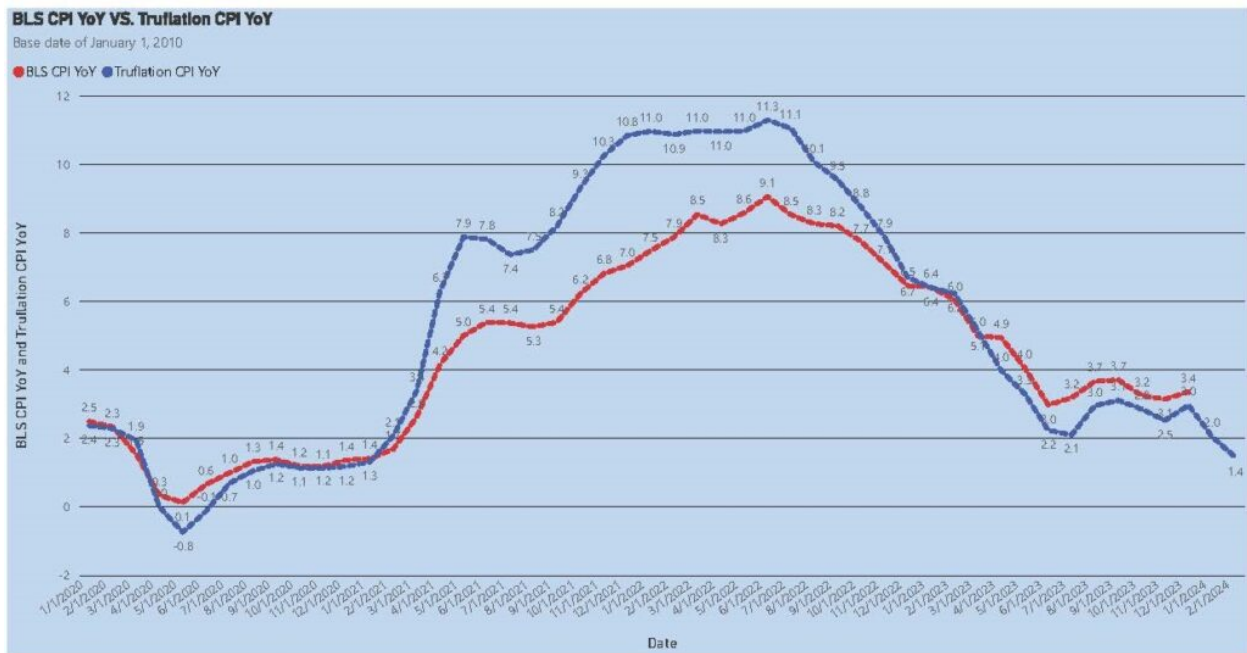


Trueflation Or CPI Inflation?

On January 23, we led the Daily Commentary with a couple of paragraphs titled [Is Trueflation A Better Gauge Of Inflation?](#) If you want to learn more about the benefits of the Trueflation inflation calculation versus the popular CPI index, check out the article. About three weeks ago, when we wrote it, the Trueflation inflation index was 1.85%. Today, it stands at 1.35%. That is a significant decline in just three weeks! While we believe it's impossible to measure inflation accurately, following the trends of Trueflation, CPI, and other inflation gauges is paramount to better forecast how the Fed will conduct monetary policy. Clearly, the trend in Trueflation is lower. Will the CPI report, released at 8:30 ET today, follow?

To help answer the question, the graph below compares Trueflation and CPI since 2020. As shown, Trueflation tends to be more volatile than CPI. It accentuates the highs and lows. However, of great importance is that their trends are highly correlated. Per Danielle DiMartino Booth, they have a correlation of .97. If CPI continues to track Trueflation closely, today's CPI data and or those coming in the next few months could be well below expectations and likely prompt the Fed to ease the Fed Funds rate.



