RIA Advice

America Is Avoiding A Global Recession, So Far

On Thursday morning, Japan and the United Kingdom reported a negative GDP for the second consecutive quarter. A few weeks ago, Germany also reported consecutive quarterly declines in GDP. Accordingly, all three countries are now in a technical recession. To appreciate their role in the global economy, consider Germany is the world?s third-largest economy, and Japan is right behind them in fourth. The United Kingdom is sixth behind India. China, the second largest economy, has seen sluggish economic activity, its property sectors are highly distressed, and its local governments are fiscally constrained. While China is not in a recession, growth is slowing rapidly. Simply, large swaths of the developed world are in a global recession despite a robust economy in America. Most often, economic activity among the most significant global economies and America tends to correlate well. Therefore, we must ask, is this time different? Conversely, are large amounts of U.S. fiscal stimulus and relatively strong credit-driven consumption keeping America afloat for the time being? Is America destined to join the other countries listed above in a recession? Recent data we have shared on the manufacturing sector and small businesses point to a recession, yet broad economic activity remains robust. As we have said, keep an eye on employment trends. America?s recession warning will come when unemployment starts to rise.

	Country/Territory	UN region	IMF[1][13]	
			Forecast	Year
	World	—	**104,476,432**	**2023**
1	United States	Americas	26,949,643	2023
2	China	Asia	17,700,899	[n 1]2023
3	Germany	Europe	4,429,838	2023
4	Japan	Asia	4,230,862	2023
5	India	Asia	3,732,224	2023
6	United Kingdom	Europe	3,332,059	2023

What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▾	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
	TRP	TC Energy Corporation	$38,928,980,000	Dec/2023	$0.79	7	2/14/2023	$0.82
	VMC	Vulcan Materials Company	$32,035,773,605	Dec/2023	$1.36	8	2/16/2023	$1.08
	PKX	POSCO Holdings Inc.	$24,890,665,924	Dec/2023		N/A	1/27/2023	$1.79
	NWG	NatWest Group plc	$23,483,910,122	Dec/2023	$0.20	1	2/17/2023	$0.32
	PPL	PPL Corporation	$19,202,090,333	Dec/2023	$0.38	2	2/17/2023	$0.28
	LBRDA	Liberty Broadband Corporation	$8,737,675,358	Dec/2023		N/A	2/17/2023	$1.26
	LBRDK	Liberty Broadband Corporation	$8,708,462,134	Dec/2023	$2.62	1	2/17/2023	$1.26
	HR	Healthcare Realty Trust Incorporated	$5,747,389,837	Dec/2023	$0.40	7	3/01/2023	$0.42
	DTM	DT Midstream, Inc.	$5,019,220,046	Dec/2023	$0.90	5	2/16/2023	$0.93
	BCPC	Balchem Corporation	$4,601,765,922	Dec/2023	$0.87	2	2/24/2023	$0.66
	POR	Portland General Electric Company	$4,047,989,837	Dec/2023	$0.89	3	2/16/2023	$0.70
	USM	United States Cellular Corporation	$3,602,300,000	Dec/2023	$0	3	2/16/2023	($0.33)
	LPL	LG Display Co., Ltd.	$3,234,653,928	Dec/2023		N/A	2/17/2023	($1.92)
	ABR	Arbor Realty Trust	$2,401,510,919	Dec/2023	$0.46	4	2/17/2023	$0.59
	THS	Treehouse Foods, Inc.	$2,312,093,000	Dec/2023	$0.71	4	2/13/2023	$0.98
	TDS	Telephone and Data Systems, Inc.	$2,121,010,000	Dec/2023	($0.17)	4	2/16/2023	($0.38)
	CNK	Cinemark Holdings Inc	$1,921,959,973	Dec/2023	($0.15)	6	2/24/2023	($0.82)
	B	Barnes Group, Inc.	$1,783,249,590	Dec/2023	$0.35	4	2/17/2023	$0.52
	MMI	Marcus & Millichap, Inc.	$1,482,028,209	Dec/2023		4	N/A	$0.20

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Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, FEBRUARY 16						
13:30	USD Building Permits (MoM)(Jan)		-	-	1.509M	1.493M
13:30	USD Building Permits Change(Jan)		-	-	-	1.8%
13:30	USD Housing Starts (MoM)(Jan)		-	-	1.46M	1.46M
13:30	USD Housing Starts Change(Jan)		-	-	-	-4.3%
13:30	USD Producer Price Index ex Food & Energy (YoY)(Jan)		-	-	1.6%	1.8%
13:30	USD Producer Price Index ex Food & Energy (MoM)(Jan)		-	-	0.1%	-0.1%
13:30	USD Producer Price Index (MoM)(Jan)		-	-	0.1%	-0.2%
13:30	USD Producer Price Index (YoY)(Jan)		-	-	0.6%	1%
14:10	USD Fed's Barr speech			SPEECH		
15:00	USD Michigan Consumer Sentiment Index(Feb) PREL		-	-	80	79
15:00	USD UoM 5-year Consumer Inflation Expectation(Feb) PREL		-	-	-	2.9%
17:10	USD Fed's Daly speech			SPEECH		
18:00	USD Baker Hughes US Oil Rig Count		-	-	-	499
20:30	USD CFTC S&P 500 NC Net Positions		-	-	-	$-233K
20:30	USD CFTC Gold NC Net Positions		-	-	-	$161.7K
20:30	USD CFTC Oil NC Net Positions		-	-	-	161.8K

