



NDR
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Weekly Snapshots

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July 1, 2022

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denotes Position Change

TIM HAYES, CMT, CHIEF GLOBAL INVESTMENT STRATEGIST

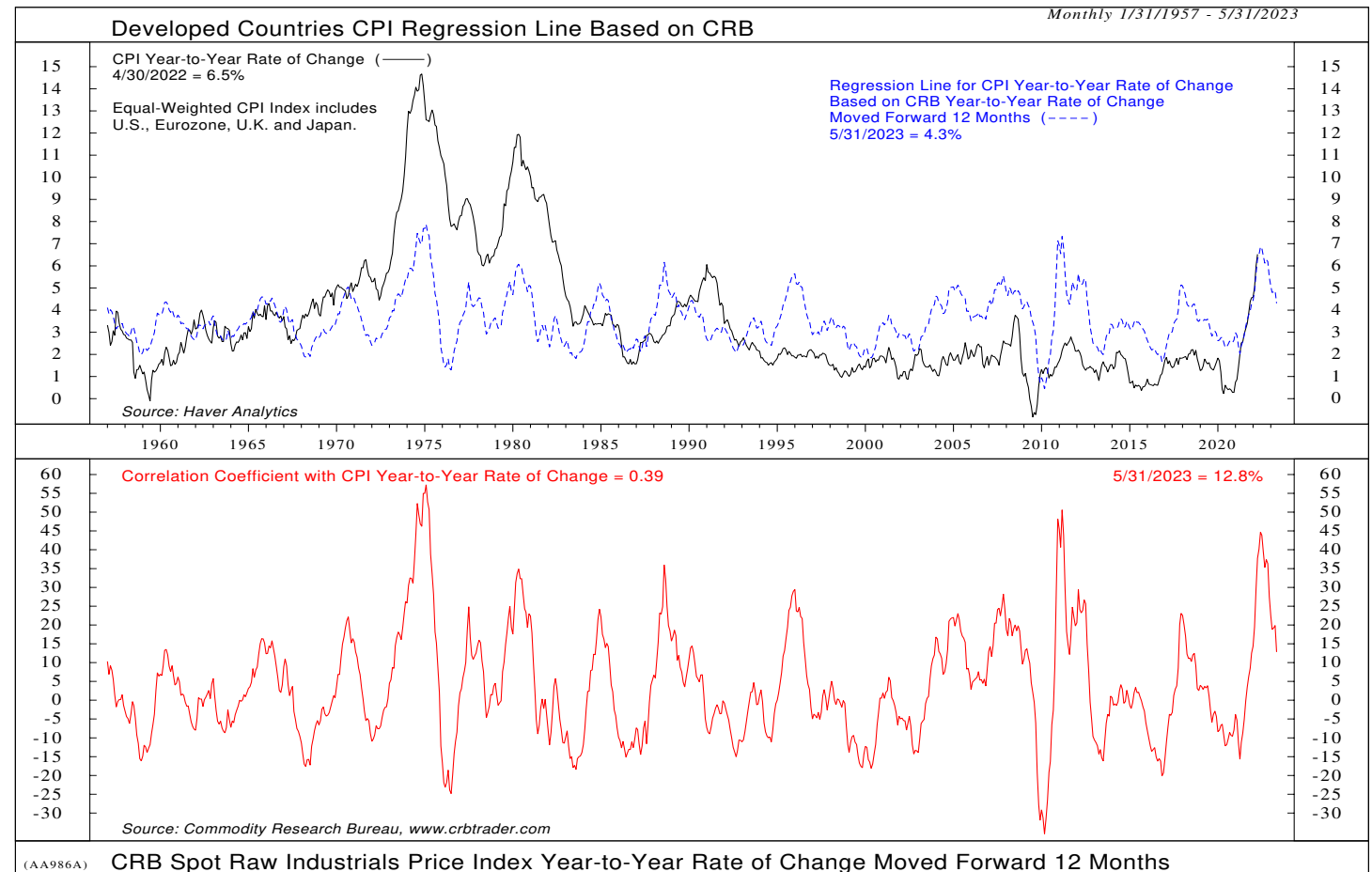
JUNE 30, 2022

The commodity descent and its implications

Key Takeaways

- Downgraded Canada from overweight to marketweight, upgraded U.S. from market-weight to overweight and Europe ex. U.K. from underweight to marketweight.
- Weakening commodity trend negative for Energy and Materials sectors, Canada Index, and resource-based emerging markets and currencies.
- Commodity decline points to future inflation declines, consistent with receding inflation expectations.

