

Liquidity Warning: SOFR Raises The Red Flag

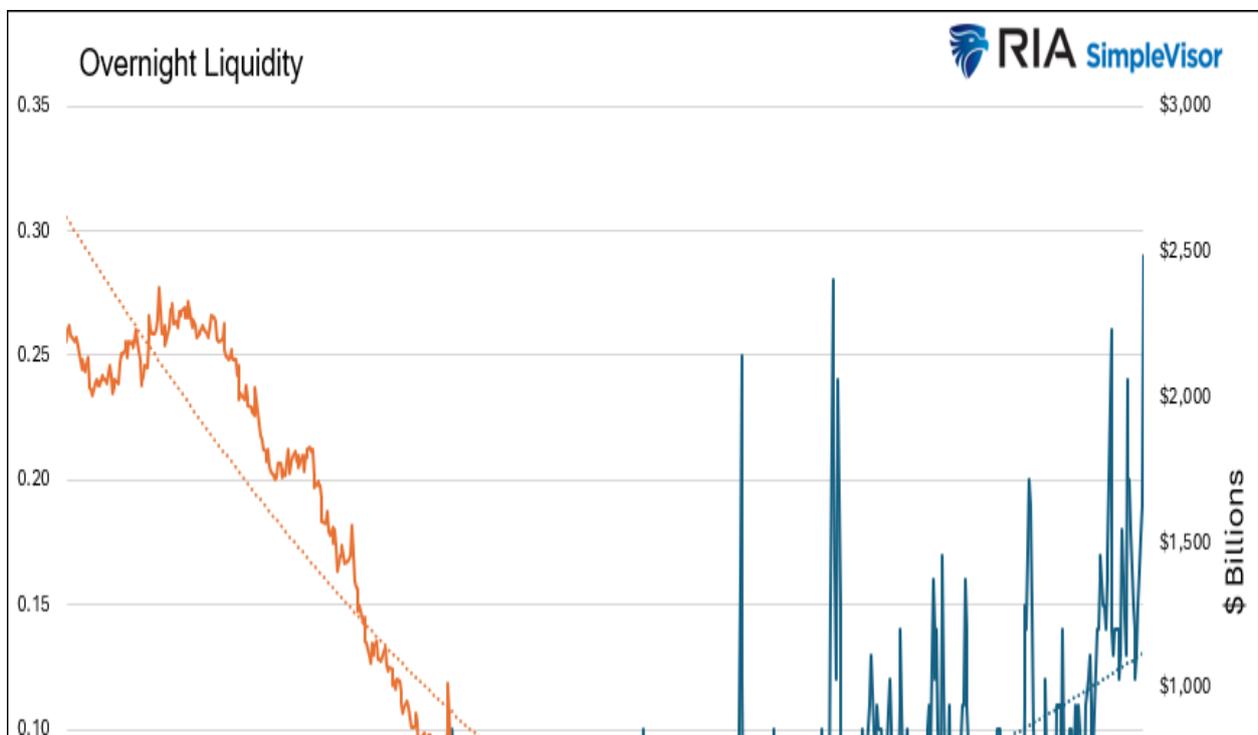
In our [Daily Commentary](#) from October 9th, we alerted readers to the fact that the Fed's Overnight Repurchase Program was warning that the financial system was running out of a reliable store of excess liquidity. While not a concern, as we share in our quote below, it was worth monitoring.