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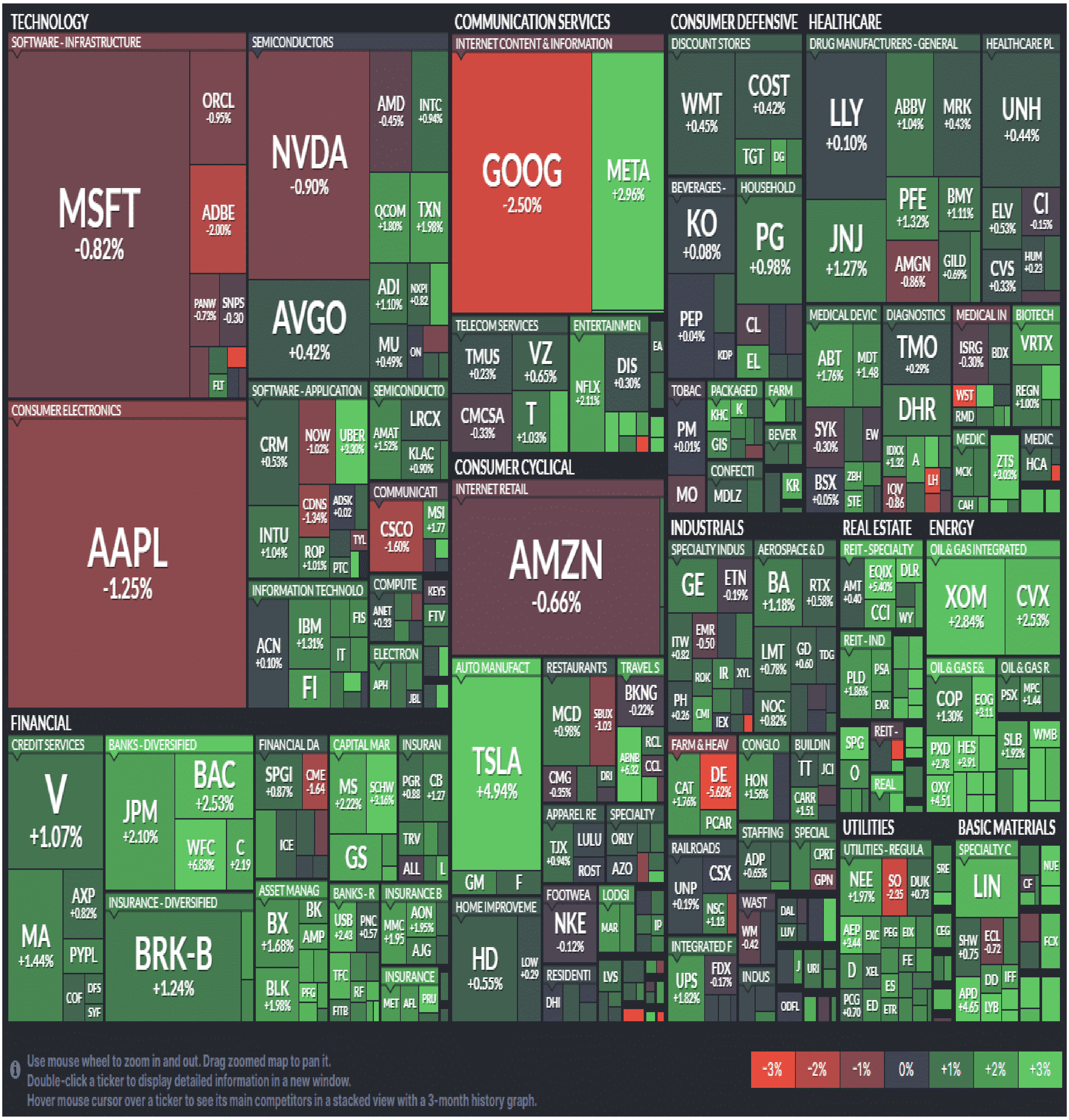
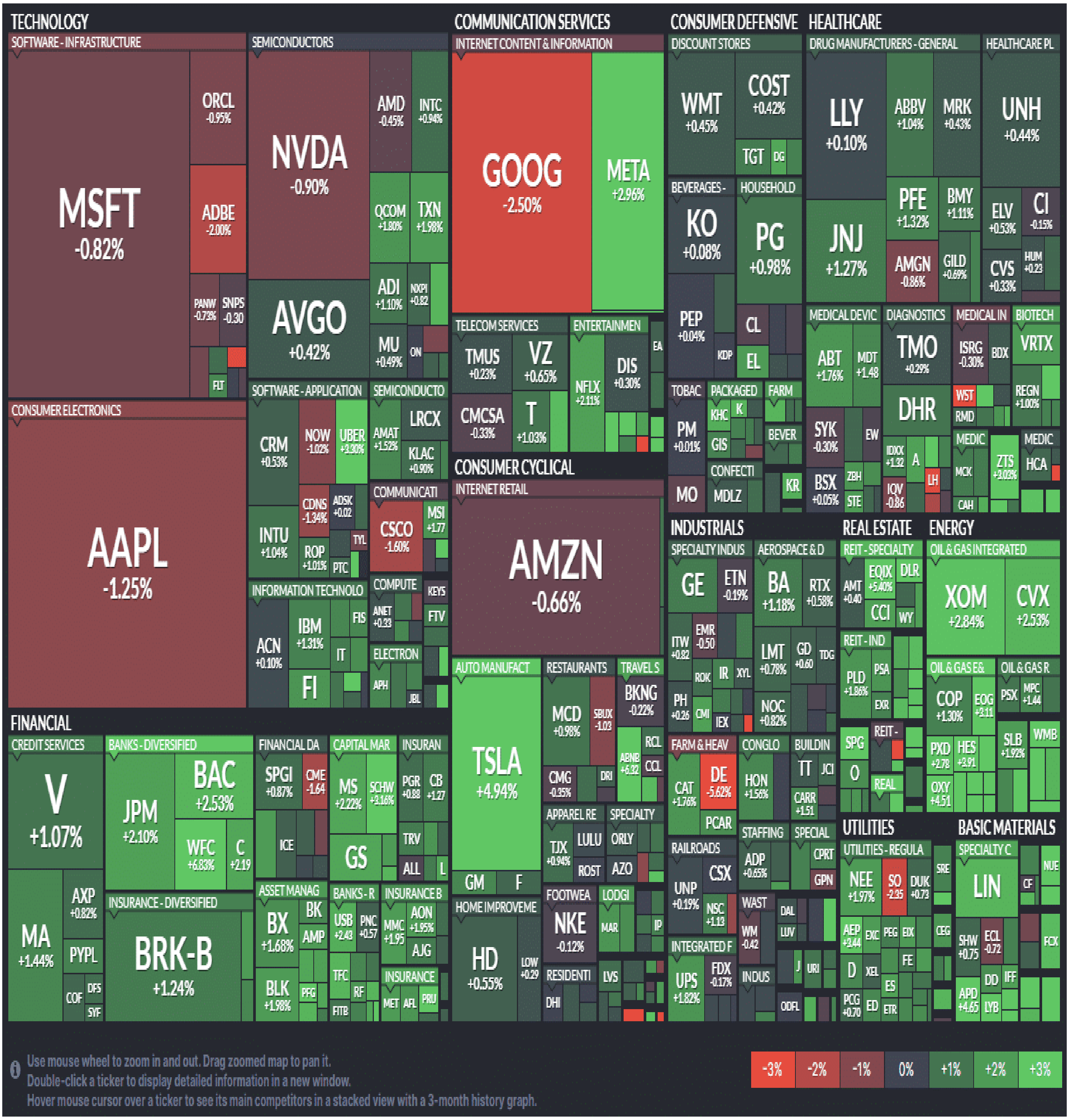
Market Trading Update

