



Get Ready for Some Holiday Deals!

Remember the bullwhip effect? Retailers and wholesalers massively over ordered merchandise following supply chain shocks just as the stimulus sugar-high began waning. The missteps led to a severe inventory problem at several retailers, who warned of impacts to margins as they get ready clean up mistakes.

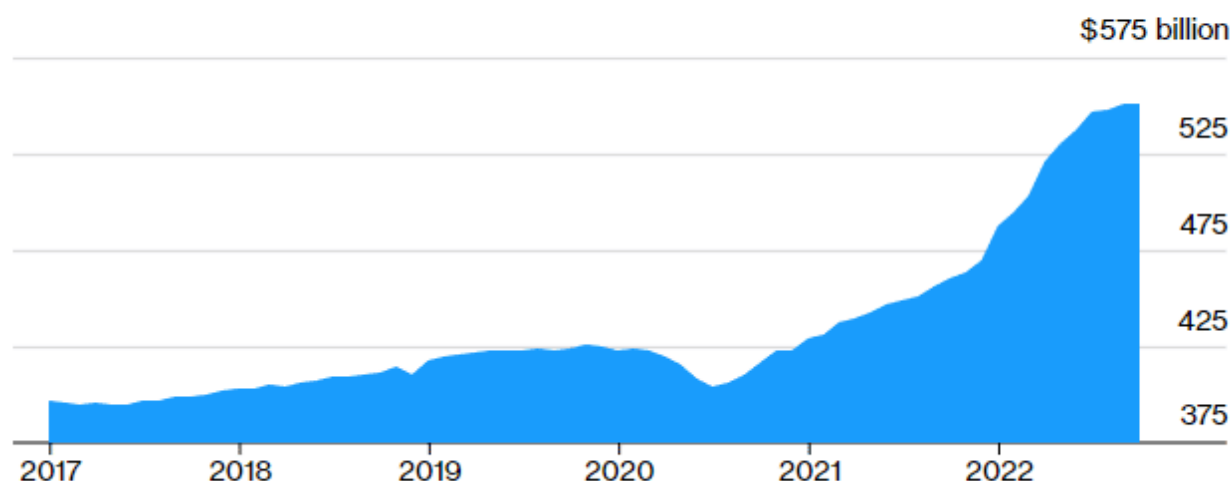
The holiday season is quickly approaching, which means it's time for retailers to buckle down on their inventory overhang. How so? Deals! And lots of them. Discounts may get competitive as retailers fight to move inventory with discretionary incomes still being squeezed by inflation. Some could be in store for some large losses as massive brands race to liquidate high cost inventory in a demand-constrained environment. Per [Bloomberg](#) yesterday:

"Even just in the past three days, we've seen some of the biggest or most valuable brands in the world contact us for help with excess inventory," Kaplan said. "It's a full tidal wave at this point. We need the customer to be spending, and until that happens, the product's not going to move."