Negative commodity momentum points to dropping inflation



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JOSEPH F. KALISH, CHIEF GLOBAL MACRO STRATEGIST

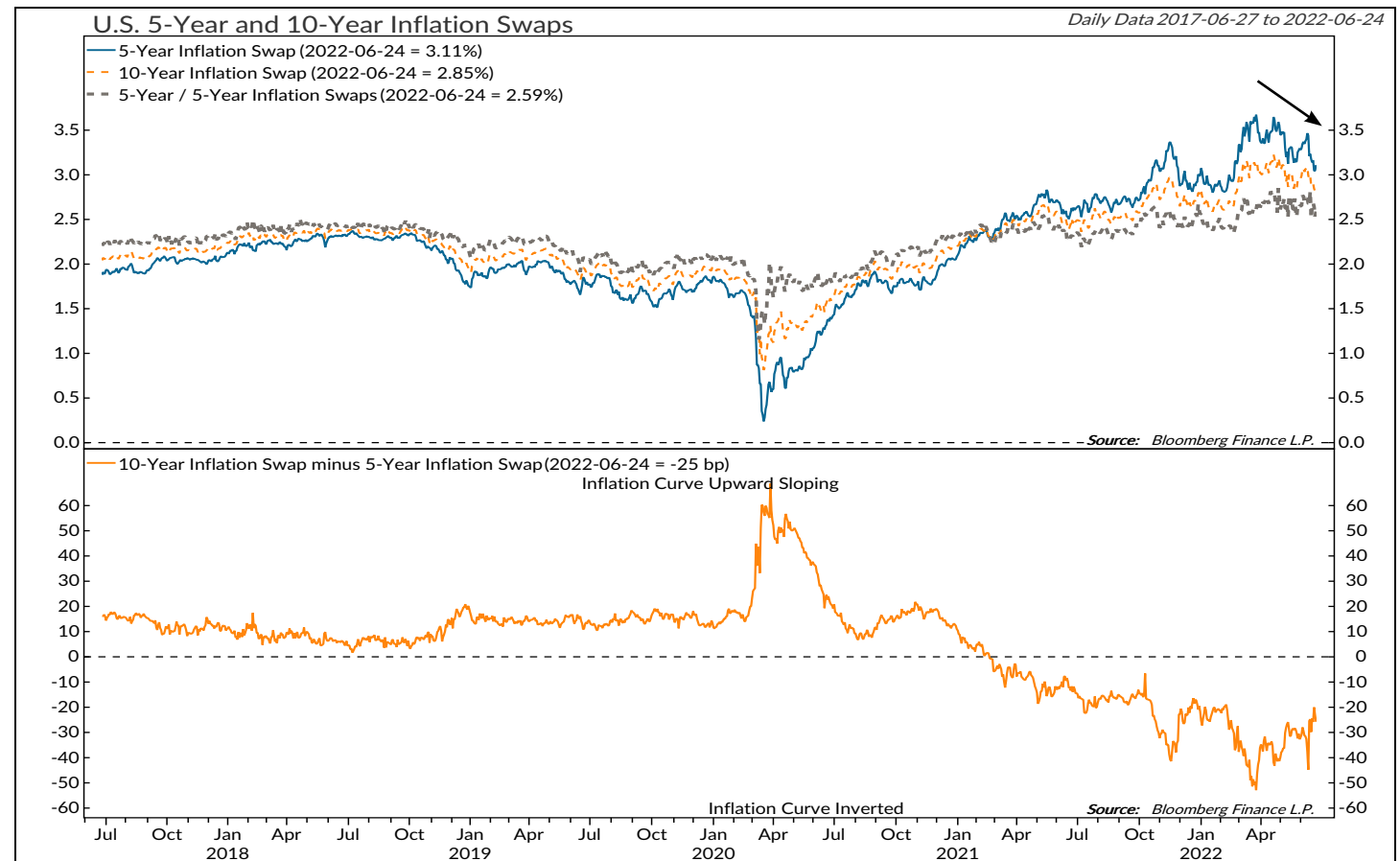
JUNE 28, 2022

Have we seen the peak in 10-year yields?

