

Sevens Report Alpha Webinar #114 - Second Quarter Catalysts

April 14th, 2022

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2nd Quarter Catalysts

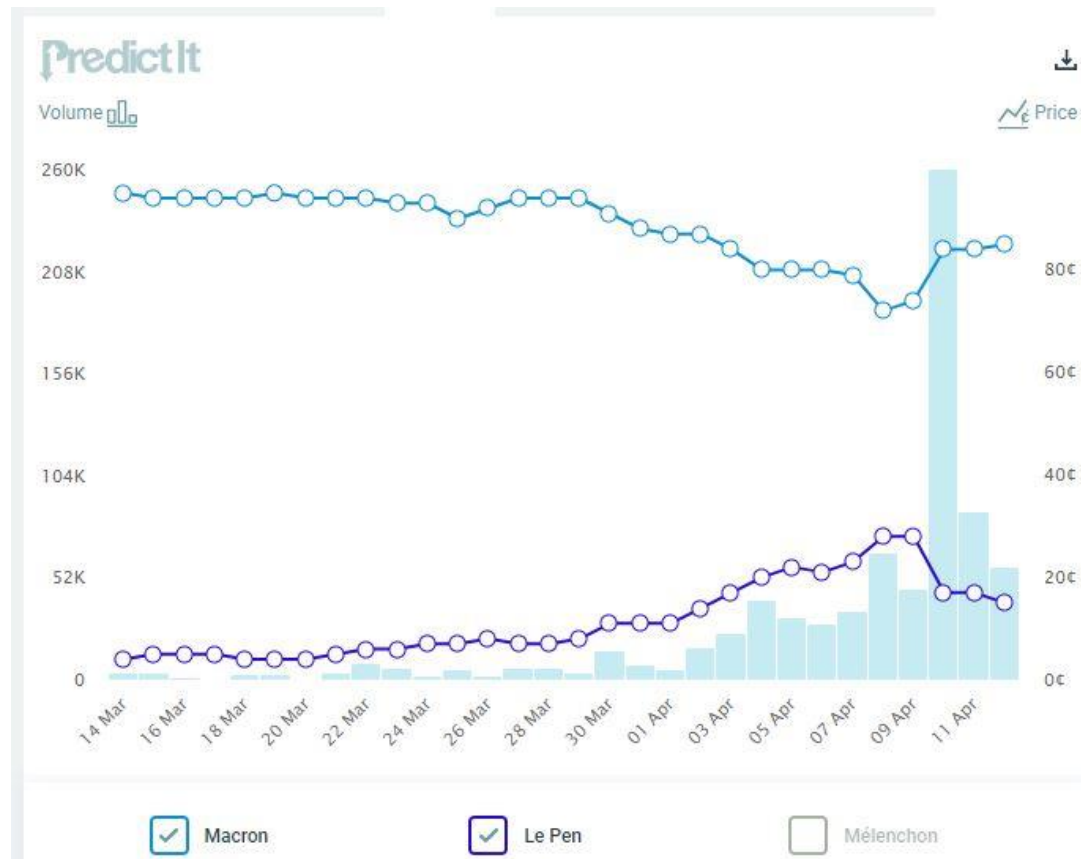
- Q1 Earnings. 4/18/2022 – 5/5/2022.
- French Election Results. 4/24/2022.
- Core PCE Price Index. 4/29/2022.
- May FOMC Decision. 5/4/2022.
- Russia Victory Day. 5/9/2022.
- April CPI. 5/11/2022/
- June FOMC Decision. 6/15/2022.

Q1 Earnings Results

<u>Ticker</u>	<u>Earnings Release Date</u>	<u>EPS Expectations</u>	<u>Revenue Expectations</u>
NFLX	April 19th	\$2.92	\$7.93 Bil
JNJ	April 19th	\$2.63	\$23.69 Bil
TSLA	April 25th	\$2.27	\$15.67 Bil
MMM	April 26th	\$2.37	\$8.95 Bil
GOOGL	April 26th	\$25.51	\$55.77 Bil
MSFT	April 26th	\$2.18	\$49.00 Bil
FB	April 27th	\$2.64	\$28.32 Bil
AAPL	April 28th	\$1.43	\$93.93 Bil
AMZN	May 5th	\$9.33	\$116.33 Bil
NVDA	May 18th	\$1.08	\$8.10 Bil

