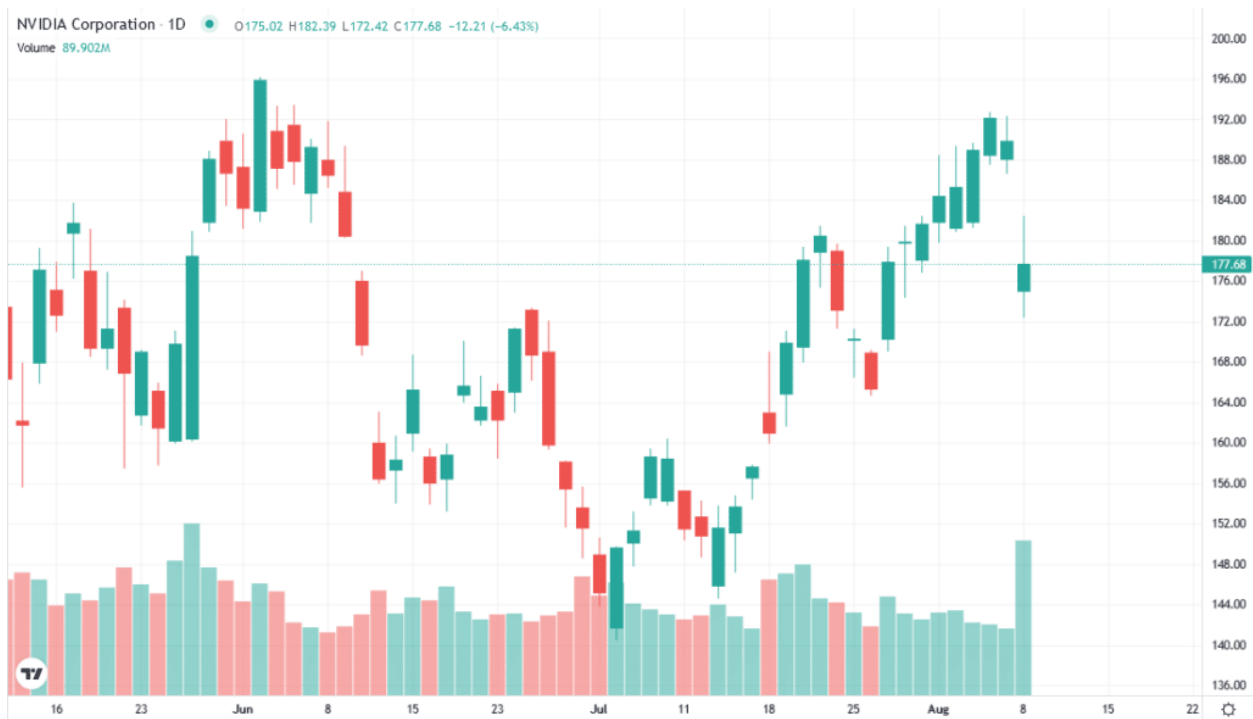


NVIDIA (NVDA) and other chip makers are warning that chip sales are falling below expectations. As we noted last week, AMD and INTC lowered their earnings/sales forecasts due to expected weak PC sales. NVDA, in a surprise pre-earnings announcement, is slashing its guidance primarily due to poor gaming product sales. NVDA expects gaming revenue to be 33% lower than last year.

The more important takeaway is that, like many other companies, NVDA blames weaker economic growth for its forecast downgrades and financial shortfalls. Per the press release: "*The shortfall relative to the May revenue outlook of \$8.10 billion was primarily attributable to lower sell-in of Gaming products reflecting a reduction in channel partner sales likely due to macroeconomic headwinds.*" NVDA was down about 6% on the day but is still up almost 15% over the past month.



