

Investor exuberance for speculative investments is increasingly waning. For instance, GameStop (GME) surged 25% in after-hours trading Thursday night after they announced plans to build an NFT marketplace. This is just another step as they morph into a cryptocurrency company. Earlier in 2021, when the speculative fever was rampant, Gamestop would have continued higher.

On Friday, GameStop dumped, giving up almost all of its gains. Speaking of speculative investments, Bitcoin is trading at 42,000, down about 33% over the last few months. These and other instances tell us investors are becoming more risk-averse. We are watching to see if the change in behavior filters to larger and well-tracked stocks and indexes.



[dmc]

What To Watch Today

Economy

- 10:00 a.m. ET: **Wholesale inventories**, month-over-month, November final (1.2% expected, 1.2% in previous print)

Earnings

- *No notable reports scheduled for release*

Politics

The Week Ahead

This will be an important week with CPI on Wednesday and PPI the following day. The Fed is clearly basing policy decisions on inflation. As such, investors are likely to be sensitive to these critical reports. Current expectations are for CPI to rise to 7.1% and core (excluding food and energy) to jump from 4.9% to 5.4%. This is the last set of BLS inflation data before the Fed meets

on January 26th.

Retail sales will be released on Friday. A small but growing concern of the market is stagflation. A negative retail sales number might further fuel such worries. The University of Michigan Consumer Sentiment and Inflation Expectations report will also come out on Friday.

The banks lead off Q4 earnings reporting this week. JPM, Citi, Wells Fargo, and Blackrock announce on Friday.

High Risk Stocks Have Taken A Beating - Time To Buy?

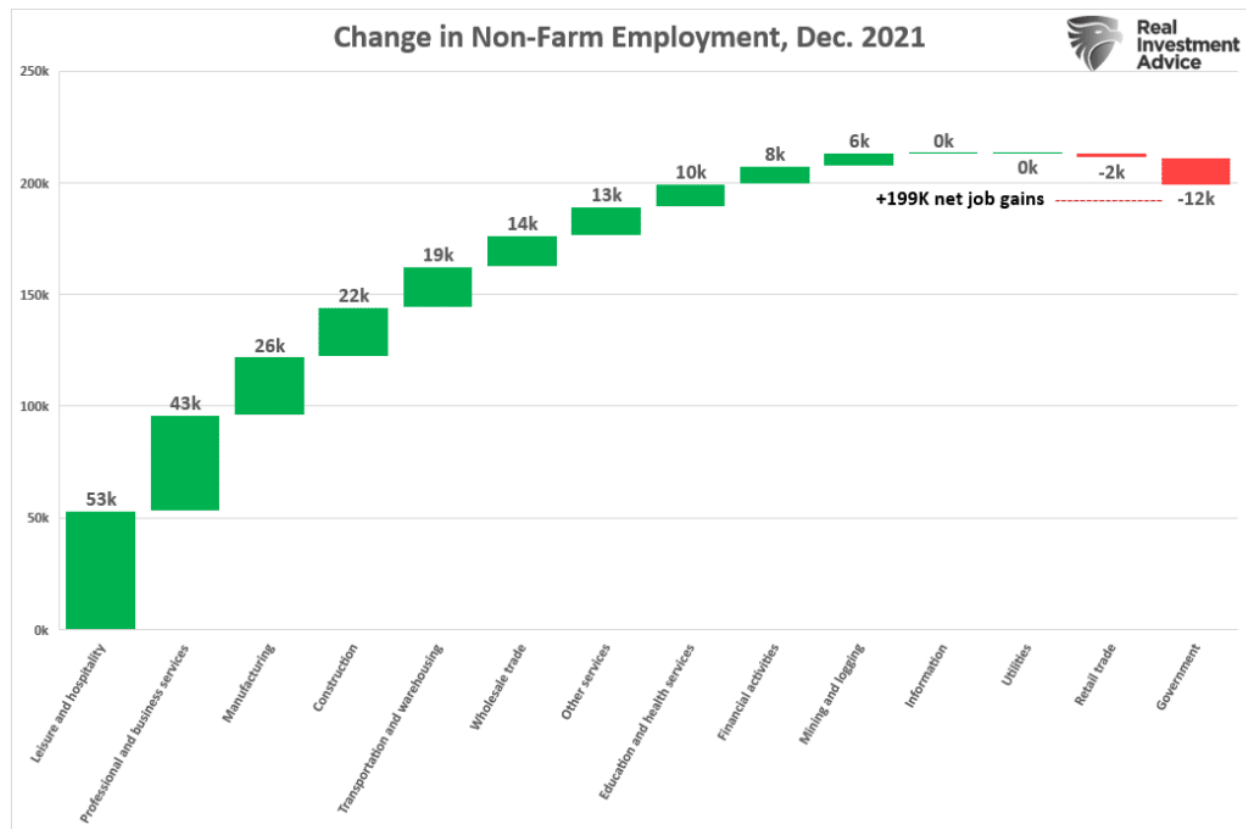
Higher risk stocks have underperformed significantly over the past 6 months, which is quite unusual considering that the drawdown in SPX has been very limited. -

