

# Nvidia Stock Pops and Crude Oil Dumps

Nvidia stock (NVDA) and crude oil went in two separate directions yesterday. Nvidia is the newest market darling, rising over 12% on the news they will announce a "platform for connecting 3D worlds in a shared virtual universe." As we saw with Tesla and Hertz, it doesn't take much to get the animal spirits in this market roaring.

Crude oil opened Thursday morning with gains of over \$3 a barrel. Traders were optimistic because OPEC was not persuaded by President Biden's call to produce more oil. After peaking at \$83.50/barrel, at around 10 am, crude was dumped. It hit a low near \$78 before recovering a little by the end of the day.



[dmc]

## What To Watch Today

### Economy

- 8:30 a.m. ET: [Change in non-farm payrolls](#), October (450,000 expected, 194,000 in September)
- 8:30 a.m. ET: [Unemployment rate](#), October (4.7% expected, 4.8% in September)
- 8:30 a.m. ET: [Average hourly earnings, month-over-month](#), October (4.7% expected, 4.8% in September)
- 8:30 a.m. ET: [Average hourly earnings, year-over-year](#), October (4.9% expected, 4.6% in September)
- 8:30 a.m. ET: [Labor Force Participation Rate](#), October (61.7% expected, 61.6% in September)
- 3:00 p.m. ET: [Consumer Credit](#), September (\$16.000 billion expected, \$14.379 million in August)

### Earnings

- 6:30 a.m. ET: [Cinemark Holdings \(CNK\)](#); to report adjusted losses of 59 cents on revenue of \$434.82 million
- 7:00 a.m. ET: [DraftKings \(DKNG\)](#); to report adjusted losses of \$1.05 on revenue of \$236.08 million
- 7:30 a.m. ET: [Dominion Energy \(D\)](#); to report adjusted earnings of \$1.06 on revenue of \$4.12 billion
- 7:45 a.m. ET: [Goodyear Tire and Rubber \(GT\)](#); to report adjusted earnings of 25 cents on revenue of \$4.78 billion

*Courtesy of Yahoo!*

## **Employment May Get Impacted By Mandates**

*"Are looming [vaccine mandates helping or hurting a labor crunch](#) that's still making companies desperate for workers?"*

*'To the extent that employers in certain industries can continue hiring and allowing employees to work remotely, companies are doing so, which allows for more flexibility on accommodating employees who may refuse vaccination,' Marc Siegel, founder of Chicago-based labor law firm Siegel & Dolan.*

*All of this matters, because worker shortages are pushing up wages across industries in a dramatic way, with employers desperate to attract and retain talent, which also puts upward pressure on already surging inflation.*

*The big story in the labor market is the worsening shortages that are pushing up wage growth.*

*To the extent that potential or current employees are reluctant to meet the basic requirement of a position ? namely that they be vaccinated ? jobs will remain unfilled in the face of soaring demand.*

*By requiring vaccinations, 'employers are potentially limiting their pool of applicants. Likewise, by refusing to get vaccinated, employees who do not meet criteria for employment are limiting their potential job opportunities,' according to Siegel.*

*So what's the answer to an increasingly nettlesome quandary?*

*In a [fascinating New York Times article](#), Tyson Foods shed some light on the delicate balancing act that employers have been forced to walk in requiring vaccines for employees.*

*'We made the decision to do the mandate, fully understanding that we were putting our business at risk,' Tyson CEO Donnie King, told The Times' Lauren Hirsch (my former colleague) in an interview. 'This was very painful to do.'*

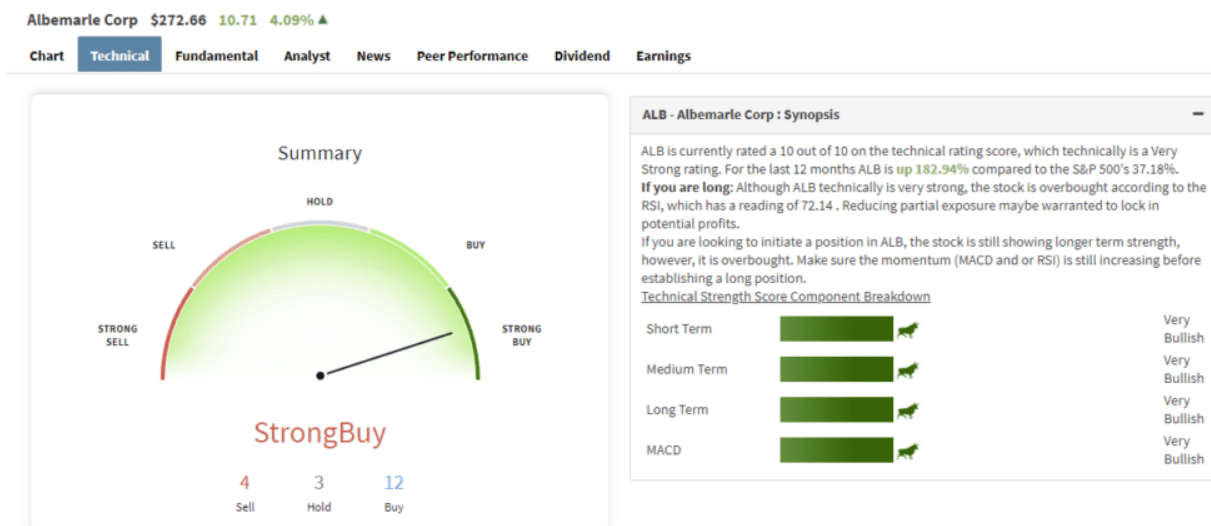
*That said, tightening vaccination requirements may very well be playing a role in keeping a host of jobs open. October's nonfarm payrolls is likely to tell the tale of an economy that can't create new jobs until they fill their existing vacancies."*

