



INCISIVE INVESTOR

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WEEK IN REVIEW STOCKS END LOWER AFTER DISAPPOINTING EARNINGS

IN THIS ISSUE

- ▶ **Focus on slowing growth after soft PMIs**
- ▶ **Prices and rates rise, home sales cool**
- ▶ **Survey reveals fund managers avoid risk**



On Friday, U.S. stocks ended lower after Snap Inc. SNAP delivered disappointing earnings ahead of next week's deluge of quarterly results from technology giants.

But the Dow and S&P 500 still booked their best weekly gains in a month despite concerns about a slowing U.S. economy and another big interest rate increase from the Federal Reserve next week.

The Dow Jones Industrial Average DJIA shed 137.61 points, or 0.4%, to end at 31,899.29. The S&P 500 SPX fell 37.32 points, or 1%, to close at 3,961.63. The Nasdaq Composite COMP shed 225.50 points, or 1.9%, finishing at 11,834.11.

According to Dow Jones Market Data, major indexes still booked strong weekly gains with the Dow up 2% and the S&P 500 advancing 2.6%, the best week for both since June 24th. The Nasdaq rose 3.3% for the week.



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Focus on slowing growth after soft PMIs



US composite PMI fell to 47.5 from 52.2 due to a large decline in the services component. As monetary policy tightening intensifies, yield curves continue to flatten this week as long rates anticipate a growing recession, while short rates are held up by rate hike expectations.

Prices and rates rise, home sales cool

The National Association of Realtors reported on Wednesday that existing home sales in the United States dropped 5.4% in June from May. Prices continued to rise despite the decline in sales, with the median national home price reaching \$416,000. Five consecutive months of falling

sales have been attributed to high prices combined with higher borrowing costs. Similarly, housing starts fell to their lowest level since the beginning of the pandemic by 2.2% in June due to a decline among US homebuilders.

Survey reveals fund managers avoid risk

Equity allocations have fallen to levels last seen in the fall of 2008 following the collapse of Lehman Brothers, while managers are maintaining their largest cash cushion since 2001, according to the Bank of America Global Fund Managers' Survey. It is a lower level of risk than was recorded at the depths of the global financial crisis, 58 percent of managers said. The contrarian view is that such bearish readings could trigger a short-term rebound in equities..



About 21% of the S&P 500 Index companies have reported for Q2 2022, and blended earnings per share (which combines reported and estimated earnings) show 5% earnings growth compared to the same quarter last year, while sales rose 10.7%. In recent earnings calls, several financial services and technology companies announced hiring slowdowns or freezes.

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HEADLINERS

On Thursday morning, President Joe Biden tested positive for COVID-19 and was experiencing mild symptoms.

In the second quarter, the Federal Reserve Bank of Atlanta's GDPNow model predicts the US economy will shrink by 1.6%. This would be the second consecutive negative GDP print. On July 28th, the Bureau of Economic Analysis releases its first reading for Q2.

As 251,000 workers applied for unemployment benefits this week, weekly jobless claims continued to rise, historically an early recession indicator.

A fourth consecutive monthly decline of 0.8% occurred in June, according to the Conference Board's index of US leading economic indicators.

The Wall Street Journal reported that the Fed is leaning against a 100-basis-point hike next week due to its premeeting blackout period. Investing markets took notice of the paper's June article alerting them to the possibility of a larger-than-expected Fed rate hike, which the Fed delivered two days

later. A full point rise was nearly fully priced last week, but futures markets gave it just a 22% chance as of Friday morning.

MAJOR STOCK MOVES

Verizon Communications Inc. stock VZ tumbled 6.7% after the telecommunications group cut full-year guidance and missed second-quarter earnings and revenue estimates.

Schlumberger Ltd. SLB shares rose 4.3% after the oilfield equipment and services group reported better-than-expected results and lifted its outlook.

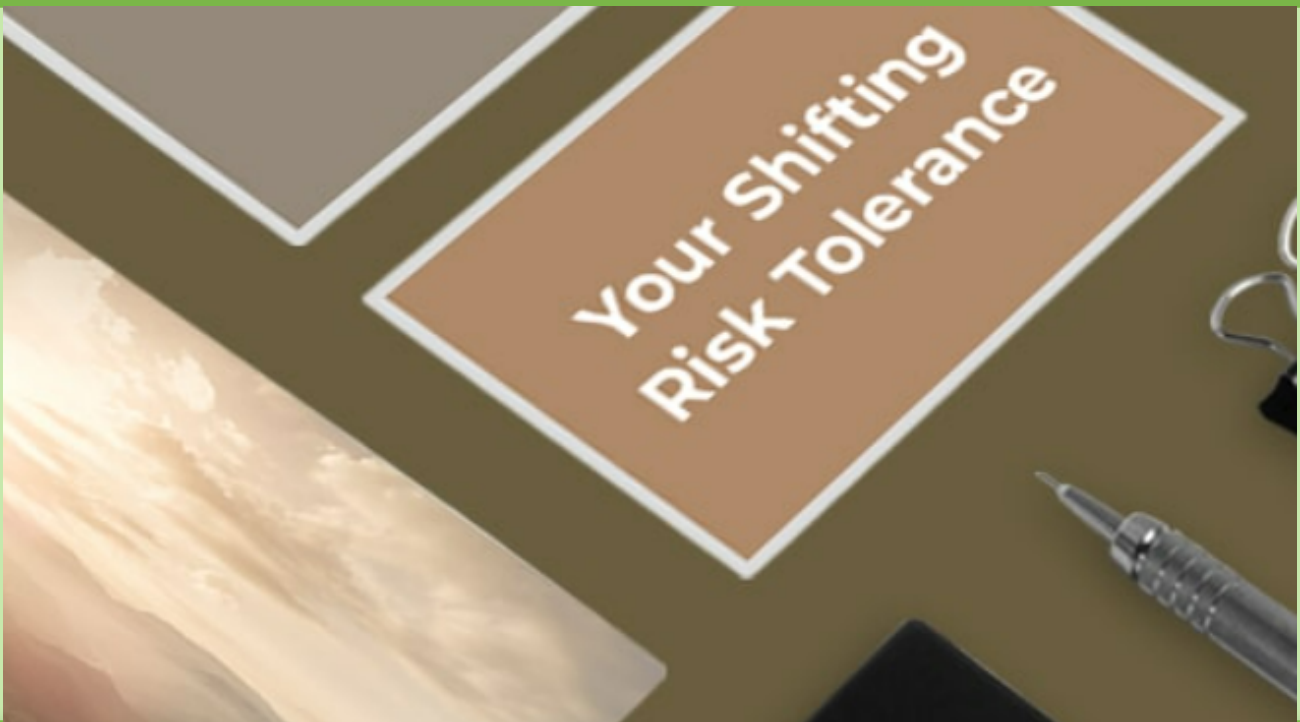
Seagate Technology Holdings PLC STX shares lost 8.1% after the data-storage device group's results and outlook fell short of Wall Street expectations.

Mattel Inc. MAT fell 7.1% after the toymaker reported a forecast-beating quarterly profit but a 20% slump in sales of its American Girl business.

HCA Healthcare Inc. HCA rose 11.4% after a strong earnings report.



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