



Bank Profit Margins At Risk

The yield curve is often used as a proxy for bank profit margins. The logic is that banks tend to borrow short-term and lend for longer terms. Therefore the difference between a bank's short-term borrowing rate and long-term lending rates approximates its profit margins. As we have discussed numerous times, the yield curve has inverted to levels last seen in the early 1980s. At first blush, the inversion should be horrendous for bank profit margins. That is not the case.

Fortunately, at least for banks, a good percentage of deposits, representing about 85% of bank borrowing, has been near zero percent while lending rates zoomed higher. That large margin may be ending. As the graph below shows, deposits at commercial banks are falling for the first time since at least 1975. According to Bloomberg, 1948 was the last year deposits declined. Banks will have to offer more competitive rates to hold onto their deposits. Therefore, bank profit margins are likely to shrink. Further, bank lending standards will continue to tighten as banks have fewer deposits to meet reserve and capital requirements.

★ Deposits, All Commercial Banks (DPSACBW027SBOG)

[DOWNLOAD](#)

Observation:

2023-02-22: 17,641.6327 (+ more)

Updated: Mar 3, 2023

Units:

Billions of U.S. Dollars,
Seasonally Adjusted

Frequency:

Weekly,
Ending Wednesday

1Y | 5Y | 10Y | Max

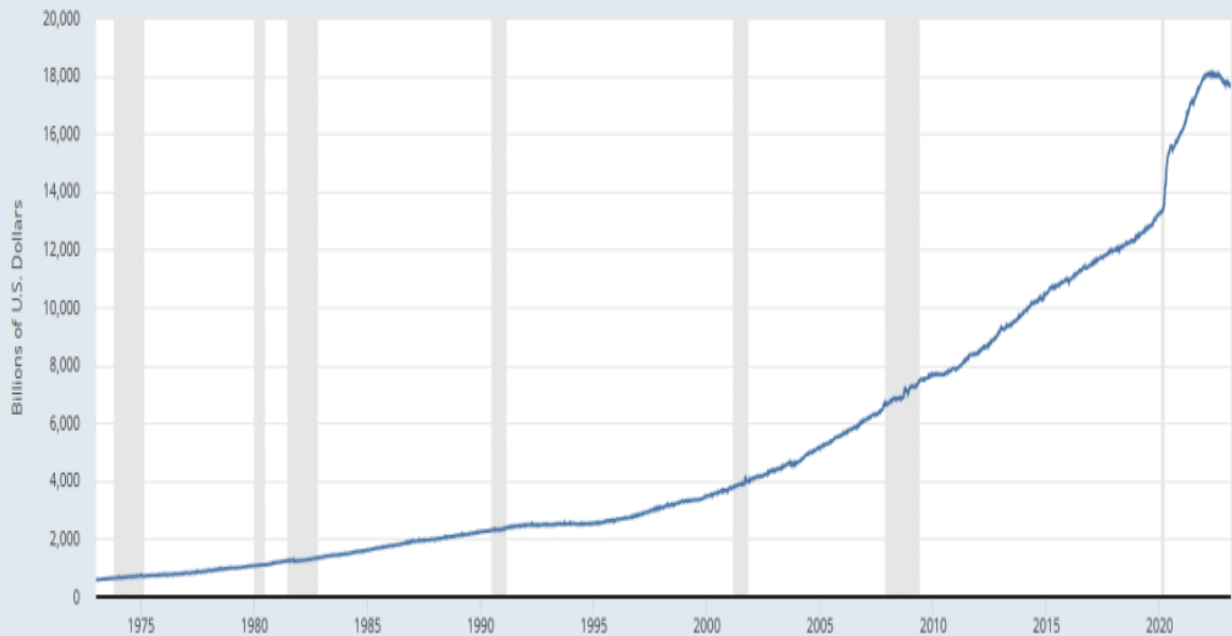
1973-01-03

to

2023-02-22

[EDIT GRAPH](#)

FRED — Deposits, All Commercial Banks



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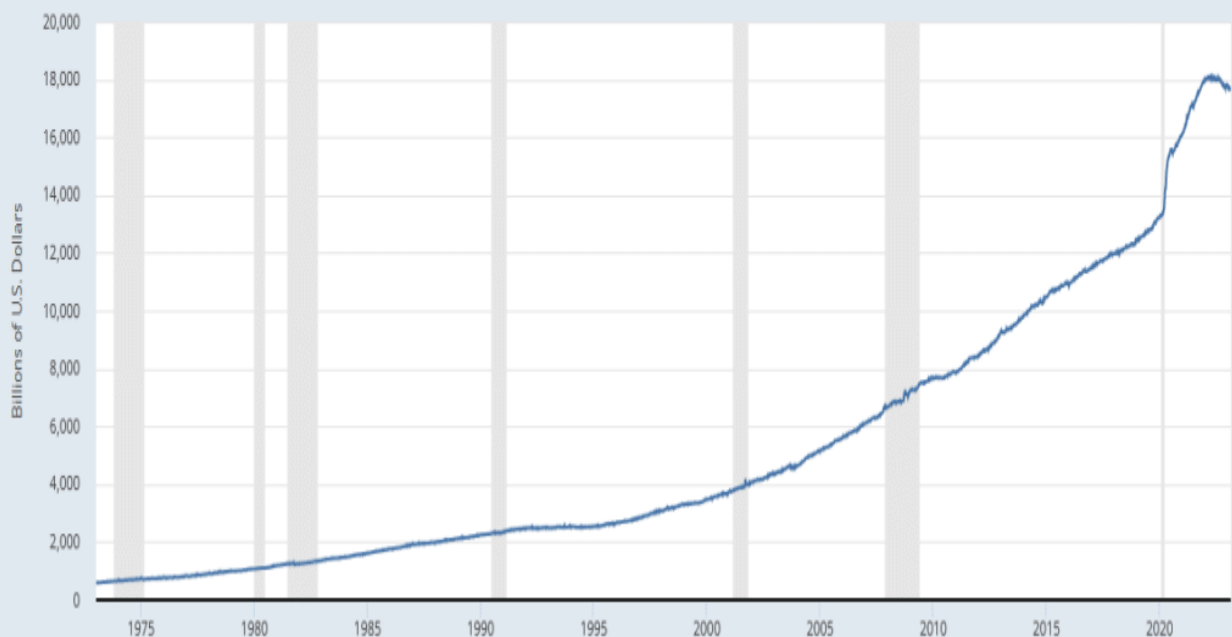
1973-01-03

to

2023-02-22

[EDIT GRAPH](#)