*Yahoo Finance*

## **Albemarle Corp ([ALB](#)) Earnings**

**ALB** reported adjusted EPS of \$1.05, which smashed expectations of \$0.77, but GAAP EPS of -\$3.36 missed the consensus of \$0.75. Revenue of \$830.6M (+11.2% YoY) beat the consensus of \$764.6M, driven by a 35% YoY increase in lithium sales. The GAAP EPS miss was related to a \$657.4M [charge](#) from an arbitration decision in a dispute that ALB inherited in 2015 when it acquired Rockwood Holdings. ALB plans to appeal the decision.

Management guided to FY21 revenue of \$3.3B-\$3.4B, well above the consensus of \$3.24B, noting that it expects higher lithium pricing because of tightening market conditions. In addition, ALB raised FY21 adjusted EPS guidance to \$3.85-\$4.15 versus analyst expectations of \$3.61. The stock is trading 4.9% higher mid-day following the strong guidance. **We hold a 3% position in the Equity Model.**



**Technical Indicators: Buys(5) Sells(4) Holds(3)**

Name	Value	Trend	Action
Relative Strength Index (14)	72.1	Neutral	
Avg Directional Index (14)	27.0	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	100.0	Overbought	👎
Stochastic %K (14, 3, 3)	95.4	Overbought	👎
Williams Percentage Range	-4.3	Overbought	👎
MACD(12,26)	8.4	Bullish	👍
Commodity Channel Index(20)	178.7	Overbought	👎
Bull Bear Power	18.8	Neutral	
Momentum (10)	0.3	Bullish	👍
Short Term Trend	VeryBullish	VeryBullish	👍
Medium Term Trend	VeryBullish	VeryBullish	👍
Long Term Trend	VeryBullish	VeryBullish	👍

**Moving Average: Buys(7) Sells(0)**

Name	Value	Trend	Action
SMA (5)	254.90	Bullish	👍
SMA (9)	245.93	Bullish	👍
SMA (20)	235.39	Bullish	👍
SMA (50)	231.66	Bullish	👍
SMA (100)	212.11	Bullish	👍
SMA (150)	194.79	Bullish	👍
SMA (200)	184.95	Bullish	👍

