# Dashboard

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What Matters at a Glance

**Pulling It All Together**

**Storm Tracker**

**U.S. Markets**

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Daily Market Digest

WEEK OF JUNE 27, 2022

## Eye on the Markets

### Market Notes for Friday

Stocks threw in the towel at the start of Friday's session, climbing back by half during the day as an ugly first half for 2022 came to a close with the S&P clocking its most significant first-half decline since 1970 and the Nasdaq since 2002. Weak consumer-spending data was a trigger, adding fuel to the fire over recessionary worries. Treasury 10-year yields sank to 3% from a decade-high of 3.5% in mid-June while the dollar had its best quarter since 2016, both flights to quality. Our Model Portfolios were up by plus 0.35% on average on Thursday as hedges kicked in, compared to the Dow, S&P, and Nasdaq average of negative 1.01%. Enjoy the long holiday weekend. We'll be back Monday (vs. Sunday) evening with a new Edition of *Pulling It All Together*, focused on signals that matter the most right now.

| MODEL PORTFOLIOS | STORM TRACKER CASH ALLOCATION | | | | |
|---|---|---|---|---|---|
| For Friday, July 1, 2022 | Very Low | Low | Moderate | High | Very High |
| No Changes Today | 🟩 | 🟩 | 50% | 🟧 | 🟥 |

Go to Portfolio

## Weekly Pulling It All Together

Weekly Macro Analysis

## "QUOTE OF THE WEEK"

Lewis Grant, a senior portfolio manager at Federated Hermes, wrote in a note last week, *"Negative sentiment dominates the conversation as the excesses of the bull market are cleared out. Yet the VIX index is only marginally elevated. For equities at least, this is an orderly bear market rather than outright panic."* Until its isn't, as we describe below.

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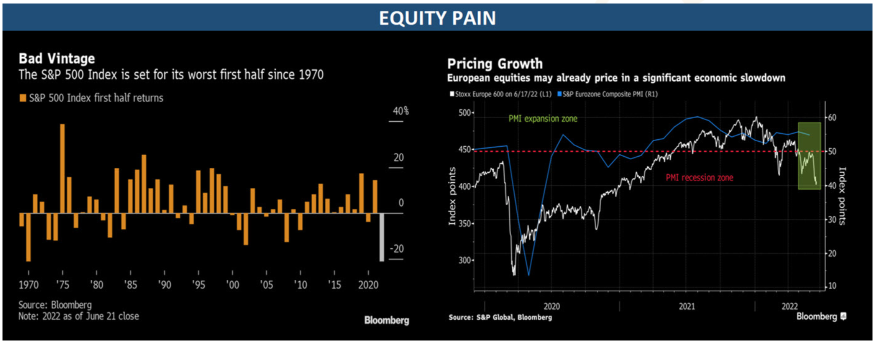
## Equities Tumble

Despite last week's late rebound, the S&P 500 Index is remains on track for its worst half since 1970 (chart left). European equities, too, appear to be pricing in a significant economic slowdown ahead (chart right). The toxic mix of high inflation and a hawkish Fed may well tip the U.S. economy into a recession, together with major global regions and countries. **Keeping It Simple:** Equites remain at risk, notwithstanding last week's late rebound.

