

Is Oil Trying To Warn Us Of Something?

On the eve of the Hamas raid on Israel, crude oil was trading at \$83 a barrel. It declined by \$10 in the month leading to the attack. The narrative at the time was that global economic growth was weakening. Remember that the pre-pandemic (2015-2019) average was in the low \$50s, so the price at the time was still decently elevated, even with the decline. The onset of war and the possibility of future political or military actions, including Iran or other Middle Eastern countries, drove oil prices up to \$90. Since then, the price of oil has fallen steadily. It appears the trend in place before the attack is reasserting itself. Today, the price of oil sits near \$75, a two-month low and notably about 10% below where it was before the Hamas attack on Israel.

Given that the Israel situation is far from resolved and significant risks to the oil supply remain, the price of oil must be trying to tell us something else. To that end, the EIA lowered their U.S. consumption forecast by 300,000 barrels per day on Tuesday. Such was a revision from their prior forecast of a 100,000 increase. Slowing economic growth abroad, including China, and recent hints of slowing in the U.S. are behind the reduced consumption forecasts. However, the price of crude oil is not a great leading recession indicator as supply-side factors equally weigh on prices. To that end, the administration may likely buy oil to begin to refill the Strategic Petroleum Reserve. Further, Saudi Arabia and Russia are cutting production and may increase said reductions if the price continues to fall. Keep an eye on oil prices, but be careful reading too much into its price action.



