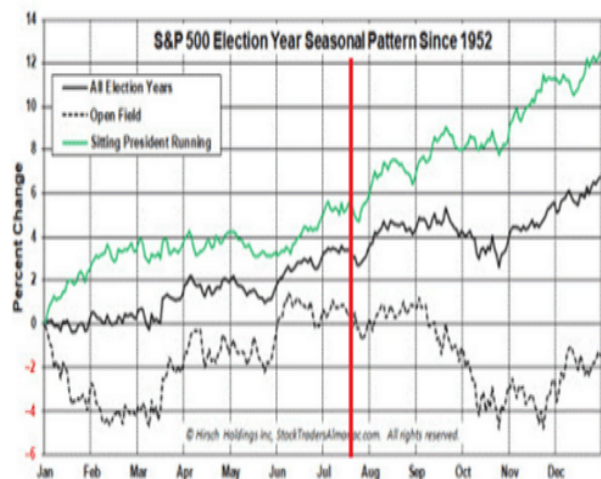
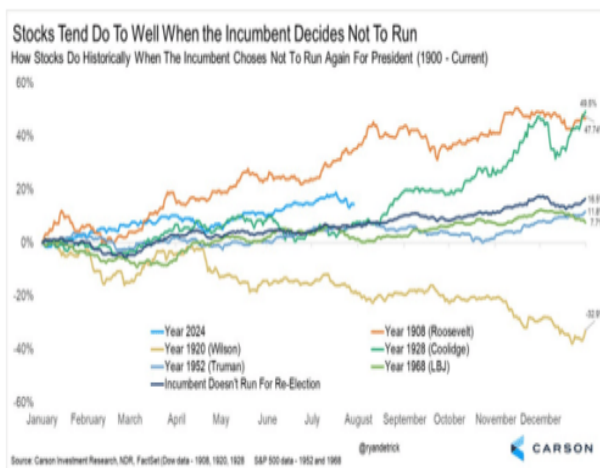


The Election Nears: What Can Investors Expect?

As the election nears, investors will become more anxious about how the market may react to each candidate and their campaign promises. Accordingly, we suspect that shifting polls will breed volatility. Moreover, with President Biden dropping out of the race, this presidential election is unique. Below, we share and discuss two charts to help guide our expectations.

The graph on the left, courtesy of Ryan Detrick, shows that since 1900, there have only been five Presidents, excluding Biden, who have decided not to run for a second term. Four of those five years saw stocks make impressive gains. Furthermore, the average for the five instances is a gain of 16.5%. As of early August, the market is ahead of the average. Given that there have been only five examples over the last 125 years, take the graph results and average with a grain of salt.

The graph on the right may be more salient. It shows that, on average, stocks tend to do well during election years. However, the average is boosted by years in which the sitting President ran for another term. Years like this one, in which neither candidate is the sitting President, have been weak on average. Notably, the market seems to grow the most anxious in the two months leading to the election. Therefore, the simple takeaway from the chart is that markets do not like uncertainty as we have.



