

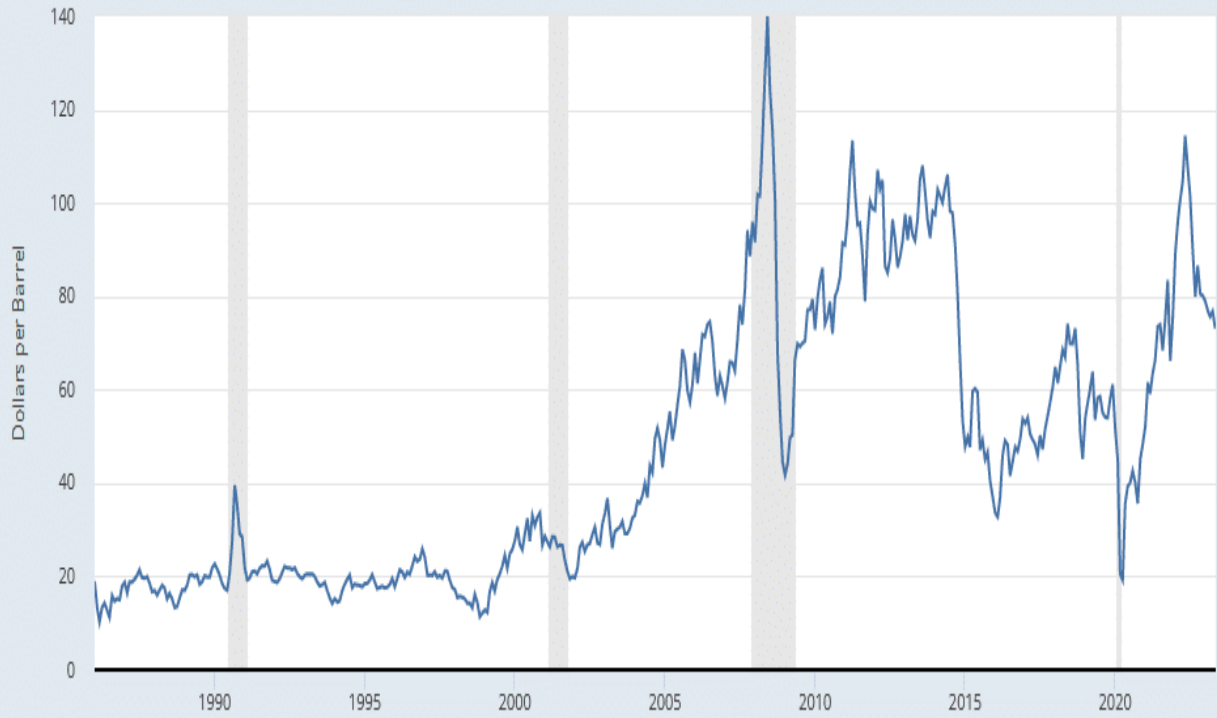


IEA Says Oil Supply Crunch is Coming

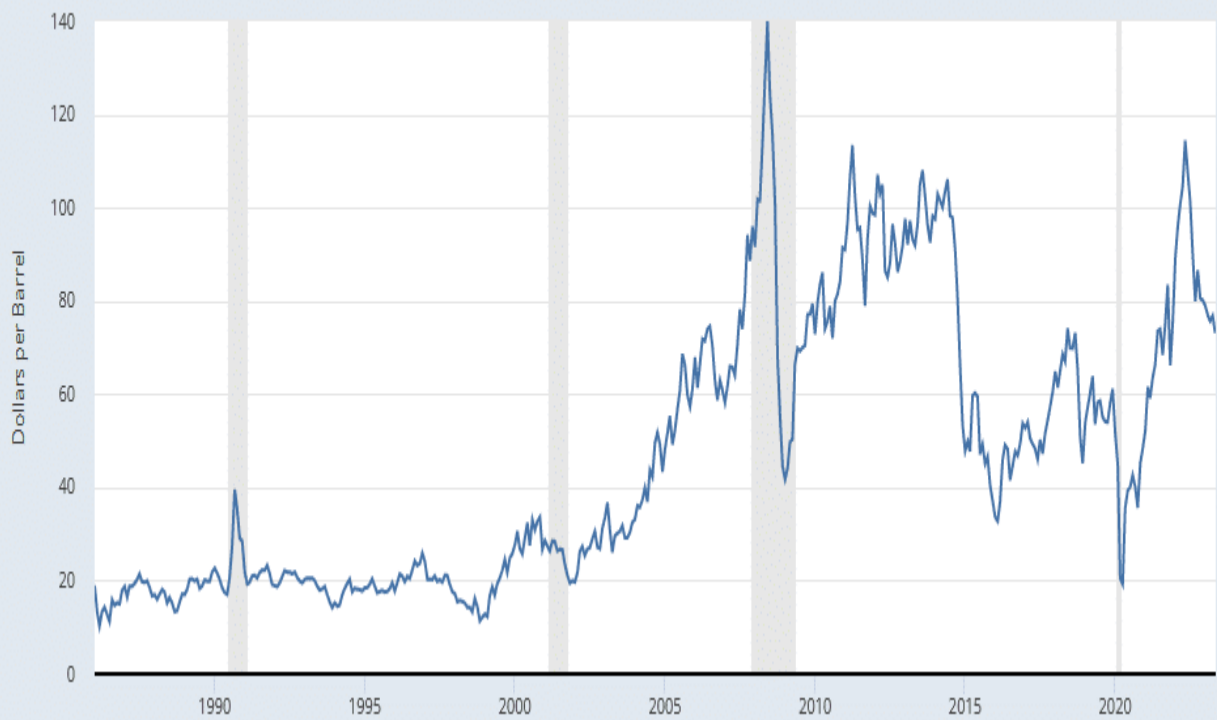
The International Energy Agency (IEA) has some bullish and bearish news for oil prices. In the short run, the IEA sees pressure on oil prices due to recession concerns. To wit: *Prices were pressured lower by muted industrial activity and higher interest rates, which, combined, have led to recessionary scenarios gaining traction.* For context, as we share below, energy prices rose sharply early into the recessions of 1990 and 2008 and fell just as quickly during the recession. Oil prices declined during the recessions of 2000 and 2020. While a recession is generally bearish for oil prices, the IEA believes *the current market pessimism, however, stands in stark contrast to the tighter market balances we anticipate in the second half of the year when demand is expected to eclipse supply by almost 2 million barrels per day.*

The IEA increased its forecast for crude oil demand from only a month ago by 200,000 barrels per day. Following the removal of covid restrictions, China's economic recovery is surpassing demand expectations and is largely responsible for the IEA's updated demand expectations. The IEA also notes that the recent OPEC cuts will reduce supply by 850,000 barrels daily through the year-end. Also for consideration, the U.S. has to buy back oil for its Strategic Petroleum Reserves (SPR). At the start of 2021, the SPR held 638 million barrels of oil. Today the SPR only holds 371 million barrels. Restocking the SPR will provide somewhat of a floor to oil prices.

