BESPOKE Investment Group
April 14, 2022
The Bespoke Report

Churn! Churn! Churn!

We can't get the Byrds song *Turn! Turn! Turn!* out of our minds lately, but in our heads we're singing Churn! Churn! Churn!. Stocks can't seem to find any direction these days, and that's being somewhat generous. If anything, the trend has been lower, but with the weekend approaching, let's be generous in order to keep up the mood. The 200-day moving average is typically considered a major trendline for the S&P 500 with breaks above considered bullish, while moves below suggest a bearish outlook. If that's the case, what are we to make of the fact that the S&P 500 has crossed above its 200-DMA more than five times this year and crossed below it six times? As we've all said to our kids all too often, "Make up your mind already!"

In all seriousness, you can't really fault investors for the indecision. There's no shortage of uncertainty out there concerning the economy and the geo-political situation, but the impact of the Fed looming on the markets right now ranks just as high. Everyone knows that the FOMC is going to hike rates considerably in the next several months, the only question is by how much. At this point, you have to ask what are they waiting for? Flipping the script, rewind back to March 2020 when the economy came to a standstill and credit markets dried up. Imagine if the Fed said something along the lines of "The state of the economy warrants much lower rates. Therefore, over the next several months, we will be gradually lowering rates."

Now, the FOMC is basically saying something similar but in the opposite direction. If the economy warrants higher interest rates, what are they waiting for? Sure, there may be short-term pain, but markets would adjust. By taking a gradual approach and moving at a snail's pace, the Fed isn't doing the markets or the economy any real favors as it creates a state of limbo where decisions get put on hold.

While we had a holiday shortened week, it was still plenty busy with the kick-off of earnings season and a bunch of economic data. We cover it all in this week's report along with the defensive shift in the market, a big drop in bullish sentiment, some whipsaw moves in the treasury market, a look at seasonality around tax day, and lastly a checkup on the semiconductors.

Before getting into some of this week's events, below we have provided an update to our ETF Asset Class Performance Matrix.

- Not much has been in bloom so far this April as the vast majority of the ETFs in our Matrix are down MTD. The only real exception is the commodities space and a handful of sectors.
- Perhaps the most surprising aspect of this month's performance is the fact that even in a down tape, the second worst performing ETF in our Matrix is the 20+ year Treasury ETF which is down over 8%. With a decline of over 18%, it's also the second worst performing ETF in our Matrix on a YTD basis as well. The only ETF that has done worse is the Ethereum Trust (ETHE).
- In terms of sector performance so far in April, it has been a continuation of the YTD trend as the only three sectors that are positive are also the only three that are up on the year as well.
- In international markets, no country is down more than 5% MTD, but only three UK, Spain, and Australia have managed to post gains.

Asset Class Performance MTD, YTD, and Last 12 Mths - Total Return (%)

US Related

ETF	Description	MTD	YTD	Last 12 Mths
SPY	S&P 500	-2.39	-6.89	8.57
DIA	Dow 30	-0.07	-4.17	4.45
QQQ	Nasdaq 100	-5.89	-14.14	1.87
IJH	S&P Midcap 400	-1.84	-6.65	-0.24
IJR	S&P Smallcap 600	-1.97	-7.51	-2.51
IWB	Russell 1000	-2.38	-7.40	6.11
IWM	Russell 2000	-2.51	-9.87	-9.53
IWV	Russell 3000	-2.49	-7.54	5.05
IVW	S&P 500 Growth	-5.22	-13.34	5.92
IJK	Midcap 400 Growth	-2.07	-11.08	-5.53
IJT	Smallcap 600 Growth	-3.01	-12.43	-6.20
IVE	S&P 500 Value	0.48	0.35	10.66
IJJ	Midcap 400 Value	-1.67	-2.23	4.87
IJS	Smallcap 600 Value	-1.05	-2.77	0.89
DVY	DJ Dividend	0.94	6.24	14.48
RSP	S&P 500 Equalweight	-0.78	-3.45	9.13
FXB	British Pound	-0.46	-3.36	-5.49
FXE	Euro	-2.24	-5.17	-10.63
FXY	Yen	-3.29	-8.69	-14.00
GBTC	Bitcoin Trust	-6.58	-16.70	-44.60
ETHE	Ethereum Trust	-16.81	-30.72	1.08
XLY	Cons Disc	-2.98	-12.07	1.90
XLP	Cons Stap	4.37	3.19	17.83
XLE	Energy	5.15	46.16	70.84
XLF	Financials	-3.41	-4.84	7.03
XLV	Health Care	1.85	-0.66	19.39
XLI	Industrials	-2.38	-4.68	1.37
XLB	Materials	1.68	-0.71	13.02
XLK	Technology	-6.82	-14.67	5.87
XLC	Comm Services	-2.76	-13.68	-11.19
XLU	Utilities	2.57	7.40	19.30

Global

ETF	Description	MTD	YTD	Last 12 Mths
EWA	Australia	0.25	6.71	8.14
EWZ	Brazil	-1.48	32.70	18.51
EWC	Canada	-0.85	3.75	15.83
ASHR	China	-0.97	-16.17	-13.02
EWQ	France	-2.72	-11.60	-1.91
EWG	Germany	-4.05	-16.90	-19.22
EWH	Hong Kong	-2.02	-4.64	-16.65
PIN	India	-0.31	-3.55	17.11
EWI	Italy	-1.19	-11.06	-6.21
EWJ	Japan	-4.92	-12.51	-14.03
EWW	Mexico	-3.82	4.49	17.50
EWP	Spain	1.53	-1.60	-4.55
EIS	Israel	-1.21	-5.89	10.70
EWU	UK	1.53	3.06	10.63
EFA	EAFE	-1.83	-8.17	-4.35
EEM	Emerging Mkts	-1.73	-9.17	-15.80
IOO	Global 100	-2.49	-4.94	9.67
BKF	BRIC	-0.39	-14.77	-25.32
CWI	All World ex US	-1.71	-7.71	-6.25
DBC	Commodities	8.14	35.61	62.33
DBA	Agric. Commod.	3.24	14.38	29.16
USO	Oil	8.04	47.31	86.06
UNG	Nat. Gas	29.28	104.04	164.80
GLD	Gold	1.90	7.67	13.13
SLV	Silver	3.32	9.90	0.21
SHY	1-3 Yr Treasuries	-0.15	-2.65	-3.28
IEF	7-10 Yr Treasuries	-3.71	-9.84	-8.36
TLT	20+ Yr Treasuries	-8.54	-18.27	-11.24
AGG	Aggregate Bond	-2.75	-8.43	-7.51
BND	Total Bond Market	-2.89	-8.56	-7.49
TIP	T.I.P.S.	-2.11	-5.11	1.47

The last month of trading for the Nasdaq has been pretty bipolar.

- After bouncing 16.2% from the close on 3/14 through 3/29, the Nasdaq's rally ran out of steam just shy of its 200-DMA and has since pulled back 8.1% with more than 5 percentage points of that decline coming in the first two weeks of April.
- The pattern for the Nasdaq doesn't look particularly attractive right here, and the only thing positive you can really say is that it could be carving out a reverse head and shoulders pattern.

Nasdaq Composite: Last 12 Months

With a decline of over 5% MTD, the Nasdaq is having its second worst start to the month of April after two weeks in its history. The only other year that was worse was 2000 when it fell over 27%!

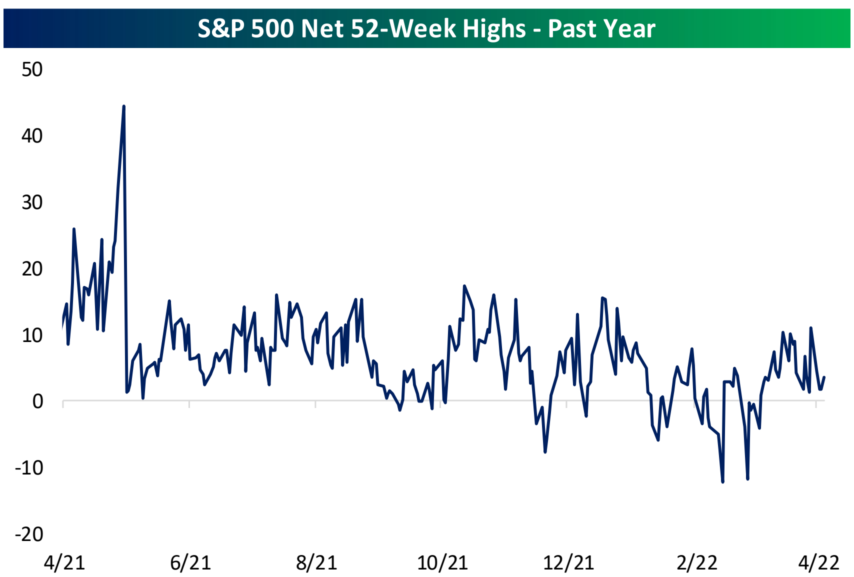
- The table below shows all years where the Nasdaq was down more than 2% MTD through 4/14, and for each year we show its performance for the rest of April and the rest of the year.
- Of the eleven prior years where the Nasdaq was down 2%, the median performance for the rest of April was 1.12% with gains nearly two-thirds of the time and is pretty close to the median change for all other years.
- For the rest of the year, though, the Nasdaq's median gain of 1.37% is well below the median of 8.9% for all other years since 1972.
- It's also interesting to note that while there were four years where the Nasdaq dropped another 20%+, outside of these eleven years, there was only one other year in 40 where it dropped more than 20% from the close on 4/14 through YE (although it did drop 19.99% in 1973).

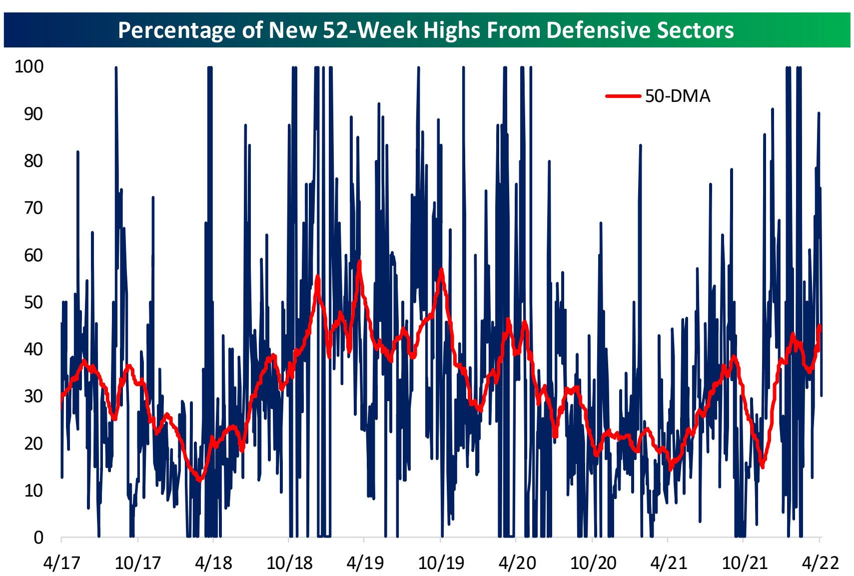
2%+ Nasdaq Declines Thru 4/14

	Nasdaq Performance (%)			
Year	Q1	MTD	Rest of April	Rest of Year
2000	12.37	-27.37	16.24	-25.62
2022	-9.10	-5.59		
2002	-5.39	-4.83	-3.87	-23.95
2014	0.54	-4.20	2.28	17.73
1987	23.28	-3.92	1.12	-20.02
1984	-9.99	-2.70	1.41	1.37
1974	0.09	-2.69	-3.26	-33.38
2005	-8.10	-2.63	-1.29	13.28
2012	18.67	-2.60	1.16	0.27
1993	1.95	-2.35	-1.86	15.27
1994	-4.29	-2.17	0.90	3.39
1976	16.75	-2.06	1.50	10.29
Median			**1.12**	**1.37**
% Positive			**63.6**	**63.6**
All Other Years Since 1972				
Median			**1.37**	**8.87**
% Positive			**67.5**	**75.0**

Despite the general weak market tone, the S&P 500 has managed to see positive readings in the daily number of stocks hitting 52-week highs.

- Last Friday, this reading actually saw one of the strongest readings of the year before pulling back this week.
- Even though it has reversed lower as the index declined, the reading on net new highs has averaged around 4.5% in the past week which is relatively strong when compared to the historical average reading of 1.6% across all down days.
- As for why new highs have been stronger than might be expected, the outperformance of defensive sectors—Consumer Staples, Health Care, Real Estate, and Utilities—is the reason.
- In the second chart below, we show the percentage of new 52-week highs that come from defensives. On a 50-DMA, the reading is at the highest level since the spring of 2020.

