

Almost a month ago, on October 7th, Hamas attacked Israel, and concerns of a much larger war in the Middle East spiked. War worries weighed on stock prices and irked the bond markets. With a few weeks to better assess the war situation and the many possibilities, the markets seem less worried. To wit, the graph on the top left shows crude oil prices are now below where they were on the eve of the attack. Bond yields fell sharply in the days following the attack, as is typical in what is referred to as a flight to quality trade. However, the prospect of higher oil prices and more war-related deficit spending sent yields to their highest levels since 2007. Like oil, bond yields are back to where they were when the war kicked off. Stocks followed the path of bonds and, similarly, have since rallied back to pre-invasion levels.

The markets appear more comfortable with the war and are discounting its adverse economic effects. However, might the markets be starting to show concerns for an economic slowdown? As we noted yesterday, the Fed has shifted its stance. They remain very concerned that above-average economic activity keeps prices inflated. But, they seem a little more two-sided, implying concern for weaker economic activity. The Atlanta Fed's GDPNow estimate for Q4 GDP just fell from 2.3% to 1.2%. The culprit was Wednesday's weak ISM survey and the second consecutive ADP report showing weak job growth. The Fed Funds futures markets have backed down the odds of another rate hike this year to 14%. At one point, it was near 50%. The odds of the Fed hiking and cutting rates in March 2024 are now equal.



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*
☹	BRK.A	Berkshire Hathaway Inc.	\$759,196,172,958	Sep/2023		N/A	11/05/2022	N/A
☹	BRK.B	Berkshire Hathaway Inc.	\$747,420,324,062	Sep/2023	\$4.74	1	11/05/2022	\$3.53
☀	ENB	Enbridge Inc	\$65,610,000,000	Sep/2023	\$0.43	6	11/04/2022	\$0.51
☀	SRE	Sempra	\$44,523,479,447	Sep/2023	\$1.01	3	11/03/2022	\$0.99
☀	D	Dominion Energy, Inc.	\$33,666,055,919	Sep/2023	\$0.78	5	11/04/2022	\$1.11
☀	IT	Gartner, Inc.	\$26,163,667,686	Sep/2023	\$1.86	3	11/01/2022	\$2.41
☀	TU	TELUS Corporation	\$23,788,680,000	Sep/2023	\$0.20	7	11/04/2022	\$0.26
☀	CAH	Cardinal Health, Inc.	\$23,458,785,999	Sep/2023	\$1.40	6	11/04/2022	\$1.20
☀	CHD	Church & Dwight Company, Inc.	\$22,210,661,787	Sep/2023	\$0.68	10	10/28/2022	\$0.76
☹	TEF	Telefonica SA	\$21,714,893,203	Sep/2023	\$0.05	1	11/04/2022	\$0.02
☀	QSR	Restaurant Brands International Inc.	\$20,941,726,748	Sep/2023	\$0.84	11	11/03/2022	\$0.96
☀	FWONK	Liberty Media Corporation	\$15,224,560,011	Sep/2023	\$0.19	3	11/04/2022	N/A
☀	MGA	Magna International, Inc.	\$13,804,517,399	Sep/2023	\$1.37	5	11/04/2022	\$1.07
☀	FWONA	Liberty Media Corporation	\$13,542,845,402	Sep/2023	\$0.25	1	11/04/2022	N/A
☀	CRBG	Corebridge Financial Inc.	\$13,336,023,238	Sep/2023	\$1.06	6	11/09/2022	\$0.57
☀	LBRDK	Liberty Broadband Corporation	\$12,192,710,575	Sep/2023	\$2.42	1	11/04/2022	\$2.05
☀	LBRDA	Liberty Broadband Corporation	\$12,179,551,396	Sep/2023		3	N/A	\$2.05
☀	CBOE	Cboe Global Markets, Inc.	\$11,636,977,312	Sep/2023	\$1.86	8	11/04/2022	\$1.74
☀	WPC	W. P. Carey Inc.	\$11,605,475,572	Sep/2023	\$1.28	1	11/04/2022	\$1.36
☀	PAA	Plains All American Pipeline, L.P.	\$10,741,238,292	Sep/2023	\$0.24	4	11/02/2022	\$0.33
☀	AES	The AES Corporation	\$9,943,991,169	Sep/2023	\$0.55	2	11/04/2022	\$0.63
☀	LSXMK	Liberty Media Corporation	\$8,203,586,080	Sep/2023		N/A	11/04/2022	N/A
☀	LSXMA	Liberty Media Corporation	\$8,161,131,216	Sep/2023		N/A	11/04/2022	N/A
☀	LSXMB	Liberty Media Corporation	\$7,863,947,166	Sep/2023		3	N/A	N/A
☹	UI	Ubiquiti Inc.	\$7,208,287,339	Sep/2023	\$2.57	1	11/04/2022	\$1.54
☀	IEP	Icahn Enterprises L.P.	\$6,436,979,653	Sep/2023	\$0.34	1	11/03/2022	(\$0.37)
☀	BEP	Brookfield Renewable Partners L.P.	\$6,224,650,134	Sep/2023	(\$0.03)	3	11/04/2022	(\$0.25)
☀	HR	Healthcare Realty Trust Incorporated	\$5,545,285,665	Sep/2023	\$0.39	6	11/09/2022	\$0.39
☀	FLR	Fluor Corporation	\$4,817,176,358	Sep/2023	\$0.55	2	11/04/2022	\$0.07
☹	IMVT	Immunovant, Inc.	\$4,373,580,694	Sep/2023	(\$0.46)	9	11/04/2022	(\$0.41)
☹	ENIC	Enel Chile S.A.	\$4,177,660,054	Sep/2023		3	N/A	\$0.08
☀	BEPC	Brookfield Renewable Corporation	\$4,040,236,579	Sep/2023	(\$0.12)	1	11/04/2022	(\$0.25)
☀	MOG.A	Moog Inc.	\$3,682,360,300	Sep/2023	\$1.71	2	11/04/2022	\$1.36
☀	USM	United States Cellular Corporation	\$3,661,596,856	Sep/2023	\$0.06	3	11/03/2022	(\$0.15)
☀	MOG.B	Moog Inc.	\$3,651,035,994	Sep/2023		3	N/A	\$1.36
☀	QRTEB	Qurate Retail, Inc.	\$3,191,952,690	Sep/2023		3	N/A	(\$0.08)
☀	PAGP	Plains GP Holdings, L.P.	\$3,109,911,258	Sep/2023	\$0.24	2	11/02/2022	\$0.36
☹	NXE	Nexgen Energy Ltd.	\$2,982,539,587	Sep/2023	(\$0.01)	1	11/04/2022	(\$0.02)
☀	GTES	Gates Industrial Corporation plc	\$2,867,976,446	Sep/2023	\$0.29	1	11/04/2022	\$0.29
☀	LLYVK	Liberty Media Corporation	\$2,854,139,651	Sep/2023	\$0.98	3	N/A	N/A
☀	LLYVA	Liberty Media Corporation	\$2,797,983,874	Sep/2023	\$0.98	3	N/A	N/A

