

The Bougie Broke Cut Back On Starbucks

In March, we wrote an article on the [Bougie Broke](#). This consumer group spends above their means while sharing their purchases on social media. Importantly, these consumers shed some light on consumer confidence. Simply, it's easier to be Bougie Broke and flaunt your purchases when you are more confident in your wages and job than when you are less confident. We think Starbucks provides a good window into the confidence of Bougie Broke and consumers in general.

In early May, after Starbucks released its first-quarter earnings report, we [wrote the following](#) on cheap luxury items:

Starbucks latest earnings report sends the message that consumers may finally be retrenching after a few years of spending above their means. Cheap luxury items are low in price by definition and include items that we do not necessarily need but are nice to have. When consumers have confidence in the economy and their jobs, they tend to reward themselves by consuming more cheap luxury items. Conversely, concerns about their job status or doubts about whether they will get a raise lead many consumers to tighten their wallets. For many consumers, cheap luxury items are the easiest items to cut back on when their confidence wanes.

On Wednesday, Starbucks released its third-quarter earnings results. The news was not good. In fact, they pulled forward guidance for 2025 after the third consecutive decline in sales. Furthermore, it reported a 7% decline in same-store sales and a 10% decline in the U.S.

With sales of cheap luxury items falling and many labor market measures weakening, might the Bougie Broke and other consumers' confidence be waning?



