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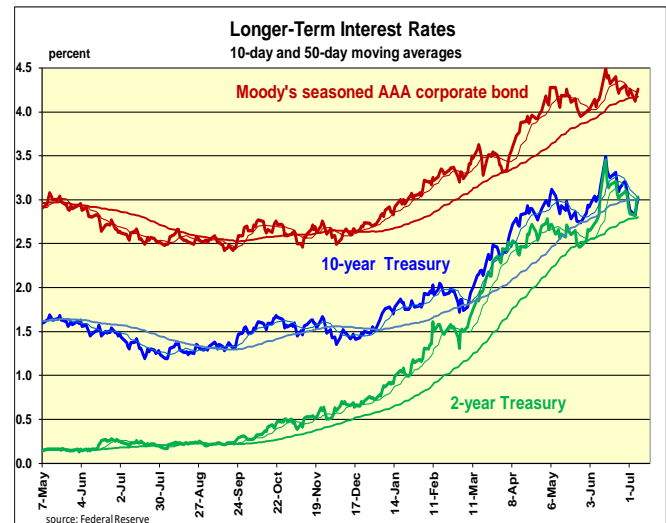
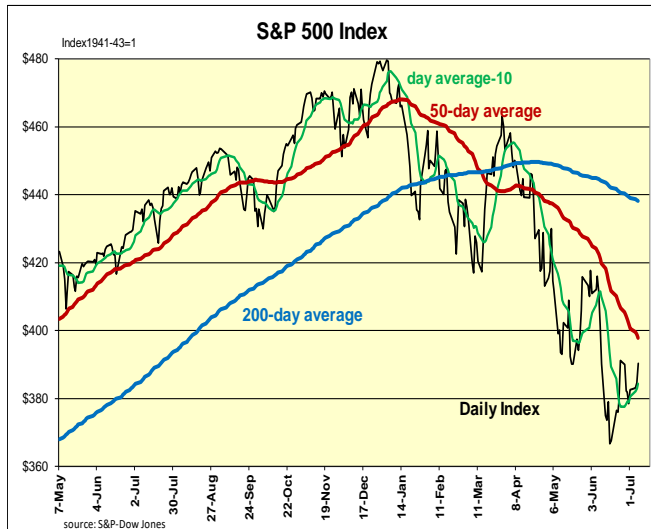
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The red color indicates an extremely risky environment for stocks.

July 8, 2022

8:45 AM ET

		<u>Fundamental</u>	<u>Actual</u>	<u>Immediate Outlook</u>
Fixed-income:	10-yr Treasury rate	5.5	3.01	leveling off
Equities:	S&P 500	3,100	3902	highly erratic



Market Outlook

Stocks moved higher this week with the major indexes up 2% to 5%. The S&P500 was up 2%, while the Nasdaq gained 5%.

Economic news was mixed, as were business surveys, which gave conflicting signals on the strength of the economy.

Positively, longer-term interest rates have remained relatively stable and inflationary expectations as measured with the 10-year T-Note continued to trend down. They were recently 2.3%, down from 2³/₄% a month ago.

Another positive, the S&P500 and the Nasdaq moved above two key areas of resistance (the 10- and 21-day averages).

A negative, the stock market gains all came on very light trading volume. In a healthy stock market, upward moves occur on strong volume.

My [Epoch Times article](#) on shortages highlights the government's role in preventing businesses from getting goods to consumers. Another such government move comes from a California law directed against independent truckers and other independent contractors. If enforced, tens of thousands of independent truckers will not be able to operate in CA. This increases the potential for damage to CA and for more shortages throughout the country damaging the supply chain.

While the rally in stock prices provides some relief, stocks are 26% overvalued. With the Fed promising to sell securities and raise interest rates, the risks to owning stocks remains extremely high.

A Look Back

Today's job report shows strong gains for June. Private payroll jobs increased 381,000, a 3.6% annual rate. Total weekly hours worked and average weekly earnings increased at annual rates of 4% and 6%. Unemployment remained 3.6%.

Forces Impacting the Near-term Outlook for Stock Prices

Economic Fundamentals: **weakening**

Monetary Policy: **changing**

Stock Valuation: over-valued **26%**

Recommended Stock Exposure: **25%**

The job data show no significant slowdown in the labor market. These data are inconsistent with some of the business surveys, which had pointed slow or no growth in June.

Mixed data often occur when an economy is transitioning.

Business surveys of economic activity in June were mixed. While two different surveys agreed that manufacturing was close to break-even, they differed with respect to the service economy. The final Markit survey showed service companies very weak with declining new orders. In contrast, the ISM survey has service companies' activity and new orders with relatively strong readings in the mid-50s.

Vehicle sales in June rose 3% from May. However, at a 13.2 million annual rate, sales were down slightly from the 13.7 rate of the past year. Vehicle manufacturers have not solved their production problems.

The upward drift in initial weekly unemployment claims paused going into the week of July 2nd. Initial unemployment claims remained close the were 232,500 average of the past four weeks.

A Look Ahead

On Wednesday the total consumer price index is likely to show some slight moderation from the double-digit rates of the past three months. The total CPI still will be high due to the 5% increase in oil prices to \$114 in June.

With oil recently falling to the \$102 vicinity, more attention will be directed to the CPI ex-food and energy. This core inflation measure has been rising at a 6% to 7% annual rate for the past year. We expect more much increases in the June numbers.

Friday's June retail sales report will likely show sales increasing at the 6% to 7% annual rates of the past three months. This would confirm a slowdown in spending from prior double-digit annual rates.

The Lighter Side of Political Economy

Searched all I could for some relevant humorous material. Found nothing for this week other than my golf performance, which others might find humorous.

Genetski golf: 105 hdcp. 20

Comment: *Exceptionally poor performance*

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