

Fed Ex Says Global Recession is Here

Fed Ex stock fell about 20% after they delivered disappointing earnings and significantly lowered forward guidance. Fed Ex's warning is concerning because they are a good barometer of the domestic and global economy. In fact, Alan Greenspan used them to gauge the state of the economy. FedEx reported first-quarter EPS of \$3.44 versus expectations of \$5.14. They also revised next quarter's EPS estimate from \$5.48 to \$2.75.

CEO Raj Subramaniam stated: *"global volumes declined as macroeconomic trends significantly worsened later in the quarter, both internationally and in the U.S."* As we have said, traditional economic indicators often lag real-time data by a month or two. Based on the statement that economic trends **"significantly worsened later in the quarter,"** it seems conventional data has yet to pick up on what Fed Ex is witnessing. Fed Ex is "aggressively accelerating cost reduction efforts." These efforts, including closing 90 Fed Ex offices, should *"mitigate the effects of reduced demand through the remainder of fiscal 2023."*

FedEx reports earnings off cycle. Accordingly, its 2023 fiscal year ends on June 30, 2023.





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What To Watch Today

Economy

- 10:00 a.m. ET: **NAHB Housing Market Index**, September (47 expected, 49 prior)

Earnings

Company	Time	Estimate	Growth	Surprise
AZO AutoZone, Inc.	6:55 AM ET	\$38.30	\$5.15 B	4.8%

Market Trading Update

Technically, this past week was not good. The market failed at the downtrend resistance line (*dotted black*), broke below the 50 and 100-dmas, and took out the rising bullish trendline from the June lows. Those levels remain key resistance for the market currently. Furthermore, the MACD signal, close to triggering a *?bullish buy signal,?* also failed to trigger and continues to work its way lower.

If you want to call it that, the good news is that Friday, which was options expiration, saw a massive surge in volume, suggesting a temporary low. The market also held vital support at the May lows (*dotted red line*). With the market oversold on a short-term basis, a reflexive rally next week is likely.



TradingView

As I noted in Friday's [Daily Market Commentary](#) (be sure and subscribe for free pre-market email delivery), the period following options expiration tends to be more positive.

<https://twitter.com/LanceRoberts/status/1570364564402995200?s=20&t=dr1NqGnlwaMNYMIUhvIR-w>

However, investors should sell any rally next week. The technical backdrop remains bearish, and with Fed Ex's bombshell announcement, the fundamental backdrop likely took a sharper turn for the worse.

Remain cautious for now.

The Week Ahead

The Fed is the headline of the week. The FOMC meets Tuesday and Wednesday, with the policy statement and press conference occurring on Wednesday at 2 pm ET and 2:30 pm ET, respectively. The market expects the Fed to increase rates by .75bps to 3.25%. There is an outside chance they move by 100bps. FedEx and the recent weakness in the stock market may have squashed those chances. We suspect the hawkish, inflation-driven tone from Jackson Hole will be maintained with the policy statement and press conference.

It will be quiet on the economic front. Of note will be new home construction and homebuilder sentiment. The NAHB housing market index will come out today. Housing starts and building permits follow tomorrow. Continued weakness and poor sentiment in the home building industry are widely expected, given mortgage rates are north of 6%.

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Average Rates	Current	Change				52 Week Range	
		1 day	1 week	1 month	1 year	Low	High
30 Yr. Fixed	6.33%	+0.03% ↑	+0.32% ↑	+1.08% ↑	+3.40% ↑	2.93%	6.33%
15 Yr. Fixed	5.55%	+0.05% ↑	+0.26% ↑	+0.97% ↑	+3.17% ↑	2.38%	5.55%
30 Yr. FHA	5.60%	+0.04% ↑	+0.20% ↑	+0.92% ↑	+3.03% ↑	2.57%	5.75%
30 Yr. Jumbo	5.65%	+0.05% ↑	+0.40% ↑	+0.97% ↑	+2.60% ↑	3.03%	5.65%
5/1 ARM	6.00%	+0.00% —	+0.04% ↑	+0.48% ↑	+3.42% ↑	2.58%	6.00%
30 Yr. VA	5.65%	+0.04% ↑	+0.20% ↑	+0.90% ↑	+2.96% ↑	2.70%	6.00%

Last Updated: 9/15/22

Adobe Sinks on Figma Purchase

FedEx is not the only company suffering significant losses. Adobe's (ADBE) stock fell 17% on Thursday after announcing it will buy Figma for \$20 billion. Based on the market reaction, it appears the price is too high. Adobe is paying 100x Figma's expected 2022 revenue. That compares to ADBE's price-to-sales ratio of 9, which is already considered very high. Further, half of the purchase will be funded with stock, diluting current shareholders by about 12%. Before the announcement, ADBE shares were already down 33% for the year.