What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
☹	BRK.A	Berkshire Hathaway Inc.	\$948,848,292,377	Jun/2024		N/A	8/05/2023	N/A
☹	BRK.B	Berkshire Hathaway Inc.	\$946,745,676,259	Jun/2024	\$4.83	2	8/05/2023	\$4.62
☀	XOM	Exxon Mobil Corporation	\$467,601,184,238	Jun/2024	\$2.04	8	7/28/2023	\$1.94
☀	CVX	Chevron Corporation	\$296,389,539,525	Jun/2024	\$2.88	7	7/28/2023	\$3.08
☀	LIN	Linde plc	\$217,986,693,433	Jun/2024	\$3.79	6	7/27/2023	\$3.57
☀	ENB	Enbridge Inc	\$79,558,316,014	Jun/2024	\$0.45	7	8/04/2023	\$0.51
☀	ARES	Ares Management Corporation	\$47,463,634,254	Jun/2024	\$0.98	7	8/01/2023	\$0.90
☀	IMO	Imperial Oil Limited	\$38,344,481,622	Jun/2024	\$1.43	3	7/28/2023	\$0.86
☀	LYB	LyondellBasell Industries NV	\$32,386,389,979	Jun/2024	\$2.23	6	8/04/2023	\$2.44
☀	CHD	Church & Dwight Company, Inc.	\$23,965,694,917	Jun/2024	\$0.84	12	7/28/2023	\$0.92
☀	PPL	PPL Corporation	\$21,925,658,329	Jun/2024	\$0.31	3	8/04/2023	\$0.29
☀	PAA	Plains All American Pipeline, L.P.	\$12,752,482,053	Jun/2024	\$0.33	5	8/04/2023	\$0.25
☀	MGA	Magna International, Inc.	\$12,746,617,815	Jun/2024	\$1.46	4	8/04/2023	\$1.50
☀	BEP	Brookfield Renewable Partners L.P.	\$11,717,225,080	Jun/2024	\$0.13	3	8/04/2023	(\$0.10)
☀	CBOE	Cboe Global Markets, Inc.	\$11,636,977,312	Jun/2024	\$2.11	8	8/04/2023	\$1.78
☹	BEPC	Brookfield Renewable Corporation	\$10,512,563,076	Jun/2024	(\$0.27)	1	8/04/2023	(\$0.10)
☀	RBC	RBC Bearings Incorporated	\$8,495,905,234	Jun/2024	\$2.21	2	8/04/2023	\$1.98
☀	FLR	Fluor Corporation	\$8,234,265,022	Jun/2024	\$0.68	4	8/04/2023	\$0.76
☀	BERY	Berry Global Group, Inc.	\$7,518,368,000	Jun/2024	\$2.02	6	8/09/2023	\$1.90
☀	FYBR	Frontier Communications Parent, Inc.	\$7,282,573,600	Jun/2024	(\$0.11)	4	8/04/2023	(\$0.01)
☀	GTLS	Chart Industries, Inc.	\$6,894,391,684	Jun/2024	\$2.57	9	7/28/2023	\$1.19
☀	ESNT	Essent Group Ltd.	\$6,703,337,541	Jun/2024	\$1.68	3	8/04/2023	\$1.61
☀	HR	Healthcare Realty Trust Incorporated	\$6,696,444,916	Jun/2024	\$0.38	5	8/08/2023	\$0.39
☀	MOG.B	Moog Inc.	\$6,286,077,447	Jun/2024		2	N/A	\$1.37
☀	MOG.A	Moog Inc.	\$6,269,133,842	Jun/2024	\$1.75	2	7/28/2023	\$1.37
☀	ESAB	ESAB Corporation	\$6,139,121,173	Jun/2024	\$1.27	5	8/01/2023	\$1.21
☀	SQSP	Squarespace, Inc.	\$6,077,405,361	Jun/2024	\$0.11	6	8/08/2023	\$0.03
☀	ABG	Asbury Automotive Group Inc	\$5,430,769,645	Jun/2024	\$7.31	5	7/25/2023	\$8.95
☀	PIPR	Piper Sandler Companies	\$4,836,793,104	Jun/2024	\$2.26	1	7/28/2023	\$1.13
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☀	IESC	IES Holdings, Inc.	\$3,116,885,228	Jun/2024		2	N/A	\$1.08
☀	ARCB	ArcBest Corporation	\$2,953,558,348	Jun/2024	\$2.03	6	7/28/2023	\$1.54
☀	CNK	Cinemark Holdings Inc	\$2,884,927,286	Jun/2024	\$0.07	6	8/04/2023	\$0.80
☀	ATMU	Atmus Filtration Technologies Inc.	\$2,570,696,881	Jun/2024	\$0.58	4	8/09/2023	\$0.63
☀	ABR	Arbor Realty Trust	\$2,544,947,910	Jun/2024	\$0.42	4	7/28/2023	\$0.56
☀	TDS	Telephone and Data Systems, Inc.	\$2,247,200,000	Jun/2024	(\$0.16)	3	8/04/2023	(\$0.17)
☀	NMRK	Newmark Group, Inc.	\$2,238,964,981	Jun/2024	\$0.22	2	7/28/2023	\$0.18
☹	BH.A	Biglari Holdings Inc.	\$2,236,820,432	Jun/2024		2	N/A	\$6.64
☹	NHC	National HealthCare Corporation	\$2,096,826,419	Jun/2024		2	N/A	\$0.89

