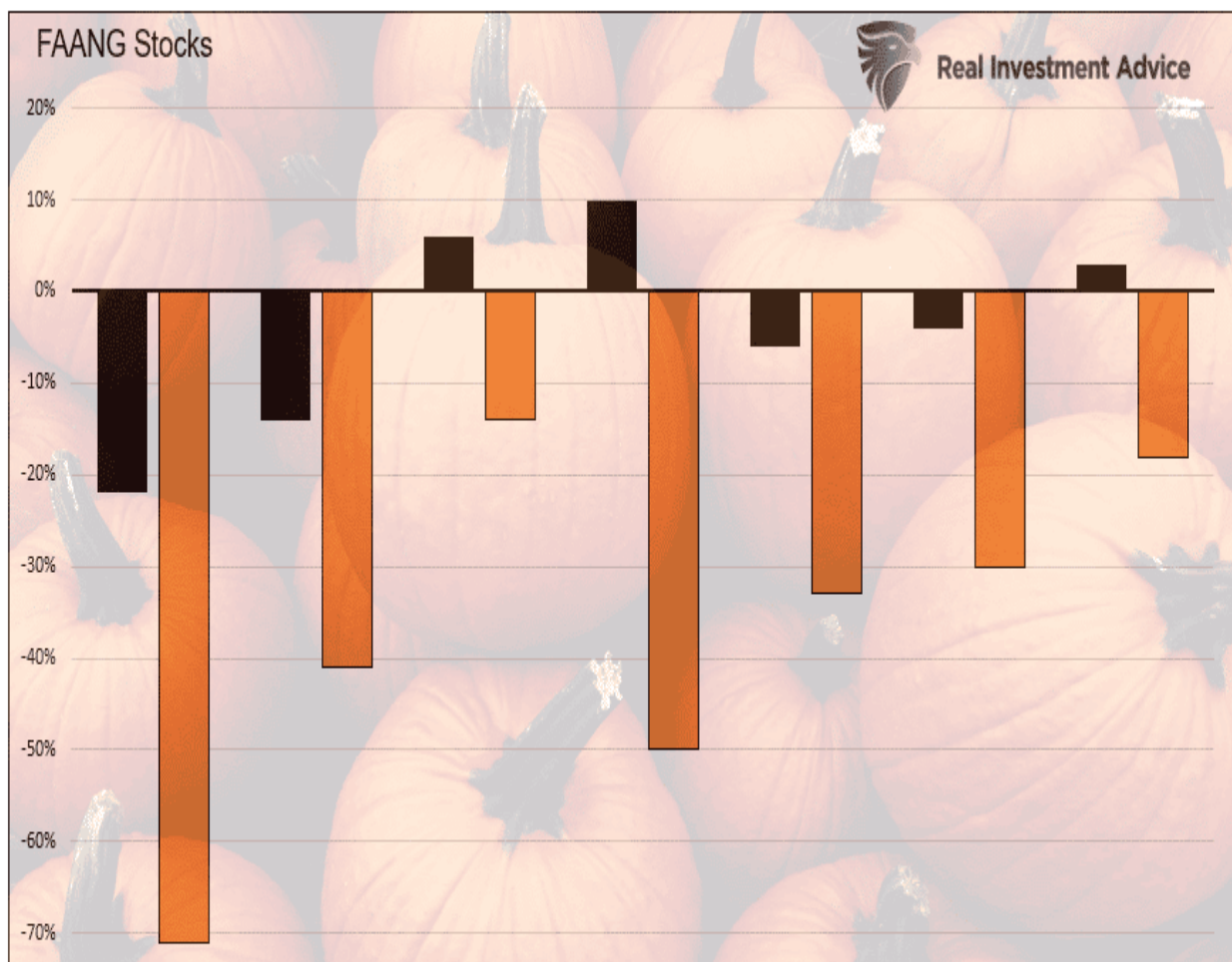
