

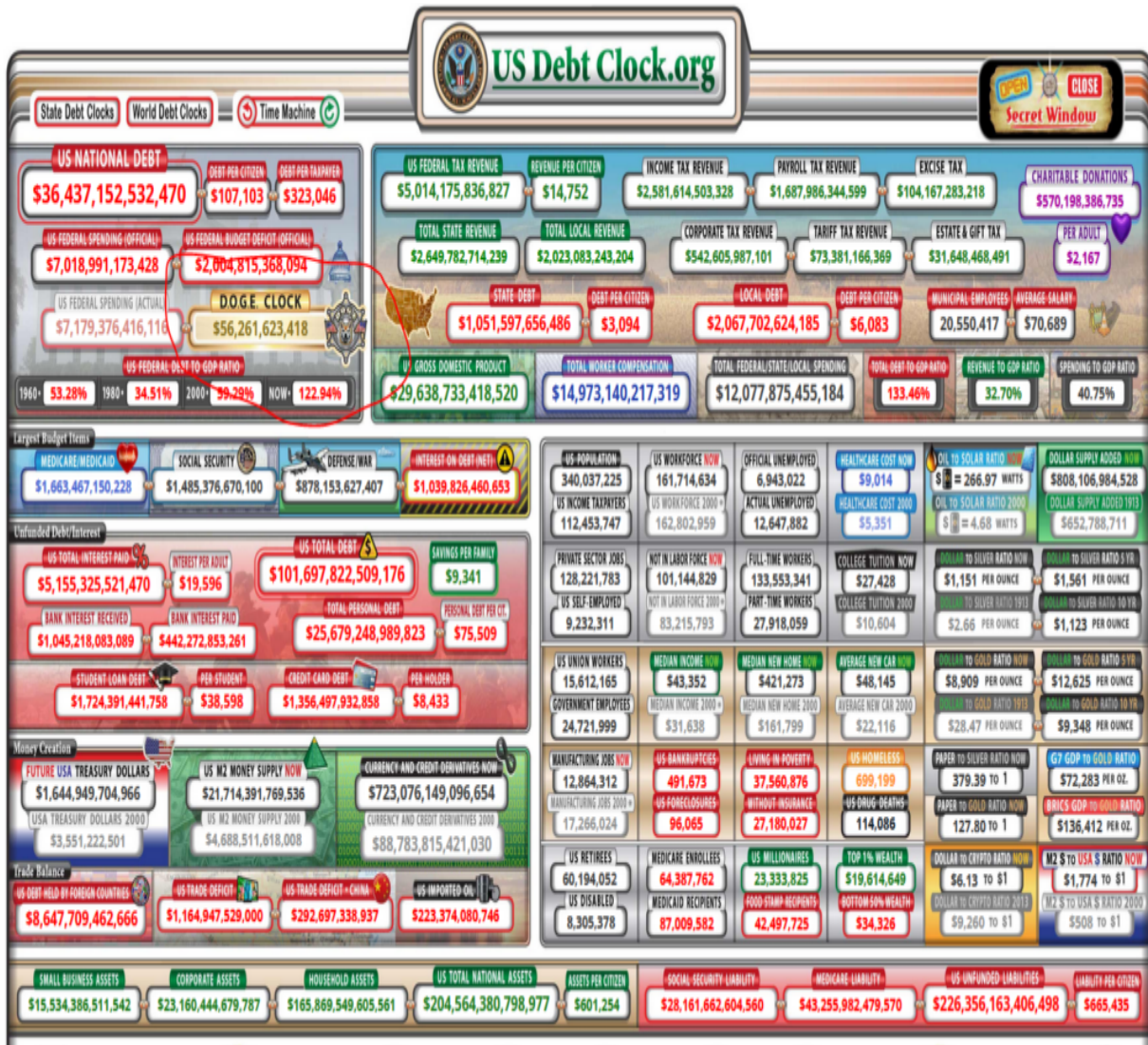


## DOGE Deficit Reductions - RIA

The newly formed Department of Government Efficiency (DOGE), headed up by Elon Musk, is tasked with reducing government waste and increasing efficiency and productivity. The big question bond investors are keying on is how effectively DOGE can reduce the deficit. Tracking DOGE savings is now easy. As we share below, the US Debt Clock shows a running total of cumulative DOGE savings. Thus far, in less than a month, DOGE has saved \$56 billion, as shown below (box in the upper left of graphic).


























