The Taylor Swift Gold Rush

?*Call it a gold rush*? started a Washington Post article, The Economy (Taylor?s Version), detailing the amount of money Taylor Swift?s tour is making for herself and how much economic activity it generates. For starters, the article estimates that Taylor Swift will personally rake in over $4 billion from her Eras Tour. The following statistics regarding her economic impact are from the linked Washington Post article.

To help appreciate the spending related to Taylor Swift?s tour, consider that those not fortunate enough to get tickets directly must pay an average resale price of $1,611 per SeatGeek. $1,611 just gets you in the doors. Food, hotels, merchandise, transportation, and other spending from her concertgoers is raining on the cities hosting her shows. The Washington Post estimates that each concertgoer will spend, on average, $1,279 per show. Over half or more of that figure is for expenses not going to Taylor Swift, her promoters, or the venue. The graphic below by the California Center For Jobs & The Economy estimates that her six Los Angeles shows may have added $320 million to LA?s GDP. In Seattle, single-day hotel revenue set a record, coming in about $2 million more than any other instance.

It?s not just tax revenue and local businesses benefitting. Per the article: ?*There have been longer-term lifts in employment, too. In Los Angeles, Swift?s six-day stop was estimated to generate enough revenue to fund 3,300 new jobs*.? There are other benefits as well. For example, Taylor Swift?s relationship with Travis Kelce is worth $331 million for the NFL, per Market Watch. Tickets for this year?s Super Bowl are 70% higher than last year. The Las Vegas location is undoubtedly a draw, but so is the promise of catching Taylor Swift cheering on Travis Kelce and the Chiefs.