What To Watch Today

Earnings

Thursday Oct 24	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time	
S&P Global SPGI.US		3.64	3.21		3.43B	3.08B	\$167.55B	Q3	AM	★
Union Pacific UNP.US		2.78	2.51		6.14B	5.9B	\$146.53B	Q3	PM	★
Honeywell International HON		2.50	2.27		9.91B	9.2B	\$143.79B	Q3	PM	★
KKR KKR.US		1.21	0.88		1.86B	3.32B	\$124.41B	Q3	PM	★
United Parcel Service UPS.US		1.63	1.57		22.08B	21.1B	\$112.09B	Q3	AM	★
Northrop Grumman NOC.US		6.08	6.18		10.18B	9.8B	\$78.25B	Q3	AM	★
Carrier Global CARR.US		0.81	0.89		6.58B	5.73B	\$73.25B	Q3	PM	★
Arthur J. Gallagher AJG.US		2.27	2.00		2.78B	2.45B	\$62.52B	Q3	PM	★
Capital One Financial COF.US		3.77	4.45		9.87B	9.37B	\$59.71B	Q3	PM	★
Digital Realty DLR.US		0.25	2.33		1.43B	1.4B	\$51.88B	Q3	PM	★
Keurig Dr Pepper KDP.US		0.51	0.48		3.92B	3.81B	\$50.93B	Q3	PM	★
L3Harris Technologies LHX.US		3.25	3.19		5.28B	4.91B	\$47.17B	Q3	AM	★
Valero Energy VLO.US		0.98	7.49		31.17B	38.4B	\$44.5B	Q3	AM	★
Cincinnati Financial CINF.US		1.46	1.66		2.24B	1.81B	\$43.27B	Q3	AM	★
NASDAQ NDAQ.US		0.69	0.71		1.17B	940M	\$42.63B	Q3	PM	★
Edwards Lifesciences EW.US		0.66	0.59		1.57B	1.48B	\$41.85B	Q3	AM	★
CBRE Group CBRE.US		1.06	0.72		8.8B	7.87B	\$37.76B	Q3	AM	★
Dow DOW.US		0.47	0.48		10.68B	10.7B	\$36.36B	Q3	AM	★
Hartford Financial Services I		2.53	2.29		6.69B	6.17B	\$35.56B	Q3	PM	★
ResMed RMD.US		2.05	1.64		1.19B	1.1B	\$35.09B	Q1	PM	★
Tractor Supply TSCO.US		2.23	2.25		3.48B	3.41B	\$31.26B	Q3	AM	★
First Citizens Bancshares FCNK		47.24	55.92		2.31B	2.61B	\$29.95B	Q3	PM	★
Dexcom DXCM.US		0.43	0.50		990.44M	975M	\$27.79B	Q3	AM	★
DTE Energy DTE.US		1.81	1.44		2.72B	5.22B	\$26.41B	Q3	AM	★
Dover DOV.US		2.18	2.35		2.01B	2.15B	\$26.3B	Q3	AM	★
Deckers Outdoor DECK.US		1.23	6.82		1.2B	1.09M	\$23.76B	Q2	AM	★
Weyerhaeuser WY.US		-0.01	0.33		1.72B	2B	\$23.34B	Q3	PM	★
Carlisle Companies CSL.US		5.83	4.68		1.38B	1.3B	\$22.01B	Q3	PM	★
Western Digital WDC.US		1.71	-1.76		4.11B	2.75B	\$21.63B	Q1	AM	★
Principal Financial PFG.US		2.02	1.72		3.98B	3.64B	\$21.18B	Q3	AM	★
West Pharmaceutical Services		1.50	2.16		709.3M	747.4M	\$20.89B	Q3	AM	★
Verisign VRSN.US		2.01	1.83		390.27M	376M	\$18.76B	Q3	AM	★
SS&C Technologies SSNC.US		1.26	1.17		1.44B	1.37B	\$18.67B	Q3	AM	★
Baxter International BAX.US		0.78	0.68		3.84B	3.71B	\$18.54B	Q3	PM	★
Laboratory Of America LH.US		3.48	3.38		3.26B	3.06B	\$18.38B	Q3	AM	★
Southwest Airlines LUV.US		0.06	0.38		6.77B	6.5B	\$18.08B	Q3	AM	★
Textron TXT.US		1.50	1.49		3.5B	3.34B	\$16.79B	Q3	PM	★
Reliance Steel & Aluminum RS		3.67	5.00		3.38B	3.62B	\$16.48B	Q3	AM	★
Healthpeak Properties Inc DOC		0.08	0.05		683.26M	138.55M	\$15.81B	Q3	PM	★
Universal Health Services UHS		3.72	2.55		3.9B	3.56B	\$15.61B	Q3	AM	★
Entegris ENTG.US		0.78	0.68		832.44M	888M	\$15.49B	Q3	AM	★
Comfort Systems USA FIX.US		3.97	2.74		1.84B	1.38B	\$14.89B	Q3	AM	★
Gaming And Leisure Propertie		0.74	0.70		384.85M	359.6M	\$13.81B	Q3	AM	★
Pool POOL.US		3.18	3.50		1.41B	1.5B	\$13.49B	Q3	AM	★
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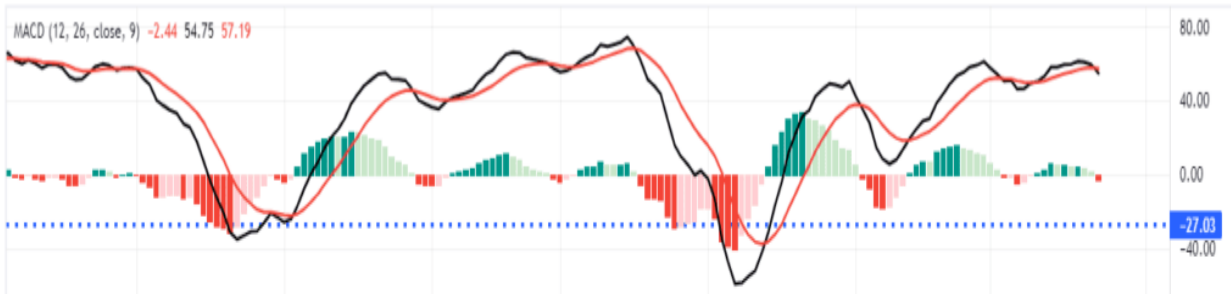
Economy

