

## What a “Weird” Week

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Maybe I’m the only one not feeling super motivated as I try to conjure up the energy to focus on markets this holiday weekend. I suspect that I’m not, as the market seems like it is attempting to confuse everyone as much as possible.

On Tuesday, Academy hosted our best attended **webinar** ever focused on the unfolding events in **Russia/Belarus and the implications for Europe, NATO, and China** ([replay](#)).

**Weirdly**, nothing seems to have happened since the “stand down” deal was arranged by Lukashenko in Belarus between Putin and the Wagner Group.

- **I like holding onto some “flight to safety” type of trades for the next few weeks** as the risk that Putin lashes out remains a possibility. It is also possible that this was some elaborate charade meant to free up the Wagner Group to take some other aggressive actions. These both seem unlikely, but they cannot be entirely dismissed since the **main players all seem to be acting out of character**.

With everything else going on, you may have missed this month’s [Around the World with Academy Securities](#). While providing updates on the war in Ukraine, it also analyzes **Blinken’s visit to China, renewed U.S./Iran nuclear discussions**, and the tensions between Serbia and Kosovo.

Our latest webinar on Russia followed hot on the heels of our initial **AI webinar** ([replay](#)). There we set the table for future webinars (and notes) as this topic will increasingly influence corporations, markets, and even society as we know it.

## Markets

Friday was “interesting” to say the least, as we had month-end and quarter-end fall on a lightly staffed (certainly in the afternoon) pre-long weekend trading session. I imagine that Monday will not be any more exciting with much of Wall Street likely only glancing at their screens from wherever they are enjoying the holiday. I guess (in theory) that maybe it is good to get a couple of days to watch the **algos** drive the entire show (instead of just part of the show).

As discussed in Tuesday’s [Macro Quick Takes](#):

- **Rebalancing** was mostly done well ahead of the close or we wouldn’t have seen such strength on Thursday and Friday.
- **The T-Bill deluge** does not seem to be hampering markets as the Treasury Department seems to be handling it very effectively.
- **Jobs** data comes out with a vengeance on Thursday and Friday. That should be interesting.
- **Rangebound Fed**. Yes, markets will still react to inflation data, but the reality is that the Fed is going to do very little between now and year-end unless we get incredibly surprising data in one direction or the other. I believe that market moves were exaggerated on Thursday and Friday as liquidity was thin and the rebalancing had already been done. If anything, I’d suggest reading Friday’s piece titled [Everything You Wanted to Know About Credit Trading but Were Afraid to Ask](#). It was meant to be fun and informative and I think that it reflects trading quite broadly in markets where the depth of liquidity is low and many traders are just looking for something to pile into.
- **Banks and Commercial Real Estate**. A deeper dive into these areas is warranted and forthcoming, but not until after this long weekend!

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### Bottom Line

I’m not sure how much “useful” information we got from trading late last week, or what we will get from today’s trading session (why we can’t have a 4-day weekend in markets is beyond me), but **the second half of the year will begin in earnest on Wednesday.**

While I’ve highlighted some things, the big question for the second half of the year will be:

- **When is the recession coming (if it happens at all)?**

That is by far the biggest question that is facing the market and all of us in the recession camp (from mild recession, to location-based recessions, to a full scale recession) need to question this as the economy has remained very resilient in the face of Fed hikes. With inflation “well enough” under control for the Fed to be rangebound, this will come down to long and variable lags (how much debt has to roll from low-cost to high-cost) and what other stimulants are becoming less helpful.

It is difficult to admit defeat on the recession front, and I’m not yet there, but it is once again time to separate stubbornness from the data. It is always a difficult task, but it is the task that many of us face as we start the second half of the year!

**Have a great 4<sup>th</sup> of July!**

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