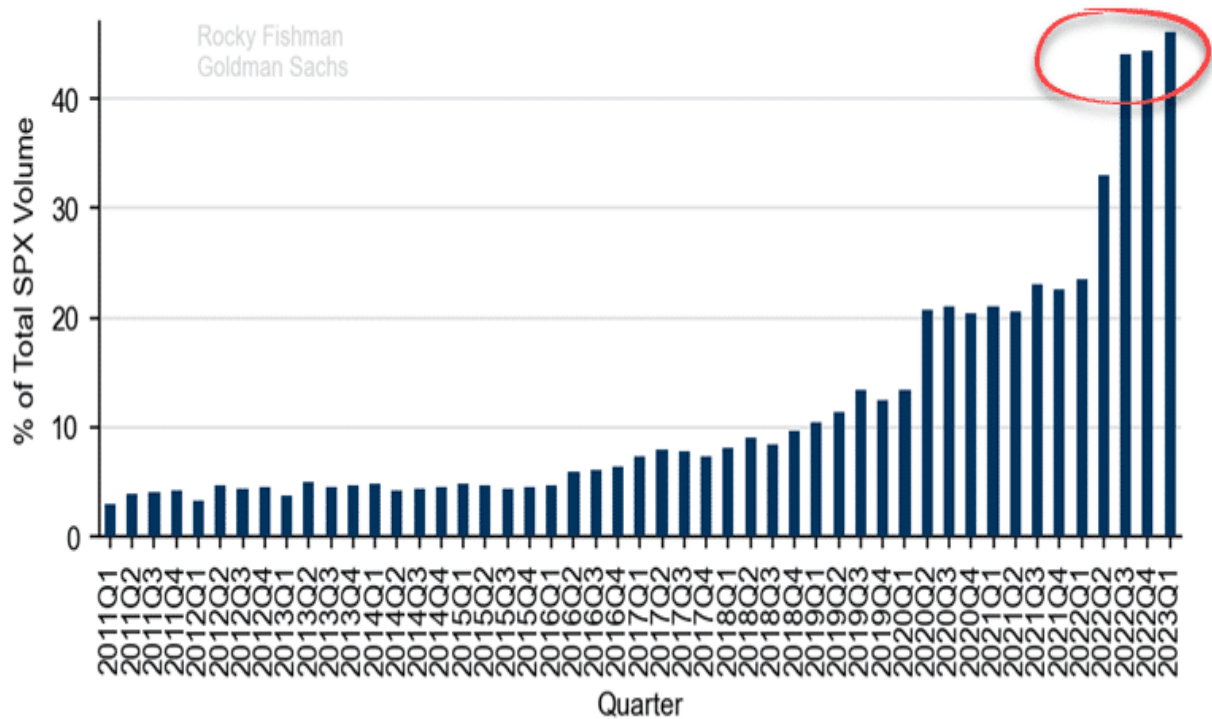


## 0DTE, Volatility is Lurking Behind the Scenes

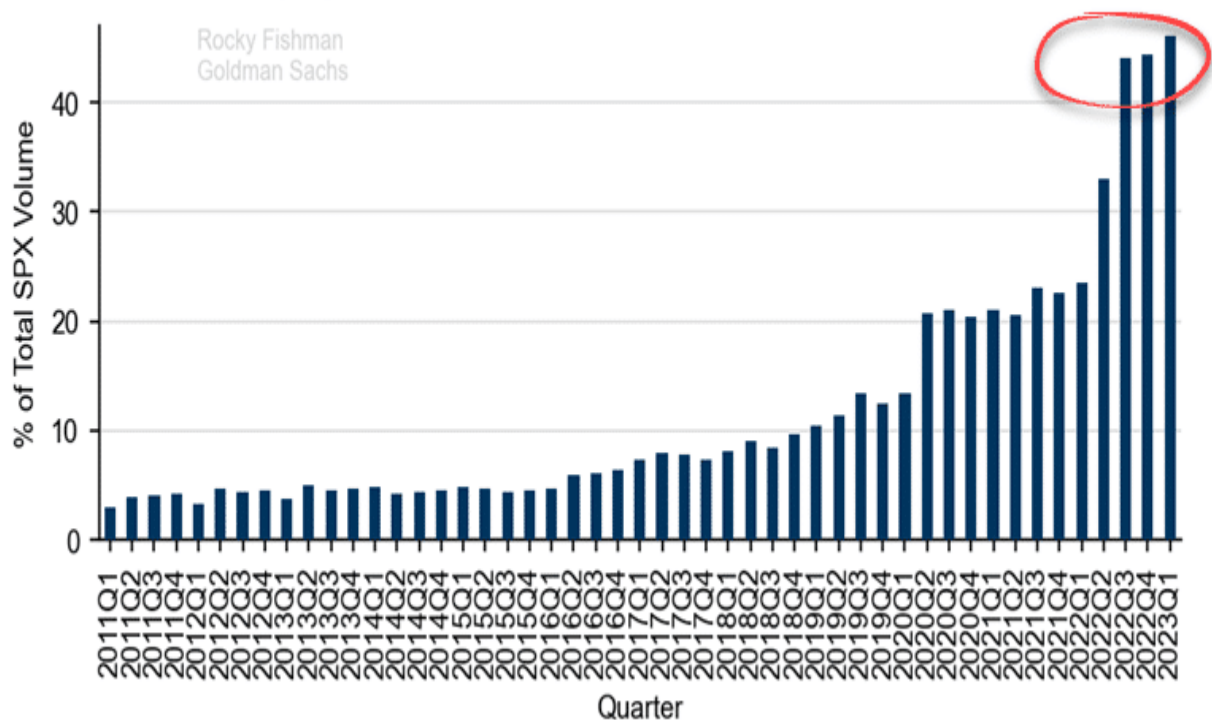
Despite its growing popularity among retail investors and influence on markets, 0DTE is probably a term most investors are unaware of. 0DTE stands for zero days until options expiration. These are put-and-call options on individual stocks and indexes that expire within 24 hours. As the graph from Goldman Sachs shows, almost half of the options volume on the S&P 500 is 0DTE. Such dwarfs the single-digit rates existing before the pandemic.