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Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, AUGUST 2						
12:30	USD Average Hourly Earnings (MoM) (Jul)		-	-	0.3%	0.3%
12:30	USD Average Hourly Earnings (YoY) (Jul)		-	-	3.7%	3.9%
12:30	USD Average Weekly Hours (Jul)		-	-	34.3	34.3
12:30	USD Labor Force Participation Rate (Jul)		-	-	-	62.6%
12:30	USD Nonfarm Payrolls (Jul)		-	-	175K	206K
12:30	USD U6 Underemployment Rate (Jul)		-	-	-	7.4%
12:30	USD Unemployment Rate (Jul)		-	-	4.1%	4.1%
14:00	USD Factory Orders (MoM) (Jun)		-	-	-2.9%	-0.5%
17:00	USD Baker Hughes US Oil Rig Count		-	-	-	482
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Market Trading Update

[As noted yesterday](#), the market is decently oversold; however, we remain somewhat cautious with sell signals in place. Following yesterday's weak economic data, the market sold off as concerns of slower economic growth overshadowed strong earnings from META and ELY. As noted previously, the Fed cuts rates to stave off economic weakness. However, the market has largely ignored the *economic weakness* part, which will impact earnings growth.

While yesterday's selloff reversed most of Wednesday's gains, the market held support at the 50-DMA, which continues to act as key support. If the market breaks the 50-DMA, which is possible, the 100-DMA will provide the next support. As noted, the market is oversold enough for a short-term rally. We continue to suggest using rallies to reduce risk and rebalance exposures as needed. Notably, many stocks are reaching levels where good buying opportunities have previously presented themselves.





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ISM Provides An Omen For Today's Employment Report

The ISM Manufacturing survey sent bond yields lower as the odds of a weak employment number today, and a Fed cut in September increased. The broad ISM survey fell further into economic contractionary territory at 46.8, down from 48.5 last month. Most stunning, the employment component fell sharply and is now at its lowest level since mid-2020. The second graph below, courtesy of Rosenberg Research, shows that the employment index is now at levels only seen during recessions.

Also noteworthy was that prices paid were faster than the prior month, but new orders, a good indicator of future activity, fell into contractionary territory. The bond market seems to be ignoring the price component and focusing on employment.

Index	Series Index Jul	Series Index Jun	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	46.8	48.5	-1.7	Contracting	Faster	4
New Orders	47.4	49.3	-1.9	Contracting	Faster	4
Production	45.9	48.5	-2.6	Contracting	Faster	2
Employment	43.4	49.3	-5.9	Contracting	Faster	2
Supplier Deliveries	52.6	49.8	+2.8	Slowing	From Faster	1
Inventories	44.5	45.4	-0.9	Contracting	Faster	18
Customers' Inventories	45.8	47.4	-1.6	Too Low	Faster	8
Prices	52.9	52.1	+0.8	Increasing	Faster	7
Backlog of Orders	41.7	41.7	0.0	Contracting	Same	22
New Export Orders	49.0	48.8	+0.2	Contracting	Slower	2
Imports	48.6	48.5	+0.1	Contracting	Slower	2
OVERALL ECONOMY				Growing	Slower	51
Manufacturing Sector				Contracting	Faster	4

Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

*Number of months moving in current direction.

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Employment

United States: ISM Manufacturing PMI
(index; >50 denotes expansion)



