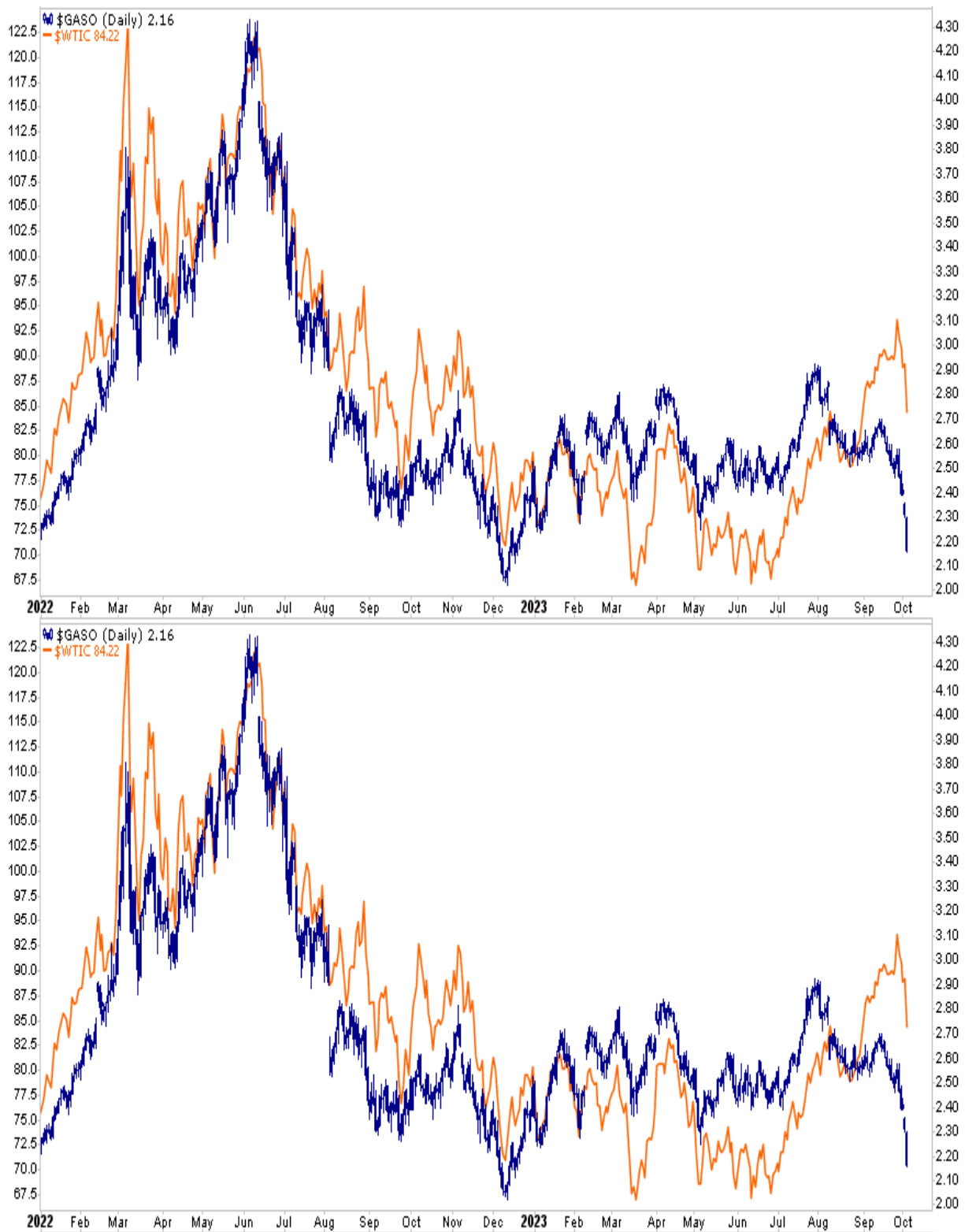




Gasoline Demand Plummet - RIA

The latest U.S. Energy Information Agency (EIA) report shows that gasoline demand in the U.S. plummeted to its lowest seasonal level in nearly 25 years. The recent spike in gas prices, along with storms in the Mid-Atlantic and New York City, weighed on demand. But, they do not fully account for the steep decline. The graph below shows gasoline prices (blue) are now near the lowest levels in the last two years. At the same time, crude oil prices are about \$15 a barrel above their two-year lows. It's too early to tell if the demand decline for gasoline is due to weakening economic activity.