FRED — Deposits, All Commercial Banks




What To Watch Today

Economy

| Time | Cur. | Imp. | Event | Actual | Forecast | Previous |
|--------------------------|---|-------|--|--------|----------|----------|
| Wednesday, March 8, 2023 | | | | | | |
| 08:15 |  USD | ★ ★ ★ | ADP Nonfarm Employment Change (Feb) | | 200K | 106K |
| 08:30 |  USD | ★ ★ ☆ | Exports | | | 250.20B |
| 08:30 |  USD | ★ ★ ☆ | Imports | | | 317.60B |
| 08:30 |  USD | ★ ★ ☆ | Trade Balance (Jan) | | -68.90B | -67.40B |
| 10:00 |  USD | ★ ★ ★ | Fed Chair Powell Testifies  | | | |
| 10:00 |  USD | ★ ★ ★ | JOLTs Job Openings (Jan) | | 10.500M | 11.012M |
| 10:30 |  USD | ★ ★ ★ | Crude Oil Inventories | | 0.395M | 1.165M |
| 10:30 |  USD | ★ ★ ☆ | Cushing Crude Oil Inventories | | | 0.307M |
| 12:00 |  USD | ★ ★ ☆ | WASDE Report  | | | |
| 13:00 |  USD | ★ ★ ☆ | 10-Year Note Auction | | | 3.613% |
| 14:00 |  USD | ★ ★ ☆ | Beige Book | | | |

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|--------------------------|--|-------|--|--------|----------|----------|
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Earnings