Key Takeaways

- Ten-year Treasury yields have likely entered a new trading range, as inflation expectations recede and recession odds increase.
- Bonds were undervalued at recent yield highs.
- Failed technical breakout argues for a yield peak.

Inflation expectations peaked earlier this year



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Another downward revision to our U.S. growth outlook

Key Takeaways

- Lowered our outlook for 2022 real GDP growth to 1.5%-2.0% from 3.0%-3.5% previously.
- The Fed's commitment to aggressive tightening is slowing economic growth faster than initially expected.
- Although key economic indicators are not yet at recessionary levels, the risk of recession has been pulled forward to end of 2022/early 2023.

Key indicators are turning more bearish

Above-Trend Growth vs. Recession Watch Report

| Indicator | Above-Trend Growth Level | Key Recession Level | Current Level | Date | Chart |
|--|--------------------------|---------------------|---------------|------------|------------------------|
| NDR Recession Probability Model | 5 | 50 | 1.1 | 2022-05-31 | E0046C |
| Housing Starts (Smoothed 3-Mo Change) | 3.44 | -7.85 | 2.84 | 2022-05-31 | E240 |
| NDR Economic Timing Model | 17 | 0 | 4 | 2022-05-31 | E2A |
| NDR Composite Leading Index | 3.4 | -2.6 | 0.7 | 2022-05-31 | E31 |
| National Financial Conditions Index | -0.7 | 0.9 | -0.2 | 2022-06-17 | E557 |
| Initial Claims for Unemployment Insurance (4-wk Avg) | 350 | 500 | 2235 | 2022-06-17 | E104A |
| Conference Board's Consumer Confidence Index | 98.2 | 63.2 | 98.7 | 2022-06-30 | E131 |
| Conference Board's CEO Confidence Index | 61 | 43 | 42 | 2022-06-30 | E0276 |
| ISM Manufacturing Index | 55.0 | 48.0 | 56.1 | 2022-05-31 | E220 |
| ISM Non-Manufacturing Index | 55.2 | 51.4 | 55.9 | 2022-05-31 | E224A |

Source: Ned Davis Research, Inc., Department of Commerce, Federal Reserve Bank of Chicago, Federal Reserve Bank of Philadelphia, Haver Analytics, The Conference Board

Indicators which have reached their above-trend growth level are highlighted green.

Indicators which have reached their key recession level are highlighted red.

