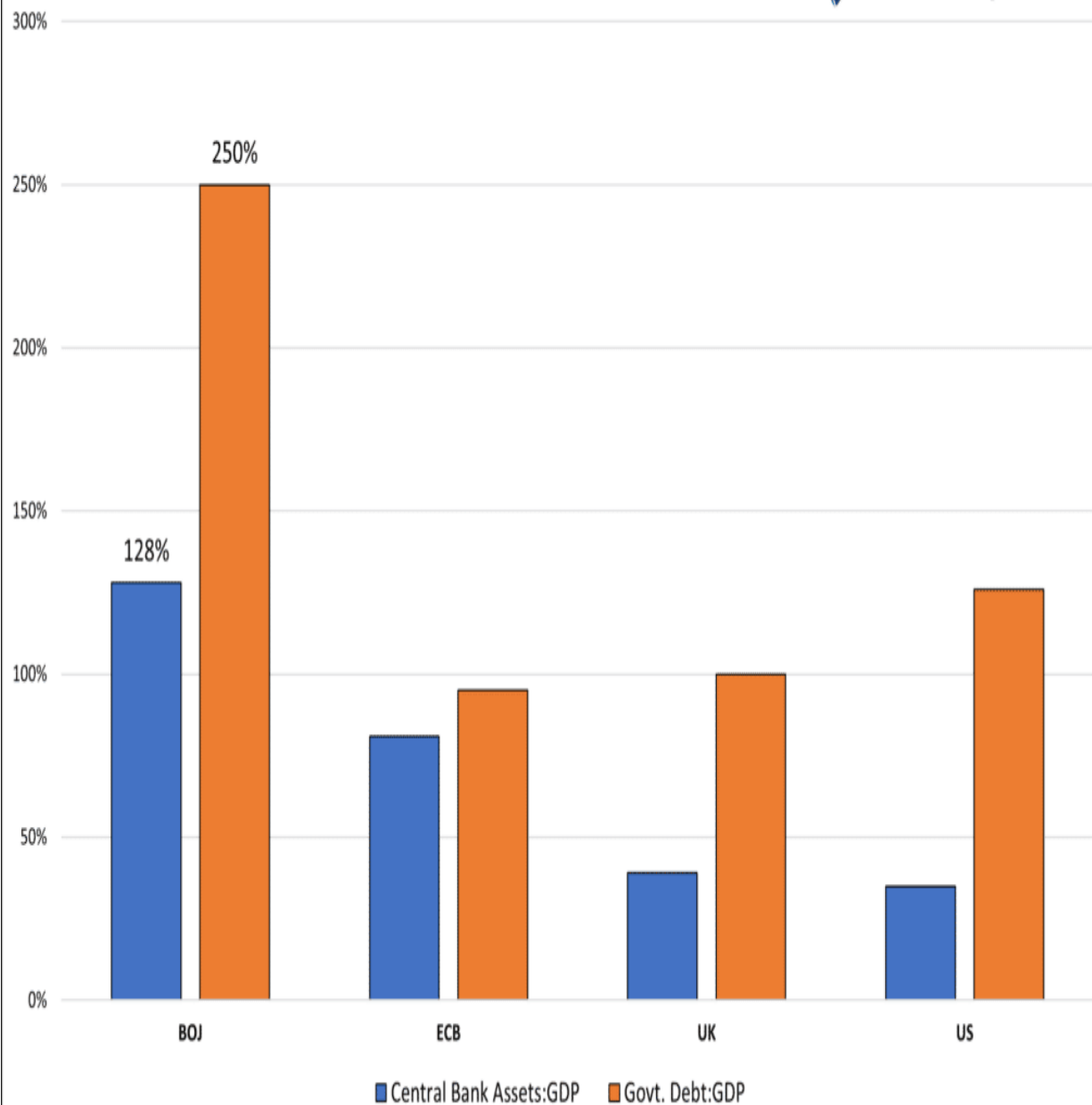


## **BOJ is Wedged Between a Rock and a Hard Place**

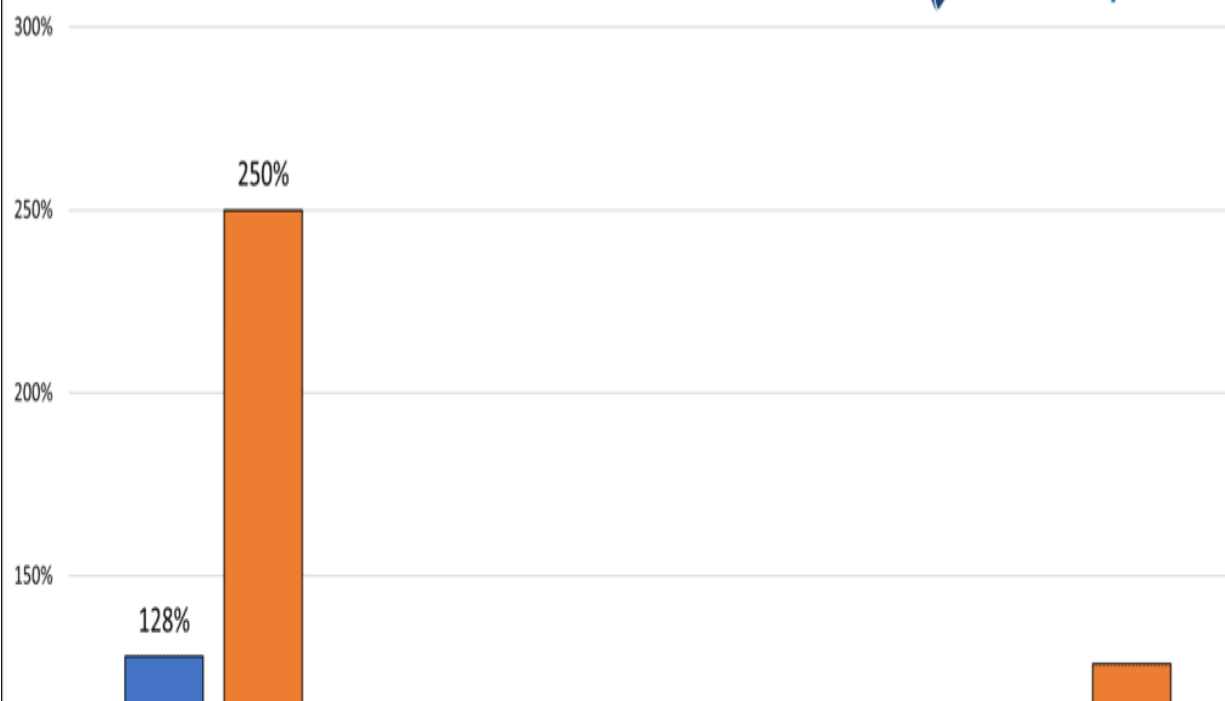
The Bank of Japan (BOJ) is intervening again in its currency market to prevent more depreciation. FT reports that the BOJ spent at least \$30 billion to support the yen last Friday. That is on top of an estimated \$20 billion in September. The BOJ's simultaneous support of the yen and the bond market, which is QE, is counterintuitive. The BOJ is capping ten-year bond rates at 0.25%. It is attempting to save banks and insurance companies from significant losses by preventing yields from moving to market levels. The BOJ's dovish monetary policy, while other central bankers are incredibly hawkish, is a crucial factor behind rapid yen depreciation. The BOJ is between a rock and a hard place. Either let the yen depreciate more or let yields rise. Trying to run policy in two completely opposing directions will prove impossible.

