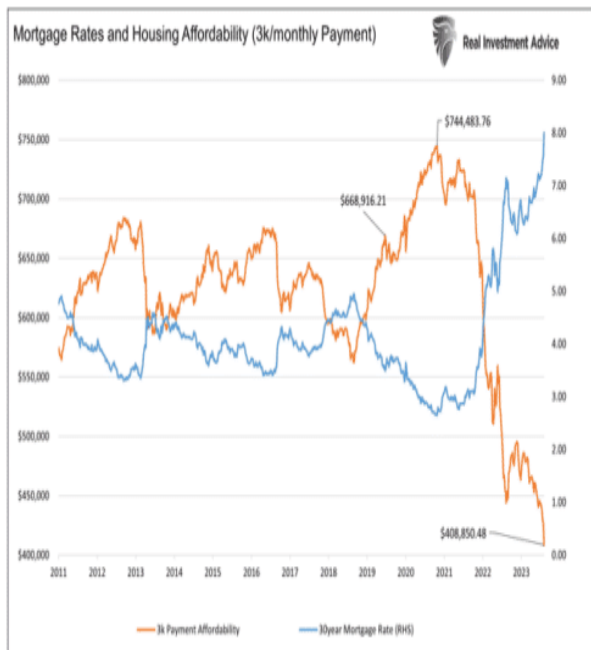


# 8 Percent Mortgages Take A Toll On Housing

30-year mortgage rates just eclipsed 8 percent. With higher mortgage rates, housing affordability tumbles. And, not surprisingly, the Mortgage Bankers Association (MBA) mortgage application index is at a multi-decade low, as shown below (graph on the right). Per the MBA, *Applications decreased to their lowest level since 1995, as the 30-year fixed mortgage rate increased for the sixth consecutive week to 7.70 percent* the highest level since November 2000. 8 percent mortgages make home buying exceedingly tricky for first-time home buyers and those looking to sell a current house and move up to a more desirable and expensive house.

The graph on the left shows how 8 percent mortgage rates are crushing home buyer affordability. Before the pandemic, one could buy a house for \$668k, assuming a 3k mortgage payment. When mortgage rates fell below 3% in 2020, the same 3k payment could service a \$750k mortgage. Today, with mortgage rates above 8 percent, a 3k monthly payment affords a homeowner a \$408k house. Typically, when rates rise, home prices decline. However, sellers are rare today, as many homeowners do not wish to replace low mortgage rates with an 8 percent mortgage. As long as the housing market remains locked down, house prices will go nowhere. However, the potential for declining house prices is a real threat.