Shading indicates recession

Source: Haver Analytics, Institute for Supply Management, Rosenberg Research

Employment

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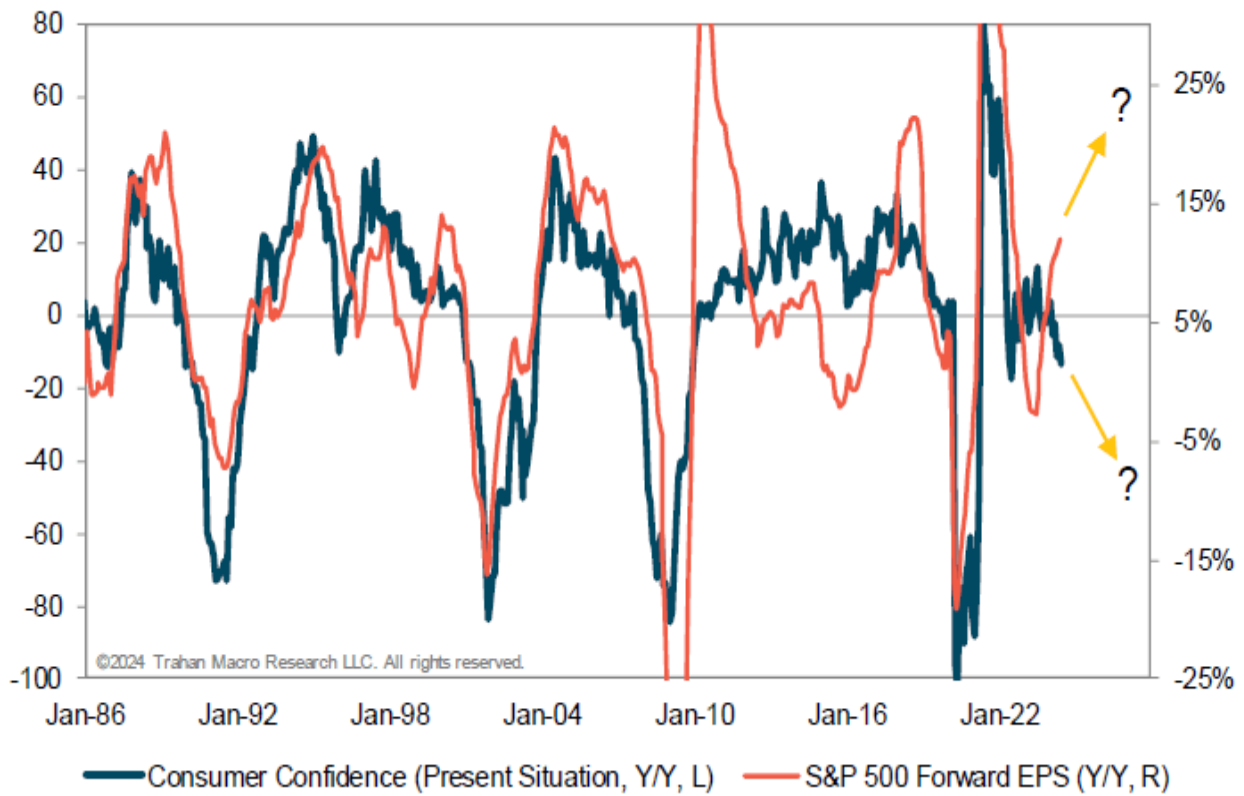
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Earnings Expectations and Confidence Diverge

