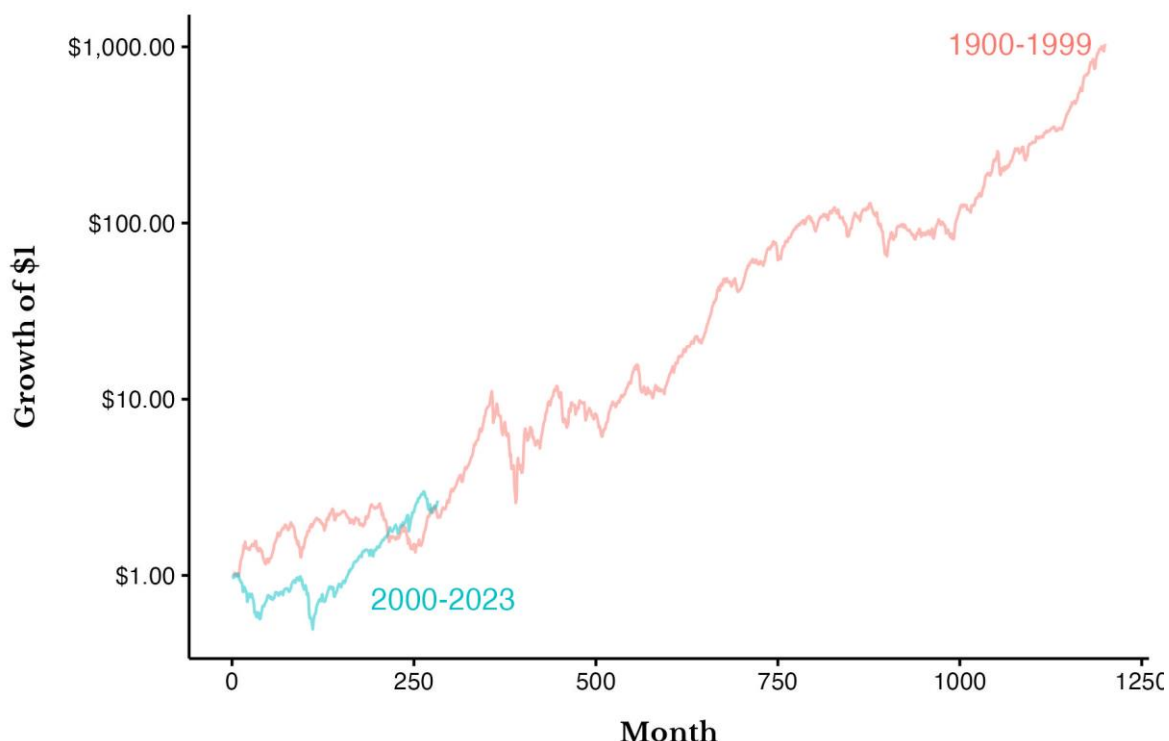


Chart of the week

One for the permabears

Every time a permabear says "this time it's different", show them this chart! However, let's keep in mind that past returns are not indicative of future performance.

Will the 21st Century Produce Similar Returns To the 20th Century?



Source: <http://www.econ.yale.edu/~shiller/data.htm> (OfDollarsAndData.com)
Note: Annualized real returns include reinvested dividends.

Bonds, Bullion & Bitcoin surged. Stocks plunged

US equities indices finished lower for a 2nd straight week, as market sentiment was dented by mixed corporate earnings reports, geopolitical tensions and concerns about rising bond yields. It was a busy week for quarterly earnings reports, with nearly a third of the S&P 500 Index due to report, including Alphabet, Microsoft, Meta and Amazon. Although most metrics reported by the companies showed solid growth and exceeded consensus expectations, markets seemed to pounce on indications of rising expenses, which weighed on shares. On the macro side, US real GDP grew at an annualized pace of 4.9% in Q3, led by strong consumer spending. Meanwhile, the core personal consumption expenditures (PCE) price index provided mixed evidence on whether inflation is moderating. After crossing the 5% threshold on Monday, the 10-year US Treasury yield moved lower and traded around 4.8% at the end of the week. Bitcoin surged midweek, topping \$35,000 for the 1st time since May 2022, and held the gains. Spot Gold surged to \$2000, its highest level since May and nearing record highs. Oil dropped over 4% this week, but Friday's increased tensions in the Middle East pushed WTI back up to \$86. The dollar ended the week very marginally higher. The STOXX Europe 600 Index ended 0.96% lower. As expected, ECB left rates unchanged. Equities in China rose as an improvement in industrial profits suggested that the economy may be stabilizing.

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#weekly #stats

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	32,418	-2.1%	-2.2%
S&P 500 Index	4,117	-2.5%	7.2%
NASDAQ	12,643	-2.6%	20.8%
MSCI EAFE*	1,943	-0.9%	-0.1%
10-yr Treasury Yield	4.83%	-0.1%	1.0%
Oil (\$/bbl)	\$85.21	-3.3%	6.2%
Bonds	\$92.57	0.6%	-2.2%

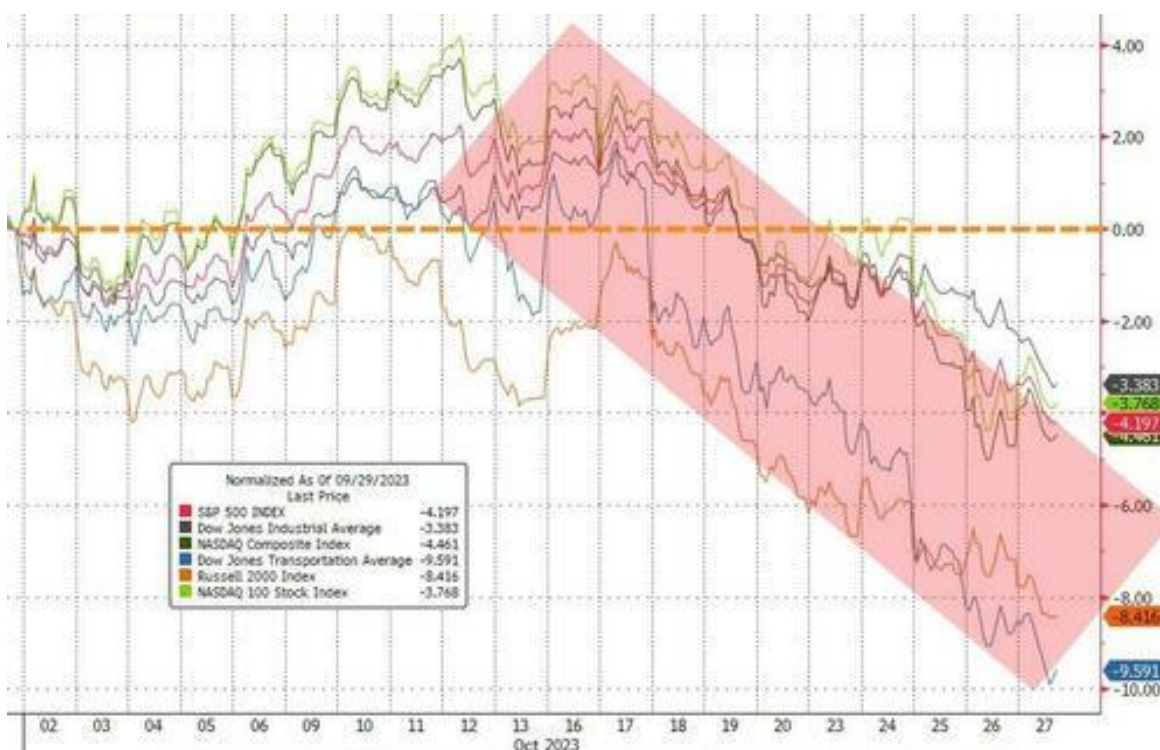
Source: FactSet, 10/27/2023. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results. *4-day performance ending on Thursday.

Source: Edward Jones



#us #equities

The S&P 500 and the Nasdaq entered correction making October an ugly month...



Source: www.zerohedge.com






#us #sp500 #drawdowns

The S&P 500 is now down over 10% from its high in late July, the largest drawdown thus far in 2023. Is such a decline unusual? Not at all according to Charlie Bilello. A 10% intra-year drawdown has happened every 1.6 years on average.

S&P 500 Intra-Year Decline	% of Years (since 1928)	Happens Every __ On Average
-1%	100%	Year
-5%	94%	1.1 Years
-10%	63%	1.6 Years
-15%	40%	2.5 Years
-20%	26%	4 Years
-25%	21%	5 Years
-30%	11%	9 Years
-40%	6%	16 Years
-50%	2%	47 Years

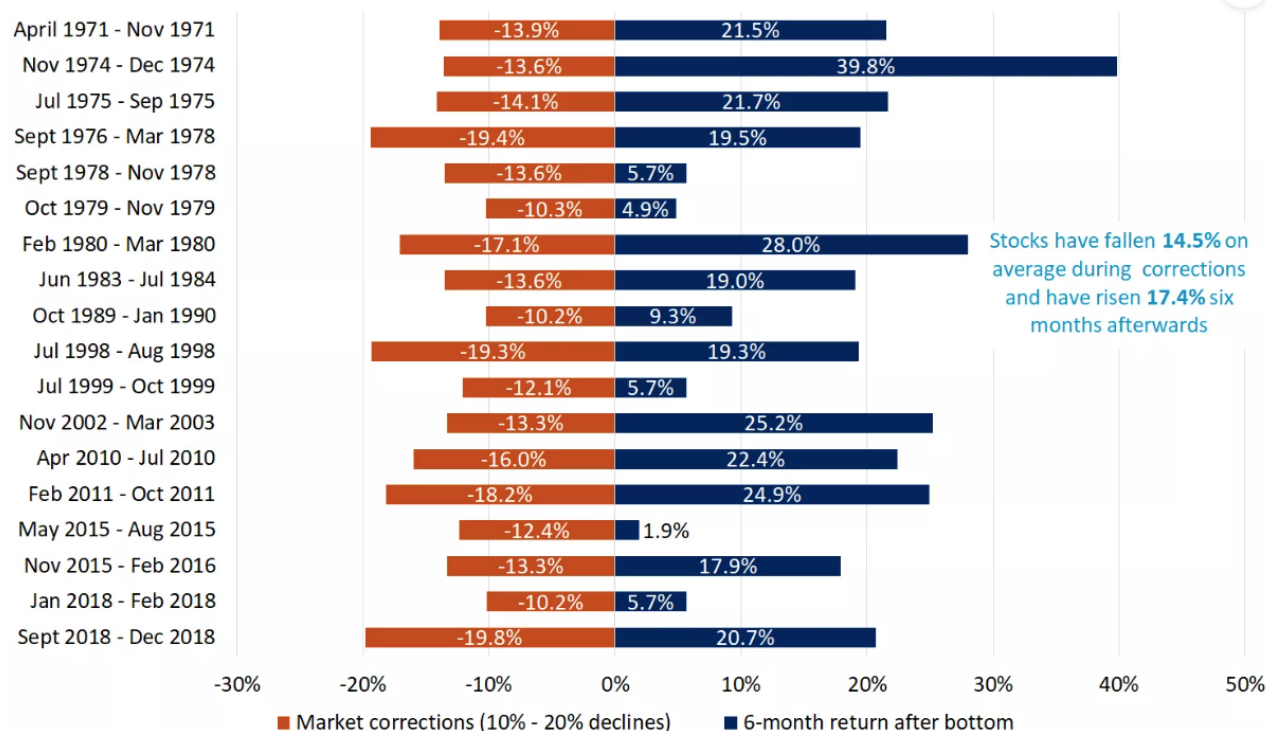
 @CharlieBilello



#us #equities #rebound

The trigger for past corrections has varied, ranging from tight Fed policy, economic dissapointments, geopolitical uncertainties, the recalibration of lofty expectations, or a combination of these, which is the case this time. Yet, the S&P 500 has been able to recoup its losses in about four months from the time stocks bottomed

S&P 500 returns during and after corrections



Source: FactSet, Edward Jones.

Source: Edward Jones





#sp500 #technicals

Things are getting "fluid" as SPX trades "decisively" below the trend channel lows.



Source: TME



#GLOBALMARKETS WEEKLY WRAP-UP

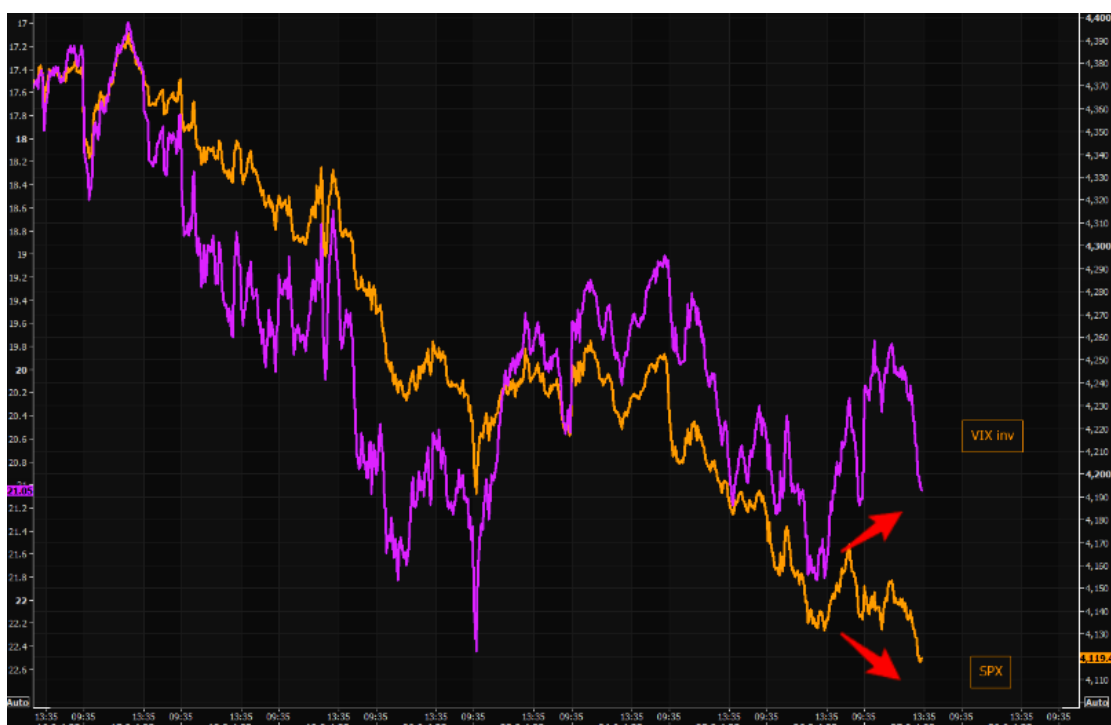
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#sp500 #vix

Still no panic. The short term gap between SPX and VIX (inverted) is rather short term wide. VIX is behaving relatively "controlled".



Source: TME



#sp500 #equal-weight

The equal-weighted S&P tumbled to one-year lows today and the cap-weighted S&P is starting to catch down to it fast...



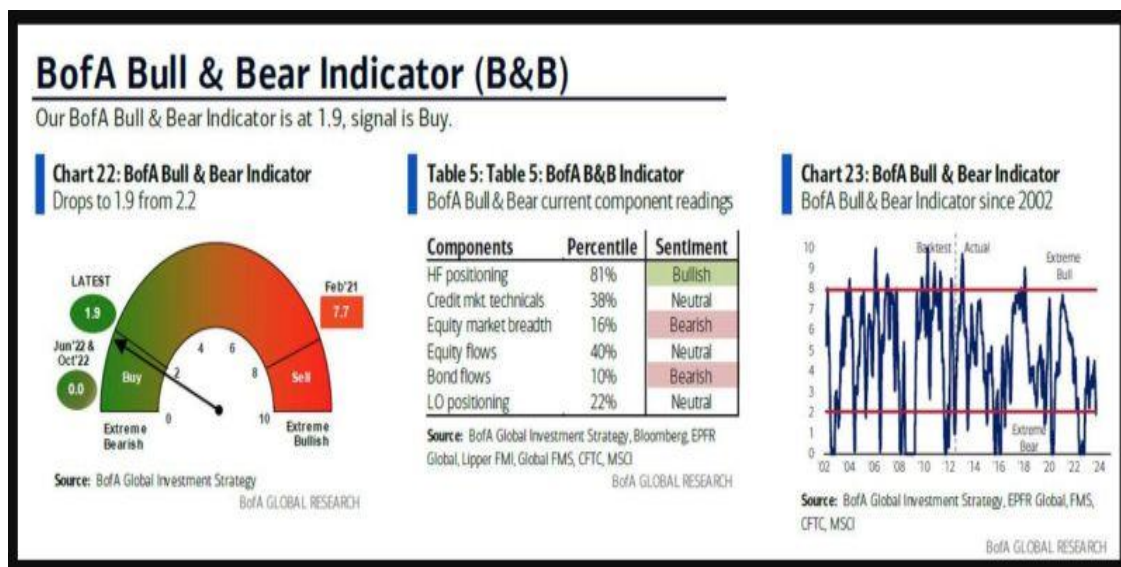
Source: www.zerohedge.com





#sentiment #bearish

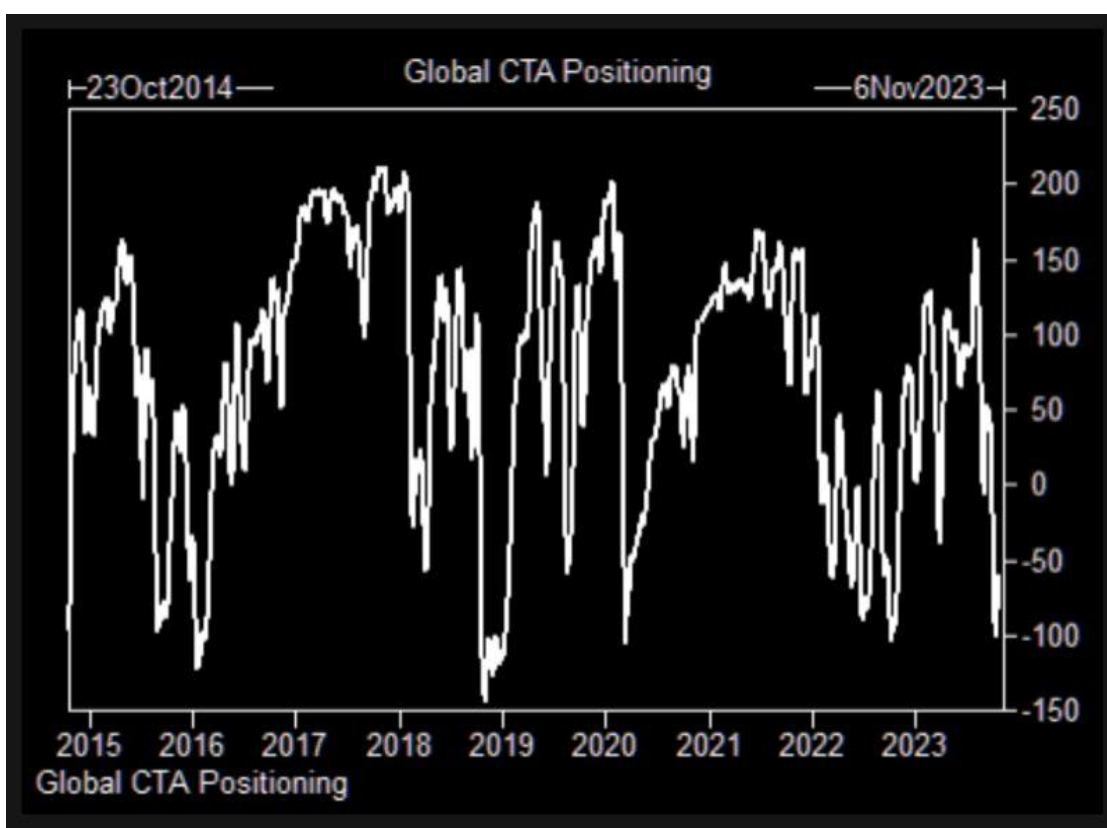
Wall Street biggest bear (BofA's Harnett) turns bullish as investors' sentiment turns extremely bearish (which is bullish from a contrarian perspective). Indeed, with the S&P down in five of the past seven weeks, BofA's Bull & Bear Indicator just printed at 1.9 (extreme bearish), which according to Hartnett means that a contrarian buy signal for risk assets



#markets

#cta #equity #short

CTAs are running equity shorts, global as well as US.

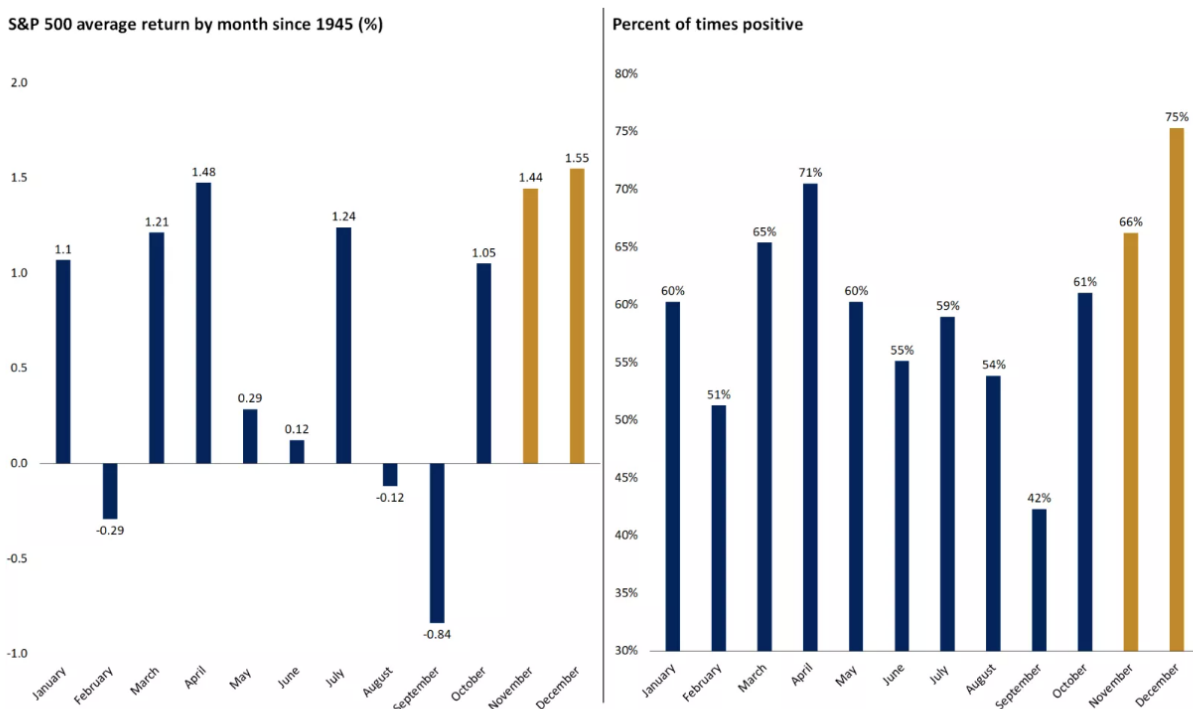


Source: TME, GS



#us #equities #seasonality

History shows that there are some seasonal patterns to returns that can be observed over time. Since 1945, November and December tend to be good months for stocks, with the S&P 500 achieving above-average gains and the highest chances of positive returns.



