

More Intervention- Another Country Signals Financial Crisis

[Monday's Commentary](#) discussed the BOJ's dual interventions to cap bond yields and prevent its currency from depreciating further. Over the past weeks, we reported on the BOE's intervention efforts to restrain bond yields, keeping its pension funds from bankruptcy. In yet another signal of a global financial crisis, China intervened in their markets on Tuesday morning. After a stock rout on Monday, China's banks were ordered to buy stocks and support the market. The intervention initially sparked a jump in China's stocks, but the well-followed Hang Seng Index gave up all of its gains. The Index sits at 13-year lows.

A strong dollar and surging interest rates are breaking the global financial system. It is too dependent on a weak dollar and low rates. How far are Powell and Yellen willing to go in their fight against inflation before acknowledging the global financial risks their actions are causing?

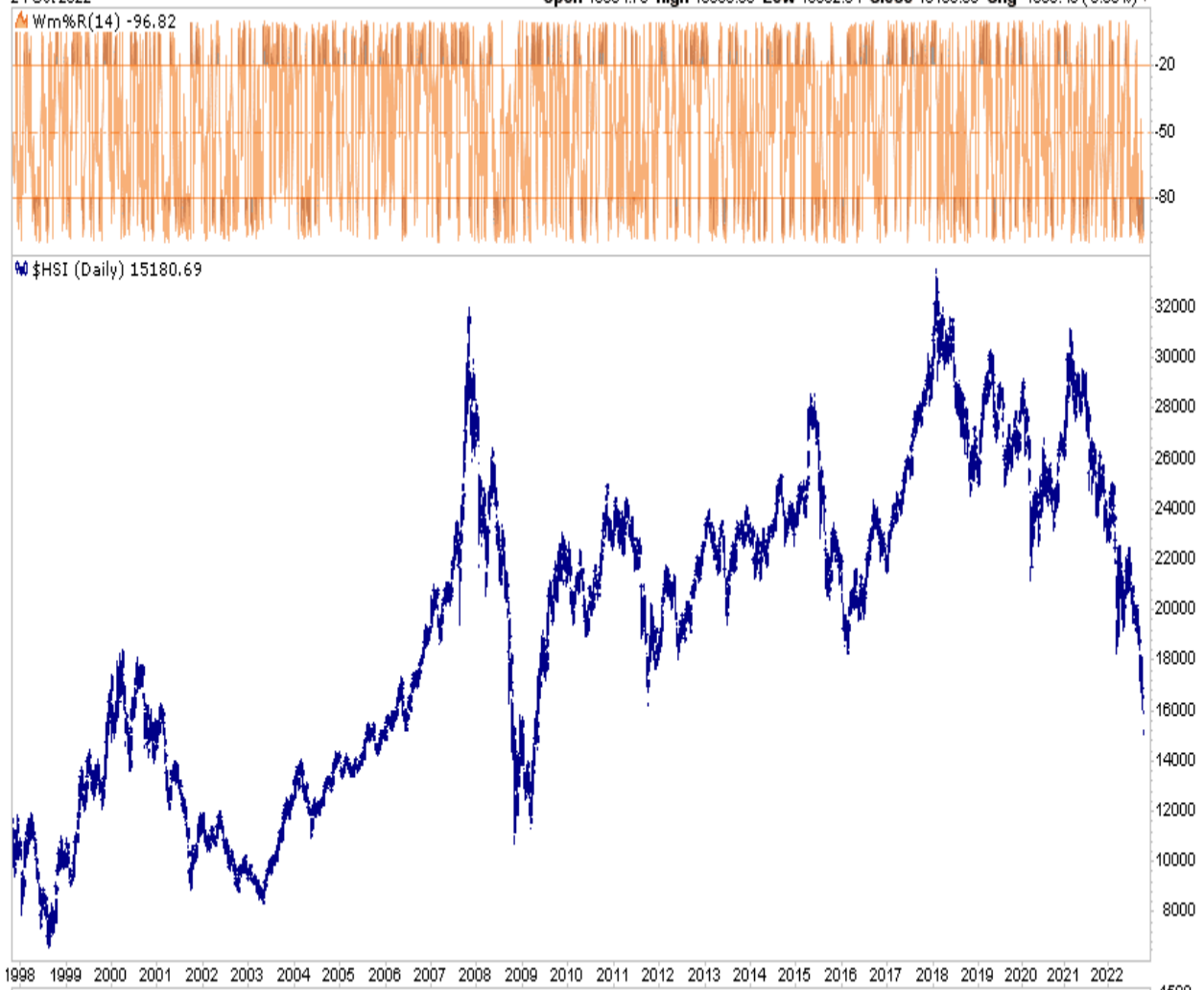
\$HSI Hong Kong Hang Seng (EOD) SEHK

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24-Oct-2022

Open 15894.75 High 15993.88 Low 15082.84 Close 15180.69 Chg -1030.43 (-6.36%) ▼

▲ Wm%R(14) -96.82



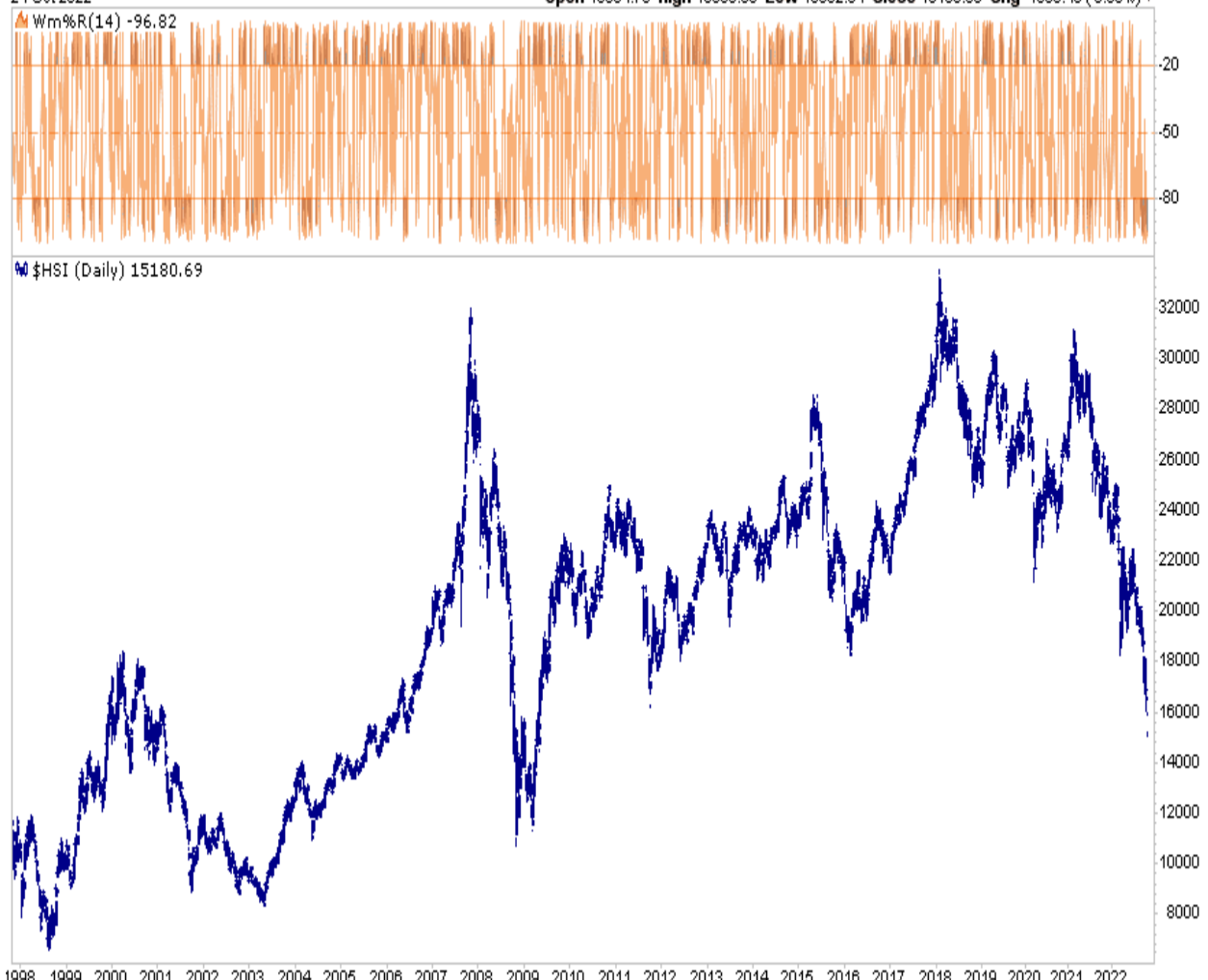
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What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended Oct. 21 (-4.5% prior)
- 8:30 a.m. ET: **Advance Goods Trade Balance**, September (-\$87.5 billion expected, -\$87.3 billion prior)
- 8:30 a.m. ET: **Wholesale Inventories, month-over-month**, September Preliminary (1.1% expected, 1.3% prior)
- 8:30 a.m. ET: **Retail Inventories, month-over-month**, September (1.2% expected, 1.4% prior)
- 10:00 a.m. ET: **New Home Sales NSA, September** (580,000 expected, 685,000 prior)
- 10:00 a.m. ET: **New Home Sales, month-over-month**, September (-15.3% expected, -28.8% prior)

