



## **Zanetti Monday Missive 2022.05.23 Have We Hit The Bottom Yet?**

**“The smart ones ask when they don't know. And, sometimes, when they do.”  
~ Malcolm Forbes**

**“'Why' and 'how' are words so important that they cannot be used too often.”  
~ Napoleon Bonaparte**

The S&P 500 almost entered “Bear Territory” at the end of last week. What is Bear Territory? Or a Bear Market? It’s when an index falls 20% below it’s recent high point.

We’ve already seen the NASDAQ fall below 20%. The NASDAQ was the index that made the highest gains last year. It’s now below 25%.

The S&P 500 is a different animal though. It’s not full of high flying

tech stocks that may or may not make a profit (and tech shareholders may be ok with either situation). The S&P is an index of 500 of the largest businesses in the US.

On Friday, it fell to its lowest level since its high point on December 27, 2021. After another down week, it has fallen just over 18%. So, almost in Bear Territory.

One question I've been hearing lately is, when are we going to see a bottom? And when will it be time to jump in?

As investors, we want to buy low and sell high. So, it's reasonable to ask if these lows we are seeing make it a good time to buy low. If we thought the future of the market was going to go higher, then yes, this would be a good time to buy. So, what do we think?

Well, let's look at some factors that might signal what the future holds.

EARNINGS...



# TARGET

Target Corporation (Yes, that Target!) reported lower than expected earnings and their stock fell 25% on Wednesday! That's a steep 1-day fall for a boring ol' company like Target!

## Target Corporation (TGT)

NYSE - Nasdaq Real Time Price. Currency in USD

☆ Add to watchlist

👤 Visitors trend 2W ↓ 10W ↑ 9M ↑

**155.36** +1.93 (+1.26%) **155.13** -0.23 (-0.15%)

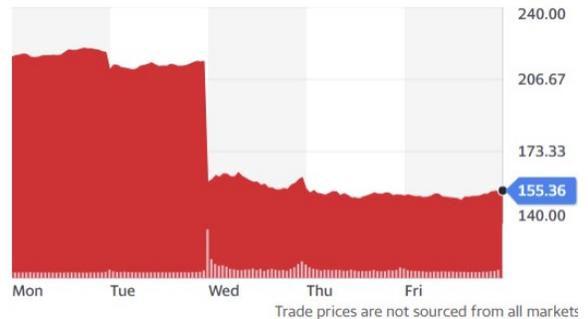
At close: May 20 04:03PM EDT

After hours: May 20, 07:59PM EDT

[Summary](#) [Company Outlook](#) [Chart](#) [Conversations](#) [Statistics](#) [Historical Data](#) [Profile](#) [Financials](#) [Analysis](#) [Options](#)

Previous Close	153.43	Market Cap	72.038B
Open	153.62	Beta (5Y Monthly)	0.94
Bid	155.13 x 800	PE Ratio (TTM)	12.83
Ask	155.38 x 1300	EPS (TTM)	12.11
Day's Range	150.89 - 155.80	Earnings Date	Aug 17, 2022
52 Week Range	150.89 - 268.98	Forward Dividend & Yield	3.60 (2.32%)
Volume	12,300,170	Ex-Dividend Date	May 17, 2022
Avg. Volume	5,163,167	1y Target Est	218.43

1D 5D 1M 6M YTD 1Y 5Y Max   Full screen



Why were the earnings lower when everything on Target's shelves is more expensive? Because Target is paying more for what they put on their shelves? Paying more at a higher percentage than how much they've raised prices gives them smaller profits.

That's not a good sign for future earnings. But, do we think Target might be able to pay less in the future for what they put on their shelves?

I'm glad you asked!

No.

Why? Well, there's many reasons, but one of the bigger ones is that China is starting to ease their Covid restrictions. Now, you might think that should help ease supply strain, but not so fast. Yes, China easing up on their Covid lock downs will help increase products – increasing volume in the supply chain. But it's the plumbing we're concerned about.

When our ports got clogged during our own Covid lockdown and everyday essentials became highly sought after (remember paper towels and toilet paper?), one of the reasons was because our ports were operating at partial capacity as the dock workers stayed home.

The plumbing was severely backed up! But then China shut down their supply chain, which eased the volume that had to get processed through our plumbing. Then the Ports started to process their backlog and things “kinda” returned to smooth flow.

But the pipes in our plumbing haven’t gotten bigger or smoother in how they flow (dock workers are still in high demand), so if we increase the volume again, we are bound to get backed up again.

That’s one of the reasons I think our supply chains won’t have a positive impact on supply and demand for a while. And that will keep costs high.



If our workforce were to return to pre-pandemic levels, then maybe our plumbing would cease to be one of the many issues plaguing our economy right now.

And here’s another factor. I was reading this past week that credit card balances have returned to pre-pandemic levels. And, moreover, credit card defaults have started climbing back to levels

approaching pre-pandemic levels. That means people have spent their “free” stimulus money and are returning to relying on credit cards.

And with gas prices continuing to climb and grocery prices still at high levels, people are now going to slow down on their consumption, which will not help the stock market turn around anytime soon.

So, to answer my original question... no, it's still not a good time to get back into the stock market. I don't think we've hit a bottom yet.

Your My-Car-Must-Be-Electric-Because-I-Get-Shocked-Everytime-I-Fill-It-Up Financial Advisor,

Walt

By accepting this material, you acknowledge, understand and accept the following:

This material has been prepared at your request by Zanetti Financial, LLC This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not, be regarded as “investment advice” or as a “recommendation” regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) Zanetti Financial, LLC is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to Zanetti Financial, LLC that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. Zanetti Financial, LLC does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. Zanetti Financial, LLC shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in

part, without the written permission of Zanetti Financial, LLC except for your internal use. This material is being provided to you at no cost and any fees paid by you to Zanetti Financial, LLC are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of Zanetti Financial, LLC and (ii) the terms contained in any applicable investment management agreement or similar contract between you and Zanetti Financial, LLC.

---

*Copyright © \*2022\* \*Zanetti Financial, LLC\*, All rights reserved.*

**Our mailing address is:**

5120 San Francisco Rd NE  
Suite A

Albuquerque, NM 87109

505-858-3303

---