Yesterday?s commentary noted that the bullish trend remains intact, with the market holding near-term support. To wit:

> *?The market rebounded off the 20-DMA average yesterday, keeping the bull trend intact for now. The market bounced off the 20-DMA and slightly reduced the overbought condition. Such keeps the current trend positive, keeping equity allocations near full weight. However, the internals continue to weaken, and the market is close to registering a sell signal from an elevated level. Furthermore, the deviation from the 200-DMA remains quite large, likely limiting further upside until a more significant correction occurs to reduce the extension.?*

Such remained the case yesterday, with the rally challenging recent highs. What was notable in that rally was that the *?Magnificent 7?* were NOT in charge. Instead, as shown in the heat map below, Financials, Energy, Healthcare, and Utilities were rising decently.


TECHNOLOGY
SOFTWARE - INFRASTRUCTURE
MSFT -0.82%
ORCL -0.95%
ADBE -2.00%
PANW -0.73%
SNPS -0.30
FTNT
SEMICONDUCTORS
NVDA -0.90%
AMD -0.45%
INTC +0.94%
QCOM +1.80%
TXN +1.98%
AVGO +0.42%
ADI +1.10%
NXPI +0.82
MU +0.49%
ON
CONSUMER ELECTRONICS
AAPL -1.25%
SOFTWARE - APPLICATION
CRM +0.53%
NOW -1.02%
UBER +2.30%
CDNS -1.34%
ADSK +0.02
INTU +1.04%
ROP +1.01%
TYL
PTC
SEMICONDUCTO
AMAT +1.52%
LRCX
KLAC +0.90%
COMMUNICATI
CSCO -1.60%
MSI +1.77
INFORMATION TECHNOLO
ACN +0.10%
IBM +1.31%
FIS
IT
FI
COMPUTE
ANET +0.33
KEYS
FTV
ELECTRON
APH
JBL
COMMUNICATION SERVICES
INTERNET CONTENT & INFORMATION
GOOG -2.50%
META +2.96%
TELECOM SERVICES
TMUS +0.23%
VZ +0.65%
CMCSA -0.33%
T +1.03%
ENTERTAINMEN
NFLX +2.11%
DIS +0.30%
EA
CONSUMER CYCLICAL
INTERNET RETAIL
AMZN -0.66%
AUTO MANUFACT
TSLA +4.94%
GM
F
RESTAURANTS
MCD +0.98%
SBUX -1.03
CMG -0.35%
DRI
TRAVEL S
BKNG -0.22%
RCL
ABNB +6.32
CCL
APPAREL RE
TJX +0.94%
LULU
ROST
SPECIALTY
ORLY
AZO
HOME IMPROVEME
HD +0.55%
LOW +0.29
FOOTWEA
NKE -0.12%
LODGI
MAR
RESIDENTI
DHI
LVS
CONSUMER DEFENSIVE
DISCOUNT STORES
WMT +0.45%
COST +0.42%
TGT
DG
BEVERAGES -
KO +0.08%
PEP +0.04%
KDP
HOUSEHOLD
PG +0.98%
CL
EL
TOBAC
PM +0.01%
MO
PACKAGED
KHC
K
GIS
FARM
BEVER
CONFECTI
MDLZ
KR
HEALTHCARE
DRUG MANUFACTURERS - GENERAL
LLY +0.10%
ABBV +1.04%
MRK +0.43%
JNJ +1.27%
PFE +1.32%
BMY +1.11%
AMGN -0.86%
GILD +0.69%
HEALTHCARE PL
UNH +0.44%
ELV +0.53%
CI -0.15%
CVS +0.33%
HUM +0.23
MEDICAL DEVIC
ABT +1.76%
MDT +1.48
SYK -0.30%
EW
BSX +0.05%
ZBH
STE
DIAGNOSTICS
TMO +0.29%
DHR
IDXX +1.32
A
IQV -0.86
LH
MEDICAL IN
ISRG -0.30%
BDX
WST
RMD
BIOTECH
VRTX
REGN +1.00%
MEDIC
MCK
CAH
ZTS +3.03%
MEDIC
HCA
INDUSTRIALS
SPECIALTY INDUS
GE
ETN -0.19%
ITW +0.82
EMR -0.50
ROK
IR
XYL
PH +0.26
CMI
IEX
AEROSPACE & D
BA +1.18%
RTX +0.58%
LMT +0.78%
GD +0.60
TDG
NOC +0.82%
FARM & HEAV
CAT +1.76%
DE -5.62%
PCAR
CONGLO
HON +1.56%
BUILDIN
TT
JCI
CARR +1.51
RAILROADS
UNP +0.19%
CSX
NSC +1.13
STAFFING
ADP +0.65%
SPECIAL
CPRT
GPN
WAST
WM -0.42
DAL
LUV
INTEGRATED F
UPS +1.82%
FDX -0.17%
INDUS
J
URI
ODFL
REAL ESTATE
REIT - SPECIALTY
AMT +0.40
EQIX +5.40%
DLR
CCI
WY
REIT - IND
PLD +1.86%
PSA
EXR
SPG
REIT -
O
REAL
ENERGY
OIL & GAS INTEGRATED
XOM +2.84%
CVX +2.53%
OIL & GAS E&
COP +1.30%
EOG +3.11
OIL & GAS R
PSX
MPC +1.44
PXD +2.78
HES +3.91
OXY +4.51
SLB +1.92%
WMB
UTILITIES
UTILITIES - REGULA
NEE +1.97%
SO -2.35
DUK +0.73
SRE
AEP +3.44
EXC
PEG
EIX
FE
D
XEL
ES
PCG +0.70
ED
ETR
BASIC MATERIALS
SPECIALTY C
LIN
CF
NUE
CEG
SHW +0.75
ECL -0.72
FCX
APD +4.65
DD
IFF
LYB
FINANCIAL
CREDIT SERVICES
V +1.07%
MA +1.44%
AXP +0.82%
PYPL
COF
DFS
SYF
BANKS - DIVERSIFIED
JPM +2.10%
BAC +2.53%
WFC +6.83%
C +2.19
INSURANCE - DIVERSIFIED
BRK-B +1.24%
FINANCIAL DA
SPGI +0.87%
CME -1.64
ICE
CAPITAL MAR
MS +2.22%
SCHW +3.16%
GS
INSURAN
PGR +0.88
CB +1.27
TRV
ALL
L
ASSET MANAG
BX +1.68%
BK
AMP
BLK +1.98%
PFG
BANKS - R
USB +2.43
PNC +0.57
TFC
RF
FITB
INSURANCE B
MMC +1.95
AON +1.95%
AJG
INSURANCE
MET
AFL
PRU
Use mouse wheel to zoom in and out. Drag zoomed map to pan it.
Double-click a ticker to display detailed information in a new window.
Hover mouse cursor over a ticker to see its main competitors in a stacked view with a 3-month history graph.
-3%
-2%
-1%
0%
+1%
+2%
+3%



