

Tighter Lending Standards Confirmed by Fed Survey

The Fed's Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS) confirmed a widely expected tightening of bank lending standards in the first quarter. The share of banks with tighter standards on loans to medium and large businesses rose to 46% from 44.8% in the fourth quarter of 2022. Given the regional bank fallout in late March, the tightening of lending standards could have been worse. Meanwhile, demand for commercial and industrial loans weakened considerably. The survey reported the broadest share of banks with weaker loan demand since 2009.

The chart below shows the historical relationship between the SLOOS and high-yield credit spreads. Despite the rapid rise in interest rates and tightening lending standards, credit spreads remain relatively muted. In other words, banks adjust to heightened risk in loan portfolios, while bond investors still don't show a sense of urgency. What gives?

FRED

— Net Percentage of Domestic Banks Tightening Standards for Commercial and Industrial Loans to Large and Middle-Market Firms (left)
— ICE BofA US High Yield Index Option-Adjusted Spread (right)



Shaded areas indicate U.S. recessions.

Sources: Board of Governors; Ice Data Indices, LLC

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What To Watch Today

Earnings

Company			Time	Estimate		<div><div></div></div> Growth <div>Show only confirmed?</div>	Surprise			
✓	OXY	Occidental Petroleum...	4:15 PM ET	\$1.30	\$7.37 B	-13.6%	+	=	-	+
✓	DUK	Duke Energy Corp.	7:00 AM ET	\$1.28	\$6.56 B	-8.0%	+	=	-	+
✓	CPNG	Coupage, Inc.	4:05 PM ET	\$0.13	\$5.64 B	10.2%	+	=	-	+
✓	LNC	Lincoln National Corp.	4:15 PM ET	\$1.49	\$4.60 B	-1.9%	+	=	-	+
✓	JXN	Jackson Financial Inc.	4:15 PM ET	\$3.93	\$1.64 B	-61.9%	+	=	-	+
✓	ARMK	Aramark Holdings Corp.	6:30 AM ET	\$0.26	\$4.38 B	13.5%	+	=	-	+
✓	J	Jacobs	6:40 AM ET	\$1.81	\$3.83 B	-0.1%	+	=	-	+
✓	FOXA	Fox Corporation	8:00 AM ET	\$0.88	\$4.03 B	16.6%	+	=	-	+
✓	NTDOY	Nintendo Co Ltd ADR	BMO	\$0.06	\$2.40 B	-25.7%	+	=	-	+
✓	HSIC	Henry Schein, Inc.	6:30 AM ET	\$1.24	\$3.09 B	-2.8%	+	=	-	+
✓	VST	Vistra Energy	7:30 AM ET	(\$0.10)	\$1.98 B	-36.6%	+	=	-	+
✓	APD	Air Products & Chemi...	6:00 AM ET	\$2.64	\$3.06 B	3.9%	+	=	-	+
✓	CE	Celanese Corp	4:20 PM ET	\$1.66	\$2.86 B	12.7%	+	=	-	+
✓	AMRK	A-Mark Precious Met...	4:05 PM ET	\$1.82	\$2.11 B	0.0%	+	=	-	+
✓	GXO	GXO Logistics, Inc.	4:30 PM ET	\$0.43	\$2.30 B	10.4%	+	=	-	+
✓	HRB	H&R Block Inc.	4:00 PM ET	\$4.51	\$2.10 B	1.9%	+	=	-	+
✓	OVV	Ovintiv Inc.	5:00 PM ET	\$1.83	\$2.50 B	27.1%	+	=	-	+
✓	GFS	GlobalFoundries	7:00 AM ET	\$0.42	\$1.83 B	-5.7%	+	=	-	+
✓	VRTV	Veritiv Corporation	8:00 AM ET	\$4.47	\$1.76 B	-5.3%	+	=	-	+
