



## Rejections Are Hard | Week Ahead in Markets

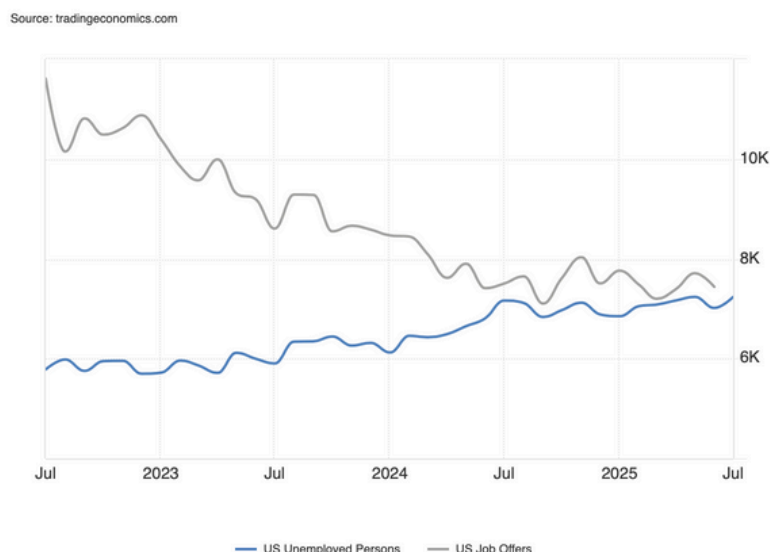
*In what was expected to be a “quiet” summer month, August has started with a bang, skidding on labor data weakness, renewed sabre rattling with Russia and more posturing on tariffs. Investor skittishness is evident in skewed reactions to earnings, after one of the fastest “V-Shaped” recoveries on record – is it a case of “bought expectation/ selling fact”? Perhaps. While major indices are still holding above a critical breakout threshold, the rejection of an all-time high breakout for the “Mag-7” is coincident with proprietary model signalling “take profits” - a trigger for adding hedges.*

*With two-thirds of S&P companies already having reported (growth trending at 10%, ahead of 5% consensus), and a relatively light macro data week, there are limited catalysts although geopolitics and tariff shenanigans have the capacity to lift volatility from its somnolence.*

*While higher volatility will provide opportunities, for now, derivative strategies are attractive to lock in gains. Gold remains stuck in a range – watch for any decisive breakouts above 3450. Meantime, treasuries preferred over corporate bonds.*