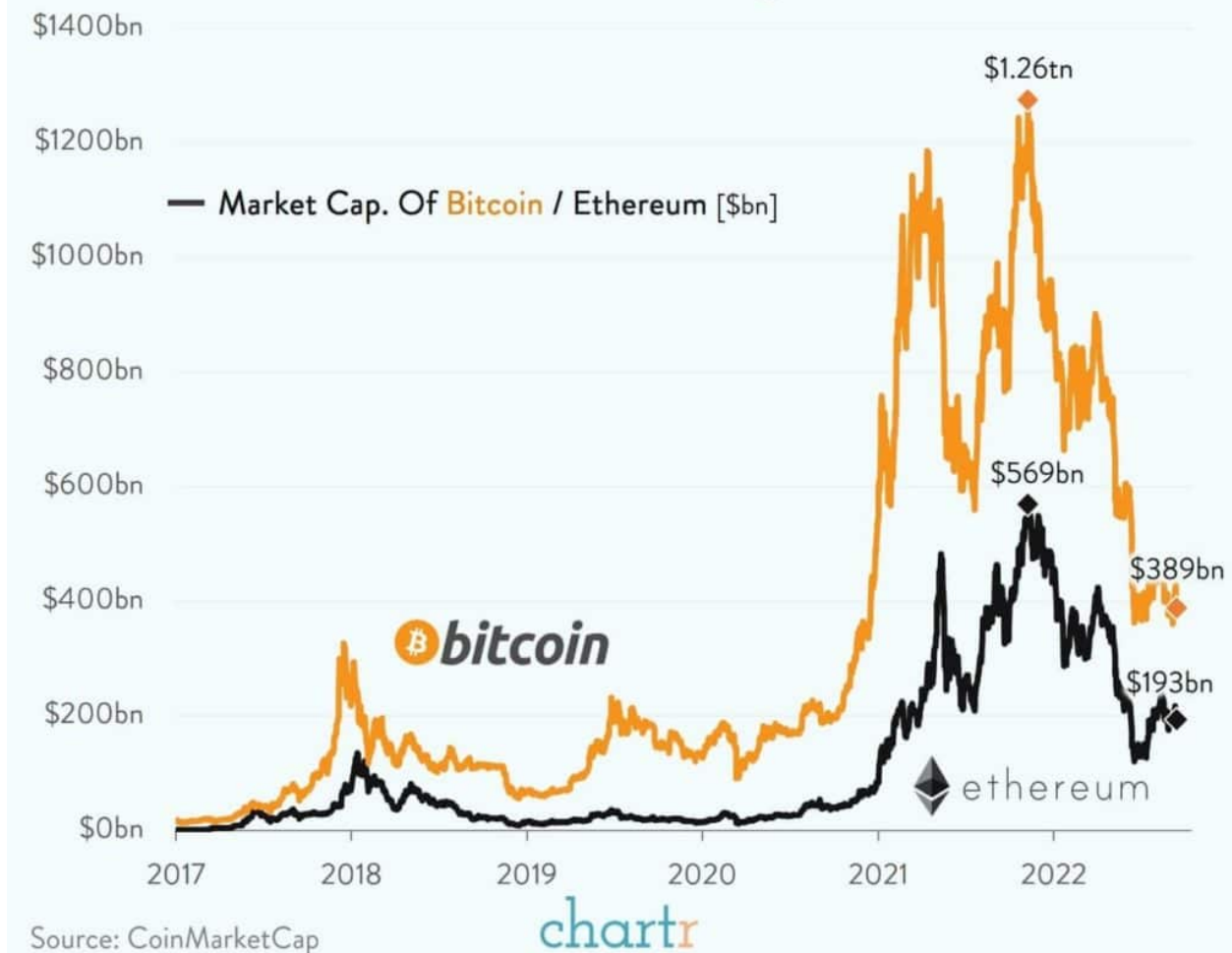
Ethereum Merge

*"For those with crypto-loving colleagues or friends, you may be sick of hearing about "the merge". For the uninitiated however, there was some big news in the crypto corner of the internet this week as **Ethereum underwent a transformation** in a bid to reduce the complexity and energy consumption of the world's second-largest cryptocurrency.*

