

Liquidity Concerns Put An End To QT

Two weeks ago, Jerome Powell stated, *“We may be approaching the end of our balance sheet contraction in the coming months.”* In simple terms, as we wrote [HERE](#), he is prepping the market for a quicker end to QT than was previously expected. While Powell was cryptic about why, the answer is obvious: liquidity concerns. As we have noted in the past few weeks, tightness in the overnight funding markets is becoming more prevalent. Powell likely didn’t want to spook the markets by raising concerns about potential liquidity problems.

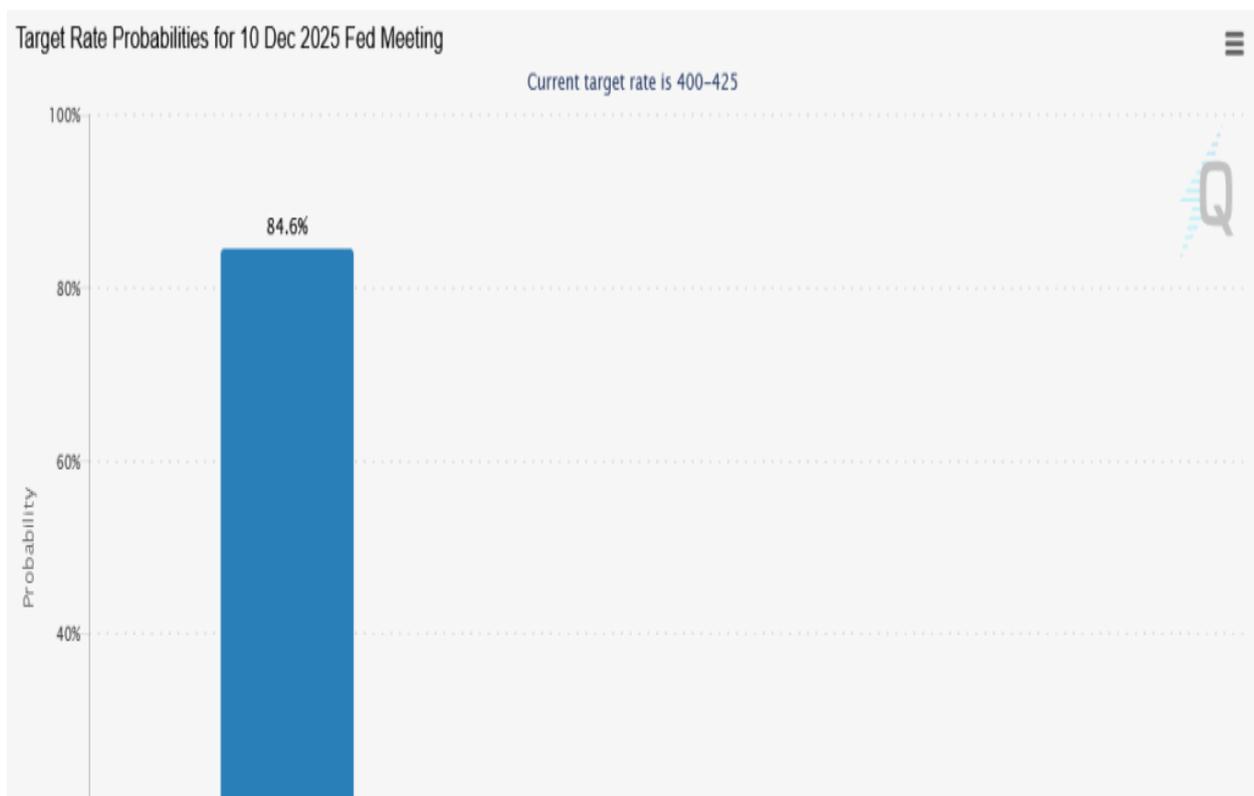
At yesterday’s FOMC meeting, the Fed cut rates by 25 basis points to a range of 3.75% to 4.00%, as was widely expected. As Powell warned a couple of weeks ago, liquidity concerns pushed the Fed to end QT on December 1. Per the FOMC statement:

The Committee decided to conclude the reduction of its aggregate securities holdings on December 1.

Beyond QT and liquidity concerns, the Fed doesn’t seem overly worried about a slowdown of economic growth. They note that economic activity has been expanding at a moderate pace. Furthermore, the unemployment rate *“has edged up”* but *“remained low.”* They state that inflation has risen and remains *“somewhat elevated.”* There were two dissenting votes. Stephan Miran wanted a 50-bps rate cut, while Jeff Schmid wanted to hold rates steady.