Earnings

Company		Time	Estimate		 Growth Show only confirmed?	Surprise		
✓ BA	Boeing Co.	7:30 AM ET	(\$0.01)	\$18.87 B	23.5%	+	=	-
✓ BG	Bunge Ltd.	6:00 AM ET	\$2.44	\$16.13 B	14.3%	+	=	-
✓ BMJ	Bristol-Myers Squibb ...	7:00 AM ET	\$1.83	\$11.19 B	-3.7%	+	=	-
✓ GD	General Dynamics C...	7:00 AM ET	\$3.16	\$9.93 B	3.8%	+	=	-
✓ TMO	Thermo Fisher Scient...	6:00 AM ET	\$4.78	\$9.99 B	7.1%	+	=	-
✓ PAG	Penske Automotive G...	7:00 AM ET	\$4.38	\$6.93 B	6.7%	+	=	-
✓ KHC	Kraft Heinz Company	7:00 AM ET	\$0.55	\$6.33 B	0.1%	+	=	-
✓ WM	Waste Management I...	7:05 AM ET	\$1.50	\$5.04 B	8.0%	+	=	-
✓ BSBR	BANCO SANT-ADS	BMO	\$0.20	\$3.63 B	-10.2%	+	=	-
✓ ADP	Automatic Data Proc...	7:00 AM ET	\$1.78	\$4.16 B	8.6%	+	=	-
✓ OTIS	Otis Worldwide Corpo...	6:10 AM ET	\$0.78	\$3.46 B	-4.4%	+	=	-
✓ GPI	Group 1 Automotive I...	6:25 AM ET	\$10.99	\$4.14 B	18.0%	+	=	-
✓ IQV	IQVIA Holdings Inc.	7:00 AM ET	\$2.38	\$3.54 B	4.4%	+	=	-
✓ STX	Seagate Technology plc	8:05 AM ET	\$0.76	\$2.51 B	-19.4%	+	=	-
✓ BSX	Boston Scientific Cor...	6:30 AM ET	\$0.44	\$3.15 B	7.4%	+	=	-
✓ NSC	Norfolk Southern Cor...	8:00 AM ET	\$3.64	\$3.24 B	13.6%	+	=	-
✓ APH	Amphenol Corp.	8:00 AM ET	\$0.75	\$3.07 B	8.9%	+	=	-
✓ R	Ryder System Inc.	7:55 AM ET	\$3.70	\$3.00 B	22.0%	+	=	-
✓ OC	Owens Corning Inc	6:00 AM ET	\$3.17	\$2.51 B	13.4%	+	=	-
✓ MAS	Masco Corp.	7:00 AM ET	\$1.07	\$2.31 B	4.8%	+	=	-
✓ AVY	Avery Dennison Corp.	6:45 AM ET	\$2.51	\$2.31 B	11.5%	+	=	-
✓ UMC	United Microelectroni...	4:35 AM ET	\$0.35	\$2.40 B	19.5%	+	=	-
✓ SID	Companhia Siderurgi...	BMO	\$0.15	\$2.11 B	7.6%	+	=	-
✓ CSTM	Constellium N.V.	6:00 AM ET	\$0.33	\$2.03 B	8.5%	+	=	-
✓ TMHC	Taylor Morrison Hom...	6:15 AM ET	\$2.50	\$2.15 B	15.7%	+	=	-
✓ KBR	KBR Inc	5:50 AM ET	\$0.63	\$1.64 B	-11.0%	+	=	-
✓ HES	Hess Corp	7:30 AM ET	\$2.04	\$2.92 B	61.2%	+	=	-
✓ HLT	Hilton Worldwide Hol...	6:00 AM ET	\$1.25	\$2.37 B	35.5%	+	=	-
✓ SLGN	Silgan Holdings, Inc.	7:15 AM ET	\$1.22	\$1.88 B	13.9%	+	=	-
✓ ROP	Roper Technologies, I...	6:55 AM ET	\$3.45	\$1.31 B	-10.4%	+	=	-
✓ ODFL	Old Dominion Freight...	7:00 AM ET	\$3.06	\$1.64 B	17.1%	+	=	-
✓ HOG	Harley-Davidson, Inc.	7:00 AM ET	\$1.45	\$1.35 B	-1.1%	+	=	-
✓ TDY	Teledyne Technologie...	6:55 AM ET	\$4.30	\$1.38 B	5.2%	+	=	-
✓ FTV	Fortive Corporation	7:30 AM ET	\$0.76	\$1.45 B	11.6%	+	=	-
✓ VRT	Vertiv Holdings Co	5:55 AM ET	\$0.21	\$1.49 B	21.2%	+	=	-
✓ GRMN	Garmin Ltd.	7:00 AM ET	\$1.10	\$1.20 B	0.7%	+	=	-
✓ CME	CME Group Inc	7:00 AM ET	\$1.93	\$1.21 B	9.0%	+	=	-
✓ BCO	Brink's Company	7:30 AM ET	\$1.20	\$1.17 B	8.8%	+	=	-
✓ TKR	Timken Company	6:50 AM ET	\$1.33	\$1.09 B	5.1%	+	=	-
✓ WFRD	Weatherford Internati...	BMO	\$0.65	\$1.08 B	14.3%	+	=	-
✓ MHO	MVI Homes	8:30 AM ET	\$4.05	\$1.13 B	25.0%	+	=	-
✓ COOP	Mr. Cooper Group Inc.	7:00 AM ET	\$0.50	\$410.62 M	-52.3%	+	=	-
✓ FSV	FirstService Corporati...	7:30 AM ET	\$1.13	\$921.25 M	8.5%	+	=	-
✓ GTX	Garret Motion	7:15 AM ET	\$0.22	\$935.00 M	11.4%	+	=	-
✓ EVR	Evercore	6:45 AM ET	\$1.35	\$526.35 M	-36.1%	+	=	-
✓ IEX	IDEX Corporation	7:00 AM ET	\$2.01	\$774.02 M	8.7%	+	=	-
✓ BPOP	Popular Inc.	8:00 AM ET	\$2.53	\$569.44 M	-18.6%	+	=	-
✓ CPG	Crescent Point Energ...	6:30 AM ET	\$0.31	\$847.44 M	25.8%	+	=	-
✓ PRG	PROG Holdings, Inc.	7:00 AM ET	\$0.63	\$631.43 M	-2.9%	+	=	-
✓ ROL	Rollins Inc.	7:30 AM ET	\$0.21	\$712.28 M	9.5%	+	=	-
✓ BOKF	BOK Financial Corp.	7:55 AM ET	\$2.05	\$458.22 M	-12.4%	+	=	-
✓ EXP	Eagle Materials Inc.	6:30 AM ET	\$3.58	\$591.79 M	16.1%	+	=	-
✓ CHEF	Chefs' Warehouse, Inc.	7:00 AM ET	\$0.27	\$609.66 M	25.9%	+	=	-
✓ WNC	Wabash National Corp.	6:55 AM ET	\$0.57	\$638.24 M	32.3%	+	=	-
✓ NYCB	New York Community...	7:00 AM ET	\$0.32	\$365.80 M	-14.9%	+	=	-
✓ IART	Integra LifeSciences ...	6:30 AM ET	\$0.72	\$387.79 M	0.2%	+	=	-
✓ DRVN	Driven Brands Holdin...	7:00 AM ET	\$0.25	\$492.06 M	32.6%	+	=	-
✓ MNRO	Monro, Inc.	7:30 AM ET	\$0.43	\$345.73 M	-0.6%	+	=	-
✓ HESM	Hess Midstream LP	8:00 AM ET	\$0.50	\$317.10 M	4.3%	+	=	-
Company		Time	Estimate		 Growth Show only confirmed?	Surprise		
✓ BA	Boeing Co.	7:30 AM ET	(\$0.01)	\$18.87 B	23.5%	+	=	-

Market Trading Update

Yesterday, the market looked like it was going to open weakly, but almost immediately traded higher and convincingly broke through the initial 3800 resistance level, clearing the way for the first test of the 50-dma today. However, disappointing earnings from both Google (GOOG) and Microsoft (MSFT) last night have markets trading lower this morning.

