

Charlie Brown Syndrome Strikes the Markets Again

Stock investors are screaming "AAUGH!" as Jerome Powell duped them again. In one of the more iconic scenes in Charlie Brown, his sister Lucy holds a football for him to kick. Charlie Brown runs up to kick the ball, and Lucy pulls it away. Charlie Brown vows never to trust her again, yet he always does.

Investors are falling for the same trick. Investors get bulled up after each of the last few Fed meetings. They expect the Fed to relent on its super-hawkish policy. They presume that they must be near the end because the Fed has hiked so much. However, they fail to listen to the Fed. The Fed is demanding concrete proof that inflation is falling rapidly. It is not! They want the labor market to loosen up and crush a potential price-wage spiral. It is not! Until Powell sees evidence of consistently lower prices and a higher jobless rate, the Fed will continue to pull the pivot ball from investors. Don't be Charlie Brown and presume the next meeting will be different solely because the Fed is closer to its terminal Fed Funds rate.



Image Courtesy Of [PeanutsFandom.com](https://www.PeanutsFandom.com)

What To Watch Today

Economy

- 8:30 a.m. ET: **Change in Nonfarm Payrolls**, October (195,000 expected, 263,000 prior)
- 8:30 a.m. ET: **Change in Private Payrolls**, October (200,000 expected, 288,000 prior)
- 8:30 a.m. ET: **Change in Manufacturing Payrolls**, October (12,000 expected, 22,000 prior)
- 8:30 a.m. ET: **Unemployment Rate**, October (3.6% expected, 3.5% prior)
- 8:30 a.m. ET: **Average Hourly Earnings**, month-over-month, October (0.3% expected, 0.3% prior)
- 8:30 a.m. ET: **Average Hourly Earnings**, year-over-year, October (4.7% expected, 5.0% prior)
- 8:30 a.m. ET: **Average Weekly Hours All Employees**, October (34.5 expected, 34.5 prior)
- 8:30 a.m. ET: **Labor Force Participation Rate**, October (62.3% expected, 62.3% prior)
- 8:30 a.m. ET: **Underemployment Rate**, October (6.7% prior)