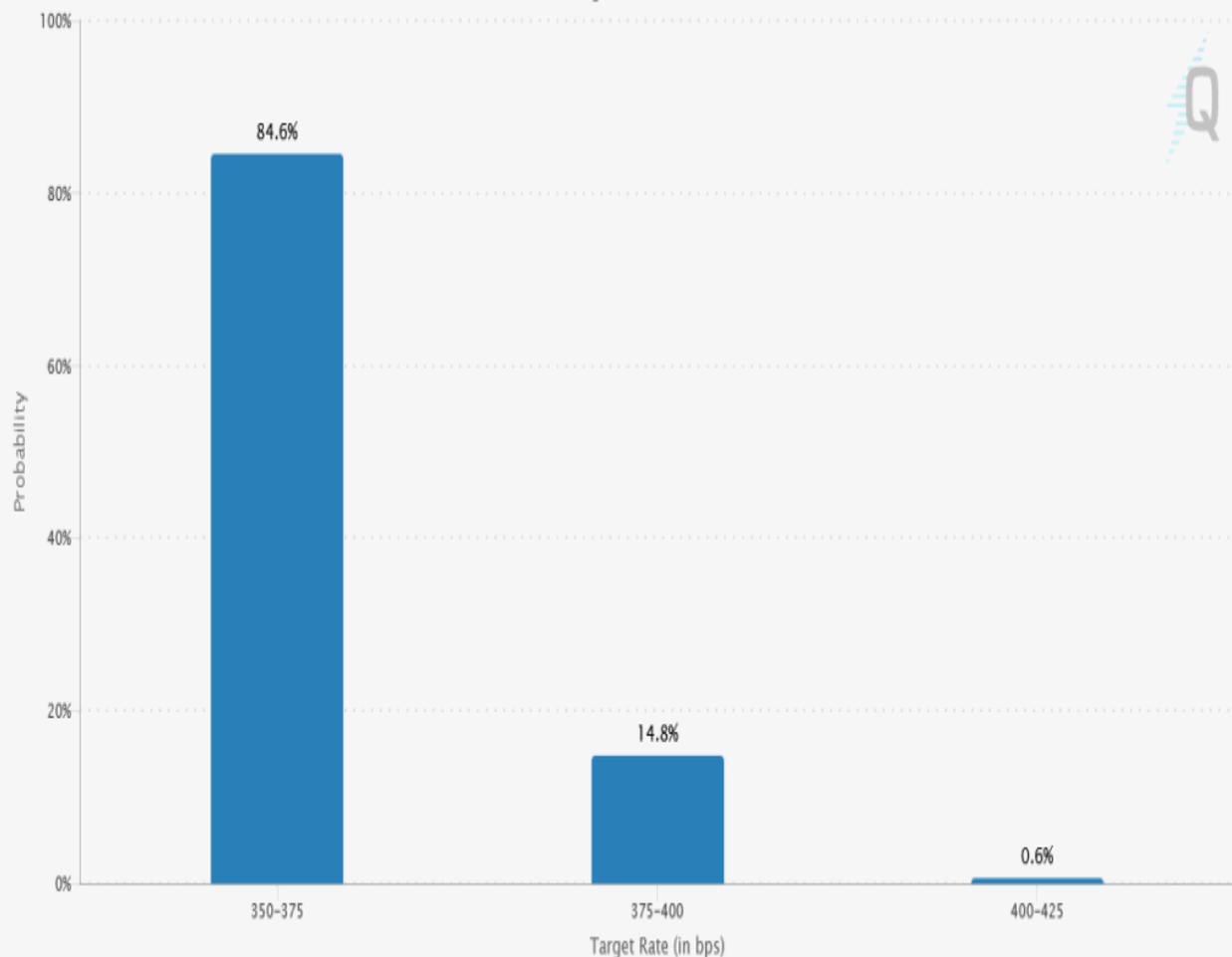
Our initial takeaway is that, barring worsening employment data or lower-than-expected inflation, the Fed may talk the markets down from its 85% probability of a December rate cut. To wit, Powell ended his press conference speech as follows:

An interest rate cut in December is not a foregone conclusion, far from it.



Target Rate Probabilities for 10 Dec 2025 Fed Meeting

Current target rate is 400-425



What To Watch Today

Earnings

Thursday Oct 30	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time	
Apple AAPL.US		1.75	1.64	101.26B	94.9B	\$3.74T	Q4	PM	★	🔔
Amazon AMZN.US		1.55	1.43	177.46B	158.88B	\$2.25T	Q3	PM	★	🔔
Eli Lilly LLY.US		6.36	1.18	15.95B	11.44B	\$779.04B	Q3	AM	★	🔔
Mastercard MA.US		4.32	3.89	8.53B	7.4B	\$512.98B	Q3	AM	★	🔔
Merck MRK.US		2.37	1.57	17.05B	16.66B	\$212.44B	Q3	AM	★	🔔
S&P Global SPGI.US		4.27	3.89	3.77B	3.58B	\$151.27B	Q3	AM	★	🔔
Gilead Sciences GILD.US		2.16	2.02	7.41B	7.54B	\$146.87B	Q3	PM	★	🔔
Stryker SYK.US		3.14	2.87	6.04B	5.49B	\$140.42B	Q3	PM	★	🔔
Altria MO.US		1.44	1.38	5.28B	5.34B	\$115.35B	Q3	AM	★	🔔
Comcast CMCSA.US		1.1	1.12	30.8B	32.07B	\$111.93B	Q3	AM	★	🔔
Southern SO.US		1.51	1.40	7.57B	7.3B	\$107.42B	Q3	AM	★	🔔
Bristol-Myers Squibb BMY.U		1.69	1.80	11.75B	11.9B	\$87.96B	Q3	AM	★	🔔
Intercontinental Exchange		1.71	1.55	2.5B	2.3B	\$87.74B	Q3	AM	★	🔔
Roblox RBLX.US		-0.53	-0.37	1.64B	919M	\$84.55B	Q3	AM	★	🔔
Coinbase Global COIN.US		1.25	0.27	1.77B	1.2B	\$84.14B	Q3	PM	★	🔔
Cigna CI.US		7.65	7.51	66.32B	63.7B	\$80.78B	Q3	AM	★	🔔
Howmet Aerospace HWM.US		0.9	0.81	2.04B	1.84B	\$78.29B	Q3	AM	★	🔔