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What To Watch Today

Economy

- 6:00 a.m. ET: **NFIB Small Business Optimism**, July (89.5 expected, 89.5 prior)
- 8:30 a.m. ET: **Nonfarm Productivity**, Q2 preliminary (-4.6% expected, -7.3% prior)
- 8:30 a.m. ET: **Unit Labor Costs**, Q2 preliminary (9.5% expected, 12.6% prior)

Earnings

	Company	Time	Estimate		Growth	Surprise				
					▼ Show only confirmed?	+	=	-	+	
✓	SY	SYSCO Corp.	8:00 AM ET	\$1.12	\$18.27 B	13.2%	+	=	-	+
✓	EMR	Emerson Electric Co.	6:55 AM ET	\$1.29	\$5.08 B	8.2%	+	=	-	+
✓	ARMK	Aramark Holdings Corp.	6:30 AM ET	\$0.23	\$3.82 B	28.1%	+	=	-	+
✓	COIN	Coinbase Global, Inc.	4:10 PM ET	(\$3.04)	\$1.23 B	-44.8%	+	=	-	+
✓	BHC	Bausch Health Comp...	7:00 AM ET	\$0.89	\$2.07 B	-1.4%	+	=	-	+
✓	INGR	Ingredion Incorporated	6:00 AM ET	-	\$1.91 B	8.4%	+	=	-	+
✓	VRTV	Veritiv Corporation	8:00 AM ET	\$4.50	\$1.79 B	7.9%	+	=	-	+
✓	CG	Carlyle Group L.P.	AMC	\$1.11	\$1.17 B	-28.6%	+	=	-	+
✓	NGL	NGL Energy Partners...	4:25 PM ET	\$0.01	\$1.86 B	24.9%	+	=	-	+
✓	RL	Ralph Lauren Corpor...	8:00 AM ET	\$1.72	\$1.42 B	3.2%	+	=	-	+
✓	WMG	Warner Music Group ...	7:30 AM ET	\$0.18	\$1.45 B	8.2%	+	=	-	+
✓	LPX	LouisianaPacific Corp.	6:00 AM ET	\$4.38	\$1.26 B	-4.9%	+	=	-	+
✓	CPRI	Capri Holdings Limited	6:45 AM ET	\$1.34	\$1.29 B	3.0%	+	=	-	+
✓	TDG	TransDigm Group Inc.	7:15 AM ET	\$4.39	\$1.40 B	14.9%	+	=	-	+
✓	DAR	Darling Ingredients Inc.	4:35 PM ET	\$1.32	\$1.41 B	17.6%	+	=	-	+
✓	WELL	Welltower Inc.	4:30 PM ET	\$0.85	\$1.38 B	20.9%	+	=	-	+
✓	SMCI	Super Micro Comput...	4:05 PM ET	\$2.35	\$1.33 B	24.4%	+	=	-	+
✓	HRB	H&R Block Inc.	4:05 PM ET	\$1.26	\$996.33 M	-4.7%	+	=	-	+
✓	WYNN	Wynn Resorts Ltd	4:00 PM ET	(\$0.94)	\$1.03 B	4.0%	+	=	-	+
✓	PRGO	Perrigo Co.	6:30 AM ET	\$0.44	\$1.06 B	8.0%	+	=	-	+
✓	REYN	Reynolds Consumer ...	7:00 AM ET	\$0.26	\$951.26 M	9.0%	+	=	-	+
✓	SAVE	Spirit Airlines, Inc.	6:30 AM ET	(\$0.34)	\$1.34 B	55.9%	+	=	-	+
✓	AKAM	Akamai Technologies,...	4:00 PM ET	\$1.02	\$898.41 M	5.3%	+	=	-	+
✓	ADV	Advantage Solutions,...	4:05 PM ET	\$0.14	\$981.32 M	15.5%	+	=	-	+
✓	IAC	IAC	4:10 PM ET	(\$0.28)	\$1.38 B	66.4%	+	=	-	+
✓	SWX	Southwest Gas Corp.	4:35 PM ET	\$0.53	\$1.04 B	26.6%	+	=	-	+
✓	LDI	loanDepot, Inc.	AMC	(\$0.25)	\$428.42 M	-45.1%	+	=	-	+
✓	GO	Grocery Outlet, Inc.	4:05 PM ET	\$0.18	\$854.08 M	10.1%	+	=	-	+
✓	RXT	Rackspace Technolo...	4:10 PM ET	\$0.16	\$784.70 M	5.5%	+	=	-	+
✓	AVYA	Avaya Holdings Corp.	6:55 AM ET	(\$0.23)	\$701.81 M	-4.1%	+	=	-	+
✓	H	Hyatt Hotels Corp	6:55 AM ET	(\$0.01)	\$1.31 B	97.6%	+	=	-	+
✓	WISH	ContextLogic Inc.	4:05 PM ET	(\$0.16)	\$164.40 M	-74.9%	+	=	-	+
✓	AHCO	AdaptHealth Corp.	7:00 AM ET	\$0.28	\$726.14 M	17.7%	+	=	-	+
✓	TTEC	TTEC Holdings, Inc.	4:05 PM ET	\$0.78	\$602.01 M	8.5%	+	=	-	+
✓	CCO	Clear Channel Outdo...	6:00 AM ET	(\$0.05)	\$643.95 M	21.3%	+	=	-	+
✓	CENX	Century Aluminum Co.	4:25 PM ET	\$0.71	\$881.00 M	66.9%	+	=	-	+
✓	UWMC	UWM Holdings Corpo...	8:30 AM ET	\$0.05	\$466.78 M	-3.7%	+	=	-	+
✓	MAXR	Maxar Technologies	4:05 PM ET	\$0.15	\$455.27 M	-3.7%	+	=	-	+
✓	RBLX	Roblox Corporation	4:05 PM ET	(\$0.23)	\$658.46 M	45.0%	+	=	-	+
✓	CLVT	Clarivate Plc	6:00 AM ET	\$0.17	\$697.54 M	56.5%	+	=	-	+
✓	IAA	IAA, Inc.	6:45 AM ET	\$0.55	\$527.37 M	18.5%	+	=	-	+
✓	RRR	Red Rock Resorts, Inc.	4:00 PM ET	\$0.52	\$404.46 M	-5.5%	+	=	-	+
✓	ANGI	ANGI Homeservices	4:10 PM ET	(\$0.06)	\$487.28 M	15.7%	+	=	-	+
✓	LRN	Stride, Inc.	4:30 PM ET	\$0.63	\$421.90 M	6.1%	+	=	-	+
✓	ATCO	Atlas Corp.	4:15 PM ET	\$0.36	\$426.10 M	8.2%	+	=	-	+
✓	CANO	Cano Health, Inc.	AMC	(\$0.04)	\$704.46 M	79.2%	+	=	-	+
✓	EXEL	Exelixis, Inc.	4:05 PM ET	\$0.20	\$389.69 M	1.2%	+	=	-	+
✓	ATC	Atotech	6:00 AM ET	-	\$383.33 M	1.8%	+	=	-	+
✓	CTOS	Custom Truck One S...	4:05 PM ET	(\$0.01)	\$379.71 M	1.2%	+	=	-	+
✓	CRCT	Cricut Inc	4:35 PM ET	\$0.07	\$229.74 M	-31.3%	+	=	-	+
✓	HGV	Hilton Grand Vacation...	7:30 AM ET	\$0.81	\$916.03 M	174.3%	+	=	-	+
✓	RDNT	RadNet Inc.	6:00 AM ET	\$0.05	\$347.87 M	4.2%	+	=	-	+
✓	TBLA	Taboola	5:10 PM ET	(\$0.09)	\$380.49 M	15.6%	+	=	-	+