Musk's goal from the onset was to save the government \$1 billion per day. However, he is on pace for \$2 billion or more daily. Let's extrapolate his recent success to put the data into proper context. If DOGE can save \$2 billion per day, the government can save about \$700 billion annually. Accordingly, the fiscal year 2024 deficit of \$1.8 trillion would be reduced to a much more manageable \$1.1 trillion. To appreciate such savings, the Department of Defense spends roughly \$800 billion a year. Equally important, if DOGE makes serious inroads toward deficit reduction, bond yields will likely decline, further cutting government deficits.

Savings become more challenging over time. Accordingly, we suspect that \$1 billion a day is more realistic. While half of the current run rate, a billion a day would create measurable savings, which should, on the margin, reduce interest rates.



## What To Watch Today

### Earnings

Wednesday Feb 5	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
 <b>Walt Disney</b> <small>DIS.US</small>		1.45	1.22		24.7B	23.5B	\$204.62B	Q1	AM	★	🔔
 <b>Qualcomm</b> <small>QCOM.US</small>		2.97	2.75		10.93B	9.92B	\$193.11B	Q1	PM	★	🔔
 <b>Boston Scientific</b> <small>BSX.US</small>		0.66	0.55		4.41B	3.73B	\$150.92B	Q4	AM	★	🔔
 <b>Uber</b> <small>UBER.US</small>		0.49	0.66		11.77B	9.94B	\$139.27B	Q4	PM	★	🔔
 <b>Fiserv</b> <small>FISV.US</small>		2.49	2.19		4.96B	4.92B	\$122.91B	Q4	PM	★	🔔
 <b>McKesson</b> <small>MCK.US</small>		8.27	7.74		95.77B	80.9B	\$77.99B	Q3	AM	★	🔔
 <b>Illinois Tool Works</b> <small>ITW.US</small>		2.50	2.42		3.99B	4B	\$77.43B	Q4	PM	★	🔔
 <b>O'Reilly Automotive</b> <small>ORLY.US</small>		9.73	9.26		4.04B	3.83B	\$76.39B	Q4	PM	★	🔔
 <b>Emerson Electric</b> <small>EMR.US</small>		1.28	1.22		4.23B	4.12B	\$74.03B	Q1	PM	★	🔔
 <b>Microstrategy</b> <small>MSTR.US</small>		-0.12	5.62		123M	124.5M	\$65.06B	Q4	PM	★	🔔
 <b>Aflac</b> <small>AFL.US</small>		1.62	1.25		4.23B	3.8B	\$59.62B	Q4	PM	★	🔔
 <b>Johnson Controls</b> <small>JCI.US</small>		0.59	0.51		5.37B	6.09B	\$53.14B	Q1	AM	★	🔔
 <b>Allstate</b> <small>ALL.US</small>		5.70	5.82		13.79B	14.83B	\$50.96B	Q4	AM	★	🔔
 <b>Prudential Financial</b> <small>PRU.US</small>		3.38	2.58		14.51B	13.02B	\$43.37B	Q4	AM	★	🔔
 <b>Cognizant Technology Solut</b>		1.12	1.18		5.08B	4.76B	\$40.97B	Q4	PM	★	🔔
 <b>Old Dominion Freight Line</b> <small>O</small>		1.17	2.94		1.39B	1.49B	\$40.42B	Q4	PM	★	🔔
 <b>Ford Motor</b> <small>F.US</small>		0.36	0.29		47.79B	46B	\$40.04B	Q4	PM	★	🔔
 <b>Crown Castle International</b> <small>C</small>		0.45	0.83		1.64B	1.67B	\$38.79B	Q4	AM	★	🔔
 <b>AvalonBay Communities</b> <small>AVB.U</small>		1.28	1.70		738.72M	636.11M	\$31.49B	Q4	PM	★	🔔
 <b>CDW</b> <small>CDW.US</small>		2.33	2.57		4.96B	5.02B	\$26.57B	Q4	PM	★	🔔
 <b>Corpay</b> <small>FLT.US</small>		5.32	4.44		1.06B	937.3M	\$26.52B	Q4	PM	★	🔔
 <b>T. Rowe Price</b> <small>TROW.US</small>		2.21	1.72		1.88B	1.64B	\$26.15B	Q4	PM	★	🔔
 <b>Markel</b> <small>MKL.US</small>		18.97	56.48		3B	4.64B	\$23.98B	Q4	PM	★	🔔
 <b>PTC</b> <small>PTC.US</small>		0.90	1.11		555.42M	550.21M	\$23.13B	Q1	PM	★	🔔
 <b>International Flavors Fragranc</b>		0.82	0.72		2.69B	2.7B	\$22.22B	Q4	AM	★	🔔