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Howmet Aerospace HWM.US		0.9	0.81		2.04B	1.84B	\$78.29B	Q3	AM	★	🔔
Monster Beverage MNST.US		0.48	0.40		2.1B	1.88B	\$73.01B	Q3	PM	★	🔔
Motorola Solutions MSI		3.81	3.74		2.93B	2.79B	\$72.63B	Q3	PM	★	🔔
Arthur J. Gallagher AIG.US		2.44	2.26		3.28B	2.74B	\$69.7B	Q3	PM	★	🔔
Republic Services RSG.US		1.79	1.81		4.25B	4.08B	\$68.66B	Q3	PM	★	🔔
Enterprise Products Partn		0.69	0.65		13.63B	13.78B	\$65.69B	Q3	AM	★	🔔
Quanta Services PWR.US		3.26	2.72		7.38B	6.5B	\$63.73B	Q3	AM	★	🔔
Anylam Pharmaceuticals		0.27	-0.50		919.13M	500.92M	\$61.98B	Q3	AM	★	🔔
Microstrategy MSTR.US		-0.08	-1.56		117.71M	116.1M	\$55.58B	Q3	PM	★	🔔
L3Harris Technologies LHX		2.6	3.34		5.52B	5.3B	\$54.04B	Q3	AM	★	🔔
Cheniere Energy LNG.US		2.96	3.93		4.94B	3.76B	\$51.33B	Q3	AM	★	🔔
Monolithic Power Systems		4.62	4.06		720.57M	620.12M	\$49.97B	Q3	PM	★	🔔
Ameriprise Financial AMP.US		9.57	9.02		4.53B	4.4B	\$45.41B	Q3	AM	★	🔔
Xcel Energy XEL.US		1.37	1.25		3.91B	3.64B	\$45.03B	Q3	AM	★	🔔
Edwards Lifesciences EWU		0.59	0.67		1.5B	1.35B	\$42.79B	Q3	PM	★	🔔
Ametek AME.US		1.75	1.66		1.81B	1.71B	\$42.52B	Q3	AM	★	🔔
Western Digital WDC.US		1.56	1.78		2.71B	4.1B	\$41.12B	Q1	PM	★	🔔
Kimberly Clark KMB.US		1.78	1.83		4.24B	5B	\$40.31B	Q3	AM	★	🔔
ResMed RMD.US		2.52	2.20		1.33B	1.22B	\$39.71B	Q1	AM	★	🔔
Vulcan Materials VMC.US		2.68	2.22		2.28B	2B	\$39.24B	Q3	AM	★	🔔
Atlassian TEAM.US		0.67	0.77		1.13B	1.19B	\$38.52B	Q1	PM	★	🔔
Hershey HSY.US		1.07	2.34		3.11B	2.99B	\$38.1B	Q3	AM	★	🔔
Cardinal Health CAH.US		2.19	1.88		59.35B	52.3B	\$37.55B	Q1	AM	★	🔔
WEC Energy WEC.US		0.83	0.82		1.86B	1.86B	\$36.7B	Q3	AM	★	🔔
Consolidated Edison ED.US		1.72	1.68		4.26B	4.08B	\$35.78B	Q3	PM	★	🔔