Market Trading Update - The Market Begins To Consolidate

Over the last few trading sessions, the market has started to consolidate below resistance, as shown yesterday. We saw similar action after the reflexive rally in late May and early June, leading to a failure of the rally and a retest of lows. With the market very overbought short-term a consolidation, or a correction, is needed before the market can advance further.

On a bullish note, breadth has improved markedly, and the 20-dma has crossed above the 50-dma, which now provides important support for any pullback. If the market can pull back to support, hold that level, and work of the overbought condition, a continuation of the bullish rally is likely.

However, a support failure, as seen after the March rally, will lead to a retest of lows or worse.

With the Fed continuing a more aggressive posture and earnings season coming to a close, we would not be surprised to see the recent rally cool. Whether or not we get to add exposure to portfolios will depend greatly on how the market behaves during that process. We remain risk-averse for now.



Et Tu WAPO

The Washington Post ran a front-page critique of the administration's new anti-inflation bill. [Why the 'Inflation Reduction Act' is no such thing](#), written by Steven Pearlstein points out how the new legislation will not reduce inflation as the bill's name seems to claim. We agree with the article's primary sentiment that fiscally irresponsible government, as we have had for decades, bodes poorly for economic progress. More interesting; however, this article was on the front page of the Washington Post. If a staunch supporter of the administration questions the bill's inflation narrative, how much traction will it get with the public?

