



**GORDON T LONG**

**Advanced Technical Analysis**



**Gordon T Long**  
Global Macro Research |  
Macro-Technical Analysis



**Technical Analysis**  
Market Road Maps | HPTZ  
Methodology



**SII**  
Global Macro Research |  
Market Road Maps

## NOTE

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# RECESSIONS & PE COMPRESSION



***“Strategy Is What Happens To You While You Are Looking the Other Way!”***

# AGENDA

RECESSION

STAGFLATION

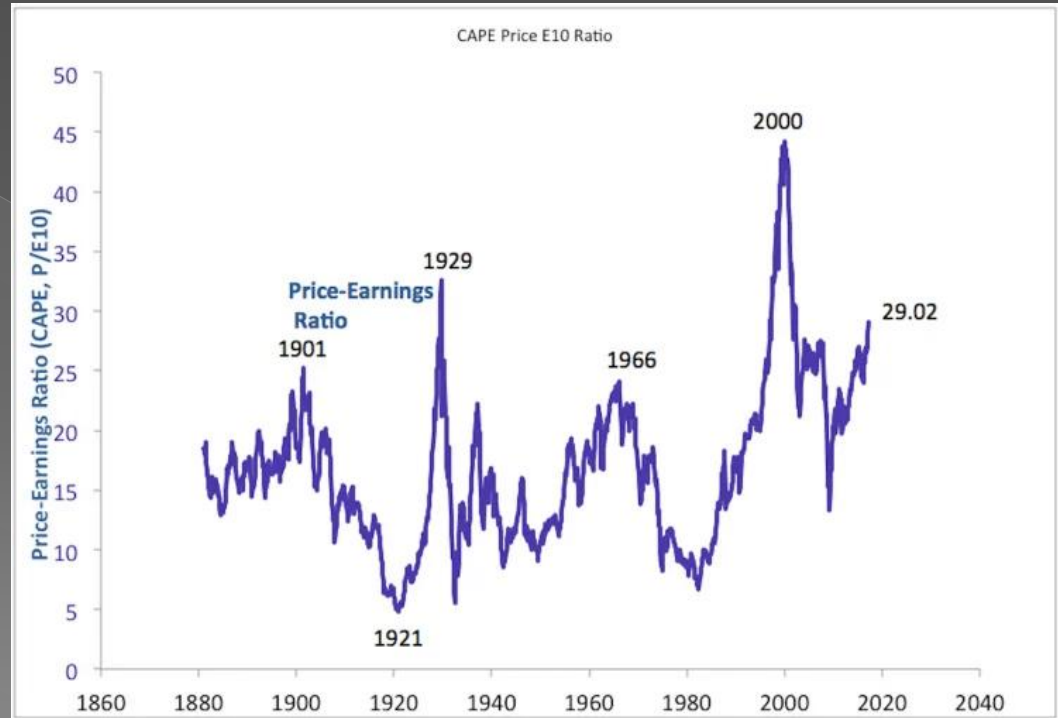
PE COMPRESSIONS

FAANGS

PASSIVE INVESTING & REDEMPTIONS

CONCLUSIONS

## RECESSIONS & PE COMPRESSIONS



May 11th, 2022

# AGENDA

**RECESSION**

STAGFLATION

PE COMPRESSIONS

FAANGS

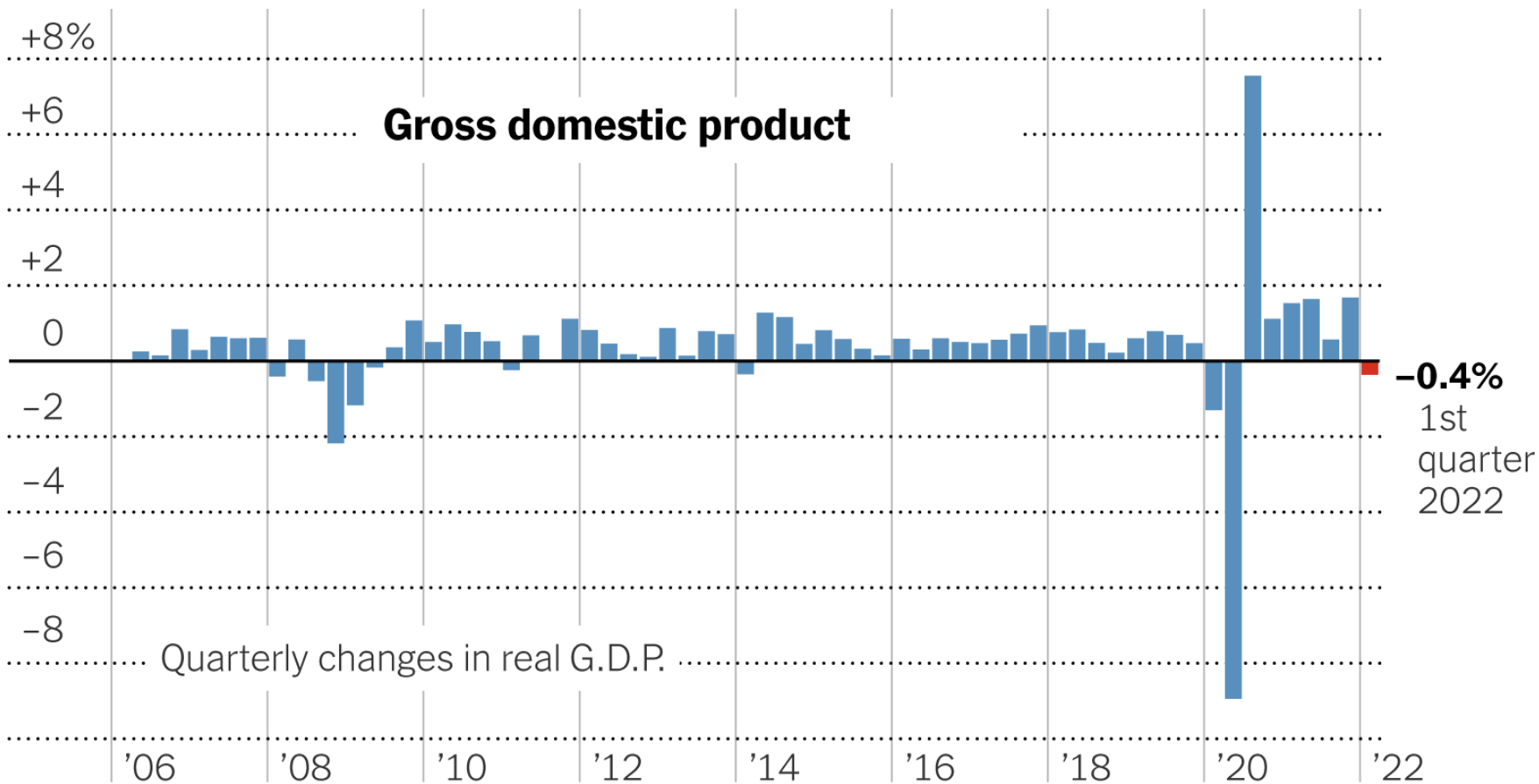
PASSIVE INVESTING & REDEMPTIONS

CONCLUSIONS

## RECESSIONS & PE COMPRESSIONS



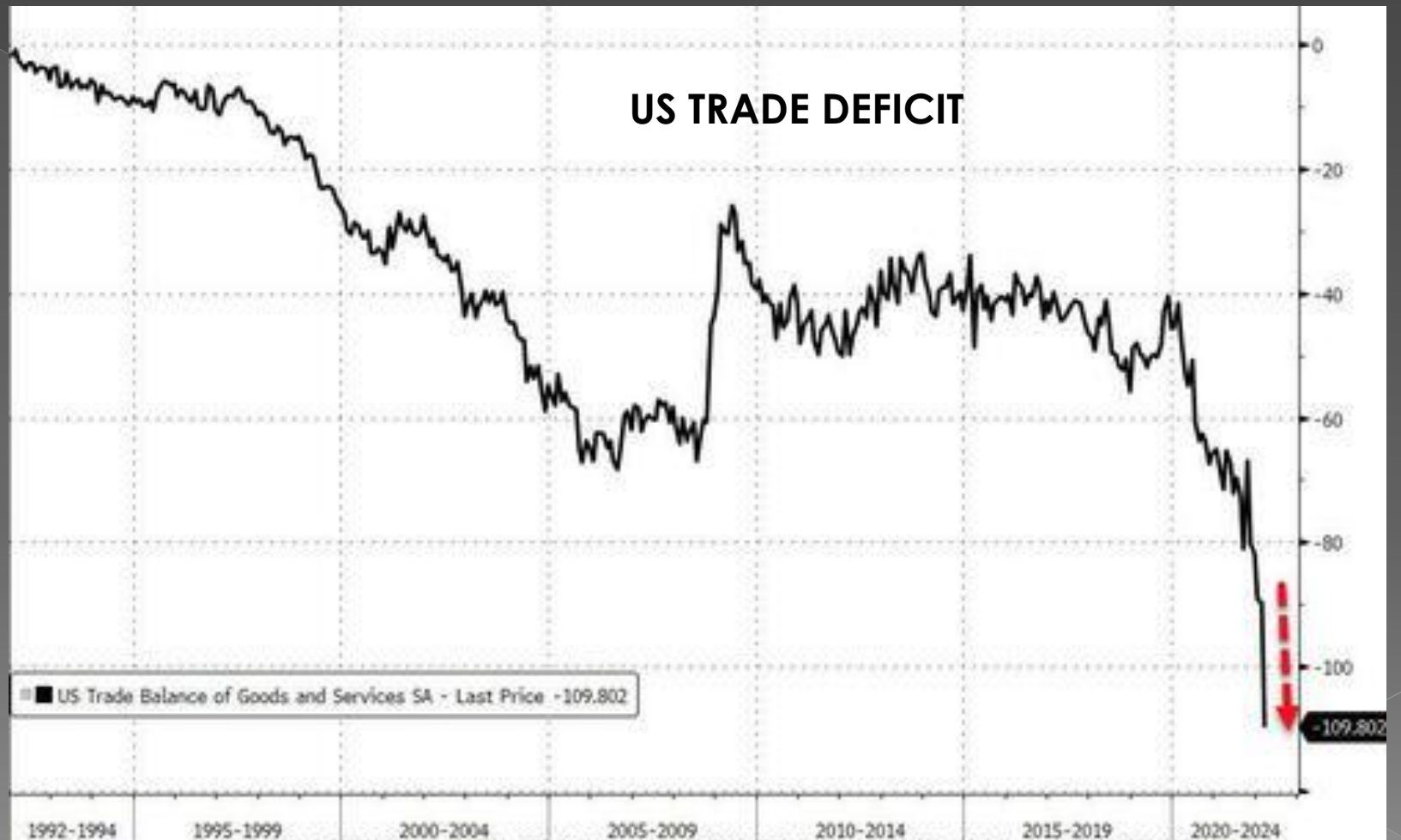
## Gross domestic product







## US TRADE DEFICIT





## Chart 9: BofA Global EPS model predicts negative growth by year-end

BofA Global EPS model



