



Will Halloween Fear Bring November Cheer For Bondholders?

The last two Halloweens capped off a few frightful months for bondholders. However, as we share below, 10-year bond yields reversed course on Halloween in 2022 and 2023. Will 2024's harrowing October for bondholders end with Halloween's ghosts and goblins? Accordingly, will November be better for bonds as it has been for the last two years?

Despite the eerie correlation highlighted below, Halloween is insignificant to the bond market. However, what does matter is a slew of negative narratives about bond market fundamentals that cause fear in some bond investors. Additionally, famed investors Paul Tudor Jones and Stanley Druckenmill boost the fear as they publically "talk their books." To help you navigate this tricky market, we add context around the recent bond bearish arguments to better appreciate what is happening with bond yields.

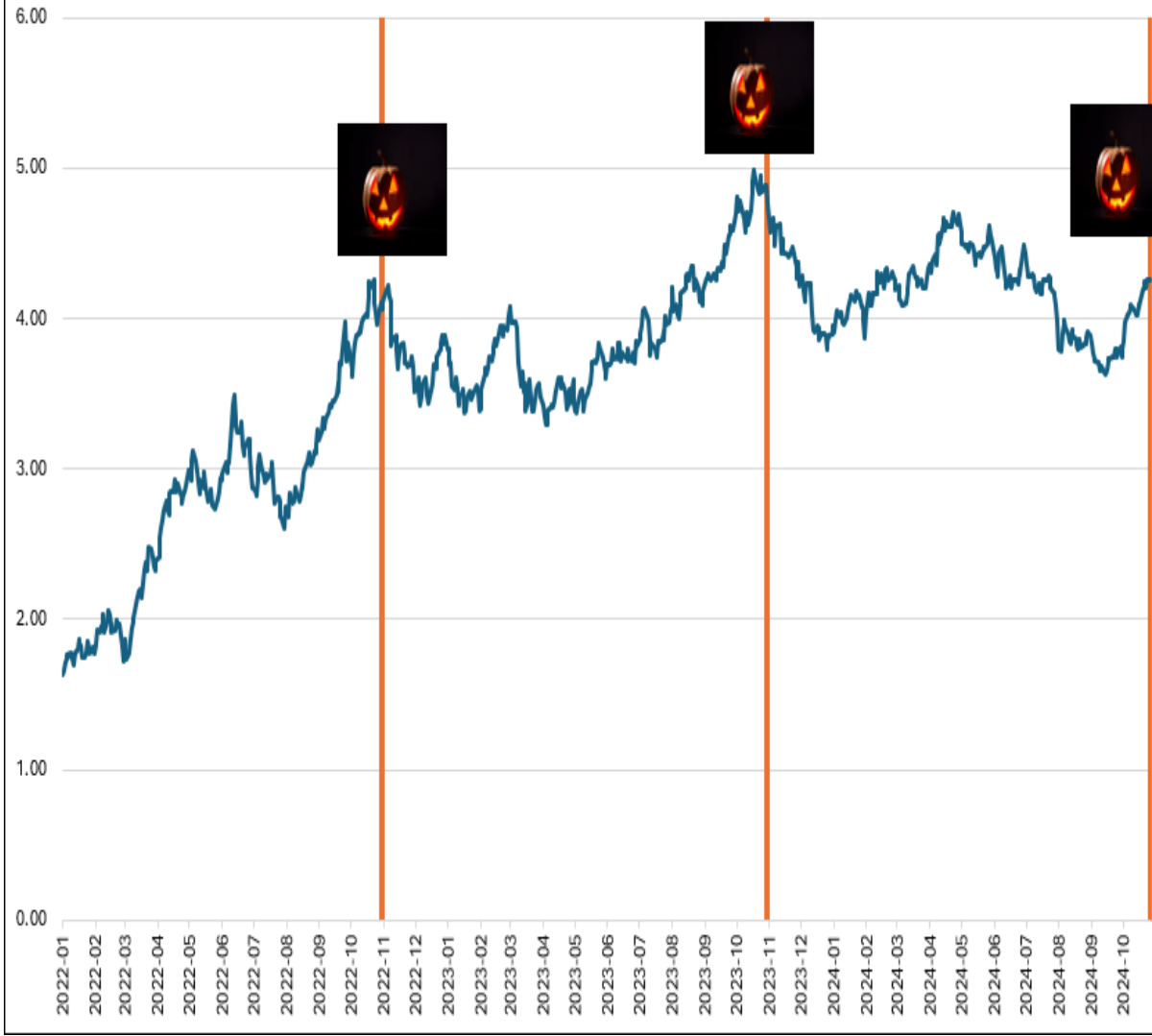
To wit:

The economy is about \$8 trillion, or 33%, larger than it was on the eve of the Pandemic. Therefore, it's not surprising the amount of debt has grown commensurate with that amount.

Following Japan's path seems awfully bullish strictly from a bond holder's perspective.

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Halloween Fear Brings November Cheer



What To Watch Today

Earnings

Thursday Oct 31	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
Apple AAPL.US		1.60	1.46		94.4B	89.5B	\$3.6T	Q4	PM	★	🔔
Amazon AMZN.US		1.14	0.94		157.25B	143.1B	\$1.97T	Q3	PM	★	🔔
Mastercard MA.US		3.74	3.39		7.26B	6.5B	\$476.83B	Q3	AM	★	🔔
Merck MRK.US		1.50	2.13		16.45B	16B	\$264.71B	Q3	AM	★	🔔
Linde LIN.US		3.90	3.63		8.4B	8.2B	\$228.73B	Q3	PM	★	🔔
Comcast CMCSA.US		1.06	1.08		31.78B	30.12B	\$168.21B	Q3	AM	★	🔔
Uber UBER.US		0.37	0.10		10.99B	9.3B	\$165.62B	Q3	AM	★	🔔
TotalEnergies SE TTE.FP		1.82	2.57		44.45B	53.44B	\$151.42B	Q3		★	🔔
ConocoPhillips COP.US		1.67	2.16		13.98B	14.75B	\$121.38B	Q3	PM	★	🔔
Bristol-Myers Squibb BMY.US		1.50	2.00		11.26B	11B	\$106.51B	Q3	AM	★	🔔
Regeneron Pharmaceuticals		11.72	11.59		3.66B	3.36B	\$102.02B	Q3	PM	★	🔔
Southern SO.US		1.35	1.42		7.14B	7B	\$98.62B	Q3	AM	★	🔔
Intel INTC.US		-0.02	0.41		13.02B	14.2B	\$97.35B	Q3	AM	★	🔔
Intercontinental Exchange IC		1.55	1.46		2.35B	2B	\$95.52B	Q3	AM	★	🔔
China Yangtze Power 600900.C		0.66	0.52		33.76B	26.88B	\$94.73B	Q3	AM	★	🔔
Cigna CI.US		7.23	6.77		59.64B	49.05B	\$91.5B	Q3	AM	★	🔔
Altria MO.US		1.35	1.28		5.32B	5.28B	\$89.79B	Q3	AM	★	🔔
BNP Paribas BNP.FP		2.45	2.17		12.02B	11.58B	\$81.6B	Q3		★	🔔
Parker-Hannifin PH.US		6.14	5.69		4.9B	4.85B	\$79.9B	Q1	PM	★	🔔