CALIFORNIA CENTER FOR JOBS & THE ECONOMY

California Business Roundtable

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*
	AAPL	Apple Inc.	$2,907,454,923,840	Dec/2023	$2.09	11	2/02/2023	$1.88
	AMZN	Amazon.com, Inc.	$1,643,110,863,174	Dec/2023	$0.81	15	2/02/2023	$0.21
	META	Meta Platforms, Inc.	$1,028,099,284,563	Dec/2023	$4.82	14	2/01/2023	$3
	MRK	Merck & Company, Inc.	$308,289,248,399	Dec/2023	($0.10)	9	2/02/2023	$1.62
	SHEL	Shell PLC	$208,238,210,743	Dec/2023	$1.94	3	2/02/2023	$2.76
	HON	Honeywell International Inc.	$135,739,707,599	Dec/2023	$2.60	7	2/02/2023	$2.52
	SNY	Sanofi	$126,713,991,066	Dec/2023	$0.94	5	2/03/2023	$0.87
	MUFG	Mitsubishi UFJ Financial Group Inc	$114,617,334,446	Dec/2023		N/A	2/02/2023	$0.06
	ETN	Eaton Corporation, PLC	$99,932,811,000	Dec/2023	$2.47	8	2/08/2023	$2.06
	RACE	Ferrari N.V.	$85,709,368,377	Dec/2023	$1.59	3	2/02/2023	$1.24
	ITW	Illinois Tool Works Inc.	$79,978,475,762	Dec/2023	$2.40	7	2/02/2023	$2.34
	MO	Altria Group	$71,559,444,430	Dec/2023	$1.17	5	2/01/2023	$1.18
	BDX	Becton, Dickinson and Company	$68,596,593,867	Dec/2023	$2.39	9	2/02/2023	$2.98
	TEAM	Atlassian Corporation	$66,432,081,260	Dec/2023	($0.06)	8	2/02/2023	($0.59)
	PH	Parker-Hannifin Corporation	$61,393,457,256	Dec/2023	$5.24	6	2/02/2023	$4.76
	TT	Trane Technologies plc	$58,652,813,141	Dec/2023	$2.13	8	2/02/2023	$1.82
	ING	ING Group, N.V.	$53,065,922,138	Dec/2023	$0.42	1	2/02/2023	$0.31
	MCHP	Microchip Technology Incorporated	$46,508,253,816	Dec/2023	$0.99	11	2/02/2023	$1.48
	TAK	Takeda Pharmaceutical Company Limited	$45,623,273,247	Dec/2023		N/A	2/02/2023	$0.46
	RCL	Royal Caribbean Cruises Ltd.	$32,377,867,741	Dec/2023	$1.13	7	2/07/2023	($1.12)
	ADM	Archer-Daniels-Midland Company	$29,869,350,280	Dec/2023	$1.49	7	1/26/2023	$1.93
	DB	Deutsche Bank AG	$26,764,800,000	Dec/2023	$0.37	1	2/02/2023	$0.35
	CAH	Cardinal Health, Inc.	$26,386,878,318	Dec/2023	$1.56	6	2/02/2023	$1.32
	HIG	Hartford Financial Services Group, Inc. (The)	$26,356,460,027	Dec/2023	$2.39	11	2/02/2023	$2.31
	WEC	WEC Energy Group, Inc.	$25,474,492,723	Dec/2023	$1.10	4	2/02/2023	$0.80
	RCI	Rogers Communication, Inc.	$24,995,886,140	Dec/2023	$0.76	6	2/02/2023	$0.80
	TSCO	Tractor Supply Company	$24,627,334,529	Dec/2023	$2.22	14	1/26/2023	$2.43
	BR	Broadridge Financial Solutions, Inc.	$24,583,525,060	Dec/2023	$0.88	4	2/02/2023	$0.91
	DOV	Dover Corporation	$21,190,559,013	Dec/2023	$2.45	7	1/31/2023	$2.16
	ASX	ASE Technology Holding Co., Ltd.	$20,482,369,210	Dec/2023	$0.12	1	2/09/2023	$0.23
	DECK	Deckers Outdoor Corporation	$19,903,860,273	Dec/2023	$11.36	11	2/02/2023	$10.48
	SIRI	Sirius XM Holdings Inc.	$19,616,982,485	Dec/2023	$0.07	6	2/02/2023	$0.09
	LPLA	LPL Financial Holdings Inc.	$18,474,857,303	Dec/2023	$3.33	6	2/02/2023	$4.21
	CLX	Clorox Company (The)	$18,079,132,351	Dec/2023	$1.08	8	2/02/2023	$0.98
	BALL	Ball Corporation	$17,827,130,639	Dec/2023	$0.77	5	2/02/2023	$0.44
	HOLX	Hologic, Inc.	$17,587,614,558	Dec/2023	$0.95	7	2/01/2023	$1.07
	CMS	CMS Energy Corporation	$16,712,217,117	Dec/2023	$1.04	5	2/02/2023	$0.60
	GEN	Gen Digital Inc.	$15,357,945,021	Dec/2023	$0.45	2	2/02/2023	$0.41
	BIP	Brookfield Infrastructure Partners LP	$14,765,099,220	Dec/2023	$0.79	1	2/02/2023	$0.72
	SWK	Stanley Black & Decker, Inc.	$14,609,044,449	Dec/2023	$0.73	4	2/02/2023	($0.10)

Time	Symbol	Company Name	Market Cap ▾	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
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Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
THURSDAY, FEBRUARY 1						
08:00	**USD** OPEC Meeting				SPEECH	
12:30	**USD** Challenger Job Cuts(Jan)		-	-	-	**34.817K**
13:30	**USD** Continuing Jobless Claims(Jan 19)		-	-	**1.84M**	**1.833M**
13:30	**USD** Initial Jobless Claims(Jan 26)		-	-	**212K**	**214K**
13:30	**USD** Initial Jobless Claims 4-week average(Jan 26)		-	-	-	**202.25K**
13:30	**USD** Unit Labor Costs(Q4) PREL		-	-	**1.7%**	**-1.2%**
13:30	**USD** Nonfarm Productivity(Q4) PREL		-	-	**2.5%**	**5.2%**
14:45	**USD** S&P Global Manufacturing PMI(Jan)		-	-	-	**50.3**
15:00	**USD** Construction Spending (MoM)(Dec)		-	-	**0.5%**	**0.4%**
15:00	**USD** ISM Manufacturing Prices Paid(Jan)		-	-	**46.9**	**45.2**
15:00	**USD** ISM Manufacturing PMI(Jan)		-	-	**47**	**47.4**
15:00	**USD** ISM Manufacturing New Orders Index(Jan)		-	-	-	**47.1**
15:00	**USD** ISM Manufacturing Employment Index(Jan)		-	-	-	**48.1**
15:30	**USD** EIA Natural Gas Storage Change(Jan 26)		-	-	-	**-326B**
16:30	**USD** 4-Week Bill Auction		-	-	-	**5.28%**
20:30	**USD** Total Vehicle Sales(Jan)		-	-	-	**15.8M**

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Market Trading Update

A bit of a hawkish surprise from Jerome Powell yesterday, as he took March rate cuts off the table, sent stocks falling more than 1% for the first time in a while. As we have noted previously, volatility has remained very muted as stock prices ground higher, which sets the table for a decent sell-off.