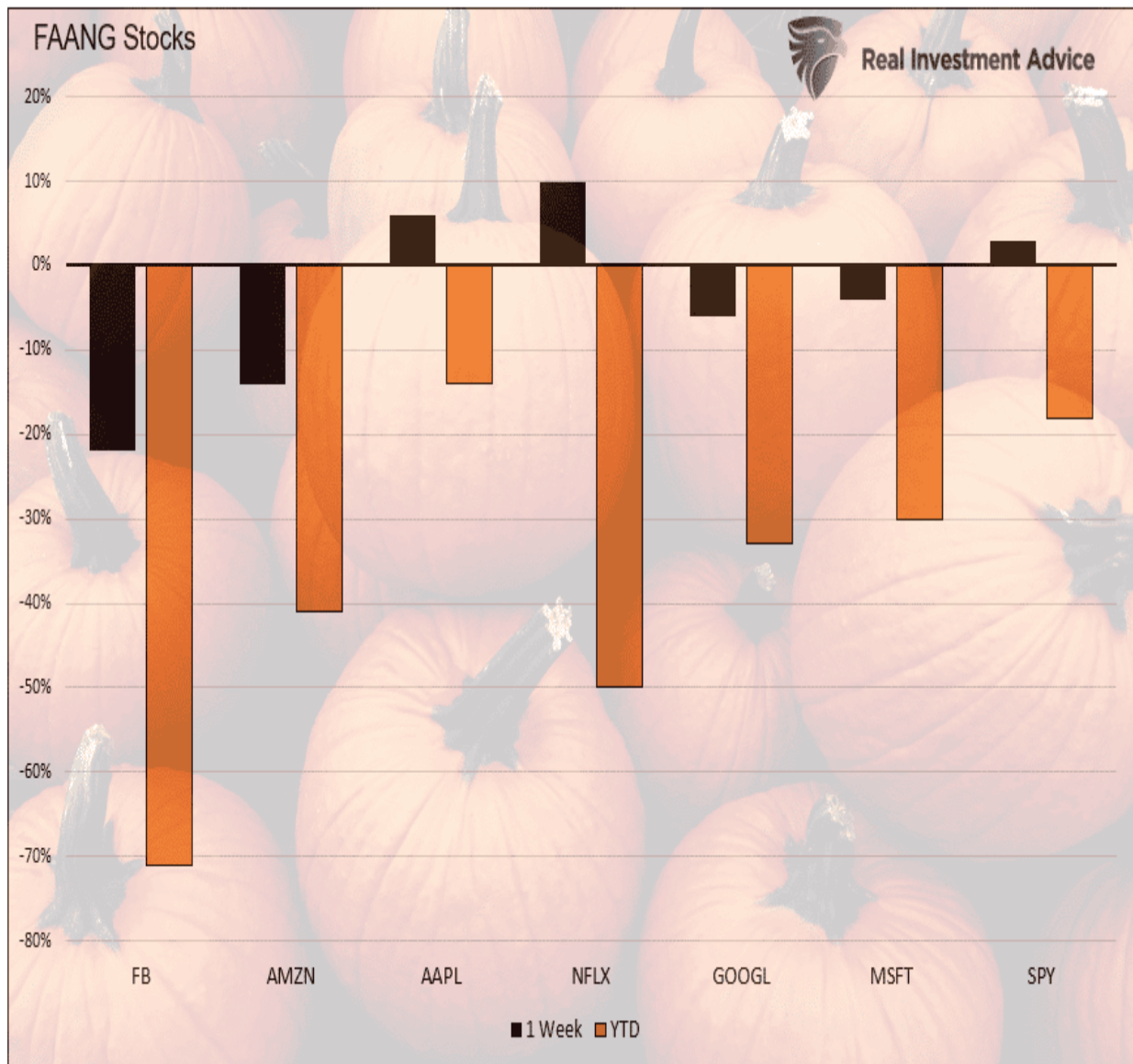