Source: BofA Global Investment Strategy, Bloomberg, Datastream

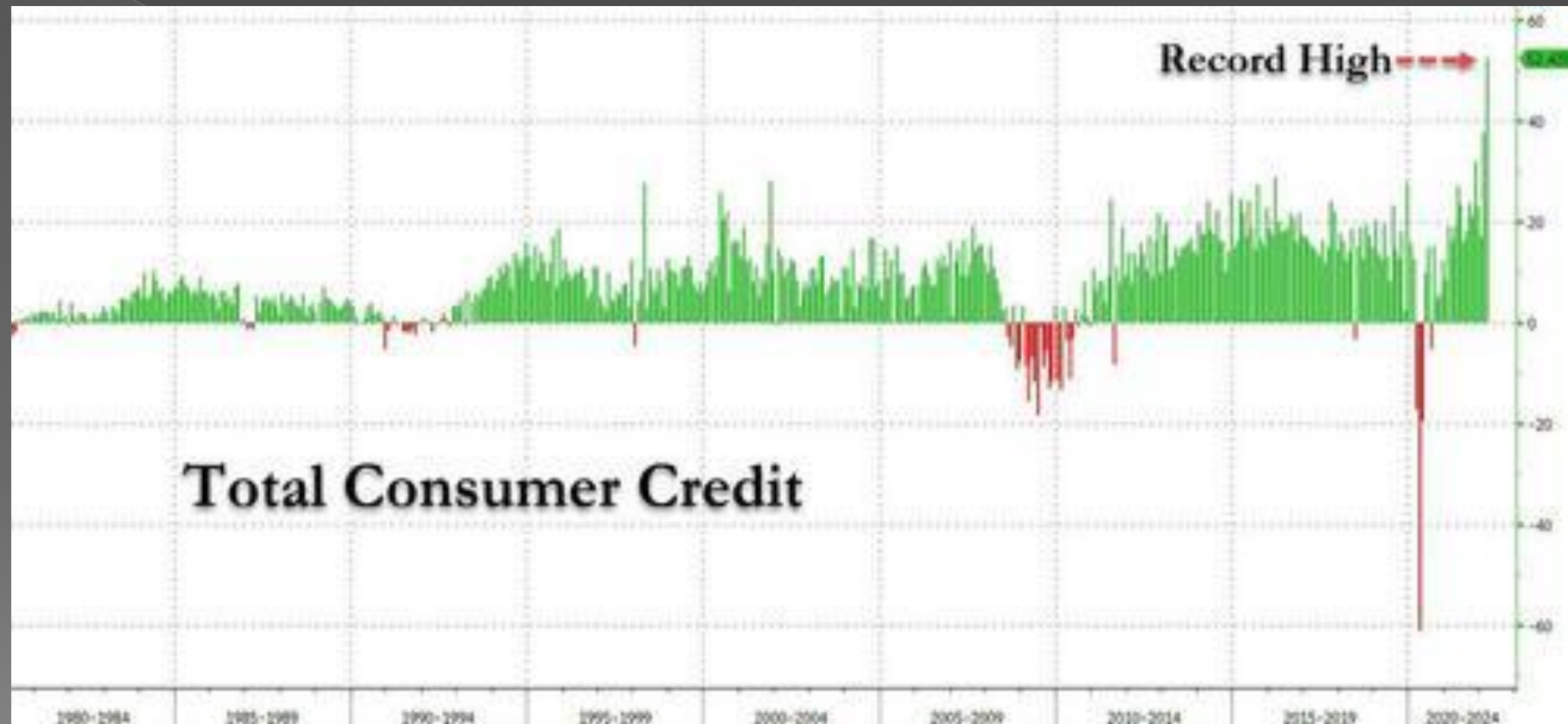
BofA GLOBAL RESEARCH

## ISM Manufacturing PMI

Index	Apr	Mar	PP Change	Direction	Rate of Change	Trend in Months
PMI <sup>®</sup>	55.4	57.1	-1.7	Growing	Slower	23
New Orders	53.5	53.8	-0.3	Growing	Slower	23
Production	53.6	54.5	-0.9	Growing	Slower	23
Employment	50.9	56.3	-5.4	Growing	Slower	8
Supplier Deliveries	67.2	65.4	1.8	Slowing	Faster	74
Inventories	51.6	55.5	-3.9	Growing	Slower	9
Customers' Inventories	37.1	34.1	3.0	Too Low	Slower	67
Prices	84.6	87.1	-2.5	Increasing	Slower	23
Backlog of Orders	56.0	60.0	-4.0	Growing	Slower	22
New Export Orders	52.7	53.2	-0.5	Growing	Slower	22
Imports	51.4	51.8	-0.4	Growing	Slower	6

# Total Consumer Credit

Record High →



## Personal Savings Rate



# AGENDA

RECESSION

**STAGFLATION**

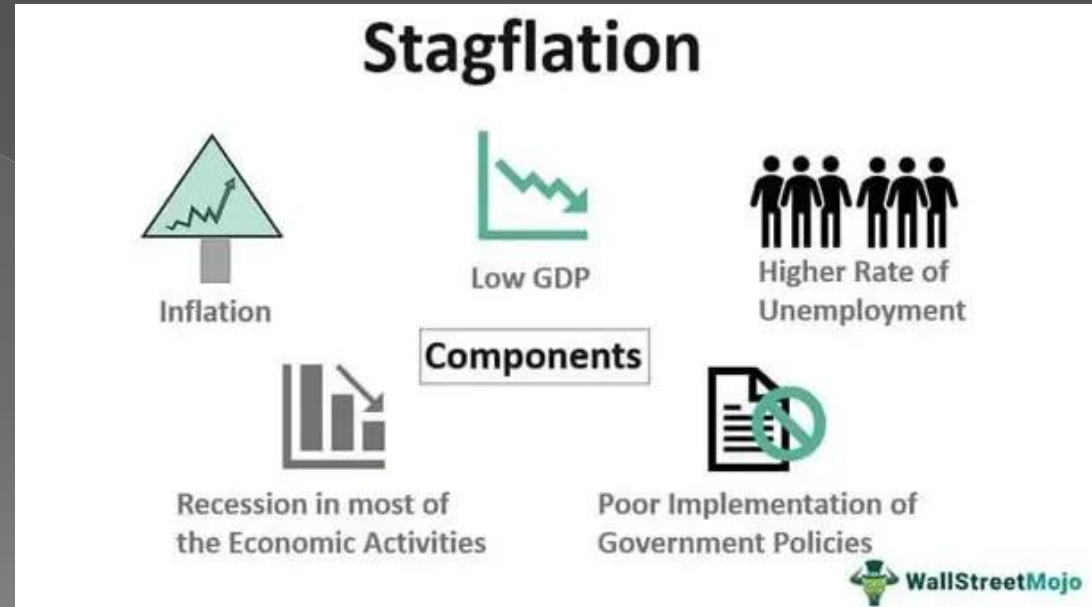
PE COMPRESSIONS

FAANGS

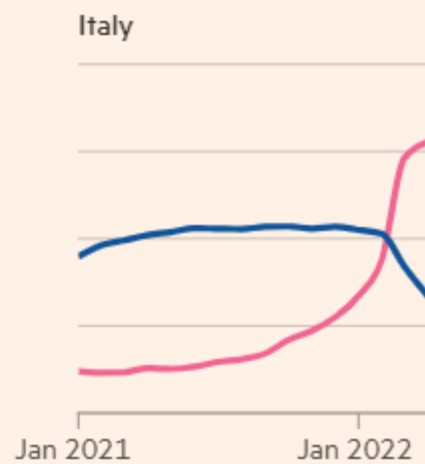
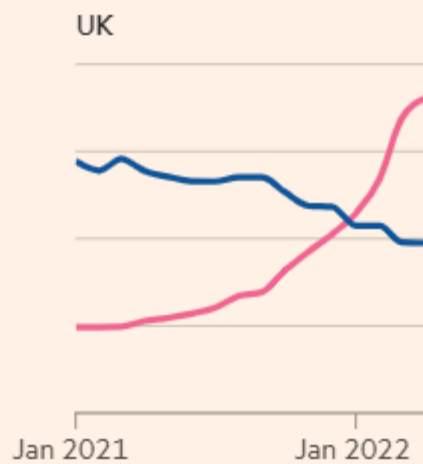
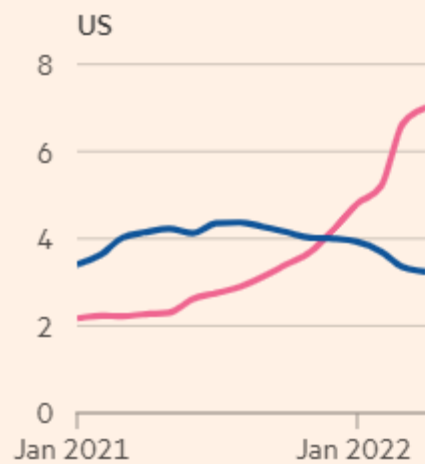
PASSIVE INVESTING & REDEMPTIONS