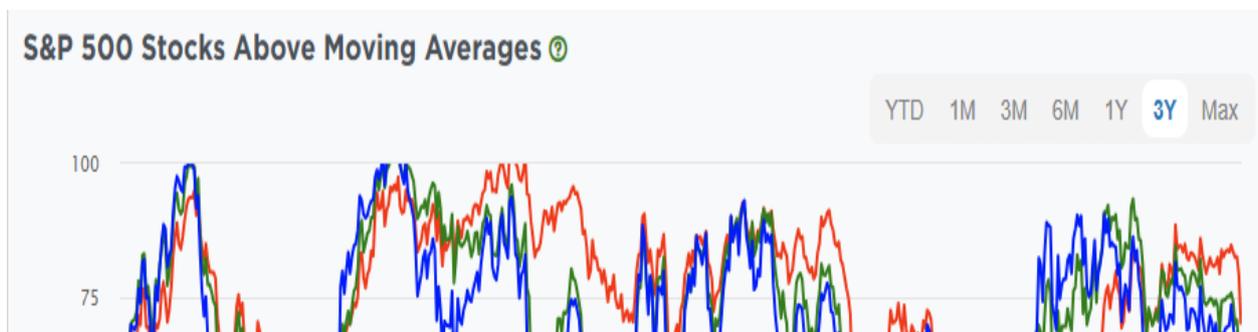
Economy

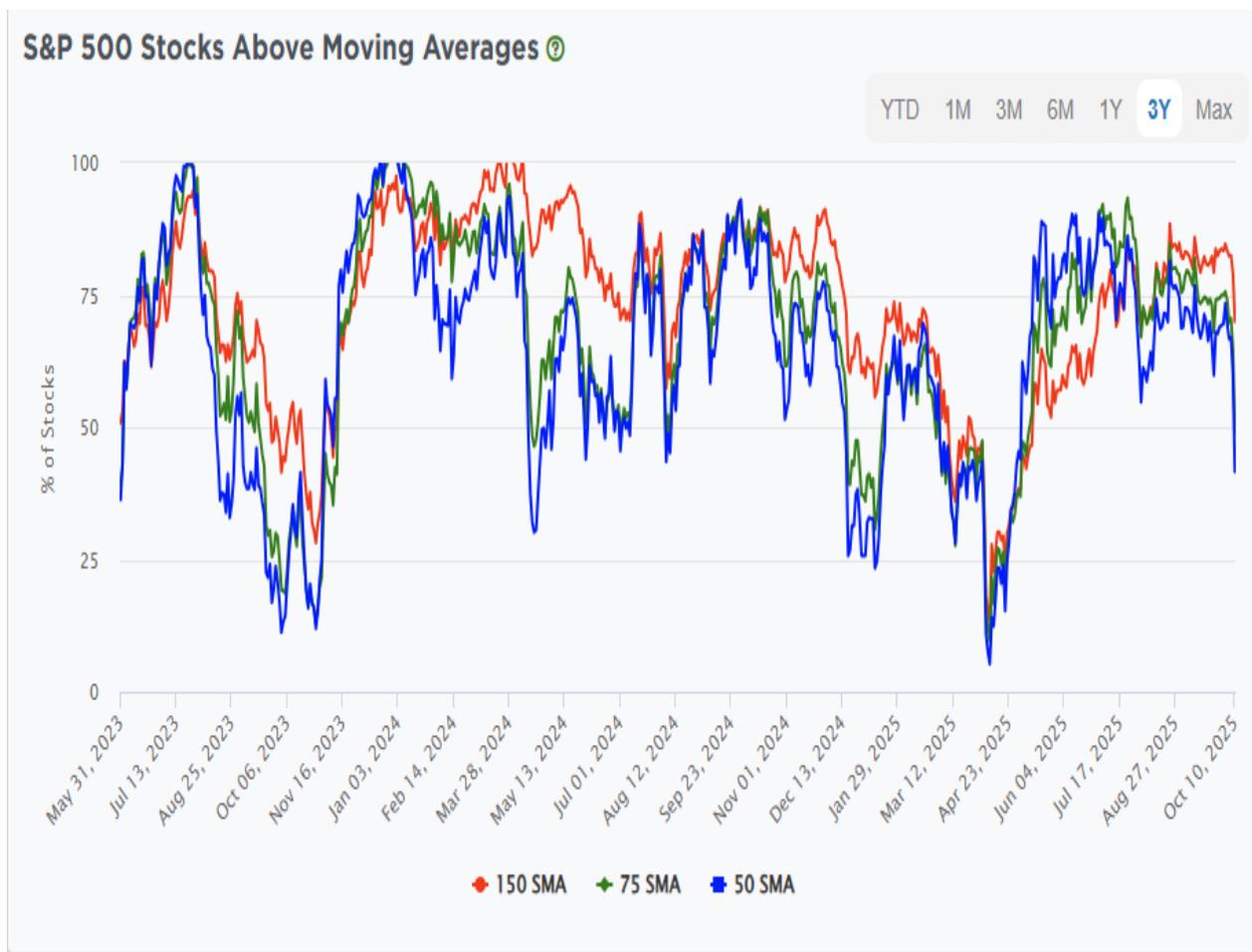
Thursday October 30 2025			Actual	Previous	Consensus	Forecast	
08:55 AM	US	Fed Bowman Speech					
09:30 AM	US	EIA Natural Gas Stocks Change <small>OCT/24</small>		87Bcf	71Bcf		
09:30 AM	US	NY Fed Treasury Purchases TIPS 7.5 to 30 yrs			\$25 million		
10:30 AM	US	4-Week Bill Auction		3.945%			
10:30 AM	US	8-Week Bill Auction		3.900%			
11:00 AM	US	15-Year Mortgage Rate <small>OCT/30</small>		5.44%			
11:00 AM	US	30-Year Mortgage Rate <small>OCT/30</small>		6.19%			
12:15 PM	US	Fed Logan Speech					
03:30 PM	US	Fed Balance Sheet <small>OCT/29</small>		\$6.59T			
	US	GDP Growth Rate QoQ Adv <small>Q3</small>		3.8%	3%	3.2%	
	US	GDP Price Index QoQ Adv <small>Q3</small>		2.1%	2.8%	2.3%	
	US	Initial Jobless Claims <small>OCT/25</small>				257.0K	
	US	Initial Jobless Claims <small>OCT/18</small>			223K	254.0K	
	US	Initial Jobless Claims <small>SEP/27</small>		218K	223K	223.0K	
	US	Initial Jobless Claims <small>OCT/04</small>			227K	235.0K	
	US	Initial Jobless Claims <small>OCT/11</small>				249.0K	
	US	Continuing Jobless Claims <small>SEP/27</small>				1937.0K	
	US	Continuing Jobless Claims <small>OCT/04</small>				1942.0K	
	US	Continuing Jobless Claims <small>OCT/11</small>			1930K	1950.0K	
	US	Continuing Jobless Claims <small>SEP/20</small>		1926K	1930K	1929.0K	
	US	Continuing Jobless Claims <small>OCT/18</small>				1960.0K	
	US	Core PCE Prices QoQ Adv <small>Q3</small>		2.6%	2.9%	2.8%	
	US	GDP Sales QoQ Adv <small>Q3</small>		7.5%		7.4%	
	US	Jobless Claims 4-week Average <small>OCT/25</small>				249.0K	
	US	Jobless Claims 4-week Average <small>OCT/18</small>				247.0K	
	US	Jobless Claims 4-week Average <small>OCT/11</small>				243.0K	
	US	Jobless Claims 4-week Average <small>OCT/04</small>				240.0K	
	US	Jobless Claims 4-week Average <small>SEP/27</small>		237.5K		239.0K	
	US	PCE Prices QoQ Adv <small>Q3</small>		2.1%		2.3%	
	US	Real Consumer Spending QoQ Adv <small>Q3</small>		2.5%		2.2%	

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Market Trading Update

Yesterday, we touched on the market's underlying breadth, which has recently worsened as the market has rallied. All of today's commentary comes from [SimpleVisor.com](#), and we can start with the chart of the number of stocks in the S&P 500 trading above their respective 50, 75, and 150 DMAs. As noted yesterday, that deterioration is very notable given that the index is ringing all-time highs.

