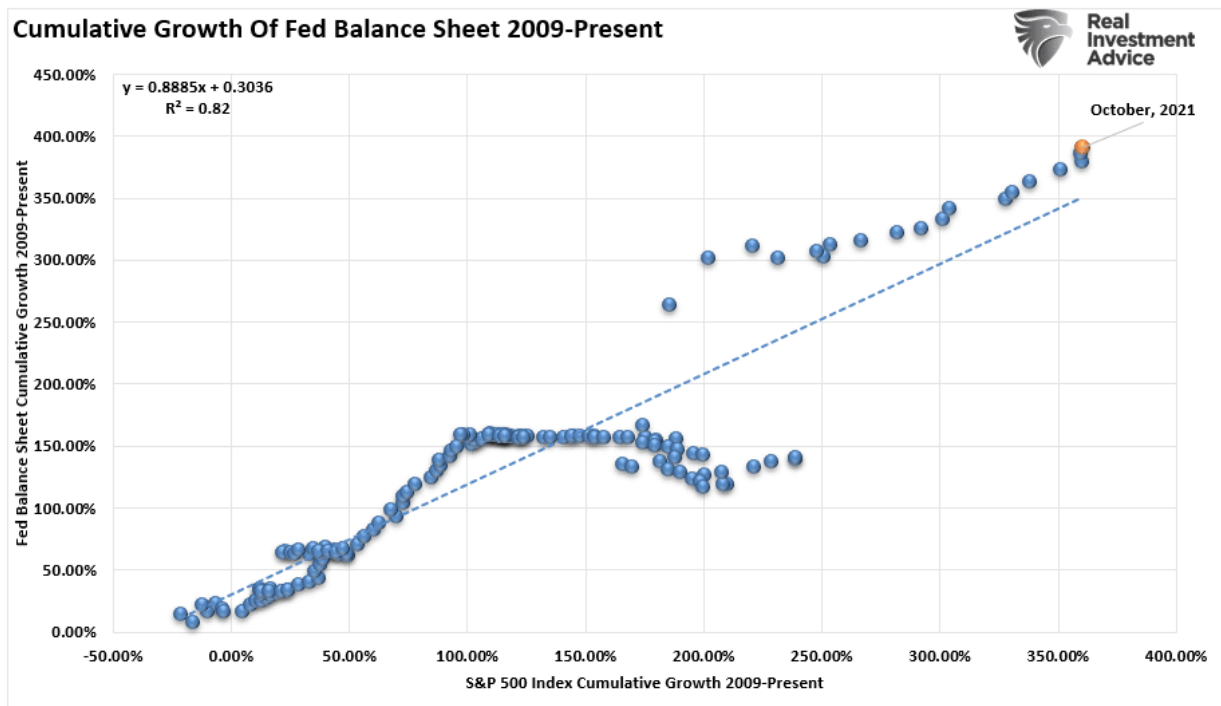


Did Jerome Powell Just Mark The Market Top?

President Biden renominated Fed Chairman Jerome Powell for another four years as the head of the Federal Reserve. Jerome Powell is proving to be one of the more dovish members of the Fed, so his leadership warrants investor optimism that the Fed will continue to run exceedingly easy monetary policy. Despite a red day in the markets, JP Morgan, Goldman Sachs, and Bank of America are all up around 2% on the news. The Fed's actions under Powell have and will likely continue to be bank-friendly.

Just as a reminder, in case you forgot, there is a high correlation between the Fed's easy money policies and the market. With Jerome Powell on course to taper the balance sheet and hike rates, will his renomination mark the peak?



[dmc]

What To Watch Today

Economy

- 9:45 a.m. ET: **Markit U.S. Manufacturing PMI**, November preliminary (59.1 expected, 58.4 in October)
- 9:45 a.m. ET: **Markit U.S. Services PMI**, November preliminary (59.0 expected, 58.7 in October)
- 10:45 a.m. ET: **Richmond Fed Manufacturing Index**, November (11 expected, 12 in October)