US Retail Inventories Surge

Stockpiles at retailers exceed \$550 billion this year

■ Retail inventories, ex-autos

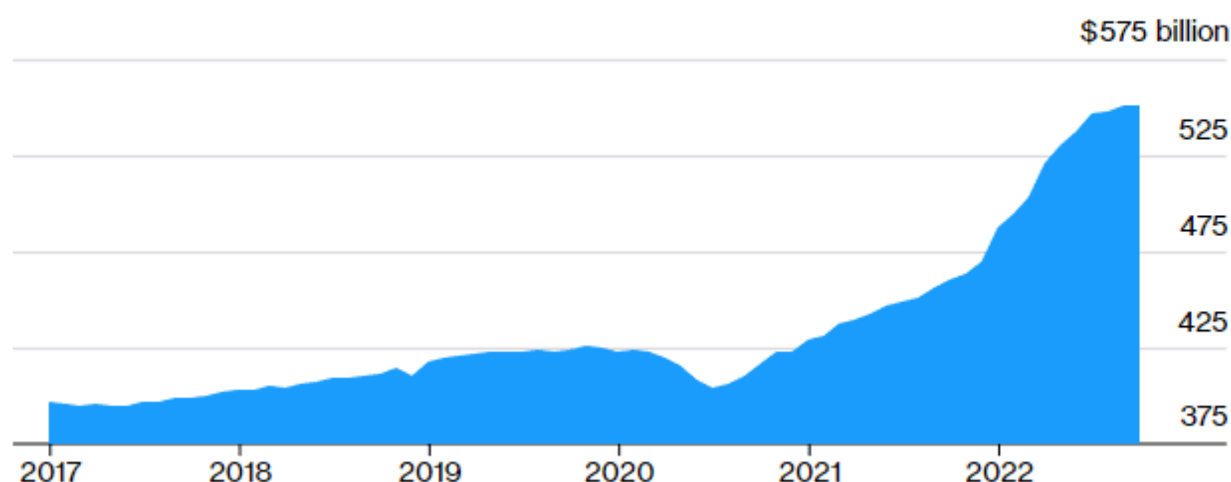


Source: US Census Bureau

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What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, the week ended Nov. 4 (-0.8% prior)
- 10:00 a.m. ET: **Wholesale Trade Sales**, month-over-month, September (0.4% expected, 0.1% prior)
- 10:00 a.m. ET: **Wholesale Inventories**, month-over-month, September Final (0.8% expected, 0.8% prior)

Earnings

Company		Time	Estimate		 Growth <small>Show only confirmed?</small>	Surprise			
✓ MFC	Manulife Financial Co...	5:00 PM ET	\$0.53	\$11.51 B	-9.3%	+	=	-	+
✓ PFGC	Performance Food Gr...	7:00 AM ET	\$0.79	\$14.42 B	38.8%	+	=	-	+
✓ DHI	D.R. Horton, Inc.	6:30 AM ET	\$5.09	\$10.18 B	25.5%	+	=	-	+
✓ UGP	Ultrapar Participaes ...	6:00 PM ET	-	-	-	+	=	-	+
✓ CPNG	Coupage, Inc.	4:05 PM ET	(\$0.03)	\$5.15 B	10.9%	+	=	-	+
✓ GGB	Gerdau S.A.	BMO	\$0.37	\$4.12 B	1.0%	+	=	-	+
✓ RCI	Rogers Communicati...	7:00 AM ET	\$0.69	\$2.90 B	-0.4%	+	=	-	+
✓ TRP	TC Energy Corporation	7:30 AM ET	\$0.75	\$2.69 B	4.5%	+	=	-	+
✓ GIB	CGI Group Inc. Subor...	6:30 AM ET	\$1.18	\$2.51 B	5.1%	+	=	-	+
✓ BRFS	Brf-Brasil Foods S.A.	5:30 PM ET	\$0.30	\$2.60 B	9.6%	+	=	-	+
✓ SPTN	SpartanNash Company	7:00 AM ET	\$0.47	\$2.19 B	5.6%	+	=	-	+
✓ EBR	Eletrobrás	AMC	-	-	-	+	=	-	+
✓ ICL	ICL Group Ltd	BMO	\$0.45	\$2.47 B	38.0%	+	=	-	+
✓ HBI	HanesBrands Inc	7:30 AM ET	\$0.29	\$1.71 B	-4.4%	+	=	-	+
✓ NGL	NGL Energy Partners...	4:25 PM ET	\$0.08	\$2.45 B	39.7%	+	=	-	+