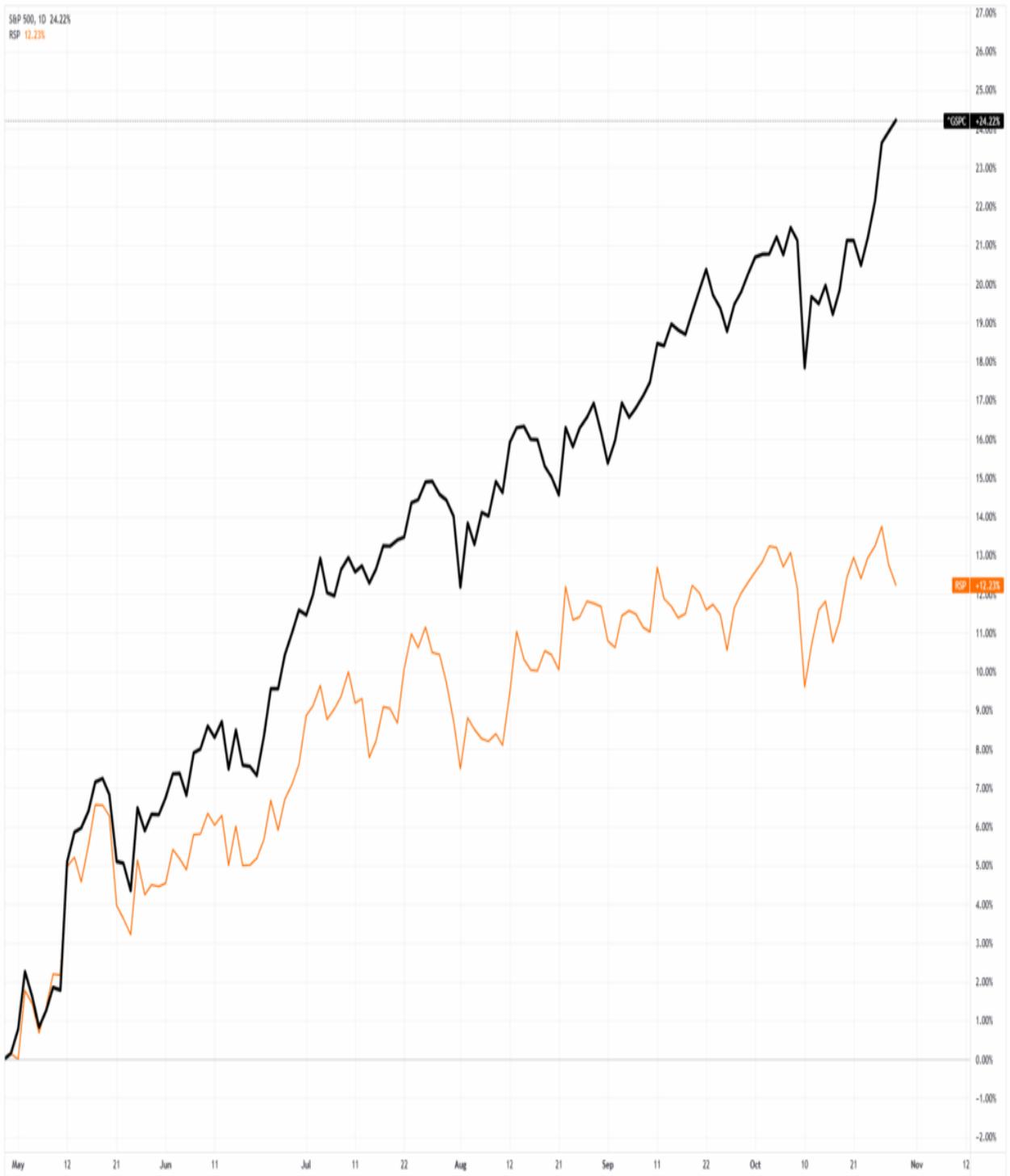


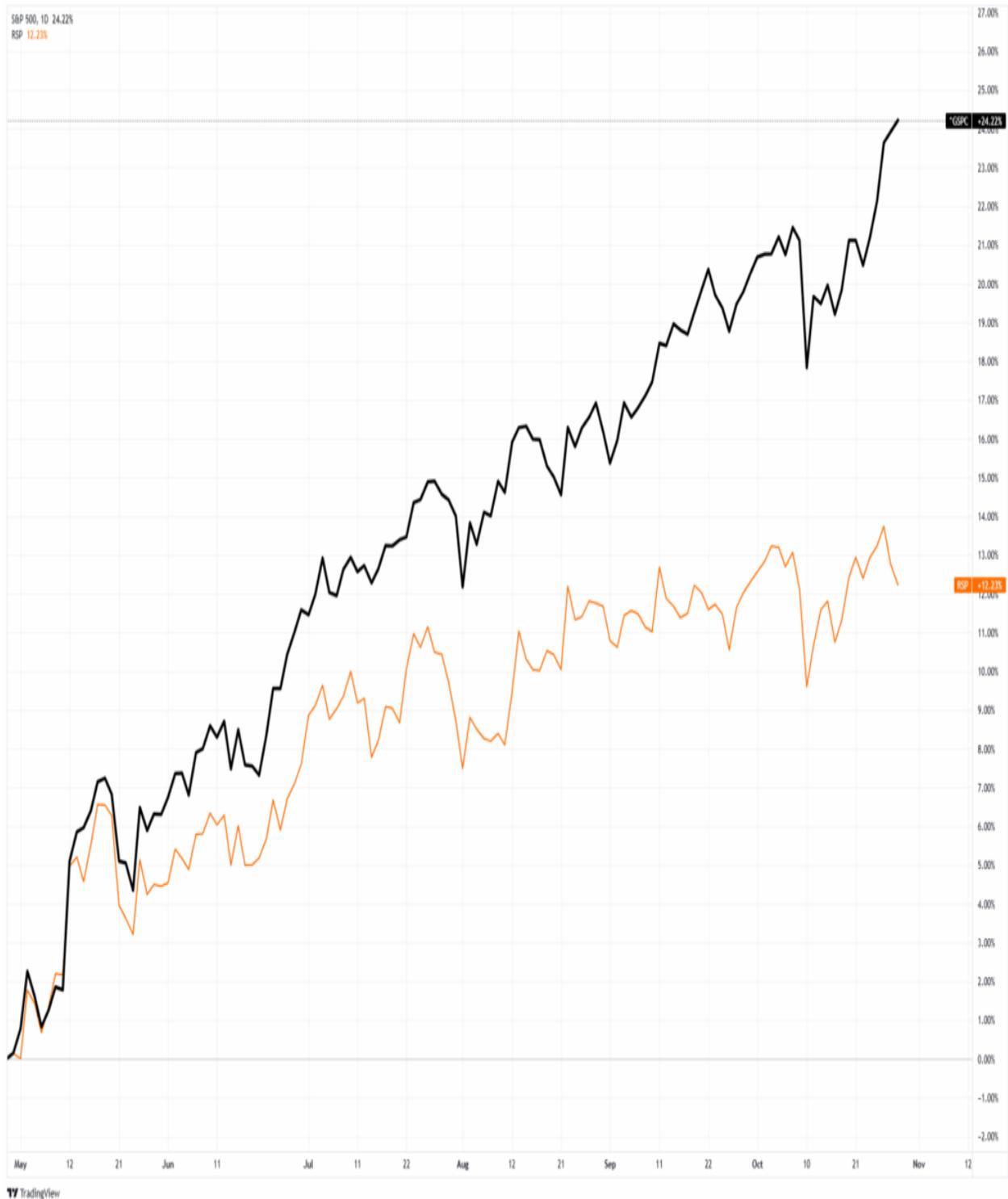


Secondly, there has been a significant lag in performance between the Equal Weight and Market Cap-weighted index. Again, this is a breadth issue and confirms that a handful of stocks, the most heavily weighted, are driving the index higher. Over the last 6 months, there has been a 12% gap in performance between the two indices.

