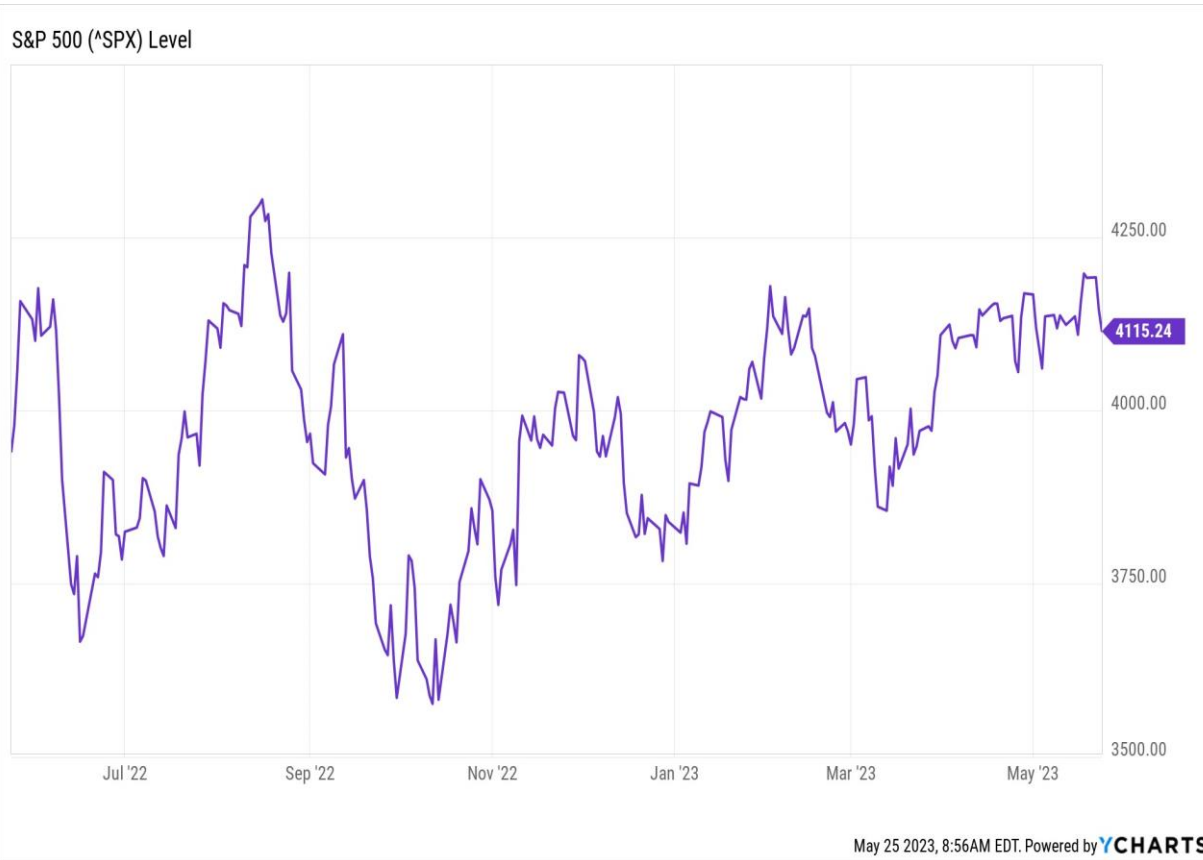


Sevens Report Alpha Webinar – Summer Catalyst Cheat Sheet **May 25th, 2023**

Tom Essaye, President Sevens Report Research

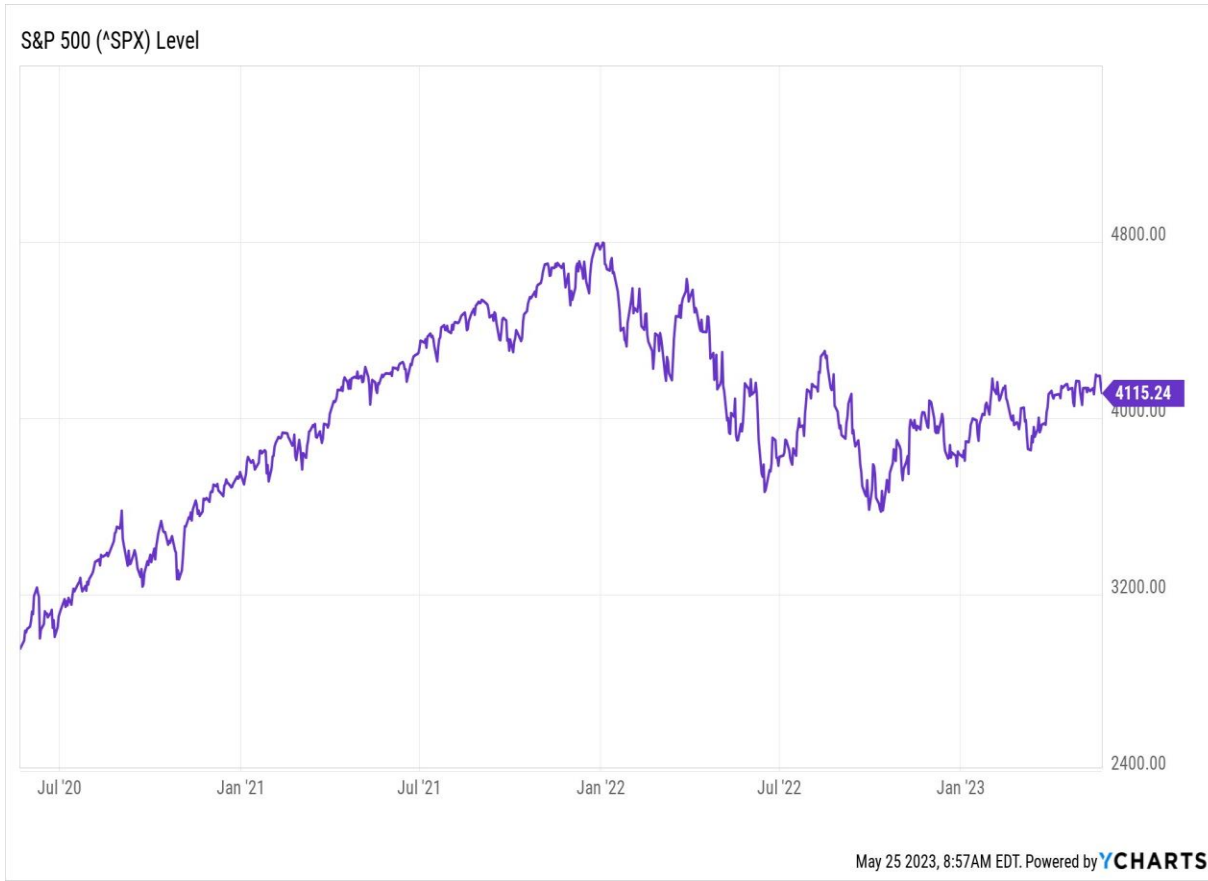
Markets are Still “Stuck”



But, this summer we likely will have resolution on three key issues, ranked below in order of importance, that will “unstuck” markets higher or lower:

