



MOE'S MARKET WRAP MINUTE

WEEK OF SEPTEMBER 06, 2022

MOE'S MARKET MENTIONS

- Can the US Federal Reserve engineer a soft landing for the United States economy?
 - 3 key components will determine whether the narrow path to a soft landing is possible:
 1. Below-potential GDP growth
 2. A rebalancing of the labor market via lower job openings coupled with a moderate rise in unemployment
 3. A large decline in inflation
 - Lower GDP growth has already started to happen as there has been a decline in real disposable income due to reduced fiscal support that was enacted during the height of the pandemic. Additionally, higher mortgage rates should lead to less consumption (& growth) via lower house prices in the coming months.
 - The most recent jobs report shows that the labor market is finding a better balance. Participation rates ticked higher by 0.3% while job openings have been coming down. Experts are split as to whether this adjustment can continue without a major increase in unemployment (i.e. greater than 6%). Time will tell, but we believe it is possible.
 - The inflation data has been encouraging: Lower commodity prices, a stronger dollar, and improvements in supply-chain disruptions suggest that inflation will continue to decrease. Data from Zillow and Apartment List also point to rents coming down in the coming months.
- Below-potential GDP growth lowers the job-workers gap which may bring inflation down to 2.5% thus engineering a soft landing. Time will tell, but we expect the market to be rangebound over the next couple of months as more data comes in.

CHART OF THE WEEK

We could be in the process of putting an inverted head and shoulders (bottoming) pattern on the S&P500. The left shoulder was the May closing lows, the head would be the June lows, and possibly in the process of forming the right shoulder at the 3900 price level. If the market were to hold these levels this week and rally to the upside there is potential that the drawdown for the year is complete.



Source: S&P500 price chart – as of 9-6-2022 @ 10:45 am

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Moez Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moez evaluates the markets using industry-leading technical and fundamental analysis.

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