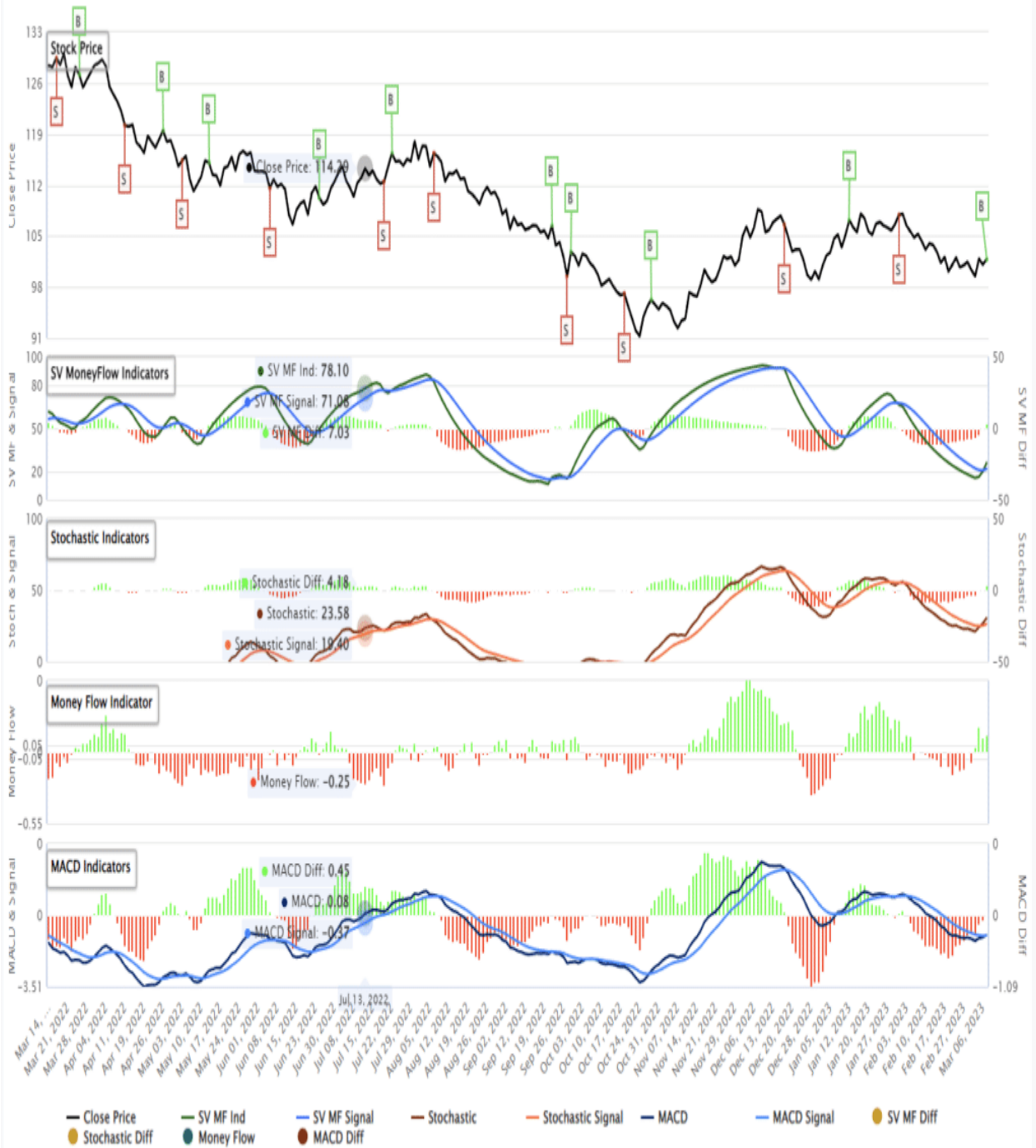
| Company | | Time | Estimate | |  Growth Show only confirmed? | Surprise | | |
|---------------|--------------------------|---------------|-------------------|------------|--|--|--|--|
| DPSGY | Deutsche Post AG | BMO | - | \$24.92 B | -6.8% | <input data-bbox="1246 215 1273 241" type="text" value="+"/> | <input data-bbox="1305 215 1332 241" type="text" value="="/> | <input data-bbox="1364 215 1391 241" type="text" value="-"/> |
| ✓ UNFI | United Natural Foods... | 7:00 AM ET | \$1.38 | \$7.77 B | 4.8% | <input data-bbox="1246 259 1273 286" type="text" value="+"/> | <input data-bbox="1305 259 1332 286" type="text" value="="/> | <input data-bbox="1364 259 1391 286" type="text" value="-"/> |
| ADDYY | Adidas AG | BMO | (\$1.50) | \$5.52 B | -6.0% | <input data-bbox="1246 304 1273 331" type="text" value="+"/> | <input data-bbox="1305 304 1332 331" type="text" value="="/> | <input data-bbox="1364 304 1391 331" type="text" value="-"/> |
| ✓ CPB | Campbell Soup Co. | 7:15 AM ET | \$0.73 | \$2.44 B | 10.5% | <input data-bbox="1246 349 1273 376" type="text" value="+"/> | <input data-bbox="1305 349 1332 376" type="text" value="="/> | <input data-bbox="1364 349 1391 376" type="text" value="-"/> |
| ✓ ABM | ABM Industries, Inc. | BMO | \$0.77 | \$2.02 B | 4.3% | <input data-bbox="1246 394 1273 421" type="text" value="+"/> | <input data-bbox="1305 394 1332 421" type="text" value="="/> | <input data-bbox="1364 394 1391 421" type="text" value="-"/> |
| TEO | Telecom Argentina S.A. | AMC | \$0.15 | \$860.69 M | -34.8% | <input data-bbox="1246 439 1273 465" type="text" value="+"/> | <input data-bbox="1305 439 1332 465" type="text" value="="/> | <input data-bbox="1364 439 1391 465" type="text" value="-"/> |
| ✓ BF.B | Brown-Forman Corpo... | 8:00 AM ET | \$0.47 | - | - | <input data-bbox="1246 483 1273 510" type="text" value="+"/> | <input data-bbox="1305 483 1332 510" type="text" value="="/> | <input data-bbox="1364 483 1391 510" type="text" value="-"/> |
| ✓ LDI | loanDepot, Inc. | 4:05 PM ET | (\$0.26) | \$195.28 M | -72.3% | <input data-bbox="1246 528 1273 555" type="text" value="+"/> | <input data-bbox="1305 528 1332 555" type="text" value="="/> | <input data-bbox="1364 528 1391 555" type="text" value="-"/> |
| ✓ KFY | Korn/Ferry International | 6:45 AM ET | \$0.91 | \$669.99 M | -2.2% | <input data-bbox="1246 573 1273 600" type="text" value="+"/> | <input data-bbox="1305 573 1332 600" type="text" value="="/> | <input data-bbox="1364 573 1391 600" type="text" value="-"/> |
| DSEY | Diversey Holdings, Ltd. | 7:00 AM ET | \$0.12 | \$692.45 M | 3.0% | <input data-bbox="1246 618 1273 645" type="text" value="+"/> | <input data-bbox="1305 618 1332 645" type="text" value="="/> | <input data-bbox="1364 618 1391 645" type="text" value="-"/> |
| ✓ VET | Vermilion Energy Inc. | AMC | \$0.22 | \$634.11 M | 3.8% | <input data-bbox="1246 663 1273 689" type="text" value="+"/> | <input data-bbox="1305 663 1332 689" type="text" value="="/> | <input data-bbox="1364 663 1391 689" type="text" value="-"/> |
| ✓ REVG | REV Group, Inc. | 7:00 AM ET | (\$0.02) | \$497.34 M | -7.4% | <input data-bbox="1246 707 1273 734" type="text" value="+"/> | <input data-bbox="1305 707 1332 734" type="text" value="="/> | <input data-bbox="1364 707 1391 734" type="text" value="-"/> |
| ✓ GOL | GOL Linhas Aereas I... | 7:40 AM ET | (\$0.19) | \$917.69 M | 75.2% | <input data-bbox="1246 752 1273 779" type="text" value="+"/> | <input data-bbox="1305 752 1332 779" type="text" value="="/> | <input data-bbox="1364 752 1391 779" type="text" value="-"/> |
| PLCE | Children's Place Reta... | 7:00 AM ET | (\$4.18) | \$455.33 M | -10.3% | <input data-bbox="1246 797 1273 824" type="text" value="+"/> | <input data-bbox="1305 797 1332 824" type="text" value="="/> | <input data-bbox="1364 797 1391 824" type="text" value="-"/> |
| KRO | Kronos Worldwide Inc. | 4:15 PM ET | (\$0.02) | \$319.81 M | -35.5% | <input data-bbox="1246 842 1273 869" type="text" value="+"/> | <input data-bbox="1305 842 1332 869" type="text" value="="/> | <input data-bbox="1364 842 1391 869" type="text" value="-"/> |
| ✓ LTH | Life Time Group Holdi... | 6:45 AM ET | \$0.06 | \$472.81 M | 31.1% | <input data-bbox="1246 887 1273 913" type="text" value="+"/> | <input data-bbox="1305 887 1332 913" type="text" value="="/> | <input data-bbox="1364 887 1391 913" type="text" value="-"/> |
| ✓ DADA | Dada Nexus Limited | 5:00 PM ET | (\$0.12) | \$394.31 M | 24.1% | <input data-bbox="1246 931 1273 958" type="text" value="+"/> | <input data-bbox="1305 931 1332 958" type="text" value="="/> | <input data-bbox="1364 931 1391 958" type="text" value="-"/> |