FRED — Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma



FRED — Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma



What To Watch Today

Earnings

Company		Time	Estimate		Growth	Surprise		
					Show only confirmed?			
✓	TGT Target Corp.	6:30 AM ET	\$1.74	\$25.36 B	0.8%	+ = -	+	
✓	TCEHY Tencent Holdings Lim...	BMO	-	-	-	+ = -	+	
✓	CSCO Cisco Systems, Inc.	4:05 PM ET	\$0.97	\$14.39 B	12.1%	+ = -	+	
✓	TJX TJX Companies Inc.	7:35 AM ET	\$0.71	\$11.81 B	3.5%	+ = -	+	
✓	SQM Chemical & Mining C...	8:15 PM ET	\$3.12	\$2.48 B	22.8%	+ = -	+	
✓	SNPS Synopsys, Inc.	4:05 PM ET	\$2.46	\$1.38 B	7.9%	+ = -	+	
✓	ZTO ZTO Express Inc.	5:00 PM ET	\$0.23	\$1.33 B	6.7%	+ = -	+	
✓	TTWO Take-Two Interactive ...	4:05 PM ET	\$0.69	\$1.34 B	44.1%	+ = -	+	
✓	ARCO Arcos Dorados Holdi...	7:30 AM ET	\$0.12	\$977.02 M	23.6%	+ = -	+	
✓	VSAT ViaSat, Inc.	4:05 PM ET	\$14.41	\$672.77 M	-4.1%	+ = -	+	
✓	STNE StoneCo Ltd.	4:05 PM ET	\$0.10	\$541.11 M	36.6%	+ = -	+	
✓	TGI Triumph Group, Inc.	6:00 AM ET	\$0.25	\$345.97 M	-10.5%	+ = -	+	
✓	BOOT Boot Barn Holdings, I...	4:10 PM ET	\$1.45	\$442.50 M	15.4%	+ = -	+	
✓	WIX Wix.com Ltd.	BMO	\$0.14	\$369.35 M	8.1%	+ = -	+	
✓	JACK Jack in the Box, Inc.	8:30 AM ET	\$1.18	\$384.82 M	19.4%	+ = -	+	

Company		Time	Estimate		Growth	Surprise		
					Show only confirmed?			
✓	TGT Target Corp.	6:30 AM ET	\$1.74	\$25.36 B	0.8%	+ = -	+	
✓	TCEHY Tencent Holdings Lim...	BMO	-	-	-	+ = -	+	
✓	CSCO Cisco Systems, Inc.	4:05 PM ET	\$0.97	\$14.39 B	12.1%	+ = -	+	
✓	TJX TJX Companies Inc.	7:35 AM ET	\$0.71	\$11.81 B	3.5%	+ = -	+	
✓	SQM Chemical & Mining C...	8:15 PM ET	\$3.12	\$2.48 B	22.8%	+ = -	+	
✓	SNPS Synopsys, Inc.	4:05 PM ET	\$2.46	\$1.38 B	7.9%	+ = -	+	
✓	ZTO ZTO Express Inc.	5:00 PM ET	\$0.23	\$1.33 B	6.7%	+ = -	+	
✓	TTWO Take-Two Interactive ...	4:05 PM ET	\$0.69	\$1.34 B	44.1%	+ = -	+	
✓	ARCO Arcos Dorados Holdi...	7:30 AM ET	\$0.12	\$977.02 M	23.6%	+ = -	+	
✓	VSAT ViaSat, Inc.	4:05 PM ET	\$14.41	\$672.77 M	-4.1%	+ = -	+	
✓	STNE StoneCo Ltd.	4:05 PM ET	\$0.10	\$541.11 M	36.6%	+ = -	+	
✓	TGI Triumph Group, Inc.	6:00 AM ET	\$0.25	\$345.97 M	-10.5%	+ = -	+	
✓	BOOT Boot Barn Holdings, I...	4:10 PM ET	\$1.45	\$442.50 M	15.4%	+ = -	+	
✓	WIX Wix.com Ltd.	BMO	\$0.14	\$369.35 M	8.1%	+ = -	+	
✓	JACK Jack in the Box, Inc.	8:30 AM ET	\$1.18	\$384.82 M	19.4%	+ = -	+	