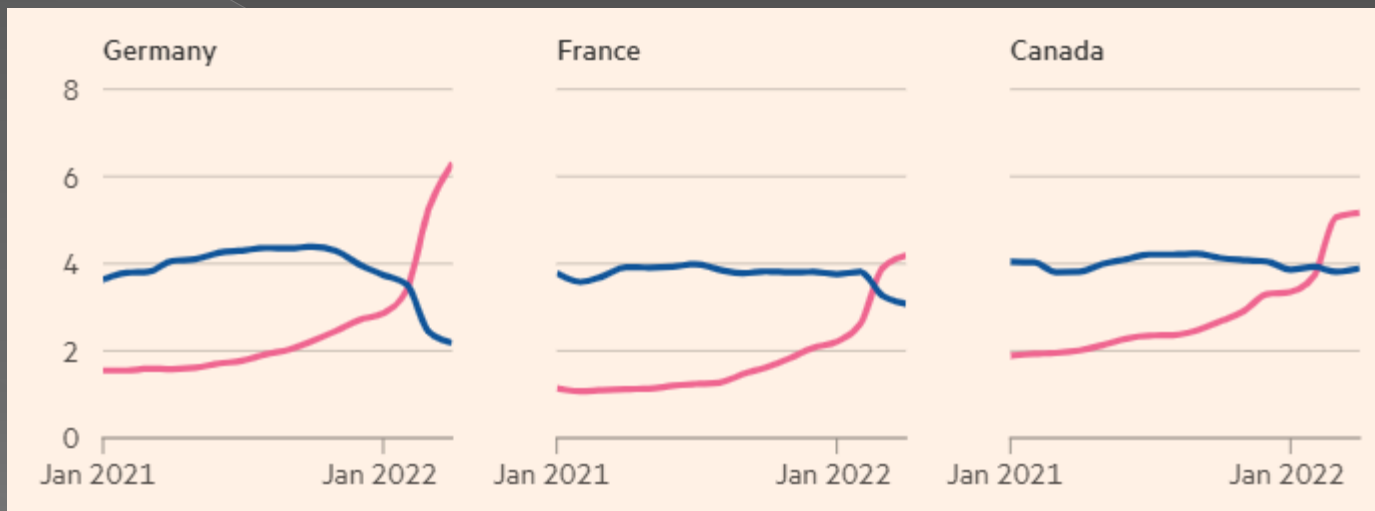
CONCLUSIONS

## RECESSIONS & PE COMPRESSIONS

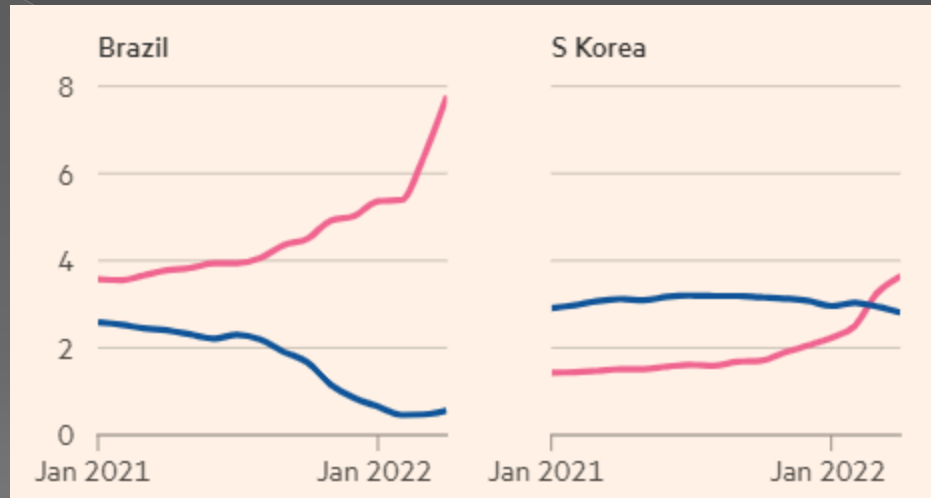


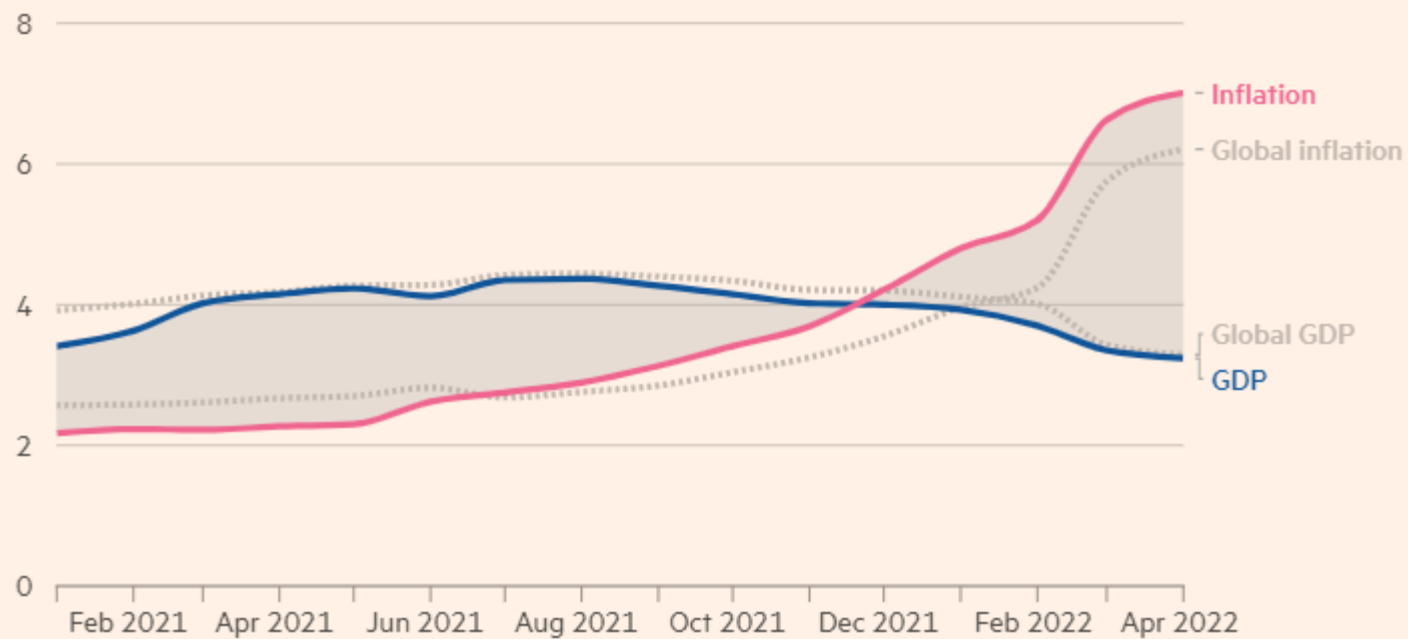
■ Inflation ■ GDP











FINANCIAL TIMES

Source: [Consensus Economics](#) • Graphic: Alan Smith; Valentina Romei

# THE BLACK HOLE OF STAGFLATION

The Event Horizon

INFLATION



We Appear  
To Be Here!

GROWTH

INFLATION

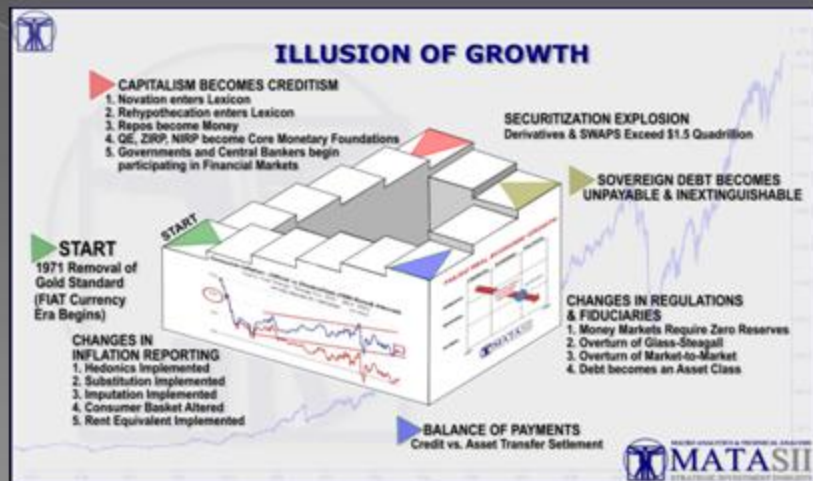
In Reality We  
Are Here!