*Developers successfully executed on the plan, known as the "Ethereum merge", which **fundamentally changes** how the cryptocurrency validates transactions on the Ethereum chain. The move, away from a type of blockchain that uses "proof-of-work" towards an architecture using "proof-of-stake", is set to reduce the need for power-hungry computers. According to crypto researchers, the change is set to reduce Ethereum's energy consumption by some **99.95%**.*

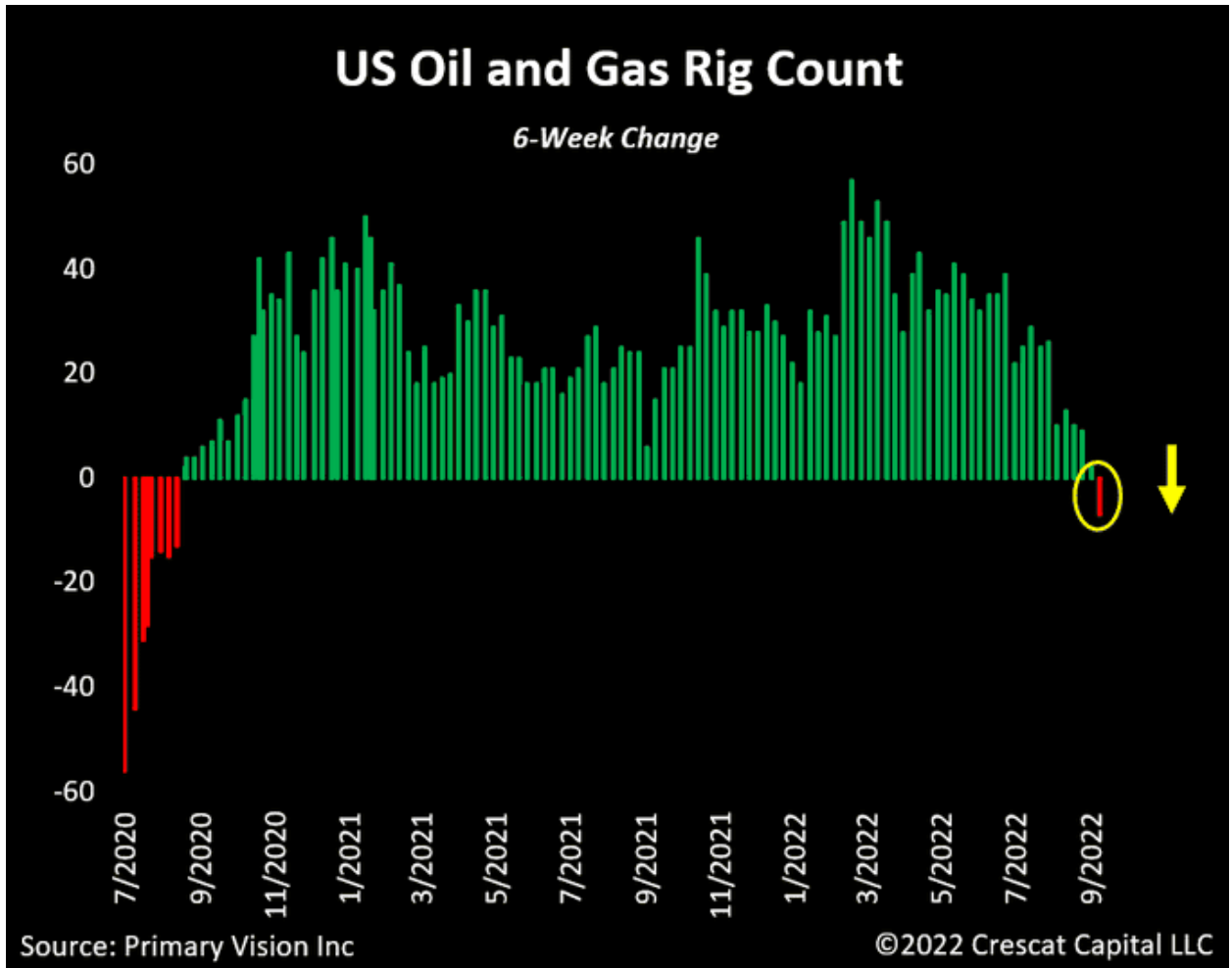
*That's a big deal because, like Bitcoin, Ethereum has historically used an enormous amount of energy to validate its transactions. Digiconomist estimates that the **energy consumption** of the two combined would rank **27th** on a list of the world's most energy-intensive countries."*

The Second Largest Cryptocurrency, Ethereum, Just Changed Forever



Oil and Gas Drilling

The graph below from Crescat Capital shows the domestic oil and gas rig count is contracting. This is occurring, despite the relatively high price of gas and oil. President Biden has said he will refill the SPR when oil hits \$80 a barrel. OPEC started reducing production targets to \$90 a barrel. It seems the oil industry is also trying to put a floor on the price of oil. Even if the global economy sinks into a recession, oil prices may prove more resilient than in prior recessions.



