

Chart of the week

A 8x payout with a put spread if S&P fell by 25%

With hedge costs still near record low, put spread on S&P 500 can generate quite hefty returns. Indeed, should the S&P 500 index tumble by 25% from here, a SPX 1 year 95%-75% put spreads offers a record 8-to-1 max payout. This is the highest payout ever!

Exhibit 12: The 8.7x max payout ratio of an SPX 1y 95%/75% put spread (pay ~2.3% at mids to make 20%) is the highest on record

Max (gross) payout ratio of SPX 1y 95%/75% (of spot) put spread



Source: BofA Global Research. Daily data from 29-Feb-08 through 21-Jul-23.

BofA GLOBAL RESEARCH

The Nasdaq is down for the 2nd week in a row

US equity indices ended mixed for the week, as investors weighed inflation data against worries over the recent rise in long-term interest rates. Volumes were generally light. Value stocks handily outperformed growth stocks; the Dow managed a modest gain while the Nasdaq was down (-2%) for the 2nd straight week (1st time since December.). Healthcare outperformed while technology stocks underperformed on worries that rising rates would reduce the value of future profits. Financials stocks sold off briefly on Tuesday morning after Moody's lowered its credit ratings for 10 small- and mid-cap banks and placed six other entities on downgrade watch. Shares in the sector recovered to some degree as the week progressed, however. On the macro side, US CPI rose 0.2% in July, bringing its y/y increase to 3.2%, a tick below expectations. Meanwhile, US producer prices rose 0.3% in the month, a tick above expectations. The week also brought a somewhat mixed inflation outlook from Federal Reserve officials. US Treasury yields moved higher over the week. European stocks ended little changed while Italy's government spooks markets with windfall tax on banks. In Asia, Japan's stock markets rose over a holiday-shortened week. Chinese stocks retreated as mounting evidence that the country's recovery may have peaked weighed on sentiment. China's latest inflation data revealed that consumer and producer prices fell in tandem for the 1st time since November 2020, underscoring the weak demand in China.

#GLOBALMARKETS WEEKLY WRAP-UP

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12 AUGUST 2023

#markets

#weekly #stats

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	35,281	0.6%	6.4%
S&P 500 Index	4,464	-0.3%	16.3%
NASDAQ	13,645	-1.9%	30.4%
MSCI EAFE *	2,154	0.5%	10.8%
10-yr Treasury Yield	4.16%	0.1%	0.3%
Oil (\$/bbl)	\$83.12	0.4%	3.6%
Bonds	\$96.10	-0.6%	1.2%

Source: Factset 08/11/2023. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results. * 4-day performance ending on Thursday.

Source: Edward Jones

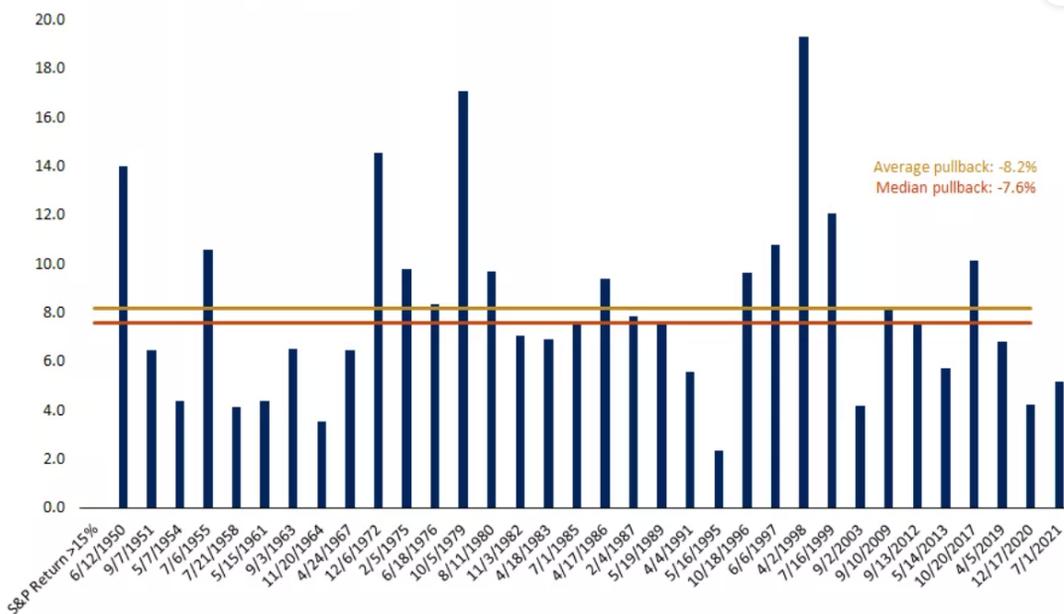




#us #stocks #pullbacks

Pullbacks after strong rallies in the S&P 500 are common and have averaged about -8% since 1950.

Average and Median Pullback After 15% Rally in S&P 500



Average pullback: -8.2%
Median pullback: -7.6%

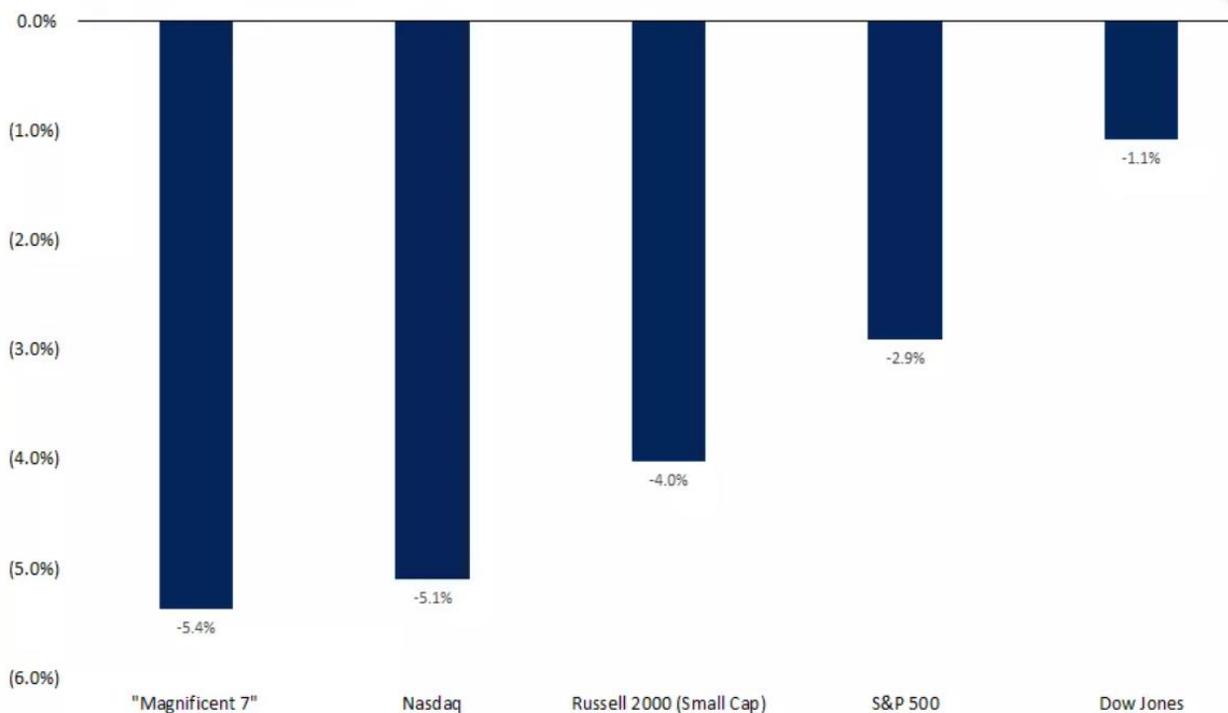
Source: Morningstar Direct, FactSet, Edward Jones. S&P 500 Price Return. Past performance does not guarantee future results.



#us #stocks #pulbacks

This chart shows that large-cap technology stocks have corrected the most since the start of August as shown by declines in the "Magnificent 7" and NASDAQ index.

Pullbacks since the start of August 2023



Source: FactSet, 8/11/2023. "Magnificent 7" represented by AAPL, MSFT, AMZN, NVDA, GOOGL, META, & TSLA. Past performance does not guarantee future results.

Source: Edward Jones





#nvidia #bubble

Hot stuff cooling further – e.g Nvidia which is down around \$70 from all time highs in mid July...Below chart shows NVDA vs SPX over past 10 days...



Source: The Market Ear



#nvidia #bubble

Nvidia is now well below the 50 day, but still way above the 100 day...

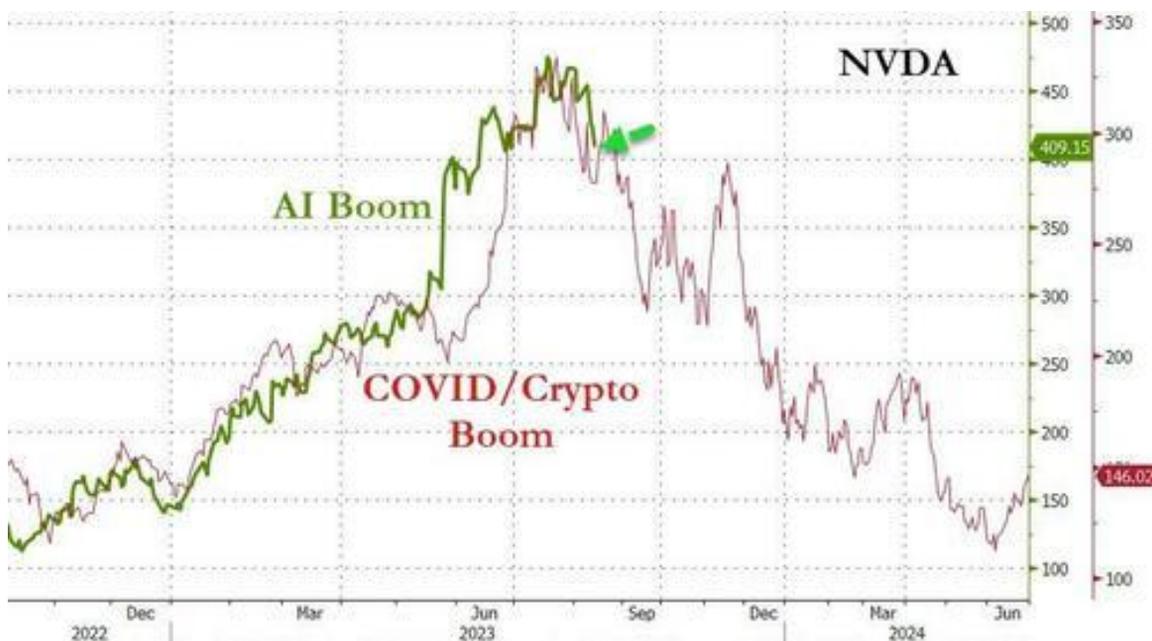


Source: The Market Ear



#nvidia #bubble

Nvidia was the big loser, down over 8% on the week (its biggest weekly loss since Sept 2022...(right on schedule with previous de-bubbling path)

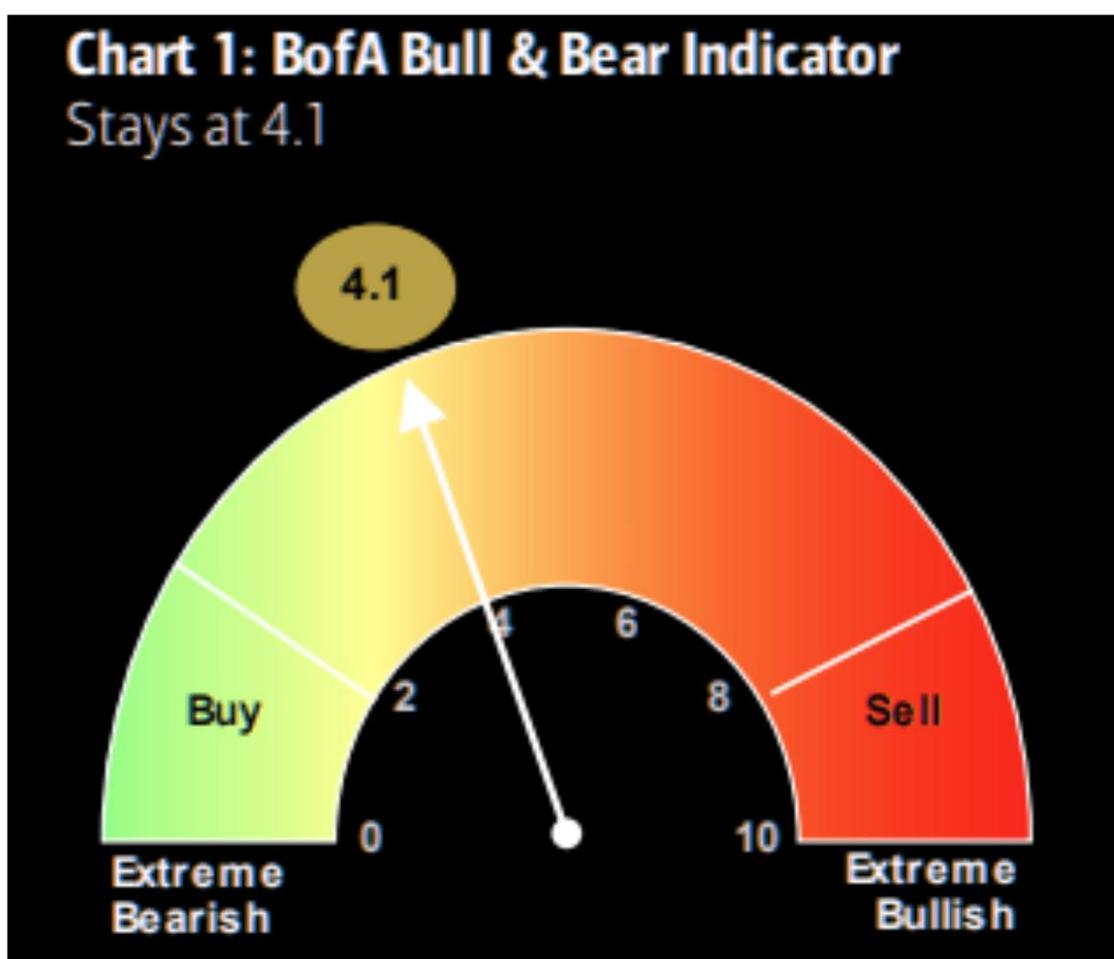


Source: Bloomberg, www.zerohedge.com

#markets

#investors #sentiment

Sentiment is not extreme bullish anymore but it is not yet in bearish territory (so no contrarian call here)

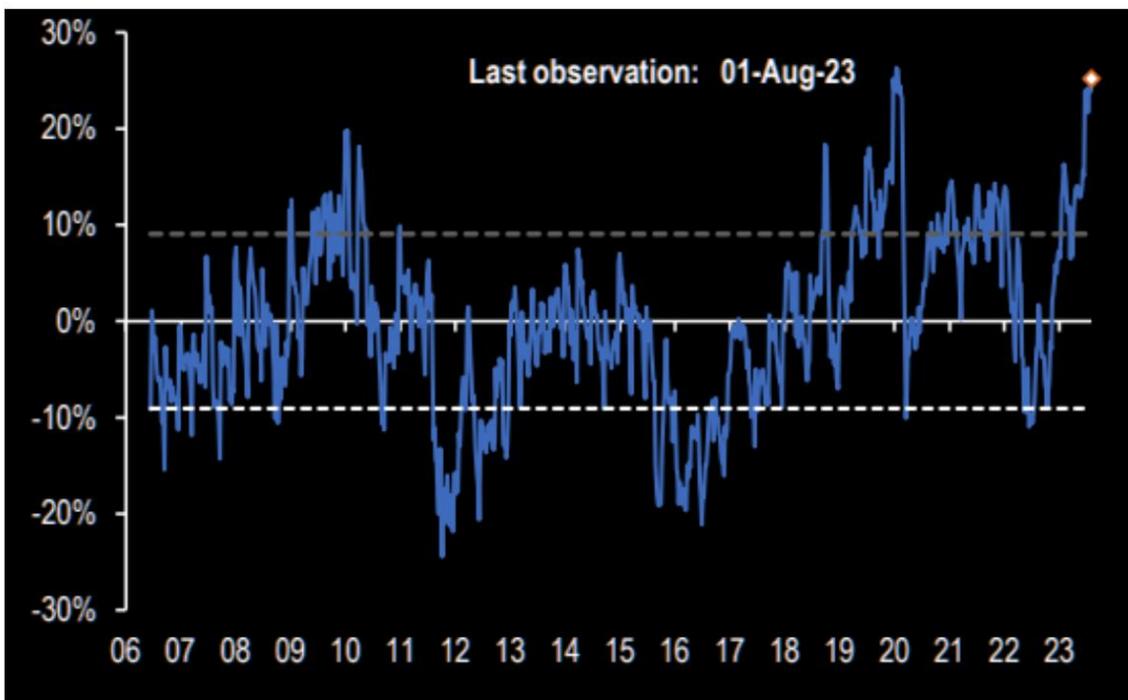


Source: BofA



#us #equities #futures #positioning

Spec positioning on US equity futures vs. intermediate sector US Treasuries futures is about to take out all time highs...



Source: JPM

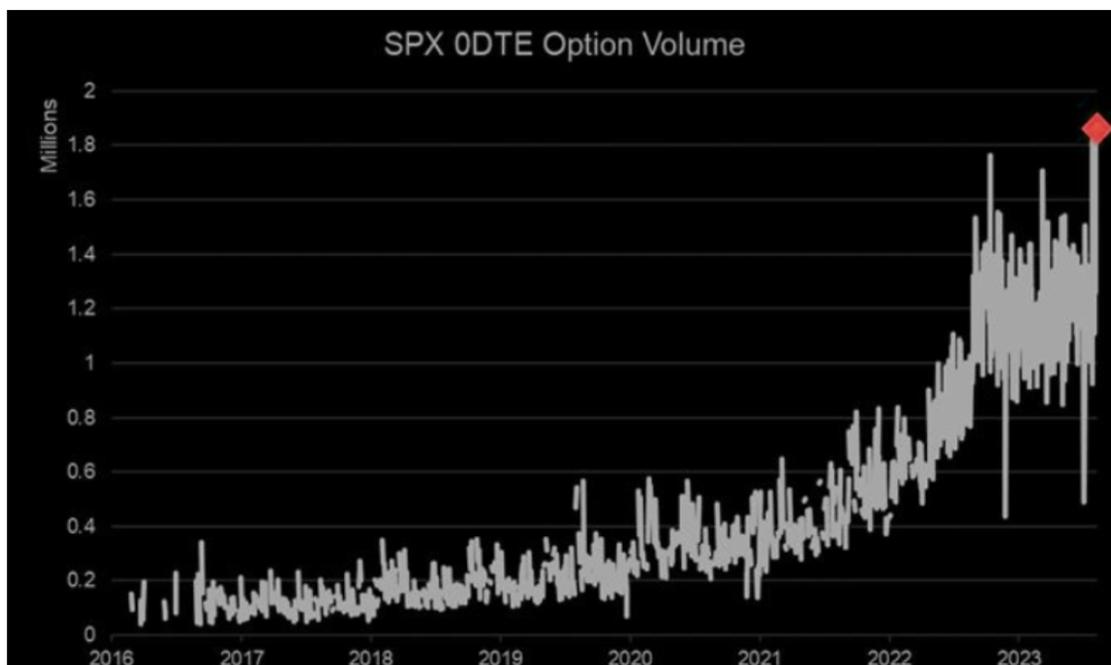
Source: JPM





#odte #options #trading

'ODTE' Stock Options Hits Record. According to data provided to MarketWatch by SpotGamma, a provider of option-market data and analytics, trading in so-called "ODTEs," shorthand for "zero days until expiration," touched its highest level on record last Friday, as volume as a percentage of all S&P 500-linked options hit 53%. The figure includes trading on options tied to the S&P 500 index SPX, including those on ETFs like the SPDR S&P 500 ETF Trust SPY.



Source: Nomura



#sp500 #seasonality #elections

SP500 seasonality and 4-year cycle analysis suggests a consolidation before a year-end rally.

SPX Seasonal Composite Pre Election Year

SPX (Dow Pre. 1927), Last 124 Years; Index Start = 100



Fwd Seasonal Composite Returns from Current Day 08/07

	SPX_NAUT Forward % Return				
	5 Days	10 Days	1 Month	3 Months	6 Months
Avg	0.37%	-0.05%	1.47%	0.31%	2.05%
Up/Down	15/15	16/14	19/11	18/12	17/13
T-stat	0.44	-0.53	1.21	-0.91	-0.61



Data Source: FactSet 8/8/2023 11:29

Source: Nautilus Research



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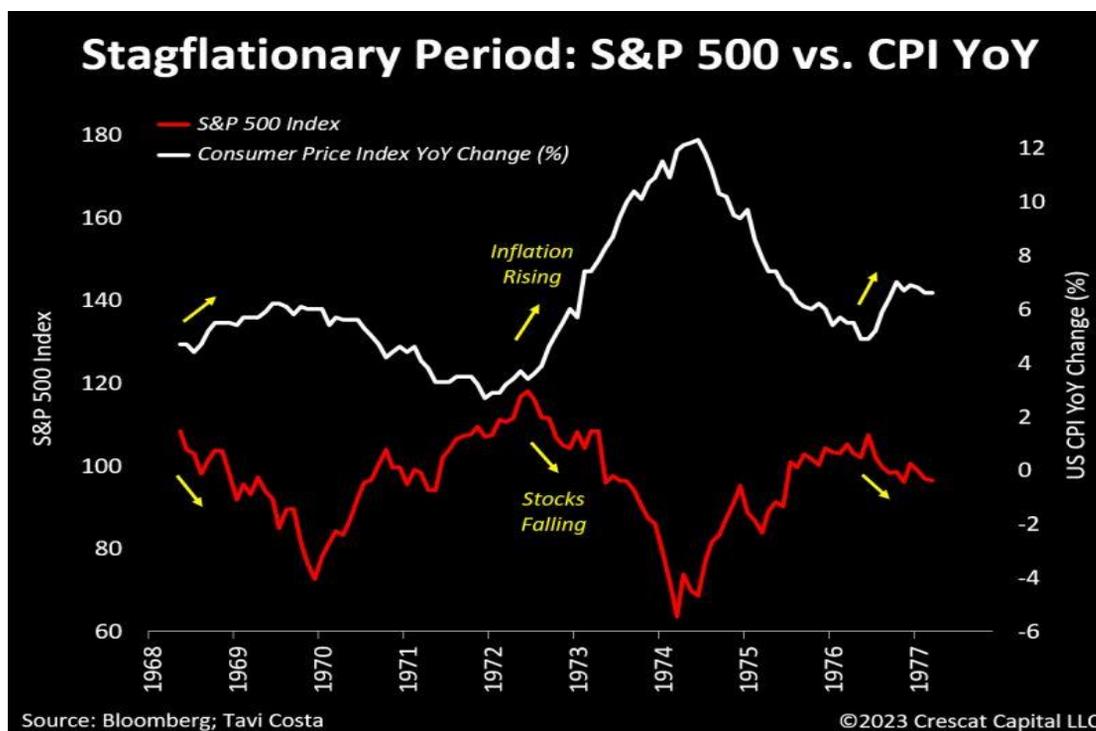
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#us #sp500 #inflation

During stagflationary periods, the SP500 index tends to be inversely correlated with inflation.

Tavi Costa: "From the late-1960s to the mid-1970s, equity markets declined whenever CPI rates re-accelerated to the upside. The primary driver behind this negative correlation stems from the market's growing concern about the potential for a tighter monetary policy to address the persistent increase in consumer prices".



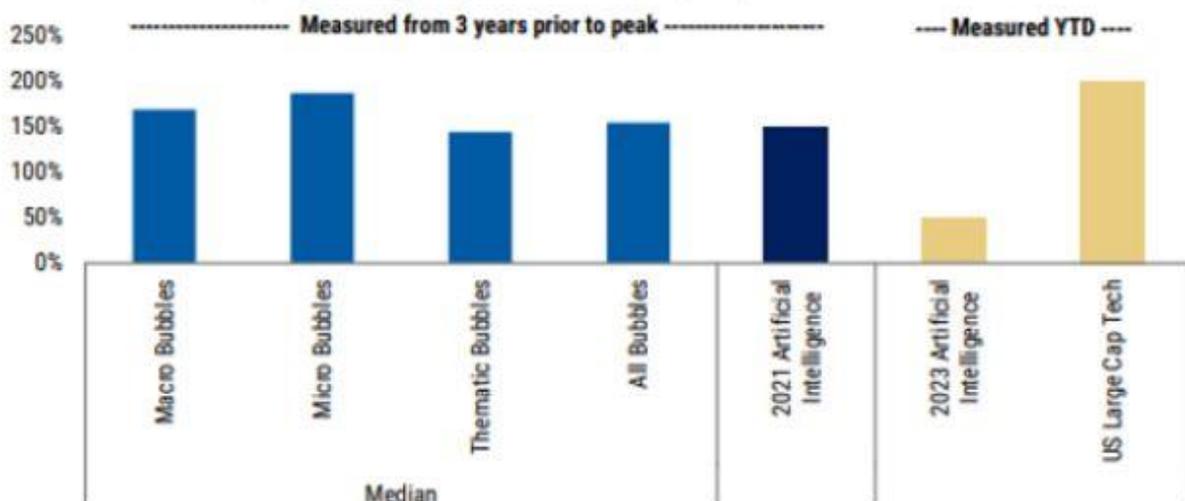
Source: Crescat Capital, Bloomberg



#bubbles #tech-stocks

On average, bubbles rise 217% during the 3 years leading up to the peak according to data from Morgan Stanley. Megacap Tech stocks are already up 200% year-to-date.

Exhibit 1: Average (non-crypto) bubble rallies pre-peak



Source: Bloomberg, Thomson, MSCI, Morgan Stanley Research

MORGAN STANLEY

Source: Barchart



#equities #valuations

Given the expensive level of stocks valuations (especially tech), there is little room left for bad news. Valuation ratios are bad timing tools but help assessing the downside potential.

Price to Earnings Ratios...

NVIDIA: 233

Amazon: 110

Tesla: 72

Netflix: 46

Facebook: 36

Microsoft: 34

Apple: 31

Google: 27

S&P 500: 25

Price to Sales Ratios...

NVIDIA: 43

Microsoft: 12

Tesla: 9.4

Apple: 7.5

Facebook: 6.8

Netflix: 6.1

Google: 5.8

Amazon: 2.7

S&P 500: 2.5

Source: Charlie Bilello

#apple #valuation

"Magnificent 7" stocks valuations are NOT cheap.

