

# A Trucking Recession Amidst An Economic Boom

Charles Dow, the creator of the Dow Jones Industrial Average, also created the Dow Theory. Per Investopedia: *"Dow believed that the stock market as a whole was a reliable measure of overall business conditions within the economy and that by analyzing the overall market, one could accurately gauge those conditions and identify the direction of significant market trends and the likely direction individual stocks would take."* The Dow Transportation Index is an integral part of his theory. With the growing importance of the service sector and technology, transportation holds less economic importance than in Dow's days. However, trucking, rail, shipping, and other sectors are still valid indicators of economic activity. Accordingly, let's dig into J.B. Hunt's (JBHT) recent earnings report. JBHT is the fourth largest trucking company.
































JBHT's third-quarter revenue fell 18% from a year ago, and operating income is down 33% over the same period. Such poor results might lead one to believe the trucking industry is in trouble. Therefore, the economy will falter. However, while the industry is in an admitted "freight recession," trucking is still heavily skewed by the pandemic. As Shelley Simpson, CEO of JBHT, details in the graphic below, the industry continues to deal with the effects of inventory shortages coupled with a boom in demand. Despite the poor results and trucking recession, shares of JBHT are only 5% from recent record highs and almost double that of 2019. In this case, Dow Theory may not be as valuable as times past.






















As you've heard us say since the fourth quarter call earlier this year, we have been in a challenging freight environment or a freight recession, largely driven by excess inventory in the supply chain. Our customers have been working through excess inventory, and as we stated last quarter, we felt like that de-stocking trend started to moderate in June. As we sit here today, we see further evidence of this trend, and most notably in our intermodal business, which is at the forefront of the North American supply chain. To be clear on the overall environment, we are not at a point yet to say we're out of the freight recession, but we do feel like we're coming out of it or said differently. Directionally, we are seeing signs of things moving in a positive direction.

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## **What To Watch Today**

### **Economic Calendar**

Time	Event	Impact	Actual	Dev 	Consensus	Previous	
THURSDAY, OCTOBER 19							
12:30	 <b>USD</b> Continuing Jobless Claims(Oct 6)	<div><div></div></div>	-	-	1.71M	1.702M	
12:30	 <b>USD</b> Initial Jobless Claims(Oct 13)	<div><div></div></div>	-	-	212K	209K	
12:30	 <b>USD</b> Initial Jobless Claims 4-week average(Oct 13)	<div><div></div></div>	-	-	- 206.25K		
12:30	 <b>USD</b> Philadelphia Fed Manufacturing Survey(Oct)	<div><div></div></div>	-	-	-6.6	-13.5	
13:00	 <b>USD</b> Fed's Jefferson speech	<div><div></div></div>			<b>SPEECH</b>		
14:00	 <b>USD</b> Existing Home Sales (MoM)(Sep)	<div><div></div></div>	-	-	3.89M	4.04M	
14:00	 <b>USD</b> Existing Home Sales Change (MoM)(Sep)	<div><div></div></div>	-	-	- -0.7%		
14:30	 <b>USD</b> EIA Natural Gas Storage Change(Oct 13)	<div><div></div></div>	-	-	82B	84B	
15:30	 <b>USD</b> 4-Week Bill Auction	<div><div></div></div>	-	-	- 5.325%		
16:00	 <b>USD</b> Fed's Chair Powell speech	<div><div></div></div>			<b>SPEECH</b>		
17:00	 <b>USD</b> 5-year TIPS Auction	<div><div></div></div>	-	-	- 1.832%		
17:20	 <b>USD</b> Fed's Goolsbee speech	<div><div></div></div>			<b>SPEECH</b>		
20:00	 <b>USD</b> Fed's Bostic speech	<div><div></div></div>			<b>SPEECH</b>		
21:30	 <b>USD</b> Fed's Harker speech	<div><div></div></div>			<b>SPEECH</b>		
23:00	 <b>USD</b> Fed's Logan speech	<div><div></div></div>			<b>SPEECH</b>		