Source: Morningstar Direct, Edward Jones.

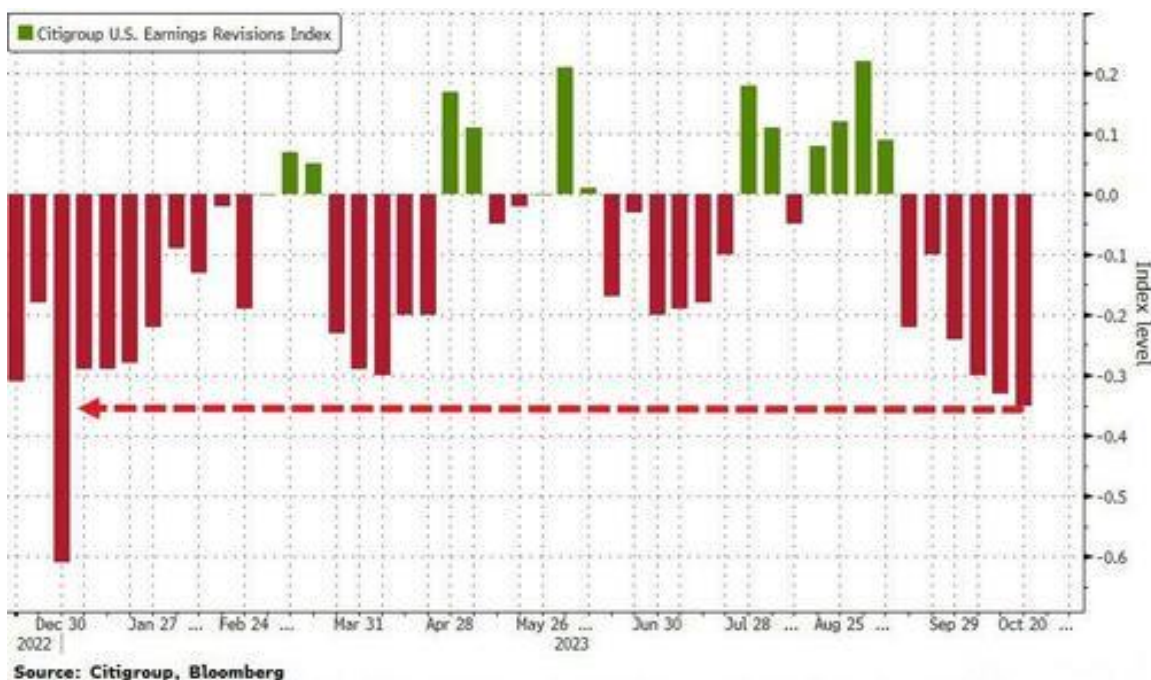
Source: Edward Jones





#us #earnings

The US earnings outlook is deteriorating rapidly, as Barclays strategists say full-year guidance “looks unusually soft” for this time of year, while the number of profit warnings are already trending toward season-highs with about half of the S&P 500 still to report.



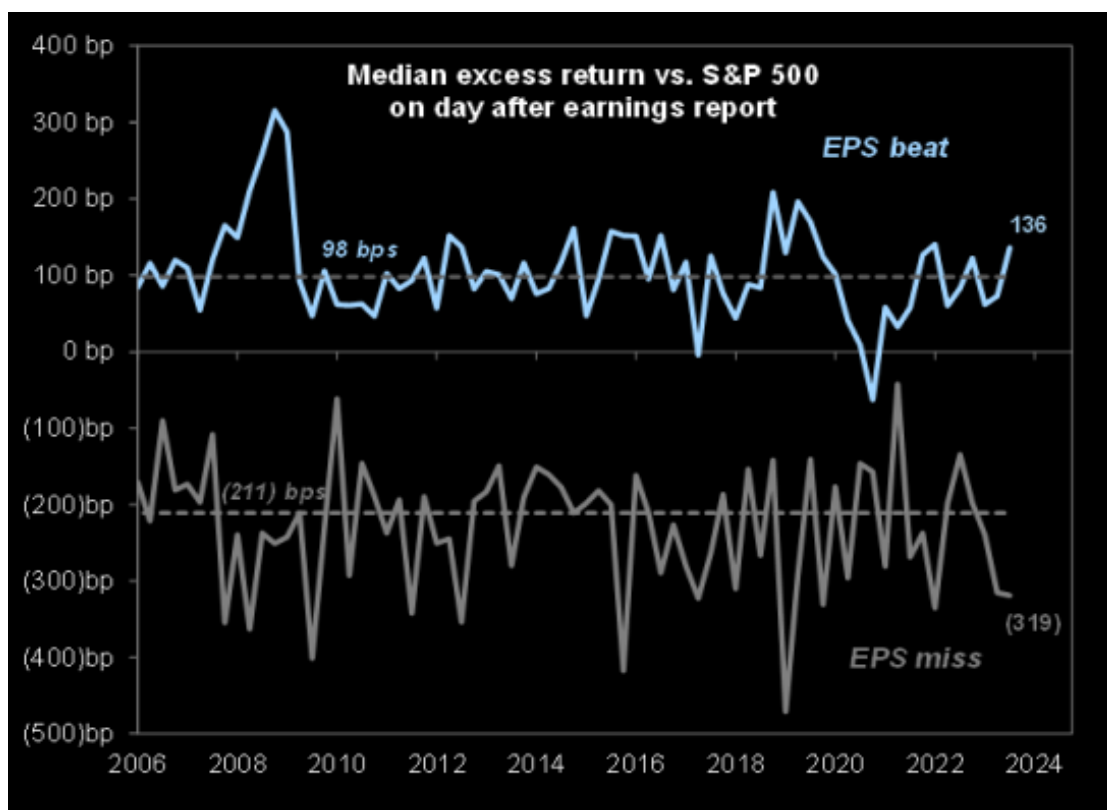
Source: www.zerohedge.com





#us #earnings

So far: 1) 56% beat earnings estimates by >1SD. This is higher than the historical average of 48%; 2) Only 10% missed estimates by >1SD. This is lower than the historical average of 13%; 3) Firms beating earnings by at least 1SD: Outperformed the S&P 500 by +136bps post-reporting. This is better than the historical average of +98bps; 4) Companies missing earnings by at least 1SD: Underperformed the S&P 500 by -319bps. This is worse than the historical average of -211bps (via GS).



Source: Goldman Sachs, TME



#us #equities #sp500

It's not a disconnect between macro view and S&P 500, it's simply Mag7 euphoria driving the divergence. S&P 493 is valued more in line with macro expectations.

Chart 4: Notable ongoing disconnect between FMS macro view and US equities

Net % expecting stronger economy vs S&P500 price change YoY (%)



Source: BofA Global Fund Manager Survey, Bloomberg

BofA GLOBAL RESEARCH

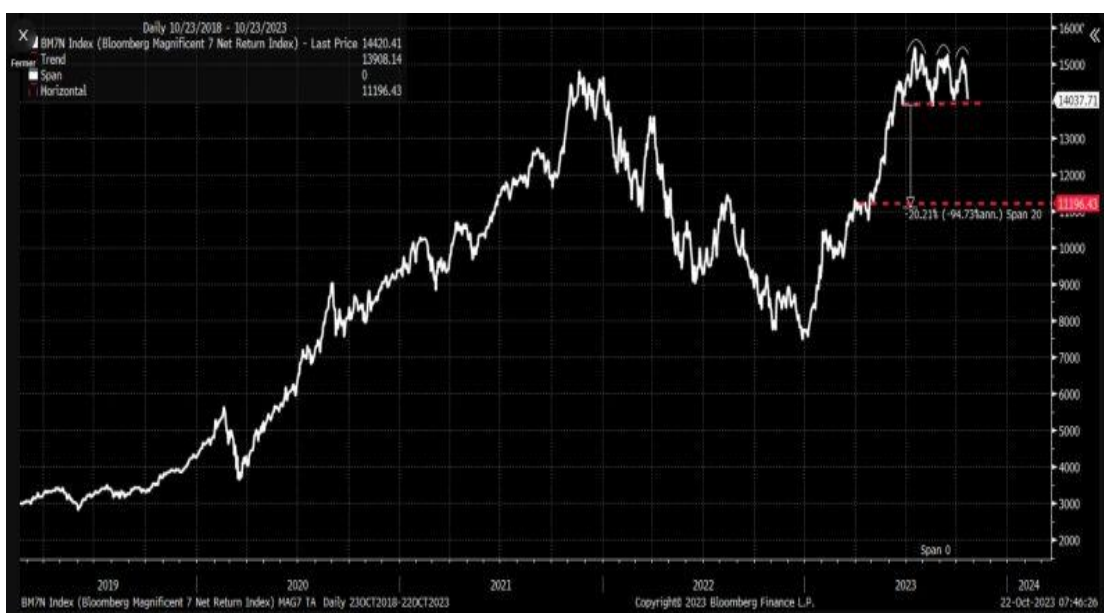


Source: BofA, Michel A.Arouet

#markets

#magnificent7 #technicalanalysis

The Bloomberg Magnificent 7 Index shows a triple top and sits on the neckline. If the neckline goes, it could be a long way down.



Source: mjkramer



#nasdaq #magnificent7 #pe

Nasdaq 100 dropped 1.9%, now down 11% from Jul high, so Big Tech now in correction territory. It looks like some P/E air is being let out of the Magnificent 7 bubble...



Source: HolgerZ, Bloomberg

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#magnificent7 #pe-forward

P/E Forward for the largest US companies - Magnificent 7

\$TSLA Tesla 62

\$AMZN Amazon 58

\$NVDA NVIDIA 40

\$MSFT Microsoft 30.

\$AAPL Apple 28

\$GOOGL Alphabet 24

\$META Meta 23

Forward P/E Ratio (next 12 months)							
ELI Lilly LLY 81	Netflix NFLX 33	Stryker SYK 25	The Procter & G PG 22	Broadcom AVGO 20	Analog Devices ADI 16	ConocoPhillips COP 13	Chubb CB 11
Tesla TSLA 62	Mastercard MA 32	Walmart WMT 25	Disney DIS 22	Honeywell Int HON 20	UPS UPS 16	AbbVie ABBV 13	Chevron CVX 11
Amazon AMZN 58	Intuit INTU 31	Salesforce CRM 25	McDonald's MCD 22	Schlumberger SLB 19	Lockheed Martin LMT 16	QUALCOMM QCOM 13	Deere & Co DE 11
Intel INTC 56	Microsoft MSFT 30	Vertex Pharm VRTX 24	Lam Research LRCX 22	Pfizer PFE 19	Charles Schwab SCHW 16	Cisco Systems CSCO 13	JPMorgan JPM 9
ServiceNow NOW 55	The Progressive PGR 29	Alphabet GOOGL 24	PepsiCo PEP 21	Booking BKNG 19	RTX RTX 15	American Expre AXP 13	Altria Group MO 9
Intuitive Surgical ISRG 49	Apple AAPL 28	Accenture ACN 24	Abbott Lab ABT 21	The Home Depo HD 19	Amgen AMGN 15	Morgan Stanley MS 13	CVS Health CVS 8
General Electric GE 41	NIKE NKE 28	TJX TJX 24	Coca-Cola KO 21	NextEra Energy NEE 18	Philip Morris PM 15	Caterpillar CAT 12	Bristol-Myers St BMY 8
NVIDIA NVDA 40	S&P Global SPGI 28	Marsh & McLenn MMC 24	UnitedHealth UNH 21	Oracle ORCL 18	IBM IBM 14	Cigna CI 12	Wells Fargo WFC 8
AMD AMD 37	Starbucks SBUX 27	CME Group CME 24	Thermo Fisher TMO 21	Regeneron REGN 18	Johnson & John JNJ 14	Goldman Sachs GS 12	Verizon VZ 7
Costco COST 35	Visa V 26	Meta Platform META 23	Mondelez Int MDLZ 20	T-Mobile US TMUS 17	Medtronic MDT 14	Gilead Sciences GILD 12	Bank of America BAC 7
Merck & Co. MRK 34	ADP ADP 26	Danaher DHR 23	Union Pacific UNP 20	Applied Material AMAT 17	Lowe's LOW 14	Comcast CMCSA 12	AT&T T 6
Adobe ADBE 34	Linde LIN 26	Eaton Corporation ETN 23	Texas Instrumen TXN 20	BlackRock BLK 16	Elevance Health ELV 14	Exxon Mobil XOM 11	Boeing BA loss

median P/E Ratio (Fwd): 19.8

#fundamentals X bastion_manager

Source: Vlad Bastion





#alphabet #earnings

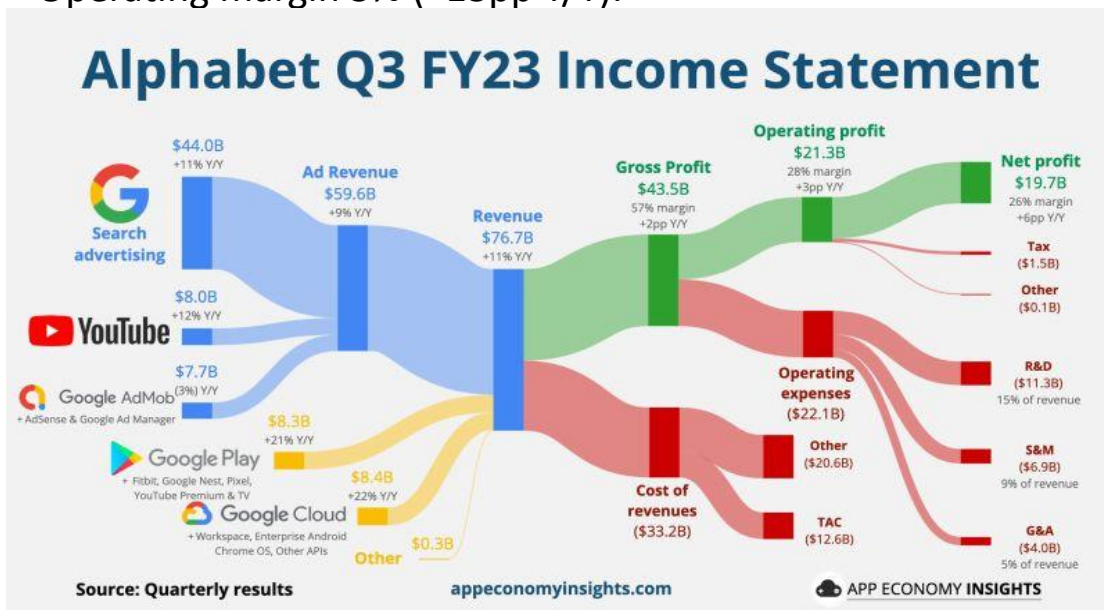
Alphabet reported 11% revenue growth in the third quarter, as a rebound in advertising pushed expansion into double digits for the first time in over a year. The shares dropped almost 7% in extended trading as the cloud business missed analysts' estimates. In a nutshell:

\$GOOG Alphabet Q3 FY23:

- Revenue +11% Y/Y to \$76.7B (\$1.0B beat)
- Operating margin 28% (+3pp Y/Y)
- EPS \$1.55 (\$0.10 beat)

Google Cloud:

- Revenue +22% Y/Y to \$8.4B.
- Operating margin 3% (+13pp Y/Y).



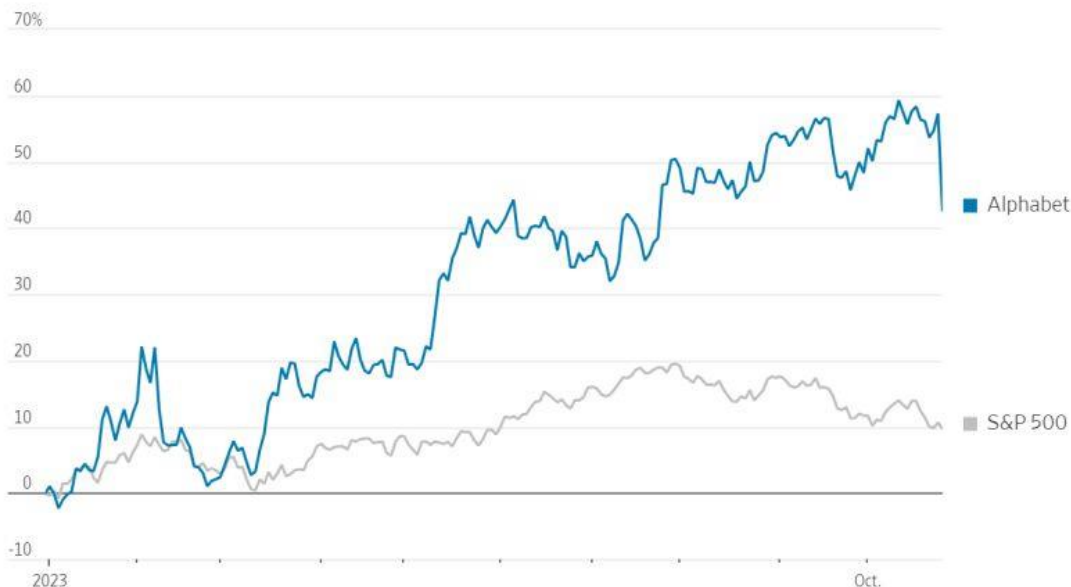
Source: App Economy Insights



#alphabet #performance

Alphabet Posted Its Biggest Daily Market Value Loss Ever. Alphabet lost more than \$166 billion in market cap yesterday marking its largest one-day loss in value ever. The Class A shares of Google's parent company finished down more than 9%, a day after the company reported its latest quarterly results. Alphabet recorded the fifth-largest loss of market cap for a U.S. company ever, according to Dow Jones Market Data, and the largest all year.

Share-price and index performance, this year



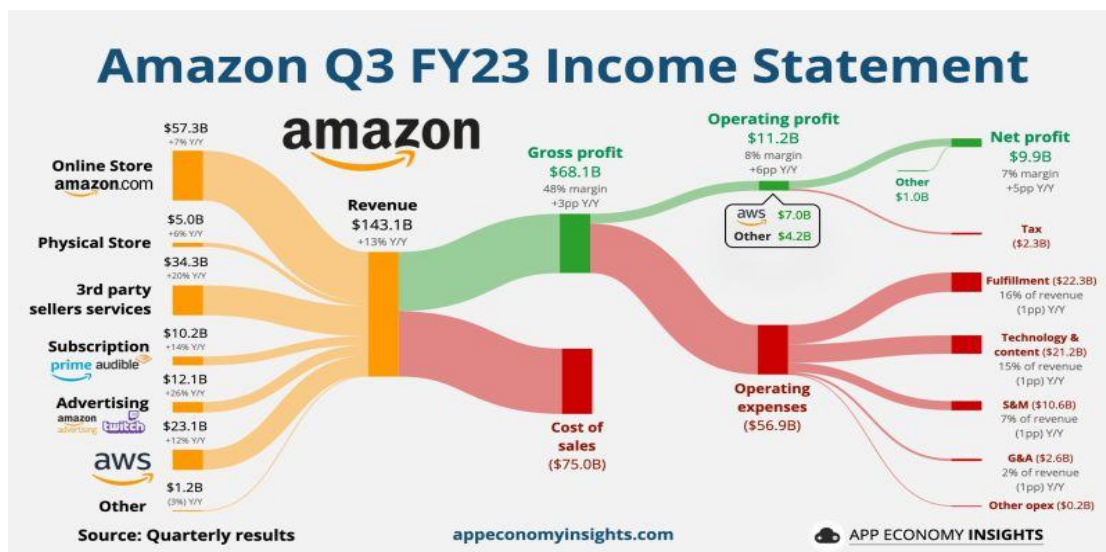
Source: wsj





#amazon #earnings

Amazon reports better-than-expected results, as revenue jumps 13%. Amazon said fourth-quarter sales will be between \$160 billion and \$167 billion. Analysts were expecting revenue of \$166.6 billion, according to LSEG. At the mid-point of its guidance range, revenue of \$163.5 billion would represent growth of 9.6% from \$149.2 billion a year earlier. Revenue climbed 13% in the third quarter, a sign that the business is seeing some acceleration after a difficult 2022 that was marred by soaring inflation and rising interest rates. Amazon has been in cost-cutting mode for the past year as it became clear that it expanded too quickly during the pandemic. The company has laid off 27,000 employees since last fall, and it's axed some of its more unprofitable bets.



