



The UAW Is Set To Strike

Ford, GM, and Stellantis (Chrysler), aka the "Big 3," are in around-the-clock negotiations with the UAW as they approach a deadline at midnight tonight. Without an agreement by midnight, the UAW will order its members to strike. At risk, potentially 100,000 fewer cars would be produced per week, and nearly 150k workers would be temporarily unemployed. Earlier this week, the UAW turned down a 10% increase in wages. Further, they called the offer from the Big 3 "insulting." That said, the UAW admits they are making headway with the auto companies.

If a strike occurs and lasts over a few weeks, the economy will undoubtedly feel the adverse effects. Consequently, Goldman Sachs forecasts a strike would reduce GDP by 0.05% to 0.10% per week on an annualized basis. A prolonged strike puts the Fed in a bind. A production setback would reduce the supply of cars on the market. In turn, this results in new and used car inflation and also weighs on economic activity. The graph below shows investors in Ford and GM have discounted share prices sharply from early July highs, but they have stabilized recently. Stellantis (STLA) has held up better in the face of a UAW strike. Specific terms of an agreement will likely determine the path for the stocks once the situation is resolved.





















































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*
📈	ADBE	Adobe Inc.	\$258,936,150,000	Aug/2023	\$3.17	11	9/15/2022	\$2.63
📈	CPRT	Copart, Inc.	\$42,893,326,440	Jul/2023	\$0.31	4	9/07/2022	\$0.28
📈	LEN	Lennar Corporation	\$38,925,389,208	Aug/2023	\$3.47	7	9/21/2022	\$5.18
📈	LEN.B	Lennar Corporation	\$31,029,545,520	Aug/2023		11	N/A	\$5.18
📉	NEXT	NextDecade Corporation	\$1,400,283,618	Jun/2023	(\$0.53)	11	N/A	(\$0.13)
📉	MDRX	Veradigm Inc.	\$1,397,432,535	Jun/2023		N/A	8/04/2022	\$0.12
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Economy

Time	Event	Impact	Actual	Dev 	Consensus	Previous	
THURSDAY, SEPTEMBER 14							
12:30	 USD Continuing Jobless Claims(Sep 1)	<div><div></div></div>	-	-	1.695M	1.679M	
12:30	 USD Initial Jobless Claims(Sep 8)	<div><div></div></div>	-	-	225K	216K	
12:30	 USD Initial Jobless Claims 4-week average(Sep 8)	<div><div></div></div>	-	-	- 229.25K		
12:30	 USD Producer Price Index (MoM)(Aug)	<div><div></div></div>	-	-	0.4%	0.3%	
12:30	 USD Producer Price Index (YoY)(Aug)	<div><div></div></div>	-	-	1.2%	0.8%	
12:30	 USD Producer Price Index ex Food & Energy (YoY)(Aug)	<div><div></div></div>	-	-	2.2%	2.4%	
12:30	 USD Retail Sales (MoM)(Aug)	<div><div></div></div>	-	-	0.2%	0.7%	
12:30	 USD Retail Sales Control Group(Aug)	<div><div></div></div>	-	-	-	1%	
12:30	 USD Retail Sales ex Autos (MoM)(Aug)	<div><div></div></div>	-	-	0.4%	1%	
14:00	 USD Business Inventories(Jul)	<div><div></div></div>	-	-	0.1%	0%	
14:30	 USD EIA Natural Gas Storage Change(Sep 8)	<div><div></div></div>	-	-	-	33B	
15:30	 USD 4-Week Bill Auction	<div><div></div></div>	-	-	-	5.28%	

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Market Trading Update

Despite the CPI rise yesterday, the bond and stock market responded positively. Stocks traded mostly higher during the day, and bonds, which started off weak, rallied into the close. Yesterday's action did nothing to change our outlook short-term, and the data suggests the Fed will likely remain on hold for now. Today is the PPI reading, which, like CPI, the Fed will look at the core reading. If PPI comes in hotter than expected, we could see pressure on both stocks and bonds. Trading volumes remain light, so a pick-up in volatility is certainly likely short-term. For now, keep a watch on the bullish trend line as an indicator for a change from the current bullish outlook to more bearish.