GROWTH

## 2017 ILLUSION OF GROWTH

[Download full pdf.](#)

111 Pages



# AGENDA

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STAGFLATION

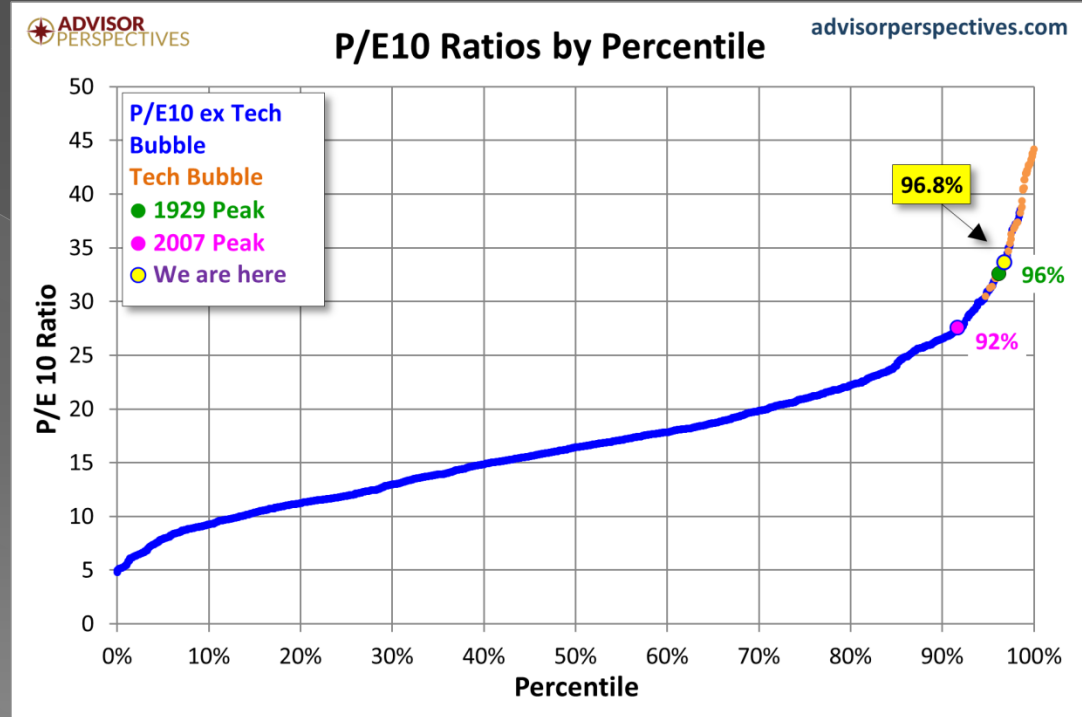
PE COMPRESSIONS

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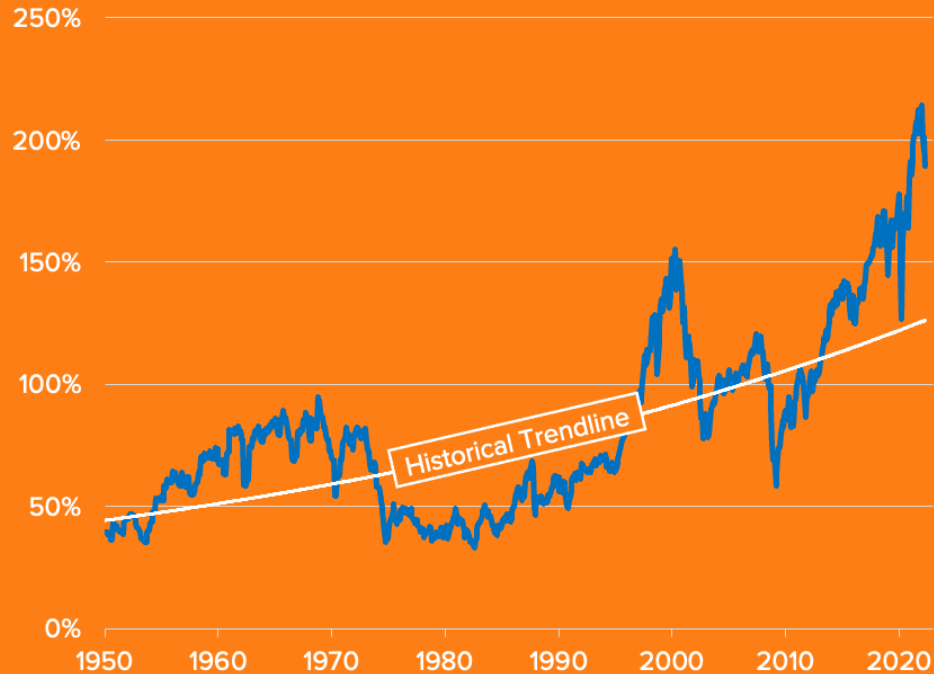
CONCLUSIONS

## RECESSIONS & PE COMPRESSIONS



# The Buffett Indicator

Ratio of US Stock Market Value to GDP



SOURCES: Board of Governors of the Federal Reserve System, Wilshire 5000, US Bureau of Economic Analysis, Federal Reserve Bank of Atlanta

www.  
current  
market  
valuation  
.com

## Discounted cash flow

In finance, discounted cash flow analysis is a method of valuing a security, project, company, or asset using the concepts of the time value of money. Discounted cash flow analysis is widely used in investment finance, real estate development, corporate financial management and patent valuation. [Wikipedia](#)

$$\text{DCF} = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

DCF = discounted cash flow

$CF_i$  = cash flow period  $i$

$r$  = interest rate

$n$  = time in years before the future cash flow occurs

Discounted free cash flow is a metric used by investors **to determine the future value of an investment based on its future cash flows**. For example, if an investor buys a house today, in 10 years, they hope it will sell for more than what it is worth today.



# THE PROBLEM

A PE of 12 is an expected earnings of 8.33%

A PE of 30 is an expected earnings of 3.33%

The higher the PE the poorer the earnings expectations

OR

Earnings are expected to expand at exponential rates

- This comes into question when economies are expected to slow,
- When Inflation increases significantly (DCF),
- When Interest on company debt rises

WE HAVE ALL THREE!

May 11th, 2022

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# THE “FAANGS”