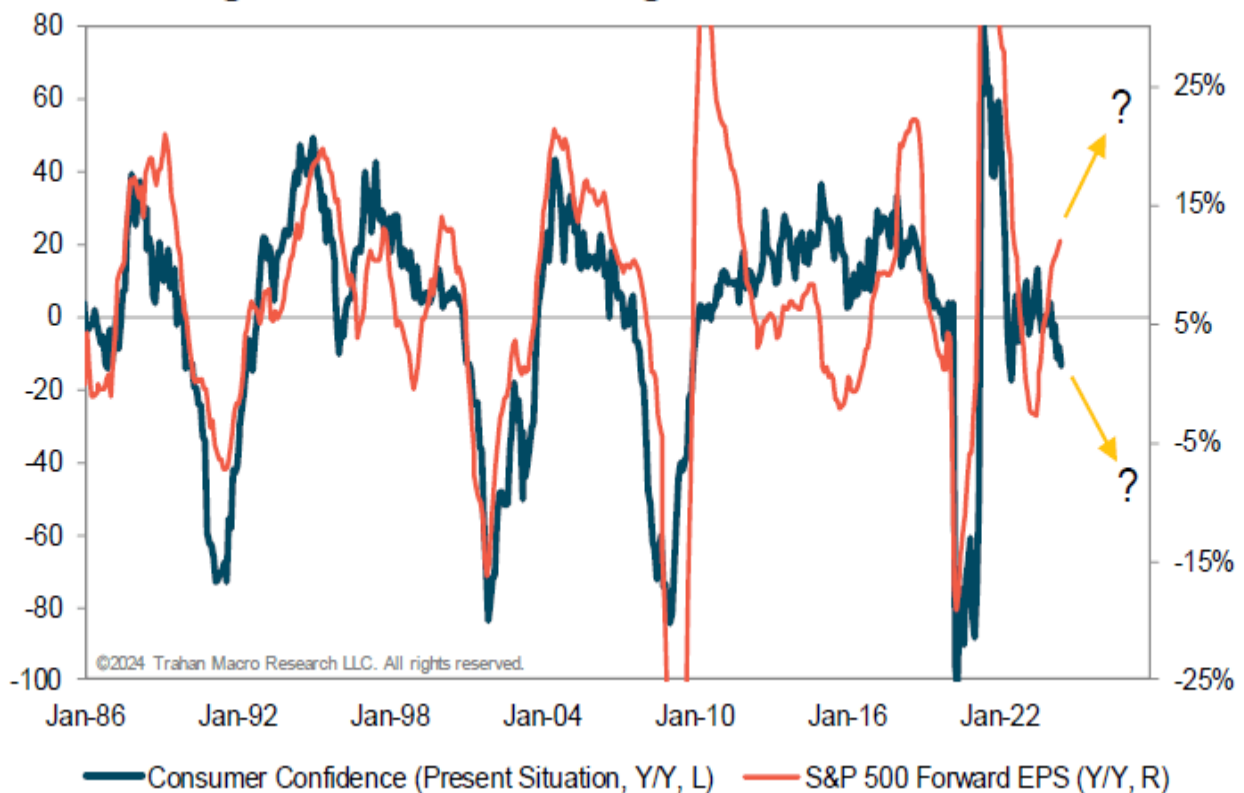
The first graph below, courtesy of Francois Trahan, highlights that consumer confidence is declining, yet EPS expectations are rising. Since personal consumption drives the economy and consumer confidence plays a significant role in personal spending habits, earnings and confidence are typically well correlated.

Trahan's second set of graphs shows historical instances with similar deviations as we see today. As shown, earnings ultimately fell back in line with declining confidence.

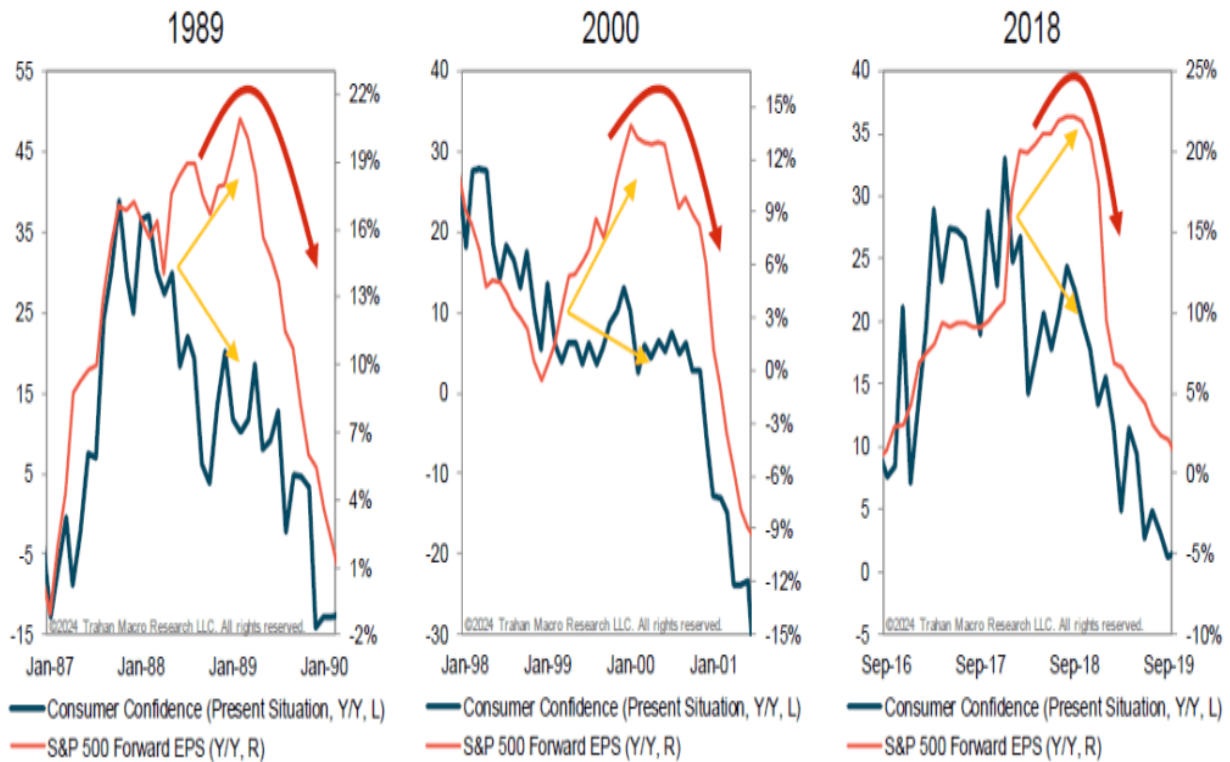
Earnings Estimates Deviating From The Consumer?!?!