The recent plunge in gasoline prices should ease some worries at the Fed about a resurgence in inflation. Energy accounts for 7% of CPI. Gasoline accounts for half of that. Home fuels like heating oil and natural gas comprise the remainder. Gasoline is down over 25% from its early August peak. Heating oil is down 18% from its September peak, and natural gas prices have been relatively flat over the prior two months. BLS energy price data tends to lag real-time data by three months. Therefore, expect CPI energy to decline later in December and January.

























































What To Watch Today

Earnings

- *No notable earnings releases today.*

Economy

Time	Event	Impact	Actual	Dev 	Consensus	Previous	
FRIDAY, OCTOBER 6							
12:30	 USD Average Hourly Earnings (MoM)(Sep)	<div><div></div></div>	-	-	0.3%	0.2%	
12:30	 USD Average Hourly Earnings (YoY)(Sep)	<div><div></div></div>	-	-	4.3%	4.3%	
12:30	 USD Average Weekly Hours(Sep)	<div><div></div></div>	-	-	34.4	34.4	
12:30	 USD Labor Force Participation Rate(Sep)	<div><div></div></div>	-	-	-	62.8%	
12:30	 USD Nonfarm Payrolls(Sep)	<div><div></div></div>	-	-	170K	187K	
12:30	 USD U6 Underemployment Rate(Sep)	<div><div></div></div>	-	-	-	7.1%	
12:30	 USD Unemployment Rate(Sep)	<div><div></div></div>	-	-	3.7%	3.8%	
16:00	 USD Fed's Waller speech	<div><div></div></div>		<div>SPEECH</div>			
17:00	 USD Baker Hughes US Oil Rig Count	<div><div></div></div>	-	-	-	502	
19:00	 USD Consumer Credit Change(Aug)	<div><div></div></div>	-	-	\$11.7B	\$10.4B	
20:30	 USD CFTC Gold NC Net Positions	<div><div></div></div>	-	-	- \$115.8K		
20:30	 USD CFTC Oil NC Net Positions	<div><div></div></div>	-	-	- 350.1K		
20:30	 USD CFTC S&P 500 NC Net Positions	<div><div></div></div>	-	-	- \$-89.3K		

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Market Trading Update

Over the last few trading sessions, we continue to see late-day buying to reverse early market weakness. That is a bullish sign, even though market action overall remains weak. Next week should be the last sloppy trading week, as earnings season kicks off next Friday. However, today, all eyes are focused on the employment report. A *?hot?* employment number will send stocks lower and yields higher on concerns the Fed will need to hike rates again at the end of the month. A *?soft?* number for stocks and bonds will be bullish, suggesting the Fed is done.

Yes, this is the same game we have played since last year. The reality is that the economy is slowing, and the Fed is likely done hiking rates. They just can't let the markets know that. So, for now, it remains *?Whack-A-Mole?* with economic data and the Fed. As noted yesterday, the 200-DMA remains the key support level, and with the markets oversold, a rally is likely. However, the jobs report could detail that this morning, so continue to manage your risk accordingly.





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Managing Your Biases In Volatile Markets

Given the recent volatility in the stock and bond markets, the table below is worth reviewing. Often, when markets are volatile, our cognitive biases take control of our decision-making. Bad decisions can be made when this occurs, as our emotions trump solid fundamental or technical analysis. Understanding our biases can prevent irrational trading.