Why should we care? Likely, the BOJ is selling UST bonds, particularly 30-year bonds, to support the yen. While the selling is intense, it is temporary. Further, it is creating odd dislocations in the U.S. bond market and other markets. Such aberrations are likely to normalize quickly once the BOJ stops selling.

## Too Much Debt and QE



## Too Much Debt and QE






## What To Watch Today

### Economy

- 9:00 a.m. ET: **FHFA Housing Pricing Index**, August (-0.6% expected, -0.6% prior)
- 9:00 a.m. ET: **S&P CoreLogic Case-Shiller 20-City Composite**, MoM, August (-0.80% expected, -0.44% prior)
- 9:00 a.m. ET: **S&P CoreLogic Case-Shiller 20-City Composite**, YoY, August (14.10% expected, 16.06% prior)
- 9:00 a.m. ET: **S&P CoreLogic Case-Shiller U.S. National Home Price Index** (15.77% prior)
- 10:00 a.m. ET: **Conference Board Consumer Confidence**, October (106 expected, 108.0 prior)
- 10:00 a.m. ET: **Conference Board Present Situation**, October (149.6 prior)
- 10:00 a.m. ET: **Conference Board Expectations**, October (80.3 prior)
- 10:00 a.m. ET: **Richmond Fed Manufacturing Index**, October (-5 expected, 0 prior)

