



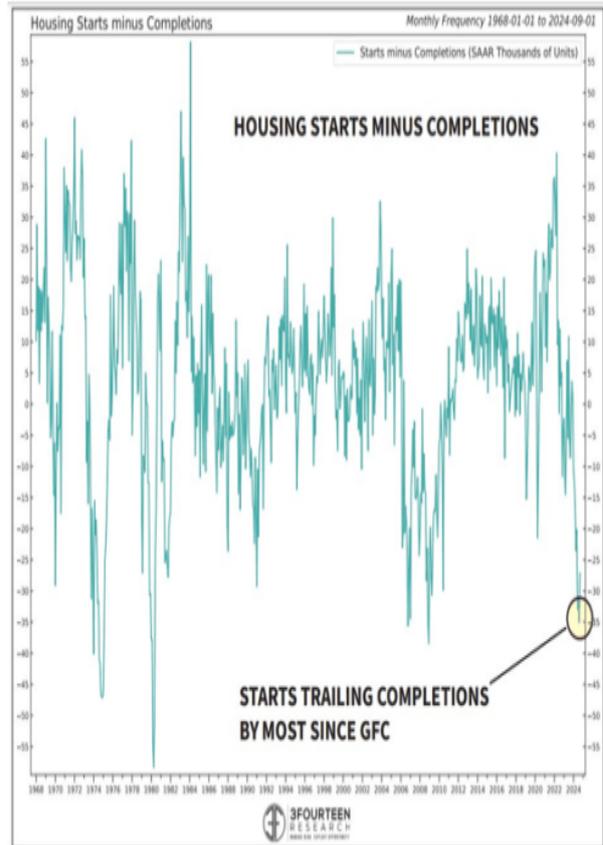
Residential Construction Jobs At Risk

The number of residential construction workers has almost doubled since the aftermath of the financial crisis and housing bust. The graph below on the left shows that after a brief hiccup during the early days of the pandemic, the number of jobs in residential construction continued to rise despite higher interest rates. Moreover, the job count is approaching the levels of 2006, the peak of the early 2000s housing boom.

It has taken a while, but high interest rates are finally starting to impact new home builders negatively. This is a good example of the drawn-out lag effect of higher interest rates. Residential construction flourished despite higher rates as builders offered lower-than-market mortgage rates to draw in buyers. As a result, homebuilding jobs continued to rise. That may be ending based on the graph on the right courtesy of 3Fourteen Research. It shows that housing completions have outpaced new housing starts by the most since 2008. As we elaborate on below, with fewer new homes under construction and weaker homebuilder profits, homebuilders will likely have to start laying off workers in the coming months.

In our Commentary last week, we noted DR Horton's (DHI) poor earnings results, further confirming that new homebuilding is slowing rapidly and the number of residential construction jobs is likely to decline. To wit:

DHI's earnings and revenue fell short of expectations. More importantly, its number of completed but unsold homes rose 17% over the quarter to 10,300. This is especially concerning as it is going into a seasonally slow selling period, and mortgage rates are up by over 0.50% over the last month. Further, making matters worse for shareholders, DHI reduced its revenue guidance from \$39.4 billion to \$36-37.5 billion.



What To Watch Today

Earnings

Tuesday Nov 5	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Apollo Global Management /		1.73	1.10		904.33M	2.59M	\$80.82B	Q3	PM
Emerson Electric EMR.US		1.47	1.29		4.57B	4.09B	\$61.92B	Q4	AM
Marathon Petroleum MPC.US		1.04	8.14		34.34B	41.58B	\$52.37B	Q3	PM
MPLX MPLX.US		1.05	0.89		3.09B	2.91B	\$45.01B	Q3	PM
Cummins CMI.US		4.82	4.59		8.29B	8.4B	\$44.96B	Q3	PM
Microchip Technology MCHP1		0.43	1.62		1.15B	2.25B	\$40.33B	Q2	PM
Gartner IT.US		2.37	2.56		1.48B	1.41B	\$39.55B	Q3	PM
Yum Brands YUM.US		1.41	1.44		1.9B	1.71B	\$37.44B	Q3	AM
Targa Resources TRGP.US		1.56	1.17		4.31B	3.9B	\$37.24B	Q3	PM
Dupont De Nemours DD.US		1.03	0.92		3.2B	3.06B	\$34.48B	Q3	PM
Archer-Daniels Midland ADM.US		1.25	1.63		21.5B	21.7B	\$28.15B	Q3	PM
International Flavors Fragranc		1.07	0.89		2.83B	2.82B	\$25.34B	Q3	PM
Broadridge Financial Solutions		0.97	1.09		1.48B	1.43B	\$24.81B	Q1	AM
Devon Energy DVN.US		1.11	1.65		3.72B	3.84B	\$24.36B	Q3	PM
Builders Firstsource BLDR.US		2.96	4.24		4.44B	4.53B	\$20.9B	Q3	PM
Expeditors International Of We		1.32	1.16		2.47B	2.19B	\$17.13B	Q3	AM
Westlake Chemical WLK.US		2.21	2.20		3.31B	3.11B	\$16.93B	Q3	AM
Jack Henry Associates JKH.US		1.62	1.39		599.56M	571.37M	\$13.34B	Q1	PM
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Economy