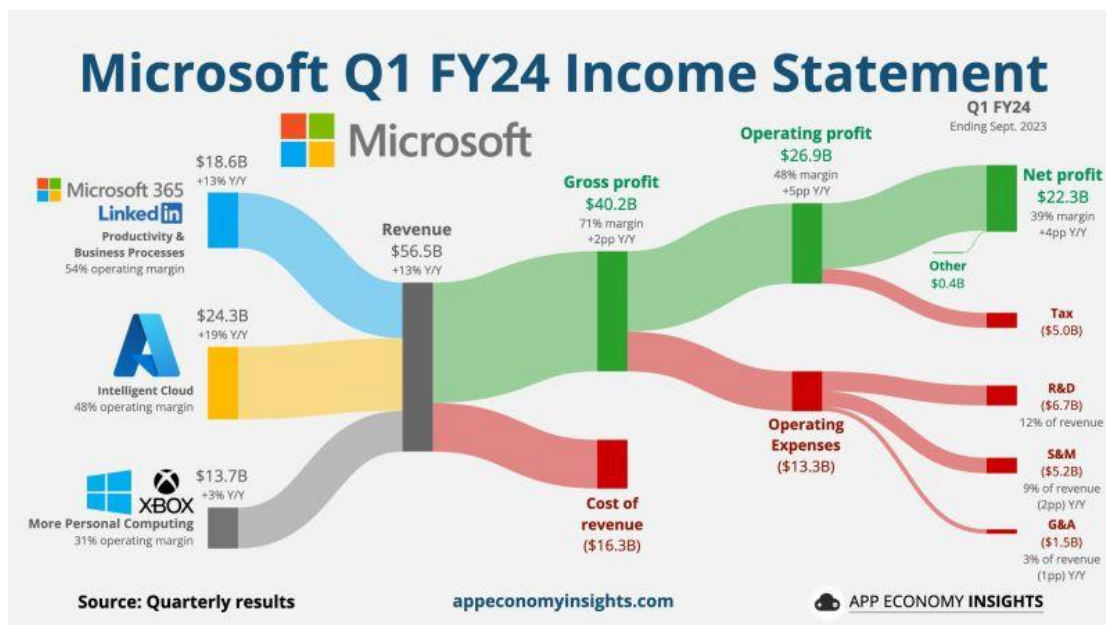
Source: App Economy Insight





#microsoft #earnings

Cloud growth is all what matters to the market these days. Unlike Alphabet/Google, Microsoft shares jumped as much as 6% in extended trading Tuesday after the software maker issued fiscal first-quarter results and quarterly revenue guidance that beat Wall Street estimates. Microsoft’s Intelligent Cloud segment produced \$24.26 billion in revenue, up 19% and above the \$23.49 billion consensus among analysts surveyed by StreetAccount. The unit comprises the Azure public cloud, SQL Server, Windows Server, Visual Studio, Nuance, GitHub and enterprise services. The firm also reported a surge in profit due to a slower pace of operating expense growth



Source: App Economy Insights



#microsoft #earnings

\$MSFT FY Q1 2024 in perspective

Revenue +13%

*Prod. & Business +13%

*Intelligent Cloud +19%

*Pers. Computing +3%

*Azure +29%

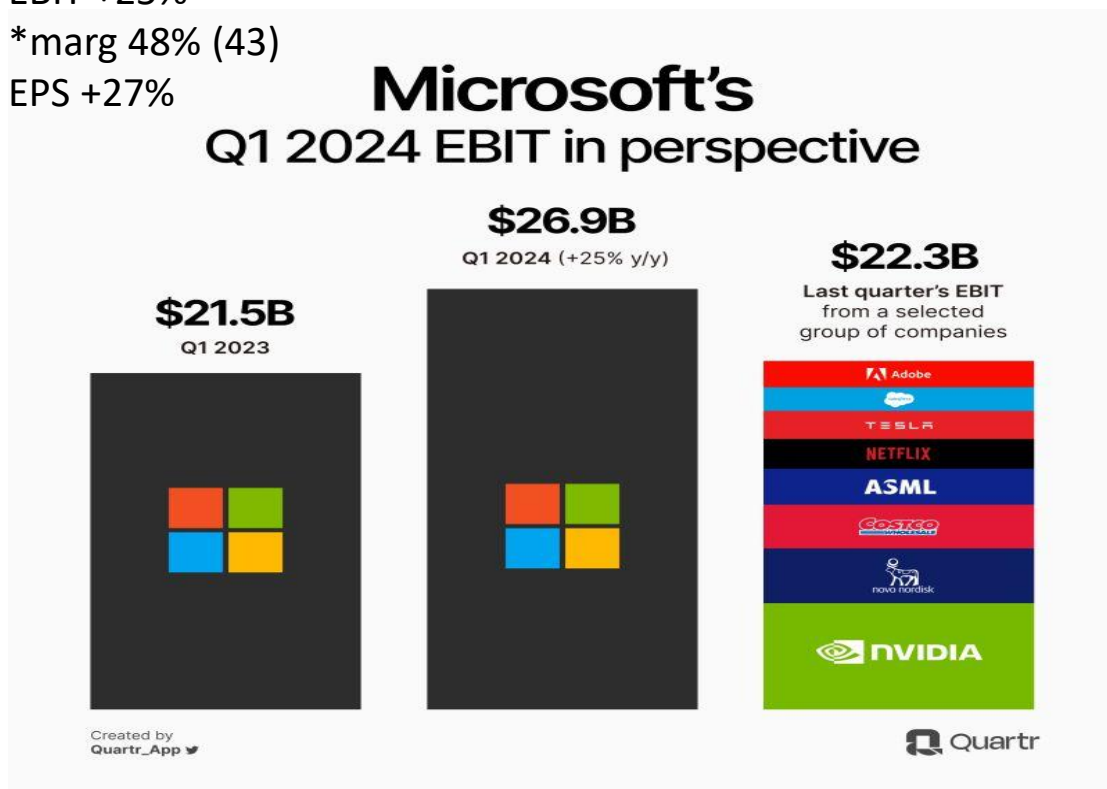
*LinkedIn +8%

*Xbox C&S +13%

EBIT +25%

*marg 48% (43)

EPS +27%



Source: Quartr

#meta #china


Meta's ad rebound gets huge assist from China even though its services are banned there. Meta may be banned from operating in China, but the company is counting on advertisers there to boost its growth. Finance chief Susan Li told analysts on Wednesday's earnings call that Chinese companies played a major role this quarter. Online commerce and gaming "benefited from spend among advertisers in China reaching customers in other markets," Li said.



Source: CNBC



#banks #performance

4 of Wall Street's biggest banks have recently plummeted to levels not seen since the devastating March Banking Crisis. YTD losses are staggering, with  ranging from -15% to -24% causing significant concerns for investors & overall market



Source: The Coastal Journal



#markets

#jpm #dimon #shares

JPMorgan CEO Dimon plans first stake sale in near 18-year tenure. Dimon, the chief executive, intends to sell one million of his current 8.6 million shares “for financial diversification and tax-planning purposes,” the bank said Friday in a filing. The sales would start in 2024 and be subject to a predetermined trading plan. The sale would be worth more than \$140 million at Thursday’s closing price. His stake is currently worth \$1.2 billion, not including other shares and units he has been awarded for compensation but that haven’t vested. “Mr. Dimon continues to believe the company’s prospects are very strong and his stake in the company will remain very significant,” the filing said.

FINANCE | BANKING

JPMorgan CEO Jamie Dimon to Sell One Million Shares

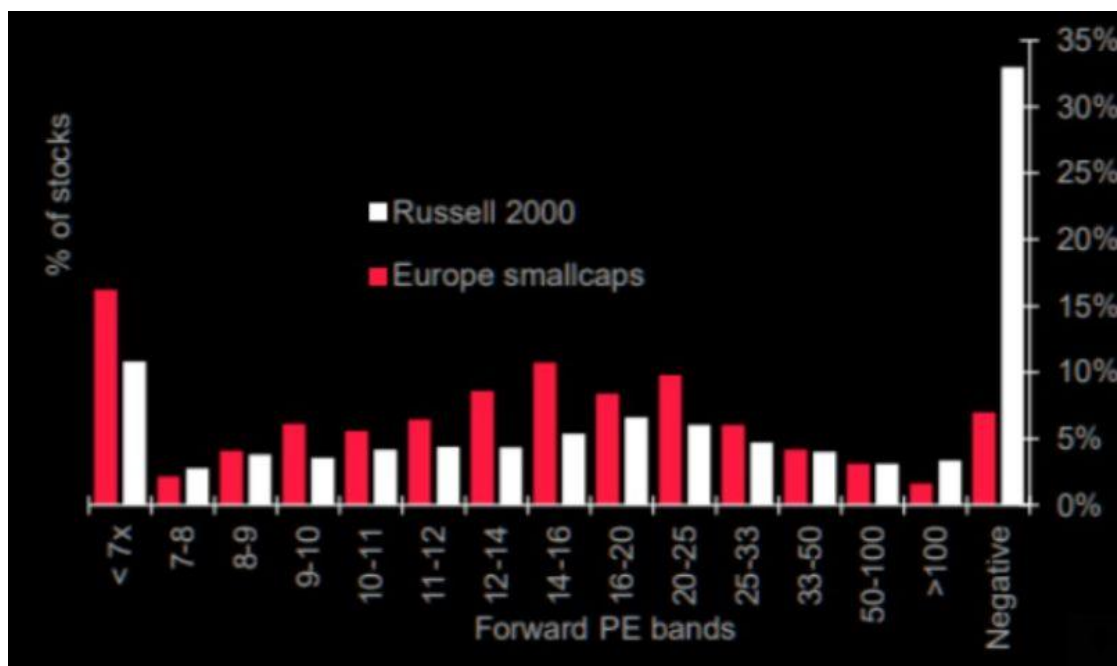
The sale would be worth more than \$140 million at Thursday’s closing price

Source: wsj



#us #small-caps #money-losing

Welcome to Zombie Land "There are some serious problems in small-caps, especially in the US. Good luck paying interest without profits. Great chart via Soc Gen showing the distribution of stock forward P/E valuations in the MSCI Europe small cap and Russell 2000 index.

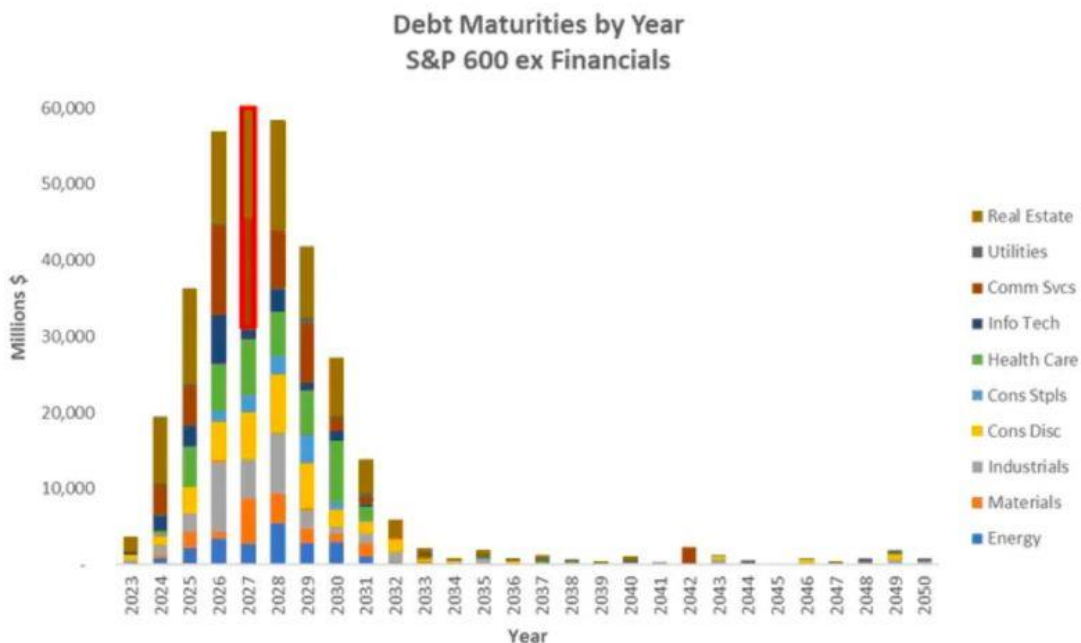


Source: SG, Themarketear, Lance Roberts



#us #small-caps #debt #maturity

Roughly 50% of the debt within the Russell index that is set to mature in the coming years is concentrated in just two sectors: real estate and communication services.



Source: Capital IQ, OSAM Research

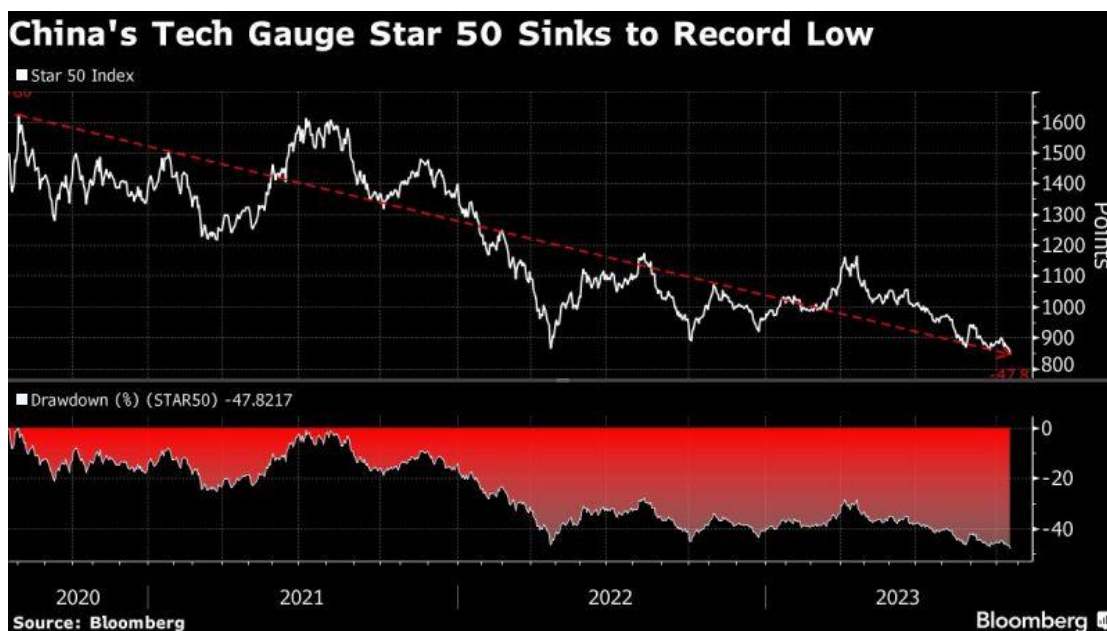
Source: capitallq, osam research





#china #star50 #performance

China's Nasdaq-Style Index falls to record low: Star 50 index, which tracks manufacturers, chipmakers & biggest comps on Star Board, falls to lowest since its inception >3yrs ago as investors' confidence wanes. Set for 6 straight myths of decline.



Source: HolgerZ, Bloomberg

#markets

#us #treasuries #weekly

US Treasuries were actually relatively well-behaved lately, with yields down between 5 and 10bps on the week (led by the belly). The 2Y Yields fell back toward 5.00% (10Y broke below it and 30Y oscillated around it)...



Source: www.zerohedge.com



#us #treasuries #weekly

The US yield curve (2s30s) uninverted this week.



Source: www.zerohedge.com

#markets

#us #treasury #bear-market

The Greatest Treasury Bear Market in History

Table 1: The greatest Treasury bear market of all time.. 2020-today

History of US Treasury bond bear markets

Date of Market Peak	Date of Market Trough	Peak to Trough Performance	Recovery One Year from Trough	Duration of Bear Market (mos)
7/31/2020	10/31/2022	-24.7%	0.0%	28
06/30/1860	05/31/1861	-18.7%	32.4%	12
05/31/1835	12/31/1839	-16.1%	19.0%	56
06/30/1979	02/29/1980	-15.8%	8.2%	9
05/31/1931	01/31/1932	-15.4%	18.5%	9
06/30/1980	09/30/1981	-14.6%	43.1%	16
09/30/1833	03/31/1834	-13.7%	16.5%	7
05/31/1811	03/31/1813	-11.3%	6.8%	23
02/28/1987	09/30/1987	-10.5%	14.7%	8
10/31/1993	11/30/1994	-10.2%	25.1%	14
7/31/2012	12/31/2013	-10.1%	10.8%	18

Source: BofA Global Investment Strategy, Global Financial Data; "bond bear market" = total return decline of 10% or more

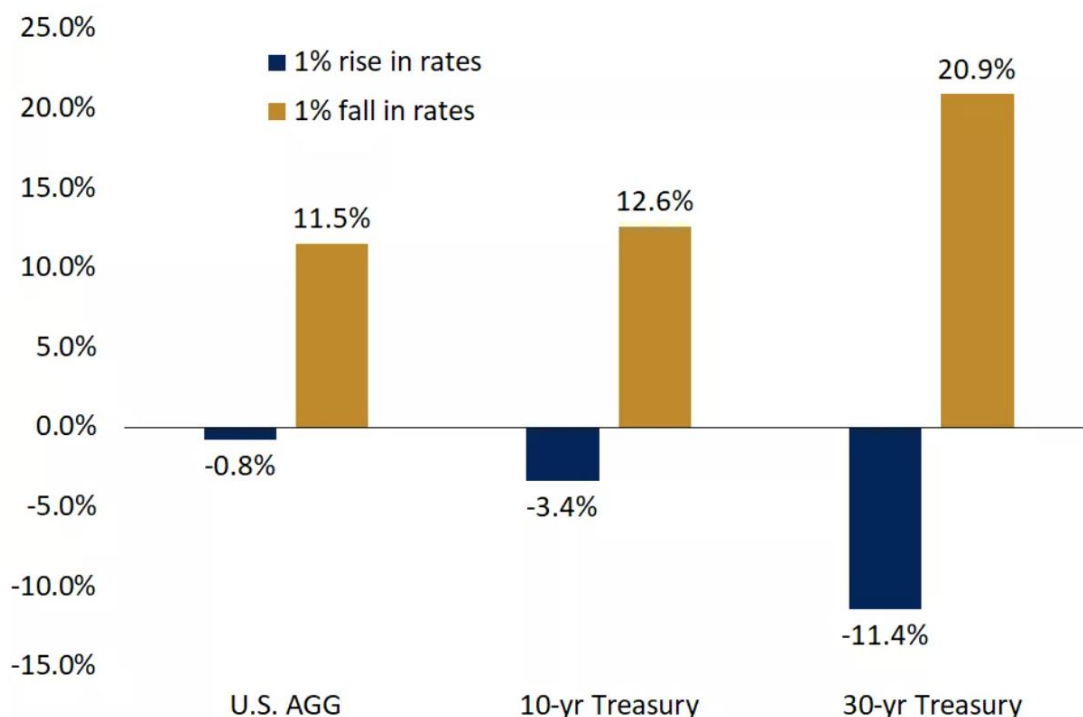
Source: BofA, Barchart



#us #treasuries #risk-reward

The upside of the historic decline in bonds is that yields are now attractive and therefore are likely to produce high returns. The larger income component can better offset price declines, and because of that, a 1% decline in rates would potentially translate to a much larger upside in prices than the downside from an equivalent 1% rise in rates

Upside vs. downside in bonds appears favorable



Source: FactSet, Edward Jones.

Source: Edward Jones





#us #treasury #bear-market

Fed Chair Jay Powell on why longer-term yields are moving higher: “It’s not apparently about expectations of higher inflation. And it’s also not mainly about shorter term policy moves.” He probably has a point as real yields are surging toward 2.5%, the highest since 2008. So what else can explain the surge in bond yields? Hints: 1) 1. A resilient economy — Q3 REAL GDP growth is expected to be around 3% annualized, well above trend growth of 1.5% to 2%, driven in large part by a resilient labor market and a strong consumer. 2) Global central banks raising rates — For example, Japanese yields have risen to the highest levels since 2012, making them once again attractive for domestic buyers. Historically, Japan has been the largest foreign holder of U.S. Treasuries, and the rise in its own government bond yields could crowd out some demand for U.S. government bonds.



Source: Lisa Amramowitz, Bloomberg, Edward Jones



#us #treasuries #short #bill-ackman

Bill Ackman Says He Covered His Short Bet on US Treasuries. Billionaire investor Bill Ackman said he covered his short bet on US Treasuries, noting “there is too much risk in the world to remain short bonds at current long-term rates.” . Ackman disclosed in early August that he was bearish 30-year Treasuries via options both as a hedge for his equity investments and as a stand alone wager. He said at the time that structural changes, such as deglobalization and the energy transition would fuel persistent inflation pressures. He added that a flood of bond supply to fund swelling US budget deficits could also push yields higher.



Source: yahoo finance, X



#us #treasuries #cds

All of a sudden UST yields are rising along with USA sovereign risk's sudden surge...



Source: www.zerohedge.com





#us #yields #cbs #default

This chart illustrates another factor contributing to the increase in US bond yields: concerns about the gov't's ability to manage its debt responsibly. The price of insuring against the possibility of the US government defaulting on its obligations (CDS Price) has recently jumped



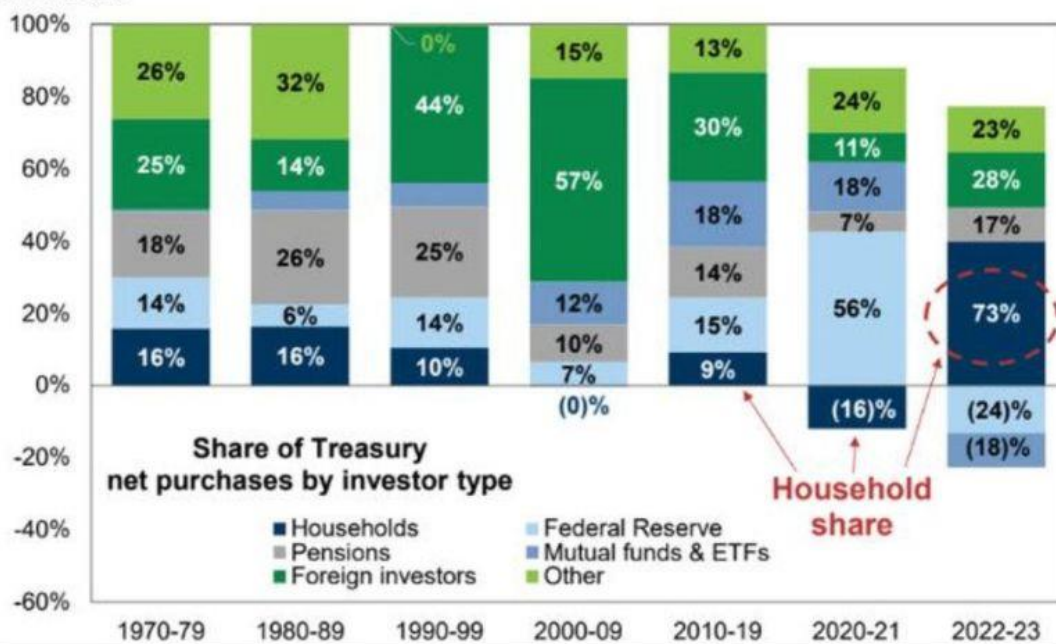
Source: HolgerZ, Bloomberg



#us #treasury #households

Adding to that Great Rotation theme is this chart, which shows US households account for 73% of Treasury bond buying in 2022-2023 (so far). A lot of pain being experienced for those not willing to hold to maturity amid this bond blood bath...

Exhibit 3: Decomposition of Treasury bond net buying/(selling)
as of 2Q23



Source: Federal Reserve, Goldman Sachs Global Investment Research

Source: Markets & Mayhem, Goldman Sachs





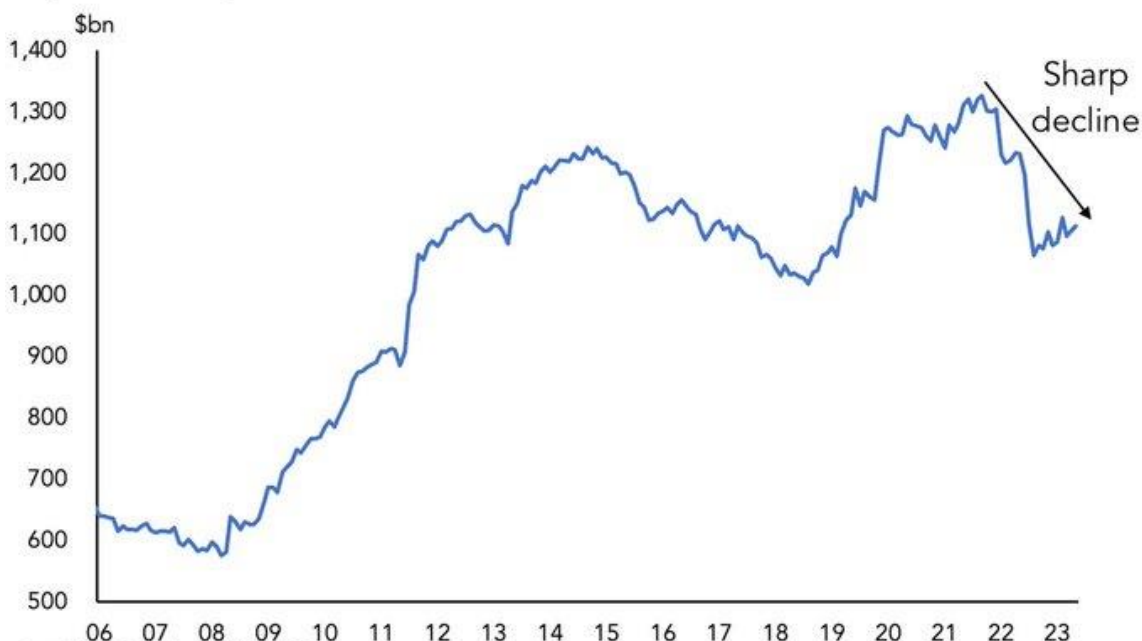
#us #treasuries #japan

Japan is dumping US treasuries at an unprecedented rate...They still have about \$1.1 trillion worth of bonds that could possibly be sold

Japan's Holdings of U.S. Treasuries



Japan's Holdings of U.S. Treasuries



Dates: March 2000 Through August 2023.
Source: U.S. Treasury, Game of Trades.