### EQUITY PAIN



**Bad Vintage**
The S&P 500 Index is set for its worst first half since 1970

Source: Bloomberg
Note: 2022 as of June 21 close

**Pricing Growth**
European equities may already price in a significant economic slowdown

Source: S&P Global, Bloomberg

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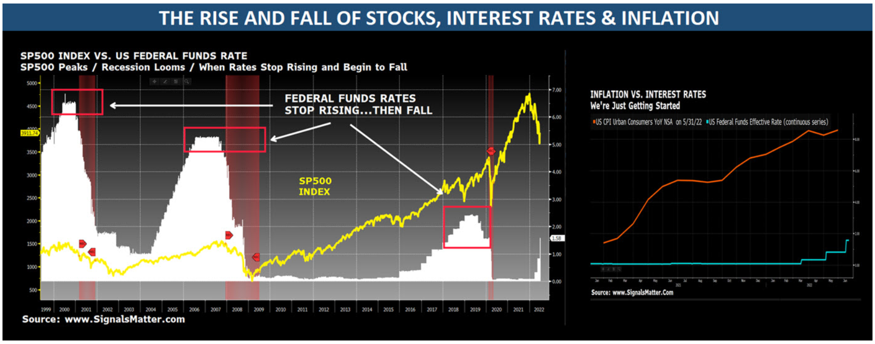
## Stocks, Interest Rates & Inflation

To illustrate where we are in the cycle of rising & falling stocks, interest rates, and inflation, we plot the same below, dating back to three recessions. This we know about interest rates (in white). They are cyclical. They rise until they fall...and they fall until they rise. Rising interest rates choke spending, GDP growth, and ultimately federal tax receipts, eventually to the point of little to no return on stock investing. In the last three recessions plotted below (chart left), we see the S&P 500 Index (in yellow) rise as interest rates rise and then fall when rates rapidly decline. Chart right (inflation vs. interest rates) shows how far interest rates have to rise to curb rampant inflation. CPI inflation is running north of 8%, with Fed Funds interest rates below 2%. **Keeping It Simple:** While stocks may rebound on optimism that the Fed is now engaged in winning the battle, we've got a long way to go (and much risk ahead) before this is over.

### THE RISE AND FALL OF STOCKS, INTEREST RATES & INFLATION



**SP500 INDEX VS. US FEDERAL FUNDS RATE**
**SP500 Peaks / Recession Looms / When Rates Stop Rising and Begin to Fall**

Source: www.SignalsMatter.com

**INFLATION VS. INTEREST RATES**
**We're Just Getting Started**

Source: www.SignalsMatter.Com

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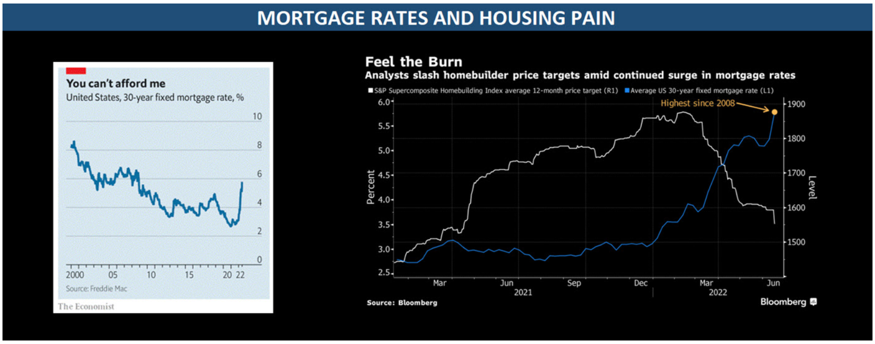
## U.S. Mortgage Rates

To example of the speed with which rising rates can cripple associated sectors, we plot below fast-rising mortgage rates (chart left) alongside fast-falling homebuilder price targets (chart right). On June 15th the Federal Reserve raised interest rates by 0.75 percentage points. A day later, the benchmark 30-year fixed mortgage rate hit 5.78%, an increase of more than half a percentage point over the week before, illustrating just how swift and brutal the rise in interest rates can be (and has been) on important interest-sensitive sectors. **Keeping It Simple:** Rising interest rates feed into rising rents, which in turn contribute to headline inflation, until the bubble bursts.