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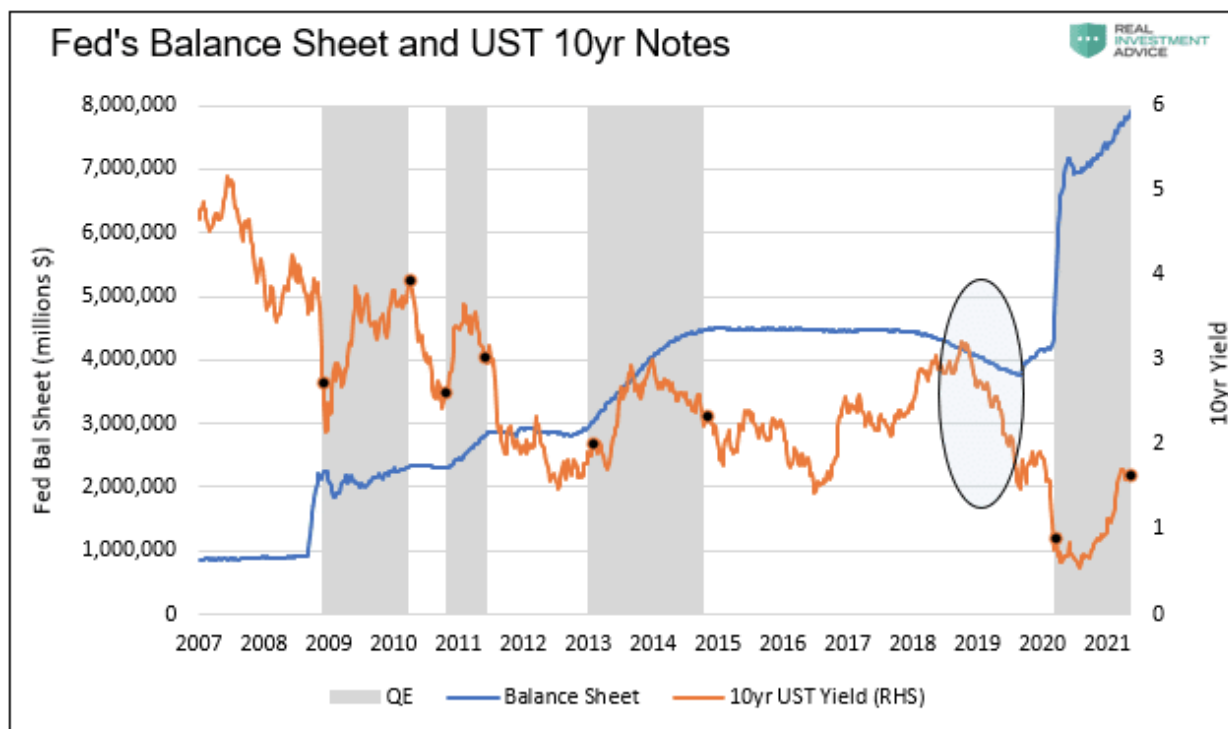
A Good and Bad Employment Report

The BLS jobs report fell short of the ADP report for the second month in a row. 199k jobs were added in December, half of the expected amount. The BLS revised October and November up by 141k. Despite the weaker number, the unemployment rate fell appreciably from 4.2% to 3.9%. Of concern for the Fed, monthly hourly earnings doubled to .6% from .3% last month. The current monthly rate indicates wage growth of 7.2%, which is more or less in line with inflation. That said, the year-over-year rate is 4.7%, down .1% from last month and below the inflation rate. While the monthly boost in earnings is welcome news for workers, the Fed must grapple with whether companies raise prices to offset higher wages. The potential for wage-price spiral inflation is undoubtedly on their minds. The graph below shows how various sectors contributed to the BLS jobs number.



Got Bonds?

The key takeaway from last week's Fed minutes was the increasing desire of Fed members to end QE rapidly but, more importantly, reduce the size of the Fed's balance sheet, aka Quantitative Tightening (QT). Does this mean we should sell our bonds and maintain low-duration bond holdings? The graph below argues otherwise. It shows that bond yields tend to fall when QE ends. The circled area shows the one instance the Fed reduced the size of their balance sheet (QT). In late 2018 and 2019, yields initially rose slightly and then fell precipitously. You can read about the graph and on how bonds react to tapering and QT in our article- [Taper is Coming: Got Bonds](#).



