

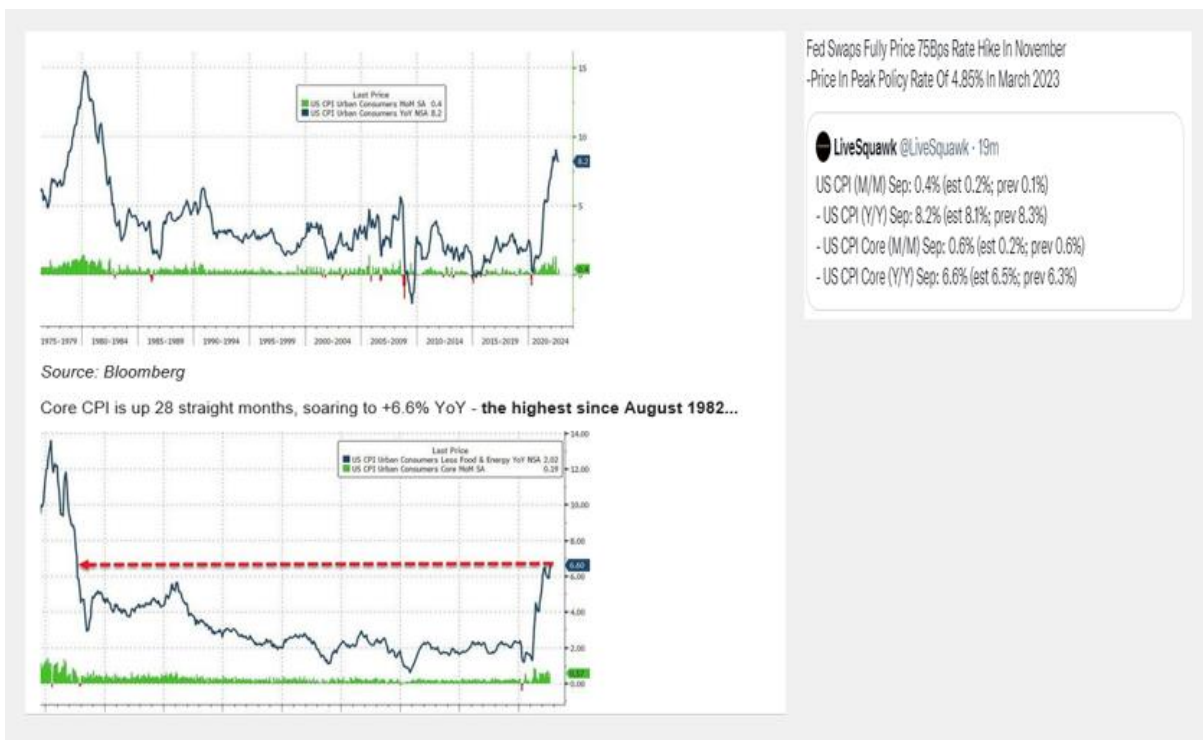
Weekly Investment Highlights: 19 October 2022

CPI Surges To 40 Year Highs

Core CPI is up 28 straight months, soaring to +6.6% YoY - the highest since August 1982.

Short-term interest rate markets in the US are now expecting the Federal Reserve to deliver back-to-back 75-basis-point rate hikes at its coming meetings, with the possibility of 100 basis points in November.

Prior to the report, the market was expecting a three-quarter-point increase next month and a half-point hike in December, but expectations shifted after both month-on-month core and headline CPI beat estimates



Source: Bloomberg 18.10.2022

Equities Have One Of The Largest Reversals

Despite the surging CPI, and much to everyone's surprise, both the S&P and Nasdaq had one of the largest inter day reversals last Thursday.

Going into the earnings season sentiment remains extremely negative and bearish. Next week will be the big tech earnings ahead of the much-anticipated Fed meeting on November 2nd.

The SPX has been down 28% over the last 9 months while the median bear market since 1929 has been -29% over a 12-month period.