### Earnings

Company		Time	Estimate		 Growth Show only confirmed?	Surprise		
✓ <b>GOOGL</b>	Alphabet Inc.	4:05 PM ET	\$1.25	\$71.03 B	9.1%	+	=	-
✓ <b>GOOG</b>	Google	4:10 PM ET	\$1.25	\$70.98 B	9.0%	+	=	-
✓ <b>MSFT</b>	Microsoft Corp.	4:05 PM ET	\$2.30	\$50.08 B	10.5%	+	=	-
✓ <b>CNC</b>	Centene Corporation	6:00 AM ET	\$1.22	\$35.39 B	9.2%	+	=	-
✓ <b>VLO</b>	Valero Energy Corp.	6:30 AM ET	\$7.00	\$45.70 B	54.8%	+	=	-
✓ <b>GM</b>	General Motors Corp.	6:00 AM ET	\$1.89	\$41.78 B	56.0%	+	=	-
✓ <b>UPS</b>	United Parcel Service...	6:00 AM ET	\$2.84	\$24.42 B	5.3%	+	=	-
✓ <b>ADM</b>	Archer-Daniels-Midla...	7:00 AM ET	\$1.41	\$22.40 B	10.1%	+	=	-
✓ <b>GE</b>	General Electric Co.	6:20 AM ET	\$0.47	\$19.02 B	3.2%	+	=	-
✓ <b>RTX</b>	Raytheon Technologies	6:55 AM ET	\$1.11	\$17.33 B	6.9%	+	=	-
✓ <b>NVS</b>	Novartis International ...	5:00 AM ET	\$1.57	\$13.04 B	0.1%	+	=	-
✓ <b>HSBC</b>	HSBC Holdings plc	BMO	\$1.08	\$13.80 B	14.9%	+	=	-
✓ <b>CB</b>	Chubb Corporation	4:15 PM ET	\$3.23	\$10.91 B	-6.2%	+	=	-
✓ <b>KO</b>	Coca-Cola Company	6:55 AM ET	\$0.64	\$10.52 B	4.8%	+	=	-
✓ <b>UBS</b>	UBS AG	BMO	\$0.45	\$8.14 B	-15.2%	+	=	-
✓ <b>MMM</b>	3M Company	6:30 AM ET	\$2.61	\$8.83 B	-1.3%	+	=	-
✓ <b>SAP</b>	SAP SE	BMO	\$0.78	\$7.72 B	-4.3%	+	=	-
✓ <b>V</b>	Visa Inc	4:05 PM ET	\$1.86	\$7.54 B	15.0%	+	=	-
✓ <b>CLF</b>	Cleveland-Cliffs Inc	7:00 AM ET	\$0.48	\$6.02 B	0.3%	+	=	-
✓ <b>PCAR</b>	PACCAR, Inc.	8:00 AM ET	\$2.01	\$6.61 B	28.4%	+	=	-
✓ <b>SHW</b>	Sherwin-Williams Co.	7:00 AM ET	\$2.60	\$5.81 B	12.9%	+	=	-
✓ <b>KMB</b>	Kimberly-Clark Corp.	7:30 AM ET	\$1.48	\$5.05 B	0.8%	+	=	-
✓ <b>TXN</b>	Texas Instruments, Inc.	4:00 PM ET	\$2.37	\$5.15 B	10.9%	+	=	-
✓ <b>SYF</b>	Synchrony Financial	6:00 AM ET	\$1.42	\$3.85 B	-1.2%	+	=	-
✓ <b>HAL</b>	Halliburton Company	6:45 AM ET	\$0.56	\$5.34 B	38.3%	+	=	-
✓ <b>GLW</b>	Corning Inc.	7:10 AM ET	\$0.51	\$3.74 B	3.5%	+	=	-
✓ <b>ITW</b>	Illinois Tool Works, Inc.	8:00 AM ET	\$2.25	\$3.93 B	10.5%	+	=	-
✓ <b>PHM</b>	PulteGroup, Inc.	6:30 AM ET	\$2.75	\$4.20 B	20.7%	+	=	-
✓ <b>UHS</b>	Universal Health Serv...	4:15 PM ET	\$2.40	\$3.31 B	4.9%	+	=	-
✓ <b>FE</b>	FirstEnergy Corp.	4:20 PM ET	\$0.77	\$3.14 B	0.5%	+	=	-
✓ <b>SPOT</b>	Spotify Technology S.A.	4:00 PM ET	(\$0.88)	\$3.06 B	3.8%	+	=	-
✓ <b>AMP</b>	Ameriprise Financial Inc	4:10 PM ET	\$5.82	\$3.35 B	15.3%	+	=	-
✓ <b>CNI</b>	Canadian National R...	4:05 PM ET	\$1.51	\$3.29 B	15.4%	+	=	-
✓ <b>BIIB</b>	Biogen Inc.	7:00 AM ET	\$4.13	\$2.47 B	-11.1%	+	=	-
✓ <b>JBLU</b>	JetBlue Airways Corp...	7:00 AM ET	\$0.24	\$2.54 B	28.8%	+	=	-
✓ <b>PII</b>	Polaris Industries, Inc	6:00 AM ET	\$2.85	\$2.28 B	16.4%	+	=	-
✓ <b>CMG</b>	Chipotle Mexican Gril...	4:10 PM ET	\$9.11	\$2.23 B	14.2%	+	=	-
✓ <b>NCR</b>	NCR Corporation	4:05 PM ET	\$0.78	\$2.01 B	5.7%	+	=	-
✓ <b>GPK</b>	Graphic Packaging In...	6:30 AM ET	\$0.59	\$2.24 B	25.7%	+	=	-
✓ <b>MAT</b>	Mattel, Inc.	4:05 PM ET	\$0.73	\$1.78 B	1.0%	+	=	-
✓ <b>XRX</b>	Xerox Corp.	6:30 AM ET	\$0.37	\$1.77 B	0.7%	+	=	-
✓ <b>IVZ</b>	Invesco PLC	6:55 AM ET	\$0.43	\$1.10 B	-37.1%	+	=	-
✓ <b>CC</b>	Chemours Company	4:15 PM ET	\$1.16	\$1.80 B	7.1%	+	=	-
✓ <b>AGR</b>	AVANGRID, Inc.	5:15 PM ET	\$0.32	\$1.71 B	7.0%	+	=	-
✓ <b>SKX</b>	Skechers U.S.A. Inc.	4:05 PM ET	\$0.74	\$1.84 B	18.6%	+	=	-
✓ <b>MCO</b>	Moody's Corporation	7:00 AM ET	\$2.06	\$1.42 B	-6.9%	+	=	-
✓ <b>RUSHA</b>	Rush Enterprises, Inc.	4:50 PM ET	-	\$1.70 B	34.2%	+	=	-
✓ <b>HUBB</b>	Hubbell Incorporated	7:30 AM ET	\$2.73	\$1.23 B	1.4%	+	=	-
✓ <b>JNPR</b>	Juniper Networks, Inc.	4:15 PM ET	\$0.50	\$1.35 B	13.6%	+	=	-
✓ <b>AXTA</b>	Axalta Coating Syste...	4:20 PM ET	\$0.39	\$1.23 B	13.0%	+	=	-
✓ <b>PNR</b>	Pentair Inc.	6:45 AM ET	\$0.93	\$1.04 B	7.3%	+	=	-
✓ <b>TER</b>	Teradyne, Inc.	5:00 PM ET	\$1.04	\$807.75 M	-15.0%	+	=	-
✓ <b>BYD</b>	Boyd Gaming Corp.	4:05 PM ET	\$1.28	\$852.70 M	1.1%	+	=	-
✓ <b>NAVI</b>	Navient	4:15 PM ET	\$0.77	\$258.62 M	-68.5%	+	=	-
✓ <b>CHX</b>	ChampionX Corporati...	4:30 PM ET	\$0.31	\$928.63 M	13.4%	+	=	-
✓ <b>TRU</b>	TransUnion	6:15 AM ET	\$0.84	\$952.95 M	20.4%	+	=	-
✓ <b>BXP</b>	Boston Properties, Inc.	5:05 PM ET	\$1.87	\$761.23 M	4.3%	+	=	-