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, NOVEMBER 3						
12:30	USD Average Hourly Earnings (MoM)(Oct)		-	-	0.3%	0.2%
12:30	USD Average Hourly Earnings (YoY)(Oct)		-	-	4%	4.2%
12:30	USD Average Weekly Hours(Oct)		-	-	34.4	34.4
12:30	USD Labor Force Participation Rate(Oct)		-	-	-	62.8%
12:30	USD Nonfarm Payrolls(Oct)		-	-	180K	336K
12:30	USD U6 Underemployment Rate(Oct)		-	-	-	7%
12:30	USD Unemployment Rate(Oct)		-	-	3.8%	3.8%
13:45	USD S&P Global Composite PMI(Oct)		-	-	51	51
13:45	USD S&P Global Services PMI(Oct)		-	-	50.9	50.9
14:00	USD ISM Services Employment Index(Oct)		-	-	-	53.4
14:00	USD ISM Services New Orders Index(Oct)		-	-	-	51.8
14:00	USD ISM Services PMI(Oct)		-	-	53	53.6
14:00	USD ISM Services Prices Paid(Oct)		-	-	-	58.9

Market Trading Update

The market has come a long way over the past 4-days and recovered the 200-DMA. With a LOT of economic data today, a bit of a reversal today should be unsurprising. The key is that IF the market does encounter some profit-taking, it needs to hold the 200-DMA to turn it back into support.

Notably, not only did the market clear the 200-DMA, but it also triggered a MACD "*buy signal*" from a low level, and the RSI is not back to overbought conditions. Such suggests that over the next month, the market will try and push higher. With immediate resistance at the 100-DMA, again, we could see a bit of profit-taking. However, a break above the 100-DMA sets the 50-DMA as the next logical target. Continue to trade the rally accordingly. Just don't forget to take some profits and rebalance risks along the way.



Economic Strength Before A Recession?

GDP for the third quarter came in at a solid +4.9% growth rate. Such was more than 2% above the running growth rate of the prior quarters. While we would like to be optimistic, such strength is common on the eve of a recession. The table below from BofA Global Research shows that the quarter leading into each recession since 1948 showed solid growth. As we wrote, current quarter growth expectations are low, but there is little data at this time pointing to a recession or even a marked slowdown.

