



Fitch Downgrades America. Does It Matter?

On August 5, 2011, S&P downgraded the United States' credit rating to AA+. Almost to the day, twelve years later, Fitch came to the same conclusion as S&P. The U.S. credit rating is not worthy of the AAA rating. If the U.S. were a corporation, Fitch and S&P would likely rate its debt as junk! But, the U.S. is not a company and has abilities that no corporation or other nation has. Fitch's statement includes the following five reasons to justify their new AA+ rating for the United States:

- Erosion of Governance
- Rising government deficits
- General government debt rising
- Unaddressed medium-term fiscal challenges
- Fed interest rate hikes

Fitch clarified that further downgrades are possible if the government does not address its fiscal issues and economic policies. So the question facing investors is, do we care? A credit rating on U.S. debt is ridiculous. The U.S. can print money and avoid default no matter how bad its fiscal position is. Accordingly, U.S. Treasury debt will still be considered the world's only risk-free asset regardless of its ratings. The table below shows the market reactions to the S&P downgrade in 2011. Unexpectedly, bond yields fell appreciably, and the dollar rose, despite the downgrade. One would have thought gold would be a beneficiary. It was initially, but its price was slightly lower a year later. Stocks troughed 8% lower within the first week of the downgrade but were on solid footing afterward. Like twelve years ago, the downgrade may provide opportunities contrary to what many expect.























































Asset Class Performance Last Downgrade						
	5 Days	1 Month	3 Months	6 Months	1 Year	Biggest 1M Drawdown
S&P 500	-2.43%	-2.98%	5.87%	13.02%	19.61%	-8.30%
Gold	7.18%	10.03%	8.33%	4.46%	-1.84%	0.76%
10yr UST (chg. BPS)	-0.10%	-0.53%	-0.40%	-0.49%	-0.81%	0.12%
Dollar Index	-0.60%	3.26%	2.44%	5.36%	9.89%	-2.13%