Intesa Sanpaolo ISP.IM		0.13	0.10		6.59B	6.37B	\$78.23B	Q3		★	🔔
Daichi Sankyo 4568.JP		24.63	20.85		431.17B	375.51B	\$61.46B	Q2	AM	★	🔔
Banco Bilbao Vizcaya Argen		0.41	0.34		8.59B	7.96B	\$56.88B	Q3		★	🔔
Monster Beverage MNST.US		0.43	0.43		1.91B	1.86B	\$55.64B	Q3	AM	★	🔔
Industrial Bank 601166.CH		0.99	1.23		50.55B	50.25B	\$55.18B	Q3	AM	★	🔔
Grainger GWW.US		9.97	9.43		4.4B	4.2B	\$54.33B	Q3	AM	★	🔔
Japan Tobacco 2914.JP		87.74	87.31		823.45B	764.21B	\$48.88B	Q3	AM	★	🔔
Quanta Services PWR.US		2.69	2.24		6.56B	5.62B	\$45.64B	Q3	PM	★	🔔
Haleon HLN.LN		0.05	0.05		2.89B	2.8B	\$44.61B	Q3		★	🔔
Takeda 4502.JP		34.50	-31.00		1.09T	1.04T	\$43.33B	Q2	AM	★	🔔
CaixaBank CABK.SM		0.21	0.20		4.05B	4.00B	\$43.31B	Q3		★	🔔
Cheniere Energy LNG.US		1.90	7.03		3.73B	4.2B	\$43.06B	Q3	PM	★	🔔
Shanghai Pudong 600000.CH		0.28	0.12			41.59B	\$40.97B	Q3	AM	★	🔔
Denso 6902.JP		37.01	27.87		1.78T	1.80T	\$40.72B	Q2	AM	★	🔔
IQVIA Holdings IQV.US		2.81	2.49		3.86B	3.74B	\$39.26B	Q3	AM	★	🔔
Ingersoll Rand IR.US		0.81	0.77		1.87B	1.74B	\$39.16B	Q3	AM	★	🔔
Ametek AME.US		1.62	1.64		1.71B	1.62B	\$38.87B	Q3	AM	★	🔔
Beijing-Shanghai High Speed		0.08	0.08		13.02B	11.6B	\$38.56B	Q3	AM	★	🔔
Idexx Laboratories IDXX.US		2.68	2.53		979.98M	916M	\$37.51B	Q3	AM	★	🔔
Canadian Natural Resources		0.92	2.59		9.03B	9.9B	\$37.18B	Q3	PM	★	🔔
Anylam Pharmaceuticals AL		-0.93	1.74		532.36M	750.5M	\$36.01B	Q3	AM	★	🔔
Consolidated Edison ED.US		1.59	1.62		4.06B	3.87B	\$35.85B	Q3	PM	★	🔔
Ambev ABEV3.BS		0.23	0.25		22.14B	20.32B	\$35.78B	Q3		★	🔔
Fujitsu 6702.JP		18.19	177.61		919.47B	912.26B	\$35.67B	Q2	AM	★	🔔
Xcel Energy XEL.US		1.26	1.23		3.93B	3.66B	\$35.43B	Q3	AM	★	🔔
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Economy