Table 1: US GDP growth often strong right before the recession

US nominal & real YoY GDP growth at the start of recession

Start of Recession	GDP growth YoY % (in quarter that recession began)	
	Nominal	Real
November 1948	7.9%	3.9%
July 1953	6.4%	5.4%
August 1957	6.3%	3.1%
April 1960	3.5%	2.1%
December 1969	7.2%	2.0%
November 1973	11.1%	4.0%
January 1980	10.4%	1.4%
July 1981	14.1%	4.3%
July 1990	5.6%	1.7%
March 2001	4.7%	2.2%
December 2007	4.8%	2.2%
February 2020	2.5%	0.6%

Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

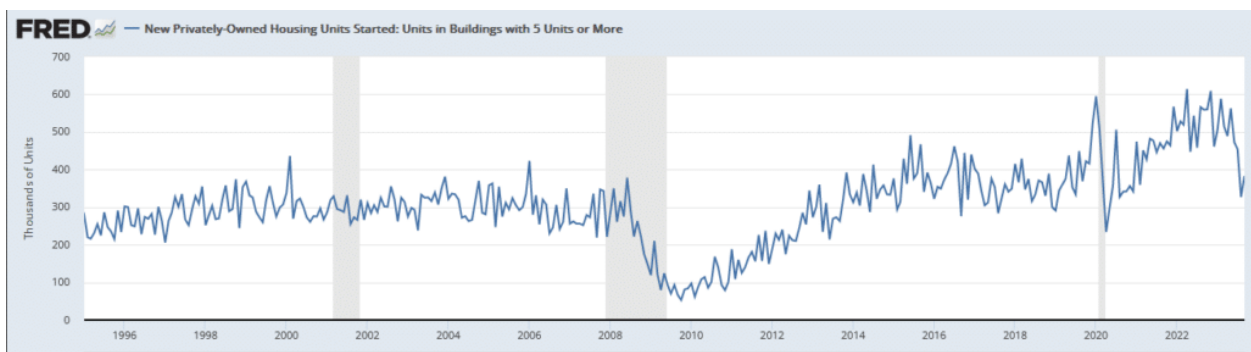
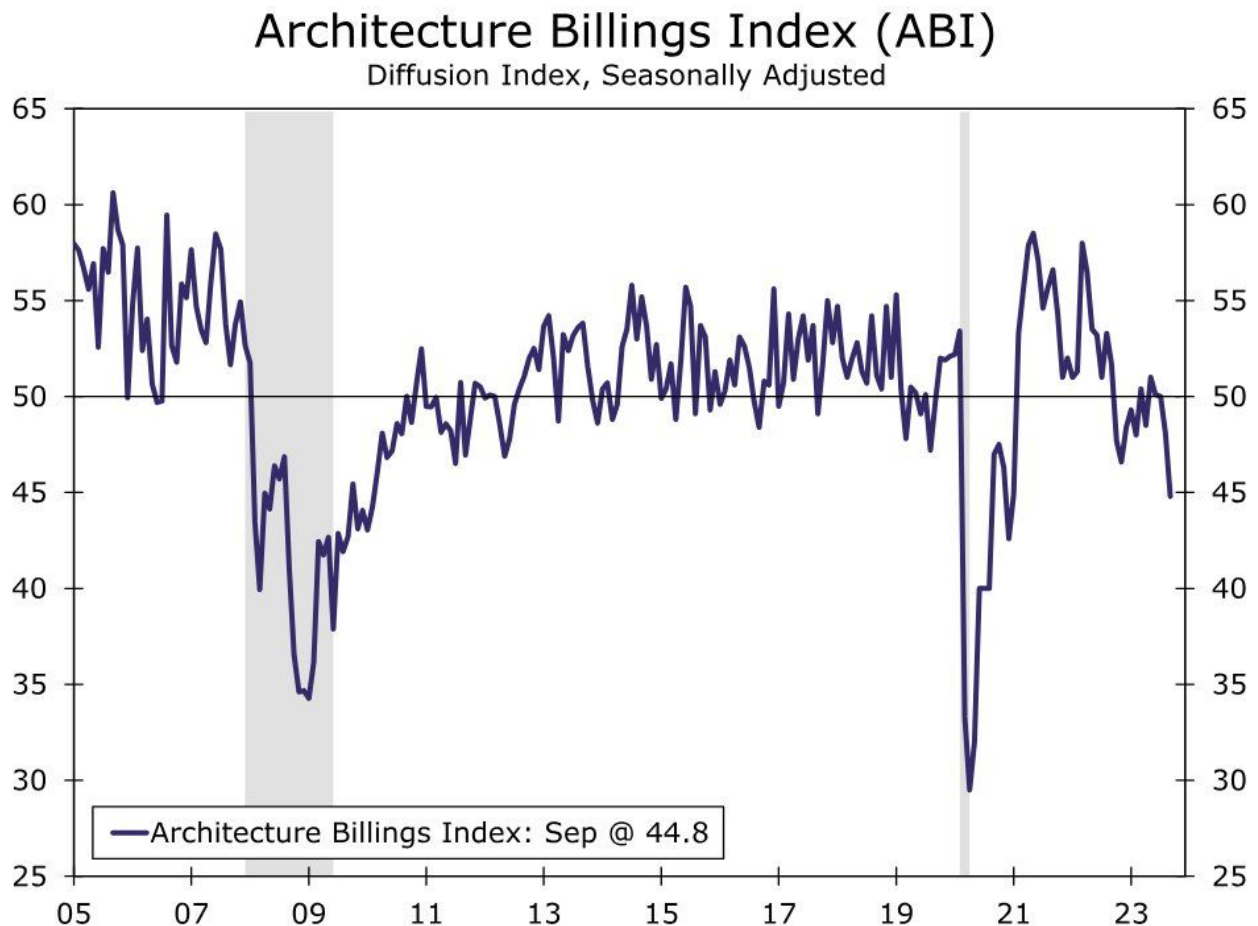
Architecture Billing Index Points To Slowing Construction Market