Tuesday November 05 2024			Actual	Previous	Consensus	Forecast		
08:30 AM	US	Balance of Trade <small>SEP</small>		\$-70.4B	\$-84.1B	\$ -82.0B		
08:30 AM	US	Exports <small>SEP</small>		\$271.8B		\$ 264B		
08:30 AM	US	Imports <small>SEP</small>		\$342.2B		\$ 346B		
08:55 AM	US	Redbook YoY <small>NOV02</small>		5.6%				
09:45 AM	US	S&P Global Composite PMI Final <small>OCT</small>		54.0	54.3	54.3		
09:45 AM	US	S&P Global Services PMI Final <small>OCT</small>		55.2	55.3	55.3		
10:00 AM	US	ISM Services PMI <small>OCT</small>		54.9	53.8	54.8		
10:00 AM	US	ISM Services Business Activity <small>OCT</small>		59.9		59.7		
10:00 AM	US	ISM Services Employment <small>OCT</small>		48.1		48.2		
10:00 AM	US	ISM Services New Orders <small>OCT</small>		59.4		59.2		
10:00 AM	US	ISM Services Prices <small>OCT</small>		59.4		54		
11:30 AM	US	42-Day Bill Auction		4.630%				
01:00 PM	US	10-Year Note Auction		4.066%				
04:30 PM	US	API Crude Oil Stock Change <small>NOV01</small>		-0.573M	-0.9M			
	US	LMI Logistics Managers Index <small>OCT</small>		58.6				
	US	Presidential Election						
	US	Total Vehicle Sales <small>OCT</small>		15.8M	15.6M			