✓ UHAL	AMERCO	4:15 PM ET	\$20.62	-	-	+	=	-	+
✓ JXN	Jackson Financial Inc.	4:15 PM ET	\$2.75	\$1.43 B	-3.8%	+	=	-	+
✓ CPRI	Capri Holdings Limited	6:45 AM ET	\$1.55	\$1.40 B	7.7%	+	=	-	+
✓ STE	STERIS Corp.	4:30 PM ET	\$2.00	\$1.22 B	1.9%	+	=	-	+
✓ BHG	Bright Health Group	6:45 AM ET	(\$0.40)	\$1.77 B	64.1%	+	=	-	+
✓ G	Genpact Limited	4:00 PM ET	\$0.70	\$1.08 B	6.3%	+	=	-	+
✓ WYNN	Wynn Resorts Ltd	4:00 PM ET	(\$1.20)	\$852.25 M	-14.3%	+	=	-	+
✓ ADV	Advantage Solutions,...	4:05 PM ET	\$0.18	\$1.06 B	14.1%	+	=	-	+
✓ HGV	Hilton Grand Vacation...	7:30 AM ET	\$0.75	\$906.05 M	-2.4%	+	=	-	+
✓ TTEK	Tetra Tech Inc.	4:00 PM ET	\$1.17	\$714.20 M	-19.9%	+	=	-	+
✓ SWX	Southwest Gas Corp.	6:05 AM ET	\$0.36	\$1.09 B	22.7%	+	=	-	+
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✓ WWW	Wolverine World Wid...	6:30 AM ET	\$0.57	\$715.64 M	12.4%	+	=	-	+
✓ VZIO	VIZIO Holding Corp.	4:05 PM ET	\$0.01	\$436.65 M	-25.8%	+	=	-	+
✓ ATO	Atmos Energy Corp.	4:35 PM ET	\$0.45	\$563.26 M	-0.9%	+	=	-	+
✓ TTEC	TTEC Holdings, Inc.	4:05 PM ET	\$0.55	\$580.16 M	2.4%	+	=	-	+
✓ RDFN	Redfin Corporation	4:00 PM ET	(\$0.83)	\$603.78 M	11.8%	+	=	-	+
✓ CANO	Cano Health, Inc.	4:40 PM ET	(\$0.04)	\$712.06 M	35.2%	+	=	-	+
✓ SEAS	SeaWorld Entertainm...	6:30 AM ET	\$2.16	\$579.77 M	11.2%	+	=	-	+
✓ BGS	B&G Foods Inc.	4:05 PM ET	\$0.31	\$533.20 M	3.5%	+	=	-	+
✓ RBLX	Roblox Corporation	BMO	(\$0.37)	\$694.88 M	36.4%	+	=	-	+
✓ WEN	Wendy's International...	7:00 AM ET	\$0.23	\$542.23 M	15.3%	+	=	-	+
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Market Trading Update