✓	LBTYA	Liberty Global Inc	4:15 PM ET	(\$0.16)	\$1.80 B	-2.9%	+	=	-	+
✓	BHG	Bright Health Group	6:45 AM ET	(\$0.11)	\$772.51 M	-57.9%	+	=	-	+
✓	EA	Electronic Arts Inc	4:00 PM ET	\$1.31	\$1.76 B	-3.6%	+	=	-	+
✓	LCII	LCI Industries	7:00 AM ET	(\$0.02)	\$866.61 M	-47.3%	+	=	-	+
✓	ABNB	Airbnb, Inc.	4:05 PM ET	\$0.10	\$1.79 B	18.6%	+	=	-	+
✓	EDR	Endeavor Group Hold...	4:05 PM ET	\$0.24	\$1.58 B	7.2%	+	=	-	+
✓	COMP	Compass, Inc.	4:05 PM ET	(\$0.31)	\$905.31 M	-35.2%	+	=	-	+
✓	WMG	Warner Music Group ...	7:30 AM ET	\$0.20	\$1.37 B	-0.4%	+	=	-	+
✓	DAR	Darling Ingredients Inc.	4:35 PM ET	\$0.99	\$1.62 B	18.6%	+	=	-	+
✓	TDG	TransDigm Group Inc.	7:15 AM ET	\$5.45	\$1.52 B	14.5%	+	=	-	+
✓	IAC	IAC	4:10 PM ET	(\$1.02)	\$1.07 B	-19.3%	+	=	-	+
✓	UAA	Under Armour, Inc.	6:55 AM ET	\$0.15	\$1.36 B	4.5%	+	=	-	+
✓	CTLT	Catalent, Inc.	7:00 AM ET	\$0.51	\$1.06 B	-16.7%	+	=	-	+
✓	SWX	Southwest Gas Corp.	8:30 AM ET	\$1.39	\$1.34 B	5.7%	+	=	-	+
✓	TPX	Tempur Sealy Interna...	6:35 AM ET	\$0.51	\$1.22 B	-1.6%	+	=	-	+
✓	ELAN	Elanco Animal Health...	6:30 AM ET	\$0.29	\$1.19 B	-2.9%	+	=	-	+
✓	NXST	Nexstar Media Group...	7:00 AM ET	\$2.13	\$1.24 B	2.5%	+	=	-	+
✓	COTY	Coty Inc.	6:30 AM ET	\$0.03	\$1.22 B	2.8%	+	=	-	+
✓	PRGO	Perrigo Co.	6:30 AM ET	\$0.42	\$1.17 B	8.9%	+	=	-	+
✓	IGT	International Game T...	6:45 AM ET	\$0.39	\$1.03 B	-2.0%	+	=	-	+
✓	ATKR	Atkore International ...	6:00 AM ET	\$3.71	\$907.90 M	-7.6%	+	=	-	+
✓	SLVM	Sylvamo Corp	7:00 AM ET	\$2.36	\$1.03 B	5.4%	+	=	-	+
✓	OSCR	Oscar Health, Inc.	4:05 PM ET	\$0.02	\$1.15 B	18.2%	+	=	-	+
✓	WYNN	Wynn Resorts Ltd	4:00 PM ET	(\$0.05)	\$1.37 B	43.7%	+	=	-	+
✓	VRM	Vroom, Inc.	4:35 PM ET	(\$0.58)	\$239.88 M	-74.0%	+	=	-	+
✓	AKAM	Akamai Technologies,...	4:00 PM ET	\$1.32	\$910.52 M	0.8%	+	=	-	+
✓	TWLO	Twilio, Inc.	4:05 PM ET	\$0.21	\$1.00 B	14.2%	+	=	-	+
✓	APO	Apollo Global Manag...	6:55 AM ET	\$1.39	\$836.10 M	-4.4%	+	=	-	+
✓	CLOV	Clover Health	4:05 PM ET	(\$0.19)	\$498.74 M	-43.0%	+	=	-	+
✓	SCSC	ScanSource, Inc.	8:30 AM ET	\$0.92	\$881.05 M	4.1%	+	=	-	+
✓	GO	Grocery Outlet, Inc.	4:00 PM ET	\$0.17	\$949.03 M	14.1%	+	=	-	+
✓	HE	Hawaiian Electric Ind...	6:00 AM ET	\$0.56	\$755.82 M	-3.7%	+	=	-	+
✓	PRIM	Primoris Services Cor...	4:15 PM ET	(\$0.08)	\$1.07 B	36.4%	+	=	-	+
✓	RXT	Rackspace Technolo...	4:10 PM ET	(\$0.03)	\$756.64 M	-2.4%	+	=	-	+
✓	AE	Adams Resources & ...	4:05 PM ET	\$0.04	\$668.33 M	-13.7%	+	=	-	+
✓	KGC	Kinross Gold Corp.	5:00 PM ET	\$0.05	\$1.07 B	39.3%	+	=	-	+
✓	WE	WeWork Inc.	6:00 AM ET	(\$0.40)	\$849.36 M	11.0%	+	=	-	+
Company			Time	Estimate		<div><div></div></div> Growth <div>Show only confirmed?</div>	Surprise			
✓	OXY	Occidental Petroleum...	4:15 PM ET	\$1.30	\$7.37 B	-13.6%	+	=	-	+