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+
🌞	KO	Coca-Cola Company (The)	\$257,502,526,523	Dec/2023	\$0.48	9	2/14/2023	\$0.45
🌞	SHOP	Shopify Inc.	\$116,507,962,690	Dec/2023	\$0.22	15	2/15/2023	(\$0.04)
🌙	ABNB	Airbnb, Inc.	\$95,706,215,318	Dec/2023	\$0.67	11	2/14/2023	\$0.48
🌞	ZTS	Zoetis Inc.	\$90,592,313,508	Dec/2023	\$1.33	9	2/14/2023	\$1.15
🌞	MCO	Moody's Corporation	\$74,146,110,000	Dec/2023	\$2.34	8	1/31/2023	\$1.60
🌞	MAR	Marriott International	\$72,547,636,782	Dec/2023	\$2.12	9	2/14/2023	\$1.96
🌞	ECL	Ecolab Inc.	\$57,803,544,310	Dec/2023	\$1.54	10	2/14/2023	\$1.27
🌙	AMX	America Movil, S.A.B. de C.V.	\$54,396,175,000	Dec/2023	\$0.25	1	2/14/2023	\$0.37
🌙	AIG	American International Group, Inc.	\$48,525,028,508	Dec/2023	\$1.59	7	2/15/2023	\$1.36
🌙	WELL	Welltower Inc.	\$46,983,053,146	Dec/2023	\$0.94	9	2/15/2023	\$0.83
🌞	DDOG	Datadog, Inc.	\$44,325,176,429	Dec/2023	\$0.07	12	2/16/2023	(\$0.08)
🌙	WCN	Waste Connections, Inc.	\$40,361,446,400	Dec/2023	\$1.08	11	2/15/2023	\$0.89
🌞	BIIB	Biogen Inc.	\$34,917,547,029	Dec/2023	\$3.16	26	2/15/2023	\$4.05
🌞	GFS	GlobalFoundries Inc.	\$30,641,694,400	Dec/2023	\$0.51	7	2/14/2023	\$1.37
🌞	HWM	Howmet Aerospace Inc.	\$24,128,219,144	Dec/2023	\$0.46	8	2/14/2023	\$0.38
🌞	QSR	Restaurant Brands International Inc.	\$24,052,069,701	Dec/2023	\$0.73	11	2/14/2023	\$0.72
🌙	INVH	Invitation Homes Inc.	\$20,237,458,963	Dec/2023	\$0.44	7	2/15/2023	\$0.43
🌙	AKAM	Akamai Technologies, Inc.	\$19,354,706,805	Dec/2023	\$1.22	9	2/14/2023	\$1.01
🌙	ES	Eversource Energy	\$19,205,954,970	Dec/2023	\$0.97	4	2/13/2023	\$0.92
🌙	ENTG	Entegris, Inc.	\$19,059,667,019	Dec/2023	\$0.59	3	2/14/2023	\$0.83
🌞	WSO	Watsco, Inc.	\$16,369,088,372	Dec/2023	\$2.50	6	2/16/2023	\$2.35
🌙	MGM	MGM Resorts International	\$15,965,607,227	Dec/2023	\$0.67	7	2/08/2023	\$0.69
🌙	GDDY	GoDaddy Inc.	\$15,936,457,302	Dec/2023	\$1.03	8	2/14/2023	\$0.62
🌞	LDOS	Leidos Holdings, Inc.	\$15,611,104,770	Dec/2023	\$1.73	8	2/14/2023	\$1.83
🌞	WSO.B	Watsco, Inc.	\$15,397,232,841	Dec/2023		1	N/A	\$2.35
🌙	SSNC	SS&C Technologies Holdings, Inc.	\$15,091,032,777	Dec/2023	\$1.13	5	2/07/2023	\$1.07
🌙	EQT	EQT Corporation	\$14,121,027,560	Dec/2023	\$0.48	15	2/15/2023	\$0.42
🌞	TPG	TPG Inc.	\$13,770,864,293	Dec/2023	\$0.41	6	2/15/2023	\$0.59
🌞	TRU	TransUnion	\$13,405,977,000	Dec/2023	\$0.61	13	2/14/2023	\$0.70
🌞	INCY	Incyte Corporation	\$12,922,138,663	Dec/2023	\$1.03	8	2/07/2023	\$0.44
🌙	Z	Zillow Group, Inc.	\$12,836,493,532	Dec/2023	(\$0.33)	2	2/15/2023	(\$0.25)
🌙	ZG	Zillow Group, Inc.	\$12,441,704,195	Dec/2023	(\$0.33)	2	2/15/2023	(\$0.25)
🌞	TAPA	Molson Coors Beverage Company	\$12,423,024,388	Dec/2023		1	N/A	\$1.30
🌞	TAP	Molson Coors Beverage Company	\$12,260,179,566	Dec/2023	\$1.12	8	2/21/2023	\$1.30
🌙	DVA	DaVita Inc.	\$10,030,218,000	Dec/2023	\$1.53	4	2/22/2023	\$1.11
🌙	HOOD	Robinhood Markets, Inc.	\$9,988,231,718	Dec/2023	(\$0.01)	4	2/08/2023	(\$0.19)
🌞	WCC	WESCO International, Inc.	\$9,900,054,102	Dec/2023	\$3.81	6	2/14/2023	\$4.13
🌞	BRKR	Bruker Corporation	\$9,751,069,885	Dec/2023	\$0.65	7	2/09/2023	\$0.74
🌞	ROIV	Roivant Sciences Ltd.	\$8,690,389,858	Dec/2023	(\$0.33)	3	2/13/2023	(\$0.49)
🌙	PRI	Primerica, Inc.	\$8,494,336,366	Dec/2023	\$4.26	5	2/23/2023	\$3.49
🌙	CART	Maplebear Inc.	\$7,453,744,270	Dec/2023	(\$0.08)	1	N/A	N/A
🌞	HAS	Hasbro, Inc.	\$7,020,078,146	Dec/2023	\$0.64	8	2/16/2023	\$1.31