## What To Watch Today

### Earnings



Time	Symbol	Company Name	Market Cap v	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
🕒	MSFT	Microsoft Corporation	\$2,427,080,915,065	Sep/2023	\$2.65	16	10/25/2022	\$2.35
🕒	GOOG	Alphabet Inc.	\$1,724,154,660,000	Sep/2023	\$1.45	14	10/25/2022	\$1.06
🕒	GOOGL	Alphabet Inc.	\$1,709,780,400,000	Sep/2023	\$1.45	14	10/25/2022	\$1.06
🕒	HSBC	HSBC Holdings plc	\$742,229,170,000	Sep/2023		N/A	10/25/2022	\$0.48
🕒	V	Visa Inc.	\$434,516,355,960	Sep/2023	\$2.23	14	10/25/2022	\$1.93
🌟	KO	Coca-Cola Company (The)	\$235,979,496,390	Sep/2023	\$0.69	8	10/25/2022	\$0.69
🌟	NVS	Novartis AG	\$200,684,585,516	Sep/2023	\$1.71	4	10/25/2022	\$1.58
🌟	DHR	Danaher Corporation	\$151,975,015,624	Sep/2023	\$1.84	11	10/20/2022	\$2.56
🕒	TXN	Texas Instruments Incorporated	\$134,206,502,793	Sep/2023	\$1.81	11	10/25/2022	\$2.45
🌟	VZ	Verizon Communications Inc.	\$132,721,542,326	Sep/2023	\$1.17	9	10/21/2022	\$1.32
🌟	GE	General Electric Company	\$115,455,158,713	Sep/2023	\$0.56	6	10/25/2022	\$0.35
🌟	BCS	Barclays PLC	\$109,980,920,000	Sep/2023	\$0.37	2	10/26/2022	\$0.44
🌟	RTX	RTX Corporation	\$105,597,609,187	Sep/2023	\$1.19	6	10/25/2022	\$1.21
🌟	NEE	NextEra Energy, Inc.	\$105,152,179,284	Sep/2023	\$0.88	3	10/28/2022	\$0.85
🕒	CB	Chubb Limited	\$86,144,151,967	Sep/2023	\$4.21	10	10/25/2022	\$3.17
🕒	UBS	UBS AG	\$82,071,200,000	Sep/2023		N/A	10/25/2022	\$0.52
🕒	CNI	Canadian National Railway Company	\$70,682,800,000	Sep/2023	\$1.29	10	10/25/2022	\$1.63
🌟	ITW	Illinois Tool Works Inc.	\$67,602,380,386	Sep/2023	\$2.45	7	10/25/2022	\$2.35
🌟	FI	Fiserv, Inc.	\$67,362,446,781	Sep/2023	\$1.94	14	10/27/2022	\$1.63
🌟	HCA	HCA Healthcare, Inc.	\$65,584,466,440	Sep/2023	\$3.97	9	10/21/2022	\$3.93
🕒	WM	Waste Management, Inc.	\$63,424,209,777	Sep/2023	\$1.61	10	10/26/2022	\$1.56
🌟	SHW	Sherwin-Williams Company (The)	\$61,124,223,883	Sep/2023	\$2.77	9	10/25/2022	\$2.83
🌟	MMM	3M Company	\$47,774,944,816	Sep/2023	\$2.34	4	10/25/2022	\$2.69
🌟	PCAR	PACCAR Inc.	\$42,650,439,650	Sep/2023	\$2.07	6	10/25/2022	\$1.47
🌟	KMB	Kimberly-Clark Corporation	\$41,627,211,467	Sep/2023	\$1.58	5	10/25/2022	\$1.40
🌟	GM	General Motors Company	\$40,809,350,990	Sep/2023	\$1.84	6	10/25/2022	\$2.25
🌟	ADM	Archer-Daniels-Midland Company	\$39,055,004,692	Sep/2023	\$1.50	6	10/25/2022	\$1.86
🌟	CNC	Centene Corporation	\$38,926,937,028	Sep/2023	\$1.58	8	10/25/2022	\$1.30
🌟	HAL	Halliburton Company	\$37,837,783,892	Sep/2023	\$0.77	10	10/25/2022	\$0.60
🌟	NUE	Nucor Corporation	\$35,159,411,751	Sep/2023	\$4.19	5	10/20/2022	\$6.50
🌟	DOW	Dow Inc.	\$34,443,627,446	Sep/2023	\$0.43	8	10/20/2022	\$1.11
🕒	CSGP	CoStar Group, Inc.	\$30,151,574,544	Sep/2023	\$0.26	4	10/25/2022	\$0.26
🌟	SPOT	Spotify Technology S.A.	\$28,978,036,800	Sep/2023	(\$0.21)	10	10/25/2022	(\$0.99)
🌟	GLW	Corning Incorporated	\$23,175,518,793	Sep/2023	\$0.46	7	10/25/2022	\$0.51
🌟	TECK	Teck Resources Ltd	\$20,460,589,000	Sep/2023	\$0.76	15	10/27/2022	\$1.33
🌟	DOV	Dover Corporation	\$18,839,605,489	Sep/2023	\$2.35	7	10/20/2022	\$2.26
🕒	NVR	NVR, Inc.	\$17,914,974,961	Sep/2023	\$112.79	5	10/25/2022	\$118.51
🕒	KB	KB Financial Group Inc	\$16,212,684,679	Sep/2023		N/A	10/25/2022	\$2.31
🕒	SNAP	Snap Inc.	\$15,319,304,225	Sep/2023	(\$0.24)	7	10/20/2022	(\$0.11)
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## Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
<b>TUESDAY, OCTOBER 24</b>						
12:55	USD Redbook Index (YoY)(Oct 20)		-	-	-	4.6%
13:00	USD S&P/Case-Shiller Home Price Indices (YoY)(Aug)		-	-	-	0.1%
13:45	USD S&P Global Composite PMI(Oct) PREL		-	-	-	50.2
13:45	USD S&P Global Manufacturing PMI(Oct) PREL		-	-	49.5	49.8
13:45	USD S&P Global Services PMI(Oct) PREL		-	-	49.9	50.1
14:00	USD Richmond Fed Manufacturing Index(Oct)		-	-	8	5
17:00	USD 2-Year Note Auction		-	-	-	5.085%
20:30	USD API Weekly Crude Oil Stock(Oct 20)		-	-	-	-4.383M