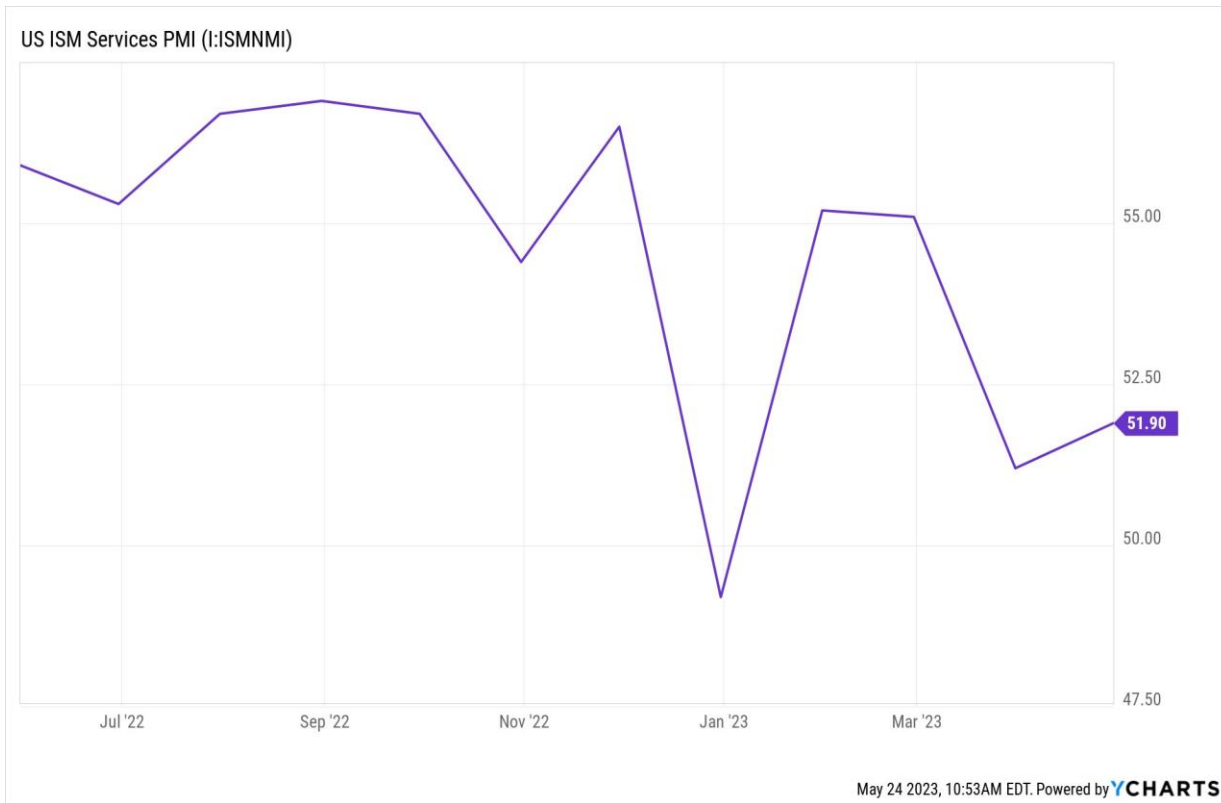
1. Hard/Soft landing.
2. Inflation.
3. Fed policy.

Stakes are High



- If there's a hard landing, then stocks can drop, a lot, from current levels. If there's stagflation, stocks can drop, a lot, from current levels.
- And, with so much money on the sidelines, if the Fed sticks the soft landing, then stocks can rally, a lot, as investors chase markets higher.

Hard Landing vs. Soft Landing ISM Services PMI.



Services have been resilient because they're linked to consumer spending, but manufacturing is already in contraction and the government is going to be reducing spending.

If services drop below 50 consistently this summer, a recession becomes much, much more likely.

Key Events:

1. ISM Services PMI, Monday, June 5th.
2. ISM Services PMI, Thursday, July 6th.
3. ISM Services PMI, Thursday, August 3rd.
4. ISM Services PMI, Wednesday, September 6th.