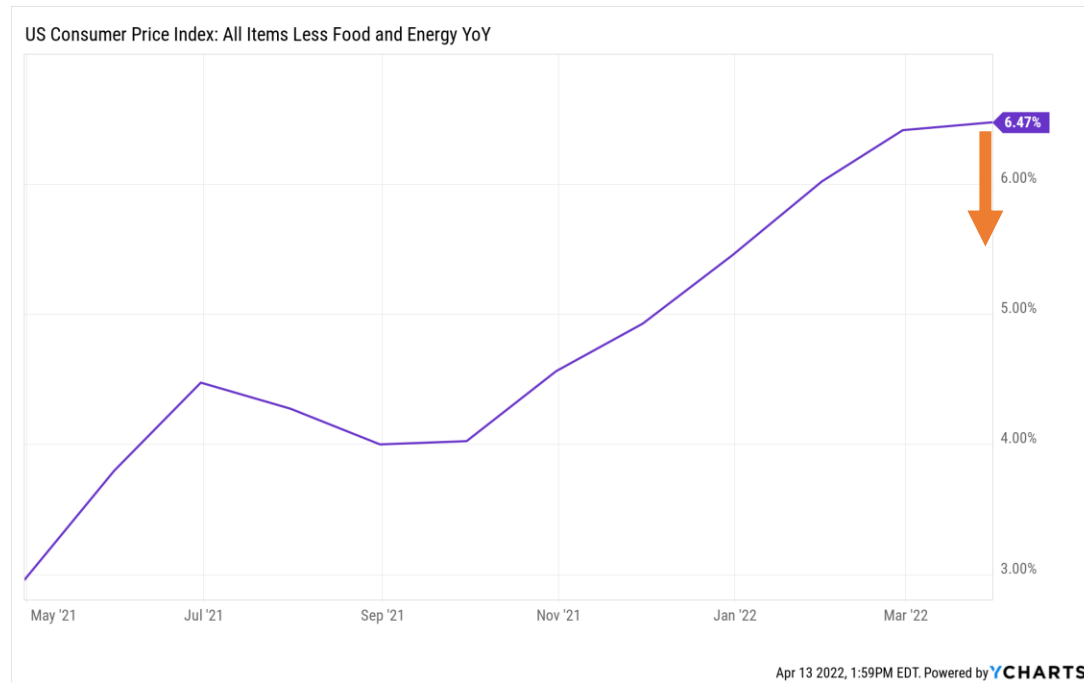
- Keys:
 - That 2023 S&P 500 EPS stay at \$243.
 - Margins aren't compressing materially.
 - User end demand remains strong.
 - Are the outlooks more cautious?
 - **Bullish If: 2023 S&P 500 EPS stay at \$243.**
 - **Bearish If: They do not.**