Given the extremely limited amount of time until expiration on these options, most of the activity in 0DTE options is likely due to speculators. In many cases, volume on 0DTE options spikes before important economic data releases. Wall Street banks who are on the other side of 0DTE trades must hedge them. To do so, they buy or short the underlying index as it moves in favor of the options owner. The growing concern is that as 0DTE option interest grows, dealers must actively hedge larger amounts. If the options trades are correct, bullish or bearish, banks would have to buy or sell aggressively. Such could exaggerate an already significant market move. It's not unrealistic to consider the markets may be capable of daily moves exceeding 5% purely due to options hedging.

Short-dated SPX volume as a % of total volume  
 % of S&P 500 listed volume expiring within 24 hours



Short-dated SPX volume as a % of total volume  
 % of S&P 500 listed volume expiring within 24 hours



## What To Watch Today

### Economics

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended Jan. 13 (1.2% prior)
- 8:30 a.m. ET: **New York Fed Services Business Activity**, January (-17.5 prior)

- 8:30 a.m. ET: **Retail Sales Advance**, month-over-month, December (-0.9% expected, -0.6% prior)
- 8:30 a.m. ET: **Retail Sales Excluding Autos**, MoM, December (-0.5% expected, -0.2% prior)
- 8:30 a.m. ET: **Retail Sales Excluding Autos and Gas**, MoM, December (0.0% expected, -0.2% prior)
- 8:30 a.m. ET: **Retail Sales Control Group**, December (-0.3% expected, -0.2% prior)
- 8:30 a.m. ET: **PPI Final Demand**, month-over-month, December (-0.1% expected, 0.3% prior)
- 8:30 a.m. ET: **PPI Excluding Food and Energy**, MoM, December (0.1% expected, 0.4% prior)
- 8:30 a.m. ET: **PPI Excluding Food, Energy, and Trade**, MoM, December (0.2% expected, 0.3% prior)
- 8:30 a.m. ET: **PPI Final Demand**, year-over-year, December (6.8% expected, 7.4% prior)
- 8:30 a.m. ET: **PPI Excluding Food and Energy**, year-over-year, December (5.6% expected, 6.2% prior)
- 8:30 a.m. ET: **PPI Excluding Food, Energy, and Trade**, YoY, December (4.6% expected, 4.9% prior)
- 9:15 a.m. ET: **Industrial Production**, MoM, December (-0.1% expected, -0.2% prior)
- 9:15 a.m. ET: **Manufacturing (SIC) Production**, December (-0.2% expected, -0.6% prior)
- 9:15 a.m. ET: **Capacity Utilization**, December (79.5% expected, 79.7% prior)
- 9:15 a.m. ET: **Business Inventories**, November (0.4% expected, 0.3% prior)
- 10:00 a.m. ET: **NAHB Housing Market Index**, January (31 expected, 31 prior)
- 2:00 p.m. ET: **Federal Reserve Releases Beige Book**
- 4:00 p.m. ET: **Net Long-Term TIC Flows**, November (\$67.8 billion)
- 4:00 p.m. ET: **Total Net TIC Flows**, November (\$179.9 billion)

## Earnings

Company		Time	Estimate		Growth	Surprise		
						Show only confirmed?		
✓ <b>PNC</b>	PNC Financial Servic...	6:35 AM ET	\$3.95	\$5.70 B	8.8%	+	=	-
✓ <b>SCHW</b>	Charles Schwab Corp.	8:45 AM ET	\$1.10	\$5.53 B	17.5%	+	=	-
✓ <b>KMI</b>	Kinder Morgan, Inc.	4:05 PM ET	\$0.31	\$4.87 B	10.1%	+	=	-
✓ <b>JBHT</b>	J.B. Hunt Transport S...	7:00 AM ET	\$2.47	\$3.86 B	10.4%	+	=	-
✓ <b>AA</b>	Alcoa, Inc.	4:15 PM ET	(\$0.76)	\$2.66 B	-20.4%	+	=	-
✓ <b>DFS</b>	Discover Financial Se...	4:35 PM ET	\$3.58	\$3.66 B	14.6%	+	=	-
✓ <b>PLD</b>	Prologis, Inc.	8:00 AM ET	\$1.21	\$1.40 B	9.6%	+	=	-
✓ <b>FUL</b>	H.B. Fuller Company	4:05 PM ET	\$1.24	\$1.01 B	12.5%	+	=	-

Company		Time	Estimate		Growth	Surprise		
						Show only confirmed?		
✓ <b>PNC</b>	PNC Financial Servic...	6:35 AM ET	\$3.95	\$5.70 B	8.8%	+	=	-
✓ <b>SCHW</b>	Charles Schwab Corp.	8:45 AM ET	\$1.10	\$5.53 B	17.5%	+	=	-
✓ <b>KMI</b>	Kinder Morgan, Inc.	4:05 PM ET	\$0.31	\$4.87 B	10.1%	+	=	-
✓ <b>JBHT</b>	J.B. Hunt Transport S...	7:00 AM ET	\$2.47	\$3.86 B	10.4%	+	=	-
✓ <b>AA</b>	Alcoa, Inc.	4:15 PM ET	(\$0.76)	\$2.66 B	-20.4%	+	=	-
✓ <b>DFS</b>	Discover Financial Se...	4:35 PM ET	\$3.58	\$3.66 B	14.6%	+	=	-
✓ <b>PLD</b>	Prologis, Inc.	8:00 AM ET	\$1.21	\$1.40 B	9.6%	+	=	-
✓ <b>FUL</b>	H.B. Fuller Company	4:05 PM ET	\$1.24	\$1.01 B	12.5%	+	=	-