## Economy

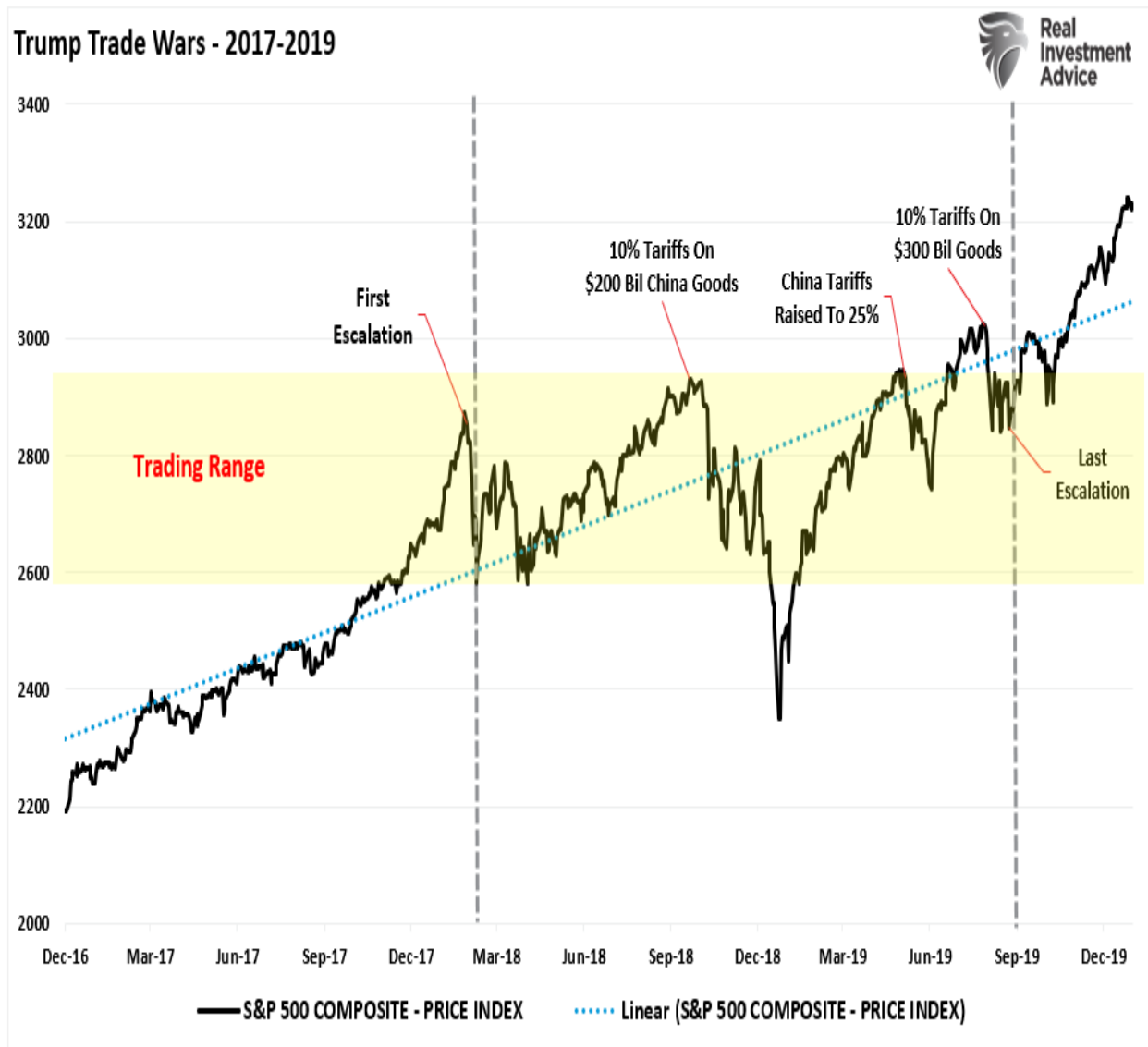
Wednesday February 05 2025			Actual	Previous	Consensus	Forecast		
06:00 AM	US	MBA 30-Year Mortgage Rate <small>JAN/31</small>		7.02%				
06:00 AM	US	MBA Mortgage Applications <small>JAN/31</small>		-2%				
06:00 AM	US	MBA Mortgage Market Index <small>JAN/31</small>		220.0				
06:00 AM	US	MBA Mortgage Refinance Index <small>JAN/31</small>		520.9				
06:00 AM	US	MBA Purchase Index <small>JAN/31</small>		162.4				
07:15 AM	US	ADP Employment Change <small>JAN</small>		122K	150K	120.0K		
07:30 AM	US	Balance of Trade <small>DEC</small>		-\$78.2B	-\$96.5B	-\$93.0B		
07:30 AM	US	Exports <small>DEC</small>		\$273.4B		\$262B		
07:30 AM	US	Imports <small>DEC</small>		\$351.6B		\$355.0B		
07:30 AM	US	Treasury Refunding Announcement						
08:00 AM	US	Fed Barkin Speech						
08:45 AM	US	S&P Global Composite PMI Final <small>JAN</small>		55.4	52.4	52.4		
08:45 AM	US	S&P Global Services PMI Final <small>JAN</small>		56.8	52.8	52.8		
09:00 AM	US	ISM Services PMI <small>JAN</small>		54.1	54.2	54		
09:00 AM	US	ISM Services Business Activity <small>JAN</small>		58.2		58.1		