The Congressional Budget Office estimates that, over the next two years, the Inflation Reduction Act is likely to change the inflation rate by less than one tenth of one percent ? but it isn't sure whether the change would be up or down.

More Color On NVDA

"Crypto winter continues, and Nvidia (NVDA) is the latest company warning about the impacts to public markets.

??**The specific challenge facing Nvidia is what the company expects will be a 44% quarter-over-quarter decline in revenue from its gaming segment, which includes sales of high-end graphic cards and other chips.** The drop [nearly mirrors what the company suffered back in 2018](#) amid a previous crypto winter.

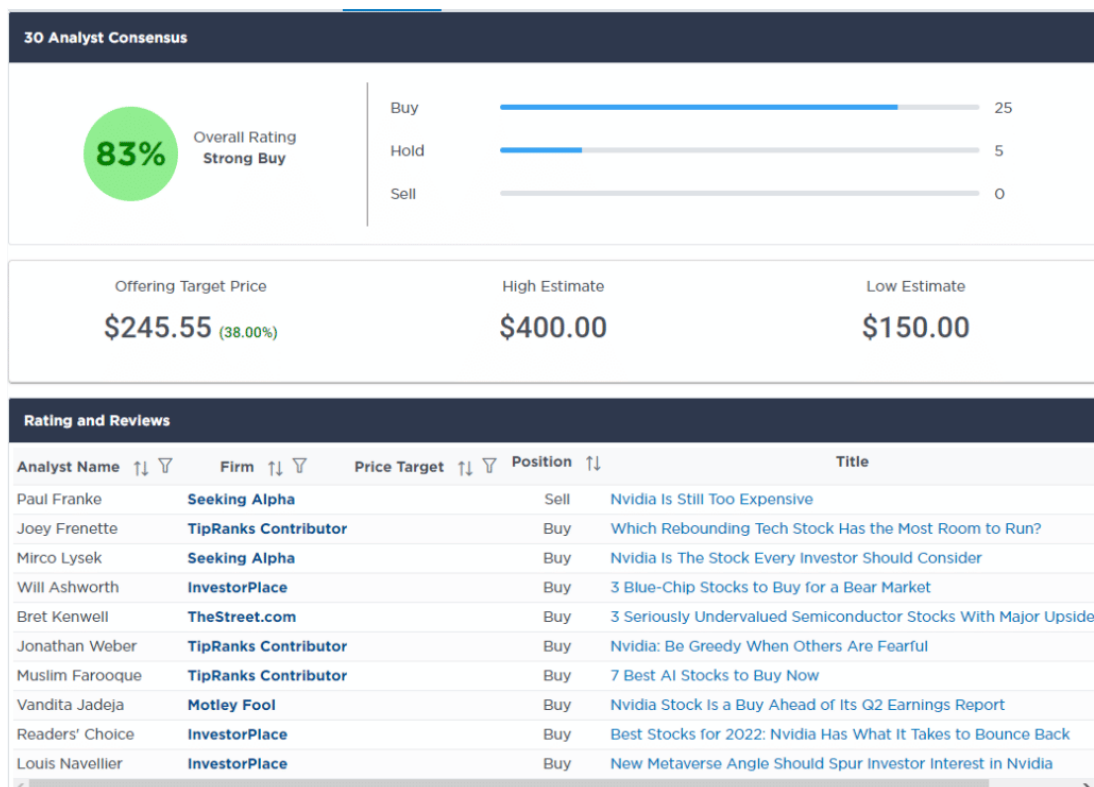
?"**Nvidia's gaming slowdown likely includes the chips they sell to the crypto market, which has been weak, hence the extent of the slowdown is so significant,**" J.P. Morgan analyst Sandeep Deshpande wrote in a note on Monday.

?"**But Nvidia's slowdown goes well beyond moderation in interest from gamers building their own rigs with the latest graphics chips.** As [semiconductor expert Fabricated Knowledge](#) wrote earlier this year, Ethereum's pending network transition from proof-of-work to proof-of-stake ? [aka the Merge](#) ? is expected to slow processor usage as well." - Yahoo Finance

?"The extent in which cryptocurrency mining contributed to Gaming demand is difficult for us to quantify with any reasonable degree of precision. The reduced pace of increase in [the] Ethereum network hash rate likely reflects lower mining activity on GPUs. We expect a diminishing contribution going forward.

