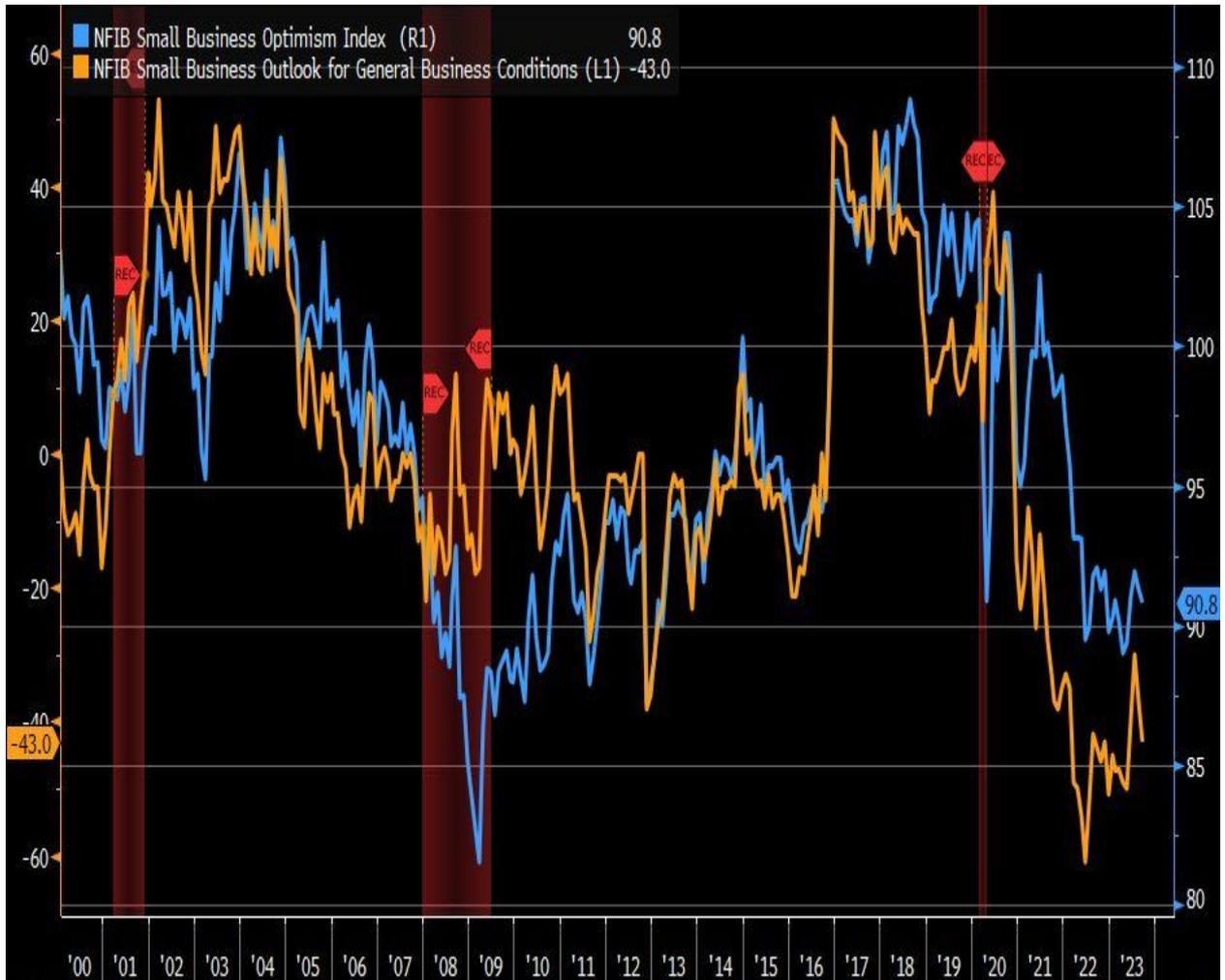




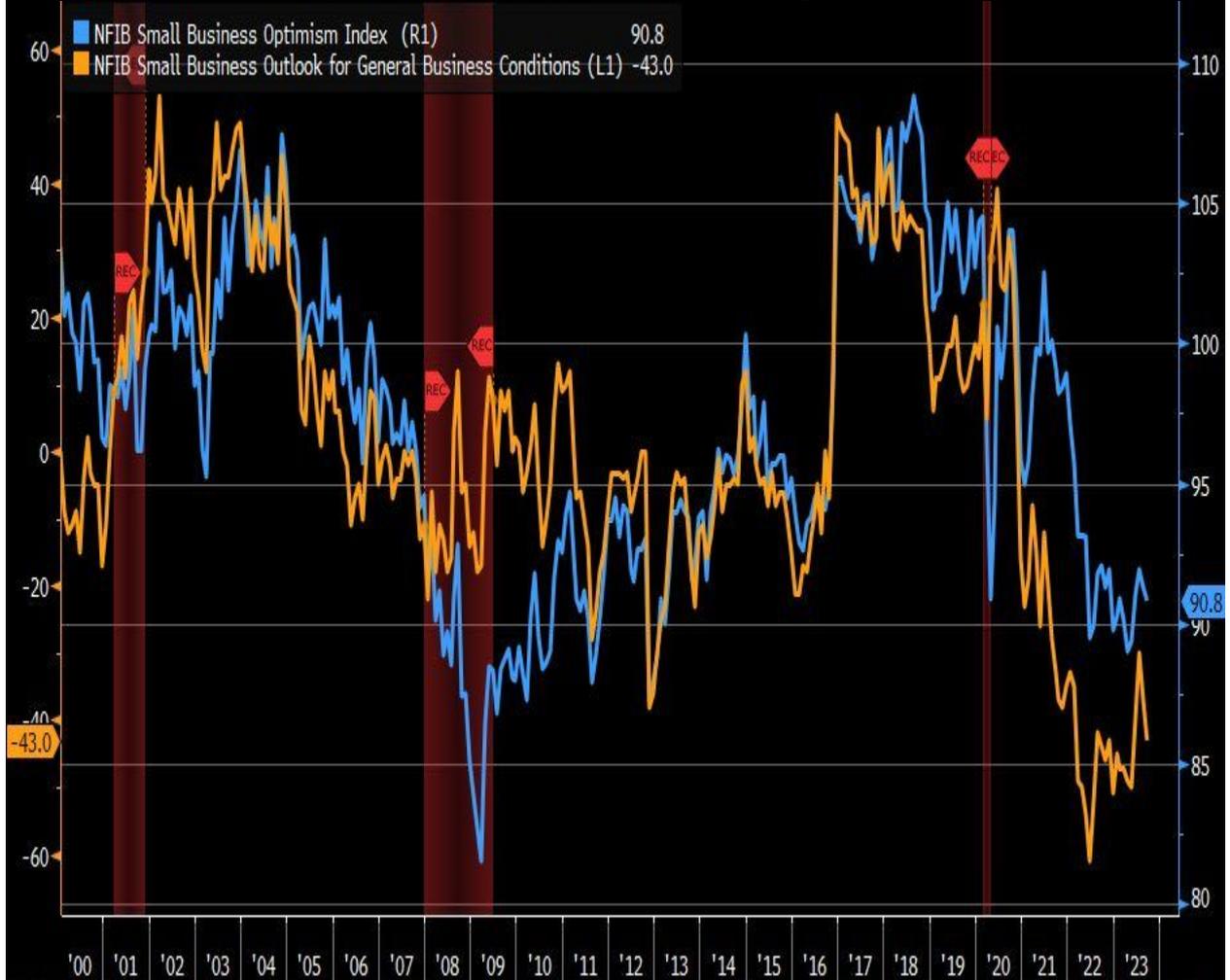
## The NFIB Small Business Optimism Index Remains Pessimistic

The September NFIB Small Business Optimism Index (blue) fell to 90.8 from 91.3, remaining near the lowest levels since the financial crisis. The forward-looking NFIB business outlook (orange) dropped to -43. Such is above the low registered in mid-2022 but below levels reached during the financial crisis. 23% of small business owners deem inflation as their most important problem. The other big problem almost half of those surveyed by the NFIB face is finding qualified employees.

Within the NFIB report, we found the following quote: *“The frequency of reports of positive profit trends was a net negative 24%, up one point from August. Among owners reporting lower profits, 29% blamed weaker sales, 20% blamed the rise in the cost of materials, 15% cited labor costs, 8% cited lower prices, 7% cited the usual seasonal change, and 6% cited higher taxes or regulatory costs.”* Losing money on weaker sales is a recipe for job layoffs and other budget cuts. Given small businesses account for almost 50% of the workforce, we fear layoffs may increase to help offset weaker sales and declining or negative profits.