TradingView





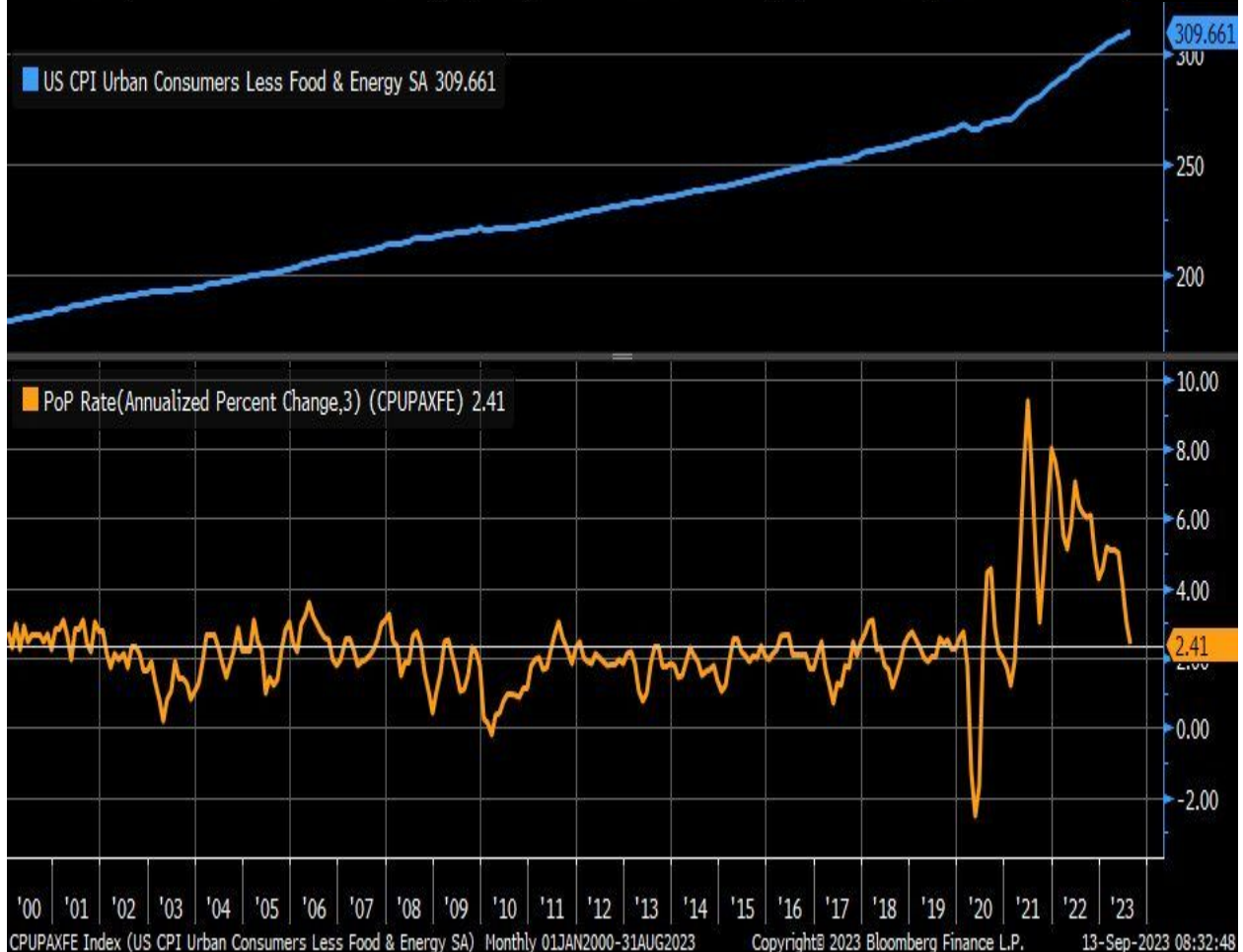
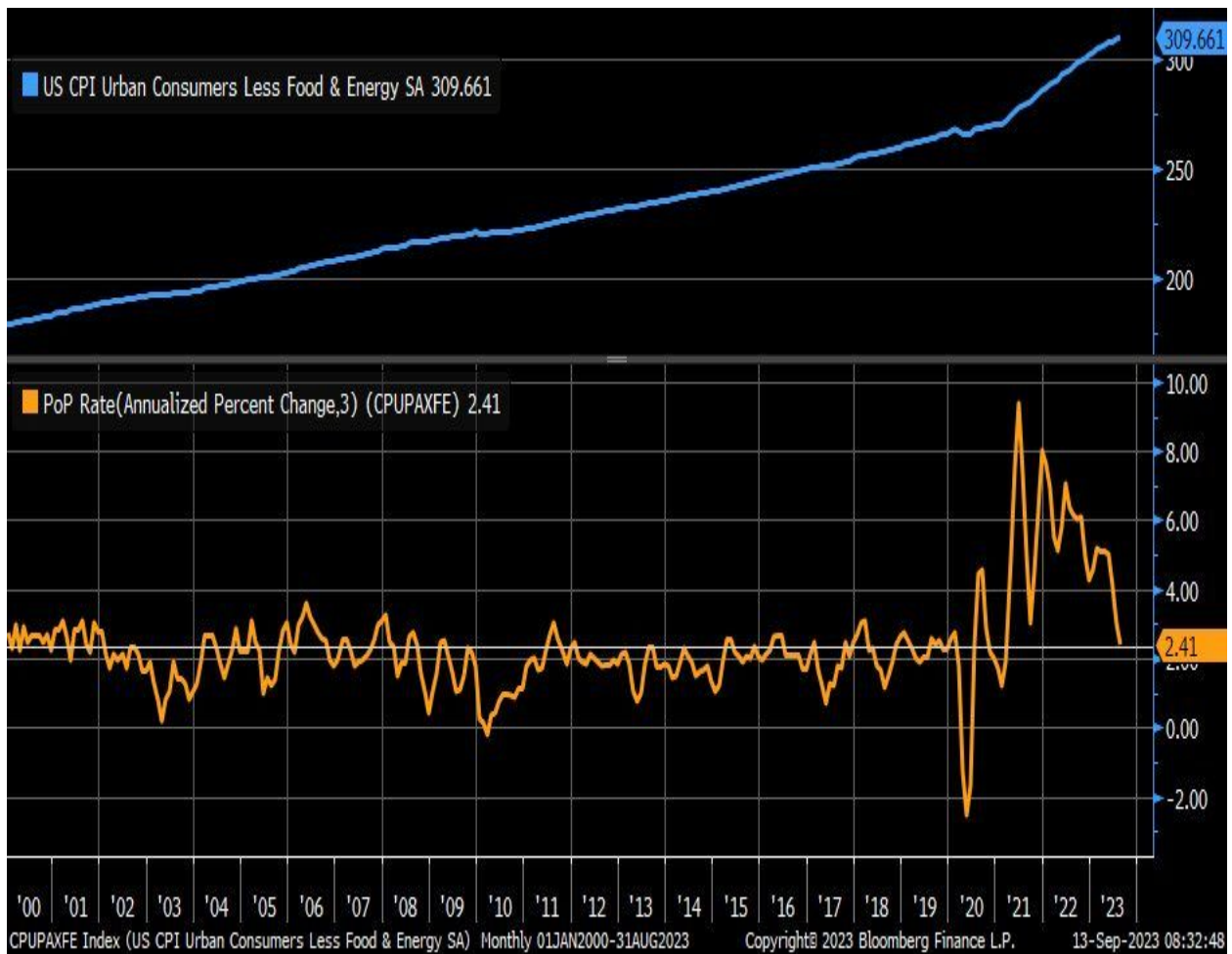
CPI Rising, But Core CPI Is Falling