Yesterday, stocks broke above the 50-dma resistance but failed at the downtrend line from the August peak. This morning stocks are set to open slightly lower but look to hold the 50-dma support at the open. With markets not overbought, there is reason to expect the current rally to continue, with the 100-dma being the initial objective. The CPI report tomorrow will likely decide the fate of this rally short-term.





The Fed Giveth and the Fed Taketh Away

Capital markets activity surged throughout 2020 and 2021 as companies welcomed cheap debt and voracious investor risk-appetite. This was, of course, courtesy of the Fed's response to the Pandemic. While we wait for rate hikes and QT to flow through to the real economy and CPI, let's see how they are already impacting capital markets.

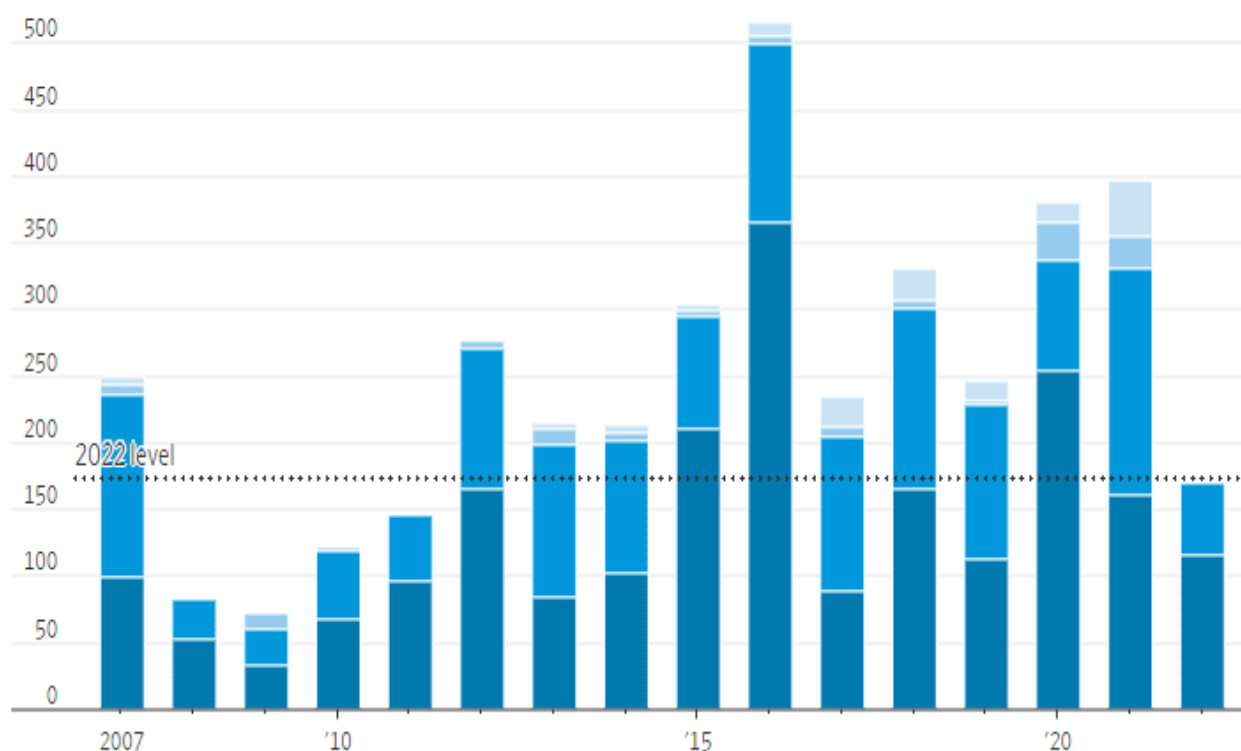
Skyrocketing financing costs and economic uncertainty have curbed capital markets activity to a trickle recently, according to the [Wall Street Journal](#). Mergers and acquisitions activity fell 43% through September and October versus the same period last year. Even more alarming, IPO activity dropped 95% from last October as the Fed's liquidity drain takes a toll on risk-appetite. October hasn't seen this little activity since 2011- the hangover is kicking in now that the Fed is taking the punch bowl away. Get ready for a rough 2023 in investment banking.

