

# Weekly Investment Highlights: 12 October 2022

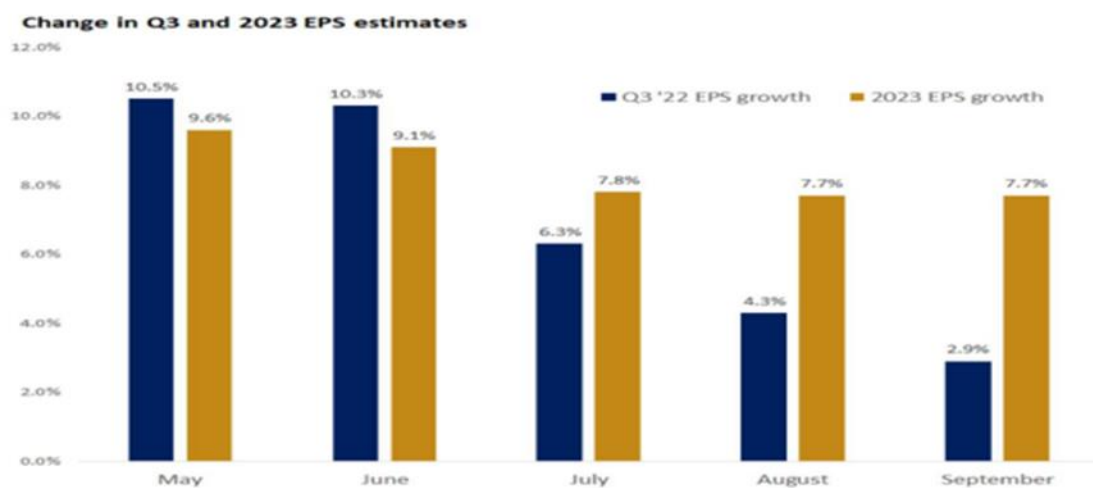
## CPI and Q3 Earnings Take Center Stage

The reporting stretch kicks off with the S&P 500 down 24% this year, on pace for its worst performance since the Great Financial Crisis.

JPM officially kicks off 3Q earnings this Friday post the much-anticipated CPI print on Thursday.

The 3Q profit outlook has deteriorated as the quarter has progressed to say the least.

Sell side analysts have cut ~\$34B off their Q3 S&P 500 earnings forecasts over the past 3 months. At the start of July, consensus expected year/year EPS growth of +10% but that has since been lowered to +3%.