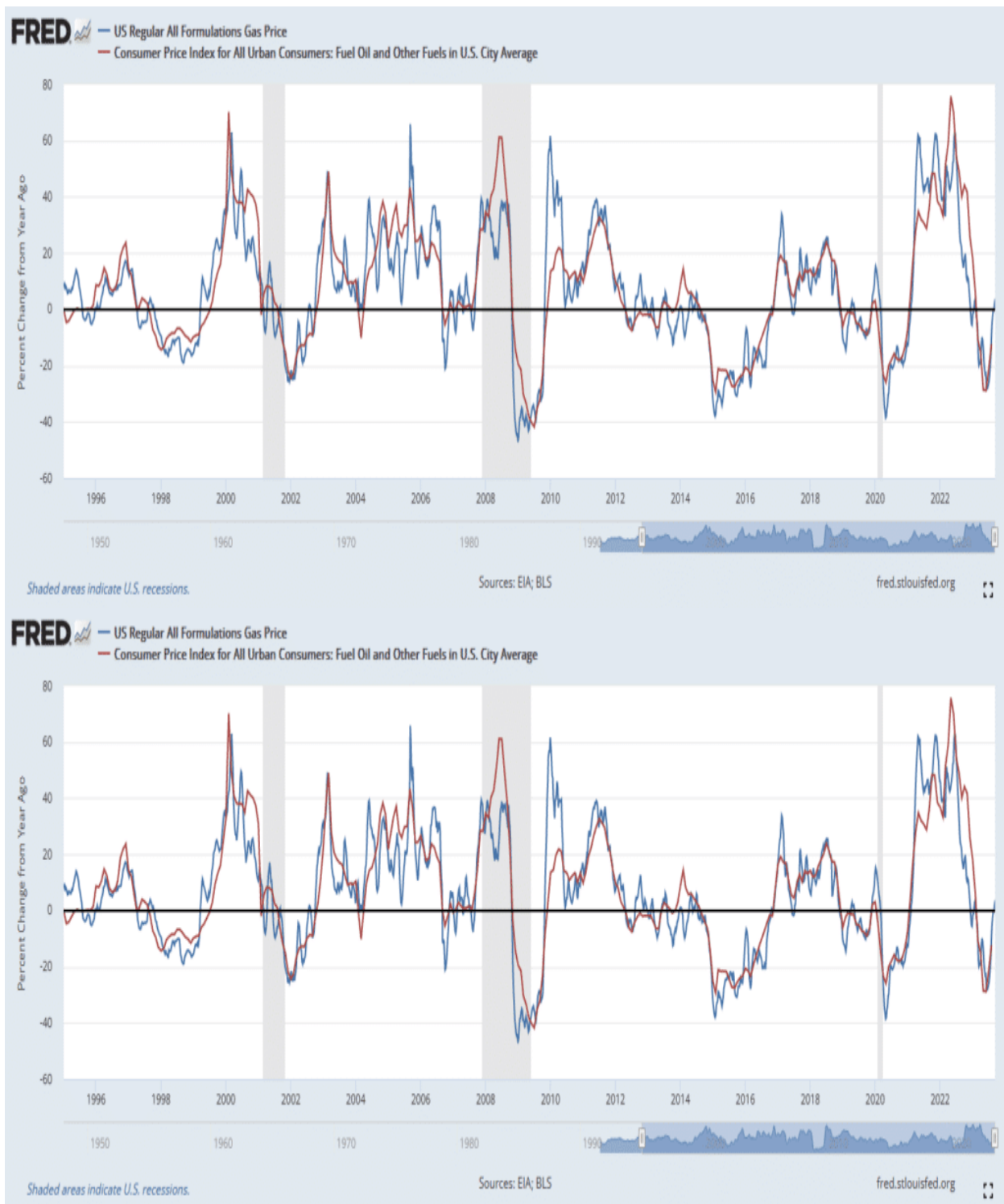
The bad news in yesterday's CPI report is that the monthly rate of CPI for August rose 0.6%, which equates to 7.2% on an annualized basis. A sharp increase was expected. Year over year, CPI rose to 3.7%. The good news is that core inflation (excluding food and energy), the Fed's preferred gauge, was only up 0.3% monthly, and it continues to fall on a year-over-year basis, from 4.7% to 4.3%.

Gasoline and food prices were primarily responsible for the jump from the prior month. In fact, gasoline accounted for over 50% of the increase. Interestingly, commodities less food and energy fell for the third month in a row. The second graph below shows fuel prices may continue to rise in the next couple of CPI reports as they lag actual fuel prices.

Most investors and economists focus on monthly and yearly data. However, we feel the best gauge is annualizing the most recent three months of data. Such a calculation captures current inflation trends but is not overly impacted by single-month anomalies or events from a year ago. As shown below in orange, this method highlights that the annualized three-month rate of CPI inflation is 2.41% and back within the pre-pandemic range.

Despite the increase in CPI, the market still assigns a meager 5% chance the Fed will hike rates next week. Following the inflation data, the odds of a rate hike in November increased slightly from 40% to 44%. Further, the stock and bond markets didn't seem concerned with the data.





