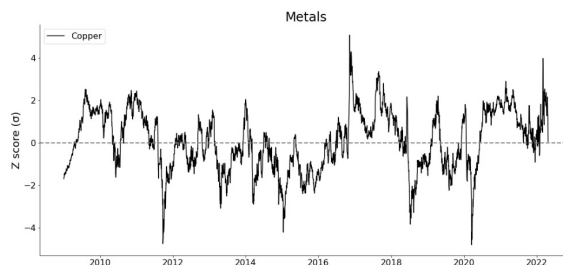


26.04.2022

Demand destruction

- For many investors, there will be a turning point when the market pivots from worrying about price inflation, to growth deflation.
- In reality such pivots are a process rather than a single trading day, but yesterday's China lockdown news felt like it had some of those characteristics.
- Yesterday's price action in government bonds, commodities, energy & material stocks would appear to support the idea of a potential infection.
- Perhaps the best illustration is **Dr. Copper which is often perceived to be a barometer for the global economic cycle.**
- The chart below shows a sharp fall in copper that, in Qi's z-score metrics, has now taken it back to trend growth. On this picture, **the 2022 commodity super-cycle was unwound in very short order.**



- For bears, this is the start of the next phase & the onset of recession. For those thinking this is overdone, RETINA™ is flagging a series of bullish Relative Value signals on US Energy.
- XLE is cheap versus Financials [XLF](#), Industrials [XLI](#), Health Care [XLV](#), Consumer Discretionary [XLY](#) & the broader market [SPY](#).
- All show XLE around one sigma cheap, & all are posting pronounced divergence patterns. Energy's recent underperformance is in sharp contrast to macro model value which points to further outperformance.

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