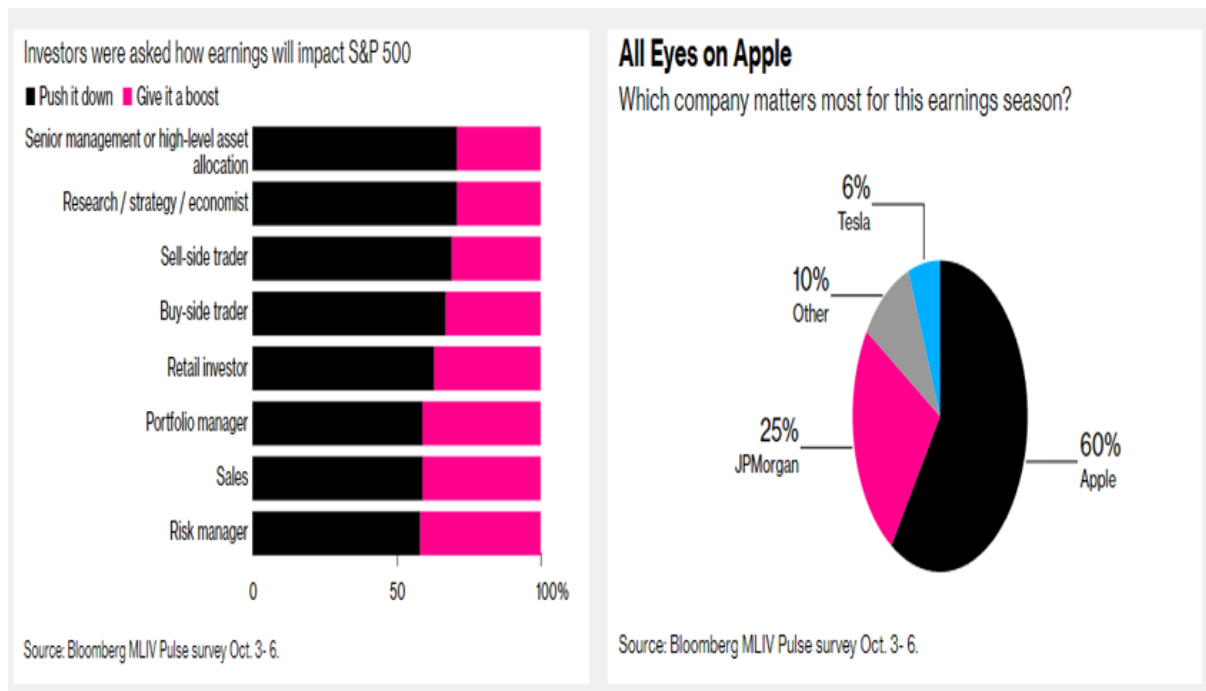


Source: Edward Jones 11.10.2022

## Bloomberg Survey Also Predicts a Bearish Picture

Wall Street got a reality check, with last Friday’s hot labor market report that will likely keep the Federal Reserve on its aggressive hiking trail.

Investors expect this earnings season to potentially hit stocks further and will watch Apple Inc., in particular as a bellwether of global economic conditions.



Source: Bloomberg MLIV Pulse 11.10.2022

## Mood Remains Fragile Going Into CPI

The mood in markets is fragile ahead of Thursday's US inflation data, with the case for another 75 basis-point rate hike from the Fed likely to be strong if the reading comes in higher than forecast.

The Bloomberg survey expectations are for a September YoY print of 8.1%.

Below a summary of the potential scenarios, we can expect on the release of the CPI print.

Above 8.3% feels like another -5% day. The Sep 13 CPI print (8.3% vs. 8.1% consensus; 8.5% prior) triggered a 4.3% decline in the SPX

8.1% - 8.3%, negative.... SPX -1.5% - 2%. Bigger concern is the bond market repricing to increase the probability of a 75bps hike in December.

7.9% - 8.0% - likely enough to stage a rally, perhaps +75bps - 100bps. If we see an 8.0% print this week, then the next two prints need to average 6.9%.

Below 7.9% - should this come to fruition, a +2-3% day is most likely. If we see CPI gap down more than 60bps, the move could be larger.

Source: JP Morgan 11.10.2022

## VIX & SPX Approaching Key Technical Levels

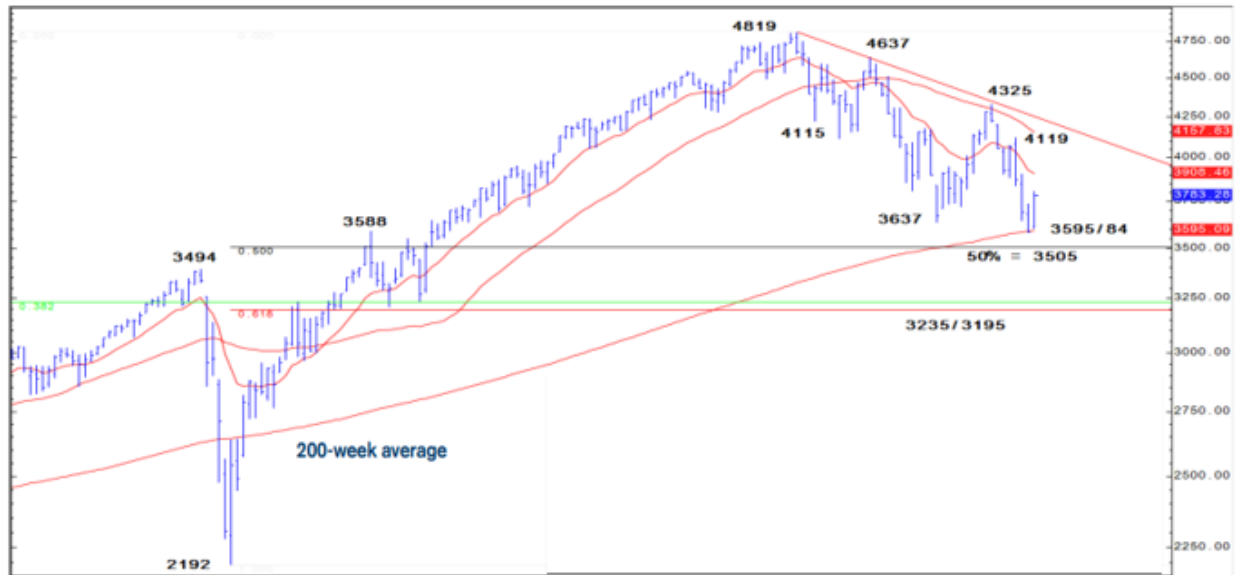
With the SPX reaching big support levels, the 2022 bear market is moving into a very critical phase, where we will soon get the answer whether we are moving into a more important problem in global equities or if the 2022 decline is just a normal and milder bear market.