Hard Landing vs. Soft Landing: Unemployment Rate



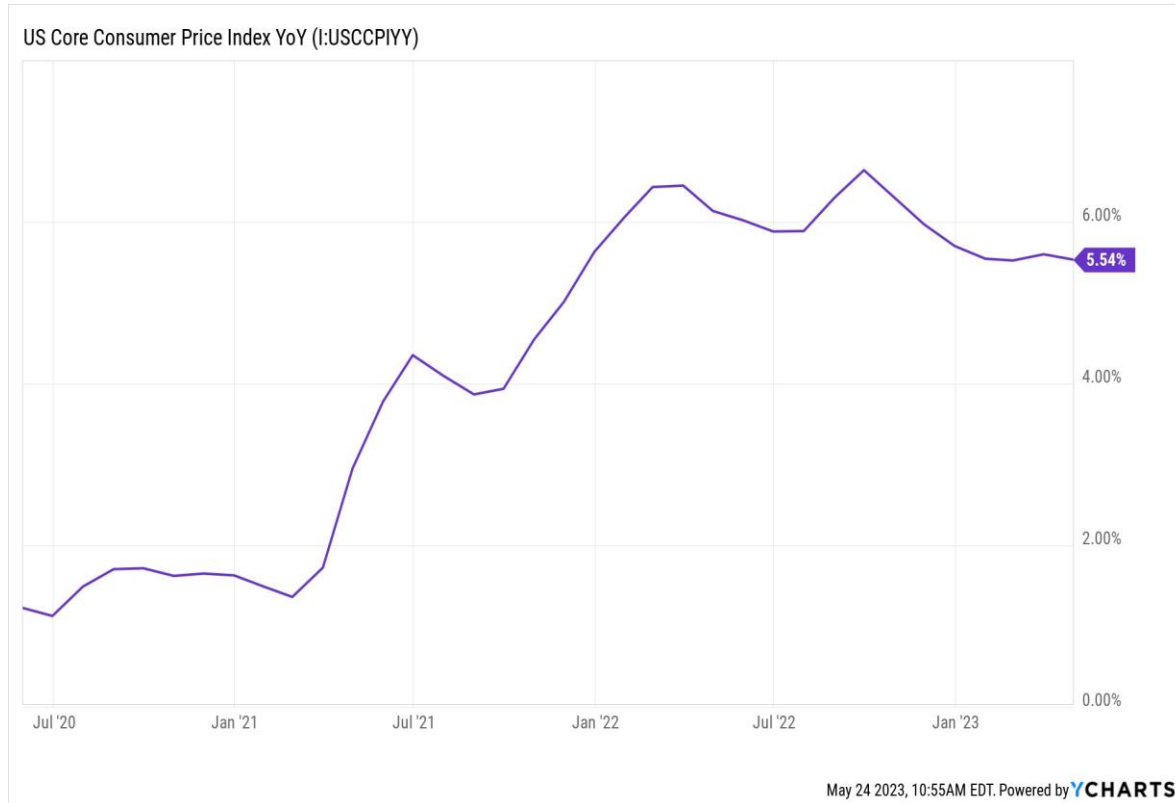
Consumer spending won't materially drop until the unemployment rate starts to rise.

If the unemployment rate rises much above 4.0% over the summer (or we end the summer above 4%) that's a sign the recession has started, and it'll be negative for stocks.

Key Events:

1. Unemployment Rate, Friday, June 2nd.
2. Unemployment Rate, Friday, July 7th.
3. Unemployment Rate, Friday, August 4th.
4. Unemployment Rate, Friday, September 1st.

Inflation: Does it Drop Enough?



Core inflation needs to track below 5.0% y/y by the end of the summer (and the closer to 4.0% y/y, the better).

If that happens, it's positive for stocks, long-dated bonds, growth/tech, and commodities, negative for the U.S. dollar.

If that doesn't happen, it's negative for stocks and bonds, should lead to relative outperformance from defensives and low vol ETFs, commodities, and positive USD.

Key Events:

1. CPI June 13th. Needs to be less than 5.5%.
2. CPI July 12th. Needs to be close to or below 5.0%.
3. CPI August 10th. Needs to be below 5.0% (and the closer to 4.0% the better).

Fed Policy: Has the Pause Happened, When Does the Pivot Occur?

Key Events:

1. FOMC Decision June 14th. Key issue: Does the Fed hold rates steady?

- If yes, positive for stocks, long-dated bonds, growth/tech, and commodities, negative for the U.S. dollar.
- If no, negative for stocks and bonds, relatively outperformance from defensives and low vol ETFs, commodities, and positive USD.

2. FOMC Decision July 26th. Key Issue: Does the Fed formally signal a pause or hint at a pivot?

- If yes, positive for stocks, long-dated bonds, growth/tech, and commodities, negative for the U.S. dollar.
- If no, slightly negative for stocks and bonds, relatively outperformance from defensives and low vol ETFs, commodities, and positive USD.

3. Jackson Hole August 24-26th. Key Issue: Does the Fed signal a pivot has occurred and rate cuts are coming? (Only three meetings left after this event).

- If yes, positive for stocks, long-dated bonds, growth/tech, and commodities, negative for the U.S. dollar.
- If no, negative for stocks and bonds, relatively outperformance from defensives and low vol ETFs, commodities, and positive USD.

