September 1, 2022

This year has been filled a year of volatility with uncertainties surrounding the stock market. Some of the big points include the obvious inflation, central bank policy, the Russia/Ukraine conflict, OPEC+, Taiwan, and energy shortages. Concerning the central banks' policy on inflation, the Federal Reserve seamlessly switched from being "dovish" to "hawkish" on a weekly basis – this has kept sustained volatility in the bond markets as well. markets on their toes. It seems the Fed is determined to which has caused sustained levels of high volatility in the bond market. This along with recession concerns have created a difficult market for lenders. As we can see in the image below, the Financial-Banks group is showing a major sign of weakness. Many large banking names like J.P. Morgan Chase & Co. (JPM), Bank of America (BAC), and Citigroup (C) have poor technical chart pictures. This is a vast difference from 2021, a time when the financial sector was the fourth-best performing sector of the year when looking at the eleven major SPDR sector funds. The chart for the Financial Select Sector SPDR Fund (XLF) ranks below an accepting technical rating as banks have begun to tighten lending standards even as demand for loans and mortgages has fallen in recent months (CNBC). Higher credit standards, less lending, higher interest rates, and high inflation are major fundamental problems lenders have been forced to deal with today. As always, price is our main guide, but both technicals and fundamentals are poor right now for the finance sector and neither seems to be trending in the right direction.

Pina Formicola, AWMA, AIF

Director of Research Analysis

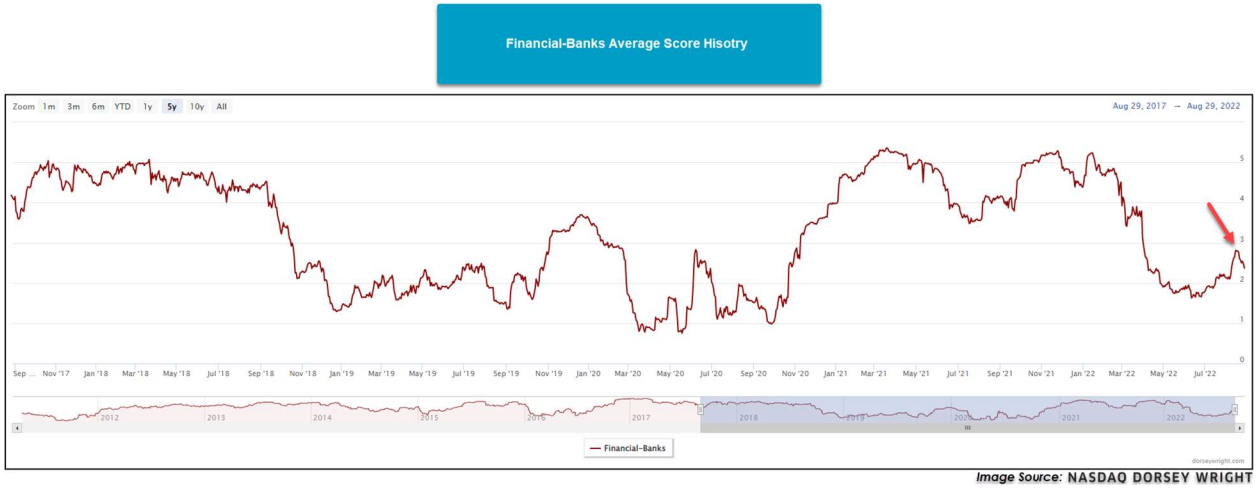

Image Source: NASDAQ DORSEY WRIGHT