Chipotle Wants To Eat Taco Bell's Lunch

Chipotle may be no Gamestop, but they are "in it to win it."

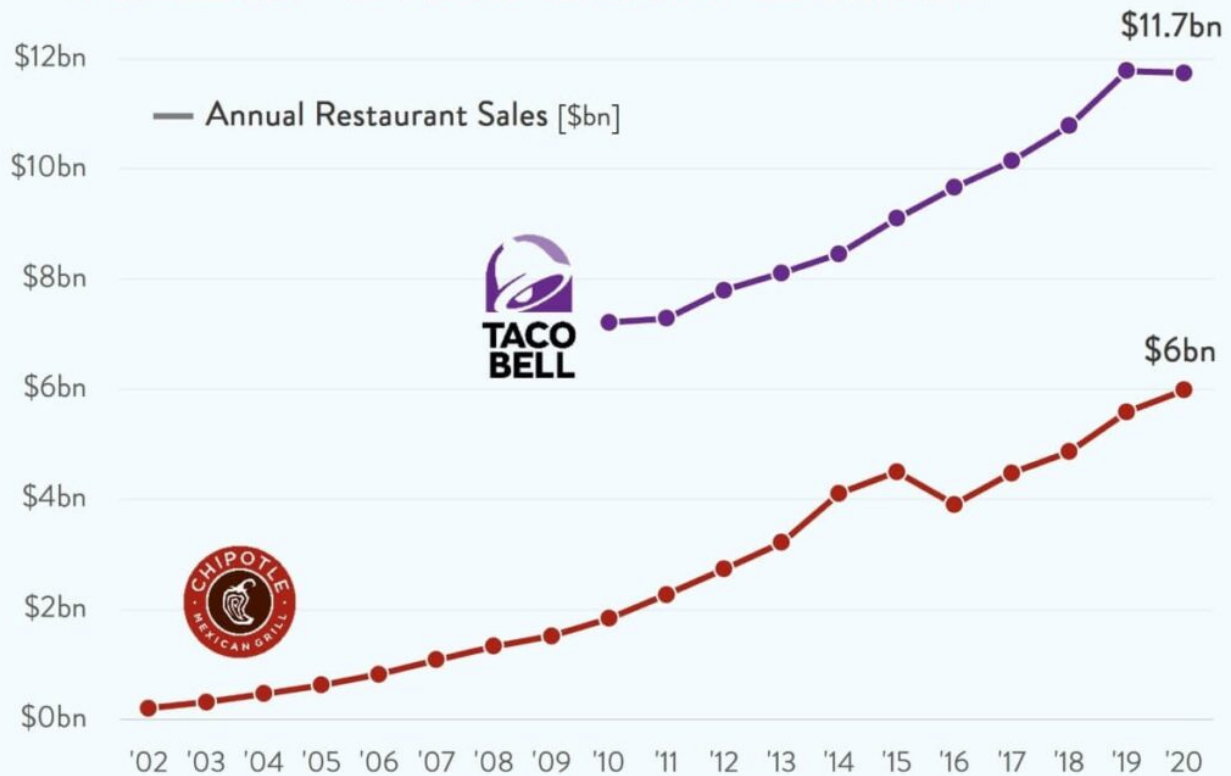
Fast Mexican (or Tex-Mex) food is a really hot market ? and **Chipotle Mexican Grill** is slowly catching up to **Taco Bell**, the biggest Mexican-based fast-food chain in the US. Last year Taco Bell's system-wide sales were flat year-on-year, **Chipotle** grew 7%.

So it's interesting that this week [Taco Bell announced its latest innovation](#) to re-invigorate growth: the **Taco Lover's Pass** subscription, which gives you one taco a day for a whole month for \$10. The idea is that you might stop by **Taco Bell** for your free taco, and decide that you were hungry and thirsty after all, and end up adding to your order.

Taco Bell isn't the first restaurant to experiment with subscriptions. **Panera** has one for drinks, and **Sweetgreen** just [launched a loyalty subscription](#) for its salads.

So far the jury's out on whether these subscriptions actually work, or if they're more of a short-term gimmick, but **Taco Bell** did say that its test of the subscription in Arizona grew its rewards program by 20%. - Chartr

Chipotle Mexican Grill Wants To Eat Taco Bell's Lunch



Sources: SEC Filings for Yum!

Brands and Chipotle Mexican Grill

chart

N.B. No reliable estimates available for Taco Bell pre-2010

IPOs Out of Favor

Over the last week, we reviewed a few speculative sectors that started 2021 on solid footing but lagged significantly as the year went on. In addition to GameStop, as discussed above, we can add newly issued IPOs to the list. As the SimpleVisor graph shows, the IPO ETF (IPO) has fallen well behind the S&P500. Since January 1, 2021, IPO has lost 23% compared to a 23% gain for the S&P 500.



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