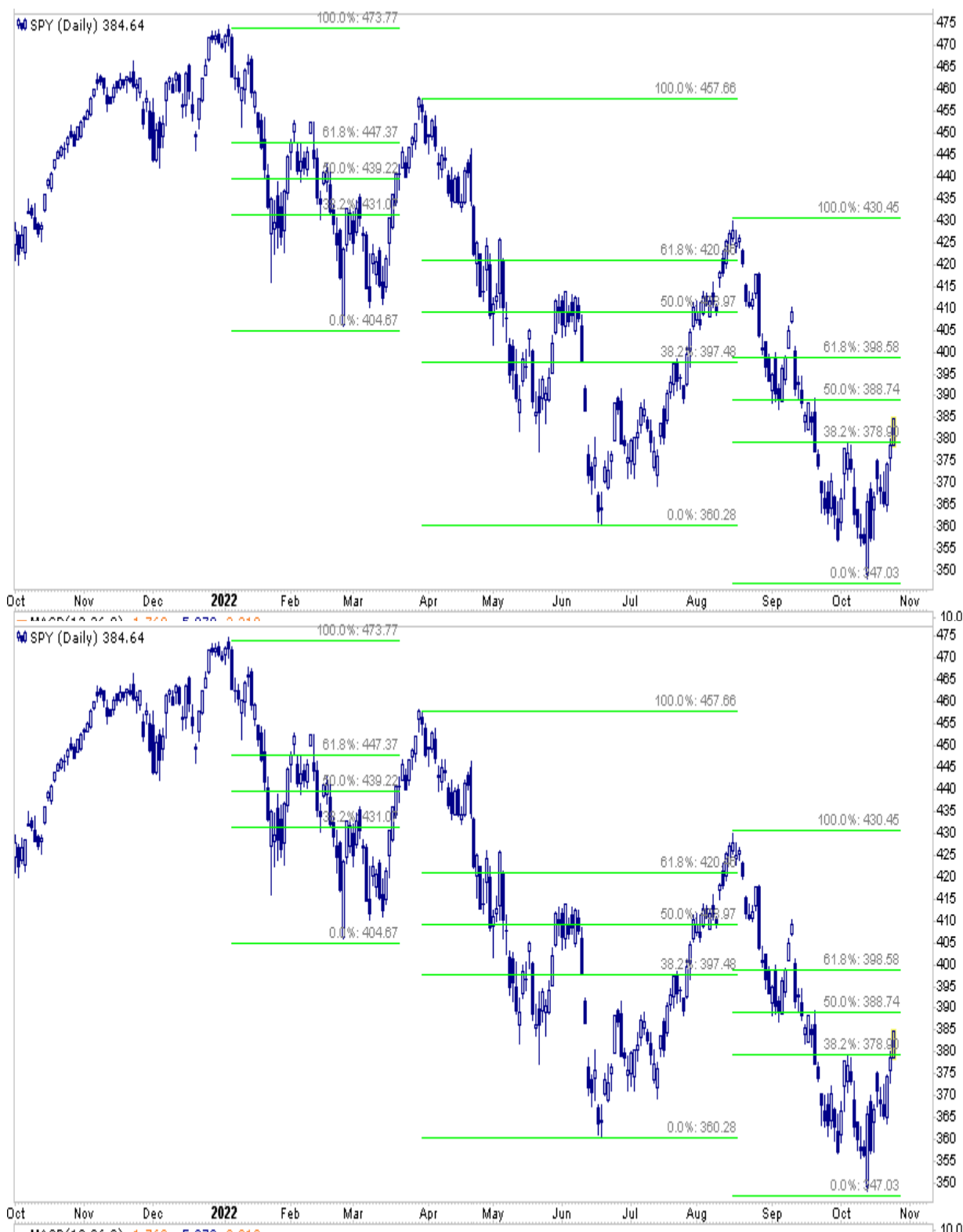
That is okay as the market's torrid rally over the last few days needs a bit of a breather. The market needs to hold the 3800 level today and turn that resistance into support. There is some decent action behind the tape, suggesting that may be the case, and if the market holds firm, then 4100 remains the potential high watermark for this rally. However, as stated, we would be a seller into strength as there are still a LOT of market participants trapped in this decline, looking for an opportunity to get out.



TV TradingView



As Michael Lebowitz noted yesterday afternoon, the current rally still has some room to go to match the previous bear market rallies this year. As shown in the chart below, The previous rallies retraced 76% and 73% of the prior decline. If that is the case, we should expect a peak around 4100 on the S&P 500 index, which equates to about 7% more upside.