Company		Time	Estimate		 Growth Show only confirmed?	Surprise		
✓ <b>GOOGL</b>	Alphabet Inc.	4:05 PM ET	\$1.25	\$71.03 B	9.1%	+	=	-

## Market Trading Update

The market rallied yesterday, providing some needed follow-through after the retest of support at the 20-dma. The market did breach the next resistance level at 3800 yesterday but was rejected into the close. Today, the earnings crush is on as GOOG and MSFT report earnings. If this market is going to continue this reflexive rally, we need a break and close above 3800, which will open up a rally to the 50-dma, as shown. With buybacks returning next week, there is still fuel for an additional advance into year-end. Don't try to hold for the peak, as you could miss it. Do some selling along the way as the market rally continues.



TradingView

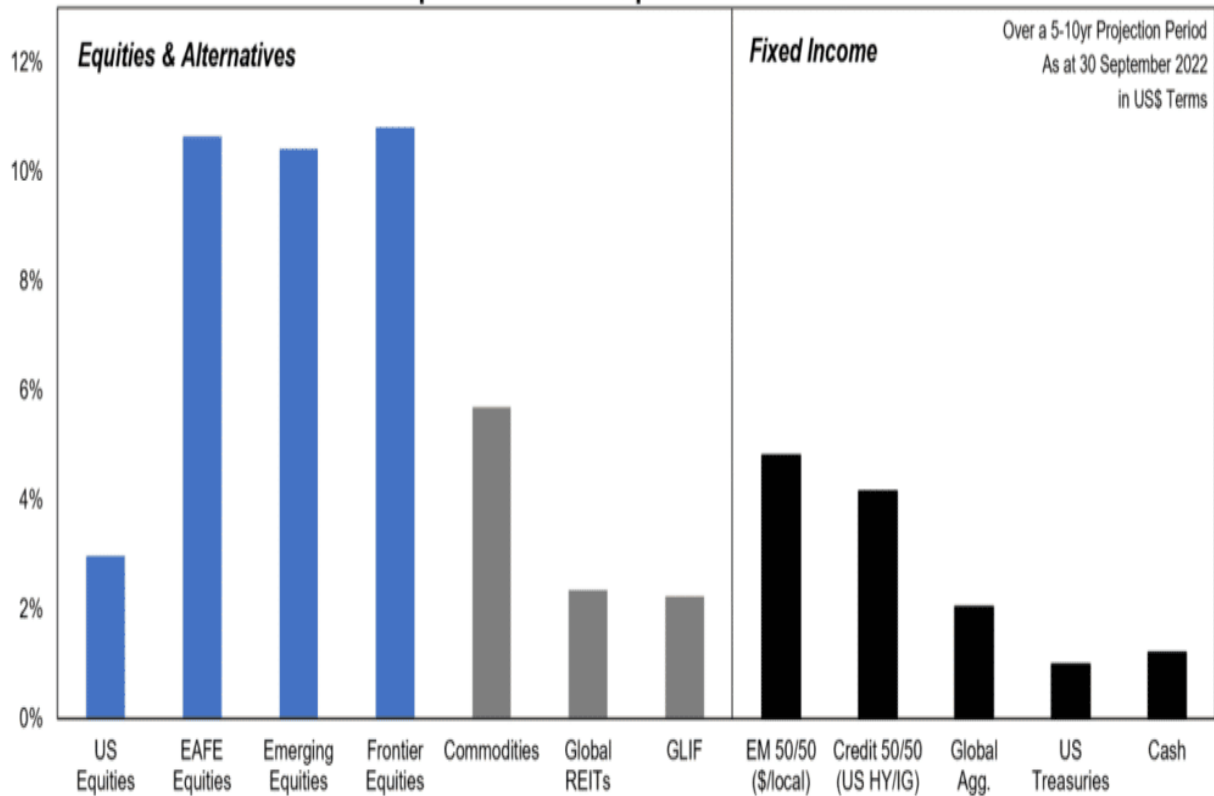


## Expected Returns

In [Picking Stocks in a Bond-Friendly Environment](#), we expanded on [Goodbye TINA- Hello BAAA](#). The gist of both articles is that bonds will likely outperform stocks over the coming ten years. Our article Picking Stocks in a Bond Friendly