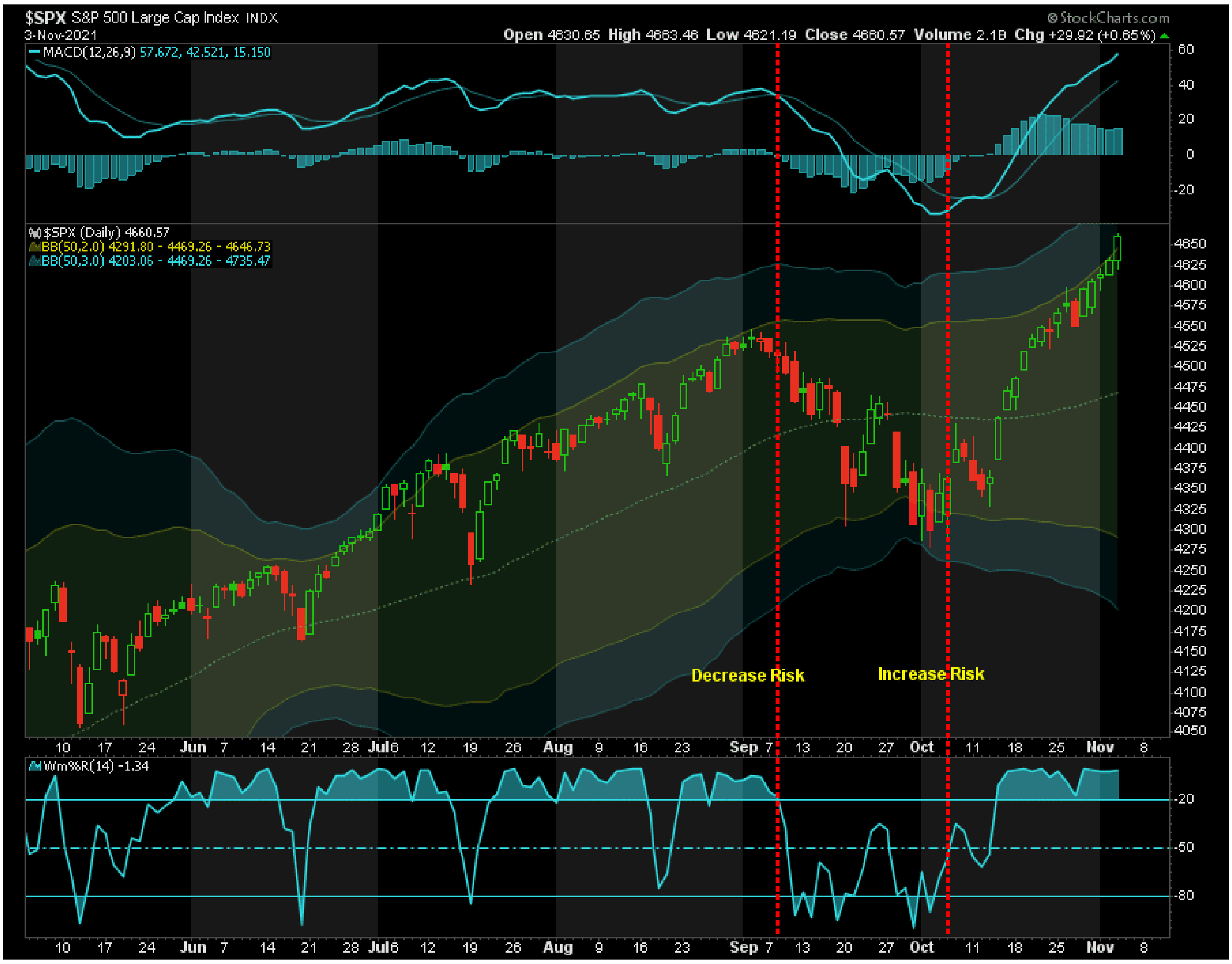
Fed Chairman Jerome Powell makes it clear there are no interest rate hikes in sight. "*The level of inflation we have right now is not at all consistent with price stability*." As he states, inflation is a problem, but he seems willing to ignore it to nurse the employment market back to full health. On the rather dovish outlook, stocks extended their recent rally into more extreme overbought territory. Stocks are now pushing more than 2-standard deviations above the 50-dma.



With all of our signals extended and overbought, we continue our process of raising cash, hedging risk, and rebalancing portfolios to models.

[dmc]

What To Watch Today

Economy

- 7:30 a.m. ET: **Challenger job cuts,** year-over-year, October (-84.9% in September)
- 8:30 a.m. ET: **Initial jobless claims,** week ended Oct. 30 (275,000 expected, 281,000 during prior week)

- 8:30 a.m. ET: **Continuing claims,** week ended Oct. 23 (2.150 million expected, 2.243 million during prior week)
- 8:30 a.m. ET: **Non-farm productivity,** Q3 preliminary (-3.1% expected, 2.1% in Q2)
- 8:30 a.m. ET: **Unit Labor Costs,** Q3 preliminary (7.0% expected, 1.3% in Q2)
- 8:30 a.m. ET: **Trade balance,** September (-$80.2 billion expected, -$73.3 billion in August)