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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*
🕒	AAPL	Apple Inc.	\$3,076,612,363,500	Jun/2023	\$1.19	11	7/28/2022	\$1.20
🕒	AMZN	Amazon.com, Inc.	\$1,351,185,977,172	Jun/2023	\$0.34	12	7/28/2022	\$0.10
☀️	COP	ConocoPhillips	\$142,036,688,914	Jun/2023	\$1.94	8	8/04/2022	\$3.91
🕒	AMGN	Amgen Inc.	\$124,027,888,999	Jun/2023	\$4.44	9	8/04/2022	\$4.65
🕒	BKNG	Booking Holdings Inc.	\$107,636,111,360	Jun/2023	\$28.84	11	8/03/2022	\$19.08
🕒	SYK	Stryker Corporation	\$106,013,172,518	Jun/2023	\$2.38	12	7/26/2022	\$2.25
☹️	BUD	Anheuser-Busch Inbev SA	\$98,741,952,525	Jun/2023	\$0.66	4	7/28/2022	\$0.75
🕒	ABNB	Airbnb, Inc.	\$95,221,208,609	Jun/2023	\$0.77	10	8/02/2022	\$0.56
🕒	GILD	Gilead Sciences, Inc.	\$94,399,651,503	Jun/2023	\$1.60	11	8/02/2022	\$1.58
☹️	PBR	Petroleo Brasileiro S.A.-Petrobras	\$92,548,607,953	Jun/2023	\$0.97	2	7/28/2022	\$1.39
☀️	CI	The Cigna Group	\$87,471,666,372	Jun/2023	\$5.98	10	8/04/2022	\$6.22
☹️	PBR.A	Petroleo Brasileiro S.A.-Petrobras	\$83,417,667,070	Jun/2023		3	N/A	\$1.39
☀️	REGN	Regeneron Pharmaceuticals, Inc.	\$81,083,557,423	Jun/2023	\$8.48	9	8/03/2022	\$9.77
☀️	BDX	Becton, Dickinson and Company	\$79,109,511,638	Jun/2023	\$2.89	10	8/04/2022	\$2.66
☀️	SO	Southern Company (The)	\$77,723,893,051	Jun/2023	\$0.74	5	7/28/2022	\$1.07
🕒	EOG	EOG Resources, Inc.	\$77,055,125,951	Jun/2023	\$2.28	10	8/04/2022	\$2.74
☀️	APD	Air Products and Chemicals, Inc.	\$67,172,131,452	Jun/2023	\$2.91	8	8/04/2022	\$2.62
☀️	CNQ	Canadian Natural Resources Limited	\$66,852,998,800	Jun/2023	\$0.88	4	8/04/2022	\$2.55
☀️	ICE	Intercontinental Exchange Inc.	\$64,407,095,078	Jun/2023	\$1.37	7	8/04/2022	\$1.32
🕒	FTNT	Fortinet, Inc.	\$61,268,855,818	Jun/2023	\$0.27	13	8/03/2022	\$0.18
🕒	MNST	Monster Beverage Corporation	\$60,405,745,595	Jun/2023	\$0.39	11	8/04/2022	\$0.25
☹️	ING	ING Group, N.V.	\$54,072,087,796	Jun/2023	\$0.55	1	8/04/2022	\$0.33
☀️	PH	Parker-Hannifin Corporation	\$53,136,397,807	Jun/2023	\$5.50	8	8/04/2022	\$5.16
🕒	MCHP	Microchip Technology Incorporated	\$50,911,599,667	Jun/2023	\$1.56	11	8/02/2022	\$1.30
☹️	ABEV	Ambev S.A.	\$48,825,672,238	Jun/2023	\$0.03	1	7/28/2022	\$0.04
🕒	MSI	Motorola Solutions, Inc.	\$48,324,322,836	Jun/2023	\$2.23	6	8/04/2022	\$1.87
🕒	SQ	Block, Inc.	\$47,641,582,339	Jun/2023	(\$0.12)	9	8/04/2022	(\$0.19)
☀️	APO	Apollo Global Management, Inc. (New)	\$46,504,407,252	Jun/2023	\$1.60	4	8/04/2022	\$0.94
☀️	SRE	Sempra	\$46,317,215,977	Jun/2023	\$1.72	4	8/04/2022	\$1.98
☀️	MRNA	Moderna, Inc.	\$43,434,992,313	Jun/2023	(\$3.84)	11	8/03/2022	\$5.24
🕒	CTVA	Corteva, Inc.	\$39,766,235,620	Jun/2023	\$1.58	8	8/04/2022	\$1.64
☀️	BCE	BCE, Inc.	\$39,004,530,308	Jun/2023	\$0.61	7	8/04/2022	\$0.68
☀️	LNG	Cheniere Energy, Inc.	\$38,934,049,947	Jun/2023	\$2.37	8	8/04/2022	\$2.90
☀️	CMI	Cummins Inc.	\$37,512,457,142	Jun/2023	\$5.19	8	8/02/2022	\$4.77
☹️	BBD	Banco Bradesco Sa	\$36,821,908,988	Jun/2023	\$0.08	3	8/04/2022	\$0.13
🕒	RMD	ResMed Inc.	\$33,110,824,231	Jun/2023	\$1.67	5	8/11/2022	\$1.49
☹️	BBDO	Banco Bradesco Sa	\$32,884,306,004	Jun/2023		3	N/A	\$0.13
🕒	ED	Consolidated Edison Inc	\$32,346,062,268	Jun/2023	\$0.58	5	8/04/2022	\$0.64
☀️	CEG	Constellation Energy Corporation	\$31,475,198,345	Jun/2023	\$0.78	3	8/04/2022	(\$0.34)
☀️	WBD	Warner Bros. Discovery, Inc.	\$31,352,703,010	Jun/2023	(\$0.39)	6	8/04/2022	(\$0.11)
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Time	Event	Impact	Actual	Dev 	Consensus	Previous
THURSDAY, AUGUST 3						
11:30	 USD Challenger Job Cuts(Jul)	<div><div></div></div>	-	-	- 40.709K	
12:30	 USD Continuing Jobless Claims(Jul 21)	<div><div></div></div>	-	-	1.7M 1.69M	
12:30	 USD Initial Jobless Claims(Jul 28)	<div><div></div></div>	-	-	227K 221K	
12:30	 USD Initial Jobless Claims 4-week average(Jul 28)	<div><div></div></div>	-	-	- 233.75K	
12:30	 USD Nonfarm Productivity(Q2) PREL	<div><div></div></div>	-	-	2% -2.1%	
12:30	 USD Unit Labor Costs(Q2) PREL	<div><div></div></div>	-	-	2.6% 4.2%	
13:45	 USD S&P Global Composite PMI(Jul)	<div><div></div></div>	-	-	52 52	
13:45	 USD S&P Global Services PMI(Jul)	<div><div></div></div>	-	-	52.4 52.4	
14:00	 USD Factory Orders (MoM)(Jun)	<div><div></div></div>	-	-	2.2% 0.3%	
14:00	 USD ISM Services Employment Index(Jul)	<div><div></div></div>	-	-	51.1 53.1	
14:00	 USD ISM Services New Orders Index(Jul)	<div><div></div></div>	-	-	55.6 55.5	
14:00	 USD ISM Services PMI(Jul)	<div><div></div></div>	-	-	53 53.9	
14:00	 USD ISM Services Prices Paid(Jul)	<div><div></div></div>	-	-	52.1 54.1	
14:30	 USD EIA Natural Gas Storage Change(Jul 28)	<div><div></div></div>	-	-	6B 16B	
15:30	 USD 4-Week Bill Auction	<div><div></div></div>	-	-	- 5.27%	
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Market Trading Update

