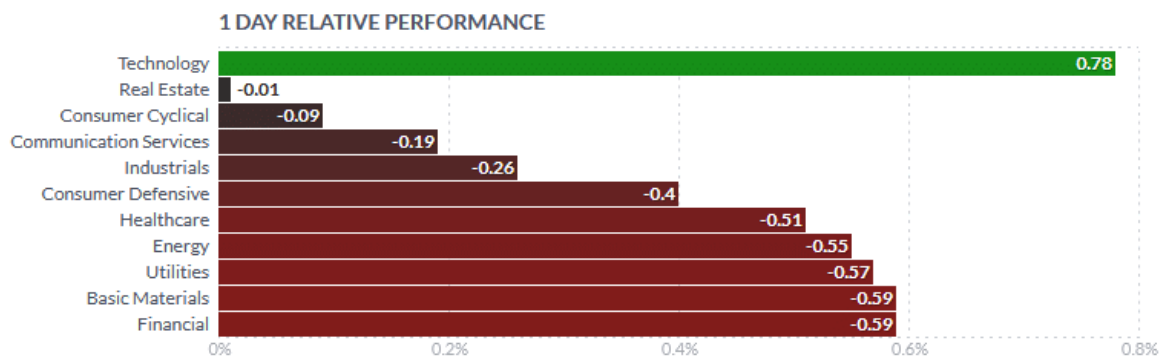


Thanks to the FAANG stocks, the S&P 500 and NASDAQ were higher on the day. AMZN (+4.15%), AAPL (+2.85%), and GOOGL (+1.22%) led the charge for the FAANG stocks. Most other stocks were not so lucky. The Dow, equal-weighted S&P (RSP), and the Russell 2000 closed in the red. As we show below, the market's breadth was poor. 10 of the 11 S&P sectors were lower, and five of them fell by about half a percent or more. Further, two-thirds of S&P 500 stocks are down on the day despite a .35% gain. Bad breadth in an upward trending market can signal weakness ahead, so stay tuned.



[dmc]

What To Watch Today

Economy

- *No notable reports scheduled for release*

Earnings

- *No notable reports scheduled for release*

Seasonality Is Strong But Watch The First Two Weeks Of December

Seasonality has certainly held strong this year as stocks continue to push higher. As shown in the chart below, such bodes well for an end-of-the-year "Santa Claus Rally." However, before we get these, note that the first couple of weeks of December tend to sport a correction as Mutual Funds distribute their capital gains, interest, and dividends for the year. That pullback will set the market up for the traditional rally to close out the year on a strong note.



APPLE (AAPL) Surges To New Highs

Apple surged to new highs yesterday on the news they would enter the Electric Vehicle market by 2025. Of course, given the recent performance chase of other EV automakers, the surge was of no surprise.



However, the following note from @TheMarketEar brings up an interesting point about what has been supporting Apple's stock price in recent years. Of course, this holds true for all of the FAANG stocks in particular.

AAPL goes full Daenerys? "Buy Back All"

Apple's big ongoing buyback; Sanford Bernstein asks if it could last for 15 more years? Bernstein equity research: "Over the last 8 years, all of Apple's EPS growth has been catalyzed by share buybacks and a lower tax rate – each of these have added 400-600 bps and 200 bps per year to EPS, respectively. How much longer can this persist? Bottom line is, much longer. Apple is likely to be able to continue repurchasing ~3-4% of its shares per year until the end of 2026 while growing its dividend per share by 10% annually without taking on net debt on its balance sheet – at which point, Apple will have likely repurchased ~15% of its current shares outstanding. If we assume they take on debt and lever up to ~2x gross debt/EBITDA, Apple could continue on this path to drive similar EPS growth and buy back 35% of current shares outstanding by 2035" (Sanford Bernstein).