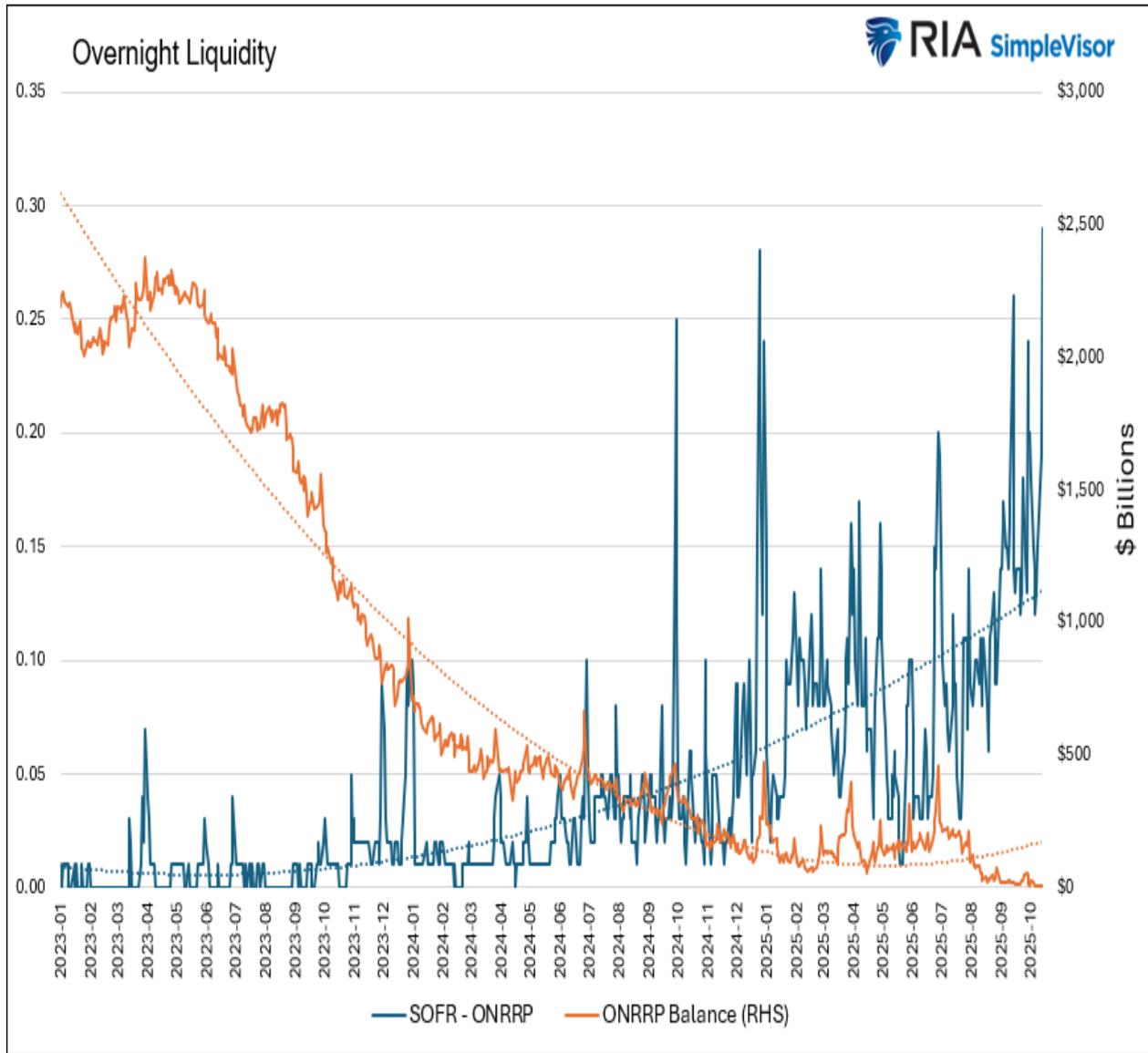
Said differently, after years of having a sizeable store of liquidity, the financial system now lacks excess liquidity. This doesn't mean a liquidity crisis is imminent. It simply means the financial system has returned to its pre-pandemic liquidity status. However, if liquidity demands increase, there is no liquidity in the proverbial bank as we have grown accustomed to. Thus, in the future, the Fed will likely be much quicker to act on a liquidity run today than it was when the ON RRP program had large balances.

On October 16th, our [Commentary](#) told of Powell's rather unexpected announcement that QT might be ending soon. QT removes liquidity from the financial system; thus, his abrupt comments led us to believe that he must be warning the public that liquidity is tightening.

The two Commentaries lead us to the chart below. The graph compares the difference between the Secured Overnight Financing Rate (SOFR) and the Fed's Overnight Reverse Repurchase Rate (ON RRP) rates in blue versus the amount of dollars in the ON RRP facility - orange. The orange line indicates that there is no more excess liquidity; thus, as the blue line indicates, overnight borrowers, even with perfect collateral, are now paying an increasing premium for liquidity. **In other words, the demand for liquidity is outstripping the supply.**

If the SOFR rate continues to climb, the Fed will likely act via a special liquidity program, QE, and/or a lower Fed Funds rate to provide liquidity. It doesn't want a replay of 2019, when they were late to heed the warning signs and recognize liquidity shortfalls. Given that all asset markets are being juiced by liquidity, these warning signs should be followed closely by all investors.