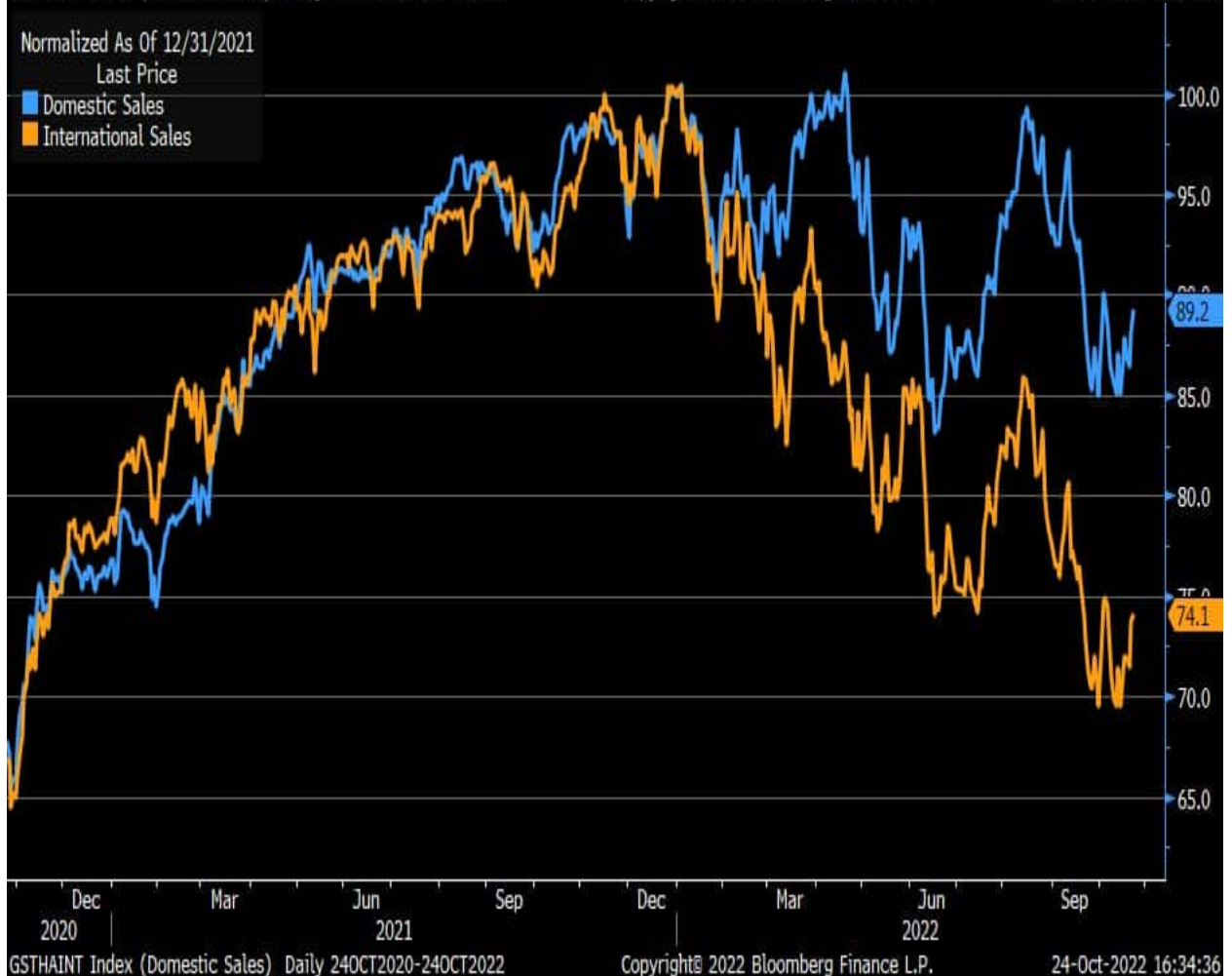
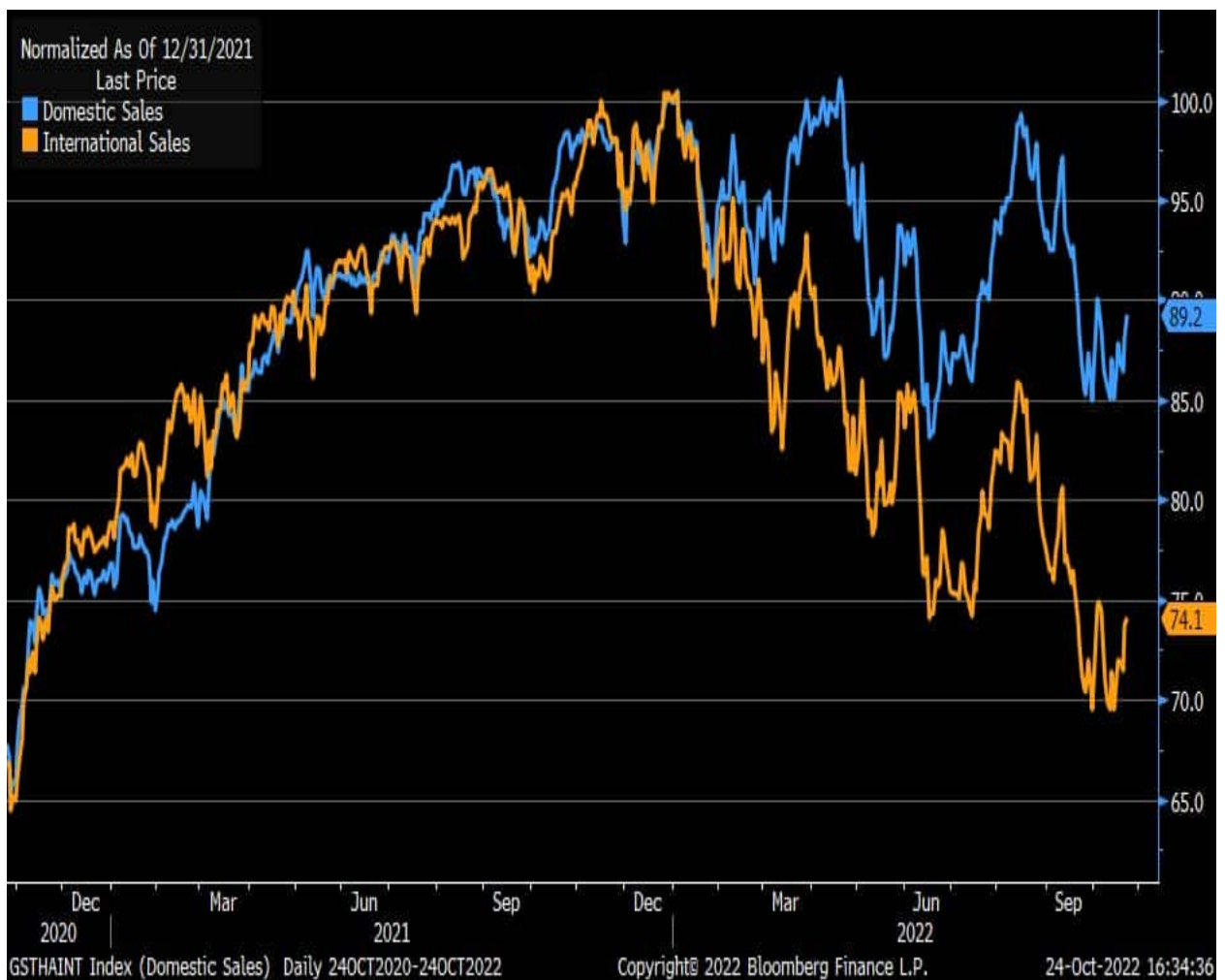


First things first, however, let's get through the 50-dma, and then we can reevaluate our holdings.