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*
☀	SONY	Sony Group Corporation	\$110,672,556,320	Sep/2023	\$1.19	4	11/01/2022	\$1.54
🌙	PBR	Petroleo Brasileiro S.A.- Petrobras	\$100,636,012,736	Sep/2023	\$0.90	3	11/03/2022	\$1.35
☀	AZN	Astrazeneca PLC	\$98,531,890,000	Sep/2023	\$0.80	6	11/10/2022	\$0.84
🌙	PBR.A	Petroleo Brasileiro S.A.- Petrobras	\$93,396,481,035	Sep/2023		3	N/A	\$1.35
☀	BDX	Becton, Dickinson and Company	\$74,299,706,887	Sep/2023	\$3.42	10	11/10/2022	\$2.75
☀	BN	Brookfield Corporation	\$52,421,215,552	Sep/2023		3	N/A	\$0.24
☀	TDG	Transdigm Group Incorporated	\$49,268,628,911	Sep/2023	\$7.10	4	11/10/2022	\$4.74
☀	LI	Li Auto Inc.	\$41,155,080,275	Sep/2023		N/A	12/09/2022	(\$0.24)
🌙	TTD	The Trade Desk, Inc.	\$38,088,416,068	Sep/2023	\$0.13	7	11/09/2022	\$0.03
☹	JCI	Johnson Controls International plc	\$34,641,896,131	Sep/2023	\$1.09	7	11/03/2022	\$0.99
🌙	BBD	Banco Bradesco Sa	\$33,203,571,111	Sep/2023	\$0.09	2	11/08/2022	\$0.09
🌙	BBDO	Banco Bradesco Sa	\$27,669,642,592	Sep/2023		3	N/A	\$0.09
🌙	MTD	Mettler-Toledo International, Inc.	\$22,789,262,505	Sep/2023	\$9.63	5	11/03/2022	\$10.18
☀	RCI	Rogers Communication, Inc.	\$21,348,780,740	Sep/2023	\$0.79	6	11/09/2022	\$0.64
🌙	WPM	Wheaton Precious Metals Corp.	\$19,640,735,840	Sep/2023	\$0.26	14	11/03/2022	\$0.21
☀	MT	ArcelorMittal	\$18,490,558,849	Sep/2023	\$1.03	2	11/10/2022	\$1.54
🌙	ILMN	Illumina, Inc.	\$18,125,350,000	Sep/2023	\$0.13	8	11/03/2022	\$0.34
🌙	HOLX	Hologic, Inc.	\$16,746,690,077	Sep/2023	\$0.85	7	10/31/2022	\$0.82
☹	NIO	NIO Inc.	\$13,563,743,815	Sep/2023	(\$0.43)	1	11/10/2022	(\$0.36)
☹	AEG	Aegion Ltd.	\$13,251,575,281	Sep/2023		N/A	11/10/2022	(\$0.10)
🌙	NWS	News Corporation	\$12,702,715,728	Sep/2023		3	N/A	\$0.12
🌙	NWSA	News Corporation	\$12,245,577,960	Sep/2023	\$0.13	3	11/08/2022	\$0.12
🌙	RBA	RB Global, Inc.	\$12,147,430,398	Sep/2023	\$0.17	2	11/07/2022	\$0.38
☀	GRAB	Grab Holdings Limited	\$11,887,500,000	Sep/2023		N/A	11/16/2022	(\$0.08)
🌙	WYNN	Wynn Resorts, Limited	\$10,616,587,602	Sep/2023	\$0.79	6	11/09/2022	(\$1.20)
☀	USFD	US Foods Holding Corp.	\$10,283,492,665	Sep/2023	\$0.65	6	11/10/2022	\$0.56
🌙	U	Unity Software Inc.	\$10,276,656,336	Sep/2023	(\$0.22)	3	11/09/2022	(\$0.67)
☀	WRK	Westrock Company	\$9,610,476,600	Sep/2023	\$0.75	4	11/10/2022	\$1.43
🌙	SBS	Companhia de saneamento Basico Do Estado De Sao Paulo - Sabesp	\$8,523,368,066	Sep/2023		3	N/A	\$0.30
🌙	LNW	Light & Wonder, Inc.	\$7,275,660,887	Sep/2023	\$0.42	4	11/09/2022	\$0.14
☹	WF	Woori Bank	\$6,952,956,048	Sep/2023		N/A	11/10/2022	\$2.53
🌙	STN	Stantec Inc	\$6,902,731,084	Sep/2023	\$0.72	5	11/10/2022	\$0.67
☹	CAE	CAE Inc	\$6,664,335,427	Sep/2023	\$0.15	10	11/10/2022	\$0.15
☀	SN	SharkNinja, Inc.	\$6,430,737,487	Sep/2023	\$0.81	3	N/A	N/A
☀	RBC	RBC Bearings Incorporated	\$6,300,526,892	Sep/2023	\$1.91	2	11/10/2022	\$1.81
☀	TPR	Tapestry, Inc.	\$6,247,755,510	Sep/2023	\$0.90	7	11/10/2022	\$0.79
🌙	ONTO	Onto Innovation Inc.	\$5,916,844,942	Sep/2023	\$0.95	4	10/27/2022	\$1.35
🌙	CPRI	Capri Holdings Limited	\$5,666,391,184	Sep/2023	\$1.50	6	11/09/2022	\$1.79
☀	MTSI	MACOM Technology Solutions Holdings, Inc.	\$5,247,414,923	Sep/2023	\$0.43	8	11/03/2022	\$0.64
☹	DDS	Dillard's, Inc.	\$5,136,026,829	Oct/2023	\$7.06	3	11/10/2022	\$10.96
☀	WIX	Wix.com Ltd.	\$5,046,184,200	Sep/2023	(\$0.07)	7	11/10/2022	(\$0.81)
🌙	DV	DoubleVerify Holdings, Inc.	\$4,938,394,370	Sep/2023	\$0.06	4	11/08/2022	\$0.06
☹	PHI	PLDT Inc.	\$4,861,254,937	Sep/2023		N/A	11/03/2022	\$0.62
🌙	FLO	Flowers Foods, Inc.	\$4,665,941,360	Sep/2023	\$0.28	4	11/10/2022	\$0.30
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Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
THURSDAY, NOVEMBER 9						
13:30	USD Continuing Jobless Claims(Oct 27)		-	-	1.82M	1.818M
13:30	USD Initial Jobless Claims(Nov 3)		-	-	218K	217K
13:30	USD Initial Jobless Claims 4-week average(Nov 3)		-	-	-	210K
16:30	USD 4-Week Bill Auction		-	-	-	5.29%
17:00	USD USDA WASDE Report		REPORT			
18:00	USD 30-Year Bond Auction		-	-	-	4.837%
19:00	USD Fed's Chair Powell speech		SPEECH			

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Market Trading Update

The market continued its winning streak for its 8th day. A breather is needed, but despite the attempt for a selloff mid-day yesterday, buying continues to show up as professional managers have begun the year-end performance chase. Bonds have also continued to rally strongly, with technical underpinnings improving markedly. All is a welcome change following the beating investors took over the last three months. Sentiment has still not returned to more bullish levels, but the market overall is getting short-term overbought. Use pullbacks to support for increasing equity exposure, and don't forget to use this rally to rebalance portfolio risks as needed. Don't get greedy.