Example: Apple

Apple's P/E Ratio: 30x

10-year average: 20x

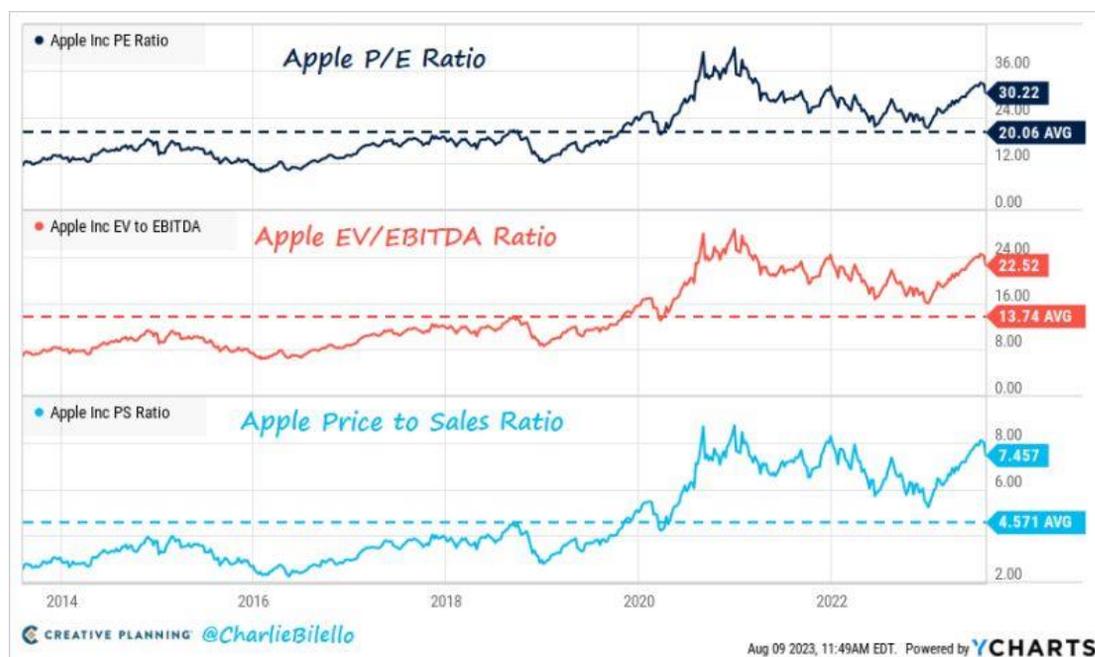
Apple's EV/EBITDA Ratio: 23x

10-year average: 14x

Apple's Price to Sales Ratio: 7.5x

10-year average: 4.6x

\$AAPL

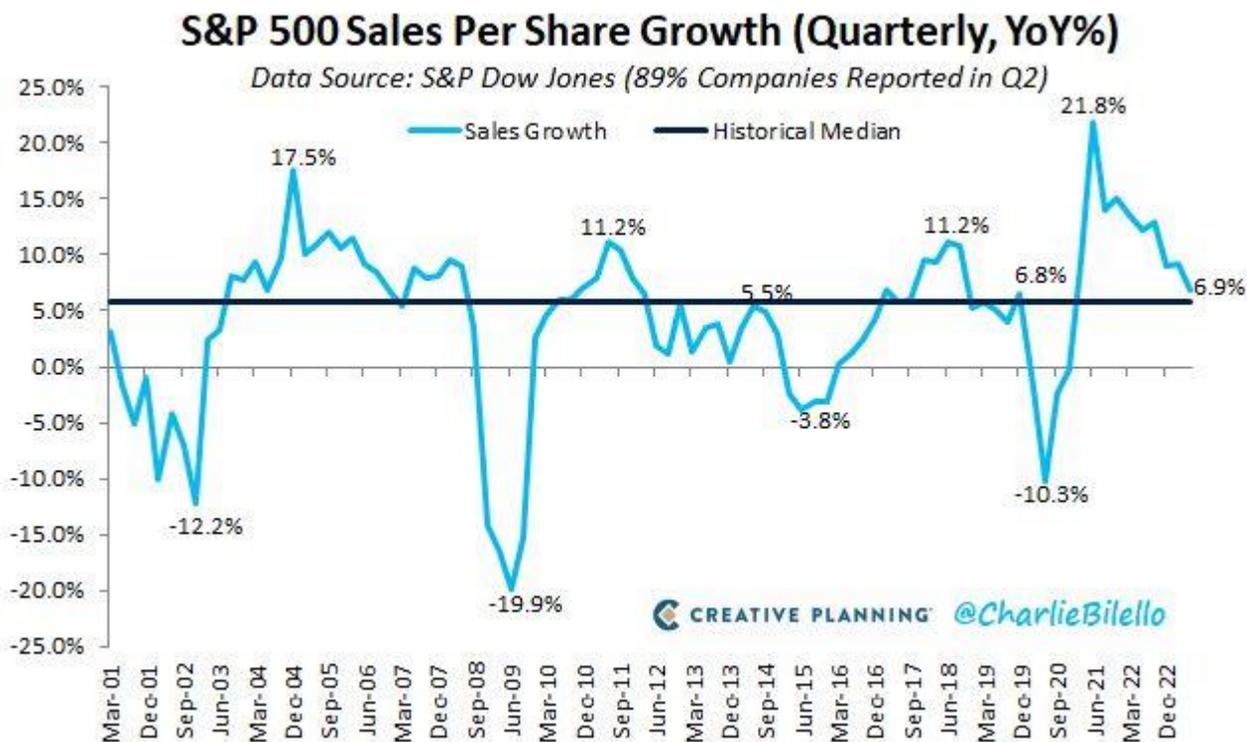


Source: Charlie Bilello



#sp500 #q2 #sales

With 89% of companies now reported, S&P 500 sales per share are up 6.9% over the last year. That's the slowest growth rate since Q4 2020 but still above the historical average (5.8%) and well above the expectations before earnings season began. \$SPX



Source: Charlie Bilello

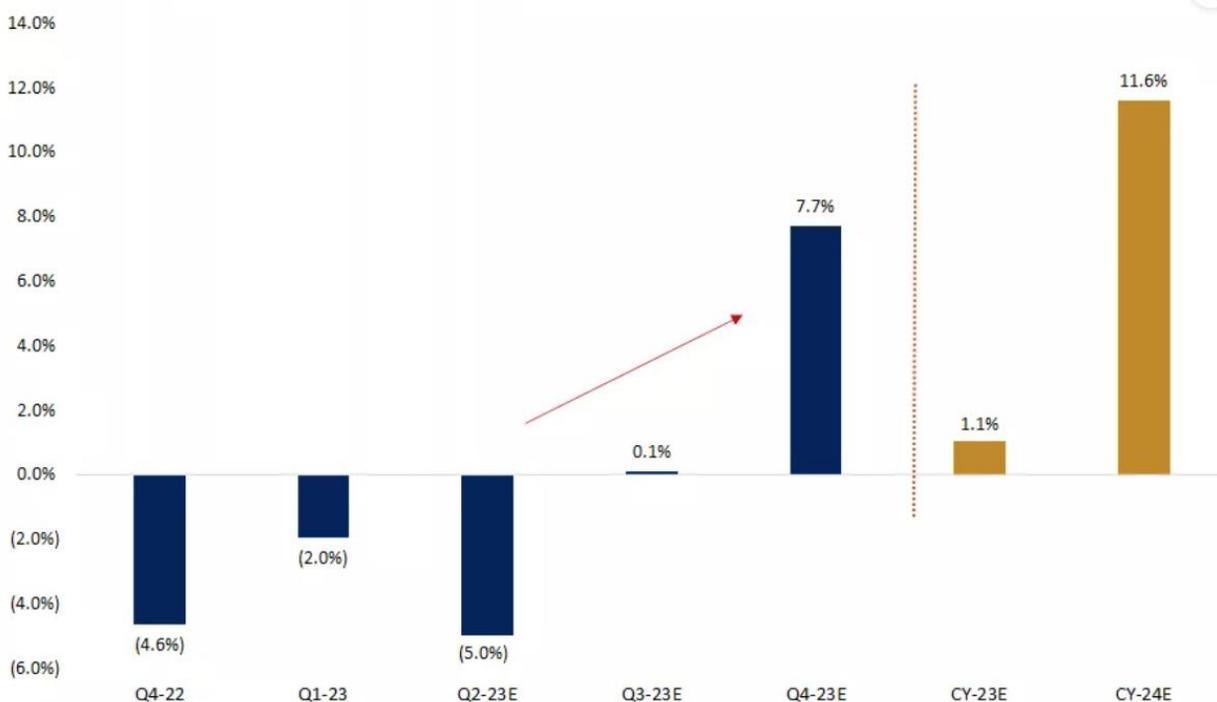




#sp500 #earnings

Earnings growth for S&P 500 companies is expected to gradually recover in the second half of 2023 and in 2024

S&P 500 Earnings Growth Forecast (YoY %)



Source: FactSet

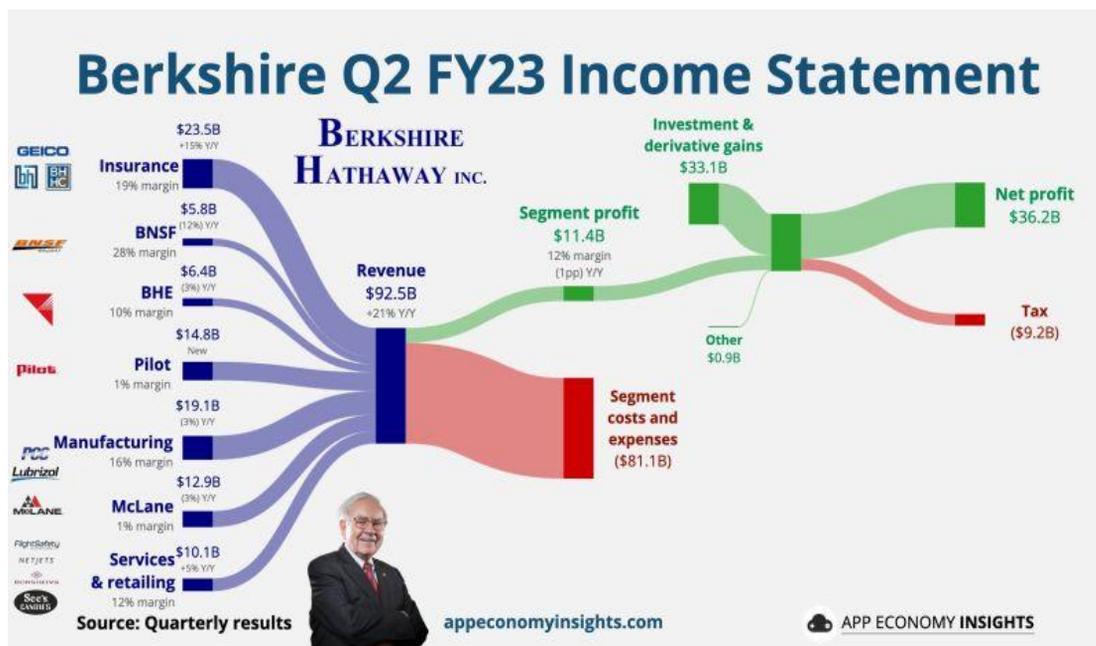
Source: Edward Jones





#berkshire-hathaway #earnings

Berkshire Hathaway on Saturday reported a solid increase in second-quarter operating earnings, while the cash hoard at Warren Buffett’s conglomerate swelled to nearly \$150 billion. The company totaled \$10.043 billion last quarter, 6.6% higher than the figure from the same quarter a year ago. Net income totaled \$35.91 billion, compared with a \$43.62 billion loss during the second quarter last year. The strong results were bolstered by a jump in Berkshire’s insurance underwriting and investment income. Berkshire reported a near \$26 billion unrealized gain from its investments as its gigantic stake in Apple led the market rally in the second quarter.

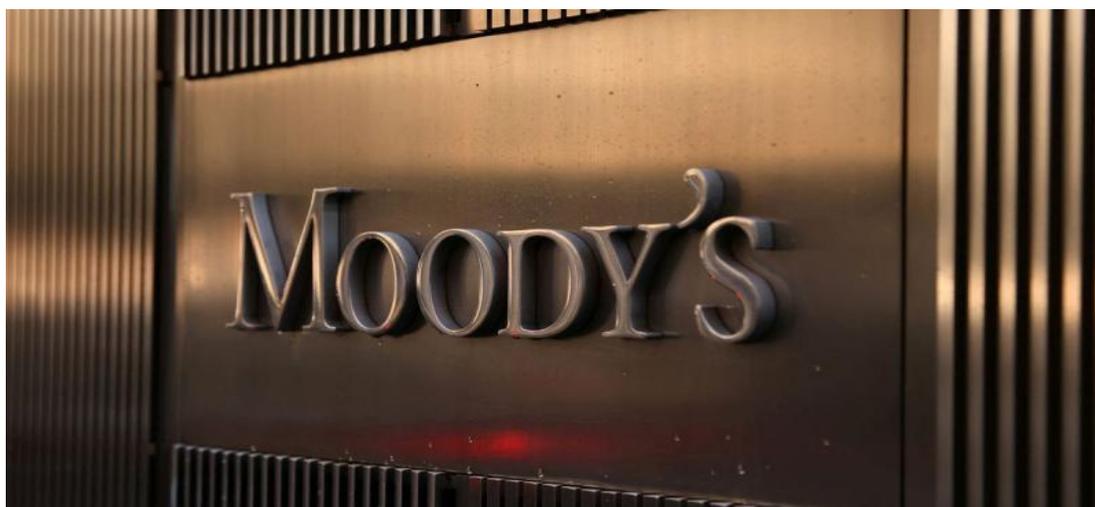


Source: App Economic Insights, CNBC

#us #banks #moody's #credit-rating

Moody's has cut credit ratings of several small to mid-sized US banks on Monday and said it may downgrade some of the nation's biggest lenders, warning that the sector's credit strength will likely be tested by funding risks and weaker profitability.

This does not come as a surprise to us as US banks are facing several headwinds at the time being: 1) Inverted yield curve and lower trading / M&A activity weighing on profitability; 2) Deteriorating loan book quality due to Commercial real estate exposure but also US consumers starting to being hit by rising debt costs (credit card, mortgages, etc.); 3) Deposits withdrawals.



Source: reuters

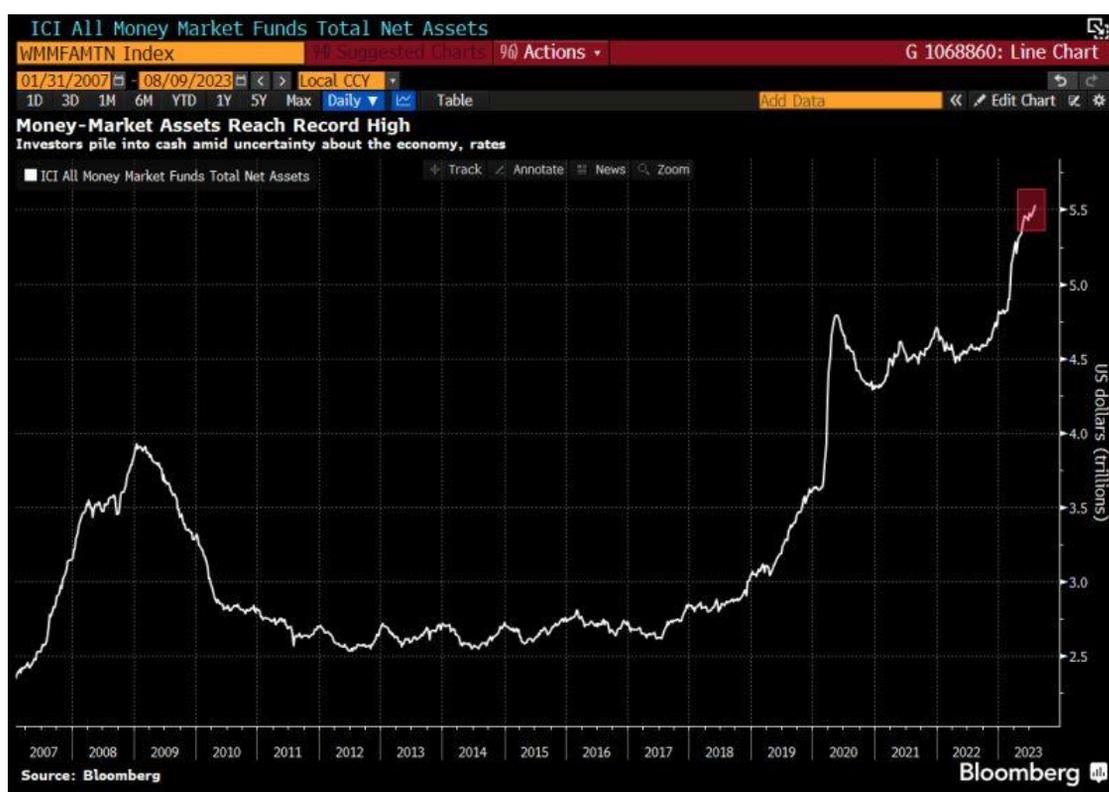
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#us #money-markets

US money-market assets have reached a new record of \$5.5 trillion.



Source: Bloomberg, Lisa Abramowicz

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#us #money-market #decoupling

The decoupling between US money market fund inflows (in green) and bank deposits (in red) continues.



Source: www.zeroledge.com, Bloomberg



#energy #equities #etf

Energy continues performing very well. The \$XLE (energy stocks etf) is breaking above big levels, and the 50 day is crossing the 100 day...while the crowd gave up on energy longs at recent lows.



Source: Refinitiv

Source: TME





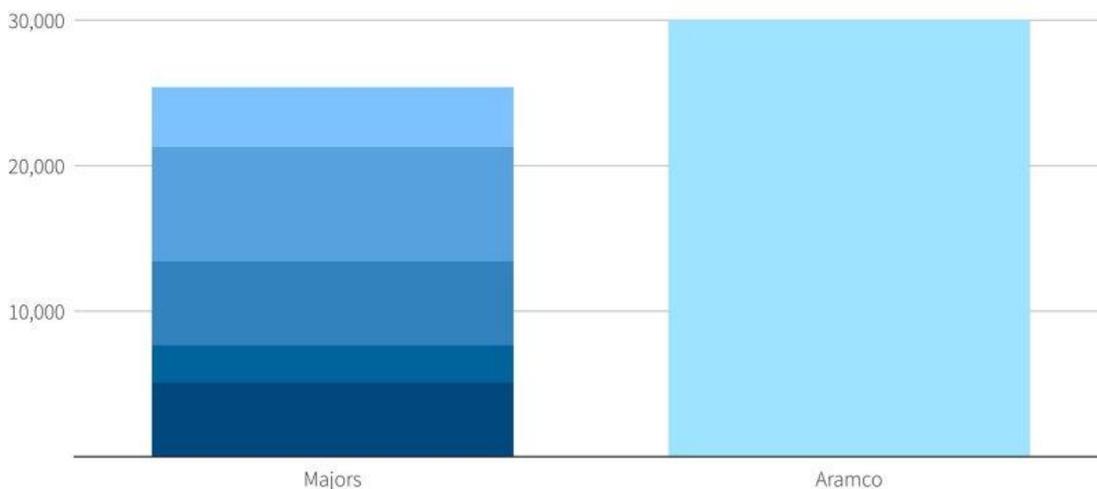
#aramco #equities #profit

Saudi Aramco 2Q 2023 profit vs. profits of the Majors

The Kings of profit

Saudi Aramco's profits in the second quarter of 2023 dropped by nearly 38% from a year earlier

● Shell ● BP ● Chevron ● Exxon ● TotalEnergies ● Aramco

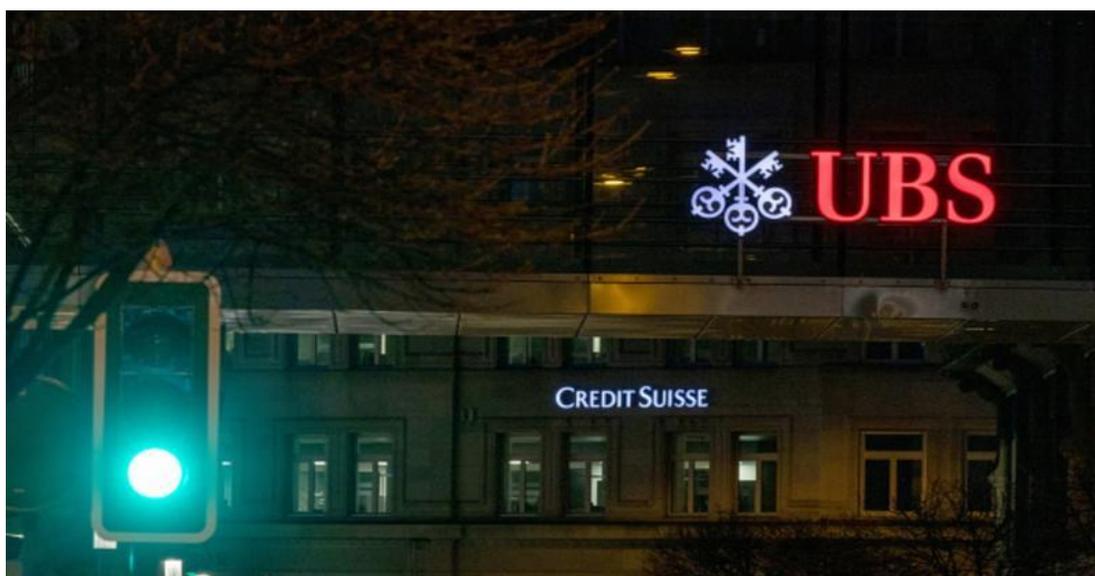


Note: Q2 2023 net profits, in '000 of million \$
Source: Company results

Source: company results

#ubs #credit-suisse

UBS ends Credit Suisse dependence on Swiss central bank loan. UBS on Friday said that it has ended a 9 billion Swiss franc (\$10.27 billion) loss protection agreement and a 100 billion Swiss franc publicly liquidity backstop that were put in place by the Swiss government when it took over rival Credit Suisse in March. UBS said the decision followed a “comprehensive assessment” of Credit Suisse’s non-core assets that were covered by the liquidity support measures. Credit Suisse also fully repaid the emergency liquidity assistance loan of 50 billion Swiss francs to the Swiss National Bank in March, as Credit Suisse teetered after a collapse in shareholder and investor confidence.

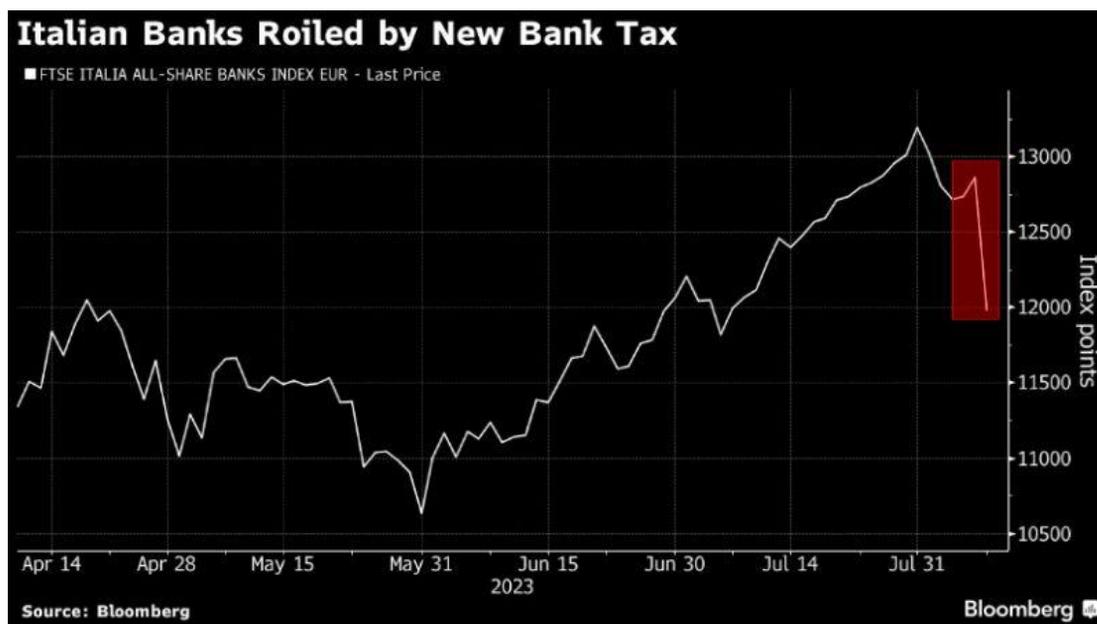


Source: CNBC



#italy #banks #tax

Italian banks slump after government introduces windfall tax. Deputy PM Salvini announced a 40% levy on extra profits of lenders for 2023 as part of a wide-ranging decree approved at a cabinet meeting. Analysts estimate it will wipe 19% from bank earnings. Levy targets higher interest incomes following rate hikes by ECB



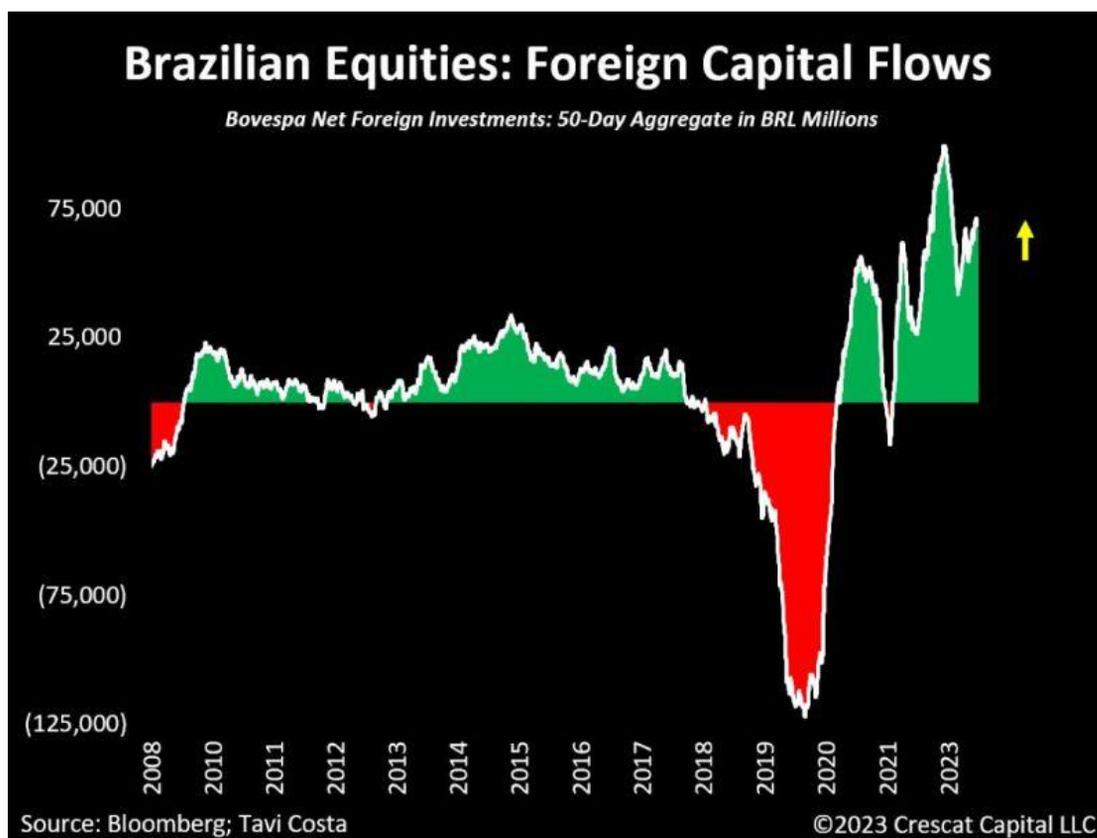
Source: Bloomberg, HolgerZ





#brazil #equities #inflows

Tavi Costa: "Brazilian equities have been attracting unprecedented levels of foreign capital investments, marking a fundamental shift since the global financial crisis. Net inflows from international investors over the past 50 days have reached historically elevated levels, maintaining a consistent upward trajectory over the last two years".