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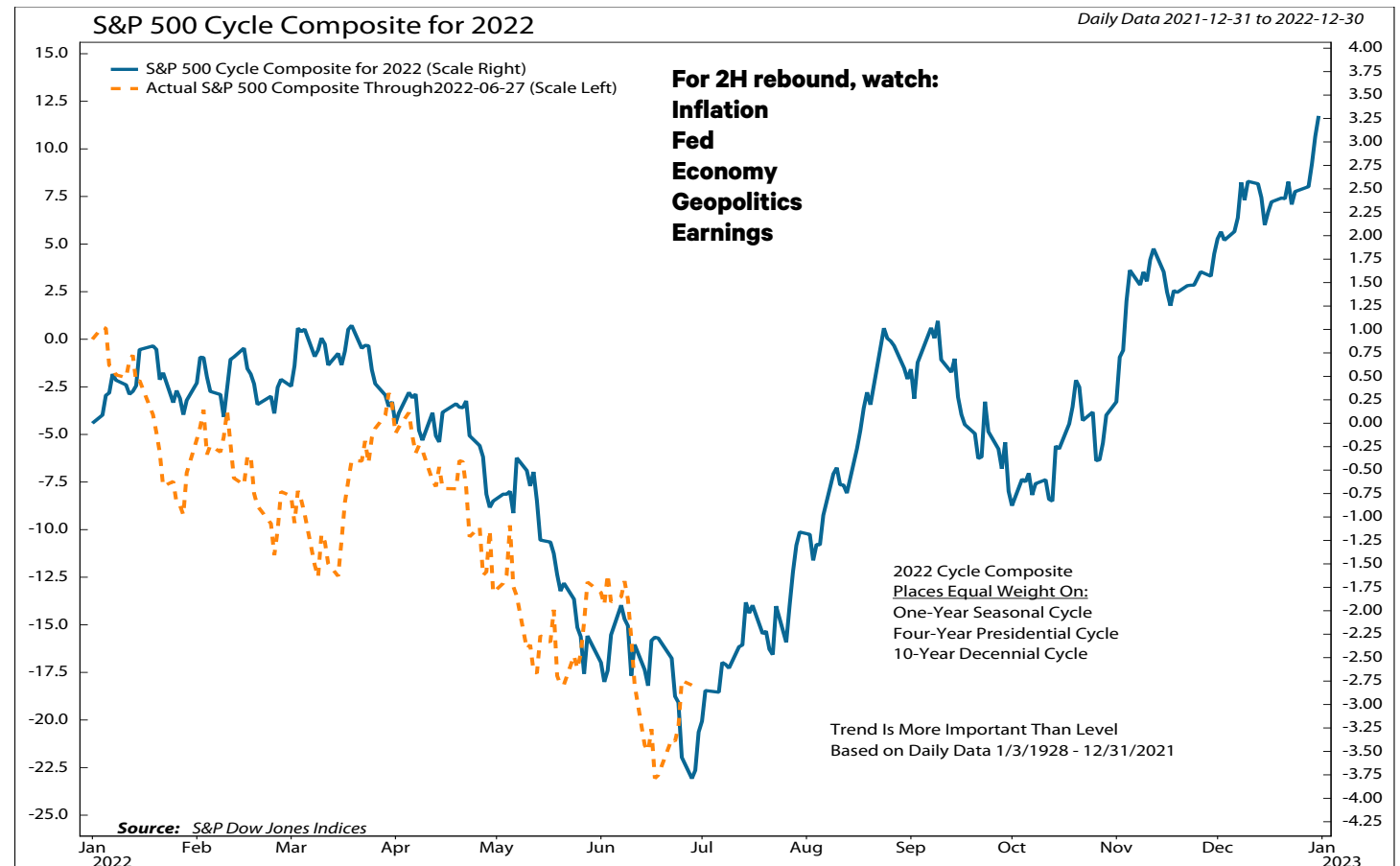


What will it take for a second half rebound?

Key Takeaways

- The stock market has been following the weak first half, strong second half message from the NDR Cycle Composite.
- A second half recovery would require improvements from inflation, the Fed, the economy, geopolitics, and earnings.
- Sentiment is already extremely pessimistic; watch for technical confirmation.

