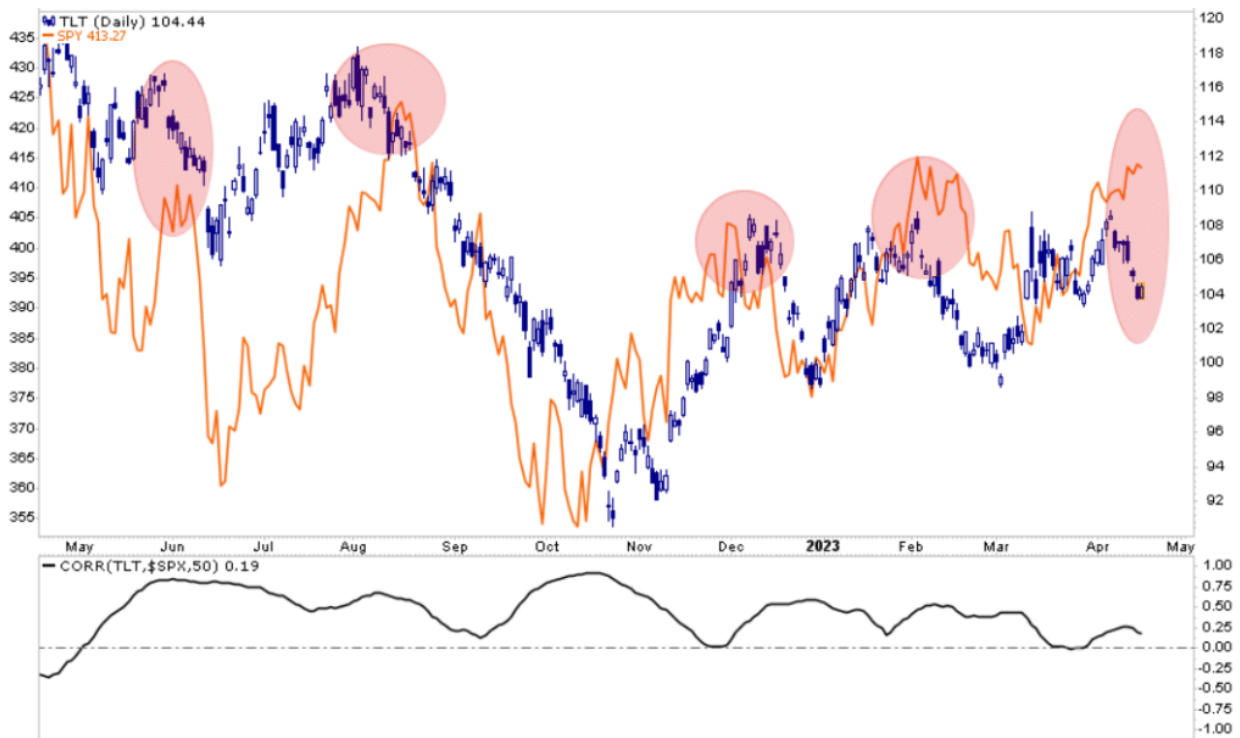


Is TLT Signalling Coming SPY Weakness?

Throughout 2022, higher bond yields scared off equity investors. Such a relationship is not surprising given how much yields rose last year and the fact that higher yields do not bode well for profit margins or valuations. The graph below highlights the strong correlation between TLT and SPY. Our circular highlights show the local peaks in TLT (blue) were accompanied or closely followed by local peaks in SPY (orange). Currently, there is another divergence between the two securities. TLT has fallen by about 5%, while SPY has slowly risen. If TLT bounces, the divergence may be meaningless as it was in March. If TLT continues lower, stocks may follow as higher yields, and the possibility the Fed does not cut rates this year should scare equity investors.

The graph at the bottom shows that the 50-day running correlation between TLT and SPY has been positive for the last year. However, the relationship is fading. Consequently, the current divergence may not be as telling as it was over the last year.