Source: Tavi Costa, Bloomberg



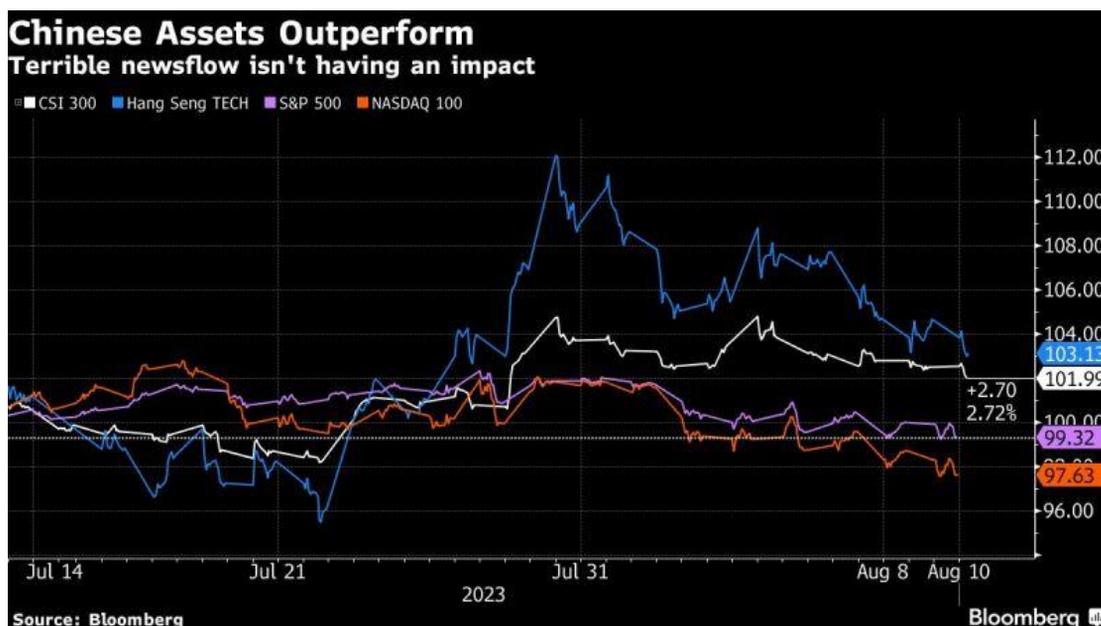
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#china #assets #performance

Over the last few weeks, the newsflow for China assets has been horrendous, whether it's the macro data (e.g trade and inflation this week) or the policy side (disappointment at the scale and lack of detail). While sentiment on China is very bearish, Greater China stocks have outperformed over the past month. This could be a sign that the worst is behind and that bad news are already priced in.



Source: J-C Gand, Bloomberg



#michael-burry #portfolio #china #stocks

Michael Burry top holdings are two Chinese ADRs at the time the \$KWEB [#etf](#) is starting to outperform \$QQQ



Michael Burry's Top 2 holdings are [\\$JD](#) and [\\$BABA](#).

Increasing his positions by 233% and 100%.

Average price:

[\\$JD](#): \$50

[\\$BABA](#): \$89.

Right now [\\$JD](#) is at \$39

Right now [\\$BABA](#) is at \$96.

You are early.

Asset Management Holdings							
Company Name	% of Portfolio	Shares Owned	Value	Change in Shares	Ownership History	Average Buy Price	Price History
JD.com Inc	10.26%	250k	\$ 10.97M	↑ 233.33% (+175k)		\$50.97 (-23.3%)	
Alibaba Group Hldg Ltd	9.56%	100k	\$ 10.22M	↑ 100% (+50k)		\$89.59 (+8.2%)	

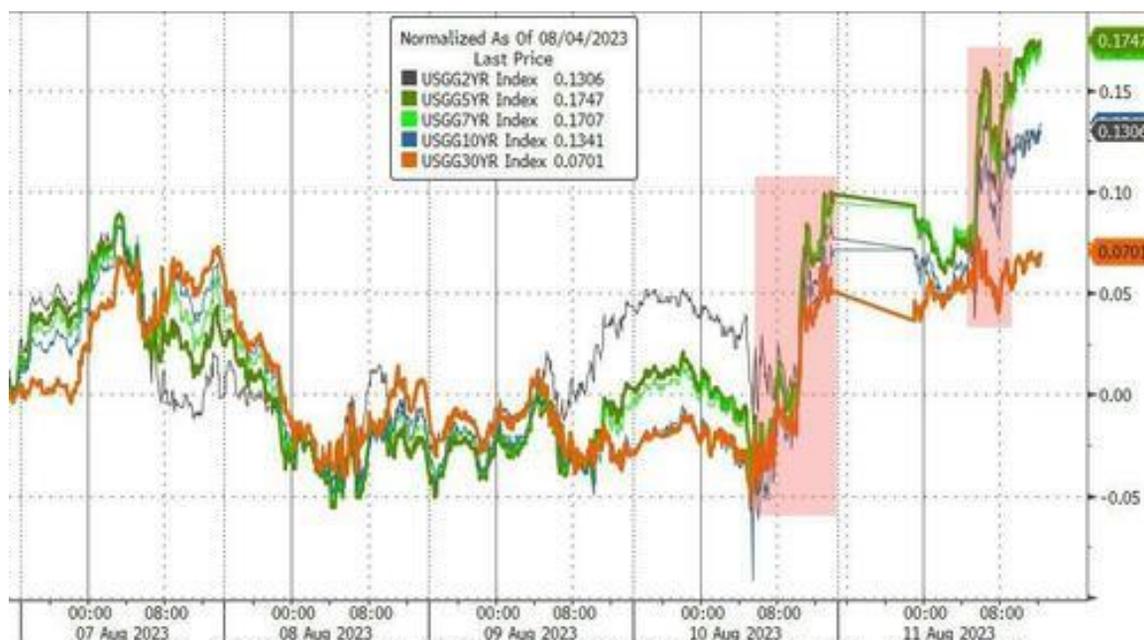
Source: the long investor





#us #treasuries #weekly

US Treasury yields were up across the curve with the belly underperforming...



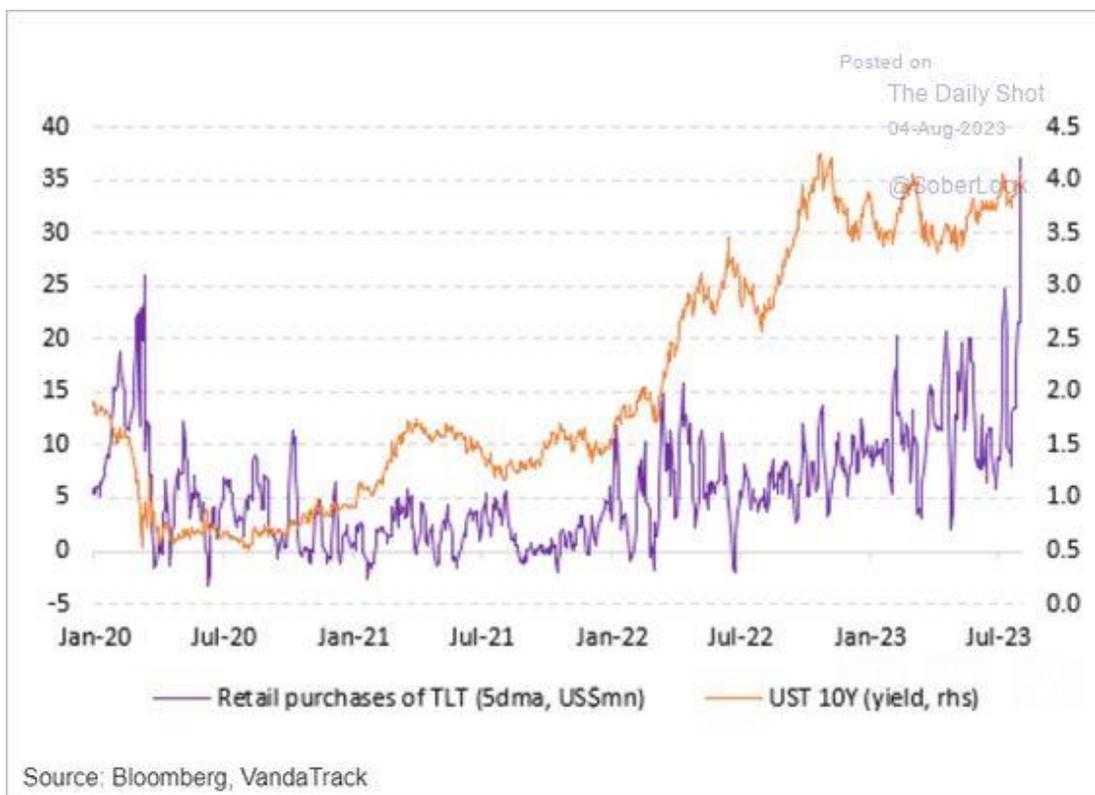
Source: Bloomberg, www.zerohedge.com





#etf #treasury-bond #investors

The fact that Retail investors are rapidly buying the iShares 20+Year Treasury Bond ETF (TLT) - despite the bond bloodbath - could mean that the sentiment is far from being oversold. From a contrarian perspective, this is NOT a positive for long-dated bonds



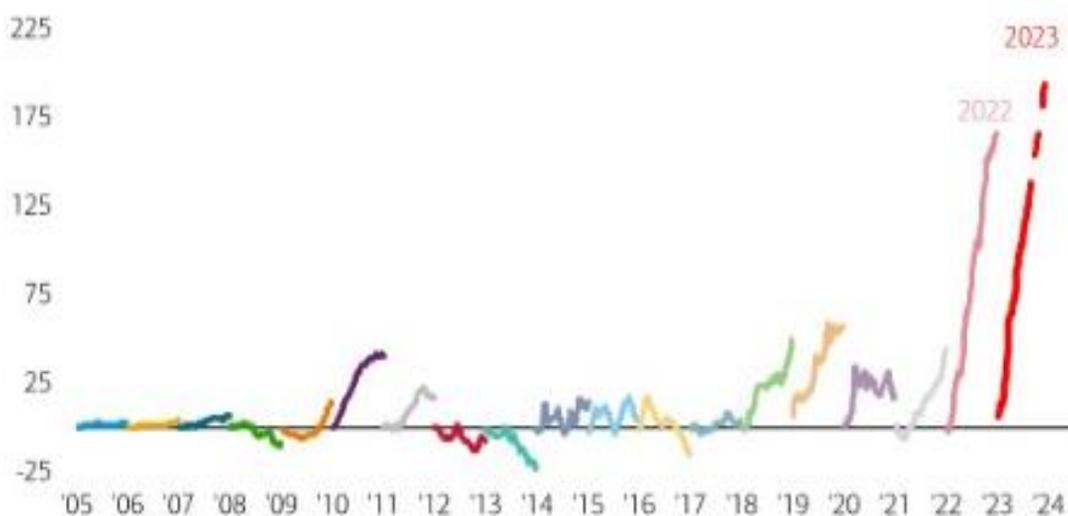
Source: The Daily Shot, Bloomberg, VandaTrack



#us #treasuries #inflows

US Treasuries are on track for the largest inflow ever (\$127bn YTD is equivalent to \$206bn annualized). Yet, yields don't fall as US 10-year hit 4.13% this week as inflation reports failed to reverse the trend.

Chart 2: Treasuries on track for record \$206bn inflow in 2023
Cumulative annual inflow to Treasuries (\$ bn)



Source: BofA Global Investment Strategy, EPFR

BofA GLOBAL RESEARCH

Source: BofA





#us #bonds #shorts #inflation

Shorting US 10y bonds seems to be one of the most crowded trades at the moment. Among the shorts, Billionaire investor Bill Ackman. To his opinion, if long-term inflation is 3% not 2%, the 30y Treasury yield could rise to 5.5%. In contrast, Warren Buffett has announced buying positions in 10y US Treasuries.



Source: Bloomberg, HolgerZ

#markets

#us #treasuries #performance

Before dumping your government bonds think twice. Over the past 40 years, US treasury yields have always declined six months after the last Fed hike.

Last hike	Change in 2-yr yields	Change in 10-yr yields	6-month return in short-term bonds	6-month return in long-term bonds
8/21/1984	-2.2%	-1.0%	11.0%	19.3%
9/4/1987	-1.0%	-1.0%	6.1%	11.6%
2/24/1989	-1.3%	-1.2%	7.0%	12.0%
2/1/1995	-1.4%	-1.2%	5.6%	12.8%
5/16/2000	-1.0%	-0.8%	5.5%	9.3%
6/29/2006	-0.4%	-0.5%	3.7%	8.9%
12/19/2018	-0.9%	-0.7%	3.8%	11.4%
Average	-1.2%	-0.9%	6.1%	12.2%

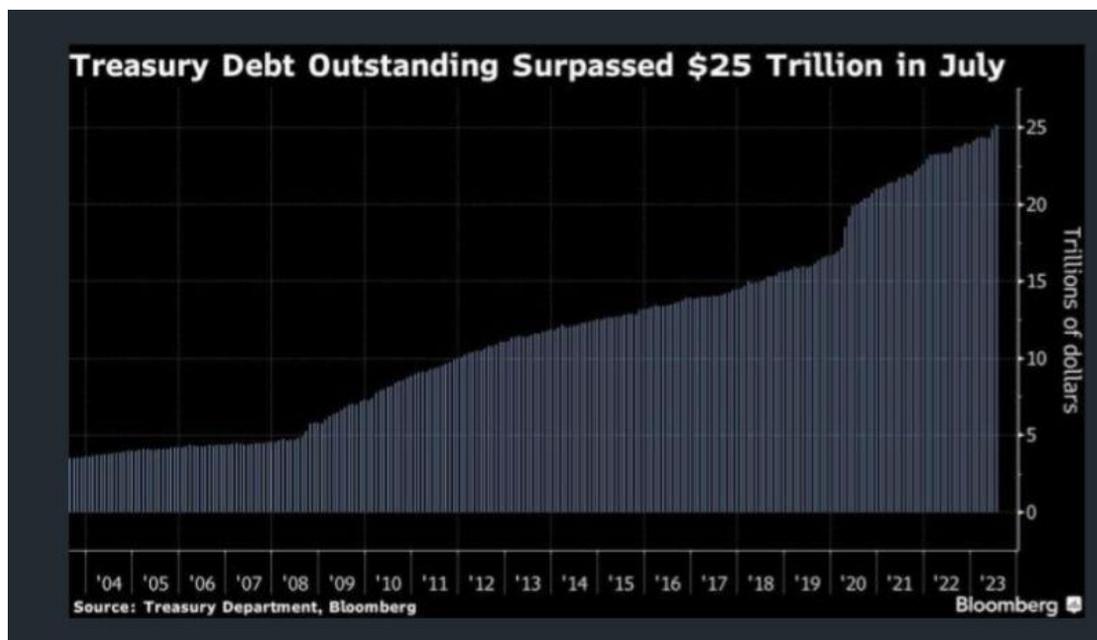
Source: Edward Jones



#us #treasury #outstanding

US Treasury Market Topped Record \$25 Trillion in July

The combined total amount of Treasury bills, notes and bonds outstanding increased by about 1% during July to a record \$25.137 trillion, according to data released Friday. Most of the increase in July was in the form of bills, which the Treasury Department typically expands first when its borrowing needs rise. Next week’s quarterly auctions of new 10-year notes and 30-year bonds will be larger than the previous ones for the first time in more than two years.



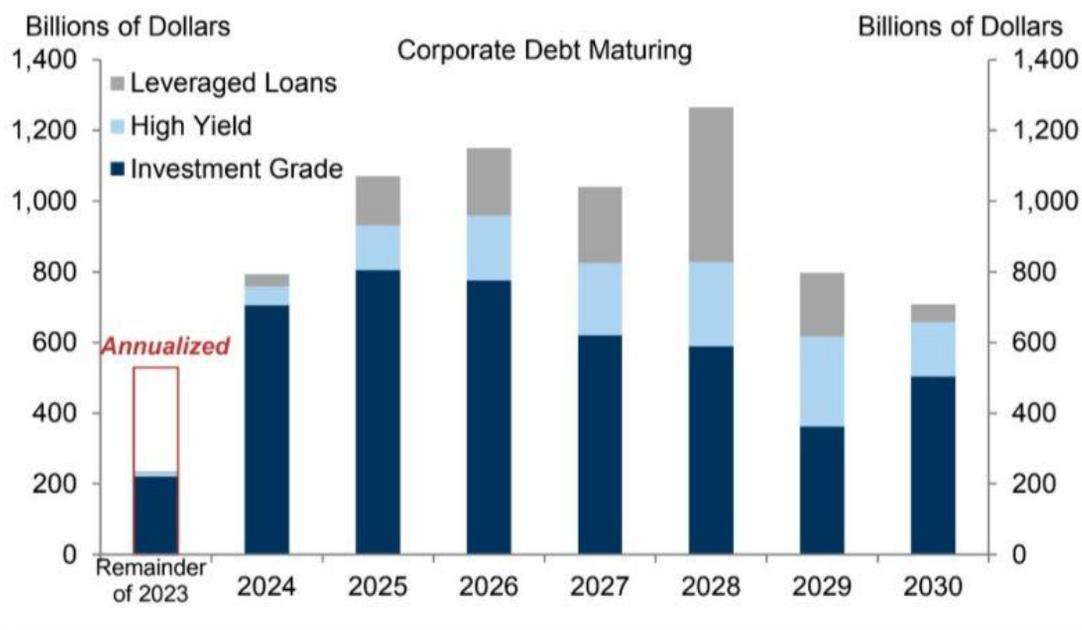
Source: bloomberg





#us #corporate-debt #maturity

The US Corporate Debt Maturity Wall
\$230bn (\$525bn Annualized) of Corporate Debt Matures in the Remainder of 2023
\$790bn matures in 2024
\$1,070bn matures in 2025



Source: Bloomberg, Goldman Sachs Global Investment Research

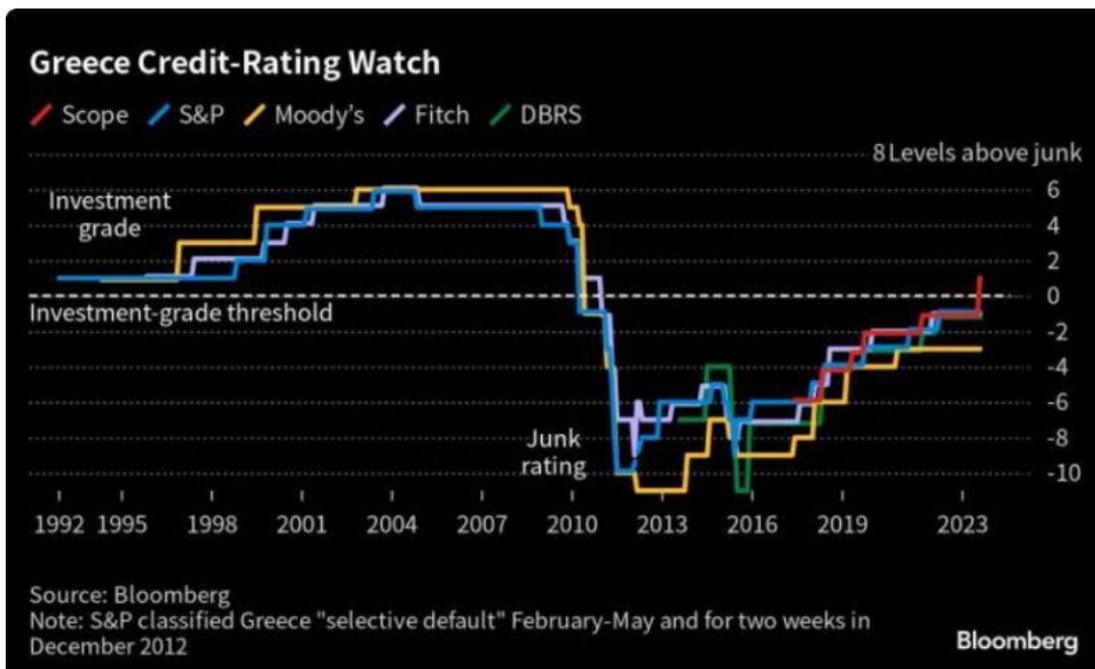
Source: Ayesha Tariq, Goldman Sachs





#greece #investment-grade

Greece Returns to Investment-Grade Elite With Scope Rating Upgrade. Greece's investment-grade status was restored by Scope Ratings, evidence of its progress in repairing public finances 13 years after it became the first euro-zone member to be cut to junk.



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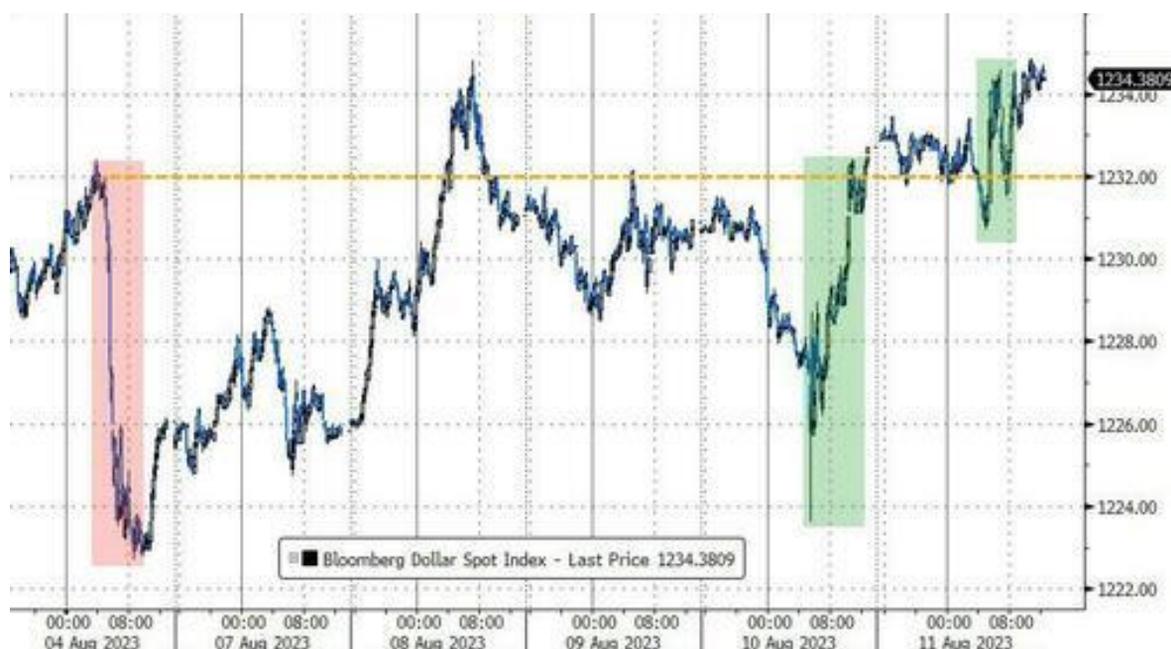
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#dollar #weekly

The dollar ended higher on the week, as CPI/PPI sparked USD-buying, erasing the post-payrolls drop...



Source: Bloomberg, www.zerohedge.com

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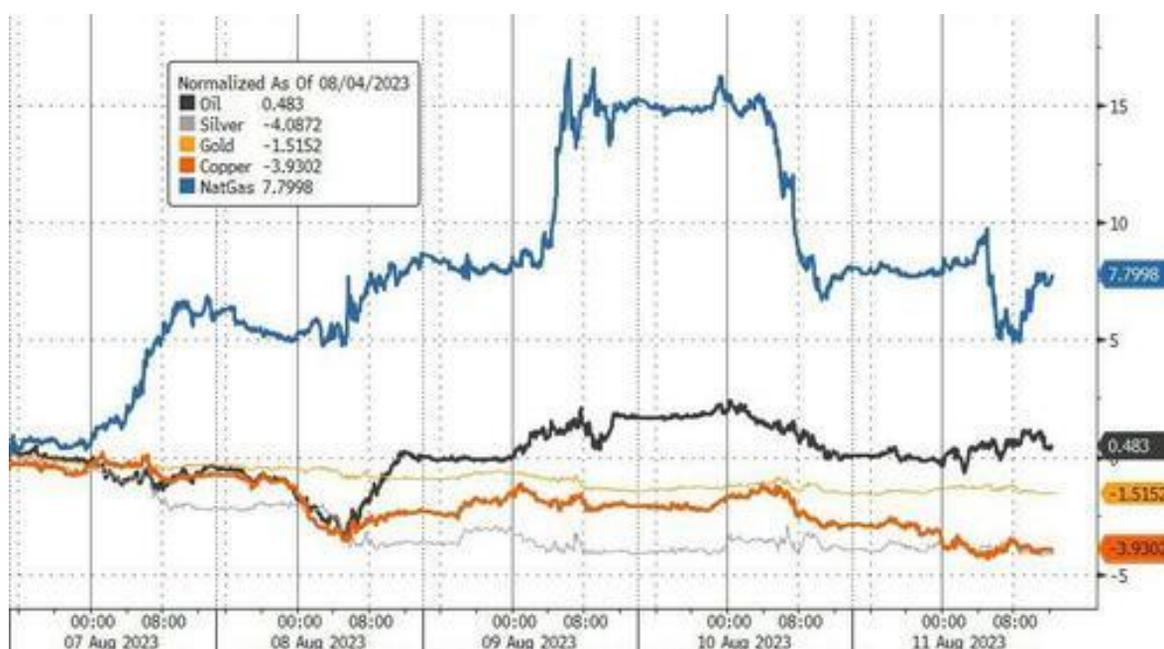
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#commodities #weekly

Gold and Silver were the week's biggest losers in commodity-land as NatGas soared. Crude was flat and copper slightly lower...