Earnings

Pre-market

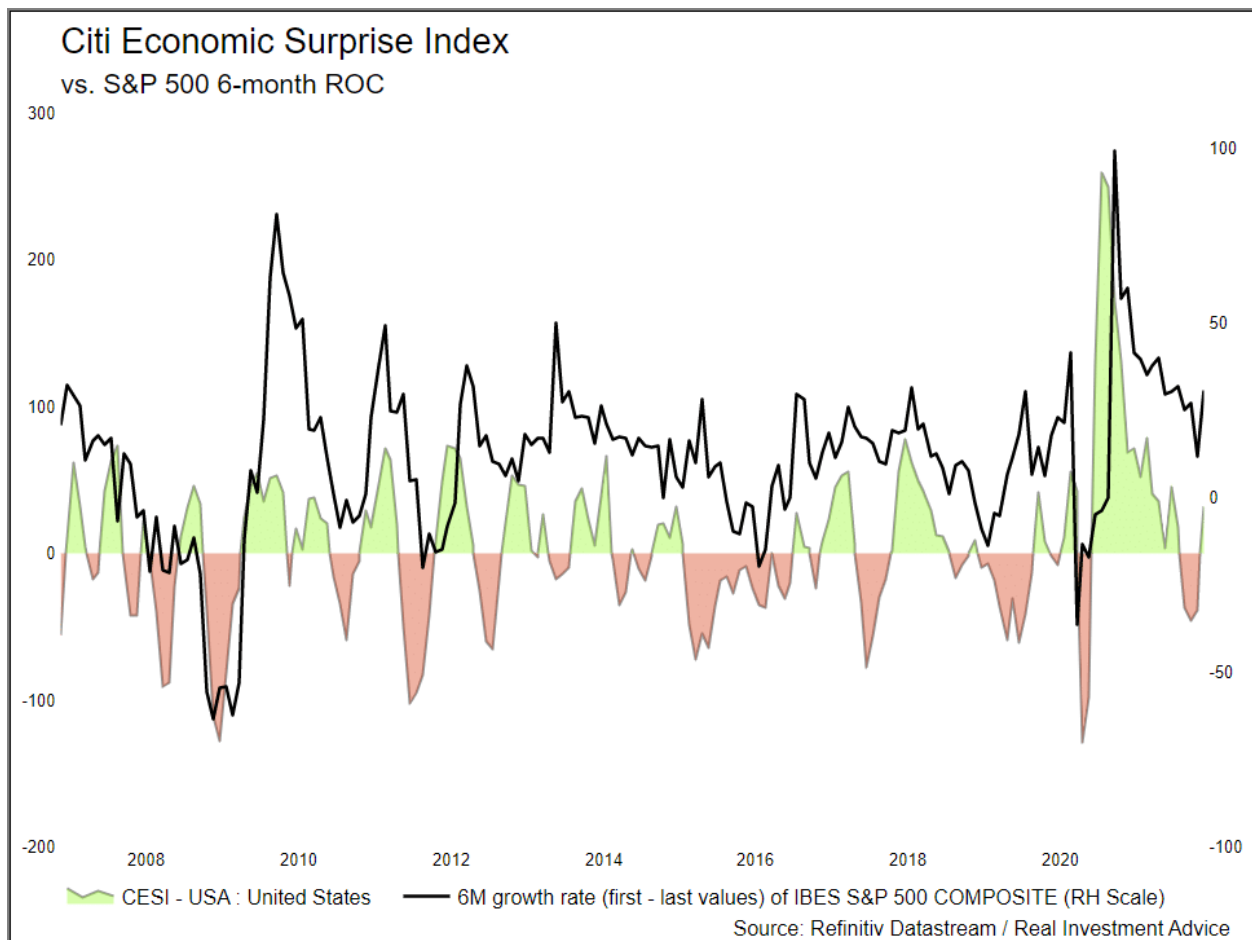
- 6:45 a.m. ET: **Burlington Stores (BURL)**; to report adjusted earnings of \$1.30 on revenue of \$2.23 billion
- 7:00 a.m. ET: **Best Buy (BBY)**; to report adjusted earnings of \$1.96 on revenue of \$11.69 billion
- 7:30 a.m. ET: **Dick's Sporting Goods (DKS)**; to report adjusted earnings of \$2.00 on revenue of \$2.51 billion
- 7:30 a.m. ET: **Dollar Tree (DLTR)**; to report adjusted earnings of 95 cents on revenue of \$6.44 billion
- 8:00 a.m. ET: **American Eagle Outfitters (AEO)**; to report adjusted earnings of 61 cents on revenue of \$1.23 billion

Post-market

- 4:05 p.m. ET: **Nordstrom (JWN)**; to report adjusted earnings of 55 cents on revenue of \$3.48 billion
- 4:05 p.m. ET: **Autodesk (ADSK)**; to report adjusted earnings of \$1.26 on revenue of \$1.12 billion
- 4:05 p.m. ET: **HP Inc (HPQ)**; to report adjusted earnings of 88 cents on revenue of \$15.43 billion
- 4:15 p.m. ET: **VMWare (VMW)**; to report adjusted earnings of \$1.54 on revenue of \$3.12 billion
- 4:15 p.m. ET: **The Gap (GPS)**; to report adjusted earnings of 50 cents on revenue of \$4.42 billion
- 4:25 p.m. ET: **Dell Technologies (DELL)**; to report adjusted earnings of \$2.23 on revenue of \$26.81 billion

Economic Surprises Are Improving Which Supports The "Santa Rally"

The Citi Economic Surprise index finally turned positive after a very long stretch of disappointment. Such should be supportive, near term, of a market advance. (*Such does not rule out short-term corrections along the way.*) However, the improvement could be short-lived as we get into 2022 and liquidity begins to slow globally.