Environment reviewed prior 10-year periods where stocks underperformed bonds to help assess which stock factors and industries should outperform. The graph below from Topdown Charts provides a few more options. As shown, they expect stocks to return about 3% annually over the next five to ten years. That pales compared to foreign stock options, which are over 10%. The chart further adds credence to our opinion that investors relying on passive strategies may underperform investors employing more active strategies.



## Topdown Charts: Expected Real Returns

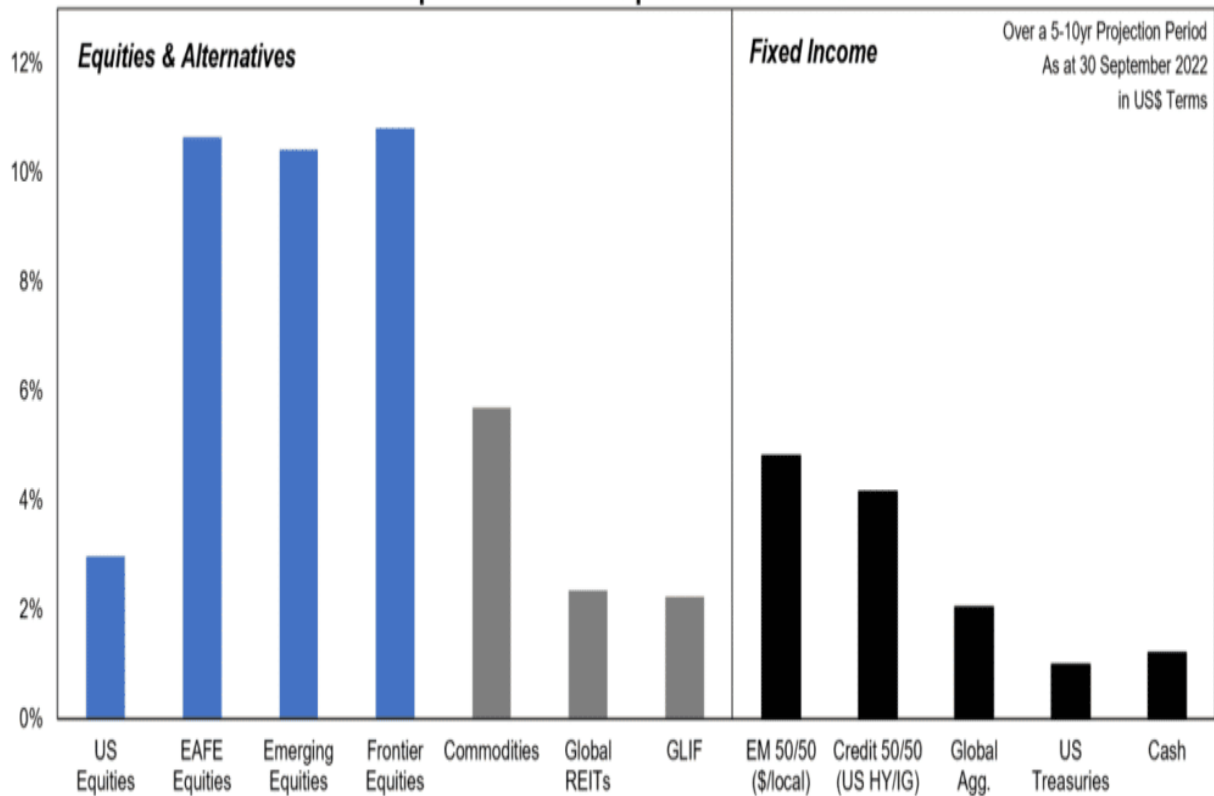


Source: Topdown Charts

[topdowncharts.com](https://topdowncharts.com)

Projections as 30 September 2022, based on expected trend earnings growth, dividend yield, valuation mean-reversion adjustment, hedging and FX changes, yield to maturity, trend nominal GDP. Over a 5-10yr Projn. Period. Figures are subject to change and are not a guarantee of performance or offer of securities. Full details on methodology available on request. Adjusted for long-term expected inflation. Not adjusted for fees/tax/alpha.