The market sold off to start the month of August. However, as noted recently, such would not be surprising given the sharp advance over the last few months. The selloff on Tuesday and Wednesday is beginning to work off some of that overbought condition and playing catch up to the negative divergences in RSI and the MACD discussed on Monday.

So far, the correction has triggered a MACD *sell signal*, suggesting lower prices over the next couple of weeks. While the market is currently testing the 20-DMA support levels, the 50-DMA seems to be a more logical target for the correction. Such would also move markets to a more oversold condition allowing for a better entry point to add to equity exposures.



TradingView



Given the magnitude of the runup since April, a deeper correction certainly remains possible. As such, we do need to factor in that risk. However, bullish momentum and sentiment remain strong for now, which will likely limit downside draws near term.

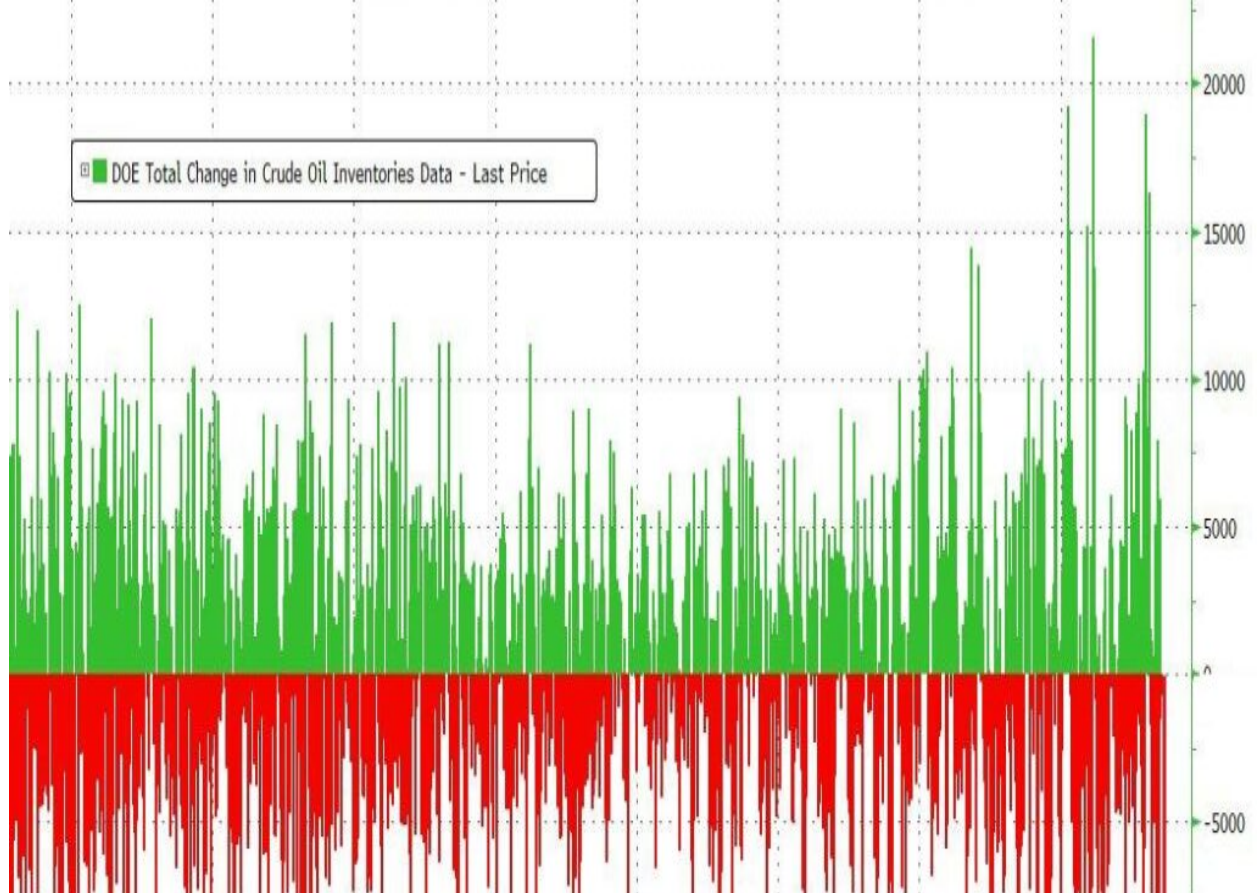
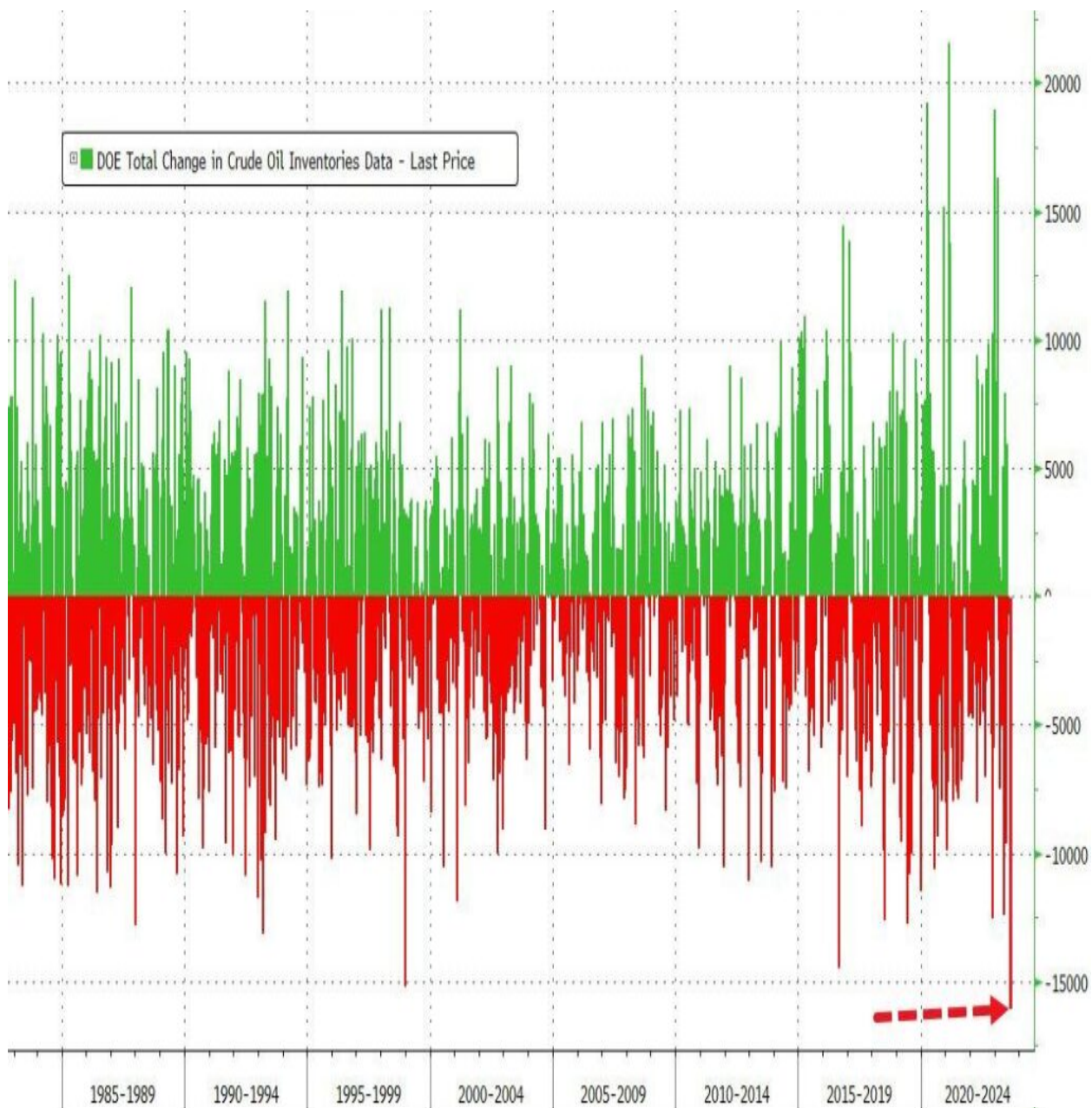