COGNITIVE BIASES

The Ultimate Cheat Sheet

COGNITIVE BIAS	DESCRIPTION	EXAMPLE
Anchoring Bias	You rely heavily on the first piece of information you receive.	First seeing an expensive watch makes others seem cheaper.
Authority Bias	You trust opinions from perceived authorities more.	Believing a product is good because a celebrity endorses it.
Availability Heuristic	You judge things based on info readily available or easily recalled.	Seeing a type of car as unreliable due to a friend's issues with it.
Bandwagon Effect	You tend to follow popular opinions or trends.	Buying a certain phone because you see other people using it.
Confirmation Bias	You favor information that confirms your existing beliefs.	Dismissing data that questions your favorite diet's effectiveness.
Dunning-Kruger Effect	You overestimate your ability when you know little about something.	Thinking you're an expert after reading one article on a subject.
Endowment Effect	You value things more when you own them.	Trying to sell your house above market value because it's yours.
False Consensus Effect	You overestimate how much others agree with you.	Assuming all your friends will like your preferred restaurant.
Halo Effect	You judge a person's character from an overall positive impression.	Thinking a candidate will do a job well because they're attractive.
Illusory Correlation	You mistakenly believe two unrelated things are connected.	Believing black cats cause bad luck.
Negativity Bias	You focus more on negative events than positive ones.	Dwelling on one negative comment in a sea of compliments.
Outcome Bias	You judge a decision by its outcome, not the decision-making process.	Calling a bad investment smart because it unexpectedly paid off.
Recency Effect	You give more weight to the latest information or experiences.	Ordering the last item a server mentioned at a restaurant.
Self-Serving Bias	You credit your successes to yourself and blame your failures on others.	Thinking that winning a game is skill; losing is the referee's fault.
Spotlight Effect	You think others notice your mistakes or appearance more than they do.	Assuming everyone saw you trip over a curb.
Sunk Cost Fallacy	You stick with something not working due to what you've already put into it.	Watching a bad movie to the end because you paid for the ticket.