Domestic Vs. International Revenue

As you ponder which stocks will likely outperform if the dollar remains strong, you may consider the graph below. The Bloomberg graph from Liz Ann Sonders compares companies with a larger percentage of domestic sales (blue) to those with a more significant percentage of international sales (orange). The gap favors those with domestic sales by about 15%. Dollar strength is taking its toll on companies exposed to currency movements. Further, the U.S. economy handles higher interest rates better than most foreign economies.

Before leaning toward stocks with domestic sales, ask, will the U.S. economy continue to outperform the global economy? The story may change as the lag effect of higher interest rates has yet to be felt in the U.S. When that happens and the Fed likely stalls, the dollar may weaken, bolstering international sales to the detriment of domestic sales.

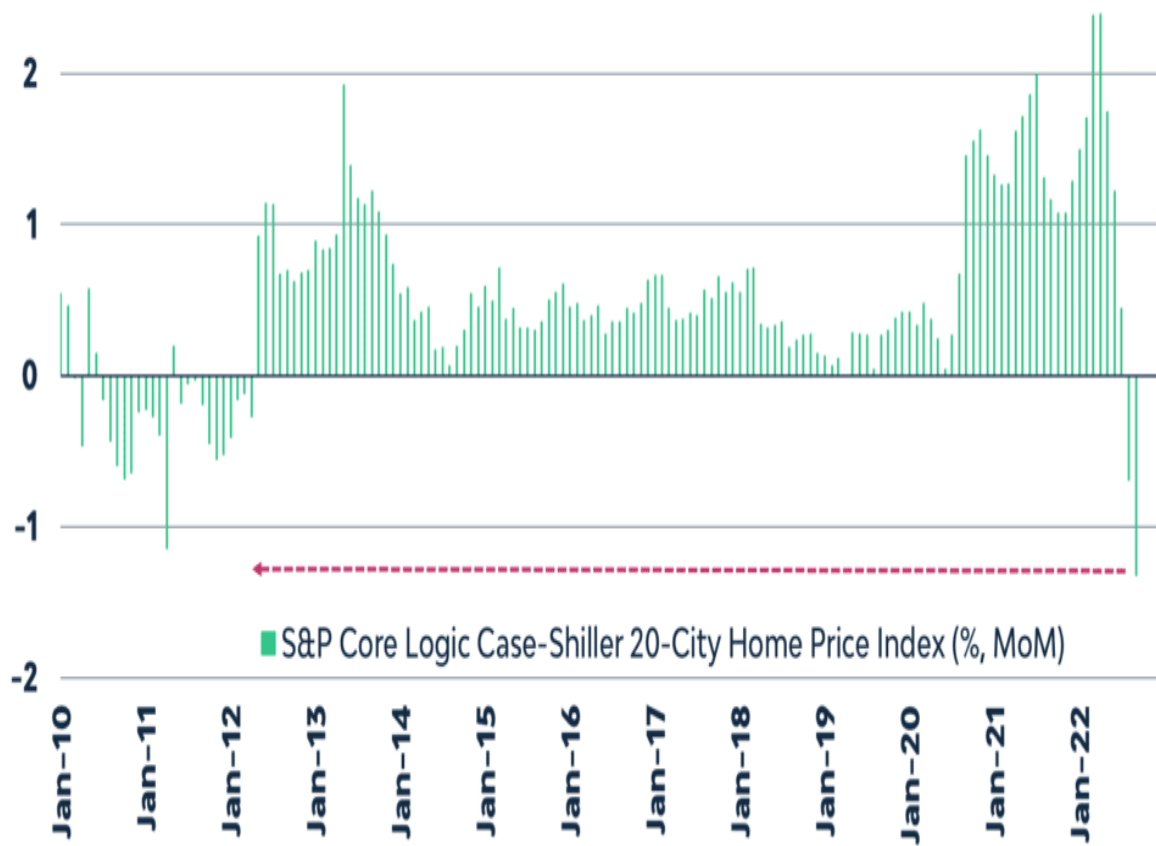


House Prices and Rents Portend Welcome Inflation News

Nearly 40% of CPI is based on rent prices and imputed rents derived from house prices. The Case-Shiller House Price Index fell by 1.3% in August. That was the Index's largest decline since 2009. The second graph shows that rents are also falling at a fast pace. We have harped on data lags and how it takes months for economic activity to affect inflation and other data that the Fed uses to conduct monetary policy. Now consider the data below also lags. When reality catches up with inflation and other economic data, the Fed may quickly want to reconsider its current monetary policy stance.