What To Watch Today

Earnings

Friday Oct 17	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
American Express <small>AXP.US</small>	3.97	3.49		18.02B	16.64B		\$207.18B	Q3	AM	★	🔔
Reliance Industries <small>RIL.IN</small>	17.83	24.50		2.47T	2.315T		\$107.06B	Q2		★	🔔
Truist Financial <small>TFC.US</small>	0.99	0.97		5.19B	5.14B		\$60.7B	Q3	AM	★	🔔
Schlumberger <small>SLB.US</small>	0.67	0.83		8.94B	9.16B		\$50.89B	Q3	AM	★	🔔
State Street <small>STT.US</small>	2.56	2.26		3.42B	3.26B		\$32.45B	Q3	AM	★	🔔
JSW Steel <small>JSTL.IN</small>	13.59	1.80		448.16B	396.84B		\$29.89B	Q2		★	🔔
Fifth Third Bancorp <small>FITB.US</small>	0.93	0.78		2.27B	2.13B		\$28.12B	Q3	AM	★	🔔
Huntington Bancshares <small>HBAN</small>	0.37	0.33		2.03B	1.89B		\$24.25B	Q3	AM	★	🔔
Regions Financial <small>RF.US</small>	0.59	0.49		1.92B	1.79B		\$24.18B	Q3	AM	★	🔔
Hindustan Zinc <small>HZNC.IN</small>			5.51	85.52B	82.52B		\$20.52B	Q2		★	🔔
Ally Financial <small>ALLY.US</small>	1.01	0.95		2.12B	2.1B		\$11.53B	Q3	AM	★	🔔
Tata Consumer Products Ltc	4.14	3.78		46.48B	42.15B		\$11.35B	Q2		★	🔔
Webster Financial <small>WBS.US</small>	1.51	1.34		726.29M	647.6M		\$10.3B	Q3	AM	★	🔔

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Webster Financial <small>WBS.US</small>	1.51	1.34		726.29M	647.6M		\$10.3B	Q3	AM ★
Comerica <small>CMA.US</small>	1.3	1.33		848.23M	811M		\$8.58B	Q3	AM ★

Economy

Friday October 17 2025	Actual	Previous	Consensus	Forecast
11:15 AM US Fed Musalem Speech				
12:00 PM US Baker Hughes Oil Rig Count <small>OCT/17</small>		418		
12:00 PM US Baker Hughes Total Rigs Count <small>OCT/17</small>		547		
03:00 PM US Net Long-term TIC Flows <small>AUG</small>		\$49.2B		
03:00 PM US Foreign Bond Investment <small>AUG</small>		\$58.2B		
03:00 PM US Overall Net Capital Flows <small>AUG</small>		\$2.1B		
US Building Permits Prel <small>SEP</small>		1.33M	1.34M	1.34M
US Housing Starts <small>SEP</small>		1.307M	1.33M	1.32M
US Building Permits MoM Prel <small>SEP</small>		-2.3%		0.8%
US Export Prices MoM <small>SEP</small>		0.3%	0.1%	-0.3%
US Housing Starts MoM <small>SEP</small>		-8.5%		1.0%
US Import Prices MoM <small>SEP</small>		0.3%	0.1%	-0.2%
US Export Prices YoY <small>SEP</small>		3.4%		3.7%
US Import Prices YoY <small>SEP</small>		0.0%		-0.1%

Friday October 17 2025			Actual	Previous	Consensus	Forecast
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03:00 PM	US	Overall Net Capital Flows AUG		\$2.1B		
	US	Building Permits Prel SEP		1.33M	1.34M	1.34M
	US	Housing Starts SEP		1.307M	1.33M	1.32M
	US	Building Permits MoM Prel SEP		-2.3%		0.8%
	US	Export Prices MoM SEP		0.3%	0.1%	-0.3%
	US	Housing Starts MoM SEP		-8.5%		1.0%
	US	Import Prices MoM SEP		0.3%	0.1%	-0.2%
	US	Export Prices YoY SEP		3.4%		3.7%
	US	Import Prices YoY SEP		0.0%		-0.1%