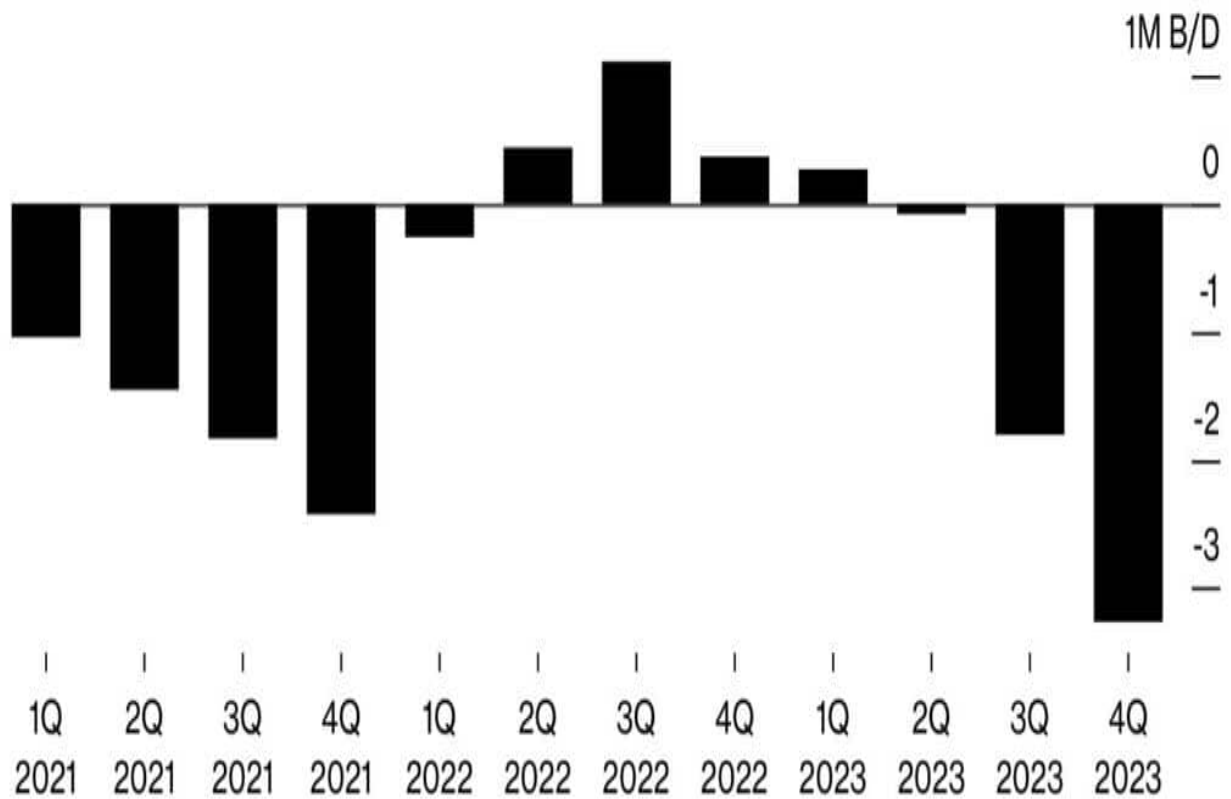
Oil Supply Squeeze

Given supply-demand dynamics, the rising oil prices, as documented above, should not be surprising. The Saudi and Russian production cuts, the limited ability of the administration to release more oil from the strategic reserves (SPR), and reduced investments in new production due to tighter regulations and the push for alternatives are resulting in a lack of supply. Per the Bloomberg graph below, global oil markets face a supply shortfall of more than 3 million barrels a day next quarter. They claim it is potentially the biggest deficit in more than a decade.

The second graph shows that the SPR, America's oil piggy bank, only has 760 million barrels of oil, equating to about 45 days worth.

Oil Supply Squeeze

OPEC data indicate a growing supply shortfall

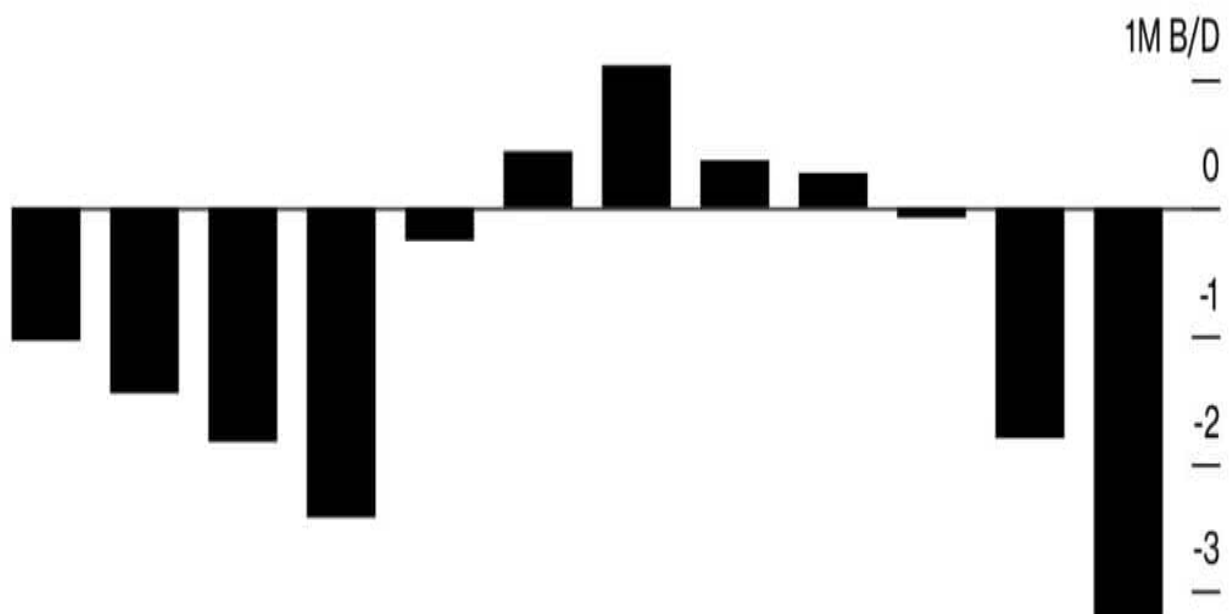


Source: OPEC

Note: Figures for 3Q and 4Q 2023 assume OPEC holds output steady for remainder of year.

