

Why It May Finally Be Time for the Zacks Earnings Certain Proxy



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Economic risks are rising – the probability of recession has increased significantly since the July nonfarm payrolls report



Market volatility is increasing

The Zacks Earnings Certain Proxy is built precisely for these environments to provide low-volatility durable earnings growth through all macro environments.

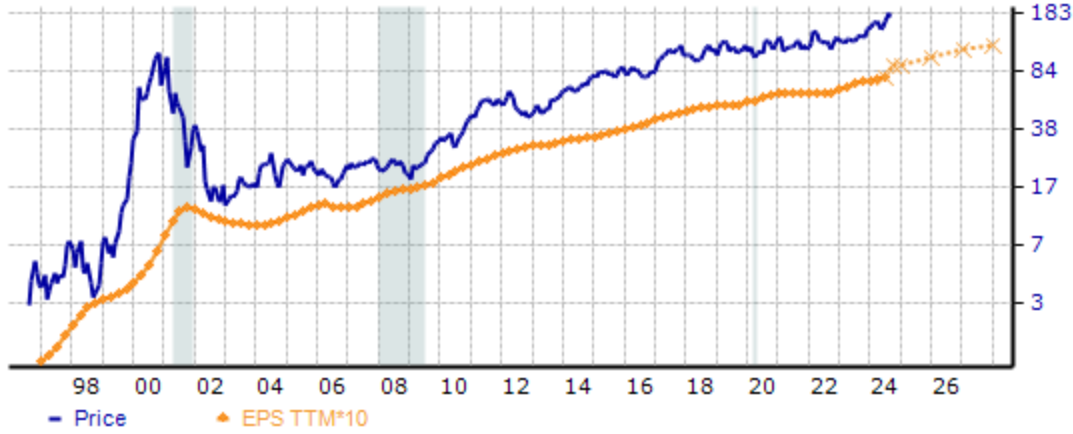
Durable Moat-Protected, Low Volatility, Steady Compounders





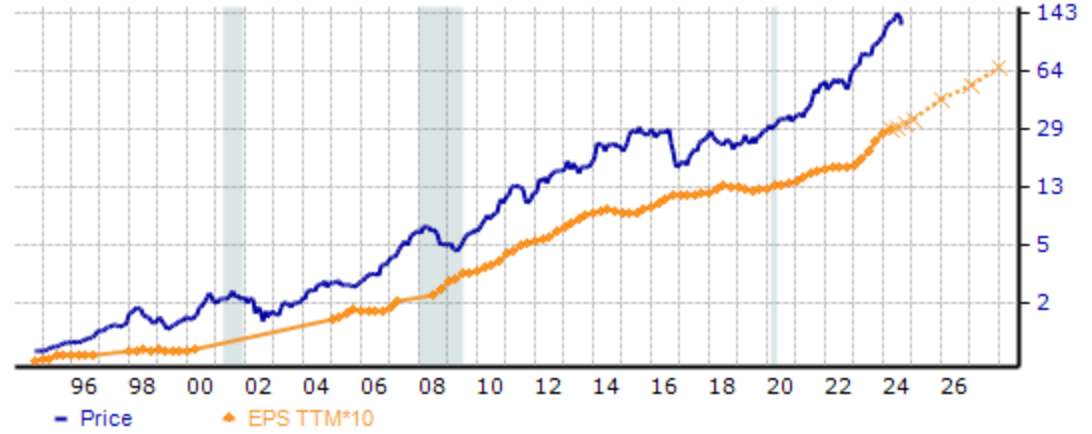
Price & Earnings
CHECK PT SOFTW (CHKP)

Price \$ | EPS*10



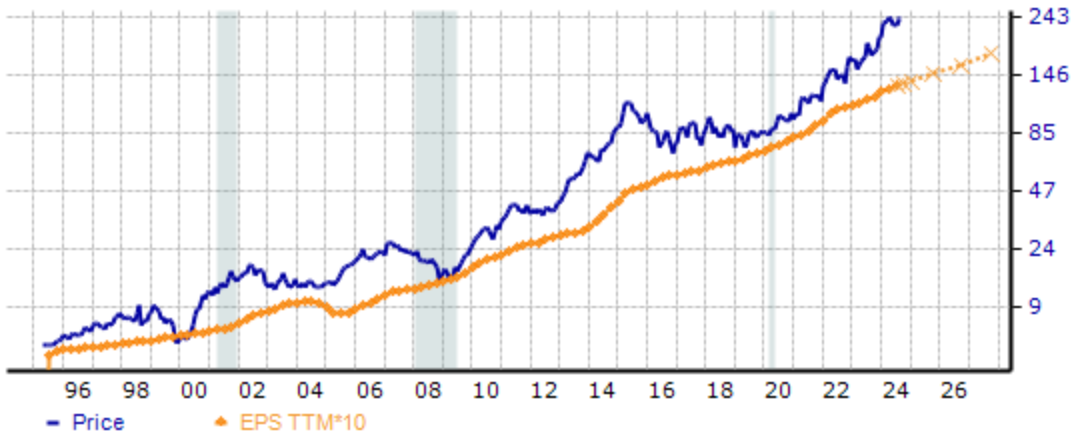
Price & Earnings
NOVO-NORDISK AS (NVO)