09:00 AM	US	ISM Services Employment <small>JAN</small>		51.4		51.3		
09:00 AM	US	ISM Services New Orders <small>JAN</small>		54.2		54.1		
09:00 AM	US	ISM Services Prices <small>JAN</small>		64.4		64.8		
09:30 AM	US	EIA Crude Oil Stocks Change <small>JAN/31</small>		3.463M				
09:30 AM	US	EIA Gasoline Stocks Change <small>JAN/31</small>		2.957M				
09:30 AM	US	EIA Crude Oil Imports Change <small>JAN/31</small>		0.532M				
09:30 AM	US	EIA Cushing Crude Oil Stocks Change <small>JAN/31</small>		0.326M				
09:30 AM	US	EIA Distillate Fuel Production Change <small>JAN/31</small>		0.028M				
09:30 AM	US	EIA Distillate Stocks Change <small>JAN/31</small>		-4.994M				
09:30 AM	US	EIA Gasoline Production Change <small>JAN/31</small>		-0.044M				
09:30 AM	US	EIA Heating Oil Stocks Change <small>JAN/31</small>		0.128M				
09:30 AM	US	EIA Refinery Crude Runs Change <small>JAN/31</small>		-0.333M				
10:30 AM	US	17-Week Bill Auction		4.190%				
12:00 PM	US	Fed Goolsbee Speech						
02:00 PM	US	Fed Bowman Speech						
06:30 PM	US	Fed Jefferson Speech						