Economy

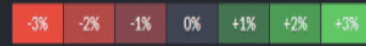
Time	Event	Impact	Actual	Dev	Consensus	Previous
WEDNESDAY, MAY 17						
11:00	🇺🇸 USD MBA Mortgage Applications(May 12)	🟡	-	-	-	6.3%
12:30	🇺🇸 USD Building Permits (MoM)(Apr)	🟠	-	-	1.437M	1.43M i
12:30	🇺🇸 USD Building Permits Change(Apr)	🟡	-	-	3%	-7.7% i
12:30	🇺🇸 USD Housing Starts (MoM)(Apr)	🟠	-	-	1.4M	1.42M
12:30	🇺🇸 USD Housing Starts Change(Apr)	🟡	-	-	1.9%	-0.8%
14:30	🇺🇸 USD EIA Crude Oil Stocks Change(May 12)	🟡	-	-	-1.3M	2.951M
17:00	🇺🇸 USD 20-Year Bond Auction	🟡	-	-	-	3,920%
Time	Event	Impact	Actual	Dev	Consensus	Previous
WEDNESDAY, MAY 17						
11:00	🇺🇸 USD MBA Mortgage Applications(May 12)	🟡	-	-	-	6.3%
12:30	🇺🇸 USD Building Permits (MoM)(Apr)	🟠	-	-	1.437M	1.43M i
12:30	🇺🇸 USD Building Permits Change(Apr)	🟡	-	-	3%	-7.7% i
12:30	🇺🇸 USD Housing Starts (MoM)(Apr)	🟠	-	-	1.4M	1.42M
12:30	🇺🇸 USD Housing Starts Change(Apr)	🟡	-	-	1.9%	-0.8%
14:30	🇺🇸 USD EIA Crude Oil Stocks Change(May 12)	🟡	-	-	-1.3M	2.951M
17:00	🇺🇸 USD 20-Year Bond Auction	🟡	-	-	-	3,920%

Market Trading Update

Another day of a very lopsided market. As shown below, most stocks were in the red yesterday, outside of a handful of stocks supporting the broader market indexes.



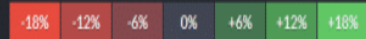
Use mouse wheel to zoom in and out. Drag zoomed map to pan it.
 Double-click a ticker to display detailed information in a new window.
 Hover mouse cursor over a ticker to see its main competitors in a stacked view with a 3-month history graph.



That bifurcation becomes more apparent when looking at performance over the last 3-months.



Use mouse wheel to zoom in and out. Drag zoomed map to pan it.
 Double-click a ticker to display detailed information in a new window.
 Hover mouse cursor over a ticker to see its main competitors in a stacked view with a 3-month history graph.



The market is very out of balance at the moment, and a rotation is likely. The only questions are *?What will cause it,?* and *?When.?*

The risk of chasing just a handful of stocks is quite apparent. But, at some point, the market will rotate for whatever reason allowing for a better entry point to add to the *?Generative AI?* stocks which will likely continue to lead the charge for some time. The other issue is that many quality companies continue to get beaten up and offer a store of value. However, in the short term, the lack of performance is disheartening.

This bifurcation in the market makes it challenging to manage money. The risk, of course, is that chasing the winners may well turn out to be a case of the *?buy high, sell low?* behavioral process at work. Caution, and a lot of patience, remain advised.