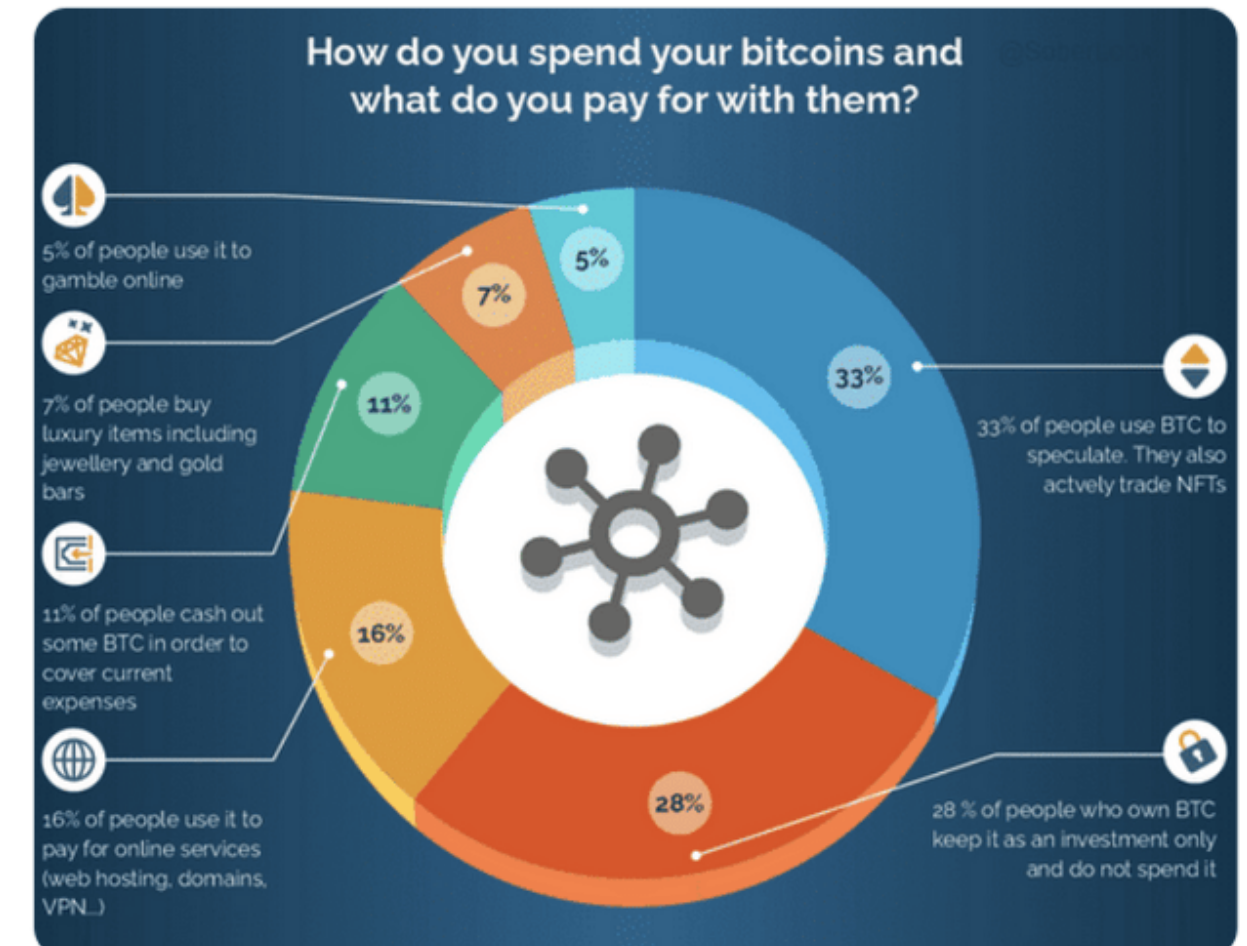
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How do you spend your **#Bitcoin**  ?
60% of holders keep it as a speculative investment,
which hasn't worked out as well as many hoped.



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