Source: Game of Trades





#us #credit #spreads

How long does it take for the FED to break the corporate bond market?

2008 : 1 year of plateau, resulted in credit event after another 1 full year. (Total 2 years)

2020 : 7 months of plateau, resulted in credit event after 6 months. (Total 13 months, 54% of 2008)

2023 : it's been 3 months into plateau so far.

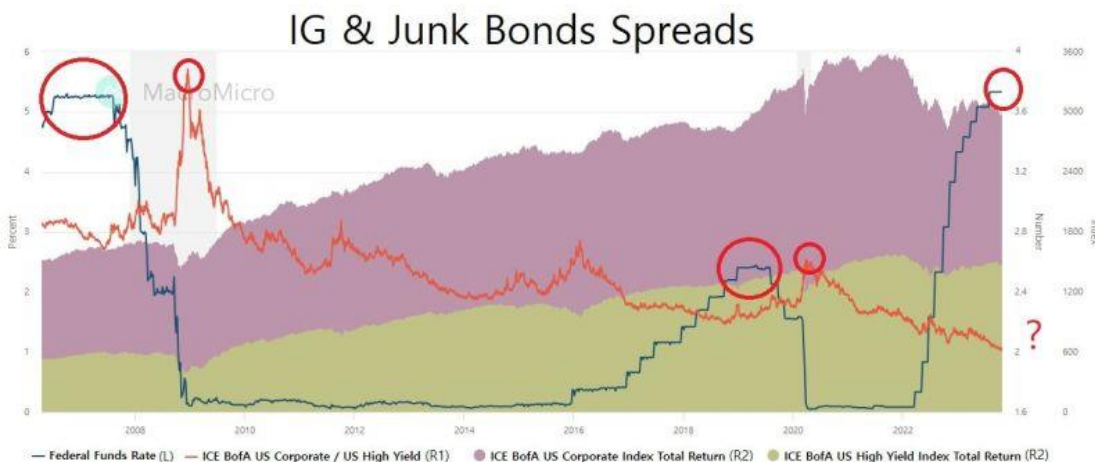
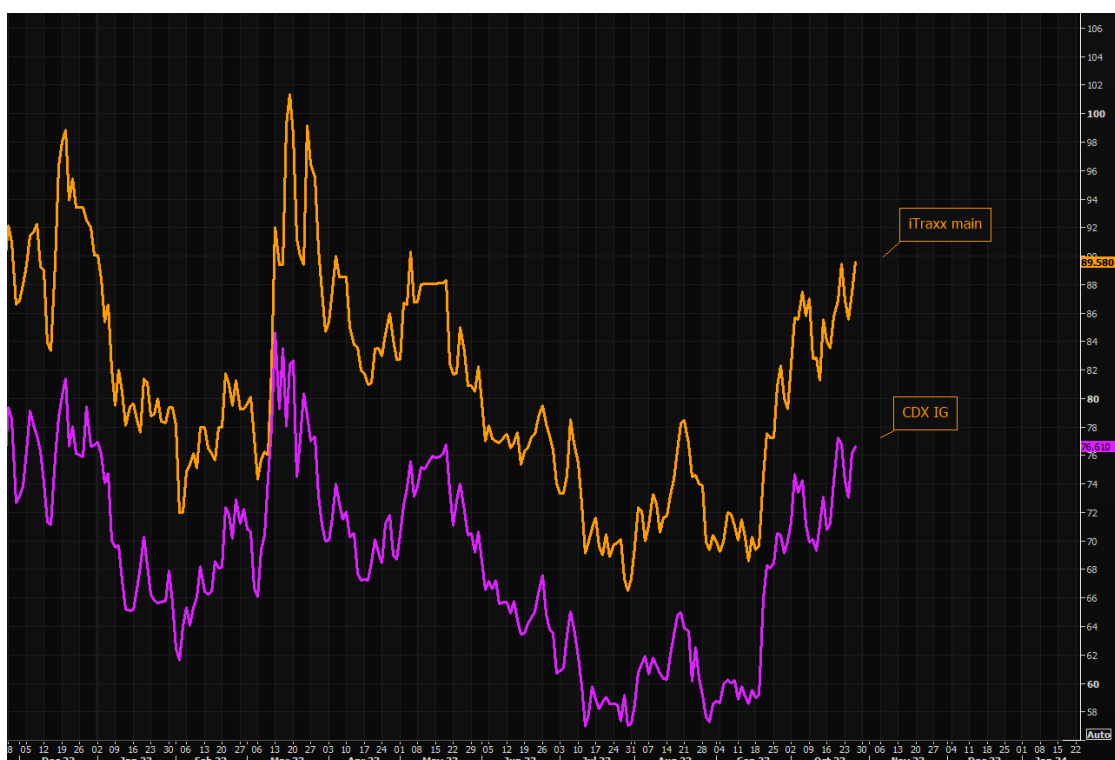


Chart made from MacroMicroMe - source: James Choi



#credit #stress

CDX IG and iTraxx main continue trading at newly found "elevated" levels. Stress remains very much alive in this space.



Source: TME

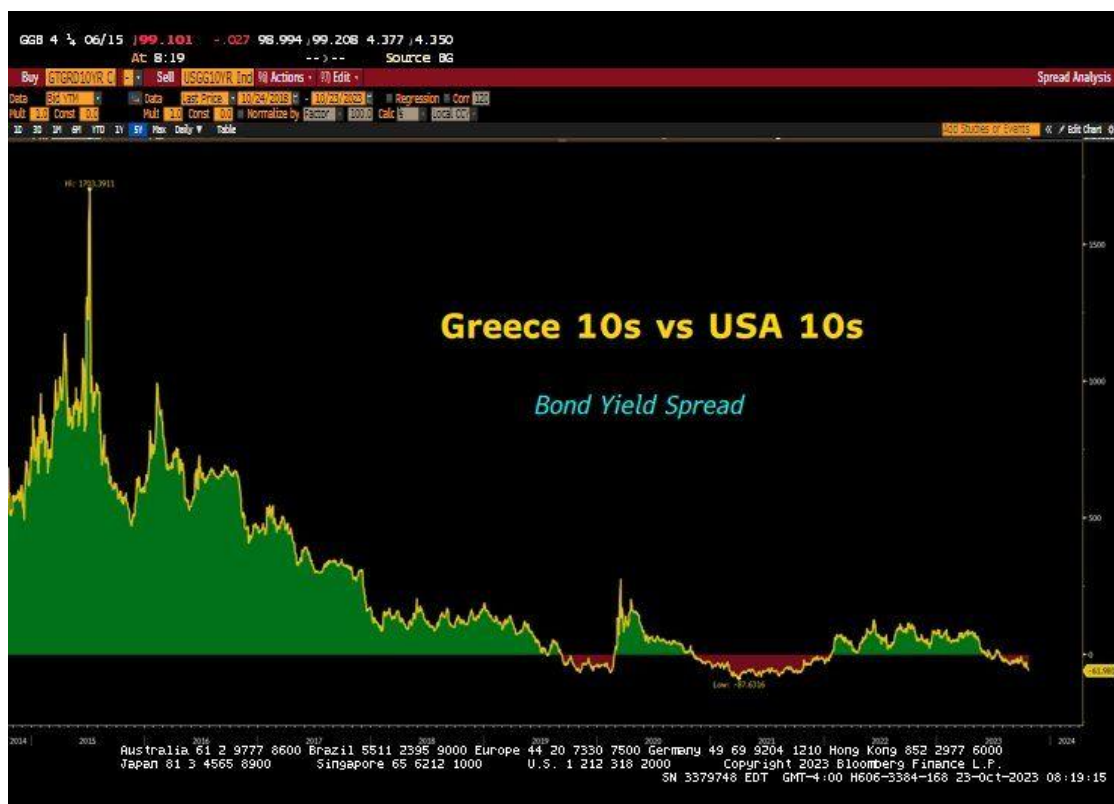


#us #greece #tenyear

10-Year Bond Yields

USA 5.00%

Greece 4.36%



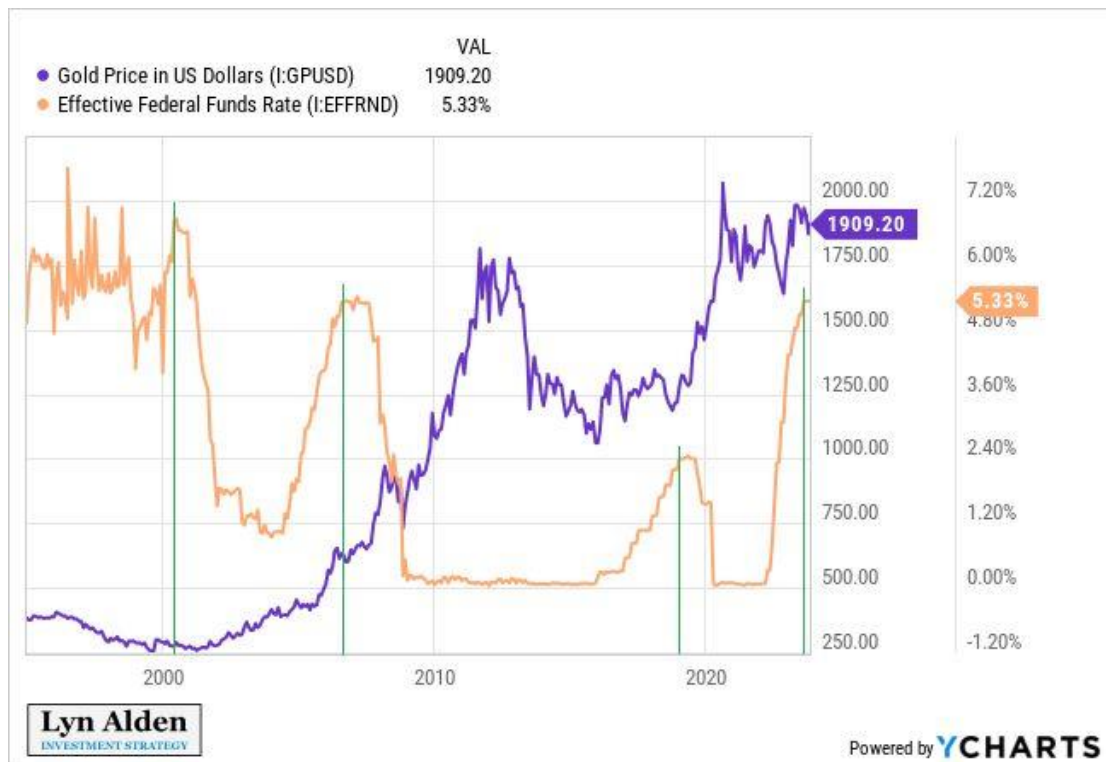
Source: Bloomberg, Lawrence McDonald





#gold #correlation

The correlation was weaker in the 1980s/1990s, but starting after 2000, gold has historically done quite well whenever the Fed pauses or cuts.



Source: Lyn Alden





#gold #technicals

Gold is up to its highest since May (nearing record highs)...



Source: www.zerohedge.com



#gold #ctas

The big CTA gold short has turned into a long...but we have seen even bigger CTA longs in gold



Source: TME

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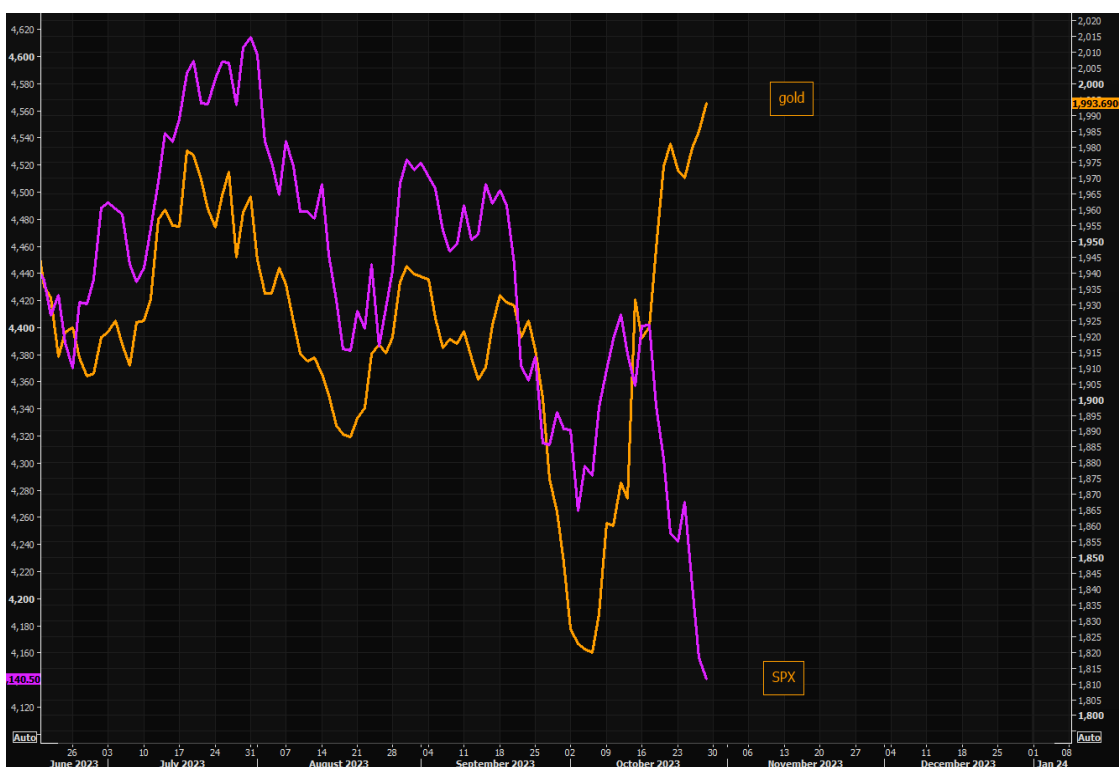
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#gold #sp500

Gold continued moving higher this week and remains the number one hedge. S&P 500 and gold are moving in opposite directions...



Source: TME



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#gold #sp500 #2023 #performance

Gold is now outperforming the S&P 500 this year

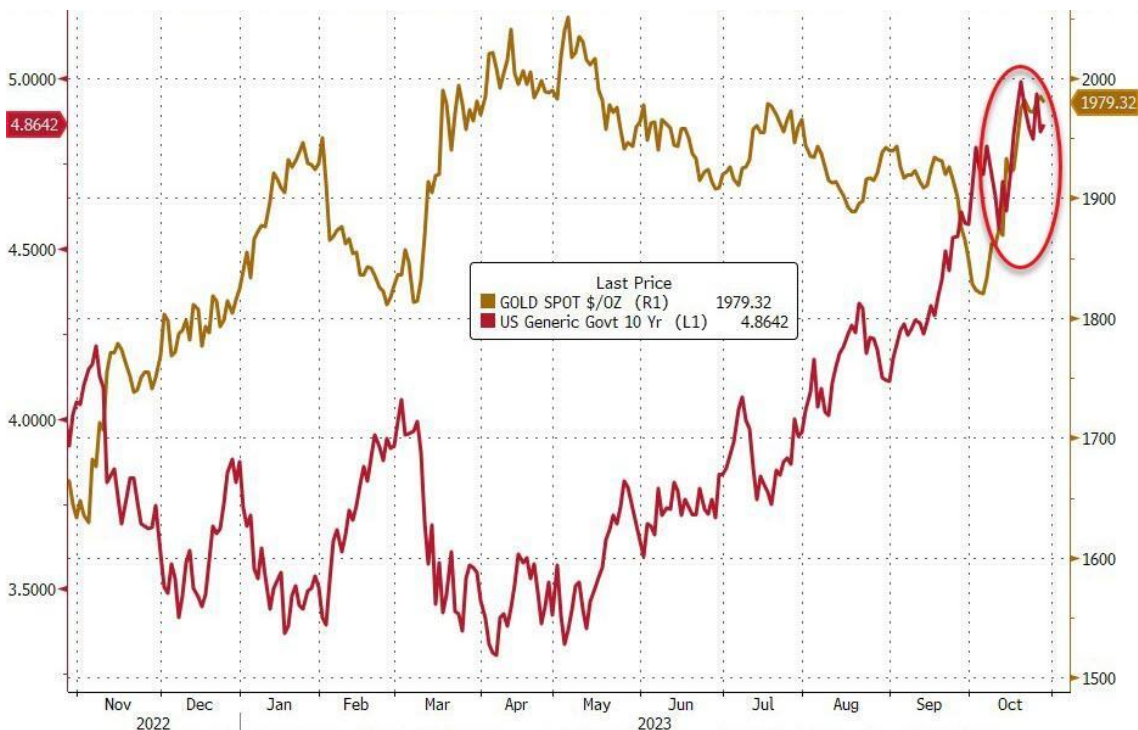


Source: Barchart



#gold #us #treasuries

Alasdair Macleod noted on America’s deteriorating finances: “Gold is now rising along with US Treasury yields...indicating that the dollar is becoming destabilised by Bidenomics, and a debt trap is being sprung on US Government finances”.



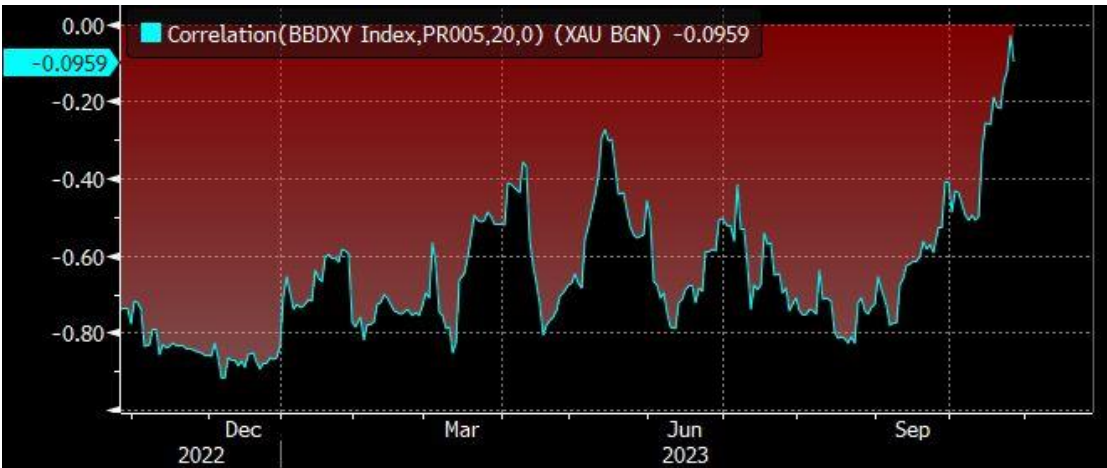
Source: www.zerohedge.com





#gold #correlation #dollar #bonds

Gold's normal negative correlation to the dollar (upper chart) and US bond yields continue to collapse, highlighting the current support for XAU as an alternative investment amid rising financial risks as yields surge and investors worry about developments in the Middle East



Source: Bloomberg



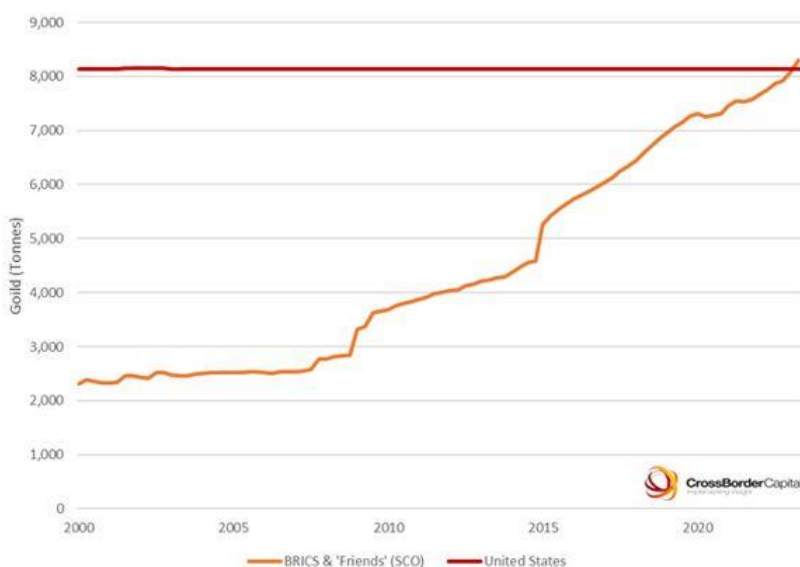


#gold #us #brics

Amazing chart by CrossBorderCapital. Treasuries out, gold in?