FAANGs Make for a Scary Halloween

The FAANGs are taking a Halloween bite out of many investors' goody bags. FAANG stocks, known as the market generals because they are the most widely held stocks, took a beating this past week on earnings announcements. Included in the FAANG acronym are Facebook (now Meta), Apple, Amazon, Netflix, and Google. Most investors also include Microsoft. The graph below shows the FAANGs performance this past week and year to date. Apple is the only FAANG stock beating the S&P 500 this year. But, it is doing so by a slim margin. Interestingly, the FAANGs, including MSFT, have a market cap accounting for about 20% of the S&P 500, yet the S&P 500 outperforms the FAANGs by 10% on average for the year. Looking past Halloween toward year-end and 2023, are we entering a market not led by the FAANGs? Might small caps or value stocks finally take the reigns?

*A vampire went to an exclusive Halloween party. It was for FAANG members only. It sucked.
Happy Halloween!*






What To Watch Today

Economy

- 9:45 a.m. ET: **MNI Chicago PMI**, October (47.0 expected, 45.7 prior month)
- 10:30 a.m. ET: **Dallas Fed Manufacturing Activity**, October (-18.5 expected, -17.2 prior month)

Earnings

Company		Time	Estimate		 Growth Show only confirmed?	Surprise		
✓ AFL	AFLAC, Inc.	4:05 PM ET	\$1.23	\$4.63 B	-11.6%	+	=	-
✓ GT	Goodyear Tire & Rub...	7:50 PM ET	\$0.61	\$5.57 B	12.9%	+	=	-
✓ SYK	Stryker Corp.	4:05 PM ET	\$2.24	\$4.47 B	7.5%	+	=	-
✓ XPO	XPO Logistics, Inc.	7:00 AM ET	\$1.35	\$3.05 B	-6.7%	+	=	-
✓ CAR	Avis Budget Group, Inc.	4:00 PM ET	\$14.80	\$3.53 B	17.6%	+	=	-
✓ CNA	CNA Financial Corp.	6:00 AM ET	\$0.61	\$2.63 B	-11.1%	+	=	-
✓ NXPI	NXP Semiconductors...	4:00 PM ET	\$3.62	\$3.43 B	19.9%	+	=	-
✓ WMB	Williams Companies, ...	4:15 PM ET	\$0.44	\$2.87 B	16.0%	+	=	-
✓ GPN	Global Payments, Inc.	6:55 AM ET	\$2.47	\$2.07 B	-6.0%	+	=	-
✓ PEG	Public Service Enterp...	7:30 AM ET	\$0.84	\$2.26 B	18.8%	+	=	-
✓ CVI	CVR Energy, Inc.	5:20 PM ET	\$1.77	\$2.25 B	19.5%	+	=	-
✓ BCC	Boise Cascade Corp...	4:10 PM ET	\$4.45	\$2.15 B	14.4%	+	=	-
✓ CINF	Cincinnati Financial C...	4:05 PM ET	\$0.71	\$2.04 B	14.3%	+	=	-
✓ ON	onsemi	8:00 AM ET	\$1.31	\$2.12 B	21.7%	+	=	-
✓ AMKR	Amkor Technology, Inc.	4:00 PM ET	\$0.92	\$1.93 B	14.8%	+	=	-
✓ HLF	Herbalife Nutrition Ltd.	4:10 PM ET	\$0.74	\$1.30 B	-9.1%	+	=	-
✓ LEG	Leggett & Platt, Inc.	4:15 PM ET	\$0.49	\$1.23 B	-6.8%	+	=	-
✓ HOLX	Hologic, Inc.	4:00 PM ET	\$0.62	\$866.83 M	-34.2%	+	=	-
✓ HWM	Howmet Aerospace	7:00 AM ET	\$0.36	\$1.44 B	12.2%	+	=	-
✓ NSP	Insperty, Inc.	7:30 AM ET	\$0.71	\$1.45 B	19.9%	+	=	-
✓ JELD	JELD-WEN Holding, I...	6:00 AM ET	\$0.43	\$1.22 B	6.4%	+	=	-
✓ AWK	American Water Wor...	4:35 PM ET	\$1.49	\$1.02 B	-6.6%	+	=	-
✓ VAC	Marriott Vacations W...	4:15 PM ET	\$2.63	\$1.20 B	14.1%	+	=	-
✓ CNO	CNO Financial Group...	4:30 PM ET	\$0.48	\$893.26 M	-7.7%	+	=	-
✓ RRX	Regal Rexnord Corpo...	4:30 PM ET	\$2.66	\$1.32 B	47.9%	+	=	-
✓ FLS	Flowserve Corporation	4:05 PM ET	\$0.24	\$878.87 M	1.5%	+	=	-
✓ ANET	Arista Networks, Inc.	4:05 PM ET	\$1.14	\$1.06 B	41.6%	+	=	-
✓ SAIA	Saia Inc.	7:30 AM ET	\$3.68	\$728.64 M	18.2%	+	=	-
✓ SBAC	SBA Communications...	4:00 PM ET	\$2.81	\$652.84 M	10.8%	+	=	-
✓ ACHC	Acadia Healthcare C...	4:05 PM ET	\$0.80	\$656.66 M	11.8%	+	=	-
✓ CHE	Chemed Corp.	4:15 PM ET	\$4.61	\$527.05 M	-2.2%	+	=	-
✓ KMT	Kennametal Inc.	4:05 PM ET	\$0.37	\$488.09 M	0.9%	+	=	-
✓ STRL	Sterling Construction ...	4:05 PM ET	\$0.87	\$513.50 M	10.8%	+	=	-
✓ CLW	Clearwater Paper Cor...	4:05 PM ET	\$1.52	\$551.00 M	22.3%	+	=	-
✓ ARLP	Alliance Resource Pa...	7:00 AM ET	\$1.45	\$659.81 M	58.8%	+	=	-
✓ VNO	Vornado Realty Trust	4:25 PM ET	\$0.74	\$432.75 M	5.8%	+	=	-
✓ KFRC	Kforce Inc.	4:00 PM ET	\$1.07	\$431.51 M	7.1%	+	=	-
✓ SXC	SunCoke Energy, Inc.	6:45 AM ET	\$0.16	\$379.40 M	3.5%	+	=	-
✓ TREX	Trex Company, Inc.	4:05 PM ET	\$0.15	\$194.74 M	-42.0%	+	=	-
✓ OTTR	Otter Tail Corp.	6:00 PM ET	\$1.70	\$389.30 M	23.1%	+	=	-
✓ RHP	Ryman Hospitality Pr...	4:05 PM ET	\$1.73	\$451.05 M	47.0%	+	=	-
✓ OGS	ONE Gas, Inc.	4:15 PM ET	\$0.41	\$289.79 M	5.8%	+	=	-