We are clearly approaching levels and valuations, where we would not be surprised to see the market pan out a bottoming process in the coming weeks/months.

S&P 500 largest reversals from 52-week low

Since 1962

Date	Loss at Low	Gain at Close
1962-05-29	-4.27%	4.65%
1987-10-20	-3.73%	5.33%
2008-01-23	-3.09%	2.14%
2002-07-24	-2.76%	5.73%
2022-10-13	-2.39%	2.60%
1981-09-28	-2.29%	2.45%
2011-10-04	-2.23%	2.25%
2008-09-18	-1.98%	4.34%
2008-09-16	-1.96%	1.75%
1990-09-28	-1.66%	1.69%

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Nasdaq Composite largest reversals from 52-week low

Since 1989

Date	Loss at Low	Gain at Close
2008-11-13	-4.71%	6.50%
2008-10-16	-3.85%	5.49%
2001-03-01	-3.75%	1.47%
2022-10-13	-3.15%	2.23%
2002-07-24	-2.98%	4.98%
2001-03-22	-1.97%	3.69%
2002-07-11	-1.67%	2.11%
2002-07-03	-1.60%	1.65%
2008-11-21	-1.57%	5.18%
2008-09-18	-1.36%	4.78%

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Source: Sentimentrader

S&P 500 bear market update: -28% over the last 9 months.
Median bear market since 1929? -29% over 12 months.

S&P 500 Bear Markets (defined by 20% Peak to Trough Decline): 1929 - Present						
Bear Market Period	Length of Bear Market (Months)	NBER Recession	Length of Recession (Months)	S&P Start	S&P End	% Change
Jan 2022 to Oct 2022	9	?		4819	3492	-28%
Feb 2020 to Mar 2020	1	Feb 2020 to Apr 2020	2	3394	2192	-35%
Sep 2018 to Dec 2018	3			2941	2347	-20%
May 2011 to Oct 2011	5			1371	1075	-22%
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	18	1576	667	-58%
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	8	1553	769	-51%
Jul 1998 to Oct 1998	3			1191	923	-22%
Jul 1990 to Oct 1990	3	Jul 1990 to Mar 1991	8	370	295	-20%
Aug 1987 to Oct 1987	2			338	216	-36%
Nov 1980 to Aug 1982	22	Jul 1981 to Nov 1982	16	142	102	-28%
Sep 1976 to Mar 1978	18			109	86	-20%
Jan 1973 to Oct 1974	21	Nov 1973 to Mar 1975	16	122	61	-50%
Dec 1968 to May 1970	17	Dec 1969 to Nov 1970	11	109	69	-37%
Feb 1966 to Oct 1966	8			95	72	-24%
Dec 1961 to Jun 1962	6			73	51	-29%
Aug 1956 to Oct 1957	14	Aug 1957 to Apr 1958	8	50	39	-21%
Jun 1948 to Jun 1949	12	Nov 1948 to Oct 1949	11	17	14	-21%
May 1946 to May 1947	12			19	14	-28%
Nov 1938 to Apr 1942	36			14	7	-45%
Mar 1937 to Mar 1938	12	May 1937 to Jun 1938	13	19	9	-54%
Jul 1933 to Mar 1935	20			12	8	-34%
Sep 1932 to Feb 1933	5	Aug 1929 to Mar 1933	43	9	6	-41%
Sep 1929 to Jun 1932	33	Aug 1929 to Mar 1933	43	32	4	-86%
Average With No Recession	12					-29%
Average With Recession	16					-42%
Average All	14					-36%
Median With No Recession	7					-25%
Median With Recession	16					-39%
Median All	12					-29%



@CharlieBilello

Source: Sentiment Trader & Charlie Bilello 18.10.2022

Mid-Term Election Years

The US Mid Term Elections take place on November 8th.

Historically and going back 70 years, mid-term elections are generally followed by meaningful rallies in the 6 months post the elections as the table below shows.

A record number of voters have already turned out in the US state of Georgia on the first day of early voting, with the state the site of several key races in the November midterm elections.