1. Facebook
2. Apple
3. Amazon
4. Netflix
5. Google
6. Tesla
7. Microsoft
8. Nvidia



## Q4'21 SPX Top-25 Component Companies' Fundamentals

SPX Final

4766

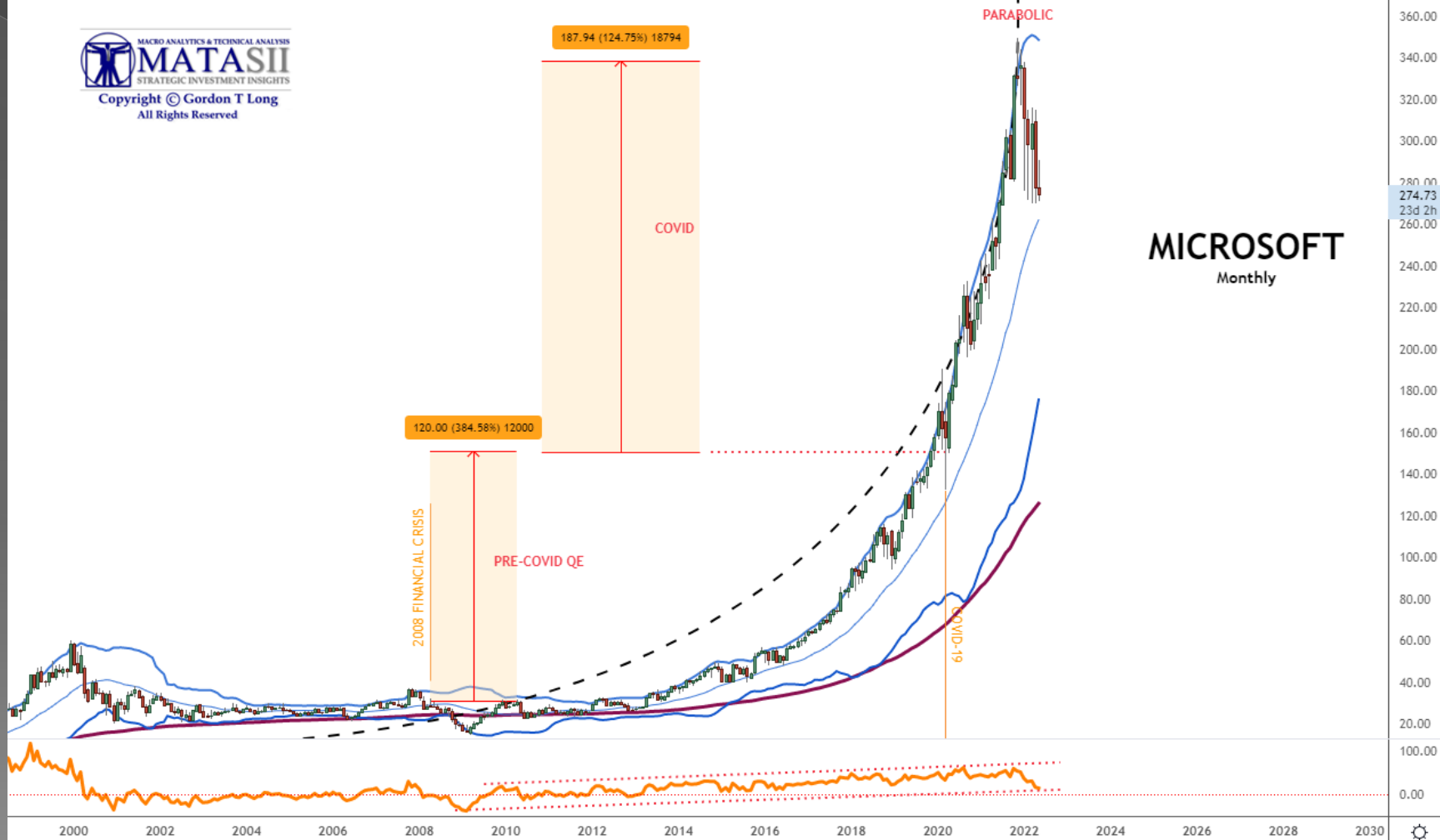
26.9%

		US\$b			US\$b			(As of 3.9.2022)			TTM		US\$b		US\$b	
		SPX	MCap	YoY	Sales	YoY	Earn.	YoY	SBBs	YoY	P/E	YoY	Divid.	YoY	OCFs	YoY
-	AAPL	6.80%	\$2,924	29%	\$123.9	11%	\$34.6	20%	\$20.5	-17%	31.8x	-22%	\$3.7	3.3%	\$47.0	21%
-	MSFT	5.93%	\$2,548	52%	\$51.7	20%	\$18.8	21%	\$7.4	14%	38.0x	6.2%	\$4.7	10%	\$14.5	16%
+1	GOOGL	4.51%	\$1,940	65%	\$75.3	32%	\$20.6	36%	\$13.5	70%	28.1x	-16%	\$0.0		\$24.9	10%
-1	AMZN	3.98%	\$1,711	3.8%	\$137.4	9.4%	\$14.3	98%	\$0.0		66.0x	-31%	\$0.0		\$22.1	-27%
+1	TSLA	2.50%	\$1,075	63%	\$17.7	65%	\$2.3	760%	\$0.0		348.3x	-74%	\$0.0		\$4.6	52%
-1	FB	2.23%	\$958	24%	\$33.7	20%	\$10.3	-8.3%	\$20.1	941%	24.6x	-20%	\$0.0		\$18.1	29%
+9	NVDA	1.71%	\$737	127%	\$7.6	53%	\$3.0	106%	\$0.0		91.2x	6.1%	\$0.1	1.0%	\$3.0	47%
-1	BRK-B	1.56%	\$672	25%	\$71.8	12%	\$39.6	11%	\$6.9	-24%	8.1x	-48%	\$0.0		\$7.8	-26%
+6	UNH	1.10%	\$475	45%	\$73.7	13%	\$4.1	84%	\$1.1	-39%	31.3x	58%	\$1.4	15%	\$3.2	-47%
-2	V	1.10%	\$474	-1.6%	\$7.1	24%	\$4.0	27%	\$4.1	129%	38.7x	-13%	\$0.8	15%	\$4.2	20%
-	JPM	1.09%	\$469	23%	\$29.3	0.1%	\$10.4	-14%	\$2.1		10.0x	-39%	\$3.4	7.9%	\$85.1	
-3	JNJ	1.05%	\$454	10%	\$24.8	10%	\$4.7	172%	\$1.0	210%	25.8x	4.9%	\$2.8	5.0%	\$5.7	-31%
+4	HD	1.00%	\$428	50%	\$35.7	11%	\$3.4	17%	\$4.4		27.4x	19%	\$1.7	6.6%	\$3.2	124%
-4	WMT	0.92%	\$397	-2.6%	\$152.9	0.5%	\$3.6		\$2.4	68%	50.4x	142%	\$1.5	-0.6%	\$7.9	-40%
-2	PG	0.92%	\$394	15%	\$21.0	6.1%	\$4.2	9.6%	\$4.8	58%	29.8x	13%	\$2.2	7.2%	\$5.1	-5.6%
+3	BAC	0.85%	\$364	41%	\$22.1	9.8%	\$7.0	28%	\$7.5	2764%	13.3x	-9.7%	\$2.0	7.5%	\$44.7	109%
-5	MA	0.82%	\$354	-0.1%	\$5.2	27%	\$2.4	33%	\$1.3	24%	44.4x	-17%	\$0.4	8.8%	\$3.2	42%
+8	PFE	0.76%	\$328	61%	\$23.6	297%	\$3.4	471%	\$0.0		16.7x	-30%	\$2.2	3.6%	\$5.9	5.1%
-5	DIS	0.66%	\$283	-13%	\$21.8	34%	\$1.1	6394%	\$0.0		142.5x		\$0.0		-\$0.2	
+17	AVGO	0.64%	\$275	55%	\$7.7	16%	\$2.4	84%	\$2.7		44.3x	-35%	\$1.8	14%	\$3.5	12%
-	ADBE	0.63%	\$271	14%	\$4.1	20%	\$1.2	-45%	\$1.0	18%	56.9x	24%	\$0.0		\$2.0	15%
+2	NFLX	0.63%	\$271	17%	\$7.7	16%	\$0.6	12%	\$0.0		55.2x	-35%	\$0.0		-\$0.4	
+11	CSCO	0.62%	\$268	43%	\$12.7	6.4%	\$3.0	17%	\$4.8	528%	23.7x	31%	\$1.5	1.3%	\$2.5	-17%
+20	LLY	0.62%	\$265	66%	\$8.0	7.5%	\$1.7	-18%	\$0.8		42.3x	55%	\$0.8	15%	\$2.2	19%
-	NKE	0.62%	\$265	19%	\$11.4	1.0%	\$1.3	6.9%	\$1.0		44.0x	-45%	\$0.4	14%	\$2.8	11%
Totals		43.3%	\$18.6t	30%	\$988.0	8.4%	\$202.1	25%	\$107.3	75%	53.3x	-45%	\$31.4	2.5%	\$192.8	-2.6%

# THE “FAANGS”

1. Facebook	16.9	May 6 <sup>th</sup> , 2022
2. Apple	27.0	May 6 <sup>th</sup> . 2022
3. Amazon	58.9	May 6 <sup>th</sup> . 2022
4. Netflix	18.5	May 6 <sup>th</sup> , 2022
5. Goggle	20.9	May 6 <sup>th</sup> , 2022
6. Tesla	123.4	May 4 <sup>th</sup> , 2022
7. Microsoft	37.6	May6th, 2022
8. Nvidia	51.3	May 6 <sup>th</sup> , 2022
Average	44.3	
S&P 500 Average	16.0	







# GOOGLE

Monthly



2008 FINANCIAL CRISIS

PRE-COVID QE  
85.67 (1424.55%) 8567

1115.69 (1216.85%) 111569

COVID

PARABOLIC

# TESLA

Monthly

USD ~

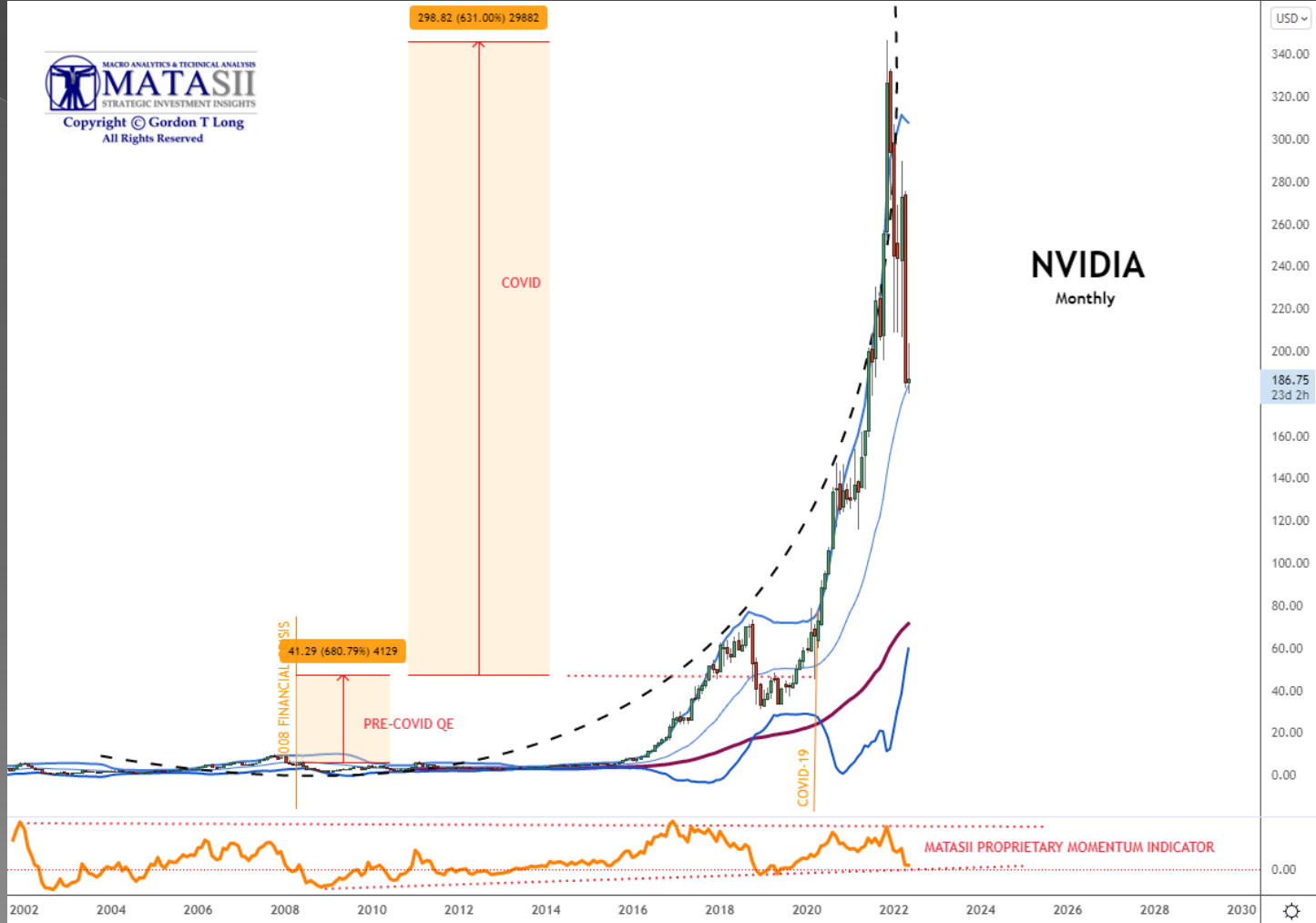
1200.00  
1100.00  
1000.00  
900.00  
865.65  
23d 1h  
800.00  
700.00  
600.00  
500.00  
400.00  
300.00  
200.00  
100.00  
0.00