## Topdown Charts: Expected Real Returns



Source: Topdown Charts

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Projections as 30 September 2022, based on expected trend earnings growth, dividend yield, valuation mean-reversion adjustment, hedging and FX changes, yield to maturity, trend nominal GDP. Over a 5-10yr Projn. Period. Figures are subject to change and are not a guarantee of performance or offer of securities. Full details on methodology available on request. Adjusted for long-term expected inflation. Not adjusted for fees/tax/alpha.



## China Stocks Get Crushed

The table below shows that Chinese stocks fell sharply on Monday. The widely followed Hang Seng Index fell over 6%, while the Tech Index fell nearly 10%. China's GDP beat expectations growing at 3.9% versus estimates of 3.3%. Despite the good economic news, investors are concerned that the recent shuffle in the government will lead to increased global tensions, which are not friendly for growth. The Chinese yuan is also depreciating on the news. It now sits at its lowest level versus the dollar since 2008.

HK 800000  
Hang Seng Index    15180.69 -6.36%

HK 800700  
Hang Seng TECH Index    2801.99 -9.65%

HK 800100  
Hang Seng China Enter...    5114.48 -7.30%

SH 000001  
SSE Composite Index      2977.56 -2.02%

SH 000300  
CSI 300 Index    3633.37 -2.93%

SZ 399001  
Shenzhen Component I...    10694.61 -2.05%

SZ 399006  
Chinext Price Index    2336.84 -2.43%

HK 800000  
Hang Seng Index    15180.69 -6.36%

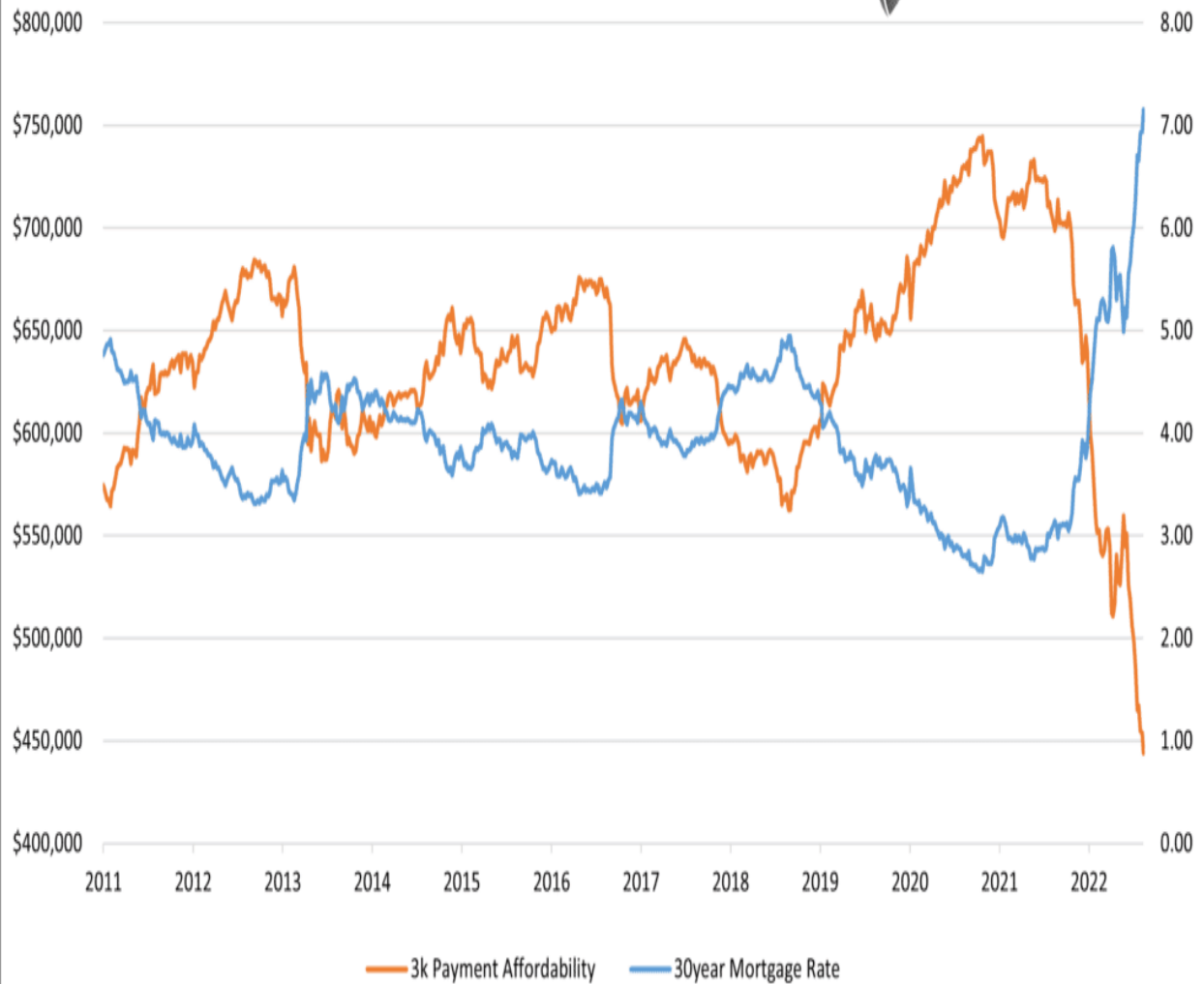
## Housing Affordability

The graph below charts the stunning rise in mortgage rates and their effects on housing affordability. On January 1, 2022, only ten months ago, the 30-year mortgage rate was 3.22%. A potential buyer looking for monthly mortgage payments of \$3,000 could afford to buy a house worth \$692,000. Today mortgage rates are north of 7%. The same home buyer today can only afford a house worth \$444,000. Either mortgage rates fall quickly, or house prices will have to adjust significantly. As Lance Roberts often says, home buyers buy payments.