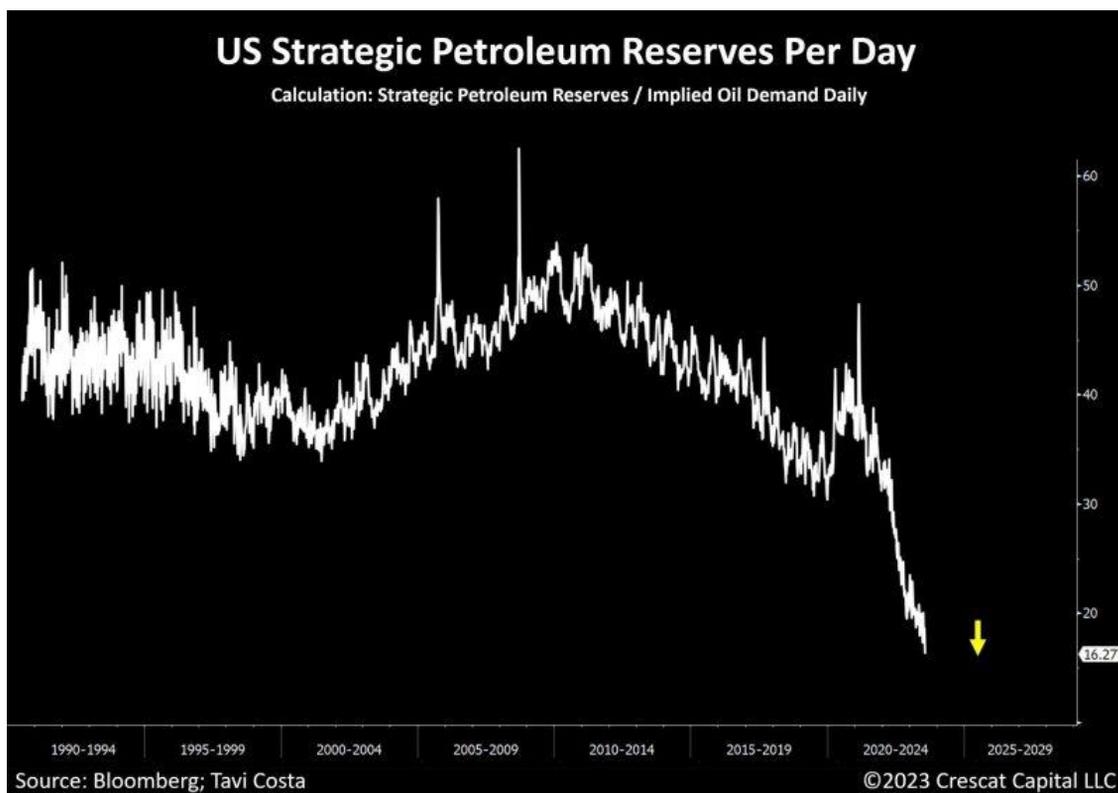


Source: Bloomberg, www.zerohedge.com



#us #oil #reserves

With the recent surge in oil demand, the US government is now left with a petroleum reserve sufficient for only 16 days



Source: Tavi Costa, Bloomberg



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#us #gasoline

Gasoline continues to rip higher, closing at its highest level in a year



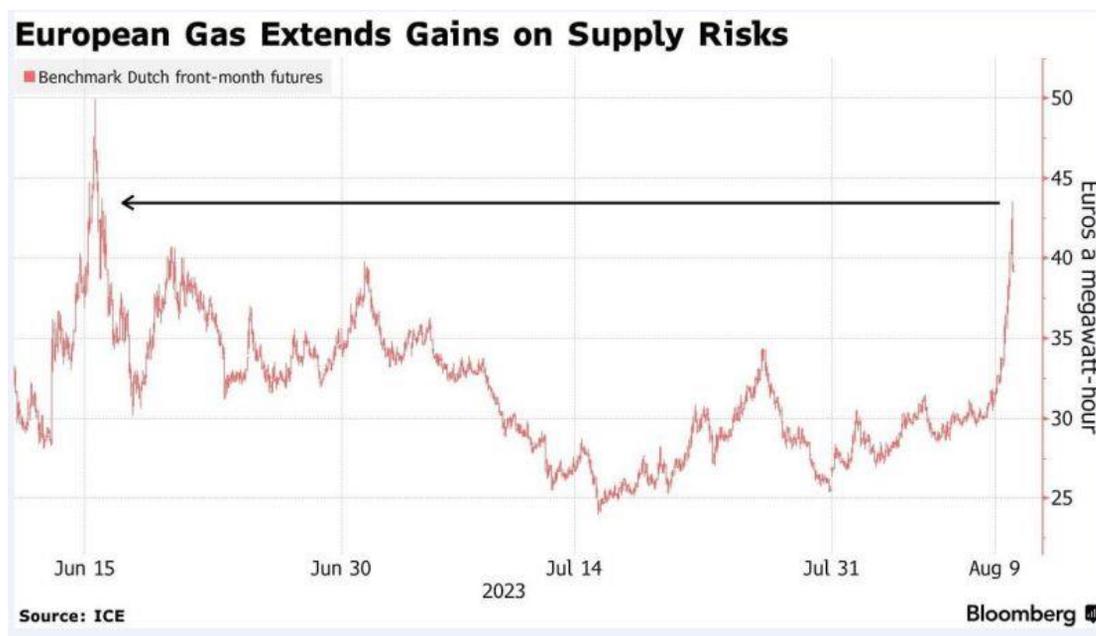
Source: Barchart





#natural-gas #europe

In a stunning move, reminiscent of the first few months of Putin's invasion of Ukraine, European NatGas prices exploded a stunning 40% higher YESTERDAY ALONE as the possibility of worker strikes at some LNG plants in Australia threatens global supply..... This is the biggest daily increase since March 2022. Citigroup estimates EU natural gas prices could double. Meanwhile, oil hit 9 months high and coal is rising as well. The surge of energy prices will make the job of central-bankers more difficult.



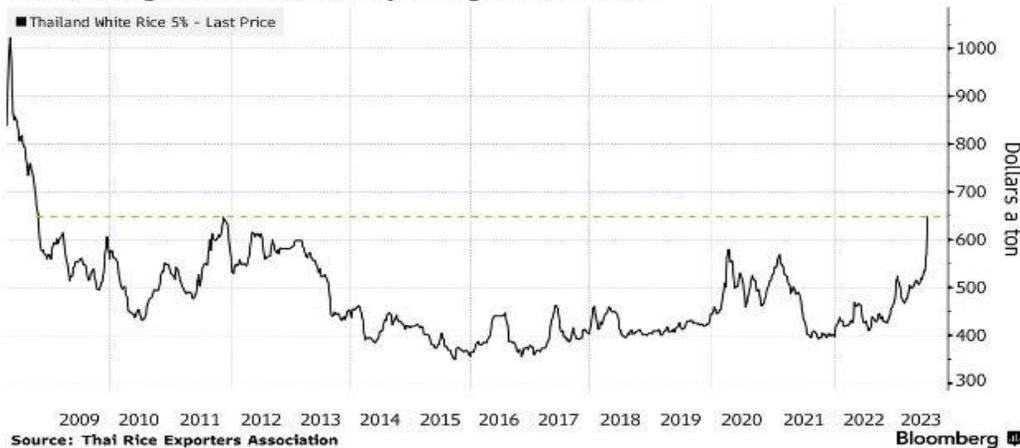
Source: The Kobeissi Letter, ICE, Bloomberg



#asia #commodity #rice

Rice prices soared to the highest in almost 15 years in Asia on mounting concerns over global supplies as dry weather threatens production in Thailand and after top shipper India banned some exports. Concerns over the potential impacts of El Nino on production in some suppliers provided further underpinning to prices, as did rain-induced interruptions and quality variability in Vietnam’s ongoing summer-autumn harvest,” a FAO report stated. India, the world’s leading rice exporter, banned exports of non-basmati white rice on Jul. 20, as the government seeks to keep a cap on soaring food prices at home, and ensure there are enough supplies domestically “at reasonable prices.”

Rice in Asia Soars to Highest Since 2008
Thailand urges farmers to curb plantings to save water



Source: Bloomberg. CNBC



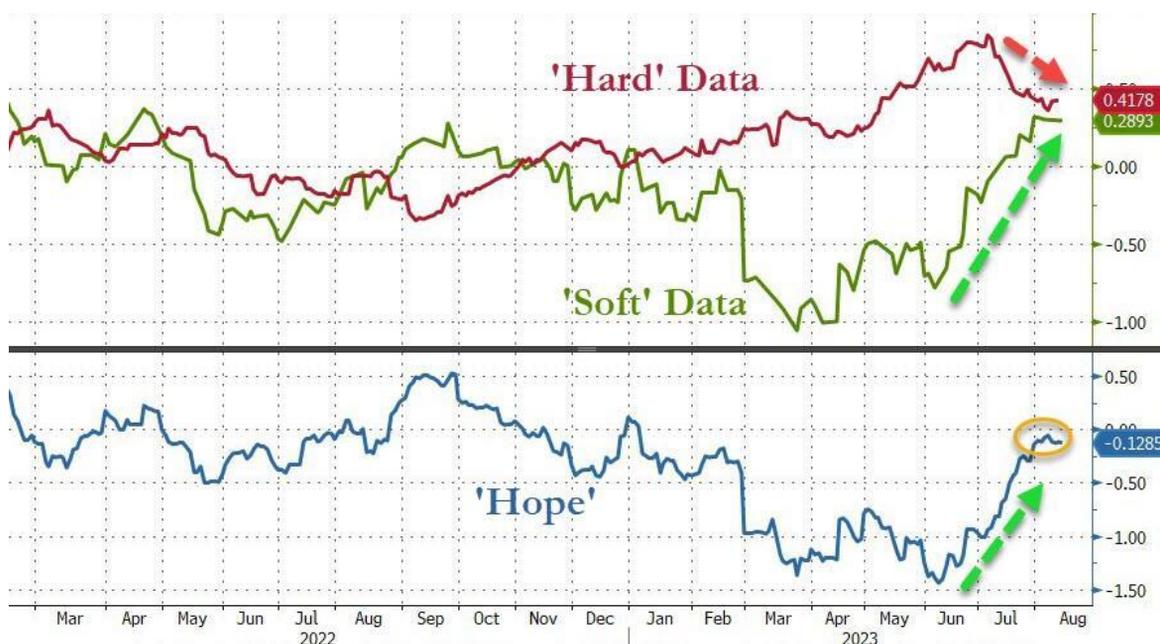
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#macro

#us #hard #soft #data

The trend of weaker 'hard' data and hope-filled 'soft' data stalled a little this week as the latter failed to improve.



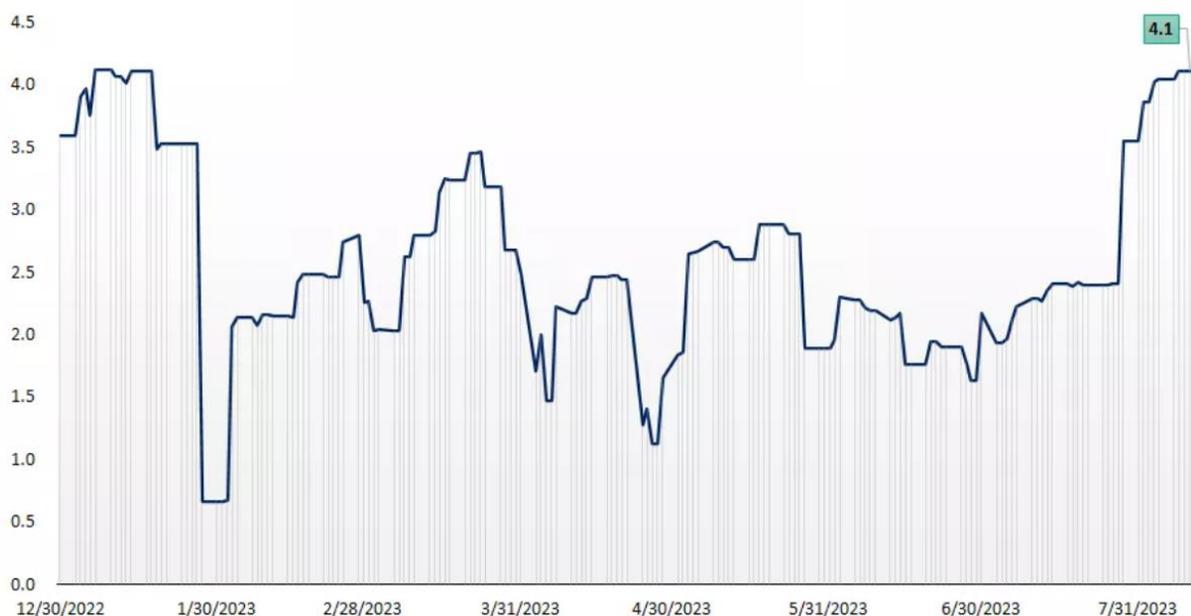
Source: Bloomberg, www.zerohedge.com



#us #gdp #3q2023

The Fed's GDP-Now tool is forecasting a strong 4.1% U.S. real GDP growth rate in the third quarter, after above-trend growth in the first half of 2023

The Fed's GDP-Now tool indicates 4.1% real GDP growth for the U.S. in the third quarter 2023

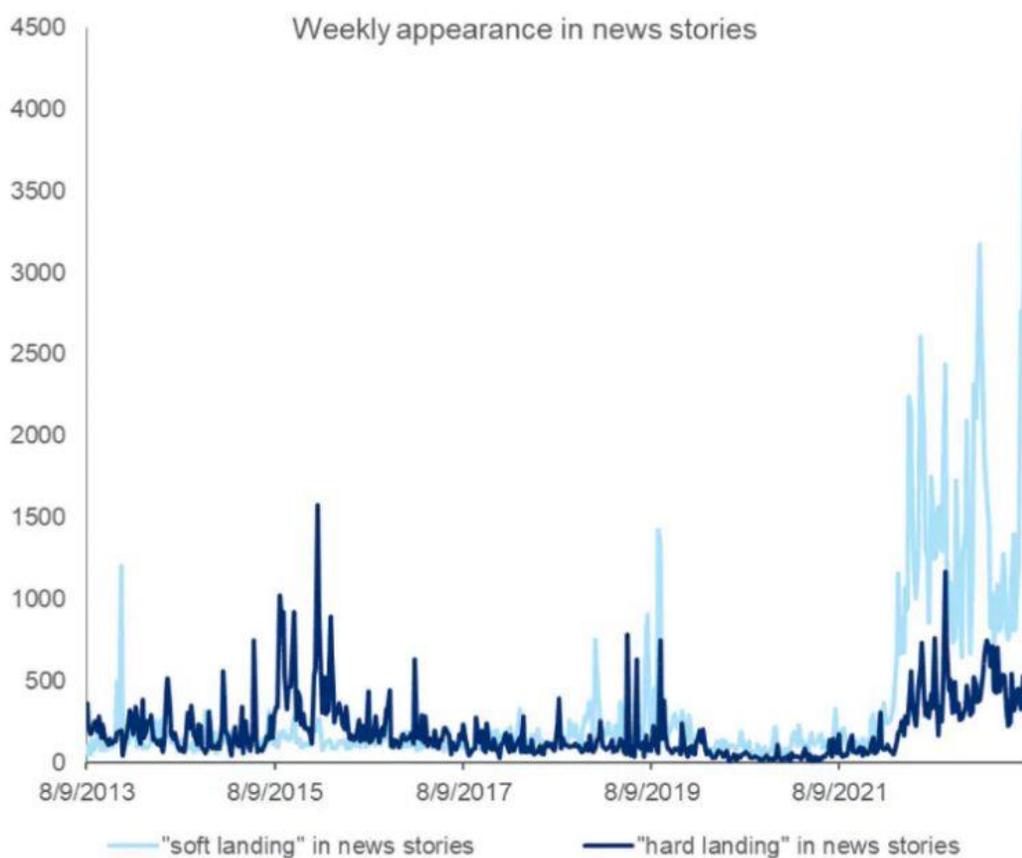


Source: Edward Jones

#macro

#news #soft-landing #hard-landing

"SOFT LANDING" is becoming mainstream



Source: Bloomberg, Citi

Source: Bloomberg, Citi



#us #cpi

US inflation a tad lower than what economists expected: US July CPI accelerates to 3.2% YoY from 3% in June vs 3.3% expected, BUT the first acceleration after 12 consecutive months of decline. Core CPI slows to 4.7% YoY from 4.8% in June as expected. Shelter costs contributed to about 90% of the increase in July CPI. The Fed's favorite inflation indicator - Core Services CPI Ex-Shelter - remains sticky' as it reaccelerated in July (+0.2% MoM, from +3.9% to +4.0% YoY)...



Source: Bloomberg, HolgerZ, www.zerohedge.com

#GLOBALMARKETS WEEKLY WRAP-UP

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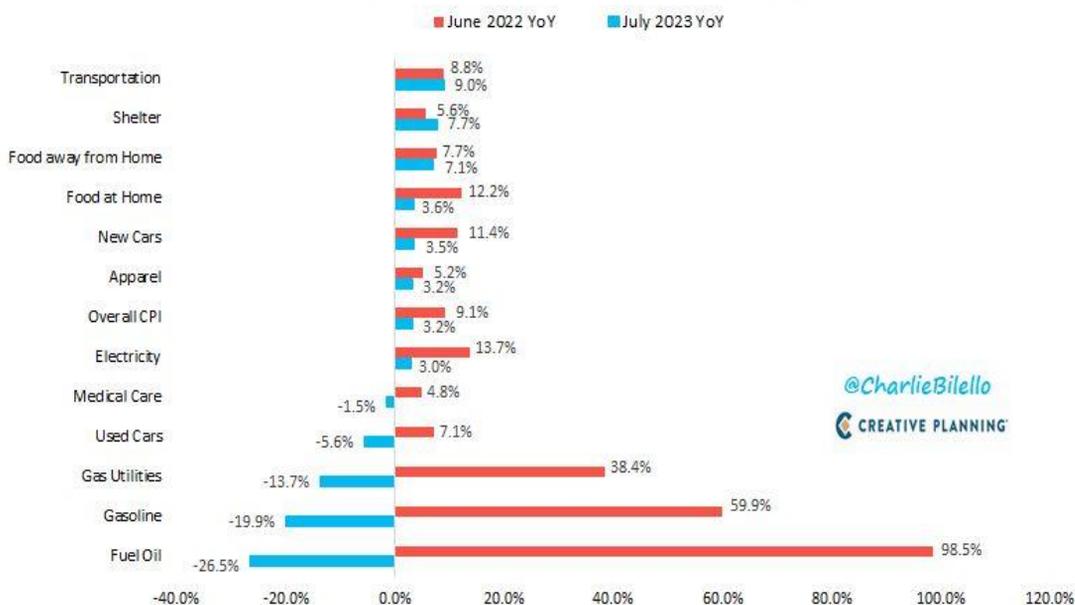
#us #cpi #inflation #drivers

US CPI has moved down from a peak of 9.1% in June 2022 to 3.2% today. What's driving that decline?

Lower rates of inflation in Fuel Oil, Gasoline, Gas Utilities, Used Cars, Medical Care, Electricity, Apparel, New Cars, Food at Home, and Food away from Home.

Shelter and Transportation are the only major components that have a higher inflation rate than June 2022.

YoY % Change (June 2022 vs. July 2023 CPI Reports)



@CharlieBilello
CREATIVE PLANNING

	Fuel Oil	Gasoline	Gas Utilities	Used Cars	Medical Care	Electricity	Overall CPI	Apparel	New Cars	Food at Home	Food away from Home	Shelter	Transportation
June 2022 YoY	98.5%	59.9%	38.4%	7.1%	4.8%	13.7%	9.1%	5.2%	11.4%	12.2%	7.7%	5.6%	8.8%
July 2023 YoY	-26.5%	-19.9%	-13.7%	-5.6%	-1.5%	3.0%	3.2%	3.2%	3.5%	3.6%	7.1%	7.7%	9.0%

Source: Charlie Bilello



#macro

#us #cpi #cleveland #forecasts

Consumer price inflation is creeping higher again on a month-over-month basis, driven in part by higher gas prices, according to the Cleveland Fed's forecast.

INFLATION, MONTH-OVER-MONTH PERCENT CHANGE

Month	CPI	Core CPI	PCE	Core PCE	Updated
August 2023	0.60	0.40	0.49	0.36	08/03
July 2023	0.41	0.40	0.34	0.34	08/03

Note: If the cell is blank, it implies that the actual data corresponding to the month for that inflation measure have already been released.

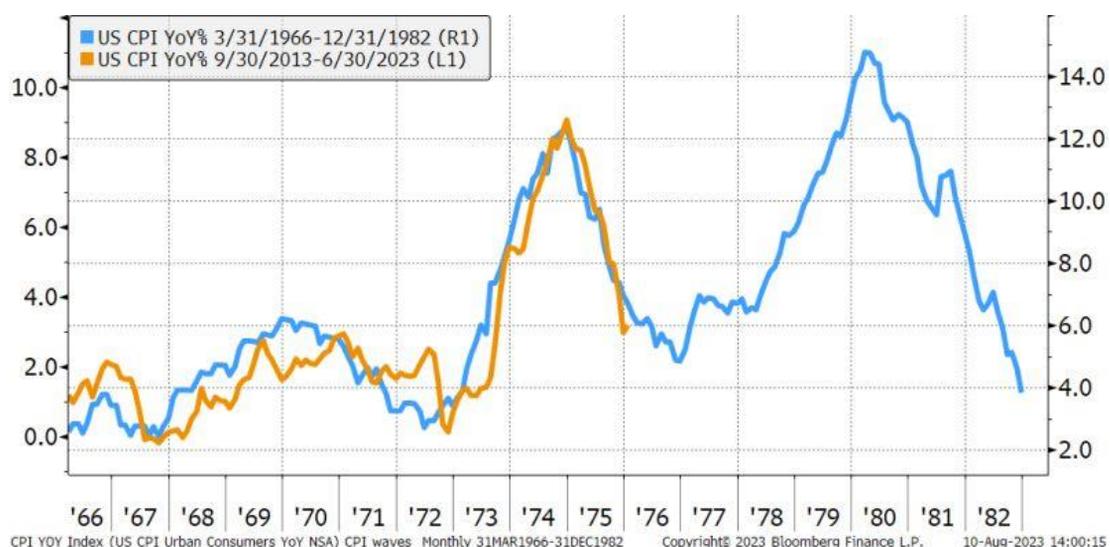
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#macro

#us #inflation #waves

Will US inflation move in waves as it did in the 70's?



Source: Bloomberg, www.zerohedge.com

#macro

#us #inflation #expectations

Market-implied inflation expectations over the next 5-10 years have risen to the highest levels in more than a year. Traders are starting to game out a future with sustainably higher inflation and higher long-term bond yields.



#GLOBALMARKETS WEEKLY WRAP-UP

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#macro

#us #ppi

US Wholesale prices rose 0.3% in July, higher than expected

*US JULY PRODUCER PRICES RISE 0.3% M/M; EST. 0.2% - BBG

*US JULY PPI EX FOOD & ENERGY RISES 0.3% M/M; EST. +0.2%

*US JULY PPI FINAL DEMAND RISES 0.8% Y/Y; EST. +0.7%

*US JULY PPI EX FOOD & ENERGY RISES 2.4% Y/Y; EST. +2.3%

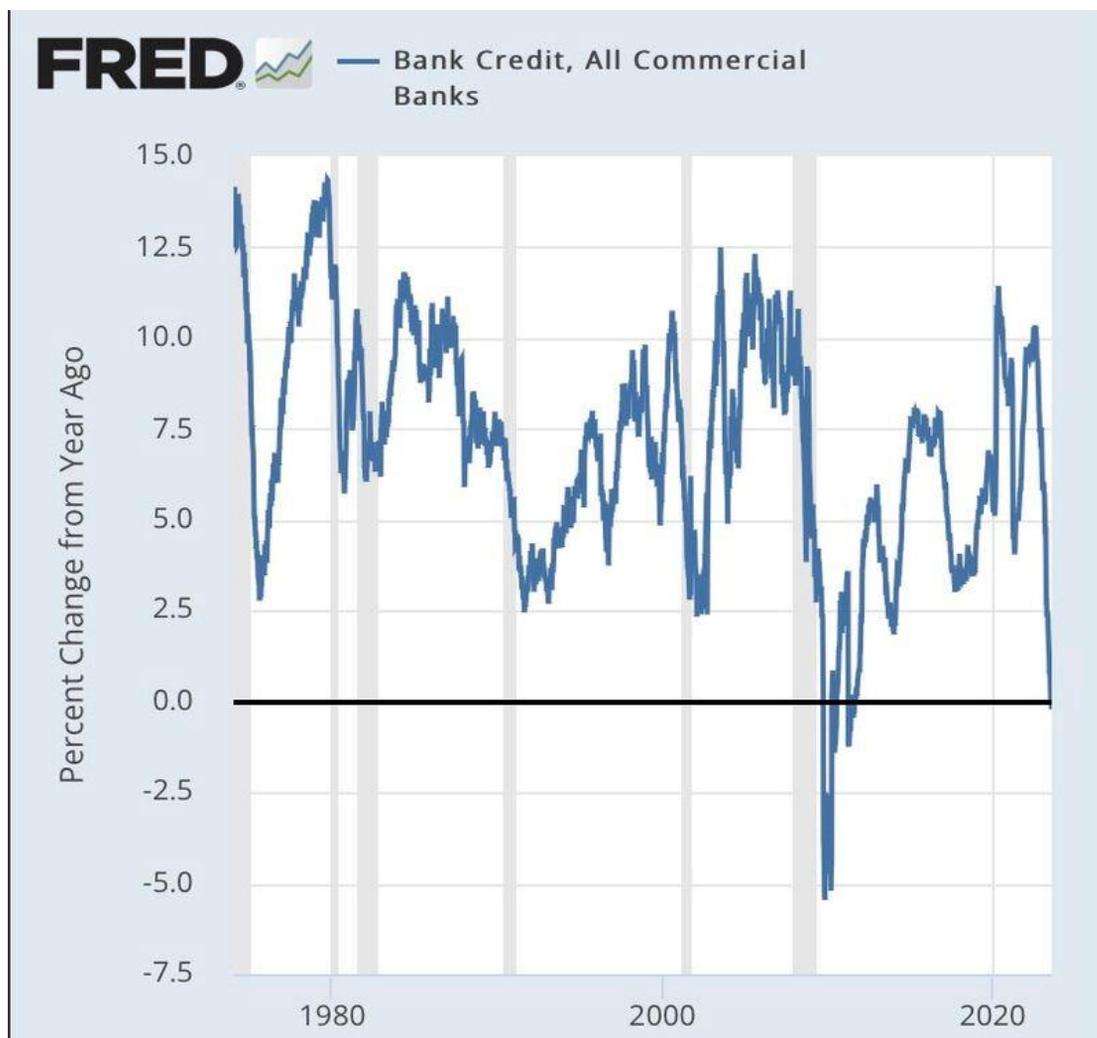


Source: Bloomberg, www.zerohedge.com



#us #bank-credit

US Bank credit YoY is now -0.2% YoY. First time negative since 08 (Keep in mind that in the US about 25% of credit is securities and the other 75% loans)

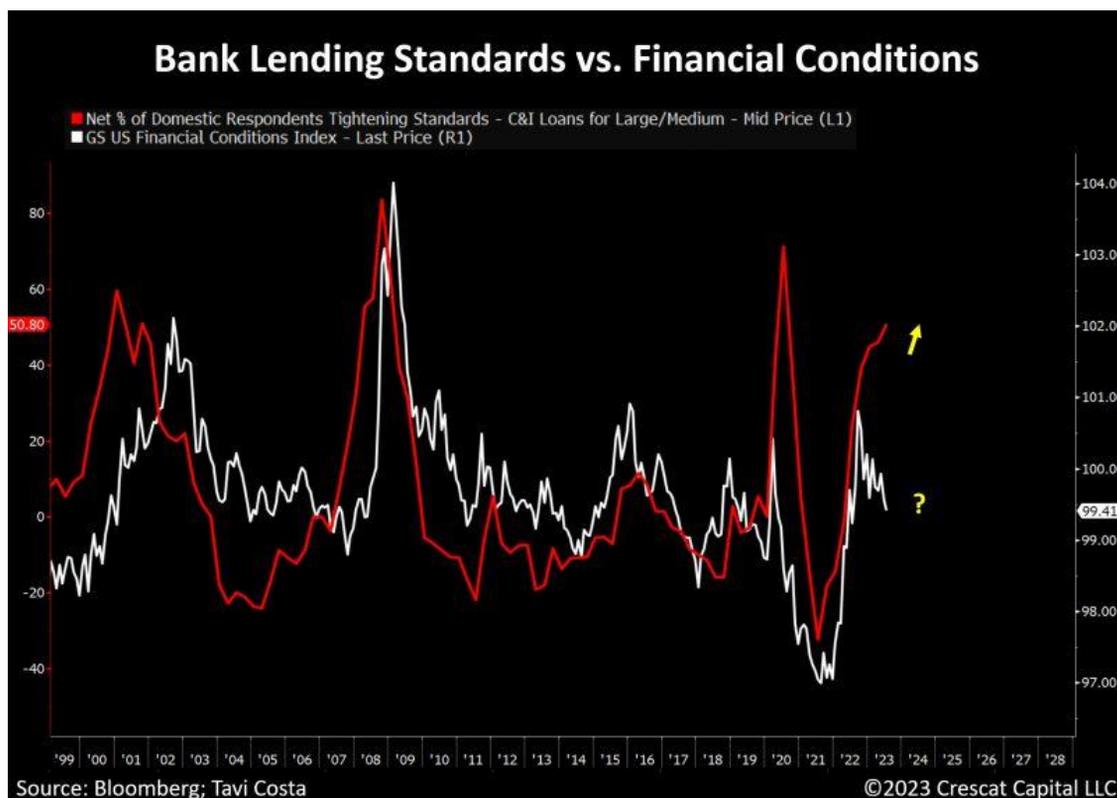


Source: FRED, Adem Tumerkan



#us #lending-standards

The recent tightening of bank lending standards is sharply contrasting with how low financial conditions continue to be. It's worth noting that during both the Tech Bust and the Global Financial Crisis, the Senior Loan Officer Opinion Survey also acted as a precursor to significant tightening in financial conditions, marked by a surge in market volatility and a blowout in credit spreads.