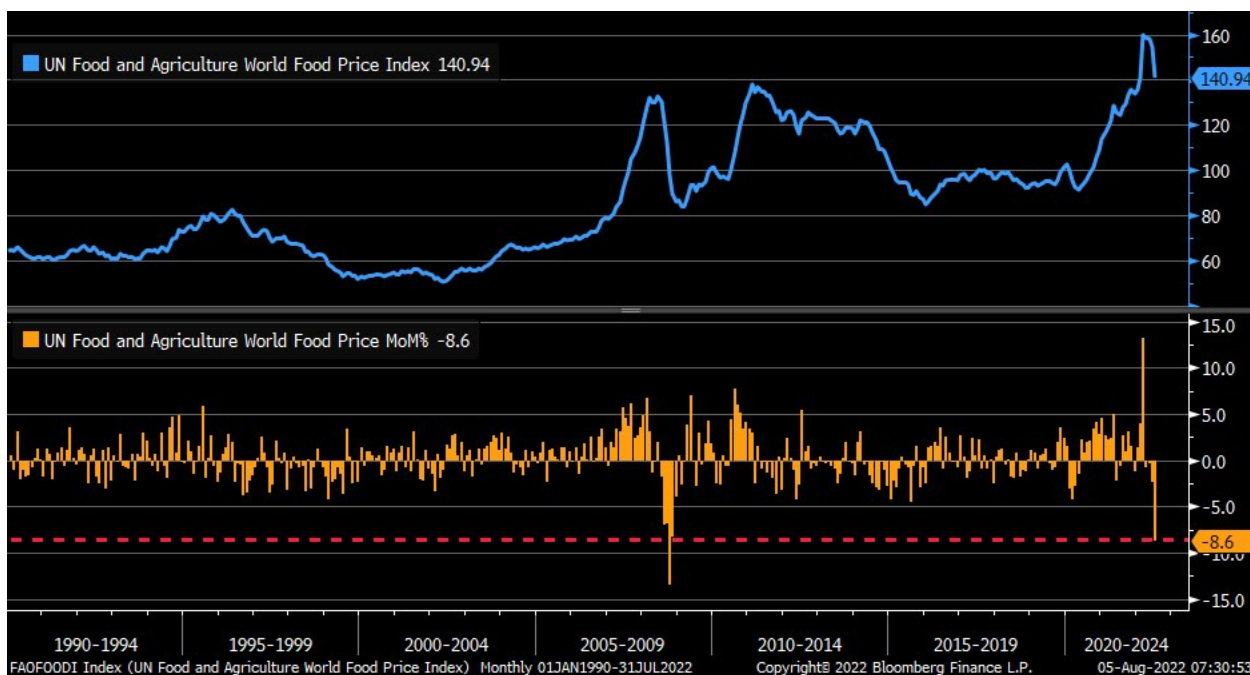
Changes to cryptocurrency standards and processes including, but not limited to, the pending Ethereum 2.0 standard may decrease the usage of GPUs for Ethereum mining as well as create increased aftermarket resales of our GPUs, impact retail prices for our GPUs, increase returns of our products in the distribution channel, and may reduce demand for our new GPUs." - Nvidia CFO Colette Kress

We own a 0.5% stake in NVDA that we will use this weakness to build into.



Crude and Food Prices in Freefall

The graphs below show that crude oil and the U.N. world food index are off recent highs. Crude oil has fallen about 30% from its June highs, and gasoline futures are off even more. While some agriculture commodities have fallen decently, global food prices are just now peaking. That said, global food prices were down 8.6% last month, the largest decline since 2008. Inflation does appear to be peaking as other items such as used cars, and real estate are also peaking. How long until it shows up in CPI and PCE, and how far down will it drag inflation?



So Bearish Its Bullish

The Bloomberg graph below shows that hedge funds and other professional speculators are now more short of the Russell 2000 futures contracts than at any time in the last five years. If the Russell 2000 index keeps rallying alongside the broader markets, these investors will have to cover their shorts. Such actions would be bullish for the rally to continue and may help small-cap stocks outperform the S&P 500.



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#inflation #commoditywars #currencywars #fintwit



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