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Market Trading Update

The market rallied above the 3800 level, retested it Thursday, and then rocketed higher on Friday, breaking above the 50-dma and touching the 100-dma. Such confirms the bear market rally remains intact.

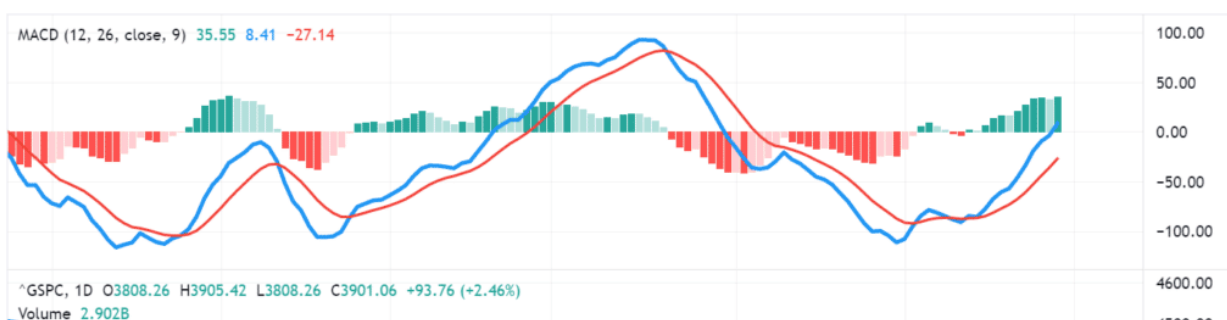
Over the last several weeks, we have repeatedly made the case why this market rally was likely, and all that we needed was some news flow to spark a buying panic. Of course, the rise in market chatter about a Fed? pause?, ?mini-pivot,?�or ?step-down?�in its hawkishness provided the narrative to send shorts scurrying to cover.

For some context,�**the Dow is on pace for its best month since 1976. It is also close to its best month since 1938. So far, the Dow is up four straight weeks (+14%) and is posting its biggest 4-week gain since April 2020. Despite dismal FANG earnings, the Nasdaq is ?only? up 5% on the month.**

However, we are not out of the woods yet, with an earnings recession coming in the new year. In Q1 we suspect we will see potential new lows in stocks as an economic recession becomes visible so continue to use this rally to lighten up on exposure to equities into year-end.



