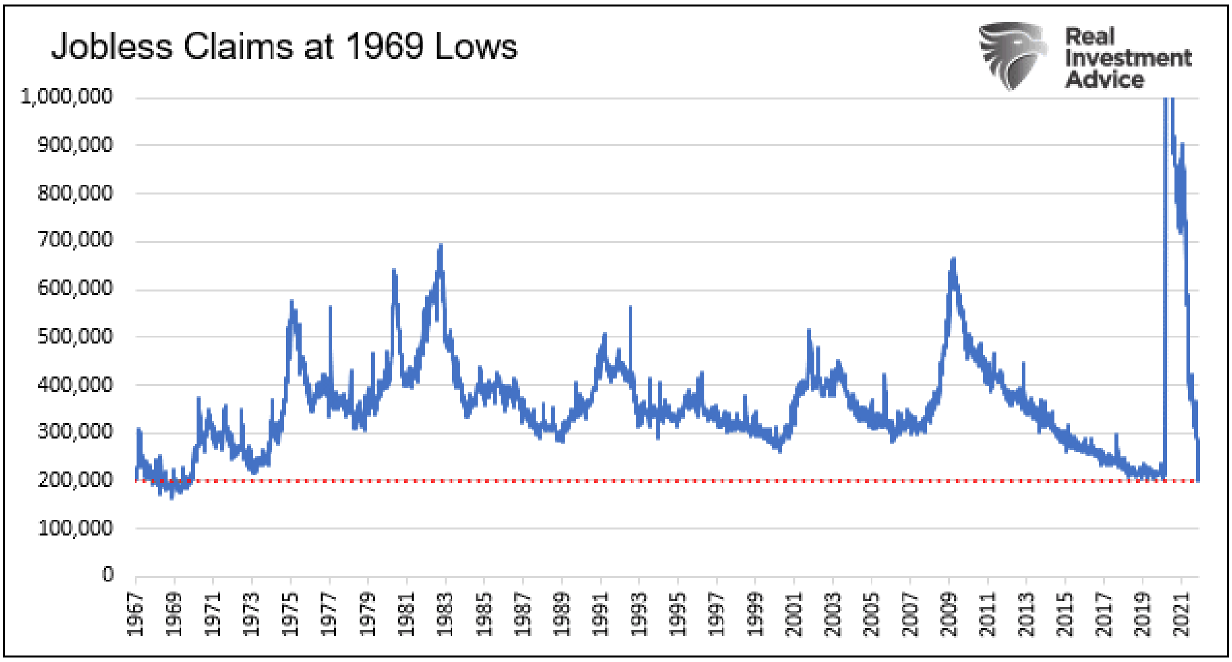
As we show below, Initial Jobless Claims plunged to a level last seen in 1969. This indicator is yet another signal the jobs market is fully or near fully recovered. San Francisco Fed President Mary Daly took notice. She commented: *"It would not surprise me if in the least there were one or two rate increases next year."* The bottom line is that plunging jobless claims add to the pressure on the Fed to speed up the taper process and begin the discussion to raise interest rates.



Despite, plunging jobless claims, futures are tumbling this morning.

S&P 500 futures (ES=F): 4,623.25, -75.75 (-1.61%)

Dow futures (YM=F): 34,973.00, -776.00 (-2.17%)

Nasdaq futures (NQ=F): 16,224.50, -141.50 (-0.86%)

[dmc]

What To Watch Today

There are no major economic releases scheduled for Friday. The stock market will close at 1 p.m. ET on Friday due to the holiday weekend.