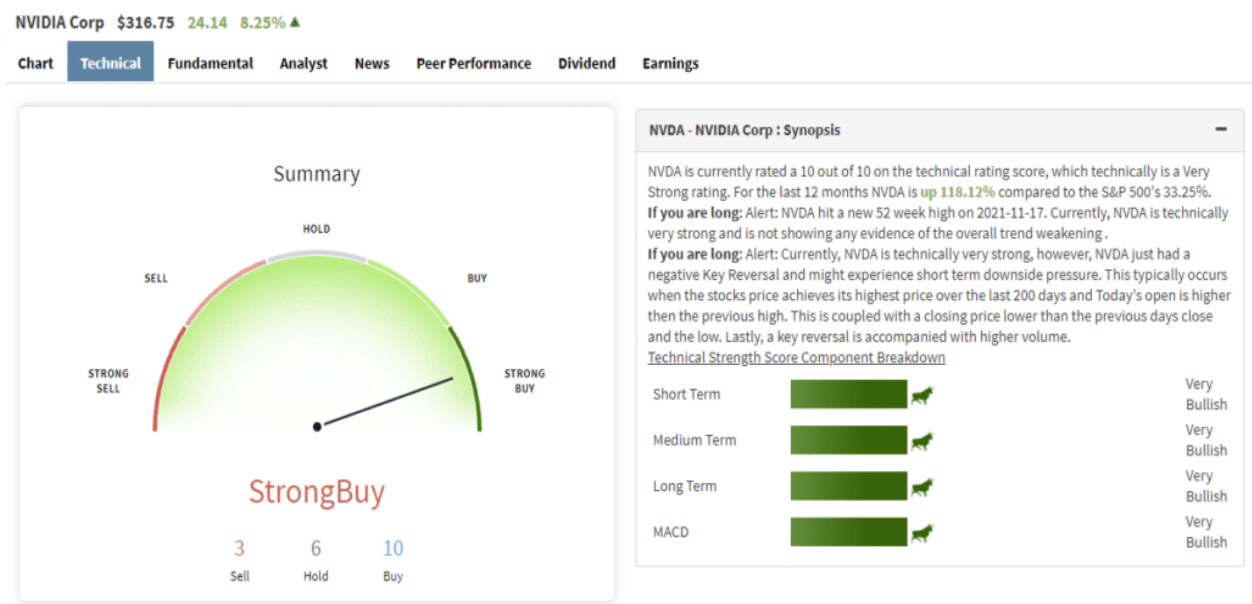
In other words, Apple would not be trading at current levels, without the benefit of its massive stock buyback programs. Of course, [given that 40% of the S&P 500's advance since 2011](#) is from buybacks along, such should not be a surprise.

NVIDIA (NVDA) Earnings

NVDA GAAP EPS of \$0.97 easily tops the consensus estimate of \$0.86, thanks to strong demand and favorable product mix. Gross margins increased +2.6% YoY to reach 65.2% in the third quarter. Revenue of \$7.1B (+50.1% YoY) modestly beat expectations of \$6.8B. Revenue is driven by record sales in the Gaming (+42% YoY) and Data Center (+55% YoY) segments.

Management set guidance for Q4 revenue at \$7.4B plus or minus 2%, above expectations of \$6.9B. In addition, they guide for gross margin to remain steady at 65.3% plus or minus 50 bps. Investors love the report as the stock is trading +10%. **We hold a 1.75% position in the Equity Model and have taken profits in it twice in the last month. NVDA is not a FAANG stock but certainly acted like one!**

Charts courtesy of [RIAPRO.NET](#)



Technical Indicators: Buys(5) Sells(1) Holds(6)

Name	Value	Trend	Action
Relative Strength Index (14)	66.3	Neutral	
Avg Directional Index (14)	50.1	Neutral	
Stochastic RSI Fast (3, 3, 14, 14)	0.0	Oversold	👍
Stochastic %K (14, 3, 3)	72.5	Neutral	
Williams Percentage Range	-41.7	Neutral	
MACD(12,26)	20.5	Bullish	👍
Commodity Channel Index(20)	52.7	Neutral	
Bull Bear Power	16.8	Neutral	
Momentum (10)	0.3	Bearish	👎
Short Term Trend	Bullish	Bullish	👍
Medium Term Trend	Bullish	VeryBullish	👍
Long Term Trend	Bullish	VeryBullish	👍

Moving Average: Buys(5) Sells(2)

Name	Value	Trend	Action
SMA (5)	300.54	Bearish	👎
SMA (9)	301.05	Bearish	👎
SMA (20)	273.91	Bullish	👍
SMA (50)	238.37	Bullish	👍
SMA (100)	221.27	Bullish	👍
SMA (150)	201.30	Bullish	👍
SMA (200)	185.44	Bullish	👍

Pivot Points

Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	271.25	272.68	274.10	295.23	311.12	312.54	313.97
Classic	266.98	277.49	284.07	294.58	301.16	311.67	318.24
Classic	282.75	287.52	290.47	295.23	300.00	302.95	307.71
Classic	268.29	278.14	285.38	295.23	302.47	312.32	319.56