TradingView



The Week Ahead

With earnings for the FAANG stocks and many others out of the way, we can regain focus on the economy and the Fed. The Fed meets on Wednesday for its FOMC meeting. It is widely expected they will increase Fed Funds by .75%. However, more importantly to investors, will they hint at stalling rates or acknowledge the financial problems that higher rates and the dollar are having on foreign markets? For the first time in quite a few meetings, it's easier to make a case that the Fed will be less hawkish than at the previous meeting.

The state of the labor market is the predominant focus of this week's economic calendar. On that front, the BLS is expected to report that the unemployment rate will be stable at 3.5% with 240k new jobs added. On Tuesday, economists expect JOLTs to slightly increase job openings. If labor market data comes as expected, the labor market will show no signs of weakening. The Fed is hoping for some weakness to curtail high levels of inflation. Also of interest will be a few regional manufacturing surveys and the national ISM manufacturing survey. The consensus ISM forecast is 50. A level below 50 portends negative economic growth. Like leading indicators, ISM may also be forecasting a recession ahead.

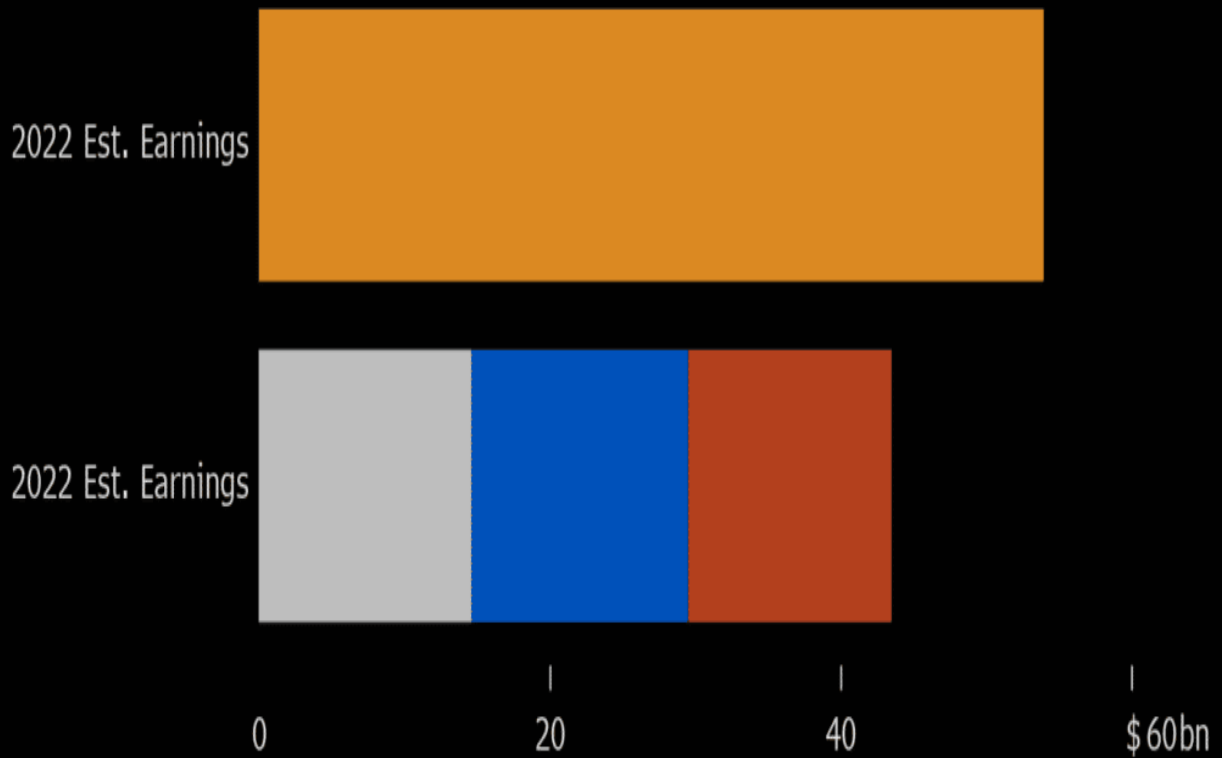
Exxon Shines as FAANGs Falter

Exxon (XOM) blew the door off of earnings expectations. In the third quarter, they reported an EPS of \$4.68, almost a dollar above expectations. Revenue also well-exceeded expectations. Q3 net income of nearly \$20 billion marks the highest income in the company's 152-year history. Even more impressive, it is on par with Apple's \$20.7 billion for the same quarter. Not surprisingly, Exxon's stock is trading at an all-time and up nearly 70% this year. Compare that to the performance of the FAANGs in the lead graph.