What To Watch Today

Earnings

	Company	Time	Estimate		Growth	Surprise
				📌	Show only confirmed?	
✓	TSLA Tesla, Inc.	4:05 PM ET	\$0.85	\$23.37 B	24.6%	+ = -
✓	MS Morgan Stanley	7:30 AM ET	\$1.67	\$14.14 B	-7.2%	+ = -
✓	IBM International Busines...	4:10 PM ET	\$1.27	\$14.36 B	1.1%	+ = -
✓	ABT Abbott	7:30 AM ET	\$0.98	\$9.63 B	-19.0%	+ = -
✓	TRV Travelers Companies...	6:55 AM ET	\$3.64	\$9.19 B	4.3%	+ = -
✓	LAD Lithia & Driveway	5:00 AM ET	\$8.77	\$7.05 B	5.1%	+ = -
✓	USB U.S. Bancorp	6:45 AM ET	\$1.13	\$7.16 B	23.2%	+ = -
✓	STLD Steel Dynamics, Inc.	4:30 PM ET	\$3.81	\$4.95 B	-11.1%	+ = -
✓	ASML ASML Holding	BMO	\$4.59	\$6.73 B	37.4%	+ = -
✓	BKR Baker Hughes	7:00 AM ET	\$0.26	\$5.52 B	14.2%	+ = -
✓	KMI Kinder Morgan, Inc.	4:05 PM ET	\$0.29	\$4.67 B	8.8%	+ = -
✓	LRCX Lam Research Corp.	4:05 PM ET	\$6.53	\$3.83 B	-5.7%	+ = -
✓	SYF Synchrony Financial	6:00 AM ET	\$1.49	\$4.03 B	0.2%	+ = -
✓	AA Alcoa, Inc.	4:15 PM ET	(\$0.05)	\$2.74 B	-16.8%	+ = -
✓	DFS Discover Financial Se...	4:35 PM ET	\$3.91	\$3.67 B	16.2%	+ = -
✓	ALLY Ally Financial	7:25 AM ET	\$0.88	\$2.06 B	-3.5%	+ = -
✓	CCI Crown Castle Internat...	4:15 PM ET	\$1.85	\$1.76 B	1.0%	+ = -
✓	CFG Citizens Financial Gr...	6:20 AM ET	\$1.11	\$2.15 B	25.7%	+ = -
✓	NDAQ Nasdaq, Inc.	7:00 AM ET	\$0.65	\$904.78 M	-41.1%	+ = -
✓	EFX Equifax Inc.	4:25 PM ET	\$1.34	\$1.28 B	-6.1%	+ = -
✓	LVS Las Vegas Sands Corp	4:05 PM ET	\$0.17	\$1.80 B	90.9%	+ = -
✓	LBRT Liberty Energy Inc.	4:45 PM ET	\$0.81	\$1.26 B	58.9%	+ = -
✓	ZION Zions Bancorporation	4:30 PM ET	\$1.51	\$849.78 M	21.9%	+ = -
✓	FFIV F5 Networks, Inc.	4:05 PM ET	\$2.42	\$699.04 M	10.2%	+ = -
✓	EDU New Oriental Educati...	6:30 AM ET	-	\$718.40 M	17.0%	+ = -
✓	WTFC Wintrust Financial Corp.	4:25 PM ET	\$2.55	\$574.25 M	16.9%	+ = -
✓	FNB F.N.B. Corporation	4:30 PM ET	\$0.40	\$415.96 M	25.3%	+ = -
✓	RLI RLI Corp.	4:05 PM ET	\$1.21	\$340.05 M	28.4%	+ = -
✓	SLG SL Green Realty Corp.	4:25 PM ET	\$1.42	\$205.81 M	9.5%	+ = -
	MKTX MarketAxess Holding...	6:30 AM ET	\$1.89	\$202.92 M	9.1%	+ = -
✓	CALX Calix, Inc.	4:10 PM ET	\$0.28	\$245.59 M	32.8%	+ = -
✓	BANR Banner Corporation	4:00 PM ET	\$1.58	\$155.53 M	9.3%	+ = -
✓	REXR Rexford Industrial Re...	4:10 PM ET	\$0.52	\$184.02 M	30.7%	+ = -
✓	BDN Brandywine Realty Tr...	5:20 PM ET	\$0.29	\$127.30 M	-0.2%	+ = -
✓	FR First Industrial Realty ...	5:00 PM ET	\$0.57	\$143.77 M	14.5%	+ = -
✓	MCRI Monarch Casino & R...	4:00 PM ET	\$1.01	\$115.45 M	6.6%	+ = -
✓	EGBN Eagle Bancorp Inc.	4:15 PM ET	\$1.15	\$84.38 M	-11.9%	+ = -
✓	NBHC National Bank Holdin...	4:10 PM ET	\$1.00	\$111.05 M	61.9%	+ = -
	CTBI Community Trust Ban...	8:15 AM ET	\$1.12	\$57.65 M	-1.4%	+ = -
✓	GSBC Great Southern Banc...	6:30 PM ET	\$1.50	\$53.10 M	-4.9%	+ = -
	CBNK Chicopee Bancorp Inc.	5:00 PM ET	\$0.67	\$42.05 M	-1.5%	+ = -
	CVCY Central Valley Comm...	4:00 PM ET	\$0.65	\$21.99 M	9.9%	+ = -
	AVBH Avidbank Holdings Inc	DMH	\$0.80	\$20.94 M	21.2%	+ = -
	LMST Limestone Bancorp, I...	BMO	\$0.59	\$15.00 M	2.3%	+ = -
	FCCO First Community Corp.	9:00 AM ET	\$0.49	\$15.96 M	9.5%	+ = -
	SAL Salisbury Bancorp, Inc.	DMH	\$0.82	\$12.20 M	-14.2%	+ = -