28 Analyst offering Price Target on NVDA \$233.30 (-26.35 %)

High Estimate \$300 Low Estimate \$185

Analyst Consensus - NVDA



Hold: 1 Sell: 1
Buy: 26

Analyst Rating - NVDA

Analyst Name	Firm	Price Target	Position	Title	Date
Ahan Vashi	Seeking Alpha		Buy	Nvidia: The World's Most Valuable Semiconductor Company	2021-09-02
Edward Sheldon	Seeking Alpha		Buy	I just bought this tech stock for my ISA	2021-09-01
Kaustav Ghosh	Zacks Equity Research		Buy	4 Stocks to Benefit From the Potential of Quantum Computing	2021-08-30
Harsh Chauhan	Motley Fool		Buy	Why Nvidia Is a Top Growth Stock to Buy Right Now	2021-08-29
Trevor Jennewine	Motley Fool		Buy	My Top Robinhood Stock to Buy Now	2021-08-27
Justin Pope	Seeking Alpha		Buy	New Investor? Here Are 3 Great Starter Stocks to Consider	2021-08-26
Tirthankar Chakraborty	Zacks Equity Research		Buy	5 Top Stocks to Invest in for Attractive Earnings Growth	2021-08-25
James Brumley	TopStockAnalysts		Buy	Nvidia: Buy It for Gaming, Hold It for Data Centers	2021-08-24
Zacks Equity	Zacks Equity		Buy	Are You Looking for a Top Momentum Pick? Why	2021-08-24

Higher Prices in Philly

The [Philadelphia Fed Economic Survey](#), showing current economic conditions in the mid-Atlantic, points to robust activity. The index rose to 39, its highest level since April. Prices also continue to rise with the prices paid index rising to 80, just a hair below 80.7 in June, a 42 year high. A score of 80 means that 80% of those surveyed witnessed higher prices in November than October. Price received rose as well to its highest reading since 1974. The bottom line is that companies are paying more for input goods but can pass the higher costs to consumers.

The most important part of this survey is this month's special question. Per the Fed: *In this month's [special questions](#), the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters.* Firms are bracing for more inflation in the prices of goods they sell and higher wage expenses. More telling, their longer-term inflation forecast rose by half a percent to 3.5%.

Special Questions (November 2021)

PLEASE LIST THE ANNUAL PERCENT CHANGE WITH RESPECT TO THE FOLLOWING:

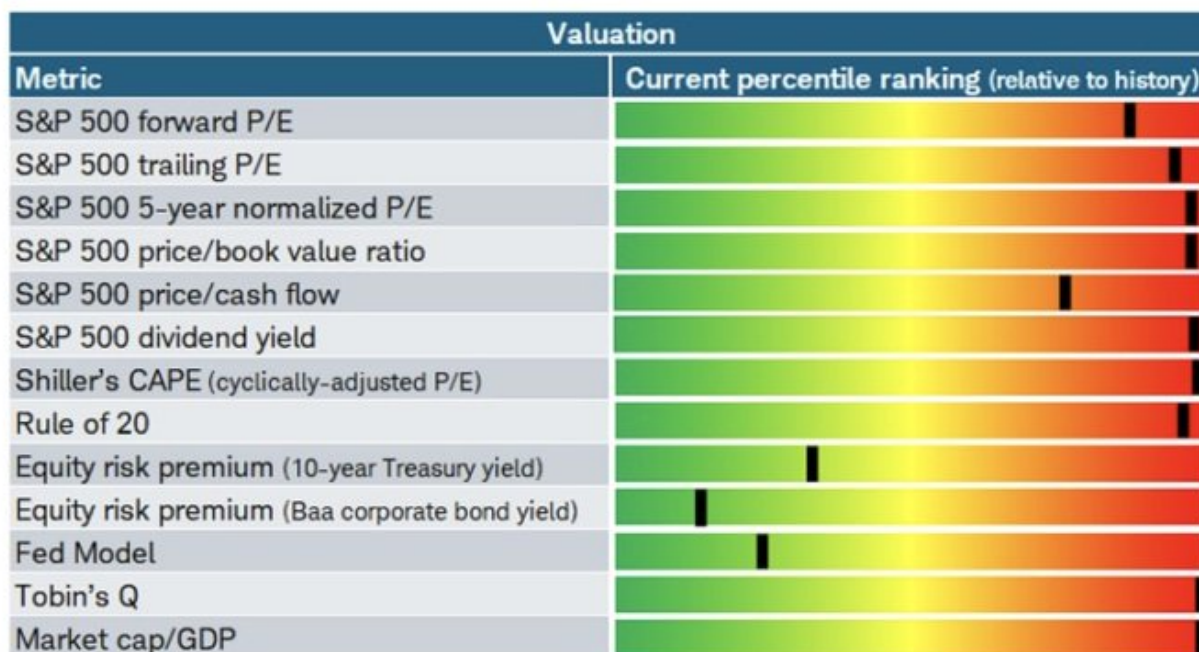
	CURRENT	PREVIOUS (AUGUST 2021)
For your firm:		
<i>Forecast for next year (2021Q4–2022Q4)</i>		
1. Prices your firm will receive (for its own goods and services sold).	5.3	5.0
2. Compensation your firm will pay per employee (for wages and benefits).	4.8	4.0
<i>Last year's price change (2020Q4–2021Q4)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	5.0	3.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	5.0	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2021–2030).	3.5	3.0
The numbers represent medians of the individual forecasts (percent changes). For question 5, firms reported a 10-year annual-average change.		