US - House Prices

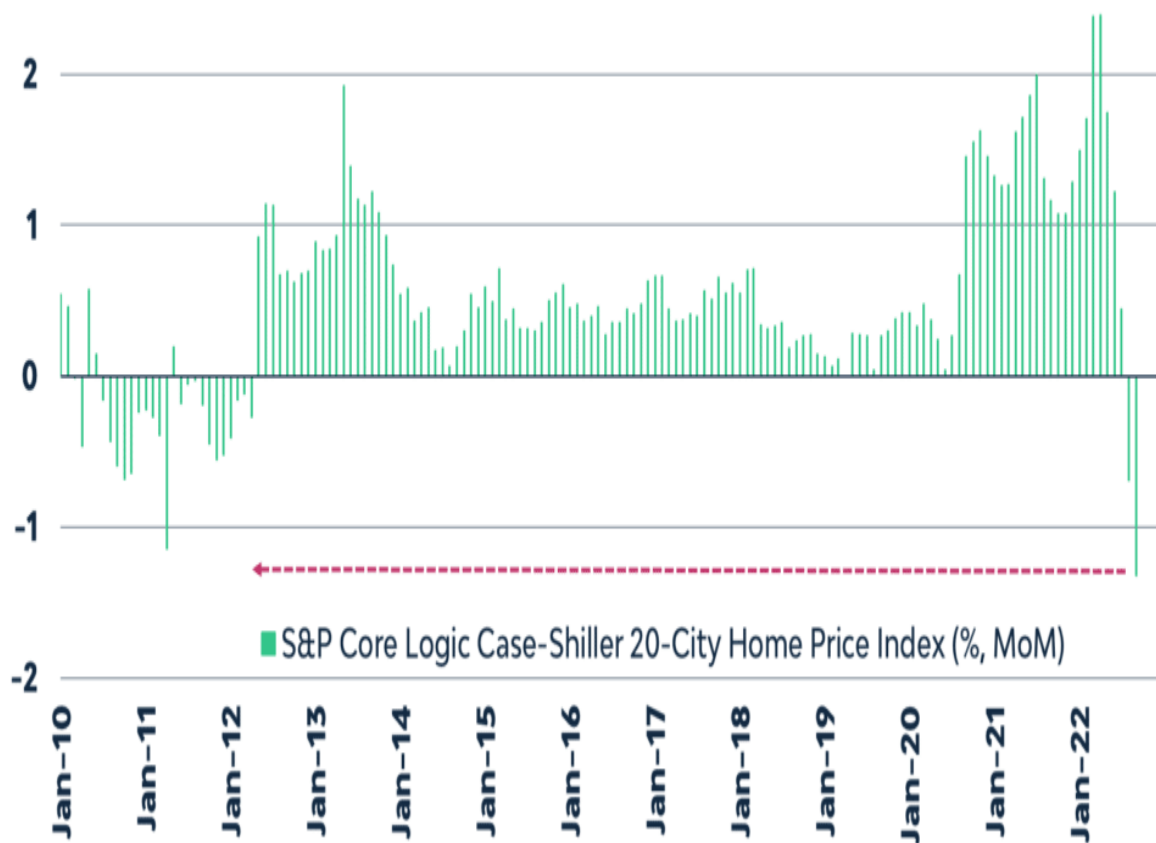
true insights



Source: True Insights, Investing.com

US - House Prices

true insights



Falling Off

US rents are now declining on a month-over-month basis



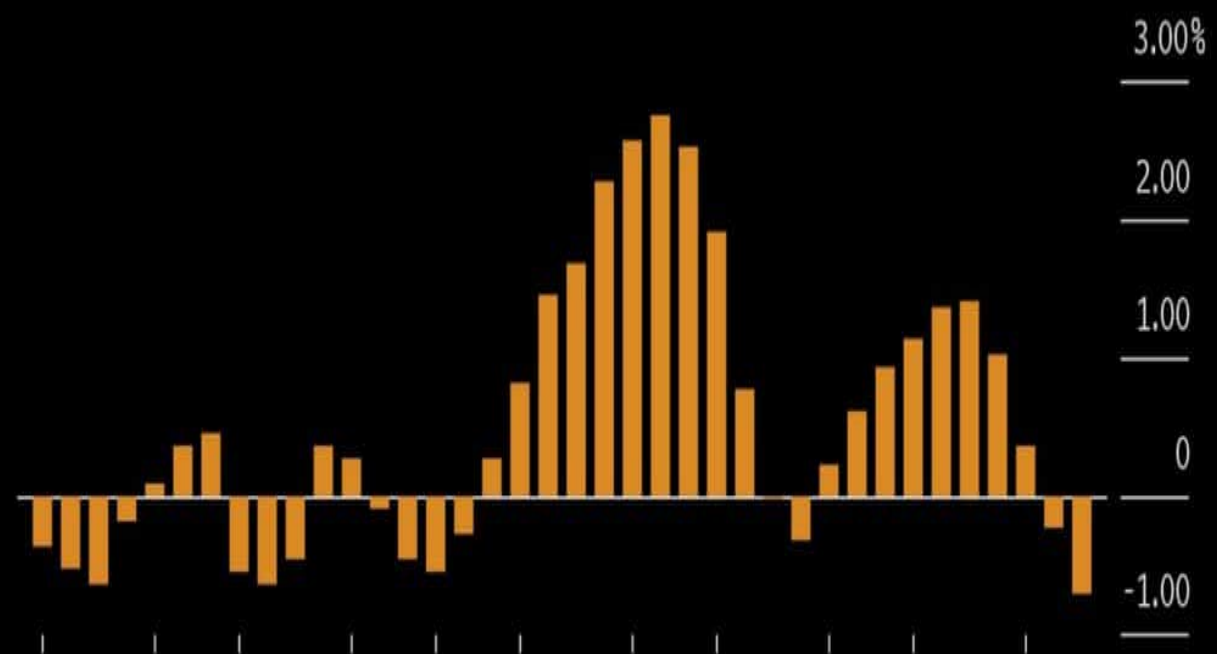
Source: Apartment List

Note: October 2022 number is preliminary and is likely to be revised as more data are collected

Bloomberg

Falling Off

US rents are now declining on a month-over-month basis



The Dollar

Dollar strength has been well correlated with higher yields and stock weakness. The graph below provides some hope that the dollar trend may be breaking. The graph shows the USD index has been reliably bouncing off support and resistance lines for the entire year. It is testing resistance once again, but after it failed to make a new high. A lower high and lower low would provide some hope that the trend higher in the dollar may be ending. Further, the dollar is sitting on its 50-day moving average, which has proven to be good support. A break of that average would provide further optimism.