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20:30	USD API Weekly Crude Oil Stock(Oct 20)		-	-	-	-4.383M

## Market Trading Update

The market has cracked the 200-DMA, triggering the MACD *?sell signal?.* Normally, this would suggest reducing equity risk. However, we want to give the market a little bit, not a lot, of room to work here. First, the break of the 200-DMA needs to be confirmed by closing the week below that level. Secondly, the MACD signal is occurring at a low level, suggesting a limited downside, which is also confirmed by the RSI reading at low levels.

The sentiment is very negative, and today, we start getting earnings from the Mega-Cap names along with the *?buyback window?* reopening. While the technical backdrop is worrisome, there is a risk of a reversal, so be careful reacting to the initial break of the 200-DMA. We will be watching market action over the next couple of days for confirmation of continued selling pressure.



TradingView





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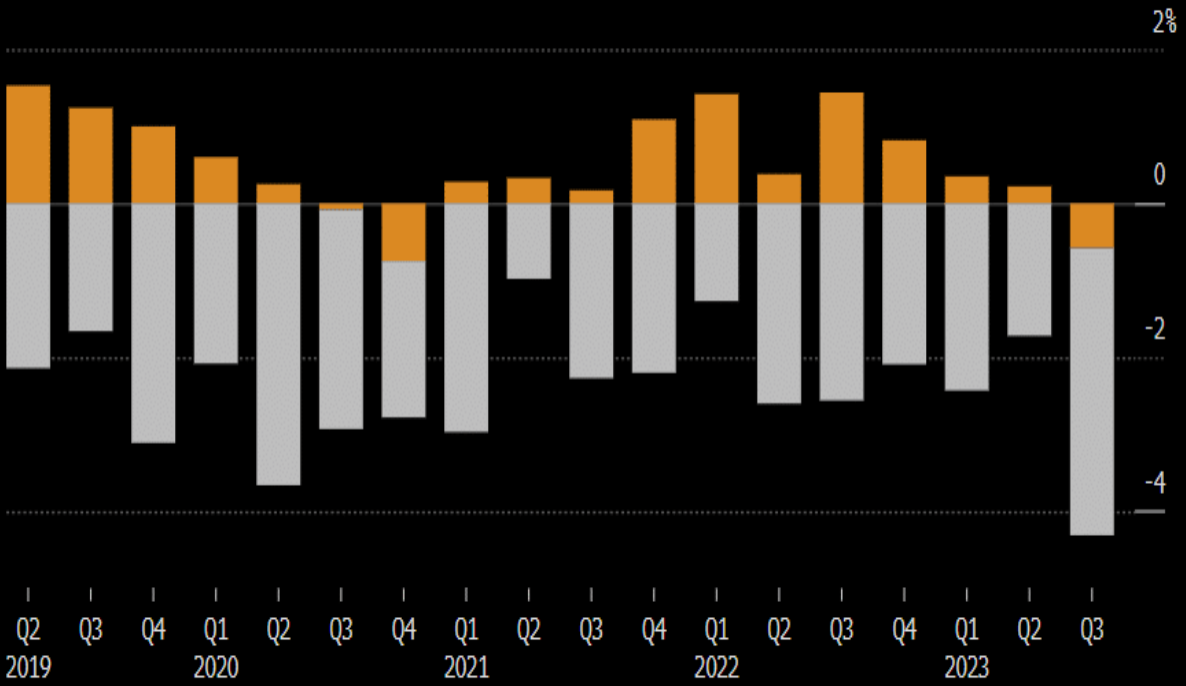
## Tough Earnings Season So Far

We are still relatively early in the third quarter earnings announcements. Still, the graph below shows that stocks are trading down regardless of whether a company beats or misses earnings expectations. In fact, the current quarterly instance is only the second quarter since 2019, in which those companies exceeding expectations are losing ground. In aggregate, market reactions to earnings are the worst this quarter than any in the last five years. Take the analysis with a grain of salt. The market has generally been trading lower over the last two weeks. As such, these stocks may be trading lower with the market and not necessarily earnings results.