While this was not enough to reverse recent breadth issues, seeing some rotation in the markets was encouraging. This is a healthy change. As we have discussed recently, two ways exist to correct some of the more egregious overbought conditions in the market. The first is a correction that reverses the price. The second is a consolidation, where a rotation from leaders to laggards works off some of the overbought issues. It is too early to tell if a rotational consolidation is in process; yesterday?s action was encouraging. Notably, mid-cap stocks, which got slaughtered on Tuesday, reversed all those losses and set a new high for the week. We are watching mid-caps closely, which are currently extremely overbought but are lagging performance relative to the S&P. Mid-caps are close to potentially setting a new all-time high to join their large-cap brethren. If such is the case, we will look to increase our exposure to some of those names.

TradingView

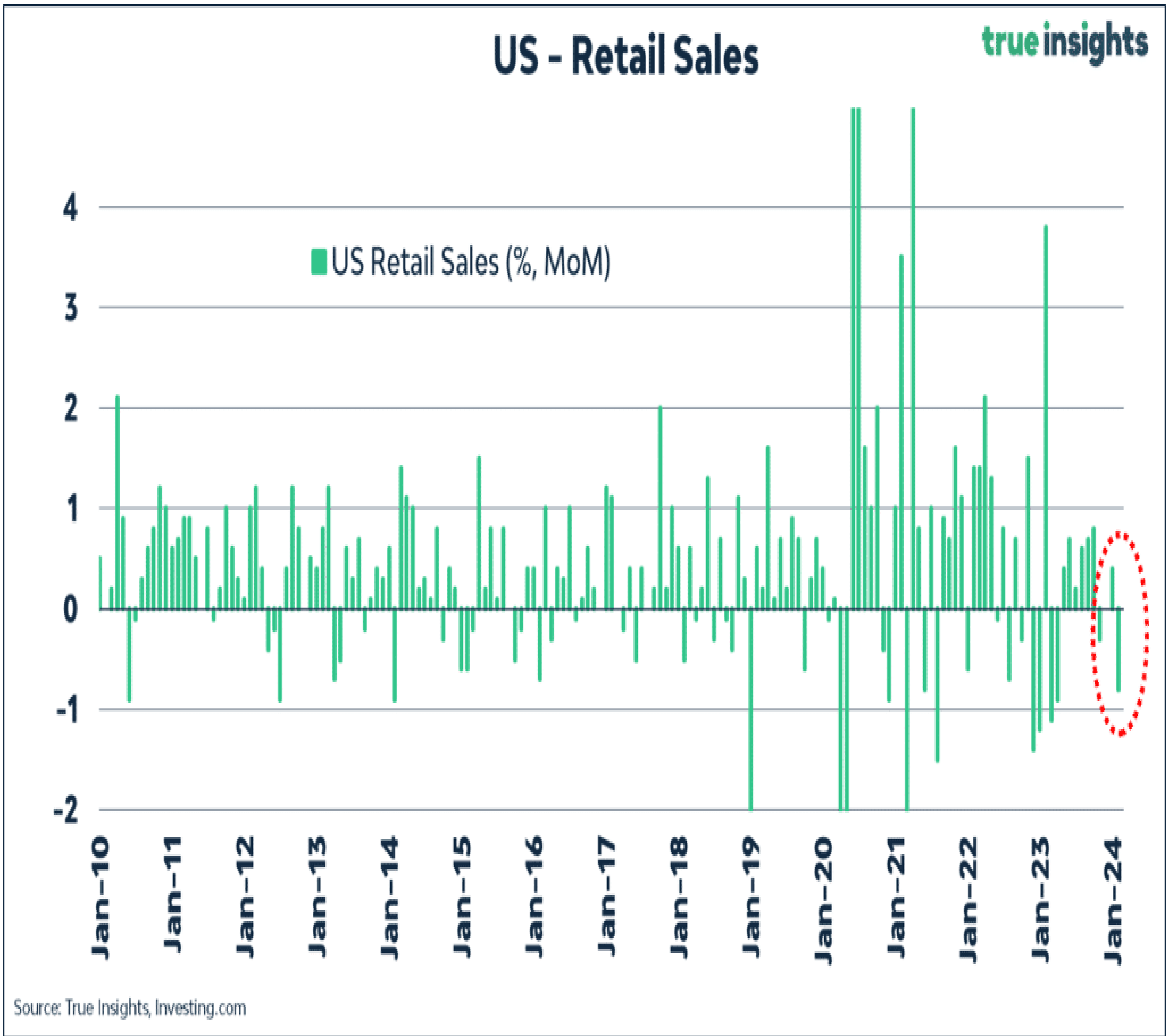
Retail Sales

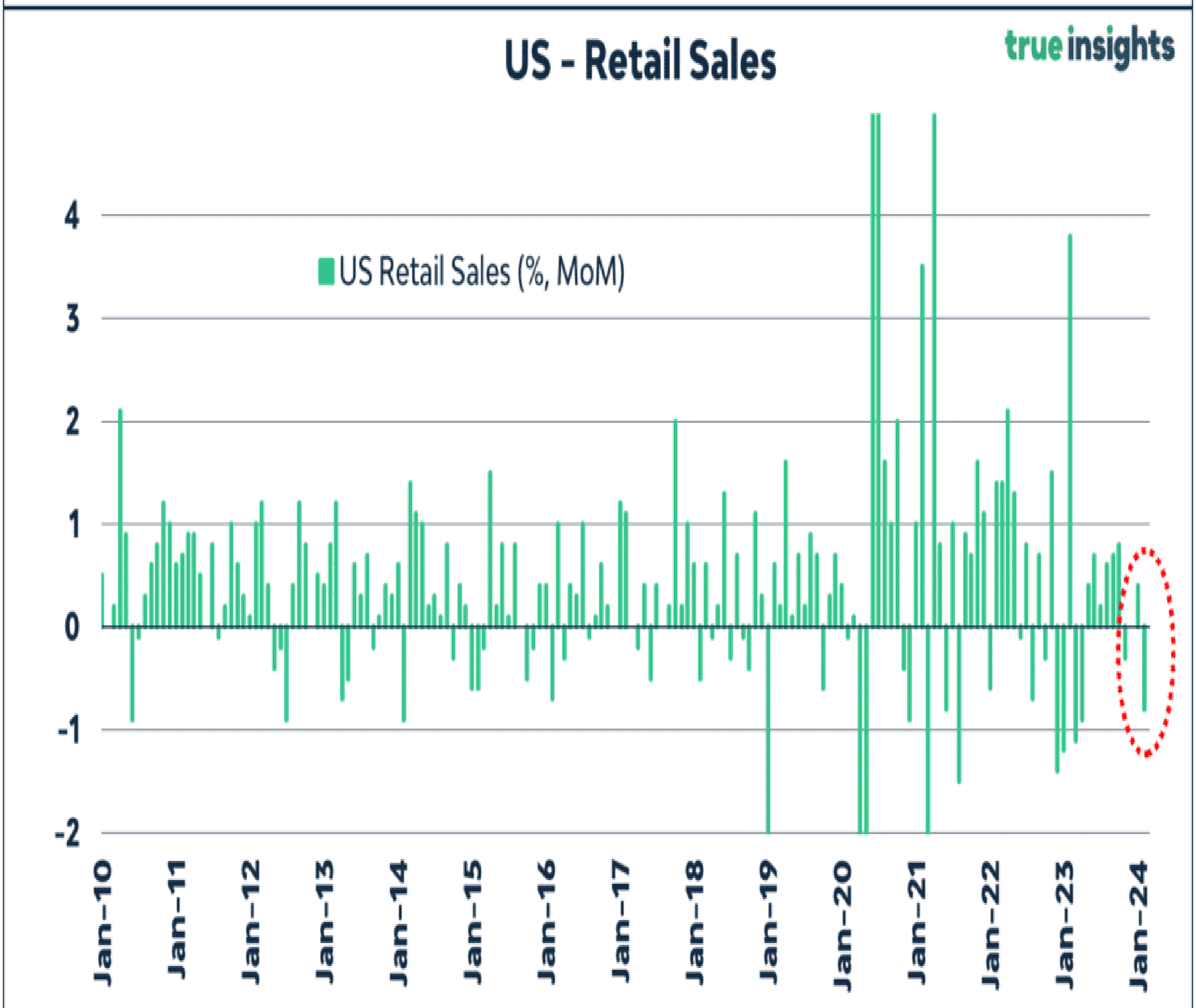
January retail sales fell 0.8%, worse than the consensus estimate of a 0.1% decline. Last month?s red hot gain of +0.8% was revised lower to +0.4%. Retail Sales, excluding automobile sales, were -

0.6% versus estimates of an increase of +0.3%. The control number, which feeds GDP, was -0.4%. The following summary is courtesy of Pantheon Macro:

> *This report is remarkably downbeat, with an unexpectedly sharp plunge in total sales, significant downward revisions .. and only a few signs of light in the details. .. Are consumers starting to tire??*

While drawing assumptions from the report is easy, we offer caution. December and January data are skewed due to the holidays and the seasonal adjustments made to the data. We want to see a few more months of weak consumer activity before declaring consumers are starting to tire.