**Pivot Points**

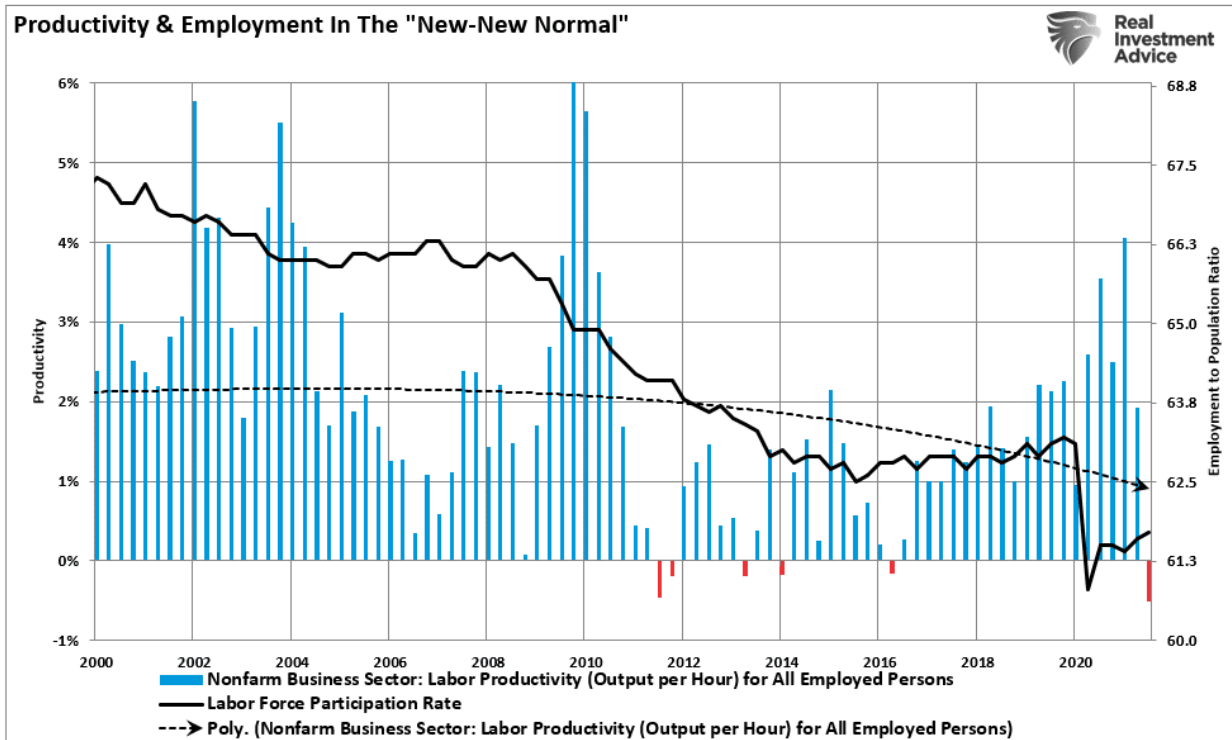
Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	251.94	252.61	253.28	260.31	270.62	271.29	271.96
Classic	249.93	252.71	257.94	260.72	265.95	268.73	273.96
Classic	258.76	259.36	259.72	260.31	260.91	261.27	261.86
Classic	249.12	252.30	257.13	260.31	265.14	268.32	273.15

**Profit Margin Pressure Ahead**

While stock prices are soaring, along with oil, companies like Nvidia may be facing an unwelcome problem in 2022. Worker productivity fell 5%, well below estimates for a 1.5% annual decline and the largest decline since 1981. **The surprising move is primarily the result of sharply increasing unit labor costs which rose 8.3% annually.** This data set bodes poorly for corporate

profit margins unless companies continue to pass on higher input costs and wages to their end consumers. Significant declines in labor productivity often result in more inflation and vice versa. Such is indeed occurring today.

More importantly, while the Fed is focused on "full employment," such is only a mathematical function of a declining labor force. As companies battle higher labor costs through technology and outsourcing, increasing numbers of individuals are simply no longer counted. Such suggests that economic growth will continue to weaken going forward.



## OPEC Is Ignoring Biden

As noted above while Nvidia stock soared, oil dumped despite President Biden's request to OPEC to increase production. OPEC did not abide. Instead, OPEC will stick to its original plan and increase output by 400k barrels a day in December. According to Bloomberg, the administration was asking for an increase of up to 800k barrels a day. The oil price initially rose on the news but has since given back a big chunk of the gains.

Target production	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Algeria	912	922	932	942	952	962
Angola	1,319	1,334	1,348	1,363	1,377	1,392
Congo	281	284	287	290	293	296
Eq. Guinea	110	111	112	114	115	116
Gabon	161	163	165	166	168	170
Iraq	4,016	4,060	4,104	4,149	4,193	4,237
Kuwait	2,425	2,452	2,478	2,505	2,532	2,558
Nigeria	1,579	1,596	1,614	1,631	1,649	1,666
Saudi Arabia	9,495	9,600	9,704	9,809	9,913	10,018
UAE	2,735	2,765	2,795	2,825	2,855	2,886
Azerbaijan	620	627	634	640	647	654
Bahrain	177	179	181	183	185	187
Brunei	88	89	90	91	92	93
Kazakhstan	1,475	1,491	1,507	1,524	1,540	1,556
Malaysia	514	520	525	531	537	542
Mexico	1,753	1,753	1,753	1,753	1,753	1,753
Oman	762	770	779	787	796	804
Russia	9,495	9,600	9,704	9,809	9,913	10,018
Sudan	65	66	66	67	68	69
South Sudan	112	113	114	116	117	118
OPEC-10	23,033	23,287	23,540	23,794	24,047	24,301
Non-OPEC	15,061	15,207	15,354	15,500	15,647	15,793
OPEC+	38,094	38,494	38,894	39,294	39,694	40,094