Jerome Powell's "Consigliere" Tells The World The Dollar Is Going Up

Below is an excerpt from TS Lombard on the implications from Richard Clarida's last speech. (Courtesy of @themarketear)

- *Readies world for tightening by reminding all the Fed is the US central bank*
- *Only way for policy to slow inflation is through strong dollar first*
- *Deflation from China stayed the Fed in 2015/16, we see a repeat in 2022*

"The only way for the Fed to counter this inflation, without damaging the recovery and, more importantly, the equity market, is to ramp up the dollar. Rhetoric about raising the Fed funds rate, supported by accelerating the taper, accomplishes this goal." - @themarketear



"China matters a lot to the 2022 outcome, and the downside risk is greater than what markets are pricing. Last, but not least, while ramping the dollar is the only route for the Fed to counter current inflationary risks, a strong dollar policy is not aligned with Administration aims." - Steve Blitz

By the way, remember that the previous rationalization for buying overvalued equities was the WEAKNESS of the dollar.



Rivian Is Falling Out of Favor

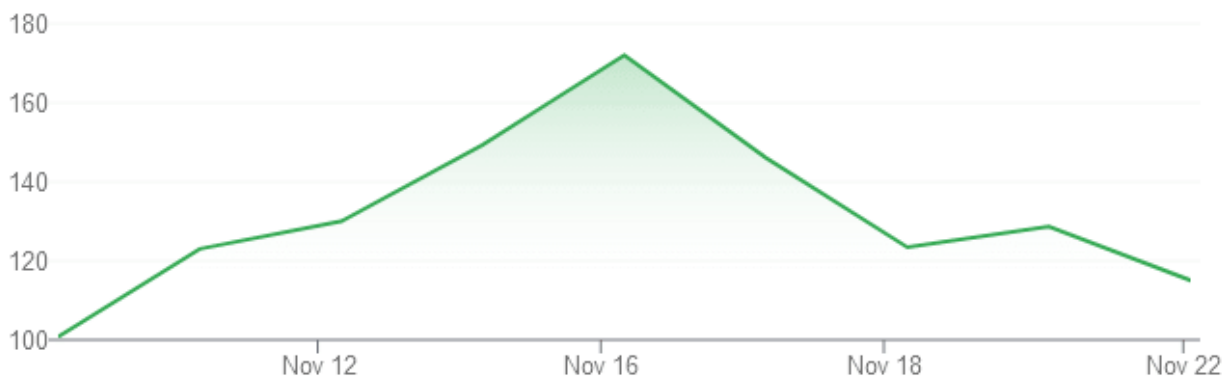
Last week's favorite EV automobile company, Rivian (RIVN), is taking it on the chin. Today shares are down more than 10% as its plans to develop cars jointly with Ford (F) have been canceled. The stock has lost a third of its value in the last few days, yet is still up 14% since its November 11th IPO. Ford is up over 5% today on the news. Also helping Ford's shares are rumors they may split off their electric car division.