Crude Oil Jumps On Massive Inventory Drawdown

The American Petroleum Institute (API) reported crude inventories fell by 15.4 million barrels in the latest week. As shown below, courtesy of ZeroHedge, it was the largest weekly drawdown on record. Expectations were for a relatively minor 1.5 million barrel drawdown. Making matters worse, OPEC claims it is adhering to its 1 million barrel per day production cut.

Given the tight supply of crude oil, we doubt President Biden will be able to refill the strategic reserves (second graph) as he recently promised. It's more likely he will continue to draw down the reserves, which have already been cut by over 40% since 2022. With the Presidential election nearly a year away, managing the price of gasoline will become an increasingly important issue for the Biden team. As such, we suspect they will take whatever actions necessary to keep oil prices contained or even lower. The third graph shows that gasoline futures are in the upper region of its long-standing price range but far from the extremely high prices in early 2022.

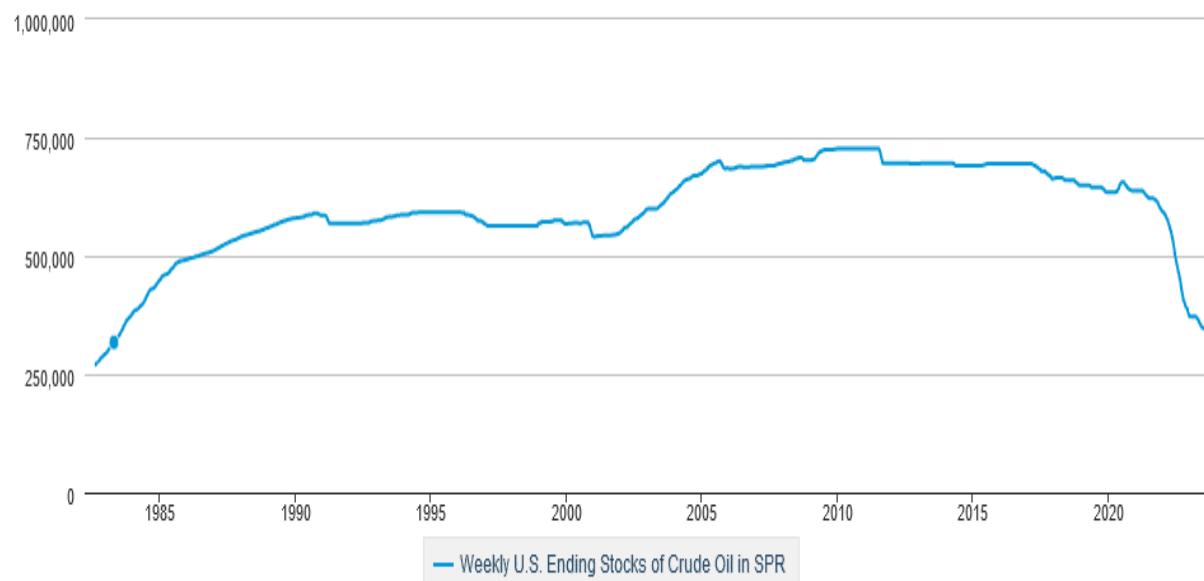
On the demand side of the equation, global demand is expected to rise; however, as Bloomberg recently reported: *'China's appetite for fuels and other oil-derived products such as plastics may have peaked for the year as the nation's economic woes continue to stand in the way of a full rebound from Covid Zero.'* China accounts for about 13% of world oil demand, second to the U.S. at 20%. However, their economic growth rate makes them the marginal price setter of oil. As such, watch their economic activity closely, as weakening Chinese demand may help offset supply problems.



