

4.20% and 4.80% gains from Microsoft and Google, respectively, were not enough to offset a late-day market sell-off. Despite their significant gains and 10% contribution to the S&P 500, the market ended lower by half a percent. Bond yields fell sharply with the 30-year UST bond leading the way, down ten basis points. Economic data continues to show signs of weakening, yet the Fed is on the precipice of tapering QE. Might the bond market be warning us of a mistake in the making by the Fed?



[dmc]

What To Watch Today

Economy

- 8:30 a.m. ET: [Initial jobless claims](#), week ended Oct. 23 (288,000 expected, 290,000 during prior week)
- 8:30 a.m. ET: [Continuing claims](#), week ended Oct. 16 (2.420 million expected, 2.481 million during prior week)
- 8:30 a.m. ET: [GDP annualized](#), quarter-over-quarter, Q3 first estimate annualized (2.6% expected, 6.7% in Q2)
- 8:30 a.m. ET: **Personal consumption (PCE)**, Q3 first estimate (0.9% expected, 12.0% in Q2)
- 8:30 a.m. ET: **Core PCE**, quarter-over-quarter, Q3 first estimate (4.5% expected, 6.1% in Q2)
- 10:00 a.m. ET: **Pending home sales**, September (0.5% expected, 8.1% in August)

- 11:00 a.m. ET: **Kansas City Fed Manufacturing Activity Index**, October (20 expected, 22 in September)

Earnings Pre-Market

- 6:00 a.m. ET: **Stanley Black & Decker** ([SWK](#)) to report adjusted earnings of \$2.48 per share on revenue of \$4.25 billion
- 6:30 a.m. ET: **Merck** ([MRK](#)) to report adjusted earnings of \$1.55 per share on revenue of \$12.32 billion
- 6:30 a.m. ET: **Caterpillar** ([CAT](#)) to report adjusted earnings of \$2.20 per share on revenue of \$11.84 billion
- 6:30 a.m. ET: **Nielsen Holdings** ([NLSN](#)) to report adjusted earnings of 36 cents per share on revenue of \$871.13 million
- 6:45 a.m. ET: **The Hershey Co.** ([HSY](#)) to report adjusted earnings of \$2.01 per share on revenue of \$2.33 billion
- 7:00 a.m. ET: **Yum! Brands** ([YUM](#)) to report adjusted earnings of \$1.09 per share on revenue of \$1.59 billion
- 7:00 a.m. ET: **Comcast** ([CMCSA](#)) to report adjusted earnings of 75 cents per share on revenue of \$29.77 billion
- 7:00 a.m. ET: **Moody's Corp.** ([MCO](#)) to report adjusted earnings of \$2.55 per share on revenue of \$1.46 billion
- 7:00 a.m. ET: **Molson Coors** ([TAP](#)) to report adjusted earnings of \$2.55 per share on revenue of \$1.46 billion
- 7:00 a.m. ET: **Altria Group** ([MO](#)) to report adjusted earnings of \$1.26 per share on revenue of \$5.72 billion
- 8:00 a.m. ET: **Mastercard** ([MA](#)) to report adjusted earnings of \$2.18 per share on revenue of \$4.95 billion