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Earnings Calendar

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
🕒	TSM	Taiwan Semiconductor Manufacturing Company Ltd.	\$471,932,924,372	Sep/2023	\$1.16	3	10/13/2022	\$1.79
☀️	PM	Philip Morris International Inc	\$144,973,517,574	Sep/2023	\$1.61	6	10/20/2022	\$1.53
☀️	UNP	Union Pacific Corporation	\$128,802,476,478	Sep/2023	\$2.45	8	10/20/2022	\$3.19
☀️	T	AT&T Inc.	\$104,232,420,000	Sep/2023	\$0.63	9	10/20/2022	\$0.68
🕒	ISRG	Intuitive Surgical, Inc.	\$96,752,536,854	Sep/2023	\$1.13	6	10/18/2022	\$0.90
☀️	MMC	Marsh & McLennan Companies, Inc.	\$94,295,766,866	Sep/2023	\$1.38	10	10/20/2022	\$1.18
☀️	BX	Blackstone Inc.	\$74,757,936,638	Sep/2023	\$0.99	6	10/20/2022	\$1.06
🕒	CSX	CSX Corporation	\$62,938,573,888	Sep/2023	\$0.42	8	10/20/2022	\$0.52
☀️	FCX	Freeport-McMoran, Inc.	\$52,299,027,672	Sep/2023	\$0.32	6	10/20/2022	\$0.26
☀️	TFC	Truist Financial Corporation	\$39,719,524,886	Sep/2023	\$0.82	9	10/18/2022	\$1.24
☀️	GPC	Genuine Parts Company	\$21,095,184,018	Sep/2023	\$2.40	7	10/20/2022	\$2.23
☀️	NOK	Nokia Corporation	\$19,656,718,540	Sep/2023	\$0.09	6	10/20/2022	\$0.10
☀️	FITB	Fifth Third Bancorp	\$17,233,294,439	Sep/2023	\$0.82	11	10/20/2022	\$0.93
☀️	WSO.B	Watsco, Inc.	\$15,177,427,324	Sep/2023		7	N/A	\$4.03
☀️	WSO	Watsco, Inc.	\$15,074,681,806	Sep/2023	\$4.31	7	10/20/2022	\$4.03
☀️	POOL	Pool Corporation	\$13,754,885,225	Sep/2023	\$3.40	7	10/20/2022	\$4.76
☀️	SNA	Snap-On Incorporated	\$13,707,502,593	Sep/2023	\$4.39	7	10/20/2022	\$4.14
☀️	KEY	KeyCorp	\$10,369,981,655	Sep/2023	\$0.27	9	10/20/2022	\$0.55
🕒	OZK	Bank OZK	\$9,113,425,187	Sep/2023	\$1.44	6	10/20/2022	\$1.08
☹️	RHI	Robert Half Inc.	\$8,242,123,014	Sep/2023	\$0.80	7	10/20/2022	\$1.53
🕒	KNX	Knight Transportation, Inc.	\$8,127,604,660	Sep/2023	\$0.39	8	10/19/2022	\$1.27
☀️	AAL	American Airlines Group, Inc.	\$7,801,159,425	Sep/2023	\$0.26	7	10/20/2022	\$0.69
☀️	EWBC	East West Bancorp, Inc.	\$7,546,738,851	Sep/2023	\$2.01	9	10/20/2022	\$2.08
☀️	WBS	Webster Financial Corporation	\$7,058,405,848	Sep/2023	\$1.50	8	10/20/2022	\$1.46
☹️	UFPI	UFP Industries, Inc.	\$6,221,763,653	Sep/2023	\$2.13	4	10/20/2022	\$2.66
☀️	IRDM	Iridium Communications Inc	\$5,509,732,167	Sep/2023	\$0.03	5	10/20/2022	\$0.02
🕒	WAL	Western Alliance Bancorporation	\$5,200,319,172	Sep/2023	\$1.91	9	10/20/2022	\$2.42
☀️	HOMB	Home BancShares, Inc.	\$4,400,068,116	Sep/2023	\$0.47	3	10/20/2022	\$0.54
☀️	ALK	Alaska Air Group, Inc.	\$4,382,881,854	Sep/2023	\$1.88	7	10/20/2022	\$2.53
☀️	BMI	Badger Meter, Inc.	\$4,099,228,917	Sep/2023	\$0.76	3	10/19/2022	\$0.61
☀️	MAN	ManpowerGroup	\$3,633,802,996	Sep/2023	\$1.34	6	10/20/2022	\$2.21
☹️	FFIN	First Financial Bankshares, Inc.	\$3,588,513,667	Sep/2023	\$0.37	2	10/20/2022	\$0.41
🕒	GBCI	Glacier Bancorp, Inc.	\$3,489,244,778	Sep/2023	\$0.43	5	10/20/2022	\$0.72
☀️	WNS	WNS (Holdings) Limited	\$3,350,437,401	Sep/2023	\$0.82	7	10/20/2022	\$0.74
☹️	ASAI	Sendas Distribuidora S.A.	\$3,116,377,000	Sep/2023	\$0.15	1	10/20/2022	\$0.20
☀️	TCBI	Texas Capital Bancshares, Inc.	\$2,884,368,552	Sep/2023	\$1.03	9	10/19/2022	\$0.74
☹️	BANF	BancFirst Corporation	\$2,829,696,840	Sep/2023	\$1.48	3	10/20/2022	\$1.65
🕒	WDFC	WD-40 Company	\$2,787,300,481	Aug/2023	\$1.21	2	10/19/2022	\$1.08
Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
🕒	TSM	Taiwan Semiconductor						