| ✓ MDB | MongoDB, Inc. | 4:05 PM ET | \$0.07 | \$337.45 M | 26.6% | <input data-bbox="1246 976 1273 1003" type="text" value="+"/> | <input data-bbox="1305 976 1332 1003" type="text" value="="/> | <input data-bbox="1364 976 1391 1003" type="text" value="-"/> |
| ✓ YSG | Yatsen Holding Limited | 5:00 AM ET | (\$0.08) | \$146.24 M | -39.0% | <input data-bbox="1246 1021 1273 1048" type="text" value="+"/> | <input data-bbox="1305 1021 1332 1048" type="text" value="="/> | <input data-bbox="1364 1021 1391 1048" type="text" value="-"/> |
| ✓ NVEI | Nuvei Corporation | 7:00 AM ET | \$0.44 | \$216.31 M | 2.1% | <input data-bbox="1246 1066 1273 1093" type="text" value="+"/> | <input data-bbox="1305 1066 1332 1093" type="text" value="="/> | <input data-bbox="1364 1066 1391 1093" type="text" value="-"/> |
| ✓ VSEC | VSE Corp. | 4:30 PM ET | \$0.74 | \$237.90 M | 13.2% | <input data-bbox="1246 1111 1273 1137" type="text" value="+"/> | <input data-bbox="1305 1111 1332 1137" type="text" value="="/> | <input data-bbox="1364 1111 1391 1137" type="text" value="-"/> |
| GPRK | GeoPark Limited | 5:10 PM ET | \$1.03 | \$219.00 M | 8.2% | <input data-bbox="1246 1155 1273 1182" type="text" value="+"/> | <input data-bbox="1305 1155 1332 1182" type="text" value="="/> | <input data-bbox="1364 1155 1391 1182" type="text" value="-"/> |
| ✓ LFST | LifeStance Health Gr... | BMO | (\$0.13) | \$216.61 M | 14.0% | <input data-bbox="1246 1200 1273 1227" type="text" value="+"/> | <input data-bbox="1305 1200 1332 1227" type="text" value="="/> | <input data-bbox="1364 1200 1391 1227" type="text" value="-"/> |
| ✓ SOVO | Sovos Brands Inc | 4:05 PM ET | \$0.17 | \$231.58 M | 22.4% | <input data-bbox="1246 1245 1273 1272" type="text" value="+"/> | <input data-bbox="1305 1245 1332 1272" type="text" value="="/> | <input data-bbox="1364 1245 1391 1272" type="text" value="-"/> |
| ✓ MCG | Membership Collectiv... | 7:30 AM ET | (\$0.24) | \$254.92 M | 38.2% | <input data-bbox="1246 1290 1273 1317" type="text" value="+"/> | <input data-bbox="1305 1290 1332 1317" type="text" value="="/> | <input data-bbox="1364 1290 1391 1317" type="text" value="-"/> |
| ✓ VRA | Vera Bradley, Inc. | 8:00 AM ET | \$0.15 | \$137.74 M | -7.9% | <input data-bbox="1246 1335 1273 1361" type="text" value="+"/> | <input data-bbox="1305 1335 1332 1361" type="text" value="="/> | <input data-bbox="1364 1335 1391 1361" type="text" value="-"/> |
| ✓ ESTE | Earthstone Energy, Inc. | 4:20 PM ET | \$1.33 | \$459.14 M | 218.8% | <input data-bbox="1246 1379 1273 1406" type="text" value="+"/> | <input data-bbox="1305 1379 1332 1406" type="text" value="="/> | <input data-bbox="1364 1379 1391 1406" type="text" value="-"/> |
| SGC | Superior Group of Co... | 4:05 PM ET | \$0.20 | \$143.70 M | 1.2% | <input data-bbox="1246 1424 1273 1451" type="text" value="+"/> | <input data-bbox="1305 1424 1332 1451" type="text" value="="/> | <input data-bbox="1364 1424 1391 1451" type="text" value="-"/> |
| ✓ IMXI | International Money ... | 8:00 AM ET | \$0.42 | \$155.24 M | 22.1% | <input data-bbox="1246 1469 1273 1496" type="text" value="+"/> | <input data-bbox="1305 1469 1332 1496" type="text" value="="/> | <input data-bbox="1364 1469 1391 1496" type="text" value="-"/> |
| ✓ LMB | Limbach Holdings, Inc. | 4:10 PM ET | \$0.36 | \$154.01 M | 21.4% | <input data-bbox="1246 1514 1273 1541" type="text" value="+"/> | <input data-bbox="1305 1514 1332 1541" type="text" value="="/> | <input data-bbox="1364 1514 1391 1541" type="text" value="-"/> |
| ✓ NDLS | Noodles & Company | 4:05 PM ET | \$0.03 | \$135.98 M | 18.4% | <input data-bbox="1246 1559 1273 1585" type="text" value="+"/> | <input data-bbox="1305 1559 1332 1585" type="text" value="="/> | <input data-bbox="1364 1559 1391 1585" type="text" value="-"/> |
| ✓ ASAN | Asana, Inc | 4:05 PM ET | (\$0.27) | \$145.12 M | 29.6% | <input data-bbox="1246 1603 1273 1630" type="text" value="+"/> | <input data-bbox="1305 1603 1332 1630" type="text" value="="/> | <input data-bbox="1364 1603 1391 1630" type="text" value="-"/> |
| ✓ VERX | Vertex Inc. | 7:05 AM ET | \$0.06 | \$125.96 M | 12.8% | <input data-bbox="1246 1648 1273 1675" type="text" value="+"/> | <input data-bbox="1305 1648 1332 1675" type="text" value="="/> | <input data-bbox="1364 1648 1391 1675" type="text" value="-"/> |
| ✓ NINE | Nine Energy Service, ... | \$0.28 | \$166.67 M | \$0.34 | \$166.30 M | 58.6% | -17.6% | |
| ✓ NAPA | Duckhorn Portfolio, Inc. | 4:15 PM ET | \$0.15 | \$102.00 M | 3.3% | <input data-bbox="1246 1693 1273 1720" type="text" value="+"/> | <input data-bbox="1305 1693 1332 1720" type="text" value="="/> | <input data-bbox="1364 1693 1391 1720" type="text" value="-"/> |