Earnings Post-market

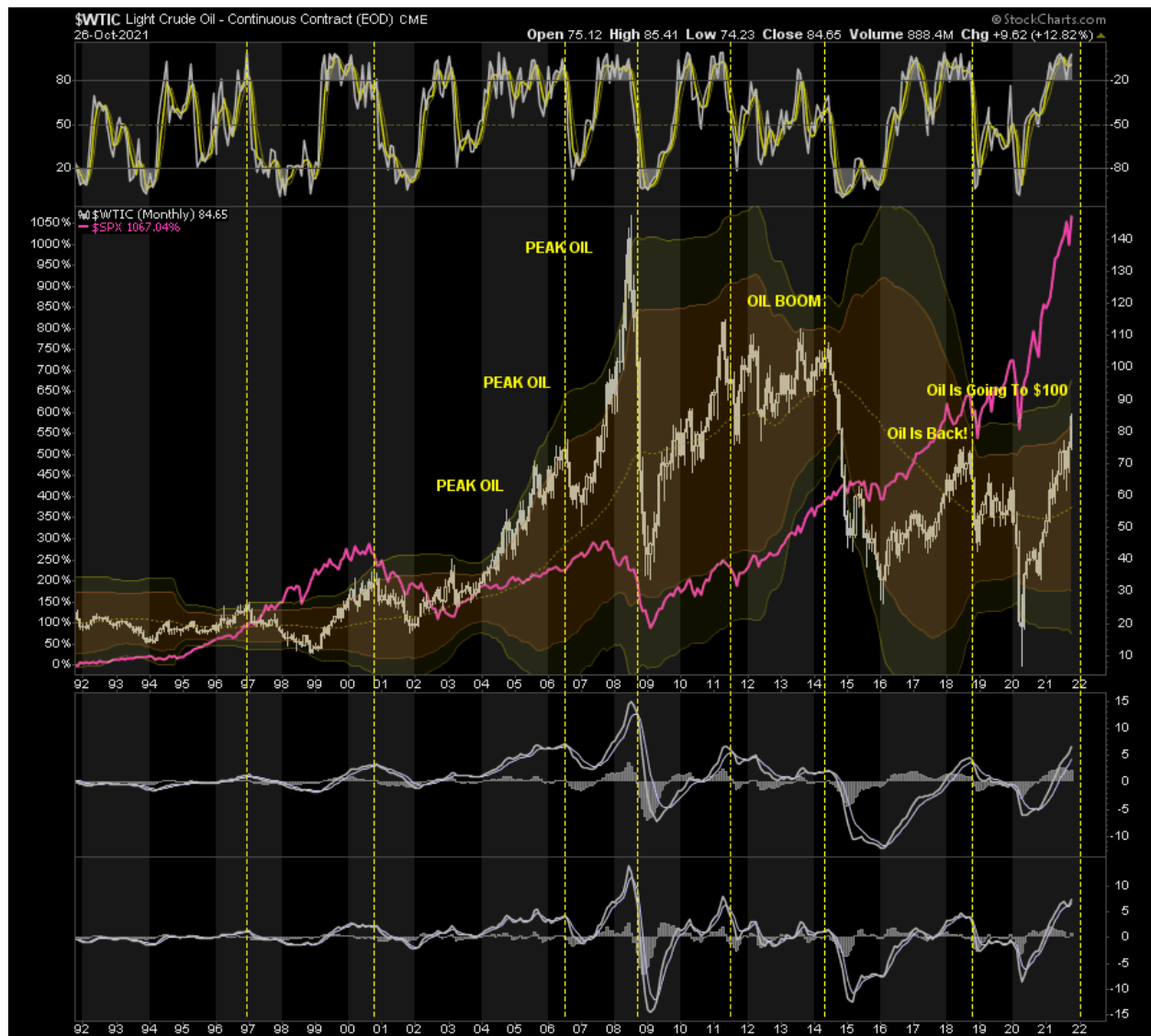
- 4:00 p.m. ET: **Amazon** ([AMZN](#)) to report adjusted earnings of \$13.24 per share on revenue of \$111.81 billion
- 4:00 p.m. ET: **Western Digital Corp.** ([WDC](#)) to report adjusted earnings of \$2.46 per share on revenue of \$5.06 billion
- 4:05 p.m. ET: **Starbucks** ([SBUX](#)) to report adjusted earnings of 99 cents per share on revenue of \$8.20 billion
- 4:00 p.m. ET: **Gilead Sciences** ([GILD](#)) to report adjusted earnings of \$1.77 per share on revenue of \$6.27 billion
- 4:30 p.m. ET: **Apple** ([AAPL](#)) to report adjusted earnings of \$1.24 per share on revenue of \$84.69 billion

Courtesy of Yahoo

Taking Profits In Energy

The energy trade has gotten way ahead of itself currently. From a technical perspective, oil is now trading back at the same levels that preceded each of the last several major corrections. What will trigger that correction is unclear? However, it is worth noting there is a fairly high correlation to economic growth, which is weakening rapidly, and stock prices.

Based on that information, we took profits in our energy holdings yesterday and reduced positions back to target model weights.



Tweet Of The Day

<https://twitter.com/LanceRoberts/status/1453322560158978048?s=20>

Ford (F) Earnings

Ford crushed earnings after the bell and the shares are up 10% this morning premarket.