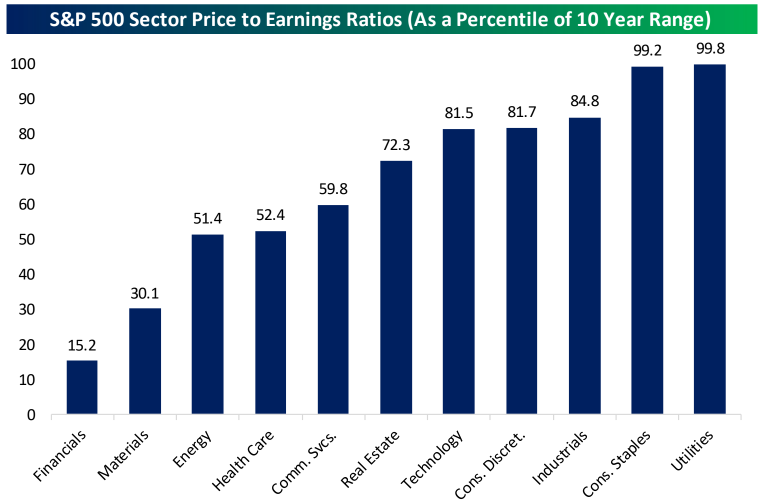




** Percentage of S&P 500 new 52-week highs from Consumer Staples, Health Care, Real Estate, or Utilities.*

While these defensive sectors have been strong, their valuations have been getting richer.

- Every day on the first page of our [Sector Snapshot](), we show the price-to-earnings ratios of each of the S&P 500's eleven sectors as well as where those readings sit relative to the past decade.
- At right is a chart showing where sector P/E ratios (trailing 12-month) currently stand as a percentile of their 10-year range.



- As Utilities and Consumer Staples -- the two main defensive sectors -- have seen share prices rise to new all-time highs recently, their valuations have spiked as well.
- Current valuations for these two sectors are in the 99th percentile of their range over the last ten years.
- This basically means valuations for defensives are at 10-year highs.
- At the peak right before COVID hit in February 2020, the S&P 500 and six of eleven sectors had valuation readings in the 90th percentile or higher relative to their prior 10-years. P/E ratios unsurprisingly hit 10-year lows at the time of the COVID Crash low on 3/23/20, but by the end of 2020, they were right back up to the high end of their range.
- These high multiples remained in place for most of 2021, but as share prices have pulled back in the "growth" space since the start of the year, we've seen P/E contraction begin. The only areas now where valuations remain extreme (relative to recent history) are defensives.
- In essences, defensives have to an extent propped up the broader market, but that comes at a cost of extended valuations.

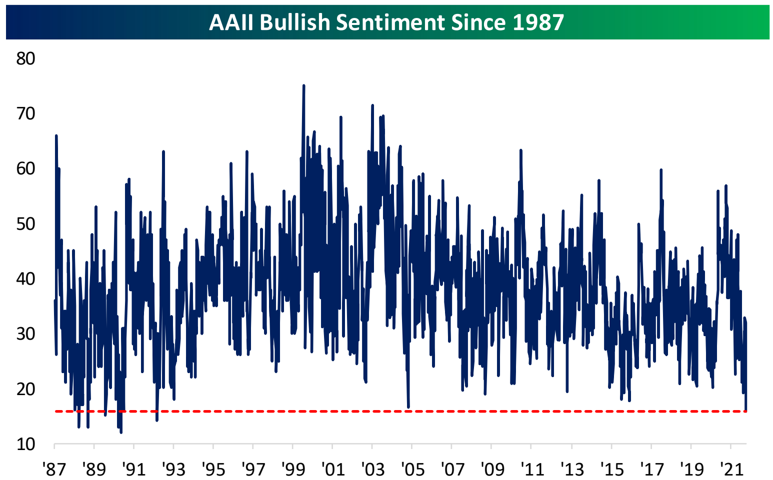
S&P 500 Sector P/E Ratios as %ile of 10 Year Range

	ETF	YTD %	Current	P/E Ratio as Percentile of 10 Year Range					
Sector	**Ticker**	**Chg**	**P/E Ratio**	**2/19/20**	**3/23/20**	**12/31/20**	**12/31/21**	**1/3/22**	**Current**
Utilities	XLU	6.43	23.5	84.4	0.1	99.8	98.4	97.9	99.8
Cons. Staples	XLP	1.82	23.3	92.2	25.3	96.8	98.9	98.3	99.2
Industrials	XLI	-6.35	27.2	92.2	0.0	100.0	87.5	87.4	84.8
S&P 500	**SPY**	**-7.74**	**22.5**	**98.8**	**12.0**	**100.0**	**85.4**	**85.5**	**82.1**
Cons. Discret.	XLY	-13.47	33.7	99.8	26.8	99.8	87.3	88.3	81.7
Technology	XLK	-14.97	28.2	100.0	65.2	99.2	91.6	93.4	81.5
Real Estate	XLRE	-5.89	51.7	98.1	0.0	100.0	78.2	77.4	72.3
Comm. Svcs.	XLC	-15.87	19.3	98.1	57.3	99.5	81.8	81.7	59.8
Health Care	XLV	-1.68	20.8	78.5	24.6	91.1	58.1	51.8	52.4
Energy	XLE	41.22	18.7	68.2	0.0	N/A*	22.0	24.6	51.4
Materials	XLB	-2.91	18.0	85.4	6.9	98.6	35.6	32.8	30.1
Financials	XLF	-4.57	12.9	40.5	0.0	94.9	27.4	31.8	15.2

** Energy sector had negative earnings from September 2020 to March 2021*

Taking a look at individual investor sentiment these days, you might think the sky is falling rather than the S&P 500 having rallied off the lows to sit roughly 7.5% from an all-time high.

- Regardless, the latest reading on bullish sentiment from the *American Association of Individual Investors (AAII)* showed the percentage of respondents reporting as optimists fell to the lowest level since 1992.
- At 15.8%, bullish sentiment never even fell to as low of a reading during the tech bubble burst in the late 1990s/early 2000s, during the Great Recession, or in the worst days of the pandemic.



- We frequently note how looking at history, sentiment indicators are usually contrarian in nature meaning times that sentiment showed bulls are hard to find have typically been followed by stronger returns and vice versa for when bearish sentiment is low.
- In the table below, we show the average performance of the S&P 500 and the percent of time that the index was positive in the weeks and months after the *AAII* bullish sentiment reading came within certain five percentage point ranges.
- Obviously at a nearly two decade low, the current reading is at a tail end of the distribution of readings historically. Fortunately, it is also within the range that has been followed by some of the strongest and most consistently positive returns.
- Just as we would be quick to take the other side of the trade if bullish sentiment reached 85%, the fact that sentiment is so negative could be one of the most bullish aspects of the market right now.

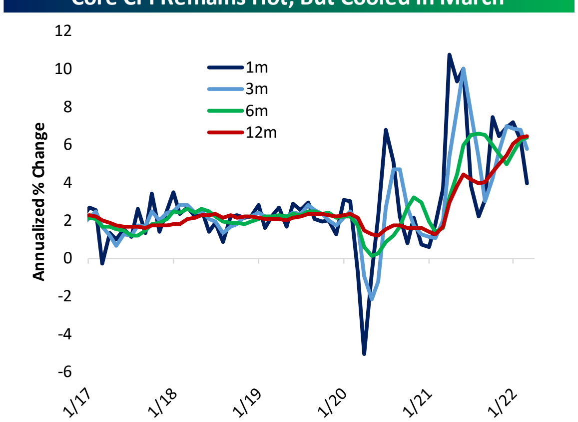
S&P 500 Historical Forward Performance Based on AAII Bullish Sentiment Ranges (Current: 15.8%)

		Average Forward Performance (%)					% Positive				
Range	**Instances**	**Week**	**Month**	**3 Month**	**6 Month**	**Year**	**Week**	**Month**	**3 Month**	**6 Month**	**Year**
0 - 10	0	--	--	--	--	--	--	--	--	--	--
10 - 15	6	-0.57	0.53	6.13	15.15	20.98	16.7	66.7	100.0	100.0	100.0
15 - 20	**25**	**0.36**	**2.08**	**6.84**	**12.00**	**20.09**	**52.0**	**64.0**	**84.0**	**88.0**	**88.0**
20 - 25	122	0.49	1.96	5.09	8.72	15.95	62.3	74.6	79.5	77.9	85.2
25 - 30	224	0.35	1.00	2.34	5.70	12.95	61.2	64.3	67.9	76.3	80.4
30 - 35	289	0.02	0.52	2.39	4.95	10.41	55.0	60.9	69.6	71.6	77.9
35 - 40	333	0.18	0.64	1.72	4.54	10.42	60.1	62.8	68.5	72.7	80.2
40 - 45	280	0.03	0.55	1.51	4.16	8.97	54.3	66.8	66.4	72.1	78.9
45 - 50	184	0.00	0.46	2.05	4.02	8.31	59.2	63.0	70.1	75.5	78.3
50 - 55	100	0.46	0.01	0.91	1.39	3.52	61.0	54.0	66.0	72.0	66.0
55 - 60	53	0.02	-0.26	0.00	0.86	0.33	49.1	49.1	58.5	64.2	66.0
60 - 65	31	0.26	0.48	1.05	1.30	-0.05	61.3	61.3	61.3	58.1	54.8
65 - 70	9	-0.38	-0.03	-3.57	-4.84	-5.70	55.6	77.8	22.2	22.2	55.6
70 - 75	1	-0.01	1.30	3.75	11.18	14.97	0.0	100.0	100.0	100.0	100.0
75 - 100	0	--	--	--	--	--	--	--	--	--	--
All Periods	**1646**	**0.17**	**0.70**	**2.12**	**4.71**	**9.90**	**57.6**	**63.9**	**69.2**	**73.2**	**78.3**

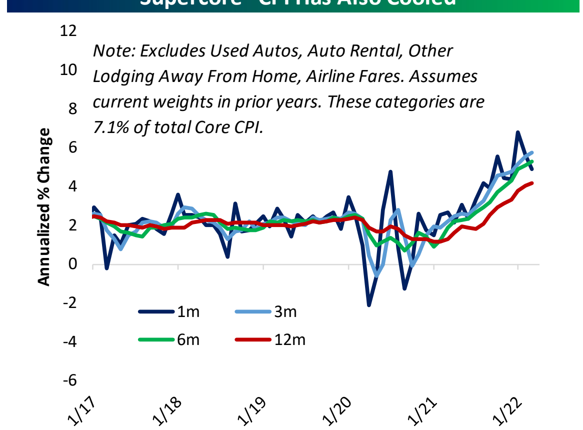
Between CPI, PPI, and Import Prices, it was a jammed packed week for inflation data.

- Core CPI missed estimates in March, with core prices rising 0.3% MoM versus 0.5% expected; headline CPI rose 1.2% which was inline with expectations.
- Headline inflation was overwhelmingly driven by energy prices: heating oil, piped natural gas, and motor vehicle fuels accounted for two-thirds of the MoM advance in prices, rising nearly 20% on the month.
- Core, on the other hand, was weighed heavily by one category: used auto prices fell almost 4% MoM, *much* faster than we reckoned based on Mannheim wholesale used vehicle prices in February and March (discussed last Thursday in *The Closer*, **link**).
- That was the weakest core price advance since last October, but after stripping out pandemic-sensitive categories for our "supercore" metric, prices were still up ~4.9% annualized.
- Rent has been a major driver of core inflation in recent months and will likely continue to trend stronger through the middle of the year, but asking rents have already decelerated sharply, suggesting some light at the end of the tunnel for rent inflation.
- On the broadest basis, MoM prices as measured on a median or trimmed mean basis is still running in the 99th percentile dating back to 1983, so it's still premature to declare a peak in inflation.