| Company | | Time | Estimate | |  Growth Show only confirmed? | Surprise | | |
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| DPSGY | Deutsche Post AG | BMO | - | \$24.92 B | -6.8% | <input data-bbox="1246 1809 1273 1836" type="text" value="+"/> | <input data-bbox="1305 1809 1332 1836" type="text" value="="/> | <input data-bbox="1364 1809 1391 1836" type="text" value="-"/> |
| ✓ UNFI | United Natural Foods... | 7:00 AM ET | \$1.38 | \$7.77 B | 4.8% | <input data-bbox="1246 1854 1273 1881" type="text" value="+"/> | <input data-bbox="1305 1854 1332 1881" type="text" value="="/> | <input data-bbox="1364 1854 1391 1881" type="text" value="-"/> |
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| ✓ CPB | Campbell Soup Co. | 7:15 AM ET | \$0.73 | \$2.44 B | 10.5% | <input data-bbox="1246 1944 1273 1971" type="text" value="+"/> | <input data-bbox="1305 1944 1332 1971" type="text" value="="/> | <input data-bbox="1364 1944 1391 1971" type="text" value="-"/> |
| ✓ ABM | ABM Industries, Inc. | BMO | \$0.77 | \$2.02 B | 4.3% | <input data-bbox="1246 1989 1273 2016" type="text" value="+"/> | <input data-bbox="1305 1989 1332 2016" type="text" value="="/> | <input data-bbox="1364 1989 1391 2016" type="text" value="-"/> |
| TEO | Telecom Argentina S.A. | AMC | \$0.15 | \$860.69 M | -34.8% | <input data-bbox="1246 2033 1273 2060" type="text" value="+"/> | <input data-bbox="1305 2033 1332 2060" type="text" value="="/> | <input data-bbox="1364 2033 1391 2060" type="text" value="-"/> |
| ✓ BF.B | Brown-Forman Corpo... | 8:00 AM ET | \$0.47 | - | - | <input data-bbox="1246 2078 1273 2105" type="text" value="+"/> | <input data-bbox="1305 2078 1332 2105" type="text" value="="/> | <input data-bbox="1364 2078 1391 2105" type="text" value="-"/> |
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| ✓ KFY | Korn/Ferry International | 6:45 AM ET | \$0.91 | \$669.99 M | -2.2% | <input data-bbox="1246 2168 1273 2195" type="text" value="+"/> | <input data-bbox="1305 2168 1332 2195" type="text" value="="/> | <input data-bbox="1364 2168 1391 2195" type="text" value="-"/> |
| DSEY | Diversey Holdings, Ltd. | 7:00 AM ET | \$0.12 | \$692.45 M | 3.0% | <input data-bbox="1246 2213 1273 2240" type="text" value="+"/> | <input data-bbox="1305 2213 1332 2240" type="text" value="="/> | <input data-bbox="1364 2213 1391 2240" type="text" value="-"/> |

Why We Started Buying Bonds Yesterday

Yesterday, we alerted our [*SimpleVisor subscribers*](#) that we started buying longer-duration bonds. We have recently discussed beginning to shift the duration of our bond holdings to a longer-term time frame in anticipation of economic weakness and an eventual reversal of Fed policy. We started by shifting 1-3 month Treasuries (BIL) to 1-3 year Treasuries (SHY). Today, with our [*money flow buy signal?*](#) triggering from an oversold level, we are bringing the iShares 20-Year Treasury ETF (TLT) to target weight. We will build on this small move as we continue to slowly lengthen the duration of the overall bond holdings in our portfolios.