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
TUESDAY, MAY 9						
10:00	USD NFIB Business Optimism Index(Apr)		-	-	-	90.1
12:55	USD Redbook Index (YoY)(May 5)		-	-	-	1.3%
14:00	USD IBD/TIPP Economic Optimism (MoM)(May)		-	-	-	47.4
17:00	USD 3-Year Note Auction		-	-	-	3.81%
20:30	USD API Weekly Crude Oil Stock(May 5)		-	-	-	-3.939M

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Market Trading Update

As I discussed in yesterday's [?Before The Bell,?](#) the market has remained range bound since the beginning of February. This is despite the Fed hiking rates, bank crisis, etc. As shown, the sell signal remains intact, and as we stated previously, such suggests that the upside is limited. However, it does NOT mean the market has to sell off dramatically. Such has been the case that has frustrated the bears expecting a decline and the bulls trying to make money.

Eventually, this range will resolve itself with either a break to the upside or downside and the only problem is that we do not know which it will be. Plenty of valid arguments exist for both an economic recovery and a recession. Such makes it very difficult to manage money from a risk perspective in the short term. In such situations, it is often better to be patient and let the market tell us what to do next.



TradingView





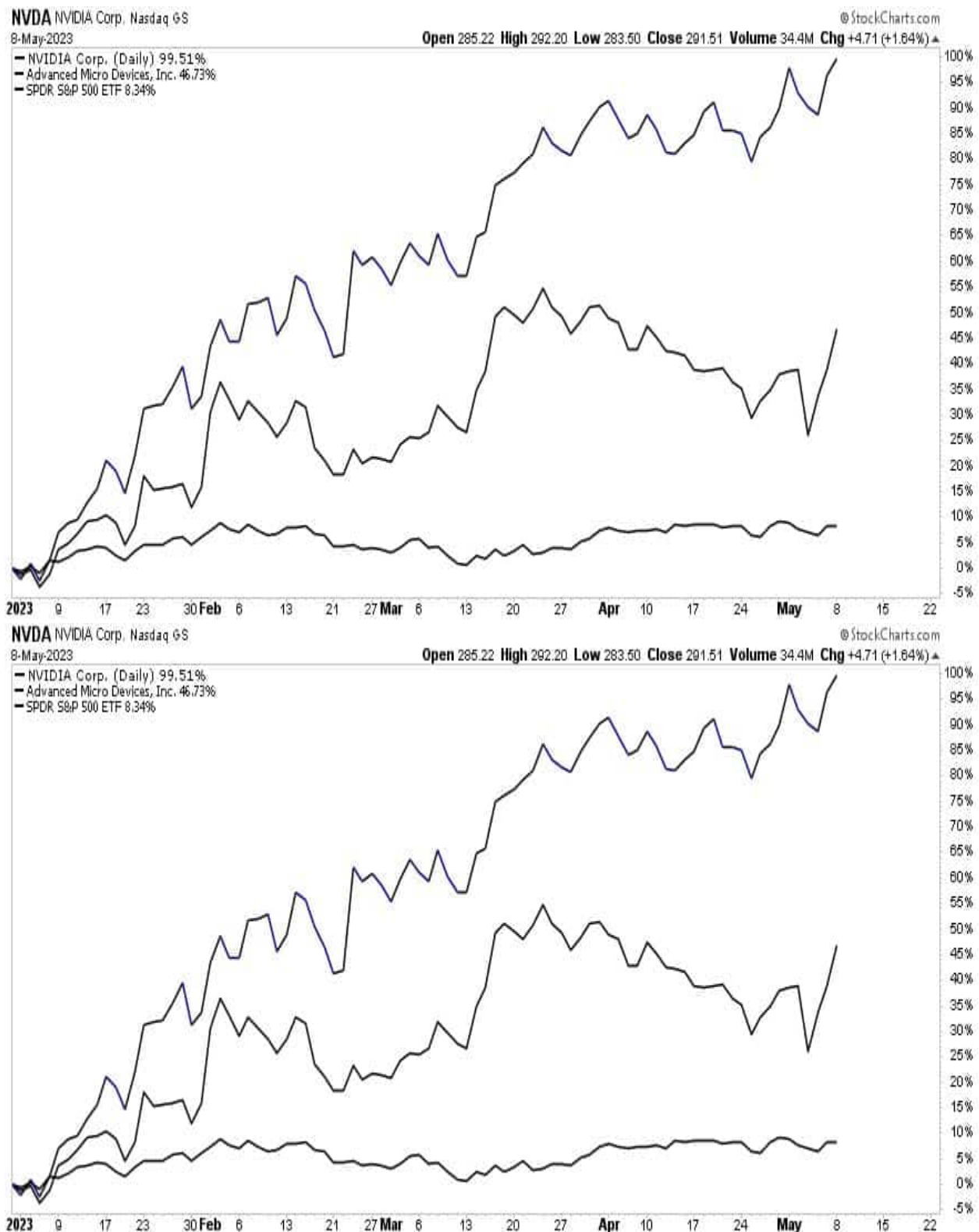
NVDA's Massive Edge

Nvidia has been one of the greatest beneficiaries of the Artificial Intelligence hype this year. The stock's share price has increased 100% YTD, doubling the return of its closest competitor, AMD. So, given the market-wide excitement about AI and inevitable competition down the road, why has the stock offered such a stark outperformance? For one, it's the leading provider of advanced GPU chipsets, the backbone of machine-learning models. Given this is a highly technical space with tighter standards than most industries, having a first-mover advantage is highly valuable. Beyond this, NVDA is cementing another competitive advantage: switching costs. According to Bernstein semiconductor analyst Stacy Ragson on Bloomberg's [OddLots](#) Podcast:

Now, what Nvidia has done on top of this, not only with having the hardware, is they've also built a really massive software ecosystem around all of this. Their software is called Cuda. Think about it as kind of like the software, the programming environment. Like the parallel programming environment for these GPUs. And they've layered on all kinds of other libraries and STKs and everything on top of that, that actually makes this relatively easy to use and to deploy and to deliver.

And so they've built up not just the hardware, but also the software around this. And it's given them a really, really sort of like massive gap versus a lot of the other competitors that are now trying to get into this market as well.

For companies who have spent tens of millions building data centers with NVDA's chips and learning to operate within the Cuda environment, they now have significant switching costs. This gives NVDA pricing power down the road, leading to higher operating margins than its competitors. While NVDA's outperformance this year may seem outrageous, its competitive advantage in this new frontier is just as outrageous- and it might even justify the lofty valuation.