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COGNITIVE BIASES

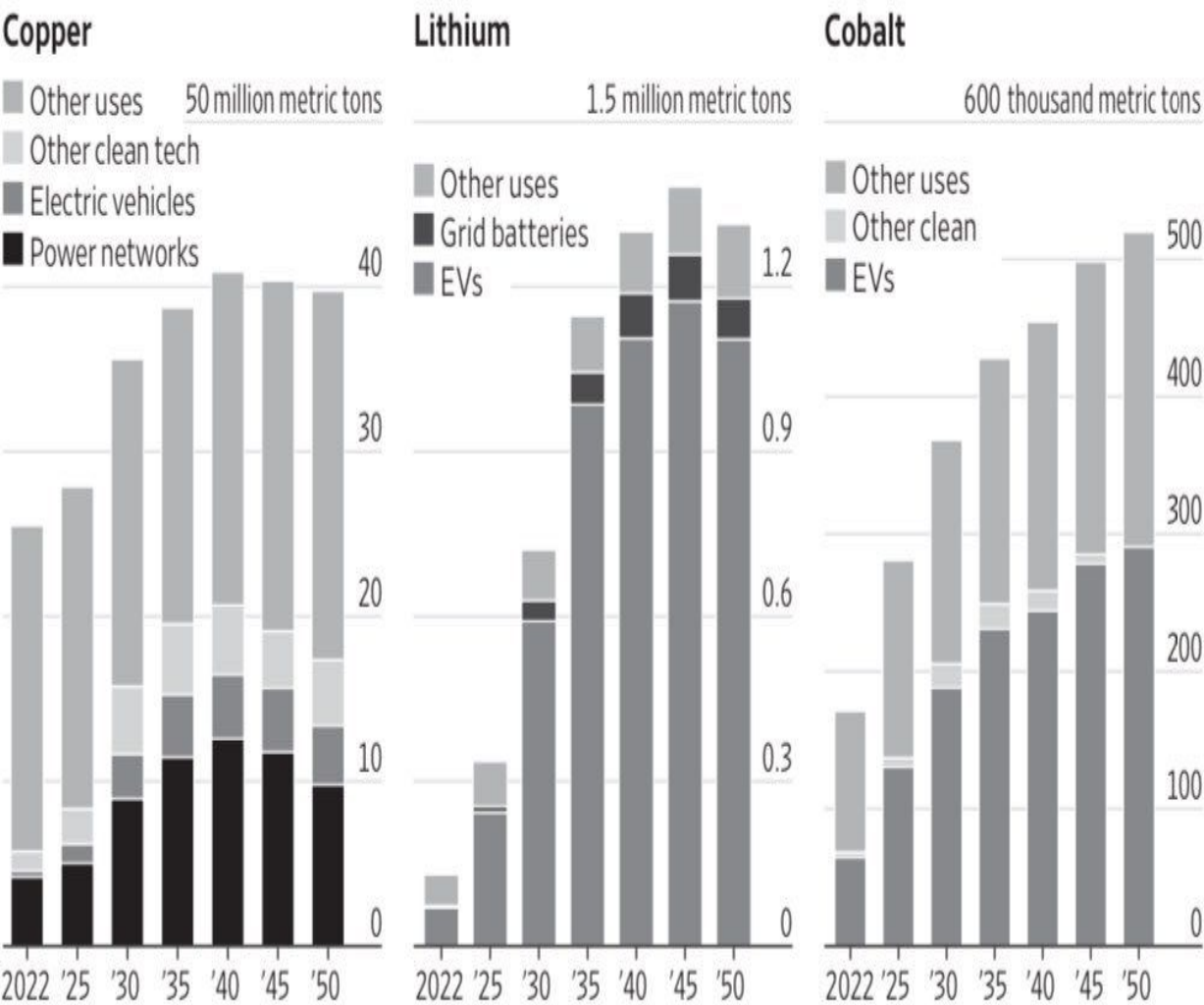
The Ultimate Cheat Sheet

COGNITIVE BIAS	DESCRIPTION	EXAMPLE
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Net Zero Impact on Metals and Greenflation