Price \$ | EPS*10



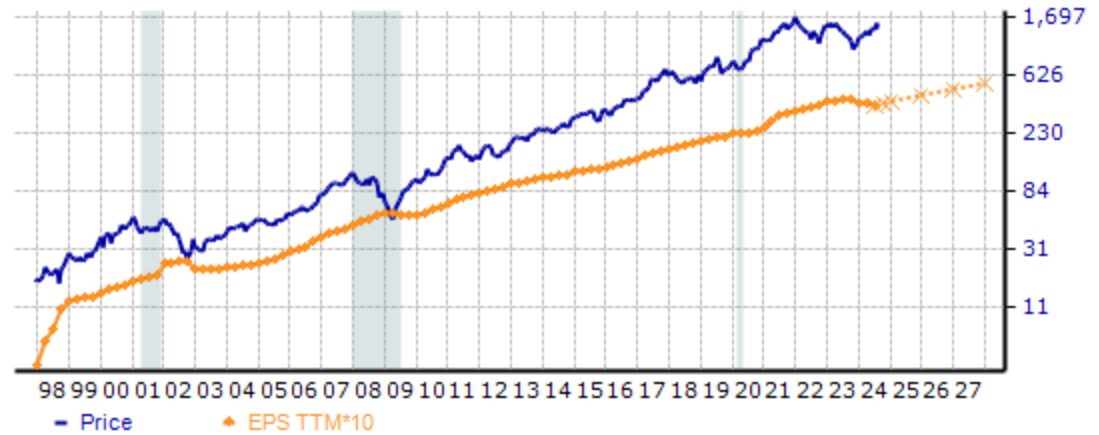
Price & Earnings
CENCORA INC

Price \$ | EPS*10



Price & Earnings
METTLER-TOLEDO (MTD)