## Market Trading Update

Despite earnings coming in better than expected, the market continued to wrestle with its current trading range as higher yields weighed on the markets. Consumer Staples, some Healthcare, Energy, and Airlines were the clear winners yesterday, with the rest of the market mostly under pressure. Currently, the market lacks direction, but as we noted yesterday, we continue to see buying on dips, which suggests institutions are beginning to add exposures. We have several Fed speakers today, which could move markets along with another large batch of earnings data, including more regional banks. We will look for stresses that may occur from higher rates in the banking sector. Continue to manage risk accordingly for now.







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## Five-Year Treasury Notes Nearing 5%

The five-year U.S. Treasury note is closing in on a 5% yield. Given the rate suppression of the last decade, a five-year risk-free rate of 5% seems like an incredible opportunity. Is it? To answer our question, we share two graphs below. The first graph shows the spread, or yield difference, between the five-year note and expected inflation and actual inflation stands at 10-plus-year highs. As the three lines show, investors of five-year notes are receiving a 1.50% to nearly 3.00% premium to actual or expected inflation. Since 2010, on average, holders of five notes have

received a discount to each of the three inflation indicators.

The second graph comes from our most recent article [Bond Market Noise Hides Tremendous Opportunity](#). The article discusses our fair value bond model and shows readers that the current deviation from our model is the most in thirty years. We end the article as follows:

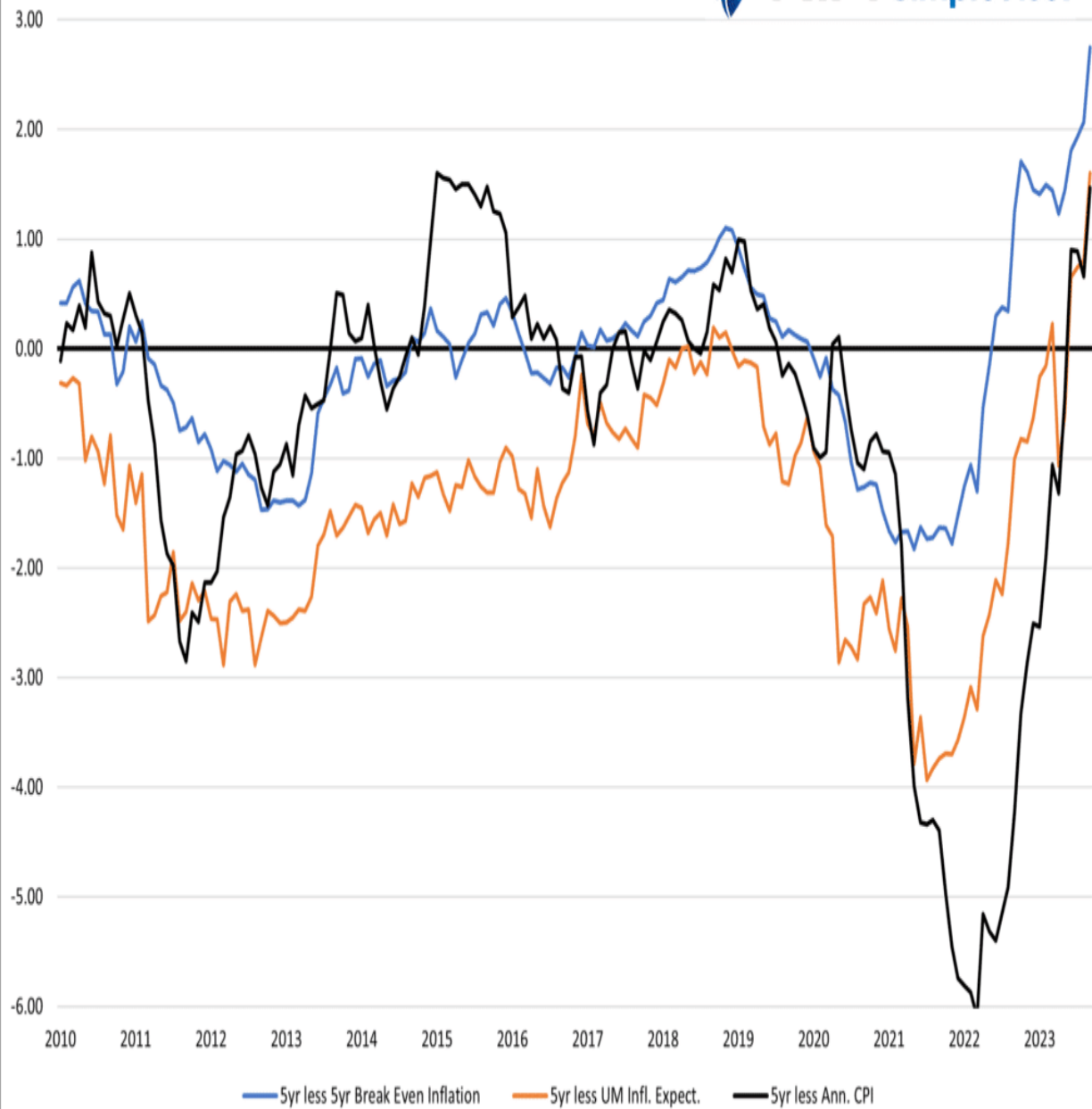
*The noise in the bond market is thunderous these days as inflation is still well above norms, deficits remain high, and the Fed continues to promise higher rates for longer. Noise creates differences between the yield on bonds and their true fair value.*

