




Elon Musk, head of Tesla and its largest shareholder, once again surprised the market. Over the weekend, Elon Musk put out the survey below asking Twitter followers to sell 10% of his Tesla holdings. About 58% of the 3.5 million people that voted support his proposal to sell. In reply to his survey, he says he will "abide by the results." Elon Musk owns nearly a quarter of Tesla. Shares in Tesla fell 5% yesterday. But, surprisingly, his survey and its results did little to slow down the broader market.

**Elon Musk** 
@elonmusk

Much is made lately of unrealized gains being a means of tax avoidance, so I propose selling 10% of my Tesla stock.





Do you support this?


Yes 	57.9%
No	42.1%



3,519,252 votes · Final results





3:17 PM · Nov 6, 2021 · Twitter for iPhone

24.8K Retweets **15.1K** Quote Tweets **138.8K** Likes



 Tweet your reply Reply

**Elon Musk**  @elonmusk · Nov 6
Replying to @elonmusk
I will abide by the results of this poll, whichever way it goes

 9.5K  4.9K  84.2K 

What To Watch Today

Economy

- 6:00 a.m. ET: **NFIB Small Business Optimism index**, October (99.5 expected, 99.1 in September)
- 8:30 a.m. ET: **PPI Final Demand**, month over month, October (0.6% expected, 0.5% in September)
- 8:30 a.m. ET: **PPI excluding food and energy**, month over month, October (0.5% expected, 0.2% in September)
- 8:30 a.m. ET: **PPI Final Demand**, year over year, October (8.6% expected, 8.6% in September)
- 8:30 a.m. ET: **PPI excluding food and energy**, year over year, October (6.8% expected, 6.8% in September)

Earnings

Pre-market

- 7:00 a.m. ET: **Palantir** ([PLTR](#)) to report adjusted earnings of 4 cents per share of \$385.00 million
- 9:00 a.m. ET: **Workhorse Group** ([WKHS](#)) to report adjusted losses of 19 cents on revenue of \$883,286
- *Before market open*: **Blue Apron** ([APRN](#)) to report adjusted losses of 57 cents on revenue of \$120 million

Post-market

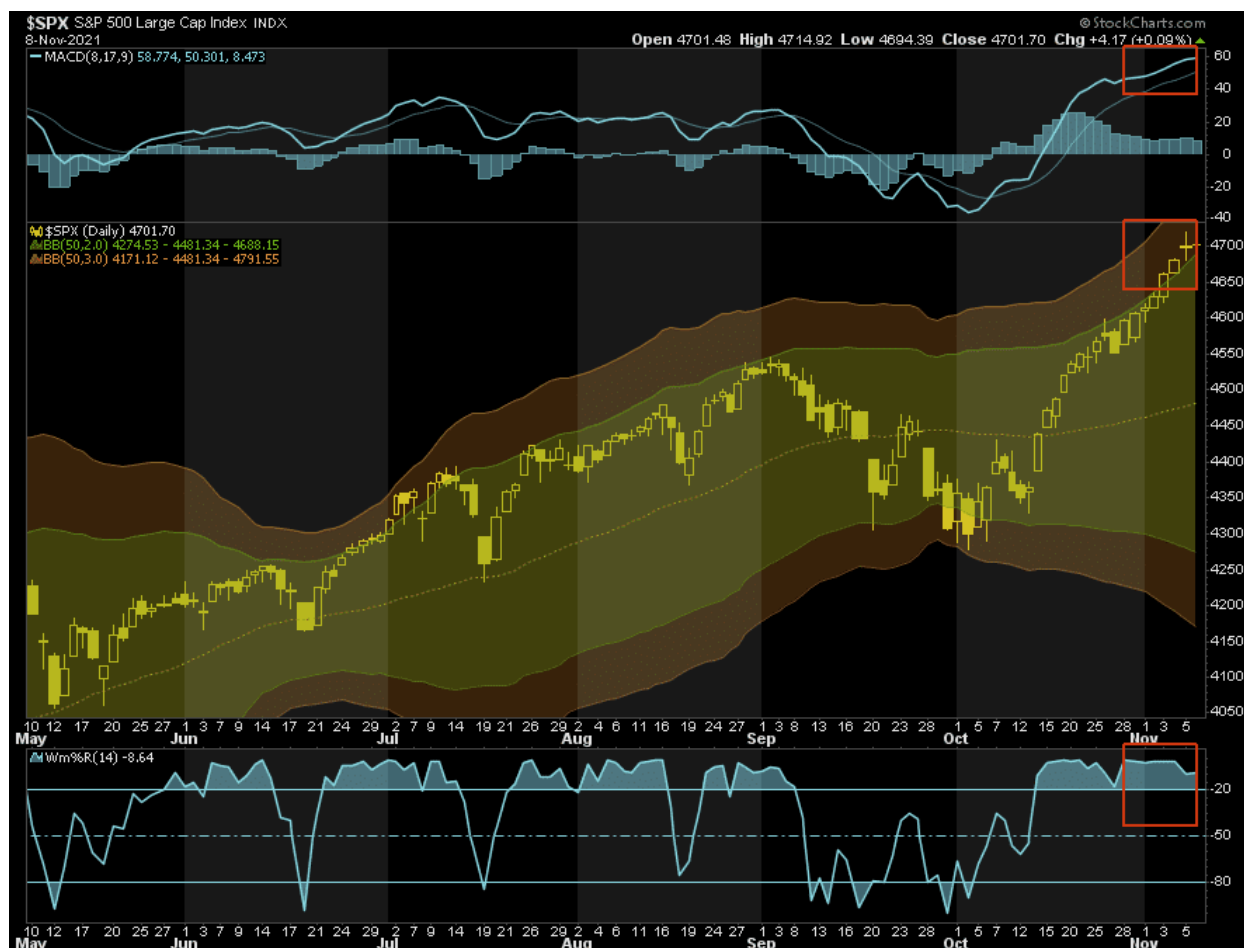
- 4:00 p.m. ET: **Wynn Resorts** ([WYNN](#)) to report adjusted losses of \$1.32 on revenue of \$938.10 million
- 4:00 p.m. ET: **Poshmark** ([POSH](#)) to report adjusted losses of 10 cents on revenue of \$82.96 million
- 4:00 p.m. ET: **Coinbase** ([COIN](#)) to report adjusted earnings of \$1.71 on revenue of \$1.57 billion
- 4:05 p.m. ET: **Vroom Inc.** ([VRM](#)) to report adjusted losses of 73 cents on revenue of \$890.08 million
- 4:05 p.m. ET: **DoorDash** ([DASH](#)) to report adjusted earnings of 1 cent on revenue of \$1.16 billion
- 4:05 p.m. ET: **fuboTV** ([FUBO](#)) to report adjusted losses of 62 cents on revenue of \$143.63 million
- 4:05 p.m. ET: **Plug Power** ([PLUG](#)) to report adjusted losses of 8 cents on revenue of \$144.81 million
- 5:30 p.m. ET: **Nio** ([NIO](#)) to report adjusted losses of \$3.64 on revenue of \$36.26 billion