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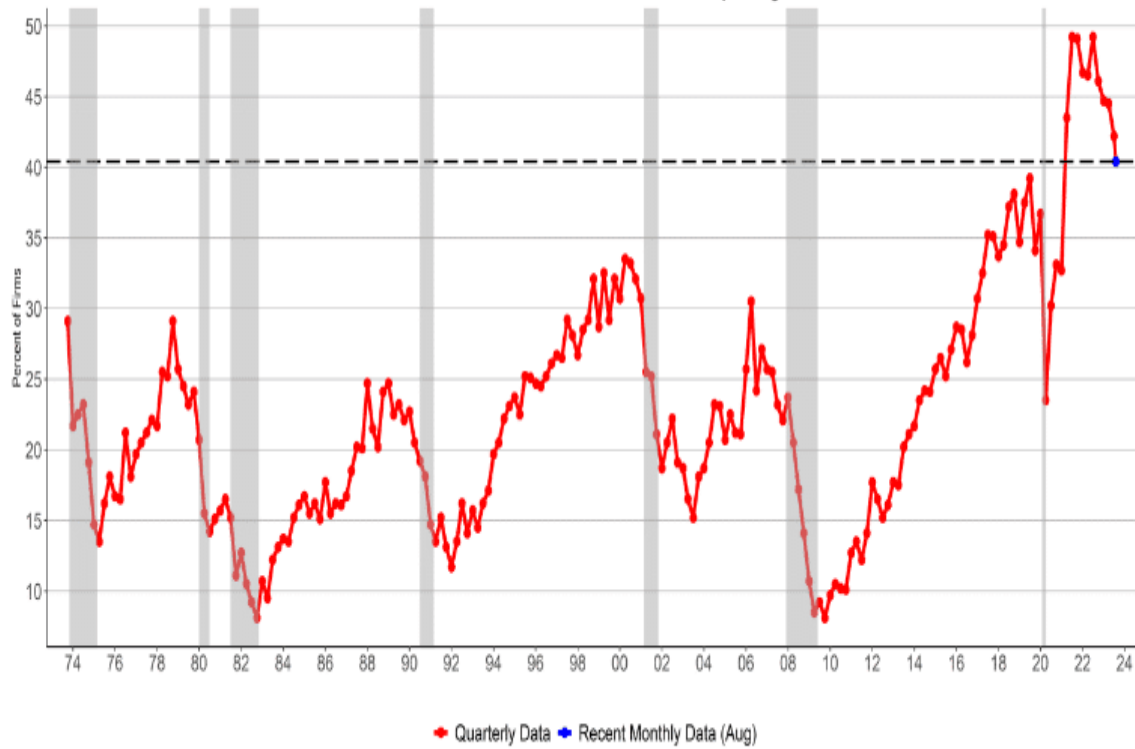
Small Business Point to Slowing Job Market

The latest [NFIB survey](#) shows a weakening labor market among small businesses. Small businesses account for almost 50% of the workforce. The percentage of those surveyed with at least one unfilled job opening is down to 40%, slightly above where it stood on the eve of the pandemic. Recently, labor productivity has been declining. The NFIB report helps explain why. Per the report, 24% of firms report labor quality as their number one problem, and 8% say labor costs are their biggest problem. Both reside very close to 50-year highs.

The second graph, Courtest of Ed Yardeni, shows the strong inverse correlation between NFIB job openings and unemployment. Assuming it holds, unemployment should rise, and a recession is likely to follow. Further supporting evidence for a weaker job market, the third graph shows that job creation plans are at eight-year lows.