***Noise is hard to ignore, but it can create tremendous opportunities!***

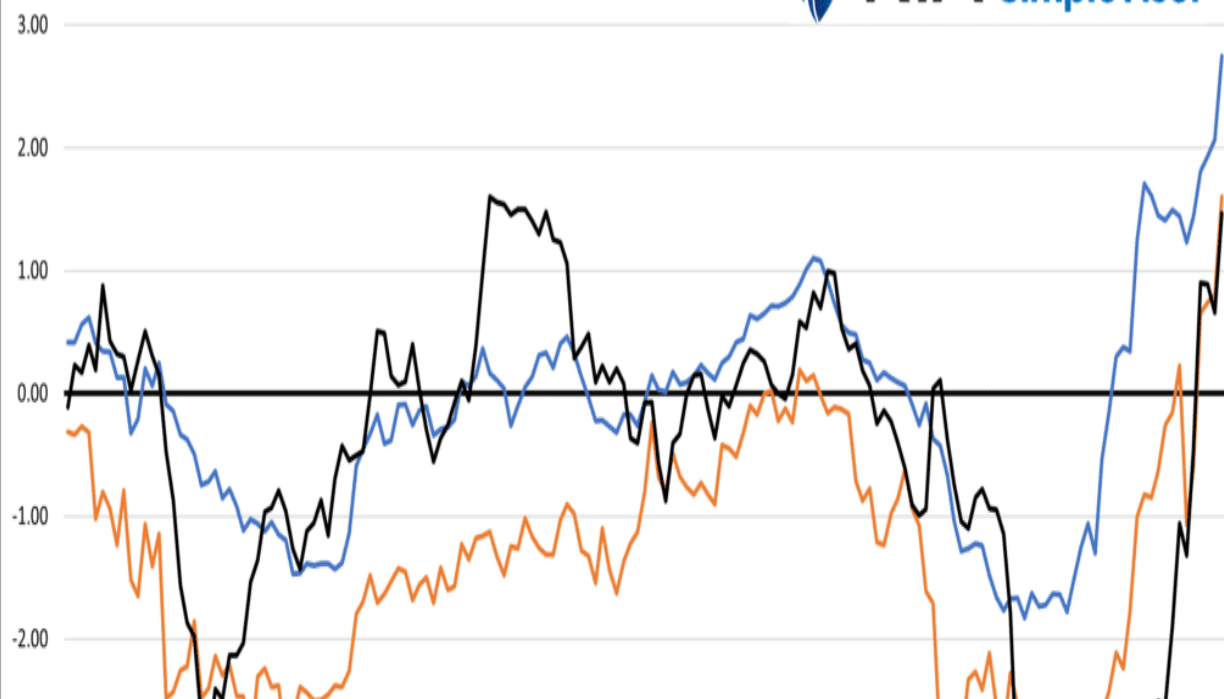
The answer to our original question is yes; bond yields offer an excellent opportunity for those willing and able to look beyond today's high volatility.