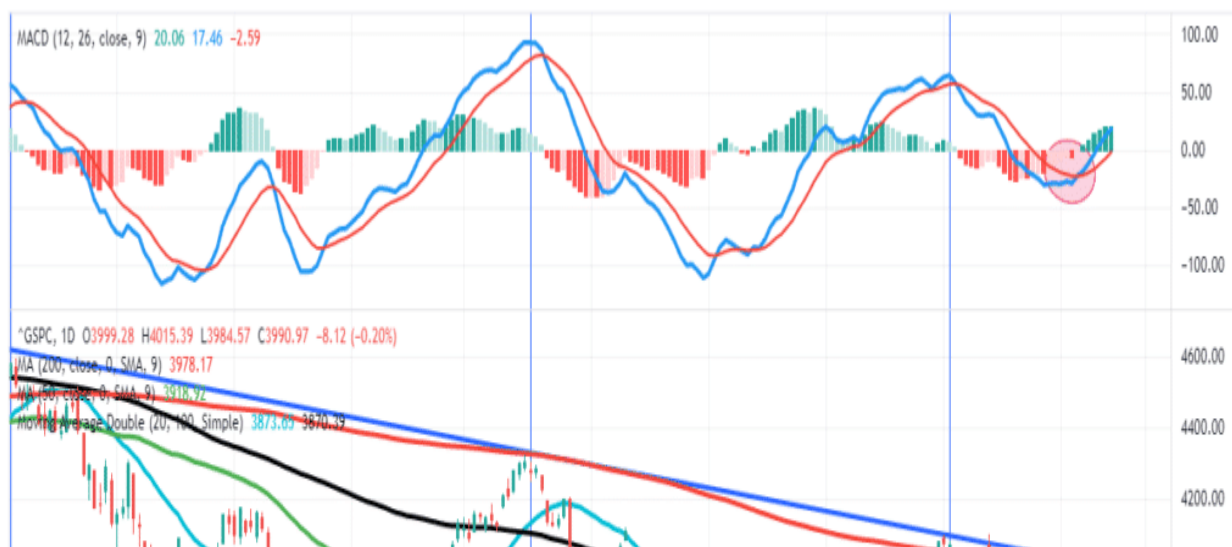
## Market Trading Update

The market struggled with the first attempt to break above the 200-DMA yesterday. As earnings start to roll in, the market tone will be set by not just whether earnings can beat estimates but also what companies say about the rest of the year. As noted in yesterday's [Before The Bell](#) video (***be sure and subscribe to the channel***), the *pain trade* remains higher for the moment. However, with the market's short-term overbought condition, the market may struggle here for a few days.

However, keep a watch on that downtrend line (blue line) from the 2022 highs. A break above that level will clear the market to move higher.

































































































TradingView



This year will likely be a year with increased volatility and a year where stock picking will win out over indexing. As such, we recommend using a screener (like the one from [SimpleVisor.com](https://www.SimpleVisor.com)) to scan for technically strong stocks with solid fundamentals and dividends. Here is a sample screen of 20 stocks in the S&P 500 that fit the list.



Scan Result: 20 Item(s) found													
<div> <div>Tables</div> <div>Overview</div> <div>Technicals</div> <div>Fundamentals</div> <div>Performance</div> </div>													
Symbol 	Sector 	Trend 	Last 	FairValue 	RSI 	20 SMA 	50 SMA 	100 SMA 	Mohanram 	Piotroski 	SV Rank 	Yield% 	
 CAT	Industrials	10/10 	\$257.31	\$104.98(-145.10%)	58.91	\$235.27(9.37%)	\$228.86(12.43%)	\$205.17(25.41%)	1	7	3	1.88%	
 APA	Energy	9/10 	\$44.84	\$155.45(71.15%)	52.11	\$44.81(0.07%)	\$45.70(-1.88%)	\$42.34(5.91%)	5	6	1	2.21%	
 BBWI	Consumer Cyclical	9/10 	\$45.91	\$108.22(57.58%)	63.74	\$43.15(6.40%)	\$39.95(14.92%)	\$37.90(21.13%)	5	8	3	1.73%	
 BKR	Energy	9/10 	\$31.60	\$562.52(94.38%)	63.65	\$29.31(7.81%)	\$29.15(8.40%)	\$26.73(18.22%)	1	7	3	2.64%	
 AFL	Financial	8/10 	\$72.42	\$68.22(-6.15%)	58.84	\$71.30(1.56%)	\$70.32(2.98%)	\$65.23(11.01%)	—	6	3	2.34%	
 AMP	Financial	8/10 	\$333.75	\$306.66(-8.83%)	65.65	\$314.80(6.02%)	\$320.02(4.29%)	\$297.03(12.36%)	3	7	2	1.60%	
 APD	Materials	8/10 	\$307.16	\$295.14(-4.07%)	56.33	\$311.43(-1.37%)	\$297.67(3.19%)	\$273.04(12.50%)	—	4	3	2.09%	
 BEN	Financial	8/10 	\$29.86	\$42.52(29.77%)	69.16	\$27.41(8.94%)	\$26.15(14.19%)	\$25.18(18.59%)	—	5	3	4.39%	
 BK	Financial	8/10 	\$49.68	\$28.75(-72.80%)	73.82	\$46.14(7.67%)	\$44.73(11.07%)	\$43.14(15.16%)	2	3	3	3.07%	
 CAG	Consumer Goods	8/10 	\$40.12	\$26.61(-50.75%)	61.43	\$39.21(2.31%)	\$37.61(6.66%)	\$35.98(11.49%)	4	5	3	3.31%	
 AES	Utilities	7/10 	\$27.62	\$10.20(-170.74%)	50.57	\$27.97(-1.27%)	\$27.84(-0.81%)	\$26.50(4.21%)	4	8	4	2.40%	
 AVGO	Technology	7/10 	\$578.43	\$602.75(4.03%)	61.21	\$562.40(2.85%)	\$530.01(9.14%)	\$506.32(14.24%)	3	8	2	3.32%	
 CARR	Industrials	7/10 	\$45.72	\$34.01(-34.42%)	69.54	\$42.65(7.19%)	\$42.54(7.46%)	\$40.59(12.63%)	6	7	3	1.64%	
 ABT	Healthcare	6/10 	\$113.56	\$135.01(15.89%)	64.00	\$109.80(3.42%)	\$105.51(7.63%)	\$104.02(9.17%)	5	9	3	1.83%	
 AJG	Financial	6/10 	\$196.12	\$140.43(-39.66%)	60.19	\$189.77(3.35%)	\$191.69(2.31%)	\$185.87(5.51%)	—	5	3	1.05%	
 ALLE	Industrials	6/10 	\$112.68	\$62.35(-80.72%)	61.39	\$108.09(4.25%)	\$107.93(4.40%)	\$102.18(10.28%)	1	7	4	1.44%	
 AMGN	Healthcare	6/10 	\$271.14	\$242.15(-11.97%)	52.56	\$267.23(1.46%)	\$275.81(-1.69%)	\$258.02(5.08%)	1	4	3	3.24%	
 APH	Technology	6/10 	\$80.94	\$67.38(-20.12%)	58.73	\$77.74(4.11%)	\$78.10(3.63%)	\$75.38(7.37%)	4	7	3	1.10%	
 AWK	Utilities	6/10 	\$157.78	\$60.04(-162.79%)	58.94	\$155.29(1.60%)	\$150.41(4.90%)	\$146.47(7.72%)	1	6	4	1.72%	
 BLK	Financial	6/10 	\$743.59	\$702.95(-5.78%)	63.65	\$719.48(3.35%)	\$712.19(4.41%)	\$668.65(11.21%)	2	6	3	2.77%	