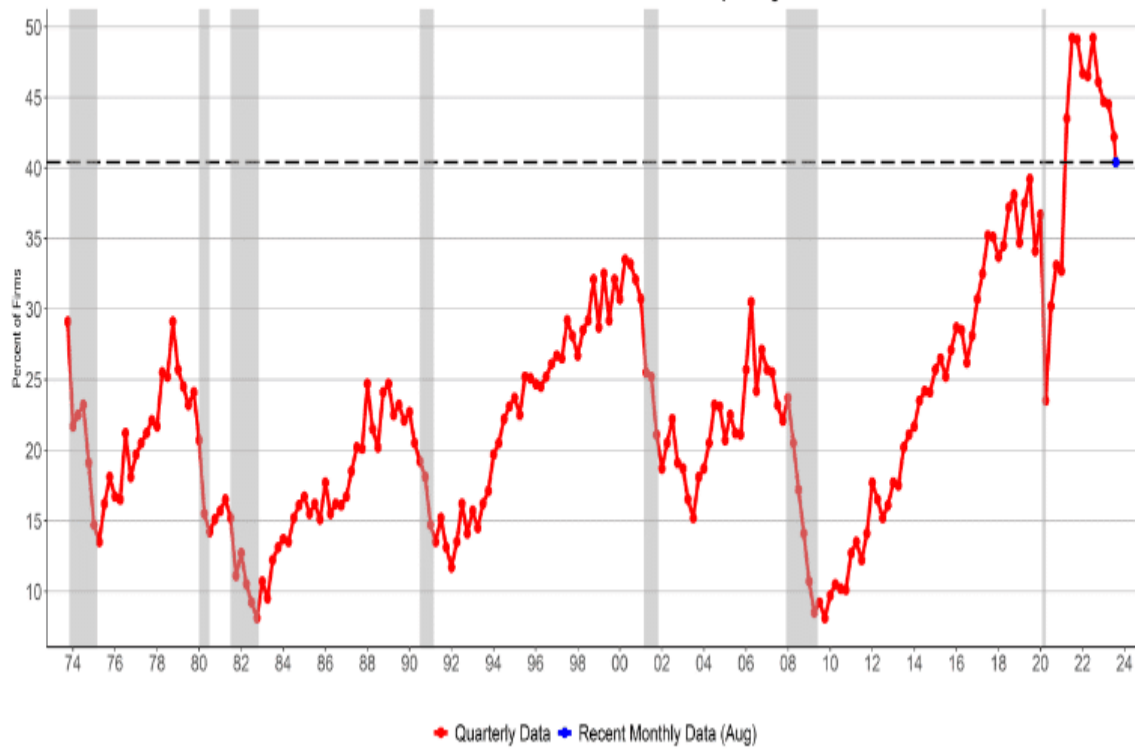
Unfilled Job Openings

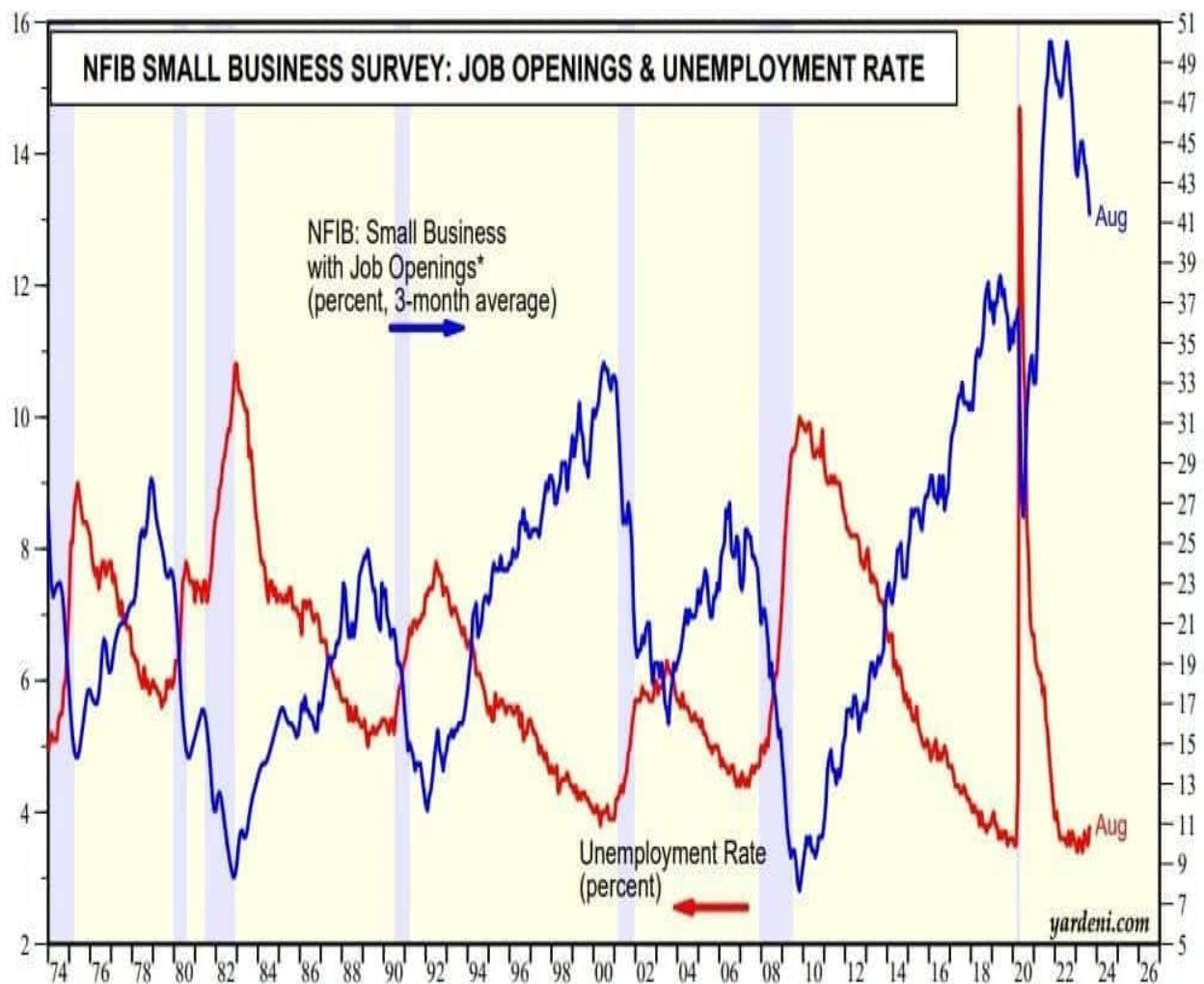
Percent with at Least One Unfilled Opening



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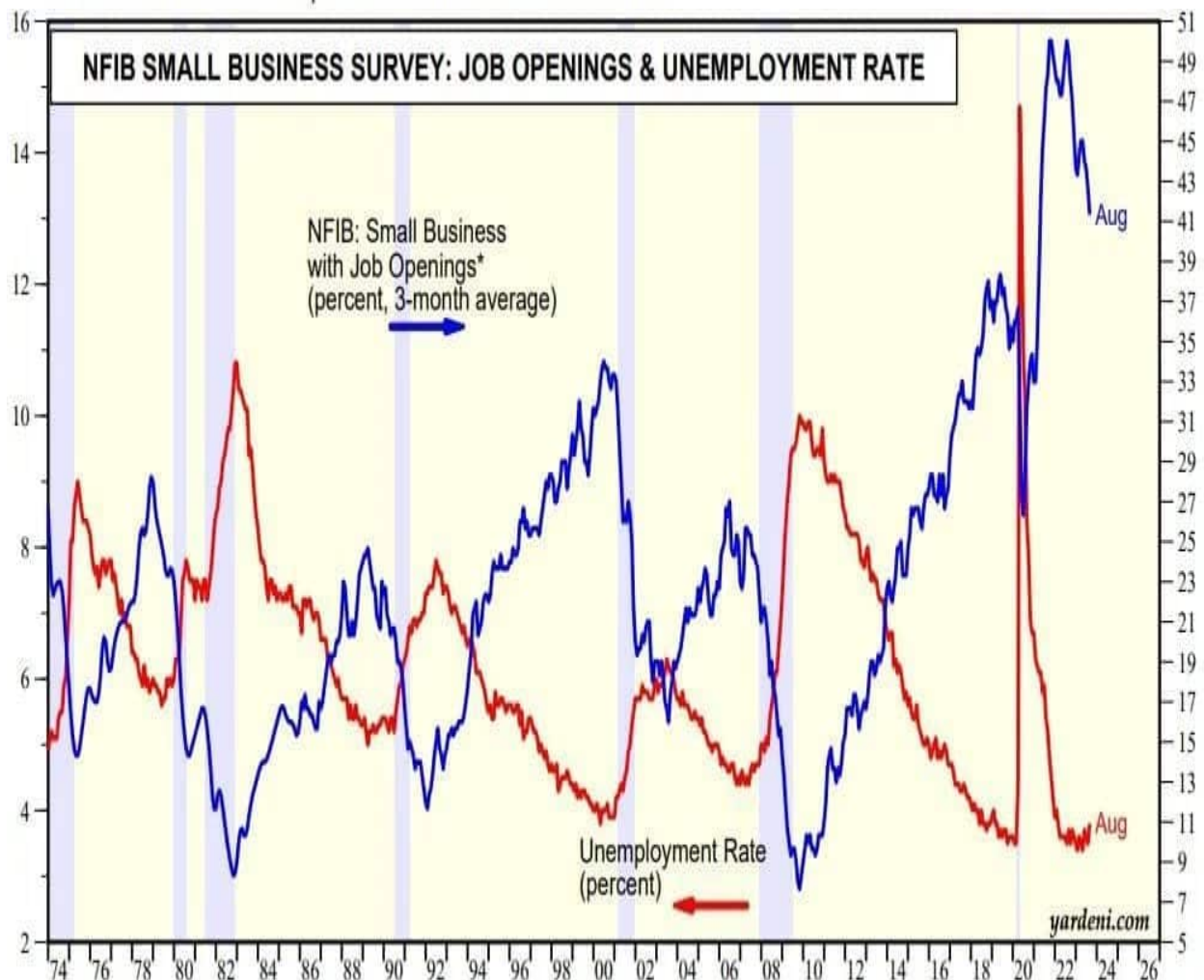