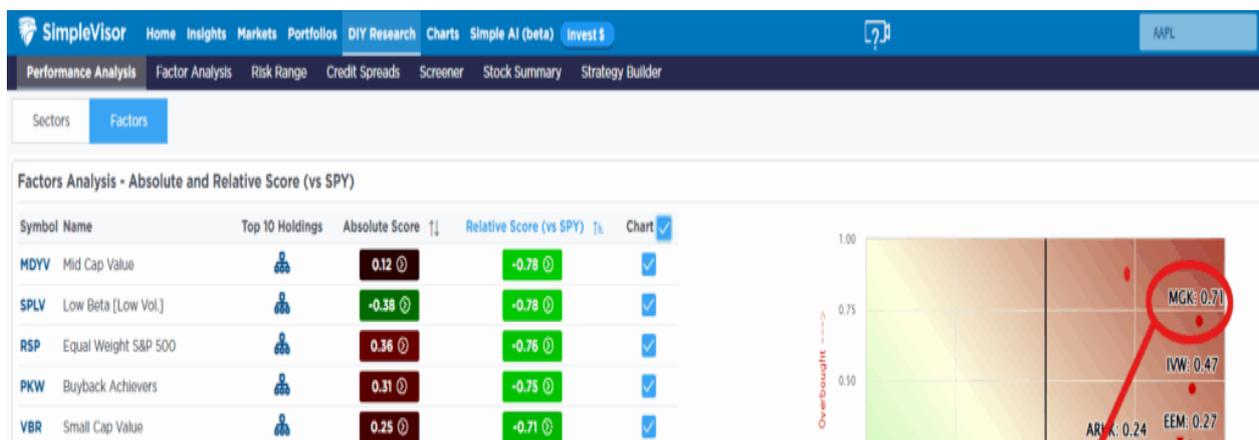
S&P 500, 1D 24.22%

RSP 12.23%



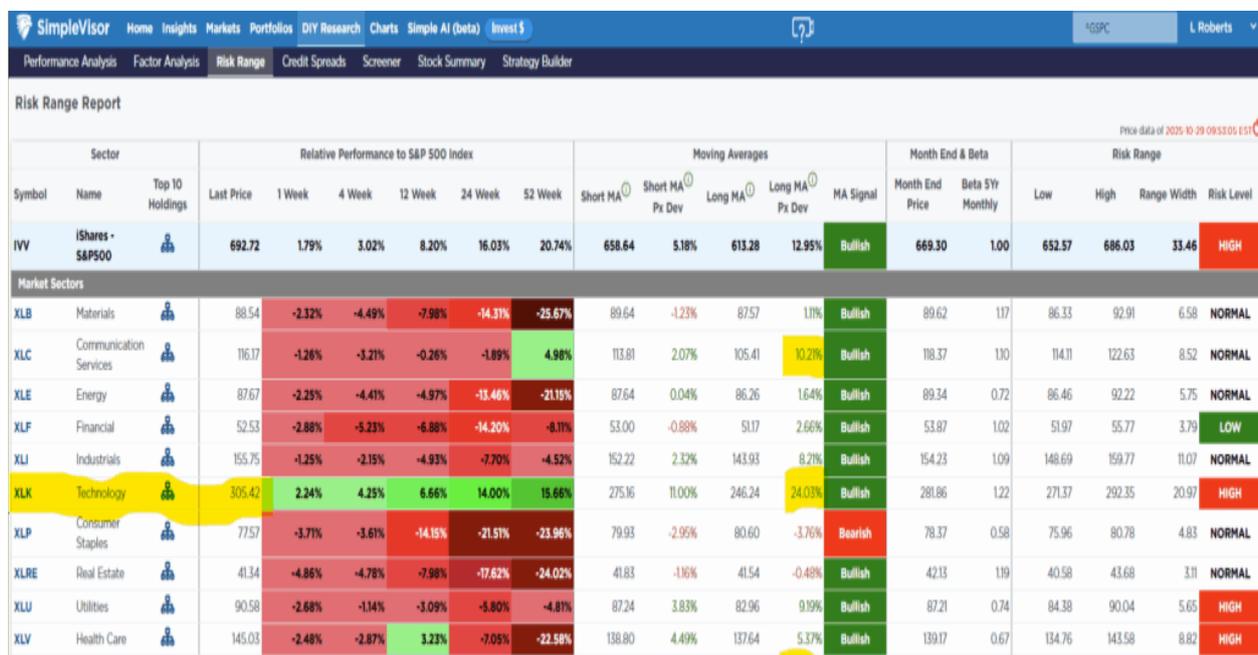


We see the same performance gap when examining the absolute and relative performance of the various market factors. MGK (Mega-cap growth) is grossly overbought, while SPLV (Low-Beta, Low Volatility) stocks are grossly oversold. Such suggests that eventually the market is going to rotate, and given the current deviation in performance, that rotation could be quite volatile.





We can culminate our analysis by examining the Risk Range Report, which reveals two crucial factors. The first is that every market and sector, except for Technology and Emerging Markets, underperformed the S&P 500 during the last week. Secondly, Communications (GOOG/META), Technology (MSFT, NVDA), and Discretionary (AMZN/TSLA) are carrying double-digit deviations from their long-term means, with technology the MOST deviated in the S&P 500. Emerging markets (EEM), gold, and gold miners (IAU/GDX) are also grossly extended, although they recently corrected about 50% of their deviation.