Scan Result: 20 Item(s) found													
<div> <div>Tables</div> <div>Overview</div> <div>Technicals</div> <div>Fundamentals</div> <div>Performance</div> </div>													
Symbol 	Sector 	Trend 	Last 	FairValue 	RSI 	20 SMA 	50 SMA 	100 SMA 	Mohanram 	Piotroski 	SV Rank 	Yield% 	
 CAT	Industrials	10/10 	\$257.31	\$104.98(-145.10%)	58.91	\$235.27(9.37%)	\$228.86(12.43%)	\$205.17(25.41%)	1	7	3	1.88%	
 APA	Energy	9/10 	\$44.84	\$155.45(71.15%)	52.11	\$44.81(0.07%)	\$45.70(-1.88%)	\$42.34(5.91%)	5	6	1	2.21%	
 BBWI	Consumer Cyclical	9/10 	\$45.91	\$108.22(57.58%)	63.74	\$43.15(6.40%)	\$39.95(14.92%)	\$37.90(21.13%)	5	8	3	1.73%	
 BKR	Energy	9/10 	\$31.60	\$562.52(94.38%)	63.65	\$29.31(7.81%)	\$29.15(8.40%)	\$26.73(18.22%)	1	7	3	2.64%	
 AFL	Financial	8/10 	\$72.42	\$68.22(-6.15%)	58.84	\$71.30(1.56%)	\$70.32(2.98%)	\$65.23(11.01%)	—	6	3	2.34%	
 AMP	Financial	8/10 	\$333.75	\$306.66(-8.83%)	65.65	\$314.80(6.02%)	\$320.02(4.29%)	\$297.03(12.36%)	3	7	2	1.60%	
 APD	Materials	8/10 	\$307.16	\$295.14(-4.07%)	56.33	\$311.43(-1.37%)	\$297.67(3.19%)	\$273.04(12.50%)	—	4	3	2.09%	
 BEN	Financial	8/10 	\$29.86	\$42.52(29.77%)	69.16	\$27.41(8.94%)	\$26.15(14.19%)	\$25.18(18.59%)	—	5	3	4.39%	
 BK	Financial	8/10 	\$49.68	\$28.75(-72.80%)	73.82	\$46.14(7.67%)	\$44.73(11.07%)	\$43.14(15.16%)	2	3	3	3.07%	
 CAG	Consumer Goods	8/10 	\$40.12	\$26.61(-50.75%)	61.43	\$39.21(2.31%)	\$37.61(6.66%)	\$35.98(11.49%)	4	5	3	3.31%	
 AES	Utilities	7/10 	\$27.62	\$10.20(-170.74%)	50.57	\$27.97(-1.27%)	\$27.84(-0.81%)	\$26.50(4.21%)	4	8	4	2.40%	
 AVGO	Technology	7/10 	\$578.43	\$602.75(4.03%)	61.21	\$562.40(2.85%)	\$530.01(9.14%)	\$506.32(14.24%)	3	8	2	3.32%	
 CARR	Industrials	7/10 	\$45.72	\$34.01(-34.42%)	69.54	\$42.65(7.19%)	\$42.54(7.46%)	\$40.59(12.63%)	6	7	3	1.64%	
 ABT	Healthcare	6/10 	\$113.56	\$135.01(15.89%)	64.00	\$109.80(3.42%)	\$105.51(7.63%)	\$104.02(9.17%)	5	9	3	1.83%	
AJG	Financial	6/10	\$196.12	\$140.43(-39.66%)	60.19	\$189.77(3.35%)	\$191.69(2.31%)	\$185.87(5.51%)	—	5	3	1.05%	