### MORTGAGE RATES AND HOUSING PAIN



**You can't afford me**
United States, 30-year fixed mortgage rate, %

Source: Freddie Mac
The Economist

**Feel the Burn**
Analysts slash homebuilder price targets amid continued surge in mortgage rates

Source: Bloomberg

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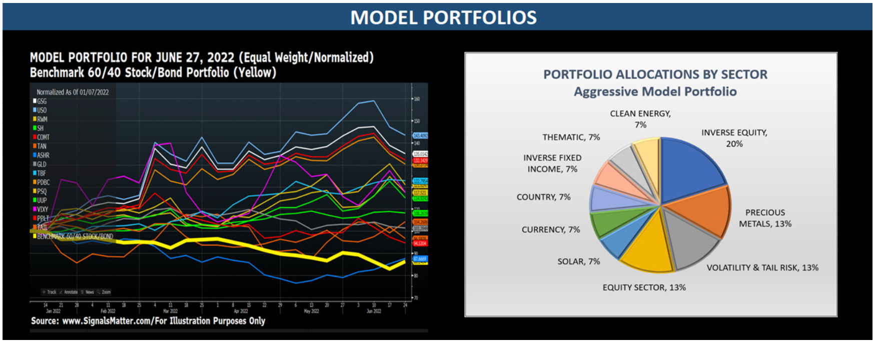
## No Changes

Surprisingly perhaps, we are making no changes to the Model Portfolios for Monday. Parsing our opportunity set of over 1,000 ETFs, no new ETFs (beyond those now invested) are popping up as new opportunities. Hence, we enter this week with a balance of inverse protection (and opportunity) alongside what's working on the long side. **Keeping It Simple:** Patience is a virtue.

### MODEL PORTFOLIOS

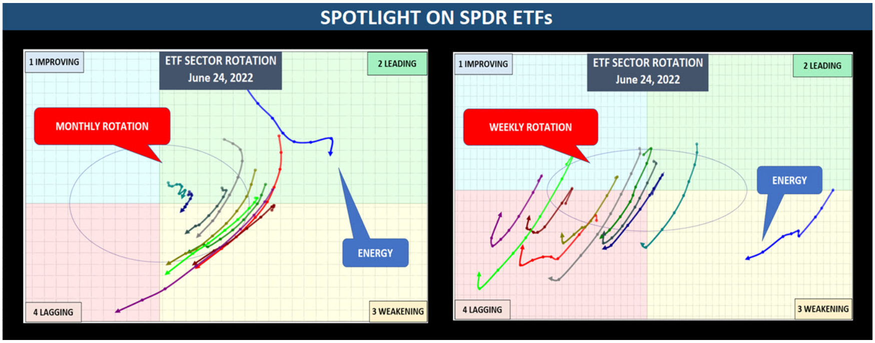


Source: www.SignalsMatter.com/For Illustration Purposes Only

## Sector Rotations

It's been some time since we've spotlighted SPDR Sector Rotations across equity markets. SPDRs are basket stock concentrations in energy, materials, industrials, consumer discretionary, consumer staples, health care, financials, information technology, telecommunications, utilities, and real estate. In the charts below, we plot the 11 SPDRs against an absolute benchmark return (like 5% instead of the SP500 Index), as we've always believed that indexing a basket of equities to a bigger basket of equities is a fools' errand. Monthly rotations (chart left) are pointing to more pain as ETFs migrate from the weakening quad to the lagging quad, with energy finally caving in. Weekly rotations (chart right) are lagging, yet reflect last week's bounce in equities, with energy trying to catch up. **Keeping It Simple:** Continue to hedge bets.