Thursday October 31 2024			Actual	Previous	Consensus	Forecast		
06:30 AM	US	Challenger Job Cuts <small>OCT</small>		72.821K		95K		
07:30 AM	US	Core PCE Price Index MoM <small>SEP</small>		0.1%	0.3%	0.1%		
07:30 AM	US	Personal Income MoM <small>SEP</small>		0.2%	0.3%	0.2%		
07:30 AM	US	Personal Spending MoM <small>SEP</small>		0.2%	0.4%	0.4%		
07:30 AM	US	Employment Cost - Benefits QoQ <small>Q3</small>		1%		0.8%		
07:30 AM	US	Employment Cost - Wages QoQ <small>Q3</small>		0.9%		0.7%		
07:30 AM	US	Employment Cost Index QoQ <small>Q3</small>		0.9%	0.9%	0.7%		
07:30 AM	US	Initial Jobless Claims <small>OCT/26</small>		227K	230K	228.0K		
07:30 AM	US	PCE Price Index MoM <small>SEP</small>		0.1%	0.2%	0.1%		
07:30 AM	US	PCE Price Index YoY <small>SEP</small>		2.2%	2.1%	2.1%		
07:30 AM	US	Continuing Jobless Claims <small>OCT/19</small>		1897K	1890K	1880.0K		
07:30 AM	US	Core PCE Price Index YoY <small>SEP</small>		2.7%	2.6%	2.7%		
07:30 AM	US	Jobless Claims 4-week Average <small>OCT/26</small>		238.5K		238.0K		
08:45 AM	US	Chicago PMI <small>OCT</small>		46.6	47	47.5		
09:30 AM	US	EIA Natural Gas Stocks Change <small>OCT/25</small>		80Bcf	79Bcf			
10:30 AM	US	4-Week Bill Auction		4.650%				
10:30 AM	US	8-Week Bill Auction		4.590%				
11:00 AM	US	15-Year Mortgage Rate <small>OCT/30</small>		5.71%				
11:00 AM	US	30-Year Mortgage Rate <small>OCT/30</small>		6.54%				
03:30 PM	US	Fed Balance Sheet <small>OCT/30</small>		\$7.03T				
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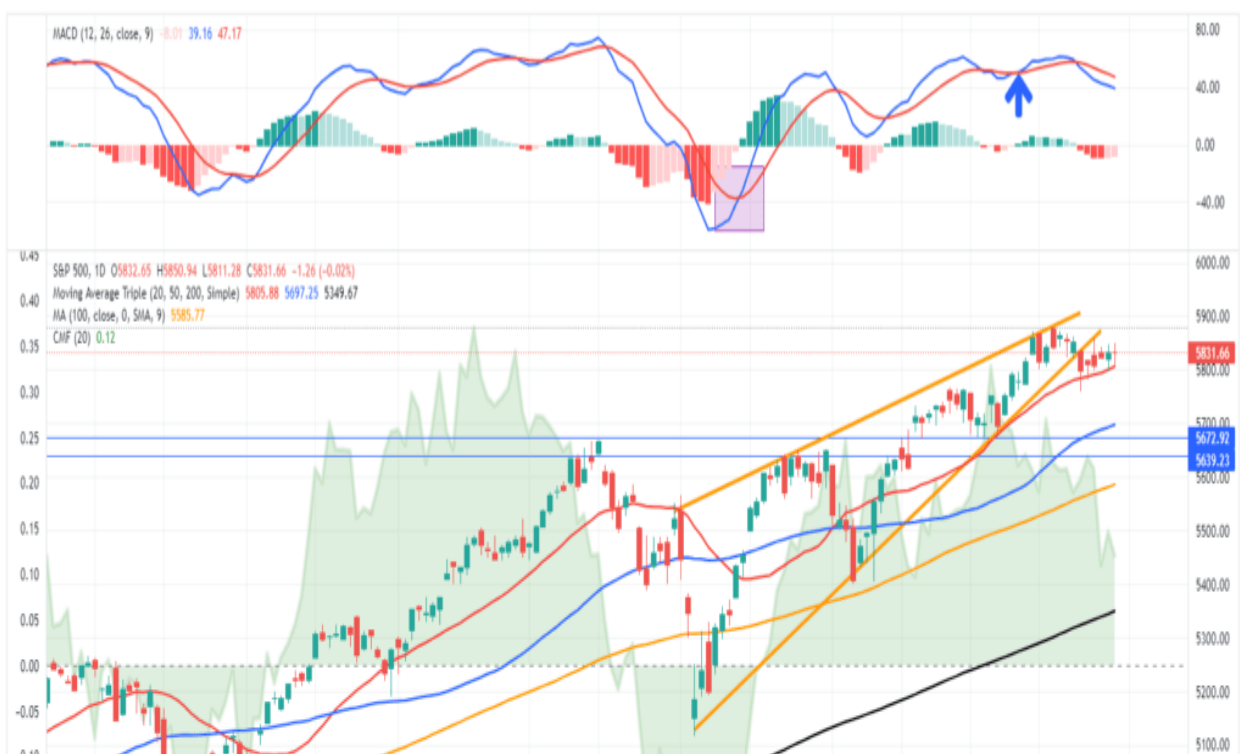
Market Trading Update

