

Burrys Big Short Becomes The Big Hurt

*Michael Burry, who made a fortune shorting the subprime market in 2008, and was made popular in Michael Lewis's book and movie *The Big Short*, is at it again. The quarterly SEC 13-F holdings report for Burry's \$1.7 billion hedge fund shows that he is short approximately \$1.6 billion of the S&P 500 (SPY) and Nasdaq (QQQ). Given his track record, as glorified in *The Big Short*, the media headlines quickly shared his seemingly massive bearish \$1.6 billion trades. We presume quite a few investors may be second-guessing their equity positioning. If you are in this camp, take a step back and let us explain what he did. -8/16/2023 Daily Commentary*

In that Commentary, we postulated that Burry's latest Big Short is not as big as the media let on. It turns out the Big Short was shorter than we knew. Since August, Burry added a significant number of stock index put options, sold many of his equity holdings, and added a sizeable bearish bet against semiconductors. The graph below shows the well-followed semiconductor ETF SMH just hit record highs, to Burry's chagrin.

We just learned, via Burry's SEC 13-D filings, that he closed his entire short positions on the S&P 500 and Nasdaq. According to the media, Burry's latest Big Short suffered a 40% loss. If the media claims are true, the latest Big Short may be Burry's last Big Short! More importantly, this serves as another example of why it can be dangerous to mindlessly follow the "smartest" or "most successful" investors.



What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
☀	BJ	BJ's Wholesale Club Holdings, Inc.	\$9,337,136,751	Oct/2023	\$0.94	11	11/17/2022	\$0.99
☀	ATKR	Atkore Inc.	\$5,195,896,435	Sep/2023	\$3.70	1	11/18/2022	\$5.18
☀	SPB	Spectrum Brands Holdings, Inc.	\$2,736,533,822	Sep/2023	\$1.14	4	11/18/2022	\$0.48
☹	BKE	Buckle, Inc. (The)	\$1,761,067,276	Oct/2023		4	N/A	\$1.24

Economy

Time	Event	Impact	Actual	Dev i	Consensus	Previous
FRIDAY, NOVEMBER 17						
13:30	USD Building Permits (MoM)(Oct)		-	-	1.45M	1.471M i
13:30	USD Building Permits Change(Oct)		-	-	-	-4.5% i
13:30	USD Housing Starts (MoM)(Oct)		-	-	1.35M	1.358M
13:30	USD Housing Starts Change(Oct)		-	-	-	7%
18:00	USD Baker Hughes US Oil Rig Count		-	-	-	494
20:30	USD CFTC Gold NC Net Positions		-	-	-	\$166.2K
20:30	USD CFTC Oil NC Net Positions		-	-	-	236K
20:30	USD CFTC S&P 500 NC Net Positions		-	-	-	-\$53.4K

Market Trading Update

As we discussed last Friday, with the market's rapid ascent since the beginning of November, we expected some consolidation in the market short-term to allow some of the more overbought conditions to reset. The last few days have seen the market struggle to make meaningful progress while spending part of the day in negative territory. If this bull market rally continues into year-end, we should expect to see a bit more corrective action potentially through the end of the month. As we have stated previously, there is nothing bearish about the current market setup, therefore, use these consolidations or corrections as opportunities to add to exposures at lower levels.



TradingView

Walmart and Target: A Tale of Two Retailers

On Wednesday, Target shares rose over 15% as they reported better-than-expected earnings and sales. While the stock jumped on earnings, the company warned about its customers' health. Per their CEO:

Shoppers aren't buying much more than the necessities. They're hungry for lower prices. And when they do make purchases, they're postponing them? such as waiting until the temperature drops to buy a pair of jeans or a sweatshirt

A day later, their chief competitor, Walmart, beat earnings and sales estimates but were cautious on holiday spending. They did raise their EPS forecast, but it is slightly below Wall Street estimates. Like Target, they warned investors that their clients are "still tightening their belts."