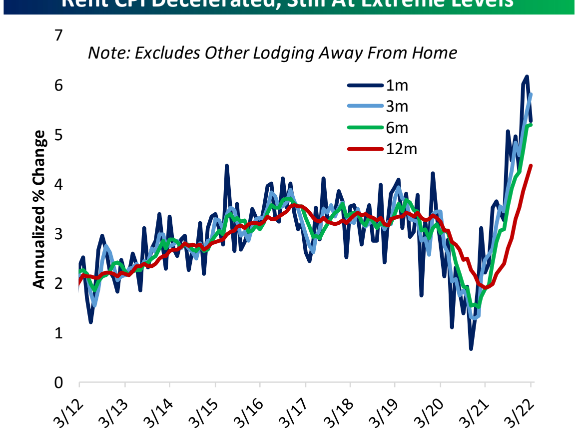
Core CPI Remains Hot, But Cooled In March



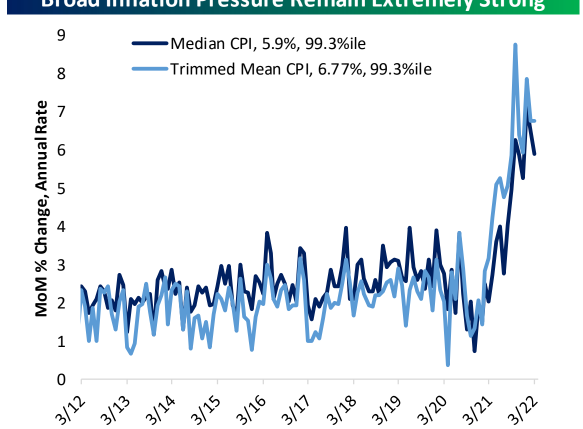
"Supercore" CPI Has Also Cooled



Rent CPI Decelerated, Still At Extreme Levels



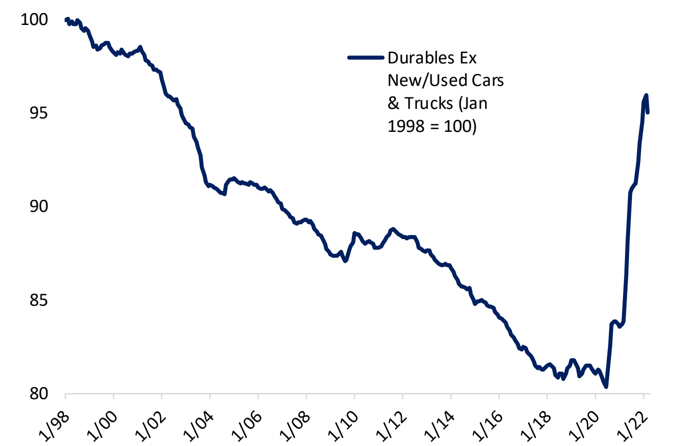
Broad Inflation Pressure Remain Extremely Strong



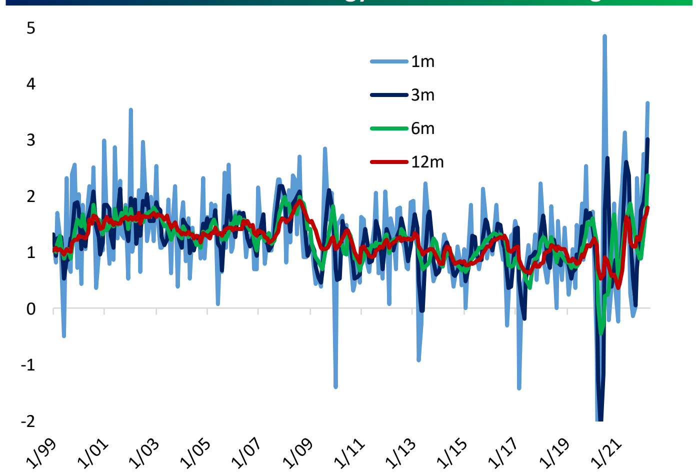
One reason to be optimistic that inflation may have peaked out is a sequential decline in the price of durable goods ex-autos, which has been a key category for both very high consumer demand and very stressed supply chains.

- Rising inventories and decelerating logistics stress indicators coupled with declining surplus cash balances leave lots of room for durables deflation going forward (chart right).
- On the other hand, Services excluding rent and energy services, which should be the category of inflation most sensitive to wages, has accelerated sharply over the last few months.
- Therefore the overall picture is not yet one of full inflation relief.
- What has been incredible about inflation data lately has been the consistency of upward pressure.
- It's a popular narrative that the Fed is behind the curve, but they're not the only ones. Economists have simply not been able to catch up and get ahead of the persistent trend of rising prices.
- The chart below shows the rolling 24-month total of the weaker than expected m/m headline CPI reports going back to 2000.
- During this span there have only been three months where headline CPI came in weaker than expected. Three!.
- Going back to 2000, there has never been a period where weaker than expected CPI reports were as scarce as they have been in the last two years.

Has Durables Inflation Outside Autos Finally Peaked?

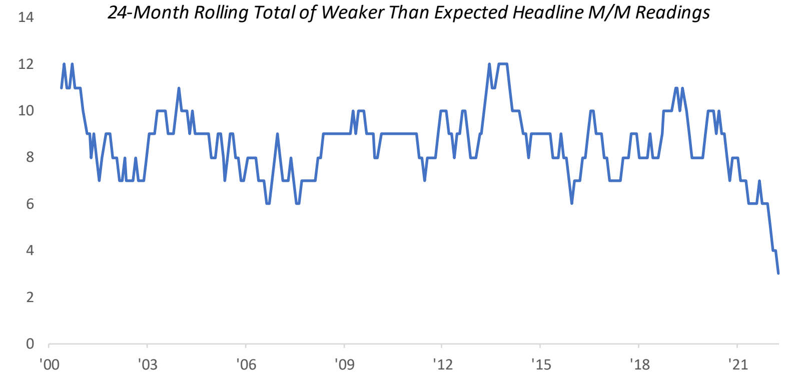


Services Ex Rent & Energy Services Accelerating



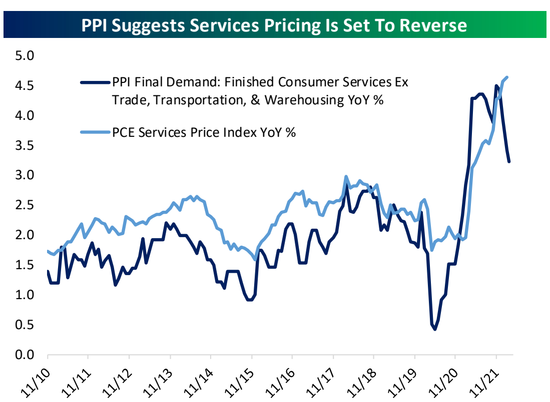
Weaker Than Expected CPI Reports a Dying Breed

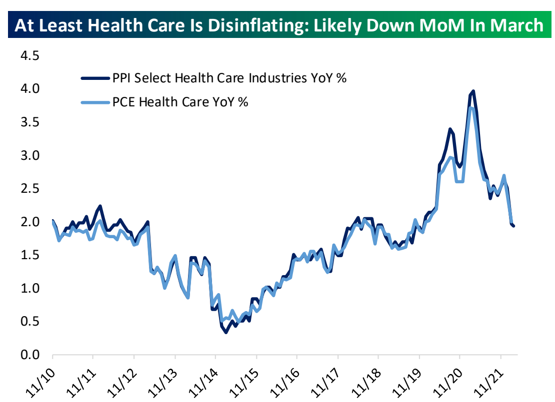
24-Month Rolling Total of Weaker Than Expected Headline M/M Readings

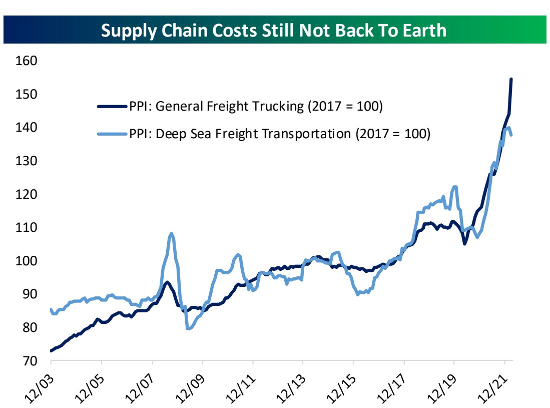


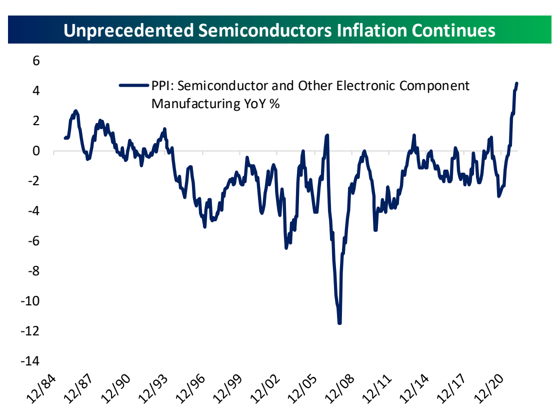
The history of the Producer Price Index (PPI) in its current form only goes back to 2009, but the March report showed the fastest m/m and y/y increases on record. Most of the increase was driven by rising energy prices, but other categories also showed large increases.

- The flip side of the record PPI is that many of the inputs that feed into PCE inflation have started to slow.
- Broad consumer prices, for instance, using the PPI measure for consumer services excluding trade services (wholesale and retail profit margins), transportation, and warehousing decelerated sharply from ~4.5% YoY in November to +3.2% YoY in March.
- That suggests that Services PCE, at least, has peaked on a YoY basis and is set to decelerate sharply; that’s less important than sequential MoM prints but is notable.
- One source of that disinflation is Health Care where the series that feeds almost directly from PPI to PCE suggests a decline in health care prices MoM for the month of March.
- To be sure, a range off prices in PPI are still exploding, with the best examples found in logistics where truck transportation costs *soared* 7% MoM NSA.
- Sea freight was down sequentially, but only by 1.4% MoM NSA after a massive surge throughout the pandemic period.
- Semiconductors are also still seeing unprecedented price increases: broad prices for semis are up 4.5% YoY and after our seasonal adjustment gained 6.5% annualized in March, an unprecedented inflationary environment for those types of components.



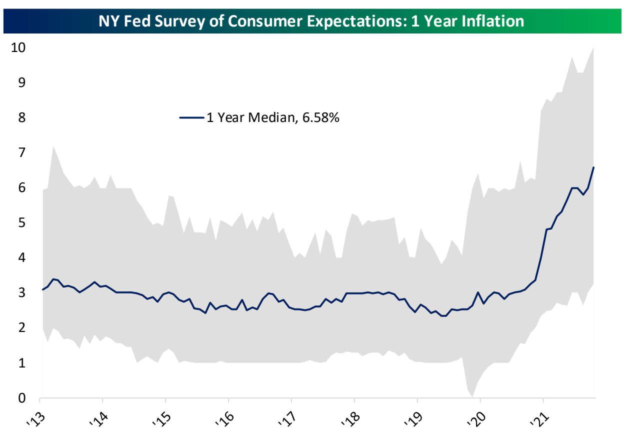


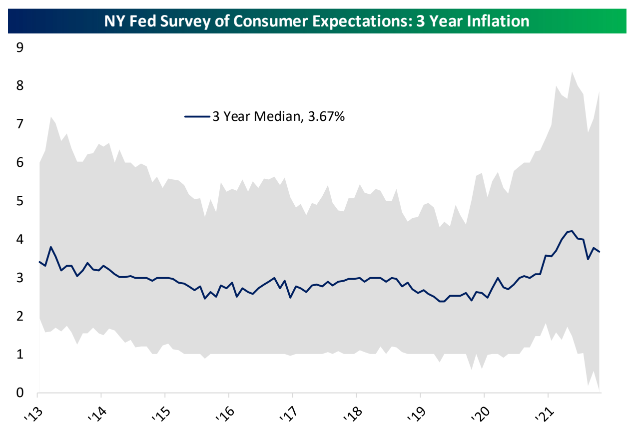


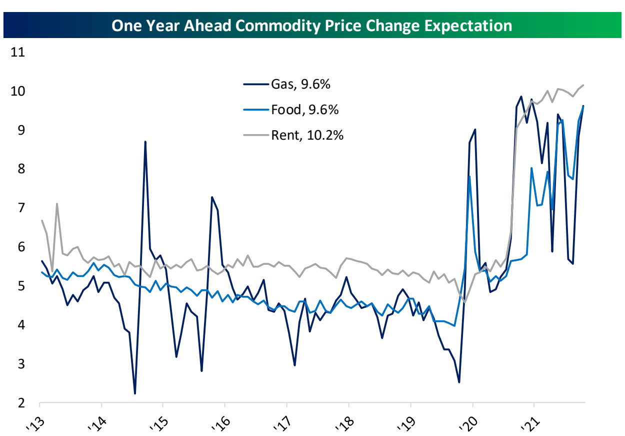


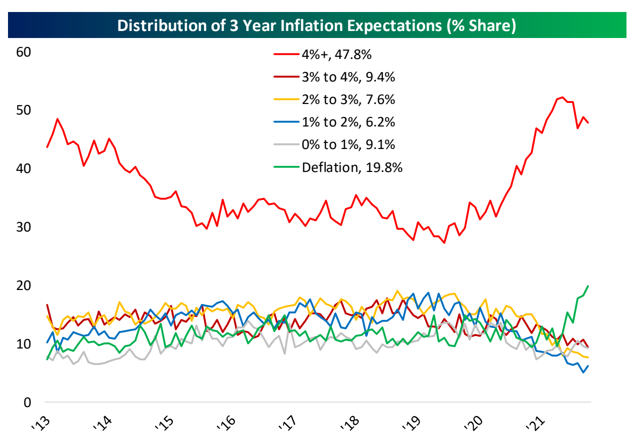
In addition to the actual data on inflation this week, the NY Fed also released its latest update to consumer inflation expectations, and while the report was somewhat mixed, it wasn't particularly positive.