Weekly U.S. Ending Stocks of Crude Oil in SPR

 [DOWNLOAD](#)

Thousand Barrels

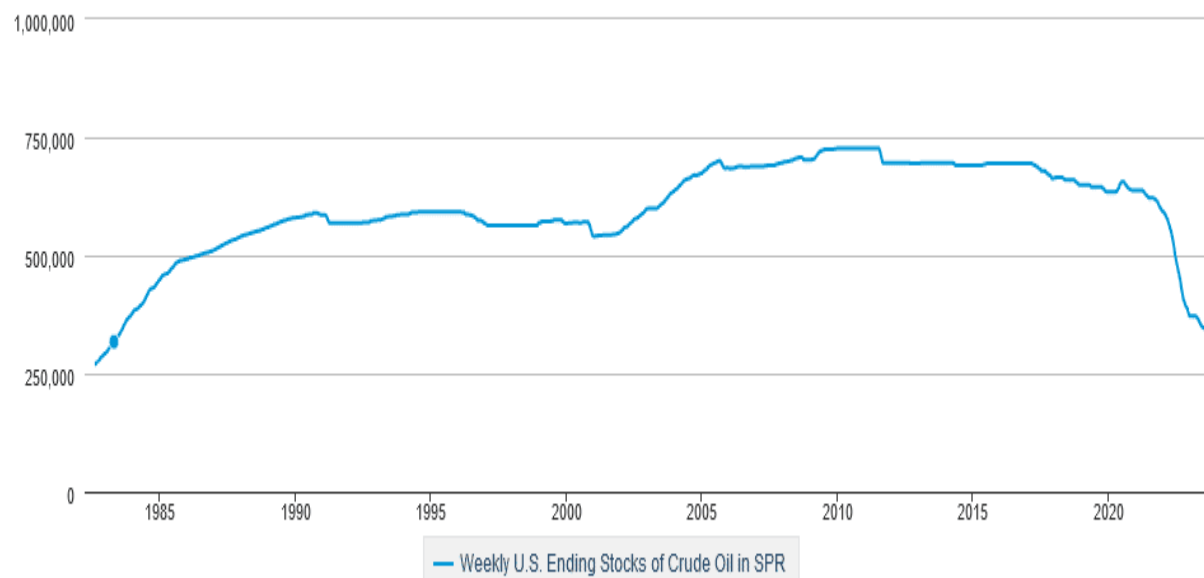


Data source: U.S. Energy Information Administration

Weekly U.S. Ending Stocks of Crude Oil in SPR