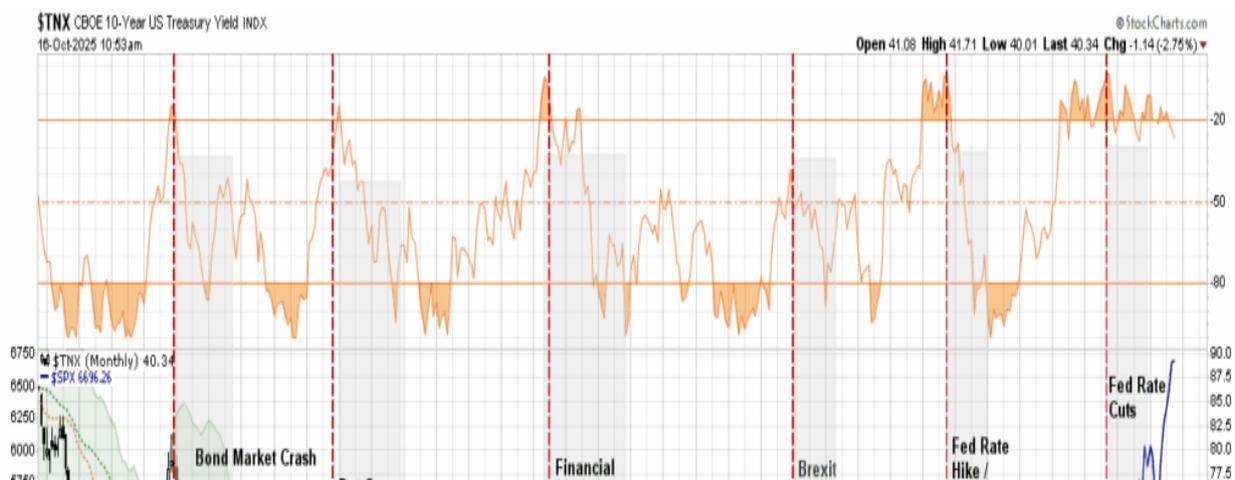
Market Trading Update

Yesterday, we discussed how the market reclaimed the 20-DMA, keeping the bullish trend intact after a successful test of the 50-DMA. Retail investors continue to *buy dips*, and there seems to be no end in sight. Of course, that is precisely the setup that eventually leads to the end. However, that end is not today.

However, the one chart we look closely at is the long-term chart of interest rates. Interest rates have been topping since the beginning of last year and have recently broken below the wedge pattern that has been building. This has two important implications.

First, when rates start dropping after a long-term rise, the stock market did not perform well. The reason is that lower rates are a function of slower economic growth and lower inflation, which are net negatives to corporate earnings. Given the elevated expectations for earnings, the risk is more than present.

Secondly, a break lower in rates, somewhere in the upper *30s*, and the historically large short position against bonds will have to cover, driving rates lower. With the Federal Reserve now discussing stopping QT, which will add a buyer to the bond market, hedge funds that are short bonds are starting to run into mounting headwinds.





As we have noted previously, our portfolios are mostly long short-duration bonds, which are playing off the Fed rate cuts for now. However, if the technicals continue to develop, a shift in duration on our bond barbell will become much more compelling.

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Is Ben Graham Bearish?

Ben Graham is best known as the father of value investing. His books, *Security Analysis* and *The Intelligent Investor*, are considered an investment bible for many fundamental-based stock analysts. For those of you who know of him, you also likely know he died almost fifty years ago; thus, our title may be a bit confusing. Obviously, Ben Graham is neither bearish nor bullish. However, we can use AI to help us decipher how he would view stocks given his investment approach.

The AI Agents Dashboard in [SimpleVisor](#) assesses 14 well-known investors and analysts to gauge how they might view a stock. The page below shows that our Ben Graham AI agent is only bullish on ten of the S&P 500 stocks. Moreover, it's neutral on 22 and outright bearish on the remaining 472. If we click on the "10" under Bullish, we can see which stocks comprise his bullish selection. Furthermore, we provide a confidence level that assesses how well the investment decision aligns with his investment ideals. We share these in the second graphic below.

If you are wondering how the other 13 agents might view a stock, we provide a decision composite by ticker. The third graphic shows that our AI agents are mixed on Nvidia, with five bearish, three neutral, and six bullish. Beneath the agents, highlighted in yellow, we also created four agents based on fundamentals, sentiment, technical analysis, and valuations.

The "Agents - Dashboard" and "Agents - Symbols" pages employ AI agents mimicking an investor's approach to investment. [Read More](#)