US - Retail Sales
true insights
US Retail Sales (%, MoM)
4
3
2
1
0
-1
-2
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Jan-23
Jan-24
Source: True Insights, Investing.com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Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Jan-23
Jan-24

Answering A Reader Question On Rent Inflation

A reader asked if we could further detail why CPI rent prices are flawed and why that is an important reason that we (RIA) are not worrying about Tuesday?s CPI data. Shelter costs (OER and actual Rent) are the most crucial variable in the CPI?s largest category. Therefore it is the most significant driver of inflation. CPI shelter prices are well above market prices. The reason is the lag embedded in the BLS calculations. Further, the BLS imputes rents in its owner?s equivalent rent (OER), which can be faulty due to seasonal effects. CPI Rent lags market rents because it doesn?t fully factor in today?s actual rents for new lease signings. Instead, it measures the change in rent among all renters. Given most rents expire annually, over 90% of renters in any month are un-expiring leases. Accordingly, their rent doesn?t change. Also consider the CPI surveys the same renters once every six months. Therefore, if your rent changes a month after the last survey, the new rent is not captured for five months. The first graph below shows the BLS measurement of new tenant rental inflation, which is down over 4% from a year ago. Unfortunately, the BLS only publishes this data every six months. The next report will be in April. The second graph shows the downward trend in the CPI?s measure of rent inflation. The third graph is from Ian Shepherdson. Clearly, OER (imputed rent) is askew from actual rental prices and the BLS rent measure. The bottom line is that we think the lag effect and the odd OER data account for the increase. When they correct, CPI will fall accordingly.

Different measures of rental inflation

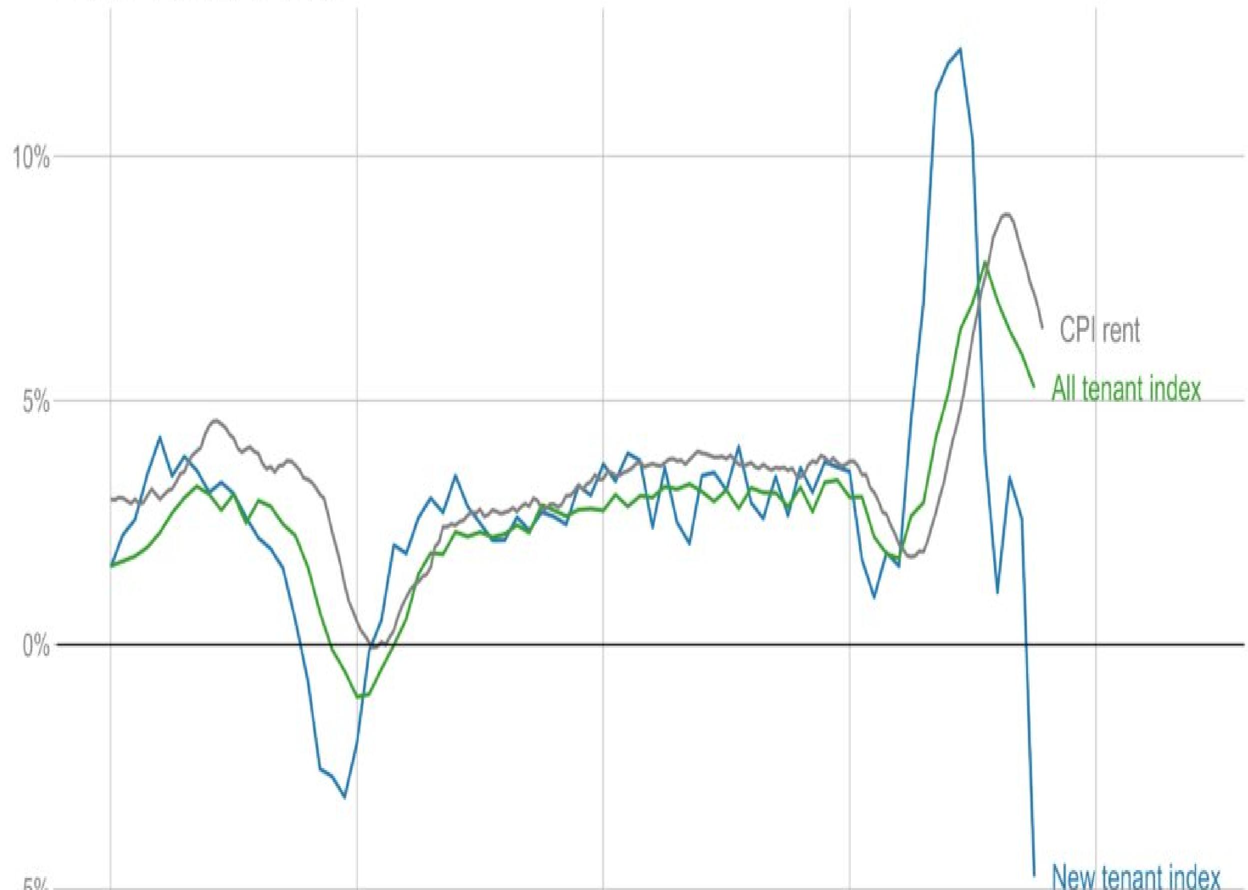
Change from a year earlier

Note: 'New tenant index' is New Tenant Rent Index; 'all tenant index' is All Tenant Regressed Rent Index; 'CPI rent' is 'rent of primary residence.'

