



## A Second Trump Term Stokes The Inflation Narrative

After Tuesday night's initial election results started to point to increasing odds of a Trump victory, bond yields began to rise sharply, as shown below. The surge in rates was not a sudden move. Over the past month, betting odds favoring a second Trump term and bond yields rose in unison. The narrative emerging from Trump's victory and the market-election betting relationship of the prior few weeks is that a second term for Trump is inflationary. However, what makes such a narrative suspicious is that Trump ran on the platform that he would fix the inflation problem. Furthermore, many exit polls showed that inflation was one of the top voter concerns, likely pushing voters from Harris to Trump.

Interestingly, some other market reactions are at odds with the inflationary narrative. For example, the dollar is soaring on news of Trump's second term. A strong dollar is deflationary as it reduces import prices. Gold, a supposed barometer of inflation and deficit spending, is down over 2%. Furthermore, crude oil is trading about 3% lower. Energy and inflation are highly correlated. Lastly, the interest rate-sensitive, small-cap sector is up much more than the broader S&P 500.

The election and market reactions will make managing monetary policy more challenging for the Fed. Higher interest rates will slow economic activity, thus allowing the Fed to cut further. However, if the Fed believes that a second Trump term is inflationary, it may be lax in cutting rates. We will find out more later today, as the Fed meeting was pushed back a day to accommodate the election.

## U.S. Treasurys

SYMBOL ↕	YIELD ↕	CHANGE ↕
US 1-MO	4.618	+0.004 ▲
US 2-MO	4.611	-0.001 ▼
US 3-MO	4.553	+0.008 ▲
US 4-MO	4.521	+0.018 ▲
US 6-MO	4.449	+0.027 ▲
US 1-YR	4.304	+0.032 ▲
US 2-YR	4.268	+0.065 ▲
US 3-YR	4.244	+0.085 ▲
US 5-YR	4.288	+0.116 ▲
US 7-YR	4.377	+0.148 ▲
US 10-YR	4.445	+0.157 ▲
US 20-YR	4.739	+0.17 ▲
US 30-YR	4.637	+0.187 ▲

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## What To Watch Today

### Earnings

Thursday Nov 7	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
<b>Arista Networks</b> ANET:US		2.08	1.83		1.75B	1.51B	\$130.53B	Q3	AM	★	🔔
<b>Brookfield</b> BAMA:CN			0.73			24.4	\$93.3B	Q3	AM	★	🔔
<b>Airbnb</b> ABNB:US		2.14	6.63		3.72B	3.4B	\$91.71B	Q3	PM	★	🔔
<b>Duke Energy</b> DUK:US		1.74	1.94		8.06B	8B	\$87.28B	Q3	PM	★	🔔
<b>Nippon Telegraph &amp; Telepho</b>	<b>3.34</b>	3.30	3.46		3.31T	3.25T	\$80.05B	Q2	AM	★	🔔
<b>Motorola Solutions Msi</b> MSI:U		3.37	3.19		2.76B	2.56B	\$78.12B	Q3	PM	★	🔔
<b>TransDigm</b> TDG:US		9.29	8.03		2.16B	1.85B	\$76.8B	Q4	PM	★	🔔
<b>EOG Resources</b> EOG:US		2.80	3.44		6B	6.21B	\$72.33B	Q3	AM	★	🔔
<b>Munich RE</b> MUV2:GR		9.30	8.59		17.09B	14.46B	\$68.77B	Q3	PM	★	🔔
<b>Becton, Dickinson and Co.</b> B		3.77	3.42		5.37B	5.1B	\$68.67B	Q4	PM	★	🔔
<b>Air Products &amp; Chemicals</b> AF	<b>3.56</b>	3.48	3.15	3.19B	3.22B	3.19B	\$67.28B	Q4	AM	★	🔔
<b>Fortinet</b> FTNT:US		0.52	0.41		1.48B	1.33B	\$61.05B	Q3	PM	★	🔔
<b>Monster Beverage</b> MNST:US		0.43	0.43		1.91B	1.86B	\$56.23B	Q3	PM	★	🔔
<b>TransCanada</b> TRP:CN		0.96	1.00		3.96B	3.94B	\$49.44B	Q3	PM	★	🔔
<b>Cencora</b> COR:US		3.20	2.86		77.65B	68.9B	\$48.36B	Q3		★	🔔
<b>Petrobras</b> PETR3:BS		2.35	2.05		128.86B	125.68B	\$47.95B	Q3		★	🔔
<b>Square</b> SQ:US		0.88	0.55		6.24B	5.62B	\$46.47B	Q3	PM	★	🔔
<b>PG&amp;E</b> PG:US	<b>0.27</b>	0.33	0.24	5.94B	6.61B	5.89B	\$43.52B	Q3	AM	★	🔔
<b>Datadog</b> DDOG:US		0.40	0.45		665.05M	547.5M	\$42.46B	Q3	AM	★	🔔
<b>Mahindra &amp; Mahindra</b> MM:IN		28.50	29.20		271.04B	246B	\$41.67B	Q2		★	🔔
<b>Grupo Mexico</b> GMEXICO:MM		0.12	0.09				\$39.61B	Q3		★	🔔
<b>Hershey</b> HSY:US		2.56	2.60		3.08B	3.03B	\$36.51B	Q3	PM	★	🔔
<b>Power Grid</b> PWGR:IN		4.28	5.55		115.76B	104.19B	\$35.13B	Q2		★	🔔