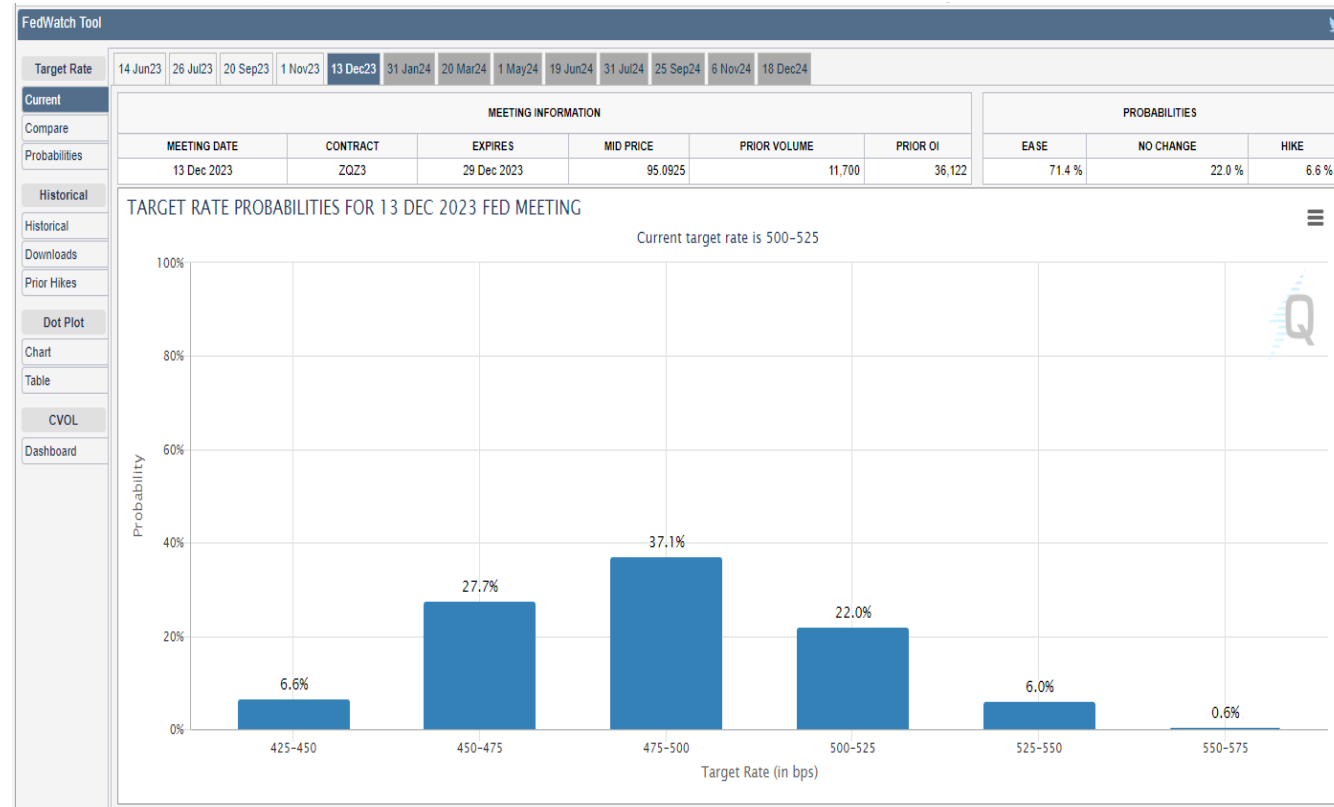
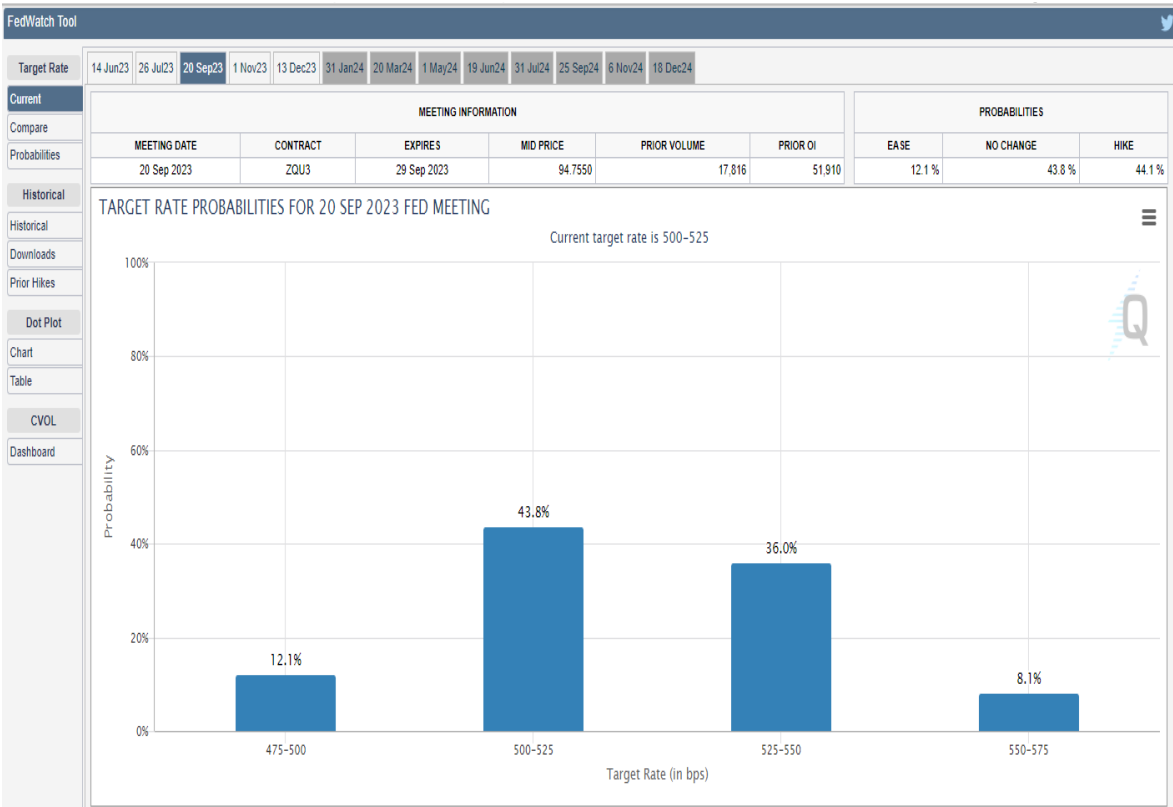
List of remaining FOMC decisions after the summer:

- Wednesday, September 20th.
- Wednesday, November 1st.
- Wednesday, December 13th.

Fed Policy: What the Market Currently Expects

Fed Fund Futures September Meeting:
Markets (barely) expect Fed Funds to be the same (5.125%).

Fed Fund Futures December Meeting:
Markets still widely expect one rate cut before year end, possibly two.



Summer Catalyst Cheat Sheet (Print If Needed)

Friday, June 2nd. Unemployment Rate. Good: < 4.0%. Bad: > 3.5%.

Monday, June 5th. ISM Services PMI. Good > 50. Bad: < 50.

Tuesday, June 13th. CPI. Good: < 5.5% y/y. Bad: > 5.5% y/y.

Wednesday, June 14th. FOMC Decision. Good: No hike. Bad: Rate hike.

Thursday, July 6th. ISM Services PMI. Good > 50. Bad: < 50.

Friday, July 7th. Unemployment Rate. Good: < 4.0%. Bad: > 3.5%.

Wednesday, July 12th. CPI. Good: < 5.2% y/y. Bad: > 5.2% y/y.

Wednesday, July 26th. FOMC Decision. Good: Pivot signaled. Bad: No pivot signaled.

Thursday, August 3rd. ISM Services PMI. Good > 50. Bad: < 50.

Friday, August 4th. Unemployment Rate. Good: < 4.0%. Bad: > 3.5%.

Thursday, August 10th. CPI. Good: < 5.0% y/y. Bad: > 5.0% y/y.

August 24th-26th. Jackson Hole Fed Conference. Good: Hint at cuts in 2023. Bad: No cuts in 2023.

Friday, September 1st. Unemployment Rate. Good: < 4.0%. Bad: > 3.5%.

Wednesday, September 6th. ISM Services PMI. Good > 50. Bad: < 50.