A weekly close below its 200-week MA at 3585 in SPX would not bode well and suggest a move likely to the low 3200's. VIX above 39 would also be a confirmation of that.

VIX Chart



### SPX Chart



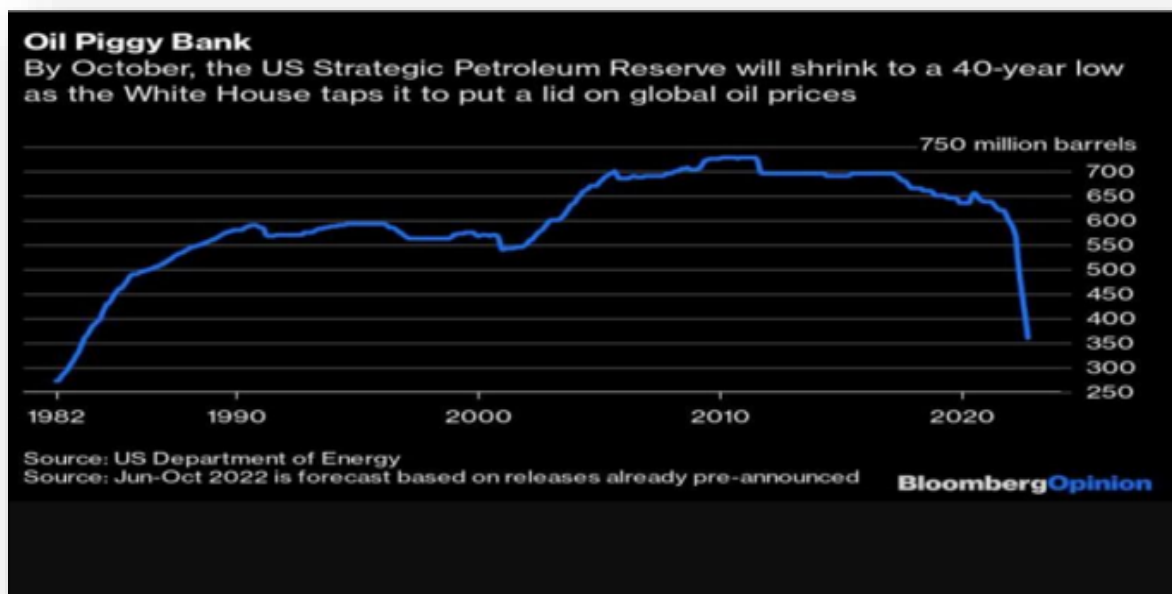
Source: Credit Suisse 11.10.2022

## OPEC+ Vs Biden

OPEC+ and its allies surprised markets by slashing oil production by 2 million barrels a day. Oil Markets rallied >15% on the back of the news.

The Biden administration, strongly lobbied OPEC+ to continue oil production at current levels or higher, because the move is expected to worsen inflation worldwide.

The US had been releasing reserves to put a lid on the prices of oil to fight inflation. As US reserves approach 40-year lows, this move from OPEC+ certainly would be a dampener in relations between the US & KSA while keeping oil prices elevated.



Source: Bloomberg 11.10.2022