

## Equity Markets Show Strength Ahead of Bank Earnings

Equity markets moved to the high end of their trading range over the past week. For those keeping track, the S&P 500 has been rangebound between 3000 and 3200 for the better part of two months. During this time, there were two occasions that sharp and rapid selling threatened to cause a break below 3000 and the all-important 200-day moving average. We held off both threats and bounced higher as buyers stepped in at that critical technical level. We have also seen two occasions where prices attempted to break above 3200 and, in doing so, turn positive for the year. The most recent of these attempts happened today. Each time the S&P 500 got its head above water, sellers stepped in and pulled prices back. The reversal today took place in the last hour of trading and it was steep and fast. This type of price action keeps the bearish case intact for the time being.

Second quarter earnings are going to kick off this week with major banks such as Goldman Sachs, Bank of America and Wells Fargo reporting. The earnings of these companies (along with many others) are predicted to be bad - historically bad... as in the worst year-over-year drop ever. It is quite possible that the market's resilience is the result of whispers that earnings might not be as bad as analysts think. We are certainly due for some good news somewhere. Whether it is economic, medical, or even social, any good news could be a catalyst for another leg up. When and where such good news might come from is anybody's guess.

The Federal Reserve is meeting later this month, as is the European Central Bank and the Bank of Japan. Congress here at home is said to be considering an additional relief package before its next recess. Maybe some good news will come from that. During the interim, we will monitor conditions and continue to follow our rules-based system. A part of that process is to never argue with the omnipotence of price. Price is the ultimate arbiter. Whether the strength in equity markets is deemed rational or not in the face of unprecedented economic problems matters not. It is what it is, and right now markets have shown remarkable strength.

Last week's market commentary can be found [here](#).



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