- One year median inflation expectations continue to soar hitting a series high of 6.58%. The top quartile of expectations also hit 10% for the first time.
- While near term inflation expectations are at a record, 3-year median expectations are more modest at 3.67% and trending lower since the peak in October.
- Looking at the distribution of reported expectations (bottom right chart below), it's interesting to see that over the past several months, a rising share of respondents report that they expect deflation over the next three years has surged to a new high of nearly 20%.
- Just like politics, the middle ground of inflation expectations has been evaporating.
- Highlighting specific commodity inflation, expectations for food and rent have hit record highs around 10%.
- Ironically, with the surge in gas prices last month, expectations are off their peak from earlier in the pandemic, though, here too the readings have surged and are closing in on 10%.



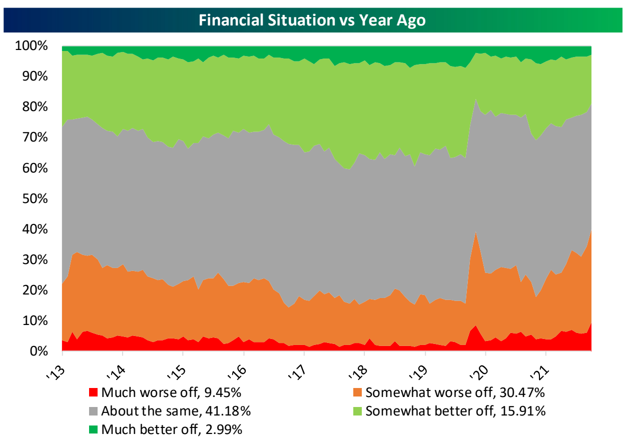


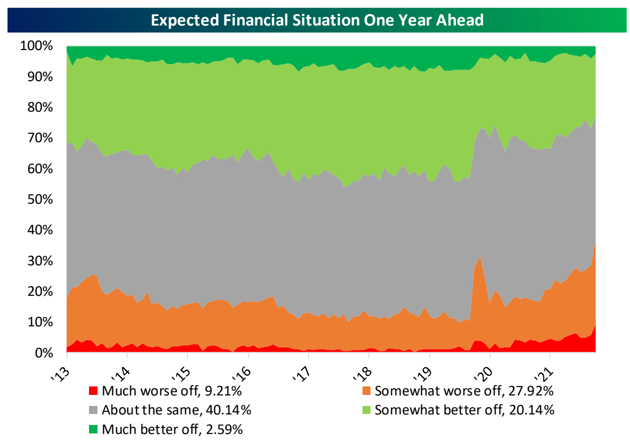


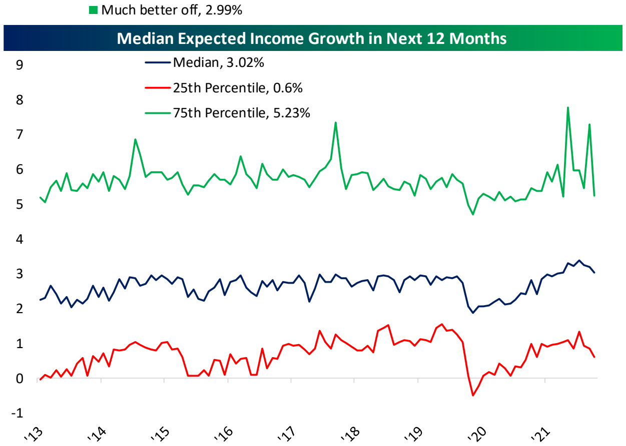


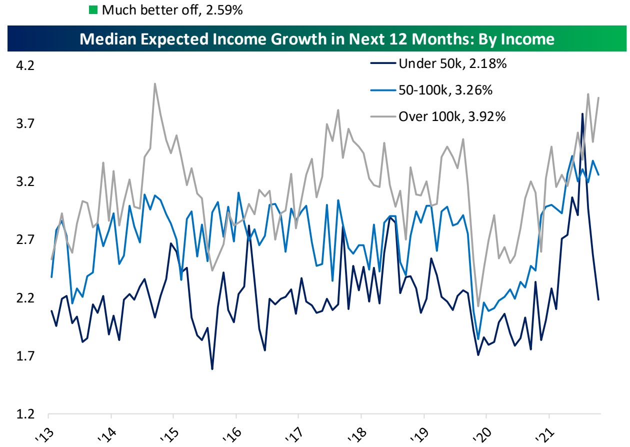
Rising inflation has been a key driver of weaker consumer sentiment lately, and that's showing up in how they perceive their financial situations.

- This month, a record share of respondents reported that conditions are worse than a year ago (39.9%) and expect to be worse off in the year ahead (37.1%).
- Meanwhile, the median expected income growth continues to roll over, but there is a notable difference with regards to income demographics.
- The highest income earners—those reporting incomes of $100K or more—have near record expectations for income growth over the next year of 3.92% on a median basis.
- Those more middling within the income spectrum—those earning between 50K and 100K—however have seen expectations for income growth plateau having been range bound over the past several months.
- The most notable move then has been in regards to the bottom income bracket. This group has seen expectations plummet from a record 3.78% growth rate in December (which was at the time the highest among the three groups) all the way down to 2.2% in March.









Inflation is clearly the major issue weighing on the economy right now, but when you think about it, it's pretty amazing how quickly trends can shift. It was only a year ago that y/y CPI was just crossing the Fed's 2% target, but now with the latest reading for March coming in at 8.5%, it feels like we're in a 1970s-type spiral where inflation is out of control. We'll be the first to say we don't know where inflation is going to be a year from now, but it is also important to be cognizant of how quickly situations in the market and economy can shift. Trends in the labor force provide another example.

- It was a little more than a year ago that we remember reading the following article in *The Wall Street Journal* and articles like it all over the place:

ECONOMY | THE OUTLOOK

Pandemic Accelerates Retirements, Threatening Economic Growth

Nearly 1.5 million over-55-year-olds exited the job market as recession, virus weighed on opportunities

- The gist of it was that COVID pushed older Americans out of the labor force in droves, and many of them weren't coming back. This exodus from the labor force would have major societal implications as it would weigh on overall economic growth, decrease worker productivity, and push labor costs higher. As one economist in the article noted, "Historically, the likelihood of seeing workers who decided to retire come back into the labor force is quite low, so we do think that some of the drop in the participation rate with older workers is likely to remain permanent."
- What a difference a year makes. While inflation, which was supposed to be transitory, has ended up looking a lot more permanent, it appears as though the exodus of older Americans from the labor force, which was initially thought to be permanent, may end up being more transitory in nature. *The Wall Street Journal* highlighted this trend Tuesday:

ECONOMY

Everything Costs More, and That's Disrupting Retirement for Many

Rising inflation and wages prompt older workers to put off, exit retirement

- It may not be for the best reasons, but many older Americans who left the labor force when COVID hit found that after accounting for inflation at multi-decade highs, their nest eggs will not be as supportive of their retirement plans as they originally thought, and that's pushing them back into the labor force.
- While the implication of workers leaving the labor force was for slower growth, lower productivity, and higher labor costs, an influx of workers should increase growth, increase productivity, and put downward pressure on labor costs. It's all about supply and demand.
- The reason for workers returning back to the labor force may not be the most favorable for them, but amazingly, the exodus of older Americans from the labor force didn't even last as long as the "farewell' tours from *The Eagles* or *The Who*!

Retail Sales for the month of March were slightly weaker than expected coming in at 0.5% m/m versus forecasts for an increase of 0.6%. Ex Autos, though, total sales grew 1.1% which was actually slightly better than expected. Another positive aspect of the report was that February's original numbers were revised higher by half a percentage point.

- The headline reading was muted at 0.5%, but there were some big moves at the individual sector level.
- Gas Stations and General Merchandise had increases of more than 5%, while three other sectors saw m/m increases of more than 2.5%.
- On a y/y basis, Gas Stations have now seen sales grow by 37%, and just two other sectors experienced double-digit percentage growth.
- On the downside, the biggest surprise had to be the 6.4% decline in Non Store Sales taking the y/y rate of growth down to just 1.8%.
- After a nearly 2% decline in March, sales in the Auto sector are also now just one of two sectors with negative y/y sales.
- With the large increase in sales at Gas Stations, the sector's share of total Retail Sales has spiked to nearly 10% in the last few months and is now at its highest level since late 2014.
- The increase in sales at Gas Stations has been sucking away share from just about every other sector.
- Of the thirteen sectors tracked in the report, only five have seen their share increase over the last year, and besides Gas Stations and Bars & Restaurants, the other three increases have basically been negligible.
- On the downside, there have been some notable share losers over the last year including Autos and Non Store which have lost 1.64 and 0.68 percentage points in share, respectively.
- The decline in Non Store shouldn't be too surprising given the trend towards re-opening, but the weakness in Autos illustrates the continued problems in the supply chain.

Retail Sales By Category: Mar 2022

Category	M/M (%)	Y/Y (%)
Gas Stations	8.86	37.04
General Merchandise	5.38	5.22
Electronics & Appliances	3.32	-9.74
Sporting Goods	3.29	-5.05
Clothing	2.63	7.32
Food and Beverage Stores	1.03	8.36
Bars and Restaurants	1.01	19.38
Miscellaneous	0.84	13.33
Furniture	0.67	3.60
Total Retail Sales	0.50	6.88
Building Materials	0.50	0.61
Health and Personal Care	-0.29	1.37
Autos and Parts Dealers	-1.94	-1.18
Non Store (Online)	-6.41	1.80

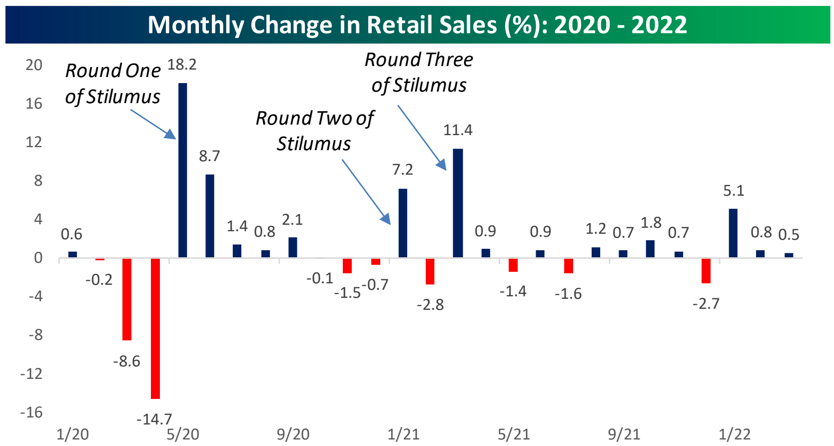
Gas Stations (% of Total Retail Sales)

Retail Sales By Category (% of Total Sales) 1-Yr Change

Category	Current	One Year Ago	Change
Motor Vehicle and Parts Dealers	20.09	21.72	**-1.64**
Non Store	13.57	14.25	**-0.68**
Food and Beverage Stores	11.88	11.71	0.16
Bars and Restaurants	11.32	10.13	1.19
General Merchandise	11.25	11.42	**-0.18**
Gas Stations	9.59	7.48	2.11
Building Materials	6.55	6.96	**-0.41**
Health and Personal Care	4.89	5.15	**-0.27**
Clothing	4.05	4.03	0.02
Miscellaneous	2.35	2.22	0.13
Furniture	1.93	1.99	**-0.06**
Sporting Goods	1.42	1.59	**-0.18**
Electronics & Appliances	1.13	1.34	**-0.21**

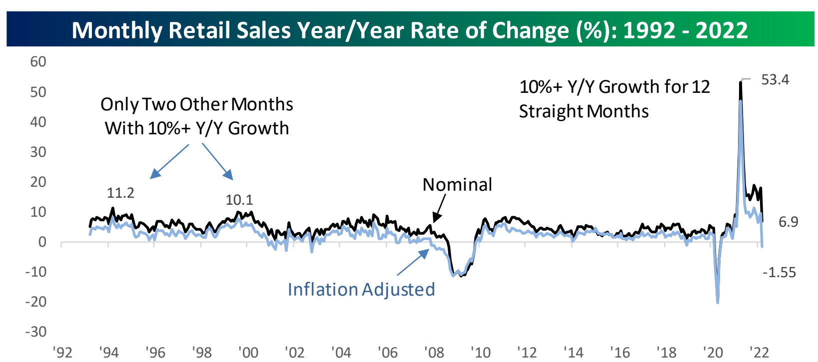
We've been showing the chart below a bunch over the last few months which shows the monthly growth in Retail Sales along with the timing of stimulus checks hitting the bank accounts of Americans.