Official Gold Reserves: BRICS & 'Friends' Vs USA

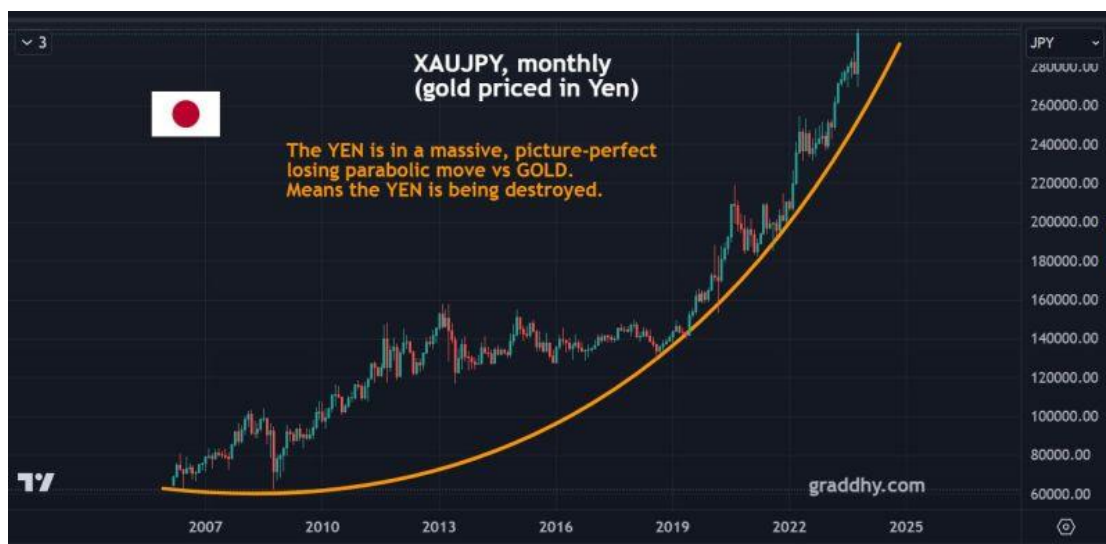


Source: CrossBorder Capital, US Federal Reserve, IMF



#gold #yen #japan

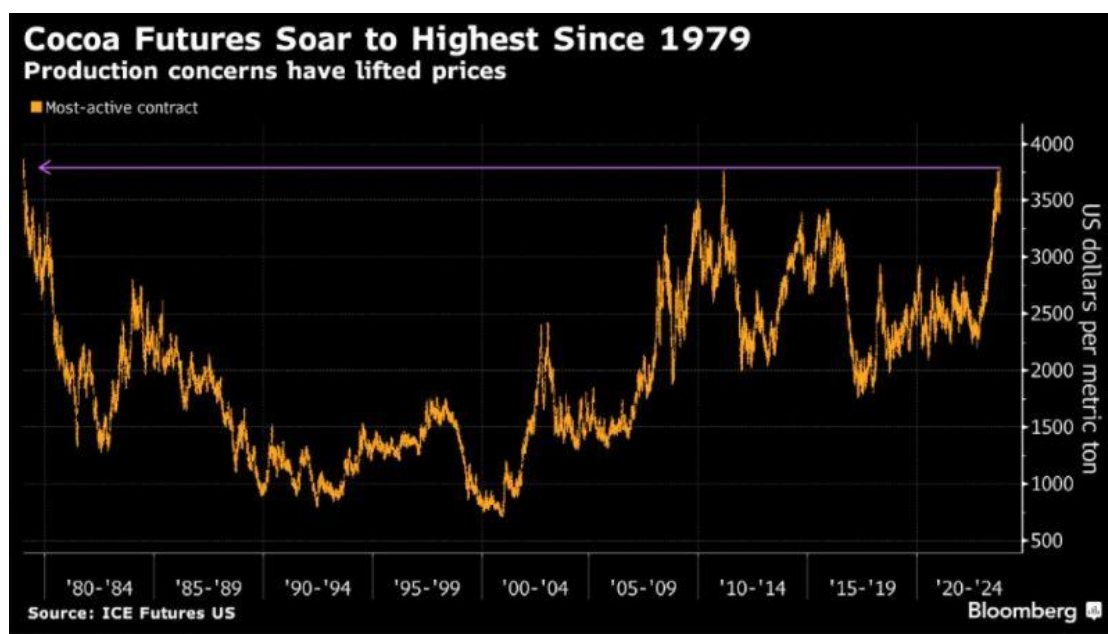
Here's a chart of gold in yen. Japan has been ahead of the curve when it comes to FIAT currency debasement and the way its currency is trading against gold is rather frightening with another huge ~10% new ATH move this month. Will other FIAT currencies follow the yen path?



Source: Graddhy - Commodities TA+Cycles

#cocoa #commodity #prices

Bad times for chocolate lovers. Cocoa surged to the highest level in 44 years...



Source: HolgerZ, Bloomberg



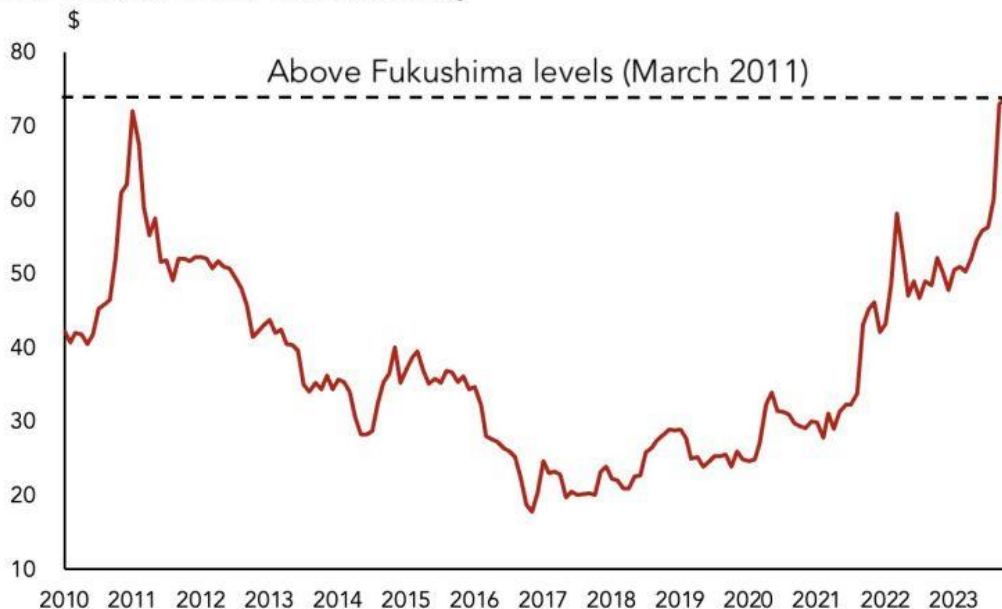
#uranium #commodity #prices

Uranium narrative has made headlines again...Prices are now back above the levels seen before the Fukushima incident in March 2011...

Uranium Price Above Fukushima Levels



UXC Uranium U308 Futures, Monthly



Dates: 2010 Through 24th October 2023.
Source: Tradingview, Game of Trades.

Source: Game of Trades





#forex #egyptian-pound #crisis #sovereign-debt

Tweet by Lyn Alden -> "Egypt is currently dealing with a sovereign debt crisis. Multiple ratings downgrades, currency devaluation, working with the IMF, etc. So, people buy stocks. The stocks are not doing well in dollar terms, but they're doing fine nominally.

Egyptian Exchange Index



source: tradingeconomics.com

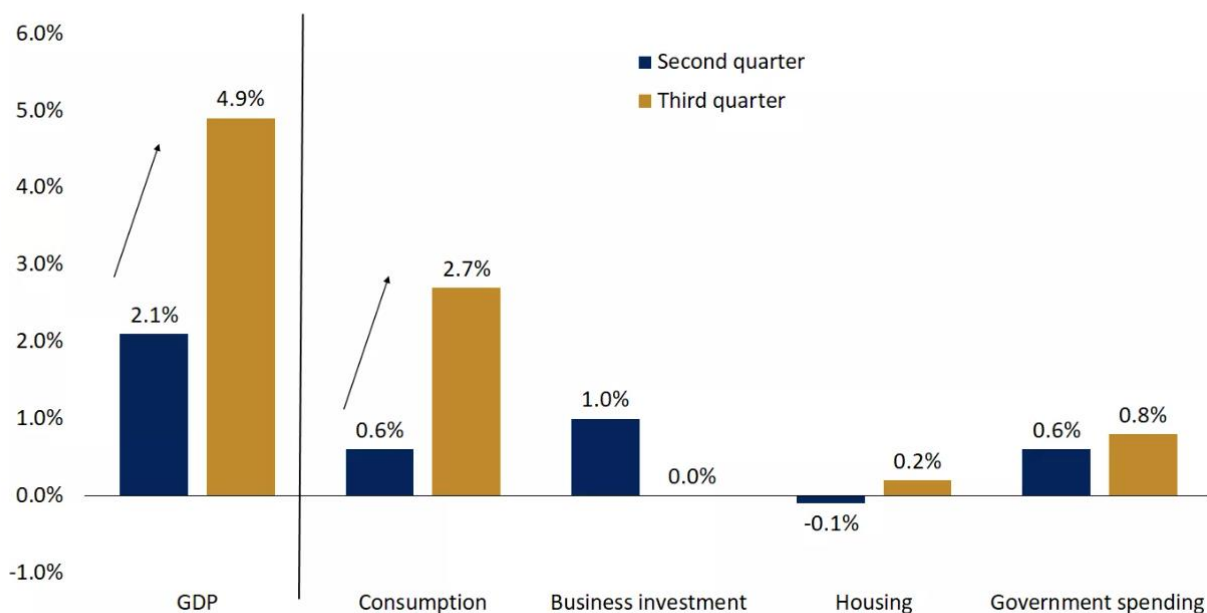


#us #gdp #growth

US GDP grew 4.9% in Q3 QoQ annualized, way faster than +4.3% expected. However, bond yields dropped right after the data release. This chart shows why: US GDP growth in Q3 was mainly driven by private consumption & inventories. This may not last.

U.S. consumers power strong growth in the face of Fed tightening

Contributions to Q3 GDP growth



Source: FactSet, Edward Jones.




Source: Edward Jones, Factset

#macro

#us #gdp #growth

The US economy has now been in an expansion for 41 months with annualized real GDP growth of 5%.

U.S. Economic Expansions (1949 - 2023)			
US Expansion Period	# Months	Cumulative Real GDP (%)	Annualized Real GDP (%)
Apr 2020 to Sep 2023	41	18%	5.0%
Jun 2009 to Feb 2020	128	29%	2.4%
Nov 2001 to Dec 2007	73	17%	2.6%
Mar 1991 to Mar 2001	120	42%	3.5%
Nov 1982 to Jul 1990	92	38%	4.3%
Jul 1980 to Jul 1981	12	2%	2.5%
Mar 1975 to Jan 1980	58	20%	3.8%
Nov 1970 to Nov 1973	36	12%	3.9%
Feb 1961 to Dec 1969	106	52%	4.9%
Apr 1958 to Apr 1960	24	11%	5.6%
May 1954 to Aug 1957	39	12%	3.7%
Oct 1949 to Jul 1953	45	24%	5.8%

 @CharlieBilello



#us #macro #financial-conditions

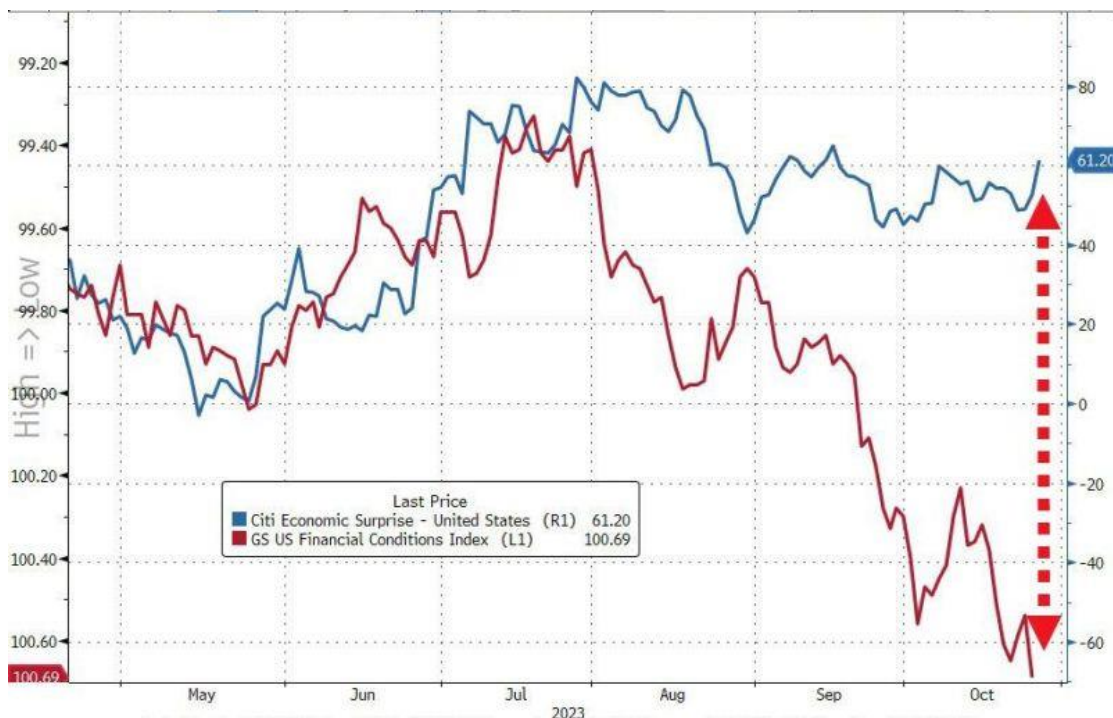
US Macro data surprised to the upside this week (seasonally-adjusted, of course), despite tightening financial conditions...





#us #macro #financial-conditions

For now, the monetary policy transmission route of tightening US financial conditions are NOT reaching the economy... Indeed, an avalanche of US macro data on Thursday presented a positive blend of updates across growth (better), inflation (lower), and labor markets (looser/worse).
- Economic Growth: Real GDP rose 4.9% in 3Q (consensus 4.5%) driven by strong demand across consumer and federal/state government, and inventories. However, a major contribution from inventories could in turn weigh significantly on growth in 4Q.



Source: Bloomberg, HolgerZ

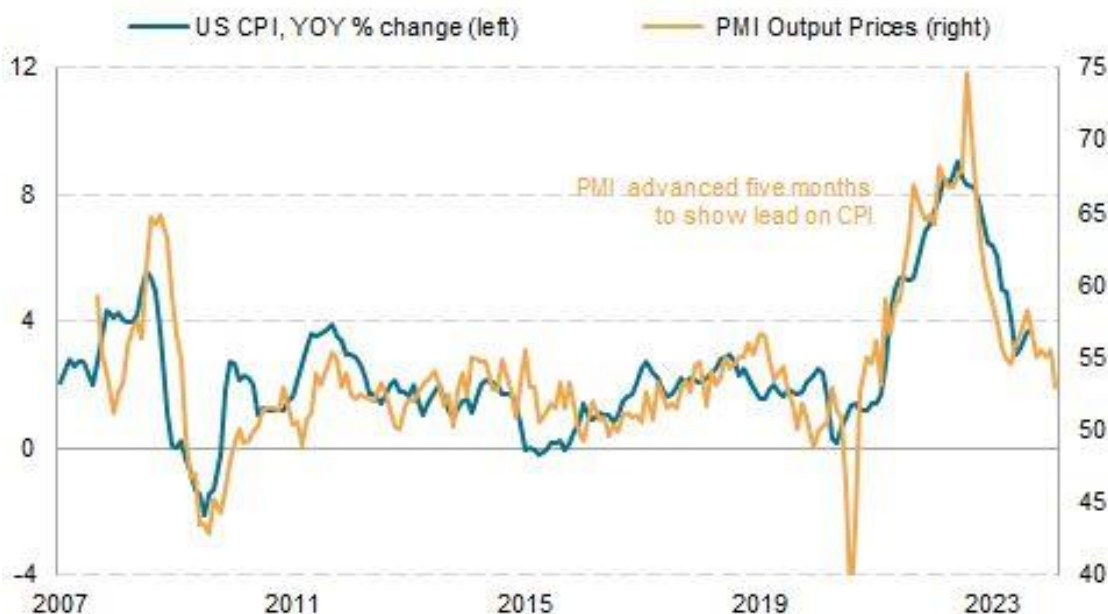


#macro

#us #pmi #cpi

A Big drop in US flash PMI selling price gauge in October brings the FOMC 2% target into focus for the first time in three years.

US inflation



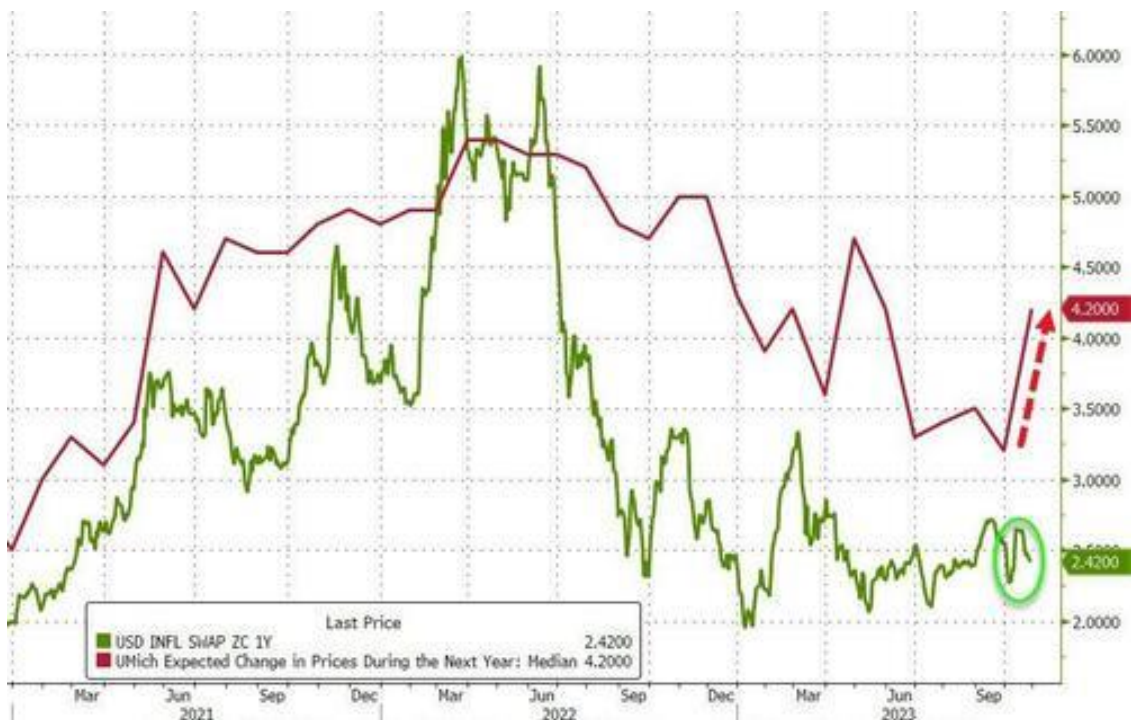
Data compiled October 2023.
PMI covers manufacturing only pre-2009 but manufacturing & services thereafter.
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
© 2023 S&P Global.

Source: Chris Williamson



#us #inflation #expectations

While the market's expectations for inflation over the next 12 months is lower this month, Americans' expectations for inflation is dramatically rebounding...





#us #inflation #fed

Apollo's Chief Economist probably has a point -> "Key measures of inflation have reaccelerated in recent months...The implication for investors is that the Fed will keep rates high until nonfarm payrolls go negative, because that is what is needed to get inflation under control:"

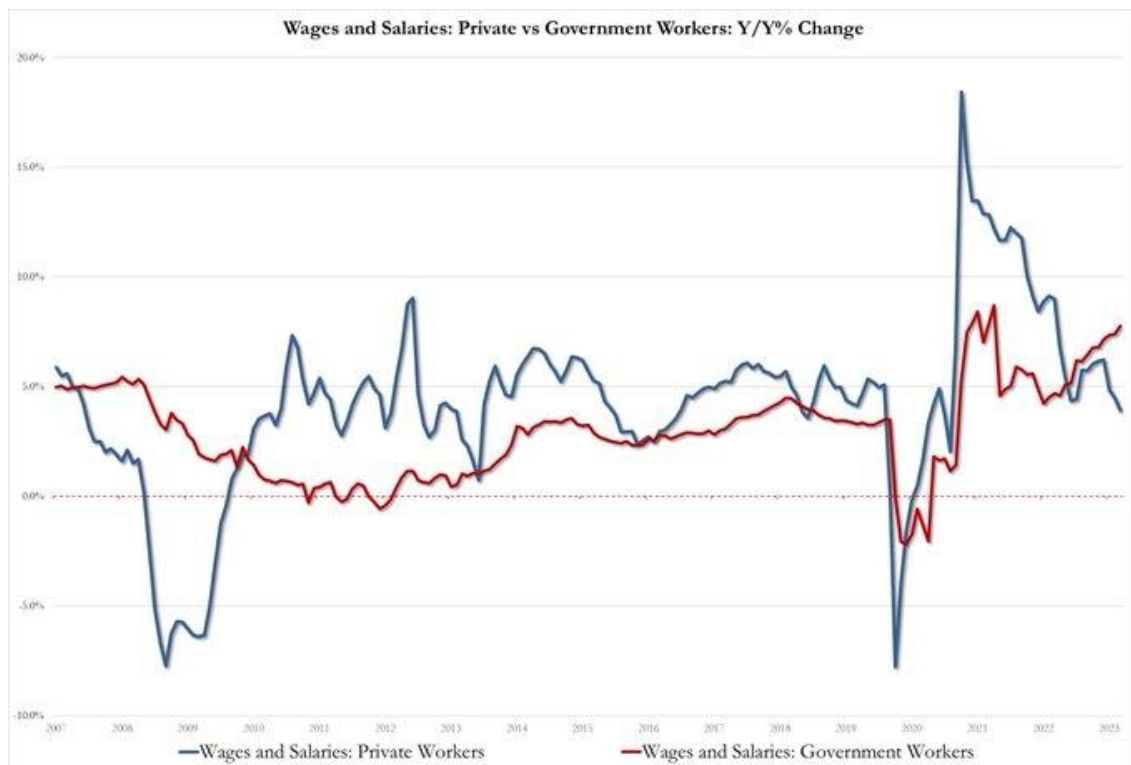


Source: Chris Williamson



#us #wages #inflation

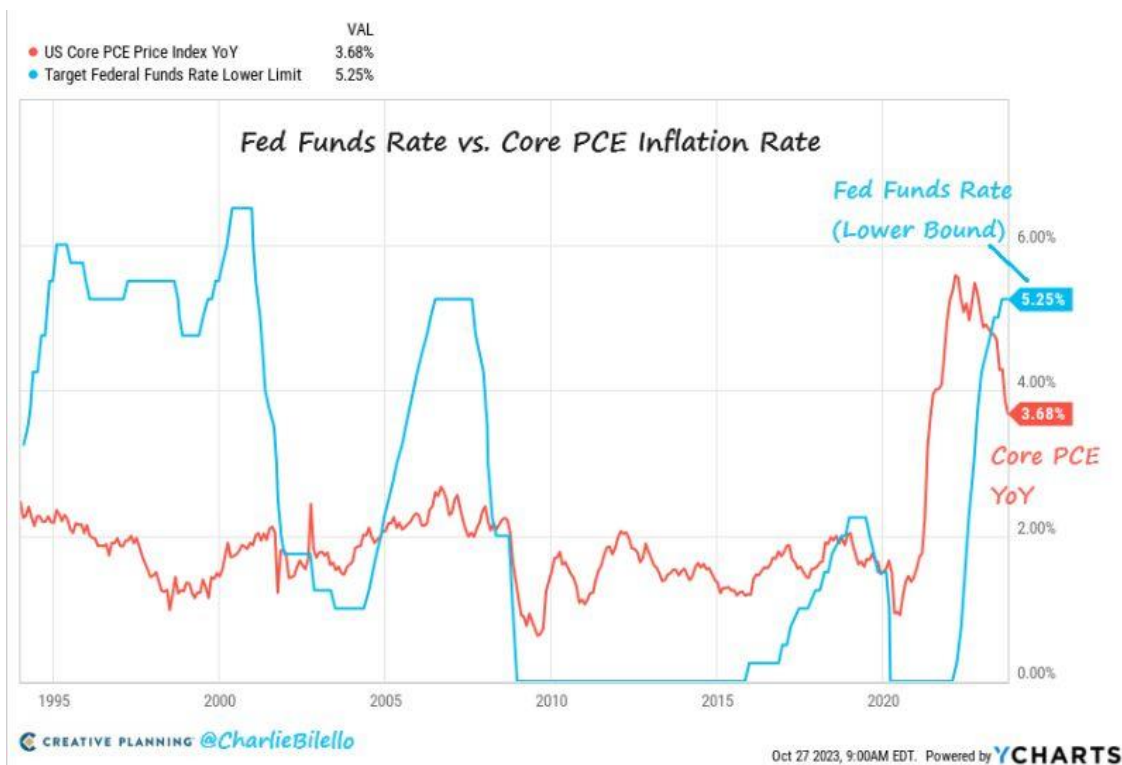
Why is wage/price inflation so sticky? Well, it's not because of private workers: here wages and salaries rose just 3.9%, the lowest in 2.5 years. It's all government workers, where wage growth was 7.8%, just shy of a record high!