Oil Dominance

Analysts expect Exxon's earnings to top major S&P 500 rivals this year

■ Exxon ■ Amazon ■ Procter & Gamble ■ Tesla



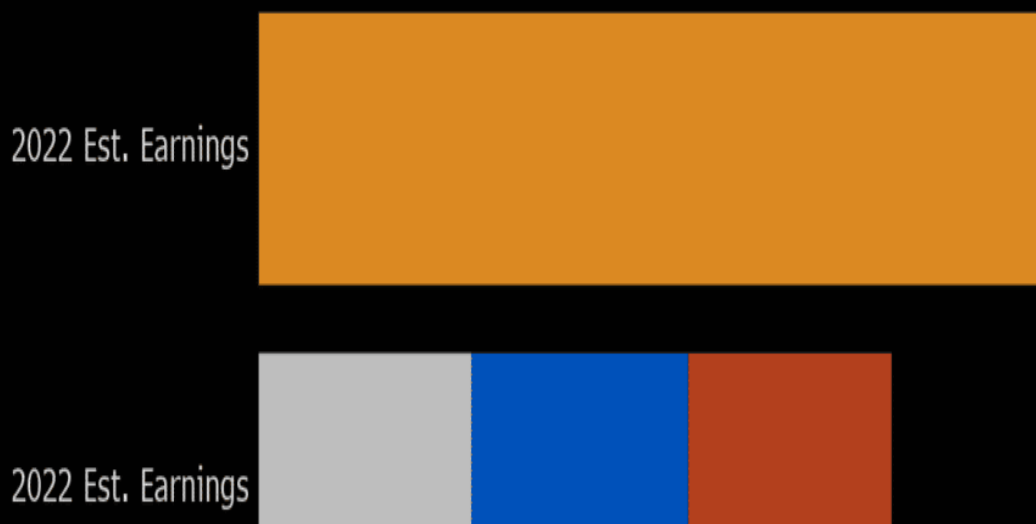
Source: Bloomberg

Bloomberg

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Confidence in CEO Confidence

The graph below speaks volumes about the value, or lack thereof, of tracking CEO sentiment. While many investors believe CEO's have unique insights into their companies and, therefore, the economy, the graph below argues they may not. As the graph shows, CEO confidence regarding the near-term economic outlook is always the poorest toward the end of recessions. Accordingly, the weakest CEO confidence readings have marked market lows. Currently, CEO confidence is at a 35-year low. The worst confidence reading since 1985 might just be a massive buy signal. Stay tuned.