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## Economy

Thursday November 07 2024			Actual	Previous	Consensus	Forecast		
08:30 AM	US	Initial Jobless Claims NOV02		216K	221K	221.0K		
08:30 AM	US	Nonfarm Productivity QoQ Prel Q3		2.5%	2.3%	2.6%		
08:30 AM	US	Unit Labour Costs QoQ Prel Q3		0.4%	1%	0.7%		
08:30 AM	US	Continuing Jobless Claims OCT26		1862K	1880K	1865.0K		
08:30 AM	US	Jobless Claims 4-week Average NOV02		236.5K		237.0K		
10:00 AM	US	Retail Inventories Ex Autos MoM SEP		0.5%	0.1%	0.1%		
10:00 AM	US	Wholesale Inventories MoM SEP		0.2%	-0.1%	-0.1%		
10:30 AM	US	EIA Natural Gas Stocks Change NOV01		78Bcf	65Bcf			
11:30 AM	US	4-Week Bill Auction		4.580%				
11:30 AM	US	8-Week Bill Auction		4.555%				
12:00 PM	US	15-Year Mortgage Rate NOV06		5.99%				
12:00 PM	US	30-Year Mortgage Rate NOV-06		6.72%				
02:00 PM	US	Fed Interest Rate Decision		5%	4.75%	4.75%		
02:30 PM	US	Fed Press Conference						
03:00 PM	US	Consumer Credit Change SEP		\$8.93B	\$14.5B	\$ 15.0B		
04:30 PM	US	Fed Balance Sheet NOV06		\$7.01T				
	US	Used Car Prices MoM OCT		-0.5%				
	US	Used Car Prices YoY OCT		-5.3%				

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10:30 AM	US	EIA Natural Gas Stocks Change NOV01		78Bcf	65Bcf			
11:30 AM	US	4-Week Bill Auction		4.580%				
11:30 AM	US	8-Week Bill Auction		4.555%				
12:00 PM	US	15-Year Mortgage Rate NOV06		5.99%				
12:00 PM	US	30-Year Mortgage Rate NOV-06		6.72%				
02:00 PM	US	Fed Interest Rate Decision		5%	4.75%	4.75%		
02:30 PM	US	Fed Press Conference						
03:00 PM	US	Consumer Credit Change SEP		\$8.93B	\$14.5B	\$ 15.0B		
04:30 PM	US	Fed Balance Sheet NOV06		\$7.01T				
	US	Used Car Prices MoM OCT		-0.5%				
	US	Used Car Prices YoY OCT		-5.3%				

## Market Trading Update

A decisive Trump win reverberated throughout the market Wednesday, sending the S&P 500 and the Nasdaq up 2.5 and 3.0%, respectively, with the Dow seeing a 3.6% gain. The small-cap Russell saw an even more significant 5.8% surge.

? The S&P 500 now stands at 5,929 ? a stone?s throw from its next significant milestone of 6000, our current year-end target. The bounce of support at the 50-DMA is a very bullish setup for the market, with the next resistance level being the running trend line support from the August lows. With the MACD ?buy signal? close to triggering, the seasonally strong period of the year is now in place. As noted yesterday, there is little reason to be bearish. Continue to manage risk as always, but portfolio allocations should be near target weightings through year-end.