With the market overbought and deviating above the 50-DMA moving average, we suggested not adding new money to equity exposure until we achieved a better entry point. That correction started yesterday, and we likely have a bit more work to do before we get the next decent opportunity.

With the market sitting on the bottom of the trend channel, and the 20-DMA just below, if the markets can consolidate here and complete the reversal of the overbought condition, that would be bullish. However, a break of the 20-DMA will set the 50-DMA as the next logical target.

TradingView

As noted yesterday, Bonds had another solid day as the Treasury funding statement suggested a switch in duration. We added to bonds in the client?s portfolios, and yesterday?s action confirmed that analysis. Bonds have triggered a MACD *?buy signal?* and taken out important short-term resistance.

TradingView

Jerome Powell And The Fed

The Fed did not change its Fed Funds target but made many changes to the FOMC statement, as shown below. Of note, ?*the risks to achieving its employment and inflation goals are moving into better balance.?* This signifies that monetary policy will not be as heavily guided by inflation. Accordingly, any weakness in the labor markets, coupled with the continued downward trend in price gains, may result in rate cuts. They removed language discussing rate increases, signifying that the tightening bias is gone. The bottom line from the statement is that they are most likely to cut rates but want to buy time to better ensure inflation is tamed.

The following thoughts and quotes are from Jerome Powell?s press conference:

- ?We believe the policy rate is at its peak for the cycle?
- The Fed wants greater confidence that inflation is returning near 2%. They want to see ?more good data.? Strong growth and a robust labor market are not stopping inflation from falling. Ergo, growth is not a hindrance to lower prices.
- The press repeatedly asked why the Fed should continue to hold rates higher. Powell repeatedly answered the Fed wants more confidence that ?inflation is on a sustainable path to 2%.?
- Unexpected weakness in employment would get them to cut rates sooner.
- They know that flat-to-falling rent prices will work themselves into BLS inflation data. It is in their forecast.
- Regarding soft landing: ?I wouldn?t say we?ve achieved that, and I think we have a ways to go.?
- **?I don?t think it?s likely that the committee will reach a level of confidence by the time of the March meeting to identify March as the time to cut, but that?s to be seen.?**
- The risk is not a resurgence in inflation but that price growth remains stubborn at current levels.

Recent indicators suggest that ~~growth of~~ economic activity has ~~slowed from its strong~~been expanding at a solid pace~~ in the third quarter.~~. Job gains have moderated since ~~earlier in the~~early last year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated.

~~The U.S. banking system is sound and resilient. Tighter financial and credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks.~~

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks.

In support of ~~these~~its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. ~~The Committee will continue to assess additional information and its implications for monetary policy. In determining the extent of any additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.~~In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Michael S. Barr; Raphael W. Bostic; Michelle W. Bowman; Lisa D. Cook; ~~Austan D. Goolsbee; Patrick Harker~~Mary C. Daly; Philip N. Jefferson; ~~Neel Kashkari;~~ Adriana D. Kugler; ~~Lorie K. Logan~~Loretta J. Mester; and Christopher J. Waller.