SBOITOTL Index (NFI Small Business Optimism Index) NFI Optimism & Outlook Monthly 01JAN2000-01JAN2024 Copyright© 2023 Bloomberg Finance L.P. 10-Oct-2023 07:13:48



SBOITOTL Index (NFI Small Business Optimism Index) NFI Optimism & Outlook Monthly 01JAN2000-01JAN2024 Copyright© 2023 Bloomberg Finance L.P. 10-Oct-2023 07:13:48

---

## What To Watch Today

### Economics

Time	Event	Impact	Actual	Dev	Consensus	Previous	
<b>WEDNESDAY, OCTOBER 11</b>							
00:00	USD IMF Meeting		-	-	-	-	
08:15	USD Fed's Bowman speech				<b>SPEECH</b>		
11:00	USD MBA Mortgage Applications(Oct 6)		-	-	-	-6%	
12:30	USD Producer Price Index (MoM)(Sep)		-	-	0.4%	0.7%	
12:30	USD Producer Price Index (YoY)(Sep)		-	-	1.6%	1.6%	
12:30	USD Producer Price Index ex Food & Energy (MoM)(Sep)		-	-	0.2%	0.2%	
12:30	USD Producer Price Index ex Food & Energy (YoY)(Sep)		-	-	2.3%	2.2%	
14:15	USD Fed's Waller speech				<b>SPEECH</b>		
17:00	USD 10-Year Note Auction		-	-	-	4.28%	
18:00	USD FOMC Minutes				<b>REPORT</b>		
20:30	USD API Weekly Crude Oil Stock(Oct 6)		-	-	-	-4.21M	

Time	Event	Impact	Actual	Dev	Consensus	Previous	
<b>WEDNESDAY, OCTOBER 11</b>							
00:00	USD IMF Meeting		-	-	-	-	
08:15	USD Fed's Bowman speech				<b>SPEECH</b>		
11:00	USD MBA Mortgage Applications(Oct 6)		-	-	-	-6%	
12:30	USD Producer Price Index (MoM)(Sep)		-	-	0.4%	0.7%	
12:30	USD Producer Price Index (YoY)(Sep)		-	-	1.6%	1.6%	
12:30	USD Producer Price Index ex Food & Energy (MoM)(Sep)		-	-	0.2%	0.2%	
12:30	USD Producer Price Index ex Food & Energy (YoY)(Sep)		-	-	2.3%	2.2%	
14:15	USD Fed's Waller speech				<b>SPEECH</b>		
17:00	USD 10-Year Note Auction		-	-	-	4.28%	
18:00	USD FOMC Minutes				<b>REPORT</b>		
20:30	USD API Weekly Crude Oil Stock(Oct 6)		-	-	-	-4.21M	

## Earnings

Time	Symbol	Company Name	Market Cap*	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
⊖	WIT	Wipro Limited	\$26,781,038,576	Sep/2023	\$0.07	2	10/12/2022	\$0.06
⊖	WINA	Winmark Corporation	\$1,402,978,552	Sep/2023		3	N/A	\$2.93

Time	Symbol	Company Name	Market Cap*	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
⊖	WIT	Wipro Limited	\$26,781,038,576	Sep/2023	\$0.07	2	10/12/2022	\$0.06
⊖	WINA	Winmark Corporation	\$1,402,978,552	Sep/2023		3	N/A	\$2.93

