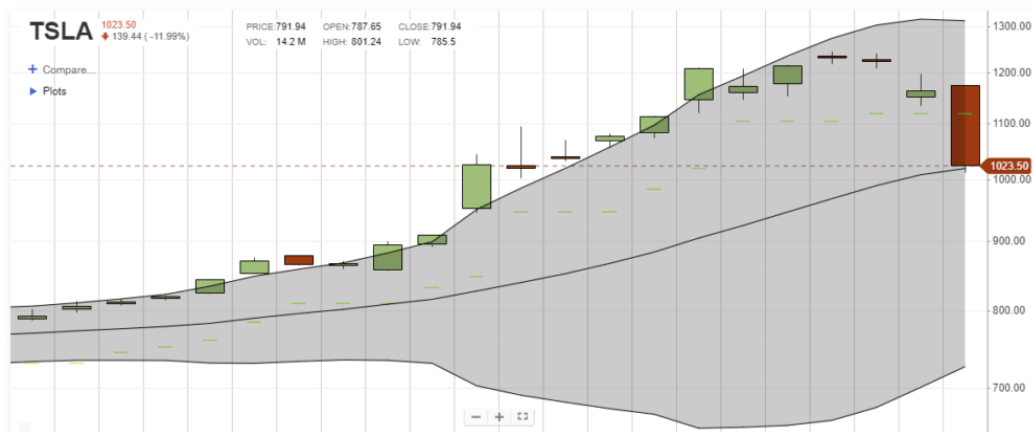


# Tesla Shares Stumble & Drags Down The Market

Tesla shares (TSLA), after gaining about 50% over the last month, finally succumbed to financial gravity, falling 12%. **As a result, TSLA's decline accounted for almost all of yesterday's S&P 500 decline.** Given the winning streak, TSLA and the market were on, such a down move was expected.



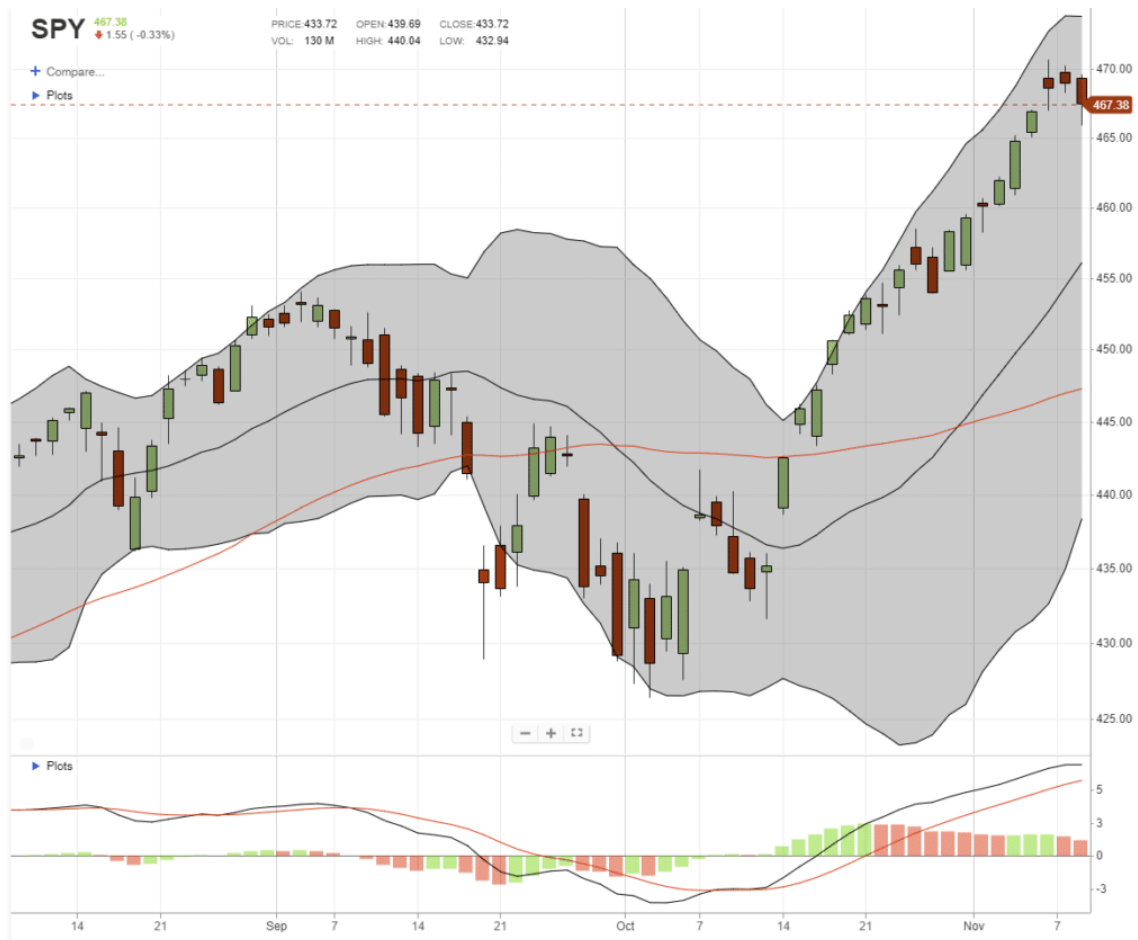
Also concerning for investors, PPI is running at 8.6%. Such high inflation foreshadows profit margin pressures on companies that can't pass on higher costs to consumers. CPI, due at 8:30 am ET, will provide a more complete picture of inflation.