## US Earnings Reaction Is Lackluster

Misses underperform by most in four years; beats also lag

■ Median outperformance of beats ■ Median underperformance of misses



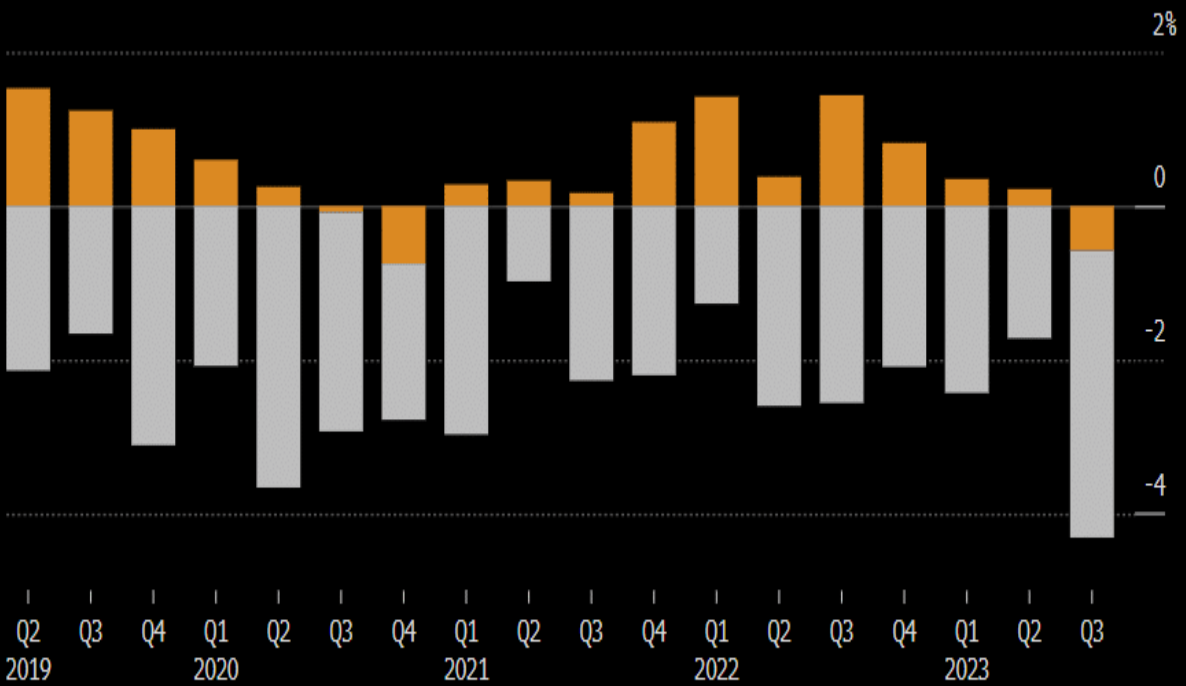
Source: Bloomberg Intelligence  
NOTE: 3Q 2023 is as of Oct. 19

Bloomberg

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Source: Bloomberg Intelligence  
NOTE: 3Q 2023 is as of Oct. 19

Bloomberg



## Chevron Is Buying Hess

On the heels of Exxon's \$60 billion purchase of Pioneer Natural Resources, Chevron is offering Hess shareholders \$53 billion in Chevron stock for its shares. Like Exxon, Chevron is looking to diversify its assets. The more important takeaway from Chevron and Exxon is that they must believe that demand for oil, despite the push for green energy, will remain robust for decades. Taking it a step further, the risk of more restrictions on drilling will also curtail supply, creating a floor on oil prices.

In addition to Hess's shale holdings in North Dakota, Chevron is also very interested in Hess's investment in Guyana. Hess is a one-third partner with Exxon and CNOOC (China) in Guyana's oil wells. Per the Wall Street Journal:

*The biggest prize for Chevron, though, isn't Hess's remaining shale acreage, but its position holding nearly one-third of the estimated 11 billion barrels of oil and gas found off Guyana. Exxon and its partners, Hess and China's Cnooc, have revved up Guyana's oil production from nothing in 2019 to 400,000 barrels a day.*