#us #inflation #pce

The Fed's preferred measure of inflation (Core PCE) moved down to 3.7% in September, the lowest since May 2021. The Fed Funds Rate is now 1.6% above Core PCE, the most restrictive monetary policy we've seen since 2007.



Source: Charlie Bilello

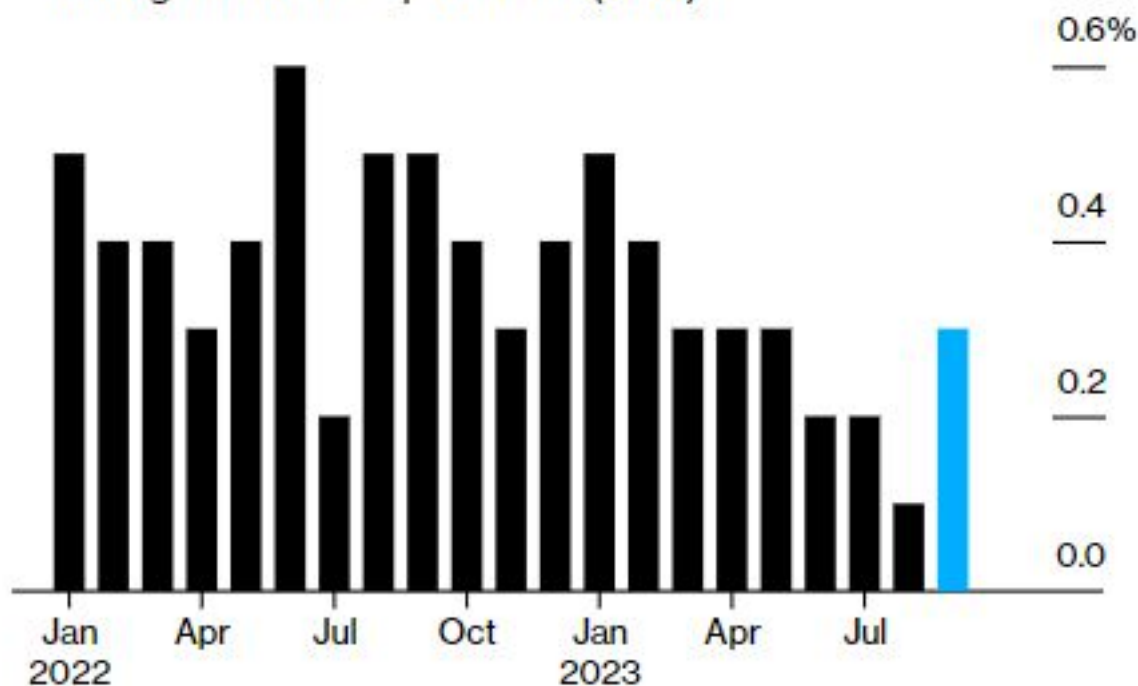
#macro

#us #inflation #pce

Fed's preferred Inflation measure jumps most in four months...

Underlying US Inflation Picks Up

■ Change in core PCE price index (MoM)



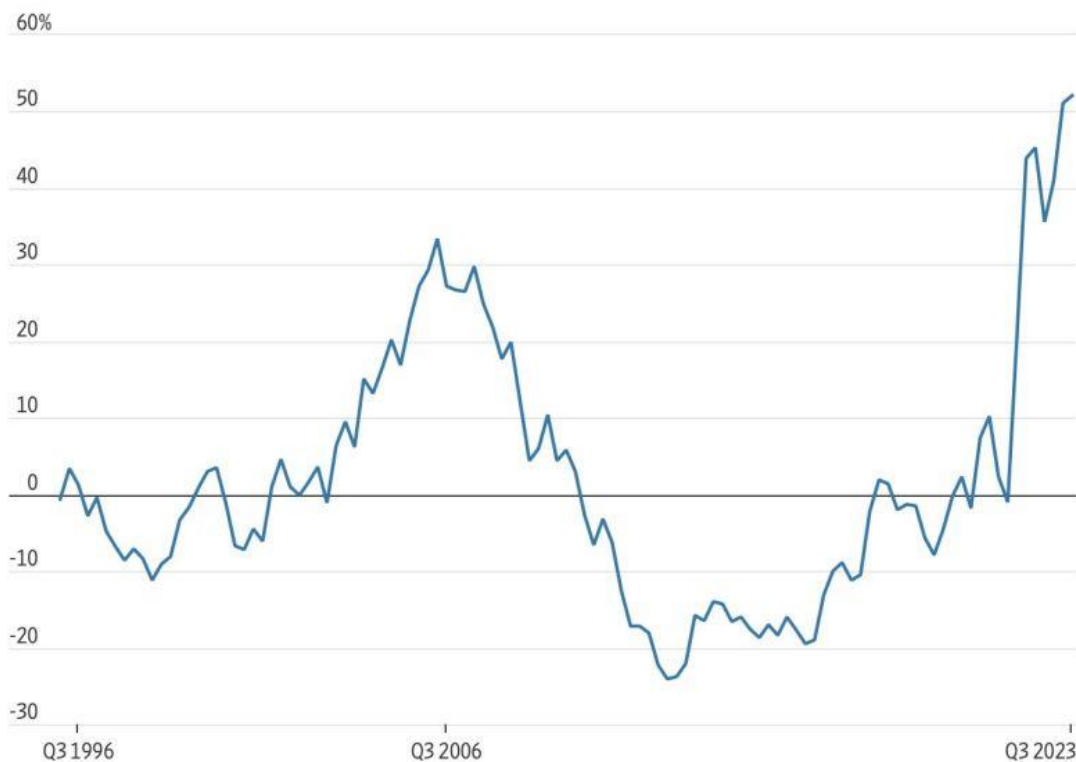
Source: Bloomberg



#us #realestate #buying #renting #premium

The premium to buy a home vs. rent one has soared to 52%, the highest level ever recorded. Even in 2008, the premium to own peaked at 33%.

Premium/discount to buy a U.S. home versus renting it



Source: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA

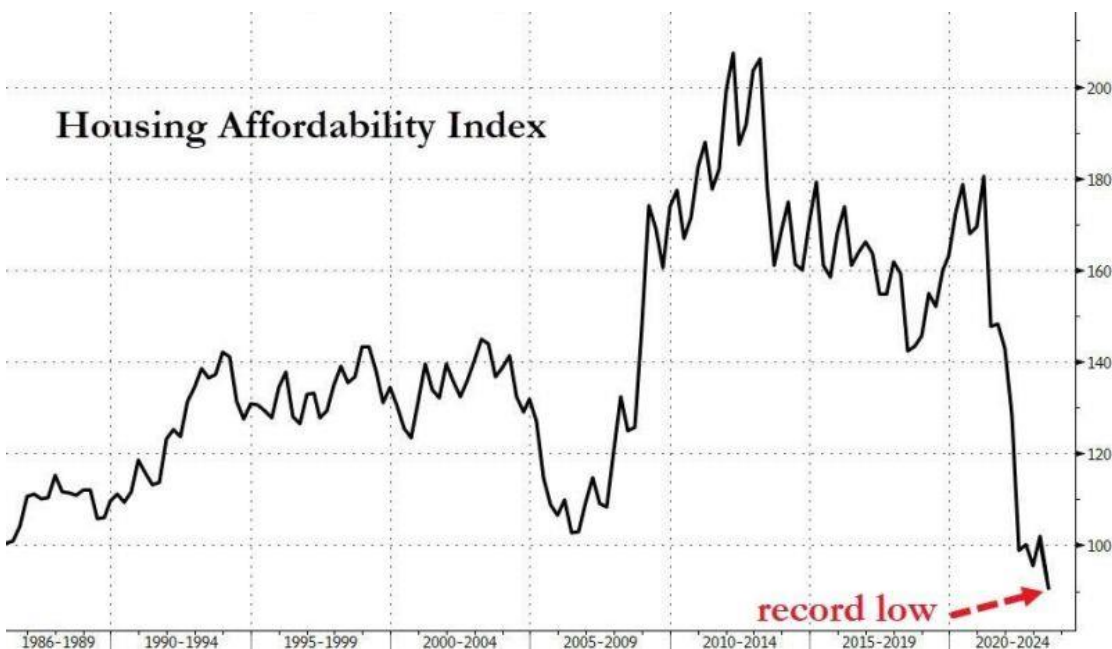


Source: barchart



#us #realestate #affordability

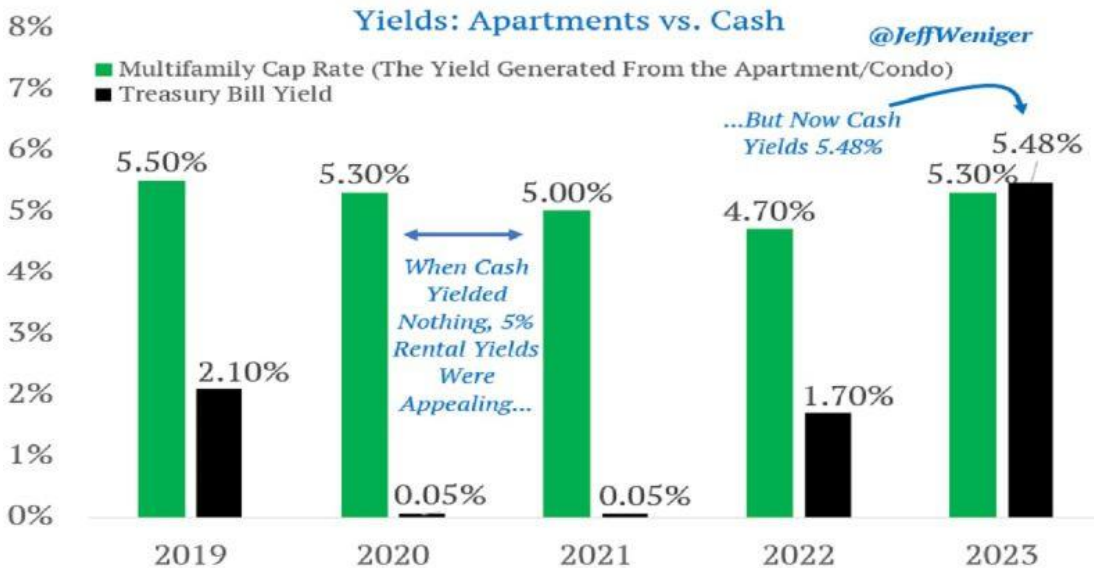
As mortgage rates hit 8% for the first time in 23 years, affordability continues to fall off a cliff. The Housing Affordability Index just hit a fresh record low, at ~90. This means that housing affordability is officially down 50% since 2021. Since then peak in 2012, housing affordability is down nearly 70%. Buying a home has become a luxury.



#macro

#us #multi-family #cap-rate

The money market yield spike upends a ton of business models. In this case, landlording in the US. Indeed, multifamily cap rate is now BELOW cash rate...



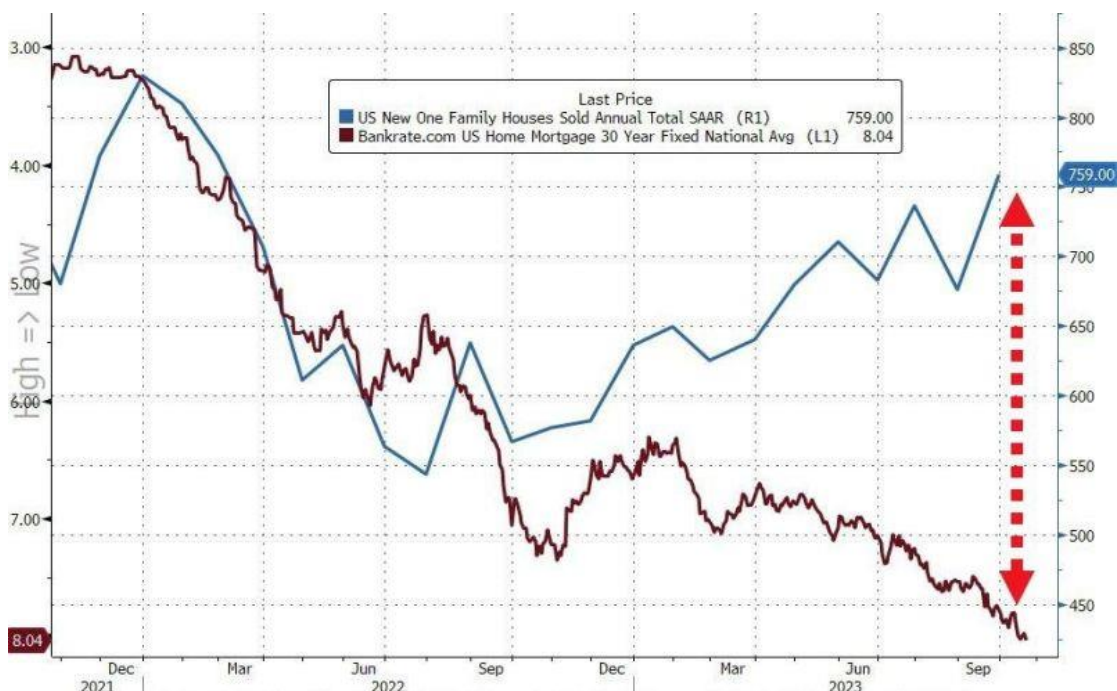
Current Cap Rate from Fannie Mae's 2023 Mid-Year Multifamily Market Outlook, 7/19/2023, with Q2 samples from Fannie Mae Market Commentaries in prior years; 3-month Treasury Bill as of last day of Q2 each year, with 2023 yield as of 10/24/2023. File #0499

Source: Jeff Weniger



#us #new-home-sales

The US housing market conundrum -> New home sales just surged 12.3% month-over-month in September, the largest jump since August 2022. Even as mortgage rates push above 8% for the first time in 23 years, new home sales are surging. The gap between new home sales and mortgage rates has never been wider. Why is this happening? Explanation by The Kobeissi Letter:-> Homebuilders are taking on some of the cost of higher mortgages AND existing home sales are at their lowest since 2010. New homes are the only option for buyers and homebuilders are helping pay for it.



Source: The Kobeissi Letter, www.zerohedge.com





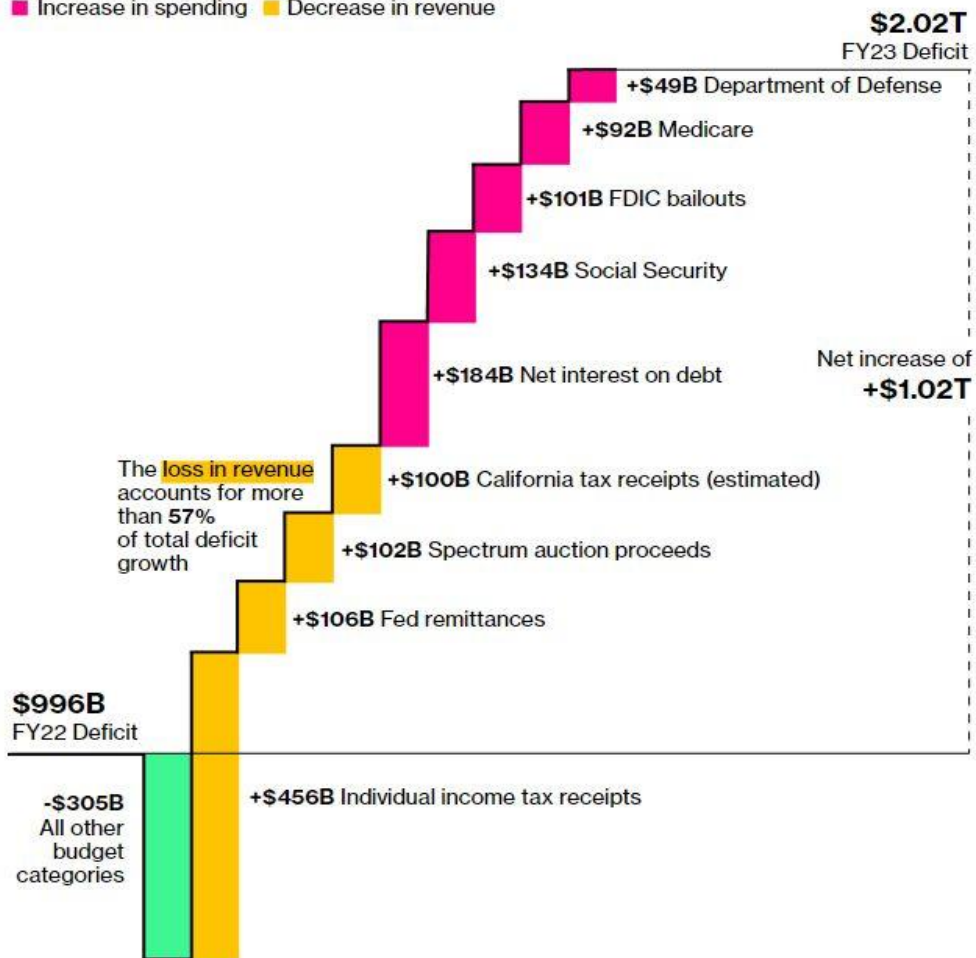
#us #deficit

US deficit is doubling as US Economy grows shows why yields are at 5%

Underlying US Budget Gap Doubled in Latest Year

Change in adjusted federal deficit from FY2022 to FY2023

■ Increase in spending ■ Decrease in revenue



Source: Department of the Treasury

Note: Numbers are adjusted to remove the accounting impact of President Biden's student loan forgiveness program.

Source: Bloomberg, C.Barraud

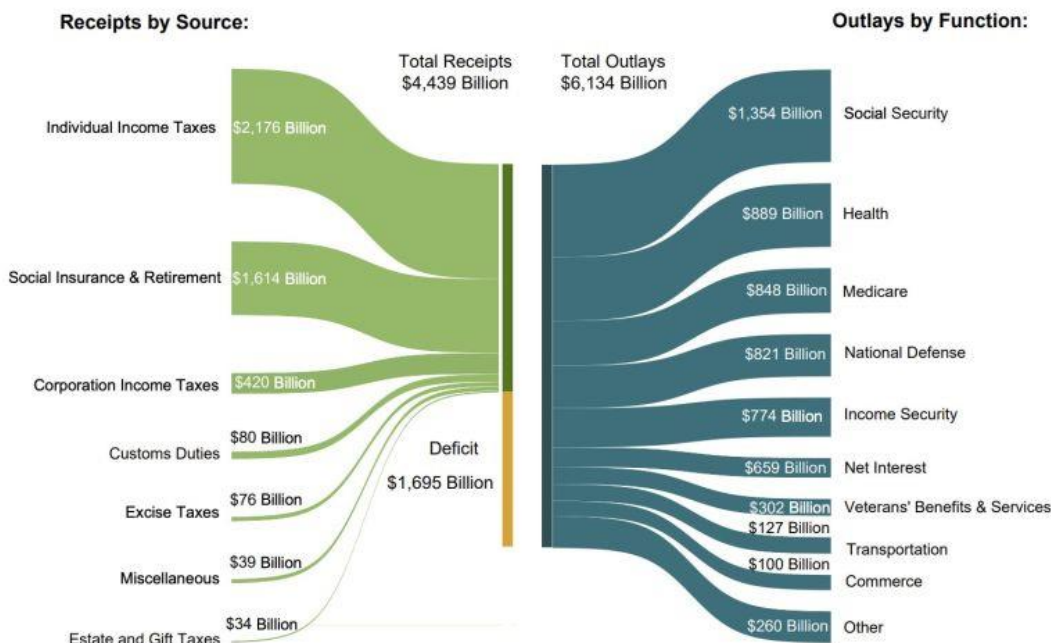




#us #deficit #unsustainable

In fiscal year 2023, the US ran a deficit of \$1.7 trillion. If you add back the student loan forgiveness program adjustment, the deficit was actually \$2 trillion. To put this in perspective, the annual US deficit is roughly equal to total individual income tax collected. It also means that the 2023 deficit is nearly 5 TIMES as large as corporate income taxes. The 2023 deficit as reported is ~25% larger than total Social Security outlays. Net interest was \$659 billion and should soon pass the national defense budget. What's the long-term plan here?

Figure 2. Cumulative Receipts, Outlays, and Surplus/Deficit through Fiscal Year 2023



Source: The Kobeissi Letter



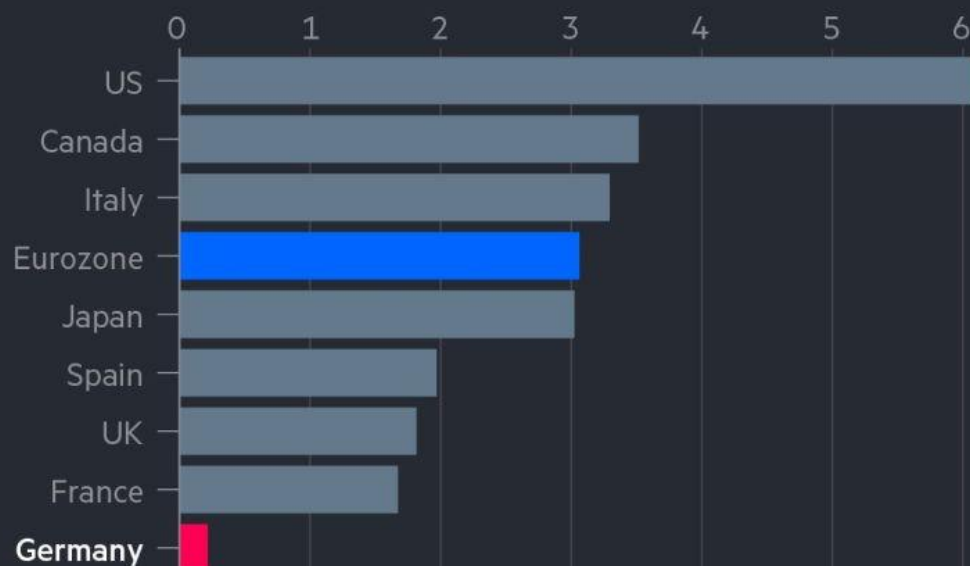
#macro

#germany #europe #gdp

Is Germany already the sick man of Europe?