Yesterday, we pared back our trading position in the Vanguard Extended Duration Bond ETF (EDV) that we added at the beginning of October. We still maintain our target bond weighting in portfolios, but the improvement has been too quick. We will likely see rates retrace a bit of the recent decline, and we may consider adding that trading position back.







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More Whales But With Differing Opinions

Tuesday's Commentary shared the recent market and economic thoughts of three whales in the investment world. All three, Druckenmiller, Gross, and Ackman share similar views of a slowing economy and lower yields. In the interest of fairness, we share the outlooks of seven more whales.

Genevieve Roch-Decter, a former large money manager, expands on our list of whales with more widespread views on bonds, stocks, and the economy. Per her [Tweet](#):

Ray Dalio: MILD BEAR. ?I don?t want to own debt, you know, bonds and those kinds of things?Temporarily right now, cash I think is good.?

Steve Cohen: BULL. Says the US economy may fall into a short-lived recession this year before rebounding in the first quarter of next year. He expects economic growth to jump next year and equity markets to rally 3% to 5%.

Ken Fisher: BULL. ?Don?t be fooled ? this bull market has legs, and it is crucial you don?t get scared of it now.?

Ken Griffin: MILD BEAR. ?I?m a bit anxious that this rally can continue,? he said ?I like to believe that this rally has legs. I?m a bit anxious. We?re sort of in the seventh or eighth inning of this rally, but part of it has been the soft landing story.?

Michael Burry: BEAR. In mid-August, a filing with the SEC revealed that Burry?s Scion Asset Management fund had placed bearish bets against two major U.S. stock market indexes.

Paul Tudor: BEAR. ?those rate hikes are probably going to tip us into recession.? He thinks that the U.S. economy will likely enter a recession at some point during the first quarter of 2024.

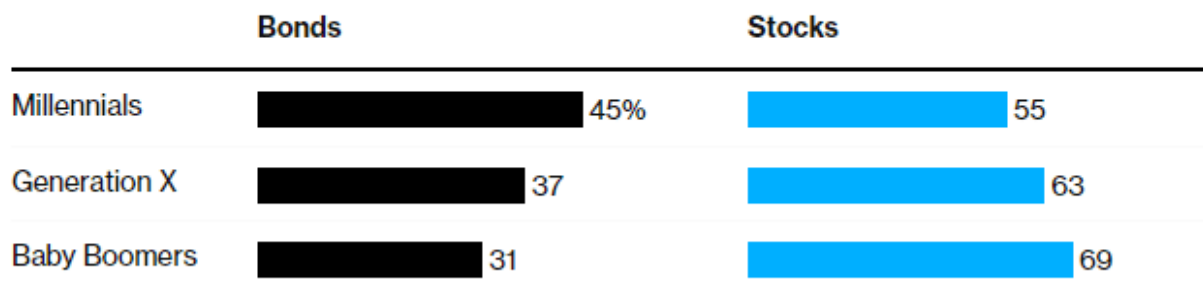
Warren Buffett: MILD BEAR. Berkshire has been a net-seller of stocks for the past 4 quarters. Cash pile now at record \$157B.

Millennials Embrace Bonds, Boomers Shun Them

The graph below, courtesy of Charles Schwab, is somewhat confounding. Younger investors are often more accepting of risk and tend to allocate heavily to stocks and little to bonds. Conversely, as the younger generations age, they often shift from stocks to less risky bonds. The graph shows that Millennials aged 27 to 42 have a nearly equal allocation to stocks and bonds. Conversely, Baby Boomers aged 59 and older seem to have a much stronger preference for stocks. Generational risk attitudes and experiences play into their allocations, but might we also consider the Boomers could be over-allocated to stocks because they do not feel they have saved enough for retirement? As shown in the second graph, now might be a good time for Boomers to reconsider and shift their allocations toward bonds. Simply, longer-term return expectations overwhelmingly favor bonds given high yields and high equity valuations.