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Thousand Barrels



Data source: U.S. Energy Information Administration



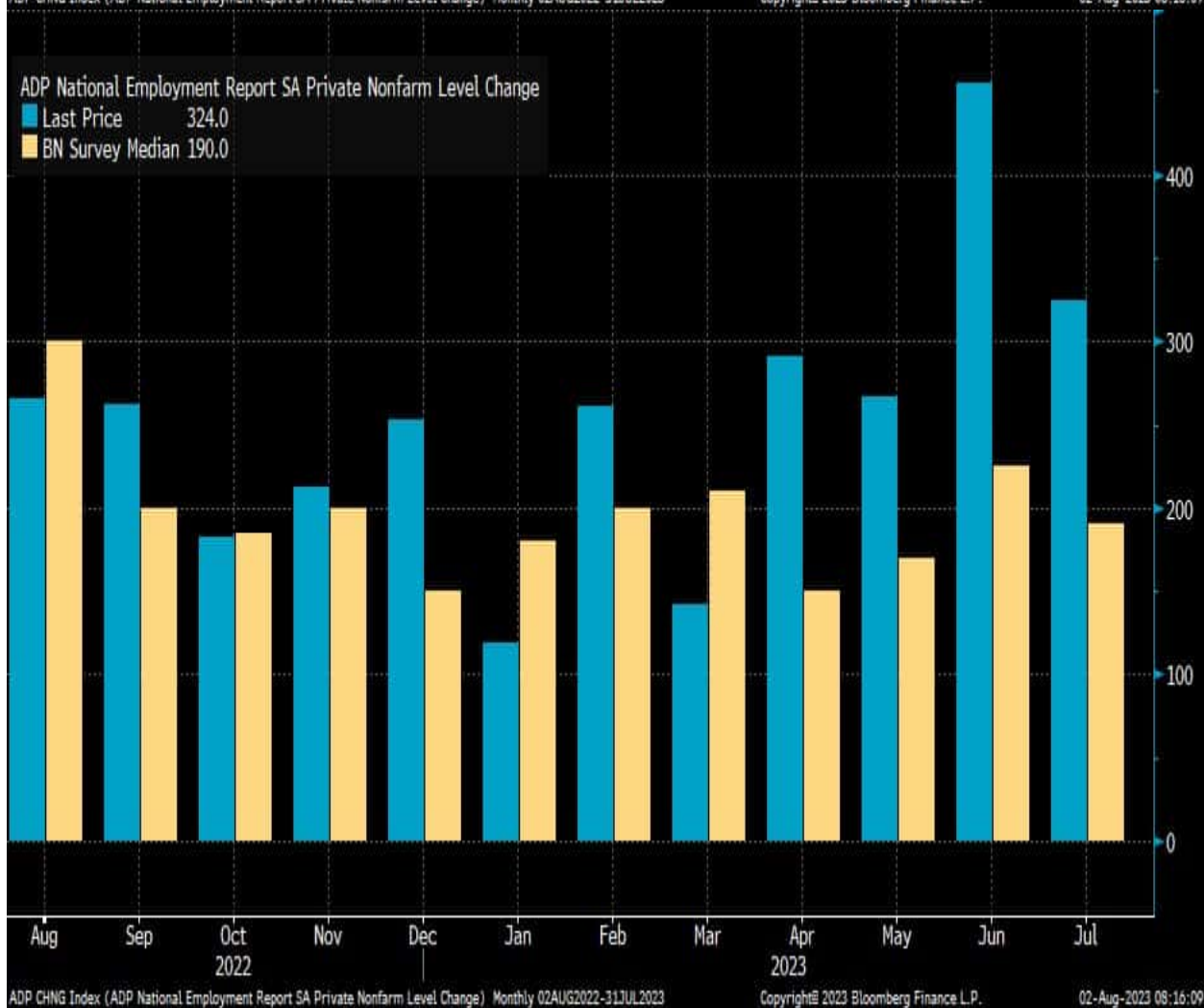
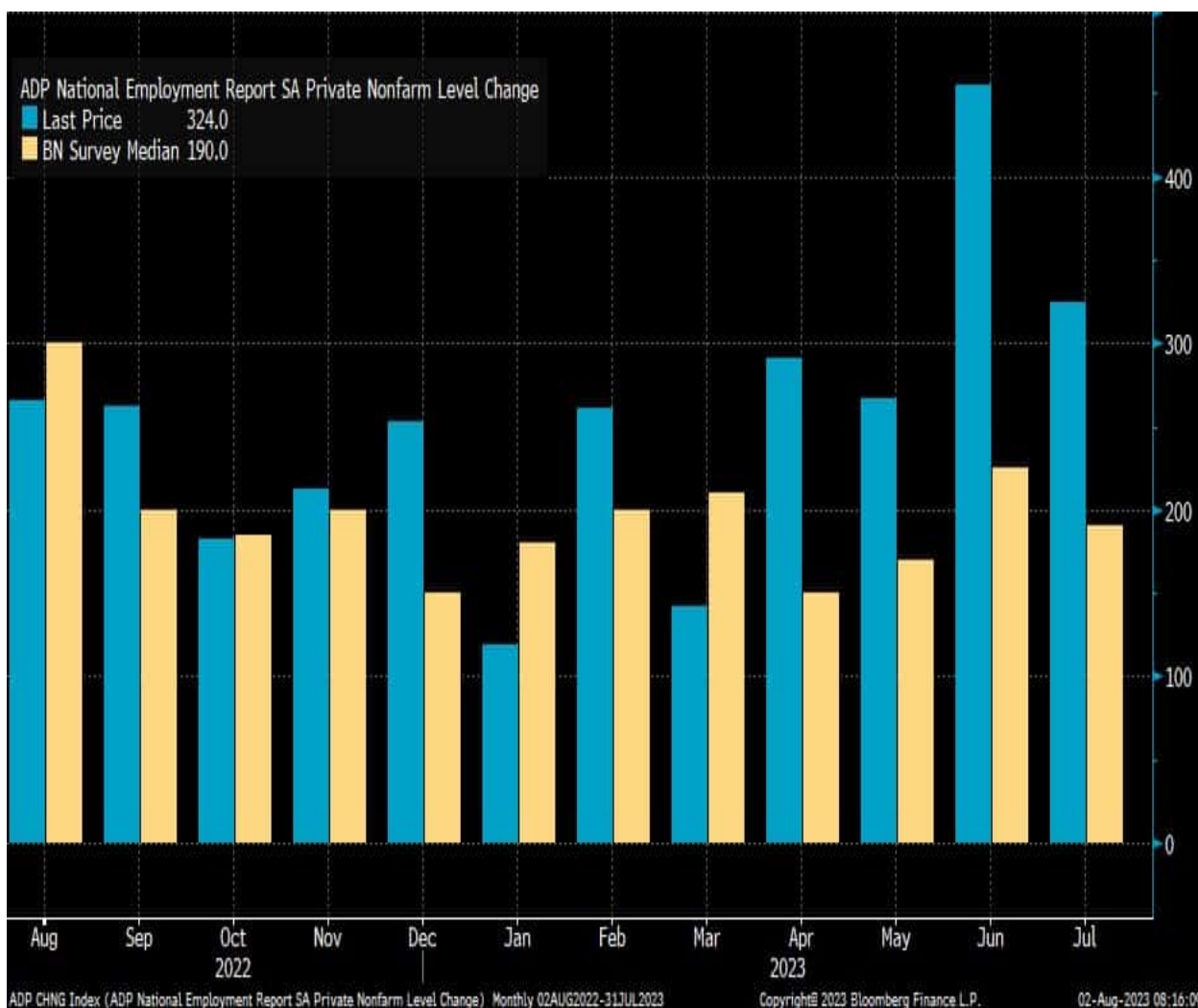
ADP Signals A Strong BLS Report Is Coming Tomorrow