MoneyFlow Indicator (TLT) - beta



MoneyFlow Indicator (TLT) - beta



As discussed below, the Federal Reserve's speech before the Senate Finance Committee lacked the *pivot* the bulls sought. More importantly, the Fed's more aggressive stance on combatting inflation continues to increase the odds they will *break something* economically before they are done. If, and when, such an event occurs, and the Fed begins to cut rates, the long end of the yield curve will drop dramatically. We want to be well-positioned before that happens.



Powell Upsets the Bulls

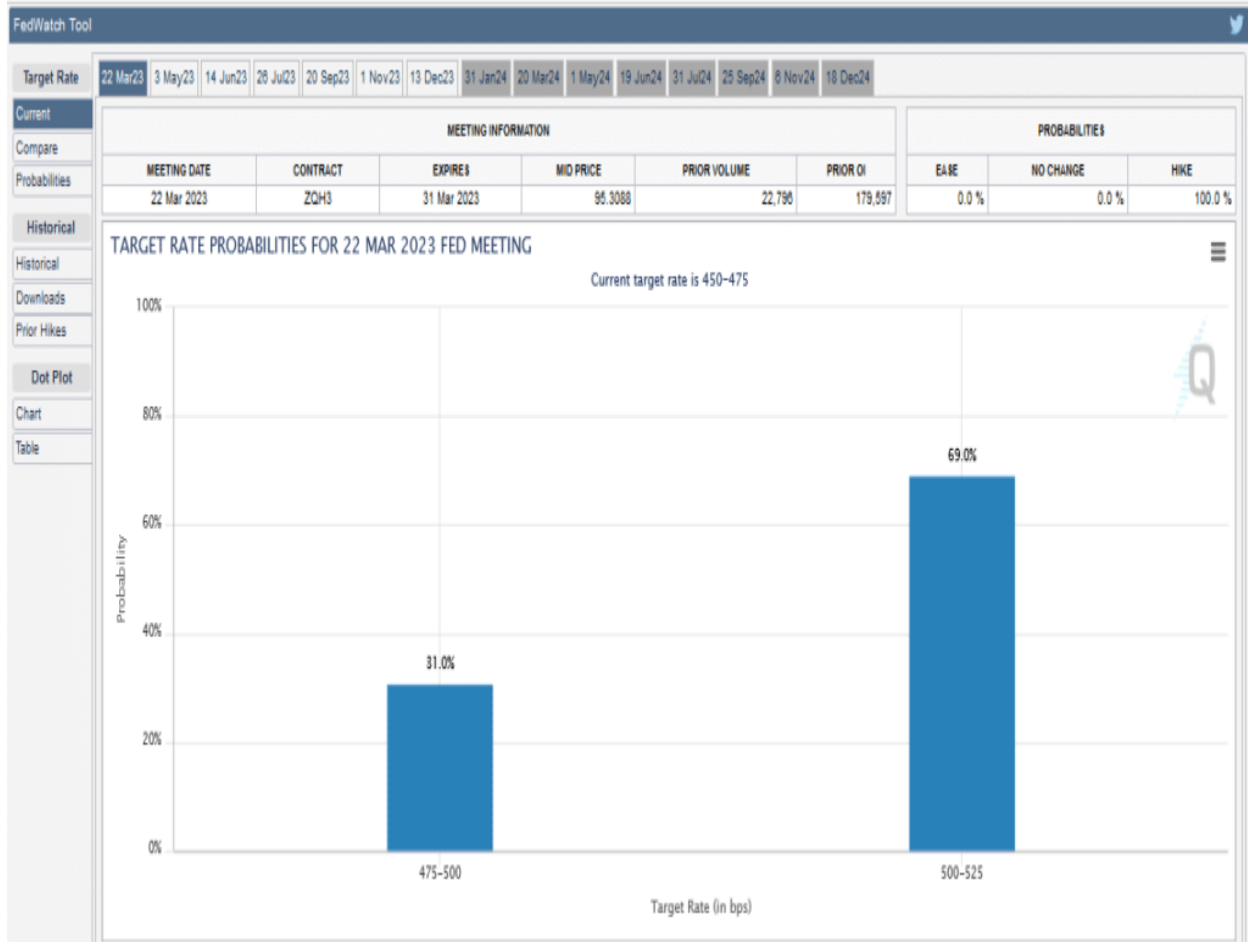
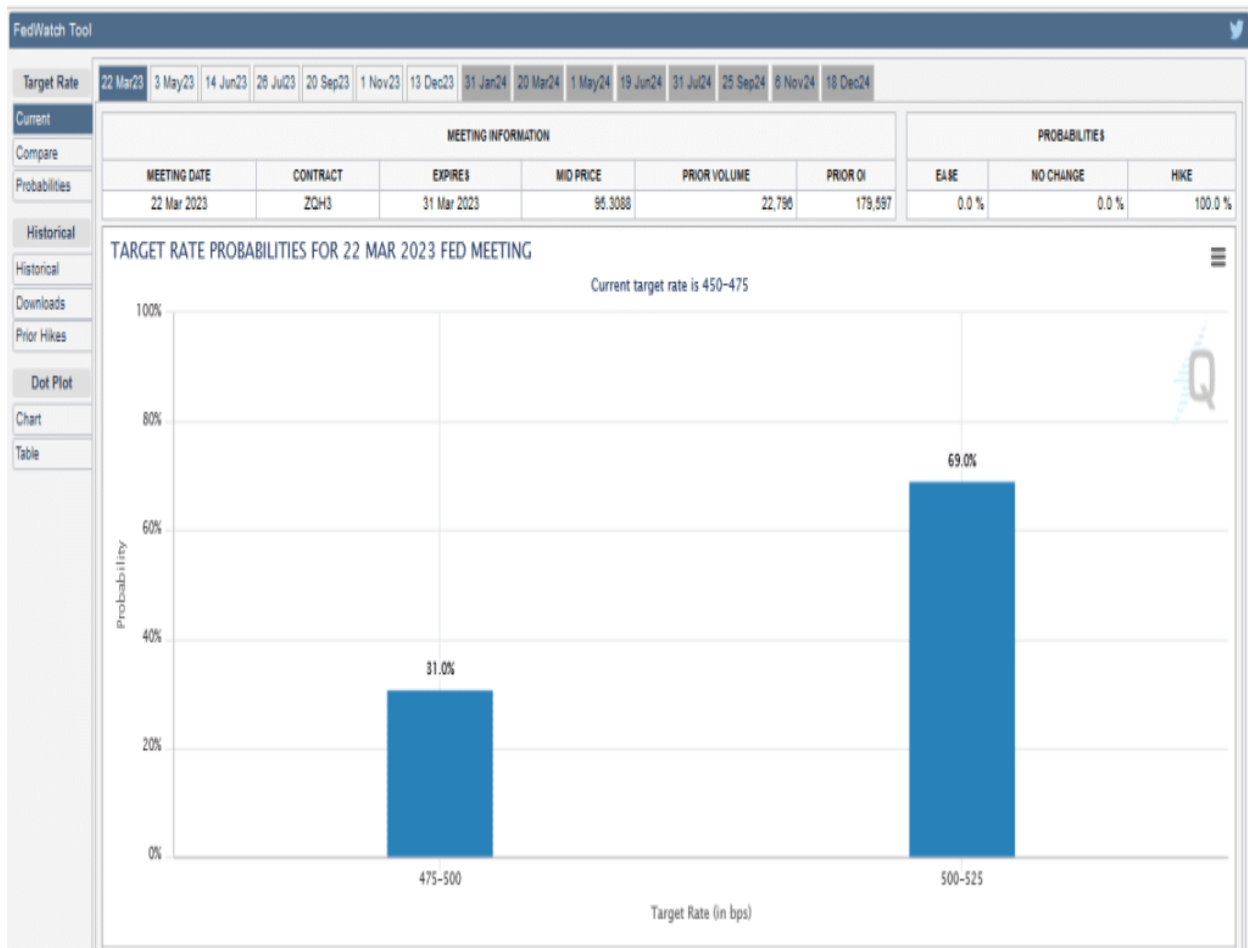
As we suspected, Jerome Powell, in his testimony to Congress, said the Fed would resort to steeper rate hikes if economic strength continues. The stock market did not like his hawkishness. It appears many investors were looking for a more pragmatic Fed. One is willing to look beyond recent inflation and labor data and not be too aggressive with further rate hikes. With interest rates already very high for such a leveraged economy, the Fed will have to be more hawkish to compensate for the limits to raising rates.