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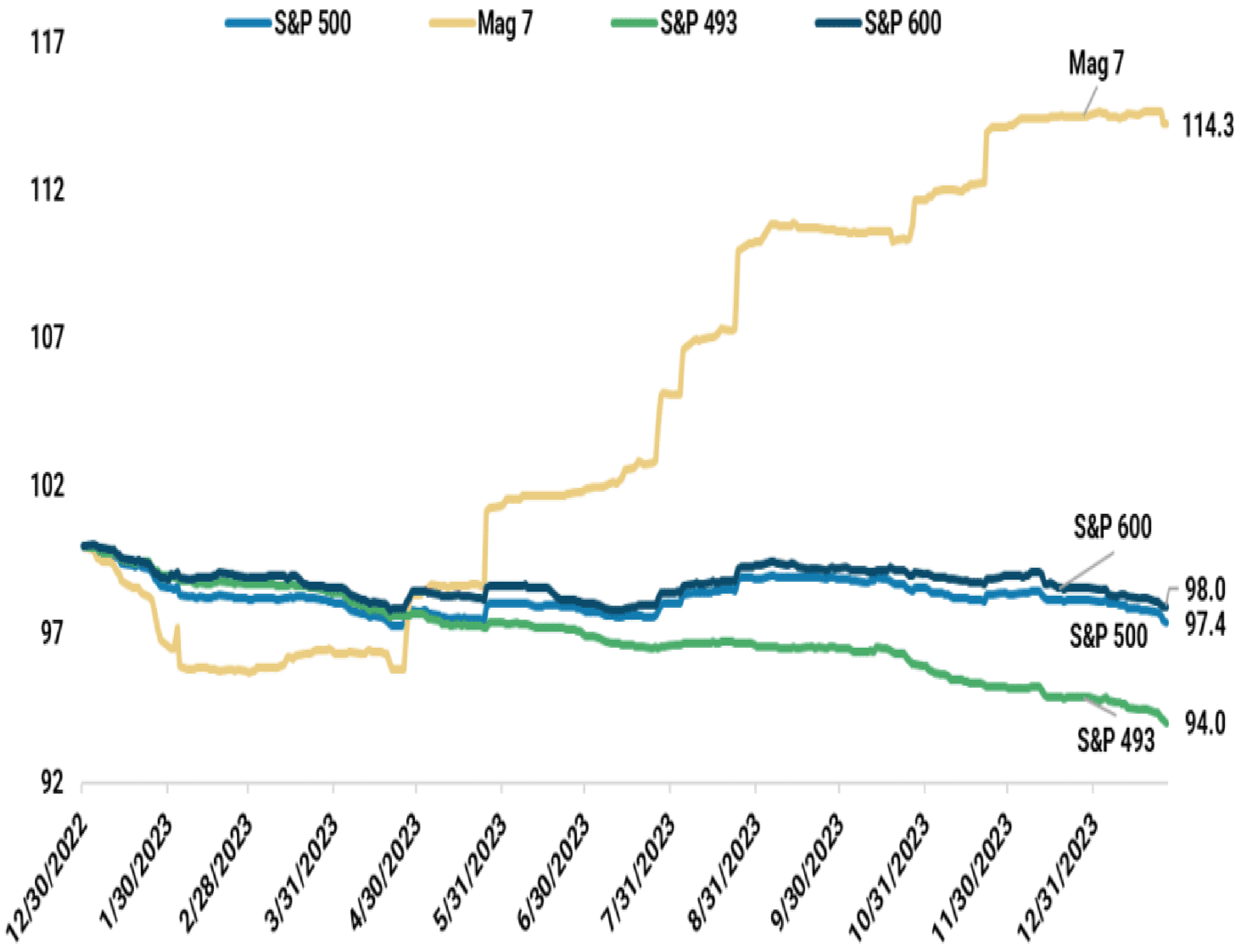
Are The Magnificent 7 Hiding An Earnings Recession?