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous	
TUESDAY, FEBRUARY 13							
11:00	USD NFIB Business Optimism Index(Jan)		-	-	91.1	91.9	
12:00	USD OPEC Monthly Market Report				REPORT		
13:30	USD Consumer Price Index ex Food & Energy (YoY)(Jan)		-	-	3.7%	3.9%	
13:30	USD Consumer Price Index (MoM)(Jan)		-	-	0.2%	0.2%	
13:30	USD Consumer Price Index ex Food & Energy (MoM)(Jan)		-	-	0.3%	0.3%	
13:30	USD Consumer Price Index Core s.a(Jan)		-	-	- 313.21		
13:30	USD Consumer Price Index (YoY)(Jan)		-	-	2.9%	3.4%	
13:30	USD Consumer Price Index n.s.a (MoM)(Jan)		-	-	307.971	306.746	
13:55	USD Redbook Index (YoY)(Feb 9)		-	-	-	6.1%	

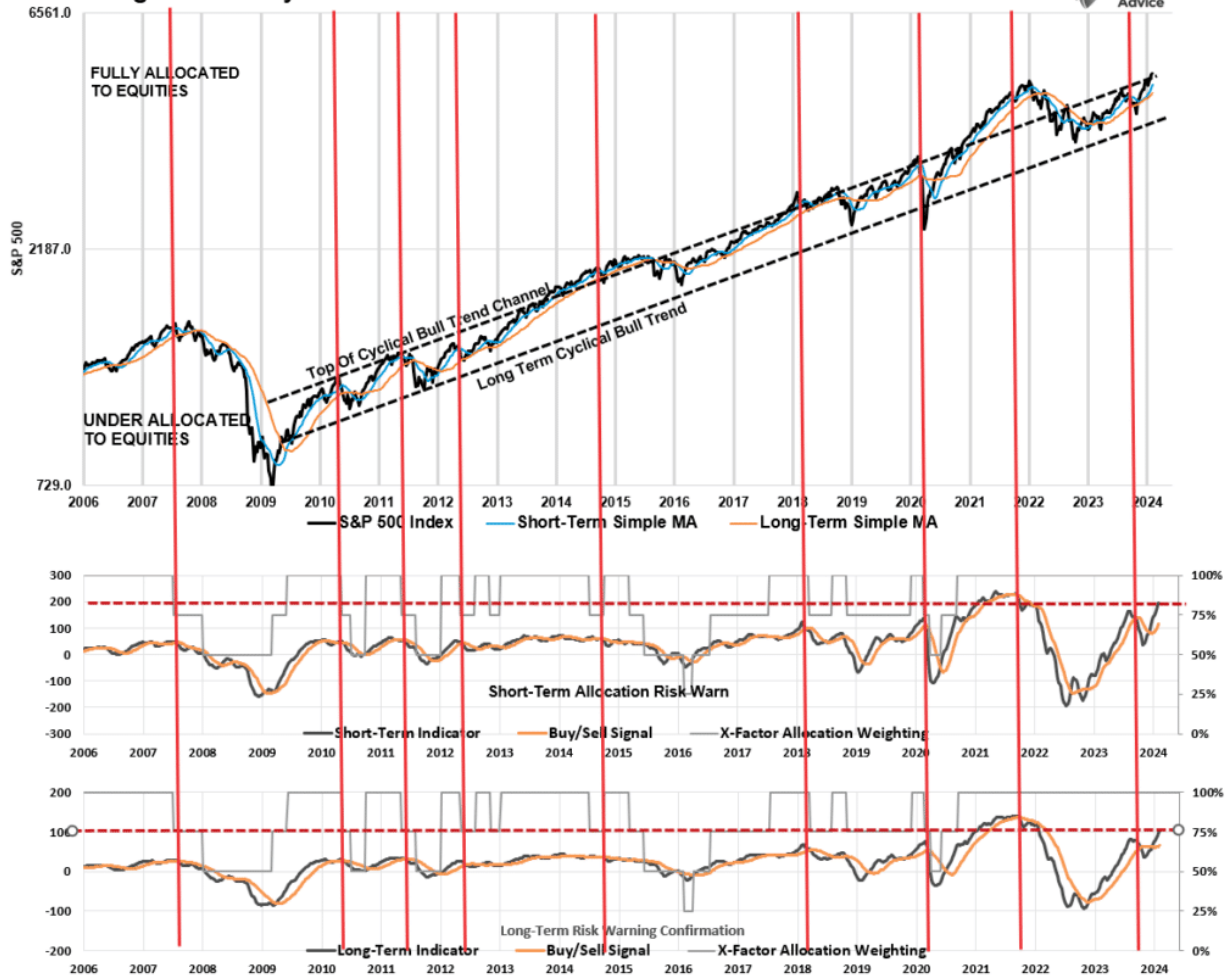
Market Trading Update

As noted in this [past weekend's newsletter](#), we began the process of taking profits and rebalancing portfolio risks yesterday. To wit:

"While we have warned of a potential correction over the past couple of weeks, it reminds us much of June and July last year, where similar warnings for a 10% correction went unheeded. As such, we will rebalance exposures next week by taking profits in some positions with significant gains for the year and adding to current positions where we are underweight. We suspect the current environment is much the same as 2022, and the bullish rally will go further to suck the last of the holdouts in. However, we want to make adjustments before the correction comes"