Earnings

Pre-market

- 6:00 a.m. ET: **Cigna (CI)** to report adjusted earnings of $5.23 on revenue of $42.90 billion
- 6:00 a.m. ET: **Hanesbrands (HBI)** to report adjusted earnings of 47 cents on revenue of $1.80 billion
- 6:30 a.m. ET: **Regeneron Pharmaceuticals (REGN)** to report adjusted earnings of $9.85 on revenue of $2.82 billion
- 6:30 a.m. ET: **Moderna (MRNA)** to report adjusted earnings of $9.07 on revenue of $6.32 billion.
- 7:00 a.m. ET: **Wayfair (W)** to report adjusted earnings of 0.1 cents on revenue of $3.24 billion
- 7:00 a.m. ET: **Duke Energy (DUK)** to report adjusted earnings of $1.79 on revenue of $7.24 billion
- 7:05 a.m. ET: **Citrix Systems (CTXS)** to report adjusted earnings of 89 cents on revenue of $772.63 million
- 7:10 a.m. ET: **ViacomCBS (VIAC)** to report adjusted earnings of 76 cents on revenue of $6.55 billion
- 7:30 a.m. ET: **Vulcan Material (VMC)** to report adjusted earnings of $1.62 on revenue of $1.51 billion
- 8:00 a.m. ET: **Kellogg (K)** to report adjusted earnings of 94 cents on revenue of $3.54 billion
- 8:50 a.m. ET: **Nikola (NKLA)** to report adjusted losses of 26 cents on revenue of $10.00 million
- *Before the open:* **Planet Fitness (PLNT)** to report adjusted earnings of 18 cents on revenue of $136.21 million

Post-market

- 4:00 p.m. ET: **Airbnb (ABNB)** to report adjusted earnings of 77 cents on revenue of $2.07 billion
- 4:00 p.m. ET: **Dropbox (DBX)** to report adjusted earnings of 35 centson revenue of $544.75 million
- 4:00 p.m. ET: **Skyworks Solutions (SWKS)** to report adjusted earnings of $2.55 on revenue of $1.30 billion
- 4:00 p.m. ET: **Expedia (EXPE)** to report adjusted earnings of $1.63 on revenue of $2.73 billion
- 4:05 p.m. ET: **Rocket Cos. (RKT)** to report adjusted earnings of 48 cents on revenue of $2.91 billion
- 4:05 p.m. ET: **Uber Technologies (UBER)** to report adjusted losses of 26 cents on revenue of $4.40 billion
- 4:05 p.m. ET: **iHeartMedia (IHRT)** to report adjusted earnings of 8 cents on revenue of $914.38 million
- 4:05 p.m ET: **Shake Shack (SHAK)** to report adjusted losses of 6 cents on revenue of $197.58 million

- 4:05 p.m. ET: **Peloton (PTON)** to report adjusted losses of $1.07 per share of $808.93 million
- 4:05 p.m. ET: **Novavax (NVAX)** to report adjusted losses of $3.91 per share of $334.67 million
- 4:05 p.m. ET: **Pinterest (PINS)** to report adjusted earnings of 22 cents per share of $632.80 million
- 4:05 p.m. ET: **Live Nation Entertainment (LYV)** to report adjusted losses of 10 cents on revenue of $2.12 billion
- 4:10 p.m. ET: **IAC Interactive Corp. (IAC)** to report adjusted losses of 38 cents on revenue of $866.53 million
- 4:15 p.m. ET: **Cloudflare (NET)** to report adjusted losses of 4 cents per share of $165.73 million
- 4:15 p.m. ET: **Occidental Petroleum (OXY)** to report adjusted earnings of 67 cents on revenue of $6.61 billion
- 4:15 p.m. ET: **American International Group (AIG)** to report adjusted earnings of 91 cents on revenue of $12.86 billion
- *After market close:* **Square (SQ)** is expected to report adjusted earnings of 38 cents on revenue of $4.51 billion