Millennials Are Embracing Bonds

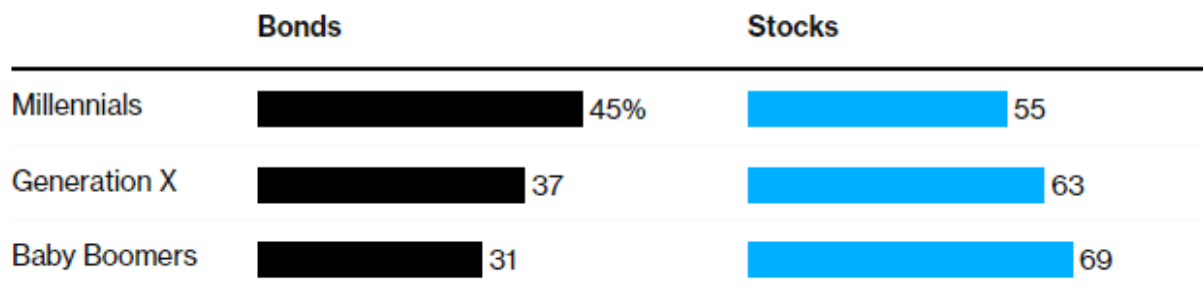
But stock investments still have bigger portfolio shares across generations



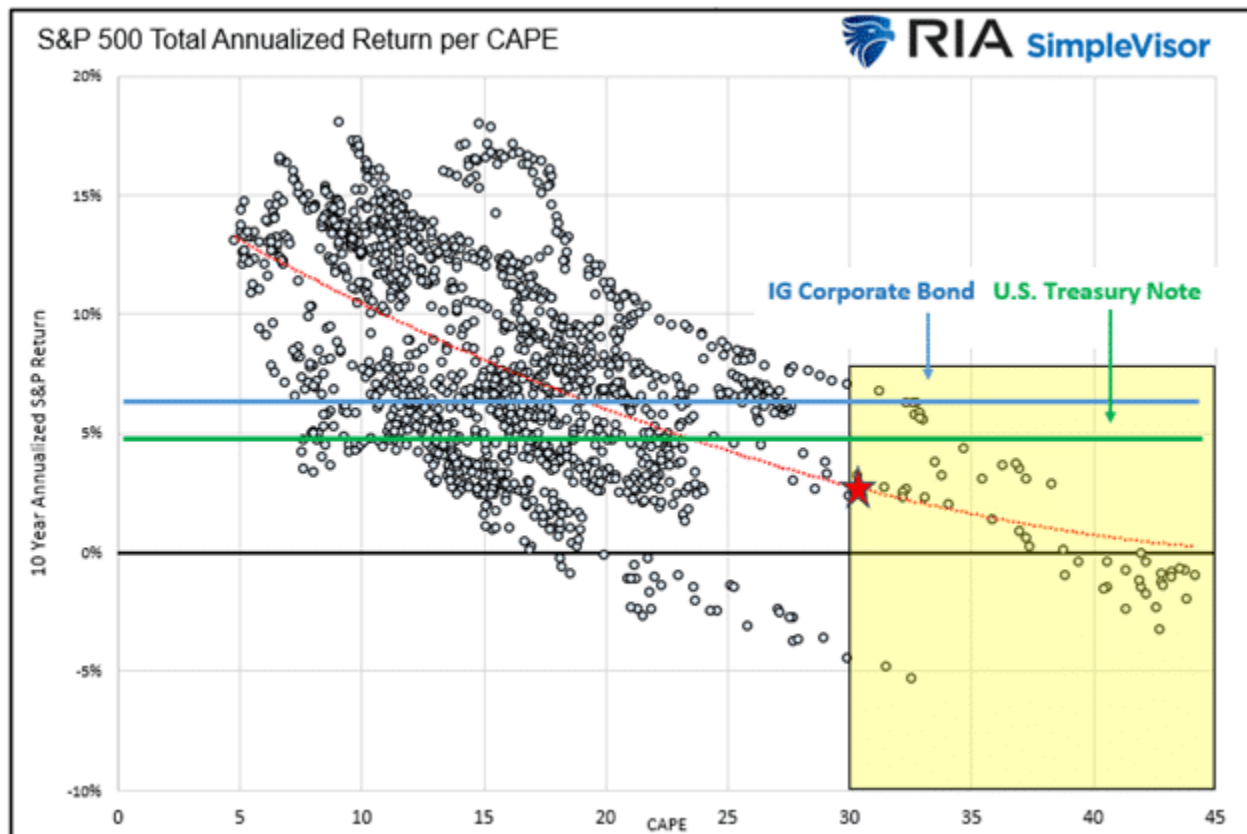
Source: Schwab Asset Management