?If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes.?

Powell poured cold water on the wishful thinking for a Fed pivot. The only pivot we see with Tuesday's speech was a pivot from hawkish to more hawkish.

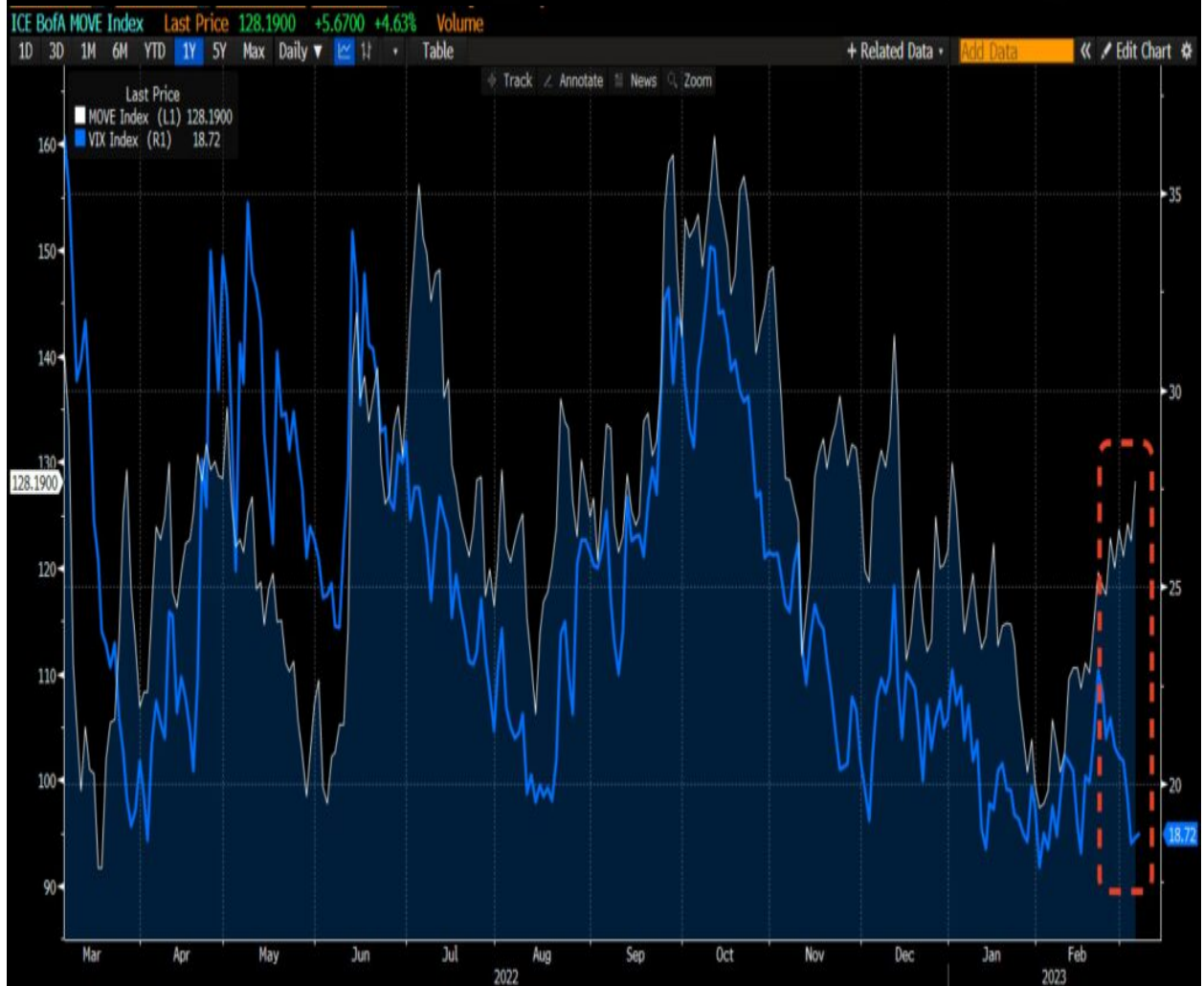
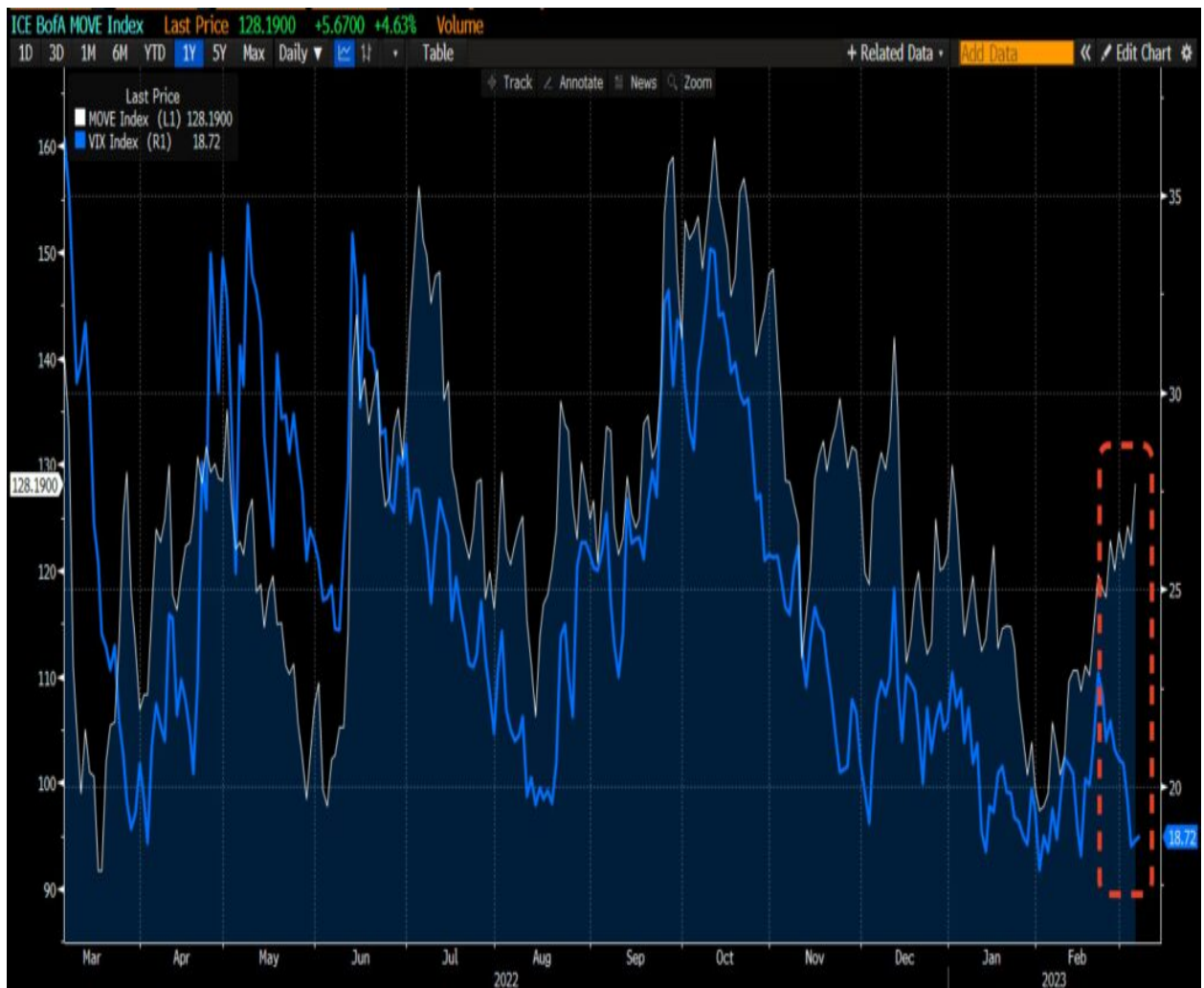
?The historical record cautions strongly against prematurely loosening policy. We will stay the course until the job is done.?

Following his opening speech, Fed Funds futures increased the odds of a 50bps rate hike at the march 22nd meeting to 70%. Before the speech, it was around 25%.