The German recovery from the Covid period has been the weakest among the major advanced economies

Cumulative change in real GDP, Q4 2019 to Q2 2023 (%)





#germany #gdp

German business outlook is improving, feeding rebound hopes. Ifo expectations index rose to 84.7 in Oct, up from 83.1 in Sep and way better than BBG consensus of 83.5. "What we see here does suggest that we see a certain stabilization," Ifo President Clemens Fuest told BBG. "The German economy will be shrinking this year, but for the final quarter we do expect a stabilization, slight growth."



Source: HolgerZ, Bloomberg

#geopolitics

#russia #warfare #nuclear

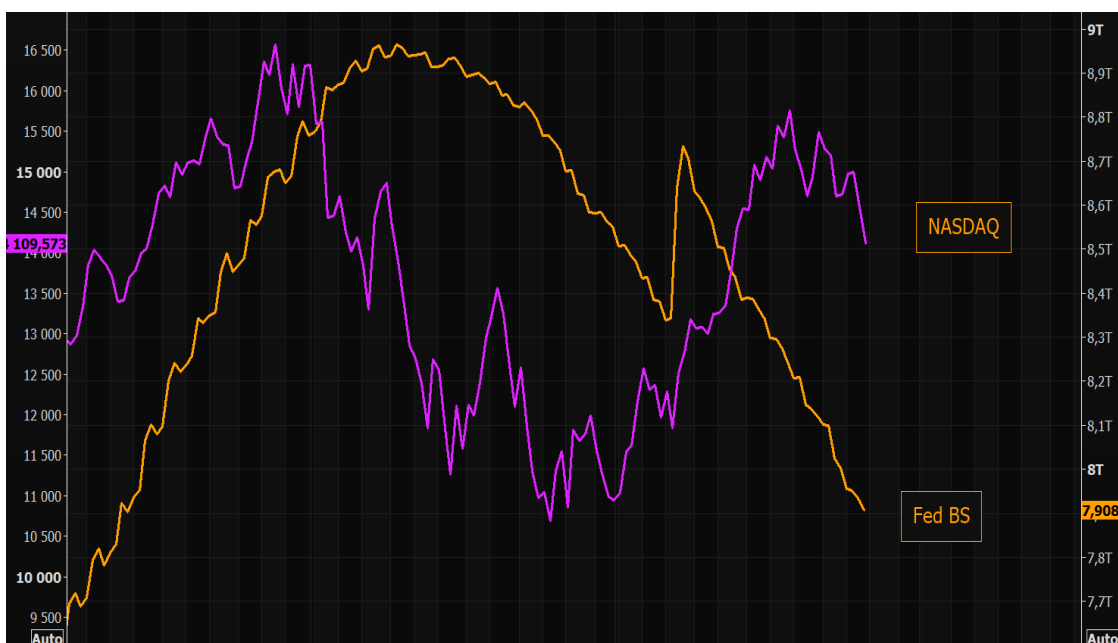
According to RT, Russia has conducted a major exercise aimed at testing its strategic nuclear forces, the Kremlin said on Wednesday. The drills focused on the simulated delivery of 'a massive nuclear strike by the strategic offensive-oriented forces in response to a nuclear strike by a simulated enemy'. Note that gold and bitcoin both jumped on the news.

BREAKING NEWS

#centralbanks

#qt #equities

NASDAQ starting to pay attention to Fed's BS lately?

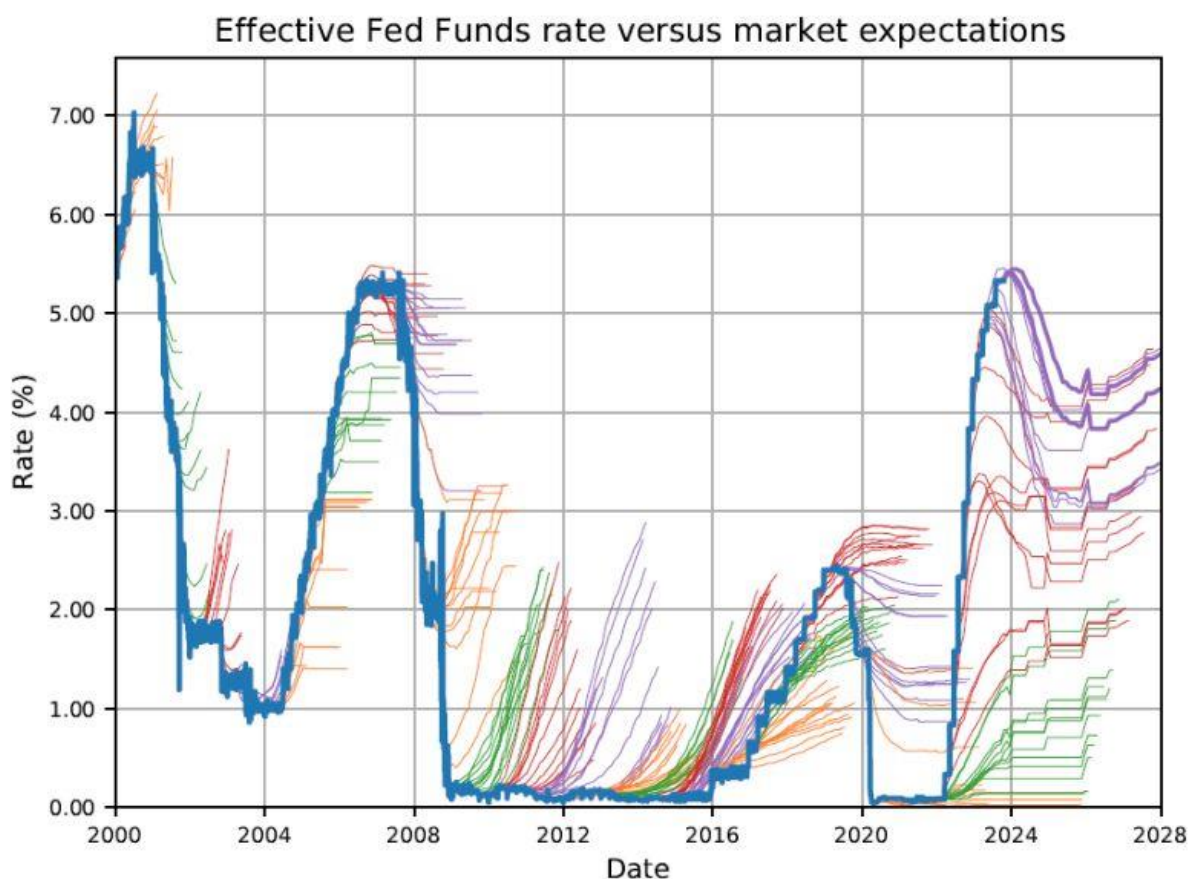


Source: TME

#centralbanks

#fed #rates #expectations

The chart below shows the actual Fed Funds rate vs what the market expects. And the markets are pretty bad at guessing what the Fed will do past the next meeting. Are markets right to anticipate “higher for longer” Fed rates? Or will they be wrong again?



Source: Steven Desmyter, Andre Rzym

#centralbanks

#ecb #interestrate #inflation

According to Taylor rule, key interest rate in Germany should be at 7.55% & so 3.05ppts higher than current rate, (based on German inflation at 4.3% & unemployment at NAIRU). Note that the spread between Taylor Rule rate & ECB rate is lowest since Mar 2021. There is a good chance that the rate hike cycle is indeed over as growth & inflation dynamic have leaned towards the dovish side recently. The rhetoric has shifted towards "how long can rates stay at a high level and when will the ECB starts to cut?". The market currently sees a 1st rate cut in mid-2024 with a total of 50bp of rate cuts in H2 2024.



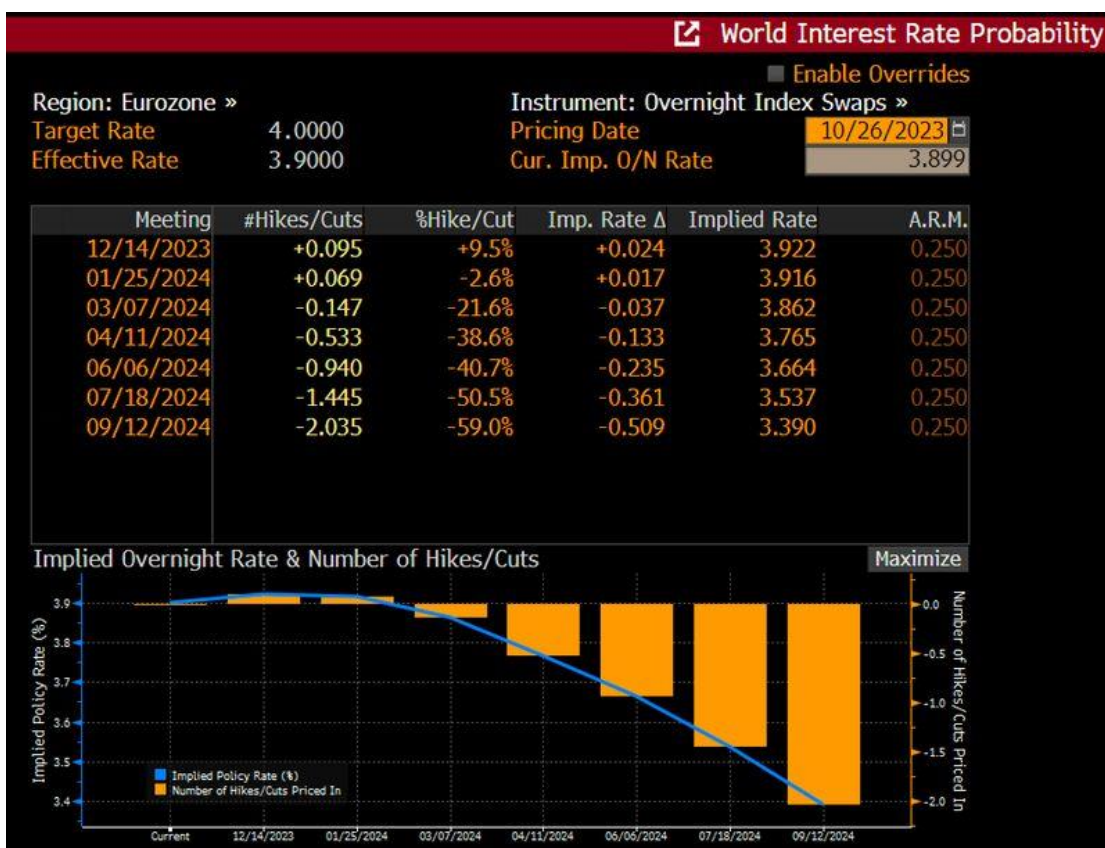
Source: Bloomberg, HolgerZ



#centralbanks

#ecb #rate-cuts

ECB's Lagarde: "Rate cuts weren't discussed, would be totally premature". Meanwhile, markets see the first ECB cut at April 2024 meeting.

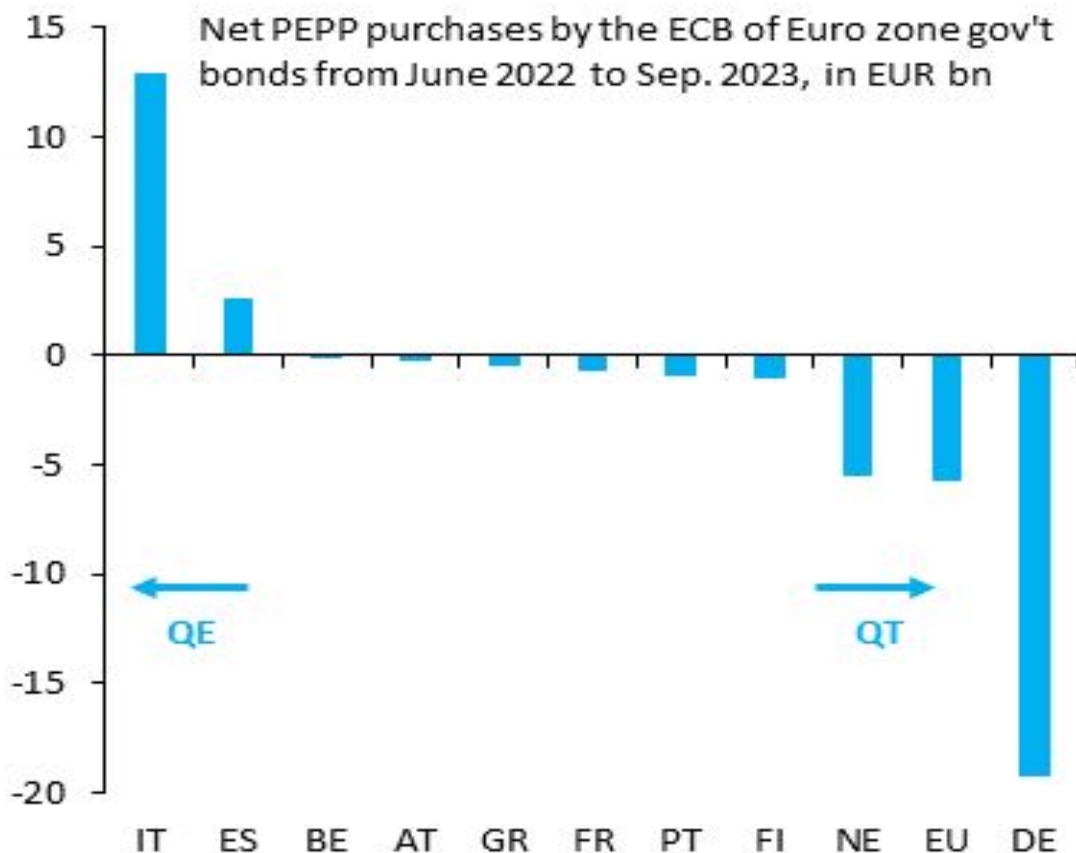


Source: Bloomberg, HolgerZ

#centralbanks

#ecb #qt

This chart from Robin Brooks highlights what is currently happening at ECB level: QE for some and QT for others. This was NOT supposed to happen. Remember: founding principle for the ECB is separation of monetary and fiscal policy. That's why ECB QE was initially subject to the capital key, so it couldn't favor one country over another. Could this last for ever?



Source: Robin Brooks



#bitcoin #weekly

Bitcoin surged midweek, topping \$35,000 for the first time since May 2022, and held the gains



Source: www.zerohedge.com



#bitcoin #returns

Bitcoin Returns since 2010...\$BTC

Bitcoin Returns: 2010 - 2023			
Year	Year Start	Year End	% Change
2010	0.003	0.30	9900%
2011	0.30	4.72	1473%
2012	4.72	13.51	186%
2013	13.5	758	5507%
2014	758	320	-58%
2015	320	430	35%
2016	430	968	125%
2017	968	13,860	1331%
2018	13,860	3,689	-73%
2019	3,689	7,184	95%
2020	7,184	28,775	301%
2021	28,775	47,902	66%
2022	47,902	16,531	-65%
2023 YTD	16,531	33,500	103%

@CharlieBilello Data as of 10/23/23

Source: Charlie Bilello





#bitcoin #performance

Bitcoin has outperformed equities, gold and USD year-to-date
It has increased by more than 100% this year, despite:

- War Conflict
- Elevated inflation
- Rising oil prices
- High-interest rates

This is what happens when institutions like Blackrock jump on board. Institutional adoption is going to be a major theme for this asset class.



Source: Game of Trades





#bitcoin #nasdaq

We have not seen NASDAQ move lower with \$BTC exploding to the upside in a long time.



Source: TME, Refinitiv





#blackrock #bitcoin #trust

BlackRock's iShares Bitcoin Trust is now re-listed on the Depository Trust & Clearing Corporation \$IBTC

IBMR	46436E163	ISHARES TR IBONDS DEC 2029 TERM MUNI	2767
IBND	78464A151	SPDR BLOOMBERG INTERNATIONAL CORPORA	2950
IBOT	92189Y402	VANECK ETF TR VANECK ROBOTICS ETF	2950
IBRN	46436E353	ISHARES TR NEUROSCIENCE & HEALTHCARE	2767
IBTC	46438F101	ISHARES BITCOIN TR SHS	2869
IBTD	46436E882	ISHARES TR IBONDS DEC 2023 TERM TREA	2767
IBTE	46436E874	ISHARES TR IBONDS DEC 2024 TERM TREA	2767
IBTF	46436E866	ISHARES TR IBONDS DEC 2025 TERM TREA	2767
IBTG	46436E858	ISHARES TR IBONDS DEC 2026 TERM TREA	2767

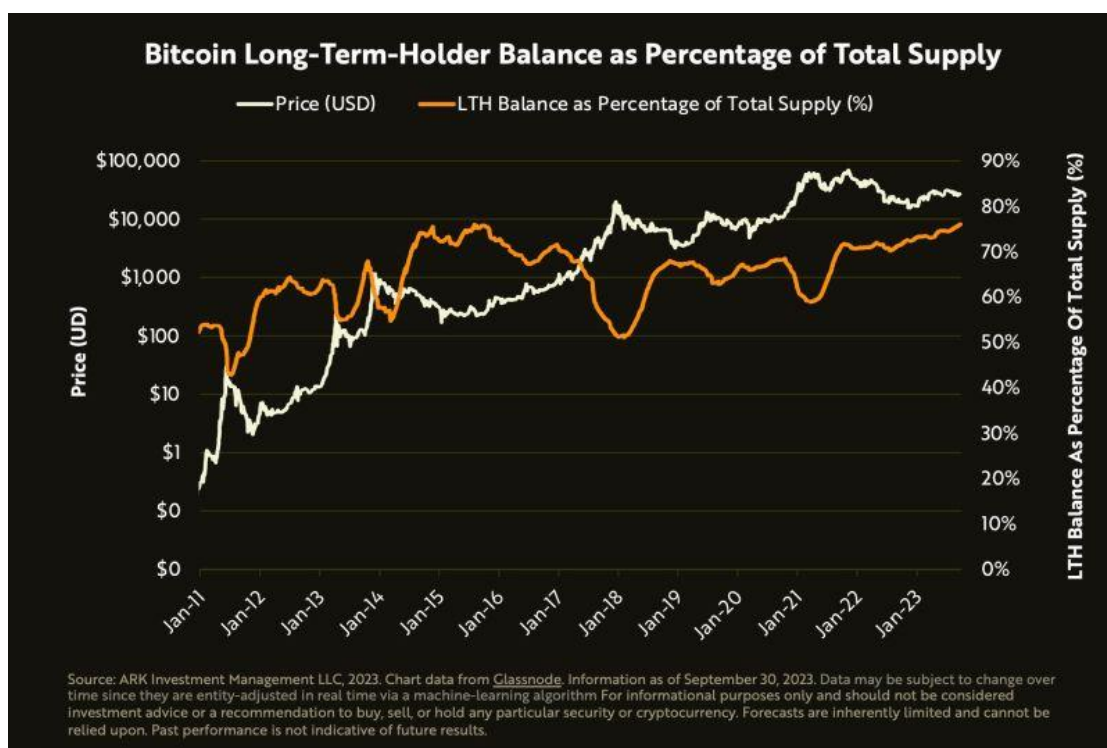
Source: Bitcoin Magazine





#bitcoin #longterm

Blockchain data shows a record 76% of bitcoin is owned by 'long-term hodlers' who have not moved their coins in +155 days.



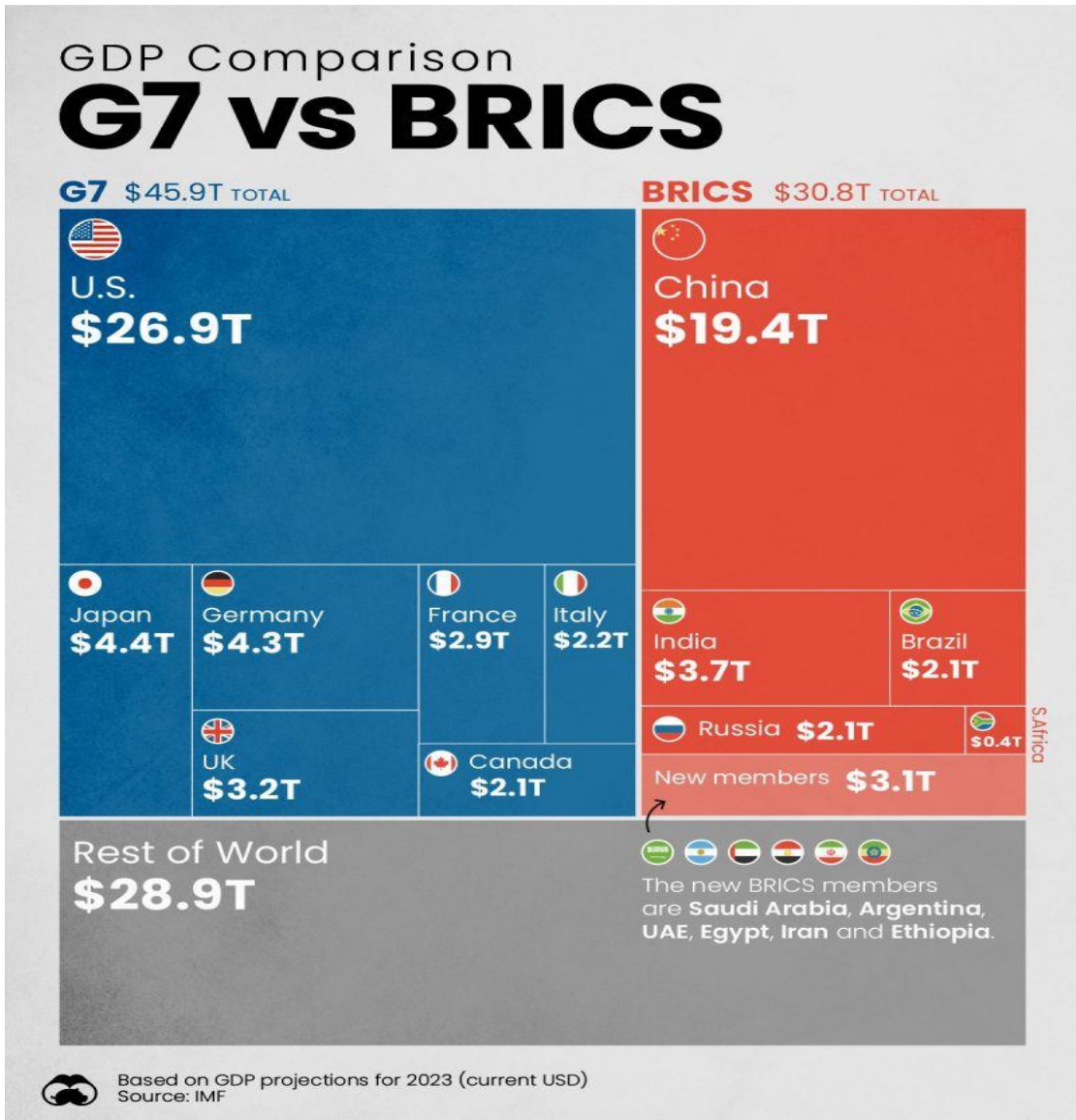
Source: Documenting Bitcoin, Ark Invest, Glassnode