## **Jobs – the Last Nail? Eventually, but Not Yet**

*Narrowing gap between unemployed persons and job openings*



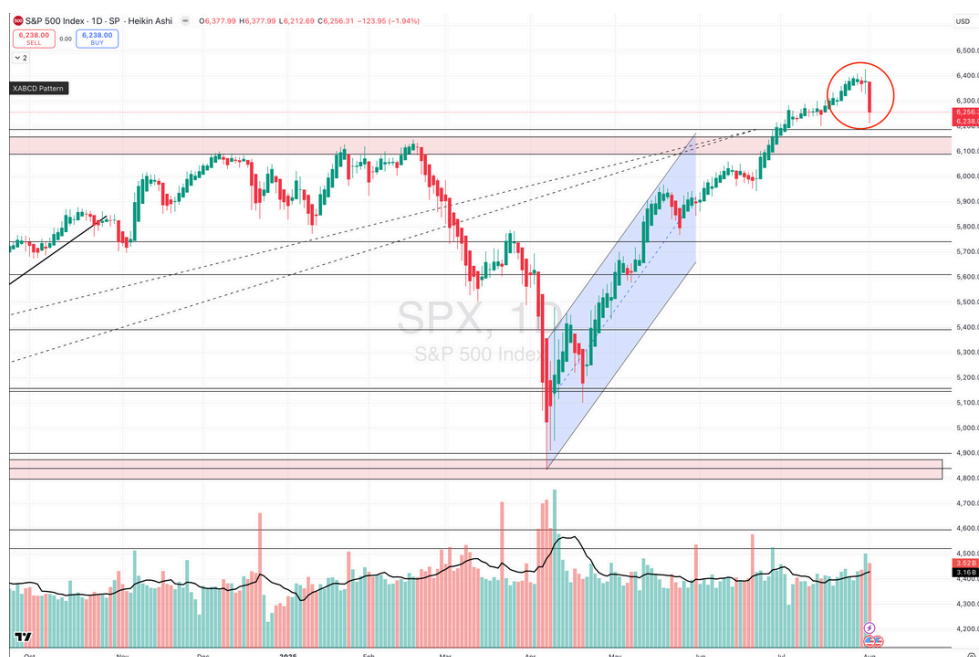
Source: Trading Economics

Signs of a slowing economy – weaker housing, consumption, business activity, have thus far been stitched together by a resilient labor market. No surprise then that a weak payrolls release acted a final straw for a market already unnerved by tariff and geopolitical uncertainties.

The big question for investors will be whether this is the final data point that breaks the economy and the market? While we have long held, and still do, that labor markets hold the key, and no doubt the trajectory is weakening, evidence thus far is of a graduated easing rather than air pockets.

## **“Take Profits” Signalled**

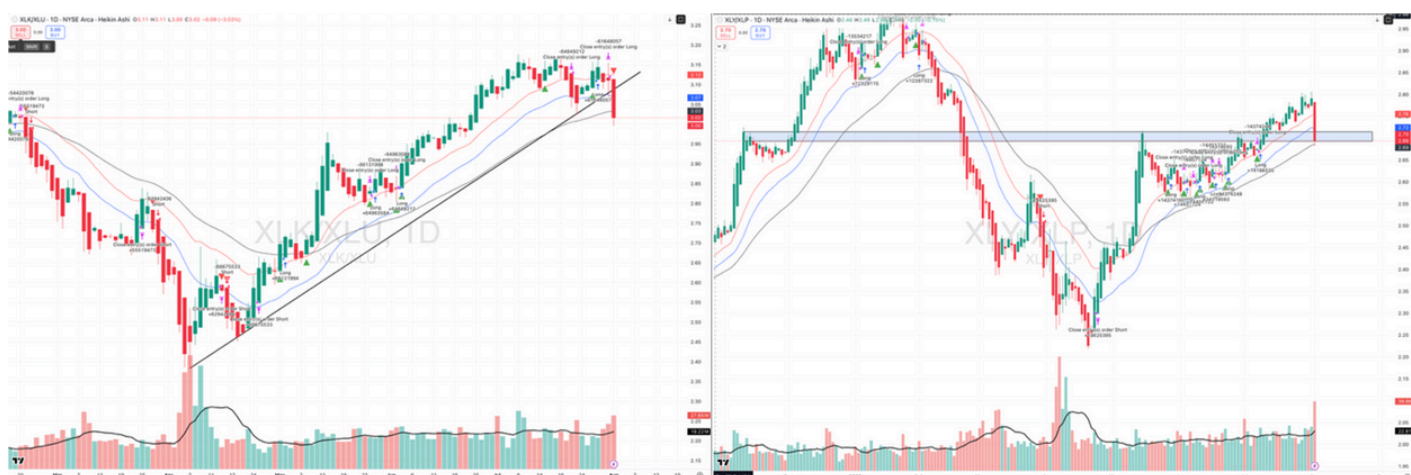
*The proprietary model has triggered a “take profits” signal*



Source: Trading View

Our proprietary market signals model has largely been in a “buy” mode over the last three months but has now triggered a “close long positions” signal. The same signal is evident on 10 of 11 GICS sectors, absolute and relative, with Utilities being an exception. Amongst major sector indices, notable cracks are evident in tech, the linchpin of the “V-shaped” recover since April lows. The shift to a defensive stance combined with weakness in the bellwether growth sectors is a cause for concern for the bull market. Despite the latest wobble, major indices are still holding above recent breakout levels (6150 for SPX) – defending these will be critical for the bull market agenda.