Risk Range Report

Price data of 2025-10-29 09:53:05 EST

Sector			Relative Performance to S&P 500 Index					Moving Averages					Month End & Beta		Risk Range				
Symbol	Name	Top 10 Holdings	Last Price	1 Week	4 Week	12 Week	24 Week	52 Week	Short MA ¹	Short MA ¹ Px Dev	Long MA ¹	Long MA ¹ Px Dev	MA Signal	Month End Price	Beta 5Yr Monthly	Low	High	Range Width	Risk Level
IVV	iShares - S&P500		692.72	1.79%	3.02%	8.20%	16.03%	20.74%	658.64	5.18%	613.28	12.95%	Bullish	669.30	1.00	652.57	686.03	33.46	HIGH
Market Sectors																			
XLB	Materials		88.54	-2.32%	-4.49%	-7.98%	-14.31%	-25.67%	89.64	-1.23%	87.57	1.11%	Bullish	89.62	1.17	86.33	92.91	6.58	NORMAL
XLC	Communication Services		116.17	-1.26%	-3.21%	-0.26%	-1.89%	4.98%	113.81	2.07%	105.41	-13.27%	Bullish	118.37	1.10	114.11	122.63	8.52	NORMAL
XLE	Energy		87.67	-2.25%	-4.41%	-4.97%	-13.46%	-21.15%	87.64	0.04%	86.26	1.64%	Bullish	89.34	0.72	86.46	92.22	5.75	NORMAL
XLF	Financial		52.53	-2.88%	-5.23%	-6.88%	-14.20%	-8.11%	53.00	-0.88%	51.17	2.66%	Bullish	53.87	1.02	51.97	55.77	3.79	LOW
XLI	Industrials		155.75	-1.25%	-2.15%	-4.93%	-7.70%	-4.52%	152.22	2.32%	143.93	8.21%	Bullish	154.23	1.09	148.69	159.77	11.07	NORMAL
XLK	Technology		305.42	2.24%	4.25%	6.66%	14.00%	15.66%	275.16	11.00%	246.24	24.03%	Bullish	281.86	1.22	271.37	292.35	20.97	HIGH
XLP	Consumer Staples		77.57	-3.71%	-3.61%	-14.15%	-21.51%	-23.96%	79.93	-2.95%	80.60	-3.70%	Bearish	78.37	0.58	75.96	80.78	4.83	NORMAL
XLRE	Real Estate		41.34	-4.86%	-4.78%	-7.98%	-17.62%	-24.02%	41.83	-1.16%	41.54	-0.48%	Bullish	42.33	1.19	40.58	43.68	3.11	NORMAL
XLU	Utilities		90.58	-2.68%	-1.14%	-3.09%	-5.80%	-4.81%	87.24	3.83%	82.96	9.19%	Bullish	87.21	0.74	84.38	90.04	5.65	HIGH
XLV	Health Care		145.03	-2.48%	-2.87%	3.23%	-7.05%	-22.58%	138.80	4.49%	137.64	5.37%	Bullish	139.17	0.67	134.76	143.58	8.82	HIGH
XLY	Consumer Discretionary		240.10	-0.77%	-2.08%	-0.90%	-3.72%	-0.75%	233.38	2.88%	217.39	10.45%	Bullish	239.64	1.29	230.56	248.72	18.16	NORMAL
XTN	Transportation		84.12	-1.92%	-4.10%	-4.30%	-9.72%	-21.09%	84.27	-0.17%	79.56	5.73%	Bullish	83.85	1.48	80.51	87.19	6.67	NORMAL
Market Variants																			
RSP	S&P 500 Eql Wght		189.89	-2.51%	-3.73%	-4.48%	-10.53%	-13.09%	187.81	1.11%	180.14	5.41%	Bullish	189.70	0.98	183.10	196.30	13.20	NORMAL
SDY	S&P Dividend		138.53	-2.55%	-4.52%	-8.19%	-14.71%	-20.49%	139.69	-0.83%	136.43	1.54%	Bullish	140.05	0.78	135.46	144.64	9.19	NORMAL
Minor Markets																			
EEM	Emerging Markets		56.12	0.06%	0.47%	5.32%	5.29%	5.40%	52.01	7.91%	48.15	16.56%	Bullish	53.40	0.98	51.54	55.26	3.72	HIGH
EFA	EAFE		95.52	-1.29%	-2.56%	-2.50%	-6.53%	-0.41%	92.67	3.08%	88.55	7.87%	Bullish	93.37	1.07	90.04	96.70	6.67	NORMAL
HDY	S&P MidCap 400		599.15	-2.34%	-3.27%	-3.29%	-9.97%	-15.03%	591.25	1.34%	563.41	6.34%	Bullish	596.03	1.05	574.87	617.19	42.32	NORMAL
SPSM	S&P 600 Small Cap		46.83	-2.64%	-3.04%	0.06%	-5.34%	-15.41%	45.65	2.58%	42.93	9.09%	Bullish	46.32	1.04	44.68	47.96	3.28	NORMAL
All Markets																			
GDX	Gold Miners		71.78	-3.19%	-9.89%	15.44%	38.91%	59.38%	67.96	5.62%	56.64	26.73%	Bullish	76.40	0.95	73.76	79.04	5.27	LOW
IAU	Gold Trust		75.48	-4.16%	0.07%	9.63%	9.36%	25.48%	69.79	8.15%	64.59	16.87%	Bullish	72.77	0.16	70.83	74.71	3.87	HIGH
UUP	US Dollar Index Bullish		27.92	-1.76%	-1.45%	-6.41%	-15.88%	-25.52%	27.56	1.31%	27.59	1.19%	Bearish	27.51	-15.20	31.00	24.02	-6.99	NORMAL
BNDX	Total International Bond Index		49.85	-1.65%	-2.13%	-7.20%	-14.44%	-20.42%	49.47	0.77%	49.26	1.20%	Bullish	49.46	0.73	47.86	51.06	3.20	NORMAL
BOND	PIMCO Active Bond		94.44	-1.67%	-1.70%	-5.55%	-11.99%	-17.16%	93.13	1.41%	92.01	2.64%	Bullish	93.35	1.01	90.07	96.63	6.55	NORMAL
HYG	High Yield Corporate Bond		81.20	-1.64%	-2.57%	-6.97%	-13.78%	-17.63%	80.74	0.57%	79.76	1.80%	Bullish	81.19	0.94	78.40	83.98	5.59	NORMAL
Fixed Income																			
TLT	20+ Year Treasury Bond		91.73	-1.51%	-0.39%	-3.11%	-9.73%	-19.76%	89.00	3.07%	88.15	4.06%	Bullish	89.37	2.12	85.24	93.50	8.26	NORMAL

The bottom line is that market breadth remains extremely narrow and is getting worse. Such a situation is not usually a good sign for markets as a whole, but so far, this time has been different. Retail buyers continue to chase a handful of names, and diversification has been a drag.

However, history suggests some caution. When markets are as complacent as they are now, volatility tends to show up sooner than most expect.

Trade accordingly.



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NLY: Deciphering REIT Earnings

Last week's [Commentary](#) summarized how REIT investors view earnings reports differently from most other investors. With that knowledge, we review Wednesday's earnings report from Annaly Capital Management (NLY).