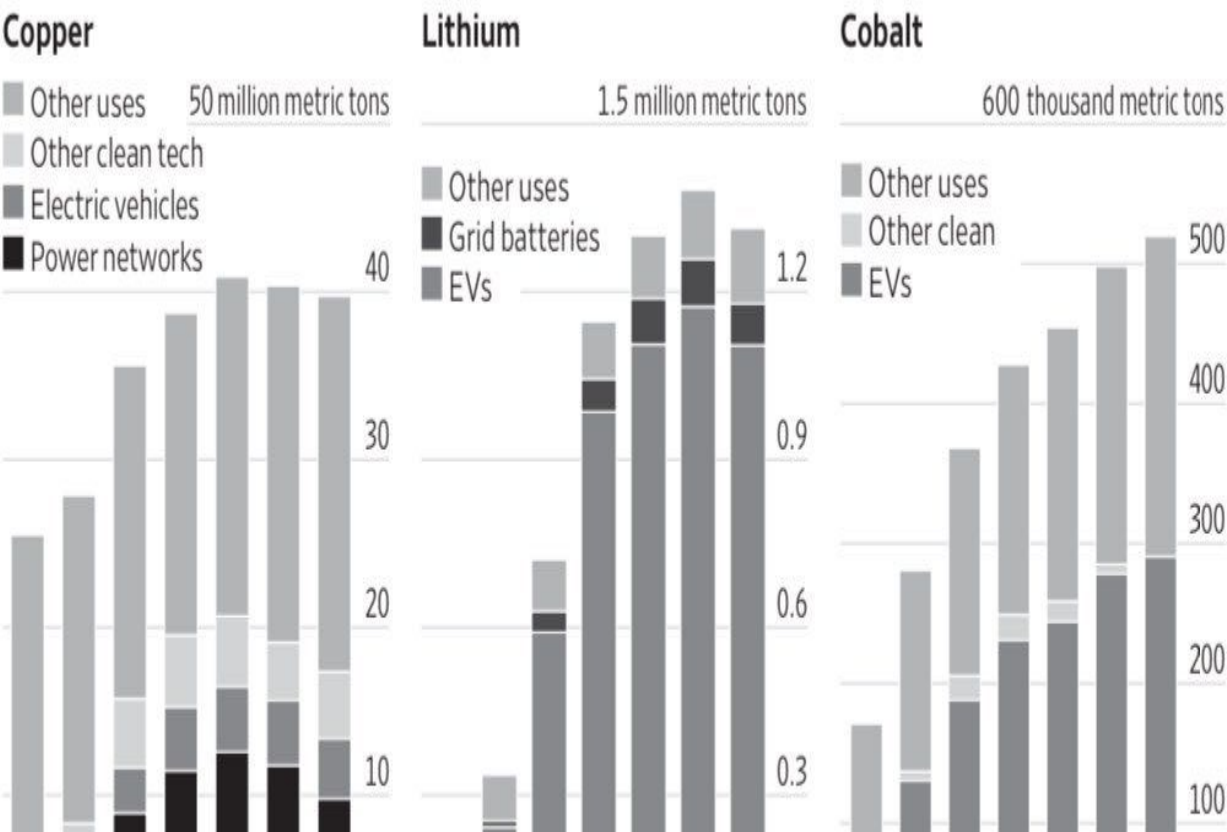
If the global goal for net zero carbon usage is met, the world must find and produce many more key metals. The graph below shows the estimated amount of three critical metals used for alternative energy sources. Mining and refining of lithium, an essential component of electric vehicle batteries, must grow nearly ten-fold to meet net zero impact goals. Copper production is relatively much closer to where it needs to be in 15 years. However, copper has a significant number of other industrial and commercial uses. As such, it is heavily mined, so finding new sources will come at higher costs. Cobalt production, another critical component in electric vehicles, will need to increase threefold to meet net zero goals. A net zero carbon emission world may have environmental benefits, but it may come at the cost of significant ?green-flation.?