### Tech vs. Utilities and Discretionary vs. Staples – Rolling Over...



Source: Trading View

## Week Ahead in Markets

### MacroData

- **US** – PMI data (5<sup>th</sup> Aug) expected to show a pick up.
- **UK & Europe** – UK Rates decision (7<sup>th</sup> Aug) expected to be for a further 25bp cut to 4% in BOE base rate. In Europe, watch for PPI (5<sup>th</sup> Aug) for a small pick up and retail sales (6<sup>th</sup> Aug) rebound.
- **China** releases PMI (services expected to pick up) on 5<sup>th</sup> Aug and inflation data (deflationary trends) on 9<sup>th</sup> Aug.
- **India** also releases PMI (moderate easing) on 5<sup>th</sup> Aug and RBI rate decision (unchanged) on 6<sup>th</sup> Aug.

## Earnings

- **Earnings Thus Far** – 66% of S&P companies have reported with over 80% beating consensus. EPS growth is trending at 10.3% vs. 5% expected at the start of reporting season. With margins continuing to rise, consensus for 3Q and the full year has seen an upward revision to 7.6% (vs. 7.3%) and 9.9% (vs. 9.1%) respectively. source: Factset
- **The Week Ahead** – Over 100 S&P constituents are expected to report in the week of 4<sup>th</sup> Aug. While market heavy-weights have reported (except NVDA), there is significant reporting yet to come. Of the 58 major companies reporting next week, positive earnings expected from 64% of these names and positive revenue trends from nearly 75%. While Monday, 6<sup>th</sup> Aug will be most impactful from a market cap perspective, Thursday will be critical for healthcare companies, having recently borne the brunt of regulatory pressures.

### Monday, August 4th

Ticker	Expected EPS	EPS Growth	Expected Revenue	Revenue Growth	Market Cap
BRKB	\$4.99	-7.2%	\$92.61B	-1.1%	\$691.8B
PLTR	\$0.14	+55.6%	\$937.45M	+38.3%	\$298.31B
VRTX	\$4.32	+133.7%	\$2.90B	+9.4%	\$130.13B
AAXN	\$1.46	+21.7%	\$641.77M	+27.3%	\$60.7B
SPG	\$1.55	+2.6%	\$1.38B	-5.5%	\$54.37B
OKE	\$1.33	0.0%	\$6.47B	+8.9%	\$46.73B
FANG	\$2.89	-36.1%	\$3.42B	+37.9%	\$40.25B
IDXX	\$3.28	+34.4%	\$1.06B	+6.0%	\$39.46B

Monday Summary: 8 companies • 5 positive EPS growth • 6 positive revenue growth

### Tuesday, August 5th

Ticker	Expected EPS	EPS Growth	Expected Revenue	Revenue Growth	Market Cap
CAT	\$4.93	-17.7%	\$16.29B	-2.5%	\$189.04B
AMD	\$0.58	-15.9%	\$7.40B	+26.7%	\$171.82B
AMGN	\$5.23	+5.2%	\$8.87B	+5.7%	\$150.93B
PFE	\$0.57	-5.0%	\$13.44B	+1.1%	\$135.11B
ANET	\$0.65	-69.0%	\$2.10B	+24.3%	\$108.99B
DUK	\$1.23	+4.2%	\$7.21B	+0.6%	\$92.89B
TDG	\$9.84	+9.3%	\$2.28B	+11.2%	\$77.45B
APO	\$1.87	+14.0%	\$4.56B	+389.2%	\$74.95B
WMB	\$0.49	+14.0%	\$2.92B	+24.8%	\$72.97B
MAR	\$2.62	+4.8%	\$6.66B	+3.4%	\$72.7B
ZTS	\$1.61	+3.2%	\$2.41B	+2.1%	\$72.26B
AFL	\$1.71	-6.6%	\$4.31B	-16.1%	\$58.63B
MPC	\$3.38	-18.0%	\$33.51B	-12.6%	\$54.37B
MPLX	\$1.10	-4.3%	\$3.13B	+2.6%	\$49.65B
CMI	\$5.28	+0.4%	\$8.49B	-3.5%	\$45.02B
FIS	\$1.37	+0.7%	\$2.58B	+3.2%	\$42.2B
YUM	\$1.46	+8.1%	\$1.94B	+10.2%	\$41.24B
PEG	\$0.75	+19.0%	\$2.49B	+2.9%	\$39.05B