Thursday October 24 2024			Actual	Previous	Consensus	Forecast		
07:30 AM	US	Chicago Fed National Activity Index SEP		0.12		0.2		
07:30 AM	US	Initial Jobless Claims OCT/19		241K	242K	247K		
07:30 AM	US	Continuing Jobless Claims OCT/12		1867K	1880K	1865K		
07:30 AM	US	Jobless Claims 4-week Average OCT/19		236.25K		238K		
08:45 AM	US	Fed Hammack Speech						
08:45 AM	US	S&P Global Composite PMI Flash OCT		54.0		54		
08:45 AM	US	S&P Global Manufacturing PMI Flash OCT		47.3	47.5	47.6		
08:45 AM	US	S&P Global Services PMI Flash OCT		55.2	55	55		
09:00 AM	US	New Home Sales SEP		0.716M	0.72M	0.7M		
09:00 AM	US	New Home Sales MoM SEP		-4.7%		-2.2%		
09:30 AM	US	EIA Natural Gas Stocks Change OCT/18		76Bcf	61Bcf			
10:00 AM	US	Kansas Fed Composite Index OCT		-8		-6		
10:00 AM	US	Kansas Fed Manufacturing Index OCT		-18		-16		
10:30 AM	US	4-Week Bill Auction		4.700%				
10:30 AM	US	8-Week Bill Auction		4.630%				
11:00 AM	US	15-Year Mortgage Rate OCT/23		5.63%				
11:00 AM	US	30-Year Mortgage Rate OCT/23		6.44%				
12:00 PM	US	5-Year TIPS Auction		2.050%				
03:30 PM	US	Fed Balance Sheet OCT/23		\$7.04T				
	US	Building Permits Final SEP		1.470M	1.428M	1.428M		
	US	Building Permits MoM Final SEP		4.6%	-2.9%	-2.9%		
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Market Trading Update

[Yesterday, we discussed](#) why I took a trading position in Treasury bonds. The decision was based entirely on the short-term bond market's *technical* backdrop. Speaking of technicals, we spent yesterday morning reviewing the basics of [**Technical Analysis on the Real Investment Show.**](#)

This brings us to today's market update. We have recently noted the market's *rising wedge*, which can pose a rising risk. As shown, as the market rose, that advance became more narrow. That compression of price is ultimately resolved with a break out of that compression. If it breaks to the upside, it tends to lead to further gains. A break to the downside usually denotes the start of a correction or consolidation process. Yesterday's market sell-off took the index below the rising trend line from the August lows. Such suggests that we may see more corrective action heading into the election. Furthermore, we also triggered a short-term MACD sell signal, which confirms a more negative market bias.



TradingView



With the election rapidly approaching, we are not surprised to see the market take a break after its torrid advance over the last six weeks. Furthermore, we also previously suggested that a correction was possible even as the seasonally strong period of the year had started. Continue to manage risk for now; however, look for any correctional process to be contained in the 20 and 50-DMA.