While the changes were minor and only minimally affected portfolio performance, it is the beginning of preparing the portfolio for a period of consolidation or correction. Our weekly market gauge is still on solid buy signals, and it will take some time to trigger an outright sell signal. As such, we want to maintain equity exposure while markets are running. However, with markets becoming well deviated above their running trend line from the Financial Crisis lows and the previously confirmed signals led to decent corrections, we want to start preparing now for what could be a reversal sometime between March and the election.

Risk Management Analysis



[As noted in yesterday's commentary](#), while we are highly confident that a correction is coming, the timing of that event is uncertain. However, once signals are triggered, we will become more aggressive in the risk reduction process.

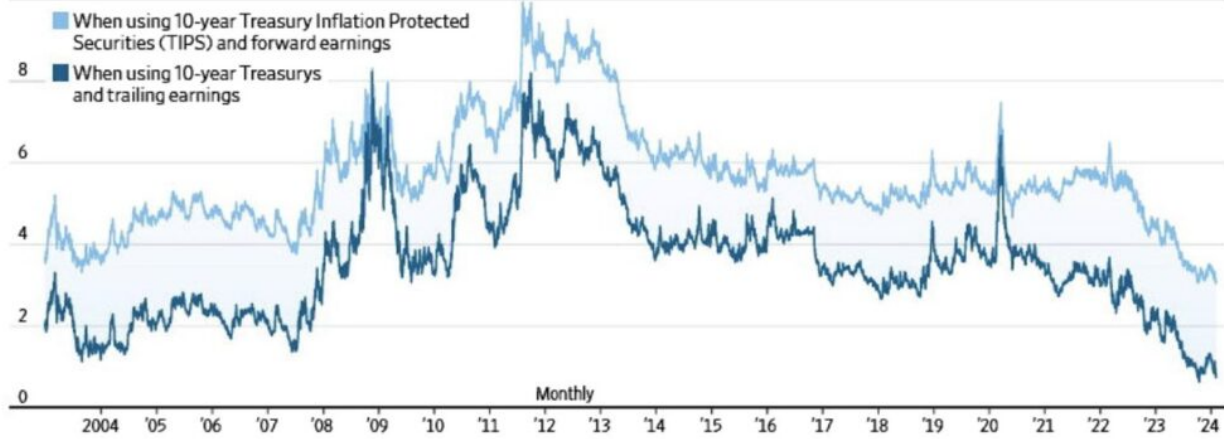


The S&P 500 Is Not Cheap, But It Can Get More Expensive

The comprehensive set of graphs below shows five widely followed measures of valuations for the S&P 500. The top graph, equity risk premiums, shows they are at their most expensive levels in 20 years. However, the four other gauges show valuations are rich but certainly have room to run before they reach their 20-year peaks. The point of sharing this is to remind you that valuations are high. Therefore, future returns may likely be lower, and risks are higher. But, as the saying goes, "*Markets can stay irrational for longer than you can stay solvent.*"