Source: Crescat Capital



#macro

#us #bankruptcies

The lagging effects of higher interest rates ? Yellow Corp. filed for bankruptcy and will remain shuttered after the trucking firm's long-running financial woes (rising bond & loan payments) were compounded by a dispute with its labor force (wage inflation). The firm closes after nearly 100 years and leaves 30k employees jobless (this will likely be reflected in a lower payroll print for August).



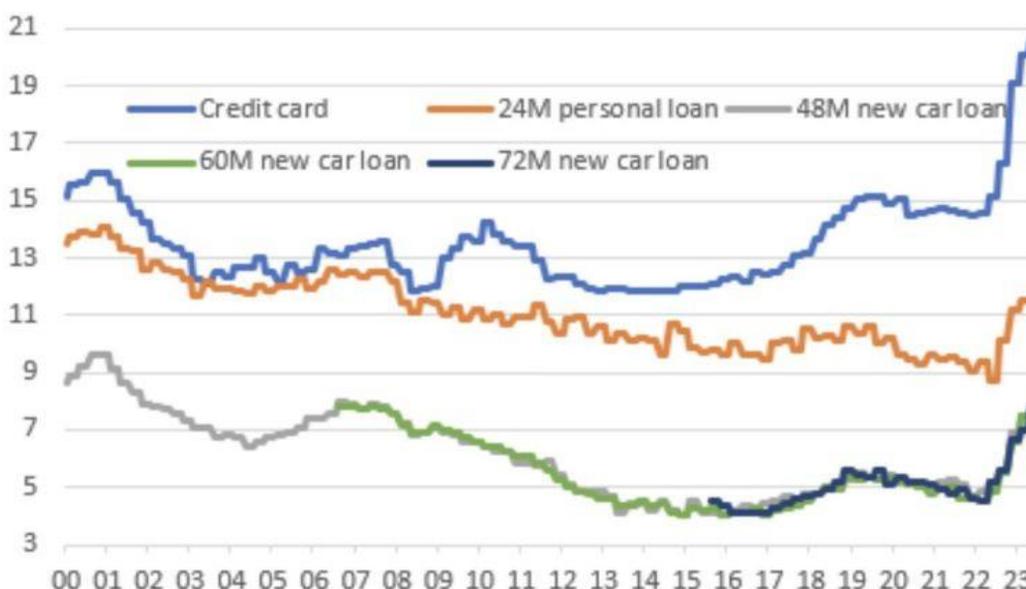
Source: Bloomberg



#us #credit-cards

In the US, interest rates on household items are skyrocketing. In just 1 year, the average interest rate on credit card debt has gone from 14% to 21%+. New car loan rates went from 4% to 8% while used car loan rates are at 12%+. Mortgage rates are at a fresh high of 7.2%, up from 2.7% in 2021. Will the US consumer be able to absorb all these debt servicing costs?

Household borrowing costs (%)



Source: Macrobond, ING

Source: The Kobeissi Letter, Macrobond, ING



#macro

#us #credit-cards

Total credit card indebtedness increased by \$45 billion in the April-through-June period, an increase of more than 4%. That took the total amount owed to \$1.03 trillion, the highest gross value in Fed data going back to 2003. The increase in the category was the most notable area as total household debt edged higher by about \$16 billion to \$17.06 trillion, also a fresh record. As card use grew, so did the delinquency rate. The Fed's measure of credit card debt 30 or more days late rose to 7.2% in the second quarter, up from 6.5% in Q1 and the highest rate since the first quarter of 2012 though close to the long-run normal, central bank officials said. Total debt delinquency edged higher to 3.18% from 3%.



Source: CNBC



#us #credit-card #debt

US credit card debt tops \$1 trillion. Americans borrowed more than ever on their credit cards in the last quarter, the New York Federal Reserve Bank said on Tuesday, with balances surpassing \$1 trillion for the first time even as overall household debt loads were largely unchanged. Credit card balances rose by \$45 billion to \$1.03 trillion in the second quarter, the regional Fed bank said in its latest quarterly household debt and credit report, reflecting robust consumer spending as well as higher prices due to inflation, researchers said.

US consumer credit card debt tops \$1 trillion



Source: Federal Reserve Bank of New York | Reuters, Aug. 8, 2023

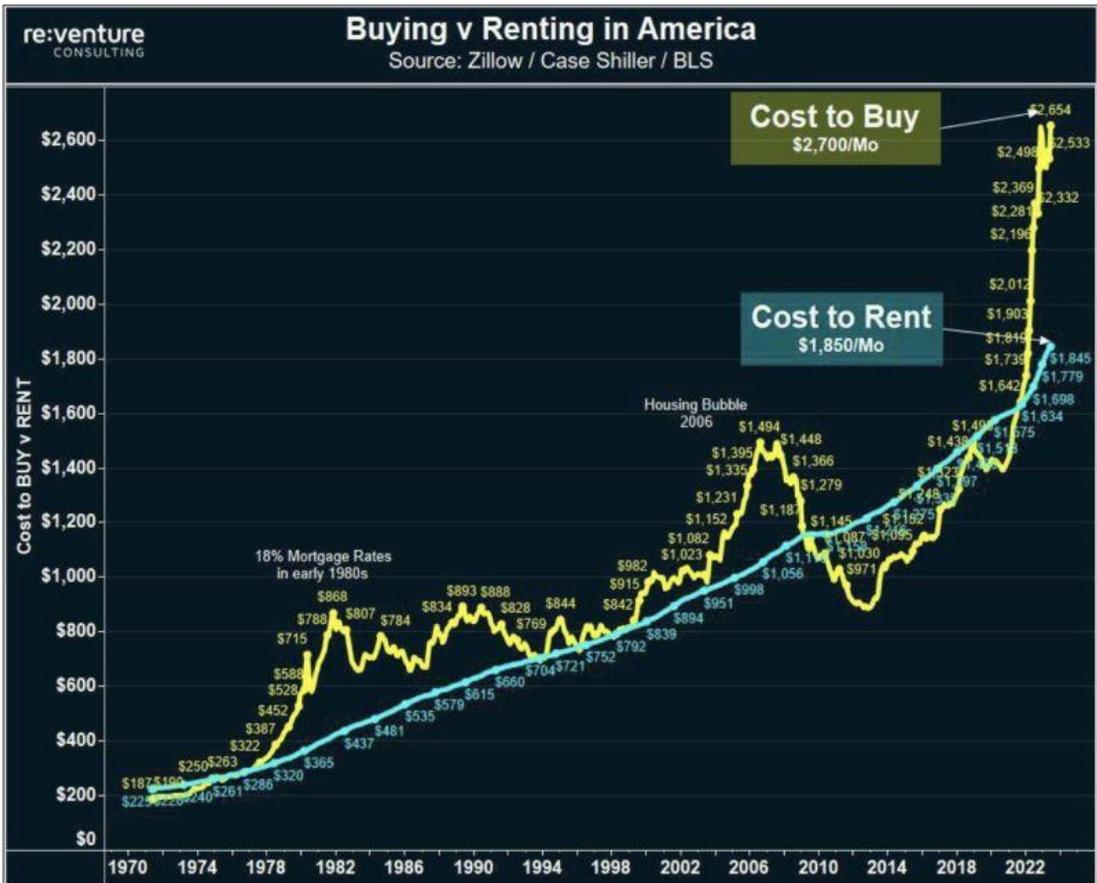


Source: reuters



#us #real-estate #buying #renting #costs

The cost of both buying and renting a house in America has skyrocketed since 2020. Buying a house now costs \$2,700/month on average, up an alarming ~86% in 3 years. Renting a house now costs \$1,850/month on average, also up ~25% in 3 years. Owning a home has become a luxury.



Source: The Kobeissi Letter





#us #real-estate #bear-market

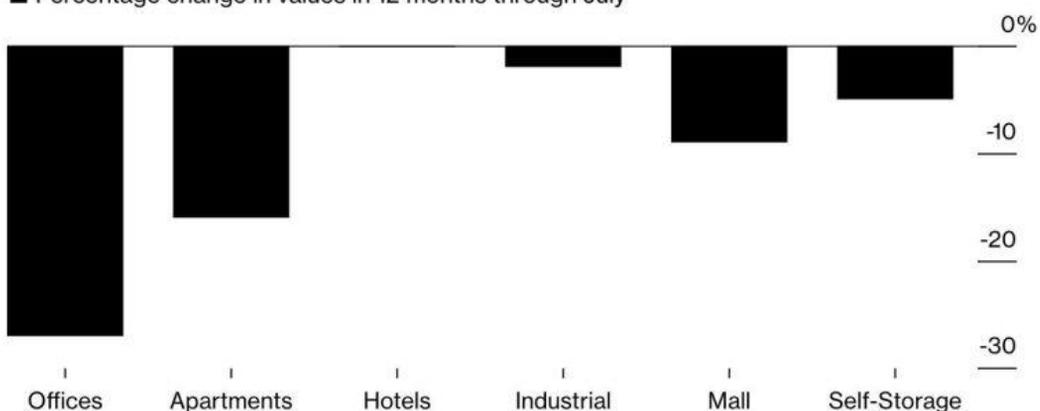
Property values in commercial real estate are beyond bear market territory.

- Office buildings are down nearly 30% over the last year ALONE.
- Apartments down 15% and underperforming malls.
- Hotels are flat as markets await a potential drop in consumers spending.
- Real estate markets are feeling the effects of higher interest rates.

Property Values Have Come Under Pressure in Past Year

Real estate prices for assets such as offices have plunged recently

■ Percentage change in values in 12 months through July



Source: Green Street

Source: The Kobeissi Letter, Bloomberg



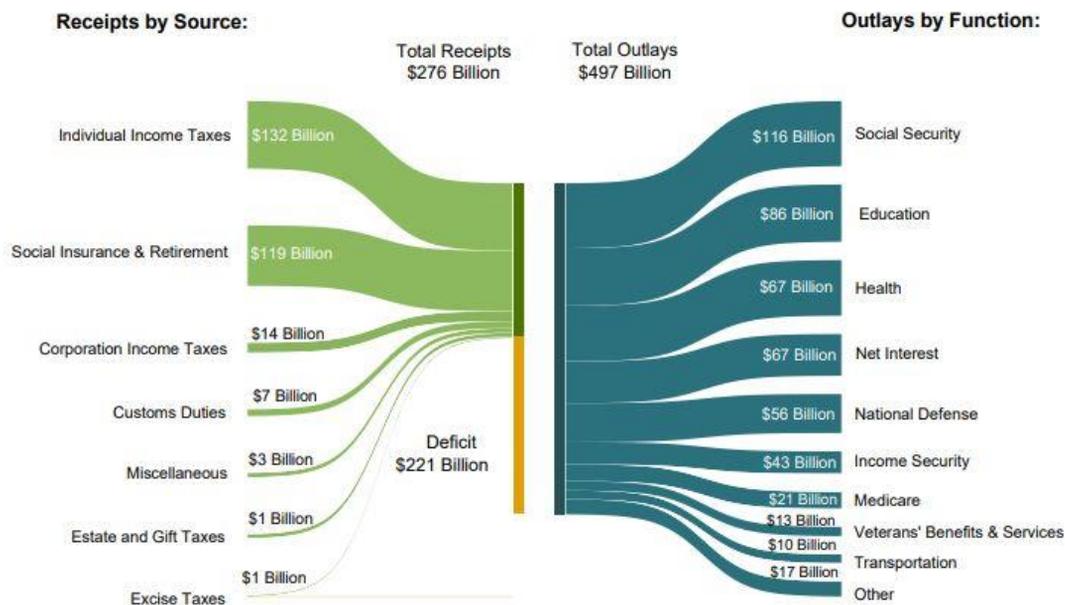


#us #budget-deficit

The US just published their budget numbers showing a \$221 BILLION deficit in July ALONE. With \$276 billion in receipts, the US spent a massive \$497 billion last month. Total interest on US debt YTD is now at \$726 BILLION.

US spending problem is getting worse.

Figure 1. Receipts, Outlays, and Surplus/Deficit for July 2023



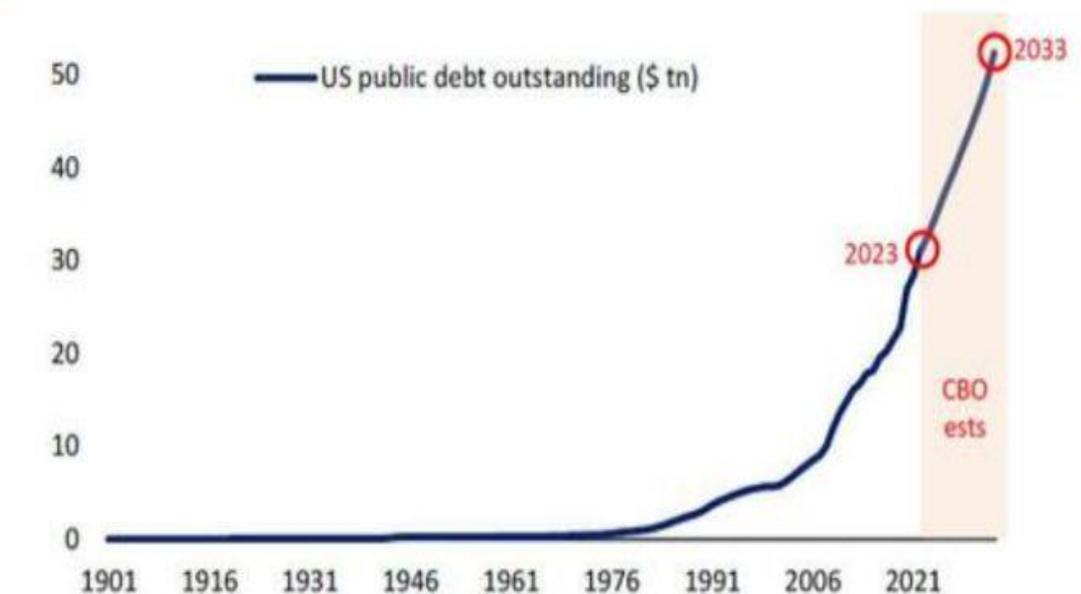
Source: The Kobeissi Letter

#macro

#us #public-debt

US Debt To Rise By \$5.2 Billion Every Day For The Next 10 Years – BofA strategist said. He wrote that between the 1st US debt downgrade in Aug'11 and the second on this week (Aug'23) US sovereign debt is up \$18 trillion to \$30 trillion (and it's all uphill from here: the CBO predicts that US debt will raise to \$52 trillion in one decade, by 2033), or rising by \$5.2 billion every day for the next 10 years.

Chart 2: US public debt to rise by \$5.2bn every day next 10 years
US public debt outstanding & CBO projections (\$tn)



Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH



Source: zero hedge, BofA global inv. strategy

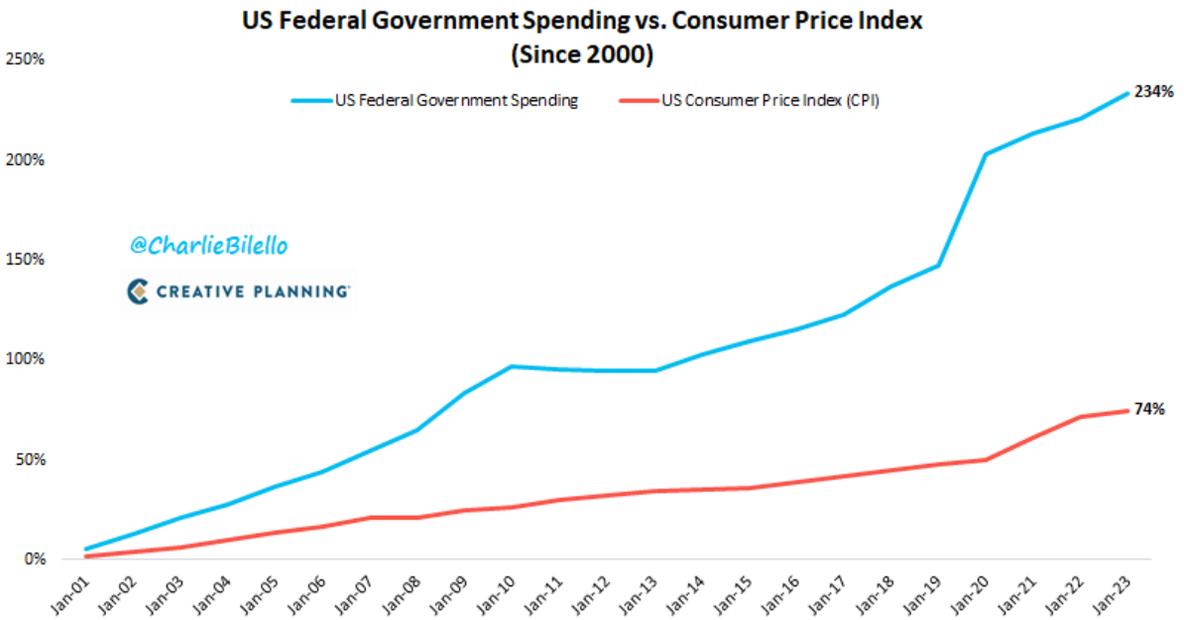
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#macro

#us #public #debt

US Federal Government Spending has increased 234% since 2000 versus a 74% increase in overall inflation (CPI). That's an annualized increase in spending of 5.5% per year, more than double the 2.5% annualized increase in CPI.

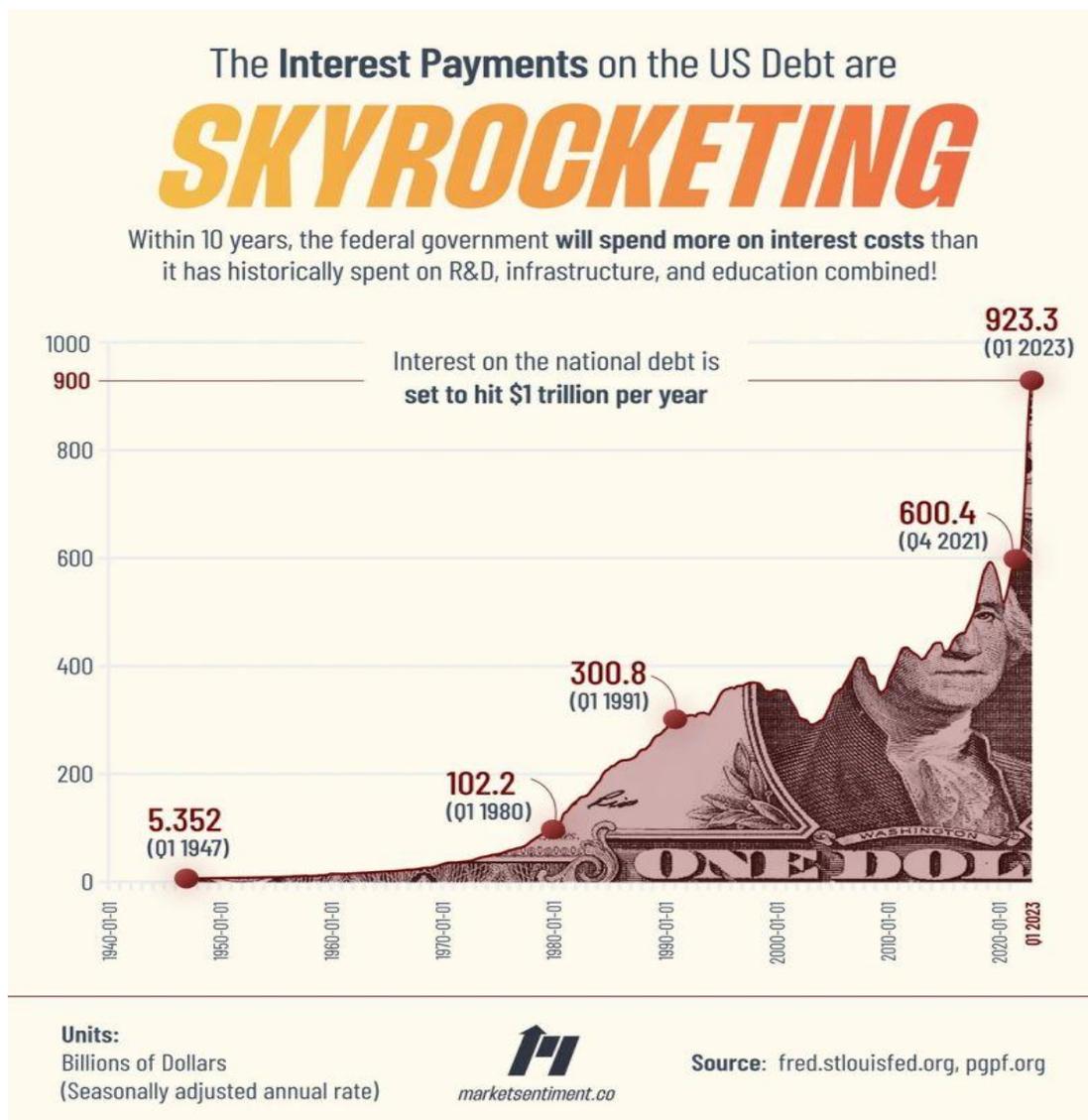


Source: Charlie Bilello



#us #interest-expense #payments

Interest payments on US government debt are soaring



Source: Markets & Mayhem



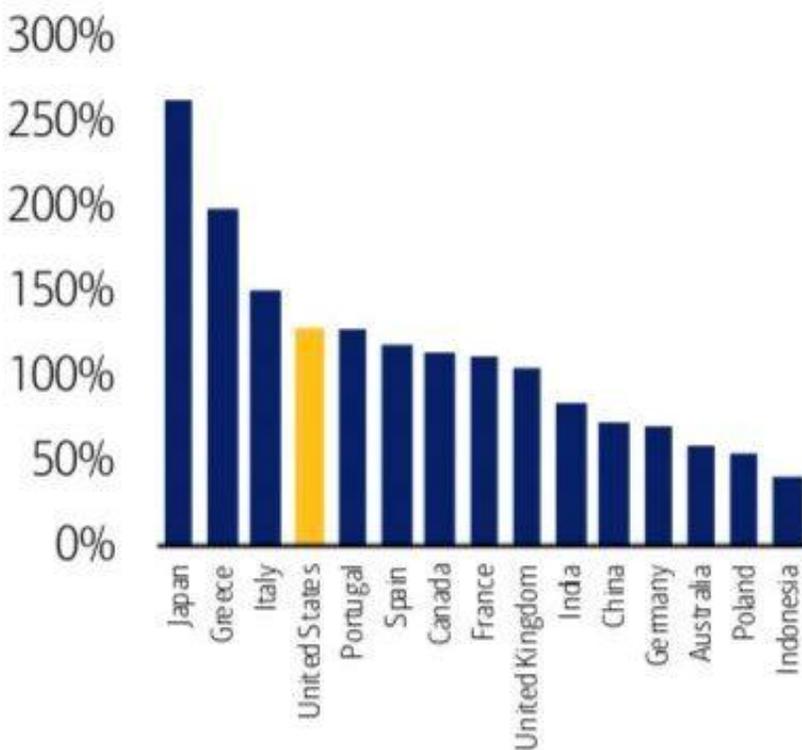
#macro

#global #debt

The race to 200% debt to GDP..Greece is the EU champion. Italy is not too far behind... the US comes next... Give them a few years and they might have to implement yield curve control as it is the case in Japan

Exhibit 4: US government debt is ~130% of GDP today...

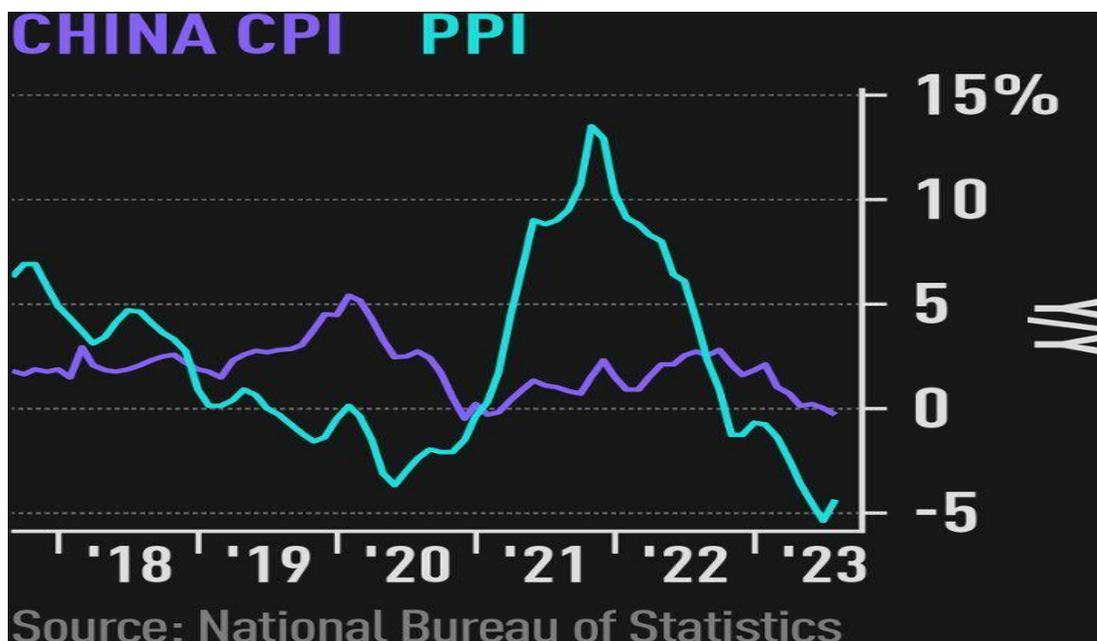
Government debt as a % of GDP, 2021



#macro

#china #cpi #ppi

China's consumer and producer prices both declined in July for the first time since November 2020, a sign of deflation pressure amid weakening demand. CPI dipped 0.3% from a year earlier while PPI retreated for a 10th consecutive month, sliding 4.4%. "China is in deflation for sure," said Robin Xing at Morgan Stanley. "The question is how long." The statistics bureau attributed the CPI decline to the high base of comparison, saying the dip is likely to be temporary



#GLOBALMARKETS WEEKLY WRAP-UP

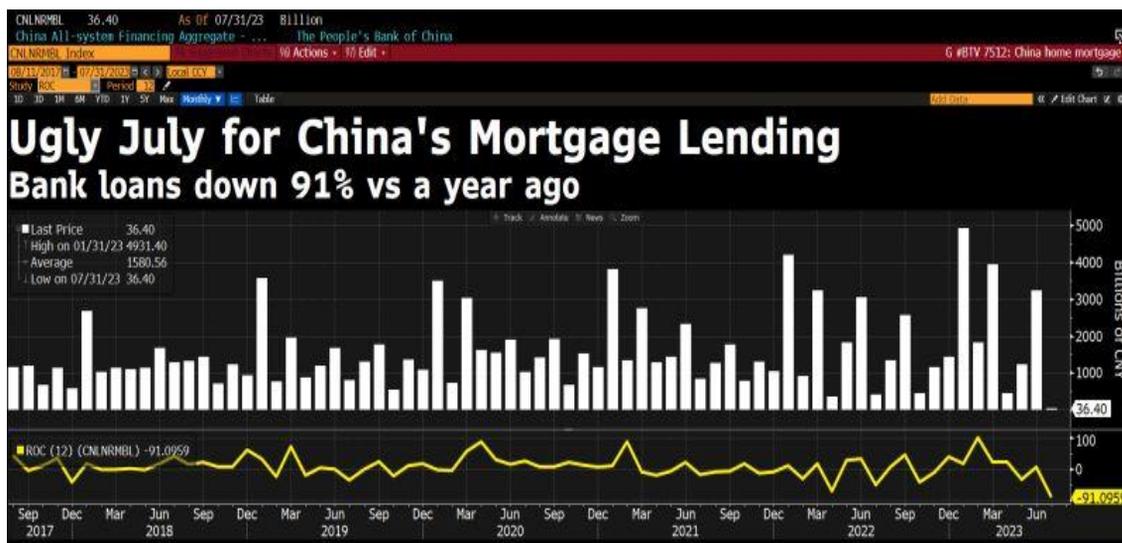
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#macro

#china #mortgage-lending

China's mortgage lending is typically slow in July, but bank loan reported this time is 91% slower than the previous year.