Disclaimer: We hold NLY and NLY preferred shares in some of the portfolios we manage.

NLY reported strong performance driven by mortgage-backed securities (MBS) spread tightening (yields fell more for MBS than UST) and reduced market volatility. Highlights include: GAAP net income of \$1.21 per share, earnings available for distribution (EAD) of \$0.73 per share (beating consensus of \$0.72), and net revenue of \$885.6 million. The investment portfolio grew to \$122.1 billion, with leverage remaining at 7.1x.

REIT investors look to different data to assess their investments. We share three of those below for NLY:

Economic Return? NLY had an 8.1% economic return, bringing its year-to-date total to 11.5%. This is due to favorable interest rate spreads.

Price to Book Value? Book value per common share rose to \$19.25. With the stock trading around \$21.06 as of October 28, the price-to-book ratio stands at 1.09, a slight premium to net asset value. MBS yields have fallen since then, so the book value is likely slightly higher than \$19.25 today.

Dividend Sustainability? The quarterly \$0.70 dividend is well-covered, with earnings available for distribution of \$0.73 per share, providing a payout ratio of about 96%. The annualized dividend yield is 13.3%. Per CFO Serena Wolfe:

We are confident in maintaining earnings and dividend coverage, supported by stable swap portfolios and disciplined asset deployment.

Given our outlook for lower yields and a steepening yield curve, we like NLY's prospects. However, the premium to BV introduces dilution risk to shareholders. Additionally, MBS spreads could widen if QT ends. NLY shares have been stable over the last two years. Given the double-digit dividend yield, investors are not banking on stock gains to supplement total return.





CAPE Valuations: Does Nvidia Overstate Its Ominous Warnings?

Nvidia has a current CAPE ratio of 293, but a more reasonable P/E ratio of 48. Thus, we can reasonably argue that, given the recent surge in Nvidia's earnings, CAPE is misleading. The same holds to some extent for many of the Magnificent Seven stocks, as we show below.

	CAPE	P/E
AAPL	41.17	30.44
GOOGL	44.57	18.61
MSFT	73.24	36.31
NVDA	293.88	48.99
AMZN	131.81	32.85
TSLA	286.77	168.18
META	68.48	26.07

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If we strip Nvidia out of the CAPE calculation, the CAPE for the remaining S&P 500 will fall by nearly 3 points. **Moreover, if we take all the Magnificent Seven stocks out of the CAPE calculation, CAPE will decline from 41 to 33.**

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Tweet of the Day



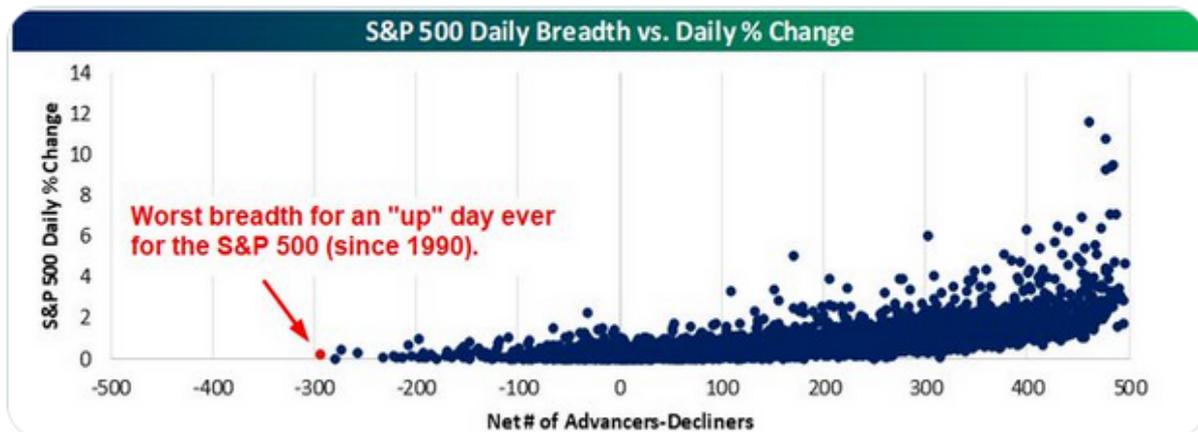
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Today was the S&P's worst breadth day ever for an "up" day.

Since 1990, the S&P has never had weaker breadth on a day that it closed positive.

The index closed up 0.23% with a net advance/decline line of -294. There were 104 stocks up and 398 down.

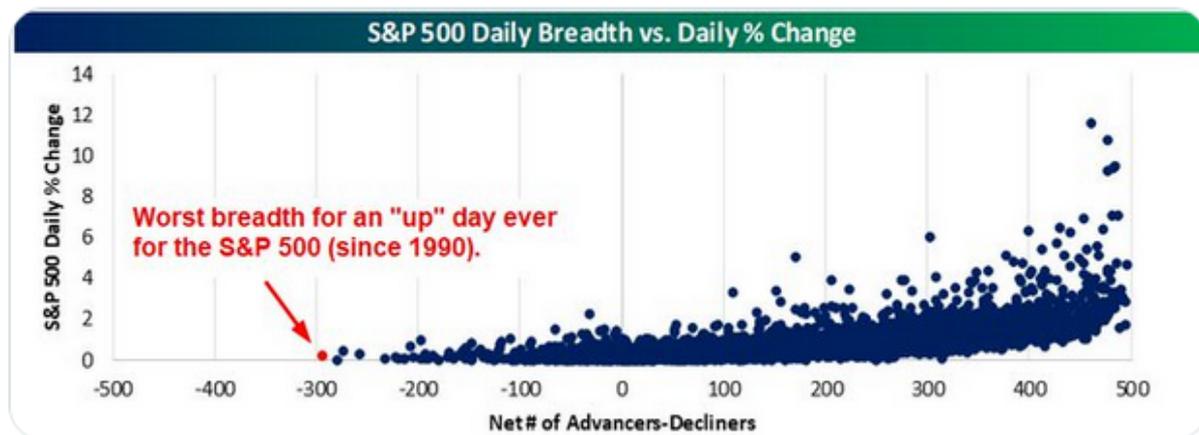




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?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

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