Source: The Conference Board, Goldman Sachs Global Investment Research



Tweet of the Day



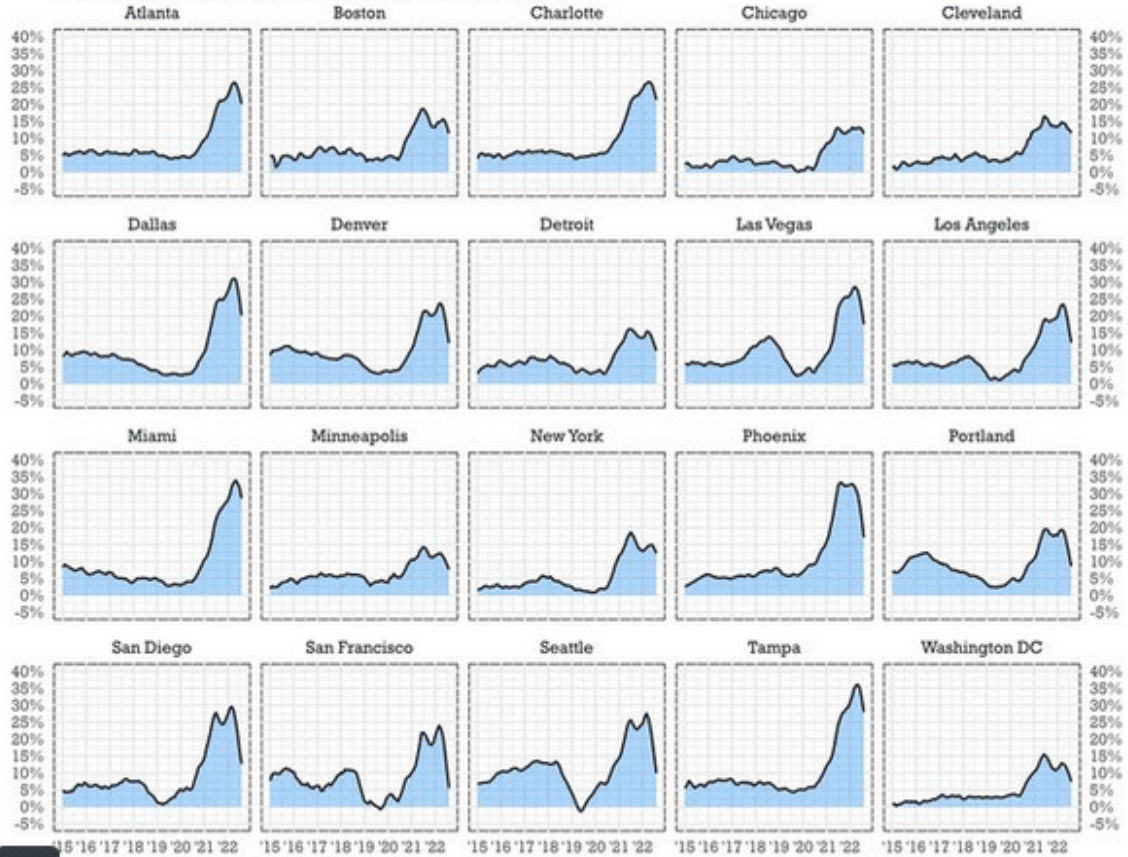
Len Kiefer

@lenkiefer

house price trends by metro area

House price trends by metro area

12-month percent change in house price index: January 2015 to August 2022



ALT

@lenkiefer Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller, seasonally adjusted index



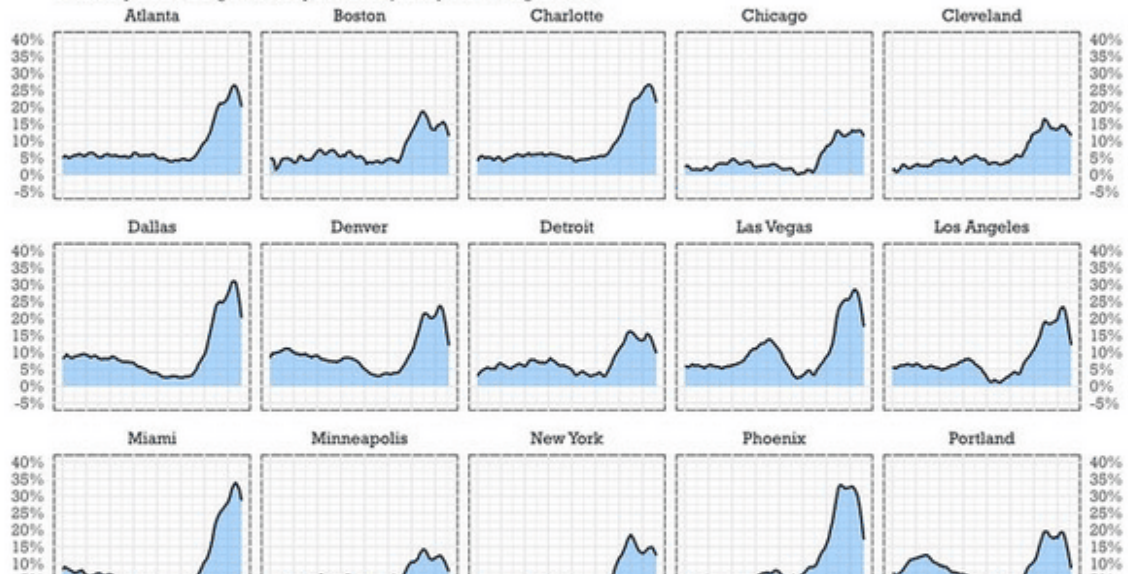
Len Kiefer

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house price trends by metro area

House price trends by metro area

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