Are We Due For A Santa Claus Rally?



Stocks are Expensive

The chart below from the Leuthold Group shows that stocks are extremely expensive by all measures except those that compare valuations to interest rates. The Fed model and the two equity risk premium valuations are relatively cheap because interest rates are so low. The problem we have with those models is that interest rates are so low in part because future economic growth and therefore earnings growth are also trending lower.

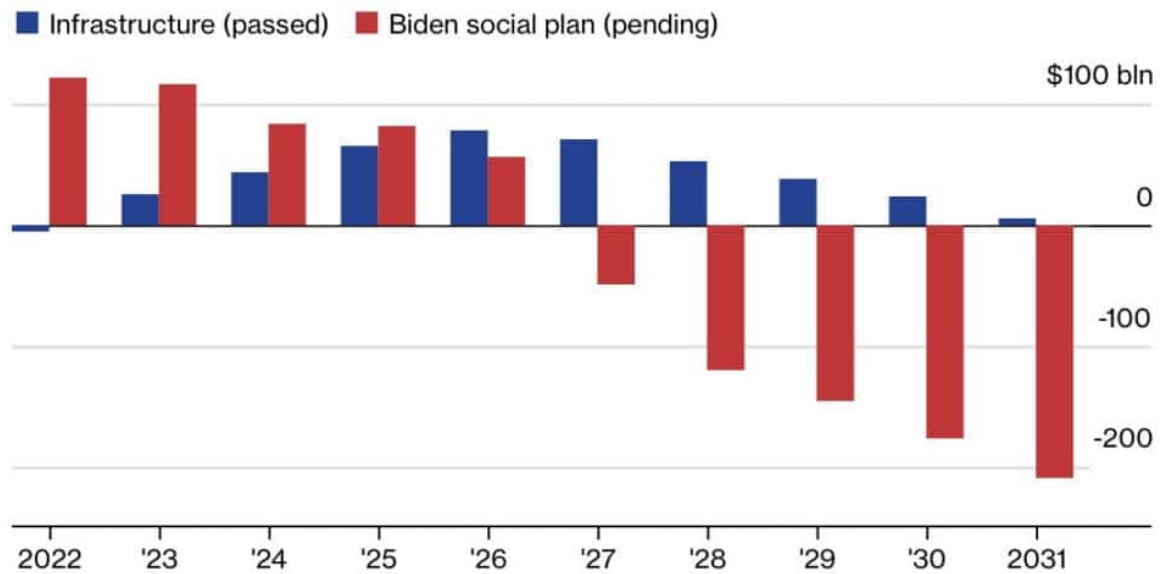


Source: Charles Schwab, Bloomberg, The Leuthold Group, as of 10/29/2021. Due to data limitations, start dates for each metric vary and are as follows: CAPE: 1900; Dividend yield: 1928; Normalized P/E: 1946; Market cap/GDP, Tobin's Q: 1952; Trailing P/E: 1960; Fed Model: 1965; Equity risk premium, forward P/E, price/book, price/cash flow, rule of 20: 1990. Percentile ranking is shown from lowest in green to highest in red. A higher percentage indicates a higher rank/valuation relative to history.

Infrastructure Spending Forecasts

The graph below from Moody's shows net spending from the recently passed infrastructure bill and the current proposal for the social infrastructure bill. Currently, nominal GDP is over \$23 trillion. If we assume the social bill passes, as it is currently written, additional government spending from both bills will peak in 2025 at about \$150 billion. That amount would add approximately .60% to GDP. While somewhat meaningful, we must also consider net government spending from the two bills in aggregate decline in the years 2028 and beyond.

Additional net spending from the two big U.S. bills



Source: Moody's Analytics estimates

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