## Market Trading Update

Yesterday, we discussed the [?Tariff Turmoil?](#) that rocked the markets. Many headlines suggest that Trump's tariffs will cause the next major market crash. Maybe that is the case. However, we can look back at his first term in office to see how the markets reacted as the China *?trade war?* developed. I will write a longer article at some point, but here are the initial observations.

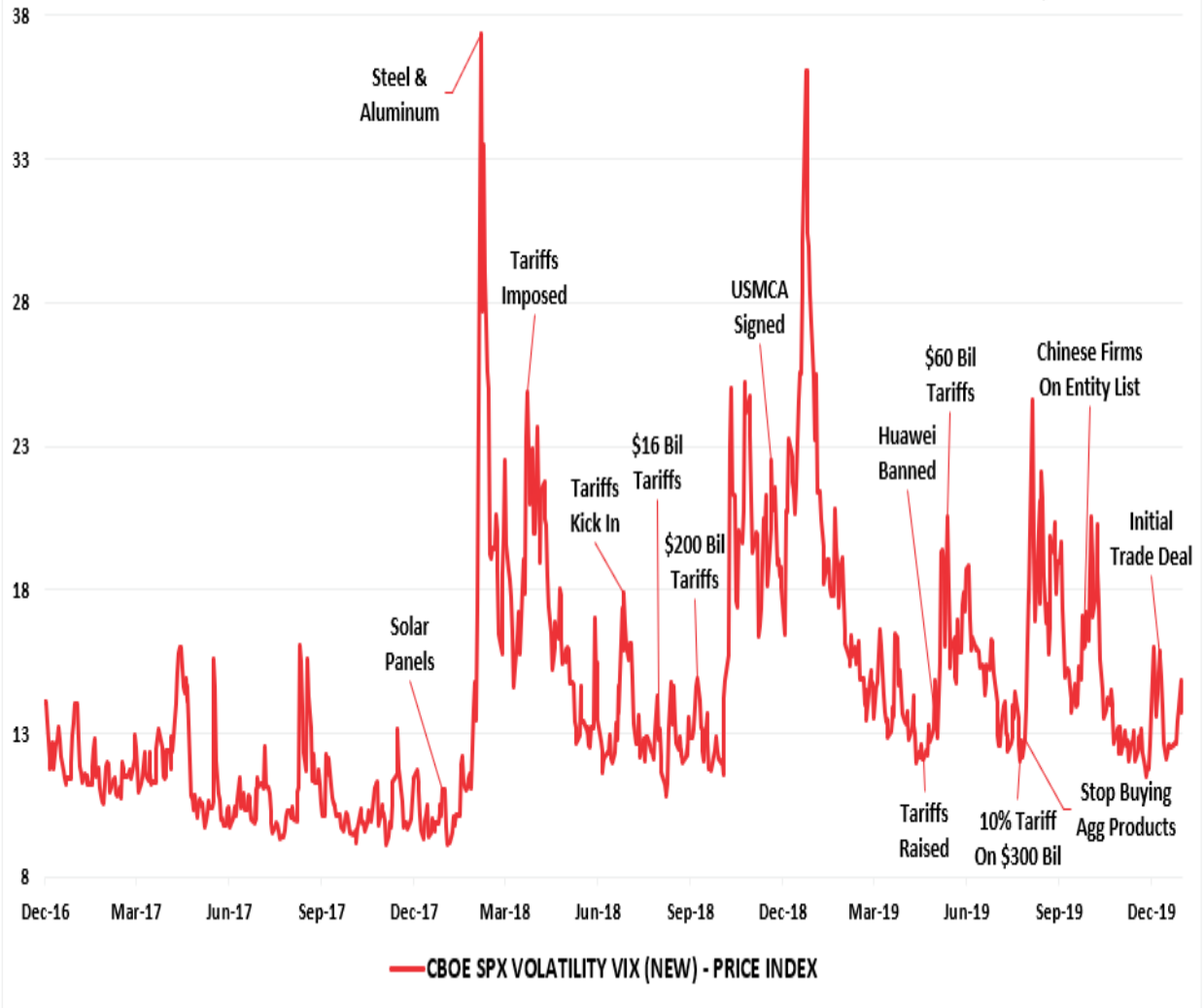
Following the passage of the [?Tax Cuts and Jobs Act,?](#) the market surged to all-time highs. Valuations were elevated, and the Fed was beginning a rate-hiking campaign. At the same time, Trump launched the first escalation of the trade war with China. Over the next 18

months, the market traded in a very wide trading range but remained in a steady liner growth trend higher.



As we noted in [Curb Your Enthusiasm](#); this year may be very similar to what we saw during the first trade war with bouts of volatility. As shown, as different facets of the trade war developed, volatility would spike as investors tried to digest the actions and their potential ramifications on the market.

