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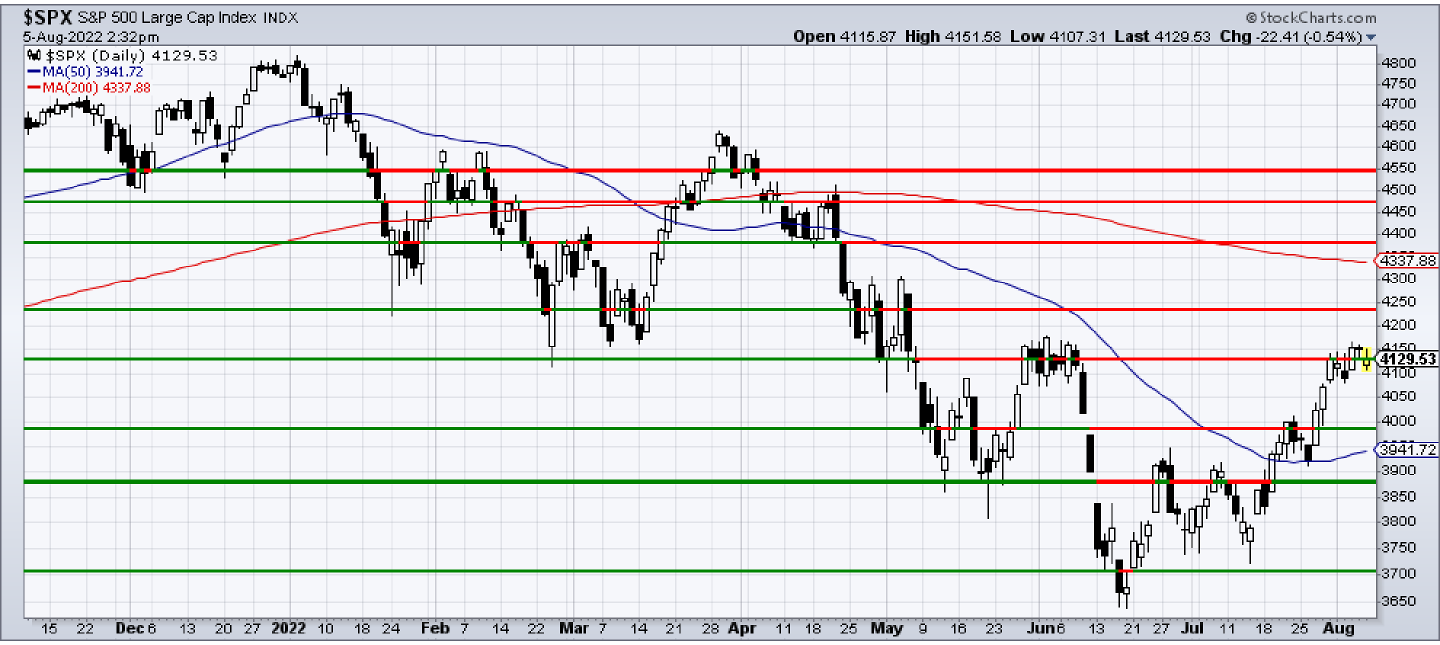
AUGUST 5, 2022 — CARTER BILLS (615) 371-5928



Our Point

It has been a relatively quiet week giving something for both the bulls and the bears and leaving investors wondering where the market heads next. For the week, the S&P is mostly flat with a very small loss. The bulls will point to the fact that the markets held onto the recent gains this week and are basing for another move upward. The bears will look at the same information and argue that resistance is holding, market strength is waning and a significant retrace of the recent gains is in store. Frankly, both have strong arguments. The resistance at current levels is significant and would be another very logical place for the rally to stall. With the indices short-term overbought a correction from these levels would not be surprising. On the bullish side, the fact that the rally held this week and moved sideways is alleviating some of that overbought condition and could be setting the table for another move up. As we stated last week, we continue to be in the camp that this is a bear market rally. That said, our confidence is wavering as the market has, to this point, held onto the recent strong gains. Despite our beliefs of what the market should be doing, we will continue to evaluate market moves to determine when the odds are in favor. In our current view, downside risk far outweighs any upside potential. That could change with more data or with a correction and a resumption of the uptrend, but, for now, we are content to hold what we have and exercise patience. Much of the recent strength can be attributed to short-covering, earnings being less bad than expected and the hope that the Fed will pivot from their hawkish stance to a more dovish one. With this morning's blow-out employment report, the dovish camp got a dose of reality. The report showed employment gains that were much stronger than anticipated. It was a good report and in normal times the upside surprise would have led to a big move to the upside. However, these remain less than normal times and the report put a damper on talk of the Fed pulling back from their plan to continue to raise rates. A bad employment number would have put increasing pressure on the Fed to pivot from this rate hike cycle. However, the surprise report gives the Fed more cover to raise rates. The odds of a 75-basis point increase in September rose from 34% yesterday to almost 70% after this morning's release. It seems that Wall Street doesn't quite know what to make of the surprise as stocks have bounced from positive to negative all day. September is a long ways away and there will be many more data points before then, but the rate hiking cycle is not done, and inflation remains a significant issue for the economy. The CPI release next Wednesday will be a market mover and will give another indication of whether inflation has peaked and if the Fed rate increases have done anything to tame higher prices. With all of the major indices at or very near the strong resistance, we made no changes to our portfolios this week and remain cautious. We have been building a buy list and a break above the current levels would force us to reconsider our convictions. We are excited to have football season creeping closer and only wish fall temps would too. Enjoy your hot and humid weekend.