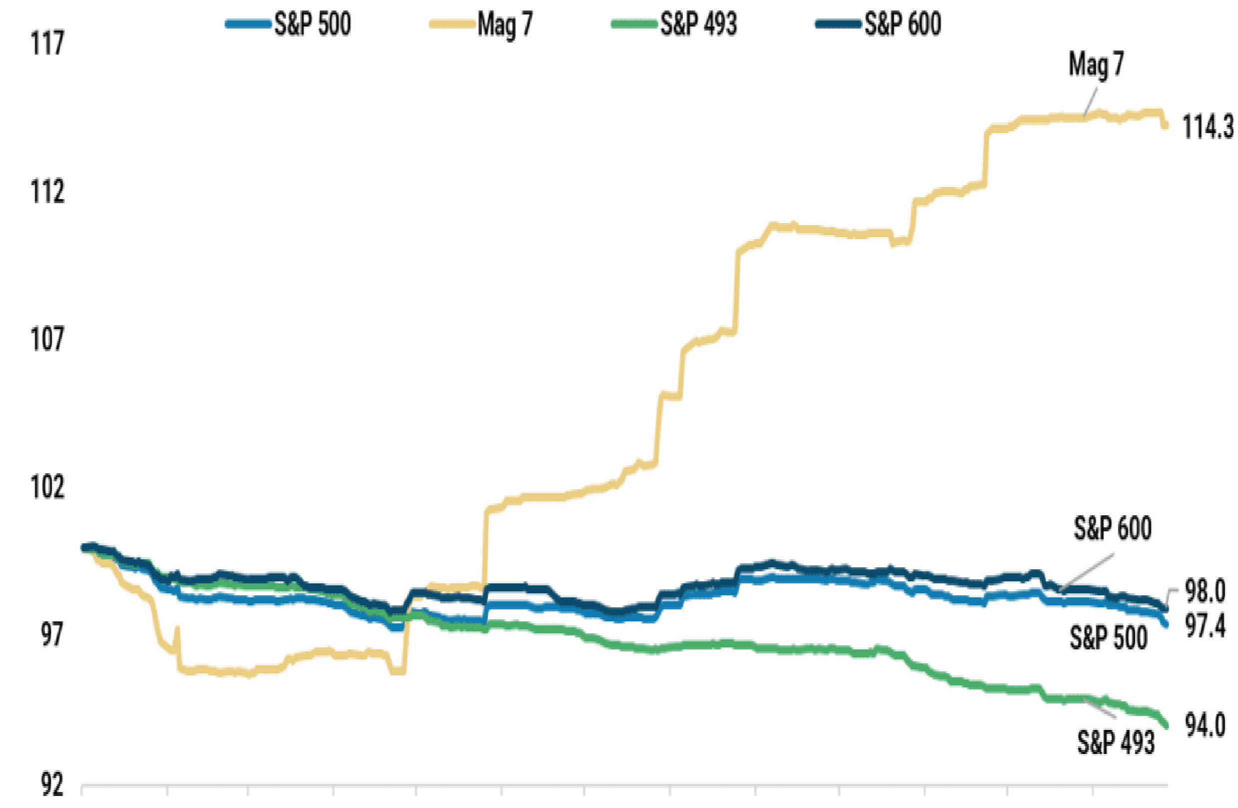
Looking at the market?s performance over the last six months would lead one to believe earnings are doing well. Since bottoming in late October, the S&P 500 is up about 16%. Unfortunately, the recent gain is all about a multiple expansion of the index and the gross earnings outperformance of the Magnificent 7. Since the end of the third quarter, the P/E ratio on the S&P has risen from 23 to 26. The increase is due to rising stock prices and declining earnings. Furthermore, earnings for the index are overstated when considering how dominant the Magnificent 7 stocks are. As shown below, earnings for the Magnificent 7 are up by about 14%, while the S&P 500 has declined by 2%. Stripping out the Magnificent 7, S&P 500 earnings are down 6%.

We often talk about the technical breadth of a market. Recently, the technical breadth has been poor, as witnessed by a few stocks leading the way higher and the share prices for most other stocks languishing. It appears the fundamental breadth is similar!