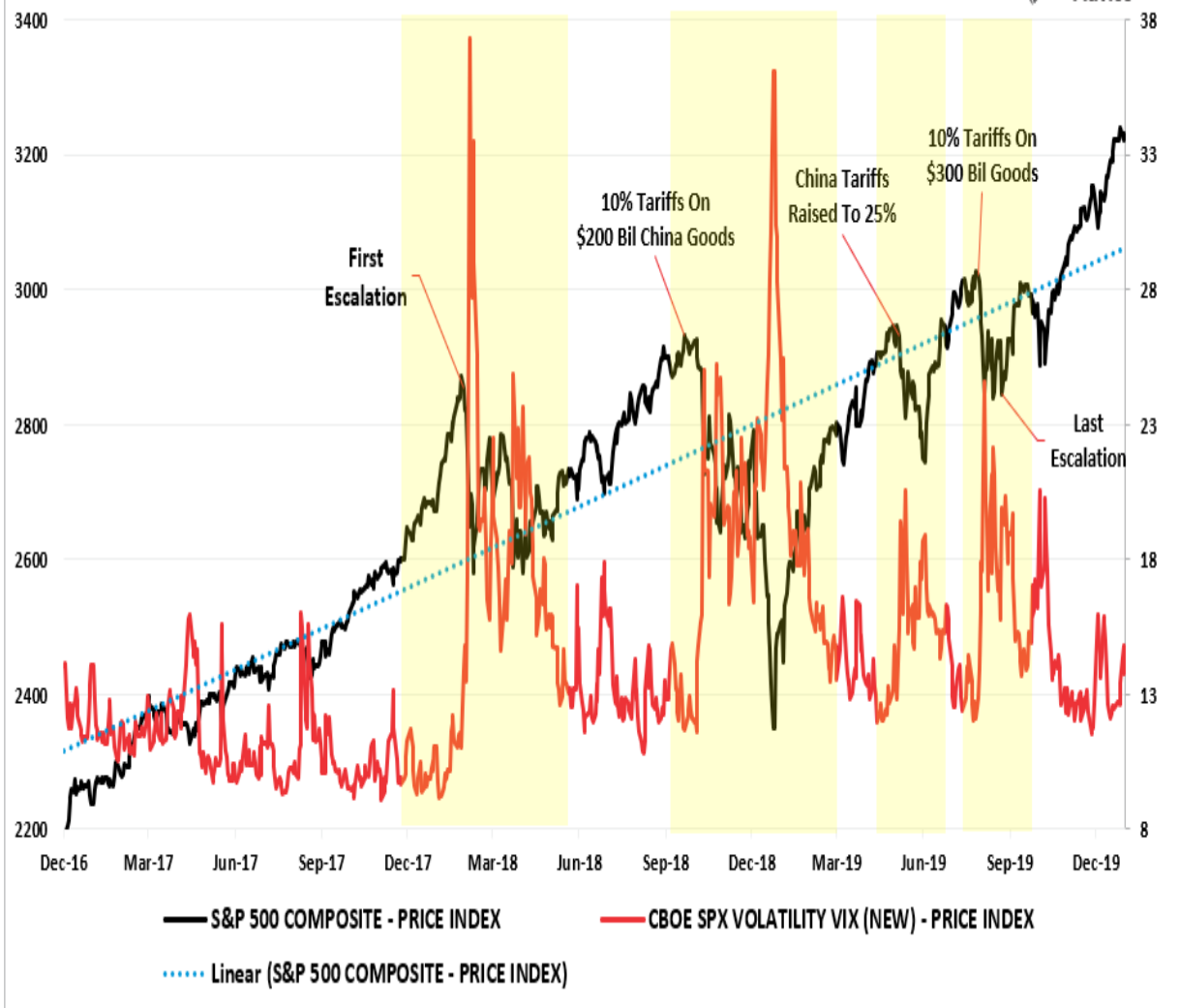
## Trump Trade Wars - 2017-2019



Despite the barrage of negative headlines, concerns about inflationary impacts, and economic outcomes, the market ultimately wound up weathering the trade war. As shown, spikes in volatility due to trade war announcements provided repeated buying opportunities for investors to pick up stocks at lower prices.



## Trump Trade Wars - 2017-2019



We don't have much history regarding tariffs and the stock market. However, as we noted on Monday, it is likely best to avoid media-driven narratives and focus on managing your portfolio as we concluded in yesterday's post:

*That does not mean that things won't change in the future. However, using media headlines to make portfolio decisions has repeatedly turned out poorly. If the recent market volatility is weighing on you, and you feel you must do something, take very small steps.*

