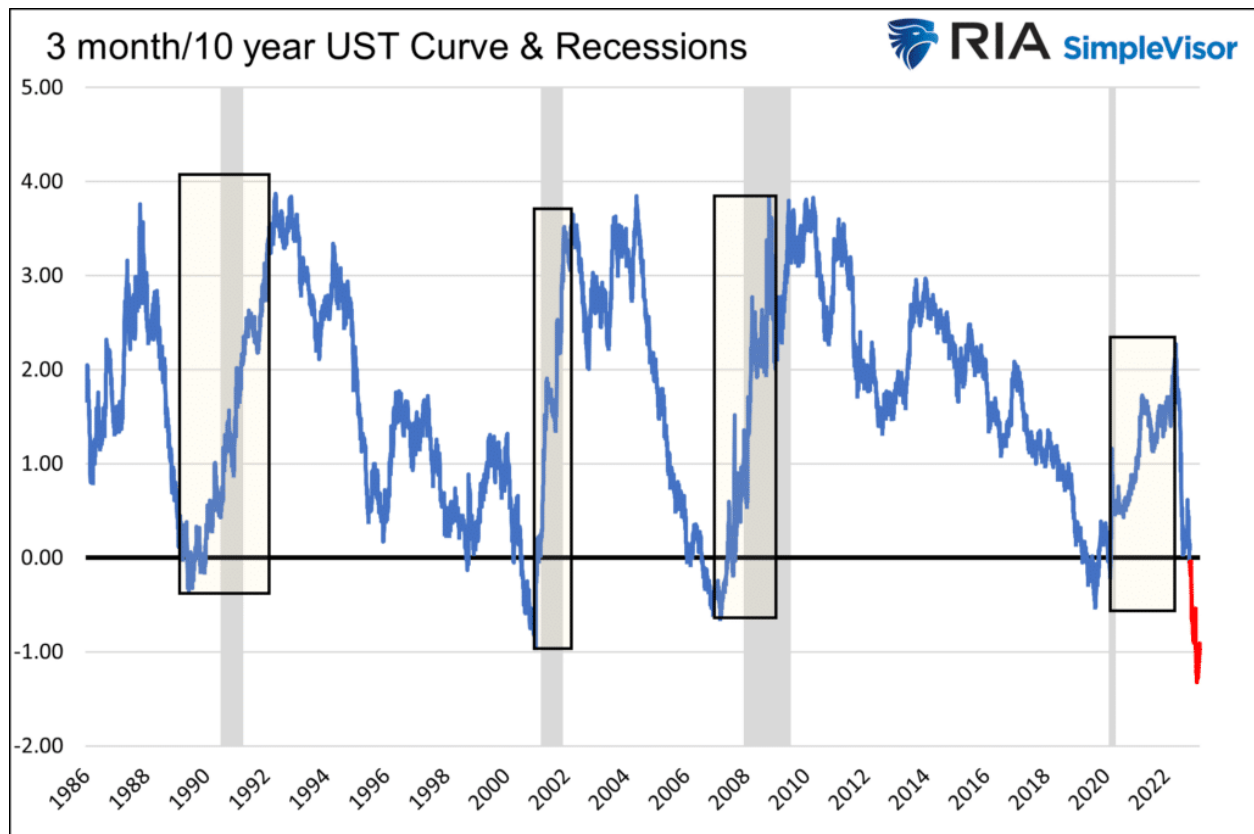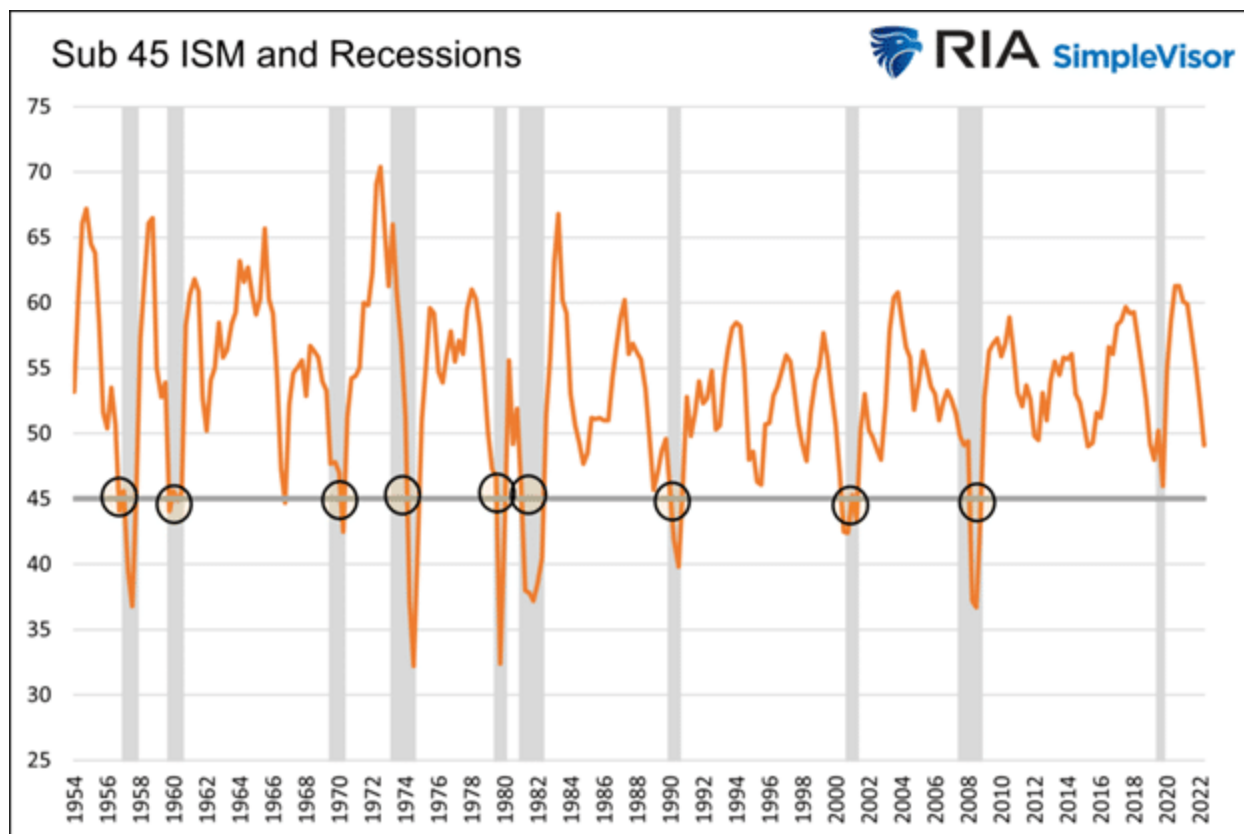
Tweet of the Day

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"I never use valuation to time the market. I use liquidity considerations and technical analysis for timing. Valuation only tells me how far the market can go once a catalyst enters the picture to change the market direction."

Stan Druckenmiller

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