Global demand in International Energy Agency's Net Zero Scenario



Source: International Energy Agency

Global demand in International Energy Agency's Net Zero Scenario

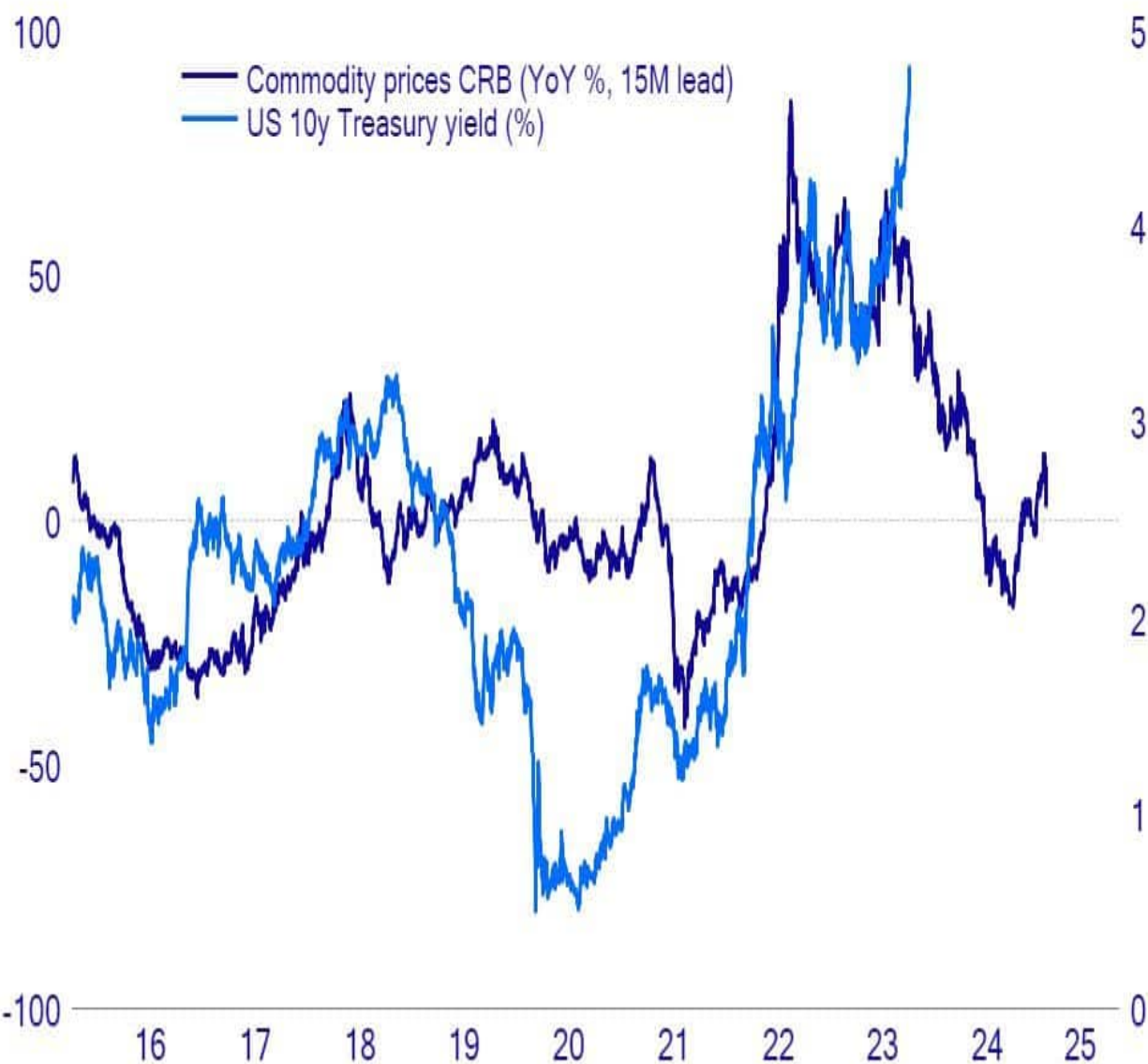


Commodity Prices Lead Yields

Given the strong correlation between inflation and bond yields, commodity prices, an important component of CPI, also tend to correlate well with yields. The graph below shows that while the relationship is imperfect, commodity prices tend to lead Treasury yields by 15 months. With year-over-year commodity prices back to their normal 2-3% growth rate, we should expect yields to follow lower, as the graph from LSEG suggests.