As noted yesterday, the market remains *?stuck in neutral?* over the last two weeks ahead of several key events. Tomorrow is *?employment day,?* when we will see the October numbers. A strong employment report could worry markets about reduced rate cuts from the Federal Reserve. On Tuesday is the election, with no small risk of a potential contested outcome. Then, on Wednesday is the Federal Reserve FOMC meeting, where we will get the latest update from the Fed on its rate cut decision and outlook. With the potential market volatility those events could unleash on the markets, it is quite surprising to see recent market action remain so calm.

The 20-DMA remains key support, with buyers repeatedly stepping in at that level. On the other hand, the upside remains contained to the underside of the broken rising trend line from the October lows. Notably, the previous *?buy signal?* has reversed to a *?sell signal,?* which currently limits the bulls. However, money flows are declining, which suggests that buying power is waning. With historical volatility at decently low levels, such sets the stage for a potential bearish reversal if something *?unexpected?* occurs.



TradingView



We remain underweight equities and overweight cash in the near term with our core Treasury bond holdings intact to hedge against a sharp increase in volatility. That positioning is unlikely to change much over the next two months, and we are willing to sacrifice some performance in exchange for control over risk.

While we have discussed these simplistic rules over the last several weeks, we continue to reiterate the need to rebalance risk if you have an allocation to equities.

1. **Tighten up stop-loss levels** to current support levels for each position.
2. **Hedge portfolios** against significant market declines.
3. **Take profits** in positions that have been big winners
4. **Sell laggards** and losers
5. **Raise cash** and rebalance portfolios to target weightings.

Keep moves small for now. As the markets confirm their next direction, we can continue adjusting accordingly.



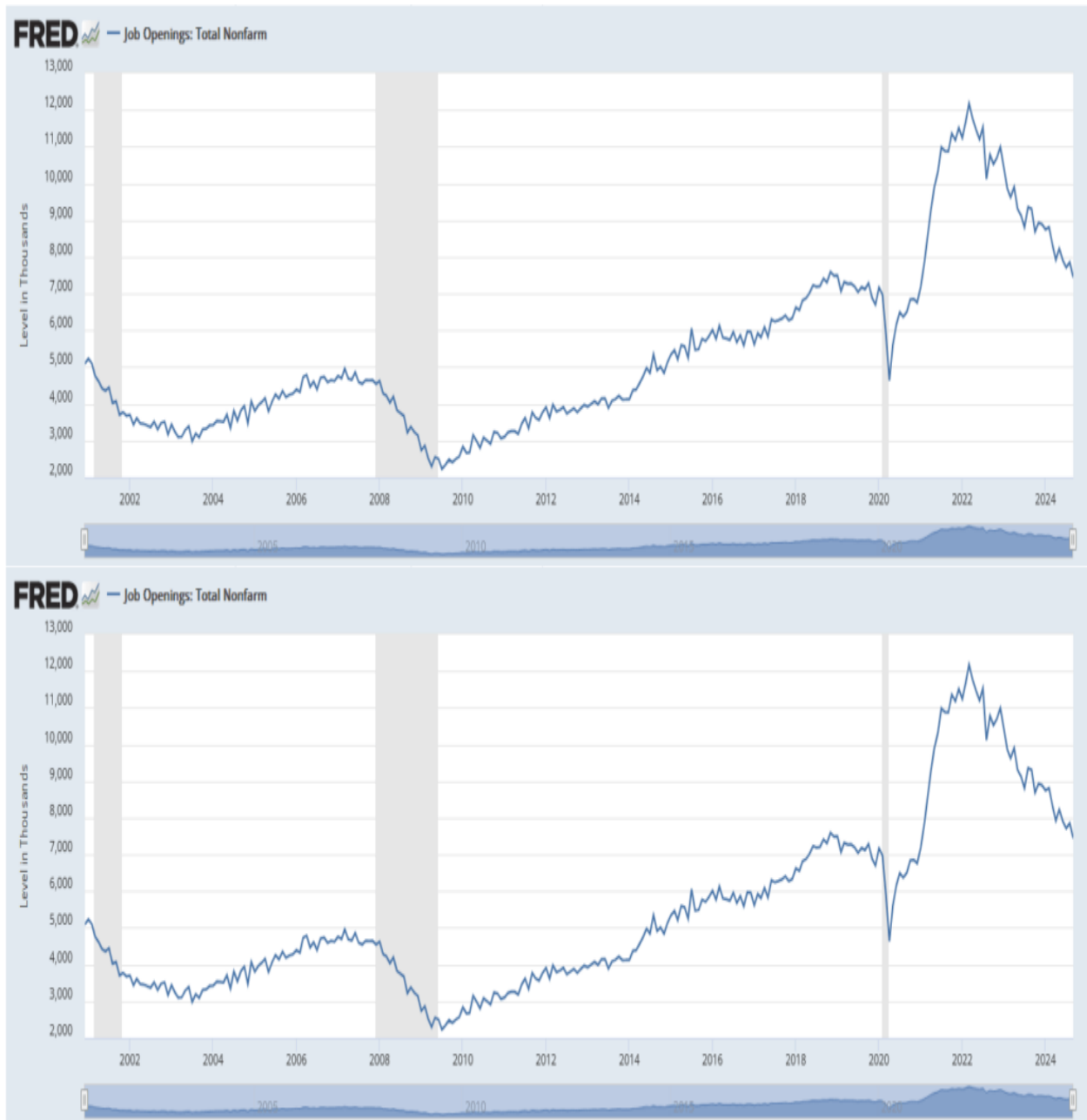
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JOLTS and ADP