Price \$ | EPS*10

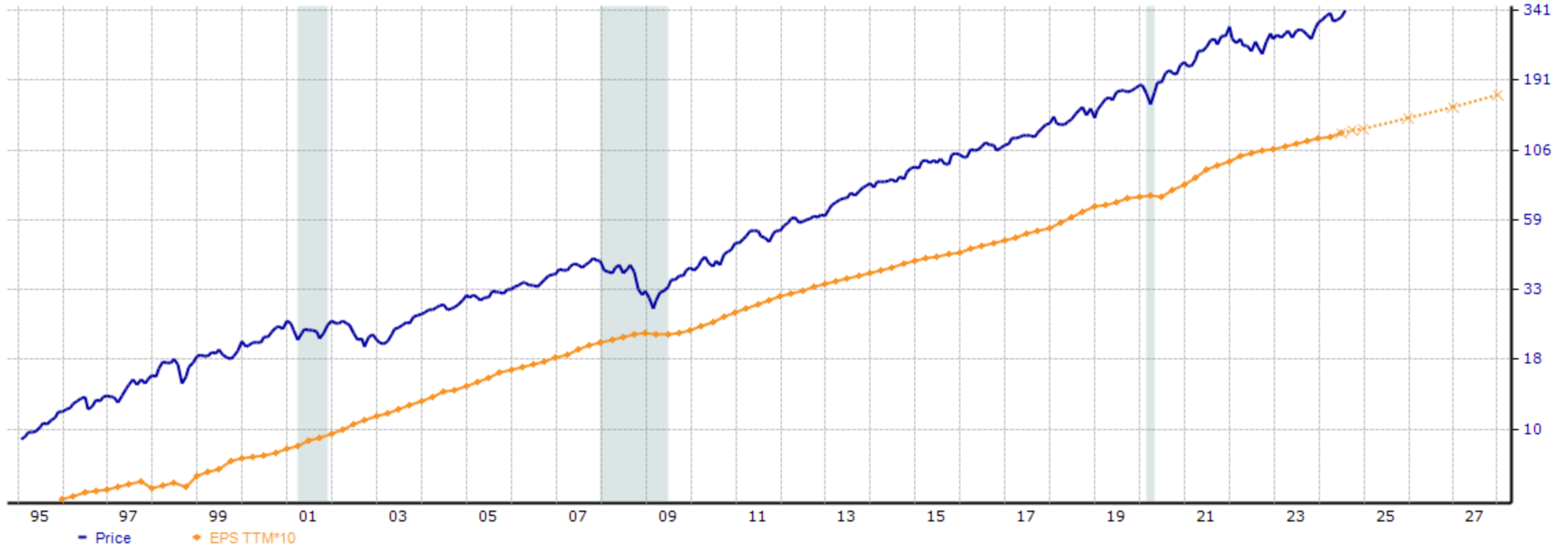


Built for Long-Term Durability

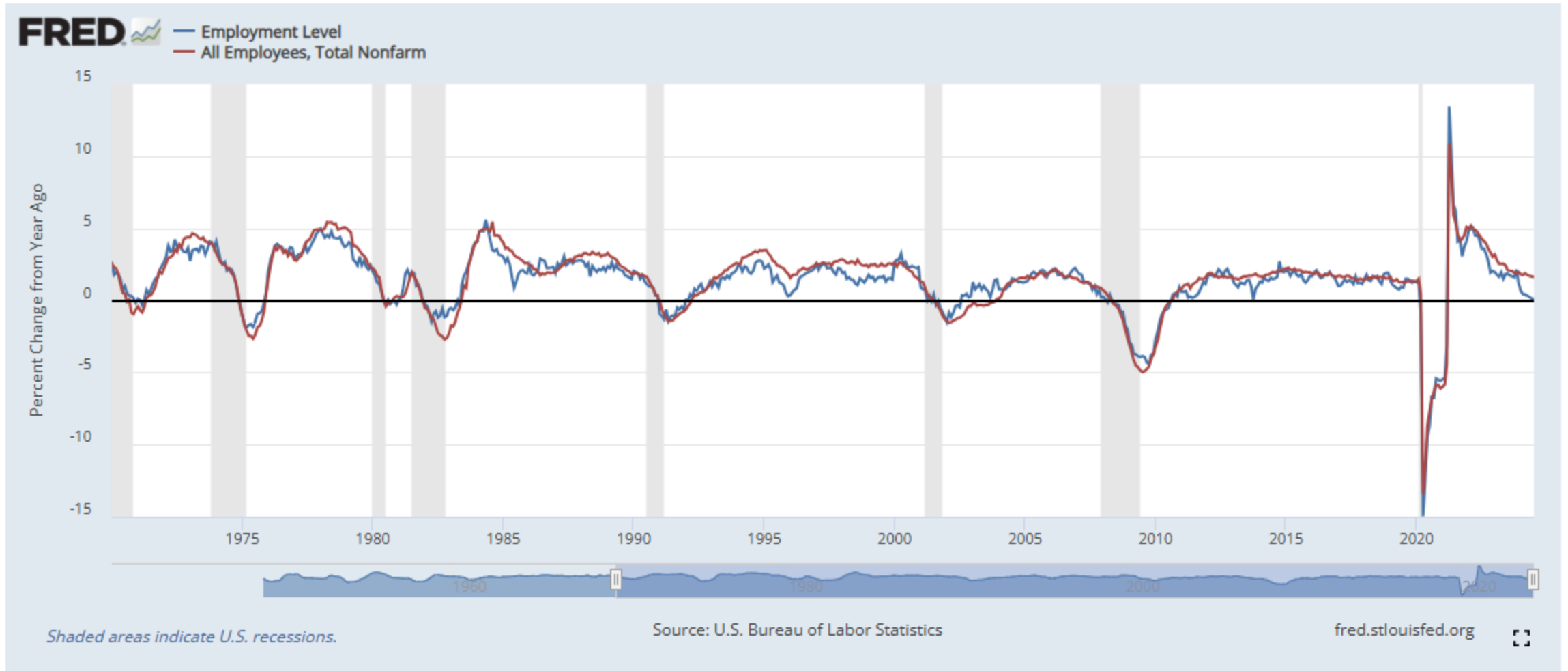


Price & Earnings
ZacksEarningsCertainProxy (ZECPE) MN-Wtd

Price \$ | EPS*10



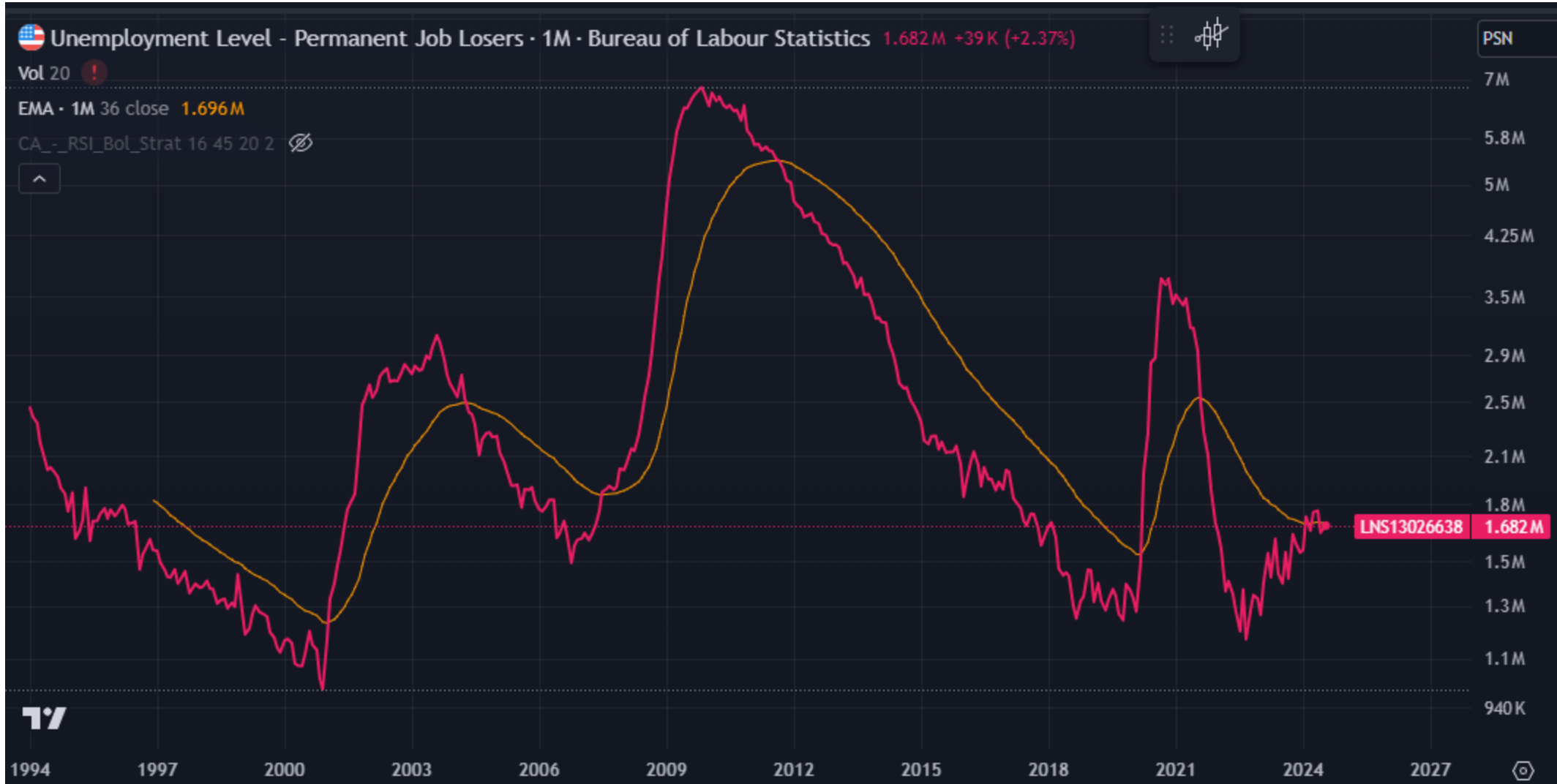
Household Employment Screeches to a Halt in July