The first graph below shows the Architecture Billings Index. This index is one of the best leading indicators for the residential and commercial construction industry. The recent reading was sharply lower, possibly indicating that higher rates are finally making new construction projects unattractive. The other reason for the slowdown might be the glut of multifamily projects slated to hit the market in the coming year. The number of current multifamily construction projects underway is at record levels. However, the number of projects just being started has slipped considerably in the last few months. We share this data in the second graph.

In February, we shared the HOPE framework developed by Michael Kantrowitz, CIO of Piper Sandler. The HOPE cycle helps us appreciate the order in which economic sectors tend to weaken before a recession. This, in turn, provides us with good leading economic indicators to follow. The H in Hope stands for housing and, more broadly, the construction industry. Per our article [Janet Yellen Should Focus On HOPE](#):

Michael's HOPE model consists of **H**ousing, **N**ew **O**rders (ISM), **C**orporate **P**rofits, and **E**mployment.

His framework acknowledges that the most interest rate-sensitive sectors are first to feel the brunt of tightening monetary policy. These sectors often serve as leading economic indicators. As interest rates dampen economic activity in interest rate-sensitive sectors, other sectors and facets of the economy begin to feel the impact of higher rates. HOPE illustrates the various lags or the time it takes for rate hikes to affect economic activity fully.



Tweet of the Day



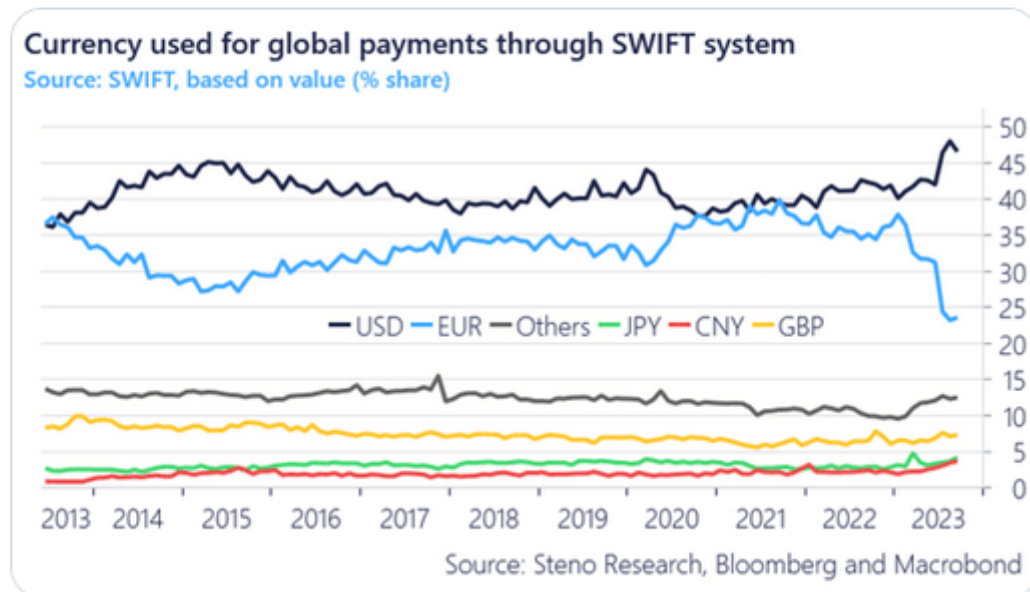
AndreasStenoLarsen  @AndreasSteno · Oct 29

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Why aren't we talking about de-EURization instead of de-dollarization?

SWIFT data is pretty telling below!

1/2



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