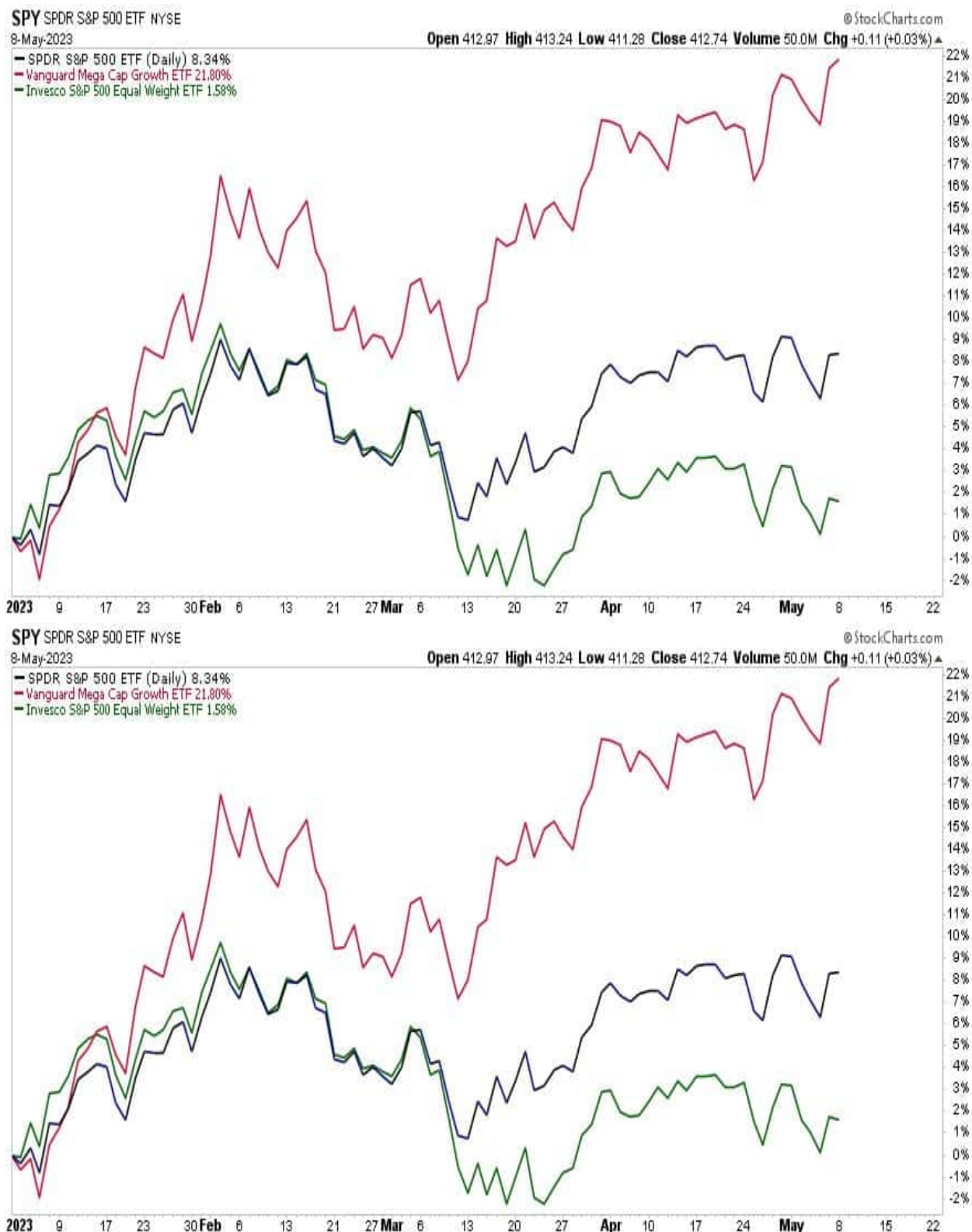
Market Breadth Like This May Spell Trouble