* First month of every quarter from 1974 to 1986, then monthly.

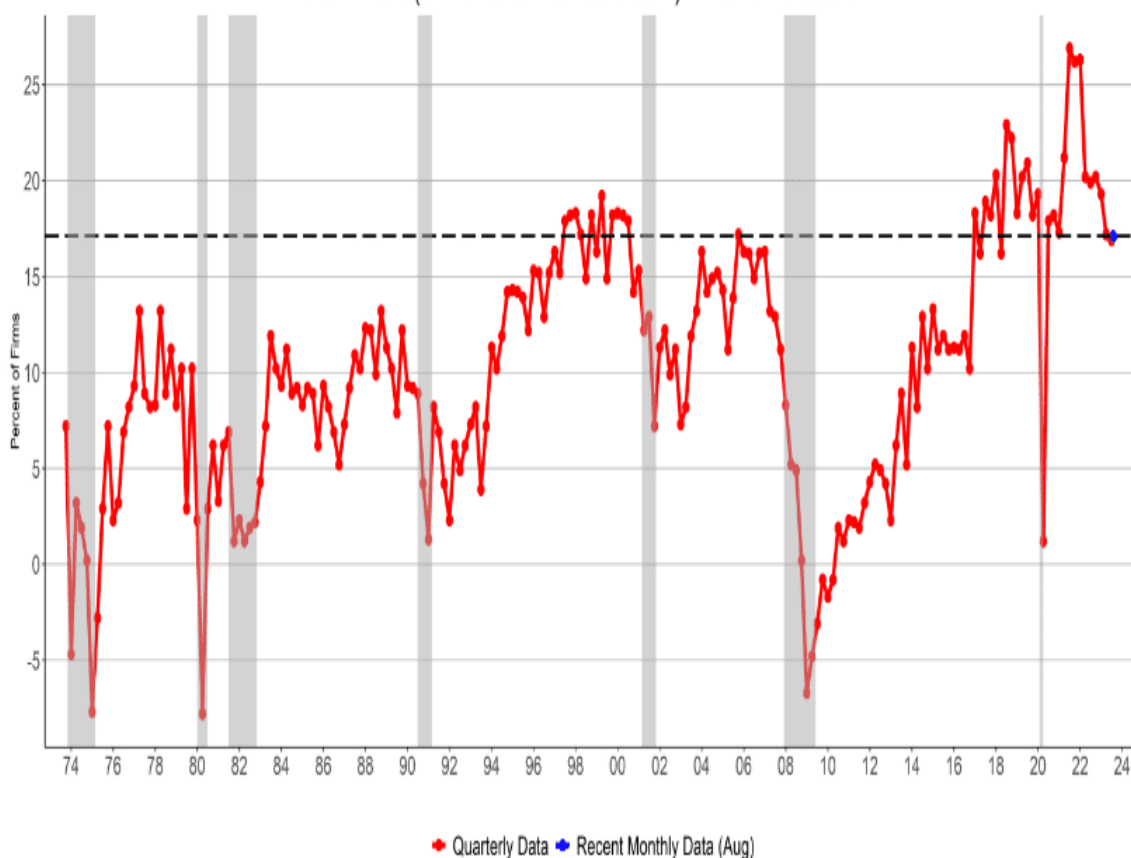
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Source: National Federation of Independent Business and Bureau of Labor Statistics.