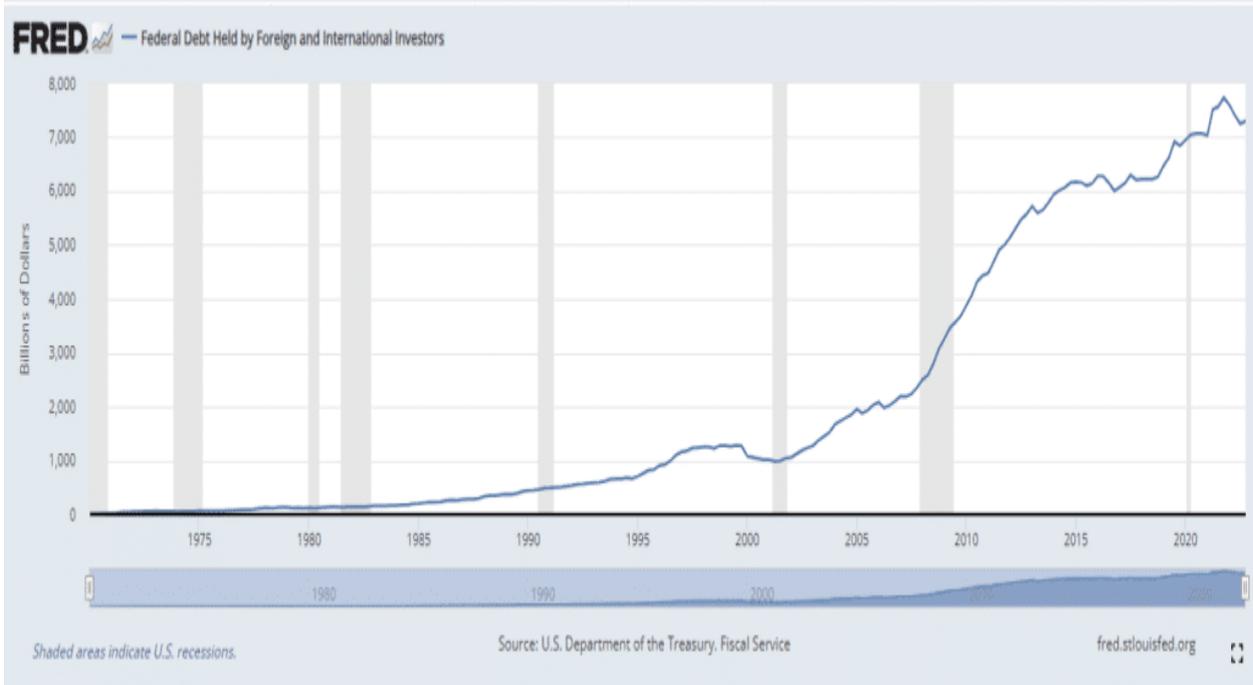
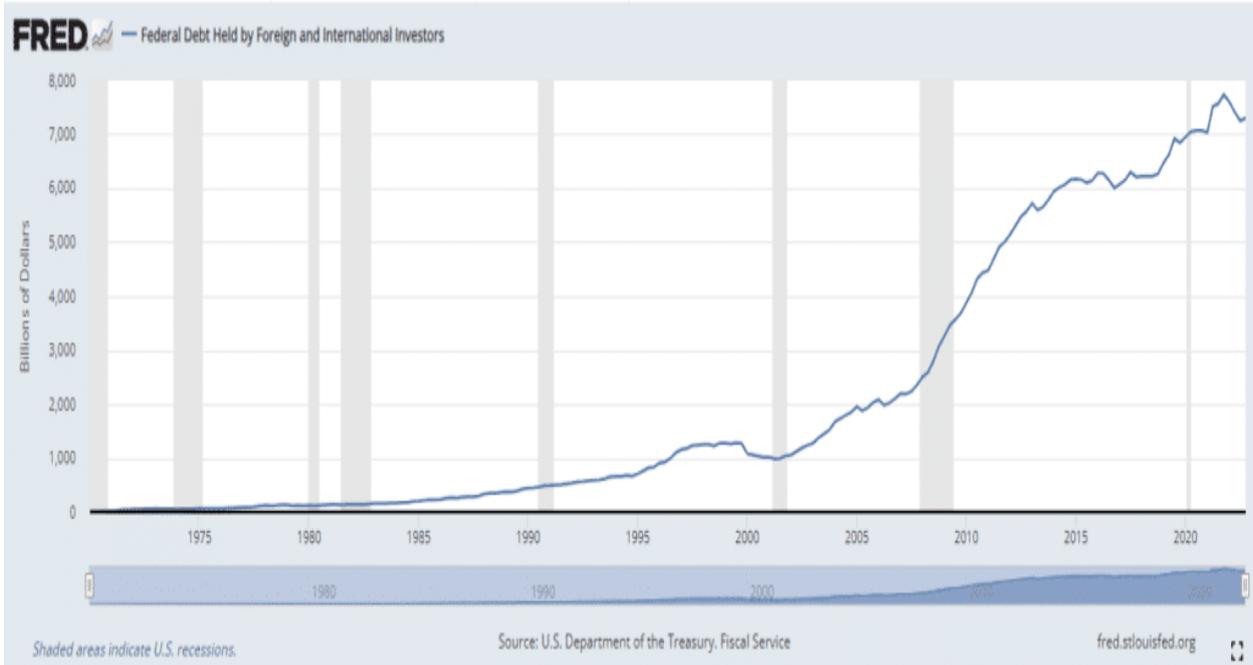
## Market Trading Update

A few of our readers asked us why bond ETF prices were down Wednesday morning despite bond yields falling sharply. The U.S. bond market was closed Monday for Columbus Day, but the futures and equities markets were open. Bond futures rose sharply Monday as the Israeli war news provoked a flight to quality. Bond ETFs followed futures higher on Monday.