2022 following NDR Cycle Composite so far



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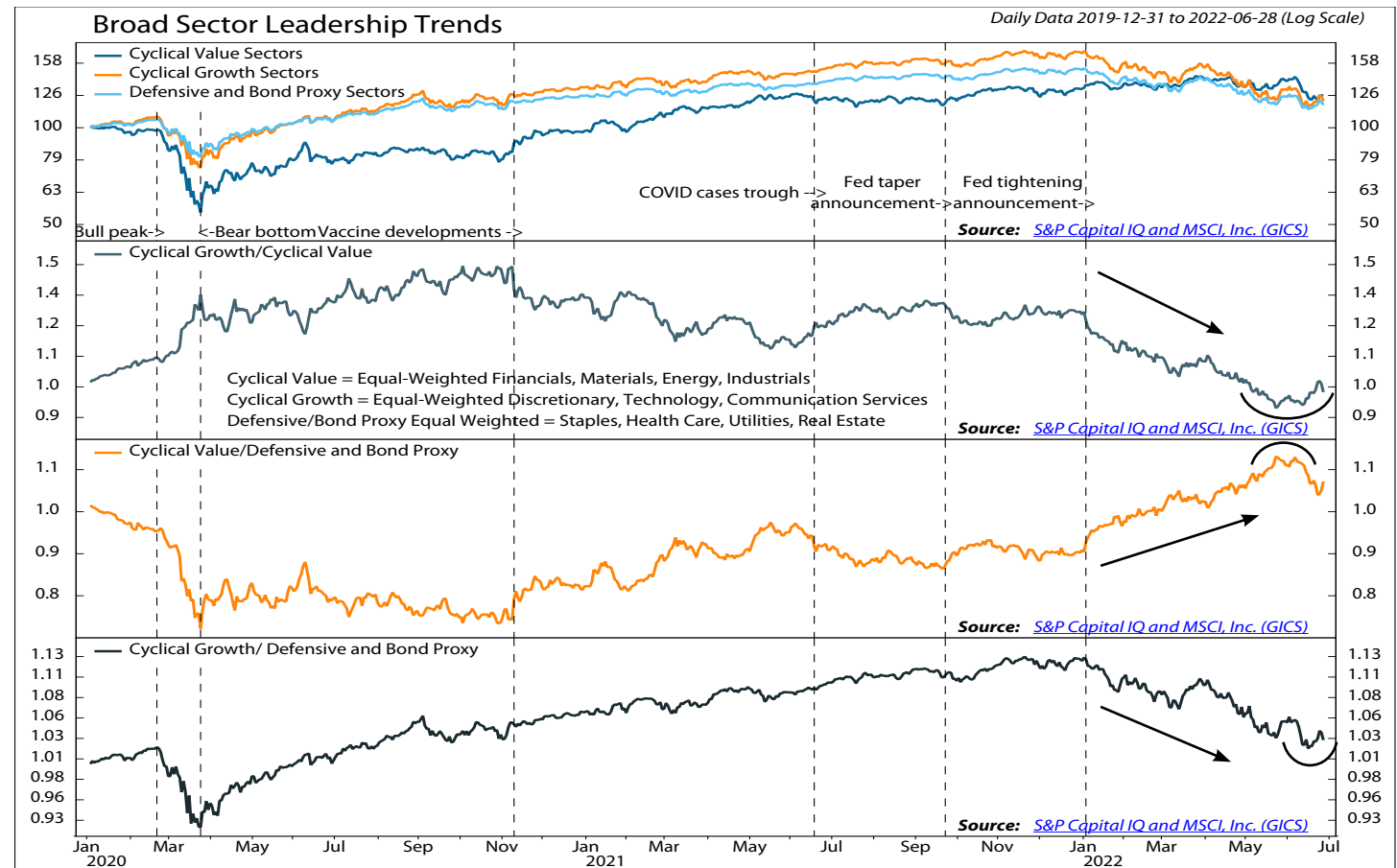


Second half sector outlook

Key Takeaways

- The first six months of the year have favored Value over Growth sectors, but a second half recovery could see Growth regain leadership status.
- Falling interest rates and inflation expectations would also support less Value leadership in the 2H.
- The sector model has started to move away from its heavy Value over Growth bias in recent months.

Is a sustainable leadership shift underway?