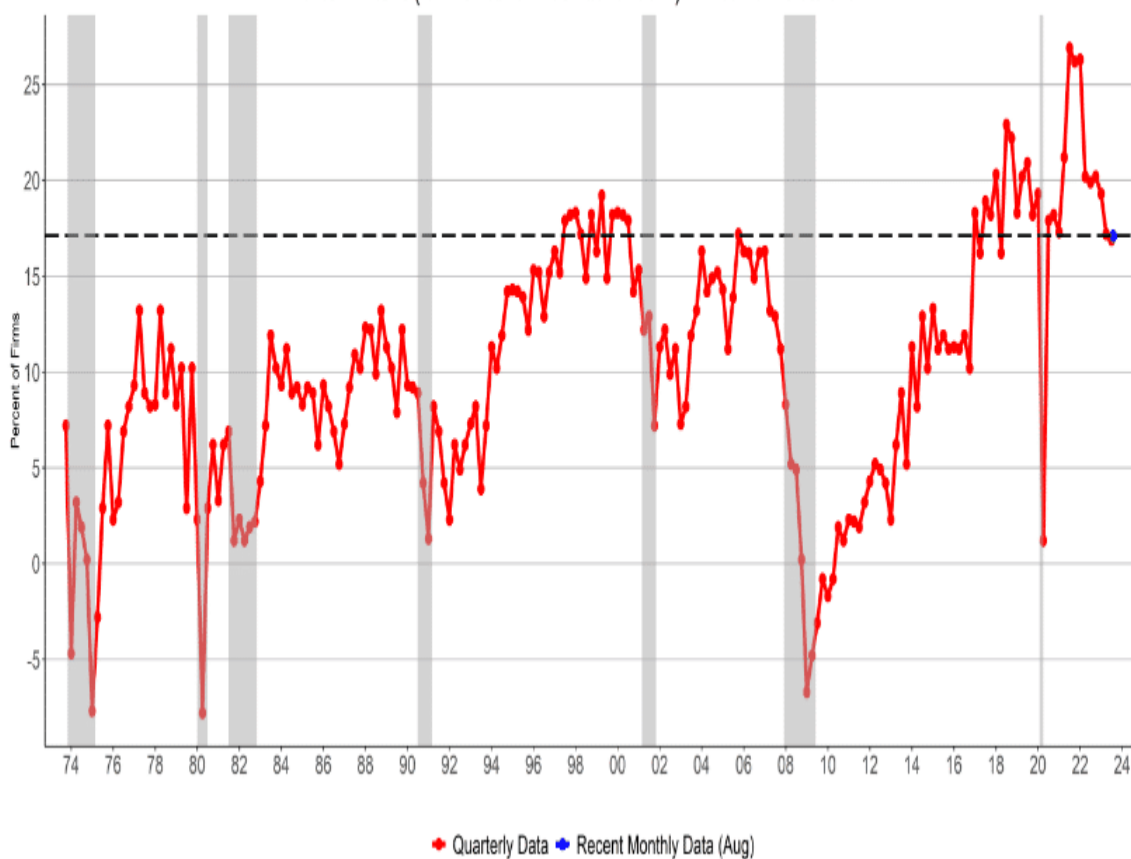
Job Creation Plans

Net Percent ("Increase" minus "Decrease") in Next Three Months



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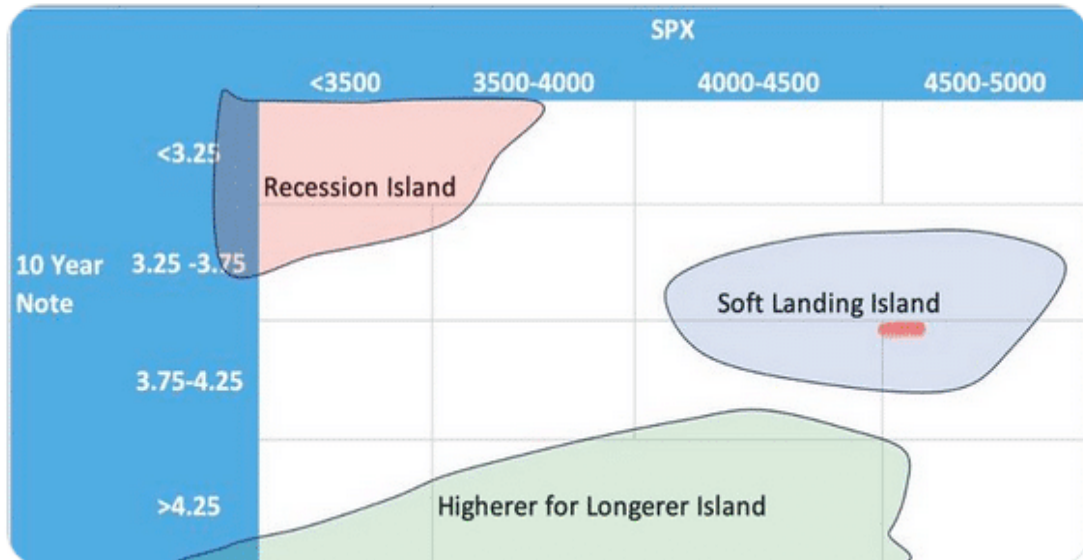
Tweet of the Day



Andy Constan ✓ @dampedspring · 34m

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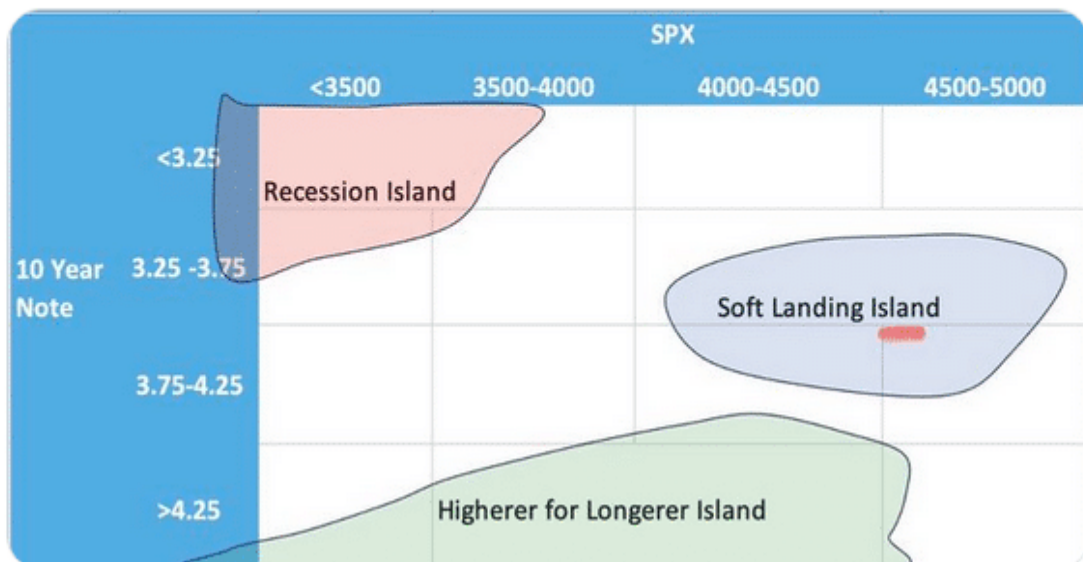
Market prices are mid island at this stage. Equity bulls want a high cpi and head to the east coast beaches of 12% Earnings growth cove. "The script" takes place on the north west coast where after the high season over the next 9 months everyone heads to recession island



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