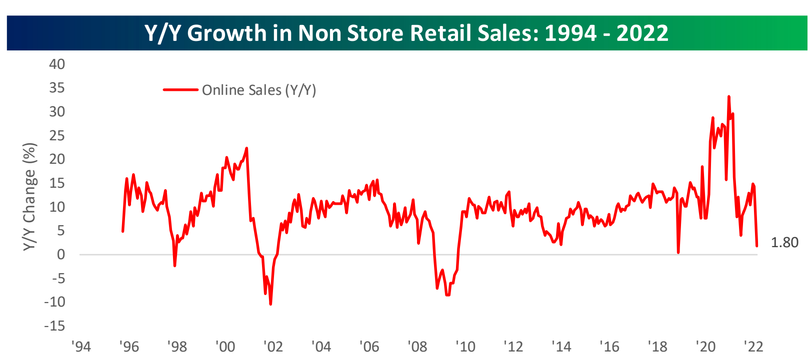
- Each time checks hit consumer accounts, Retail Sales experienced a short-term surge.
- With the last checks going out late in Q1 21, we noted that y/y Retail Sales growth would start seeing tough comps beginning in March.



That's exactly what we started to see with March's report. The charts below show the y/y reading in headline Retail Sales on both a nominal and inflation adjusted basis (top chart) along with the y/y change in Non Store sales. In all three cases, the picture isn't particularly pretty.

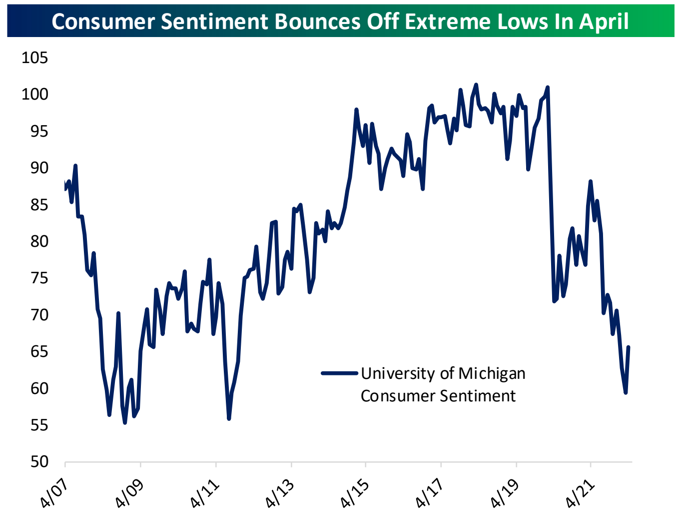
- Starting with headline Retail Sales, this month's y/y reading of 6.9% ends a streak of 12 straight months of double-digit growth. Given the fact that there were only two other months of double-digit readings before the pandemic, don't expect to see another one anytime soon.
- On an inflation-adjusted basis, Retail Sales are now actually negative for the first time since the pandemic.
- One of the biggest shockers, though, is non-store sales. While still positive at 1.8%, this reading is getting closer to negative territory; levels not seen since the financial crisis.

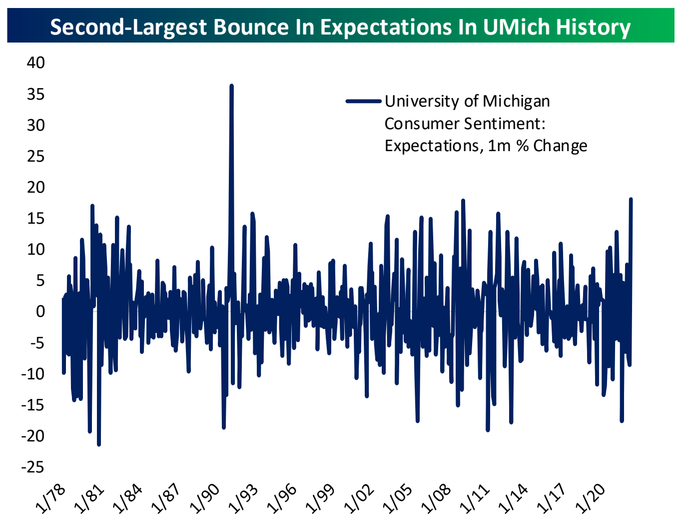


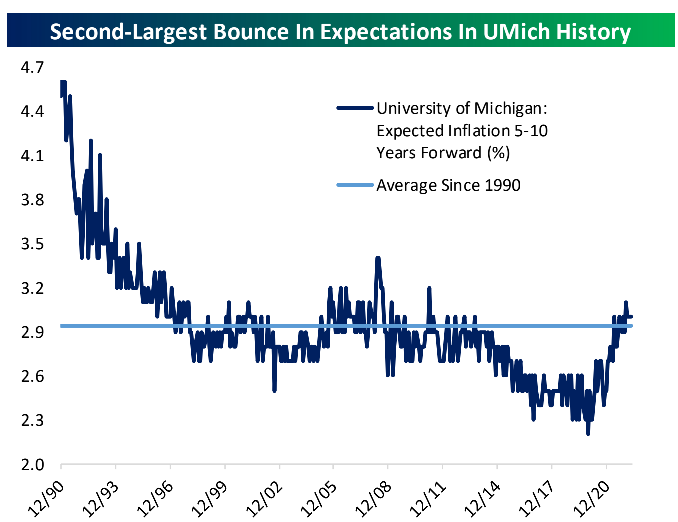


Thursday's last release of the trading week saw some less dismal consumer sentiment numbers than we have become accustomed to lately.

- The University of Michigan's Consumer Sentiment numbers have been absolutely *terrible* of late, falling to levels seldom seen outside recessions in March.
- Preliminary April numbers were more constructive, as both the current conditions index and consumers' expectations for the future rose sequentially.
- The expectations index was especially rosy relative to March.
- In fact, it recorded its second-largest ever percentage change on the month (second chart); only the huge improvement in expectations around the first Iraq War saw a larger percentage change from one month to the next.
- While the consumers' expectations index is still very weak, the large spike is hard to ignore and may suggest that the spike in gas prices and shortages of consumer goods driven by supply chain concerns may finally be fading as drivers of sentiment.
- We also note that long-term inflation expectations reported in the UMich preliminary data remain relatively stable at 3% over the last three months.
- While price pain for consumers is very real, their longer-term views about inflation appear to be basically normal.

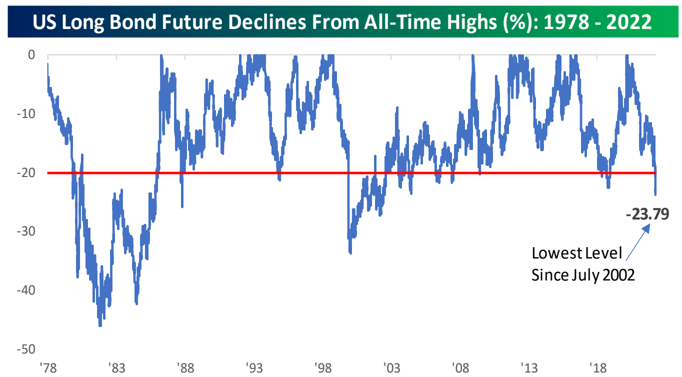






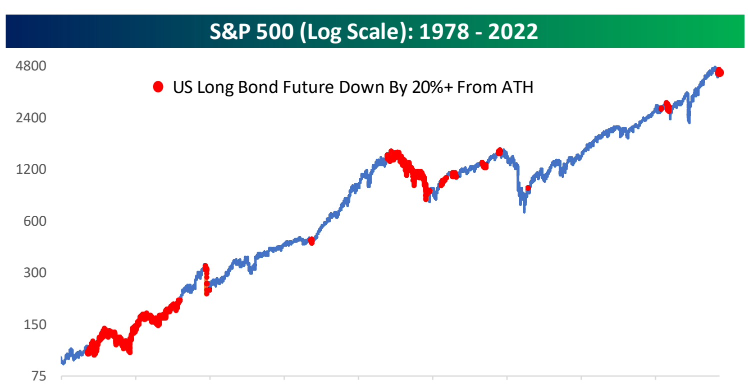
It has been a brutal two weeks for US Treasuries.

- The US Long Bond Future had its seventh straight down day earlier this week which is the longest losing streak since January 2021 and just the 23rd time since 1977 that it has been down for seven straight days.
- While the selling experienced a bit of a reprieve in the middle of the week, on Thursday the sellers were back in full force taking the Long bond Future to new lows.
- The Long Bond future has now dropped nearly 24% from its last all-time high in early March 2020, and declines of this magnitude have been extremely uncommon in the history of the Long Bond future.
- The current decline is the deepest hole that the Long Bond has found itself in since July 2002.



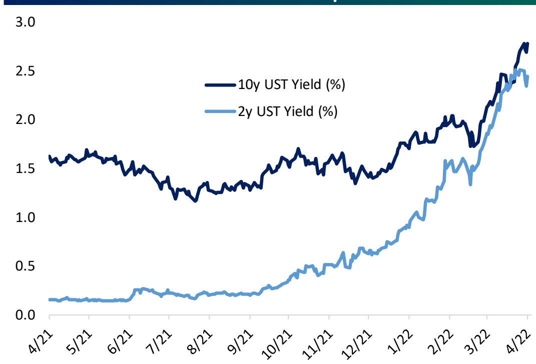
The chart below shows the S&P 500 on a log scale dating back to the late 1970s with the red parts indicating periods when the Long Bond future was 20% or more below an all-time high.

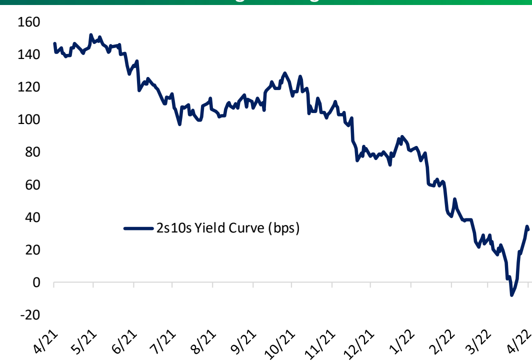
- Going back to the late 1970s, there have been two extended periods where the Long Bond future was down more than 23.5% from an all-time high (Oct 1979 - Nov 1985 and Dec 1999 - July 2002) and several other brief periods where the Long Bond Future briefly experienced a 20%+ drawdown.
- Looking at how stocks performed moving forward, there isn't anything in the way of a clear trend. During the period from 1979 through late 1985, the S&P 500 rallied, while from Dec 1999 through July 2002, the stock market plummeted.
- For the brief periods, performance was also mixed. In 1987, ten days after the drawdown first reached the 23.5% threshold, the market crashed on 10/19/87, but the other occurrences were generally in the middle of longer-term uptrends.
- If there's one thing that equity investors should look out for, it would be for the trend in the Long Bond future to turn higher. In prior periods, after the last day in each period when the drawdown exceeded 20%, the S&P 500 was typically higher.