COVID-19

MATASII PROPRIETARY MOMENTUM INDICATOR

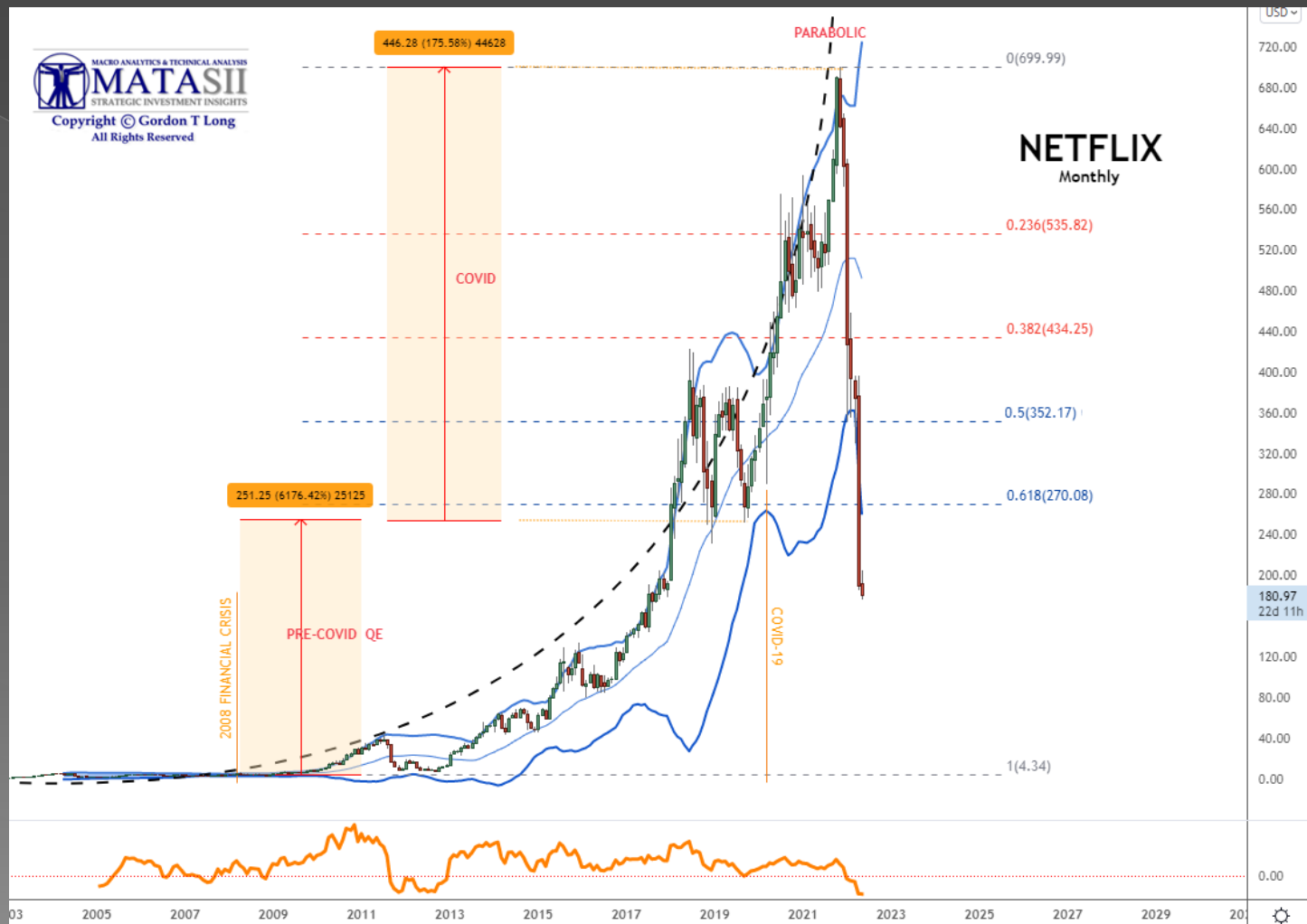
2011 2013 2015 2017 2019 2021 2023 2025 2027 2029

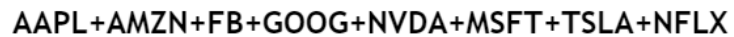








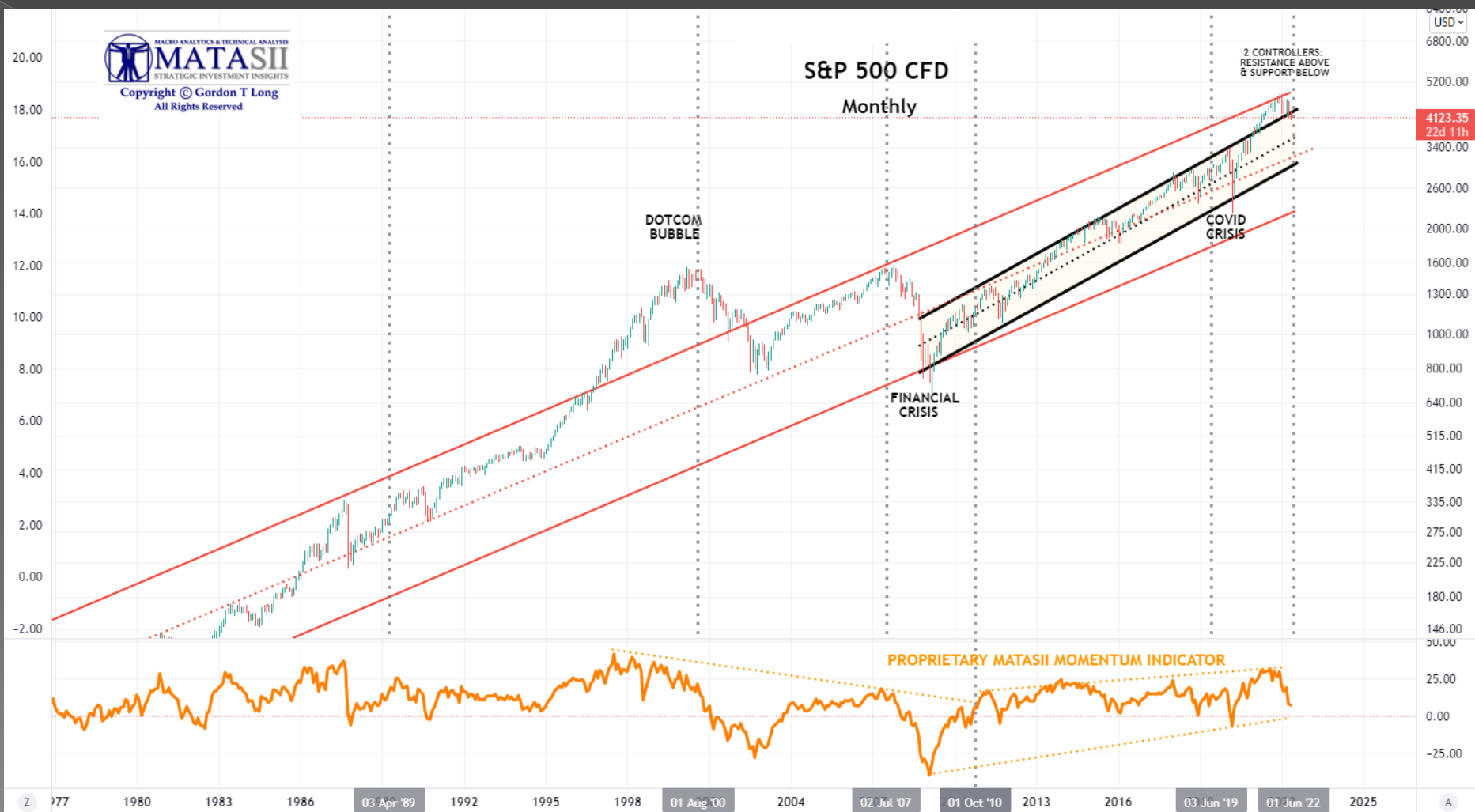








# S&P 500 CFD Monthly



4123.35  
22d 11h

6800.00  
5200.00  
3400.00  
2600.00  
2000.00  
1600.00  
1300.00  
1000.00  
800.00  
640.00  
515.00  
415.00  
335.00  
275.00  
225.00  
180.00  
146.00  
90.00  
25.00  
0.00  
-25.00

