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Key Data

- Breakout or break down is what some are calling for but I think chop city + summer. I think volatility is heightened after last week but much lower than before, just watch for a wall of slowdown
- Jerome Powell tomorrow speaking, not expecting anything big but you never know. Rumor going around that he is going to resign but im not really buying it but open to the unexpected
- NFP is the main event
- ISM manufacturing tomorrow will be a signal
- Watch war headlines
- Great time to plan for the longterm. If markets do what they did in April be ready to take advantage long term and short term but its been 6 months no gains. Be ready to act once we get an answer from breakdown or breakout narrative

Plays

- Materials - conferences coming up but they have been doing good lately, could be a week early but have these on your radar
- XLP - Staples will either bottom out or further sell. Watch if the next quarter is more mag 7 than staples



Table 1: 'Magnificent 7' trading at 42x trailing P/E... vs 58x historical average for equity bubbles

History and characteristics of major asset bubbles of the past 300 years

Bubble	Index	Start	Peak	Rise	Decline	Velocity	Duration (years)	Peak-to-trough (yrs)	Valuation (P/E)	Bond yield	Policy rate
Mississippi Co.	CAC All-Tradable	7/31/1718	1/31/1720	2955%	-95%	73%	1.5	1.7	n/a	↑	↑
South Sea Co.	South Sea Co.	2/2/1720	6/25/1720	707%	-89%	188%	0.4	0.5	n/a	↑	↑
Roaring 20s	Dow Jones	3/30/1926	9/3/1929	153%	-53%	21%	3.4	2.8	19x	↑	↑
Nifty Fifty	Blue-chip NYSE stocks	9/30/1966	12/31/1972	153%	-53%	9%	6.3	1.7	54x	→	→
Gold	Gold (\$/oz)	4/27/1978	1/21/1980	428%	-65%	142%	1.7	2.4	n/a	↑	↑
Black Monday	Dow Jones	9/20/1985	8/25/1987	111%	-41%	21%	1.9	0.2	19x	↑	↑
Japan	Nikkei 225	10/23/1986	12/29/1989	149%	-64%	12%	3.2	2.6	67x	↑	↑
Dotcom	Nasdaq	9/23/1998	3/10/2000	192%	-73%	55%	1.5	1.5	65x	↑	↑
Saudi Arabia	Tadawul	5/27/2004	2/26/2006	316%	-67%	28%	1.8	1.3	124x	↑	↑
China	Shanghai	6/6/2005	10/16/2007	513%	-73%	37%	2.4	1.0	53x	↑	→
Govt bonds	Negative-yielding debt	7/31/2014	12/11/2020	+518.4tn	-518.3tn	33%	6.4	n/a	n/a	→	→
Tech Disruptors	ARKK	3/18/2020	2/16/2021	384%	-82%	62%	0.9	1.9	n/a	↑	→
FAANG	NYSE FANG	3/18/2020	11/4/2021	229%	-49%	15%	1.6	1.0	60x	↑	→
Crypto	Bitcoin	3/13/2020	11/10/2021	1662%	-78%	49%	1.7	1.0	n/a	↑	→
Average - all bubbles				612%	-68%	53%	2.5	1.5	58x		
Average - equity bubbles since 1900				244%	-62%	29%	2.5	1.6	58x		
Magnificent 7				192%	-	30%	2.2	-	42x	↑	→

Source: BofA Global Investment Strategy, Frehen (2012), Bloomberg, Global Financial Data; rise & decline measured approx. 2 years from peak; velocity: price vs 200dma (%) at peak; valuation: trailing P/E; yield: direction of bond yields 3-6 months prior to peak.

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