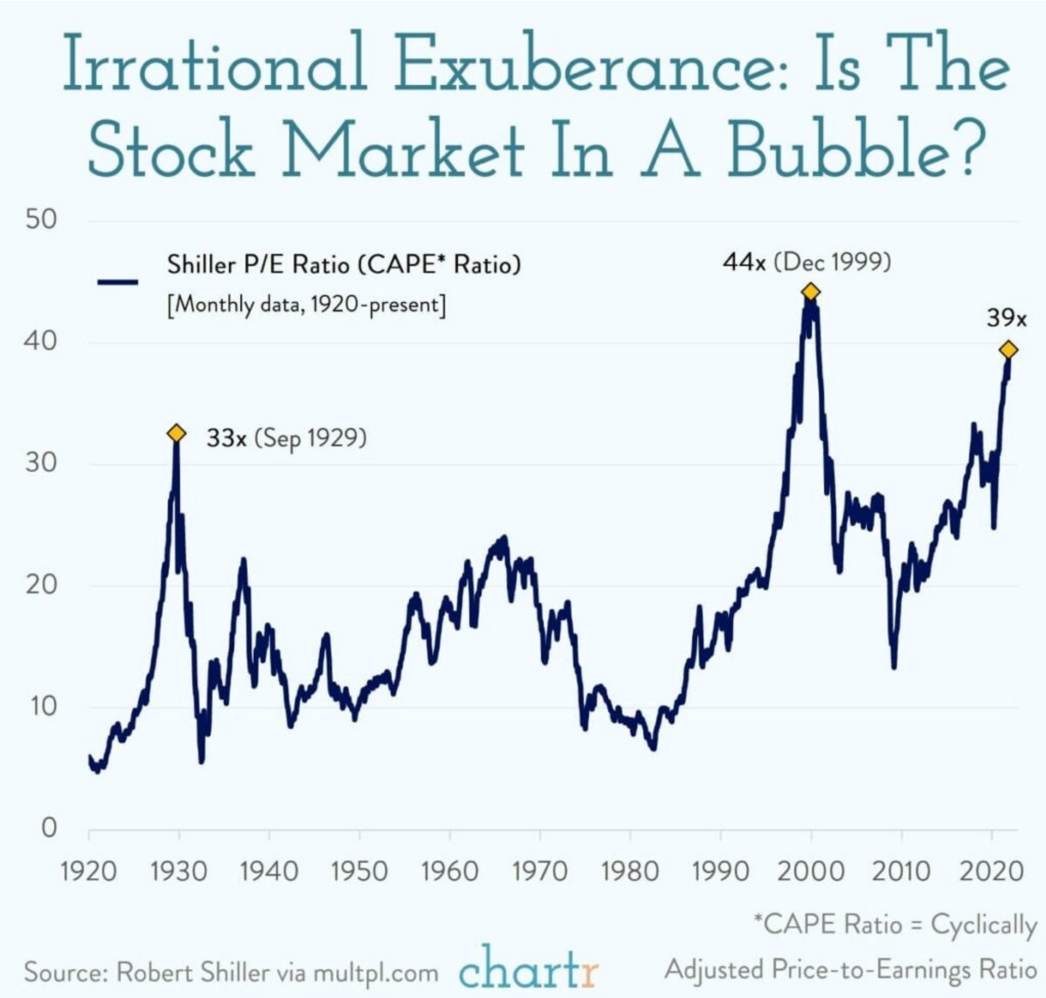
Signs Of Exuberance

Chartr.com had an excellent note out yesterday:

> "*Every week it feels like we get a new headline about financial markets doing something unusual. Just this week we've had:*"

- *A "squid game" crypto token falling 99.99% in a few minutes.*
- *Tesla adding hundreds of billions of dollars in value over a deal with Hertz that hasn't even been signed.*
- *US stock markets hitting fresh all-time-highs.*

> *"All of which begs the question: are we in a bubble?"*



"Answering that question is a bit like answering how long is a piece of string. Just limiting the question to US stock markets helps to narrow the focus, as does getting some help from Nobel laureate ***Robert Shiller****.*

*Shiller is the creator of the Cyclically-Adjusted Price-to-Earnings Ratio (****CAPE****).*

A ***simple*** *price-to-earnings ratio compares how much one share costs with how much it earns. A share that costs $100, and earns $5 a year, has a P/E of 20x. It's a rough but simple way to compare valuations between different companies, or history.*

Shiller took that simple metric and... made it more complicated (but also probably better). Instead of just looking at one year of earnings, Shiller compares the price with the average from the last 10 years (adjusted for inflation). Doing that helps to smooth things out, as any company can have one good or bad year.

Lucky for us, Shiller has been calculating this CAPE ratio for the US stock market as a whole, for decades and decades.

So where are we now?

The latest ***CAPE ratio for the S&P 500 Index is 38x****. That's pretty close to the all-time record, which was* ***44x*** *back in 2000. For those with a short memory, that was just before the dotcom bubble burst and markets (particularly tech) crashed hard."*

Jerome Powell's Press Conference

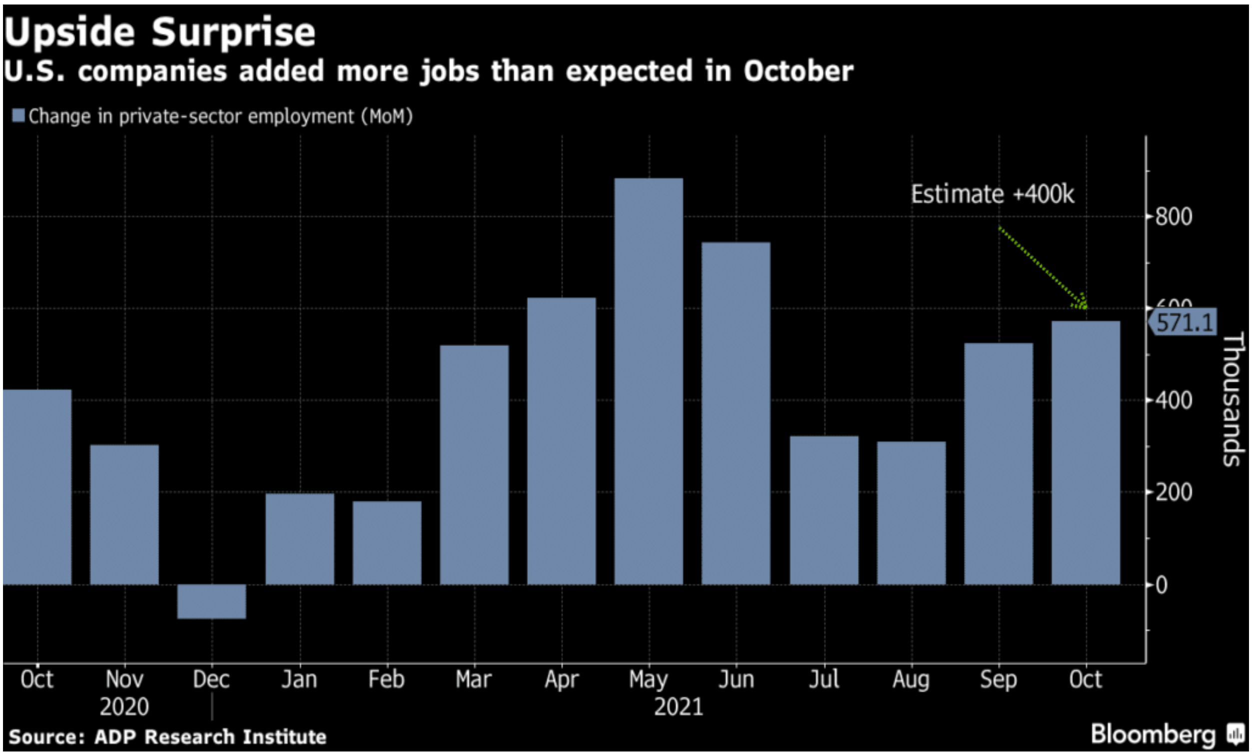
Below are some key points from Powell's press conference-