Commodity prices suggest peak in US Treasury yields

Changes of commodity prices leading UST 10y by 15M



Source: LSEG Datastream

Commodity prices suggest peak in US Treasury yields

Changes of commodity prices leading UST 10y by 15M



Tweet of the Day

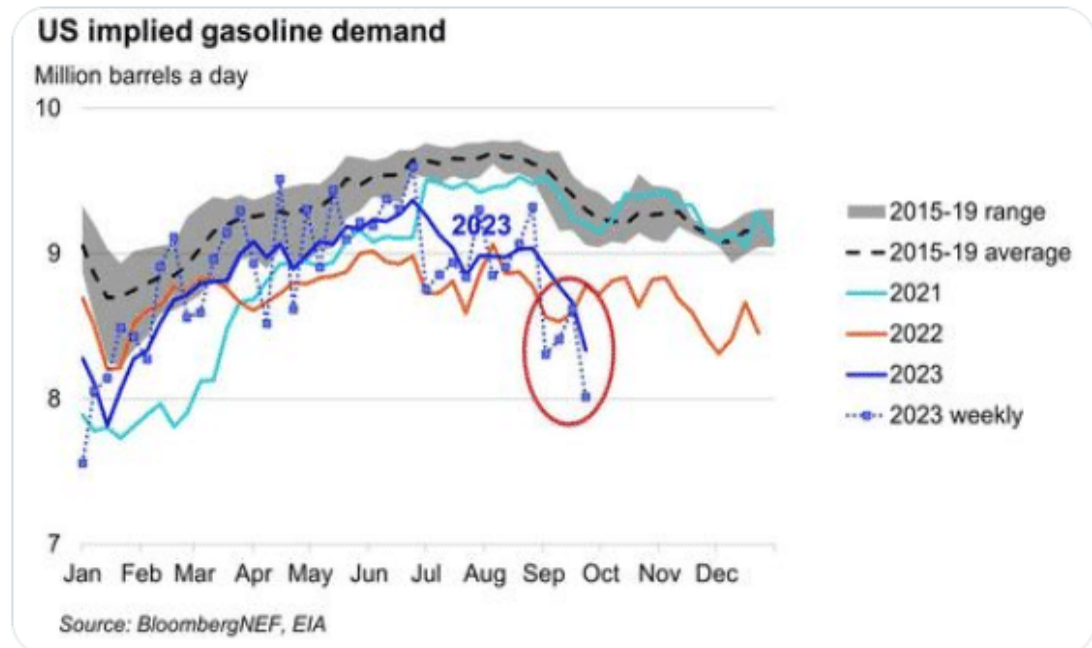


Sean Brodrick @SeanBrodrick · 23h

...

This is troubling. Gasoline demand is breaking well below 2022 seasonal levels on both a weekly and four-week average basis last week.

It is now at the lowest seasonal level since 1997 and nearly 1 million barrels a day below the 5-year avg.



83

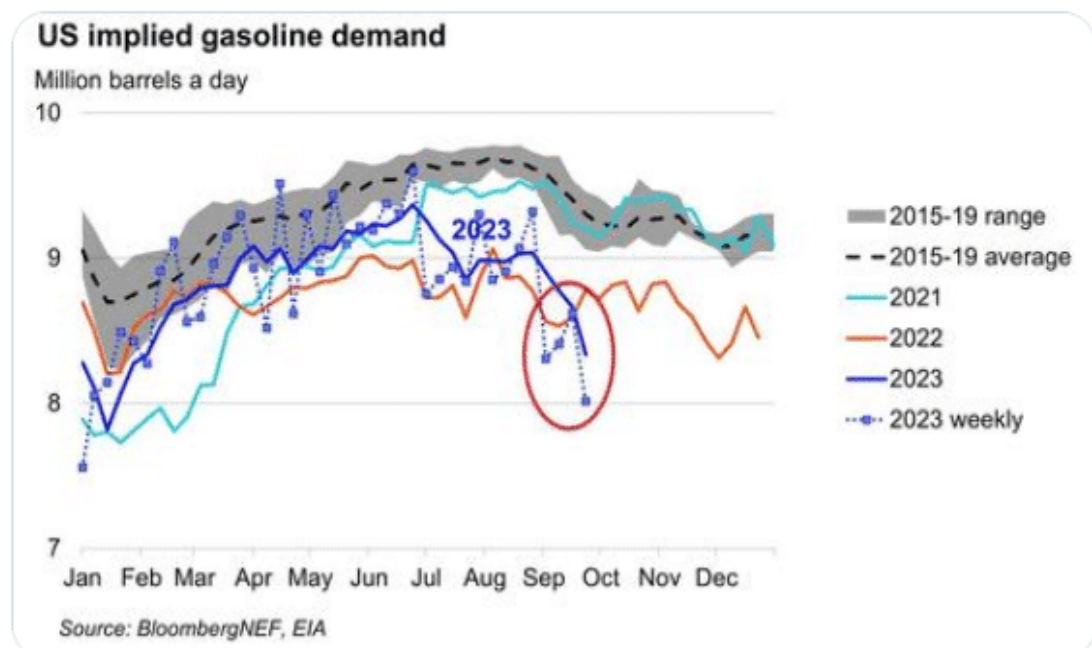


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