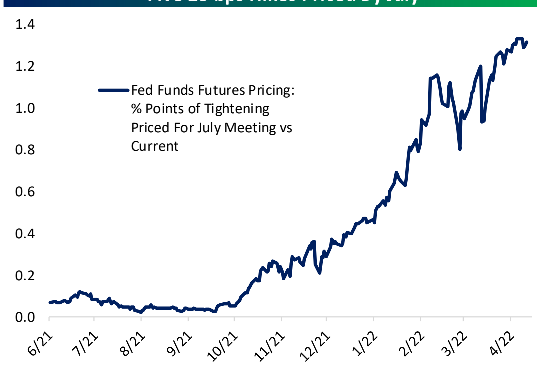
- Regarding treasuries more broadly, after months of inexorable selling, Treasury yields fell in the middle of this week (before bouncing back higher Thursday), with the 2 year yield leading the Treasury term structure lower.
- After inverting briefly earlier in the month, the 2s10s yield curve (10 year rate less 2 year rate) re-steepened dramatically along with a number of other curves this week.
- Both the outright level of yield declines and the intense steepening of the yield curve are best-explained by market positioning.
- While there were hints of peaking inflation in both the CPI and PPI reports mid-week, they were not concrete enough to justify the move in rates, leaving a positioning clear-out as the more likely explanation for the behavior of bond markets. That view was further confirmed on Thursday when rates shot higher once again.

Yield Curves Bull-Steepened This Week With Lower Short-Term Yields And Higher Long-Term Yields

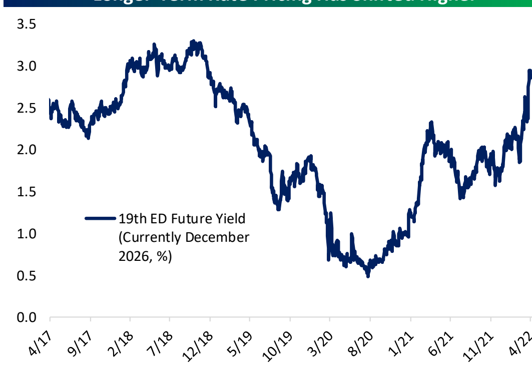




Five 25 bps Hikes Priced By July



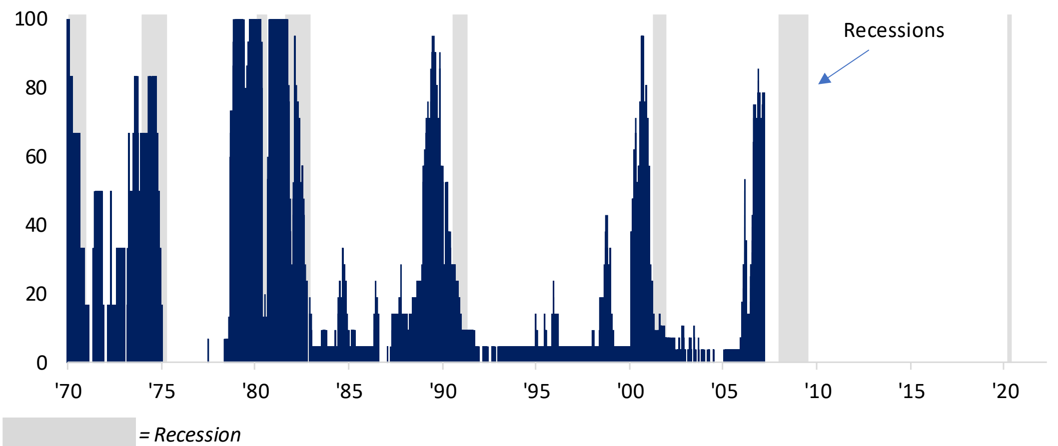
Longer-Term Rate Pricing Has Shifted Higher



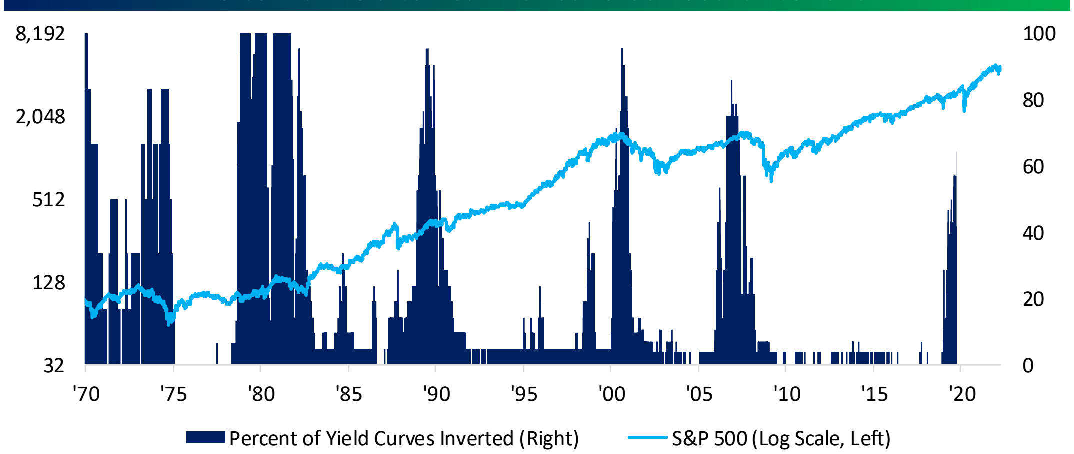
- The most significant Fedspeak this week was from Governor Waller, one of the most hawkish FOMC members, who said Wednesday that he was forecasting a peaking out of inflation.
- In the short-term, the trajectory of Fed pricing through the summer hasn't moved much; markets have priced ~130 bps of tightening over the course of the next three meetings (May, June, July).
- For our part, we see 50 bps of tightening in May as locked in; June will see a similar amount unless core prices decelerate *much* more.
- Longer-term, the last month or so has seen a huge increase in the forward prices of short-term rates which had been stubbornly anchored around 2%.

- As mentioned on the prior page, the 2s10s yield curve briefly inverted earlier this month along with a number of other points on the curve, but those inversions have become undone in recent weeks as bull steepening has occurred in the treasury markets.
- Currently, ***the only point on the curve that is still inverted is 30s vs 20s*** and it has been inverted since *late October*.
- As noted in last week's [Bespoke Report](), the ***quantity*** of inverted points on the yield curve effects recession odds, with readings above 50% leading to a recession within the next two years essentially 100% of the time.
- Inversion in 30s and 20s leads to a recession in the following two years just 46.1% of the time, the lowest probability of all points on the yield curve.

Percentage of Points on the Yield Curve Inverted: Since 1970

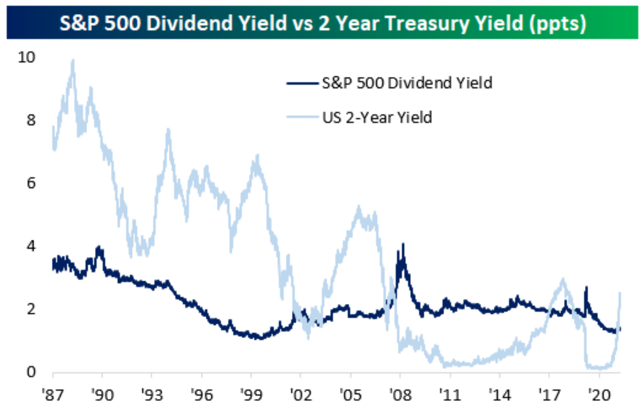


Percent of Yield Curves Inverted vs. S&P 500: Since 1970

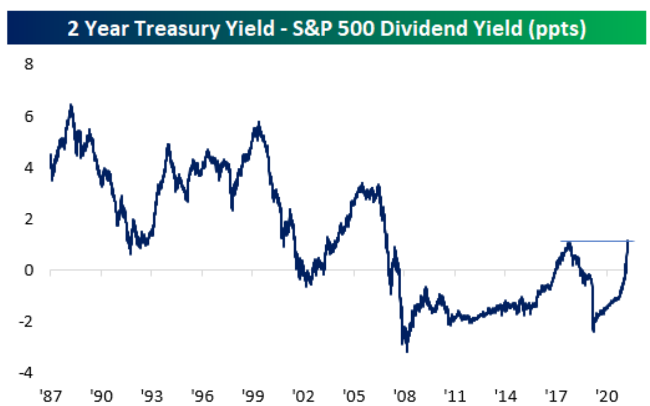


There's a number of different reasons why rising interest rates are a headwind for equities, but one important one is that as bond yields rise, they become an increasingly more attractive option relative to Treasuries. Let's take a comparison between the S&P 500's dividend yield and the yield on the 2-year treasury as an example.

- Since mid to late-2019 when interest rates really started to fall, the dividend yield on the S&P 500 consistently provided a higher yield than the two-year US Treasury. With a higher payout plus the potential for price appreciation, equities looked more attractive to many investors.
- The period from the Financial Crisis through 2017 also saw a similar setup where the S&P 500's dividend yield was higher than the yield on the 2-year, but before the Financial Crisis and the FOMC's zero-interest-rate policy, it was extremely uncommon for the S&P 500 to yield more than the two-year Treasury.
- This year has caused a tidal shift in the balance of power in yield between the S&P 500 and the two-year Treasury. As the Fed came to the conclusion that inflation wasn't as transitory as originally thought and found itself behind the inflation curve, it shifted from a much more accommodative stance to one that was more biased towards tightening, and that shift resulted in one of the most rapid increases in two-year Treasury yields in decades.



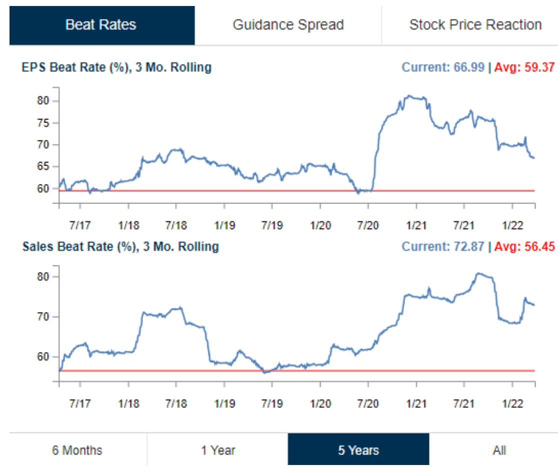
- In the process of this spike in rates, back in February, the yield on the two-year rose back above the dividend yield of the S&P 500 for the first time since 2019.
- As Treasury yields have continued to spike, the premium in yield of two-year Treasuries relative to the dividend yield of the S&P 500 reached an important milestone last Friday (4/8). As shown in the chart to the right, the spread between their yields widened out to 110 basis points (bps), taking out the high of 108 bps from 2018.
- At these levels, the spread between the two is now the widest it has been in fourteen years since the Financial Crisis.



- It started with long-term Treasury yields, but as the overall trend in rates has been higher, most of the Treasury yield curve is now yielding more than the S&P 500.
- For years now, investors have had a TINA (There Is No Alternative) relationship with the stock market, but as interest rates have shot higher, TINA is taking a backseat to BABY (Bonds Are Better Yielders).

Earnings season got off to a mixed start this week with the major banks and brokers reporting their results, so this week we wanted to provide a preview of where analyst sentiment stands leading up to the reporting period. Before getting into analyst sentiment, though, we wanted to highlight a few charts from our *Earnings Explorer* which summarize where the three-month trends of companies reporting stands headed into this earnings season.

- The first chart to the right shows the three-month rolling EPS and revenue beat rate for companies reporting. Both measures have pulled back considerably from their COVID peaks, but they are also still comfortably above their historical average readings.

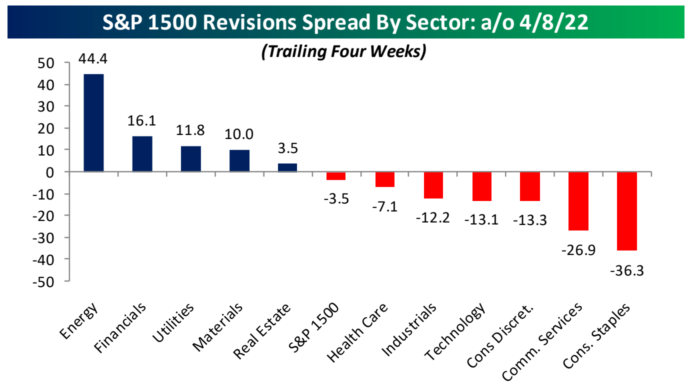


- We've seen a similar trend play out with respect to guidance. After peaking near +40% last summer, less than 10% of companies reporting earnings over the last three months have raised guidance. While just a quarter the rate of the COVID peak, the current level is still positive which is better than the long-term average of negative 3%.