- ***POWELL: FOCUS AT MEETING WAS TAPERING, NOT RAISING RATES**
- *"Our focus is not on raising rates at this time." He essentially danced around questions regarding future rate hikes.*
- *Fed members see something different from traders but are flexible to adapt & change course if incoming data challenge their thesis*
- *"The inflation that we're seeing is really not due to tight labor markets. It's due to bottlenecks." He is pushing back on the idea that wage pressures are driving inflation.*
- *Powell acknowledges language shift around "transitory" was intentional because they're basically less sure it will be transitory*
- *"The level of inflation we have right now is not at all consistent with price stability"*

In a nutshell, the press conference was dovish. Powell stated the Fed will not increase the overnight interest rate solely due to the employment picture. He is willing to overlook high inflation and the Fed's *"price stability"* mandate to keep policy easy in hopes of meeting the *"full employment"* mandate.

ADP Jobs

Per ADP, 571k jobs were added last month, similar to the 523k added in September. While the Fed continually states that weakness in the labor is the primary reason for no Fed interest rate hike, such seems that is no longer the case.



FOMC Statement - Taper has Begun

As is widely expected, the Fed will begin to taper asset purchases this month to the tune of $15 billion a month. [LINK] to the statement. The redlined statement below shows the changes made to the last FOMC statement. Of note, in the second paragraph, they appear to be fading their transitory inflation point of view. They changed transitory factors to factors that are expected to be transitory. There were no Fed members dissenting support of the statement.

The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but the summer's rise in COVID-19 cases has slowed their recovery. Inflation is elevated, largely reflecting factors that are expected to be transitory ~~factors~~. Supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy continues to depend on the course of the virus. Progress on vaccinations ~~will likely continue to reduce the effects of the public health crisis on the economy, but risks~~and an easing of supply constraints are expected to support continued gains in economic activity and employment as well as a reduction in inflation. Risks to the economic outlook remain.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation having run persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. ~~Last~~In light of the substantial further progress the economy has made toward the Committee's goals since last December, the Committee ~~indicated that it would continue to~~decided to begin reducing the monthly pace of its net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities. Beginning later this month, the Committee will increase its holdings of Treasury securities by at least $~~80~~70 billion per month and of agency mortgage-backed securities by at least $~~40~~35 billion per month ~~until substantial further progress has been made toward its maximum employment and price stability goals. Since then, the economy has made progress toward these goals. If progress continues broadly as expected, the Committee~~ . Beginning in December, the Committee will increase its holdings of Treasury securities by at least $60 billion per month and of agency mortgage-backed securities by at least $30 billion per month. The Committee judges that ~~a moderation~~similar reductions in the pace of ~~asset purchases may soon be warranted. These~~net asset purchases ~~help~~will likely be appropriate each month, but it is prepared to adjust the pace of purchases if warranted by changes in the economic outlook. The Federal Reserve's ongoing purchases and holdings of securities will continue to foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Raphael W. Bostic; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Mary C. Daly; Charles L. Evans; Randal K. Quarles; and Christopher J. Waller.

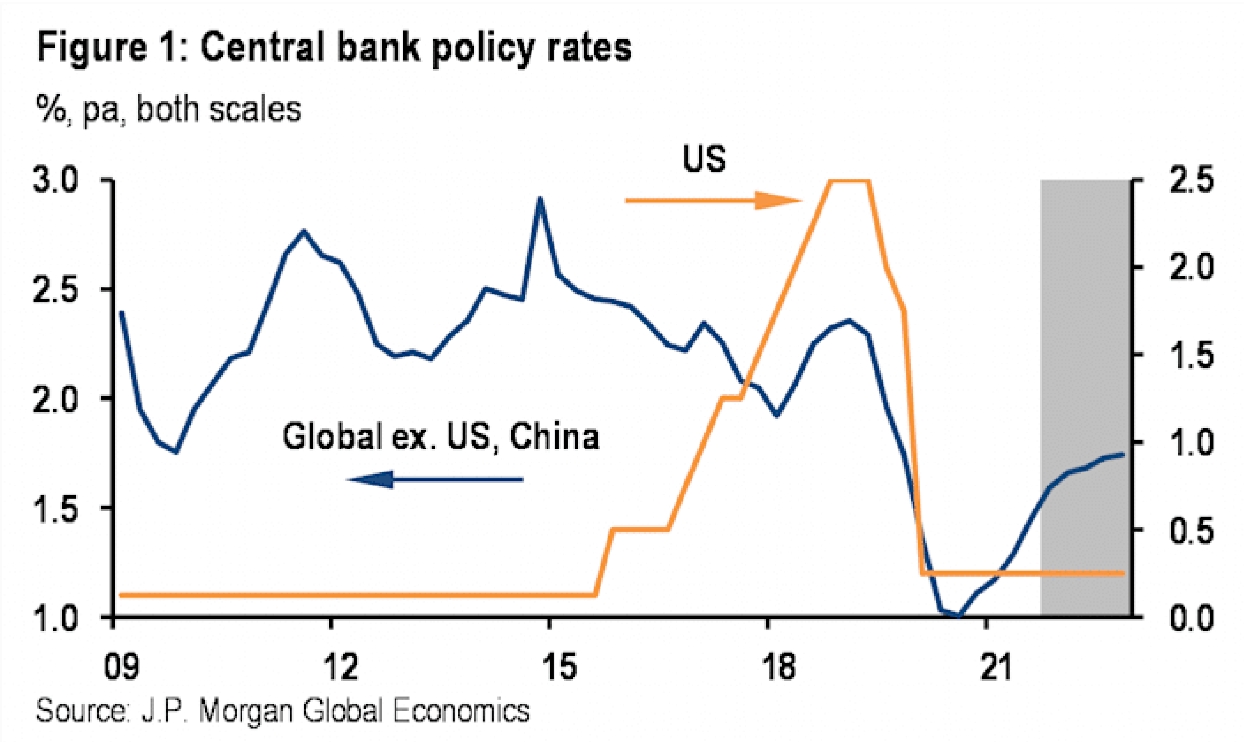
Importantly, as noted, the key driver for the markets was the lack of urgency for the Fed to hike interest rates.