### SPOTLIGHT ON SPDR ETFs



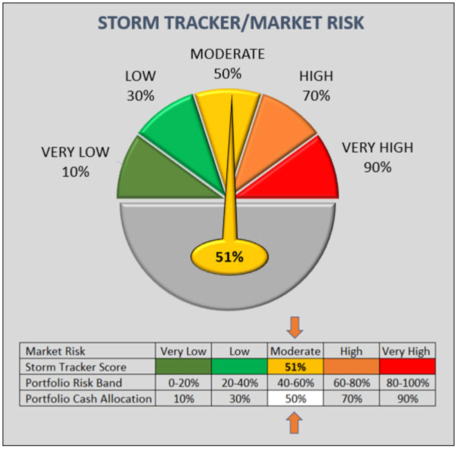
# Weekly Storm Tracker

# Global Storm Tracker

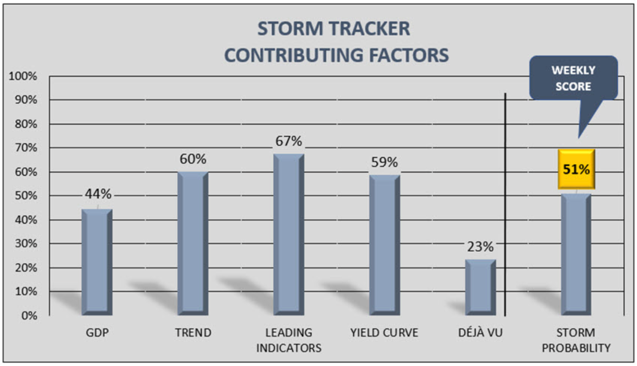
### CURRENT ECONOMIC DRIVERS

## STORM TRACKER

**Storm Tracker** is our starting point when it comes to assessing global risk, the proximity of the next recession, and our recommended cash allocation in the Signals Matter Conservative and Moderate Portfolios. Storm Tracker tracks the probability of stormy weather ahead by monitoring growth in GDP, Sector Trends, Leading Indicators, Yield Curves, and Déjà Vu, our propriety indicator that measures credit spreads against the S&P 500 Index. Storm Tracker is updated weekly. As market risk rises, cash allocations rise. As market risk falls, cash allocations are reduced, favoring higher allocations to our Portfolio Suggestions.



| Market Risk | Very Low | Low | Moderate | High | Very High |
|---|---|---|---|---|---|
| Storm Tracker Score | 🟩 | 🟩 | 51% | 🟧 | 🟥 |
| Portfolio Risk Band | 0-20% | 20-40% | 40-60% | 60-80% | 80-100% |
| Portfolio Cash Allocation | 10% | 30% | 50% | 70% | 90% |



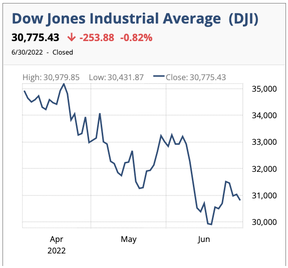
# U.S. Markets

# Today`s US Markets

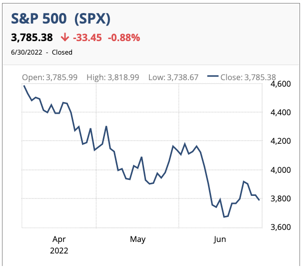
### BE YOUR OWN ANALYST

## Today's U.S. Markets

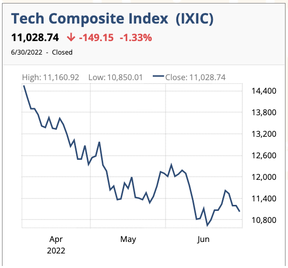
**The tickers below display** current performance for U.S-based Stock, Bond, U.S. Dollar and Commodity Indexes for the past 90-days. **Be your own analyst.** Click on *any Index* for a full-screen chart. Click on *any timeframe*. Add *any of 4 overlays and 24 indicators* to analyze momentum, trend and more. Then scroll down to our *constantly-updated news feed*.