## **CPI Distribution is Far From Normal**

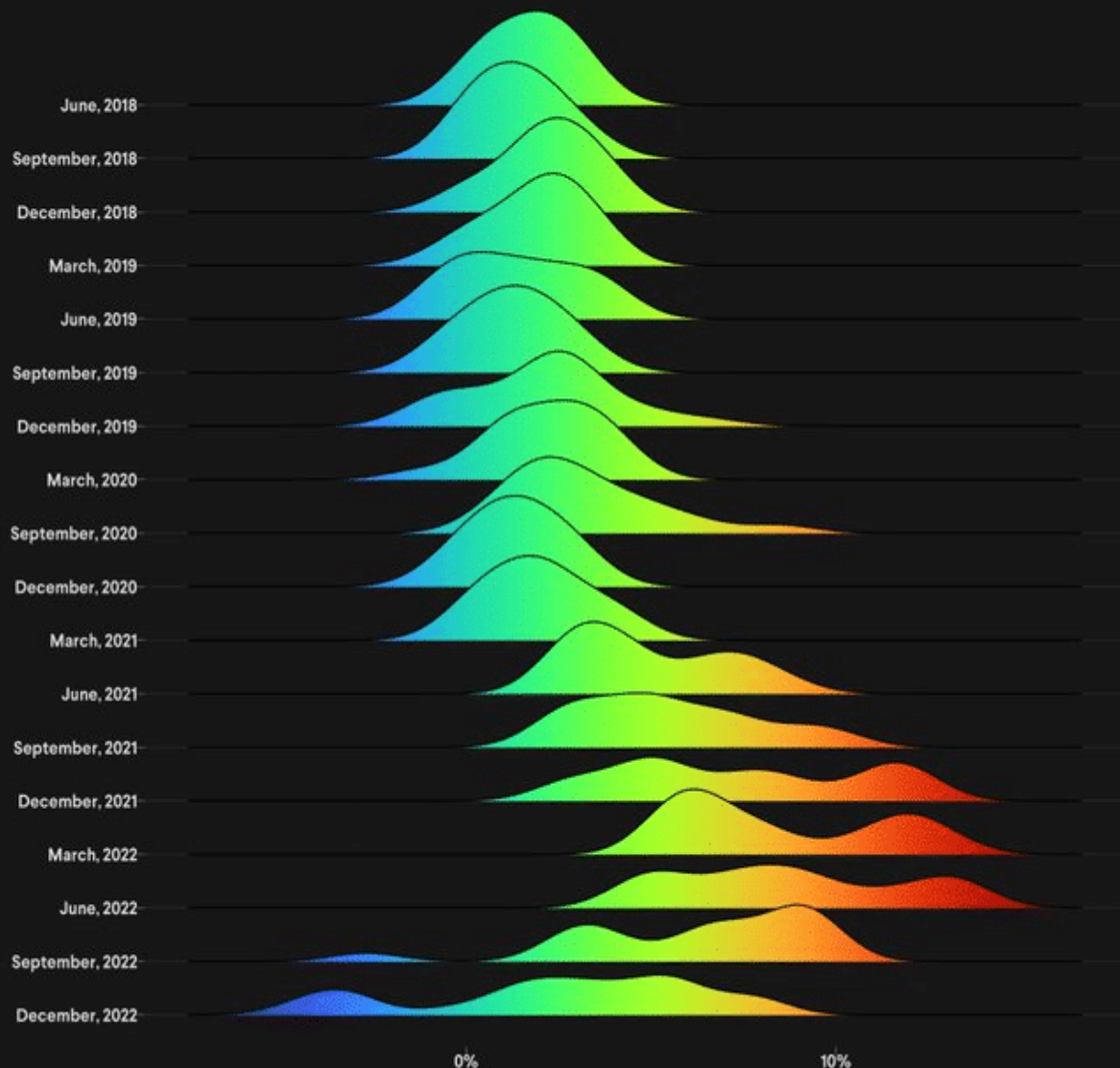
The Cleveland Fed calculates a more stable version of CPI. Its trimmed-mean CPI figure excludes the goods with the top and bottom 15% of price changes. The remainder provides better information about the breadth of prices with less vulnerability to large price changes for a few items. The graph below shows how the price change distribution for individual goods has changed over the last five years.

The distribution curve was normally bell-shaped from June 2018 until the pandemic. Starting in June of 2021, when inflation started surging, the distribution became abnormal, with multiple peaks and longer tails. Recently, the range of distribution is flattening and widening. Essentially, there are few goods with price changes near the median or average. Instead, the CPI average poorly represents the bulk of price changes. Such a circumstance makes forecasting more difficult. Also note, recently there has been a growing number of goods with prices falling. As the economy and supply continue normalizing, we suspect the curve will trend toward a typical bell shape distribution.



## Distribution of Price Increases Moved Out, But Now Returning Back

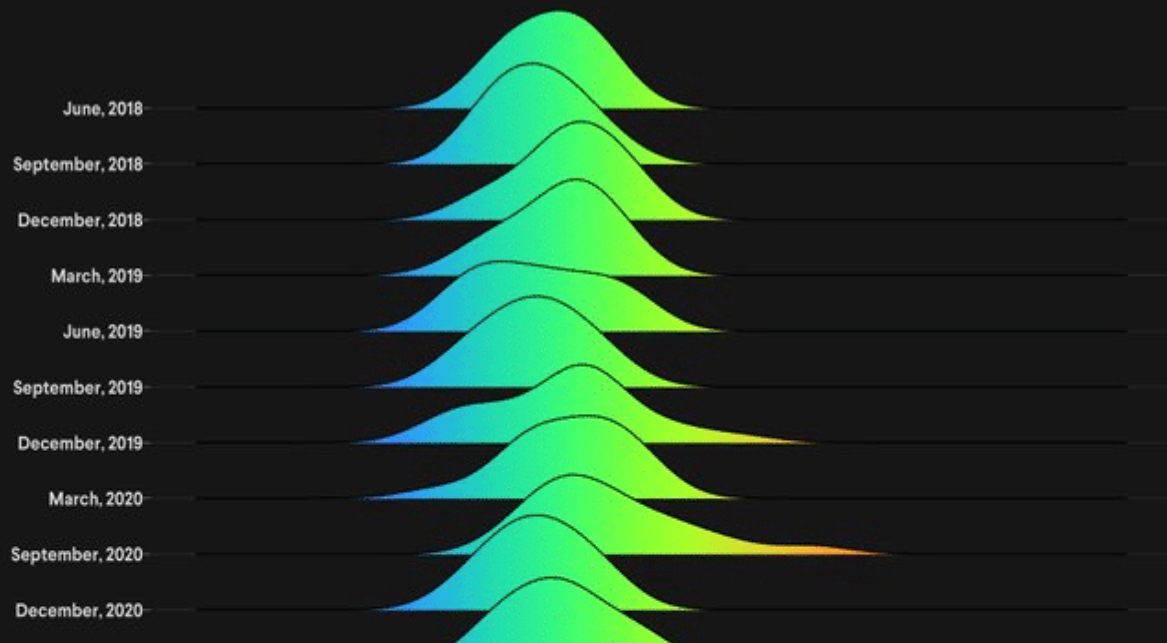
Distribution of the Cleveland Fed's Median/Trimmed-Mean CPI price basket, 3-month change annualized, with components whose expenditure weights fall above/below the 85/15th percentile of price changes removed.



OER is treated as one value, instead of broken out by region and manually seasonally adjusted as per Cleveland Fed's methodology.  
June 2020 removed as negative outlier. Mike Konczal, Roosevelt Institute

## Distribution of Price Increases Moved Out, But Now Returning Back

Distribution of the Cleveland Fed's Median/Trimmed-Mean CPI price basket, 3-month change annualized, with components whose expenditure weights fall above/below the 85/15th percentile of price changes removed.