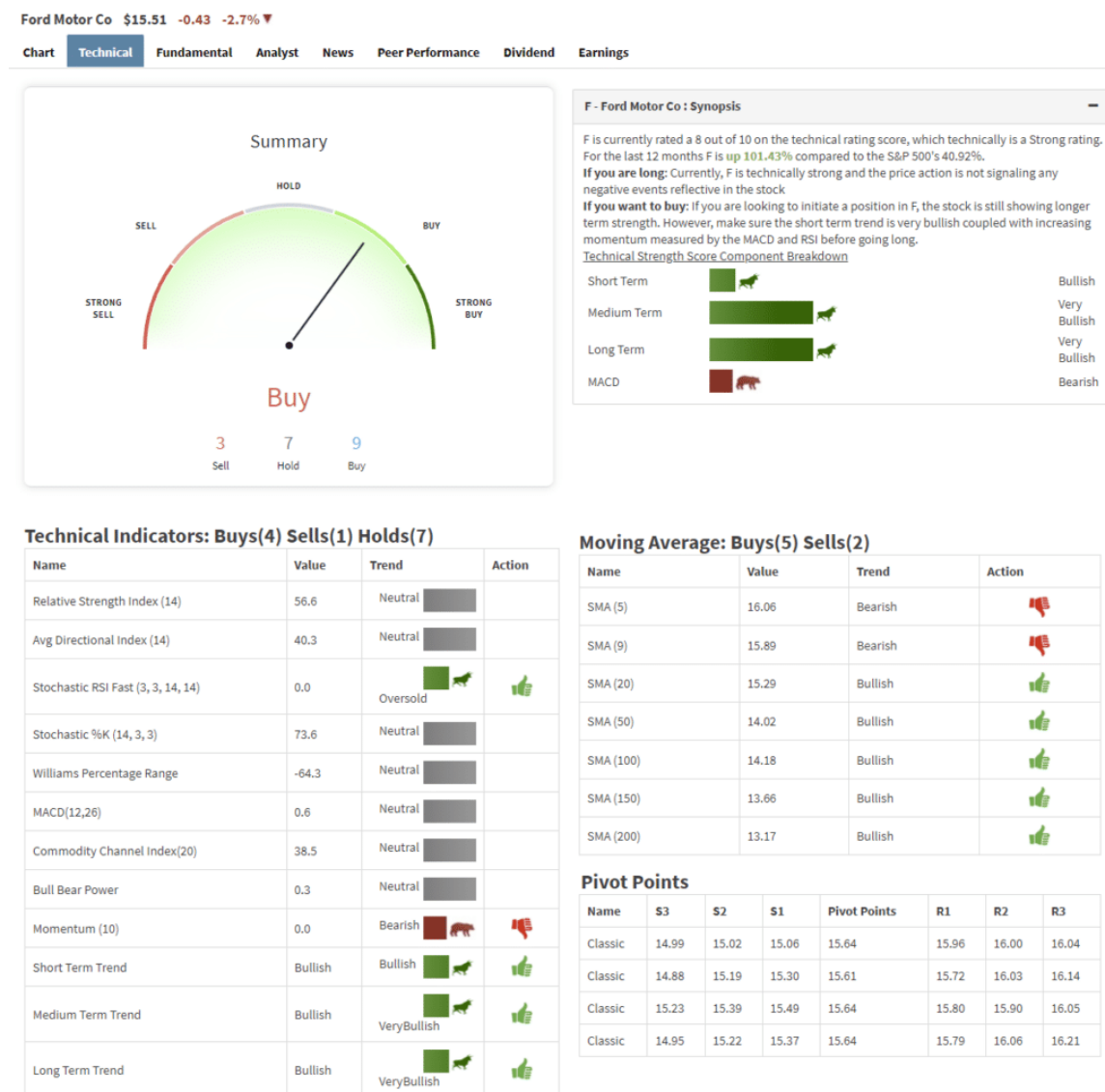
early doubled Wall Street's earnings expectations and slightly beat revenue projections for the third quarter, leading the automaker to increase its annual guidance for the second time this year.

Here's how Ford performed versus what Wall Street expected based on average analyst estimates compiled by Refinitiv.