?The new reality has crashed down on companies and their investors in a matter of months. Bankers and private-equity firms have gone from funding takeovers at lofty prices with ease to scrambling to raise debt at any price.?

Capital-markets activity in October

■ M&A ■ Leveraged loans ■ IPOs ■ CLOs

\$550 billion

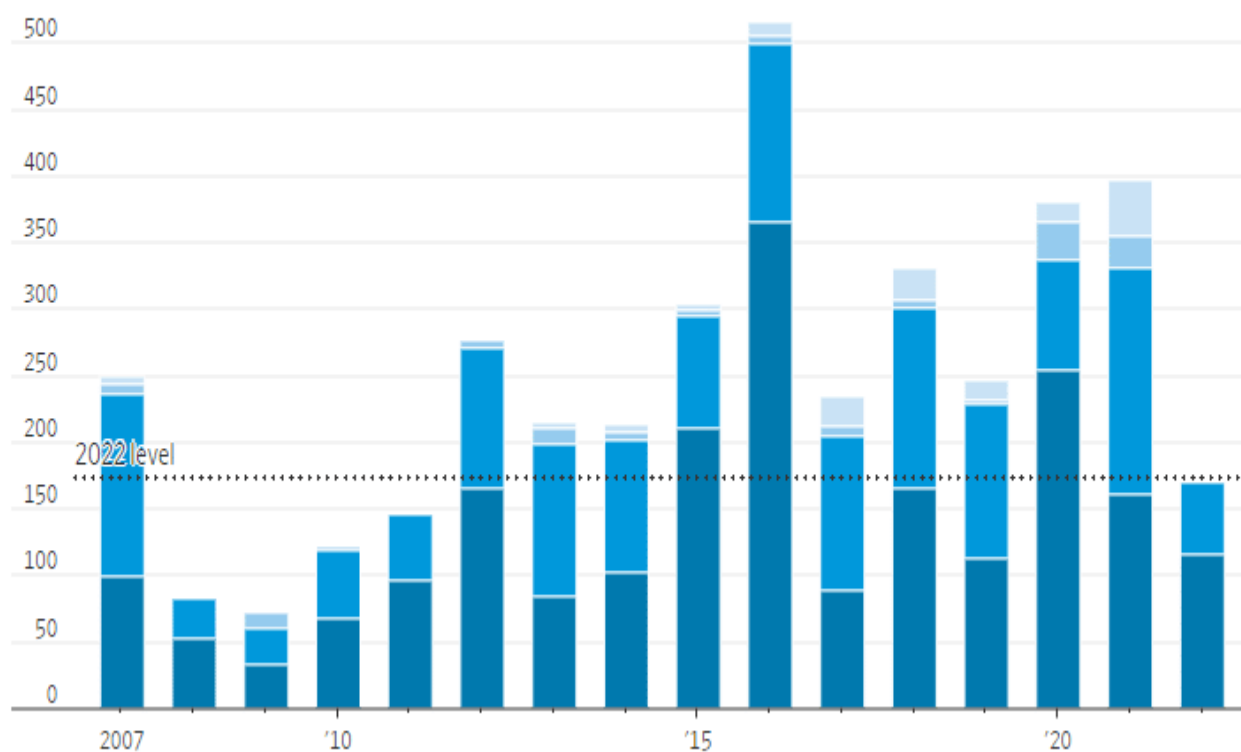


Source: Dealogic

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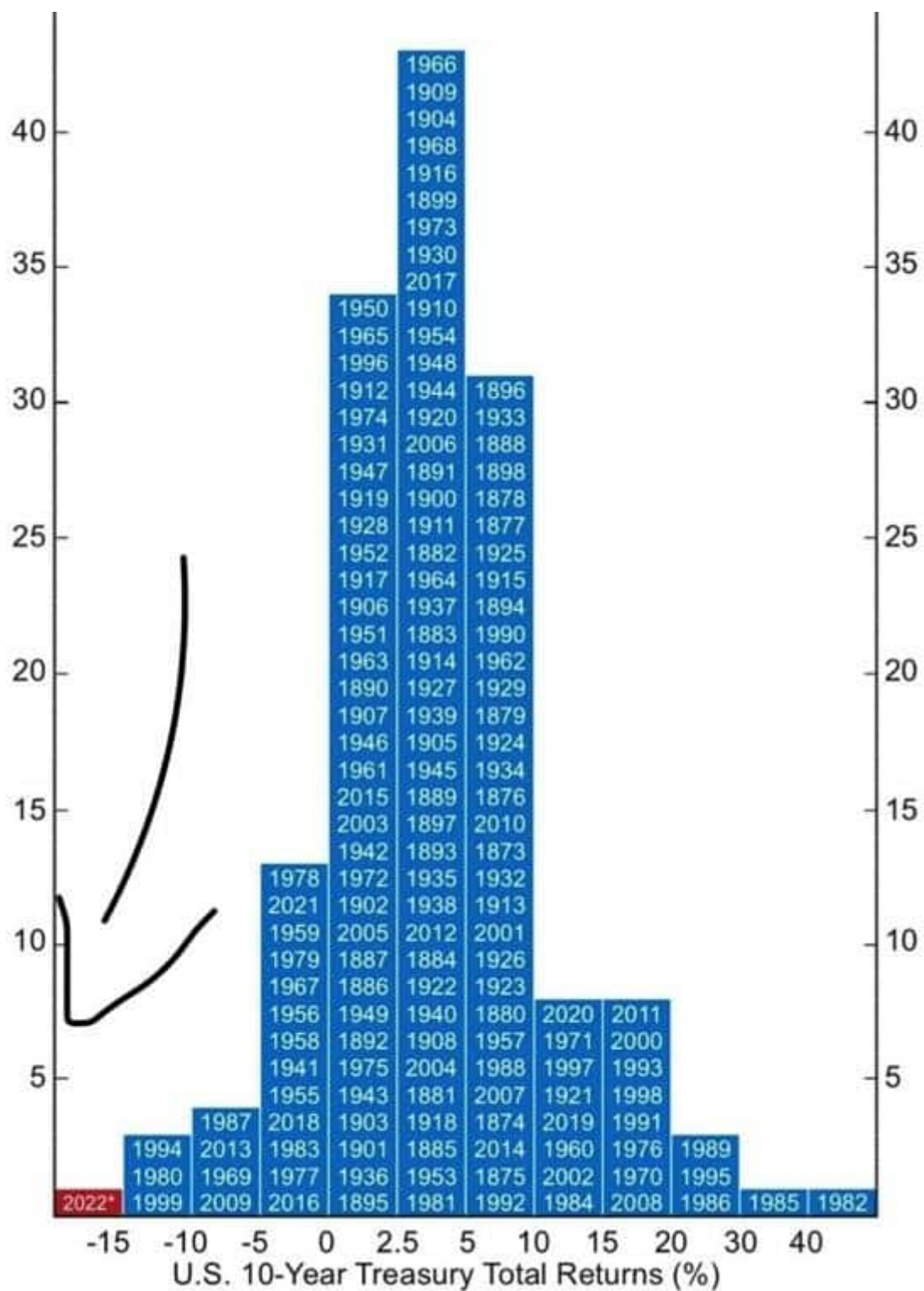