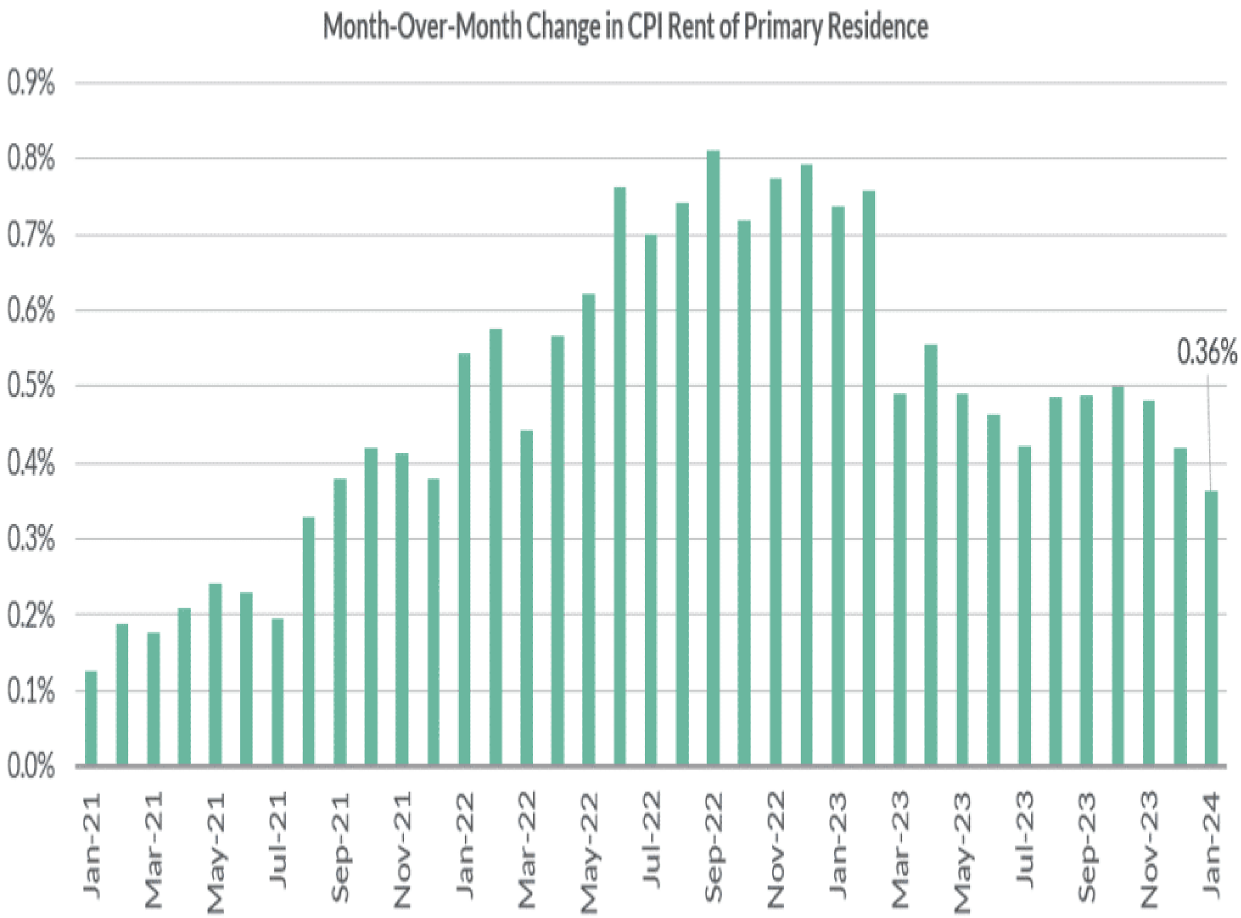
Source: Bureau of Labor Statistics

Different measures of rental inflation

Change from a year earlier



Month-over-month CPI Rent inflation drops to lowest level since summer 2021



Sources: Federal Reserve Economic Data (FRED) & BLS

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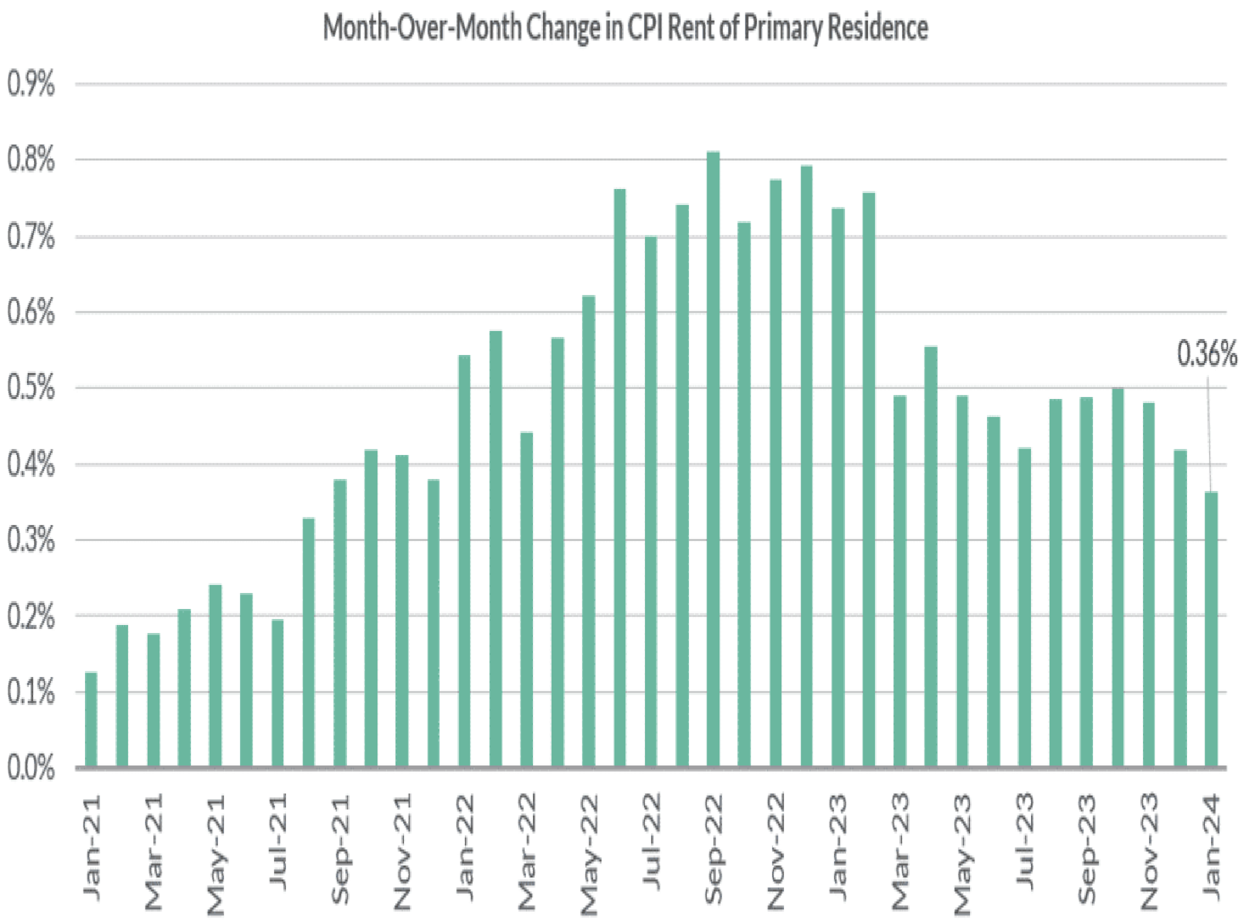