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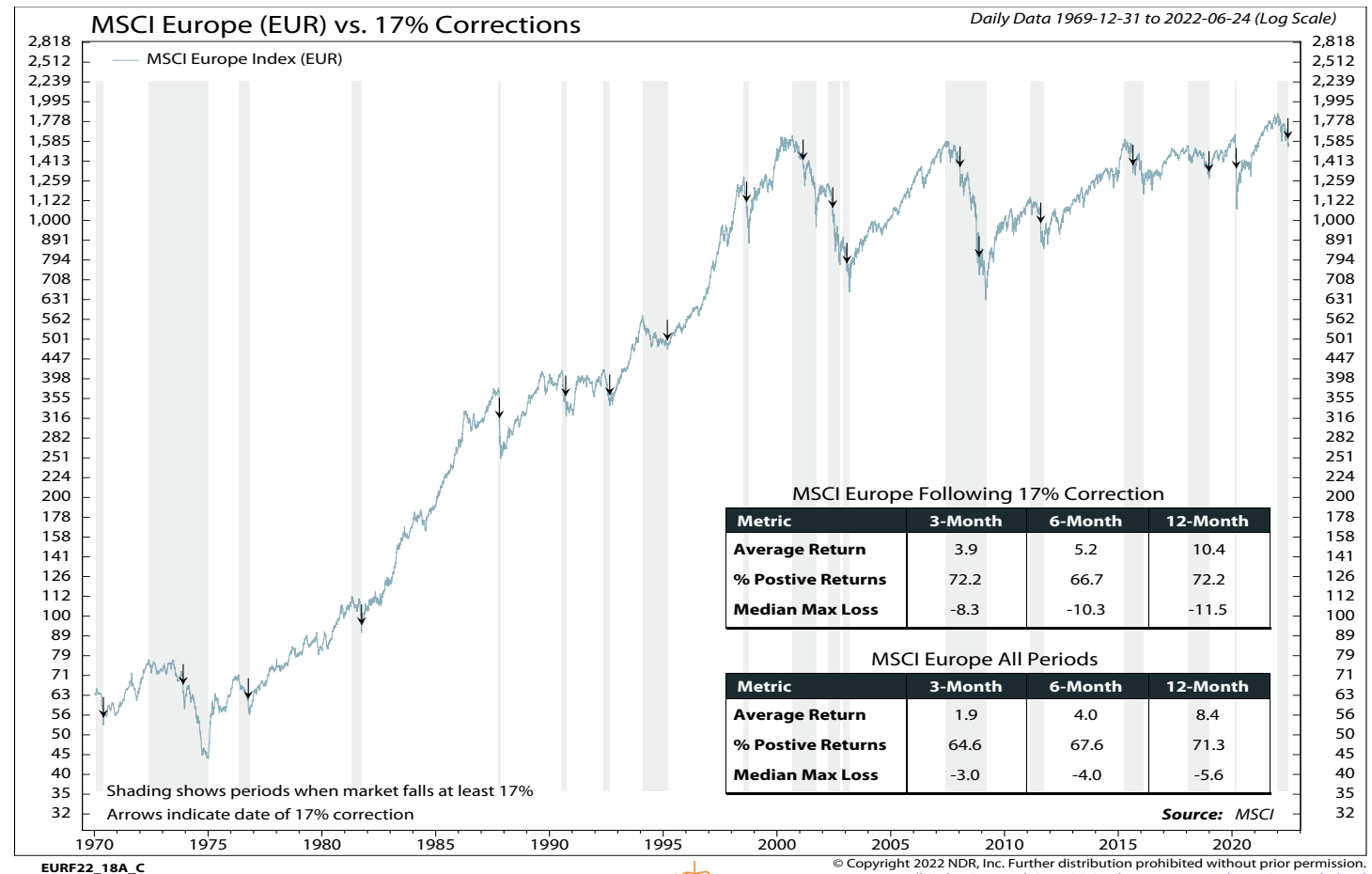
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Too early to become bullish

Key Takeaways

- After significant drawdowns, both upside and downside risk increase.
- Our indicators suggest there could still be further downside before the market finds a bottom.
- Watch for industry breadth to improve and the market to become more in gear to become more bullish.