# PE COMPRESSION

1. Facebook	16.9	May 6 <sup>th</sup> , 2022
2. Apple	27.0	May 6 <sup>th</sup> . 2022
3. Amazon	58.9	May 6 <sup>th</sup> . 2022
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8. Nvidia	51.3	May 6 <sup>th</sup> , 2022

Average	44.3
S&P 500 Average	16.0

1970's	15.0
Bottomed	8.0

# AGENDA

RECESSION

STAGFLATION

PE COMPRESSIONS

FAANGS

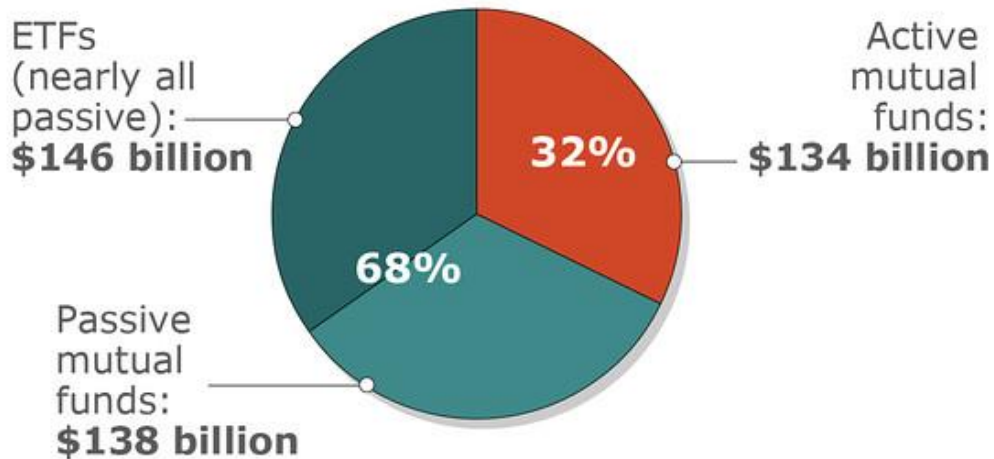
**PASSIVE INVESTING & REDEMPTIONS**

CONCLUSIONS

## RECESSIONS & PE COMPRESSIONS

### Passive investing dominates

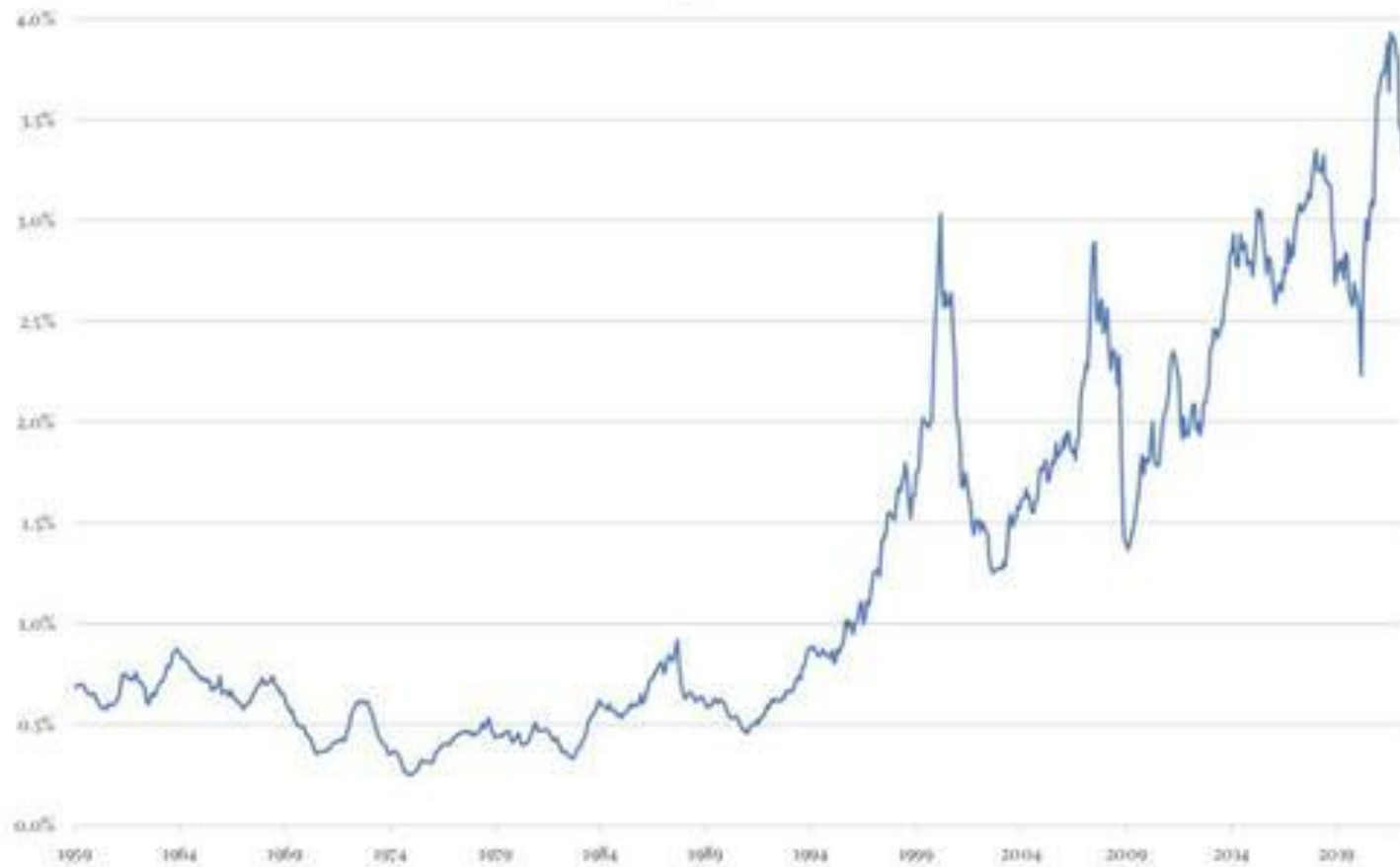
This chart shows net sales of U.S. ETFs and mutual funds over the 12 months ended June 30



