

# Fed, Eurodollars, & Stock Breadth suggest market rally persists

July 27, 2022



Marcus Aurelius

Jul 27

## Executive Summary

The Fed stuck to plan with a 75 bps hike and not accelerating their rate hiking pace. Eurodollar futures move toward less aggressive hiking and easing sooner since the last Fed rate decision. There is an accommodative backdrop developing.

Economic metrics continue to improve with unexpected sales growth greater than the build in inventories. This points to the strength of Q3 in an overall Bear Market.

Stock breadth signals the Q3 Bear Market Rally is still underway and indices have initial target zones identified higher.

**“Life is short. Save the moment by doing what is reasonable and right. Be serious, but not with fears and frets and frowns.”**

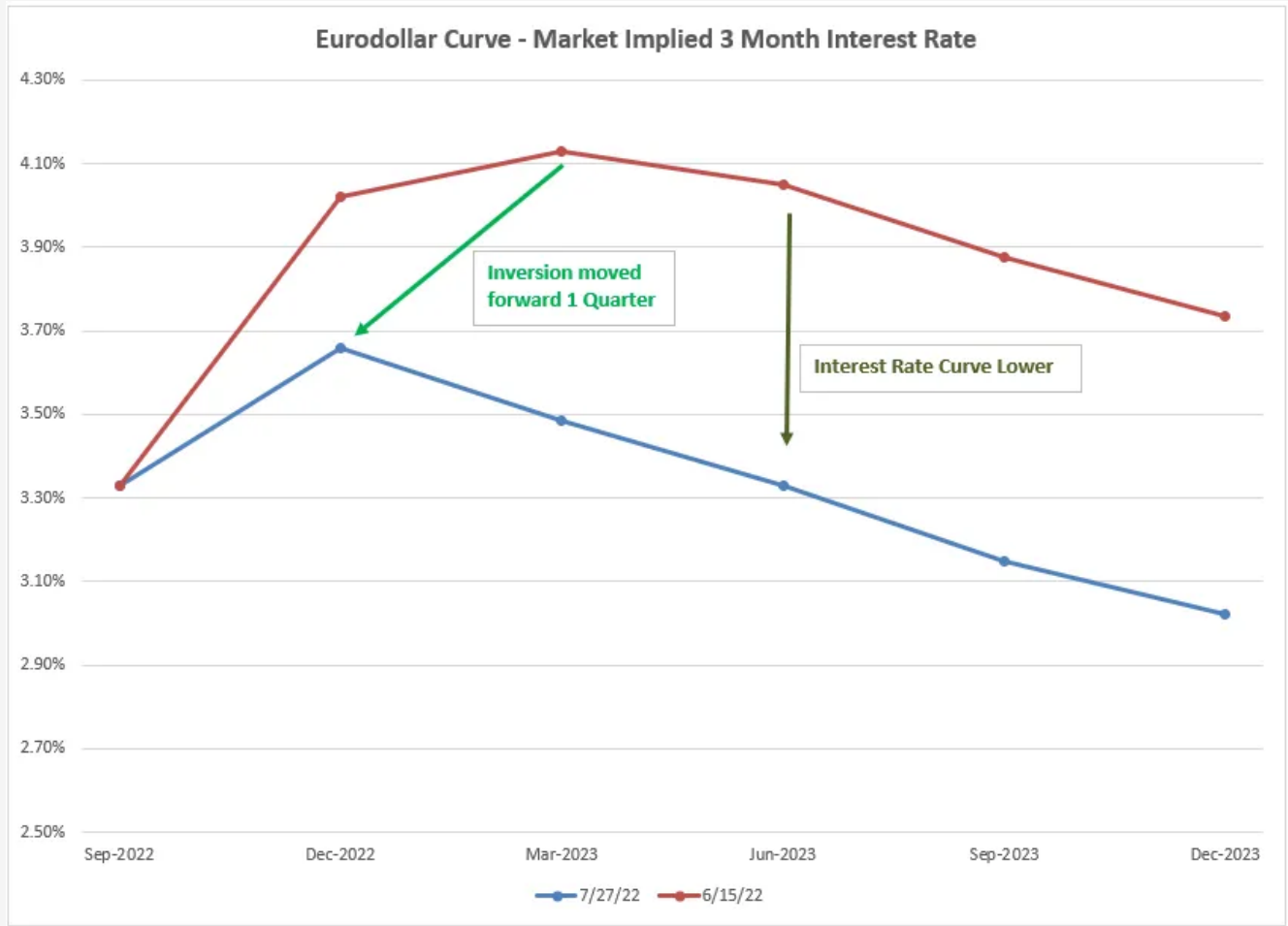
**- Marcus Aurelius -**

## Eurodollar Futures - Market Implied Interest Rate

The Eurodollar Futures curve has moved to a more accommodative stance since the last Fed Meeting on June 15th. The contract inversion has moved from March 2023 to December 2022 suggesting the market expects the Fed to stop their rate hiking earlier and enter into an easing standpoint sooner.