French Election Results



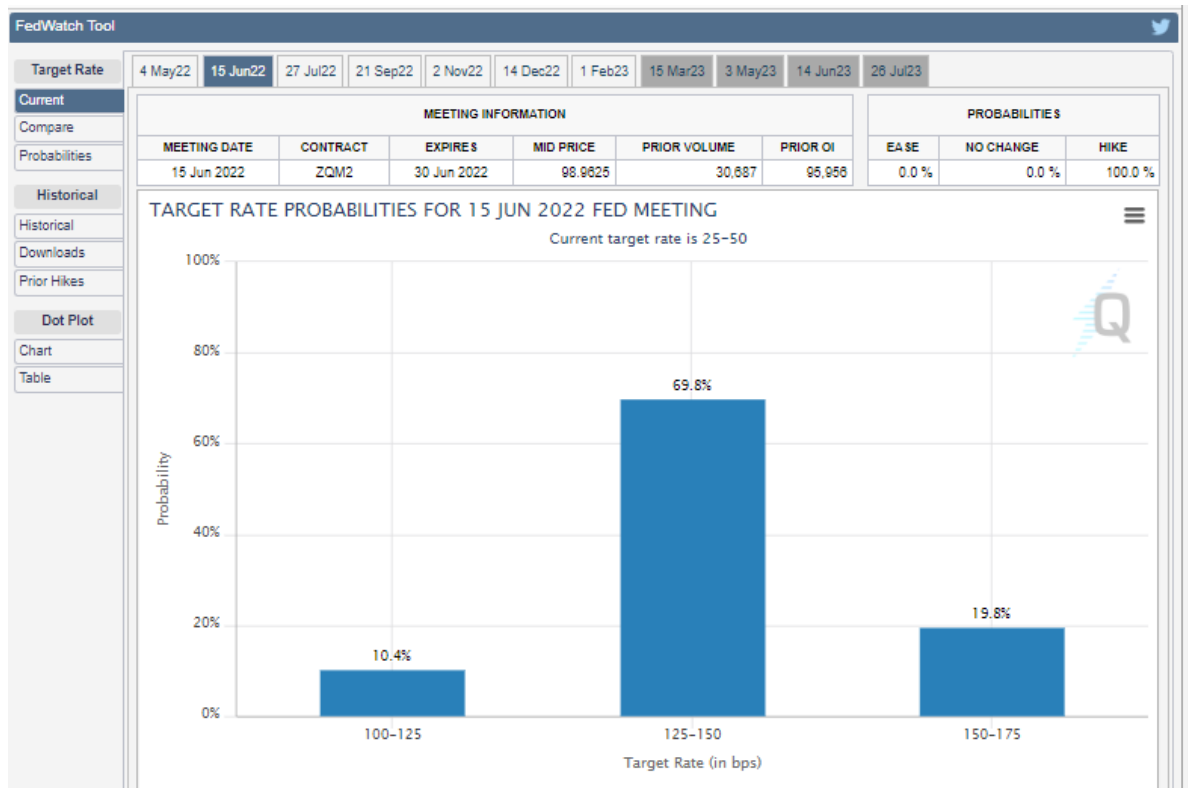
- French Election - Why does this matter?
 - Geo-politics.
 - Marine Le Pen is a far right candidate who will potentially upset the current world order.
 - The last thing the market needs is more geo-political uncertainty, and while she may not make many policy changes, the market will sell first and ask questions later.
- **Bullish If: Macron wins.**
- **Bearish If: Le Pen wins.**

Inflation



- Key Number: April Core CPI (Out May 11th).
 - Secondary Number: Core PCE Price Index (Out April 29th).
- Because of the spike in oil prices, Core CPI is now the key number for inflation.
- **Bullish If: Y/Y and M/M Core CPI increases begin to decline, as it reduces chances of multiple 50 bps hikes.**
- **Bearish If: Y/Y and M/M Core CPI increases don't decline, as it will increase the chances of multiple 50 bps hikes.**