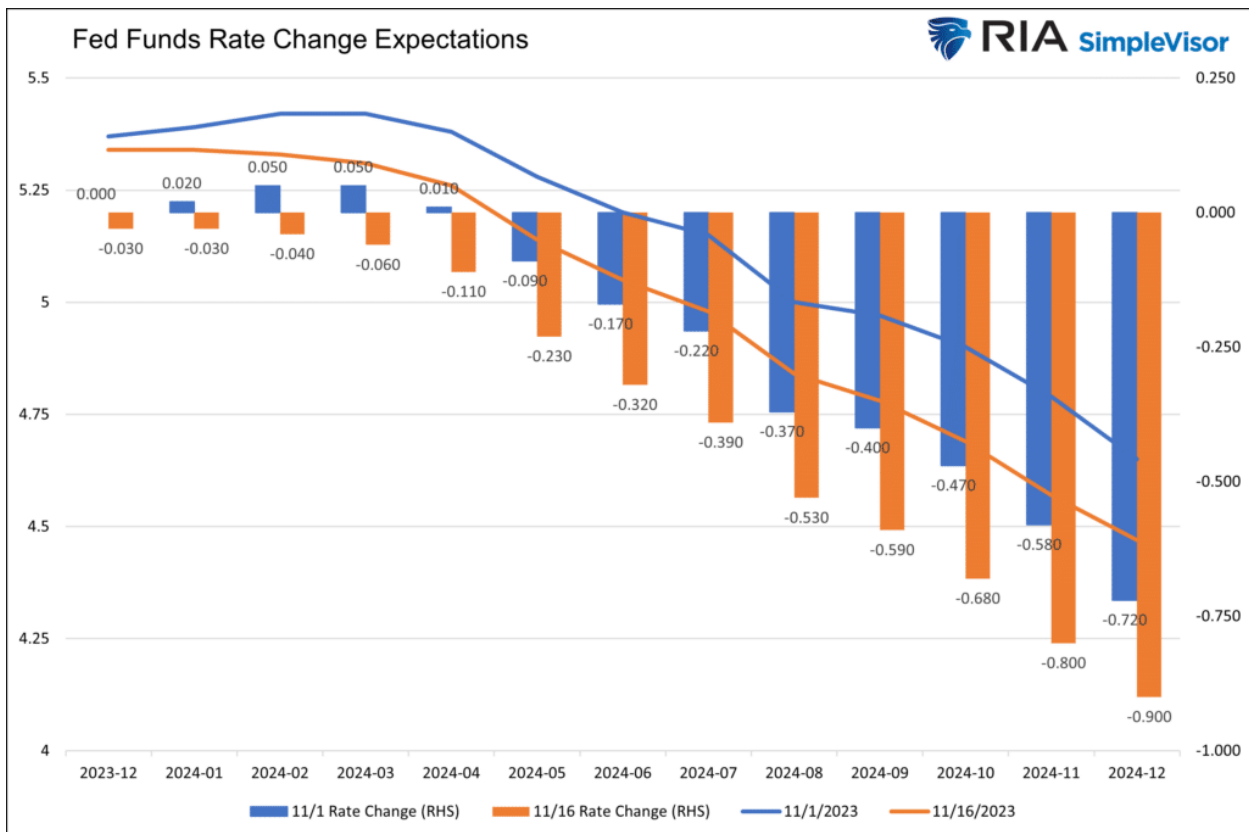
The news from both companies was very similar, but the market reaction was starkly different. To better appreciate why investors reacted as they did, consider the tremendous price gap between the two stocks that has occurred this year. Despite the significant moves over the last two days, Walmart leads Target by approximately 25% on the year.



Fed Funds Futures

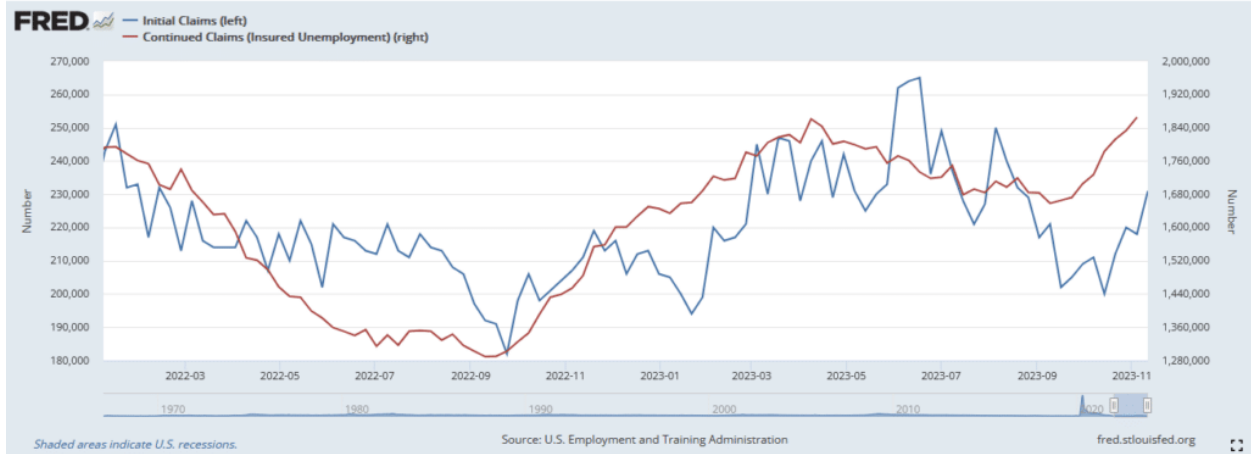
With the recent weakness in employment, CPI, PPI, and retail sales reports, it's worth seeing how the market perception of the Fed has changed. The lines in the graph below show where the Fed Funds futures market expects the monthly Fed Funds rate to be through next year. The bars highlight how much of Fed rate cuts are priced into the market.