Earnings

Company		Time	Estimate		Growth	Surprise			
					✓ Show only confirmed?				
✓	DKNG	DraftKings Inc.	7:00 AM ET	(\$1.07)	\$436.72 M	105.2%	+	=	-
✓	FUBO	fuboTV Inc.	9:00 AM ET	(\$0.74)	\$211.47 M	35.0%	+	=	-
✓	D	Dominion Energy, Inc.	7:30 AM ET	\$1.08	\$3.90 B	22.8%	+	=	-
✓	CNK	Cinemark Inc	6:30 AM ET	(\$0.15)	\$628.86 M	44.6%	+	=	-
✓	MBUU	Malibu Boats Inc.	7:00 AM ET	\$1.64	\$290.16 M	14.5%	+	=	-
✓	DUK	Duke Energy Corp.	7:00 AM ET	\$1.83	\$7.19 B	3.4%	+	=	-
✓	ENB	Enbridge, Inc.	7:00 AM ET	\$0.50	\$40.08 B	340.1%	+	=	-
✓	AMCX	AMC Networks Inc	7:00 AM ET	\$1.99	\$787.56 M	-2.9%	+	=	-
✓	CAH	Cardinal Health, Inc.	6:50 AM ET	\$0.96	\$48.32 B	9.9%	+	=	-
✓	HUN	Huntsman Corp	6:00 AM ET	\$0.71	\$2.05 B	-10.3%	+	=	-
✓	HSY	Hershey Company	6:45 AM ET	\$2.07	\$2.61 B	10.6%	+	=	-
✓	FLR	Fluor Corp.	6:50 AM ET	\$0.48	\$3.92 B	26.3%	+	=	-
✓	ABR	Arbor Realty Trust Inc.	8:00 AM ET	\$0.44	\$89.94 M	-28.3%	+	=	-
✓	MDNA	Medicenna Therapeut...	7:00 AM ET	(\$0.06)	-	-	+	=	-
✓	CBOE	Cboe Global Markets,...	7:30 AM ET	\$1.63	\$439.63 M	-46.2%	+	=	-
✓	MGA	Magna International I...	5:00 AM ET	\$1.13	\$9.34 B	17.9%	+	=	-
✓	ASIX	AdvanSix Inc.	6:30 AM ET	\$0.22	\$463.47 M	3.8%	+	=	-
✓	GLP	Global Partners LP	8:00 AM ET	\$1.33	\$4.11 B	23.6%	+	=	-
✓	ACMR	ACM Research, Inc.	5:00 AM ET	\$0.23	\$110.91 M	65.5%	+	=	-
✓	PBR	Petroleo Brasileiro S...	BMO	\$1.32	\$32.54 B	39.9%	+	=	-
✓	PPL	PPL Corporation	8:00 AM ET	\$0.41	\$1.66 B	9.8%	+	=	-
✓	WPC	W. P. Carey Inc.	7:30 AM ET	\$1.25	\$378.91 M	16.3%	+	=	-
✓	BEP	Brookfield Renewabl...	6:50 AM ET	(\$0.03)	\$974.23 M	0.9%	+	=	-
✓	IEP	Icahn Enterprises L.P.	(\$0.37)	\$3.40 B	\$0.22	\$3.06 B	28.6%	-268.2%	
✓	TWIN	Twin Disc Inc.	8:00 AM ET	\$0.19	\$59.70 M	25.0%	+	=	-
✓	AXL	American Axle & Man...	8:00 AM ET	\$0.23	\$1.47 B	21.2%	+	=	-
✓	TU	Telus Corp.	6:45 AM ET	\$0.27	\$3.56 B	5.4%	+	=	-
✓	VST	Vistra Energy	6:30 AM ET	\$1.75	\$7.35 B	145.7%	+	=	-
✓	CNTY	Century Casinos, Inc.	6:00 AM ET	\$0.17	\$110.40 M	-5.3%	+	=	-
✓	GTN	Gray Television Inc.	6:00 AM ET	\$1.40	\$950.70 M	58.2%	+	=	-
✓	RUTH	Ruth's Hospitality Gro...	7:00 AM ET	\$0.18	\$111.30 M	6.8%	+	=	-
✓	ADNT	Adient plc	6:50 AM ET	\$0.51	\$3.57 B	28.8%	+	=	-
✓	AES	AES Corp.	7:35 AM ET	\$0.54	\$3.05 B	0.5%	+	=	-
✓	BBU	Brookfield Business ...	6:45 AM ET	\$1.36	-	-	+	=	-
✓	GTES	Gates Industrial Corp...	8:00 AM ET	\$0.25	\$890.55 M	3.3%	+	=	-
✓	SYNH	Syneos Health, Inc.	6:05 AM ET	\$1.30	\$1.37 B	1.6%	+	=	-
✓	UWMC	UWM Holdings Corpo...	8:30 AM ET	\$0.03	\$329.58 M	-52.3%	+	=	-
✓	AMRX	Amneal Pharmaceuti...	6:00 AM ET	\$0.16	\$565.03 M	6.9%	+	=	-
✓	BCPC	Balchem Corp.	7:00 AM ET	\$0.91	\$239.99 M	21.3%	+	=	-
✓	ESNT	Essent Group Ltd	6:30 AM ET	\$1.55	\$241.69 M	-14.8%	+	=	-
✓	IMGN	ImmunoGen, Inc.	6:30 AM ET	(\$0.26)	\$12.48 M	35.5%	+	=	-
✓	TILE	Interface Inc	5:30 AM ET	\$0.24	\$334.90 M	7.1%	+	=	-