Agent Decisions - S&P 500 Symbols				Overall Decision - Bullish Symbols		
Analyst	Bullish	Neutral	Bearish	Symbol	Signal	Confidence
Ben Graham	10	22	472	APQ	Bullish	87%
Bill Ackman	103	31	370	TRV	Bullish	85%
Cathie Wood	59	170	275	GIS	Bullish	80%
Charlie Munger	155	218	131	HPQ	Bullish	80%
Cliff Asness	49	211	241	IT	Bullish	80%
Howard Marks	153	106	242	L	Bullish	80%
Joel Greenblatt	47	108	346	REGN	Bullish	78%
John Bogle	203	265	33	ACN	Bullish	78%
Peter Lynch	350	70	84	CMCSA	Bullish	77%
Phil Fisher	249	108	147	MOH	Bullish	77%
Ray Dalio	79	368	54	CL	Bullish	75%
Seth Klarman		489	12	ITW	Bullish	75%
Stanley Druckenmiller	269	104	131	TMUS	Bullish	75%
Warren Buffett	122	143	239	BK	Bullish	75%
Fundamentals	100	133	271	ACGL	Bullish	74%
Sentiment	452		52	JKHY	Bullish	74%
Technical	107	291	106	CPAY	Bullish	74%
Valuation	103	71	321	CINF	Bullish	74%
Overall Decision	102	36	286	ADM	Bullish	74%
				PSX	Bullish	74%

Showing 1 to 20 of 182 entries

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Agent Decisions - S&P 500 Symbols

Analyst	Bullish	Neutral	Bearish
Ben Graham	10	22	472
Bill Ackman	103	31	370
Cathie Wood	59	170	275
Charlie Munger	155	218	131
Cliff Asness	49	211	241
Howard Marks	153	106	242
Joel Greenblatt	47	108	346
John Bogle	203	265	33
Peter Lynch	350	70	84
Phil Fisher	249	108	147
Ray Dalio	79	368	54
Seth Klarman		489	12
Stanley Druckenmiller	269	104	131
Warren Buffett	122	143	239
Fundamentals	100	133	271
Sentiment	452		52
Technical	107	291	106
Valuation	103	71	321
Overall Decision	102	36	286

Overall Decision - Bullish Symbols

Symbol	Signal	Confidence
APO	Bullish	87%
TRV	Bullish	85%
GIS	Bullish	80%
HPQ	Bullish	80%
IT	Bullish	80%
L	Bullish	80%
REGN	Bullish	78%
ACN	Bullish	78%
CMCSA	Bullish	77%
MOH	Bullish	77%
CL	Bullish	75%
ITW	Bullish	75%
TMUS	Bullish	75%
BK	Bullish	75%
ACGL	Bullish	74%
JKHY	Bullish	74%
CPAY	Bullish	74%
CINF	Bullish	74%
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Ben Graham - Bullish Symbols

Symbol	Signal	Confidence
BEN	Bullish	80%
C	Bullish	80%
DD	Bullish	80%
F	Bullish	80%
GM	Bullish	80%
HPQ	Bullish	80%
MET	Bullish	80%
PRU	Bullish	80%
LYB	Bullish	73%
MOS	Bullish	70%

Showing 1 to 10 of 10 entries

Ben Graham - Bullish Symbols

Symbol ↑↓	Signal	Confidence ↓↑
BEN 🗄	Bullish	80%
C 🗄	Bullish	80%
DD 🗄	Bullish	80%
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GM 🗄	Bullish	80%
HPQ 🗄	Bullish	80%
MET 🗄	Bullish	80%
PRU 🗄	Bullish	80%
LYB 🗄	Bullish	73%
MOS 🗄	Bullish	70%

Showing 1 to 10 of 10 entries << < 1 > >> 20 ▾

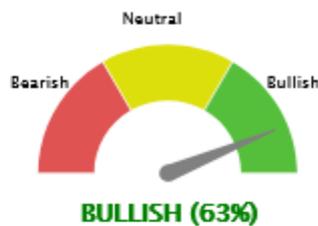

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[Agents - Symbol](#)

The "Agents - Dashboard" and "Agents - Symbols" pages employ AI agents mimicking ace investor's approach to investment

NVDA

All Agents Combined Decision (Confidence)



The overall sentiment from the agents is bullish with 7 out of 14 agents indicating a bullish signal for NVDA, despite 5 agents being bearish. The confidence is calculated as the average of bullish confidence scores divided by the total number of agents. With available cash and no current long position, buying is a viable option within the max_shares limit.