With the Fed seemingly more focused on the labor markets than inflation, the JOLTs and ADP reports help add context to whatever we will learn about the labor market from the BLS employment report on Friday. As shown below, the number of job openings in the JOLTs report fell sharply by 418k. Moreover, there were 165k layoffs and another 107k quits, more than offsetting the 123k hires. The data, which is delayed a month, contradicts last month's solid BLS employment report.

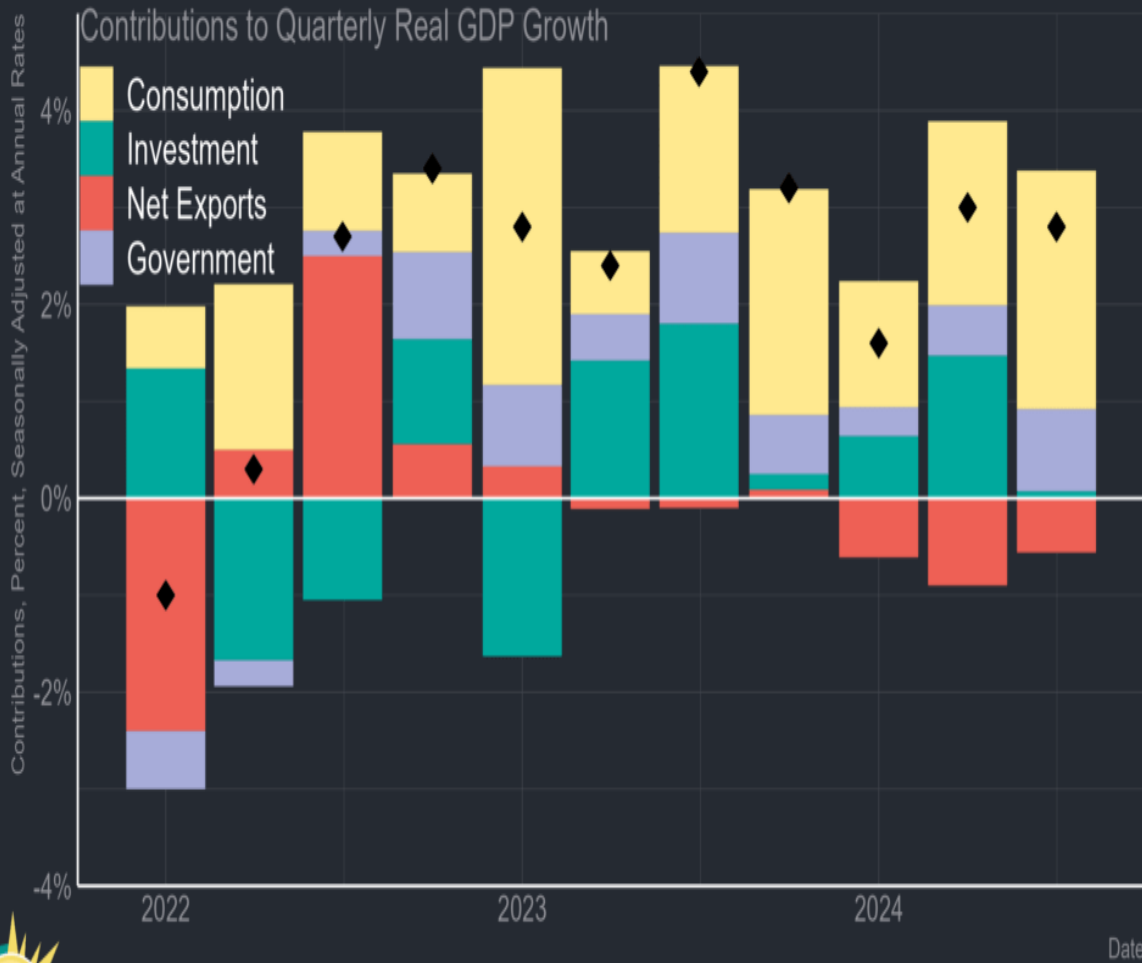
While JOLTs portrayed weakness in the labor market, ADP was stronger than expected. ADP reports the workforce added 233k jobs last month, more than double expectations and 90k more than last month's figure. We caution with JOLTs and ADP that seasonal factors can significantly affect labor market data this time of year and won't be fully sorted out for at least a few months. Furthermore, the hurricanes also played a role that is hard to estimate. The current consensus estimate for Friday's BLS report is 180k new jobs, with the unemployment rate increasing from 4.1% to 4.2%