The private ADP labor report continues to point to a strong labor market. Wednesday's ADP report shows the economy gained 324k versus forecasts of just under 200k. The Bloomberg graph below shows the ADP report handily beat expectations for the fourth straight month.

Job growth this past month came predominately from smaller companies. Companies with greater than 500 employees saw jobs decline by 67k. Conversely, companies with 49 or fewer employees reported a 237k gain in their payrolls. Leisure and hospitality continue to power the labor market,

accounting for 201k of the 324k new jobs. While the data is excellent, leisure and hospitality jobs tend to be low paying and often temporary. That said, it speaks to the strong consumer demand for travel and dining services.

As we noted with the weak ISM manufacturing survey yesterday, the manufacturing sector lost jobs for the fifth straight month.



Tweet of the Day



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Now there are only 10!

The number of AAA-rated countries is extremely limited.

9 countries receive an AAA-rating from all three major rating agencies (Fitch, Moody's S&P)

There are 10 countries with an 'average' AAA-rating applying the rule of 2 out of 3 AAA-ratings from these major rating agencies. Canada joins that list.

As of the Fitch decision to downgrade, the US no longer appears among the countries with an AAA-rating.

Country/Region	Moody's	S&P	Fitch
Australia	Aaa	AAAu	AAAu
Denmark	Aaa	AAAu	AAA
Germany	Aaa	AAAu	AAAu
Netherlands	Aaa	AAAu	AAAu
Sweden	Aaa	AAAu	AAAu
Norway	Aaa	AAA	AAAu
Singapore	Aaa	AAAu	AAAu
Switzerland	Aaa	AAAu	AAAu
Luxembourg	Aaa	AAA	AAA
Canada	Aaa	AAA	AA+U
Finland	Aa1	AA+	AA+
New Zealand	Aaa	AAA	AA+
Austria	Aa1	AA+	AA+U
United States	Aaa	AA+U	AA+U
Taiwan	Aa3	AA+U	AAU
Macau	Aa3	NR	AAU
Emirate of Abu Dha...	Aa2	AA	AA
France	Aa2u	AAU	AA-U
United Kingdom	Aa3u	AAU	AA-U
Belgium	Aa3	AAU	AA-U



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Country/Region	Moody's	S&P	Fitch
Australia	Aaa	AAAu	AAAu

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2023/08/03

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