Market Is Crazy Overbought

The market continues to push higher, although struggling to do so. Yesterday's action was choppy all day, with the index retesting the flatline several times during the day. However, the market made a slight gain despite Elon Musk selling some of his Tesla shares.

The market on all measures is very extended, deviated, and overbought. Nevertheless, a correction is coming; we are only missing a catalyst to spark a change in sentiment. Therefore,

some profit-taking and risk management remains well advised.



Richard Clarida Speaks

Fed Vice Chair Richard Clarida largely mimicked Powell's comments from last week. In regards to raising interest rates, he states:

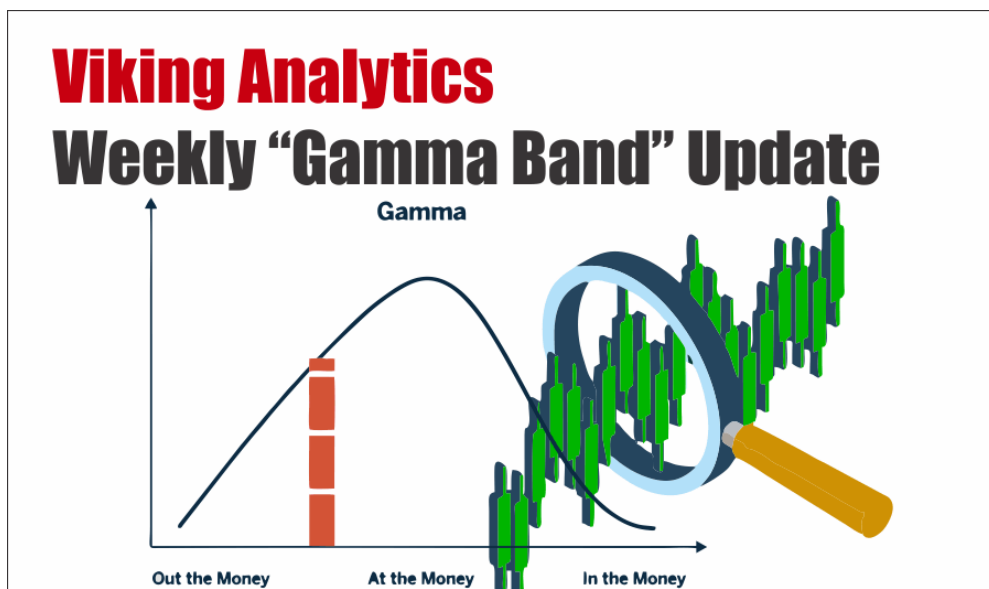
"While we are clearly a ways away from considering raising interest rates, if outlooks for inflation & unemployment turn out to be the actual outcomes... then I believe that these 3 necessary conditions for raising fed funds rate will have been met by year-end 2022"

His comments were generally dovish, as widely expected. Jerome Powell spoke today but not on the topic of monetary policy. The Fed speaker schedule is full this week, and we anticipate a wide range of thoughts on advancing monetary policy. Some of these speakers will discuss raising rates much sooner than year-end 2022.