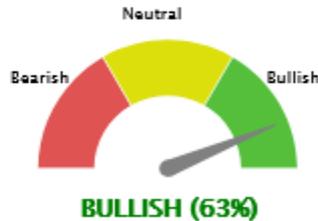
Individual Agent Decisions

Agent	Signal ↑↓	Confidence ↑↓
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Bill Ackman 🗄	Bearish	80%
Cathie Wood	Bullish	60%
Charlie Munger 🗄	Neutral	63%
Cliff Asness	Bullish	80%
Howard Marks 🗄	Bullish	75%
Joel Greenblatt	Bearish	60%
John Bogle	Bearish	61%
Peter Lynch	Bullish	90%
Phil Fisher	Bullish	80%
Ray Dalio	Neutral	71%
Seth Klarman 🗄	Neutral	95%
Stanley Druckenmiller	Bullish	80%
Warren Buffett 🗄	Bearish	90%

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John Bogle	Bearish	61%
Peter Lynch	Bullish	90%
Phil Fisher	Bullish	80%
Ray Dalio	Neutral	71%
Seth Klarman	Neutral	95%
Stanley Druckenmiller	Bullish	80%
Warren Buffett	Bearish	90%
Fundamentals	Bullish	75%
Sentiment	Bullish	54%
Technical	Neutral	13%
Valuation	Bearish	100%

Tweet of the Day

Barchart @Barchart · 9h
 Absolutely incredible!! Wowza 🤖

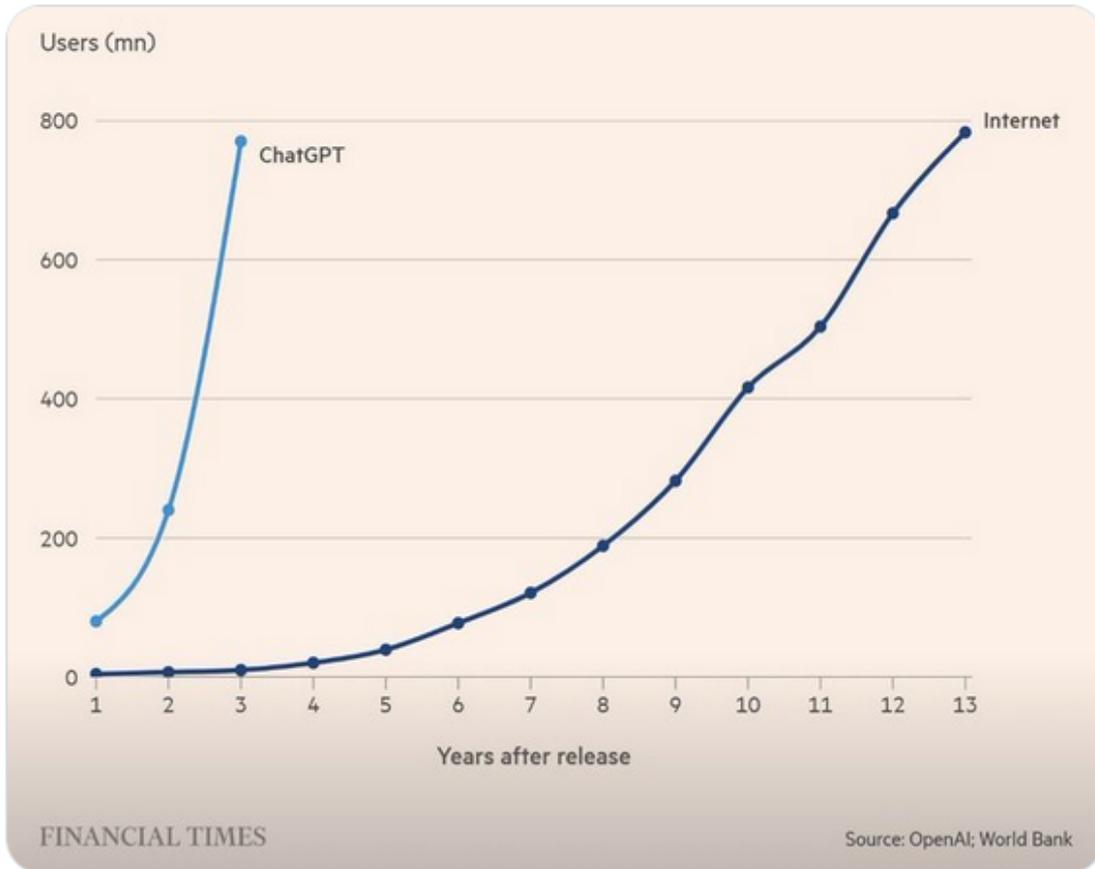
A line chart titled 'Users (mn)' comparing 'ChatGPT' and 'Internet' users. The y-axis has a mark at 800. The 'Internet' line is higher, reaching approximately 800 million users. The 'ChatGPT' line is lower, reaching approximately 400 million users.



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Absolutely incredible!! Wowza 🤯



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