Apple Stock Hits A Record High On "Nightmare" News

Apple stock rose 2.25% yesterday to close over $175, a new all-time high. Shares in Apple are up 35% this year with most of the gains coming in the last six months. Its market cap, at $2.87 trillion, sets it on course to become the first $3 trillion company.

Making the recent run-up more interesting, Apple stock investors are either ignoring or discounting recent news about production cuts. As we discuss below, chip shortages and energy restrictions on its manufacturing facilities are costing the company billions in revenue. Apple stock led the market higher Wednesday, as last week's angst and Omicron fears seem to be a distant memory.



Chart Courtesy of SimpleVisor

[dmc]

What To Watch Today

Economy

- 8:30 a.m. ET: **Initial jobless claims,** week ended Dec. 4 (220,000 expected, 222,000 during prior week)
- 8:30 a.m. ET: **Continuing claims,** week ended Nov. 27 (1.910 million expected, 1.956 million during prior week)
- 10:00 a.m. ET: **Wholesale inventories month-over-month,** October final (2.2% expected, 2.2% in September)

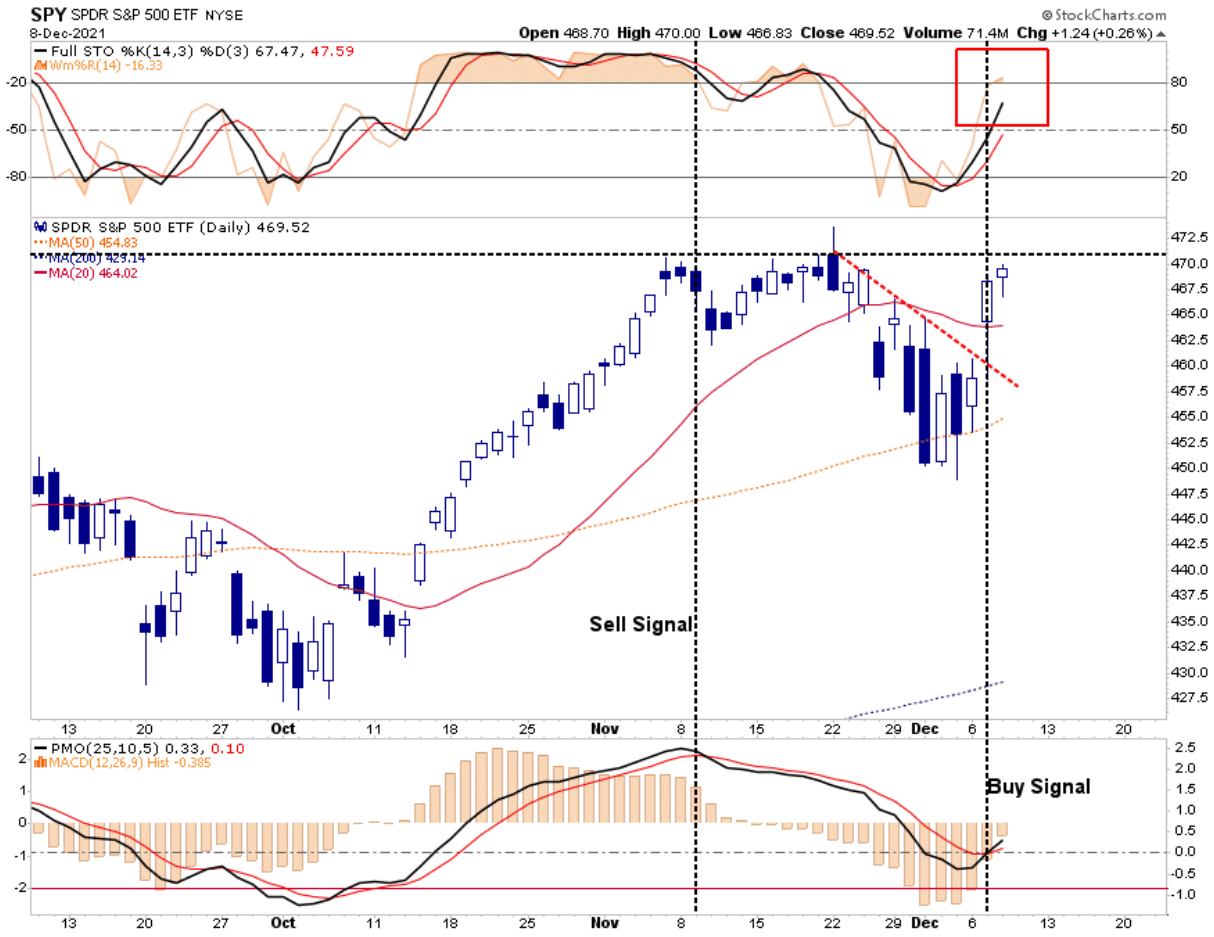
- 12:00 p.m. ET: **Household change in net worth,** 3Q ($5.849 trillion in 2Q)

Earnings

- 4:00 p.m. ET:&#2013266080;**Chewy (CHWY)&#2013266080;**to post adjusted losses of 1 cent on revenue of $2.21 billion
- 4:05 p.m. ET:&#2013266080;**Oracle (ORCL)**&#2013266080;to post adjusted earnings of $1.11 on revenue of $10.21 billion
- 4:15 p.m. ET:&#2013266080;**Broadcom (AVGO)&#2013266080;**to post adjusted earnings of $7.77 on revenue of $7.35 billion
- 4:15 p.m. ET:&#2013266080;**Costco (COST)**&#2013266080;to post adjusted earnings of $2.62 per share of $49.55 billion

Bull Market Is Back On

After a lot of teeth-gnashing and hand-wringing over the last two weeks, the bull market is back in play after yesterday's continuation of the break of the downtrend. Furthermore, with the market back above the 20-dma, the only resistance currently is the previous high in November.



In the short term, the market has moved quickly, so this morning's weak opening and failure at old highs is not surprising. **Any consolidation near-term would set the market up nicely for the end-of-year Santa Rally.**

After adding exposure last Friday, and on Monday, we are at full allocations for now. However, we are looking to use any weakness to overweight equity in our models heading into 2022.

Jobs Aplenty

The BLS JOLTs report once again confirmed there is a severe shortage of labor. The report shows there are 11.033 million job openings, 400k more than last month. This data along with recent productivity and labor costs adds to the mounting evidence that corporate profit margins will come under pressure in the coming month. Simply, job seekers and current employees have more bargaining power today than in decades.

The first table provides context to how outsized the current number of job openings are versus the last 20 years. The second table breaks down the number of job openings by industry.



October 2021 JOLTS: Job Openings by Industry

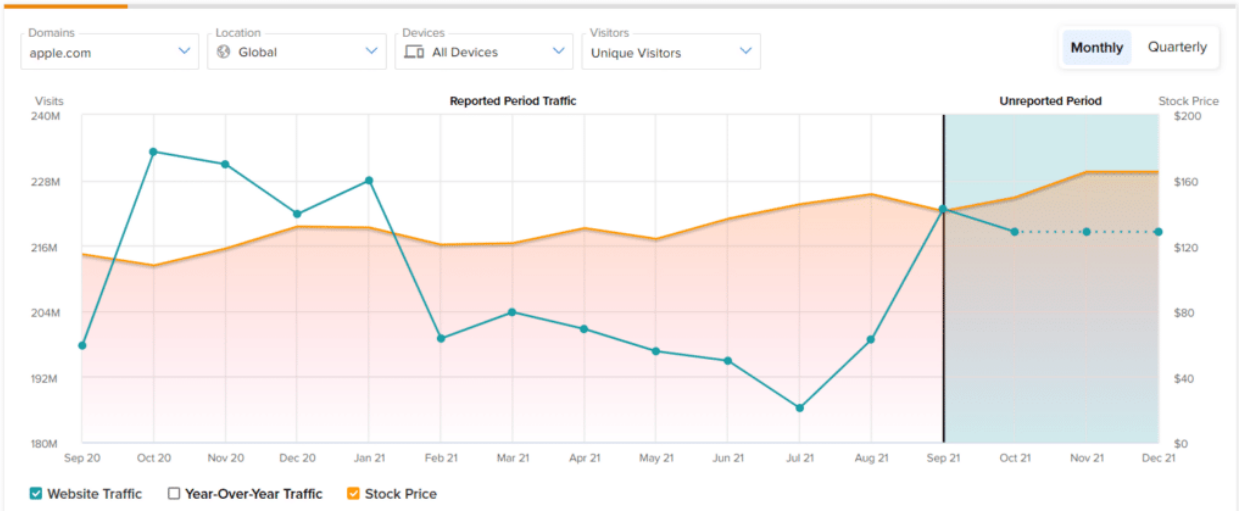
Industry and region	Levels (in thousands)			vs Pre-Crisis	MoM
	Feb 2020	Sep 2021	Oct 2021	Diff - Feb '20 to Oct '21	Diff - Sep '21 to Oct '21
Total	7,012	10,602	11,033	4,021	431
INDUSTRY					
Total private	6,241	9,614	10,118	3,877	504
Mining and logging	24	37	37	13	0
Construction	302	354	410	108	56
Manufacturing	402	948	1,009	607	61
Durable goods	252	568	584	332	16
Nondurable goods	151	380	425	274	45
Trade, transportation, and utilities	1,236	2,020	1,996	760	-24
Wholesale trade	181	319	330	149	11
Retail trade	734	1,073	1,055	321	-18
Transportation, warehousing, and utilities	321	629	611	290	-18
Information	139	155	180	41	25
Financial activities	416	438	446	30	8
Finance and insurance	312	322	321	9	-1
Real estate and rental and leasing	104	115	125	21	10
Professional and business services	1,307	1,784	1,819	512	35
Education and health services	1,262	1,940	1,999	737	59
Educational services	116	134	176	60	42
Health care and social assistance	1,146	1,806	1,823	677	17
Leisure and hospitality	945	1,530	1,781	836	251
Arts, entertainment, and recreation	138	186	183	45	-3
Accommodation and food services	807	1,344	1,598	791	254
Other services	208	407	442	234	35
Government	771	988	914	143	-74
Federal	122	136	140	18	4
State and local	649	852	775	126	-77
State and local education	255	261	299	44	38
State and local, excluding education	394	591	476	82	-115

Apple's Nightmare Before Christmas

Nikkei Asia published Apple's Nightmare Before Christmas this morning. The article details how chip shortages and energy restrictions are cutting down on Apple's ability to produce iPhones. Despite the bad news, it is not denting investor enthusiasm. Apple's stock price has been on a tear recently, rising 22% since early October. Our equity model holds a 3.75% position in Apple.

> *"Due to limited components and chips, it made no sense to work overtime on holidays and give extra pay for front-line workers," a supply chain manager involved told Nikkei Asia. "That has never happened before. The Chinese golden holiday in the past was always the most hustling time when all of the assemblers were gearing up for production."*
>
> *After launching the iPhone 13 range and new iPads in September, Apple is falling millions of units short of its production goals and missing out on billions of dollars of revenue. In many countries, it is now too late for consumers to buy some Apple products in time to give as holiday gifts.*

Also, another concern for Apple is the 1.89% sequential drop in unique virtual visits to the Apple website in the month of October after a two-month rally reflects the demand decline.



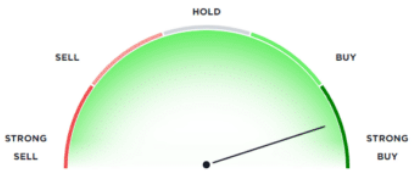
However, despite these negatives, investors continue to focus on the future for now. Such includes Apple's growing focus on developing autonomous vehicles and augmented reality/virtual reality technologies. These rapidly emerging areas present lucrative growth opportunities for the long haul.

Importantly, Apple has ramped up its efforts in this direction by acquiring small tech firms dealing in AR hardware, 3D gaming, machine learning, and VR software, like SensoMotoric, Flyby Media, Emotient, TupleJump, Turi, etc. Moreover, Apple?s AR platform ?ARKit? helps developers to build AR experiences for the iOS platform.

The SimpleVisor technical rank tells the tale of investor enthusiasm.

Summary

Technical Rating



StrongBuy

3	4	12
Sell	Hold	Buy

Synopsis (AAPL)

Apple Inc

AAPL is currently rated a 10 out of 10 on the technical rating score, which technically is a Very Strong rating. For the last 12 months AAPL is **up 44.66%** compared to the S&P 500's 29.79%.

If you are long: Although AAPL technically is very strong, the stock is overbought according to the RSI, which has a reading of 76.38 . Reducing partial exposure maybe warranted to lock in potential profits.
If you are looking to initiate a position in AAPL, the stock is still showing longer term strength, however, it is overbought. Make sure the momentum (MACD and or RSI) is still increasing before establishing a long position.

Technical Strength Score Component Breakdown

Short Term	Very Bullish
Medium Term	Very Bullish
Long Term	Very Bullish
MACD	Very Bullish

Technical Indicators: Buys(5) Sells(3) Holds(4)

Name	Value	Trend	Action
Relative Strength Index (14)	76.38	Neutral	
Avg Directional Index (14)	30.55	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	100.00	Overbought	👎
Stochastic %K (14, 3, 3)	79.07	Neutral	
Williams Percentage Range	-3.80	Overbought	👎
MACD(12,26)	5.20	Bullish	👍
Commodity Channel Index(20)	168.36	Overbought	👎
Bull Bear Power	11.94	Neutral	
Momentum (10)	0.14	Bullish	👍
Short Term Trend	VeryBullish	VeryBullish	👍
Medium Term Trend	VeryBullish	VeryBullish	👍
Long Term Trend	VeryBullish	VeryBullish	👍

Moving Average: Buys(7) Sells(0)

Name	Value	Trend	Action
SMA (5)	167.44	Bullish	👍
SMA (9)	164.92	Bullish	👍
SMA (20)	159.37	Bullish	👍
SMA (50)	151.53	Bullish	👍
SMA (100)	149.72	Bullish	👍
SMA (150)	143.72	Bullish	👍
SMA (200)	139.30	Bullish	👍

Pivot Points

Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	168.52	168.96	169.39	173.91	180.77	181.20	181.64
Classic	167.20	168.95	172.45	174.20	177.70	179.45	182.95
Classic	173.04	173.37	173.58	173.91	174.24	174.45	174.78
Classic	166.62	168.66	171.87	173.91	177.12	179.16	182.37

Is The Short Term Rally Here To Stay?

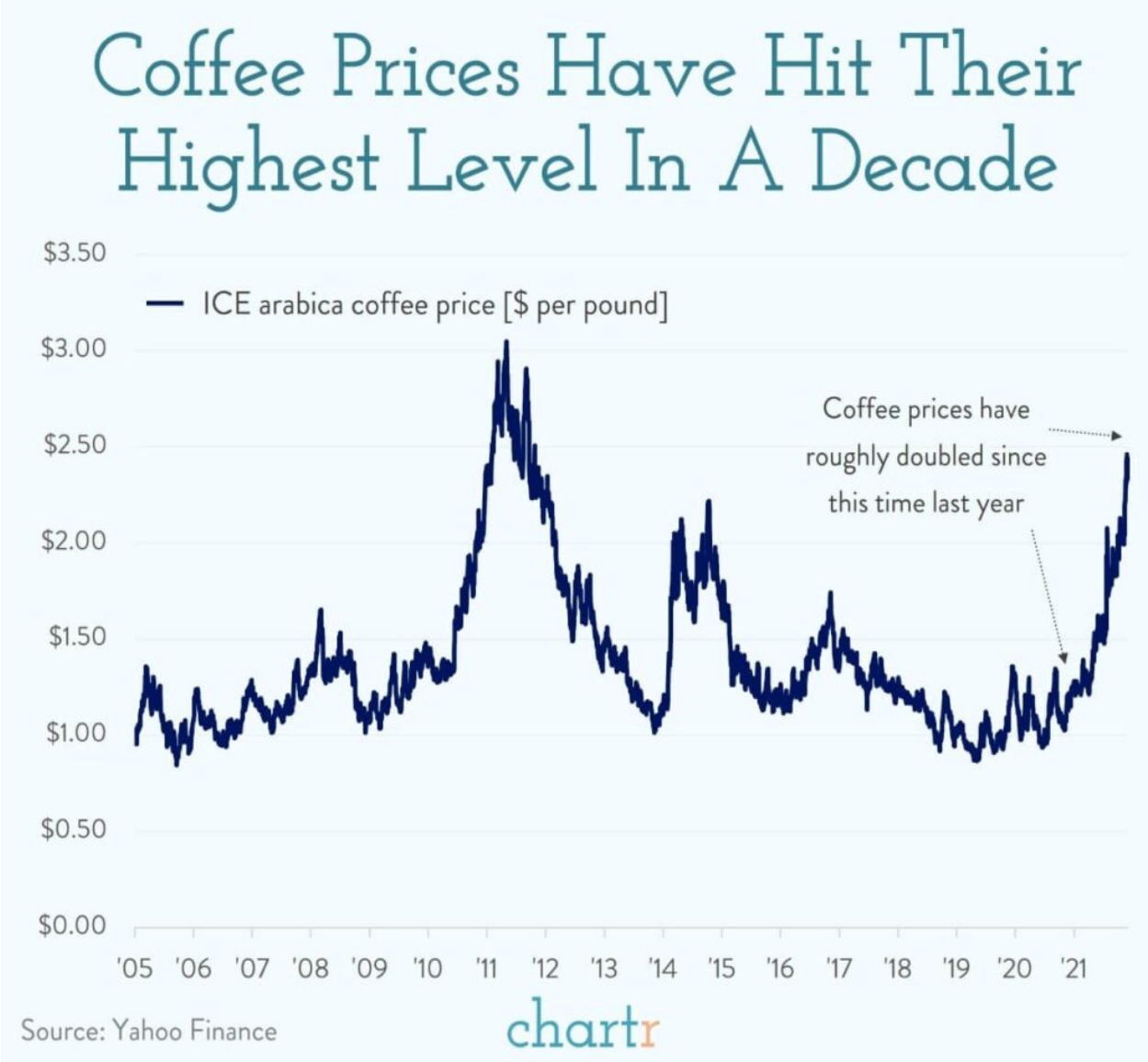


Consumer Credit is Finally Slowing Down

Consumer Credit rose by $16.9 billion in October almost half of an expected $30 billion increase. It also marks a sharp slowdown from September's $27.8 billion growth. As stimulus checks were wound down, consumers started relying more on credit card debt and mortgage refinancings to meet their needs and compensate for inflation. One month does not make a trend, but this new data point along with weak consumer spending data for Black Friday and Cyber Monday argues consumer activity may be slowing.

Inflated Caffine

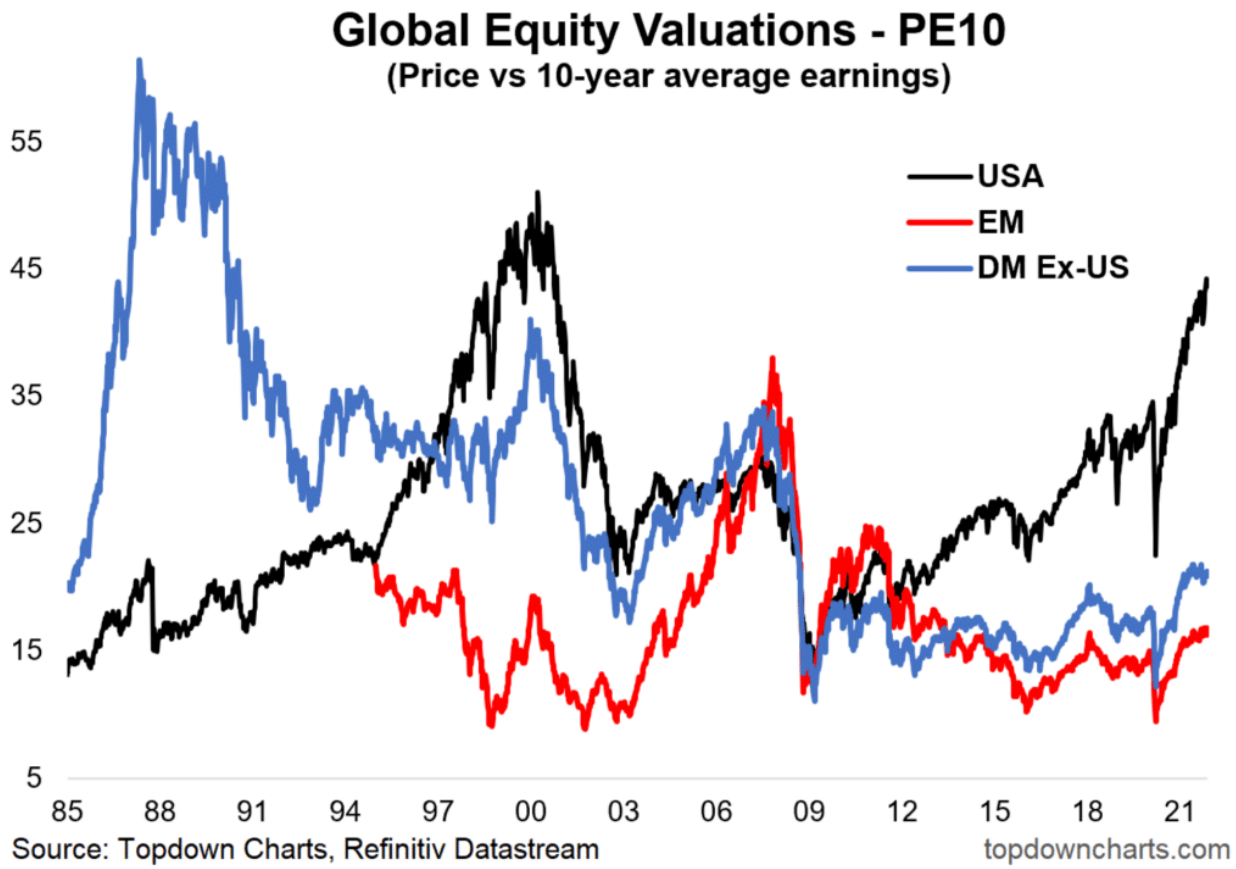
> *"We're all bored of hearing and reading about inflation, but our ears pricked up when we heard that coffee prices are at their **highest level for more than a decade**, at ~$2.50 per pound. Few commodities invoke emotion like coffee, with **62% of Americans** drinking coffee every single day ? each one of which gets through **3.1 cups on average** ." - Chartr*



U.S. Multiple Expansion vs. The World

The graph below, courtesy of Top-Down Charts, shows that since the Financial Crisis the CAPE P/E ratio has expanded 3x in the United States versus staying relatively flat in developed and emerging foreign markets. One reason to partially explain the outperformance is that U.S. equity

indexes are more highly dominated by higher P/E tech companies. That said, when valuations normalize in the U.S., foreign markets may offer a little protection.



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