## Mortgage Rates and Housing Affordability (3k/monthly Payment)



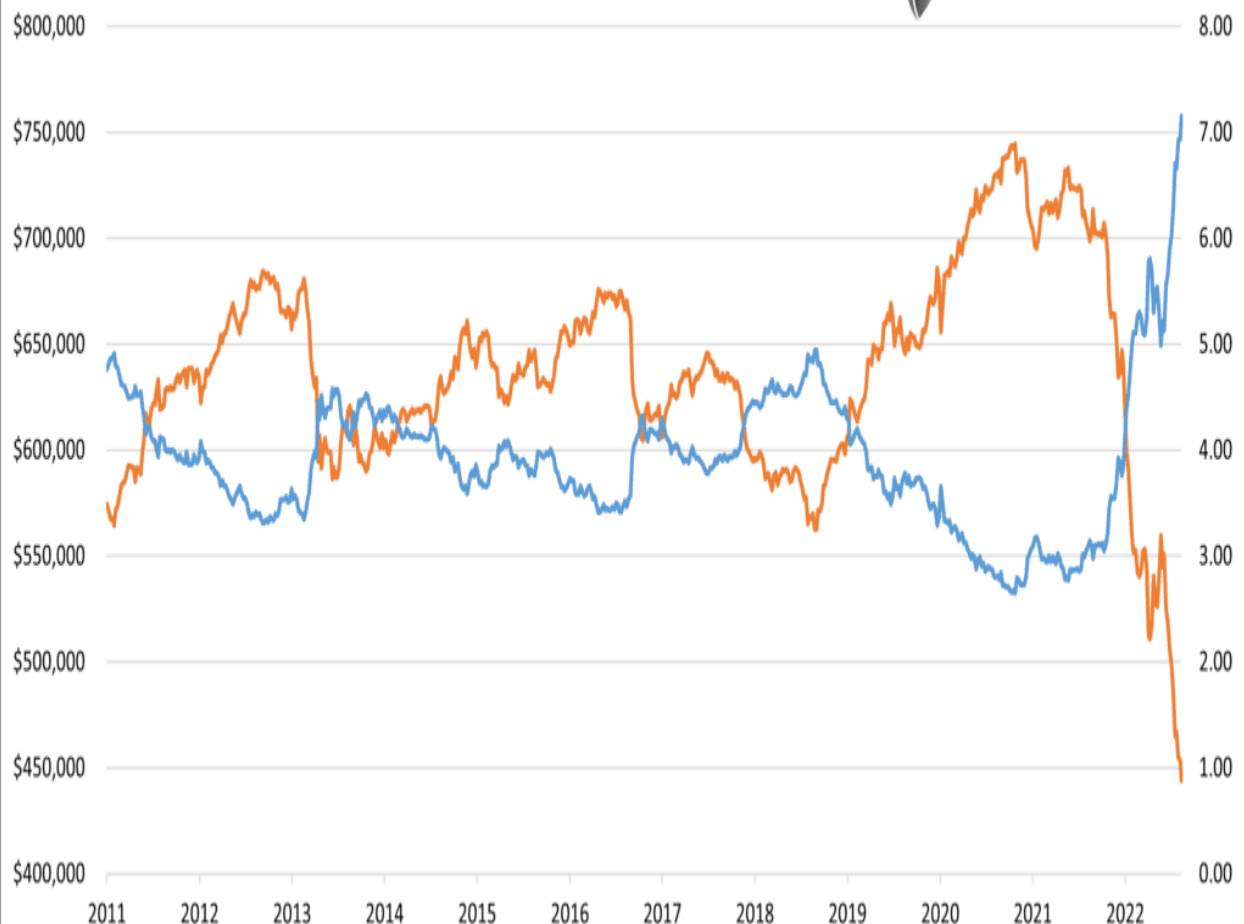
Real Investment Advice



## Mortgage Rates and Housing Affordability (3k/monthly Payment)



Real Investment Advice



**Tweet of the Day**



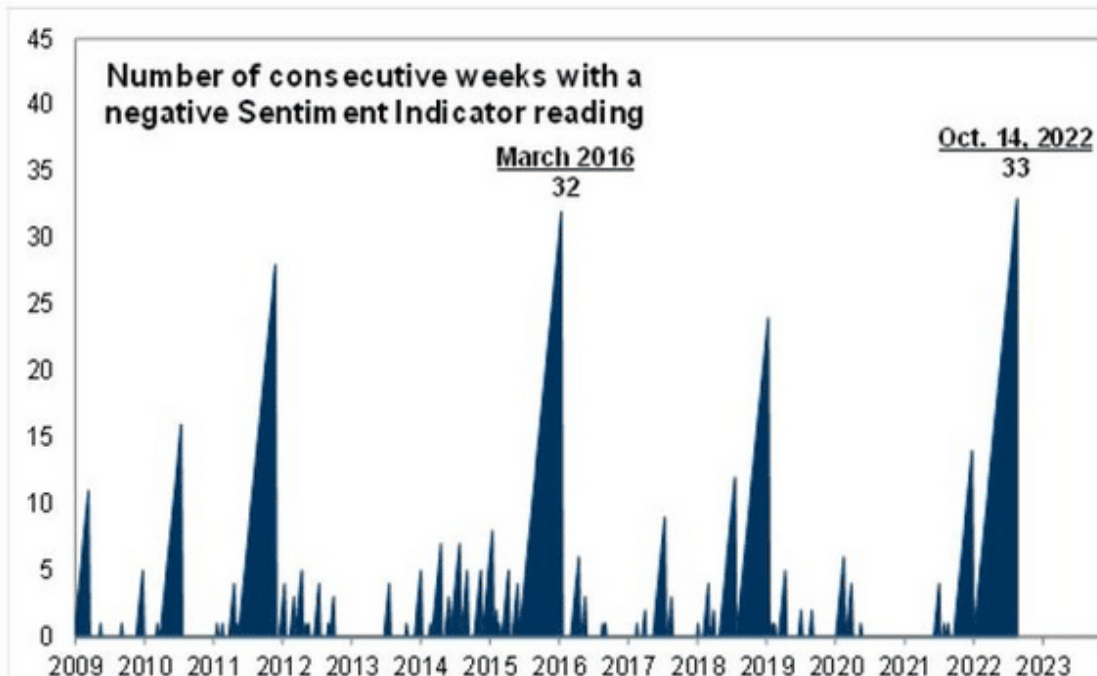