As we wrote last [Monday](#), the market has rallied this year on bad breadth. The chart below illustrates the divergence. The Vanguard Mega Cap Growth ETF (MGK) is up nearly 22% this year, the broader index is up only 8.3%, and an equal-weighted index is up just 1.5%. In other words, a handful of stocks have driven most of the gains. BTIG analyst [Jonathan Krinsky](#) looked at the historical record and noted that similar breadth tends to appear near market peaks:

Krinsky found that, going back to 1990, there have been 29 instances where the S&P 500 has traded above its 200-DMA for at least 34 sessions.

Market breadth has only been weaker during two of those occasions, Krinsky found. By now, 69% of S&P 500 constituents have typically moved above their 200-DMAs, according to Krinsky.

What might this mean for stocks? Krinsky found some evidence to support his view that stocks are likely headed lower. For example, four of the six periods where breadth was the weakest occurred near market peaks, including in December 1999, July and September 2000, and October 2007.



Amazon Takes Aim at Delivery Costs

Amazon (AMZN) is looking for more ways to cut costs as it shifts to tighter operating standards following a massive expansion. The company has previously announced several rounds of layoffs this year. This time, it aims to reduce delivery costs by offering customers compensation to use pickup points instead of home delivery. Per [Investing.com](https://www.investing.com/news/stock-market/us-amazon-reduces-delivery-costs-1000000000),

?Amazon over the last few days has emailed an unknown number of Prime subscribers offering them \$10 to retrieve an order of \$25 or more at company pickup points at

locations such as Whole Foods, Amazon Fresh or Kohl's (NYSE:[KSS](#)) stores.?

Tweet of the Day



Ramp Capital Guy 
@RampCapitalLLC

...

