

MARKET WATCH UPDATE



TODAY'S TOPICS

- Market Update
- Key Market Levels
- This Week / What We Are Watching

OVERVIEW

What a first half of 2022. From the market's perspective, it was the worst first half of a year for the S&P 500 since 1970 when the index fell -21%, versus -20% for 2022. In 1970, the index climbed 27% in the next 6 months to finish the year up +6%, and in 1971, the market rose 37%.

As many challenges face the economy and the markets this year, looking at the S&P 500 Index's past history, markets returns could present an opportunity. As shown below, following prior 15%+ quarterly drops, the S&P 500 has averaged a gain of 6.22% in the next quarter, a gain of 15.15% over the next half year, and a gain of 26.07% over the next year.

15%+ Quarterly Drops for the S&P 500: Post WW2				
Quarter	Quarterly Drop (%)	Next Quarter (%)	Next Half (%)	Next Year (%)
Sep-46	-18.83	2.27	1.40	1.00
Jun-62	-21.28	2.78	15.25	26.70
Jun-70	-18.87	15.80	26.72	37.10
Sep-74	-26.12	7.90	31.19	32.00
Dec-87	-23.23	4.78	10.69	12.40
Sep-02	-17.63	7.92	4.04	22.16
Dec-08	-22.56	-11.67	1.78	23.45
Mar-20	-20.00	19.95	30.12	53.71
Jun-22	-17.02	?	?	?
	Average	6.22	15.15	26.07
	Median	6.34	12.97	25.08

Source: Bespoke Investment Group

Over the next quarter, the S&P 500 has been higher seven out of eight times, with the one next-quarter decline coming in Q1 2009 (-11.67%) after the 22.56% drop in Q4 2008.

Over the next half-year, the S&P 500 has been higher eight out of eight times, with Q4 1974 providing the strongest two-quarter bounce (+31.19%) and Q4 1946 providing the weakest two-quarter bounce (+1.40%).

Over the next full year, the S&P has also been higher eight out of eight times, with the year following Q1 2020 providing the biggest gain (+53.71%) and the year following Q3 1946 providing the smallest gain (+1.00%).

20%+ Two Quarter Drops for the S&P 500: Post WW2				
Quarter	2-Qtr Drop (%)	Next Quarter (%)	Next Half (%)	Next Year (%)
Jun-62	-23.48	2.78	15.25	26.70
Jun-70	-21.01	15.80	26.72	37.10
Sep-74	-32.39	7.90	31.19	32.00
Dec-74	-20.28	21.59	38.84	31.55
Sep-02	-28.94	7.92	4.04	22.16
Dec-08	-29.43	-11.67	1.78	23.45
Mar-09	-31.59	15.22	32.49	46.57
Jun-22	-21.10	?	?	?
	Average	8.51	21.47	31.36
	Median	7.92	26.72	31.55

Looking at prior two-quarter drops of more than 20% since World War II, the S&P 500 Index return's look more interesting.

Following prior 20%+ two-quarter drops, the S&P 500 Index has averaged a gain of 8.51% in the next quarter, a gain of 21.47% over the next half-year, and a gain of 31.36% over the next year.

When looking specifically at next-year performance, the S&P 500 Index has been up seven of seven times in the year following 20%+ two-quarter drops. The strongest next-year gain was the 46.57% rally following Q1 2009. The weakest next-year move was the 22.16% gain following Q3 2002.

MARKET LEVELS



The key level of support to watch for the S&P 500 is at around the 3,666 level.

The key level of resistance to watch for the S&P 500 is at around 4,000 to 4,160

Recall these are key technical levels we look for the market to either hold or push through when look at the potential for future moves. Common support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

WHAT WE ARE WATCHING

The following economic data is slated to be released during the week ahead:

Monday: Durable orders (May), pending home sales (May)

Tuesday: Wholesale inventories (May), consumer confidence (June), Federal Home Finance Agency Home Price Index (April), S&P/Case-Schiller Home Price Index (April)

Wednesday: Q1 Final GDP

Thursday: Weekly Initial and Continuing Unemployment Claims, Core GDP deflator (May), Personal Consuming Expenditures (May), Personal Income (May)

Friday: Markit PMI Manufacturing report (June), construction spending (May), ISM Manufacturing Report (June)

Upcoming Events

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