Market Summary > Rivian Automotive Inc NASDAQ: RIVN

115.04 USD +14.23 (14.13%) ↑ past month

Nov 22, 3:40 PM EST • Disclaimer

1 day 5 days **1 month** 6 months YTD 1 year 5 years Max



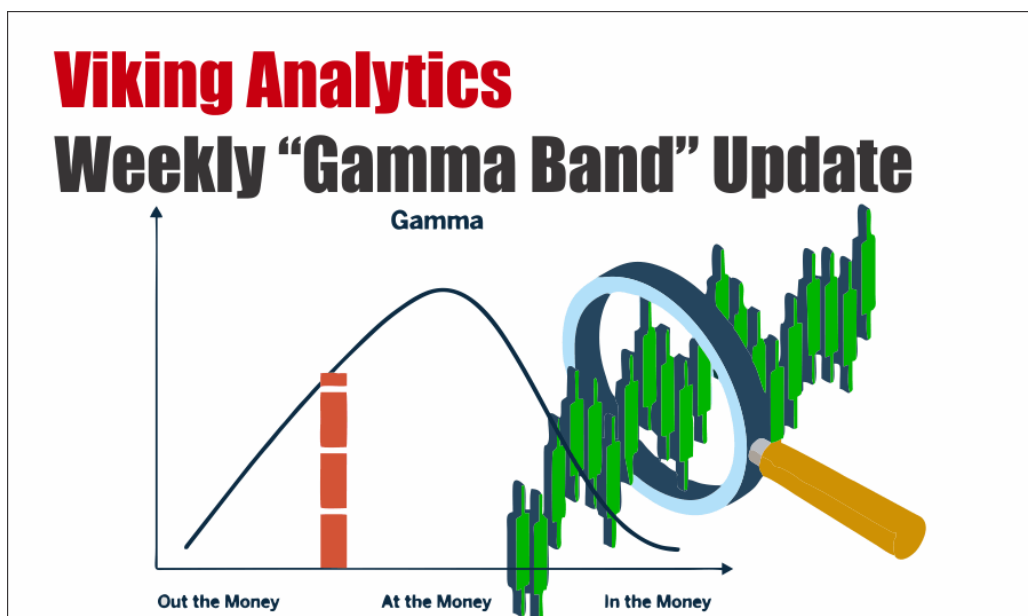
Is There Any Upside Left?



Powell Renominated

U.S. Federal Reserve Chair Jerome Powell is being renominated by President Biden for a second four-year term. The runner-up for the seat, Lael Brainard, is the new Vice-Chair. The initial reaction from the stock futures market is bullish. The asset markets and betting markets had high odds for his renomination.

Gamma Band Update



Leverage At The Largest Pension Fund

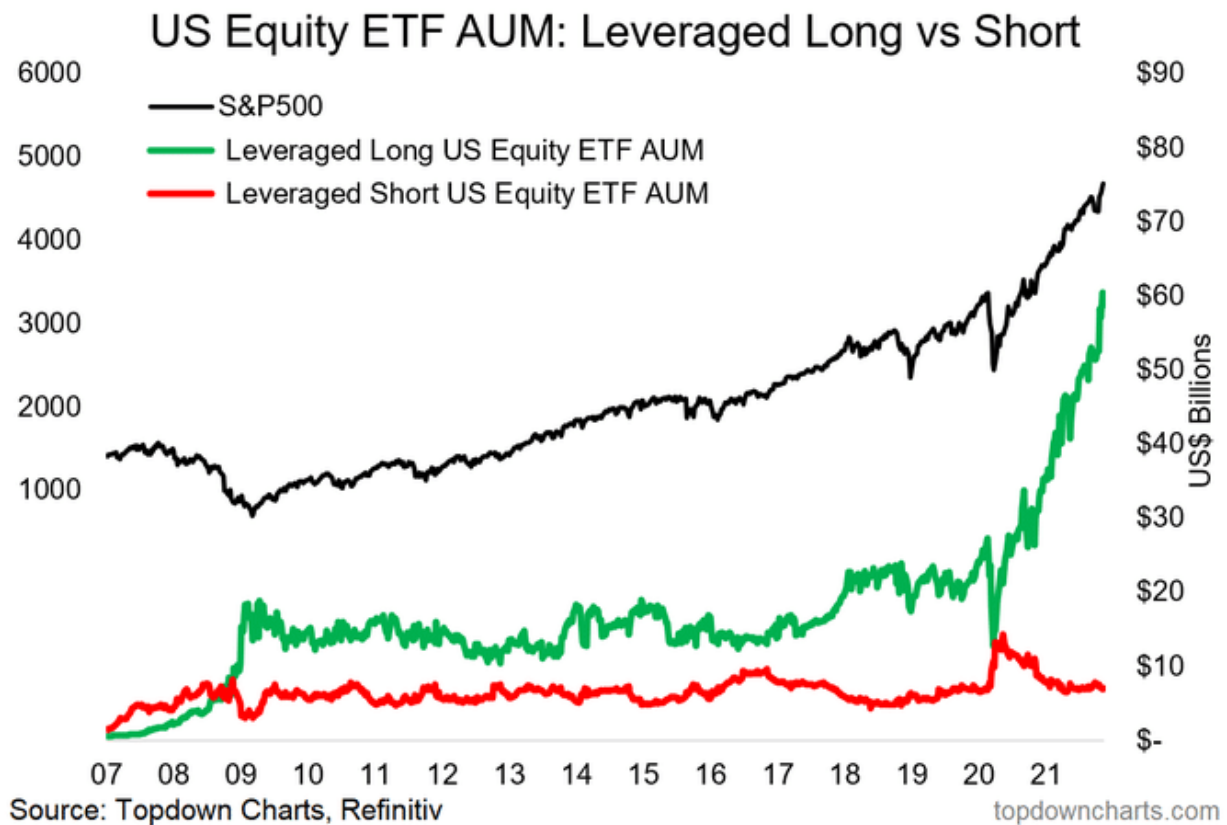
As we write below, the use of leverage by retail investors is up sharply. Similar behaviors are occurring by many institutional investors, including the more conservative types. The following comes from David Robertson and [Almost Daily Grant's](#)