- Zillow observed rent index, m/m%, advanced 13 months (Left)
- CPI primary rent, m/m% (Right)
- CPI owners' equivalent rent, m/m% (Right)

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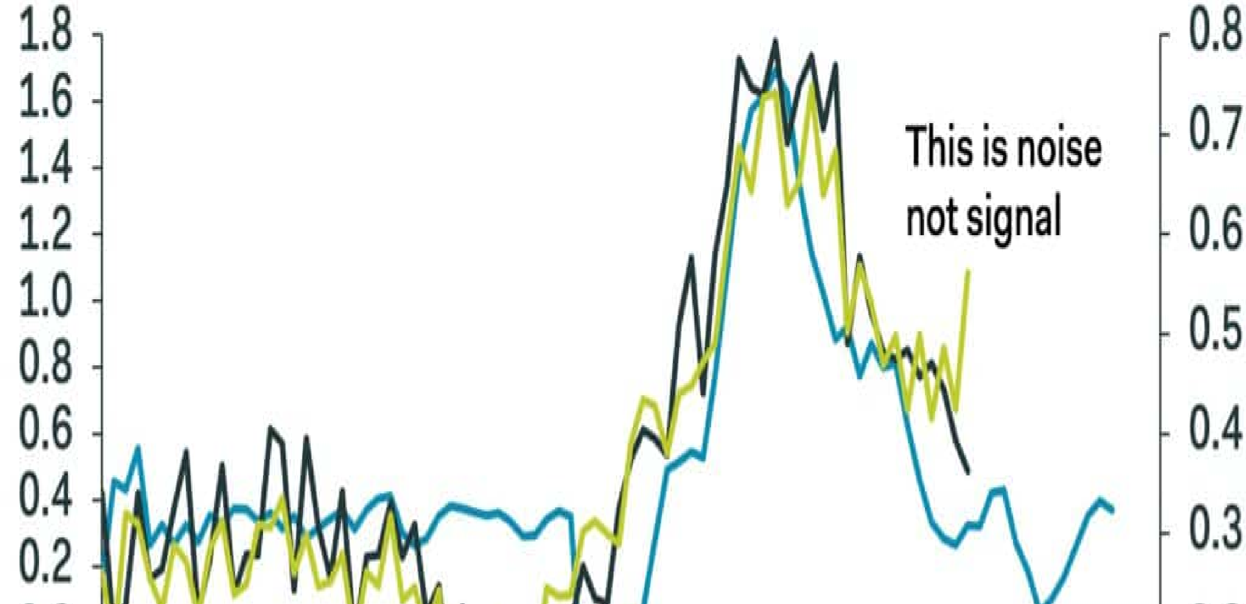
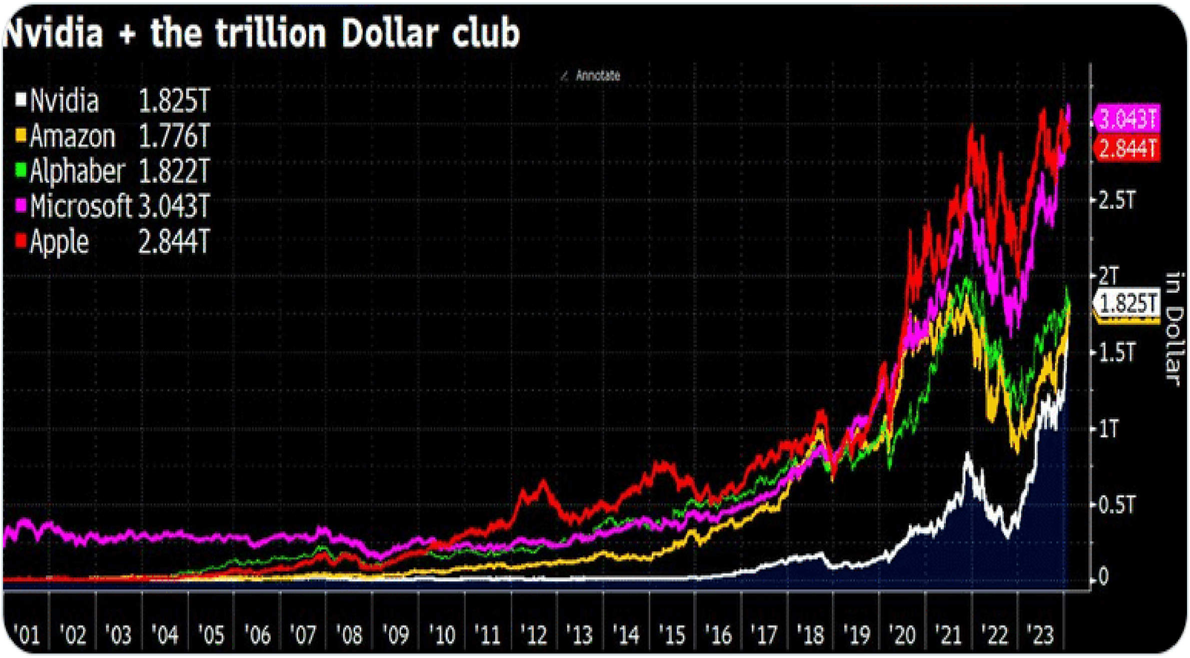


Tweet of the Day

Lance Roberts @LanceRoberts

$NVDA going for the #1 spot.
NVDA would need to hit ~$1,150 to surpass #AAPL in market cap. $1230 to surpass $MSFT and take over as the largest stock in the world.
NVDA is currently 60% above its 200-day moving average. If it would reach the same level of overbought that TSLA reached in end 2020/early 2021 of 120% above it would be the largest company in the world.
h/t @themarketear



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?Want to have better long-term success in managing your portfolio? Here are our 15-trading rules for managing market risks.?

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2024/02/16

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