S&P Performance from November through April in Mid to Pre-election Years.

S&P PERFORMANCE FROM NOVEMBER THROUGH APRIL IN MID TO PREELECTION YEARS							
YEAR	NOV%	DEC%	JAN%	FEB%	MAR%	APR%	NOV-APR%
1950-1951	-0.1	4.7	6.0	0.6	-1.5	4.4	14.8
1954-1955	8.1	5.1	1.8	0.4	-0.5	3.8	19.8
1958-1959	2.2	5.2	0.4	-0.1	0.1	3.9	12.2
1962-1963	10.2	1.3	4.9	-2.9	3.5	4.9	23.5
1966-1967	0.3	-0.1	7.8	0.2	3.9	4.2	17.2
1970-1971	4.7	5.7	4.0	0.9	3.7	3.6	24.9
1974-1975	-5.3	-2.0	12.3	6.0	2.2	4.7	18.1
1978-1979	1.7	1.5	4.0	-3.7	5.5	0.2	9.2
1982-1983	3.6	1.5	3.3	1.9	3.3	7.5	23.0
1986-1987	2.1	-2.8	13.2	3.7	2.6	-1.1	18.2
1990-1991	6.0	2.5	4.2	6.7	2.2	0.0	23.5
1994-1995	-4.0	1.2	2.4	3.6	2.7	2.8	9.0
1998-1999	5.9	5.6	4.1	-3.2	3.9	3.8	21.5
2002-2003	5.7	-6.0	-2.7	-1.7	0.8	8.1	3.5
2006-2007	1.6	1.3	1.4	-2.2	1.0	4.3	7.6
2010-2011	-0.2	6.5	2.3	3.2	-0.1	2.8	15.2
2014-2015	2.5	-0.4	-3.1	5.5	-1.7	0.9	3.3
2018-2019	1.8	-9.2	7.9	3.0	1.8	3.9	8.6
#UP-DN =	14-4	12-6	16-2	12-6	14-4	17-1	18- 0
AVG%CHG=	2.60	1.20	4.12	1.22	1.86	3.48	15.18
MED%CHG=	2.19	1.42	4.01	0.78	2.19	3.84	16.23