7 TradingView





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## Treasury Bond Auctions

On Wednesday morning, a reader asked us if the afternoon's 30-year bond auction was partially responsible for pushing yields higher.

The Treasury Department runs its auctions through the largest Wall Street banks they call primary dealers. These primary dealers are required to make markets for all Treasury bonds, facilitate auction orders, and, importantly, bid for auctions. Dealers always "take down" auction bonds at the auction and redistribute them to end investors over the coming days. The dealers' number one goal is profitability.

Accordingly, the banks want to buy bonds cheaply and sell them at higher prices. To help manage the process, they often try to establish a short position on the auction bonds going into the auction. The natural effect of the short selling is lower prices. The process works well over time as many bonds hit the market at once but get distributed to customers over time. However, in the process, volatility is often higher.

The answer to our reader's question is yes. Given the political risks, dealers were probably short more bonds than is typical. However, the auction is not, by any stretch, the primary driver of higher yields.

## Why Is Gold Surging?

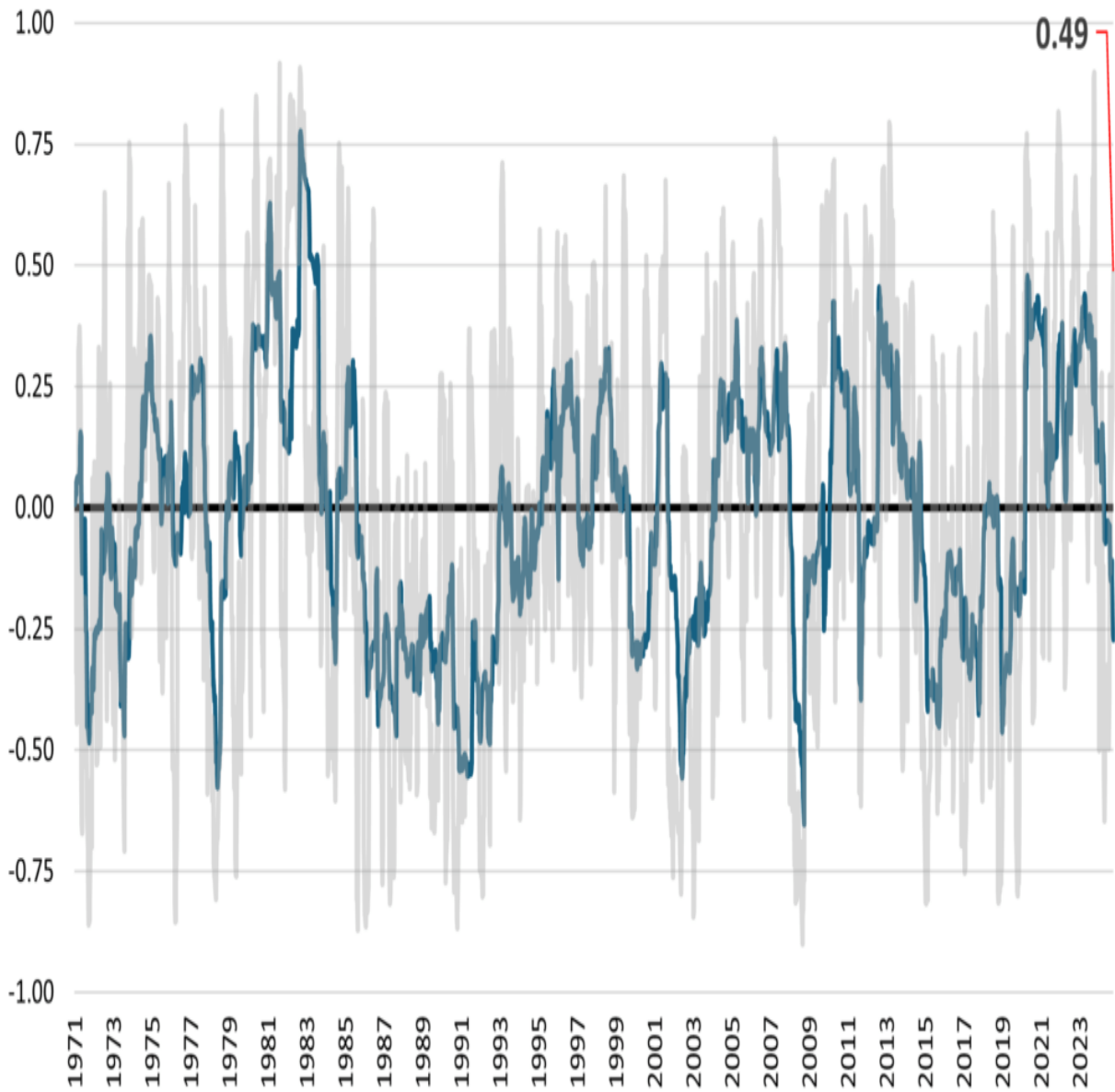
Record deficit spending, soaring money supply, and inflation are among the likely responses we would hear from investors to the question of why gold is surging. Instead of presuming those or other market narratives about gold prices are correct, let's analyze historical correlations between gold and economic and market data.