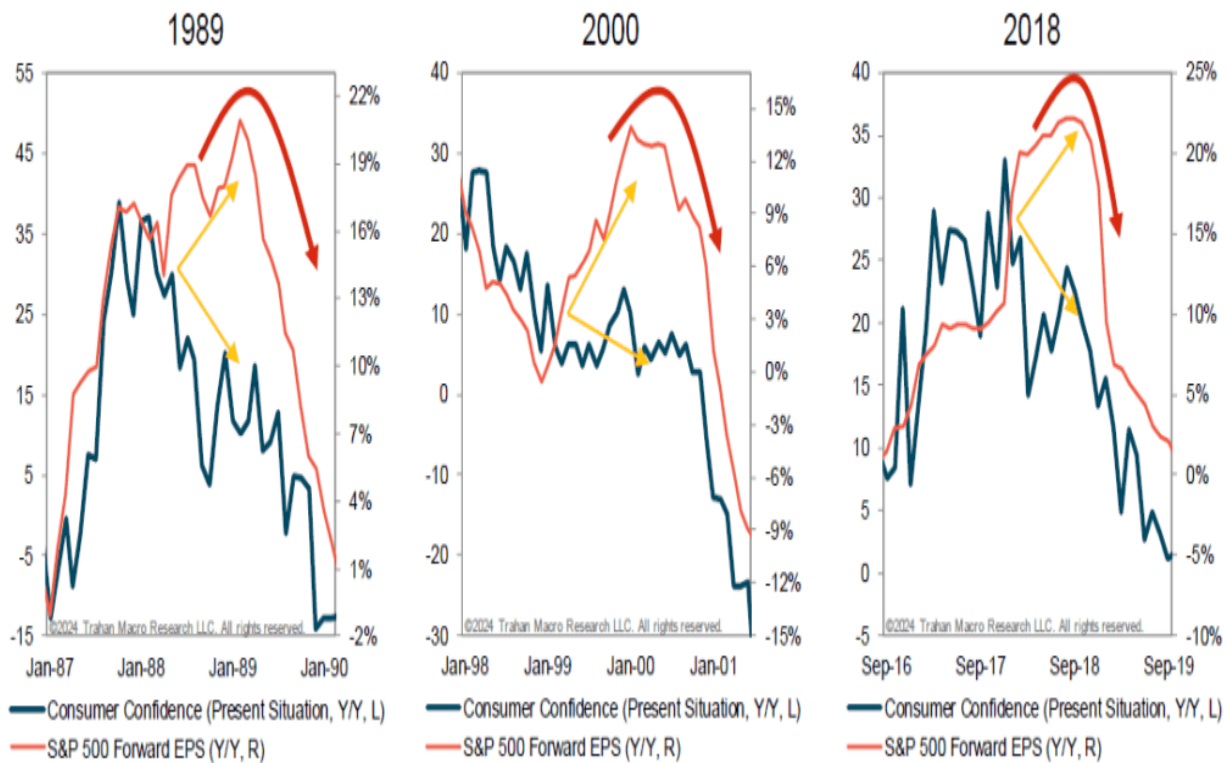
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History Has Shown That We Should Listen To The Consumer



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Tweet of the Day



Lance Roberts ✓ @LanceRoberts · 13m

The [#Trueflation](#) real-time [#inflation](#) measure has declined to just 1.5% annually.

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