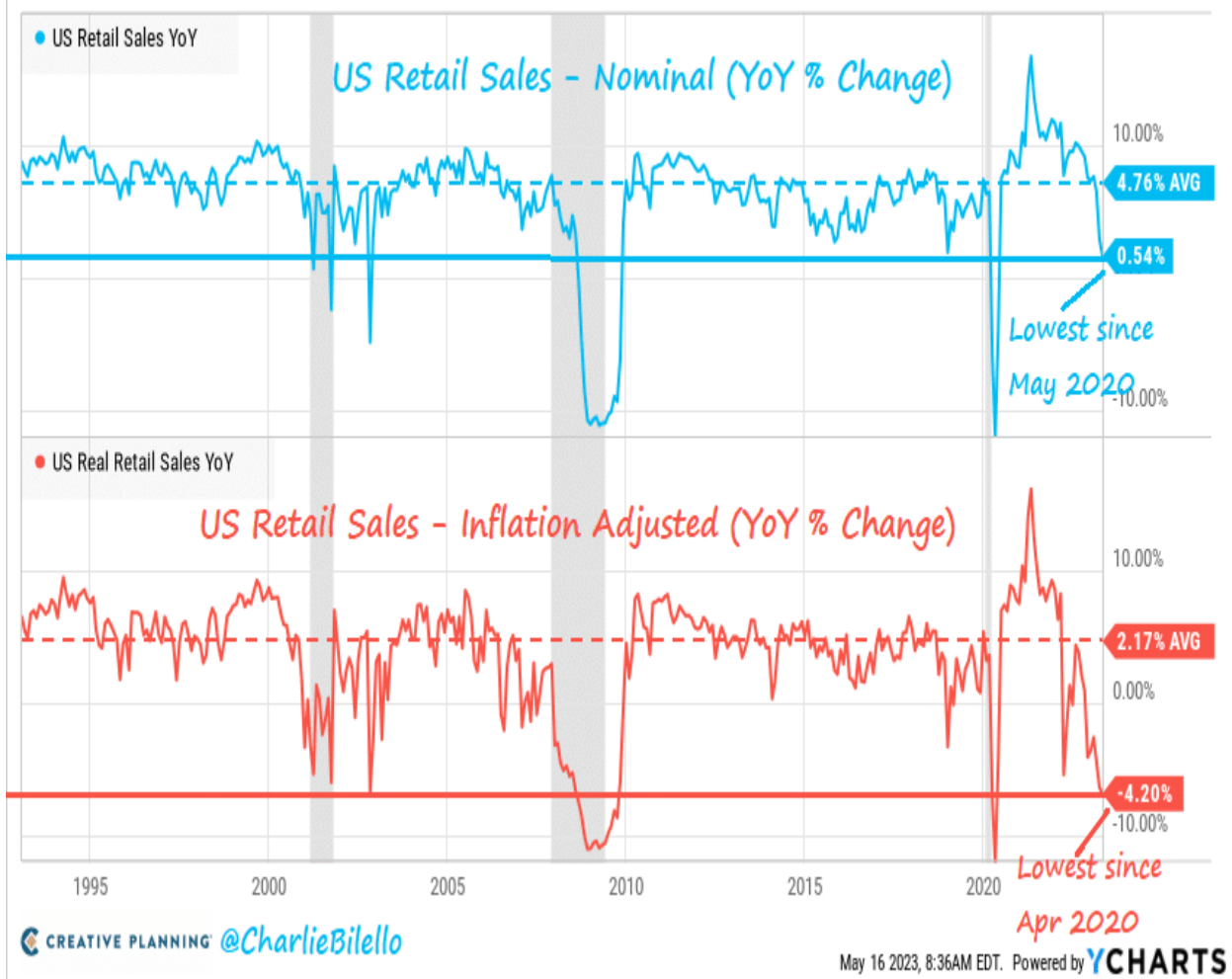