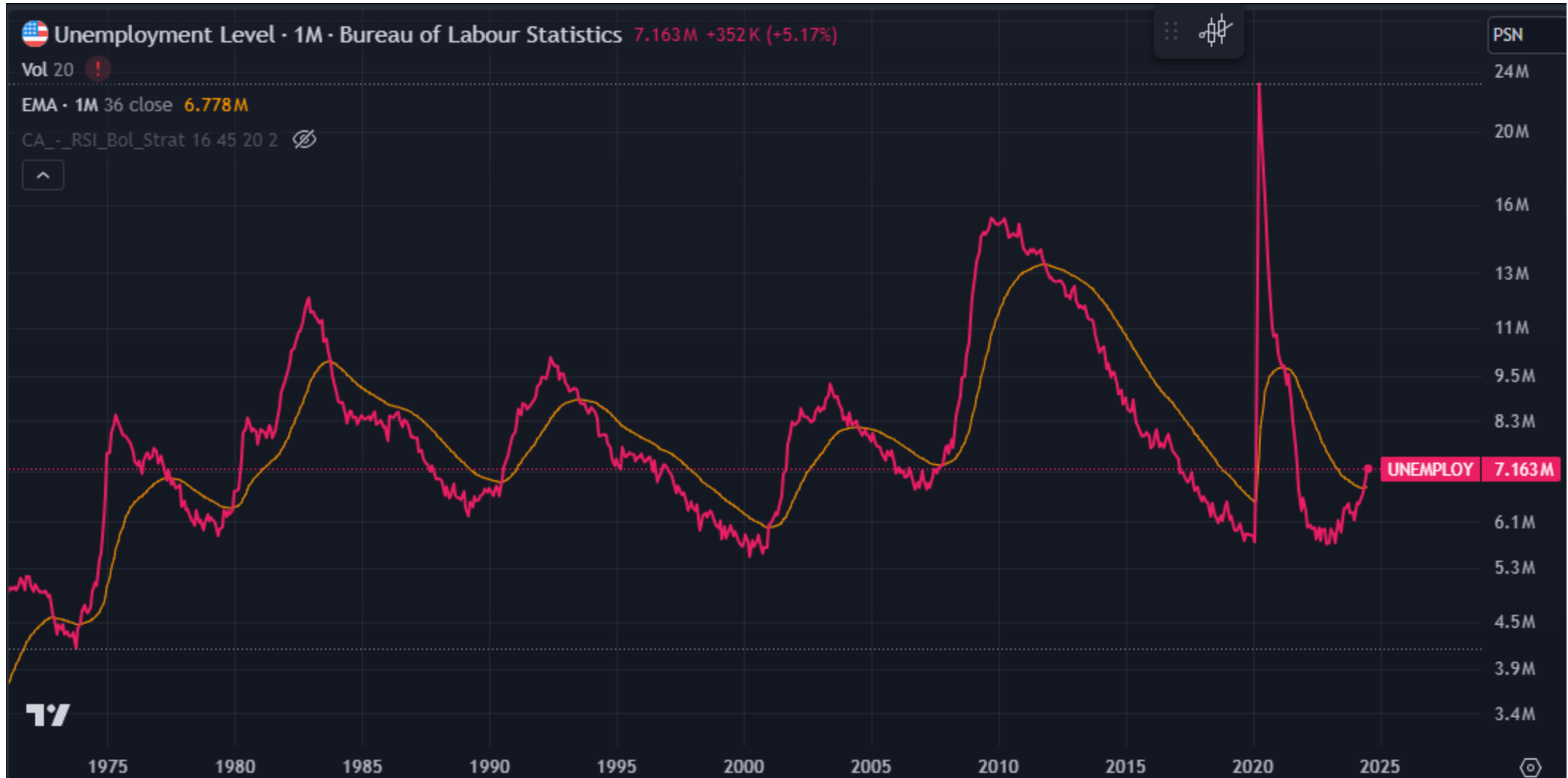
Unemployment Rate Well Above 3-Yr Moving Average



Permanent Job Losers Crossing Above 3-Yr Moving Average



Total Unemployed Population Soars +1.3M Over the Past 12 Months; Well above 3-yr MA