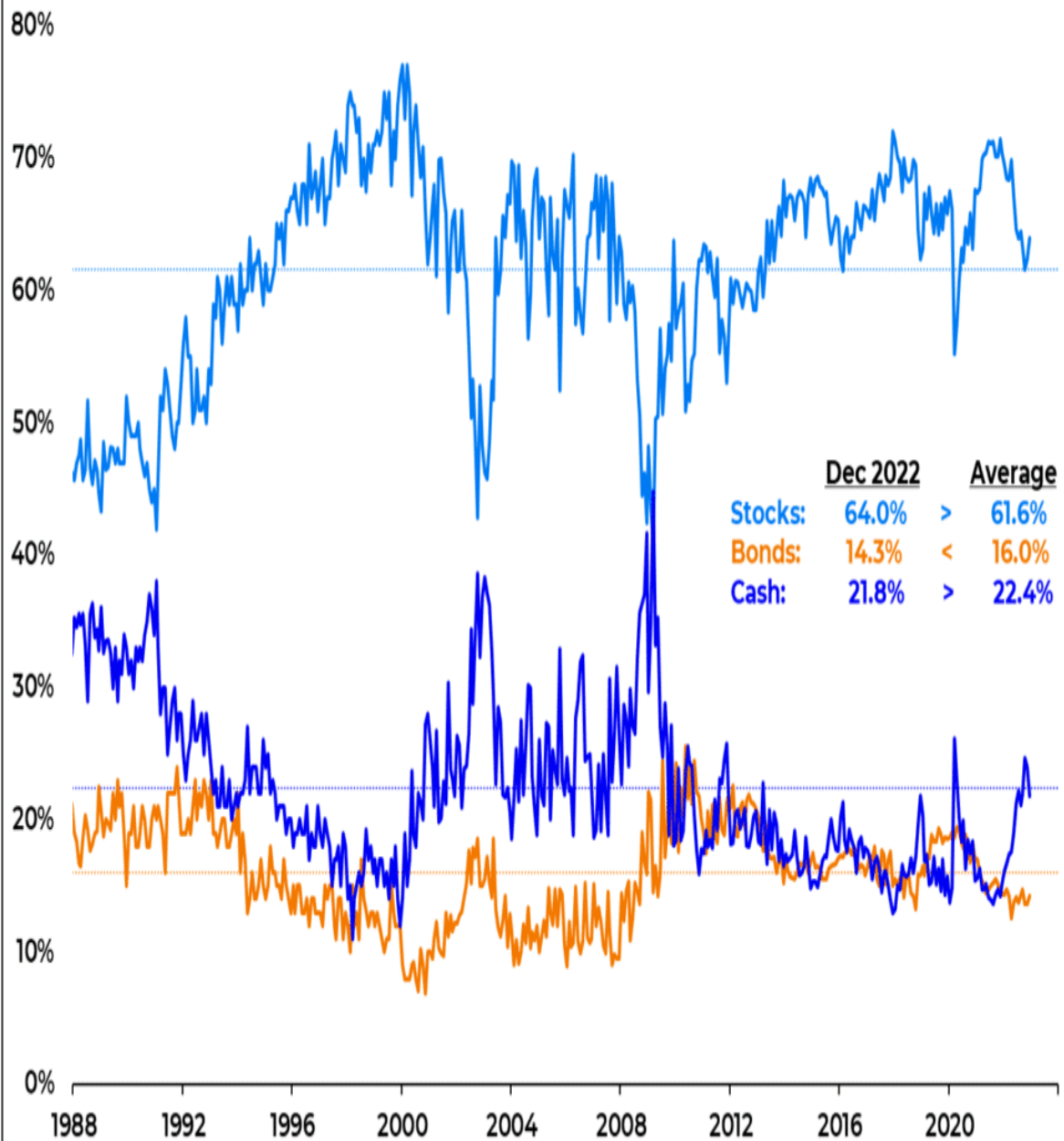


## **Individuals Are Not Bearish Despite What Some Surveys Say**

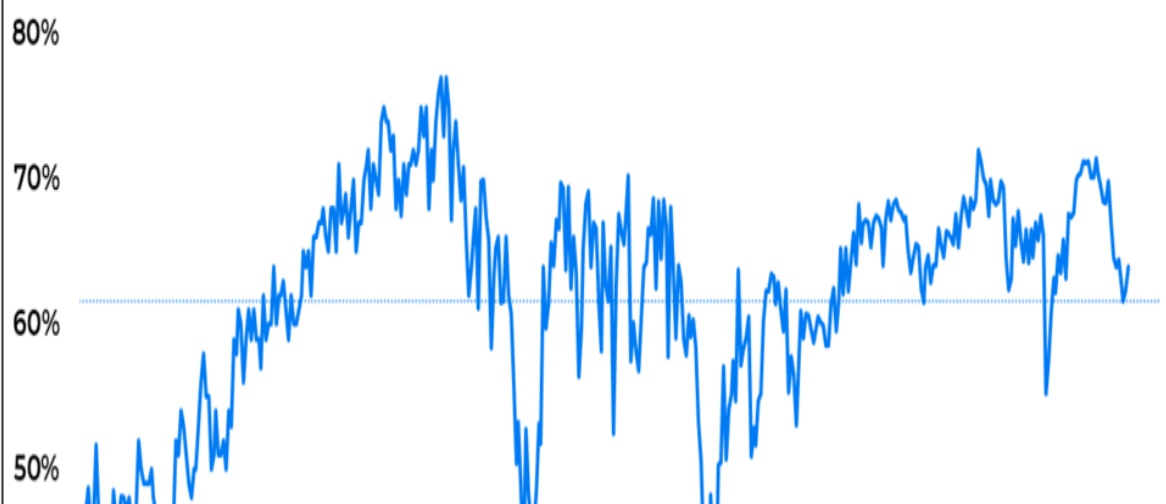
For all the talk about rampant pessimism, retail investors are still holding stocks. The graph below shows that household equity exposure remains above its long-term average despite last year's bearish trends and bearish sentiment surveys. Further, despite high yields, bonds and cash remain slightly below longer-term averages.

Interestingly, via its Global Fund Manager Survey, Bank of America claims that institutional investors may be leaning in the other direction. Per its survey, the number of managers claiming to be overweight equities is the lowest since 2008.