2024 Net Income



2024 Net Income

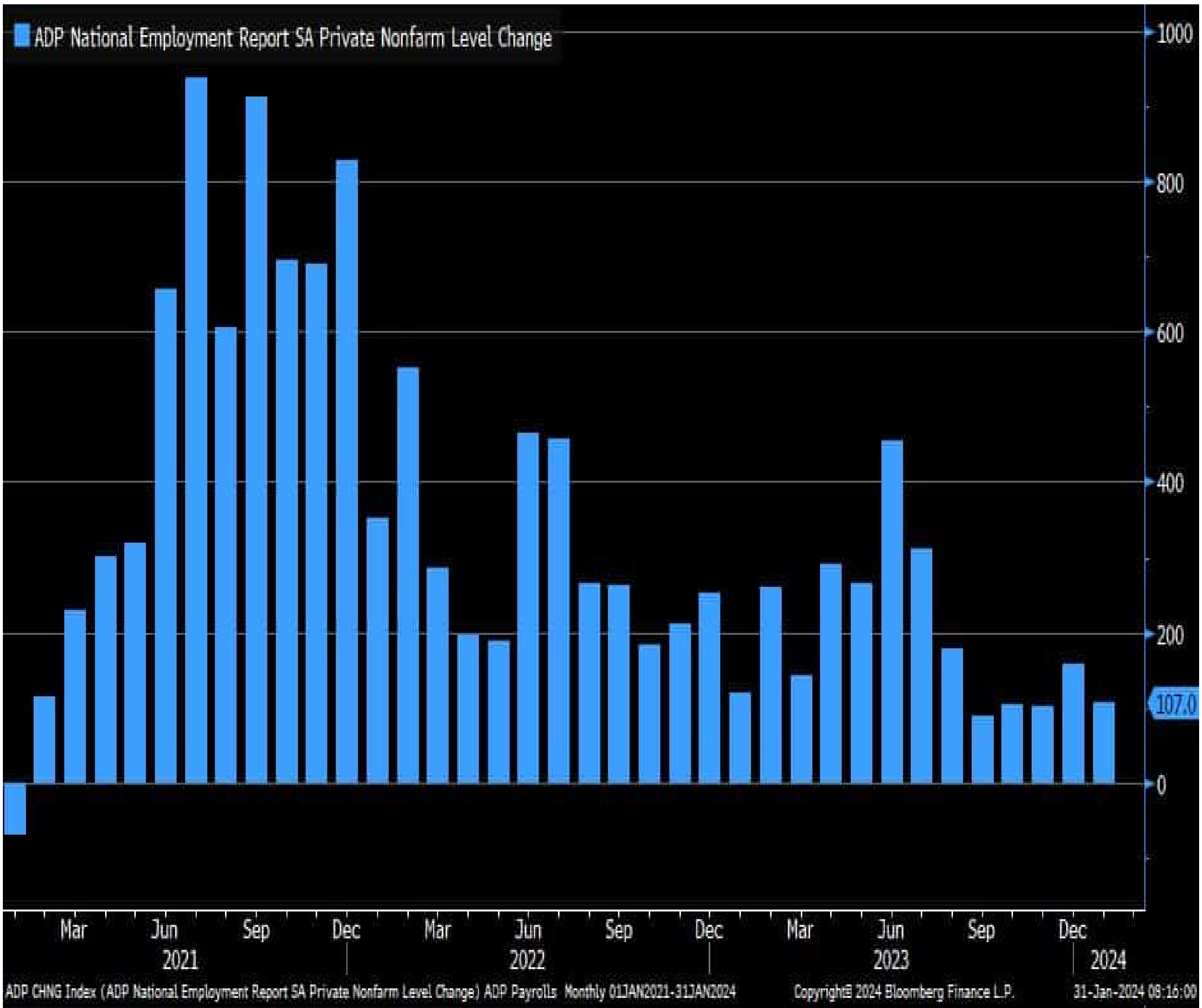


ADP Is Weaker Than Expected

The ADP report, a proxy for Friday?s BLS employment report, disappointed, adding only 107k jobs versus estimates of 162k. Per ADP:

> *The hiring slowdown of 2023 spilled into January, and pressure on wages continues to ease. The pay premium for job-switchers shrank to a new low last month.*