Tuesday Summary: 18 companies • 9 positive EPS growth • 13 positive revenue growth

## Wednesday, August 6th

Ticker	Expected EPS	EPS Growth	Expected Revenue	Revenue Growth	Market Cap
MCD	\$3.15	+6.1%	\$6.68B	+2.9%	\$212.1B
DIS	\$1.46	+5.0%	\$23.64B	+2.1%	\$206.23B
UBER	\$0.62	+31.9%	\$12.46B	+16.4%	\$178.18B
MCK	\$8.37	+6.2%	\$94.89B	+19.7%	\$95.58B
ABNB	\$0.93	+8.1%	\$3.03B	+10.2%	\$84.96B
FTNT	\$0.59	+3.5%	\$1.63B	+14.0%	\$80.24B
DASH	\$0.43	+213.2%	\$3.16B	+20.2%	\$77.4B
EMR	\$1.50	+4.9%	\$4.60B	+5.0%	\$70.61B
MET	\$2.33	+2.2%	\$18.92B	+1.3%	\$55.98B
AIG	\$1.64	+41.4%	\$6.80B	-41.6%	\$52.11B
O	\$0.35	+20.7%	\$1.29B	-3.7%	\$48.82B
ROK	\$2.61	+25.5%	\$2.06B	+1.5%	\$40.84B
OXY	\$0.38	-63.1%	\$6.23B	-8.7%	\$38.15B

Wednesday Summary: 13 companies • 12 positive EPS growth • 10 positive revenue growth

## Thursday, August 7th

Ticker	Expected EPS	EPS Growth	Expected Revenue	Revenue Growth	Market Cap
LLY	\$5.55	+41.6%	\$14.35B	+26.9%	\$782.01B
GILD	\$1.94	-3.5%	\$6.96B	-0.6%	\$128.14B
COP	\$1.42	-28.3%	\$14.91B	+1.8%	\$112.77B
CEG	\$2.01	+19.6%	\$4.88B	-10.9%	\$84.89B
PH	\$7.12	+5.2%	\$5.12B	-1.3%	\$79.27B
VST	\$1.57	+82.6%	\$5.15B	+33.8%	\$74.22B
MSI	\$3.47	+7.1%	\$2.77B	+5.3%	\$67.32B
MNST	\$0.47	+14.6%	\$2.05B	+7.9%	\$65.56B
LNG	\$2.57	-33.1%	\$4.65B	+43.1%	\$57.05B
TEAM	\$0.81	+22.7%	\$1.34B	+18.5%	\$53.87B
DDOG	\$0.41	-4.7%	\$789.85M	+22.4%	\$52.07B
CTVA	\$1.89	+3.3%	\$6.27B	+1.6%	\$49.32B
BDX	\$3.44	-1.7%	\$5.50B	+8.7%	\$48.88B
SRE	\$0.89	0.0%	\$3.16B	+5.0%	\$48.64B
TTWO	\$0.27	+117.8%	\$1.30B	-3.0%	\$39.41B
MLM	\$5.40	+13.4%	\$1.91B	+8.5%	\$35.67B
ED	\$0.66	+11.9%	\$3.52B	+9.3%	\$35.23B
TRGP	\$1.89	+40.0%	\$4.86B	+36.5%	\$35.18B

Thursday Summary: 18 companies • 13 positive EPS growth • 14 positive revenue growth

## Friday, August 8th

Ticker	Expected EPS	EPS Growth	Expected Revenue	Revenue Growth	Market Cap
EOG	\$2.20	-30.4%	\$5.44B	-9.8%	\$61.13B

Friday Summary: 1 company • 0 positive EPS growth • 0 positive revenue growth

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