As it shows, the market priced in an additional 15-20 bps of rate cuts over the past few weeks. It now expects Fed Funds to end 2024 at 4.47%, down from 4.65% on November 1. Such implies nearly four 25bps cuts between now and then.



Jobless Claims Creep Higher

Initial jobless claims data continue to rise slowly. The Department of Labor reported 231k claimants for initial jobless claims. That is up from 200k a month ago but well within the range of 2023. Our recession radar will increase if it approaches 300k. Of more concern are continued claims, measuring those who recently filed for claims and have been unable to find a new job. There are now 1.865 million in this camp, which has risen for eight consecutive weeks. Further, it is at the highest level going back to November 2021.



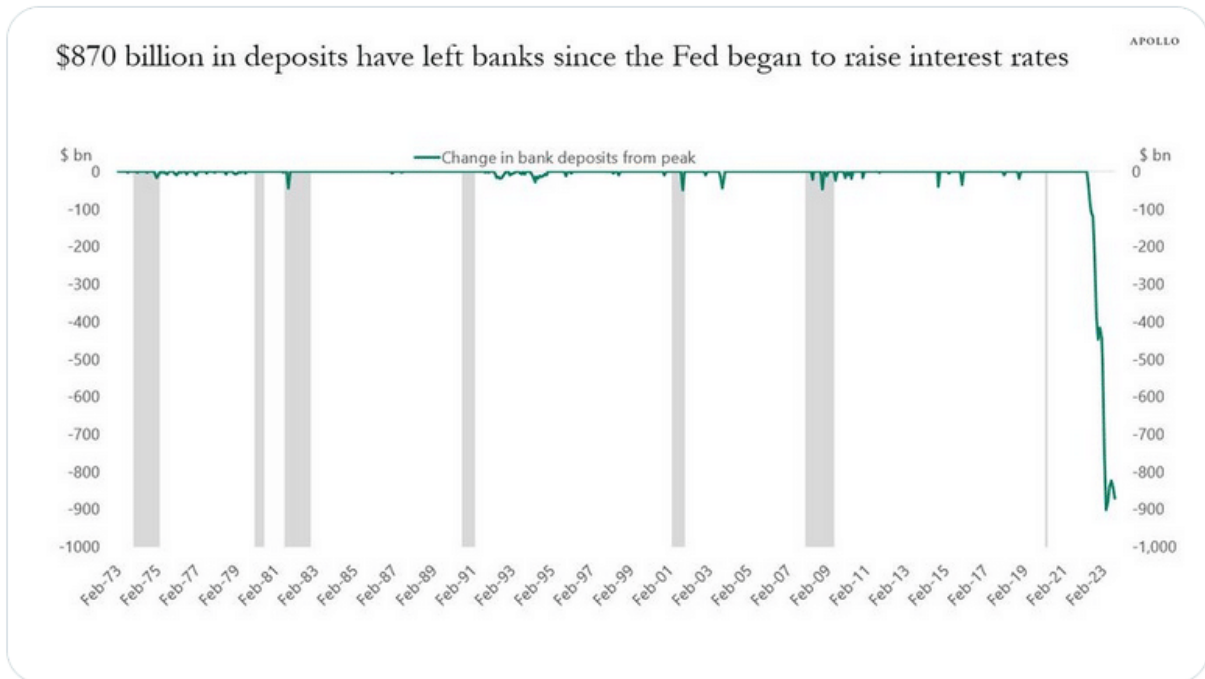
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