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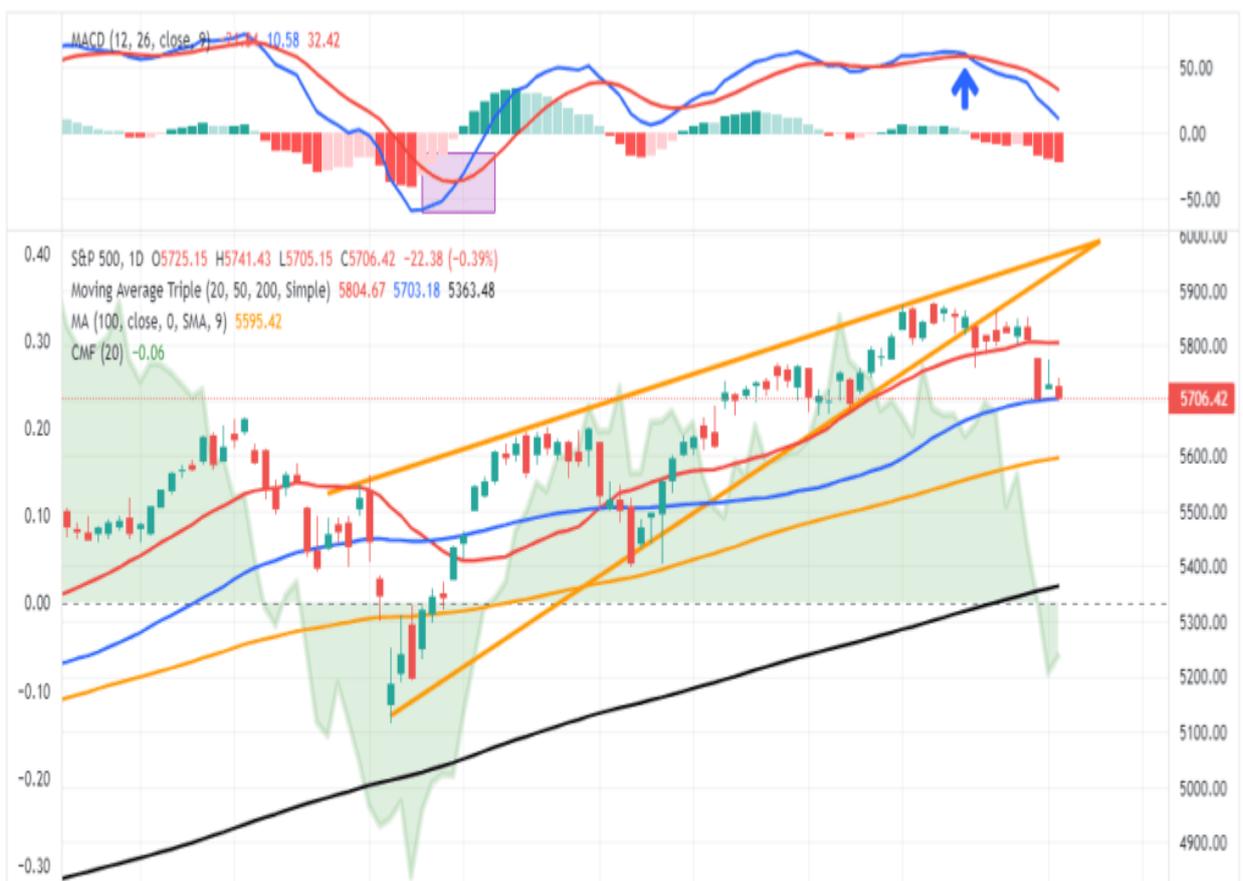
Market Trading Update

As *noted yesterday*, the market continues to derisk, unsurprisingly, heading into today's Presidential Election. As polls tightened over the last few days and the certainty of a Trump victory waned somewhat, investors took bets off the table. The MACD *sell signal?* remains intact for now,

but the market is holding support at the 50-DMA as the previous overbought conditions are reversed. The selloff was needed to ?set the table? for a year-end rally post-election, regardless of who wins the White House.



TradingView

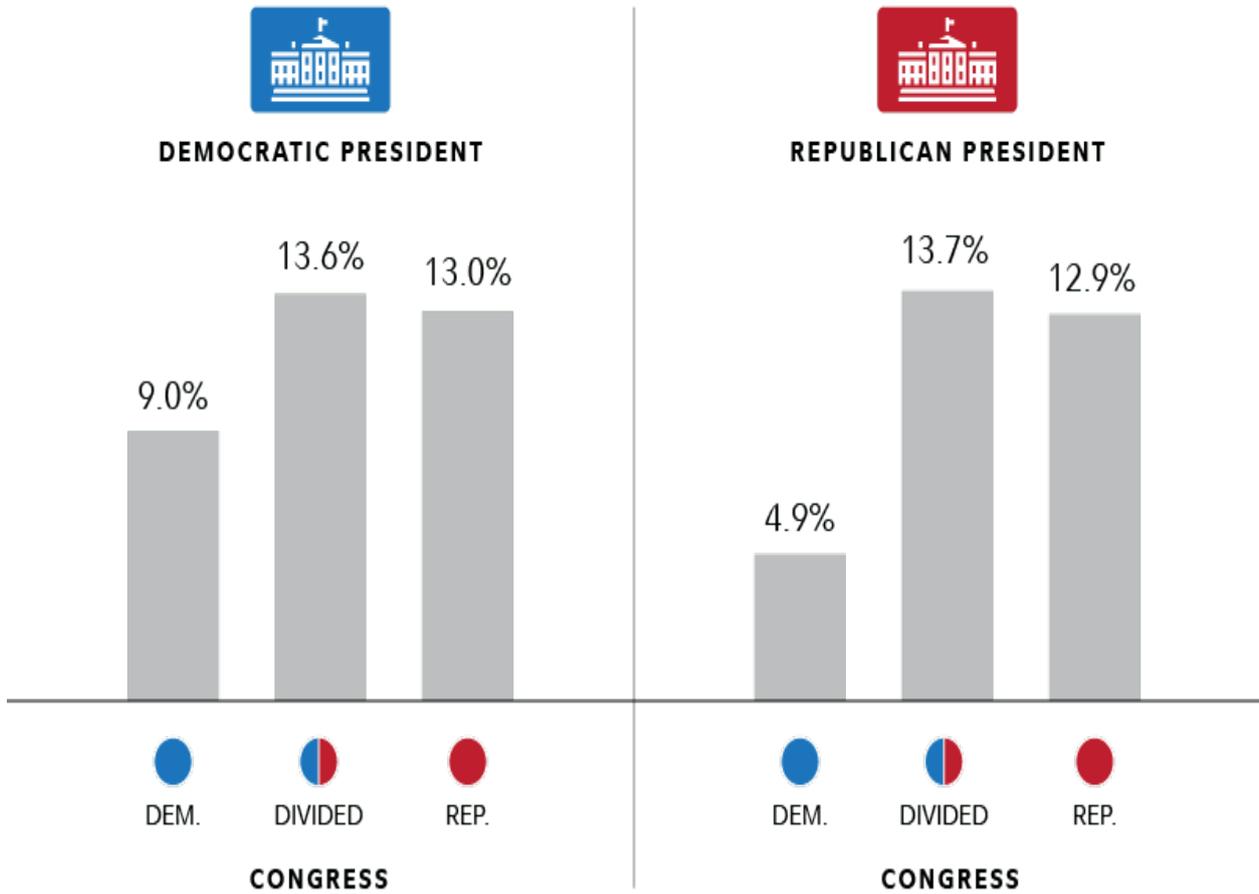


The only question is what sectors rally more: Technology, Financials, and Energy based on a Trump victory or Healthcare, Biotechnology, Green Energy, and Infrastructure with a Harris win. Regardless, Technology, due primarily to buybacks and market weightings, should do well under both candidates, with the best historical market outcomes coming from a split Congress. Such was noted in this past weekend's [**Bull Bear Report:**](#)

?Furthermore, there is a decent probability that the House and Senate will be divided regardless of who wins the presidency. Such an outcome limits the aggressive political policy changes that could impact corporate earnings. Unsurprisingly, Wall Street likes such outcomes.?

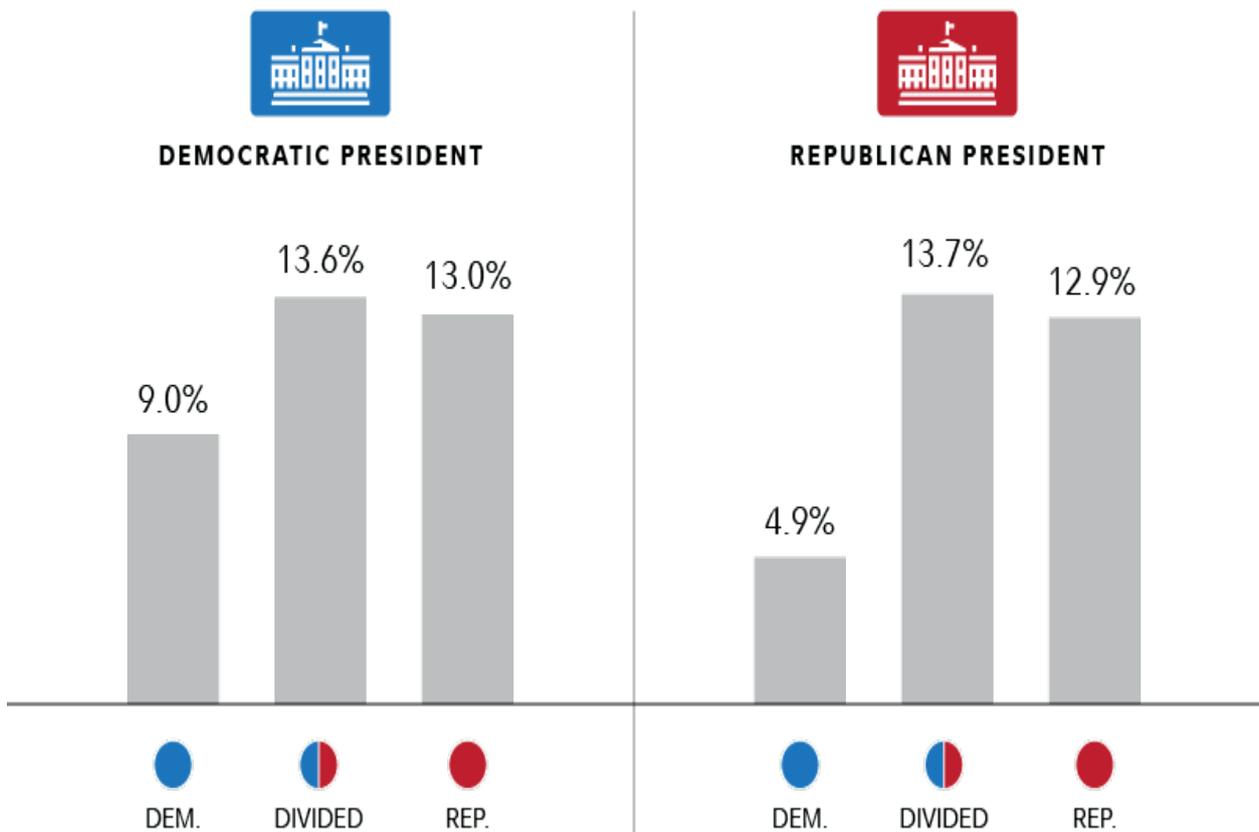
Average annual S&P 500 performance

(1933-2022, excluding 2001-2002)



Average annual S&P 500 performance

(1933-2022, excluding 2001-2002)



This is a particularly charged election, emotionally speaking. There will be a lot of angst with whoever wins and a plethora of media headlines predicting the worst of possible outcomes. As investors, it is our job to look past the noise and realize that what drives the market is earnings and expectations, not extraneous headlines. The worst outcomes never materialize, and regardless of the President-elect, the markets tend to perform better than not over time.

Keep focused on the bigger picture in the long-term, and manage risk in the short term.



THE Bull Bear REPORT
BY SimpleVisor™

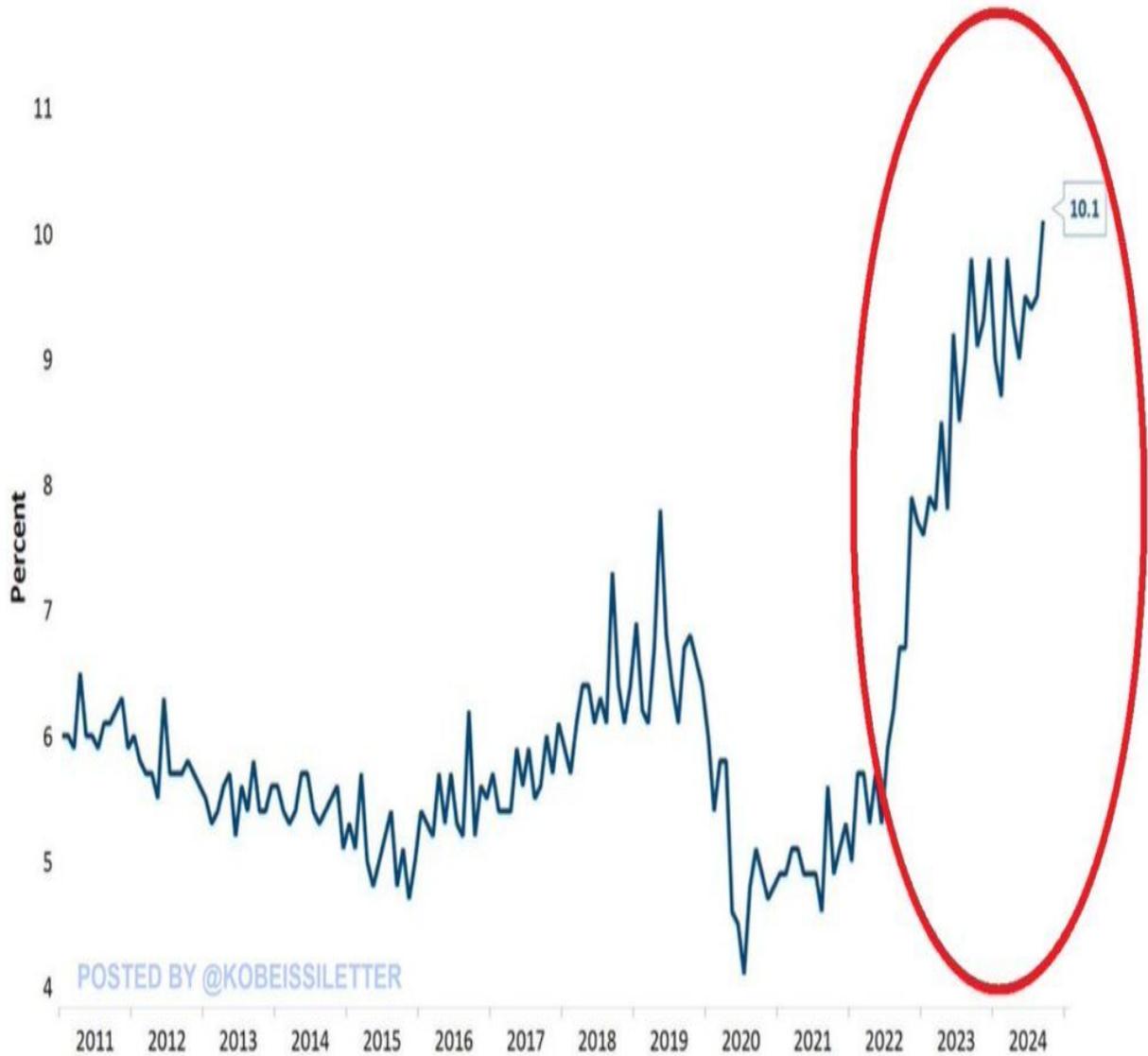
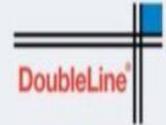
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Small Business Are Feeling The Heat of High Rates

Our lead article indirectly discussed the lag effect of higher interest rates, which is finally weighing on new homebuilders and will likely result in layoffs for those with residential construction jobs. The graph and commentary below, courtesy of The Kobeissi Letter, further the argument that the lag effect is still in play and jobs in smaller companies may be at risk.

The average interest paid on US small business short-term loans spiked to 10.1%, the most in at least 13 years. Interest rates have now doubled in just 3 years. To put this into perspective, prior to the pandemic, interest rates on these loans averaged around 6.0%. Largely due to higher rates, small business earnings are now at their second-lowest level since the 2008 Financial Crisis, according to NFIB data. Small businesses need help.

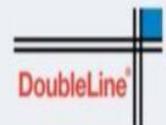
Small Business Average Interest Paid on Short-Term Loans



As of September 2024

Source: DoubleLine, National Federation of Independent Business, Macrobond

Small Business Average Interest Paid on Short-Term Loans



Small And Mid-Cap Stocks Lead The Way

This week's [SimpleVisor](#) sector and factor analysis help show the benefits of the multiple tools in the DIY section. The first graphic below shows the S&P 500 conservative sectors tend to be the most oversold versus the market. Conversely, the cyclical sectors are overbought. The divergence is no doubt jockeying in front of the election. Ergo, take it with a grain of salt. Lacking from the sector analysis below is the fact that smaller companies led the way last week. We show this in the second graphic. The third screenshot is also interesting. It highlights that the top three most overbought sectors are growth, with small growth companies the most overbought.

Sector analysis is somewhat blind to factor analysis because it is comprised solely of S&P 500 companies. Furthermore, some sectors, like technology and communications, are primarily driven by a few of the largest growth stocks. Factor analysis uses stocks from multiple indexes. The combination of sector and factor analyses provides a broader view of the market, particularly on the type of stocks that are overbought or oversold.



Sectors

Factors

Sectors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score ↑↓	Relative Score (vs SPY) ↓↑
XLC Communication Services		0.58 ↕	0.53 ↕
XLF Financial		0.27 ↕	0.50 ↕
XTN Transportation		0.38 ↕	0.49 ↕
XLY Consumer Discretionary		0.31 ↕	0.32 ↕
XLI Industrials		0.04 ↕	0.01 ↕
SPY		0.02 ↕	0.00 ↕
XLRE Real Estate		-0.23 ↕	-0.10 ↕
XLK Technology		0.02 ↕	-0.14 ↕
XLP Consumer Staples		-0.42 ↕	-0.25 ↕
XLU Utilities		-0.21 ↕	-0.29 ↕
XLB Materials		-0.19 ↕	-0.34 ↕
XLE Energy		-0.28 ↕	-0.38 ↕
XLV Health Care		-0.36 ↕	-0.44 ↕

How it works



Sectors

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Factors Sectors Custom

SPY Excess Returns Over Time

Lookback Days: Update

5 days

Symbol Name	2024-10-25 to 2024-11-01 ↓
MDYV	Mid Cap Value 1.44%
IWM	Small Caps 1.42%
VBR	Small Cap Value 1.39%
VBK	Small Cap Growth 1.24%
MDY	Mid Cap 400 1.23%
MDYG	Mid Cap Growth 1.09%
VFQY	Vanguard U.S. Quality Factor 0.97%
PKW	Buyback Achievers 0.86%
VEA	Developed Markets 0.79%
EFA	EAFE 0.76%
VYM	High Dividend Yield 0.68%
SPLV	Low Beta [Low Vol.] 0.64%
IVE	S&P 500 Value 0.59%
RSP	Equal Weight S&P 500 0.42%
EEM	Emerging Markets -0.01%
IVW	S&P 500 Growth -0.42%
MGK	Mega Cap Growth -0.45%
MTUM	Momentum -0.58%
ARKK	Disruptive Tech -0.78%
SPHB	High Beta -1.31%
GDX	Gold Miners -2.73%

Factors Sectors Custom

SPY Excess Returns Over Time

Lookback Days: Update

5 days

Symbol Name	2024-10-25 to 2024-11-01 ↓
MDYV	Mid Cap Value 1.44%

Sectors **Factors**

Factors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score ↑↓	Relative Score (vs SPY) ↓↑	Chart <input checked="" type="checkbox"/>
VBK Small Cap Growth		0.15	0.34	<input type="checkbox"/>
MGK Mega Cap Growth		0.15	0.27	<input type="checkbox"/>
IVW S&P 500 Growth		0.11	0.24	<input type="checkbox"/>
MDYV Mid Cap Value		0.17	0.13	<input type="checkbox"/>
ARKK Disruptive Tech		0.07	0.09	<input checked="" type="checkbox"/>
GDX Gold Miners		-0.10	0.06	<input type="checkbox"/>
PKW Buyback Achievers		0.10	0.05	<input type="checkbox"/>
SPLV Low Beta [Low Vol.]		-0.12	0.03	<input type="checkbox"/>
IWM Small Caps		-0.02	0.02	<input type="checkbox"/>
MDY Mid Cap 400		-0.01	0.02	<input type="checkbox"/>
SPY		0.02	0.00	<input type="checkbox"/>
VBR Small Cap Value		0.04	-0.03	<input type="checkbox"/>
IVE S&P 500 Value		-0.19	-0.09	<input type="checkbox"/>
MDYG Mid Cap Growth		-0.04	-0.11	<input type="checkbox"/>
EEM Emerging Markets		0.00	-0.15	<input checked="" type="checkbox"/>
MTUM Momentum		0.01	-0.19	<input type="checkbox"/>
VYM High Dividend Yield		-0.04	-0.23	<input type="checkbox"/>
SPHB High Beta		-0.16	-0.26	<input type="checkbox"/>
RSP Equal Weight S&P 500		-0.07	-0.28	<input type="checkbox"/>
EFA EAFE		-0.37	-0.35	<input type="checkbox"/>
VEA Developed Markets		-0.37	-0.35	<input type="checkbox"/>
VFQY Vanguard U.S. Quality Factor		-0.18	-0.36	<input type="checkbox"/>

Sectors **Factors**

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Tweet of the Day



Michael A. Arouet @MichaelAArouet · 4h

The poorest US state, Mississippi has higher GDP per capita than France. Big state, regulation and unions don't make people wealthier, what a surprise.



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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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