GDP Remains Robust

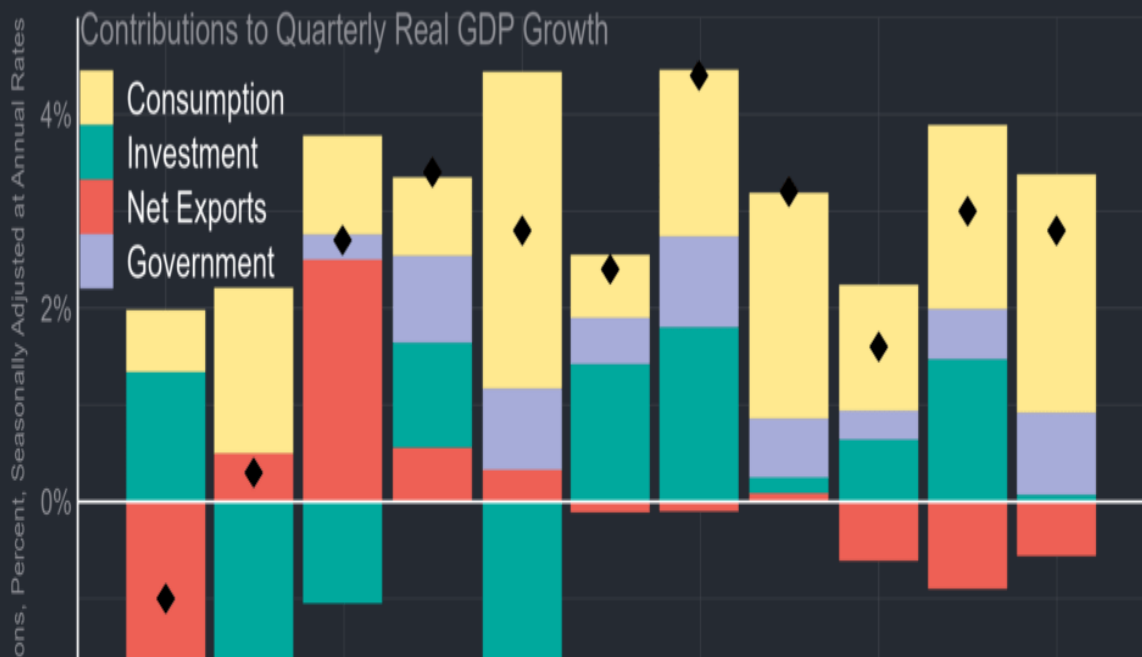
Third quarter GDP was a mixed bag of information. GDP fell 0.2%, slightly short of estimates at 2.8%. However, the PCE prices deflator was well below the consensus estimates at 1.5%. Wall Street economists thought it would come in around 2.5%. Therefore, GDP was 1% lower than estimated due solely to overforecasting inflation. The counter to the lower prices was higher than expected consumer spending. Consumer spending grew by 3.7%, above estimates of 3.0%. Generally, the data points to a strong consumer and a continued decline in inflation.

Contributions to US Real GDP Growth



Graph created by @JosephPolitano using BEA data

Contributions to US Real GDP Growth

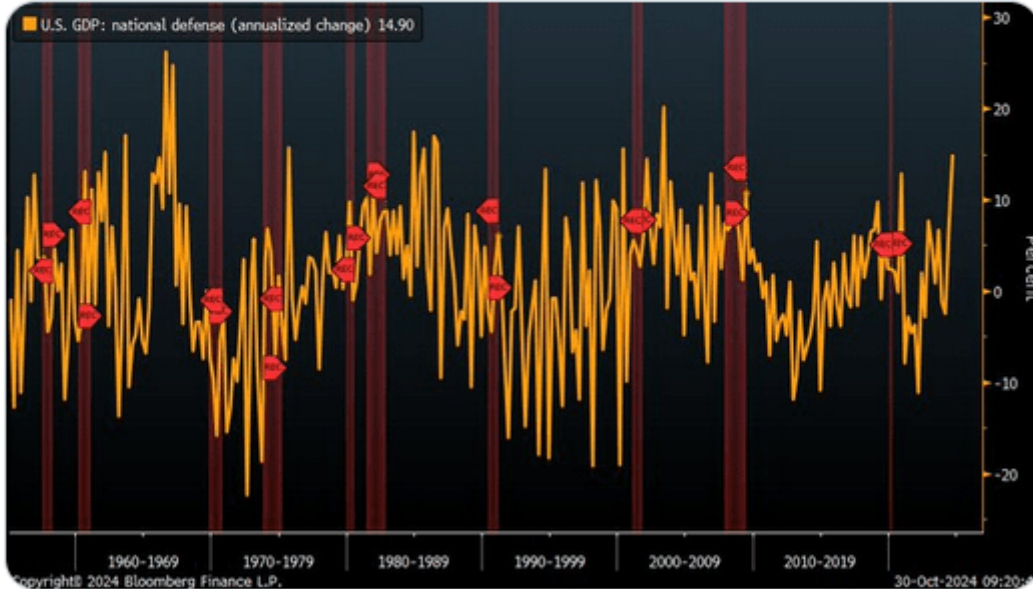


Tweet of the Day



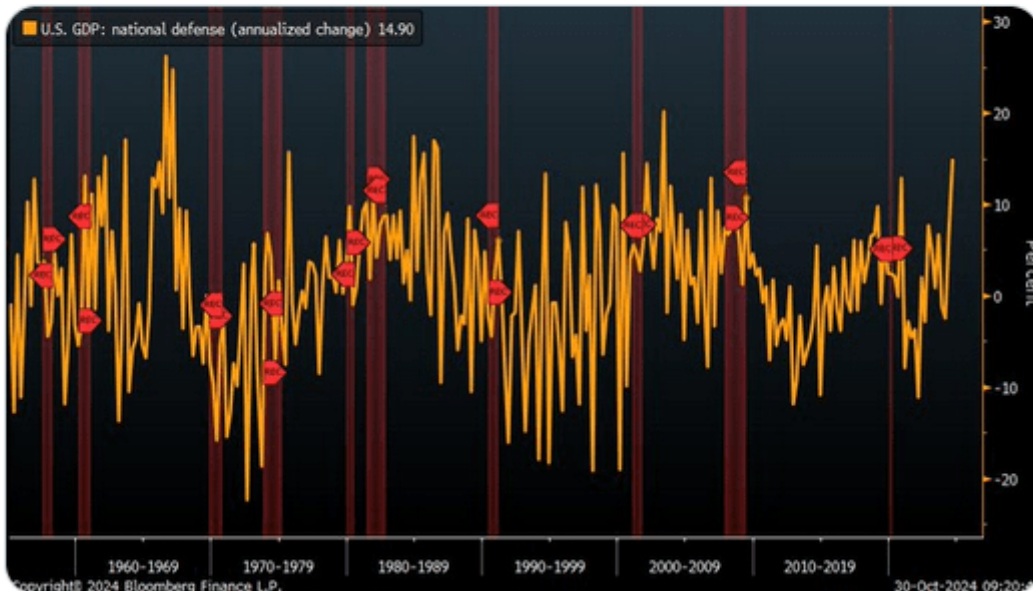
Matthew B @boes_ · 2m

U.S. GDP was boosted in the third quarter by a 14.9% surge in defense spending, the most in a single quarter since 2003 ([bloomberg.com/news/articles/...](https://www.bloomberg.com/news/articles/))



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Post Views: 1

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