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
WEDNESDAY, APRIL 19						
11:00	🇺🇸 USD MBA Mortgage Applications(Apr 14)	🟡	-	-	-	5.3%
14:30	🇺🇸 USD EIA Crude Oil Stocks Change(Apr 14)	🟡	-	-	-2.464M	0.597M
17:00	🇺🇸 USD 20-Year Bond Auction	🟡	-	-	-	3.909%
18:00	🇺🇸 USD Fed's Beige Book	🟡			REPORT	

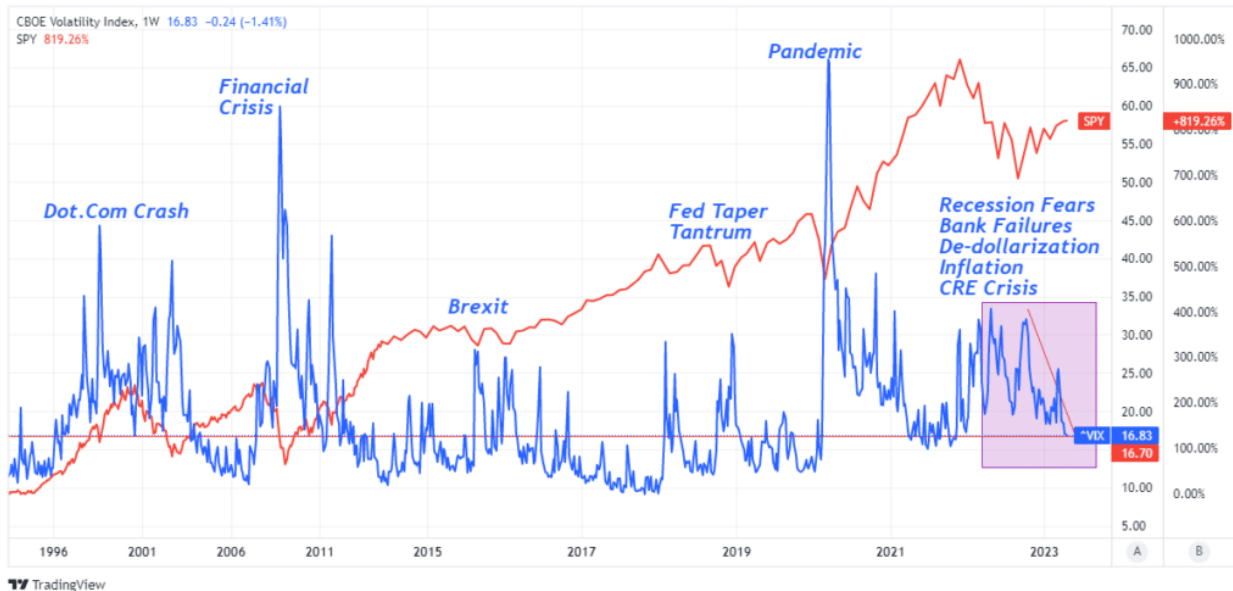
The Market Shows No Fear

There are a plethora of podcasts, media experts, financial gurus, etc., all preaching the end of the dollar, massive recession, credit crisis, more bank failures, etc. While it is possible these events

could occur, the market is clearly saying "no."

Despite all the talking heads, the technical data remains firmly bullish, with the market holding above breakout levels, the 50-DMA trading firmly above the 200-DMA, and "buy signals" all firmly intact. More importantly, despite one fearful prognostication after the next, the market has continued to trade firmly higher since last October with rising bottoms and tops. More importantly, the Volatility Index continues to fall as fears of a "bear market" dissipate.

While it is easy to be "bearish" and find plenty of charts and data to support that view, the market continues to defy those views. So, what are you going to listen to near term?