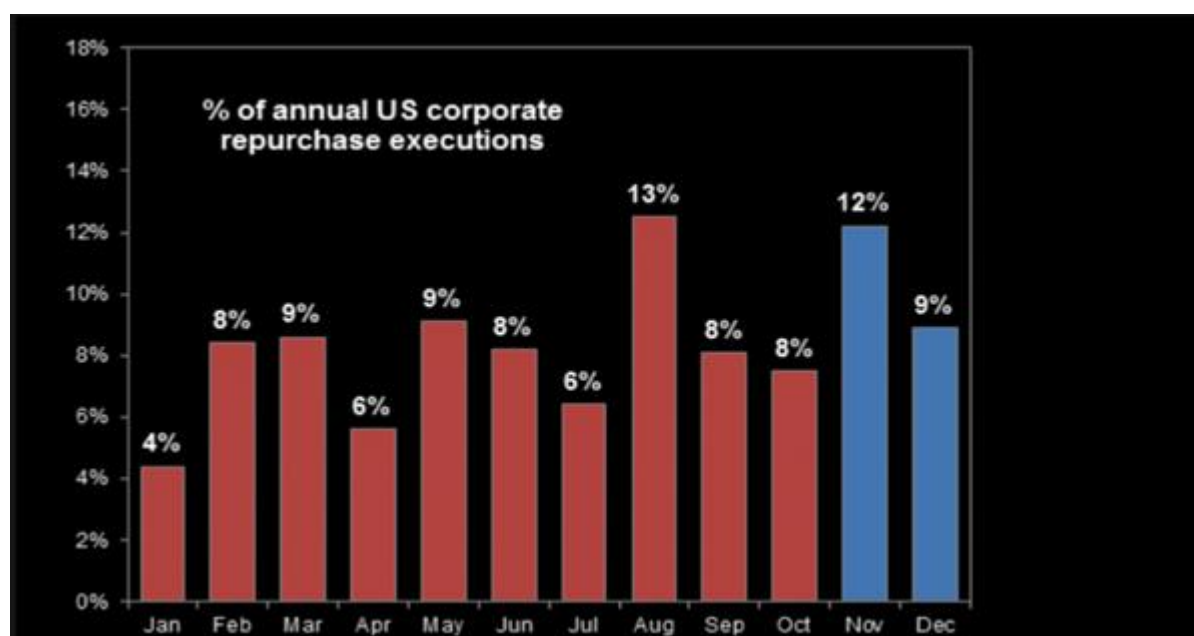
Source: The Market Ear 18.10.2022

Blackout Window Ends Soon

As the earnings season kicks off, the blackout period ends soon and the buybacks during the last two months of the year is big.

We should be expecting some \$5bln per day orders from the corporates and November is the “aggressive month”

According to Goldman’s buyback desk, the estimate for Q4 is a whopping \$270bln of buybacks.



Source: Bloomberg 18.10.2022

Hunt Replaces Kwarteng but Uncertainty Remains

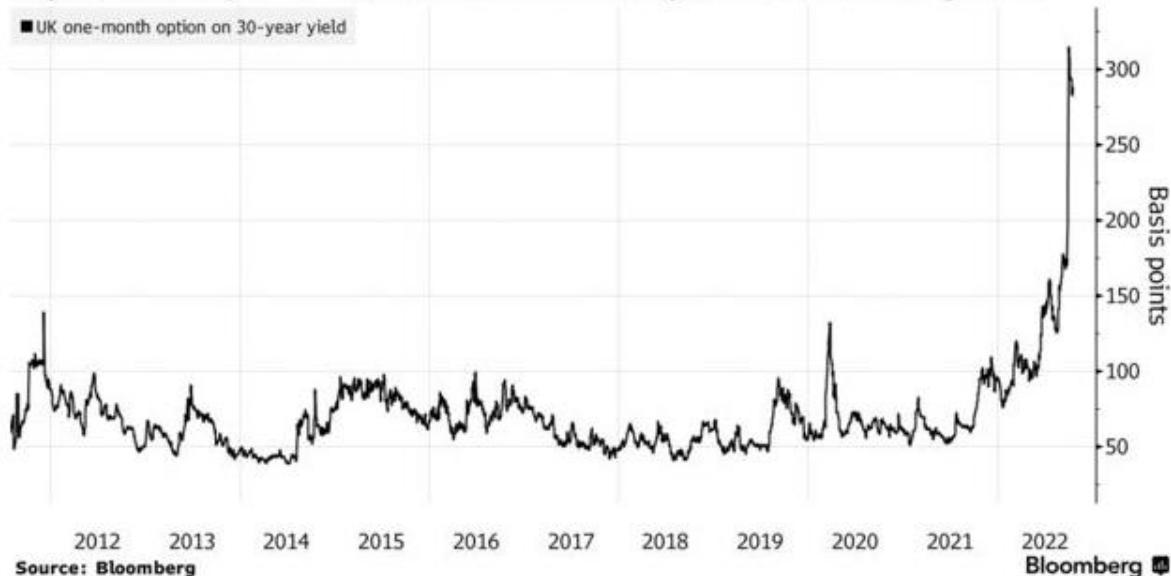
The pound rose and the Gilts rallied as investor confidence was bolstered by expectations that more of Prime Minister Liz Truss's package of unfunded tax cuts may be reversed.

The newly appointed Chancellor of the Exchequer Jeremy Hunt said in a BBC interview that nothing was "off the table" when it came to potentially abandoning more of the premier's planned measures.

While markets will be testing beleaguered Truss, her fate ultimately rests with a Conservative Party that has her scrambling to save her job.

UK Bonds Have Never Been This Volatile

Implied volatility shows how the market for 30-year debt is breaking down



Source: Bloomberg 18.10.2022

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