Economic Data Recap

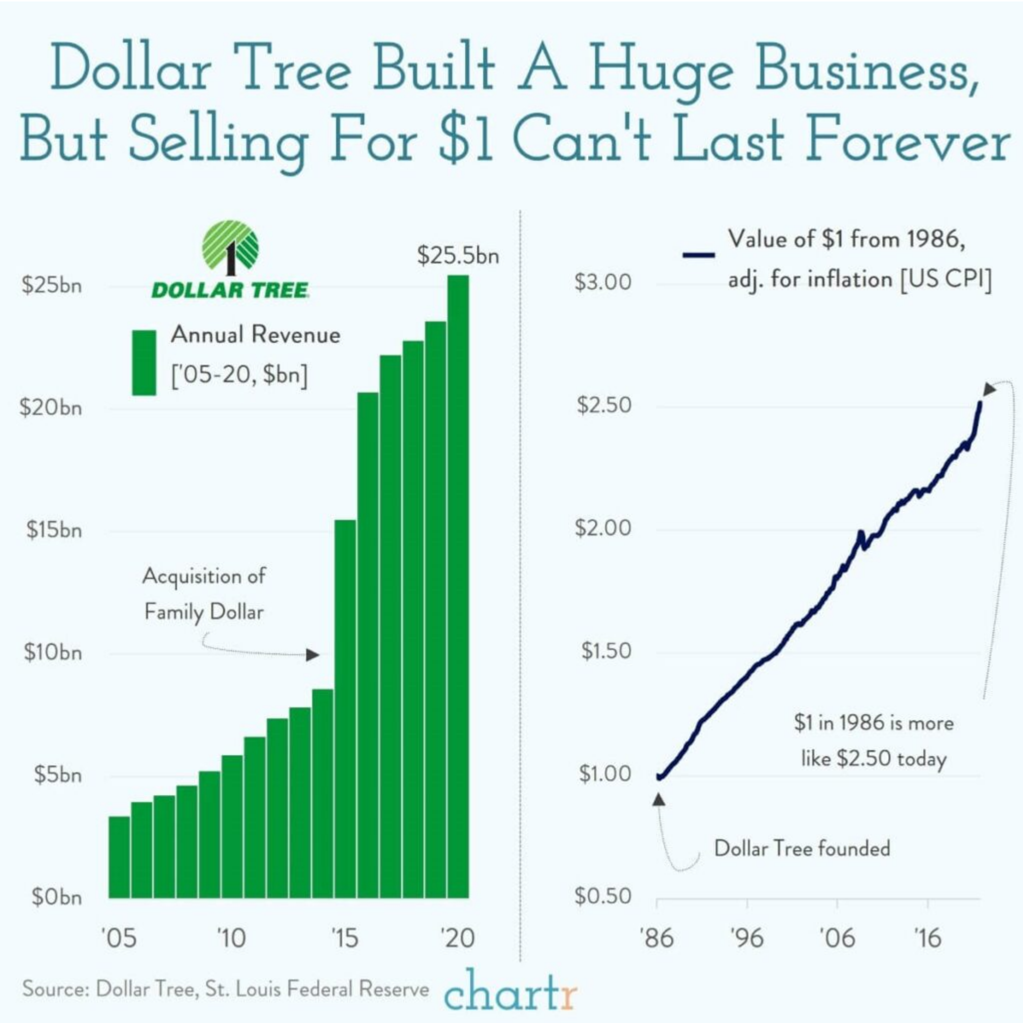
Jobless Claims plunged to 199k in the latest week, marking a low going back to November 1969. Keep in mind that the population is 65% larger today than in 1969, so today's number is off the charts on a population-adjusted basis. This is yet another piece of data that affirms the labor market is robust. Having an inflation problem and strong labor market is more evidence the Fed needs to speed up tapering QE and start contemplating rate hikes.

Durable Goods fell 0.5% versus expectations for a 0.3% gain and a prior month reading of -0.4%. Excluding transportation, the number was positive at 0.5%. Accounting for the difference is the auto sector, which struggles to produce cars due to the chip shortage.

Wholesale inventories rose 2.2% versus 1.4% last month. This is a positive sign that supply line problems and shortages are abating. However, Retail Inventories only increased by 0.1% versus falling 0.2% last month. Either many retailers are not fully stocking up on goods to help justify higher prices, or trucking problems are making it difficult to deliver goods. It is likely a combination of both factors.

The $1.25 Tree

> *"In 1986 the first five locations opened of a new retail outlet, which had a simple premise for what it would sell, and an even simpler name ? "Only $1.00". Although not the first of its kind, "Only $1.00" would grow into what today is **Dollar Tree**, which is a **$33bn** giant with more than 15,900 retail locations throughout the US, split between its two biggest brands **Dollar Tree** and **Family Dollar**.*
>
> *This week Dollar Tree had some big news, **[announcing that most of its prices will rise](#)** from **$1** to **$1.25**. That's a change that the company has been putting off for some time, dropping some products over the years that it could no longer afford to stock for just $1." - Chartr*



When the company started $1 could get you a fair amount. Today it buys you much less. In fact, **$1** in **1986** is more like **$2.50** in today's money once you account for inflation over those 35 years.

If you bought $1 worth of Dollar Tree shares in 1995, your $1 would be worth, ironically, roughly **$125** today

Junk Bonds Sending A Signal

The graph below shows the strong correlation between JNK and the S&P 500. JNK is a popular junk bond ETF. The ETF just hit lows going back to July, while the S&P is nearly 10% above its July levels. JNK is also back to its 200dma, something the S&P hasn't done since it broke through the 200dma in June 2020. Higher yields for junk bond issuers can lead to financial hardship and bankruptcy in some cases as they tend to be overleveraged. Are inflation and the possibility of the Fed raising rates finally concerning JNK investors? Maybe the better question is, is the recent price action of JNK foreshadowing problems for the equity markets?