The ADP has recently been reporting much slower job growth than the BLS. As shown below, four of the last five months have been near 100k. On average, the BLS reports the economy added 185k jobs per month over the same period. These two employment gauges were traditionally well correlated. However, since the pandemic, they have diverged. We suspect the BLS will revise their data lower in the coming years to match the ADP more closely. Remember, ADP uses actual client data, while the BLS relies on surveys.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ADP CHNG Index (ADP National Employment Report SA Private Nonfarm Level Change) ADP Payrolls Monthly 01JAN2021-31JAN2024
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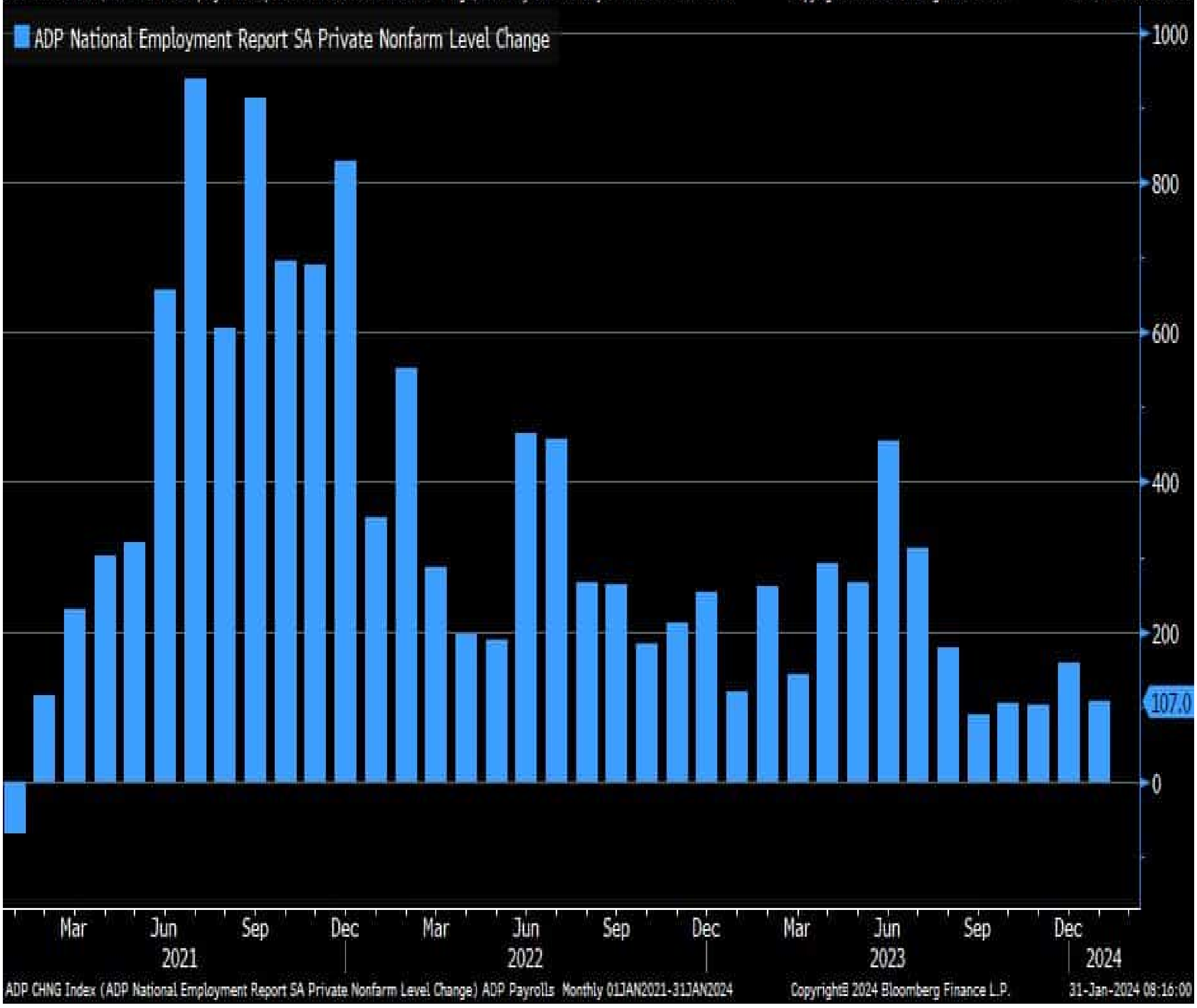
ADP National Employment Report SA Private Nonfarm Level Change
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ADP CHNG Index (ADP National Employment Report SA Private Nonfarm Level Change) ADP Payrolls Monthly 01JAN2021-31JAN2024
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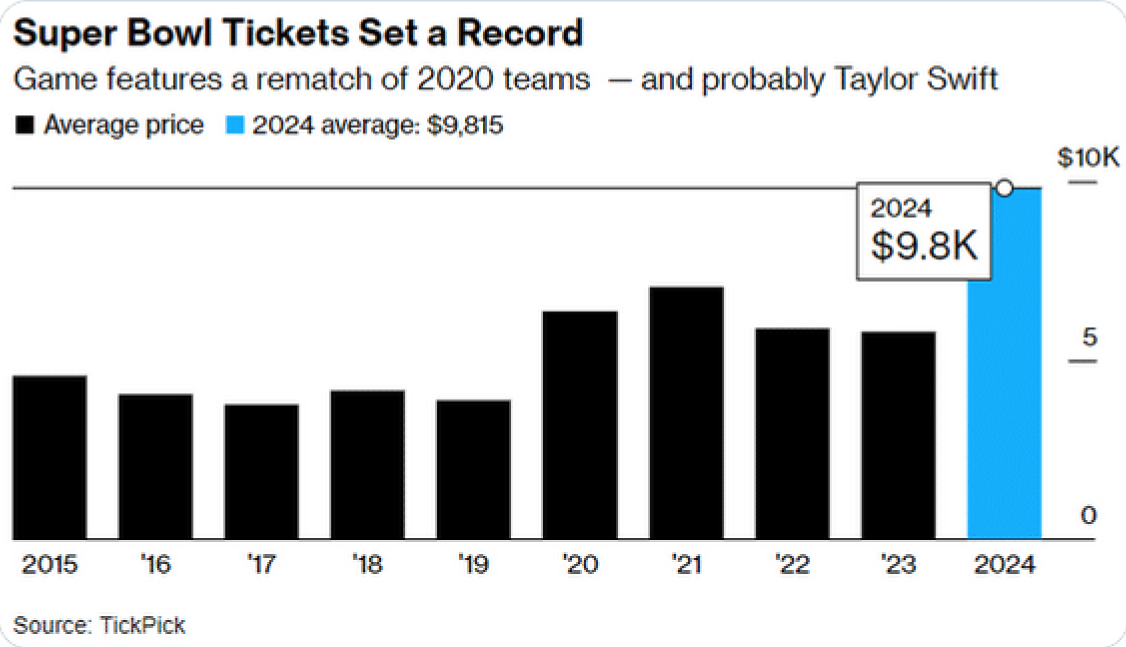
Tweet of the Day