FOMC Decisions



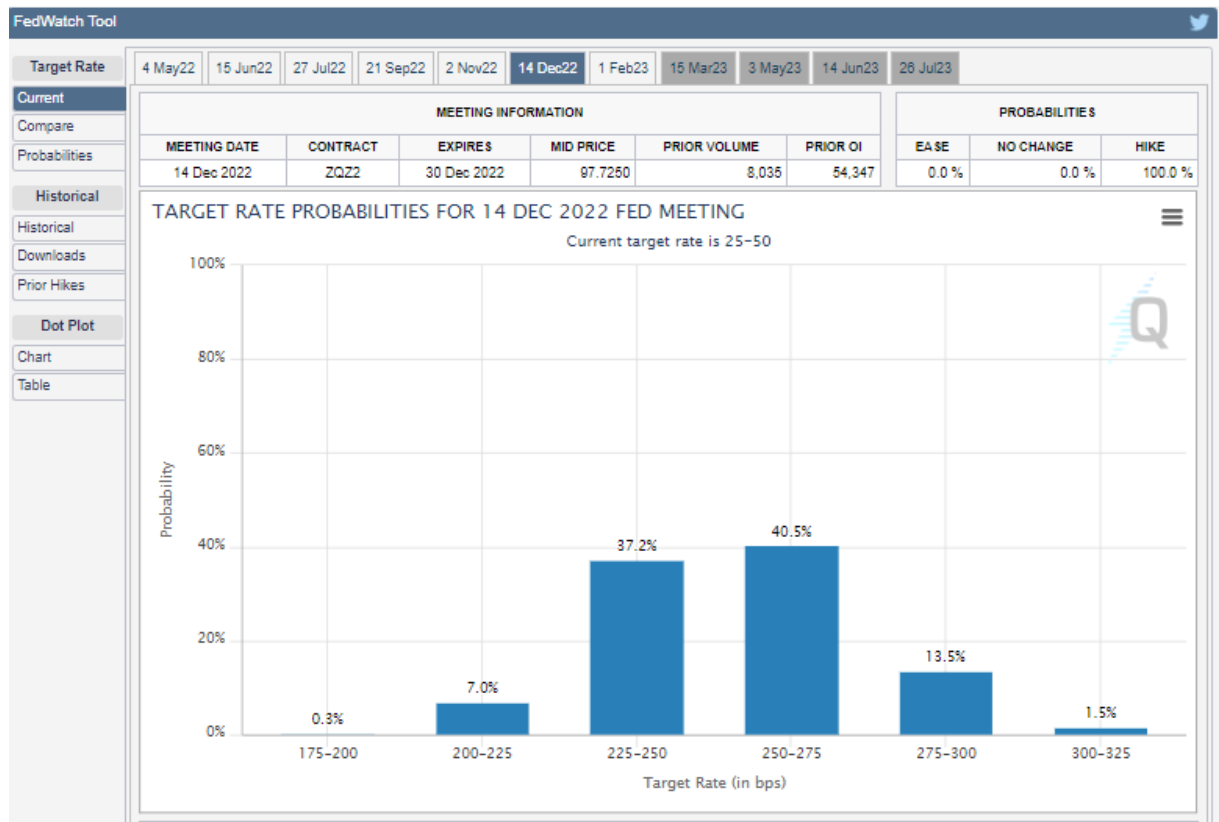
- May 4th.
- Key Questions:
 - Will Fed hike 50 bps?
 - Will QT formally be announced at \$95 bln/month?
- **Bullish If: 50 bps and 95 bln/month (meets expectations).**
- **Bearish If: 50 bps plus threat of more 50 bps. Promise of larger than expected QT.**

Russian Victory Day



- Commemoration of victory in WW2.
- May 9th.
- Putin reportedly wants “victory” declared in Ukraine by this date.
- **Bullish If: A cease fire is achieved by 5/9.**
- **Bearish If: A cease fire is not achieved by 5/9.**

FOMC Decisions



- June 15th
- Key Questions:
 - Will Fed hike 50 bps again?
- **Bullish If: 25 bps hike.**
- **Bearish If: 50 bps hike. If another 50 bps, will put upside pressure on year-end Fed Funds.**

Bullish vs. Bearish Outcomes

Bullish Scenario

- 2023 earnings stay at \$243/share.
- Macron wins French election.
- Core CPI shows a decline in the y/y and m/m price increases.
- Fed hikes 50 bps and formalizes \$95/month taper.
- Cease fire in Russia/Ukraine war by 5/9.
- Fed hikes 25 bps in June.

Bearish Scenario

- 2023 earnings fall from \$243/share.
- Le Pen wins French election.
- Core CPI continues to accelerate y/y and m/m.
- Fed hikes 50 bps and QT is greater than \$95 bln/month.
- No cease fire in Russia/Ukraine war.
- Fed hikes 50 bps in June.

Bullish vs. Bearish Outcomes

Likely Market Reaction (Bullish Scenario)

- Conservative Target: $19.5X * \$243/\text{share} = 4739$
- Optimistic Target: $20X * \$243/\text{share} = 4860$
- What Would Outperform:
 - Russia/Ukraine Ceasefire Playbook. 3/22/22. EMB/HYEM/EUFN/JETS/FXE.
 - Tech. 3/23/21. RYT/SMH/TDIV.
 - Market Turnaround. 2/23/22. XITK/VCR/USHY/SRLN.

Likely Market Reaction (Bearish Scenario)

- Conservative Target: $18X * \$225 = 4050$
- Pessimistic Target: $17X * \$225 = 3825$
- What would outperform:
 - Bear Market Playbook. 3/8/2022. MINT/SGOL/VNQ/FXG.
 - Minimum Volatility ETFs. 5/21/19. USMV/SPLV.
 - Cash Management. 12/17/19. FPNIX/BBBIX.