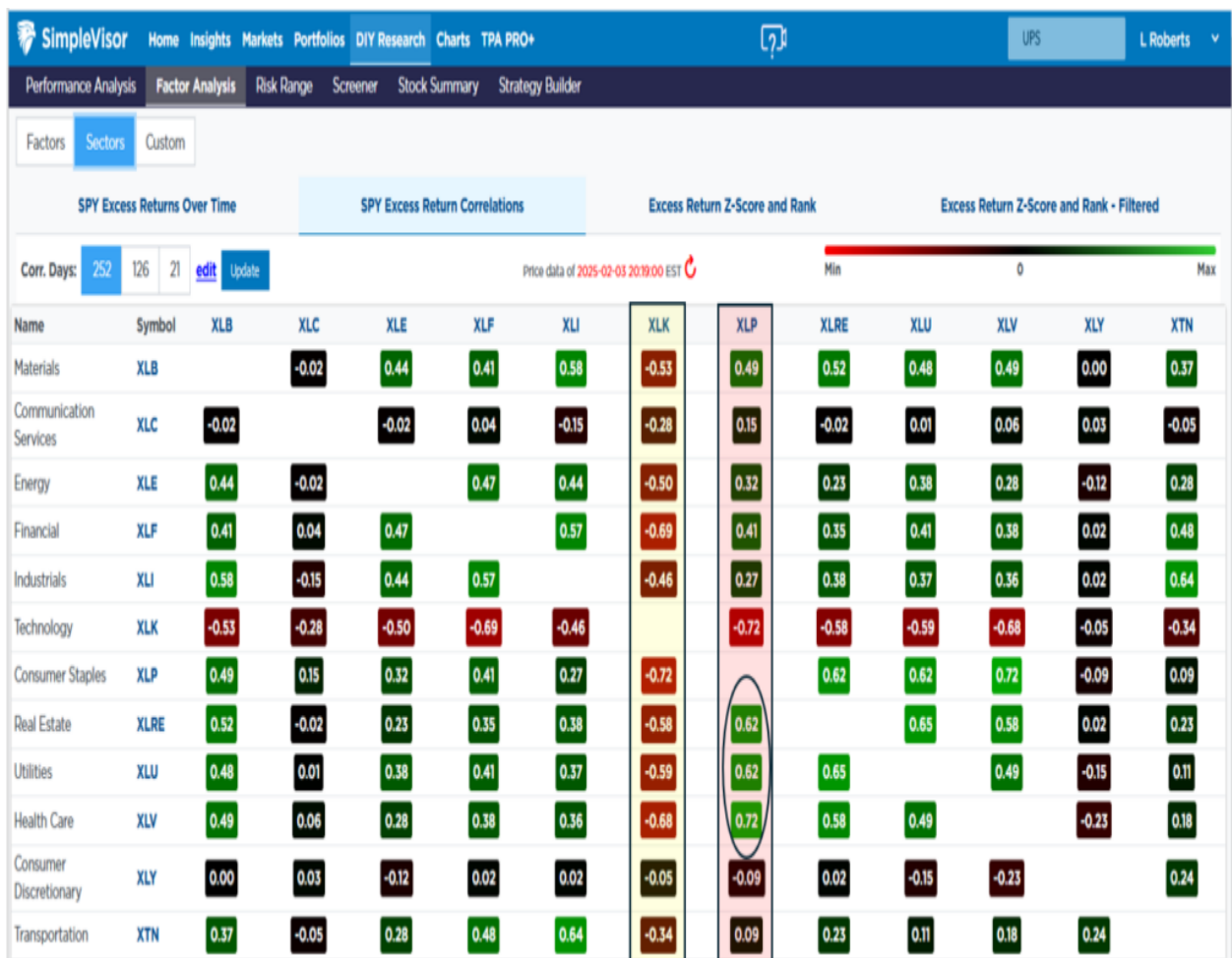
1. **Tighten up stop-loss levels** to current support levels for each position.
2. **Hedge portfolios** against major market declines.
3. **Take profits** in positions that have been big winners
4. **Sell laggards** and losers
5. **Raise cash** and rebalance portfolios to target weightings.

*As we saw on Monday, taking small steps to reduce portfolio risk now can help you weather sharp market events. Remembering that portfolio management is not an all or none process is crucial. It is about positioning yourself to minimize emotional decisions so you can find the opportunity that exists in crisis.*

## Rotation Tools For Return or Risk Management

The technology sector is performing relatively differently than the other sectors. To help you appreciate this recent market dynamic, we share the [SimpleVisor](#) table below. It calculates each sector's excess return versus the S&P 500 and then computes the correlation of that sector's excess returns to each other sector's excess returns. For example, in the top right corner, the correlation of the excess returns of transports (XTN) and materials (XLB) is positive at .37. In other words, both sectors will tend to beat or underperform the market simultaneously. This is vital information for those interested in using sector rotations to bolster returns or better manage risk.

We have highlighted the correlations of technology (XLK) and staples (XLP) versus the other sectors to point out a recent anomaly in the market. The technology sector has a negative correlation with every other sector. On days when technology beats the market, odds are most other sectors will underperform. Conversely, when technology underperforms, most other sectors will outperform the market. On the other hand, staples positively correlate with almost all other sectors which is more normal.