[dmc]

## What To Watch Today

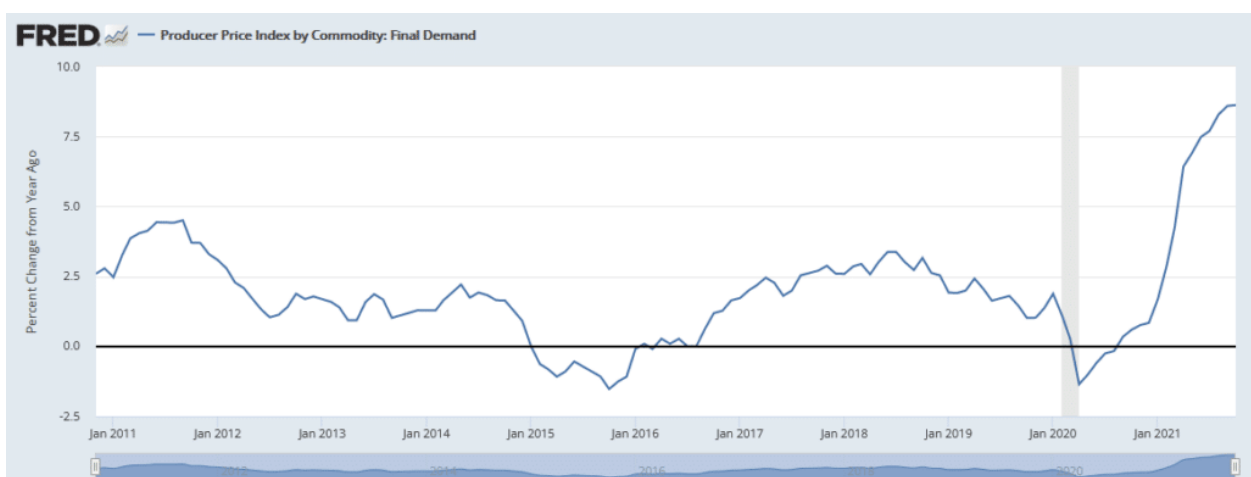
### S&P 500 Drug Down By Tesla Shares

As noted, the S&P declined 0.33% yesterday almost entirely due to the decline in Tesla shares. The market did manage to recover from the low a bit near the close, but this morning futures are weaker ahead of key inflation data. With the market still very overbought, a correction to work off some of the excess exuberance will not be surprising.



## PPI- Inflation

PPI rose 0.6% in October, rising to 8.6% year over year. Both readings met expectations. Over half of the gain came from energy prices. As shown below, PPI is running at over 3x the pre-pandemic rate. From an investment perspective, the question is whether or not companies can pass the rising costs on to consumers. So far, it appears they have been able to. But, as stimulus dries up, and savings revert to normal, it seems less likely going forward, barring higher wages.



## Fear Gauge is Up- Should You Resize Your Portfolio?



## Small Businesses Are Not Very Optimistic

The NFIB small business optimism index fell to 98.2, the lowest level since March. More concerning is the forward outlook of those surveyed, in the second table below. Per the NFIB: "*The NFIB Uncertainty Index decreased 7 points to 67. Owners expecting better business conditions over the next six months decreased 4 points to a net negative 37 percent. **Owners have grown pessimistic about future economic conditions as this indicator has declined 17 points over the past three months to its lowest reading since November 2012.***"

The survey acknowledges there is still a shortage of workers. However the survey results "*hint at an easing of conditions in the labor market.*" In regards to inflation, "*price raising activity has reached levels not seen since the early 1980s, when prices were rising at double-digit rates.*"

The first table below shows economic conditions and the political climate are primarily responsible for the poor outlook. Per the SBA, small businesses account for nearly 65% of the private sector workforce, making this survey an essential part of our economic outlook.

## MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
October 2021

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	3	27	12
<b>Sales Prospects</b>	3	2	1
<b>Fin. &amp; Interest Rates</b>	1	0	0
<b>Cost of Expansion</b>	0	4	3
<b>Political Climate</b>	0	20	13
<b>Other / Not Available</b>	0	4	2

## OUTLOOK FOR GENERAL BUSINESS CONDITIONS

Net Percent ("Better" Minus "Worse") Six Months From Now  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2016</b>	-21	-21	-17	-18	-13	-9	-5	-12	0	-7	12	50
<b>2017</b>	48	47	46	38	39	33	37	37	31	32	48	37
<b>2018</b>	41	43	32	30	37	33	35	34	33	33	22	16
<b>2019</b>	6	11	11	13	16	16	20	12	9	10	13	16
<b>2020</b>	14	22	5	29	34	39	25	24	32	27	8	-16
<b>2021</b>	-23	-19	-8	-15	-26	-12	-20	-28	-33	-37		

NFIB Small Business Economic Trends Monthly Report

## Bond Auctions

The U.S. Treasury auctioned \$39 billion of ten-year notes yesterday afternoon. They will follow it up with \$25 billion of 30-year bonds today. Dealers tend to be net sellers/hedgers of bonds going into auctions, but thus far they haven't kept bond prices from rising.

## Baltic Dry Index (Shipping) is Plummeting

As shown below, the Baltic Dry Index is down 12 days in a row. The decline in the shipping price index of dry bulk ocean vessels is hopefully a harbinger that supply line disruptions are abating.



## Powell Pressured to Act

Chairman Powell is up for renomination, and it does not appear to be a slam dunk as other Chairs were in the past. Rick Scott, a senator from Florida, [penned a letter](#) to Powell pressuring him to significantly change monetary policy if he wants the senator's renomination vote. We suspect congressional pressure for the Fed to fight inflation will become more vocal as the 2022 Congressional elections near.

*"Without a significant and demonstrable change in course, I will not be able to support your continued service as Chair of the Board of Governors of the Federal Reserve System beyond your current term ending February 2022. American families cannot continue down this dangerous path of rising inflation, broken supply chains, and continued workforce challenges."*