18 Days?



Gamma Band Update



Earnings Growth Fading

The graph below from Bank of America shows earnings growth is likely to decline quickly in the coming quarters. Given valuations, this is an important topic which we have been discussing. To wit, in [2022 Earnings Estimates Still Too Bullish](#), we wrote:

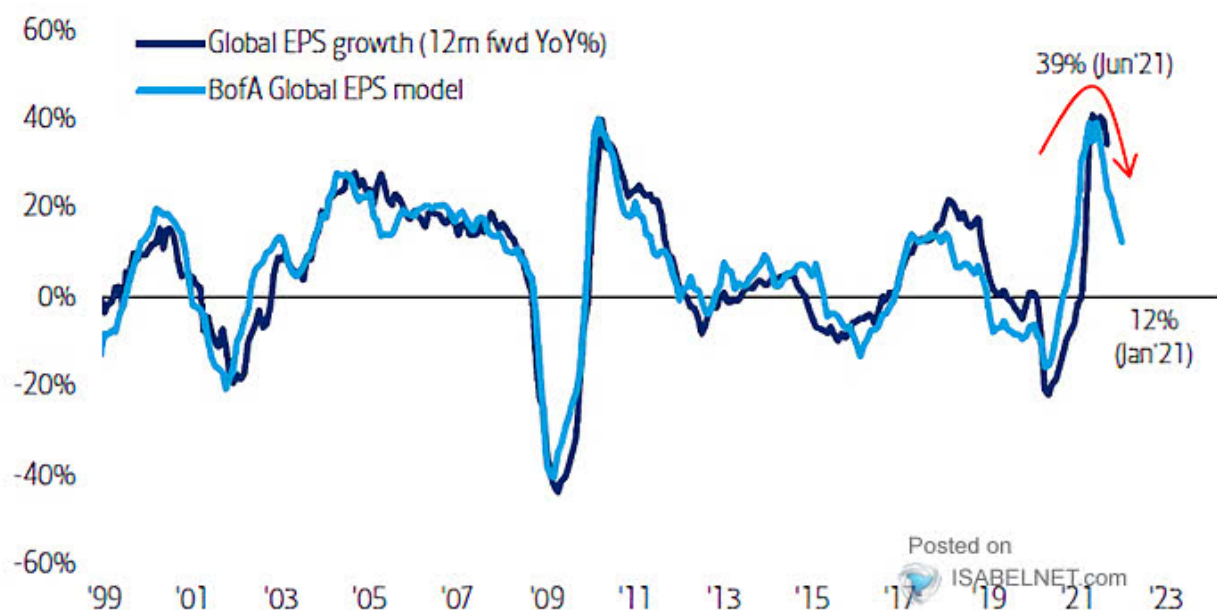
"The ?sugar high? of economic growth seen in the first two quarters of 2021 resulted from a massive deficit spending surge. While those activities create the ?illusion? of growth by pulling forward ?future? consumption, it isn?t sustainable, and profit margins will follow suit quickly.

The point here is simple, before falling victim to the ?buy the market because it?s cheap based on forward-estimates? line, make sure you understand the ?what? you are paying for.

Wall Street analysts are always exuberant, hoping for a continued surge in earnings in the months ahead. But such has always been the case."

Chart 13: BofA global EPS model predicts deceleration

BofA global EPS model



Source: BofA Global Investment Strategy, Bloomberg, Haver

Valuations Are Soaring

As shown below, the Shiller PE ratio is now above 40, a milestone only seen for a few months in late 1999. The prior high got witnessed during the speculative market advance leading to the crash of 1929. From a fundamental perspective, the risks are palatable, but cash continues to drive prices higher. Therefore, close attention to technical analysis is warranted to help establish proper risk strategies.

Shiller PE Ratio



The Week Ahead

With the self-imposed public speaking blackout over, we look forward to hearing the thoughts of Fed members. Many members are more hawkish than Chairman Powell. As such, we expect some of them to voice concern over inflationary pressures and discuss their desire to speed up tapering and possibly start to raise rates. Last Friday's strong employment report will further encourage some members to disagree with Powell regarding the timing of rate hikes. Chairman Powell will be speaking on Monday and Tuesday. We do not expect to hear anything new from him.

The market gets its next dose of inflation information, with PPI on Tuesday and CPI Wednesday. A consensus of economists expects CPI to uptick another 0.4% to 5.8% annually. JOLTS - job openings data comes out on Friday. The forecast is for a slight decline, but still at levels well above historical norms. Bond markets will be closed on Thursday for the Veterans Day Holiday.

All eyes will be on Elon Musk and stock market darling Tesla to see if he follows through with his Twitter survey results.