**Lance Roberts**

@LanceRoberts

...

**#Sentiment** is so **#bearish**....it's....

*Sentiment is worst that we have seen:*



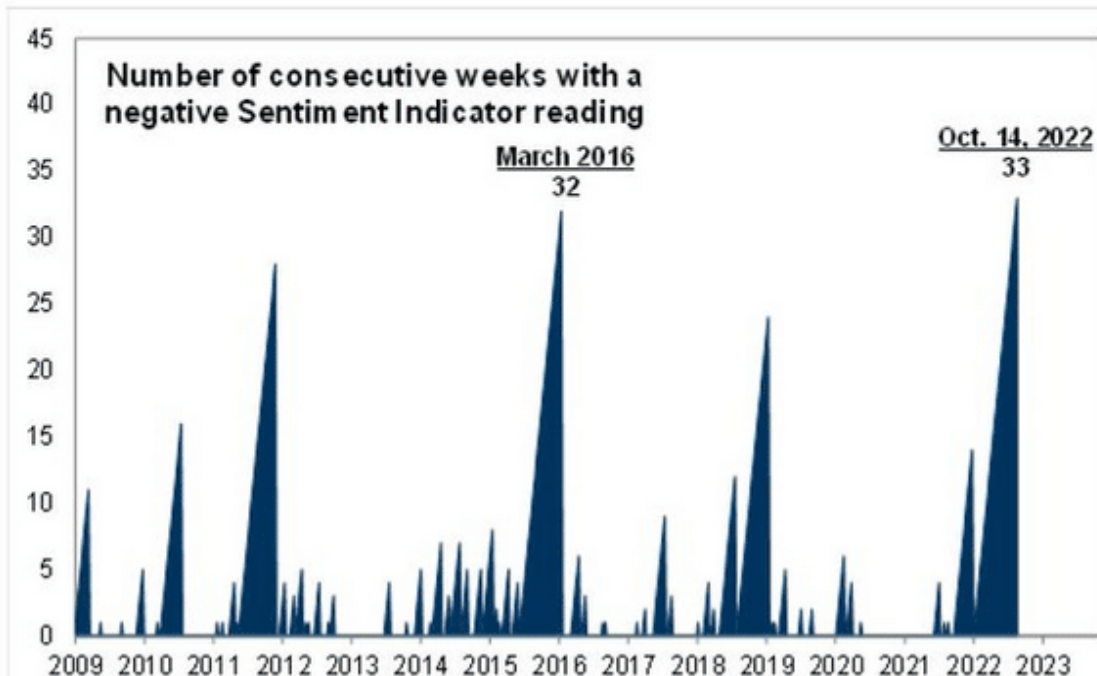
**Lance Roberts**

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