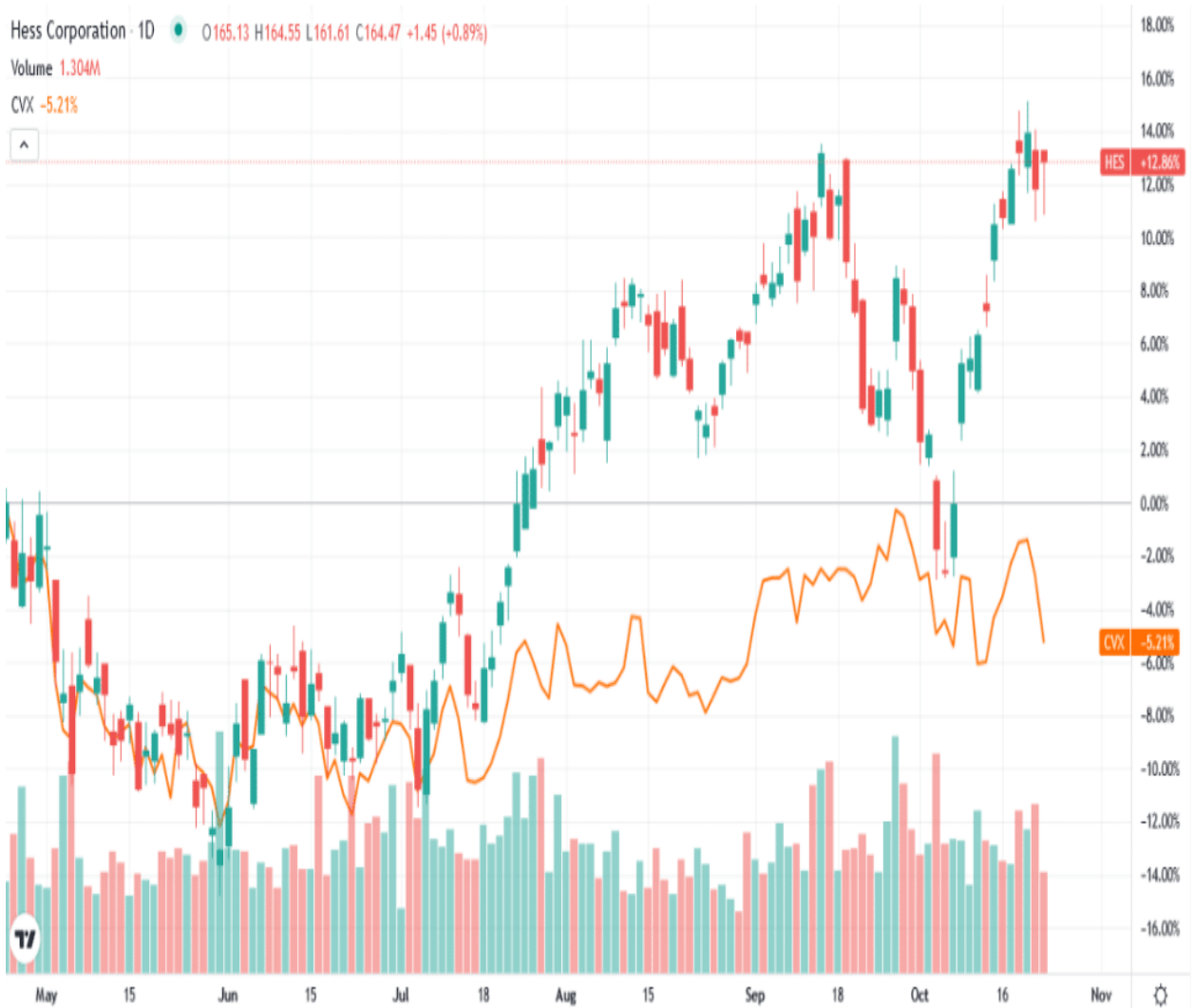
*The partners expect to be pumping 1.2 million barrels a day by 2027, making it one of the world's fastest-ever oil developments. By then, the former British colony will be the source of \$180 billion in market value for the consortium, some analysts have said.*

Despite the news, Hess shares opened flat on the day, and Chevron started the day about 3% lower. Hess shares are up about 12% this past month, while Chevron shares are relatively flat.