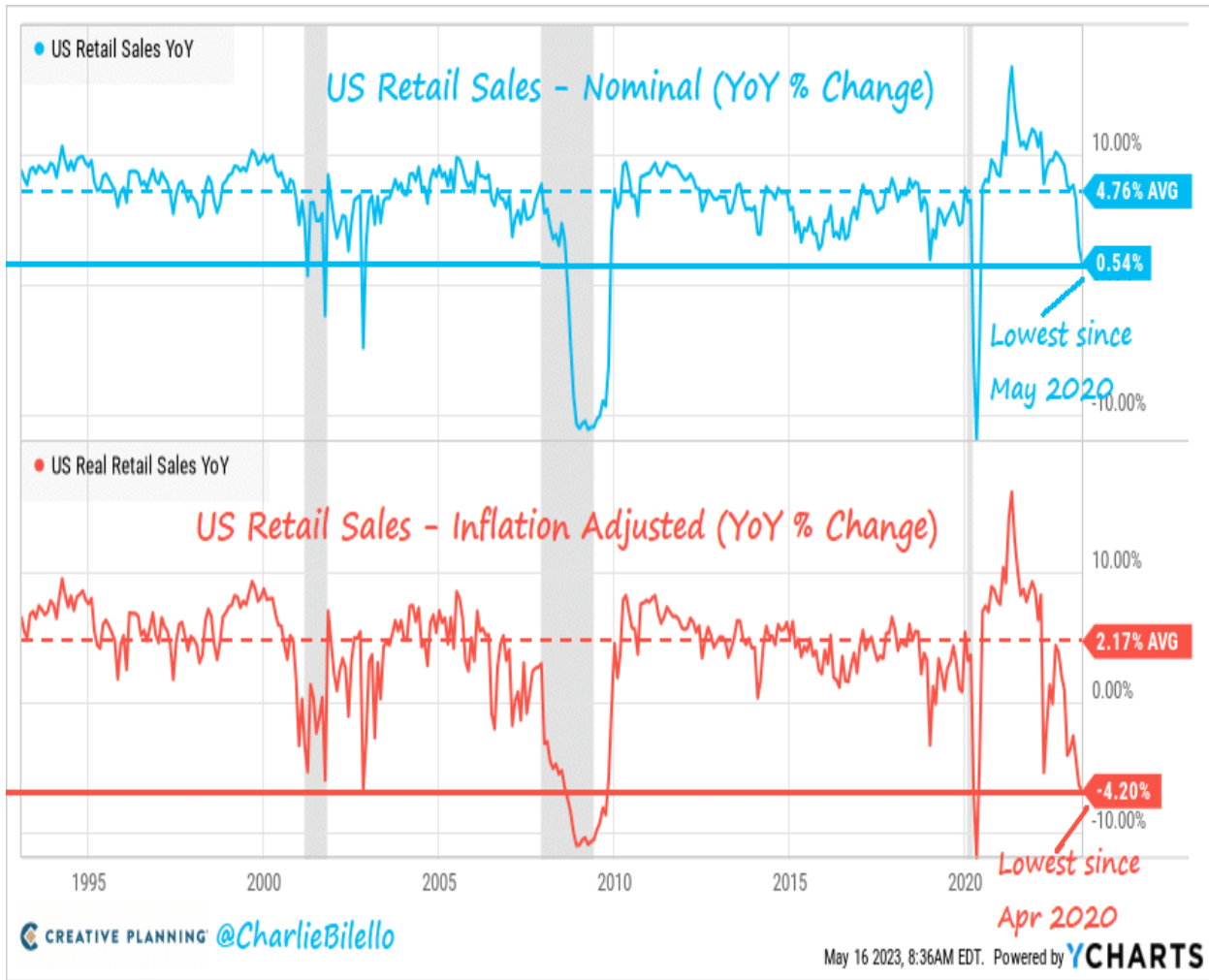