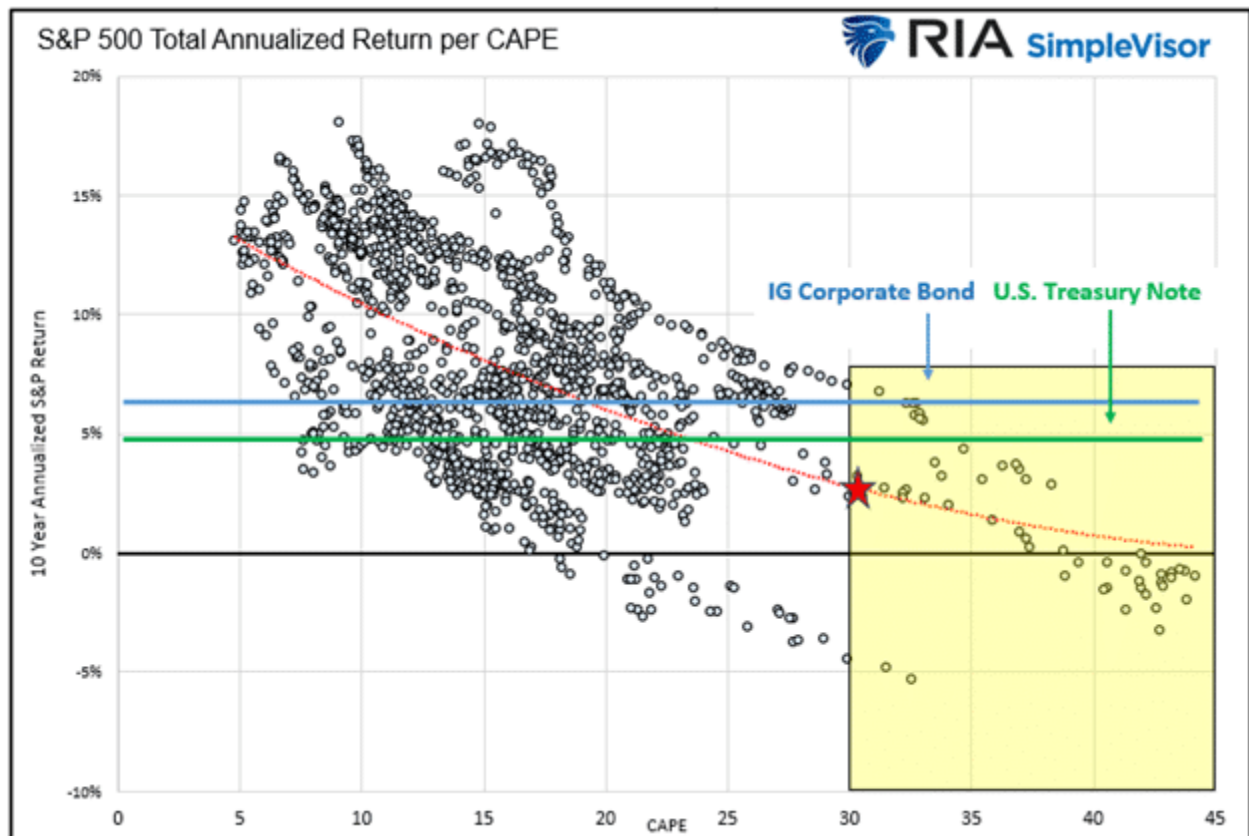
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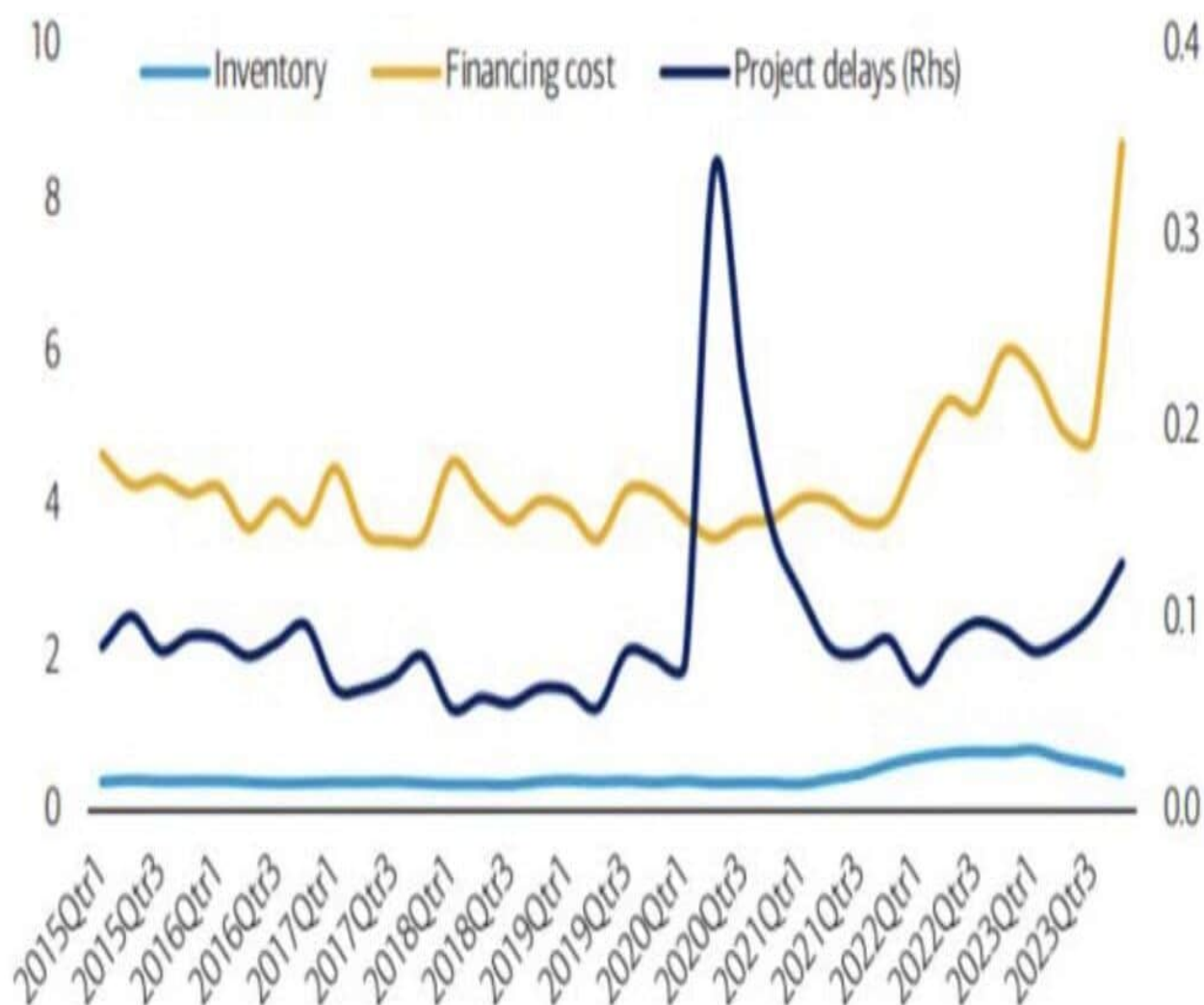