Fed Doesn't Want To Hike Interest Rates

While the median forecast is for Fed to hike interest rates three to four times by 2023, a few Wall Street players are starting to suspect rising prices will eventually force the Fed?s hand. With the economy losing momentum, higher rates may cascade across a wide array of borrowing costs like bonds, credit cards and mortgages at the worst possible time.

According to Wall Street veteran Peter Boockvar,

> "*Fed Chair Jerome Powell?s remarks reiterate a desire for the Fed to remain patient as long as inflation allows but position itself to respond if price pressures surprise, especially in-light of current unique labor market dynamics. Overall, we remain comfortable with the view the first Fed interest rate hike will come at the end of next year, in 4Q. However, should stronger persistent inflation materialize and consequently a reassessment of maximum employment, then the risks are for a pull forward.? - BofA via Yahoo Finance*



> *"However, there?s a growing lack of conviction among some economists about how tolerant the Fed can afford to be about building inflationary pressures, which show little, if any, signs of moderating.*
>
> *'We suspect that delaying tightening against a backdrop of still relatively high inflation would build expectations for more hikes further down the line. We think this effect will be largest in the U.S., where we expect inflation to fall back less than many anticipate due to strong underlying inflationary pressure and the Fed?s willingness to tolerate above-target inflation.'*
>
> *So let the game of chicken begin. But who?ll emerge victorious: Bond investors, or the Fed?"*
> *Yahoo Finance*

CVS Health (CVS) Earnings

CVS reported GAAP EPS of $1.20 missed the mark versus expectations of $1.40, but adjusted EPS of $1.97 beat expectations of $1.79. Revenue of $73.8B (+10% YoY) beat the consensus of

$70.5B on the back of growth across all segments.

Leadership raised FY21 adjusted EPS guidance from the prior range of $7.70-$7.80 to $7.90-$8.00, which compares to analyst expectations of $7.79. However, they revised FY21 GAAP EPS guidance lower to $6.13-$6.23 from its prior range of $6.35-$6.45. In addition, CVS boosted FY21 revenue guidance to $286.5B-$290.3B as it noted that management expects recent strength to continue throughout the fourth quarter. The stock is up 5%, seemingly in response to the updated guidance. **We hold a 3.5% position in the Equity Model but will reduce that to 3% of the portfolio at the market open.**