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Homebuilder Update

As we share below, homebuilder stocks are on a tear, rising almost 50% from their June 2022 lows. Despite high mortgage rates, investors do have some reasons for bullishness. First, the order backlogs and high prices for key materials like lumber and copper have normalized. Second, housing starts and permits have fallen significantly but are stabilizing. To that end, the monthly supply of new homes, measured in months, has fallen from 10 to 8. It remains above the 5-6 pre-pandemic average, but lessened supply should help.

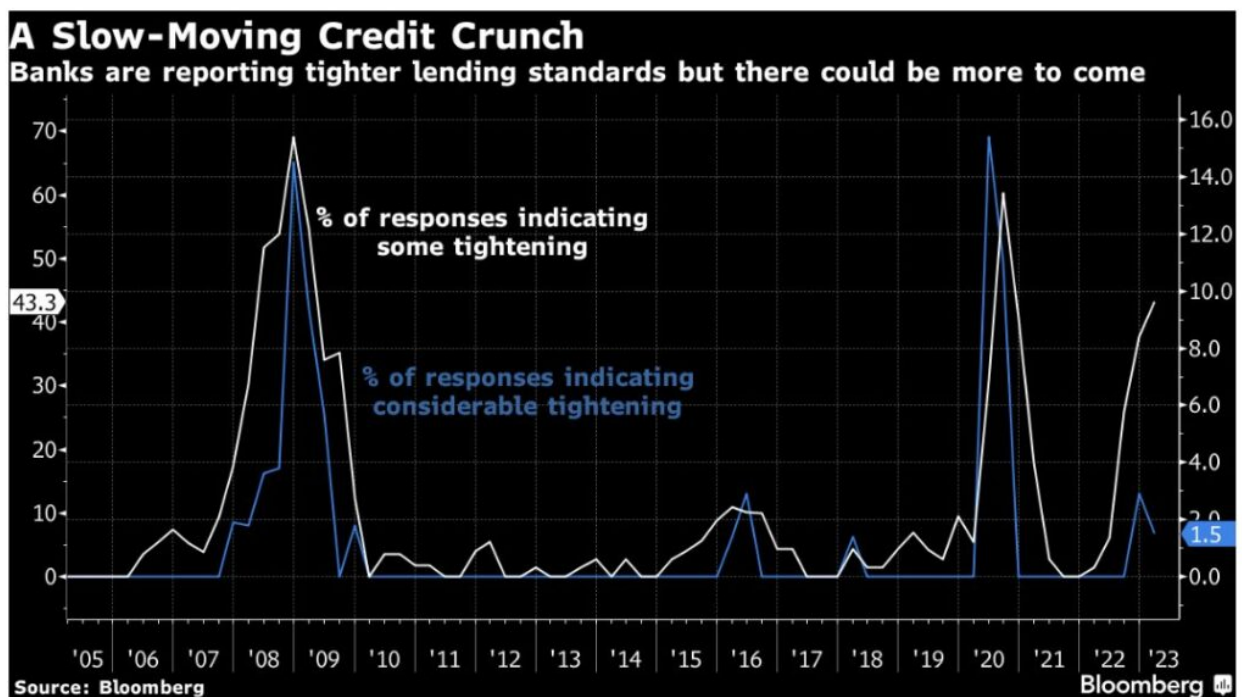
Maybe the most important reason for bullishness is that existing homes for sale are few and far between. According to the most recent NAHB homebuilder survey, new homes make up 30% of all available homes. This is not due to a glut of new housing but a dearth of existing houses. Simply, many homeowners are not willing to reduce prices or move and trade in their low mortgage for a new, higher interest rate mortgage.



Slow-Moving Credit Crunch

Financial lending standards have been tightening in sync with Fed rate increases. In time, tougher financial lending standards result in slower economic activity as loan creation is limited. In the past, reduced loan activity has taken up to a year to catch up to tightening standards. This cycle, if it is to occur, is taking even longer. However, we have been discussing the possibility that the banking crisis and sizeable loss of deposits will force banks to slow down their loan-making operations and potentially speed up the lag.

Based on the Bloomberg graph below, banks have not yet considerably tightened standards. Over the coming months, we will keep a close on loan data and financial standards to see how the crisis affects bank operations. Such will provide good feedback on what to expect from the economy in the latter half of the year.