- **Adjusted EPS:** 51 cents per share adjusted vs. 27 cents per share expected
- **Automotive revenue:** \$33.21 billion vs. \$32.54 billion expected

Importantly, one of the main reasons for our purchases initially, was the company would reinstate their dividend this year. That expectation became reality as Ford said the fourth-quarter dividend of

10 cents per share on outstanding common and Class B stock will be paid on Dec. 1 to shareholders at the close of business on Nov. 19. **We hold a 2.5% position in the Equity Model.**



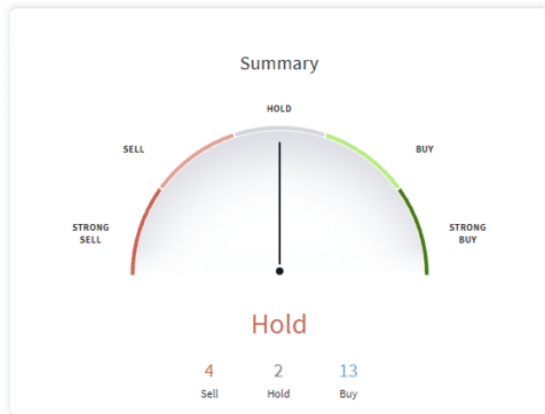
Visa (V) Earnings

V reported its fiscal fourth-quarter earnings yesterday after the close. GAAP EPS of \$1.65 easily beat the consensus of \$1.55. Revenue of \$6.56B (+28.6% YoY) came in slightly above the consensus of \$6.51B. Payments volume growth also topped estimates, coming in at +17% YoY versus expectations of +15% YoY. Cross-border payments volume rose +38% YoY versus expectations of +31.7% YoY; **however, management's outlook is not as rosy.**

The CFO [noted](#) that revenue growth significantly depends on the pace of cross-border travel recovery, and V does not expect cross-border travel to reach 2019 levels until mid-2023. The outlook is weighing on performance as the stock closed down 6.92% in yesterday's trading. **We hold a 1% position in the Equity Model.**

Visa Inc \$215.77 -16.05 -6.92% ▼

Chart **Technical** Fundamental Analyst News Peer Performance Dividend Earnings



AMD - Advanced Micro Devices Inc : Synopsis

V is currently rated a 5 out of 10 on the technical rating score, which technically is a Moderately Strong rating. For the last 12 months V is up 23.78% compared to the S&P 500's 36.59%.

If you are long: Currently, V is not showing any evidence of the overall trend weakening or significantly increasing at the current level.

If you want to buy: If you are looking to initiate a position in V, look for an increase in the trend score couple with increasing momentum measured by the MACD and RSI before going long.

Technical Strength Score Component Breakdown

Component	Score	Rating
Short Term	5	Very Bullish
Medium Term	5	Very Bullish
Long Term	5	Very Bullish
MACD	5	Very Bullish

Technical Indicators: Buys(6) Sells(4) Holds(2)

Name	Value	Trend	Action
Relative Strength Index (14)	58.1	Neutral	
Avg Directional Index (14)	15.7	Oversold	👍
Stochastic RSI Fast (3, 3, 14, 14)	100.0	Overbought	👎
Stochastic %K (14, 3, 3)	84.2	Overbought	👎
Williams Percentage Range	-6.0	Overbought	👎
MACD(12,26)	1.2	Bullish	👍
Commodity Channel Index(20)	133.7	Overbought	👎
Bull Bear Power	5.1	Neutral	
Momentum (10)	8.8	Bullish	👍
Short Term Trend	VeryBullish	VeryBullish	👍
Medium Term Trend	VeryBullish	Bullish	👍
Long Term Trend	VeryBullish	Bullish	👍

Moving Average: Buys(7) Sells(0)

Name	Value	Trend	Action
SMA (5)	232.06	Bullish	👍
SMA (9)	229.95	Bullish	👍
SMA (20)	228.03	Bullish	👍
SMA (50)	228.13	Bullish	👍
SMA (100)	233.14	Bullish	👍
SMA (150)	230.14	Bullish	👍
SMA (200)	224.91	Bullish	👍

Pivot Points

Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	230.68	230.90	231.11	233.68	236.65	236.86	237.08
Classic	230.04	231.17	232.60	233.73	235.16	236.29	237.72
Classic	232.70	233.07	233.31	233.68	234.05	234.29	234.66
Classic	229.94	231.12	232.50	233.68	235.06	236.24	237.62

Advanced Micro Devices (AMD) Earnings

AMD reported third-quarter earnings yesterday after the close. GAAP EPS of \$0.75 beat the consensus of \$0.61. Revenue also came in above consensus at \$4.3B (+53.9% YoY) compared to expectations of \$4.1B. According to the CEO, the growth is being driven by server chips, with data center sales more than doubling YoY.