Financing Costs, A Growing Concern For Corporations

The BofA graph below shows that higher interest rates are finally becoming a concern in corporate boardrooms. As it shows, financing cost concerns surged this last quarter as long-term interest rates rose and short-term rates remained historically high. Presuming rates stay around current levels, we suspect the concern will spread to more companies. Such is the nature of the lag effect.

Exhibit 26: Mentions on 3Q S&P 500 earnings calls

Financing costs are a key risk, and a pickup in delayed projects could slow business investment



Source: BofA Global Research

BoFA GLOBAL RESEARCH

Exhibit 26: Mentions on 3Q S&P 500 earnings calls

Financing costs are a key risk, and a pickup in delayed projects could slow business investment



Tweet of the Day

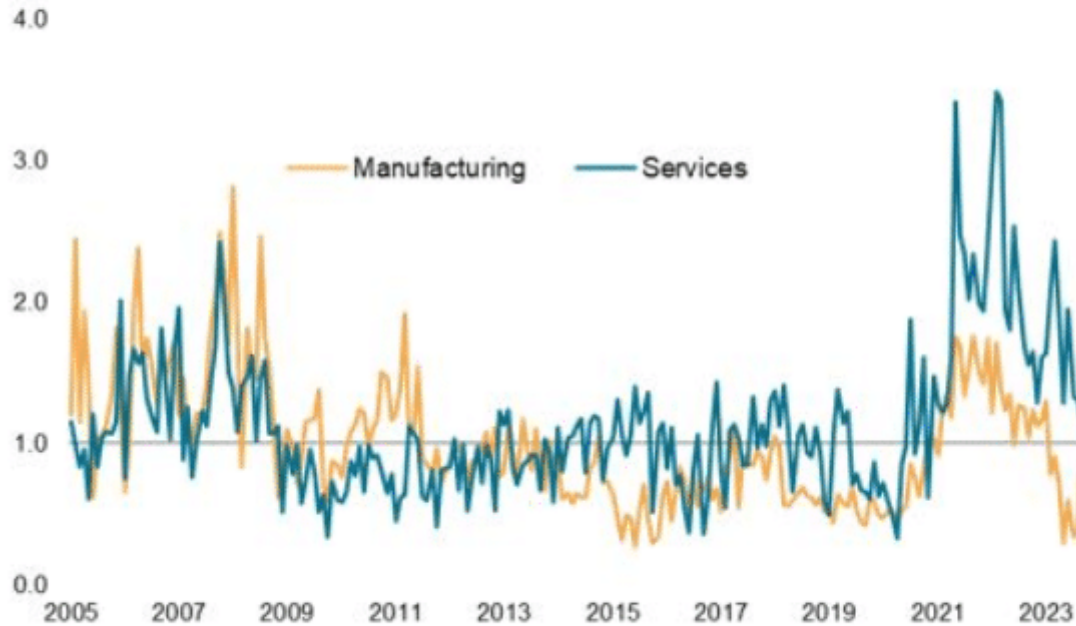


Chris Williamson
@WilliamsonChris

...

... demand-pull inflation pressures have evaporated, even in the service sector, crushed by the cost of living and interest rate hikes.

S&P Global PMI: demand as a driver of higher selling prices



Data compiled November 2023 including PMI data to October 2023. Axis scale 1 = long term average.
Source: S&P Global PMI.
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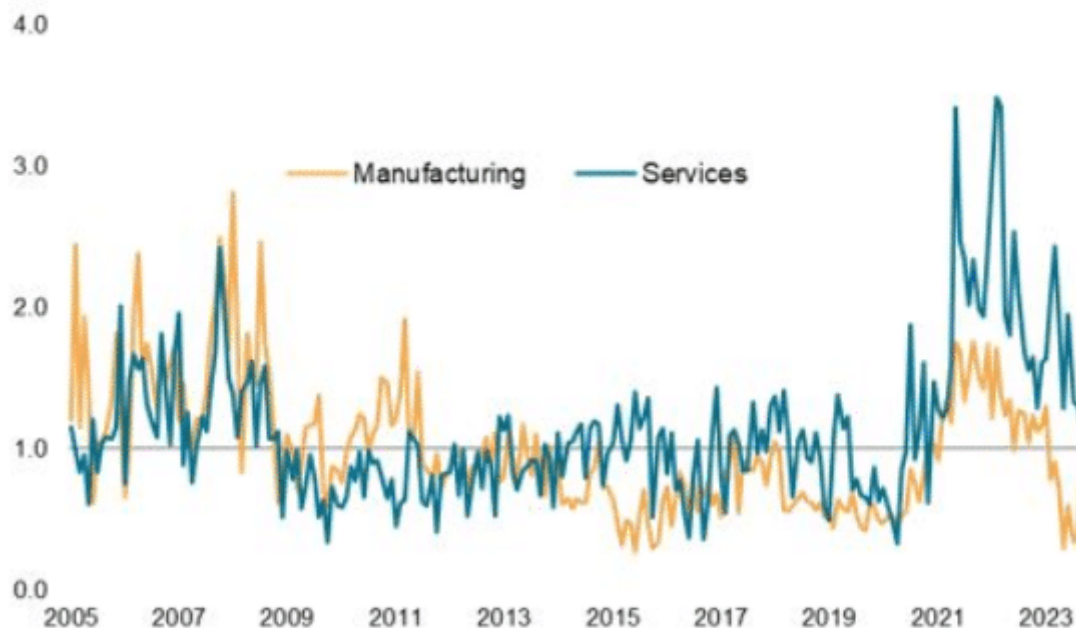


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