Source: Dealogic

Treasuries Got You Spooked? Consider This Chart

Treasury debt is traditionally a risk-off investment that offers protection through stock market downturns. This year has been quite different, however, with Treasuries seeing their worst year in over a century amidst a correction in stocks. The chart below, courtesy of Michael Venuto, plots annual total return of the 10-Year Treasury note going back to the late 19th century.

Every time the total return was less than -5% in a year, the subsequent year provided a positive total return. In many cases, investors were rewarded with a relatively large total return in the next year. This chart isn't to suggest you should go put your entire portfolio in long-term Treasuries, but to show that based on historical returns, the risk-reward dynamics look quite favorable after a year like we've experienced. For those risk-averse investors who might be second-guessing whether Treasuries have a place in their portfolio after this year, to shy away now could be costly.



Liquidity Crunch in Crypto Land

Speaking of 'the Fed taketh away?', yesterday cryptocurrency exchange Binance entered a non-binding agreement to acquire a rival exchange, FTX. It appears to be coming from a place of necessity rather than opportunity. With that said, get ready for some volatility in crypto land. The CEO of Binance, Changpeng Zhao, tweeted yesterday:

'This afternoon, FTX asked for our help. There is a significant liquidity crunch. To protect users, we signed a non-binding LOI, intending to fully acquire <http://FTX.com> and help cover the liquidity crunch. We will be conducting a full DD in the coming days.'