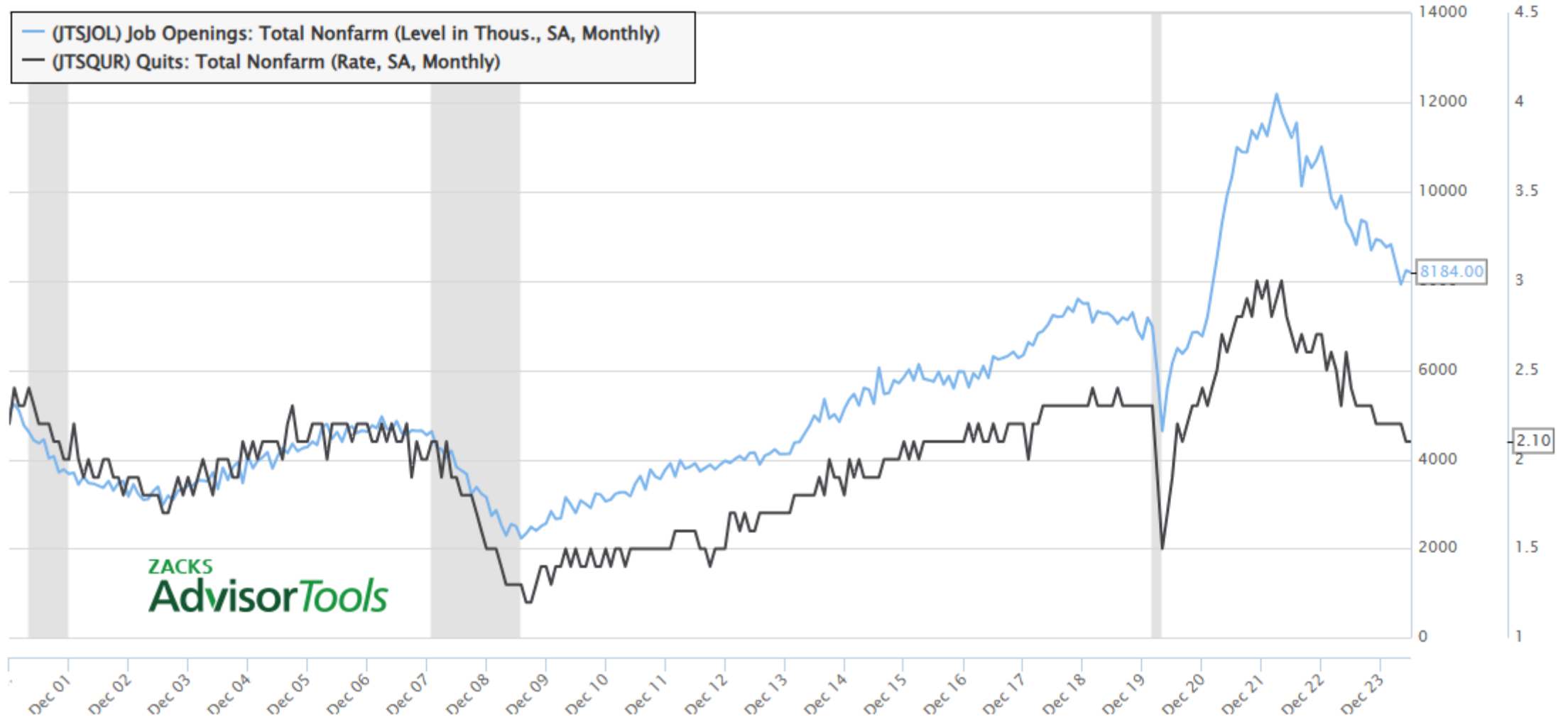


Job Openings (JOLTS) At Cycle Lows

Well below 3-yr moving average and 10-yr trend, which has only occurred at the start of past recessions



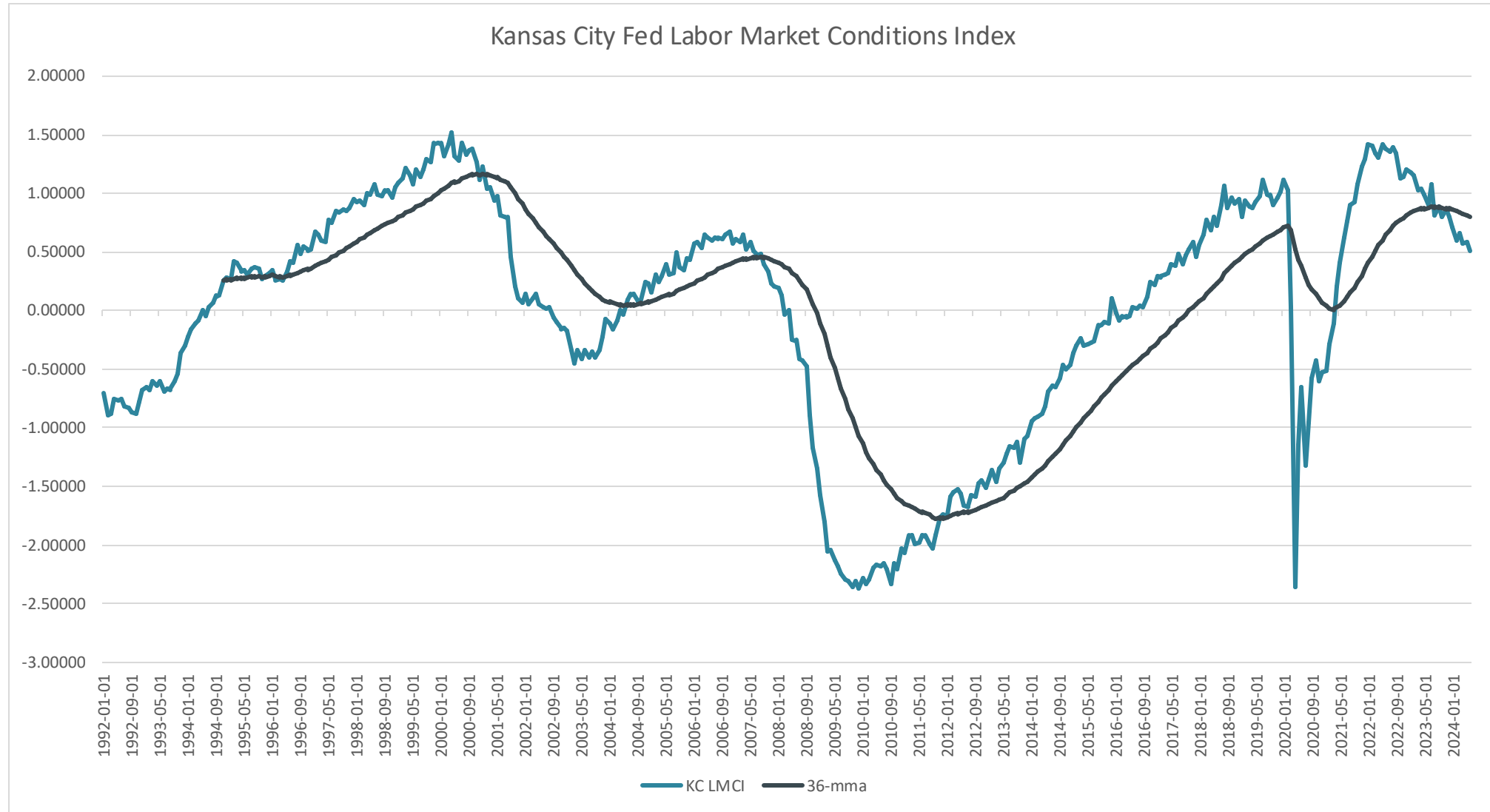
Job Openings and Quits Are Now Below Trend and In Contraction