**Dow Jones Industrial Average (DJI)**
**30,775.43** ↓ -253.88 -0.82%
6/30/2022 - Closed



**S&P 500 (SPX)**
**3,785.38** ↓ -33.45 -0.88%
6/30/2022 - Closed

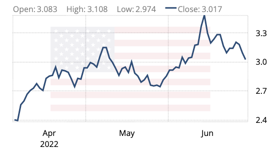


**Tech Composite Index (IXIC)**
**11,028.74** ↓ -149.15 -1.33%
6/30/2022 - Closed

### U.S. 10-Year Bond Yield (US10YBY)

**3.017** ↓ -0.070 -2.27%

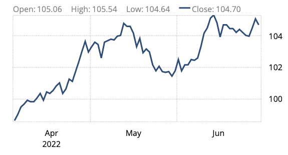
1:59:59 PM - Delayed Data



### US Dollar Index (DXY)

**104.70** ↓ -0.36 -0.34%

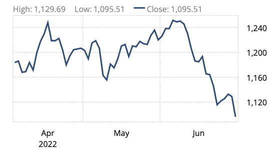
6/30/2022 - Closed



### Dow Jones Commodity Index (DJCI)

**1,095.51** ↓ -33.31 -2.95%

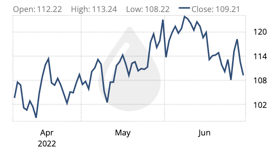
6/30/2022 - Closed



### Brent Oil (CO)

**109.21** ↓ -3.24 -2.88%

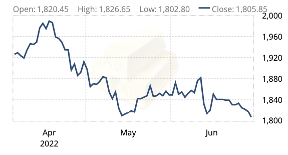
1:59:59 PM - Delayed Data



### Gold (GC)

**1,805.85** ↓ -11.65 -0.64%

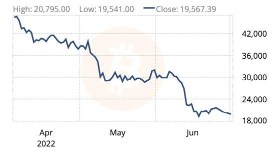
1:59:59 PM - Delayed Data



### Bitcoin (BTC)

**19,567.39** ↓ -371.74 -1.86%

7/01/2022 - Delayed Data



# Global Markets

# Today`s Global Markets

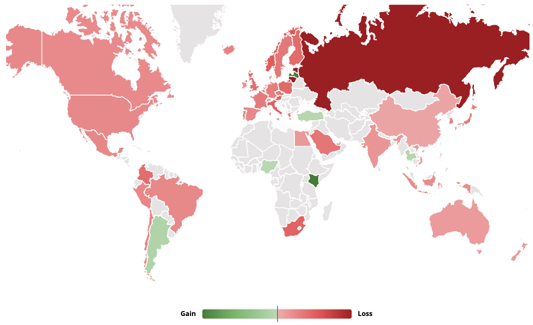
AROUND THE WORLD IN A SINGLE CLICK

## Today's Global Heat Map

***Global Stock Markets by Region...***

**Our Global Heat Map provides a global look at stock performances,** in whatever timeframe you choose. **Dig deeper** by clicking on any *country*. Then click on any *country-specific index* for a local chart. Then chose among *4 overlays and 24 indicators* to enhance your analysis. Then scroll down for *local, associated news*.

World | Europe | Asia & M.East | N.America | S.America | South Pacific | Africa | **Period:** 1-day ▾



**Global Indices**

| | Index ▲ | Value | Ch. |
|---|---|---|---|
| 🇦🇪 | Abu Dhabi Securities E... | 9,372.29 | -0.38% |
| 🇳🇱 | AEX Index | 659.23 | -1.10% |
| 🇺🇸 | Amex Composite | 3,891.30 | -0.81% |
| 🇳🇱 | AMX Index | 903.09 | -1.15% |
| 🇦🇺 | ASX 200 | 6,569.90 | -0.63% |
| 🇦🇺 | ASX All Ordinaries Index | 6,765.40 | -0.33% |
| 🇬🇷 | Athens General Comp... | 810.42 | -1.43% |
| 🇦🇹 | ATX Index | 2,879.29 | -2.35% |
| 🇧🇪 | BEL 20 Index | 3,682.07 | -1.19% |
| 🇹🇷 | BIST 100 Index | 2,405.36 | 0.14% |
| 🇧🇷 | Bovespa Index | 98,541.95 | -1.08% |
| 🇮🇳 | BSE Sensex | 52,734.42 | -0.54% |
| 🇫🇷 | CAC 40 | 5,922.86 | -1.80% |

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