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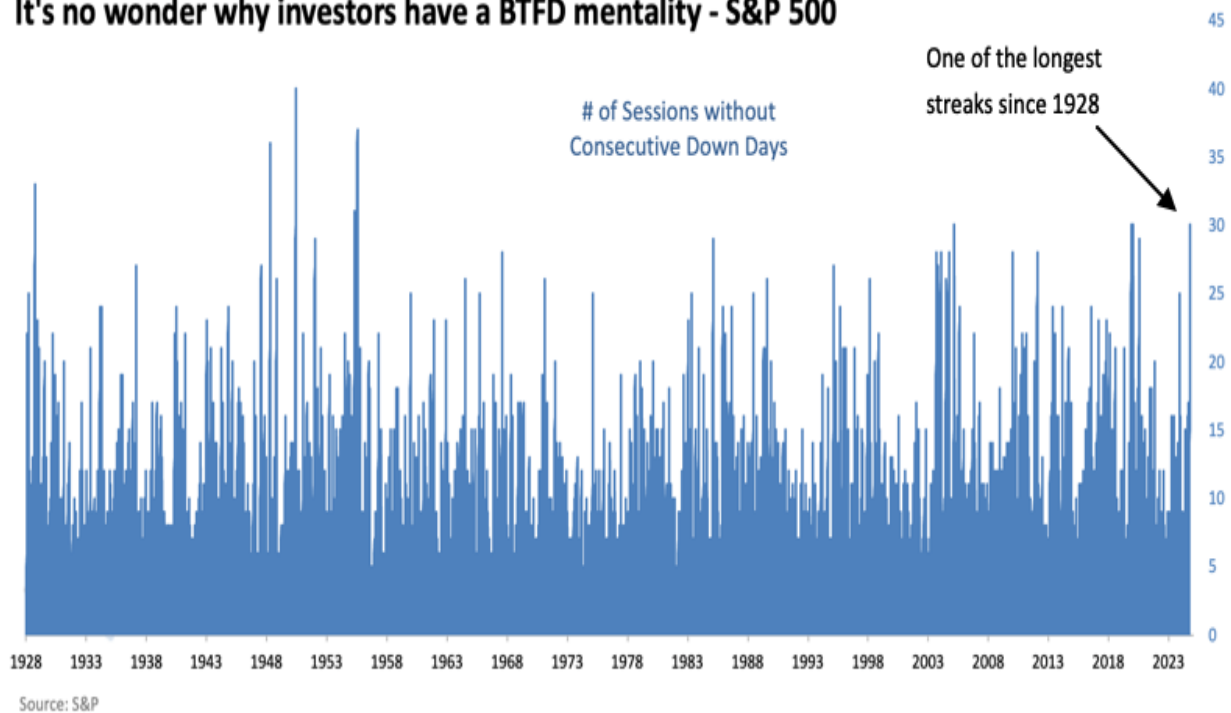
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A Historic Winning Streak

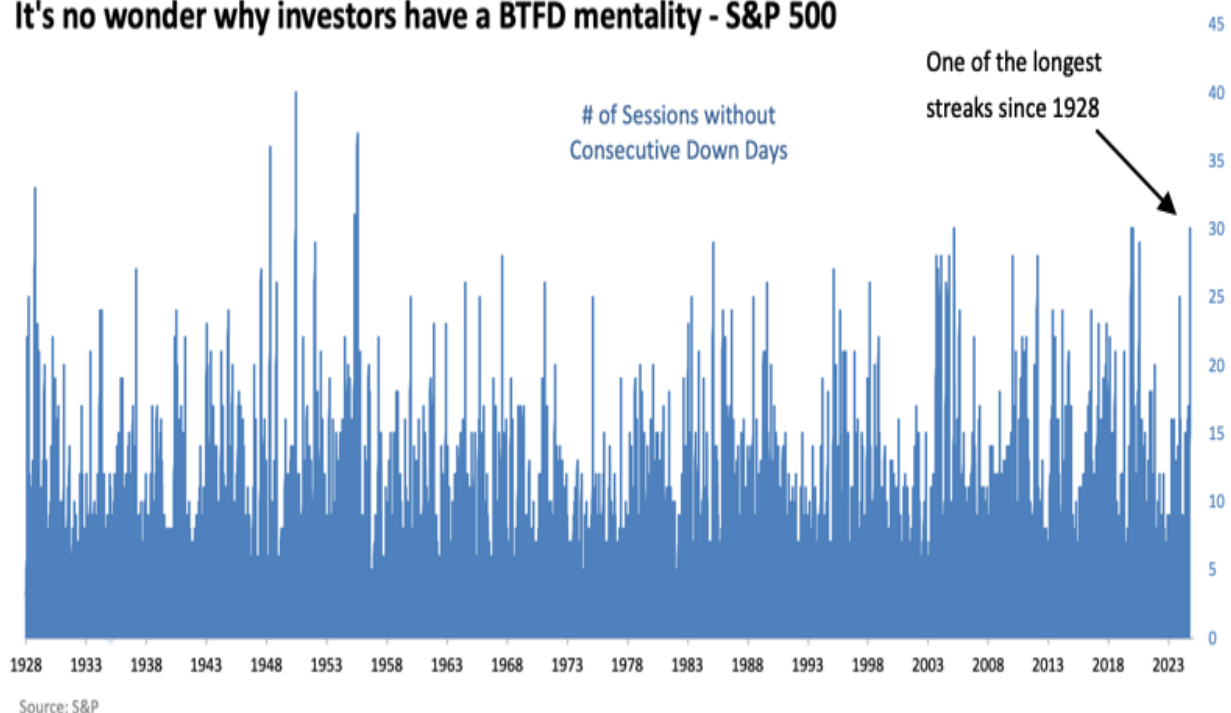
The chart below from Sentimentrader helps explain why investors appear overly confident despite the coming elections and the possibility of a contested outcome. The graph shows the number of days in a row where the market hasn't posted two consecutive down days. Per Sentimentrader:

It has rarely gone this long without at least small consecutive losses. The current streak ranks among the best since 1928. It's even better on the Nasdaq, and similar streaks preceded one-year gains 100% of the time.

It's no wonder why investors have a BTFD mentality - S&P 500



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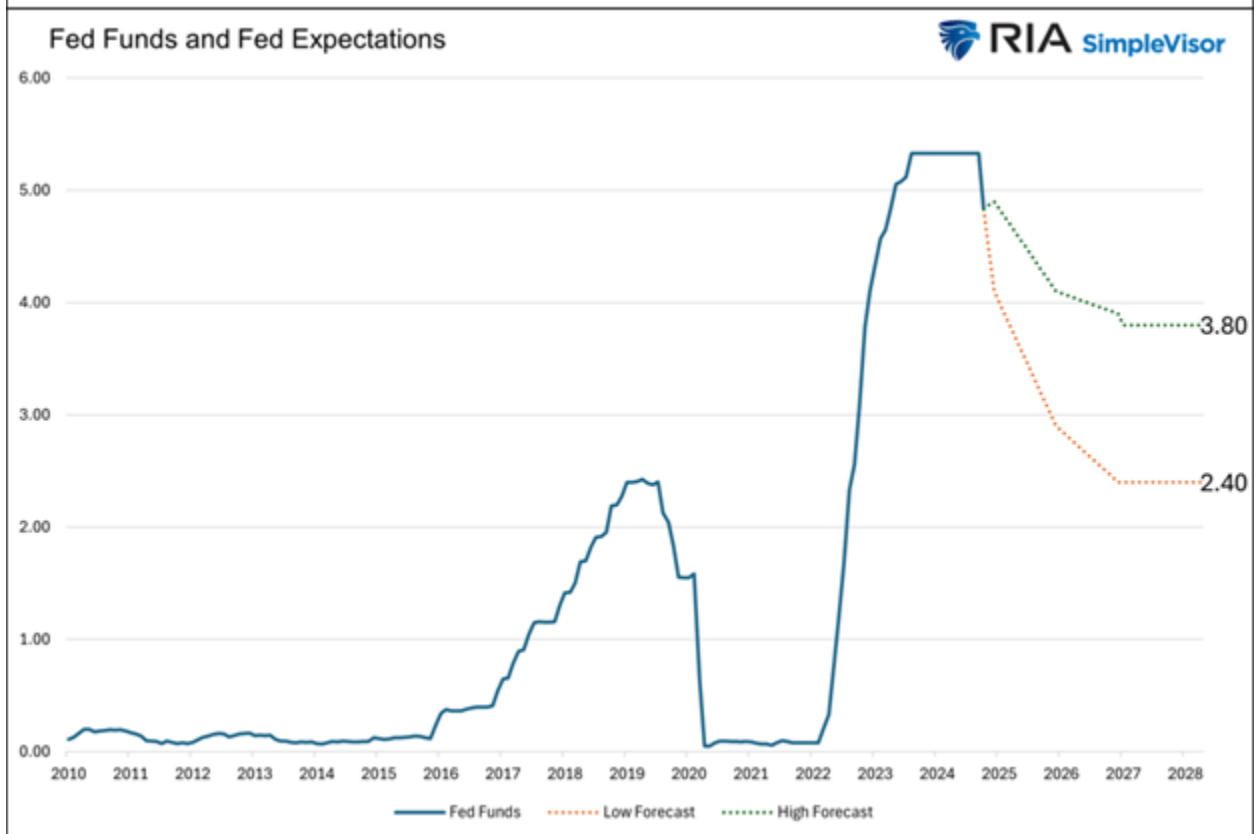
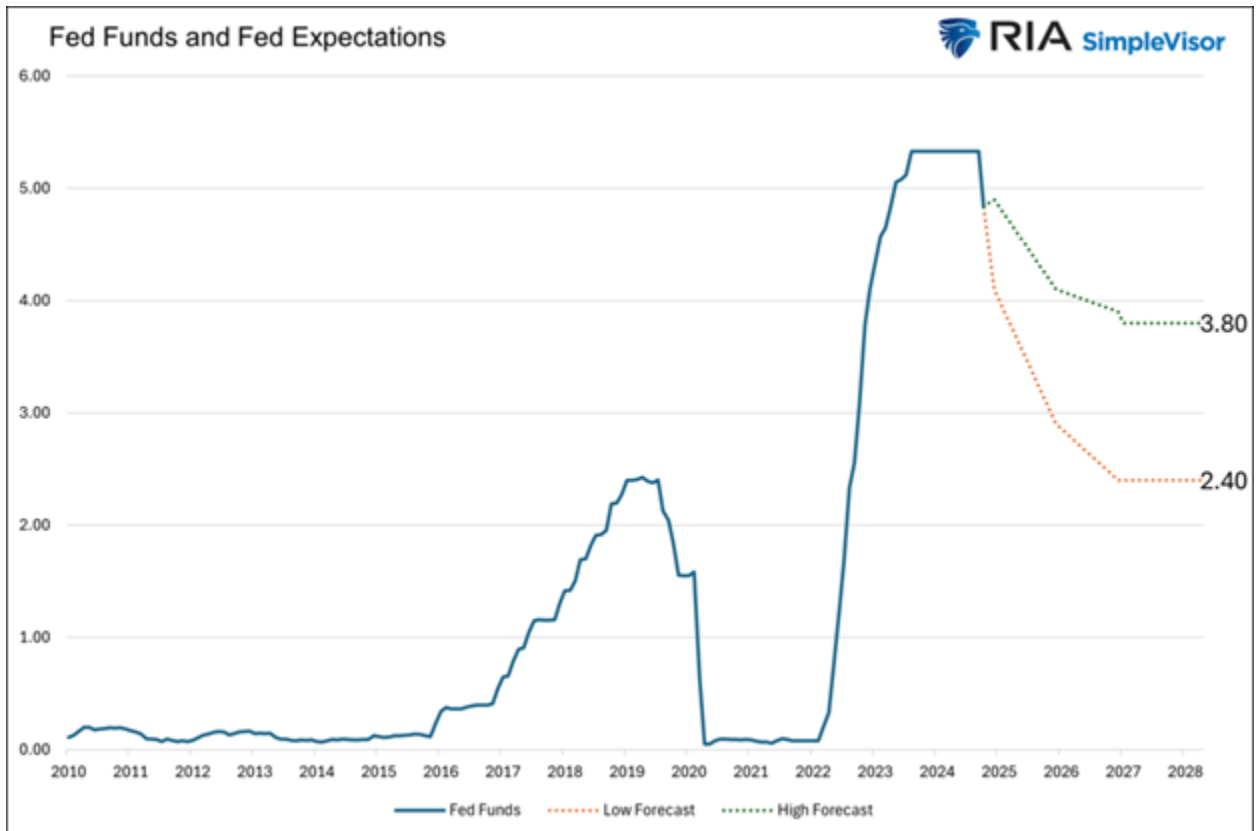
Memory Inflation Warps Bond Yields

The Mayo Clinic defines Post Traumatic Stress Disorder, or PTSD, as *a mental health condition that's caused by an extremely stressful or terrifying event either being part of it or witnessing it.* Within the field of PTSD research is a concept called *memory inflation.* Memory inflation occurs when memories of traumatic events become more intense over time.

Memory inflation of past events amplifies one's emotions and behaviors. Accordingly, distress from recent price inflation is causing many investors to overly fear that a similar situation will reoccur.