Guidance for Q4 revenue was set to \$4.4B-\$4.6B, which blows analyst forecasts out of the water. As a result, management increased guidance for FY21 revenue growth to 65% from 60%. The stock is up 1.2% in mid-day trading. **We hold a 2% position in the Equity Model.**



AMD - Advanced Micro Devices Inc : Synopsis

V is currently rated a 5 out of 10 on the technical rating score, which technically is a Moderately Strong rating. For the last 12 months V is up 23.78% compared to the S&P 500's 36.59%.
If you are long: Currently, V is not showing any evidence of the overall trend weakening or significantly increasing at the current level.
If you want to buy: If you are looking to initiate a position in V, look for an increase in the trend score couple with increasing momentum measured by the MACD and RSI before going long.

Technical Strength Score Component Breakdown

Short Term	<div></div>	Very Bullish
Medium Term	<div></div>	Very Bullish
Long Term	<div></div>	Very Bullish
MACD	<div></div>	Very Bullish

Technical Indicators: Buys(5) Sells(4) Holds(3)

Name	Value	Trend	Action
Relative Strength Index (14)	76.7	Neutral	
Avg Directional Index (14)	31.8	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	100.0	Overbought	
Stochastic %K (14, 3, 3)	94.2	Overbought	
Williams Percentage Range	-4.8	Overbought	
MACD(12,26)	4.0	Bullish	
Commodity Channel Index(20)	140.2	Overbought	
Bull Bear Power	9.3	Neutral	
Momentum (10)	17.7	Bullish	
Short Term Trend	VeryBullish	VeryBullish	
Medium Term Trend	VeryBullish	VeryBullish	
Long Term Trend	VeryBullish	VeryBullish	

Moving Average: Buys(7) Sells(0)

Name	Value	Trend	Action
SMA (5)	118.85	Bullish	
SMA (9)	115.99	Bullish	
SMA (20)	108.91	Bullish	
SMA (50)	107.63	Bullish	
SMA (100)	100.06	Bullish	
SMA (150)	93.13	Bullish	
SMA (200)	91.47	Bullish	

Pivot Points

Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	116.29	116.69	117.10	121.47	127.62	128.03	128.44
Classic	115.07	116.84	119.93	121.70	124.79	126.55	129.65
Classic	120.37	120.79	121.05	121.47	121.89	122.15	122.57
Classic	114.63	116.61	119.49	121.47	124.35	126.33	129.21

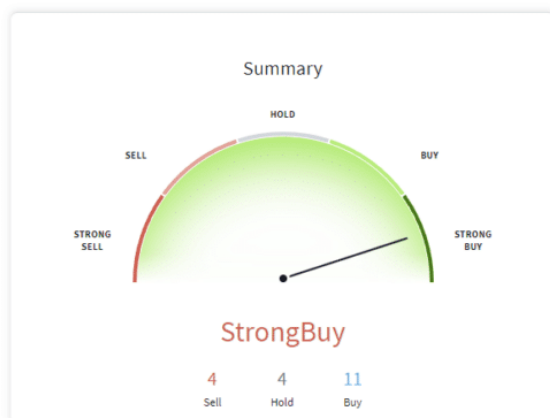
Microsoft (MSFT) Earnings

MSFT reported its fiscal first-quarter earnings yesterday after the close. GAAP EPS was \$2.71, which beat the consensus of \$2.07. Revenue also came in above consensus, at \$45.3B (+21.8% YoY) versus an expected \$44B. The beat was driven by a 50% YoY increase in Azure and other cloud revenue.

Management offered guidance for Q2 revenue above the consensus at \$50.15B-\$51.05B versus estimates of \$48.92B. The stock is traded 4.3% higher following the results. **We hold a 2.5% position in the Equity Model.**

Microsoft Corp \$323.17 13.06 4.21% ▲

Chart Technical Fundamental Analyst News Peer Performance Dividend Earnings



MSFT - Microsoft Corp : Synopsis

MSFT is currently rated a 9 out of 10 on the technical rating score, which technically is a Strong rating. For the last 12 months MSFT is up 45.82% compared to the S&P 500's 36.59%.

If you are long: Currently, MSFT is technically very strong and is not showing evidence of the overall trend weakening.