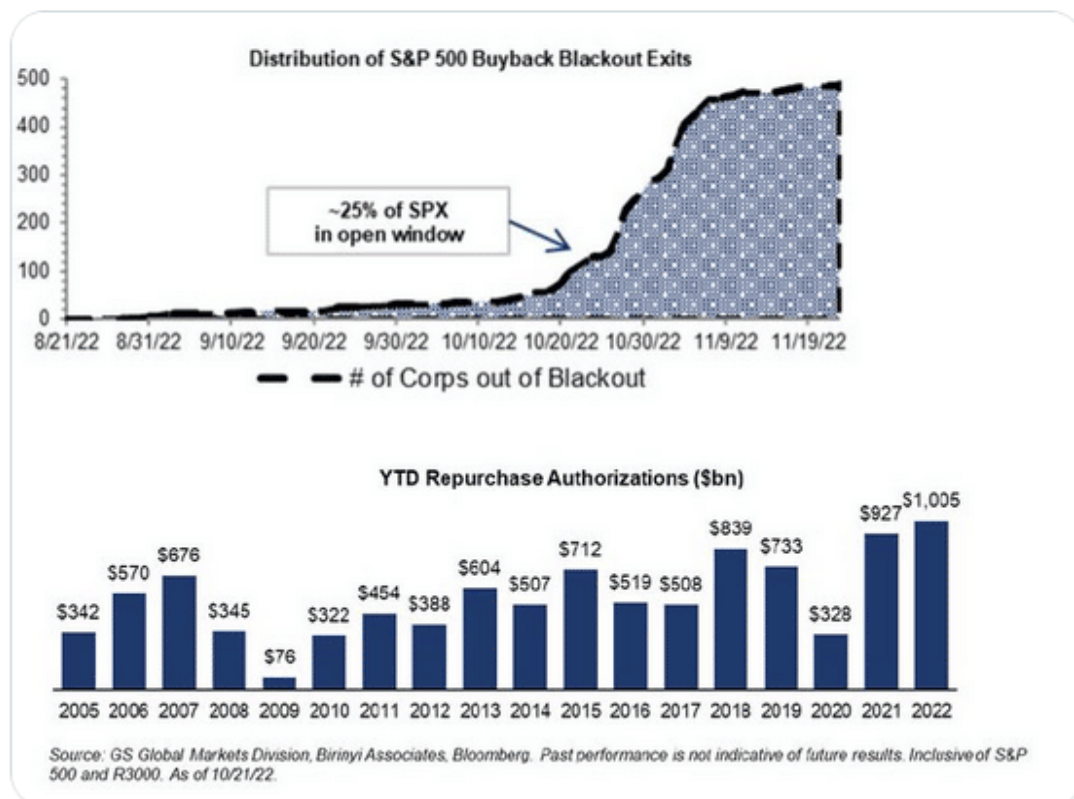
Tweet of the Day



Lance Roberts @LanceRoberts · 1h

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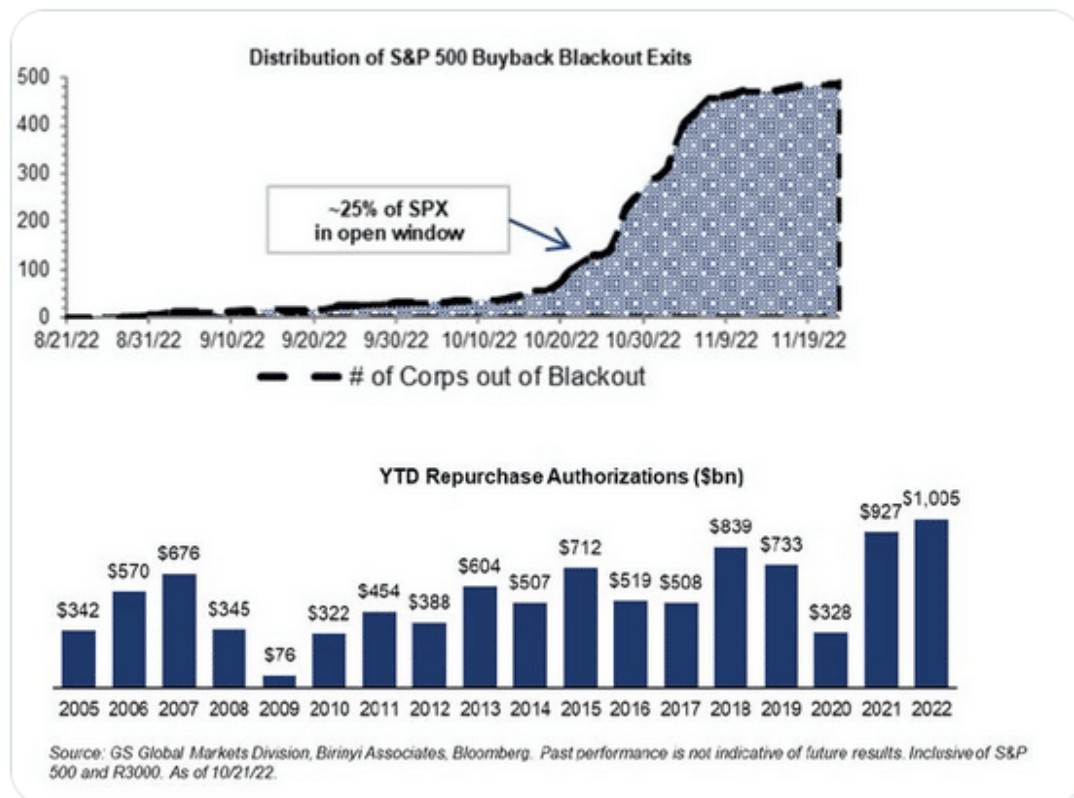
The [#BuyBack](#) [#Blackout](#) window is rapidly coming to a close with more than \$1 Trillion in buybacks authorized for this year. There is roughly \$5 billion a day coming on the buy side through year-end.



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