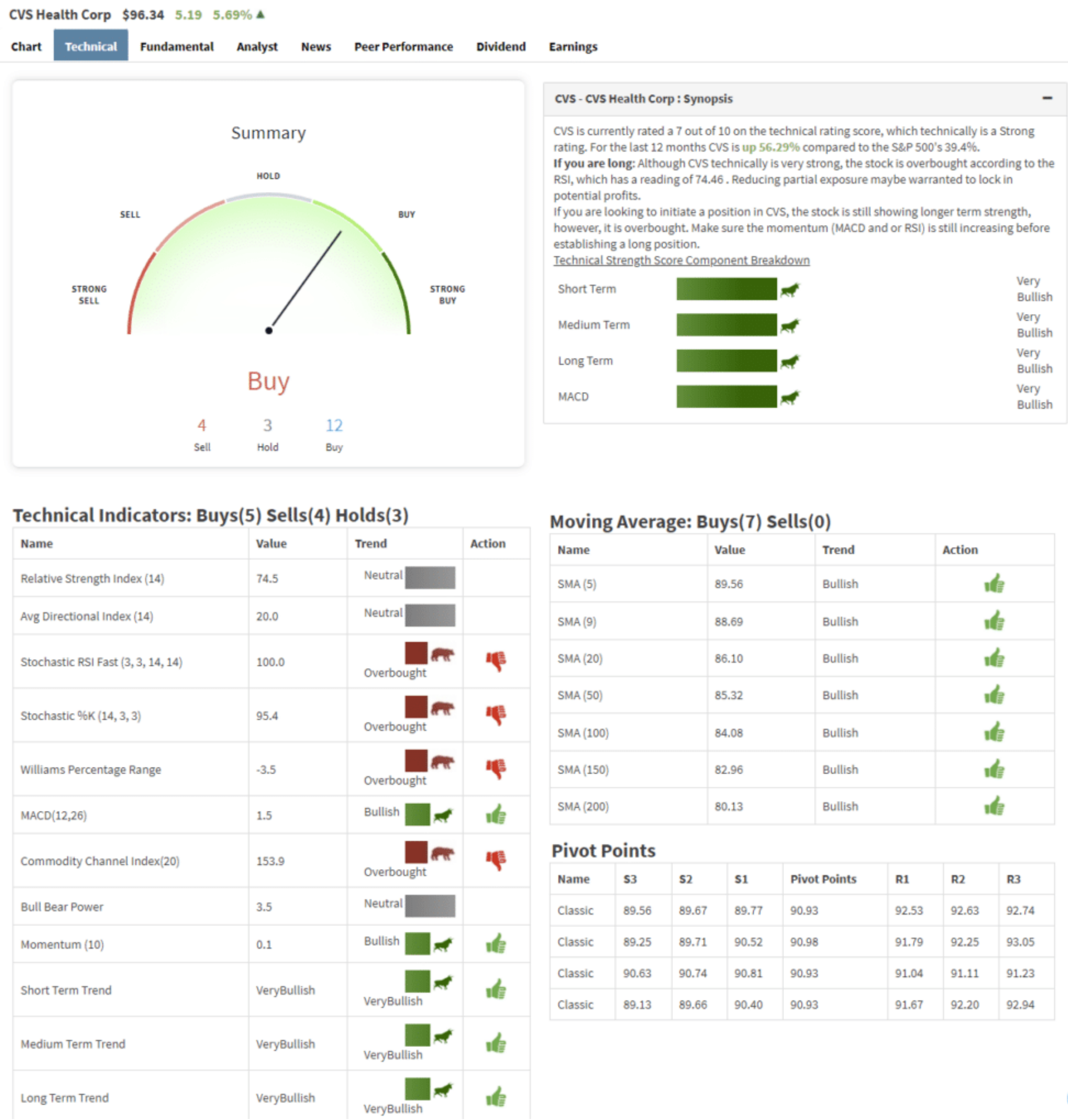

CVS Health Corp $96.34 5.19 5.69% ▲

Chart Technical Fundamental Analyst News Peer Performance Dividend Earnings

CVS - CVS Health Corp : Synopsis

CVS is currently rated a 7 out of 10 on the technical rating score, which technically is a Strong rating. For the last 12 months CVS is up 56.29% compared to the S&P 500's 39.4%.
If you are long: Although CVS technically is very strong, the stock is overbought according to the RSI, which has a reading of 74.46 . Reducing partial exposure maybe warranted to lock in potential profits.
If you are looking to initiate a position in CVS, the stock is still showing longer term strength, however, it is overbought. Make sure the momentum (MACD and or RSI) is still increasing before establishing a long position.
Technical Strength Score Component Breakdown

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

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

Name	Value	Trend	Action
Relative Strength Index (14)	74.5	Neutral	
Avg Directional Index (14)	20.0	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	100.0	Overbought	
Stochastic %K (14, 3, 3)	95.4	Overbought	
Williams Percentage Range	-3.5	Overbought	
MACD(12,26)	1.5	Bullish	
Commodity Channel Index(20)	153.9	Overbought	
Bull Bear Power	3.5	Neutral	
Momentum (10)	0.1	Bullish	
Short Term Trend	VeryBullish	VeryBullish	
Medium Term Trend	VeryBullish	VeryBullish	
Long Term Trend	VeryBullish	VeryBullish	

Moving Average: Buys(7) Sells(0)

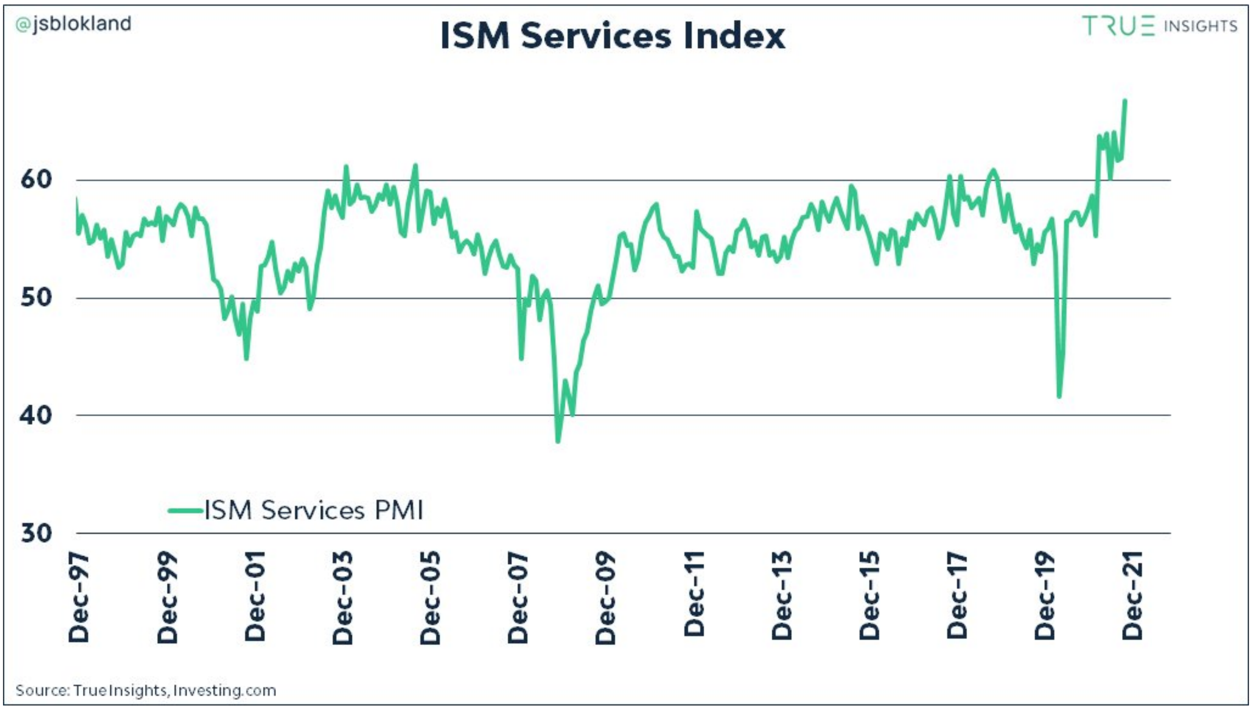
Name	Value	Trend	Action
SMA (5)	89.56	Bullish	
SMA (9)	88.69	Bullish	
SMA (20)	86.10	Bullish	
SMA (50)	85.32	Bullish	
SMA (100)	84.08	Bullish	
SMA (150)	82.96	Bullish	
SMA (200)	80.13	Bullish	