Charlie Bilello
@charliebilello

The average price of a Super Bowl ticket this year has moved up to a record $9,815, 70% above last year's average price and 40% above the previous record set in 2021.



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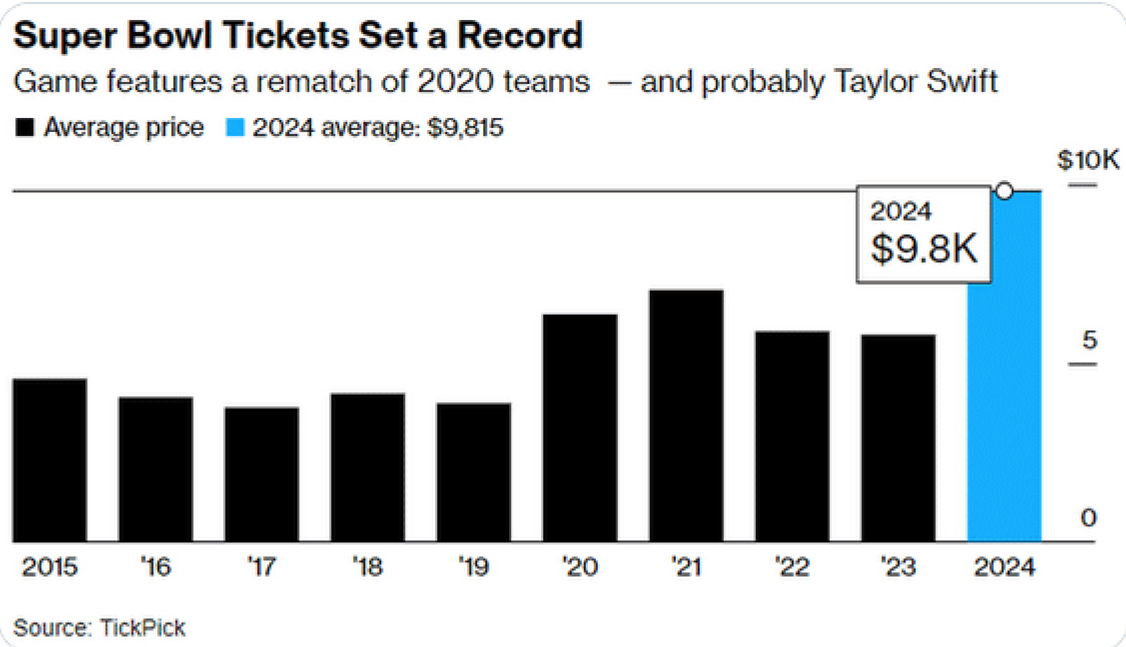

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2024/02/01

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