THE **Bull Bear** REPORT
BY SimpleVisor™

The most important things you need to know about the markets.
> **Subscribe today**

Real Retail Sales

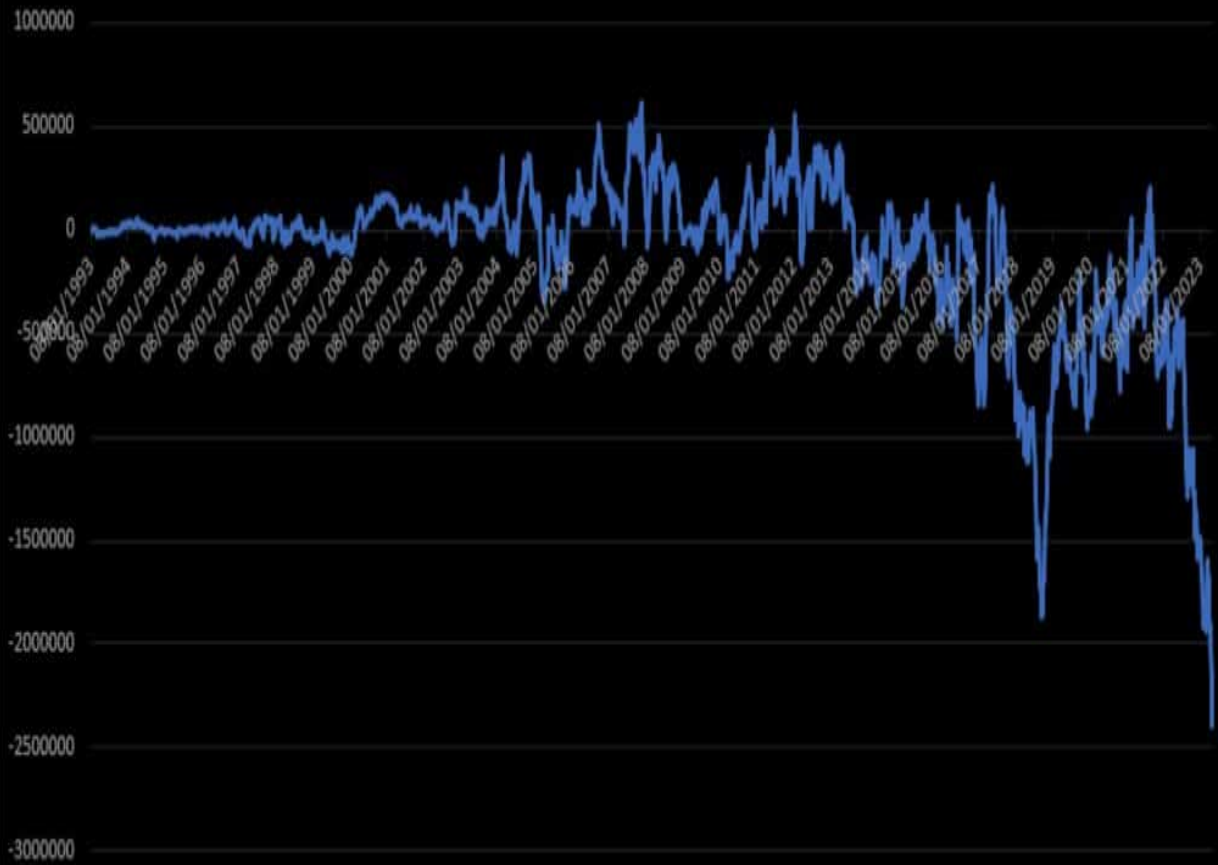
April retail sales grew by 0.4%, below expectations for a 0.7% gain. However, excluding vehicles and gas, retail sales beat expectations growing 0.6%. While the April data looks good, the trend is not as optimistic. As shown below, retail sales are only up 0.5% over the last year, courtesy of Charlie Bilello. Such is the lowest annual growth rate in three years. The data, however, is skewed by inflation, which makes it worse than it appears. Once adjusted for inflation, retail sales have fallen 4.2% over the last year and have gone nowhere over the past two and a half years. Don't mistake higher prices for increased activity!