Market Trading Update

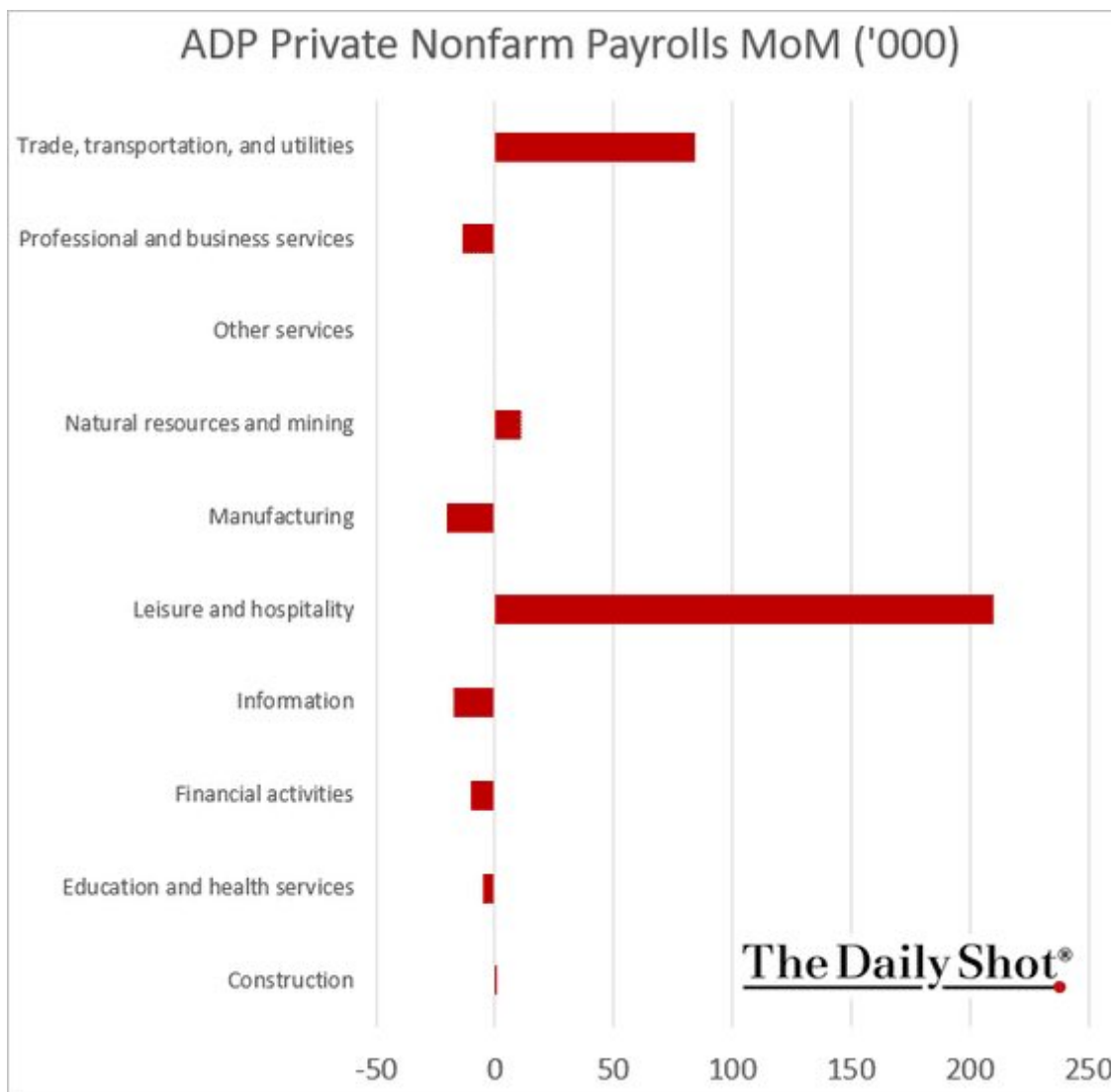
The market traded off yesterday as concerns over a continued "hawkish" Fed put the bears back in charge of the market. After the recent 4-week bullish rally, the trade is currently lower. The good news, at the moment, is the market managed to hold onto the 20-dma yesterday, although just barely. If the market sells off again today, the retest of recent lows becomes increasingly likely. This morning we have the jobs report, which will further incite the Fed to remain aggressive on rate hikes if it comes in exceptionally strong. We reduced equity exposure again yesterday, and depending on what happens following this morning's employment report, may take further actions.

Also concerning is the MACD signal, which is set to trigger a "sell signal" if market weakness continues. Today will be a critical day for the bulls if they are going to maintain control.



The ADP Jobs Report is Strong, But...