Ratio of Openings-to-Unemployed Now Below Trend & In Contraction



Kansas City Fed Labor Market Conditions Index Below 3-yr Moving Avg



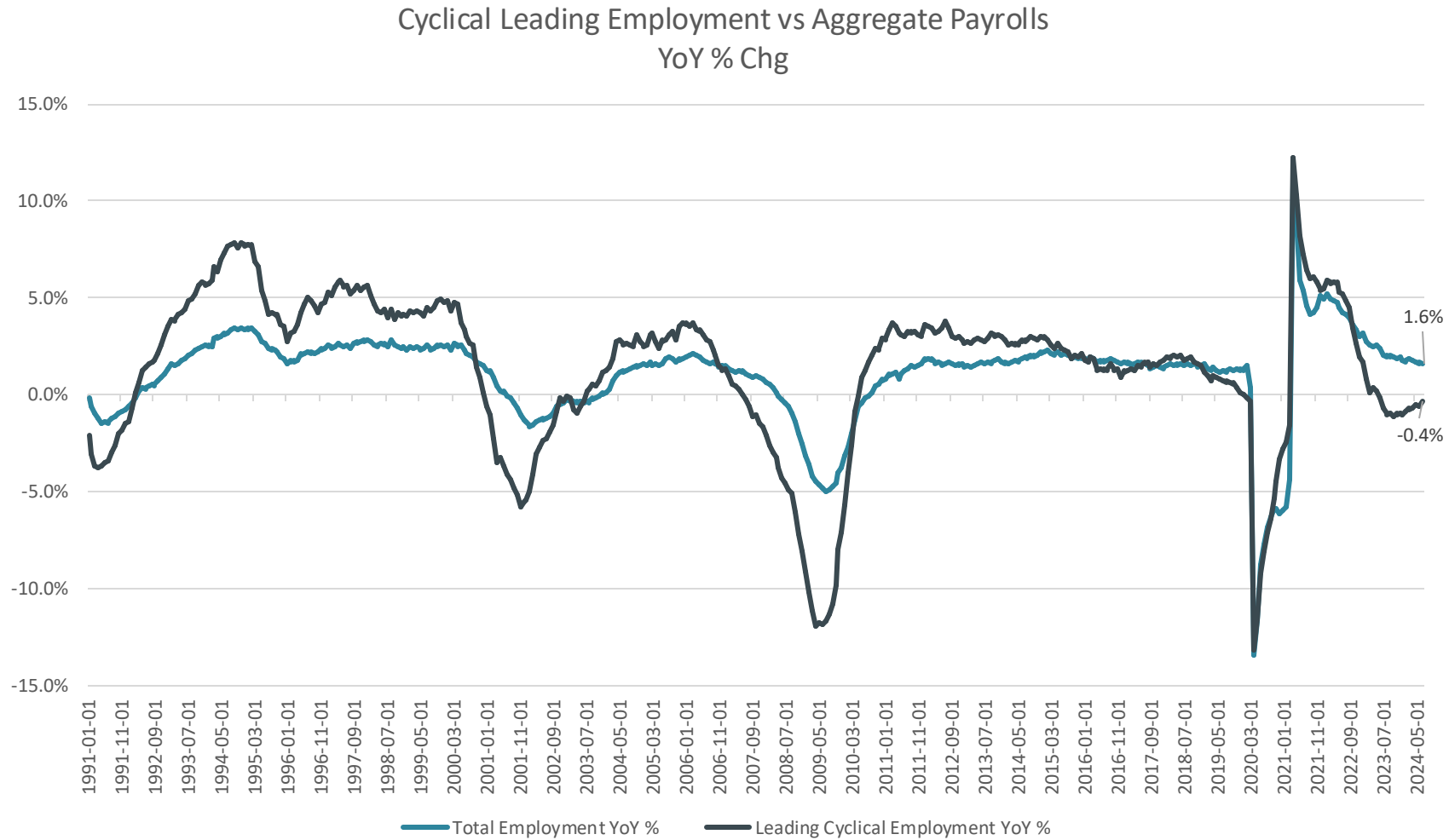
Source: Kansas City Federal Reserve, Zacks Investment Research Calculations



The Kansas City Fed LMCI is one of the most comprehensive composite indexes of leading employment indicators.

It utilizes a total of 24 readings of the job market, including permanent job losers, quits rate, job openings to unemployed, and more.