## AAll Asset Allocation Survey



## AAll Asset Allocation Survey





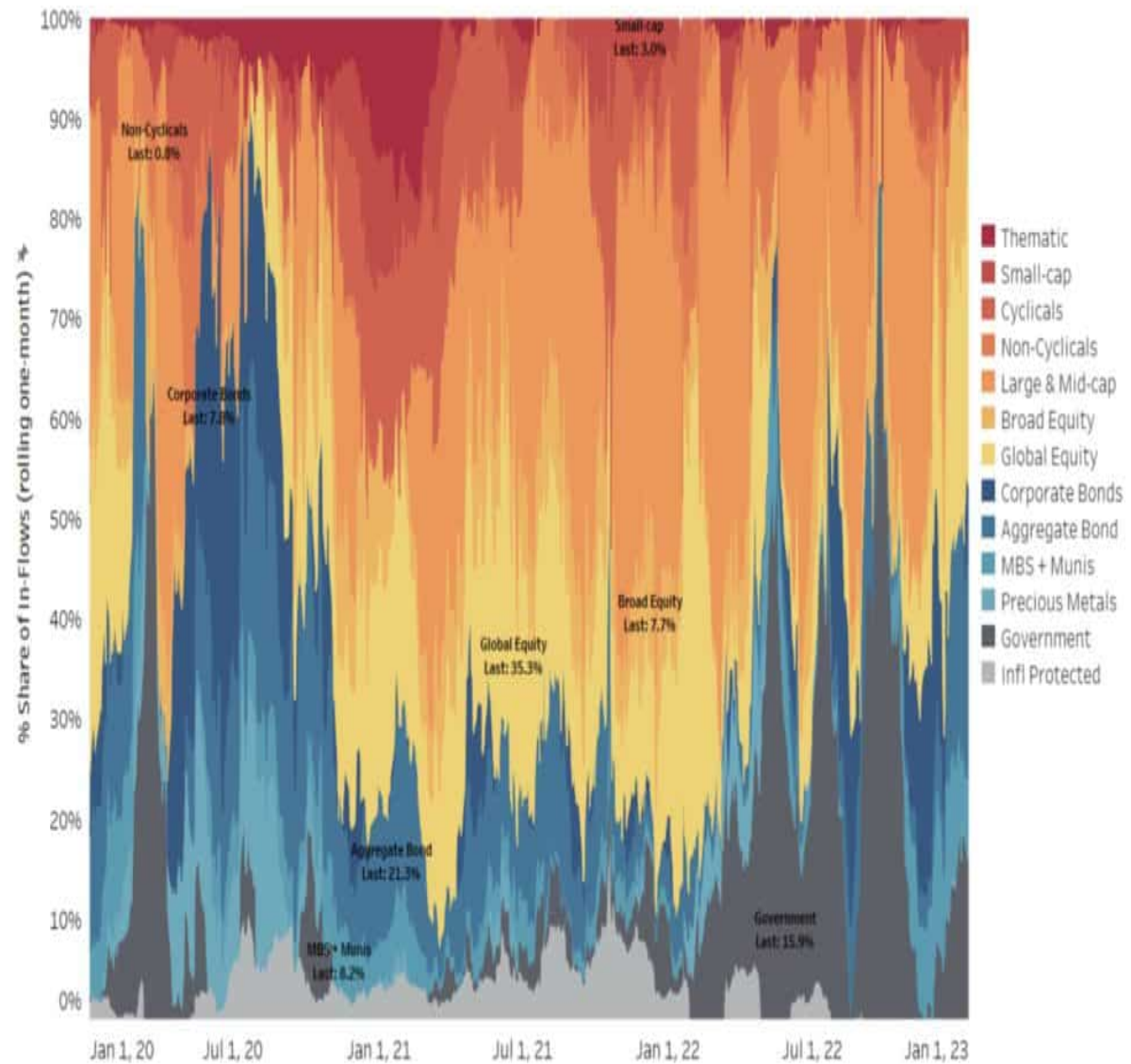
## Who Is Buying This Rally?

The graph below shows investors are not piling into the riskier sectors despite the recent rally. The bulk of the investor inflows over the past few weeks are concentrated in government, aggregate bond funds and international markets. The riskier sectors like thematic, small-cap, and cyclical stocks are actually seeing a slight decline in their share of investors' inflows. If the rally continues, we would like to see the riskier sectors garnering more significant inflows with fewer inflows to the more conservative sectors.

## Investor Flows

% share of rolling one-month ETF in-flows

ARBOR DATA  
SCIENCE



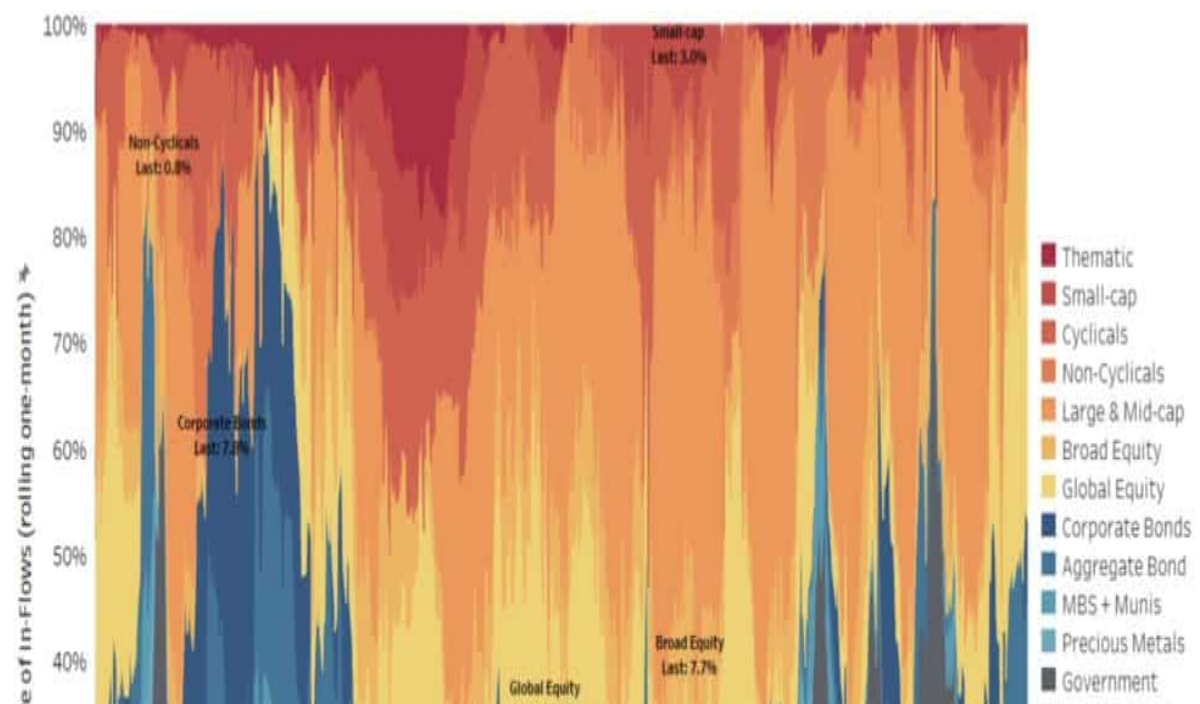
© 2023 Arbor Research & Trading, LLC. All Rights Reserved