If you want to buy: If you are looking to initiate a position in MSFT, the stock is still showing longer term strength. However, make sure the short term trend is very bullish coupled with increasing momentum measured by the MACD and RSI before going long.

Technical Strength Score Component Breakdown

Short Term		Bullish
Medium Term		Bullish
Long Term		Very Bullish
MACD		Very Bullish

Technical Indicators: Buys(5) Sells(3) Holds(4)

Name	Value	Trend	Action
Relative Strength Index (14)	62.6	Neutral	
Avg Directional Index (14)	24.6	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	0.0	Oversold	
Stochastic %K (14, 3, 3)	94.7	Overbought	
Williams Percentage Range	-11.6	Overbought	
MACD(12,26)	4.1	Bullish	
Commodity Channel Index(20)	94.5	Neutral	
Bull Bear Power	5.9	Neutral	
Momentum (10)	13.9	Bearish	
Short Term Trend	VeryBullish	VeryBullish	
Medium Term Trend	VeryBullish	VeryBullish	
Long Term Trend	VeryBullish	VeryBullish	

Moving Average: Buys(6) Sells(1)

Name	Value	Trend	Action
SMA (5)	308.74	Bearish	
SMA (9)	306.03	Bullish	
SMA (20)	296.73	Bullish	
SMA (50)	297.76	Bullish	
SMA (100)	285.24	Bullish	
SMA (150)	272.80	Bullish	
SMA (200)	262.41	Bullish	

Pivot Points

Name	\$3	\$2	\$1	Pivot Points	R1	R2	R3
Classic	304.48	304.73	304.97	307.99	311.29	311.53	311.78
Classic	303.75	305.10	306.67	308.03	309.59	310.95	312.51
Classic	306.74	307.22	307.51	307.99	308.47	308.76	309.24
Classic	303.68	305.07	306.60	307.99	309.52	310.91	312.44

Google (GOOG) Earnings

GOOG reported third-quarter earnings yesterday after the close. GAAP EPS of \$27.99 topped the consensus of \$23.32. Revenue of \$65.1B (+41% YoY) also beat estimates of \$63.2B thanks to impressive advertising revenues. This was GOOG's largest quarterly revenue gain in 14 years, and the growth led to an operating margin increase of 8%.

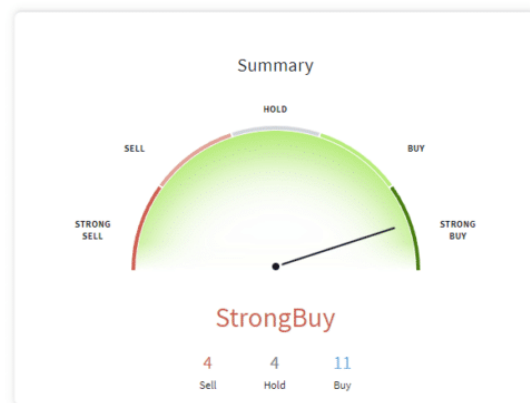
Management included a caveat with the impressive results, [noting](#):

?Given the gradual recovery in results through the back half of 2020, the benefit from lapping prior year performance diminished in Q3 versus Q2 and will diminish further in Q4?.

The market's reaction to the release was very bullish with the stock up 4.8% on the day. **We hold a 2.5% position in the Equity Model.**

Alphabet \$2928.55 135.11 4.84%▲

Chart Technical Fundamental Analyst News Peer Performance Dividend Earnings



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Technical Strength Score Component Breakdown

Short Term		Bullish
Medium Term		Bullish
Long Term		Very Bullish
MACD		Very Bullish

Technical Indicators: Buys(5) Sells(3) Holds(4)

Name	Value	Trend	Action
Relative Strength Index (14)	62.6	Neutral	
Avg Directional Index (14)	24.6	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	0.0	Oversold	
Stochastic %K (14, 3, 3)	94.7	Overbought	
Williams Percentage Range	-11.6	Overbought	
MACD(12,26)	4.1	Bullish	
Commodity Channel Index(20)	94.5	Neutral	
Bull Bear Power	5.9	Neutral	
Momentum (10)	13.9	Bearish	
Short Term Trend	VeryBullish	VeryBullish	
Medium Term Trend	VeryBullish	VeryBullish	
Long Term Trend	VeryBullish	VeryBullish	

Moving Average: Buys(6) Sells(1)