In addition to helping you better appreciate why gold is surging, our analysis will help you recognize that market narratives explaining asset price movements can be wrong, no matter how reasonable they may seem at first blush.

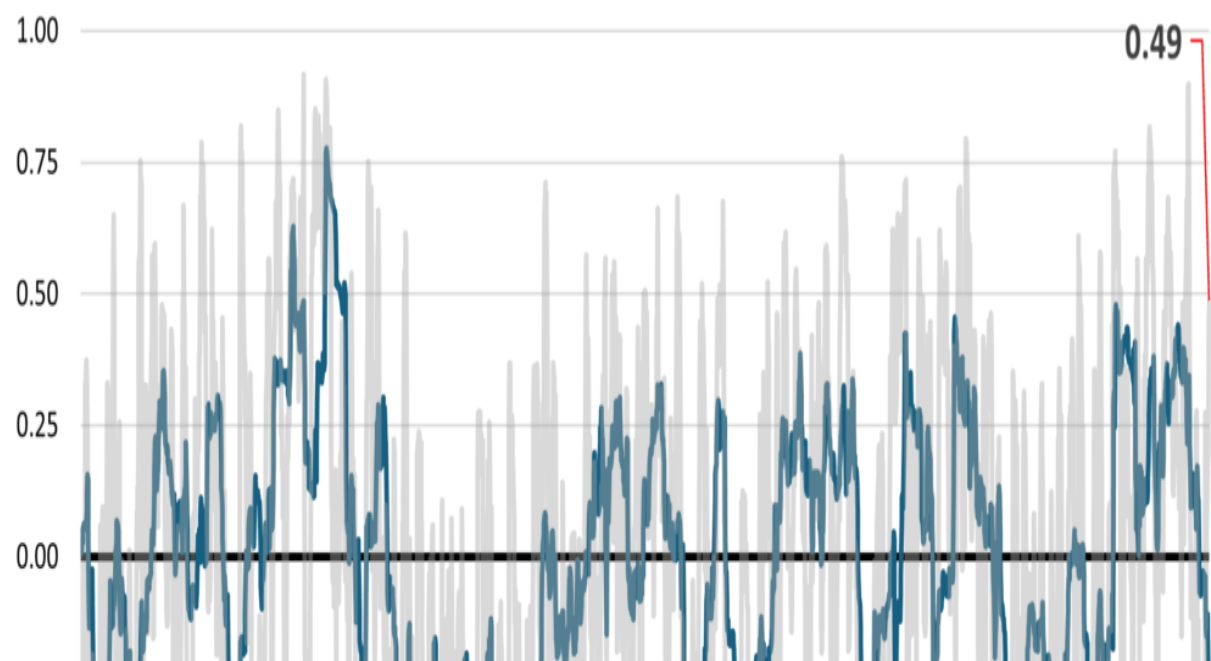
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# 1-Year and 3-Month Correlation Gold & S&P 500



# 1-Year and 3-Month Correlation Gold & S&P 500



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↻ RJR Capital reposted



**KKGB Kitty** ✓

@INArteCarloDoss

...

Everyone's take right now is that under Trump, USTs will go to zero and stocks will go to infinity...

Not sure who forgot to mention that these two markets are priced off of each other...

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