SimpleVisor Home Insights Markets Portfolios DIY Research Charts TPA PRO+ UPS L Roberts

Performance Analysis **Factor Analysis** Risk Range Screener Stock Summary Strategy Builder

Factors **Sectors** Custom

SPY Excess Returns Over Time **SPY Excess Return Correlations** Excess Return Z-Score and Rank Excess Return Z-Score and Rank - Filtered

Corr. Days: 252 126 21 edit Update Price data of 2025-02-03 20:09:00 EST

Name	Symbol	XLB	XLC	XLE	XLF	XLI	XLK	XLP	XLRE	XLU	XLV	XLY	XTN
Materials	XLB		-0.02	0.44	0.41	0.58	-0.53	0.49	0.52	0.48	0.49	0.00	0.37
Communication Services	XLC	-0.02		-0.02	0.04	-0.15	-0.28	0.15	-0.02	0.01	0.06	0.03	-0.05
Energy	XLE	0.44	-0.02		0.47	0.44	-0.50	0.32	0.23	0.38	0.28	-0.12	0.28
Financial	XLF	0.41	0.04	0.47		0.57	-0.69	0.41	0.35	0.41	0.38	0.02	0.48
Industrials	XLI	0.58	-0.15	0.44	0.57		-0.46	0.27	0.38	0.37	0.36	0.02	0.64
Technology	XLK	-0.53	-0.28	-0.50	-0.69	-0.46		-0.72	-0.58	-0.59	-0.68	-0.05	-0.34
Consumer Staples	XLP	0.49	0.15	0.32	0.41	0.27	-0.72		0.62	0.62	0.72	-0.09	0.09
Real Estate	XLRE	0.52	-0.02	0.23	0.35	0.38	-0.58	0.62		0.65	0.58	0.02	0.23
Utilities	XLU	0.48	0.01	0.38	0.41	0.37	-0.59	0.62	0.65		0.49	-0.15	0.11
Health Care	XLV	0.49	0.06	0.28	0.38	0.36	-0.68	0.72	0.58	0.49		-0.23	0.18
Consumer Discretionary	XLY	0.00	0.03	-0.12	0.02	0.02	-0.05	-0.09	0.02	-0.15	-0.23		0.24
Transportation	XTN	0.37	-0.05	0.28	0.48	0.64	-0.34	0.09	0.23	0.11	0.18	0.24	

## Tariffs Roil Markets



The announcement of tariffs set the market on its heels yesterday morning as media writers quickly pushed narratives about the potential impacts. However, as suggested on the [?Real Investment Show?](#) before the market opened on Monday, **the best thing to do would be ?nothing.?** There were a couple of reasons for this suggestion.

[READ MORE?](#)



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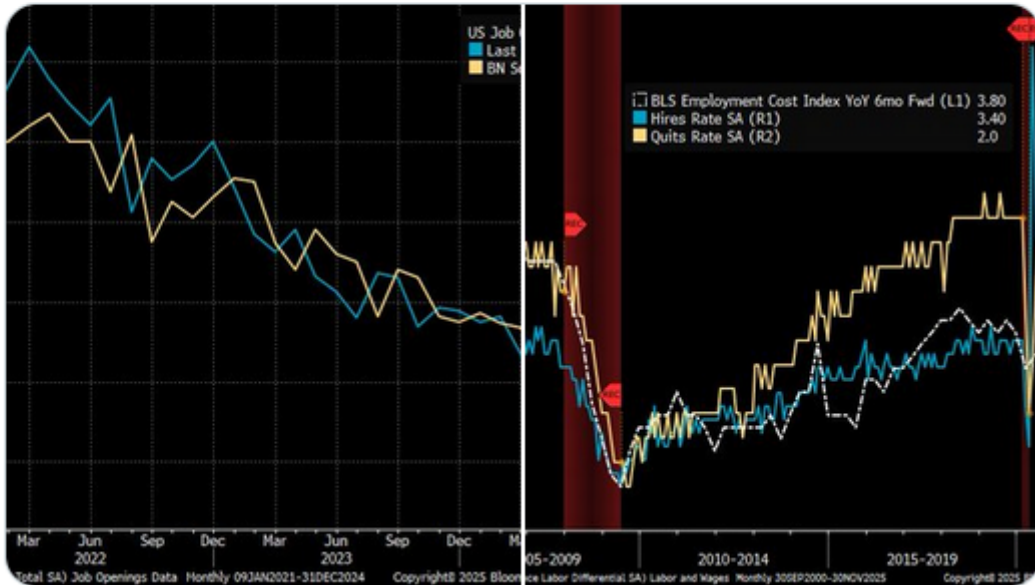
## Tweet of the Day



**Liz Young Thomas**  @LizThomasStrat · 8m



The Dec **JOLTS** report had some conflicting data: Job openings fell from 8.2m to 7.6m (est was for 8.0m), while the hires and quits rates remained steady at 3.4% and 2.0%, respectively. The broader story of low labor churn and decelerating wage growth is unchanged.



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)

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