Sure, we have seen a huge a boom in previous months, but the lost in momentum is just very staggering.



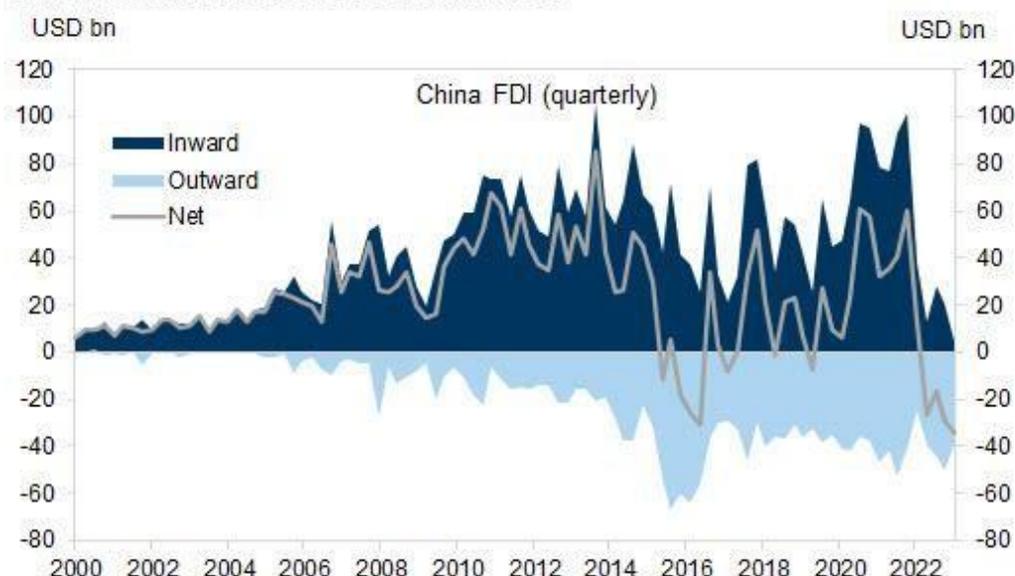
Source:Bloomberg

#macro

#china #fdi #foreign-direct-investment

China's Inward Foreign Direct Investment Falls To The Lowest Level On Record... Indeed, Inward FDI fell further in Q2: The preliminary Q2 Balance of Payments (BOP) data released last week showed China's current account still enjoys a healthy surplus, but the financial account continues to see notable net outflows. In particular, inward Foreign Direct Investment (FDI) fell to the lowest level since the series started in 1998.

China's inward FDI fell to a record low in Q2



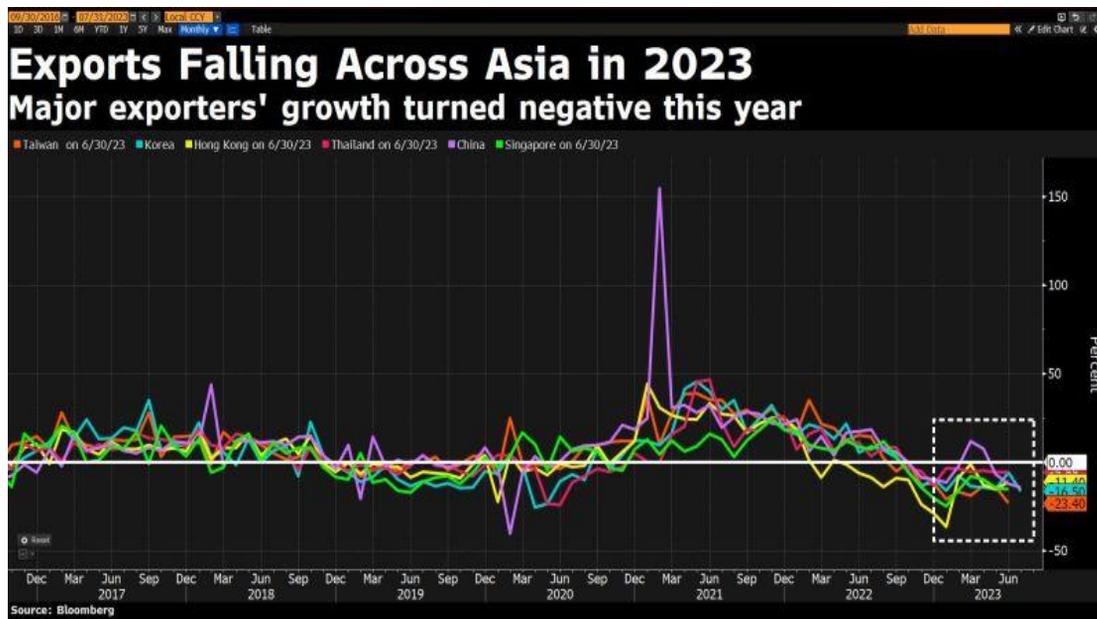
Source: SAFE

Source: SAFE, www.zerohedge.com



#asia #china #exports

Trade recession across Asia? China just reported a deeper-than-forecast drop in exports. China said Tuesday that exports fell by 14.5% in July from a year ago, while imports dropped by 12.4% in U.S. dollar terms. That's worse than what analysts had expected. A Reuters poll predicted a 12.5% decline in exports in July from a year ago, in U.S. dollar terms. Imports were expected to have dropped by 5% during that time, according to the poll. This drop is consistent with weakness just about everywhere in the region.



Source: David Ingles, CNBC, Bloomberg



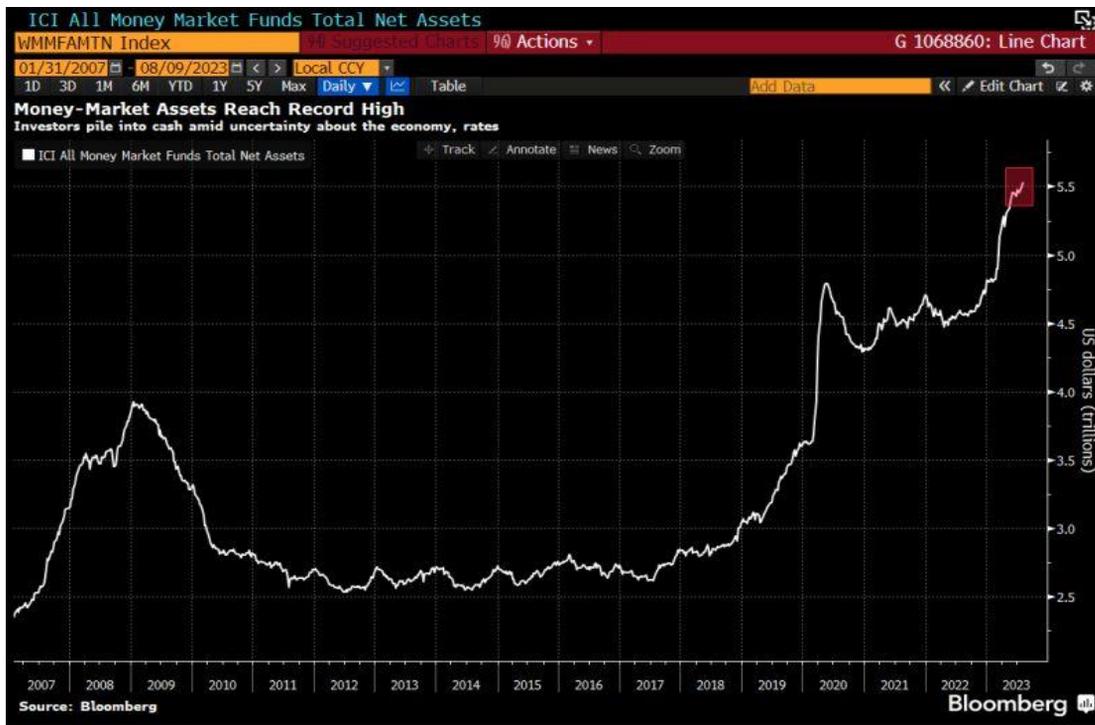
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#us #money-market #assets

US money-market assets have reached a new record of \$5.5 trillion. US Treasuries are on course for a record year of inflows as investors chasing some of the highest yields in months pile into cash and bonds, according to Bank of America Corp. strategists. Cash funds attracted \$20.5 billion and investors poured \$6.9 billion into bonds in the week through August 9, strategists led by Michael Hartnett wrote in a note, citing data from EPFR Global. Meanwhile, US stocks had their first outflow in three weeks at \$1.6 billion.



Source: Bloomberg, Lisa Abramowicz



#geopolitics

#germany #kyrgyzstan #exports

German exports to Kyrgyzstan are up 2000% in the past 3 years. Value of these exports is small, but this is just one of many examples showing how hard it is to police export controls on western goods to Russia.

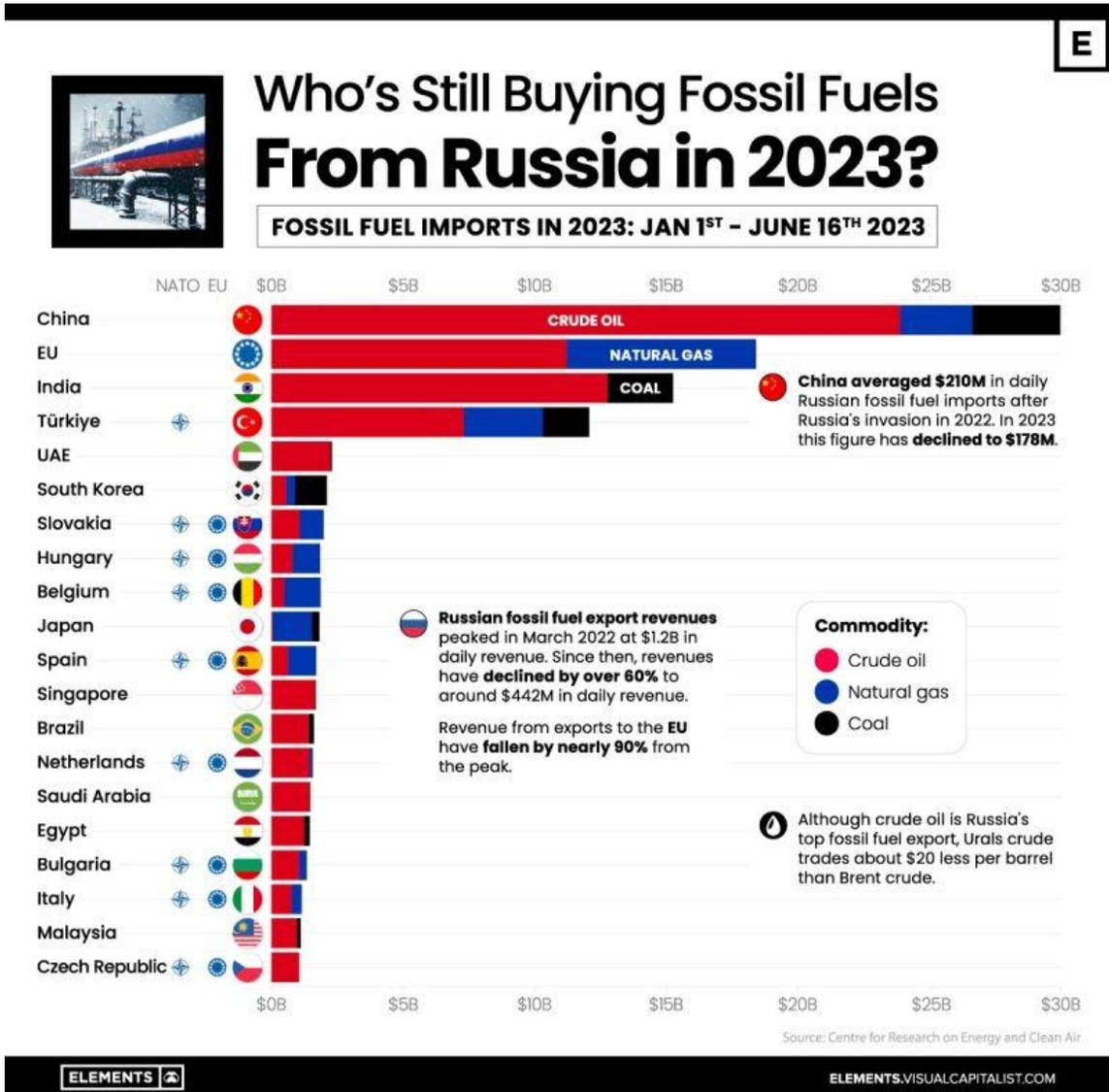


Source: Robin Brooks

#geopolitics

#russia #exports

Who's Still Buying Russian Fossil Fuels in 2023?



#GLOBALMARKETS WEEKLY WRAP-UP

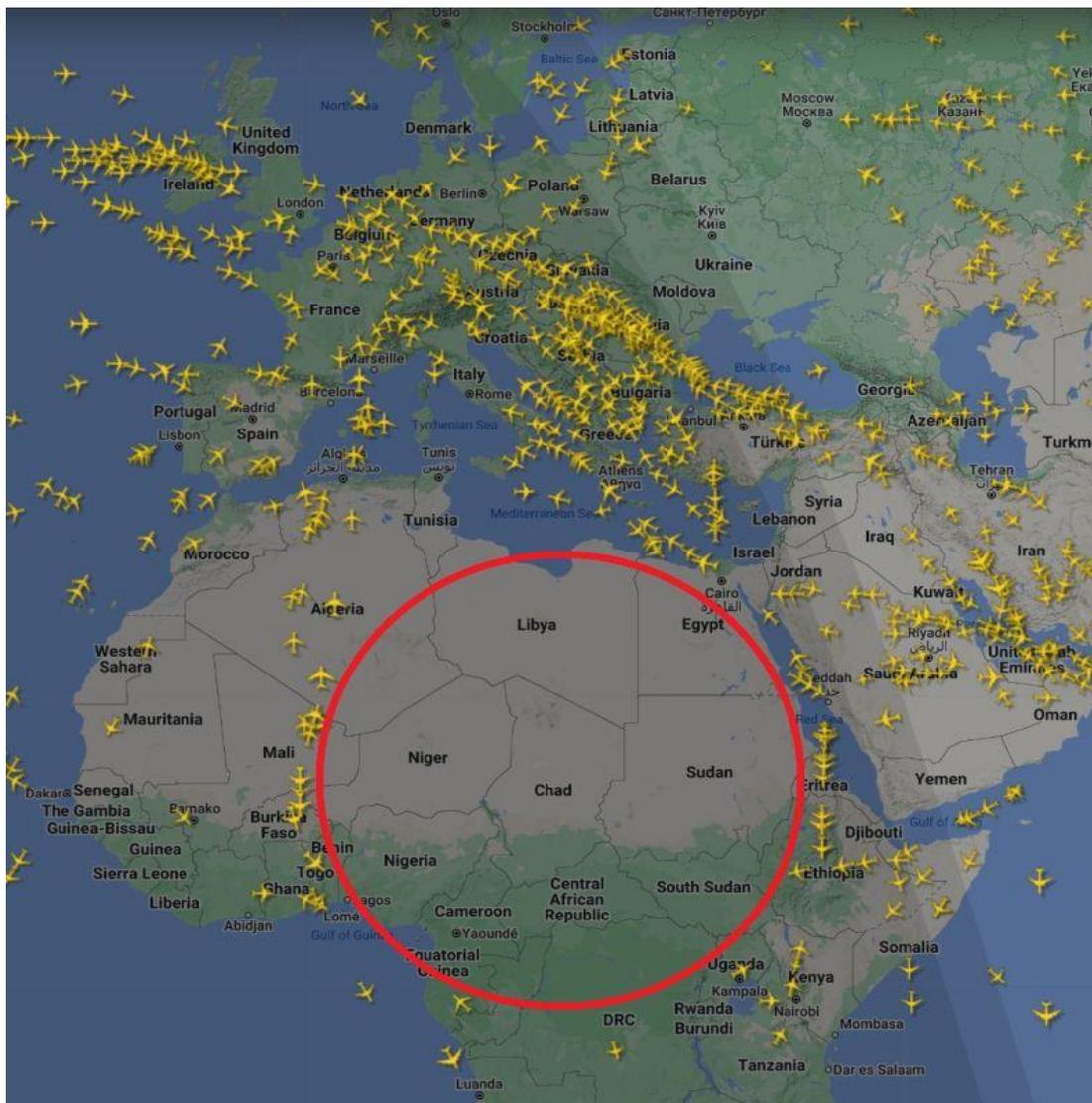
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12 AUGUST 2023

#geopolitics

#africa #niger #tensions

Most of Africa is a no fly zone right now.



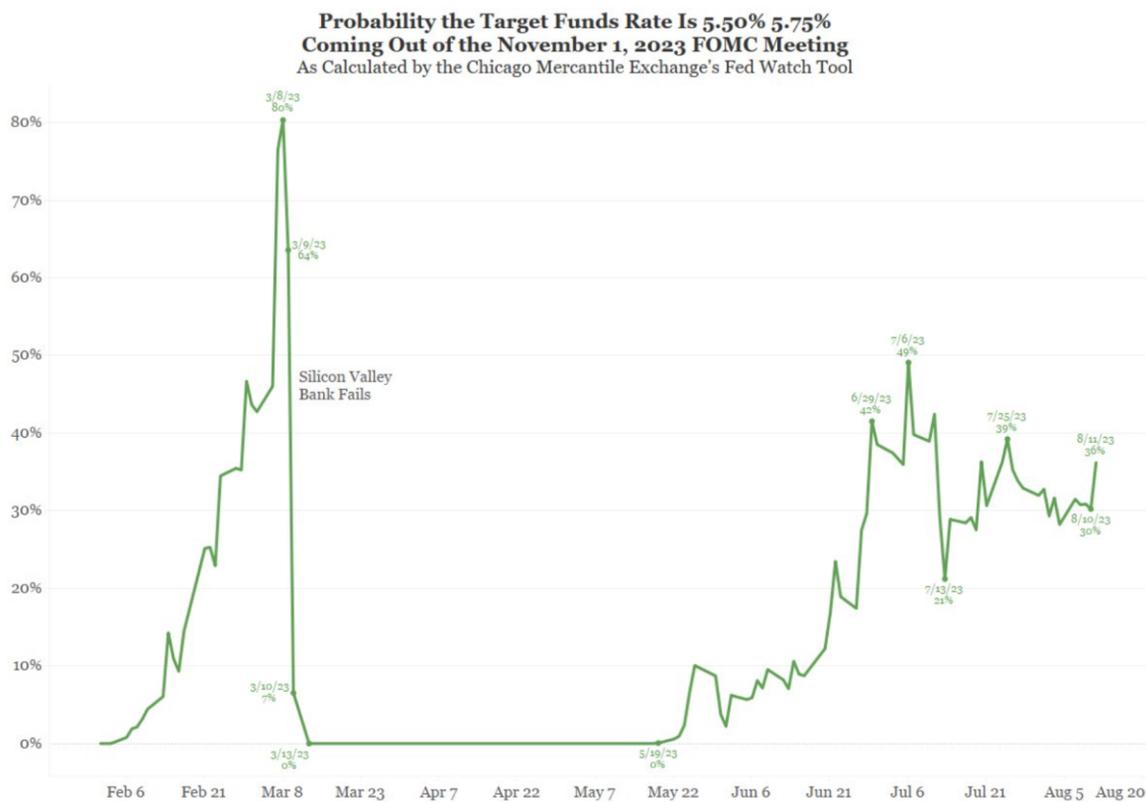
Source: financelot

#centralbanks

#us #interest-rates #expectations

A Fed hike of 25 bps by Nov moved from 30% to 36%. It is still below 50%. So not priced in.

But a 6% increase (30% to 36%) is the biggest up move in a month.



Source: Jim Bianco

#centralbanks

#us #interest-rates #expectations

While the probability of additional rate hikes has been inching lower, odds of rate cuts are dropping.

Markets now do not see any rate cuts until May 2024 in the base case.

3 months ago, markets expected 4 rate cuts in 2023.

Markets seem to be bracing for a long Fed "pause."

MEETING PROBABILITIES												
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600
9/20/2023					0.0%	0.0%	0.0%	0.0%	0.0%	88.5%	11.5%	0.0%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	63.7%	33.1%	3.2%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	59.7%	29.2%	2.8%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	23.2%	50.9%	21.5%	2.0%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	12.4%	36.5%	36.8%	12.2%	1.0%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	10.7%	32.9%	36.7%	15.9%	2.7%	0.2%
6/19/2024	0.0%	0.0%	0.0%	0.0%	0.4%	5.1%	20.1%	34.5%	27.8%	10.3%	1.6%	0.1%
7/31/2024	0.0%	0.0%	0.0%	0.3%	4.0%	16.4%	31.0%	29.5%	14.6%	3.7%	0.5%	0.0%
9/25/2024	0.0%	0.0%	0.3%	3.3%	14.1%	28.2%	29.8%	17.4%	5.8%	1.1%	0.1%	0.0%
11/6/2024	0.0%	0.2%	2.4%	10.8%	23.9%	29.3%	21.2%	9.3%	2.5%	0.4%	0.0%	0.0%
12/18/2024	0.1%	1.6%	8.0%	19.6%	27.5%	23.8%	13.2%	4.7%	1.1%	0.2%	0.0%	0.0%

Source: The Kobeissi Letter

#centralbanks

#fed #rates #expectations

The prevailing view among sell-side banks that inflation will moderate, resulting in the FOMC halting its rate-raising measures. Current snapshot:

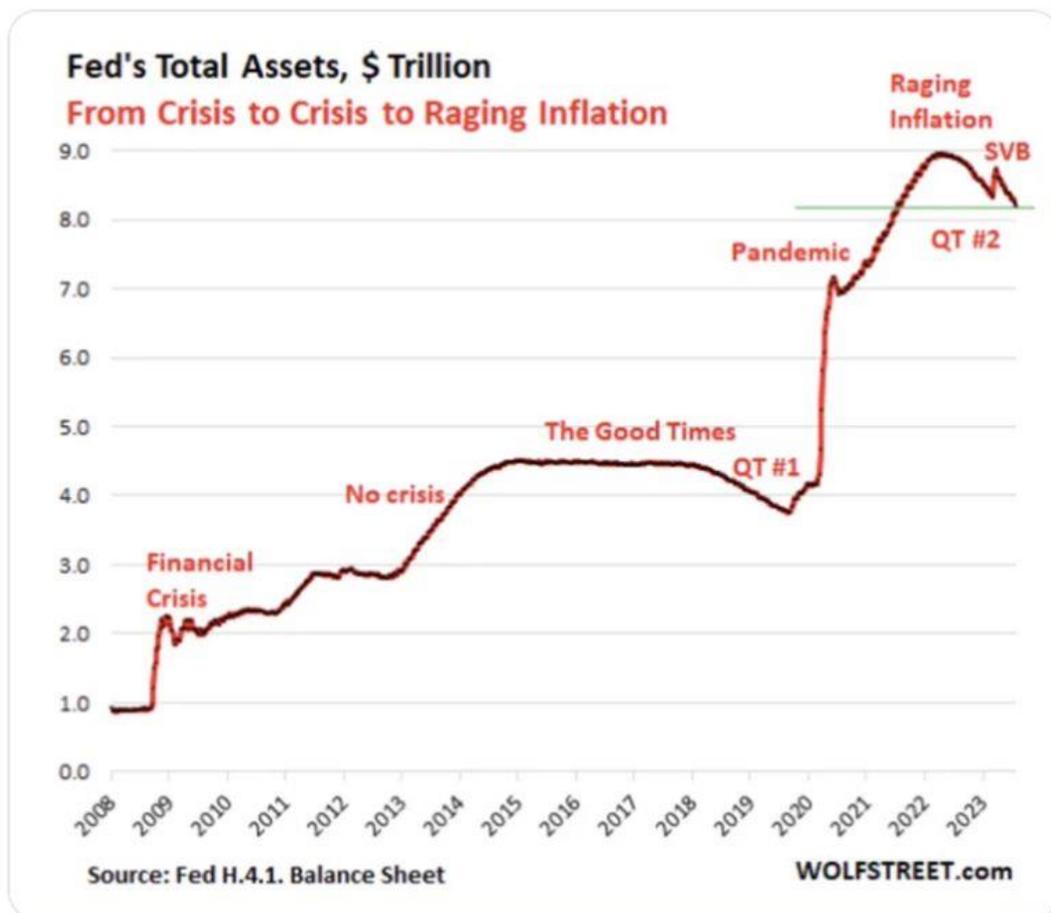
Fed call as of Aug 4	
Bank of America	↑ 25 BPS, SEPT
Barclays	↑ 25 BPS, NOV
Citigroup	↑ 25 BPS, NOV
Deutsche Bank	ON HOLD
Evercore ISI	ON HOLD
Goldman Sachs	ON HOLD
Jefferies	ON HOLD
JP Morgan	ON HOLD
LH Meyer	↑ 25 BPS, NOV
Morgan Stanley	ON HOLD
Nomura	ON HOLD
TD Securities	ON HOLD
UBS	ON HOLD
Wells Fargo	ON HOLD

Source:NTimiraos

#centralbanks

#us #fed #qt #balance-sheet

Fed QT accelerates. Fed balance sheet shrank \$91bn in July, - \$759bn from peak, biggest drop ever to \$8.2tn, lowest level since July 2021. Fed has now shed 22.3% of the Treasury securities it bought during pandemic QE. Fed's total assets now equal to 30.6% of US's GDP vs ECB's 53%, BoJ's 130%.