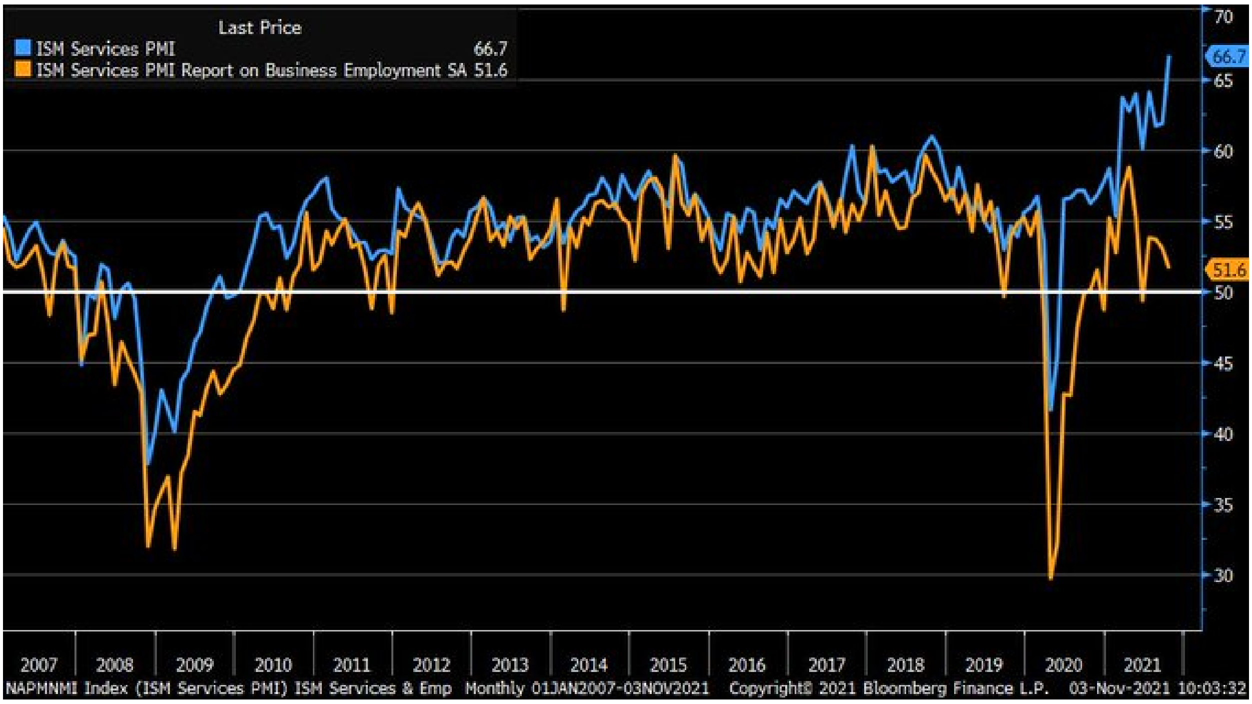
Pivot Points

Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	89.56	89.67	89.77	90.93	92.53	92.63	92.74
Classic	89.25	89.71	90.52	90.98	91.79	92.25	93.05
Classic	90.63	90.74	90.81	90.93	91.04	91.11	91.23
Classic	89.13	89.66	90.40	90.93	91.67	92.20	92.94

The Service Sector Is On Fire

As shown below, the ISM services survey rose to 66.7, a high water market dating back to at least the late 90s. Prices rose to 82.9, which is also the highest level in over 20 years. The only negative in the report is the employment sub-component fell from 53 to 51.6. The second graph shows the recent disconnect between the index and the employment component.