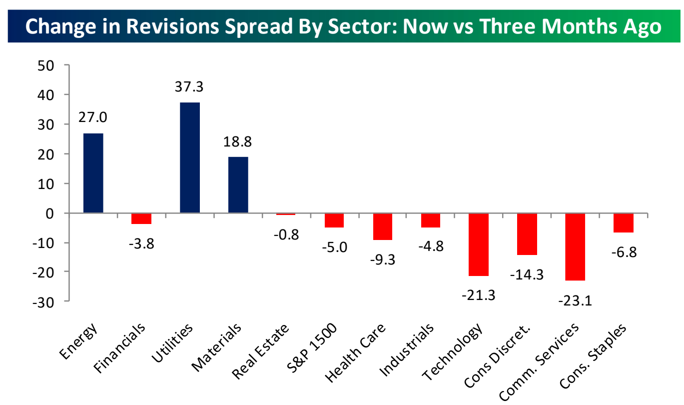
- As far as stock price reactions are concerned, companies have seen an average earnings reaction day performance of –0.03% over the last three months which is slightly worse than the long-term historical average but an improvement from where things were early in the Q4 reporting season.

Coming out of the pandemic when stimulus funds were flooding the economy, analysts were collectively very positive on the companies they cover heading into the reports. Now that stimulus funds from both fiscal and monetary stimulus have started to dry up, though, that positive tone has been evaporating. Using analyst estimate revision trends from *Bloomberg*, we track the aggregate number of companies by sector with positive and negative revisions to their earnings and revenue estimates.

- Heading into this earnings seasons, analyst sentiment is much more subdued than in prior quarters as negative revisions have actually modestly outnumbered positive revisions for the first time since the Q1 2020 earnings season when the economy was locked down.
- Looking at the sector breakdown to the right, it's clearly a mixed picture.
- Analysts are the most positive on the Energy sector, but sectors like Financials, Utilities, and Materials also have net revisions spreads in excess of +10 percentage points.
- On the downside, sentiment towards Consumer Staples and Communication Services has been extremely negative.



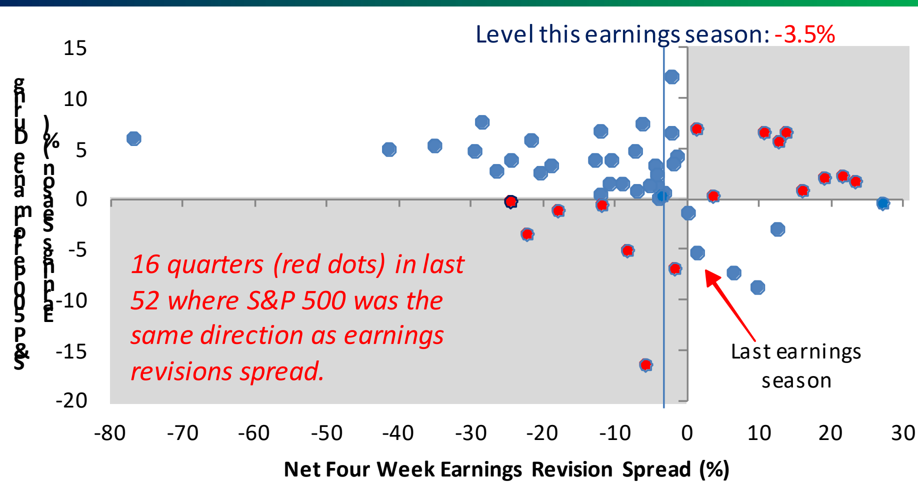
- Comparing where revisions spreads stand now relative to where they were three months ago, it has been mostly negative with three exceptions.
- As shown to the right, Energy, Utilities, and Materials have all seen healthy increases in their revisions spreads relative to three months ago.
- Every other sector, however, has seen an increase in negative sentiment with Communication Services and Technology leading the way lower.



We compared the net EPS revisions spread for the S&P 1500 (four week spread between companies with positive analyst EPS revisions and negative EPS revisions) at the start of earnings season to the performance of the S&P 500 over the ensuing six weeks - a period that roughly encapsulates the entire earnings season.

- More often than not, ***when the analyst expectations bar is set low for earnings season (negative spread), the S&P 500 rallies. Conversely, when the bar is set high heading into earnings season (positive spread), the market's performance has been more uneven.***
- The chart below compares the net four-week earnings revisions spread for the S&P 1500 heading into each earnings season since the end of the Financial Crisis (x-axis) to the performance of the S&P 500 during that same earnings season (y-axis). Of the 52 quarters, there are only 16 (31%) where the earnings revisions spread was the same direction (positive or negative) as the performance of the S&P 500 during that earnings season (red dots in non shaded boxes).
- In the chart, we note last earnings season with the red arrow where the analyst EPS revisions spread was +1.5% heading into earnings season, and the S&P 500 plunged 5.52% for its worst earnings season performance since the Q1 2012 reporting period. Last earnings season also broke a streak of six straight quarters where the earnings revisions spread was positive heading into earnings season and the S&P 500 rallied.
- Companies faced a number of headwinds during Q1 and will likely continue to experience them in Q2, but if there's any silver lining, it is that analysts have started to price in at least some of those headwinds into their earnings estimates.
- In the chart below, we have also included a vertical blue line in the chart showing the revisions spread heading into this upcoming earnings season (-3.5%), you can't get much more neutral.
- Since 2008, there have been 18 prior reporting periods where the revisions spread was negative but greater than negative 10%. In those 18 periods, the S&P 500's median performance during earnings season was a gain of 1.23% with positive returns 15 out of 18 times (87%).

S&P 500 Performance vs Earnings Revisions Spread: 2009 - 2022



Throughout earnings season, we go through the earnings reports and conference calls of major companies to get a read on the key themes impacting their business. These Conference Call Recaps include information regarding each company's financial results, growth by segment, as well as some aspects of the business that management expects to impact future results. We also identify trends emerging for the broader economy in these recaps. It's still early, but below we provide a summary of some key trends we've seen across various aspects of the economy so far this earnings season.

Consumer & Corporate Strength

- JP Morgan CEO Jamie Dimon commented, "We remain optimistic on the economy, at least for the short term – consumer and business balance sheets as well as consumer spending remain at healthy levels – but see significant geopolitical and economic challenges ahead due to high inflation, supply chain issues and the war in Ukraine."
- Dimon noted a "pick-up in credit card spending on travel and dining," which is expected to continue into the next several quarters. Card loan balances improved by 11% y/y but are still below pre-pandemic levels.

Capital Markets

- BlackRock (BLK) CEO Larry Fink commented, "we're not seeing any real panic at all in the fixed income market, despite the worst performance in fixed income in 30-plus years in one quarter."
- Fink added: "breadth and resilience enables us to play offense when others may be pulling back. Our agility in responding to opportunities and continued investments across market cycles have driven our industry-leading growth, our consistent growth and generated value for our shareholders."
- Dimon commented that he "cannot foresee any scenario at all, where you're not going to have a lot of volatility in markets going forward." This prediction is due to the high inflationary environment, quantitative tightening and elevated commodity prices.
- As per JPM CFO Jeremy Barnum, "Gross investment banking revenue of $729 million was down 35% driven by both fewer large deals and less flow activity.

Travel

- Delta (DAL) President Glen Hauenstein gave insights to travel, stating that the industry is experiencing "robust consumer demand and an accelerating return of business and international travel." CEO Bastian said that "revenue has accelerated as offices reopen and business travelers rebuild face to face relationships."
- DAL CFO Dan Janki added: "As demand continues to recover and we restore additional capacity in the second half of the year, we expect our non-fuel unit cost comparisons to 2019 will improve to up mid-single digits."
- DAL's press release stated: "Consumer demand accelerated through the quarter, highlighted by strong spring break performance. As omicron faded, offices reopened and travel restrictions were lifted, resulting in an improvement in business travel demand and a stronger fare environment."

Technological Innovation

- JPMorgan (JPM) CEO Jamie Dimon commented that JPM is building out "real-time payments [and] certain blockchain type things" to build out wholesale capabilities.
- CarMax (KMX) recently unveiled online technology that allows the company to make instant cash offers for used automobiles. CEO Bill Nash stated that "the roll out and rapid adoption of our online instant appraisal offer has solidified our position as the nation's largest buyer of vehicles from consumers, nearly doubling our fiscal 2022 inventory self sufficiency and propelling our wholesale business to new heights."
- WBA recently acquired VillageMD and Shields in an effort to deliver "consumer-centric, technology -enabled healthcare" to local communities.
- According to Micron (MU) CEO Sanjay Mehrotra, new DRAM and NAND products are "achieving excellent yields, providing [MU] with solid front-end cost reductions and contributing meaningful revenue. [MU] qualified additional products on the advanced notes with a broad set of customers."
- According to Mehrotra, "demand for memory and storage is broad, extending from the data center to the intelligent edge."
- Lululemon (LULU) is "partnering with and investing in Genomatica to create the first-ever plant-based alternative to nylon."
- Adobe (ADBE) CEO Narayen commented, "Everywhere we look, whether it is in entertainment, education or the enterprise, content is fueling the global economy. The democratization of creativity, emergence of new ways to work and learn from anywhere and the business mandate for personalized customer experiences underscore the immense opportunities we have as a company."

Housing

- JPM saw home lending originations decline by 37% y/y, "primarily due to the rising rate environment," according to Dimon.
- In the guidance provided by KB Homes (KBH), the average selling price per home is expected to be $495,000 at the midpoint of FY 2022. This would translate to a y/y increase of 17.1%, so don't expect a pullback in home values any time soon.
- KBH CEO Jeff Mezger added that they have not seen an impact to demand as mortgage rates have ticked higher, largely due to the strong credit profile of their customers.

Autos

- The autos market "began to see pressure after the holidays [that continued] through the end of the quarter [2/28]," as per KMX. CEO Nash cited consumer confidence, vehicle affordability, Omicron and "lapping stimulus benefits" as the factors behind the unit sales decline.
- In fiscal year 2022, KMX "bought and sold more vehicles than ever before" through both the retail and wholesale segments, according to Nash.

Supply Chain

- Constellation Brands (STZ) CEO Bill Newlands said that the company is facing numerous headwinds, such as "various supply chain challenges, adverse weather events, rising inflation [and] rapidly shifting consumer preferences."
- Micron's (MU) facility in Xian, China was forced to shut down due to "a government-mandated COVID19 lockdown," which impacted production output.
- Lululemon (LULU) CEO Calvin McDonald stated that LULU "continues to experience delays across [the] global network, particularly related to transporting products via ocean freight."
- KB Home (KBH) CEO Jeff Mezger commented, "We underestimated the degree to which the Omicron variant would exacerbate an already constrained supply chain and workforce… While we take responsibility for our deliveries being below our prior expectations… we acknowledge that the variant was a significant contributing factor."

Retail

- As a testament to the return to retail, Walgreens' (WBA) same-store sales in the US increased by 14.7%, the largest y/y increase in 20 years.

Inflation

- WBA CEO Ros Brewer stated, "inflation is on the rise... we expect to pass through most of that."
- Based on comments in MU's conference call, the Russian conflict is not expected to have a negative impact on production volumes, but cost increases are expected due to raw material inflation.
- LULU noted that the company will continue to utilize strategic price increases.

Labor Force

- WBA was negatively impacted by "labor shortages and a surge of Omicron related absences," as per CFO James Kehoe.

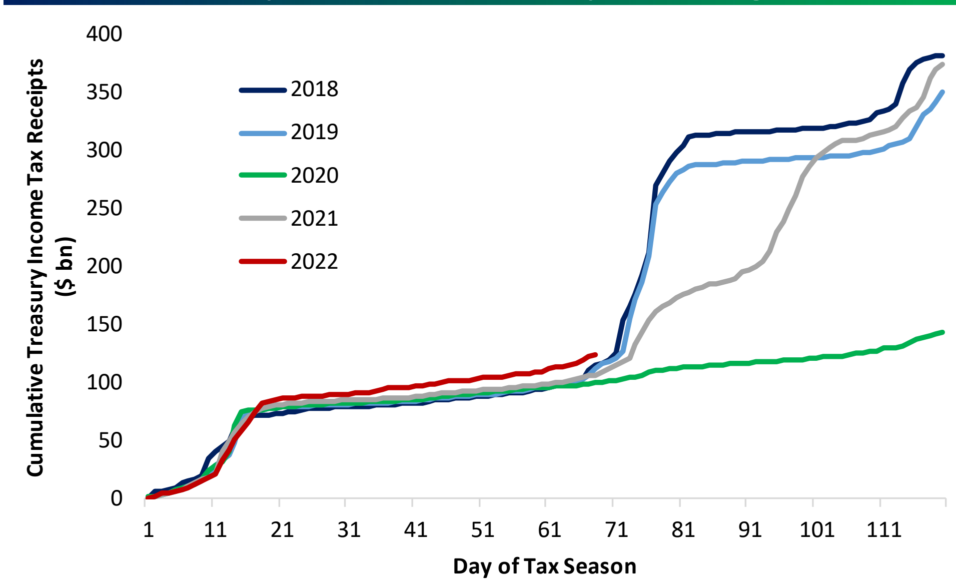
Globalization

- According to Larry Fink (BLK), "new technologies will continue to shrink geographic distances, but countries and companies are reevaluating their interdependencies in a way that we have not seen since the end of the Cold War." Comments like this pull globalism into question.