Given the tight relationship between inflation and bond yields, memory inflation negatively affects bond prices. Additionally, memory inflation may prevent some investors from seeing an opportunity to profit from the distorted market views.

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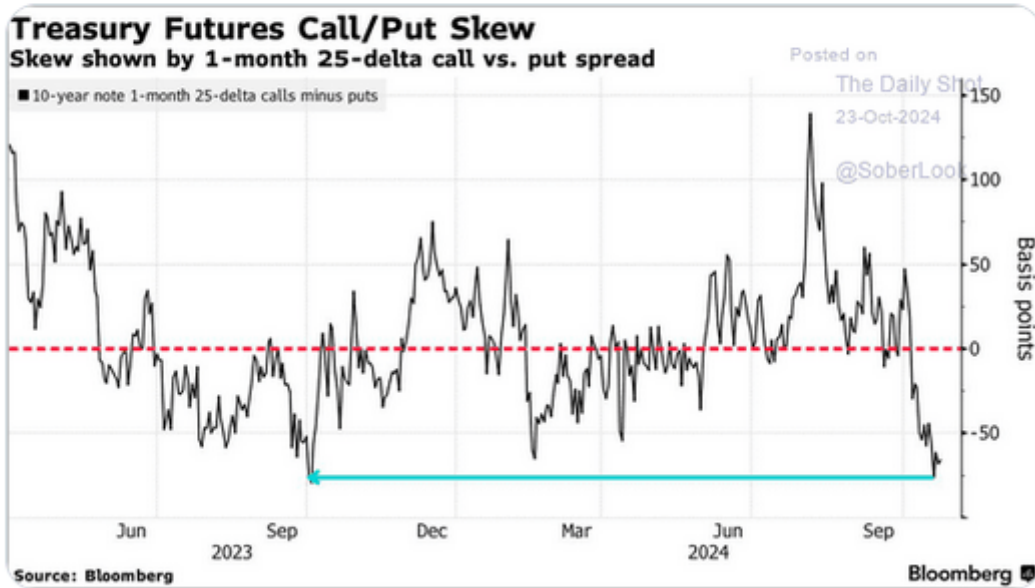


Tweet of the Day



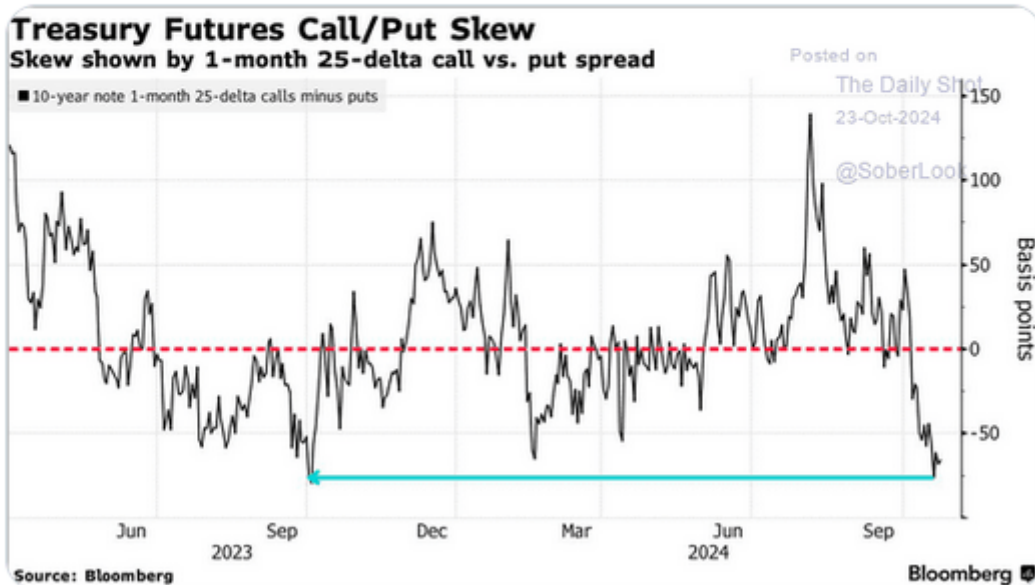
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