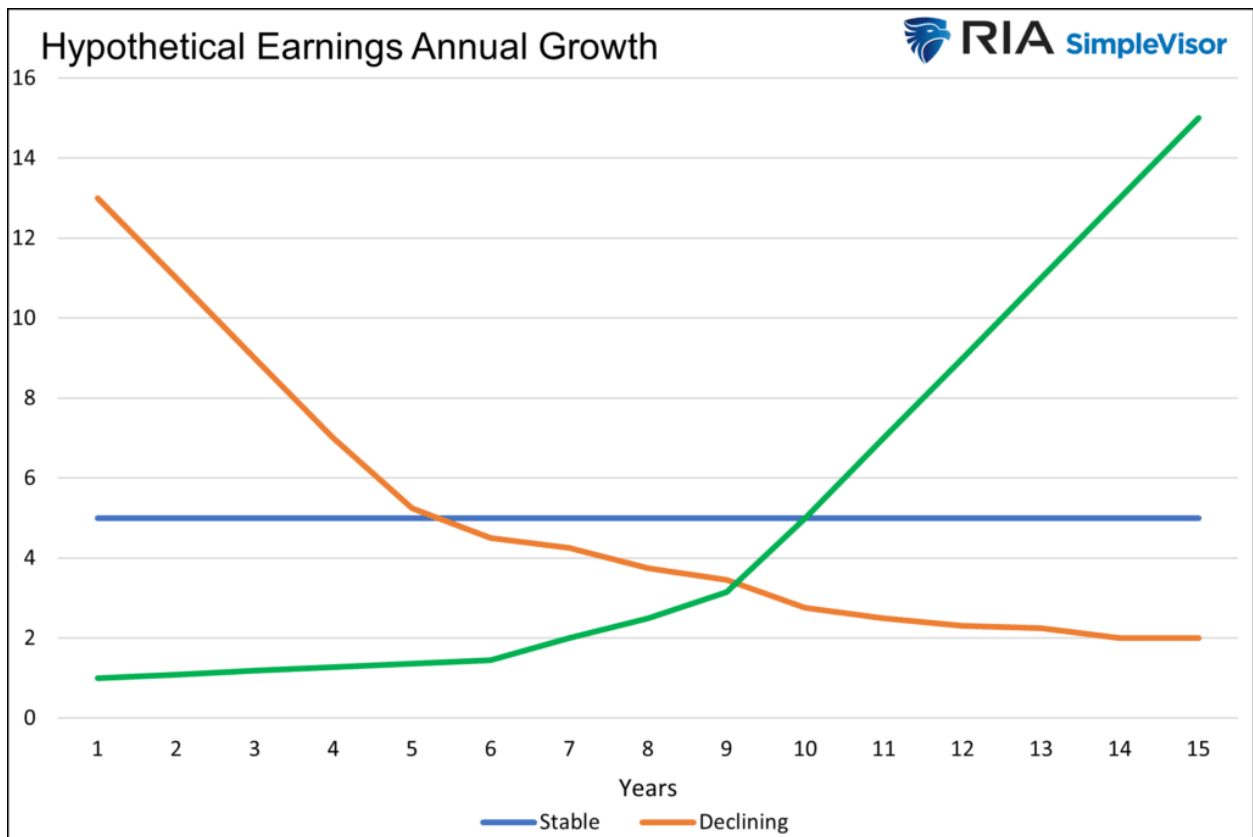
The [ADP jobs report](#), a precursor to today's BLS labor report, was stronger than expected at +239k. However, looking beneath the surface of the data leaves much to be desired. Nearly 100% of job growth came from the leisure and hospitality sectors. Most jobs in those sectors are low-paying and quite often temporary jobs. Of the other nine sectors, five were lower, and two were slightly higher. While labor data, in general, remains robust, there should be concerns that the quality of job growth is poor.



