

quant assessment of stock market health



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	-	Reading	+
Valuation		◆◆◆◆◆	
Cyclical		◆◆◆◆◆	
Sentiment		◆◆◆◆◆	
Technical			◆◆◆◆◆
TOTAL		◆◆◆◆◆	

(Low Neutral)

The lone bright spot in the Cyclical category was the Liquidity subset, as the 10-year yield posted its largest weekly decline (16bps) in 14 months. This easing also helped a handful of line items in our Valuation and Technical categories, which are still licking their wounds from the recent surge in rates. Downgrades in the Cyclical factors were most noticeable in the previously resilient Risk-on/Risk-off area. The sharp shift toward defensive equity, ongoing dollar strength, and widening credit spreads all point to a market losing its appetite for risk.

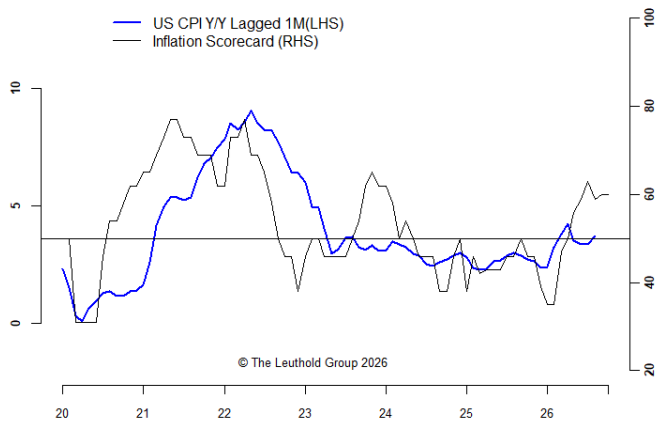
Cyclical Struggles

Scores in our inflation segment also fell as CPI and PPI readings came in considerably hotter than expected last week. Our updated Inflation Scorecard (60 out of 100 in Table 1) sees continued higher-than-average price pressure in the coming months as a hot economy and high commodity prices outweigh lower wage growth and a depressed consumer.

The Scorecard has been very helpful in predicting the near-term moves of both the CPI and Citi Inflation Surprise Index over the last seven years. That said, the gaps between those two inflation measures and the Scorecard shown in the charts below support our ongoing price-pressure thesis.

Inflation Scorecard				
Category	Sub-Category	Indicator	Mec. Signal	Adj. Signal
Demand Pull	Consumer	Disposable Income	0	0
		Confidence	0	0
		Personal Exp./Retail	100	100
	Investment	Private Investment	100	100
	Government	Govt Spending	100	100
	Loan Activities	Bank Loan Growth	100	100
Cost Push	Natural Resources	Commodities (2X)	200	200
	Exchange Rate	US Dollar (inverted)	0	0
	External Shocks	Oil (2x)	200	200
		Import Prices	100	100
	Wages	Avg Hourly Earnings	0	0
		Unit Labor Costs	0	0
		Employment Costs	0	0
Total Score			60	60

US CPI vs Inflation Scorecard



Citi US Inflation Surprise Index vs Inflation Scorecard