?Facing a high bar to generate necessary returns within the confines of public markets, the largest pension fund in the United States tweaks its own strategy in the opposite direction. The California Public Employees Retirement System (Calpers) voted in a board meeting yesterday to upsize its allocation to private equity holdings to 13% from 8% and bump private credit holdings to 5% from less than 1%, while adding \$25 billion in leverage (equivalent to just over 5% of assets) to help juice returns. Without those changes, Calpers estimates that its portfolio would generate a 20-year return of 6.2% annually, lagging the 6.8% annual bogey established this summer, which was itself lowered from 7%.?

David's summation- "To sum up, the largest pension fund in the country is not only increasing allocations to the riskiest assets at the most expensive valuations in history, but it is also taking on debt to boost returns even more."

Leverage Galore

The graph from Top Down Charts below shows that investors' participation in leveraged long ETFs has tripled since the pandemic. Due to zero interest rates, the cost of leverage has never been cheaper for the ETF managers and ultimately the investors. However, if the Fed gets closer to raising interest rates the cost of leverage will rise in anticipation. This may be a fly in the bull market's ointment, but likely a story for next year, not this year.



The Week Ahead

Despite the Thanksgiving holiday, it will be a busy week for economic data releases. Of note are Existing and New Home Sales, PMI Manufacturing Survey, Durable Goods, GDP Price Index, and Personal Income and Spending. The Fed will also release the minutes from its November meeting on Wednesday.

Data deck

Nov 22 – Nov 26

Date	Time	Indicator	Period	BofA	Consensus	Previous
				Estimate		
11/22/21	10:00	Existing Home Sales	Oct	6.10M	6.20M	6.29M
11/23/21	9:45	IHS-Markit manufacturing PMI	Nov P	60.0	59.0	58.4
11/23/21	9:45	IHS-Markit services PMI	Nov P	58.0	59.0	58.7
11/24/21	7:00	MBA Mortgage Applications	Nov 19	—	—	-2.8%
11/24/21	8:30	Wholesale Inventories	Oct P	—	—	1.4%
11/24/21	8:30	GDP (qoq saar)	3Q S	2.5%	2.2%	2.0%
11/24/21	8:30	Personal consumption (qoq saar)	3Q S	1.5%	1.6%	1.6%
11/24/21	8:30	GDP Price Index (qoq saar)	3Q S	5.7%	5.7%	5.7%
11/24/21	8:30	Core PCE (qoq saar)	3Q S	4.5%	—	4.5%
11/24/21	8:30	Durable Goods Orders	Oct P	0.7%	0.2%	-0.3%
11/24/21	8:30	Durables Ex Transportation	Oct P	0.5%	0.5%	0.5%
11/24/21	8:30	Core Capital Goods Orders	Oct P	0.4%	0.5%	0.8%
11/24/21	8:30	Core Capital Goods Shipments	Oct P	0.3%	—	1.4%
11/24/21	8:30	Advance Goods Trade Balance	Oct	-\$95.0bn	-\$94.7bn	-\$97.0b
11/24/21	8:30	Initial Jobless Claims	Nov 20	270k	—	268k
11/24/21	10:00	U. of Michigan Sentiment	Nov F	66.8	66.8	66.8
11/24/21	10:00	Personal Income	Oct	0.5%	0.3%	-1.0%
11/24/21	10:00	Personal Spending	Oct	1.0%	0.9%	0.6%
11/24/21	10:00	Personal saving rate	Oct	7.2%	—	7.5%
11/24/21	10:00	PCE Headline Prices (mom)	Oct	0.6%	0.7%	0.3%
11/24/21	10:00	PCE Headline Prices (yoy)	Oct	4.9%	5.1%	4.4%
11/24/21	10:00	PCE Core Prices (mom)	Oct	0.4%	0.4%	0.2%
11/24/21	10:00	PCE Core Prices (yoy)	Oct	4.0%	4.1%	3.6%
11/24/21	10:00	New Home Sales	Oct	810k	801k	800k
11/24/21	14:00	FOMC Minutes	—	—	—	—

Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

[Please subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.