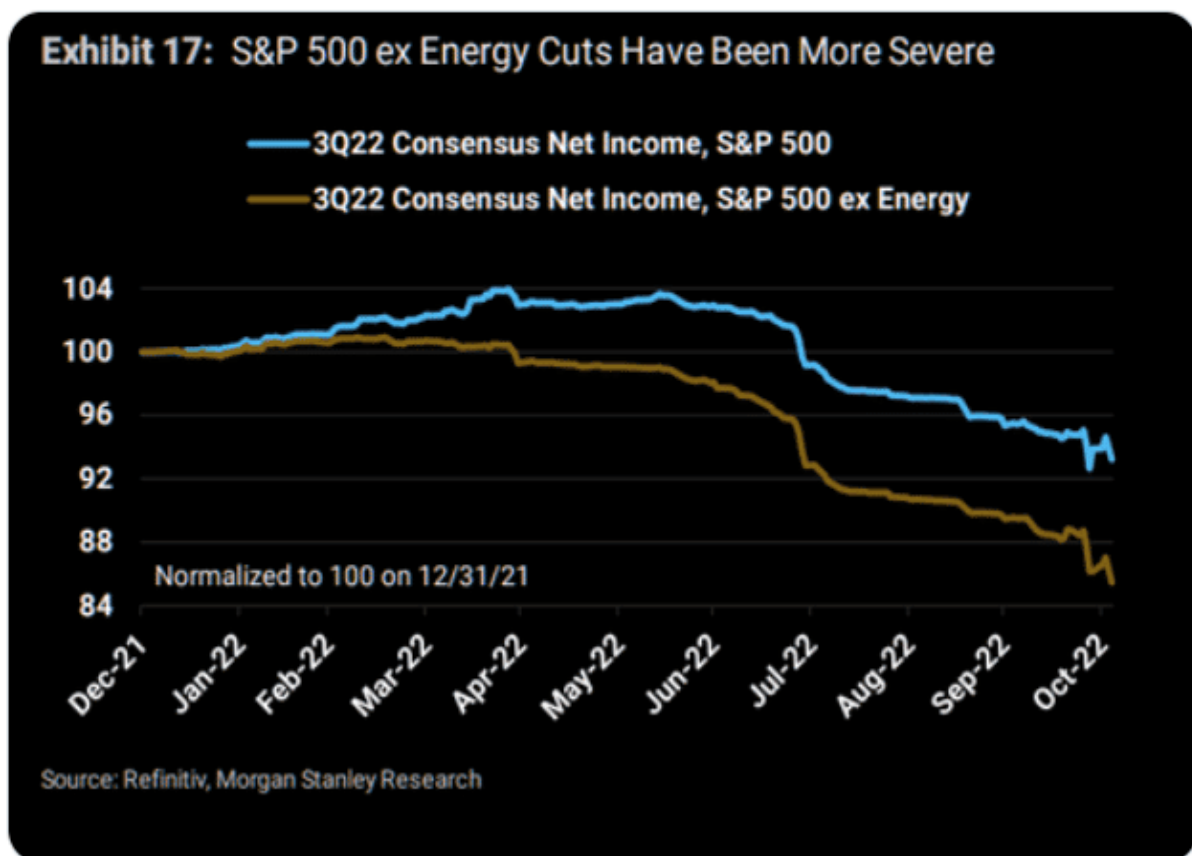
Tweet of the Day



Lance Roberts
@LanceRoberts

...

If it wasn't for [#energy](#), the [#earnings](#) decline would be much greater.



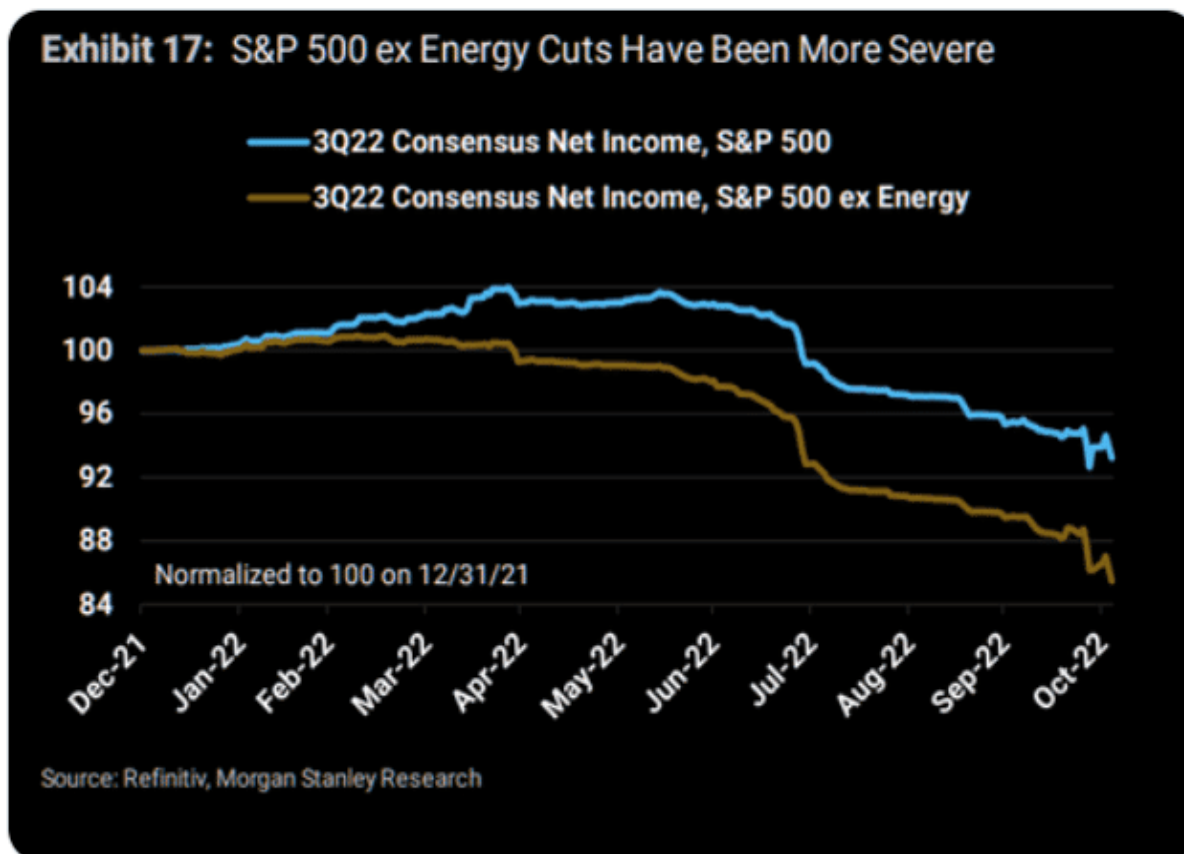
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