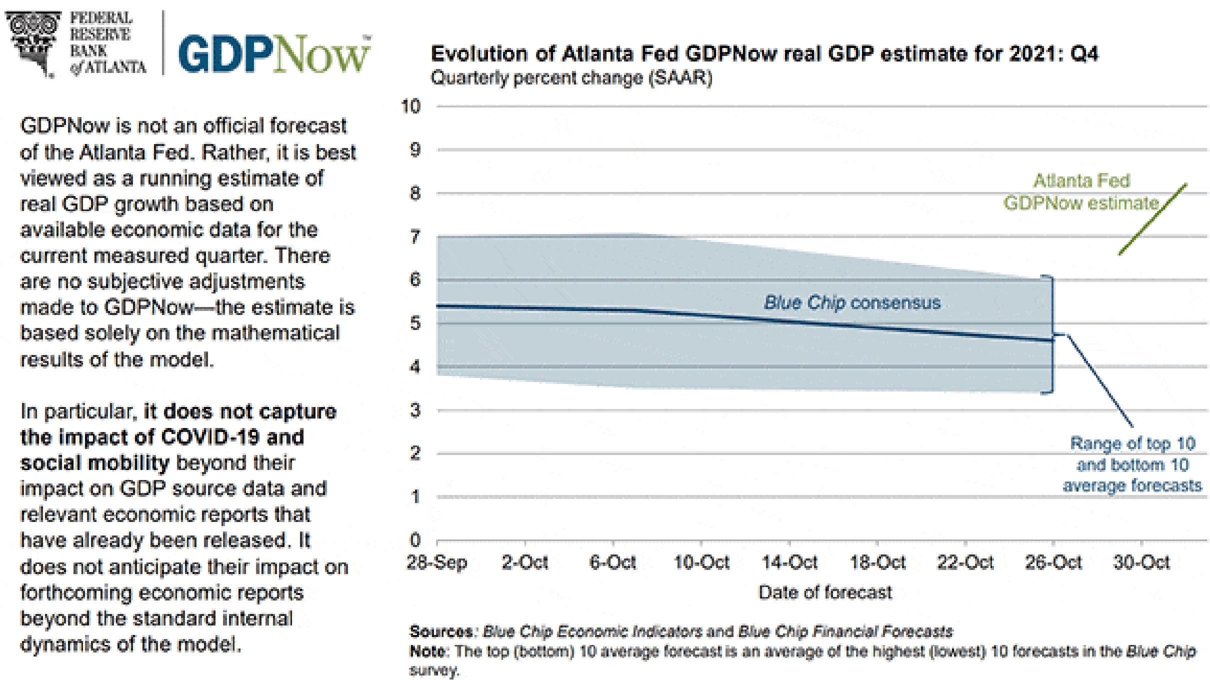




Speculation Returns

Atlanta Fed Q4 GDP Forecast

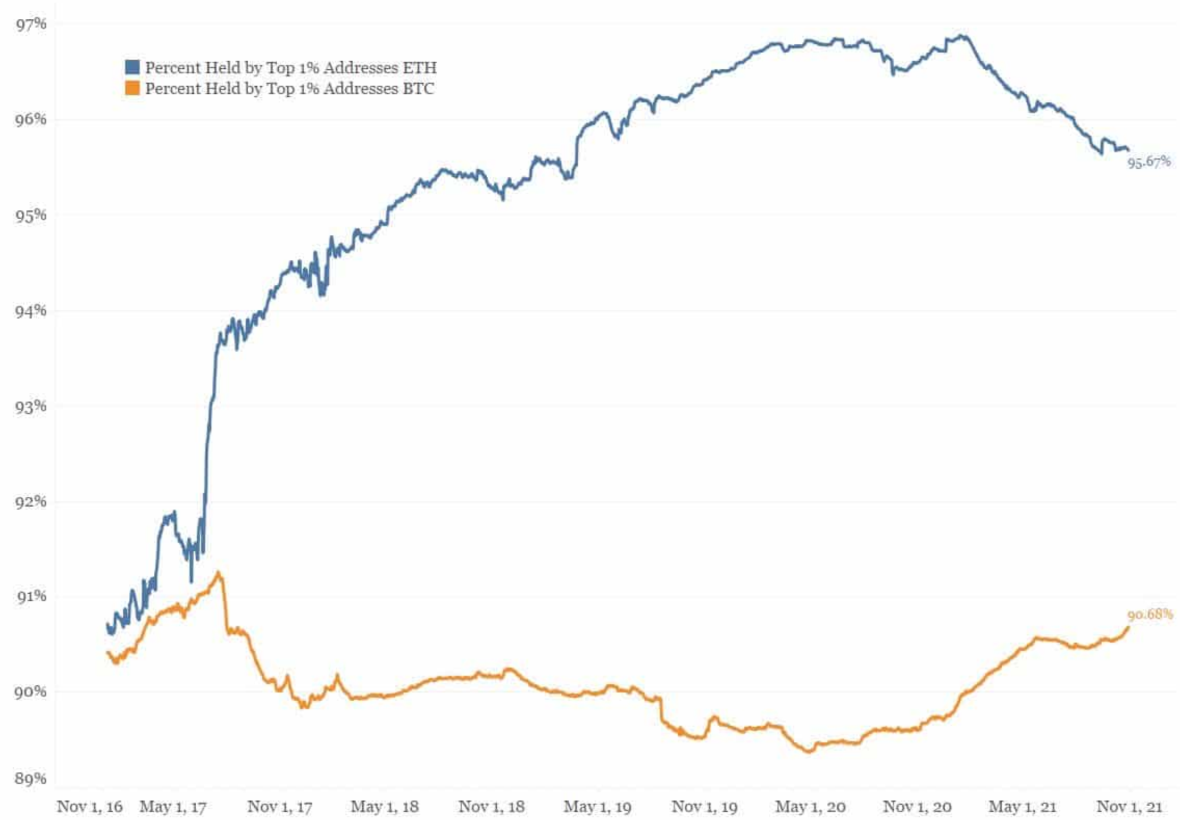
Despite a minimal amount of data, the Atlanta Fed's fourth-quarter GDPNow forecast is out. **Currently, they expect growth of 8.2%, well above last quarter's 2% growth. We caution the prediction is based solely on limited data for the quarter and not estimates of upcoming data points.** The forecast will come down over the next few weeks as October data is released. Wall Street's 4.7% consensus forecast is lower, albeit high, compared to last quarter.



Watch out for the Whales

The graph below shows one risk of holding Bitcoin or Etherium. Less than one percent of the investors own over 90% of the respective crypto coins available. If one of these *"whales"* were to sell aggressively, they would potentially affect the price meaningfully. However, some of the addresses in the largest 1% are holding on behalf of many individuals or entities.

Measuring Whales



Source: Glassnode