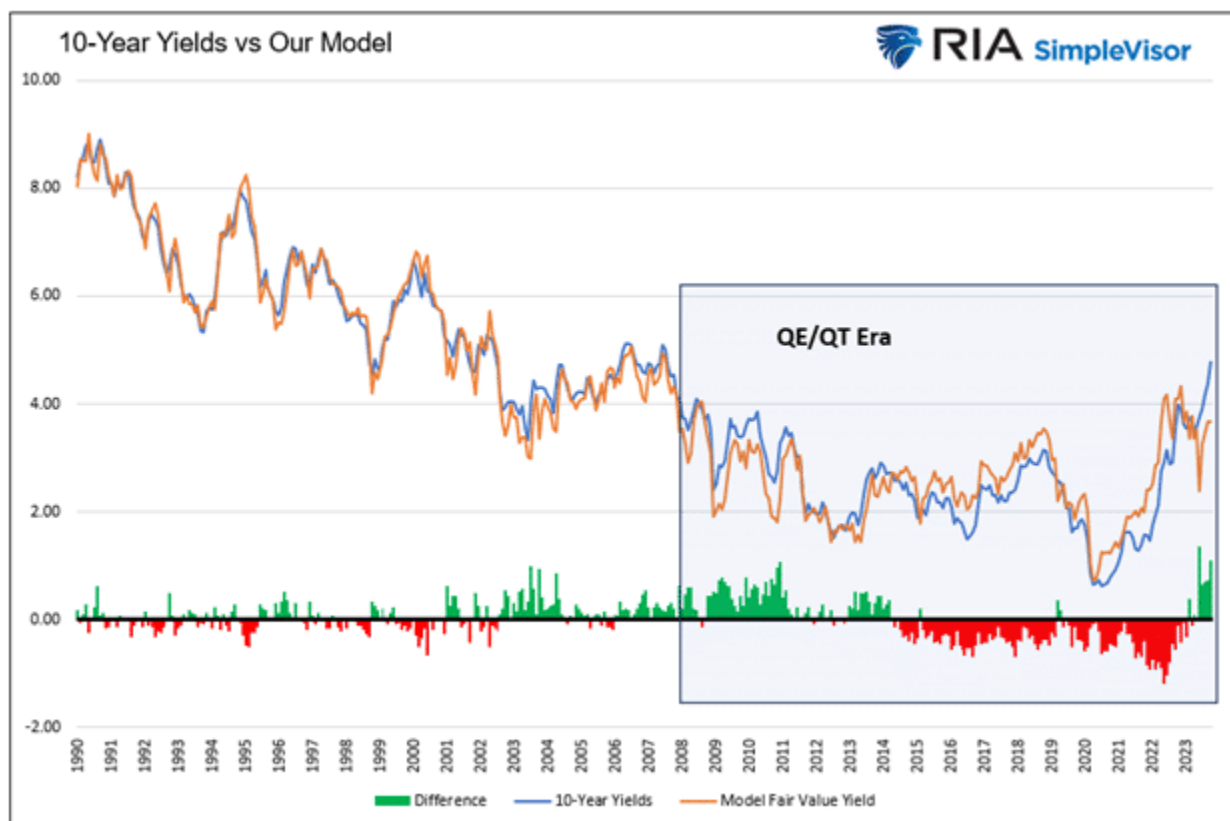
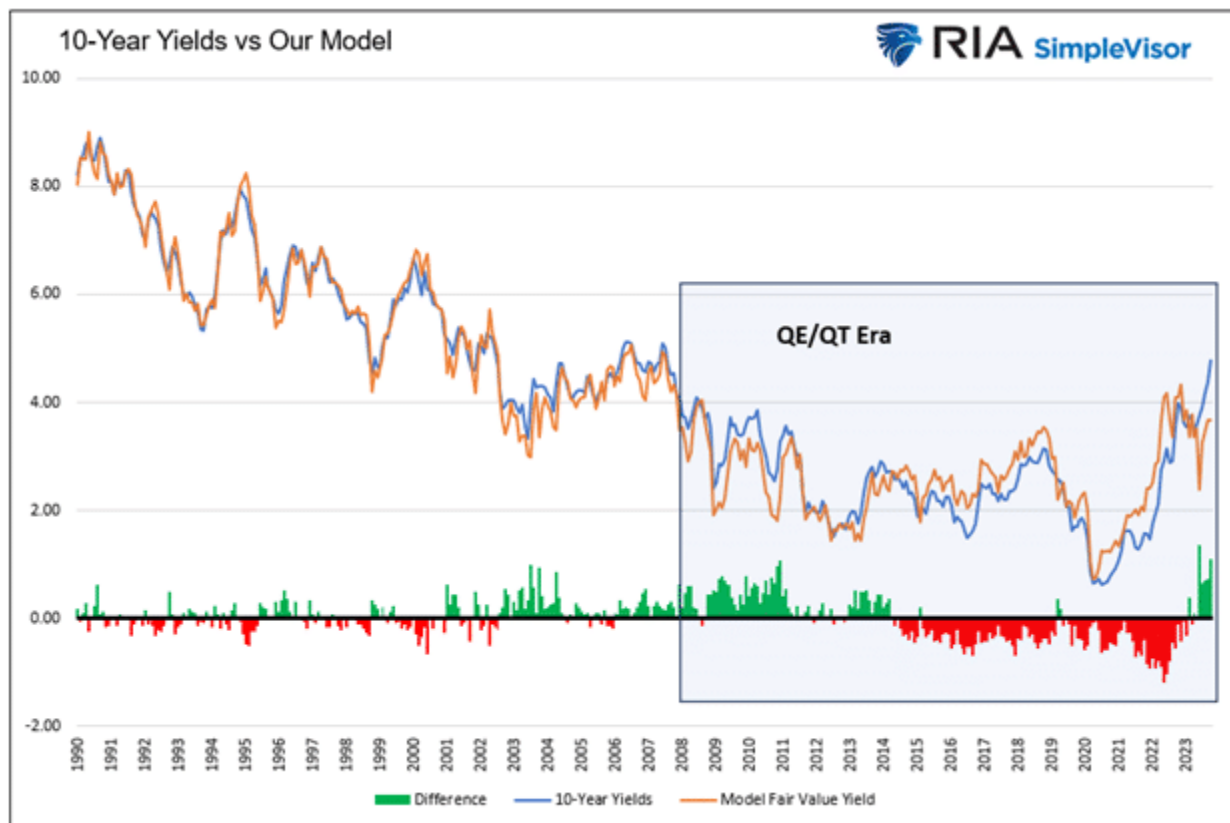


## 5 Year UST Yield Premiums



## 5 Year UST Yield Premiums





## Treasury Bonds Or Houses, Which Is The Better Investment Today?

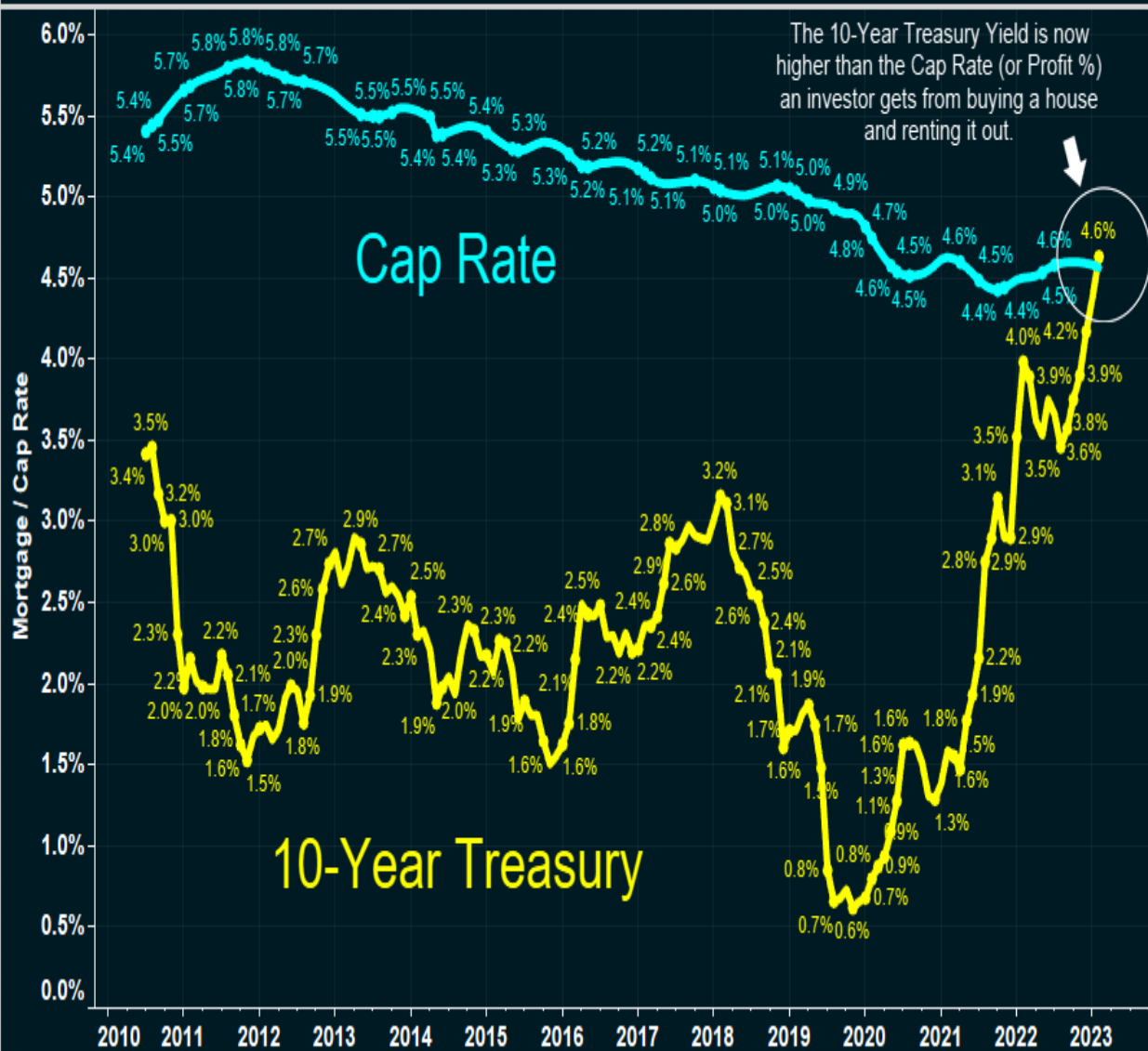
Historically, the answer is almost always a house. Buying and renting a house traditionally yields more income than owning U.S. Treasury bonds. Such should always be the case due to the extra risk involved in home ownership, rental transactions, and other potential financial difficulties accompanying owning and renting a house. Today, however, is not one of those times. The ten-year UST note yield is higher than the median cap rate per Reventure Consulting. The cap rate is a simple calculation measuring net rental income (rent less expenses) by the property value.

Per The Kobeissi Letter:

*It should be no surprise that investor purchases are now down a massive 45% this year.  
As rates continue to rise, investors will continue to scale back.*

## Why Real Estate Investors stopped Buying

Cap Rate v 10-Year Treasury (Source: FRED / Zillow)



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Cap Rate v 10-Year Treasury (Source: FRED / Zillow)



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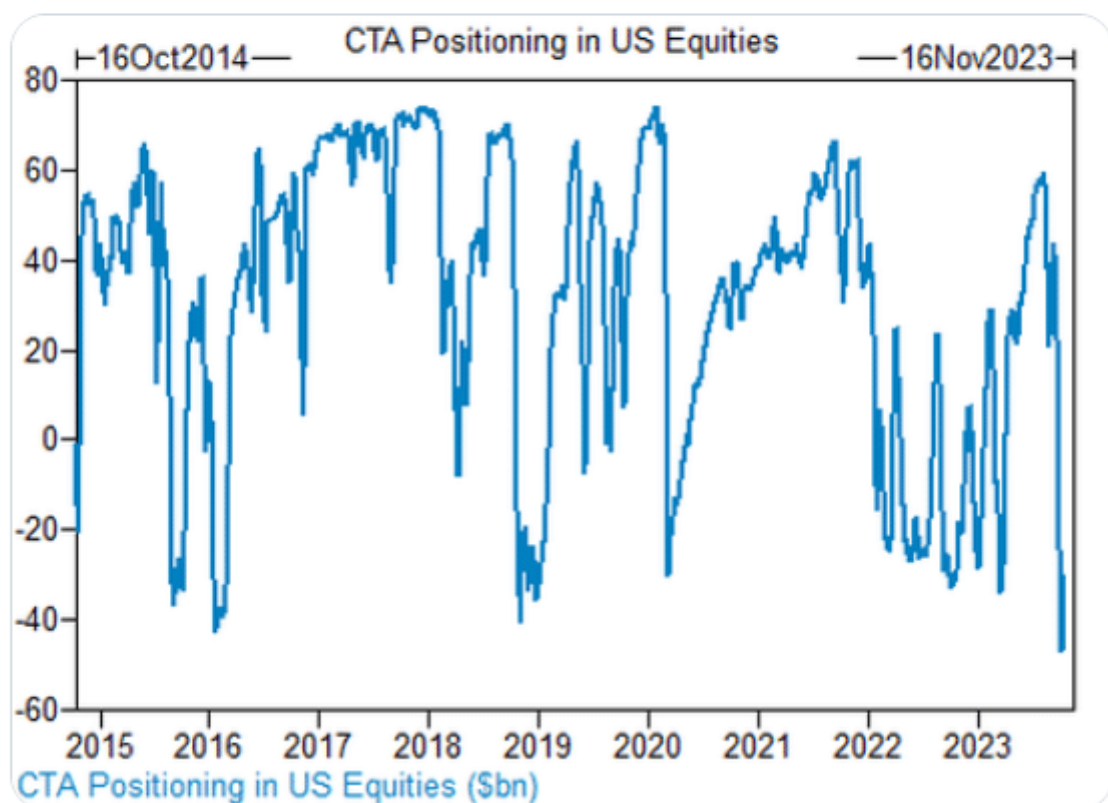
# Tweet of the Day



**Lance Roberts** ✓ @LanceRoberts · 3h

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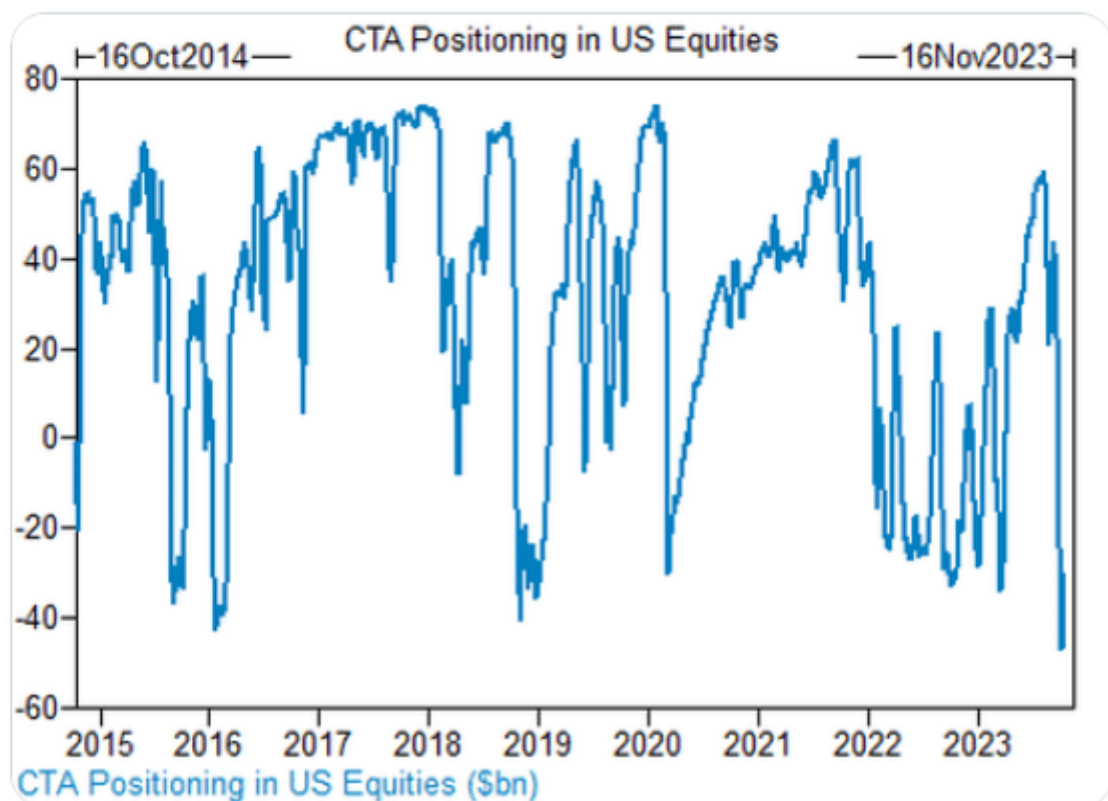
CTA Corner: Goldman has CTAs modeled short -\$82bn of global equities (8th %tile). In the US, CTAs are short -\$30bn of equities after buying \$16bn last week. Per GS model, the CTAs are now buyers of SPX in every scenario over the next week. - @zerohedge



**Lance Roberts** ✓ @LanceRoberts · 3h

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