#food-for-thought

#brics #g7 #gdp

G7 vs. BRICS GDP

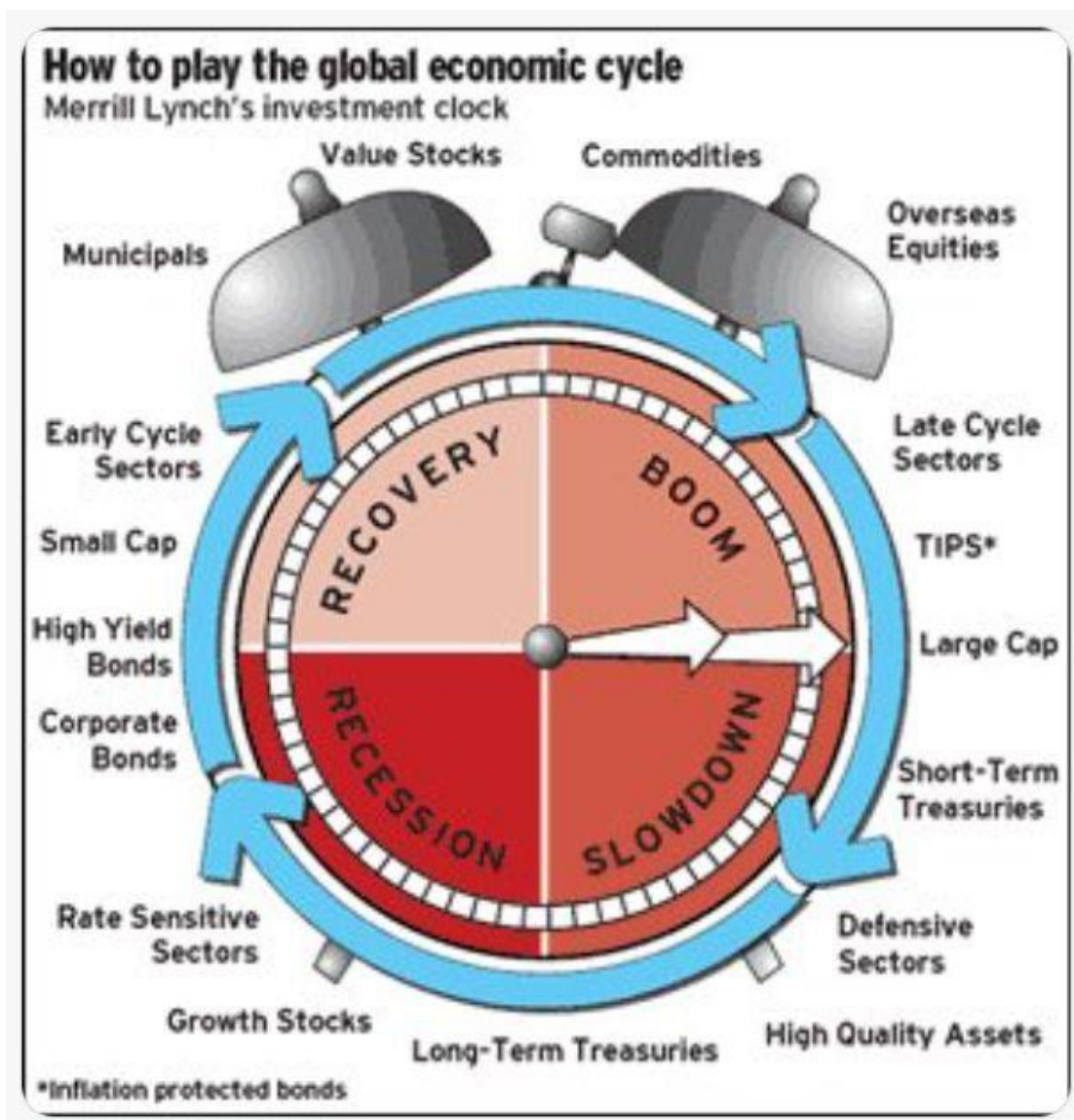


Source: Visual Capitalist, Barchart

#food-for-thought

#investing #cycle

Investment Clock - where do you think we are now ?

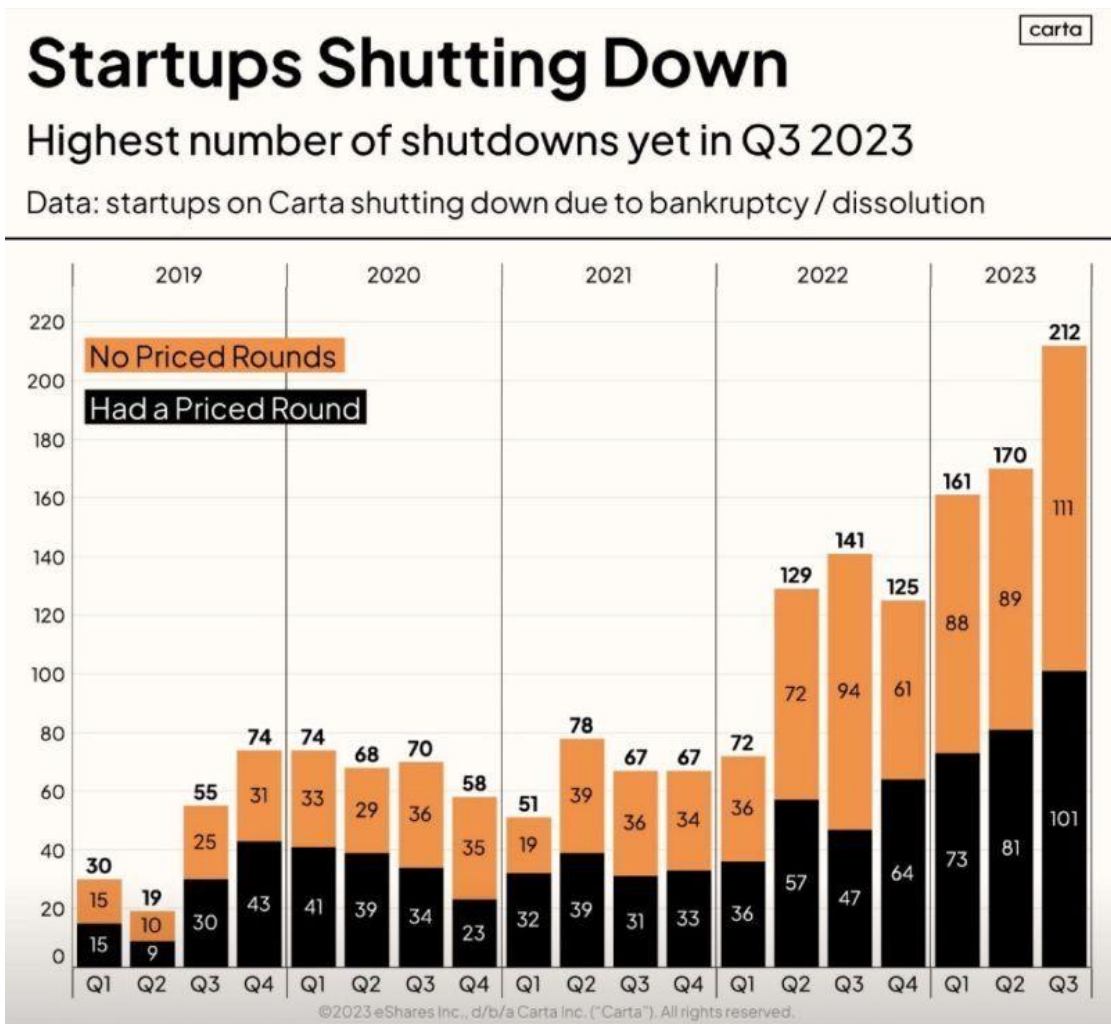


Source: ayeshatariq, merrill lynch

#food-for-thought

#startups #rates #liquidity

Startups are increasingly shutting down. Rising rates, lower liquidity and reduced risk appetite are hurting funding. Difficult business conditions are eroding viability further.



Source: Markets & Mayhem

#food-for-thought

#us #stocks #dominance

US stocks now account for 61% of the \$60 Trillion MSCI All-Country World Index, the highest level in history



Source: FT, Barchart, Bloomberg

#food-for-thought

#magnificent #mondays #sp500

Magnificent Seven? How about Magnificent Mondays? While the S&P 500 is up over 10% YTD, without Mondays it would be fractionally lower.

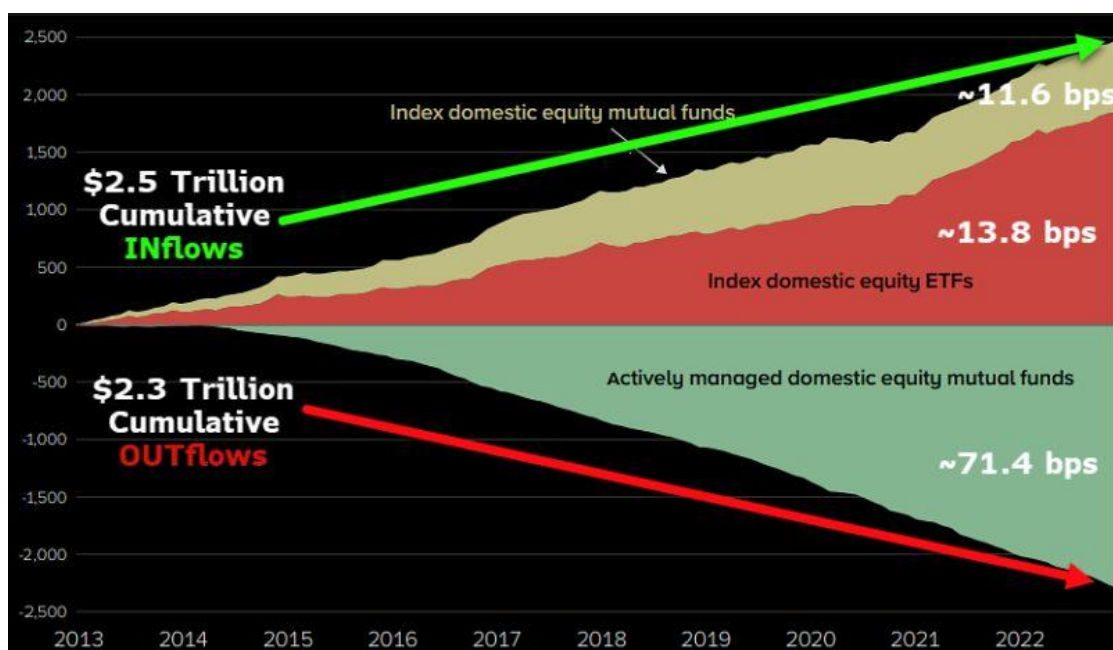


Source: Bespoke

#food-for-thought

#etf #fund #flows

Great ICI-inspired chart showing three of the biggest trends in one shot: active to passive, mutual fund to ETF and high cost to low cost. Active equity MFs have seen outflows every year for a decade equaling \$2.3T (altho their aum still ok bc of bull mkt subsidy)



Source: @JSeiff via Eric Balchunas / Bloomberg

#food-for-thought

#alternative #energy #stocks

When money is cheap you don't need to look at cash flows because nobody defaults. But when the cost of money rises, every asset which is not supported by business fundamentals goes back to its true value. Traditional energy assets are swimming in massive cash flows whereas wind, solar, EV assets are collapsing because they are only supported by government subsidies. Liquidity creates narratives and lack of liquidity just burst those bubbles.

Alternative energy has given up all its outperformance since 2018



#food-for-thought

#ai #etfs

Top 10 Artificial Intelligence ETFs

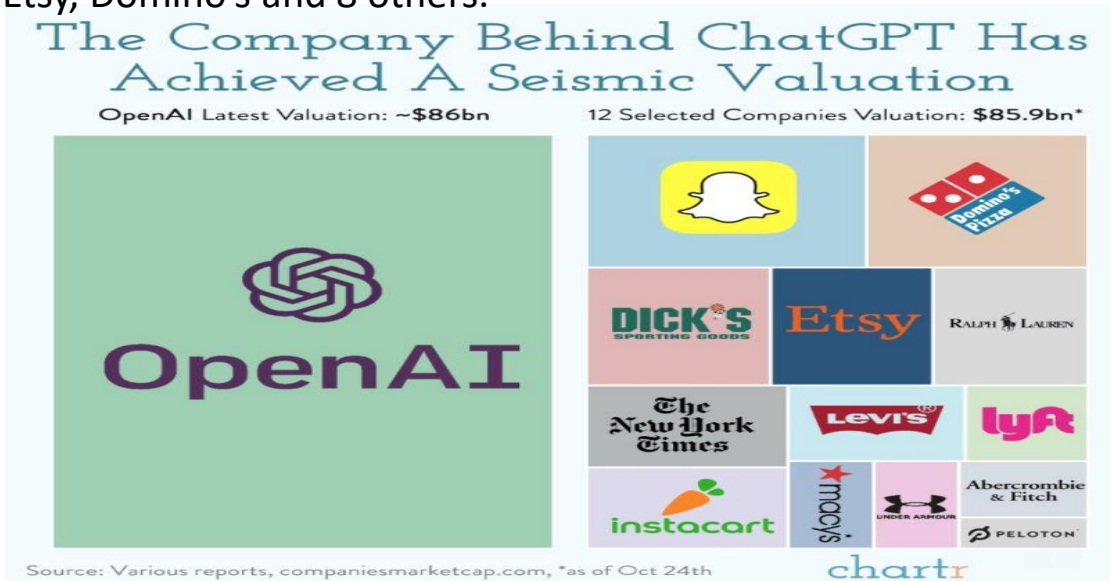
FTfm: Exchange Traded Funds					
Top 10 Artificial Intelligence ETFs					
Name	Manager	Assets (\$mn)	Inflows 2023 YTD (\$mn)	Inflows 2022 (\$mn)	Country Listed
Global X Robotics & Artificial Intelligence Thematic ETF	Global X	2,122	618	-283	US
Xtrackers Artificial Intelligence & Big Data ETF	DWS	1,072	341	-49	Germany
Amundi MSCI Robotics & AI ESG Screened ETF	Amundi	832	422	-11	France
WisdomTree Artificial Intelligence ETF	WisdomTree	563	200	-42	UK
E Fund SI Artificial Intelligence ETF	E Fund Management	550	382	39	China
iShares Robotics & Artificial Intelligence Multisector ETF	BlackRock	475	223	-53	US
First Trust Nasdaq Artificial Intelligence and Robotics ETF	First Trust	416	239	-21	US
L&G Artificial Intelligence ETF	Legal & General Investment Management	370	70	31	UK
WisdomTree US AI Enhanced Value Fund	WisdomTree	365	-35	-91	US
ChinaAMC CSI Artificial Intelligence ETF	ChinaAMC	206	123	21	China

Source: FT

#food-for-thought

#openai #valuation

Talk is meant to be cheap, but OpenAI, the force behind the viral hit ChatGPT, has turned it into an absolute goldmine, with the company currently in discussions to sell shares at a valuation of \$86 billion. That's a remarkable three-fold increase from just 6 months ago, with the WSJ reporting an initial range of \$80-90bn, before Bloomberg narrowed the figure to around \$86bn, citing sources familiar with the matter. That would place OpenAI among the most valuable tech startups in the world, only behind giants like ByteDance (TikTok owner) and SpaceX. For context, it's also roughly equivalent to the value of 12 of the biggest consumer brands in America combined — a theoretical corporate frankenstein including SNAP, The New York Times, Etsy, Domino's and 8 others.

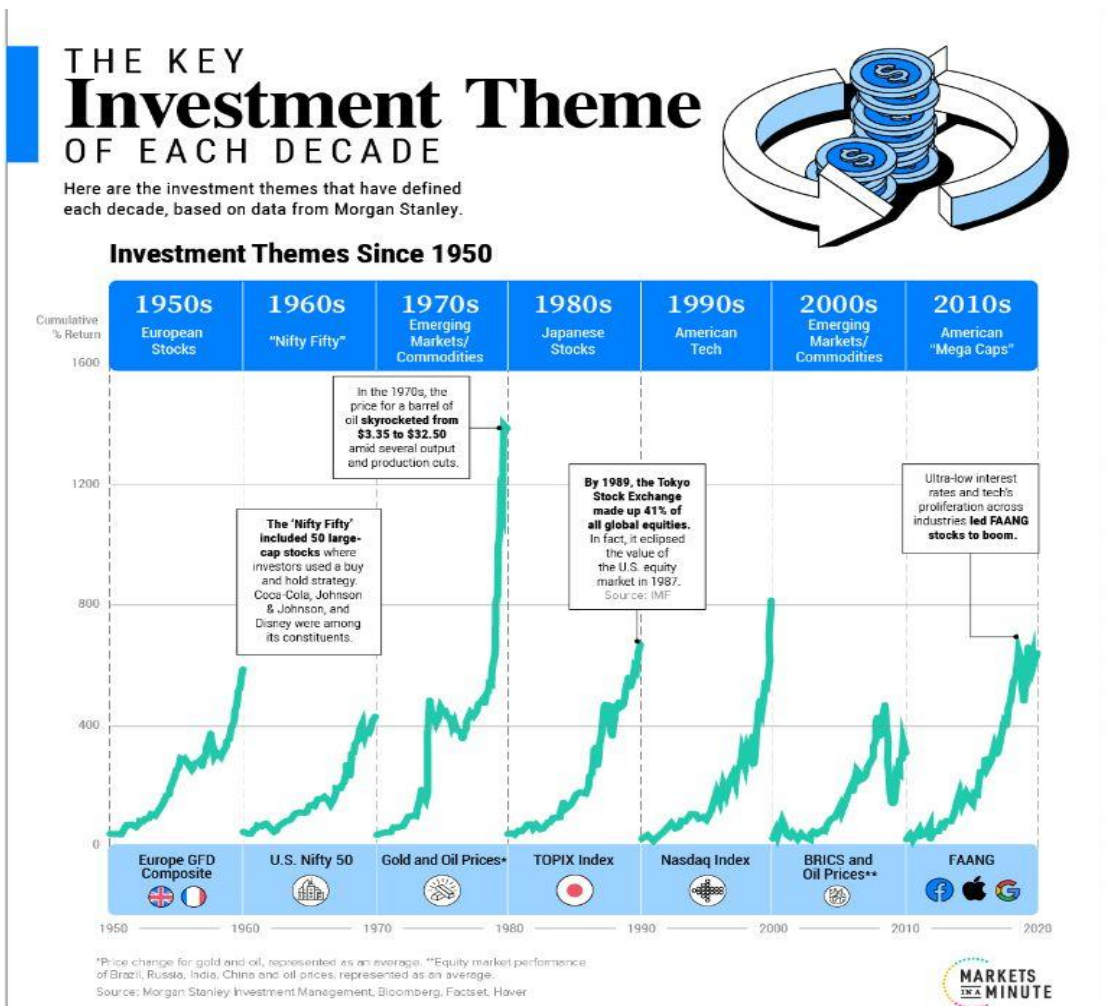


Source: chart by Chartr

#food-for-thought

#investment #themes

The Key Investment Theme of Each Decade (1950-Today). This graphic shows 70 years of key investment themes, based on analysis from Ruchir Sharma of Morgan Stanley Investment Management via NS Capital.



Source: visualcapitalist

#food-for-thought

#realestate #bubbles

Which Cities Have Bubble Risk in Their Property Markets?
The UBS Global Real Estate Bubble Index analyzes the real estate market of 25 major cities across the globe and assigns them a score between -0.5 to 2.0 to convey bubble risk. The higher the score, the more imbalanced the market is, with those above 1.5 in “bubble-risk” territory. At the top of UBS’ findings is Switzerland’s financial capital Zurich, with a 1.71 score, putting the city firmly in the bubble-risk zone.

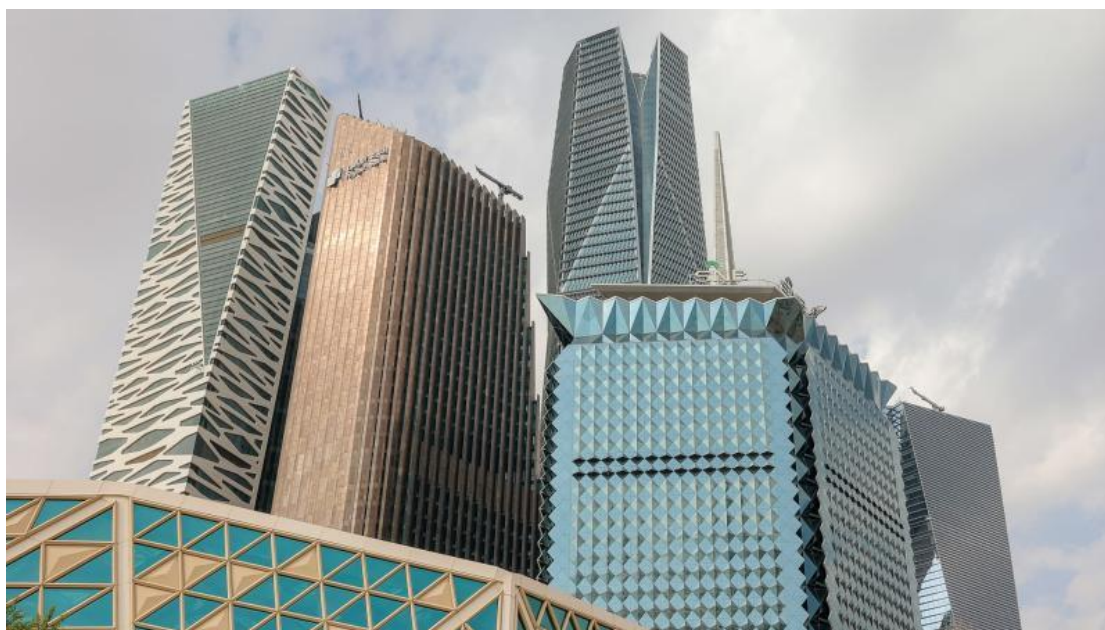


Source: ubs, visualcapitalist

#food-for-thought

#saudi-arabia #headquarters

It looks like foreign companies who are going after Saudi government contracts will indeed have to move their Middle East headquarters to Saudi Arabia.



Source: CNBC

#food-for-thought

#amazon #europe

Amazon launches European 'sovereign' cloud as EU data debate rages. Amazon on Wednesday said it will launch an independent cloud for Europe aimed at companies in highly-regulated industries and the public sector. Amazon Web Services European Sovereign Cloud will be located within Europe and will be separate to the U.S. technology giant's other cloud operations. Customers of the new system will be able to keep certain data in the European Union and only EU-resident AWS employees who are located in the 27-nation bloc will have control of the operations and support for the sovereign cloud.



Source: cnbc

#food-for-thought

#sports #revenue

Which Sport Generates Most Profitable ? Football (soccer) ! with an impressive annual revenue of \$50 billion.



Source: [Genuine Impact](https://genuineimpact.com)

#food-for-thought

#quotes #wisdom

The only true wisdom is in
knowing you know nothing.

— *Socrates*

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