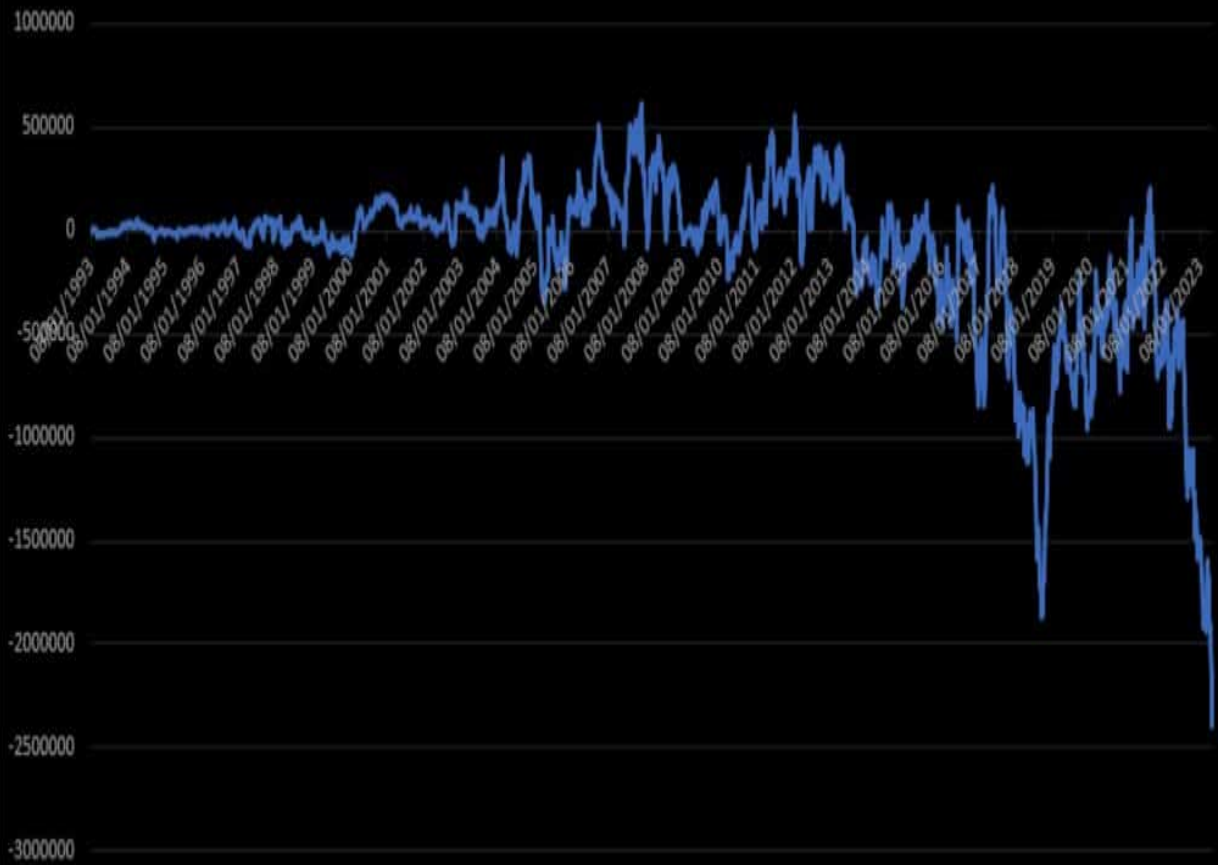
Bond Shorts

The graph below from The Market Ear should provide guarded optimism for bondholders. Among those labeled speculators, which includes CTAs and hedge funds, the combined net short of 2, 5, and 10-year U.S. Treasury futures are now at the most extreme level in history. These investors can undoubtedly get more short and further pressure bond prices, but at some point, such a large position could make for an explosive rally if they have to cover en masse. CTAs are believed to be very long equities against large short bond positions. Consequently, a short covering event in bonds may coincide with equity weakness.

Combined net speculative position in 2 year, 5 year and 10 year treasuries



Combined net speculative position in 2 year, 5 year and 10 year treasuries



Home Depot Update

We led yesterday's Commentary by stating how, over the course of this week, Home Depot's, Walmart's, and Target's earnings reports will guide us on the health of personal consumption. Home Depot led off with a weak earnings report by falling short on earnings and revenue. More concerning, they lowered future guidance. They now see comparable store sales down by 2 to 5% versus flat. As a result, Home Depot expects EPS to decline by 7 to 13% versus the mid-single digits. It's also worth noting that their interest expense rose by 27.4% compared to last year. Net earnings fell 8.5% year over year. About 2% or \$100 million was due to higher interest rates.

Per the earnings report:

Impact on first-quarter sales from lumber deflation and weather, further softening of demand relative to our expectations, and continued uncertainty regarding consumer demand.

Our take: when inflation was running high, they could pass on inflation easily and boost margins which helped to grow earnings. Consequently, normalizing prices for many of the products they sell takes away such profits. Further demand is weakening for housing supplies. Home Depot's comment about slowing consumer demand is difficult to decipher. Consumers spent well more than average on their homes during the pandemic. Is the consumer pulling back for economic reasons or because they are now allocating money to other goods and services? Target, Walmart, and in a month, Amazon will help answer the question.

The Home Depot, Inc. 1D O 281.75 H 286.09 L 277.10 C 282.65 -5.89 (-2.04%)

Volume 6.014M



The Home Depot, Inc. 1D O 281.75 H 286.09 L 277.10 C 282.65 -5.89 (-2.04%)

Volume 6.014M



Tweet of the Day



Stephen | CFU  @StephenCFU_ · 23h

...

On this day in 1940, the first McDonald's restaurant opened.

Here's the menu

Whatcha buying?



Stephen | CFU  @StephenCFU_ · 23h

...

On this day in 1940, the first McDonald's restaurant opened.

Here's the menu

Whatcha buying?



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

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.

Post Views: 5

2023/05/17

[> Back to All Posts](#)