[datascience.arborresearch.com](https://datascience.arborresearch.com)

## Investor Flows

% share of rolling one-month ETF in-flows

ARBOR DATA  
SCIENCE



## Tweet of the Day



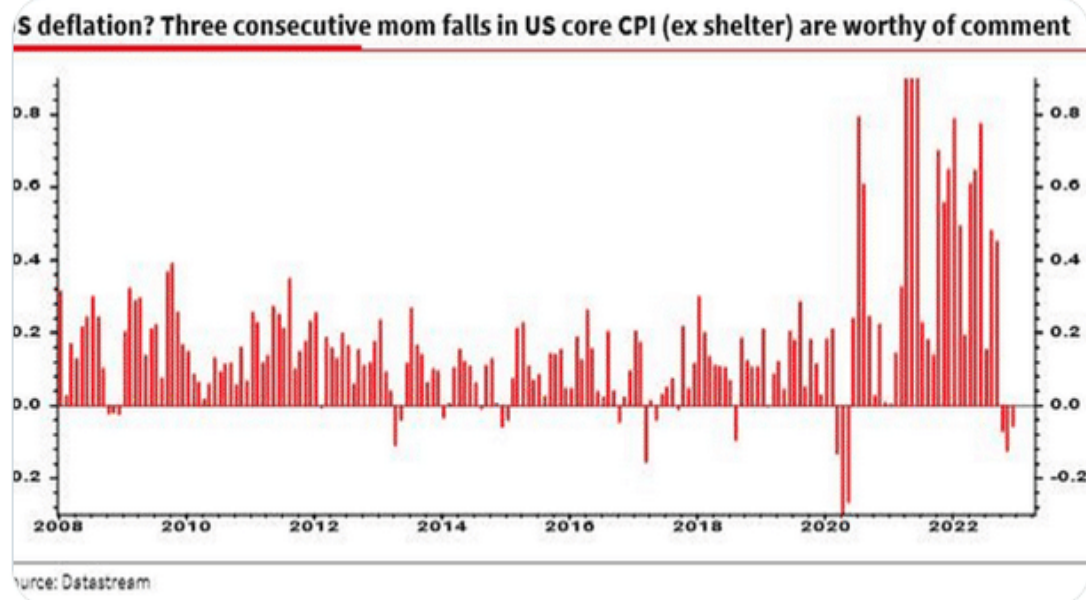


**Lance Roberts** @LanceRoberts · 34m

...

"US Core [#CPI](#) has fallen for three consecutive months if the increasingly discredited shelter component is excluded. The only times that has happened previously was the pandemic and 2008." - [@albertedwards99](#)

The [#Fed](#) should stop hiking [#rates](#) now.

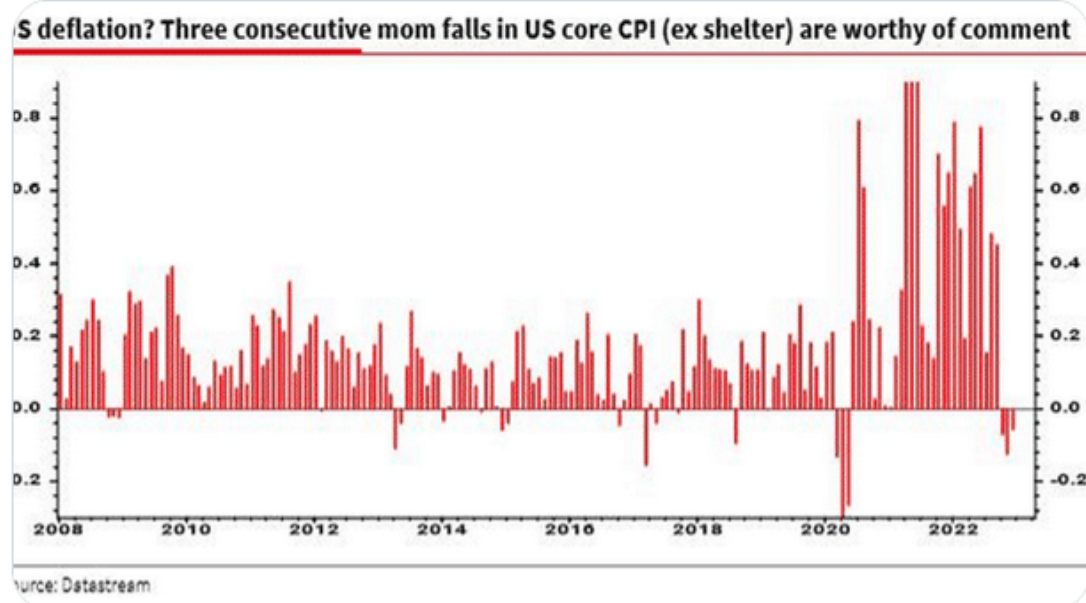


**Lance Roberts** @LanceRoberts · 34m

...

"US Core [#CPI](#) has fallen for three consecutive months if the increasingly discredited shelter component is excluded. The only times that has happened previously was the pandemic and 2008." - [@albertedwards99](#)

The [#Fed](#) should stop hiking [#rates](#) now.



**Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.**

*If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*