On Tuesday, futures and ETFs opened lower, giving up some of the gains. However, because the bond market was closed on Monday, Tuesday's opening bond yields were sharply lower, reflecting yield changes on Monday and Tuesday. The two-day changes in futures, ETFs, and bonds are now similar.

Such divergences happen daily, albeit they tend to be small. Bonds stop trading at 2 p.m. ET, while ETFs close at 4 p.m. ET. Accordingly, changes in the bond futures market between 2 p.m. and 4 p.m. cause the prices of ETFs to change while bonds remain fixed at their 2 p.m. closing levels. Again, any differences will be made up the next trading day. Arbitrage between futures, ETFs, and bonds is incredibly easy, meaning that any divergences, like those mentioned above, are only optical.

There is also a false narrative about foreign Governments selling U.S. Treasuries as *they don't want our debt*. As shown, such is clearly not the case. More importantly, in times of war, financial stress, or other events, foreign reserves will seek the safety of U.S. Treasuries, such as we saw these past few days.



**THE Bull Bear REPORT**  
BY SimpleVisor™

The most important things you need to know about the markets.

> **Subscribe today**

---

**THE Bull Bear REPORT**  
BY SimpleVisor™

The most important things you need to know about the markets.

> **Subscribe today**

## Fed Inching Towards A Pause

Yesterday, we noted that Fed Dallas President Lorie Logan was explaining how the recent spurt in long-term interest rates was a factor that should further restrict economic growth and, therefore, inflation. On her heels, Vice-Fed Chair Jefferson made similar comments, as we share below.

We believe Fed members' insistence on repeating "higher for longer" is designed to keep long-term rates high. While unsustainable in the long run, such action would eventually slow the economy and weaken inflation. Based on Logan's and Jefferson's recent comments, they seem content that long-term interest rates may be doing their job for them.

On Tuesday morning, Fed President Bostic took the more dovish stances noted above a step further. He said we don't need to increase rates anymore. This afternoon's FOMC minutes from their prior meeting may paint a more dovish stance than the market assumed a few weeks ago. While we would like confirmation from Powell, the rumblings from other Fed members may likely mean the Fed will not increase rates anymore this cycle, barring an unforeseen jump in economic activity and or a resurgence in inflation.



**Neil Irwin**  
@Neil\_Irwin



Fed vice-chair Jefferson signals leadership is attuned to the runup in long-term yields. Along with Lorie Logan's more detailed speech earlier, a clear signal to markets that they're paying attention and factoring higher long-term rates into their outlook and policy settings.

As I mentioned earlier, real long-term Treasury yields have risen recently. In part, the upward movement in real yields may reflect investors' assessment that the underlying momentum of the economy is stronger than previously recognized and, as a result, a restrictive stance of monetary policy may be needed for longer than previously thought in order to return inflation to 2 percent. But I am also mindful that increases in real yields can arise from changes in investor's attitudes toward risk and uncertainty. Looking ahead, I will remain cognizant of the tightening in financial conditions through higher bond yields and will keep that in mind as I assess the future path of policy. I will be taking financial market developments into account along with the totality of incoming data in assessing the economic outlook and the risks surrounding the outlook and in judging the appropriate future course of policy.

Thank you!



**Neil Irwin**  
@Neil\_Irwin



Fed vice-chair Jefferson signals leadership is attuned to the runup in long-term yields. Along with Lorie Logan's more detailed speech earlier, a clear signal to markets that they're paying attention and factoring higher long-term rates into their outlook and policy settings.

As I mentioned earlier, real long-term Treasury yields have risen recently. In part, the upward movement in real yields may reflect investors' assessment that the underlying momentum of the economy is stronger than previously recognized and, as a result, a restrictive stance of monetary policy may be needed for longer than previously thought in order to return inflation to 2 percent. But I am also mindful that increases in real yields can arise from changes in investor's attitudes toward risk and uncertainty. Looking ahead, I will remain cognizant of the tightening in financial conditions through higher bond yields and will keep that in mind as I assess the future path of policy. I will be taking financial market developments into account along with the totality of incoming data in assessing the economic outlook and the risks surrounding the outlook and in judging the appropriate future course of policy.