Source: HolgerZ, [wolfstreet.com](https://www.wolfstreet.com)



#cryptocurrencies #weekly

Crypto was relatively quiet once again with Bitcoin chopping around the \$29-30k range. Solana outperformed...



Source: Bloomberg, www.zerohedge.com

#food-for-thought

#cloud-provider #market-share

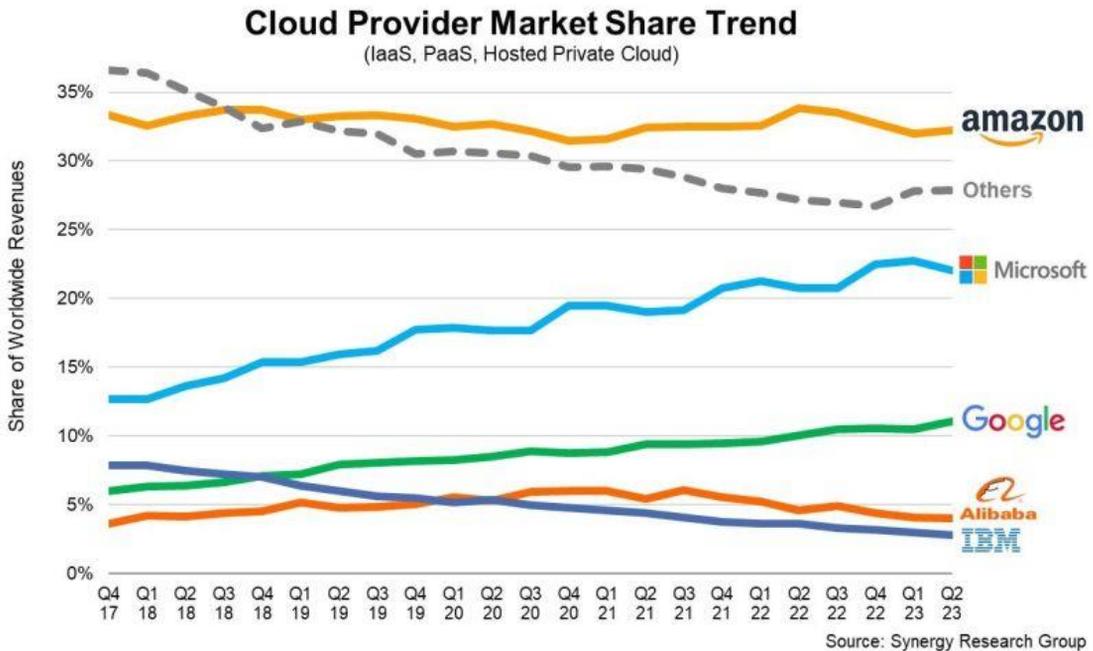
Cloud Infrastructure Services Market.
\$65 billion in spending in Q2 2023.
→ +18% Y/Y and +3% Q/Q.

Market share:

- \$AMZN AWS 32%.
\$MSFT Azure 22%.
\$GOOG GCP 11%.

Big 3 = 65% of the market.

Estimates by Synergy Research Group.



Source: App Economy Insight



#food-for-thought

#unicorns #valuation

Top 50 unicorns according to crunchbase

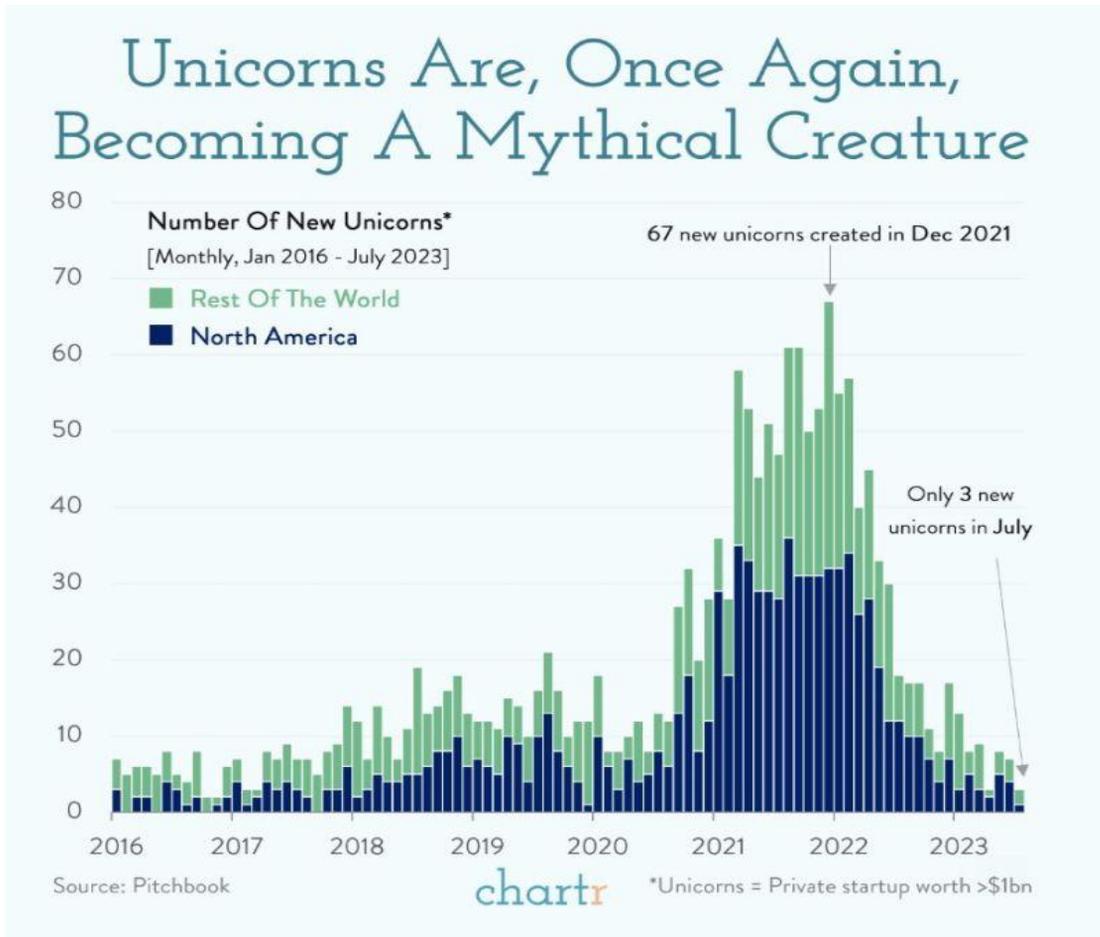


Source: [PlotSet.com](https://plotset.com)

#food-for-thought

#unicorns #startup

Unicorns, once elusive creatures of the startup universe, are again becoming a rarity. According to the latest data from Pitchbook, July saw just 3 new companies reach the \$1 billion valuation necessary to join the club — a paltry count in comparison to the 67 that emerged back in December 2021.



Source: Chartr

#food-for-thought

#musk #zuckerberg #cage-fight

Elon Musk wants to fight in a cage against another iconic businessman, Mark Zuckerberg (scheduled on the 26th of August). To get prepared, Musk asked Russian fighter and former UFC champion Khabib Nurmagomedov to become his coach, but he refused. This is what the team of the Dagestan athlete published as an official reason for refusing the job:

- According to representatives of Khabib Nurmagomedov, he refused because he trains only his guys, whom he knows personally. It could also have a negative impact on the image of the wrestler, since he and Musk have different views on life, alcohol and drugs.



#food-for-thought

#barbie #ticket-sales

Barbie to top \$1 billion at the global box office Sunday. The blockbuster from Warner Bros. Discovery and Mattel will top \$1 billion in global ticket sales, before the end of the weekend, according to estimates from the studio. Final numbers will be released Monday. Only around 50 other films have reached this benchmark. Gerwig joins Anna Boden, co-director of Disney's "Captain Marvel," as the only two women to helm a billion-dollar film. "Captain Marvel" reached just shy of \$1.13 billion during its theatrical run in 2019, according to data from Comscore.



Source: CNBC

#food-for-thought

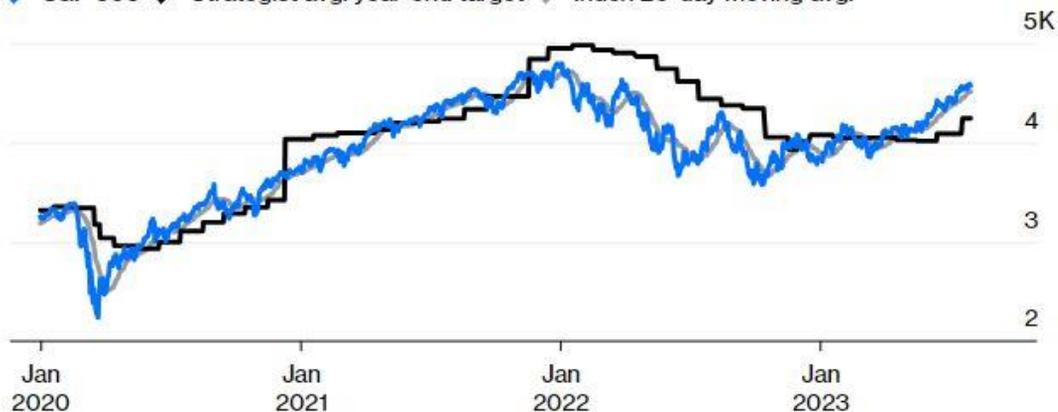
#sp500 #strategists

Should you do the opposite of what Wall Street strategists say? Data over the last 3.5 years suggests that strategists underperform the S&P 500.

A Unsound Strategy?

Trading off strategist target prices has been a recipe for underperformance

■ S&P 500 ■ Strategist avg. year-end target ■ Index 20-day moving avg.



Source: Bloomberg data

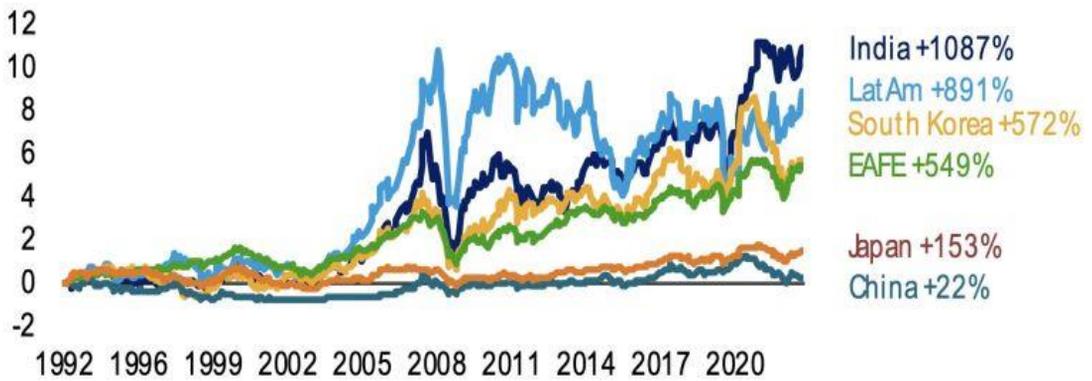
Source: Barchart, Bloomberg

#food-for-thought

#em #equities #returns

EM returns over past 5-10yrs have been lackluster, w/most EM equities returning low-to-mid single digits. Over longer-term, returns range from extraordinary (India: 1000%) to respectable (Indonesia: 469%) despite volatility & some prolonged periods of choppy trading, BofA has calculated. All EMs have outperformed China's 22% total return.

Cumulative total returns of different emerging market indices



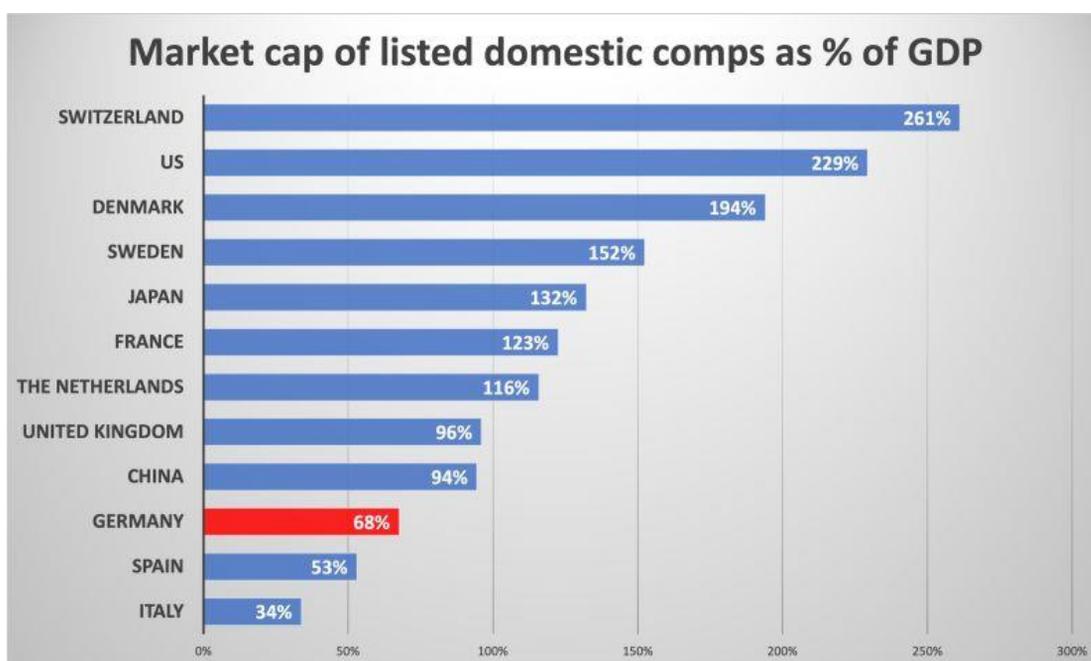
Source: BofA ETF Research, Bloomberg. Note: all MSCI indices in net USD total returns

Source: HolgerZ, BofA, Bloomberg

#food-for-thought

#market-cap #gdp #switzerland

Market cap of listed domestic companies as a % of GDP for selected countries. Switzerland is way ahead of peers in the ranking. US comes next

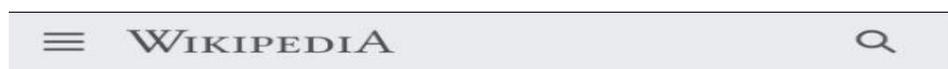


Source: HolgerZ

#food-for-thought

#disposition-effect #investor-behaviour

Have you heard about the "disposition effect" aka the tendency of investors to sell assets that have increased in value? As momentum roll-over, can this behavioral finance bias trigger a sell-off of the "Magnificent 7" (Apple, Nvidia, etc.) in the US and the GRANOLAS (LVMH, L'Oréal, etc.) in Europe?



Disposition effect

Article Talk



The **disposition effect** is an anomaly discovered in [behavioral finance](#). It relates to the tendency of investors to sell assets that have increased in value, while keeping [assets](#) that have dropped in value.^[1]

[Hersh Shefrin](#) and [Meir Statman](#) identified and named the effect in their 1985 paper, which found that people dislike losing significantly more than they enjoy winning. The disposition effect has been described as one of the foremost vigorous actualities around individual investors because investors will hold stocks that have lost value yet sell stocks that have gained value."^[2]

In 1979, [Daniel Kahneman](#) and [Amos Tversky](#) traced the cause of the disposition effect to the so-called "[prospect theory](#)".^[3] The prospect theory proposes that when an individual is presented with two equal choices, one having possible gains and the other with possible losses, the individual is more likely to opt for the former choice even though both would yield the

#food-for-thought

#useful #advice #buffett-munger

What not to do is more important than what to do in the stock market. What not to do?

- ◇ Don't pay too much.
- ◇ Don't go for businesses that are prone to obsolescence and destruction.
- ◇ Don't invest with crooks and idiots.
- ◇ Don't invest in things you don't understand

quickly recover your car, house and wife.”

Like Buffett and Munger, all of the best investors I've encountered have extreme clarity about *what not to do*. Joel Tillinghast, who has beaten the Russell 2000 Index by 3.7 percentage points a year since 1989 as the manager of Fidelity's Low-Priced Stock Fund, has been called “the most gifted stock picker of his generation” by Jim Lowell, editor of the *Fidelity Investor* newsletter. During an interview in Boston, I asked Tillinghast to explain his winning strategy. He responded by listing everything that he avoids. For example, he steers clear of development-stage biotech stocks, knowing that they're likely to bring out the worst in him. He can't make a valid earnings forecast because their “future is so murky.” Plus, biotech stocks are so volatile that they could trigger him to react emotionally. “I'm going to be crazy if I deal with biotech stocks,” he says. “So I'm *not* going to do biotech stocks.”

Tillinghast, a shy and timid math whiz who manages more than \$40 billion in assets, has developed a plethora of defensive principles and practices, which have helped him to outperform—and outlast—almost all of his competitors. For a start, he says, “Don't pay too much. Don't go for businesses that are prone to obsolescence and destruction. Don't invest with crooks and idiots. Don't invest in things you don't understand.”

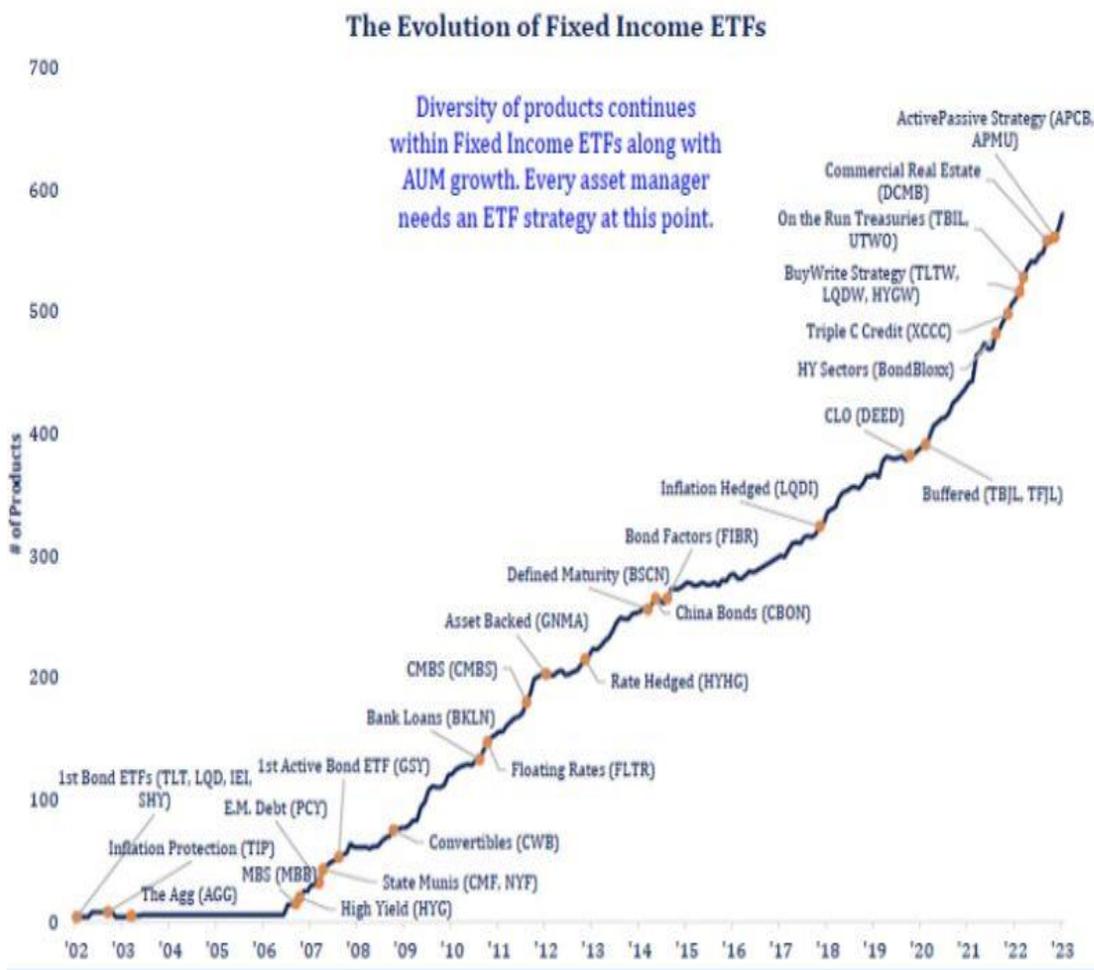
Tillinghast also steers clear of businesses that are deeply cyclical, heavily indebted, or faddish. He views “promotional management” and “aggressive accounting” as “red flags.” He shuns areas where he has no special insight or skill because nothing is more critical than “staying away from your ignorance.” He also refrains from talking “too pub-

Source: Investment Books (Dhaval)

#food-for-thought

#fixed-income #etf #evolution

The evolution of fixed-income ETFs in one picture... This chart really shows off how far things have come in 20 years and how far the ETF industry goes with an asset class



Source: Todd Sohn thru Eric Balchunas

#food-for-thought

#magnificent-seven #market-cap

The Magnificent Seven have added nearly \$4.2T in market cap this year, led by Apple's \$AAPL \$781B increase and Nvidia's \$NVDA \$745B rise. Microsoft \$MSFT, Amazon \$AMZN, and Meta \$META all have added over \$500B as well. Will it last?



Source: Beth_Kindig

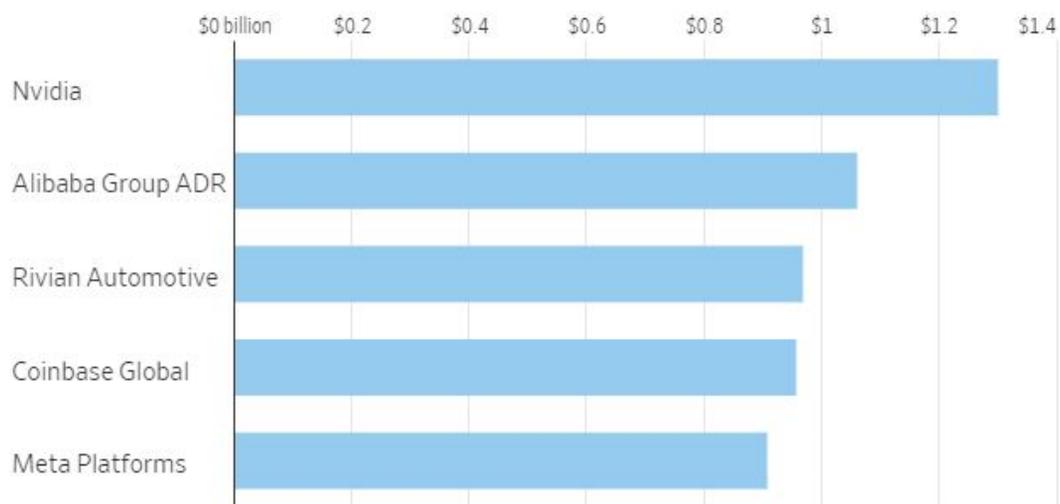
#food-for-thought

#us #equities #shortselling

Short Sellers have lost a combined \$175.2 Billion by betting against the market this year

Least Profitable Short Sales

Mark-to-market loss on short sale in July



Source: S3 Partners

Source: barchart

#food-for-thought

#profitability #analysis

Profitability Analysis

Profitability Analysis



BY COMPOUNDING QUALITY



Gross Margin

What? Company's gross profit compared to its revenue

Formula? $(\text{Sales} - \text{COGS}) / \text{Sales}$



EBITDA Margin

What? Measures a company's earnings before interest, taxes, depreciation, and amortization as a percentage of its revenue

Formula? $\text{EBITDA} / \text{Sales}$



EBIT Margin

What? What percentage of sales that remains as profit before interest and taxes

Formula? $\text{EBIT} / \text{Sales}$



Earnings Per Share

What? How much a company makes for each share outstanding

Formula? $\text{Net Income} / \text{Shares Outstanding}$



Free Cash Flow Margin

What? Shows you what percentage of sales is translated in pure cash for the company

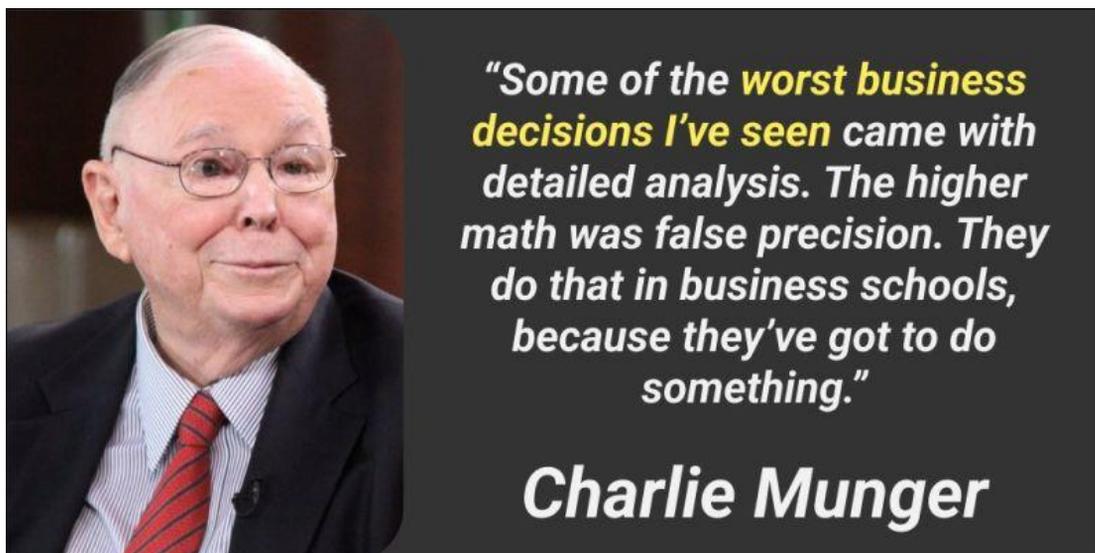
Formula? $\text{Free Cash Flow} / \text{Sales}$



#food-for-thought

#dcf #charlie-munger

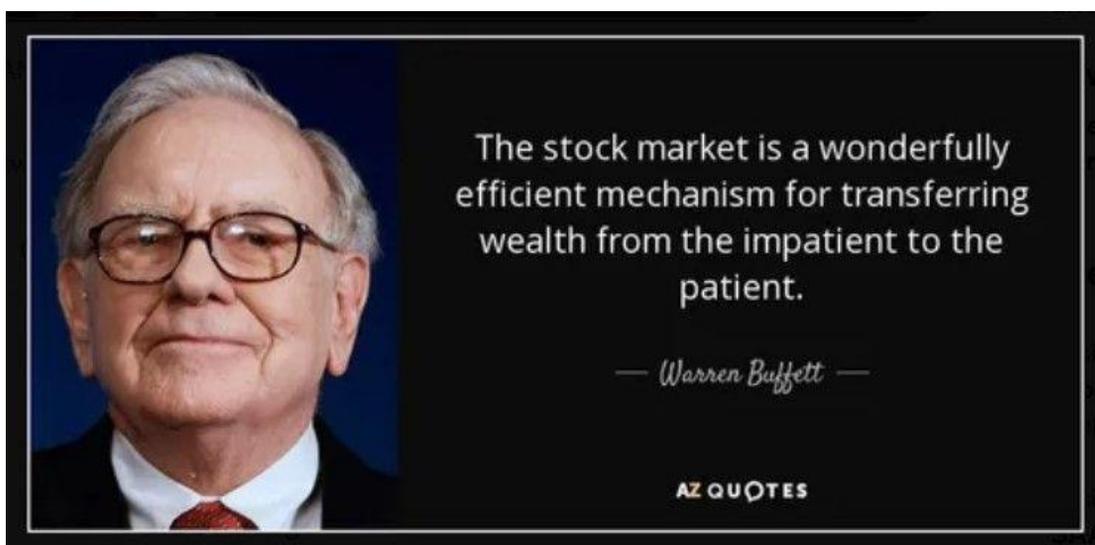
Charlie Munger on complex DCF models



Source: Brian Feroldi

#food-for-thought

#stocks #market #warren-buffett



Source: AZ Quotes

#food-for-thought

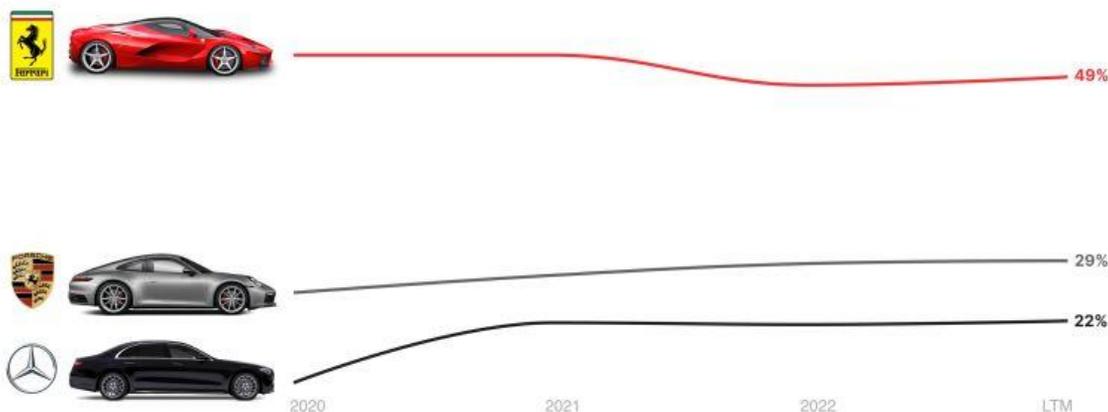
#ferrari #earnings

During Ferrari Group (\$RACE)'s recent earnings call, the CEO gave an intriguing response to the question of how many cars Ferrari plans to produce:

"I understand there is a lot of curiosity on these numbers. What I can tell you is that we will always sell one car less than the market demand."