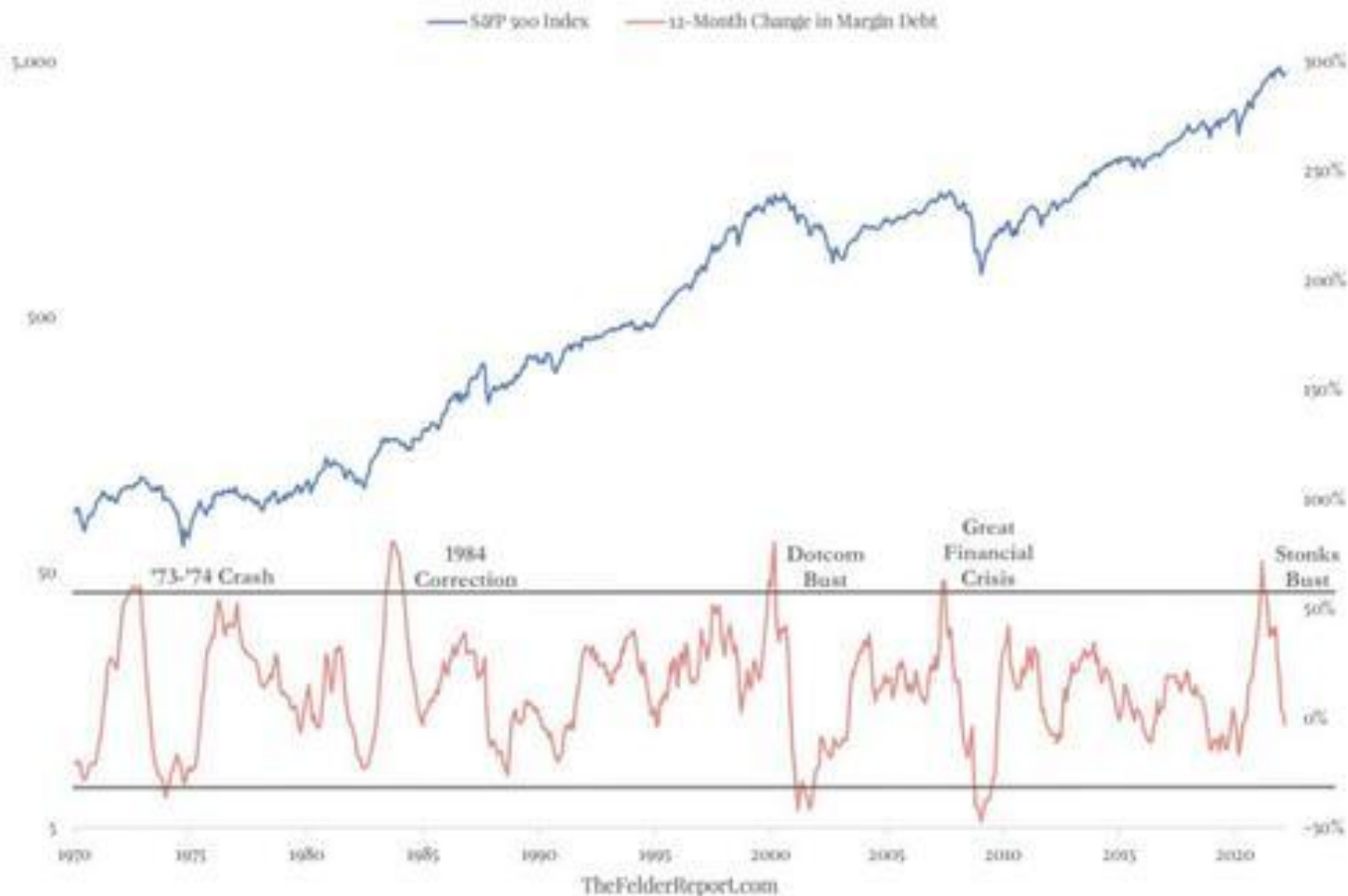
Source: Morningstar

## The Index Of 'The Volume Of Speculation'

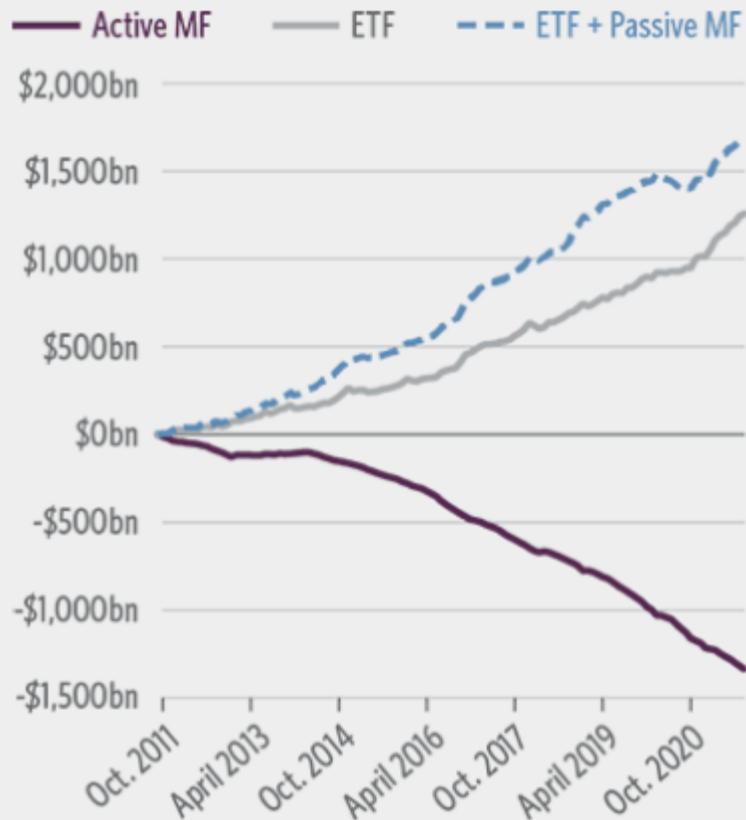
—Margin Debt-to-GDP



## Leveraged Speculation In Equities

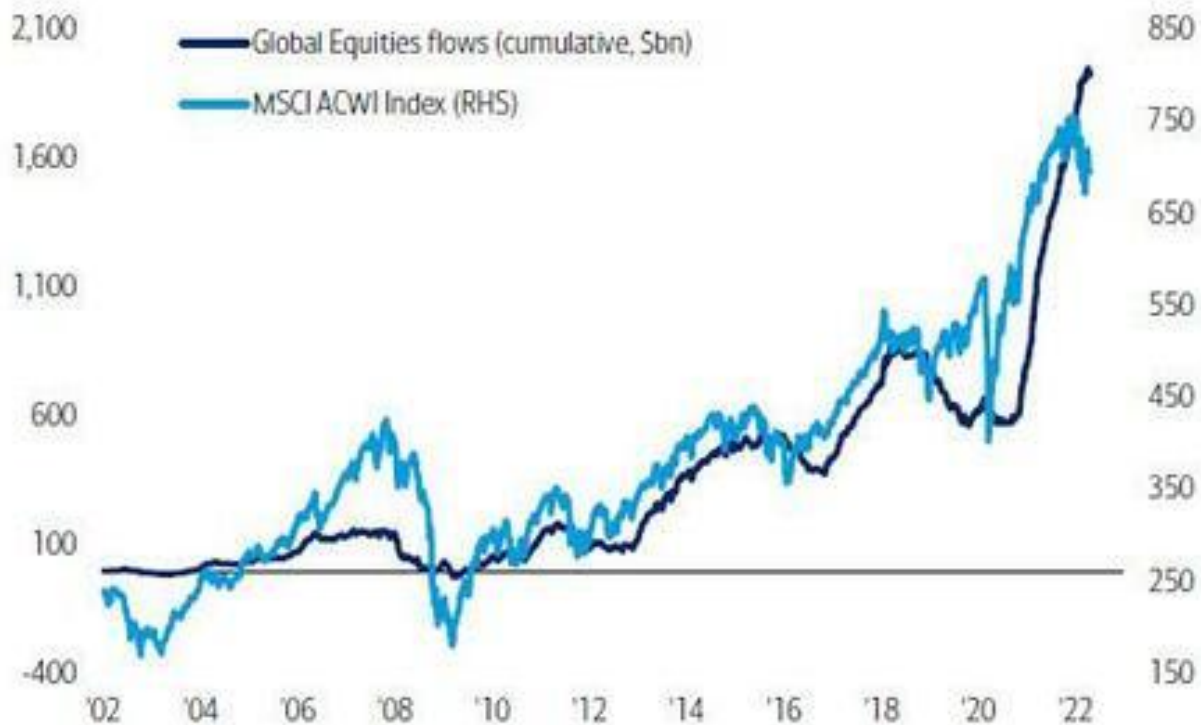


## U.S. Equity: Cumulative Net Flows (\$ billions)



Source: Guggenheim Investments, Morningstar as of 9.30.2021

**Chart 16: Everyone bearish, but redemptions just starting**  
Cumulative global equities flows vs MSCI ACWI Index



Source: BofA Global Investment Strategy, EPFR, Bloomberg

BofA GLOBAL RESEARCH

May 11th, 2022

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# Cycle Phases

## EARLY

- Activity rebounds (GDP, IP, employment, incomes)
- Credit begins to grow
- Profits grow rapidly
- Policy still stimulative
- Inventories low; sales improve

## MID

- Growth peaking
- Credit growth strong
- Profit growth peaks
- Policy neutral
- Inventories, sales grow; equilibrium reached

## LATE

- Growth moderating
- Credit tightens
- Earnings under pressure
- Policy contractionary
- Inventories grow; sales growth falls

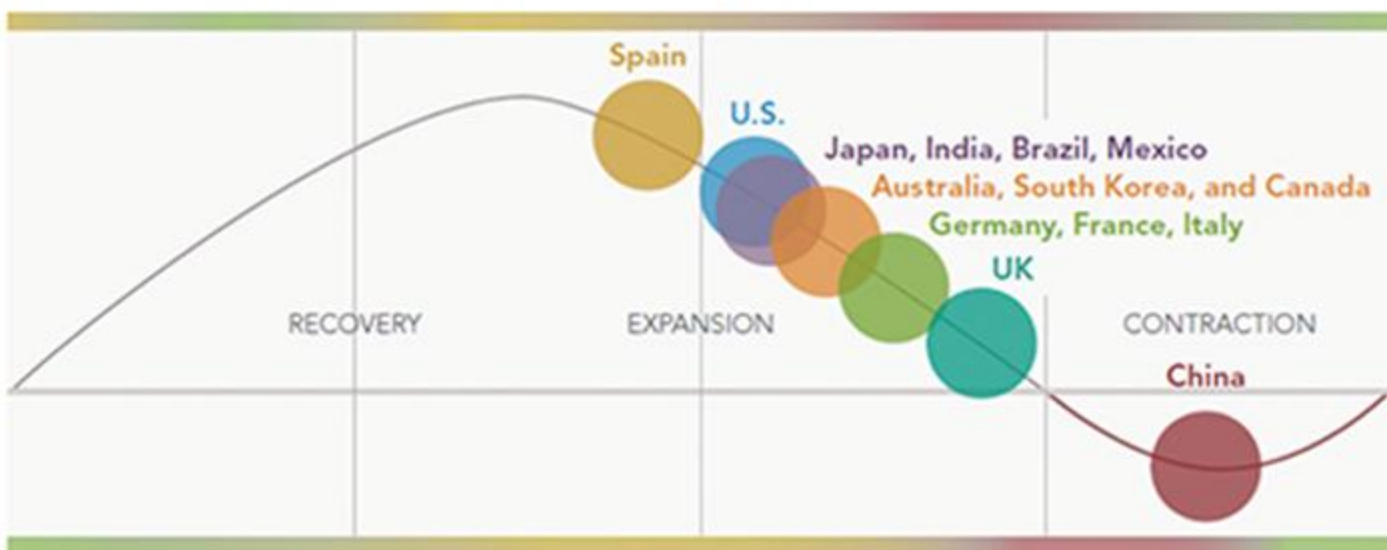
## RECESSION

- Falling activity
- Credit dries up
- Profits decline
- Policy eases
- Inventories, sales fall

Inflationary Pressures  
Red = High

Economic Growth  
+  
-

Relative Performance of  
Economically Sensitive Assets  
Green = Strong



**ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ....**

**DON'T WORRY, THEY WILL PRINT THE MONEY!**

**EVERYONE IS NOW IN PLACE & READY!!**



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