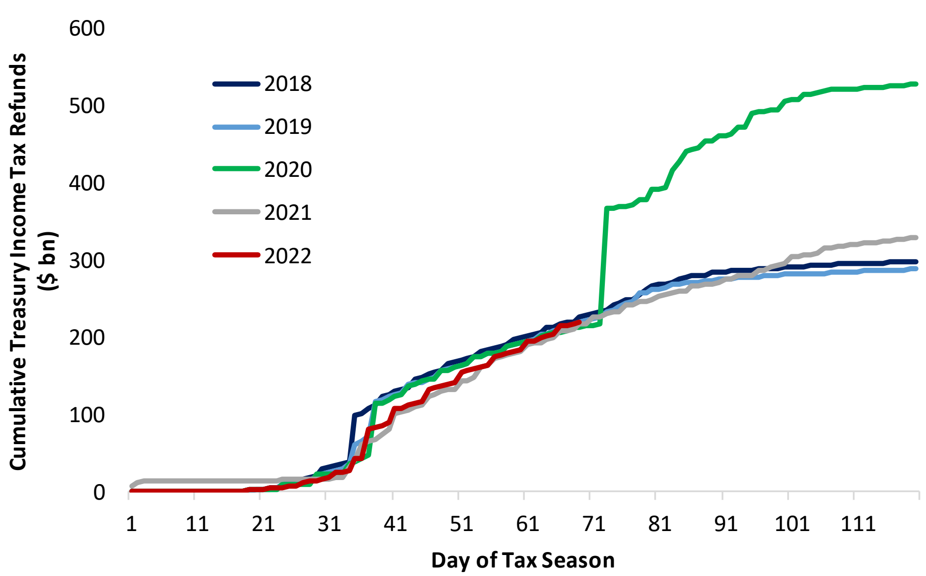
With state and Federal tax deadlines falling on either side of the weekend, we wanted to take this opportunity to provide a quick update to trends in Federal tax receipts and refunds YTD.

- Total tax receipts are running roughly 10% above pre-COVID levels, with the peak of filing season ramping up over the coming week thanks to the filing deadline next Monday. (There were tax-deadline filing extensions in both 2020 and 2021 as you can see in the chart.)
- For lower-income consumers, tax refunds are a key annual source of liquidity, and as shown in the second chart below, the run rate for income tax refunds is consistent with prior seasons after a bit of a slow start.

Tax Receipts Are In Excellent Shape This Filing Season



Income Tax Refunds Are Running At A Normal Pace



The month of April hasn't been a good one for the equity market, but that's not entirely surprising based on the historical performance of the S&P 500 in the one and two weeks leading up to the Federal tax deadline going back to 2000.

- As shown in the chart below, the S&P 500's median performance in the two weeks before the Federal tax deadline (inclusive of the closing price on the tax deadline day) has been a decline of 0.63% with gains less than half of the time. The one week period leading up to the deadline, the median performance has been a smaller decline of 0.19%, also with gains less than half of the time.
- While 'pre-tax' performance has been on the weak side, 'after-tax' returns have been pretty consistent to the upside with gains over three-quarters of the time. One week later, the median gain was 0.82% while the two-week performance has been a gain of 1.27%.

S&P 500 Pre and Post Tax Day Returns: 2000 - 2022*

	S&P 500 Performance (%)		S&P 500 Performance (%)	
Year	**Two Weeks Before**	**Week Before**	**Week After**	**Two Weeks After**
2000	**-6.94**	**-6.85**	2.03	4.77
2001	2.95	3.70	3.79	5.92
2002	**-3.84**	**-2.02**	0.48	**-3.36**
2003	3.77	1.43	2.31	3.03
2004	**-0.29**	**-0.92**	0.98	**-1.32**
2005	**-2.58**	**-3.27**	0.83	1.25
2006	**-0.96**	**-0.87**	1.77	1.55
2007	2.34	1.59	0.61	1.01
2008	**-2.61**	**-2.28**	3.11	4.23
2009	5.05	3.26	**-1.00**	2.53
2010	2.85	2.13	**-0.25**	**-0.40**
2011	**-2.08**	**-1.46**	2.31	4.30
2012	**-1.60**	2.37	**-1.35**	1.08
2013	**-0.63**	**-0.69**	0.65	2.66
2014	**-2.26**	**-0.48**	1.98	1.92
2015	2.28	1.19	0.06	0.01
2016	1.37	2.56	**-0.31**	**-0.62**
2017	**-0.76**	**-0.49**	1.98	2.09
2018	3.52	1.86	**-2.65**	**-1.91**
2019	1.34	0.34	0.08	1.29
2020	3.55	1.79	1.53	0.99
2021	**-0.70**	**-0.60**	0.81	0.98
2022	**-3.89**	**-0.19**		
Average	**-0.01**	**0.09**	**0.90**	**1.45**
Median	**-0.63**	**-0.19**	**0.82**	**1.27**
% Positive	**43**	**48**	**77**	**77**

** The closing price on the tax deadline day is used as the end and start dates for performance before and after the Federal tax dealine.*

We'll close out the week with a check on the semis to see how they've been holding up during this rocky environment. We consider semis to be a leading indicator of the broader economy and the market, and based on the way they've traded recently, they're not sending a particularly positive signal.

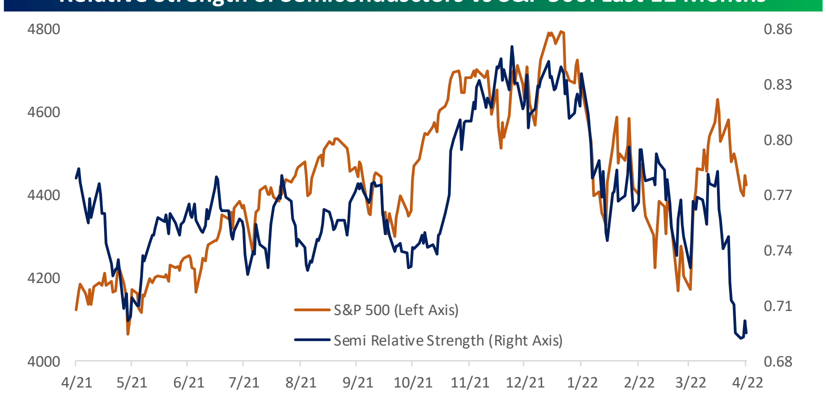
- Starting with the price chart of the Philadelphia Semiconductor Index (SOX), after making a lower high towards the end of March, the semis have erased nearly the entire rally from the second half of March.

- With a trend of lower highs, and both moving averages now trending lower, semis have a lot to prove before investors should look to meaningfully add exposure.

Philadelphia Semiconductor Index: Last 12 Months

- On a relative strength basis, the picture for the semis looks even worse. Not only did the relative strength line of the SOX fail to make a higher high in late March, but in the current reversal, relative strength has taken a sharp leg down to 52-week lows.

Relative Strength of Semiconductors vs S&P 500: Last 12 Months



Not the best way to end a week, but if you are off Friday, enjoy the long weekend!

Bespoke Growth Basket

Bespoke Dividend Income Basket

Terms and Conditions

By using our site (this "Site"), you are agreeing to comply with and be bound by the following terms and conditions. If you do not agree to the following terms and conditions, you may not use this Site. The terms "Bespoke", "us", "we" or "our" refer to Bespoke Investment Group, LLC. The term "Service" includes, but is not limited to, the text, content, graphics, audio or video produced by Bespoke and appearing on this Site. The terms "you" and "your" refer to the user of the Service or viewer of this Site.

Acceptance of Agreement

By using this Site, you represent to us that you have read and agree to the terms and conditions set forth in this legal statement, which constitutes a legal and binding agreement between you and us (the "Agreement"). This Agreement constitutes the only and entire agreement between you and us, and supersedes all prior or contemporaneous agreements, representations, warranties and understandings with respect to your use of the Site and the Service. This Agreement may be amended at any time by us, and from time to time, without any notice to you. The latest Agreement will be posted on the Site, and you should review the Agreement prior to using or viewing this Site or the Service. You also agree to comply with U.S. law regarding the transmission of any information or data obtained from the Site or the Service in accordance with this Agreement. You also agree to not disrupt or interfere with the Site or the Service or use the Site or the Service for illegal purposes.

Copyrights and Trademarks

The works of authorship contained in the Service, including but not limited to all data, design, text, images, charts, audio, video or other data compilations or collective works, and all trademarks, trade names, service marks and other intellectual property, are owned, except as otherwise expressly stated, by Bespoke or one of our data providers, and may not be copied, reproduced, transmitted, displayed, performed, distributed, rented, sublicensed, altered, stored for subsequent use or otherwise used in whole or in part in any manner without the prior written consent of Bespoke in each instance. This Site and the Service are protected by copyrights, trademarks, service marks, international treaties, and/or other proprietary rights and laws of the United States. The Site and the Service are also protected as collective works or compilations under U.S. copyright and other laws and treaties. All individual articles, columns, and other elements making up the Site or the Service are also copyrighted works. You agree to abide by all additional copyright notices or restrictions contained in the Site or the Service.

Disclaimer and Limitations of Liability

All information, data and analysis contained in the Site or the Service are provided "AS IS" and without warranty of any kind, either expressed or implied. All information, data and analysis provided by the Site or the Service is for informational and educational purposes only and is not a recommendation to buy or sell a security or basket of securities, including but not limited to equities, options and other derivative products, fixed income products, and ETFs. Bespoke believes all information, data and analysis contained in the Service to be accurate, but does not guarantee its accuracy. Under no circumstances, including, but not limited to, negligence, shall Bespoke, any of Be poke's affiliates, employees, or other third party data providers be liable to you for direct, indirect, consequential, incidental, special, punitive or exemplary damages even if an authorized Bespoke representative has been advised specifically of the possibility of such damages, arising from the use of or inability to use the Site or the Service, such as, but not limited to, losses, loss of revenue, anticipated profits or lost business. In no event shall Bespoke's total liability to you for all damages, losses, and causes and action (whether in contract or tort, including but not limited to negligence) exceed the amount paid by you, if any, for accessing this Site or using the Service. All opinions expressed on this Site are subject to change without notice, and you should always obtain current information and perform appropriate due diligence before making trades or investment decisions. Bespoke, any of Bespoke's affiliates, employees, or other third party data providers may have long or short positions in the securities discussed in the Service and may purchase or sell such securities without notice. Bespoke uses various methods to evaluate investments which may, at times, produce contradictory recommendations with respect to the same securities. When evaluating the results of prior Bespoke recommendations or Bespoke performance rankings, you should also consider that Bespoke may modify the methods it uses to evaluate investment opportunities from time to time. For this and for many other reasons, the performance of Bespoke's past recommendations or investments is not a guarantee of future results.

The securities mentioned in this Site or in the Service may not be eligible for sale in some states or countries, nor be suitable for all types of investors; their value and income they produce may fluctuate and/or be adversely affected by exchange rates, interest rates or other factors.

Governing Law

This Agreement and your use of the Site and Service will be governed by the laws of the State of New York, as applied to contracts entered into between New York residents and performed in New York. Any dispute arising out of this Agreement or your use of the Site or the Service will be heard only in the state or federal courts located in Westchester County, New York USA, and you consent and submit to the personal jurisdiction of such courts.

Interpretation

If any provision of this Agreement is found invalid or unenforceable, that provision will be enforced to the maximum extent permissible, and the other provisions of the Agreement will remain in force. This Agreement states the entire agreement between you and us relating to use of the Site or the Service. This Agreement may not be amended except as provided above.

Contact

If you have any questions, concerns or comments, please email info@bespokeinvest.com.