Hess Corporation · 1D ● O 165.13 H 164.55 L 161.61 C 164.47 +1.45 (+0.89%)

Volume 1.304M

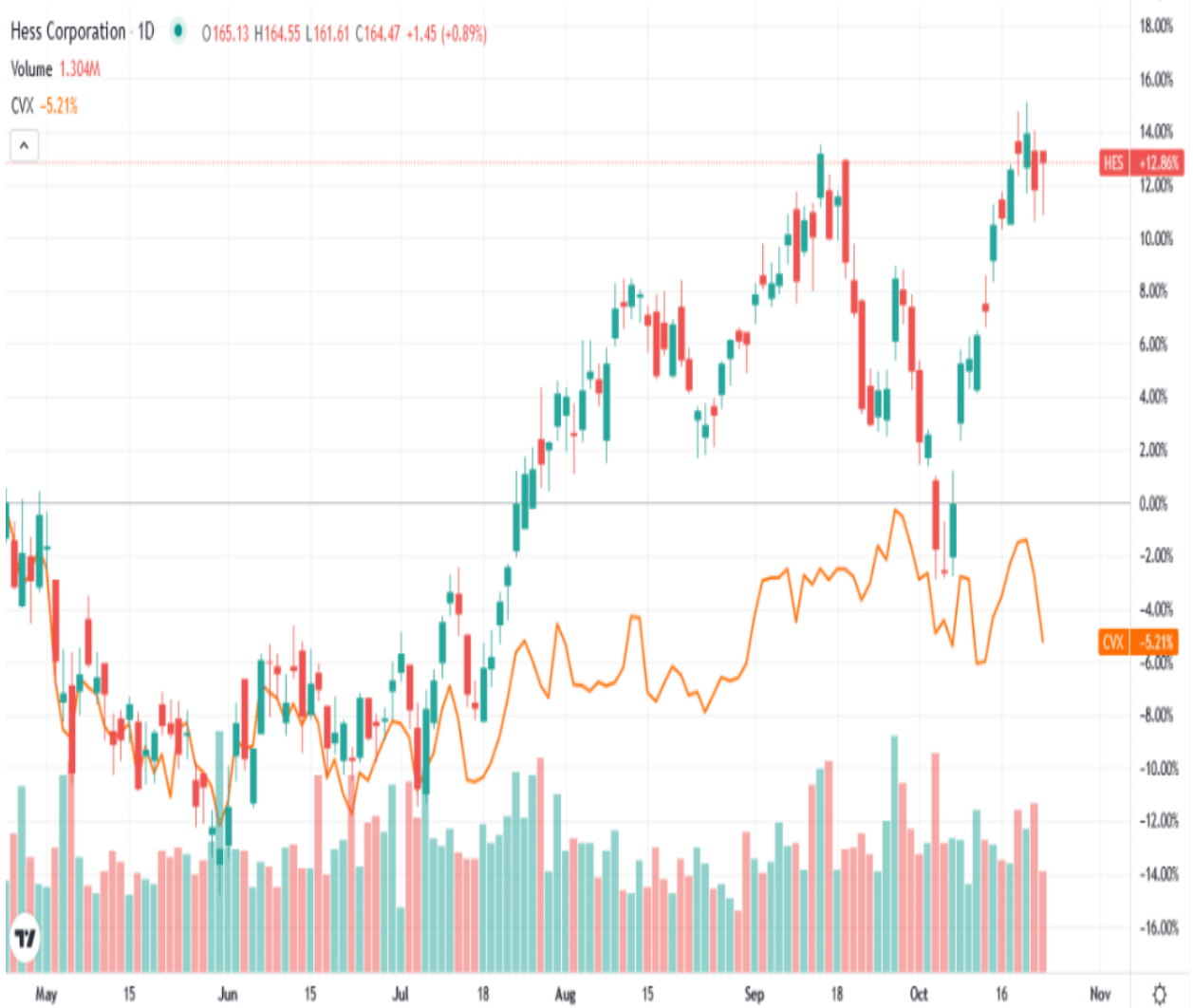
CVX -5.21%



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## Tweet of the Day



**Bill Ackman** ✓

@BillAckman



We covered our bond short.



**Bill Ackman** ✓ @BillAckman · 55m



There is too much risk in the world to remain short bonds at current long-term rates.

59

145

832

136.5K



**Bill Ackman** ✓ @BillAckman · 50m



The economy is slowing faster than recent data suggests.



**Bill Ackman** ✓

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