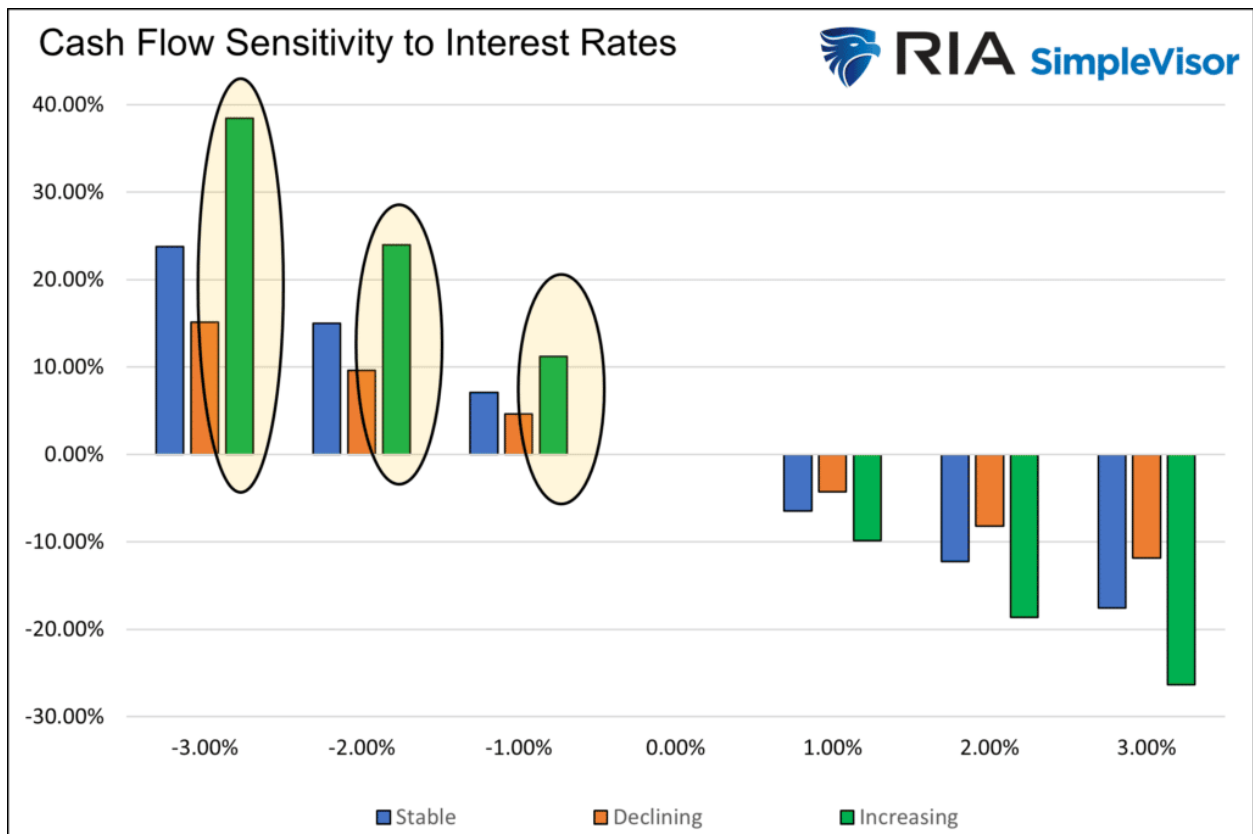
Measuring Stock Sensitivity to Interest Rates

On Wednesday, we published [Finance is at Fault](#). The article quantifies how higher interest rates weighed on stock prices this year. Understanding the relationship between stock prices and interest rates helps us better formulate what type of stocks may do better when interest rates reverse course.

The trajectory of future earnings (cash flows) plays a critical role in calculating how sensitive stock prices are to changes in interest rates. Simply, the more front-loaded the earnings, the less sensitive. This helps explain why many value stocks outperformed growth stocks as interest rates rose this year. To further clarify this point, we compare three hypothetical companies with vastly different projected growth rates.



With interest rates likely peaking, and the probable path over the coming year lower, what type of stocks will benefit most from lower interest rates? Per the graph below using our hypothetical companies shown above, growth companies with increasing and longer-dated cash flows should rise the most in a lower-rate environment.



Tweet of the Day



Danielle DiMartino Booth  @DiMartinoBooth · 21h ⋮

“Nearly \$2.5B exited from the \$21B iShares Short Treasury Bond ETF on Tuesday in the fund’s biggest one-day outflow on record, Exodus suggests that rising Treasury yields are in the rearview mirror, and traders are comfortable venturing outside the safety of cash.”

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