Both upside and downside risk elevated



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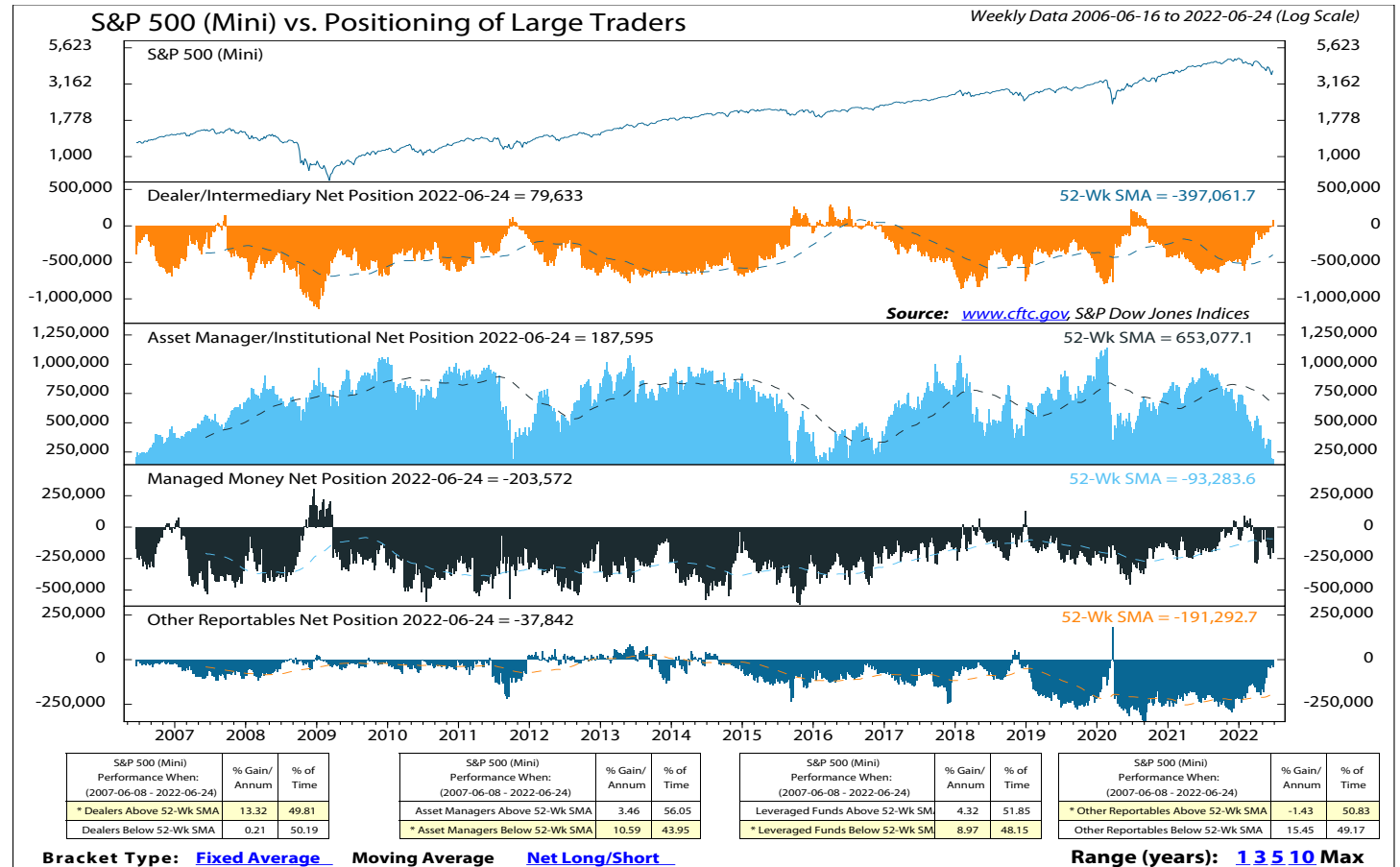
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Near-record bearish positioning

Key Takeaways

- Asset managers have been positioned more bearishly only three times in the last 15 years.
- The combination of asset managers and leveraged funds is extremely pessimistic.
- The NDR Daily Trading Sentiment Composite is off its lows, but still in extreme pessimism.

Net positioning by asset managers showing pessimism



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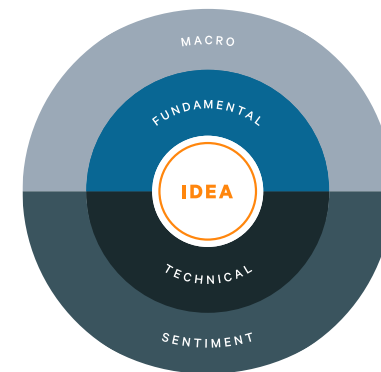
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