Stock vs. Bond Volatility

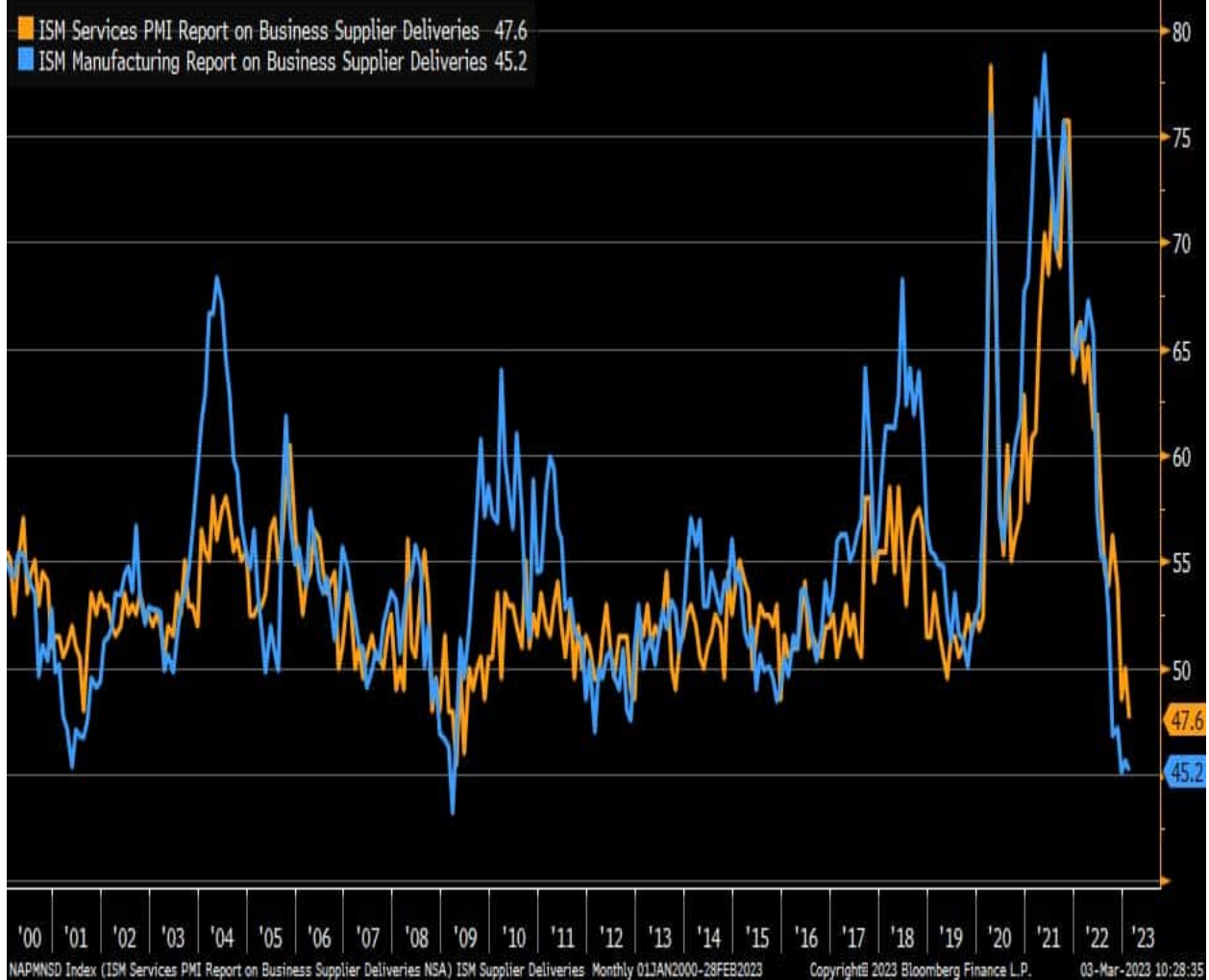
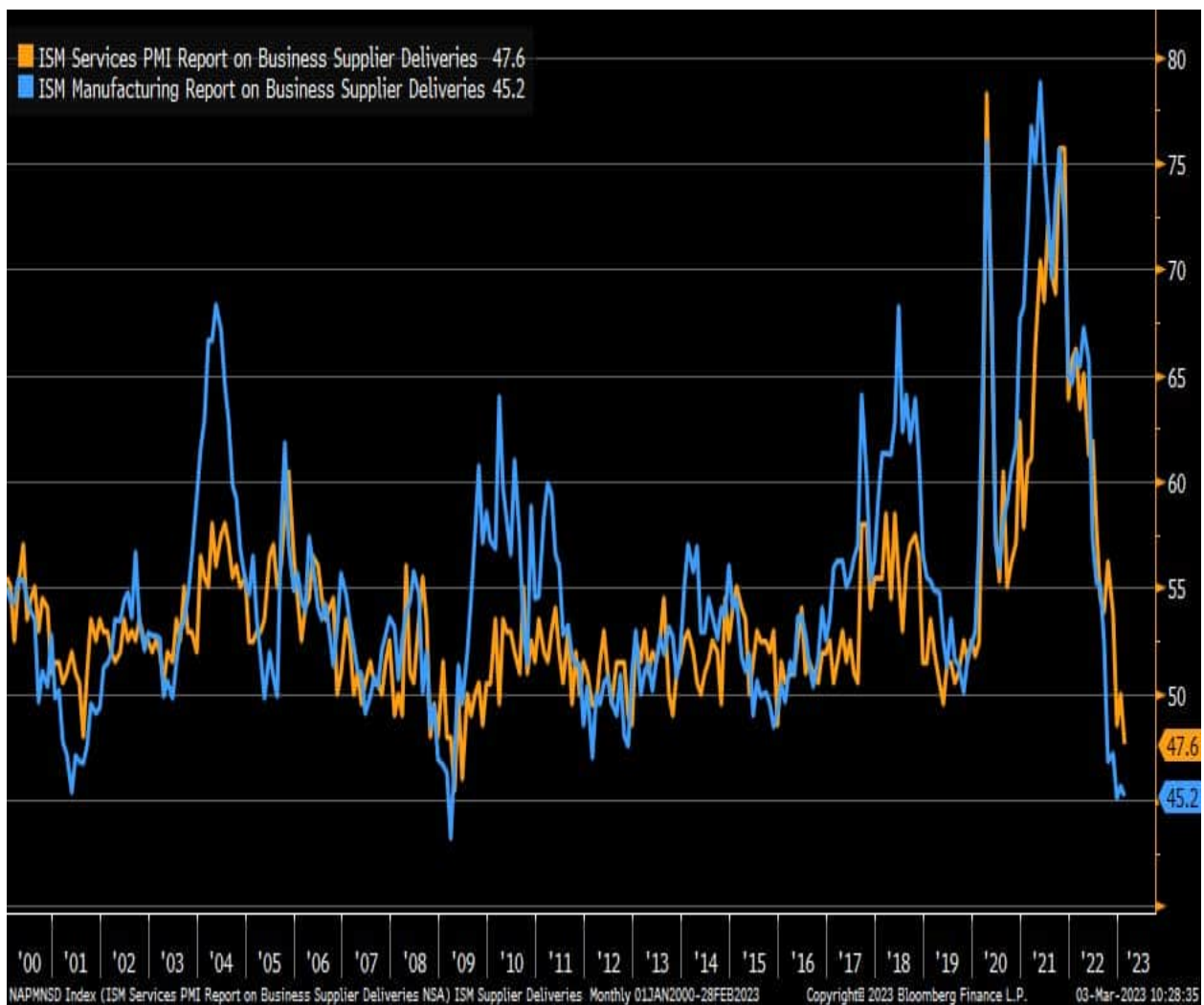
The graph below from SpotGamma shows the tight correlation between the volatility of stocks and bonds. However, the strong correlation for the last year has diverged over the previous month. The bond market has been selling off, fearing the Fed's hawkish outlook. Stocks have largely ignored the Fed and seem to be banking on a no-landing or, worst case, a soft-landing economic scenario. With Powell on the docket again today, the labor report on Friday, and CPI next week, we must consider if the divergence can maintain itself or how does it resume its relationship.



Supply Lines Are Not The Inflation Problem Anymore

Last year, inflation surged as demand was robust and supply lines fractured due to the pandemic. The graph below from Liz Ann Sonders of Charles Schwab shows the ISM supplier delivery indexes are now at their lowest since the 2008 recession. This is just one of many pieces of data pointing to the demand side as the predominant reason inflation remains high. Sonders writes:

Supply chain bottlenecks clearly in rearview as supplier deliveries components of both ISM Manufacturing and Services PMIs remain firmly in contraction



Tweet of the Day



GammaLab ✓
@gammalab_tweets

...

JPM estimates that a market shock of -1 to -5% would cause a ODTE delta unwind of -7 to -14B, which would translate into a -4 to -8% move. In the worst-case scenario, a -5% market shock could lead to -\$30B of delta selling and a -20% crash.

2:01 PM · Mar 6, 2023 · **49.3K** Views

48 Retweets **16** Quote Tweets **179** Likes



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...

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