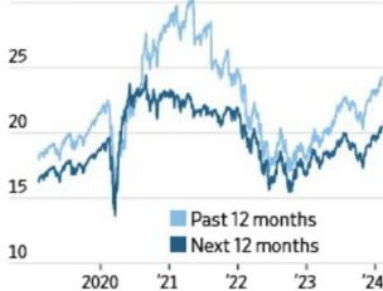
S&P 500 equity risk premium*

10 percentage points



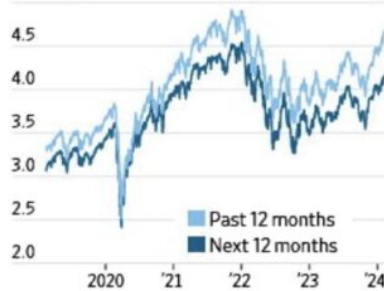
S&P 500 price/earnings ratio

30 times



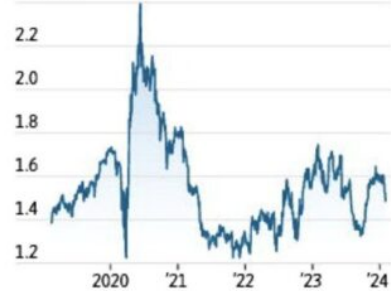
S&P 500 price/book ratio

5.0 times



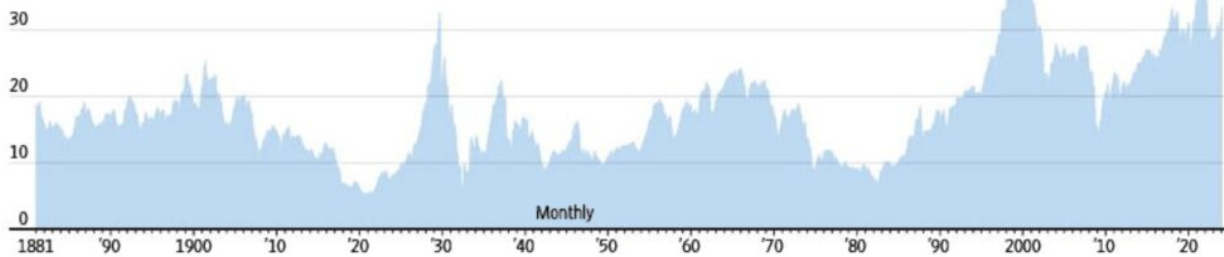
S&P 500 price/earnings growth ratio

2.4 times



S&P 500 cyclically adjusted price/earnings ratio since 1881

40 times



*Difference between earnings yield, using trailing or projected 12 months earnings, and 10-year Treasury yield.

Sources: Dow Jones Market Data via FactSet and Tradeweb (equity risk premium); FactSet (price/earnings, price/book, price/earnings growth); shillerdata.com (Cyclically adjusted price/earnings)

Via @LeoNelissen

Chiefs Win The Super Bowl, But Investors Were Rooting For The Niners

The Chiefs won for the second time in a row and the third time with quarterback Patrick Mahomes. In their prior three Super Bowl Wins, including Super Bowl IV -1970), the S&P 500 has been up two of the three years. The average return was 10.9%. After Super Bowl wins for the 49ers, the market's preferred winner, the S&P 500, has been up 100% of the time, offering an average gain of 20.2%.

Further concerning for the superstitious is the following Super Bowl Indicator courtesy of Investopedia:

*The Super Bowl Indicator suggests that the championship game of the National Football League (NFL) predicts the direction that the stock market will move that year. According to the theory, if a team from the National Football Conference (NFC) wins the Super Bowl, the markets will rise, **but a victory by the representative of the American Football Conference (AFC) foretells a year of market declines.***

The indicator makes the headlines this time every year. However, we caution you not to read too much into it. In statistics, we call such a relationship between non-related events a spurious correlation.

Average S&P 500 Performance Following Super Bowl

Winning Conference	Winning Years	Average Return (SB-Yr End) (%)	% of Time S&P 500 Finished Up
Broncos	3	20.8	100
49ers	5	20.2	100
Steelers	6	18.8	100
Chiefs	3	10.9	67
Packers	4	10.8	75
Redskins	3	9.0	100
Cowboys	5	8.5	80
Patriots	6	4.6	83
Giants	4	-3.4	50
Raiders	3	-4.9	33
AFC	28	6.6	71
NFC	29	9.5	76
All Years		7.9	73

Tweet of the Day



AndreasStenoLarsen @AndreasSteno · 1h

Signs of pretty sharp deflation in food prices around the globe now...

Time to re-bet a bit on softer inflation trends short-term?

More -> stenoresearch.com/daily-post/som...

Food prices likely to drop in the "at home" category

Price trends remain benign in food space



Source: Steno Research, Bloomberg and Macrobond

?Want to have better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

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