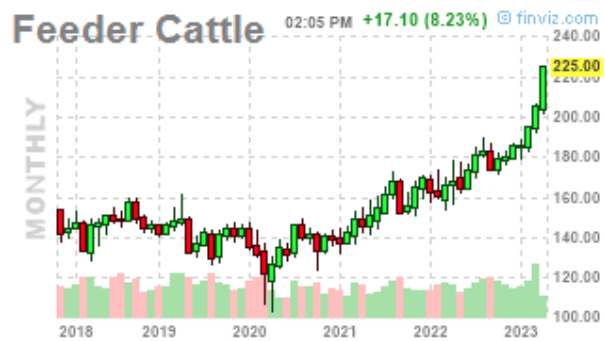
Commodity Inflation and Bullish Flags on the CRB

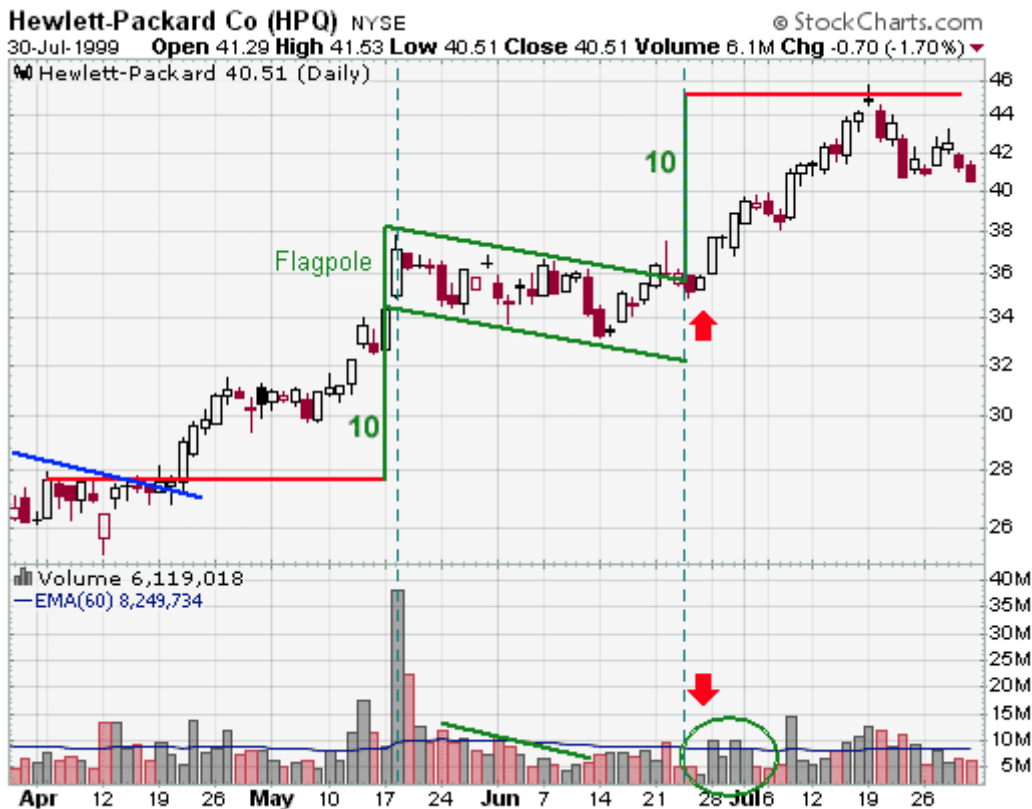
Yesterday's commentary noted that orange juice, coffee, and sugar prices were rising to their highs. A reader pointed out that the cattle complex is also hitting new five-year highs. The second graph below shows that the broad Bloomberg CRB Index reflects the bullish movements in some of its underlying products. After rallying for two years, the index has been in a downward trending channel for the last year. Recently, the index set a higher high and approached the upper channel band. Some technicians would label the pattern as a bullish flag. Per Stock Charts:

A flag is a small rectangle pattern that slopes against the previous trend. If the previous move was up, then the flag would slope down. If the move was down, then the flag would slope up. Because flags are usually too short in duration to actually have reaction highs and reaction lows, the price action just needs to be contained within two parallel trend lines.

The target for such a pattern is the length of the "flag pole." If the pattern proves out, that could mean a significant rally if the CRB Index breaks out of its channel and hits new highs. The third graph below, courtesy of StockCharts, shows a picture-perfect bullish flag.

From an inflation perspective, such a breakout would be bad news for the Fed as it would likely result in inflation running hotter than its 2% goal.





Tweet of the Day



Lance Roberts @LanceRoberts · 38m

The [#market](#) just touched 4150 and the [#VIX](#) is crashing like we are in a major [#bullmarket](#) run. Watch for a reversal to know when to [#sell](#) the [#rally](#).



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