The curve from September 2022 to December 2023 has moved lower overall with a steepening slope lower than at the previous Fed meeting. This suggests markets are not

only expecting the Fed to begin a new rate cutting cycle, but to perform it an even faster speed.



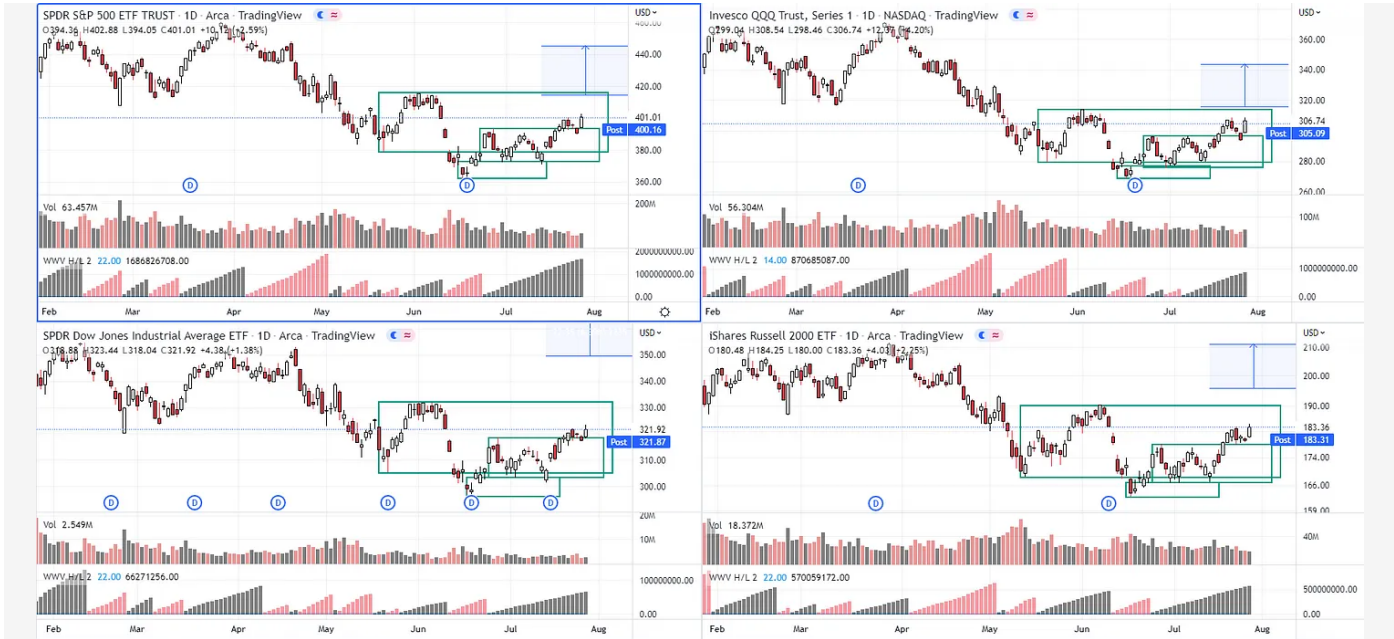
## Economic Metrics

Retail Sales surprised higher for June than expected, and Retail Inventories built at a slower pace. This is 3 months in a row of the Sales to Inventories Ratio accelerating in the right direction for a stronger Q3 ahead than expectations. The metrics imply that the short term economic outlook is not as doomsday as headlines now suggest, at least for now.



## Market Price Action

The markets continue with the Q3 Bear Market Rally with initial target zones shown with blue boxes below.



Breadth has broken out ahead of price creating higher highs and higher lows above previous levels. As well as breaking out of a downtrend line that has held ground since the beginning of the year. This underlying indicator suggests strength!

\$NYA NYSE Composite Index: INDX

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Wednesday 27-Jul-2022 3:55 pm

Open: <b>14793.55</b>	Ask: <b>0.00</b>	P/E:	Options: <b>no</b>
High: <b>15075.98</b>	Ask Size: <b>0</b>	EPS:	Annual Dividend: <b>N/A</b>
Low: <b>14793.55</b>	Bid: <b>0.00</b>	Mkt Cap:	Yield: <b>N/A</b>
Prev Close: <b>14793.55</b>	Bid Size: <b>0</b>	Last Size:	SCTR:

▲ **+1.73%**  
 Chg: **+255.87**  
 Last: **15049.42**  
 Volume: **0**

\$NYA (Daily) 15049.42



\$NYAD -8929.00



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