More Details on the SPR Oil Release

Of the [50 million barrels](#) being released from the Strategic Petroleum Reserve, 32 million will be under the exchange program. Companies that receive oil under the program must pay it back and with interest, so to speak. The winning bidders take delivery starting December 16th from one of four sites. They will have to return the oil with a premium. Each site has a different premium and return date. For example, Bryan Mound will offer 10 million barrels. The oil has three return dates, with the first starting January 2023. If the oil is returned at that time, the winning bidder must return an additional 3.9% of oil. The premium increases to 5.3% and 8.6% if they choose the second or third delivery dates, respectively. In the short run, the release will add supply to the market but reduce it starting in July of 2022.

The graph below, courtesy of Bianco Research, provides context for the size of the SPR and recent withdrawals from the reserves.

Tesla Is Traded More Than Any Other Stock On The Market

*"**Tesla** is truly the stock of the times. Having more than doubled in value in the last year, the company has become a magnet for the full range of investors from retail traders to hedge funds and institutions.*

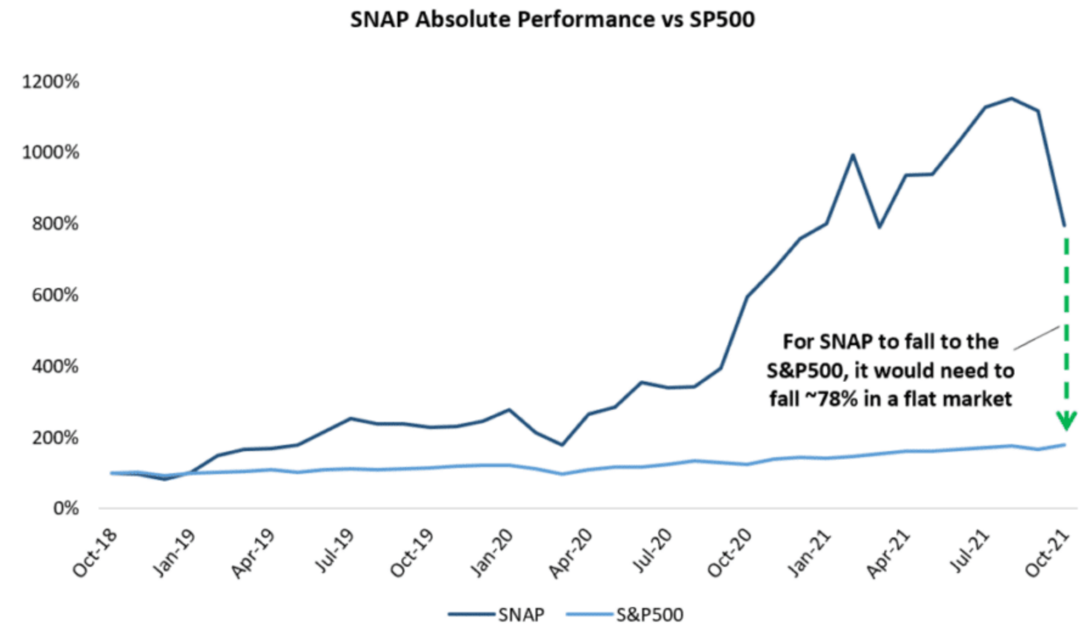
*Data from **Koyfin** reveals that ~$40bn of **Tesla** shares changed hands yesterday ? more than twice as much as the next most-traded stock, and way more than other mega-cap giants like **Apple**, **Amazon** and **Microsoft**. Put another way, the amount traded in Tesla yesterday was equivalent to the volume traded in **307** members of the S&P 500 Index (which is a group of 500 of the largest companies).*

*A **great piece in the FT** reveals that the story goes much deeper. We've charted just the vanilla equity trading volume, but the volume traded in financial derivative markets (options) is even more off the charts, with more than **$240bn a day** recently being bet on Tesla by its army of fans, or detractors (who presumably think the company is overvalued)." - Chartr*

Who knows, with jobless claims plunging to historically low levels, maybe more people can afford to buy a Tesla?

Snapchat - Investors Are Overly Optimistic

> *"Snapchat?s primary source of revenue is advertising based on the use of its camera platform capable of taking ?snaps? or short videos and images. SNAP shares have soared on the euphoria around rising levels of ?daily active users.? With 83% of the 41 analysts covering SNAP being bullish, Wall Street?s financial advice is ?BUY?. For those interested, we have discussed how groupthink is a risk in prior missives.*
>
> *Our team believes that Snapchat may have been an outsized beneficiary of herding. In our view, many investors are creating narratives to justify a valuation we believe is simply untenable.* ***The stalling of the stock in the last few months may point to an opportune time to sell."*** *- Kailash Concepts*



Source: Kailash Capital; Data from 10/31/2018 – 10/31/2021

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