The Power of Scarcity

Ferrari vs Porsche and Mercedes Gross Margins



Created by @Quatr_App

Source: Quartr

#food-for-thought

#esg #sustainability

"Companies with good ESG scores pollute as much as low-rated rivals" by FT. The finding holds true even when researchers looked only at the environmental part of the metric. Companies rated highly on widely accepted environmental, social and governance metrics pollute just as much as lowly rated companies, research has found. This perverse lack of correlation holds even if companies' carbon intensity — their carbon emissions per unit of revenue or market capitalisation — is compared purely to their environmental rating, according to Scientific Beta, an index provider and consultancy. "ESG ratings have little to no relation to carbon intensity, even when considering only the environmental pillar of these ratings," said Felix Goltz, research director at Scientific Beta. "It doesn't seem that people have actually looked at [the correlations]."

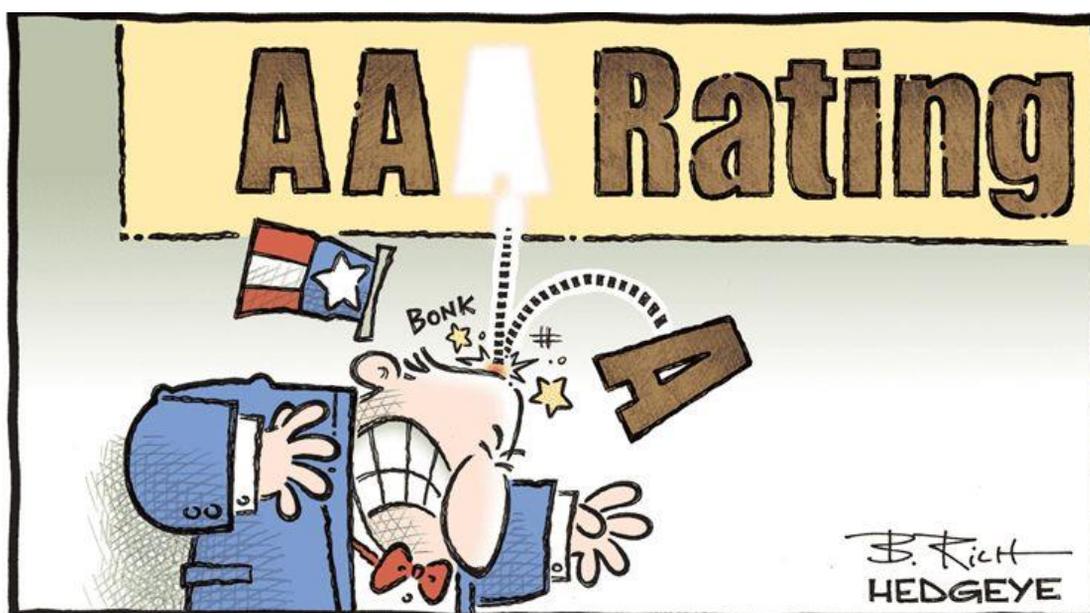


Source: Chartr

#food-for-thought

#humor #downgrade

Hedgeye cartoon on the Fitch downgrade

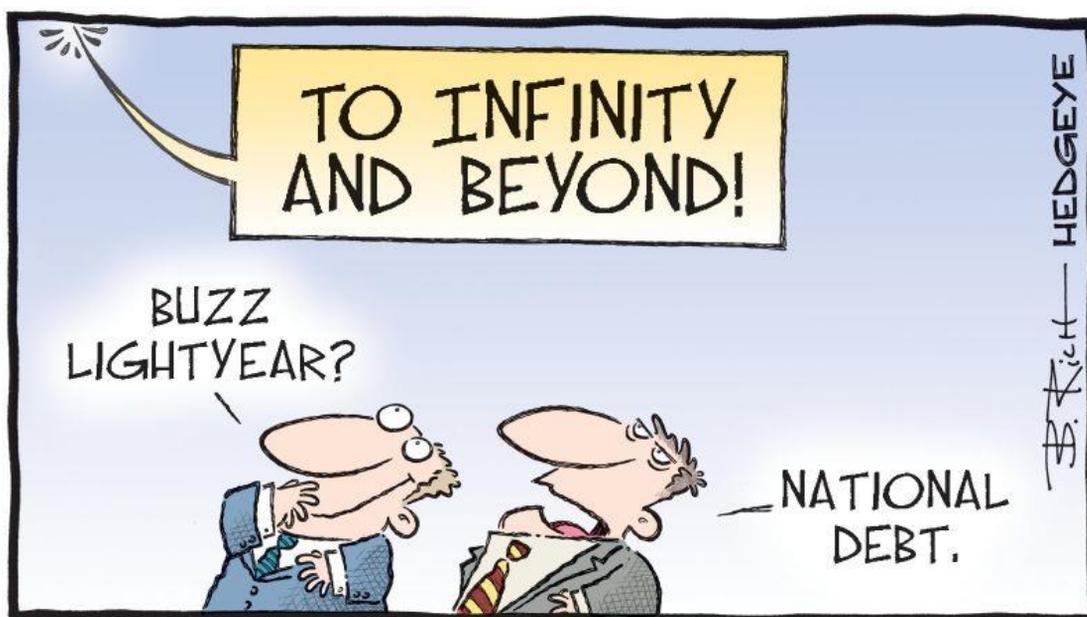


Source: hedgeye

#food-for-thought

#humor #cartoon

Cartoon of the Day: Infinite Debt



Source: Hedgeye

#food-for-thought

#us #debt #humor #cartoon

The U.S. Now Has:

1. Record \$17.1 trillion in household debt
2. Record \$12.0 trillion in mortgages
3. Record \$1.6 trillion in auto loans
4. Record \$1.6 trillion in student loans
5. Record \$1.0 trillion in credit card debt

Total mortgage debt is now more than double the 2006 peak. Meanwhile, 36% of Americans have more credit card debt than savings while student loan payments are set to resume for the first time since 2020. This is all while mortgage rates just hit 7.1% and credit card debt rates hit a record 25%.



Source: The Kobeissi Letter, Hedgeye

#food-for-thought

#financial-events

The Kobeissi Letter - Financial Events in 2023 So Far:

1. Mortgage rates pass 2008 highs at 7.2%
2. Credit card debt set to hit \$1 trillion for first time ever
3. Regional bank crisis leads to 2nd and 3rd largest bank collapses in history
4. Fed raises interest rates to highest level since 2001
5. Debt ceiling crisis nearly leads to US default
6. US sees most bankruptcies since 2020 lockdown
7. Interest expense on US debt set to cross \$1 trillion annually
8. Fitch downgrades US credit rating for first time since 2011

Yet, the S&P 500 is up an incredible 700 points this year. Is this the most resilient stock market in history?



Source: The Kobeissi Letter

#GLOBALMARKETS WEEKLY WRAP-UP

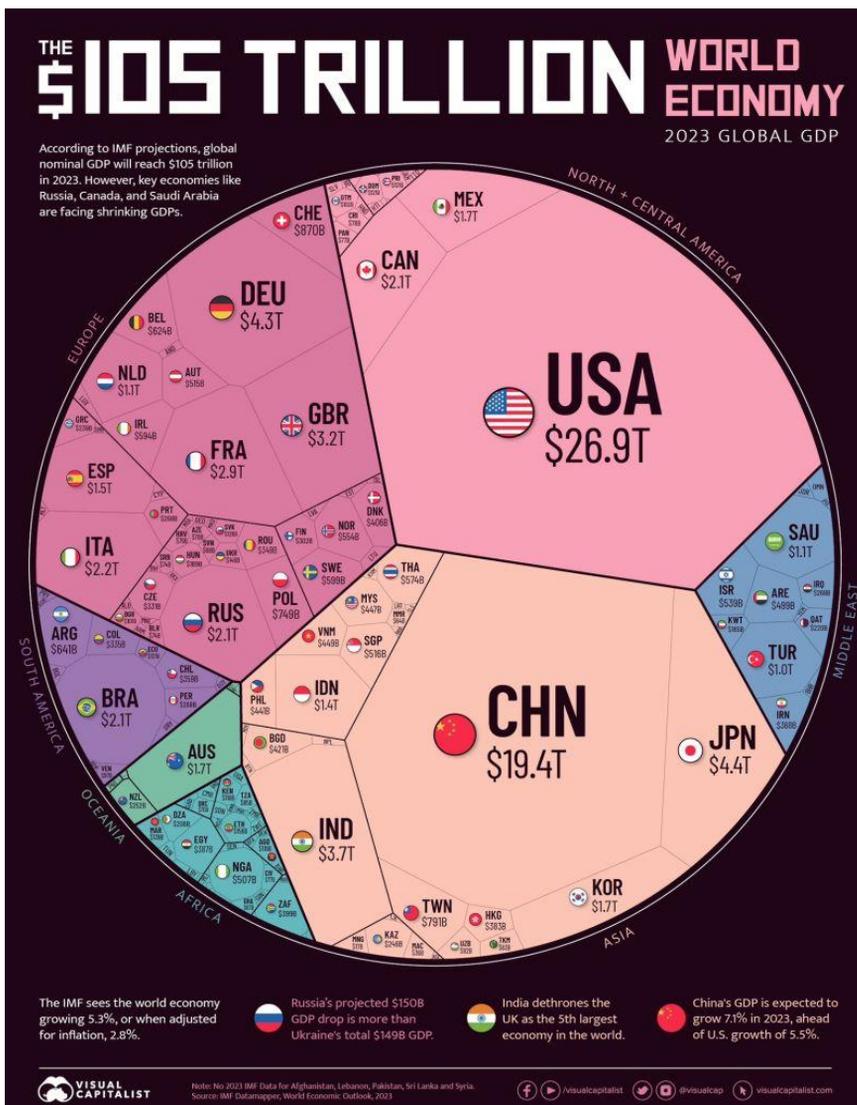
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#food-for-thought

#world-economy #global-gdp

The \$105 Trillion World Economy in One Chart

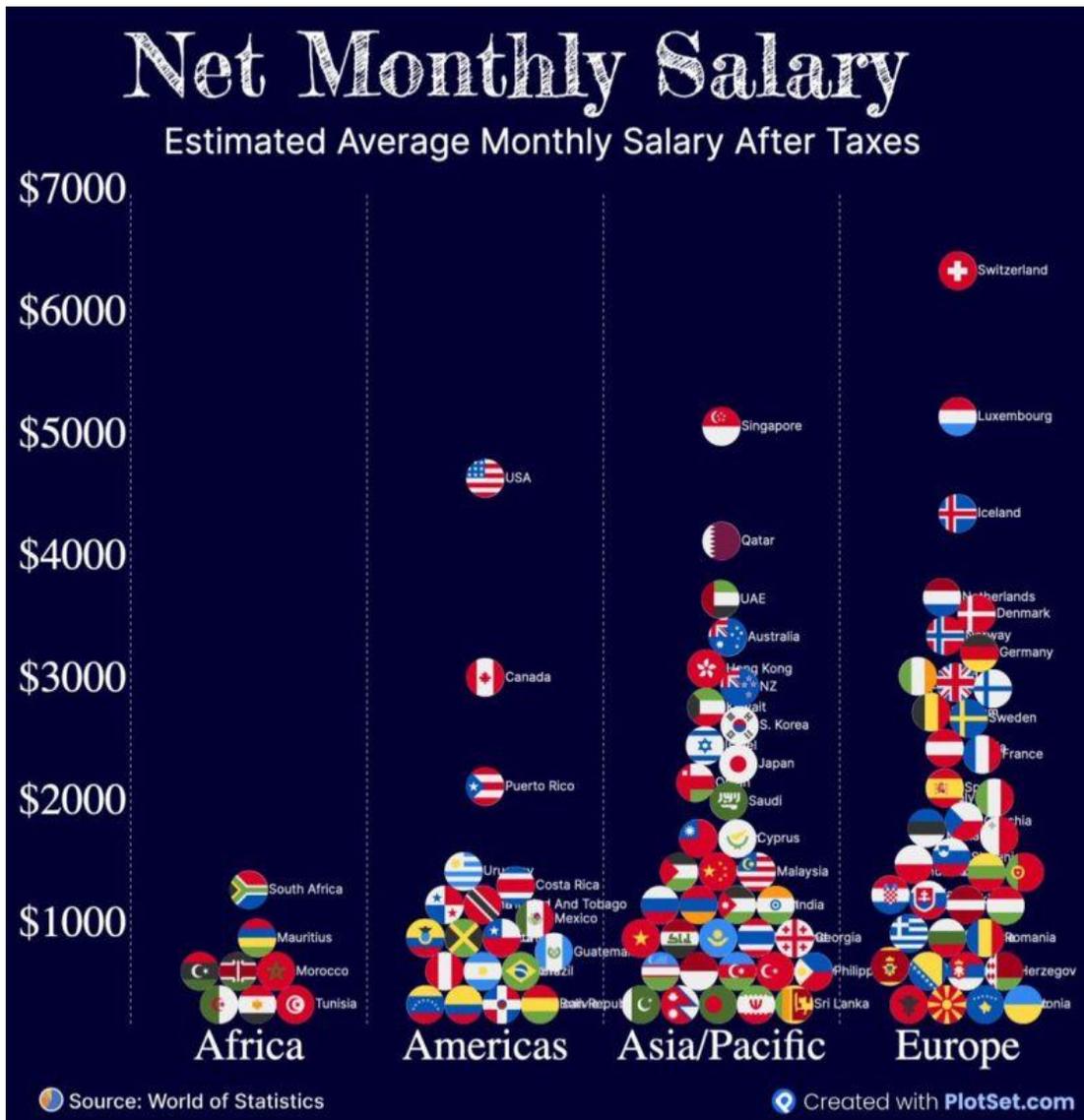


Source: Visual Capitalist

#food-for-thought

#net-salary #switzerland

Average monthly salary after tax:

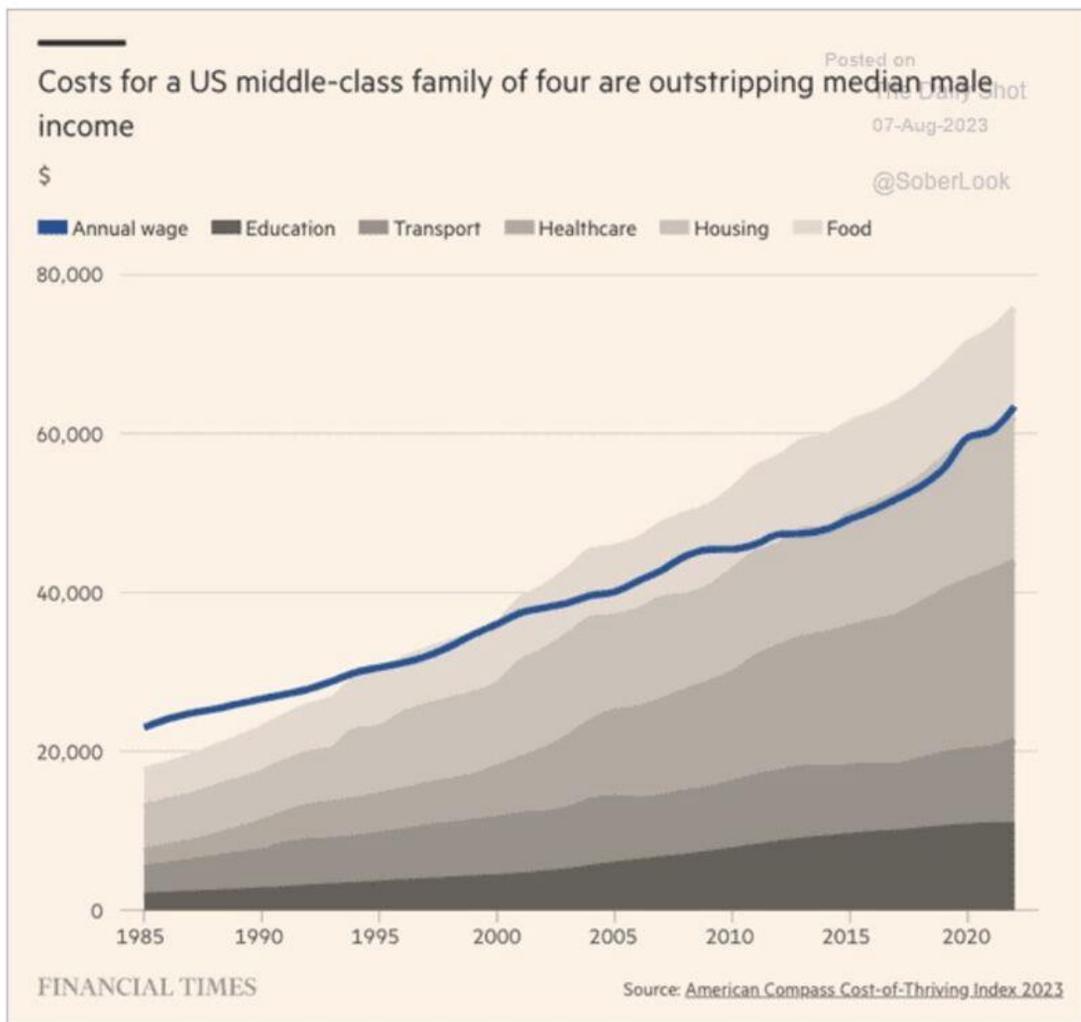


Source: World of statistics

#food-for-thought

#us #cost-of-living

Financial demands of supporting a US family of 4 have surpassed what a single salary can adequately provide



Source: FT

#food-for-thought

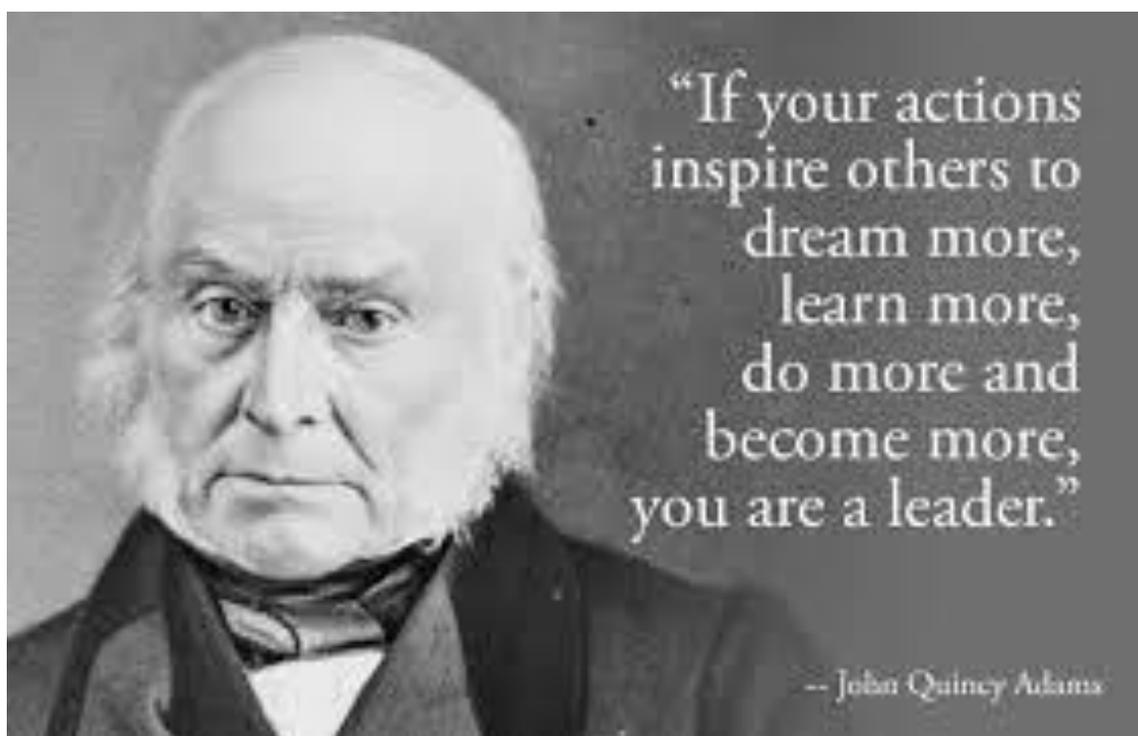
#world #leaders #approval #ratings

Out of the 22 world leaders included in a release by Morning Consult, only six can currently claim positive net approval ratings - meaning that more people in their country approve of them than disapprove.



#food-for-thought

#leadership



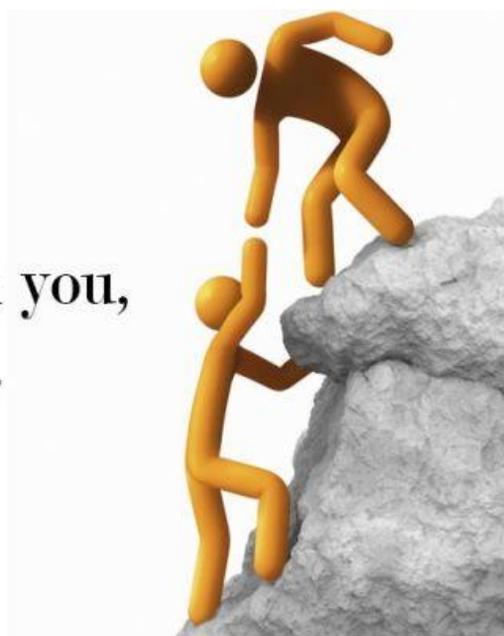
Source: European leadership

#food-for-thought

#leadership

Be with those
who bring out the best in you,
not the stress in you.

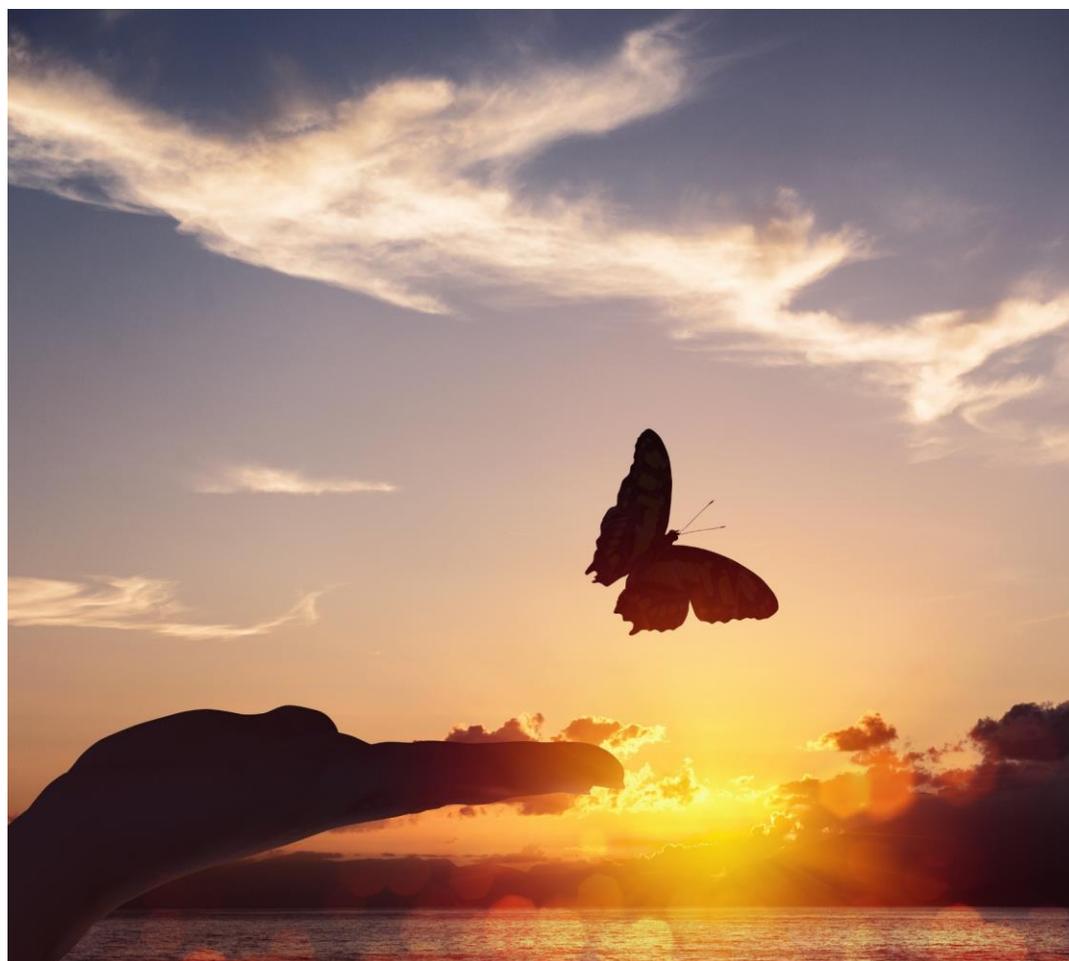
- Joubert Botha



Source: European leadership

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For the future...