Leading Cyclical Employment Posts 14th Consecutive Month of YoY Contraction



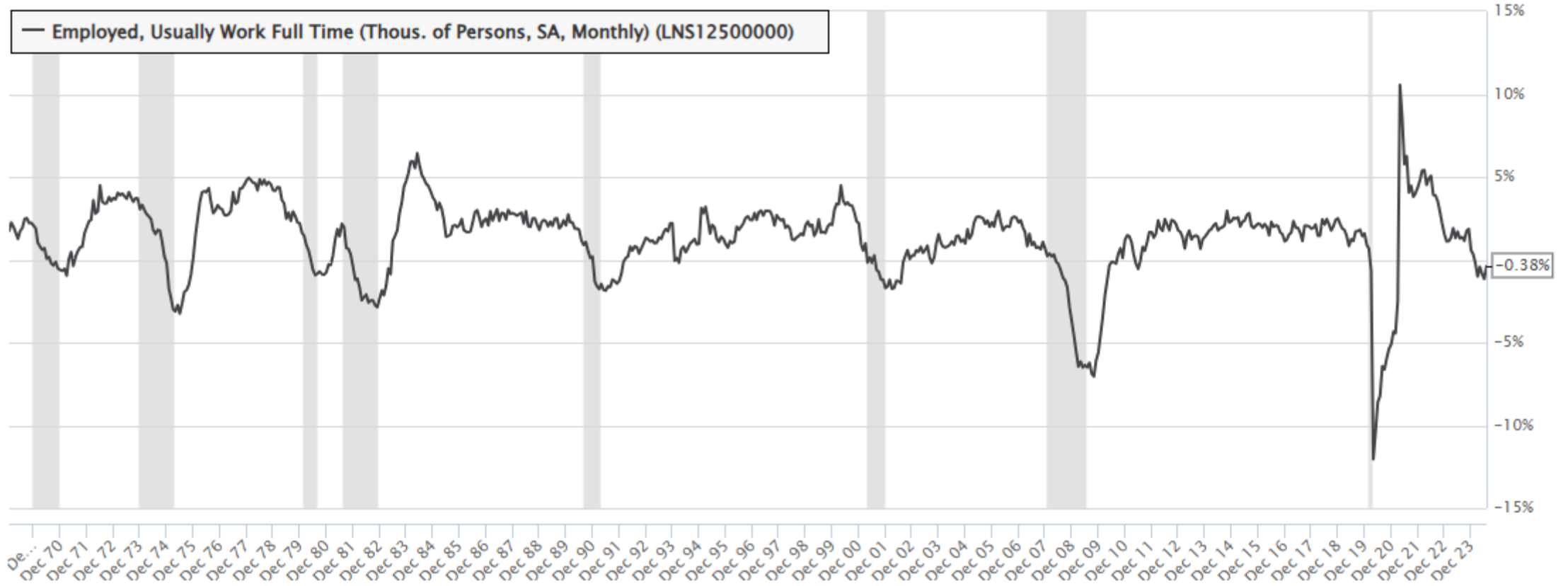
Leading cyclical industries include:



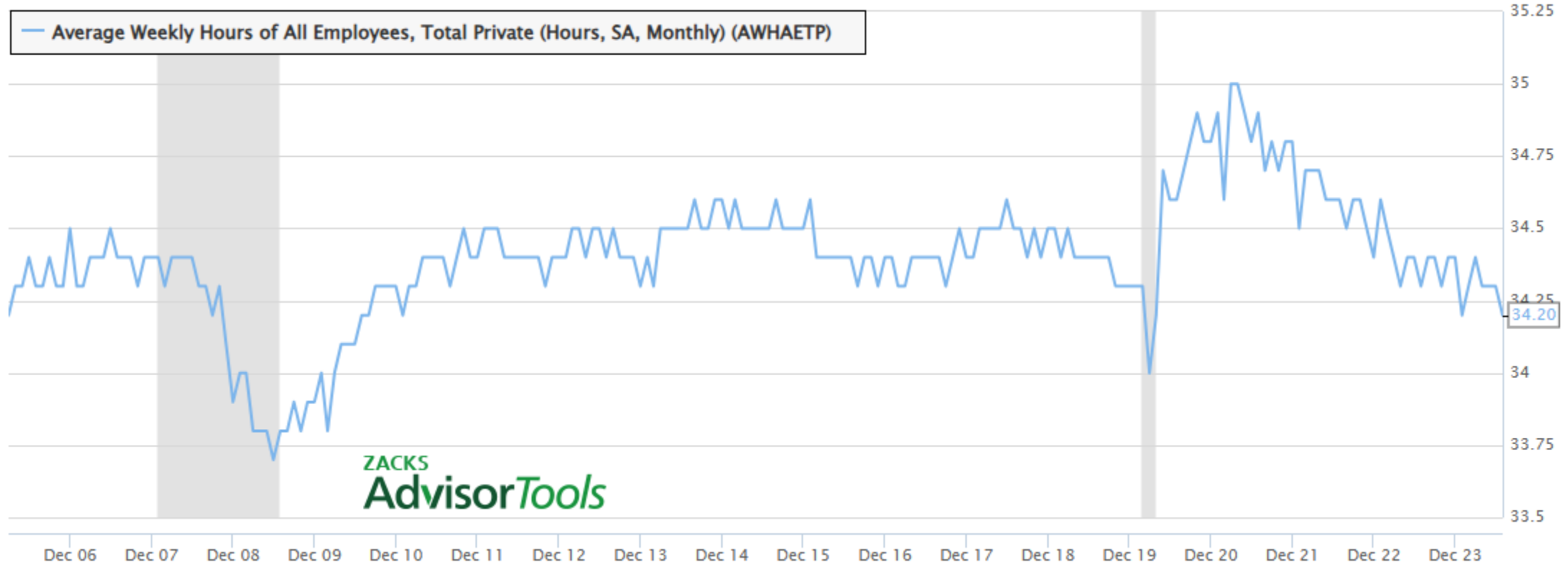
- Plastics and Rubber Products Manufacturing
- Building Material and Garden Equipment Dealers
- Trucking
- Administrative
- Durable Goods Wholesalers
- Residential Building Construction

These industries have a history of turning ahead of the broader business cycle because they are inherently more sensitive to changes in aggregate demand than other, more durable industries such as education, healthcare, and government.

0.4% YoY, 6th Consecutive Month of Contraction



Average Weekly Hours Therefore In Rapid Decline, Consistent with Recession



Monthly nonfarm payrolls may be overstating actual jobs created.



| Report | 2023 Total Jobs Created |
|--|-------------------------|
| Nonfarm Payrolls (after neg revisions) | 3,013,000 |
| QCEW | 2,322,828 |
| Delta | (690,172) or -23% |

The BLS' Quarterly Census of Employment and Wages (QCEW) is the most comprehensive job tracker available, covering 95% of all US workers across over 12 million employers.