Thank you!

## The False China Bond Narrative

There is a narrative floating around the bond market claiming the Chinese and Japanese are responsible for the recent spate of higher bond yields. Rumor has it they are aggressively selling, resulting in higher yields. Based on U.S. Treasury data, the year-to-date change in Japan's holdings of U.S. Treasury securities is up by \$37 billion, and China's have declined by \$46 billion. The graph below, courtesy of Eleva Capital, shows a steady decline in their holdings. However, remember that the amount of debt has risen significantly while their holdings remain relatively constant. Further, the second graph shows that debt held by all foreigners is stable if not slightly

increasing.

We would be remorseful if we didn't discuss how much they own. Japan and China hold about \$1.1 trillion and \$800 billion of U.S. Treasuries. While that may seem significant, they pale compared to the largest holder of Treasuries, the Federal Reserve. The Fed owns about \$8 trillion. Even if China or Japan were to sell aggressively, the Fed could easily step in and absorb their selling pressure.

Foreign selling doesn't explain the recent jump in interest rates, and neither does *soaring* debt issuance, as we will address tomorrow.

% of US public debt held by foreigners



Source : Eleva Capital & Bloomberg

% of US public debt held by foreigners



Source : Eleva Capital & Bloomberg

## ★ Federal Debt Held by Foreign and International Investors (FDHBFIN)

DOWNLOAD 

Observation:  
Q4 2022: 7,303.3  
(+ more)  
Updated: Sep 1, 2023

Units:  
Billions of Dollars,  
Not Seasonally Adjusted

Frequency:  
Quarterly,  
End of Period

1Y | 5Y | 10Y | Max

1970-01-01 to 2022-10-01

EDIT GRAPH 

### FRED Federal Debt Held by Foreign and International Investors



## ★ Federal Debt Held by Foreign and International Investors (FDHBFIN)

DOWNLOAD 

Observation:  
Q4 2022: 7,303.3  
(+ more)  
Updated: Sep 1, 2023

Units:  
Billions of Dollars,  
Not Seasonally Adjusted

Frequency:  
Quarterly,  
End of Period

1Y | 5Y | 10Y | Max

1970-01-01 to 2022-10-01

EDIT GRAPH 

### FRED Federal Debt Held by Foreign and International Investors



**Tweet of the Day**



**Neil Irwin**  
@Neil\_Irwin



Fed vice-chair Jefferson signals leadership is attuned to the runup in long-term yields. Along with Lorie Logan's more detailed speech earlier, a clear signal to markets that they're paying attention and factoring higher long-term rates into their outlook and policy settings.

As I mentioned earlier, real long-term Treasury yields have risen recently. In part, the upward movement in real yields may reflect investors' assessment that the underlying momentum of the economy is stronger than previously recognized and, as a result, a restrictive stance of monetary policy may be needed for longer than previously thought in order to return inflation to 2 percent. But I am also mindful that increases in real yields can arise from changes in investor's attitudes toward risk and uncertainty. Looking ahead, I will remain cognizant of the tightening in financial conditions through higher bond yields and will keep that in mind as I assess the future path of policy. I will be taking financial market developments into account along with the totality of incoming data in assessing the economic outlook and the risks surrounding the outlook and in judging the appropriate future course of policy.

Thank you!



**Neil Irwin**  
@Neil\_Irwin



Fed vice-chair Jefferson signals leadership is attuned to the runup in long-term yields. Along with Lorie Logan's more detailed speech earlier, a clear signal to markets that they're paying attention and factoring higher long-term rates into their outlook and policy settings.

As I mentioned earlier, real long-term Treasury yields have risen recently. In part, the upward movement in real yields may reflect investors' assessment that the underlying momentum of the economy is stronger than previously recognized and, as a result, a restrictive stance of monetary policy may be needed for longer than previously thought in order to return inflation to 2 percent. But I am also mindful that increases in real yields can arise from changes in investor's attitudes toward risk and uncertainty. Looking ahead, I will remain cognizant of the tightening in financial conditions through higher bond yields and will keep that in mind as I assess the future path of policy. I will be taking financial market developments into account along with the totality of incoming data in assessing the economic outlook and the risks surrounding the outlook and in judging the appropriate future course of policy.

Thank you!

---

**Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.**

*If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*

Post Views: 1

2023/10/11

[> Back to All Posts](#)