This is what homeowners "trapped" in a 2-3% mortgage rate looks like

New home listings coming onto the market, according to Realtor.com

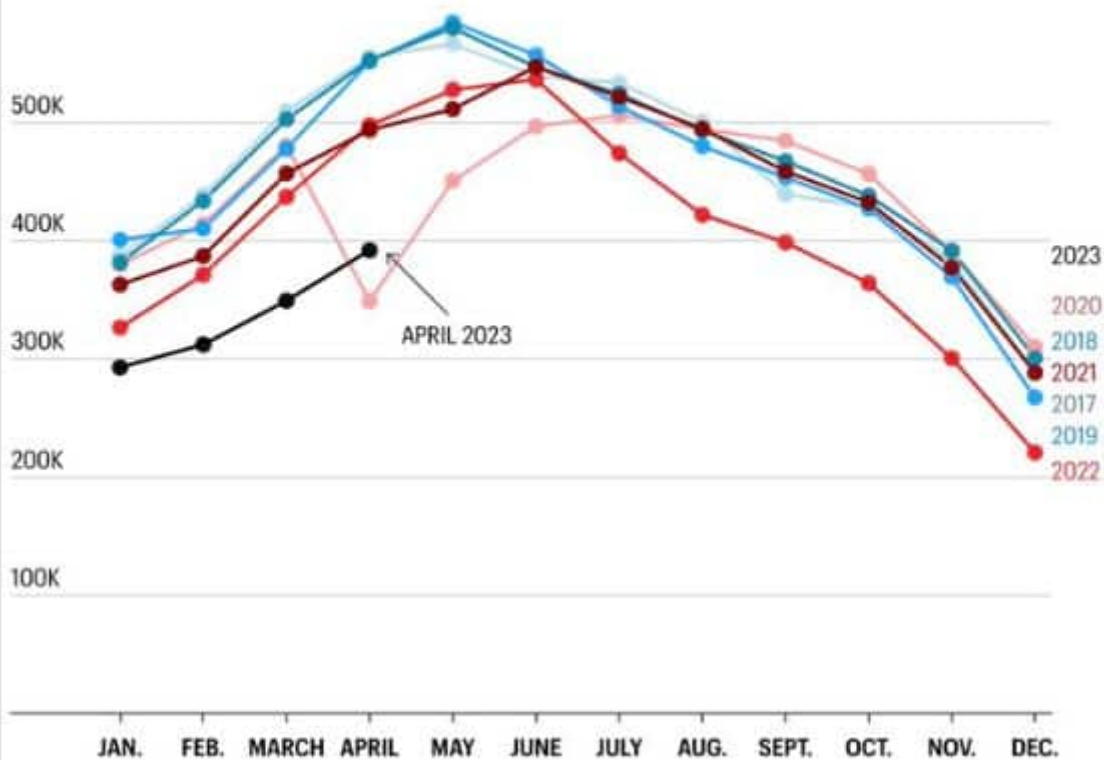


CHART: LANCE LAMBERT • SOURCE: NEW LISTINGS ON REALTOR.COM

FORTUNE

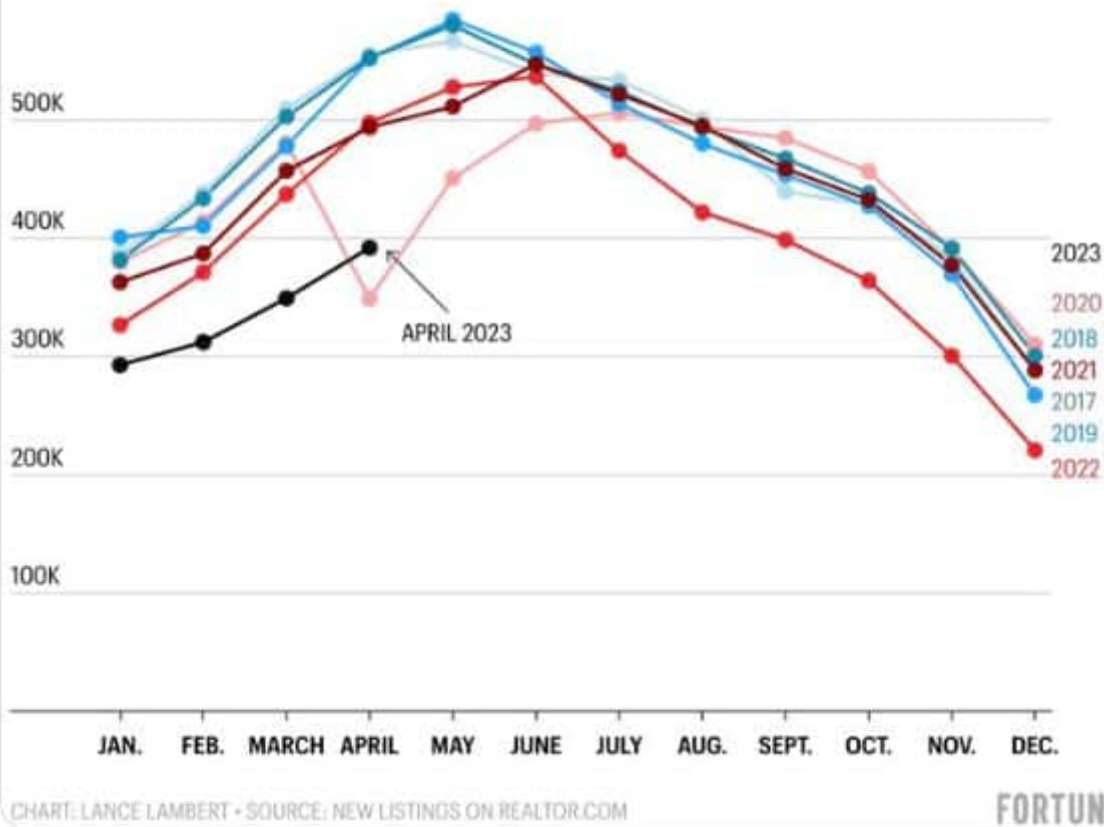


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