## [After the Fed's Announcement, What The Fed is Thinking](#)

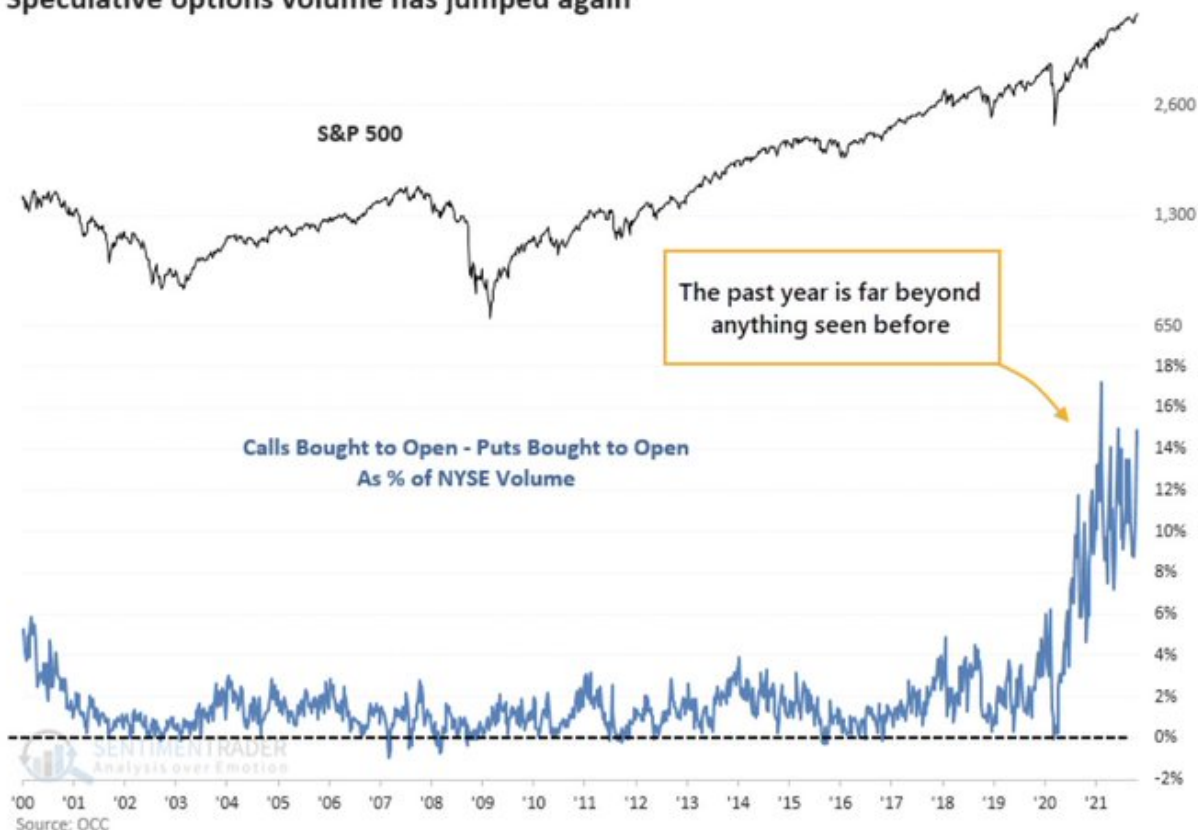


## Options Fever

The options market and necessary options hedging by dealers are driving stocks like Nvidia, Tesla, and even oil much higher than warranted by recent news or fundamentals. Essentially, dealers that write options must purchase the underlying stock to hedge their position. The combination of aggressive call purchases, and higher prices, adds fuel to the fire as dealers must buy more and more stock to hedge.

The graph below from Sentimentrader shows net long options exposure is about 15% of total NYSE volume. Net options volume is now about 5-7x the norm before 2020. Per Sentimentrader: "*Last week, the smallest traders spent 51% of their volume on buying call options to open. The largest traders tend to be more conservative, but even they focused 43% of their volume on call buying. Both are in the top 2% of all weeks since the year 2000.*"

### Speculative options volume has jumped again



### Why Are Yields Blind to Inflation?

Some investors are questioning why bond yields are not higher, given inflation is running hot. The graph below, courtesy of the Leuthold Group, shows that it is quite frequent to have yields remain relatively constant with rising inflation. Inflation rates have spiked on numerous occasions, and in most cases, those instances proved transitory. The oddball was the 1970s and 1980s when greater than 4% inflation rates were the average.

# U.S. Inflation Rate & Treasury Bond Yield\* 1870 to 2021

\* Annual Inflation Rate is truncated at zero.  
That is, annual deflations are not shown.

— Annual Consumer Price Inflation Rate  
— 10-Year U.S. Treasury Bond Yield