Monthly Jobs Report Continues to Significantly Overstate Actual Private Job Creation

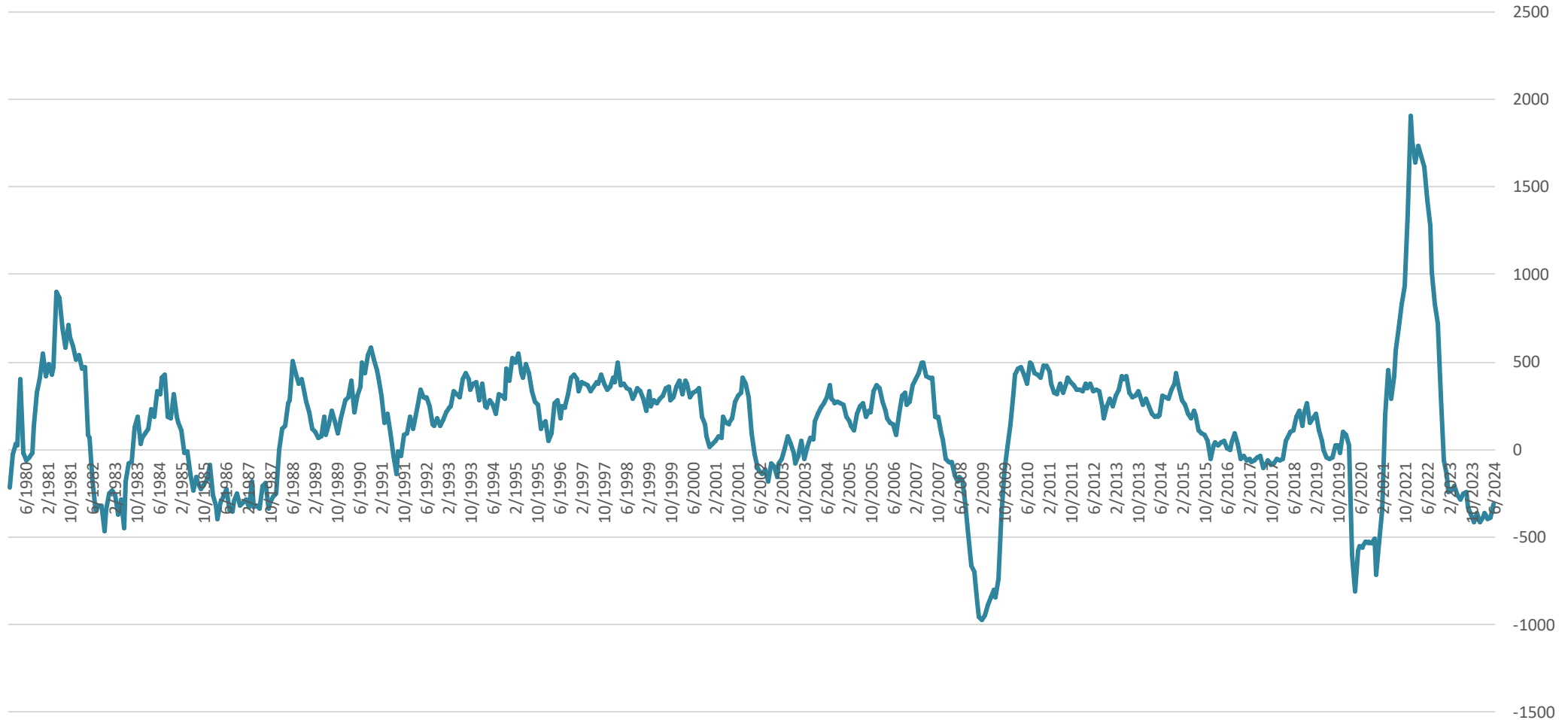


| Report | Q3 2023 | Q4 2023 |
|---|--------------------|-------------------|
| Nonfarm Private Payrolls (after neg revisions) | 494,000 | 464,000 |
| Business Employment Dynamics Report | -192,000 | 344,000 |
| Delta | (686,000) or -138% | (120,000) or -25% |

Monthly Negative Job Revisions Consistent With Prior Recessions



Monthly Nonfarm Payrolls
3rd-1st Estimate Delta TTM





Rising unemployment is already being felt in consumer behavior despite still very low 4.3% unemployment.

| Item | Description |
|-----------------|---|
| Personal Saving | Approaching cycle lows, well below LT trend |
| Retail Sales | <ul style="list-style-type: none">- Real retail sales = -1.6% over the past 2 years;- Down YoY in 15 of the last 20 months- Now at LT trend |
| Delinquencies | Credit card and auto loan delinquencies sharply rising & at levels last seen during the Great Financial Crisis |



believe we are now in recession. However, we will not have an official confirmation of that until the National Bureau of Economic Research (NBER) officially decides that.

Risks continue to rise for regional banks, nonbank lenders or investment funds overleveraged to problem areas of the economy: commercial real estate, consumer loans, and slowing retail sales.

Markets are still not reflecting even a remote possibility of that.

PLAN of ACTION:



- The Big 4 indicators I am watching:
 - Permanent Job Losers above 3-yr EMA
 - Unemployment Rate above 3-yr EMA
 - Falling 2-yr UST yields & crosses below 10yr (yield curve resteeptening)
 - SPX, QQQ has a weekly close below its 200-day exponential moving average (EMA)

If we see all the first three, **it's high time to get defensive. The first two have now been triggered, but the next two haven't yet, so it makes sense to remain long risk assets for now. But if we see the yield curve re-steepen, then it's time to go full-blown defensive with the Zacks Earnings Certain Proxy.**

Thank You for Attending!



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