Name	Value	Trend	Action
SMA (5)	308.74	Bearish	
SMA (9)	306.03	Bullish	
SMA (20)	296.73	Bullish	
SMA (50)	297.76	Bullish	
SMA (100)	285.24	Bullish	
SMA (150)	272.80	Bullish	
SMA (200)	262.41	Bullish	

Pivot Points

Name	\$3	\$2	\$1	Pivot Points	R1	R2	R3
Classic	304.48	304.73	304.97	307.99	311.29	311.53	311.78
Classic	303.75	305.10	306.67	308.03	309.59	310.95	312.51
Classic	306.74	307.22	307.51	307.99	308.47	308.76	309.24
Classic	303.68	305.07	306.60	307.99	309.52	310.91	312.44

The Yield Curve is Flattening

The table below shows the mid-day change in U.S. Treasury yields. Note the distinct flattening of the yield curve as short-term yields rise while long-term yields fall. For instance, 30-year bonds are down nearly 7 bps, while the 3-year note is up 3.5bps. Bond traders are pricing in future Fed rate hikes, while at the same time understanding that tapering QE and rate hikes will slow growth and inflation, to the benefit of longer maturity bonds. The 20/30 year curve will most likely be the first part of the curve to invert. The yield difference between those two maturities is only 1.7bps.

US 2-YR	0.509	+0.025 ▲
US 3-YR	0.799	+0.035 ▲
US 5-YR	1.188	+0.007 ▲
US 7-YR	1.438	-0.021 ▼
US 10-YR	1.573	-0.045 ▼
US 20-YR	1.966	-0.065 ▼
US 30-YR	1.983	-0.068 ▼

Labor Market Tightness

Per Goldman Sachs: The Conference Board's labor differential ? the ?difference between the percent of respondents saying jobs are plentiful and those saying jobs are hard to get? increased

by 1.5pt to 45.0, the highest level since 2000.?

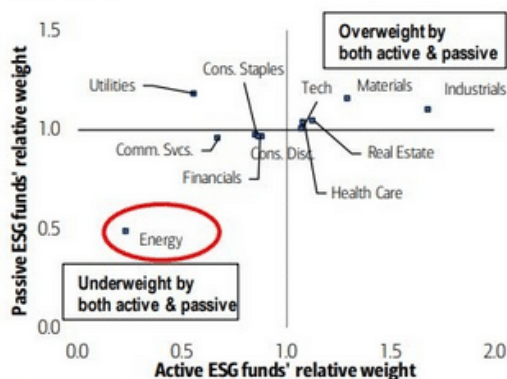
This data provides even more evidence there are more job openings than those looking for jobs. Again, another sign of a healthy labor market. A shortage of candidates provides employees leverage to demand higher wages. This doesn't bode well for the profit margins of companies that rely on large labor forces.

XLE is Neglected

The commentary and graphs below show that both ESG investors and traditional investors are underweighting the energy sector. Since January, XLE (energy) is up 58%, almost triple the S&P 500 which is up 21%. If such outperformance continues, we suspect investors will eventually gravitate toward the energy sector and try to capture the outperformance. The graph and commentary is courtesy of Callum Thomas and @mikezaccardi

5. Energy Sector Allocations: On energy stocks, ESG investors are understandably underweight energy (given carbon intensity, environmental impact of Oil/Gas/Coal), but so too are traditional active managers. The (traditional/fossil fuel) energy sector is all out of love!

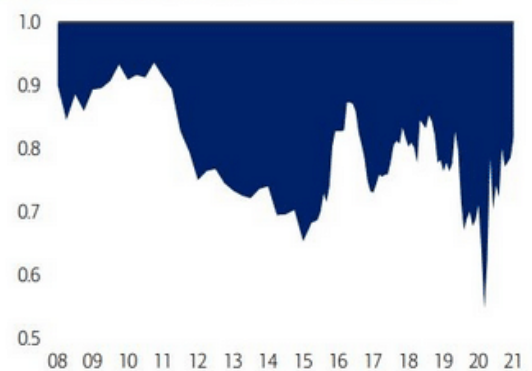
Exhibit 9: ESG funds (both active and passive) are underweight the Energy sector in the US
Active vs. Passive US ESG funds' sector positioning relative to the S&P500 weight (8/2021)



Source: BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Exhibit 10: Traditional active funds are also underweight Energy
Active funds' relative weight in Energy vs. the S&P 500 (9/21)



Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH