

Savings Are Dwindling - RIA

In early August, we wrote: *The bottom line is that consumers saved less and have largely drawn down the stimulus-related excess savings. It appears that savings drawdowns in aggregate will no longer contribute to above-trend consumption.* The article, [Stimulus and Consumption Are Fueling Economic Resilience](#), describes factors driving outsized economic growth. Such helps us appreciate when the inevitable lags of higher interest rates will dampen economic activity. At that time, we projected that the excess savings from the stimulus had been largely depleted in the aggregate. On the heels of the strong Q3 GDP print, let's revisit savings, the driver of the economy for the last few years.

The graph on the left shows the personal savings rate fell to 3.4% in September and is hovering around the lowest levels of the last sixty years. Net Savings on the right side is negative for only the third time since 1947. This measure aggregates consumer savings with corporations and the government. Can consumption remain strong without adequate savings? Organically, the answer is not likely. However, with credit, all three sectors can continue to spend. The Tweet of the Day, courtesy of the Kobeissi Letter, shows that the percentage increase in credit card payment delinquencies is at 30-year highs. We have compared the spurt of stimulus-driven economic activity to a python swallowing a pig. Based on the data below and other information, the pig is nearing the end of its journey.



What To Watch Today

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous	
TUESDAY, OCTOBER 31							
12:30	USD Employment Cost Index(Q3)		-	-	1%	1%	
12:55	USD Redbook Index (YoY)(Oct 27)		-	-	-	5%	
13:00	USD Housing Price Index (MoM)(Aug)		-	-	-	0.8%	
13:00	USD S&P/Case-Shiller Home Price Indices (YoY)(Aug)		-	-	1.6%	0.1%	
13:45	USD Chicago Purchasing Managers' Index(Oct)		-	-	45	44.1	
14:00	USD Consumer Confidence(Oct)		-	-	-	-	
15:30	USD 52-Week Bill Auction		-	-	-	5.185%	
20:30	USD API Weekly Crude Oil Stock(Oct 27)		-	-	-	-2.668M	

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Earnings

Time	Symbol	Company Name	Market Cap▼	Fiscal Quarter Ending	Consensus EPS+ Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS+
☀	PFE	Pfizer, Inc.	\$175,928,100,201	Sep/2023	(\$0.19)	6	11/01/2022	\$1.78
🔄	AMD	Advanced Micro Devices, Inc.	\$151,339,938,164	Sep/2023	\$0.49	14	11/01/2022	\$0.54
☀	AMGN	Amgen Inc.	\$144,268,197,527	Sep/2023	\$4.65	11	11/03/2022	\$4.70
☀	CAT	Caterpillar, Inc.	\$123,673,991,005	Sep/2023	\$4.75	12	10/27/2022	\$3.95
☀	BP	BP p.l.c.	\$110,584,428,015	Sep/2023	\$1.37	3	11/01/2022	\$2.59
☀	BUD	Anheuser-Busch Inbev SA	\$92,731,270,686	Sep/2023	\$0.86	5	10/27/2022	\$0.81
☹	UBS	UBS AG	\$81,656,000,000	Sep/2023		N/A	10/25/2022	\$0.52
☀	ETN	Eaton Corporation, PLC	\$78,423,450,000	Sep/2023	\$2.34	7	11/01/2022	\$2.02
☀	MPC	Marathon Petroleum Corporation	\$59,200,909,746	Sep/2023	\$7.79	6	11/01/2022	\$7.81
☀	STLA	Stellantis N.V.	\$57,890,792,744	Sep/2023		1	N/A	N/A
☀	BBVA	Banco Bilbao Viscaya Argentaria S.A.	\$47,155,511,530	Sep/2023	\$0.36	1	10/28/2022	\$0.29
☀	ECL	Ecolab Inc.	\$45,155,072,972	Sep/2023	\$1.52	10	11/01/2022	\$1.30
☀	ABEV	Ambev S.A.	\$39,375,542,127	Sep/2023	\$0.04	1	10/27/2022	\$0.04
☀	MSCI	MSCI Inc.	\$38,085,134,592	Sep/2023	\$3.32	6	10/25/2022	\$2.85
☀	MPLX	MPLX LP	\$36,033,795,043	Sep/2023	\$0.91	4	11/01/2022	\$0.96
☀	SYY	Sysco Corporation	\$33,057,495,203	Sep/2023	\$1.02	7	11/01/2022	\$0.97
☀	AME	AMTEK, Inc.	\$32,262,782,441	Sep/2023	\$1.58	7	11/01/2022	\$1.45
☀	ARES	Ares Management Corporation	\$30,936,238,204	Sep/2023	\$0.86	4	10/27/2022	\$0.75
☀	PEG	Public Service Enterprise Group Incorporated	\$30,545,596,627	Sep/2023	\$0.75	5	10/31/2022	\$0.86
🔄	OKE	ONEOK, Inc.	\$29,689,794,394	Sep/2023	\$1.04	5	11/01/2022	\$0.96
☀	GEHC	GE HealthCare Technologies Inc.	\$29,068,710,192	Sep/2023	\$0.89	1	N/A	N/A
☀	GPN	Global Payments Inc.	\$27,135,562,612	Sep/2023	\$2.55	14	10/31/2022	\$2.37
☀	WEC	WEC Energy Group, Inc.	\$26,222,072,562	Sep/2023	\$0.91	3	11/01/2022	\$0.96
☀	ARGX	argenx SE	\$26,059,872,538	Sep/2023	(\$1.48)	14	10/27/2022	(\$4.26)
🔄	YUMC	Yum China Holdings, Inc.	\$21,718,121,065	Sep/2023	\$0.68	3	11/01/2022	\$0.49
☀	XYL	Xylem Inc.	\$21,359,082,148	Sep/2023	\$0.89	7	11/01/2022	\$0.79
🔄	EQR	Equity Residential	\$21,176,540,802	Sep/2023	\$0.97	11	10/25/2022	\$0.92
☀	CCJ	Cameco Corporation	\$16,617,370,888	Sep/2023	\$0.11	2	10/27/2022	\$0.02
☀	SIRI	Sirius XM Holdings Inc.	\$16,253,364,897	Sep/2023	\$0.08	7	11/01/2022	\$0.07
🔄	FSLR	First Solar, Inc.	\$16,147,565,203	Sep/2023	\$2.09	18	10/27/2022	(\$0.46)
🔄	VIV	Telefonica Brasil S.A.	\$15,271,450,790	Sep/2023		N/A	10/26/2022	\$0.16
☀	HUBB	Hubbell Inc	\$15,115,901,859	Sep/2023	\$4.07	2	10/25/2022	\$3.08
🔄	PAYC	Paycom Software, Inc.	\$14,810,799,961	Sep/2023	\$1.22	10	11/01/2022	\$0.92
☀	LDOS	Leidos Holdings, Inc.	\$12,645,918,262	Sep/2023	\$1.64	8	11/01/2022	\$1.59
🔄	AMCR	Amcor plc	\$12,572,926,791	Sep/2023	\$0.14	3	11/01/2022	\$0.18
☀	INCY	Incyte Corporation	\$12,161,239,207	Sep/2023	\$0.90	7	11/01/2022	\$0.44
🔄	CHK	Chesapeake Energy Corporation	\$11,657,319,399	Sep/2023	\$0.57	4	11/01/2022	\$5.06
☀	BEN	Franklin Resources, Inc.	\$11,351,745,405	Sep/2023	\$0.60	5	11/01/2022	\$0.78
☀	NBIX	Neurocrine Biosciences, Inc.	\$10,538,652,404	Sep/2023	\$0.90	11	11/01/2022	\$0.69
☀	ZBRA	Zebra Technologies Corporation	\$10,515,637,098	Sep/2023	\$0.71	4	11/01/2022	\$3.65
☀	TECH	Bio-Techne Corp	\$9,729,301,931	Sep/2023	\$0.39	5	11/01/2022	\$0.36
🔄	MTCH	Match Group, Inc.	\$9,710,789,484	Sep/2023	\$0.53	11	11/01/2022	\$0.45
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Market Trading Update

As noted in this [past weekend's #BullBearReport](#), the market was getting oversold on a more extreme basis technically. That oversold condition, combined with negative sentiment, is what is needed for a reflexive rally. We possibly saw the beginning of that rally yesterday, BUT we need confirmation with a follow-through rally that begins to break the negative price cycle of the last two weeks. With the FOMC announcement on Wednesday and the employment report on Friday, there is sufficient data to create volatility in the markets short-term. Continue to use this rally as an opportunity to rebalance risk and raise cash as needed. If the market can break back above the 200-DMA, then we may be in a position to allow the market to run into year-end. Remain cautious for now.





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Treasury Refunding Coming On Wednesday

On Wednesday, the Treasury will announce their borrowing intentions for the quarter. Other than the watchful eye of bond traders, these quarterly announcements typically go unnoticed. We suspect this announcement will be different. Recent concerns about large deficits and the pressure debt issuance are putting on the bond markets, coupled with the recent correlation between stocks and bonds, means this announcement is likely to be well followed by many non-bond investors.

Like economic data, the bond market has expectations for what they think the Treasury will announce. Given the spotlight on bonds, we suspect deviations from expectations will be met with temporary but volatile price movement. To help form expectations, consider the following from Assistant Treasury Secretary Josh Frost. His comments are very logical. But is the Treasury willing to lock in 5% rates for the next thirty years? We suspect they will try to limit 10- and 30-year issuance to the best of their ability.



U.S. DEPARTMENT
OF THE TREASURY



While bill supply is likely to remain above 20 percent for some time, our intention is to gradually increase coupon issuance to better align auction sizes with intermediate- to long-term borrowing needs, and as I outlined at the August refunding, we expect that further gradual increases in coupon auctions sizes will likely be necessary in future quarters. The TBAC has supported this approach,



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GM, Ford, and Stellantis Settled With The UAW

GM, following in Ford's and Stellantis's footsteps, came to an agreement with the UAW. While the deals differ, they all entail big pay raises for auto workers. It is estimated the union workers will now earn about \$85k per year on average. The auto companies must either raise car prices, cut investments, or see their profits decline. Ford estimates the new contract will add \$900 in costs to build a car. Equally concerning for the companies, their labor cost structure will rise further above their competition. Per the [WSJ](#):

Today, the Detroit carmakers' all-in hourly labor costs—a measure of how much they spend per worker on wages and benefits—is in the mid-\$60s, compared with an estimated \$45-\$55 for Tesla and foreign automakers. By the end of the four-year contract, the Detroit companies' costs would balloon to \$87 to \$90 per hour, according to a Wells Fargo estimate based on Ford's pact.

To fray higher labor costs, Ford and GM are backing off EV investments. GM told investors they will not meet their goal of producing 400k EVs by mid-2024. Ford is delaying a \$12 billion investment in battery plants and EV projects. We also suspect they will push for more robots to limit labor costs further.

GM and Ford's shares trade at or below pre-pandemic levels.

Ford Motor Company - 1W ● O10.93 H10.14 L9.82 C9.84 -0.12 (-1.20%)

Volume 14.294M

GM -24.17%



1M 3M 6M 1Y 5Y All

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Tweet of the Day

Credit card delinquencies are now rising at their fastest pace since 1991.

Since 2022, credit card delinquency rates are up almost 60%.

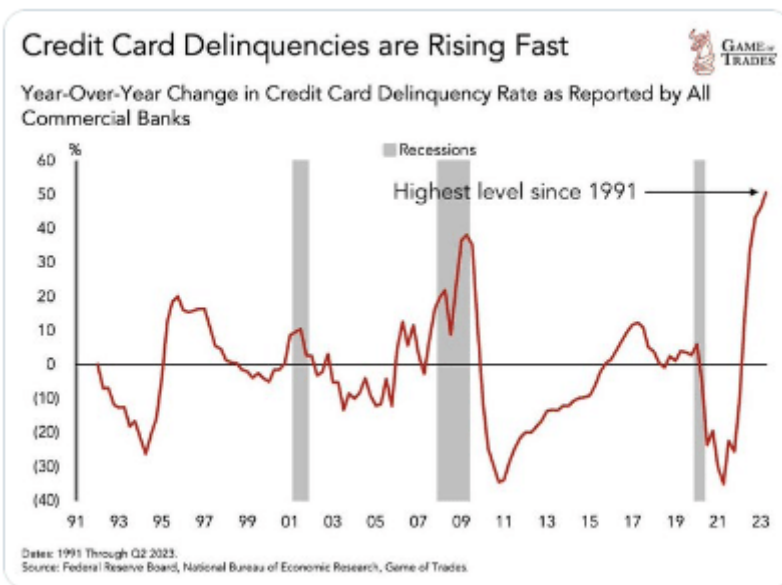
To put this in perspective, even at the peak of the 2008 crisis the growth rate in delinquencies did not pass 50%.

Meanwhile, the delinquency rate on auto loans is at its highest since 2012.

This is likely just the beginning of the pain consumers will feel from higher rates.

All as excess savings are set to be depleted by the end of 2023

Can the Fed really avoid a recession?



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